



Eurozone

Highlights

- Economic data published over the past month continue to show that, for now, the spillover effects of Brexit on the Eurozone economy remain limited, while the initial signs are that Trump's US election victory will not have any major adverse impact on Eurozone growth.
- The Q3 GDP release for the Eurozone showed that the economy expanded by 0.3% for a second quarter in a row. While this was below our forecast of 0.4%, to two decimal places our forecast error was just 0.02pp. Accordingly, the solid Q3 GDP outturn has no significant new implications for our 2016 growth assessment.
- While it is still early days for Q4, October's business surveys made encouraging reading from an activity perspective. Both the closely-watched composite PMI and EC Economic Sentiment Indicators rose to their highest levels of the year, reinforcing the view that for now the Eurozone remains resilient to Brexit.
- One concern is that CPI inflation, which rose to 0.5% in October and will climb substantially higher in the coming months, will derail the consumer recovery. Encouragingly, consumer sentiment is yet to be dented and we remain confident that the labour market will provide at least some offset to higher inflation. Indeed, the EC measure of employment intentions is back to pre-global financial crisis levels.
- Meanwhile, although bank lending to firms has weakened recently, this reflects a fall in short-term loans. Longer-maturity loans continue to grow at a healthy pace, which is a positive sign for investment.
- The upshot is that we have made no major changes to our GDP growth forecasts – we see growth of 1.4% in 2017 (down from 1.5%), only a touch weaker than this year's expected 1.6% outturn. Given this and the likely upside inflation surprise to the ECB's forecasts, we still expect the ECB to announce a tapering of QE after March 2017.

Forecast for Eurozone

(Annual percentage changes unless specified)

	2014	2015	2016	2017	2018	2019
Domestic Demand	1.2	1.7	1.8	1.6	1.6	1.5
Private Consumption	0.8	1.8	1.6	1.4	1.3	1.2
Fixed Investment	1.4	2.9	2.8	2.3	2.6	2.2
Stockbuilding (% of GDP)	0.3	0.1	0.0	0.1	0.2	0.3
Government Consumption	0.6	1.4	1.7	1.1	1.1	1.0
Exports of goods and services	4.4	6.2	2.3	2.5	2.6	2.7
Imports of goods and services	4.9	6.2	2.7	2.9	3.1	3.0
GDP	1.2	1.9	1.6	1.4	1.4	1.4
Industrial Production	0.9	2.0	1.2	1.3	1.3	1.5
Consumer Prices	0.4	0.0	0.3	1.5	1.6	1.8
Current Balance (% of GDP)	2.4	3.1	3.3	2.8	2.5	2.2
Government Budget (% of GDP)	-2.6	-2.1	-1.8	-1.5	-1.3	-1.1
Short-Term Interest Rates (%)	0.2	0.0	-0.3	-0.3	-0.3	-0.2
Long-Term Interest Rates (%)	2.0	1.2	0.8	1.1	1.5	1.8
Exchange rate (US\$ per Euro)	1.33	1.11	1.11	1.09	1.06	1.06
Exchange rate (YEN per Euro)	140.7	134.3	119.6	116.0	116.6	116.9



Forecast Overview

Brexit's economic fall-out remains limited

The Eurozone flash GDP release for Q3 revealed that the economy expanded by 0.3% on a quarterly basis, the same as in Q2. Although this was below our forecast of 0.4%, the error was in fact small at 0.02pp, meaning that the result does not affect our assessment of growth in 2016 as a whole.

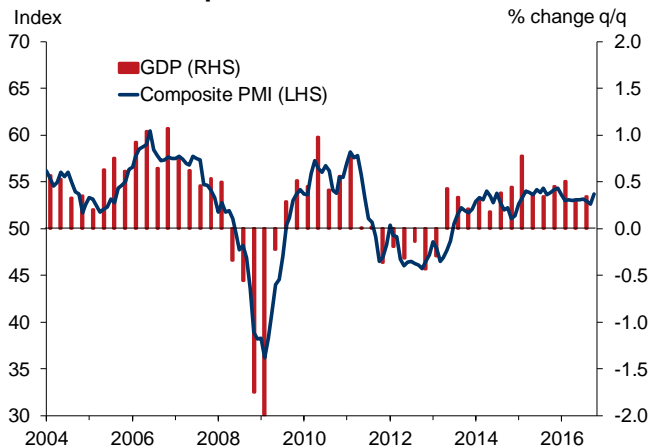
As yet there is limited evidence of what has happened to the economy in early Q4, but October's survey data are certainly encouraging. Both the composite PMI and EC's Economic Sentiment Indicator rose to their highest levels of the year. While the former points to a modest pick-up in quarterly GDP growth, it would still be unwise to make any firm judgements about Q4 growth at this stage, particularly given the uncertainty created by Donald Trump's US election win. For now, we continue to expect GDP growth in 2016 as a whole to be comfortably above trend at 1.6%.

Prospects further ahead remain encouraging

Looking ahead, we expect little slowdown in 2017. This reflects a number of factors:

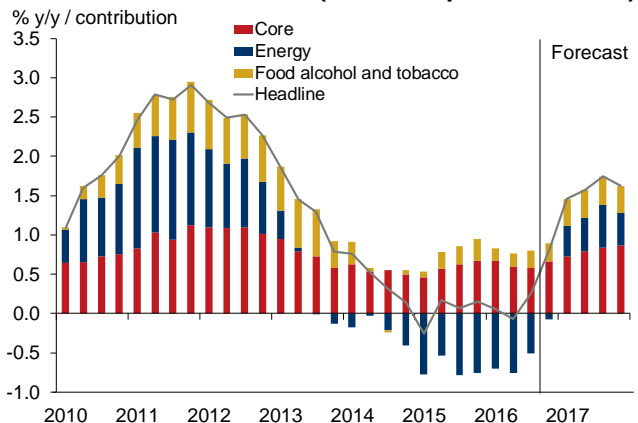
- Households resilient to higher inflation** – the gradual rise in CPI inflation in the Eurozone looks set to pick-up a gear over the next few months. While this should banish any lingering concerns about deflation, it will erode one of the major supports to the household spending recovery of the past few years. But although this suggests that 2016 will prove to be the high-water mark for household spending growth, we do not anticipate a major slowdown in household spending growth. The main reason for this is that the recovery in employment continues to strengthen. Since Brexit, the business surveys of firms' employment intentions proved remarkably resilient and have more recently risen to their highest levels since the global financial crisis, implying that there may be another upward leg to employment growth in Q4 2016.
- Wage growth to edge higher** – meanwhile, in some economies, most notably Germany, we expect bottlenecks in the labour market to place upward pressure on wage growth as scarce labour demands compensation for higher inflation. These effects combined mean nominal income growth is likely to pick-up, absorbing some of the expected rise in CPI

Eurozone Composite PMI & GDP



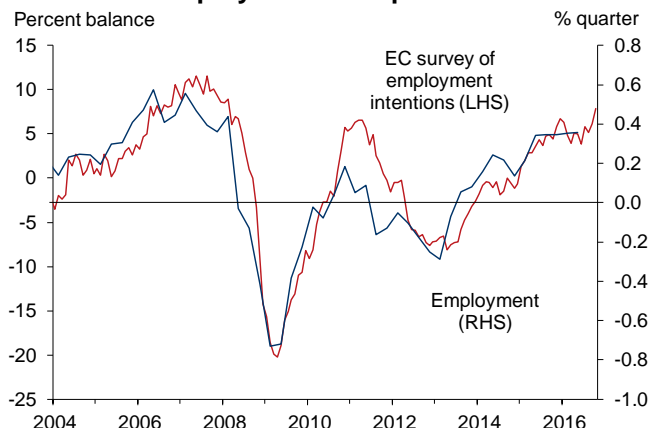
Source : Oxford Economics/Haver Analytics/Markit

Eurozone: CPI Inflation (Bottom-up f'cast model)



Source : Oxford Economics/Haver Analytics

Eurozone: Employment & emp. intentions



Source : Oxford Economics/Haver Analytics



inflation from 0.3% in 2016 to 1.5% next year. With scope for households to reverse some of the recent rise in the savings rate too, we see real spending growth easing only slightly from 1.8% this year to a still very respectable 1.6% in 2017.

- Investment recovery to continue** – Trump’s US election victory, along with Brexit, may prompt some firms to take a more cautious line until the policy plans of the president-elect become clearer. In some respects, there are perhaps signs that caution has increased; for example, bank lending to non-financial firms appears to have stalled in the summer. That said, this development may not be quite as bad as it seems as it has been driven by sharp falls in short-term loans. Lending at longer maturities, which is likely to be more closely related to investment, continues to grow at a solid pace. Given this and the resilience of business sentiment, we have left our investment forecast unchanged. While Brexit and Trump could take a larger toll on capital spending than we have assumed, further signs of strengthening global demand could mean that our investment forecast starts to look a bit too cautious.

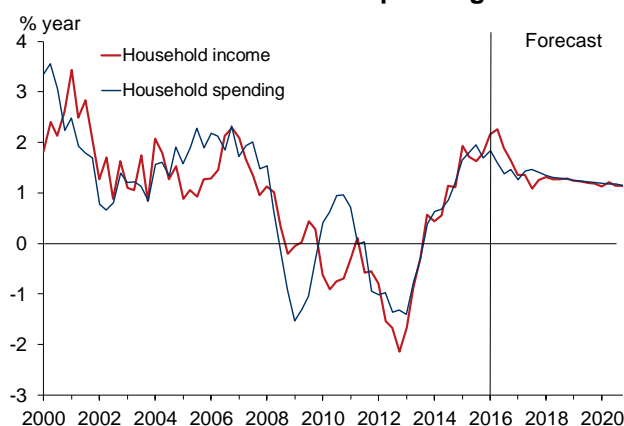
Trump adds to ECB uncertainty

On balance, then, we have left our GDP growth forecast for this year unchanged at 1.6% and nudged 2017 down from 1.5% to a still above-consensus 1.4%. We continue to expect inflation to be higher than the ECB expects.

Looking to the ECB meeting in December, the likely policy response has further been confused by Trump’s election victory. While the market response so far has been positive, his win still provides a potential source of instability, which may be enough to ensure that the doves get their way and a continuation of QE purchases at a fixed level beyond March is announced. At this moment, a six-month extension to fixed purchases probably edges out the option of tapering from March as the most likely outcome.

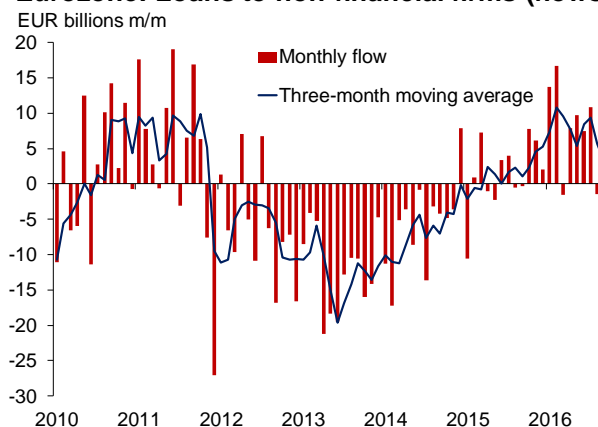
But if the positive market response to the news from the US is maintained, a December interest rate hike by the Fed remains priced in and the economic and inflation data over the next month are solid, we think the chances of tapering could once again increase, or the ECB could decide to buy some more time and postpone any decision until January.

Eurozone: Real household spending & income



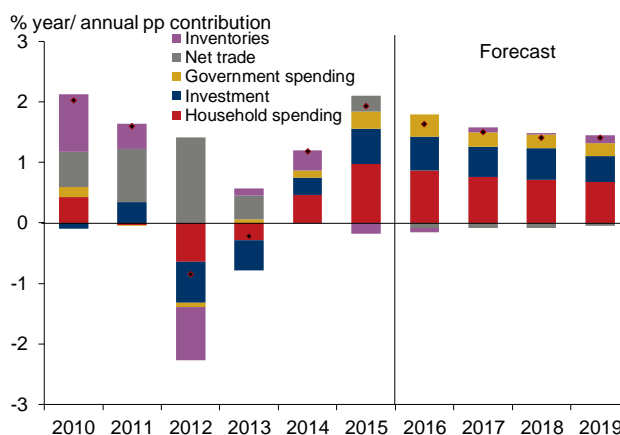
Source : Oxford Economics/Haver Analytics

Eurozone: Loans to non-financial firms (flows)



Source : Oxford Economics/Haver Analytics

Eurozone: GDP



Source: Haver Analytics/Oxford Economics



Risk Assessment

While Brexit is an obvious political risk for the Eurozone, we think that the economic effects are unlikely to be substantial. More generally, while the current account is in surplus and austerity has significantly reduced the budget deficit, public and private sector indebtedness remain high and will moderate only slowly in the low-inflation environment of the next few years.

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 remain subdued and concerns about the negative side-effects of ongoing unconventional policy measures have risen. The ECB could take further action if needed, but there are limits to the degree that QE and other policies can be scaled up.

Another credit crunch – plunging bank equity prices may discourage banks from lending as their cost of capital rises. And if ongoing profitability concerns morph into wider worries about solvency, then the risk of a contraction in credit would swell. For now, there is little sign of any adverse impact on credit supply, but it is a situation that needs close monitoring.

Key risk scenarios

Tighter policies in China – 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 in 2018 falling below 1% and weakening inflationary pressures further.

Secular stagnation – if the poor post-financial market crisis performance of the developed world persists, leading to sustained investment weakness and soft employment growth, while lack of policy space limits the scope for policymakers to act, then future potential growth could weaken. A combination of poor demographics and weaker productivity growth as a result of the above could see Eurozone GDP growth significantly weaker for a sustained period.

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

	2015	2016	2019
Europe	19	16	14
World average	30	32	28
Sovereign risk	16	17	14
Trade credit risk	29	21	16
Political risk	23	24	21
Regulatory risk	0	0	0

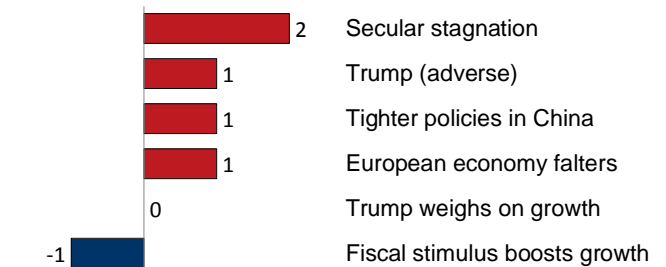
Risk warnings

GDP growth	●	Brexit remains a key uncertainty
CPI inflation	●	Uptrend in inflation to continue
Current account balance	●	Huge core surpluses to keep Eurozone in surplus
Government balance	●	Gradual narrowing to continue
Government debt	●	Fall from a high level
External debt	●	Not a concern

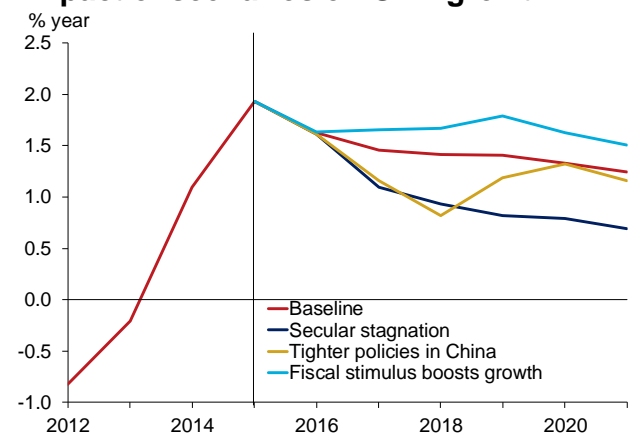
Risk scenarios

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

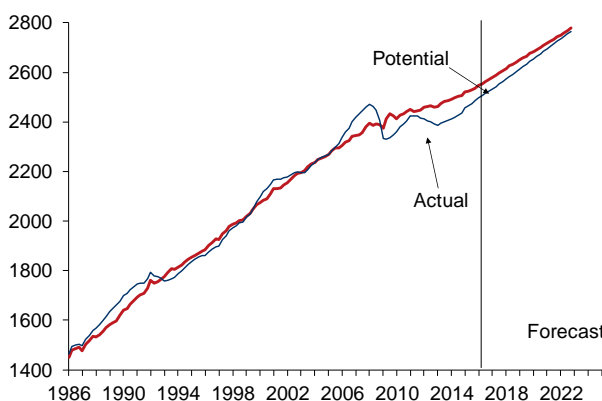
The global and Eurozone crises will leave their mark on growth for years to come. We now estimate that the Eurozone's potential growth rate is only 1.1%, similar to our estimate for the past decade but far lower than 1.8% in the ten years to 2008.

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 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	1.1
Employment at NAIRU	0.6	0.3
Capital Stock	1.5	0.9
Total Factor Productivity	0.1	0.5
* $\ln(\text{Potential GDP}) = 0.65 \cdot \ln(\text{Employment at NAIRU}) + 0.35 \cdot \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$		

Long-Term Forecast for Eurozone

(Average annual percentage change unless otherwise stated)

	2005-2009	2010-2014	2015-2019	2020-2024
GDP	0.7	0.7	1.6	1.2
Consumption	1.0	0.0	1.4	1.1
Investment	0.1	-0.6	2.6	1.7
Government Consumption	2.1	0.2	1.3	1.1
Exports of Goods and Services	1.6	5.4	3.2	2.6
Imports of Goods and Services	1.9	3.9	3.6	2.7
Unemployment (%)	8.4	11.1	9.7	8.0
Consumer Prices	2.0	1.7	1.0	1.9
Current Balance (% of GDP)	-0.3	1.2	2.8	1.7
Exchange Rate (US\$ per Euro)	1.3	1.3	1.1	1.1
General Government Balance (% of GDP)	-2.5	-3.9	-1.5	-0.6
Short-term Interest Rates (%)	3.1	0.6	-0.2	0.7
Long-term Interest Rates (%)	3.9	3.4	1.3	2.7
Working Population	0.4	0.1	0.1	-0.2
Labour Supply	0.8	0.2	0.3	0.0
Participation Ratio	75.6	76.5	77.0	77.8
Labour Productivity	0.0	0.9	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 payment 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	Unemployment %	CPI	Business confidence (% balance)	Consumer confidence (% balance)	Exports	Imports	Trade balance (€ bn)
Oct	2.8	10.6	0.0	0.5	-8	0.5	-0.5	24.1
Nov	2.4	10.5	0.1	0.4	-6	6.4	4.4	23.8
Dec	0.8	10.5	0.2	0.4	-6	4.2	3.4	25.7
2016								
Jan	3.6	10.4	0.4	0.3	-6	-2.1	-1.0	5.1
Feb	0.8	10.3	-0.2	0.1	-9	1.3	2.0	18.6
Mar	-0.2	10.2	-0.1	0.1	-10	-1.9	-8.0	28.8
Apr	2.0	10.1	-0.2	0.2	-9	-0.9	-5.4	27.4
May	0.5	10.1	-0.1	0.3	-7	2.0	-2.0	24.4
Jun	0.8	10.1	0.1	0.2	-7	-1.7	-4.8	29.9
Jul	-0.4	10.0	0.2	0.4	-8	-9.5	-8.3	26.1
Aug	1.9	10.0	0.2	0.0	-9	8.2	3.7	18.4
Sep	-	10.0	0.4	0.4	-8	-	-	-
Oct	-	-	0.5	0.6	-8	-	-	-

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
Oct	-0.05	1.20	5.0	1.12	1.37	97.2	3418	38.8
Nov	-0.09	1.16	4.8	1.07	1.42	94.3	3506	-73.2
Dec	-0.13	1.19	4.5	1.09	1.38	95.6	3268	55.6
2016								
Jan	-0.15	1.11	5.1	1.09	1.33	96.5	3045	-19.0
Feb	-0.18	1.04	5.0	1.11	1.29	98.0	2946	42.8
Mar	-0.23	0.93	5.1	1.11	1.28	97.3	3005	16.9
Apr	-0.25	0.96	4.6	1.13	1.26	98.0	3028	-17.7
May	-0.26	0.97	4.9	1.13	1.28	97.9	3063	12.4
Jun	-0.27	0.88	5.0	1.12	1.26	97.3	2865	-20.2
Jul	-0.29	0.62	4.9	1.11	1.19	97.6	2991	21.8
Aug	-0.30	0.61	5.1	1.12	1.17	98.2	3023	45.8
Sep	-0.30	0.74	5.0	1.12	1.17	98.3	3002	-
Oct	-0.31	0.78	-	1.10	1.12	98.8	3055	-



EUROZONE

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	1.4	1.2	1.2	0.9	11.6	1.4	0.6	2.4	-1.3	0.4
2015	1.8	2.9	1.7	1.9	2.0	10.9	1.4	0.9	5.7	-1.9	0.0
2016	1.6	2.8	1.8	1.6	1.2	10.0	1.5	0.4	4.7	-2.3	0.3
2017	1.4	2.3	1.6	1.4	1.3	9.6	1.9	0.7	3.0	1.6	1.5
2018	1.3	2.6	1.6	1.4	1.3	9.2	2.4	0.8	3.2	2.2	1.6
2019	1.2	2.2	1.5	1.4	1.5	8.8	2.6	0.9	3.5	2.2	1.8
2014											
I	0.6	2.6	1.5	1.3	1.5	11.9	1.5	1.1	0.8	-1.6	0.7
II	0.7	1.1	1.3	1.0	0.9	11.6	1.4	0.5	1.4	-1.1	0.6
III	0.9	0.9	1.0	1.1	0.6	11.5	1.3	0.4	2.4	-1.2	0.4
IV	1.2	1.1	1.3	1.3	0.5	11.4	1.5	0.6	5.0	-1.5	0.2
2015											
I	1.7	2.4	1.5	1.8	1.9	11.2	1.3	1.0	6.0	-2.1	-0.3
II	1.8	2.8	1.4	2.0	1.7	11.0	1.4	1.1	6.2	-1.2	0.2
III	1.9	2.8	1.8	2.0	2.4	10.7	1.4	0.9	5.9	-1.9	0.1
IV	1.7	3.8	2.2	2.0	2.0	10.5	1.5	0.7	4.8	-2.4	0.2
2016											
I	1.8	2.6	2.0	1.7	1.4	10.3	1.6	0.3	4.7	-3.2	0.0
II	1.6	3.7	2.1	1.6	1.1	10.1	1.4	0.2	4.9	-3.5	-0.1
III	1.4	3.0	1.7	1.6	1.0	10.0	1.5	0.4	5.1	-1.7	0.3
IV	1.4	2.1	1.4	1.6	1.4	9.8	1.6	0.5	4.1	-0.6	0.9
2017											
I	1.2	2.3	1.5	1.4	0.7	9.7	1.5	0.6	3.6	1.7	1.5
II	1.4	1.9	1.7	1.5	1.5	9.6	2.0	0.8	2.8	1.7	1.4
III	1.4	2.6	1.7	1.5	1.6	9.5	2.0	0.7	2.7	1.2	1.5
IV	1.4	2.7	1.7	1.4	1.4	9.4	2.1	0.7	2.9	1.8	1.5
2018											
I	1.3	2.7	1.6	1.4	1.4	9.3	2.2	0.7	3.0	2.0	1.5
II	1.3	2.6	1.6	1.4	1.3	9.2	2.3	0.7	3.1	2.2	1.6
III	1.3	2.5	1.6	1.4	1.3	9.2	2.4	0.8	3.3	2.2	1.6
IV	1.3	2.4	1.6	1.4	1.3	9.1	2.5	0.8	3.4	2.3	1.6
2019											
I	1.3	2.3	1.6	1.5	1.4	9.0	2.6	0.8	3.4	2.3	1.7
II	1.2	2.2	1.5	1.4	1.4	8.9	2.5	0.9	3.5	2.2	1.8
III	1.2	2.1	1.5	1.4	1.5	8.7	2.6	0.8	3.5	2.2	1.8
IV	1.2	2.1	1.5	1.4	1.6	8.7	2.7	0.9	3.6	2.1	1.9

COPYRIGHT (C) , OXFORD ECONOMICS

EUROZONE

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	REAL LONG-TERM INTEREST RATE	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	178.9	243.8	2.40	-261.2	-2.58	0.21	2.04	-0.22	1.61	1.33	123.6
2015	238.5	326.8	3.13	-215.0	-2.06	-0.02	1.21	-0.05	1.18	1.11	114.9
2016	262.5	350.4	3.27	-188.5	-1.76	-0.26	0.84	-0.53	0.57	1.11	119.8
2017	219.8	311.6	2.83	-169.4	-1.54	-0.30	1.12	-1.77	-0.35	1.09	119.6
2018	197.4	285.6	2.52	-142.5	-1.26	-0.26	1.47	-1.84	-0.11	1.06	117.2
2019	175.7	258.8	2.21	-124.5	-1.06	-0.18	1.84	-1.95	0.07	1.06	117.2
2014											
I	40.0	61.7	2.45	-68.7	-2.73	0.30	2.65	-0.36	2.00	1.37	125.7
II	38.9	48.8	1.93	-66.9	-2.65	0.30	2.22	-0.26	1.66	1.37	125.2
III	41.1	58.6	2.31	-64.4	-2.54	0.16	1.79	-0.19	1.44	1.33	122.6
IV	58.9	74.7	2.92	-61.2	-2.39	0.08	1.50	-0.08	1.33	1.25	121.1
2015											
I	55.8	86.2	3.33	-57.9	-2.24	0.05	1.01	0.36	1.33	1.13	114.9
II	59.1	80.3	3.09	-54.8	-2.11	-0.01	1.27	-0.20	1.08	1.11	112.6
III	58.2	79.4	3.03	-52.2	-1.99	-0.03	1.36	-0.12	1.27	1.11	116.1
IV	65.4	80.9	3.06	-50.0	-1.89	-0.09	1.19	-0.26	1.03	1.10	116.1
2016											
I	64.5	87.4	3.28	-51.2	-1.92	-0.19	1.05	-0.23	1.00	1.10	119.0
II	72.6	94.8	3.55	-47.9	-1.79	-0.26	0.89	-0.17	0.97	1.13	119.5
III	62.1	80.0	2.98	-46.5	-1.73	-0.30	0.62	-0.57	0.35	1.12	119.3
IV	63.3	88.3	3.26	-42.8	-1.58	-0.31	0.81	-1.16	-0.05	1.11	121.3
2017											
I	58.2	73.6	2.70	-47.1	-1.73	-0.30	0.99	-1.80	-0.51	1.11	120.9
II	55.9	86.9	3.17	-43.4	-1.58	-0.30	1.07	-1.71	-0.33	1.10	120.0
III	51.0	69.3	2.51	-40.5	-1.46	-0.30	1.16	-1.81	-0.35	1.09	119.2
IV	54.8	81.7	2.94	-38.5	-1.38	-0.30	1.24	-1.77	-0.22	1.08	118.5
2018											
I	51.4	66.9	2.39	-40.2	-1.43	-0.29	1.33	-1.81	-0.19	1.08	117.8
II	49.7	80.5	2.85	-36.3	-1.28	-0.27	1.42	-1.86	-0.17	1.07	117.3
III	45.4	62.7	2.20	-33.0	-1.16	-0.25	1.52	-1.84	-0.07	1.06	117.0
IV	51.0	75.5	2.63	-33.0	-1.15	-0.23	1.61	-1.86	-0.02	1.05	116.7
2019											
I	46.2	60.7	2.10	-35.3	-1.22	-0.21	1.71	-1.86	0.06	1.05	116.7
II	43.9	73.5	2.52	-31.7	-1.09	-0.19	1.80	-1.94	0.05	1.06	117.1
III	39.7	55.6	1.89	-28.8	-0.98	-0.17	1.89	-1.98	0.08	1.07	117.3
IV	46.1	68.9	2.33	-28.7	-0.97	-0.15	1.97	-2.01	0.11	1.07	117.5

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

COPYRIGHT (C) , 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	-0.9	-0.2	1.2	1.9	1.6	1.4	1.4	1.4	1.4	1.3	1.2	1.1	1.1	1.4
Consumption	0.5	-0.1	-1.2	-0.5	0.8	1.8	1.6	1.4	1.3	1.2	1.2	1.1	1.1	1.0	1.0	1.3
Investment	-0.3	1.7	-3.3	-2.5	1.4	2.9	2.8	2.3	2.6	2.2	2.0	1.9	1.7	1.6	1.4	2.1
Government Consumption	1.2	-0.1	-0.3	0.3	0.6	1.4	1.7	1.1	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.2
Exports of Goods and Services	3.5	6.7	2.9	2.2	4.4	6.2	2.3	2.5	2.6	2.7	2.7	2.7	2.6	2.5	2.4	2.9
Imports of Goods and Services	2.9	4.6	-0.6	1.4	4.9	6.2	2.7	2.9	3.1	3.0	2.9	2.8	2.7	2.6	2.4	3.1
Unemployment (%)	9.8	10.2	11.4	12.0	11.6	10.9	10.0	9.6	9.2	8.8	8.5	8.2	8.0	7.7	7.5	8.8
Consumer Prices	1.9	2.7	2.5	1.3	0.4	0.0	0.3	1.5	1.6	1.8	1.9	1.9	1.9	1.9	1.9	1.5
Current Balance (% of GDP)	0.5	0.2	1.2	2.2	2.4	3.1	3.3	2.8	2.5	2.2	2.0	1.8	1.7	1.6	1.5	2.3
Exchange Rate (US\$ per Euro)	1.34	1.39	1.28	1.33	1.33	1.11	1.11	1.09	1.06	1.06	1.09	1.11	1.14	1.16	1.19	1.11
General Government Balance (% of GDP)	-3.2	-4.2	-3.6	-3.0	-2.6	-2.1	-1.8	-1.5	-1.3	-1.1	-0.9	-0.7	-0.6	-0.5	-0.5	-1.1
Short-term Interest Rates (%)	1.9	1.4	0.6	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.2	0.1	0.5	0.8	1.0	1.3	0.3
Long-term Interest Rates (%)	3.7	4.4	3.9	3.0	2.0	1.2	0.8	1.1	1.5	1.8	2.2	2.4	2.7	3.0	3.3	2.0
Working Population	0.2	-0.1	0.2	0.3	0.1	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.0
Labour Supply	0.5	0.2	0.8	0.1	0.1	0.2	0.5	0.3	0.2	0.2	0.1	0.0	0.0	0.0	-0.1	0.1
Participation Ratio (%)	76.0	76.3	76.8	76.6	76.6	76.6	76.8	77.0	77.2	77.4	77.6	77.7	77.9	78.0	78.0	77.4
Labour productivity	0.5	1.5	-0.4	0.4	0.6	0.9	0.4	0.7	0.8	0.9	0.9	0.9	0.9	0.9	1.0	0.8
Employment	0.3	0.1	-0.4	-0.6	0.6	1.0	1.3	0.7	0.6	0.6	0.4	0.3	0.3	0.2	0.1	0.6
Output gap (% of potential GDP)	-0.7	-1.0	-2.4	-3.2	-3.2	-2.6	-2.1	-1.7	-1.4	-1.1	-0.8	-0.5	-0.4	-0.3	-0.1	-1.1



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

Long-term economic & social development

	1980	1990	2000	2014*
GDP per capita (US\$)	-	18228	20711	40330
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	81.7

Source : Oxford Economics & World Bank

Structure of GDP by output

	2014
Agriculture	1.7%
Industry	24.3%
Services	74.0%

Source : World Bank

* 2014 or latest
available year

Structural economic indicators

	1990	1995	2000	2014*
Current account (US\$ billion)	30	163	-167	324
Trade balance (US\$ billion)	-24	62	-33	238
FDI (US\$ billion)	-	-	29	-124
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)	264	304	232	224
Oil consumption (000 bpd)	9716	10478	10930	9247

Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2015

Eurozone	45.4%
UK	7.4%
US	7.6%
China	3.5%
Switzerland	3.1%
Poland	3.0%

Source : Eurostat \ Haver Analytics



Source : ECB

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

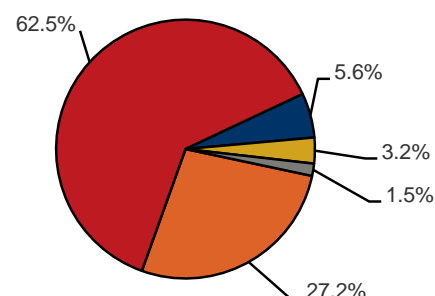
Corruption perceptions index 2015

	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 2015



■ Manufactured products
■ Services
■ Food, Drink & tobacco
■ Mineral Fuels and Lubricants
■ Goods n.e.s

Source : Eurostat \ Haver Analytics