

Country Economic Forecast

Eurozone

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Economic growth was a disappointing 0.1% q/q in Q4...

...which combined with a cut to our Q1 forecast means that we now expect GDP growth of only 0.8% this year

- **GDP growth slowed to just 0.1% q/q in Q4 amid an unexpected contraction in both France and Italy. Combined with the impact of the Wuhan coronavirus on supply chains across the world in Q1, this means 2020 will see weaker growth than previously expected. We have cut our eurozone growth forecast to 0.8% for 2020 (from 1.0% last month) before a pick-up to 1.3% in 2021.**
- The eurozone economy expanded a weak 0.1% over the previous quarter in Q4, the slowest pace in six years. While there is no detailed breakdown by components yet, we anticipate domestic demand was weak in Q4 whereas the contribution from net trade was probably positive.
- Although available sentiment indicators improved at the start of this year, they are not yet reflecting the impact that the coronavirus will have on the Chinese and global economies. Both the PMI and the Economic Sentiment Indicators rose in January, suggesting that the manufacturing sector continues to bottom out, but the impact of this crisis may derail the fragile recovery.
- The coronavirus shock comes at a time of already-high uncertainty, so we expect the global environment to remain adverse this year. Domestically, employment growth has slowed substantially, a trend we expect to continue over the next few quarters given subdued forward-looking employment intentions.
- Inflation ticked up to 1.4% in January, the highest in nine months, driven by higher energy prices, but core inflation fell back again to 1.1%. We still expect inflation pressures to remain muted this year and core inflation to continue to hover around its current level.

Forecast for Eurozone						
(Annual percentage changes unless specified)						
	2018	2019	2020	2021	2022	2023
Domestic Demand	1.6	1.8	0.9	1.5	1.4	1.3
Private Consumption	1.4	1.3	1.3	1.4	1.3	1.2
Fixed Investment	2.4	5.8	0.3	1.9	1.7	1.5
Stockbuilding (% of GDP)	0.7	0.3	0.1	0.1	0.1	0.2
Government Consumption	1.1	1.6	1.4	1.2	1.1	1.1
Exports of goods and services	3.3	2.4	0.9	2.1	2.3	2.3
Imports of goods and services	2.7	3.9	1.1	2.6	2.6	2.4
GDP	1.9	1.2	0.8	1.3	1.3	1.3
Industrial Production	0.9	-1.3	0.1	1.8	1.4	1.2
Consumer Prices, average	1.8	1.2	1.1	1.3	1.5	1.7
Current Balance (% of GDP)	3.1	2.7	2.5	2.4	2.3	2.2
Government Budget (% of GDP)	-0.5	-0.6	-0.9	-0.9	-0.8	-0.8
Short-Term Interest Rates (%)	-0.3	-0.4	-0.4	-0.4	-0.3	0.0
Long-Term Interest Rates (%)	1.2	0.4	0.2	0.5	0.9	1.4
Exchange rate (US\$ per Euro), average	1.18	1.12	1.09	1.11	1.15	1.18
Exchange rate (YEN per Euro), average	130.4	122.1	117.0	117.5	120.8	123.6

Forecast overview

GDP growth slowest in six years in Q4

The euro area economy slowed to a 0.1% q/q expansion in Q4, the slowest in six years. There is no detailed breakdown by components yet, but we expect that domestic demand was weak, whereas the contribution from net trade was probably positive. At a country level, the available national figures show that a contraction in both France and Italy drove down the aggregate figure.

The slowdown comes at a bad time for the euro area economy, as news of the Wuhan coronavirus outbreak spreading has prompted us to cut our forecasts for China and the global economy in Q1. Although available sentiment indicators for January showed a small improvement, those do not yet incorporate the impact from the events in China. If the impact extends in time or is more severe than anticipated, the halt in Chinese industrial activity may derail the fragile recovery in the European manufacturing sector as its impact starts being transmitted through global supply chains.

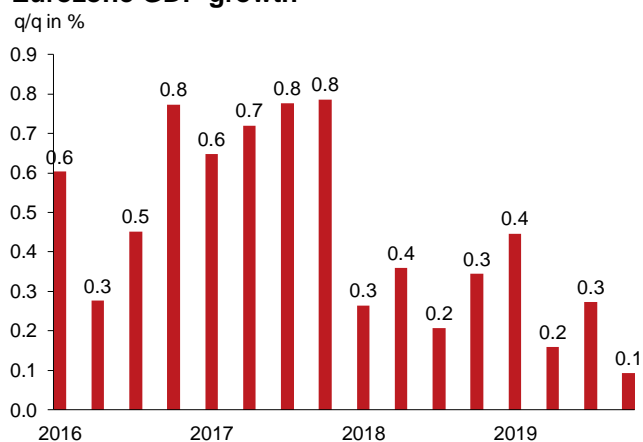
As a result, we have cut our Q1 GDP forecast to 0.1% q/q. For now, we expect the impact of the crisis to be short-lived, so we anticipate growth will recover to some 0.2-0.3% a quarter during the rest of the year.

We now see GDP growing just 0.8% this year

Our 2020 GDP forecast is now at 0.8% (down from a previous 1.0%), with growth being entirely driven by domestic demand. The following factors underpin our forecast:

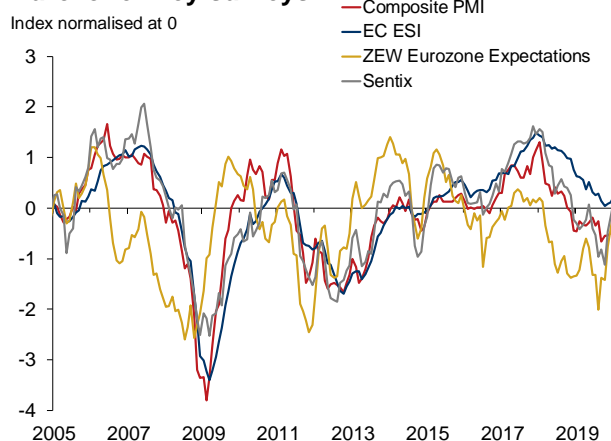
- A slowdown in employment growth:** although the labour market has been one of the brightest spots for the battered eurozone economy, the pace of job creation is cooling. Employment growth slowed to 0.1% quarterly expansion in Q3 while unemployment fell by only 90,000 overall compared with an average of 270,000 in H1 2019. As a result, the unemployment rate seems close to bottoming out, suggesting that the labour market may have reached a cyclical peak. Moreover, as labour markets typically lag real activity, we expect employment growth to remain weak over the next few quarters in line with the slowdown in activity and subdued forward-looking employment intentions. Finally, more pessimistic consumers are raising their savings, so gains in disposable income from higher real personal incomes are not translating fully into consumption. We forecast

Eurozone GDP growth



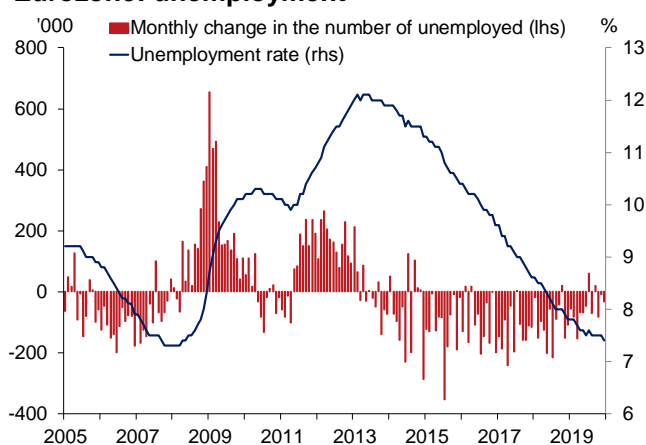
Source: Oxford Economics/Haver Analytics

Eurozone: Key surveys



Source: Oxford Economics/Haver Analytics

Eurozone: unemployment



Source: Oxford Economics/Haver Analytics

Country Economic Forecast | Eurozone

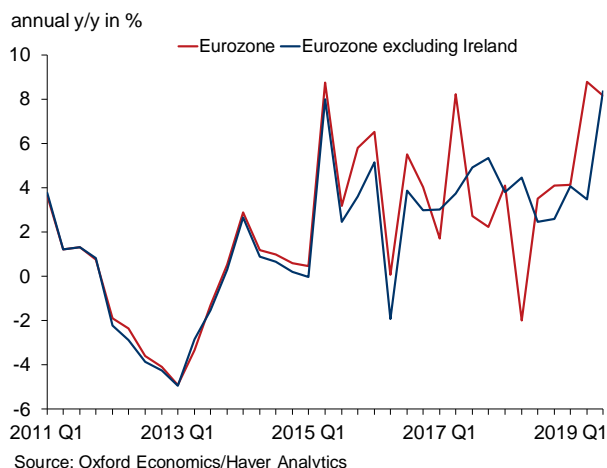
household spending growth of 1.3% in 2020, same as in 2019, with a similar outturn seen in 2021.

- Weaker investment in 2020:** investment was stronger than expected in 2019, but this partly reflects huge swings in investment data in Ireland, which are causing large volatility in investment figures. The outlook remains challenging, reflecting a deterioration in business sentiment and orders as well as a weak global outlook. On the positive side, credit conditions remain supportive for investment, with loans to corporates still expanding at a robust pace. Activity in construction remains solid, although we expect its contribution to growth to moderate. We now see capital spending expanding just 0.3% in 2020 (down from an estimated 5.8% in 2019), mostly as a result of negative base effects but also impacted by [increased](#) uncertainty, which will be heightened due to the coronavirus outbreak.
- Export outlook remains weak:** eurozone exports continue to suffer from the negative global trade environment, with fears of a full-blown trade war affecting sentiment and orders. In addition, troubles in the car industry have exacerbated the impact in many countries, especially Germany. Although we expect these to fade gradually, the outlook remains challenging for European exporters given that global trade growth is now at its slowest in almost a decade and trade tensions are likely to persist. Therefore, we expect exports to expand just 0.9% in 2020, down from an estimated 2.4% in 2019 and the weakest pace since the global financial crisis.

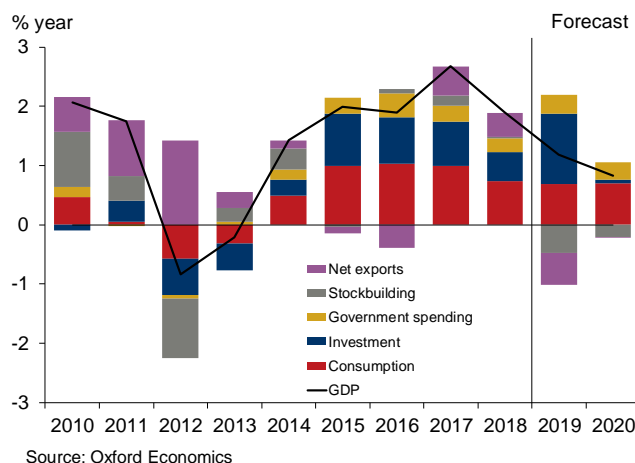
ECB still in wait-and-see mode

The ECB remains in wait-and-see mode after it launched a broad stimulus package in September in order to combat the deteriorating growth and inflation outlook. The central bank cut the deposit rate by 10bp to -0.50%, while also changing its forward guidance from calendar-based to inflation-dependent. The ECB will keep interest rates “at their present or lower levels” until the inflation outlook converges to its target of close to but just below 2%. It also reactivated the asset purchase programme, at €20bn a month, with the new QE programme open-ended. The ECB also announced more favourable conditions for its targeted longer-term refinancing operations (TLTRO) and introduced a tiered reserves system for bank deposits in order to ease the impact of negative rates. The weak growth outlook and the ECB’s new forward guidance mean that we expect monetary conditions to remain loose for an extended period of time; we do not expect interest rates to rise until 2023.

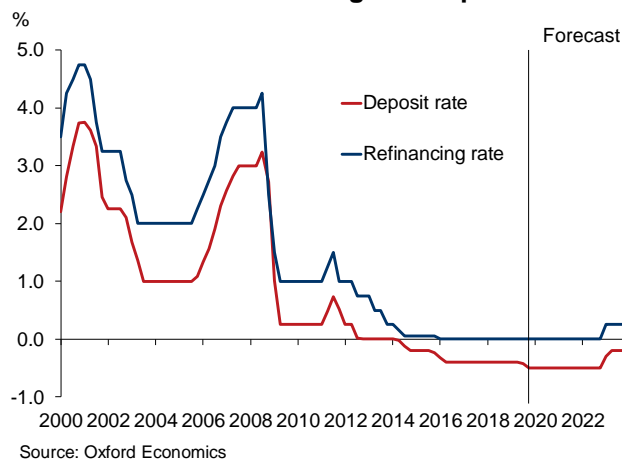
Eurozone fixed investment



Eurozone: Contributions to GDP growth



Eurozone: ECB refinancing and deposit rate



What to watch out for

Political risks remain a threat: although recent years proved that stronger global demand could prompt increasingly confident businesses to raise investment spending more sharply than expected, political risks are never far away in Europe. The election of a populist government in Italy, the possibility of a 'no-deal' Brexit and the Catalan independence crisis in Spain are just a few examples.

Trade worries: exports are a key driver of growth given the openness of the European economy. While the impact of the stronger euro on export growth has been limited, a sharper rise in the single currency – particularly if policymakers abroad become more dovish – could mean that net trade becomes a drag on GDP. A full-blown trade war with the US would be very damaging for eurozone growth prospects given the impact that trade uncertainty is already having even before substantial tariffs have been applied. The Wuhan coronavirus will also have a short-term impact.

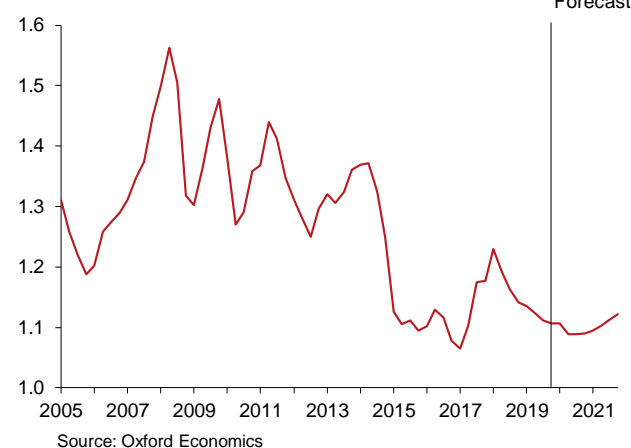
Earlier-than-expected monetary policy tightening: we expect the ECB to maintain an accommodative stance for an extended period. But if underlying inflation pressures start to rise, the central bank could surprise markets to the upside, pushing bond yields and the euro higher, which in turn could slow growth.

Exposure to key global risks

Global recession: in this scenario, we explore how downside risks could combine in the near term to generate global recession. Further weakness in industrial production spills over to services against a backdrop of declining household and business confidence, deteriorating labour market conditions and marked asset price falls. In this scenario, eurozone GDP growth is 0.9% lower than in the baseline in 2020-22.

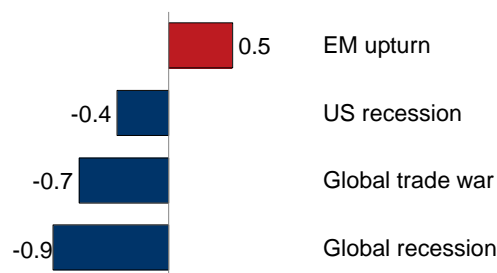
Global trade war: this scenario considers a dramatic escalation of trade tensions. The US implements major new trade policy measures against all major trading partners. The fall-out is substantial. World growth slows sharply and, against a backdrop of aggressive action from the Federal Reserve, abrupt market movements ensue. Eurozone growth is 0.7% below baseline in 2020-22.

Eurozone: Exchange rate US\$ per €

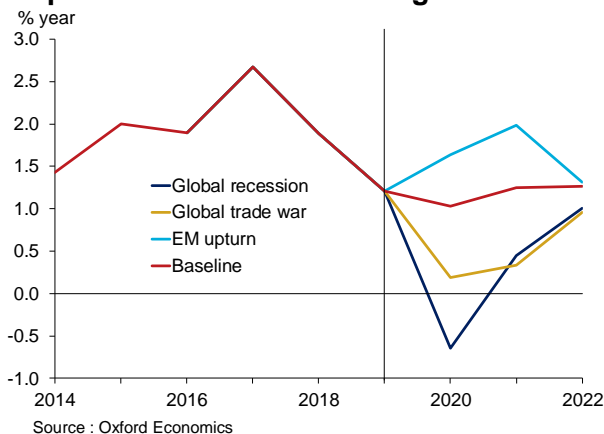


Impact of scenarios on GDP growth

Average annual impact over the next 3 years (% points)



Impact of scenarios on GDP growth



Long-term prospects

Slow recovery from crises

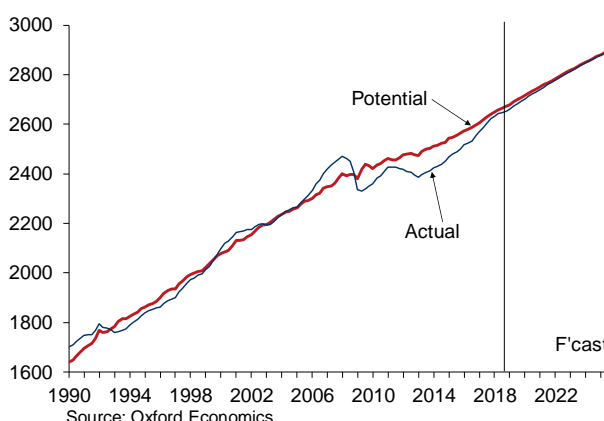
The global and eurozone crises will leave their mark on growth for years to come. We estimate the eurozone's potential growth rate in 2019-27 at only 1.1% a year, the same as our estimate for the past decade but far lower than 1.8% in the decade prior to 2008.

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 in several countries), 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

	2009-2018	2019-2028
Potential GDP*	1.1	1.1
Employment at NAIRU	0.6	0.3
Capital Stock	1.1	1.1
Total Factor Productivity	0.3	0.4

* $\ln(\text{Potential GDP}) = 0.65 \cdot \ln(\text{Employment at NAIRU}) + 0.35 \cdot \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$

Long-Term Forecast for Eurozone

(Average annual percentage change unless otherwise stated)

	2009-2013	2014-2018	2019-2023	2024-2028
GDP	-0.4	2.0	1.2	1.0
Consumption	-0.4	1.6	1.3	1.0
Investment	-3.1	3.2	2.2	1.1
Government Consumption	0.6	1.3	1.3	0.9
Exports of Goods and Services	1.6	4.6	2.0	1.9
Imports of Goods and Services	0.4	4.9	2.5	2.0
Unemployment (%)	10.7	10.0	7.3	6.8
Consumer Prices, average	1.7	0.8	1.4	1.9
Current Balance (% of GDP)	0.4	2.9	2.4	2.1
Exchange Rate (US\$ per Euro), average	1.34	1.17	1.13	1.24
General Government Balance (% of GDP)	-4.7	-1.5	-0.8	-0.8
Short-term Interest Rates (%)	0.8	-0.1	-0.3	0.9
Long-term Interest Rates (%)	3.7	1.3	0.7	2.5
Working Population	0.1	0.2	-0.1	-0.2
Labour Supply	0.3	0.4	0.4	0.0
Participation Ratio	76.3	76.9	78.6	79.9
Labour Productivity	0.3	0.7	0.6	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 been the main growth engine until recently.

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 began its own QE programme, which ended in December 2018 and was later reactivated in October 2019.

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.

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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)
Jan	-0.9	7.8	1.4	0.7	-7.4	2.2	4.0	0.7
Feb	-0.1	7.8	1.5	0.7	-6.9	5.9	5.8	18.5
Mar	-0.6	7.7	1.4	0.5	-6.6	3.0	6.4	22.7
Apr	-0.8	7.6	1.7	0.4	-7.4	5.4	6.7	15.4
May	-0.9	7.6	1.2	0.3	-6.5	6.9	5.2	21.2
Jun	-2.4	7.5	1.2	0.2	-7.2	-5.3	-4.2	19.7
Jul	-2.0	7.6	1.1	-0.1	-6.6	6.0	2.7	23.8
Aug	-2.4	7.5	1.0	0.1	-7.1	-2.1	-3.6	14.3
Sep	-1.8	7.5	0.9	-0.2	-6.6	5.3	2.2	18.7
Oct	-2.8	7.5	0.7	-0.2	-7.6	4.4	-2.7	27.6
Nov	-1.5	7.5	1.0	-0.2	-7.2	-2.9	-4.6	20.7
Dec	-	7.4	1.3	-0.3	-8.1	-	-	-
2020								
Jan	-	-	1.4	-0.2	-8.1	-	-	-

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
Jan	-0.31	1.21	3.7	1.14	1.13	101.5	3159	20.9
Feb	-0.31	1.12	4.2	1.14	1.15	101.1	3298	13.5
Mar	-0.31	0.99	4.6	1.13	1.17	100.6	3352	26.2
Apr	-0.31	0.95	4.7	1.12	1.16	100.5	3515	-44.0
May	-0.31	0.87	4.8	1.12	1.15	100.9	3280	-17.6
Jun	-0.33	0.58	4.5	1.13	1.12	101.4	3474	-41.5
Jul	-0.36	0.36	5.1	1.12	1.11	101.0	3467	-3.3
Aug	-0.41	0.10	5.7	1.11	1.09	101.1	3427	15.1
Sep	-0.42	0.05	5.6	1.10	1.12	99.9	3569	0.1
Oct	-0.41	0.14	5.6	1.11	1.14	99.9	3604	67.5
Nov	-0.40	0.31	5.6	1.11	1.17	99.3	3704	-26.8
Dec	-0.39	0.37	5.0	1.11	1.18	99.2	3745	-
2020								
Jan	-0.39	0.32	-	1.11	1.18	99.0	3641	-

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)		(MON)	(PPI)	(CPI)
YEARS BEGINNING Q1											
2018	1.4	2.4	1.6	1.9	0.9	8.2	2.5	0.4	3.8	2.4	1.8
2019	1.3	5.8	1.8	1.2	-1.3	7.6	2.4	0.0	5.0	0.4	1.2
2020	1.3	0.3	0.9	0.8	0.1	7.4	2.2	0.2	3.8	1.0	1.1
2021	1.4	1.9	1.5	1.3	1.8	7.3	2.3	0.8	3.7	1.5	1.3
2022	1.3	1.7	1.4	1.3	1.4	7.2	2.5	0.9	3.6	1.4	1.5
2023	1.2	1.5	1.3	1.3	1.2	7.1	2.6	0.9	3.4	1.4	1.7
2018											
Q1	1.7	4.1	2.0	2.6	3.1	8.5	2.2	0.9	3.2	1.2	1.3
Q2	1.5	-2.0	0.5	2.2	2.3	8.3	2.5	0.6	4.4	2.1	1.7
Q3	1.1	3.5	1.9	1.6	0.5	8.0	2.7	0.2	3.6	3.6	2.1
Q4	1.1	4.1	1.8	1.2	-2.1	7.9	2.5	-0.2	4.2	2.9	1.9
2019											
Q1	1.1	4.1	1.5	1.4	-0.5	7.8	2.5	0.0	4.8	1.9	1.4
Q2	1.1	8.8	2.5	1.2	-1.4	7.6	2.4	0.0	4.6	1.1	1.4
Q3	1.5	8.1	2.4	1.2	-2.1	7.6	2.4	0.2	5.6	-0.7	1.0
Q4	1.3	2.3	0.9	1.0	-1.3	7.5	2.4	0.0	5.0	-0.8	0.9
2020											
Q1	1.3	2.7	1.2	0.7	-1.5	7.4	2.3	-0.1	4.6	0.1	1.1
Q2	1.4	-2.1	0.3	0.8	-0.4	7.4	2.3	0.1	3.9	0.6	1.0
Q3	1.2	-1.5	0.4	0.8	0.8	7.5	2.0	0.2	3.4	1.5	1.2
Q4	1.3	2.3	1.7	1.1	1.6	7.4	2.2	0.5	3.4	1.8	1.3
2021											
Q1	1.3	2.2	1.6	1.3	1.7	7.3	2.2	0.7	3.6	1.5	1.3
Q2	1.4	2.0	1.5	1.3	1.8	7.3	2.3	0.8	3.7	1.5	1.3
Q3	1.4	1.6	1.4	1.3	1.8	7.3	2.4	0.8	3.8	1.5	1.3
Q4	1.3	2.0	1.5	1.3	1.7	7.2	2.4	0.8	3.8	1.5	1.4
2022											
Q1	1.3	1.8	1.4	1.3	1.6	7.2	2.5	0.8	3.8	1.4	1.4
Q2	1.3	1.7	1.4	1.3	1.5	7.2	2.5	0.9	3.6	1.4	1.4
Q3	1.3	1.6	1.4	1.3	1.4	7.2	2.5	0.9	3.5	1.4	1.5
Q4	1.3	1.6	1.4	1.3	1.3	7.1	2.6	0.9	3.4	1.4	1.6
2023											
Q1	1.3	1.5	1.3	1.3	1.2	7.1	2.6	0.9	3.4	1.4	1.6
Q2	1.2	1.5	1.3	1.3	1.2	7.1	2.6	0.9	3.4	1.4	1.6
Q3	1.2	1.5	1.3	1.3	1.1	7.2	2.6	0.9	3.4	1.3	1.7
Q4	1.2	1.4	1.3	1.2	1.1	7.1	2.7	0.9	3.4	1.3	1.7

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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											
2018	192.4	357.7	3.09	-58.0	-0.50	-0.32	1.17	-2.08	-0.58	1.18	127.5
2019	212.6	318.3	2.68	-71.8	-0.60	-0.36	0.41	-1.54	-0.77	1.12	126.1
2020	168.1	308.4	2.54	-108.5	-0.89	-0.39	0.17	-1.54	-0.98	1.09	123.1
2021	149.5	300.3	2.40	-110.2	-0.88	-0.39	0.53	-1.71	-0.79	1.11	123.8
2022	155.3	294.8	2.29	-107.7	-0.84	-0.28	0.93	-1.75	-0.55	1.15	125.2
2023	164.9	286.7	2.16	-107.8	-0.81	-0.01	1.36	-1.67	-0.30	1.18	126.5
2018											
Q1	59.6	98.8	3.45	-6.6	-0.23	-0.33	1.19	-1.60	-0.08	1.23	126.5
Q2	49.9	103.2	3.58	-9.7	-0.34	-0.33	1.10	-2.04	-0.62	1.19	126.6
Q3	42.5	74.6	2.57	-17.9	-0.62	-0.32	1.12	-2.44	-1.00	1.16	128.9
Q4	40.5	81.2	2.78	-23.8	-0.81	-0.32	1.27	-2.22	-0.64	1.14	127.9
2019											
Q1	52.8	91.4	3.10	-18.9	-0.64	-0.31	0.93	-1.74	-0.50	1.14	126.2
Q2	51.5	70.7	2.38	-21.6	-0.73	-0.32	0.55	-1.72	-0.85	1.12	126.3
Q3	55.4	77.7	2.61	-12.5	-0.42	-0.40	0.02	-1.35	-0.94	1.11	126.4
Q4	52.8	78.6	2.62	-18.8	-0.63	-0.40	0.15	-1.35	-0.80	1.11	125.7
2020											
Q1	47.7	75.3	2.50	-28.6	-0.95	-0.40	0.13	-1.53	-1.00	1.11	124.3
Q2	43.3	109.9	3.63	-30.5	-1.01	-0.40	0.08	-1.41	-0.93	1.09	122.6
Q3	38.2	53.9	1.77	-24.4	-0.80	-0.39	0.19	-1.59	-1.00	1.09	122.7
Q4	39.0	69.2	2.26	-25.0	-0.81	-0.39	0.28	-1.65	-0.97	1.09	122.9
2021											
Q1	36.8	69.3	2.24	-29.8	-0.97	-0.39	0.38	-1.70	-0.92	1.09	123.3
Q2	37.8	109.5	3.52	-27.8	-0.89	-0.39	0.49	-1.69	-0.81	1.10	123.7
Q3	34.7	52.5	1.67	-25.6	-0.82	-0.39	0.58	-1.71	-0.74	1.11	124.0
Q4	40.1	69.1	2.19	-26.9	-0.85	-0.37	0.68	-1.73	-0.68	1.12	124.4
2022											
Q1	39.0	70.6	2.22	-29.7	-0.93	-0.35	0.77	-1.77	-0.65	1.13	124.7
Q2	38.6	108.5	3.38	-27.8	-0.87	-0.32	0.88	-1.76	-0.56	1.14	125.0
Q3	35.8	50.0	1.55	-24.4	-0.76	-0.26	0.99	-1.74	-0.49	1.15	125.4
Q4	41.9	65.8	2.02	-25.8	-0.79	-0.19	1.09	-1.74	-0.47	1.16	125.7
2023											
Q1	41.4	69.0	2.10	-29.3	-0.89	-0.08	1.19	-1.68	-0.41	1.17	126.0
Q2	41.1	104.6	3.16	-28.1	-0.85	0.00	1.31	-1.64	-0.33	1.18	126.4
Q3	38.6	47.7	1.43	-24.8	-0.74	0.02	1.42	-1.66	-0.26	1.19	126.7
Q4	43.9	65.3	1.95	-25.5	-0.76	0.04	1.52	-1.69	-0.21	1.20	127.0

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																
	2009-2018	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2028
GDP	0.8	2.0	1.9	2.7	1.9	1.2	0.8	1.3	1.3	1.3	1.2	1.1	1.0	1.0	0.9	1.1
Consumption	0.6	1.8	1.9	1.8	1.4	1.3	1.3	1.4	1.3	1.2	1.2	1.1	1.0	1.0	0.9	1.2
Investment	0.0	4.5	4.0	3.7	2.4	5.8	0.3	1.9	1.7	1.5	1.4	1.2	1.1	1.0	1.0	1.7
Government Consumption	0.9	1.3	1.9	1.3	1.1	1.6	1.4	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.8	1.1
Exports of Goods and Services	3.1	6.4	2.9	5.8	3.3	2.4	0.9	2.1	2.3	2.3	2.2	2.0	1.9	1.8	1.8	2.0
Imports of Goods and Services	2.6	7.5	4.2	5.2	2.7	3.9	1.1	2.6	2.6	2.4	2.2	2.1	2.0	1.9	1.9	2.3
Unemployment (%)	10.3	10.9	10.0	9.1	8.2	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	7.1
Consumer Prices, average	1.3	0.2	0.2	1.5	1.8	1.2	1.1	1.3	1.5	1.7	1.8	1.9	1.9	2.0	2.0	1.6
Consumer Prices, EOP	1.3	0.3	0.7	1.4	1.9	0.9	1.3	1.4	1.6	1.7	1.8	1.9	1.9	2.0	2.0	1.6
Current Balance (% of GDP)	1.7	2.8	3.2	3.1	3.1	2.7	2.5	2.4	2.3	2.2	2.1	2.1	2.1	2.0	2.0	2.2
Exchange Rate (US\$ per Euro), average	1.26	1.11	1.11	1.13	1.18	1.12	1.09	1.11	1.15	1.18	1.22	1.25	1.25	1.25	1.25	1.19
Exchange Rate (US\$ per Euro), EOP	1.25	1.09	1.05	1.20	1.15	1.12	1.09	1.13	1.16	1.20	1.24	1.25	1.25	1.25	1.25	1.19
General Government Balance (% of GDP)	-3.1	-2.0	-1.4	-0.9	-0.5	-0.6	-0.9	-0.9	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Short-term Interest Rates (%)	0.3	0.0	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.3	0.0	0.3	0.6	0.9	1.2	1.4	0.3
Long-term Interest Rates (%)	2.5	1.2	0.8	1.1	1.2	0.4	0.2	0.5	0.9	1.4	1.8	2.2	2.5	2.9	3.0	1.6
Working Population	0.2	0.2	0.3	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3	-0.2
Labour Supply	0.3	0.2	0.5	0.6	0.6	0.5	0.5	0.4	0.3	0.3	0.2	0.1	0.0	-0.1	-0.1	0.2
Participation Ratio (%)	76.6	76.7	76.8	77.0	77.4	77.9	78.3	78.7	79.0	79.3	79.6	79.8	80.0	80.1	80.3	79.3
Labour productivity	0.5	0.9	0.6	1.1	0.4	0.0	0.2	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0	0.7
Employment	0.3	1.0	1.3	1.6	1.5	1.1	0.7	0.5	0.4	0.3	0.3	0.2	0.1	0.0	-0.1	0.4
Output gap (% of potential GDP)	-2.4	-2.8	-2.2	-1.1	-0.5	-0.6	-1.0	-0.8	-0.6	-0.4	-0.3	-0.2	-0.1	-0.1	-0.1	-0.4

Key Facts

Politics

President of the ECB: Christine LAGARDE
 Vice president of the ECB: Luis DE GUINDOS
 EC commissioner for Economic and Financial Affairs:
 Paolo GENTILONI
 Chairman of Euro Group of Finance Ministers:
 Mario CENTENO

Long-term economic & social development

	1980	1990	2000	2018*
GDP per capita (US\$)	-	18235	20687	40367
Inflation (%)	9.9	4.2	2.2	1.8
Population (mn)	302	303	313	338
Urban population (% of total)	69.9	71.2	72.9	77.0
Life expectancy (years)	73.5	75.9	78.3	82.0

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

	2018
Agriculture	1.6%
Industry	21.9%
Services	76.5%

Source : World Bank

* 2018 or latest available year

Structural economic indicators

	1990	1995	2000	2018*
Current account (US\$ billion)	4	22	-96	423
Trade balance (US\$ billion)	-25	61	-33	227
FDI (US\$ billion)	-	-	35	-163
Govt budget (% of GDP)	-4.7	-8.3	-0.1	-0.5
Govt debt (% of GDP)	14.2	68.8	68.2	86.0
Long-term interest rate	10.4	8.8	5.4	1.2

Oil production (000 bpd)	266	305	233	182
Oil consumption (000 bpd)	9787	10562	11010	9437

Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2018

Eurozone	46.1%
Non-Eurozone	53.9%
Of which:	
United States	14.0%
United Kingdom	12.1%
China	7.5%
Poland	6.0%
Switzerland	5.6%

Source : Eurostat / Haver Analytics

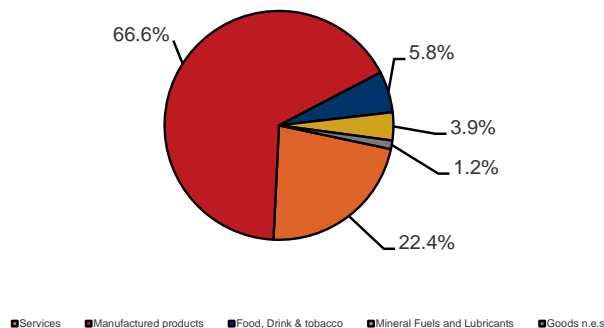
Corruption perceptions index 2018

	Score
Developed economies (average)	74.6
Emerging economies (average)	38.2
Eurozone	68.9

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

Composition of extra-EMU goods & services exports 2018



Source : Eurostat / Haver Analytics