Eurozone

Highlights

- Although external weakness is still weighing on the Eurozone recovery, the gradual domestic healing that has taken place over the past couple of years remains firmly in place.
- On the whole, the timely activity data paint conflicting messages about the pace of GDP growth in Q1. Despite ticking up in March, for Q1 as a whole the composite PMI recorded its lowest reading since Q1 2015. By contrast, retail sales, new car registrations and industrial production are all on track to grow at a faster pace in Q1 than Q4. Typically, with two of three monthly readings available for most of the hard indicators, we would put more weight on the hard data than the surveys, implying that GDP growth strengthened last quarter. Reflecting the hard data, our GDP indicator suggests that the risks to our forecast for Q1 GDP growth of 0.5% lie to the upside.
- Much of the pick-up in growth in Q1 is likely to reflect temporary factors. In particular, both industry and construction are unlikely to maintain the robust pace of expansion expected in Q1. This suggests that growth will slow in Q2.
- Nonetheless, the domestic recovery is likely to continue into H2. Indeed, while we have cut our 2016 GDP growth forecast since the beginning of the year in response to external weakness, our forecast for domestic demand growth has risen from 1.9% to 2.1% on the back of some positive signs that the recovery may be broadening out from household spending.
- Our GDP growth forecasts for 2016 and 2017 are unchanged at 1.6% and 1.8% respectively. While this pace of growth should ensure that the threat of deflation is not a major worry, we still only expect a very gradual pick-up in inflation. Further negative shocks would increase the pressure on the ECB to do more in terms of monetary policy.

Forecast for Eurozone
(Annual percentage changes unless specified)

	2014	2015	2016	2017	2018	2019
Domestic Demand	0.9	1.7	2.1	1.8	1.8	1.6
Private Consumption	0.8	1.7	1.6	1.6	1.5	1.3
Fixed Investment	1.4	2.6	2.8	3.3	3.0	2.5
Stockbuilding (% of GDP)	-0.1	-0.1	0.1	0.1	0.2	0.3
Government Consumption	0.8	1.3	1.5	1.1	1.0	1.1
Exports of goods and services	4.1	4.9	2.2	3.5	3.4	3.2
Imports of goods and services	4.5	5.6	3.4	3.9	3.7	3.4
GDP	0.9	1.5	1.6	1.8	1.7	1.6
Industrial Production	0.9	1.5	1.2	2.0	1.9	1.8
Consumer Prices	0.4	0.0	0.3	1.4	1.7	1.9
Current Balance (% of GDP)	2.4	3.1	3.3	3.2	2.9	2.6
Government Budget (% of GDP)	-2.6	-2.1	-1.9	-1.4	-1.1	-0.9
Short-Term Interest Rates (%)	0.2	0.0	-0.2	-0.3	-0.1	0.2
Long-Term Interest Rates (%)	2.0	1.2	0.9	1.5	2.2	2.7
Exchange rate (US$ per Euro)	1.33	1.11	1.09	1.06	1.09	1.12
Exchange rate (YEN per Euro)	140.7	134.3	125.4	130.1	136.4	139.8

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Forecast Overview

A strong start to 2016

After two quarters of moderate GDP growth of 0.3% in H2 last year, it appears that the Eurozone recovery has regained a bit of steam in early 2016.

Admittedly, this is not reflected in the performance of the business surveys. For instance, while the composite PMI did tick up in March, the average reading for Q1 was the lowest quarterly average in a year.

But we would not read too much into this. The PMI has not been an especially reliable indicator of GDP growth recently. So we would tend to place more weight on the hard data at this stage – two months of Q1 data are available for most of the key hard indicators that we follow closely. These paint a much more positive picture. Industrial production appears on track to expand by about 1% over the quarter, its fastest pace since early 2011. Meanwhile, retail sales and car registrations are both on track to grow more strongly in Q1 than in Q4.

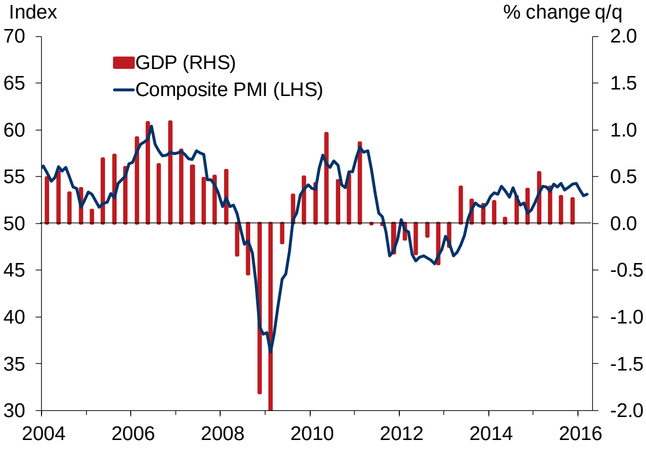
Against this backdrop, we have pencilled in a 0.5% rise in GDP in Q1, which would be the strongest quarterly gain in a year. If anything, the risks to this forecast lie to the upside. Our GDP indicator, which uses the available hard and soft data, currently points to growth of 0.7%. But the pick-up will partly reflect some temporary factors. As a result, we expect growth to slow somewhat in Q2 as these one-off effects, such as favourable weather for the construction sector, subside or go into reverse.

Domestic healing continues

Even so, we still think that the region will manage to post solid growth in H2. The key issues for the outlook are as follows:

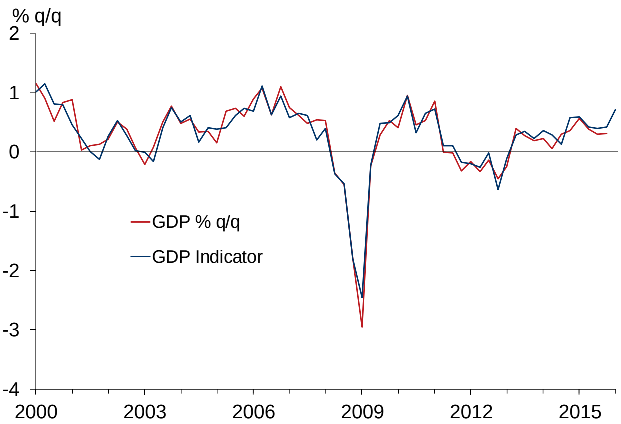
- **Consumer outlook remains bright** – despite the recent period of uncertainty, the ongoing Eurozone labour market recovery has, if anything, picked up a bit of momentum over recent months. Over the past two years, the number of unemployed in the region has fallen by over two million. Along with the sustained period of low inflation and the prospect of only a gradual rise in price pressures, this should mean that real incomes and hence consumer spending continue to grow at a solid rate.

Eurozone Composite PMI & GDP



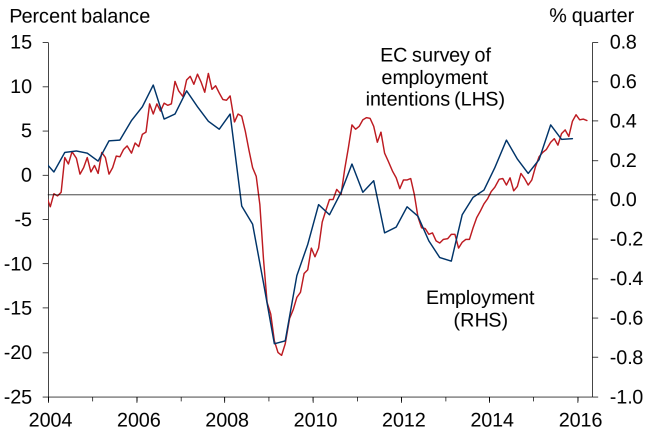
Source : Oxford Economics/Haver Analytics/Markit

Euro area GDP indicator



Source: Oxford Economics/Haver Analytics

Eurozone: Employment & emp. intentions



Source : Oxford Economics/Haver Analytics

- **Investment to rise gradually** – encouragingly, the solid 1.3% rise in investment in Q4 suggests that external uncertainty has not led firms to push back or cancel investment on a major scale. And lending to non-financial firms recorded another solid rise in February, suggesting that past ECB policy measures may finally be starting to have an impact on the credit channel. Loans with a maturity of more than one year, which are more likely to be used to fund investment, rose by €55bn in the six months to February compared with a rise of just €2.5bn in the preceding six months. As a result, we expect annual growth of investment to rise to 2.8% this year from 2.6% in 2015 and to accelerate further in 2017.

- **Export prospects less encouraging** – the subdued pace of export growth in H2 2015 appears to have spread into 2016, implying that net trade will continue to act as a drag on the recovery. Nonetheless, this negative force should ease as the year progresses and global demand growth improves, particularly if the euro reverses some of its recent rise in line with our forecast. Although the boost that this provides is unlikely to be large, it should help to ensure that the recovery gradually broadens away from household spending.

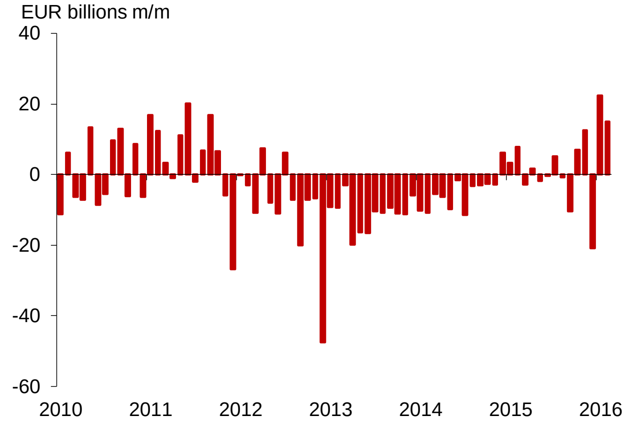
Overall, we still expect GDP to expand by 1.6% in 2016 and 1.8% in 2017, unchanged from our forecasts last month.

Inflation to rise gradually

While the recovery remains on track, doubts have grown over recent months as to whether this will be fast enough to push inflation back to the ECB's target of "close to, but below 2%" over the next couple of years.

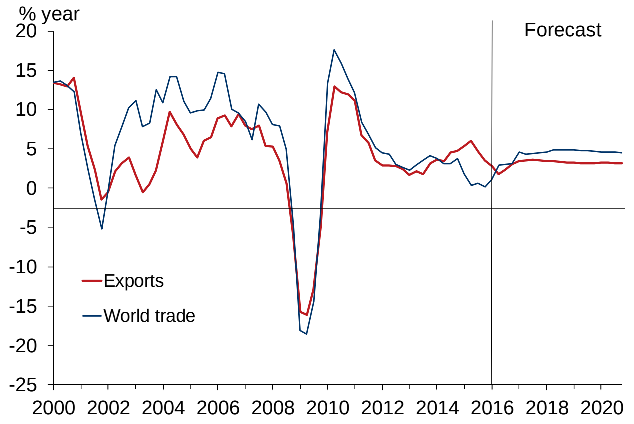
As oil prices stabilise and then start to recover, energy inflation should push up the headline inflation rate, but any pick-up in core inflation will be more gradual. Our baseline view is that, while inflation will struggle to reach 2%, it will be close enough to the target to ensure that further major support measures are not needed. But were the economy buffeted by further negative shocks, the ECB would have little choice but to take further action.

Eurozone: Loans to non-financial firms (flows)



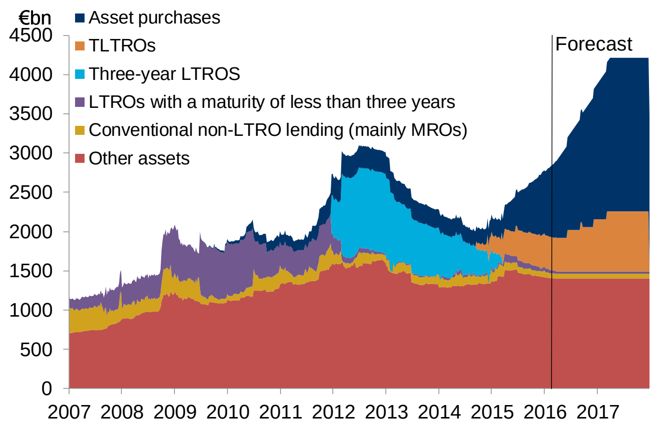
Source : Oxford Economics/Haver Analytics

Eurozone: Exports & foreign demand



Source : Oxford Economics/Haver Analytics

Eurozone: ECB Balance sheet (asset side)



Source : Oxford Economics/Haver Analytics

Risk Assessment

Overall risk in the Eurozone is expected to decline slightly over the medium term. But while the current account is in surplus and austerity has significantly reduced the budget deficit, public and private sector indebtedness remain high. This could have ramifications for growth if the region were to suffer from a renewed period of deflation.

Emerging risks

Monetary policy reaching its limits – despite the ECB expanding its QE programme in late-2015 and again in March this year, together with further cuts in interest rates, market inflation expectations have plunged and concerns about the impact of negative interest rates have increased. This has raised concerns that the benefits of more unconventional policy action will be offset by other problems, limiting the ECB's ability to respond to further adverse shocks.

Suspension of Schengen – the influx of migrants has raised the risks of a permanent breakdown of the Shengen travel zone. Greater restrictions on travel would make it harder for tourists and workers to cross borders and make it costlier to move freight around the region. Some estimates have suggested that the cost to the region could exceed €10bn per year.

Key risk scenarios

Weak commodity prices – if oil prices remain around $35pb until end 2017, this could cause significant problems for energy companies and the public finances of commodity producers, leading to wider financial market weakness. In the Eurozone, these negative effects are likely to be limited. While weaker exports would reduce growth too, the positive effect on real incomes and hence spending should ensure that any slowdown is fairly limited.

Hard landing in China – a sustained slowdown in China could have major spillover effects on the world economy. Given the Eurozone's limited trade and financial interlinkages with China, the direct effects of a China slowdown would not be great. But indirect effects on confidence might be larger, although these may be offset by more QE, suggesting that a recession could be avoided. Nonetheless, in this scenario GDP growth would average just over 1% a year in 2016-18.

Risk index (0=no risk, 100=highest risk)

	2015	2016	2019
Europe	**19**	**19**	**14**
World average	30	30	27
Sovereign risk	16	17	13
Trade credit risk	29	29	18
Political risk	24	24	21
Regulatory risk	0	0	0

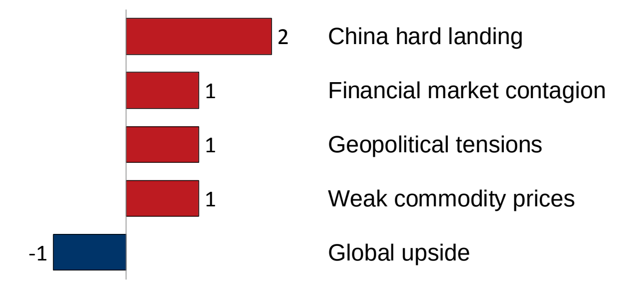
Risk warnings

GDP growth		External risks remain the main concern.
CPI inflation		Sustained lowflation a growing worry for ECB.
Current account balance		Surplises seem here to stay for some time.
Government balance		Deficit to continue to narrow gradually.
Government debt		Stable but high.
External debt		Not a major concern.

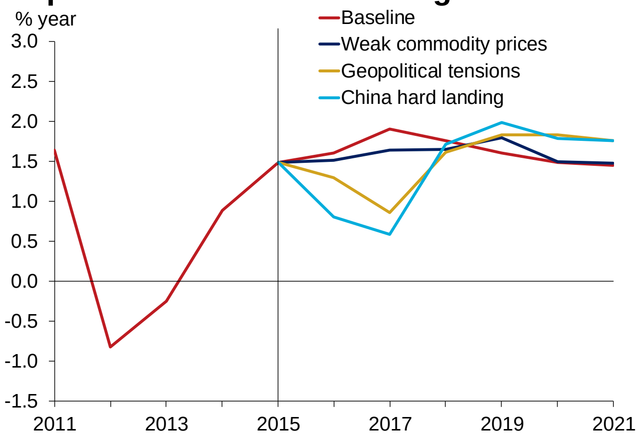
Risk scenarios

Impact of scenarios on risk index

Maximum impact of scenarios on risk index



Impact of scenarios on GDP growth



Source : Oxford Economics

Long-Term Prospects

Very slow recovery from crises

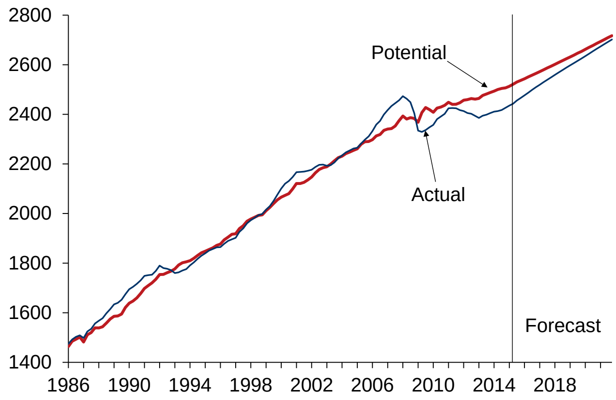
The global and Eurozone crises will leave their mark on growth for years to come. We estimate that the Eurozone's potential growth rate is only 1.2%, similar to our estimate for the past decade but far lower than the 1.8% estimate for the ten years to 2008.

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 factors 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	2005-2014	2015-2024
Potential GDP*	1.1	1.2
Employment at NAIRU	0.6	0.2
Capital Stock	1.5	1.2
Total Factor Productivity	0.1	0.6

*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)	2005-2009	2010-2014	2015-2019	2020-2024
GDP	0.8	0.7	1.6	1.4
Consumption	1.0	-0.1	1.5	1.2
Investment	0.1	-0.6	2.8	2.0
Government Consumption	2.1	0.3	1.2	1.2
Exports of Goods and Services	1.6	5.3	3.4	2.9
Imports of Goods and Services	1.9	3.8	4.0	2.9
Unemployment (%)	8.4	11.1	9.9	8.3
Consumer Prices	2.0	1.7	1.1	1.8
Current Balance (% of GDP)	-0.4	1.2	3.0	2.4
Exchange Rate (US$ per Euro)	1.3	1.3	1.1	1.2
General Government Balance (% of GDP)	-2.5	-3.9	-1.5	-0.6
Short-term Interest Rates (%)	3.1	0.6	-0.1	1.5
Long-term Interest Rates (%)	3.9	3.4	1.7	3.7
Working Population	0.4	0.1	0.1	-0.2
Labour Supply	0.8	0.2	0.3	0.0
Participation Ratio	75.6	76.4	76.8	77.5
Labour Productivity	0.0	0.9	0.9	1.2

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Background

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. Slovenia was the 13th member in January 2007, Malta and Cyprus joined a year later, Slovakia became the 16th member in January 2009, Estonia the 17th in January 2011, Latvia the 18th at the start of 2014 and Lithuania made it 19 at the beginning of 2015.

To qualify for membership of the Eurozone, countries have to pass a number of nominal convergence criteria set out in the Maastricht Treaty: the inflation rate should not exceed by more than 1.5% points the average inflation rate of the three EU countries with the lowest inflation; the government deficit should not exceed 3% of GDP and gross government debt should be no higher than 60% of GDP; countries should have been members of ERM II and have not devalued their currency in the previous two years; and long-term interest rates should not be more than 2% points higher than the average in the three EU countries with the lowest inflation. In practice, these conditions were applied quite loosely to the original EMU members, with elements of the fiscal criteria being selectively overlooked for Italy and Belgium (and then Greece) and with little attention as to whether the budget deficit was below 3% of GDP on a sustainable basis. However, the narrow failure of Lithuania to win approval for adopting the euro in 2007 suggests that the convergence criteria will be applied much more strictly to new EU members.

Joining EMU sees member countries pass control of monetary policy to the European Central Bank (ECB). The ECB is one of the most independent central banks in the world and was built on the lines of the German Bundesbank. Not only does the ECB have 'operational' independence – allowing it to set interest rates free from political control – but it also has 'goal' independence to set its own targets. The ECB objective is to achieve price stability and this is pursued through economic and monetary analysis; the ECB targets inflation of "below, close to, 2%" and maintains a reference target of 4.5% for M3 money supply growth. The two components of analysis were to act as a crosscheck, but economic analysis has taken precedence in recent years, with monetary targeting slipping into the background. Since 2008, the ECB initially focused on providing liquidity to banks via long-term loans. But more recently, attention has shifted towards asset purchases and the ECB is currently purchasing about €60bn of bonds per month.

National governments retain control of fiscal policy, although there are limits to their freedom in this area as specified in the Growth and Stability Pact, which essentially applies the fiscal requirements of the Maastricht Treaty on an ongoing basis. Even before the global crisis, a number of Eurozone countries had difficulty keeping their budget deficits below 3% of GDP and debt below 60% of GDP on a sustained basis and faced sanctions by the EC. However, the effectiveness of the Growth and Stability Pact against the major Eurozone economies of Germany, France and Italy proved limited, while smaller countries such as the Netherlands made painful adjustments when their deficit exceeded the 3% of GDP threshold and others observed the requirements stringently. This forced a re-interpretation of the Pact, which is now applied over the economic cycle.

The fallout from the financial crisis, and in particular the troubled fiscal situation faced by Cyprus, Greece, Italy, Ireland, Portugal, Slovenia 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. The measures proposed include a move towards a banking union that would sever the links between banks and their sovereigns. But political hurdles to closer integration and debt burden sharing remain very high. Changes to the Eurozone's structure and institutions are likely to be slow at best.

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OXFORD ECONOMICS

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)
Mar	1.9	11.2	-0.1	0.2	-4	11.6	9.8	20.1
Apr	0.7	11.1	0.0	0.4	-5	9.2	5.6	21.0
May	1.5	11.0	0.3	0.3	-6	2.7	0.1	18.3
Jun	1.8	11.0	0.2	0.1	-6	12.6	6.8	25.6
Jul	1.6	10.8	0.2	0.4	-7	7.1	0.5	31.3
Aug	2.3	10.7	0.2	0.2	-7	5.7	2.6	11.1
Sep	1.5	10.6	-0.1	0.3	-7	0.7	-0.7	19.8
Oct	2.3	10.6	0.0	0.4	-8	0.4	-0.6	23.8
Nov	2.0	10.5	0.1	0.4	-6	5.8	4.2	23.2
Dec	0.4	10.4	0.2	0.4	-6	4.0	3.4	25.4
2016								
Jan	3.0	10.4	0.4	0.3	-6	-1.8	-1.3	6.2
Feb	-	10.3	-0.2	0.1	-9	-	-	-
Mar	-	-	-0.1	0.1	-10	-	-	-

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
Mar	0.03	0.96	4.7	1.08	1.38	94.6	3697	38.5
Apr	0.00	0.85	5.4	1.08	1.39	93.7	3616	-2.6
May	-0.01	1.34	5.0	1.11	1.39	95.4	3571	12.5
Jun	-0.01	1.67	4.9	1.12	1.39	95.9	3424	-16.7
Jul	-0.02	1.53	5.2	1.10	1.41	95.0	3601	7.2
Aug	-0.03	1.39	4.9	1.11	1.40	96.6	3270	2.0
Sep	-0.04	1.48	4.9	1.12	1.37	97.4	3101	-21.7
Oct	-0.05	1.20	5.2	1.12	1.37	97.2	3418	56.9
Nov	-0.09	1.16	5.0	1.07	1.42	94.3	3506	-70.4
Dec	-0.13	1.19	4.7	1.09	1.38	95.6	3268	50.5
2016								
Jan	-0.15	1.11	5.0	1.09	1.33	96.5	3045	15.7
Feb	-0.18	1.04	5.0	1.11	1.29	98.0	2946	-
Mar	-0.23	0.93	-	1.11	1.28	97.3	3005	-

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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											
2014	0.8	1.4	0.9	0.9	0.9	11.6	1.5	0.3	2.3	-1.3	0.4
2015	1.7	2.6	1.7	1.5	1.5	10.9	1.5	0.5	5.7	-1.9	0.0
2016	1.6	2.8	2.1	1.6	1.2	10.2	2.0	0.6	3.9	-1.9	0.3
2017	1.6	3.3	1.8	1.8	2.0	9.9	2.3	1.0	4.1	1.2	1.4
2018	1.5	3.0	1.8	1.7	1.9	9.5	2.3	1.1	4.2	2.1	1.7
2019	1.3	2.5	1.6	1.6	1.8	9.1	2.5	1.1	4.0	2.1	1.9
2014											
I	0.7	2.5	1.2	1.1	1.5	11.9	1.6	1.0	0.8	-1.5	0.7
II	0.7	1.2	1.0	0.8	0.8	11.6	1.4	0.2	1.4	-1.1	0.6
III	0.8	0.8	0.6	0.8	0.5	11.5	1.4	0.1	2.4	-1.2	0.4
IV	1.2	1.0	0.9	1.0	0.5	11.4	1.5	0.1	4.7	-1.5	0.2
2015											
I	1.6	2.0	1.4	1.3	1.4	11.2	1.4	0.4	6.0	-2.1	-0.3
II	1.7	2.6	1.4	1.6	1.3	11.0	1.5	0.7	6.2	-1.1	0.2
III	1.8	2.5	1.9	1.6	1.8	10.7	1.5	0.6	5.8	-1.9	0.1
IV	1.5	3.4	2.2	1.6	1.5	10.5	1.6	0.4	5.1	-2.4	0.2
2016											
I	1.5	2.3	2.0	1.5	1.2	10.4	1.6	0.3	4.2	-2.3	0.0
II	1.7	2.8	2.3	1.5	1.0	10.3	2.0	0.4	3.8	-2.9	0.0
III	1.6	3.2	2.1	1.6	1.2	10.2	2.1	0.6	4.1	-1.9	0.4
IV	1.8	2.8	1.9	1.8	1.5	10.1	2.3	0.9	3.5	-0.5	0.8
2017											
I	1.7	3.2	1.8	1.7	1.5	10.0	2.3	0.9	3.8	0.7	1.4
II	1.7	3.5	1.9	1.8	2.1	9.9	2.3	1.0	4.1	1.1	1.4
III	1.6	3.3	1.9	1.8	2.3	9.8	2.3	1.1	4.2	1.4	1.4
IV	1.6	3.2	1.9	1.8	2.1	9.7	2.2	1.1	4.2	1.7	1.6
2018											
I	1.5	3.1	1.9	1.7	2.0	9.7	2.3	1.1	4.2	1.9	1.7
II	1.5	3.0	1.8	1.7	1.9	9.5	2.3	1.1	4.2	2.0	1.6
III	1.5	3.0	1.8	1.7	1.8	9.5	2.4	1.1	4.2	2.1	1.7
IV	1.4	2.8	1.8	1.7	1.8	9.4	2.4	1.1	4.2	2.2	1.7
2019											
I	1.4	2.7	1.7	1.7	1.8	9.3	2.5	1.1	4.1	2.2	1.8
II	1.4	2.6	1.7	1.6	1.8	9.2	2.5	1.1	4.0	2.2	1.8
III	1.3	2.5	1.6	1.6	1.8	9.1	2.6	1.1	3.9	2.1	1.9
IV	1.3	2.4	1.6	1.6	1.8	9.0	2.6	1.1	3.9	2.0	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											
2014	188.5	245.3	2.43	-260.9	-2.58	0.21	2.04	-0.22	1.61	1.33	123.6
2015	247.5	320.8	3.09	-216.4	-2.08	-0.02	1.21	-0.05	1.18	1.11	114.9
2016	270.7	356.8	3.33	-206.5	-1.93	-0.25	0.92	-0.54	0.62	1.09	118.7
2017	268.0	351.8	3.18	-159.7	-1.44	-0.26	1.45	-1.70	0.01	1.06	116.1
2018	254.6	329.2	2.88	-124.8	-1.09	-0.14	2.17	-1.81	0.49	1.09	116.9
2019	247.9	311.7	2.64	-107.7	-0.91	0.19	2.75	-1.67	0.89	1.12	118.4
2014											
I	42.0	57.0	2.27	-68.3	-2.72	0.30	2.65	-0.36	2.00	1.37	125.7
II	41.3	52.2	2.07	-66.1	-2.63	0.30	2.22	-0.26	1.66	1.37	125.2
III	43.5	65.1	2.57	-64.1	-2.53	0.16	1.79	-0.19	1.44	1.33	122.6
IV	61.6	71.0	2.78	-62.4	-2.45	0.08	1.50	-0.08	1.33	1.25	121.1
2015											
I	61.5	79.6	3.09	-74.4	-2.89	0.05	1.01	0.36	1.33	1.13	114.9
II	60.1	79.7	3.07	-35.8	-1.38	-0.01	1.27	-0.20	1.08	1.11	112.6
III	61.6	76.9	2.95	-53.8	-2.06	-0.03	1.36	-0.12	1.27	1.11	116.1
IV	64.2	84.7	3.23	-52.4	-2.00	-0.09	1.19	-0.26	1.03	1.10	116.1
2016											
I	72.4	95.1	3.59	-69.9	-2.64	-0.19	1.00	-0.20	0.99	1.10	119.0
II	62.4	91.6	3.44	-39.3	-1.47	-0.27	0.79	-0.24	0.82	1.11	120.7
III	67.6	79.6	2.97	-56.6	-2.11	-0.25	0.87	-0.62	0.51	1.08	118.6
IV	68.3	90.5	3.34	-40.7	-1.50	-0.28	1.00	-1.10	0.18	1.05	116.6
2017											
I	73.1	92.2	3.38	-58.6	-2.15	-0.31	1.18	-1.75	-0.26	1.06	116.3
II	62.7	90.7	3.29	-29.3	-1.06	-0.28	1.36	-1.65	-0.01	1.06	116.1
III	66.3	79.6	2.87	-43.3	-1.56	-0.24	1.54	-1.65	0.14	1.07	116.0
IV	65.9	89.3	3.19	-28.4	-1.02	-0.21	1.72	-1.76	0.17	1.07	116.0
2018											
I	69.3	86.6	3.07	-49.5	-1.75	-0.18	1.90	-1.85	0.23	1.08	116.3
II	59.4	85.6	3.01	-16.2	-0.57	-0.15	2.08	-1.76	0.48	1.09	116.8
III	62.8	73.0	2.54	-35.6	-1.24	-0.12	2.26	-1.81	0.57	1.09	117.1
IV	63.2	84.0	2.90	-23.5	-0.81	-0.09	2.44	-1.83	0.70	1.10	117.4
2019											
I	67.5	83.1	2.85	-45.0	-1.54	0.09	2.57	-1.75	0.73	1.11	117.8
II	56.8	80.9	2.75	-12.9	-0.44	0.12	2.70	-1.72	0.86	1.11	118.2
III	60.9	68.2	2.30	-32.2	-1.09	0.25	2.80	-1.61	0.95	1.12	118.6
IV	62.6	79.4	2.66	-17.6	-0.59	0.28	2.91	-1.60	1.03	1.13	119.0

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

	2005-2014	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2024
GDP	0.7	1.6	-0.8	-0.2	0.9	1.5	1.6	1.8	1.7	1.6	1.5	1.5	1.4	1.4	1.3	1.5
Consumption	0.5	-0.1	-1.3	-0.6	0.8	1.7	1.6	1.6	1.5	1.3	1.3	1.3	1.2	1.2	1.2	1.4
Investment	-0.3	1.7	-3.2	-2.5	1.4	2.6	2.8	3.3	3.0	2.5	2.3	2.1	2.0	1.8	1.6	2.4
Government Consumption	1.2	-0.1	-0.2	0.2	0.8	1.3	1.5	1.1	1.0	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Exports of Goods and Services	3.5	6.7	2.8	2.2	4.1	4.9	2.2	3.5	3.4	3.2	3.2	3.1	2.9	2.8	2.5	3.2
Imports of Goods and Services	2.8	4.4	-0.9	1.4	4.5	5.6	3.4	3.9	3.7	3.4	3.3	3.1	2.9	2.7	2.4	3.4
Unemployment (%)	9.8	10.2	11.4	12.0	11.6	10.9	10.2	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.8	9.1
Consumer Prices	1.9	2.7	2.5	1.3	0.4	0.0	0.3	1.4	1.7	1.9	1.9	1.8	1.8	1.8	1.8	1.4
Current Balance (% of GDP)	0.4	0.2	1.2	1.9	2.4	3.1	3.3	3.2	2.9	2.6	2.5	2.4	2.4	2.4	2.4	2.7
Exchange Rate (US$ per Euro)	1.34	1.39	1.28	1.33	1.33	1.11	1.09	1.06	1.09	1.12	1.15	1.18	1.20	1.23	1.25	1.15
General Government Balance (% of GDP)	-3.2	-4.2	-3.7	-3.0	-2.6	-2.1	-1.9	-1.4	-1.1	-0.9	-0.7	-0.7	-0.5	-0.5	-0.4	-1.0
Short-term Interest Rates (%)	1.9	1.4	0.6	0.2	0.2	0.0	-0.2	-0.3	-0.1	0.2	0.6	0.9	1.4	1.9	2.4	0.7
Long-term Interest Rates (%)	3.7	4.4	3.9	3.0	2.0	1.2	0.9	1.5	2.2	2.7	3.2	3.5	3.7	3.9	4.0	2.7
Working Population	0.2	0.0	0.2	0.2	0.1	0.2	0.2	0.1	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	0.0
Labour Supply	0.5	0.2	0.8	0.0	0.1	0.2	0.4	0.3	0.2	0.1	0.0	0.0	0.0	-0.1	-0.1	0.1
Participation Ratio (%)	76.0	76.2	76.7	76.5	76.5	76.5	76.6	76.8	76.9	77.1	77.3	77.4	77.5	77.6	77.6	77.1
Labour productivity	0.5	1.5	-0.4	0.5	0.3	0.5	0.6	1.0	1.1	1.1	1.1	1.1	1.2	1.3	1.3	1.0
Employment	0.3	0.1	-0.4	-0.7	0.6	1.0	1.0	0.7	0.6	0.5	0.4	0.3	0.2	0.2	0.1	0.5
Output gap (% of potential GDP)	-0.8	-1.2	-2.6	-3.4	-3.5	-2.9	-2.4	-2.0	-1.5	-1.2	-1.0	-0.7	-0.5	-0.3	-0.2	-1.3

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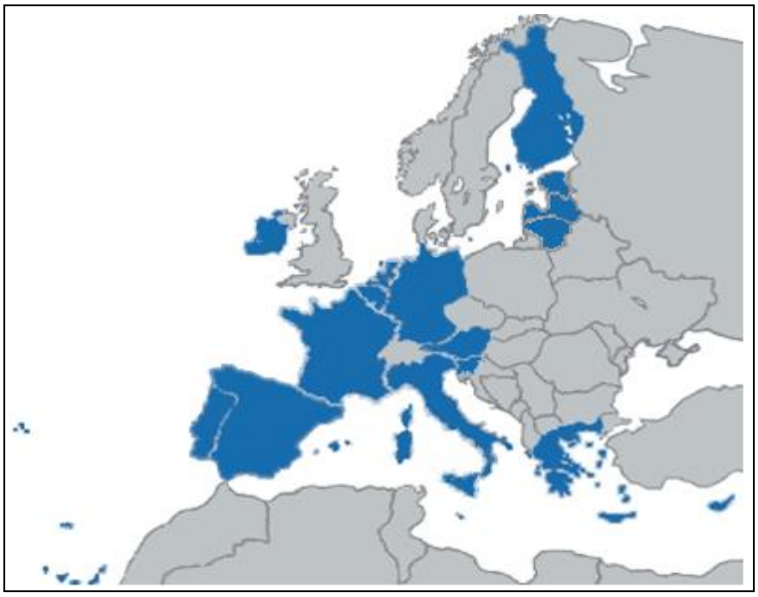
Key Facts

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	2014*
GDP per capita (US$)	-	18221	20724	40203
Inflation (%)	9.9	4.2	2.2	0.4
Population (mn)	302	303	313	334
Urban population (% of total)	69.9	71.3	72.6	75.7
Life expectancy (years)	73.5	75.9	78.3	81.4

Source : Oxford Economics & World Bank

Structure of GDP by output

	2014
Agriculture	1.7%
Industry	24.3%
Services	74.1%

Source : World Bank

* 2014 or latest available year

Structural economic indicators

	1990	1995	2000	2014*
Current account (US$ billion)	30	162	-167	326
Trade balance (US$ billion)	-22	64	-29	251
FDI (US$ billion)	-	-	29	-149
Govt budget (% of GDP)	-4	-7	0	-3
Govt debt (% of GDP)	14	68	67	92
Long-term interest rate	10	9	5	2
Oil production (000 bpd)	271	313	240	222
Oil consumption (000 bpd)	9716	10478	10930	9248

Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2014

Eurozone	45.8%
UK	7.0%
US	6.7%
China	3.7%
Switzerland	3.0%
Poland	2.9%

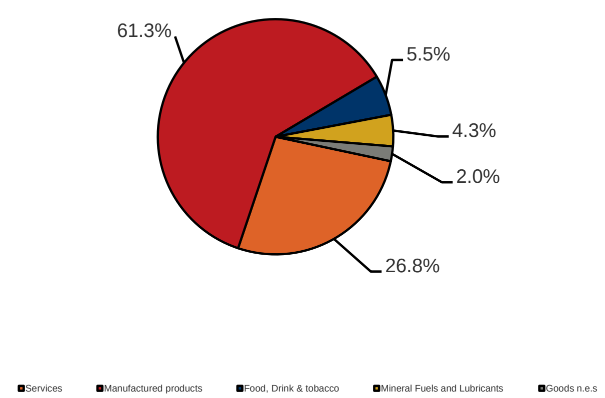
Source : Eurostat \ Haver Analytics

Corruption perceptions index 2015

	Score
Developed economies (average)	76.0
Emerging economies (average)	37.8
Eurozone	68.9

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

Composition of extra-EMU goods & services exports 2014



Source : Eurostat\ Haver Analytics