European
Commission

ISSN 2443-8014 (online)

European Economic Forecast

Autumn 2019

INSTITUTIONAL PAPER 115 | NOVEMBER 2019

EUROPEAN ECONOMY

Economic and Financial Affairs

European Economy Institutional Papers are important reports analysing the economic situation and economic developments prepared by the European Commission's Directorate-General for Economic and Financial Affairs, which serve to underpin economic policy-making by the European Commission, the Council of the European Union and the European Parliament.

Views expressed in unofficial documents do not necessarily represent the views of the European Commission.

This paper exists in English only and can be downloaded from
https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en.

Luxembourg: Publications Office of the European Union, 2019

PDF ISBN 978-92-79-98862-2 ISSN 2443-8014 doi:10.2765/392612 KC-BC-19-022-EN-N

European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Autumn 2019

EUROPEAN ECONOMY

Institutional Paper 115

ABBREVIATIONS

Countries and regions

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

CIS	Commonwealth of Independent States
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
MENA	Middle East and North Africa
ROW	Rest of the World
SSA	Sub-Saharan Africa

Economic variables and institutions

CCCI	Composite Credit Cost Indicators
CPI	Consumer price index
EONIA	Euro Overnight Index Average
ESI	Economic Sentiment Indicator
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
NAWRU	Non-Accelerating Wage Rate of Unemployment
NPL	Non-performing loan

PMI	Purchasing Managers' Index
VAT	Value-Added Tax
BIS	Bank for International Settlements
ECB	European Central Bank
IMF	International Monetary Fund
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Cooperation and Development
WTO	World Trade Organisation

Other abbreviations

CAM	Commonly agreed methodology
CICE	Tax credit for employment and competitiveness
FDI	Foreign Direct Investment
GVCs	Global value chains
NFC	Non-Financial Corporations

Graphs/Tables/Units

bbl	Barrel
bn	Billion
bp. /bps.	Basis point / points
H	Half
lhs	Left hand scale
mn	Million
pp. / pps.	Percentage point / points
pt. / pts.	Point / points
Q	Quarter
q-o-q%	Quarter-on-quarter percentage change
rhs	Right hand scale
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
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen
RMB	Renminbi
TRY	Turkish lira
USD	US dollar

CONTENTS

LIST OF TABLES

LIST OF GRAPHS

LIST OF BOXES

FOREWORD

The European and world economy have weakened over the past year. Europe has seen a sharp slowdown in external demand and a contraction in manufacturing, which is starting to spill over to other parts of the economy. While the solid performance of the labour market has helped to sustain private consumption and domestic demand, GDP growth is unlikely to rebound swiftly.

The fact that growth is no longer expected to rebound meaningfully in the next two years is a major shift compared to previous forecasts and is based on the assessment that many features of the global slowdown will be persistent. Most importantly, the surge in trade tensions and record-high uncertainty about trade policies is likely to have inflicted lasting damage to world trade, as corporates have postponed investment and may be reconsidering altogether their sourcing arrangements and related global value chains in view of weakened multilateral cooperation. As a consequence, demand for investment goods, which thrives on trade integration, has slumped. The current deceleration in the US is largely due to the maturing of the cycle. By contrast, held back by population ageing, high debt and the rebalancing away from overinvestment, China's economy is set for a structural shift to lower growth. The recent slowdown in emerging market economies amid trade tensions, tighter financing conditions and low commodity prices also now appears unlikely to be followed by a swift rebound.

Adding to domestic economic shocks and policy uncertainty, the slowdown in global demand and weak trade has hit the European economy hard, particularly the manufacturing sector in export-oriented Member States. So far, the strength of the labour market and the resilience of the services sector have prevented the impact from spreading much further, but this resilience cannot endure indefinitely. Economic activity now looks set to slow down in a number of Member States, which at first appeared immune. As the slowdown spreads, labour markets will lose steam. Wage growth may already have stopped increasing, leaving core inflation at persistently low levels. In the meantime, long-standing structural impediments to productivity growth have yet to be resolved.

The subdued outlook for growth and inflation prompted the European Central Bank to implement another round of easing measures in September. At the same time, the ECB and other international organisations have called for fiscal and structural policies to be stepped up to create a more supportive and efficient policy mix. In addition to stabilising an economy faced with the prospect of a sharper and longer downturn, improving human and physical capital through increased investment in education and key infrastructure could raise productivity growth. A targeted package of fiscal and structural policies could further contribute to the transition to an environmentally and socially sustainable economy. In the absence of a euro area budget for stabilisation, a supportive fiscal stance for the euro area as a whole requires a more coordinated response. Using available fiscal space actively would allow Member States not only to provide a fiscal stimulus amid the sharp slowdown in manufacturing that threatens to spill over to the labour market, but also to refresh and modernise the public capital stock, thereby boosting potential growth. Member States with high public debt should enact prudent policies that put their debt credibly on a sustainable downward path while prioritising investment and improving the quality of taxation and expenditure. Very low or negative financing costs provide an opportunity to bring forward projects with a high social, environmental and economic return. This window of opportunity should be used now.

Marco Buti
Director General
Economic and Financial Affairs

OVERVIEW: A CHALLENGING ROAD AHEAD

Weaker trade set to test robustness of labour market

The EU economy is facing a combination of shocks…

The European economy has entered a protracted period of subdued growth and low inflation in the context of high uncertainty, a much less supportive external environment, and structural shifts mainly affecting the manufacturing sector. Global growth is set to fall this year to a pace usually associated with the brink of recession. International trade in goods has been stagnant at best, previously-identified risks of an increase in trade tensions and geopolitical conflicts materialised over the summer, and high uncertainties related to trade policies and Brexit have not receded. Leading indicators suggest that the weakness in global manufacturing will continue in the near term. Hence, the EU economy, which slowed down in the second quarter of 2019, is not likely to rebound in the near term.

…whose impact is cushioned by the strength of its labour market…

Labour markets in Europe, however, have remained strong and the unemployment rate has fallen to below its pre-crisis level, fuelling robust wage growth, which has allowed domestic demand to expand at a relatively steady pace, in a context of historically low borrowing costs. As on top, some Member States have introduced growth-enhancing fiscal measures and more domestically oriented sectors are expected to remain resilient, GDP should continue to grow in all Member States. All these factors are however unlikely to be strong enough to power growth to a higher trajectory than this year.

Table 1:

Overview - the autumn 2019 forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Belgium	1.1	1.0	1.0	1.3	1.4	1.4	5.5	5.4	5.3	-0.8	-0.9	-1.0	-1.7	-2.3	-2.6
Germany	0.4	1.0	1.0	1.3	1.2	1.4	3.2	3.4	3.5	7.0	6.8	6.4	1.2	0.6	0.2
Estonia	3.2	2.1	2.4	2.4	2.1	2.2	5.1	5.4	5.8	1.4	1.6	1.6	-0.2	-0.2	-0.2
Ireland	5.6	3.5	3.2	0.8	1.1	1.4	5.2	5.0	5.0	0.8	1.3	1.7	0.2	0.3	0.6
Greece	1.8	2.3	2.0	0.5	0.6	0.9	17.3	15.4	14.0	-0.8	-1.1	-0.9	1.3	1.0	1.1
Spain	1.9	1.5	1.4	0.9	1.1	1.4	13.9	13.3	12.8	2.4	2.5	2.6	-2.3	-2.2	-2.1
France	1.3	1.3	1.2	1.3	1.3	1.3	8.5	8.2	8.0	-0.4	-0.6	-0.6	-3.1	-2.2	-2.2
Italy	0.1	0.4	0.7	0.6	0.8	1.1	10.0	10.0	10.0	2.9	2.9	2.9	-2.2	-2.3	-2.7
Cyprus	2.9	2.6	2.3	0.6	0.7	1.3	7.2	6.3	5.7	-8.1	-10.6	-11.1	3.7	2.6	2.4
Latvia	2.5	2.6	2.7	3.1	2.5	2.3	6.6	6.4	6.4	-0.8	-1.4	-1.8	-0.6	-0.6	-0.6
Lithuania	3.8	2.4	2.4	2.4	2.2	2.1	6.2	6.2	6.2	1.2	1.5	1.8	0.0	0.0	0.0
Luxembourg	2.6	2.6	2.6	1.7	1.6	1.9	5.3	5.3	5.3	4.4	4.4	4.4	2.3	1.4	1.4
Malta	5.0	4.2	3.8	1.6	1.7	1.7	3.6	3.5	3.6	9.0	8.5	8.2	1.2	1.0	1.0
Netherlands	1.7	1.3	1.3	2.6	1.4	1.5	3.5	3.7	4.1	9.8	9.0	8.6	1.5	0.5	0.4
Austria	1.5	1.4	1.4	1.5	1.6	1.6	4.6	4.6	4.6	2.2	2.1	2.2	0.4	0.2	0.4
Portugal	2.0	1.7	1.7	0.3	1.1	1.4	6.3	5.9	5.6	-0.4	-0.7	-1.0	-0.1	0.0	0.6
Slovenia	2.6	2.7	2.7	1.8	1.9	2.0	4.4	4.2	4.2	5.8	5.5	5.1	0.5	0.5	0.6
Slovakia	2.7	2.6	2.7	2.7	2.5	2.2	5.8	5.7	5.6	-2.4	-2.6	-2.3	-0.9	-1.2	-1.3
Finland	1.4	1.1	1.0	1.2	1.4	1.5	6.7	6.5	6.4	-1.3	-1.5	-1.7	-1.1	-1.4	-1.6
Euro area	**1.1**	**1.2**	**1.2**	**1.2**	**1.2**	**1.3**	**7.6**	**7.4**	**7.3**	**3.3**	**3.2**	**3.1**	**-0.8**	**-0.9**	**-1.0**
Bulgaria	3.6	3.0	2.9	2.4	1.6	2.1	4.4	4.1	4.0	5.5	5.5	5.4	1.1	0.9	0.9
Czechia	2.5	2.2	2.1	2.6	2.3	2.0	2.1	2.2	2.3	0.0	0.5	0.7	0.2	-0.1	-0.3
Denmark	2.0	1.5	1.6	0.8	1.3	1.4	4.9	4.8	4.7	7.1	6.7	6.7	2.2	0.5	0.0
Croatia	2.9	2.6	2.4	0.9	1.4	1.5	6.9	5.8	4.9	1.6	0.7	0.3	0.1	0.0	0.0
Hungary	4.6	2.8	2.8	3.4	3.1	3.0	3.4	3.4	3.4	-1.2	-0.8	-0.7	-1.8	-1.0	-0.8
Poland	4.1	3.3	3.3	2.2	2.6	2.5	3.5	3.6	3.5	-0.4	-0.4	-0.1	-1.0	-0.2	-0.9
Romania	4.1	3.6	3.3	3.9	3.5	3.4	3.9	4.2	4.3	-5.1	-5.3	-5.4	-3.6	-4.4	-6.1
Sweden	1.1	1.0	1.4	1.7	1.5	1.6	6.8	7.1	7.2	3.6	4.1	4.5	0.3	0.1	0.1
EU27	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.6**	**6.8**	**6.7**	**6.5**	**3.0**	**2.9**	**2.8**	**-0.7**	**-0.8**	**-1.0**
United Kingdom	1.3	1.4	1.4	1.8	2.0	2.2	3.8	4.0	4.1	-4.3	-4.2	-4.2	-2.2	-2.4	-2.2
EU	**1.4**	**1.4**	**1.4**	**1.5**	**1.5**	**1.7**	**6.3**	**6.2**	**6.2**	**1.9**	**1.8**	**1.8**	**-0.9**	**-1.1**	**-1.2**
China	6.1	5.8	5.6	:	:	:	:	:	:	0.8	0.7	0.6	:	:	:
Japan	0.9	0.4	0.6	0.5	1.1	0.7	2.3	2.2	2.2	3.5	3.5	3.3	-2.8	-2.6	-2.2
United States	2.3	1.8	1.6	1.8	2.1	2.0	3.7	3.7	3.7	-2.5	-2.5	-2.5	-6.7	-6.7	-6.7
World	**2.9**	**3.0**	**3.1**	:	:	:	:	:	:	:	:	:	:	:	:

…but uncertainty and structural shifts should keep GDP growth subdued.

Lingering trade policy uncertainty, including on future relations between the UK and the rest of the EU, compounded by structural shifts, such as changing consumer preferences in the car industry and the damage already caused to trade integration, are likely to dampen growth and inflation in the euro area for a protracted period. Euro area GDP growth is thus forecast to slow from 1.9% last year to 1.1% this year and to stabilise at 1.2% in the next two years. While the growth rate in 2020 will be flattered by a higher number of working days, its expected stabilisation in 2021 should be helped by the fading negative impact of some shocks. Given the expected weakness in the second half of this year, which implies a lower starting point into next year, the projections for 2019 and 2020 are lower than in the Commission's spring forecast and slightly below the summer interim forecast.

As global growth is hurt by escalating economic conflict and lingering uncertainty...

Over the summer, the re-intensification of economic tensions between the US and China and elevated policy uncertainty took their toll on global investment, manufacturing and trade. Consequently, the modest rebound in global GDP growth in the first half of 2019 should be short-lived, and the near-term outlook has turned notably more subdued than expected in the spring. However, policy stimuli in a number of major economies, including the US and China, as well as resilient labour markets and easy financing conditions in advanced economies, should limit the depth of the global slowdown. Global GDP growth (excluding the EU) is forecast to decrease from 3.8% in 2018 to 3.2% in 2019, markedly lower than in previous forecasts.

…it is expected to remain subdued...

Over the next two years, elevated uncertainty around US trade policy, worries regarding the ability of the WTO to uphold the multilateral trading system and geopolitical tensions in the Middle East are all set to linger and weigh on global growth. As these will be compounded by structural factors such as population ageing and low productivity trends, the slowdown in China, protectionist tendencies and the impact of climate change, the global economy (excluding the EU) is set to continue expanding below trend at 3.3% in 2020 and 3.4% in 2021. The slight increase compared to this year mostly reflects the expectation of modestly improving cyclical conditions in some distressed emerging market economies. But the previously expected stronger rebound of emerging markets as a whole has been scaled back amid trade tensions, tighter financing conditions and low commodity prices, while the largely cyclical slowdown in advanced economies (excluding the EU) should proceed broadly as anticipated.

…and less trade-intensive.

Coinciding with record-high trade policy uncertainty, global trade growth weakened considerably in the first half of 2019 with no signs of a rebound yet. Non-EU world import growth is expected to slow down sharply from 4.1% in 2018 to 0.4% this year before picking up to 2.1% in 2020 and 2.5% in 2021. This slight increase is mainly expected to occur as a result of base effects linked to the fading impact of the trade uncertainty shock and due to the assumption that import elasticities will increase somewhat from their extremely low current levels. The weakness of trade has coincided with a pronounced, worldwide slowdown in industrial production and investment. The increasingly structural nature of the weakness in the manufacturing sector and the assumption that trade tensions and uncertainties will remain elevated over the forecast horizon, mean that the revival in trade dynamics would likely be limited.

Concerns about the global outlook have driven bond yields lower…

In response to concerns about slowing growth and the escalation in trade tensions, central banks across the world have recently shifted to more accommodative policies. Government bonds have rallied remarkably in recent months, leading to lower yields around the world. Stock markets have been volatile reflecting the ups and downs in the US-China economic confrontation but, overall, equity indices in advanced economies have recently hovered near record highs.

…and a large part of European sovereign bonds are traded at negative yields…

In Europe, financial markets have shown significant volatility, driven by similar factors. Equity markets recovered their substantial summer losses on expectations that the ECB would come up with a significant policy package, and recovered further after the subsequent announcement of the resumption of net asset purchases and the strengthening of the ECB's forward guidance. Indices for banks and export-oriented economies, however, have underperformed. In the bond market, the perception of a deteriorating outlook, expectations of a prolonged period of monetary policy accommodation and a further decline in the term premium put pressure on sovereign yields over the summer. As demand outpaced the supply of safe assets, a large share of sovereign bonds is trading at negative yields.

…while the euro exchange rate has been broadly stable …

The euro's weakness against the US dollar and the Japanese yen over the summer has been broadly offset by its appreciation vis-à-vis the currencies of most other EU countries and some emerging economies. On average, the euro's nominal effective exchange rate is assumed to depreciate by 1% this year and to broadly stabilise next year.

…and net lending has expanded further.

Net lending to the private sector in the euro area has continued to expand at a robust pace in recent months owing to an overall easing of credit standards, as well as rising demand for housing loans, which reflects the continued buoyancy of housing markets. Overall, funding costs for the private and public sectors are expected to remain supportive over the forecast horizon. At the same time, the real increase in credit volumes to the private sector is set to remain modest despite the very low interest rates.

Member States set to converge towards weaker outcomes…

Some of the shocks that have dampened activity in the euro area are expected to fade over the forecast horizon, as e.g. world trade is expected to bottom out and its drag on the manufacturing sector to lessen. However, the slowdown of activity is now expected also to affect Central and Eastern European economies. For some time, they seemed to be immune, but spillovers via cross-border production chains are bound to take place eventually.

…but private consumption should hold up well…

In the euro area, private consumption growth has held up relatively well so far this year. Households' purchasing power has increased on the back of further job creation and real wage growth, as well as supportive discretionary fiscal measures in some Member States. However, only part of the rise in real disposable income has actually been spent. Household decisions to save more have probably been driven by higher unemployment expectations and uncertainty regarding the scope and duration of technological and regulatory changes in the car industry, the latter reflected in still subdued car sales. Overall, private consumption growth in the euro area is expected to edge down this year to 1.1% (from 1.4% in 2018), dampened by a higher increase in the saving rate than previously expected. It is forecast to continue growing at about the same pace towards 2021, amid a softening of real income growth driven by slower employment creation.

…while investment is more hard hit…

The weakness of global trade is set to hit business investment in the euro area hard, as a large share of it is linked to trade. Investment growth in the euro area (excluding Ireland) is forecast to moderate this year, diminish further next year and to remain steady in 2021 as the drag from the external environment is fading. This ongoing moderation is not fully reflected in the data available for the first half of this year given the large swings related to the activities of multinationals in Ireland and the support that came from the increase in public investment in machinery and equipment in Germany. Still, looking beyond this, forward-looking indicators confirm that non-construction investment is set to slow down in the near term. Over the next two years, favourable factors such as historically low financing conditions and the support from various schemes such as the European Fund for Strategic Investments are likely to be offset by the declining rate of capacity utilisation, lower profit margins, as well as weaker corporate earnings in a context of subdued aggregate demand and elevated uncertainty. In the construction sector, the pace of further expansion should be limited by still elevated skilled labour shortages.

…and the contribution of net exports to growth should only return to neutral next year.

Due to its high openness and intense participation in global value chains, but also because of the high share of manufacturing in its exports, the euro area has been hit particularly hard by the weakness in foreign trade and heightened uncertainty about trade policies. In the first half of 2019, euro area exports of goods failed to grow with both intra- and extra-euro area exports underperforming. Leading indicators such as export order books signal that they are likely to remain sluggish in the near term. Euro area export growth is forecast to decrease by about one percentage point this year and to edge down further next year, before increasing modestly in 2021. The contribution of net exports to euro area GDP growth is forecast to be negative this year and quasi neutral in 2020 and 2021. The current account surplus of the euro area is set to decline from 3.8% of GDP in 2018 to 3.1% in 2021, largely mirroring the fall in the merchandise trade surplus.

Employment gains are set to slow down…

The labour market in the euro area has proved to be surprisingly resilient so far to the slowdown in economic growth, showing improvements both in terms of the number of persons employed and the number of hours worked and allowing a substantial reduction in the unemployment rate. However, as changes in the labour market situation usually lag developments in economic activity, the potential for further increases in employment has become more limited, particularly in the underperforming manufacturing industry where labour hoarding has taken place in some countries. Nevertheless, the labour market situation is expected to remain relatively favourable, with employment set to increase further, though survey indicators point to a significantly more moderate pace. Shifts in the sectoral composition of employment towards sectors like services with lower productivity increases are however likely to make low growth compatible with higher employment gains than before. In combination with more limited increases in the labour force than in previous years, the aggregate euro area unemployment rate is expected to fall slightly further from 7.6% this year to 7.3% in 2021.

…while inflation is expected to remain low for longer.

Inflation in the euro area has been on a downward trend so far in 2019, failing to pick up during the third quarter of this year, largely because of the fall in energy prices and the lack of pass-through from robust wage growth to core inflation. In a context of weak demand firms have been absorbing these increases by accepting lower profit margins rather than by raising prices. In line with subdued economic growth and under the assumption of moderately declining oil prices as well as subsiding external and industrial price pressures, inflationary pressures should remain muted over the whole forecast horizon. HICP inflation in the euro area is projected at 1.2% this year and next (0.2 pps. lower than last spring and slightly below the summer interim forecast) and to pick up only marginally to 1.3% in 2021.

The euro area's headline deficit is set to increase slightly but public debt ratios should continue to improve…

The euro area's general government deficit is expected to increase gradually, rising from the historical low of 0.5% of GDP recorded in 2018 to 1.0% in 2021, based on a no-policy-change assumption. The projected fall in the revenue ratio is the dominant factor behind this expected increase, as below potential economic growth and somewhat loose discretionary fiscal policies in some Member States affect structural revenues while structural expenditures should remain broadly stable as a share of potential GDP. The euro area aggregate debt-to-GDP ratio is projected to continue declining steadily over the forecast period. Based on a no-policy-change assumption, it is set to fall to about 84% in 2021. This deleveraging should find support from nominal GDP growth remaining higher than the very low implicit interest rates paid on outstanding debt.

…amid a broadly neutral aggregate fiscal stance.

The fiscal stance for the euro area is expected to remain broadly neutral over the forecast horizon under a no-policy-change assumption. Given the outlook for subdued economic growth and inflation as well as recent ECB decisions, including renewed monthly net asset purchases, upward pressure on nominal interest rates should be very limited over the forecast horizon and real short and long-term rates should remain negative.

Risks to economic growth are tilted to the downside

The EU economy is facing a period of very high uncertainty related to trade and other economic policies which is expected to last over the forecast years. A further increase in uncertainty could lead to a worse outcome than envisaged in this forecast. At the same time, substantial downside risks still surround the outlook. Outside Europe, any deviation from the assumption that the current trade and geopolitical tensions will not escalate further, or lower than assumed effectiveness of policy measures to boost global growth in general, and in China in particular, could deepen the slowdown of the global economy and make it more protracted than currently forecast. Within Europe, any deviation from the relatively benign technical assumption of status quo in terms of trading relations between the UK and the EU that underlies these forecasts would dampen economic growth, particularly in the UK. Another downside risk is that the recession in the manufacturing sector could have a bigger spillover effect on the services sector, affecting confidence, net job creation, domestic demand, growth expectations and ultimately resulting in worse growth outcomes.

On the upside, trade tensions could be resolved faster than assumed, the response to easing measures in China could positively surprise and geopolitical tensions could diminish. In in the euro area, the fiscal policy stance could turn out more expansionary than currently envisaged.

PART I

Economic outlook for the euro area and the EU

1. KEY FEATURES

1.1. THE MAIN ISSUES OF THE FORECAST

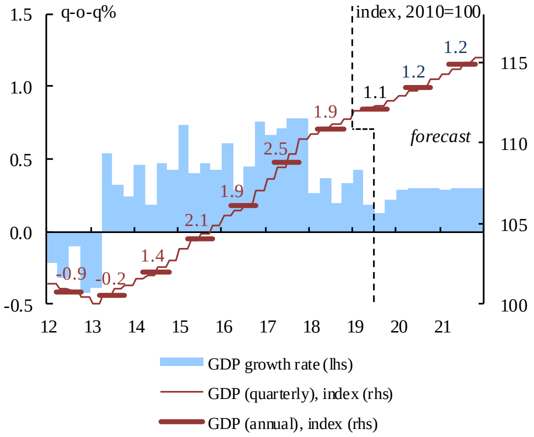
The European economy has weathered external headwinds relatively well so far; economic growth has continued and the labour market has remained robust. However, many recent news and data releases have been unfavourable for the EU economy. This included not only evidence of a weaker momentum in global activity and trade but also of a more moderate economic expansion in Europe. This is indicating that the outlook has deteriorated since the Commission's spring and summer forecasts and that it is now quite clear that Europe will be facing a challenging road ahead. [(1)]

The key issue for the forecast in autumn 2019 is whether the slowing of economic growth will continue or whether it can be stopped and/or even reversed. The EU and the euro area are at a crossroads where the main directions are either further weakening with the possibility of entering a recession, a muddling through with a protracted period of low growth and low inflation ("L-shape"), or a rebound in economic activity with a more or less quick return to higher growth rates ("V-shape" or "U-shape"). The answer to this question depends on recent developments and the confluence of factors that are driving economic developments and the outlook.

The central scenario of the autumn 2019 forecast is that it has become less likely that the euro area will manage to return in the near term to higher growth rates and to sustain them. The previously identified factors of resilience against falling into recession continue to hold up, but many factors dampening growth are expected to be persistent. Therefore the road ahead looks set to be one of fairly stable but low growth rates (Graph I.1.1), which is a major shift compared to previous forecasts.

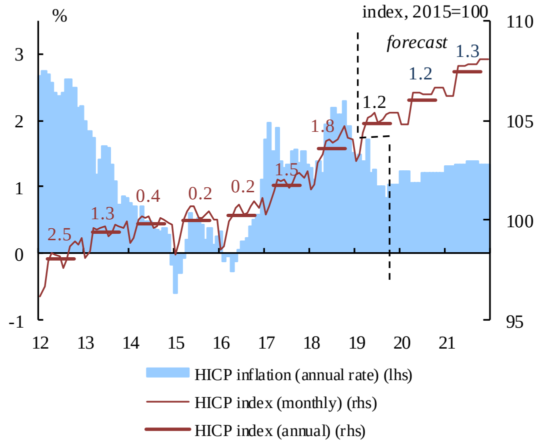
In line with subdued economic growth and under the assumption of moderately declining oil prices, inflationary pressures should remain constrained. Accordingly, HICP inflation in the euro area is expected to remain generally muted over the forecast horizon (Graph I.1.2). The main reasons behind this central scenario are explained in the remainder of this chapter. A more detailed look at specific elements of the forecast is presented in the following chapter.

Graph I.1.1: **Real GDP, euro area**



Figures next to horizontal bars are annual growth rates.

Graph I.1.2: **HICP, euro area**



Figures next to horizontal bars are annual inflation rates.

1.2. RECENT DEVELOPMENTS

Economic growth in the euro area lost momentum in the first half of the year. By the second quarter, growth had fallen well below its average in recent years. Against the background of an escalation in trade tensions, a near stagnation in international trade, and slowing global growth, the external environment has become less supportive than in recent years. Moreover, tariff threats, rising geopolitical tensions, the unknown features of Brexit, the persisting weakness of manufacturing

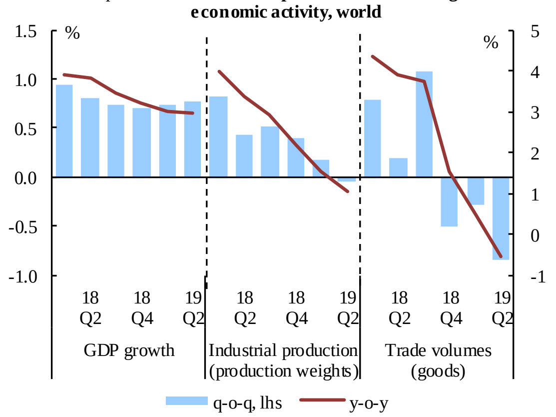
(1) European Commission (DG ECFIN) (2019a). 'European Economic Forecast – Spring 2019'. *Institutional Paper* 102; id. (2019b). 'European Economic Forecast – Summer 2019 (Interim)'. *Institutional Paper* 108.

and several structural factors have conspired to ensure a prolonged period of high uncertainty that is keeping a lid on economic growth.

Diminishing expectations for a near-term rebound

During the summer months trade tensions escalated, global uncertainty increased and concerns about geopolitical conflicts rose. The contribution to growth from the external environment has been declining since last year after an exceptionally strong 2017, when the euro area was buoyed by the strength of the global economy and the pace of global trade growth. Meanwhile, the weakness of the global manufacturing sectors (Graph I.1.3, second panel) acted as a drag on global investment and foreign trade, which declined in the first half of the year (third panel). Weak global growth momentum (first panel) and elevated global economic uncertainty added to the negative news for the euro area economy.

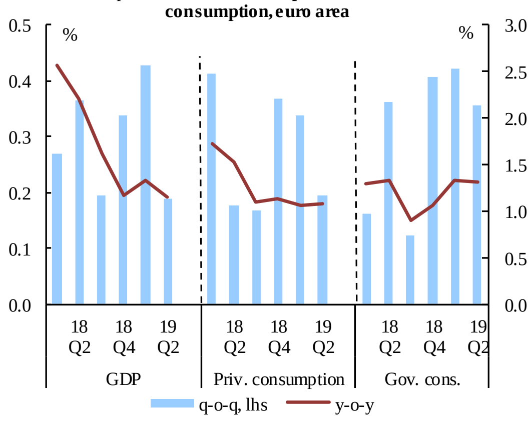
Graph I.1.3: **Recent developments: Indicators of global economic activity, world**



Sources: OECD, IMF and national sources for GDP growth; CPB for industrial production and trade volumes; own calculations.

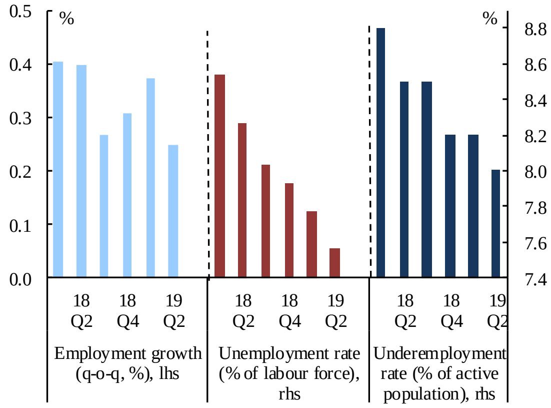
In Europe, the weak economic growth in the second quarter was in line with the expectations of the summer forecast, with quarter-on-quarter growth falling back to 0.2% in both the EU and the euro area. As expected, the first quarter had benefitted from exceptional factors (e.g. stockpiling in the UK, relatively mild weather supporting construction, and a rebound in car sales after the standstill in the last quarter of 2018), which faded in the second quarter. Nevertheless, private consumption held up well and continued with government consumption to make positive contributions to economic growth (Graph I.1.4).

Graph I.1.4: **Recent developments: GDP and consumption, euro area**



The sustained expansion of private consumption was supported by further improvement in the labour market (Graph I.1.5). While employment continued to grow, the unemployment rate declined further and fell close to pre-crisis levels. Meanwhile slack in the labour market, as measured by the rate of underemployed in the active population, diminished further.

Graph I.1.5: **Recent developments: Labour market indicators, euro area**

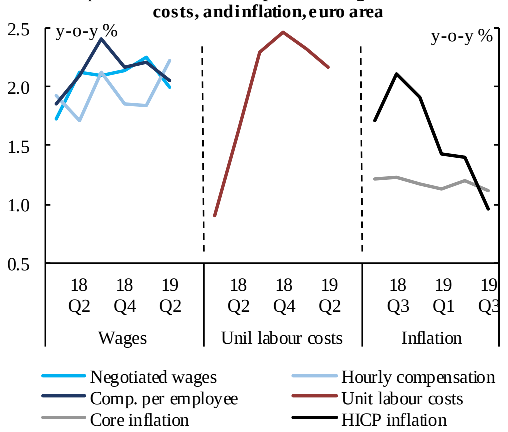


Moreover, on the basis of past wage settlements, labour incomes rose further and labour cost pressures strengthened, leading to higher unit labour costs. However, the pass-through to core inflation remained incomplete as firms did not immediately adjust their prices and core inflation remained rather muted (Graph I.1.6).[2] The limited increase in core inflation was beneficial for household purchasing power and thereby

(2) This observation is consistent with the finding that the wage-price link is strong but time-varying, depending on the state of the economy and the type of shocks hitting the economy, as for instance shown for the largest euro area economies by E. Bobeica, M. Ciccarelli and I. Vansteenkiste (2019). 'The link between labor cost and price inflation in the euro area'. *ECB Working Paper* 2235.

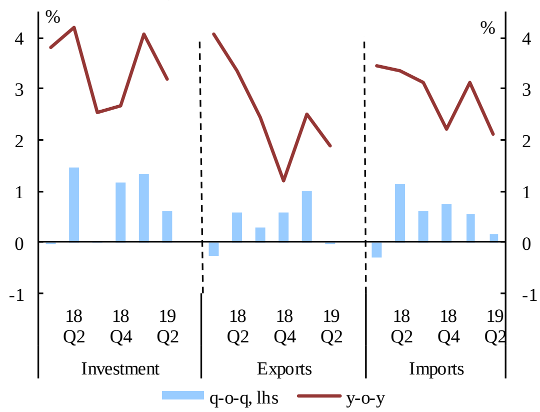
contributed to sustained private consumption growth.

Graph I.1.6: **Recent developments: Wages, unit labour costs, and inflation, euro area**



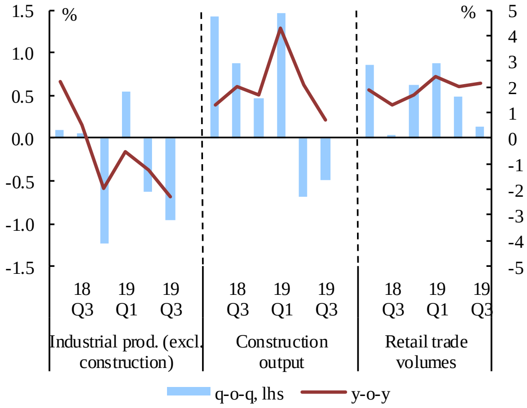
A slightly different picture emerged for gross fixed capital formation (investment). In the second quarter, investment increased sharply in the euro area, but this mainly reflected exceptional developments in Ireland, where investment jumped 182% (q-o-q) on the back of intellectual property accounting by multinationals. In the rest of the euro area, investment expanded moderately (Graph I.1.7, first panel). As a large share of investment is linked to trade, the weakness of global trade was a blow to the euro area, which added to the negative impact of increased economic policy uncertainty.

Graph I.1.7: **Recent developments: Investment and foreign trade, euro area (excl. Ireland)**



Incoming data from the third quarter did not brighten the picture. In the euro area this included relatively weak sectoral data, with industrial production markedly lower and construction weakening somewhat, and retail trade softening but remaining in expansion territory (Graph I.1.8).

Graph I.1.8: **Recent developments: Sectoral indicators, euro area**



All these developments have further diminished expectations of future economic activity. This is evident from declines in the key survey indicators (e.g. the Economic Sentiment Indicator, the Purchasing Managers' Indices, and national indicators), but also in another round of downward revisions in macroeconomic forecasts. A similar series of downward revisions had already been observed in the spring.

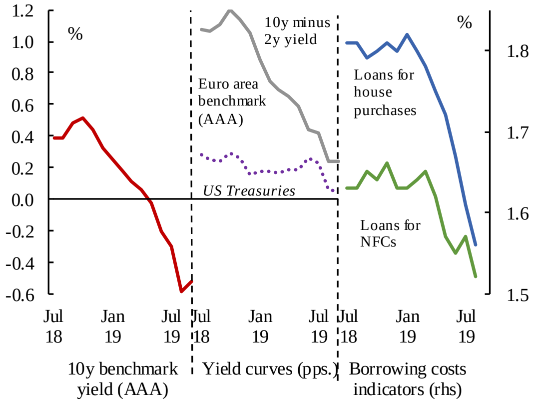
With an eye on these developments, central banks saw fit to depart from their planned paths of policy normalisation. In the US, the Fed cut interest rates in July and September, while in the euro area the European Central Bank (ECB) in September took measures to stimulate the economy with the aim of raising inflation towards its target, after recent months had pointed to further declines in the headline inflation rate. Globally, central banks have shifted to more accommodative policies citing slowing growth and the escalation of US-China trade tensions, as well as the deterioration in the economic outlook and, in the case of the ECB, the generally muted outlook for inflation. [3]

The perception of a deteriorating outlook, expectations of a prolonged period of very accommodative monetary policy, and a further decline in the term premium put pressure on sovereign yields, as demand for safe assets outpaced supply (Graph I.1.9). After the sharp fall in yields in recent months a substantial part of sovereign bonds in Europe is trading at negative yields. In the US, declines at the long end have put the yield curve into a shape that is usually associated with recessions, although there are

(3) The IMF estimates that about 70% of the world's economies, weighted by GDP, have adopted a more accommodative monetary stance; see IMF (2019). '*Global Financial Stability Report*'. October, p.7.

strong arguments explaining why this may be one of the indicators in the business cycle toolkit where traditional relationships may not hold at the current juncture.

Graph I.1.9: **Recent developments: Sovereign yields, yield curves, and borrowing costs, euro area**



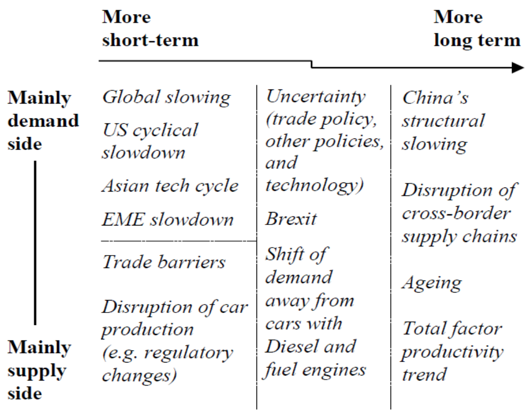
More generally, the traditional triggers of recessions, such as inflationary pressures that cause central banks to hike interest rates or the bursting of bubbles in financial markets, appear irrelevant at the current juncture. But on the other hand, new triggers seem to have come to the fore that could pull the global and/or the EU economy into contraction. These include the continuing weakness in manufacturing, but also a wider range of factors weighing on economic growth.

1.3. KEY FACTORS BEHIND THE FORECAST

Economic growth in the EU is being dampened by the high level of uncertainty linked to trade tensions and by structural factors, some of which are temporary while others are more permanent. In the US, cyclical factors (supplemented by trade policy uncertainty) appear more relevant. In order to assess the factors that are weighing on economic growth, one has to distinguish between factors reflecting long-term developments (e.g. a trend decline in productivity, ageing); supply shocks (e.g. US-China trade tensions, Brexit, and temporary oil supply constraints); cyclical features (e.g. the economic cycle in the US, Asian tech cycle); structural shifts (e.g. car demand going 'greener', transition in China); policy effects (e.g. fading fiscal stimulus in the US); but also elevated uncertainty (e.g. related to trade policy, Brexit, and geopolitical issues).

Disentangling these elements is challenging because they are interrelated (Graph I.1.10), but looking at them in detail is vital to understand the nature of the slowdown, which has implications for the outlook and the effectiveness of monetary, fiscal and other policy measures.

Graph I.1.10: **Factors impacting on economic growth and inflation in the euro area**



Slowing economic growth in Europe's external environment…

An obvious downside factor for Europe is the global slowdown that set in last year and which lowered economic growth outside Europe to the lowest rates since the Great Recession. In the short term, this slowdown implies weaker demand for euro area exports and dampens economic growth (see Section I.2.1). It relates to cyclical factors, such as the slowdown in the US economy after a very long period of expansion, or diminishing demand in the context of the Asian tech cycle. But it also relates to factors such a trade barriers, the elevated level of uncertainty, country-specific growth impediments in several emerging market economies, and more structural changes in the global economy, such as those induced by technological change in the car sector.

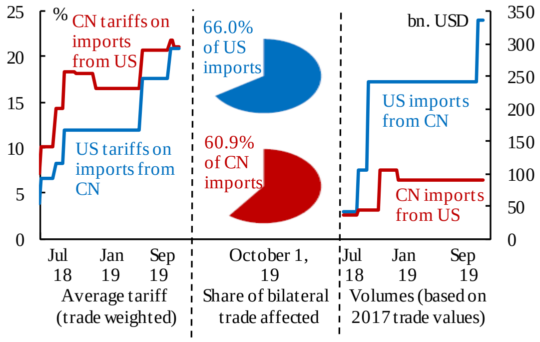
These factors are behind the downward revisions to global output and trade growth that the Commission and other international institutions have made since mid-2018, lowering forecasts to a level that is usually considered to signal the brink of a global recession.

…partly reflects trade tensions and the confrontation between the US and China…

Trade barriers have become an increasingly important downside factor to economic growth. For decades, trade liberalisation and the build-up of cross-border production patterns had been a source of economic growth. This has changed with the introduction of more inward-oriented trade policies, mainly with the sequence of policy measures introduced by the US and, in retaliation, by China in the last two years.

Since the spring, trade tensions between the US and China have further escalated (Graph I.1.11), including the mutual introduction and threat of new and/or higher tariff rates on imports. In August, the US announced plans to apply tariffs on all goods imported from China, which then announced countermeasures. Both sides went beyond simply raising and/or implementing tariffs, and included actions such as labelling certain companies as threats to national security, calls for firms to leave the other country, and instructions to companies to refrain from buying from the other country.

Graph I.1.11: **US-China trade tensions: average tariff rates and affected bilateral trade volumes**



Sources: own calc.; (for tariffs) C. Bown (2019). 'US-China trade war: the guns of August'. PIIE.; (for volumes) B. Williams and H. Hammond (2019). 'U.S.-China tariff actions by the numbers'. Congr. Research Serv.

As the economic confrontation between the US and China goes beyond current trade tensions [(4)] and increasingly takes a systemic and strategic nature, the spillovers to other countries are becoming more important. Partial delays of tariff increases and news about the resumption of trade talks and about imminent trade 'deals' between the US and China raised hopes, temporarily, that such growth impediments would eventually be removed. But trade tensions have since spread further to other regions (e.g. US vs Turkey, US vs. EU, US vs. Vietnam, US vs. Mexico, US vs. India, Korea vs Japan).

All these measures have created obstacles to global trade growth and have affected all countries that are highly integrated in global value chains and trade, including those in Europe (see Section I.3.1). The size of the negative impact depends on specific elements of the exposure, for instance on the share of domestic value added created by gross exports, the importance of car exports, as well as on the size of trading links with the heavily affected Chinese economy. A closer look at these features in the EU Member States points to substantial differences (Table I.1.1), which could also explain why some countries have already been more affected than others. Germany scores highly in several of these criteria. Among the five largest euro area Member States it has the second highest value added created by its gross exports (as a percentage of GDP), the highest value added created by the export of motor vehicles, and the strongest engagement in trade with China. In several of the Central and Eastern European Member States their value added created by car exports stands out, creating specific vulnerabilities.

Table I.1.1:
Exposure to foreign trade and tariffs, selected Member States

(% of GDP)	Domestic value added in gross exports of ... ... all goods*	... motor vehicles, trailers and semi-trailers*	Exports to China inter-mediate and final goods*
The Netherlands	33.1	0.4	1.3
Germany	29.7	5.0	3.2
Italy	21.9	1.1	1.4
Spain	23.2	2.2	0.8
France	21.0	1.1	1.7
Slovak Republic	42.5	8.7	3.5
Slovenia	39.6	3.0	0.9
Czechia	42.0	7.7	1.8
Hungary	44.2	8.6	2.9

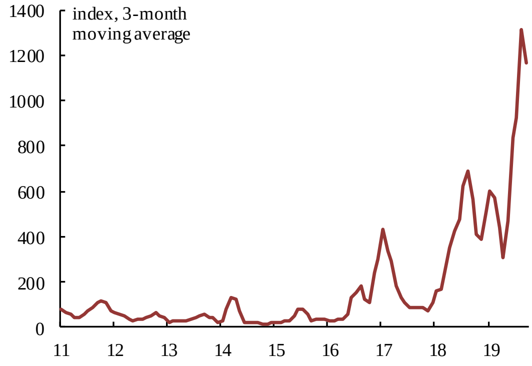
** Data for 2015 (latest available TiVA dataset)*
Source: OECD Trade in Value Added (TiVA), OECD Economic Outlook No. 105, own calculations.

...which have raised economic and trade uncertainty, dampening global growth.

The trade policy measures taken raise costs and increase trade-related uncertainty about future costs (tariffs) and the viability of global supply chains (see Section I.3.1). Trade policy uncertainty has further increased since the summer (Graph I.1.12).

(4) For a review of issues see e.g. Buysse, K. and D. Essens (2019). 'Cheating tiger, tech-savvy dragon: are western concerns about "unfair trade" and "Made in China 2025" justified?'. *NBB Economic Review* (National Bank of Belgium), September, pp. 47-69.

Graph I.1.12: **Trade policy uncertainty in the US**



Source: Baker, Bloom and Davis at www.PolicyUncertainty.com.

In the very short term, the predominant channel of impact seems to have been associated with this unprecedented uncertainty shock (about the extent, duration and scope of trade and broader economic tensions), contributing to weakening investment, manufacturing activity and global trade flows. Quantifying the impact of trade tensions on global growth is a challenging task, but recent empirical estimates of the impact pointed to losses of world output growth of at least about half a percentage point this year and next. (5)

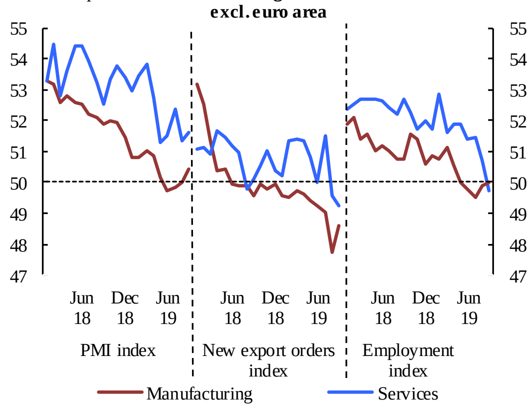
Beyond the negative short-term growth impact, elevated uncertainty also affects the medium term. As tariffs and other restrictive economic measures take effect, the supply shock is set to trigger adjustments in the trade and investment decisions of firms, and ultimately imply a less efficient global allocation of resources. (6) The impacts will reverberate far beyond the US and China, as other economies will be affected by the associated rolling-back of trade integration and the prospect of the global economy becoming increasingly fragmented (see Section I.3.1). As a result, medium and long-term global growth expectations are also being revised downwards.

The weakness of the manufacturing sector is widespread across the global economy…

A key feature behind the global economic downturn has been the slump in manufacturing, which has been driven by trade tensions, trade policy uncertainties and the associated slump in global capital spending. In addition, more cyclical factors have been at work since the boom in 2017, such as the cyclical downturn in the Asian semiconductor industry.

Globally, the weakness in the manufacturing sector has started to spill over to services, as a closer look at non-euro area PMIs indicates (Graph I.1.13). But while the index for manufacturing has temporarily fallen into contractionary territory, the services index continues to signal expansion. What both sectors have in common is the weakness of new export orders, which highlights the correlation between weak trade momentum and the slump in manufacturing.

Graph I.1.13: **Manufacturing and services PMIs, world excl. euro area**



Note: January 2018 to September 2019

The declines observed in the services sector raise the question as to whether other sectors can remain resilient to the manufacturing sector's troubles, a question that has already received particular attention in the euro area.

…but has so far had only a limited impact on other sectors in the euro area…

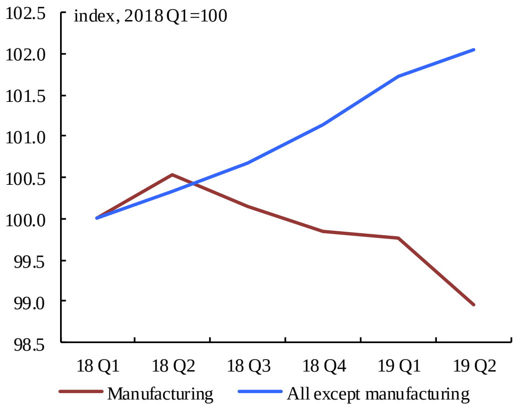
While the euro area's more externally oriented manufacturing sector has been contracting for some time, its other more domestically oriented sectors have continued to expand, as can be seen in the graph on gross value added until mid-2019

(5) Caldara et al. estimate that the increase in trade policy uncertainty in the first half of 2019 accounted for a decline real GDP by 0.8%; Ahir et al. estimate 0.5 pps. lower global growth in 2019; see D. Caldara, Iacoviello, M., Molligo, P., Prestipino, A. and A. Raffo (2019). 'The economic effects of trade policy uncertainty'. *International Finance Discussion Paper* 1256 (Board of Governors of the Federal Reserve System); H. Ahir, Bloom, N. and D. Furceri (2019). 'The global economy hit by higher uncertainty'. *VoxEU*, May 11.

(6) Empirical studies suggest that policy uncertainty impacts negatively on domestic investment both in the short and in the long run; see e.g. C. H. Ebeke and J. Siminitz (2018). 'Trade uncertainty and investment in the euro area'. *IMF Working Paper* 18/281; and M. Bahmani-Oskooee and M. Maki-Nayeri (2019). 'Asymmetric effects of policy uncertainty on domestic investment in G7 countries'. *Open Economies Review* 30:4, pp. 675-93.

(Graph I.1.14).[7] This 'divergence', i.e. the resilience of other sectors, has so far mitigated the impact on economic growth of the recession in the manufacturing sector. More generally, in recent months, domestic indicators, such as consumer confidence and private consumption have continued performing far better than indicators linked to industrial activity (industrial production, manufacturing confidence). This 'divergence' is one of the reasons for expecting the economy to escape from falling into recession.[8]

Graph I.1.14: **Manufacturing versus rest of economy, gross value added, euro area**

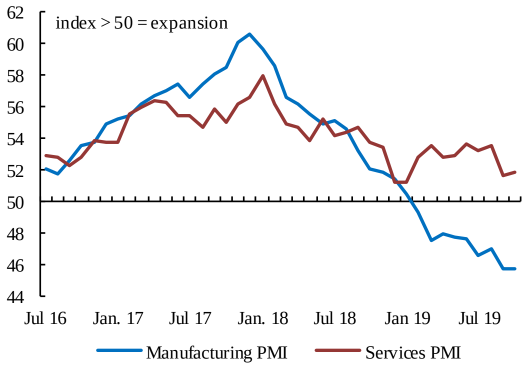


Looking forward, survey data like the confidence indicators in the Commission's Business and Consumer Surveys and the PMIs for the manufacturing and the services sectors suggest a continuation of the divergence in the near future, but, at the same time, point to a certain co-movement towards lower levels (Graph I.1.15). While the Manufacturing PMI in the euro area had entered contraction territory earlier in the year, the services sector remained in expansion territory. The Commission's industrial confidence indicator has been below its long-term average since June, whereas confidence in the services sector has only been below average since August. These developments might point to limits to the divergence.

[7] Even the subsector of business services (e.g. transportation), which had shared the decline in manufacturing during the Great Recession but had remained almost unaffected during the 2011-2012 downturn of manufacturing, continued to expand; see Forsells, M., Kennedy, N. and L. M. Timm (2019). 'Developments in the services sector and its relationship with manufacturing'. *ECB Economic Bulletin* 7 (forthc.).

[8] A similar 'divergence' has been observed in the US economy between the first quarter of 2015 and the second quarter of 2016 when manufacturing output fell for six consecutive quarters (q-o-q, CPB data) by a total of about 4½% but other sectors remained strong enough to keep the US economy on its expansion path.

Graph I.1.15: **Manufacturing and services PMIs, euro area**



Source: IHS Markit.
Note: Data in October 2019 are IHS Markit Flash PMIs.

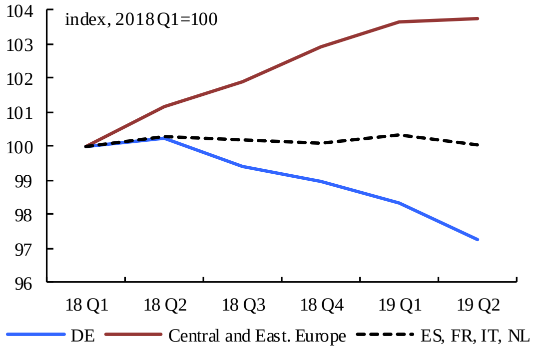
An idea of how long the current divergence between the manufacturing sector and other parts of the economy could last can be derived from looking at past manufacturing recessions in Germany. Since 1995, Europe's biggest manufacturer has experienced seven manufacturing recessions, with five lasting for at least four quarters and three of them lowering manufacturing output (gross value added) by more than 5%. On all these occasions, with the exception of the Great Recession, the non-manufacturing sectors experienced only brief periods of contraction. This gives reason to think that any eventual spillover to the rest of the economy from a recession in the manufacturing sector may be relatively brief and limited.

...and some differences among countries.

The 'two-speed' economy (manufacturing versus other sectors) also has implications for the relative performance of Member States. Those with a high share of manufacturing value added and a high exposure to exports of industrial goods have been more severely affected than other economies. Accordingly, the largest impact on gross value added in the manufacturing sector was seen in Germany, whereas gross value added in the other large Member States remained fairly stable (Graph I.1.16). By contrast, the expansion of manufacturing continued in several smaller Member States in Central and Eastern Europe, as expected in previous analyses.[9]

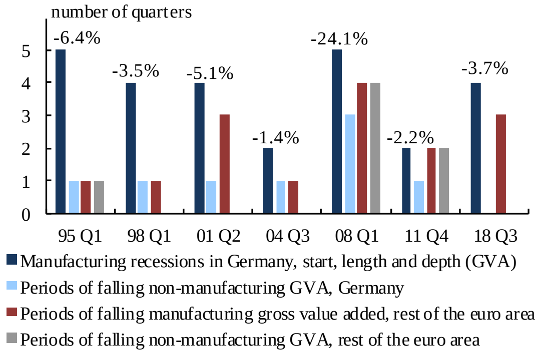
[9] See M. Buti, Dieckmann, O., Döhring, B., Marc, B. and A. Reuter (2019). 'Growth continues at a more moderate pace: The Commission's Spring 2019 Forecast'. *VoxEU*, May 7.

Graph I.1.16: **Manufacturing in Germany and selected groups of Memeber States, gross value added**



Note: The group of Central and Eastern European economies includes BG, CZ, EE, HU, LT, LV, PL, SI, SK and RO.

Graph I.1.17: **Manufacturing recessions in Germany and economic developments in other sectors and the rest of the euro area**

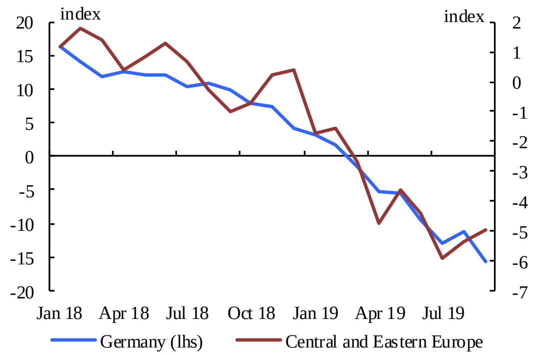


Note: Figures above blue bars indicate the decline of manufacturing gross value added (GVA) in Germany during the recession.

Understanding whether this divergence between countries can be expected to hold is vital to the forecast. One argument in favour is the growth support from the EU's structural funds in several Member States, [10] which should continue impacting positively on their manufacturing sectors. Another argument concerns spillovers from the already heavily affected countries to other Member States. In that respect, historical evidence for manufacturing recessions in Germany provides some hope (Graph I.1.17). On the one hand, in most of the past recession periods in Germany, manufacturing output in the rest of the euro area was only briefly dipping into negative territory (one or two quarters), but with the recessions of 2001-2002, the Great Recession of 2008-2009, and the most recent manufacturing recessions exhibiting longer spells of at least three quarters with co-movements. On the other hand, co-movements between manufacturing in Germany and non-manufacturing sectors in other euro area economies were rather rare and not observed since mid-2018.

While these observations cover the time until mid-2019, a forward-looking analysis suggests that the manufacturing slump has started to be felt in most Member States. With respect to the near term, the co-movement of the Commission's industrial confidence indicator in Germany and the Central and Eastern European Member States suggests convergence across both regions (Graph I.1.18).

Graph I.1.18: **Industrial confidence in Germany and Member States in Central and Eastern Europe**

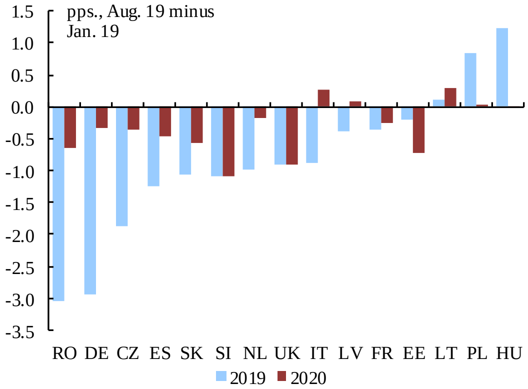


Note: The group of Central and Eastern European economies includes BG, CZ, EE, HU, LT, LV, PL, SI, SK and RO; weights from the Commission's Business and Consumer surveys.

This year's downward revisions by professional forecasters also point to the expectation of a relatively close co-movement of manufacturing sectors across many EU Member States. According to the survey conducted by Consensus Economics, since the beginning of the year, expectations for industrial production growth in 2019 and 2020 have been lowered. Apart from a few outliers (e.g. Poland and Hungary), forecasters have become more pessimistic for most countries (Graph I.1.19).

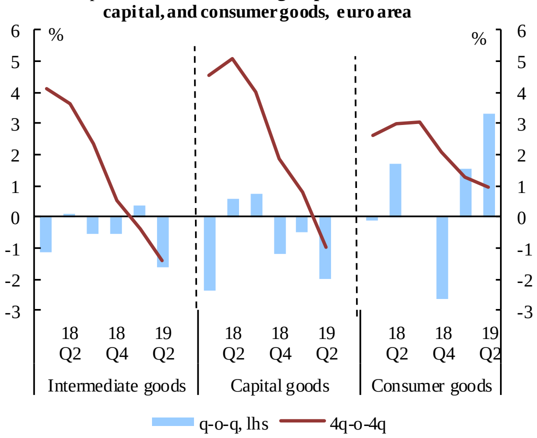
(10) See European Commission (DG ECFIN) (2019). 'The impact of European Structural and Investment Funds on near-term forecasting'. The Commission's Spring 2019 Forecast, *Institutional Paper 102*, pp. 74-8.

Graph I.1.19: **Industrial production in 2019 and 2020, change in Consensus forecast means**



Among the reasons for co-movements are common factors and spillovers from the most heavily affected countries, partly reflecting cross-border production chains. Among the common factors are the global manufacturing slump, but also developments specific to sub-sectors such as the car industry. However, it is difficult to quantify to what extent the manufacturing weakness is attributable to non-European (e.g. trade barriers, slowing demand from China) and to European factors. The role of external factors is visible in the relatively sharp decline of the manufacture of investment goods compared to the more resilient production of consumer goods (Graph I.1.20), where only the interruption of car production in the fourth quarter of last year caused a temporary decline.

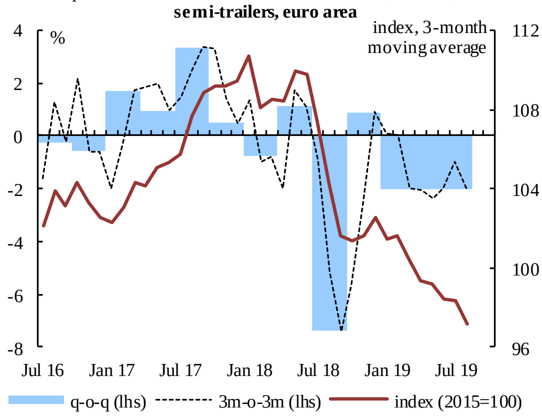
Graph I.1.20: **Manufacturing output, intermediate, capital, and consumer goods, euro area**



Apart from trade tensions, the car industry is the other main factor behind manufacturing weakness.

Trade policies are not the only cause of the car industry's current problems; manufacturers also face a number of regulatory and structural issues. Car producers in Europe have had to adapt to new regulatory standards (e.g. the Worldwide Harmonised Light Vehicles Test Procedure (WLTP)), and are facing changing consumer preferences, including a shift in preferences from combustion engines to electric vehicles. At the same time, ride-sharing apps may be decreasing the appeal of car ownership and turning transportation into an on-demand service. In parallel, some legacy issues ('Dieselgate' in Germany caused by the falsification of emissions data in 2015, has restricted the usability of some Diesel cars in inner-city areas) and the development of autonomous vehicles need to be coped with and uncertainty about future technologies might delay car purchases by European consumers. These factors have pushed car production in Europe onto a downward trend (Graph I.1.21).

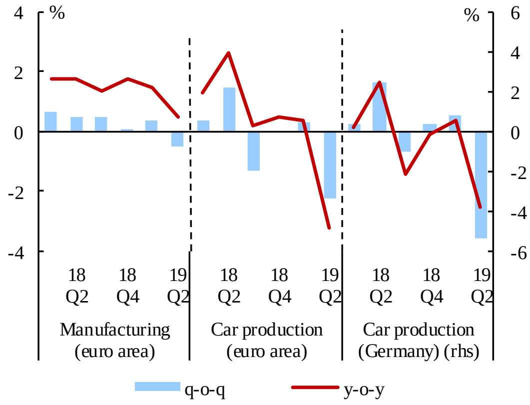
Graph I.1.21: **Manufacture of motor vehicles, trailers, and semi-trailers, euro area**



Moreover, the trade tensions between the US and China are also affecting European carmakers with cross-border production chains, such as German car companies which produce cars in the US for sale in China. In addition to the higher tariffs applied to some of their products, car demand in important export markets is also declining. In connection with the threat of US tariffs on the import of cars and car parts, this could be described as a 'perfect storm' for European car producers. Due to cross-border production, the impacts would be felt well beyond Germany.

The labour market implications of the weakness in the manufacturing sector have been rather limited so far. While headcounts continued to increase in euro area manufacturing, some downward adjustment in labour input was observed in terms of hours, mainly in car production and particularly in the German car production (Graph I.1.22).

Graph I.1.22: **Manufacturing, labour input (hours), euro area and Germany**



Structural shifts on the domestic side are working in the same direction as the external supply shocks. For example, an increasing replacement of fuel-driven cars requires substantial changes in car production. Such changes, like the shift towards electric cars, come with substantial adjustment costs in terms of output and growth.

Underlying trends help explain the persistence of low growth and low inflation…

The negative cyclical and structural factors discussed above come on top of a medium to long-term slowing of trend growth. A weakening of productivity growth in advanced economies was already evident before the Great Recession in 2008-2009, and many are now entering the phase where demographic ageing will be felt more strongly. GDP now exceeds pre-crisis levels in most Member States, but the average annual growth rate recorded in the decade since the Great Recession has been much lower than what was in the decade before. Persistently low growth and inflation amid very low interest rates have implications for potential output and equilibrium real interest rates (natural rate).

In the euro area, there are clear indications that the equilibrium interest rate, i.e., the rate that prevails if output equals potential output and the inflation rate equals the inflation target, has declined. Indeed, while this rate fluctuates over time, partly mirroring fluctuations in productivity growth, estimates point to a declining trend. [11] Both a lower (real) natural rate and low inflation (expectations) decrease the policy interest rate that is needed for effective monetary policy and imply that monetary policy finds itself more often at an effective lower bound on policy interest rates and is thereby less effective at raising economic growth on its own. In this context, other policy options have been presented, in particular fiscal policy options [12] and in particular by those who interpret persistently low yields and low inflation as symptoms of insufficient aggregate demand.

In the euro area, the subdued pace of growth since the Great Recession has largely been seen as a legacy of the crisis (hysteresis effects), whereas empirical analysis has not been able to provide strong evidence in favour of the secular stagnation hypothesis. [13] However, some observers are warning that the current set-up in the euro area may be comparable to the situation in Japan at the beginning of its multi-decade period of low growth and low inflation. Among the similarities with Japan after the late 1980s are: very low inflation despite very low interest rates, low productivity and potential growth, a large and persistent current account surplus, ample liquidity and hints that low financing costs depress productivity by keeping 'zombie firms' in the market. However, there are also striking differences: banking sector reform has made progress, and current problems do not stem so much from bad assets as from banks' low profitability; deleveraging in the non-financial private sector has also run its course; there is (so far) less demographic drag.

…and matter for the assessment of policy effects at the current juncture.

Since the crisis, monetary policy in the euro area has been very effective in mitigating the negative impact of the crisis on demand, and in contributing to economic growth and job creation. [14] However,

(11) For estimates see e.g. Jordà, O. and A. M. Taylor (2019). 'Riders on the storm'. Paper presented at the Economic Policy Symposium, Jackson Hole, August 24. For euro area estimates, and Holston, K., Laubach, T. and J. C. Williams (2017). 'Measuring the natural rate of interest: international trends and determinants'. *Journal of International Economics* 108:suppl. 1, s59-s75.

(12) See e.g. Rachel, Ł. And L.H. Summers (2019). 'On falling neutral real rates, fiscal policy, and the risk of secular stagnation'. *Brookings Papers on Economic Activity* 1, Spring (forthc.).

(13) See Roeger, W. (2014). 'ECFIN's medium term projections: the risk of 'secular stagnation'. *Quarterly Report on the Euro Area* 13:4, pp. 23-29.

(14) An ECB study found s strong impact of non-standard monetary policy on economic growth in the euro area (about 1.0 pps. in both 2017 and 2018); see Rostagno, M., Altavilla, C., Carboni, G., Lemke, W., Motto, R., Saint-

some of the current negative supply shocks from trade and structural technological change are impacting negatively on potential growth and can thus not be permanently reversed through monetary policy alone. However, the policy mix in the euro area continues to rely predominantly on monetary policy (see Section I.2.8). This dominance has stimulated calls for a more supportive role of fiscal policy in countries with fiscal space and for a more growth-friendly composition of public finances,[15] in particular against the background of negative sovereign bond yields.[16]

1.4. THE MAIN RESULTS OF THE FORECAST

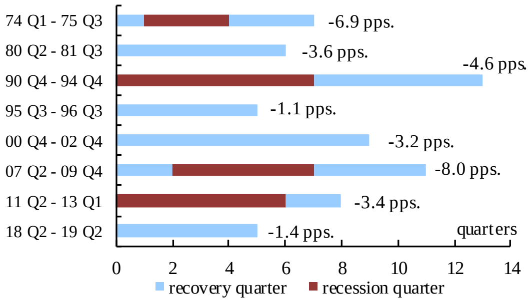
The key question for the euro area outlook is whether the slowing of economic growth will intensify and possibly trigger a recession.

Not all slowdowns lead to recessions...

The longer the period of low growth lasts and the more regions and countries are affected, the higher the risk of slipping into recession. On the one hand, the situation could get worse the longer economic activity slows. For example, order books could decline to critical levels and employment levels could become unsustainable in companies that had initially switched to shorter working hours and 'labour hoarding'. On the other hand, as time goes on, initial shocks could fade and result in a bottoming out of economic activity. For example, a negative supply shock caused by regulatory changes could fade away, external developments that were a drag on growth could stabilise, and the lagged impact of supportive monetary and fiscal policy measures could kick in.

While predicting recessions has always been a difficult task,[17] some information can be gathered in historical episodes. At the current juncture, such an approach leads to the question of whether protracted periods of slowing economic growth have usually led to recession. Some comfort can be derived from the observation that the euro area has never fallen into recession after a period of five consecutive quarters of declining GDP growth (4 quarters-on-4 quarters), as currently registered (Graph I.1.23). Either the shocks hitting the economy were so strong that economic activity was pushed down strongly or enough time had elapsed so that the impact of shocks started fading.[18]

Graph I.1.23: **Periods of slowing GDP growth and recessions, euro area**



Note: Bars display periods of at least 5 consecutive quarters of falling real GDP growth (4q-on-4q); change in the growth rate shown next to the bars; cyclical classification follows decisions by the CEPR Business Cycle Dating Committee.
Sources: AWM database, Eurostat, own calculations.

...but periods of generally muted growth can last for longer.

In the euro area, some of the shocks that have dampened growth can be expected to fade over time. This includes for example the negative impact of some of the shocks that had hit the car industry in Europe (e.g. the introduction of new regulatory standards in 2018), and the fading drag from the external environment, where subpar developments are expected to persist but without further declines in growth rates. Moreover, the longer the trade uncertainty lasts, the more companies can be expected to get used to it and to adapt to the new trade environment, which should come along with abating trade policy uncertainty.

On the domestic side, the very low financing costs for corporate investment and construction should be positive for growth momentum, as should expansionary fiscal policy measures in some countries.

Guilhem, A. and J. Yiangou (2019). 'A tale of two decades: The ECB's monetary policy at 20', forthcoming.

(15) See e.g. L. Boone and M. Buti (2019). 'Right here, right now: The quest for a more balanced policy mix'. *VoxEU*, October 18.

(16) See Blanchard, O.J. (2019). 'Public debt and low interest rates'. *American Economic Review* 109:4, pp. 1197-1229.

(17) Analyses of forecast accuracy show that economists are particularly good at missing recessions and that they, once a recession has started, often "miss the magnitude of the recession by a wide margin until the year is almost over"; see Z. An, Jalles, J. T. and P. Loungani (2018). 'How well do economists forecast recessions?'. *IMF Working Paper* 18/39.

(18) Definitions of "soft patches" differ across studies; see e.g. M. Duma, M. Forsells and N. Kennedy (2019). 'Definitions and characteristics of soft patches in the euro area'. *ECB Economic Bulletin* 4, pp. 52-6.

However, there is a complex mix of factors. Some shocks should diminish over time (e.g. demand shocks that disappear in the long term), while others represent more permanent structural shifts. The latter are expected to limit growth momentum over the whole forecast horizon and suggest that the economy will not return to a previously observed level of trend potential growth. The length or the size of the expansion in the euro area is therefore of very limited value for describing economic patterns over the forecast horizon. [19]

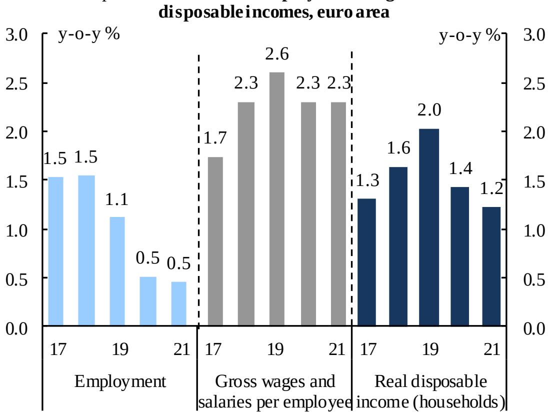
Domestic factors are still set to support economic growth in the euro area...

Although a substantial part of the manufacturing weakness is of domestic origin, [20] the factors seen as supporting the continuation of the economic expansion are also mainly found on the domestic side. At the current juncture, three elements are seen as an insurance for the euro area against falling into recession.

First, the labour market situation is expected to remain solid with further but more moderate increases in employment, in spite of the low pace of output growth. In combination with the ongoing growth of the labour force this should slightly lower the aggregate euro area unemployment rate in 2020 and 2021. This raises the question of whether the expected relationship between economic activity and the labour market is consistent with traditional views, such as the one the Okun law stipulates for cyclical unemployment and the output gap, [21] or whether there is a divergence between economic activity and employment. If subdued growth were caused entirely by a demand shock, the Okun law would suggest an increase in unemployment, but in the current situation, negative supply shocks and structural shifts add to the picture and also negatively affect potential output. This alters the level of unemployment for a given rate of growth.

Shifts in the sectoral composition of the economy towards sectors with more moderate labour productivity growth may also make low growth compatible with higher employment gains than before. Moreover, after several years of tightening labour markets, employment patterns have become more robust, for example with a less intensive use of temporary workers and labour hoarding in some countries. To some extent, this is expected to limit headcount reductions in underperforming sectors such as manufacturing, but it does not exclude adjustment as indicated by the recruitment plans, signalled by survey indicators such as falling employment expectations in the euro area.

Graph I.1.24: **Forecast: Employment, wages and real disposable incomes, euro area**



With the pass-through of higher wage costs to prices becoming more difficult for firms due to slowing demand growth, muted inflation supports the translation of nominal disposable income gains into higher household purchasing power and sustained private consumption growth (Graph I.1.24).

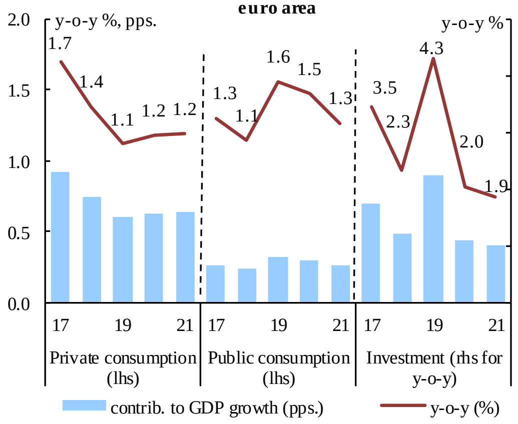
(19) In the recent discussion about the length of the US expansion, Friedman's "plucking" has featured prominently. Dupraz, Nakamura, and Steinsson looked at "plucking" where the economy is operating along a ceiling of maximum feasible output most of the time over the business cycle; sometimes it is "plucked down" by a contraction that could be due to supply or demand shocks so that the "pluck" predicts the size of the subsequent expansion, but the size of the expansion does not necessarily predict the subsequent recession. See Dupraz, S., Nakamura, E. and J. Steinsson (2019). 'A plucking model of business cycles'. Unpublished manuscript, April; Friedman, M. (1993). 'The 'Plucking Model' of Business Cycle Fluctuations Revisited'. *Economic Inquiry* 31:2, pp. 171–7.

(20) An ECB analysis found that "between July 2018 and June 2019 the global trade factor and all factors associated with developments in China, the United Kingdom and United States explained 37% of the fall in euro area industrial production growth, while domestic factors contributed 63%, although part of this effect may reflect temporary factors linked to the car industry in the second half of 2018"; De Santis, R. A. and S. Zimic (2019). 'Domestic versus foreign factors behind the fall in euro area industrial production'. *ECB Economic Bulletin* 6, pp. 50–2.

(21) Empirical estimates of the Okun coefficient in the euro arera stand close to -0.3% with a lot of differences across Member States; see e.g. Ball, L., Leigh, D., and P. Loungani, P. (2017). 'Okun's law: fit at fifty'. *Journal of Money, Credit and Banking* 47:7, pp. 1413–41; for an analysis for the euro area, see also section I.6 in European Commission (DG ECFIN) (2016). European Ecoomic Forecast – Spring 2016. *Institutional Paper* 25.

Second, the resilience of the non-manufacturing part of the economy (mainly services) is expected to waver towards the end of the forecast, but to retain enough strength to ensure that private domestic demand remains strong enough to make a significant contribution to economic growth (Graph I.1.25). This mainly applies to private consumption, but also, to a lesser extent, to investment.

Graph I.1.25: **Forecast: Domestic demand components, euro area**

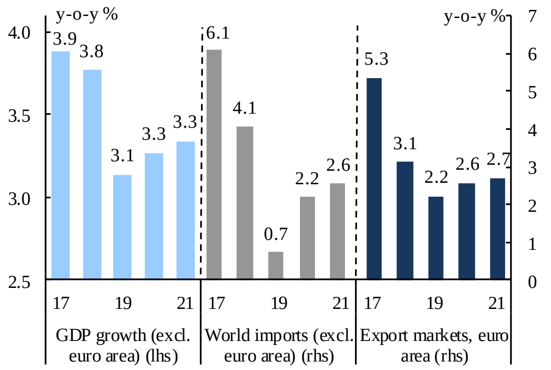


Third, the construction sector is set to remain growth supportive in the euro area. Improvements in the labour market and the prolonged period of historically low borrowing costs are good news for the affordability of house purchases for households, which also raises the demand for construction output. The large number of public infrastructure projects and several support schemes (e.g. European Fund for Strategic Investments, and InvestEU) are also expected to exert a positive impact on the construction sector in the forecast years, which should help limit the expected slowing of construction investment.

...whereas the external environment is set to remain a drag, though gradually diminishing over time.

External developments in early 2020 are still likely to be weak, but by then, after almost a year of weakness, some base effects may come into play. For example, the decline in car sales is expected to come to an end, which should help foreign trade. Moreover, the monetary easing in several countries is expected to support an upturn in demand. However, the decoupling of global economic activity and trade, i.e. the decline in the trade elasticity, [22] is expected to limit potential relief from the trade side.

Graph I.1.26: **Forecast: Global economic activity, world trade and euro area export markets**



The global outlook is contingent on the assumption that all the trade policy measures implemented so far remain in place until the end of the forecast period and that the measures that have already been credibly announced will be implemented. This implies that the US will refrain from imposing tariffs on the imports of cars and car parts from Europe and elsewhere. It also implies that trade agreements that have been agreed upon (United States-Mexico-Canada Agreement, EU-Mercosur Trade Agreement) will be ratified and implemented as foreseen. As in previous forecasts, the autumn forecast is based on a purely technical assumption of status quo in terms of trading relations between the UK and the EU over the forecast horizon.

In view of these developments in the euro area's external environment, the contribution from net trade should slowly turn from negative to more neutral over the course of 2020.

Economic growth in the euro area is expected to remain subdued in the near term...

Recent short-term indicators suggest that the rebound in economic activity will not materialise this year as expected in the spring and summer forecasts. Survey indicators ('soft data') have mostly continued to decline in recent months, which does not bode well for growth in the third quarter. Global uncertainty, the impact of trade

(22) For a recent analysis see e.g. A. Bobasu, S. Manu and L. Quaglietti (2019). 'What is behind the decoupling of global activity and trade'. *ECB Economic Bulletin* 5, August, pp. 22-26.

tensions and near-stagnant foreign trade growth are the main determinants.

The aggregate euro area growth figure is expected to hide two types of two-speed developments. On the one hand, manufacturing is set to remain the weak spot, while other sectors, including services and construction, should maintain some resilience. On the other hand, countries such as Germany are set to continue suffering more from weakness in global growth. A weak second half of the year can also be seen as a challenge to the strength of labour markets, but the momentum is expected to be sufficient to maintain some employment growth and to keep unemployment rates at historically low levels. Overall, the bleaker outlook for the second half of the year implies that growth momentum in 2019 will be slightly weaker than previously expected.

...but also in 2020 and 2021.

The lower forecast for growth in the second half of 2019 implies a low carry-over to 2020. But despite the expectation of almost unchanged growth dynamics, this does not show up in a lower annual growth forecast, because substantial calendar effects kick in next year (Table I.1.2).

Table I.1.2:
Statistical decomposition of real GDP growth, euro area

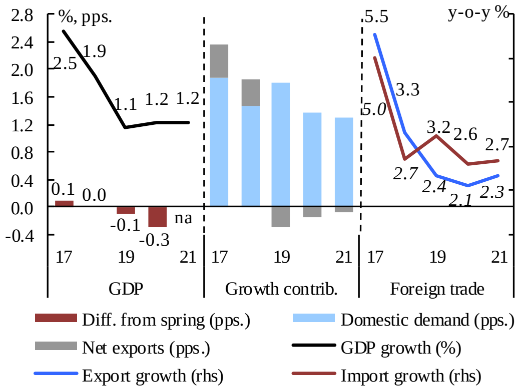
			Autumn 2019 forecast		
(annual rate, %)	**2017**	**2018**	**2019**	**2020**	**2021**
Real GDP growth	2.5	1.9	1.1	1.2	1.2
- calendar effect (pps.) *	-0.1	0.0	0.0	0.2	0.0
- calendar adjusted **	2.6	1.9	1.1	1.0	1.2
Carry-over effect ***	0.9	1.2	0.4	0.3	0.5
Growth within the year****	1.7	0.7	0.7	0.7	0.7

* Positive calendar effects result from increases in the number of working days, for example in leap years such as 2020 or when when public holidays move to weekends.
** Several forecasters present calendar-adjusted annual growth rates (e.g. ECB and OECD).
*** The carry-over indicates the annual growth rate that would result if the GDP level of the fourth quarter in the year before would be kept in all four quarters of the year under consideration.
**** The rate of 'growth within the year' indicates growth that would have resulted in the absence of carryover and calendar effects; see e.g. ECB (2010). 'The carry-over effect of annual average real GDP growth'. ECB Monthly Bulletin, March, pp. 66-7 (Box 6).

The higher number of working days in Germany and some other countries is set to create exceptionally strong positive calendar effects amounting to 0.2 pps. in 2020. Accordingly, the calendar-adjusted forecasts for 2020 must be lower than the (non-adjusted) forecast published by the Commission.[23] Disregarding both the carry-over and the calendar effects leads to a within the year growth rate that is over the entire forecast period unchanged compared to 2018.

In 2021, fading negative shocks should compensate for the absence of positive calendar effects and keep the pace of growth again almost unchanged. As structural shifts take time, the effect of relocated trade (re-shoring or new set-up of cross-border value chains) should mainly kick-in in 2021 and in subsequent years. Overall, the negative impact from external trade is expected to remain in place in 2021, which keeps responsibility for growth for domestic factors (Graph I.1.27).

Graph I.1.27: **Forecast: GDP, growth contributions and foreign trade, euro area**



During the forecast years, the partial relocation of elements of global value chains could support foreign trade, which is expected to return to a more solid though lower growth trajectory. This partially reflects slowing growth in China and the planned change in the composition of Chinese growth with a stronger focus on domestic components.

All in all, the autumn forecast sees reasons why a further downturn could be avoided, but it also emphasises that it now looks less likely that growth rates will rebound to a level strong enough to lift the outlook for potential growth to the kind of trajectory that had been expected in the Commission's spring and summer forecasts. With expected economic growth in the euro area at 1.1% in 2019, and 1.2% in 2020 and 2021 (Graph I.1.1), the central scenario of the autumn forecast includes fairly stable but low growth rates. Accordingly, inflationary pressures are set to be more moderate than expected in spring, lowering the inflation forecast for 2019 and 2020 to 1.2%, followed by slight uptick to 1.3% in 2021 (Graph I.1.2).

[23] The ECB and the OECD publish forecasts for calendar-adjusted real GDP growth.

Elevated uncertainty and substantial downside risks surround the central scenario...

In autumn 2019, the EU economy is going through a period of very high uncertainty, which is related to trade policy and other economic policies. A further increase in trade policy uncertainty, and concerns that new tariffs might be applied on a much wider range of items, could adversely affect business investment plans and lead to a worse outcome.

Although the EU economy is already affected by an increased number of external headwinds, there is a meaningful number of substantial risks that have not yet materialised but darken the economic outlook or could even derail the continuation of the economic expansion in the EU. Many of these risks are related to developments that could materialise outside the EU such as a further escalation of US-China trade tensions; higher or additional US tariffs on car imports; a sharper-than-currently-forecast slowdown in China; geopolitical tensions (e.g. in the Middle East) which could push oil prices significantly higher; or events related to climate change that dampen economic activity.

But there are also downside risks on the domestic side related to the depth and duration of the downturn in the manufacturing sector and its spillovers to other sectors and economies, which could prove worse than anticipated. Stronger-than-expected spillovers could raise unemployment fears of consumers, lower their confidence, weaken private consumption and result in a worse growth outcome than currently expected.

Moreover, abrupt financial market adjustments could trigger turmoil that impact negatively on the real economy. A trigger could be seen in changes in the expectations underlying recent developments in bond and equity prices, which could then lead to investor risk aversion with significant spillovers in terms of capital flows, financial market stability and financial conditions. Asset prices could also be vulnerable to a re-assessment of risks, creating vulnerabilities for the real economy. A ‘disorderly’ Brexit could dampen economic growth, particularly in the UK, but also in the EU27, though to a minor extent.

...and dominate less prominent upside risks, keeping the risk balance on the downside.

Upside risks surrounding the growth outlook can also be found on the external side. If trade tensions were resolved faster than assumed, it could raise confidence and lead to a faster and stronger rebound in foreign trade that would improve the growth outlook for the EU. Easing measures in China could push economic growth more than expected. Fiscal policy in Europe could shift to a more expansionary stance.

Several of the risks could materialise in the near term but may be more relevant in 2020 than in 2021. Overall, risks to the growth outlook are skewed to the downside over the full forecast horizon.

2. ECONOMIC OUTLOOK

2.1. GLOBAL DEVELOPMENTS

After a sluggish end of 2018, global GDP growth picked up temporarily in the first half of 2019 on the back of upside surprises in some advanced economies and resilient activity in the ASEAN region. However, this modest rebound is proving to be only short-lived. Over the summer, the re-intensification of economic tensions between the US and China dampened already weak and fragile business confidence, hurting the outlook for investment, global manufacturing and trade activity. In addition, heightened geopolitical tensions in the Middle East and Asia, elevated policy uncertainty in Europe and the US, and the financial situation in Argentina added to the fragility of the global economy. The short-term outlook for the global economy has turned notably more subdued than expected in the spring, with global growth dragged down by the continuing slowdown in several major advanced economies and in China and by weaker than previously expected growth prospects in emerging markets. Elevated global uncertainty, trade and geopolitical tensions look set to linger and weigh on global growth, along with a number of other structural factors. These include demographic and productivity trends, the structural slowdown in China, protectionist tendencies and the impact of climate change.

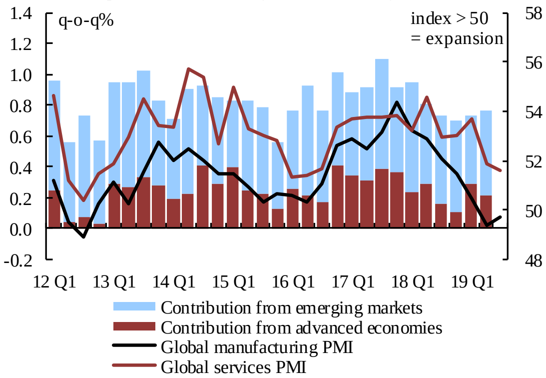
Policy stimuli deployed in a number of major economies have so far prevented a sharper slump in global GDP growth and should limit the depth of the global slowdown in the near term. Nevertheless, the effectiveness of macroeconomic stimulus in boosting global growth at the current juncture is uncertain. The slowdown of the global economy could therefore turn out deeper and even more protracted than currently envisaged.

Global growth is projected to remain subdued over the forecast horizon…

Across all major advanced economies, the upside growth surprises in the first quarter of 2019 were followed by a backlash in the second quarter. Growth in the US and Japan moderated as business investment and manufacturing weakened and US-China economic tensions re-surfaced. At the same time, private consumption in these countries has remained resilient. By contrast, in emerging market economies as a whole, GDP growth picked up to some extent in the second quarter from an exceptionally weak first quarter, with several countries benefitting from monetary policy easing and/or fiscal stimulus.

Beyond GDP dynamics, the pronounced weakness in global trade and industrial production persisted. Global merchandise trade volumes fell by 0.8% q-o-q in the second quarter of 2019 (according to CPB data). Overall, global trade volumes in the first half of the year were flat compared to the same period in 2018 and turned negative if July data are included.

Graph I.2.1: **Growth of global GDP and global PMIs**



Sources: OECD, IMF and national sources for GDP, JPMorgan/IHS Markit for PMI

Recent high frequency indicators signal that the rise in global GDP growth in the first half of the year is proving to be short-lived. The global manufacturing PMI (including the EU) was in contractionary territory during and after the summer, suggesting weak global manufacturing activity into the second half of 2019. In addition, after a long period of resilience, the global services PMI also weakened in recent months driven by slowing job creation in the sector and declining export demand, indicating that spillovers from the slowdown in manufacturing are beginning to materialise.

Global GDP growth (excluding the EU) is expected to slow down sharply from 3.8% in 2018 to 3.2% in 2019 as the large negative shock from the escalating US-China economic confrontation takes its toll on global investment and trade. Over the next two years, global economic activity is set

Table I.2.1:

International environment

(Annual percentage change)					Autumn 2019 forecast			*Spring 2019 forecast*	
	(a)	2016	2017	2018	2019	2020	2021	*2019*	*2020*
					Real GDP growth				
Japan	4.1	0.6	1.9	0.8	**0.9**	**0.4**	**0.6**	*0.8*	*0.6*
USA	15.2	1.6	2.4	2.9	**2.3**	**1.8**	**1.6**	*2.4*	*1.9*
Emerging and developing Asia	34.1	6.5	6.5	6.4	**5.7**	**5.6**	**5.5**	*6.1*	*6.1*
- China	18.7	6.3	6.8	6.6	**6.1**	**5.8**	**5.6**	*6.2*	*6.0*
- India	7.7	8.7	6.9	7.4	**5.6**	**6.1**	**6.3**	*7.1*	*7.3*
Latin America	7.5	-0.8	1.1	1.0	**-0.1**	**1.1**	**1.7**	*1.1*	*2.3*
- Brazil	2.5	-3.3	1.1	1.1	**0.8**	**1.5**	**1.8**	*1.9*	*2.4*
MENA	6.5	4.6	1.9	1.0	**1.0**	**1.8**	**1.9**	*1.5*	*2.6*
CIS	4.4	0.7	2.2	2.7	**1.7**	**2.1**	**2.1**	*2.1*	*2.3*
- Russia	3.1	0.3	1.6	2.3	**1.0**	**1.4**	**1.5**	*1.5*	*1.8*
Sub-Saharan Africa	3.2	1.1	2.6	2.6	**2.7**	**2.8**	**2.8**	*3.4*	*3.5*
Candidate Countries	1.9	3.2	7.0	2.9	**0.6**	**3.1**	**3.5**	*-1.9*	*3.9*
World excluding EU	83.7	3.4	3.9	3.8	**3.2**	**3.3**	**3.4**	*3.6*	*3.8*
					Trade of goods and services, volumes				
World excluding EU, import		1.1	6.2	4.1	**0.4**	**2.1**	**2.5**	*3.1*	*3.3*
EU export market growth		3.2	5.3	3.2	**2.3**	**2.6**	**2.7**	*3.1*	*3.3*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2018.(b) 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.

to remain subdued and below trend due to the lasting US-China confrontation, geopolitical tensions and elevated policy uncertainty. In addition, underlying structural trends are set to weigh on the global growth trajectory beyond the short-term, including demographic and productivity trends, rising protectionism, the structural slowdown in China, the threat of a more fragmented global economy and less trade-intensive global growth as well as the impact of climate change. At the same time, macroeconomic policies and resilient labour markets continue to support consumer spending, cushioning in many countries the impact from weak external demand. Overall, the global economy (excluding the EU) is forecast to expand by 3.3% and 3.4% in 2020 and 2021, respectively, only marginally stronger than in 2019. In this baseline scenario, the profile of slightly accelerating global growth mainly reflects modestly improving cyclical conditions in Turkey and some countries in Latin America and the MENA region, driven by country-specific factors. Nevertheless, growth in emerging market economies as a whole has been revised down substantially since the spring, as both cyclical and structural factors are set to prevent the stronger rebound that had previously been expected in these economies.

This baseline scenario is underpinned by a number of important forecast assumptions. The sharp intensification of economic tensions between the US and China during the summer signalled that the confrontation between the two countries is likely to persist regardless of the temporary truce agreed in mid-October. While this forecast does not assume any further escalation of trade tensions, it factors in the currently implemented and announced tariff measures (see technical box). Furthermore, the uncertainty around US trade policy and the tensions regarding the functioning of the World Trade Organisation are assumed to be a permanent feature over the whole forecast horizon. The same holds for the ongoing geopolitical tensions in the Middle East. On the other hand, the recent financial turmoil in Argentina is assumed to remain an isolated case that should not affect market sentiment towards emerging markets more generally.

…with a gradual cyclical slowdown in advanced economies…

The economic outlook for advanced economies (excluding the EU) has deteriorated slightly since the spring. Investment and trade activity are set to remain weak, while robust labour markets and accommodative monetary policies should support private consumption in some countries (US, Canada, Australia, Korea). Overall, real GDP growth in advanced economies (excluding the EU) is set to slow over the forecast horizon, from 2.5% in 2018 to 1.8% in 2019, before edging further down over 2020 and 2021.

After the US economy registered above potential growth of 2.9% in 2018, buttressed by a sizeable procyclical fiscal expansion, the pace of growth in the first half of 2019 moderated to 2.6% (annualised) as business investment, the manufacturing sector and export growth weakened. So far this year, GDP growth has been mainly driven by strong private consumption underpinned by a robust labour market. Going forward, activity is set to slow further. The economic tensions with China, together with the pervasive general uncertainty surrounding US trade policy, are expected to continue weighing on business confidence. At the same time, the growth impulse from the fiscal stimulus is set to fade out and fiscal policy should turn growth neutral in 2020-2021. In particular, private non-residential investment and activity in the manufacturing sector are projected to remain weak over the forecast horizon, also contributing to a gradual slowdown in the pace of job creation. On the other hand, accommodative monetary policy is expected to lower borrowing costs, cushioning the slowdown in economic activity. Private consumption is projected to be the main growth driver over the next two years against the backdrop of growing real wages, favourable financing conditions and stronger household balance sheets. Thus, US real GDP growth is projected to slow to 2.3% in 2019 before moderating further to below potential rates in 2020 (1.8%) and 2021 (1.6%).

In Japan, robust GDP growth in the first half of 2019 was underpinned by strong public spending and resilient private consumption. However, the economy is expected to go through a soft patch in the second half of the year due to the consumption tax hike in October (from 8% to 10% with some goods exempted) and a weak trade outlook, reflecting the US-China economic confrontation but also the trade tensions between Japan and Korea. For the year as a whole, GDP is forecast at 0.9%. In 2020 and 2021, the pace of growth is expected to slow to 0.4% and 0.6%, respectively, as domestic demand weakens in the wake of fiscal consolidation and exports remain sluggish.

… and a very modest rebound in emerging market economies.

After solid growth in 2018 (4.5%), real GDP growth in emerging markets is expected to decrease to 3.9% in 2019 amid weak global trade momentum, heightened global uncertainty and a mixed outlook for financing conditions in emerging markets (see below). Furthermore, the deteriorating global outlook has led to lower commodity prices, which combined with slowing demand growth in China, weakens the prospects for a number of commodity exporting emerging countries. The slowdown in China and the US-China trade tensions are also taking a toll on some export-oriented economies in emerging Asia, though a few countries (e.g. Vietnam) are set to benefit from some trade diversion away from China. At the same time, monetary policy easing across many emerging market countries and expansionary fiscal policies in some major economies with fiscal space (China, Korea, Russia) are likely to provide some limited support to growth. Growth in emerging market economies is projected to pick-up moderately to 4.2% and 4.3% in 2020 and 2021, respectively, against the backdrop of persisting trade tensions, slowing economic activity in advanced economies and the diminished outlook in a number of distressed countries.

The growth outlook is subdued across emerging markets. In China, downward pressure on the economy has intensified amid persistent uncertainty related to economic and trade tensions with the US. Domestic demand is also showing signs of weakness with both consumer spending and investment decelerating amid rising financial sector tensions. While the policy stimulus deployed by the Chinese authorities is expected to cushion the negative impact of these downward pressures, it will not fully offset them. Growth in China is expected to slow from 6.1% in 2019 to 5.8% in 2020. A further decrease to 5.6% is projected in 2021, partly as a result of structural factors such as a shrinking working age population, persistently high debt levels (despite the recent deleveraging campaign) and the ongoing rebalancing process away from investment-led growth.

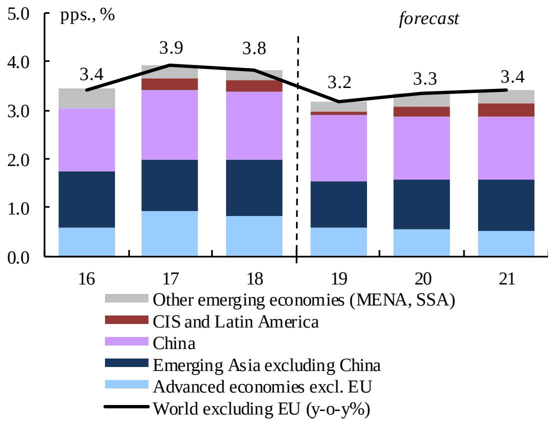
In India, real GDP growth slowed significantly from 8% y-o-y in 2018-Q2 to 5% y-o-y in 2019-Q2 and is projected to bottom out in the second half of the year helped by monetary easing and other policy support. Nevertheless, the pick-up in growth over 2020 and 2021 is likely to remain subdued reflecting the trend of weakening private investment in recent years amid still tight credit conditions.

In Russia, weak wage growth, increasing taxes and lower oil revenues dampen the outlook, though fiscal and monetary policy easing are set to bring some respite.

In Latin America, the Middle East and Sub-Saharan Africa lingering policy uncertainties, domestic idiosyncratic factors and heightened geopolitical tensions continue to weigh on underlying growth dynamics.

In the more medium run, structural factors such as weak FDI inflows and domestic investment, weak productivity growth, aging societies and the lack of structural reforms are weighing on emerging markets' potential growth. The growth differential of more than 4 pps. that emerging market economies enjoyed over advanced economies during 2000-2010 has narrowed to about 2 pps. (2018 data). Moreover, non-financial corporates have become considerably more indebted, while bank and shadow bank credit has slowed following previous excesses and bank restructurings in many emerging market economies, including India and China. Without major structural reforms, per capita income convergence between emerging markets and advanced economies is no longer assured. This would also imply a re-assessment of medium- to long-term growth prospects for the global economy as a whole.

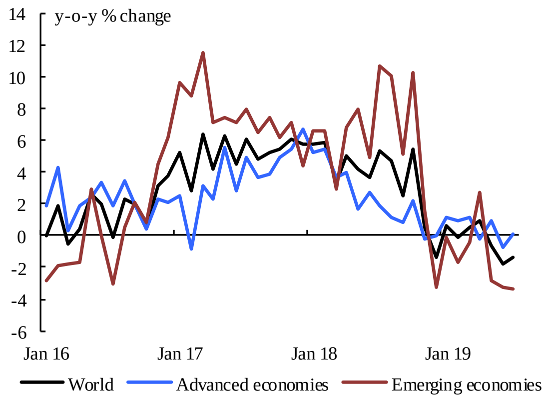
Graph I.2.2: **Contributions to global non-EU GDP growth**



Global trade growth remains weak with no strong rebound in sight

Following the sharp slowdown at the end of 2018, global trade considerably weakened in the first two quarters of 2019 and turned negative in year-on-year terms in July. This weakness has been broad-based, and has coincided with a pronounced slowdown in industrial production and investment indices worldwide. Geographically, a contraction of imports was stronger among emerging market economies, with emerging Asia and China particularly affected. Imports in advanced economies held up better, cushioned by the relative robustness of domestic demand. Overall, trade remained well below trend in all regions.

Graph I.2.3: **Goods import volumes, growth rates**

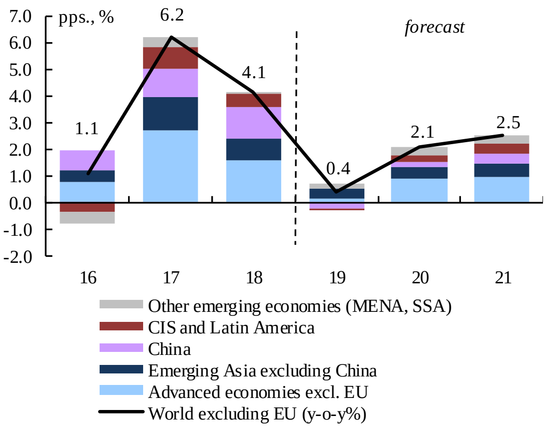


Source: CPB

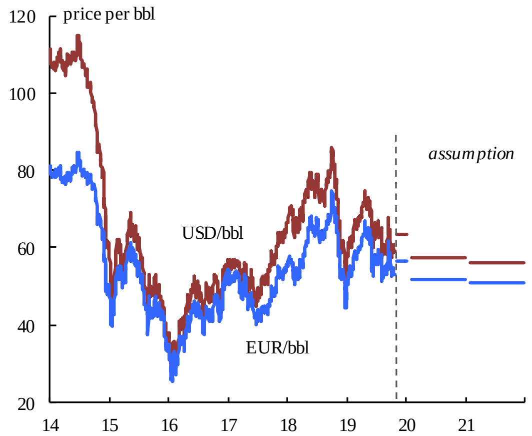
On the back of weak demand in several key economies, non-EU world import growth is expected to slow down sharply to 0.4% this year from 4.1% in 2018. The sharp revision compared to spring reflects a softer-than-expected first half of the year and continued weakness in global new export orders in the third quarter. Global policy uncertainty is expected to continue weighing on trade in the quarters to come, driven by the ups and downs of the trade conflict between the US and China and the global increase in protectionism as also other countries have ramped up their rhetoric and started introducing new trade barriers themselves.

Global import growth (excluding the EU) is forecast to pick up to around 2% in 2020, driven by base effects, before further edging up to 2.5% in 2021 under the assumption that import elasticities will increase moderately from their extremely low current levels (0.1 for 2019). Nevertheless, given the continued impact of the current weakness in investment and the fact that the broad-based softening in the global manufacturing sector is partly driven by structural factors, import elasticities are set to remain subdued compared to the levels observed before 2019. Furthermore, as trade and economic tensions are assumed to remain elevated in the medium-term, rising protectionism, risks of de-globalisation and an erosion of the multilateral rules-based trading system, as well as possible retrenchment of global value chains, are expected to continue weighing on trade dynamics beyond the current slump.

Graph I.2.4: **Contributions to non-EU world import growth**



Graph I.2.5: **Oil price assumptions**



Well-supplied global oil markets limit the shock from supply disruptions in Saudi Arabia

Over the summer, oil prices slipped below 60 USD/bbl, spooked by the re-escalating economic tensions between the US and China and the deteriorating global outlook. The recent attack on Saudi Arabia's oil production facilities resulted in a temporary loss of 5.7 million barrels of output per day (40-50% of the country's oil output), briefly lifting oil prices to around 65 USD/bbl, suggesting that, despite the significant outage, the global oil market is very well supplied. Saudi Arabian authorities have also calmed markets by ensuring a quick restoration of production. But an elevated risk premium could remain in oil prices for some time, as the attack highlighted the vulnerability of oil infrastructures. However, over the forecast horizon, upward price pressures are expected to be held down by the recovery in production in Saudi Arabia, as well as the increasing production of shale oil in North America. Substantial uncertainties around this scenario relate to the heightened risk for further escalation of geopolitical tensions in the Middle East and the evolution of demand for oil as growth in advanced economies and China softens.

The assumptions for Brent prices this year and next are revised down compared to the spring forecast to an average of 63 USD/bbl in 2019 and 57 USD/bbl in 2020. Oil prices are then assumed to edge further down to 56 USD/bbl in 2021. In euro terms, this implies a downward revision of around 8% and 14% in 2019 and 2020, respectively, as compared to the spring forecast.

2.2. FINANCIAL MARKETS

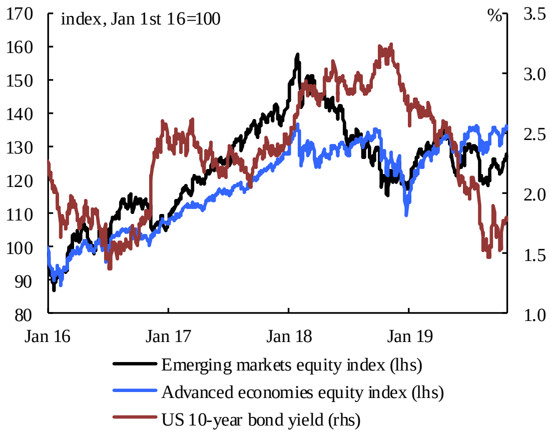
In global financial markets, monetary easing in advanced economies has led to a further reduction in bond yields, but financing conditions for some emerging market economies have tightened. Equity markets have been volatile reflecting concerns about the slowdown of growth and trade.

Financing conditions are diverging between advanced and emerging economies

Since the dovish pivot of the US Federal Reserve in the beginning of 2019, financing conditions in advanced economies have eased. Over the summer, the intensified US-China economic confrontation, heightened concerns about a global recession and escalating geopolitical tensions triggered a financial market adjustment globally. The Fed lowered its benchmark interest rate by 25 bps in July and another 25 bps in September, with expectations for further policy easing rising. Government bonds continued this summer the remarkable rally initiated late 2018, leading to a further flattening of yield curves globally. In the US, the 10y Treasury yield was around 1.80% in late October, down from 2.0% at the end of July and over 3% at the start of the year. On the other hand, stock markets in advanced economies have been volatile over the last few months, falling on trade and global growth concerns and rebounding on monetary policy easing and on hopes for progress in US-China trade negotiations. The spike in risk aversion over the summer also contributed to considerable appreciation in safe heaven currencies (namely the JPY and the USD) while the US-China trade tensions resulted in a depreciation of the Chinese renminbi against the

US dollar (above the threshold of 7 USD/RMB for the first time since 2008).

Graph I.2.6: **Global equity and US 10-year bond**

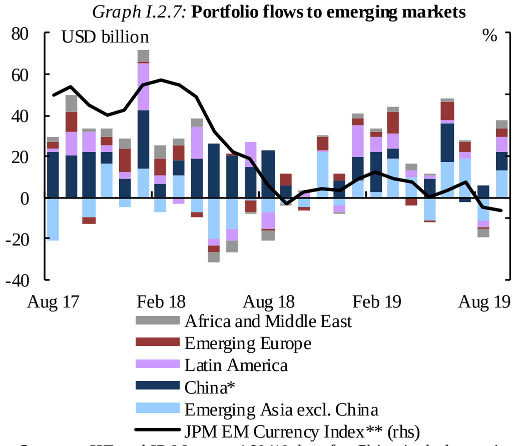


Sources: MSCI and Macrobond Financial AB.

After tightening rapidly in August, financing conditions in emerging market economies improved somewhat in September. This mainly reflected developments in currencies and to some extent equity markets and was also driven by the flight-to-safety episode in August related to the intensification of global growth concerns and trade tensions. During that month, equity indices declined globally due to the deteriorating growth outlook and slowing portfolio capital inflows. In September though, equities recovered some of their losses as capital flowed back in. While average emerging market long-term yields fell below 5%, the spread to US long-term bond yields widened by 30 bps. from the end of July to 335 bps. in the beginning of October. These developments were mirrored in the foreign exchange markets, as emerging market currencies depreciated following the intensification of trade tensions (e.g. Chinese renminbi, Korean won) and idiosyncratic domestic factors (e.g. Brazil, South Africa, Argentina).

Going forward, financing conditions in the US are set to remain favourable over the forecast horizon, underpinned by market expectations for easier monetary policy by the US Fed and a domestic economy performing close to potential output. Financing conditions in emerging market economies are expected to remain at best neutral to growth, given the risks related to a stronger US dollar and more abrupt capital outflows, which reduces the room for further monetary policy easing.

Graph I.2.7: **Portfolio flows to emerging markets**



*Sources: IIF and JP Morgan. *09/19 data for China includes equity but not debt. **Decrease in the JPM currency index means depreciation.*

European financial markets have been driven by similar factors

European financial markets have shown significant volatility over the last few months, driven by concerns about the economic slowdown and global trade tensions, as well as long-term expectations of lower interest rates and inflation, coupled with the prospect of a more accommodative monetary policy stance. Yields on longer-term euro area sovereign debt moved down over summer, and those with the highest credit ratings went well into negative rate territory. European equity markets experienced a substantial price correction in August, but reversed course sharply in early September on expectations that the ECB would come up with a significant and impactful policy package at its meeting in September. The subsequent announcement of net asset purchases has further supported financial asset prices.

As the ECB eased monetary policy further…

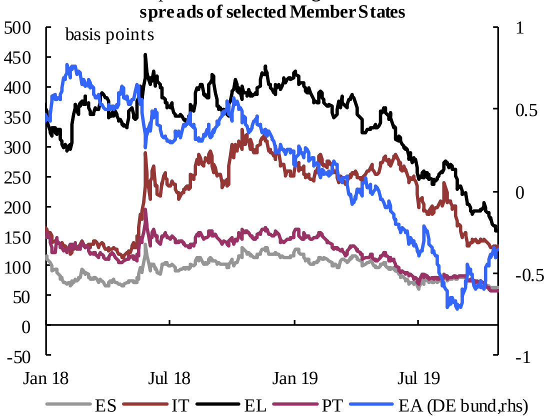
The ECB Governing Council decided in September that additional monetary stimulus was needed in light of further downward revisions to the inflation outlook. The latest easing package included a 10 bps cut in the deposit facility rate to -0.50% and a restart of open-ended net asset purchases at a pace of EUR 20bn per month from November this year. The ECB also announced a strengthening of its forward guidance on policy rates to reinforce the impact of the cut in the deposit facility rate as well as the signalling effect of asset purchases. The new forward guidance no longer includes the date-based leg (‘at least through the first half of 2020’) and becomes entirely state-based, with a first rate hike now linked to a sufficient convergence of the inflation outlook to the ECB's objective over their projection horizon that should also be "consistently reflected in underlying inflation dynamics". As part of the monetary policy easing package, the modalities of the new series of Targeted Longer-Term Refinancing Operations (TLTROs) announced in June 2019 were also eased, making it possible for banks to access longer-term funding at lower rates with a longer maturity. In order to safeguard bank-based policy transmission, the ECB also announced a two-tier system for the remuneration of euro area banks' reserves with the Eurosystem. According to this new system, part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate in order to mitigate the impact of negative policy rates on euro area banks' profitability. Meanwhile, the other EU central banks have kept unchanged their monetary policies, adopting a 'wait and see' position in an environment of persistent uncertainties related to protectionist policies and geopolitical factors.

While the euro has not showed a clear trend in nominal effective terms in recent months, it has been rather volatile, mainly reflecting an increased volatility of some of the euro's main bilateral exchange rates. The euro has shown in particular an increased volatility relative to the pound against the backdrop of persistent uncertainty about a Brexit deal. At the same time, the euro has weakened mostly against the Japanese yen and the US dollar in a context of increased political risks (e.g. Brexit, renewed US-Iran tensions, tensions between Japan and South Korea, recent social unrest in Hong Kong) and escalating trade tensions between the US and China. The euro's weakness against safe-haven currencies such as the Japanese yen and the US dollar has been broadly offset by its appreciation vis-à-vis the currencies of most other EU countries and some emerging economies.

… bond yields declined …

In the sovereign bond markets, 10-year Bund yields turned negative in May and set an historical trough of -0.7% in mid-August, before increasing to -0.40% in late October as investor demand for safe assets somewhat abated compared to the summer. Italy's sovereign spread vis-à-vis the German Bund narrowed in the last few months, as political uncertainty in Italy abated. In a sign of easing political tensions in the country and reflecting the global search for yield, Italy in October issued US dollar denominated sovereign bonds for the first time in 10 years. The spreads of peripheral countries have also tightened significantly thanks to the global search for yield. In mid-October, the Greek spread vs German Bunds on 10-year sovereign bonds was around 190 bps., while the Italian spread was around 135 bps., and Portuguese and Spanish spreads were around 65 bps.

Graph I.2.8: **EA sovereign bonds and spreads of selected Member States**



Source: Bloomberg

The euro area's corporate bond spreads have oscillated over the last few months, tracking investors' risk sentiment. Bond spreads for all credit profiles widened in August and narrowed in September. Investors generally appear to continue pricing credit and interest rate risks at low levels, in spite of lower economic growth and global trade tensions.

… and equities recovered after the summer.

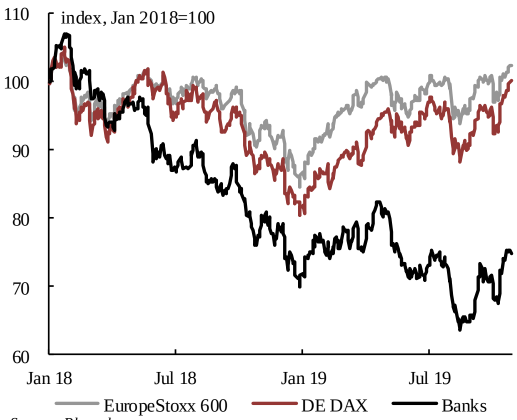
EU equity markets were under significant downward pressure in August but recovered in September as sentiment improved on the back of more monetary easing by major central banks, and signs of progress in the US-China trade negotiations. The EuropeStoxx 600 index gained 7% over summer and is now higher than it was in the spring. However, the banks sub-index continued underperforming significantly, and has actually been the worst performing sector over the last 12 months. In a sign of deteriorating investor perception regarding trade and the manufacturing sector, stock indices in export-oriented economies, such as Germany, underperformed.

Table I.2.2:
Financing side - euro area and EU

(Annual percentage change)	Euro area						EU					
	Autumn 2019 forecast				*Spring 2019 forecast*		Autumn 2019 forecast				*Spring 2019 forecast*	
	2018	2019	2020	2021	2019	2020	2018	2019	2020	2021	2019	2020
Domestic non-financial private sector	3.3	**3.1**	**3.0**	**3.1**	*3.0*	*3.4*	3.3	**3.3**	**3.2**	**3.3**	*2.5*	*2.8*
(% of GDP)	87.3	**87.7**	**87.9**	**88.2**	*84.2*	*84.4*	86.6	**86.8**	**86.8**	**87.0**	*82.9*	*82.4*
- Credit to households	3.2	**3.0**	**2.9**	**3.0**	*3.5*	*3.9*	3.1	**3.1**	**3.1**	**3.2**	*2.7*	*3.0*
(% of GDP)	51.7	**51.9**	**51.9**	**52.1**	*50.0*	*50.3*	54.0	**54.0**	**54.0**	**54.0**	*51.7*	*51.5*
- Loans to non-financial corporations	3.5	**3.3**	**3.1**	**3.2**	*2.3*	*2.5*	3.6	**3.5**	**3.4**	**3.5**	*2.2*	*2.4*
(% of GDP)	35.6	**35.8**	**35.9**	**36.1**	*34.3*	*34.0*	32.6	**32.8**	**32.8**	**33.0**	*31.2*	*30.9*

Note: Figures in the Spring 2019 forecast were unadjusted for sales and securitisation. From the autumn 2019 forecast onwards, credit data is based on adjusted figures. Counterpart area is domestic (home or reference area).

Graph I.2.9: **Stock market performance**



Source: Bloomberg

Private sector lending flows set to increase further

Bank lending continues to expand, with the annual growth rate of loans to the euro area private sector remaining robust in a range of 3-4% since the beginning of 2018 (3.8% in August 2019, following 3.7% in July). Among the borrowing sectors, the annual growth rate of loans to households stood at 3.4% in August, unchanged compared to July, while the growth rate of loans to enterprises increased to 4.3% in August, up from 4.0% in July. However, credit developments are quite divergent amongst Member States, with lending to corporates expanding by more than 5% annually in France and Germany, while shrinking by about 1% in Italy and Spain, where banks are still deleveraging. Banks are continuing to make progress in consolidating their balance sheets, with the share of non-performing loans declining, supported by asset disposals. However, the overall level of non-performing loans remains high in some countries.

In the ECB Bank Lending Survey of the third quarter of 2019, euro area banks reported that credit standards (loan approval criteria) eased slightly for loans to enterprises and for loans to households for house purchases, driven by competition and in spite of the continued tightening contribution of risk perceptions related to the economic outlook. Credit standards continued to tighten for consumer credit. However, banks' overall terms and conditions (those agreed in the loan contract) for new loans to enterprises and for housing loans continued to tighten, driven by higher margins on riskier loans. Terms and conditions for consumer credit remained unchanged. Loan demand was stable for enterprises, and continued to increase for housing loans and consumer credit. For the fourth quarter, banks expect credit standards and demand for loans to enterprises to remain broadly unchanged, while demand for housing loans and consumer credit is expected to increase.

Meanwhile, debt market funding for enterprises continued to expand in the euro area, although at a slower pace than in previous years, around 5% in October on an annual basis. The high level of corporate debt remains a concern, particularly in segments such as leveraged loans, low-credit quality borrowers and highly-leveraged enterprises. Euro area banks and other financial institutions may be exposed to leveraged debt issued by companies located in other jurisdictions, particularly the US. Meanwhile, net issuance of equity by euro area enterprises is still growing, although at a very moderate rate, around 0.3% in October on an annual basis, reflecting limited investor demand under the current economic slowdown.

Overall, financing conditions are expected to remain supportive with very low funding costs for both the private and public sectors. Credit volumes to households and NFCs are set to rise further in nominal terms although the pace is expected to be moderate, only marginally exceeding inflation (see table I.2.2). The real increase in credit is therefore set to remain modest despite the very low real interest rates.

2.3. GDP COMPONENTS

GDP growth in the first half of 2019 was similar to that in the latter half of 2018. In the second quarter, weighed down by net exports, GDP growth decreased to 0.2% quarter-on-quarter (q-o-q) from 0.4% earlier in the year, where figures were distorted by UK-specific factors related to stock building in anticipation of the 'original' Brexit date. Domestic demand proved supportive and remained resilient to external headwinds. Compared with the same quarter of the previous year, GDP growth slowed to 1.2% in the euro area (from 1.3% in the first quarter), a sharp contrast from its post-crisis peak of 3.0% in the fourth quarter of 2017.

The euro area economy continues to grow…

A number of temporary factors propped up activity in the first quarter (e.g. mild weather benefitting construction activity, Brexit-related stockpiling), and helped push up half year-on-half year rates, which stood at 0.7% (in 2019-H1), slightly higher than the 0.5% growth in the second half of 2018. While growth lost steam in a majority of Member States in the second quarter, it brought to light differences in relative performance between countries and sectors. In the euro area, only Germany and Italy recorded changes in output that were below the area-wide average in both quarters, while France and Spain showed more resilience.

Sector-wise, the euro area has been moving at two different speeds. First, a still robust service sector, supported by domestic demand; and second, a significant cooling down in manufacturing, for which the downturn has now completed the fourth consecutive quarter. In the second quarter, gross value added in the euro area manufacturing industry fell at its fastest pace since end-2012 with Germany at the core of the turn in the cycle. The disconnect between German manufacturing output and that of other euro area countries mainly reflects developments in the car manufacturing and electrical equipment sectors. [24]

The continued dampening in the manufacturing sector can be partly traced to persistent uncertainty about the future state of the global economy and the rules governing world trade, [25] geopolitical concerns, falling demand for capital goods, structural changes in the automotive industry, as well as the deteriorating performance of the electronic components sector (particularly in Asia). [26] Given the trade and capital-intensity of the manufacturing sector, countries with a larger industrial base and higher reliance on exports have been more affected so far.

Former advantages have thus turned into vulnerabilities. The export orientation (high weight of value-added exports in economic activity) and importance of the manufacturing sector have exposed German manufacturers more than others to a slowdown of global demand. The production of auto vehicles, which has an important economic footprint, has been hit by falling demand from China, due to higher taxes and tighter financial conditions, as well as market saturation; the rollout of new emission tests in Europe; and the shift away from diesel towards gasoline and alternative fuels. [27] The exposure to the fading export demand from specific trading partners, such as China, has turned into a headwind as well.

…but surveys suggest growth is still stuck in low gear.

In contrast to previous expectations, recent hard and survey data suggest that growth momentum eased further in the third quarter of the year. Both

(24) These sectors together account for about 16% of euro area manufacturing value added, but 27% in Germany, giving rise to asymmetric effects across Member States.

(25) Uncertainty acts as an extra hurdle on the required return for new projects. Investment is hit more than in normal circumstances as waves of uncertainty resurface following previous peaks, frustrating expectations around duration and resolution, consistently increasing the real value of waiting. See Broadbent, B. (2019). 'Investment and uncertainty: the value of waiting for news'. Speech at the Imperial College Business School, 20 May.

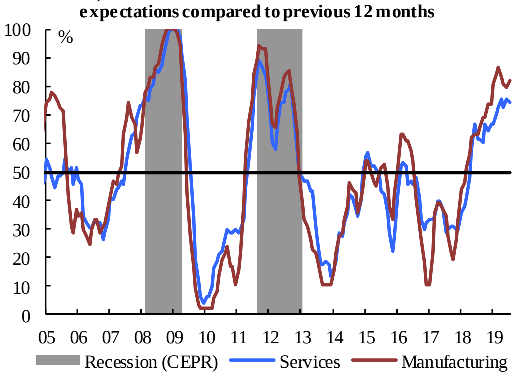
(26) Asian tech exports account for about 10% of global trade, with these economies closely linked through integrated supply chains. See Lane, P. (2019). 'Reflections on monetary policy'. Speech at Bloomberg, London, 16 September.

(27) Vehicles and parts are the fifth largest global export product. See IMF (2019). 'The global automobile industry: recent developments and implications for the global outlook'. IMF *World Economic Outlook*, October, pp. 45-48.

the Commission's *Economic Sentiment Indicator* (ESI) and the *Eurozone Composite Output Purchasing Managers' Index* (PMI) fell in the third quarter. In September, the ESI fell from 103.1 to 101.7 points, hitting its lowest level in four years. It was dragged down by a substantial deterioration of confidence in the manufacturing industry – which sank further below its long-term average to its lowest level since mid-2013.

Along the same lines, the flash Eurozone PMI Composite Output Index in October showed the economy broadly flatlining at the start of the fourth quarter as the index practically hit the no-change benchmark of 50.0. At the same time, cracks started to appear in the performance of the service sector as well, which according to the flash *PMI Services Business Activity Index*, stood close to its lowest since the start of 2019 hinting at one of the weakest growth rates since late-2014. This reflects the synchronised deterioration in business expectations of both industry and services managers over the past year (see Graph I.2.10).

Graph I.2.10: **Share of Member States with lower expectations compared to previous 12 months**



Note: Production expectations for manufacturing and demand for services. Three-month moving average. Source: European Commission surveys.

Evidence from 'hard' data point in a similar direction. The real *M1 monetary aggregate,*[28] which shows leading properties over euro area domestic demand, also suggests a softening growth momentum ahead. In August, *industrial production* in the euro area increased somewhat, recovering from a similarly-sized fall in July (+0.4%, following -0.4%), but failing to rebound after the sharp decline in June (-1.4%), thus paving the way for a contraction in the quarter. It is now broadly at the same level as it was in December 2018. Adding to the weakening momentum, *production in construction* in the euro area decreased in August for the third month in a row (-0.4%, after -1.1% in July and -0.7% in June), which suggests that the fall in the average production level in the second quarter may not have been the last.

Despite the increase in August (+0.3%, after -0.5% in July), *retail trade volumes* still hint at a slower pace of sales growth compared to the previous quarter. On the upside, n*ew passenger car registrations* continued to recover in the third quarter, although increasing at a much more moderate pace (from +2.7% q-o-q to +0.7%) staying now close to its level of one year before. Consequently, growth looks set to remain subdued in the second half of the year. While the manufacturing sector is not likely to bottom out soon, it is expected that the more domestically-oriented services and construction sectors' should continue to remain relatively insulated.

The fundamentals of the European economy, including its robust labour market, should be strong enough to withstand external headwinds and avoid a recession. They are, however, unlikely to power growth to a higher trajectory. The economic engine is pushing against structural impediments such as the slowdown in China, the shift away from diesel-powered vehicles and fuel engines, and supply shocks emanating from the disruption of global supply chains. These add to the trend decline in productivity and population ageing which weigh down on the medium-term outlook.

All in all, the euro area economy is forecast to grow at a rate of 1.1% in 2019, and at broadly the same rate in 2020 and 2021. Compared to the summer interim forecast (published in July), the forecast has been downgraded by about 0.1pps. in 2019 (from 1.2%) and 0.2pps. in 2020 (from 1.4%). The downward revision to growth in 2020 is mostly due to a carryover from lower growth momentum in the previous year. At the same time, economic activity in 2020 is expected to benefit from a higher number of working days in some Member States, which should add an estimated 0.2 pps. to the growth rate of that year.

In 2020, domestic demand is expected to be supported by a reduced tax burden and increased government transfers in several Member States, as well as by the transmission of an accommodative

[28] Concordance indices indicate that turning points in real M1 tend to lead turning points in real GDP by four quarters. See Musso, A. (2019). 'The predictive power of real M1 for real economic activity in the euro area'. ECB *Economic Bulletin* 3.

Table I.2.3:

Composition of growth, euro area

(Real annual percentage change)

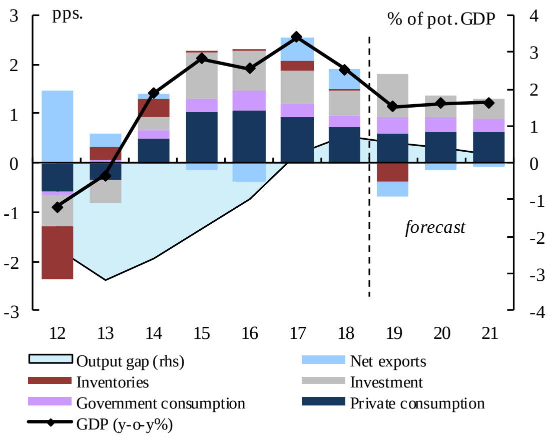
	2018							Autumn 2019 forecast		
			2014	2015	2016	2017	2018	2019	2020	2021
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	6036.9	53.9	0.9	1.9	2.0	1.7	1.4	**1.1**	**1.2**	**1.2**
Public consumption	2296.7	20.5	0.8	1.3	1.9	1.3	1.1	**1.6**	**1.5**	**1.3**
Gross fixed capital formation	2304.3	20.6	1.4	4.8	4.0	3.5	2.3	**4.3**	**2.0**	**1.9**
Change in stocks as % of GDP	68.1	0.6	0.5	0.5	0.5	0.6	0.7	**0.3**	**0.3**	**0.3**
Exports of goods and services	5297.9	47.3	4.8	6.6	2.9	5.5	3.3	**2.4**	**2.1**	**2.3**
Final demand	16003.9	142.9	2.4	3.7	2.6	3.3	2.2	**1.8**	**1.6**	**1.7**
Imports of goods and services	4804.5	42.9	4.9	7.6	4.1	5.0	2.7	**3.2**	**2.6**	**2.7**
GDP	11200.9	100.0	1.4	2.1	1.9	2.5	1.9	**1.1**	**1.2**	**1.2**
GNI	11263.2	100.6	1.2	1.8	2.1	2.7	2.0	**1.0**	**1.2**	**1.2**
p.m. GDP EU	15898.2	141.9	1.7	2.3	2.0	2.6	2.0	**1.4**	**1.4**	**1.4**
			Contribution to change in GDP							
Private consumption			0.5	1.0	1.1	0.9	0.7	**0.6**	**0.6**	**0.6**
Public consumption			0.2	0.3	0.4	0.3	0.2	**0.3**	**0.3**	**0.3**
Investment			0.3	0.9	0.8	0.7	0.5	**0.9**	**0.4**	**0.4**
Inventories			0.4	0.0	0.0	0.2	0.0	**-0.4**	**0.0**	**0.0**
Exports			2.1	3.0	1.3	2.5	1.6	**1.1**	**1.0**	**1.1**
Final demand			3.4	5.2	3.6	4.6	3.1	**2.6**	**2.4**	**2.4**
Imports			-2.0	-3.1	-1.7	-2.1	-1.2	**-1.4**	**-1.2**	**-1.2**
Net exports			0.1	-0.2	-0.4	0.5	0.4	**-0.3**	**-0.1**	**-0.1**

monetary policy, with historically low financing costs for consumers and corporates (see Section I.2.2). This adds to relatively favourable labour market conditions, with sustained but slower employment creation (see Section I.2.5) and the improvement of private sector balance-sheets in recent years, which have further reduced deleveraging needs and created room for higher expenditure levels.

Over the forecast years, the contribution to growth from domestic demand is nevertheless expected to moderate (from 1.5 pps. in 2018 to 1.3 pps. in 2021), driven mainly by moderating investment growth. The contribution from net exports is forecast to stay broadly neutral in both 2020 and 2021, after weighing-down growth in 2019, with exports growing at almost a third of the rate seen in 2017 (see also Section I.3.2 for a model-based identification of growth drivers).

All euro area countries apart from Lithuania are projected to see growth slowdown in 2019. The majority is forecast see growth moderate further in 2021 compared to the current year, with the gap between the fastest and slowest growing economies diminishing, as the higher levels of growth come down.

Graph I.2.11: **Real GDP and its components, euro area**



Also, among euro area countries, only Greece and to a lesser extent Italy, are forecast to grow at rates higher than their estimated potential by the end of the forecast horizon, thus resulting in a smaller positive output gap than in recent years. According to the Commission's estimates, the growth rate of potential GDP in the euro area is expected to remain slightly below 1½%, compared to a real GDP growth forecast of about 1.2% between 2019 and 2021, on average.

Private consumption to hit the brakes…

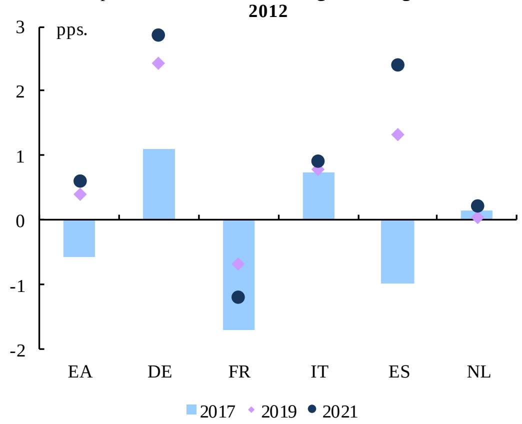
Private consumption grew by 0.2% (q-o-q) in the second quarter, after weakening marginally to 0.3% in the previous quarter (from 0.4% at the end of 2018). Household expenditure growth continued to go hand-in-hand with labour market conditions and slowed in line with a lower pace of employment creation during that quarter. The slowdown is further explained by the loss of momentum in Germany, where the first quarter outturn benefited from an upsurge in durable goods consumption and the enactment of supportive fiscal measures (e.g. an increase in child benefits).

According to the breakdown of private consumption for the second quarter, euro area durable goods consumption remained almost unchanged, whereas semi- and non-durable goods and services grew at half their previous pace. It should however be noted that the growth of durable goods consumption has been slowing for some time. This is unlikely to change, despite favourable financing conditions, as *consumers' intentions on making major purchases* in the year ahead have eased, the prospect of increases in income out of net employment creation are dimmer and because pent-up demand appears to be exhausted. [29]

Private consumption growth remains aligned and contingent on developments in households' income and wealth. So far this year, nominal disposable income has grown at an average rate of 3.5% (y-o-y) from 3.1% in the two previous quarters, with the contribution of direct taxes, social contributions and net transfers paramount to this pick-up. Whereas in the second half of 2018, these detracted (about 0.7 pps.) from the annual increase in income – reflecting the cyclicality of automatic stabilisers – in the first half of this year, they supported disposable income. This is the first time in nine years that they have had such an effect and it reflects discretionary measures in some Member States.

Real household disposable income is projected to gain further momentum this year, before weakening next year and the year after. The contribution of labour income is expected to decline compared to 2018, with a lower pace of headcount employment growth not fully offset by faster growth in wages per employee. [30] This change in the composition of income growth, away from employment and towards wages, is expected to yield lower increases in spending. After growing by 1.6% in 2018, household real disposable income growth is projected to increase to 2.0% in 2019, before returning to 1.4% in 2020 and decreasing further to about 1.2% in 2021 as inflation is expected to slightly pick up that year.

Graph I.2.12: **Households' saving rate changes since 2012**



How much of the increase in income spills over to actual consumer spending will ultimately depend on households' savings decisions. Across most countries in the euro area, household savings have been building up, with the euro area saving rate increasing from 11.9% in the first quarter of 2018 to 13.3% in the second quarter of this year (see Graph I.2.12).

Since the start of this year, the Commission's *consumer confidence indicator* has been hovering within a steady range in the euro area. At the same time, consumers are becoming less optimistic about the labour market, with unemployment expectations moving higher. A prolonged period of uncertainty around income prospects has pushed up precautionary saving and is weighing on consumers' propensity to make big spending decisions, such as the purchase of housing and durable goods. [31] Also, changes in sentiment can have a long-lasting and persistent impact on consumer spending, weighing on activity well beyond the short-term. [32]

(29) At least on aggregate, as the share of durables on overall consumer expenditure is now close to where it stood prior to the euro area crisis (at about 9.0%).

(30) A lower contribution of compensation per employee to disposable income growth in 2019 is partly due to the Tax Credit for Competitiveness and Employment (CICE) in France which permanently reduces employers' social security contributions, while having no impact on household purchasing power.

(31) See Knotek II, E. and Khan, S. (2011). 'How do households respond to uncertainty shocks?'. Federal Reserve Bank of Kansas City, *Economic Review*.

(32) Sentiment shocks can reflect knowledge about economic fundamentals and accompany a similar change in economic activity; or be sourced in autonomous changes in sentiment

Table I.2.4:

Composition of growth, EU

(Real annual percentage change)

	2018		2014	2015	2016	2017	2018	2019	2020	2021
	bn Euro Curr. prices	% GDP	Real percentage change					Autumn 2019 forecast		
Private consumption	8857.8	55.3	1.3	2.2	2.5	2.1	1.6	**1.4**	**1.5**	**1.5**
Public consumption	3223.7	20.3	1.1	1.4	1.8	1.2	1.2	**1.8**	**1.7**	**1.4**
Gross fixed capital formation	3202.7	20.2	2.7	4.8	3.3	3.4	2.5	**3.8**	**1.8**	**1.7**
Change in stocks as % of GDP	95.7	0.6	0.5	0.5	0.5	0.6	0.8	**0.5**	**0.4**	**0.4**
Exports of goods and services	7195.3	45.7	4.5	6.3	3.3	5.7	3.0	**2.5**	**2.3**	**2.4**
Final demand	22578.5	142.2	2.7	3.7	2.7	3.3	2.2	**1.9**	**1.8**	**1.8**
Imports of goods and services	6659.6	42.2	5.2	7.2	4.4	5.1	2.9	**3.3**	**2.8**	**2.8**
GDP	15410.1	100.0	1.7	2.3	2.0	2.6	2.0	**1.4**	**1.4**	**1.4**
GNI	15419.2	100.1	1.6	2.0	2.1	2.9	2.0	**1.3**	**1.4**	**1.4**
p.m. GDP euro area	11561.2	75.0	1.4	2.1	1.9	2.5	1.9	**1.1**	**1.2**	**1.2**
			Contribution to change in GDP							
Private consumption			0.7	1.3	1.4	1.2	0.9	**0.8**	**0.8**	**0.8**
Public consumption			0.2	0.3	0.4	0.2	0.2	**0.4**	**0.3**	**0.3**
Investment			0.5	0.9	0.7	0.7	0.5	**0.8**	**0.4**	**0.4**
Inventories			0.4	0.0	-0.1	0.1	0.2	**-0.3**	**0.0**	**0.0**
Exports			1.9	2.7	1.5	2.5	1.4	**1.1**	**1.0**	**1.1**
Final demand			3.8	5.2	3.8	4.7	3.2	**2.7**	**2.6**	**2.6**
Imports			-2.1	-2.9	-1.8	-2.0	-1.2	**-1.4**	**-1.2**	**-1.2**
Net exports			-0.1	-0.2	-0.3	0.4	0.1	**-0.3**	**-0.2**	**-0.1**

Furthermore, there is evidence that business cycle fluctuations affect workers unevenly. The income of lower-wage earners and younger cohorts shows more vulnerability to downturns, giving rise to cyclical swings in precautionary saving intentions. [33] After picking-up strongly in 2019, households' saving rate in the euro area is forecast to tick a bit further up in 2020 and to stabilise in 2021, to a rate close to its long-term average.

Many factors might be at play in driving such an uptick: (i) a worsening outlook and higher unemployment fears may be leading to increased precautionary savings; (ii) the impact of low (or negative) interest rates on capital gains and "target saving behaviour"; [34] (iii) uncertainty regarding the scope and duration of technological changes which are taking shape in the car industry may be impairing demand in the short-term; and (iv) the possible saturation of consumer demand amid a maturing economic cycle.

Overall, private consumption growth in the euro area is expected to cool for the third consecutive year (to 1.1% in 2019 from 1.4% in 2018), dampened by a higher saving rate. It is forecast to increase slightly next year to 1.2% thanks to a smaller increase in the saving rate, and to grow just at about the same rate in 2021 in line with real income growth (see Graph I.2.13). Since liquidity-constrained households show a higher propensity to consume out of disposable income, poorer labour market improvements are set to dampen aggregate consumption. It should, however, be supported by the solid shape of the aggregate household balance sheet, [35] above-average consumer confidence and favourable financing conditions.

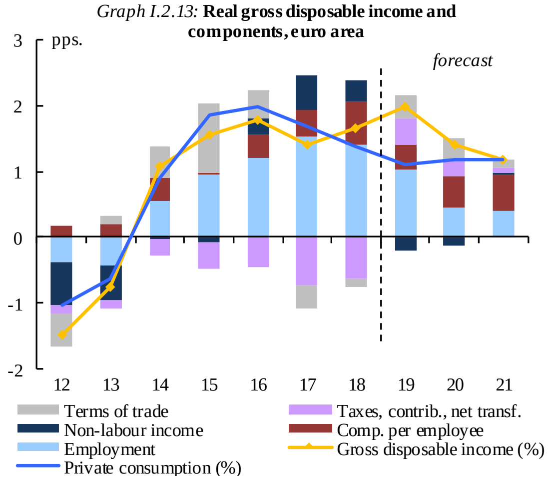
itself that are unrelated to economic fundamentals, a notion commonly referred to as "animal spirits." See Benhabib, J., Shapiro, B., and M. M. Spiegel (2018). 'How persistent are the effects of sentiment shocks'. Federal Reserve Bank of San Francisco *Economic Letter* 22. October.

(33) Dossche, M. and J. Hartwig (2019). 'Household income risk over the business cycle'. ECB *Economic Bulletin* 6, pp. 58-64.

(34) Savers stop assuming capital gains and increase their level of savings until their target has been reached. See Kirkegaard, J. -F. (2019). 'Yes, we are probably all Japanese now'. Peterson Institute for International Economics. Study for the Committee on Economic and Monetary Affairs, European Parliament.

(35) In the second quarter of 2019, the household debt-to-income ratio stood at 93.5%, unchanged compared to the second quarter of 2018. ECB (2019). 'Households and non-financial corporations in the euro area: second quarter of 2019'. October.

Graph I.2.13: **Real gross disposable income and components, euro area**



… while government consumption growth is set to remain strong…

In the first half of this year, government consumption continued to contribute positively to growth. It grew by 0.8%, which compares favourably with the increase of 0.5% in both halves of 2018. This was particularly driven by developments in Germany, where government consumption increased twice as much as in the previous year (+1.2%, 0.6% in both halves of 2018).

Building on the outturn available for the first two quarters of 2019, aggregate government consumption is projected to grow by 1.6% this year, slightly more than the 1.1% recorded in 2018. It is forecast to grow at about the same pace in 2020 before slowing moderately in 2021 to 1.3%. (see Section I.2.7.) The slowing projected for the outer year is linked to the no-policy-change assumption, according to which measures are only factored into the forecast if they have been adopted and presented to national parliaments, or if they have been sufficiently specified.

…and investment to lose impetus…

In the second quarter, investment in the euro area grew faster than GDP, rising by 5.6% after losing pace in the first quarter (0.5% q-o-q). Looking at its breakdown, construction investment remained flat, although this performance should be seen against the influence of extraordinarily favourable weather conditions, which benefitted construction activity early in the year, particularly in Germany. In contrast, non-construction investment increased by about 10.9% after declining in the previous quarter (-0.6%). Half year-on-half year investment spending expanded by 4.1% in the euro area, above the 2.2% rate seen in the second half of 2018 and 1.6% in the first.

Data from Ireland, which is subject to large swings linked to the activities of multinationals, continued to blur investment readings. A more reliable understanding of the cyclical standing of euro area investment spending is indeed only possible by stripping out the figures from Ireland – where investment contracted by 22.7% in the first quarter before increasing 182.2% in the second. Without accounting for such volatility, investment excluding construction has been increasing by between 1.0% and 1.5% (q-o-q) for three quarters now. Still, the second quarter figure benefited from a significant increase in general government investment in machinery and equipment in Germany (by about 44.8%), which raised the aggregate figure.[36] The investment-to-GDP ratio, adjusted for Irish figures, stood at 21.6% in 2019-Q2, about the same as in the previous three quarters and about 1 pp. below the average of between 2000 and 2005.

A look at *forward-looking demand for credit for investment purposes,* however, offers a less benign view on the quarter ahead, as reported in the October 2019 ECB Bank Lending Survey (see Section I.2.2). Based on this metric, investment is set to moderate, which is also consistent with the decline of the stringency of *equipment as a factor limiting production* back to end-2017 levels. At the same time, *profitability measures* deteriorated in the second quarter of this year – as higher wages have yet to be compensated by increased productivity - with the gross profit share of non-financial corporations settling at 39.2% of gross value added, down from 40.1% one year before and below its long-term average of 40%.

Most signals for the near-term outlook are more benign for residential investment. The Commission's *Construction Confidence Indicator* moderated in the third quarter, with sentiment in September falling to its lowest since December 2017. It remains, however, well-above its historical average. Also, *house prices*, as measured by the House Price Index remain buoyant, rising by 4.2% in the second quarter compared to the

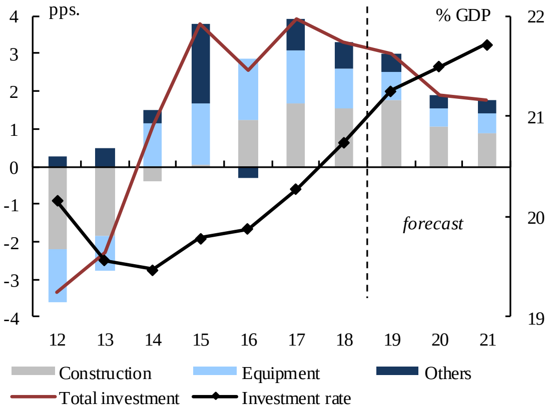
[36] By contrast, business investment in machinery and equipment in Germany fell significantly in the second quarter, for the first time since send-2016, as a phase of high capacity utilisation in industry is ending.

same quarter in the previous year, creating incentives for residential investment.

Over the coming years, investment should continue to benefit from an accommodative monetary policy stance. Non-financial corporations have also accumulated significant liquid asset positions over the last few years, providing a cushion against swings in income. Investment is also expected to benefit from the continued support of the European Fund for Strategic Investments (EFSI). [37]

At the same time, these supportive factors are likely to be dampened by declining profit margins and weaker corporate earnings expectations, in a context of weak aggregate demand. The declining rate of *capacity utilisation* is reducing the need for investments linked to capacity expansion and lowered incentives for upgrading. Still-high supply hindrances, particularly in recruiting skilled labour in the construction sector, add to the limits for further capital deepening, compounded by adverse demographic trends. Elevated uncertainty, [38] most notably regarding the future viability of value chain integration, [39] further undermines incentives to invest, with firms being expected to follow a wait-and-see attitude, particularly in capital-intensive sectors most exposed to international markets.

Graph I.2.14: **Investment developments, euro area excluding Ireland**



Against this background, after growing by 3.3% in 2018, investment in the euro area (excluding Ireland) is projected to increase by 3.0% this year (4.3% after 2.3% accounting for Irish figures). Further ahead, it is forecast to grow by about 1.9% in 2020 before moderating further to 1.8%, in line with the still subdued demand outlook (see Graph I.2.14). Both investment in construction and in other assets, such as intellectual property products, are expected to moderate in the following years.

...in a context of subdued export growth.

In the second quarter of the year, export volumes were at a standstill, after having grown by nearly 1% in the two preceding quarters. The aggregate picture masks considerable differences between goods and services, as well as between countries. Exports of services growth strengthened and registered five quarters of uninterrupted growth. At the same time, goods exports contracted for the first time since the first quarter of 2018, even if only marginally (-0.3% q-o-q).

International trade data shows that both intra- and extra-euro area exports of goods continued to underperform in the first half of the year. Whereas the former grew modestly (at 0.2%, after failing to grow in the second half of last year), the latter remained broadly unchanged and at about the same level as in the first half of 2018. This hides a sharp contraction in the second quarter of this year, after a reprieve in the first quarter (see Graph I.2.15) in which exports were bolstered by trade flows with the UK (stockpiling in advance of the 'original' Brexit date in March). [40]

---

(37) As of September 2019, operations approved under the Investment Plan for Europe were expected to trigger €433bn in investments. Around 972,000 small and medium-sized businesses are expected to benefit from improved access to finance. Between 2021 and 2027, the InvestEU Programme will continue the work of the EFSI. It will bring together the multitude of EU financial instruments designed to support the funding of investment projects in the EU.

(38) The impact of trade tensions goes beyond lower trade growth, as uncertainty can be detrimental to investment and long-term growth potential. See Ebeke, C., Siminitz, J. (2018). 'Trade uncertainty and investment in the euro area'. IMF *Working Paper* 18/281. December.

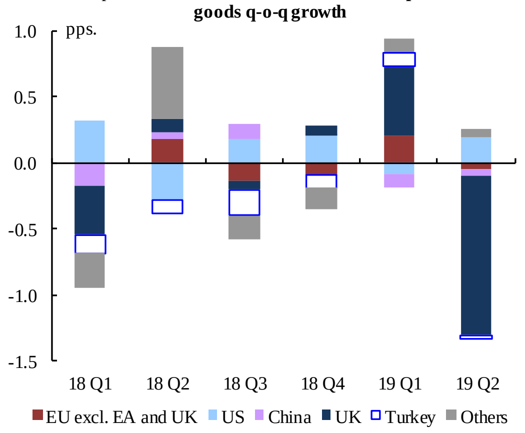
(39) The European economy is highly integrated in global value chains – about 70% of exports are linked to forward and backward supply chains, compared to between 40-45% in the Americas and Asia. On growth spillovers from the US and China to European economies see R. Huidrom, N. Jovanovic, C. Mulas-Granados, L. Papi, F. Raei, E. Stavrev, and P. Wingender (2019). 'Trade tensions, global value chains, and spillovers: insights for Europe'. International Monetary Fund. European Department 19/10.

(40) In the second quarter, extra-euro area exports fell by 1.6% (q-o-q) following an uptick of 0.5% in the first. Intra-euro

Exports are unlikely to strengthen significantly in the near term given the gloomy outlook for foreign demand. This is suggested by the assessment of *export order books* in the Commission's manufacturing survey, which deteriorated further in the third quarter of 2019 to levels not seen since August 2013. *Export expectations* in manufacturing, as measured by the Commission's quarterly survey (conducted in July), fell for the seventh consecutive quarter to its lowest since the end of 2012.

The geographical orientation of the euro area's external trade, as well as its product specialisation, appears to have been a disadvantage. While euro area export markets [41] contracted by about 2.3% in the second quarter of the year, the overall world import demand (excluding euro area) contracted by only 0.8%. Both, however, are currently close to their levels at the end of 2017, a clear signal of how trade flows have failed to provide a positive contribution to growth. [42] Looking ahead, after expanding by 3.1% in 2018, demand for euro area exports of goods and services is forecast to grow by 2.2% in 2019 and to continue growing at a modest pace of 2.6% in 2020 and 2.7% in 2021.

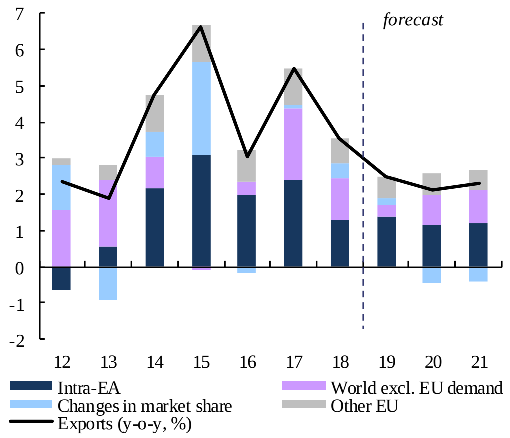
Graph I.2.15: **Contributions to euro area exports of goods q-o-q growth**



Euro area export growth should continue to be affected by weak global activity, particularly the fading impact of the fiscal stimulus in the US, [43] as well as sluggish world trade, in a context of a lowered elasticity of trade to growth compared to previous years. Heightened uncertainty about trade policy and geopolitical tensions pose further challenges and limit a potential revival of demand for trade-intensive capital goods. This is also consistent with IHS Markit's flash *Manufacturing PMI new export orders* index which stood at mid-2012 levels in October and has been in contractionary territory (below the no-expansion threshold of 50) for thirteen months now.

All in all, euro area exports are projected to grow by 2.4% in 2019, down from 3.3% in 2018 and 5.5% in 2017. Growth is set to remain sluggish, with exports of goods and services increasing by only 2.1% next year, before ticking-up slightly to 2.3% in 2021. Exports are forecast to grow less than external demand directed at euro area goods and services, implying market share losses over the forecast horizon (see Graph I.2.16).

Graph I.2.16: **Export growth contributions, euro area**



Euro area imports of goods and services are projected to increase by 3.2% in 2019 before rising by 2.6% in 2020 and 2.7% in 2021. This partly reflects the expected slowing of investment growth, which has the highest import content of all demand components. With export growth weakening to a lower rate than that of imports, net trade is projected to act as a drag on growth this year (-0.3 pps.) and to detract further in the next two years (-0.1 pps.), with the growth rate of exports failing to catch up with that of imports.

As in previous forecasts, projections are based on a purely technical assumption of status quo in terms of trading relations between the EU27 and the UK.

---

area exports were reported to have contracted by 0.3% after growing by 0.8% in the first three months of the year.

(41) Based on data from the CPB World Trade Monitor on the volume of goods imports by trading partners weighted by their respective share in euro area exports.

(42) Compared to 2018, the larger contributors to softer euro area external demand in the first seven months of 2019 were Turkey and China, where imports of goods fell by 8.7% and 1.8%, respectively.

(43) Real exports of goods to the US grew by about 8.7% in 2018, from 4.4% in 2017, which was key to cushion the sharp slowdown in the growth of exports to China (from 13.5% in 2017 to 1.8% in 2018).

2.4. CURRENT ACCOUNT

Euro area current account surplus to narrow as export growth weakens

The current account surplus of the euro area stabilised at a historically high level of 3.8% of GDP in 2017 and 2018, but is expected to narrow to 3.3% in 2019 and further to 3.2% in 2020 and 3.1% in 2021, the lowest since 2014. Similarly, the adjusted current account [44] surplus is expected to ease from 3.1% of GDP in 2018 and 2017, to 2.7%, 2.6% and 2.5% of GDP, in 2019, 2020 and 2021, respectively.

This downward trend largely reflects the decline in the merchandise trade surplus (from 3.0% in 2018 gradually down to 2.7% in 2021), but also a lower surplus in services trade and a more negative joint balance of primary incomes and transfers. The surplus in services trade is expected to narrow in 2019 (from 1.3% in 2018 to 1.1% [45] in 2019) and remain roughly stable at 1.1% of GDP in 2020 and 2021. Finally, the joint balance of primary incomes and current transfers is projected to worsen from -0.6% of GDP in 2018 to -0.7% in 2019 and 2020 and -0.8% in 2021.

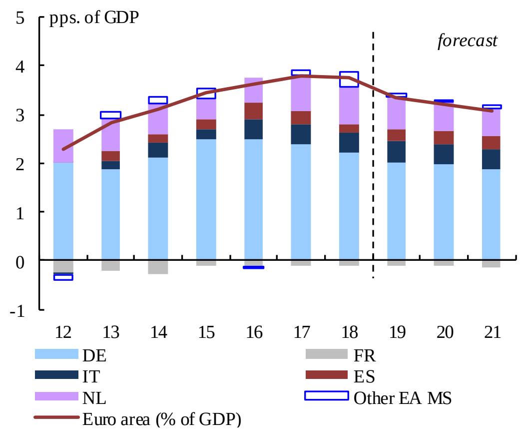
The declining surplus in trade in goods and services appears to be primarily a reflection of a protracted weakness in global manufacturing and trade that started in 2018, continued well into 2019 and is set to remain a drag on euro area exports over the entire forecast horizon. The euro area has been hit particularly hard in 2018 and 2019 due to its high openness and intense participation in global value chains, but also the product specialisation and geographical orientation of its exports. The euro area's terms of trade are expected to improve marginally in 2019 and 2020 (by 0.1 and 0.3%, respectively) and remain unchanged in 2021, following sizable declines in 2017 and 2018.

Viewed from the savings-investment-balance perspective, the narrowing of the current account surplus reflects the steady rise in the investment ratio combined with a relative stability in the savings ratio. The euro area gross-saving-to-GDP ratio is set to remain largely unchanged in the forecast horizon, as an increase in private savings is expected to be offset by a steady decline in public savings. The trend in private savings is driven primarily by the jump in the household saving rate in 2019 and, to a smaller extent in 2020 (see Section I.2.3), followed by some increase in corporations savings ratios in 2021. Investment-to-GDP ratio is set to continue on a rising trend in the forecast horizon, driven by the steady increases in the private sector.

Germany and the Netherlands remain top contributors despite sizable declines in their surpluses

While as many as 11 Member States contributed to the euro area's current account surplus in 2018, it is Germany and the Netherlands that accounted for more than three-quarters of the euro area's overall current account surplus (see Graph I.2.17). Over the forecast horizon, their combined share is expected to go up slightly, despite a significant reduction in the current account surplus in both countries. At the same time the number of Member States with a surplus is expected to remain unchanged at 11 during the entire forecast horizon.

Graph I.2.17: **Contributions to the current-account balance, euro area**



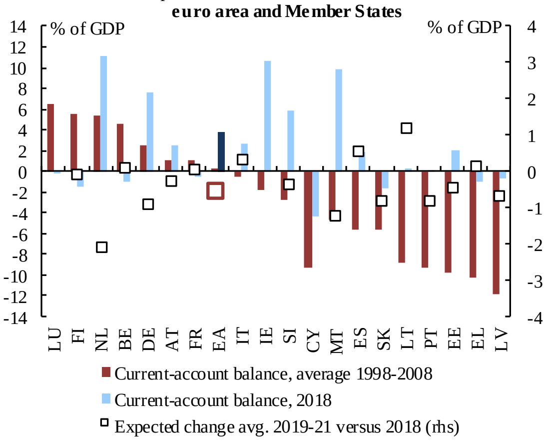
The gradual decline in the euro area current account surplus reflects sharp reductions in its biggest contributors: Germany and the Netherlands (Graph I.2.18). In Germany the current account surplus is expected to decline by 1.2 pps. of GDP between 2018 and 2021, reflecting the severe weakness in its export sectors due to its specialisation (machinery and equipment) and geographical orientation (large exposure to China). In the Netherlands, similar problems exacerbated by close links with the German market are set to

[44] The adjusted current account and merchandise trade balance of the euro area and the EU take into account discrepancies between the sum of the trade balances of the Member States and the aggregate, which theoretically should not exist, but are usually observed due to reporting errors.

[45] Largely reflecting a surge in services imports by Ireland (see Section I.2.3)

lead to a 2.6 pps. decline in the current account surplus – from the historical high of 11.2% of GDP in 2018 to 8.6% in 2021. Most other Member States are also expected to contribute to this trend. Surpluses are set to shrink in Estonia, Ireland, Malta, Austria and Slovenia; deficits are set to deepen in Cyprus, Latvia, Slovakia and Finland; while Portugal is expected to see its small surplus become a deficit. On the other hand, Spain is set to see its surplus widen, while Belgium's deficit is set to be largely unchanged.

Graph I.2.18: **Current-account balances, euro area and Member States**



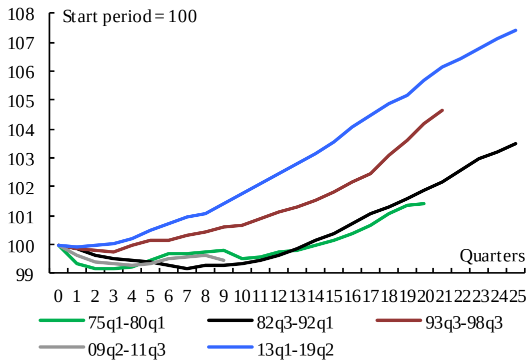
2.5. LABOUR MARKET

The labour market in the EU and the euro area has so far proved to be resilient to the slowdown in economic growth, with most labour market outcomes improving further over the last couple of months. However, as changes in the labour market situation usually lag developments in economic activity, the potential for further increases in employment remains to be seen. This is of high importance for the outlook given the essential role played by employment in household disposable income and private consumption.

Labour markets have continued to improve in 2019, so far…

The current economic recovery has been particularly favourable for EU labour markets in terms of the number of persons employed (see Graph I.2.19). Now in its seventh year, it remains exceptionally strong in terms of employment creation. But this feature came as the counterpart to relatively weak labour productivity growth in a context of rather subdued GDP growth.

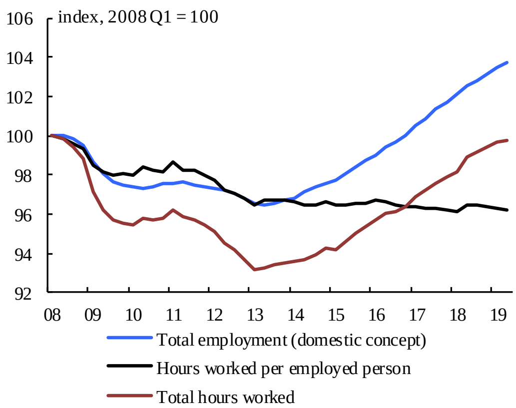
Graph I.2.19: **Comparison of recoveries in the euro area, employment in persons, 1970 Q1 - 2019 Q2**



Note: Recoveries according to decisions by the CEPR Business Cycle Dating Committee (data sources: AWM database and Eurostat).

The situation of the labour market in the euro area has improved further in terms of both the number of persons employed and the number of hours worked (Graph I.2.20). The latest employment data releases for the euro area and the EU show a further 0.2% increase in the number of employed persons in the second quarter of 2019 compared with the first quarter of 2019. This is a 1.1% yearly increase in the euro area (+1.0% in the EU) with levels clearly above their pre-crisis peak.

Graph I.2.20: **Employment and hours worked per employed person, euro area**



In terms of the number of hours worked though, the current level barely matches the levels recorded before the crisis. Between 2008 and 2013, changes in the sectoral composition of employment and the increase in the share of part-time workers in total employment have led to a sharper decline of total hours worked compared with total employment. During the economic recovery phase, the two aggregates rose in parallel suggesting a permanent shift in labour market structures during the downturn from 2008 and until 2013. This is reflected in the rather high and stable share of part-time employment since 2013,

Table I.2.5:

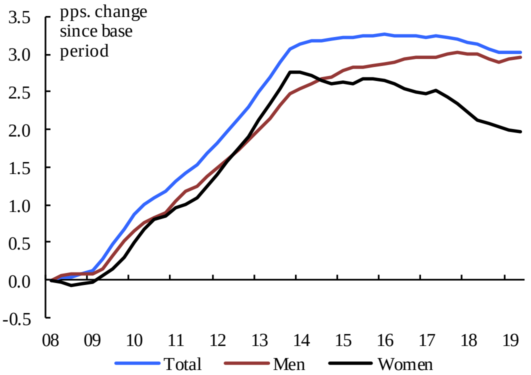
Labour market outlook, euro area and EU

(Annual percentage change)	Euro area						EU					
	Autumn 2019 forecast				*Spring 2019 forecast*		Autumn 2019 forecast				*Spring 2019 forecast*	
	2018	2019	2020	2021	2019	2020	2018	2019	2020	2021	2019	2020
Population of working age (15-64)	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*
Labour force	0.6	**0.4**	**0.3**	**0.3**	*0.4*	*0.3*	0.5	**0.4**	**0.4**	**0.3**	*0.5*	*0.3*
Employment	1.5	**1.1**	**0.5**	**0.5**	*0.9*	*0.8*	1.4	**1.0**	**0.5**	**0.4**	*0.8*	*0.7*
Employment (change in million)	2.3	**1.7**	**0.8**	**0.7**	*1.4*	*1.2*	3.1	**2.3**	**1.1**	**1.0**	*1.9*	*1.6*
Unemployment (levels in millions)	13.4	**12.4**	**12.2**	**12.0**	*12.6*	*12.0*	16.9	**15.7**	**15.6**	**15.4**	*16.1*	*15.4*
Unemployment rate (% of labour force)	8.2	**7.6**	**7.4**	**7.3**	*7.7*	*7.3*	6.8	**6.3**	**6.2**	**6.2**	*6.5*	*6.2*
Labour productivity, whole economy	0.4	**0.0**	**0.7**	**0.8**	*0.3*	*0.8*	0.6	**0.4**	**0.9**	**1.0**	*0.5*	*0.9*
Employment rate (a)	62.0	**62.6**	**62.7**	**62.9**	*62.5*	*62.8*	62.1	**62.6**	**62.8**	**62.9**	*62.5*	*62.8*

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

particularly for men (Graph I.2.21) and may be one of the reasons for the sluggish wage growth until recently.

Graph I.2.21: **Part-time employment as a share of total employment, euro area**



Note: Four-quarter moving averages as compared to the base period 2008 Q1. Percentage point change since 2008 Q1.

The strong demand for labour during the current economic expansion has attracted newcomers in the labour market while at the same time lowering the unemployment rate. The increase in the labour force has been supported by rising participation rates for many years, leaving little room for labour supply to expand much further. The usual indicators of labour market slack have also been declining in recent years. Meanwhile the unemployment rate in the euro area and the EU has been declining continuously since 2013. The latest available figures for August this year show an unemployment rate of 7.4% in the euro area (6.2% in the EU28). This compares with 8.0% in the euro area one year before (6.7% in the EU28) and is close to the lowest point of 7.3% reached early 2008 in the euro area (in the EU28 unemployment is already below the lowest point of 6.8% reached early 2008).

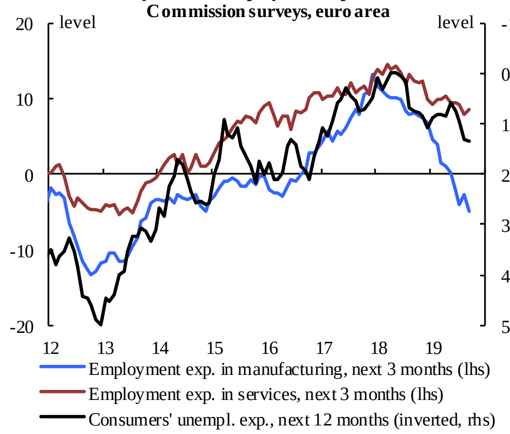
The declining slack in labour markets combined with high vacancy rates and ongoing declines in unemployment rates provide evidence of a tighter labour market. This is reflected in the recent rise in wages, which are growing faster than inflation (+2.0% expected this year for the euro area, +2.8% in the EU) despite no productivity gains in the euro area (+0.4% in the EU). However, the situation varies significantly across countries and sectors. In some sectors and some countries (e.g. construction in Germany) there are skill shortages, while in other countries/sectors there is still a significant amount of slack. Wage developments therefore differ significantly between countries (see annex table 25).

…but survey indicators have moderated further…

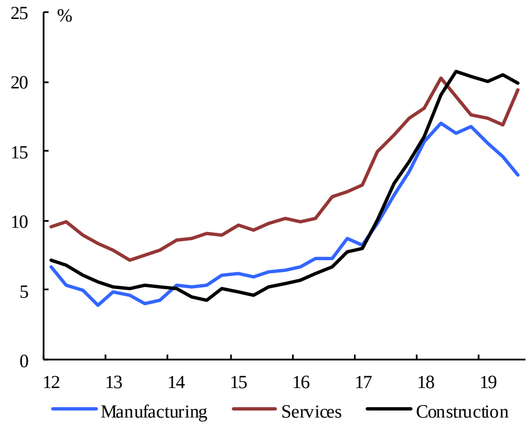
The Commission's survey data on employment expectations suggest a more significant easing of job creation with an increasing apparent divergence between manufacturing and services (Graph I.2.22). Employment expectations in the manufacturing sector turned negative in June this year and have declined further since, with the latest September print matching the long-term average (-4.78). Meanwhile, employment expectations in services remain positive but have continued to slow down over the last couple of months.

The Commission's 'limits to production' survey indicator shows firms' perceptions of labour constraints (Graph I.2.23). The sectoral discrepancy appears again with fewer and fewer manufacturing companies seeing labour as a limiting factor of activity (13% in 2019-Q3 down from a peak of 17% last year). Conversely, 19.5% of firms operating in the services sector point to labour constraints, close to the 20% peak reached last year, while firms in the construction sector continue to be impacted by labour shortages (around 20% of firms still see labour as a limiting factor for their activity).

Graph I.2.22: **Employment expectations, Commission surveys, euro area**



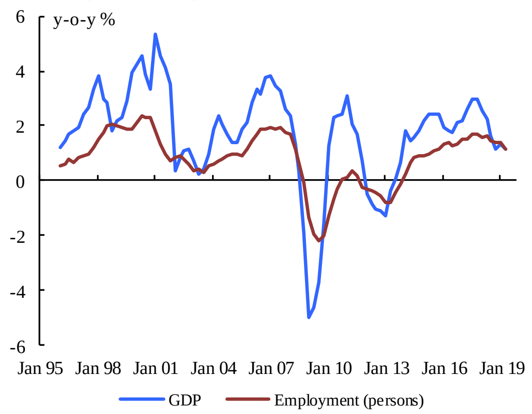
Graph I.2.23: **Labour seen as limiting factor of activity, euro area**



…and suggest a further loss of momentum…

The latest near-term indicators suggest that the economy's weakness has started affecting labour markets. For the moment, the only indications of employment growth coming to a halt come from the manufacturing sector. Employment in the services sector is still on the rise and weighs significantly more in aggregate employment. The services sector is more labour intensive than the manufacturing sector and accounts for 73% of the euro area's economy, compared with only 25% for the manufacturing sector. The productivity and importance of the manufacturing sector differs among countries but overall, the services sector remains the main driver for labour markets.

Graph I.2.24: **Employment and GDP growth, euro area**



At the aggregate level, employment growth has always been closely linked with GDP growth (Graph I.2.24). Employment growth tends to be smoother and lag economic growth by a few quarters as firms limit adjustment costs related to lay-offs and new recruitment by adapting to changes in the economic environment in a prudent way and with a delay. The current situation is expected to be broadly similar but there are also reasons to expect some particularities. First of all, GDP is currently more labour intensive than in the past, as productivity growth has declined over time. This suggests that employment may only contract if the economic slowdown is more significant than in the past. Secondly, labour hoarding and working hour adjustments play an important role in the current context, as labour markets have turned particularly tight in some countries and sectors. In order to avoid future hiring difficulties, which would lower their productivity in the medium term, firms may react with forbearance to the current economic slowdown. As a corollary, firms accept temporarily lower productivity per employee and hence lower corporate margins. The impact of the economic slowdown on labour markets may therefore turn out to be smoother and slower than in previous slowdowns, as long as firms regard the weakness as temporary.

During the first half of 2019, the pace of job creation moved in line with GDP growth. Due to the lag between developments in GDP and the labour market, the pace of job creation is projected to moderate in line with the lacklustre outlook. As a result, productivity is expected to pick-up slightly in 2020 and 2021 after no productivity gains this year in the euro area due to strong labour market developments relative to a weaker output. Besides the slowdown in hiring caused by lower economic growth, differences in the degree of labour markets slack across countries and divergent sectoral evolutions may also weigh on employment growth on the supply side. Bottlenecks and labour shortages are likely to persist in some sectors (e.g. construction) and/or countries and constrain the employment expansion.

All in all, while employment growth has proved surprisingly resilient so far this year (+1.1% currently expected compared with +0.9% in spring), it is projected to weaken more than previously expected in 2020 and 2021 (+0.5% in both years compared to +0.8% expected for 2020 in the spring).

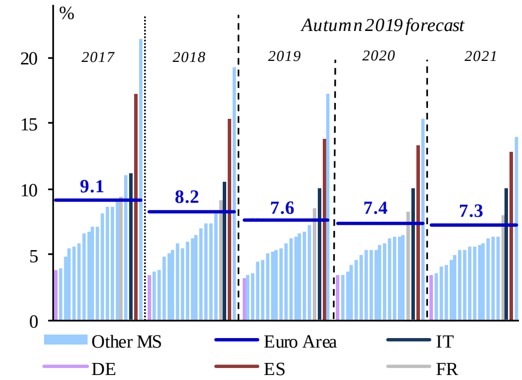
...but allowing still the unemployment rate to fall slightly in the euro area.

Despite the projected slowdown, employment growth is expected to outpace the growth of the total labour force. (46) This should allow unemployment rates to decline further, though only slightly. From 7.6% this year in the euro area, the unemployment rate is expected to edge down to 7.4% in 2020 and 7.3% in 2021 (6.3% in 2019 and 6.2% in 2020 and 2021 in the EU).

Differences in unemployment levels persist across EU Member States (Graph I.2.25), as EU countries have been recovering at different speeds since 2008 and structural differences remain. But differences in unemployment rates have progressively narrowed over the last few years and are expected to narrow further over the forecast horizon. Unemployment rates are expected to fall in most euro area and EU countries. Increases over the next two years are projected only in a few countries with already very low unemployment rates and where labour markets are particularly tight (Germany, the Netherlands and Estonia in the euro area, and the UK, Sweden, Czechia, and Romania in the rest of the EU).

(46) While ageing contributes negatively to the population of working age, further increases in labour market participation rates and net immigration of workers should prevail and lead the total labour force to grow moderately (0.5% in 2019, 0.4% in 2020 and 0.3% in 2021).

Graph I.2.25: **Unemployment rate, euro area and Member States**



Note: In each period, the bars for all 19 euro area economies are ranked by size.

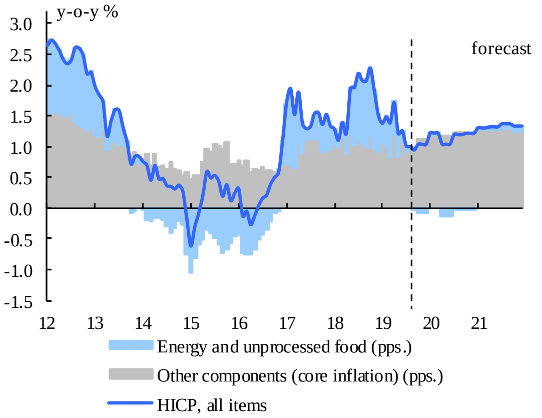
2.6. INFLATION

Inflation in the euro area failed to pick up during the third quarter and has been on a downward trend so far in 2019, principally reflecting the fall in energy prices compared to last year. The effects of robust wage growth, high employment levels and strong house price increases has failed to materialise in domestic inflationary pressures. There were strong movements within the major inflation subcomponents throughout the year but, in the third quarter, they were all below their long-term averages since 2000s, signalling subdued inflationary pressures. As economic growth is not expected to rebound and external price pressures subside, no notable pick-up in inflation is expected in the time covered by this forecast.

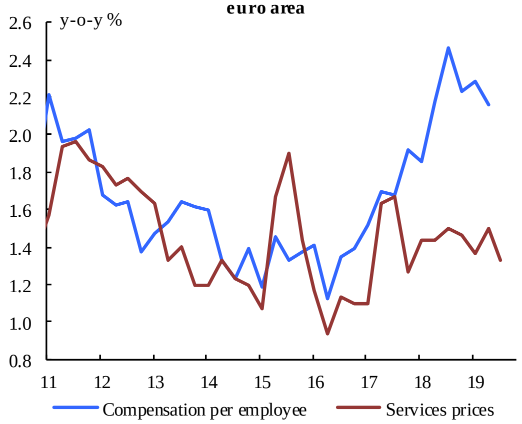
Headline inflation fails to pick up…

Headline inflation in the euro area, as measured by the Harmonised Index of Consumer prices (HICP), averaged 1.0% in the third quarter of 2019, slightly lower than forecast in summer and down from 1.4% in the second quarter (see Graph I.2.26). This sudden decline is mostly explained by energy inflation which turned strongly negative during that quarter. The notable decline in headline inflation, to 0.8% in September, was partially expected due to strong negative base effects in energy inflation, but it also reflected a sharp decline in unprocessed food inflation.

Graph I.2.26: **Inflation breakdown, euro area**



Graph I.2.27: **Compensation per employee and services inflation, euro area**



…and core inflation remains flat and low…

On the other hand, core inflation, which captures all items except energy and unprocessed food, continued to hover around 1.1% in the third quarter, basically the same average as in the first half of 2019, which is slightly lower than the average of 1.2% registered in 2018. The gap between subdued core inflation and vigorous wage growth remains wide. The expected pass-through of higher wage growth to underlying price pressures has so far not materialised, including in those components which are more sensitive to domestic demand conditions especially the non-tradable sector such as services. Annual growth in compensation per employee in the euro area remained robust and stood at 2.1% in the second quarter, a slight decrease from the previous three quarters but the comparability is limited because it takes into account the downward adjustment in employers' social security contributions in France early this year. Excluding the social security contributions from total compensation, growth in wages and salaries per employee was stronger, at 2.4% in the second quarter.

As for the main component of core inflation, services inflation picked up again in September, to 1.5%, even if the average of the third quarter (1.3%) was lower than in the previous one (1.5%). However, services inflation has been volatile in 2019 mainly because of the seasonal pattern of package holidays, which represents just under 10% of the services basket. Also, the recent methodological and reclassification exercise by Eurostat within the inflation subcategories, especially in the packaged holidays and accommodation component, may have accentuated the impact of seasonal movements and not just around the Easter period.

…while the strong increase in house prices is showing up in rent.

Within services, rent inflation (with a weight of around 15% in the services basket) has clearly picked up from 2018, especially over summer. In the third quarter it averaged 1.5%, up from an average of 1.2% in 2017 and 2018. The increase in rents followed a strong rise in euro area house prices. House prices have risen more than an annual rate of 4% in every quarter since mid-2016, reflecting partly the decline in household borrowing costs but also developments in asset prices during a period of low interest rates. Increases in house prices tend to shift demand towards renting due to declining affordability while landlords try to pass on part of this increase to tenants by raising rental prices in order to maintain an attractive rental yield.

The reported growth in house prices appears to be having an impact on this component of inflation, although with a rather long delay. While the two components generally co-move, accelerating house prices may not necessarily lead to higher rent inflation due to several reasons including rent regulation and controls, some form of contractual indexation linked to a rate of inflation, low turnover in rental contracts, social housing, and financing conditions. For example, with declining asset returns in a low-yield environment, landlords may accept a lower rental-yield as house prices increase. [47]

When looking across countries, it appears that the recent increase in rent inflation is mainly due to developments in France while most other euro area

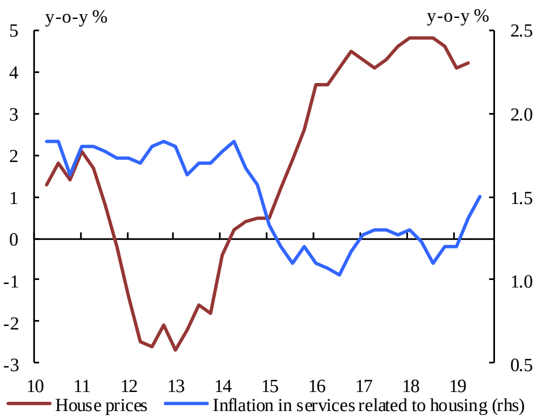
[47] European Central Bank (ECB) (2019). "Rent inflation in the euro area since the crisis." ECB Monthly Bulletin, Box 4, pp. 61–65, June 2019.

Table I.2.6:
Inflation outlook, euro area and EU

(Annual percentage change)	Euro area						EU					
	Autumn 2019 forecast				*Spring 2019 forecast*		Autumn 2019 forecast				*Spring 2019 forecast*	
	2018	2019	2020	2021	2019	2020	2018	2019	2020	2021	2019	2020
Private consumption deflator	1.4	**1.2**	**1.2**	**1.4**	*1.4*	*1.4*	1.7	**1.4**	**1.4**	**1.5**	*1.5*	*1.6*
GDP deflator	1.3	**1.5**	**1.5**	**1.5**	*1.6*	*1.6*	1.5	**1.8**	**1.8**	**1.7**	*1.8*	*1.8*
HICP	1.8	**1.2**	**1.2**	**1.3**	*1.4*	*1.4*	1.9	**1.5**	**1.5**	**1.7**	*1.6*	*1.7*
Compensation per employee	2.2	**2.0**	**2.1**	**2.2**	*2.0*	*2.2*	2.8	**2.8**	**2.7**	**2.7**	*2.6*	*2.8*
Unit labour costs	1.9	**2.0**	**1.4**	**1.4**	*1.7*	*1.5*	2.3	**2.5**	**1.8**	**1.7**	*2.1*	*1.8*
Import prices of goods	2.7	**0.4**	**0.3**	**0.8**	*1.1*	*0.9*	2.8	**0.7**	**0.5**	**0.8**	*1.2*	*0.9*

countries have displayed a stable profile so far in 2019. When it comes to rental developments, the picture within the euro area is very varied. Rent inflation in the third quarter, for example, was 5.5% in Ireland, over 2.5% in Austria and the Netherlands, but only 0.2% in Italy and 0% in Greece.

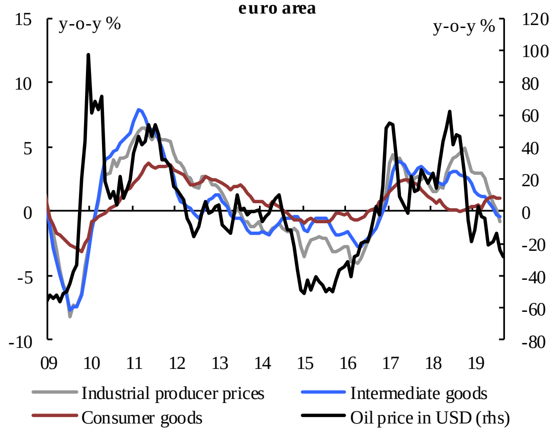
Graph I.2.28: **Housing services inflation vs house prices, euro area**



The weakness in industry is spilling over to prices

Non-energy industrial goods and processed food inflation have been relatively stable and have moved within a narrow range in the first three quarters of 2019. The weakness in the manufacturing sector and the moderation in oil prices has limited upward pressures in annual non-energy industrial goods inflation, which averaged 0.3% in the third quarter. Industrial producer price inflation in the manufacturing sector fell by 0.8% in August, strongly driven lower by energy prices, while the total index excluding energy was only 0.5% higher compared to the same month last year. Only non-durable consumer goods inflation rates showed some upward trend during the year, while capital goods and durable consumer goods - at 1.5% and 1.4% in August, respectively - were relatively steady around their August rate during the year and above their average in 2018. Intermediate goods and especially energy producer inflation have declined strongly over the year and entered negative territory in the third quarter. Capacity utilisation and pricing intentions in the manufacturing sector across the euro area, as reported by corporate survey respondents, have continued to decline at a notable pace since the beginning of the year and may further reduce pipeline price pressures in the future.

Graph I.2.29: **Oil price and selected producer price indices, euro area**



Prices in the tradable goods sector are also being depressed by a general slowdown in prices along global supply chains, especially in Asia and China in particular where producer prices fell by 1.2% in September. In the euro area, industrial import prices have fallen even more strongly than industrial domestic output prices since the summer, standing at -2.5% in August. This was again driven by strong declines in energy and intermediate import prices but there was also a general weakening in import prices across all categories, despite the weakening of the euro's nominal effective exchange rate in 2019.

The forecast for inflation has been revised lower for longer …

The near-term inflation outlook is rather flat. In line with moderately declining oil price assumptions, some positive base effects are expected in energy inflation early in 2020, followed by the opposite effect in the second quarter, and will impinge on the profile for headline inflation. The impact of oil prices on headline inflation is expected to taper off in the second half of next year as base effects fade and oil prices are assumed to remain relatively stable thereafter. On average, headline inflation in the euro area is forecast at 1.2% in both 2019 and 2020, with a small increase to 1.3% in 2021, when headline and core inflation are expected to be largely aligned. Compared to the summer, this represents a downward revision of 0.1 pps. for 2019 and 2020.

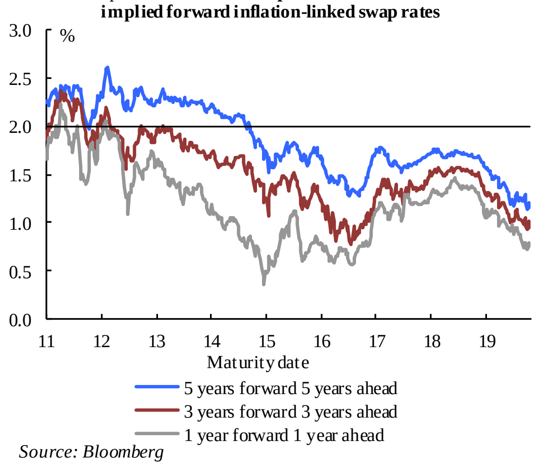
Growth in compensation per employee in the euro area is expected to remain robust throughout the forecast horizon. It is projected to moderate at 2.0% in 2019 - from 2.2% in 2018 - partially reflecting the above-mentioned downward adjustment in employers' social security contributions in France (CICE - Tax Credit for Competitiveness and Employment) which should however not have an impact on the take-home pay of households per se. The growth of compensation per employee is projected at 2.1% in 2020 and 2.2% in 2021. The growth of real compensation per employee, after deducting for inflation, should remain firmly positive until 2021. As a result of the robust increase in compensation per employee, unit labour cost growth in the euro area is expected to increase to 2.0% in 2019 but to moderate to 1.4% in 2020 and 2021, which is still high relative to the average registered during the ten years after the financial crisis. The strong rise in unit labour costs in Germany (compared to its historical average) and in the services sector, where the pass-through tends to be rather high as well as in countries with vigorous increases like the Netherlands and Austria, should contribute to eventually re-assert the link between labour costs and inflation in the euro area[48].

Overall, the annual growth rate of the GDP deflator in the euro area is projected to rise from 1.3% in 2018 to 1.5% in 2019 and to stay at this level in 2020 and 2021. This is in some contrast to the import price deflator which is expected to fall to 0.4% in 2019 and 0.3% in 2020, from 2.7% in 2018, and then to recover only marginally to 0.8% in 2021. This drop in the foreign cost component comes despite a weakening in the euro's nominal effective exchange rate this year and reflects subdued international commodity prices and producer prices as explained above.

…consistent with lower inflation expectations.

Market-based measures of inflation expectations along the maturity spectrum have moved lower since the beginning of the year. At the cut-off date of this forecast, inflation-linked swap rates at the one-year forward one-year-ahead horizon stood at 0.8% (see Graph I.2.30). Swap rates at the three-year forward three-years-ahead horizon imply an average inflation of 1.0%. On a longer horizon, the widely watched five-year forward five-years-ahead indicator suggests inflation of 1.2%, below the ECB's definition of medium-term price stability. The decline in the long-term market-based inflation expectations could partly be due to a significant drop in the inflation risk premium, which is the compensation investors demand for bearing risks related to the uncertainty around the future inflation path. [49]

Graph I.2.30: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

Survey-based measures of inflation expectations have continued to decline since the summer. According to the Commission's surveys, selling price expectations in manufacturing edged lower in the third quarter of 2019 and now stand below their historical average. While selling-price expectations in the services sector have moderated,

(48) See E. Bobeica, M. Ciccarelli and I. Vansteenkiste (2019). 'The link between labour cost and price inflation in the euro area'. *ECB Working Paper Series 2235*.

(49) Coeuré, B. (2019). "Inflation expectations and the conduct of monetary policy". Speech given at SAFE Policy Center. Frankfurt am Main, 11 July 2019.

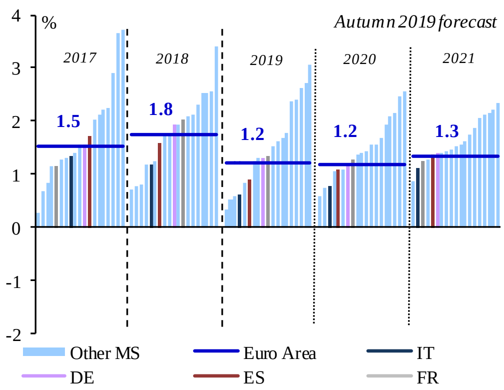
they remained positive and above their average. Consumers' perceptions of price trends over the past 12 months have remained positive but slightly less so than earlier this year. Euro area PMI indices for September showed price pressures falling further in the manufacturing sector while the assessment of average selling prices in services sectors suggested inflation at a slightly positive rate.

The monthly mean of market forecasts calculated by Consensus Economics stood in October at 1.2% for both 2019 and 2020. The results of the ECB Survey of Professional Forecasters for the fourth quarter of 2019 showed average inflation expectations at 1.2% in 2019 and 2020 (0.1 pps. lower than in the third quarter), and 1.4% in 2021 (-0.1 pps.). Longer-term inflation expectations (for 2024) remained at 1.7%.

Inflation differentials to narrow

Aggregate HICP inflation rates continue to mask substantial differences across euro area Member States but these are expected to narrow in 2020 and 2021 (Graph I.2.31).

Graph I.2.31: **HICP inflation, euro area and Member States**



Note: In each period, the bars for all 19 euro area economies are ranked by size.

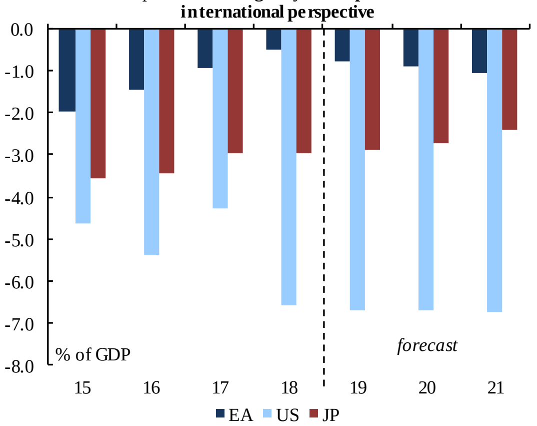
By the fourth quarter of 2021, only four euro area Member States are expected to experience inflation at or above 2%; mostly those small euro area countries which are growing strongly and still converging towards average price levels. With most countries projected to record inflation rates within a narrower range, the dispersion of inflation rates, as measured in terms of the unweighted standard deviation, is expected to decline further. Outside the euro area, inflation differentials are more pronounced; by the fourth quarter of 2021, headline inflation rates are projected to range from 1.5% in Denmark to 3.3% in Romania.

2.7. PUBLIC FINANCES

In 2018, the aggregate public deficits of the EU and the euro area fell to their lowest levels since 2000 and stood much lower than in the US and Japan (Graph I.2.32).

In 2019, however, the aggregate deficits of the EU and the euro area are expected to increase slightly for the first time since 2010. Projections for 2020, which for euro area Member States take account of measures announced in their Draft Budgetary Plans, show a further marginal increase in the aggregate deficit. Based on unchanged policies, the deficit looks set to increase again in both areas in 2021. Nevertheless, the aggregate debt-to-GDP ratios of both areas are projected to continue declining steadily over the forecast period.

Graph I.2.32: **Budgetary developments: an international perspective**



Lower revenues drive the projected increase in the euro area deficit

Changes in the revenue and expenditure ratios are both expected to provide a negative contribution to the euro area budget balance in 2019 (Graph I.2.33), and the deficit is anticipated to rise to 0.8% of GDP. In 2020, below potential growth and somewhat loose discretionary fiscal policies in some Member States contribute to a marginal increase in the euro area deficit (by 0.1 pps. of GDP) as the revenue ratio is set to continue decreasing, whereas the expenditure ratio remains stable. The no-policy change forecast for 2021 shows a more marked decline in the revenue ratio partially compensated by a lower expenditure ratio, which implies a further increase (by 0.1 pps.) in the euro area aggregate deficit. Overall, the projected fall in the revenue ratio is the dominant factor behind the expected increase in the

Table I.2.7:

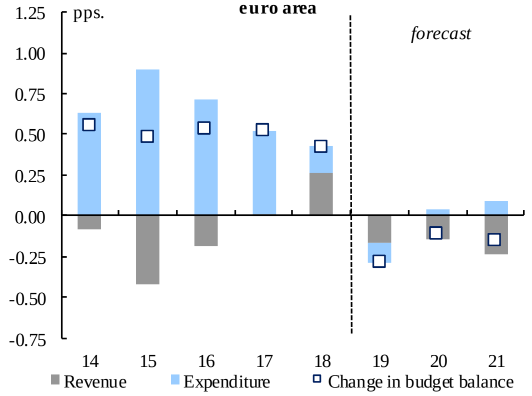
General Government budgetary position, euro area and EU

(% of GDP)	Euro area						EU					
	Autumn 2019 forecast				*Spring 2019 forecast*		Autumn 2019 forecast				*Spring 2019 forecast*	
	2018	2019	2020	2021	*2019*	*2020*	2018	2019	2020	2021	*2019*	*2020*
Total receipts (1)	46.5	**46.3**	**46.2**	**45.9**	*46.1*	*45.8*	45.1	**45.0**	**44.8**	**44.6**	*44.8*	*44.7*
Total expenditure (2)	47.0	**47.1**	**47.1**	**47.0**	*47.0*	*46.8*	45.8	**45.9**	**45.9**	**45.8**	*45.8*	*45.6*
Actual balance (3) = (1)-(2)	-0.5	**-0.8**	**-0.9**	**-1.0**	*-0.9*	*-0.9*	-0.7	**-0.9**	**-1.1**	**-1.2**	*-1.0*	*-1.0*
Interest expenditure (4)	1.8	**1.7**	**1.5**	**1.4**	*1.8*	*1.7*	1.8	**1.7**	**1.6**	**1.5**	*1.8*	*1.7*
Primary balance (5) = (3)+(4)	1.3	**0.9**	**0.6**	**0.4**	*0.9*	*0.8*	1.1	**0.7**	**0.5**	**0.3**	*0.8*	*0.8*
Cyclically-adjusted budget balance (a)	-0.9	**-1.1**	**-1.1**	**-1.2**	*-1.1*	*-1.2*	-1.1	**-1.3**	**-1.3**	**-1.4**	*-1.2*	*-1.2*
Cyclically-adjusted primary balance (a)	0.9	**0.6**	**0.4**	**0.2**	*0.6*	*0.5*	0.7	**0.4**	**0.3**	**0.1**	*0.5*	*0.5*
Structural budget balance (a)	-0.8	**-0.9**	**-1.1**	**-1.2**	*-0.9*	*-1.2*	-1.0	**-1.1**	**-1.3**	**-1.4**	*-1.1*	*-1.3*
Change in structural budget balance (a)	0.2	**-0.1**	**-0.2**	**-0.1**	*-0.2*	*-0.3*	0.2	**-0.1**	**-0.2**	**-0.1**	*-0.2*	*-0.2*
Gross debt	87.9	**86.4**	**85.1**	**84.1**	*85.8*	*84.3*	81.9	**80.6**	**79.4**	**78.4**	*80.2*	*78.8*

(a) as a % of potential output. The structural budget balance is the cyclically-adjusted budget balance net of one-off and other temporary measures estimated by the European Commission.

aggregate euro area deficit, from the historical low of 0.5% of GDP recorded in 2018 to 1.0% in 2021.

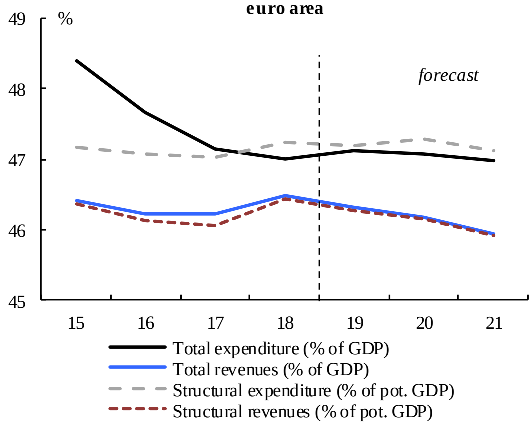
Graph I.2.33: **General government balance: expenditure and revenues contribution to the change, euro area**



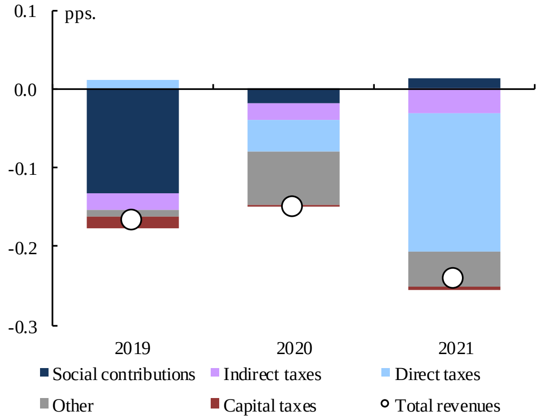
A similar evolution characterises the change in the euro area structural balance, as somewhat loose discretionary fiscal policies affect structural revenues over the forecast horizon while structural expenditure is projected to remain stable as a share of potential GDP (Graph I.2.34).

The projected decline in the revenue ratio over the forecast horizon is mainly due to a reduction in the social contribution component in 2019[50] and in direct taxes and other revenues in 2020-2021 (Graph I.2.35).

Graph I.2.34: **Expenditure and revenues developments, euro area**



Graph I.2.35: **Composition of the change in revenues, euro area**

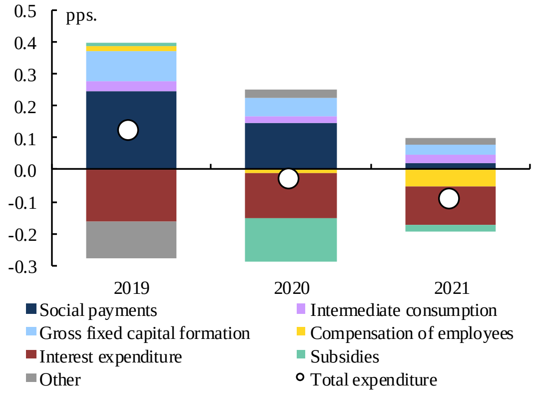


As for detailed expenditure developments (Graph I.2.36), social payments and to a lesser extent investment are projected to increase over the forecast horizon as a share of GDP. In contrast, interest expenditure is forecast to fall steadily,

(50) The fall in social contributions in 2019 and in subsidies in 2020 is mainly related to the replacement of the CICE (*credit d'impôt pour la compétitivité et l'emploi*) with a cut in employers' social contribution in France.

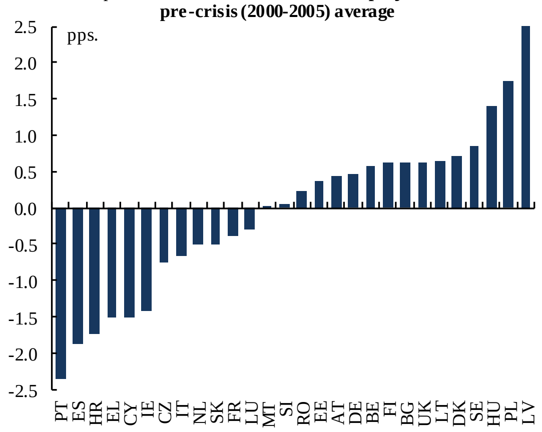
mainly thanks to the very accommodative monetary policy environment.

Graph I.2.36: **Composition of the change in expenditure, euro area**



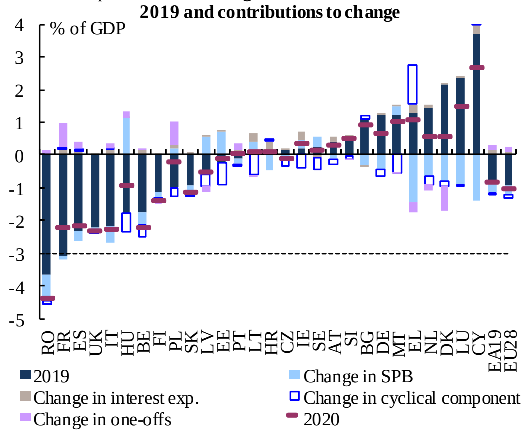
In terms of the quality of public spending, the aggregate public investment-to-GDP ratio in the euro area is projected to increase from 2.7% in 2018 to 2.9% in 2020-2021, thanks also to the implementation of the 2014-2020 programming period of the EU's structural and cohesion funds and to the Investment Plan for Europe. In 2020, however, the public investment-to-GDP ratio is set to remain below its pre-crisis (2000-2005) average level in almost half the EU Member States (Graph I.2.37). Sizeable gaps remain in six countries: the gap is about 2 pps. of GDP in Portugal and Spain; and 1.5 pps. in Croatia, Greece, Cyprus, and Ireland.

Graph I.2.37: **Public investment: 2020 projections vs. pre-crisis (2000-2005) average**



At the country level, budgetary developments in 2020 are expected to be mixed (Graph I.2.38). Among countries with a high deficit, the fiscal position is projected to worsen significantly further in Romania, where the deficit is forecast to rise to 4.4% of GDP (from 3.6% in 2019), mainly due to a deterioration in the structural primary balance (SPB) compared to 2019. Deficits are also set to increase in Italy and more significantly in Belgium, where reductions in interest expenditure are expected to be more than offset by declines in the structural primary balance. The deficit is projected to narrow in France, as the sizeable negative impact of a specific one-off measure affecting 2019 fades,[51] and Spain. Hungary is expected to see a significant reduction in its deficit in 2020 due to a large increase in the structural primary balance, which outpaces the negative impact of the change in the cyclical component of the budget.

Graph I.2.38: **General government balance: 2020 vs. 2019 and contributions to change**



Among surplus countries, in 2020, significant declines in the budget balance are projected mostly due to expansionary fiscal policies in Denmark, Cyprus, the Netherlands, Luxembourg and, to a lesser extent, Germany.

The debt ratio is set to decline further

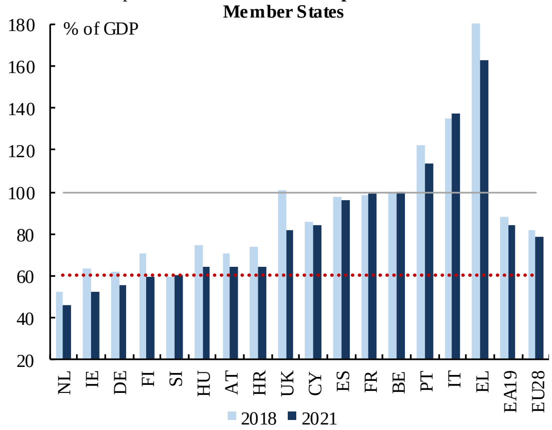
The aggregate general government debt-to-GDP ratio of the euro area has been on a declining path since 2014, when it reached a peak of 95.1% (88.7% in the EU).[52] In 2018, the debt ratio fell to 87.9% (81.9% in the EU) and is projected to fall further over the forecast period to reach 84.1% in 2021 (78.4% in the EU), under a no-policy-change assumption. In the euro area, the deleveraging of the government sector is supported by the historically low interest rates paid on debt, which

(51) The fall in social contributions in 2019 and in subsidies in 2020 is mainly related to the replacement of the CICE (credit d'impôt pour la compétitivité et l'emploi) with a cut in employers' social contribution in France.

(52) Non consolidated for intergovernmental loans.

combined with nominal GDP growth imply a debt-decreasing snowball effect. (53)

Graph I.2.39: **Public debt development in selected Member States**



In 2015-2018, almost all Member States reduced their debt-to-GDP ratio, with some countries recording substantial reductions (Ireland, Malta, the Netherlands and Germany). As GDP growth has eased recently, the expected pace of debt declines moderates somewhat. Nevertheless, further debt reductions are forecast in most countries by 2021. Ireland, Germany and Slovenia are projected to reduce their debt ratio below 60% of GDP (Graph I.2.39). By contrast, among highly indebted countries, the debt-to-GDP ratio is projected to increase in Italy also due to a debt-increasing snowball effect and in France due to primary deficits. The debt-to-GDP ratio is expected to remain at or above 100% in four Member States in 2021 (Belgium, Greece, Italy, and Portugal) and above 90% in two others (Spain and France).

2.8. MACROECONOMIC POLICIES IN THE EURO AREA

The policy mix in the euro area reflects the interplay between financing conditions and fiscal policy. Monetary conditions in the euro area remain very accommodative overall. Based on the customary technical assumptions, (54) short-term money market rates are set to decrease somewhat over the forecast horizon and should remain very supportive overall in both nominal and in real terms. As nominal long-term yields are expected to increase only very gradually and inflation expectations for the longer term are above current inflation, real long-term financing costs should remain clearly in negative territory. Moreover, the steady depreciation of the euro since mid-2018 has had an additional easing effect. As regards the fiscal policy stance, as measured by the change in the structural budget balance, it is expected to stay broadly neutral over the forecast horizon under a no-policy-change assumption.

Monetary conditions are expected to remain accommodative

In the light of a slowdown in the euro area, a subdued inflation outlook and recent ECB decisions including renewed monthly asset purchases, upward pressure on nominal rates should be very limited over the forecast horizon. Thus, given the record low interest rates at present, financing conditions in the euro area are expected to remain very loose by historical standards. Nominal long-term money market rates, which in tandem with weakening economic data and rising expectations of further ECB monetary stimulus have decreased significantly since the beginning of the year, are expected to pick up only modestly over the forecast horizon and remain even below their levels reached in July of this year. The restart of net asset purchases under the ECB's Asset Purchase Programme, in combination with the continued reinvestment of maturing securities for an extended period of time after net purchases cease, should help keep nominal long-term rates very low, overall. (55) On the short end of the yield curve, the three-month Euribor rate fell to a new historical low following the latest deposit facility rate cut in September. The high and growing volume of excess reserves, in combination with the ECB's forward guidance, should keep short-term

(53) The snowball effect is the impact on the debt-to-GDP ratio provided by the difference between nominal growth and the implicit interest rates paid on debt. Specifically, in the euro area, nominal GDP growth is projected to average 2.7% over 2019-2021 and thus surpass the average interest rate paid on debt, which is forecast at 1.8%. As a result, the snowball effect is expected to help reduce the debt ratio in the euro area aggregate by around 0.8 pps. of GDP per year on average over the forecast period.

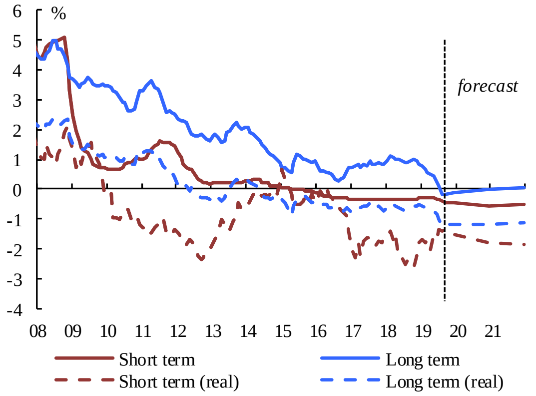
(54) The interest rate assumptions underlying the forecast are market-based; nominal exchange rates are assumed to remain constant with respect to a given base period. For details, see Box I.4.1.

(55) Empirical evidence suggests that the portfolio rebalancing effect of asset purchases on bond market yields works predominantly via the size of the stock of purchased assets rather than the size of the monthly flows. See e.g. De Santis, R. and F. Holm-Hadulla (2017), "Flow effects of central bank asset purchases on euro area sovereign bond yields: evidence from a natural experiment", ECB Working Paper 2052, May 2017

money market rates at very low levels [56] and support favourable lending conditions further on.

Since the spring, short-term rates have continued to increase in real terms. Amid fluctuations linked to weakening headline inflation (see Graph I.2.40), they reached their highest level since the end of 2016 in September. [57] Nonetheless, they remain in negative territory. By contrast, real long-term interest rates, which have been slightly negative since mid-2014, have decreased further since the beginning of the year. The decline was somewhat weaker than for their nominal counterpart, as lower long-term inflation expectations partly offset the significant decrease in nominal long-term rates.

Graph I.2.40: **Euro area interest rates**

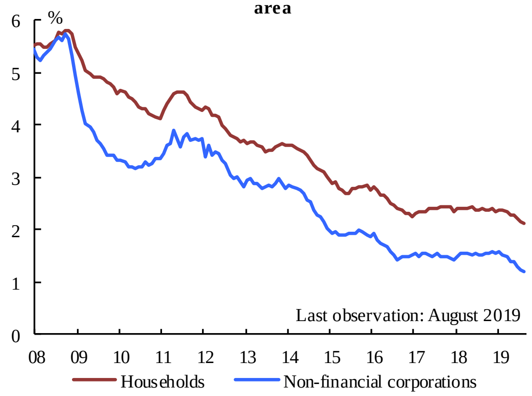


Note: Short term rate: 3M Euribor; Long term rate: 10Y interest swap

Looking ahead, overnight rates are assumed to decrease slightly further over the course of the current and the coming year before starting to gradually increase thereafter, as suggested by EONIA forward rates. At the cut off date, market pricing suggested short-term rates would be 20 bps. lower by the end of 2020 compared to current spot rates and that the next rate increase would not happen until the end of 2022 and would likely be just 10 bps. In light of the ECB Governing Council's modified forward guidance, [58] this suggests that market participants do not expect a robust convergence of inflation to the ECB's medium-term objective over the forecast horizon. As inflation is forecast to increase very mildly, this should lead to steadily decreasing real short-term interest rates over the forecast horizon. At the same time, forward rates suggest a slight but gradual rise in nominal long-term rates. With markets anticipating long-term inflation to increase at a somewhat slower pace, this should also translate into marginally higher, but still clearly negative, real long-term rates.

The decrease in nominal long-term rates since the beginning of the year has also translated into lower borrowing costs for non-financial corporations and households, which both fell to new historical lows in August after a period of fluctuations but no clear direction since the end of 2016. The observed decline in corporate financing costs mainly reflected lower rates on long-term loans and decreasing corporate bond yields, whereas lower interest on housing loans was the main driver for households (see Graph I.2.41). [59]

Graph I.2.41: **Composite credit cost indicators, euro area**



Sources: ECB, Bloomberg, own calculations

The euro area fiscal stance is set to remain broadly neutral in 2019 and 2020

The euro area fiscal stance is set to remain broadly neutral in 2019, based on the change in the structural balance. As for 2020, after

(56) Indeed, in the unsecured money market, short-term rates have continued to trade close to the ECB's deposit facility rate. The reference point is always the last forecast, so since spring they have continued to trade closely to the DFR. Overall, they trade closely to the DFR since the beginning of 2015, when the APP led to a significant increase in excess reserves.

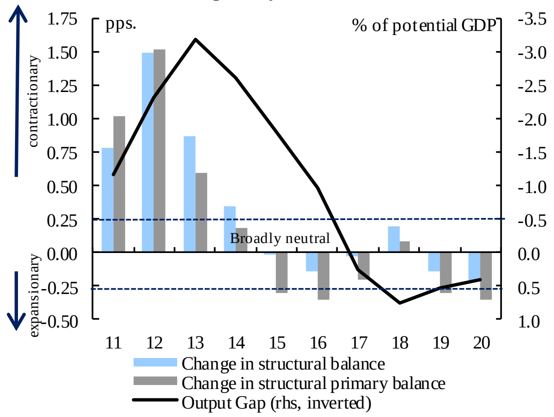
(57) Real rates are derived from the respective short- or long-term rate minus annual HICP inflation and expected average inflation according to 10-year inflation swaps, respectively. Forecasts are derived from futures and forward rates, deflated by the Commission's inflation forecast and market-based measures of inflation expectations.

(58) According to its modified rate forward guidance, the ECB Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within the ECB's projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

(59) The composite credit cost indicators, CCCIs, are calculated as weighted averages of interest rates on different types of bank loans and corporate bonds (in case of non-financial corporations). The CCCIs capture the transmission of interest rate developments to non-financial corporations' and households' nominal financing conditions.

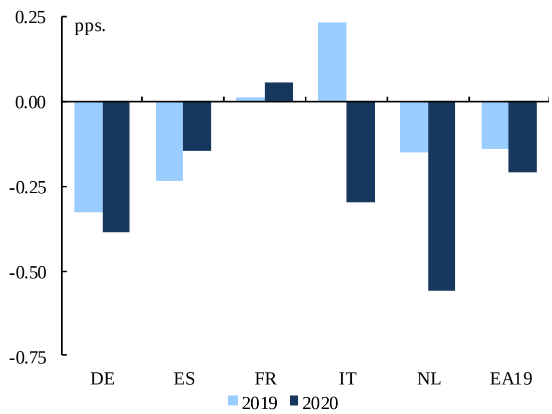
incorporating the fiscal policies announced by euro area Member States in their Draft Budgetary Plans, the euro area fiscal stance is forecast to stay broadly neutral, as the structural balance is set to decline by around 0.2 % of GDP (Graph I.2.42). The change in the structural primary balance, which is not affected by ongoing savings in interest expenditure, points to a slightly expansionary fiscal stance in both 2019 and 2020.

Graph I.2.42: **Change in the structural balance and structural primary balance, euro area**



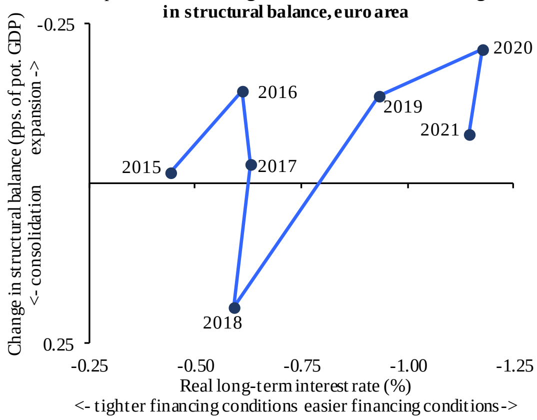
Looking at structural balance developments in large euro area countries in 2019 and 2020 (Graph I.2.43), fiscal policies are projected to lead to a broadly neutral fiscal stance in Spain and France in both years. In Italy, the fiscal stance is expected to become slightly expansionary in 2020, after being broadly neutral in 2019. As for countries with fiscal space, Germany is projected to implement mildly expansionary fiscal policies in 2019 and 2020, while the Netherlands is expected to use a larger part of its fiscal space in 2020.

Graph I.2.43: **Change in the structural balance, large euro area Member States**



Looking at the policy mix (see Graph I.2.44), the policy measures taken by the ECB since the end of 2014 have exerted significant downward pressure on nominal long-term interest rates. However, monetary easing has only been partially transmitted to real rates. This is because long-term inflation expectations also declined over the same period and only started to pick up towards the end of 2016 before declining again substantially after mid-2018. Average real long-term rates for 2019 (derived from the 10-year swap rate deflated by inflation expectations) are expected to be markedly lower than in the previous year. Given their considerable decrease over the course of 2019, long-term rates for 2020 are expected to be on average even lower despite the expected gradual increase over the year. Thus, financing conditions should remain very supportive overall. At the same time, as illustrated by the change in the structural balance, the fiscal policy stance is set to remain broadly neutral in 2020.

Graph I.2.44: **Real long-term interest rates and change in structural balance, euro area**



2.9. RISKS

The EU economy is facing an elevated level of uncertainty, including with respect to trade policy and other economic policies. The downside risks surrounding the central scenario remain characterised by a high degree of interconnectedness, which could magnify their impact on the economy. Several of these risks might materialise in the near term. Looking further ahead, risks might be more relevant in the next than in the outer forecast year. Overall, risks to the growth outlook are skewed to the downside over the full forecast horizon.

Elevated uncertainty could weigh more heavily on economic growth

Uncertainties have been a major topic in recent years, but by contrast to earlier expectations in previous forecasts, uncertainty has not diminished. Up to the autumn, trade policy-related uncertainty has even increased against the background of newly discussed, announced or partly introduced measures. A further increase in trade policy uncertainty, and concerns that new tariffs might be applied on a much wider range of items, could adversely affect business investment plans in Europe and lead to a worse outcome than included in the central scenario.

Many of the downside risks are found on the external side...

Although the EU economy is already affected by an increased number of external headwinds, there is a meaningful number of substantial risks that have not yet materialised but could darken the economic outlook or even derail the continuation of the economic expansion in the EU.

A further escalation of US-China trade tensions. As regards rising protectionism and the retreat from multilateralism, the central scenario of the forecast assumes that a further escalation will be avoided. But tariffs in place so far may only be the tip of the iceberg relative to those under review or threatened (including non-tariff trade barriers). Further escalation of trade tensions could have much worse effects and could intensify a process of "de-globalisation" more than currently envisaged. A further increase in impediments to global trade could have a stagflationary impact on the global economy. The inflationary impact on consumer goods would hurt the purchasing power of households, dent consumer confidence and weaken private consumption dynamics, which would dampen economic activity. Higher prices of, and other barriers to, imported inputs and final goods, could slow the diffusion of technologies, and reduce economic activity via their impact on global value chains. Moreover, an escalation of trade tensions could also be expected to impact strongly on financial markets (increased volatility, falling asset prices), which could then trigger wider distortions.

Higher or additional US tariffs on car imports constitute a downside risk to the forecast. [60] By investigating the impact of the import of cars and car parts from Europe and Japan on national security grounds, the US has prepared the basis for possibly introducing tariffs on this sector. A number of studies have provided estimates of the impact on exporting countries and emphasised that the indirect exposure to US tariffs through global value chains could be greater than the impact from directly affected car exports for many Member States, [61] in particular where the car sector is relatively large (e.g. Hungary and Slovakia). [62] Moreover, the uncertainty triggered by the introduction of such a tariff could have a bigger negative impact on the economy than the direct effects of the tariff. A decision on US car tariffs would be based on a procedure already started in spring; and it could be related to various economic developments as the combined discussion of tariffs, monetary policy and exchange rates have suggested. [63]

Geopolitical tensions and significantly higher oil prices could raise production costs and push up consumer prices. The re-allocation of incomes between oil producers and oil consumers would be disadvantageous for the EU economy. Moreover, the net impact of rising oil prices on global output is usually expected to be negative.

A sharper-than-currently forecast slowdown in China could trigger negative spillovers to the EU

(60) See the special section on the car industry in the spring forecast: European Commission (DG ECFIN) (2019). 'European Economic Forecast – Spring 2019'. *Institutional Paper* 33, May.

(61) Using the NiGEM, Kara, Liadze and Paczos (2019) find that a 25% tariff would subtract an average of around 0.1% each year over five years from the GDP across the countries covered, independent of whether tariffs are only introduced by the US or targeted countries retaliate with tariffs on exports from the US of a similar magnitude. See Kara, A., Liadze, I. and M. Paczos (2019). 'The impact of a tariff on automobiles'. *National Institute Economic Review* 249, August, pp. F52-4.

(62) A recent IMF study extends the analysis by considering global value chains and find for a 25% US tariff on cars and car parts tariff shock that the tariff will subtract 0.1–0.2 pps. from German GDP and 0.2–0.3 pps. from Japanese GDP, and that the impact will be transmitted across a wide range of EU Member States; see Huidrom, R. J. et al. (2019). 'Trade Tensions, Global Value Chains and Spillovers: Insights for Europe'. IMF European Department Paper 19/10, June; the discussion and scenario analysis is presented in chapter 3, pp. 19-25.

(63) A link between ECB decisions on further monetary easing, their impact on the euro exchaange rate and US trade policy responses has for instance been stressed by Sinn (2019). See Sinn, H.-W. (2019). 'The ECB's beggar-thy-Trump strategy'. *Project Syndicate*, 16 September.

economy, which would amplify the impact of trade tensions. Possible triggers are weaker-than-expected effects of policy measures or policy mistakes, and unforeseen deviations from the transition towards a more services and consumption-oriented economy.

Climate change is expected to matter most beyond the forecast horizon, but this does not exclude the occurrence of devastating effects already in the forecast years both in the EU but also globally. Unusually bad weather conditions could directly impact on agricultural output and commodity prices, but also distort production chains and impact thereby negatively on economic growth. This could trigger cascading effects in the financial system by affecting financial assets and the liabilities of financial institutions. In the absence of appropriate policies, risks related to climate change would increase.(64)

...but there are also downside risks on the domestic side...

On the domestic side, risks relate for example to political uncertainty, a stronger spillover from the manufacturing weakness to other sectors, financial market adjustments and possible negative side effects of monetary policy.

Spillovers from the manufacturing weakness. The central scenario might include a too benign view on the negative spillovers from the manufacturing recession in several economies to other sectors such as services. Stronger-than-expected negative spillovers could raise unemployment fears of consumers, lower their confidence, weaken private consumption and result in a worse growth outcome than currently expected. Were expectations about the future economic growth path to become entrenched in depressed levels, and outcomes to disappoint for longer, these would eventually have a material impact on macroeconomic outcomes. (65) The implied anticipation of a gloomier outlook would eventually feed into weaker demand, as agents adjust to a less bright future, creating a further obstacle to growth. (66)

Abrupt financial market adjustments could result in turmoil that impact negatively on the real economy. There are several potential triggers for such developments. For example, changes in the expectations underlying recent developments in bond and equity prices could lead to investor risk aversion with significant spillovers in terms of capital flows, financial market stability and financial conditions. Such change in risk attitudes could also be caused by political developments that lead to the re-emergence of sovereign risk concerns by investors with spillovers to vulnerable economies. This could widen cross-country growth differences and lead to unsustainable imbalances.

A 'disorderly' Brexit would lead to a more disruptive impact on the UK-EU trade relationship and on economic activity in the EU and the UK than currently envisaged under the purely technical assumption of status quo in terms of trading relations between the EU27 and the UK.

...which meet a number of less prominent upside risks...

Some of the downside risks are mirrored by upside risks. On the external side, trade tensions could be resolved faster than assumed, which would push confidence higher and could result in a faster and stronger rebound of foreign trade, which would improve the growth outlook for the EU as an open and strongly integrated economy. Chinese economic growth could surprise on the upside, for instance in response to easing measures that are not included in the central scenario of this forecast. Similarly, the fiscal policy stance in the euro area might turn out more expansionary than currently expected. Moreover, geopolitical tensions in the Middle East could diminish, which would remove upward pressures on the oil price, strengthening the purchasing power of consumers, lowering input costs of non-oil companies, and supporting economic activity.

(64) For a taxonomy of macroeconomic risks from climate change, see e.g. S. Batten (2018). 'Climate change and the macro-economy: a critical review'. *Staff Working Paper* 706 (Bank of England).

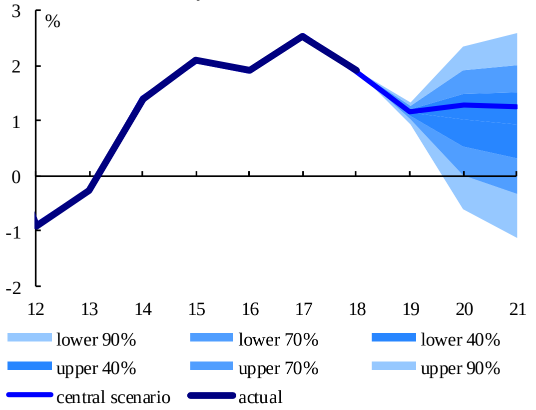
(65) On belief- and news- driven business cycles see Miranda-Agrippino, S., Hacioglu Hoke, S., and Bluwstein, K. (2019). 'Great expectations: the economic power of news about the future'. Bank of England *Bank Underground*. 11 September.

(66) See O. Blanchard, G. Lorenzoni and J.-P. Huillier (2017). 'Short-run effects of lower productivity growth. A twist on the secular stagnation hypothesis'. *Journal of Policy Modelling* 39, pp. 639–49

...which implies that risks to economic growth are tilted to the downside.

Gauging the central scenario of the autumn forecast against the background of the aforementioned upside and downside risks, two results from previous forecasts are confirmed: the dominance of downside risks to growth and the relatively wide band of possible outcomes surrounding the central scenario. This is visualised in the fan chart (Graph I.2.45), which shows the uncertainty around the central scenario for euro area GDP growth with different confidence intervals.

Graph I.2.45: **Euro area GDP forecast - Uncertainty linked to the balance of risks**



The very high degree of uncertainty of the central projection is reflected by the large width of the fan chart, most notably in 2021. The depicted skew of the distributions of the forecasts illustrates the balance of risks of the forecasts, which is seen on the downside.

Risks to the inflation outlook are broadly neutral

With a key role in the autumn forecast played by technical assumptions on exchange rates, oil prices, and tariffs on exports and imports, any deviation from their assumed paths have the potential to cause substantial deviations from the inflation forecast for the EU and the euro area. Such risks are two-sided. Other risks are aligned with the risks surrounding the growth outlook (e.g. Brexit), which have been assessed as being tilted to the downside and constitute therefore mainly downside risks to the inflation forecast. Further supply shocks from disruptions of international trade would however tend to push prices higher. Finally, there is the risk of a further substantial decline of longer-term inflation expectations (“de-anchoring”) in response to a protracted period of very low inflation with the possibility of self-perpetuating dynamics.

3. SPECIAL ISSUES

3.1. GLOBAL VALUE CHAINS AND PROTECTIONISM

A surge in protectionism has contributed to the slowdown in world trade growth since 2017 but it is arguably the high level and persistence of uncertainty surrounding trade policies that has had the biggest effect. [67] Uncertainty also has had a great impact on global value chains (GVCs) and thrown their continued viability into question.

World trade expanded rapidly in the 1990s and 2000s before slowing after the financial crisis. The expansion of GVCs has been a key driver of global trade flows since the 1990s, while the recent retrenchment in GVCs is often identified as one of the key factors behind the recent trade slowdown. This section sheds light on the factors driving the medium-term trends in GVCs, including in the period just after the financial crisis. It then looks at the current escalation in trade tensions and increases in tariffs to investigate the channels of impact and takes stock of existing literature on the topic.

Global value chains in a medium-term perspective

Global value chains developed rapidly in the two decades up to the financial crisis of 2008-2009, thriving on unprecedented waves of trade liberalisation as well as falling transport, transaction and telecommunication costs. Corporations took advantage of these positive supply shocks to fragment the production process in order to exploit cross-country differences in factor costs, such as labour, capital and raw materials and benefit from economies of scale. Complex value chains were thus formed that involved all stages of the production process needed to bring a final good to the consumer, including the conception of a product, its design, production, marketing and logistics. An international value chain can involve several firms or a single firm that is spread over different geographical locations. [68] Firms can either outsource or offshore specific tasks or decide to specialise in a specific task and join an existing global value chain. The gradual expansion of GVCs over the last three decades has led to a profound reshaping of the international division of production, labour and trade.

GVCs expanded rapidly in the two decades up to the financial crisis

The most comprehensive indicators that capture the degree to which countries are integrated in GVCs are indicators of backward (or downstream) and forward (or upstream) participation in GVCs based on international input-output tables. Backward participation is defined as a share of foreign value added in a country's gross exports, while forward participation is a measure of domestic value added embedded in other countries' exports, as a share of the gross exports of the reporting country.

Graphs I.3.1 and I.3.2 present developments in backward and forward participation in GVCs in selected regions and countries between 1990 and 2018. These indicators are based on the UNCTAD-Eora Global Value Chains Database that consists of a multi-region input-output table available for 190 countries for the years 1990 to 2015. [69] Data for 2016-2018 in the database are nowcast based on the IMF World Economic Outlook. [70]

Following a rapid expansion in the two decades before the global financial crisis, participation in GVCs fell sharply in 2009 before recovering swiftly in 2010 and 2011. After that, participation declined steadily until 2016 for most countries and regions before starting to edge up modestly again

(67) See for example: International Monetary Fund (IMF) (2019). 'Trade Tensions, Global Value Chains, and Spillovers Insights for Europe'. *IMF working paper No. 19/10* and Gunella, V. and L. Quaglietti (2019). 'The economic implications of rising protectionism: a euro area and global perspective'. *ECB Economic Bulletin*, Issue 3/2019.

(68) De Backer K. and S. Miroudot (2014). 'Mapping global value chains'. *ECB Working Paper Series No 1677*

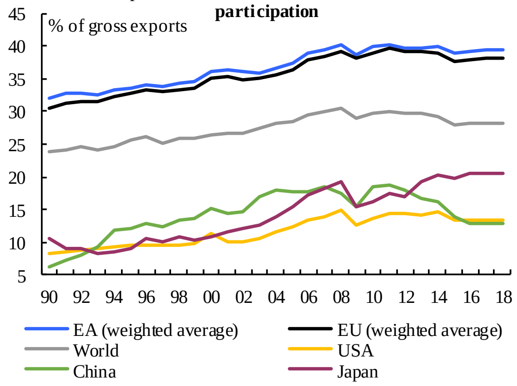
(69) UNCTAD-Eora GVC Database was used rather than the OECD-TiVA Database due to larger country coverage and longer sample, covering in particular the 1990s and the most recent period 2016-2018. For methodological underpinnings of the UNCTAD-Eora database please see Casella, B. , R. Bolwijn, D. Moran and K. Kanemoto (forthcoming). 'Improving the analysis of global value chains: the UNCTAD-Eora Database'. Transnational Corporations 26(3). New York and Geneva: United Nations

(70) Nowcasts are performed by and added to the database by the authors of the UNCTAD-Eora.

in 2017 and 2018. While indices of participation of various regions tend to move rather closely together, reflecting the cross-country fragmentation of production, their levels differ significantly across countries and regions, and these differences persist over time.

The relative position of the EU/EA has been consistently very strong in terms of backward participation but visibly weaker in terms of forward participation. The position of the United States, for example is significantly more upstream, mainly thanks to high shares of activity in sectors such as natural resources, research and development (R&D) and financial services, which provide intermediate inputs to the production chain. [71] Trends in GVC participation in China and Japan appear to be reverse images of each other. China has shifted gradually towards providing intermediate inputs to other countries' exports (forward participation) amid a gradual decline in Japan's respective participation rates. This suggests that China has been replacing Japan as the key trade hub in Asia.

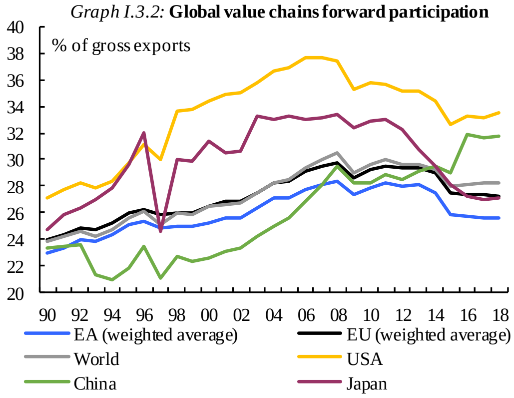
Graph I.3.1: **Global value chains backward participation**



Source: UNCTAD-Eora Global Value Chains Database
Note: Share of foreign value added in a country's gross exports

(71) European Central Bank (ECB) (2019). 'The impact of global value chains on the euro area economy'. *Occasional Paper No 221.*

Graph I.3.2: **Global value chains forward participation**

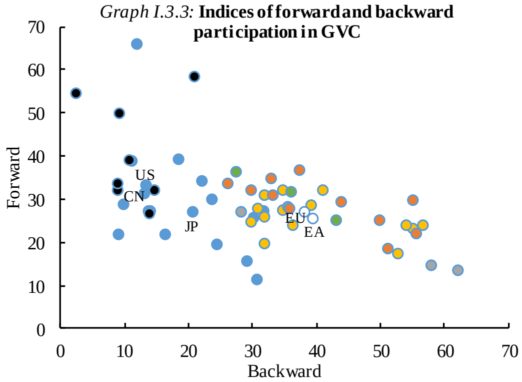


Source: UNCTAD-Eora Global Value Chains Database
Note: Domestic value added embedded in other countries' exports, as a share of gross exports of the reporting country

Graph I.3.3 provides more insights into cross-country differences in terms of participation in GVCs. The chart points to very high backward participation in GVCs of several smaller euro area Member States, such as Luxembourg, Malta, Ireland and Belgium; Central and Eastern Europe (Slovakia, Czechia, Hungary) as well as Korea and South-East Asia (Vietnam, Malaysia and Thailand). This clearly reflects the high degree of integration of these countries in downstream regional (European) and global value chains. On the other hand, commodity exporters (Saudi Arabia, Australia, Norway and Russia) and countries with high levels of R&D (Japan, United States) rank high in terms of forward participation, reflecting their upstream position in the supply chain. [72]

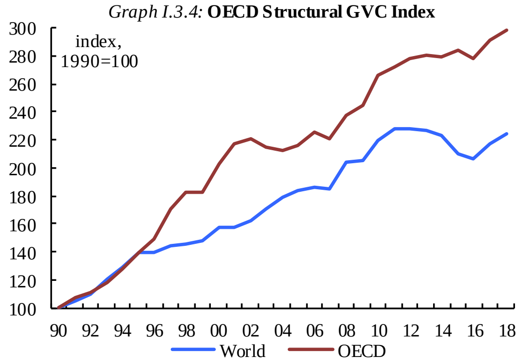
(72) It is important to note that traditional GVC participation indices capture only the flows of goods that cross borders at least twice. They therefore do not capture, for example, traded intermediates that are used in domestic production for final consumption. Consequently, they tend to underestimate the GVC participation of those economies whose exports of intermediate goods are largely for the final use in a destination country. Another limitation is that they only take into account the flows related to intellectual property rights between a firm and its foreign affiliates, which are recorded as trade; and exclude those flows which are recorded as primary income flows. As a result, the index can underestimate the participation of countries where the parent companies are located. For more information, see Ahmad, N., (2017). 'Indicators on global value chains: a guide for empirical work'. OECD *Working paper No.84.*

Graph I.3.3: **Indices of forward and backward participation in GVC**



Source: UNCTAD-Eora Global Value Chains Database
Note: orange dots - CEE countries; yellow dots - non-CEE EA MS; green dots - other EU; grey dots - ASEAN and advanced Asia except Japan; black dots - commodity exporters; blue dots - other countries

Graph I.3.4: **OECD Structural GVC Index**



Source : OECD calculations based on Haugh, D., et al. (2016), « Cardiac arrest or dizzy spell? Why is World Trade So Weak and What can Policy Do About It? », OECD Economic Policy Papers, n° 18, OECD

However, traditional GVC indicators based on shares of current-price trade flows in current-price gross exports have serious shortcomings. They are only available with a long lag [(73)] and are sensitive to business cycles and commodity price fluctuations. To remedy this, Haugh et al. (2016)[(74)], Borin and Mancini (2017) [(75)] and Gaulier et al. (2019) [(76)] developed indicators that offer an analogous insight into the process of fragmentation of production (based on intermediate goods trade) but have been corrected for the impact of these two distorting effects. The indicator developed by Haugh et al (2016) proxies GVC participation with the ratio of intermediate goods imports to final domestic demand. At the global level, this indicator does not suggest any retrenchment in GVC during the 2008/2009 crisis (Graph I.3.4), but points to a decline from 2013 to 2016, followed by a gradual rebound in 2017 and 2018. Overall, this indicator suggests that the GVC intensity of the global economy in 2018 was only slightly below its 2011-2012 peak. Moreover, in OECD countries, GVC trade does not show, on average, any signs of retrenchment, even between 2013-2016. In fact, GVC trade continues to rise in 2017 and 2018, indicating that GVCs recorded a new historical peak in 2018.

Likewise, the analysis by Gaulier et al (2019) suggests that it may be premature to talk about the unwinding of global value chains, at least until 2016 (last data point in the analysis). Gaulier et al (2019) show that the volume of intermediate goods trade, [(77)] and in particular that of parts and components (typically associated with the expansion in GVCs), have actually been on the rise since the crisis, reaching an all-time high in 2016 (last available data).

What drives GVCs in the medium term?

While the evidence on recent developments in GVCs appears mixed, there are increasing signs that some of the key impulses behind the earlier expansion of global value chains may now be largely exhausted, and that some new medium-term trends would be at play. These largely structural factors appear to have been driving the dynamics of GVCs in recent years and are set to remain important in the near future.

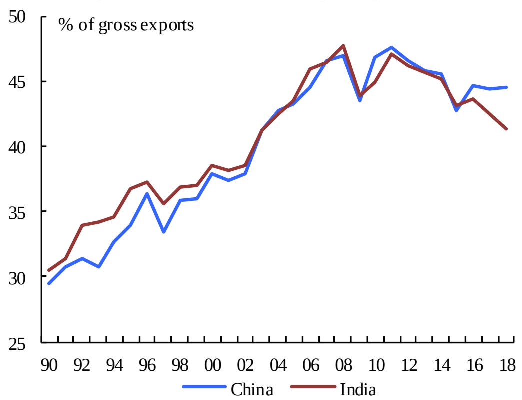
- *Automation could favour nearshoring*. In the past, advances in Information and Communication (ICT) technology have strongly supported the unbundling of tasks and the rapid development of GVCs, by reducing the costs of fragmenting production processes across tasks and locations [(78)]. Looking forward, new ICT technologies such as block chain, the internet of things and e-commerce are bound to contribute to the further decline in transaction and coordination costs. However, at

(73) The data for 2016-2018 in the UNCTAD-Eora database are based on UNCTAD nowcasts, and not actual intput-output data.
(74) Haugh, D., A. Kopoin, E. Rusticelli, D. Turner and R. Dutu (2016). 'Cardiac Arrest or Dizzy Spell: Why is World Trade So Weak and What can Policy Do About It?' *OECD Economic Policy Papers 18.*
(75) Borin, A., and M. Mancini (2017). 'Follow the Value Added: Tracking Bilateral Relations in Global Value Chains'. *MPRA Paper 82692.*
(76) Gaulier, G., A. Sztulman and D. Ünal (2019). 'Are global value chains receding? The jury is still out. Key findings from the analysis of deflated world trade in parts and components'. *CEPII Working Paper 2019-01.*
(77) As a share of volume of global manufacturing trade, and adjusted for global business cycle.
(78) Baldwin, R. (2011). 'Trade and industrialisation after globalisation's 2nd unbundling: how building and joining a supply chain are different and why it matters'. *NBER Working papers 17716.*

the same time, the technological revolution also creates scope for the automation of production tasks and hence reduces incentives for outsourcing and offshoring them to locations with lower labour costs. Therefore, with new technologies, the advantage of proximity to consumers may start to dominate labour cost considerations and thus favour nearshoring and further regionalisation (rather than globalisation) of trade. [79]

- *Maturing domestic supply chains reduce GVC trade*. The expansion of global value chains facilitated the access of emerging economies to global production processes by allowing them to participate in specific parts, without the need to build comprehensive supply chains on their own. [80] Maturing industrial structures and strengthening domestic demand have gradually created room for the development of more comprehensive *domestic* supply chains, especially in larger emerging market economies. Reflecting these processes, GVC participation indices for India, China and as well as most other big emerging markets, have been declining since the financial crisis, following a rapid expansion in the two preceding decades (see Graph I.3.5). This process weighs on regional and global value chains trade and is set to dampen the expansion in GVCs in the medium term.

Graph I.3.5: **Global value chains participation index**



Source: UNCTAD-Eora Global Value Chains Database

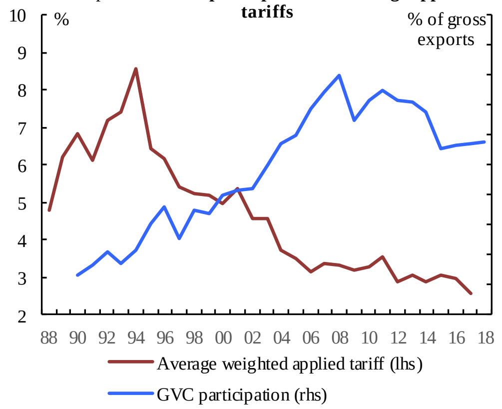
- *The slower pace of trade liberalisation* has often been cited as one of the key factors behind the post-crisis unwinding in GVCs. Their robust expansion in the two decades prior to the financial crisis was clearly underpinned by the rapid pace of liberalisation, which included milestones such as the creation of the WTO, China's accession to the organisation and several waves of EU enlargement. The result was a sharp reduction in average applied tariffs from 9% in the early 1990s to 3% in 2006 (see Graph I.3.6), or from around 40% to 10% in the case of tariffs applied by emerging markets. However, since then, very little progress has been made and average tariffs have edged down only marginally in the last decade. This may reflect higher political and social costs attached to further tariff reduction and the ensuing shifts towards protectionism. Moreover, new non-tariff measures have been put in place in recent years. The WTO secretariat reports that the stock of trade-restrictive measures increased nearly fivefold between 2010 and 2017 despite a commitment by G-20 members to resist protectionism. From a European perspective, the 2018 Trade and Investment Barrier Report confirms that additional barriers to trade which negatively affect European firms have been on the rise. It is therefore clear that the trade policy environment had become significantly less conducive to GVCs even before the most recent protectionist shifts by the US. Moreover, local content requirements and other regulatory measures have increasingly become headwinds to GVC expansion. These new barriers are often more subtle than previous tariff and non-tariff measures and are aimed at reducing imports by, for example, tailoring licence requirements in such a way as to promote domestic purchases, or provide tax incentives for local procurement. [81]

[79] See for example Mckinsey Global Institute (2019). "The globalization in transition: the future of trade and value chains". *Mckinsey, January 2019.*

[80] Baldwin, R. (2011). "Trade and industrialisation after globalisation's 2nd unbundling: how building and joining a supply chain are different and why it matters". *NBER Working papers 17716.*

[81] Bhatia, K., Evenett S. J., and Hufbauer, G. C. (2016). "Why General Electric is localising production", *Voxeu.org*, 21 June.

Graph I.3.6: **GVC participation and average applied tariffs**



Source: UNCTAD-Eora Database, World Bank, own calcuations

- *Other factors have played a role as well.* Following the 2011 earthquake and tsunami in Japan and disastrous floods in Thailand, which both led to supply-side disruptions in many sectors, a number of companies decided to contain their supply risks by reducing the length of their supply chains, [82] in turn dampening GVC participation.

Implications of the recent rise in protectionism on global value chains

While some evidence suggests that global value chains bottomed out already before the current bout of protectionism, there is no doubt that the ongoing escalation of trade tensions between the US and China will weigh further on their near-term prospects. Several empirical studies look at the impact of new tariffs and trade policy uncertainty on trade flows and the expansion of GVCs. While some of the conventional studies indicate already high costs of protectionism at the global level and in specific countries, adding the complex GVC linkages amplifies this cost considerably.

Global value chains amplify the cost of tariff hikes….

Traditional trade analysis looks at countries trading *final goods* in which they have a comparative advantage. The development of global value chains complicates this picture, shifting the focus towards a production process organised around specific *tasks* in which firms/countries have a comparative advantage. [83] Fragmentation of the production process has been most profound in manufacturing and sectors that have higher R&D intensities. [84] In global value chains, components cross borders several times before they are assembled into a final good and sold to a consumer. As a result, every time a good or service crosses a border it may be subject to trade-restrictive measures.

As such, industries/countries, which rely to a higher extent on imported inputs further downstream, may face a higher cumulative tariff. A study of Mao and Görg (2019) [85] shows that tariff hikes in the context of the US-China trade confrontation, levies an additional burden via these indirect effects of between \$500 million and \$1 trillion on the US' closest trade partners, namely the EU, Canada and Mexico. Likewise simulations by the IMF [86] show that closer integration has increased the sensitivity of upstream and downstream tariff changes. Therefore, a 1pp. tariff increase by all countries would have a larger negative effect today than it would have two decades ago. Naturally, losses in countries that are highly integrated in GVCs would likely be much higher.

The effect is amplified because when imposing higher tariffs on imports from a targeted country, a country imposes them also partially on their own exports (via domestic value added contained in imports) and exports of all other countries further downstream or upstream in the supply chain. Therefore, theoretically, the incentive to impose tariffs should decrease when the domestic value added of imported goods increases and the foreign value added increases in domestic final goods. [87] Fontagné and Bellora (2019) [88] provide evidence from the general equilibrium model that tariff hikes not only hurt the targeted country but also countries linked via global value chains, including the country imposing tariffs itself. Specifically, in the case of the US-China trade confrontation, this means that the negative impact on the US and China is reinforced by the linkages via

[82] De Backer, K. and S. Miroudot (2014). 'Mapping global value chains'. *ECB Working Paper Series No 1677.*

[83] Ibidem.

[84] OECD, WTO, World Bank Group, IDE-JETRO, UIBE (2019). 'Technological innovation, supply chain trade, and workers in a globalized world'. *Global value Chain Development report,* April 2019.

[85] Mao, H. and H. Görg (2019). 'The impact of the US-China Trade war on Global Value Chains'. *KCG working paper No 17.*

[86] International Monetary Fund (IMF) (2019). *World Economic Outlook Update: growth slowdown, precarious recovery*. Washington, DC: IMF, April.

[87] Blanchard, E., C. Bown, R. Johnson (2018). 'Global supply chains and trade policy'. *NBER Working Paper 21883.*

[88] Bellora, C. and L. Fontagné (2019). 'Shooting oneself in the foot? Trade war and global value chains'. *CEPII blog, 23 April.*

intermediate trade. Thus, even for the country imposing tariffs, the trade war comes at a cost. One can therefore interpret the decision of China to exempt certain sectors (aircrafts, semi-conductors and pharmaceuticals) from additional levies, as a way of minimising the additional cost of the trade war. [89]

More specficially, a study by the IMF [90] finds that in the case of a hypothetical 25% tariff on imports of cars and car parts, about a half of the impact would be transmitted directly towards the affected countries, but another half would be propagated via supply chains. A study by the ECB [91] on the impact of car tariffs by the US, indicates that taking into account the complex GVC linkages would add around 50% to the negative welfare effect for Germany and Italy, and around a third of the negative impact on the euro area, on average.

...and affect business decisions.

Global value chains not only alter the distribution costs related to protectionism, they also influence the sourcing and investment decisions of firms [92]. Production networks as we know them today are the result of firms optimising their business plans taking into account all the relevant factors including trade barriers but also geopolitical tensions. Trade barriers enter these business decisions as an extra cost variable. In the short run, it will increase the cost of imports for producers and consumers and induce firms to diversify trade and to postpone new investments. [93], [94] The more geographically wide-spread the trade restrictions and uncertainty are, the smaller the scope for trade diversification.

Trade uncertainty and recent tariff hikes can be seen as temporary factors, but the longer they persist, the more likely they are to turn into structural ones. As such, firms could be forced to shorten, reshape or diversify global supply chains to mitigate risks. Ultimately, this could imply a less efficient global allocation of resources, less technology diffusion and lower productivity growth. The degree to which global value chains will be reshaped or shortened will depend on several factors such as the type of the trade-restrictive barrier, the complexity and governance of the global value chain, and the costs associated with disruption (as value chains tend to be inflexible due to the associated costs of building them [95]). Trade diversification becomes more complex if the degree of specialisation is higher, as in the semi-conductor industry, for example. However, if the cost of a disruption in a supply chain is high (e.g. an outright ban on importing essential components), it could become efficient for even highly complex value chains and/or vertically integrated firms to reshape or shorten their existing value chains. Additionally, trade policy uncertainty and protectionism will also affect the future development of value chains and investment decisions, as they add another complex layer of risks to future decisions. Higher trade and transportation costs favour nearshoring and more regional supply-chains. [96]

Given the depth of regional trade integration in Asia, the recent tariff hikes between the US and China expose the broader Asia region to negative economic impacts via its trade channels. However, opportunities for trade diversion in the form of reshaping value chains could arise for certain countries such as Vietnam and Indonesia. Exports from Vietnam to the US have surged in 2019. However, this could be due to the relabelling of goods that originated in China to avoid tariffs, or could represent trade diversion that is only temporary. Moreover, it is not possible to assess whether FDI has been diverted to these countries on the basis of the FDI data currently available. As such, it is too soon to indicate if global value chains are reshaping or shortening permanently but anecdotal evidence suggests that the trade confrontation has affected the foreign investment decisions of companies.

(89) See for example Bown, C., (2019). 'US-China Trade War: The Guns of August'. *Peterson Institute for International Economics, Trade and Investment Policy Watch,* 20 September.

(90) International Monetary Fund (IMF) (2019). 'Trade Tensions, Global Value Chains, and Spillovers Insights for Europe'. *IMF working paper No. 19/10.*

(91) Gunella, V. and L. Quaglietti (2019). 'The economic implications of rising protectionism: a euro area and global perspective'. *ECB Economic Bulletin*, Issue 3/2019.

(92) See for example Blanchard, E. (2019). 'Trade wars in the global value chain era'. *VoxEU.org,* 20 June.

(93) which would then weigh on trade given the high trade-intensity of investment

(94) See for example Handley, K. (2014). 'Exporting under trade policy uncertainty: Theory and evidence'. *Journal of International Economics volume 4 issue 1, pp 55-60*.

(95) See for example Bayoumi, T., J. Barkema and D. Cerdeiro (2019). 'The inflexible structure of global supply chains'. *IMF working paper WP/19/193.*

(96) Baldwin, R. (2012). 'Global supply chains: why they emerged, why they matter, and where they are going'. *CEPREI working papers No 9103.*

Conclusion

Global value chains have become a symbol of globalisation. They thrived for more than two decades in the run-up to the financial crisis supported by rising trade openness, lower tariffs and declining transportation and telecommunication costs. There is more evidence that this process has stagnated after the crisis and is likely to go into reverse in the near term.

The presence of global value chains amplifies the immediate negative impact of recent tariff hikes on the global economy by propagating their negative supply shocks down the supply chain. Moroever, the recent shift to protectionism and trade policy uncertainty has clearly pushed the global economy in the direction of less interdependence and integration. Additionally, given some medium-term trends (such as automation and maturing domestic supply chains), a further slowing or possible reversal of GVC trade appears likely in the near future.

3.2. WHAT IS BEHIND THE SLOWDOWN? A MODEL-BASED ANALYSIS OF GROWTH DRIVERS

Real GDP of the euro area is forecast to grow at 1.1% in 2019 and 1.2% in 2020, which is 0.2 pps. below the potential growth estimate in both years, and constitutes a pronounced slowdown compared to the annual average growth of 2.1% in 2016-18. The forecasts for the individual Member States reveal marked differences and signal an asymmetric reaction to external developments. Looking at the two largest euro area Member States, real GDP growth in Germany is forecast to slow down to 0.4% in 2019 and to be at 1.0% in 2020, below its long-run trend and after an average annual growth rate of 2.1% in 2016-18. The French economy, by contrast, is forecast to grow at 1.3% annually in 2019 and 2020, which is close to its long-run trend growth.

This special topic discusses the main growth drivers of the euro area in both 2019 and 2020 through the lens of a structural model. The structural model decomposes macroeconomic dynamics based on a rich information set. In particular, the model identifies the driving forces of the forecast on the basis of restrictions imposed by structural equations, i.e. by economic theory, across variables and over time. The sign and size of the different demand and supply shocks [97] depends on their ability to fit not only GDP, but also other observables, such as economy-wide consumption, investment, trade, and employment. The special topic also includes a discussion of the forecasts for Germany and France to illustrate the heterogeneity across countries implied by particular drivers of growth.

The analysis builds on the Global Multi-Country model, which is a macroeconomic model in the New-Keynesian tradition. [98] The analysis uses a configuration with two regions, the euro area and the rest of the world (RoW) for the euro area forecast; and a three-region set-up (individual Member State, rest of the euro area, RoW) for the identification of growth drivers in Germany and France, thus providing further granularity. Once the model has been estimated using historical data from 1999-Q1 to 2019-Q2, the time series are extended by the European Commission’s Autumn 2019 forecast for the set of available variables. The estimated model then recovers the shocks that are necessary to fit the forecast given the estimated model parameters and the historical data.

A strong reduction in export demand drives the growth slowdown in 2019-2020…

Graph I.3.7 provides a model-based decomposition of annual real GDP growth in the euro area. The solid blue line depicts the historical data (2016-18), and the dashed line the European Commission’s forecast for 2019-20. The coloured bars identify the driving forces contributing to deviations of GDP growth from its long-run trend of 1.3%. [99] Bars above (below) the solid vertical axis indicate positive (negative) contributions to GDP growth relative to the long-term trend in a given year. The sum of positive and negative

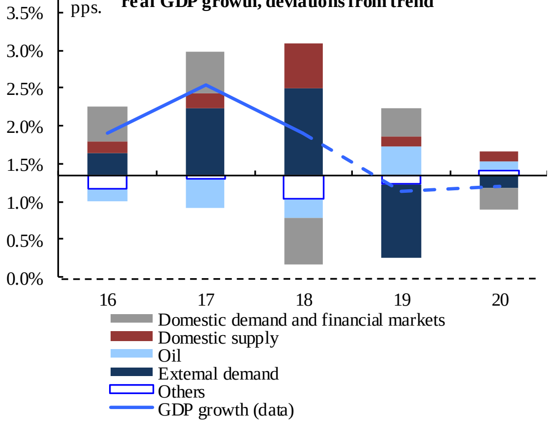
(97) The term "shocks" refers to the exogenous factors that drive the deviations of endogenous variables in the model from their long-run trend paths.

(98) The Global Multi-Country (GM) DSGE model has been developed by DG ECFIN and the Joint Research Centre of the European Commission. A detailed description of the GM model can be found in: Albonico, A., L. Calès, R. Cardani, O. Croitorov, F. Di Dio, F. Ferroni, M. Giovannini, S. Hohberger, B. Pataracchia, F. Pericoli, P. Pfeiffer, R. Raciborski, M. Ratto, W. Roeger and L. Vogel (2019). ‘The Global Multi-Country Model (GM): an Estimated DSGE Model for the Euro Area Countries’. *ECFIN Discussion Paper No. 102*. European Commission.

(99) The large number of shocks (the model includes 36 types which reflect the rich dataset) are summarised into groups. For additional details, see also Box I.1 of the European Commission's Spring 2019 forecast. Note that trend growth of real GDP is determined by trend productivity and trend labour force growth.

contributions matches the data (solid blue line) for any point in time and the forecast (dashed line) for 2019-20.

Graph I.3.7: **Model-based decomposition of euro area real GDP growth, deviations from trend**

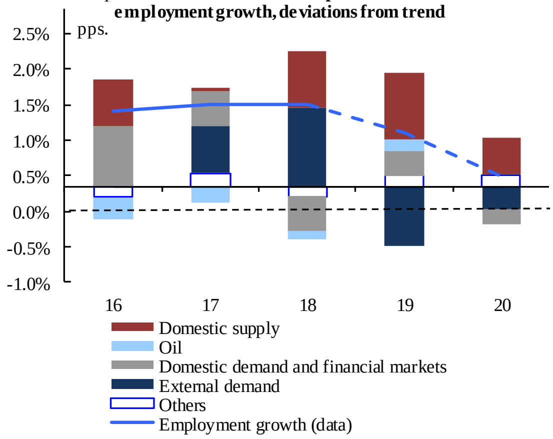


From the perspective of the estimated model, the deceleration of euro area GDP growth in 2019 is explained predominantly by declining export demand (Graph I.3.7). This group of shocks [100] alone (dark blue bar) would signal a 2.1 pps. decline in GDP growth in 2019 compared to 2018. The decline in exports is led by a slowdown in world import demand (excluding euro area), which is forecast to continue weighing negatively on euro area exports over 2019-2020, although more so in the current year. The slowdown in world import demand is stronger than suggested by the slowdown in global activity alone. It affects not only euro area exports, but also feeds through to employment and consumption growth (see below).

The negative impact of external demand on growth in 2019 is estimated to be partly attenuated by lower oil prices (light blue bar). Domestic demand and financial market shocks [101] (grey bar) also play a positive role in 2019, which is associated notably with still robust investment growth (in the euro area as a whole) in 2019 and a depreciation of the nominal effective exchange rate of the euro in line with the forecast's external assumptions. Domestic labour and goods market ("supply-side") factors (red bar) contribute on the upside in 2019 and 2020. These are shaped by positive labour supply shocks consistent with a decline in the NAWRU and a sluggish response of labour demand (i.e. stabilisation of labour income) to the slowdown in growth ("labour hoarding"), lifting GDP growth in 2019-20.

With euro area growth failing to rebound swiftly, the labour market outlook is less bright compared to the recent past. Employment growth is projected to decelerate, from 1.5% on average in 2016-2018 to 1.1% in 2019 and 0.5% in 2020. Lower external demand translates into declining GDP growth, which requires less labour input (Graph I.3.8).

Graph I.3.8: **Model-based decomposition of euro area employment growth, deviations from trend**



The slowdown of employment growth in the forecast is less pronounced than the slowdown in euro area real GDP growth, however. The model attributes the stronger resilience of employment growth mostly to stabilising factors in the labour market itself. In particular, employment continues to grow faster than the labour force, leading to a (further) decline in the rate of unemployment in 2019-2020. Despite this decline in unemployment, real wage and labour cost growth are projected to remain below trend, which is consistent with positive labour supply adjustments (wage moderation). Labour demand, furthermore, adjusts sluggishly to the slowdown in economic activity, which the model attributes to "labour hoarding". The two labour-market factors account for most of the positive "supply-side" component (red bar) in Graph I.3.8. In addition to the labour market factors, oil prices, domestic demand and financial market factors support employment in line with their positive contribution to GDP growth in 2019.

…with different effects across Member States.

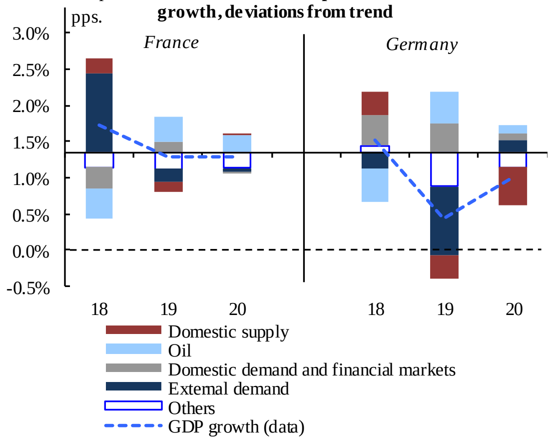
The decline in external demand growth, which has been identified as the main driver of the current downturn at the euro area level (Graph I.3.7), hides marked differences across euro area Member

(100) The group "external demand" summarises shocks to foreign demand and shocks to the trade equations, where the latter affect trade volumes and prices for given levels of foreign demand. Together, these shocks affect euro area (net) exports.

(101) Financial market shocks include among others exchange rate shocks.

States, as shown in the decomposition of GDP growth in Germany and France (Graph I.3.9).

Graph I.3.9: **Model-based decomposition of real GDP growth, deviations from trend**

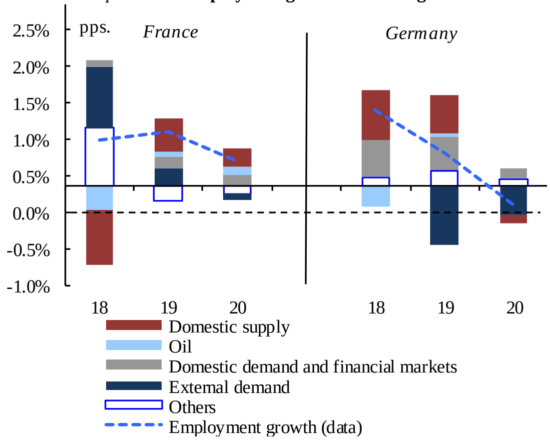


In effect, the downside contribution of external demand shocks to real GDP growth in 2019 (Graph I.3.9) is moderate in France, compared to a large drag on GDP growth in Germany, which is in line with stronger (net) export growth in France compared to Germany in the forecast for 2019. The different growth contribution of external demand (difference of 0.8 pps.) can almost fully account for the growth differential (0.9 pps.) between France and Germany in 2019. The stronger negative contribution to growth in Germany is partly driven by market share losses of German exporters, which further highlights the asymmetric nature of the shock.

Concerning other factors, the projected decline in oil prices contributes positively to growth in 2019 and 2020, in line with the results for the euro area aggregate. Domestic demand factors play a less positive role in France, due to a reduction in government spending relative to GDP as incorporated in the forecast. Fiscal policy plays a more stabilising role in Germany, where government consumption and investment spending is projected to rise relative to GDP.

Domestic supply shocks dampen real GDP growth in Germany. The GDP deflator growth picks-up in 2019 and remains broadly stable in 2020, despite the slowdown in economic activity this year. The model attributes the sluggish response of prices to economic activity to an increase in the price mark-up that has negative implications for domestic activity and weakens the recovery in 2020. The model also suggests sluggish adjustment of prices in France in 2019 and 2020. The negative impact of the temporary price mark-up increase on economic activity in France is, however, largely offset by wage moderation (notably a decline in nominal unit labour costs in 2019 linked to changes in social security contributions of the CICE), which in the model is a negative wage mark-up shock that strengthens employment and GDP growth.

Graph I.3.10: **Employment growth in the largest MS**



The drivers of employment dynamics in Germany and France (Graph I.3.10) are similar to those highlighted for GDP growth. The slowdown in export demand, which is the main factor behind the slowdown between 2018 and 2019, also dampens employment growth in both countries and more substantially so in the case of Germany. Domestic demand and financial factors, together with the lower oil price incorporated in the forecast, strengthen employment growth in France in 2019 and 2020 compared to 2018. For Germany the model suggests a decline in the contribution of domestic demand factors in 2020.

Contrary to the decomposition of GDP growth, domestic supply factors play a more positive role for employment in both countries. As for GDP growth the identified price mark-up increase dampens employment growth, whereas declining wage costs in France (wage mark-up decline) strengthen labour demand and employment in 2019. In addition, labour hoarding stabilises employment in both countries, although it is more pronounced in the case of Germany, in light of the magnitude of the growth slowdown.

3.3. THE PROCYCLICALITY OF POTENTIAL OUTPUT

Introduction

Any meaningful analysis of cyclical developments, of medium term growth prospects, or of the stance of fiscal and monetary policies, inevitably rests on either an implicit or explicit assumption about the rate of potential output growth. The measurement of potential growth is therefore an important ingredient in the EU's surveillance processes and in evaluating the effectiveness of the EU's structural reform agenda. Unfortunately, however, potential growth is not directly observable and so, must be estimated.

Given its importance in the EU's fiscal surveillance framework, the question of how best to calculate potential growth is a subject of much debate. One criticism sometimes levelled at the EU's commonly agreed methodology (CAM) is the procyclicality of its estimates. Critics argue that the CAM's estimates track actual GDP too closely and therefore fail to accurately distinguish between temporary, cyclical, fluctuations in GDP and permanent, structural, changes in the growth potential of the EU's economy. This concern is particularly relevant now that economic growth is slowing after six years of expansion, as it could lead to an overestimation of potential growth.

The CAM has undergone numerous evaluations since its inception in 2002. It was also updated significantly, in 2010 with respect to total factor productivity (TFP), and in 2014 with respect to the non-accelerating wage rate of unemployment (NAWRU), in response to the concerns about procyclicality. The evaluations showed that the CAM has a relatively good overall track record compared with alternative methodologies with respect to its real time revision properties. However, the general question of procyclicality has been less extensively evaluated, including the specific performance of the CAM at particular stages of the cycle, such as at turning points, or in the downward or upward phases of the cycle where the real time potential output estimates play a significant role in driving fiscal policy changes.

Against this background, the purpose of this special topic is to empirically assess the link between the CAM's potential output estimates and the dynamic pattern of the actual GDP series. A too close link between actual and potential output growth risks giving policy makers an unrealistically pessimistic view of the structural budget balance in bad times and an unrealistically optimistic view in good times. This specific criticism goes to the heart of the complaints made against the CAM, which is that it risks misleading policy makers and encouraging procyclical fiscal policies, whereas fiscal policy needs to be countercyclical in order to achieve its stabilisation goals. The allegation that the CAM's potential output estimates suffer from excessive procyclicality has been raised widely in the literature. (102)

What is meant by procyclicality and how has the CAM performed with respect to it in the pre-crisis, crisis and post-crisis periods?

One of the advantages of the economics based CAM, compared with purely statistical methods such as the Hodrick–Prescott (HP) Filter, which suffer from end point bias concerns, is that the issue of procyclicality can be assessed from an economic perspective. As such, it is clear that there are both 'realistic' and 'excessive' (i.e. unrealistic) types of procyclicality:

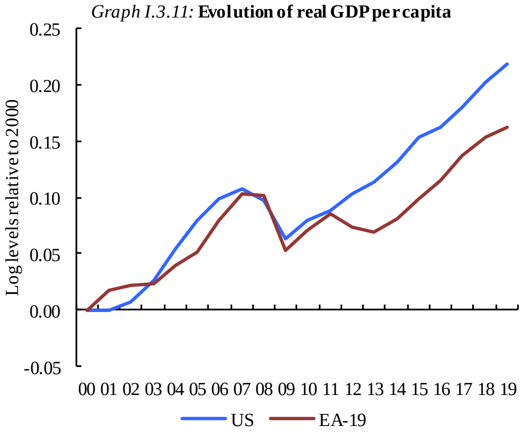
- 'Realistic' procyclicality means that the CAM correctly detects when the EU's underlying growth rate has either shifted downwards or upwards permanently. The biggest test of the CAM therefore occurred during the financial crisis and in the years that followed. Did the CAM 'get the crisis right' and were its estimates before, during and after the crisis realistic, or excessively negative?

- 'Excessive' procyclicality occurs when the CAM produces potential output estimates which rise too much when the economy is in the upward phase of the cycle or go down too much when it is in the downward phase. These episodes can best be identified by the degree of revision after turning points in the cycle.

(102) See, for example, three contributions: R.Brooks and G.Basile (2019). 'The Campaign against Nonsense Output Gaps'; P.Heimberger (2019). 'The Campaign against Nonsense Output Gaps'; A.Tooze (2019). 'Output gap nonsense'. *Social Europe*. In addition, see Fatas (2018), 'Self-Fulfilling Pessimism : The Fiscal Policy Doom Loop', *VoxEU.org*. Fatas argues that procyclical fiscal policies in the Euro Area in the post crisis years from 2010 to 2014, were driven by an overly pessimistic view of potential output among EU policy makers, creating a self-fulfilling 'doom loop', which resulted in hysteresis and permanently lower levels of GDP.

Should one expect some level of procyclicality to occur in potential output calculations? Some degree of procyclicality is inherent in the calculation of potential output. For example, recessions are often associated with increases in structural unemployment because of hysteresis effects and firms typically cut investment (which lowers the capital stock) or postpone their adoption of new technologies (which lowers trend TFP growth). In the case of financial and banking crises, the evidence for persistent or even permanent output losses is relatively strong. [103] The great recession of 2008/2009 in the US and the EU, as well as the sovereign debt crisis in the EU, confirm this evidence by showing persistent negative level effects (Graph I.3.11). In the EU, potential growth rates decreased considerably after the financial crisis due to decreases in the contributions of all three drivers of growth, especially capital and labour and to a lesser extent TFP (total factor productivity). Consequently, when it comes to the EU's CAM methodology for calculating potential output, the aim is to limit procyclicality whilst prioritising the detection of permanent shifts in potential. Since some degree of procyclicality appears justified, the question therefore is whether the CAM gives a 'realistic' or an 'excessive', real time signal to policy makers regarding the level and direction of change in the underlying strength or weakness of the economy.

Graph I.3.11: **Evolution of real GDP per capita**



Evaluation of the CAM's procyclicality performance in the pre-crisis, crisis and post crisis periods: Graphs I.3.12 and I.3.13 give an overview of possible procyclicality in the CAM's potential output estimates. [104]

- **Pre-Crisis Period**: In the upswing period leading up to 2008, graphs I.3.14 and I.3.15 show that the CAM's potential output estimates were showing signs of 'excessive' procyclicality, with potential growth rates following actual growth rates too closely and subsequently being revised downwards when more information became available. This can be seen by the area shaded in red in graph I.3.14, which is very wide in the years before the crisis. [105]

[103] See Ball, L. (2014). 'Long-Term Damage from the Great Recession in OECD countries'. *NBER Working Paper No. 20185.* The author found that for the most advanced economies, many of the declines in output after the Great Recession have been matched with corresponding declines in potential output estimates. Similarly see Cerra V. and C. Saxena (2008). 'Growth Dynamics: The Myth of Economic Recovery'. *American Economic Review, 98:1*, pp. 439-57. Based on a panel of 190 countries over the period 1960 to 2001, the authors found that financial crises are associated with persistent downward level shifts of GDP (in industrialised countries) of the order of magnitude of 7%. See also Romer, C and D. Romer (2017). 'New Evidence on the Aftermath of Financial Crises in Advanced Countries'. *American Economic Review 107:10*, pp. 3072-3118. Based on a panel of OECD countries, the authors found that GDP was persistently lower five years after an extreme financial crisis. Various reasons for a permanent decline in GDP after financial crises are discussed in the literature. With respect to the labour market, see Yagan, D. (2019). 'Employment Hysteresis from the Great Recession'. *Journal of Political Economy, 127, (forthcoming)*. The author found hysteresis effects for the US due to human capital decay related to longer non-employment spells. Capital costs (including credit tightening) have risen persistently (see Gilchrist, S. and B. Mojon (2018). 'Credit Risk in the Euro Area'. *Economic Journal* 128:608, pp. 118-58), which must also be seen in relation to the excessively lax credit conditions before the crisis. Capital costs appear to play a bigger role in the EU, possibly related firstly to the greater fragmentation of capital markets; secondly, the slower resolution of banking problems and specifically the issue of non-performing loans (see Kollmann, R., B. Pataracchia, R. Raciborski, M. Ratto, W. Röger and L.Vogel (2016). 'The Post-Crisis Slump in the Euro Area and the US: Evidence from an Estimated Three-Region DSGE Model'. *European Economic Review 88*, pp. 21-41); and thirdly, the larger exposure of banks to sovereign debt holdings. Credit conditions could also explain a lower level, or even a lower growth rate, of TFP if risk premia for intangible capital and technology adoption are rising. At the aggregate level, lower productivity growth could also be the result of capital misallocation before the boom, i.e. increasing the size of low productivity sectors/firms, which are kept alive after the boom has collapsed (see for example Borio, C., E. Kharroubi, C. Upper and F. Zampolli (2018). 'Labour Reallocation and Productivity Dynamics: Financial Causes, Real Consequences'. *BIS Working Paper 534*).

[104] First vintage available: EU - Spring 2007; EU15 - Spring 2003; final data: Spring 2019

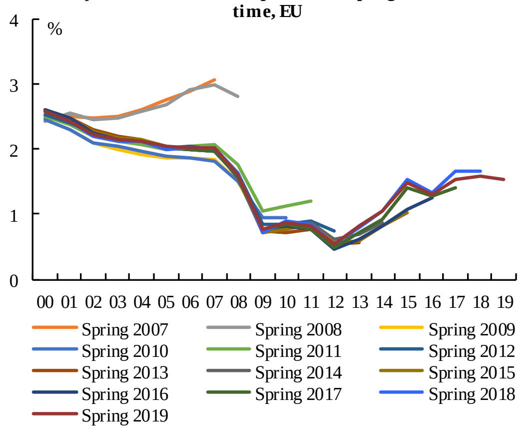
[105] First vintage available: EU - Spring 2007; EU15 - Spring 2003; final data: Spring 2019. The spread is defined by the lowest and highest number of the growth rates ever estimated. More specifically, the 2010 value in the full line comes from the Spring 2019 estimate. The highest estimate we ever made for 2010, creates the top of the spread. This only includes estimates up until the nowcast value (e.g.

- **2009 Crisis**: Looking at the potential output series from the spring 2019 forecasts (the 'full' red line), one sees a clear break in the series around 2009, with potential output falling below historical rates. [106] The CAM handled this shock to previous patterns of potential growth very well, producing realistic and stable potential growth rate estimates compared with the HP filter, in real time, which signalled to policy makers the permanent, rather than cyclical, nature of the output loss. The crisis period is therefore an example of 'realistic' procyclicality.

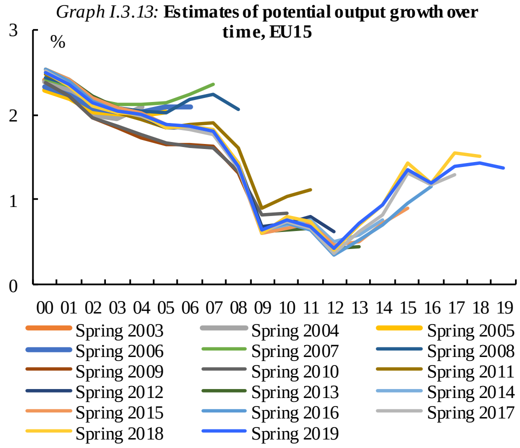
- In the spring 2009 forecast, the CAM essentially halved its estimated potential growth rates for the euro area and the EU for 2009 and 2010 to 0.7% and 0.8% respectively. Since 10 years have now elapsed, the spring 2019 estimates for 2009 and 2010 can be considered largely final and factual, with those estimates being almost identical to those of the CAM's spring 2009 assessment for 2009 and 2010, with a maximum difference of 0.1 of a percentage point for both the euro area and for the EU as a whole.

- Consequently, the CAM produced economically accurate and stable estimates in spring 2009 of the short run effects of the crisis, which have not been revised over the last 10 years. In addition, the CAM's realistic assessment of the short term impact on potential of the financial crisis, and the knock-on implications for output gaps, contrasts sharply with the assessment of its predecessor, the HP filter. In spring 2009, the CAM's output gap estimates for the euro area for the years 2009 and 2010 were -2.8% and -3.6% respectively, with the HP filter suggesting a zero output gap in 2009 and, extraordinarily, a positive output gap of 0.1% in 2010.

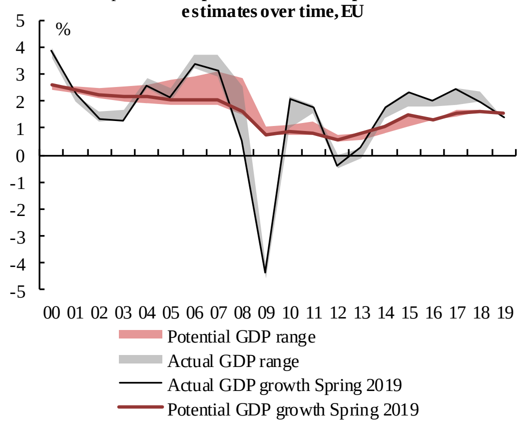
Graph I.3.12: **Estimates of potential output growth over time, EU**



Graph I.3.13: **Estimates of potential output growth over time, EU15**



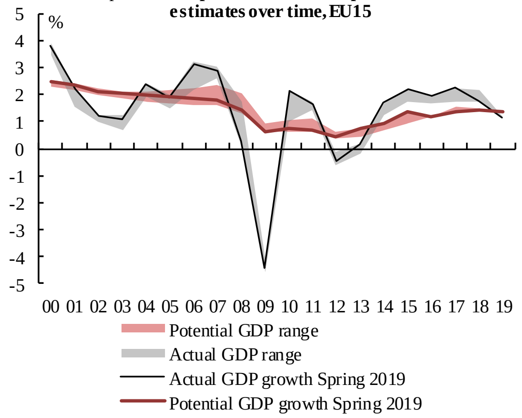
Graph I.3.14: **Spread in actual and potential GDP estimates over time, EU**



Spring 2010 has estimates until 2010). The lower end of the spread is then given by the lowest estimate ever made for the year 2010 in all vintages. Graphs I.3.12 and I.3.13 show the different forecast vintages - the shorter the line, the earlier the vintage. Graphs I.3.14 and I.3.15 are directly related to Graphs I.3.12 and I.3.13 but instead of giving all of the estimates from all of the vintages, graphs I.3.14 and I.3.15 try to provide a visual overview of the range or spread of the estimates by focusing in on the maximum and minimum values. The grey and red areas therefore are created by the maximum and minimum estimate for the potential or actual GDP growth rates, over all of the vintages between Spring 2003 and Spring 2019. The two full, black and red, lines show the latest Spring 2019 estimate for both actual and potential GDP growth. Graphs I.3.14 and I.3.15 essentially provide a summary visualisation of the CAM's procyclicality performance in the pre-crisis, crisis & post crisis periods.

(106) The Spring vintages are used for this analysis in order to facilitate a focus on the current year forecasts and to allow a 10 year comparison of the post-crisis Spring 2009 vintage with Spring 2019.

Graph I.3.15: **Spread in actual and potential GDP estimates over time, EU15**



- **Period after 2009:** In the first vintages after the crisis, growth in potential output was forecast to be low, but in fact those predictions were not low enough and were subsequently revised downwards. In other words, the CAM, in most of the vintages since spring 2009, underestimated the permanent loss of GDP growth induced by the crisis. On the basis of the spring 2019 forecasts, estimates for the potential GDP growth rates for 2010-2012 (the 'full' red line) are at the lower end of the band of predictions over this period. Consequently, the EU's methodology did not display 'excessive' procyclicality in this period since, in general, the CAM has had to revise its potential growth estimates down, not up, after observing the new facts on actual growth developments.

- A similar conclusion is evident for the early years of the recovery period from 2013 onwards. One can see from graphs I.3.14 and I.3.15 that whilst the potential growth rate estimates moved in line with actual GDP, the degree of procyclical tracking was limited. Over time, the real time potential growth rates ('full' red line) were revised upwards, with the spring 2019 estimates for potential GDP during the 2013-2017 period being at the higher end of the prediction range. In other words, the CAM estimates displayed prudence/cautious optimism in the early recovery stage of the upswing phase, with few signs of 'excessive' procyclicality.

- However, as the recovery became more persistent after 2017, tentative indications of 'excessive' procyclicality, in the form of unrealistic real time optimism, become visible, with the CAM's real time potential growth projections tending to rise too much in the advanced upward phase of the cycle, only to be followed by downward revisions in subsequent vintages.

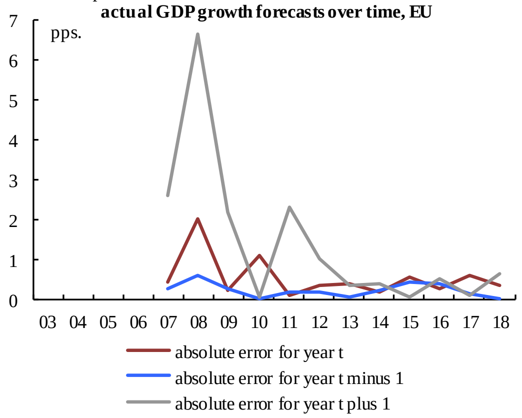
Why do most of the procyclicality problems appear to occur in the advanced upswing phase of cycles?

Whilst the analysis above showed only small revisions of the CAM in the crisis years as well as in the downswing and early upswing stages of the current cycle, it also showed that the CAM appears to be vulnerable to larger errors in the more advanced upswing stage of business cycles. Indeed, the CAM's potential output estimates based on the most recent forecast vintages, do show some tentative signs of 'excessive' procyclicality. Although it is clear from graphs I.3.14 and I.3.15 that the degree of unrealistic procyclicality currently evident is significantly lower than in the pre-crisis period, 'excessive' procyclicality does appear to be an entrenched feature of estimates in the advanced upswing stage of cycles. This section will examine the methodological and non-methodological factors behind CAM's difficulty in removing the cyclical component of actual GDP developments in the upswing stage of cycles.

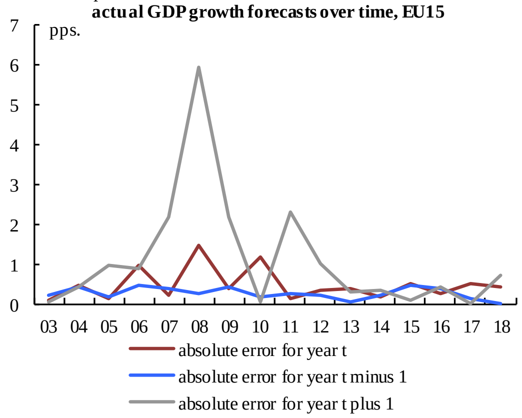
Regarding methodological factors, as the mood of economic agents shifts in the expansion phase of the cycle, it becomes difficult for all trend extraction methods, including the CAM, to make an accurate distinction between the realistic future expectations of consumers and investors and the emergence of irrational exuberance. In addition, the CAM, for sound theoretical and practical measurement reasons, does not cyclically adjust the investment inputs into the potential output calculations (essentially the CAM produces a measure of potential, not equilibrium, output), with the result that it depends heavily on the quality of its cyclically adjusted TFP series. On the labour side, the population of working age variable is also not cyclically adjusted. Whilst the CAM correctly shows a boost to potential growth in countries enjoying strong inward migration due to buoyant economic conditions, it seems to struggle to decipher whether those migration flows are sustainable, long term shifts, or if they are largely cyclical, as was the case for many countries in the pre-crisis period.

Regarding the non-methodological factors explaining the optimistic bias in the advanced upswing stage of cycles, one factor which has not been given sufficient attention in the literature, is the role played by the optimistic bias of forecasts in this stage of the cycle. A major reason for this bias is the general difficulty forecasters have to correctly flag the possibility of business cycle downturns. Although recessions are relatively common, Commission, OECD and IMF forecasters have almost never forecast a negative growth rate in the second year of their short term forecasts. In this context, graphs I.3.16, I.3.17, I.3.18 and I.3.19 [107] show the absolute revisions to the Commission's spring actual and potential GDP growth rate projections over time. As one can see from the graphs, there are minimal changes in each Spring forecast round to the T-1 actual GDP estimates (which one would expect). In addition, revisions to the year T forecast are relatively small. However, one year ahead forecasts tend to see significantly more revisions.

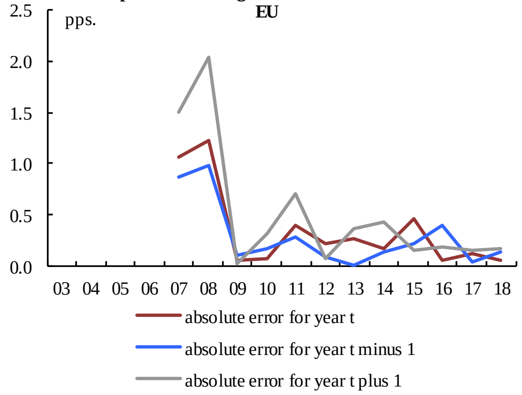
Graph I.3.16: **Absolute revisions to the Commission's actual GDP growth forecasts over time, EU**



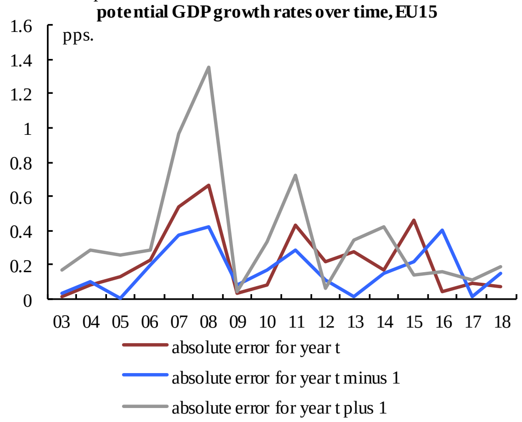
Graph I.3.17: **Absolute revisions to the Commission's actual GDP growth forecasts over time, EU15**



Graph I.3.18: **Absolute revisions to the Commission's potential GDP growth rates over time, EU**



Graph I.3.19: **Absolute revisions to the Commission's potential GDP growth rates over time, EU15**



These revisions in actual GDP forecasts, of course, influence the revisions in potential output growth (Graphs I.3.18 and I.3.19), with the differences in the scales for both graphs needing to be considered. On average, at the level of the euro Area and the EU as a whole, for every one percentage point revision in actual GDP, potential output changes by roughly 1/3 of a percentage point. Moreover, several individual member states

[107] First vintage available: EU - Spring 2007; EU15 - Spring 2003; final data: Spring 2019

may see a larger change in estimates of their potential rates due to revisions in actual GDP (i.e. a change in excess of 1/3) because of two factors:

- Firstly, the ***pattern of the actual GDP growth revisions***, and particularly the degree of persistence displayed, plays a very important role in deciding the cyclical versus structural decomposition of any actual GDP change. This explains why the signal given in the second year of the actual GDP forecast is very important for the accuracy of the CAM.

- Secondly, the ***composition of the actual GDP growth forecasts*** and the input variables driving those revisions are also fundamental. More specifically, since the investment and population of working age variables are not smoothed in the CAM (i.e. they lead directly to changes in potential output), a strong revision for investment growth (especially housing investment) or for population of working age growth (driven, for example, by volatile migration flows) has important knock-on implications for the potential growth rate revision.

Consequently, it is both the pattern of the actual GDP growth rate forecasts (i.e. whether the upward or downward actual GDP revisions are one-off or persistent in nature) and the composition of these forecasts (particularly the extent to which revisions are driven by investment or demographic developments) that influences the proportion of the revision that is considered structural or cyclical.

Concluding Remarks

This special topic has looked at the cyclical properties of the CAM's potential output estimates for EU aggregates. It argues that a certain degree of procyclicality is justified and that it is appropriate that the capital stock and the population of working age variables are not cyclically-adjusted (since the CAM is measuring potential, not equilibrium, output). The main focus of the analysis has been on distinguishing between 'realistic' and 'excessive' (i.e. unrealistic) pro-cyclicality. Whilst pre-crisis potential output estimates showed clear signs of 'excessive' procyclicality, this was not a feature of the estimates during the crisis itself or in the post-crisis period. The improvements made to the CAM's NAWRU and TFP trend estimates in the post-crisis period, in particular the introduction of the new TFP methodology in 2010, all helped to reduce the CAM's overall degree of procyclicality, with the result that the CAM avoided the 'undue pessimism' of the HP filter-based methodology in the post-crisis years.

In assessing periods of both 'excessive' and 'realistic' procyclicality, the analysis focused on answering two key questions. First, did the EU's CAM produce excessively negative potential growth rate forecasts in the aftermath of the 2008 financial crisis? Secondly, did the CAM display a pessimistic bias over the post crisis period by tracking too closely the low actual GDP growth rates, thereby signalling unrealistically negative future growth expectations for the EU?

- In relation to question 1, the evidence shows that the CAM's assessment of the short-term impact of the crisis was remarkably realistic. It is now clear, 10 years on, that there was a genuine trend break in the EU's growth prospects in 2009 and that the halving of the CAM's potential growth estimates following the crash in Spring 2009 was not a reflection of a procyclicality bias. Since trend growth has been on a lower path in the post crisis period than it was in the post-2000 years, the CAM clearly helped provide policy makers with a more credible/realistic path for future growth rate expectations. In addition, the CAM was not procyclical enough in the post crisis years as the real time CAM predictions had to be progressively revised downwards in subsequent forecast vintages. This absence of 'excessive' procyclicality in the post-crisis period contradicts the 'self-fulfilling pessimism' hypothesis referred to by Fatas (2018).

- Regarding question 2, although there are no clear signs of a procyclicality problem for the CAM during the crisis or in most of the post crisis period, some tentative signs of excessive procyclicality appear to be emerging in recent forecast vintages. Given the CAM's optimistic bias, the biggest risk regarding the emergence of instances of 'excessive' procyclicality is in the advanced upswing stage of any cycle, with this risk due to both forecast issues (i.e. the in-built optimistic bias in the second year of economic forecasts) and methodological issues (i.e. the fact that the capital or population of working age variables are not smoothed in the

CAM, rather than to any serious problems in relation to trend TFP or the NAWRU).

Finally, whilst the CAM performed relatively well in the post crisis downswing period, only time will tell if it has also managed to avoid any 'false' optimism in the current stage of the cycle. The evidence so far seems to suggest that the investment bubble which preceded the 2008 crisis seems currently not to be emerging (with investment growing broadly in line with its endogenous determinants, namely labour and TFP growth) and that recent population of working age trends appear less cyclically driven than in the pre-crisis period. However, given the uncertainties involved, it is clear that great vigilance will be needed to ensure that the CAM's potential output estimates remain prudent. Ongoing vigilance is essential given that the credibility of the CAM ultimately rests on its ability to provide a realistic growth outlook with which to guide the expectations of both economic agents and policy makers in the EU.

4. BOXES

Box I.4.1: **Some technical elements behind the forecast**

Given the ongoing ratification process of the revised Withdrawal Agreement in the UK, projections for 2019, 2020 and 2021 are based on a purely technical assumption of status quo in terms of trading relations between the EU27 and the UK. This is for forecasting purposes only.

The cut-off date for taking new information into account in this European Economic Forecast was 24 October 2019. The forecast incorporates validated public finance data as published in Eurostat's news release 161/2019 of 21 October 2019.

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 21 October) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption regarding exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.12 in 2019 and 1.11 both in 2020 and in 2021. The average JPY/EUR is 121.81 in 2019 and 119.52 in both 2020 and 2021.

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 -0.4% in 2019 and -0.5% in 2020 and 2021 in the euro area. Long-term euro area interest rates are assumed to be -0.3% in 2019, -0.4% in 2020 and -0.3% in 2021.

Commodity prices

Commodity price assumptions are also based on market conditions. According to futures markets, prices for Brent oil are projected to be on average 63.3 USD/bbl in 2019, 57.4 USD/bbl in 2020 and 56.1 USD/bbl in 2021. This would correspond to an oil price of 56.5 EUR/bbl in 2019, 51.9 EUR/bbl in 2020 and 50.8 in 2021.

Trade policies

As far as trade policy is concerned, this forecast pencils in only the measures that have been implemented until the cut-off date. Compared to the summer interim forecast, there were a number of limited changes to the baseline scenario.

- On 01/08/2019, the trade conflict between Japan and Korea escalated. Japan introduced export controls for tech material shipments to Korea and removed Korea from the white list of countries that benefit from minimum trade-related restrictions and procedures. Later, Korea also removed Japan from a list of preferred trading partners.

- On 01/08/2019, despite ongoing trade talks, the US announced a 10% tariff on the remaining 300 billion USD of imports from China, which were not yet subject to new tariffs. The US administration decided that part of the tariff will take effect on 1 September except for some tariffs on consumer goods which will be implemented from 15 December onwards.

- 0n 23/08/2019, China retaliated by announcing 5% and 10% tariffs on 75 billion USD of imports from the US to be phased in in two stages (on 1 September and 15 December) along with resuming the 25% duty on US automobiles and auto parts from 15 December onwards. The US administration reacted by increasing the tariff on 300 billion USD of imports from China to 15% and announced raising the 25% tariff already in place on 250 billion USD of Chinese imports to 30% from 15 October onwards.

- On 25/09/2019, the US and Japan announced a partial trade agreement in which Japan would lift its tariffs on some agricultural products in exchange for the US lifting tariffs on some industrial goods.

(Continued on the next page)

Box (continued)

Table 1:
Technical assumptions

		Autumn 2019 forecast			*Spring 2019 forecast*		
	2018	2019	2020	2021	*2018*	*2019*	*2020*
3-month EURIBOR (percentage per annum)	-0.3	**-0.4**	**-0.5**	**-0.5**	*-0.3*	*-0.3*	*-0.3*
10-year government bond yields (percentage per annum) (a)	0.4	**-0.3**	**-0.4**	**-0.3**	*0.4*	*0.1*	*0.2*
USD/EUR exchange rate	1.18	**1.12**	**1.11**	**1.11**	*1.18*	*1.13*	*1.13*
JPY/EUR exchange rate	130.38	**121.81**	**119.52**	**119.52**	*130.38*	*125.57*	*125.73*
GBP/EUR exchange rate	0.88	**0.88**	**0.88**	**0.88**	*0.88*	*0.86*	*0.86*
EUR nominal effective exchange rate (annual percentage change) (b)	2.4	**-1.1**	**-0.1**	**0.0**	*4.8*	*-1.5*	*-0.1*
Oil price (USD per barrel)	71.5	**63.3**	**57.4**	**56.1**	*71.5*	*69.2*	*67.8*
Oil price (EUR per barrel)	60.6	**56.5**	**51.9**	**50.8**	*60.6*	*61.3*	*60.2*

(a) 10-year government bond yields for the euro area are the German government bond yields.
(b) 42 industrial countries EU-28, TR CH NR US CA JP AU MX NZ KO CN HK RU BR.

- On 11/10/2019, the US announced that a "phase one" agreement with China has been reached. As a result, the US suspended the tariff increase from 25% to 30% on 250 billion USD imports from China, which were planned to go into effect on 15 October. In exchange, the Chinese authorities committed to increasing purchases of US agricultural products.

- On 18/10/2019, the US decided to apply countermeasures against imports from the EU as a consequence of the World Trade Organization (WTO) ruling in the Airbus case.

Budgetary data and forecasts

Data up to 2018 are based on data notified by Member States to the European Commission before 1 October and validated by Eurostat on 21 October 2019. (1)

Eurostat is **withdrawing the reservation** on the quality of the data reported by Hungary in relation to the sector classification of the Hungarian Association for the Stockpiling of Hydrocarbons (MSZKSZ) and of the foundations created by the Hungarian National Bank. The foundations and all their subsidiaries as well as the association, were reclassified into general government. Due mainly to the combined effect of these reclassifications the debt has increased by 0.4 pp of GDP in 2017 and by 0.3 pp in 2015, 2016 and 2018, while the deficit has increased by 0.2 pp of GDP in 2017 and by 0.1 pp in 2015 and 2016.

Eurostat is **withdrawing the reservation** on the quality of the data reported by Slovakia in relation to the recording of certain expenditures incurred by government, following the revision implemented by the Slovak statistical authorities that led to an increase in the deficit by 0.2% of GDP in 2018.

(1) Eurostat News Release No 161/2019.

The public finance forecast is made under the 'no-policy-change' assumption, which extrapolates past revenue and expenditure trends and relationships in a way that is consistent with past policy orientations. This may also include the adoption of a limited number of working assumptions, especially to deal with possible structural breaks. The forecast includes all fiscal policy measures that imply a change to these past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced. For 2020 in particular, draft budgets presented before the cut-off date of the forecast are taken into consideration.

EU and euro area aggregates for general government debt in the forecast years 2019-21 are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility). To ensure consistency in the time series, historical data are also published on the same basis. For 2018, this implies an aggregate debt-to-GDP ratio which is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 161/2019 of 21 October (by 2.0 pps. in the EA19 and by 1.5 pps. in the EU).

ESA 2010

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

Calendar effects on GDP growth and output gaps

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

(Continued on the next page)

Box (continued)

The working-day effect in the EU and the euro area is estimated to be limited in 2019 and 2021, implying that adjusted and unadjusted annual growth rates differ only marginally (by up to ±0.1 pps.). In 2020, this difference will be close to ¼ pps. in the euro area.

Estimations of potential GDP and output gaps are not adjusted for working days. Furthermore, since the working-day effect is considered temporary, it is not expected to affect cyclically-adjusted balances.

PART II

Prospects by individual economy

Euro Area Member States

1. BELGIUM

Growth to slow down, rising public deficit

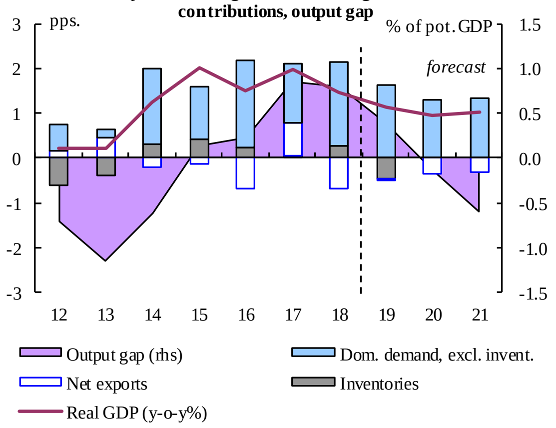
Economic growth in Belgium is set to slow down and broadly stabilise over the forecast horizon. Domestic demand is projected to continue driving growth, as the weakening of investment growth is partially offset by the momentum of private consumption. The contribution to growth of net trade is expected to be neutral in 2019 and turn negative in 2020. Inflation is forecast to decrease in 2019 and rise slightly thereafter. The headline general government deficit is projected to deteriorate markedly.

Economic growth set to weaken and remain driven by domestic demand

Economic growth slowed to 1.1% in the first half of the year and is expected to stabilise in the rest of 2019. Weaker household consumption growth and negative change in inventories are forecast to weigh on GDP growth, which should decline compared to 2018. However, rising disposable income should support household consumption growth from 2020 onwards, paving the way for domestic demand to become the sole growth engine over the forecast horizon.

Soft and hard indicators have deteriorated steadily in 2019, suggesting that Belgium's economic growth will continue to soften. Overall, real GDP growth is expected to fall from 1.5% in 2018 to 1.1% in 2019 and 1.0% in both 2020 and 2021.

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



Private consumption to pick-up, underpinned by low unemployment and rising income

The job market should continue developing favourably thanks to recent measures to lower labour costs. Employment growth is forecast to remain strong at 1.3% in 2019 and decelerate gently to 0.9% in 2020 and 0.8% in 2021. The unemployment rate is expected decrease to 5.5% in 2019 and to 5.3% in 2021. Rising disposable income, thanks to personal income tax cuts and wage indexation, is expected to underpin stronger private consumption growth in 2020 and 2021. Still, deteriorating household confidence suggests that part of the rise in disposable income will likely go towards savings, particularly in 2019 and 2020.

Investment to slow down, while net trade turns negative

The contribution of investment to growth is forecast to moderate over the next two years, following sustained growth in 2018 and 2019. Business investment is set to lose momentum in 2020 amid markedly weaker confidence and lower pressure to increase capacity. Housing investment growth is also expected to decelerate, amid tightening lending standards. Public investment is projected to slow down in 2019, in line with the electoral cycle, and accelerate slightly from 2020. Total investment growth is forecast to fall from 3.4% in 2019 to 1.7% and 1.6% in 2020 and 2021, respectively.

The contribution of net exports to GDP growth is projected to be neutral in 2019 and turn negative in 2020. While subdued world trade growth will weigh on exports, imports are expected to be bolstered by stronger domestic demand.

Downside risks to the outlook include potential impacts from a higher-than-expected slowdown in trading partners to which Belgium could be particularly exposed. On the upside, private consumption could rise more than expected if consumers spend more of their increase in disposable income.

Inflation to decline towards euro area average

Headline HICP inflation is forecast to decrease from 2.3% in 2018 to 1.3% in 2019, driven by lower energy and food prices. Headline inflation is expected to rise gently to 1.4% in 2020 and 2021, reflecting increasing food and services prices. This should support core inflation, which is projected to edge up.

Deficit expected to edge up again

In 2018, the headline deficit reached 0.7% of GDP, broadly unchanged from its 2017 level. In 2019, the headline deficit is expected to significantly widen to 1.7% of GDP driven both by a decrease in revenue of 0.9% of GDP and an increase in expenditure of around 0.2% of GDP. A number of tax reforms adopted in recent years are expected to weigh heavily on revenues. Corporate income tax (CIT) revenue is expected to decrease in 2019 as it reverts to trend, after a temporary peak in 2017 and 2018 due to a reform incentivising advanced payments. In addition, a cut in personal income tax (PIT) takes effect as part of measures to shift taxation away from labour. Finally, deteriorating macroeconomic conditions weigh on the collection of direct taxes. On the expenditure side, rising social benefits and transfers in kind, notably due to higher pensions and health expenditure, further worsened the headline deficit. Once netted off from temporary and cyclical factors, the structural balance is projected to deteriorate from around -1¾% of potential GDP in 2018 to -2% in 2019.

In 2020, under a no-policy-change assumption, the headline deficit is expected to further widen to 2.3% of GDP, with the structural deficit forecast to deteriorate by 0.3% of potential output. The decrease in revenue of 0.2% of GDP in 2020 is expected to result, among others, from a cut in corporate tax rates, amid a broader reform of corporate taxation launched in 2018. Other elements – e.g. a reduction in employers' social contributions as a part of the last phase of the tax shift– will also play a role. The expenditure-to-GDP ratio is projected to increase by 0.3% of GDP, driven by rising social benefits and social transfers in kind, in continuation of the trend observed in previous years.

In 2021, under a no-policy-change assumption, the headline deficit is expected to further widen to 2.6% of GDP, due to several factors including the slowing economic activity, the end of temporary revenue measures and increasing social spending.

Starting from 100.0% in 2018, Belgium's debt-to GDP ratio is projected to decrease to 99.5% in 2019 mainly due to a fall in interest spending. It is forecast to rise again to 99.6% in 2020 and back to 100% in 2021 due to increasing deficit projections and relatively high stock-flow adjustments.

Table II.1.1:

Main features of country forecast - BELGIUM

	2018		Annual percentage change						
bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	459.8	100.0	1.7	1.5	2.0	1.5	**1.1**	**1.0**	**1.0**
Private Consumption	237.2	51.6	1.4	1.9	1.8	1.5	**1.0**	**1.2**	**1.3**
Public Consumption	106.1	23.1	1.5	0.4	0.3	0.9	**1.2**	**1.2**	**1.2**
Gross fixed capital formation	109.6	23.8	2.1	3.8	1.3	4.0	**3.4**	**1.7**	**1.6**
of which: equipment	37.1	8.1	1.2	14.3	-3.1	5.1	**3.4**	**1.5**	**1.2**
Exports (goods and services)	379.7	82.6	3.3	6.5	5.3	1.2	**0.6**	**1.2**	**1.5**
Imports (goods and services)	380.4	82.7	3.3	7.5	4.4	2.1	**0.6**	**1.6**	**1.9**
GNI (GDP deflator)	462.8	100.6	1.7	1.0	2.1	1.0	**1.2**	**1.0**	**1.0**
Contribution to GDP growth: Domestic demand			1.5	1.9	1.3	1.9	**1.6**	**1.3**	**1.3**
Inventories			0.1	0.2	-0.1	0.3	**-0.5**	**0.0**	**0.0**
Net exports			0.1	-0.7	0.7	-0.7	**0.0**	**-0.3**	**-0.3**
Employment			0.9	1.3	1.6	1.4	**1.3**	**0.9**	**0.8**
Unemployment rate (a)			7.8	7.8	7.1	6.0	**5.5**	**5.4**	**5.3**
Compensation of employees / head			2.4	0.6	1.8	1.9	**1.7**	**1.8**	**2.1**
Unit labour costs whole economy			1.5	0.3	1.5	1.8	**1.8**	**1.7**	**1.9**
Real unit labour cost			-0.2	-1.4	-0.2	0.3	**0.2**	**-0.2**	**-0.1**
Saving rate of households (b)			16.1	12.2	12.0	11.8	**12.4**	**12.4**	**12.3**
GDP deflator			1.7	1.7	1.7	1.5	**1.6**	**1.9**	**2.0**
Harmonised index of consumer prices			2.0	1.8	2.2	2.3	**1.3**	**1.4**	**1.4**
Terms of trade goods			-0.4	0.3	-1.0	-1.3	**0.1**	**0.1**	**0.1**
Trade balance (goods) (c)			1.2	0.4	0.7	-0.2	**-0.1**	**0.0**	**0.0**
Current-account balance (c)			3.1	0.6	1.2	-1.0	**-0.8**	**-0.9**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			3.1	0.7	1.3	-1.0	**-0.8**	**-0.9**	**-0.9**
General government balance (c)			-2.0	-2.4	-0.7	-0.7	**-1.7**	**-2.3**	**-2.6**
Cyclically-adjusted budget balance (d)			-2.1	-2.5	-1.2	-1.2	**-2.0**	**-2.2**	**-2.2**
Structural budget balance (d)			-	-2.5	-1.7	-1.8	**-2.1**	**-2.4**	**-2.2**
General government gross debt (c)			101.0	104.9	101.8	100.0	**99.5**	**99.6**	**100.0**

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

2. GERMANY

Subdued growth following a sharp slowdown in 2019

After slipping into a technical recession in mid-2019, Germany's economy is expected to see muted growth over the forecast horizon. Foreign demand now looks likely to be weaker than previously expected and domestic demand is set to be dampened by weak investment. The labour market, by contrast, should remain supportive of private consumption, though likely less than in previous years. The current account surplus and domestic savings remain high while the fiscal stance is expected to be moderately expansionary over the forecast period, as budget surpluses diminish.

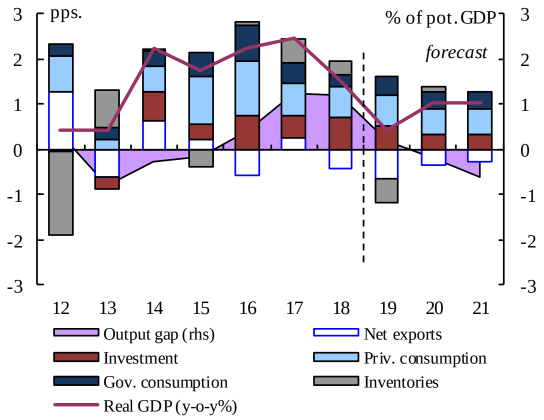
The manufacturing sector remains weak

Germany's economy contracted by 0.1 % in the second quarter of 2019 as the souring external environment took its toll on exports. Manufacturing continued to decline for the fourth consecutive quarter. The car manufacturing sector, which has a high share of output and a complex value chain, is undergoing a structural transformation. The production of combustion engine vehicles is being scaled down and relocated abroad. At the same time, equipment manufacturers are suffering from the impact of trade conflicts on investment demand. The second quarter also showed declines in construction and key services. Whereas in construction this reflects a particularly strong first quarter, in services this may be signalling weaker demand from industries and consumers. Moreover, business confidence has been deteriorating over the last seven quarters and may have affected consumer sentiment. All this suggests that Germany could see another slight GDP contraction in the third quarter of this year, resulting in a technical recession.

Muted domestic demand to result in modest growth

Due to the continued weakness of global trade, export growth might recover only partially from its decline in the second and presumably the third quarter of 2019. At the same time, domestic demand could prove strong enough to generate growth. Consumption should continue benefitting from stable employment and ongoing wage increases. Even if constrained by capacity, construction activity is expected to continue expanding, while equipment investment should strengthen as export activity normalises as expected in a few quarters. These prospects are subject to downside risks, particularly as recent strong wage growth has boosted savings rather than consumption growth. Downside risks on investment relate to global trade uncertainty, sectoral structural issues (e.g. in the auto sector), but not least also to the planning and implementation capacity of the public sector. All in all, after a nine year expansion, GDP is expected to increase by only ½ % this year, and by just 1 % in 2020 and 2021. This still suggests subdued underlying dynamics, as in both 2020 and 2021 there are positive calendar effects at play (0.4 % and 0.1 %).

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



A supportive labour market

The labour market has so far remained robust with record high employment and increasing wages. Still, the number of overall hours worked stagnated in the first half of the year and the hiring appetite of firms has been subsiding. Private consumption growth was restrained in the second quarter, despite ongoing increases in disposable income and might disappoint further as consumer confidence continues declining. Nevertheless, job creation is expected to remain slightly positive on aggregate. Persistent labour shortages in some sectors are expected to sustain labour hoarding and wage growth. Job losses in the manufacturing sector are expected to be modest.

The external surplus remains high but declining

Export growth has slowed significantly since 2018 and is likely to recover only gradually in 2020. Meanwhile, resilient domestic demand is expected to lead to a further increase in the import-to-GDP ratio. Thus, the current account surplus, which declined to 7.6 % of GDP in 2018, is expected to come down further to around 6 ½ % in 2021.

Inflation to remain moderate

Consumer price inflation has been running below wage growth, which is supportive of purchasing power. Having been around 2 % for most of 2018, HICP inflation declined to just 1 % in the third quarter of 2019. Not taking into account volatile energy and unprocessed food prices, it hovered around 1.5 % between January and September 2019. Moderate domestic demand is not expected to exert strong inflationary pressure and core inflation is not expected to exceed 1.5 % before 2021.

Budget surpluses diminishing

The budget balance peaked at 1.9 % of GDP in 2018 and is expected to decline to around 1.2 % in 2019, 0.6 % in 2020 and 0.2 % of GDP in 2021. This reduction of budget surpluses reflects the expected slowdown in growth as well as the planned implementation of fiscal measures.

On the revenue side, measures lowering the personal income tax burden and the abolition of the solidarity levy in 2021 for more than 90 % of taxpayers will dampen tax revenue. On the expenditure side, increased social transfers will provide additional support to household disposable income. Public investment is forecast to continue growing faster than GDP. The measures in the recent climate package should lead to additional spending of around 0.1 % of GDP per year. Government spending is set to increase noticeably over the forecast period, reducing the budget surplus. All measures together imply a modest fiscal expansion of around 1 pp. of potential GDP over the years 2019 to 2021.

The structural surplus peaked in 2018 at about 1½ % of GDP and is projected to decline by about 1 pp. over the forecast period. Government debt is projected at 59 % of GDP in 2019, falling below the 60 % Maastricht threshold, and to decline further to around 55 % of GDP in 2021.

Table II.2.1:

Main features of country forecast - GERMANY

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	3344.4	100.0	1.3	2.2	2.5	1.5	**0.4**	**1.0**	**1.0**
Private Consumption	1743.7	52.1	0.7	2.3	1.3	1.3	**1.3**	**1.1**	**1.1**
Public Consumption	665.6	19.9	1.5	4.1	2.4	1.4	**2.1**	**2.0**	**1.9**
Gross fixed capital formation	707.7	21.2	0.6	3.8	2.4	3.5	**2.5**	**1.5**	**1.6**
of which: equipment	235.3	7.0	1.8	3.0	4.0	4.4	**0.6**	**0.4**	**1.7**
Exports (goods and services)	1585.8	47.4	5.4	2.4	4.9	2.1	**0.8**	**1.6**	**1.9**
Imports (goods and services)	1379.7	41.3	4.3	4.3	5.2	3.6	**2.5**	**2.7**	**2.8**
GNI (GDP deflator)	3437.9	102.8	1.4	2.4	2.6	1.8	**0.3**	**0.9**	**0.9**
Contribution to GDP growth: Domestic demand			0.8	2.8	1.7	1.7	**1.6**	**1.3**	**1.3**
Inventories			-0.1	0.1	0.5	0.3	**-0.5**	**0.1**	**0.0**
Net exports			0.6	-0.6	0.2	-0.4	**-0.6**	**-0.4**	**-0.3**
Employment			0.6	1.2	1.4	1.4	**0.8**	**0.1**	**0.2**
Unemployment rate (a)			7.6	4.1	3.8	3.4	**3.2**	**3.4**	**3.5**
Compensation of employees / head			1.7	2.3	2.6	2.9	**3.3**	**2.5**	**2.5**
Unit labour costs whole economy			1.1	1.3	1.5	2.7	**3.6**	**1.6**	**1.7**
Real unit labour cost			-0.1	0.1	0.4	1.2	**1.5**	**-0.4**	**-0.1**
Saving rate of households (b)			16.9	17.6	17.9	18.5	**19.3**	**19.6**	**19.7**
GDP deflator			1.2	1.2	1.0	1.5	**2.0**	**2.0**	**1.7**
Harmonised index of consumer prices			1.6	0.4	1.7	1.9	**1.3**	**1.2**	**1.4**
Terms of trade goods			0.1	2.3	-1.6	-1.1	**1.2**	**1.4**	**0.3**
Trade balance (goods) (c)			6.5	8.1	7.8	6.8	**6.4**	**6.2**	**5.9**
Current-account balance (c)			4.8	8.6	8.3	7.6	**7.0**	**6.8**	**6.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			4.7	8.6	8.0	7.5	**6.9**	**6.7**	**6.3**
General government balance (c)			-1.7	1.2	1.2	1.9	**1.2**	**0.6**	**0.2**
Cyclically-adjusted budget balance (d)			-1.5	1.0	0.6	1.3	**1.1**	**0.7**	**0.5**
Structural budget balance (d)			-	1.0	0.9	1.4	**1.1**	**0.7**	**0.5**
General government gross debt (c)			69.5	69.2	65.3	61.9	**59.2**	**56.8**	**55.0**

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

3. ESTONIA

Sectoral restructuring and weak foreign demand slow down growth

Strong private investment and flexible labour supply have supported growth in the first half of 2019. However, growth is set to slow due to cyclical factors and the ongoing restructuring of the energy production sector. The government budget is expected to continue to be in a slight deficit.

Recovering investment is driving growth

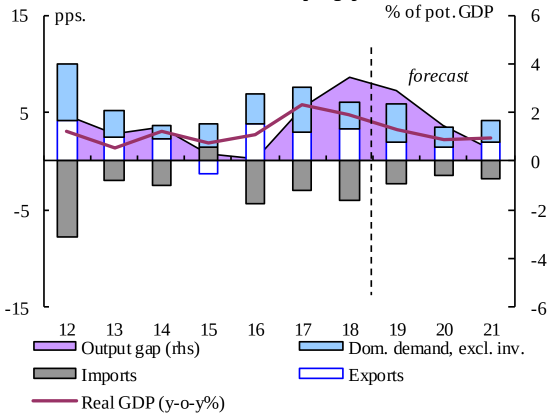
Following strong growth in 2018 of 4.8% and a solid performance in the first half of 2019, economic growth in Estonia is forecast to moderate to 3.2% in 2019. Economic activity in the first half of 2019 was mainly driven by private investment, which rose by over 20% partly reflecting a base effect from low investment a year ago. Investment growth was broad based and particularly strong in machinery and equipment and in residential construction. Investment appears to have been driven by capacity constraints and increased need for automation motivated by labour and skills shortages, as well as by the favourable borrowing conditions and healthy profit margins.

Despite strong investment, industrial output growth is set to decline by the end of the year due to weak external demand. A decline in industrial sector confidence over 2019 signals worsened expectations for the coming quarters. Estonia's oil shale and energy production sectors have been affected by rising CO2 emissions certificate prices. Electricity production is set to decline substantially in 2019 and will contribute negatively to GDP growth.

Private consumption has so far been supported by strong employment growth, as well as by increasing real incomes. At the same time, borrowing by households has remained stable and relatively moderate, with saving rates close to the EU average. Estonia's household debt has marginally declined since 2016 and is projected to stabilise going forward.

In 2020 and 2021, economic growth is expected to slow further in line with cyclical developments. Industrial exports are expected to flatten. Domestic demand is set to remain the key growth driver primarily due to the increase in real disposable incomes supported by moderating inflation. The employment rate and wage increases are forecast to weaken somewhat, but labour market participation is set to remain high. Given the base effect, investment is set to contribute less to growth than in 2019. Corporate profit margins are likely to decrease as foreign demand remains subdued and labour costs elevated. Overall, GDP growth is forecast to slow to 2.1% in 2020 before perking up slightly to 2.4% in 2021, rates that are below the economy's estimated potential growth rate.

Graph II.3.1: **Estonia - Real GDP growth and contributions, output gap**



Price dynamics reflect external factors

HICP inflation is forecast to fall from 3.4% in 2018 to 2.4% in 2019, largely due to lower global energy prices. In addition, consumption tax changes (which were raised sharply prior to 2019) are expected to have a smaller inflationary impact over the forecast horizon. At the same time, prices for services are expected to continue growing rapidly, reflecting the pass-through of high wage growth. Overall, inflation is expected to stay slightly above 2% over 2020 and 2021.

Labour market performs strongly

The cyclical peak in economic activity has led to labour shortages and rapidly rising nominal wages. Short-term capacity constraints of companies have been alleviated through greater labour market flexibility. Since 2017, labour supply has been sustained through inward migration and an increased use of contracted foreign labour, which has helped to address labour needs in the construction and manufacturing sectors.

After a decade of growth, the employment rate is projected to peak at over 79% in 2019 and to stabilise thereafter, in line with slowing economic growth. The rise in the unemployment rate is forecast to be relatively small, given that labour supply is also set to moderate in a setting of population ageing. At the same time, structural skills mismatches are likely to persist, reducing the cost-competitiveness of the Estonian companies.

Public spending growth is set to slow

The general government is projected to run a 0.2% of GDP deficit in 2019. Cyclically strong tax revenues are matched by rapid expenditure growth. Social expenditures (pensions, parental benefits) are growing relatively rapidly due to an indirect link to overall wage growth. At the same time, public sector wage growth has been rapid, also due to hikes in educational and healthcare sector wages. The 2020 state draft budget foresees some expenditure restraint. However, as this coincides with slower economic and revenue growth, the budget is projected to remain in a small nominal deficit of 0.2% in 2020. Under a no-policy-change assumption, the deficit is projected to amount to 0.2% of GDP in 2021.

Given that the economy is forecast to operate well below its potential in 2020 and 2021, the structural fiscal position is projected to improve from a deficit of around 1½% of GDP in 2019 to about 1% of GDP in 2020 and ½% of GDP in 2021. Public debt is forecast to remain low at about 8% of GDP by 2021.

Table II.3.1:

Main features of country forecast - ESTONIA

	2018			Annual percentage change					
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	26.0	100.0	3.8	2.6	5.7	4.8	**3.2**	**2.1**	**2.4**
Private Consumption	12.9	49.7	4.4	4.6	2.8	4.3	**3.4**	**3.0**	**2.6**
Public Consumption	5.1	19.6	2.2	2.4	1.1	0.9	**1.1**	**0.9**	**1.1**
Gross fixed capital formation	6.2	23.9	5.6	0.9	12.5	1.7	**9.0**	**2.1**	**3.4**
of which: equipment	2.3	8.8	5.3	0.4	17.9	9.3	**12.1**	**0.7**	**4.0**
Exports (goods and services)	19.3	74.3	6.2	5.1	3.8	4.3	**2.6**	**1.9**	**2.7**
Imports (goods and services)	18.4	70.7	6.9	6.0	4.2	5.7	**3.4**	**2.1**	**2.7**
GNI (GDP deflator)	25.5	98.1	3.8	2.6	5.6	5.3	**2.9**	**2.2**	**2.4**
Contribution to GDP growth: Domestic demand			4.7	3.0	4.6	2.7	**4.0**	**2.2**	**2.4**
Inventories			0.2	1.8	-0.2	0.9	**-0.3**	**0.0**	**0.0**
Net exports			-0.8	-0.5	-0.1	-0.8	**-0.5**	**0.0**	**0.0**
Employment			0.4	0.3	2.7	1.2	**0.7**	**0.0**	**-0.1**
Unemployment rate (a)			9.9	6.8	5.8	5.4	**5.1**	**5.4**	**5.8**
Compensation of employees / head			8.6	5.7	7.0	10.2	**7.3**	**5.8**	**5.8**
Unit labour costs whole economy			5.1	3.3	3.9	6.5	**4.7**	**3.6**	**3.2**
Real unit labour cost			0.3	1.6	0.2	1.9	**1.3**	**0.6**	**0.4**
Saving rate of households (b)			5.1	10.5	11.6	13.0	**13.4**	**13.4**	**13.9**
GDP deflator			4.8	1.7	3.6	4.5	**3.4**	**3.0**	**2.7**
Harmonised index of consumer prices			3.7	0.8	3.7	3.4	**2.4**	**2.1**	**2.2**
Terms of trade goods			0.8	1.0	0.9	0.1	**0.0**	**0.4**	**0.2**
Trade balance (goods) (c)			-11.0	-3.5	-3.5	-3.8	**-4.2**	**-4.0**	**-4.0**
Current-account balance (c)			-5.6	1.6	2.7	2.0	**1.4**	**1.6**	**1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.8	2.6	3.6	3.4	**2.7**	**2.9**	**3.0**
General government balance (c)			0.5	-0.5	-0.8	-0.6	**-0.2**	**-0.2**	**-0.2**
Cyclically-adjusted budget balance (d)			-0.3	-0.6	-1.8	-2.2	**-1.6**	**-0.9**	**-0.5**
Structural budget balance (d)			-	-0.5	-1.8	-2.2	**-1.6**	**-0.9**	**-0.5**
General government gross debt (c)			6.5	10.2	9.3	8.4	**8.7**	**8.4**	**8.2**

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

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

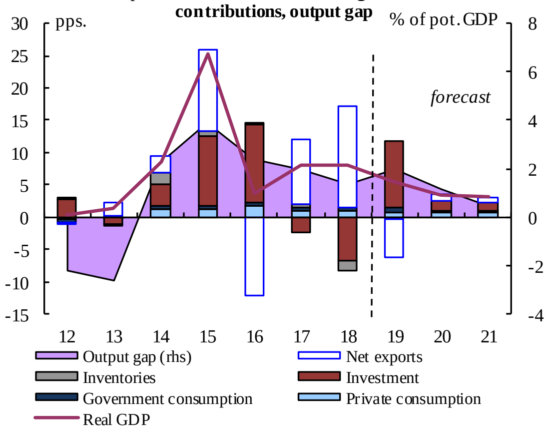
4. IRELAND
Solid growth subject to substantial uncertainty

GDP growth is set to moderate amid a weakening external environment, while underlying economic activity is expected to remain robust, driven by household consumption and investment in construction. Inflation is expected to remain moderate. The government balance is projected to further improve, but risks to the fiscal outlook remain.

Domestic activity is moderating but remains robust

Real GDP in Ireland grew by 6.6% year-on-year (y-o-y) in the first half of 2019, well above the euro area average. GDP growth is expected to reach 5.6% in 2019 and to moderate to 3.5% in 2020 and 3.2% in 2021, on the back of increasing capacity constraints and an expected slowdown in government expenditure.

Graph II.4.1: **Ireland - Real GDP growth and contributions, output gap**



Consumption and investment in construction support domestic activity

GDP figures remain distorted by the activities of multinational companies operating in Ireland. *Modified domestic demand*, a measure of domestic activity that strips out some of the effects of multinationals, grew by 2.3% y-o-y in the first half of 2019, supported by robust, albeit moderating, private consumption and construction investment. Modified domestic demand is projected to grow over 3% on average over the forecast horizon.

In the first half of 2019, employment grew by 2.8% y-o-y and the unemployment rate declined to 5.2%, a level last seen in 2007, suggesting a labour market close to full employment. Although skills and labour shortages are building up, high net inward migration should continue to alleviate Ireland's labour supply constraints. Employment is expected to continue expanding over the forecast horizon, albeit at a moderating pace, in line with the projected slowdown in activity. Average hourly earnings grew by 3.4% y-o-y in the first half of 2019. Wage growth is expected to strengthen further, supporting household disposable income.

Ireland's trade and investment figures were heavily influenced by the activity of multinationals in the first half of 2019. Investment sharply increased, bolstered by investment in intellectual property. As this investment component is entirely imported, the surge in investment was matched by a rise in service imports. These two effects largely offset each other and have an overall neutral first-round impact on GDP. Domestic investment, by contrast, decreased by 0.6 % y-o-y in the first half of 2019. While external uncertainty weighed on investment in machinery and equipment, investment in construction increased by 8.2% y-o-y. It is expected to moderate but remain robust, as housing supply is still catching up with demand.

Low inflation supports disposable income

Average HICP inflation hit 0.9% in the first three quarters of 2019 and is forecast to remain moderate. Rents and restaurant service prices are expected to sustain services price inflation, while the downward trend in industrial goods prices is expected to lower price pressures along the supply chain. In 2020 and 2021, inflation is projected to rise slightly, as wage pressures build up in a tight labour market.

Trade developments are less favourable

In the first half of 2019, exports increased by 12.5% y-o-y, supported by pharmaceuticals and computer services, while imports surged by 38.7%, bolstered by imports of R&D services. As the high share of pharmaceuticals and ICT services makes Ireland's exports particularly competitive and less sensitive to changes in overall global demand, export growth is projected to remain robust, though lower than in 2019.

The economic outlook remains clouded by uncertainty

Uncertainty mainly relates to the terms of the UK's withdrawal from the EU and to changes in the international taxation environment. More generally, the difficult-to-predict activities of multinationals could drive headline growth in either direction. On the domestic side, the tight labour market and diminishing spare capacity point to an economy possibly operating above its potential. Against this background, signs of overheating could become more apparent if adverse external shocks do not materialise.

Buoyant tax revenue continues to support public finances

The headline government balance is projected to increase to 0.2% of GDP in 2019. In the first three quarters of 2019, growth in total expenditure was broadly matched by a strong increase in revenue. This translated into a mild surplus of the cash balance, compared with a deficit in the same period of last year. Tax revenue increased by 8.7% y-o-y in the year to date, driven largely by buoyant corporate tax receipts.

Ireland's 2020 Draft Budgetary Plan includes new spending measures of around 0.3% of GDP.[108] They are partially financed by revenue raising measures of around 0.1% of GDP. Including the pre-committed expenditure increases, the balance is expected to improve in 2020 to 0.3% of GDP and, based on a no-policy-change assumption, register a surplus of 0.6% of GDP in 2021. Risks to the fiscal outlook remain skewed to the downside, mainly reflecting the uncertainty surrounding the economic outlook, the ongoing international discussions about reforms to the global tax system and the sustainability of corporate tax revenue.

The structural deficit is expected to deteriorate in 2019 to about ¾% of GDP before improving in 2020 and turning into a surplus in 2021. The general government debt ratio is projected to decline to 59.0% of GDP in 2019 and to fall further to 53.9% and 52.6% of GDP in 2020 and 2021, respectively. This is contingent on continued stable medium-term economic growth and positive primary balances.

(108) This amount excludes the contingency provisions (amounting to 0.35% of GDP) for measures that will be defined only if the UK leaves the EU without a deal.

Table II.4.1:

Main features of country forecast - IRELAND

	2018			Annual percentage change						
bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	324.0	100.0	4.4	3.7	8.1	8.2	5.6	3.5	3.2
Private Consumption	100.5	31.0	2.7	5.4	3.1	3.4	2.7	2.5	2.4
Public Consumption	38.6	11.9	2.5	3.4	3.5	4.4	6.2	3.0	2.2
Gross fixed capital formation	75.8	23.4	5.0	50.6	-6.7	-21.1	44.3	4.5	3.9
of which: equipment	24.5	7.6	5.0	25.1	-11.2	39.4	-0.1	3.7	3.2
Exports (goods and services)	396.4	122.3	7.9	4.1	9.2	10.4	11.4	4.1	4.1
Imports (goods and services)	289.0	89.2	6.9	18.4	1.1	-2.9	22.3	4.2	4.1
GNI (GDP deflator)	254.3	78.5	3.6	10.0	5.3	6.9	3.5	5.0	4.6
Contribution to GDP growth:	Domestic demand		2.9	14.4	-0.9	-5.0	11.9	2.6	2.3
	Inventories		0.2	0.3	0.4	-1.6	-0.4	0.0	0.0
	Net exports		2.1	-12.1	10.0	15.4	-5.9	0.9	0.9
Employment			1.3	3.7	3.0	3.2	2.4	1.7	1.4
Unemployment rate (a)			8.6	8.4	6.7	5.8	5.2	5.0	5.0
Compensation of employees / head			3.2	2.2	2.5	2.1	3.5	3.7	3.8
Unit labour costs whole economy			0.1	2.2	-2.3	-2.6	0.4	1.8	2.0
Real unit labour cost			-1.9	2.5	-3.4	-3.4	-0.4	0.4	0.4
Saving rate of households (b)			8.5	8.2	10.8	9.0	9.4	9.2	9.2
GDP deflator			2.2	-0.3	1.1	0.8	0.8	1.5	1.5
Harmonised index of consumer prices			2.0	-0.2	0.3	0.7	0.8	1.1	1.4
Terms of trade goods			0.0	2.7	-4.2	-6.1	-3.4	-1.3	-1.3
Trade balance (goods) (c)			22.8	39.0	36.7	34.9	34.1	32.7	31.5
Current-account balance (c)			-1.5	-4.2	0.5	10.6	0.8	1.3	1.7
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-1.6	-5.8	-8.2	-5.8	-14.6	-13.4	-12.2
General government balance (c)			-4.6	-0.7	-0.3	0.1	0.2	0.3	0.6
Cyclically-adjusted budget balance (d)			-4.7	-2.0	-1.4	-0.6	-0.8	-0.3	0.3
Structural budget balance (d)			-	-2.1	-1.4	-0.6	-0.8	-0.3	0.3
General government gross debt (c)			59.6	73.9	67.8	63.6	59.0	53.9	52.6

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

5. GREECE

Fiscal rebalancing to strengthen ongoing recovery

Economic growth slowed in the first half of the year but is expected to remain resilient, against the headwinds of a weaker external environment. The ongoing recovery is likely to be supported by gains in export market shares and fiscal policy measures aiming to stimulate investment and reduce labour costs. The general government balance is projected to record a surplus in 2019 for the fourth year in a row, which should facilitate a rapid reduction in public debt. Greece is projected to achieve its agreed fiscal targets, while at the same time improving the quality of its public finances.

Economic growth continues, but at a slightly lower pace

Real GDP growth decreased in the first half of 2019 to 1.5% (y-o-y). The lacklustre performance of growth in the first quarter (1.1% y-o-y) was due to a decrease in net exports as well as a decline in government consumption. These were partly reversed in the second quarter (1.9%) but headline growth remained below the 2018 average.

Despite higher disposable incomes through improving labour market conditions, private consumption declined by -0.1% (y-o-y) in the first half of 2019. In light of strong improvements in business and consumer confidence during the summer, consumption is expected to accelerate in the second half of 2019.

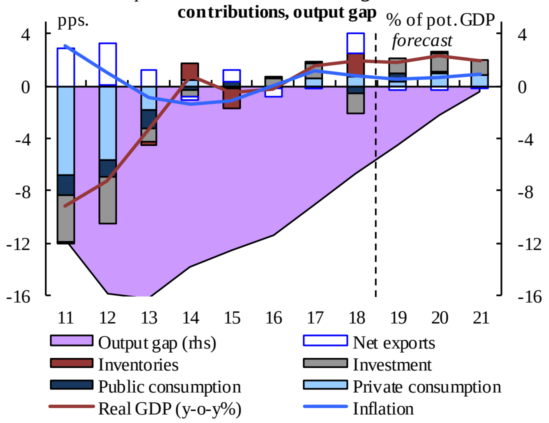
Reform efforts are expected to have a positive effect on growth, amid external headwinds …

The subdued outlook for the euro area economy is set to dampen export growth, though this effect is likely to be cushioned somewhat by the solid market share gains being made by Greek exports.

In addition, the shift in the composition of tax revenues towards less distortionary taxes accompanied by social policy measures, is expected to support investment and employment growth. Against this background, GDP growth is projected to strengthen to 2.3% in 2020 before easing to 2.0% in 2021.

Employment growth is expected to remain above 2% in 2019 and 2020 and to slowly moderate thereafter, bringing the unemployment rate to 14% in 2021. Inflation has been revised down to 0.5% in 2019 due to the impact of the VAT reduction in the second quarter as well as the lower-than-expected rise in oil prices. In 2020 and 2021, inflation is expected to increase to 0.6% and 0.9%, respectively, in line with the ongoing recovery and inflationary pressure from the tax reforms.

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



Downside risks to the outlook stem from a slowdown in foreign demand, as well as a persistent under-execution of the budget targeted for public investment. Upside risks are related to the marked improvement in business and consumer sentiment, which has yet to be translated into significant increases in spending. Improved access to finance and bank lending would also provide further upside lift to growth.

…which facilitates the achievement of fiscal targets

Greece's headline budget balance is forecast to record a surplus of 1.3% of GDP in 2019, which would mark its fourth year in a row in surplus. This forecast is supported by favourable revenue collection, on the back of strong growth in disposable incomes as well as a reduction in the spending ceilings, which have helped to accommodate permanent measures worth 0.7% of GDP adopted in spring 2019. The primary surplus monitored under enhanced surveillance is now projected to reach 3.8% of GDP in 2019. The forecast assumes that the pending Public Service Obligation payment for Public Power Corporation will be covered from the contingency reserve and no additional package of social spending will be paid on top of the current plans because it was not announced with a sufficient level of detail.

The forecast for 2020 incorporates planned cuts in distortionary taxes and a limited increase in family-oriented social benefits. The package (worth 0.6% of GDP) includes a 4 percentage points reduction in the corporate income tax, a reform of personal income taxation that introduces a new rate of nine percent for the lowest incomes, and a reduction in social security contributions for full-time employees. The package is accompanied by measures ensuring fiscal neutrality, supporting a higher collection of indirect taxes and revisions in spending ceilings. Overall, Greece is expected to achieve its primary surplus targets in 2020 and 2021.

The fiscal outlook also reflects the recent Court ruling on the 2016 pension reform and the authorities' commitment to accommodate the possible fiscal impact of the follow-up legislation within the agreed spending ceilings of the Ministry of Labour. However, the forecast remains subject to uncertainty in view of another Court case on pensions that is still ongoing, while additional pressure could arise from past policy initiatives affecting the public wage bill and the increasing number of temporary personnel. The upside risks from overstated budget ceilings have somewhat diminished but remain substantial.

The headline balance is forecast to deteriorate by 0.3 percentage points of GDP in 2020 and slightly improve in 2021. The projected decrease in 2020 is driven by the payment of the first tranche of the contingent debt-relief measures in 2019 and the expected decrease in the primary surplus in 2020. In view of the projected narrowing of the output gap, the structural balance is projected to gradually decline over the forecast horizon, reaching about 1.2% of GDP in 2021. Greece's public debt-to-GDP ratio is expected to fall significantly from 181.2% in 2018 to 163.1% in 2021.

Table II.5.1:

Main features of country forecast - GREECE

	2018		Annual percentage change						
bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	184.7	100.0	0.1	-0.2	1.5	1.9	**1.8**	**2.3**	**2.0**
Private Consumption	125.6	68.0	0.2	0.0	0.9	1.1	**0.5**	**1.5**	**1.4**
Public Consumption	35.4	19.1	0.6	-0.7	-0.4	-2.5	**3.4**	**0.3**	**0.1**
Gross fixed capital formation	20.5	11.1	-3.8	4.7	9.1	-12.2	**10.1**	**12.5**	**8.1**
of which: equipment	9.4	5.1	-1.3	-11.4	22.2	-10.2	**11.1**	**12.8**	**9.1**
Exports (goods and services)	66.7	36.1	3.1	-1.8	6.8	8.7	**4.3**	**3.4**	**3.0**
Imports (goods and services)	67.2	36.4	1.0	0.3	7.1	4.2	**5.1**	**4.0**	**3.0**
GNI (GDP deflator)	183.7	99.5	0.0	-0.3	1.7	1.2	**1.9**	**2.2**	**1.9**
Contribution to GDP growth: Domestic demand			-0.2	0.4	1.6	-1.3	**2.1**	**2.5**	**2.0**
Inventories			0.0	0.1	0.0	1.8	**0.0**	**0.0**	**0.0**
Net exports			0.4	-0.7	-0.1	1.5	**-0.3**	**-0.3**	**0.0**
Employment			-0.4	0.5	1.5	1.7	**2.2**	**2.2**	**1.4**
Unemployment rate (a)			14.5	23.6	21.5	19.3	**17.3**	**15.4**	**14.0**
Compensation of employees / head			2.1	-0.9	0.5	1.3	**0.4**	**1.1**	**2.0**
Unit labour costs whole economy			1.7	-0.3	0.6	1.1	**0.7**	**1.0**	**1.4**
Real unit labour cost			0.0	0.0	0.0	0.5	**0.0**	**0.1**	**-0.2**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			1.7	-0.2	0.6	0.5	**0.8**	**0.9**	**1.6**
Harmonised index of consumer prices			2.3	0.0	1.1	0.8	**0.5**	**0.6**	**0.9**
Terms of trade goods			0.0	-2.3	1.2	-1.0	**0.5**	**0.2**	**0.7**
Trade balance (goods) (c)			-14.2	-9.3	-10.3	-9.9	**-10.7**	**-11.2**	**-11.1**
Current-account balance (c)			-8.9	-1.1	-1.0	-1.1	**-0.8**	**-1.1**	**-0.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-7.2	0.4	0.1	-0.1	**0.5**	**0.3**	**0.6**
General government balance (c)			-8.1	0.5	0.7	1.0	**1.3**	**1.0**	**1.1**
Cyclically-adjusted budget balance (d)			-6.3	6.5	5.5	4.5	**3.7**	**2.2**	**1.3**
Structural budget balance (d)			-	5.8	5.2	5.1	**3.0**	**1.8**	**1.1**
General government gross debt (c)			130.1	178.5	176.2	181.2	**175.2**	**169.3**	**163.1**

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

6. SPAIN

Growth set on a moderating path after a long expansion

Growth forecasts have been revised downward due to both data revisions and a weaker growth momentum amid increased uncertainty. Private consumption is expected to recover slightly over the forecast horizon but provide only a moderate impulse to growth. Net exports are set to decelerate while remaining supportive to growth. Employment creation is also expected to slow down, but unemployment should continue to fall. In the absence of a budget for 2020, the deficit reduction is projected to slow further.

A downgraded outlook due to data revisions and weaker growth momentum

Revised national accounts up to 2019-Q2 show that growth in recent quarters has been lower than previously estimated, mainly as a result of lower private consumption. This implies a lower growth momentum, and points to weaker domestic demand going forward due to a lower propensity to consume than previously expected. Soft and hard indicators also point to a lower growth trajectory going forward amid increased uncertainty.

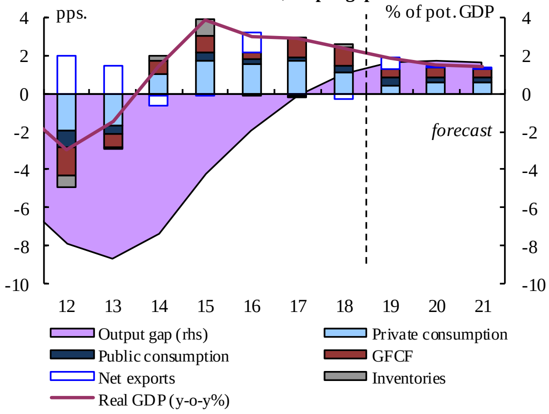
As a consequence, the growth forecast for this year has been revised down to 1.9%, 0.4 pps. lower than in the summer. Half of this difference is due to historical data revisions, while the other half is due to a weaker outlook for 2019H2. For 2020, growth is now forecast at 1.5% (also 0.4 pps. lower than in the summer) and at 1.4% in 2021. Risks to the outlook are on the downside in a context of elevated uncertainty, and relate to both external and domestic risks, such as global trade tensions and households' precautionary savings behaviour.

Domestic demand to grow modestly, but net exports to make a positive contribution

In recent quarters, private consumption has been growing at its slowest pace since 2014. Consumption of durable goods has been particularly weak. This has been taking place in a context of increasing real wage growth, resulting in a sharp increase in the saving rate. This may indicate that households are increasing their level of precautionary savings amid growing uncertainty.

Private consumption growth is expected to recover slightly as households' financial position improves and some of the temporary factors limiting car sales gradually fade away. Still, consumption is expected to grow below real disposable income over the forecast horizon, resulting in a continued recovery in the household saving rate.

Graph II.6.1: **Spain - Real GDP growth and contributions, output gap**



Investment is expected to decelerate over the forecast horizon. Weakness in the manufacturing sector since mid-2018 has had an adverse impact on equipment investment growth, which is expected to bottom out this year. It should then recover slightly over the forecast horizon, in line with final demand. Construction investment is expected to decelerate, both for residential and non-residential construction, as the economic cycle matures.

The unusually low import growth reported in recent quarters, partly reflecting weak demand for durable and investment goods, is set to result in a large positive contribution of net exports to growth this year. The import intensity of final demand is expected to gradually increase as demand for durable and capital goods recovers, resulting in higher import growth going forward. Exports are forecast to continue growing moderately, amid trade tensions and weak global growth. As a result, the contribution of net exports to growth is expected to diminish but remain positive.

Unemployment to continue falling, inflation set to increase gradually

The labour market started to lose traction in 2019-Q3, in line with the cyclical slowdown. Job creation is expected to continue but weaken, especially in 2020 and 2021. Still, the unemployment rate is set to continue falling, to below 13% in 2021, the lowest since 2008. Wage growth is expected to peak in 2019, and remain dynamic and higher than inflation in 2020 and 2021. As productivity growth is set to turn positive next year, unit labour costs should rise more slowly after peaking in 2019. Due to oil price developments, HICP inflation is forecast to decline to 0.9% this year, before increasing gradually to 1.4% in 2021, due to base effects from energy prices and a gradual increase in core inflation.

Budget deficit reduction to slow further

After decreasing by 0.5 pps. to 2.5% of GDP in 2018, the general government deficit is expected to continue declining, albeit at a slower pace. Despite the moderation in economic growth, revenues are expected to grow at a relatively rapid pace in 2019, helped by buoyant social contributions and personal income taxes. This rise in revenues should more than offset significant increases in expenditure, related to compensation of employees and social transfers, in particular pensions. This should lead the general government deficit to narrow to 2.3% of GDP for the full year.

In the absence of a 2020 budget bill, the deficit is projected to decline further to 2.2% of GDP in 2020. This projection includes the wage increase for public employees stipulated for 2018-20 in agreement with the trade unions and an annual pension revaluation in line with inflation. At the same time, it incorporates only some of the potential savings identified in the spending reviews published by AIReF which, if fully implemented, could help lowering the deficit from 2020 onwards. Assuming no change in policy, the headline deficit is set to decline to 2.1% of GDP in 2021. Downside risks are related to the materialisation of contingent liabilities, such as the guarantee call under the banking asset protection scheme.

Spain’s structural deficit is projected to increase slightly and reach 3¼ in in 2020, before improving marginally in 2021. The debt-to-GDP ratio is expected to decrease gradually to 96.0% by 2021. This decline will be driven by nominal GDP growth and falling interest expenditure, while the primary balance is likely to remain broadly unchanged around zero.

Table II.6.1:

Main features of country forecast - SPAIN

	2018		Annual percentage change						
	bn EUR Curr. prices	**% GDP**	**00-15**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
GDP	1202.2	100.0	1.6	3.0	2.9	2.4	**1.9**	**1.5**	**1.4**
Private Consumption	700.8	58.3	1.3	2.7	3.0	1.8	**0.8**	**1.0**	**1.0**
Public Consumption	223.8	18.6	2.9	1.0	1.0	1.9	**2.0**	**1.5**	**1.4**
Gross fixed capital formation	233.6	19.4	0.3	2.4	5.9	5.3	**2.5**	**2.5**	**2.1**
of which: equipment	75.6	6.3	1.0	1.8	8.5	5.7	**1.9**	**2.3**	**2.1**
Exports (goods and services)	422.2	35.1	3.5	5.4	5.6	2.2	**2.0**	**2.3**	**2.4**
Imports (goods and services)	389.5	32.4	2.5	2.6	6.6	3.3	**0.5**	**2.0**	**2.4**
GNI (GDP deflator)	1204.9	100.2	1.7	3.3	2.6	2.6	**1.9**	**1.5**	**1.4**
Contribution to GDP growth: Domestic demand			1.4	2.2	3.0	2.4	**1.3**	**1.3**	**1.3**
Inventories			0.0	-0.2	0.0	0.2	**0.0**	**0.0**	**0.0**
Net exports			0.2	1.0	-0.1	-0.3	**0.6**	**0.2**	**0.1**
Employment			0.5	2.8	2.8	2.5	**2.2**	**1.0**	**0.8**
Unemployment rate (a)			15.7	19.6	17.2	15.3	**13.9**	**13.3**	**12.8**
Compensation of employees / f.t.e.			2.7	-0.6	0.7	1.0	**2.4**	**2.2**	**2.1**
Unit labour costs whole economy			1.6	-0.8	0.7	1.2	**2.7**	**1.7**	**1.5**
Real unit labour cost			-0.5	-1.1	-0.7	0.1	**1.3**	**0.3**	**0.1**
Saving rate of households (b)			8.6	7.1	5.5	5.9	**7.8**	**8.6**	**8.9**
GDP deflator			2.1	0.3	1.4	1.1	**1.4**	**1.4**	**1.4**
Harmonised index of consumer prices			2.4	-0.3	2.0	1.7	**0.9**	**1.1**	**1.4**
Terms of trade goods			-0.1	0.1	-0.8	-2.2	**0.0**	**-0.2**	**-0.2**
Trade balance (goods) (c)			-5.2	-1.3	-1.9	-2.4	**-1.9**	**-1.7**	**-1.7**
Current-account balance (c)			-3.8	3.2	2.7	1.9	**2.4**	**2.5**	**2.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.2	3.4	2.9	2.4	**2.9**	**3.1**	**3.1**
General government balance (c)			-3.8	-4.3	-3.0	-2.5	**-2.3**	**-2.2**	**-2.1**
Cyclically-adjusted budget balance (d)			-3.1	-3.2	-2.9	-3.2	**-3.3**	**-3.2**	**-3.0**
Structural budget balance (d)			-	-3.2	-2.9	-2.9	**-3.1**	**-3.2**	**-3.0**
General government gross debt (c)			61.2	99.2	98.6	97.6	**96.7**	**96.6**	**96.0**

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

7. FRANCE

GDP growth moderating slightly amid rising uncertainties

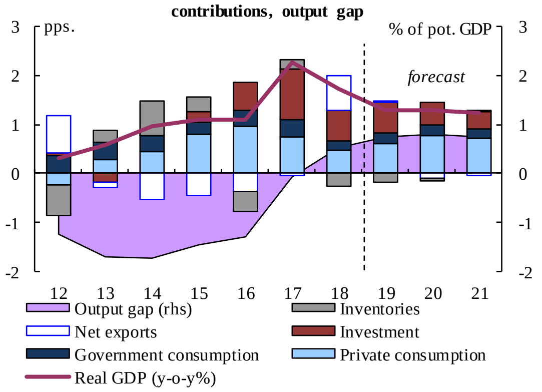
Real GDP growth is set to decrease in 2019 before levelling out a rate close to the economy's potential. Private consumption is forecast to pick up somewhat, partly compensating the slowdown in investment, while net exports should cease to support GDP growth. The public deficit is forecast to temporarily exceed 3% of GDP in 2019, but to fall to 2.2% in 2020 and 2021.

GDP growth to be supported by domestic demand

Economic activity in France grew by 0.3% in the first two quarters of 2019. Investment remained buoyant, while private consumption slightly decelerated. The contribution of net exports to GDP growth was subdued in the first half of 2019.

Supported by domestic demand, GDP is forecast to grow by 1.3% in 2019 and 2020 [109] and then by 1.2% in 2021, levels which are close to the economy's estimated potential growth rate. Following a deterioration at the end of 2018, economic sentiment and consumer confidence indicators have been improving and have stabilised above their historical means. However, rising external uncertainties are set to weigh on net trade and the external sector is not expected to provide any support to growth over the forecast horizon.

Graph II.7.1: **France - Real GDP growth and contributions, output gap**



Private consumption is forecast to pick up somewhat in 2020, boosted by gains in purchasing power, which increased strongly in 2018-Q4 and 2019-Q1 on the back of rising wages, falling unemployment and inflation and supportive fiscal measures. Household purchasing power is set to continue expanding in 2020 and 2021, albeit at a slower pace. This slowdown is explained by the planned adjustment in social benefits after significant increases in 2019 and by the slowdown in job creation. Households are set to smooth their private consumption profile over the forecast horizon. Therefore, changes in purchasing power are expected to lead to higher precautionary savings in 2019 that should gradually fade away afterwards.

Stronger private consumption is expected to partially compensate for the slowdown in investment over the next few years. Corporate investment is still set to soften, but should continue to grow faster than economic activity in general, supported by favourable financing conditions. Household investment is projected to remain subdued. Finally, public investment is forecast to accelerate in 2019 and weaken thereafter in line with the local electoral cycle.

After a strong contribution to economic activity in 2018, net exports' contribution to GDP growth is set to be broadly neutral over the next years. Imports are projected to accelerate in line with domestic demand, while export growth, which has slowed this year, is expected to remain rather flat as external demand loses momentum.

Unemployment rate to continue falling and inflation to remain broadly stable

Unemployment in France is forecast to dwindle in 2019 and to continue falling afterwards, albeit at a slower pace. Inflation is forecast to drop to 1.3% in 2019, from 2.1% in 2018, due to lower oil prices and lower tax increases. Core inflation is also set to remain broadly stable and close to HICP. [110]

Risks are balanced

Private consumption growth could prove stronger than expected due to the strong gains in purchasing power. However, the deterioration of the external environment could weigh more than expected on corporate investment and exports.

[109] The GDP annual growth figures are non-calendar adjusted. In 2020, calendar adjusted GDP growth would reach 1.2%.

[110] Core inflation estimate takes into account processed food including alcohol and tobacco.

Stable structural deficit over the forecast horizon

The headline deficit declined to 2.5% of GDP in 2018. In 2019, it is expected to rise to 3.1% of GDP, unchanged from the spring forecast. The increase in 2019 is mainly due to the one-off impact of 0.9% of GDP stemming from the transformation of the tax credit for competitiveness and employment (*crédit d'impôt pour la compétitivité et l'emploi, CICE*) into a permanent cut in employers' social contributions. In turn, the measures, mainly on the revenue side, which are aimed to enhance the purchasing power of households, entail a net deficit-increasing impact of around 0.3% of GDP in 2019.

In 2020, the deficit is projected to fall to 2.2% of GDP, unchanged from the spring estimate. This reduction mainly reflects the fading away of a one-off impact, stemming from the transformation of the CICE in 2019. Additional measures aimed at further enhancing household purchasing power were adopted after the broad national debate "Grand Débat National" in April. These measures include a EUR 5 billion reduction in the personal income tax (0.2% of GDP), the indexation of pensions below EUR 2000 per month, and the increase in minimum pensions (both amounting to EUR 1.5 billion, or 0.1% of GDP). The deficit increasing impact of these measures is however, offset by a sizeable decline in the debt service due to low interest rates. Public expenditure in nominal terms, net of tax credits, is set to rise by 1.8%, which implies an increase in real terms of 0.6%. The projected reduction in the expenditure-to-GDP ratio of 1.1 pps. is mainly due to the transformation of the CICE (0.9 pps.), followed by the projected reduction in interest payments (0.2 pps.). The structural balance, however, is set to improve only marginally.

Under a no policy change assumption, the headline deficit is expected to remain stable, at 2.2% of GDP in 2021. The revenue and the expenditure-to-GDP ratios are projected to decline by 0.3 pps. and 0.4 pps., respectively. The fiscal stance is expected to be broadly neutral. In turn, public debt is set to rise from 98.4% in 2018 to 98.9% of GDP in 2019 and 2020, then to further increase to 99.2% of GDP by the end of the forecast horizon.

Table II.7.1:

Main features of country forecast - FRANCE

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	2353.1	100.0	1.3	1.1	2.3	1.7	**1.3**	**1.3**	**1.2**
Private Consumption	1268.5	53.9	1.5	1.8	1.4	0.9	**1.1**	**1.4**	**1.4**
Public Consumption	550.9	23.4	1.5	1.4	1.5	0.8	**0.9**	**1.0**	**0.8**
Gross fixed capital formation	537.9	22.9	1.3	2.7	4.7	2.8	**2.7**	**1.9**	**1.4**
of which: equipment	116.3	4.9	1.1	6.1	1.1	2.0	**3.0**	**1.7**	**1.6**
Exports (goods and services)	737.4	31.3	3.2	1.8	3.9	3.5	**2.2**	**2.2**	**2.5**
Imports (goods and services)	755.6	32.1	3.9	2.9	3.9	1.2	**2.1**	**2.4**	**2.5**
GNI (GDP deflator)	2406.1	102.3	1.4	1.1	2.5	1.6	**1.3**	**1.3**	**1.2**
Contribution to GDP growth: Domestic demand			1.5	1.9	2.1	1.3	**1.4**	**1.4**	**1.3**
Inventories			0.1	-0.4	0.2	-0.3	**-0.2**	**-0.1**	**0.0**
Net exports			-0.2	-0.4	-0.1	0.7	**0.0**	**-0.1**	**0.0**
Employment			0.6	0.5	0.9	1.0	**1.1**	**0.7**	**0.5**
Unemployment rate (a)			9.0	10.1	9.4	9.1	**8.5**	**8.2**	**8.0**
Compensation of employees / f.t.e.			2.4	1.3	2.0	1.8	**-0.2**	**1.4**	**1.9**
Unit labour costs whole economy			1.7	0.7	0.6	1.0	**-0.4**	**0.9**	**1.3**
Real unit labour cost			0.2	0.1	0.1	0.2	**-1.7**	**-0.3**	**0.1**
Saving rate of households (b)			14.4	13.6	13.6	13.8	**14.6**	**14.4**	**14.1**
GDP deflator			1.5	0.5	0.5	0.8	**1.4**	**1.2**	**1.2**
Harmonised index of consumer prices			1.7	0.3	1.2	2.1	**1.3**	**1.3**	**1.3**
Terms of trade goods			0.1	1.2	-1.6	-1.7	**0.4**	**0.0**	**0.0**
Trade balance (goods) (c)			-1.2	-1.1	-1.6	-1.7	**-1.5**	**-1.5**	**-1.5**
Current-account balance (c)			0.0	-0.6	-0.6	-0.6	**-0.4**	**-0.6**	**-0.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			0.0	-0.6	-0.5	-0.5	**-0.4**	**-0.5**	**-0.5**
General government balance (c)			-3.8	-3.5	-2.8	-2.5	**-3.1**	**-2.2**	**-2.2**
Cyclically-adjusted budget balance (d)			-4.0	-2.7	-2.7	-2.9	**-3.5**	**-2.8**	**-2.7**
Structural budget balance (d)			-	-2.7	-2.7	-2.7	**-2.7**	**-2.6**	**-2.6**
General government gross debt (c)			75.2	98.0	98.4	98.4	**98.9**	**98.9**	**99.2**

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

8. ITALY

Struggling to escape the low-growth doldrums

Italy's economy stalled at the beginning of 2018 and still shows no signs of a meaningful recovery. In 2020, growth is set to pick up modestly on the back of rising external demand and moderate household spending, though the latter will be partly dampened by a weakening labour market. Government deficit and debt are set to increase over the next years, amid weak economic growth and the rising costs of past measures. Consumer price inflation is set to decrease this year and pick up moderately in 2020-2021.

Growth is only slowly gaining traction

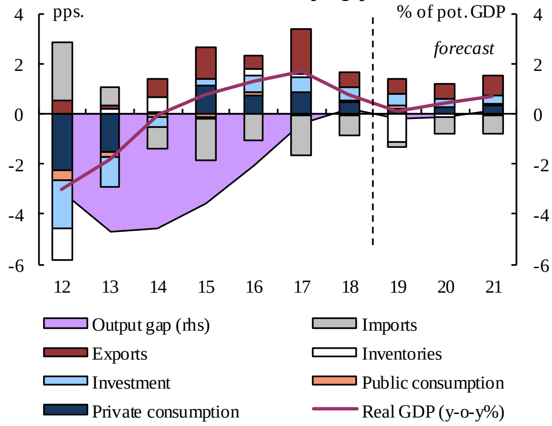
Italy's economy has largely been stagnating since early 2018. In line with global trends, manufacturing weakened further this year, while exceptionally sharply falling inventories continued to curtail growth. Leading indicators do not suggest an imminent output recovery in the second half of 2019. In addition, there are growing signs that the weakness in the manufacturing sector has started to spread to services. However, favourable financing conditions and waning political uncertainty may support growth beyond the very near term. Annual average growth is projected at 0.1%, taking also into account the revision of quarterly national accounts. In 2020, real GDP is set to rise by 0.4%, thanks in part to the presence of two more working days. In 2021, real output is expected to grow at 0.7%, slightly above potential.

Exports and modest domestic demand supporting subdued recovery

Higher social transfers and falling energy prices are set to support private consumption, while the projected weakening of the labour market and subdued wage growth are likely to dampen real disposable incomes and thus household spending. Alongside some positive signs from public investment, business surveys suggests that firms' assessment of investment conditions are more favourable in the near-term. Profit margins have been falling, but fiscal incentives and favourable financing costs should be supporting factors. However, subdued demand prospects and recurrent global policy uncertainty are likely to prevent a meaningful rebound in business investment. Italian exports surprised on the upside in 2019 despite the sharp slowdown in global trade. However, in the wake of persisting trade tensions exporters are unlikely to reap the full benefit of the projected rise in export market growth, implying some moderate losses in market shares. The growth contribution of net exports is likely to remain broadly neutral over 2020-2021, given that imports are also linked to the turning inventory cycle.

Risks to the growth outlook remain skewed to the downside. Italy is exposed to a further weakening of the global economy and the potential worsening of financing conditions, given its high public debt.

Graph II.8.1: **Italy - Real GDP growth and contributions, output gap**



Employment unlikely to remain unscathed by weak economic activity

The job market has remained resilient in the face of the recent economic slowdown. However, latest labour market data point to a deterioration. Falling labour productivity is likely to prompt employers to cut jobs or resort to short-time working schemes, as indicated by the rising number of workers covered by the wage guarantee fund (*Cassa Integrazione Guadagni*). The jobless rate is unlikley to drop, also due to the new minimum income scheme that is set to induce progressively more people to officially register as unemployed.

Falling oil prices are dampening HICP inflation

Consumer price inflation is set to decrease to 0.6% this year on the back of lower energy prices, before gradually picking up to 1.1% by 2021. The existing slack in the labour market will prevent the build-up of wage pressure. Pay rises are so far limited, as the wages of close to 50% of employees in the private sector are tied to labour agreements that expired or were extended at unchanged wages.

Government debt set to increase amid weak growth prospects

The government headline deficit is expected to remain stable at 2.2% of GDP in 2019. Government revenues are set to benefit from a still resilient labour market and from several changes in the tax regime introduced with the 2019 budget. At the same time, the negative financial market developments observed in 2018 curbed revenues from taxes related to capital gains. Government spending is expected to increase following the introduction of a minimum income scheme and of several provisions broadening the possibilities for early retirement.

In 2020, the government deficit is projected to rise to 2.3% of GDP. Introduced in spring 2019, the minimum income and early retirement schemes will start showing their full yearly cost from 2020, further increasing government spending. These projections also assume that the renewal of public wage contracts for the period 2019-2021 will be agreed by the end of next year, increasing the wage bill in 2020. Conversely, a new spending review together with a cut in government spending of EUR 1 billion planned as a safeguard clause will help to contain expenditure growth. Weaker labour market dynamics and the reduction of the tax wedge on labour planned in the 2020 draft budget are set to curb government revenues. At the same time, these are expected to benefit from a review of environmental taxes planned for 2020 and from past measures against tax fraud, including compulsory electronic invoicing and the electronic transmission of receipts. The additional measures against tax fraud planned in the 2020 draft budget are also expected to support revenues, although the related yields are subject to some uncertainty.

In 2021, the government headline deficit is expected to increase to 2.7% of GDP due to several measures included in the 2020 draft budget, including a further reduction of the tax wedge on labour and stronger support to public and private investment. Given past repeals, this forecast does not consider the increase in VAT rates still legislated as a safeguard clause for 2021.

The structural balance is expected to slightly improve from around -2½% of GDP in 2018 to around -2¼% of GDP in 2019, before deteriorating to around -3% of GDP by 2021. Italy's debt-to-GDP ratio is forecast to increase from 134.8% in 2018 to 137.4% in 2021, due to the weak nominal GDP growth and a deteriorating primary balance.

Table II.8.1:

Main features of country forecast - ITALY

	2018			Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	1765.4	100.0	0.2	1.3	1.7	0.8	**0.1**	**0.4**	**0.7**
Private Consumption	1064.9	60.3	0.2	1.2	1.5	0.8	**0.4**	**0.5**	**0.6**
Public Consumption	335.8	19.0	0.5	0.7	-0.2	0.4	**0.4**	**0.2**	**0.3**
Gross fixed capital formation	313.3	17.7	-0.8	4.0	3.3	3.2	**2.7**	**1.5**	**1.6**
of which: equipment	119.1	6.7	-0.5	8.1	6.2	4.3	**3.0**	**1.7**	**1.4**
Exports (goods and services)	555.3	31.5	2.3	1.9	6.0	1.8	**1.9**	**2.0**	**2.5**
Imports (goods and services)	511.2	29.0	1.7	3.9	6.2	3.0	**0.7**	**2.2**	**2.6**
GNI (GDP deflator)	1784.6	101.1	0.2	2.3	2.0	1.3	**0.1**	**0.4**	**0.7**
Contribution to GDP growth: Domestic demand			0.1	1.6	1.4	1.1	**0.8**	**0.6**	**0.7**
Inventories			0.0	0.2	0.2	-0.1	**-1.1**	**-0.1**	**0.0**
Net exports			0.2	-0.5	0.1	-0.3	**0.4**	**0.0**	**0.0**
Employment			0.1	1.3	0.9	0.8	**0.6**	**0.1**	**0.3**
Unemployment rate (a)			8.9	11.7	11.2	10.6	**10.0**	**10.0**	**10.0**
Compensation of employees / f.t.e.			2.3	0.1	0.7	2.2	**1.0**	**1.1**	**1.0**
Unit labour costs whole economy			2.1	0.2	-0.1	2.2	**1.6**	**0.8**	**0.5**
Real unit labour cost			0.2	-1.0	-0.8	1.3	**1.0**	**-0.2**	**-0.5**
Saving rate of households (b)			12.9	10.6	10.1	9.9	**10.1**	**10.2**	**10.2**
GDP deflator			1.9	1.1	0.7	0.9	**0.6**	**0.9**	**1.1**
Harmonised index of consumer prices			2.0	-0.1	1.3	1.2	**0.6**	**0.8**	**1.1**
Terms of trade goods			-0.4	4.0	-2.1	-1.4	**-0.1**	**0.3**	**0.0**
Trade balance (goods) (c)			0.7	3.5	3.3	2.7	**3.0**	**3.1**	**3.1**
Current-account balance (c)			-0.8	2.6	2.7	2.6	**2.9**	**2.9**	**2.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.7	2.4	2.7	2.6	**2.9**	**2.9**	**2.9**
General government balance (c)			-3.2	-2.4	-2.4	-2.2	**-2.2**	**-2.3**	**-2.7**
Cyclically-adjusted budget balance (d)			-2.9	-1.3	-2.2	-2.3	**-2.1**	**-2.3**	**-2.8**
Structural budget balance (d)			-3.5	-1.5	-2.2	-2.4	**-2.2**	**-2.5**	**-2.9**
General government gross debt (c)			115.2	134.8	134.1	134.8	**136.2**	**136.8**	**137.4**

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

9. CYPRUS

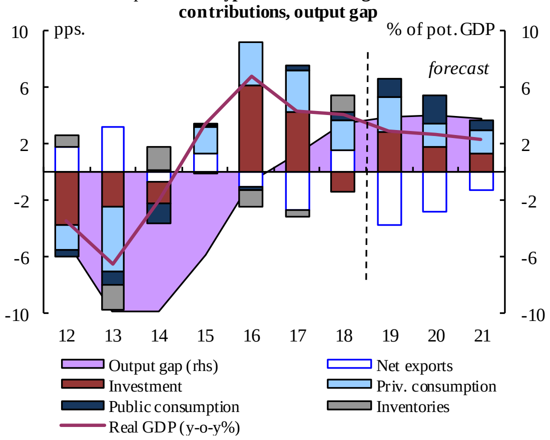
Growth momentum moderates

Cyprus' economic expansion remains strong but is set to gradually moderate, mainly due to external headwinds. Domestic demand is projected to stay the main driver of growth, supported by private consumption and an improving labour market. Meanwhile inflation should remain subdued. The general government budget is expected to remain in surplus and public debt to steadily decline from 2019 onwards. Risks to the fiscal outlook are also mainly on the downside.

Growth slows amid external headwinds

After reaching 4.1% in 2018, real GDP growth slowed down in the first half of this year. The weakness came mainly from the external environment, while domestic demand held up well. External headwinds are expected to continue, leading to more moderate growth over the forecast horizon, which is projected at 2.9% this year, 2.6% in 2020 and 2.3% in 2021.

Graph II.9.1: **Cyprus - Real GDP growth and contributions, output gap**



Private consumption should continue to provide strong support for growth as real disposable income continues to rise. The unemployment rate fell in 2019, standing at 6.8% in August. Meanwhile, wages in the private sector have risen only moderately. This was attributable to continued presence of slack in the labour market despite high employment rates in certain sectors, such as construction and tourism. Public sector wages, however, have increased much more prominently, notably reflecting increases in the wage bill for health care providers (with the launch of the national health system) and the gradual phasing out of wage cuts implemented during the crisis. These developments are likely to provide solid support for both private and public consumption.

Investment in 2019 has been strong, particularly in construction. This sector has benefitted largely from the Citizenship by Investment scheme, which has brought in substantial foreign direct investment (FDI), concentrated in the real estate sector. The tighter requirements of the Scheme caused a frontloading of applications, thus also FDI in the first half of the year before their entry into force; hence, a deceleration in the second half of the year is expected.

Net exports were negative in the first half of 2019 and are expected to continue to weigh on growth. Tourism, a flagship industry and major exporter of services, saw a fall in revenues, driven by several factors. First, tourists from the UK - the most important tourism market for Cyprus – suffered from the depreciation of the pound sterling versus the euro. Second, competition from cheaper neighbouring destinations led to a decline in Russian tourist arrivals (the second largest market). Finally, the persisting air access problems led to a contraction of German arrivals by nearly one fifth. Imports, meanwhile, are set to increase alongside strong domestic demand.

Looking forward, some of the above factors are set to continue, while slowing global demand coupled with the bankruptcy of the travel company Thomas Cook may further compound the situation in the tourism sector. Furthermore, the economy's reliance on foreign funding leaves it heavily exposed to adverse external developments.

Inflation remains subdued and is expected to average 0.6% in 2019 and 0.7% in 2020 and rise to 1.3% in 2021. Inflationary pressures stem mainly from services and unprocessed food categories. Energy inflation is on a declining path following a period of significant increases. Core inflation remains subdued, albeit increasing reflecting overall moderate wage growth. Over the forecast horizon, inflation is expected to remain low due to the continued presence of slack in the labour market and the currently low oil price, which should lead to lower energy prices.

Public finances are back to budgetary surpluses

The general government headline balance is expected to record a hefty surplus of around 3.7% of GDP in 2019, after a temporary deficit of 4.4% of GDP in 2018 that was due to the one-off support measures related to the Cyprus Cooperative Bank sale. Cyprus' fiscal performance is projected to remain strong, on the back of a still relatively strong GDP growth and improving labour market. After an expected surplus of 3.7% of GDP in 2019, the general government surplus is expected to decrease to 2.6% in 2020 and 2.4% in 2021.

Government revenue is forecast to increase strongly in 2019 and in the next two years driven by strong tax collection and by a sizable rise in social security contributions due to higher contribution rates and to the introduction of the National Health Insurance System (NHIS). However, rising revenues will be more than offset by higher expenditure growth in 2020 and 2021. This is mostly due to the gradual reversal of wage cuts implemented during the crisis, the introduction of the Estia scheme to support non-performing loan repayments, and changes in the statistical treatment of a signature bonus for the exploration of hydrocarbons. The structural budget surplus is set to decline over the forecast period from 1½% of GDP in 2019 to ½% in 2020, mainly reflecting the large positive output gap.

Risks to the fiscal outlook however are on the downside. Key risks include the court cases that could lead to the reversal of civil service pay cuts implemented during the crisis as well as the potential deficit of public healthcare providers during the first years of the NHIS. The potential realisation of contingent liabilities remains a major risk to public finances. Positive cash balances from the resulting Cyprus Cooperative Bank (CCB) entities constitute an upside risk.

Following a significant increase in government debt in 2018, due to the one-off government support to the banking sector, the debt-to-GDP ratio is projected to fall to 93.8% in 2019, to 87.8% in 2020 and to 81.8% in 2021. The decrease is mainly due to projected primary budget surpluses, strong GDP growth and active debt management. Cyprus repaid in advance the Russian loan in September 2019 and plans to repay early the IMF loan in 2020.

Table II.9.1:

Main features of country forecast - CYPRUS

		2018			Annual percentage change					
	mio EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		21137.8	100.0	1.9	6.7	4.4	4.1	**2.9**	**2.6**	**2.3**
Private Consumption		13777.4	65.2	2.7	4.4	4.5	3.3	**3.8**	**2.7**	**2.5**
Public Consumption		3149.8	14.9	1.7	-0.9	2.1	3.5	**8.7**	**11.7**	**3.7**
Gross fixed capital formation		4042.2	19.1	-1.3	48.9	24.1	-6.6	**14.7**	**8.3**	**6.0**
of which: equipment		1300.1	6.2	-2.1	121.6	20.7	-31.9	**7.0**	**4.0**	**2.0**
Exports (goods and services)		15444.5	73.1	2.6	7.2	8.7	4.6	**-2.5**	**-1.3**	**0.7**
Imports (goods and services)		15278.3	72.3	2.6	9.0	12.8	2.4	**2.6**	**2.5**	**2.5**
GNI (GDP deflator)		20387.5	96.5	2.3	3.2	5.4	3.5	**2.9**	**2.7**	**2.3**
Contribution to GDP growth:	Domestic demand			1.9	9.0	7.6	1.3	**6.6**	**5.4**	**3.6**
	Inventories			0.1	-1.2	-0.5	1.2	**0.0**	**0.0**	**0.0**
	Net exports			0.0	-1.1	-2.7	1.6	**-3.7**	**-2.8**	**-1.3**
Employment				1.1	4.7	5.3	4.1	**2.5**	**2.2**	**1.8**
Unemployment rate (a)				7.3	13.0	11.1	8.4	**7.2**	**6.3**	**5.7**
Compensation of employees / head				2.5	-0.9	1.0	0.5	**3.4**	**3.1**	**3.0**
Unit labour costs whole economy				1.7	-2.9	1.9	0.6	**3.0**	**2.7**	**2.5**
Real unit labour cost				-0.2	-2.1	0.2	-0.8	**1.5**	**1.2**	**0.8**
Saving rate of households (b)				3.4	1.3	3.7	2.4	**3.8**	**4.5**	**6.4**
GDP deflator				1.9	-0.8	1.7	1.4	**1.5**	**1.5**	**1.7**
Harmonised index of consumer prices				2.1	-1.2	0.7	0.8	**0.6**	**0.7**	**1.3**
Terms of trade of goods				0.7	-0.4	-0.3	-1.9	**-0.4**	**-0.3**	**0.0**
Trade balance (goods) (c)				-23.2	-22.1	-25.0	-22.1	**-24.7**	**-25.6**	**-26.3**
Current-account balance (c)				-8.4	-4.2	-5.1	-4.4	**-8.1**	**-10.6**	**-11.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-8.0	-4.1	-4.7	-3.8	**-7.1**	**-9.9**	**-10.3**
General government balance (c)				-3.4	0.1	1.7	-4.4	**3.7**	**2.6**	**2.4**
Cyclically-adjusted budget balance (d)				-3.3	0.5	1.0	-6.1	**1.7**	**0.6**	**0.5**
Structural budget balance (d)				-	0.5	1.0	1.9	**1.7**	**0.6**	**0.5**
General government gross debt (c)				68.9	103.4	93.9	100.6	**93.8**	**87.8**	**81.8**

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

10. LATVIA

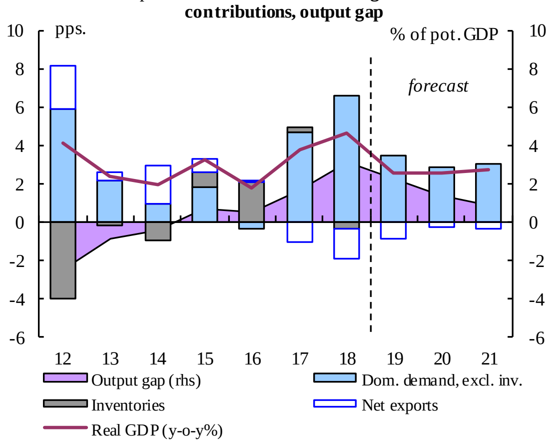
Growth slows amid weakening investment and exports

Latvia's economic growth is set to slow down to 2.5% in 2019. Private consumption is expected to remain the main growth driver over the forecast horizon as investments are expected to slow further in 2020 before picking up slightly in 2021. Export growth is set to remain modest due to weak external demand. Driven by increases in utility and food prices, inflation is forecast this year at 3.1% before cooling off in 2020 and 2021. The slowing investment is set to relieve labour demand somewhat, but the declining labour force is set to maintain a tight labour market. The government deficit is expected to remain at 0.6% of GDP through 2021.

Investment cycle cools off

Latvia's real GDP grew by 2.4% (y-o-y) in the first half of the year, supported mainly by private consumption and slowing, but still strong investment. Growth is set to improve slightly in the second half thanks to a good harvest and favourable calendar effects. Yet, compared to 2018, growth has slowed significantly, as the investment cycle is losing steam and exports face growing headwinds from main trading partners. While a strong labour market remains supportive of private consumption, public consumption is restrained because of tax cutting measures. On balance, GDP growth in Latvia is expected to reach 2.5% in 2019.

Graph II.10.1: **Latvia - Real GDP growth and contributions, output gap**



Private consumption set to maintain a healthy growth rate

In 2020, real GDP growth is set to increase slightly to 2.6%. Private consumption growth is expected to increase slightly due to slowing inflation and a tax cut boosting real disposable incomes, but slowing employment growth and somewhat lower wage growth are set to work in the opposite direction. Investment growth is set to fade in 2020 as EU fund inflows peak and private investment is likely to slow from the high output level attained in 2019. Despite bright prospects for agricultural products and services, export growth is expected to struggle in the face of weak demand in Latvia's main foreign markets. In 2021, real consumption should benefit from slowing inflation while investments are supported by the beginning of the construction of the Rail Baltica line, a major project integrating the Baltic States with the rest of the European rail network. Export growth is expected to recover slightly, but the scope for positive surprises remains limited. The current account is set to remain balanced throughout the forecast horizon.

Labour market set to remain tight

The slowdown of investment growth is set to relieve employment demand somewhat and therefore ease the pressure on the tight labour market in 2020 and 2021. However, as the labour force should continue to shrink, the unemployment rate is expected to decline further, albeit at a slower pace, falling to 6.4% by 2021. Consequently, wage growth is set to remain relatively high, but should slow somewhat in 2020 in the absence of a minimum wage increase and following a wage restraint in the public sector.

HICP inflation is set to reach around 3% in 2019, driven by rising food prices and growing cost of the utilities following energy price growth of the previous years. In 2020, inflation is set to slow to 2.5% and then to 2.3% in 2021 as energy and food price growth flattens.

The risks to the forecast are tilted to the downside as the slowdown in investment and exports may spill over to the labour market and therefore negatively affect private consumption. Moreover, the uncertainty related to the external environment could also impact export growth more sharply than currently forecast.

Budget deficit set to remain stable

The general government deficit is forecast at 0.6% of GDP in 2019, improving slightly from 0.7% in 2018. Overall, tax collection has slightly exceeded projections with the exception of corporate income tax, the collection of which has considerably underperformed. Fiscal costs of the transition to the new corporate taxation regime appear larger than initially assumed. On the positive side, labour tax collection has been better than expected. Government spending, by contrast, is expected to be in line with the Commission's earlier projections.

For 2020, the government deficit is projected to remain at 0.6% of GDP. The budget plan includes 0.6% of GDP worth of new policy measures, including wage increases for teachers and medical personnel, and an increase in non-taxable allowance for personal income tax. These measures are mostly financed by reallocating resources from the existing budgetary envelopes. The budget also includes minor revenue-increasing measures. Social payments and public sector wages are expected to drive expenditure growth, while public investment expenditure is set to fall somewhat after having surged over the last three years.

Under a no-policy change assumption, the government deficit is projected to remain at 0.6% of GDP in 2021. This is linked to an expected tax revenue growth in line with economic developments. Few policy changes are stipulated for 2021. Public expenditure growth is expected to remain strong, particularly for social spending and public sector wages. Latvia's structural deficit is forecast to decrease from nearly 2% of GDP in 2018 to 1% by 2021.

The ratio of government debt to GDP, estimated at 36.4% in 2018, is forecast to decline to 32.9% by 2021, as nominal GDP growth outpaces the government's net borrowing.

Table II.10.1:

Main features of country forecast - LATVIA

		2018			Annual percentage change					
	mio EUR	**Curr. prices**	**% GDP**	**00-15**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
GDP		29151.0	100.0	3.8	1.8	3.8	4.6	**2.5**	**2.6**	**2.7**
Private Consumption		17169.5	58.9	3.8	1.5	3.1	4.2	**3.2**	**3.6**	**3.5**
Public Consumption		5185.0	17.8	1.0	2.9	3.2	4.0	**2.8**	**2.3**	**3.0**
Gross fixed capital formation		6553.8	22.5	4.8	-8.2	11.3	15.8	**4.5**	**1.3**	**1.9**
of which: equipment		2565.0	8.8	3.5	11.2	9.3	13.1	**6.0**	**1.5**	**1.8**
Exports (goods and services)		17870.8	61.3	7.6	4.0	6.4	4.0	**2.7**	**1.8**	**2.3**
Imports (goods and services)		17924.7	61.5	6.0	3.8	8.4	6.4	**4.2**	**2.2**	**2.8**
GNI (GDP deflator)		28649.5	98.3	3.8	2.1	3.6	3.3	**3.1**	**2.5**	**2.6**
Contribution to GDP growth:	Domestic demand			4.3	-0.4	4.7	6.5	**3.4**	**2.8**	**3.0**
	Inventories			0.0	2.1	0.2	-0.4	**0.0**	**0.0**	**0.0**
	Net exports			-0.3	0.1	-1.1	-1.5	**-0.9**	**-0.3**	**-0.3**
Employment				-0.5	-0.3	0.0	1.6	**-0.4**	**0.0**	**0.2**
Unemployment rate (a)				12.2	9.6	8.7	7.4	**6.6**	**6.4**	**6.4**
Compensation of employees / head				9.5	7.3	7.6	8.5	**6.1**	**5.0**	**4.8**
Unit labour costs whole economy				5.0	5.1	3.7	5.3	**3.1**	**2.3**	**2.2**
Real unit labour cost				0.1	4.2	0.7	1.3	**0.0**	**0.0**	**0.0**
Saving rate of households (b)				1.2	4.5	4.4	6.3	**6.6**	**7.2**	**7.2**
GDP deflator				4.9	0.9	3.0	4.0	**3.1**	**2.3**	**2.2**
Harmonised index of consumer prices				4.0	0.1	2.9	2.6	**3.1**	**2.5**	**2.3**
Terms of trade of goods				0.2	3.5	0.9	1.6	**0.4**	**0.2**	**0.0**
Trade balance (goods) (c)				-15.7	-7.5	-8.3	-8.1	**-8.6**	**-8.5**	**-8.8**
Current-account balance (c)				-7.1	1.4	1.0	-0.7	**-0.8**	**-1.4**	**-1.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-5.4	2.5	1.7	1.1	**1.3**	**0.7**	**0.3**
General government balance (c)				-2.7	0.1	-0.5	-0.7	**-0.6**	**-0.6**	**-0.6**
Cyclically-adjusted budget balance (d)				-2.5	-0.1	-1.1	-1.9	**-1.5**	**-1.1**	**-0.9**
Structural budget balance (d)				-	-0.3	-1.1	-1.9	**-1.6**	**-1.1**	**-0.9**
General government gross debt (c)				24.9	40.2	38.6	36.4	**36.0**	**35.2**	**32.9**

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

11. LITHUANIA

Continued GDP growth despite global slowdown

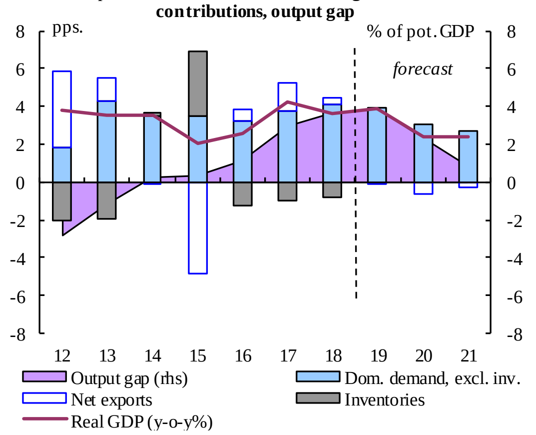
Real GDP growth is projected to pick up slightly in 2019, as strong domestic demand and resilient exports continue to support the Lithuanian economy. Due to the weak outlook in major trading partners, however, growth will depend increasingly on domestic demand in 2020 and 2021. Inflation is forecast to moderate marginally in the coming years. Increasing government expenditure is set to reduce the general government surplus to zero.

The momentum of broad-based growth

In the first half of 2019, Lithuania's real GDP grew by 4.2% (y-o-y) thanks to a combination of favourable factors. Growth in gross fixed capital formation was supported by investment in equipment and non-residential construction, which is partly linked to an acceleration in the use of EU funds. This, combined with an increase in public sector wages, contributed to government consumption growth. Furthermore, increasing employment and solid wage growth together with lower labour taxation and positive household expectations, have kept the real growth of private consumption above 3% y-o-y.

At the same time, despite a deceleration in the exports of goods in the second quarter of 2019, double-digit growth of trade in services kept net exports positive. This together with a positive balance of secondary income, helped the current account to remain in surplus.

Graph II.11.1: **Lithuania - Real GDP growth and contributions, output gap**



Domestic demand as the main driver of growth

After a solid performance in the first half of 2019, annual real GDP growth is forecast to reach 3.8%, which is somewhat higher than in 2018. This is also partly due to projected better outcomes of the agricultural sector compared with last year's results.

However, given the weak external environment expected in 2020 and 2021, growth is forecast to rely on domestic demand developments and is therefore projected to moderate to 2.4%. Private consumption growth is expected to remain strong, on the back of an increase in the untaxed allowance for personal income, pension indexation, as well as rising minimum wages and a strong labour market. Consumption growth is expected to remain above three percent over the forecast horizon.

EU-funded investments seem to have reached cruising speed this year and are projected to continue at a similar pace in 2020 and 2021. Private investment in equipment and intellectual property is set to remain an important growth factor as businesses continue to face labour shortages and a high level of capacity utilisation. Due to less favourable financing conditions, residential construction is forecast to contribute less to investment growth in the coming years.

A bleaker economic outlook in some of Lithuania's trading partners suggests a likely slowdown in export growth. Due to the high import content of exports and the dependence of investment on capital goods imports, the overall contribution of net exports to GDP growth is expected to be slightly negative in 2020 and 2021.

Positive net migration

After a substantial increase in 2018, employment growth is expected to continue in 2019 and 2020. The main source of improvement is the historically high level of immigration, which is set to exceed the also high level of emigration. Though the number of vacancies remains high, to some extent, workers from non-EU countries are helping to ease labour shortages, especially in the transportation and construction sectors. Overall, the unemployment rate, after declining significantly in 2018, is projected to stand at 6.2% over the forecast horizon. At the same time, increases in the minimum wage and the tight labour market situation are expected to drive wages up, albeit more slowly than in 2018.

Slightly lower inflation ahead

Compared to 2018, HICP inflation is forecast to decline marginally to 2.4% in 2019. Higher prices of some food products, coupled with increases in service prices, should prevent any sudden drop in inflation. In the coming years, wages should continue growing strongly enough to maintain a rise in service prices. However, this effect, together with scheduled increases in excise duties on alcohol and tobacco products, is expected to be somewhat counterbalanced by a projected fall in oil prices. Overall, in 2020 and 2021, HICP inflation is forecast to decrease slightly to 2.2% and 2.1%, respectively.

Modest fiscal outlook

After three years in surplus, the general government budget is forecast to move into balance from 2019 onwards. The decline in the nominal balance in 2019 is linked to higher-than-planned government expenditures, particularly on wages and social benefits, as well as some other unplanned additional expenses. At the same time, the government revenue side is being negatively affected by the labour taxation reform.

Compared to 2018, the structural balance is projected to deteriorate substantially to -1½% in 2019, followed by a gradual improvement to -½% in 2021 as the positive output gap diminishes.

In preparation for an upcoming bond redemption in early 2020, Lithuania has been accumulating pre-financing in 2019. Consequently, this is projected to drive the debt-to-GDP ratio to 36.3%, compared with 34.1% in 2018. The positive effect of the scheduled bond redemption is set to be somewhat counterbalanced by a continuous accumulation of necessary funds for the same exercise in 2021 and 2022. Therefore, the debt-to-GDP ratio is forecast to remain rather stable in the coming years.

Table II.11.1:

Main features of country forecast - LITHUANIA

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	45.3	100.0	4.1	2.6	4.2	3.6	**3.8**	**2.4**	**2.4**
Private Consumption	28.0	61.8	4.4	4.0	3.5	3.7	**3.3**	**3.2**	**3.1**
Public Consumption	7.5	16.5	1.0	0.1	-0.3	0.5	**1.4**	**0.8**	**0.5**
Gross fixed capital formation	9.3	20.5	4.8	3.4	8.2	8.4	**8.0**	**4.4**	**3.5**
of which: equipment	3.3	7.3	6.6	14.6	9.2	7.3	**3.4**	**3.0**	**2.7**
Exports (goods and services)	34.2	75.6	9.5	4.9	13.6	6.3	**6.8**	**3.6**	**3.0**
Imports (goods and services)	33.4	73.7	8.7	4.0	11.5	6.0	**7.1**	**4.6**	**3.4**
GNI (GDP deflator)	43.8	96.8	4.0	2.5	4.2	4.2	**4.1**	**2.5**	**2.5**
Contribution to GDP growth: Domestic demand			4.3	3.2	3.8	4.1	**3.9**	**3.0**	**2.7**
Inventories			0.2	-1.3	-1.0	-0.8	**0.0**	**0.0**	**0.0**
Net exports			-0.2	0.6	1.5	0.4	**0.0**	**-0.6**	**-0.3**
Employment			-0.5	2.3	-0.7	1.4	**0.2**	**0.1**	**0.0**
Unemployment rate (a)			11.7	7.9	7.1	6.2	**6.2**	**6.2**	**6.2**
Compensation of employees / head			6.8	6.4	9.5	7.7	**7.0**	**4.4**	**4.0**
Unit labour costs whole economy			2.0	6.1	4.3	5.3	**3.3**	**2.1**	**1.6**
Real unit labour cost			-0.7	4.4	0.1	1.9	**-0.3**	**-1.2**	**-0.8**
Saving rate of households (b)			3.4	2.9	0.3	-1.2	**-0.6**	**-2.0**	**-1.7**
GDP deflator			2.7	1.6	4.3	3.3	**3.6**	**3.3**	**2.4**
Harmonised index of consumer prices			2.4	0.7	3.7	2.5	**2.4**	**2.2**	**2.1**
Terms of trade goods			0.9	1.8	0.5	-1.0	**1.1**	**1.2**	**0.8**
Trade balance (goods) (c)			-8.5	-4.9	-4.9	-6.1	**-6.5**	**-6.9**	**-7.2**
Current-account balance (c)			-4.7	-1.1	0.5	0.3	**1.2**	**1.5**	**1.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.8	0.3	1.7	1.8	**2.8**	**3.2**	**3.6**
General government balance (c)			-3.0	0.2	0.5	0.6	**0.0**	**0.0**	**0.0**
Cyclically-adjusted budget balance (d)			-2.5	-0.2	-0.7	-0.9	**-1.5**	**-0.9**	**-0.3**
Structural budget balance (d)			-	-0.4	-0.8	-0.8	**-1.6**	**-0.9**	**-0.3**
General government gross debt (c)			27.3	39.9	39.3	34.1	**36.3**	**35.1**	**34.8**

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

12. LUXEMBOURG

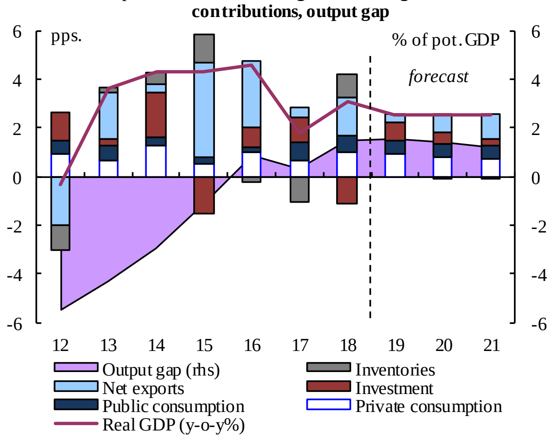
Steady growth ahead

Real GDP is set to grow at a steady pace over the forecast period. With prospects for external trade weakening, growth is expected to be mainly driven by domestic demand, supported by stronger labour market conditions. Inflation is set to fall well below 2.0% in 2019 and 2020, reflecting base effects related to energy, before returning again to almost 2.0% in 2021. The headline budget surplus is forecast to decline, but remains high.

A moderate slowdown in 2019

Real GDP growth in Luxembourg is expected to reach 2.6% in 2019, a moderate slowdown compared with the 3.1% estimate for 2018. Growth was mainly supported by private consumption, while investment rebounded following the sharp drop recorded last year. The contribution from non-financial services exports improved after weakening somewhat in recent years, which, according to the national statistical institute, was most likely due to exceptional transactions by foreign-owned, non-financial corporations operating in Luxembourg. [111]

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



Overall, export growth remained subdued, reflecting weaker activity in the international financial sector, with net investment inflows to the fund industry stagnant amid increased uncertainty. In value terms, funds have continued to expand despite some volatility in global financial markets. Domestic banks have maintained their profitability, mostly by increasing lending. In sum, growth is set to continue at a steady pace at around 2½% over the forecast horizon, driven by domestic demand, with a positive, though weak contribution from the external sector.

Steady growth ahead

Private consumption, the main driver of domestic demand growth, is expected to slow down but remain strong after 2019, benefitting from favourable labour market conditions. In addition to budgetary measures, wages (and pensions) are expected to be raised by the year-end 2019, once the indexation mechanism is triggered, and then again by the second quarter of 2021.

As a small open economy with strong trade and financial links with international markets, Luxembourg remains highly exposed to external risks. Uncertainty, and any financial turmoil that may ensue, could result in a less benign outcome for Luxembourg’s economy.

Strong labour market

In 2019, employment growth is expected to remain around 3.7%, its highest rate since the crisis but job creation is likely to slow in 2020 and 2021. Employment among residents is projected to follow a broadly similar trajectory but at a lower level, with unemployment projected to remain around 5½% over the forecast period.

A shift in inflation drivers

HICP inflation is forecast to fall to 1.7% in 2019 and 1.6% in 2020 from 2.0% in 2018. Base effects related to lower energy inflation are expected to ease headline inflation in 2019 and 2020. Meanwhile, domestic price pressures, including from wage increases, are set to reassert their influence, although those will be partly offset by new measures, including free public transport on the national network by 2020. Headline inflation should reach 1.9% by 2021.

---

[111] This forecast does not integrate any assumption on the impact of those "exceptional transactions". The latest revision (+0.8 pps., on average, per year in real GDP between 2015 and 2018) might suggest a lower impact than previously envisaged, although this hypothesis cannot be confirmed due to insufficient information and given the frequent and substantial revisions to Luxembourg's national accounts.

The general government surplus is set to decline from a high level

The general government surplus is expected to decline to 2.3% of GDP in 2019, from 2.7% of GDP in 2018.

In 2019, total revenues are projected to increase sharply underpinned by direct taxes and to a lesser extent by indirect taxes. Revenues from current taxes on income and wealth are expected to post a strong increase, in particular as revenues from corporate taxes have increased substantially, partly thanks to the introduction of the automatic tax declaration, which accelerates revenues collection. Payroll taxes also benefit from the dynamic labour market. VAT revenues are expected to increase in proportion to private consumption growth and will only partially be dampened by the loss of residual revenues from e-commence transactions.

In 2019 expenditure growth should also display a dynamic trend. In particular, a significant increase is projected for public investment. Recent measures announced, such as the compensation of employees and current transfers, are expected to boost expenditure by 0.4 pps. of GDP.

The general government surplus is projected to decline further in 2020 when revenues are set to be impacted by recent government measures such as the introduction of free public transport and the impact of a further reduction in corporate taxation. The purchase of a military plane will substantially increase public investment. The surplus is projected then to fall to 1.4% of GDP in 2020.

On a no-policy-change scenario, the general government surplus is estimated to remain stable at 1.4% of GDP in 2021.

The structural surplus is expected to decline in 2019 and 2020 and remain broadly stable in 2021, while remaining comfortably positive.

Luxembourg's debt-to-GDP ratio is projected to decline to 19.6% in 2019, from 21.0% in 2018. It is expected to decline further over the forecast horizon as a favourable snowball effect will counterbalance the impact of the new debt issuance to finance the projected deficits of the central government.

Table II.12.1:

Main features of country forecast - LUXEMBOURG

	2018			Annual percentage change						
	mio EUR Curr. prices	**% GDP**	**00-15**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
GDP	60053.1	100.0	3.1	4.6	1.8	3.1	**2.6**	**2.6**	**2.6**
Private Consumption	17874.0	29.8	2.3	3.4	2.2	3.3	**3.1**	**2.7**	**2.5**
Public Consumption	10004.5	16.7	3.1	1.0	4.7	4.1	**3.2**	**2.9**	**3.1**
Gross fixed capital formation	10096.4	16.8	2.9	4.6	5.6	-5.9	**4.5**	**2.9**	**1.6**
of which: equipment	3164.0	5.3	3.9	-1.0	16.3	-22.2	**5.0**	**3.0**	**1.4**
Exports (goods and services)	127047.7	211.6	6.1	2.6	0.7	0.5	**1.7**	**1.7**	**2.3**
Imports (goods and services)	105419.8	175.5	6.5	1.6	0.6	-0.3	**1.9**	**1.7**	**2.2**
GNI (GDP deflator)	38255.6	63.7	1.4	2.2	3.1	1.9	**12.1**	**3.0**	**2.4**
Contribution to GDP growth:	Domestic demand		1.9	2.0	2.4	0.5	**2.2**	**1.8**	**1.6**
	Inventories		0.1	-0.2	-1.1	0.9	**0.0**	**0.0**	**0.0**
	Net exports		1.2	2.7	0.4	1.6	**0.3**	**0.7**	**1.0**
Employment			3.1	3.0	3.4	3.7	**3.7**	**3.4**	**3.1**
Unemployment rate (a)			4.5	6.3	5.6	5.5	**5.3**	**5.3**	**5.3**
Compensation of employees / head			3.0	0.8	3.0	3.3	**3.2**	**2.5**	**2.3**
Unit labour costs whole economy			3.0	-0.7	4.6	3.9	**4.3**	**3.3**	**2.8**
Real unit labour cost			0.2	-1.5	2.8	1.3	**2.1**	**1.4**	**0.8**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.7	0.8	1.7	2.5	**2.2**	**1.9**	**2.0**
Harmonised index of consumer prices			2.5	0.0	2.1	2.0	**1.7**	**1.6**	**1.9**
Terms of trade of goods			0.4	2.0	-1.4	0.4	**0.2**	**0.0**	**0.0**
Trade balance (goods) (c)			-4.8	-1.1	-2.0	-2.0	**-2.1**	**-2.1**	**-1.9**
Current-account balance (c)			3.7	0.2	-0.9	0.0	**4.4**	**4.4**	**4.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			3.1	-0.4	-1.5	-0.7	**3.7**	**3.7**	**3.6**
General government balance (c)			1.6	1.8	1.4	2.7	**2.3**	**1.4**	**1.4**
Cyclically-adjusted budget balance (d)			2.0	1.4	1.2	2.0	**1.6**	**0.8**	**0.9**
Structural budget balance (d)			-	1.4	1.2	2.0	**1.6**	**0.8**	**0.9**
General government gross debt (c)			13.6	20.1	22.3	21.0	**19.6**	**19.2**	**18.6**

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

13. MALTA

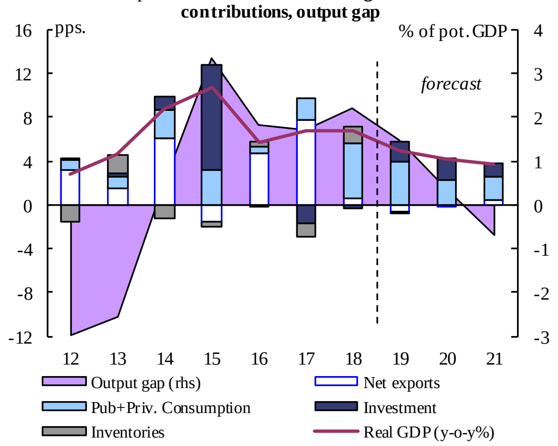
Strong growth ahead, albeit at a slower pace

Malta's economic performance continues to be strong, driven by robust domestic demand. Growth is expected to slow down from the high rates recorded in recent years, as private consumption and export growth moderate. Employment growth is set to continue, albeit at a slower pace, while the unemployment rate remains at a record low. The government is expected to maintain a budget surplus.

Economic activity remains vibrant…

After recording annual real GDP growth of close to 7% in 2017 and 2018, Malta's economy started to show signs of cooling down in the first half of this year. In particular, private consumption growth significantly slowed down from the very high rate recorded in 2018. Domestic demand was underpinned by strong investment growth, which fuelled a strong rise in goods imports. Export growth remained subdued, also reflecting a slowdown in the tourism sector. After dropping in the second quarter of the year as a result of a significant decline in the industry confidence indicator, general economic sentiment has recovered but remains substantially lower than in recent years.

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



…but growth is set to moderate

Growth is expected to continue over the forecast horizon, but the pace of expansion is expected to gradually ease from 5% in 2019 to 4.4% in 2020 and 3.9% in 2021. Private consumption growth is set to weaken but should remain above its historical average, due to favourable labour market conditions. Large-scale projects planned in the aviation, health and tourism sectors are set to boost private investment. Residential construction investment, by contrast, is expected to moderate after several years of strong growth. Investment growth is forecast to remain high until 2020 and to slow down thereafter, as a number of infrastructure projects reach completion.

Looking at the external side, export growth is expected to remain relatively low over the forecast horizon, reflecting a weaker external environment and elevated global uncertainty. As domestic demand remains high, imports are set to grow somewhat faster than exports in 2020, before decelerating in 2021. The current account surplus, which peaked in 2017, is projected to gradually narrow but remain high.

Job creation slowing down

The fast pace of economic growth in Malta has been coupled with strong employment growth and record-low unemployment rate, which is projected to reach 3.5% in 2019, and to remain broadly stable over the forecast horizon. The recent steady increase in Malta's labour supply, due to both higher domestic labour market participation and a net inflow of foreign workers, has kept wage pressures contained despite persistent labour and skill shortages.

As economic growth slows down, the fast pace of job creation is expected to moderate. At the same time, the labour market tightness is set to translate into increasing wage pressures and higher unit labour cost.

Gradual price increases and elevated external risks

Headline inflation is projected to decline slightly from 1.7% in 2018 to 1.6% in 2019, as the rise in unprocessed food prices is expected to be offset by low prices for non-energy industrial goods due to weak inflationary pressures in Malta's trading partners. Inflation is set to pick up moderately and reach 1.7% in 2021, reflecting a recovery in imported goods' prices.

As a small open economy, Malta's economic outlook is subject to significant uncertainties related to the economic performance of its trading partners. Risks to the projections appear tilted to the downside as the weak global trade outlook and possible foreign exchange rate movements could further weigh on Malta's exports.

Government to maintain surpluses

In 2019, the government surplus is projected to decrease to 1.2% of GDP from 1.9% a year earlier. Strong demand-driven economic growth underpinned by favourable labour market developments is projected to translate into robust tax revenues. Proceeds from Malta's citizenship scheme for foreigners, however, are expected to be lower than in recent years. Current expenditure is projected to grow swiftly in most categories with the exception of interest outlays, which are set to decrease. A hike in the government's investment activity will be largely driven by the implementation of EU-funded projects. The public investment-to-GDP ratio is expected to exceed 4%.

In 2020, the government's budget surplus is set to decline further to 1% of GDP. Despite some moderation, the economic environment remains favourable, which should support strong revenue growth also when accounting for introduced fiscal measures (e.g. retaining advantages for first-time home buyers and taxing overtime work at a lower rate). Proceeds from the citizenship scheme are expected to increase. On the expenditure side, the government announced a series of social measures focussing on pensioners (e.g. supplementary aid to those over 65 and at risk of poverty), families (e.g. extension of free transport to all students, a grant for every new-born) and benefits for disabled (e.g. a minimum wage for those who cannot work). The growth of public investment is projected to decline reflecting also a slowdown in implementation of EU-financed projects. Nevertheless, it is expected to remain above long-term averages. Assuming no changes in policies, the surplus is projected to remain unchanged in 2021.

The structural balance has reached a surplus of ¾% of GDP in 2018. In 2019 it is estimated to decrease somewhat, reflecting a declining nominal surplus. In 2020 and 2021 it will improve again driven mainly by the output gap developments. The government debt-to-GDP ratio is forecast to remain on a downward path, declining to some 43% in 2019 and below 40% by the end of 2021.

Table II.13.1:

Main features of country forecast - MALTA

	2018		Annual percentage change						
mio EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	12323.8	100.0	3.4	5.7	6.7	6.8	**5.0**	**4.2**	**3.8**
Private Consumption	5392.6	43.8	2.2	2.4	3.3	7.3	**4.2**	**3.8**	**3.7**
Public Consumption	2005.6	16.3	2.8	-3.0	2.5	12.6	**12.7**	**3.6**	**3.6**
Gross fixed capital formation	2338.6	19.0	5.0	-0.3	-7.2	-1.8	**10.0**	**9.5**	**5.5**
of which: equipment	768.9	6.2	-	13.0	-35.1	-11.0	**-**	**-**	**-**
Exports (goods and services)	17853.0	144.9	5.6	4.5	4.8	2.6	**1.7**	**1.8**	**1.8**
Imports (goods and services)	15279.5	124.0	5.3	1.6	-0.4	2.6	**2.6**	**2.1**	**1.8**
GNI (GDP deflator)	11354.9	92.1	3.0	2.3	6.9	7.1	**3.7**	**4.7**	**3.8**
Contribution to GDP growth:	Domestic demand		2.9	0.6	0.2	4.8	**5.8**	**4.2**	**3.4**
	Inventories		-0.2	0.4	-1.3	1.5	**-0.1**	**0.0**	**0.0**
	Net exports		0.7	4.7	7.8	0.5	**-0.7**	**0.0**	**0.4**
Employment			1.8	4.3	8.1	5.4	**4.0**	**3.0**	**2.5**
Unemployment rate (a)			6.6	4.7	4.0	3.7	**3.6**	**3.5**	**3.6**
Compensation of employees / head			3.6	2.9	-0.7	2.3	**2.4**	**3.4**	**3.0**
Unit labour costs whole economy			2.0	1.6	0.6	1.0	**1.4**	**2.3**	**1.7**
Real unit labour cost			-0.4	0.2	-1.7	-1.1	**-0.7**	**0.3**	**-0.3**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	1.4	2.4	2.1	**2.1**	**2.0**	**2.1**
Harmonised index of consumer prices			2.2	0.9	1.3	1.7	**1.6**	**1.7**	**1.7**
Terms of trade of goods			0.8	-4.2	4.9	3.7	**1.8**	**1.4**	**1.3**
Trade balance (goods) (c)			-15.8	-18.3	-12.6	-12.0	**-11.9**	**-11.7**	**-11.3**
Current-account balance (c)			-3.2	3.8	10.5	9.8	**9.0**	**8.5**	**8.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-1.8	4.1	11.0	10.8	**10.0**	**9.5**	**9.2**
General government balance (c)			-3.7	0.9	3.4	1.9	**1.2**	**1.0**	**1.0**
Cyclically-adjusted budget balance (d)			-3.6	0.0	2.6	0.8	**0.5**	**0.8**	**1.3**
Structural budget balance (d)			-	0.1	2.8	0.8	**0.5**	**0.8**	**1.3**
General government gross debt (c)			65.8	55.5	50.3	45.8	**43.3**	**41.0**	**38.7**

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

14. THE NETHERLANDS
Domestic demand remains resilient as growth moderates

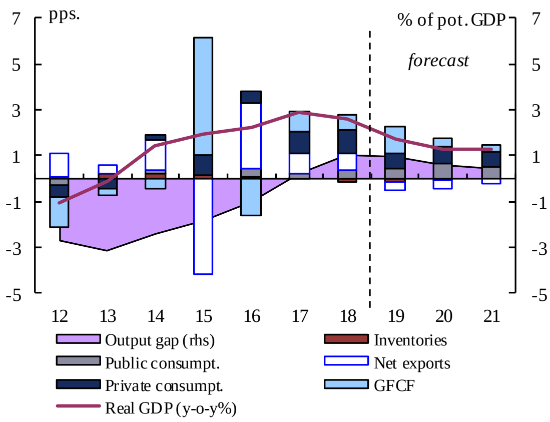
After solid growth of 2.6% in 2018, activity remained buoyant in the first half of 2019, supported by robust domestic demand and net exports. As the business cycle matures however, growth is forecast to moderate. The contribution from net exports is expected to turn negative against the backdrop of a weak external environment whereas domestic demand should remain resilient, supported by rising wages and private consumption. An expansionary fiscal policy is set to provide a further boost to disposable income as well as public consumption.

External demand weakens while domestic demand remains buoyant

After several years of above-potential growth, economic momentum in the Netherlands remained relatively solid in the first half of the year, with GDP increasing 0.4% (q-o-q) in both the first and second quarter. This was primarily driven by domestic demand as well as strong exports in the second quarter. GDP is forecast to grow at an annual rate of 1.7% in 2019 but growth is expected to be slower in the second half of the year, partly due to subdued prospects in major trading partners.

Net exports are expected to contribute negatively to growth over the forecast horizon. As a result, real GDP growth is set to slow to 1.3% in both 2020 and 2021. Despite low financing costs, business investment is projected to weaken because of heightened (trade related) uncertainty. Residential investment growth is also expected to moderate, in part due to capacity constraints.

Graph II.14.1: **The Netherlands - Real GDP growth and contributions, output gap**



At the same time, both private and public consumption are expected to remain resilient. Private consumption should enjoy the support of robust disposable income growth over the forecast horizon and the government's fiscal stance is set to become more expansionary in 2020.

The current account surplus peaked at 11.2% of GDP last year, but is expected to decline gradually in 2019 and beyond as import growth outpaces export growth. This is a reflection of weak external demand and solid domestic demand, as well as declining gas exports.

Labour market remains tight, wage growth picks up

The labour participation rate is at a post-crisis high in the Netherlands but employment growth, which is expected at 1.8% in 2019, is forecast to slow to 0.3% in 2021. In conjunction with dynamic rates of labour supply growth, this should lead to a modest uptick in the unemployment rate from 3.5% in 2019 to 3.7% in 2020 and 4.1% in 2021.

With wage developments lagging the cycle, labour market tightness is now translating into higher wage increases, contributing to rises in household disposable income and thereby fuelling private consumption. This is also supported by fiscal measures that lower the tax burden on labour income from 2020 onwards.

Inflation set to moderate in 2020 and 2021

Increases in indirect taxes in 2019 have pushed inflation up to 2.6% this year. For 2020 and 2021 respectively, inflation is forecast to moderate to 1.4% and 1.5%, as these indirect tax increases will no longer be reflected in the inflation figures and the underlying trend is expected to remain flat. For 2020, real wage growth is expected to entail a pick-up in prices for services, although a lowering of energy related taxes for households should put downward pressure on energy inflation.

Fiscal expansion in 2020

The headline budget balance is forecast at 1.5% of GDP in 2019, and 0.5% and 0.4% of GDP in 2020 and 2021 respectively. In 2019, higher government spending is offset by higher tax revenues, partly on the back of high wage and employment growth and corporate profitability and partly as a result of policy, in particular through a substantial increase in indirect taxes (around 0.4% of GDP).

In 2020, government expenditure is expected to continue rising following recent expansionary budget decisions relating to pensions and climate change, housing and youth care, on top of higher spending on infrastructure and defence. At the same time, the revenue-to-GDP ratio is expected to decrease by 0.4 pps. of GDP due to lower direct income taxes. The combination of these revenue and expenditure measures is forecast to drive the headline surplus down by one percentage point in 2020. In 2021, the headline surplus is set to decline to 0.4%, following further tax relief.

The structural budget balance is projected to decline by about ½ percentage points of GDP, leading to a roughly balanced budget in structural terms in 2020 and 2021.

Government debt is forecast to fall below 50% of GDP in 2019 and to decline further to 47.1% in 2020 and 45.6% in 2021. Further reprivatisation of financial institutions may further lower the debt level in the years ahead.

Graph II.14.2: **The Netherlands - General government revenue and expenditure and structural budget balance**

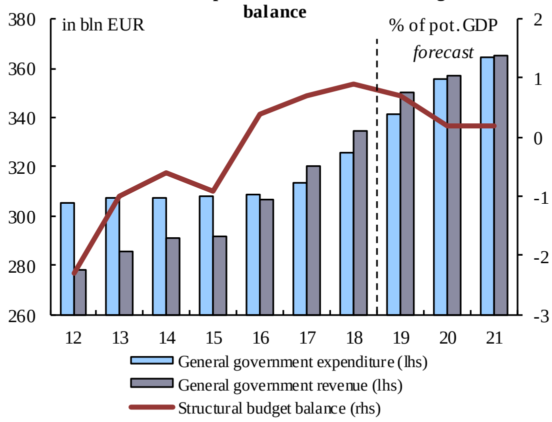


Table II.14.1:

Main features of country forecast - NETHERLANDS

		2018		Annual percentage change						
	bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		774.0	100.0	1.3	2.2	2.9	2.6	**1.7**	**1.3**	**1.3**
Private Consumption		341.5	44.1	0.6	1.1	2.1	2.3	**1.5**	**1.7**	**1.5**
Public Consumption		187.6	24.2	2.2	1.3	0.9	1.6	**1.8**	**2.6**	**2.1**
Gross fixed capital formation		157.5	20.3	1.4	-7.3	4.2	3.2	**5.6**	**1.8**	**1.5**
of which: equipment		44.4	5.7	0.8	4.8	3.2	1.5	**7.8**	**1.1**	**1.2**
Exports (goods and services)		652.7	84.3	4.2	1.7	6.5	3.7	**2.0**	**1.7**	**1.7**
Imports (goods and services)		567.6	73.3	4.2	-2.0	6.2	3.3	**2.9**	**2.5**	**2.3**
GNI (GDP deflator)		781.7	101.0	1.3	0.6	5.2	2.8	**1.1**	**1.0**	**1.2**
Contribution to GDP growth:	Domestic demand			1.1	-0.8	2.0	2.1	**2.2**	**1.8**	**1.5**
	Inventories			0.0	0.1	0.0	-0.2	**-0.2**	**-0.1**	**0.0**
	Net exports			0.3	2.9	0.9	0.7	**-0.4**	**-0.4**	**-0.2**
Employment				0.4	2.1	2.2	2.6	**1.8**	**0.6**	**0.3**
Unemployment rate (a)				5.1	6.0	4.9	3.8	**3.5**	**3.7**	**4.1**
Compensation of employees / f.t.e.				2.7	1.2	1.0	1.7	**2.5**	**3.2**	**2.5**
Unit labour costs whole economy				1.7	1.1	0.3	1.8	**2.6**	**2.5**	**1.5**
Real unit labour cost				-0.1	0.6	-1.0	-0.4	**0.1**	**1.0**	**0.3**
Saving rate of households (b)				12.3	16.6	15.3	15.1	**15.1**	**15.3**	**15.3**
GDP deflator				1.8	0.5	1.3	2.2	**2.5**	**1.5**	**1.2**
Harmonised index of consumer prices				2.0	0.1	1.3	1.6	**2.6**	**1.4**	**1.5**
Terms of trade goods				0.2	1.0	-0.3	-0.3	**-0.1**	**0.0**	**0.0**
Trade balance (goods) (c)				8.2	9.3	9.7	9.6	**8.3**	**7.8**	**7.3**
Current-account balance (c)				6.7	8.1	10.8	11.2	**9.8**	**9.0**	**8.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				6.5	7.9	10.8	11.1	**9.7**	**8.9**	**8.5**
General government balance (c)				-2.0	0.0	1.3	1.5	**1.5**	**0.5**	**0.4**
Cyclically-adjusted budget balance (d)				-1.5	0.7	1.1	0.9	**0.9**	**0.2**	**0.2**
Structural budget balance (d)				-	0.4	0.7	0.9	**0.7**	**0.2**	**0.2**
General government gross debt (c)				55.5	61.9	56.9	52.4	**48.9**	**47.1**	**45.6**

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

15. AUSTRIA

Growth to moderate but private consumption remains strong

Economic growth in Austria is expected to moderate but remain robust in 2019 and to stabilise in 2020 and 2021. Domestic demand is set to remain the main driver of growth, with strong private consumption supported by fiscal measures. Net exports are set to turn slightly positive in 2020 and 2021. The government headline balance is set to improve further this year before diminishing in 2020 due to recently adopted fiscal measures and a less favourable macroeconomic outlook.

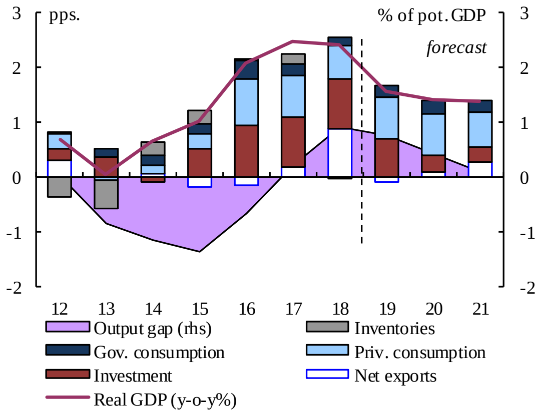
Domestic demand supports growth in 2019

Data from the first half of 2019 suggests that the strong economic growth momentum that Austria has been experiencing since 2016 is starting to diminish. After a still strong outturn in the first quarter of 2019, GDP growth came to a halt in the second quarter. This can be linked to a fall in equipment investment as well as in goods and service exports. As imports fell to a lesser extent, the overall contribution of trade to GDP growth was negative. The decrease in exports is visible across sectors including chemicals but also machinery and manufactured goods, which have been affected amongst others by the weaknesses in the German automotive sector. By contrast, investment in the construction sector remained firm, as population growth and favourable financing conditions support demand for housing. Private consumption increased markedly in the first half of 2019, supported by real wage increases, employment growth and the tax relief provided by the new 'family bonus plus'.

Growth to slow down but to remain robust

In the second half of the year, economic growth in Austria is expected to experience a drag from the weaknesses in Germany and the global economy. Business sentiment indicators have been gradually deteriorating. These developments are expected to mainly affect industrial production, export and investment growth. However, export growth is set to recover somewhat in 2020 and 2021 as Austria is well-placed to benefit from global growth, also thanks to its close links with the Central and Eastern European countries where growth is forecast to remain robust. As import growth is expected to decline, the contribution of trade to economic growth is set to turn positive again. GDP growth is set to stabilise at 1.4%. Supported by fiscal measures, private consumption is expected to remain strong and become the main driver of growth over the forecast horizon. Investment is set to slow down amid lower economic growth and as excess demand for housing is expected to wane.

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



Still positive but slowing labour market dynamics

Despite lower economic growth, employment growth remained firm in the first half of 2019 and the unemployment rate continued to fall. However, a decrease in the number of job vacancies suggests that the jobs market may already have peaked. As the economy is set to cool, employment growth is expected to decrease while the unemployment rate is set to roughly stabilise at 4.6%. Wages are projected to increase more moderately, in line with the lower GDP and inflation growth prospects.

Inflation expected to moderate

In 2019, a drop in oil prices is expected to lower headline HICP to 1.5%. As strong domestic demand should sustain domestic price pressures, the core inflation rate is set to exceed the headline rate over the forecast horizon. Overall, headline HICP is expected to remain around 1.6% in 2020 and 2021.

Public finances develop favourably

Having improved to 0.2% of GDP in 2018, the government budget surplus is expected to expand further to 0.4% of GDP in 2019. This positive development is largely due to higher-than-expected revenues especially from the wage tax and assessed income tax, which is, in turn, the result of the strong employment growth in 2017 and 2018.

In 2020, the headline surplus is expected to narrow to 0.2% of GDP, which is largely due to a series of fiscal measures implemented in 2019. On the revenue side, increased tax credits and lower health contributions will relieve especially low-income earners, while a staggered pension increase will weigh on the expenditure side. This will support private consumption over the forecast horizon. Counter-financing measures include taxes on the digital economy and measures against tax fraud. Overall, the budgetary impact of all measures amounts to 0.2% of GDP.

In 2021, the general government surplus is expected to improve again to 0.4% of GDP, on the back of stable economic growth. This is largely due to still robust tax revenues, and the fact that the budgetary impact of discretionary measures falls mainly on to 2020.

Public debt is expected to continue its downward path and to decrease from 74.0% of GDP in 2018 to 69.9% and 67.2% of GDP in 2019 and 2020, respectively. This mainly reflects the favourable development of interest expenditures and the successful divestment of impaired assets.

Graph II.15.2: **Austria - General government budget balance and gross debt**

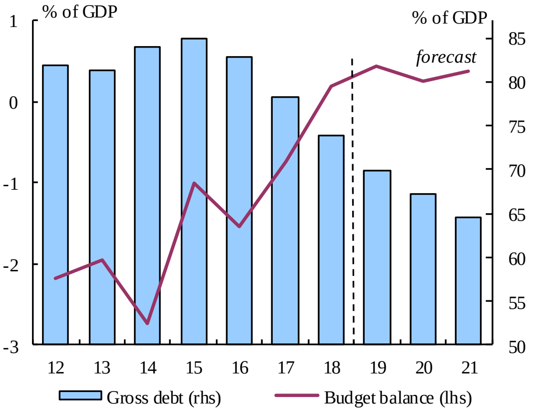


Table II.15.1:

Main features of country forecast - AUSTRIA

		2018		Annual percentage change						
		bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		385.7	100.0	1.5	2.1	2.5	2.4	**1.5**	**1.4**	**1.4**
Private Consumption		199.7	51.8	1.2	1.6	1.4	1.1	**1.5**	**1.5**	**1.3**
Public Consumption		74.5	19.3	1.2	1.8	1.1	0.9	**0.9**	**1.3**	**1.1**
Gross fixed capital formation		92.4	23.9	0.9	4.1	4.0	3.9	**2.9**	**1.2**	**1.1**
of which: equipment		31.1	8.1	1.1	9.3	6.3	4.3	**3.9**	**1.1**	**1.1**
Exports (goods and services)		215.1	55.8	4.1	3.1	5.0	5.9	**2.3**	**2.3**	**2.3**
Imports (goods and services)		200.7	52.0	3.6	3.7	5.0	4.6	**2.6**	**2.3**	**2.0**
GNI (GDP deflator)		384.7	99.7	1.5	3.1	1.6	3.1	**1.5**	**1.4**	**1.4**
Contribution to GDP growth:	Domestic demand			1.1	2.1	1.9	1.7	**1.6**	**1.3**	**1.1**
	Inventories			0.0	0.0	0.2	0.0	**0.0**	**0.0**	**0.0**
	Net exports			0.4	-0.2	0.2	0.9	**-0.1**	**0.1**	**0.3**
Employment				-	1.3	1.7	1.7	**1.1**	**0.7**	**0.6**
Unemployment rate (a)				4.9	6.0	5.5	4.9	**4.6**	**4.6**	**4.6**
Compensation of employees / f.t.e.				2.2	2.4	1.6	2.9	**2.8**	**2.0**	**1.9**
Unit labour costs whole economy				1.5	1.6	0.8	2.2	**2.3**	**1.3**	**1.1**
Real unit labour cost				-0.2	-0.1	-0.3	0.5	**0.5**	**-0.4**	**-0.6**
Saving rate of households (b)				14.8	13.1	12.8	13.1	**13.2**	**13.1**	**12.9**
GDP deflator				1.8	1.7	1.1	1.7	**1.9**	**1.7**	**1.7**
Harmonised index of consumer prices				1.9	1.0	2.2	2.1	**1.5**	**1.6**	**1.6**
Terms of trade goods				0.0	0.9	-1.8	-1.0	**0.1**	**0.0**	**0.0**
Trade balance (goods) (c)				-0.1	0.7	0.4	1.0	**1.0**	**1.1**	**1.4**
Current-account balance (c)				2.0	2.9	1.7	2.4	**2.2**	**2.1**	**2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				1.9	2.8	1.6	2.4	**2.1**	**2.0**	**2.2**
General government balance (c)				-2.4	-1.5	-0.7	0.2	**0.4**	**0.2**	**0.4**
Cyclically-adjusted budget balance (d)				-2.3	-1.1	-0.9	-0.3	**0.0**	**0.0**	**0.3**
Structural budget balance (d)				-	-1.1	-0.9	-0.3	**0.0**	**0.0**	**0.3**
General government gross debt (c)				73.6	82.9	78.3	74.0	**69.9**	**67.2**	**64.6**

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

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

16. PORTUGAL

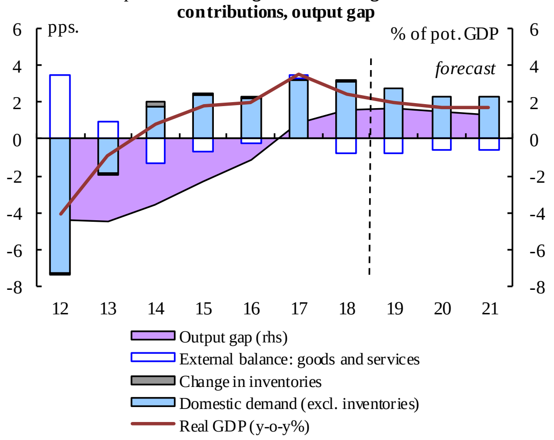
Buoyant investment supports growth

Economic growth is expected to moderate from 2.4% in 2018 to 2.0% in 2019 and 1.7% in both 2020 and 2021, driven by buoyant investment but weighed down by foreign trade. The general government headline balance and debt-to-GDP ratio are expected to continue benefiting from economic growth and favourable financing conditions. The structural balance is forecast to slightly improve in 2019 and remain broadly unchanged thereafter.

Growth surprises on the upside

Economic growth exceeded expectations in the first half of 2019 despite the weak external environment. GDP rose by 0.6% (q-o-q) in each of the first two quarters of the year, setting up a more favourable outlook for the whole year. The expected pace of moderation forecast in the summer, however, still looks likely, although it would now begin from a higher base. Taking into account the recent weakness in high frequency indicators and a further deterioration in external demand, GDP growth in Portugal is now forecast to moderate further from 2.4% in 2018 to 2.0% in 2019 and 1.7% in both 2020 and 2021.

Graph II.16.1: **Portugal - Real GDP growth and contributions, output gap**



Domestic demand is expected to remain a strong contributor to growth in 2019 due to a substantial rebound in investment in the first quarter of the year. Both private consumption and investment are projected to remain the major growth drivers in 2020-2021, albeit at a diminishing pace. The expected moderation in private consumption is linked to the recent slowdown in job creation. Investment is facing a decline in business sentiment, particularly in the industrial sector, but looks set to benefit from the absorption of EU funding over the forecast horizon. On the supply side, the strong performance in services and construction should continue to offset the weak industrial performance.

Imports outpace exports

In 2019, imports are projected to increase much faster than exports for the second year in a row. This is mainly due to strong investment demand and is set to continue over the forecast horizon, triggering a significant deterioration in the country's external balance. The current account balance has been revised upwards for the last several years, but is set to worsen from a surplus of 0.1% of GDP in 2018 to a deficit of around 1% by 2021. This reflects a significant widening in the deficit for trade in goods, which is set to be only partly offset by primary and secondary income where the net flows are expected to benefit from lower interest payments to foreign creditors and higher receipts from EU structural funds. Trade in services is set to retain a stable surplus of around 8% of GDP throughout the whole forecast period, thanks to the strong performance in tourism.

Employment growth slows

Employment growth has slowed down and wage growth picked-up since the beginning of 2019, as the slack in the labour market has declined substantially. This is expected to have a positive impact on labour productivity and to slightly weaken the growth in unit labour costs over the forecast horizon. The unemployment rate is forecast to decrease at a moderate pace to 5.6% by 2021 with services and construction being the major contributors to job creation.

Inflation drops substantially

Annual HICP inflation dropped from 1.2% in 2018 to -0.3% in the third quarter of 2019. The downturn reflects a significant decline in energy prices, including different regulatory components of electricity tariffs, as well as lower prices of other administrative services such as public transport and telecommunications. In addition, core inflation has been contained by a continuous decline in the prices of industrial goods and a temporary drop in accommodation prices. Inflation is forecast to reach an annual average of 0.3% in 2019 and to increase somewhat in the coming years with core inflation staying slightly above the headline rate.

Public finances benefit from resilient domestic demand and favourable financing conditions

The general government headline deficit is projected to decrease to 0.1% of GDP in 2019, helped by still buoyant cyclical revenue, decreasing interest expenditure and lower-than-budgeted public investment. It is, however, negatively impacted by a further activation of the Novo Banco contingent capital mechanism (0.6% of GDP). Excluding this and other one-offs, the government balance is set to reach a surplus of 0.5% of GDP. As a result, the structural balance is projected to improve by about ¼% of GDP in 2019, while the structural primary balance is expected to remain broadly unchanged.

Under a no-policy-change assumption, and in the absence of a fully-fledged Draft Budgetary Plan for 2020 (due to the recent general elections), the headline balance is projected to improve to 0.0% of GDP in 2020. At the same time, the headline balance net of one-offs (mainly a further deficit-increasing impact of 0.3% of GDP from the Novo Banco contingent capital mechanism) is set to remain broadly unchanged at a surplus of 0.4% of GDP. As the deficit-increasing carry-over impact of past discretionary fiscal policy measures is projected to be roughly offset by further savings in interest expenditure, the structural balance is projected to remain broadly stable in 2020. The headline balance is set to improve to 0.6% of GDP in 2021 while the structural balance is set to remain broadly unchanged. The structural primary balance is forecast to worsen by about ½% of GDP over the forecast horizon. Risks are tilted to the downside, linked to uncertainties surrounding the macroeconomic outlook and the potential further impact of bank support measures.

The public debt-to-GDP ratio is set to continue declining from 122.2% in 2018 to 119.5% in 2019, 117.1% in 2020 and 113.7% in 2021, mainly due to continuous primary surpluses and favourable growth–interest rate differentials.

Table II.16.1:

Main features of country forecast - PORTUGAL

	2018		Annual percentage change						
bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	203.9	100.0	0.4	2.0	3.5	2.4	**2.0**	**1.7**	**1.7**
Private Consumption	132.2	64.8	0.6	2.6	2.1	3.1	**2.3**	**2.0**	**1.9**
Public Consumption	34.6	17.0	0.7	0.8	0.2	0.9	**0.8**	**0.8**	**0.8**
Gross fixed capital formation	35.8	17.6	-2.5	2.5	11.5	5.8	**6.5**	**4.8**	**5.0**
of which: equipment	11.7	5.7	-0.7	8.0	12.4	7.5	**6.5**	**5.6**	**6.0**
Exports (goods and services)	88.7	43.5	4.1	4.4	8.4	3.8	**2.7**	**2.7**	**2.8**
Imports (goods and services)	88.6	43.4	2.2	5.0	8.1	5.8	**4.6**	**3.9**	**4.0**
GNI (GDP deflator)	199.4	97.8	0.3	2.3	3.6	2.6	**2.1**	**1.9**	**1.9**
Contribution to GDP growth: Domestic demand			0.0	2.2	3.2	3.1	**2.8**	**2.3**	**2.3**
Inventories			-0.1	0.0	0.1	0.1	**0.0**	**0.0**	**0.0**
Net exports			0.5	-0.2	0.2	-0.8	**-0.8**	**-0.6**	**-0.6**
Employment			-0.5	1.6	3.3	2.3	**1.0**	**0.5**	**0.5**
Unemployment rate (a)			10.1	11.2	9.0	7.0	**6.3**	**5.9**	**5.6**
Compensation of employees / head			2.1	1.2	2.3	2.5	**3.2**	**2.8**	**2.8**
Unit labour costs whole economy			1.2	0.8	2.1	2.4	**2.2**	**1.7**	**1.6**
Real unit labour cost			-0.9	-0.9	0.6	0.8	**0.8**	**0.1**	**-0.1**
Saving rate of households (b)			9.8	7.0	6.6	6.5	**6.6**	**6.7**	**6.7**
GDP deflator			2.1	1.7	1.5	1.6	**1.4**	**1.5**	**1.6**
Harmonised index of consumer prices			2.1	0.6	1.6	1.2	**0.3**	**1.1**	**1.4**
Terms of trade goods			0.2	0.9	-1.1	-0.3	**0.0**	**-0.2**	**-0.2**
Trade balance (goods) (c)			-9.8	-5.5	-7.0	-7.9	**-8.7**	**-9.3**	**-9.9**
Current-account balance (c)			-7.0	0.6	1.0	0.1	**-0.4**	**-0.7**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.5	1.5	1.8	1.2	**0.8**	**0.6**	**0.3**
General government balance (c)			-5.8	-1.9	-3.0	-0.4	**-0.1**	**0.0**	**0.6**
Cyclically-adjusted budget balance (d)			-5.3	-1.3	-3.4	-1.3	**-1.0**	**-0.8**	**-0.1**
Structural budget balance (d)			-	-1.7	-1.4	-0.6	**-0.4**	**-0.4**	**-0.4**
General government gross debt (c)			89.0	131.5	126.0	122.2	**119.5**	**117.1**	**113.7**

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

17. SLOVENIA

Growth cooling down but remaining robust

Economic growth in Slovenia slowed down in the first half of 2019 on the back of weakening foreign demand, and it is expected to remain broadly stable over the forecast horizon. Domestic demand is expected to remain strong. Inflation is projected to increase slightly in 2020 and 2021. The government budget balance is forecast to remain in surplus, with a slightly improving structural balance position in the coming years.

Slowdown in the first half of 2019

In the first half of 2019, Slovenia's economy grew by 3.0% compared to the first half of 2018 (or 0.9% compared to the previous six months). This compares with a (revised) growth of 4.1% in 2018. Domestic demand growth was driven by investment spending, while private consumption grew somewhat slower. Residential construction grew at a strong pace (13.8%) while investment in machinery and equipment grew more modestly (3.6% on half year-on-half year). Exports grew by 8.6%, slightly below import growth, which stood at 9.9%.

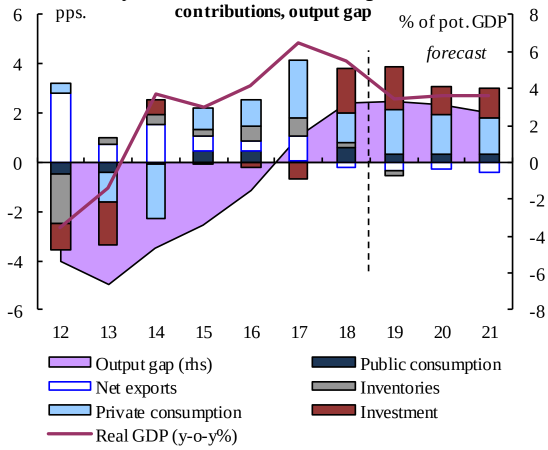
Economic sentiment worsened over the first nine months of 2019. Taking into account the slowdown in Slovenia's main export markets, economic growth in the second half of the year is projected to lose further momentum. Real GDP growth is now forecast to fall to 2.6% in 2019, compared to 3.1% in the spring forecast.

Growth expectations lower for 2020 and 2021

GDP growth is forecast to average 2.7% in both 2020 and 2021. Growth is expected to continue to be driven by domestic demand, with a negative contribution from net exports over the forecast horizon. Domestic demand is expected to be supported by continued increases in employment and wages, as well as favourable bank lending conditions. Investment growth is projected to continue at around the same pace as this year, mainly driven by construction investment. Housing prices have risen rapidly and supply has been constrained so far, further supporting the expected pick-up in housing construction. In the public sector, the uptake of EU funds is forecast to increase further as the programming period draws to a close.

While export growth was boosted by one-off factors in 2019, it is expected to be significantly lower in 2020 and 2021, at 4.9% and 4.6%, respectively. This lower growth path is explained by lower demand from export markets, while Slovenia's price competitiveness is expected to remain strong with labour cost growth relatively moderate compared to its trading partners. Imports are expected to continue growing more quickly than exports. Slovenia's current account surplus is projected to decline to 5.1% of GDP in 2021 after reaching 5.8% in 2019.

Graph II.17.1: **Slovenia - Real GDP growth and contributions, output gap**



Negative risks to the growth mainly stem from the external outlook. A sharper-than-expected slowdown in export demand growth would not only affect exports but also business investment. On the upside, household consumption could increase faster than currently projected as the saving rate remains high.

Labour market still strong

In 2019, employment is expected to grow by 2.3% and to slow down somewhat over the forecast period. An inflow of foreign workers and a rising participation rate should help alleviate labour supply constraints to some extent. The unemployment rate is projected to fall to 4.4% in 2019 and to stabilise at 4.2% in the following years. Growth of compensation per employee is expected to average 3.6% over the forecast horizon.

At 1.8%, HICP inflation is projected to be lower in 2019 than it was in 2018, mainly due to the slowdown in energy and food price inflation. Inflation is expected to modestly increase – to 1.9% in 2020 and 2.0% in 2021.

General government budget remains in surplus

In 2018, Slovenia's general government surplus increased to 0.8% of GDP from a balanced budget in 2017, driven by particularly strong revenue growth. A widening positive output gap led to a small deterioration in the structural deficit to about 2/3% of GDP. Over the forecast horizon, the headline surplus is expected to be at around 0.5% of GDP, while the structural deficit is projected to deteriorate in 2019 and to gradually improve thereafter.

In 2019, tax revenues are expected to grow more slowly than in the year before due to weaker domestic demand growth and a tax exemption on the annual holiday allowance. Expenditure is expected to grow faster than revenues. Next to the significant public sector pay rise negotiated with labour unions at the end of 2018, social transfers are forecast to be among the main drivers of expenditure growth. Public investment is also projected to increase, although at a lower pace than in 2018.

In 2020, tax revenue growth is forecast to remain moderate, due to changes adopted to reduce the tax burden on labour. Higher social transfers, further public sector pay rises and higher absorption of EU funds will drive expenditure growth. In 2021, somewhat strengthening private consumption and higher wages should continue to support the surplus.

The downside risks to public finances stem from expenditure pressures, particularly on wages and social benefits, and the possibility of unexpected one-offs due to unfavourable court rulings. Lower-than-projected economic growth could put downward pressure on revenues.

Slovenia's debt-to-GDP ratio has been on a declining path since its peak at 82.6% in 2015. Supported by the low interest rate environment, active public debt management, the general government surplus and privatisation proceeds, the ratio is expected to decrease significantly from 70.4% in 2018 to 63.1% in 2020 and to fall below the 60% threshold in 2021.

Table II.17.1:

Main features of country forecast - SLOVENIA

	2018			Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	45.8	100.0	2.0	3.1	4.8	4.1	**2.6**	**2.7**	**2.7**
Private Consumption	23.9	52.3	1.6	4.4	2.3	3.4	**3.0**	**2.9**	**3.0**
Public Consumption	8.4	18.3	1.8	2.5	0.3	3.2	**2.0**	**1.9**	**1.8**
Gross fixed capital formation	8.8	19.2	-0.3	-3.7	10.4	9.4	**6.1**	**6.0**	**5.9**
of which: equipment	3.8	8.2	1.4	7.4	12.5	10.7	**2.5**	**2.1**	**2.1**
Exports (goods and services)	39.1	85.4	6.1	6.5	10.8	6.6	**7.9**	**4.9**	**4.6**
Imports (goods and services)	35.3	77.1	4.6	6.7	10.7	7.7	**9.2**	**5.8**	**5.5**
GNI (GDP deflator)	45.0	98.4	1.9	3.7	5.6	4.4	**2.9**	**3.0**	**2.9**
Contribution to GDP growth: Domestic demand			1.2	2.1	3.1	4.1	**3.1**	**3.0**	**3.1**
Inventories			0.0	0.6	0.7	0.2	**-0.2**	**0.0**	**0.0**
Net exports			0.9	0.4	1.0	-0.2	**-0.3**	**-0.3**	**-0.4**
Employment			0.3	1.8	3.0	3.2	**2.3**	**1.5**	**1.3**
Unemployment rate (a)			7.1	8.0	6.6	5.1	**4.4**	**4.2**	**4.2**
Compensation of employees / head			4.9	3.1	3.0	3.9	**3.6**	**3.6**	**3.6**
Unit labour costs whole economy			3.1	1.8	1.2	3.0	**3.3**	**2.4**	**2.2**
Real unit labour cost			0.0	1.1	-0.4	0.7	**0.7**	**0.0**	**-0.2**
Saving rate of households (b)			13.1	11.5	12.4	12.6	**13.7**	**14.2**	**14.0**
GDP deflator			3.1	0.8	1.6	2.2	**2.7**	**2.4**	**2.3**
Harmonised index of consumer prices			3.6	-0.2	1.6	1.9	**1.8**	**1.9**	**2.0**
Terms of trade goods			-0.4	0.8	-0.6	-0.1	**0.4**	**0.0**	**-0.1**
Trade balance (goods) (c)			-2.0	3.8	3.7	2.5	**1.8**	**1.0**	**0.1**
Current-account balance (c)			-1.0	4.9	6.3	5.8	**5.8**	**5.5**	**5.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.8	4.1	5.4	5.3	**5.3**	**5.0**	**4.6**
General government balance (c)			-4.0	-1.9	0.0	0.8	**0.5**	**0.5**	**0.6**
Cyclically-adjusted budget balance (d)			-3.7	-1.2	-0.7	-0.7	**-1.0**	**-1.0**	**-0.7**
Structural budget balance (d)			-	-1.1	-0.6	-0.7	**-1.0**	**-0.9**	**-0.7**
General government gross debt (c)			39.7	78.7	74.1	70.4	**66.7**	**63.1**	**59.5**

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

18. SLOVAKIA

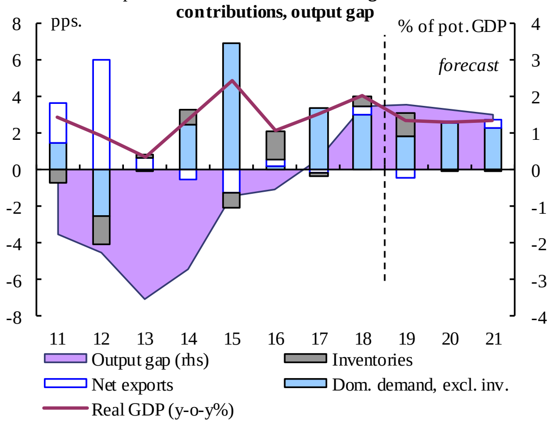
Strong growth set to decelerate to more sustainable levels

Slovakia's brisk economic expansion is expected to give way to slower growth from 2019 onwards. Though decelerating, domestic demand is set to drive growth, with private consumption backed by buoyant real wage increases. Investment is forecast to normalise after sluggish growth in the first half of 2019. Net trade is forecast to weigh on growth in 2019 but to contribute positively in subsequent years. Consumer price inflation is expected to be fuelled by wage increases and robust private demand, but to moderate over the forecast period. The general government deficit is forecast to grow, mostly due to increases in public wages and social benefits.

Growth slows markedly

After Slovakia's economy expanded by 4.0% in 2018, real GDP growth is forecast to slow markedly to 2.7% in 2019 and then to remain at similar rates of 2.6% in 2020 and 2.7% in 2021. On the back of strong wage increases and record-low unemployment, private consumption will continue to be a significant source of GDP growth over the forecast horizon. Weaker demand in key EU trading partners is projected to take its toll on exports, particularly in 2019. Investment growth is expected to normalise after sluggish growth in the first half of 2019.

Graph II.18.1: **Slovakia - Real GDP growth and contributions, output gap**



Exports hit by weak trade outlook

As a very open economy, Slovakia's exports are registering the impact of slowing foreign demand throughout 2019. Temporary factors, such as changes and delays in production in Slovakia's large, export-focused automotive sector, have exacerbated the slowdown. Exports are thus likely to gradually pick up thereafter and expand by around 4.5% in 2021. In a similar pattern, the trade balance is projected to dip into negative territory in 2019, but to slowly recover in 2020-2021, when Slovakia is likely to gain export market shares. However, this recovery remains uncertain and will depend on prospects in Slovakia's key trading partners, and any developments affecting the car industry, such as the possible imposition of U.S. tariffs.

Wage growth to support spending

After years of strong employment growth, the rate of job creation has been slowing in 2019 and may continue doing so in 2020-2021, in line with the more subdued economic outlook. The unemployment rate is forecast to decrease slightly to a new record low of 5.9% in 2019 and to hover around this rate throughout 2020-2021. While the positive effect from job creation on household disposable income is expected to fade, strong wage growth should prop up earnings and incomes. After strengthening in 2019 on the back of a tight labour market and supported by strong salary increases in the public sector, wage growth is set to ease slightly in 2020-2021. In view of the low unemployment risk and supportive financial conditions, this should continue to bolster consumer spending.

Demand pressures will drive inflation

HICP inflation is forecast to remain slightly elevated over the forecast horizon, first rising to 2.7% in 2019, and then moderating to 2.5% in 2020 and 2.2% in 2021. Services, food prices and energy are all expected to contribute substantially to overall inflation. Services price inflation is expected to remain elevated as a result of rapid wage growth. Moreover, increases in regulated energy prices will contribute to HICP inflation in 2019. Food prices are likely to grow at a high rate in 2019 but to moderate somewhat thereafter.

Government deficit expected to increase

Slovakia's general government deficit in 2018 rose by 0.1 pps. to 1.1% of GDP. This minor deterioration took place against the background of fast revenue growth and swift economic expansion. High transfers from the EU also boosted revenues. On the expenditure side, these transfers corresponded to higher current transfers, subsidies, and compensation of public employees. Gross fixed capital formation increased significantly for the central and local government. On the other hand, intermediate consumption grew moderately and interest spending fell. Overall, the consolidation effort slowed in 2018, with the structural balance deteriorating to around -1$^3/_4$% of GDP.

In 2019, the headline deficit is expected to decrease to 0.9% of GDP, with total revenues and expenditure changing slightly. Buoyant private consumption and the strong labour market are expected to support VAT receipts, income taxes and social contributions. On the expenditure side, the largest spending increases are expected for employee compensation and social benefits. These will be partially counterbalanced by developments in investment and interest spending. In structural terms, the general government balance will improve by around 0.1 pps.

In 2020, the general government deficit is expected to increase to 1.2% of GDP due to the introduction of government fiscal measures decreasing the tax burden and introducing minimum pensions. The fiscal expansion is dampened by restrained investment and measures to enhance tax collection. A discussion is ongoing regarding some further potential measures. The structural balance is projected to deteriorate by 0.2% of GDP to nearly -1.8% of GDP.

In 2021, the headline deficit is forecast to rise by 0.1% of GDP. The use of EU funding for investment is expected to increase as the end of the programming period approaches. Risks to the fiscal outlook are tilted to the downside, linked to uncertainties in macroeconomic developments and insufficiently specified austerity measures to achieve the set fiscal targets.

The general government debt-to-GDP ratio is forecast to remain on a declining path, thanks to the pace of nominal economic growth. It is projected to decline to 48.1% this year, 47.3% in 2020, and 46.9% in 2021.

Table II.18.1:

Main features of country forecast - SLOVAKIA

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	89.7	100.0	4.0	2.1	3.0	4.0	**2.7**	**2.6**	**2.7**
Private Consumption	50.2	55.9	3.1	3.9	4.3	3.9	**1.8**	**2.4**	**2.1**
Public Consumption	16.7	18.6	2.7	1.9	1.0	0.2	**3.0**	**3.5**	**2.6**
Gross fixed capital formation	19.0	21.2	3.0	-9.3	3.9	3.7	**1.0**	**2.6**	**2.8**
of which: equipment	8.4	9.3	4.3	-2.0	0.8	-3.5	**0.7**	**1.8**	**2.3**
Exports (goods and services)	86.2	96.1	9.5	5.0	3.5	5.4	**1.2**	**3.8**	**4.5**
Imports (goods and services)	84.4	94.1	8.0	4.8	3.9	5.0	**1.6**	**3.8**	**4.1**
GNI (GDP deflator)	88.3	98.4	3.8	2.0	3.6	4.5	**2.7**	**2.5**	**2.8**
Contribution to GDP growth: Domestic demand			3.0	0.2	3.4	3.0	**1.8**	**2.5**	**2.3**
Inventories			0.1	1.6	-0.2	0.5	**1.3**	**0.0**	**0.0**
Net exports			0.9	0.3	-0.2	0.5	**-0.4**	**0.1**	**0.4**
Employment			0.6	2.4	2.2	2.0	**0.8**	**0.2**	**0.2**
Unemployment rate (a)			14.8	9.7	8.1	6.5	**5.8**	**5.7**	**5.6**
Compensation of employees / head			6.0	2.2	5.4	5.6	**7.1**	**5.4**	**4.9**
Unit labour costs whole economy			2.5	2.5	4.5	3.5	**5.2**	**3.0**	**2.4**
Real unit labour cost			0.0	3.0	3.3	1.4	**2.7**	**0.6**	**0.2**
Saving rate of households (b)			7.5	8.6	8.2	8.4	**9.9**	**10.3**	**9.8**
GDP deflator			2.6	-0.5	1.2	2.0	**2.4**	**2.3**	**2.2**
Harmonised index of consumer prices			3.8	-0.5	1.4	2.5	**2.7**	**2.5**	**2.2**
Terms of trade goods			-0.5	-0.4	-0.8	-0.9	**-0.5**	**-0.2**	**-0.2**
Trade balance (goods) (c)			-1.7	2.3	1.1	1.1	**0.3**	**0.2**	**0.6**
Current-account balance (c)			-3.0	-2.0	-1.8	-1.6	**-2.4**	**-2.6**	**-2.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.5	-2.1	-2.5	-1.3	**-2.1**	**-2.4**	**-2.0**
General government balance (c)			-4.9	-2.5	-1.0	-1.1	**-0.9**	**-1.2**	**-1.3**
Cyclically-adjusted budget balance (d)			-4.5	-2.3	-1.1	-1.7	**-1.6**	**-1.8**	**-1.8**
Structural budget balance (d)			-	-2.2	-1.1	-1.7	**-1.6**	**-1.8**	**-1.8**
General government gross debt (c)			43.1	52.0	51.3	49.4	**48.1**	**47.3**	**46.9**

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

19. FINLAND

Outlook subdued as cycle matures

Economic growth, after solid 2019, is expected to moderate in 2020 as residential investment declines. Unemployment is set to fall gradually to its structural level while inflation is expected to remain low. The outlook for the general government balance has deteriorated substantially due to the decelerating economy and the government's expansionary fiscal plans.

Economic growth to ease

Finland's real GDP growth is expected to reach 1.4% this year, after having already decelerated in 2018. Amid weakening external demand and rising uncertainties, most high-frequency indicators point to a gradual slowdown in 2019 and 2020. Growth is expected to be broad-based this year, with positive and balanced contributions from all components. In 2020 and 2021, GDP growth is forecast to stay close to 1%, as the contribution from net exports turns negative.

Domestically driven growth in 2020 and 2021

Private consumption is expected to remain the main driver of growth, fuelled by the expected rise in wage income and modest increases in employment. Public consumption is set to contribute to growth more than in recent years, as the new government plans to increase spending.

Investment is expected to slow down in 2020, in particular its construction component. As indicated by the decline in the number of new housing permits requested and project starts, it is likely that residential construction growth will turn negative next year. This might be partially compensated by public infrastructure projects and investment in machinery and equipment but investment is likely to remain subdued overall.

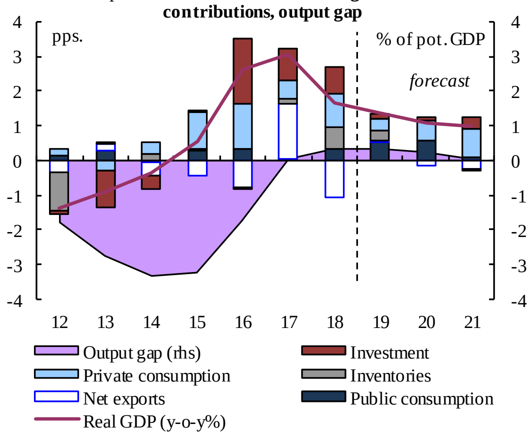
Exports are forecast to improve in line with the expected slow recovery in demand in Finland's main trading partners, but only gradually. Imports should follow a similar path but its growth rate is expected to outpace exports, leading to a slight deterioration in the trade balance.

Mild employment growth and low inflation

Wage increases are likely to outpace productivity growth as the unemployment rate nears its structural level. While the outlook for the labour market is still positive, further sizeable employment increases are unlikely. The expected rise in real income should boost household disposable income and help the household saving rate to recover.

Inflation remained low and below the euro area average in 2019. The pass-through from higher wages into services was smaller than in the past. This, coupled with expected low energy prices implies that the period of low inflation is likely to continue over the forecast horizon.

Graph II.19.1: **Finland - Real GDP growth and contributions, output gap**



Risks are tilted to the downside

Being a small open economy, Finland is vulnerable to disruptions in trade, which would further lower demand in Finland's main trading partners. Domestically, the slowdown in residential construction could turn out to be even stronger than anticipated.

Expansionary fiscal stance

The general government headline balance is forecast to deteriorate from -0.8 % of GDP in 2018 to -1.1% of GDP in 2019, revised down from -0.4% of GDP at the time of the spring forecast. While economic and employment developments should continue to support tax revenues and keep a lid on expenditures linked to social benefits, the outlook for government revenue has clearly deteriorated in line with the cyclical developments. Furthermore, higher-than-expected spending by local authorities in the first half of 2019 has further deteriorated the projected balance. Finally, recent statistical revisions have also resulted in a deterioration of the balance for 2018 by 0.1 percentage points.

The general government balance is forecast to further deteriorate to -1.4% of GDP in 2020 and – under a no-policy-change assumption – to -1.6% of GDP in 2021. In early October, the Rinne government adopted new medium-term fiscal plans underpinning the government's programme and the draft budget for 2020. Starting from 2020, the government plans to increase spending in several areas, including education, social security, health and long term care as well as its investment in infrastructure (in particular road and rail transport networks). These plans, if fully implemented, are projected to lead to a substantial increase in government expenditure that would only partially be funded by revenue increasing measures. Excise taxes on alcohol, tobacco and fuel will be raised as of 2020, but many other revenue-increasing measures that were announced will be specified and adopted only later during the government term. In addition, some revenue-increasing measures from the 2017 Competitiveness Pact are to kick in in 2020, but the impact of those is offset by new plans to cut income taxes paid by low and middle-income earners. Overall, the discretionary fiscal measures leave a substantial gap between expenditure and revenues, resulting in a growing deficit.

The structural budget balance is forecast to deteriorate from about -1% of GDP in 2018 to around -1½% in 2019. As the output gap will be gradually closing, the structural balance is projected to remain around the same level in 2020 and 2021.

The general government debt-to-GDP ratio is set to increase through 2021 but it will remain below the 60% benchmark ratio. From 2021, the debt will additionally increase due to the start of advance payments for delivery of new military equipment scheduled for mid-2020s. Population ageing is projected to put pressure on Finland's spending and weigh on debt sustainability in the long term.

Table II.19.1:

Main features of country forecast - FINLAND

	2018				Annual percentage change					
	bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		234.5	100.0	1.5	2.6	3.1	1.7	**1.4**	**1.1**	**1.0**
Private Consumption		123.7	52.8	2.0	2.4	1.0	1.8	**0.6**	**1.1**	**1.5**
Public Consumption		53.1	22.7	1.2	1.4	0.2	1.5	**2.4**	**2.5**	**0.4**
Gross fixed capital formation		55.5	23.7	0.9	8.9	4.0	3.3	**0.7**	**0.4**	**1.5**
of which: equipment		12.3	5.2	0.8	14.0	6.4	-1.1	**2.1**	**1.2**	**2.9**
Exports (goods and services)		90.4	38.6	2.8	3.7	8.8	2.2	**1.9**	**2.2**	**2.4**
Imports (goods and services)		92.1	39.3	3.7	5.8	4.1	5.0	**1.8**	**2.5**	**3.0**
GNI (GDP deflator)		235.2	100.3	1.6	2.2	2.5	2.0	**1.4**	**1.1**	**1.0**
Contribution to GDP growth:	Domestic demand			1.5	3.5	1.5	2.1	**1.0**	**1.2**	**1.2**
	Inventories			0.1	0.0	0.1	0.6	**0.3**	**0.0**	**0.0**
	Net exports			-0.1	-0.8	1.6	-1.0	**0.1**	**-0.1**	**-0.2**
Employment				0.7	0.5	1.0	2.6	**0.9**	**0.4**	**0.3**
Unemployment rate (a)				8.4	8.8	8.6	7.4	**6.7**	**6.5**	**6.4**
Compensation of employees / head				2.7	0.9	-1.1	0.7	**3.1**	**3.0**	**3.2**
Unit labour costs whole economy				1.9	-1.2	-3.0	1.7	**2.7**	**2.3**	**2.5**
Real unit labour cost				0.1	-1.4	-3.7	-0.4	**1.2**	**0.5**	**0.5**
Saving rate of households (b)				8.1	6.3	6.7	6.8	**8.7**	**9.0**	**9.6**
GDP deflator				1.7	0.2	0.7	2.1	**1.4**	**1.8**	**2.0**
Harmonised index of consumer prices				1.8	0.4	0.8	1.2	**1.2**	**1.4**	**1.5**
Terms of trade goods				-0.7	0.0	-0.9	0.5	**-0.7**	**-0.1**	**-0.2**
Trade balance (goods) (c)				6.1	0.0	0.7	0.3	**0.4**	**0.3**	**0.2**
Current-account balance (c)				2.8	-1.9	-0.8	-1.4	**-1.3**	**-1.5**	**-1.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.9	-1.9	-0.7	-1.3	**-1.2**	**-1.4**	**-1.6**
General government balance (c)				1.3	-1.7	-0.7	-0.8	**-1.1**	**-1.4**	**-1.6**
Cyclically-adjusted budget balance (d)				1.6	-0.7	-0.7	-1.0	**-1.3**	**-1.6**	**-1.6**
Structural budget balance (d)				-	-0.7	-0.7	-1.0	**-1.4**	**-1.6**	**-1.6**
General government gross debt (c)				45.2	62.6	60.9	59.0	**59.2**	**59.3**	**59.8**

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

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

Non-EA Member States

20. BULGARIA

Moderate growth ahead

Economic growth in Bulgaria is set to slow and remain close to potential. Despite weak external demand and elevated uncertainty abroad, domestic demand dynamics should underpin growth. Exports are forecast to grow at a modest rate, in line with foreign demand prospects. Inflation is set to decline, as temporary factors fade away and oil prices decline further. The government balance is set to remain in surplus and public debt to continue falling.

Moderate GDP growth ahead

Following real GDP growth of just over 3% in 2018, growth dynamics remained strong in the first half of 2019, registering 1.1% in the first quarter and 0.9% in the second (q-o-q). Private consumption contributed strongly to the overall expansion on the back of rapid wage growth and high employment. Investment in machinery and equipment performed strongly, supported by favourable financing conditions and buoyant public investment activity. Aggregate investment, however, grew more moderately due to underperformance of other investment components.

Exports maintained positive annual growth in the first quarter, continuing the favourable trend from the second half of 2018. However, as external demand has continued to falter, exports declined in the second quarter and became more volatile. Imports contracted sharply in the second quarter due to an abrupt drop in imports of crude oil, as inventories were run down.

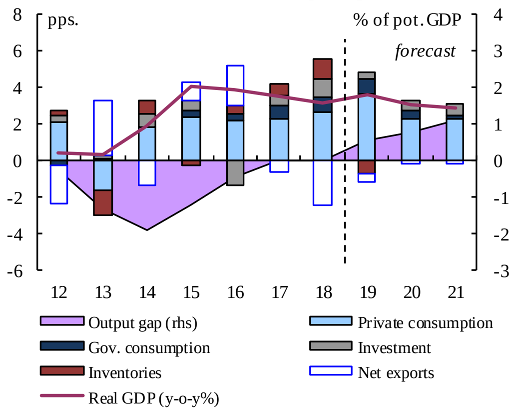
Real GDP growth is forecast to reach 3.6% in 2019, and then slow down to 3% in 2020 and 2.9% in 2021. Exports are set to register small negative growth in 2019 and regain modest growth rates ahead, in line with foreign demand developments. Domestic demand is expected to continue to lose some growth momentum, but remain the main growth driver. A limited room for further improvement in employment is set to weigh on household consumption dynamics while real wage increases support private spending. In 2019 aggregate investment should posit only modest expansion due to the relatively subdued performance in the first half of the year. In the next two years investment is expected to regain some momentum but grow at a moderate pace, against the backdrop of elevated economic uncertainty abroad and somewhat worsened growth prospects.

Risks to the forecast are mainly on the downside, associated with a potential sharp and protracted deterioration of external demand from the major trading partners and second-round effects through higher unemployment and lower domestic demand.

Temporary factors influence inflation

Annual headline inflation is forecast at 2.4% in 2019. Price dynamics have been volatile since the beginning of the year, accelerating to 3.1% in April and declining to 1.6% in September. Food prices have contributed strongly to inflation, influenced by the poor harvest in 2018 and the spread of African swine fever beginning in May 2019. Energy inflation was influenced upwards by electricity price hikes in the middle of the year and downwards by lower petrol prices in the second half of the year. Services inflation outpaced that of total goods on the back of strong wage growth and factors specific to catering services, such as more pronounced seasonality and higher prices of food. Owing to the gradual fading of temporary factors and the further decline in oil prices, inflation is set to decrease to 1.6% in 2020 and increase again to 2.1% in 2021.

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



Unemployment falls to historic lows

The unemployment rate is expected to fall to 4.4% in 2019, down from 5.2% in 2018. Over the following two years it is set to drop further to 4.1% and 4.0%, respectively. The employment gains forecast for 2019 are likely to stall in 2020 and to turn negative in 2021 due to Bulgaria's shrinking labour force. Real wages are forecast to increase strongly in 2019, owing to the historically low unemployment turnout and planned minimum and public sector wage increases. Wage growth is expected to remain strong in 2020 and 2021, although likely to moderate compared to this year.

Sustained budget surpluses

The general government surplus, is forecast at 1.1% of GDP in 2019, lower than in 2018. Budget revenue is set to strengthen further this year mainly thanks to strong social contributions and revenues from electricity fees. Government expenditure, however, seems to be rising faster than revenues. This is mainly due to increases in some current expenditure categories such as wages and social expenditure, as well as an expected pickup in public investment.

The budget balance is expected to remain positive during the forecast period. Revenue collection is projected to remain strong, in line with macroeconomic and labour market developments. been announced for 2020 and high public investment as a result of both national and EU-financed projects will fuel an increase in total spending.The budget surplus is thus expected to reduce to 0.9% of GDP in 2020 and remain at the same level in 2021.

The budgetary forecast is subject to upside risks. The public investment plans remain ambitious. At the same time, revenue collection seems to have gained some momentum and may continue to exceed expectations in the coming years.

In structural terms, the budget surplus is set to drop from $1^{2}/3$% of GDP in 2018 to around 1% of GDP in 2019 and further reduce during 2020 and 2021, reflecting the changes in the headline balance and the positive and increasing output gap. Interest spending is decreasing. On the other hand, the government plans some pre-financing of its medium term debt, so the pace at which Bulgaria's public debt is set to fall is likely to slow despite the primary surplus. The public debt-to-GDP ratio is projected to fall from 22.3% in 2018, to 21.1% in 2019, 19.9% in 2020 and 18.6% in 2021.

Table II.20.1:

Main features of country forecast - BULGARIA

		2018		Annual percentage change						
bn BGN		Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		109.7	100.0	3.6	3.8	3.5	3.1	**3.6**	**3.0**	**2.9**
Private Consumption		65.5	59.7	4.6	3.5	3.8	4.4	**6.1**	**3.8**	**3.7**
Public Consumption		18.0	16.5	1.4	2.2	4.3	5.3	**4.8**	**2.6**	**1.4**
Gross fixed capital formation		20.6	18.8	6.4	-6.6	3.2	5.4	**1.8**	**3.0**	**3.3**
of which: equipment		8.5	7.7	7.1	-14.8	4.4	8.8	**13.5**	**3.1**	**3.1**
Exports (goods and services)		72.2	65.9	5.5	8.6	5.8	1.7	**-0.2**	**3.2**	**3.2**
Imports (goods and services)		69.4	63.3	6.6	5.2	7.4	5.7	**0.5**	**3.8**	**3.7**
GNI (GDP deflator)		110.6	100.9	3.6	5.6	5.1	2.6	**3.5**	**3.0**	**2.7**
Contribution to GDP growth:	Domestic demand			4.8	1.1	3.6	4.4	**4.8**	**3.2**	**3.0**
	Inventories			-0.1	0.4	0.6	1.1	**-0.7**	**0.0**	**0.0**
	Net exports			-1.0	2.2	-0.7	-2.4	**-0.5**	**-0.2**	**-0.2**
Employment				0.2	0.5	1.8	-0.1	**0.6**	**0.0**	**-0.2**
Unemployment rate (a)				11.6	7.6	6.2	5.2	**4.4**	**4.1**	**4.0**
Compensation of employees / head				8.5	5.8	10.5	9.7	**7.8**	**6.6**	**5.4**
Unit labour costs whole economy				5.0	2.4	8.7	6.3	**4.7**	**3.5**	**2.3**
Real unit labour cost				0.4	-0.1	4.5	2.2	**0.1**	**0.5**	**-0.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.5	2.5	3.9	4.0	**4.5**	**3.0**	**2.6**
Harmonised index of consumer prices				4.6	-1.3	1.2	2.6	**2.4**	**1.6**	**2.1**
Terms of trade goods				-0.4	3.9	0.3	0.7	**1.9**	**0.7**	**0.5**
Trade balance (goods) (c)				-15.0	-2.1	-1.5	-3.3	**-2.9**	**-2.9**	**-2.9**
Current-account balance (c)				-6.5	5.3	6.1	4.6	**5.5**	**5.5**	**5.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-5.7	7.3	7.1	5.7	**6.7**	**6.8**	**6.7**
General government balance (c)				-0.7	0.1	1.1	1.8	**1.1**	**0.9**	**0.9**
Cyclically-adjusted budget balance (d)				-0.6	0.2	1.1	1.8	**1.0**	**0.6**	**0.6**
Structural budget balance (d)				-	0.2	1.1	1.8	**1.0**	**0.6**	**0.6**
General government gross debt (c)				29.6	29.3	25.3	22.3	**21.1**	**19.9**	**18.6**

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

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

21. CZECHIA

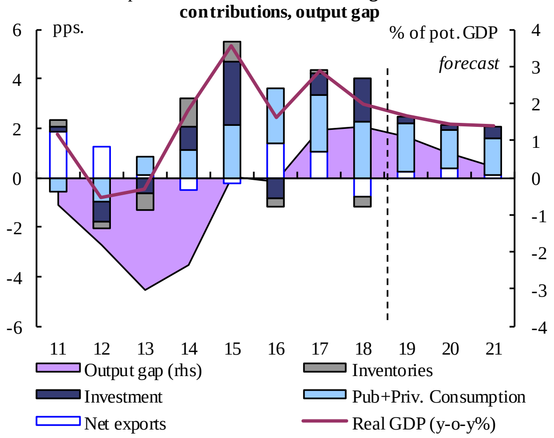
Growth remains robust but external risks are starting to materialise

Czechia's long economic expansion is expected to continue but its rate of growth is set to slow. Domestic demand remains the key growth driver, boosted by high wage increases in a tight labour market. The near-term outlook for private investment remains subdued and coincides with weakening trade activity. Inflation is forecast to remain within the tolerance band and to fall towards the central bank's 2% target rate. Public finances are expected to remain in balance throughout the forecast horizon.

Growth is driven by private consumption

Czechia's economy is forecast to grow by 2.5% this year, down from 3% in 2018. Growth is expected to continue slowing in 2020 and 2021 to 2.2% and 2.1%, respectively, which is broadly in line with the economy's estimated potential growth rate. On the back of a tight labour market, strong wage growth and robust consumer confidence will continue to support household consumption throughout the forecast horizon. Government consumption is also expected to remain strong, influenced by the ending of the current programming period for EU funds. Private investment growth and trade are expected to moderate significantly, influenced by weaker global demand and geopolitical uncertainties. A larger dampening effect on imports, due to a slowdown in production and investment, is expected to mean that the external balance will contribute positively to GDP growth over the forecast horizon.

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



Private investment decelerates, external risks start to materialise

After strong growth in 2018, investment is likely to abate in 2019 and 2020, before slightly rebounding in 2021 thanks to an expected ease in the external environment. Investment in equipment will be particularly affected in the near term, as the growth of industrial production was muted in the first three quarters of 2019. While the automotive industry remains resilient, other manufacturing sectors have witnessed a significant drop in economic activity. As manufacturing sentiment is rather weak, new orders have been declining throughout 2019. On the other hand, whereas labour market pressures may be slightly easing, the job market remains very tight and companies are still struggling to fill job vacancies (currently 1.6 job vacancies per unemployed worker). Unemployment is at very low levels and is forecast to remain at 2.1% in 2019, 2.2% in 2020 and 2.3% in 2021.

The recent drop in investment and industrial production has been mostly due to external uncertainties, as the Czech industrial sector is very dependent on the external sector. Slowing demand from euro area trading partners, global trade disruptions and revised standards in the automotive industry are weighing on investment decisions. In addition, the competitiveness of Czech exports may have already been negatively affected by the fast pace of real wage growth since 2016. As imports are expected to grow more slowly than exports due to weaker investment and production, the trade balance will likely remain positive throughout the forecast horizon.

Inflation is expected to fall towards target after the rise in 2019

HICP inflation is forecast to increase to 2.6% in 2019, above the Czech National Bank's target of 2%, influenced by steeper energy, services and processed food prices. For 2020 and 2021, inflation is expected to moderate slightly and reach 2.3% and 2.0%, respectively.

Public finances are likely to remain in balance

In 2019, the general government balance is expected to remain in surplus for the fourth year in a row. However, moderating economic growth and a significant increase in public expenditure are expected to reduce the surplus to around 0.2% of GDP. While local governments and the social security funds continue to run a surplus, the central government is expected to post a slight deficit. Similar to 2018, income tax receipts and social contributions are projected to be the main drivers of revenue developments. On the expenditure side, public wages, pensions and subsidies will continue to increase firmly. Public investment, on the other hand, is expected to moderate compared to the very high level seen in 2018.

This picture broadly holds true over the entire forecast horizon, despite the general balance being expected to turn slightly negative, at around -0.1% of GDP and -0.3% of GDP, in 2020 and 2021 respectively. In 2020, tax revenues are likely to benefit from the rollout of the final phases of the electronic registration of sales. In addition, there are new discretionary measures planned on the revenue side, such as an increase in excise duties for alcohol and tobacco products and the introduction of a new digital services tax for large corporations. Nonetheless, revenue growth is expected to continue to lag behind expenditure growth. The increase in public wages and social transfers is expected to continue, albeit at a more moderate pace compared to previous years. Growth in public investment is also likely to remain robust, as the current programming period for EU funds enters its final years. Interest expenditure is expected to remain low, reflecting the wider interest rate environment.

The structural balance is expected to remain slightly negative throughout the forecast horizon, in line with the shrinking general balance. Meanwhile, the general government debt is forecast to further decrease to around 30% of GDP by 2021, similar to levels last seen in 2008.

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

	2018			Annual percentage change						
	bn CZK	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		5328.7	100.0	2.8	2.5	4.4	3.0	**2.5**	**2.2**	**2.1**
Private Consumption		2530.1	47.5	2.2	3.6	4.3	3.2	**2.8**	**2.4**	**2.2**
Public Consumption		1064.1	20.0	1.3	2.7	1.3	3.9	**3.1**	**1.9**	**2.1**
Gross fixed capital formation		1358.4	25.5	3.0	-3.1	3.7	7.2	**1.1**	**1.0**	**2.1**
of which: equipment		592.0	11.1	4.4	-2.5	3.4	8.3	**-0.4**	**-0.8**	**0.9**
Exports (goods and services)		4177.0	78.4	8.7	4.3	6.7	4.4	**2.1**	**1.9**	**2.2**
Imports (goods and services)		3836.9	72.0	8.2	2.8	5.9	5.9	**2.0**	**1.6**	**2.3**
GNI (GDP deflator)		5031.9	94.4	2.4	2.7	4.7	3.6	**2.8**	**2.5**	**2.4**
Contribution to GDP growth:	Domestic demand			2.2	1.4	3.2	4.1	**2.2**	**1.8**	**2.0**
	Inventories			0.1	-0.4	0.1	-0.4	**0.0**	**0.0**	**0.0**
	Net exports			0.4	1.4	1.1	-0.8	**0.3**	**0.4**	**0.1**
Employment				0.4	1.6	1.6	1.3	**1.1**	**0.6**	**0.5**
Unemployment rate (a)				6.9	4.0	2.9	2.2	**2.1**	**2.2**	**2.3**
Compensation of employees / head				4.5	4.0	6.4	8.0	**5.2**	**4.7**	**4.4**
Unit labour costs whole economy				2.0	3.1	3.6	6.3	**3.7**	**3.0**	**2.8**
Real unit labour cost				0.2	1.8	2.1	3.7	**1.1**	**0.7**	**0.9**
Saving rate of households (b)				11.6	11.6	9.5	10.8	**11.4**	**11.7**	**11.9**
GDP deflator				1.8	1.3	1.4	2.5	**2.6**	**2.3**	**1.8**
Harmonised index of consumer prices				2.2	0.6	2.4	2.0	**2.6**	**2.3**	**2.0**
Terms of trade goods				-0.1	1.0	-1.4	-0.1	**-0.4**	**0.1**	**0.1**
Trade balance (goods) (c)				-0.5	5.4	5.0	4.2	**4.0**	**4.1**	**4.0**
Current-account balance (c)				-3.5	0.1	0.3	-0.2	**0.0**	**0.5**	**0.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.5	0.6	0.8	0.7	**1.0**	**1.7**	**2.2**
General government balance (c)				-3.3	0.7	1.6	1.1	**0.2**	**-0.1**	**-0.3**
Cyclically-adjusted budget balance (d)				-3.4	0.8	1.1	0.5	**-0.3**	**-0.4**	**-0.4**
Structural budget balance (d)				-	0.8	1.1	0.5	**-0.3**	**-0.4**	**-0.4**
General government gross debt (c)				32.3	36.8	34.7	32.6	**31.5**	**30.7**	**30.1**

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

22. DENMARK

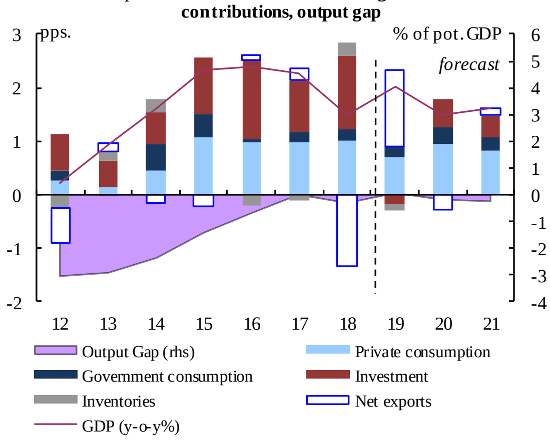
Defying global trends for now

Economic growth is forecast to remain robust this year but to slow down over the forecast horizon. Consumption and, to a lesser extent, investment are expected to drive growth, while the contribution of exports is set to fade. The general government budget balance is projected to reach a record high surplus this year and remain close to balance in the coming years.

Dynamic growth so far this year

Economic growth in Denmark has outpaced the euro area so far this year. A marked increase in industrial production and exports provided impetus for real GDP growth. These developments are mainly due to the favourable industrial specialisation of Danish industry, which has so far proven to be less sensitive to the slowdown in the world economy. As a result, real GDP growth is set to accelerate to 2% in 2019. Nevertheless, Denmark is expected to fall in line with the global trend over the forecast horizon with real GDP growth forecast to moderate to 1.5% in 2020 and to 1.6% in 2021.

Graph II.22.1: **Denmark - Real GDP growth and contributions, output gap**



Gradually slowing labour market

Despite high levels of growth, labour demand has been gradually weakening this year. As a result, employment growth is projected to moderate from 1.8% in 2018 to 1.3% in 2019 and slow down to 0.8% in 2021. Although the labour force is set to continue expanding partly due to the gradual increases in the statutory retirement age, employment growth remains robust enough to keep unemployment steady. The unemployment rate is thus forecast to remain stable with a small decline from 4.9% in 2019 to 4.7% by 2021.

Consumption remains a steady driver

Private consumption has been expanding steadily by around 2% in recent years supported by strong labour market developments and steady disposable income growth. A slight dip is expected in 2019 mainly due to the weak carry-over from 2018, but the underlying trends remain unchanged. While employment growth is projected to slow down, private consumption will be further supported by a one-off repayment of excessively collected property taxes to households (reaching around 0.5% of GDP) at the end of 2020. As a result, growth in private consumption is forecast to hover around 2% over the forecast horizon. The new budget presented in October 2019 includes additional spending in the areas of welfare and education in 2020. As a result, public consumption is projected to increase more dynamically by 1.3% in 2020 and 1% in 2021.

Volatile investment

Investment expanded by 6.5% in 2018. However, the surge in equipment investment last year was partly due to a large acquisition in the shipping sector, which raised both investment and imports. This temporary lift implies a negative base effect for this year, and is further compounded by slowing investment in construction. As a result, gross fixed capital formation is projected to decline by 0.8% in 2019. Moderately rising house prices and a decline in new residential construction permits suggest a further gradual reduction in housing construction dynamics. Equipment investment growth is forecast to remain subdued due to the uncertain global economic outlook. As a result, gross fixed capital formation is set to expand at a more moderate pace of 2.5% in 2020 and 1.9% in 2021.

Robust goods exports growth this year

Despite a general slowdown in its main export markets, Danish exports grew dynamically in the first half of 2019. The growth has come almost entirely from just two sectors: pharmaceuticals and wind turbines. By contrast, imports growth has been subdued, reflecting both the negative base effect of the shipping acquisition in 2018 and weak car imports in 2019-Q1 due to the introduction of new emission standards last year. As a result, the current account surplus is expected to widen from 5.7% of GDP in 2018 to 7.1% of GDP in 2019. Both exports and imports are expected to resume around their trend growth over the forecast horizon and the current account surplus is expected to moderate to 6.7% of GDP in 2021.

Moderately increasing inflation

Danish consumer price inflation has been modest so far this year and is forecast to average a mere 0.8% in 2019. All components of HICP inflation are expected to remain subdued this year. Despite the forthcoming hike of duties on tobacco, inflation is only set to increase moderately to 1.3% in 2020 and 1.4% in 2021.

Stable public finances

The headline budget balance is projected to reach 2.2% of GDP in 2019, a significant upward revision compared to the spring forecast. The increase is mainly because of an expected surge in revenues from the pension yield tax. The headline surplus is expected to decline to 0.5% of GDP in 2020. This is partly due to a one-off repayment of DKK 18.5 bn (0.9% of GDP) of excessively collected property taxes to households and companies as well as additional public spending on welfare and education. Weakening economic growth and expected decline in pension yield tax revenues will weigh on the budget balance in 2021, which is projected to turn to 0.0% of GDP in 2021. The structural balance is estimated to remain close to positive over the forecast horizon.

Public gross debt is set to continue falling gradually from 34.2% of GDP in 2018 to 31.7% of GDP in 2021. Nevertheless, general government gross debt will decrease less dynamically than positive primary balances, low interest rates and stable growth would suggest, because a new financing program for social housing is projected to increase the debt stock.

Table II.22.1:

Main features of country forecast - DENMARK

	2018		Annual percentage change						
	bn DKK Curr. prices	**% GDP**	**00-15**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
GDP	2223.1	100.0	1.1	2.4	2.3	1.5	**2.0**	**1.5**	**1.6**
Private Consumption	1048.4	47.2	1.1	2.1	2.1	2.2	**1.5**	**2.0**	**1.8**
Public Consumption	546.2	24.6	1.6	0.2	0.7	0.9	**0.8**	**1.3**	**1.0**
Gross fixed capital formation	498.7	22.4	1.4	7.6	4.6	6.5	**-0.8**	**2.5**	**1.9**
of which: equipment	148.1	6.7	1.3	2.5	7.7	10.9	**-4.9**	**1.9**	**1.4**
Exports (goods and services)	1211.6	54.5	3.5	3.9	3.6	0.4	**3.9**	**1.8**	**2.0**
Imports (goods and services)	1101.3	49.5	4.4	4.2	3.6	3.3	**1.4**	**2.6**	**1.9**
GNI (GDP deflator)	2275.9	102.4	1.4	1.9	1.9	1.6	**2.0**	**1.4**	**1.5**
Contribution to GDP growth: Domestic demand			1.2	2.5	2.1	2.6	**0.7**	**1.8**	**1.5**
Inventories			0.0	-0.2	-0.1	0.2	**-0.1**	**0.0**	**0.0**
Net exports			-0.1	0.1	0.2	-1.3	**1.4**	**-0.3**	**0.2**
Employment			0.2	1.5	1.7	1.8	**1.3**	**0.9**	**0.8**
Unemployment rate (a)			5.7	6.0	5.8	5.1	**4.9**	**4.8**	**4.7**
Compensation of employees / head			2.9	1.5	1.7	2.0	**2.3**	**2.7**	**3.0**
Unit labour costs whole economy			2.0	0.6	1.1	2.3	**1.6**	**2.0**	**2.1**
Real unit labour cost			0.0	-0.1	-0.3	1.7	**0.2**	**0.3**	**0.2**
Saving rate of households (b)			6.7	10.5	11.8	12.1	**12.2**	**12.4**	**12.6**
GDP deflator			2.0	0.7	1.4	0.6	**1.5**	**1.8**	**1.9**
Harmonised index of consumer prices			1.8	0.0	1.1	0.7	**0.8**	**1.3**	**1.4**
Terms of trade goods			0.9	2.1	-1.2	-2.3	**0.3**	**0.2**	**0.2**
Trade balance (goods) (c)			4.0	5.9	5.6	4.8	**6.3**	**6.0**	**6.1**
Current-account balance (c)			4.6	7.9	8.0	5.7	**7.1**	**6.7**	**6.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			4.6	7.9	8.0	5.7	**7.1**	**6.7**	**6.7**
General government balance (c)			0.7	0.2	1.7	0.8	**2.2**	**0.5**	**0.0**
Cyclically-adjusted budget balance (d)			0.9	0.6	1.7	1.0	**2.1**	**0.6**	**0.2**
Structural budget balance (d)			-	0.6	1.7	1.0	**2.1**	**1.4**	**0.2**
General government gross debt (c)			42.0	37.2	35.5	34.2	**33.0**	**32.3**	**31.7**

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

23. CROATIA

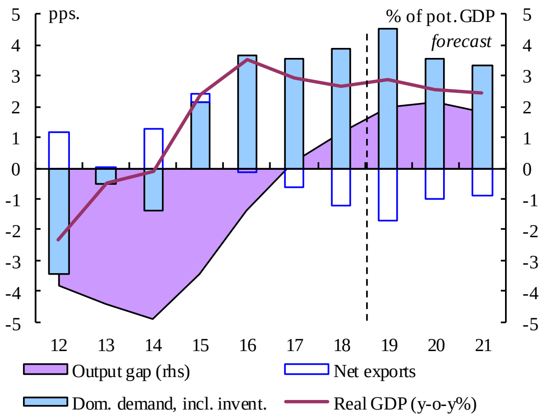
Moderate growth under external pressures

As growth in Croatia's main trading partners moderates, domestic demand will remain the main driver of economic activity. Household consumption remains strong, driven by growing employment and wages as well as low inflation. Investment is set to continue growing strongly, backed by EU funds, and government consumption is also expected to support growth. The economy should continue adding jobs, but at a slower pace as labour shortages appear in some sectors. The debt ratio is set to continue declining steadily as the general government balance turns from mildly positive to neutral.

Growth recovery in the first half of 2019

Economic activity in Croatia regained momentum in the first half of 2019, after a weaker-than-expected performance towards the end of 2018. Real GDP rose sharply in the first quarter, by 1.5% quarter-on-quarter, followed by more moderate growth in the second quarter, at 0.2%. Based on high frequency indicators, growth is expected to remain moderate in the second half of the year, bringing the forecast for 2019 to 2.9%. Domestic demand is driven by strong household consumption and is supported by public consumption and investment, which benefits from increasing use of EU funding. Despite a recovery in exports, net exports are set to negatively contribute to growth due to the strong performance of imports.

Graph II.23.1: **Croatia - Real GDP growth and contributions, output gap**



Growth driven by domestic demand

Throughout the 2019-2021 period, domestic demand is forecast to remain the main driver of GDP growth. Ongoing improvements in the labour market, rising wages and low inflation will continue to drive household consumption. A stronger contribution from public consumption is expected, driven by rising intermediate consumption and an increasing public sector wage bill. Together with pension increases, public sector wage hikes are expected to support disposable incomes and boost household consumption. Driven by the rising uptake of EU funds by both the public and private sectors, investment growth is expected to record growth rates above those observed since 2015 throughout the forecast period. Furthermore, favourable financing conditions should remain supportive of private investment.

After growing at an average rate of almost 8% since 2013, Croatia's goods exports grew significantly less in 2018, thus ending a period of rapid market share gains. In addition, uncertainties surrounding global trade and the weakening economic performance expected in some of Croatia's main trading partners are expected to slow down growth in goods exports throughout the 2019-2021 period. Exports of services, dominated by the tourism sector, are also expected to grow more moderately. With rising competition in the tourism sector and high capacity utilisation in the busiest months of the season, it would take an increase in both the number of visits outside the peak season and in per-capita spending to boost export growth in the service sector. Import growth, by contrast, is expected to remain strong in 2020 and 2021, in line with domestic demand. Overall, the trade balance is expected to deteriorate throughout the forecast period. The current account balance is expected to gradually decrease to 0.3% of GDP by 2021.

With real GDP growth at 2.9% in 2019, GDP is set to finally surpass its pre-crisis level. Going forward, GDP growth is expected to moderate to 2.6% and 2.4% in 2020 and 2021, respectively.

Labour market conditions improve amid low inflation

Labour market conditions continue improving, although labour shortages are becoming more apparent in some sectors. Moderate employment growth is expected to continue throughout the forecast period. The number of unemployed and the unemployment rate are both already at their lowest recorded levels and are projected to continue decreasing. At the same time, the activity rate is projected to pick up marginally, largely due to negative demographic dynamics, particularly Croatia's high level of emigration. Strong labour demand and the planned increase in public sector wages should support real wage growth. Still, unit labour costs are set to increase only moderately.

In the first half of 2019, headline inflation declined compared to 2018, mainly due to a significant reduction in the VAT rate on selected unprocessed foods. The HICP inflation rate should thus drop to just below 1% in 2019. Inflation is projected to pick up in 2020 and 2021, to 1.3% and 1.5% respectively.

Public finances to remain in check

In 2019, the general government balance is expected to remain in surplus for the third year in a row. Revenues are performing strongly in spite of tax cuts, which particularly affected revenue from VAT and social contributions. Expenditure grows primarily due to wage hikes in the public sector, investment and intermediate consumption.

In 2020-2021, tax revenue is expected to grow at a slower pace than nominal GDP, due to further tax cuts. EU funds are projected to continue supporting revenues as the programming period enters its most mature stage. Expenditure growth should continue in 2020 and moderate somewhat in 2021, largely due to the strong base effect of the rising wage bill, investment and capital transfers in 2018-2019. Additional savings are expected in interest payments, most notably in 2020, as a sizable portion of maturing debt is refinanced at lower rates. Overall, the budget is expected to remain balanced.

In structural terms, the general government deficit is expected to increase from 0.3% of GDP in 2018 to 1% of GDP in 2020 and decrease slightly in 2021. The debt ratio is set to continue declining strongly on the back of surpluses and nominal GDP growth, dipping below 65% of GDP in 2021.

Table II.23.1:

Main features of country forecast - CROATIA

	2018			Annual percentage change						
	bn HRK	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		381.8	100.0	1.7	3.5	2.9	2.6	**2.9**	**2.6**	**2.4**
Private Consumption		219.6	57.5	1.4	3.5	3.6	3.5	**3.6**	**3.1**	**2.9**
Public Consumption		75.3	19.7	1.2	0.7	2.7	2.9	**3.3**	**2.9**	**1.3**
Gross fixed capital formation		76.7	20.1	2.3	6.5	3.8	4.1	**8.8**	**7.5**	**7.2**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		195.6	51.2	4.6	5.6	6.4	2.8	**3.2**	**2.7**	**2.6**
Imports (goods and services)		190.4	49.9	4.0	6.2	8.1	5.5	**6.3**	**5.3**	**4.6**
GNI (GDP deflator)		375.0	98.2	1.9	0.9	4.4	2.6	**2.8**	**2.5**	**2.4**
Contribution to GDP growth:		Domestic demand		1.7	3.4	3.3	3.4	**4.5**	**3.9**	**3.5**
		Inventories		0.1	0.3	0.2	0.5	**0.0**	**0.0**	**0.0**
		Net exports		0.0	-0.1	-0.6	-1.2	**-1.5**	**-1.3**	**-1.1**
Employment				0.1	0.3	2.2	1.8	**1.3**	**1.1**	**1.1**
Unemployment rate (a)				13.7	13.4	11.0	8.4	**6.9**	**5.8**	**4.9**
Compensation of employees / head				3.2	1.3	-1.1	2.2	**2.6**	**2.5**	**2.2**
Unit labour costs whole economy				1.5	-1.8	-1.8	1.4	**1.0**	**1.0**	**0.8**
Real unit labour cost				-1.2	-1.8	-2.8	-0.3	**-0.9**	**-1.4**	**-1.6**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.8	-0.1	1.1	1.7	**1.9**	**2.4**	**2.5**
Harmonised index of consumer prices				2.6	-0.6	1.3	1.6	**0.9**	**1.4**	**1.5**
Terms of trade goods				0.8	-0.6	-1.3	-0.5	**0.4**	**0.7**	**0.6**
Trade balance (goods) (c)				-18.2	-15.7	-16.6	-17.6	**-18.7**	**-19.3**	**-19.8**
Current-account balance (c)				-	2.5	4.1	2.9	**1.6**	**0.7**	**0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	4.0	4.7	4.4	**3.6**	**2.6**	**2.2**
General government balance (c)				-	-1.1	0.8	0.3	**0.1**	**0.0**	**0.0**
Cyclically-adjusted budget balance (d)				-	-0.5	0.7	-0.3	**-0.8**	**-1.0**	**-0.8**
Structural budget balance (d)				-	-0.6	0.7	-0.3	**-0.8**	**-1.0**	**-0.8**
General government gross debt (c)				52.2	81.0	78.0	74.8	**71.2**	**67.7**	**64.4**

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

Note: The macroeconomic forecast for Croatia is based on the latest comprehensive national accounts data release available at the cut-off date of the forecast.

24. HUNGARY

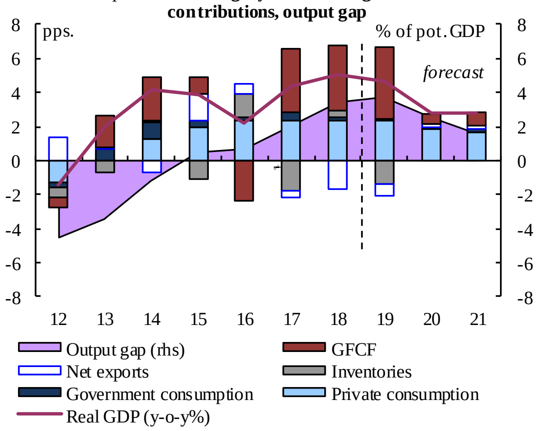
Strong growth set to moderate

Hungary's economy has proved resilient to the global slowdown so far thanks to temporary domestic drivers. Growth, however, is set to slow as domestic support fades and the weakness in key export markets is expected to persist. The moderation in growth should ease the pressure on costs and prices and bring the deterioration in the external balance to halt. The headline and structural budget balances are both forecast to improve.

Domestic tailwinds support growth in 2019

Real GDP growth remained stable at 5.1% in the first half of 2019, similar to the growth rate in 2018. So far, Hungary has managed to withstand the global slowdown thanks to a domestic construction boom and a revival of the automotive industry. Investment activity was supported by rising public expenditure in the run-up to local elections, the recovery of the real estate sector, and high capacity utilisation in manufacturing. Household consumption continued to benefit from rising employment and real wages. The automotive industry and exports received a boost from the launch of new models in major factories. Still, the trade balance decreased due to buoyant import demand.

Graph II.24.1: **Hungary - Real GDP growth and contributions, output gap**



A slowdown is expected in the coming years

The support to growth from construction and the automotive industry are set to fade towards the end of 2019, and GDP growth is projected to drop from 4.6% in 2019 to 2.8% in both 2020 and 2021. Short-term indicators already anticipate this slowdown. The growth of construction output had moderated from double digits to 5.9% by August, while order books have been contracting throughout the year. Manufacturing has also lost momentum in recent months.

Household consumption is projected to slow gradually. The labour market may become less tight as lower GDP growth limits labour demand and constrains further real income gains. Rising government support to families and for home buying contribute to higher household investment. At the same time, the attractive yields of retail government bonds will keep the saving rate high.

The investment rate is set to decrease from a record high level. Public investment is projected to moderate in 2020 after Hungary's absorption of EU funds peaked in 2019. In contrast, private investment is forecast to rise further as real estate projects already in the pipeline are completed. Several big-ticket projects in manufacturing are expected to be finalised in the forecast years.

Exports are set to grow more slowly in 2020, in line with subdued growth in trading partners. However, new manufacturing capacities may raise the market share of Hungarian exporters, especially in 2021. The depreciation of the currency has so far limited the impact of strong wage growth on cost competitiveness. Import growth is forecast to slow because of weaker domestic demand. As a result, the current account deficit is set to decrease in the coming years. The continuing inflow of EU funds should keep the external financing position positive.

External risks to the forecast remain on the downside. Upside domestic risks stem from the continuing tightness of the labour market, which could sustain faster wage and consumption growth.

Cost pressure eases gradually

Inflation passed its peak in summer 2019, thanks to moderating fuel prices and favourable base effects. Decreasing commodity prices should help HICP inflation revert from 3.4% in 2019 to 3.1% in 2020 and 3.0% in 2021. Core inflation is expected to remain higher than HICP with still strong, albeit easing consumption and wage growth.

General government deficit set to shrink

The deficit is forecast to decrease to 1.8% of GDP in 2019. Tax revenues remain buoyant, on the back of favourable macroeconomic developments. The increase is, however, below nominal GDP growth, partly due to a 2 pps. cut in employers' social security contributions. The absorption of EU funds is also expected to increase compared to 2018, reaching its peak over the current Multiannual Financial Framework. The only factor contributing to the deficit's reduction is the moderate increase of total current expenditure compared to GDP, taking also into account the full use of free reserves in the budget. Interest expenditure is expected to remain stable as a share of GDP, due to the high premium offered by new retail bonds launched in June 2019. The deficit-reducing contribution of current spending is only partly offset by an increase in capital expenditure resulting from the implementation of the programme to develop villages, the take-up of the pre-natal loan under the 'demography programme' and higher-than-foreseen national co-payments to EU funded projects.

In 2020, the deficit is forecast to decrease further to 1% of GDP. Revenues from EU funds are assumed to decline by 0.5% of GDP. Tax revenues are expected to continue increasing but at a lower rate compared to 2019, following the measures included in the Economy Protection Action Plan, in particular the further cut of employers' social security contributions by 2 pps. Except for interest spending, current expenditure growth is expected to remain moderate, thus contributing to the deficit reduction. The drop in public investment (by 1% of GDP), following also a lower absorption of EU funds, is only partly compensated by higher capital transfers due to the increasing take-up of the 'demography programme'. These projections assume almost the full use of the substantially high level of free reserves (1% of GDP) foreseen in the budget. In 2021, the deficit is estimated to decrease marginally, to 0.8% of GDP, under a no-policy-change scenario. Budgetary risks stem from higher expenditure related to public investments and the measures in the 'demography programme', whose take-up was higher than expected in 2019.

The structural deficit peaked in 2018 at 3.8% of GDP and is estimated to improve by almost 2 ½ pps., reaching 1 ½% of GDP, over the forecast horizon, as the positive output gap closes. The debt-to-GDP ratio is expected to remain on a downward path, falling from 70.2% in 2018 to 64.4% in 2021.

Table II.24.1:

Main features of country forecast - HUNGARY

	2018			Annual percentage change						
bn HUF	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	42661.8	100.0	2.2	2.2	4.3	5.1	**4.6**	**2.8**	**2.8**
Private Consumption	20776.4	48.7	1.5	4.9	4.7	4.8	**4.9**	**3.8**	**3.4**
Public Consumption	8404.5	19.7	2.0	0.7	2.4	0.9	**0.3**	**0.6**	**0.8**
Gross fixed capital formation	10739.3	25.2	2.3	-10.6	18.7	17.1	**17.0**	**2.1**	**2.6**
of which: equipment	4163.3	9.8	3.0	2.5	16.1	10.2	**18.0**	**3.6**	**4.3**
Exports (goods and services)	36236.5	84.9	8.7	3.8	6.9	4.3	**5.1**	**4.0**	**4.6**
Imports (goods and services)	34370.5	80.6	7.5	3.4	8.2	6.8	**6.2**	**4.0**	**4.5**
GNI (GDP deflator)	40952.1	96.0	2.3	4.3	2.8	5.1	**4.8**	**2.9**	**2.9**
Contribution to GDP growth: Domestic demand			1.8	0.2	6.5	6.4	**6.7**	**2.6**	**2.6**
Inventories			-0.4	1.4	-1.8	0.4	**-1.4**	**0.0**	**0.0**
Net exports			0.8	0.6	-0.5	-1.7	**-0.6**	**0.2**	**0.2**
Employment			0.3	3.7	1.9	2.4	**1.9**	**0.2**	**0.0**
Unemployment rate (a)			8.0	5.1	4.2	3.7	**3.4**	**3.4**	**3.4**
Compensation of employees / head			6.2	2.4	7.0	6.2	**7.8**	**6.5**	**6.4**
Unit labour costs whole economy			4.3	4.0	4.5	3.4	**5.0**	**3.8**	**3.5**
Real unit labour cost			-0.5	3.0	0.8	-1.0	**0.8**	**0.1**	**0.5**
Saving rate of households (b)			10.6	11.9	11.4	11.6	**12.3**	**12.2**	**12.1**
GDP deflator			4.8	1.0	3.7	4.5	**4.2**	**3.7**	**3.0**
Harmonised index of consumer prices			4.8	0.4	2.4	2.9	**3.4**	**3.1**	**3.0**
Terms of trade goods			-0.5	1.5	-0.3	-1.0	**-0.1**	**0.3**	**0.0**
Trade balance (goods) (c)			-1.0	3.4	1.5	-1.3	**-1.9**	**-1.5**	**-1.3**
Current-account balance (c)			-4.0	4.7	2.3	-0.3	**-1.2**	**-0.8**	**-0.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.4	4.6	3.1	2.1	**0.6**	**1.2**	**1.2**
General government balance (c)			-4.9	-1.8	-2.4	-2.3	**-1.8**	**-1.0**	**-0.8**
Cyclically-adjusted budget balance (d)			-4.6	-2.1	-3.3	-3.8	**-3.5**	**-2.1**	**-1.5**
Structural budget balance (d)			-	-2.0	-3.7	-3.8	**-3.3**	**-2.1**	**-1.5**
General government gross debt (c)			68.2	75.5	72.9	70.2	**68.2**	**66.7**	**64.4**

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

25. POLAND

Growth to slow but remain strong, supported by domestic demand

GDP growth is forecast to remain solid in 2019, at 4.1%. A gradual slowdown is expected in 2020, followed by a stabilisation in 2021. Private consumption is set to remain the key growth driver supported by favourable labour market trends and fiscal stimulus. Investment growth is projected to moderate, due to weaker demand expectations in the private sector, while public investment is expected to continue rising largely driven by EU funds, but at a slower pace. The headline fiscal deficit is forecast to increase in 2019.

GDP growth was strong in early 2019…

Strong domestic demand helped maintain economic growth close to 4.5% (year-on-year) in the first half of 2019. Favourable labour market developments and strong consumer confidence were key factors supporting private consumption. A rebound of private investment from low levels was also visible. Export dynamics weakened slightly.

… but looks set to slow down in 2020

GDP growth is forecast to remain strong in 2019 at 4.1%, but to slow down to 3.3% in 2020 and in 2021. Private consumption growth, which is projected to remain the key driver, is expected to come down from the exceptionally high levels it experienced in 2018. A continued rise in wages is set to underpin these trends. In addition, recent tax and benefit measures are expected to boost household disposable income in late 2019 and early 2020.

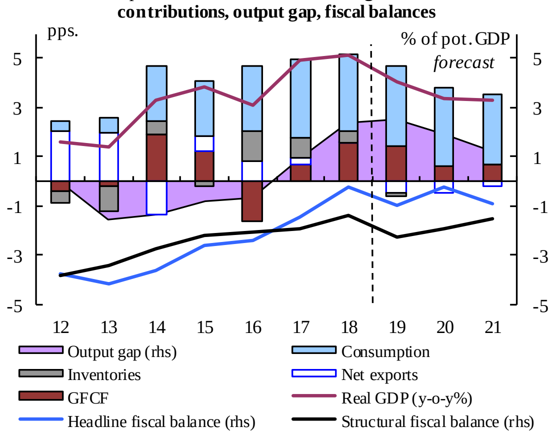
Public investment growth is projected to slow in 2019, in part due to problems in completing certain large infrastructure projects. Given strong incentives to fully utilise EU funding, public investment is expected to continue rising in both 2020 and 2021, though at a moderate pace. Private investment growth is projected to slow, mainly due to weakened confidence about future demand.

Strong international competitiveness is expected to help Poland continue gaining shares in its key export markets. However, export growth is projected to slow from previous years due to the weakening in world trade. As a result, the contribution of net exports to GDP growth is set to remain slightly negative over the forecast horizon.

Stabilisation of wage growth

The demand for labour is projected to remain solid, easing slightly from recent highs. This, combined with planned increases in public sector wages and a substantial rise in the minimum wage in 2020, is expected to keep average wage growth close to 8% until 2021. Employment is set to broadly stabilise given existing barriers to labour force participation and falling working age population. Following several years of rapid reduction, the unemployment rate is set to stabilise slightly above 3.5% until 2021.

Graph II.25.1: **Poland - Real GDP growth and contributions, output gap, fiscal balances**



Inflation to peak in early 2020

Food price inflation increased quickly in the third quarter of 2019. In parallel, services price inflation continued to rise, while energy prices fell. Inflation is projected to gradually increase in late 2019 and early 2020, peaking at above 3% in the first quarter, before falling to around 2.5% and staying around that level until end of 2021. High services prices driven by wage increases are expected to be the main factor keeping inflation higher than in the previous five years. Electricity prices are expected to increase in 2020. In turn, strong competition in the markets for consumer goods and services, the rising importance of e-commerce and the assumed path of global oil prices should constrain inflation growth.

Balance of risks slightly tilted to downside

The uncertainty surrounding the economic outlook relates primarily to the external environment and the extent to which possible disruptions in global value chains could affect Polish producers. The balance of risks for GDP growth appears to be tilted slightly to the downside.

Fiscal deficit set to increase in 2019

The large decreases in fiscal deficits of recent years are expected to reverse. The headline deficit is forecast to increase to 1.0% of GDP in 2019, driven by a high rise in transfers to pensioners and middle- and upper-income households with children. Revenue growth from indirect taxes is to slow down as a result of measures to administratively control electricity prices. Both social contributions and direct taxes revenue are set to remain high thanks to robust economic growth and the favourable labour market situation. This forecast includes changes to personal income taxation decided in 2019 with a negative incremental impact on revenue in 2019 and, in particular, in 2020.

In 2020, the headline deficit is set to temporarily improve to 0.2% of GDP, largely due to a one-off revenue from a conversion fee of the second pension pillar assets, assuming that 50% of those would be tranferred to the general pension system. The strong dynamics of revenue from social contributions and indirect taxes is set to continue, while changes to personal income tax introduced in 2019 will result in slower dynamics in direct tax revenues. This forecast includes only elements that were incorporated in the draft budget law, in particular the removal of the payment cap on social contributions and an increase in excise duties. In 2021, under a no-policy-change scenario, the headline balance is set to worsen to 0.9% of GDP, primarily as there is no one-off revenue expected. Risks to the fiscal outlook include measures proposed during the recent election campaign and not included in the draft budget law, e.g. additional pension payments in the coming years.

The structural deficit is set to worsen from some 1½% of potential GDP in 2018 to around 2¼% of potential GDP in 2019 before gradually improving to 1½%. In turn, the general government debt-to-GDP ratio is set to continue falling from around 49% in 2018 to below 45% in 2021, driven by strong nominal GDP growth and relatively low nominal fiscal deficits.

Table II.25.1:

Main features of country forecast - POLAND

	2018			Annual percentage change						
	bn PLN Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	2115.2	100.0	3.7	3.1	4.9	5.1	**4.1**	**3.3**	**3.3**
Private Consumption	1228.1	58.1	3.1	3.9	4.5	4.2	**4.0**	**3.8**	**3.4**
Public Consumption	376.5	17.8	3.2	1.9	2.9	3.6	**5.2**	**5.7**	**4.9**
Gross fixed capital formation	385.6	18.2	3.7	-8.2	4.0	8.9	**8.0**	**3.3**	**3.5**
of which: equipment	159.5	7.5	4.2	-7.6	8.3	5.6	**14.4**	**3.4**	**4.4**
Exports (goods and services)	1175.9	55.6	8.1	8.8	9.5	7.0	**4.8**	**4.4**	**4.7**
Imports (goods and services)	1103.2	52.2	6.3	7.6	9.8	7.6	**5.9**	**5.6**	**5.4**
GNI (GDP deflator)	2032.1	96.1	3.5	2.7	4.8	5.3	**4.2**	**3.5**	**3.5**
Contribution to GDP growth: Domestic demand			3.3	1.0	3.8	4.7	**4.7**	**3.8**	**3.5**
Inventories			0.0	1.2	0.8	0.4	**-0.2**	**0.0**	**0.0**
Net exports			0.4	0.8	0.3	0.0	**-0.4**	**-0.5**	**-0.2**
Employment			0.5	0.8	1.3	0.3	**0.1**	**-0.1**	**-0.1**
Unemployment rate (a)			12.9	6.2	4.9	3.9	**3.5**	**3.6**	**3.5**
Compensation of employees / head			4.4	4.8	5.8	8.2	**8.1**	**8.2**	**7.6**
Unit labour costs whole economy			1.2	2.5	2.2	3.3	**4.0**	**4.6**	**4.1**
Real unit labour cost			-1.2	2.2	0.3	2.1	**1.1**	**1.4**	**1.0**
Saving rate of households (b)			5.9	4.2	2.9	2.6	**4.0**	**4.0**	**3.9**
GDP deflator			2.6	0.3	1.9	1.1	**2.9**	**3.1**	**3.1**
Harmonised index of consumer prices			2.9	-0.2	1.6	1.2	**2.2**	**2.6**	**2.5**
Terms of trade goods			0.4	0.6	0.2	-1.3	**0.9**	**0.9**	**1.0**
Trade balance (goods) (c)			-3.0	0.7	0.3	-1.0	**-1.2**	**-1.6**	**-1.7**
Current-account balance (c)			-3.5	0.0	0.2	-0.4	**-0.4**	**-0.4**	**-0.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.5	1.2	1.1	1.3	**1.3**	**1.2**	**1.4**
General government balance (c)			-4.4	-2.4	-1.5	-0.2	**-1.0**	**-0.2**	**-0.9**
Cyclically-adjusted budget balance (d)			-3.9	-2.1	-1.9	-1.4	**-2.2**	**-1.2**	**-1.5**
Structural budget balance (d)			-	-2.1	-1.9	-1.4	**-2.2**	**-1.9**	**-1.5**
General government gross debt (c)			47.4	54.2	50.6	48.9	**47.4**	**45.5**	**44.3**

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

26. ROMANIA

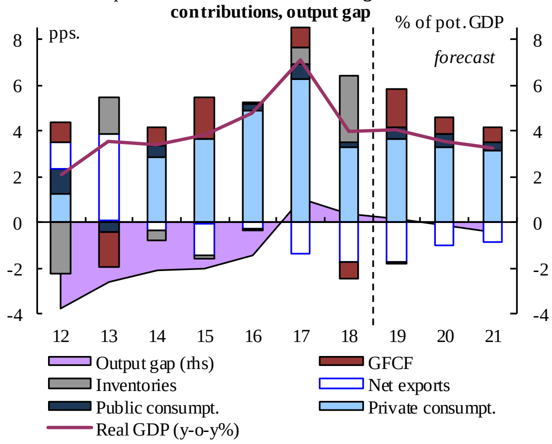
Fiscal loosening driven by pension increases

Real GDP growth is set to remain robust in 2019 driven by private consumption and a recovery in investment. Net exports are projected to continue to weigh on growth while the current account is set to worsen further. Growth is forecast to ease in 2020 and 2021 with the current account deficit projected to widen. The labour market is expected to remain tight but inflation is forecast to decline from its 2018 peak. Spending on pensions is set to lead to a significant rise in the budget deficit.

Strong growth during the first quarters signals a solid 2019

Real GDP rose by 4.6% year-on-year in the first half of 2019. Private consumption remained the main growth driver, spurred by increases in minimum and public sector wages. Following a drop in 2018, investment recovered in the first half of 2019 and is set to make a positive contribution to growth. This was largely due to strong growth in construction, induced by fiscally supportive measures adopted at the end of 2018. Net exports are forecast to have a negative impact on growth in 2019, with both imports and exports set to decline, the latter being affected by a slowdown in external demand. The current account deficit is set to continue to widen to –5.1% in 2019 from an already high level of –4.4% of GDP in 2018.

Graph II.26.1: **Romania - Real GDP growth and contributions, output gap**



Growth expected to moderate

Real GDP is forecast to grow by 4.1% in 2019, 3.6% in 2020 and 3.3% in 2021. Private consumption is expected to ease but remain the main growth driver throughout the forecast horizon, as disposable income continues to be supported by an expansionary fiscal policy and strong growth in real wages. Investment is projected to remain relatively robust, supported by construction and an acceleration of EU-funded projects towards the end of the current programming period. The output gap is projected to narrow over the forecast horizon.

Exports are expected to continue growing, although at a slower pace, supported by services while imports are expected to decelerate in line with a slowdown in private consumption. Net exports' negative contribution to real GDP growth is set to progressively decline. Nevertheless, the trade balance is forecast to continue widening as a percentage of GDP, causing the current account deficit to increase further in 2019 and beyond.

Turning to the labour market, unemployment continues to decline, reaching a new historical low of 3.8% in August 2019. The labour market is expected to remain relatively tight as structural weaknesses are set to persist, exerting upward pressure on wages. However, overall wage growth is projected to moderate slightly over the forecast horizon as the economy is slowing down and the effects of past public sector wage hikes and minimum wage increases fade away.

Inflationary pressure set to ease

From an annual peak of 4.1% in 2018, headline inflation decelerated to 3.5% in September 2019 mainly on account of declining food and energy prices. It is expected to remain at around 3.9% in 2019 and to re-enter the National Bank of Romania's target band (2.5% ± 1 pp.) as of 2020. Core inflation is projected to increase from 2.7% in 2018 to 3.8% in 2019, on the back of strong wage growth, but should decline somewhat after 2020. The National Bank of Romania recently decided to maintain its key monetary policy rate at 2.50%.

Downside risks to the growth forecast

Risks to economic growth stem from both external and internal conditions. Externally, a potential slowdown in some of Romania's main trading partners could negatively affect exports. Internally, a heavy election calendar throughout 2020 and recent political uncertainty could delay the restart of structural reforms and dampen efforts to reduce macroeconomic imbalances. Continued unpredictability of public policies could delay a sustained recovery of investment.

High public deficit set to widen considerably

The general government deficit is set to increase to 3.6% of GDP in 2019, from 3.0% in 2018, driven by continued high increases to public sector wages. Public investment is set to rebound somewhat from the record low levels of the recent years.

The general government deficit is forecast to reach 4.4% of GDP in 2020 and 6.1% of GDP in 2021, driven by significant increases to old-age pensions enacted in summer 2019. In particular, the pensions have been indexed by 15% in September 2019 and will be indexed by an additional 40% in September 2020. Public investment is set to continue increasing thanks to an acceleration of spending on projects co-funded by the EU towards the end of the current programming period.

The structural deficit is projected to gradually increase over the forecast horizon as a result of the government's expansionary fiscal policy. Meanwhile the debt-to-GDP ratio is projected to rise from 35.0% in 2018 to 40.6% in 2021.

Graph II.26.2: **Romania - General government budget balance and gross debt**

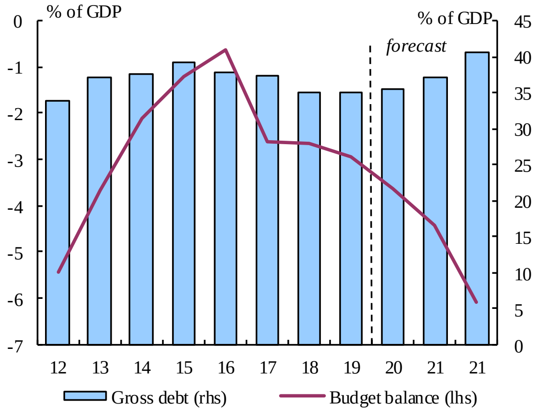


Table II.26.1:

Main features of country forecast - ROMANIA

	2018		Annual percentage change						
	bn RON Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	944.2	100.0	3.7	4.8	7.1	4.0	**4.1**	**3.6**	**3.3**
Private Consumption	589.6	62.4	5.3	7.9	10.0	5.2	**5.8**	**5.2**	**5.0**
Public Consumption	156.8	16.6	-0.5	2.2	4.2	1.5	**3.1**	**3.5**	**2.1**
Gross fixed capital formation	200.4	21.2	6.7	-0.2	3.6	-3.3	**8.0**	**3.4**	**2.8**
of which: equipment	70.2	7.4	5.6	-8.9	-9.9	-4.6	**3.7**	**1.9**	**1.8**
Exports (goods and services)	393.2	41.6	8.7	16.0	7.6	5.4	**3.8**	**3.7**	**3.6**
Imports (goods and services)	423.5	44.9	11.2	16.5	10.8	9.1	**7.3**	**5.6**	**5.1**
GNI (GDP deflator)	924.6	97.9	3.7	4.5	7.5	3.9	**4.3**	**3.8**	**3.4**
Contribution to GDP growth: Domestic demand			5.5	5.1	7.7	2.8	**5.8**	**4.6**	**4.1**
Inventories			-0.1	0.0	0.8	2.9	**0.0**	**0.0**	**0.0**
Net exports			-1.6	-0.3	-1.4	-1.7	**-1.7**	**-1.0**	**-0.9**
Employment			-1.5	-1.1	2.4	0.2	**0.2**	**0.1**	**0.1**
Unemployment rate (a)			7.1	5.9	4.9	4.2	**3.9**	**4.2**	**4.3**
Compensation of employees / head			16.6	15.0	14.8	16.3	**13.0**	**9.2**	**7.1**
Unit labour costs whole economy			10.8	8.5	9.8	12.2	**8.8**	**5.6**	**3.8**
Real unit labour cost			-2.0	5.9	4.9	5.9	**1.4**	**1.0**	**-0.5**
Saving rate of households (b)			-9.0	-9.3	-7.3	-2.3	**-2.8**	**-2.0**	**-0.4**
GDP deflator			13.1	2.5	4.7	5.9	**7.3**	**4.5**	**4.4**
Harmonised index of consumer prices			10.9	-1.1	1.1	4.1	**3.9**	**3.5**	**3.4**
Terms of trade goods			2.9	-1.7	-2.4	1.5	**1.3**	**0.5**	**0.4**
Trade balance (goods) (c)			-10.4	-5.5	-6.5	-7.3	**-8.2**	**-8.9**	**-9.6**
Current-account balance (c)			-5.9	-2.0	-3.4	-4.4	**-5.1**	**-5.3**	**-5.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-4.9	0.5	-1.8	-3.2	**-3.7**	**-3.9**	**-3.9**
General government balance (c)			-3.3	-2.6	-2.6	-3.0	**-3.6**	**-4.4**	**-6.1**
Cyclically-adjusted budget balance (d)			-3.3	-2.2	-3.0	-3.1	**-3.7**	**-4.4**	**-5.9**
Structural budget balance (d)			-	-1.8	-3.0	-2.7	**-3.5**	**-4.4**	**-5.9**
General government gross debt (c)			25.2	37.3	35.1	35.0	**35.5**	**37.2**	**40.6**

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

27. SWEDEN

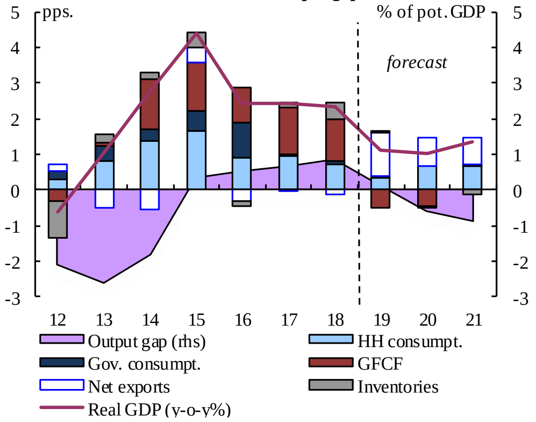
Weak domestic demand puts the brakes on growth

Sweden's economy is clearly slowing down. Domestic demand and investment in particular are weak, but exports are still holding up quite well, so net exports are set to become the economy's engine of growth. The unemployment rate is expected to rise above 7% and inflation is forecast to remain below 2%. A slightly expansionary 2020 budget bill and slower growth imply a decline in the general government surplus but the public debt-to-GDP ratio should continue to fall.

The economy is slowing…

Economic activity in Sweden slowed down markedly in the first half of 2019 after several years of relatively brisk growth. Real GDP growth is forecast to fall to 1.1% in 2019 as domestic demand growth turns slightly negative. Economic growth is expected to stabilise in 2020 and pick up modestly to 1.4% in 2021, as exports are set to weaken and domestic demand to recover slowly.

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



… driven by domestic demand

A pronounced fall in housing investment accounts for a large part of the deceleration in domestic demand in 2019. Equipment investment is also expected to decline, mirroring drops in business confidence in both manufacturing and services. Overall, gross fixed capital formation is set to fall nearly 2% in 2019 and only turn positive in 2021.

Private consumption growth is forecast to decrease in 2019, reflecting a deterioration in the labour market, falling consumer confidence and the associated rise in precautionary savings. It is set to recover somewhat, to 1.5%, over the remainder of the forecast period, with tax cuts and moderate inflation supporting disposable income, despite subdued wage increases.

In spite of sizeable spending needs for schools, health care and welfare services linked to demographic developments, general government consumption is set to moderate in 2019 and 2020. Costs linked to migration should decrease, whereas new defence and health care expenses, priorities of the 2019 budget, are partially compensated by cut backs on, among other items, labour market and environmental measures.

Rebalancing of net trade

Exports grew briskly in 2018 and continued their strong performance into 2019, testifying to the strong competitive position of Swedish exporters. But exports are expected to slow due to lower growth in Sweden's major trading partners. Import growth, however, is expected to decrease more sharply, mirroring domestic demand. Net trade is thus forecast to be the sole driver of growth in 2019 with a partial rebalancing only in 2021. This is a change from previous years, when domestic demand was the main source of GDP growth.

Marked worsening in the labour market

Employment growth slowed markedly in the first half of 2019, in line with the slowdown in domestic demand. According to Statistics Sweden, the recent sharp rise in the registered unemployment rate, however, had been somewhat overstated in the statistics due to methodological changes in the Labour Force Survey, and the figures will be reviewed in the period ahead. Against this background, the labour market outlook is forecast to mirror economic activity in line with prevailing trends. Employment is thus expected to broadly stagnate in 2020 and pick up only slightly in 2021, while the unemployment rate should further increase to 7.2% in 2021. Social partners have started negotiations on a new multi-annual wage agreement. Given the weak labour market, wage growth is expected to remain broadly stable despite continued shortages of skilled labour.

Inflation to remain subdued

Headline HICP inflation is set to decrease from 2.0% in 2018 to 1.7% in 2019, and reach 1.6% in 2021, close to the rate of underlying inflation. The decrease in inflation from its peak in the middle of 2018 mainly resulted from falling energy prices and the fading away of special factors, in particular the sharp rise in unprocessed food prices due to the warm summer of last year. Domestic factors are not set to generate pressure on consumer prices in view of weak economic activity, stable wage increases, and a relatively muted pass-through of the past depreciation of the Swedish krona.

Downside risks prevail

As the Swedish business cycle is closely aligned to that of its main trading partners, a deterioration of the external environment would weigh on the export sector. Downside risks also remain on the domestic side. A sharper-than-expected worsening in the labour market could have a negative impact on private consumption and delay the projected gradual improvement in corporate investment.

Falling surplus but still solid public finances

The slightly expansionary budget bill for 2020 reflects rising demand for welfare services and the constrained situation of local governments and regions, which will receive higher grants. Moreover, it includes new spending on law and order and a commitment to support a green transition. On the revenue side, sizeable tax cuts translate into slower revenue growth. Fiscal policy – expansive also in 2019 – in combination with the macroeconomic developments, is expected to lead to a smaller surplus of 0.3% of GDP in 2019, and 0.1% in 2020-2021. The structural balance is set to increase to around ½% of GDP over the forecast horizon. Sweden's debt-to-GDP ratio is expected to continue to fall: from 38.8% in 2018 to 32.0% in 2021. While the overall debt is set to decrease, its composition is changing, as local governments and regions take on more debt to finance investments linked to welfare provision. The marked debt reduction in 2019 is largely attributable to a reduction in loan-financed foreign currency reserves by the Riksbank.

Table II.27.1:

Main features of country forecast - SWEDEN

		2018		Annual percentage change						
		bn SEK Curr. prices	**% GDP**	**00-15**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
GDP		4833.7	100.0	2.4	2.4	2.4	2.3	**1.1**	**1.0**	**1.4**
Private Consumption		2157.2	44.6	2.5	2.0	2.1	1.6	**0.8**	**1.5**	**1.5**
Public Consumption		1258.5	26.0	1.0	3.7	0.1	0.4	**0.2**	**0.0**	**0.1**
Gross fixed capital formation		1254.0	25.9	2.9	4.1	5.6	4.6	**-1.9**	**-1.7**	**0.2**
of which: equipment		363.3	7.5	2.8	6.6	1.7	1.5	**-4.8**	**-4.3**	**0.7**
Exports (goods and services)		2211.1	45.7	3.9	2.8	4.3	3.1	**4.2**	**2.3**	**2.3**
Imports (goods and services)		2093.6	43.3	3.7	3.8	4.8	3.6	**1.6**	**0.7**	**0.8**
GNI (GDP deflator)		4908.8	101.6	2.4	2.2	3.2	2.4	**1.1**	**1.1**	**1.4**
Contribution to GDP growth:	Domestic demand			2.1	2.9	2.3	2.0	**-0.1**	**0.2**	**0.7**
	Inventories			0.1	-0.2	0.1	0.5	**0.0**	**0.0**	**-0.1**
	Net exports			0.3	-0.3	0.0	-0.1	**1.2**	**0.8**	**0.7**
Employment				0.9	1.9	2.5	1.9	**0.3**	**0.0**	**0.5**
Unemployment rate (a)				7.2	6.9	6.7	6.3	**6.8**	**7.1**	**7.2**
Compensation of employees / head				3.5	2.6	2.1	3.6	**3.1**	**2.9**	**3.0**
Unit labour costs whole economy				2.0	2.0	2.1	3.1	**2.2**	**1.8**	**2.2**
Real unit labour cost				0.3	0.5	-0.1	0.9	**-0.2**	**0.3**	**0.5**
Saving rate of households (b)				11.2	16.5	16.0	18.0	**19.1**	**19.1**	**19.6**
GDP deflator				1.6	1.5	2.2	2.2	**2.4**	**1.5**	**1.7**
Harmonised index of consumer prices				1.5	1.1	1.9	2.0	**1.7**	**1.5**	**1.6**
Terms of trade goods				-0.3	0.6	-0.6	-1.0	**0.7**	**-1.1**	**-0.2**
Trade balance (goods) (c)				5.7	2.8	2.7	2.4	**3.7**	**4.0**	**4.3**
Current-account balance (c)				5.2	3.1	3.3	2.4	**3.6**	**4.1**	**4.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.1	3.1	3.2	2.4	**3.6**	**4.1**	**4.5**
General government balance (c)				0.4	1.0	1.4	0.8	**0.3**	**0.1**	**0.1**
Cyclically-adjusted budget balance (d)				0.7	0.7	1.1	0.3	**0.2**	**0.4**	**0.6**
Structural budget balance (d)				-	0.7	1.1	0.3	**0.2**	**0.4**	**0.6**
General government gross debt (c)				44.1	42.3	40.7	38.8	**34.6**	**33.4**	**32.0**

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

28. UNITED KINGDOM

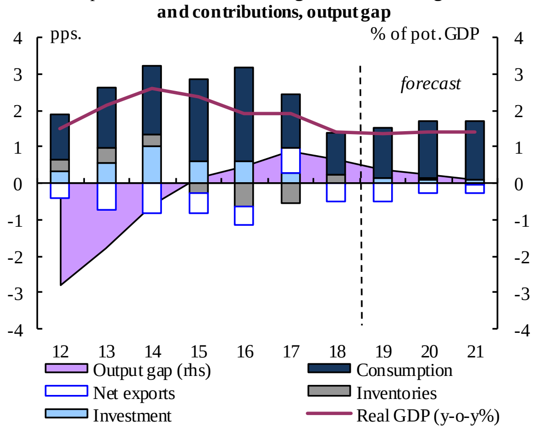
Outlook remains subdued as uncertainty continues

Although volatile, underlying UK GDP growth remains resilient but modest and is forecast to grow at a broadly stable pace over the forecast horizon. Private consumption should find support from real wage growth but continuing uncertainty about the UK's future trading relationship with the EU means that business investment is likely to remain subdued. Net trade is expected to remain a drag on growth as external demand remains weak. Employment growth is expected to slow somewhat but unemployment should remain low. Inflation is projected to ease this year then rise gradually.

GDP growth volatile but modest in 2019

The pace of economic growth has been volatile in 2019. Stockpiling and other actions by UK businesses, in view of a possible disorderly withdrawal on 29 March, temporarily boosted growth in the first quarter of this year. Real GDP rose 0.6% (quarter-on-quarter) in 2019-Q1. However, real GDP fell by 0.2% in Q2, largely due to an opposite, dampening effect from the unwinding of the earlier mitigation activity. In Q3, the latest monthly GDP data suggest that economic growth recovered to around its recent trend rate.

Graph II.28.1: **The United Kingdom - Real GDP growth and contributions, output gap**



The resilience of GDP growth this year has been driven by domestic demand. Private consumption growth has been supported by a strong increase in real wages, reflecting a tight labour market, and an expansionary fiscal policy. Nonetheless, business investment growth has remained weak as uncertainty persists over the nature and timing of the UK's exit from the EU. At the same time, total investment is being supported by strong public investment. Net exports have continued to act as a drag on growth due to market shares losses alongside weak external demand. Reflecting these developments, under the technical assumption, GDP growth over 2019 as a whole is expected to be 1.3%, down marginally from 1.4% in 2018.

Given the ongoing ratification process of the revised Withdrawal Agreement and the uncertainty on future economic relations between the EU and the UK, projections are based on a purely technical assumption of status quo in terms of trading relations between the EU and the UK. This is for forecasting purposes only and has no bearing on future negotiations between the EU and the UK.

Domestic demand to continue to drive GDP growth in 2020 and 2021

In 2020, continued real wage growth and an expansionary fiscal stance are expected to boost private consumption growth. Business investment growth is projected to remain subdued as uncertainty continues over the nature of the UK's future relationship with the EU. Net exports are projected to remain a drag on growth, as continued weak external demand inhibits export growth while resilient domestic demand supports import growth. Reflecting these factors and the technical assumption about UK trade relations with the EU27, GDP growth is forecast to be 1.4% in 2020.

In 2021, GDP growth is projected to be stable at 1.4%. Private consumption growth is expected to continue to be supported by rising real wages driven by a relatively tight labour market and an anticipated expansionary fiscal policy, while investment growth should remain subdued. Net exports are projected to remain a drag on growth. The risks to the UK GDP forecast are tilted to the downside, particularly under a disorderly Brexit scenario and include a steeper softening in employment growth than anticipated.

Employment growth to slow slightly but inflation still expected to increase very gradually

Over the forecast horizon, employment growth is projected to slow slightly in a context of resilient but relatively modest GDP growth. This is expected to keep the unemployment rate near its current low level over the forecast period. The unemployment rate is projected to be 3.8% in 2019, 4.0% in 2020 and 4.1% in 2021. Consumer price inflation is forecast to ease to 1.8% in 2019 from 2.5% in 2018, partly due to lower oil prices. Inflation is then projected to rebound slightly to 2.0% in 2020 and to 2.2% in 2021.

General government deficit to rise in 2019-2020 and 2020-2021

Due to methodological changes and revisions in the official data, the general government deficit was recently revised up for all years from 2000-2001 onwards. This has led to a revision of the deficit in 2017-2018 from 2.1% of GDP to 2.7%, and from 1.2% to 1.9% in 2018-2019. For recent years, the increases were driven largely by changes to the treatment of student loans, but also by other revisions including to public sector pensions and corporate tax data.

After several years of fiscal tightening and an improving budget balance, a looser fiscal stance is projected for 2019-2020. The general government deficit is expected to increase to 2.2% of GDP in 2019-2020 and to 2.4% in 2020-2021, before falling slightly to 2.3% in 2021-2022. The increases are due to higher spending, in particular on the National Health Service from 2019-2020 onwards. Increases in departmental spending in 2020-2021 announced in the spending round in September 2019 were also included and assumed not to be reversed in 2021-2022. The structural deficit is expected to be broadly stable at around 2½% of GDP over the forecast horizon.

The methodological and data changes led to a small fall in the general government debt-to-GDP ratio. For 2018-2019 the ratio was revised down from 85.2% to 84.3%. It is projected to continue to fall over the forecast horizon, from 84.1% in 2019-2020 to 83.0% in 2021-2022.

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

ESA10	Actual		Forecast		
	2017-18	2018-19	2019-20	2020-21	2021-22
General government balance~	-2.7	-1.9	**-2.2**	**-2.4**	**-2.3**
Structural budget balance	-3.2	-2.2	**-2.4**	**-2.5**	**-2.4**
General government gross debt	84.6	84.3	**84.1**	**83.5**	**83.0**

~APF transfers included

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

		2018			Annual percentage change					
	bn GBP	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		2140.3	100.0	1.9	1.9	1.9	1.4	**1.3**	**1.4**	**1.4**
Private Consumption		1402.1	65.5	2.0	3.6	2.2	1.6	**1.3**	**1.8**	**1.9**
Public Consumption		396.0	18.5	2.3	1.0	0.3	0.6	**3.1**	**2.3**	**1.9**
Gross fixed capital formation		363.2	17.0	1.6	3.6	1.6	-0.1	**0.9**	**0.5**	**0.6**
of which: equipment		80.5	3.8	1.7	9.0	6.3	-8.7	**-9.2**	**-1.3**	**0.8**
Exports (goods and services)		642.2	30.0	3.0	2.7	6.1	-0.9	**1.3**	**2.3**	**2.1**
Imports (goods and services)		680.0	31.8	3.5	4.4	3.5	0.7	**2.8**	**3.1**	**2.7**
GNI (GDP deflator)		2111.4	98.7	1.8	1.8	3.2	1.2	**1.4**	**1.4**	**1.4**
Contribution to GDP growth:	Domestic demand			2.0	3.2	1.8	1.1	**1.5**	**1.7**	**1.7**
	Inventories			0.0	-0.6	-0.6	0.2	**0.0**	**0.0**	**0.0**
	Net exports			-0.2	-0.5	0.7	-0.5	**-0.5**	**-0.3**	**-0.3**
Employment				0.9	1.5	1.0	1.2	**1.0**	**0.7**	**0.7**
Unemployment rate (a)				6.0	4.8	4.3	4.0	**3.8**	**4.0**	**4.1**
Compensation of employees / head				3.2	3.2	3.2	2.8	**4.0**	**3.3**	**3.1**
Unit labour costs whole economy				2.2	2.7	2.2	2.6	**3.7**	**2.6**	**2.4**
Real unit labour cost				0.2	0.6	0.4	0.7	**1.8**	**0.5**	**0.5**
Saving rate of households (b)				9.2	7.2	5.3	6.1	**6.6**	**6.7**	**6.6**
GDP deflator				2.0	2.1	1.9	1.9	**1.9**	**2.1**	**1.9**
Harmonised index of consumer prices				2.1	0.7	2.7	2.5	**1.8**	**2.0**	**2.2**
Terms of trade goods				0.2	3.0	0.1	0.5	**1.3**	**1.0**	**0.9**
Trade balance (goods) (c)				-5.3	-6.7	-6.6	-6.7	**-6.2**	**-5.9**	**-5.9**
Current-account balance (c)				-3.0	-5.2	-3.5	-4.3	**-4.3**	**-4.2**	**-4.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.1	-5.3	-3.6	-4.5	**-4.6**	**-4.5**	**-4.4**
General government balance (c)				-4.4	-3.4	-2.4	-2.3	**-2.2**	**-2.4**	**-2.2**
Cyclically-adjusted budget balance (d)				-4.1	-3.6	-2.9	-2.6	**-2.4**	**-2.5**	**-2.3**
Structural budget balance (d)				-	-3.6	-2.9	-2.6	**-2.4**	**-2.5**	**-2.3**
General government gross debt (c)				56.8	86.8	86.2	85.9	**85.2**	**84.7**	**84.2**

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

Candidate Countries

29. ALBANIA

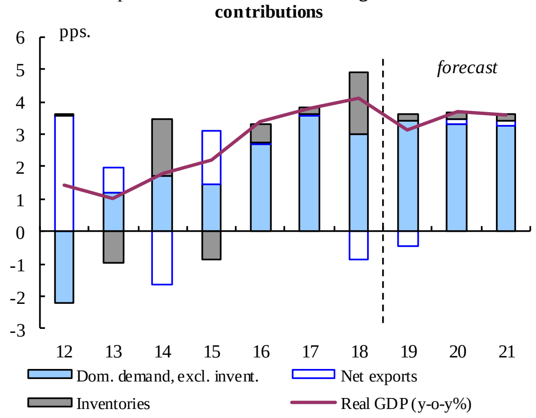
Sustained growth path

Economic growth is projected to decelerate to just above 3% in 2019, down from 4.1% one year earlier, due mainly to a weather-driven drop in electricity production. Economic activity is expected to rebound in the next two years on the back of a continuing solid increase in household spending. The combination of sustained GDP growth and moderate budget deficits is expected to continue reducing the public debt-to-GDP ratio, which is however forecast to remain above 60% in 2021.

A temporary deceleration

In the first half of 2019, the economy decelerated to 2.4% y-o-y, down from a 3.8% y-o-y expansion in the same period a year before. This slowdown largely reflects a strong base effect from high hydroelectricity production one year earlier, and weak gross fixed capital formation due to the conclusion of works related to the Trans-Adriatic Pipeline. Private consumption and services exports were the main growth drivers in this period. A fall in the volume of exported goods, coupled with solid import growth, resulted in a negative growth contribution of net exports.

Graph II.29.1: **Albania - Real GDP growth and contributions**



Overall, economic growth is expected to moderate to around 3% in 2019. It is forecast to bounce back afterwards, to 3.7% in 2020 and 3.6% in 2021, as unfavourable base effects dissipate and domestic growth drivers, in particular private consumption, remain solid in the context of rising wages and employment, and a broad-based pick-up in lending activity.

Risks to this forecast are mainly on the downside due to the deteriorating external environment and the tense domestic political climate.

Easing external imbalances

The current account deficit increased to 7.4% of GDP in the first half of 2019, up from 6.8% of GDP in 2018, driven by a larger trade deficit in goods, and despite some increase in remittances inflows. However, the conclusion of large energy projects is expected to result in a moderation of construction-related imports and an expansion of domestic energy production capacities. As a result, the current account deficit is expected to gradually contract during the forecast period, to some 5% of GDP by the end of 2021, covered predominantly by FDI inflows. However, downside risks to this scenario arise from slow growth in Albania's key trading partners in the EU.

Continuing improvement in the labour market

In the first half of 2019, the labour market has been registering some further gains in employment, leading to a drop in the unemployment rate to 12%, a historical low. Positive labour market trends were also reflected in the continued increase in the participation rate, to 69.9%. Employment growth is expected to continue at a steady pace, and the unemployment rate is forecast to decline further but still remain in double-digits in 2020 and 2021.

Accommodative monetary policy

The annual inflation rate averaged just 1.5% in the first nine months of 2019, well below the Bank of Albania's target of 3%, as domestic inflationary pressures from wage increases and food prices were offset by muted import price dynamics. With its policy rate at the record low of 1%, the central bank does not expect to start normalising its current accommodative stance before mid-2020 at the earliest. However, the long-standing undershooting of the inflation target might continue for longer, further postponing the start of the tightening cycle.

After several years of sluggish growth, bank lending perked up in 2019, rising by more than 6% y-o-y, with credit to small businesses driving the expansion. Favourable financing conditions and the recent consolidation in the banking sector are expected to continue supporting credit activity in 2020 and 2021.

Public debt on a declining path

Budget execution improved in the second half of 2019, with both revenue and expenditure broadly in line with the plan. Overall, a budget deficit below 2% of GDP is expected by the end of 2019. In the absence of additional measures, the deficit is forecast to hover around 1.5% of GDP in the medium-term. Although the debt ratio is set to continue to be on a declining path, it is projected to remain relatively high, at some 62% of GDP in 2021.

The main fiscal risks stem from the possible further accumulation of payment arrears, which are not captured in cash-based budget data, and from the materialisation of contingent liabilities from public-private partnerships.

Graph II.29.2: **Albania - Public finances**

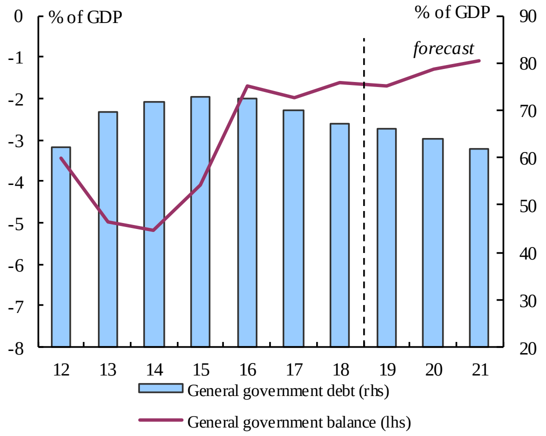


Table II.29.1:

Main features of country forecast - ALBANIA

	2018		Annual percentage change						
	bn ALL Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	1645.6	100.0	4.5	3.3	3.8	4.1	**3.1**	**3.7**	**3.6**
Private Consumption	1285.1	78.1	4.8	2.0	2.3	3.0	**3.1**	**2.9**	**2.9**
Public Consumption	181.7	11.0	1.7	4.7	2.9	-1.1	**2.6**	**1.8**	**2.2**
Gross fixed capital formation	393.6	23.9	5.7	2.4	5.5	2.9	**2.8**	**3.4**	**3.5**
of which: equipment	-	-	6.9	-	-	-	**-**	**-**	**-**
Exports (goods and services)	515.0	31.3	10.6	11.3	12.9	3.0	**5.4**	**6.8**	**5.8**
Imports (goods and services)	741.3	45.0	7.7	6.9	8.1	3.9	**4.8**	**4.4**	**4.0**
GNI (GDP deflator)	1644.8	100.0	4.4	3.8	2.4	3.8	**3.1**	**3.6**	**3.6**
Contribution to GDP growth: Domestic demand			5.8	2.7	3.5	3.0	**3.4**	**3.3**	**3.3**
Inventories			0.1	0.6	0.2	1.9	**0.2**	**0.2**	**0.2**
Net exports			-1.2	0.0	0.1	-0.8	**-0.5**	**0.2**	**0.1**
Employment			-	6.1	2.7	2.1	**2.8**	**2.1**	**1.9**
Unemployment rate (a)			-	15.6	14.1	12.8	**11.9**	**11.0**	**10.3**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			3.0	-0.6	1.5	1.9	**1.8**	**2.2**	**2.2**
Harmonised index of consumer prices			-	1.3	2.0	2.0	**1.6**	**2.1**	**2.3**
Terms of trade goods			-1.3	-2.1	4.6	3.6	**1.3**	**1.4**	**-0.1**
Trade balance (goods) (c)			-24.6	-24.3	-24.4	-22.2	**-22.6**	**-22.3**	**-22.1**
Current-account balance (c)			-9.8	-7.6	-7.4	-6.8	**-6.5**	**-5.6**	**-5.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-1.7	-2.0	-1.6	**-1.7**	**-1.3**	**-1.1**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			58.8	72.4	70.1	67.3	**66.0**	**64.1**	**62.0**

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

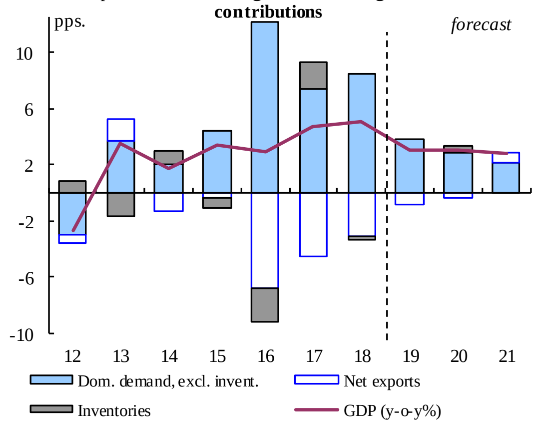
30. MONTENEGRO
More balanced growth ahead

The completion of the first section of the Bar-Boljare highway in 2020 will conclude a six-year period of fast expansion of the economy, but also of high external and fiscal deficits driven by this major public investment. With the end of the construction works, it is expected that economic growth will decelerate while becoming more balanced, with corporate investment and private consumption driving growth and employment. The external and public sector balances are set to improve.

Rebalancing growth drivers

Economic growth slowed to 3.1% y-o-y in the first half of 2019, down from 4.8% y-o-y a year before. The deceleration reflects a decline in gross fixed capital formation, a major engine of growth until recently. This was due to a very large base effect, as investment (including both public and private ones) surged in the same period a year before. In spite of stagnating wages, private consumption remains strong thanks to improving labour market conditions and sustained credit growth to households. Notwithstanding the announcement of fiscal consolidation efforts, government consumption recorded some further expansion over the year. On the external side, exports kept growing at double the pace than imports. As a result, the negative contribution from net exports narrowed to 0.4 pps of GDP in the first half of 2019, down from a 1.6% pps drag a year before.

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



More sustainable growth dynamics

Going forward, annual output growth in 2019 and 2020 is set to decelerate to around 3%, mainly due to weaker construction activity as the investment cycle related to the Bar-Boljare highway is gradually phasing out. At the same time, corporate investment, in particular in the tourism and energy sectors, is expected to remain strong, providing some offset to decreasing spending on public works. Moreover, preliminary results of the rationalisation of public administration suggest a lower-than-expected negative impact on employment as well as on private consumption. Private consumption growth is set to benefit from positive wage and employment trends, in particular in the tourism and construction sectors.

The global economic slowdown represents a downside risk for Montenegro's growth forecast in case of a larger than expected impact on tourist arrivals and/or FDI inflows.

Low inflation environment

Price dynamics are forecast to soften considerably in 2019, partly due to the high base effect from last year's VAT and excise hikes. The increase of the minimum wage in July 2019, and the continued rise of household consumption, are set to lead to moderately increasing price pressures in 2020 and 2021.

Easing of external imbalances

The slowdown of the European car industry is already being reflected in a reduction of Montenegro's export of basic metals and machinery. However, this trend is being offset by the strong performance of Montenegrin exports of services, and of tourism in particular. The completion of the highway works announced for September 2020 is expected to reduce substantially the volume of construction-related imports. However, while the current account deficit is set to improve, it is projected to remain in the double-digits.

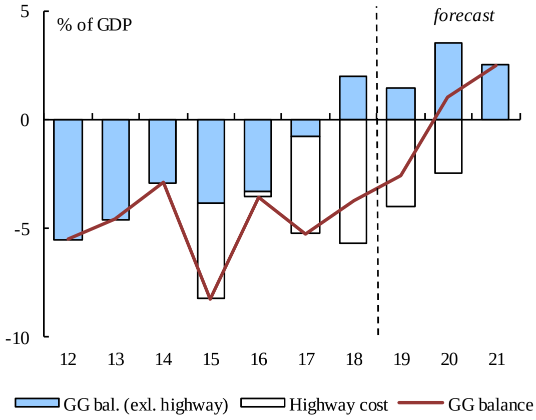
Supportive financial conditions

The resolution of two troubled domestic banks was implemented in an orderly way without disruption to the rest of the financial system. In light of ample liquidity, strong capital buffers, and declining NPL ratios, the banking sector is expected to remain supportive to growth with sustained lending activity during the forecast period.

Budget set to turn to surplus

Substantial capital budget underspending and improved revenue collection resulted in a sharp reduction of the budget deficit in the first half of 2019, to 0.8% of full-year GDP compared to a 4% gap in the same period a year before.

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



It is expected that capital spending will catch up with the original budget plan by the end of the year and, consequently, the consolidated budget deficit will increase to some 2.5% of GDP in 2019. The sharp reduction of public investment as of 2020 would have a negative impact on economic growth, but it is also expected to bring about a modest budget surplus by the end of the year, and a substantially larger one in 2021.

Public debt remains high and is still growing in 2019, boosted also by the issuance of sovereign debt under the prevailing favourable terms to build-up government reserves and to refinance public debt maturing in the next two years. The improving budget balance and the drawdown of deposits are expected to substantially reduce public debt in 2020-2021, although not below 60% of GDP.

Table II.30.1:

Main features of country forecast - MONTENEGRO

	2018			Annual percentage change					
	mio EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	4663.1	100.0	-	2.9	4.7	5.1	**3.1**	**3.0**	**2.8**
Private Consumption	3424.6	73.4	-	5.4	3.9	4.6	**3.6**	**2.4**	**2.0**
Public Consumption	862.9	18.5	-	0.8	-1.4	6.3	**1.4**	**2.1**	**1.6**
Gross fixed capital formation	1363.9	29.2	-	38.4	18.7	14.7	**3.2**	**2.6**	**1.5**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1999.3	42.9	-	5.9	1.8	6.9	**4.3**	**2.8**	**3.6**
Imports (goods and services)	3111.9	66.7	-	15.3	8.4	9.2	**3.9**	**2.3**	**1.4**
GNI (GDP deflator)	-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth: Domestic demand			-	12.1	7.4	8.5	**3.8**	**2.9**	**2.2**
Inventories			-	-2.4	1.9	-0.3	**0.0**	**0.5**	**0.0**
Net exports			-	-6.8	-4.6	-3.1	**-0.8**	**-0.4**	**0.7**
Employment			-	1.1	2.3	2.3	**3.0**	**1.1**	**2.1**
Unemployment rate (a)			-	17.7	16.1	15.5	**14.7**	**14.3**	**13.9**
Compensation of employees / head			-	0.9	0.8	-0.1	**0.6**	**1.8**	**1.2**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	-	-	-	**-**	**-**	**-**
Consumer-price index			-	0.1	2.8	2.9	**0.5**	**1.3**	**1.6**
Terms of trade of goods			-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (c)			-38.7	-41.9	-43.3	-43.9	**-44.8**	**-44.4**	**-43.0**
Current-account balance (c)			-	-16.2	-16.1	-17.0	**-16.6**	**-15.8**	**-13.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-3.6	-5.2	-3.7	**-2.6**	**1.0**	**2.5**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	63.4	64.2	70.1	**77.8**	**71.5**	**62.7**

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

31. NORTH MACEDONIA

Recovery is set to speed up with improved investment outlook

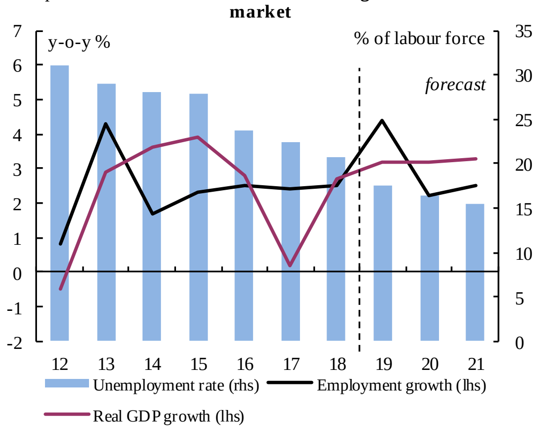
Economic growth is set to gain speed, supported by solid household spending and the ongoing recovery of investment. With a more difficult external environment ahead, net exports are not expected to contribute to economic growth over the forecast horizon. Fiscal consolidation measures are having a beneficial impact on the primary balance, but are not sufficient to stabilise debt levels.

Domestic demand is set to strengthen further

The economic recovery strengthened in the first half of 2019 as investment caught up after several quarters of weakness, in spite of heavy under-execution of government capital expenditure and muted foreign investment. Household spending also supported growth, while the external balance contributed negatively, for the third quarter in a row, as investment-related imports rose.

Over the forecast horizon, domestic demand is projected to be the sole growth driver, underpinned by robust private consumption and a continued recovery in investment following a protracted period of weakness. Households' disposable income is expected to be strengthened by further employment gains, solid, though diminishing increases in net wages, and raises in minimum and public sector wages, pensions and social transfers. Strong annual growth in household credit will also support private consumption. Investment benefits from a wide range of fiscal incentives, introduced under the 2018 Plan for Economic Growth and stepped up in the recent 2019 budget rebalancing, as well as from solid growth in long-term corporate lending. The ongoing clearance of public sector arrears is supporting companies' liquidity.

Graph II.31.1: **North Macedonia - Real GDP growth and labour market**



External balance is expected to contribute negatively to growth

Net exports, on the other hand, are set to become an increasing drag on the expansion, as import growth is likely to accelerate with firming investment, while export growth is projected to slow down amidst a weak external environment and capacity constraints of foreign companies in the country. The latter account for over half of the country's exports. The current account is set to deteriorate until 2021, mainly on account of the widening merchandise trade deficit.

Inflation expected to remain muted

Consumer price inflation in the year to date, including core inflation, remained below its level of one year earlier. Food, alcohol and health were driving prices, with energy and transport prices declining. The CPI is projected to increase slightly over the forecast horizon, mainly as domestic demand is firming, backed by higher wages.

Government measures expected to support employment

The labour market improved further in 2018. These dynamics are expected to continue, supported by the government's employment-related subsidies, and by an extension of active labour market measures. Government policies to incentivise a move from informal to formal employment are beginning to bear fruit, and will likely be reflected in smaller reductions in the unemployment rate in the coming years.

Risks to forecast are on the downside

Downside risks to the growth outlook come mainly from a stronger than expected deterioration of the external environment, exacerbating the drag on growth from net exports. Risks on the domestic side stem from further delays in key public infrastructure works; from potential for renewed political instability; and from rising divergence between labour productivity and wage dynamics undermining external competitiveness - since September 2017, the government has raised minimum wages on several occasions, with a hike of 16% planned in December, and another one announced for 2020.

Policy reforms underpin fiscal consolidation

The 2019 general government fiscal deficit is likely to remain below target (3% of GDP), as capital expenditure is set to continue being heavily underexecuted. Reforms on the revenue side, which became operational in early 2019, such as a progressive income tax system and a rise in social contribution rates, have bolstered revenue. The fiscal balance is projected to improve gradually, as the positive net effect from recent policy measures (i.e. the pensions deficit, social assistance reform in force since June 2019) is set to increase. However, subsidies for investment and employment are expected to be stepped up in 2020-2021.

Risks to fiscal projections arise from possible ad hoc increases in pensions (the government has just announced an increase beyond the recently agreed CPI-only indexation for 2020), and public sector wages. Potential calls on guarantees for public enterprises also present a downward risk. The government expects the primary balance to decline to 0.5% of GDP in 2022, which would not be sufficient to stabilise debt levels. General government debt is set to rise further in each of the forecast years, as a result of primary fiscal deficits and financing requirements for significant repayment obligations in 2020 and 2021. Figures do not include the debt of the Public Enterprise for State Roads, which amounted to over 5% of 2018 GDP.

Graph II.31.2: **North Macedonia - Public finances**

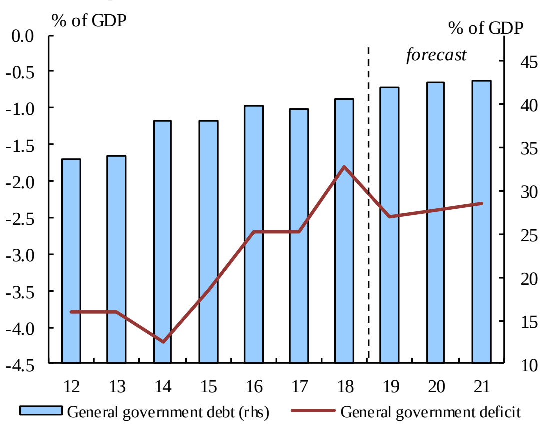


Table II.31.1:
Main features of country forecast - NORTH MACEDONIA

	2018		Annual percentage change						
	bn MKD Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	660.3	100.0	2.9	2.8	0.2	2.7	**3.2**	**3.2**	**3.3**
Private Consumption	424.7	64.3	3.0	3.9	0.7	2.9	**3.1**	**2.9**	**2.9**
Public Consumption	100.7	15.2	1.3	-4.9	-2.5	6.2	**3.1**	**2.8**	**2.2**
Gross fixed capital formation	167.6	25.4	4.7	9.9	0.8	-7.2	**8.6**	**9.3**	**8.7**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	398.4	60.3	6.6	9.1	8.1	15.3	**9.9**	**9.7**	**9.2**
Imports (goods and services)	481.3	72.9	7.1	11.1	6.4	9.0	**10.2**	**10.1**	**9.3**
GNI (GDP deflator)	632.6	95.8	2.8	2.0	0.2	2.4	**3.2**	**3.6**	**3.9**
Contribution to GDP growth: Domestic demand			3.7	4.2	0.3	1.0	**4.6**	**4.9**	**4.7**
Inventories			0.6	1.5	0.1	-0.6	**0.0**	**0.0**	**0.0**
Net exports			-1.3	-2.8	-0.1	2.2	**-1.5**	**-1.7**	**-1.4**
Employment			1.7	2.5	2.4	2.5	**4.4**	**2.2**	**2.5**
Unemployment rate (a)			32.5	23.7	22.4	20.7	**17.5**	**16.5**	**15.5**
Compensation of employees / head			2.3	0.9	0.9	5.0	**4.0**	**3.4**	**2.4**
Unit labour costs whole economy			1.1	0.5	3.1	4.8	**5.2**	**2.4**	**1.6**
Real unit labour cost			-1.7	-2.8	-0.3	0.5	**3.0**	**0.6**	**-0.6**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			3.0	3.5	3.4	4.3	**2.1**	**1.7**	**2.3**
Consumer-price index			-	-0.2	1.3	1.5	**1.4**	**1.9**	**2.0**
Terms of trade goods			0.7	7.1	-0.8	-9.7	**-0.1**	**-0.1**	**-0.1**
Trade balance (goods) (c)			-22.6	-18.8	-17.8	-16.2	**-17.5**	**-19.1**	**-20.4**
Current-account balance (c)			-4.5	-2.9	-1.0	-0.3	**-1.4**	**-2.0**	**-2.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-2.7	-2.7	-1.8	**-2.5**	**-2.4**	**-2.3**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			33.3	39.8	39.5	40.5	**41.9**	**42.5**	**42.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP. (d) At the end of September 2019, the national statistics office published revised data for 2017 real GDP growth (1.1%), but did not provide a breakdown by components. Hence, the revision was not taken into account.

33. TURKEY

Resilience is wearing thin

The economy recovered faster than expected from last year's currency crisis, supported by a large fiscal stimulus and strong growth contribution of net exports. The recovery, however, is likely to be shallower than after previous recessions. A weak labour market, the need to repair corporate balance sheets, and persistent uncertainty are expected to weigh on consumption and investment. Policy buffers appear constrained by low reserves and a shrinking fiscal space following recent stimulus measures, and resilience is likely to be tested further in view of geopolitical and regional tensions.

Tradables behind the recent rebound

The twin effects of a steep decline in domestic demand, in particular investment, and strong depreciation of the lira led to a significant drop in imports. Combined with robust export performance, this resulted in a large contribution of net exports to growth in the first half of the year, justifying, *inter alia*, a marked upward revision of the 2019 growth forecast compared to the spring, which is now in positive territory.

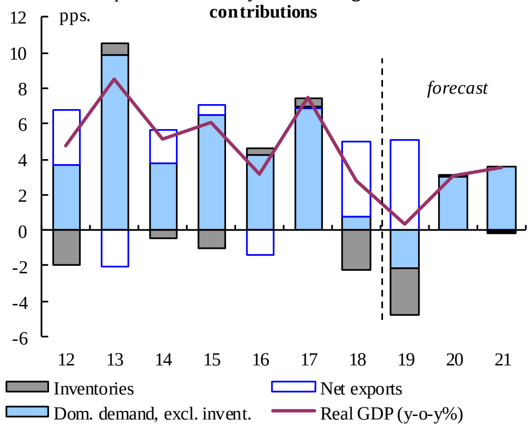
Agriculture and services have in general held their ground in the first half of the year. However, construction and to a lesser extent industry continued to be a drag on growth. High frequency indicators point to a still feeble bottoming out in the third quarter. Manufacturing industry capacity utilisation and the PMI increased, signalling a revival in industrial activity. General economic confidence improved as well across a number of sectors. However, reflecting the weak labour market situation, consumer confidence remained gloomy, extending its decline to a historic low in the third quarter.

Base effects to drive the momentum in the short term but medium-term growth prospects appear subdued

By the end of 2019 and early next year, strong base effects would determine a more vibrant economic performance. Rising domestic demand is forecast to sustain the growth momentum. However, over the forecast period, economic growth is unlikely to return to its pre-crisis averages, remaining below the government's ambitious 5% growth target.

Pent-up demand and expanding consumer lending should support private consumption but the weak labour market might turn out to be a major constraint to higher households spending. In addition, further real wage increases, which helped soften the impact of the crisis, are less probable in view of already elevated wage levels and recent changes in the wage setting mechanism, adjusting wages with targeted instead of past inflation.

Graph II.33.1: **Turkey - Real GDP growth and contributions**



Investment's share of GDP remained elevated even after the steep fall during the crisis. The magnitude and speed of investment recovery will likely be constrained by the limited fiscal space, financial market bottlenecks, in particular the rising NPLs in some investment-driven sectors like construction and energy, and the need to repair companies' balance sheets. Although financial conditions have improved from the heights of the crisis, they remain inherently volatile and may represent an additional challenge to investment performance. Heightened uncertainty, stemming from geopolitical tensions is also expected to sap the strength of investment recovery.

Net exports' contribution to growth is expected to remain largely neutral in the next two years. Export growth is likely to slow down because of spill-overs from global trade tensions, sanctions, and the waning effects of the lira's depreciation. The slow recovery of domestic demand is forecast to still pull imports up but, external imbalances are set to remain low as compared to the excesses seen in the pre-crisis years.

Risks are looming large

The forecast assumes a gradual return to exchange rate stability and, in view of a slow recovery in domestic demand, subdued inflationary pressures. However, this scenario could easily be challenged in case of domestic policy decisions aiming to materially boost growth and employment, swings in investors' preferences, or aggravation of geopolitical and regional tensions leading to the imposition of more powerful sanctions. External financing needs remain large, which in view of the need to rebuild foreign reserves and the high country risk premium could pose an additional risk.

Fiscal anchor increasingly unhinged

In the aftermath of the failed coup attempt in 2016, the fiscal anchor weakened significantly and fiscal buffers have worn increasingly thin. Expansionary fiscal policy was also a key element of the authorities' response to the crisis last year. As a result, the 2019 budget deficit, net of one-off receipts of close to 1% of GDP from a super-dividend from the central bank, is set to widen further to levels not seen in a decade. Fiscal space is thus severely limited to further support growth and, absent new measures, the headline government deficit is likely to remain elevated in the next two years. Government debt is now firmly in the zone above 30% of GDP and growing, with rising interest payments. Contingent liability risks from public-private partnerships and concerns about asset quality in majority state-owned banks persist.

Graph II.33.2: **Turkey - Labour market**

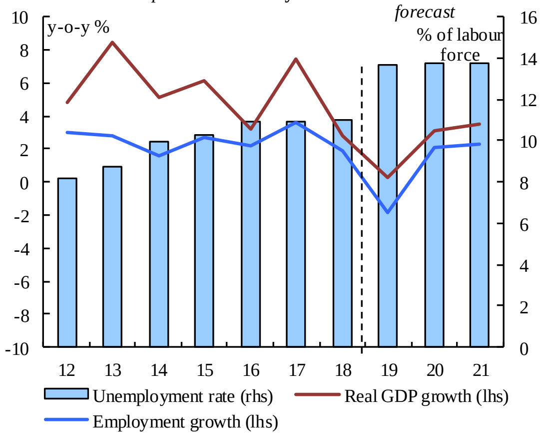


Table II.33.1:

Main features of country forecast - TURKEY

		2018					Annual percentage change			
	bn TRY	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		3724.4	100.0	5.1	3.2	7.5	2.8	**0.3**	**3.1**	**3.5**
Private Consumption		2111.3	56.7	4.5	3.7	6.2	0.0	**0.0**	**2.9**	**3.0**
Public Consumption		552.4	14.8	4.6	9.5	5.0	6.6	**3.3**	**2.9**	**2.8**
Gross fixed capital formation		1114.1	29.9	8.7	2.2	8.2	-0.6	**-9.0**	**3.3**	**5.1**
of which: equipment		357.0	9.6	7.7	1.2	-0.2	-7.8	**-4.2**	**5.1**	**5.7**
Exports (goods and services)		1099.8	29.5	7.0	-1.9	12.0	7.8	**6.2**	**3.1**	**3.5**
Imports (goods and services)		1140.7	30.6	6.6	3.7	10.3	-7.8	**-10.8**	**3.2**	**3.9**
GNI (GDP deflator)		3623.4	97.3	5.1	3.4	7.2	1.4	**0.4**	**3.1**	**3.5**
Contribution to GDP growth:	Domestic demand			5.7	4.2	6.9	0.8	**-2.2**	**3.0**	**3.6**
	Inventories			-0.2	0.4	0.5	-2.2	**-2.6**	**0.0**	**0.0**
	Net exports			-0.2	-1.4	0.1	4.2	**5.1**	**0.0**	**0.0**
Employment				1.2	2.2	3.6	1.9	**-1.8**	**2.6**	**2.8**
Unemployment rate (a)				9.2	10.9	10.9	11.0	**13.7**	**13.3**	**12.9**
Compensation of employees / head				17.6	20.2	8.8	17.0	**17.5**	**10.8**	**10.0**
Unit labour costs whole economy				13.2	19.1	4.9	15.9	**15.0**	**10.3**	**9.2**
Real unit labour cost				-1.8	10.2	-5.5	-0.4	**1.2**	**-0.6**	**-0.5**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				15.3	8.1	11.0	16.4	**13.6**	**10.9**	**9.8**
Consumer-price index				16.6	7.8	11.1	16.3	**15.3**	**10.3**	**9.3**
Terms of trade goods				-	9.4	-6.9	-4.7	**-9.1**	**-0.6**	**-0.6**
Trade balance (goods) (c)				-	-4.8	-6.9	-4.9	**-3.0**	**-3.2**	**-3.3**
Current-account balance (c)				-4.1	-3.8	-5.6	-3.6	**-0.6**	**-0.7**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-3.8	-5.6	-3.6	**-0.6**	**-0.7**	**-1.0**
General government balance (c)				-	-1.1	-2.8	-3.2	**-3.0**	**-3.5**	**-3.3**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				46.0	28.3	28.2	30.1	**31.4**	**33.0**	**34.3**

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

Other non-EU Countries

34. THE UNITED STATES OF AMERICA

Trade tensions and policy uncertainty weigh on growth

The US economy is forecast to slow down as persistent economic tensions with China and elevated policy uncertainty hurt the outlook for private investment. At the same time, recent monetary policy easing is set to cushion the economic downturn while tailwinds from the sizeable fiscal stimulus implemented last year fade out.

Weaker investment dynamics are slowing growth

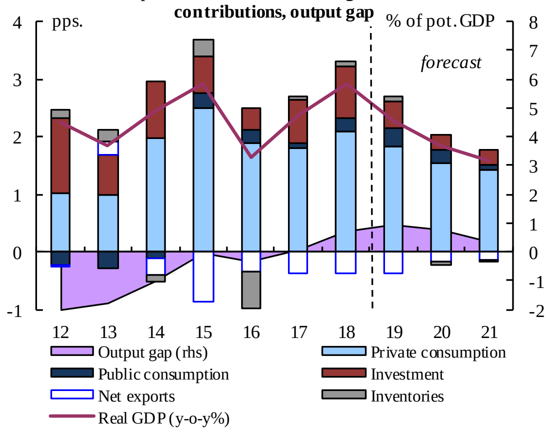
The US economy has gradually slowed after a period of above potential activity in 2018. In 2019-Q2, the pace of real GDP growth moderated to 0.5% q-o-q (from 0.8% q-o-q in 2019-Q1) as business investment weakened against the backdrop of intensifying US-China economic tensions and broader trade policy uncertainty. Furthermore, the slump in the manufacturing sector also extended to the US, where recently PMIs have been close to contractionary territory. Still, robust consumer spending underpinned by progressively tightening labour market conditions has been a stabilising force for the US economy in the first half of the year.

Going forward, economic activity is set to moderate further. The intensification of economic tensions with China in the context of a mature economic cycle and a weakening manufacturing sector have darkened the US economic outlook just as the growth impulse from the fiscal stimulus has been fading. Recent policy easing by the US Federal Reserve aimed to cushion some of the negative impact on the economy, but lower borrowing costs are not expected to be sufficient to offset the negative shock on business investment. Resilient private consumption is expected to remain the main driver of economic activity over the forecast horizon supported by easier financing conditions, real disposable income growth and strong household balance sheets. Thus, the US economy is expected to grow by 2.3% in 2019 before slowing further below potential growth to 1.8% and 1.6% in 2020 and 2021, respectively, on the back of weakening investment activity.

Employment growth passed its peak

Job creation has been moderating after buoyant activity in 2018. Growth of total nonfarm payroll employment averaged 167,000 per month in 2019 compared with an average monthly gain of 223,000 in 2018. At the same time, growth in average hourly earnings slipped below 3% in 2019-Q3, suggesting that demand-side factors rather than supply-side constraints are causing jobs growth to slow. Nevertheless, the unemployment rate has continued to edge down so far in 2019, recently reaching 3.5%. Job creation is expected to slow further over the forecast horizon because of elevated policy uncertainty and a protracted weakness in the manufacturing sector. Against this, the unemployment rate is expected to stabilise at around 3.7% over the forecast horizon, also reflecting the expected slowing growth of the labour force due to the retirement of the baby boom generation. As wage pressures soften and domestic demand slows, consumer price inflation is forecast to pick up only modestly over the next two years, reflecting mainly the direct impact of recently implemented and announced tariff hikes.

Graph II.34.1: **US - Real GDP growth and contributions, output gap**



A rotation in the macroeconomic policy mix

US macroeconomic policies are set to remain supportive to the economy over the next two years underpinned by a rotation in the policy mix to more accommodative monetary policy and from an expansionary to a broadly neutral fiscal stance.

The US Federal Reserve's monetary policy stance has shifted markedly since the spring against the backdrop of intensifying economic tensions with China, subdued underlying inflation and a number of external risks to the US economic outlook. The

Fed cut its benchmark interest rate by a total of 50bps over the summer while financial market expectations for further policy easing remain high. The accommodative policy stance is expected to cushion the slowdown in economic activity, supporting particularly the interest rate sensitive housing sector as well as consumer spending.

In addition, the Trump administration and congressional leaders recently eliminated the risk of a “fiscal cliff” in 2020 by reaching a budget deal to raise discretionary government spending and suspend the US debt ceiling over the next two years. The US fiscal stance is set to turn broadly neutral over the forecast horizon, in line with the policy assumptions in the spring. The general government budget deficit is forecast to remain above 6½% of GDP.

Weak trade activity ahead

Despite increasing exports of petroleum products, total US exports are forecast to nearly stagnate in 2019, and recover only modestly thereafter, weighed down by protectionist trade policies, a struggling manufacturing sector and subdued global demand. Import growth is also expected to be weaker than forecast earlier as domestic demand slows on the back of weaker investment dynamics. The current account deficit is forecast to remain contained at around 2½% of GDP over the forecast horizon.

Risks to the outlook remain elevated

Given weak business confidence and subdued manufacturing activity, any further intensification of the US-China economic confrontation could also dampen activity in the services sector, increasing the risk of a sharper slowdown of the economy and the labour market. Bilateral trade tensions could spread to other US trade partners, notably the EU. Furthermore, tensions between market expectations of a more aggressive monetary policy easing and the possible more cautious reaction of the Fed to incoming economic data, should the strength of the labour market be confirmed and inflation rebound, could trigger financial market volatility at times when some US asset valuations appear stretched. On the upside, any material de-escalation of trade tensions could lower policy uncertainty, which combined with favourable borrowing costs, could provide the basis for a pick-up in business confidence, investment and trade.

Table II.34.1:

Main features of country forecast - UNITED STATES

	2018			Annual percentage change						
	bn USD Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	20580.2	100.0	2.0	1.6	2.4	2.9	**2.3**	**1.8**	**1.6**
Private Consumption	13998.7	68.0	2.3	2.7	2.6	3.0	**2.6**	**2.2**	**2.1**
Public Consumption	2904.3	14.1	1.1	1.8	0.6	1.7	**2.3**	**1.7**	**0.6**
Gross fixed capital formation	4260.8	20.7	1.8	1.9	3.7	4.1	**2.2**	**1.1**	**1.1**
of which: equipment	1376.0	6.7	3.9	-0.9	4.8	6.7	**2.4**	**1.0**	**0.9**
Exports (goods and services)	2510.2	12.2	4.0	0.0	3.5	3.0	**0.3**	**1.5**	**1.6**
Imports (goods and services)	3148.5	15.3	3.8	2.0	4.7	4.4	**2.2**	**2.0**	**1.8**
GNI (GDP deflator)	20848.1	101.3	2.2	1.6	2.5	3.0	**2.4**	**1.9**	**1.6**
Contribution to GDP growth: Domestic demand			2.1	2.5	2.6	3.1	**2.6**	**2.0**	**1.7**
Inventories			0.0	-0.5	0.0	0.1	**0.0**	**0.0**	**-0.1**
Net exports			-0.1	-0.3	-0.3	-0.3	**-0.3**	**-0.1**	**-0.1**
Employment			-	1.7	1.2	1.6	**1.1**	**1.0**	**0.5**
Unemployment rate (a)			6.3	4.9	4.4	3.9	**3.7**	**3.7**	**3.7**
Compensation of employees / f.t.e.			3.0	0.9	3.1	3.3	**3.3**	**2.9**	**2.5**
Unit labour costs whole economy			1.6	1.0	2.0	2.0	**2.1**	**2.0**	**1.5**
Real unit labour cost			-0.4	-0.1	0.1	-0.4	**0.4**	**0.2**	**-0.2**
Saving rate of households (b)			11.3	12.2	12.3	12.4	**12.4**	**12.2**	**11.9**
GDP deflator			2.0	1.0	1.9	2.4	**1.7**	**1.8**	**1.7**
Consumer-price index			-	1.3	2.1	2.4	**1.8**	**2.1**	**2.0**
Terms of trade goods			-0.2	0.4	0.3	0.7	**0.5**	**0.0**	**0.0**
Trade balance (goods) (c)			-4.9	-4.2	-4.3	-4.4	**-4.3**	**-4.4**	**-4.4**
Current-account balance (c)			-3.3	-2.3	-2.3	-2.4	**-2.5**	**-2.5**	**-2.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.3	-2.3	-2.3	-2.4	**-2.5**	**-2.5**	**-2.5**
General government balance (c)			-6.2	-5.4	-4.3	-6.6	**-6.7**	**-6.7**	**-6.7**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			78.3	106.8	106.0	104.3	**106.7**	**109.4**	**112.3**

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

(*) Employment data from the BLS household survey.

35. JAPAN

Trade tensions add to domestic woes

Robust economic activity in the first half of 2019 is set to weaken in the remainder of the year in the wake of the consumption tax increase and sluggish external demand. Accommodative fiscal and monetary policies offer some respite, but a sluggish recovery is likely to take hold only towards the end of the forecast horizon as Japan remains highly vulnerable to global and regional trade tensions.

Public spending supports growth

After a weak second half of 2018, economic activity accelerated in the beginning of 2019 on rising public consumption and investment spending. Private consumption accelerated in 2019-Q2 boosted by the extraordinary long Reiwa holidays and frontloading of major purchases ahead of the October consumption tax hike. At the same time, the intensification of global trade tensions took a toll on exports and manufacturing.

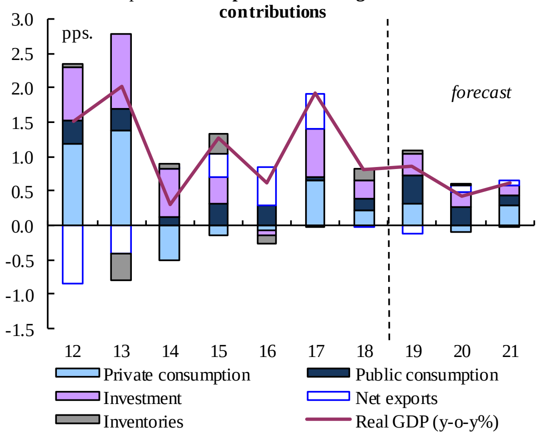
Leading indicators point to a moderate output deceleration in 2019-Q3 driven by weak global demand. Industrial production and exports deteriorated in August, after a temporary rebound in July. At the same time, private consumption activity signals strong consumption growth underpinned by continued frontloading of purchases of big-ticket items. Economic activity is likely to weaken further towards the end of the year following the rise in the consumption tax rate bringing the annual growth rate to 0.9% in 2019.

Consumption volatility and trade tensions weaken the outlook

Real GDP growth is forecast to decelerate to 0.4% in 2020 on an expected decline of domestic demand in the immediate aftermath of the planned tax hike and continued trade weakness. Private consumption spending is likely to contract in 2020. However, the impact of the tax hike is set to be much milder compared to a similar experience in 2014 due to significant government measures to smoothen demand, before and after the tax hike, including the introduction of a points redemption program for cashless payments and tax breaks on car purchases and homes. Consumer spending is likely to recover in 2021 driven by a continued robust labour market. Labour market conditions should remain very tight amid severe labour shortages and strong demand for labour, with the unemployment rate at slightly above 2% over the forecast horizon. At the same time, wage pressure is set to remain contained amid subdued inflation expectations and a rising share of non-regular employment.

High business profits, continued monetary accommodation and rising spending on automation in view of persistent labour shortages are set to support private investment spending in the near term. Public investment spending is forecast to remain strong on Olympics-related investment and increasing public works. Government consumption spending is set to accelerate as part of the additional revenue from the consumption tax hike has been earmarked to provide free preschool education.

Graph II.35.1: **Japan - Real GDP growth and contributions**



The external trade outlook is clouded by the intensification of global and regional trade tensions. Exports are set to decline in the near term reflecting sluggish demand from China, continued weakness in the tech cycle and ongoing trade tensions between Japan and Korea. They are expected to rebound somewhat in 2020 in line with the tepid recovery in global demand, but continued trade tensions might lead to a recalibration of regional value chains in the medium term. Imports are forecast to decline in the near term reflecting weak domestic demand before increasing gradually toward the end of the forecast horizon. Overall, net exports are expected to remain broadly neutral until 2021.

Fiscal consolidation is somewhat delayed

The recent increase in the consumption tax from 8% to 10% lies at the core of the fiscal consolidation strategy, aimed at achieving a primary balance by fiscal year 2025. However, the stimulus measures enacted in 2019 are likely to offset partly the positive fiscal impact of the tax hike, at least in the near term. Still, the general government deficit is expected to gradually narrow to around 2% of GDP in 2021 as the stimulus wanes.

Continued monetary accommodation

Inflation has decelerated since the beginning of the year with core inflation at 0.5% y-o-y in August 2019 despite continued unprecedented scale of monetary accommodation. Annual headline inflation is set to stay well below 1% this year and temporary edge up just above 1% in 2020 reflecting the effects of the tax hike. It is, however, likely to decelerate again towards the end of the forecast horizon as the entrenched low inflation expectations, reflecting the deeply enshrined deflationary mind-set of the population, may continue limiting inflationary pressures. Monetary policy is expected to remain highly accommodative throughout the forecast horizon on weak demand and contained inflation.

Trade-related risks weigh on the external side

Risks on the external side include intensification of trade tensions between Korea and Japan and further appreciation of yen undermining business sector profitability if global-risk-off sentiment returns. Domestic risks in the near term relate to the stronger-than-expected negative effects of the consumption tax hike on private spending and prospects of introduction of additional offsetting fiscal measures that would boost domestic demand in the near and medium term. However, this may result in a weaker fiscal position than assumed in the forecast with a negative impact on business confidence and private investment.

Table II.35.1:

Main features of country forecast - JAPAN

	2018			Annual percentage change						
	bn JPY	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		548907.2	100.0	0.9	0.6	1.9	0.8	**0.9**	**0.4**	**0.6**
Private Consumption		305123.5	55.6	0.8	-0.1	1.1	0.3	**0.6**	**-0.2**	**0.5**
Public Consumption		108395.3	19.7	1.6	1.4	0.3	0.8	**2.0**	**1.2**	**0.6**
Gross fixed capital formation		132784.8	24.2	-0.4	-0.3	3.0	1.1	**1.4**	**0.9**	**0.7**
of which: equipment		-	-	1.1	-1.8	4.9	-	**-**	**-**	**-**
Exports (goods and services)		101060.6	18.4	4.4	1.7	6.8	3.4	**-1.5**	**0.6**	**0.8**
Imports (goods and services)		99785.0	18.2	3.3	-1.6	3.4	3.4	**-0.8**	**0.3**	**0.5**
GNI (GDP deflator)		568749.3	103.6	1.0	0.1	2.1	0.8	**0.9**	**0.3**	**0.4**
Contribution to GDP growth:	Domestic demand			0.7	0.1	1.4	0.6	**1.0**	**0.4**	**0.6**
	Inventories			0.1	-0.1	0.0	0.1	**0.0**	**0.0**	**0.0**
	Net exports			0.2	0.6	0.6	0.0	**-0.1**	**0.1**	**0.1**
Employment				0.0	1.0	1.0	1.0	**0.5**	**0.2**	**0.3**
Unemployment rate (a)				4.5	3.1	2.8	2.4	**2.3**	**2.2**	**2.2**
Compensation of employees / head				-0.6	1.1	0.5	1.2	**0.9**	**1.0**	**1.0**
Unit labour costs whole economy				-1.5	1.5	-0.5	1.4	**0.5**	**0.8**	**0.7**
Real unit labour cost				-0.7	1.2	-0.2	1.5	**0.2**	**0.2**	**0.4**
Saving rate of households (b)				10.4	9.3	9.0	8.9	**8.7**	**8.5**	**7.9**
GDP deflator				-0.7	0.3	-0.2	-0.1	**0.3**	**0.6**	**0.3**
Consumer-price index				0.0	-0.1	0.5	1.0	**0.5**	**1.1**	**0.7**
Terms of trade goods				-2.5	7.4	-4.9	-4.9	**0.1**	**0.2**	**0.0**
Trade balance (goods) (c)				1.1	1.0	0.9	0.2	**0.2**	**0.3**	**0.3**
Current-account balance (c)				2.7	4.0	4.2	3.5	**3.5**	**3.5**	**3.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.6	3.8	4.2	3.5	**3.4**	**3.4**	**3.3**
General government balance (c)				-6.3	-3.5	-3.0	-3.0	**-2.8**	**-2.6**	**-2.2**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				190.5	236.3	235.0	236.3	**236.4**	**236.6**	**236.6**

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

36. CHINA

Downward pressure intensifying

The Chinese economy grew by 6.2% in the first nine months of 2019 amid intensifying downward pressure from both the external environment and softening domestic demand. Growth is projected to edge down over the forecast horizon as persistent economic tensions with the US, elevated uncertainty as well as domestic structural headwinds continue to weigh on economic activity. Macroeconomic policy easing is expected to contain the extent of the slowdown but not offset it fully.

Broad-based slowdown continues

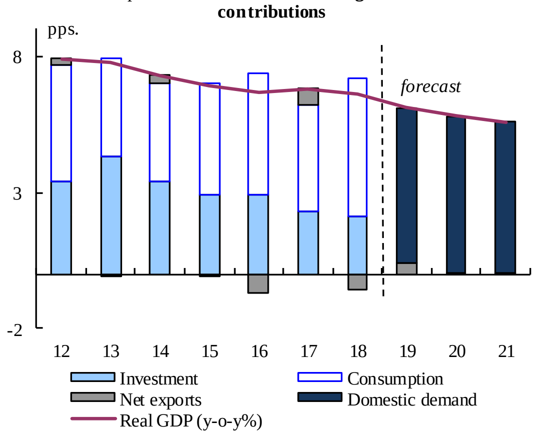
The Chinese economy remains on a gradual decelerating trend. GDP growth stabilised at 6.4% (y-o-y) in the first quarter of 2019 but decelerated to 6.2% in the second quarter and further down to 6% in the third, the lowest growth in several decades, amid softer domestic demand and escalation of economic tensions with the US. Consumption remains the main growth driver but its contribution to growth dropped sharply during this year, from around 5 pps in 2018 to only 3.6 pps in 2019-Q3. The contribution of investment to growth was also significantly lower than in 2018 and the positive contribution from net exports reflected weak imports rather than strong export performance.

Recent high frequency indicators point to intensifying downward pressure on the Chinese economy. In particular, the downturn in trade since late 2018 has been very sharp. While the export weakness is linked mainly to the ongoing tensions with the US, the persistent and stronger-than-expected decline in imports signals a continuing weakness in domestic demand. This is confirmed by consumer spending indicators which have been softening. Persistent uncertainty, a slowing economy and worsening job prospects led to more cautious consumer behaviour and higher propensity to save. Industrial activity remains weak, with trade tensions, mounting tariffs as well as slowing demand for consumer durables, in particular cars, weighing on the manufacturing sector. Lingering uncertainty as well as weak industrial profit outlook are also having a negative impact on private investment.

Growth set to drop below 6% ...

Looking ahead, the Chinese economy is expected to continue slowing down over the forecast horizon with growth projected to decelerate from 6.1% in 2019 to 5.8% in 2020 and further to 5.6% in 2021. Economic tensions with the US, global uncertainty as well as subdued global growth is expected to continue to weigh on trade, business sentiment and investment decisions. Moreover, underlying structural factors such as a shrinking working-age population, high debt levels, declining efficiency of investment as well as ongoing rebalancing of the economy towards more consumption-led growth will act as additional drags. With rising trade tensions over the summer and prospects for a comprehensive trade deal with the US still uncertain, the trade outlook has worsened significantly compared to previous forecasts. Under the assumption of no further escalation of trade tensions, trade growth is expected to rebound only modestly over the next two years but will overall remain sluggish and significantly lower than GDP growth.

Graph II.36.1: **China - Real GDP growth and contributions**



... with policy stimulus unlikely to fully offset the slowdown

The fiscal and monetary policy stance is expected to remain supportive of growth and will thus help to partly cushion the negative impact of the above-mentioned factors on economic activity. At the same time, the effectiveness of the policy stimulus deployed by the Chinese authorities so far has been rather limited. Fiscal measures included tax cuts for households and businesses as well as incentives for local governments to increase infrastructure spending but they have not resulted in a material boost of consumption and investment. Selective loosening of monetary policy together with credit easing measures have increased bank lending modestly but the ongoing crackdown on the shadow banking sector together with rising funding costs and risks in smaller banks are causing a funding squeeze in some segments of the private sector with defaults on the rise in recent months.

Overall, the policy space has narrowed, with the Chinese authorities facing a complex policy trade-off between stimulating growth and containing financial risks and leverage. The baseline scenario assumes that the policy stimulus will remain targeted and selective and that the authorities will refrain from more aggressive policy easing that would include stimulus of the property sector.

Important downside risks remain

Both the growth and the trade outlook are subject to downside risks. In particular, the risk of further escalation of trade and economic tensions with the US remains a concern. The US-China conflict is increasingly spreading to other areas than trade, notably the currency, technology and investment which can further the decoupling of the two economies. Full materialisation of these risks would imply further deterioration of business and consumer sentiment, exports and investment with negative implications for trade, productivity and GDP growth. More aggressive policy stimulus in case of a persistent slowdown may lift GDP growth moderately in the short run but would further exacerbate financial imbalances and increase the risk of a sharp economic adjustment in the future. Finally, an additional downside risk concerns the property sector, which plays a very important role in the Chinese economy and which has so far remained relatively resilient. With rising financial pressure on developers, reduced fiscal space in local governments and house prices and household debt levels at historical highs, the housing market is in the late stage of the cycle. Given its key role in investment, consumer sentiment and financial market behaviour, a downturn would amplify the slowdown in the whole economy and increase the risk of a hard landing. On the upside, a material and lasting improvement in trade and economic relations with the US would reduce uncertainty, increase trade flows and business confidence with positive impact on activity.

Table II.36.1:

Main features of country forecast - CHINA

	2018			Annual percentage change						
	bn CNY Curr. prices	% GDP	99-15	2016	2017	2018	2019	2020	2021
GDP	90031.0	100.0	9.5	6.3	6.8	6.6	**6.1**	**5.8**	**5.6**
Consumption	48034.1	53.4	-	-	-	-	-	-	-
Gross fixed capital formation	38077.2	42.3	-	-	-	-	-	-	-
of which: equipment			-	-	-	-	-	-	-
Change in stocks as % of GDP			-	-	-	-	-	-	-
Exports (goods and services)	19164.9	21.3	15.0	1.1	9.1	4.0	**1.1**	**1.4**	**2.5**
Final demand			-	-	-	-	-	-	-
Imports (goods and services)	18420.9	20.5	14.7	4.7	7.1	7.9	**-1.7**	**1.1**	**2.2**
GNI (GDP deflator)	-	-	-	-	-	-	-	-	-
Contribution to GDP growth : Domestic demand			-	-	-	-	-	-	-
Inventories			-	-	-	-	-	-	-
Net exports			-	-	-	-	-	-	-
Employment			-	-	-	-	-	-	-
Unemployment (a)			4.0	4.0	3.9	3.8	-	-	-
Compensation of employees/head			-	-	-	-	-	-	-
Unit labour costs			-	-	-	-	-	-	-
Real unit labour costs			-	-	-	-	-	-	-
Saving rate of households			-	-	-	-	-	-	-
GDP deflator			3.3	1.5	3.9	2.9	**1.7**	**1.7**	**2.1**
Private consumption deflator			-	-	-	-	-	-	-
Index of consumer prices (c)			2.0	2.0	1.6	2.1	-	-	-
Merchandise trade balance (b)			4.5	4.4	3.9	2.9	**3.2**	**3.0**	**2.8**
Current-account balance (b)			3.9	1.8	1.6	0.4	**0.8**	**0.7**	**0.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)			-	-	-	-	-	-	-
General government balance (b)			-	-	-	-	-	-	-
General government gross debt (b)			-	-	-	-	-	-	-

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

37. EFTA

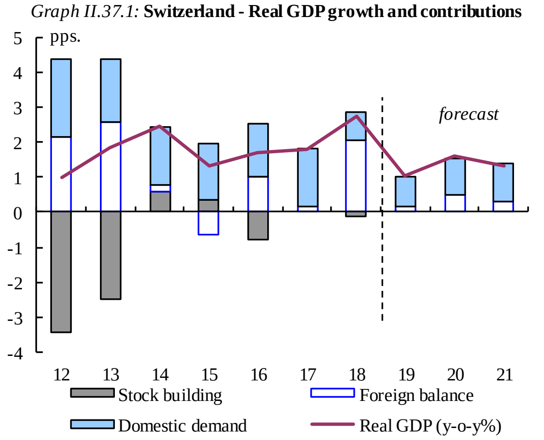
Resilient growth amidst a deteriorating external environment

Iceland and Switzerland are experiencing a cyclical downturn amid a deteriorating external environment, while Norway benefits from a supply-driven growth acceleration. At this late stage in the cycle, labour markets have tightened and capacity constraints are becoming more binding in Switzerland and Norway, while unemployment has slightly increased in Iceland. External risks remain elevated and are largely on the downside.

Switzerland

Output growth during the first half of 2019 decelerated to 0.6% compared to 3.6% the year before. However, the lower year-on-year growth rate in the first half of 2019 was strongly affected by a base-year effect, related to international sports events in 2018, which are accounted for as Swiss service exports. A less favourable international environment and a recent strengthening of the exchange rate contributed to a weak performance of goods exports, in particular in the machinery and metal industry. Domestic demand remained subdued, reflecting moderate wage growth during the year, weak investment growth in view of the overall uncertain international environment and the end of a construction boom. Inflation remained low, benefitting from low import prices, in particular for energy. Despite weaker output growth in the first half of 2019, employment continued to increase by 0.9% in this period.

Graph II.37.1: **Switzerland - Real GDP growth and contributions**



Going forward, annual real GDP growth is forecast to decelerate to about 1% in 2019, among others reflecting a less benign international environment, the negative effects of a stronger exchange rate on the country's price competitiveness and the base effect from last year's favourable impact of international sports events. In 2020, solid private consumption and the positive impact of the 2020 Olympic games on Swiss service exports should help to bring output growth to around 1½%, despite negative external headwinds. In 2021, domestic demand is expected to remain solid, although the negative base effect from the 2020 service export boom is likely to bring the year-on-year output growth rate down to around 1¼%, which is slightly below the country's trend growth.

Exports are expected to remain an important source of growth, among others benefitting from expanding export markets for pharmaceutical products and chemicals. Private consumption growth is set to remain stable on the back of continued employment growth and low inflationary pressures, which has a positive effect on real disposable income. The growth-supportive monetary stance is expected to remain in place. As underlying domestic price pressures are projected to remain weak, inflation is forecast to accelerate only slightly to around 1¼%, largely reflecting increasing import prices. The underlying solid growth momentum will help to keep public sector accounts close to balance.

Risks to the outlook are primarily on the downside and are mainly related to the external environment. Geopolitical turbulences and renewed volatility in financial markets could lead to safe-haven capital inflows, which could create an upward pressure on the exchange rate. A further downside risk relates to the uncertain global trade outlook.

Norway

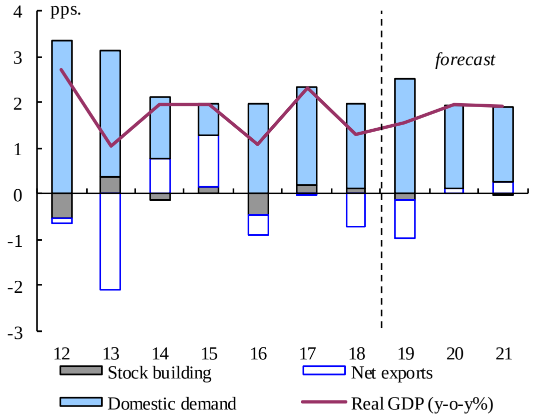
The Norwegian economy is in a moderate cyclical upturn. In the second quarter of 2019, real GDP growth slightly accelerated to 0.3% q-o-q compared to flat growth in the first quarter, mainly on the back of a pickup in domestic demand. This was largely driven by a surge of investment in the extraction and transportation sectors. Despite a tightening labour market and firming wage growth, there was a marginal slowdown in private consumption growth. Net exports continued to subtract from growth mainly due to a fall in exports of traditional goods such as engineering and refined petroleum products.

Robust petroleum-related investment will continue underpinning industrial production this year, while the strong wage growth as well as elevated consumer confidence should support household consumption. Because of robust domestic demand, net exports are set to remain a drag on growth in 2019. Residential investment growth was moderate in the first half of 2019, compared to a contraction the year before. In the same period, house prices have also risen moderately, although a recovery in housing investment will likely be slow due to concurrent headwinds including modest population growth and the ongoing rise in the interest rates.

In 2020, a return to a lower rate of investment growth is expected to be more than offset by higher growth of oil and gas exports as well as continued strong household spending.

Overall, real GDP growth is forecast to accelerate slightly to 1.6% in 2019, up from 1.3% in 2018, and to 1.9% in both 2020 and 2021.

Graph II.37.2: **Norway - Real GDP growth and contributions**



Solid economic growth, a weak krone and an underlying inflation persistently above the 2% inflation target (at 2.1% y-o-y in August), triggered Norges Bank's Executive Board decision on 18 September to raise its key policy rate for the fourth time in a year, by 25 basis points to 1.5%.

The economy will receive less support from government spending in 2020 as the budget expects the structural non-oil deficit to narrow. The budget anticipates a fiscal impulse of -0.2% of GDP, resulting in a structural non-oil deficit of 7.6% of mainland GDP and spending of oil revenues equivalent to 2.6% of the sovereign wealth fund's assets (Government Pension Fund Global).

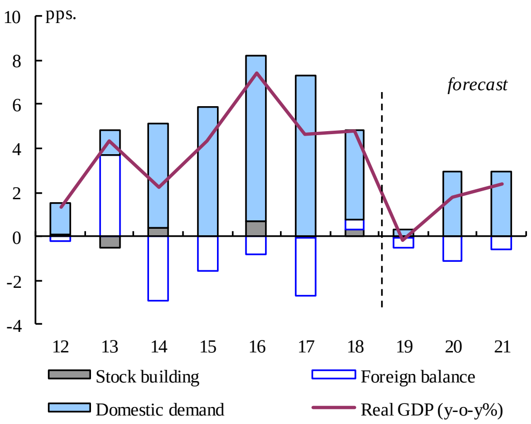
Domestic risks to the outlook mainly stem from the uncertainties in the property market and the historically high household debt levels leaving households vulnerable in the event of interest rates rises or a steep fall in house prices. A sustained increase in the debt burden indicates that financial imbalances have been building up. This is one of the most important vulnerabilities in the Norwegian financial system, which is however mitigated by the significant capital and liquidity buffers held by Norwegian banks. Regarding the external environment, the volatility of energy prices presents upside and downside risks, while a marked deterioration in growth prospects of some of Norway's main trading partners, continue to point to downside risks.

Iceland

After several years of robust growth, Iceland has entered a cyclical downturn. A sharp deceleration of GDP growth in the first quarter (to 1.7% y-o-y) was followed by a contraction of 1.0% in the second. Deteriorating developments in tourism (bankruptcy of domestic airlines, declining number of tourist arrivals) and shrinking business investment are the key factors behind an expected economic contraction of 0.2% in 2019. Further headwinds come from a poor start into the year of fisheries production, which is going to weigh on exports of goods. On the positive side, private consumption resilience and declining imports, partially due to lower investment spending, but also a shift towards domestic production, are growth supportive. Residential investment is projected to remain robust but to decelerate from the expansion recorded in 2017-2018.

The contraction is set to be short-lived with GDP growth turning positive in 2020 and 2021 on the back of recovering business investment and strengthening private consumption. Exports are projected to bottom out in 2020 and accelerate in 2021. Exports are expected to benefit from the increasingly longer tourist stays, which partly compensate a declining number of arrivals in Iceland. Exports of fishery products are set to recover due to high prices and large stocks of cod and assumed currency depreciation. Fiscal policy is shifting to a more growth-supporting stance. In June, the primary surplus target was revised downwards to 1.6% of GDP. The 2020 draft budget envisages tax cuts for low-income earners and increased public investment in infrastructure, education, housing and health.

Graph II.37.3: **Iceland - Real GDP growth and contributions**



The registered unemployment rate rose to 3.8% in the second quarter while for foreign workers it reached around 7%. The unemployment rate is likely to remain roughly stable in line with the expected short-lived nature of the downturn. The Central Bank cut the key policy rate four times in 2019, bringing it to 3.25% in September. Inflation stood at 3.1% in the third quarter, above the target rate of 2.5%. The latest wage agreement brought substantial rises for low-wage earners, while keeping the overall wage bill growth moderate, which led to a fall in inflation expectations. Going forward, inflation is set to ease in line with a moderately growing economy and decelerating house price inflation, but remain above the target due to depreciating currency and potential pass-through of import prices.

The balance of risks is tilted to the downside. Key external risks stem from trade tensions that would challenge the projected recovery of exports. The main domestic risk relates to wage increases, which could outpace productivity gains and weigh on price competitiveness.

Table II.37.1:

Main features of country forecast - EFTA

	Iceland				Norway				Switzerland			
(Annual percentage change)	**2018**	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
GDP	4.8	-0.2	1.8	2.4	1.3	**1.6**	**1.9**	**1.9**	2.8	**1.0**	**1.6**	**1.3**
Private Consumption	4.7	**2.0**	**2.5**	**3.2**	1.9	**1.9**	**2.1**	**2.0**	1.0	**1.1**	**1.2**	**1.2**
Public Consumption	3.5	**2.2**	**2.3**	**2.3**	1.4	**1.8**	**1.6**	**1.6**	0.3	**0.4**	**0.4**	**0.4**
Gross fixed capital formation	4.0	**-5.3**	**5.0**	**3.3**	2.8	**5.3**	**2.2**	**1.6**	1.1	**0.8**	**1.4**	**1.6**
of which: equipment	-	-	-	-	7.8	**4.4**	**2.5**	**3.7**	2.7	**2.1**	**2.5**	**2.4**
Exports (good and services)	1.7	**-2.0**	**1.3**	**2.7**	-0.2	**1.9**	**2.5**	**2.4**	2.9	**2.0**	**2.8**	**2.4**
Imports (goods and services)	0.8	**-1.1**	**3.8**	**4.0**	1.9	**4.8**	**2.6**	**2.0**	-0.3	**2.3**	**2.4**	**2.4**
GNI (GDP deflator)	5.2	**-0.2**	**1.8**	**2.4**	1.3	**1.6**	**1.9**	**1.9**	4.8	**1.0**	**1.6**	**1.3**
Contribution to GDP growth: Domestic demand	4.1	**0.3**	**2.9**	**2.9**	1.9	**2.5**	**1.8**	**1.6**	0.8	**0.9**	**1.0**	**1.1**
Inventories	0.3	**0.0**	**0.0**	**0.0**	0.1	**-0.1**	**0.0**	**0.0**	-0.1	**0.0**	**0.0**	**0.0**
Net exports	0.4	**-0.5**	**-1.1**	**-0.6**	-0.7	**-0.8**	**0.1**	**0.3**	2.1	**0.1**	**0.5**	**0.3**
Employment	2.9	**-0.9**	**0.6**	**1.3**	1.6	**1.3**	**1.1**	**1.0**	0.9	**0.7**	**1.0**	**0.8**
Unemployment rate (a)	2.9	**3.6**	**3.8**	**3.7**	3.8	**3.5**	**3.5**	**3.6**	4.7	**4.6**	**4.8**	**5.0**
Compensation of employee/head	6.4	**3.7**	**3.9**	**3.7**	2.8	**3.3**	**3.4**	**3.4**	1.2	**0.2**	**1.0**	**1.2**
Unit labour cost whole economy	4.5	**3.0**	**2.7**	**2.7**	3.1	**3.0**	**2.5**	**2.5**	-0.6	**-0.1**	**0.4**	**0.6**
Real unit labour cost	1.8	**-1.0**	**-0.7**	**-0.7**	-2.5	**0.2**	**0.2**	**0.2**	-0.9	**-0.6**	**-0.6**	**-0.5**
Saving rate of households (b)	5.7	3.8	3.7	3.8	11.8	**12.4**	**13.2**	**13.9**	:	:	:	:
GDP deflator	2.7	**4.1**	**3.5**	**3.4**	5.8	**2.8**	**2.3**	**2.3**	0.2	**0.5**	**1.0**	**1.1**
Harmonised index of consumer prices	2.7	3.3	2.8	2.7	3.0	**2.3**	**2.0**	**2.0**	0.9	**0.8**	**1.3**	**1.3**
Terms of trade goods	-3.1	**-0.6**	**-0.1**	**-0.1**	12.6	**1.7**	**0.0**	**0.0**	0.3	**0.1**	**0.0**	**-0.1**
Trade balance (goods) (d)	-5.8	**-5.9**	**-6.8**	**-7.2**	7.0	**6.9**	**6.9**	**7.0**	8.6	**9.2**	**9.2**	**9.2**
Current account balance (d)	2.9	**2.5**	**1.3**	**0.6**	8.1	**7.5**	**7.6**	**7.8**	10.5	**10.1**	**10.4**	**10.5**
Net lending (+) or borrowing (-) vis-a-vis ROW	2.9	**2.5**	**1.2**	**0.6**	8.0	**7.5**	**7.5**	**7.7**	11.2	**9.3**	**9.6**	**9.7**
General government balance (d)	1.1	**0.9**	**0.4**	**0.6**	8.1	**8.4**	**8.5**	**8.6**	1.4	**0.0**	**0.0**	**0.0**
General government gross debt (d)	40.4	**39.0**	**37.7**	**37.0**	39.3	**36.7**	**33.8**	**30.7**	31.2	**30.8**	**30.0**	**29.3**

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c) for Iceland national consumer price index.
(d)as a % of GDP.

38. RUSSIAN FEDERATION

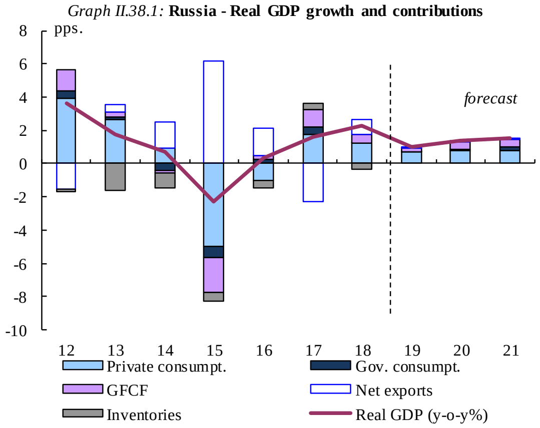
Growth picks up on a higher public spending

Economic activity is set to decelerate in 2019, hampered by the increase in VAT rates, rising uncertainty and softening global demand. The macroeconomic policy mix is gradually turning more accommodative, as fiscal buffers have been rebuilt and the policy framework has been strengthened. Going forward, real GDP is expected to rebound moderately in line with gradually improving potential growth and accelerating public investments.

Economy slows amid a weak external demand and a rise in VAT

After the strong real GDP growth upturn to 2.3% in 2018 spurred by transient factors related to the completion of major infrastructure projects, economic activity slowed to 0.7% year-on-year in the first half of 2019, amid sluggish private demand growth and contracting exports. Private consumption was weakened by an increased VAT burden, relatively tight monetary policy and weak wage growth. Investment growth was hampered by delays in the implementation of public investment projects. Exports suffered from weakening global demand for hydrocarbons and metals, last year's below-average grain harvest, and temporary disruption of oil flows through the Druzhba pipeline.

Graph II.38.1: **Russia - Real GDP growth and contributions**



Economic activity is set to rebound moderately in the second half of 2019 as the significant public investment programme is gradually being implemented. However, prospects of a stronger rebound are dampened by a confluence of domestic and external headwinds. Low global oil prices and weak demand for oil and gas hamper the outlook for exports. At the same time, sluggish growth of disposable incomes, slowing consumer credit growth and uncertainty related to possible additional US sanctions limit the scale of domestic demand growth.

Overall, real GDP growth is projected to decelerate to 1% in 2019 and to edge up to 1.4% in 2020 and 1.5% in 2021, reflecting higher public investment spending and a marginal pension-reform-induced improvement in labour force participation.

Public spending accelerates

Private consumption growth is likely to remain sluggish in the medium term, reflecting limited real wage gains and faltering consumer credit growth. Elevated uncertainty related to the deteriorating global trade outlook and geopolitical situation, relatively high real interest rates and deteriorating environment for foreign investors are likely to undermine the private investment outlook. However, the acceleration of public infrastructure investments in the second half of 2019 and thereafter is expected to support overall investment growth rates.

On the external side, import growth is likely to pick up only marginally from 2019 lows amid accelerating public investments. Export growth is set to remain moderate hampered by soft global demand overall and particularly for commodities. Overall, the contribution of external trade to real GDP growth is forecast to remain marginally positive over the forecast horizon.

Macroeconomic policy mix becomes supportive

Headline consumer price inflation peaked at 5.2% in February-April 2019, reflecting rising consumption tax rates and effects of past exchange rate depreciation. In line with these trends, annual average inflation is expected to accelerate from 2.9% in 2018 to around 4½% in 2019. It is set to subside slightly below the central bank target of 4% in 2020 thanks to the base effects and remain around this level towards the end of the forecast horizon. The central bank started to tighten monetary policy in 2018, raising the main interest rate to 7¾%, amid increasing exchange rate pressures and accelerating inflation. However, the dovish turn among global central banks and subsiding inflationary pressures gave the monetary authorities some space to ease policy and the headline interest rate was cut to 6.5% over the summer.

On the fiscal side, a high fiscal surplus of 2.9% of GDP in 2018, driven by rising oil revenues and improving non-oil tax collection, is forecast to decline to 2.1% of GDP in 2019, as spending on infrastructure, human capital and social support picks up more strongly than VAT-related extra revenues. Going forward, fiscal surpluses are expected to gradually decline, amid accelerating public expenditures to above 1% of GDP in 2021. At the same time off-budget fiscal buffers in the National Welfare Fund (accumulating windfall oil revenues) are likely to reach the legal minimum of 7% of GDP soon, with a rising probability that any additional inflows could be used to boost investments in the domestic economy

Risks to the forecast are broadly balanced

On the external side, the major risk on the upside, particularly pertinent for Russia, relates to higher oil prices due to intensification of geopolitical tensions in the Middle East. On the downside, the intensification of US economic sanctions that would negatively affect investments and foreign trade remains a risk. On the domestic side, previous strong retail credit growth could lead to a build-up of impaired assets and impinge upon consumption growth, while slower implementation of the infrastructure programme might limit the pace of the investment rebound.

Table II.38.1:

Main features of country forecast - RUSSIA

	2018			Annual percentage change						
	bn RUB	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		103875.8	100.0	4.1	0.3	1.6	2.3	**1.0**	**1.4**	**1.5**
Private Consumption		51283.7	49.4	6.4	-1.9	3.3	2.3	**1.4**	**1.5**	**1.6**
Public Consumption		18049.3	17.4	0.9	1.5	2.5	0.3	**0.3**	**0.8**	**1.0**
Gross fixed capital formation		21383.0	20.6	6.6	1.0	5.1	2.4	**1.0**	**2.0**	**2.2**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		31932.6	30.7	5.0	3.2	5.0	5.5	**0.2**	**1.3**	**1.4**
Imports (goods and services)		21574.3	20.8	9.8	-3.6	17.4	2.7	**-0.1**	**1.4**	**1.7**
GNI (GDP deflator)		101542.5	97.8	4.2	0.3	1.9	2.5	**1.0**	**1.4**	**1.5**
Contribution to GDP growth:	Domestic demand			4.7	-0.5	3.3	1.8	**0.9**	**1.3**	**1.4**
	Inventories			0.4	-0.5	0.3	-0.3	**0.0**	**0.0**	**0.0**
	Net exports			-0.7	1.7	-2.3	0.9	**0.1**	**0.1**	**0.1**
Employment				0.9	0.1	-0.1	0.1	**-0.3**	**0.1**	**0.1**
Unemployment rate (a)				7.1	5.7	5.2	5.0	**5.1**	**4.9**	**4.7**
Compensation of employees / head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				14.2	3.2	5.4	10.3	**2.8**	**3.3**	**3.7**
Consumer-price index				-	7.0	3.7	2.9	**4.5**	**3.7**	**4.0**
Terms of trade goods				3.7	-18.0	13.0	17.3	**-4.9**	**-0.5**	**-0.5**
Trade balance (goods) (c)				11.6	7.0	7.3	11.8	**10.5**	**10.1**	**9.7**
Current-account balance (c)				6.8	2.0	2.0	6.9	**5.2**	**4.6**	**4.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				6.6	2.0	2.0	6.9	**5.2**	**4.6**	**4.0**
General government balance (c)				-	-3.7	-1.5	2.9	**2.1**	**1.5**	**1.1**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				19.7	16.3	15.6	14.3	**15.3**	**15.7**	**16.3**

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

ACKNOWLEDGEMENTS

This report was prepared in the Directorate-General for Economic and Financial Affairs under the direction of Marco Buti – Director-General and José Eduardo Leandro – Director "Policy, strategy and communication". It has benefitted from the close collaboration with Directorate-General for Financial Stability, Financial Services and Capital Markets Union.

Executive responsibilities were attached to Björn Döhring – Head of Unit "Economic situation, forecasts, business and consumer surveys", Evelyne Hespel – Head of Sector "Macro-economic forecasts and short-term economic developments", and the forecast coordinators – Reuben Borg and Alexandru Zeana.

The Overview was prepared by Evelyne Hespel. In the section on "Economic outlook for the euro area and the EU", Chapter 1 "Key features" was prepared by Oliver Dieckmann under the responsibility of Björn Döhring. Chapter 2 "Economic outlook" was prepared under the responsibility of Björn Döhring. This chapter benefited from contributions by Nicolas Bernier Abad, Bogdan Bogdanov, Piotr Bogumil, Reuben Borg, Chris Bosma, Lucian Briciu, Alessandra Cepparulo, Ulrich Clemens, Oliver Dieckmann, Susanne Hoffmann, Renata Hrůzová, João Leal, Rafał Raciborski, Vito Ernesto Reitano, Milan Vyskrabka, Przemysław Woźniak, Tomasz Zdrodowski and Alexandru Zeana. In Chapter 3 "Special issues", Special issue 1 "Global value chains and protectionism" was prepared by Daphne Gerard, Bertrand Marc and Przemysław Woźniak. Special issue 2 "What is behind the slowdown? A model-based analysis of growth drivers" was prepared by Olga Croitorov, Massimo Giovannini, Beatrice Pataracchia, Philipp Pfeiffer, Marco Ratto and Lukas Vogel. Special issue 3 "The procyclicality of potential output" was prepared by Kieran Mc Morrow, Werner Röger and Valérie Vandermeulen .

The sections on "Member States" were prepared under the supervision of Benjamin Angel, Manfred Bergmann and Declan Costello, Directors for the "Economies of the Member States". These sections benefited from contributions by Emiel Afman, Ronald Albers, Aurelija Anciūtė, Hanna Aspegren, Wojciech Balcerowicz, Francisco Barros Castro, Barbara Bernardi, Maria Bianchi, Stefan Bohner, Kathleen Burkhardt, João Capella-Ramos, Roberta Cardani, Francisco de Castro Fernández, Lubomir Chaloupka, Peder Christensen, Alessandro Cisotta, Fabio Di Dio, Angela Droussiotou, Violaine Faubert, Norbert Gaál, Massimo Giovannini, Oscar Gómez Lacalle, Karolina Gralek, Oskar Grevesmühl, Benedetta Guerzoni, John Harnett, Jana Hoeffken, Stefan Hohberger, András Hudecz, Zuzanna Iskierka, Anne Jaubertie, Isabelle Justo, Magdalena Kizior, Violeta Klyvienė, Willem Kooi, Daniel Kosicki, Radoslav Krastev, Robert Kuenzel, Ivan Kušen, Milan Lisický, David Lopes, Dimitri Lorenzani, Ivan Lozev, Natalie Lubenets, Andreea-Alexandra Maerean, Maria Maierean, Mart Maiväli, Janis Malzubris, Ilaria Mattei, Fabrizio Melcarne, Wojciech Paczyński, Mona Papadakou, Gábor Márk Pellényi, Arian Perić, Simona Pojar, Félix Rodríguez Millán, Paulina Rogowska, Francesco Rossi-Salvemini, Marie-Luise Rüd, Maja Šamanović, Marie-Luise Schmitz, Michael Sket, Peeter Soidla, Vladimír Solanič, Matija Šušković, Septimiu Szabo, Gilles Thirion, Tsvetan Tsalinski, Ismael Valdés Fernández, Milda Valentinaitė, Valérie Vandermeulen, Vasiliki Vasilopoulou, Michael Vedsø, Kai-Young Weissschaedel, Bartłomiej Wiczewski, Rafał Wielądek, Bart Wilbrink, Stephan Wolters and Ingars Zustrups.

The sections on "Candidate Countries" and "Other non-EU countries" were prepared under the supervision of Elena Flores, Director of the "International economic and financial relations, global governance". These sections, and forecasts for all other non-EU economies, benefited from contributions by Bogdan Bogdanov, Piotr Bogumił, Bernhard Böhm, Uwe Böwer, Ángel Catalina Rubianes, Stylianos Dendrinos, Daphne Gerard, Maria Gerhardt, Nikolay Gertchev, Luigi Giamboni, Joern Griesse, Dalia Grigonytė, Juan José Almagro Herrador, Renata Hrůzová, Henrik Huitfeldt, Sarah Jurreit, Plamen Kaloyanchev, Mihai-Gheorghe Macovei, Alexandros Mouzakitis, Radostin Neykov, Jerzy Pienkowski, Rafał Raciborski, Antonio Sánchez Pareja, Uwe Stamm, Barbara Stearns-Bläsing, Gerda Symens, András Tari and Norbert Wunner.

Support in editing the report by Peter Koh, and for its communication and publication by Nicolas Carpentiers, Manuel De La Red Carino, Robert Gangl, Olivier Glorieux, Sarka Novotna, and Yasmina Quertinmont under the responsibility of Philip Tod, is gratefully acknowledged.

Follow-up calculations were performed by Francesca D'Auria, Francois Blondeau, Atanas Hristov, Vitor Martins, Kieran Mc Morrow under the responsibility of Werner Röger. Forecast assumptions were prepared by Lucian Briciu, Paloma Cortés Payá, Roberta Friz, Ulrike Stierle-von Schutz, and Eric McCoy. Statistical support for the production of the forecast tables was provided by Noël Doyle, Susanne Hoffmann and Tomasz Zdrodowski. Further statistical and layout assistance was provided by Maria Bianchi, Ludovic Cales, Bruno Castanheira, Lorenzo Frattarolo, Michel Gerday, Leonor Jarava, Szabolcs Klubuk, Johann Korner, Anastasia Kouskouni, Anna Chiara Küffel, Anders Lindqvist, Giovanna Mazzeo Ortolani, Gianluca Papa, Félix Rodríguez Millán, Antonio Spissu, Vasileios Stravropoulos, Jacek Szelożyński and Christos Zavos.

Valuable comments and suggestions by Lourdes Acedo Montoya, Laura Bardone, Gerrit Bethuyne, Reuben Borg, Oliver Dieckmann, Björn Döhring, Patrick D'Souza, Christian Gayer, Gabriele Giudice, Peter Grasmann, Isabel Grilo, Martin Hallet, Evelyne Hespel, Heinz Jansen, João Leal, Stefan Kuhnert, Paul Kutos, Júlia Lendvai, Aliénor Margerit, Maarten Masselink, Magda Morgese Borys, Gilles Mourre, Moisés Orellana, Karl Pichelmann, Dino Pinelli, Marc Puig, Eric Ruscher, Matteo Salto, Dominique Simonis, Uwe Stamm, Michael Stierle, Michael Thiel, Anneleen Vandeplas, Charlotte Van Hooydonk, Melanie Ward-Warmedinger, Christian Weise, Sam Whittaker, Florian Wöhlbier, Przemysław Woźniak, Norbert Wunner, Ana Xavier, Javier Yaniz Igal and Alexandru Zeana are gratefully acknowledged.

Secretarial support for the finalisation of this report was provided by Carlos Rodríguez del Río and Els Varblane.

Comments on the report would be gratefully received and should be sent to:
Directorate-General for Economic and Financial Affairs
Unit A3: Economic situation, forecasts, business and consumer surveys
European Commission
B-1049 Brussels
E-mail: ecfin-forecasts@ec.europa.eu

Statistical Annex

European Economic Forecast - Autumn 2019

Contents

Output : GDP and its components

Prices

Wages, population and labour market

Exchange rates

General Government

Saving

Trade and international payments

World economy

Table 1: Gross domestic product, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.2	1.4	1.5	2.0	1.5	2.0	1.5	**1.1**	**1.0**	**1.0**	*1.2*	*1.2*
Germany	1.0	0.5	2.2	1.7	2.2	2.5	1.5	**0.4**	**1.0**	**1.0**	*0.5*	*1.5*
Estonia	7.4	1.0	3.5	1.8	2.6	5.7	4.8	**3.2**	**2.1**	**2.4**	*2.8*	*2.4*
Ireland	6.1	1.2	2.4	25.2	3.7	8.1	8.2	**5.6**	**3.5**	**3.2**	*3.8*	*3.4*
Greece	4.6	0.9	-4.9	-0.4	-0.2	1.5	1.9	**1.8**	**2.3**	**2.0**	*2.2*	*2.2*
Spain	3.6	1.7	-0.7	3.8	3.0	2.9	2.4	**1.9**	**1.5**	**1.4**	*2.1*	*1.9*
France	2.1	0.8	1.2	1.1	1.1	2.3	1.7	**1.3**	**1.3**	**1.2**	*1.3*	*1.5*
Italy	1.5	-0.5	-0.5	0.8	1.3	1.7	0.8	**0.1**	**0.4**	**0.7**	*0.1*	*0.7*
Cyprus	4.3	3.2	-1.9	3.4	6.7	4.4	4.1	**2.9**	**2.6**	**2.3**	*3.1*	*2.7*
Latvia	7.2	2.5	2.0	3.3	1.8	3.8	4.6	**2.5**	**2.6**	**2.7**	*3.1*	*2.8*
Lithuania	6.8	2.4	3.7	2.0	2.6	4.2	3.6	**3.8**	**2.4**	**2.4**	*2.7*	*2.4*
Luxembourg	3.9	2.1	3.0	4.3	4.6	1.8	3.1	**2.6**	**2.6**	**2.6**	*2.5*	*2.6*
Malta	2.6	2.1	4.2	10.8	5.7	6.7	6.8	**5.0**	**4.2**	**3.8**	*5.5*	*4.8*
Netherlands	1.8	1.5	0.6	2.0	2.2	2.9	2.6	**1.7**	**1.3**	**1.3**	*1.6*	*1.6*
Austria	2.0	1.4	1.2	1.0	2.1	2.5	2.4	**1.5**	**1.4**	**1.4**	*1.5*	*1.6*
Portugal	1.5	0.4	-0.8	1.8	2.0	3.5	2.4	**2.0**	**1.7**	**1.7**	*1.7*	*1.7*
Slovenia	3.5	2.4	0.2	2.2	3.1	4.8	4.1	**2.6**	**2.7**	**2.7**	*3.1*	*2.8*
Slovakia	3.9	5.1	2.8	4.8	2.1	3.0	4.0	**2.7**	**2.6**	**2.7**	*3.8*	*3.4*
Finland	3.2	0.8	0.6	0.6	2.6	3.1	1.7	**1.4**	**1.1**	**1.0**	*1.6*	*1.2*
Euro area	2.0	0.7	0.8	2.1	1.9	2.5	1.9	**1.1**	**1.2**	**1.2**	*1.2*	*1.5*
Bulgaria	5.2	4.6	1.1	4.0	3.8	3.5	3.1	**3.6**	**3.0**	**2.9**	*3.3*	*3.4*
Czechia	3.5	3.3	1.1	5.3	2.5	4.4	3.0	**2.5**	**2.2**	**2.1**	*2.6*	*2.4*
Denmark	1.6	0.3	1.2	2.3	2.4	2.3	1.5	**2.0**	**1.5**	**1.6**	*1.7*	*1.6*
Croatia	4.4	1.7	-0.9	2.4	3.5	2.9	2.6	**2.9**	**2.6**	**2.4**	*2.6*	*2.5*
Hungary	4.4	0.5	1.4	3.8	2.2	4.3	5.1	**4.6**	**2.8**	**2.8**	*3.7*	*2.8*
Poland	3.3	4.7	3.0	3.8	3.1	4.9	5.1	**4.1**	**3.3**	**3.3**	*4.2*	*3.6*
Romania	5.2	4.6	1.4	3.9	4.8	7.1	4.0	**4.1**	**3.6**	**3.3**	*3.3*	*3.1*
Sweden	3.0	1.2	2.5	4.4	2.4	2.4	2.3	**1.1**	**1.0**	**1.4**	*1.4*	*1.6*
EU27	2.1	0.9	1.0	2.3	2.0	2.7	2.1	**1.4**	**1.4**	**1.4**	*1.4*	*1.7*
United Kingdom	2.9	0.7	1.9	2.4	1.9	1.9	1.4	**1.3**	**1.4**	**1.4**	*1.3*	*1.3*
EU	2.2	0.9	1.1	2.3	2.0	2.6	2.0	**1.4**	**1.4**	**1.4**	*1.4*	*1.6*
Japan	1.4	-0.4	1.6	1.2	0.6	1.9	0.8	**0.9**	**0.4**	**0.6**	*0.8*	*0.6*
United States	2.7	1.1	2.1	2.9	1.6	2.4	2.9	**2.3**	**1.8**	**1.6**	*2.4*	*1.9*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2019-21) 24.10.2019

	2019/1	2019/2	2019/3	2019/4	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4
Belgium	0.3	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Germany	0.4	-0.1	-0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Estonia	0.9	0.4	0.2	0.3	0.6	0.7	0.7	0.6	0.6	0.5	0.5	0.4
Ireland	2.7	0.7	0.7	0.7	1.0	1.0	1.0	1.0	0.7	0.7	0.7	0.7
Greece	0.2	0.8	:	:	:	:	:	:	:	:	:	:
Spain	0.5	0.4	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
France	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Italy	0.1	0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Cyprus	1.6	0.9	:	:	:	:	:	:	:	:	:	:
Latvia	-0.3	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Lithuania	1.2	0.9	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Luxembourg	1.1	2.2	:	:	:	:	:	:	:	:	:	:
Malta	-0.1	1.3	:	:	:	:	:	:	:	:	:	:
Netherlands	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Austria	0.6	0.0	0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Portugal	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.5
Slovenia	0.6	0.0	0.8	0.8	0.6	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Slovakia	0.8	0.5	0.4	0.4	0.6	0.8	0.8	0.7	0.6	0.6	0.7	0.6
Finland	0.3	0.8	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Euro area	0.4	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Bulgaria	1.1	0.9	0.0	0.0	1.3	1.2	1.2	1.2	0.4	0.4	0.4	0.4
Czechia	0.6	0.7	0.3	0.3	0.5	0.7	0.9	0.7	0.5	0.3	0.3	0.3
Denmark	0.3	0.9	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Croatia	1.5	0.2	0.4	0.7	0.7	0.8	0.7	0.7	0.7	0.6	0.4	0.1
Hungary	1.4	1.1	0.8	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.8	0.8
Poland	1.4	0.8	0.9	1.2	0.8	0.6	0.6	0.7	0.9	0.9	0.9	0.8
Romania	1.2	1.0	0.5	0.5	1.0	1.1	1.1	1.0	0.7	0.7	0.7	0.7
Sweden	0.1	0.1	0.0	0.1	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
EU27	0.5	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
United Kingdom	0.6	-0.2	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
EU	0.5	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Japan	0.5	0.3	0.1	-0.7	0.5	0.2	0.2	0.1	0.1	0.1	0.3	0.2
United States	0.8	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2019-21) 24.10.2019

	2019/1	2019/2	2019/3	2019/4	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4
Belgium	1.3	1.2	1.1	0.8	0.7	0.8	1.0	1.2	1.2	1.1	0.9	0.8
Germany	0.9	0.4	0.4	0.3	0.2	0.5	0.9	0.9	1.0	0.9	0.9	1.0
Estonia	4.6	3.8	2.7	1.9	1.6	1.9	2.4	2.7	2.7	2.5	2.3	2.1
Ireland	7.2	6.0	4.6	4.8	3.1	3.4	3.7	3.9	3.6	3.4	3.1	2.8
Greece	1.1	1.9	:	:	:	:	:	:	:	:	:	:
Spain	2.2	2.0	1.8	1.5	1.4	1.4	1.5	1.6	1.5	1.4	1.3	1.3
France	1.3	1.4	1.3	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Italy	0.0	0.1	0.2	0.2	0.2	0.2	0.4	0.6	0.7	0.8	0.8	0.9
Cyprus	3.4	3.2	:	:	:	:	:	:	:	:	:	:
Latvia	3.1	2.5	1.8	0.7	1.7	1.5	2.5	2.5	2.6	2.6	2.7	2.8
Lithuania	4.3	4.0	3.7	3.0	2.5	2.2	2.6	2.5	2.5	2.4	2.4	2.4
Luxembourg	1.0	3.7	:	:	:	:	:	:	:	:	:	:
Malta	5.2	4.0	:	:	:	:	:	:	:	:	:	:
Netherlands	1.9	1.6	1.7	1.5	1.4	1.3	1.2	1.2	1.2	1.3	1.3	1.3
Austria	1.9	1.5	1.6	1.1	0.9	1.3	1.6	1.6	1.6	1.4	1.3	1.2
Portugal	2.1	1.9	1.9	1.9	1.7	1.6	1.6	1.8	1.8	1.7	1.7	1.7
Slovenia	3.5	2.4	2.1	2.2	2.3	3.0	2.9	2.8	2.8	2.7	2.7	2.6
Slovakia	3.5	2.8	2.4	2.1	1.9	2.2	2.6	2.9	2.9	2.7	2.6	2.5
Finland	0.5	1.3	1.9	1.7	1.7	1.1	0.8	0.9	0.9	0.9	0.9	1.1
Euro area	1.3	1.2	1.1	1.0	0.8	0.9	1.1	1.2	1.2	1.2	1.2	1.2
Bulgaria	3.9	3.8	2.9	2.0	2.2	2.5	3.7	5.0	4.1	3.3	2.5	1.8
Czechia	2.7	2.8	2.6	1.9	1.8	1.8	2.4	2.9	2.9	2.5	1.8	1.4
Denmark	2.0	2.6	2.1	1.5	1.6	1.2	1.5	1.7	1.7	1.6	1.6	1.6
Croatia	3.8	2.5	2.4	2.8	2.1	2.7	3.0	3.0	3.0	2.7	2.4	1.8
Hungary	5.2	5.2	4.5	3.9	3.0	2.4	2.3	2.4	2.6	2.8	2.9	3.0
Poland	4.6	4.2	3.6	4.4	3.7	3.5	3.2	2.7	2.8	3.2	3.5	3.7
Romania	5.0	4.5	3.7	3.2	3.0	3.2	3.8	4.3	4.0	3.5	3.0	2.7
Sweden	1.5	1.0	1.5	0.3	0.5	0.8	1.3	1.6	1.5	1.4	1.3	1.2
EU27	1.6	1.4	1.3	1.2	1.0	1.1	1.3	1.4	1.4	1.4	1.4	1.3
United Kingdom	2.1	1.3	1.0	1.0	0.8	1.5	1.6	1.7	1.7	1.6	1.4	1.3
EU	1.7	1.4	1.3	1.1	1.0	1.2	1.3	1.4	1.4	1.4	1.4	1.3
Japan	1.0	0.8	1.4	0.2	0.2	0.1	0.2	1.0	0.6	0.5	0.6	0.7
United States	2.7	2.3	2.0	2.2	2.0	1.9	1.8	1.7	1.5	1.6	1.6	1.6

Table 4: Gross domestic product per capita (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.8	0.7	0.8	1.5	1.0	1.5	1.0	**0.7**	**0.5**	**0.5**	*0.7*	*0.7*
Germany	1.0	0.7	2.1	0.9	1.4	2.1	1.2	**0.2**	**0.8**	**0.8**	*0.4*	*1.4*
Estonia	7.6	1.4	3.8	2.0	2.4	5.8	4.5	**2.9**	**1.9**	**2.2**	*2.7*	*2.3*
Ireland	4.4	-1.0	1.9	24.0	2.5	6.9	6.9	**4.4**	**2.7**	**2.4**	*2.8*	*2.5*
Greece	4.2	0.6	-4.6	0.2	0.2	1.7	2.2	**2.3**	**2.9**	**2.5**	*2.8*	*2.8*
Spain	2.4	0.1	-0.8	3.9	2.9	2.7	1.9	**1.3**	**0.8**	**0.6**	*1.6*	*1.4*
France	1.4	0.1	0.7	0.7	0.7	1.9	1.4	**1.1**	**1.0**	**1.0**	*0.9*	*1.1*
Italy	1.2	-1.1	-0.9	0.9	1.5	1.9	1.0	**0.1**	**0.5**	**0.8**	*0.1*	*0.8*
Cyprus	3.0	1.1	-3.0	4.0	6.3	3.4	2.8	**2.1**	**1.8**	**1.4**	*2.4*	*2.1*
Latvia	8.3	3.6	3.4	4.1	2.7	4.8	5.4	**3.3**	**3.3**	**3.4**	*4.0*	*3.6*
Lithuania	7.7	3.7	5.3	3.0	3.9	5.7	4.6	**4.5**	**3.1**	**3.1**	*3.4*	*3.1*
Luxembourg	2.7	0.4	0.7	2.3	1.9	-0.4	1.1	**0.4**	**0.5**	**0.7**	*0.7*	*0.9*
Malta	1.9	1.5	3.1	8.2	3.3	3.8	3.8	**2.4**	**2.1**	**2.2**	*3.8*	*3.2*
Netherlands	1.2	1.2	0.2	1.5	1.7	2.3	2.0	**1.1**	**0.8**	**0.8**	*1.1*	*1.1*
Austria	1.5	1.0	0.7	0.0	0.8	1.8	1.9	**1.1**	**0.9**	**0.9**	*1.0*	*1.1*
Portugal	0.9	0.2	-0.5	2.2	2.3	3.8	2.6	**2.0**	**1.7**	**1.7**	*1.7*	*1.8*
Slovenia	3.4	1.9	0.0	2.1	3.1	4.8	3.8	**1.9**	**2.4**	**2.5**	*3.0*	*2.7*
Slovakia	4.0	4.9	2.8	4.7	2.0	2.9	3.9	**2.5**	**2.5**	**2.6**	*3.6*	*3.2*
Finland	3.0	0.4	0.1	0.2	2.4	2.8	1.5	**1.2**	**1.0**	**0.9**	*1.4*	*1.0*
Euro area	1.5	0.2	0.6	1.8	1.6	2.3	1.7	**0.9**	**1.0**	**1.0**	*0.9*	*1.3*
Bulgaria	6.4	5.1	2.1	4.7	4.5	4.3	3.8	**4.3**	**3.8**	**3.7**	*4.0*	*4.2*
Czechia	3.6	2.7	1.0	5.1	2.2	4.1	2.6	**2.1**	**1.8**	**1.9**	*2.2*	*2.1*
Denmark	1.3	-0.1	0.8	1.6	1.6	1.6	1.0	**1.6**	**1.1**	**1.2**	*1.1*	*1.1*
Croatia	5.4	1.7	-0.6	2.9	4.4	3.8	3.8	**3.5**	**3.1**	**2.7**	*3.2*	*3.0*
Hungary	4.7	0.7	1.7	4.1	2.5	4.6	5.2	**4.8**	**3.0**	**3.0**	*3.9*	*3.0*
Poland	3.3	4.6	3.0	3.9	3.1	5.0	5.2	**4.1**	**3.4**	**3.4**	*4.2*	*3.7*
Romania	6.2	5.7	1.8	4.4	5.4	7.7	4.6	**4.7**	**4.2**	**3.9**	*3.9*	*3.7*
Sweden	2.7	0.6	1.6	3.3	1.1	1.0	1.1	**0.2**	**0.1**	**0.4**	*0.4*	*0.7*
EU27	1.8	0.6	0.8	2.1	1.8	2.6	1.9	**1.2**	**1.2**	**1.2**	*1.2*	*1.5*
United Kingdom	2.4	0.0	1.2	1.5	1.1	1.3	0.8	**0.7**	**0.8**	**0.8**	*0.7*	*0.7*
EU	2.0	0.5	0.9	2.1	1.7	2.4	1.8	**1.2**	**1.2**	**1.2**	*1.1*	*1.4*
Japan	1.3	-0.4	1.6	1.4	0.8	2.1	1.0	**1.1**	**0.7**	**0.9**	*1.0*	*1.0*
United States	1.7	0.2	1.4	2.2	0.9	1.7	2.3	**1.6**	**1.1**	**0.9**	*1.7*	*1.2*

Table 5: Domestic demand, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.7	1.8	1.4	2.2	2.2	1.2	2.2	1.1	1.3	1.3	1.1	1.4
Germany	0.0	0.5	1.6	1.6	3.0	2.4	2.1	1.2	1.5	1.4	1.3	1.8
Estonia	9.4	0.0	4.4	1.7	5.0	4.5	3.8	3.9	2.3	2.5	3.2	2.6
Ireland	5.7	1.5	0.9	16.3	20.6	-0.6	-8.6	17.3	3.4	3.0	3.6	3.3
Greece	4.6	1.1	-6.3	-1.3	0.5	1.6	0.5	2.1	2.5	1.9	2.7	2.2
Spain	4.1	1.4	-1.9	4.1	2.1	3.1	2.7	1.3	1.4	1.3	2.2	1.9
France	2.3	1.1	1.2	1.5	1.5	2.3	1.0	1.2	1.4	1.2	1.3	1.6
Italy	1.6	-0.3	-1.4	1.3	1.8	1.6	1.1	-0.3	0.5	0.7	0.1	0.7
Cyprus	5.3	3.9	-3.2	2.1	8.0	7.2	2.5	6.7	5.3	3.4	4.8	4.0
Latvia	8.0	0.5	2.0	2.5	1.7	4.9	6.1	3.4	2.8	3.0	3.1	2.8
Lithuania	7.5	1.2	2.8	7.0	1.9	2.8	3.4	4.0	3.1	2.8	3.5	3.0
Luxembourg	3.0	1.4	4.2	0.6	2.8	2.1	2.3	3.5	2.8	2.4	3.0	2.4
Malta	2.2	2.3	1.7	14.1	1.1	-1.2	7.9	7.2	5.2	4.2	7.6	5.5
Netherlands	1.3	1.6	-0.5	6.9	-0.7	2.3	2.1	2.3	1.9	1.6	1.8	1.9
Austria	1.3	1.3	0.8	1.2	2.2	2.1	1.7	1.7	1.4	1.2	1.6	1.4
Portugal	1.1	0.4	-2.2	2.4	2.2	3.3	3.3	2.8	2.3	2.3	2.4	2.2
Slovenia	2.9	1.8	-1.4	1.7	3.0	4.2	4.7	3.1	3.3	3.3	3.5	3.9
Slovakia	3.4	3.9	1.0	6.4	1.9	3.3	3.6	3.2	2.6	2.3	2.9	2.8
Finland	2.8	1.1	1.1	1.4	3.5	1.6	2.7	1.3	1.2	1.2	1.3	1.1
Euro area	1.7	0.8	0.1	2.4	2.4	2.2	1.6	1.5	1.4	1.3	1.4	1.6
Bulgaria	7.6	5.1	0.0	2.9	1.6	4.4	5.8	4.1	3.4	3.2	4.4	3.7
Czechia	3.7	2.2	0.5	5.9	1.1	3.5	4.0	2.4	1.9	2.1	3.3	2.7
Denmark	1.9	0.7	1.1	2.8	2.5	2.2	3.1	0.6	1.9	1.6	1.5	1.7
Croatia	5.1	1.7	-2.0	2.2	3.8	3.6	3.9	4.6	3.9	3.5	3.7	3.3
Hungary	4.8	-1.5	0.7	2.4	1.7	5.2	7.3	5.5	2.7	2.7	5.6	2.9
Poland	2.4	4.7	2.4	3.3	2.3	4.9	5.3	4.6	4.0	3.6	4.4	3.9
Romania	7.3	6.6	0.5	5.3	5.1	8.4	5.6	5.6	4.4	3.9	4.4	3.7
Sweden	2.0	1.6	2.7	4.1	2.8	2.5	2.5	-0.1	0.2	0.6	0.7	1.2
EU27	1.8	1.0	0.3	2.6	2.4	2.5	2.0	1.7	1.6	1.5	1.6	1.8
United Kingdom	3.4	0.4	2.1	2.6	2.5	1.2	1.4	1.5	1.7	1.7	1.5	1.3
EU	2.1	0.9	0.6	2.6	2.4	2.2	1.9	1.7	1.6	1.5	1.6	1.7
Japan	1.0	-0.6	1.6	0.8	0.0	1.4	0.8	1.1	0.4	0.6	0.9	0.6
United States	3.1	0.5	2.2	3.6	1.8	2.6	3.1	2.5	1.9	1.7	2.5	2.1

Table 6: Final demand, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.9	1.5	2.5	2.9	4.1	3.0	1.7	0.9	1.3	1.4	2.0	2.2
Germany	1.7	1.1	3.0	2.9	2.8	3.2	2.1	1.0	1.5	1.5	1.2	2.0
Estonia	8.0	1.3	7.3	0.2	5.0	4.2	4.0	3.3	2.1	2.5	3.3	3.0
Ireland	7.4	2.8	3.2	29.5	10.2	5.2	3.0	13.5	3.9	3.7	4.2	3.8
Greece	4.8	1.0	-4.6	-0.2	-0.1	2.8	2.5	2.6	2.7	2.2	3.2	2.8
Spain	4.2	1.2	-0.3	4.1	2.9	3.8	2.6	1.5	1.6	1.6	2.2	2.1
France	2.7	1.0	1.9	2.2	1.5	2.7	1.6	1.5	1.6	1.5	1.6	1.9
Italy	1.9	-0.5	-0.3	2.0	1.8	2.6	1.3	0.2	0.8	1.2	0.6	1.3
Cyprus	3.8	2.9	-0.7	5.2	7.7	7.8	3.4	2.8	2.6	2.4	3.3	2.8
Latvia	8.3	1.9	4.1	2.6	2.6	5.5	5.3	3.1	2.4	2.7	2.7	2.6
Lithuania	9.2	3.1	5.2	5.1	3.1	7.1	4.6	5.2	3.3	2.9	3.5	3.3
Luxembourg	5.8	3.0	6.7	3.7	2.7	1.0	0.9	2.1	2.0	2.3	2.1	2.4
Malta	1.5	6.6	3.1	15.0	3.3	2.6	4.4	3.7	3.0	2.7	4.2	3.8
Netherlands	2.7	1.8	1.9	7.1	0.4	4.3	2.9	2.2	1.8	1.7	1.7	2.4
Austria	2.9	1.4	2.1	1.9	2.5	3.2	3.2	1.9	1.7	1.6	2.0	2.0
Portugal	1.7	0.6	-0.2	3.5	2.9	4.8	3.4	2.7	2.4	2.4	2.6	2.6
Slovenia	4.8	2.9	1.3	3.1	4.6	7.2	5.6	5.4	4.1	4.0	4.4	4.7
Slovakia	7.0	5.0	4.7	6.5	3.4	3.4	4.5	2.2	3.2	3.4	4.5	4.2
Finland	3.7	1.3	1.2	1.2	3.5	3.4	2.5	1.5	1.5	1.5	1.8	1.8
Euro area	2.7	1.0	1.6	3.7	2.6	3.3	2.2	1.8	1.6	1.7	1.7	2.1
Bulgaria	6.6	5.1	2.5	4.3	4.3	5.0	4.1	2.4	3.3	3.2	4.0	3.4
Czechia	6.5	4.1	3.3	5.9	2.6	5.0	4.2	2.3	1.9	2.2	3.3	2.9
Denmark	2.7	1.5	1.8	3.1	3.0	2.7	2.1	1.8	1.9	1.7	1.9	1.9
Croatia	6.3	1.2	-0.5	4.4	4.4	4.6	3.6	4.1	3.5	3.2	3.5	3.3
Hungary	7.6	2.5	3.0	4.8	2.7	6.0	5.8	5.3	3.3	3.5	5.1	3.8
Poland	3.9	5.3	3.9	4.7	4.5	6.5	6.0	4.7	4.1	4.0	4.7	4.2
Romania	7.1	7.2	3.1	5.1	8.3	8.2	5.5	5.1	4.2	3.9	4.4	3.7
Sweden	3.2	1.5	3.2	4.8	2.8	3.1	2.7	1.3	0.9	1.2	1.5	1.8
EU27	2.9	1.3	1.8	3.9	2.7	3.5	2.5	2.0	1.8	1.8	1.9	2.2
United Kingdom	3.5	0.7	2.3	2.8	2.5	2.3	0.8	1.5	1.8	1.7	1.7	1.6
EU	3.0	1.2	1.9	3.7	2.7	3.3	2.2	1.9	1.8	1.8	1.9	2.1
Japan	1.7	-0.5	2.3	1.1	0.3	2.1	1.2	0.7	0.4	0.6	1.0	0.8
United States	3.1	0.9	2.6	3.2	1.6	2.7	3.1	2.2	1.9	1.7	2.6	2.1

Table 7: **Private consumption expenditure, volume (percentage change on preceding year, 2000-2021)** 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.2	1.5	1.5	1.6	1.9	1.8	1.5	**1.0**	**1.2**	**1.3**	*1.1*	*1.3*
Germany	0.5	0.4	1.1	1.9	2.3	1.3	1.3	**1.3**	**1.1**	**1.1**	*1.1*	*1.6*
Estonia	8.3	2.0	2.8	5.0	4.6	2.8	4.3	**3.4**	**3.0**	**2.6**	*4.0*	*2.9*
Ireland	5.0	3.0	0.1	3.1	5.4	3.1	3.4	**2.7**	**2.5**	**2.4**	*2.4*	*2.3*
Greece	3.9	2.4	-5.3	-0.2	0.0	0.9	1.1	**0.5**	**1.5**	**1.4**	*1.3*	*1.2*
Spain	3.6	1.4	-1.3	2.9	2.7	3.0	1.8	**0.8**	**1.0**	**1.0**	*1.9*	*1.6*
France	2.3	1.6	0.7	1.5	1.8	1.4	0.9	**1.1**	**1.4**	**1.4**	*1.5*	*1.7*
Italy	1.0	0.2	-1.0	1.8	1.2	1.5	0.8	**0.4**	**0.5**	**0.6**	*0.6*	*0.8*
Cyprus	5.6	3.7	-1.2	2.8	4.4	4.5	3.3	**3.8**	**2.7**	**2.5**	*3.5*	*2.8*
Latvia	6.3	2.3	3.1	2.5	1.5	3.1	4.2	**3.2**	**3.6**	**3.5**	*3.7*	*3.6*
Lithuania	7.9	3.3	2.3	4.1	4.0	3.5	3.7	**3.3**	**3.2**	**3.1**	*3.8*	*3.3*
Luxembourg	3.1	1.5	2.3	1.8	3.4	2.2	3.3	**3.1**	**2.7**	**2.5**	*3.6*	*2.5*
Malta	3.0	1.6	1.3	5.0	2.4	3.3	7.3	**4.2**	**3.8**	**3.7**	*5.0*	*4.1*
Netherlands	1.5	0.3	-0.3	2.0	1.1	2.1	2.3	**1.5**	**1.7**	**1.5**	*1.4*	*1.6*
Austria	1.8	1.4	0.6	0.5	1.6	1.4	1.1	**1.5**	**1.5**	**1.3**	*1.6*	*1.6*
Portugal	1.6	0.9	-1.1	2.0	2.6	2.1	3.1	**2.3**	**2.0**	**1.9**	*2.3*	*1.9*
Slovenia	2.2	2.9	-0.6	2.0	4.4	2.3	3.4	**3.0**	**2.9**	**3.0**	*2.5*	*3.2*
Slovakia	4.3	5.1	0.0	2.8	3.9	4.3	3.9	**1.8**	**2.4**	**2.1**	*3.2*	*2.9*
Finland	3.0	1.9	1.3	1.9	2.4	1.0	1.8	**0.6**	**1.1**	**1.5**	*1.6*	*1.4*
Euro area	1.7	1.0	0.0	1.9	2.0	1.7	1.4	**1.1**	**1.2**	**1.2**	*1.3*	*1.5*
Bulgaria	7.7	5.1	1.3	3.8	3.5	3.8	4.4	**6.1**	**3.8**	**3.7**	*4.0*	*3.8*
Czechia	3.1	2.7	0.5	3.7	3.6	4.3	3.2	**2.8**	**2.4**	**2.2**	*3.0*	*2.8*
Denmark	1.6	1.1	0.6	2.3	2.1	2.1	2.2	**1.5**	**2.0**	**1.8**	*2.0*	*2.1*
Croatia	4.6	1.4	-1.5	1.1	3.5	3.6	3.5	**3.6**	**3.1**	**2.9**	*3.3*	*3.2*
Hungary	5.2	-0.6	-0.5	3.8	4.9	4.7	4.8	**4.9**	**3.8**	**3.4**	*4.9*	*3.8*
Poland	2.9	4.5	1.9	3.0	3.9	4.5	4.2	**4.0**	**3.8**	**3.4**	*4.5*	*4.2*
Romania	8.1	7.3	0.6	6.0	7.9	10.0	5.2	**5.8**	**5.2**	**5.0**	*5.2*	*4.5*
Sweden	2.6	2.4	2.3	3.5	2.0	2.1	1.6	**0.8**	**1.5**	**1.5**	*1.8*	*2.2*
EU27	1.8	1.2	0.2	2.1	2.2	2.0	1.7	**1.4**	**1.4**	**1.4**	*1.6*	*1.8*
United Kingdom	3.6	0.7	1.6	3.0	3.6	2.2	1.6	**1.3**	**1.8**	**1.9**	*1.8*	*1.7*
EU	2.2	1.1	0.4	2.2	2.5	2.1	1.6	**1.4**	**1.5**	**1.5**	*1.6*	*1.7*
Japan	1.3	0.3	1.1	-0.2	-0.1	1.1	0.3	**0.6**	**-0.2**	**0.5**	*0.6*	*0.3*
United States	3.4	1.5	1.9	3.7	2.7	2.6	3.0	**2.6**	**2.2**	**2.1**	*2.6*	*2.3*

Table 8: **Government consumption expenditure, volume (percentage change on preceding year, 2000-2021)** 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.4	1.5	0.7	0.3	0.4	0.3	0.9	**1.2**	**1.2**	**1.2**	*0.7*	*1.2*
Germany	0.7	2.1	1.4	2.8	4.1	2.4	1.4	**2.1**	**2.0**	**1.9**	*2.0*	*1.7*
Estonia	1.7	3.0	1.7	3.0	2.4	1.1	0.9	**1.1**	**0.9**	**1.1**	*1.1*	*0.7*
Ireland	5.9	2.9	-1.2	1.9	3.4	3.5	4.4	**6.2**	**3.0**	**2.2**	*5.9*	*1.8*
Greece	3.6	3.1	-5.0	1.6	-0.7	-0.4	-2.5	**3.4**	**0.3**	**0.1**	*3.1*	*0.4*
Spain	4.6	5.4	-1.1	2.0	1.0	1.0	1.9	**2.0**	**1.5**	**1.4**	*1.7*	*1.5*
France	1.7	1.6	1.3	1.0	1.4	1.5	0.8	**0.9**	**1.0**	**0.8**	*1.0*	*1.1*
Italy	2.4	0.4	-1.0	-0.6	0.7	-0.2	0.4	**0.4**	**0.2**	**0.3**	*-0.1*	*0.5*
Cyprus	3.0	5.1	-2.5	0.5	-0.9	2.1	3.5	**8.7**	**11.7**	**3.7**	*3.6*	*4.0*
Latvia	2.4	0.8	-0.5	3.0	2.9	3.2	4.0	**2.8**	**2.3**	**3.0**	*1.5*	*1.3*
Lithuania	2.2	1.3	-0.3	0.2	0.1	-0.3	0.5	**1.4**	**0.8**	**0.5**	*0.6*	*0.5*
Luxembourg	4.8	2.7	2.3	1.6	1.0	4.7	4.1	**3.2**	**2.9**	**3.1**	*2.7*	*3.0*
Malta	2.4	2.5	3.3	3.7	-3.0	2.5	12.6	**12.7**	**3.6**	**3.6**	*11.5*	*6.3*
Netherlands	2.9	4.1	0.0	-0.1	1.3	0.9	1.6	**1.8**	**2.6**	**2.1**	*2.4*	*2.3*
Austria	0.6	2.6	0.3	0.9	1.8	1.1	0.9	**0.9**	**1.3**	**1.1**	*0.9*	*0.7*
Portugal	3.0	1.2	-2.3	0.8	0.8	0.2	0.9	**0.8**	**0.8**	**0.8**	*0.8*	*0.5*
Slovenia	3.2	3.0	-0.9	2.3	2.5	0.3	3.2	**2.0**	**1.9**	**1.8**	*2.5*	*2.2*
Slovakia	1.8	5.2	0.6	5.3	1.9	1.0	0.2	**3.0**	**3.5**	**2.6**	*2.5*	*2.4*
Finland	1.8	1.5	0.2	1.1	1.4	0.2	1.5	**2.4**	**2.5**	**0.4**	*1.2*	*0.3*
Euro area	2.0	2.2	0.3	1.3	1.9	1.3	1.1	**1.6**	**1.5**	**1.3**	*1.4*	*1.3*
Bulgaria	3.3	0.2	0.6	1.8	2.2	4.3	5.3	**4.8**	**2.6**	**1.4**	*3.0*	*2.3*
Czechia	2.8	1.2	-0.2	1.9	2.7	1.3	3.9	**3.1**	**1.9**	**2.1**	*3.0*	*1.8*
Denmark	1.7	2.2	0.7	1.7	0.2	0.7	0.9	**0.8**	**1.3**	**1.0**	*0.5*	*0.4*
Croatia	0.7	3.2	0.1	-1.0	0.7	2.7	2.9	**3.3**	**2.9**	**1.3**	*2.7*	*1.7*
Hungary	3.9	0.6	1.4	1.9	0.7	2.4	0.9	**0.3**	**0.6**	**0.8**	*1.5*	*1.5*
Poland	4.2	3.9	1.5	2.3	1.9	2.9	3.6	**5.2**	**5.7**	**4.9**	*4.3*	*3.3*
Romania	-4.0	1.7	1.0	-0.3	2.2	4.2	1.5	**3.1**	**3.5**	**2.1**	*3.8*	*3.1*
Sweden	0.3	1.2	1.2	2.2	3.7	0.1	0.4	**0.2**	**0.0**	**0.1**	*0.1*	*0.0*
EU27	2.0	2.1	0.4	1.4	2.0	1.3	1.2	**1.6**	**1.6**	**1.4**	*1.5*	*1.3*
United Kingdom	4.1	2.1	0.8	1.8	1.0	0.3	0.6	**3.1**	**2.3**	**1.9**	*2.2*	*0.8*
EU	2.3	2.1	0.4	1.4	1.8	1.2	1.2	**1.8**	**1.7**	**1.4**	*1.6*	*1.3*
Japan	2.6	0.8	1.5	1.5	1.4	0.3	0.8	**2.0**	**1.2**	**0.6**	*1.0*	*0.8*
United States	2.4	2.0	-1.4	1.8	1.8	0.6	1.7	**2.3**	**1.7**	**0.6**	*2.1*	*0.7*

Table 9: Total investment, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.2	1.9	1.7	3.7	3.8	1.3	4.0	**3.4**	**1.7**	**1.6**	*1.7*	*1.7*
Germany	-1.8	0.7	2.8	1.8	3.8	2.4	3.5	**2.5**	**1.5**	**1.6**	*2.3*	*2.4*
Estonia	14.6	-3.1	8.0	-3.2	0.9	12.5	1.7	**9.0**	**2.1**	**3.4**	*4.8*	*4.0*
Ireland	6.8	-1.6	2.3	52.9	50.6	-6.7	-21.1	**44.3**	**4.5**	**3.9**	*4.2*	*5.2*
Greece	5.1	-0.5	-15.6	0.7	4.7	9.1	-12.2	**10.1**	**12.5**	**8.1**	*10.1*	*10.8*
Spain	5.4	-1.2	-4.1	4.9	2.4	5.9	5.3	**2.5**	**2.5**	**2.1**	*3.6*	*2.9*
France	2.7	0.6	0.7	1.0	2.7	4.7	2.8	**2.7**	**1.9**	**1.4**	*2.1*	*1.7*
Italy	2.8	-1.6	-4.1	1.8	4.0	3.3	3.2	**2.7**	**1.5**	**1.6**	*-0.3*	*0.9*
Cyprus	3.5	5.3	-12.1	-0.2	48.9	24.1	-6.6	**14.7**	**8.3**	**6.0**	*10.2*	*8.1*
Latvia	14.8	-0.1	1.6	-1.2	-8.2	11.3	15.8	**4.5**	**1.3**	**1.9**	*2.8*	*1.7*
Lithuania	9.0	-0.9	6.5	4.9	3.4	8.2	8.4	**8.0**	**4.4**	**3.5**	*5.0*	*4.4*
Luxembourg	2.0	2.4	6.7	-7.7	4.6	5.6	-5.9	**4.5**	**2.9**	**1.6**	*2.5*	*1.6*
Malta	3.7	0.2	3.1	55.7	-0.3	-7.2	-1.8	**10.0**	**9.5**	**5.5**	*10.1*	*7.8*
Netherlands	-0.4	2.4	-2.5	29.0	-7.3	4.2	3.2	**5.6**	**1.8**	**1.5**	*3.2*	*2.1*
Austria	1.3	0.0	1.2	2.3	4.1	4.0	3.9	**2.9**	**1.2**	**1.1**	*2.0*	*1.6*
Portugal	-1.2	-1.0	-6.9	5.9	2.5	11.5	5.8	**6.5**	**4.8**	**5.0**	*4.6*	*5.0*
Slovenia	3.0	1.3	-4.9	-1.2	-3.7	10.4	9.4	**6.1**	**6.0**	**5.9**	*7.5*	*7.4*
Slovakia	0.0	2.7	3.0	21.6	-9.3	3.9	3.7	**1.0**	**2.6**	**2.8**	*2.6*	*2.8*
Finland	2.4	0.4	-0.2	0.3	8.9	4.0	3.3	**0.7**	**0.4**	**1.5**	*1.6*	*1.3*
Euro area	1.5	0.0	-0.6	4.8	4.0	3.5	2.3	**4.3**	**2.0**	**1.9**	*2.3*	*2.3*
Bulgaria	14.2	10.2	-3.6	2.7	-6.6	3.2	5.4	**1.8**	**3.0**	**3.3**	*6.8*	*5.2*
Czechia	4.3	3.3	0.1	10.2	-3.1	3.7	7.2	**1.1**	**1.0**	**2.1**	*3.9*	*3.1*
Denmark	2.0	0.6	0.8	5.5	7.6	4.6	6.5	**-0.8**	**2.5**	**1.9**	*1.7*	*2.3*
Croatia	8.8	2.8	-4.7	3.8	6.5	3.8	4.1	**8.8**	**7.5**	**7.2**	*6.0*	*5.4*
Hungary	5.1	0.1	1.3	4.8	-10.6	18.7	17.1	**17.0**	**2.1**	**2.6**	*10.4*	*2.4*
Poland	-1.5	9.5	3.1	6.1	-8.2	4.0	8.9	**8.0**	**3.3**	**3.5**	*4.9*	*4.1*
Romania	8.7	10.7	0.7	7.5	-0.2	3.6	-3.3	**8.0**	**3.4**	**2.8**	*1.4*	*2.3*
Sweden	3.0	1.7	3.5	5.8	4.1	5.6	4.6	**-1.9**	**-1.7**	**0.2**	*-0.2*	*0.9*
EU27	1.7	0.6	-0.3	5.0	3.3	3.7	2.9	**4.2**	**2.0**	**1.9**	*2.4*	*2.3*
United Kingdom	2.8	-1.4	2.9	3.7	3.6	1.6	-0.1	**0.9**	**0.5**	**0.6**	*-0.2*	*0.8*
EU	1.8	0.3	0.1	4.8	3.3	3.4	2.5	**3.8**	**1.8**	**1.7**	*2.1*	*2.1*
Japan	-1.4	-2.5	2.3	1.6	-0.3	3.0	1.1	**1.4**	**0.9**	**0.7**	*1.6*	*1.1*
United States	2.8	-1.9	4.5	3.2	1.9	3.7	4.1	**2.2**	**1.1**	**1.1**	*2.8*	*2.2*

Table 10: Investment in construction, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.5	2.9	1.2	1.4	2.5	1.6	3.2	**3.6**	**1.7**	**1.8**	*1.7*	*1.5*
Germany	-3.9	-0.7	2.5	-1.4	3.8	0.7	2.5	**3.9**	**2.1**	**1.5**	*2.7*	*2.4*
Estonia	13.7	-2.2	4.9	1.0	0.6	10.2	-3.0	**6.2**	**2.4**	**2.4**	*3.5*	*2.4*
Ireland	6.6	-6.2	-6.0	7.3	13.0	13.5	12.5	**8.4**	**7.4**	**6.4**	*10.3*	*7.9*
Greece	5.0	-3.4	-19.2	-9.9	29.2	0.4	-18.5	**19.5**	**12.4**	**8.4**	*20.2*	*12.5*
Spain	6.2	-2.0	-8.0	1.5	1.6	5.9	6.6	**3.1**	**2.5**	**2.1**	*4.1*	*2.9*
France	3.0	0.5	-0.6	-1.3	0.9	5.4	2.1	**2.6**	**1.8**	**1.2**	*0.5*	*0.5*
Italy	3.9	-2.1	-6.6	-1.4	0.0	1.5	2.9	**3.0**	**1.7**	**2.0**	*0.3*	*1.2*
Cyprus	5.7	4.2	-14.8	-7.8	24.6	24.6	18.8	**22.0**	**12.0**	**8.7**	*15.1*	*11.4*
Latvia	17.8	2.6	-1.1	-1.1	-20.8	14.2	19.9	**3.0**	**1.0**	**1.9**	*2.5*	*1.8*
Lithuania	5.0	0.9	3.5	0.1	-4.4	6.3	9.8	**12.1**	**5.3**	**3.9**	*5.3*	*4.2*
Luxembourg	4.7	2.4	1.5	-3.0	9.5	-0.1	2.9	**4.2**	**2.8**	**1.8**	*1.4*	*1.6*
Malta	:	-2.9	1.0	53.5	-14.9	24.3	3.1	**18.3**	**16.5**	**7.0**	*14.7*	*12.3*
Netherlands	-0.1	2.0	-5.5	11.4	10.9	5.5	6.0	**5.5**	**2.7**	**1.6**	*3.5*	*2.1*
Austria	0.3	-1.6	-0.3	0.1	0.5	3.3	3.7	**2.6**	**1.2**	**0.9**	*1.9*	*1.4*
Portugal	-1.5	-3.5	-10.1	5.2	-1.1	12.2	4.6	**7.0**	**4.5**	**4.7**	*3.6*	*3.7*
Slovenia	1.5	1.6	-8.7	-4.6	-14.4	9.1	8.9	**10.4**	**10.0**	**9.3**	*9.3*	*9.7*
Slovakia	-2.1	5.2	-2.4	27.6	-17.0	9.6	6.4	**1.8**	**3.2**	**3.3**	*3.5*	*3.4*
Finland	2.9	-0.3	1.0	1.3	10.2	4.3	4.5	**0.0**	**-0.3**	**0.3**	*1.4*	*1.3*
Euro area	:	-0.8	-2.6	0.2	2.7	3.6	3.4	**3.7**	**2.3**	**1.8**	*2.4*	*2.1*
Bulgaria	12.3	17.4	-8.3	-3.8	-2.7	-3.2	0.8	**0.3**	**2.2**	**2.9**	*4.5*	*2.9*
Czechia	2.2	1.9	-2.3	9.7	-6.9	3.6	6.7	**1.6**	**2.3**	**3.0**	*3.2*	*2.3*
Denmark	2.4	-2.4	0.2	10.1	6.6	6.1	5.4	**2.0**	**2.9**	**2.0**	*3.2*	*2.0*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Hungary	6.0	-1.7	-2.1	6.3	-21.0	28.0	23.5	**16.7**	**0.8**	**1.3**	*14.8*	*1.9*
Poland	-1.8	10.1	2.3	2.2	-10.2	-0.2	12.9	**3.7**	**3.4**	**3.0**	*3.7*	*3.0*
Romania	7.7	12.2	1.4	20.9	7.4	10.7	-3.2	**11.6**	**4.5**	**3.7**	*2.0*	*3.9*
Sweden	5.9	1.1	2.8	7.4	6.4	6.3	2.2	**-1.8**	**-0.6**	**1.2**	*-2.7*	*-1.8*
EU27	1.5	-0.3	-2.1	1.2	2.1	3.9	3.8	**3.7**	**2.2**	**1.9**	*2.4*	*2.0*
United Kingdom	2.2	-3.0	2.6	4.3	2.0	0.3	0.9	**4.7**	**1.1**	**0.5**	*1.2*	*1.2*
EU	1.6	-0.7	-1.5	1.7	2.1	3.3	3.4	**3.8**	**2.1**	**1.7**	*2.2*	*1.9*
Japan	-4.5	-5.2	2.3	0.3	1.3	2.9	:	**:**	**:**	**:**	*:*	*:*
United States	2.2	-6.2	1.3	3.5	1.2	3.0	0.8	**-0.9**	**1.3**	**1.5**	*0.1*	*1.2*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	2019	2020
Belgium	2.5	-0.2	1.3	2.0	14.3	-3.1	5.1	**3.4**	**1.5**	**1.2**	*1.6*	*1.9*
Germany	0.2	1.0	3.7	4.4	3.0	4.0	4.4	**0.6**	**0.4**	**1.7**	*2.1*	*2.8*
Estonia	15.3	-7.2	13.2	-12.1	0.4	17.9	9.3	**12.1**	**0.7**	**4.0**	*6.5*	*5.8*
Ireland	3.2	4.7	8.8	-3.2	25.1	-11.2	39.4	**-0.1**	**3.7**	**3.2**	*-3.0*	*3.7*
Greece	5.5	3.7	-13.5	7.3	-11.4	22.2	-10.2	**11.1**	**12.8**	**9.1**	*4.2*	*8.9*
Spain	2.6	-1.8	0.8	9.1	1.8	8.5	5.7	**1.9**	**2.3**	**2.1**	*3.0*	*3.1*
France	1.9	-1.0	1.8	4.1	6.1	1.1	2.0	**3.0**	**1.7**	**1.6**	*2.0*	*1.8*
Italy	2.1	-1.9	-2.5	4.6	8.1	6.2	4.3	**3.0**	**1.7**	**1.4**	*-0.5*	*0.8*
Cyprus	-1.1	7.6	-14.0	10.5	121.6	20.7	-31.9	**7.0**	**4.0**	**2.0**	*3.3*	*3.1*
Latvia	12.7	-7.1	6.8	-1.1	11.2	9.3	13.1	**6.0**	**1.5**	**1.8**	*3.5*	*1.5*
Lithuania	14.1	-7.7	13.6	13.7	14.6	9.2	7.3	**3.4**	**3.0**	**2.7**	*4.4*	*4.5*
Luxembourg	-1.1	2.8	15.3	-16.3	-1.0	16.3	-22.2	**5.0**	**3.0**	**1.4**	*3.8*	*1.6*
Malta	:	2.1	2.5	86.2	13.0	-35.1	-11.0	**:**	**:**	**:**	*:*	*:*
Netherlands	-2.0	2.5	-0.4	14.2	4.8	3.2	1.5	**7.8**	**1.1**	**1.2**	*2.8*	*1.0*
Austria	1.1	0.4	1.3	3.9	9.3	6.3	4.3	**3.9**	**1.1**	**1.1**	*2.1*	*1.5*
Portugal	-2.0	1.8	-4.0	10.6	8.0	12.4	7.5	**6.5**	**5.6**	**6.0**	*6.3*	*8.5*
Slovenia	5.6	-0.8	-1.1	4.3	7.4	12.5	10.7	**2.5**	**2.1**	**2.1**	*6.5*	*5.8*
Slovakia	1.5	0.8	8.5	17.1	-2.0	0.8	-3.5	**0.7**	**1.8**	**2.3**	*2.4*	*2.2*
Finland	0.9	1.1	-0.4	4.7	14.0	6.4	-1.1	**2.1**	**1.2**	**2.9**	*1.8*	*0.6*
Euro area	:	-0.1	1.1	5.2	5.8	4.0	4.3	**2.5**	**1.6**	**1.9**	*1.8*	*2.4*
Bulgaria	16.2	0.8	4.3	9.7	-14.8	4.4	8.8	**13.5**	**3.1**	**3.1**	*9.4*	*7.5*
Czechia	6.0	4.1	2.2	9.3	-2.5	3.4	8.3	**-0.4**	**-0.8**	**0.9**	*5.1*	*4.2*
Denmark	1.5	0.8	1.7	1.4	2.5	7.7	10.9	**-4.9**	**1.9**	**1.4**	*-0.9*	*2.8*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Hungary	4.1	-0.2	5.6	1.5	2.5	16.1	10.2	**18.0**	**3.6**	**4.3**	*5.6*	*3.9*
Poland	-1.3	8.3	4.3	12.1	-7.6	8.3	5.6	**14.4**	**3.4**	**4.4**	*6.8*	*5.8*
Romania	10.2	10.0	-1.0	-3.9	-8.9	-9.9	-4.6	**3.7**	**1.9**	**1.8**	*2.4*	*2.0*
Sweden	0.9	2.3	4.6	5.3	6.6	1.7	1.5	**-4.8**	**-4.3**	**0.7**	*0.8*	*3.1*
EU27	1.4	0.6	1.5	5.3	4.5	4.0	4.4	**2.8**	**1.5**	**2.0**	*2.1*	*2.6*
United Kingdom	2.5	-1.5	3.7	4.3	9.0	6.3	-8.7	**-9.2**	**-1.3**	**0.8**	*-4.0*	*0.4*
EU	1.6	0.4	1.7	5.2	5.0	4.3	3.0	**1.7**	**1.2**	**1.9**	*1.5*	*2.4*
Japan	0.9	-1.0	3.1	2.8	-1.8	4.9	:	**:**	**:**	**:**	*:*	*:*
United States	2.8	0.1	9.1	2.9	-0.9	4.8	6.7	**2.4**	**1.0**	**0.9**	*5.0*	*3.4*

Table 12: Public investment (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	2019	2020
Belgium	2.1	2.1	2.4	2.5	2.4	2.4	2.6	**2.6**	**2.7**	**2.8**	*2.4*	*2.5*
Germany	2.2	2.1	2.2	2.1	2.2	2.3	2.4	**2.5**	**2.6**	**2.7**	*2.4*	*2.5*
Estonia	4.9	5.6	5.3	5.2	4.7	5.7	5.3	**5.4**	**5.2**	**5.2**	*5.5*	*5.4*
Ireland	3.8	4.2	2.4	1.8	1.9	1.8	2.0	**2.3**	**2.4**	**2.4**	*2.3*	*2.3*
Greece	5.5	5.3	3.2	3.8	3.5	4.4	3.0	**3.5**	**3.8**	**3.9**	*4.1*	*4.0*
Spain	3.9	4.6	3.1	2.5	2.0	2.0	2.1	**2.1**	**2.1**	**2.1**	*2.1*	*2.1*
France	3.9	4.0	4.0	3.4	3.4	3.3	3.4	**3.5**	**3.5**	**3.5**	*3.5*	*3.4*
Italy	2.9	3.3	2.7	2.4	2.3	2.2	2.1	**2.2**	**2.3**	**2.4**	*2.1*	*2.3*
Cyprus	3.6	3.5	3.1	2.2	2.5	2.7	5.7	**2.1**	**2.1**	**2.1**	*2.2*	*2.2*
Latvia	2.2	4.8	4.7	4.6	3.5	4.4	5.4	**5.6**	**4.9**	**4.8**	*5.3*	*5.2*
Lithuania	2.9	4.6	4.2	3.7	3.0	3.2	3.2	**3.5**	**3.7**	**3.6**	*3.0*	*3.3*
Luxembourg	4.6	4.0	4.0	3.9	3.9	4.0	3.9	**4.1**	**4.3**	**4.1**	*4.1*	*4.1*
Malta	3.9	3.4	2.9	4.2	2.5	2.4	3.1	**4.4**	**4.1**	**4.1**	*3.5*	*3.5*
Netherlands	4.0	4.0	3.8	3.6	3.5	3.4	3.3	**3.4**	**3.4**	**3.5**	*3.5*	*3.5*
Austria	2.5	3.1	3.0	3.0	3.0	3.1	3.0	**3.0**	**3.0**	**3.0**	*3.0*	*3.0*
Portugal	4.6	3.7	3.1	2.3	1.5	1.8	1.9	**2.0**	**2.2**	**2.3**	*2.1*	*2.3*
Slovenia	3.8	4.5	4.5	4.8	3.1	3.0	3.6	**3.8**	**3.9**	**4.0**	*3.9*	*4.1*
Slovakia	3.6	3.6	3.6	6.4	3.4	3.4	3.7	**3.4**	**3.0**	**3.1**	*3.6*	*3.6*
Finland	3.7	3.6	4.0	3.7	4.1	4.1	4.2	**4.2**	**4.3**	**4.3**	*4.2*	*4.2*
Euro area	3.2	3.4	3.0	2.7	2.6	2.6	2.7	**2.8**	**2.8**	**2.9**	*2.8*	*2.8*
Bulgaria	3.6	4.7	4.2	6.6	2.7	2.3	3.1	**4.2**	**4.2**	**4.5**	*4.1*	*4.4*
Czechia	5.1	5.3	4.3	5.1	3.3	3.4	4.2	**4.3**	**4.4**	**4.5**	*4.2*	*4.3*
Denmark	2.8	3.0	3.6	3.6	3.8	3.4	3.5	**3.5**	**3.5**	**3.5**	*3.5*	*3.4*
Croatia	:	6.0	3.8	3.4	3.4	2.8	3.5	**4.1**	**4.4**	**4.4**	*3.8*	*4.0*
Hungary	4.0	4.0	4.1	6.5	3.2	4.5	5.8	**6.4**	**5.4**	**5.4**	*6.7*	*6.2*
Poland	2.6	4.2	5.0	4.5	3.3	3.8	4.7	**4.5**	**4.5**	**4.5**	*4.7*	*4.6*
Romania	3.2	5.3	4.9	5.2	3.6	2.6	2.7	**3.0**	**3.4**	**3.6**	*2.9*	*3.5*
Sweden	4.1	4.2	4.4	4.2	4.4	4.6	4.9	**4.9**	**5.0**	**5.0**	*4.8*	*4.9*
EU27	:	3.5	3.2	3.0	2.8	2.8	2.9	**3.0**	**3.1**	**3.1**	*3.0*	*3.0*
United Kingdom	2.0	2.8	2.8	2.7	2.6	2.7	2.7	**2.8**	**2.8**	**2.8**	*2.8*	*2.8*
EU	:	3.4	3.2	2.9	2.7	2.8	2.9	**3.0**	**3.0**	**3.1**	*3.0*	*3.0*
Japan	5.0	3.8	3.8	3.7	3.6	3.7	3.6	**3.7**	**3.8**	**3.8**	*3.6*	*3.6*
United States	3.7	3.9	3.6	3.2	3.2	3.2	3.2	**3.4**	**3.4**	**3.3**	*3.3*	*3.3*

Table 13: **Potential GDP, volume (percentage change on preceding year, 2000-2021)** **24.10.2019**

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.3	1.9	1.2	1.3	1.4	1.3	1.5	**1.5**	**1.5**	**1.5**	*1.3*	*1.3*
Germany	1.3	1.2	1.3	1.6	1.6	1.6	1.5	**1.4**	**1.4**	**1.4**	*1.5*	*1.4*
Estonia	5.5	3.7	1.1	2.9	2.9	3.5	3.5	**3.8**	**3.5**	**3.4**	*3.3*	*3.0*
Ireland	6.8	2.4	0.8	23.1	5.2	8.6	8.9	**5.0**	**4.3**	**3.9**	*4.3*	*3.9*
Greece	4.2	1.7	-2.2	-1.9	-1.5	-1.0	-0.7	**-0.5**	**-0.2**	**0.1**	*-0.3*	*0.0*
Spain	3.4	2.8	0.1	0.4	0.6	1.1	1.2	**1.3**	**1.4**	**1.5**	*1.4*	*1.4*
France	1.9	1.6	1.1	0.8	0.9	1.0	1.1	**1.1**	**1.2**	**1.3**	*1.2*	*1.3*
Italy	1.3	0.5	-0.3	-0.3	-0.3	0.1	0.1	**0.5**	**0.4**	**0.5**	*0.3*	*0.5*
Cyprus	3.6	3.7	0.2	-0.9	1.2	2.2	2.0	**2.3**	**2.5**	**2.6**	*2.1*	*2.1*
Latvia	6.6	5.1	-0.2	2.1	1.9	2.6	3.1	**3.4**	**3.5**	**3.3**	*3.8*	*3.8*
Lithuania	6.0	5.0	1.2	1.9	1.8	2.3	3.0	**3.6**	**3.9**	**3.9**	*3.3*	*3.4*
Luxembourg	4.6	3.4	2.3	2.3	2.5	2.4	2.0	**2.5**	**2.7**	**2.7**	*2.1*	*2.3*
Malta	2.7	2.4	3.6	7.8	7.2	6.8	6.2	**5.8**	**5.3**	**4.9**	*5.7*	*5.5*
Netherlands	2.5	1.6	0.6	1.4	1.4	1.6	1.8	**1.8**	**1.7**	**1.4**	*1.7*	*1.7*
Austria	2.3	1.8	0.9	1.2	1.4	1.6	1.7	**1.7**	**1.7**	**1.7**	*1.8*	*1.9*
Portugal	2.2	0.6	-0.5	0.4	0.8	1.4	1.7	**1.8**	**1.9**	**1.9**	*1.6*	*1.6*
Slovenia	3.3	3.3	0.5	0.9	1.2	1.8	2.3	**2.5**	**2.9**	**3.1**	*3.0*	*3.4*
Slovakia	4.0	5.5	2.7	2.7	1.9	2.2	2.6	**2.6**	**2.8**	**2.9**	*3.1*	*3.2*
Finland	3.6	1.8	0.2	0.5	1.1	1.2	1.4	**1.3**	**1.2**	**1.2**	*1.4*	*1.3*
Euro area	2.0	1.5	0.6	1.3	1.1	1.3	1.4	**1.3**	**1.4**	**1.4**	*1.3*	*1.4*
Bulgaria	3.6	5.0	1.2	3.3	3.0	3.0	3.1	**3.0**	**2.8**	**2.5**	*2.8*	*2.7*
Czechia	2.8	3.9	1.1	2.8	2.6	2.9	2.9	**2.8**	**2.7**	**2.5**	*3.0*	*2.9*
Denmark	1.8	1.3	0.8	1.4	1.6	1.6	1.8	**1.7**	**1.7**	**1.7**	*1.8*	*1.8*
Croatia	:	2.1	-0.2	0.8	1.4	1.3	1.7	**2.1**	**2.5**	**2.8**	*1.8*	*2.1*
Hungary	3.9	2.0	0.5	2.1	2.1	2.9	3.7	**4.3**	**3.9**	**3.8**	*3.7*	*3.6*
Poland	4.2	3.7	3.5	3.2	2.9	3.3	3.7	**3.9**	**3.9**	**4.0**	*3.9*	*4.0*
Romania	3.4	5.6	1.8	3.8	4.2	4.5	4.6	**4.4**	**3.8**	**3.6**	*3.6*	*3.5*
Sweden	3.0	2.4	1.7	2.2	2.2	2.2	2.1	**1.9**	**1.7**	**1.6**	*2.0*	*1.9*
EU27	:	1.7	0.8	1.5	1.3	1.5	1.6	**1.6**	**1.6**	**1.6**	*1.5*	*1.6*
United Kingdom	3.0	1.8	1.1	1.6	1.6	1.5	1.6	**1.6**	**1.6**	**1.5**	*1.6*	*1.5*
EU	:	1.7	0.8	1.5	1.3	1.5	1.6	**1.6**	**1.6**	**1.6**	*1.5*	*1.6*
Japan	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
United States	3.0	2.1	1.5	1.9	1.9	2.0	2.3	**2.0**	**2.0**	**2.0**	*2.3*	*2.3*

Table 14: **Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2000-2021)** **24.10.2019**

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.3	0.8	-0.7	0.1	0.2	0.9	0.8	**0.4**	**-0.1**	**-0.6**	*0.2*	*0.1*
Germany	0.0	-0.6	-0.4	-0.2	0.4	1.2	1.2	**0.2**	**-0.2**	**-0.6**	*-0.2*	*-0.1*
Estonia	1.6	4.3	-0.4	0.3	0.1	2.2	3.4	**2.9**	**1.5**	**0.5**	*2.8*	*2.2*
Ireland	1.4	-0.1	-1.4	3.9	2.4	2.0	1.3	**2.0**	**1.2**	**0.5**	*2.2*	*1.7*
Greece	1.8	2.7	-12.6	-12.5	-11.4	-9.1	-6.7	**-4.6**	**-2.2**	**-0.4**	*-4.0*	*-1.9*
Spain	2.8	1.2	-6.8	-4.2	-1.9	-0.1	1.0	**1.6**	**1.7**	**1.6**	*1.6*	*2.0*
France	1.7	1.2	-1.4	-1.5	-1.3	-0.1	0.5	**0.7**	**0.8**	**0.7**	*0.5*	*0.7*
Italy	1.5	0.8	-3.1	-3.6	-2.0	-0.4	0.2	**-0.2**	**-0.1**	**0.2**	*-0.3*	*-0.1*
Cyprus	1.8	3.9	-5.2	-5.9	-0.7	1.4	3.4	**3.9**	**4.0**	**3.7**	*3.8*	*4.3*
Latvia	-0.6	3.3	-4.6	0.7	0.5	1.6	3.1	**2.2**	**1.4**	**0.8**	*2.2*	*1.3*
Lithuania	-2.3	2.0	-3.7	0.4	1.1	3.0	3.6	**3.9**	**2.3**	**0.8**	*3.1*	*2.1*
Luxembourg	2.4	-0.8	-3.8	-1.1	0.9	0.3	1.5	**1.5**	**1.4**	**1.2**	*1.0*	*1.3*
Malta	0.7	0.2	-1.8	3.3	1.8	1.7	2.2	**1.5**	**0.4**	**-0.7**	*1.1*	*0.3*
Netherlands	-0.2	-0.1	-2.3	-1.9	-1.1	0.2	1.0	**1.0**	**0.6**	**0.4**	*1.0*	*0.9*
Austria	-0.1	0.2	-0.7	-1.4	-0.7	0.2	0.9	**0.8**	**0.4**	**0.1**	*0.7*	*0.4*
Portugal	0.7	-0.3	-2.9	-2.3	-1.2	0.9	1.6	**1.7**	**1.5**	**1.4**	*1.3*	*1.4*
Slovenia	0.3	3.0	-4.4	-3.4	-1.5	1.4	3.2	**3.3**	**3.1**	**2.7**	*3.4*	*2.8*
Slovakia	-2.5	1.9	-2.2	-0.7	-0.6	0.3	1.7	**1.8**	**1.6**	**1.5**	*2.1*	*2.3*
Finland	0.3	0.7	-2.1	-3.2	-1.7	0.0	0.3	**0.3**	**0.2**	**0.0**	*0.9*	*0.8*
Euro area	1.0	0.5	-2.3	-1.8	-1.0	0.2	0.7	**0.5**	**0.4**	**0.3**	*0.3*	*0.5*
Bulgaria	-1.9	1.9	-0.9	-1.2	-0.5	0.0	0.0	**0.5**	**0.8**	**1.1**	*0.6*	*1.3*
Czechia	0.0	2.9	-1.8	0.0	-0.1	1.3	1.4	**1.1**	**0.6**	**0.3**	*0.8*	*0.3*
Denmark	0.9	1.2	-2.8	-1.4	-0.7	0.0	-0.3	**0.0**	**-0.2**	**-0.3**	*-0.5*	*-0.7*
Croatia	:	3.6	-3.4	-3.4	-1.3	0.3	1.2	**2.0**	**2.2**	**1.9**	*2.1*	*2.4*
Hungary	0.6	0.7	-3.4	0.5	0.6	2.0	3.4	**3.7**	**2.5**	**1.6**	*3.3*	*2.5*
Poland	-3.5	0.3	-0.1	-0.8	-0.6	1.0	2.4	**2.5**	**1.9**	**1.2**	*2.3*	*2.0*
Romania	0.0	4.3	-3.5	-2.0	-1.4	1.0	0.4	**0.1**	**-0.1**	**-0.4**	*0.6*	*0.2*
Sweden	-0.1	0.1	-1.6	0.3	0.5	0.7	0.9	**0.1**	**-0.6**	**-0.9**	*-0.1*	*-0.4*
EU27	:	0.6	-2.2	-1.6	-0.9	0.3	0.8	**0.6**	**0.4**	**0.3**	*0.4*	*0.5*
United Kingdom	0.7	0.0	-2.5	0.2	0.5	0.9	0.6	**0.4**	**0.2**	**0.1**	*0.5*	*0.3*
EU	:	0.5	-2.3	-1.4	-0.7	0.4	0.8	**0.6**	**0.4**	**0.2**	*0.5*	*0.5*
Japan	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
United States	0.3	-0.2	-2.1	-0.1	-0.3	0.0	0.7	**0.9**	**0.7**	**0.4**	*0.9*	*0.5*

[1] When comparing output gaps between the successive forecasts 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, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.9	1.7	1.6	1.3	1.7	1.7	1.5	**1.6**	**1.9**	**2.0**	*1.5*	*1.6*
Germany	0.9	1.1	1.4	1.7	1.2	1.0	1.5	**2.0**	**2.0**	**1.7**	*2.1*	*2.1*
Estonia	4.8	6.7	3.6	1.1	1.7	3.6	4.5	**3.4**	**3.0**	**2.7**	*3.3*	*2.7*
Ireland	4.7	0.5	0.3	7.8	-0.3	1.1	0.8	**0.8**	**1.5**	**1.5**	*1.7*	*1.9*
Greece	3.0	3.2	-0.6	-0.3	-0.2	0.6	0.5	**0.8**	**0.9**	**1.6**	*1.1*	*1.2*
Spain	3.9	2.8	0.0	0.5	0.3	1.4	1.1	**1.4**	**1.4**	**1.4**	*1.6*	*1.7*
France	1.8	1.8	0.9	1.1	0.5	0.5	0.8	**1.4**	**1.2**	**1.2**	*1.3*	*1.3*
Italy	2.8	2.1	1.1	0.9	1.1	0.7	0.9	**0.6**	**0.9**	**1.1**	*0.7*	*1.0*
Cyprus	2.9	2.8	0.6	-0.9	-0.8	1.7	1.4	**1.5**	**1.5**	**1.7**	*1.1*	*1.3*
Latvia	4.5	8.7	2.6	0.0	0.9	3.0	4.0	**3.1**	**2.3**	**2.2**	*2.7*	*2.0*
Lithuania	0.6	5.6	2.5	0.1	1.6	4.3	3.3	**3.6**	**3.3**	**2.4**	*3.0*	*2.7*
Luxembourg	2.0	3.6	3.1	0.2	0.8	1.7	2.5	**2.2**	**1.9**	**2.0**	*1.8*	*1.7*
Malta	2.4	2.7	2.5	2.4	1.4	2.4	2.1	**2.1**	**2.0**	**2.1**	*2.3*	*2.2*
Netherlands	2.9	1.8	0.8	0.8	0.5	1.3	2.2	**2.5**	**1.5**	**1.2**	*2.4*	*1.6*
Austria	1.5	2.1	1.7	2.3	1.7	1.1	1.7	**1.9**	**1.7**	**1.7**	*2.0*	*1.9*
Portugal	3.4	2.5	0.6	2.0	1.7	1.5	1.6	**1.4**	**1.5**	**1.6**	*1.4*	*1.6*
Slovenia	6.1	3.2	0.5	1.0	0.8	1.6	2.2	**2.7**	**2.4**	**2.3**	*2.4*	*2.9*
Slovakia	5.9	1.6	0.7	-0.2	-0.5	1.2	2.0	**2.4**	**2.3**	**2.2**	*2.6*	*2.5*
Finland	1.3	1.9	2.0	1.7	0.2	0.7	2.1	**1.4**	**1.8**	**2.0**	*1.5*	*1.9*
Euro area	2.1	1.8	1.0	1.4	0.8	1.0	1.3	**1.5**	**1.5**	**1.5**	*1.6*	*1.6*
Bulgaria	5.0	7.3	1.7	2.4	2.5	3.9	4.0	**4.5**	**3.0**	**2.6**	*2.7*	*2.2*
Czechia	2.9	1.8	0.8	1.2	1.3	1.4	2.5	**2.6**	**2.3**	**1.8**	*2.1*	*2.0*
Denmark	2.3	2.4	1.6	0.4	0.7	1.4	0.6	**1.5**	**1.8**	**1.9**	*1.6*	*1.8*
Croatia	4.0	4.0	1.0	0.0	-0.1	1.1	1.7	**1.9**	**2.4**	**2.5**	*1.5*	*1.6*
Hungary	7.8	4.1	2.9	2.5	1.0	3.7	4.5	**4.2**	**3.7**	**3.0**	*4.0*	*3.4*
Poland	3.3	3.1	1.6	0.8	0.3	1.9	1.1	**2.9**	**3.1**	**3.1**	*1.8*	*2.4*
Romania	28.1	11.6	3.3	2.6	2.5	4.7	5.9	**7.3**	**4.5**	**4.4**	*5.2*	*3.7*
Sweden	1.5	2.2	1.1	2.2	1.5	2.2	2.2	**2.4**	**1.5**	**1.7**	*2.2*	*1.9*
EU27	2.3	2.1	1.1	1.4	0.9	1.2	1.4	**1.8**	**1.7**	**1.6**	*1.7*	*1.7*
United Kingdom	2.0	2.5	1.8	0.6	2.1	1.9	1.9	**1.9**	**2.1**	**1.9**	*1.9*	*2.0*
EU	2.3	2.1	1.2	1.2	1.1	1.3	1.5	**1.8**	**1.8**	**1.7**	*1.8*	*1.8*
Japan	-1.3	-0.8	-0.6	2.1	0.3	-0.2	-0.1	**0.3**	**0.6**	**0.3**	*0.4*	*0.4*
United States	2.1	2.3	1.8	1.0	1.0	1.9	2.4	**1.7**	**1.8**	**1.7**	*1.9*	*1.8*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.1	2.1	1.7	0.9	1.4	2.0	1.9	**1.4**	**1.6**	**1.7**	*1.7*	*1.6*
Germany	1.4	1.3	1.4	0.5	0.7	1.5	1.5	**1.2**	**1.2**	**1.4**	*1.5*	*1.5*
Estonia	3.7	4.7	3.4	-0.4	0.7	3.6	3.7	**2.6**	**2.3**	**2.4**	*2.6*	*2.3*
Ireland	4.0	0.4	0.5	0.6	0.3	1.1	1.7	**2.1**	**2.0**	**2.0**	*1.9*	*1.9*
Greece	2.8	3.0	0.4	-1.7	-0.8	0.6	0.3	**0.5**	**0.6**	**0.9**	*0.8*	*0.8*
Spain	3.4	2.6	1.5	-0.1	0.2	1.6	1.5	**0.9**	**1.1**	**1.4**	*1.2*	*1.5*
France	1.8	1.5	1.0	0.3	0.2	0.8	1.4	**1.2**	**1.2**	**1.2**	*1.2*	*1.2*
Italy	2.8	1.9	1.7	0.2	0.1	1.2	0.9	**0.6**	**0.8**	**1.1**	*0.9*	*1.1*
Cyprus	1.6	3.1	1.4	-2.0	-1.5	0.9	1.7	**0.6**	**0.8**	**1.3**	*0.9*	*1.2*
Latvia	4.6	8.0	1.7	-1.0	1.1	3.0	2.8	**3.1**	**2.5**	**2.3**	*2.8*	*2.4*
Lithuania	-0.3	5.6	1.9	-1.0	1.0	3.5	2.6	**2.0**	**1.9**	**1.4**	*2.4*	*2.3*
Luxembourg	2.1	2.1	1.7	0.1	0.3	1.8	2.1	**2.2**	**1.7**	**2.0**	*1.8*	*1.8*
Malta	2.0	2.5	1.7	1.7	0.6	1.0	0.7	**1.2**	**1.3**	**1.4**	*1.4*	*1.9*
Netherlands	2.7	1.4	1.6	0.2	0.6	1.4	2.0	**2.5**	**1.5**	**1.4**	*2.5*	*1.8*
Austria	1.8	1.9	2.3	1.5	1.4	2.0	2.1	**1.7**	**1.6**	**1.6**	*1.8*	*1.8*
Portugal	3.4	2.3	1.3	0.9	1.0	1.6	1.3	**0.5**	**1.2**	**1.4**	*1.1*	*1.6*
Slovenia	6.1	3.0	1.3	-0.6	-0.6	1.7	2.2	**1.6**	**2.2**	**2.2**	*2.2*	*2.4*
Slovakia	6.1	2.9	1.9	-0.1	-0.3	1.4	2.3	**2.5**	**2.4**	**2.4**	*2.5*	*2.4*
Finland	1.7	1.9	2.3	0.2	0.3	0.7	1.1	**1.2**	**1.4**	**1.5**	*1.4*	*1.6*
Euro area	2.2	1.8	1.4	0.3	0.4	1.3	1.4	**1.2**	**1.2**	**1.4**	*1.4*	*1.4*
Bulgaria	3.6	5.0	1.3	1.6	0.4	3.2	2.0	**2.2**	**2.3**	**2.0**	*2.0*	*1.8*
Czechia	2.3	2.3	1.2	0.1	0.5	2.4	2.5	**2.5**	**2.6**	**2.0**	*2.5*	*2.4*
Denmark	1.9	2.0	1.7	0.4	0.5	1.2	0.9	**0.9**	**1.6**	**1.8**	*1.3*	*1.6*
Croatia	3.3	3.7	1.7	-0.5	-1.2	1.0	1.2	**1.0**	**1.3**	**1.5**	*1.0*	*1.2*
Hungary	7.4	4.7	3.4	-0.1	0.2	2.7	3.1	**3.4**	**3.1**	**3.0**	*3.2*	*3.2*
Poland	4.3	2.5	2.2	-1.1	-0.4	2.0	1.5	**2.3**	**2.7**	**2.6**	*2.1*	*2.6*
Romania	23.9	6.6	3.6	1.0	0.7	2.7	3.7	**5.8**	**4.0**	**3.7**	*3.3*	*3.1*
Sweden	1.4	1.6	0.9	1.1	0.9	1.8	2.2	**1.7**	**1.6**	**1.6**	*1.5*	*1.6*
EU27	2.4	1.9	1.5	0.3	0.4	1.4	1.5	**1.4**	**1.4**	**1.5**	*1.5*	*1.5*
United Kingdom	0.9	2.3	2.1	0.0	1.4	1.4	2.5	**1.3**	**1.5**	**1.7**	*1.4*	*1.6*
EU	2.1	2.0	1.6	0.2	0.6	1.4	1.7	**1.4**	**1.4**	**1.5**	*1.5*	*1.6*
Japan	-1.0	-0.5	-0.2	0.4	-0.5	0.2	0.5	**0.2**	**0.9**	**0.3**	*0.2*	*0.4*
United States	2.0	2.2	1.8	0.2	1.0	1.8	2.1	**1.5**	**1.9**	**1.8**	*1.8*	*1.8*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2000-2021) 30.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.0	2.2	2.0	0.6	1.8	2.2	2.3	**1.3**	**1.4**	**1.4**	*1.8*	*1.6*
Germany	1.5	1.8	1.6	0.7	0.4	1.7	1.9	**1.3**	**1.2**	**1.4**	*1.5*	*1.5*
Estonia	3.5	5.2	3.2	0.1	0.8	3.7	3.4	**2.4**	**2.1**	**2.2**	*2.4*	*2.2*
Ireland	4.1	1.8	0.5	0.0	-0.2	0.3	0.7	**0.8**	**1.1**	**1.4**	*1.0*	*1.3*
Greece	3.4	3.1	1.3	-1.1	0.0	1.1	0.8	**0.5**	**0.6**	**0.9**	*0.8*	*0.8*
Spain	3.2	2.7	1.8	-0.6	-0.3	2.0	1.7	**0.9**	**1.1**	**1.4**	*1.1*	*1.4*
France	2.0	1.7	1.6	0.1	0.3	1.2	2.1	**1.3**	**1.3**	**1.3**	*1.3*	*1.4*
Italy	2.5	2.1	1.9	0.1	-0.1	1.3	1.2	**0.6**	**0.8**	**1.1**	*0.9*	*1.1*
Cyprus	3.1	2.2	1.9	-1.5	-1.2	0.7	0.8	**0.6**	**0.7**	**1.3**	*0.9*	*1.1*
Latvia	3.2	8.4	1.2	0.2	0.1	2.9	2.6	**3.1**	**2.5**	**2.3**	*2.8*	*2.4*
Lithuania	0.6	5.5	2.0	-0.7	0.7	3.7	2.5	**2.4**	**2.2**	**2.1**	*2.1*	*2.1*
Luxembourg	2.8	2.7	2.4	0.1	0.0	2.1	2.0	**1.7**	**1.6**	**1.9**	*1.8*	*1.7*
Malta	2.6	2.5	1.9	1.2	0.9	1.3	1.7	**1.6**	**1.7**	**1.7**	*1.8*	*1.9*
Netherlands	3.0	1.6	1.8	0.2	0.1	1.3	1.6	**2.6**	**1.4**	**1.5**	*2.5*	*1.5*
Austria	1.8	1.9	2.3	0.8	1.0	2.2	2.1	**1.5**	**1.6**	**1.6**	*1.8*	*1.9*
Portugal	3.3	1.9	1.6	0.5	0.6	1.6	1.2	**0.3**	**1.1**	**1.4**	*1.1*	*1.6*
Slovenia	6.9	3.0	1.8	-0.8	-0.2	1.6	1.9	**1.8**	**1.9**	**2.0**	*1.8*	*2.1*
Slovakia	7.8	2.8	2.0	-0.3	-0.5	1.4	2.5	**2.7**	**2.5**	**2.2**	*2.4*	*2.3*
Finland	1.8	1.8	2.3	-0.2	0.4	0.8	1.2	**1.2**	**1.4**	**1.5**	*1.4*	*1.6*
Euro area	2.2	2.0	1.7	0.2	0.2	1.5	1.8	**1.2**	**1.2**	**1.3**	*1.4*	*1.4*
Bulgaria	6.4	7.1	1.5	-1.1	-1.3	1.2	2.6	**2.4**	**1.6**	**2.1**	*2.0*	*1.8*
Czechia	2.5	2.7	1.7	0.3	0.6	2.4	2.0	**2.6**	**2.3**	**2.0**	*2.4*	*2.0*
Denmark	2.1	2.0	1.6	0.2	0.0	1.1	0.7	**0.8**	**1.3**	**1.4**	*1.3*	*1.5*
Croatia	3.2	3.4	1.8	-0.3	-0.6	1.3	1.6	**0.9**	**1.4**	**1.5**	*1.0*	*1.2*
Hungary	7.1	5.1	3.2	0.1	0.4	2.4	2.9	**3.4**	**3.1**	**3.0**	*3.2*	*3.2*
Poland	4.3	2.8	2.2	-0.7	-0.2	1.6	1.2	**2.2**	**2.6**	**2.5**	*1.8*	*2.5*
Romania	26.0	6.8	4.0	-0.4	-1.1	1.1	4.1	**3.9**	**3.5**	**3.4**	*3.6*	*3.0*
Sweden	1.9	1.9	1.0	0.7	1.1	1.9	2.0	**1.7**	**1.5**	**1.6**	*1.5*	*1.6*
EU27	2.6	2.3	1.8	0.1	0.2	1.6	1.8	**1.4**	**1.4**	**1.6**	*1.5*	*1.6*
United Kingdom	1.2	2.5	2.9	0.0	0.7	2.7	2.5	**1.8**	**2.0**	**2.2**	*2.0*	*2.1*
EU	2.7	2.3	2.0	0.1	0.2	1.7	1.9	**1.5**	**1.5**	**1.7**	*1.6*	*1.7*
Japan	-0.5	0.0	0.4	0.8	-0.1	0.5	1.0	**0.5**	**1.1**	**0.7**	*0.7*	*0.9*
United	2.5	2.6	2.0	0.1	1.3	2.1	2.4	**1.8**	**2.1**	**2.0**	*2.0*	*2.0*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2019-21) 24.10.2019

	2019/1	2019/2	2019/3	2019/4	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4
Belgium	2.0	1.7	0.9	0.7	1.4	1.5	1.6	1.3	1.3	1.4	1.4	1.5
Germany	1.6	1.7	1.0	1.0	1.5	1.0	1.1	1.2	1.4	1.4	1.4	1.4
Estonia	2.3	3.0	2.1	2.3	2.5	1.8	2.0	2.1	2.3	2.3	2.2	2.1
Ireland	0.9	1.3	0.6	0.7	1.0	0.9	1.1	1.2	1.4	1.4	1.5	1.5
Greece	0.8	0.6	0.2	0.4	0.5	0.4	0.7	0.8	0.9	0.9	0.9	0.9
Spain	1.1	1.1	0.4	1.0	1.2	0.9	1.2	1.1	1.3	1.3	1.4	1.4
France	1.4	1.3	1.2	1.3	1.4	1.3	1.2	1.2	1.3	1.3	1.4	1.1
Italy	1.0	0.9	0.3	0.2	0.4	0.6	1.0	1.1	1.1	1.1	1.1	1.2
Cyprus	1.3	0.6	0.1	0.3	0.6	0.4	0.8	1.1	1.1	1.2	1.3	1.4
Latvia	2.8	3.3	2.8	2.9	2.8	2.6	2.2	2.2	2.3	2.3	2.4	2.4
Lithuania	2.1	2.5	2.3	2.5	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.1
Luxembourg	2.1	2.0	1.4	1.4	1.7	1.4	1.5	1.7	1.8	1.9	1.9	1.9
Malta	1.2	1.7	1.8	1.8	1.9	1.8	1.6	1.4	1.7	1.6	1.8	1.9
Netherlands	2.5	2.7	2.8	2.5	1.7	1.1	1.2	1.5	1.6	1.5	1.5	1.5
Austria	1.6	1.7	1.3	1.4	1.6	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Portugal	0.8	0.6	-0.3	0.3	0.8	1.0	1.2	1.3	1.4	1.4	1.5	1.5
Slovenia	1.3	1.7	2.1	1.9	1.8	1.9	2.0	2.0	2.1	2.0	2.0	2.1
Slovakia	2.4	2.6	3.0	2.9	2.8	2.6	2.4	2.4	2.1	2.2	2.2	2.2
Finland	1.2	1.3	1.1	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.6
Euro area	1.4	1.4	1.0	1.0	1.2	1.0	1.2	1.2	1.3	1.3	1.4	1.3
Bulgaria	2.5	2.8	2.2	2.0	1.9	1.4	1.4	1.8	2.1	2.1	2.1	2.1
Czechia	2.3	2.4	2.6	2.8	2.5	2.4	2.2	2.1	2.1	2.1	2.1	1.9
Denmark	1.2	0.7	0.4	0.8	2.1	0.9	1.1	1.2	1.6	1.2	1.4	1.5
Croatia	0.8	0.8	0.7	1.2	1.3	1.4	1.4	1.5	1.4	1.4	1.5	1.6
Hungary	3.2	3.8	3.1	3.2	3.6	2.7	2.9	2.9	2.9	3.0	3.0	3.1
Poland	1.2	2.2	2.5	2.6	3.1	2.4	2.4	2.4	2.5	2.6	2.5	2.5
Romania	3.8	4.3	3.9	3.8	3.8	3.1	3.4	3.6	3.5	3.4	3.4	3.3
Sweden	1.9	1.9	1.4	1.4	1.5	1.3	1.4	1.6	1.6	1.6	1.7	1.7
EU27	1.5	1.6	1.2	1.2	1.4	1.2	1.3	1.4	1.5	1.5	1.5	1.5
United Kingdom	1.8	2.0	1.8	1.6	1.8	1.9	2.1	2.4	2.2	2.2	2.2	2.1
EU	1.6	1.7	1.3	1.3	1.5	1.3	1.5	1.5	1.6	1.6	1.6	1.6
Japan	0.3	0.7	0.4	0.8	1.3	1.3	1.2	0.6	0.6	0.7	0.7	0.7
United States	1.6	1.8	1.8	1.9	2.2	2.0	2.1	2.0	2.0	2.0	2.0	2.0

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.8	1.1	2.1	-3.5	-1.8	2.4	2.4	**0.7**	**1.0**	**1.1**	*1.4*	*1.4*
Germany	0.3	0.2	1.1	0.8	-1.0	1.4	0.8	**0.7**	**0.1**	**0.3**	*0.6*	*0.4*
Estonia	2.5	3.3	1.6	-1.6	-0.1	3.9	2.4	**0.5**	**1.1**	**1.3**	*1.3*	*1.6*
Ireland	-1.2	-0.2	0.4	10.0	-3.6	-0.9	-3.8	**-3.3**	**-1.0**	**-1.0**	*-0.3*	*0.4*
Greece	2.8	1.8	3.1	-11.5	-5.5	7.3	5.5	**2.4**	**1.9**	**2.1**	*2.4*	*1.7*
Spain	1.3	1.9	1.6	0.6	-1.6	3.2	1.1	**0.9**	**1.0**	**1.1**	*1.1*	*1.2*
France	-0.6	0.8	1.2	0.6	-1.9	1.1	0.6	**0.6**	**0.8**	**1.1**	*1.3*	*1.4*
Italy	1.6	1.4	1.6	-0.5	-0.7	1.9	2.0	**0.7**	**0.9**	**0.9**	*1.7*	*1.3*
Cyprus	2.6	2.8	1.4	0.8	-0.9	0.4	0.2	**1.1**	**1.2**	**1.2**	*0.8*	*1.2*
Latvia	5.1	6.0	4.9	0.2	-2.7	4.2	3.2	**1.0**	**1.2**	**1.4**	*1.5*	*1.2*
Lithuania	1.6	3.0	4.6	-6.5	-3.1	4.7	3.7	**3.0**	**2.9**	**2.4**	*2.3*	*1.6*
Luxembourg	1.7	3.0	2.0	-2.5	-0.4	3.2	3.3	**3.1**	**1.8**	**1.5**	*1.8*	*1.2*
Malta	1.8	0.9	2.0	0.5	-4.9	5.3	5.2	**3.3**	**3.0**	**3.0**	*4.5*	*4.5*
Netherlands	0.4	0.9	2.1	-2.6	-3.6	3.3	2.4	**0.9**	**1.0**	**1.0**	*0.9*	*1.3*
Austria	0.5	1.1	1.3	-0.7	-0.9	1.5	1.3	**0.9**	**0.9**	**0.9**	*0.6*	*0.8*
Portugal	0.8	1.0	1.7	-2.8	-3.1	3.0	2.2	**1.5**	**0.6**	**0.7**	*1.6*	*1.2*
Slovenia	5.4	1.3	1.1	-0.6	-2.1	2.6	2.7	**0.4**	**0.9**	**0.9**	*1.8*	*1.5*
Slovakia	5.3	-0.2	0.4	-1.3	-1.7	2.2	1.6	**2.2**	**2.0**	**2.0**	*2.1*	*2.0*
Finland	-1.1	-0.9	1.4	-2.4	-3.1	3.8	4.7	**0.8**	**1.1**	**1.0**	*1.0*	*1.3*
Euro area	0.4	0.8	1.4	0.0	-1.8	1.9	1.2	**0.6**	**0.6**	**0.7**	*1.0*	*1.0*
Bulgaria	-2.5	8.9	3.3	-2.3	-2.4	7.7	2.8	**1.9**	**2.5**	**2.8**	*1.8*	*1.8*
Czechia	0.0	-1.8	1.6	-1.4	-2.8	-0.6	-0.7	**1.0**	**0.0**	**0.0**	*0.7*	*0.2*
Denmark	1.5	2.2	2.2	-0.7	-0.8	0.3	0.4	**2.2**	**1.6**	**1.4**	*2.5*	*1.4*
Croatia	4.4	2.4	2.3	-2.3	-3.1	1.2	0.6	**2.0**	**2.0**	**2.0**	*1.4*	*1.5*
Hungary	0.9	0.7	1.8	-0.3	-1.0	1.5	2.9	**2.0**	**1.8**	**1.5**	*1.7*	*1.5*
Poland	4.8	2.6	2.5	1.6	0.3	1.5	1.6	**2.3**	**2.2**	**2.0**	*1.5*	*1.2*
Romania	26.0	6.7	2.4	-0.3	-8.9	2.8	5.6	**5.0**	**3.9**	**3.7**	*4.8*	*3.9*
Sweden	-0.4	2.7	-1.1	1.6	-1.7	4.0	5.6	**4.6**	**1.3**	**1.4**	*4.3*	*1.7*
EU27	0.6	1.0	1.4	0.0	-1.8	1.9	1.4	**0.9**	**0.8**	**0.9**	*1.2*	*1.1*
United Kingdom	0.4	3.5	1.7	-7.1	5.4	6.5	3.8	**1.8**	**1.5**	**1.4**	*1.6*	*1.4*
EU	0.6	1.2	1.5	-0.5	-1.2	2.2	1.5	**1.0**	**0.8**	**0.9**	*1.3*	*1.1*
Japan	-1.9	-2.1	1.4	0.8	-8.7	4.5	1.3	**1.0**	**1.0**	**1.0**	*0.8*	*1.0*
United States	0.9	1.6	2.0	-7.1	-3.9	2.6	3.6	**-0.4**	**1.3**	**1.2**	*0.6*	*1.2*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.6	1.3	2.9	-5.3	-2.1	3.4	3.8	**0.5**	**0.9**	**1.0**	*1.5*	*1.3*
Germany	0.4	-0.1	1.7	-2.2	-3.2	3.0	1.9	**-0.5**	**-1.3**	**0.0**	*0.3*	*0.0*
Estonia	0.4	2.3	2.3	-1.7	-1.1	3.0	2.4	**0.5**	**0.7**	**1.1**	*1.2*	*1.4*
Ireland	0.3	-1.6	1.8	1.8	-6.2	3.5	2.5	**0.1**	**0.3**	**0.3**	*0.6*	*0.6*
Greece	3.1	2.7	2.0	-12.0	-3.3	6.1	6.5	**1.9**	**1.7**	**1.4**	*2.0*	*1.0*
Spain	1.4	0.9	3.2	-1.1	-1.6	4.1	3.4	**0.9**	**1.2**	**1.3**	*0.8*	*1.3*
France	-0.3	0.5	1.7	-3.6	-3.1	2.7	2.4	**0.2**	**0.8**	**1.1**	*1.4*	*1.3*
Italy	2.4	1.8	2.4	-4.4	-4.5	4.0	3.5	**0.8**	**0.6**	**0.9**	*2.2*	*1.3*
Cyprus	1.9	2.9	0.7	-3.6	-0.5	0.7	2.1	**1.5**	**1.5**	**1.2**	*0.9*	*1.3*
Latvia	5.8	5.9	4.2	-2.1	-6.0	3.3	1.6	**0.6**	**1.0**	**1.4**	*1.6*	*1.4*
Lithuania	-1.4	3.7	4.5	-8.8	-4.8	4.1	4.7	**1.9**	**1.6**	**1.6**	*1.8*	*1.3*
Luxembourg	2.1	1.5	1.3	-0.4	-2.3	4.7	2.9	**2.9**	**1.8**	**1.4**	*1.6*	*1.1*
Malta	1.5	0.5	0.3	-0.4	-0.8	0.4	1.5	**1.5**	**1.6**	**1.7**	*3.0*	*2.8*
Netherlands	-0.2	0.7	2.8	-5.0	-4.5	3.6	2.7	**1.0**	**1.0**	**1.0**	*1.0*	*1.3*
Austria	0.1	1.2	2.1	-2.7	-1.8	3.4	2.3	**0.8**	**0.9**	**0.9**	*0.5*	*0.8*
Portugal	1.2	0.5	1.6	-5.3	-3.9	4.2	2.5	**1.5**	**0.8**	**0.9**	*1.4*	*1.0*
Slovenia	5.5	1.3	2.4	-1.9	-2.9	3.3	2.8	**0.0**	**0.9**	**1.0**	*2.1*	*1.0*
Slovakia	4.7	1.0	1.2	-1.1	-1.3	3.0	2.5	**2.7**	**2.2**	**2.2**	*2.4*	*2.2*
Finland	-0.3	0.5	2.3	-6.2	-3.2	4.7	4.2	**1.5**	**1.2**	**1.2**	*1.8*	*1.3*
Euro area	0.8	0.7	2.2	-3.3	-3.3	3.4	2.7	**0.4**	**0.3**	**0.8**	*1.1*	*0.9*
Bulgaria	2.8	5.1	3.0	-2.9	-6.0	7.5	2.2	**0.0**	**1.8**	**2.3**	*1.4*	*1.4*
Czechia	-0.6	-1.1	2.0	-1.9	-3.8	0.7	-0.6	**1.4**	**-0.1**	**-0.1**	*1.0*	*0.2*
Denmark	0.6	0.5	2.1	-2.5	-2.8	1.5	2.7	**1.9**	**1.4**	**1.2**	*2.2*	*1.3*
Croatia	2.4	1.9	1.9	-1.2	-2.5	2.6	1.1	**1.6**	**1.3**	**1.4**	*1.3*	*1.3*
Hungary	1.7	1.5	2.1	-1.1	-2.5	1.9	4.0	**2.1**	**1.5**	**1.5**	*1.6*	*1.5*
Poland	5.2	1.5	2.6	-1.3	-0.3	1.3	3.0	**1.4**	**1.3**	**1.0**	*2.2*	*1.7*
Romania	21.6	1.4	2.2	-1.3	-7.3	5.3	4.1	**3.7**	**3.4**	**3.3**	*3.8*	*3.5*
Sweden	1.0	2.5	-1.0	0.0	-2.2	4.6	6.7	**3.9**	**2.4**	**1.6**	*4.0*	*1.4*
EU27	1.0	0.9	2.1	-3.0	-3.2	3.2	2.8	**0.7**	**0.5**	**0.9**	*1.3*	*1.0*
United Kingdom	-0.6	3.7	1.6	-6.2	2.3	6.5	3.2	**0.5**	**0.5**	**0.5**	*0.7*	*0.5*
EU	0.8	1.2	2.0	-3.4	-2.5	3.6	2.8	**0.7**	**0.5**	**0.8**	*1.2*	*0.9*
Japan	0.7	1.6	5.7	-9.6	-15.0	9.9	6.6	**0.9**	**0.8**	**1.0**	*1.0*	*1.6*
United States	1.4	2.1	2.2	-9.5	-4.3	2.3	2.9	**-0.9**	**1.2**	**1.2**	*0.5*	*1.2*

Table 21: Terms of trade of goods (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	-0.8	-0.1	-0.8	1.9	0.3	-1.0	-1.3	**0.1**	**0.1**	**0.1**	*-0.1*	*0.1*
Germany	-0.2	0.3	-0.5	3.1	2.3	-1.6	-1.1	**1.2**	**1.4**	**0.3**	*0.4*	*0.4*
Estonia	2.1	1.0	-0.6	0.1	1.0	0.9	0.1	**0.0**	**0.4**	**0.2**	*0.1*	*0.2*
Ireland	-1.5	1.4	-1.4	8.0	2.7	-4.2	-6.1	**-3.4**	**-1.3**	**-1.3**	*-0.9*	*-0.2*
Greece	-0.3	-0.9	1.1	0.6	-2.3	1.2	-1.0	**0.5**	**0.2**	**0.7**	*0.4*	*0.7*
Spain	-0.1	0.9	-1.5	1.7	0.1	-0.8	-2.2	**0.0**	**-0.2**	**-0.2**	*0.3*	*-0.1*
France	-0.3	0.3	-0.5	4.4	1.2	-1.6	-1.7	**0.4**	**0.0**	**0.0**	*-0.1*	*0.2*
Italy	-0.8	-0.5	-0.8	4.2	4.0	-2.1	-1.4	**-0.1**	**0.3**	**0.0**	*-0.5*	*0.0*
Cyprus	0.6	-0.1	0.7	4.5	-0.4	-0.3	-1.9	**-0.4**	**-0.3**	**0.0**	*-0.1*	*-0.1*
Latvia	-0.7	0.1	0.7	2.4	3.5	0.9	1.6	**0.4**	**0.2**	**0.0**	*-0.1*	*-0.2*
Lithuania	3.1	-0.6	0.1	2.6	1.8	0.5	-1.0	**1.1**	**1.2**	**0.8**	*0.4*	*0.3*
Luxembourg	-0.4	1.5	0.6	-2.2	2.0	-1.4	0.4	**0.2**	**0.0**	**0.0**	*0.1*	*0.0*
Malta	0.3	0.4	1.6	0.9	-4.2	4.9	3.7	**1.8**	**1.4**	**1.3**	*1.5*	*1.7*
Netherlands	0.6	0.2	-0.7	2.4	1.0	-0.3	-0.3	**-0.1**	**0.0**	**0.0**	*-0.1*	*0.0*
Austria	0.4	-0.2	-0.8	2.1	0.9	-1.8	-1.0	**0.1**	**0.0**	**0.0**	*0.1*	*0.0*
Portugal	-0.4	0.5	0.1	2.7	0.9	-1.1	-0.3	**0.0**	**-0.2**	**-0.2**	*0.2*	*0.2*
Slovenia	-0.2	0.0	-1.2	1.3	0.8	-0.6	-0.1	**0.4**	**0.0**	**-0.1**	*-0.3*	*0.5*
Slovakia	0.6	-1.2	-0.8	-0.2	-0.4	-0.8	-0.9	**-0.5**	**-0.2**	**-0.2**	*-0.2*	*-0.2*
Finland	-0.8	-1.4	-0.9	4.1	0.0	-0.9	0.5	**-0.7**	**-0.1**	**-0.2**	*-0.8*	*0.0*
Euro area	-0.3	0.0	-0.7	3.3	1.5	-1.5	-1.5	**0.1**	**0.3**	**0.0**	*-0.1*	*0.1*
Bulgaria	-5.2	3.7	0.3	0.6	3.9	0.3	0.7	**1.9**	**0.7**	**0.5**	*0.4*	*0.4*
Czechia	0.6	-0.7	-0.4	0.5	1.0	-1.4	-0.1	**-0.4**	**0.1**	**0.1**	*-0.3*	*0.0*
Denmark	0.8	1.6	0.1	1.9	2.1	-1.2	-2.3	**0.3**	**0.2**	**0.2**	*0.3*	*0.1*
Croatia	1.9	0.5	0.5	-1.2	-0.6	-1.3	-0.5	**0.4**	**0.7**	**0.6**	*0.1*	*0.2*
Hungary	-0.8	-0.8	-0.3	0.8	1.5	-0.3	-1.0	**-0.1**	**0.3**	**0.0**	*0.1*	*0.0*
Poland	-0.3	1.0	-0.1	2.9	0.6	0.2	-1.3	**0.9**	**0.9**	**1.0**	*-0.7*	*-0.5*
Romania	3.6	5.3	0.2	1.0	-1.7	-2.4	1.5	**1.3**	**0.5**	**0.4**	*1.0*	*0.4*
Sweden	-1.4	0.2	-0.1	1.6	0.6	-0.6	-1.0	**0.7**	**-1.1**	**-0.2**	*0.3*	*0.3*
EU27	-0.3	0.1	-0.6	3.0	1.5	-1.4	-1.4	**0.2**	**0.3**	**0.0**	*-0.1*	*0.0*
United Kingdom	1.0	-0.3	0.1	-1.0	3.0	0.1	0.5	**1.3**	**1.0**	**0.9**	*0.9*	*0.9*
EU	-0.1	0.1	-0.6	2.3	1.9	-1.1	-1.2	**0.3**	**0.3**	**0.1**	*-0.1*	*0.1*
Japan	-2.6	-3.6	-4.1	11.5	7.4	-4.9	-4.9	**0.1**	**0.2**	**0.0**	*-0.2*	*-0.6*
United States	-0.5	-0.5	-0.2	2.6	0.4	0.3	0.7	**0.5**	**0.0**	**0.0**	*0.0*	*0.0*

Table 22: Total population (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.4	0.7	0.7	0.5	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*
Germany	0.0	-0.2	0.1	0.9	0.8	0.4	0.3	**0.2**	**0.2**	**0.2**	*0.2*	*0.1*
Estonia	-0.2	-0.5	-0.3	-0.2	0.2	0.0	0.3	**0.3**	**0.3**	**0.2**	*0.1*	*0.1*
Ireland	1.6	2.2	0.5	0.9	1.1	1.1	1.2	**1.2**	**0.8**	**0.8**	*0.9*	*0.9*
Greece	0.4	0.3	-0.4	-0.7	-0.4	-0.2	-0.3	**-0.5**	**-0.6**	**-0.6**	*-0.5*	*-0.6*
Spain	1.2	1.6	0.0	-0.1	0.1	0.2	0.4	**0.6**	**0.7**	**0.8**	*0.5*	*0.5*
France	0.7	0.6	0.5	0.4	0.4	0.4	0.3	**0.2**	**0.3**	**0.3**	*0.4*	*0.4*
Italy	0.3	0.6	0.4	-0.1	-0.2	-0.1	-0.2	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*
Cyprus	1.2	2.1	1.1	-0.6	0.5	0.9	1.2	**0.7**	**0.8**	**0.9**	*0.7*	*0.6*
Latvia	-1.1	-1.1	-1.4	-0.8	-0.9	-0.9	-0.8	**-0.8**	**-0.7**	**-0.7**	*-0.8*	*-0.7*
Lithuania	-0.8	-1.3	-1.5	-0.9	-1.3	-1.4	-0.9	**-0.6**	**-0.6**	**-0.7**	*-0.6*	*-0.6*
Luxembourg	1.2	1.7	2.3	2.0	2.6	2.2	2.0	**2.1**	**2.0**	**1.8**	*1.8*	*1.7*
Malta	0.7	0.6	1.1	2.4	2.3	2.8	2.9	**2.5**	**2.0**	**1.5**	*1.6*	*1.5*
Netherlands	0.6	0.3	0.4	0.4	0.5	0.6	0.6	**0.6**	**0.5**	**0.4**	*0.6*	*0.5*
Austria	0.4	0.4	0.5	1.0	1.3	0.6	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*
Portugal	0.5	0.2	-0.3	-0.4	-0.3	-0.2	-0.2	**0.0**	**0.0**	**0.0**	*-0.1*	*0.0*
Slovenia	0.1	0.4	0.2	0.1	0.1	0.1	0.3	**0.6**	**0.3**	**0.2**	*0.1*	*0.1*
Slovakia	0.0	0.1	0.0	0.1	0.2	0.1	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*
Finland	0.2	0.4	0.5	0.3	0.3	0.2	0.1	**0.2**	**0.1**	**0.1**	*0.2*	*0.2*
Euro area	0.4	0.5	0.2	0.3	0.3	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*
Bulgaria	-1.1	-0.5	-1.0	-0.6	-0.7	-0.7	-0.7	**-0.7**	**-0.7**	**-0.7**	*-0.7*	*-0.7*
Czechia	-0.1	0.6	0.1	0.2	0.2	0.2	0.3	**0.4**	**0.4**	**0.2**	*0.4*	*0.3*
Denmark	0.3	0.4	0.4	0.7	0.8	0.7	0.5	**0.4**	**0.4**	**0.4**	*0.6*	*0.5*
Croatia	-1.0	0.0	-0.3	-0.5	-0.8	-0.9	-1.2	**-0.5**	**-0.4**	**-0.2**	*-0.5*	*-0.5*
Hungary	-0.3	-0.2	-0.3	-0.2	-0.3	-0.3	-0.1	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*
Poland	0.0	0.2	0.0	-0.1	-0.1	0.0	0.0	**0.0**	**-0.1**	**-0.1**	*0.0*	*-0.1*
Romania	-0.9	-1.0	-0.4	-0.5	-0.6	-0.6	-0.6	**-0.6**	**-0.6**	**-0.6**	*-0.6*	*-0.6*
Sweden	0.3	0.7	0.8	1.1	1.3	1.4	1.2	**0.9**	**1.0**	**1.0**	*0.9*	*1.0*
EU27	0.3	0.3	0.2	0.2	0.2	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*
United Kingdom	0.4	0.8	0.7	0.8	0.8	0.6	0.6	**0.6**	**0.6**	**0.6**	*0.6*	*0.6*
EU	0.3	0.4	0.2	0.3	0.3	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*
Japan	0.1	0.1	-0.1	-0.1	-0.2	-0.2	-0.2	**-0.2**	**-0.3**	**-0.3**	*-0.2*	*-0.3*
United States	1.0	0.9	0.7	0.7	0.7	0.6	0.6	**0.7**	**0.7**	**0.7**	*0.7*	*0.7*

Table 23: **Total employment (percentage change on preceding year, 2000-2021)** 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.9	1.2	0.5	0.9	1.3	1.6	1.4	**1.3**	**0.9**	**0.8**	*0.8*	*0.7*
Germany	0.1	0.8	0.9	0.9	1.2	1.4	1.4	**0.8**	**0.1**	**0.2**	*0.8*	*0.5*
Estonia	0.6	-0.6	1.0	2.9	0.3	2.7	1.2	**0.7**	**0.0**	**-0.1**	*0.6*	*-0.1*
Ireland	2.9	1.1	-0.2	3.6	3.7	3.0	3.2	**2.4**	**1.7**	**1.4**	*2.0*	*1.8*
Greece	1.4	1.0	-3.5	0.7	0.5	1.5	1.7	**2.2**	**2.2**	**1.4**	*1.5*	*1.3*
Spain	3.1	0.7	-2.6	3.2	2.8	2.8	2.5	**2.2**	**1.0**	**0.8**	*2.0*	*1.7*
France	1.1	0.6	0.2	0.3	0.5	0.9	1.0	**1.1**	**0.7**	**0.5**	*0.8*	*0.7*
Italy	1.1	-0.1	-0.9	0.7	1.3	0.9	0.8	**0.6**	**0.1**	**0.3**	*-0.1*	*0.5*
Cyprus	2.7	2.7	-2.0	1.6	4.7	5.3	4.1	**2.5**	**2.2**	**1.8**	*2.6*	*2.0*
Latvia	0.1	-0.9	-0.6	1.4	-0.3	0.0	1.6	**-0.4**	**0.0**	**0.2**	*0.3*	*0.0*
Lithuania	-0.7	-1.3	0.1	1.4	2.3	-0.7	1.4	**0.2**	**0.1**	**0.0**	*0.4*	*0.1*
Luxembourg	3.6	3.4	2.3	2.6	3.0	3.4	3.7	**3.7**	**3.4**	**3.1**	*3.1*	*2.8*
Malta	0.2	1.5	3.3	4.1	4.3	8.1	5.4	**4.0**	**3.0**	**2.5**	*4.0*	*3.4*
Netherlands	0.2	1.2	-0.4	1.3	2.1	2.2	2.6	**1.8**	**0.6**	**0.3**	*1.4*	*0.7*
Austria	0.6	1.2	0.9	0.6	1.3	1.7	1.7	**1.1**	**0.7**	**0.6**	*1.0*	*0.5*
Portugal	0.5	-0.5	-1.8	1.4	1.6	3.3	2.3	**1.0**	**0.5**	**0.5**	*1.1*	*0.8*
Slovenia	0.7	1.1	-1.1	1.3	1.8	3.0	3.2	**2.3**	**1.5**	**1.3**	*2.3*	*2.1*
Slovakia	-0.1	1.4	0.2	2.0	2.4	2.2	2.0	**0.8**	**0.2**	**0.2**	*0.8*	*0.4*
Finland	1.1	1.1	0.1	-0.1	0.5	1.0	2.6	**0.9**	**0.4**	**0.3**	*0.9*	*0.6*
Euro area	1.0	0.6	-0.3	1.1	1.4	1.5	1.5	**1.1**	**0.5**	**0.5**	*0.9*	*0.8*
Bulgaria	0.5	2.0	-1.7	0.4	0.5	1.8	-0.1	**0.6**	**0.0**	**-0.2**	*0.1*	*0.1*
Czechia	-0.3	1.1	0.0	1.4	1.6	1.6	1.3	**1.1**	**0.6**	**0.5**	*0.9*	*0.7*
Denmark	0.1	0.8	-0.4	1.4	1.5	1.7	1.8	**1.3**	**0.9**	**0.8**	*1.1*	*0.9*
Croatia	0.7	1.7	-2.2	1.2	0.3	2.2	1.8	**1.3**	**1.1**	**1.1**	*1.6*	*1.3*
Hungary	0.3	-0.9	1.2	2.2	3.7	1.9	2.4	**1.9**	**0.2**	**0.0**	*1.4*	*0.4*
Poland	-1.4	2.8	-0.1	1.5	0.8	1.3	0.3	**0.1**	**-0.1**	**-0.1**	*0.2*	*0.1*
Romania	-2.7	-0.8	-0.8	-1.3	-1.1	2.4	0.2	**0.2**	**0.1**	**0.1**	*0.3*	*0.2*
Sweden	0.7	0.6	1.2	1.5	1.9	2.5	1.9	**0.3**	**0.0**	**0.5**	*0.8*	*0.6*
EU27	0.5	0.7	-0.3	1.1	1.3	1.6	1.4	**1.0**	**0.4**	**0.4**	*0.8*	*0.7*
United Kingdom	1.0	0.4	1.1	1.7	1.5	1.0	1.2	**1.0**	**0.7**	**0.7**	*0.8*	*0.8*
EU	0.6	0.7	-0.1	1.2	1.3	1.5	1.4	**1.0**	**0.5**	**0.4**	*0.8*	*0.7*
Japan	-0.3	0.2	0.1	0.4	1.0	1.0	1.0	**0.5**	**0.2**	**0.3**	*0.5*	*0.2*
United States	0.8	0.1	0.9	1.7	1.7	1.2	1.6	**1.1**	**1.0**	**0.5**	*1.2*	*0.8*

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

Table 24: **Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2000-2021)** 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	7.5	7.8	8.0	8.5	7.8	7.1	6.0	**5.5**	**5.4**	**5.3**	*5.6*	*5.3*
Germany	8.9	9.0	5.7	4.6	4.1	3.8	3.4	**3.2**	**3.4**	**3.5**	*3.1*	*2.7*
Estonia	11.8	7.5	11.0	6.2	6.8	5.8	5.4	**5.1**	**5.4**	**5.8**	*5.7*	*5.7*
Ireland	4.6	6.8	14.2	10.0	8.4	6.7	5.8	**5.2**	**5.0**	**5.0**	*5.4*	*5.0*
Greece	10.5	9.0	21.8	24.9	23.6	21.5	19.3	**17.3**	**15.4**	**14.0**	*18.2*	*16.8*
Spain	11.3	11.0	23.3	22.1	19.6	17.2	15.3	**13.9**	**13.3**	**12.8**	*13.5*	*12.2*
France	8.3	8.4	9.8	10.4	10.1	9.4	9.1	**8.5**	**8.2**	**8.0**	*8.8*	*8.5*
Italy	8.8	7.0	10.5	11.9	11.7	11.2	10.6	**10.0**	**10.0**	**10.0**	*10.9*	*11.0*
Cyprus	4.2	4.6	11.6	15.0	13.0	11.1	8.4	**7.2**	**6.3**	**5.7**	*6.7*	*5.9*
Latvia	12.7	9.7	14.7	9.9	9.6	8.7	7.4	**6.6**	**6.4**	**6.4**	*6.9*	*6.7*
Lithuania	14.2	7.6	13.8	9.1	7.9	7.1	6.2	**6.2**	**6.2**	**6.2**	*6.2*	*6.0*
Luxembourg	3.1	4.7	5.3	6.5	6.3	5.6	5.5	**5.3**	**5.3**	**5.3**	*5.2*	*5.2*
Malta	7.2	6.6	6.2	5.4	4.7	4.0	3.7	**3.6**	**3.5**	**3.6**	*3.8*	*3.9*
Netherlands	4.2	4.6	6.1	6.9	6.0	4.9	3.8	**3.5**	**3.7**	**4.1**	*3.5*	*3.6*
Austria	4.5	5.0	5.1	5.7	6.0	5.5	4.9	**4.6**	**4.6**	**4.6**	*4.7*	*4.7*
Portugal	6.3	9.3	14.2	12.6	11.2	9.0	7.0	**6.3**	**5.9**	**5.6**	*6.2*	*5.7*
Slovenia	6.4	5.5	8.8	9.0	8.0	6.6	5.1	**4.4**	**4.2**	**4.2**	*4.8*	*4.6*
Slovakia	18.7	12.6	13.9	11.5	9.7	8.1	6.5	**5.8**	**5.7**	**5.6**	*5.9*	*5.6*
Finland	9.2	7.5	8.2	9.4	8.8	8.6	7.4	**6.7**	**6.5**	**6.4**	*6.7*	*6.2*
Euro area	8.8	8.4	11.1	10.9	10.0	9.1	8.2	**7.6**	**7.4**	**7.3**	*7.7*	*7.3*
Bulgaria	16.0	7.7	11.7	9.2	7.6	6.2	5.2	**4.4**	**4.1**	**4.0**	*5.0*	*4.8*
Czechia	8.1	6.3	6.8	5.1	4.0	2.9	2.2	**2.1**	**2.2**	**2.3**	*2.2*	*2.3*
Denmark	4.9	4.5	7.5	6.3	6.0	5.8	5.1	**4.9**	**4.8**	**4.7**	*4.8*	*4.7*
Croatia	15.0	10.5	15.2	16.1	13.4	11.0	8.4	**6.9**	**5.8**	**4.9**	*7.8*	*6.9*
Hungary	5.9	8.0	10.2	6.8	5.1	4.2	3.7	**3.4**	**3.4**	**3.4**	*3.5*	*3.5*
Poland	18.7	11.3	9.8	7.5	6.2	4.9	3.9	**3.5**	**3.6**	**3.5**	*3.8*	*3.5*
Romania	7.8	6.6	7.0	6.8	5.9	4.9	4.2	**3.9**	**4.2**	**4.3**	*4.1*	*4.0*
Sweden	6.5	7.1	8.1	7.4	6.9	6.7	6.3	**6.8**	**7.1**	**7.2**	*6.4*	*6.4*
EU27	9.6	8.5	10.6	10.1	9.1	8.2	7.3	**6.8**	**6.7**	**6.5**	*6.9*	*6.6*
United Kingdom	5.0	5.7	7.5	5.3	4.8	4.3	4.0	**3.8**	**4.0**	**4.1**	*4.1*	*4.2*
EU	9.0	8.1	10.2	9.4	8.6	7.6	6.8	**6.3**	**6.2**	**6.2**	*6.5*	*6.2*
Japan	5.0	4.3	4.3	3.4	3.1	2.8	2.4	**2.3**	**2.2**	**2.2**	*2.3*	*2.2*
United States	5.2	5.9	8.0	5.3	4.9	4.4	3.9	**3.7**	**3.7**	**3.7**	*3.8*	*3.7*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.7	2.7	2.2	0.1	0.6	1.8	1.9	**1.7**	**1.8**	**2.1**	*2.5*	*2.0*
Germany	1.4	1.0	2.6	2.8	2.3	2.6	2.9	**3.3**	**2.5**	**2.5**	*3.2*	*2.9*
Estonia	11.1	11.3	4.5	3.7	5.7	7.0	10.2	**7.3**	**5.8**	**5.8**	*6.1*	*5.6*
Ireland	6.5	3.6	-0.2	2.3	2.2	2.5	2.1	**3.5**	**3.7**	**3.8**	*3.2*	*3.6*
Greece	6.7	4.6	-3.7	-2.4	-0.9	0.5	1.3	**0.4**	**1.1**	**2.0**	*2.4*	*1.7*
Spain	3.2	4.6	0.7	0.6	-0.6	0.7	1.0	**2.4**	**2.2**	**2.1**	*2.0*	*1.8*
France	2.8	2.5	2.2	1.0	1.3	2.0	1.8	**-0.2**	**1.4**	**1.9**	*0.0*	*1.8*
Italy	3.3	2.8	1.1	1.0	0.1	0.7	2.2	**1.0**	**1.1**	**1.0**	*0.9*	*1.0*
Cyprus	4.9	4.3	-0.9	-1.4	-0.9	1.0	0.5	**3.4**	**3.1**	**3.0**	*2.5*	*2.8*
Latvia	8.9	16.9	3.3	7.7	7.3	7.6	8.5	**6.1**	**5.0**	**4.8**	*6.2*	*5.0*
Lithuania	6.4	10.2	4.0	5.8	6.4	9.5	7.7	**7.0**	**4.4**	**4.0**	*7.0*	*5.9*
Luxembourg	3.6	3.3	2.3	1.8	0.8	3.0	3.3	**3.2**	**2.5**	**2.3**	*3.0*	*2.1*
Malta	4.9	3.3	2.4	5.5	2.9	-0.7	2.3	**2.4**	**3.4**	**3.0**	*2.4*	*2.5*
Netherlands	4.2	2.6	1.8	-0.2	1.2	1.0	1.7	**2.5**	**3.2**	**2.5**	*2.7*	*2.8*
Austria	1.9	2.6	2.0	1.9	2.4	1.6	2.9	**2.8**	**2.0**	**1.9**	*2.6*	*2.5*
Portugal	4.0	3.0	-0.3	0.3	1.2	2.3	2.5	**3.2**	**2.8**	**2.8**	*2.2*	*2.3*
Slovenia	9.1	5.3	1.2	1.5	3.1	3.0	3.9	**3.6**	**3.6**	**3.6**	*4.8*	*3.7*
Slovakia	8.7	6.9	2.9	3.7	2.2	5.4	5.6	**7.1**	**5.4**	**4.9**	*6.8*	*6.7*
Finland	2.9	3.2	2.1	1.4	0.9	-1.1	0.7	**3.1**	**3.0**	**3.2**	*3.4*	*2.9*
Euro area	2.7	2.5	1.9	1.3	1.2	1.7	2.2	**2.0**	**2.1**	**2.2**	*2.0*	*2.2*
Bulgaria	7.9	10.6	7.8	5.6	5.8	10.5	9.7	**7.8**	**6.6**	**5.4**	*6.9*	*5.9*
Czechia	7.8	3.9	2.0	3.0	4.0	6.4	8.0	**5.2**	**4.7**	**4.4**	*5.0*	*4.2*
Denmark	3.5	3.5	1.9	1.7	1.5	1.7	2.0	**2.3**	**2.7**	**3.0**	*2.6*	*2.6*
Croatia	6.4	3.8	-0.1	0.4	1.3	-1.1	2.2	**2.6**	**2.5**	**2.2**	*3.6*	*3.4*
Hungary	13.2	4.8	1.9	2.0	2.4	7.0	6.2	**7.8**	**6.5**	**6.4**	*6.6*	*6.5*
Poland	5.3	4.3	4.3	1.7	4.8	5.8	8.2	**8.1**	**8.2**	**7.6**	*8.0*	*7.9*
Romania	34.9	15.7	4.4	1.9	15.0	14.8	16.3	**13.0**	**9.2**	**7.1**	*13.5*	*9.0*
Sweden	4.5	3.6	2.6	2.6	2.6	2.1	3.6	**3.1**	**2.9**	**3.0**	*3.1*	*3.0*
EU27	3.2	2.7	2.0	1.4	1.5	2.1	2.8	**2.5**	**2.6**	**2.6**	*2.5*	*2.7*
United Kingdom	4.7	3.4	2.1	0.7	3.2	3.2	2.8	**4.0**	**3.3**	**3.1**	*3.1*	*3.2*
EU	3.5	2.8	2.0	1.3	1.8	2.3	2.8	**2.8**	**2.7**	**2.7**	*2.6*	*2.8*
Japan	-1.3	-1.0	0.2	0.5	1.1	0.5	1.2	**0.9**	**1.0**	**1.0**	*0.9*	*1.0*
United States	3.4	2.7	2.5	3.1	0.9	3.1	3.3	**3.3**	**2.9**	**2.5**	*3.0*	*3.3*

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, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.5	0.6	0.5	-0.7	-0.8	-0.1	0.0	**0.3**	**0.2**	**0.4**	*0.8*	*0.4*
Germany	0.0	-0.2	1.2	2.3	1.6	1.1	1.4	**2.0**	**1.3**	**1.1**	*1.7*	*1.4*
Estonia	7.1	6.4	1.1	4.1	5.0	3.2	6.3	**4.6**	**3.4**	**3.3**	*3.5*	*3.2*
Ireland	2.4	3.2	-0.7	1.8	1.9	1.5	0.4	**1.4**	**1.6**	**1.8**	*1.2*	*1.6*
Greece	3.8	1.5	-4.0	-0.7	-0.2	0.0	1.0	**-0.1**	**0.5**	**1.1**	*1.6*	0.9
Spain	-0.2	2.0	-0.8	0.7	-0.8	-0.9	-0.4	**1.4**	**1.1**	**0.7**	*0.8*	0.2
France	1.0	1.0	1.1	0.7	1.1	1.1	0.3	**-1.4**	**0.2**	**0.7**	*-1.2*	0.6
Italy	0.4	0.8	-0.6	0.8	0.0	-0.5	1.2	**0.4**	**0.3**	**-0.2**	*0.0*	-0.2
Cyprus	3.2	1.2	-2.3	0.6	0.6	0.1	-1.1	**2.8**	**2.4**	**1.7**	*1.6*	1.6
Latvia	4.1	8.2	1.6	8.8	6.1	4.4	5.5	**3.0**	**2.4**	**2.4**	*3.3*	2.6
Lithuania	6.8	4.3	2.0	6.8	5.4	5.8	4.9	**4.9**	**2.4**	**2.6**	*4.4*	3.5
Luxembourg	1.4	1.2	0.6	1.7	0.5	1.1	1.1	**1.0**	**0.8**	**0.3**	*1.1*	0.3
Malta	2.8	0.8	0.7	3.7	2.3	-1.7	1.5	**1.2**	**2.1**	**1.6**	*1.0*	0.6
Netherlands	1.5	1.2	0.2	-0.4	0.7	-0.4	-0.2	**0.0**	**1.7**	**1.1**	*0.2*	*1.1*
Austria	0.2	0.7	-0.3	0.5	1.0	-0.4	0.8	**1.1**	**0.4**	**0.3**	*0.8*	0.7
Portugal	0.6	0.7	-1.5	-0.6	0.2	0.7	1.2	**2.7**	**1.6**	**1.4**	*1.1*	0.7
Slovenia	2.8	2.2	-0.1	2.1	3.8	1.3	1.7	**2.0**	**1.4**	**1.3**	*2.5*	*1.3*
Slovakia	2.4	3.9	1.0	3.9	2.6	3.9	3.2	**4.5**	**3.0**	**2.5**	*4.2*	*4.3*
Finland	1.2	1.3	-0.1	1.3	0.6	-1.8	-0.4	**1.8**	**1.6**	**1.7**	*1.9*	*1.3*
Euro area	0.5	0.8	0.4	1.1	0.8	0.4	0.7	**0.8**	**0.9**	**0.8**	*0.6*	*0.8*
Bulgaria	4.1	5.4	6.3	4.0	5.3	7.1	7.5	**5.5**	**4.2**	**3.3**	*4.8*	*4.0*
Czechia	5.4	1.6	0.9	2.9	3.4	4.0	5.4	**2.7**	**2.0**	**2.3**	*2.4*	*1.7*
Denmark	1.6	1.5	0.2	1.3	1.0	0.4	1.1	**1.4**	**1.0**	**1.1**	*1.3*	*1.0*
Croatia	3.0	0.1	-1.8	0.9	2.5	-2.0	1.0	**1.5**	**1.2**	**0.7**	*2.6*	*2.2*
Hungary	5.4	0.1	-1.5	2.1	2.2	4.1	3.0	**4.3**	**3.3**	**3.3**	*3.3*	*3.3*
Poland	1.0	1.7	2.1	2.9	5.2	3.7	6.6	**5.7**	**5.4**	**4.9**	*5.8*	*5.2*
Romania	8.9	8.6	0.8	1.0	14.1	11.8	12.2	**6.8**	**5.0**	**3.3**	*9.9*	*5.7*
Sweden	3.0	2.0	1.7	1.5	1.7	0.3	1.3	**1.3**	**1.2**	**1.3**	*1.6*	*1.4*
EU27	0.8	0.7	0.5	1.1	1.1	0.7	1.2	**1.1**	**1.2**	**1.1**	*1.0*	*1.1*
United Kingdom	3.8	1.1	0.0	0.7	1.7	1.7	0.3	**2.7**	**1.8**	**1.4**	*1.6*	*1.6*
EU	1.4	0.8	0.4	1.1	1.2	0.8	1.1	**1.4**	**1.3**	**1.1**	*1.1*	*1.2*
Japan	-0.3	-0.5	0.3	0.1	1.7	0.3	0.7	**0.7**	**0.1**	**0.7**	*0.7*	0.6
United States	1.4	0.5	0.7	2.9	-0.1	1.3	1.2	**1.9**	**1.0**	**0.7**	*1.2*	*1.5*

[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, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.3	0.2	1.0	1.1	0.3	0.3	0.1	**-0.1**	**0.1**	**0.2**	*0.4*	*0.5*
Germany	0.8	-0.3	1.3	0.8	1.0	1.1	0.2	**-0.3**	**0.9**	**0.9**	*-0.2*	*1.0*
Estonia	6.8	1.7	2.5	-1.0	2.3	3.0	3.5	**2.5**	**2.1**	**2.5**	*2.2*	*2.5*
Ireland	3.1	0.2	2.7	20.8	0.0	5.0	4.8	**3.2**	**1.8**	**1.8**	*1.7*	*1.5*
Greece	3.1	0.0	-1.5	-1.2	-0.7	0.0	0.2	**-0.4**	**0.1**	**0.6**	*0.7*	*0.9*
Spain	0.5	1.0	1.9	0.6	0.2	0.0	-0.2	**-0.3**	**0.5**	**0.6**	*0.1*	*0.2*
France	1.0	0.2	1.0	0.8	0.6	1.4	0.8	**0.2**	**0.5**	**0.7**	*0.5*	*0.8*
Italy	0.4	-0.4	0.4	0.1	0.0	0.9	0.0	**-0.5**	**0.3**	**0.4**	*0.2*	*0.2*
Cyprus	1.5	0.5	0.1	1.8	2.0	-0.9	0.0	**0.4**	**0.5**	**0.5**	*0.5*	*0.7*
Latvia	7.1	3.7	2.6	1.8	2.1	3.8	3.0	**2.9**	**2.6**	**2.5**	*2.8*	*2.8*
Lithuania	7.6	3.8	3.6	0.6	0.3	5.0	2.2	**3.6**	**2.3**	**2.4**	*2.4*	*2.3*
Luxembourg	0.3	-1.2	0.7	1.7	1.5	-1.6	-0.6	**-1.1**	**-0.8**	**-0.5**	*-0.5*	*-0.2*
Malta	2.4	0.5	0.8	6.5	1.3	-1.2	1.3	**1.0**	**1.1**	**1.3**	*1.4*	*1.3*
Netherlands	1.6	0.4	1.0	0.7	0.1	0.7	0.0	**-0.1**	**0.7**	**1.0**	*0.2*	*0.9*
Austria	1.4	0.2	0.3	0.4	0.8	0.8	0.7	**0.5**	**0.7**	**0.8**	*0.5*	*1.1*
Portugal	0.9	0.9	1.0	0.4	0.4	0.2	0.1	**1.0**	**1.2**	**1.2**	*0.5*	*0.9*
Slovenia	2.8	1.3	1.3	0.9	1.3	1.8	0.9	**0.3**	**1.2**	**1.4**	*0.8*	*0.6*
Slovakia	4.0	3.6	2.6	2.8	-0.3	0.8	2.0	**1.8**	**2.4**	**2.5**	*3.0*	*3.0*
Finland	2.1	-0.2	0.5	0.6	2.2	2.0	-0.9	**0.4**	**0.7**	**0.7**	*0.8*	*0.6*
Euro area	1.0	0.1	1.1	1.0	0.5	1.0	0.4	**0.0**	**0.7**	**0.8**	*0.3*	*0.8*
Bulgaria	4.7	2.5	2.9	3.6	3.3	1.7	3.2	**3.0**	**3.0**	**3.1**	*3.2*	*3.3*
Czechia	3.8	2.1	1.1	3.8	0.8	2.8	1.6	**1.4**	**1.6**	**1.6**	*1.7*	*1.7*
Denmark	1.5	-0.5	1.7	1.0	0.9	0.6	-0.3	**0.7**	**0.6**	**0.9**	*0.6*	*0.7*
Croatia	3.7	0.0	1.4	1.1	3.2	0.7	0.8	**1.6**	**1.5**	**1.3**	*1.0*	*1.1*
Hungary	4.1	1.4	0.2	1.6	-1.5	2.4	2.7	**2.7**	**2.6**	**2.8**	*2.3*	*2.4*
Poland	4.7	1.9	3.1	2.3	2.2	3.6	4.8	**3.9**	**3.5**	**3.4**	*3.9*	*3.6*
Romania	8.2	5.5	2.3	5.2	6.0	4.6	3.7	**3.9**	**3.4**	**3.1**	*2.9*	*2.9*
Sweden	2.3	0.7	1.2	2.9	0.6	0.0	0.4	**0.8**	**1.1**	**0.8**	*0.6*	*1.0*
EU27	1.6	0.2	1.2	1.3	0.8	1.1	0.7	**0.4**	**0.9**	**1.0**	*0.6*	*1.0*
United Kingdom	1.9	0.3	0.9	0.6	0.4	0.9	0.2	**0.3**	**0.7**	**0.7**	*0.5*	*0.5*
EU	1.7	0.2	1.2	1.2	0.7	1.1	0.6	**0.4**	**0.9**	**1.0**	*0.5*	*0.9*
Japan	1.7	-0.6	1.5	0.8	-0.3	1.0	-0.2	**0.4**	**0.2**	**0.3**	*0.3*	*0.4*
United States	1.8	1.0	1.3	1.2	-0.1	1.1	1.3	**1.2**	**0.8**	**1.1**	*1.2*	*1.1*

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, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.4	2.5	1.3	-1.0	0.3	1.5	1.8	**1.8**	**1.7**	**1.9**	*2.2*	*1.5*
Germany	0.5	1.3	1.2	2.0	1.3	1.5	2.7	**3.6**	**1.6**	**1.7**	*3.4*	*1.8*
Estonia	4.0	9.4	2.0	4.8	3.3	3.9	6.5	**4.7**	**3.6**	**3.2**	*3.9*	*3.0*
Ireland	3.3	3.4	-2.8	-15.3	2.2	-2.3	-2.6	**0.4**	**1.8**	**2.0**	*1.4*	*2.0*
Greece	3.4	4.6	-2.2	-1.3	-0.3	0.6	1.1	**0.7**	**1.0**	**1.4**	*1.6*	*0.8*
Spain	2.8	3.5	-1.2	-0.1	-0.8	0.7	1.2	**2.7**	**1.7**	**1.5**	*1.9*	*1.6*
France	1.8	2.3	1.2	0.3	0.7	0.6	1.0	**-0.4**	**0.9**	**1.3**	*-0.5*	*1.0*
Italy	2.9	3.1	0.7	0.8	0.2	-0.1	2.2	**1.6**	**0.8**	**0.5**	*0.7*	*0.8*
Cyprus	3.3	3.7	-1.0	-3.1	-2.9	1.9	0.6	**3.0**	**2.7**	**2.5**	*2.0*	*2.0*
Latvia	1.7	12.7	0.7	5.8	5.1	3.7	5.3	**3.1**	**2.3**	**2.2**	*3.3*	*2.1*
Lithuania	-1.1	6.1	0.4	5.1	6.1	4.3	5.3	**3.3**	**2.1**	**1.6**	*4.5*	*3.5*
Luxembourg	3.2	4.6	1.6	0.1	-0.7	4.6	3.9	**4.3**	**3.3**	**2.8**	*3.5*	*2.3*
Malta	2.4	2.7	1.6	-1.0	1.6	0.6	1.0	**1.4**	**2.3**	**1.7**	*1.0*	*1.2*
Netherlands	2.6	2.3	0.8	-0.9	1.1	0.3	1.8	**2.6**	**2.5**	**1.5**	*2.4*	*1.9*
Austria	0.5	2.4	1.7	1.5	1.6	0.8	2.2	**2.3**	**1.3**	**1.1**	*2.1*	*1.4*
Portugal	3.1	2.1	-1.2	-0.1	0.8	2.1	2.4	**2.2**	**1.7**	**1.6**	*1.6*	*1.4*
Slovenia	6.2	3.9	-0.1	0.6	1.8	1.2	3.0	**3.3**	**2.4**	**2.2**	*3.9*	*3.1*
Slovakia	4.5	3.2	0.3	0.9	2.5	4.5	3.5	**5.2**	**3.0**	**2.4**	*3.7*	*3.6*
Finland	0.9	3.4	1.6	0.8	-1.2	-3.0	1.7	**2.7**	**2.3**	**2.5**	*2.6*	*2.3*
Euro area	1.8	2.5	0.7	0.4	0.7	0.7	1.9	**2.0**	**1.4**	**1.4**	*1.7*	*1.5*
Bulgaria	3.0	7.8	4.7	1.9	2.4	8.7	6.3	**4.7**	**3.5**	**2.3**	*3.6*	*2.5*
Czechia	3.9	1.7	0.9	-0.8	3.1	3.6	6.3	**3.7**	**3.0**	**2.8**	*3.2*	*2.5*
Denmark	1.9	4.0	0.2	0.8	0.6	1.1	2.3	**1.6**	**2.0**	**2.1**	*2.0*	*1.9*
Croatia	2.7	3.9	-1.4	-0.8	-1.8	-1.8	1.4	**1.0**	**1.0**	**0.8**	*2.6*	*2.3*
Hungary	8.7	3.4	1.6	0.4	4.0	4.5	3.4	**5.0**	**3.8**	**3.5**	*4.2*	*4.0*
Poland	0.5	2.3	1.2	-0.6	2.5	2.2	3.3	**4.0**	**4.6**	**4.1**	*3.9*	*4.2*
Romania	24.6	9.7	2.1	-3.1	8.5	9.8	12.2	**8.8**	**5.6**	**3.8**	*10.3*	*5.9*
Sweden	2.1	2.9	1.4	-0.3	2.0	2.1	3.1	**2.2**	**1.8**	**2.2**	*2.5*	*1.9*
EU27	2.0	2.6	0.7	0.3	1.0	1.1	2.2	**:**	**:**	**:**	*:*	*:*
United Kingdom	2.8	3.1	1.2	0.1	2.7	2.2	2.6	**3.7**	**2.6**	**2.4**	*2.6*	*2.6*
EU	2.1	2.7	0.8	0.3	1.3	1.2	2.3	**2.5**	**1.8**	**1.7**	*2.1*	*1.8*
Japan	-3.0	-0.4	-1.3	-0.3	1.5	-0.5	1.4	**0.5**	**0.8**	**0.7**	*0.6*	*0.6*
United States	1.6	1.7	1.3	1.9	1.0	2.0	2.0	**2.1**	**2.0**	**1.5**	*1.8*	*2.3*

[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, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	-0.5	0.8	-0.3	-2.3	-1.4	-0.2	0.3	**0.2**	**-0.2**	**-0.1**	*0.6*	*0.0*
Germany	-0.4	0.2	-0.2	0.2	0.1	0.4	1.2	**1.5**	**-0.4**	**-0.1**	*1.3*	*-0.2*
Estonia	-0.7	2.5	-1.6	3.6	1.6	0.2	1.9	**1.3**	**0.6**	**0.4**	*0.6*	*0.3*
Ireland	-1.3	2.8	-3.2	-21.4	2.5	-3.4	-3.4	**-0.4**	**0.4**	**0.4**	*-0.3*	*0.1*
Greece	0.4	1.3	-1.6	-0.9	0.0	0.0	0.5	**0.0**	**0.1**	**-0.2**	*0.5*	*-0.4*
Spain	-1.1	0.8	-1.2	-0.6	-1.1	-0.7	0.1	**1.3**	**0.3**	**0.1**	*0.4*	*-0.1*
France	-0.1	0.5	0.3	-0.9	0.1	0.1	0.2	**-1.7**	**-0.3**	**0.1**	*-1.8*	*-0.3*
Italy	0.1	1.0	-0.4	-0.1	-1.0	-0.8	1.3	**1.0**	**-0.2**	**-0.5**	*0.1*	*-0.2*
Cyprus	0.4	0.9	-1.6	-2.2	-2.1	0.2	-0.8	**1.5**	**1.2**	**0.8**	*0.9*	*0.8*
Latvia	-2.7	3.8	-1.8	5.8	4.2	0.7	1.3	**0.0**	**0.0**	**0.0**	*0.6*	*0.1*
Lithuania	-1.7	0.5	-2.1	5.0	4.4	0.1	1.9	**-0.3**	**-1.2**	**-0.8**	*1.4*	*0.8*
Luxembourg	1.2	1.0	-1.4	-0.1	-1.5	2.8	1.3	**2.1**	**1.4**	**0.8**	*1.7*	*0.6*
Malta	0.1	0.0	-0.9	-3.3	0.2	-1.7	-1.1	**-0.7**	**0.3**	**-0.3**	*-1.2*	*-1.0*
Netherlands	-0.4	0.4	0.0	-1.7	0.6	-1.0	-0.4	**0.1**	**1.0**	**0.3**	*0.1*	*0.3*
Austria	-1.0	0.3	0.0	-0.8	-0.1	-0.3	0.5	**0.5**	**-0.4**	**-0.6**	*0.1*	*-0.5*
Portugal	-0.4	-0.4	-1.8	-2.0	-0.9	0.6	0.8	**0.8**	**0.1**	**-0.1**	*0.3*	*-0.2*
Slovenia	0.0	0.8	-0.6	-0.4	1.1	-0.4	0.7	**0.7**	**0.0**	**-0.2**	*1.5*	*0.2*
Slovakia	-1.3	1.5	-0.5	1.2	3.0	3.3	1.4	**2.7**	**0.6**	**0.2**	*1.1*	*1.1*
Finland	-0.5	1.5	-0.4	-0.9	-1.4	-3.7	-0.4	**1.2**	**0.5**	**0.5**	*1.1*	*0.4*
Euro area	-0.4	0.5	-0.3	-1.0	-0.2	-0.2	0.5	**0.4**	**-0.1**	**-0.1**	*0.1*	*-0.2*
Bulgaria	-1.9	0.5	3.0	-0.5	-0.1	4.5	2.2	**0.1**	**0.5**	**-0.3**	*0.9*	*0.3*
Czechia	1.0	-0.1	0.2	-2.0	1.8	2.1	3.7	**1.1**	**0.7**	**0.9**	*1.1*	*0.5*
Denmark	-0.3	1.5	-1.4	0.3	-0.1	-0.3	1.7	**0.2**	**0.3**	**0.2**	*0.4*	*0.1*
Croatia	-1.3	-0.1	-2.4	-0.8	-1.8	-2.8	-0.3	**-0.9**	**-1.4**	**-1.6**	*1.1*	*0.7*
Hungary	0.8	-0.7	-1.2	-2.0	3.0	0.8	-1.0	**0.8**	**0.1**	**0.5**	*0.2*	*0.6*
Poland	-2.7	-0.8	-0.4	-1.3	2.2	0.3	2.1	**1.1**	**1.4**	**1.0**	*2.1*	*1.8*
Romania	-2.7	-1.7	-1.2	-5.6	5.9	4.9	5.9	**1.4**	**1.0**	**-0.5**	*4.8*	*2.1*
Sweden	0.6	0.7	0.2	-2.4	0.5	-0.1	0.9	**-0.2**	**0.3**	**0.5**	*0.3*	*0.0*
EU27	-0.7	0.4	-0.4	-1.3	-0.1	-0.2	0.6	**0.4**	**-0.1**	**-0.1**	*0.2*	*-0.1*
United Kingdom	0.8	0.6	-0.6	-0.5	0.6	0.4	0.7	**1.8**	**0.5**	**0.5**	*0.7*	*0.6*
EU	-0.4	0.4	-0.4	-1.1	0.0	-0.1	0.6	**0.6**	**0.0**	**0.0**	*0.3*	*0.0*
Japan	-1.7	0.5	-0.7	-2.4	1.2	-0.2	1.5	**0.2**	**0.2**	**0.4**	*0.2*	*0.2*
United States	-0.5	-0.6	-0.5	0.8	-0.1	0.1	-0.4	**0.4**	**0.2**	**-0.2**	*-0.1*	*0.4*

[1] Nominal unit labour costs divided by GDP 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 (2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Germany	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Estonia	15.6466	15.6466	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Ireland	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Greece	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Spain	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
France	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Italy	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Cyprus	0.5782	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Latvia	0.6012	0.7002	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Lithuania	3.5285	3.4528	3.4528	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Luxembourg	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Malta	0.4140	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Netherlands	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Austria	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Portugal	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Slovenia	224.7013	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Slovakia	42.0214	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Finland	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Euro area	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Bulgaria	1.9495	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*
Czechia	32.8417	27.4541	25.7077	27.2792	27.0343	26.3258	25.6470	**25.7182**	**25.7691**	**25.7691**	*25.6522*	*25.6407*
Denmark	7.4414	7.4528	7.4509	7.4587	7.4452	7.4386	7.4532	**7.4656**	**7.4696**	**7.4696**	*7.4643*	*7.4645*
Croatia	7.5206	7.3254	7.4926	7.6137	7.5333	7.4637	7.4182	**7.4163**	**7.4329**	**7.4329**	*7.4296*	*7.4322*
Hungary	252.9736	259.1018	289.9363	309.9956	311.4379	309.1933	318.8897	**325.4553**	**332.3447**	**332.3447**	*320.1912*	*320.9130*
Poland	4.0928	3.9085	4.1364	4.1841	4.3632	4.2570	4.2615	**4.3022**	**4.3017**	**4.3017**	*4.2886*	*4.2842*
Romania	3.1051	3.6809	4.3547	4.4454	4.4904	4.5688	4.6540	**4.7422**	**4.7542**	**4.7542**	*4.7517*	*4.7572*
Sweden	9.0220	9.6042	9.0042	9.3535	9.4689	9.6351	10.2583	**10.6307**	**10.8282**	**10.8282**	*10.4342*	*10.4401*
EU27	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
United Kingdom	0.6462	0.7474	0.8384	0.7258	0.8195	0.8767	0.8847	**0.8821**	**0.8781**	**0.8781**	*0.8635*	*0.8605*
EU	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Japan	118.3271	145.3816	119.9316	134.3140	120.1967	126.7112	130.3959	**121.8227**	**119.5373**	**119.5373**	*125.5673*	*125.7310*
United States	1.0280	1.3471	1.3318	1.1095	1.1069	1.1297	1.1810	**1.1187**	**1.1052**	**1.1052**	*1.1291*	*1.1270*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	1.2	0.9	-0.3	-2.9	2.1	1.2	2.2	**-0.5**	**0.0**	**0.0**	*-0.8*	*-0.1*
Germany	1.6	1.0	-0.5	-3.9	2.4	1.4	2.9	**-0.7**	**0.0**	**0.0**	*-1.1*	*-0.1*
Estonia	1.3	1.4	-0.1	2.7	2.3	0.0	3.3	**0.2**	**0.2**	**0.0**	*-0.2*	*-0.1*
Ireland	1.5	1.5	-0.7	-6.5	2.1	1.9	2.8	**-1.9**	**-0.4**	**0.0**	*-1.8*	*-0.1*
Greece	1.9	1.0	0.3	-1.5	2.5	1.7	3.9	**0.1**	**0.0**	**0.0**	*-0.1*	*0.0*
Spain	1.4	0.9	-0.3	-2.9	2.2	1.4	2.5	**-0.4**	**0.0**	**0.0**	*-0.7*	*-0.1*
France	1.4	0.9	-0.5	-3.8	2.1	1.4	2.7	**-0.7**	**0.0**	**0.0**	*-1.0*	*-0.1*
Italy	1.8	0.9	-0.3	-3.3	2.1	1.4	3.0	**-0.7**	**-0.1**	**0.0**	*-0.9*	*-0.1*
Cyprus	1.9	1.1	-0.5	-4.2	2.3	1.8	2.9	**-0.5**	**0.1**	**0.0**	*-1.2*	*-0.1*
Latvia	-0.2	0.2	0.4	3.7	3.0	-0.6	3.5	**0.0**	**-0.1**	**0.0**	*-0.3*	*-0.1*
Lithuania	6.4	1.5	0.5	5.4	3.3	-1.0	3.8	**-0.3**	**-0.2**	**0.0**	*-0.5*	*-0.2*
Luxembourg	0.7	0.8	-0.3	-2.0	1.5	0.8	1.7	**-0.4**	**0.0**	**0.0**	*-0.5*	*-0.1*
Malta	1.4	0.9	-0.6	-5.1	1.5	1.7	2.8	**-2.0**	**-0.3**	**0.0**	*-1.3*	*-0.1*
Netherlands	1.0	0.9	-0.4	-2.7	2.1	1.2	2.0	**-0.4**	**0.0**	**0.0**	*-0.7*	*-0.1*
Austria	1.1	0.7	-0.2	-2.0	1.6	0.7	2.1	**-0.5**	**-0.1**	**0.0**	*-0.7*	*-0.1*
Portugal	0.9	0.7	-0.3	-2.7	1.8	1.0	1.8	**-0.4**	**0.0**	**0.0**	*-0.7*	*-0.1*
Slovenia	-3.0	0.6	0.2	0.2	1.7	0.2	2.1	**-0.1**	**0.0**	**0.0**	*-0.2*	*-0.1*
Slovakia	2.6	6.5	-0.1	-0.8	1.9	0.5	1.7	**-0.1**	**0.0**	**0.0**	*-0.3*	*-0.1*
Finland	1.8	1.3	-0.4	-1.0	2.3	0.7	3.4	**-0.5**	**0.1**	**0.0**	*-0.8*	*-0.1*
Euro area	2.9	2.0	-0.9	-6.0	4.0	2.4	4.8	**-1.0**	**-0.1**	**0.0**	*-1.5*	*-0.1*
Bulgaria	3.7	1.0	0.4	-0.8	2.4	1.9	3.9	**0.6**	**0.1**	**0.0**	*0.4*	*0.0*
Czechia	3.9	4.5	-0.9	0.0	2.8	3.4	4.6	**-0.4**	**-0.2**	**0.0**	*-0.4*	*0.0*
Denmark	1.1	1.2	-0.7	-2.5	2.2	1.4	2.7	**-0.5**	**0.1**	**0.0**	*-1.0*	*-0.1*
Croatia	1.7	1.2	-0.6	0.7	3.0	1.3	3.3	**-0.1**	**-0.2**	**0.0**	*-0.4*	*-0.1*
Hungary	1.1	-1.4	-2.0	-1.2	1.2	1.4	-1.1	**-2.1**	**-2.1**	**0.0**	*-0.7*	*-0.3*
Poland	-0.5	1.7	0.7	-0.3	-2.3	3.2	2.1	**-1.1**	**0.0**	**0.0**	*-1.1*	*0.0*
Romania	-15.0	0.0	-0.7	-0.7	1.0	-0.8	0.7	**-1.8**	**-0.2**	**0.0**	*-2.2*	*-0.1*
Sweden	0.8	-2.0	2.7	-5.1	1.0	-0.8	-3.8	**-4.0**	**-1.7**	**0.0**	*-2.6*	*-0.2*
EU27	3.9	0.7	-0.4	-4.4	1.1	0.9	6.8	**-1.8**	**-0.2**	**0.0**	*-1.4*	*-0.1*
United Kingdom	0.9	-4.7	1.5	6.0	-10.1	-5.6	2.0	**-0.8**	**0.4**	**0.0**	*1.1*	*0.3*
EU	3.9	0.7	-0.5	-5.6	1.2	1.5	6.2	**-1.9**	**-0.2**	**0.0**	*-1.7*	*-0.1*
Japan	0.3	1.9	-3.2	-5.7	15.0	-3.3	0.5	**5.3**	**2.0**	**0.0**	*1.4*	*-0.3*
United States	-0.7	-1.4	-0.1	15.1	4.7	-0.3	-0.6	**3.8**	**1.0**	**0.0**	*2.5*	*0.0*

[1] 42 countries: EU-28, TR, CH, NO, US, CA, JP, AU, MX, NZ, KO, CN, HK, RU, and BR.

Table 32: Relative unit labour costs, to rest of a group[1] of industrialised countries (nat. curr) (percentage change over preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	-0.6	0.1	0.2	-1.7	-1.2	0.2	-0.6	**-0.8**	**-0.3**	**0.0**	*0.0*	*-0.4*
Germany	-1.7	-1.4	0.2	1.5	-0.3	0.1	0.1	**1.0**	**-0.6**	**0.0**	*1.2*	*-0.3*
Estonia	2.2	5.8	0.7	3.6	1.6	2.6	3.4	**1.8**	**1.3**	**0.0**	*1.1*	*0.8*
Ireland	1.5	1.0	-3.8	-16.0	0.9	-3.7	-4.8	**-2.1**	**-0.2**	**0.0**	*-0.7*	*0.0*
Greece	0.2	1.4	-3.7	-2.8	-2.7	-1.2	-2.3	**-2.7**	**-1.6**	**0.0**	*-1.5*	*-1.7*
Spain	0.5	1.0	-2.2	-0.8	-2.5	-0.8	-1.4	**0.1**	**-0.4**	**0.0**	*-0.3*	*-0.4*
France	-0.3	-0.2	0.3	-0.5	-0.8	-0.8	-1.6	**-3.2**	**-1.2**	**0.0**	*-3.0*	*-1.1*
Italy	0.7	0.6	-0.4	0.0	-1.6	-1.6	-0.4	**-1.2**	**-1.4**	**0.0**	*-1.7*	*-1.4*
Cyprus	0.5	0.7	-1.4	-3.5	-4.3	0.4	-2.0	**0.3**	**0.5**	**0.0**	*-0.3*	*0.0*
Latvia	-0.1	9.2	-0.4	4.6	2.7	1.9	2.0	**-0.1**	**-0.1**	**0.0**	*0.2*	*-0.4*
Lithuania	-3.2	2.5	-0.8	4.0	3.9	2.6	2.1	**0.1**	**-0.4**	**0.0**	*1.6*	*1.1*
Luxembourg	1.4	2.0	0.5	-0.5	-2.0	3.3	1.5	**1.8**	**1.4**	**0.0**	*1.3*	*0.4*
Malta	0.9	0.6	0.7	-1.7	0.1	-0.7	-1.3	**-0.9**	**0.4**	**0.0**	*-1.1*	*-0.7*
Netherlands	0.7	-0.1	-0.3	-1.6	-0.4	-1.1	-0.7	**-0.1**	**0.5**	**0.0**	*0.0*	*-0.1*
Austria	-1.5	0.0	0.6	0.7	0.0	-0.7	-0.5	**-0.6**	**-0.8**	**0.0**	*-0.5*	*-0.7*
Portugal	1.0	-0.6	-1.9	-0.6	-0.3	0.8	0.2	**-0.3**	**-0.3**	**0.0**	*-0.5*	*-0.5*
Slovenia	4.0	1.3	-1.2	-0.2	0.1	-0.2	0.1	**0.4**	**0.3**	**0.0**	*1.2*	*0.9*
Slovakia	2.3	0.8	-0.9	0.2	0.7	2.9	0.6	**2.1**	**0.7**	**0.0**	*0.9*	*1.4*
Finland	-1.1	0.8	0.5	-0.1	-3.0	-4.5	-1.0	**-0.1**	**0.1**	**0.0**	*0.1*	*0.2*
Euro area	-0.9	-0.4	-0.6	-0.7	-1.7	-1.2	-1.3	**-1.0**	**-1.3**	**0.0**	*-0.7*	*-1.1*
Bulgaria	-1.2	4.4	3.4	0.9	-0.5	6.6	2.4	**0.9**	**0.8**	**0.0**	*0.1*	*-0.2*
Czechia	2.1	-0.7	-0.2	-1.7	1.4	2.0	3.5	**0.6**	**0.9**	**0.0**	*0.4*	*0.3*
Denmark	0.2	1.3	-0.9	0.0	-0.9	-0.3	-0.3	**-1.1**	**-0.1**	**0.0**	*-0.4*	*-0.2*
Croatia	0.2	1.1	-2.6	-1.7	-3.6	-3.2	-1.5	**-2.0**	**-1.1**	**0.0**	*-0.1*	*0.1*
Hungary	6.6	0.8	0.5	-0.4	2.0	2.7	0.3	**1.8**	**1.5**	**0.0**	*1.2*	*1.7*
Poland	-1.4	-0.3	0.1	-1.5	0.7	0.5	0.3	**0.9**	**2.4**	**0.0**	*1.1*	*2.0*
Romania	20.8	6.6	0.7	-4.2	6.4	8.2	9.0	**5.6**	**3.3**	**0.0**	*7.4*	*3.6*
Sweden	0.1	0.1	0.1	-1.0	0.7	1.0	0.5	**-0.5**	**-0.4**	**0.0**	*0.1*	*-0.2*
EU27	-0.4	0.2	-0.6	-1.6	-1.4	-0.2	-1.1	**-0.7**	**-0.9**	**0.0**	*-0.5*	*-0.7*
United Kingdom	0.9	0.7	0.4	-0.2	1.4	1.1	0.4	**1.2**	**0.6**	**0.0**	*0.5*	*0.7*
EU	-0.4	0.2	-0.7	-1.7	-1.3	-0.3	-1.0	**-0.6**	**-0.9**	**0.0**	*-0.4*	*-0.7*
Japan	-4.9	-2.7	-2.6	-1.4	0.3	-2.0	-0.9	**-2.0**	**-1.4**	**0.0**	*-1.5*	*-1.5*
United States	-0.2	-0.9	0.2	0.8	-0.2	0.5	-1.1	**-1.6**	**-1.1**	**0.0**	*-0.8*	*-0.1*

[1] 37 countries: EU-28, 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, based on HICP/CPI: ulc relative to rest of a group [1] of industrialised countries (USD) (% change on preceding year, 2000-2021)** 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.6	0.7	-0.5	-3.3	2.9	1.6	2.3	**-1.1**	**-0.4**	**-0.5**	*-1.1*	*-0.4*
Germany	0.0	0.0	-1.3	-4.4	1.7	1.1	2.6	**-1.4**	**-0.8**	**-0.7**	*-1.8*	*-0.8*
Estonia	1.3	3.0	0.3	0.2	1.6	1.5	4.5	**0.4**	**0.2**	**0.1**	*-0.2*	*0.0*
Ireland	3.3	1.0	-2.5	-7.0	1.0	0.2	1.3	**-2.8**	**-1.2**	**-0.5**	*-2.8*	*-0.7*
Greece	0.4	0.7	-1.3	-4.5	1.2	0.6	1.8	**-1.9**	**-1.6**	**-1.4**	*-2.0*	*-1.7*
Spain	1.7	1.1	-0.8	-4.5	0.8	1.5	1.9	**-1.4**	**-0.8**	**-0.6**	*-1.8*	*-0.7*
France	0.6	0.1	-1.2	-4.7	1.4	0.6	2.5	**-1.3**	**-0.6**	**-0.7**	*-1.9*	*-0.8*
Italy	1.2	0.3	-0.9	-4.4	0.9	0.7	1.8	**-2.1**	**-1.3**	**-1.0**	*-2.3*	*-1.1*
Cyprus	1.2	0.6	-1.2	-6.5	-0.1	0.5	1.5	**-1.8**	**-1.0**	**-0.8**	*-2.5*	*-1.2*
Latvia	-0.2	4.5	-1.4	0.7	1.3	0.0	3.6	**0.6**	**0.2**	**0.0**	*-0.1*	*-0.2*
Lithuania	2.6	2.7	-0.7	0.5	2.0	0.4	4.0	**-0.4**	**-0.3**	**-0.2**	*-1.0*	*-0.5*
Luxembourg	1.1	1.1	-0.1	-2.7	0.8	1.1	1.6	**-0.5**	**-0.1**	**0.1**	*-0.7*	*-0.2*
Malta	1.7	1.1	-1.2	-4.8	1.5	1.2	2.4	**-2.1**	**-0.5**	**-0.1**	*-1.6*	*-0.3*
Netherlands	1.5	0.0	-0.7	-3.4	1.3	0.6	1.4	**0.5**	**-0.4**	**-0.3**	*-0.3*	*-0.6*
Austria	0.0	-0.1	-0.2	-2.4	1.7	1.1	2.1	**-0.9**	**-0.3**	**-0.3**	*-0.9*	*-0.2*
Portugal	1.7	0.1	-0.9	-2.9	1.7	0.7	0.8	**-1.7**	**-0.6**	**-0.4**	*-1.5*	*-0.4*
Slovenia	0.3	0.5	-0.5	-2.1	0.5	-0.2	1.8	**-0.3**	**0.1**	**0.1**	*-0.7*	*0.0*
Slovakia	7.3	6.5	-0.4	-2.3	0.6	-0.1	2.0	**0.7**	**0.7**	**0.2**	*0.0*	*0.2*
Finland	0.4	-0.1	-0.7	-3.1	1.3	-0.5	2.3	**-1.3**	**-0.5**	**-0.5**	*-1.7*	*-0.7*
Euro area	1.5	0.7	-2.1	-7.3	2.7	1.7	3.9	**-2.1**	**-1.3**	**-1.1**	*-2.8*	*-1.3*
Bulgaria	3.9	4.4	-1.0	-3.6	-0.3	0.7	3.5	**0.3**	**-0.6**	**-0.3**	*-0.4*	*-0.7*
Czechia	3.3	4.5	-1.5	-0.9	2.6	3.9	4.3	**0.2**	**0.3**	**0.1**	*-0.1*	*0.0*
Denmark	0.8	0.7	-1.3	-3.4	1.1	0.5	1.1	**-1.6**	**-0.4**	**-0.5**	*-1.7*	*-0.6*
Croatia	1.1	1.4	-1.4	-1.5	1.2	0.6	2.5	**-1.1**	**-0.8**	**-0.6**	*-1.7*	*-1.1*
Hungary	5.2	0.7	-1.2	-2.4	0.8	1.8	-0.5	**-0.9**	**-1.0**	**1.0**	*0.3*	*0.8*
Poland	0.7	1.6	0.5	-2.6	-3.5	2.8	1.0	**-0.9**	**0.7**	**0.6**	*-1.4*	*0.5*
Romania	2.4	3.6	0.6	-2.6	-1.2	-1.7	2.3	**0.0**	**1.3**	**1.3**	*-1.0*	*0.6*
Sweden	0.0	-2.8	1.3	-5.5	0.9	-0.8	-3.9	**-4.2**	**-2.1**	**-0.3**	*-3.2*	*-0.7*
EU27	1.8	-0.7	-1.7	-6.7	-0.9	0.1	5.6	**-3.1**	**-1.6**	**-1.2**	*-3.0*	*-1.3*
United Kingdom	-0.6	-4.7	2.2	5.0	-10.5	-4.8	2.3	**-0.9**	**0.5**	**0.2**	*1.0*	*0.3*
EU	1.9	-0.7	-1.8	-7.7	-0.6	0.9	5.1	**-3.2**	**-1.4**	**-1.1**	*-3.2*	*-1.3*
Japan	-2.6	-0.9	-5.4	-6.1	13.2	-4.6	-0.7	**3.8**	**1.0**	**-1.5**	*-0.5*	*-1.9*
United States	-0.9	-1.2	-0.5	12.2	3.5	-1.0	-0.9	**3.4**	**0.9**	**-0.2**	*1.9*	*-0.4*

[1] 42 countries: EU-28, TR, CH, NO, US, CA, JP, AU, MX, NZ, KO, CN, HK, RU, and BR.

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, 2000-2021)** 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	49.8	50.9	55.5	53.7	53.1	51.9	52.1	**52.3**	**52.6**	**52.8**	*52.3*	*52.5*
Germany	47.6	45.6	45.5	44.0	44.3	44.4	44.6	**45.3**	**45.7**	**45.9**	*44.6*	*44.7*
Estonia	35.2	37.2	38.3	39.2	39.5	39.3	39.1	**39.2**	**39.3**	**39.2**	*39.9*	*39.9*
Ireland	32.6	38.4	46.4	28.9	27.7	26.1	25.4	**25.0**	**24.9**	**24.4**	*25.6*	*25.0*
Greece	46.5	48.5	55.0	53.6	49.0	47.4	47.0	**46.4**	**45.3**	**44.4**	*46.7*	*45.6*
Spain	38.7	40.8	46.4	43.9	42.4	41.2	41.7	**41.7**	**41.8**	**41.9**	*41.2*	*41.0*
France	52.5	53.8	56.9	56.8	56.6	56.4	56.0	**55.5**	**54.4**	**54.0**	*55.5*	*54.4*
Italy	46.9	48.2	50.3	50.3	49.0	48.7	48.4	**48.9**	**49.1**	**49.0**	*49.2*	*49.8*
Cyprus	37.1	39.2	43.7	40.6	37.6	36.9	43.6	**37.9**	**41.4**	**41.9**	*38.0*	*39.0*
Latvia	35.1	37.3	39.8	38.0	36.9	38.0	38.5	**37.6**	**37.2**	**36.7**	*37.8*	*37.4*
Lithuania	35.8	37.3	38.3	35.1	34.2	33.2	34.0	**34.9**	**35.4**	**35.1**	*34.4*	*34.9*
Luxembourg	40.9	41.2	43.2	41.5	40.7	41.8	41.9	**43.1**	**43.9**	**44.0**	*43.8*	*44.3*
Malta	42.2	42.0	41.6	39.5	36.5	35.9	36.7	**38.1**	**38.1**	**38.0**	*37.1*	*37.1*
Netherlands	43.3	43.6	46.7	44.6	43.6	42.4	42.1	**42.3**	**42.9**	**42.9**	*42.6*	*42.8*
Austria	51.7	51.0	51.8	51.1	50.1	49.1	48.6	**48.3**	**48.4**	**48.1**	*48.0*	*47.7*
Portugal	44.4	46.4	50.5	48.2	44.8	45.4	43.5	**43.4**	**43.4**	**43.1**	*44.2*	*43.9*
Slovenia	47.5	46.0	52.3	48.7	46.2	44.1	43.5	**43.6**	**43.1**	**42.8**	*42.5*	*42.1*
Slovakia	44.4	39.3	42.0	45.8	42.7	41.5	41.8	**41.8**	**41.8**	**41.5**	*40.4*	*40.2*
Finland	48.4	49.1	55.4	56.5	55.6	53.7	53.1	**53.0**	**53.5**	**53.4**	*52.8*	*52.6*
Euro area	47.1	47.3	49.9	48.4	47.7	47.2	47.0	**47.1**	**47.1**	**47.0**	*47.0*	*46.8*
Bulgaria	39.4	36.9	37.2	40.4	35.0	35.0	36.5	**38.2**	**38.5**	**38.4**	*37.0*	*36.7*
Czechia	44.2	41.8	43.2	41.7	39.5	38.9	40.7	**41.7**	**42.1**	**42.4**	*41.7*	*41.9*
Denmark	53.1	51.5	56.4	54.4	52.4	50.9	51.2	**50.5**	**50.1**	**49.5**	*51.1*	*51.5*
Croatia	:	46.7	48.5	48.6	47.6	45.4	46.1	**47.0**	**46.7**	**46.3**	*46.7*	*46.1*
Hungary	48.7	50.1	49.7	50.6	47.2	47.0	46.7	**45.9**	**44.3**	**43.8**	*46.4*	*45.6*
Poland	44.4	44.1	43.5	41.7	41.1	41.2	41.6	**42.0**	**42.1**	**41.9**	*42.6*	*42.6*
Romania	35.6	36.7	37.5	36.1	34.5	33.6	35.2	**35.8**	**37.1**	**39.1**	*36.1*	*38.0*
Sweden	53.4	51.2	50.8	49.5	49.7	49.3	49.8	**49.8**	**49.9**	**49.7**	*49.8*	*49.5*
EU27	:	47.3	49.6	48.1	47.3	46.7	46.7	**46.8**	**46.7**	**46.6**	*46.7*	*46.5*
United Kingdom	37.6	42.9	45.1	42.3	41.5	41.1	41.0	**41.1**	**41.4**	**41.3**	*41.0*	*40.9*
EU	:	46.5	48.9	47.0	46.3	45.9	45.8	**45.9**	**45.9**	**45.8**	*45.8*	*45.6*
Japan	:	36.5	40.4	39.3	39.3	38.7	39.0	**39.2**	**39.3**	**39.2**	*39.0*	*39.1*
United States	36.2	38.8	40.6	37.9	38.3	38.0	37.8	**38.0**	**38.1**	**38.2**	*37.9*	*38.0*

Table 35: Total revenue, general government (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	49.4	49.1	51.7	51.3	50.7	51.2	51.4	**50.5**	**50.3**	**50.2**	*51.0*	*51.0*
Germany	44.5	44.0	44.6	45.0	45.5	45.7	46.4	**46.5**	**46.3**	**46.1**	*45.6*	*45.5*
Estonia	36.2	37.6	38.7	39.4	39.0	38.6	38.5	**39.0**	**39.1**	**39.0**	*39.5*	*39.4*
Ireland	33.9	35.2	33.8	27.0	27.0	25.8	25.4	**25.3**	**25.2**	**25.0**	*25.6*	*25.3*
Greece	40.0	39.7	45.6	47.9	49.5	48.2	48.0	**47.7**	**46.3**	**45.4**	*47.2*	*45.5*
Spain	38.2	38.6	37.8	38.7	38.1	38.2	39.2	**39.3**	**39.6**	**39.8**	*38.9*	*38.9*
France	49.8	50.1	51.9	53.2	53.0	53.6	53.5	**52.5**	**52.1**	**51.8**	*52.4*	*52.3*
Italy	43.9	44.8	47.0	47.8	46.6	46.2	46.2	**46.7**	**46.8**	**46.3**	*46.7*	*46.3*
Cyprus	33.6	38.3	37.6	39.7	37.7	38.6	39.2	**41.6**	**44.0**	**44.3**	*41.0*	*41.8*
Latvia	33.2	34.3	36.5	36.6	36.9	37.5	37.8	**37.0**	**36.7**	**36.2**	*37.2*	*36.8*
Lithuania	33.6	34.6	33.9	34.8	34.4	33.6	34.6	**34.9**	**35.4**	**35.1**	*34.7*	*34.9*
Luxembourg	43.6	42.9	43.7	42.9	42.4	43.2	44.6	**45.4**	**45.3**	**45.4**	*45.2*	*45.4*
Malta	36.1	39.1	39.1	38.5	37.4	39.3	38.7	**39.4**	**39.1**	**38.9**	*38.2*	*38.0*
Netherlands	42.0	42.6	43.0	42.6	43.6	43.7	43.5	**43.8**	**43.4**	**43.3**	*44.0*	*43.6*
Austria	49.5	48.3	49.0	50.1	48.6	48.4	48.8	**48.8**	**48.7**	**48.5**	*48.4*	*47.9*
Portugal	39.8	41.1	43.0	43.8	42.9	42.4	43.0	**43.3**	**43.4**	**43.7**	*43.8*	*43.8*
Slovenia	44.5	44.0	45.0	45.9	44.3	44.0	44.3	**44.0**	**43.6**	**43.3**	*43.2*	*43.0*
Slovakia	37.7	35.4	37.6	43.1	40.2	40.6	40.8	**40.8**	**40.7**	**40.3**	*39.9*	*39.7*
Finland	52.5	51.8	53.2	54.0	53.9	53.0	52.2	**51.9**	**52.0**	**51.8**	*52.5*	*52.4*
Euro area	44.7	44.7	46.0	46.4	46.2	46.2	46.5	**46.3**	**46.2**	**45.9**	*46.1*	*45.8*
Bulgaria	39.5	37.2	34.9	38.7	35.1	36.0	38.3	**39.3**	**39.4**	**39.3**	*37.9*	*37.7*
Czechia	39.2	39.1	40.4	41.1	40.2	40.5	41.7	**41.8**	**41.9**	**42.1**	*41.9*	*41.7*
Denmark	54.1	54.6	54.7	53.2	52.6	52.6	52.0	**52.7**	**50.6**	**49.5**	*51.7*	*51.4*
Croatia	:	43.1	42.4	45.3	46.5	46.2	46.3	**47.1**	**46.8**	**46.3**	*46.8*	*46.7*
Hungary	42.8	44.0	46.2	48.7	45.4	44.6	44.4	**44.1**	**43.3**	**43.0**	*44.6*	*44.0*
Poland	39.6	40.0	38.7	39.1	38.7	39.8	41.4	**41.0**	**41.8**	**41.1**	*41.0*	*41.2*
Romania	33.1	32.7	33.7	35.5	31.9	30.9	32.3	**32.2**	**32.7**	**33.0**	*32.5*	*33.3*
Sweden	53.8	53.0	49.9	49.5	50.7	50.7	50.6	**50.0**	**50.0**	**49.8**	*50.2*	*49.9*
EU27	:	44.8	45.8	46.2	46.0	45.9	46.2	**46.0**	**45.9**	**45.6**	*45.8*	*45.6*
United Kingdom	36.3	38.1	37.9	37.7	38.2	38.7	38.7	**38.9**	**39.0**	**39.1**	*39.4*	*39.7*
EU	:	43.7	44.6	44.7	44.7	44.8	45.1	**45.0**	**44.8**	**44.6**	*44.8*	*44.7*
Japan	:	31.7	32.5	35.8	35.8	35.8	36.0	**36.3**	**36.7**	**37.0**	*36.2*	*36.6*
United States	32.3	32.4	31.8	33.3	32.9	33.7	31.2	**31.3**	**31.4**	**31.4**	*31.4*	*31.6*

Table 36: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	-0.4	-1.8	-3.8	-2.4	-2.4	-0.7	-0.7	**-1.7**	**-2.3**	**-2.6**	*-1.3*	*-1.5*
Germany	-3.1	-1.6	-0.9	0.9	1.2	1.2	1.9	**1.2**	**0.6**	**0.2**	*1.0*	*0.8*
Estonia	0.9	0.4	0.4	0.1	-0.5	-0.8	-0.6	**-0.2**	**-0.2**	**-0.2**	*-0.3*	*-0.5*
Ireland	1.4	-3.2	-12.6	-1.9	-0.7	-0.3	0.1	**0.2**	**0.3**	**0.6**	*0.0*	*0.3*
Greece	-6.4	-8.8	-9.4	-5.6	0.5	0.7	1.0	**1.3**	**1.0**	**1.1**	*0.5*	*-0.1*
Spain	-0.5	-2.1	-8.6	-5.2	-4.3	-3.0	-2.5	**-2.3**	**-2.2**	**-2.1**	*-2.3*	*-2.0*
France	-2.7	-3.8	-5.0	-3.6	-3.5	-2.8	-2.5	**-3.1**	**-2.2**	**-2.2**	*-3.1*	*-2.2*
Italy	-3.0	-3.3	-3.3	-2.6	-2.4	-2.4	-2.2	**-2.2**	**-2.3**	**-2.7**	*-2.5*	*-3.5*
Cyprus	-3.6	-0.9	-6.1	-1.0	0.1	1.7	-4.4	**3.7**	**2.6**	**2.4**	*3.0*	*2.8*
Latvia	-1.9	-3.0	-3.3	-1.4	0.1	-0.5	-0.7	**-0.6**	**-0.6**	**-0.6**	*-0.6*	*-0.6*
Lithuania	-2.2	-2.7	-4.4	-0.3	0.2	0.5	0.6	**0.0**	**0.0**	**0.0**	*0.3*	*0.0*
Luxembourg	2.6	1.8	0.5	1.4	1.8	1.4	2.7	**2.3**	**1.4**	**1.4**	*1.4*	*1.1*
Malta	-6.1	-2.9	-2.5	-1.0	0.9	3.4	1.9	**1.2**	**1.0**	**1.0**	*1.1*	*0.9*
Netherlands	-1.3	-1.1	-3.7	-2.0	0.0	1.3	1.5	**1.5**	**0.5**	**0.4**	*1.4*	*0.8*
Austria	-2.2	-2.6	-2.8	-1.0	-1.5	-0.7	0.2	**0.4**	**0.2**	**0.4**	*0.3*	*0.2*
Portugal	-4.6	-5.4	-7.5	-4.4	-1.9	-3.0	-0.4	**-0.1**	**0.0**	**0.6**	*-0.4*	*-0.1*
Slovenia	-3.0	-2.0	-7.3	-2.8	-1.9	0.0	0.8	**0.5**	**0.5**	**0.6**	*0.7*	*0.9*
Slovakia	-6.7	-3.8	-4.5	-2.7	-2.5	-1.0	-1.1	**-0.9**	**-1.2**	**-1.3**	*-0.5*	*-0.6*
Finland	4.1	2.7	-2.2	-2.4	-1.7	-0.7	-0.8	**-1.1**	**-1.4**	**-1.6**	*-0.4*	*-0.2*
Euro area	-2.4	-2.6	-3.9	-2.0	-1.4	-0.9	-0.5	**-0.8**	**-0.9**	**-1.0**	*-0.9*	*-0.9*
Bulgaria	0.2	0.3	-2.3	-1.7	0.1	1.1	1.8	**1.1**	**0.9**	**0.9**	*0.8*	*1.0*
Czechia	-4.9	-2.6	-2.8	-0.6	0.7	1.6	1.1	**0.2**	**-0.1**	**-0.3**	*0.2*	*-0.2*
Denmark	1.0	3.1	-1.7	-1.2	0.2	1.7	0.8	**2.2**	**0.5**	**0.0**	*0.6*	*-0.1*
Croatia	:	-3.6	-6.1	-3.3	-1.1	0.8	0.3	**0.1**	**0.0**	**0.0**	*0.1*	*0.5*
Hungary	-5.9	-6.1	-3.4	-2.0	-1.8	-2.4	-2.3	**-1.8**	**-1.0**	**-0.8**	*-1.8*	*-1.6*
Poland	-4.7	-4.0	-4.8	-2.6	-2.4	-1.5	-0.2	**-1.0**	**-0.2**	**-0.9**	*-1.6*	*-1.4*
Romania	-2.5	-4.0	-3.9	-0.6	-2.6	-2.6	-3.0	**-3.6**	**-4.4**	**-6.1**	*-3.5*	*-4.7*
Sweden	0.5	1.7	-0.8	0.0	1.0	1.4	0.8	**0.3**	**0.1**	**0.1**	*0.4*	*0.4*
EU27	:	-2.4	-3.8	-1.9	-1.3	-0.8	-0.4	**-0.7**	**-0.8**	**-1.0**	*-0.9*	*-0.9*
United Kingdom	-1.3	-4.8	-7.2	-4.6	-3.4	-2.4	-2.3	**-2.2**	**-2.4**	**-2.2**	*-1.5*	*-1.2*
EU	:	-2.8	-4.3	-2.4	-1.7	-1.0	-0.7	**-0.9**	**-1.1**	**-1.2**	*-1.0*	*-1.0*
Japan	:	-4.8	-7.9	-3.6	-3.5	-3.0	-3.0	**-2.8**	**-2.6**	**-2.2**	*-2.8*	*-2.5*
United States	-3.8	-6.5	-8.7	-4.6	-5.4	-4.3	-6.6	**-6.7**	**-6.7**	**-6.7**	*-6.5*	*-6.4*

Table 37: Interest expenditure, general government (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	5.9	4.1	3.4	2.9	2.7	2.3	2.1	**2.0**	**1.8**	**1.7**	*2.1*	*2.0*
Germany	3.0	2.7	2.1	1.4	1.2	1.1	0.9	**0.9**	**0.8**	**0.7**	*0.9*	*0.8*
Estonia	0.2	0.2	0.1	0.1	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*
Ireland	1.4	1.3	3.7	2.6	2.3	2.0	1.6	**1.4**	**1.1**	**1.0**	*1.5*	*1.2*
Greece	5.7	4.7	5.4	3.5	3.2	3.1	3.3	**3.0**	**2.7**	**2.6**	*3.5*	*3.7*
Spain	2.6	1.6	2.9	3.0	2.8	2.5	2.4	**2.3**	**2.1**	**2.0**	*2.3*	*2.1*
France	2.9	2.7	2.5	2.0	1.8	1.7	1.7	**1.5**	**1.3**	**1.1**	*1.6*	*1.6*
Italy	5.4	4.6	4.7	4.1	3.9	3.8	3.7	**3.5**	**3.3**	**3.1**	*3.6*	*3.7*
Cyprus	3.1	2.8	2.8	3.2	2.7	2.5	2.4	**2.3**	**2.0**	**1.7**	*2.4*	*2.1*
Latvia	0.8	0.7	1.6 :	1.3	1.0	0.9	0.7	**0.7**	**0.7**	**0.6**	*0.7*	*0.6*
Lithuania	1.3	0.8	1.8 :	1.5	1.3	1.1	0.9	**0.8**	**0.5**	**0.4**	*0.8*	*0.7*
Luxembourg	0.3	0.3	0.5	0.4	0.3	0.3	0.3	**0.3**	**0.3**	**0.3**	*0.2*	*0.2*
Malta	3.8	3.5	3.0	2.3	2.1	1.8	1.5	**1.3**	**1.3**	**1.2**	*1.4*	*1.3*
Netherlands	2.7	2.0	1.7	1.3	1.2	1.0	0.9	**0.8**	**0.7**	**0.6**	*0.8*	*0.7*
Austria	3.4	3.1	2.7	2.3	2.1	1.8	1.6	**1.5**	**1.4**	**1.2**	*1.5*	*1.4*
Portugal	2.8	2.9	4.4	4.6	4.1	3.8	3.4	**3.1**	**2.9**	**2.8**	*3.3*	*3.1*
Slovenia	2.1	1.3	2.3	3.2	3.0	2.5	2.0	**1.6**	**1.5**	**1.4**	*1.6*	*1.5*
Slovakia	3.3	1.5	1.7	1.8	1.7	1.4	1.3	**1.2**	**1.1**	**1.1**	*1.3*	*1.2*
Finland	2.2	1.4	1.3	1.2	1.1	1.0	0.9	**0.8**	**0.8**	**0.7**	*0.9*	*0.9*
Euro area	3.5	2.9	2.8	2.3	2.1	1.9	1.8	**1.7**	**1.5**	**1.4**	*1.8*	*1.7*
Bulgaria	2.9	1.1	0.8	0.9	0.9	0.8	0.6	**0.6**	**0.6**	**0.6**	*0.6*	*0.5*
Czechia	1.0	1.1	1.3	1.1	0.9	0.7	0.8	**0.7**	**0.7**	**0.7**	*0.8*	*0.8*
Denmark	3.1	1.8	1.8	1.4	1.0	0.8	0.8	**0.8**	**0.7**	**0.7**	*1.1*	*1.1*
Croatia	:	1.8	2.9	3.4	3.1	2.7	2.3	**2.2**	**1.9**	**1.8**	*2.1*	*1.8*
Hungary	4.5	4.1	4.3	3.5	3.1	2.7	2.4	**2.4**	**2.4**	**2.4**	*2.4*	*2.4*
Poland	2.9	2.3	2.4	1.8	1.7	1.6	1.4	**1.3**	**1.2**	**1.2**	*1.4*	*1.3*
Romania	2.6	1.0	1.7	1.6	1.5	1.3	1.2	**1.2**	**1.2**	**1.3**	*1.2*	*1.3*
Sweden	2.6	1.6	0.9	0.6	0.5	0.5	0.5	**0.6**	**0.6**	**0.5**	*0.5*	*0.5*
EU27	:	2.8	2.7	2.2	2.0	1.8	1.7	**1.6**	**1.5**	**1.4**	*1.7*	*1.6*
United Kingdom	2.0	2.0	2.8	2.3	2.4	2.7	2.4	**2.2**	**2.2**	**2.1**	*2.4*	*2.3*
EU	:	2.6	2.7	2.2	2.1	2.0	1.8	**1.7**	**1.6**	**1.5**	*1.8*	*1.7*
Japan	2.4	1.9	2.0	1.8	1.8	1.7	1.8	**1.8**	**1.7**	**1.7**	*1.8*	*1.7*
United States	4.1	4.0	4.2	3.8	3.9	3.8	3.9	**3.9**	**4.0**	**4.0**	*4.0*	*4.0*

Table 38: Primary balance, general government [1] (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	5.5	2.3	-0.4	0.5	0.3	1.6	1.4	**0.2**	**-0.4**	**-0.9**	*0.8*	*0.5*
Germany	-0.1	1.1	1.2	2.4	2.4	2.3	2.8	**2.1**	**1.4**	**0.9**	*1.8*	*1.6*
Estonia	1.2	0.5	0.5	0.2	-0.5	-0.7	-0.5	**-0.2**	**-0.1**	**-0.2**	*-0.3*	*-0.4*
Ireland	2.8	-2.0	-8.8	0.7	1.6	1.7	1.7	**1.6**	**1.4**	**1.6**	*1.4*	*1.5*
Greece	-0.8	-4.1	-4.0	-2.1	3.7	3.8	4.3	**4.3**	**3.7**	**3.6**	*4.0*	*3.6*
Spain	2.1	-0.5	-5.7	-2.2	-1.6	-0.5	-0.1	**-0.1**	**-0.1**	**-0.1**	*0.0*	*0.1*
France	0.2	-1.1	-2.5	-1.6	-1.7	-1.0	-0.8	**-1.6**	**-0.9**	**-1.1**	*-1.5*	*-0.5*
Italy	2.4	1.3	1.4	1.6	1.5	1.3	1.5	**1.3**	**0.9**	**0.4**	*1.2*	*0.2*
Cyprus	-0.5	1.9	-3.3	2.2	2.8	4.2	-2.0	**6.0**	**4.6**	**4.1**	*5.4*	*4.9*
Latvia	-1.1	-2.3	-1.7 :	-0.1	1.1	0.4	0.0	**0.1**	**0.1**	**0.0**	*0.1*	*0.1*
Lithuania	-0.9	-1.9	-2.6 :	1.3	1.6	1.6	1.5	**0.8**	**0.5**	**0.4**	*1.1*	*0.7*
Luxembourg	2.9	2.1	1.0	1.8	2.1	1.7	3.0	**2.6**	**1.7**	**1.7**	*1.7*	*1.4*
Malta	-2.3	0.6	0.5	1.3	3.0	5.2	3.5	**2.5**	**2.3**	**2.1**	*2.5*	*2.2*
Netherlands	1.4	1.0	-2.1	-0.7	1.2	2.3	2.4	**2.2**	**1.2**	**1.0**	*2.2*	*1.5*
Austria	1.2	0.5	-0.1	1.3	0.5	1.1	1.8	**1.9**	**1.6**	**1.6**	*1.8*	*1.6*
Portugal	-1.8	-2.5	-3.2	0.1	2.3	0.8	2.9	**3.0**	**2.9**	**3.4**	*2.9*	*3.0*
Slovenia	-0.9	-0.7	-5.0	0.4	1.1	2.5	2.8	**2.1**	**2.0**	**2.0**	*2.3*	*2.4*
Slovakia	-3.4	-2.4	-2.8	-0.9	-0.8	0.5	0.3	**0.3**	**0.0**	**-0.2**	*0.8*	*0.6*
Finland	6.3	4.1	-0.9	-1.3	-0.7	0.3	0.1	**-0.3**	**-0.7**	**-0.9**	*0.5*	*0.7*
Euro area	1.1	0.3	-1.1	0.3	0.7	1.0	1.3	**0.9**	**0.6**	**0.4**	*0.9*	*0.8*
Bulgaria	3.0	1.4	-1.5	-0.8	1.0	1.9	2.4	**1.7**	**1.4**	**1.5**	*1.4*	*1.5*
Czechia	-4.0	-1.6	-1.5	0.5	1.6	2.3	1.8	**0.9**	**0.6**	**0.4**	*1.0*	*0.6*
Denmark	4.1	4.8	0.1	0.2	1.3	2.5	1.6	**2.9**	**1.2**	**0.7**	*1.6*	*1.0*
Croatia	:	-1.8	-3.1	0.1	2.0	3.5	2.6	**2.3**	**1.9**	**1.8**	*2.3*	*2.3*
Hungary	-1.4	-2.0	0.8	1.5	1.4	0.3	0.1	**0.6**	**1.4**	**1.6**	*0.7*	*0.8*
Poland	-1.8	-1.7	-2.3	-0.9	-0.7	0.1	1.2	**0.3**	**1.0**	**0.3**	*-0.3*	*-0.1*
Romania	0.1	-3.0	-2.2	1.0	-1.1	-1.4	-1.8	**-2.4**	**-3.2**	**-4.8**	*-2.3*	*-3.4*
Sweden	3.0	3.3	0.1	0.6	1.5	1.9	1.3	**0.8**	**0.7**	**0.7**	*0.9*	*0.9*
EU27	1.1	0.3	-1.1	0.3	0.7	1.0	1.3	**0.9**	**0.6**	**0.3**	*0.8*	*0.7*
United Kingdom	0.7	-2.8	-4.4	-2.3	-0.9	0.2	0.2	**0.0**	**-0.2**	**-0.1**	*0.9*	*1.1*
EU	1.0	-0.2	-1.6	-0.1	0.4	0.9	1.1	**0.7**	**0.5**	**0.3**	*0.8*	*0.8*
Japan	2.4	-3.0	-5.9	-1.7	-1.7	-1.3	-1.1	**-1.1**	**-0.9**	**-0.5**	*-1.0*	*-0.8*
United States	0.3	-2.4	-4.6	-0.9	-1.5	-0.4	-2.7	**-2.8**	**-2.7**	**-2.7**	*-2.5*	*-2.4*

[1] Net lending/borrowing excluding interest expenditure.

Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	2019	2020
Belgium	-0.6	-2.3	-3.4	-2.5	-2.5	-1.2	-1.2	**-2.0**	**-2.2**	**-2.2**	*-1.4*	*-1.6*
Germany	-3.1	-1.3	-0.7	1.0	1.0	0.6	1.3	**1.1**	**0.7**	**0.5**	*1.1*	*0.8*
Estonia	0.2	-1.7	0.5	0.0	-0.6	-1.8	-2.2	**-1.6**	**-0.9**	**-0.5**	*-1.7*	*-1.5*
Ireland	0.6	-3.2	-11.8	-4.0	-2.0	-1.4	-0.6	**-0.8**	**-0.3**	**0.3**	*-1.2*	*-0.5*
Greece	-7.4	-10.2	-2.8	0.9	6.5	5.5	4.5	**3.7**	**2.2**	**1.3**	*2.6*	*0.9*
Spain	-2.1	-2.8	-4.5	-2.7	-3.2	-2.9	-3.2	**-3.3**	**-3.2**	**-3.0**	*-3.3*	*-3.2*
France	-3.7	-4.5	-4.1	-2.7	-2.7	-2.7	-2.9	**-3.5**	**-2.8**	**-2.7**	*-3.4*	*-2.6*
Italy	-3.9	-3.8	-1.7	-0.6	-1.3	-2.2	-2.3	**-2.1**	**-2.3**	**-2.8**	*-2.3*	*-3.4*
Cyprus	-4.5	-2.9	-3.5	2.0	0.5	1.0	-6.1	**1.7**	**0.6**	**0.5**	*1.1*	*0.7*
Latvia	-1.6	-4.3	-1.6	-1.6	-0.1	-1.1	-1.9	**-1.5**	**-1.1**	**-0.9**	*-1.4*	*-1.1*
Lithuania	-1.3	-3.5	-3.0	-0.4	-0.2	-0.7	-0.9	**-1.5**	**-0.9**	**-0.3**	*-0.9*	*-0.8*
Luxembourg	1.5	2.1	2.2	1.9	1.4	1.2	2.0	**1.6**	**0.8**	**0.9**	*0.9*	*0.5*
Malta	-6.4	-3.0	-1.6	-2.6	0.0	2.6	0.8	**0.5**	**0.8**	**1.3**	*0.6*	*0.7*
Netherlands	-1.1	-1.0	-2.3	-0.9	0.7	1.1	0.9	**0.9**	**0.2**	**0.2**	*0.9*	*0.2*
Austria	-2.2	-2.8	-2.4	-0.2	-1.1	-0.9	-0.3	**0.0**	**0.0**	**0.3**	*-0.1*	*0.0*
Portugal	-5.0	-5.2	-6.0	-3.2	-1.3	-3.4	-1.3	**-1.0**	**-0.8**	**-0.1**	*-1.1*	*-0.8*
Slovenia	-3.1	-3.4	-5.2	-1.3	-1.2	-0.7	-0.7	**-1.0**	**-1.0**	**-0.7**	*-0.9*	*-0.4*
Slovakia	-5.8	-4.6	-3.6	-2.4	-2.3	-1.1	-1.7	**-1.6**	**-1.8**	**-1.8**	*-1.3*	*-1.4*
Finland	3.9	2.3	-1.0	-0.5	-0.7	-0.7	-1.0	**-1.3**	**-1.6**	**-1.6**	*-0.9*	*-0.6*
Euro area	-3.0	-2.9	-2.7	-1.0	-0.9	-1.1	-0.9	**-1.1**	**-1.1**	**-1.2**	*-1.1*	*-1.2*
Bulgaria	0.7	-0.3	-2.0	-1.3	0.2	1.1	1.8	**1.0**	**0.6**	**0.6**	*0.7*	*0.6*
Czechia	-5.0	-3.8	-2.1	-0.6	0.8	1.1	0.5	**-0.3**	**-0.4**	**-0.4**	*-0.1*	*-0.4*
Denmark	0.5	2.4	0.0	-0.3	0.6	1.7	1.0	**2.1**	**0.6**	**0.2**	*0.9*	*0.3*
Croatia	:	-5.2	-4.6	-1.8	-0.5	0.7	-0.3	**-0.8**	**-1.0**	**-0.8**	*-0.8*	*-0.5*
Hungary	-6.1	-6.4	-1.9	-2.2	-2.1	-3.3	-3.8	**-3.5**	**-2.1**	**-1.5**	*-3.3*	*-2.7*
Poland	-3.0	-4.2	-4.7	-2.2	-2.1	-1.9	-1.4	**-2.2**	**-1.2**	**-1.5**	*-2.8*	*-2.4*
Romania	-2.5	-5.4	-2.7	0.0	-2.2	-3.0	-3.1	**-3.7**	**-4.4**	**-5.9**	*-3.7*	*-4.8*
Sweden	0.5	1.7	0.0	-0.2	0.7	1.1	0.3	**0.2**	**0.4**	**0.6**	*0.5*	*0.6*
EU27	:	-2.8	-2.6	-1.0	-0.8	-0.9	-0.9	**-1.1**	**-1.1**	**-1.2**	*-1.1*	*-1.2*
United Kingdom	-1.7	-4.8	-5.8	-4.7	-3.6	-2.9	-2.6	**-2.4**	**-2.5**	**-2.3**	*-1.8*	*-1.4*
EU	:	-3.1	-3.1	-1.6	-1.3	-1.3	-1.1	**-1.3**	**-1.3**	**-1.4**	*-1.2*	*-1.2*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	2019	2020
Belgium	5.3	1.8	0.0	0.4	0.2	1.1	0.9	**0.0**	**-0.4**	**-0.5**	*0.7*	*0.4*
Germany	-0.1	1.4	1.4	2.4	2.2	1.7	2.2	**2.0**	**1.5**	**1.2**	*2.0*	*1.7*
Estonia	0.4	-1.5	0.6	0.0	-0.5	-1.8	-2.2	**-1.6**	**-0.9**	**-0.4**	*-1.7*	*-1.5*
Ireland	2.0	-1.9	-8.1	-1.4	0.3	0.6	1.0	**0.6**	**0.8**	**1.3**	*0.3*	*0.7*
Greece	-1.7	-5.6	2.6	4.5	9.6	8.6	7.8	**6.6**	**4.9**	**3.8**	*6.1*	*4.6*
Spain	0.5	-1.2	-1.7	0.3	-0.4	-0.4	-0.7	**-1.0**	**-1.1**	**-1.0**	*-1.0*	*-1.1*
France	-0.8	-1.8	-1.7	-0.7	-0.9	-1.0	-1.2	**-2.0**	**-1.4**	**-1.5**	*-1.8*	*-1.0*
Italy	1.6	0.8	3.0	3.5	2.6	1.6	1.4	**1.4**	**1.0**	**0.3**	*1.3*	*0.3*
Cyprus	-1.4	-0.1	-0.7	5.2	3.1	3.5	-3.7	**4.0**	**2.6**	**2.2**	*3.5*	*2.7*
Latvia	-0.8	-3.6	0.0	-0.3	0.9	-0.2	-1.2	**-0.7**	**-0.4**	**-0.3**	*-0.8*	*-0.4*
Lithuania	0.0	-2.7	-1.2	1.1	1.1	0.4	0.0	**-0.8**	**-0.4**	**0.1**	*-0.1*	*-0.2*
Luxembourg	1.8	2.5	2.7	2.3	1.7	1.5	2.3	**1.9**	**1.0**	**1.1**	*1.2*	*0.8*
Malta	-2.6	0.5	1.4	-0.3	2.1	4.4	2.4	**1.8**	**2.1**	**2.5**	*2.0*	*2.0*
Netherlands	1.5	1.1	-0.7	0.4	1.8	2.1	1.8	**1.7**	**0.8**	**0.8**	*1.6*	*0.9*
Austria	1.2	0.4	0.3	2.1	0.9	1.0	1.3	**1.5**	**1.4**	**1.6**	*1.4*	*1.4*
Portugal	-2.2	-2.3	-1.6	1.4	2.9	0.4	2.1	**2.1**	**2.1**	**2.6**	*2.2*	*2.3*
Slovenia	-1.1	-2.1	-2.9	2.0	1.8	1.8	1.2	**0.6**	**0.5**	**0.7**	*0.7*	*1.1*
Slovakia	-2.5	-3.1	-1.9	-0.6	-0.6	0.4	-0.4	**-0.4**	**-0.6**	**-0.8**	*0.0*	*-0.2*
Finland	6.1	3.7	0.3	0.6	0.4	0.3	-0.1	**-0.5**	**-0.8**	**-0.9**	*0.0*	*0.2*
Euro area	0.5	0.0	0.2	1.4	1.2	0.9	0.9	**0.6**	**0.4**	**0.2**	*0.6*	*0.5*
Bulgaria	3.6	0.8	-1.2	-0.4	1.1	1.9	2.4	**1.5**	**1.2**	**1.2**	*1.2*	*1.2*
Czechia	-4.0	-2.7	-0.8	0.4	1.7	1.8	1.3	**0.5**	**0.3**	**0.3**	*0.6*	*0.4*
Denmark	3.6	4.1	1.8	1.1	1.7	2.5	1.8	**2.9**	**1.3**	**0.8**	*2.0*	*1.4*
Croatia	:	-3.3	-1.6	1.6	2.6	3.3	2.1	**1.4**	**0.9**	**1.0**	*1.3*	*1.3*
Hungary	-1.7	-2.3	2.4	1.3	1.1	-0.6	-1.4	**-1.1**	**0.2**	**0.9**	*-0.9*	*-0.4*
Poland	-0.1	-1.9	-2.3	-0.5	-0.3	-0.4	0.0	**-0.9**	**0.0**	**-0.3**	*-1.4*	*-1.1*
Romania	0.1	-4.4	-1.1	1.7	-0.7	-1.7	-1.9	**-2.5**	**-3.1**	**-4.6**	*-2.5*	*-3.5*
Sweden	3.1	3.3	1.0	0.4	1.2	1.5	0.8	**0.7**	**1.1**	**1.2**	*1.0*	*1.1*
EU27	0.6	0.0	0.1	1.2	1.2	0.9	0.9	**0.5**	**0.4**	**0.2**	*0.5*	*0.4*
United Kingdom	0.3	-2.8	-3.0	-2.4	-1.2	-0.3	-0.2	**-0.2**	**-0.3**	**-0.2**	*0.6*	*0.9*
EU	0.5	-0.5	-0.3	0.6	0.8	0.7	0.7	**0.4**	**0.3**	**0.1**	*0.5*	*0.5*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 41: Structural budget balance, general government[1] (as a percentage of potential GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	2019	2020
Belgium	:	:	-3.5	-2.6	-2.5	-1.7	-1.8	**-2.1**	**-2.4**	**-2.2**	*-1.4*	*-1.8*
Germany	:	:	-0.3	1.0	1.0	0.9	1.4	**1.1**	**0.7**	**0.5**	*1.1*	*0.8*
Estonia	:	:	-0.1	0.3	-0.5	-1.8	-2.2	**-1.6**	**-0.9**	**-0.5**	*-1.7*	*-1.5*
Ireland	:	:	-6.9	-3.2	-2.1	-1.4	-0.6	**-0.8**	**-0.3**	**0.3**	*-1.2*	*-0.5*
Greece	:	:	-0.9	3.5	5.8	5.2	5.1	**3.0**	**1.8**	**1.1**	*1.9*	*0.8*
Spain	:	:	-3.7	-2.3	-3.2	-2.9	-2.9	**-3.1**	**-3.2**	**-3.0**	*-2.9*	*-3.2*
France	:	:	-4.2	-2.7	-2.7	-2.7	-2.7	**-2.7**	**-2.6**	**-2.6**	*-2.6*	*-2.5*
Italy	:	:	-1.9	-0.4	-1.5	-2.2	-2.4	**-2.2**	**-2.5**	**-2.9**	*-2.4*	*-3.6*
Cyprus	:	:	-1.7	2.8	0.5	1.0	1.9	**1.7**	**0.6**	**0.5**	*1.1*	*0.7*
Latvia	:	:	-1.2	-1.6	-0.3	-1.1	-1.9	**-1.6**	**-1.1**	**-0.9**	*-1.6*	*-1.1*
Lithuania	:	:	-2.2	-0.6	-0.4	-0.8	-0.8	**-1.6**	**-0.9**	**-0.3**	*-1.0*	*-0.9*
Luxembourg	:	:	2.2	1.7	1.4	1.2	2.0	**1.6**	**0.8**	**0.9**	*0.9*	*0.5*
Malta	:	:	-2.1	-2.7	0.1	2.8	0.8	**0.5**	**0.8**	**1.3**	*0.6*	*0.7*
Netherlands	:	:	-2.4	-0.9	0.4	0.7	0.9	**0.7**	**0.2**	**0.2**	*0.7*	*0.2*
Austria	:	:	-1.8	0.1	-1.1	-0.9	-0.3	**0.0**	**0.0**	**0.3**	*-0.1*	*0.0*
Portugal	:	:	-4.7	-2.0	-1.7	-1.4	-0.6	**-0.4**	**-0.4**	**-0.4**	*-0.5*	*-0.5*
Slovenia	:	:	-2.6	-1.2	-1.1	-0.6	-0.7	**-1.0**	**-0.9**	**-0.7**	*-0.8*	*-0.3*
Slovakia	:	:	-3.7	-2.4	-2.2	-1.1	-1.7	**-1.6**	**-1.8**	**-1.8**	*-1.3*	*-1.4*
Finland	:	:	-1.0	-0.5	-0.7	-0.7	-1.0	**-1.4**	**-1.6**	**-1.6**	*-1.0*	*-0.6*
Euro area	:	:	-2.3	-0.8	-1.0	-1.0	-0.8	**-0.9**	**-1.1**	**-1.2**	*-0.9*	*-1.2*
Bulgaria	:	:	-1.3	-1.3	0.2	1.1	1.8	**1.0**	**0.6**	**0.6**	*0.7*	*0.6*
Czechia	:	:	-1.7	-0.6	0.8	1.1	0.5	**-0.3**	**-0.4**	**-0.4**	*-0.1*	*-0.4*
Denmark	:	:	-0.6	-1.7	0.6	1.7	1.0	**2.1**	**1.4**	**0.2**	*0.9*	*1.0*
Croatia	:	:	-4.6	-1.9	-0.6	0.7	-0.3	**-0.8**	**-1.0**	**-0.8**	*-0.8*	*-0.5*
Hungary	:	:	-2.1	-2.2	-2.0	-3.7	-3.8	**-3.3**	**-2.1**	**-1.5**	*-3.3*	*-2.7*
Poland	:	:	-4.7	-2.2	-2.1	-1.9	-1.4	**-2.2**	**-1.9**	**-1.5**	*-2.8*	*-3.0*
Romania	:	:	-2.6	-0.2	-1.8	-3.0	-2.7	**-3.5**	**-4.4**	**-5.9**	*-3.6*	*-4.8*
Sweden	:	:	0.0	-0.2	0.7	1.1	0.3	**0.2**	**0.4**	**0.6**	*0.5*	*0.6*
EU27	:	:	-2.3	-0.9	-0.9	-0.9	-0.8	**-0.9**	**-1.1**	**-1.2**	*-1.0*	*-1.2*
United Kingdom	:	:	-5.8	-4.7	-3.6	-2.9	-2.6	**-2.4**	**-2.5**	**-2.3**	*-1.8*	*-1.4*
EU	:	:	-2.8	-1.5	-1.3	-1.2	-1.0	**-1.1**	**-1.3**	**-1.4**	*-1.1*	*-1.3*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 42: Gross debt, general government (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	2019	2020
Belgium	104.4	93.5	104.2	105.2	104.9	101.8	100.0	**99.5**	**99.6**	**100.0**	*101.3*	*100.7*
Germany	61.0	67.3	79.5	72.1	69.2	65.3	61.9	**59.2**	**56.8**	**55.0**	*58.4*	*55.6*
Estonia	5.2	5.0	8.6	10.0	10.2	9.3	8.4	**8.7**	**8.4**	**8.2**	*8.5*	*8.5*
Ireland	31.6	35.5	108.3	76.7	73.9	67.8	63.6	**59.0**	**53.9**	**52.6**	*61.3*	*55.9*
Greece	104.2	110.1	166.8	175.9	178.5	176.2	181.2	**175.2**	**169.3**	**163.1**	*174.9*	*168.9*
Spain	51.2	42.0	82.6	99.3	99.2	98.6	97.6	**96.7**	**96.6**	**96.0**	*96.3*	*95.7*
France	61.6	69.7	90.4	95.6	98.0	98.4	98.4	**98.9**	**98.9**	**99.2**	*99.0*	*98.9*
Italy	107.0	108.0	126.6	135.3	134.8	134.1	134.8	**136.2**	**136.8**	**137.4**	*133.7*	*135.2*
Cyprus	60.4	55.3	83.2	107.5	103.4	93.9	100.6	**93.8**	**87.8**	**81.8**	*96.4*	*89.9*
Latvia	13.4	16.7	42.4	36.7	40.2	38.6	36.4	**36.0**	**35.2**	**32.9**	*34.5*	*33.5*
Lithuania	21.5	18.7	38.5	42.7	39.9	39.3	34.1	**36.3**	**35.1**	**34.8**	*37.0*	*36.4*
Luxembourg	7.2	10.7	21.4	22.0	20.1	22.3	21.0	**19.6**	**19.2**	**18.6**	*20.7*	*20.3*
Malta	66.1	65.4	67.4	57.8	55.5	50.3	45.8	**43.3**	**41.0**	**38.7**	*42.8*	*40.2*
Netherlands	50.1	49.9	64.5	64.6	61.9	56.9	52.4	**48.9**	**47.1**	**45.6**	*49.1*	*46.7*
Austria	66.1	69.9	82.5	84.9	82.9	78.3	74.0	**69.9**	**67.2**	**64.6**	*69.7*	*66.8*
Portugal	60.5	76.4	121.6	131.2	131.5	126.0	122.2	**119.5**	**117.1**	**113.7**	*119.5*	*116.6*
Slovenia	26.6	26.3	57.7	82.6	78.7	74.1	70.4	**66.7**	**63.1**	**59.5**	*65.9*	*61.7*
Slovakia	46.4	32.3	48.9	51.9	52.0	51.3	49.4	**48.1**	**47.3**	**46.9**	*47.3*	*46.0*
Finland	41.8	37.2	53.0	63.0	62.6	60.9	59.0	**59.2**	**59.3**	**59.8**	*58.3*	*57.7*
Euro area	68.8	70.9	91.4	93.0	92.2	89.8	87.9	**86.4**	**85.1**	**84.1**	*85.8*	*84.3*
Bulgaria	53.1	18.1	18.3	26.0	29.3	25.3	22.3	**21.1**	**19.9**	**18.6**	*20.5*	*18.4*
Czechia	24.5	29.0	41.7	40.0	36.8	34.7	32.6	**31.5**	**30.7**	**30.1**	*31.7*	*31.1*
Denmark	48.0	34.0	44.4	39.8	37.2	35.5	34.2	**33.0**	**32.3**	**31.7**	*33.0*	*32.5*
Croatia	37.5	41.0	71.6	84.4	81.0	78.0	74.8	**71.2**	**67.7**	**64.4**	*70.9*	*67.6*
Hungary	56.1	68.2	78.8	76.1	75.5	72.9	70.2	**68.2**	**66.7**	**64.4**	*69.2*	*67.7*
Poland	41.4	46.7	53.4	51.3	54.2	50.6	48.9	**47.4**	**45.5**	**44.3**	*48.2*	*47.4*
Romania	22.8	14.9	35.5	37.8	37.3	35.1	35.0	**35.5**	**37.2**	**40.6**	*36.0*	*38.4*
Sweden	50.3	42.2	39.8	43.9	42.3	40.7	38.8	**34.6**	**33.4**	**32.0**	*34.4*	*32.4*
EU27	66.1	67.0	85.3	86.6	85.8	83.3	81.4	**79.8**	**78.4**	**77.4**	*79.3*	*77.8*
United Kingdom	35.8	46.8	81.6	86.9	86.8	86.2	85.9	**85.2**	**84.7**	**84.2**	*85.1*	*84.2*
EU	60.6	63.3	85.0	86.5	85.3	83.6	81.9	**80.6**	**79.4**	**78.4**	*80.2*	*78.8*

Note: See box on technical elements behind the forecast for details and definition.

Table 43: Gross national saving (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	27.4	27.5	24.5	25.0	24.8	25.3	24.5	**24.6**	**24.6**	**24.6**	*25.5*	*25.4*
Germany	22.9	26.1	27.0	28.6	28.9	29.0	29.4	**28.9**	**29.0**	**28.9**	*28.3*	*28.4*
Estonia	23.1	24.6	26.4	26.6	25.6	28.2	29.2	**29.4**	**29.5**	**29.6**	*28.2*	*28.4*
Ireland	24.2	21.3	18.4	30.2	34.7	34.3	34.5	**33.6**	**34.9**	**36.2**	*34.7*	*34.6*
Greece	16.4	10.5	7.7	10.0	10.4	11.5	12.0	**13.2**	**14.2**	**15.4**	*13.0*	*14.3*
Spain	22.8	20.7	18.8	21.0	21.9	22.1	22.3	**23.1**	**23.5**	**23.7**	*23.2*	*23.5*
France	23.2	22.8	21.5	22.2	22.0	22.8	22.9	**23.4**	**23.4**	**23.4**	*23.3*	*23.4*
Italy	20.8	19.7	17.9	18.5	20.1	20.6	20.8	**20.4**	**20.5**	**20.7**	*20.3*	*20.3*
Cyprus	14.5	8.0	12.6	12.6	12.8	14.8	14.7	**13.2**	**11.8**	**12.2**	*12.4*	*12.2*
Latvia	20.2	22.6	21.9	21.7	22.2	22.9	22.8	**22.9**	**21.8**	**21.0**	*23.7*	*23.2*
Lithuania	14.6	16.0	19.8	18.8	18.1	19.7	20.1	**21.4**	**21.7**	**22.0**	*18.6*	*18.5*
Luxembourg	27.4	23.7	19.8	19.6	19.2	17.7	17.5	**22.1**	**22.1**	**21.8**	*22.7*	*22.6*
Malta	15.7	15.0	19.0	27.7	27.7	29.7	28.9	**29.3**	**30.1**	**30.4**	*29.3*	*29.9*
Netherlands	27.1	27.1	28.2	28.8	28.5	31.4	31.9	**31.0**	**30.3**	**30.1**	*31.4*	*30.9*
Austria	25.4	26.8	25.8	25.7	27.1	26.7	27.6	**27.7**	**27.7**	**27.8**	*28.1*	*28.2*
Portugal	17.1	12.5	13.8	15.8	16.5	18.2	18.3	**18.6**	**18.7**	**18.9**	*17.1*	*17.6*
Slovenia	25.3	26.5	21.6	23.1	23.3	26.3	26.9	**27.3**	**27.7**	**28.0**	*29.5*	*29.7*
Slovakia	23.0	22.2	22.7	23.7	21.1	21.2	21.8	**21.7**	**21.3**	**21.5**	*23.0*	*23.1*
Finland	29.9	27.8	21.8	20.9	21.3	23.1	23.9	**24.3**	**24.0**	**23.9**	*22.8*	*23.0*
Euro area	23.0	23.0	22.4	23.9	24.4	25.0	25.3	**25.3**	**25.4**	**25.5**	*25.1*	*25.2*
Bulgaria	15.5	14.9	22.2	21.6	24.0	25.5	25.8	**25.2**	**25.1**	**25.0**	*22.8*	*22.9*
Czechia	26.1	25.8	23.3	26.4	26.1	26.2	25.9	**25.7**	**25.7**	**25.7**	*25.7*	*25.4*
Denmark	24.5	26.0	26.5	28.9	29.4	29.6	29.0	**29.6**	**29.3**	**29.3**	*28.9*	*28.9*
Croatia	21.1	22.3	20.1	24.6	23.3	25.0	24.3	**24.0**	**23.9**	**24.4**	*24.6*	*24.4*
Hungary	18.0	17.6	22.4	25.6	26.0	25.1	26.9	**27.9**	**28.2**	**28.2**	*27.7*	*27.4*
Poland	16.9	17.6	17.9	20.6	19.6	20.0	20.3	**20.7**	**20.5**	**20.6**	*19.8*	*19.4*
Romania	16.9	18.6	23.2	24.0	21.3	20.1	19.8	**19.3**	**18.9**	**18.7**	*18.8*	*18.7*
Sweden	27.2	30.1	28.2	27.8	27.8	29.0	29.3	**29.8**	**29.6**	**29.7**	*29.9*	*30.0*
EU27	22.9	23.1	22.5	24.0	24.5	25.0	25.3	**25.3**	**25.3**	**25.4**	*25.1*	*25.2*
United Kingdom	16.0	14.3	12.6	12.5	12.2	14.0	13.4	**13.6**	**13.4**	**13.2**	*13.1*	*13.1*
EU	21.7	21.6	21.0	22.0	22.5	23.3	23.5	**23.5**	**23.5**	**23.5**	*23.3*	*23.3*
Japan	28.3	27.5	24.4	27.1	27.4	28.2	27.9	**28.1**	**28.1**	**28.0**	*28.3*	*28.5*
United States	18.8	16.8	18.0	20.2	18.6	18.6	18.4	**18.4**	**18.2**	**17.9**	*18.5*	*18.4*

Table 44: Gross saving, private sector (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	24.9	26.0	24.6	24.6	24.6	23.6	22.6	**23.7**	**24.2**	**24.4**	*24.4*	*24.5*
Germany	22.6	24.6	24.7	25.0	24.9	24.6	24.4	**24.4**	**25.1**	**25.4**	*24.2*	*24.4*
Estonia	17.3	18.8	22.0	21.7	21.3	23.7	25.0	**24.9**	**25.1**	**25.3**	*23.6*	*24.1*
Ireland	19.3	20.0	23.1	29.3	33.4	32.6	32.3	**30.9**	**32.1**	**33.1**	*32.2*	*31.8*
Greece	17.0	15.4	12.2	10.3	7.8	8.7	8.6	**10.5**	**11.6**	**12.3**	*10.5*	*12.2*
Spain	19.0	17.8	23.3	24.0	24.3	23.2	22.8	**23.6**	**23.8**	**23.9**	*23.3*	*23.5*
France	21.4	21.7	21.5	21.5	21.4	21.0	21.1	**22.2**	**21.5**	**21.5**	*22.2*	*21.4*
Italy	20.1	18.6	17.8	17.6	19.7	19.6	19.9	**19.6**	**19.7**	**20.2**	*19.9*	*20.6*
Cyprus	14.2	5.3	13.1	10.1	9.7	10.3	9.3	**7.6**	**7.1**	**7.7**	*7.7*	*7.6*
Latvia	18.5	21.0	21.2	19.9	19.3	19.2	18.8	**19.0**	**18.4**	**17.8**	*20.3*	*19.9*
Lithuania	12.9	14.7	21.0	16.5	15.1	16.2	16.8	**18.5**	**18.7**	**19.1**	*16.0*	*15.9*
Luxembourg	19.6	16.8	14.4	13.8	12.7	11.6	10.0	**14.6**	**15.2**	**15.0**	*16.1*	*16.2*
Malta	17.6	15.9	19.6	26.4	24.2	24.0	23.9	**24.8**	**25.4**	**25.5**	*24.8*	*25.7*
Netherlands	24.1	24.2	27.7	27.2	24.9	26.9	27.0	**26.0**	**26.3**	**26.1**	*26.2*	*26.4*
Austria	23.0	25.2	24.2	22.6	25.0	23.7	23.9	**23.9**	**23.9**	**23.9**	*24.3*	*24.4*
Portugal	17.7	14.3	17.5	16.8	17.0	17.2	16.0	**16.3**	**16.3**	**16.1**	*14.8*	*15.1*
Slovenia	23.2	23.5	21.9	21.9	22.1	23.1	22.6	**23.4**	**23.7**	**23.8**	*24.9*	*24.9*
Slovakia	22.6	21.8	24.1	21.5	20.1	18.8	19.4	**19.8**	**20.1**	**20.5**	*20.4*	*20.7*
Finland	22.1	21.6	20.1	19.7	19.0	20.0	20.7	**21.4**	**21.3**	**21.3**	*19.3*	*19.2*
Euro area	21.4	21.5	22.3	22.5	22.8	22.6	22.5	**22.8**	**23.0**	**23.2**	*22.8*	*22.9*
Bulgaria	11.4	10.1	21.0	20.1	20.4	22.0	20.9	**20.3**	**20.5**	**20.2**	*19.0*	*18.7*
Czechia	22.8	22.2	21.6	23.0	22.0	21.2	20.8	**21.4**	**21.6**	**21.6**	*21.3*	*21.6*
Denmark	20.9	20.0	23.8	25.2	25.0	24.4	24.3	**23.8**	**25.2**	**25.6**	*24.7*	*24.7*
Croatia	:	18.5	20.8	23.4	19.8	20.6	19.2	**18.7**	**19.1**	**19.6**	*19.9*	*19.6*
Hungary	17.7	18.9	22.3	22.2	22.7	21.8	22.7	**23.1**	**23.1**	**23.1**	*22.8*	*22.6*
Poland	18.4	17.2	18.5	19.4	18.7	17.7	16.6	**17.8**	**17.3**	**17.6**	*17.3*	*17.2*
Romania	14.8	16.7	22.2	21.0	20.1	20.6	19.6	**19.6**	**20.0**	**21.4**	*19.3*	*20.0*
Sweden	22.7	24.2	24.7	23.6	22.4	23.1	23.5	**24.6**	**24.5**	**24.6**	*24.6*	*24.7*
EU27	:	21.3	22.3	22.5	22.6	22.4	22.3	**22.6**	**22.8**	**23.0**	*22.6*	*22.7*
United Kingdom	14.9	15.6	16.3	13.7	12.3	13.1	12.2	**12.1**	**12.0**	**11.7**	*11.4*	*11.1*
EU	:	20.4	21.4	20.9	20.9	21.0	20.7	**21.0**	**21.1**	**21.3**	*20.9*	*20.9*
Japan	28.9	28.1	27.8	27.3	27.7	27.5	27.4	**27.4**	**27.0**	**26.6**	*27.7*	*27.6*
United States	19.0	19.1	23.0	21.8	20.9	21.0	21.9	**21.7**	**21.5**	**21.4**	*21.7*	*21.6*

Table 45: Saving rate of households (2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	17.3	17.4	14.4	12.4	12.2	12.0	11.8	**12.4**	**12.4**	**12.3**	*12.6*	*12.5*
Germany	16.3	17.2	17.0	17.5	17.6	17.9	18.5	**19.3**	**19.6**	**19.7**	*18.6*	*18.5*
Estonia	1.3	2.9	9.9	10.9	10.5	11.6	13.0	**13.4**	**13.4**	**13.9**	*11.0*	*11.7*
Ireland	6.2	9.5	9.8	8.5	8.2	10.8	9.0	**9.4**	**9.2**	**9.2**	*11.8*	*11.6*
Greece	7.1	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Spain	10.0	8.1	8.1	7.2	7.1	5.5	5.9	**7.8**	**8.6**	**8.9**	*5.5*	*5.8*
France	14.1	14.5	14.9	13.7	13.6	13.6	13.8	**14.6**	**14.4**	**14.1**	*14.1*	*13.8*
Italy	14.4	14.0	10.7	10.5	10.6	10.1	9.9	**10.1**	**10.2**	**10.2**	*10.0*	*9.9*
Cyprus	2.6	7.0	1.5	-1.5	1.3	3.7	2.4	**3.8**	**4.5**	**6.4**	*-8.0*	*-8.0*
Latvia	0.5	5.0	-2.0	1.1	4.5	4.4	6.3	**6.6**	**7.2**	**7.2**	*6.3*	*7.3*
Lithuania	4.9	1.9	3.8	0.5	2.9	0.3	-1.2	**-0.6**	**-2.0**	**-1.7**	*-0.5*	*-0.9*
Luxembourg	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Malta	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Netherlands	10.8	10.7	14.8	15.9	16.6	15.3	15.1	**15.1**	**15.3**	**15.3**	*15.0*	*14.9*
Austria	14.8	16.7	13.5	12.3	13.1	12.8	13.1	**13.2**	**13.1**	**12.9**	*12.1*	*12.2*
Portugal	12.4	8.8	8.8	6.9	7.0	6.6	6.5	**6.6**	**6.7**	**6.7**	*4.6*	*4.8*
Slovenia	14.0	15.5	10.4	11.1	11.5	12.4	12.6	**13.7**	**14.2**	**14.0**	*15.3*	*14.4*
Slovakia	8.2	6.8	7.4	8.7	8.6	8.2	8.4	**9.9**	**10.3**	**9.8**	*7.6*	*7.2*
Finland	8.8	7.6	8.2	7.0	6.3	6.7	6.8	**8.7**	**9.0**	**9.6**	*10.7*	*12.0*
Euro area	13.4	13.0	12.6	12.2	12.1	11.7	11.9	**12.7**	**12.9**	**12.9**	*12.5*	*12.5*
Bulgaria	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Czechia	11.0	12.1	11.5	12.0	11.6	9.5	10.8	**11.4**	**11.7**	**11.9**	*10.9*	*10.6*
Denmark	6.9	5.3	7.2	10.0	10.5	11.8	12.1	**12.2**	**12.4**	**12.6**	*12.7*	*12.5*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Hungary	9.2	10.7	11.6	12.2	11.9	11.4	11.6	**12.3**	**12.2**	**12.1**	*13.1*	*12.9*
Poland	11.0	4.9	2.6	2.3	4.2	2.9	2.6	**4.0**	**4.0**	**3.9**	*1.7*	*2.0*
Romania	-5.2	-12.5	-9.0	-10.8	-9.3	-7.3	-2.3	**-2.8**	**-2.0**	**-0.4**	*-3.1*	*-0.4*
Sweden	7.5	10.3	14.9	14.8	16.5	16.0	18.0	**19.1**	**19.1**	**19.6**	*20.5*	*20.5*
EU27	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
United Kingdom	8.3	9.2	10.0	9.9	7.2	5.3	6.1	**6.6**	**6.7**	**6.6**	*4.2*	*4.1*
EU	12.0	11.4	11.3	10.8	10.6	9.4	10.0	**10.6**	**10.7**	**10.7**	*10.1*	*10.0*
Japan	12.6	10.2	8.9	7.9	9.3	9.0	8.9	**8.7**	**8.5**	**7.9**	*9.6*	*10.2*
United States	10.6	10.3	12.7	13.1	12.2	12.3	12.4	**12.4**	**12.2**	**11.9**	*12.6*	*12.6*

Table 46: Gross saving, general government (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	2.5	1.5	-0.1	0.4	0.2	1.7	1.9	**0.9**	**0.4**	**0.1**	*1.1*	*0.9*
Germany	0.3	1.5	2.3	3.6	4.0	4.4	5.0	**4.4**	**3.9**	**3.6**	*4.1*	*4.0*
Estonia	5.8	5.8	4.4	4.9	4.3	4.6	4.2	**4.5**	**4.4**	**4.3**	*4.6*	*4.3*
Ireland	4.9	1.3	-4.7	0.9	1.3	1.7	2.2	**2.7**	**2.9**	**3.1**	*2.5*	*2.8*
Greece	-0.6	-4.9	-4.5	-0.3	2.5	2.9	3.5	**2.7**	**2.5**	**3.0**	*2.5*	*2.1*
Spain	3.8	2.9	-4.6	-3.0	-2.4	-1.1	-0.5	**-0.4**	**-0.3**	**-0.1**	*-0.1*	*0.1*
France	1.7	1.1	0.0	0.7	0.7	1.8	1.7	**1.1**	**2.0**	**2.0**	*1.0*	*2.0*
Italy	0.6	1.0	0.0	1.0	0.4	1.0	0.9	**0.9**	**0.8**	**0.4**	*0.4*	*-0.3*
Cyprus	0.2	2.7	-0.5	2.5	3.1	4.5	5.4	**5.5**	**4.7**	**4.5**	*4.7*	*4.6*
Latvia	1.6	1.6	0.6	1.8	2.9	3.7	4.0	**4.0**	**3.4**	**3.2**	*3.5*	*3.3*
Lithuania	1.7	1.2	-1.2	2.3	3.0	3.5	3.3	**2.8**	**3.0**	**2.9**	*2.6*	*2.6*
Luxembourg	7.8	6.9	5.4	5.8	6.5	6.1	7.5	**7.5**	**6.9**	**6.7**	*6.6*	*6.4*
Malta	-1.9	-0.9	-0.6	1.3	3.5	5.7	5.0	**4.5**	**4.7**	**4.9**	*4.6*	*4.3*
Netherlands	3.0	3.0	0.5	1.6	3.6	4.5	4.8	**4.9**	**4.0**	**4.0**	*5.2*	*4.5*
Austria	2.4	1.7	1.6	3.1	2.0	3.0	3.7	**3.9**	**3.8**	**3.9**	*3.8*	*3.8*
Portugal	-0.6	-1.9	-3.7	-0.9	-0.5	1.0	2.2	**2.3**	**2.5**	**2.7**	*2.3*	*2.5*
Slovenia	2.1	3.0	-0.3	1.2	1.3	3.2	4.3	**3.9**	**4.0**	**4.2**	*4.6*	*4.9*
Slovakia	0.4	0.4	-1.3	2.1	1.0	2.3	2.4	**2.0**	**1.2**	**1.0**	*2.6*	*2.4*
Finland	7.7	6.2	1.7	1.2	2.4	3.1	3.2	**2.9**	**2.8**	**2.6**	*3.6*	*3.8*
Euro area	1.6	1.5	0.0	1.4	1.6	2.4	2.8	**2.4**	**2.4**	**2.2**	*2.3*	*2.4*
Bulgaria	4.1	4.8	1.2	1.5	3.6	3.4	4.9	**5.0**	**4.7**	**4.9**	*3.9*	*4.2*
Czechia	3.3	3.5	1.7	3.4	4.1	5.0	5.2	**4.3**	**4.1**	**4.1**	*4.3*	*3.9*
Denmark	3.7	6.0	2.7	3.6	4.3	5.1	4.7	**5.8**	**4.2**	**3.7**	*4.2*	*4.2*
Croatia	:	3.8	-0.6	1.1	3.5	4.4	5.1	**5.3**	**4.8**	**4.8**	*4.7*	*4.7*
Hungary	0.3	-1.3	0.1	3.5	3.3	3.3	4.2	**4.8**	**5.1**	**5.1**	*4.9*	*4.9*
Poland	-1.5	0.4	-0.6	1.2	0.8	2.4	3.7	**2.8**	**3.1**	**3.0**	*2.5*	*2.2*
Romania	2.1	1.9	0.9	3.0	1.2	-0.6	0.1	**-0.3**	**-1.1**	**-2.8**	*-0.4*	*-1.3*
Sweden	4.5	5.9	3.5	4.2	5.4	5.9	5.8	**5.2**	**5.1**	**5.1**	*5.3*	*5.3*
EU27	:	1.7	0.3	1.6	1.8	2.6	3.0	**2.6**	**2.5**	**2.4**	*2.5*	*2.5*
United Kingdom	1.2	-1.3	-3.7	-1.2	-0.1	1.0	1.3	**1.5**	**1.4**	**1.5**	*1.7*	*2.0*
EU	:	1.2	-0.3	1.1	1.5	2.4	2.7	**2.5**	**2.4**	**2.3**	*2.4*	*2.4*
Japan	-0.6	-0.6	-3.5	-0.2	-0.3	0.6	0.5	**0.7**	**1.1**	**1.4**	*0.6*	*0.9*
United States	-0.2	-2.3	-5.0	-1.6	-2.3	-2.4	-3.5	**-3.3**	**-3.4**	**-3.5**	*-3.2*	*-3.2*

Table 47: Exports of goods and services, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	4.7	1.2	4.0	3.7	6.5	5.3	1.2	**0.6**	**1.2**	**1.5**	*3.0*	*3.1*
Germany	7.3	2.7	6.2	5.5	2.4	4.9	2.1	**0.8**	**1.6**	**1.9**	*1.1*	*2.6*
Estonia	5.6	3.5	11.3	-1.5	5.1	3.8	4.3	**2.6**	**1.9**	**2.7**	*3.4*	*3.4*
Ireland	9.0	4.2	5.0	39.3	4.1	9.2	10.4	**11.4**	**4.1**	**4.1**	*4.5*	*4.1*
Greece	5.9	0.3	3.0	3.1	-1.8	6.8	8.7	**4.3**	**3.4**	**3.0**	*4.7*	*4.2*
Spain	4.7	0.3	5.4	4.3	5.4	5.6	2.2	**2.0**	**2.3**	**2.4**	*2.3*	*2.9*
France	4.4	0.3	4.6	4.6	1.8	3.9	3.5	**2.2**	**2.2**	**2.5**	*2.8*	*2.9*
Italy	3.2	-1.1	4.4	4.3	1.9	6.0	1.8	**1.9**	**2.0**	**2.5**	*1.9*	*3.1*
Cyprus	1.4	1.0	3.9	9.9	7.2	8.7	4.6	**-2.5**	**-1.3**	**0.7**	*0.8*	*0.8*
Latvia	9.2	6.1	8.5	2.9	4.0	6.4	4.0	**2.7**	**1.8**	**2.3**	*2.2*	*2.4*
Lithuania	14.1	6.8	9.2	2.4	4.9	13.6	6.3	**6.8**	**3.6**	**3.0**	*3.6*	*3.6*
Luxembourg	7.4	3.8	7.6	4.7	2.6	0.7	0.5	**1.7**	**1.7**	**2.3**	*1.8*	*2.4*
Malta	1.0	10.1	4.0	15.5	4.5	4.8	2.6	**1.7**	**1.8**	**1.8**	*2.4*	*2.8*
Netherlands	4.8	2.1	5.0	7.4	1.7	6.5	3.7	**2.0**	**1.7**	**1.7**	*1.6*	*2.9*
Austria	6.5	1.5	4.7	3.0	3.1	5.0	5.9	**2.3**	**2.3**	**2.3**	*2.8*	*3.2*
Portugal	4.5	1.5	6.1	6.3	4.4	8.4	3.8	**2.7**	**2.7**	**2.8**	*3.2*	*3.5*
Slovenia	8.7	4.7	5.3	4.7	6.5	10.8	6.6	**7.9**	**4.9**	**4.6**	*5.4*	*5.6*
Slovakia	13.4	6.4	9.3	6.6	5.0	3.5	5.4	**1.2**	**3.8**	**4.5**	*6.1*	*5.5*
Finland	5.8	1.7	1.4	0.6	3.7	8.8	2.2	**1.9**	**2.2**	**2.4**	*3.2*	*3.4*
Euro area	5.6	1.6	5.3	6.6	2.9	5.5	3.3	**2.4**	**2.1**	**2.3**	*2.3*	*3.0*
Bulgaria	3.9	4.9	7.6	6.4	8.6	5.8	1.7	**-0.2**	**3.2**	**3.2**	*3.3*	*2.9*
Czechia	12.4	7.1	7.3	6.0	4.3	6.7	4.4	**2.1**	**1.9**	**2.2**	*3.3*	*3.1*
Denmark	4.3	3.1	3.2	3.6	3.9	3.6	0.4	**3.9**	**1.8**	**2.0**	*2.5*	*2.3*
Croatia	9.9	-0.2	3.5	9.4	5.6	6.4	2.8	**3.2**	**2.7**	**2.6**	*3.2*	*3.3*
Hungary	12.5	8.3	5.7	7.4	3.8	6.9	4.3	**5.1**	**4.0**	**4.6**	*4.6*	*4.8*
Poland	9.8	7.1	7.6	7.7	8.8	9.5	7.0	**4.8**	**4.4**	**4.7**	*5.2*	*4.7*
Romania	6.2	9.6	11.2	4.6	16.0	7.6	5.4	**3.8**	**3.7**	**3.6**	*4.4*	*3.6*
Sweden	5.9	1.1	4.3	6.3	2.8	4.3	3.1	**4.2**	**2.3**	**2.3**	*3.1*	*2.9*
EU27	5.8	2.0	5.4	6.6	3.4	5.7	3.4	**2.6**	**2.3**	**2.5**	*2.5*	*3.1*
United Kingdom	3.7	2.1	3.1	3.8	2.7	6.1	-0.9	**1.3**	**2.3**	**2.1**	*2.3*	*2.5*
EU	5.6	2.0	5.1	6.3	3.3	5.7	3.0	**2.5**	**2.3**	**2.4**	*2.5*	*3.1*
Japan	7.2	0.0	6.5	2.9	1.7	6.8	3.4	**-1.5**	**0.6**	**0.8**	*1.7*	*2.1*
United States	2.4	4.3	6.0	0.5	0.0	3.5	3.0	**0.3**	**1.5**	**1.6**	*2.8*	*2.4*

Table 48: Imports of goods and services, volume (percentage change on preceding year, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	4.1	1.8	3.9	3.9	7.5	4.4	2.1	**0.6**	**1.6**	**1.9**	*2.9*	*3.3*
Germany	4.4	2.9	5.3	5.8	4.3	5.2	3.6	**2.5**	**2.7**	**2.8**	*2.9*	*3.3*
Estonia	9.8	0.7	12.3	-1.9	6.0	4.2	5.7	**3.4**	**2.1**	**2.7**	*3.9*	*3.8*
Ireland	7.6	5.2	3.4	33.2	18.4	1.1	-2.9	**22.3**	**4.2**	**4.1**	*4.6*	*4.3*
Greece	5.6	1.3	-3.5	0.4	0.3	7.1	4.2	**5.1**	**4.0**	**3.0**	*5.7*	*4.1*
Spain	6.5	-0.7	1.2	5.1	2.6	6.6	3.3	**0.5**	**2.0**	**2.4**	*2.7*	*3.0*
France	5.2	1.7	4.4	5.9	2.9	3.9	1.2	**2.1**	**2.4**	**2.5**	*2.5*	*3.0*
Italy	3.8	-0.4	0.8	6.5	3.9	6.2	3.0	**0.7**	**2.2**	**2.6**	*2.2*	*3.3*
Cyprus	3.0	2.3	1.3	8.1	9.0	12.8	2.4	**2.6**	**2.5**	**2.5**	*3.5*	*3.0*
Latvia	10.5	0.3	8.4	1.7	3.8	8.4	6.4	**4.2**	**2.2**	**2.8**	*2.0*	*2.3*
Lithuania	14.2	4.2	7.8	9.4	4.0	11.5	6.0	**7.1**	**4.6**	**3.4**	*4.5*	*4.3*
Luxembourg	7.4	3.7	9.2	3.4	1.6	0.6	-0.3	**1.9**	**1.7**	**2.2**	*1.8*	*2.4*
Malta	1.0	10.2	2.4	18.1	1.6	-0.4	2.6	**2.6**	**2.1**	**1.8**	*3.2*	*3.0*
Netherlands	4.4	2.3	4.0	14.5	-2.0	6.2	3.3	**2.9**	**2.5**	**2.3**	*1.9*	*3.4*
Austria	5.4	1.0	4.4	3.6	3.7	5.0	4.6	**2.6**	**2.3**	**2.0**	*2.9*	*2.8*
Portugal	2.6	1.4	1.4	8.0	5.0	8.1	5.8	**4.6**	**3.9**	**4.0**	*4.9*	*4.6*
Slovenia	7.2	3.7	2.9	4.3	6.7	10.7	7.7	**9.2**	**5.8**	**5.5**	*6.2*	*7.2*
Slovakia	12.1	4.9	7.2	8.5	4.8	3.9	5.0	**1.6**	**3.8**	**4.1**	*5.2*	*5.0*
Finland	6.5	2.7	2.5	1.8	5.8	4.1	5.0	**1.8**	**2.5**	**3.0**	*2.2*	*3.2*
Euro area	4.9	1.8	3.8	7.6	4.1	5.0	2.7	**3.2**	**2.6**	**2.7**	*2.8*	*3.3*
Bulgaria	9.5	6.0	4.8	4.8	5.2	7.4	5.7	**0.5**	**3.8**	**3.7**	*5.0*	*3.3*
Czechia	12.8	5.4	6.7	6.8	2.8	5.9	5.9	**2.0**	**1.6**	**2.3**	*4.2*	*3.5*
Denmark	5.6	4.4	3.2	4.6	4.2	3.6	3.3	**1.4**	**2.6**	**1.9**	*2.2*	*2.5*
Croatia	10.7	0.0	0.6	9.2	6.2	8.1	5.5	**6.3**	**5.3**	**4.6**	*5.3*	*5.0*
Hungary	12.7	5.2	5.1	6.0	3.4	8.2	6.8	**6.2**	**4.0**	**4.5**	*6.8*	*5.1*
Poland	5.9	6.9	6.2	6.6	7.6	9.8	7.6	**5.9**	**5.6**	**5.4**	*5.7*	*5.3*
Romania	13.2	13.5	7.6	8.0	16.5	10.8	9.1	**7.3**	**5.6**	**5.1**	*6.9*	*4.9*
Sweden	3.8	2.0	5.0	5.7	3.8	4.8	3.6	**1.6**	**0.7**	**0.8**	*1.9*	*2.2*
EU27	5.2	2.3	4.0	7.4	4.4	5.3	3.2	**3.3**	**2.7**	**2.8**	*3.1*	*3.4*
United Kingdom	5.8	0.6	3.7	5.4	4.4	3.5	0.7	**2.8**	**3.1**	**2.7**	*2.9*	*2.5*
EU	5.3	2.1	4.0	7.2	4.4	5.1	2.9	**3.3**	**2.8**	**2.8**	*3.1*	*3.3*
Japan	4.4	-0.7	6.8	0.8	-1.6	3.4	3.4	**-0.8**	**0.3**	**0.5**	*1.7*	*1.6*
United States	5.9	-0.2	5.5	5.3	2.0	4.7	4.4	**2.2**	**2.0**	**1.8**	*3.1*	*2.9*

Table 49: Merchandise trade balance¹ (fob-fob, as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	3.5	1.2	-0.9	0.4	0.4	0.7	-0.2	**-0.1**	**0.0**	**0.0**	*-0.1*	*-0.2*
Germany	5.4	6.9	6.9	8.2	8.1	7.8	6.8	**6.4**	**6.2**	**5.9**	*6.6*	*6.5*
Estonia	-17.0	-12.9	-4.3	-4.2	-3.5	-3.5	-3.8	**-4.2**	**-4.0**	**-4.0**	*-4.1*	*-4.3*
Ireland	24.8	17.7	22.0	43.1	39.0	36.7	34.9	**34.1**	**32.7**	**31.5**	*33.2*	*32.6*
Greece	-15.7	-16.5	-11.5	-9.1	-9.3	-10.3	-9.9	**-10.7**	**-11.2**	**-11.1**	*-10.5*	*-10.5*
Spain	-5.8	-7.4	-2.9	-1.9	-1.3	-1.9	-2.4	**-1.9**	**-1.7**	**-1.7**	*-2.5*	*-2.5*
France	0.3	-1.5	-2.3	-1.1	-1.1	-1.6	-1.7	**-1.5**	**-1.5**	**-1.5**	*-1.8*	*-1.9*
Italy	0.9	-0.1	0.9	3.3	3.5	3.3	2.7	**3.0**	**3.1**	**3.1**	*2.6*	*2.6*
Cyprus	-24.7	-25.7	-20.3	-18.2	-22.1	-25.0	-22.1	**-24.7**	**-25.6**	**-26.3**	*-22.4*	*-23.1*
Latvia	-18.6	-18.9	-11.0	-9.2	-7.5	-8.3	-8.1	**-8.6**	**-8.5**	**-8.8**	*-8.6*	*-8.6*
Lithuania	-10.5	-11.5	-4.2	-5.7	-4.9	-4.9	-6.1	**-6.5**	**-6.9**	**-7.2**	*-6.5*	*-7.0*
Luxembourg	-9.2	-5.5	-0.5	-1.4	-1.1	-2.0	-2.0	**-2.1**	**-2.1**	**-1.9**	*1.3*	*1.6*
Malta	-13.3	-18.2	-15.3	-19.5	-18.3	-12.6	-12.0	**-11.9**	**-11.7**	**-11.3**	*-11.6*	*-11.7*
Netherlands	7.1	8.3	9.0	9.5	9.3	9.7	9.6	**8.3**	**7.8**	**7.3**	*8.1*	*7.9*
Austria	-0.3	0.3	-0.4	0.7	0.7	0.4	1.0	**1.0**	**1.1**	**1.4**	*0.7*	*0.9*
Portugal	-11.5	-11.7	-7.2	-5.6	-5.5	-7.0	-7.9	**-8.7**	**-9.3**	**-9.9**	*-7.0*	*-7.5*
Slovenia	-3.6	-3.5	0.0	3.8	3.8	3.7	2.5	**1.8**	**1.0**	**0.1**	*1.8*	*0.8*
Slovakia	-6.8	-2.2	2.8	2.6	2.3	1.1	1.1	**0.3**	**0.2**	**0.6**	*2.0*	*2.6*
Finland	10.6	7.0	1.6	0.9	0.0	0.7	0.3	**0.4**	**0.3**	**0.2**	*0.5*	*0.7*
Euro area	1.7	0.9	1.8	3.9	3.8	3.5	3.0	**2.9**	**2.8**	**2.7**	*2.8*	*2.8*
Euro area, adjusted²	0.7	0.2	1.2	3.2	3.3	3.1	2.5	**2.5**	**2.4**	**2.3**	*2.1*	*2.1*
Bulgaria	-17.0	-21.9	-7.8	-5.8	-2.1	-1.5	-3.3	**-2.9**	**-2.9**	**-2.9**	*-5.3*	*-5.3*
Czechia	-6.1	0.7	3.1	4.1	5.4	5.0	4.2	**4.0**	**4.1**	**4.0**	*3.1*	*2.8*
Denmark	4.8	2.3	4.6	4.7	5.9	5.6	4.8	**6.3**	**6.0**	**6.1**	*5.3*	*5.3*
Croatia	:	-20.6	-14.3	-15.6	-15.7	-16.6	-17.6	**-18.7**	**-19.3**	**-19.8**	*-18.5*	*-19.2*
Hungary	-6.0	-0.8	2.7	3.6	3.4	1.5	-1.3	**-1.9**	**-1.5**	**-1.3**	*-2.9*	*-3.1*
Poland	-4.2	-3.7	-1.9	0.5	0.7	0.3	-1.0	**-1.2**	**-1.6**	**-1.7**	*-2.0*	*-2.8*
Romania	-12.3	-13.9	-6.0	-4.9	-5.5	-6.5	-7.3	**-8.2**	**-8.9**	**-9.6**	*-8.0*	*-8.4*
Sweden	7.2	6.1	4.2	3.1	2.8	2.7	2.4	**3.7**	**4.0**	**4.3**	*2.6*	*3.0*
United Kingdom	-4.1	-5.4	-6.2	-6.1	-6.7	-6.6	-6.7	**-6.2**	**-5.9**	**-5.9**	*-6.7*	*-6.6*
EU	0.5	-0.3	0.5	1.8	1.9	1.7	1.2	**1.2**	**1.2**	**1.0**	*0.9*	*0.9*
EU, adjusted²	-0.4	-1.1	-0.3	1.0	1.1	0.9	0.5	**0.6**	**0.5**	**0.4**	*0.1*	*0.1*
Japan	2.3	1.8	-0.6	-0.2	1.0	0.9	0.2	**0.2**	**0.3**	**0.3**	*0.2*	*0.3*
United States	-4.7	-5.5	-4.6	-4.4	-4.2	-4.3	-4.4	**-4.3**	**-4.4**	**-4.4**	*-4.4*	*-4.5*

¹ See note 7 on concepts and sources.

² See note 8 on concepts and sources.

Table 50: Current-account balance¹ (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			*Spring 2019 forecast*	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	5.2	3.4	1.1	1.4	0.6	1.2	-1.0	**-0.8**	**-0.9**	**-1.0**	*0.2*	*0.0*
Germany	1.2	5.8	6.7	8.6	8.6	8.3	7.6	**7.0**	**6.8**	**6.4**	*6.8*	*6.5*
Estonia	-9.7	-8.9	0.4	1.8	1.6	2.7	2.0	**1.4**	**1.6**	**1.6**	*1.4*	*1.4*
Ireland	0.3	-5.3	-0.7	4.4	-4.2	0.5	10.6	**0.8**	**1.3**	**1.7**	*8.5*	*7.9*
Greece	-9.3	-13.1	-6.0	-0.2	-1.1	-1.0	-1.1	**-0.8**	**-1.1**	**-0.9**	*-1.0*	*-0.8*
Spain	-4.4	-7.7	-0.5	2.0	3.2	2.7	1.9	**2.4**	**2.5**	**2.6**	*0.9*	*0.9*
France	1.4	-0.3	-1.1	-0.5	-0.6	-0.6	-0.6	**-0.4**	**-0.6**	**-0.6**	*-0.6*	*-0.6*
Italy	-0.4	-1.7	-0.7	1.4	2.6	2.7	2.6	**2.9**	**2.9**	**2.9**	*2.5*	*2.5*
Cyprus	-5.7	-16.7	-4.5	-0.5	-4.2	-5.1	-4.4	**-8.1**	**-10.6**	**-11.1**	*-8.0*	*-9.4*
Latvia	-8.5	-12.0	-1.9	-0.9	1.4	1.0	-0.7	**-0.8**	**-1.4**	**-1.8**	*-0.2*	*-0.2*
Lithuania	-6.0	-8.6	0.0	-2.4	-1.1	0.5	0.3	**1.2**	**1.5**	**1.8**	*-0.1*	*-0.4*
Luxembourg	6.5	4.6	0.7	0.3	0.2	-0.9	0.0	**4.4**	**4.4**	**4.4**	*4.6*	*4.7*
Malta	-4.1	-6.2	-0.5	2.8	3.8	10.5	9.8	**9.0**	**8.5**	**8.2**	*9.8*	*9.5*
Netherlands	5.6	5.6	9.1	6.3	8.1	10.8	11.2	**9.8**	**9.0**	**8.6**	*10.1*	*9.5*
Austria	0.8	2.9	2.3	1.9	2.9	1.7	2.4	**2.2**	**2.1**	**2.2**	*2.4*	*2.6*
Portugal	-8.9	-10.3	-3.3	0.0	0.6	1.0	0.1	**-0.4**	**-0.7**	**-1.0**	*-1.0*	*-1.1*
Slovenia	-2.0	-3.1	1.2	3.9	4.9	6.3	5.8	**5.8**	**5.5**	**5.1**	*6.7*	*6.1*
Slovakia	-5.1	-4.8	0.2	-0.6	-2.0	-1.8	-1.6	**-2.4**	**-2.6**	**-2.3**	*-0.5*	*-0.1*
Finland	6.9	3.2	-1.1	-0.8	-1.9	-0.8	-1.4	**-1.3**	**-1.5**	**-1.7**	*-1.5*	*-1.4*
Euro area	0.4	0.2	1.9	3.4	3.6	3.8	3.8	**3.3**	**3.2**	**3.1**	*3.3*	*3.2*
Euro area, adjusted²	-0.1	-0.5	0.9	2.6	3.2	3.1	3.1	**2.7**	**2.6**	**2.5**	*2.6*	*2.5*
Bulgaria	-5.0	-16.5	0.4	0.6	5.3	6.1	4.6	**5.5**	**5.5**	**5.4**	*1.6*	*1.5*
Czechia	-4.1	-4.0	-2.8	-1.5	0.1	0.3	-0.2	**0.0**	**0.5**	**0.7**	*-0.5*	*-0.6*
Denmark	2.9	3.1	7.2	8.2	7.9	8.0	5.7	**7.1**	**6.7**	**6.7**	*6.3*	*6.3*
Croatia	-3.7	-6.5	0.4	4.6	2.5	4.1	2.9	**1.6**	**0.7**	**0.3**	*2.6*	*1.9*
Hungary	-8.3	-6.4	1.4	2.3	4.7	2.3	-0.3	**-1.2**	**-0.8**	**-0.7**	*-1.2*	*-1.4*
Poland	-3.6	-4.8	-2.9	0.2	0.0	0.2	-0.4	**-0.4**	**-0.4**	**-0.1**	*-1.0*	*-1.4*
Romania	-5.5	-9.8	-3.3	-1.1	-2.0	-3.4	-4.4	**-5.1**	**-5.3**	**-5.4**	*-5.2*	*-5.3*
Sweden	4.5	6.6	4.9	3.4	3.1	3.3	2.4	**3.6**	**4.1**	**4.5**	*4.1*	*4.6*
United Kingdom	-2.1	-3.1	-3.6	-4.9	-5.2	-3.5	-4.3	**-4.3**	**-4.2**	**-4.2**	*-3.7*	*-3.4*
EU	-0.1	-0.5	1.0	1.8	2.0	2.5	2.2	**1.9**	**1.8**	**1.8**	*2.0*	*1.9*
EU, adjusted²	-0.8	-1.2	0.3	0.9	1.4	1.3	1.3	**1.1**	**1.0**	**1.0**	*1.0*	*0.9*
Japan	2.8	3.6	1.7	3.1	4.0	4.2	3.5	**3.5**	**3.5**	**3.3**	*3.6*	*3.6*
United States	-4.3	-4.7	-2.5	-2.2	-2.3	-2.3	-2.4	**-2.5**	**-2.5**	**-2.5**	*-2.5*	*-2.6*

¹ See note 7 on concepts and sources.

² See note 8 on concepts and sources.

Table 51: Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2000-2021) 24.10.2019

	5-year averages							Autumn 2019 forecast			Spring 2019 forecast	
	2000-04	2005-09	2010-14	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	5.1	3.3	1.2	1.4	0.7	1.3	-1.0	**-0.8**	**-0.9**	**-0.9**	*0.2*	*0.0*
Germany	1.1	5.7	6.6	8.5	8.6	8.0	7.5	**6.9**	**6.7**	**6.3**	*6.6*	*6.3*
Estonia	-9.2	-7.2	3.3	3.8	2.6	3.6	3.4	**2.7**	**2.9**	**3.0**	*2.6*	*2.7*
Ireland	0.8	-5.2	-1.5	3.9	-5.8	-8.2	-5.8	**-14.6**	**-13.4**	**-12.2**	*1.9*	*1.6*
Greece	-8.0	-11.5	-4.1	2.1	0.4	0.1	-0.1	**0.5**	**0.3**	**0.6**	*0.5*	*0.9*
Spain	-3.5	-7.3	-0.1	2.7	3.4	2.9	2.4	**2.9**	**3.1**	**3.1**	*1.5*	*1.6*
France	1.3	-0.2	-1.1	-0.5	-0.6	-0.5	-0.5	**-0.4**	**-0.5**	**-0.5**	*-0.6*	*-0.7*
Italy	-0.3	-1.6	-0.6	1.8	2.4	2.7	2.6	**2.9**	**2.9**	**2.9**	*2.5*	*2.5*
Cyprus	-5.2	-16.4	-4.1	-0.4	-4.1	-4.7	-3.8	**-7.1**	**-9.9**	**-10.3**	*-7.1*	*-8.6*
Latvia	-8.0	-10.4	0.6	1.9	2.5	1.7	1.1	**1.3**	**0.7**	**0.3**	*1.7*	*1.9*
Lithuania	-5.7	-6.5	3.2	0.6	0.3	1.7	1.8	**2.8**	**3.2**	**3.6**	*1.4*	*1.2*
Luxembourg	6.1	3.6	0.0	1.1	-0.4	-1.5	-0.7	**3.7**	**3.7**	**3.6**	*3.5*	*3.6*
Malta	-3.7	-4.4	1.2	5.6	4.1	11.0	10.8	**10.0**	**9.5**	**9.2**	*10.8*	*10.5*
Netherlands	5.6	5.6	8.6	5.8	7.9	10.8	11.1	**9.7**	**8.9**	**8.5**	*10.0*	*9.4*
Austria	0.6	2.9	2.3	1.3	2.8	1.6	2.4	**2.1**	**2.0**	**2.2**	*2.4*	*2.5*
Portugal	-7.1	-9.1	-1.7	1.2	1.5	1.8	1.2	**0.8**	**0.6**	**0.3**	*0.0*	*0.1*
Slovenia	-2.3	-2.9	1.7	5.0	4.1	5.4	5.3	**5.3**	**5.0**	**4.6**	*6.0*	*5.4*
Slovakia	-5.5	-4.4	1.7	1.5	-2.1	-2.5	-1.3	**-2.1**	**-2.4**	**-2.0**	*-1.0*	*-0.6*
Finland	7.0	3.3	-1.0	-0.7	-1.9	-0.7	-1.3	**-1.2**	**-1.4**	**-1.6**	*-1.4*	*-1.3*
Euro area	0.5	0.3	2.0	3.6	3.6	3.6	3.4	**3.0**	**2.9**	**2.7**	*3.2*	*3.0*
Euro area, adjusted[2]	0.1	-0.4	1.0	2.8	3.2	2.9	2.7	**2.3**	**2.2**	**2.1**	*2.5*	*2.4*
Bulgaria	-4.9	-16.1	2.0	3.9	7.3	7.1	5.7	**6.7**	**6.8**	**6.7**	*2.9*	*2.8*
Czechia	-3.9	-3.3	-1.1	1.3	0.6	0.8	0.7	**1.0**	**1.7**	**2.2**	*0.6*	*0.7*
Denmark	2.9	3.1	7.2	7.9	7.9	8.0	5.7	**7.1**	**6.7**	**6.7**	*6.3*	*6.5*
Croatia	-3.7	-6.4	0.5	5.3	4.0	4.7	4.4	**3.6**	**2.6**	**2.2**	*3.9*	*3.1*
Hungary	-8.0	-5.4	4.3	6.9	4.6	3.1	2.1	**0.6**	**1.2**	**1.2**	*1.1*	*1.0*
Poland	-3.6	-4.0	-1.0	2.6	1.2	1.1	1.3	**1.3**	**1.2**	**1.4**	*0.2*	*-0.1*
Romania	-5.1	-9.1	-1.7	1.3	0.5	-1.8	-3.2	**-3.7**	**-3.9**	**-3.9**	*-3.4*	*-3.4*
Sweden	4.5	6.5	4.7	3.2	3.1	3.2	2.4	**3.6**	**4.1**	**4.5**	*4.1*	*4.6*
United Kingdom	-2.1	-3.1	-3.6	-5.0	-5.3	-3.6	-4.5	**-4.6**	**-4.5**	**-4.4**	*-3.8*	*-3.5*
EU	0.0	-0.3	1.2	2.1	2.1	2.4	2.0	**1.7**	**1.7**	**1.6**	*2.0*	*1.9*
EU, adjusted[2]	-0.7	-1.1	0.5	1.1	1.4	1.1	1.1	**0.9**	**0.9**	**0.8**	*0.9*	*0.9*
Japan	2.7	3.5	1.7	3.1	3.8	4.2	3.5	**3.4**	**3.4**	**3.3**	*3.5*	*3.6*
United States	-4.3	-4.7	-2.5	-2.2	-2.3	-2.3	-2.4	**-2.5**	**-2.5**	**-2.5**	*-2.5*	*-2.6*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 52: Current-account balance[1] (in billions of euro, 2012-21) 24.10.2019

								Autumn 2019 forecast			Spring 2019 forecast	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	4.0	7.1	5.8	5.8	2.4	5.5	-4.6	**-3.9**	**-4.4**	**-4.9**	*0.9*	*0.0*
Germany	198.0	184.8	216.2	261.2	271.1	267.9	255.8	**239.3**	**239.9**	**233.3**	*236.5*	*235.1*
Estonia	-0.3	0.1	0.1	0.4	0.4	0.6	0.5	**0.4**	**0.5**	**0.5**	*0.4*	*0.4*
Ireland	-5.9	2.8	2.1	11.6	-11.4	1.5	34.3	**2.7**	**4.6**	**6.6**	*28.5*	*27.8*
Greece	-8.1	-4.0	-3.7	-0.4	-2.0	-1.8	-2.0	**-1.4**	**-2.1**	**-1.9**	*-1.9*	*-1.5*
Spain	0.9	20.8	17.5	21.8	35.4	31.1	23.3	**29.8**	**32.1**	**33.7**	*11.3*	*11.9*
France	-24.2	-20.8	-26.4	-10.9	-13.5	-13.0	-13.7	**-10.4**	**-13.7**	**-15.3**	*-13.5*	*-15.9*
Italy	-3.8	17.8	30.8	23.5	44.0	46.1	45.9	**52.1**	**52.9**	**53.5**	*45.0*	*45.0*
Cyprus	-0.8	-0.3	-0.7	-0.1	-0.8	-1.0	-0.9	**-1.8**	**-2.4**	**-2.6**	*-1.7*	*-2.1*
Latvia	-0.8	-0.6	-0.5	-0.2	0.4	0.3	-0.2	**-0.3**	**-0.5**	**-0.6**	*-0.1*	*-0.1*
Lithuania	-0.5	0.6	1.3	-0.9	-0.4	0.2	0.1	**0.6**	**0.8**	**1.0**	*-0.1*	*-0.2*
Luxembourg	-0.1	-0.6	-0.5	0.2	0.1	-0.5	0.0	**2.8**	**2.9**	**3.0**	*2.8*	*3.0*
Malta	0.0	0.0	0.5	0.3	0.4	1.2	1.2	**1.2**	**1.2**	**1.2**	*1.3*	*1.4*
Netherlands	66.9	66.5	63.9	43.5	57.1	79.9	86.6	**78.9**	**74.3**	**72.8**	*81.5*	*78.6*
Austria	6.1	6.1	8.2	6.4	10.2	6.2	9.4	**8.7**	**8.6**	**9.4**	*9.8*	*10.7*
Portugal	-3.0	1.8	-0.2	0.0	1.2	2.0	0.3	**-0.8**	**-1.4**	**-2.3**	*-2.2*	*-2.3*
Slovenia	0.3	0.8	1.9	1.5	2.0	2.7	2.7	**2.8**	**2.8**	**2.7**	*3.3*	*3.1*
Slovakia	1.9	2.3	1.9	-0.5	-1.6	-1.6	-1.5	**-2.3**	**-2.6**	**-2.3**	*-0.5*	*-0.1*
Finland	-4.2	-4.0	-3.0	-1.7	-4.2	-1.7	-3.3	**-3.1**	**-3.6**	**-4.5**	*-3.6*	*-3.5*
Euro area	226.3	281.2	315.3	361.3	390.6	425.5	434.0	**395.1**	**389.7**	**383.4**	*397.5*	*391.3*
Euro area, adjusted[2]	93.8	209.2	236.7	278.2	351.3	352.2	358.0	**319.1**	**313.6**	**307.3**	*314.1*	*307.8*
Bulgaria	-0.1	0.9	0.2	0.3	2.6	3.2	2.6	**3.4**	**3.6**	**3.7**	*1.0*	*1.0*
Czechia	-3.6	-1.7	-1.9	-2.6	0.2	0.6	-0.5	**-0.1**	**1.1**	**1.6**	*-1.2*	*-1.4*
Denmark	16.0	20.1	23.7	22.5	22.3	23.3	17.1	**21.8**	**21.2**	**21.9**	*19.4*	*20.0*
Croatia	0.2	0.4	0.9	2.0	1.2	2.0	1.5	**0.9**	**0.4**	**0.2**	*1.4*	*1.1*
Hungary	1.6	3.5	1.3	2.6	5.4	2.9	-0.4	**-1.7**	**-1.2**	**-1.0**	*-1.7*	*-2.1*
Poland	-12.8	-2.0	-5.6	0.8	-0.1	1.0	-2.1	**-1.9**	**-2.2**	**-0.7**	*-5.0*	*-7.6*
Romania	-5.9	-1.4	-0.7	-1.8	-3.5	-6.3	-8.9	**-11.3**	**-12.8**	**-14.1**	*-11.3*	*-12.1*
Sweden	22.1	20.1	17.1	15.3	14.4	15.6	11.2	**17.1**	**19.3**	**22.2**	*19.6*	*22.4*
United Kingdom	-72.5	-99.9	-109.1	-129.6	-126.9	-82.5	-104.5	**-108.9**	**-110.4**	**-111.9**	*-93.8*	*-89.1*
EU	171.4	221.3	241.2	270.9	306.1	385.2	349.9	**314.2**	**308.7**	**305.2**	*325.8*	*323.4*
EU, adjusted[2]	69.8	131.4	117.0	129.9	205.4	193.4	213.4	**177.7**	**172.3**	**168.8**	*158.7*	*156.3*
Japan	46.5	34.4	27.9	123.0	177.6	182.7	148.4	**158.8**	**163.1**	**158.4**	*157.9*	*160.8*
United States	-332.2	-262.6	-274.9	-367.5	-387.0	-389.2	-415.7	**-483.9**	**-499.4**	**-513.3**	*-475.0*	*-507.5*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 53: Export markets (a) (percentage change on preceding year, 2012-21) 24.10.2019

								Autumn 2019 forecast			Spring 2019 forecast	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	0.8	2.5	4.4	5.1	2.6	5.1	2.8	**2.3**	**2.6**	**2.7**	*2.8*	*3.4*
Germany	1.1	2.9	3.6	3.5	3.3	5.6	3.5	**1.9**	**2.5**	**2.7**	*3.1*	*3.5*
Estonia	3.2	2.0	1.5	1.3	3.2	6.1	4.0	**2.4**	**2.4**	**2.5**	*2.6*	*3.3*
Ireland	2.1	3.1	4.8	4.2	2.8	4.9	3.1	**2.0**	**2.4**	**2.4**	*3.0*	*3.4*
Greece	2.7	3.2	4.1	3.7	2.9	6.1	2.3	**2.1**	**3.0**	**2.9**	*3.0*	*3.8*
Spain	1.2	3.1	4.0	4.3	2.7	5.2	2.6	**2.2**	**2.7**	**2.8**	*2.8*	*3.5*
France	1.1	2.8	4.6	3.8	2.7	5.3	3.2	**1.9**	**2.5**	**2.7**	*3.0*	*3.5*
Italy	1.3	3.4	3.3	3.5	3.1	5.4	3.0	**2.1**	**2.6**	**2.8**	*3.0*	*3.5*
Cyprus	8.2	7.4	1.1	-4.8	-2.6	7.5	3.9	**2.1**	**2.7**	**2.5**	*3.2*	*4.0*
Latvia	4.6	2.7	0.6	-1.3	2.8	7.4	3.7	**2.7**	**2.7**	**2.6**	*3.2*	*3.7*
Lithuania	4.0	1.6	0.6	-2.6	2.7	7.2	4.0	**2.4**	**2.6**	**2.8**	*3.1*	*3.5*
Luxembourg	2.7	3.0	6.5	7.4	4.2	4.6	1.6	**4.3**	**2.7**	**2.5**	*3.2*	*3.6*
Malta	3.1	3.6	6.0	5.5	3.3	4.8	2.2	**3.8**	**3.1**	**2.6**	*3.1*	*3.7*
Netherlands	0.3	2.1	4.5	4.9	4.4	4.9	2.6	**3.0**	**2.6**	**2.8**	*3.0*	*3.4*
Austria	0.7	3.2	3.6	4.5	3.6	5.6	3.7	**2.4**	**2.8**	**2.9**	*3.4*	*3.7*
Portugal	-0.1	2.1	5.1	4.6	2.1	5.1	3.0	**2.0**	**2.5**	**2.6**	*2.9*	*3.4*
Slovenia	-0.7	2.2	3.8	4.4	4.1	6.2	4.1	**2.8**	**3.2**	**3.2**	*3.6*	*3.9*
Slovakia	-0.2	1.9	4.8	4.5	4.0	6.1	4.3	**2.6**	**2.8**	**3.0**	*3.5*	*3.6*
Finland	3.0	2.8	3.2	1.3	2.7	5.9	3.5	**2.0**	**2.3**	**2.4**	*2.9*	*3.5*
Euro area (b)	1.1	2.8	4.0	4.0	3.2	5.3	3.1	**2.2**	**2.6**	**2.7**	*3.0*	*3.5*
Bulgaria	0.1	3.0	3.9	3.0	3.8	6.7	3.3	**2.1**	**3.2**	**3.2**	*3.1*	*4.2*
Czechia	0.2	2.5	3.8	4.2	4.0	5.7	3.9	**2.4**	**2.9**	**3.1**	*3.3*	*3.6*
Denmark	2.2	2.8	4.7	3.9	3.0	5.1	3.4	**2.3**	**2.4**	**2.5**	*3.0*	*3.4*
Croatia	0.5	2.7	4.4	4.7	4.0	6.3	3.8	**3.5**	**3.2**	**3.1**	*3.8*	*4.2*
Hungary	0.4	2.4	3.9	4.5	4.4	6.0	4.1	**2.7**	**3.1**	**3.1**	*3.4*	*3.7*
Poland	1.0	2.1	3.3	3.7	3.5	5.6	3.5	**2.4**	**2.6**	**2.8**	*3.1*	*3.5*
Romania	0.1	2.2	4.0	4.2	3.3	5.9	3.2	**2.2**	**2.8**	**3.0**	*3.0*	*3.7*
Sweden	2.2	2.9	3.8	3.5	3.3	4.8	3.2	**2.5**	**2.6**	**2.6**	*2.9*	*3.4*
United Kingdom	2.2	3.2	4.6	4.8	2.9	4.8	3.0	**2.7**	**2.4**	**2.6**	*3.1*	*3.5*
EU (b)	1.2	2.8	4.1	4.1	3.2	5.3	3.2	**2.3**	**2.6**	**2.7**	*3.0*	*3.5*
Japan	3.8	3.9	3.7	2.3	3.1	6.5	4.8	**1.0**	**2.3**	**2.7**	*3.6*	*3.8*
United States	3.9	3.4	4.1	2.9	1.8	5.2	3.2	**1.7**	**2.3**	**2.6**	*2.7*	*3.6*

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services. (b) Intra- and extra-EU trade.

Table 54: Export performance (a) (percentage change on preceding year, 2012-21) 24.10.2019

								Autumn 2019 forecast			Spring 2019 forecast	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
Belgium	-1.3	-2.1	0.7	-1.3	3.8	0.2	-1.6	**-1.7**	**-1.3**	**-1.1**	*0.2*	*-0.2*
Germany	1.8	-1.9	1.1	1.8	-0.9	-0.7	-1.3	**-1.0**	**-0.9**	**-0.8**	*-1.9*	*-0.9*
Estonia	1.6	0.8	1.1	-2.8	1.8	-2.1	0.3	**0.2**	**-0.5**	**0.1**	*0.8*	*0.1*
Ireland	-2.9	-0.2	9.3	33.6	1.3	4.1	7.0	**9.2**	**1.7**	**1.7**	*1.4*	*0.7*
Greece	-1.5	-1.6	3.5	-0.6	-4.6	0.6	6.2	**2.1**	**0.4**	**0.1**	*1.7*	*0.4*
Spain	-0.3	1.3	0.5	0.0	2.6	0.4	-0.4	**-0.2**	**-0.4**	**-0.3**	*-0.5*	*-0.6*
France	1.7	-0.7	-1.2	0.8	-0.9	-1.4	0.2	**0.3**	**-0.3**	**-0.2**	*-0.2*	*-0.6*
Italy	0.7	-2.9	-0.7	0.7	-1.2	0.6	-1.2	**-0.2**	**-0.6**	**-0.3**	*-1.0*	*-0.5*
Cyprus	-8.1	-5.8	5.1	15.5	10.1	1.1	0.7	**-4.5**	**-3.9**	**-1.7**	*-2.3*	*-3.1*
Latvia	5.0	-1.5	5.8	4.3	1.1	-0.9	0.3	**0.0**	**-0.9**	**-0.3**	*-1.0*	*-1.2*
Lithuania	6.6	5.6	-2.4	5.2	2.1	5.9	2.2	**4.3**	**1.0**	**0.2**	*0.5*	*0.1*
Luxembourg	0.1	2.2	9.3	-2.5	-1.5	-3.7	-1.1	**-2.5**	**-0.9**	**-0.2**	*-1.3*	*-1.1*
Malta	3.7	-2.6	-1.8	9.5	1.2	0.0	0.4	**-2.0**	**-1.2**	**-0.8**	*-0.7*	*-0.9*
Netherlands	3.0	0.4	0.1	2.4	-2.6	1.5	1.1	**-0.9**	**-0.8**	**-1.0**	*-1.4*	*-0.5*
Austria	0.7	-2.5	-0.7	-1.4	-0.5	-0.5	2.1	**-0.2**	**-0.4**	**-0.6**	*-0.6*	*-0.5*
Portugal	3.2	4.9	-0.8	1.5	2.2	3.2	0.8	**0.7**	**0.2**	**0.2**	*0.3*	*0.1*
Slovenia	1.2	0.8	2.2	0.3	2.3	4.3	2.4	**4.9**	**1.7**	**1.3**	*1.8*	*1.7*
Slovakia	9.4	4.0	-1.0	2.0	1.0	-2.4	1.1	**-1.4**	**0.9**	**1.5**	*2.5*	*1.8*
Finland	-2.7	-2.2	-4.9	-0.7	1.0	2.8	-1.2	**-0.1**	**0.0**	**0.0**	*0.3*	*-0.1*
Euro area (b)	1.2	-0.9	0.7	2.5	-0.3	0.2	0.2	**0.1**	**-0.5**	**-0.4**	*-0.7*	*-0.5*
Bulgaria	1.9	6.5	-0.7	3.3	4.6	-0.8	-1.5	**-2.3**	**0.0**	**0.0**	*0.2*	*-1.3*
Czechia	4.0	-2.3	4.7	1.7	0.3	0.9	0.5	**-0.3**	**-1.0**	**-0.8**	*0.0*	*-0.5*
Denmark	-1.0	-1.2	-1.5	-0.3	0.9	-1.5	-2.9	**1.5**	**-0.6**	**-0.5**	*-0.5*	*-1.0*
Croatia	-0.7	0.4	1.6	4.5	1.6	0.1	-1.0	**-0.3**	**-0.4**	**-0.5**	*-0.5*	*-0.8*
Hungary	-2.1	1.7	5.1	2.8	-0.6	0.8	0.2	**2.4**	**0.9**	**1.4**	*1.1*	*1.1*
Poland	3.6	3.9	3.3	3.9	5.1	3.7	3.4	**2.3**	**1.7**	**1.9**	*2.0*	*1.2*
Romania	1.0	17.6	3.9	0.4	12.3	1.7	2.2	**1.6**	**0.8**	**0.6**	*1.4*	*0.0*
Sweden	-1.0	-3.9	0.5	2.7	-0.5	-0.5	-0.1	**1.7**	**-0.3**	**-0.3**	*0.2*	*-0.4*
United Kingdom	-1.6	-2.0	-3.4	-1.0	-0.2	1.2	-3.8	**-1.4**	**-0.1**	**-0.5**	*-0.8*	*-0.9*
EU (b)	0.9	-0.8	0.5	2.1	0.1	0.4	-0.2	**0.2**	**-0.3**	**-0.3**	*-0.5*	*-0.4*
Japan	-3.7	-3.0	5.4	0.7	-1.4	0.3	-1.3	**-2.5**	**-1.7**	**-1.9**	*-1.8*	*-1.6*
United States	-0.4	0.2	0.1	-2.4	-1.8	-1.6	-0.2	**-1.4**	**-0.8**	**-1.0**	*0.2*	*-1.2*

(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, 2014-21) 24.10.2019

							Autumn 2019 forecast			Spring 2019 forecast	
	(a)	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*
EU	16.3	1.7	2.3	2.0	2.6	2.0	**1.4**	**1.4**	**1.4**	*1.4*	*1.6*
Euro area	11.3	1.4	2.1	1.9	2.5	1.9	**1.1**	**1.2**	**1.2**	*1.2*	*1.5*
Belgium	0.4	1.6	2.0	1.5	2.0	1.5	**1.1**	**1.0**	**1.0**	*1.2*	*1.2*
Bulgaria	0.1	1.9	4.0	3.8	3.5	3.1	**3.6**	**3.0**	**2.9**	*3.3*	*3.4*
Czechia	0.3	2.7	5.3	2.5	4.4	3.0	**2.5**	**2.2**	**2.1**	*2.6*	*2.4*
Denmark	0.2	1.6	2.3	2.4	2.3	1.5	**2.0**	**1.5**	**1.6**	*1.7*	*1.6*
Germany	3.2	2.2	1.7	2.2	2.5	1.5	**0.4**	**1.0**	**1.0**	*0.5*	*1.5*
Estonia	0.0	3.0	1.8	2.6	5.7	4.8	**3.2**	**2.1**	**2.4**	*2.8*	*2.4*
Ireland	0.3	8.6	25.2	3.7	8.1	8.2	**5.6**	**3.5**	**3.2**	*3.8*	*3.4*
Greece	0.2	0.7	-0.4	-0.2	1.5	1.9	**1.8**	**2.3**	**2.0**	*2.2*	*2.2*
Spain	1.4	1.4	3.8	3.0	2.9	2.4	**1.9**	**1.5**	**1.4**	*2.1*	*1.9*
France	2.2	1.0	1.1	1.1	2.3	1.7	**1.3**	**1.3**	**1.2**	*1.3*	*1.5*
Croatia	0.1	-0.1	2.4	3.5	2.9	2.6	**2.9**	**2.6**	**2.4**	*2.6*	*2.5*
Italy	1.8	0.0	0.8	1.3	1.7	0.8	**0.1**	**0.4**	**0.7**	*0.1*	*0.7*
Cyprus	0.0	-1.9	3.4	6.7	4.4	4.1	**2.9**	**2.6**	**2.3**	*3.1*	*2.7*
Latvia	0.0	1.9	3.3	1.8	3.8	4.6	**2.5**	**2.6**	**2.7**	*3.1*	*2.8*
Lithuania	0.1	3.5	2.0	2.6	4.2	3.6	**3.8**	**2.4**	**2.4**	*2.7*	*2.4*
Luxembourg	0.0	4.3	4.3	4.6	1.8	3.1	**2.6**	**2.6**	**2.6**	*2.5*	*2.6*
Hungary	0.2	4.2	3.8	2.2	4.3	5.1	**4.6**	**2.8**	**2.8**	*3.7*	*2.8*
Malta	0.0	8.7	10.8	5.7	6.7	6.8	**5.0**	**4.2**	**3.8**	*5.5*	*4.8*
Netherlands	0.7	1.4	2.0	2.2	2.9	2.6	**1.7**	**1.3**	**1.3**	*1.6*	*1.6*
Austria	0.3	0.7	1.0	2.1	2.5	2.4	**1.5**	**1.4**	**1.4**	*1.5*	*1.6*
Poland	0.9	3.3	3.8	3.1	4.9	5.1	**4.1**	**3.3**	**3.3**	*4.2*	*3.6*
Portugal	0.2	0.8	1.8	2.0	3.5	2.4	**2.0**	**1.7**	**1.7**	*1.7*	*1.7*
Romania	0.4	3.4	3.9	4.8	7.1	4.0	**4.1**	**3.6**	**3.3**	*3.3*	*3.1*
Slovenia	0.1	2.8	2.2	3.1	4.8	4.1	**2.6**	**2.7**	**2.7**	*3.1*	*2.8*
Slovakia	0.1	2.8	4.8	2.1	3.0	4.0	**2.7**	**2.6**	**2.7**	*3.8*	*3.4*
Finland	0.2	-0.4	0.6	2.6	3.1	1.7	**1.4**	**1.1**	**1.0**	*1.6*	*1.2*
Sweden	0.4	2.7	4.4	2.4	2.4	2.3	**1.1**	**1.0**	**1.4**	*1.4*	*1.6*
United Kingdom	2.2	2.6	2.4	1.9	1.9	1.4	**1.3**	**1.4**	**1.4**	*1.3*	*1.3*
Candidate Countries	1.9	4.7	5.8	3.2	7.0	2.9	**0.6**	**3.1**	**3.5**	*-1.9*	*3.9*
- Albania	0.0	1.8	2.2	3.3	3.8	4.1	**3.1**	**3.7**	**3.6**	*3.8*	*3.7*
- Montenegro	0.0	1.8	3.4	2.9	4.7	5.1	**3.1**	**3.0**	**2.8**	*2.9*	*3.1*
- North Macedonia	0.0	3.6	3.9	2.8	0.2	2.7	**3.2**	**3.2**	**3.3**	*3.0*	*3.2*
- Serbia	0.1	-1.6	1.8	3.3	2.0	4.4	**3.2**	**3.8**	**3.7**	*3.1*	*3.8*
- Turkey	1.7	5.2	6.1	3.2	7.5	2.8	**0.3**	**3.1**	**3.5**	*-2.3*	*3.9*
Potential Candidates	0.1	0.8	4.1	3.6	3.6	3.3	**3.1**	**2.9**	**2.5**	*3.4*	*3.7*
Iceland	0.0	2.1	4.7	6.6	4.4	4.8	**-0.2**	**1.8**	**2.4**	*1.8*	*2.8*
Norway	0.3	2.0	2.0	1.1	2.3	1.3	**1.6**	**1.9**	**1.9**	*1.8*	*1.8*
Switzerland	0.4	2.4	1.3	1.7	1.8	2.8	**1.0**	**1.6**	**1.3**	*1.5*	*2.0*
Australia	1.0	2.6	2.5	2.8	2.5	2.7	**1.8**	**2.0**	**2.1**	*2.4*	*2.4*
Canada	1.4	2.9	0.7	1.1	3.0	1.9	**1.6**	**1.7**	**1.7**	*1.4*	*1.8*
Japan	4.1	0.4	1.2	0.6	1.9	0.8	**0.9**	**0.4**	**0.6**	*0.8*	*0.6*
Korea	1.7	3.2	2.8	2.9	3.2	2.7	**1.9**	**2.1**	**2.1**	*2.5*	*2.5*
United States	15.2	2.5	2.9	1.6	2.4	2.9	**2.3**	**1.8**	**1.6**	*2.4*	*1.9*
Advanced economies	44.0	2.2	2.5	1.8	2.7	2.4	**1.7**	**1.6**	**1.6**	*1.7*	*1.8*
Emerging and developing Asia	34.1	6.6	6.6	6.5	6.5	6.4	**5.7**	**5.6**	**5.5**	*6.1*	*6.1*
- China	18.7	7.3	6.9	6.3	6.8	6.6	**6.1**	**5.8**	**5.6**	*6.2*	*6.0*
- India	7.7	7.0	7.5	8.7	6.9	7.4	**5.6**	**6.1**	**6.3**	*7.1*	*7.3*
- Indonesia	2.6	5.0	4.9	5.0	5.1	5.2	**5.1**	**5.0**	**5.0**	*5.1*	*5.0*
CIS	4.4	1.0	-1.9	0.7	2.2	2.7	**1.7**	**2.1**	**2.1**	*2.1*	*2.3*
- Russia	3.1	0.7	-2.3	0.3	1.6	2.3	**1.0**	**1.4**	**1.5**	*1.5*	*1.8*
- Other CIS	1.3	1.8	-1.0	1.7	3.5	3.9	**3.4**	**3.5**	**3.5**	*3.4*	*3.5*
Latin America	7.5	1.3	0.2	-0.8	1.1	1.0	**-0.1**	**1.1**	**1.7**	*1.1*	*2.3*
- Argentina	0.7	-2.5	2.7	-2.1	2.7	-2.5	**-2.9**	**-1.4**	**0.7**	*-1.6*	*2.3*
- Brazil	2.5	0.5	-3.5	-3.3	1.1	1.1	**0.8**	**1.5**	**1.8**	*1.9*	*2.4*
- Mexico	1.9	2.8	3.3	2.9	2.1	2.0	**0.4**	**1.2**	**1.7**	*1.9*	*2.3*
MENA	6.5	3.1	2.4	4.6	1.9	1.0	**1.0**	**1.8**	**1.9**	*1.5*	*2.6*
- Saudi Arabia	1.4	3.7	4.1	1.7	-0.8	2.3	**1.2**	**1.4**	**1.4**	*1.9*	*2.0*
Sub-Saharan Africa	3.2	5.0	3.0	1.1	2.6	2.6	**2.7**	**2.8**	**2.8**	*3.4*	*3.5*
- South Africa	0.6	1.8	1.2	0.4	1.4	0.8	**0.6**	**1.0**	**1.4**	*1.3*	*1.5*
Emerging and developing economies	56.0	4.6	4.0	4.3	4.5	4.5	**3.9**	**4.2**	**4.3**	*4.4*	*4.8*
World	100.0	3.5	3.3	3.2	3.7	3.6	**2.9**	**3.0**	**3.1**	*3.2*	*3.5*
World excluding EU	83.7	3.9	3.5	3.4	3.9	3.8	**3.2**	**3.3**	**3.4**	*3.6*	*3.8*
World excluding euro area	88.7	3.8	3.5	3.4	3.9	3.8	**3.1**	**3.3**	**3.3**	*3.5*	*3.7*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2018.

Table 56: World exports of goods and services, volume (percentage change on preceding year, 2014-21) 24.10.2019

							Autumn 2019 forecast			Spring 2019 forecast	
	(a)	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020
EU (b)	35.3	4.5	6.3	3.3	5.7	3.0	**2.5**	**2.3**	**2.4**	*2.5*	*3.1*
Euro area (b)	26.6	4.8	6.6	2.9	5.5	3.3	**2.4**	**2.1**	**2.3**	*2.3*	*3.0*
Candidate Countries	1.1	7.8	4.8	-0.3	11.5	8.0	**6.4**	**3.8**	**4.1**	*5.3*	*4.1*
- Albania	0.0	1.2	1.0	11.3	12.9	3.0	**5.4**	**6.8**	**5.8**	*5.9*	*6.7*
- Montenegro	0.0	-0.7	5.7	5.9	1.8	6.9	**4.3**	**2.8**	**3.6**	*4.1*	*3.8*
- North Macedonia	0.0	16.5	8.5	9.1	8.1	15.3	**9.9**	**9.7**	**9.2**	*8.0*	*8.5*
- Serbia	0.1	4.3	9.4	11.9	8.2	8.3	**8.1**	**7.9**	**7.4**	*6.1*	*9.3*
- Turkey	0.9	8.2	4.3	-1.9	12.0	7.8	**6.2**	**3.1**	**3.5**	*5.1*	*3.3*
Iceland	0.0	3.2	9.1	10.9	5.4	1.7	**-2.0**	**1.3**	**2.7**	*1.0*	*2.4*
Norway	0.7	3.4	4.3	1.1	1.7	-0.2	**1.9**	**2.5**	**2.4**	*1.6*	*2.3*
Switzerland	1.9	-6.2	2.6	6.3	-0.2	2.9	**2.0**	**2.8**	**2.4**	*3.2*	*3.5*
Australia	1.3	6.9	6.5	6.8	3.4	5.0	**1.4**	**2.0**	**2.2**	*1.6*	*2.6*
Canada	2.2	6.2	3.4	1.3	1.1	3.2	**2.9**	**2.6**	**2.5**	*3.7*	*3.0*
Japan	3.7	9.3	2.9	1.7	6.8	3.4	**-1.5**	**0.6**	**0.8**	*1.7*	*2.1*
Korea	2.9	2.1	0.2	2.4	2.5	3.5	**-0.4**	**0.6**	**1.4**	*2.3*	*3.7*
United States	10.2	4.2	0.5	0.0	3.5	3.0	**0.3**	**1.5**	**1.6**	*2.8*	*2.4*
Advanced economies	66.7	4.2	4.1	2.2	5.0	3.2	**1.3**	**1.9**	**2.2**	*2.6*	*2.9*
Emerging and developing Asia	17.7	4.2	-1.5	2.7	9.7	4.6	**2.0**	**2.5**	**3.4**	*3.8*	*4.2*
- China	10.8	4.3	-2.2	1.1	9.1	4.0	**1.1**	**1.4**	**2.5**	*2.8*	*3.0*
- India	2.2	3.9	-5.3	6.7	10.0	4.7	**3.8**	**4.2**	**5.1**	*5.8*	*7.2*
- Indonesia	0.8	-1.9	-5.7	1.1	13.4	3.5	**2.3**	**3.9**	**4.4**	*5.4*	*5.9*
CIS	3.0	-0.5	0.9	1.1	5.4	4.9	**0.9**	**2.0**	**2.0**	*3.0*	*3.5*
- Russia	2.1	0.5	3.7	3.2	5.0	5.5	**0.2**	**1.3**	**1.4**	*2.7*	*3.5*
- Other CIS	1.0	-2.3	-4.4	-3.0	6.1	3.8	**2.5**	**3.2**	**3.2**	*3.5*	*3.6*
Latin America	5.1	1.6	4.3	2.9	4.8	3.4	**1.6**	**2.0**	**2.6**	*3.1*	*4.1*
- Argentina	0.3	-7.8	-1.6	6.8	-0.2	-0.6	**7.6**	**3.0**	**3.6**	*8.0*	*5.1*
- Brazil	1.1	-0.3	8.1	3.7	11.4	7.0	**1.5**	**1.7**	**3.2**	*3.5*	*4.3*
- Mexico	2.0	7.0	8.4	3.6	4.2	5.7	**3.4**	**2.4**	**2.1**	*3.5*	*4.6*
MENA	6.1	1.8	6.1	3.8	1.8	0.7	**-1.3**	**4.1**	**2.8**	*2.1*	*2.2*
- Saudi Arabia	1.3	1.9	4.0	5.9	-0.3	7.2	**-9.3**	**10.9**	**0.9**	*0.6*	*1.2*
Sub-Saharan Africa	1.5	1.3	2.7	-0.8	1.7	2.4	**1.4**	**2.6**	**3.1**	*4.1*	*3.8*
- South Africa	0.4	3.6	2.9	0.4	-0.7	2.6	**0.8**	**1.2**	**1.9**	*2.4*	*2.8*
Emerging and developing economies	33.3	2.6	1.4	2.6	6.9	3.7	**1.2**	**2.6**	**3.0**	*3.3*	*3.7*
World	100.0	3.6	3.2	2.3	5.6	3.3	**1.3**	**2.2**	**2.5**	*2.9*	*3.2*
World excluding EU	64.7	3.1	1.6	1.8	5.5	3.5	**0.7**	**2.1**	**2.5**	*3.1*	*3.3*
World excluding euro area	73.4	3.2	2.0	2.1	5.6	3.4	**0.9**	**2.2**	**2.5**	*3.1*	*3.3*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2018.

(b) Intra- and extra-EU trade.

Table 57: Export shares in EU trade (goods only - 2018) 24.10.2019

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	66.0	48.2	1.9	7.7	1.2	7.2	3.9	2.2	2.5	3.7	2.3	1.4
Euro area	65.6	47.3	1.8	7.8	1.3	6.9	4.1	2.3	2.3	3.8	2.6	1.5
Belgium	74.5	59.4	1.6	5.3	0.8	4.2	1.8	3.2	1.3	2.9	1.8	2.6
Bulgaria	72.2	51.4	11.6	1.8	0.2	1.7	2.8	1.0	3.5	3.4	0.5	1.2
Czechia	85.0	66.1	1.6	2.1	0.5	2.7	1.3	0.8	3.3	1.5	0.8	0.5
Denmark	62.4	38.1	1.1	8.4	2.1	11.3	4.2	2.6	1.4	3.1	2.7	0.7
Germany	60.2	38.1	1.9	8.9	1.6	8.5	7.2	2.7	2.8	2.5	2.7	1.0
Estonia	70.0	48.9	1.1	6.6	0.5	7.0	1.3	1.0	7.9	2.2	1.2	1.2
Ireland	51.9	37.0	0.5	28.9	2.4	7.8	3.4	0.7	0.5	1.5	1.7	0.7
Greece	55.5	39.5	11.9	4.3	0.4	2.4	2.8	1.8	1.9	15.6	2.0	1.4
Spain	68.8	54.6	2.0	4.6	0.9	4.4	2.3	1.5	1.0	7.8	5.4	1.3
France	61.2	47.4	1.4	8.1	1.4	7.4	4.4	3.4	1.6	6.4	2.7	2.0
Croatia	76.8	63.8	9.3	2.6	0.4	3.3	1.0	0.6	1.7	3.5	0.4	0.3
Italy	58.0	42.6	2.8	9.5	1.4	9.7	2.9	2.5	2.7	6.2	3.1	1.2
Cyprus	29.8	21.1	0.4	2.4	0.0	11.9	1.9	5.4	0.9	23.9	20.0	3.3
Latvia	67.3	44.7	1.1	3.6	0.4	3.9	1.2	0.7	18.6	2.2	0.5	0.6
Lithuania	59.9	37.3	0.9	5.3	1.1	4.4	0.7	0.6	24.1	2.0	0.4	0.7
Luxembourg	84.7	73.7	1.3	2.8	0.6	3.2	1.6	0.9	1.4	1.4	1.2	1.0
Hungary	82.7	59.2	3.5	2.4	0.4	2.1	1.4	0.7	4.4	0.9	1.2	0.3
Malta	60.5	52.6	0.7	6.5	6.5	7.7	1.4	2.6	0.1	8.3	2.6	3.0
Netherlands	77.2	58.9	1.2	4.6	0.7	4.9	1.9	1.3	1.5	2.6	2.0	2.2
Austria	72.4	54.4	1.5	6.4	1.0	7.9	2.8	1.7	2.1	1.6	1.9	0.7
Poland	81.0	58.1	1.6	2.8	0.3	3.4	1.0	0.8	6.3	1.3	1.0	0.6
Portugal	77.8	66.0	0.9	5.1	0.3	2.8	1.2	0.5	0.5	3.3	2.9	4.7
Romania	77.9	57.4	4.6	2.0	0.4	2.3	1.0	0.8	4.6	5.1	0.9	0.6
Slovenia	79.3	52.8	5.6	1.6	0.3	3.8	1.5	0.9	3.4	2.7	0.6	0.3
Slovakia	86.2	49.5	1.3	3.2	0.1	2.5	1.7	0.2	2.7	1.1	0.6	0.2
Finland	60.0	39.0	1.2	7.1	2.4	8.1	5.7	2.9	6.1	2.8	2.4	1.1
Sweden	60.5	42.4	1.1	7.0	1.6	15.5	4.8	2.0	1.8	2.7	2.0	1.0
United Kingdom	49.1	43.6	2.4	14.1	1.8	13.5	5.9	3.0	1.3	5.4	1.8	1.6

Table 58: World imports of goods and services, volume (percentage change on preceding year, 2014-21) 24.10.2019

							Autumn 2019 forecast			Spring 2019 forecast	
	(a)	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020
EU (b)	33.7	5.2	7.2	4.4	5.1	2.9	**3.3**	**2.8**	**2.8**	*3.1*	*3.3*
Euro area (b)	24.9	4.9	7.6	4.1	5.0	2.7	**3.2**	**2.6**	**2.7**	*2.8*	*3.3*
Candidate Countries	1.2	0.5	2.0	4.3	10.2	-5.3	**-7.4**	**3.9**	**4.4**	*-5.1*	*8.3*
- Albania	0.0	4.3	-2.9	6.9	8.1	3.9	**4.8**	**4.4**	**4.0**	*4.4*	*5.1*
- Montenegro	0.0	1.6	4.4	15.3	8.4	9.2	**3.9**	**2.3**	**1.4**	*3.7*	*1.9*
- North Macedonia	0.0	14.1	9.9	11.1	6.4	9.0	**10.2**	**10.1**	**9.3**	*8.2*	*9.1*
- Serbia	0.1	5.1	4.0	6.7	11.1	11.6	**9.5**	**7.8**	**7.5**	*8.1*	*8.7*
- Turkey	1.0	-0.4	1.7	3.7	10.3	-7.8	**-10.8**	**3.2**	**3.9**	*-7.8*	*8.4*
Iceland	0.0	9.8	13.8	14.5	12.3	0.8	**-1.1**	**3.8**	**4.0**	*4.0*	*3.2*
Norway	0.6	2.0	1.9	2.7	1.9	1.9	**4.8**	**2.6**	**2.0**	*2.5*	*2.8*
Switzerland	1.6	-7.7	4.5	5.7	-0.6	-0.3	**2.3**	**2.4**	**2.4**	*3.0*	*3.8*
Australia	1.3	-1.4	2.0	0.1	7.7	4.0	**0.9**	**1.7**	**2.0**	*2.0*	*2.6*
Canada	2.4	2.5	0.6	0.0	4.2	2.9	**1.0**	**1.8**	**1.9**	*0.7*	*2.4*
Japan	3.8	8.3	0.8	-1.6	3.4	3.4	**-0.8**	**0.3**	**0.5**	*1.7*	*1.6*
Korea	2.7	1.3	2.1	5.2	8.9	0.8	**-1.4**	**1.5**	**1.6**	*1.7*	*2.2*
United States	13.2	5.0	5.3	2.0	4.7	4.4	**2.2**	**2.0**	**1.8**	*3.1*	*2.9*
Advanced economies	67.3	4.1	4.9	2.9	5.1	3.0	**1.7**	**2.2**	**2.3**	*2.7*	*3.1*
Emerging and developing Asia	18.0	6.0	0.3	4.7	9.2	7.6	**0.5**	**2.3**	**3.2**	*4.6*	*4.9*
- China	10.6	7.8	-0.5	4.7	7.1	7.9	**-1.7**	**1.1**	**2.2**	*3.7*	*4.0*
- India	2.7	5.5	0.0	4.0	13.8	4.3	**2.6**	**2.9**	**3.5**	*6.2*	*7.5*
- Indonesia	0.9	-1.4	-8.6	2.0	10.5	12.8	**3.5**	**4.8**	**5.9**	*5.5*	*5.8*
CIS	2.4	-7.9	-20.3	-2.8	13.0	4.1	**1.5**	**2.4**	**2.6**	*3.2*	*4.3*
- Russia	1.4	-7.2	-25.1	-3.6	17.4	2.7	**-0.1**	**1.4**	**1.7**	*1.9*	*4.5*
- Other CIS	1.0	-9.2	-12.3	-1.7	6.8	6.3	**3.9**	**3.8**	**3.8**	*5.1*	*4.0*
Latin America	5.3	0.0	-1.9	-2.9	4.7	4.4	**-0.8**	**2.5**	**3.2**	*1.7*	*4.1*
- Argentina	0.4	-10.8	2.6	3.6	14.2	-5.6	**-17.7**	**-0.8**	**3.9**	*-9.8*	*4.8*
- Brazil	1.1	-0.1	-13.5	-8.2	5.2	6.6	**1.7**	**3.6**	**3.6**	*3.4*	*5.0*
- Mexico	2.1	5.9	5.9	2.8	6.4	6.2	**0.5**	**3.0**	**3.3**	*3.9*	*4.6*
MENA	5.4	8.0	-0.4	-2.2	4.1	-1.2	**1.2**	**2.6**	**2.9**	*2.4*	*2.7*
- Saudi Arabia	0.9	15.1	1.7	-16.2	0.4	1.4	**2.9**	**3.3**	**3.5**	*3.6*	*4.0*
Sub-Saharan Africa	1.6	7.5	2.6	-9.3	-0.1	6.9	**2.4**	**2.4**	**2.9**	*3.7*	*4.4*
- South Africa	0.5	-0.6	5.4	-3.9	1.0	3.3	**1.1**	**1.3**	**1.9**	*2.4*	*3.0*
Emerging and developing economies	32.7	3.9	-2.0	0.7	7.3	5.2	**0.6**	**2.4**	**3.1**	*3.6*	*4.3*
World	100.0	4.0	2.7	2.2	5.8	3.7	**1.4**	**2.3**	**2.6**	*3.0*	*3.5*
World excluding EU	66.3	3.5	0.5	1.1	6.2	4.1	**0.4**	**2.1**	**2.5**	*3.0*	*3.6*
World excluding euro area	75.1	3.7	1.1	1.6	6.1	4.1	**0.7**	**2.2**	**2.6**	*3.1*	*3.6*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2018.

(b) Intra- and extra-EU trade.

Table 59: Import shares in EU trade (goods only - 2018) 24.10.2019

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	65.7	50.3	1.7	5.1	1.3	6.3	6.5	3.2	4.5	2.7	1.8	1.2
Euro area	65.2	49.3	1.6	5.0	1.3	6.0	6.3	3.3	4.6	3.3	2.1	1.3
Belgium	66.9	56.3	1.1	7.6	1.6	5.0	4.2	3.7	2.6	3.4	2.3	1.7
Bulgaria	64.4	45.2	10.0	1.0	0.4	2.7	3.8	2.5	11.2	1.1	2.8	0.2
Czechia	79.6	61.7	1.0	1.7	0.9	3.8	6.9	1.3	4.1	0.2	0.3	0.2
Denmark	71.7	49.7	1.1	2.4	0.5	8.4	6.9	2.7	4.0	0.3	1.6	0.4
Germany	68.8	46.2	1.8	4.6	1.7	7.4	6.3	3.2	3.2	0.8	1.4	0.8
Estonia	72.0	52.9	0.5	1.7	0.8	3.3	4.9	1.6	13.2	0.3	0.5	1.3
Ireland	71.4	34.9	0.8	11.9	1.2	4.8	4.1	2.0	0.9	0.7	1.5	0.6
Greece	52.7	40.0	4.2	1.7	0.7	3.6	10.4	2.0	9.4	14.2	1.0	0.2
Spain	61.9	51.3	2.2	3.5	0.9	4.5	6.7	3.8	1.6	7.1	5.0	2.7
France	70.7	58.9	1.2	5.5	1.1	5.9	4.6	2.5	1.9	4.2	1.1	1.4
Croatia	74.9	55.6	4.1	2.1	0.2	2.7	4.6	1.2	6.4	3.1	0.6	0.1
Italy	59.6	47.4	2.7	4.5	0.9	5.7	6.5	3.2	7.3	6.5	1.9	1.3
Cyprus	59.3	49.5	0.2	1.0	1.3	12.7	5.8	2.5	7.6	2.4	2.7	4.7
Latvia	61.0	45.5	0.6	2.2	0.3	4.4	5.0	2.3	23.1	0.1	0.9	0.2
Lithuania	65.8	44.1	1.0	2.1	0.2	4.7	5.2	0.8	19.0	0.5	0.5	0.2
Luxembourg	85.8	80.0	0.3	3.7	2.2	2.6	3.1	0.6	0.4	0.2	0.3	0.7
Hungary	76.5	58.1	1.8	1.5	1.4	4.5	5.6	1.9	5.7	0.6	0.3	0.1
Malta	37.5	30.1	2.9	1.2	3.9	7.4	8.4	2.3	28.4	5.0	2.2	0.8
Netherlands	48.4	36.7	0.8	7.6	2.0	6.8	11.3	5.5	8.2	3.5	3.8	2.1
Austria	82.9	67.0	1.0	2.0	0.7	5.4	1.6	2.8	2.4	0.7	0.3	0.0
Poland	71.4	58.1	1.4	1.9	0.8	4.5	7.5	2.1	7.9	1.4	0.9	0.2
Portugal	74.9	67.6	1.3	1.7	0.7	3.6	4.4	2.1	2.4	3.5	2.8	2.6
Romania	75.9	54.3	5.5	1.2	0.5	2.2	4.7	1.2	7.3	0.8	0.7	0.1
Slovenia	69.1	52.6	5.5	0.8	0.3	7.3	10.8	2.9	1.1	0.3	1.6	0.3
Slovakia	83.4	46.2	1.2	0.3	0.3	4.3	3.0	1.7	5.6	0.1	0.2	0.0
Finland	69.7	43.8	0.5	2.4	0.6	5.1	4.0	1.3	15.0	0.2	1.1	0.2
Sweden	76.1	55.1	1.1	2.8	0.9	7.7	5.2	2.3	2.2	0.4	1.0	0.3
United Kingdom	56.2	48.5	1.7	9.9	2.1	10.1	8.5	4.4	2.3	1.9	1.3	1.7

Table 60: Crude oil price, 2013-2021 24.10.2019

							Autumn 2019 forecast			Spring 2019 forecast	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020
Annual percentage change (USD)	-2.7	-8.5	-46.3	-15.5	21.2	30.7	**-11.6**	**-9.3**	**-2.2**	*7.4*	*-4.9*
Price per barrel											
Brent (USD)	108.7	99.5	53.4	45.2	54.8	71.5	**63.3**	**57.4**	**56.1**	*80.6*	*76.7*
Brent (EUR)	81.9	74.9	48.2	40.8	48.5	60.6	**56.5**	**51.9**	**50.8**	*70.0*	*66.5*

Table 61: World current-account balances (in billions of US dollar, 2013-21) 24.10.2019

							Autumn 2019 forecast			Spring 2019 forecast	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020
EU	293.9	320.4	300.5	338.8	435.2	413.2	**351.4**	**341.2**	**337.3**	*367.9*	*364.5*
EU, adjusted[1]	174.5	155.4	144.2	227.3	218.5	252.1	**198.8**	**190.4**	**186.5**	*179.2*	*176.2*
Euro area	373.5	418.9	400.8	432.3	480.7	512.6	**442.0**	**430.7**	**423.7**	*448.9*	*441.0*
Euro area, adjusted[1]	277.9	314.4	308.7	388.9	397.9	422.7	**356.9**	**346.6**	**339.6**	*354.6*	*346.9*
Candidate Countries	-68.3	-48.3	-35.0	-36.2	-51.5	-32.1	**-9.7**	**-10.5**	**-14.3**	*3.5*	*-9.6*
- Albania	-1.4	-1.4	-1.0	-0.9	-1.0	-1.0	**-1.0**	**-0.9**	**-0.9**	*-1.1*	*-1.1*
- Montenegro	-0.5	-0.6	-0.4	-0.7	-0.8	-0.9	**-0.9**	**-0.9**	**-0.8**	*-0.9*	*-0.8*
- North Macedonia	-0.2	-0.1	-0.2	-0.3	-0.1	0.0	**-0.2**	**-0.3**	**-0.3**	*-0.2*	*-0.3*
- Serbia	-2.8	-2.6	-1.4	-1.2	-2.3	-2.6	**-3.1**	**-2.9**	**-3.1**	*-3.3*	*-3.3*
- Turkey	-63.5	-43.6	-32.0	-33.1	-47.3	-27.4	**-4.6**	**-5.5**	**-9.2**	*8.8*	*-4.1*
Iceland	0.9	0.7	0.9	1.6	0.9	0.8	**0.6**	**0.3**	**0.2**	*0.3*	*0.2*
Norway	53.7	52.6	30.6	14.8	22.6	35.1	**31.4**	**31.9**	**34.1**	*33.4*	*34.5*
Switzerland	79.9	61.3	76.5	63.6	44.3	74.0	**71.2**	**74.9**	**77.6**	*73.7*	*75.8*
Australia	-47.9	-43.4	-57.0	-41.0	-35.8	-29.7	**-12.1**	**-22.3**	**-21.9**	*-31.7*	*-31.9*
Canada	-59.4	-43.2	-55.4	-49.1	-46.4	-45.3	**-34.9**	**-27.8**	**-21.7**	*-41.3*	*-39.4*
Japan	45.7	37.1	136.5	196.6	206.4	175.2	**177.6**	**180.2**	**175.1**	*178.3*	*181.3*
Korea	77.3	83.0	105.1	97.9	75.2	76.4	**58.3**	**54.3**	**51.3**	*72.4*	*79.5*
United States	-368.5	-375.6	-424.1	-441.4	-466.6	-509.5	**-541.3**	**-551.9**	**-567.2**	*-536.3*	*-572.0*
Advanced economies	123.3	169.9	228.1	295.8	359.5	321.2	**239.3**	**220.0**	**203.4**	*264.2*	*235.8*
Emerging and developing Asia	88.9	225.8	304.4	221.4	187.7	-13.2	**60.0**	**43.0**	**19.8**	*-11.8*	*-30.0*
- China	148.2	236.0	304.2	202.2	195.1	49.1	**117.0**	**98.2**	**89.3**	*43.7*	*40.9*
- India	-49.1	-27.3	-22.5	-12.1	-38.2	-65.6	**-62.8**	**-58.4**	**-71.4**	*-68.5*	*-78.5*
- Indonesia	-29.1	-27.5	-17.5	-17.0	-16.2	-31.0	**-30.7**	**-33.1**	**-35.7**	*-28.9*	*-32.1*
CIS	15.4	53.6	50.5	2.8	19.5	109.4	**79.6**	**73.3**	**64.5**	*81.3*	*79.3*
- Russia	30.7	53.5	66.1	25.7	31.3	113.7	**86.1**	**80.5**	**74.8**	*89.8*	*87.2*
- Other CIS	-15.3	0.1	-15.6	-22.9	-11.9	-4.4	**-6.5**	**-7.2**	**-10.3**	*-8.4*	*-7.9*
Latin America	-167.7	-181.0	-168.5	-97.3	-86.2	-105.0	**-82.2**	**-88.1**	**-97.2**	*-123.5*	*-134.9*
- Argentina	-13.1	-9.2	-17.6	-15.1	-31.6	-27.5	**-8.6**	**-2.5**	**-1.4**	*-9.4*	*-8.2*
- Brazil	-79.8	-101.4	-54.5	-24.2	-15.0	-21.9	**-21.6**	**-26.6**	**-29.8**	*-29.1*	*-34.0*
- Mexico	-31.4	-25.0	-30.9	-24.2	-20.1	-22.0	**-13.5**	**-14.4**	**-18.9**	*-22.9*	*-25.2*
MENA	373.1	234.7	-74.6	-82.1	27.8	165.0	**40.9**	**48.7**	**66.2**	*50.1*	*29.7*
- Saudi Arabia	135.4	73.8	-56.7	-23.8	10.5	70.6	**33.4**	**46.5**	**55.4**	*33.0*	*26.0*
Sub-Saharan Africa	-23.7	-50.0	-79.7	-43.3	-25.9	-27.7	**-45.6**	**-56.0**	**-59.8**	*-38.3*	*-41.7*
- South Africa	-21.3	-17.8	-14.6	-8.4	-8.9	-13.4	**-12.3**	**-14.6**	**-15.7**	*-12.4*	*-13.6*
Emerging and developing economies	286.0	283.2	32.0	1.5	122.8	128.4	**52.7**	**20.9**	**-6.4**	*-42.2*	*-97.6*
World	409.3	453.1	260.1	297.3	482.3	449.6	**292.0**	**240.9**	**197.0**	*222.0*	*138.2*
World excluding EU	115.4	132.7	-40.4	-41.5	47.1	36.4	**-59.4**	**-100.2**	**-140.3**	*-145.9*	*-226.3*
World excluding euro area	35.8	34.2	-140.7	-135.0	1.6	-63.0	**-150.0**	**-189.7**	**-226.7**	*-226.9*	*-302.8*

[1] See note 8 on concepts and sources.

Table 62: World merchandise trade balances (fob-fob, in billions of US dollar, 2013-21) 24.10.2019

							Autumn 2019 forecast			Spring 2019 forecast	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020
EU	177.0	196.8	299.3	309.9	296.2	226.1	**224.7**	**215.5**	**198.0**	*175.6*	*171.6*
EU, adjusted[1]	43.4	54.6	157.8	180.1	164.2	97.1	**102.5**	**94.8**	**77.3**	*19.8*	*16.1*
Euro area	332.3	371.9	453.8	459.7	447.1	413.6	**390.9**	**381.7**	**373.4**	*378.4*	*383.6*
Euro area, adjusted[1]	263.4	307.4	370.4	400.7	391.9	347.7	**328.4**	**320.0**	**311.7**	*288.9*	*294.3*
Candidate Countries	-92.1	-75.5	-58.2	-50.7	-70.1	-51.0	**-37.0**	**-41.6**	**-47.8**	*-27.8*	*-39.7*
- Albania	-2.6	-2.9	-2.5	-2.9	-3.2	-3.4	**-3.5**	**-3.7**	**-3.8**	*-3.5*	*-3.8*
- Montenegro	-1.8	-1.8	-1.6	-1.8	-2.1	-2.4	**-2.4**	**-2.5**	**-2.5**	*-2.4*	*-2.5*
- North Macedonia	-2.5	-2.5	-2.0	-2.0	-2.0	-2.1	**-2.2**	**-2.5**	**-2.8**	*-2.2*	*-2.6*
- Serbia	-4.4	-4.4	-3.6	-3.0	-4.0	-5.6	**-6.2**	**-6.7**	**-7.3**	*-6.1*	*-6.6*
- Turkey	-80.8	-63.8	-48.4	-41.0	-58.8	-37.5	**-22.6**	**-26.3**	**-31.3**	*-13.5*	*-24.2*
Iceland	0.1	-0.1	-0.3	-0.8	-1.5	-1.5	**-1.4**	**-1.7**	**-1.9**	*-1.7*	*-1.9*
Norway	61.1	50.6	24.9	11.7	20.4	30.5	**28.8**	**29.0**	**30.7**	*30.9*	*31.9*
Switzerland	53.7	55.5	53.7	50.7	50.8	60.3	**64.5**	**66.6**	**68.3**	*59.0*	*60.8*
Australia	7.3	2.2	-19.0	-5.8	10.5	21.1	**25.5**	**29.2**	**27.0**	*25.1*	*26.8*
Canada	-7.9	4.3	-19.3	-19.5	-19.2	-17.0	**-8.6**	**-1.8**	**5.7**	*-6.8*	*-4.3*
Japan	-89.9	-99.1	-7.3	50.8	44.2	10.8	**7.9**	**13.3**	**14.3**	*11.7*	*12.7*
Korea	80.3	86.1	120.3	116.5	113.6	111.9	**104.9**	**105.0**	**106.2**	*112.5*	*119.8*
United States	-737.2	-776.6	-793.5	-777.1	-841.4	-909.3	**-929.3**	**-966.4**	**-999.5**	*-939.8*	*-987.9*
Advanced economies	-441.0	-440.2	-257.8	-175.0	-247.9	-388.3	**-397.6**	**-428.1**	**-471.4**	*-435.2*	*-477.3*
Emerging and developing Asia	216.3	336.3	483.1	423.7	367.5	215.2	**262.7**	**243.9**	**229.1**	*194.2*	*183.3*
- China	359.0	435.0	576.2	488.9	475.9	395.2	**451.7**	**442.9**	**437.7**	*386.8*	*397.9*
- India	-162.6	-144.0	-136.9	-107.5	-148.1	-186.7	**-191.2**	**-195.1**	**-202.0**	*-193.4*	*-208.7*
- Indonesia	5.8	7.0	14.0	15.3	18.8	-0.4	**-3.2**	**-4.2**	**-4.2**	*-0.8*	*-2.8*
CIS	207.6	228.6	150.4	83.1	114.7	202.2	**174.9**	**176.3**	**178.1**	*173.4*	*176.9*
- Russia	182.2	186.8	145.7	90.2	115.4	195.3	**173.9**	**177.1**	**180.2**	*174.6*	*178.6*
- Other CIS	25.4	41.8	4.7	-7.1	-0.7	7.0	**1.0**	**-0.7**	**-2.1**	*-1.2*	*-1.8*
Latin America	10.4	-9.6	-46.9	8.9	41.4	20.4	**44.3**	**44.9**	**38.4**	*31.3*	*29.8*
- Argentina	4.6	5.5	-0.8	4.4	-5.5	-0.9	**15.2**	**23.8**	**23.9**	*11.4*	*14.4*
- Brazil	0.4	-6.6	17.7	44.6	64.0	53.0	**54.6**	**51.6**	**50.0**	*50.9*	*48.5*
- Mexico	-0.9	-2.8	-14.6	-13.1	-11.0	-13.8	**-4.6**	**-5.0**	**-8.3**	*-13.4*	*-14.7*
MENA	589.8	451.7	123.6	75.7	182.7	321.3	**235.1**	**224.6**	**224.7**	*231.2*	*218.7*
- Saudi Arabia	222.6	184.0	44.3	55.8	98.5	168.7	**136.4**	**132.4**	**127.4**	*138.3*	*134.3*
Sub-Saharan Africa	61.8	27.5	-33.8	-11.2	13.6	24.7	**22.8**	**21.3**	**21.6**	*24.2*	*20.9*
- South Africa	-7.2	-5.1	-3.6	2.2	4.9	1.7	**2.1**	**1.6**	**1.6**	*2.1*	*1.6*
Emerging and developing economies	1085.9	1034.5	676.3	580.1	719.9	783.9	**739.9**	**711.1**	**691.9**	*654.3*	*629.5*
World	644.9	594.3	418.5	405.1	472.1	395.5	**342.2**	**283.0**	**220.5**	*219.1*	*152.2*
World excluding EU	467.9	397.5	119.2	95.2	175.9	169.5	**117.5**	**67.4**	**22.5**	*43.5*	*-19.4*
World excluding euro area	312.6	222.4	-35.4	-54.6	25.0	-18.1	**-48.6**	**-98.8**	**-152.9**	*-159.3*	*-231.4*

[1] See note 8 on concepts and sources.

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 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 2019, 2020 and 2021 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 2010). Due to differences in revision schedules of annual and quarterly national accounts, in particular in the context of the Benchmark revisions undertaken this autumn, annual and quarterly figures may not be fully consistent for some Member States. The macroeconomic forecast for Croatia is based on the latest comprehensive national accounts data release available at the cut-off date of the forecast. 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.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 23-29 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, and the Netherlands report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 50, 52, and 62 (Balance of Payments). 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, 61 and 62 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 2017.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility.

10. Geographical zones are defined as follows :

Euro area :
EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK and FI).

European Union :
EU27 (EU excluding UK).

Candidate countries :
Turkey, North Macedonia, Montenegro, Serbia, and Albania.

Potential candidates :
Bosnia-Herzegovina and Kosovo.

Advanced economies :
EU, candidate countries, USA, Canada, Japan, Korea, Hong Kong (SAR), Singapore, Taiwan, Norway, Switzerland, Iceland, Australia and New Zealand.

MENA (Middle East and Northern Africa) :
Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebano Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Emerging and Developing asia :
All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :
All countries in that region.

Sub-Saharan Africa :
All countries in that region except the African MENA countries.

EUROPEAN ECONOMY INSTITUTIONAL PAPERS SERIES

European Economy Institutional Papers series can be accessed and downloaded free of charge from the following address:
https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en?field_eurovoc_taxonomy_target_id_selective=All&field_core_nal_countries_tid_selective=All&field_core_date_published_value[value][year]=All&field_core_tags_tid_i18n=22621.

Titles published before July 2015 can be accessed and downloaded free of charge from:

- http://ec.europa.eu/economy_finance/publications/european_economy/index_en.htm
  (the main reports, e.g. Economic Forecasts)
- http://ec.europa.eu/economy_finance/publications/occasional_paper/index_en.htm
  (the Occasional Papers)
- http://ec.europa.eu/economy_finance/publications/qr_euro_area/index_en.htm
  (the Quarterly Reports on the Euro Area)

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: http://europa.eu/contact.

On the phone or by e-mail

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by electronic mail via: http://europa.eu/contact.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: http://europa.eu.

EU Publications

You can download or order free and priced EU publications from EU Bookshop at: http://publications.europa.eu/bookshop. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see http://europa.eu/contact).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex at: http://eur-lex.europa.eu.

Open data from the EU

The EU Open Data Portal (http://data.europa.eu/euodp/en/data) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.