Eurozone

Highlights

- Our Eurozone-wide forecast for growth in 2014 remains broadly unchanged at 0.9%. However, this hides diverging trends at the country level. While there are encouraging signs that growth should pick up in Germany and some peripheral countries, particularly Spain, growth forecasts in the weaker core countries such as France, the Netherlands and Finland have been revised down in recent months.
- For the region as a whole, 2014 growth will continue to be largely driven by exports. This means that the recovery will depend to a significant extent on our assumption that the euro will start to weaken in 2014 as the US Fed begins tapering and growth differentials favour the US dollar more clearly. Net exports will account for half the growth in 2014. If the euro remains close to its current level, the recovery will be even weaker than we currently envisage.
- A stronger euro than currently forecast would also lead to lower inflation – currently forecast at 1.1% in 2014 – which for the Eurozone would be bad news. With corporate debt at more than 135% of GDP and households' debt at around 110% of income, low or negative inflation means that deleveraging is harder to achieve.
- Beside pressure to reduce debt, household spending will also be constrained by high unemployment. We do not forecast any improvement in 2014, with the unemployment rate flat at 12.3%. Companies will take advantage of any increase in activity to raise productivity and profitability. The level of consumer spending is not forecast to reach pre-crisis peaks until the end of 2015.

Forecast for Eurozone
(Annual percentage changes unless specified)

	2012	2013	2014	2015	2016	2017
Domestic Demand	-2.2	-1.0	0.5	1.3	1.3	1.5
Private Consumption	-1.4	-0.5	0.6	1.2	1.2	1.4
Fixed Investment	-3.8	-3.4	1.4	2.5	2.5	2.5
Government Consumption	-0.6	0.3	-0.2	0.2	0.5	0.8
Net exports (% of GDP)	4.3	4.8	5.1	5.2	5.4	5.5
GDP	-0.6	-0.5	0.9	1.4	1.5	1.6
Industrial Production	-2.9	-1.3	1.3	2.3	2.2	1.9
Consumer Prices	2.5	1.4	1.1	1.5	1.8	1.7
Current Account (% of GDP)	1.4	2.1	2.1	1.9	1.8	1.8
Government Budget (% of GDP)	-3.7	-2.9	-2.6	-2.1	-1.7	-1.4
Short-Term Interest rate (%)	0.6	0.2	0.2	0.2	0.2	0.4
Long-Term Interest Rates (%)	3.9	3.0	3.0	3.3	3.6	3.9
Exchange rate (US$ per Euro)	1.28	1.33	1.30	1.25	1.22	1.20
Exchange rate (YEN per Euro)	102.5	129.4	134.3	140.4	137.9	133.4

Economist: Marie Diron, Director of Macro Forecasting | Tel: +44 207 8031406 | e-mail: mdiron@oxfordeconomics.com

Forecast Overview

Worries turn to weaker core countries

The contrast between Germany and France in the November PMI results was stark, albeit not unprecedented. While the German manufacturing PMI increased to 52.7, comfortably in expansion territory, the French manufacturing PMI fell to 48.4, indicating further contraction in the sector. The gap between the two countries is even more striking for the composite PMI that includes the services sector. This illustrates diverging trends within the Eurozone.

We have revised our Q4 forecast for Germany – and the Eurozone – down on the back of poor data for October, but for 2014 there are encouraging signs that growth should pick up. Similarly, we expect GDP growth to rise gradually in some peripheral countries, in particular Spain.

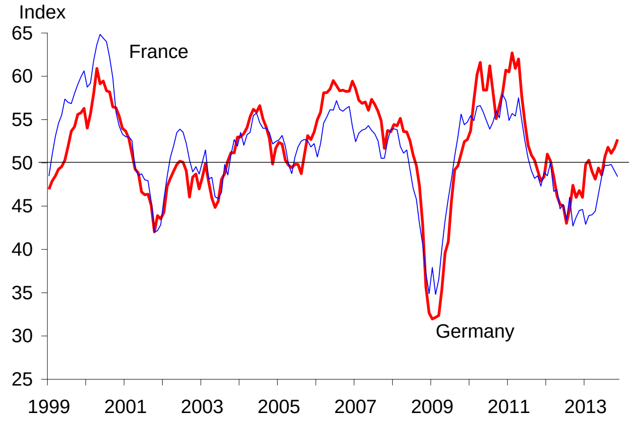
But for the weaker core countries such as France, the Netherlands and Finland, our forecasts have been revised down in recent months. Growth in these countries has disappointed for different reasons; however, one similarity is a lack of reforms over the last few years. This leaves these countries lagging behind Germany, which reformed its economy in the 2000s, and the peripheral countries that are implementing significant changes now. The Netherlands and Finland do not suffer from the kind of imbalances that characterised the peripheral countries before 2008. Meanwhile for France, the current account deficit is limited but the public debt is around 94% of GDP in 2013; as a result, the outlook largely depends on investors' confidence in the country's ability to implement reforms, albeit slowly.

Low inflation can be bad news

These differences within the Eurozone will likely last throughout 2014 at least. A set of common factors affect growth throughout the region and lead us to forecast only a muted recovery:

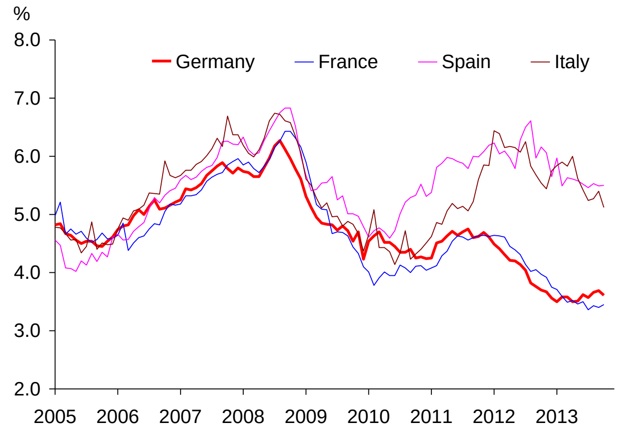
- **Low inflation to keep debt burden high** – we forecast inflation at only 1.1% in 2014, up from 0.9% in November 2013. But low inflation will provide few positive dividends for the economy. With high unemployment, nominal wage growth will be muted. And for heavily indebted corporates and households, as well as governments, this environment means that debt will not be eroded by inflation. Instead,

Manufacturing PMI



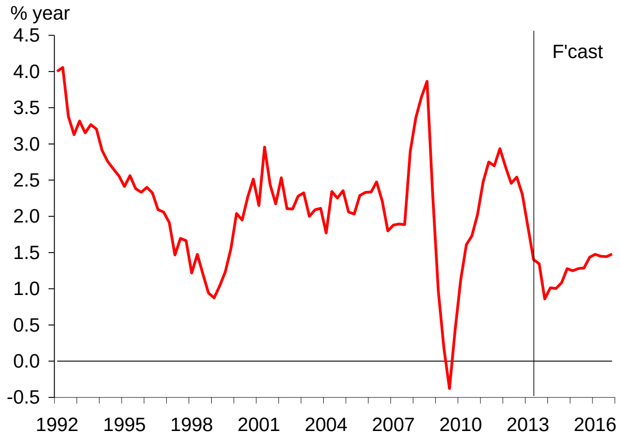
Source: Haver Analytics, Markit

Typical interest rates on loans to businesses



Source : ECB

Eurozone: Consumer price inflation

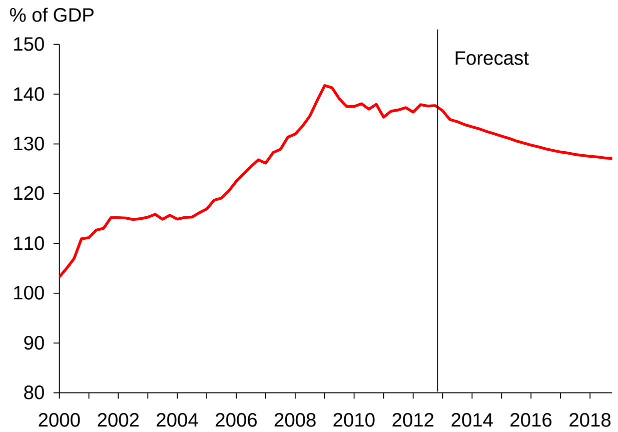


Source: Oxford Economics

deleveraging will need to happen via outright debt reduction – which will constrain spending. Should the Eurozone fall into deflation, the implied rise in the real private and public sector debt burdens could revive the risk of a euro break-up.

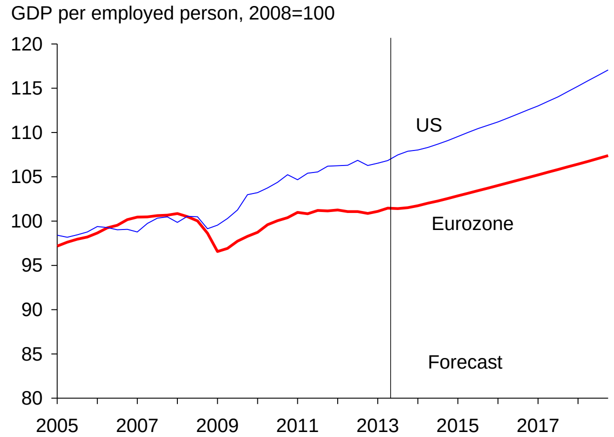
- **Banking sector developments** – the ECB has started its Asset Quality Review (AQR) of banks' balance sheets. ECB President Draghi has made it clear that, to be credible, a number of (probably smaller) banks will need to fail the stress tests. At the same time, if the stress tests are too severe, what is left of confidence in the banking sector will be significantly affected. Overall, the exercise is likely to be a trigger for a general, albeit gradual, restructuring of banks' balance sheets that will keep credit conditions tight for a long time. In particular, interest rates charged to businesses are likely to remain elevated in the peripheral countries.
- **A drive to raise productivity** – the unemployment rate stood at 12.1% in September, or 19.3 million people. In 2014, activity will be too weak to generate significant job creation. We do not expect any major fall in unemployment before 2015 as companies take advantage of the return to positive growth to improve profitability and productivity. This means that the share of long-term (more than one year) unemployed will continue to rise from nearly 50% in Q2 2013. These developments imply significant long-lasting loss of skills, which will hamper growth in the medium term.
- **Less, but still some, fiscal tightening** – while much reduced compared with the amount of fiscal tightening in 2012 and 2013, the Eurozone's fiscal stance will remain tight for the foreseeable future. For the Eurozone as a whole, we estimate that fiscal tightening will amount to 0.7% of GDP in 2014, possibly falling to just 0.2% of GDP in 2015.
- **Persistent divergence** – the process of convergence between Eurozone economies was reversed by the global financial crisis and then the Eurozone crisis. According to our indicator, the degree of convergence is at its lowest since the early 2000s. By 2018, Greek GDP per head is forecast at only 69% of the Eurozone average, compared with 68% today and 88% before the crisis. Divergence hinders the effectiveness of monetary policy and slows down agreements on further integration (particularly in the areas of fiscal and banking union).

Eurozone: non-financial corporate debt



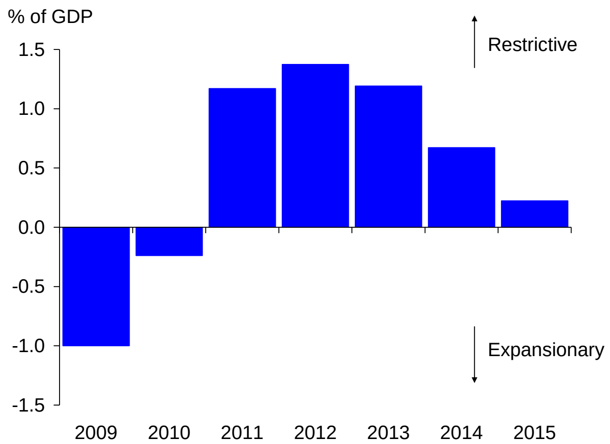
Source : Oxford Economics/ ECB

Eurozone: productivity



Source : Oxford Economics/Haver Analytics

Eurozone: fiscal measures



Source : Oxford Economics

Long-Term Prospects

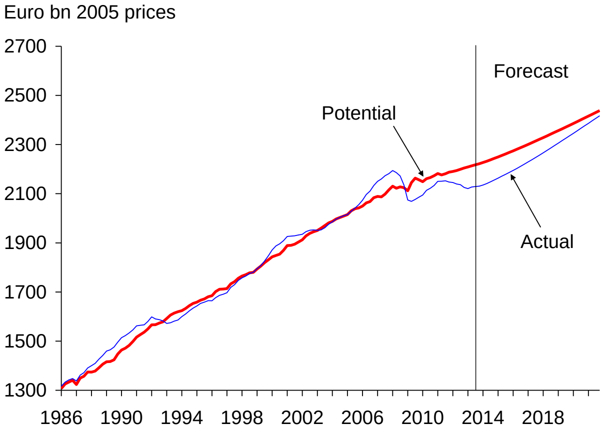
Very slow recovery from crises

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 around 1%. This compares with 1.3% in the past decade, itself significantly affected by the crisis, and 1.8% in the 10 years to 2008.

The slow restructuring of the banking sector means that credit availability will be constrained for a long time, hindering investment and affecting 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 ability to work. Combined with a shirking population of working age, despite increases in pension ages, these factors imply that avilability 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 from around 75.5% today to 76.7% by 2022.

Some of the reforms implemented in the peripheral countries should help raise the economy's 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



Source: Oxford Economics

Potential GDP and Its Components Average Percentage Growth	2003-2012	2013-2022
Potential GDP*	1.3	1.1
Employment at NAIRU	0.6	0.2
Capital Stock	1.5	1.2
Total Factor Productivity	0.4	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)

	2003-2007	2008-2012	2013-2017	2018-2022
GDP	2.2	-0.3	1.0	1.7
Consumption	1.6	-0.1	0.8	1.6
Investment	3.4	-3.5	1.1	2.2
Government Consumption	1.8	1.0	0.3	1.1
Exports of Goods and Services	5.9	1.5	3.3	3.2
Imports of Goods and Services	6.2	0.4	3.0	3.2
Unemployment (%)	8.7	9.8	12.0	10.6
Consumer Prices	2.2	2.1	1.5	1.6
Current Balance (% of GDP)	0.2	-0.1	1.9	1.8
Exchange Rate (US$ per Euro)	1.25	1.37	1.26	1.21
General Government Balance (% of GDP)	-2.1	-4.5	-2.1	-0.8
Short-term Interest Rates (%)	2.8	1.7	0.3	2.8
Long-term Interest Rates (%)	4.0	4.0	3.4	4.6
Working Population	0.4	0.2	0.0	-0.1
Labour Supply	1.0	0.4	0.1	0.1
Participation Ratio	73.6	75.1	75.7	76.5
Labour Productivity	1.0	0.1	0.9	1.3

Economist: Marie Diron, Director of Macro Forecasting | Tel: +44 207 8031406 | e-mail: mdiron@oxfordeconomics.com

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 and Estonia the 17th in January 2011.

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 the member country pass control of its 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 close to, but not exceeding, 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 has increasingly focused on providing liquidity to banks, with in particular two sets of three-year loans granted in December 2011 and February 2012.

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. However, 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, has put Eurozone leaders under immense pressure to come up with a rescue plan that would prevent the collapse of the single currency. However, there are 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. However, political hurdles to closer integration and debt burden sharing remains very high. Changes to the Eurozone's structure and institutions are likely to be slow and erratic.

Data & Forecasts

Key Indicators: Eurozone

Percentage changes on a year earlier unless otherwise stated

	Industrial production (% yr)	Unemploy-ment (% point)	CPI (% yr)	Business confidence (% balance)	Consumer confidence (% balance)	Exports (% yr)	Imports (% yr)	Trade balance (€ bn)
Nov	-3.7	11.8	2.2	-0.9	-26.7	5.7	0.5	12.5
Dec	-2.5	11.9	2.2	-0.9	-26.3	-3.0	-4.9	9.8
2013								
Jan	-2.5	12.0	2.0	-0.9	-23.9	4.7	1.7	-4.8
Feb	-2.5	12.0	1.8	-0.6	-23.6	-1.5	-7.0	9.8
Mar	-1.7	12.0	1.7	-0.7	-23.5	-0.2	-9.9	22.5
Apr	-0.7	12.1	1.2	-0.9	-22.2	8.6	1.5	13.9
May	-1.8	12.1	1.4	-0.8	-21.8	-0.5	-5.5	14.2
Jun	-0.3	12.1	1.6	-0.6	-18.8	-3.1	-5.4	16.0
Jul	-1.9	12.1	1.6	-0.6	-17.4	2.9	0.7	17.9
Aug	-1.6	12.1	1.3	-0.3	-15.6	-6.1	-7.5	6.9
Sep	0.1	12.2	1.1	-0.2	-14.9	2.5	-0.4	13.1
Oct	-0.1	12.1	0.7	-0.1	-14.5	-	-	-
Nov	-	-	0.9	0.2	-15.4	-	-	-

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	0.19	2.25	3.8	1.28	1.24	100.3	2575	19.2
Dec	0.19	2.10	3.5	1.31	1.23	102.0	2636	3.8
2013								
Jan	0.20	2.40	3.4	1.33	1.20	104.2	2703	-10.9
Feb	0.22	2.86	3.1	1.34	1.16	106.0	2634	2.2
Mar	0.21	3.03	2.5	1.30	1.16	104.5	2624	-15.3
Apr	0.21	2.86	3.2	1.30	1.18	105.0	2712	-12.2
May	0.20	2.69	2.9	1.30	1.18	105.5	2770	-15.9
Jun	0.21	3.07	2.4	1.32	1.17	106.3	2603	-20.7
Jul	0.22	3.10	2.2	1.31	1.16	106.5	2768	-2.9
Aug	0.23	3.10	2.3	1.33	1.16	107.2	2721	-7.2
Sep	0.22	3.41	2.0	1.33	1.19	106.7	2893	-7.3
Oct	0.23	3.16	1.4	1.36	1.18	107.8	3068	-
Nov	0.22	3.17	-	1.35	1.19	107.4	3087	-

EURO ZONE

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)	MONEY SUPPLY M3 (MON)	PRODUCER PRICES (PPI)	CONSUMER PRICES (CPI)
YEARS BEGINNING Q1											
2012	-1.4	-3.8	-2.2	-0.6	-2.9	11.4	1.8	0.0	2.8	2.5	2.5
2013	-0.5	-3.4	-1.0	-0.5	-1.3	12.1	1.6	0.3	1.5	-0.4	1.4
2014	0.6	1.4	0.5	0.9	1.3	12.3	1.6	0.8	1.4	0.3	1.1
2015	1.2	2.5	1.3	1.4	2.3	12.1	2.3	1.1	2.9	2.2	1.5
2016	1.2	2.5	1.4	1.5	2.2	12.0	2.7	1.2	3.6	2.2	1.8
2017	1.4	2.5	1.5	1.6	1.9	11.6	2.6	1.2	3.7	1.9	1.7
2012											
I	-1.3	-2.7	-1.8	-0.2	-2.5	10.9	2.1	0.3	3.0	3.4	2.7
II	-1.3	-3.9	-2.4	-0.5	-2.9	11.3	2.0	0.3	3.0	2.3	2.5
III	-1.6	-4.1	-2.5	-0.7	-2.9	11.5	1.8	-0.1	2.5	2.3	2.5
IV	-1.5	-4.7	-2.3	-1.0	-3.5	11.8	1.4	-0.3	2.9	2.1	2.3
2013											
I	-1.3	-5.8	-2.1	-1.2	-2.7	12.0	1.7	-0.2	2.1	0.8	1.9
II	-0.6	-3.8	-1.4	-0.6	-1.3	12.1	1.5	0.4	1.8	-0.4	1.4
III	-0.4	-2.7	-0.6	-0.4	-1.4	12.1	1.5	0.3	1.5	-0.8	1.3
IV	0.2	-1.5	0.0	0.3	0.4	12.2	1.8	0.7	0.5	-1.2	0.8
2014											
I	0.4	1.1	0.3	0.7	0.9	12.3	1.3	0.6	0.9	-1.1	1.0
II	0.5	1.4	0.5	0.7	0.8	12.3	1.6	0.6	0.9	0.1	1.0
III	0.6	1.3	0.4	0.9	1.5	12.3	1.8	0.9	1.6	0.6	1.1
IV	0.8	1.9	0.8	1.2	2.1	12.2	1.8	1.0	2.2	1.5	1.3
2015											
I	1.0	2.4	1.1	1.3	2.2	12.2	2.0	1.1	2.5	2.0	1.3
II	1.2	2.5	1.3	1.4	2.3	12.1	2.2	1.1	2.8	2.3	1.4
III	1.3	2.5	1.3	1.4	2.3	12.1	2.4	1.1	3.0	2.3	1.5
IV	1.3	2.5	1.3	1.4	2.3	12.1	2.6	1.1	3.2	2.4	1.7
2016											
I	1.2	2.5	1.3	1.4	2.3	12.0	2.7	1.1	3.4	2.4	1.8
II	1.2	2.5	1.3	1.5	2.2	12.0	2.7	1.1	3.5	2.3	1.8
III	1.2	2.5	1.4	1.5	2.1	11.9	2.7	1.2	3.6	2.2	1.8
IV	1.3	2.5	1.4	1.6	2.0	11.8	2.7	1.2	3.7	2.1	1.8
2017											
I	1.4	2.5	1.4	1.6	2.0	11.8	2.6	1.2	3.7	2.0	1.8
II	1.4	2.5	1.5	1.6	1.9	11.7	2.6	1.2	3.8	1.9	1.8
III	1.4	2.5	1.5	1.6	1.9	11.6	2.6	1.2	3.7	1.8	1.7
IV	1.4	2.5	1.5	1.7	1.9	11.5	2.5	1.2	3.5	1.7	1.6

EURO ZONE

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)	US DOLLAR PER EURO (RXD)	EFFECTIVE RATE (1995=100) (RX)
YEARS BEGINNING Q1											
2012	90	128	1.4	-349	-3.7	0.57	3.92	-1.92	1.42	1.28	115.5
2013	153	200	2.1	-276	-2.9	0.22	2.99	-1.14	1.64	1.33	120.5
2014	177	207	2.1	-256	-2.6	0.24	2.98	-0.84	1.90	1.30	119.7
2015	178	191	1.9	-209	-2.1	0.24	3.30	-1.25	1.81	1.25	117.4
2016	183	190	1.8	-175	-1.7	0.24	3.64	-1.57	1.83	1.22	115.0
2017	189	194	1.8	-149	-1.4	0.43	3.92	-1.28	2.20	1.20	113.9
2012											
I	13.7	19.3	0.81	-91.0	-3.84	1.04	4.29	-1.64	1.61	1.31	116.9
II	19.1	31.4	1.32	-88.3	-3.72	0.69	4.17	-1.76	1.71	1.28	115.9
III	27.4	37.0	1.56	-86.0	-3.62	0.36	3.89	-2.18	1.35	1.25	113.3
IV	29.4	40.7	1.72	-84.1	-3.55	0.20	3.32	-2.11	1.02	1.30	115.8
2013											
I	38.0	50.4	2.12	-83.3	-3.50	0.21	3.06	-1.64	1.20	1.32	118.8
II	40.8	58.2	2.43	-54.6	-2.28	0.21	2.82	-1.20	1.42	1.31	119.2
III	37.4	47.1	1.96	-70.2	-2.93	0.22	3.15	-1.12	1.80	1.32	121.7
IV	36.9	44.2	1.84	-68.2	-2.83	0.23	2.95	-0.59	2.12	1.36	122.4
2014											
I	43.7	63.1	2.61	-69.2	-2.86	0.24	2.94	-0.73	1.96	1.34	121.4
II	42.4	59.5	2.44	-64.5	-2.65	0.24	2.95	-0.74	1.97	1.30	119.9
III	48.3	42.0	1.71	-62.9	-2.57	0.24	3.00	-0.82	1.93	1.28	118.8
IV	42.7	42.8	1.73	-59.6	-2.42	0.24	3.05	-1.07	1.74	1.27	118.6
2015											
I	46.5	60.1	2.42	-57.7	-2.32	0.24	3.15	-1.07	1.84	1.26	118.1
II	41.9	54.0	2.15	-52.3	-2.09	0.24	3.26	-1.17	1.85	1.25	117.6
III	47.5	37.1	1.47	-51.3	-2.03	0.24	3.36	-1.26	1.85	1.25	117.3
IV	42.2	40.1	1.58	-48.1	-1.89	0.24	3.44	-1.48	1.72	1.24	116.8
2016											
I	47.1	59.1	2.31	-47.7	-1.86	0.24	3.54	-1.58	1.72	1.23	116.1
II	43.1	53.8	2.08	-44.0	-1.70	0.24	3.61	-1.57	1.80	1.22	115.1
III	48.7	37.0	1.42	-43.6	-1.67	0.24	3.68	-1.56	1.88	1.21	114.5
IV	43.7	40.3	1.53	-40.2	-1.53	0.24	3.75	-1.58	1.93	1.21	114.2
2017											
I	48.5	59.5	2.24	-40.7	-1.53	0.24	3.82	-1.55	2.02	1.20	113.9
II	44.5	54.3	2.03	-37.2	-1.39	0.24	3.88	-1.51	2.13	1.20	113.8
III	50.4	38.1	1.41	-37.2	-1.38	0.50	3.95	-1.20	2.26	1.20	113.9
IV	45.6	41.7	1.53	-33.8	-1.25	0.75	4.02	-0.88	2.40	1.20	114.0

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

Long-Term Forecast for Eurozone

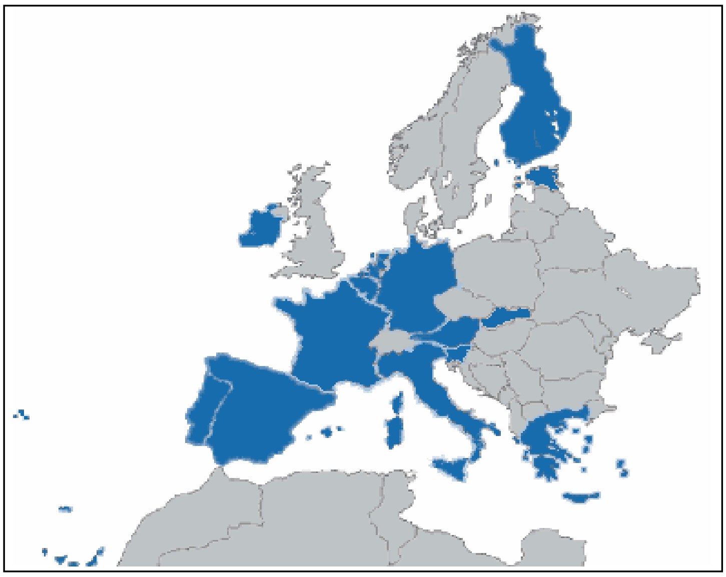
Annual percentage changes unless otherwise specified

	2003-2012	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
GDP	0.9	-4.4	1.9	1.6	-0.6	-0.5	0.9	1.4	1.5	1.6	1.7	1.7	1.7	1.7	1.7	1.3
Consumption	0.7	-0.9	1.0	0.3	-1.4	-0.5	0.6	1.2	1.2	1.4	1.5	1.6	1.6	1.6	1.6	1.2
Investment	-0.1	-12.7	-0.6	1.7	-3.8	-3.4	1.4	2.5	2.5	2.5	2.4	2.3	2.2	2.1	2.0	1.6
Government Consumption	1.4	2.6	0.6	-0.1	-0.6	0.3	-0.2	0.2	0.5	0.8	0.9	1.1	1.2	1.2	1.3	0.7
Exports of Goods and Services	3.7	-12.3	11.4	6.6	2.7	1.1	3.5	4.0	4.1	4.0	3.8	3.4	3.1	2.9	2.7	3.3
Imports of Goods and Services	3.3	-10.8	9.8	4.6	-0.8	0.0	3.0	4.0	4.1	4.0	3.7	3.4	3.1	2.9	2.7	3.1
Unemployment (%)	9.2	9.6	10.1	10.2	11.4	12.1	12.3	12.1	11.9	11.6	11.3	11.0	10.6	10.3	9.9	11.3
Consumer Prices	2.1	0.3	1.6	2.7	2.5	1.4	1.1	1.5	1.8	1.7	1.5	1.5	1.6	1.7	1.8	1.6
Current Balance (% of GDP)	0.1	-0.2	0.0	0.1	1.4	2.1	2.1	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9
Exchange Rate (US$ per Euro)	1.31	1.39	1.33	1.39	1.28	1.33	1.30	1.25	1.22	1.20	1.20	1.20	1.20	1.21	1.22	1.23
General Government Balance (% of GDP)	-3.3	-6.4	-6.2	-4.1	-3.7	-2.9	-2.6	-2.1	-1.7	-1.4	-1.1	-0.9	-0.8	-0.6	-0.6	-1.5
Short-term Interest Rates (%)	2.3	1.2	0.8	1.4	0.6	0.2	0.2	0.2	0.2	0.4	1.4	2.4	3.0	3.5	3.9	1.6
Long-term Interest Rates (%)	4.0	3.8	3.6	4.4	3.9	3.0	3.0	3.3	3.6	3.9	4.2	4.4	4.7	4.9	5.0	4.0
Working Population	0.3	0.0	0.2	0.1	0.2	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
Labour Supply	0.7	0.2	0.1	0.3	0.7	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1
Participation Ratio (%)	74.3	75.0	74.9	75.1	75.4	75.4	75.6	75.7	75.9	76.0	76.2	76.4	76.5	76.6	76.7	76.1
Labour productivity	0.6	-2.6	2.4	1.4	0.0	0.3	0.8	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.1
Employment	0.4	-1.8	-0.5	0.3	-0.7	-0.8	0.1	0.3	0.3	0.5	0.5	0.5	0.5	0.4	0.4	0.3
Output gap (% of potential GDP)	-0.3	-3.2	-2.2	-1.5	-2.8	-4.1	-4.1	-3.8	-3.4	-3.0	-2.5	-2.0	-1.5	-1.0	-0.6	-2.6

Key Facts

Politics

President of the ECB: Mario DRAGHI
Vice president of the ECB: Vítor CONSTANCIO
EC commissioner for Economic and Monetary Affairs:
Olli Rehn
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

Long-term economic & social development

	1980	1990	2000	2012*
GDP per capita (US$)	-	18088	19885	36573
Inflation (%)	9.9	4.2	2.2	2.5
Population (mn)	287	305	315	333
Urban population (% of total)	69.7	70.9	72.4	75.8
Life expectancy (years)	73.6	76.0	78.3	81.3

Source : Oxford Economics & World Bank

* 2012 or latest available year

Structure of GDP by output

	2010
Agriculture	1.6%
Industry	26.3%
Services	72.0%

Source : WDI

Corruption perceptions index 2012

	Score
Developed economies (average)	74.8
Emerging economies (average)	38.0
Eurozone	66.6

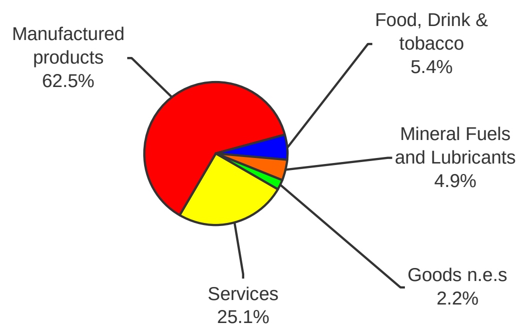
Source: Transparency International
Scoring system 100 = highly clean, 0 = highly corrupt

Structural economic indicators

	1990	1995	2000	2012*
Current account (US$ billion)	10	54	-94	165
Trade balance (US$ billion)	-23	63	-29	115
FDI (US$ billion)	-	-	-25	-107
Govt budget (% of GDP)	-4.1	-7.5	-0.1	-3.7
Govt debt (% of GDP)	13.5	67.4	67.1	91.2
Long-term interest rate	10.9	8.7	5.4	3.9
Oil production (000 bpd)	271	313	240	227
Oil consumption (000 bpd)	9715	10483	10927	9493

Source : Oxford Economics / World Bank / EIA / ECB

Composition of extra-EMU goods & services exports, 2012



Source : Eurostat\ Haver Analytics

Destination of goods' exports (2012)

Eurozone	46.3%
UK	6.6%
US	6.4%
China	3.5%
Switzerland	3.3%
Poland	2.6%

Source : Eurostat \ Haver Analytics