

Country Economic Forecast

Eurozone

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GDP growth forecast for 2017 revised down slightly, but this year is still set to be the best since the global financial crisis...

...and beyond 2017,

GDP growth is likely to slow only gradually

- While the Eurozone economy gathered a bit of momentum in Q2 and continues to grow by substantially more than its potential rate of growth, the flash Q2 GDP release was nonetheless a bit weaker than we had anticipated. The latter has pushed our GDP growth forecast for 2017 down by 0.1pp to 2.1%, but this would still be the best year of growth since the onset of the global financial crisis.
- The quarterly rise in GDP growth to 0.6% in Q2 was undoubtedly good news for the region. Admittedly, the rise was tinged with a touch of disappointment, reflecting the fact that the outturn was weaker than both the hard and soft data had implied and the pick-up was from a lower base than expected – Q1 growth was revised down to 0.5%. Nonetheless, the fact that GDP growth accelerated is clearly a positive for the region.
- And the big picture is that the economy remains on track to stage robust and broad-based growth over the remainder of this year. The timely surveys remain at levels that suggest that the well above trend pace of growth of H1 can be broadly matched in H2.
- With CPI inflation more likely to fall than rise in the near term and the labour market recovery showing no signs of slowing, household spending is likely to grow at a healthy rate. The positive tone of the export surveys suggests that the solid pace of export growth can also be maintained. And there is evidence that this, along with receding fears of populist-related political uncertainty, may be prompting firms to invest more – for instance, the ECB's Q3 bank lending survey pointed to a sharp increase in demand for loans from firms to fund investment.
- Overall, while we have cut our GDP growth forecast for 2017 from 2.2% to 2.1%, we have revised up our 2018 and 2019 forecasts by 0.1pp to 1.9% and 1.6% respectively, implying a further sustained period of above potential GDP growth.

Forecast for Eurozone						
(Annual percentage changes unless specified)						
	2015	2016	2017	2018	2019	2020
Domestic Demand	1.8	2.3	2.0	2.0	1.7	1.5
Private Consumption	1.8	2.0	1.6	1.6	1.4	1.3
Fixed Investment	2.9	4.1	2.6	3.1	2.6	2.2
Stockbuilding (% of GDP)	0.2	0.1	0.4	0.5	0.6	0.6
Government Consumption	1.3	1.8	1.2	1.3	1.2	1.1
Exports of goods and services	6.4	3.2	4.7	3.5	3.0	2.7
Imports of goods and services	6.6	4.6	4.5	3.9	3.3	3.0
GDP	1.9	1.7	2.1	1.9	1.6	1.4
Industrial Production	2.1	1.4	2.2	1.8	1.4	1.3
Consumer Prices	0.0	0.2	1.5	1.3	1.8	1.9
Current Balance (% of GDP)	3.2	3.5	3.4	3.0	2.7	2.5
Government Budget (% of GDP)	-2.1	-1.6	-1.0	-0.9	-0.9	-0.8
Short-Term Interest Rates (%)	0.0	-0.3	-0.3	-0.3	-0.2	0.1
Long-Term Interest Rates (%)	1.2	0.9	1.2	1.6	1.9	2.1
Exchange rate (US\$ per Euro)	1.11	1.11	1.13	1.20	1.20	1.21
Exchange rate (YEN per Euro)	134.3	120.3	126.4	135.3	139.5	140.5

Forecast overview

Hard data follow surveys higher

The acceleration in GDP growth to 0.6% in Q2 was certainly a positive sign for the Eurozone – however the improvement was not quite as strong as we had anticipated. In addition, the rate of growth in Q1 was revised from 0.6% to 0.5%. Compared to our estimates from a month ago, GDP growth in H1 was weaker than we had expected.

Given the strength of both the hard and soft data in Q2, we would not be surprised to see last quarter's GDP outturn revised up in due course. But even if it is not, H1 is still undoubtedly a solid platform.

Since Q2, both the composite PMI and EC Economic Sentiment Indicator have weakened, suggesting that the likely quarterly pace of growth might be starting to ease. Note, though, that the falls from their peak are not especially large and have not been sustained for long enough yet to suggest that a turning point in the recovery has clearly been reached. Indeed, the surveys remain close to their H1 averages and at levels consistent on past form with further healthy GDP growth.

Prospects for H2 and beyond remain bright

Looking ahead, we remain confident that the Eurozone can sustain a further period of well above trend growth reflecting the following factors:

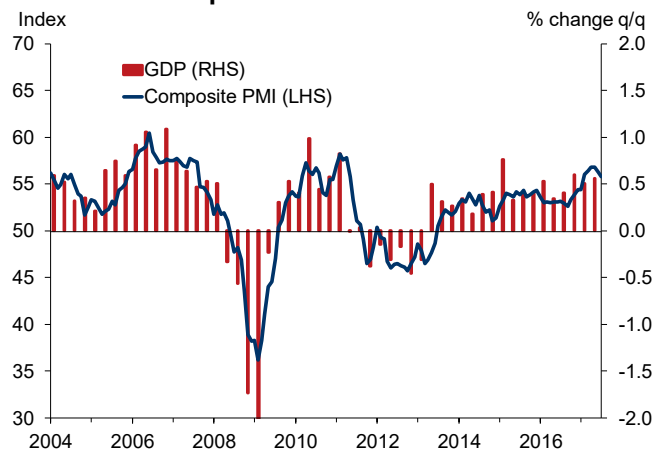
- **Export conditions strengthening, but stronger euro yet to take effect:** in Q2, we expect export volumes to have risen by more than 1% for the fourth time in the past five quarters. And the recent strength of the survey-based measures of firms' export orders bodes well for near-term prospects. However, we expect slower global trade growth along with a further appreciation of the euro against the US dollar to \$1.20 by year end to gradually dampen export volume growth. But our forecast for a 3.5% rise in 2018, down from 4.7% this year, would still be better than the disappointing gain of 3.2% in 2016.
- **Healthy labour market a boon for household spending:** despite the pick-up in CPI inflation in H1, there has not been an especially marked decrease in household spending growth. What is more, in Q1 households increased the amount that they saved, implying that the resilience of spending reflects accelerating nominal income growth. While wage growth

Euro area GDP indicator



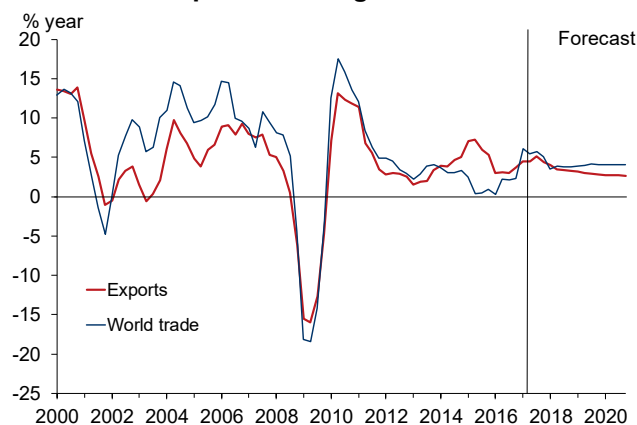
Source: Oxford Economics/Haver Analytics

Eurozone Composite PMI & GDP



Source: Oxford Economics/Haver Analytics/Markit

Eurozone: Exports & foreign demand



Source: Oxford Economics/Haver Analytics

is still lacklustre and is likely to remain so for a little while yet, rising employment is helping to boost incomes. Indeed, despite the slowdown in the headline business surveys, the measures of firms' employment intentions continue to post new highs. We expect household spending growth to ease from 2.0% in 2016 to a still very respectable 1.6% both this year and next.

- Investment joining the recovery:** buoyant business sentiment, healthy export growth, reduced fears of populism, the continued strength of bank lending to firms, particularly at longer maturities, all suggest that investment could play a fuller role in the economic recovery over the coming quarters. The headline investment data are somewhat distorted by the sharp swings in Irish investment, but the big picture is that we see robust growth in investment of 2.6% in 2017 and 3.1% in 2018.

Overall, we now expect GDP growth in 2017 of 2.1%, down from 2.2% a month ago, but still markedly higher than we had anticipated a few months ago. In 2018 and 2019, we see growth of 1.9% and 1.6%, 0.1 percentage points (pp) above our July forecasts.

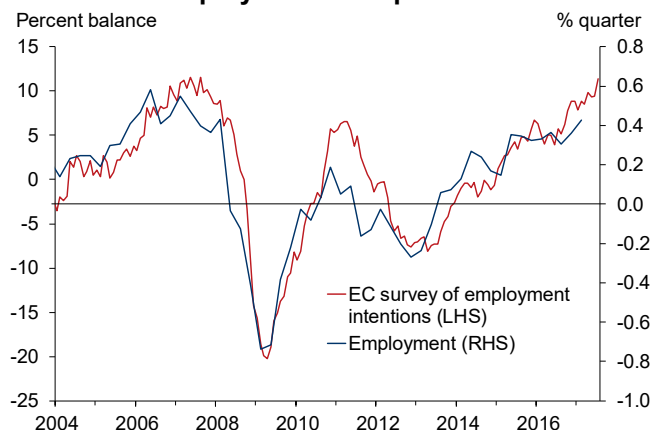
ECB still seen tightening policy only gradually

The strength of activity this year will almost certainly prompt the ECB to scale back QE next year. While at first sight the pick-up in core CPI inflation to 1.2% in July could raise the pressure on the ECB to announce a fast unwind of QE, the euro's recent strength will also prompt caution and make the ECB wary of triggering further unwarranted policy tightening. On balance, we expect a 'gently does it' approach.

Recent Governing Council comments have struck a very dovish tone and suggest that the ECB will avoid setting a definite end date for QE purchases, giving the ECB greater flexibility to react to shocks. Indeed, a decision in September, which most ECB watchers have long considered the most likely meeting for the ECB to announce its 2018 QE plans, is by no means inevitable. It seems that the ECB may choose to buy itself more time to see how the economy and inflation is developing before it finalises a plan.

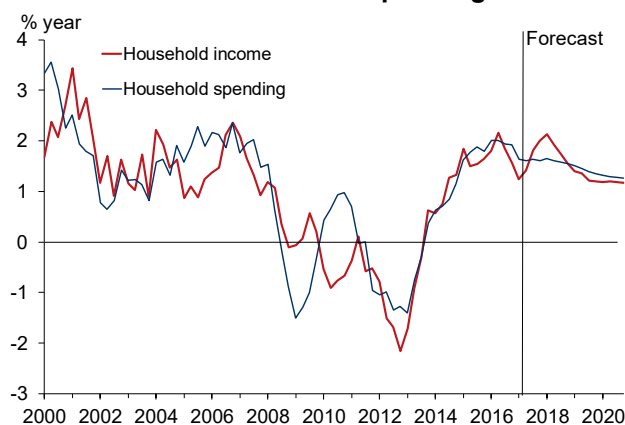
Our view remains that the ECB will announce this autumn that it will purchase assets worth €40bn per month for a six-month period from January 2018. Thereafter, we expect the ECB to reduce purchases to €20bn a month in the summer before finally terminating quantitative easing by end-2018.

Eurozone: Employment & emp. intentions



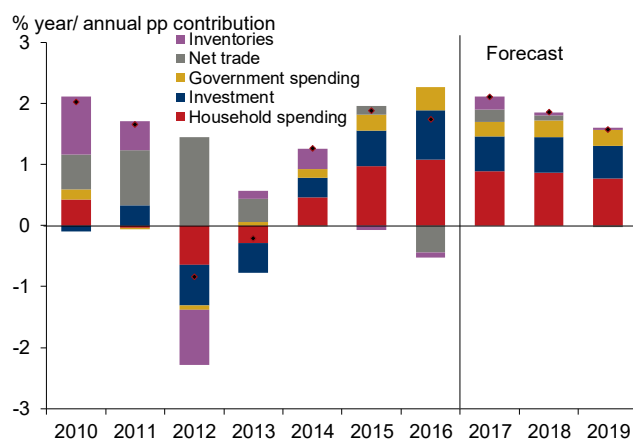
Source : Oxford Economics/Haver Analytics

Eurozone: Real household spending & income



Source : Oxford Economics/Haver Analytics

Eurozone: GDP



Source: Haver Analytics/Oxford Economics

What to watch out for

Receding political uncertainty supports growth: stronger global demand and easing fears about the election of populist governments could prompt increasingly confident businesses to raise investment spending more sharply than assumed in our baseline.

Stronger euro stunts exports: the run of positive news from the Eurozone has prompted the euro to climb sharply this year and we expect further rises. While we assume that this acts as a drag on export growth, a sharper rise – particularly if policymakers abroad become more dovish – could mean net trade is a drag on GDP next year.

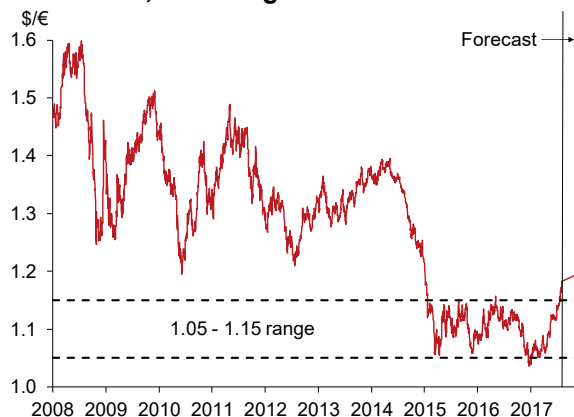
Monetary policy tightening: we expect the ECB to adopt a cautious approach to monetary tightening. But if underlying inflation pressures start to grow, the previously hawkish central bank could surprise markets to the upside, pushing bond yields and the euro higher, which in turn could slow growth.

Exposure to key global risks

Cyclical recovery in world trade: in this scenario, optimism over near-term growth prospects increases globally, as the strength of activity in China and the US supports a continuation of the resurgent growth in trade seen in recent months. Investment expenditure picks up accordingly and investor confidence in emerging markets improves too. Stronger external demand prompts Eurozone GDP growth of 2.6% next year and 2.4% in 2019. Within the currency bloc, the economies most open to trade should benefit the most from such a shock.

Populist victory in Italy: we assume Italian legislative elections are held in April 2018 and a new populist coalition government declares that it intends to hold a euro membership referendum. The market response is immediate and severe and prompts a sharp sell-off in Italian and peripheral bond markets, the euro plunges to near parity against the dollar and policy normalisation is delayed. Confidence and tighter credit conditions prompt a substantial economic slowdown and Eurozone GDP growth slows to 1.4% in 2018 and just 0.5% the following year.

Dollar/Euro, including OE forecasts



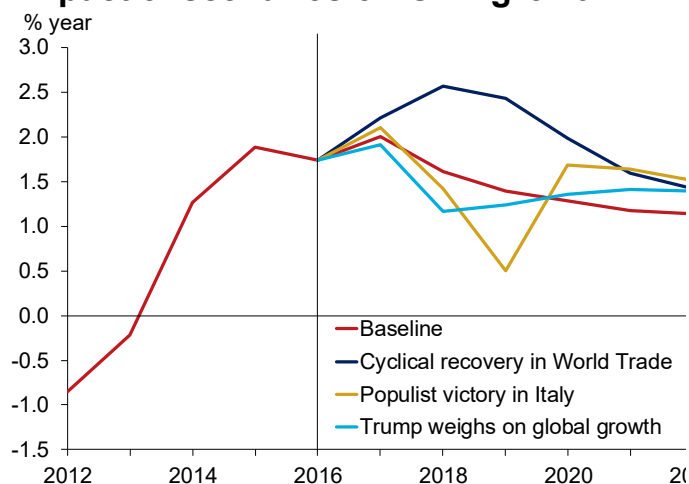
Source : Oxford Economics/Haver Analytics

Impact of scenarios on GDP growth

Average annual impact over the next 5 years (% points)



Impact of scenarios on GDP growth



Source : Oxford Economics

Long-term prospects

Very slow recovery from crises

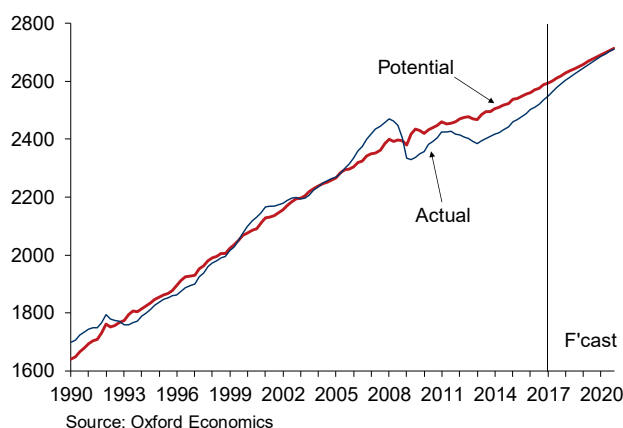
The global and Eurozone crises will leave their mark on growth for years to come. We now estimate that the Eurozone's potential growth rate is only 1.1%, similar to our estimate for the past decade but far lower than 1.8% in the ten years to 2008.

While credit availability is improving, it is unlikely to be as free-flowing as in the pre-crisis years, hindering investment and the efficiency of capital allocation in the economy. Moreover, high unemployment for a prolonged period, especially among the young, will have long-lasting negative effects on skill levels and the ability to work. Combined with a shrinking working-age population (despite increases in the retirement age), these factors imply that availability and quality of labour will be constrained compared with the pre-crisis period. These constraints will only be partly offset by further increases in the participation rate.

Some of the reforms implemented in the peripheral countries should help raise Eurozone productivity growth to at least what it was before 2008. But much more will be needed to offset other negative trends.

Eurozone: Actual & potential output

Euro bn 2010 prices



Potential GDP and Its Components Average Percentage Growth

	2006-2015	2016-2025
Potential GDP*	1.1	1.1
Employment at NAIRU	0.6	0.3
Capital Stock	1.4	1.2
Total Factor Productivity	0.2	0.5
* $\ln(\text{Potential GDP}) = 0.65 \cdot \ln(\text{Employment at NAIRU}) + 0.35 \cdot \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$		

Long-Term Forecast for Eurozone

(Average annual percentage change unless otherwise stated)

	2006-2010	2011-2015	2016-2020	2021-2025
GDP	0.8	0.7	1.8	1.1
Consumption	0.8	0.2	1.6	1.2
Investment	-0.6	0.1	2.9	1.5
Government Consumption	2.0	0.4	1.3	1.1
Exports of Goods and Services	2.7	4.5	3.4	2.4
Imports of Goods and Services	2.6	3.3	3.9	2.5
Unemployment (%)	8.7	11.2	8.7	7.3
Consumer Prices	1.9	1.4	1.3	1.9
Current Balance (% of GDP)	-0.3	1.9	3.0	2.2
Exchange Rate (US\$ per Euro)	1.36	1.29	1.17	1.22
General Government Balance (% of GDP)	-3.3	-3.1	-1.0	-0.6
Short-term Interest Rates (%)	2.8	0.5	-0.2	0.9
Long-term Interest Rates (%)	4.0	2.9	1.6	2.9
Working Population	0.3	0.2	0.1	-0.1
Labour Supply	0.6	0.3	0.3	0.0
Participation Ratio	75.8	76.6	77.0	77.6
Labour Productivity	0.4	0.6	0.8	0.9

Background

Economic development

The creation of a single European currency was achieved in 1999, with notes and coins being introduced in 2002. The eleven initial members were Germany, France, Italy, Finland, Ireland, Netherlands, Belgium, Luxembourg, Austria, Portugal and Spain, with Greece joining European Monetary Union (EMU) in 2001 and introducing notes and coins at the same time as the other countries. Since then, Slovenia (2007), Malta (2008), Cyprus (2008), Slovakia (2009), Estonia (2011), Latvia (2014) and Lithuania (2015) have joined the currency bloc. During the early years of the single currency, the peripheral economies were the main drivers of growth, as lower interest rates fuelled credit and housing booms in some of the economies (e.g. Spain and Ireland), while others, most notably Greece, saw a surge in net government spending. Since the global financial crisis these economies have had to go through a painful period of restructuring. Germany, which went through its own restructuring following the formation of the Eurozone, has more recently been the main growth engine.

Structure of the economy

Like most developed economies, services is the dominant sector of the economy. Within the region there are large structural differences between countries, and generally the smaller northern economies are more open to trade than their southern counterparts.

Balance of payments and structure of trade

Prior to the global financial crisis, the Eurozone current account was broadly in balance. But the headline figure masked huge intra-area divergences. Surpluses in many core economies were offset by large deficits in the booming peripheral economies. Since the global financial crisis, the latter's current account positions have improved, while the German current account surplus has widened, pushing the Eurozone surplus above 3% of GDP in 2015. There are strong trade linkages within the currency bloc; around 45% of exports remain within the Eurozone.

Policy

Member states have passed control of monetary policy to the European Central Bank (ECB), whose objective is to achieve price stability by targeting CPI inflation of "below, but close to, 2%". While the ECB cut interest rates in the aftermath of the global financial crisis, it was rather more conservative than other central banks such as the US Federal Reserve and the Bank of England and expanded its balance sheet less aggressively. Since Mario Draghi became ECB President in 2011, the ECB has taken bolder action to support the economy and boost inflation. In January 2015, the ECB finally began its own QE programme.

National governments retain control of fiscal policy, although there are limits to their freedom in this area as specified in the Stability and Growth Pact (SGP), which essentially applies the fiscal requirements of the Maastricht Treaty on an ongoing basis. Economies have consistently flouted the rules and the rules have at various points been ignored or modified. A key criticism of the rules is that they have led to pro-cyclical fiscal policies.

The fall-out from the financial crisis, and in particular the troubled fiscal situation faced by Greece, Italy, Ireland, Portugal, Slovenia, Cyprus and Spain, showed the limitations of the fiscal framework behind the single currency. The possibility of a debt default by Greece, coupled with the threat of contagion to Italy and Spain, put Eurozone leaders under immense pressure to come up with a rescue plan that would prevent the collapse of the single currency. However, there remain significant differences of opinion among the largest members regarding who should carry the burden and what mechanisms should be used to provide financial support to the European banking system. Measures that have taken place are a move towards a banking union in a bid to sever the links between banks and their sovereigns. But political hurdles to closer integration and debt burden sharing remain very high, so changes to the Eurozone's structure and institutions are likely to be slow at best.

Country Economic Forecast | Eurozone

Data & Forecasts

Key Indicators: Eurozone								
Percentage changes on a year earlier unless otherwise stated								
	Industrial production	Unemployment %	CPI	Business confidence (% balance)	Consumer confidence (% balance)	Exports	Imports	Trade balance (€ bn)
Jul	-0.4	10.0	0.2	0.4	-8	-9.3	-7.8	24.8
Aug	2.3	9.9	0.2	0.1	-9	8.6	4.6	17.3
Sep	1.4	9.9	0.4	0.4	-8	2.2	-1.2	24.4
Oct	0.8	9.8	0.5	0.6	-8	-4.5	-2.9	19.4
Nov	3.1	9.7	0.6	0.4	-6	5.5	5.7	23.9
Dec	2.3	9.6	1.1	0.8	-5	6.1	4.7	27.8
2017								
Jan	0.2	9.6	1.8	0.8	-5	12.6	17.3	-1.1
Feb	1.4	9.5	2.0	0.8	-6	5.1	7.0	16.4
Mar	2.3	9.4	1.5	0.8	-5	14.5	16.6	29.3
Apr	1.2	9.2	1.9	1.1	-4	-2.1	4.3	16.8
May	3.9	9.2	1.4	0.9	-3	12.9	16.4	21.4
Jun	-	9.1	1.3	1.2	-1	-	-	-
Jul	-	-	1.3	1.1	-2	-	-	-

Financial Indicators: Eurozone								
Percentage changes on a year earlier unless otherwise stated								
	Short rate %	Long rate %	Money Supply M3	Exchange rate \$/€ avg.	Exchange rate €/£	Nominal effective exch. Rate	Share price DJ STOXX	Net FDI €bn
Jul	-0.29	0.62	5.1	1.11	1.19	97.1	2991	26.6
Aug	-0.30	0.61	5.0	1.12	1.17	97.7	3023	55.7
Sep	-0.30	0.74	5.1	1.12	1.17	97.8	3002	52.9
Oct	-0.31	0.78	4.5	1.10	1.12	98.3	3055	35.5
Nov	-0.31	1.23	4.7	1.08	1.15	97.3	3052	-7.4
Dec	-0.32	1.29	5.0	1.05	1.18	96.0	3291	-10.8
2017								
Jan	-0.33	1.31	4.8	1.06	1.16	96.5	3231	-12.3
Feb	-0.33	1.45	4.6	1.06	1.17	95.8	3320	32.4
Mar	-0.33	1.46	5.3	1.07	1.15	96.5	3501	16.6
Apr	-0.33	1.26	4.9	1.07	1.18	96.2	3560	20.2
May	-0.33	1.18	4.9	1.11	1.17	98.4	3555	4.1
Jun	-0.33	1.07	5.0	1.12	1.14	99.6	3442	-
Jul	-0.33	1.21	-	1.15	1.13	101.2	3449	-

Country Economic Forecast | Eurozone

EUROZONE											
TABLE 1 SUMMARY ITEMS											
Annual Percentage Changes, Unless Otherwise Specified											
	CONSUMERS EXPENDITURE	GROSS FIXED INVESTMENT	DOMESTIC DEMAND (%)	REAL GDP	INDUSTRIAL PRODUCTION	UNEMPLOYMENT RATE (%)	AVERAGE EARNINGS	WHOLE ECONOMY PRODUCTIVITY (GDP/ET)	COMPETITIVENESS (2008=100)	PRODUCER PRICES	CONSUMER PRICES
	(C)	(IF)	(DOMD)	(GDP)	(IP)	(UP)	(ER)	(GDP/ET)	(MON)	(PPI)	(CPI)
YEARS BEGINNING Q1											
2015	1.8	2.9	1.8	1.9	2.1	10.9	1.4	0.9	5.7	-1.9	0.0
2016	2.0	4.1	2.3	1.7	1.4	10.0	1.5	0.4	5.0	-2.0	0.2
2017	1.6	2.6	2.0	2.1	2.2	9.1	2.0	0.7	5.1	2.9	1.5
2018	1.6	3.1	2.0	1.9	1.8	8.5	2.7	1.0	4.5	0.9	1.3
2019	1.4	2.6	1.7	1.6	1.4	8.1	2.7	1.0	4.0	1.8	1.8
2020	1.3	2.2	1.5	1.4	1.3	7.8	2.8	1.0	3.7	1.9	1.9
2015											
Q1	1.6	2.1	1.6	1.8	1.9	11.2	1.3	0.9	5.9	-2.2	-0.3
Q2	1.8	2.8	1.4	1.9	1.8	11.0	1.5	1.0	6.2	-1.1	0.2
Q3	1.9	3.1	1.9	1.9	2.5	10.7	1.4	0.9	5.9	-1.9	0.1
Q4	1.8	3.8	2.3	1.9	2.1	10.5	1.4	0.7	4.9	-2.4	0.2
2016											
Q1	2.0	2.6	2.1	1.7	1.5	10.3	1.6	0.3	4.8	-3.2	0.0
Q2	2.0	5.3	2.5	1.7	1.1	10.1	1.3	0.3	5.0	-3.6	-0.1
Q3	1.9	4.2	2.2	1.7	1.1	9.9	1.5	0.4	5.1	-1.9	0.3
Q4	1.9	4.2	2.3	1.9	2.1	9.7	1.6	0.5	5.1	0.6	0.7
2017											
Q1	1.6	3.5	1.9	1.9	1.3	9.5	1.5	0.4	5.4	4.0	1.8
Q2	1.6	1.9	2.0	2.1	2.6	9.2	2.1	0.7	4.8	3.3	1.5
Q3	1.6	2.9	2.1	2.3	2.7	9.0	2.2	0.9	5.3	2.6	1.3
Q4	1.6	2.4	1.9	2.2	2.2	8.8	2.4	0.9	4.9	1.6	1.3
2018											
Q1	1.7	3.6	2.2	2.1	2.5	8.7	2.6	1.1	4.6	0.3	1.0
Q2	1.6	3.1	2.0	2.0	1.7	8.5	2.6	1.1	4.8	0.9	1.2
Q3	1.6	2.9	1.9	1.8	1.5	8.4	2.7	1.0	4.5	1.1	1.4
Q4	1.5	2.8	1.8	1.7	1.4	8.3	2.7	1.0	4.3	1.4	1.6
2019											
Q1	1.5	2.7	1.8	1.7	1.4	8.2	2.7	1.0	4.1	1.6	1.7
Q2	1.4	2.6	1.7	1.6	1.4	8.1	2.7	1.0	4.0	1.7	1.7
Q3	1.4	2.6	1.7	1.6	1.4	8.1	2.7	1.0	4.0	1.8	1.8
Q4	1.3	2.5	1.7	1.5	1.4	8.0	2.8	1.0	3.9	1.9	1.9
2020											
Q1	1.3	2.3	1.6	1.5	1.4	7.9	2.8	1.0	3.8	1.9	1.9
Q2	1.3	2.2	1.5	1.4	1.4	7.8	2.8	1.0	3.7	1.9	1.9
Q3	1.3	2.1	1.5	1.4	1.3	7.8	2.8	1.0	3.6	1.9	1.9
Q4	1.3	2.0	1.4	1.3	1.3	7.7	2.8	1.0	3.6	1.9	1.9

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EUROZONE											
TABLE 2 SUMMARY ITEMS											
	TRADE BALANCE (EURO BN)	CURRENT ACCOUNT (EURO BN)	CURRENT ACCOUNT (% OF GDP)	GOVERNMENT FINANCIAL BALANCE (EURO BN)	GOVERNMENT FINANCIAL BALANCE (% OF GDP)	SHORT-TERM INTEREST RATE	LONG-TERM INTEREST RATE	REAL SHORT-TERM INTEREST RATE	REAL LONG-TERM INTEREST RATE	EXCHANGE RATE US DOLLAR PER EURO	EFFECTIVE EXCHANGE RATE 2010=100
	(BVI)	(BCU)	(BCU*100 /GDP)	(GB)	(GB*100 /GDP)	(RSH)	(RLG)	(Note 1)	(Note 1)	(RXD)	(RX)
YEARS BEGINNING Q1											
2015	238.1	336.2	3.21	-217.3	-2.08	-0.02	1.21	-0.05	1.18	1.11	114.9
2016	266.2	373.0	3.48	-166.5	-1.55	-0.26	0.86	-0.51	0.62	1.11	119.1
2017	257.7	378.0	3.41	-114.2	-1.03	-0.33	1.18	-1.79	-0.28	1.13	121.7
2018	259.2	343.3	3.00	-102.2	-0.89	-0.32	1.64	-1.64	0.31	1.20	125.1
2019	235.3	315.4	2.66	-101.2	-0.85	-0.20	1.92	-1.99	0.13	1.20	124.5
2020	220.6	299.6	2.45	-94.5	-0.77	0.06	2.15	-1.86	0.23	1.21	124.2
2015											
Q1	57.2	83.0	3.20	-58.6	-2.26	0.05	1.01	0.36	1.33	1.13	114.9
Q2	59.8	80.2	3.08	-56.0	-2.15	-0.01	1.28	-0.20	1.09	1.11	112.6
Q3	58.1	90.8	3.46	-53.0	-2.02	-0.03	1.36	-0.12	1.27	1.11	116.1
Q4	63.0	82.2	3.11	-49.7	-1.88	-0.09	1.19	-0.26	1.02	1.10	116.1
2016											
Q1	65.0	96.0	3.61	-46.1	-1.74	-0.19	1.04	-0.23	1.00	1.10	119.0
Q2	71.4	105.9	3.96	-42.7	-1.60	-0.26	0.88	-0.17	0.97	1.13	119.5
Q3	65.6	95.0	3.54	-39.9	-1.49	-0.30	0.61	-0.57	0.34	1.12	119.3
Q4	64.3	76.0	2.80	-37.7	-1.39	-0.31	0.93	-1.05	0.19	1.08	118.7
2017											
Q1	54.9	90.8	3.33	-35.2	-1.29	-0.33	1.21	-2.09	-0.55	1.06	117.8
Q2	60.7	109.7	3.98	-30.1	-1.09	-0.33	1.10	-1.85	-0.42	1.10	119.4
Q3	71.1	98.7	3.55	-23.5	-0.84	-0.33	1.16	-1.64	-0.15	1.17	124.4
Q4	71.1	78.8	2.81	-25.4	-0.90	-0.32	1.27	-1.60	-0.01	1.19	125.4
2018											
Q1	65.8	77.3	2.73	-28.3	-1.00	-0.32	1.48	-1.35	0.45	1.20	125.5
Q2	62.1	106.1	3.72	-26.5	-0.93	-0.32	1.62	-1.57	0.38	1.20	125.3
Q3	65.8	91.2	3.17	-22.8	-0.79	-0.32	1.68	-1.74	0.27	1.20	125.0
Q4	65.5	68.7	2.37	-24.5	-0.85	-0.32	1.76	-1.91	0.17	1.20	124.7
2019											
Q1	59.8	70.4	2.41	-28.4	-0.97	-0.27	1.83	-2.01	0.09	1.20	124.6
Q2	56.4	99.2	3.37	-26.3	-0.89	-0.22	1.89	-1.94	0.17	1.20	124.5
Q3	59.1	83.3	2.80	-22.5	-0.76	-0.17	1.96	-2.01	0.12	1.20	124.5
Q4	60.1	62.4	2.08	-24.0	-0.80	-0.12	2.02	-1.98	0.16	1.20	124.4
2020											
Q1	54.8	66.3	2.20	-27.8	-0.92	-0.02	2.07	-1.92	0.17	1.20	124.3
Q2	51.5	94.3	3.10	-24.5	-0.81	0.08	2.12	-1.84	0.20	1.21	124.2
Q3	56.1	80.2	2.61	-21.3	-0.69	0.08	2.17	-1.83	0.26	1.21	124.1
Q4	58.2	58.9	1.91	-20.8	-0.67	0.08	2.22	-1.85	0.29	1.21	124.0

Note 1 : REAL INTEREST RATES = Nominal interest rate (RSH or RLG) - % change in CPI

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Long-Term Forecast for Eurozone

Annual percentage changes unless otherwise specified

	2006-2015	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
GDP	0.8	-0.8	-0.2	1.3	1.9	1.7	2.1	1.9	1.6	1.4	1.2	1.2	1.1	1.1	1.0	1.4
Consumption	0.5	-1.2	-0.5	0.8	1.8	2.0	1.6	1.6	1.4	1.3	1.2	1.2	1.2	1.1	1.1	1.4
Investment	-0.3	-3.3	-2.4	1.6	2.9	4.1	2.6	3.1	2.6	2.2	1.9	1.6	1.4	1.3	1.2	2.2
Government Consumption	1.2	-0.3	0.3	0.7	1.3	1.8	1.2	1.3	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.2
Exports of Goods and Services	3.6	2.8	2.2	4.4	6.4	3.2	4.7	3.5	3.0	2.7	2.6	2.6	2.5	2.3	2.2	2.9
Imports of Goods and Services	2.9	-0.7	1.4	4.8	6.6	4.6	4.5	3.9	3.3	3.0	2.8	2.7	2.5	2.4	2.2	3.2
Unemployment (%)	9.9	11.4	12.0	11.6	10.9	10.0	9.1	8.5	8.1	7.8	7.6	7.4	7.3	7.1	7.0	8.0
Consumer Prices	1.7	2.5	1.3	0.4	0.0	0.2	1.5	1.3	1.8	1.9	2.0	2.0	2.0	1.9	1.9	1.6
Current Balance (% of GDP)	0.8	1.4	2.2	2.5	3.2	3.5	3.4	3.0	2.7	2.5	2.3	2.2	2.2	2.1	2.1	2.6
Exchange Rate (US\$ per Euro)	1.33	1.28	1.33	1.33	1.11	1.11	1.13	1.20	1.20	1.21	1.21	1.21	1.22	1.22	1.22	1.19
General Government Balance (% of GDP)	-3.2	-3.6	-3.0	-2.6	-2.1	-1.6	-1.0	-0.9	-0.9	-0.8	-0.7	-0.6	-0.6	-0.5	-0.5	-0.8
Short-term Interest Rates (%)	1.6	0.6	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.2	0.1	0.3	0.6	0.8	1.1	1.6	0.3
Long-term Interest Rates (%)	3.4	3.9	3.0	2.0	1.2	0.9	1.2	1.6	1.9	2.1	2.4	2.7	2.9	3.1	3.3	2.2
Working Population	0.2	0.2	0.3	0.1	0.2	0.3	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	0.0
Labour Supply	0.5	0.8	0.1	0.1	0.2	0.5	0.4	0.2	0.2	0.1	0.1	0.1	0.0	0.0	-0.1	0.1
Participation Ratio (%)	76.2	76.7	76.6	76.6	76.6	76.7	76.8	77.0	77.1	77.3	77.4	77.5	77.6	77.7	77.8	77.3
Labour productivity	0.5	-0.4	0.4	0.7	0.9	0.4	0.7	1.0	1.0	1.0	0.9	0.9	0.9	0.9	1.0	0.9
Employment	0.3	-0.4	-0.6	0.5	1.0	1.4	1.4	0.9	0.6	0.4	0.3	0.2	0.2	0.1	0.0	0.5
Output gap (% of potential GDP)	-1.2	-2.8	-3.6	-3.5	-2.9	-2.2	-1.4	-0.8	-0.4	-0.2	0.0	0.0	0.1	0.1	0.1	-0.5

Key Facts

Politics

President of the ECB: Mario DRAGHI
 Vice president of the ECB: Vítor CONSTANCIO
 EC commissioner for Economic and Financial Affairs:
 Pierre MOSCOVICI
 Chairman of Euro Group of Finance Ministers:
 Jeroen Dijsselbloem

Long-term economic & social development

	1980	1990	2000	2015*
GDP per capita (US\$)	-	18315	20755	34592
Inflation (%)	9.9	4.2	2.2	0.0
Population (mn)	302	303	313	335
Urban population (% of total)	69.9	71.3	72.6	75.9
Life expectancy (years)	73.5	75.9	78.3	82.1

Source : Oxford Economics & World Bank



Source : ECB

Member countries: Germany, France, Italy, Finland, Ireland, Netherlands, Belgium, Luxembourg, Austria, Portugal, Spain, Greece, Slovenia, Malta, Cyprus, Slovakia, Estonia, Latvia & Lithuania

Structure of GDP by output

	2015
Agriculture	1.7%
Industry	24.7%
Services	73.6%

Source : World Bank

* 2015 or latest available year

Corruption perceptions index 2016

	Score
Developed economies (average)	75.3
Emerging economies (average)	38.0
Eurozone	68.2

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

Structural economic indicators

	1990	1995	2000	2015*
Current account (US\$ billion)	4	22	-96	373
Trade balance (US\$ billion)	-21	65	-31	264
FDI (US\$ billion)	-	-	35	-132
Govt budget (% of GDP)	-4	-7	0	-2
Govt debt (% of GDP)	14	67	67	91
Long-term interest rate	10	9	5	1
Oil production (000 bpd)	264	304	232	214
Oil consumption (000 bpd)	9716	10478	10930	9366

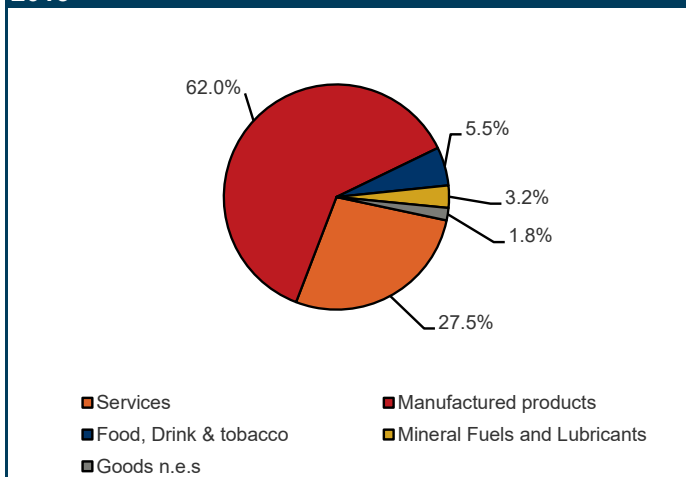
Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2015

Eurozone	83.7%
UK	13.4%
US	13.6%
China	6.8%
Switzerland	5.7%
Poland	5.7%

Source : Eurostat \ Haver Analytics

Composition of extra-EMU goods & services exports 2015



Source : Eurostat \ Haver Analytics