

# Country Economic Forecast

## Eurozone

### Economist

Ángel Talavera

Senior Eurozone Economist

+44 (0) 20 3910 8014

- **Survey data continue to suggest the Eurozone is enjoying its best growth ever, and some of the hard data that had been lagging are now catching up as well. This has led to a new set of GDP revisions which are likely to have taken 2017 growth to 2.5%. On the monetary policy front, we now expect a period of calm following the cut in QE purchases that started this month.**
- The persistent gap between the levels of growth suggested by surveys and actual hard data was a constant theme in 2017, but partly resolved with repeated revisions to initial GDP estimates. Q3 GDP growth was raised to 0.7% (from 0.6% previously), primarily due to stronger external accounts; a large upward revision to exports and a downgrade to imports meant that net trade added 0.5 percentage points to growth.
- While survey indicators continue to overstate the pace of growth, it is undeniable that the Eurozone economy is in rude health. Some of the hard data – which had been lagging somewhat in earlier months – had a strong bounce in November. Both industrial production and retail sales posted very strong numbers and are set to experience a buoyant Q4, providing a more consistent growth picture.
- Inflation edged down to 1.4% in December, whereas core inflation remained stuck at 0.9%. We still expect inflation to moderate in early 2018 as the impact of the stronger euro on imported prices is fully felt, but the recent rise in oil prices means that the fall will be milder than previously thought. Nevertheless, the dip will be transitory and inflation should trend upwards again in H2 this year.
- Our 2018 GDP growth forecast remains unchanged this month at 2.2%. For 2019, we see GDP growth at 1.8% (up from the previous 1.7%).

**Our forecast remains stable; we expect 2018 to be another strong year for the Eurozone**

<b>Forecast for Eurozone</b>						
(Annual percentage changes unless specified)						
	2016	2017	2018	2019	2020	2021
<b>Domestic Demand</b>	2.3	2.1	2.3	1.8	1.5	1.3
Private Consumption	2.0	1.9	1.9	1.6	1.3	1.2
Fixed Investment	4.5	3.3	3.6	2.7	2.2	1.8
Stockbuilding (% of GDP)	0.2	0.3	0.5	0.6	0.6	0.5
Government Consumption	1.7	1.1	1.2	1.2	1.1	1.1
<b>Exports of goods and services</b>	3.3	4.9	4.3	3.6	3.2	2.7
<b>Imports of goods and services</b>	4.7	4.4	4.7	3.9	3.4	2.9
<b>GDP</b>	1.8	2.5	2.2	1.8	1.5	1.2
<b>Industrial Production</b>	1.5	2.7	2.9	2.0	1.6	1.3
<b>Consumer Prices</b>	0.2	1.5	1.4	1.8	1.9	1.9
<b>Current Balance (% of GDP)</b>	3.4	3.5	3.3	3.1	3.0	2.9
<b>Government Budget (% of GDP)</b>	-1.5	-1.0	-0.8	-0.9	-0.9	-0.8
<b>Short-Term Interest Rates (%)</b>	-0.3	-0.3	-0.3	-0.1	0.3	0.3
<b>Long-Term Interest Rates (%)</b>	0.9	1.1	1.3	1.7	2.1	2.4
<b>Exchange rate (US\$ per Euro)</b>	1.11	1.13	1.22	1.25	1.25	1.25
<b>Exchange rate (YEN per Euro)</b>	120.3	126.7	137.9	144.9	145.6	145.7

## Forecast overview

### Q3 growth revised up to 0.7%

GDP growth in Q3 was revised up from 0.6% to 0.7%. This follows a consistent trend over the past year, which saw the initial GDP flash estimate being revised up by 0.1-0.2% a quarter. The upgrade came via a revision to the external accounts, which saw exports growing more than previously reported and imports rising more slowly. This resulted in net trade providing 0.5% points to growth in Q3, matching the figures seen in Q1, the strongest in five years.

The revisions to GDP estimates are helping bridge the gap between the stratospheric survey data and some of the hard data. The EC's Economic Sentiment indicator, the PMIs and the German ifo are all at, or close to, historic highs. Manufacturing data in particular continues to show the industrial sector in full swing, oblivious for now to the effects of the stronger euro. The rebound in both industrial output and retail sales in November, following some weakness in earlier months, suggests they will both enjoy a strong Q4, providing a more consistent growth picture for the Eurozone.

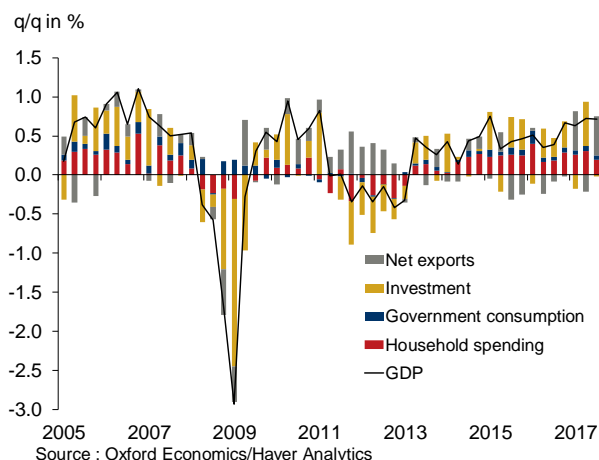
Our GDP indicator – which takes into account both soft and hard data – suggests a 0.6% expansion in Q4. Combined with the revision to earlier GDP data, we estimate the Eurozone economy expanded by 2.5% in 2017 overall (up from a previous 2.4%), the strongest growth in a decade.

### A sustained period of above-trend growth

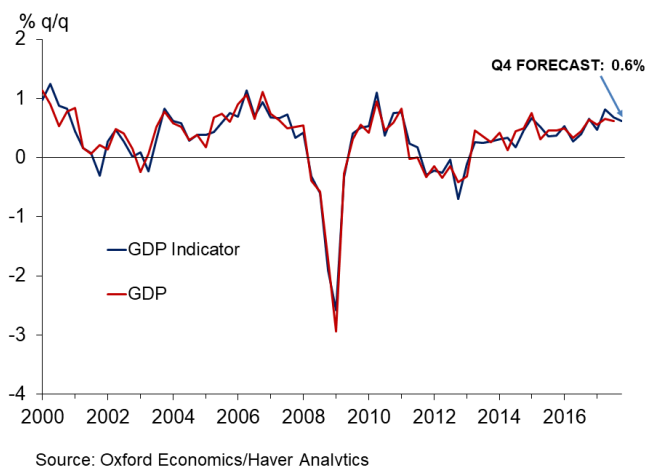
We remain confident that the Eurozone can maintain a period of above-trend GDP growth in 2018 due to the following factors:

- Strong consumer spending amid robust job creation:** consumer spending has been resilient in the face of higher inflation in 2017, mainly the result of strong employment growth. The unemployment rate is at a nine-year low, and we are also witnessing rising workforce participation in a number of countries, a signal of a healthy recovery in labour markets. We have not yet seen signs of strong wage growth despite the improving labour market, but the latest data indicate that this trend may be changing moving into 2018. And with inflation forecast at a moderate 1.4% this year, we expect a pick-up in real income growth to support household purchasing power. As a result, private consumption is seen growing by a solid 1.9% in 2018.

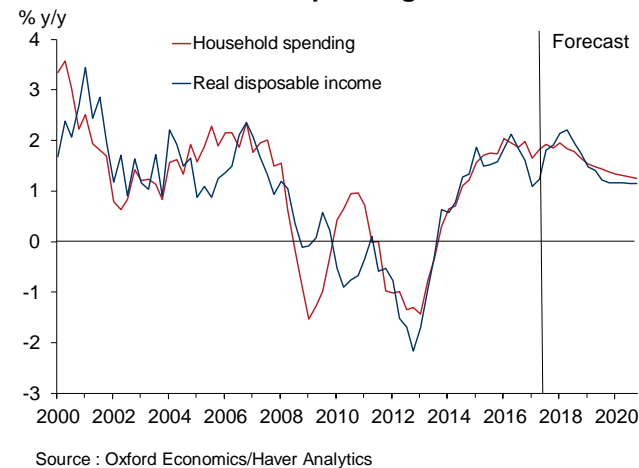
### Eurozone GDP growth contributions



### Euro area GDP indicator



### Eurozone: Consumer spending and income



- Upside risks for investment:** the solid performance of investment in 2017 is no great surprise given buoyant business sentiment, easing fears of populism and the continued strength of bank lending to firms, particularly at longer maturities. We also think the additional push from stronger external demand could mean an additional boost to investment in those countries with a large share of capital goods in their export mix. Our view is that investment growth will accelerate to 3.6% from an estimated 3.3% in 2017, and we think there are upside risks to this forecast.
- Mild slowdown in exports as the euro continues to rise:** the rise in the euro has had a limited impact on exports so far. But with global trade growth expected to moderate in 2018 and the euro going from strength to strength – leading to an upward revision to our forecast to \$1.25 by the end of the year – export volume growth should ease. Accordingly, we expect export growth to slow from an estimated 4.9% in 2017 to a still robust 4.3% in 2018.

Our GDP growth forecast remains unchanged this month at 2.2% for 2018. Growth this year will be entirely driven by the domestic sector, with net trade having a neutral impact on growth. For 2019, we now see GDP growth at 1.8%, up from the previous forecast of 1.7%.

## A period of calm at the ECB

Following the cut in QE purchases to €30bn a month starting this month, we expect a period of relative calm at the ECB. Although the ECB avoided establishing a pre-determined end-date for the programme, the strength of the European economy seems to be slowly shifting the balance of power within the ECB. Communications have become increasingly hawkish in recent weeks, and it is now quite likely that September 2018 will mark the end of the QE programme.

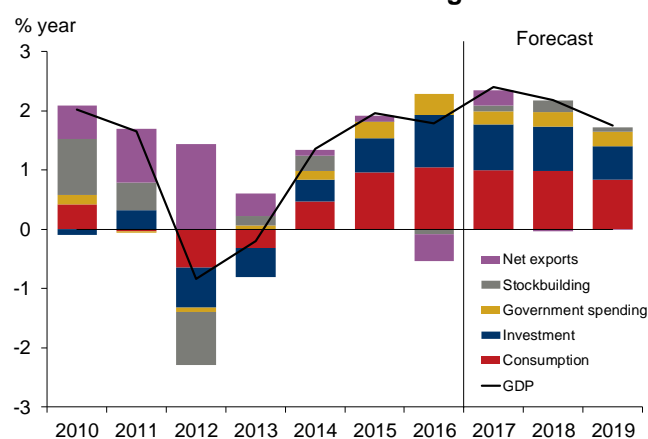
But the fundamental picture of a very gradual exit remains unchanged. Despite strong economic growth, the weak inflation outlook means the ECB will be extremely cautious about withdrawing monetary support. As such, we do not expect interest rates to rise any time soon, with the first hike seen in the second half of 2019.

**Euro dollar exchange rate**



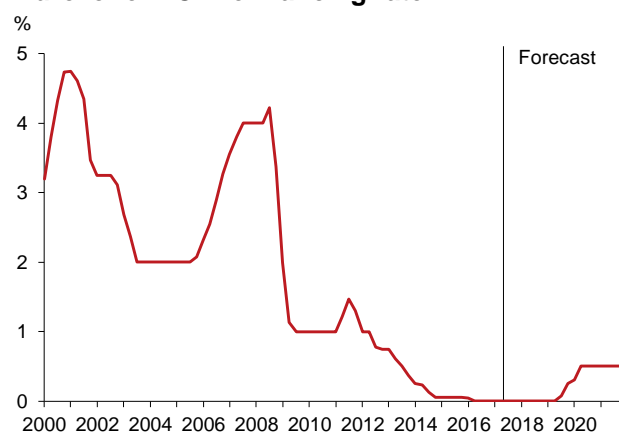
Source : Oxford Economics/Haver Analytics

**Eurozone: Contributions to GDP growth**



Source: Oxford Economics

**Eurozone: ECB refinancing rate**



Source: 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. But political risks are never far away on the continent: Italian elections in 2018, the possibility of a hard Brexit or the Catalan independence crisis are only a few examples.

**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 gains. 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 becomes a drag on GDP going forward.

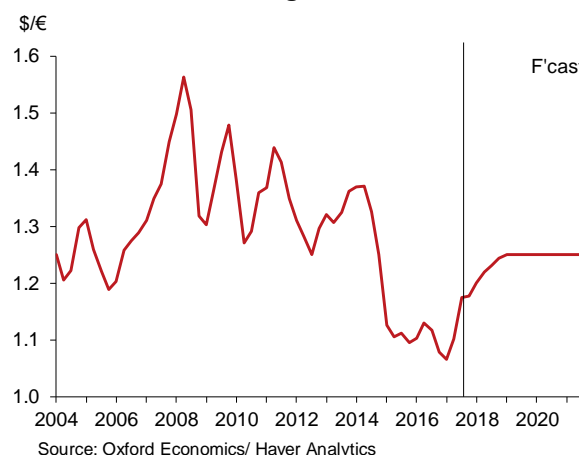
**Monetary policy tightening:** we expect the ECB to adopt a cautious approach to monetary tightening. But if underlying inflation pressures start to grow, the central bank could surprise markets to the upside, pushing bond yields and the euro higher, which in turn could slow growth.

## 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.

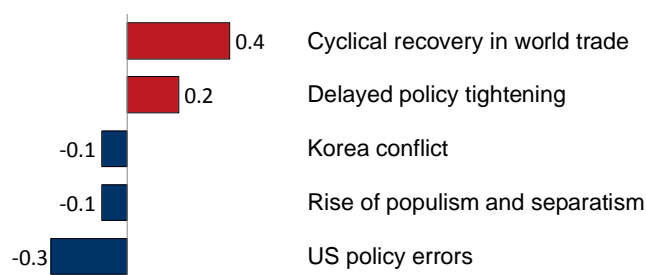
**U.S. policy errors:** while recent US economic data have remained broadly upbeat, uncertainty persists around the policy stance of the Trump administration. In this scenario, we examine such a turn of events. With consumer spending slowing and impeachment risks rising, President Trump is frustrated in his attempts to implement pro-growth policies, such as deregulation and large-scale fiscal stimulus, and proceeds with immigration curbs and deportations. At the same time, he pushes through via executive order protectionist trade measures on Mexico and China, provoking these trading partners into the imposition of matching retaliatory tariffs on US exporters.

## Eurozone: \$/€ exchange rate

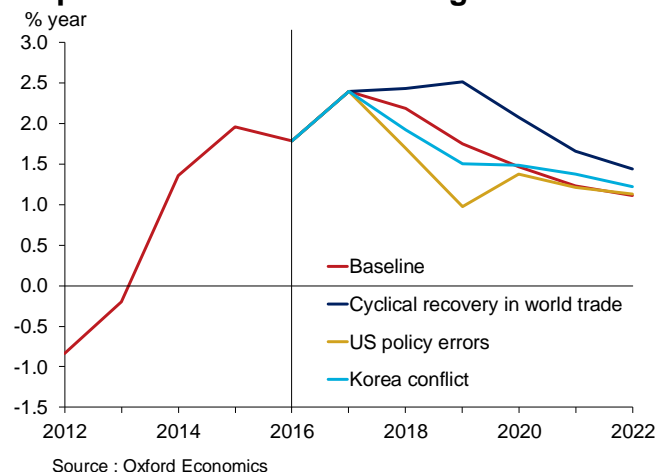


## Impact of scenarios on GDP growth

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



## Impact of scenarios on GDP growth



## Long-term prospects

### Slow recovery from crises

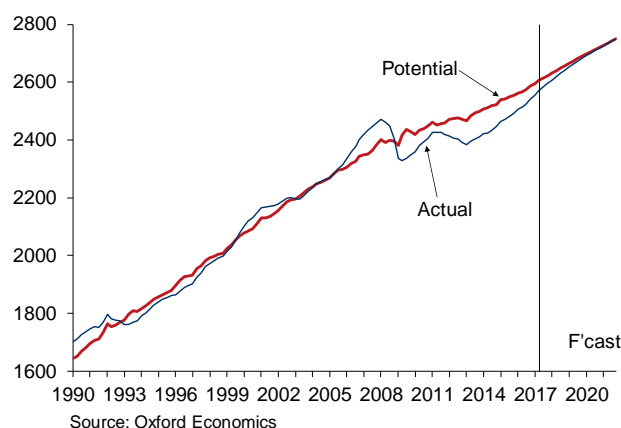
The global and Eurozone crises will leave their mark on growth for years to come. We now estimate that the Eurozone's potential growth rate is only 1.2%, similar to our estimate for the past decade but far lower than 1.8% in the decade prior to 2008.

While credit availability is improving, it is unlikely to be as free-flowing as during pre-crisis years, hindering investment and the efficiency of capital allocation in the economy. Moreover, prolonged high unemployment, 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

	2007-2016	2017-2026
Potential GDP*	1.0	1.2
Employment at NAIRU	0.6	0.3
Capital Stock	1.3	1.3
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)

	2007-2011	2012-2016	2017-2021	2022-2026
<b>GDP</b>	0.5	0.8	1.8	1.0
<b>Consumption</b>	0.3	0.6	1.6	1.1
<b>Investment</b>	-1.4	0.7	2.7	1.3
<b>Government Consumption</b>	1.5	0.8	1.2	1.0
<b>Exports of Goods and Services</b>	2.3	3.8	3.7	2.3
<b>Imports of Goods and Services</b>	1.8	3.3	3.9	2.4
<b>Unemployment (%)</b>	9.0	11.2	8.2	7.2
<b>Consumer Prices</b>	2.0	0.9	1.7	1.9
<b>Current Balance (% of GDP)</b>	-0.4	2.5	3.2	2.6
<b>Exchange Rate (US\$ per Euro)</b>	1.39	1.23	1.22	1.25
<b>General Government Balance (% of GDP)</b>	-3.8	-2.6	-0.9	-0.5
<b>Short-term Interest Rates (%)</b>	2.5	0.1	0.0	1.3
<b>Long-term Interest Rates (%)</b>	4.1	2.2	1.7	3.1
<b>Working Population</b>	0.2	0.2	0.0	-0.2
<b>Labour Supply</b>	0.5	0.3	0.4	0.0
<b>Participation Ratio</b>	76.1	76.7	77.7	78.6
<b>Labour Productivity</b>	0.4	0.4	0.9	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, 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 in the 2000s, 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 which is expected to last until, at least, September 2018.

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, which have at various points been ignored or modified. A key criticism of the rules is that they have led to pro-cyclical fiscal policies, but an attempt to prevent that was made by switching to structural fiscal deficit as the key target variable.

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 have been taken to 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.

## Data & Forecasts

<b>Key Indicators: Eurozone</b>								
Percentage changes on a year earlier unless otherwise stated								
	Industrial production	Unemployment %	CPI	Business confidence (% balance)	Consumer confidence (% balance)	Exports	Imports	Trade balance (€ bn)
<b>Dec 2017</b>	241.8	9.7	1.1	0.7	-5.2	608.4	490.6	27.6
<b>Jan</b>	18.9	9.6	1.8	0.7	-4.9	1265.3	1762.7	-1.6
<b>Feb</b>	143.7	9.5	2.0	0.8	-6.4	530.4	711.3	16.3
<b>Mar</b>	240.8	9.4	1.5	0.8	-5.1	1466.2	1676.8	28.8
<b>Apr</b>	123.5	9.2	1.9	1.1	-3.6	-165.1	442.5	16.4
<b>May</b>	404.2	9.2	1.4	0.9	-3.3	1375.8	1859.4	19.4
<b>Jun</b>	277.2	9.1	1.3	1.1	-1.3	430.3	680.6	25.9
<b>Jul</b>	375.4	9.0	1.3	1.0	-1.7	579.6	896.7	21.8
<b>Aug</b>	369.7	9.0	1.5	1.1	-1.5	683.9	899.3	15.4
<b>Sep</b>	342.2	8.9	1.5	1.3	-1.2	527.7	530.1	25.6
<b>Oct</b>	390.1	8.8	1.4	1.4	-1.1	888.3	1025.6	18.9
<b>Nov</b>	327.7	8.7	1.5	1.5	0.0	766.2	726.8	26.3
<b>Dec</b>	-	-	1.4	1.7	0.5	-	-	-

<b>Financial Indicators: Eurozone</b>								
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
<b>Dec 2017</b>	-0.32	1.29	5.0	1.05	1.18	96.0	3291	56.3
<b>Jan</b>	-0.33	1.31	4.7	1.06	1.16	96.5	3231	6.5
<b>Feb</b>	-0.33	1.45	4.6	1.06	1.17	95.8	3320	29.2
<b>Mar</b>	-0.33	1.46	5.1	1.07	1.15	96.5	3501	-37.5
<b>Apr</b>	-0.33	1.26	4.8	1.07	1.18	96.2	3560	31.2
<b>May</b>	-0.33	1.18	4.9	1.11	1.17	98.4	3555	21.0
<b>Jun</b>	-0.33	1.07	4.8	1.12	1.14	99.6	3442	-43.3
<b>Jul</b>	-0.33	1.21	4.5	1.15	1.13	101.2	3449	5.5
<b>Aug</b>	-0.33	1.04	5.0	1.18	1.10	103.3	3421	-7.6
<b>Sep</b>	-0.33	1.12	5.2	1.19	1.12	103.4	3595	18.0
<b>Oct</b>	-0.33	1.15	5.0	1.18	1.12	103.0	3674	29.0
<b>Nov</b>	-0.33	0.95	4.9	1.17	1.13	103.0	3570	-
<b>Dec</b>	-0.33	0.88	-	1.18	1.13	103.4	3504	-

# 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											
2016	2.0	4.5	2.3	1.8	1.5	10.0	1.5	0.4	5.0	-2.0	0.2
2017	1.9	3.3	2.1	2.5	2.7	9.1	1.9	0.8	4.8	2.6	1.5
2018	1.8	3.6	2.3	2.2	2.9	8.4	2.3	0.9	4.0	0.9	1.4
2019	1.6	2.7	1.8	1.8	2.0	8.0	2.6	0.9	3.7	1.7	1.8
2020	1.3	2.2	1.5	1.5	1.6	7.8	2.7	1.0	3.4	1.9	1.9
2021	1.2	1.8	1.3	1.2	1.3	7.6	2.8	0.9	3.4	1.9	1.9
2016											
Q1	2.1	3.0	2.1	1.7	1.6	10.3	1.7	0.4	4.8	-3.2	0.0
Q2	2.0	5.4	2.6	1.8	1.2	10.1	1.4	0.4	5.0	-3.6	-0.1
Q3	1.8	5.0	2.3	1.7	1.2	9.9	1.5	0.4	5.1	-1.9	0.3
Q4	1.9	4.4	2.3	1.9	2.2	9.8	1.7	0.6	5.1	0.6	0.7
2017											
Q1	1.7	4.2	2.0	2.1	1.3	9.5	1.7	0.5	5.4	4.0	1.8
Q2	1.9	3.5	2.3	2.4	2.7	9.2	2.0	0.8	4.7	3.2	1.5
Q3	1.9	2.4	2.0	2.8	3.6	9.0	2.0	1.0	4.9	2.2	1.4
Q4	1.9	3.1	2.2	2.6	3.3	8.8	2.1	0.9	4.3	1.1	1.3
2018											
Q1	1.9	4.0	2.6	2.6	3.8	8.6	2.1	1.1	3.9	0.0	1.2
Q2	1.8	3.0	2.1	2.3	3.2	8.5	2.3	1.0	4.1	0.7	1.3
Q3	1.9	4.1	2.4	2.1	2.5	8.3	2.4	0.9	4.0	1.2	1.4
Q4	1.8	3.3	2.0	2.0	2.2	8.2	2.4	0.9	4.0	1.5	1.6
2019											
Q1	1.7	2.9	1.9	1.9	2.1	8.1	2.5	0.9	3.8	1.5	1.7
Q2	1.6	2.8	1.9	1.8	2.0	8.0	2.5	0.9	3.7	1.7	1.8
Q3	1.5	2.6	1.8	1.7	2.0	8.0	2.6	0.9	3.7	1.7	1.8
Q4	1.4	2.5	1.7	1.7	1.9	7.9	2.6	1.0	3.5	1.8	1.9
2020											
Q1	1.4	2.4	1.6	1.6	1.8	7.9	2.7	1.0	3.4	1.8	1.9
Q2	1.4	2.3	1.5	1.5	1.6	7.8	2.7	1.0	3.4	1.9	1.9
Q3	1.3	2.2	1.5	1.4	1.5	7.8	2.7	1.0	3.3	1.9	1.9
Q4	1.3	2.0	1.4	1.4	1.4	7.7	2.7	1.0	3.3	1.9	1.9
2021											
Q1	1.3	1.9	1.3	1.3	1.3	7.7	2.7	0.9	3.4	1.9	1.9
Q2	1.2	1.8	1.3	1.2	1.3	7.6	2.8	0.9	3.4	1.9	1.8
Q3	1.2	1.8	1.3	1.2	1.3	7.6	2.8	0.9	3.4	1.9	1.9
Q4	1.2	1.7	1.2	1.2	1.3	7.6	2.8	0.9	3.4	1.9	2.0

COPYRIGHT (C) , OXFORD ECONOMICS

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 PER EURO	EFFECTIVE EXCHANGE RATE
	(BVI)	(BCU)	(BCU*100 /GDP)	(GB)	(GB*100 /GDP)	(RSH)	(RLG)	(Note 1)	(Note 1)	(RXD)	(RX)
YEARS BEGINNING Q1											
2016	262.1	367.6	3.41	-166.4	-1.54	-0.26	0.86	-0.51	0.62	1.11	118.6
2017	243.2	394.9	3.54	-110.4	-0.99	-0.33	1.09	-1.84	-0.42	1.13	121.2
2018	256.8	384.9	3.32	-90.7	-0.78	-0.33	1.26	-1.71	-0.12	1.22	126.0
2019	252.3	374.9	3.13	-108.3	-0.90	-0.10	1.73	-1.91	-0.07	1.25	126.4
2020	251.9	368.4	2.98	-108.4	-0.88	0.31	2.07	-1.57	0.20	1.25	125.7
2021	251.1	365.5	2.86	-101.2	-0.79	0.33	2.36	-1.57	0.46	1.25	124.9
2016											
Q1	64.0	92.1	3.44	-46.2	-1.73	-0.19	1.03	-0.23	0.99	1.10	118.3
Q2	69.6	99.0	3.69	-42.7	-1.59	-0.26	0.88	-0.17	0.96	1.13	118.9
Q3	64.9	87.5	3.24	-39.8	-1.48	-0.30	0.60	-0.57	0.33	1.12	118.9
Q4	63.6	89.0	3.27	-37.6	-1.38	-0.31	0.92	-1.05	0.19	1.08	118.3
2017											
Q1	53.4	91.1	3.31	-34.1	-1.24	-0.33	1.20	-2.09	-0.56	1.06	117.4
Q2	58.0	80.9	2.91	-28.5	-1.03	-0.33	1.09	-1.85	-0.42	1.10	119.0
Q3	62.8	124.2	4.42	-22.1	-0.79	-0.33	1.10	-1.78	-0.35	1.17	123.8
Q4	69.1	98.8	3.49	-25.7	-0.91	-0.33	0.98	-1.65	-0.34	1.18	124.5
2018											
Q1	62.6	87.4	3.06	-24.6	-0.86	-0.34	1.03	-1.50	-0.13	1.20	125.3
Q2	64.2	98.5	3.42	-21.3	-0.74	-0.34	1.17	-1.62	-0.11	1.22	125.8
Q3	62.3	102.8	3.53	-21.9	-0.75	-0.33	1.34	-1.77	-0.10	1.23	126.2
Q4	67.7	96.2	3.28	-23.0	-0.78	-0.32	1.49	-1.94	-0.14	1.24	126.5
2019											
Q1	61.7	86.2	2.91	-27.8	-0.94	-0.27	1.60	-1.93	-0.06	1.25	126.7
Q2	63.7	96.5	3.24	-27.3	-0.92	-0.22	1.69	-2.04	-0.13	1.25	126.5
Q3	60.9	99.4	3.30	-26.2	-0.87	-0.05	1.78	-1.89	-0.06	1.25	126.3
Q4	66.0	92.7	3.06	-27.0	-0.89	0.13	1.86	-1.76	-0.03	1.25	126.1
2020											
Q1	60.1	84.9	2.78	-30.4	-0.99	0.23	1.96	-1.66	0.07	1.25	126.0
Q2	63.2	94.9	3.08	-27.3	-0.89	0.33	2.05	-1.55	0.17	1.25	125.8
Q3	61.8	98.2	3.16	-26.0	-0.84	0.33	2.11	-1.54	0.25	1.25	125.6
Q4	66.8	90.4	2.89	-24.7	-0.79	0.33	2.18	-1.54	0.31	1.25	125.4
2021											
Q1	60.8	83.6	2.65	-27.2	-0.86	0.33	2.25	-1.54	0.38	1.25	125.2
Q2	63.4	95.3	3.00	-25.6	-0.80	0.33	2.32	-1.51	0.47	1.25	125.0
Q3	61.1	97.2	3.04	-24.7	-0.77	0.33	2.40	-1.61	0.45	1.25	124.8
Q4	65.9	89.3	2.77	-23.7	-0.74	0.33	2.48	-1.62	0.52	1.25	124.7

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

COPYRIGHT (C) , OXFORD ECONOMICS



<b>Long-Term Forecast for Eurozone</b>																
Annual percentage changes unless otherwise specified																
	2007-2016	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
<b>GDP</b>	0.6	-0.2	1.4	2.0	1.8	2.5	2.2	1.8	1.5	1.2	1.1	1.1	1.0	1.0	1.0	1.4
<b>Consumption</b>	0.5	-0.6	0.9	1.8	2.0	1.9	1.8	1.6	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.3
<b>Investment</b>	-0.4	-2.4	1.9	3.0	4.5	3.3	3.6	2.7	2.2	1.8	1.6	1.4	1.3	1.2	1.0	2.0
<b>Government Consumption</b>	1.1	0.3	0.7	1.3	1.7	1.1	1.2	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.9	1.1
<b>Exports of Goods and Services</b>	3.0	2.2	4.6	6.1	3.3	5.0	4.3	3.6	3.2	2.7	2.5	2.5	2.3	2.2	2.1	3.0
<b>Imports of Goods and Services</b>	2.5	1.4	4.9	6.5	4.7	4.4	4.7	3.9	3.4	2.9	2.7	2.6	2.3	2.2	2.1	3.1
<b>Unemployment (%)</b>	10.1	12.0	11.6	10.9	10.0	9.1	8.4	8.0	7.8	7.6	7.5	7.4	7.2	7.1	7.0	7.7
<b>Consumer Prices</b>	1.5	1.3	0.4	0.0	0.2	1.5	1.4	1.8	1.9	1.9	2.0	1.9	1.9	1.9	1.9	1.8
<b>Current Balance (% of GDP)</b>	1.1	2.2	2.4	3.1	3.4	3.5	3.3	3.1	3.0	2.9	2.7	2.6	2.6	2.6	2.6	2.9
<b>Exchange Rate (US\$ per Euro)</b>	1.31	1.33	1.33	1.11	1.11	1.13	1.22	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.24
<b>General Government Balance (% of GDP)</b>	-3.2	-3.0	-2.6	-2.1	-1.5	-1.0	-0.8	-0.9	-0.9	-0.8	-0.6	-0.5	-0.4	-0.4	-0.4	-0.7
<b>Short-term Interest Rates (%)</b>	1.3	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.1	0.3	0.3	0.6	0.8	1.1	1.6	2.1	0.6
<b>Long-term Interest Rates (%)</b>	3.1	3.0	2.0	1.2	0.9	1.1	1.3	1.7	2.1	2.4	2.7	2.9	3.1	3.3	3.4	2.4
<b>Working Population</b>	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	-0.2	-0.1
<b>Labour Supply</b>	0.4	0.1	0.2	0.2	0.5	0.6	0.6	0.4	0.3	0.2	0.1	0.0	0.0	-0.1	-0.1	0.2
<b>Participation Ratio (%)</b>	76.4	76.6	76.7	76.6	76.7	77.1	77.5	77.8	78.0	78.2	78.4	78.5	78.6	78.7	78.8	78.2
<b>Labour productivity</b>	0.4	0.4	0.8	0.9	0.4	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	1.0	0.9
<b>Employment</b>	0.2	-0.6	0.6	1.0	1.3	1.7	1.3	0.8	0.5	0.3	0.2	0.2	0.1	0.1	0.0	0.5
<b>Output gap (% of potential GDP)</b>	-1.6	-3.6	-3.3	-2.6	-2.0	-1.1	-0.5	-0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0

## 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	2016*
GDP per capita (US\$)	-	18227	20713	35424
Inflation (%)	9.9	4.2	2.2	0.2
Population (mn)	302	303	313	337
Urban population (% of total)	69.9	71.3	72.6	76.1
Life expectancy (years)	73.5	75.9	78.3	82.1

Source : Oxford Economics & World Bank

### Structure of GDP by output

	2016
Agriculture	1.6%
Industry	24.7%
Services	73.7%

Source : World Bank

\* 2016 or latest available year

### Structural economic indicators

	1990	1995	2000	2016*
Current account (US\$ billion)	4	22	-96	407
Trade balance (US\$ billion)	-22	65	-31	290
FDI (US\$ billion)	-	-	35	-197
Govt budget (% of GDP)	-4	-7	0	-2
Govt debt (% of GDP)	14	68	67	89
Long-term interest rate	10	9	5	1
Oil production (000 bpd)	264	304	232	173
Oil consumption (000 bpd)	9716	10478	10930	9515

Source : Oxford Economics / World Bank / EIA

### Destination of goods' exports 2016

Eurozone	83.9%
UK	13.5%
US	13.7%
China	6.8%
Switzerland	5.7%
Poland	5.7%

Source : Eurostat \ Haver Analytics



Source : ECB

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

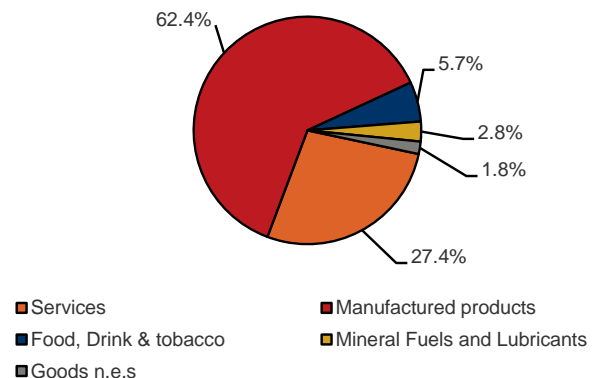
### Corruption perceptions index 2016

	Score
Developed economies (average)	75.3
Emerging economies (average)	38.0
<b>Eurozone</b>	<b>68.2</b>

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

### Composition of extra-EMU goods & services exports 2016



Source : Eurostat \ Haver Analytics