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Country Economic Forecast
Eurozone

Economist

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We still expect a rebound in Q4, but surveys continue to suggest weak momentum

- **We still expect the eurozone economy to bounce back in Q4 as some of the transitory factors that caused the sharp slowdown in Q3 start to fade. However, weak survey data is casting doubts on the resilience of the economy and much of our expectation still rests on the assumption of a strong bounce in Germany. But we have kept our GDP growth forecasts unchanged at 1.9% for this year and 1.6% in 2019.**
- GDP growth was confirmed at 0.2% in Q3 and the breakdown corroborated our expectation of weak growth in both consumer spending and fixed investment. To complete the picture, a decline in exports combined with a moderate increase in imports also meant a negative contribution from net trade.
- We still see eurozone growth bouncing back in Q4 as some of the transitory factors that caused the sharp slowdown in Q3 gradually fade. But leading indicators still show a worrying lack of momentum in the final quarter of the year. Both the composite PMI and the EC Economic Sentiment Indicator will be lower in Q4 than in Q3, but we suspect that surveys may be overstating the weakness of the economy.
- Inflation fell to 2% in November as a result of the recent sharp decline in oil prices. Although we still expect core inflation to trend upwards as wage growth strengthens, lower energy prices will keep headline inflation subdued next year. We see headline inflation averaging only 1.4% in 2019, down from an estimated 1.8% this year.
- The central bank is still on track to end QE purchases this month despite concerns about Italy. But given an increasingly adverse outlook, we do not expect the first interest rate hike until Q4 2019, with a very gradual pace of tightening thereafter.

Our GDP growth forecasts remain unchanged at 1.9% for this year and 1.6% in 2019

Forecast for Eurozone

(Annual percentage changes unless specified)

	2017	2018	2019	2020	2021	2022
Domestic Demand	1.8	1.8	1.8	1.7	1.5	1.4
Private Consumption	1.7	1.3	1.5	1.5	1.4	1.3
Fixed Investment	2.9	3.1	2.9	2.5	1.9	1.7
Stockbuilding (% of GDP)	0.3	0.5	0.5	0.5	0.5	0.5
Government Consumption	1.2	1.0	1.4	1.3	1.2	1.2
Exports of goods and services	5.4	2.7	3.2	3.1	2.9	2.8
Imports of goods and services	4.0	2.6	3.6	3.4	3.2	3.0
GDP	2.5	1.9	1.6	1.6	1.4	1.3
Industrial Production	2.9	1.5	1.7	1.7	1.5	1.3
Consumer Prices, average	1.5	1.8	1.4	1.6	1.8	1.9
Current Balance (% of GDP)	3.2	2.8	2.8	2.7	2.6	2.6
Government Budget (% of GDP)	-1.0	-0.3	-0.8	-0.9	-0.9	-0.8
Short-Term Interest Rates (%)	-0.3	-0.3	-0.3	0.2	0.4	0.7
Long-Term Interest Rates (%)	1.1	1.1	1.5	2.1	2.6	3.0
Exchange rate (US$ per Euro), average	1.13	1.18	1.18	1.23	1.25	1.25
Exchange rate (YEN per Euro), average	126.7	130.9	130.2	134.4	137.3	137.4

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Forecast overview

Q3 GDP slowdown was broad-based

GDP growth was confirmed at just 0.2% in Q3, the slowest in five years. The breakdown by components confirmed our suspicions that both consumer spending and fixed investment were weak in Q3. Furthermore, net trade made a negative contribution as a result of a small contraction in exports combined with moderate growth in imports.

We still believe this sharp slowdown was partly driven by transitory factors affecting the German economy, so we expect some recovery in Q4. That said, leading indicators continue to suggest momentum in the eurozone remains weak in the final part of the year. Both the EC Economic Sentiment Indicator and the composite PMI in Q4 are going to be below their Q3 averages, and the Sentix indicator for December also pointed downwards. But we think that survey data may be overstating the weakness in the eurozone economy. Granted, a lot of our hopes rest on the expectation that the German economy will bounce back strongly after a contraction in Q3. But we believe that once the troubles in the car sector are left behind, industrial production and exports should experience a recovery. The 0.2% rise in eurozone industrial production in October is an encouraging sign that the sector will contribute to growth positively in Q4.

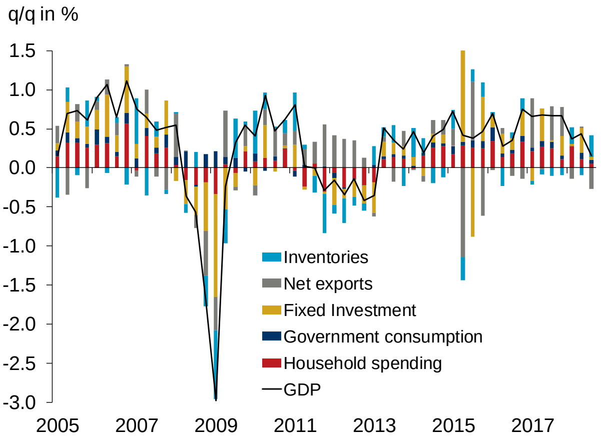
For now, we still expect eurozone GDP growth to bounce back to 0.4% in Q4, which results in our 1.9% growth forecast for full-year 2018.

Growth to moderate slightly to 1.6% next year

We expect GDP growth to remain broadly stable in quarterly terms throughout 2019, although in annual terms this will still translate into a weaker 1.6% expansion. The following factors underpin our forecast:

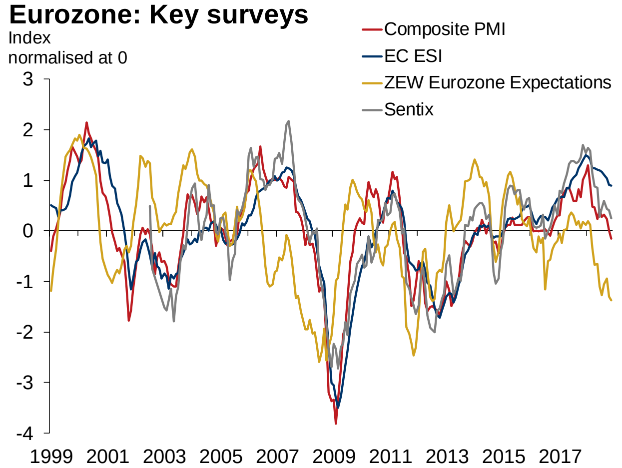
- **Stronger wages and low inflation should help support household spending:** the recovery in eurozone labour markets continues but, with the unemployment rate down to a decade-low 8.1%, the pace of job creation is now slowing. Consumer spending has weakened this year as households feel the impact of rising inflation on disposable incomes, but the decline in inflation expected for 2019 should provide a welcome boost to households' real incomes. Additionally, even with employment growth moderating, we expect a gradual pick-up in wage growth to provide increasing support to household spending. We

Eurozone GDP growth contributions



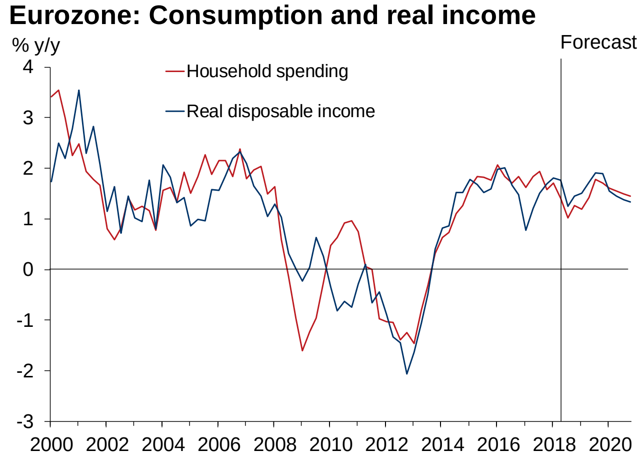
Source: Oxford Economics/Haver Analytics

Eurozone: Key surveys



Source: Oxford Economics/Haver Analytics

Eurozone: Consumption and real income



Source: Oxford Economics/Haver Analytics forecast private consumption growth of 1.5% in 2019 (up from 1.3% in 2018).

- **Solid investment growth:** we expect another year of solid growth in fixed investment. Spending on machinery and equipment should continue to be supported by business sentiment – which remains elevated despite having fallen from last year's highs – tight capacity and ongoing improvement in bank lending flows to non-financial firms, especially at longer maturities. Activity in construction and real estate is also picking up strongly across many countries, further boosting total investment. We expect capital formation to expand 2.9% in 2019, slightly down from an estimated 3.1% in 2018.

- **Exports hit hard, but should recover modestly:** eurozone exports have been hit hard this year, with risks posed by rising protectionism and a potential trade war with the US already materialising and affecting sentiment and orders. In addition, the troubles in the car industry has also exacerbated the impact, especially in Germany. However, there seem to be signs of stabilisation in global trade volumes, and the lagged impact from the strong euro appreciation in 2017 should fade. We see export growth strengthening in the coming quarters and expanding 3.3% in 2019 (up from 2.8% in 2018).

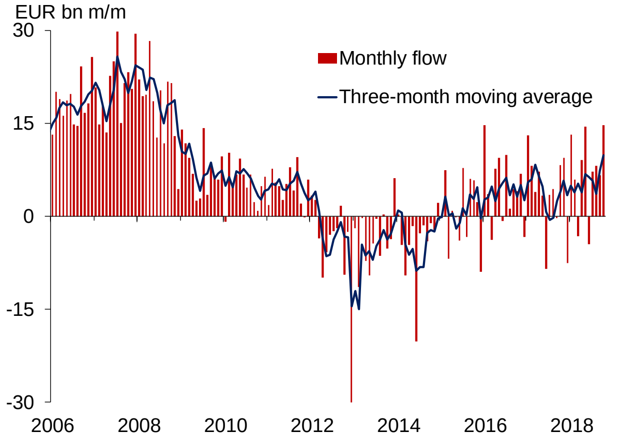
In 2019, we still see GDP growth slowing to 1.6% despite robust domestic demand, as stronger import growth will result in a negative contribution from net trade.

ECB still expected to end QE this month

The ECB is still expected to end its QE purchases this month. The central bank has left the door open for an extension, but we think this is very unlikely despite the heightened tensions seen in bond markets over the budget negotiations in Italy.

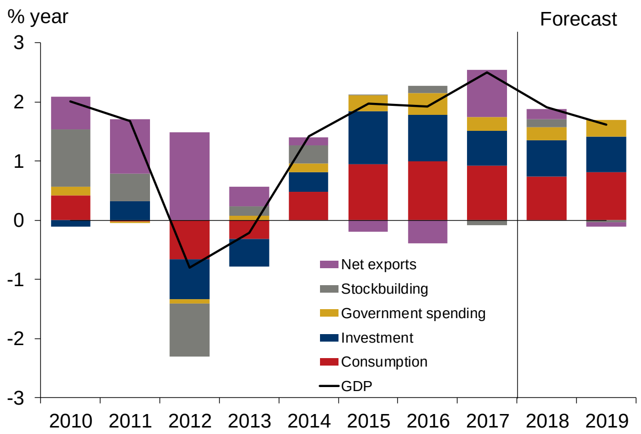
The central bank has provided some dovish forward guidance, indicating that interest rates will remain unchanged at least "through the summer of 2019". In practical terms, this means a rate hike could take place in either Q3 or Q4, but both market expectations and our own are moving towards a later rather than earlier rise in H2 2019. Our view of a very gradual exit remains unchanged. Despite solid economic growth, the relatively weak inflation outlook means the ECB will remain cautious about withdrawing monetary support, so we still anticipate a very slow pace of interest rate hikes over the coming years.

Eurozone: Flows of corporate loans over 5 years



Source: Oxford Economics/Haver Analytics/ECB

Eurozone: Contributions to GDP growth



Source: Oxford Economics

Eurozone: ECB refinancing rate

Source: Oxford Economics

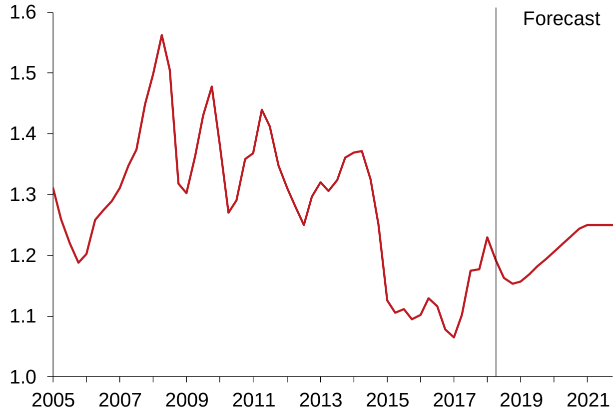
What to watch out for

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 quickly turned in 2018: the election of a populist government in Italy, the possibility of a hard Brexit and 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 relatively limited, 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 mount, the central bank could surprise markets to the upside, pushing bond yields and the euro higher, which in turn could slow growth.

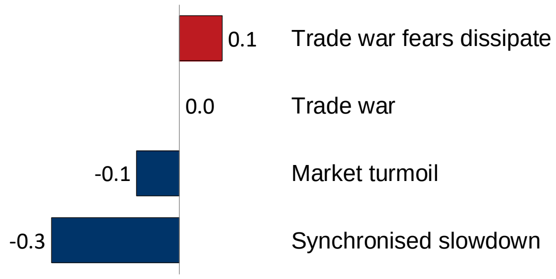
Eurozone: Exchange rate US$ per €



Source: Oxford Economics

Impact of scenarios on GDP growth

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

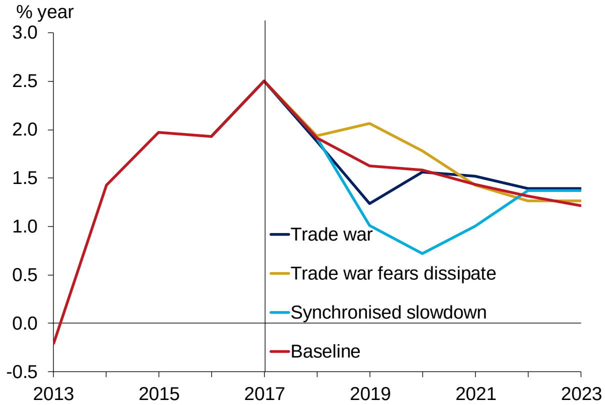


Exposure to key global risks

Trade war fears dissipate: in this scenario, President Trump claims trade war victory, following Chinese concessions and further progress in discussions between the US and EU and over NAFTA renegotiation. As the US reverses existing protectionist measures and steps back from further threatened measures, the contained protectionism in the baseline forecast fails to materialise.

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.

Impact of scenarios on GDP growth



Source : Oxford Economics

Long-term prospects

Slow recovery from crises

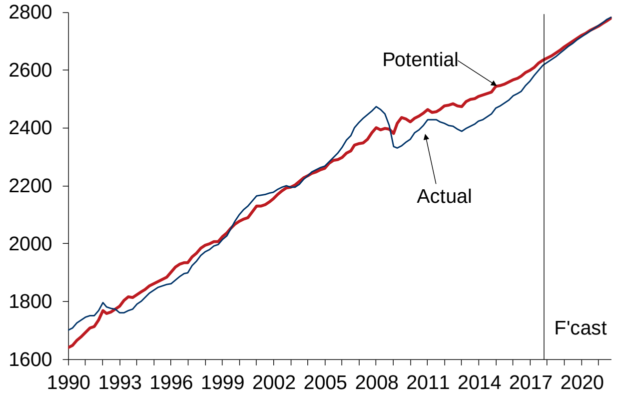
The global and eurozone crises will leave their mark on growth for years to come. We estimate the Eurozone's potential growth rate at only 1.2%, similar to our estimate for the past decade but far lower than 1.8% in the decade prior to 2008.

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



Source: Oxford Economics

Potential GDP and Its Components Average Percentage Growth	2008-2017	2018-2027
Potential GDP*	1.1	1.2
Employment at NAIRU	0.6	0.4
Capital Stock	1.2	1.2
Total Factor Productivity	0.2	0.5

*ln(Potential GDP)=0.65*ln(Employment at NAIRU) +0.35*ln(Capital Stock)+ln(Total Factor Productivity)

Long-Term Forecast for Eurozone

(Average annual percentage change unless otherwise stated)

	2008-2012	2013-2017	2018-2022	2023-2027
GDP	-0.3	1.5	1.6	1.1
Consumption	-0.2	1.1	1.4	1.1
Investment	-3.0	2.1	2.4	1.2
Government Consumption	1.0	1.1	1.2	1.0
Exports of Goods and Services	1.4	4.3	2.9	2.3
Imports of Goods and Services	0.2	4.4	3.2	2.4
Unemployment (%)	9.8	10.7	7.5	6.6
Consumer Prices, average	2.1	0.7	1.7	1.9
Current Balance (% of GDP)	-0.1	2.8	2.7	2.3
Exchange Rate (US$ per Euro), average	1.37	1.20	1.22	1.25
General Government Balance (% of GDP)	-4.5	-2.0	-0.7	-0.8
Short-term Interest Rates (%)	1.7	0.0	0.1	1.9
Long-term Interest Rates (%)	4.0	1.6	2.1	3.7
Working Population	0.1	0.2	0.0	-0.2
Labour Supply	0.4	0.3	0.4	0.1
Participation Ratio	76.2	76.7	78.1	79.4
Labour Productivity	0.1	0.7	0.7	0.9

OXFORD ECONOMICS

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.

Data & Forecasts

Key Indicators: Eurozone

Percentage changes on a year earlier unless otherwise stated

	Industrial production	Unemploy -ment %	CPI	Business confidence (% balance)	Consumer confidence (% balance)	Exports	Imports	Trade balance (€ bn)
Nov	4.5	8.7	1.5	1.5	0.0	8.5	10.0	23.4
Dec	4.8	8.6	1.4	1.6	0.5	1.1	3.3	24.5
2018								
Jan	4.1	8.6	1.3	1.6	1.4	8.8	6.6	2.9
Feb	2.5	8.5	1.2	1.6	0.1	1.8	2.2	16.3
Mar	2.9	8.5	1.4	1.4	0.1	-3.2	-1.7	25.3
Apr	1.9	8.4	1.2	1.4	0.3	8.1	8.5	17.0
May	2.8	8.2	1.9	1.4	0.2	-0.9	0.7	16.9
Jun	2.5	8.2	2.0	1.4	-0.6	6.0	8.8	22.8
Jul	0.7	8.1	2.1	1.3	-0.5	9.3	13.8	16.7
Aug	1.0	8.1	2.0	1.2	-1.9	5.7	8.7	12.0
Sep	0.7	8.1	2.1	1.2	-2.9	-0.9	6.4	13.1
Oct	1.0	8.1	2.2	1.0	-2.7	-	-	-
Nov	-	-	2.0	1.1	-3.9	-	-	-

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
Nov	-0.33	0.95	4.9	1.17	1.13	103.0	3570	-68.1
Dec	-0.33	0.88	4.6	1.18	1.13	103.4	3504	42.8
2018								
Jan	-0.33	1.03	4.6	1.22	1.13	104.6	3609	30.7
Feb	-0.33	1.27	4.3	1.23	1.13	105.0	3439	22.3
Mar	-0.33	1.17	3.7	1.23	1.13	105.1	3362	70.3
Apr	-0.33	1.13	3.9	1.23	1.15	105.1	3537	43.1
May	-0.33	1.24	4.0	1.18	1.14	103.2	3407	-7.2
Jun	-0.32	1.29	4.4	1.17	1.14	102.5	3396	27.3
Jul	-0.32	1.20	4.0	1.17	1.13	103.2	3525	-17.9
Aug	-0.32	1.37	3.5	1.15	1.12	102.7	3393	2.9
Sep	-0.32	1.32	3.6	1.17	1.12	103.1	3399	-10.1
Oct	-0.32	1.56	3.9	1.15	1.13	102.2	3198	-
Nov	-0.32	1.41	-	1.14	1.14	101.5	3173	-

EUROZONE — **TABLE 1 SUMMARY ITEMS**
Annual Percentage Changes, Unless Otherwise Specified

	CONSUMERS EXPENDITURE (C)	GROSS FIXED INVESTMENT (IF)	DOMESTIC DEMAND (%) (DOMD)	REAL GDP (GDP)	INDUSTRIAL PRODUCTION (IP)	UNEMPLOY-MENT RATE (%) (UP)	AVERAGE EARNINGS (ER)	WHOLE ECONOMY PRODUCT-IVITY (GDP/ET)	COMPETIT-IVENESS (2008=100) (MON)	PRODUCER PRICES (PPI)	CONSUMER PRICES (CPI)
YEARS BEGINNING Q1											
2017	1.7	2.9	1.8	2.5	2.9	9.1	2.0	0.9	4.8	2.8	1.5
2018	1.3	3.1	1.8	1.9	1.5	8.2	2.5	0.5	3.7	2.4	1.8
2019	1.5	2.9	1.8	1.6	1.7	7.8	2.4	0.7	3.7	2.5	1.4
2020	1.5	2.5	1.7	1.6	1.7	7.5	2.6	0.8	3.4	1.9	1.6
2021	1.4	1.9	1.5	1.4	1.5	7.2	2.7	0.8	3.3	1.9	1.8
2022	1.3	1.7	1.4	1.3	1.3	7.0	2.8	0.9	3.3	1.9	1.9
2017											
Q1	1.6	2.8	1.7	2.1	1.1	9.5	1.7	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	2.5	2.0	2.8	4.0	9.0	2.0	1.1	4.9	2.1	1.4
Q4	1.6	2.6	1.3	2.7	3.9	8.7	2.2	1.1	4.2	1.9	1.4
2018											
Q1	1.7	3.5	1.9	2.4	3.3	8.5	2.3	0.9	3.3	1.1	1.3
Q2	1.4	2.8	1.6	2.2	2.3	8.3	2.7	0.7	4.4	2.0	1.7
Q3	1.0	3.4	1.9	1.7	0.7	8.1	2.6	0.4	3.6	3.5	2.1
Q4	1.2	2.6	1.9	1.4	-0.1	8.1	2.4	0.1	3.6	3.2	2.0
2019											
Q1	1.2	3.2	1.8	1.5	1.1	7.9	2.4	0.4	4.1	3.0	1.7
Q2	1.4	2.5	1.8	1.5	1.6	7.8	2.3	0.5	3.2	2.9	1.4
Q3	1.8	2.9	1.7	1.7	2.1	7.7	2.5	0.8	3.9	2.2	1.2
Q4	1.7	2.9	1.8	1.8	2.0	7.6	2.5	0.9	3.7	2.0	1.3
2020											
Q1	1.6	2.8	1.8	1.7	1.8	7.6	2.5	0.9	3.5	2.0	1.5
Q2	1.6	2.6	1.7	1.6	1.7	7.5	2.6	0.8	3.4	1.9	1.6
Q3	1.5	2.4	1.7	1.5	1.7	7.4	2.6	0.8	3.4	1.9	1.7
Q4	1.4	2.2	1.6	1.5	1.7	7.3	2.6	0.8	3.3	1.9	1.7
2021											
Q1	1.4	2.1	1.5	1.5	1.6	7.3	2.7	0.8	3.3	1.9	1.7
Q2	1.4	2.0	1.5	1.4	1.5	7.2	2.7	0.8	3.3	1.9	1.7
Q3	1.4	1.9	1.5	1.4	1.5	7.2	2.7	0.9	3.3	1.9	1.8
Q4	1.3	1.8	1.4	1.4	1.4	7.1	2.7	0.9	3.3	1.9	1.8
2022											
Q1	1.3	1.8	1.4	1.4	1.4	7.1	2.7	0.9	3.3	1.9	1.8
Q2	1.3	1.7	1.4	1.3	1.4	7.0	2.8	0.9	3.3	1.9	1.9
Q3	1.3	1.7	1.4	1.3	1.3	7.0	2.8	0.9	3.3	1.9	1.9
Q4	1.2	1.6	1.3	1.3	1.3	6.9	2.8	0.9	3.3	1.9	1.9

EUROZONE — **TABLE 2 SUMMARY ITEMS**

	TRADE BALANCE (EURO BN) (BVI)	CURRENT ACCOUNT (EURO BN) (BCU)	CURRENT ACCOUNT (% OF GDP) (BCU*100 /GDP!)	GOVERNMENT FINANCIAL BALANCE (EURO BN) (GB)	GOVERNMENT FINANCIAL BALANCE (% OF GDP) (GB*100 /GDP!)	SHORT-TERM INTEREST RATE (RSH)	LONG-TERM INTEREST RATE (RLG)	REAL SHORT-TERM INTEREST RATE (Note 1)	REAL LONG-TERM INTEREST RATE (Note 1)	EXCHANGE RATE US DOLLAR PER EURO (RXD)	EFFECTIVE EXCHANGE RATE 2010=100 (RX)
YEARS BEGINNING Q1											
2017	234.3	353.3	3.15	-107.6	-0.96	-0.33	1.09	-1.87	-0.44	1.13	121.1
2018	188.8	329.0	2.84	-38.7	-0.33	-0.32	1.12	-2.08	-0.63	1.18	127.5
2019	178.4	331.9	2.78	-92.9	-0.78	-0.29	1.52	-1.67	0.14	1.18	128.2
2020	180.1	333.0	2.70	-108.6	-0.88	0.15	2.07	-1.47	0.45	1.23	129.0
2021	179.2	337.4	2.64	-111.1	-0.87	0.42	2.57	-1.34	0.82	1.25	128.6
2022	171.8	336.8	2.56	-109.5	-0.83	0.70	3.00	-1.16	1.14	1.25	127.5
2017											
Q1	54.5	76.4	2.77	-31.6	-1.15	-0.33	1.20	-2.09	-0.56	1.06	117.4
Q2	57.7	72.0	2.58	-37.9	-1.36	-0.33	1.09	-1.85	-0.42	1.10	119.0
Q3	62.4	109.0	3.87	-21.8	-0.78	-0.33	1.10	-1.78	-0.35	1.17	123.7
Q4	59.7	96.0	3.38	-16.2	-0.57	-0.33	0.98	-1.75	-0.44	1.18	124.4
2018											
Q1	56.2	105.8	3.69	-6.0	-0.21	-0.33	1.10	-1.59	-0.16	1.23	126.5
Q2	50.9	94.0	3.25	-3.9	-0.13	-0.33	1.06	-2.02	-0.63	1.19	126.6
Q3	42.6	60.9	2.10	-12.4	-0.43	-0.32	1.12	-2.40	-0.96	1.16	128.9
Q4	39.2	68.3	2.33	-16.4	-0.56	-0.32	1.21	-2.30	-0.77	1.15	128.2
2019											
Q1	42.3	85.5	2.90	-21.9	-0.74	-0.32	1.32	-1.97	-0.33	1.16	128.5
Q2	43.4	97.6	3.28	-20.9	-0.70	-0.32	1.48	-1.70	0.09	1.17	127.8
Q3	49.3	76.3	2.54	-21.9	-0.73	-0.32	1.59	-1.53	0.38	1.18	128.1
Q4	43.5	72.4	2.39	-28.2	-0.93	-0.20	1.70	-1.48	0.42	1.19	128.5
2020											
Q1	44.1	86.4	2.83	-28.3	-0.93	0.06	1.84	-1.48	0.30	1.21	128.8
Q2	43.2	99.8	3.25	-25.0	-0.81	0.18	2.00	-1.44	0.38	1.22	129.0
Q3	49.1	77.8	2.51	-26.4	-0.85	0.18	2.15	-1.48	0.49	1.23	129.1
Q4	43.7	68.9	2.20	-28.9	-0.92	0.18	2.28	-1.48	0.61	1.24	129.3
2021											
Q1	44.4	84.3	2.67	-29.8	-0.95	0.31	2.40	-1.37	0.72	1.25	129.2
Q2	43.4	101.8	3.21	-27.2	-0.86	0.44	2.52	-1.28	0.80	1.25	128.7
Q3	48.7	80.3	2.51	-26.3	-0.82	0.45	2.62	-1.32	0.85	1.25	128.3
Q4	42.6	71.0	2.20	-27.7	-0.86	0.46	2.73	-1.37	0.90	1.25	127.9
2022											
Q1	42.9	85.2	2.62	-28.8	-0.89	0.59	2.84	-1.24	1.01	1.25	127.7
Q2	41.5	102.4	3.12	-27.2	-0.83	0.73	2.95	-1.13	1.09	1.25	127.6
Q3	46.6	79.9	2.42	-26.6	-0.81	0.74	3.05	-1.12	1.19	1.25	127.5
Q4	40.7	69.3	2.08	-26.8	-0.81	0.75	3.15	-1.14	1.26	1.25	127.4

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

OXFORD ECONOMICS

Long-Term Forecast for Eurozone

Annual percentage changes unless otherwise specified

	2008-2017	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
GDP	0.6	1.4	2.0	1.9	2.5	1.9	1.6	1.6	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.3
Consumption	0.4	0.9	1.8	1.9	1.7	1.3	1.5	1.5	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.2
Investment	-0.5	1.7	4.6	4.0	2.9	3.1	2.9	2.5	1.9	1.7	1.5	1.4	1.2	1.1	1.0	1.8
Government Consumption	1.0	0.7	1.3	1.8	1.2	1.0	1.4	1.3	1.2	1.2	1.1	1.0	1.0	1.0	0.9	1.1
Exports of Goods and Services	2.9	4.7	6.3	3.0	5.4	2.7	3.2	3.1	2.9	2.8	2.6	2.4	2.2	2.1	2.0	2.6
Imports of Goods and Services	2.3	4.8	7.4	4.2	4.0	2.6	3.6	3.4	3.2	3.0	2.8	2.5	2.4	2.2	2.1	2.8
Unemployment (%)	10.3	11.6	10.9	10.0	9.1	8.2	7.8	7.5	7.2	7.0	6.9	6.7	6.6	6.5	6.4	7.1
Consumer Prices, average	1.4	0.4	0.0	0.2	1.5	1.8	1.4	1.6	1.8	1.9	1.9	1.9	1.9	2.0	2.0	1.8
Consumer Prices, EOP	1.3	0.2	0.2	0.7	1.4	2.0	1.3	1.7	1.8	1.9	1.9	1.9	2.0	2.0	2.0	1.8
Current Balance (% of GDP)	1.4	2.5	2.9	3.2	3.2	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.3	2.3	2.3	2.5
Exchange Rate (US$ per Euro), average	1.29	1.33	1.11	1.11	1.13	1.18	1.18	1.23	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.23
Exchange Rate (US$ per Euro), EOP	1.27	1.21	1.09	1.05	1.20	1.15	1.20	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.24
General Government Balance (% of GDP)	-3.3	-2.5	-2.0	-1.6	-1.0	-0.3	-0.8	-0.9	-0.9	-0.8	-0.8	-0.8	-0.8	-0.8	-0.9	-0.8
Short-term Interest Rates (%)	0.8	0.2	0.0	-0.3	-0.3	-0.3	-0.3	0.2	0.4	0.7	1.0	1.4	1.9	2.5	2.7	1.0
Long-term Interest Rates (%)	2.8	2.0	1.2	0.9	1.1	1.1	1.5	2.1	2.6	3.0	3.4	3.6	3.7	3.8	3.8	2.9
Working Population	0.2	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	-0.3	-0.1
Labour Supply	0.4	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	-0.1	0.2
Participation Ratio (%)	76.5	76.6	76.6	76.8	77.1	77.4	77.8	78.2	78.5	78.8	79.0	79.2	79.4	79.6	79.8	78.8
Labour productivity	0.4	0.8	0.9	0.5	0.9	0.5	0.7	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Employment	0.2	0.6	1.0	1.4	1.6	1.4	1.0	0.7	0.6	0.4	0.4	0.3	0.2	0.1	0.0	0.5
Output gap (% of potential GDP)	-2.1	-3.4	-2.7	-2.0	-1.1	-0.8	-0.7	-0.4	-0.2	-0.1	0.0	0.0	0.1	0.1	0.1	-0.2

Country Economic Forecast | Eurozone

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	2017*
GDP per capita (US$)	-	18222	20703	37522
Inflation (%)	9.9	4.2	2.2	1.5
Population (mn)	302	303	313	338
Urban population (% of total)	69.9	71.2	72.9	76.8
Life expectancy (years)	73.5	75.9	78.3	81.6

Source : Oxford Economics & World Bank

Structure of GDP by output

	2017
Agriculture	1.5%
Industry	22.0%
Services	76.5%

Source : World Bank

* 2017 or latest available year

Structural economic indicators

	1990	1995	2000	2017*
Current account (US$ billion)	4	22	-96	399
Trade balance (US$ billion)	-23	63	-31	265
FDI (US$ billion)	-	-	35	-73
Govt budget (% of GDP)	-5	-8	0	-1
Govt debt (% of GDP)	14	68	67	87
Long-term interest rate	10	9	5	1
Oil production (000 bpd)	264	304	232	174
Oil consumption (000 bpd)	9787	10562	11009	9550

Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2017

Eurozone	45.7%
Non-Eurozone	54.3%
Of which:	
United States	13.5%
United Kingdom	12.7%
China	7.4%
Poland	5.8%
Switzerland	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

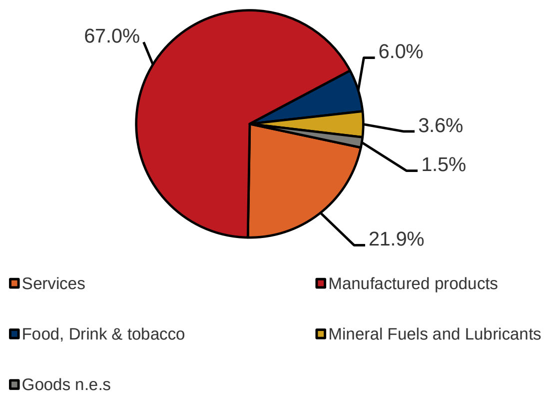
Corruption perceptions index 2017

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

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

Composition of extra-EMU goods & services exports 2017



Source : Eurostat / Haver Analytics