

# Country Economic Forecast

## Eurozone

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### Q3 GDP looking a bit softer...

**...but we still expect GDP growth of 2% this year and then slowing to 1.7% in 2019**

- Although economic activity remains broadly stable in the eurozone, latest data suggest that growth may have been a bit softer in Q3. The domestic economy remains solid but the adverse external environment and rising political risks in Europe are posing an increasing threat to the outlook. But for now we still forecast GDP growth of 2% this year, before slowing to 1.7% in 2019.
- Leading indicators suggest that economic growth may have slowed slightly in Q3. Both the composite PMI and the EU's Economic Sentiment Indicator were lower than the Q2 averages. Surveys continue to show the impact that trade tensions are having on the manufacturing sector, whereas services are holding up relatively well owing to a robust recovery in the labour market.
- The available hard data for Q3 have been soft, with both industrial production and retail sales looking rather weak on average. We expect GDP growth in Q3 to be some 0.3-0.4%, but we expect a pick-up by end-year as the Q3 numbers partly reflect a [transitory slowdown in Germany](#).
- Inflation inched up to 2.1% in September, the highest in six years, primarily a result of rising oil prices. Core inflation remains weak (at just 0.9% in September), but we still expect it to start rising as wage growth strengthens across the region. We see headline inflation remaining close to 2% over the coming months, resulting in an average of 1.8% for 2018, before easing slightly to 1.7% in 2019.
- As expected, no new policy announcements were made at the September ECB meeting. The central bank is still on track to end QE purchases this year despite the concerns about Italy, and we do not expect the first interest rate hike until H2 2019, with a very gradual pace of tightening thereafter.

Forecast for Eurozone						
(Annual percentage changes unless specified)						
	2016	2017	2018	2019	2020	2021
<b>Domestic Demand</b>	2.3	1.8	1.9	1.9	1.7	1.5
Private Consumption	1.9	1.7	1.4	1.6	1.5	1.4
Fixed Investment	3.8	2.8	3.2	3.1	2.5	1.9
Stockbuilding (% of GDP)	0.4	0.3	0.5	0.5	0.5	0.5
Government Consumption	1.9	1.2	1.1	1.4	1.3	1.2
<b>Exports of goods and services</b>	2.9	5.5	2.9	3.4	3.2	3.0
<b>Imports of goods and services</b>	4.1	4.1	2.8	4.0	3.6	3.3
<b>GDP</b>	1.9	2.5	2.0	1.7	1.6	1.4
<b>Industrial Production</b>	1.7	2.9	1.4	1.9	1.7	1.5
<b>Consumer Prices, average</b>	0.2	1.5	1.8	1.6	1.6	1.8
<b>Current Balance (% of GDP)</b>	3.6	3.5	3.2	2.9	2.8	2.7
<b>Government Budget (% of GDP)</b>	-1.5	-0.9	-0.5	-0.7	-0.8	-0.8
<b>Short-Term Interest Rates (%)</b>	-0.3	-0.3	-0.3	-0.2	0.1	0.4
<b>Long-Term Interest Rates (%)</b>	0.9	1.1	1.1	1.7	2.2	2.6
<b>Exchange rate (US\$ per Euro), average</b>	1.11	1.13	1.19	1.20	1.25	1.25
<b>Exchange rate (YEN per Euro), average</b>	120.3	126.7	131.1	131.5	137.1	137.3

## Forecast overview

### Q3 GDP growth probably eased a little

After GDP rose by 0.4% in both Q1 and Q2, survey data suggest that growth may have been a bit weaker in Q3. Both the composite PMI and the EU's Economic Sentiment (ESI) were lower than their Q2 averages. At face value, this would suggest slower GDP growth, but we remain a bit more cautious in the case of the ESI as it has been consistently over-estimating growth in the past quarters.

But the hard data available for Q3 has been rather soft as well. Retail sales contracted in July and August, while industrial production is likely to experience another weak quarter in Q3 despite a strong rise in August. Taking everything into account, this suggests that growth in Q3 may be some 0.3-0.4% (our current forecast is 0.34%). But the weak Q3 numbers also partially reflect a transitory slowdown in Germany, as the industrial sector is being affected by changes in the automotive sector. As such, we think eurozone GDP growth could bounce back modestly in Q4.

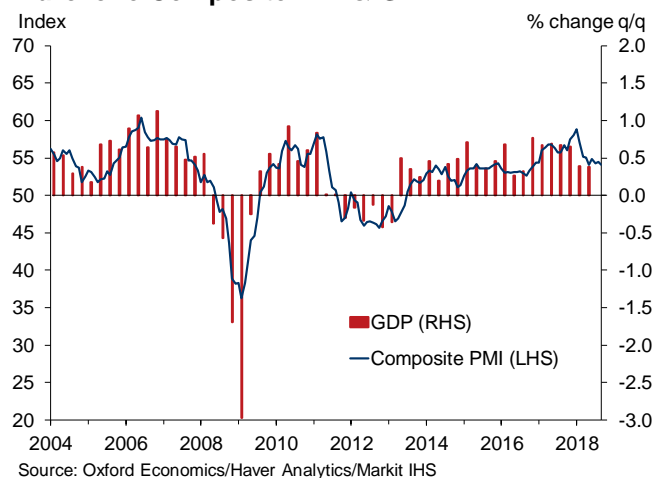
We continue to expect GDP growth of 2.0% this year, which would still be the second-best year for growth in a decade after 2.5% in 2017.

### Growth to slow slightly to 1.7% next year

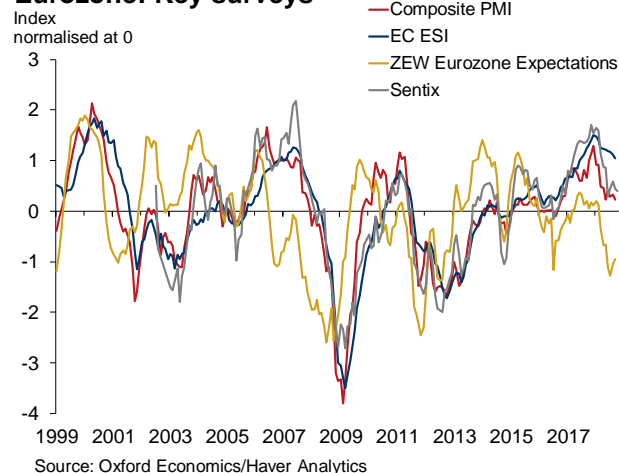
○ We expect GDP growth to slow to 1.7% in 2019 and then about 1.5% a year in 2020-21. Our forecasts reflect the following factors:

- **Stronger wages should help support household spending:** consumer spending was resilient in 2016 and 2017 due to strong employment growth, but it has slowed this year as households feel the impact of rising inflation (which will reach a six-year high of 1.8% this year) on disposable income. The pace of job creation remains solid and has driven the unemployment rate down to decade-low of 8.1%. But as employment growth is showing signs of having peaked, we expect a gradual pick-up in wage growth to provide a small boost to household spending next year. We forecast private consumption growth of 1.4% this year, then accelerating to 1.6% in 2019.
- **Solid investment growth:** we expect another year of solid growth in fixed investment. Spending on machinery and equipment (up 5.4% in 2017), should continue to be supported by buoyant business sentiment, tight capacity

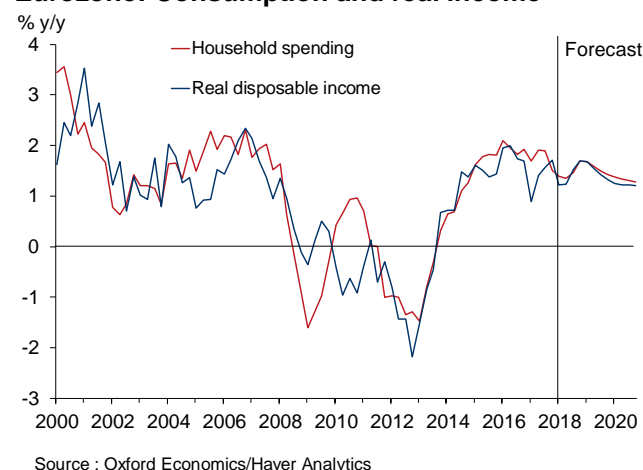
### Eurozone Composite PMI & GDP



### Eurozone: Key surveys



### Eurozone: Consumption and real income



and ongoing improvement of bank lending flows to non-financial firms. Construction and real estate activity is also picking up strongly across many countries, lifting total investment. We expect capital formation to expand 3.3% this year and 3.1% in 2019, up from 2.9% in 2017.

- Downside risks for exports materialising:** following an excellent year in 2017, eurozone exports have suffered from a worsening global environment, with risks posed by rising protectionism and a potential trade war with the US already materialising and hitting sentiment and orders. Despite a mild recovery in Q2, European exporters remain under pressure. Given the slowdown in global trade volumes, combined with the lagged impact of the stronger euro, we expect eurozone export growth to ease to 3.3% in 2018 (from 5.5% last year).

Growth this year will be driven mainly by the domestic sector, but net trade will also make a positive contribution for a second year in a row. For 2019, we see GDP growth slowing to 1.7% despite robust domestic demand, as stronger imports will result in a negative contribution from net trade.

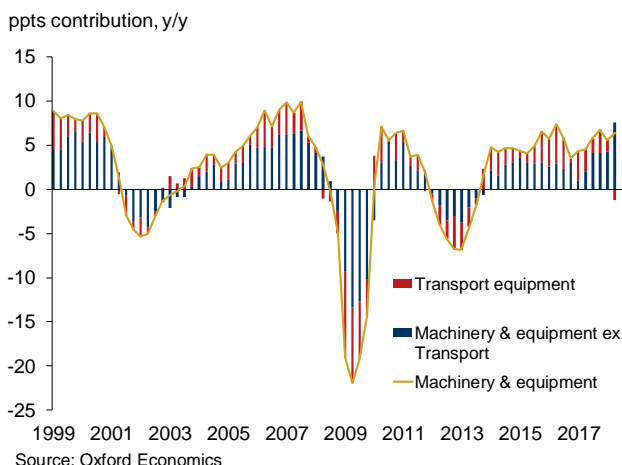
Risks around the 2019 forecast are high given the presence of several threats. The possibility of a no-deal Brexit, the turmoil emanating from Italy, the persistence of high oil prices and the possibility of further US tariffs could all have an impact on the outlook.

## ECB to end QE in December as expected

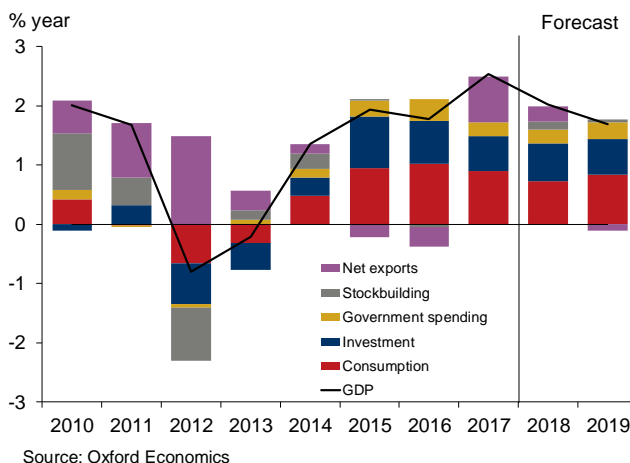
The ECB is expected to end its QE purchases in December, following a cut to purchases from €30bn a month to €15bn a month. The central bank did leave the door open for a further extension, but we think this is very unlikely despite the tensions seen in bond markets over the budget negotiations in Italy.

The central bank has provided some dovish forward guidance, indicating that interest rates will remain unchanged at least “through the summer of 2019”. In practical terms, this means a rate hike could take place in either Q3 or Q4. Our view of a very gradual exit remains unchanged. Despite solid economic growth, the relatively weak inflation outlook means the ECB will continue to be cautious about withdrawing monetary support, so we still anticipate a very slow pace of interest rate hikes over the coming years

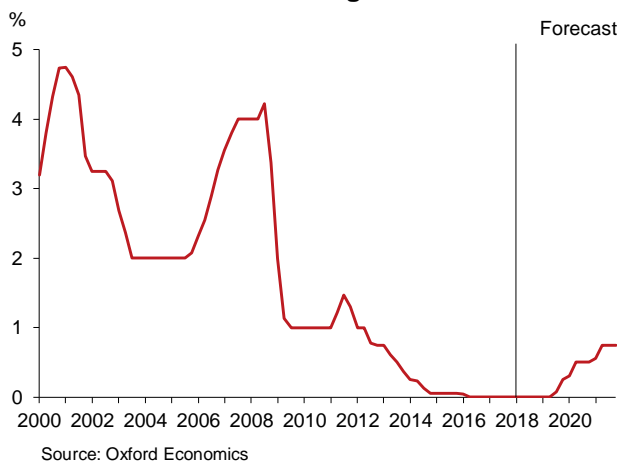
## Eurozone: Equipment investment by type



## Eurozone: Contributions to GDP growth



## Eurozone: ECB refinancing rate



## What to watch out for

**Risks around political uncertainty:** 2017 showed that stronger global demand and easing fears about the election of populist governments could prompt increasingly confident businesses to raise investment spending more sharply than widely expected. But political risks are never far away in Europe and the tide is quickly turning: the recent election of a populist government in Italy, the possibility of a hard Brexit or the Catalan independence crisis in Spain are only a few examples.

**Trade worries:** exports have been a key component of European growth. While the impact of the stronger euro on export growth has been limited so far, a sharper rise in the euro – particularly if policymakers abroad become more dovish – could mean that net trade becomes a drag on GDP. The increasing threat of a global trade war would also be very damaging for Eurozone growth prospects.

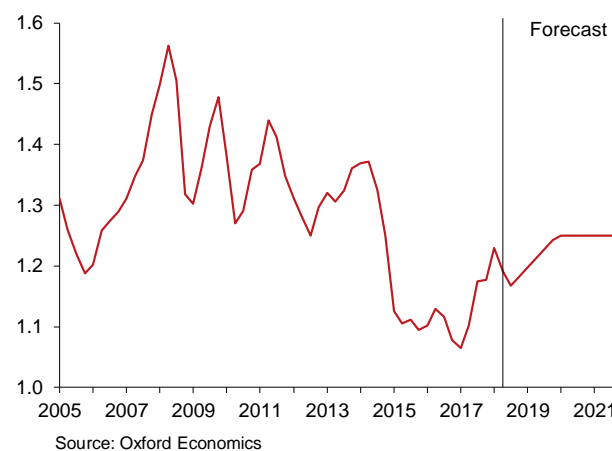
**Monetary policy tightening:** we expect the ECB to adopt a cautious approach to monetary tightening. But if underlying inflation pressures start to grow, the central bank could surprise markets to the upside, pushing bond yields and the euro higher, which in turn could slow growth.

## Exposure to key global risks

**Delayed central bank tightening:** we quantify a scenario in which central banks slow the already gradual pace of rate normalisation, as wage inflation remains relatively subdued in major advanced economies despite solid growth and rising employment.

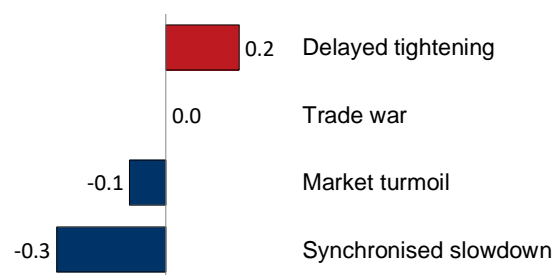
**Synchronised slowdown:** in this scenario, the recent weakening of activity in the eurozone and US is followed by a global slowdown amid trade policy uncertainty and tightening monetary conditions. This weighs on eurozone and US domestic demand, spilling over globally as trade growth slows at the same time as rising global interest rates push up debt service costs and credit conditions tighten.

## Eurozone: Exchange rate US\$ per €

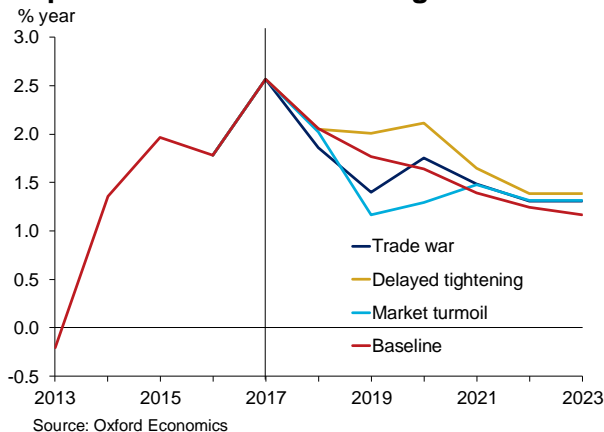


## Impact of scenarios on GDP growth

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



## Impact of scenarios on GDP growth



## Long-term prospects

### Slow recovery from crises

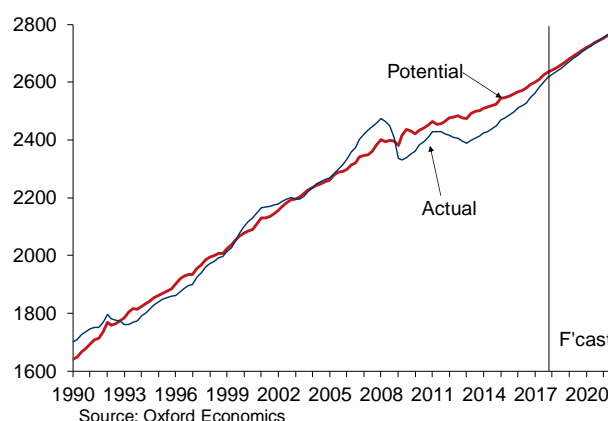
The global and eurozone crises will leave their mark on growth for years to come. We estimate the Eurozone's potential growth rate at only 1.2%, similar to our estimate for the past decade but far lower than 1.8% in the decade prior to 2008.

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*	1.1	1.3
Employment at NAIRU	0.6	0.5
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	1.1
<b>Consumption</b>	0.4	0.6	1.5	1.1
<b>Investment</b>	-1.4	0.8	2.7	1.4
<b>Government Consumption</b>	1.5	0.8	1.2	1.1
<b>Exports of Goods and Services</b>	2.3	3.7	3.6	2.4
<b>Imports of Goods and Services</b>	1.7	3.3	3.6	2.6
<b>Unemployment (%)</b>	9.0	11.2	7.9	6.8
<b>Consumer Prices, average</b>	2.0	0.9	1.7	1.9
<b>Current Balance (% of GDP)</b>	-0.4	2.6	3.0	2.4
<b>Exchange Rate (US\$ per Euro), average</b>	1.39	1.23	1.20	1.25
<b>General Government Balance (% of GDP)</b>	-3.9	-2.5	-0.7	-0.8
<b>Short-term Interest Rates (%)</b>	2.5	0.1	-0.1	1.5
<b>Long-term Interest Rates (%)</b>	4.1	2.2	1.7	3.5
<b>Working Population</b>	0.2	0.2	0.0	-0.2
<b>Labour Supply</b>	0.5	0.4	0.5	0.1
<b>Participation Ratio</b>	76.0	76.7	77.8	79.2
<b>Labour Productivity</b>	0.4	0.4	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, 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 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 December 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.

# Country Economic Forecast | Eurozone

## 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>Sep</b>	3.9	8.9	1.5	1.4	-1.2	5.2	5.6	25.0
<b>Oct</b>	2.6	8.8	1.4	1.5	-1.1	9.1	10.8	18.3
<b>Nov</b>	4.4	8.7	1.5	1.6	0.0	8.4	9.3	24.2
<b>Dec</b>	4.9	8.6	1.4	1.6	0.5	0.9	3.0	24.6
<b>2018</b>								
<b>Jan</b>	4.0	8.6	1.3	1.6	1.4	9.1	6.2	3.0
<b>Feb</b>	2.7	8.5	1.2	1.6	0.1	1.8	1.8	16.6
<b>Mar</b>	3.1	8.4	1.4	1.5	0.1	-3.3	-2.0	25.4
<b>Apr</b>	1.7	8.4	1.2	1.4	0.3	8.1	8.2	16.8
<b>May</b>	2.3	8.2	1.9	1.4	0.2	-0.8	0.6	16.6
<b>Jun</b>	2.2	8.2	2.0	1.4	-0.6	5.8	8.6	22.7
<b>Jul</b>	0.1	8.2	2.1	1.3	-0.5	9.5	13.4	17.6
<b>Aug</b>	-	8.1	2.0	1.2	-1.9	-	-	-
<b>Sep</b>	-	-	2.1	1.2	-2.9	-	-	-

<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>Sep</b>	-0.33	1.12	5.2	1.19	1.12	103.4	3595	24.5
<b>Oct</b>	-0.33	1.15	5.0	1.18	1.12	103.0	3674	13.6
<b>Nov</b>	-0.33	0.95	4.9	1.17	1.13	103.0	3570	-68.1
<b>Dec</b>	-0.33	0.88	4.6	1.18	1.13	103.4	3504	42.8
<b>2018</b>								
<b>Jan</b>	-0.33	1.03	4.6	1.22	1.13	104.6	3609	30.7
<b>Feb</b>	-0.33	1.27	4.3	1.23	1.13	105.0	3439	22.3
<b>Mar</b>	-0.33	1.17	3.7	1.23	1.13	105.1	3362	70.3
<b>Apr</b>	-0.33	1.13	3.8	1.23	1.15	105.1	3537	43.1
<b>May</b>	-0.33	1.24	4.0	1.18	1.14	103.2	3407	-7.2
<b>Jun</b>	-0.32	1.29	4.5	1.17	1.14	102.5	3396	27.3
<b>Jul</b>	-0.32	1.20	4.0	1.17	1.13	103.2	3525	-23.2
<b>Aug</b>	-0.32	1.37	3.5	1.15	1.12	102.7	3393	-
<b>Sep</b>	-0.32	1.32	-	1.17	1.12	103.1	3399	-

# 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	1.9	3.8	2.3	1.9	1.7	10.0	1.5	0.5	5.0	-1.9	0.2
2017	1.7	2.8	1.8	2.5	2.9	9.1	1.9	0.9	4.8	2.8	1.5
2018	1.4	3.2	1.9	2.0	1.4	8.2	2.6	0.5	4.1	2.2	1.8
2019	1.6	3.1	1.9	1.7	1.9	7.7	2.6	0.7	4.5	1.9	1.6
2020	1.5	2.5	1.7	1.6	1.7	7.5	2.8	0.9	3.9	1.9	1.6
2021	1.4	1.9	1.5	1.4	1.5	7.3	2.7	0.9	3.5	1.9	1.8
2016											
Q1	2.1	6.2	3.0	1.9	2.0	10.3	1.6	0.5	4.8	-2.9	0.0
Q2	1.9	-0.1	1.6	1.8	0.9	10.2	1.3	0.4	5.0	-3.3	-0.1
Q3	1.8	5.5	2.5	1.7	1.1	9.9	1.4	0.4	5.1	-1.7	0.3
Q4	1.9	4.0	2.3	2.0	2.7	9.7	1.6	0.7	5.1	0.5	0.7
2017											
Q1	1.6	2.7	1.7	2.0	1.1	9.5	1.6	0.5	5.4	3.8	1.8
Q2	1.8	3.6	2.2	2.5	2.6	9.2	1.9	0.9	4.7	3.2	1.5
Q3	1.9	2.4	2.0	2.8	4.1	9.0	1.9	1.1	4.9	2.2	1.4
Q4	1.5	2.6	1.3	2.7	4.0	8.7	2.2	1.1	4.2	2.0	1.4
2018											
Q1	1.6	3.4	1.9	2.4	3.3	8.5	2.3	0.9	3.3	1.3	1.3
Q2	1.3	2.8	1.8	2.1	2.1	8.3	2.6	0.6	4.4	2.3	1.7
Q3	1.3	3.6	1.8	1.8	0.4	8.0	2.8	0.4	4.3	3.0	2.0
Q4	1.4	3.0	2.1	1.6	0.2	8.0	2.7	0.3	4.4	2.4	2.2
2019											
Q1	1.3	3.5	1.9	1.6	1.4	7.9	2.7	0.5	5.0	2.1	2.1
Q2	1.6	3.0	1.8	1.6	2.1	7.8	2.5	0.6	4.3	1.9	1.7
Q3	1.6	3.1	1.9	1.7	2.4	7.6	2.6	0.8	4.4	1.9	1.5
Q4	1.6	2.9	1.9	1.7	1.8	7.6	2.6	0.8	4.3	1.9	1.3
2020											
Q1	1.6	2.7	1.8	1.7	1.7	7.5	2.7	0.9	4.1	1.9	1.4
Q2	1.5	2.6	1.7	1.6	1.7	7.5	2.8	0.9	3.9	1.9	1.6
Q3	1.5	2.4	1.7	1.6	1.7	7.4	2.8	1.0	3.8	1.9	1.7
Q4	1.5	2.2	1.6	1.5	1.7	7.4	2.8	1.0	3.7	1.9	1.7
2021											
Q1	1.4	2.1	1.6	1.5	1.6	7.3	2.7	0.9	3.6	1.9	1.7
Q2	1.4	2.0	1.5	1.4	1.5	7.3	2.7	0.9	3.5	1.9	1.8
Q3	1.4	1.9	1.5	1.4	1.5	7.2	2.7	0.9	3.5	1.9	1.8
Q4	1.3	1.8	1.4	1.4	1.4	7.2	2.7	0.9	3.5	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 PER EURO (RXD)	EFFECTIVE EXCHANGE RATE (2010=100) (RX)	
(BVI)	(BCU)	(BCU*100 /GDP)	(GB)	(GB*100 /GDP)	(RSH)	(RLG)	(Note 1)	(Note 1)	(RXD)	(RX)	
YEARS BEGINNING Q1											
2016	262.9	387.6	3.59	-159.0	-1.47	-0.26	0.86	-0.51	0.62	1.11	118.6
2017	232.0	386.6	3.45	-98.9	-0.88	-0.33	1.09	-1.87	-0.44	1.13	121.1
2018	206.3	364.9	3.15	-55.7	-0.48	-0.32	1.14	-2.12	-0.66	1.19	127.8
2019	176.0	343.5	2.87	-77.7	-0.65	-0.23	1.68	-1.86	0.04	1.20	129.9
2020	181.7	344.6	2.79	-102.2	-0.83	0.15	2.16	-1.44	0.57	1.25	130.7
2021	174.8	347.6	2.72	-108.1	-0.85	0.41	2.59	-1.38	0.80	1.25	128.6
2016											
Q1	63.4	100.1	3.73	-45.0	-1.68	-0.19	1.03	-0.23	0.99	1.10	118.3
Q2	70.9	103.8	3.86	-41.7	-1.55	-0.26	0.88	-0.17	0.96	1.13	118.9
Q3	65.6	89.3	3.31	-38.1	-1.41	-0.30	0.60	-0.57	0.33	1.12	118.8
Q4	63.0	94.4	3.46	-34.2	-1.25	-0.31	0.92	-1.05	0.19	1.08	118.3
2017											
Q1	53.1	89.5	3.25	-29.9	-1.09	-0.33	1.20	-2.09	-0.56	1.06	117.4
Q2	56.5	79.0	2.84	-25.7	-0.92	-0.33	1.09	-1.85	-0.42	1.10	119.0
Q3	61.7	115.7	4.11	-22.6	-0.80	-0.33	1.10	-1.78	-0.35	1.17	123.7
Q4	60.6	102.4	3.60	-20.7	-0.73	-0.33	0.98	-1.75	-0.44	1.18	124.4
2018											
Q1	56.6	111.1	3.88	-21.0	-0.73	-0.33	1.10	-1.59	-0.16	1.23	126.5
Q2	50.8	78.1	2.71	-15.4	-0.54	-0.33	1.06	-2.02	-0.63	1.19	126.6
Q3	51.4	96.1	3.31	-10.0	-0.34	-0.32	1.07	-2.36	-0.97	1.16	128.9
Q4	47.6	79.6	2.72	-9.3	-0.32	-0.32	1.34	-2.51	-0.85	1.18	129.4
2019											
Q1	41.9	89.0	3.01	-17.5	-0.59	-0.32	1.50	-2.37	-0.55	1.16	128.4
Q2	40.9	78.4	2.63	-18.3	-0.62	-0.32	1.62	-2.03	-0.09	1.19	129.5
Q3	46.9	96.0	3.20	-18.9	-0.63	-0.20	1.74	-1.66	0.27	1.21	130.4
Q4	46.3	80.1	2.65	-22.9	-0.76	-0.07	1.85	-1.37	0.55	1.24	131.4
2020											
Q1	45.1	90.4	2.96	-27.4	-0.90	0.06	1.98	-1.36	0.56	1.25	131.5
Q2	43.7	82.1	2.67	-24.9	-0.81	0.18	2.10	-1.37	0.55	1.25	130.9
Q3	48.1	96.3	3.10	-24.9	-0.80	0.18	2.23	-1.50	0.55	1.25	130.4
Q4	44.8	75.8	2.42	-25.0	-0.80	0.18	2.34	-1.54	0.61	1.25	129.8
2021											
Q1	43.0	87.4	2.77	-27.9	-0.88	0.31	2.44	-1.41	0.73	1.25	129.3
Q2	41.9	83.6	2.63	-27.2	-0.86	0.44	2.55	-1.35	0.76	1.25	128.8
Q3	46.6	98.6	3.08	-25.9	-0.81	0.45	2.64	-1.35	0.84	1.25	128.3
Q4	43.3	78.0	2.41	-27.1	-0.84	0.46	2.74	-1.41	0.88	1.25	127.8

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

	2007-2016	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
<b>GDP</b>	0.7	-0.2	1.4	1.9	1.9	2.5	2.0	1.7	1.6	1.4	1.3	1.2	1.1	1.1	1.0	1.5
<b>Consumption</b>	0.5	-0.6	0.9	1.8	1.9	1.7	1.4	1.6	1.5	1.4	1.3	1.2	1.1	1.1	1.0	1.3
<b>Investment</b>	-0.3	-2.3	1.6	4.6	3.8	2.8	3.2	3.1	2.5	1.9	1.7	1.5	1.4	1.2	1.1	2.0
<b>Government Consumption</b>	1.2	0.3	0.7	1.3	1.9	1.2	1.1	1.4	1.3	1.2	1.2	1.1	1.0	1.0	1.0	1.1
<b>Exports of Goods and Services</b>	3.0	2.2	4.6	6.3	2.9	5.5	2.9	3.4	3.2	3.0	2.8	2.6	2.4	2.2	2.0	3.0
<b>Imports of Goods and Services</b>	2.5	1.6	4.8	7.5	4.1	4.1	2.8	4.0	3.6	3.3	3.1	2.8	2.6	2.4	2.2	3.1
<b>Unemployment (%)</b>	10.1	12.0	11.6	10.9	10.0	9.1	8.2	7.7	7.5	7.3	7.1	6.9	6.8	6.7	6.6	7.4
<b>Consumer Prices, average</b>	1.5	1.3	0.4	0.0	0.2	1.5	1.8	1.6	1.6	1.8	1.9	1.9	1.9	2.0	2.0	1.8
<b>Consumer Prices, EOP</b>	1.5	0.8	0.2	0.2	0.7	1.4	2.2	1.3	1.7	1.9	1.9	1.9	1.9	2.0	2.0	1.8
<b>Current Balance (% of GDP)</b>	1.1	2.2	2.5	3.2	3.6	3.5	3.2	2.9	2.8	2.7	2.6	2.5	2.4	2.4	2.3	2.7
<b>Exchange Rate (US\$ per Euro), average</b>	1.31	1.33	1.33	1.11	1.11	1.13	1.19	1.20	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.23
<b>Exchange Rate (US\$ per Euro), EOP</b>	1.30	1.38	1.21	1.09	1.05	1.20	1.15	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.23
<b>General Government Balance (% of GDP)</b>	-3.2	-3.0	-2.5	-2.0	-1.5	-0.9	-0.5	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.9	-0.8
<b>Short-term Interest Rates (%)</b>	1.3	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.2	0.1	0.4	0.7	1.0	1.4	1.9	2.5	0.7
<b>Long-term Interest Rates (%)</b>	3.1	3.0	2.0	1.2	0.9	1.1	1.1	1.7	2.2	2.6	3.0	3.3	3.6	3.7	3.7	2.6
<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	0.5	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.3
<b>Participation Ratio (%)</b>	76.3	76.6	76.6	76.6	76.8	77.1	77.4	77.8	78.2	78.5	78.7	79.0	79.2	79.4	79.6	78.5
<b>Labour productivity</b>	0.4	0.4	0.8	0.9	0.5	0.9	0.5	0.7	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.8
<b>Employment</b>	0.2	-0.6	0.6	1.0	1.4	1.6	1.4	1.0	0.7	0.5	0.4	0.3	0.3	0.2	0.1	0.7
<b>Output gap (% of potential GDP)</b>	-1.6	-3.7	-3.3	-2.7	-2.2	-1.1	-0.5	-0.3	-0.1	0.1	0.2	0.2	0.2	0.2	0.1	-0.1

## Key Facts

### Politics

President of the ECB: Mario DRAGHI  
 Vice president of the ECB: Luis DE GUINDOS  
 EC commissioner for Economic and Financial Affairs:  
 Pierre MOSCOVICI  
 Chairman of Euro Group of Finance Ministers:  
 Mario CENTENO

### Long-term economic & social development

	1980	1990	2000	2016*
GDP per capita (US\$)	-	18222	20704	35489
Inflation (%)	9.9	4.2	2.2	0.2
Population (mn)	302	303	313	337
Urban population (% of total)	69.9	71.2	72.9	76.6
Life expectancy (years)	73.5	75.9	78.3	81.6

Source : Oxford Economics & World Bank

### Structure of GDP by output

	2016
Agriculture	1.5%
Industry	22.2%
Services	76.4%

Source : World Bank

\* 2016 or latest available year

### Structural economic indicators

	1990	1995	2000	2016*
Current account (US\$ billion)	4	22	-96	429
Trade balance (US\$ billion)	-23	63	-31	291
FDI (US\$ billion)	-	-	35	-209
Govt budget (% of GDP)	-4	-7	0	-1
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)	9787	10562	11009	9415

Source : Oxford Economics / World Bank / EIA

### Destination of goods' exports 2016

Eurozone	83.7%
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

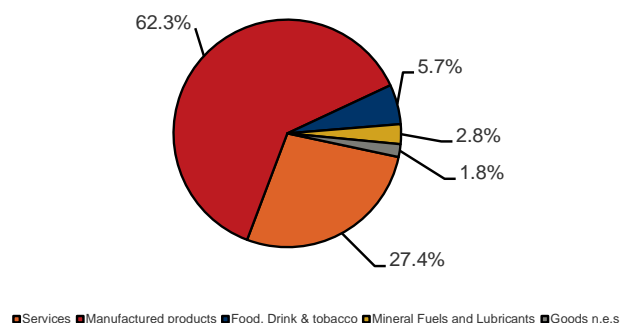
### Corruption perceptions index 2017

	Score
Developed economies (average)	75.0
Emerging economies (average)	38.1
<b>Eurozone</b>	<b>68.8</b>

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

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



Source : Eurostat / Haver Analytics