



Eurozone

Highlights

- Recent data have presented conflicting signs on the likely path of Eurozone GDP growth in the early stages of 2016. We have left our forecast for GDP growth this year unchanged at 1.6%, but the downside risks surrounding the forecast appear to have risen.
- The GDP breakdown for Q4 confirmed that, while the domestic healing of the economy continued, the overall growth performance was once again undermined by a sharp drag from net trade despite solid consumer demand.
- Since then, industrial data have been a mixed bag. While the survey data suggest that the sector's troubles may have intensified in the early part of the year, robust rises in German and French industrial production in January, together with a large upward revision to the December result, provide some hope that the sector may have turned a corner.
- Meanwhile, low inflation and the improving labour market appear to have ensured that the consumer recovery has been maintained in the early stages of this year. Admittedly, more timely measures of consumer and service sector sentiment have softened a little, but they remain at levels which on past form point to solid growth. Accordingly, at this stage we would not regard these falls as alarming.
- The risk of the domestic recovery failing to broaden to investment has grown, so we have downgraded our investment forecast for 2017. As a result, although our GDP growth forecast for this year is unchanged, partly reflecting the latest ECB action, we have nudged down our 2017 forecast to 1.8%.
- While the ECB remains alert to further signs of easing underlying inflationary pressures and medium-term inflation expectations, our view is that the March package of measures will be the last major easing.

Forecast for Eurozone						
(Annual percentage changes unless specified)						
	2014	2015	2016	2017	2018	2019
Domestic Demand	0.9	1.6	2.0	1.9	1.9	1.7
Private Consumption	0.8	1.6	1.6	1.6	1.5	1.4
Fixed Investment	1.3	2.5	2.7	3.3	3.0	2.5
Stockbuilding (% of GDP)	-0.1	-0.3	-0.1	-0.1	0.1	0.2
Government Consumption	0.8	1.5	1.5	1.1	1.0	1.1
Exports of goods and services	4.1	4.7	2.7	3.7	3.4	3.2
Imports of goods and services	4.5	5.3	3.8	4.1	3.7	3.4
GDP	0.9	1.5	1.6	1.8	1.7	1.6
Industrial Production	0.8	1.3	1.1	2.1	1.9	1.8
Consumer Prices	0.4	0.0	0.3	1.4	1.7	1.9
Current Balance (% of GDP)	2.4	3.0	3.3	3.1	2.8	2.5
Government Budget (% of GDP)	-2.6	-2.1	-1.9	-1.4	-1.1	-0.9
Short-Term Interest Rates (%)	0.2	0.0	-0.3	-0.3	-0.2	0.2
Long-Term Interest Rates (%)	2.0	1.2	1.0	1.7	2.6	3.0
Exchange rate (US\$ per Euro)	1.33	1.11	1.07	1.06	1.09	1.12
Exchange rate (YEN per Euro)	140.7	134.3	126.6	132.5	136.5	139.8



Forecast Overview

Recovery gradually picking up pace

The breakdown of Eurozone GDP in Q4 confirmed that another quarter of solid domestic demand growth was offset by a drag from net trade, resulting in a solid but unspectacular quarterly GDP rise of 0.3%.

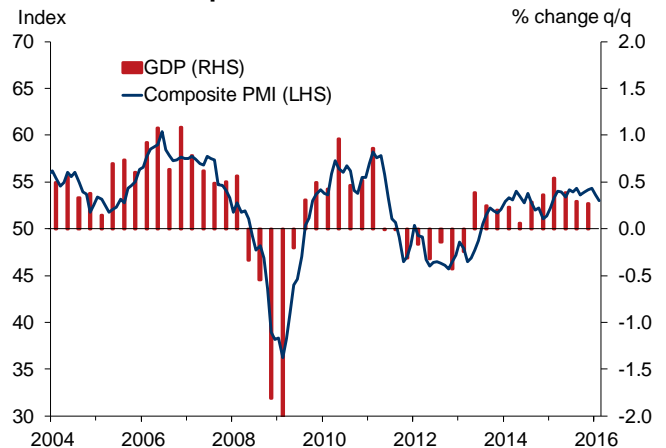
Although the surveys have weakened since then, a further slowdown in GDP growth is by no means inevitable. Industrial production data from Germany and France revealed strong monthly rises in January and the size of the falls in December were also reduced. The strong start to the quarter for the Eurozone overall means that we expect industry to boost GDP growth by as much as 0.2pp in Q1. Meanwhile, retail sales and new car registrations data bode well for household spending in Q1. While our baseline forecast is for quarterly GDP growth of 0.5%, our GDP indicator model, based on latest available data, points to growth of 0.6%.

Underlying domestic condition still solid

We suspect that the likely strong start to the year partly reflects some temporary factors that may be reversed in Q2. Looking ahead though, we remain optimistic that the economy can record solid GDP growth in H2. The key issues for the outlook are as follows:

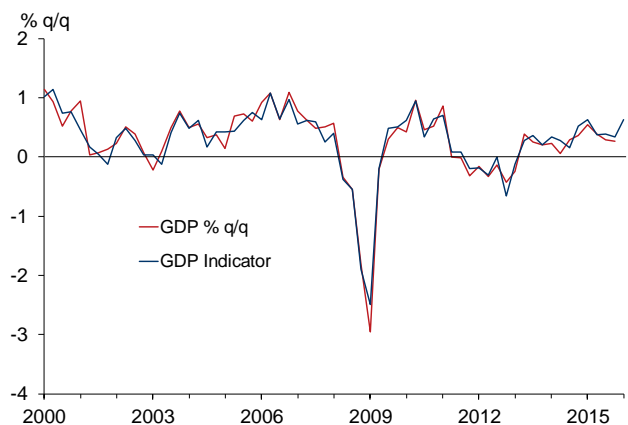
- **Consumer spending prospects still bright** – the steady recovery in the labour market and the low inflation outlook mean that real household income may expand at its fastest pace this year since 2001. Accordingly, we see the solid household spending recovery continuing this year and our forecast for growth of 1.6% could prove too cautious.
- **Investment to rise gradually** – although investment provided a bit of an upside surprise in Q4 (it expanded by a solid 1.3% on the quarter), we have become more cautious about the outlook. In the near term, the recent financial market volatility will lead to more caution. And ongoing uncertainties, most notably fears of a hard landing in China, may see some investment projects pushed back or perhaps cancelled. Even so, we expect investment growth to pick-up slightly, to 2.7% in 2016 from 2.5% last year, as capacity utilisation rises and ECB measures to stimulate credit take full effect.

Eurozone Composite PMI & GDP



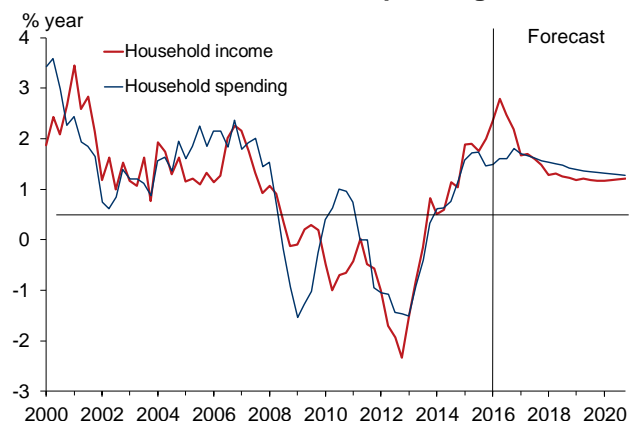
Source : Oxford Economics/Haver Analytics/Markit

Euro area GDP indicator



Source: Oxford Economics/Haver Analytics

Eurozone: Real household spending & income



Source : Oxford Economics/Haver Analytics



- **Export prospects less encouraging** – we have become a little more cautious about the pace of export growth, partly reflecting the view that the recovery of global trade growth will be more gradual than assumed a few months ago. After a healthy start to 2015, Eurozone exports barely rose in H2 and there is no obvious sign from latest indicators that the situation has improved in early 2016. And with import growth likely to continue to grow faster than exports, we expect net trade to act as a drag on overall GDP.

On balance, we expect GDP to expand by 1.6% in 2016, unchanged from a month ago, but we now see growth picking up to 1.8% in 2017, slightly lower than the 1.9% that we forecast in February.

Inflation forecasts lowered again

The recent fall in Eurozone inflation and signs that underlying inflationary pressures may be easing, given the sharp drop in core to just 0.7%, have led us to revise down our 2016 forecast again to just 0.3%. And we see a slower pick-up in inflation next year to just 1.4%, implying that headline inflation is on track to remain well below target for a fifth years – the last time CPI inflation was close to 2% was Q1 2013.

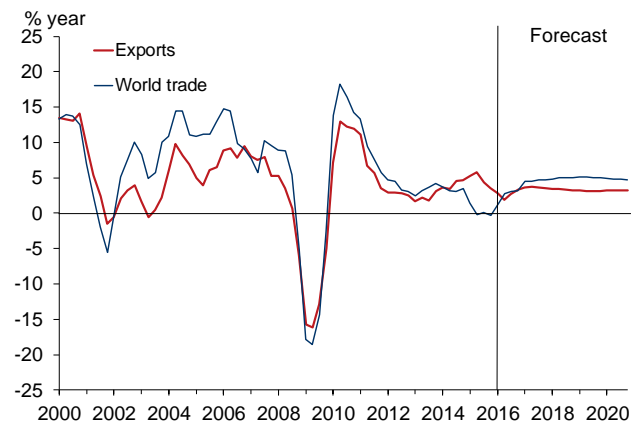
The picture is even more dismal when focusing on core inflation – the last time it was 2% was in 2008. With market and other measures of inflation expectations recently weakening, the threat of expectations becoming permanently de-anchored appears to have risen.

ECB takes pre-emptive action in March

These concerns, along with the recent weak tone to some of the economic data and a downward revision to its inflation forecasts, prompted the ECB to take [further substantial action in March](#). The policy measures were a cut in the deposit rate by 10 basis points to -0.4%, a cut in the refinancing rate to zero, an expansion of the monthly asset purchased under the QE programme from €60bn to €80bn and a new TLTRO programme with favourable terms for banks.

And while we do not expect the ECB to make further substantial changes to its unconventional policy measures, we have pushed the start of the rate tightening cycle back by an additional year to Q1 2019.

Eurozone: Exports & foreign demand



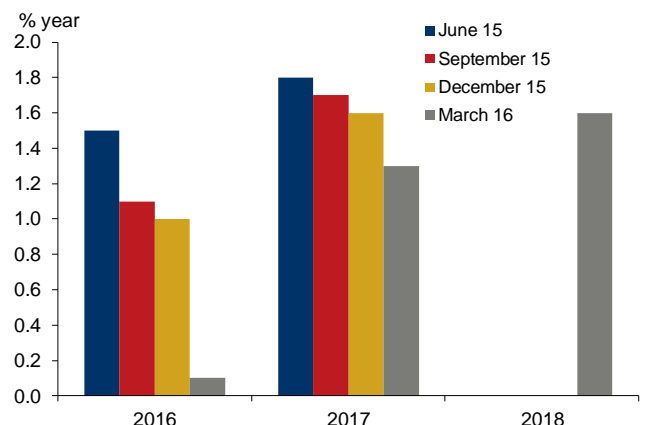
Source : Oxford Economics/Haver Analytics

Eurozone: Inflation expectations and oil price



Source: Oxford Economics/Bloomberg

Eurozone: ECB HICP forecasts



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. The latter 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 Schengen 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	●	Surpluses 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.

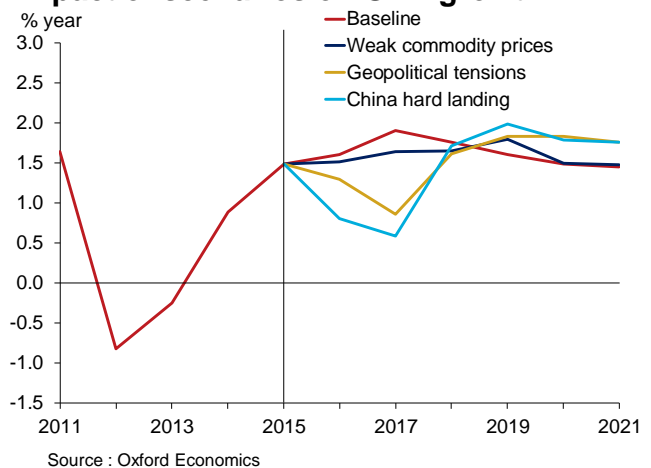
Risk scenarios

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

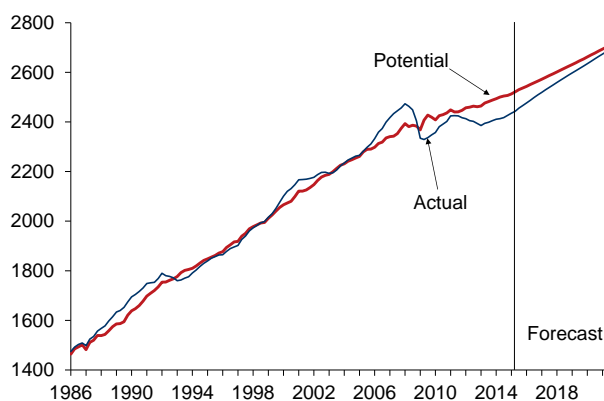
The global and Eurozone crises will leave their mark on growth for years to come. We estimate that the Eurozone's potential growth rate is only 1.2%, similar to our estimate for the past decade but far lower than the 1.8% estimate for the ten years to 2008.

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 population of working age, 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

* $\ln(\text{Potential GDP}) = 0.65 \cdot \ln(\text{Employment at NAIRU}) + 0.35 \cdot \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$

Long-Term Forecast for Eurozone

(Average annual percentage change unless otherwise stated)

	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	1.3	1.2
Exports of Goods and Services	1.6	5.3	3.5	2.9
Imports of Goods and Services	1.9	3.8	4.1	2.9
Unemployment (%)	8.4	11.1	10.0	8.5
Consumer Prices	2.0	1.7	1.1	1.8
Current Balance (% of GDP)	-0.4	1.2	2.9	2.3
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	1.4
Long-term Interest Rates (%)	3.9	3.4	1.9	3.7
Working Population	0.4	0.1	0.1	-0.2
Labour Supply	0.8	0.2	0.3	-0.1
Participation Ratio	75.6	76.4	76.8	77.5
Labour Productivity	0.0	0.9	0.9	1.2



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.



Data & Forecasts

Key Indicators: Eurozone								
Percentage changes on a year earlier unless otherwise stated								
	Industrial production	Unemployment %	CPI	Business confidence (% balance)	Consumer confidence (% balance)	Exports	Imports	Trade balance (€ bn)
Feb	1.7	11.2	-0.3	0.1	-7	4.7	1.3	19.8
Mar	1.9	11.2	-0.1	0.2	-4	11.6	9.7	20.1
Apr	0.7	11.1	0.0	0.3	-5	9.1	5.4	21.3
May	1.5	11.0	0.3	0.3	-6	2.8	0.3	18.2
Jun	1.8	11.0	0.2	0.1	-6	12.6	7.0	25.3
Jul	1.6	10.8	0.2	0.4	-7	7.0	0.9	31.1
Aug	2.3	10.7	0.2	0.2	-7	5.5	2.7	11.0
Sep	1.5	10.6	-0.1	0.3	-7	0.8	-0.8	20.0
Oct	2.3	10.6	0.0	0.4	-8	0.4	-0.6	24.0
Nov	2.0	10.5	0.1	0.4	-6	5.8	4.1	23.7
Dec	0.4	10.4	0.2	0.4	-6	3.4	3.4	24.3
2016								
Jan	3.0	10.3	0.4	0.3	-6	-	-	-
Feb	-	-	-0.2	0.1	-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
Feb	0.05	1.21	4.1	1.13	1.35	97.3	3599	21.2
Mar	0.03	0.96	4.7	1.08	1.38	94.6	3697	90.3
Apr	0.00	0.85	5.4	1.08	1.39	93.7	3616	-13.6
May	-0.01	1.34	5.0	1.11	1.39	95.4	3571	-8.1
Jun	-0.01	1.67	4.9	1.12	1.39	95.9	3424	-20.9
Jul	-0.02	1.53	5.2	1.10	1.41	95.0	3601	-12.8
Aug	-0.03	1.39	4.9	1.11	1.40	96.6	3270	-14.3
Sep	-0.04	1.48	4.9	1.12	1.37	97.4	3101	-4.3
Oct	-0.05	1.20	5.2	1.12	1.37	97.2	3418	-3.9
Nov	-0.09	1.16	5.0	1.07	1.42	94.3	3506	-0.4
Dec	-0.13	1.19	4.7	1.09	1.38	95.6	3268	6.7
2016								
Jan	-0.15	1.11	5.0	1.09	1.33	96.5	3045	-
Feb	-0.18	1.04	-	1.11	1.29	98.0	2946	-



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TABLE 1 SUMMARY ITEMS

Annual Percentage Changes, Unless Otherwise Specified

	CONSUMERS EXPENDITURE	GROSS FIXED INVESTMENT	DOMESTIC DEMAND (%)	REAL GDP	INDUSTRIAL PRODUCTION	UNEMPLOY- MENT RATE (%)	AVERAGE EARNINGS	WHOLE ECONOMY PRODUCT- IVITY (GDP/ET)	COMPETIT- IVENESS (2008=100)	PRODUCER PRICES	CONSUMER PRICES
	(C)	(IF)	(DOMD)	(GDP)	(IP)	(UP)	(ER)	(GDP/ET)	(MON)	(PPI)	(CPI)
YEARS BEGINNING Q1											
2014	0.8	1.3	0.9	0.9	0.8	11.6	1.5	0.3	2.3	-1.3	0.4
2015	1.6	2.5	1.6	1.5	1.3	10.9	1.4	0.5	5.7	-1.9	0.0
2016	1.6	2.7	2.0	1.6	1.1	10.2	1.9	0.6	3.9	-1.8	0.3
2017	1.6	3.3	1.9	1.8	2.1	9.9	2.3	1.1	4.0	1.1	1.4
2018	1.5	3.0	1.8	1.7	1.9	9.6	2.4	1.2	4.1	2.1	1.7
2019	1.4	2.5	1.7	1.6	1.8	9.3	2.5	1.1	4.0	2.1	1.9
2014											
I	0.6	2.5	1.2	1.1	1.5	11.9	1.7	0.9	0.8	-1.5	0.7
II	0.6	1.2	1.0	0.7	0.7	11.6	1.5	0.2	1.4	-1.1	0.6
III	0.8	0.7	0.5	0.8	0.6	11.5	1.4	0.0	2.4	-1.2	0.4
IV	1.2	0.9	0.9	0.9	0.4	11.4	1.6	0.1	4.7	-1.5	0.2
2015											
I	1.6	2.0	1.3	1.3	1.4	11.2	1.4	0.4	6.0	-2.1	-0.3
II	1.7	2.6	1.3	1.6	1.2	11.0	1.4	0.6	6.2	-1.1	0.2
III	1.7	2.2	1.7	1.6	1.7	10.7	1.3	0.5	5.8	-1.9	0.1
IV	1.5	3.3	2.0	1.5	1.1	10.5	1.4	0.4	5.1	-2.4	0.2
2016											
I	1.5	2.1	1.8	1.4	0.7	10.4	1.5	0.3	4.2	-2.0	0.1
II	1.6	2.6	2.2	1.4	0.8	10.2	1.9	0.4	3.7	-2.8	0.0
III	1.6	3.5	2.1	1.6	1.2	10.2	2.1	0.7	4.1	-1.8	0.4
IV	1.8	2.7	1.9	1.8	1.8	10.1	2.2	0.9	3.4	-0.5	0.8
2017											
I	1.7	3.2	1.8	1.8	1.6	10.0	2.3	1.0	3.8	0.5	1.5
II	1.7	3.5	1.9	1.8	2.3	9.9	2.3	1.1	4.1	1.0	1.4
III	1.6	3.4	1.9	1.8	2.2	9.9	2.3	1.2	4.1	1.4	1.4
IV	1.6	3.2	1.9	1.8	2.1	9.8	2.3	1.1	4.1	1.7	1.5
2018											
I	1.5	3.2	1.9	1.8	2.1	9.7	2.3	1.2	4.1	1.9	1.6
II	1.5	3.0	1.9	1.7	1.9	9.6	2.3	1.2	4.1	2.0	1.6
III	1.5	3.0	1.8	1.7	1.8	9.6	2.4	1.2	4.1	2.1	1.7
IV	1.4	2.8	1.8	1.7	1.8	9.5	2.4	1.2	4.1	2.2	1.7
2019											
I	1.4	2.7	1.7	1.7	1.8	9.4	2.5	1.1	4.0	2.2	1.8
II	1.4	2.5	1.7	1.7	1.8	9.3	2.5	1.1	4.0	2.2	1.8
III	1.3	2.5	1.7	1.6	1.8	9.2	2.6	1.1	3.9	2.1	1.9
IV	1.3	2.4	1.6	1.6	1.8	9.1	2.6	1.1	3.9	2.0	1.9

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TABLE 2 SUMMARY ITEMS

	TRADE BALANCE (EURO BN)	CURRENT ACCOUNT (EURO BN)	CURRENT ACCOUNT (% OF GDP)	GOVERNMENT FINANCIAL BALANCE (EURO BN)	GOVERNMENT FINANCIAL BALANCE (% OF GDP)	SHORT-TERM INTEREST RATE	LONG-TERM INTEREST RATE	REAL SHORT-TERM INTEREST RATE (Note 1)	REAL LONG-TERM INTEREST RATE (Note 1)	EXCHANGE RATE US DOLLAR PER EURO (RXD)	EFFECTIVE EXCHANGE RATE 2010=100 (RX)
	(BVI)	(BCU)	(BCU*100 /GDP)	(GB)	(GB*100 /GDP)	(RSH)	(RLG)	(Note 1)	(Note 1)	(RXD)	(RX)
YEARS BEGINNING Q1											
2014	190.2	245.6	2.43	-260.9	-2.58	0.21	2.04	-0.22	1.61	1.33	123.6
2015	246.3	314.0	3.02	-215.5	-2.07	-0.02	1.21	-0.05	1.18	1.11	114.9
2016	265.5	350.5	3.28	-202.2	-1.89	-0.28	0.96	-0.58	0.65	1.07	117.9
2017	263.6	340.7	3.08	-157.8	-1.43	-0.32	1.70	-1.76	0.25	1.06	116.0
2018	251.9	317.6	2.78	-125.0	-1.09	-0.16	2.58	-1.82	0.91	1.09	116.8
2019	244.4	299.4	2.53	-108.0	-0.91	0.17	3.02	-1.68	1.17	1.12	118.3
2014											
I	42.3	57.0	2.27	-68.3	-2.72	0.30	2.65	-0.36	2.00	1.37	125.7
II	41.7	52.7	2.09	-66.1	-2.63	0.30	2.22	-0.26	1.66	1.37	125.2
III	44.1	64.9	2.56	-64.1	-2.53	0.16	1.79	-0.19	1.44	1.33	122.6
IV	62.1	71.0	2.78	-62.4	-2.45	0.08	1.50	-0.08	1.33	1.25	121.1
2015											
I	61.3	79.9	3.11	-74.4	-2.89	0.05	1.01	0.36	1.33	1.13	114.9
II	60.1	79.5	3.07	-35.9	-1.39	-0.01	1.27	-0.20	1.08	1.11	112.6
III	61.5	76.5	2.94	-55.4	-2.13	-0.03	1.36	-0.12	1.27	1.11	116.1
IV	63.4	78.0	2.97	-49.8	-1.90	-0.09	1.19	-0.26	1.03	1.10	116.1
2016											
I	72.4	94.7	3.59	-69.0	-2.61	-0.21	0.98	-0.26	0.93	1.09	118.8
II	60.6	90.9	3.42	-37.8	-1.42	-0.26	0.83	-0.22	0.87	1.08	118.9
III	64.5	81.5	3.04	-55.6	-2.07	-0.30	0.91	-0.67	0.54	1.06	117.4
IV	68.0	83.4	3.08	-39.7	-1.47	-0.33	1.10	-1.16	0.27	1.05	116.4
2017											
I	73.0	90.6	3.32	-58.2	-2.13	-0.36	1.32	-1.83	-0.15	1.06	116.3
II	61.2	88.6	3.22	-28.4	-1.03	-0.33	1.57	-1.71	0.19	1.06	115.9
III	63.7	80.3	2.89	-43.2	-1.56	-0.30	1.81	-1.70	0.40	1.07	116.0
IV	65.8	81.1	2.90	-28.0	-1.00	-0.27	2.09	-1.80	0.57	1.07	116.0
2018											
I	69.8	84.6	3.00	-49.6	-1.76	-0.23	2.29	-1.87	0.65	1.08	116.3
II	58.8	83.8	2.94	-16.2	-0.57	-0.18	2.49	-1.78	0.89	1.09	116.7
III	60.5	73.7	2.57	-35.6	-1.24	-0.13	2.69	-1.82	1.00	1.09	117.0
IV	62.7	75.6	2.61	-23.6	-0.81	-0.08	2.84	-1.82	1.10	1.10	117.4
2019											
I	67.7	80.9	2.77	-45.1	-1.54	0.06	2.92	-1.77	1.08	1.11	117.7
II	56.0	78.8	2.68	-13.0	-0.44	0.10	2.99	-1.74	1.15	1.11	118.1
III	58.6	68.7	2.32	-32.3	-1.09	0.24	3.06	-1.62	1.20	1.12	118.5
IV	62.1	70.9	2.37	-17.6	-0.59	0.28	3.13	-1.60	1.25	1.13	118.8

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

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Long-Term Forecast for Eurozone

Annual percentage changes unless otherwise specified

	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	-0.3	0.9	1.5	1.6	1.8	1.7	1.6	1.5	1.5	1.4	1.4	1.4	1.5
Consumption	0.5	-0.1	-1.3	-0.6	0.8	1.6	1.6	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	1.4
Investment	-0.3	1.7	-3.2	-2.5	1.3	2.5	2.7	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	1.5	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	4.7	2.7	3.7	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	1.3	4.5	5.3	3.8	4.1	3.7	3.4	3.2	3.1	2.9	2.7	2.4	3.5
Unemployment (%)	9.8	10.2	11.4	12.0	11.6	10.9	10.2	9.9	9.6	9.3	9.0	8.7	8.4	8.2	8.0	9.2
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	3.0	3.3	3.1	2.8	2.5	2.4	2.3	2.3	2.3	2.3	2.6
Exchange Rate (US\$ per Euro)	1.34	1.39	1.28	1.33	1.33	1.11	1.07	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	-0.3	-0.3	-0.2	0.2	0.5	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	1.0	1.7	2.6	3.0	3.3	3.5	3.7	3.9	4.0	2.8
Working Population	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.1	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1
Labour Supply	0.5	0.2	0.8	0.0	0.2	0.2	0.3	0.4	0.2	0.1	0.0	0.0	-0.1	-0.1	-0.1	0.1
Participation Ratio (%)	76.0	76.2	76.7	76.5	76.5	76.5	76.6	76.8	77.0	77.1	77.3	77.4	77.5	77.6	77.6	77.1
Labour productivity	0.5	1.5	-0.4	0.4	0.3	0.5	0.6	1.1	1.2	1.1	1.1	1.2	1.2	1.3	1.3	1.1
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	0.1	0.1	0.5
Output gap (% of potential GDP)	-0.8	-1.2	-2.6	-3.4	-3.5	-2.9	-2.5	-2.0	-1.5	-1.2	-1.0	-0.8	-0.6	-0.4	-0.2	-1.3



Key Facts

Politics

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

Long-term economic & social development

	1980	1990	2000	2014*
GDP per capita (US\$)	-	18231	20717	40219
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



Source : ECB

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

Structure of GDP by output

	2014
Agriculture	1.7%
Industry	24.3%
Services	74.1%

Source : World Bank

* 2014 or latest available year

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

Structural economic indicators

	1990	1995	2000	2014*
Current account (US\$ billion)	30	163	-168	326
Trade balance (US\$ billion)	-22	65	-29	253
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

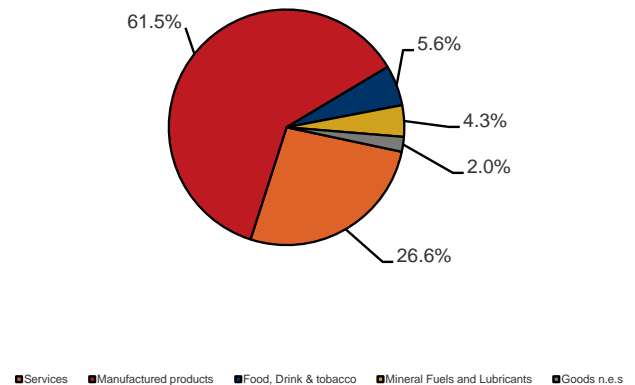
Source : Oxford Economics / World Bank / EIA

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

Composition of extra-EMU goods & services exports 2014



Source : Eurostat \ Haver Analytics