

Country Economic Forecast

Eurozone

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Growth may have stabilised towards the end of Q2, so we still see 2018 growth of 2.1%...

...but we have cut our 2019 GDP forecast slightly to 1.7% on the likely impact of tariffs

- Recent indicators suggest that eurozone growth stabilised towards the end of Q2, so we still expect the economy to have expanded at the same 0.4% pace as seen in Q1. We maintain our 2018 GDP growth projection at 2.1% but we have cut our 2019 forecast slightly to 1.7% (from 1.8%) due to the impact of the expected US tariffs on the European auto industry.
- The PMIs rose in June, driven by stronger activity in services. Together with other surveys, this suggests the eurozone economy steadied towards the end of Q2. But risks remain, especially for the more externally-oriented manufacturing sector. Furthermore, the available hard data for Q2 does not offer much hope in terms of a strong rebound, with growth of retail sales and industrial production slowing in April. We expect q/q GDP growth of 0.4% in Q2, with broadly similar results in H2.
- Inflation rose to 2% in June, the highest in 16 months, primarily a result of high energy prices. Core inflation remains substantially lower (at 1% in June) but we still expect it rise steadily as wage growth firms across the continent. We see headline inflation hovering around the 2% mark over the coming months, resulting in an average of 1.8% for 2018, before easing slightly in 2019.
- The ECB has announced that it will end QE purchases in December, in line with our expectations. But the decision was accompanied by dovish forward guidance, as the central bank indicated that interest rates will remain unchanged until at least after the summer of 2019. We expect the first interest rate hike to take place in H2 2019, with a very gradual pace of tightening thereafter.

Forecast for Eurozone						
(Annual percentage changes unless specified)						
	2016	2017	2018	2019	2020	2021
Domestic Demand	2.3	2.0	1.7	1.8	1.7	1.5
Private Consumption	1.9	1.7	1.4	1.6	1.5	1.3
Fixed Investment	4.5	3.5	3.1	2.8	2.4	1.9
Stockbuilding (% of GDP)	0.1	0.1	0.1	0.1	0.2	0.3
Government Consumption	1.8	1.2	1.2	1.4	1.2	1.2
Exports of goods and services	3.3	5.5	3.7	3.5	3.2	3.0
Imports of goods and services	4.6	4.5	3.1	4.0	3.6	3.3
GDP	1.8	2.6	2.1	1.7	1.6	1.4
Industrial Production	1.7	3.0	2.4	2.0	1.6	1.5
Consumer Prices, average	0.2	1.5	1.8	1.7	1.6	1.8
Current Balance (% of GDP)	3.6	3.5	3.4	3.1	2.9	2.8
Government Budget (% of GDP)	-1.5	-0.9	-0.6	-0.8	-0.8	-0.7
Short-Term Interest Rates (%)	-0.3	-0.3	-0.3	-0.1	0.3	0.6
Long-Term Interest Rates (%)	0.9	1.1	1.1	1.6	2.1	2.5
Exchange rate (US\$ per Euro), average	1.11	1.13	1.19	1.22	1.25	1.25
Exchange rate (YEN per Euro), average	120.3	126.7	129.9	132.2	135.7	135.9

Forecast overview

Signs of stabilisations towards the end of Q2

The eurozone finally showed some signs of stabilisation at the end of Q2. First, the composite PMI rose in June after five consecutive monthly falls, driven by stronger activity in the services sector. More recently, the Sentix indicator for July also improved for the first time this year.

But risks are far from gone, especially for the more externally-oriented manufacturing sector. Manufacturing activity continues to fall sharply from the highs reached at end-2017 as the industrial sector continues to see falling orders amid a less favourable external environment. The available hard data for Q2 does not offer much hope for a strong rebound, with growth in retail sales and industrial production slowing in April (although this will likely be reversed in May). For now, we maintain our forecast of a 0.4% expansion in Q2, the same as in Q1.

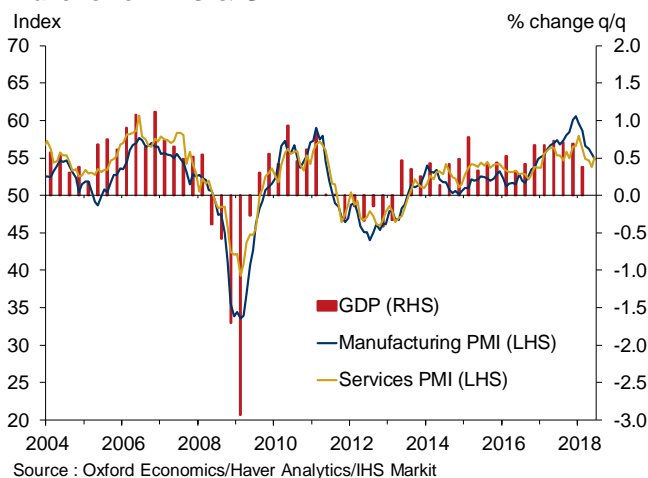
Risks are broadly balanced at the moment. An easing of trade tensions could give a boost to exports and industrial production, but rising inflation is likely to put a cap on consumer spending growth. As a result, we expect GDP growth to stabilise at around 0.4% a quarter in H2, which would give 2018 growth of 2.1%. This would still be the second-best year for growth in a decade after 2.6% in 2017.

Stable growth for the rest of the year

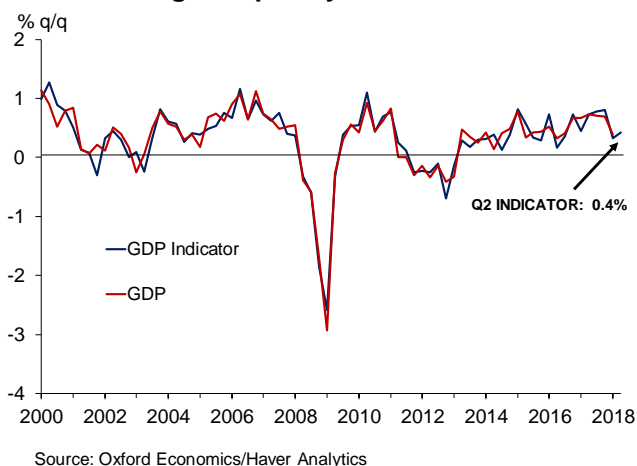
Our forecasts for 2018 are underpinned by the following factors:

- Weaker household spending:** consumer spending was resilient in 2016 and 2017 due to strong employment growth. Although the unemployment rate is at a nine-year low, we think it can fall further as structural unemployment is declining as well. As yet there are no signs of strong wage growth, but there are indications that this may be changing in some countries. However, modest wage gains will not be enough to offset the rise in inflation (which is expected to remain above 2% over the coming months) and we expect households to be increasingly squeezed by slower real income growth. We forecast private consumption growth of 1.4% this year, down from 1.7% in 2017 and the weakest in four years.
- Solid outlook for investment:** following a good rise in 2017, we expect another year of solid but unspectacular growth in fixed investment. Spending on machinery and

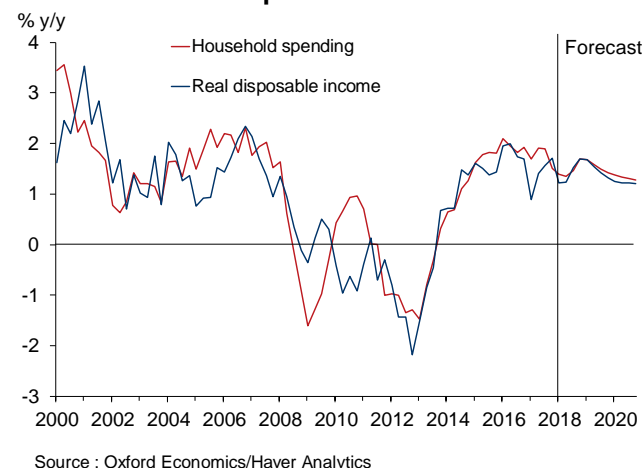
Eurozone PMIs & GDP



Euro area high frequency GDP indicator



Eurozone: Consumption and real income



equipment (which was up 5.3% in 2017), should be supported by buoyant business sentiment, tight capacity and the continued improvement of bank lending flows to non-financial firms. Construction and real estate activity is also picking up strongly across many countries, driving up total investment. We expect capital formation to expand 3.1% this year and 2.8% in 2019.

- Exports under increasing pressure:** eurozone exports had a stellar year in 2017, rising 5.5%. But with global trade growth now easing and given the lagged impact of the stronger euro, we expect export volume growth to ease to 3.7% in 2018. A sharp slowdown in Q1 highlighted that European exporters are going to be under increasing pressure, although monthly figures suggest Q2 should see some improvement. Rising protectionism and a potential global trade war remain the main risks to our forecast.

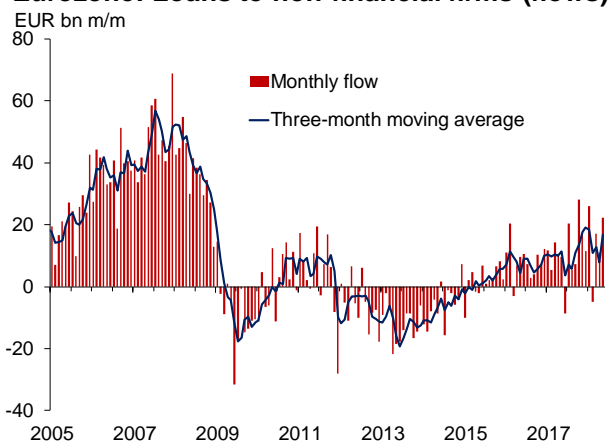
Growth this year will be driven mainly by the domestic sector, but net trade will also make a positive contribution for a second year in a row. For 2019, we now see GDP growth at 1.7% (down from 1.8% last month) as we are factoring in the impact from expected US tariffs on the European auto industry.

ECB to end QE in December

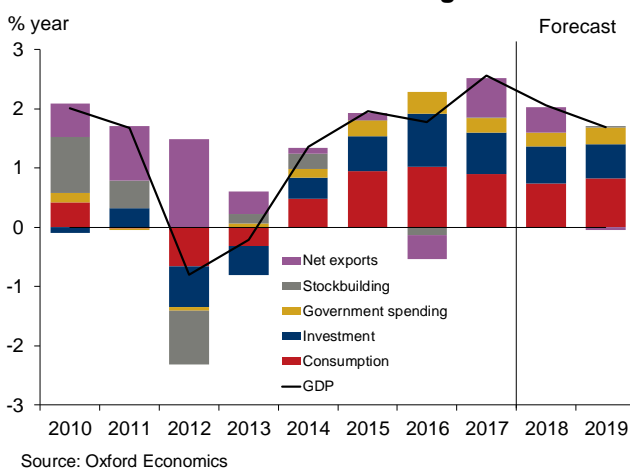
The ECB has announced it will end its QE purchases in December, following a quick taper in the last three months of the year when purchases will be cut from the current €30bn a month to €15bn a month. The central bank did leave the door open to a further extension, as the decision remains “subject to incoming data”, but we think this is now very unlikely.

The central bank also 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. So the fundamental picture of a very gradual exit remains unchanged. Despite solid economic growth, the relatively weak inflation outlook means the ECB will continue to be very cautious about withdrawing monetary support, so we anticipate a very slow pace of interest rate hikes over the coming years.

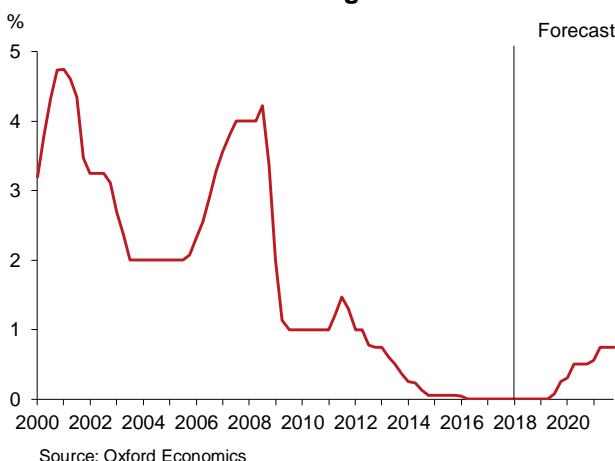
Eurozone: Loans to non-financial firms (flows)



Eurozone: Contributions to GDP growth



Eurozone: ECB refinancing rate



What to watch out for

Risks around political uncertainty: last year showed that stronger global demand and easing fears about the election of populist governments could prompt businesses to raise investment spending more sharply than expected. But political risks are never far away in Europe and the tide could turn quickly: the election of a populist government in Italy, the possibility of a hard Brexit and the Catalan independence crisis in Spain are just 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 single currency – particularly if policymakers abroad become more dovish – could mean that net trade is a drag on GDP. The increasing threat of a global trade war would also be very damaging for Eurozone growth prospects.

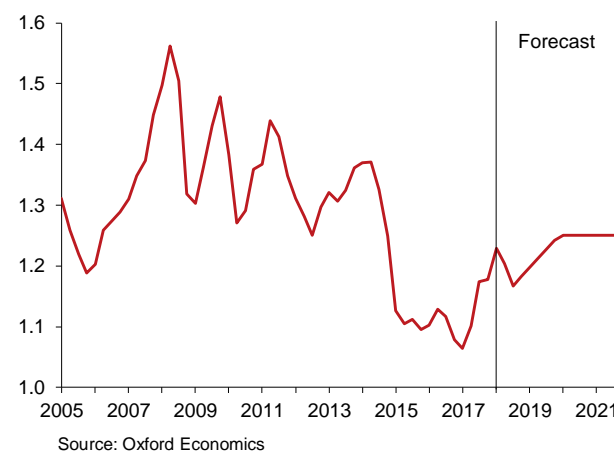
Monetary policy tightening: we expect the ECB to adopt a cautious approach to monetary tightening. But if underlying inflation pressures start to grow, the central bank could surprise markets to the upside, pushing bond yields and the euro higher, which in turn could slow growth.

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.

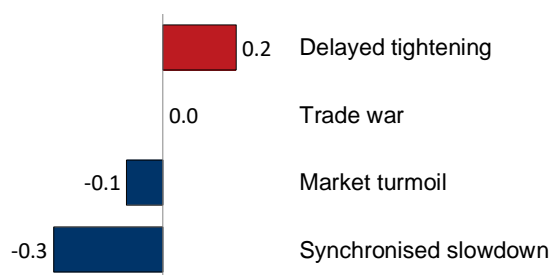
Synchronised slowdown: in this scenario, the recent weakening of activity in the eurozone and US is followed by a global slowdown amid trade policy uncertainty and tightening monetary conditions. This weighs on eurozone and US domestic demand, spilling over globally as trade growth slows at the same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

Eurozone: Exchange rate US\$ per €

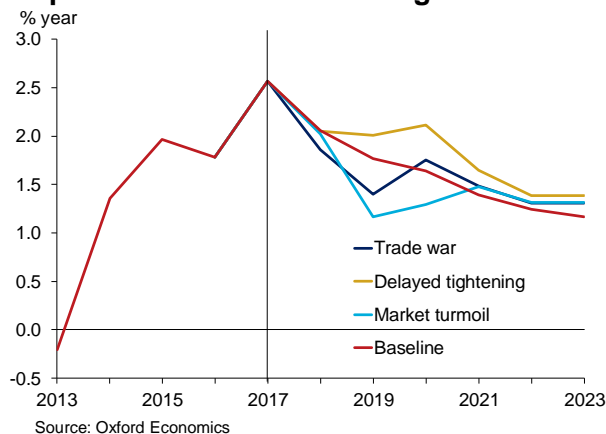


Impact of scenarios on GDP growth

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



Impact of scenarios on GDP growth



Long-term prospects

Slow recovery from crises

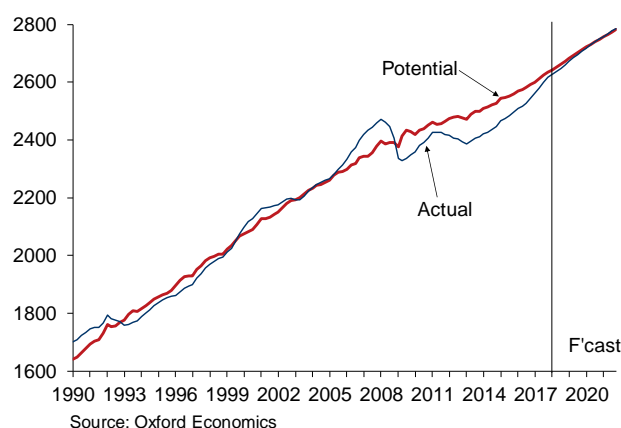
The global and eurozone crises will leave their mark on growth for years to come. We estimate the eurozone's potential growth rate at only 1.2%, similar to our estimate for the past decade but far lower than 1.8% in the decade prior to 2008.

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
GDP	0.5	0.8	1.9	1.1
Consumption	0.4	0.6	1.5	1.1
Investment	-1.4	0.7	2.7	1.4
Government Consumption	1.5	0.8	1.2	1.1
Exports of Goods and Services	2.3	3.8	3.9	2.4
Imports of Goods and Services	1.8	3.3	3.8	2.6
Unemployment (%)	9.0	11.2	8.0	6.9
Consumer Prices, average	2.0	0.9	1.7	1.9
Current Balance (% of GDP)	-0.4	2.6	3.2	2.6
Exchange Rate (US\$ per Euro), average	1.39	1.23	1.21	1.25
General Government Balance (% of GDP)	-3.9	-2.5	-0.8	-0.6
Short-term Interest Rates (%)	2.5	0.1	0.0	1.5
Long-term Interest Rates (%)	4.1	2.2	1.9	3.4
Working Population	0.2	0.2	0.0	-0.2
Labour Supply	0.5	0.3	0.5	0.1
Participation Ratio	76.1	76.7	77.8	79.2
Labour Productivity	0.4	0.4	0.8	0.8

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 end 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

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)
Jun	2.2	9.0	1.3	1.2	-1.3	4.2	6.9	25.7
Jul	4.1	9.0	1.3	1.2	-1.7	5.9	9.1	21.7
Aug	4.2	9.0	1.5	1.2	-1.5	7.0	9.3	15.3
Sep	3.9	8.9	1.5	1.4	-1.2	5.2	5.6	25.1
Oct	2.6	8.8	1.4	1.5	-1.1	9.0	10.8	18.2
Nov	4.5	8.7	1.5	1.6	0.0	8.6	9.2	24.7
Dec	4.9	8.7	1.4	1.6	0.5	0.9	2.7	24.9
2018								
Jan	4.0	8.6	1.3	1.6	1.4	9.1	6.2	2.9
Feb	2.7	8.6	1.2	1.6	0.1	2.9	1.3	19.1
Mar	3.2	8.5	1.4	1.5	0.1	-3.2	-2.1	25.7
Apr	1.8	8.4	1.2	1.4	0.3	8.0	8.2	16.7
May	-	8.4	1.9	1.4	0.2	-	-	-
Jun	-	-	2.0	1.4	-0.5	-	-	-

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
Jun	-0.33	1.07	4.9	1.12	1.14	99.6	3442	-28.2
Jul	-0.33	1.21	4.6	1.15	1.13	101.2	3449	-1.9
Aug	-0.33	1.04	5.0	1.18	1.10	103.3	3421	-14.4
Sep	-0.33	1.12	5.2	1.19	1.12	103.4	3595	9.5
Oct	-0.33	1.15	5.0	1.18	1.12	103.0	3674	27.8
Nov	-0.33	0.95	4.9	1.17	1.13	103.0	3570	0.8
Dec	-0.33	0.88	4.6	1.18	1.13	103.4	3504	9.6
2018								
Jan	-0.33	1.03	4.6	1.22	1.13	104.6	3609	41.2
Feb	-0.33	1.27	4.3	1.23	1.13	105.0	3439	32.7
Mar	-0.33	1.17	3.7	1.23	1.13	105.1	3362	60.0
Apr	-0.33	1.13	3.8	1.23	1.15	105.1	3537	34.7
May	-0.33	1.24	4.0	1.18	1.14	103.2	3407	-
Jun	-0.32	1.29	-	1.17	1.14	102.5	3396	-

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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	4.5	2.3	1.8	1.7	10.0	1.5	0.4	5.0	-1.9	0.2
2017	1.7	3.5	2.0	2.6	3.0	9.1	1.9	0.9	4.8	2.8	1.5
2018	1.4	3.1	1.7	2.1	2.4	8.3	2.4	0.6	3.4	2.0	1.8
2019	1.6	2.8	1.8	1.7	2.0	7.8	2.6	0.7	3.8	1.9	1.7
2020	1.5	2.4	1.7	1.6	1.6	7.5	2.8	0.9	3.4	1.9	1.6
2021	1.3	1.9	1.5	1.4	1.5	7.3	2.7	0.9	3.2	1.9	1.8
2016											
Q1	2.1	3.0	2.1	1.7	2.0	10.3	1.6	0.4	4.8	-2.9	0.0
Q2	1.9	5.5	2.6	1.7	0.9	10.1	1.3	0.4	5.0	-3.3	-0.1
Q3	1.8	5.1	2.3	1.7	1.1	9.9	1.4	0.4	5.1	-1.7	0.3
Q4	1.9	4.5	2.2	2.0	2.7	9.7	1.6	0.6	5.2	0.5	0.7
2017											
Q1	1.7	4.3	1.9	2.1	1.1	9.5	1.6	0.5	5.4	3.8	1.8
Q2	1.9	3.7	2.3	2.5	2.6	9.1	1.9	0.9	4.7	3.2	1.5
Q3	1.8	2.7	2.0	2.8	4.1	9.0	2.0	1.1	4.9	2.2	1.4
Q4	1.4	3.2	1.6	2.8	4.0	8.7	2.2	1.3	4.2	2.0	1.4
2018											
Q1	1.5	3.6	2.0	2.5	3.3	8.6	2.3	1.1	3.2	1.3	1.3
Q2	1.3	2.4	1.4	2.2	3.1	8.3	2.4	0.7	3.4	1.9	1.7
Q3	1.3	3.5	1.6	1.9	2.0	8.2	2.5	0.5	3.4	2.7	2.1
Q4	1.4	2.9	1.8	1.6	1.2	8.1	2.4	0.3	3.4	2.1	2.2
2019											
Q1	1.4	3.1	1.7	1.7	2.3	8.0	2.5	0.5	3.9	1.8	2.0
Q2	1.5	2.8	1.8	1.7	2.1	7.8	2.5	0.6	3.9	1.9	1.8
Q3	1.6	2.8	1.9	1.7	1.9	7.7	2.6	0.7	3.8	1.9	1.5
Q4	1.7	2.6	1.9	1.7	1.8	7.6	2.8	0.8	3.7	1.9	1.5
2020											
Q1	1.6	2.5	1.8	1.7	1.7	7.6	2.8	0.9	3.5	1.9	1.6
Q2	1.5	2.4	1.8	1.6	1.6	7.5	2.8	0.9	3.4	1.9	1.6
Q3	1.5	2.3	1.7	1.6	1.6	7.5	2.8	0.9	3.3	1.9	1.6
Q4	1.4	2.2	1.6	1.5	1.6	7.4	2.8	0.9	3.2	1.9	1.7
2021											
Q1	1.4	2.0	1.5	1.5	1.5	7.4	2.7	0.9	3.2	1.9	1.7
Q2	1.3	1.9	1.5	1.4	1.5	7.4	2.7	0.9	3.2	1.9	1.8
Q3	1.3	1.8	1.5	1.4	1.5	7.3	2.7	0.9	3.2	1.9	1.8
Q4	1.3	1.8	1.4	1.4	1.4	7.3	2.7	0.9	3.2	1.9	1.8

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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											
2016	262.7	387.6	3.60	-159.0	-1.47	-0.26	0.86	-0.51	0.62	1.11	118.6
2017	233.0	386.9	3.46	-98.9	-0.88	-0.33	1.09	-1.87	-0.44	1.13	121.1
2018	225.3	388.2	3.36	-72.8	-0.63	-0.33	1.14	-2.12	-0.65	1.19	126.0
2019	227.3	370.1	3.09	-93.1	-0.78	-0.10	1.60	-1.80	-0.09	1.22	125.8
2020	231.0	360.7	2.92	-97.4	-0.79	0.31	2.07	-1.34	0.43	1.25	126.3
2021	228.8	356.4	2.79	-92.2	-0.72	0.55	2.47	-1.23	0.68	1.25	125.2
2016											
Q1	63.3	100.1	3.74	-45.0	-1.68	-0.19	1.03	-0.23	0.99	1.10	118.3
Q2	71.5	103.8	3.87	-41.7	-1.55	-0.26	0.88	-0.17	0.96	1.13	118.9
Q3	65.1	89.3	3.31	-38.1	-1.41	-0.30	0.60	-0.57	0.33	1.12	118.8
Q4	62.9	94.4	3.46	-34.2	-1.26	-0.31	0.92	-1.05	0.19	1.08	118.3
2017											
Q1	53.1	87.6	3.19	-29.9	-1.09	-0.33	1.20	-2.09	-0.56	1.06	117.4
Q2	57.6	77.6	2.79	-25.7	-0.92	-0.33	1.09	-1.85	-0.42	1.10	119.0
Q3	61.1	115.7	4.12	-22.6	-0.80	-0.33	1.10	-1.78	-0.35	1.17	123.7
Q4	61.2	105.9	3.74	-20.7	-0.73	-0.33	0.98	-1.75	-0.44	1.18	124.4
2018											
Q1	59.6	111.1	3.89	-20.9	-0.73	-0.33	1.10	-1.59	-0.16	1.23	126.5
Q2	59.2	98.1	3.41	-19.1	-0.66	-0.33	1.04	-2.03	-0.66	1.19	126.6
Q3	53.9	99.4	3.43	-16.0	-0.55	-0.33	1.16	-2.39	-0.90	1.17	125.4
Q4	52.5	79.7	2.72	-16.9	-0.58	-0.33	1.28	-2.48	-0.87	1.18	125.4
2019											
Q1	56.0	101.5	3.44	-25.1	-0.85	-0.27	1.41	-2.28	-0.60	1.20	125.2
Q2	59.6	95.4	3.20	-23.0	-0.77	-0.22	1.54	-1.97	-0.21	1.21	125.4
Q3	56.6	95.3	3.17	-21.5	-0.72	-0.05	1.67	-1.56	0.16	1.23	126.0
Q4	55.2	77.9	2.57	-23.5	-0.78	0.13	1.80	-1.38	0.29	1.24	126.6
2020											
Q1	58.0	102.4	3.35	-27.5	-0.90	0.23	1.91	-1.38	0.30	1.25	126.7
Q2	60.8	94.6	3.07	-24.1	-0.78	0.33	2.02	-1.31	-0.78	1.25	126.4
Q3	57.8	92.5	2.98	-23.3	-0.75	0.33	2.13	-1.31	0.49	1.25	126.1
Q4	54.4	71.2	2.28	-22.5	-0.72	0.33	2.24	-1.36	0.54	1.25	125.8
2021											
Q1	57.3	97.5	3.09	-24.9	-0.79	0.46	2.33	-1.25	0.62	1.25	125.5
Q2	60.4	94.4	2.97	-23.4	-0.74	0.58	2.42	-1.19	0.65	1.25	125.3
Q3	57.4	92.7	2.89	-21.6	-0.67	0.58	2.52	-1.23	0.70	1.25	125.1
Q4	53.6	71.8	2.22	-22.3	-0.69	0.58	2.61	-1.27	0.76	1.25	124.9

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
GDP	0.6	-0.2	1.4	2.0	1.8	2.6	2.1	1.7	1.6	1.4	1.3	1.2	1.1	1.1	1.0	1.5
Consumption	0.5	-0.6	0.9	1.8	1.9	1.7	1.4	1.6	1.5	1.3	1.2	1.1	1.1	1.1	1.0	1.3
Investment	-0.3	-2.4	1.8	3.1	4.5	3.5	3.1	2.8	2.4	1.9	1.7	1.5	1.4	1.2	1.1	2.0
Government Consumption	1.1	0.3	0.7	1.3	1.8	1.2	1.2	1.4	1.2	1.2	1.2	1.1	1.0	1.0	1.0	1.2
Exports of Goods and Services	3.0	2.2	4.6	6.2	3.3	5.5	3.7	3.5	3.2	3.0	2.8	2.6	2.4	2.2	2.1	3.1
Imports of Goods and Services	2.5	1.4	4.9	6.5	4.6	4.5	3.1	4.0	3.6	3.3	3.1	2.8	2.6	2.4	2.2	3.2
Unemployment (%)	10.1	12.0	11.6	10.9	10.0	9.1	8.3	7.8	7.5	7.3	7.2	7.0	6.9	6.7	6.7	7.4
Consumer Prices, average	1.5	1.3	0.4	0.0	0.2	1.5	1.8	1.7	1.6	1.8	1.9	1.9	1.9	2.0	2.0	1.8
Consumer Prices, EOP	1.5	0.8	0.2	0.2	0.7	1.4	2.2	1.5	1.7	1.8	1.9	1.9	1.9	2.0	2.0	1.8
Current Balance (% of GDP)	1.1	2.2	2.5	3.2	3.6	3.5	3.4	3.1	2.9	2.8	2.7	2.5	2.4	2.4	2.3	2.8
Exchange Rate (US\$ per Euro), average	1.31	1.33	1.33	1.11	1.11	1.13	1.19	1.22	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.23
Exchange Rate (US\$ per Euro), EOP	1.30	1.38	1.21	1.09	1.05	1.20	1.19	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.24
General Government Balance (% of GDP)	-3.2	-3.0	-2.5	-2.0	-1.5	-0.9	-0.6	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Short-term Interest Rates (%)	1.3	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.1	0.3	0.6	0.8	1.1	1.4	1.9	2.4	0.8
Long-term Interest Rates (%)	3.1	3.0	2.0	1.2	0.9	1.1	1.1	1.6	2.1	2.5	2.8	3.2	3.4	3.6	3.6	2.5
Working Population	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
Labour Supply	0.4	0.1	0.2	0.2	0.5	0.6	0.6	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.3
Participation Ratio (%)	76.3	76.6	76.6	76.6	76.7	77.0	77.4	77.8	78.2	78.5	78.7	79.0	79.2	79.4	79.6	78.5
Labour productivity	0.4	0.4	0.7	1.0	0.4	0.9	0.6	0.7	0.9	0.9	0.9	0.8	0.8	0.8	0.9	0.8
Employment	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
Output gap (% of potential GDP)	-1.6	-3.7	-3.4	-2.7	-2.1	-1.1	-0.5	-0.3	-0.1	0.1	0.1	0.2	0.2	0.1	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\$)	-	18204	20692	35426
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	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

Structural economic indicators

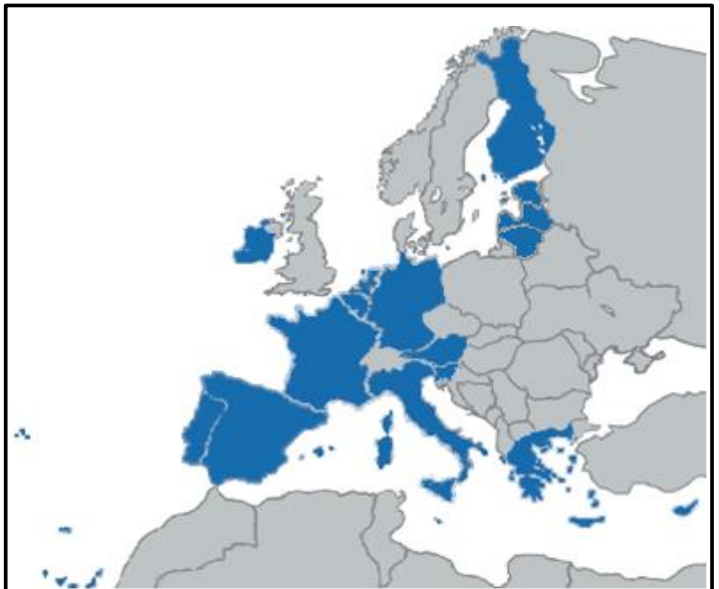
	1990	1995	2000	2016*
Current account (US\$ billion)	4	22	-96	429
Trade balance (US\$ billion)	-23	64	-32	291
FDI (US\$ billion)	-	-	35	-197
Govt budget (% of GDP)	-4	-7	0	-1
Govt debt (% of GDP)	14	68	67	89
Long-term interest rate	10	9	5	1
Oil production (000 bpd)	264	304	232	173
Oil consumption (000 bpd)	9786	10562	11009	9451

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

* 2016 or latest available year

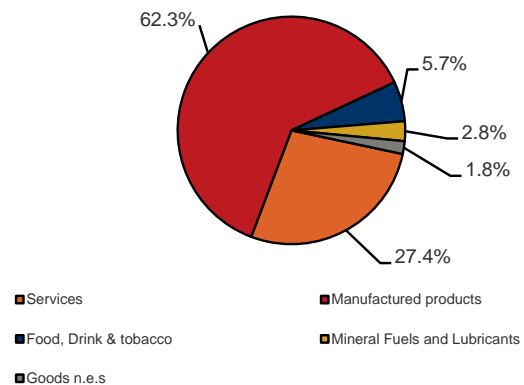
Corruption perceptions index 2017

	Score
Developed economies (average)	75.0
Emerging economies (average)	38.1
Eurozone	68.8

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

Composition of extra-EMU goods & services exports 2016



Source : Eurostat / Haver Analytics