Country Economic Forecast
Eurozone

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A strong start to the year...

- **The latest business surveys suggest that the Eurozone recovery has shifted up a gear in early-2017, and as a result we have raised our 2017 GDP growth forecast slightly from 1.5% to 1.6%.**
- After a GDP rise of 0.4% in Q4 2016, the business surveys suggest that a further acceleration is under way. At face value, the composite PMI implies that quarterly GDP growth could rise by around 0.6% in Q1 this year. But despite a 0.9% rise in industrial production in January, other hard data so far paints a less upbeat picture than the surveys, but even so we have pencilled in a still very respectable Q1 quarterly rise of almost 0.5%.
- Encouragingly, there have been some signs that the recovery in the industrial sector has coincided with improving export growth, and reflecting this we have upgraded our 2017 export forecast. But it remains to be seen whether last year's strength of domestic demand growth can be maintained. The recent pick-up in CPI inflation to 2.0% in February means that real wages are probably now contracting on an annual basis, a trend which is likely to continue over the coming quarters. While further gains in employment and a drop in the savings rate may compensate to some degree, we still expect consumer spending growth to ease to 1.5% this year. And given the ongoing political uncertainties, it may be too optimistic to expect much of a pick-up in investment.

...but political uncertainty and higher inflation remain a concern

- Despite the forecast upgrade for this year, we still expect GDP growth to ease back in 2018 and 2019. And with the current rise in CPI inflation likely to be reversed later in the year as energy inflation falls back, we expect the ECB to resist pressure to scale back its existing QE plans.

Forecast for Eurozone
(Annual percentage changes unless specified)

	2015	2016	2017	2018	2019	2020
Domestic Demand	1.8	1.9	1.7	1.5	1.4	1.3
Private Consumption	1.8	1.9	1.5	1.3	1.2	1.2
Fixed Investment	3.0	2.5	2.5	2.6	2.2	2.0
Government Consumption	1.3	1.8	1.2	1.1	1.0	1.0
Net exports (% of GDP)	4.1	3.9	3.7	3.6	3.6	3.5
GDP	1.9	1.7	1.6	1.4	1.4	1.3
Industrial Production	2.0	1.4	1.6	1.2	1.4	1.4
Consumer Prices	0.0	0.2	1.7	1.5	1.8	1.9
Current Account (% of GDP)	3.1	3.4	2.7	2.6	2.4	2.2
Government Budget (% of GDP)	-2.1	-1.7	-1.4	-1.2	-1.1	-0.9
Short-Term Interest rate (%)	0.0	-0.3	-0.3	-0.3	-0.3	0.1
Long-Term Interest Rates (%)	1.2	0.9	1.3	1.8	2.1	2.4
Exchange rate (US$ per Euro)	1.11	1.11	1.04	1.01	1.01	1.04
Exchange rate (YEN per Euro)	134.3	120.3	121.2	120.9	123.2	126.6

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Forecast overview

A bright start to 2017

The third Eurozone GDP release for Q4 2016 revealed that the economy expanded by 0.4%, a bit weaker than the flash estimate of 0.5%. The rise reflected broad-based domestic demand strength. And although net trade was a drag on GDP, export growth rose to 1.5% on the quarter, the best outturn since Q1 2015.

February's business surveys of activity and sentiment suggest that the economic situation has improved in Q1 this year, with the composite PMI pointing to quarterly GDP growth of about 0.6%. This would be the best gain of the recovery if the Q1 2015 figure – which was distorted by a 20% surge in measured Irish GDP – is excluded. So far, the limited hard data for January support the view that growth may have picked up in Q1. But on balance it suggests a more modest acceleration – our GDP indicator points to quarterly growth of about 0.5%.

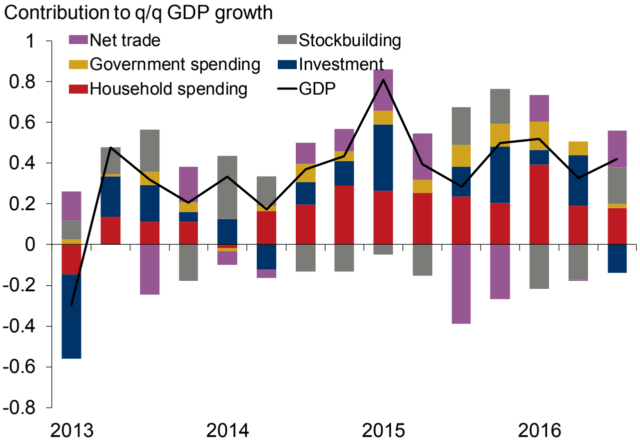
Further pick-up in growth unlikely this year

Looking ahead, we doubt that this pace of growth can be maintained over the rest of the year and see a gradual deceleration. This reflects several factors:

- **Industrial strength may not last**: although there is no sign yet of the industrial surveys weakening, the surveys are by no means a perfect guide to the strength of industrial activity. In the past, high readings have not always translated into robust industrial production growth. And while our forecasts are for a pick-up in global growth this year, the increase is only modest and we expect world trade growth to remain subdued compared with pre-financial crisis standards. Accordingly, we doubt that industrial output or export growth will pick up to a significant degree, so the boost to overall growth is likely to prove muted.

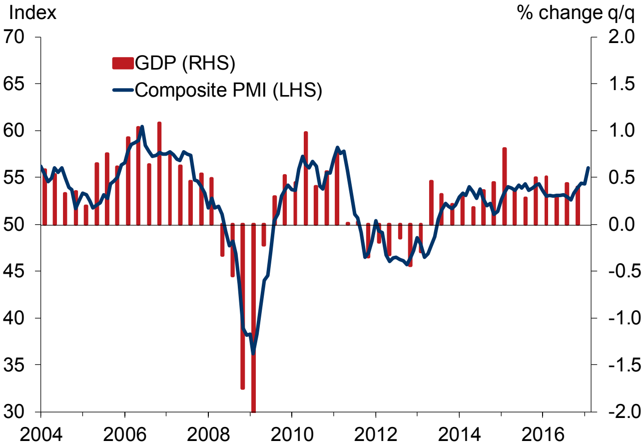
- **Inflation becomes more entrenched**: Eurozone inflation rose to 2% in February, just above the ECB target. Based on the less timely wage figures for Q4, this suggests that real wage growth may have eased from an average of about 1.2% in 2016 to below zero at the start of this year. The drop in overall real income growth may not be as large as these figures suggest; the recent strength of the business surveys of firms' employment intentions indicates that employment could strengthen further, boosting income growth. Meanwhile, higher inflation

Eurozone: GDP



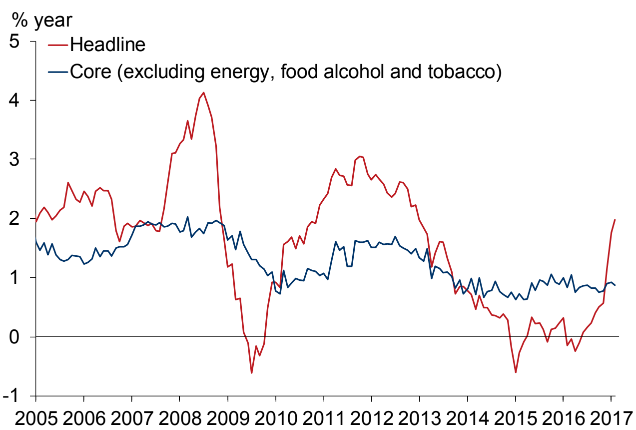
Source: Oxford Economics

Eurozone Composite PMI & GDP



Source : Oxford Economics/Haver Analytics/Markit

Eurozone: HICP Inflation



Source : Oxford Economics/Haver Analytics could lead wages to creep up in the region, particularly in economies like Germany where the labour market is tight. In addition, there is evidence that households responded to the period of high real income growth by saving more. Accordingly, they may attempt to smooth spending by reducing the savings rate to a more normal level. The upshot is that while we expect household spending growth to slow from an exceptionally strong 1.9% in 2016, the forecast of 1.5% for 2017 is still healthy by the standards of the post-crisis years.

- **Uncertainty to weigh on investment**: with political uncertainty in the region and further afield remaining high, we are cautious about the investment outlook for this year. For now, the lending data to non-financial corporations remain encouraging. But the results from the ECB's Q1 Bank Lending Survey show that demand for loans to fund investment, and more generally, has continued to dwindle, implying that there is a risk that credit growth could soon start to ease. While we see investment rising 2.5% in 2017, such a rise is hardly impressive for this stage of the economic recovery.

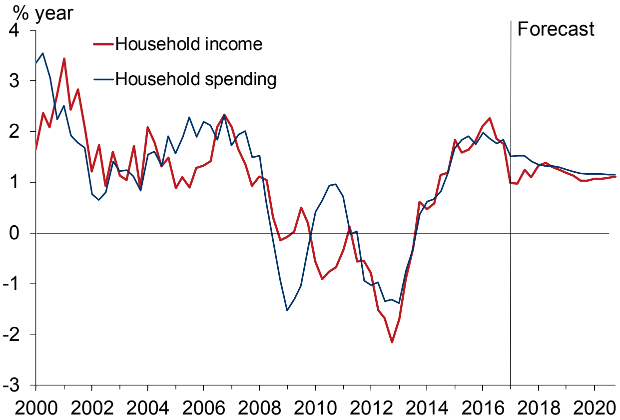
Overall, despite the recent run of encouraging data, we remain cautious and now expect GDP growth to slow from 1.7% in 2016 to 1.6% this year (up from 1.5% a month ago) and then to 1.4% in 2018.

ECB tone starts to shift

As expected, the ECB has announced no changes to its current QE plan to buy €60bn of bonds a month until at least December this year. At the March policy meeting, Draghi was clear that the ECB still sees "no signs yet of a convincing upward trend in underlying inflation" and emphasised the importance of wage growth – which shows no sign yet of picking up – as a driver of underlying inflation.

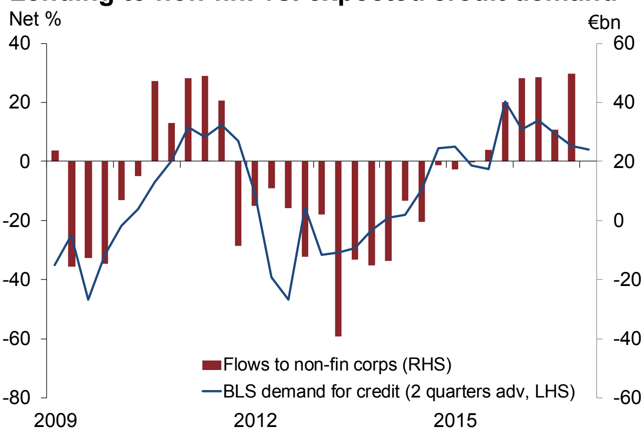
That said, there were some hints that the ECB's stance is beginning to shift. In addition to the ECB noting that the downside risk to the economic outlook had become "less pronounced", it also raised its already-above consensus GDP growth forecasts for 2017 and 2018. While we still expect QE purchases of €60bn to continue until December, March 2017 could turn out to have been an important turning point for ECB communication and we see further gradual changes in its language over the coming months. Against this backdrop, we still think that bond yields will continue their upward trend.

Eurozone: Real household spending & income



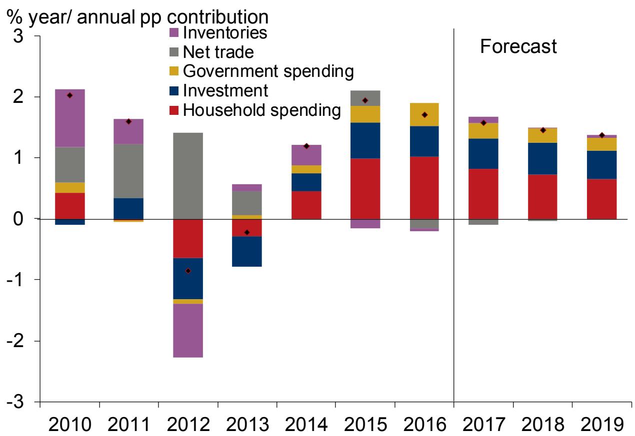
Source : Oxford Economics/Haver Analytics

Lending to non-fin. vs. expected credit demand



Source : Oxford Economics/Haver Analytics

Eurozone: GDP



Source: Haver Analytics/Oxford Economics

What to watch out for

Higher inflation undermines the recovery: since strong real wage growth has been a mainstay of the Eurozone consumer recovery, there is a risk that the slowdown in real wage growth caused by higher inflation could prompt a sharper downturn in household spending growth. Our baseline assumes a pick-up in inflation that is partially offset by other positive developments, but higher than expected energy inflation could prove rather more damaging.

Political uncertainty undermines growth: for now, the activity indicators suggest that the economy continues to perform well, but fears of a surge in populism and the ongoing issue of Brexit could prompt firms to delay or cancel planned investment.

Upsides to export growth: not only could stronger US growth boost demand for Eurozone exports, it could trigger a sharper fall in the euro-dollar exchange rate and hence boost European export competitiveness even further.

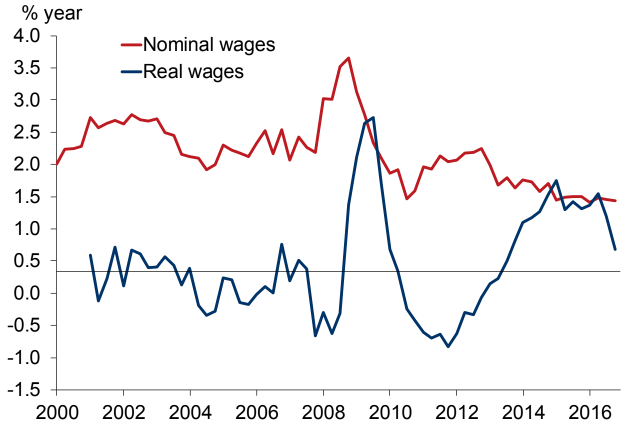
Monetary policy tightening: attention now appears to be focusing among ECB watchers on when the ECB will begin to raise interest rates. While we think the central bank will tread cautiously, a speedier than anticipated tightening could result in a weaker recovery.

Exposure to key global risks

China managed slowdown: if China's policymakers recognise the unsustainability of the current debt trajectory and decide to lower their ambitious growth targets and rein in the expansion of credit, this would have spillover effects for the global economy. While these negative forces would be less than a China hard landing, it could still result in Eurozone GDP growth falling below 1% in 2018 and weakening inflationary pressures.

Trump (downside): the early stages of Trump's presidential term indicate that it would be unwise to rule out the US adopting policies that would be damaging for the global economy, most notably protectionism. If such policies were adopted and push the US into recession, we estimate that this would have notable spillovers to the Eurozone economy and reduce GDP growth in 2017 and 2018 to around 1.2%.

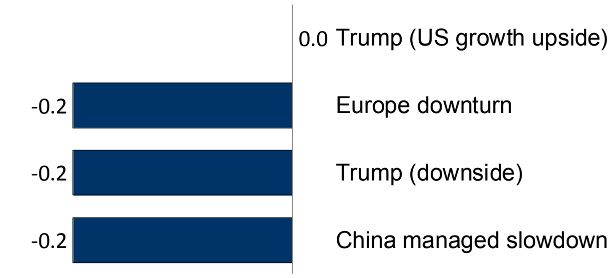
Eurozone: Negotiated wages



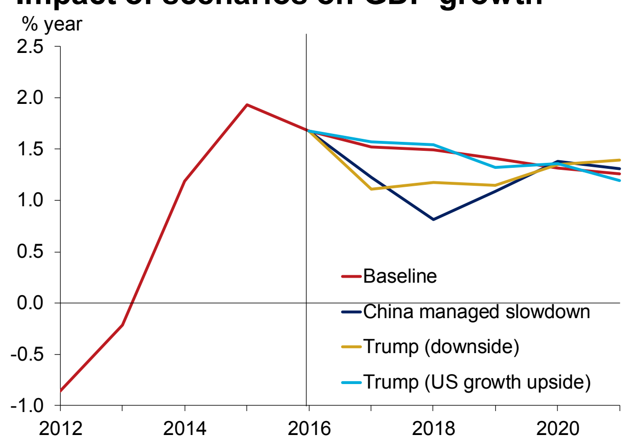
Source : Oxford Economics/Haver Analytics

Impact of scenarios on GDP growth

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



Impact of scenarios on GDP growth



Source : Oxford Economics

Long-term prospects

Very slow recovery from crises

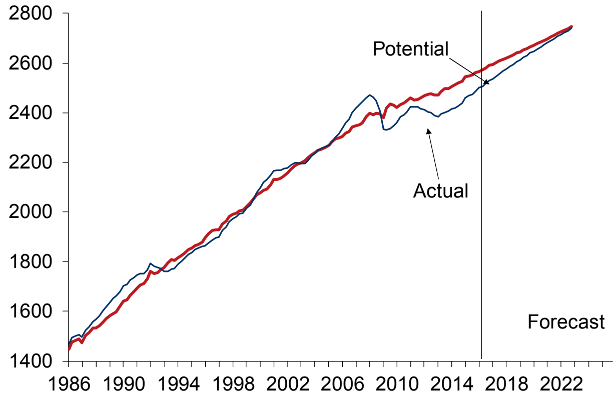
The global and Eurozone crises will leave their mark on growth for years to come. We now estimate that the Eurozone's potential growth rate is only 1.0%, similar to our estimate for the past decade but far lower than 1.8% in the ten years to 2008.

While credit availability is improving, it is unlikely to be as free-flowing as in the pre-crisis years, hindering investment and the efficiency of capital allocation in the economy. Moreover, high unemployment for a prolonged period, 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	2006-2015	2016-2025
Potential GDP*	1.1	1.0
Employment at NAIRU	0.6	0.3
Capital Stock	1.4	0.9
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)

	2006-2010	2011-2015	2016-2020	2021-2025
GDP	0.8	0.7	1.5	1.1
Consumption	0.8	0.2	1.4	1.0
Investment	-0.6	0.1	2.4	1.5
Government Consumption	2.0	0.4	1.2	1.0
Exports of Goods and Services	2.7	4.5	2.8	2.4
Imports of Goods and Services	2.6	3.3	3.2	2.5
Unemployment (%)	8.7	11.2	9.0	7.6
Consumer Prices	1.9	1.4	1.4	1.9
Current Balance (% of GDP)	-0.2	1.8	2.6	1.8
Exchange Rate (US$ per Euro)	1.4	1.3	1.0	1.1
General Government Balance (% of GDP)	-3.3	-3.1	-1.3	-0.6
Short-term Interest Rates (%)	2.8	0.5	-0.2	1.0
Long-term Interest Rates (%)	4.0	2.9	1.7	3.2
Working Population	0.3	0.2	0.0	-0.2
Labour Supply	0.6	0.3	0.2	0.0
Participation Ratio	75.8	76.6	77.0	77.8
Labour Productivity	0.4	0.6	0.7	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 (e.g. Spain and Ireland), 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 following the formation of the Eurozone, has more recently been the main growth engine.

Structure of the economy

Like most developed economies, services is the dominant sector of the economy. Within the region there are large structural differences between countries, and generally the smaller northern economies are more open to trade than their southern counterparts.

Balance of payments and structure of trade

Prior to the global financial crisis, the Eurozone current account was broadly in balance. But the headline figure masked huge intra-area divergences. Surpluses in many core economies were offset by large deficits in the booming peripheral economies. Since the global financial crisis, the latter's current account positions have improved, while the German current account surplus has widened, pushing the Eurozone surplus above 3% of GDP in 2015. There are strong trade linkages within the currency bloc; around 45% of exports remain within the Eurozone.

Policy

Member states have passed control of monetary policy to the European Central Bank (ECB), whose objective is to achieve price stability by targeting CPI inflation of "below, but close to, 2%". While the ECB cut interest rates aggressively 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 and in March 2016 it raised the monthly purchase target from €60bn to €80bn.

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 and the rules have at various points been ignored or modified. A key criticism of the rules is that they have led to pro-cyclical fiscal policies.

The fallout 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 that have taken place are a 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)
Feb	1.0	10.3	-0.2	0.1	-9	1.3	2.2	18.3
Mar	-0.3	10.2	-0.1	0.1	-10	-1.9	-7.9	28.5
Apr	1.8	10.2	-0.2	0.2	-9	-0.6	-5.2	27.3
May	0.6	10.1	-0.1	0.3	-7	2.3	-1.5	23.8
Jun	0.8	10.1	0.1	0.2	-7	-1.4	-4.3	29.3
Jul	-0.3	10.0	0.2	0.4	-8	-9.4	-8.0	25.2
Aug	2.5	9.9	0.2	0.1	-9	8.4	3.8	18.1
Sep	1.4	9.9	0.4	0.4	-8	2.2	-1.7	25.0
Oct	1.0	9.8	0.5	0.6	-8	-4.5	-3.0	19.9
Nov	3.0	9.7	0.6	0.4	-6	5.7	4.9	25.4
Dec	1.8	9.6	1.1	0.8	-5	5.9	4.2	28.1
2017								
Jan	-	9.6	1.8	0.8	-5	-	-	-
Feb	-	-	2.0	0.8	-6	-	-	-

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
Feb	-0.18	1.04	5.1	1.11	1.29	98.0	2946	42.5
Mar	-0.23	0.93	5.2	1.11	1.28	97.3	3005	16.1
Apr	-0.25	0.96	4.8	1.13	1.26	98.0	3028	-8.5
May	-0.26	0.97	4.9	1.13	1.28	97.9	3063	21.9
Jun	-0.27	0.88	5.1	1.12	1.26	97.3	2865	-51.5
Jul	-0.29	0.62	5.2	1.11	1.19	97.6	2991	31.9
Aug	-0.30	0.61	5.0	1.12	1.17	98.2	3023	42.2
Sep	-0.30	0.74	5.1	1.12	1.17	98.3	3002	51.2
Oct	-0.31	0.78	4.5	1.10	1.12	98.8	3055	71.0
Nov	-0.31	1.23	4.8	1.08	1.15	97.9	3052	29.3
Dec	-0.32	1.29	5.0	1.05	1.18	96.8	3291	52.4
2017								
Jan	-0.33	1.31	4.9	1.06	1.16	97.2	3231	-
Feb	-0.33	1.45	-	1.06	1.17	96.5	3320	-

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											
2015	1.8	3.0	1.8	1.9	2.0	10.9	1.4	0.9	5.7	-1.9	0.0
2016	1.9	2.5	1.9	1.7	1.4	10.0	1.6	0.4	5.1	-2.1	0.2
2017	1.5	2.5	1.7	1.6	1.6	9.3	2.0	0.7	4.4	2.2	1.7
2018	1.3	2.6	1.5	1.4	1.2	8.8	2.5	0.8	3.7	2.2	1.5
2019	1.2	2.2	1.4	1.4	1.4	8.5	2.5	0.8	3.6	2.2	1.8
2020	1.2	2.0	1.3	1.3	1.4	8.2	2.7	0.9	3.4	1.9	1.9
2015											
Q1	1.7	2.2	1.5	1.8	1.9	11.2	1.3	0.9	5.8	-2.2	-0.3
Q2	1.8	2.9	1.4	2.0	1.8	11.0	1.4	1.1	6.1	-1.1	0.2
Q3	1.9	3.0	1.9	1.9	2.5	10.7	1.4	0.9	5.8	-1.9	0.1
Q4	1.7	3.8	2.3	2.0	2.0	10.5	1.5	0.8	4.9	-2.4	0.2
2016											
Q1	2.0	2.5	2.1	1.7	1.4	10.3	1.6	0.3	4.9	-3.2	0.0
Q2	1.9	3.8	2.3	1.6	1.1	10.1	1.4	0.3	5.0	-3.6	-0.1
Q3	1.8	2.3	1.8	1.8	1.2	9.9	1.6	0.5	5.2	-1.9	0.3
Q4	1.8	1.5	1.6	1.7	1.9	9.7	1.6	0.6	5.2	0.2	0.7
2017											
Q1	1.5	2.1	1.7	1.6	1.5	9.4	1.6	0.5	5.0	2.4	1.8
Q2	1.5	1.7	1.7	1.6	2.0	9.3	2.0	0.7	4.4	2.5	1.6
Q3	1.5	3.0	1.9	1.5	1.7	9.2	2.0	0.7	4.5	2.1	1.7
Q4	1.4	3.1	1.7	1.5	1.3	9.1	2.2	0.7	3.8	1.8	1.8
2018											
Q1	1.4	2.7	1.6	1.4	1.0	9.0	2.3	0.7	3.7	2.1	1.5
Q2	1.3	2.6	1.5	1.4	1.2	8.9	2.5	0.8	3.8	2.2	1.5
Q3	1.3	2.5	1.5	1.5	1.2	8.8	2.5	0.8	3.8	2.2	1.5
Q4	1.3	2.5	1.5	1.4	1.3	8.7	2.5	0.8	3.7	2.3	1.6
2019											
Q1	1.2	2.4	1.5	1.4	1.3	8.6	2.5	0.8	3.7	2.3	1.7
Q2	1.2	2.3	1.4	1.4	1.4	8.5	2.5	0.8	3.6	2.2	1.8
Q3	1.2	2.2	1.4	1.3	1.4	8.5	2.5	0.8	3.6	2.2	1.9
Q4	1.2	2.1	1.4	1.3	1.4	8.4	2.6	0.8	3.5	2.1	1.9
2020											
Q1	1.2	2.1	1.3	1.3	1.4	8.3	2.6	0.8	3.5	2.0	1.9
Q2	1.2	2.0	1.3	1.3	1.4	8.2	2.7	0.9	3.4	1.9	1.9
Q3	1.2	2.0	1.3	1.3	1.4	8.2	2.7	0.9	3.4	1.8	1.9
Q4	1.1	2.0	1.3	1.2	1.3	8.1	2.7	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											
2015	232.3	319.3	3.05	-214.9	-2.06	-0.02	1.21	-0.05	1.18	1.11	114.9
2016	266.8	364.7	3.40	-183.3	-1.71	-0.26	0.86	-0.51	0.62	1.11	119.1
2017	209.4	300.6	2.72	-153.7	-1.39	-0.33	1.32	-2.04	-0.39	1.04	116.4
2018	203.2	293.7	2.58	-134.8	-1.19	-0.31	1.77	-1.85	0.23	1.01	113.8
2019	189.9	276.2	2.36	-125.4	-1.07	-0.25	2.07	-2.08	0.24	1.01	114.2
2020	182.2	261.7	2.17	-108.9	-0.90	0.05	2.42	-1.87	0.50	1.04	114.8
2015											
Q1	55.3	80.5	3.11	-57.9	-2.24	0.05	1.01	0.36	1.33	1.13	114.9
Q2	57.8	77.0	2.96	-54.8	-2.10	-0.01	1.28	-0.20	1.09	1.11	112.6
Q3	55.8	87.5	3.34	-52.2	-1.99	-0.03	1.36	-0.12	1.27	1.11	116.1
Q4	63.3	74.3	2.81	-50.0	-1.89	-0.09	1.19	-0.26	1.02	1.10	116.1
2016											
Q1	63.7	84.9	3.19	-53.3	-2.00	-0.19	1.04	-0.23	1.00	1.10	119.0
Q2	71.0	95.1	3.56	-47.0	-1.76	-0.26	0.88	-0.17	0.97	1.13	119.5
Q3	65.7	88.8	3.31	-40.7	-1.51	-0.30	0.61	-0.57	0.34	1.12	119.3
Q4	66.5	95.8	3.54	-42.3	-1.56	-0.31	0.93	-1.05	0.19	1.08	118.7
2017											
Q1	49.2	58.6	2.15	-43.0	-1.58	-0.33	1.11	-2.11	-0.66	1.06	117.6
Q2	50.0	79.8	2.90	-40.1	-1.46	-0.33	1.24	-1.97	-0.40	1.05	117.3
Q3	52.3	73.5	2.65	-35.6	-1.29	-0.32	1.40	-2.00	-0.28	1.04	116.0
Q4	57.9	88.7	3.18	-34.9	-1.25	-0.32	1.54	-2.08	-0.21	1.03	114.9
2018											
Q1	48.5	58.2	2.07	-37.3	-1.33	-0.32	1.66	-1.83	0.15	1.02	114.1
Q2	48.9	78.7	2.78	-34.4	-1.21	-0.31	1.74	-1.79	0.25	1.01	113.6
Q3	49.4	70.3	2.47	-31.3	-1.10	-0.31	1.81	-1.85	0.26	1.00	113.6
Q4	56.4	86.4	3.01	-31.8	-1.11	-0.30	1.87	-1.91	0.26	1.00	113.9
2019											
Q1	45.6	55.6	1.92	-34.6	-1.19	-0.28	1.94	-1.97	0.25	1.00	114.1
Q2	45.5	74.3	2.55	-31.7	-1.09	-0.26	2.02	-2.05	0.23	1.01	114.2
Q3	45.5	65.0	2.21	-29.4	-1.00	-0.24	2.11	-2.14	0.22	1.02	114.2
Q4	53.3	81.3	2.75	-29.8	-1.01	-0.22	2.21	-2.14	0.28	1.02	114.3
2020											
Q1	43.6	53.2	1.78	-31.6	-1.06	-0.07	2.30	-1.99	0.39	1.03	114.5
Q2	43.0	70.4	2.34	-27.6	-0.92	0.07	2.38	-1.86	0.45	1.04	114.7
Q3	43.6	61.1	2.02	-24.7	-0.82	0.09	2.46	-1.83	0.54	1.05	114.9
Q4	51.9	77.1	2.53	-25.0	-0.82	0.11	2.54	-1.79	0.64	1.05	115.2

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

Long-Term Forecast for Eurozone

Annual percentage changes unless otherwise specified

	2006-2015	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
GDP	0.8	-0.9	-0.2	1.2	1.9	1.7	1.6	1.4	1.4	1.3	1.2	1.2	1.1	1.1	1.0	1.3
Consumption	0.5	-1.2	-0.5	0.8	1.8	1.9	1.5	1.3	1.2	1.2	1.1	1.1	1.0	1.0	1.0	1.2
Investment	-0.3	-3.3	-2.5	1.5	3.0	2.5	2.5	2.6	2.2	2.0	1.9	1.7	1.6	1.4	1.1	2.0
Government Consumption	1.2	-0.3	0.3	0.6	1.3	1.8	1.2	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.0	1.1
Exports of Goods and Services	3.6	2.9	2.2	4.4	6.3	2.7	3.3	2.7	2.6	2.6	2.6	2.6	2.5	2.4	2.2	2.6
Imports of Goods and Services	2.9	-0.6	1.4	4.9	6.3	3.4	3.9	3.0	2.9	2.9	2.8	2.7	2.6	2.4	2.2	2.9
Unemployment (%)	9.9	11.4	12.0	11.6	10.9	10.0	9.3	8.8	8.5	8.2	7.9	7.7	7.6	7.4	7.2	8.3
Consumer Prices	1.7	2.5	1.3	0.4	0.0	0.2	1.7	1.5	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.7
Current Balance (% of GDP)	0.8	1.3	2.2	2.4	3.1	3.4	2.7	2.6	2.4	2.2	2.0	1.9	1.8	1.7	1.8	2.2
Exchange Rate (US$ per Euro)	1.33	1.28	1.33	1.33	1.11	1.11	1.04	1.01	1.01	1.04	1.07	1.10	1.13	1.15	1.18	1.08
General Government Balance (% of GDP)	-3.2	-3.6	-3.0	-2.6	-2.1	-1.7	-1.4	-1.2	-1.1	-0.9	-0.7	-0.6	-0.6	-0.5	-0.5	-0.9
Short-term Interest Rates (%)	1.6	0.6	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.3	0.1	0.4	0.7	1.0	1.3	1.5	0.4
Long-term Interest Rates (%)	3.4	3.9	3.0	2.0	1.2	0.9	1.3	1.8	2.1	2.4	2.7	3.0	3.2	3.5	3.6	2.5
Working Population	0.2	0.2	0.3	0.1	0.3	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Labour Supply	0.5	0.8	0.1	0.1	0.2	0.4	0.2	0.2	0.2	0.1	0.1	0.0	0.0	-0.1	-0.1	0.1
Participation Ratio (%)	76.2	76.8	76.6	76.6	76.6	76.7	76.8	77.0	77.2	77.4	77.6	77.7	77.8	77.9	78.0	77.4
Labour productivity	0.5	-0.4	0.4	0.6	0.9	0.4	0.7	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	0.8
Employment	0.3	-0.4	-0.6	0.6	1.0	1.3	0.9	0.7	0.5	0.4	0.3	0.2	0.2	0.1	0.0	0.5
Output gap (% of potential GDP)	-1.3	-2.9	-3.8	-3.7	-3.2	-2.5	-1.9	-1.5	-1.0	-0.7	-0.5	-0.3	-0.2	-0.1	-0.1	-0.9

Key Facts

Politics

President of the ECB: Mario DRAGHI
Vice president of the ECB: Vítor CONSTANCIO
EC commissioner for Economic and Financial Affairs:
Pierre MOSCOVICI
Chairman of Euro Group of Finance Ministers:
Jeroen Dijsselbloem

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

Long-term economic & social development

	1980	1990	2000	2015*
GDP per capita (US$)	-	18232	20711	34570
Inflation (%)	9.9	4.2	2.2	0.0
Population (mn)	302	303	313	336
Urban population (% of total)	69.9	71.3	72.6	75.9
Life expectancy (years)	73.5	75.9	78.3	81.7

Source : Oxford Economics & World Bank

* 2015 or latest available year

Structure of GDP by output

	2015
Agriculture	1.7%
Industry	24.5%
Services	73.8%

Source : World Bank

Corruption perceptions index 2015

	Score
Developed economies (average)	76.0
Emerging economies (average)	38.0
Eurozone	68.9

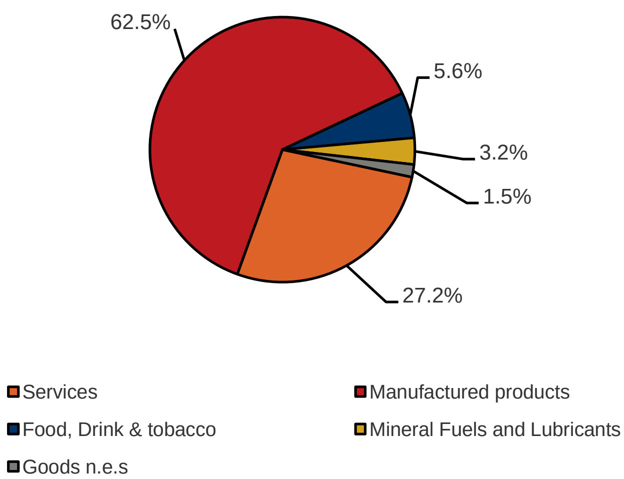
Source: Transparency International
Scoring system 100 = highly clean, 0 = highly corrupt

Structural economic indicators

	1990	1995	2000	2015*
Current account (US$ billion)	30	163	-168	354
Trade balance (US$ billion)	-24	62	-33	258
FDI (US$ billion)	-	-	29	-78
Govt budget (% of GDP)	-4	-7	0	-2
Govt debt (% of GDP)	14	68	67	91
Long-term interest rate	10	9	5	1
Oil production (000 bpd)	264	304	232	214
Oil consumption (000 bpd)	9716	10478	10930	0

Source : Oxford Economics / World Bank / EIA

Composition of extra-EMU goods & services exports 2015



Source : Eurostat\ Haver Analytics

Destination of goods' exports 2015

Eurozone	83.0%
UK	13.5%
US	13.9%
China	6.4%
Switzerland	5.6%
Poland	5.5%

Source : Eurostat \ Haver Analytics