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Economic forecasts
Autumn 2003

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Abbreviations and symbols used

Member States

BE	Belgium
DK	Denmark
DE	Germany
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
LU	Luxembourg
NL	The Netherlands
AT	Austria
PT	Portugal
FI	Finland
SE	Sweden
UK	United Kingdom

EU	European Union
EU-15	European Union, 15 Member States
Euro area	Member States currently participating in monetary union

Acceding countries

CY	Cyprus
CZ	Czech Republic
EE	Estonia
HU	Hungary
LV	Latvia
LT	Lithuania
MT	Malta
PL	Poland
SK	Slovakia
SO	Slovenia

AC-10	The 10 acceding countries in May 2004 (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SO)

Other candidate countries

BG	Bulgaria
RO	Romania
TR	Turkey

Currencies

ECU	European currency unit
EUR	euro
ATS	Austrian schilling
BEF	Belgian franc
DEM	German mark
DKK	Danish crown (krone)
ESP	Spanish peseta
FIM	Finnish markka
FRF	French franc
GBP	pound sterling
GRD	Greek drachma
IEP	Irish pound (punt)
ITL	Italian lira
LUF	Luxembourg franc
NLG	Dutch guilder
PTE	Portuguese escudo
SEK	Swedish crown (krona)
CAD	Canadian dollar
CHF	Swiss franc
JPY	Japanese yen
RUB	Russian rouble
USD	United States dollar
CYP	Cyprus pound
CZK	Czech koruna
EEK	Estonian kroon
HUF	Hungarian forint
LTL	Lithuanian litas
LVL	Latvian lats
MTL	Maltese lira
PLN	Polish zloty
SIT	Slovenian tolar
SKK	Slovak koruna
BGN	(new) Bulgarian lev
ROL	Romanian leu
TRL	Turkish lira

304978 European Economy

Other abbreviations

bn, billion	1 000 million
CPI	consumer price index
EC	European Commission
ECB	European Central Bank
ECSC	European Coal and Steel Community
EDF	European Development Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMS	European monetary system
EMU	economic and monetary union
ERM	exchange rate mechanism
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
FDI	foreign direct investment
GDP (GNP)	gross domestic (national) product
GFCF	gross fixed capital formation
HICP	harmonised index of consumer prices
ILO	International Labour Organisation
IMF	International Monetary Fund
LDCs	less developed countries
Mio	million
Mrd	1 000 million
NCI	New Community Instrument
OCTs	overseas countries and territories
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PEP	pre-accession economic programmes
PPS	purchasing power standard
SCP	stability and convergence programmes
qoq	quarter-on-quarter percentage change
SMEs	small and medium-sized enterprises
VAT	value added tax
yoy	year-on-year percentage change
:	not available
–	none

Contents

304978 European Economy

Tables

Box

Graphs

Overview

EU and euro area

The weak economic performance observed in the euro area and EU economies at the end of 2002 continued throughout the first half of this year. Consequently, for a third consecutive year, growth is likely to disappoint: the average growth rate is expected to be a mere 0.4% in 2003 in the euro area (0.8% in the EU). However, with accommodative macroeconomic policy conditions, continued disinflation, supportive financial conditions, progress in structural reforms, and a reduction in geopolitical uncertainty, the confidence of economic agents is returning and the international environment is improving.

In this context, the momentum for recovery is expected to pick up in the second half of 2003 and to gather pace throughout 2004. A rebound to average growth rates of 1.8% for the euro area and 2% for the EU is projected next year, approaching 2.5% in 2005. This is underpinned by a recovery in consumer expenditure, supported by growing external demand, and a consequent recovery in investment. Despite this projected recovery, the protracted period of sluggish growth has taken its toll on the performance of the labour market and employment growth is expected to be sluggish, registering only 0.3% in 2004 and a somewhat better 0.8% in 2005.

Incipient global recovery

After the contraction in world trade in 2001 and the weak growth in 2002, the future now looks brighter. The sluggish growth in foreign trade projected for this year is deceptive, since it is affected by the poor performance in the first half of the year. It should accelerate from around 4.4% in 2003 to between 7 and 8% in 2004-2005.

World GDP growth is projected at 3.3% in 2003, up from last year's 2.8%. It should increase to a robust 4.1% in 2004 and 2005. This acceleration is supported by a number of factors, including accommodative macro-economic policies and supportive financial conditions – partially linked to further disinflation – and a return of confidence, that originates from reduced geopolitical tensions and strength in asset markets.

Looking ahead to 2004, the base for world growth is widening, with strong and rising contributions coming from Asia (particularly China), the US, Australia, and the acceding countries. In the US, helped by monetary and fiscal policy stimulus and solid underlying productivity growth, the recovery is expected to continue with growth at about 2.8% in 2003, rising to 3.8% in 2004. This will bring GDP growth above potential. Nonetheless, in 2004, both the general government deficit and the current account deficit are expected to widen to 5.5% and 5.6% of GDP, respectively.

The economic outlook for growth in Asia remains buoyant with growth at 6.7% in 2004-2005. Prospects for Japan have also improved with a sharp upward adjustment of growth to 2.6% in 2003, although deflation is set to continue, albeit at a lower pace, and the general government deficit is expected to exceed 7% throughout the forecast period. After stagnation in 2002, Latin America is expected to recover moderately, benefiting from currency depreciation, a pick-up in the world economy and the gradual resolution of the financial crises, which hit several countries in the region. Growth is expected to regain momentum around the end of 2003 in Canada. Also in the countries preparing for accession on 1 May 2004, continued strong growth is expected throughout the forecast period, supported by domestic demand and structural change.

Diminishing oil prices and recovering stock markets

The oil price assumptions suggest a gradual decline from a high of USD 31 (Brent crude) in mid-October to yield an average of USD 28.3 per barrel for the year as a whole. A further easing is assumed over the next two years, to USD 25.6 per barrel in 2004 and USD 24.1 per barrel in 2005.

Since mid-June, equity prices have stabilised and government yields have bounced back fairly sharply, though the latter remain low by historical standards. With lower risk premia and accommodative interest rates, financing conditions in the global economy have improved compared to last year. This should help to promote recovery – particularly by facilitating a de-leveraging of the corporate sector in both the United States and the European Union.

Table 0.1

Main features of the Autumn 2003 forecast [1] - euro area

(Real annual percentage change unless otherwise stated)				Autumn 2003			Difference with Spring 2003 (a)	
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2003**	**2004**
GDP growth	3.5	1.6	0.9	0.4	1.8	2.3	-0.6	-0.5
Investment in equipment	8.1	-0.8	-4.6	-1.9	3.1	4.5	-2.6	-1.8
Employment	2.2	1.4	0.5	-0.2	0.3	0.8	-0.1	-0.3
Unemployment rate (b)	8.5	8.0	8.4	8.9	9.1	8.9	0.1	0.3
Inflation (c)	2.1	2.4	2.3	2.1	2.0	1.7	0.0	0.3
Government balance (% GDP) (d)	0.2	-1.6	-2.2	-2.8	-2.7	-2.7	-0.3	-0.3
Government debt (% GDP)	70.2	69.2	69.0	70.4	70.7	70.7	0.5	1.1
Current account balance (% GDP)	-0.2	0.5	1.3	1.0	1.2	1.3	0.0	0.2
p.m. GDP growth EU-15	3.6	1.7	1.1	0.8	2.0	2.4	-0.5	-0.4

[1] The Commission services' Autumn 2003 Forecasts are based on available data up to October 20, 2003.
(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Spring 2003.
(b) Percentage of the labour force. (c) Harmonised index of consumer prices, nominal change.
(d) Including proceeds relative to UMTS licences in 2000, 2001 and 2002. The UMTS amounts as a % of GDP would be, according to the Autumn 2003 forecasts : 1.1%, 0% and 0% , respectively.

The euro area and EU economies failed to gather momentum in the first half of 2003

Following its poor performance in 2002, the euro area economy stagnated in the first half of 2003, while the EU registered a slight up-tick.

After a promising rise in the first quarter of this year, growth in private consumption expenditure fell back in the second quarter. Investment continued to decline during the first half of the year, while the decline in inventories tapered off. Net exports exerted a significant drag on growth for the three quarters up to the middle of 2003. Government consumption became the main contributor to growth in the second quarter of this year.

There are several reasons behind this disappointing economic performance and the delay in the recovery that was expected earlier this year. Confidence both on the consumer and business sides at a global level was undermined by geopolitical tensions linked to the Iraq war, which created uncertainties about the price of oil. For the euro area consumer, this was exacerbated by uncertainties related to future labour and pension income and the adverse wealth effects of the prolonged stock market decline. The pressure on corporate profitability stemming from the over-investment of the late 90s, the long slowdown, ongoing balance sheet adjustment, and the increased cost of external funds, resulting from the stock market decline, is likely to have led to the postponement of investment plans.

Prospects of a turnaround in the second half of 2003, reaching potential growth in 2004

Survey indicators have been sending out encouraging signals for the prospects of a recovery since April of this year. According to these indicators, the services sector is leading the way. Within services, the return of confidence is more gradual in retail trade. The purchasing managers' index entered expansive territory in July and has now regained the highs of early 2002. Consumer confidence is showing slow-but-steady signs of improvement, although households remain relatively cautious where major purchases are concerned.

Indicators for manufacturing suggest that the recovery is less well established in this sector. Nevertheless, leading indicators, such as the business climate indicator and the purchasing managers' indicator for the manufacturing sector, have improved. Taken together, these indicators suggest that a recession has been avoided and that the turnaround is in progress at present.

Given low interest rates and a stronger exchange rate, the source of growth should be the domestic rather than the external side. Part of the projected recovery in household and business spending in the coming months stems from the historically low interest rates, both short-term and long-term. This has contributed to an easing of the balance sheet constraints on households and businesses through a reduction in debt servicing costs. The rebound in stock markets since March of this year and the buoyant housing markets in some Member States have also helped to partially restore wealth lost, following the bursting of the stock market bubble.

The real disposable income of households has received a boost from lower inflation, which will intensify as inflation declines further. The positive real income effect is supported by the appreciation of the euro and the ensuing terms of trade effect, which should be more visible in the medium-term.

While the average growth in the euro area remains limited to 0.4% in 2003, it is projected to rise to 1.8% in 2004 and 2.3% in 2005 (0.8%, 2% and 2.4% in the EU, respectively). The upturn is driven by a recovery of domestic demand, supported by rising foreign demand, starting in the second half of 2003. This is, in turn, expected to trigger an acceleration of capital formation during the course of 2004.

A less favourable labour market performance

In the initial phase of the slow growth period, employment held up quite well and the rise in the unemployment rate remained limited. The relative stability of employment in the services sector partially explains this result. Possible additional factors include labour hoarding and more flexible labour contracts.

However, with the prolongation of the downturn, a less favourable picture is emerging. In 2003, some 200,000 jobs (in net terms) are expected to be lost in the euro area, the first decline since 1994. The unemployment rate is forecast to increase to 8.9% (8.1% in the EU). Given the sluggish recovery and persisting rigidities, very little job creation is foreseen for next year. Since the growth of the labour force is expected to exceed employment growth, the euro area unemployment rate will continue to rise to 9.1% in 2004 (8.2% in the EU), before edging downwards in 2005.

Inflation is starting to ease

Despite the economic slowdown, headline inflation remained sluggish in 2003, buoyed up by such temporary factors as the pass-through of oil price increases, weather-induced food price hikes and rises in indirect taxes. Compared to 2.3% in 2002, headline inflation is expected to remain at 2.1% on average in the euro area this year, before falling to 2% next year and 1.7% in 2005. Core inflation was also rather sticky during 2003 as a result of sluggish productivity growth and the slow pass-through of the effects of the euro appreciation into production and consumer prices. However, the reduction in unit labour costs, as labour productivity picks up, and wage moderation should also lead to a fall in core inflation in the medium-term.

Further deterioration of the general government deficit in the euro area with considerable differences across Member States

From 2.2% in 2002, the general government deficit in the euro area (1.9% in the EU) is expected to widen to 2.8% of GDP in 2003 (2.7% in the EU). Compared to the Commission Spring Forecast of 2.5% for the euro area, this implies a worsening of the general government position in all countries except Belgium, Spain, Austria and Portugal.

With respect to 2002, the general government balance is expected to deteriorate this year in all EU countries, excluding Belgium. Within this overall deterioration, a number of country-groupings may be distinguished. The first group is composed of two countries, - Germany and France - which are expected to exceed the reference value of 3% in 2003, having already been in this position in 2002. The second group includes those countries, whose deficit has deteriorated this year and/or is projected to be close to the reference value: Italy, the Netherlands, Portugal and the UK. The third group consists of those countries, where the deficit is forecast to remain below 1¾% of GDP in 2003: Greece, Ireland, Luxembourg and Austria. The final group contains those countries, which are still expected to post a surplus in 2003: Belgium, Denmark, Spain, Finland and Sweden.

In 2004, a slight improvement is expected for the euro area with the general government deficit declining to 2.7% of GDP (2.6% for the EU). Three countries (Germany, France and Portugal) are, nonetheless, projected to exceed the reference value of 3%. In 2005, the deficit of the euro area is expected to remain at 2.7% of GDP (2.4% for the EU). This is a result of the expected acceleration in GDP growth, since the forecast for 2005 is carried out on the basis of a "no policy change" assumption. Bearing in mind this assumption, four countries would exceed the reference value in 2005: Germany, France, Italy and Portugal.

Balanced risks to the forecast

The North American and Asian economies are sending out encouraging signals in support of a resumption in world growth. A simultaneous acceleration of growth in all major regions of the world would establish a mutually reinforcing growth momentum. However, long-standing macroeconomic imbalances may hold back a sustained expansion of the US economy. The Japanese economy is still in the early stages of recovery from its protracted recession. Therefore, the international environment might turn out to be less benign than assumed.

A renewed sharp appreciation in the euro exchange rate could undermine activity mainly in the euro-area manufacturing sector, especially in those Member States that have recently depended on external demand to generate economic growth.

The protracted nature of the downturn, the uncertainties related to the Iraq war, and the balance sheet adjustment in the corporate sector have sapped confidence, leading to the postponement of consumption and investment plans. With the resumption of confidence, the release of such pent-up demand would accelerate the return to potential growth.

Business confidence can be positively affected by visible progress on structural reforms, as well as adherence to the Stability and Growth Pact framework. Finally, while geopolitical tensions have not disappeared, they have diminished in recent months, thereby reducing uncertainty at a global level.

Acceding countries

On average growth in the acceding countries remained relatively resilient…

Despite a difficult international environment, growth in the acceding countries remained solid at the end of 2002 and in the beginning of 2003. Growth was driven by exports and a pick-up in industrial production, while private consumption remained robust and additional support was provided by lower interest rates. Reflecting the situation at the world level, investment was weak.

Average GDP growth is forecast to be 3.1% in 2003, unchanged compared to the Commission Spring Forecasts and representing an acceleration from last year's 2.3%. This compares favourably with the disappointing growth performance of the EU, but the aggregate masks different trends at the country level. Growth has been revised downwards for many countries and is forecast to be slower compared to last year. The unchanged aggregate growth figure is mainly accounted for by Poland, which is gradually emerging from two years of slow growth. For this year, expected growth varies form 0.8% in Malta, particularly affected by a fall in tourism due to global uncertainty, to 6.6% in Lithuania, which is characterised by buoyant investment.

… and is expected to accelerate, benefiting from EU enlargement, but employment creation remains low

Stimulated by the recovery in the EU and the prospect of enlargement, average growth in the acceding countries is expected to accelerate to 3.8% in 2004 and to 4.2% in the following year. This pattern is foreseen in all countries, except in the Baltic States, where some slowdown from high levels is projected. Increasing exports and strong private consumption, complemented by a pick-up in investment, are the main drivers of growth.

Linked to the ongoing process of restructuring, employment is contracting in the Czech Republic, Poland and Slovenia in 2003 and employment creation was relatively low in the other countries, except Slovakia and Lithuania. Overall, the situation is set to improve, but average employment creation remains subdued at 0.6% in 2004 and 1.1% in 2005. Consequently, the unemployment rate will continue to be high at around 15% in 2005.

Subdued increase in headline inflation

Inflation, at about 2.5% on average, fell significantly in 2002 and a few acceding countries experienced even falling prices during a certain period, as a consequence of strong productivity gains. In 2003, average inflation is expected to remain close to the levels observed in the euro area, but afterwards an acceleration to 3.5% in 2004 and 3.1% in 2005 is foreseen. Driving these developments are a return to the more normal situation of rising prices, the liberalisation of administrative prices and a hike of indirect taxes. Underlying inflation should remain subdued as pressures from relatively strong wage increases are compensated by productivity growth.

Current account deficits remain high

The average current account deficit is forecast to stay at around 4¾% of GDP during the forecast period. This is the combined result of the correction of very high deficits in Estonia and Slovakia and a slightly rising deficit in Poland and Latvia. Deficits remain relatively high with little adjustment in the Czech Republic and Hungary.

Six countries are likely to have general government deficits in excess of 3% of GDP in 2003

The average general government deficit in the acceding countries is estimated to be 5% of GDP in 2003. Cyprus, the Czech Republic, Hungary, Malta, Poland and Slovakia are expected to have deficits above 3% of GDP. With the improvement of the economic situation and a tightening of fiscal policy, the general government deficit is expected to decline in 2004 in most countries. A deterioration of the deficit is expected only in Poland (to 5.9% of GDP from 4.3%), in Lithuania (to 3.1% from 2.6%) and in Estonia (to 0.4% from 0.0%). In 2005, the general government balance improves in all acceding countries.

Table 0.2

Main features of the Autumn 2003 forecast [1] - acceding countries

(Real annual percentage change unless otherwise stated)				Autumn 2003			Difference with Spring 2003 (a)	
	2000	2001	2002	2003	2004	2005	2003	2004
GDP growth	4.1	2.4	2.3	3.1	3.8	4.2	0.0	-0.2
Investment total	4.2	-1.7	-0.6	2.4	6.6	7.8	:	:
Employment	-1.5	-0.2	-0.6	0.0	0.6	1.1	:	:
Unemployment rate (b)	13.6	14.5	14.8	15.1	15.2	14.8	:	:
Inflation (c)	8.5	5.1	2.5	2.4	3.5	3.1	:	:
Government balance (% GDP)	-3.5	-3.7	-5.2	-5.0	-5.0	-4.1	:	:
Government debt (% GDP)	35.9	36.7	39.8	42.4	44.6	45.9	:	:
Current account balance (% GDP)	:	:	:	-4.6	-4.9	-4.8	:	:
p.m. GDP growth EU-15	3.6	1.7	1.1	0.8	2.0	2.4	-0.5	-0.4

[1] The Commission services' Autumn 2003 Forecasts are based on available data up to October 20, 2003.
(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Spring 2003.
(b) Percentage of the labour force. (c) Deflator of private consumtion, nominal change.

Other candidate countries

The other candidate countries will see a further stabilisation in their macroeconomic performance. Growth is expected to converge to around 4.5% - 5% per year in all three candidate countries over the forecast period. For Turkey, this would mean a slowdown compared to the very strong 2002 growth performance, which was, however, characterised by re-emergence from the deep crisis in 2001. Hence, over the forecasting period, the growth performance will follow a more stable and sustainable pattern. The slight deceleration in Romania in 2005 follows the strong boost to growth expected in 2004, which is an election year. In Turkey and Romania, disinflation should continue, driven by the trend real appreciation in these countries, a strengthening supply side of these economies, driven by strong investment, and, partly, more prudent fiscal and monetary policies. Towards the end of the forecasting horizon, inflation is seen at single digits in both countries, and as in Bulgaria with already quite low, but slightly accelerating inflation.

In all three countries, current account balances are expected to widen, driven by strong domestic demand and slightly worsening price competitiveness of their exports on world markets.

304978 European Economy

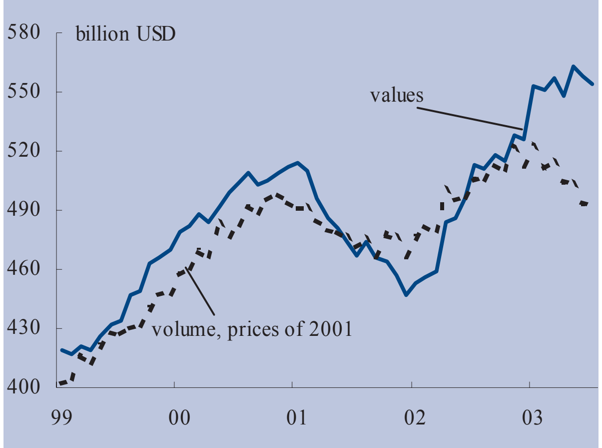
Chapter 1
World economy

1. Incipient global recovery

World GDP growth is expected to be 3.3% in 2003. A weak performance in the first half of the year has reduced the likelihood of a higher growth outcome. World growth should accelerate to about 4% in 2004 and 2005, above the 1996-2000 average growth rate of 3.8%.

While the outlook for the international environment is more rosy than in Spring, revisions to regional growth forecasts are mixed. In Canada, Norway, Switzerland, Australia, Brazil, Mexico and South Africa, unexpectedly weak growth in 2003 has reduced the statistical overhang for 2004 and increases the likelihood of a downward revision of growth. Upward revisions to 2003 and 2004 are seen in (amongst others) Poland, the US, Japan, the CIS and China. More details on the regional outlook are to be found in the next section.

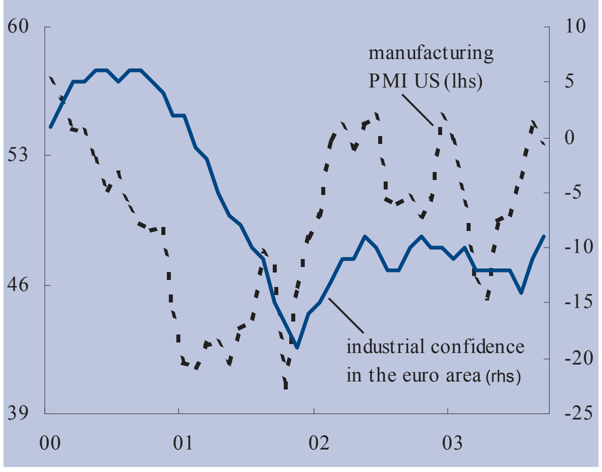
Graph 1.1: **World trade indicator**



Source: Commission services

So far, convincing signs of recovery are not yet showing up in the international trade data for 2003. The available data suggest that, over the first seven months of 2003, world import volumes are about 3¼% above the corresponding volumes for 2002. As a result, world merchandise trade is expected to grow by about 4½% in 2003, accelerating to 7¼% in 2004 and 8% in 2005.

Graph 1.2 : **Business confidence in Europe and in the US**



Factors to support global growth

The main growth-supporting factors are accommodative macro-economic policies and supportive financial conditions – partially linked to disinflation – and a return of confidence, that originates in reduced geopolitical tensions, strength in asset markets, and progress on reform. Accordingly, business confidence is improving in the US and the EU.

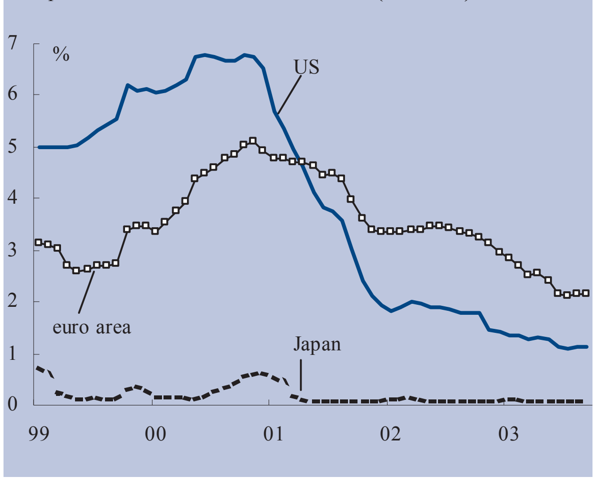
Oil prices, which have remained above the central value of the OPEC target band since mid-May 2003, are exerting a fairly neutral effect on growth. Looking forward, oil prices are expected to decline gradually, thus supporting the recovery.

Accommodative macro-economic policies and supportive financial conditions

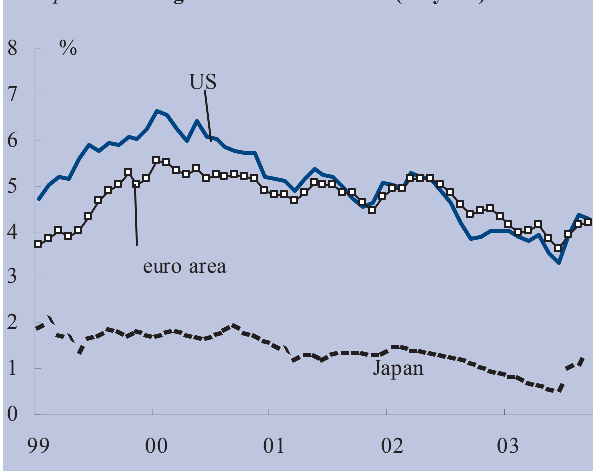
US fiscal policy remains strongly expansionary, despite a scaling down of the President's original package of tax cuts by the US Congress. In the EU, fiscal policy has been accommodative by letting the automatic stabilisers work during the period of slow growth.

Meanwhile, disinflation has allowed policy makers to bring nominal interest rates to historically low levels across the world economy, injecting ample liquidity into the financial system. The level of real rates (short-term as well as long-term) is also very low; the US real short-term rate has been negative since October 2002.

Graph 1.3: **Short-term interest rates (3 month)**



Graph 1.4: **Long-term interest rates (10 year)**



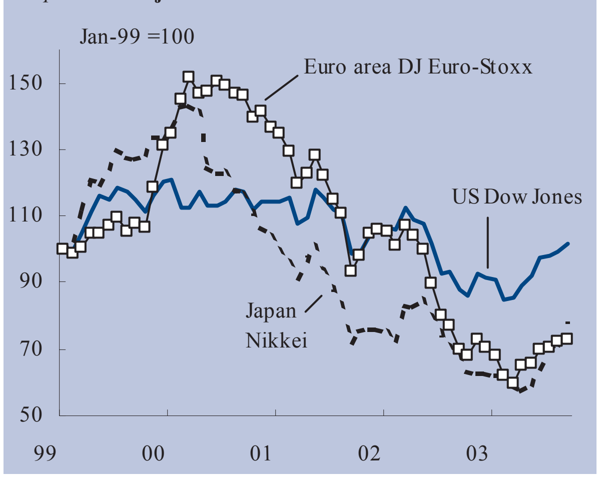
In the US and Europe, the output gap is expected to increase at least up to 2004, putting downward pressure on wages and prices. Therefore, it can be expected that monetary conditions will remain conducive to growth. In this respect, the recent steepening in the yield curve might prove to be a temporary event.

Asset market developments

The end of the Iraq war triggered a rise in investors' risk appetite, as manifested in a rally in equity prices and a progressive reduction in bond spreads for corporate-sector and emerging-market borrowers. With ample liquidity available and a widening perception that many of the safer asset classes may be overbought, international investors have been attracted to higher-yielding assets in the course of the second quarter of 2003. Despite this change in investor preferences, demand for higher-rated instruments was broadly sustained, resulting in a rise in the prices of equities.

With lower risk premia and risk-free interest rates, financing conditions in the global economy have improved compared to early 2003. This should help to promote recovery – particularly by facilitating a de-leveraging of the corporate sector in both the United States and the European Union.

Graph 1.5: **Major stock market indices**



The strength in asset markets increases household wealth and should, as a result, support consumption, while rising equity markets should support investment.

The issue of the sustainability of housing prices in specific countries and the sustainability of rapid growth in the US are linked to the future evolution of global long-term interest rates. An increase in long-term interest rates has the potential to lead to a significant correction of prices in specific housing markets and to put a brake on the pace of US growth.

Geopolitical tensions have not disappeared

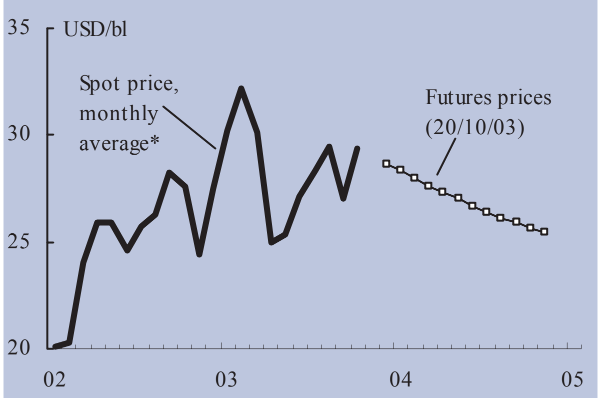
Geopolitical tensions have diminished, but have not disappeared: the main areas of concern are the Middle East, Iraq, Afghanistan and North Korea. Such tensions or terrorist threats remain a risk factor to the recovery of the world economy. Given that macro-economic instruments are largely exploited, responding to such events might prove more difficult.

Oil prices are expected to support the recovery, but not yet

Oil prices declined sharply when the war in Iraq began. Brent oil prices bottomed out at $23.3 per barrel at end-

April 2003. Since then, prices have been on an upward trend, peaking at $31 per barrel at mid-October.

Graph 1.6: **Brent oil price**



* for October the average is computed from 1st-20th

The price rise reflects a number of supply side factors, including the difficulty in restoring the rate of Iraq's oil production, political uncertainty in Venezuela and Nigeria, relatively low stock levels, particularly in the US, and the recent decision of OPEC to reduce their production ceiling.

Oil prices are expected to diminish gradually over the forecast period, to $24 per barrel in the second half of 2005 (see also Box 2.1). The decline reflects the expectation of supply growing faster than demand. The lower oil prices will provide some support to the recovery. In the event of serious lack of compliance with OPEC quota or unexpectedly large production from non-OPEC sources, this support could be relatively strong.

Progress on structural reform could help to redress global imbalances

Significant progress on structural reform has the potential to boost confidence in the short run and potential growth in the medium-term. An example of such structural reform in the major industrialised economies is Agenda 2010 in Germany (the impact of which is too early to assess).

Progress on structural reform that increases potential growth outside the US would probably reduce global imbalances, in a medium-term perspective. Nevertheless, in a short-term perspective, growth in the US is forecast to continue to outperform its counterpart in most other regions. Global imbalances are expected to widen further, with the risk of a fall in the exchange rate of the US dollar.

The failure to reach an agreement at the Cancun meeting in September 2003 will restrain the further integration of the world economy. This could weigh negatively on world growth and aggravate the necessary adjustment of imbalances in the medium term.

2. The outlook by region

USA

The US expansion gained momentum in the second quarter of 2003, with consumer spending advancing strongly and business investment picking up. For the third quarter, the available data indicate that growth continued to strengthen. Geopolitical uncertainties have abated, productivity growth remains strong and macroeconomic policy continues to provide support. Fiscal policy is particularly stimulative with tax cuts being implemented and federal spending surging in connection with the war in Iraq and its aftermath, although concerns about longer-term fiscal sustainability are rising. It can be expected that output will grow at a relatively high level in the near term, but that growth will decelerate in the course of 2004, as consumer spending loses support from mortgage refinancing activity and the expansionary effects of the tax cuts diminish. The annual growth rate for 2005 is expected to be around potential, but lower than in 2004.

Japan

The Japanese economy is rebounding, supported mainly by corporate investment and private consumption, but also by exports. For the rest of 2003, Japan should be able to profit from the pick-up in the global economy and annual growth is expected to be 2.6%. Monetary policy has become more expansionary, whereas fiscal policy is expected to be roughly neutral. The continuing weakness of the banks' balance sheets and the ongoing accumulation of public debt make the current upturn vulnerable. Growth is therefore expected to fall back to close-to-potential over the forecast period.

Canada

The Canadian economy has slowed down considerably since 2002 reflecting, in particular, diminishing net exports. The impact of SARS and an isolated case of BSE have also been weighing on the economy. As a result, output growth turned slightly negative in the second quarter. Against the background of stronger growth in the United States and supportive macroeconomic policies, it can be expected that the Canadian economy will regain momentum towards the end of 2003. The upturn will, however, be mitigated somewhat by the recent appreciation of the Canadian dollar. In 2004 and 2005, growth should stabilise around its long-term potential.

Switzerland and Norway

The *Swiss* economy has been hit hard by the global downturn and by the sharp appreciation of the franc. Private consumption growth is expected to recover only in 2004, as labour market conditions are bleak. Investment remains weak and is expected to contract again in 2003, before gradually picking up in 2004. As a result, growth is expected to be only 0.1% this year, while recovering to 1.9% in 2004.

Private consumption – boosted by tax cuts, low inflation and real wage growth – is expected to remain the main dynamic element of the *Norwegian* economy.

From 2004 onwards, export growth is expected to rise again, on the back of a global recovery and a depreciating currency. Fixed investment is expected to recover in 2004 as well. While sluggish growth of 1% is expected in 2003, this is forecast to increase to 2.1% in 2004.

Acceding and other Candidate Countries

In anticipation of accession in May 2004, the detailed forecasts for the *Acceding Countries* and the Member States are merged in this issue for the first time. Where available, data for the same set of variables as the existing Member States are presented in the statistical annex. Chapters 4 and 5 of this issue deal respectively with the forecast for the Acceding Countries and the *Other Candidate Countries*.

CIS

For *Russia* and the other New Independent States, growth prospects have been revised upwards. Due to higher-than-expected oil prices, GDP growth in Russia is expected to be close to 6% in 2003 and 5% in subsequent years. Growth prospects in *Ukraine* and the other New Independent States are also rather favourable. In *Ukraine*, GDP growth is projected to accelerate from 4.1% in 2002 to 5.5% in 2003, supported by both strong export performance and domestic demand.

Asia

Asia is expected to resume buoyant growth in the second half of 2003 after recovering from the fallout from SARS, the war in Iraq and tensions on the Korean Peninsula. The *Chinese* economy is foreseen to expand by about 8% annually throughout the whole forecast period. Rising exports, as a result of a favourable exchange rate, increasing inflows of FDI and robust domestic demand are expected to drive growth in the second half of the year. Growth-supportive policies are also likely to underpin economic activity into the future. *Korea* is forecast to rebound after a short recession earlier this year.

Latin America

Growth in Latin America is being held back in 2003 by contractions in *Venezuela* and *Uruguay*, but it is likely to accelerate in 2004. *Argentina* is expected to grow fast after the huge contraction in 2002. In *Brazil*, export demand is strong, but domestic demand has so far been subdued. The *Mexican* economy is still tracking the US economy and the recovery is, therefore, expected to gradually gain momentum during the course of the forecast period.

Africa

Growth in Africa, excluding OPEC countries, is expected to reach just above 3% in 2003, driven mostly by domestic demand and some pick-up in non-oil commodity prices. In spite of the recent eruption of violence in the *Côte d'Ivoire* and *Liberia*, prospects for 2004 should improve further, with growth expected to reach around 4%, supported mainly by rising non-oil commodity prices and a resumption in world demand.

Table 1.1

International environment

(Real annual percentage change)				Autumn 2003			Difference with Spring 2003	
	2000	2001	2002	2003	2004	2005	2003	2004
Real GDP growth								
USA	3.8	0.3	2.5	2.8	3.8	3.3	0.4	1.3
Asia	5.9	4.1	4.7	5.5	5.6	5.6	0.5	0.4
of which Japan	2.8	0.4	0.1	2.6	1.7	1.5	1.1	0.4
China	8.0	7.3	8.0	8.0	8.0	7.9	0.8	0.9
ASEAN4 + Korea (a)	6.4	2.8	4.6	4.0	5.2	5.2	-0.8	0.0
AC (b)	4.1	2.4	2.3	3.1	3.8	4.2	0.0	-0.2
FSU	8.3	6.2	5.0	6.0	5.2	4.7	2.1	1.8
of which Russia	9.0	5.0	4.3	6.0	5.0	5.0	2.6	2.4
OPEC-Indonesia	4.1	2.4	1.3	1.6	3.9	4.6	0.8	0.0
Latin America	4.5	0.4	0.3	2.0	3.4	4.4	-0.4	-0.7
Africa	4.0	1.3	1.1	3.1	4.2	4.5	-0.2	-0.1
World	4.7	2.3	2.8	3.3	4.1	4.1	0.1	0.4
World excl. euro area	5.0	2.4	3.2	3.8	4.4	4.5	0.3	0.4
World trade								
World import growth	:	:	:	4.7	7.2	7.9	-0.7	0.6
World import growth excl. euro area	:	:	:	5.8	7.9	8.4	-0.4	1.0
Extra euro area export market growth	11.7	0.5	6.0	4.8	7.6	7.9	-0.8	0.8

(a) ASEAN4 : Indonesia, Malaysia, Philippines, Thailand.
(b) Acceding Countries.

Chapter 2
The economy of the euro area

1. Confidence returning amid signs of recovery

Economic activity stagnated in the first half of 2003

In the first quarter, GDP barely increased in the EU and did not grow at all in the euro area compared to the last quarter of 2002, in spite of supportive consumption. Investment and net exports made a negative contribution to growth. All components of demand, except public consumption, but including the previously resilient household spending, were subdued in the second quarter. Three countries (Germany, Italy and the Netherlands) were technically in recession and French GDP contracted partially due to strikes and possibly due to an increase in the number of recorded days off. As a result, GDP was flat in the EU and contracted by -0.1% in the euro area in the second quarter of 2003.

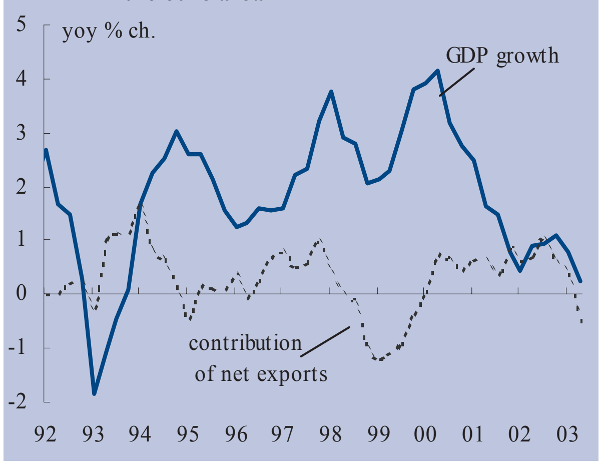
The second mild dip of growth at the end of the second quarter was mainly the result of the contribution of net exports to growth, which became negative at the end of 2002, as exports contracted while imports were flat. Putting aside the temporary adverse profile of exports, the slowdown in economic growth in the euro area since mid-2001 did not deepen in the first half of 2003.

Exports put a drag on growth

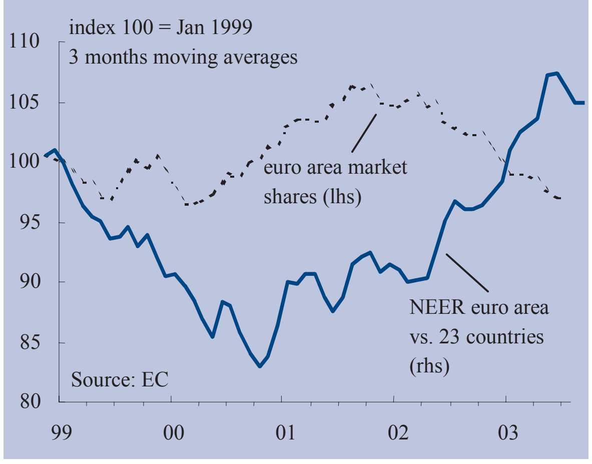
Export growth was subdued for most of 2002, and net exports put a significant drag on growth for the three quarters up to the middle of 2003 (the quarter-on-quarter contribution to growth in the euro area was respectively -0.3% in 2002Q4, -0.5% in 2003Q1 and again -0.4% in Q2).

The pattern of euro area exports primarily reflects the deceleration in world imports growth, albeit from a

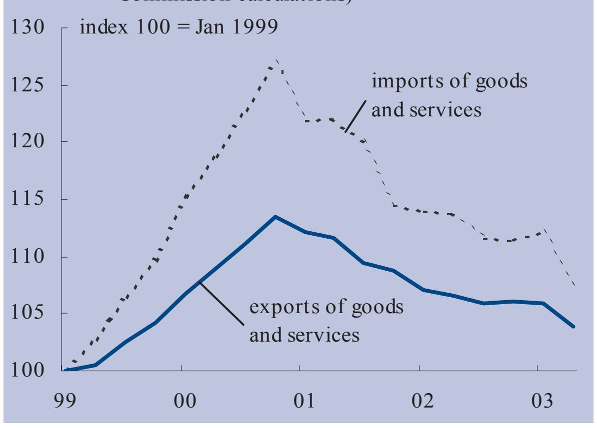
Graph 2.1: **GDP growth and net exports contribution in the euro area**



Graph 2.2: **Euro area export market shares -- goods**



Graph 2.3: **Extra euro area trade price deflators**
(based on Quarterly National Accounts, Commission calculations)



moderate pace in 2002 as described in chapter 1. However, other countries' exports seem to have held up better than euro area exports, and the euro area is likely to have experienced a slight loss in market shares. A reason for this is to be found in euro area price competitiveness, which has deteriorated in the short run. The nominal effective exchange rate of the euro appreciated by about 8% against the 23 major trading partners of the euro area between early 1999 and mid-2003. From the end of 2000 to mid-2003, export prices in euro decreased by 10%, and increased by more than 10% in terms of "the foreign currency" given nominal exchange rate developments. Econometric studies generally estimate that 50% to 70% of exchange rate movements is passed through to non-oil import prices during one year. This would suggest that exporters (from the euro area but also from trading partners) tend to postpone the trimming of their mark-ups when their currency is appreciating (more in services than in goods). Some market shares are lost in the short run during the process of price adjustment, but these are generally regained in the medium term.

Table 2.1

Composition of growth in 2002 and 2003 - Euro area

(Seasonally and working day adjusted)	Quarterly % change			
	02Q3	**02Q4**	**03Q1**	**03Q2**
GDP	0.2	0.0	0.0	-0.1
Private consumption	0.3	0.3	0.6	0.2
Government consumption	0.5	0.1	0.4	0.7
Gross fixed capital formation	0.0	0.3	-1.2	-0.2
Changes in inventories (% of GDP)	-0.4	-0.4	-0.1	0.0
Export of goods and services	1.5	-0.2	-1.6	-0.7
Import of goods and services	1.5	0.4	-0.4	0.2
	% contribution			
	02Q3	**02Q4**	**03Q1**	**03Q2**
Private consumption	0.2	0.2	0.3	0.1
Government consumption	0.1	0.0	0.1	0.1
Gross fixed capital formation	0.0	0.1	-0.2	0.0
Changes in inventories	-0.1	0.0	0.3	0.1
Net exports	0.1	-0.3	-0.5	-0.4

In previous upturns of the nineties (1993, 1998 and 2000), net exports had a strongly positive contribution to growth, which heralded the turning point in the cycle. At this juncture, exports are still not providing a driving force for growth.

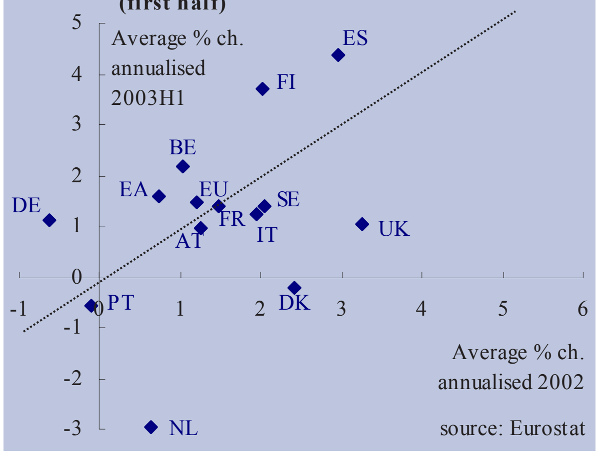
Consumption dwindled again recently

After a two-quarter contraction at the end of 2001 and a subsequent rebound until the first quarter of 2003, household spending in the euro area dwindled again in the second quarter of 2003, at a time when most economic indicators had stopped deteriorating. This conceals different patterns of consumption for three main categories of countries within the European Union.

For the first category of countries (UK, Spain, Finland and Greece), buoyant consumption, sustained by a resilient job market and rising house prices, made a large contribution to growth (at least up to this year in the UK).

In France, Italy, Sweden, the Netherlands and Austria, consumption was relatively resilient over the three last quarters of 2002. The marked fall in interest rates provided some relief to households in the form of reduced mortgage interest payments. This, together with the wealth effect of the continued increase in real estate prices, is likely to have partially offset the effects

Graph 2.4: **Household consumption in 2002 and 2003 (first half)**



of low confidence, the slump in equity markets and concerns about the on-going reform of pension systems. The resilient job market in Italy also contributed to sustain consumption in 2002. However, the situation may have deteriorated in the first half of 2003 in some of these countries to the extent that additional factors have continued to weigh on confidence and permanent income. Such factors include the deterioration in the job market and rising government budget deficits, which cast doubt on the sustainability of the easing of fiscal policy.

By contrast, in Germany and Portugal, consumption remained flat throughout the last six quarters apart from a blip in the first quarter of 2003 for Germany, which may be explained by a release of pent-up demand against a background of aggressive seasonal sales. In Germany, no temporary support was to be found in the flat housing market. Portuguese households have also been adjusting to very high indebtedness.

A protracted slump in investment

Investment recorded a significant contraction of 1.2% (quarter on quarter) in the first quarter and a further fall of 0.2% in the second quarter of 2003. This confirms that the slight upturn that occurred in the second half of 2002 was mainly due to special factors, such as the impact of the Tremonti law in Italy and of the rebuilding after the floods in Germany and Austria. The relative reduction in the pace of contraction in the second quarter should be viewed with caution. The quarterly national accounts estimate for investment may be revised significantly in the upcoming releases and the less bleak change in the second quarter might be the result of a technical adjustment to the first quarter.

Graph 2.5: **Investment growth in the euro area across cycles**

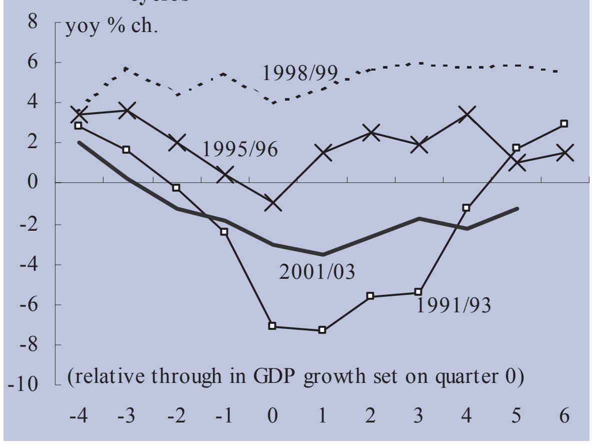


Table 2.2
Sectoral breakdown of growth 2002-2003 - Euro area

	Quarterly % change			
(Season. & working day adj.)	**02Q3**	**02Q4**	**03Q1**	**03Q2**
GDP	0.2	0.1	0.0	-0.1
Agriculture	0.2	-0.5	-0.3	-0.6
Industry	0.3	-0.4	0.3	-1.0
Construction	-0.1	-0.2	-0.8	0.4
Wholesale and retail trade	0.4	0.1	-0.1	0.2
Financial intermediation	0.0	0.2	0.0	0.3
Public administration and defence	0.4	0.5	0.2	0.3

The exceptional length of this phase of contraction in investment compared to the slowdowns of the nineties stems from a high level of over-investment at world level before the end of the ICT bubble, balance-sheet adjustment and subdued demand in the past few years. The level of capacity utilisation has hovered below its historical average for seven consecutive quarters and it recently declined further, which is consistent with the mild second dip in growth during the current cycle.

No signal from inventories

The decline in inventories tapered off in the first half of 2003, after six consecutive quarters of depletion. Due to the base effect, the overhang of the change in inventories in mid 2003 is 0.5% of GDP in the euro area. This can be attributed mainly to a technical correction after the protracted depletion and special factors such as stock building of oil reserves before the war in Iraq. The very slow upturn in inventories, against the background of flat domestic demand, does not yet provide much indication of an upturn in the cycle: demand expectations remained sombre in the first half of this year.

A sustained rise in government consumption

Government consumption growth continued to increase at a steady pace in the first half of 2003. After having grown in 2002 by about 3% year-on-year (i.e. faster than during any period in the nineties), the annual rate of change has declined to 2% in 2003 (due to base effects). This is nevertheless in the high range in comparison to growth rates during the nineties. The recent budgetary stance thus remained slightly counter-cyclical. The contribution of government expenditure to growth was one third of that of total consumption in the first half of 2003.

Protracted weakness in the industrial sector

According to quarterly national accounts, the economic slowdown was pronounced in the industrial and construction sectors in the first half of this year. After a pick-up in the second half of last year, activity was flat in the wholesale and retail sector. The financial sector (especially banking) benefited from the improved outlook on equity markets and the resumption of corporate credit growth to the corporate sector.

Box 2.1: Some specificities behind the forecasts

Exchange rates

A constant nominal exchange rate in the ERMII (DKK/EUR rates) and constant real rates (nominal rates adjusted for changes in GDP deflators) for Sweden, the UK and non-EU currencies are assumed.

The reference period used for the exchange rate constancy assumption is the average exchange rate of 1 to 16 October 2003, which is attributed to the fourth quarter of 2003. The average USD/EUR rate for that period was 1.17 and the JPY/EUR rate 128.6. This leads to average USD/EUR rates of 1.13 in 2003 and 1.16 in 2004 and 1.15 in 2005, and JPY/EUR rates of 130.8, 125.8 and 122 in 2003, 2004 and 2005 respectively.

For the Acceding Countries, currencies are treated according to their policy regimes. Hence for the CYP (Cyprus pound), EEK (Estonian kroon), HUF (Hungarian forint) and the LTL (Lithuanian litas), constant nominal exchange rates vis-à-vis the euro are assumed. For the PLN (Polish zloty), CZK (Czech koruna), SIT (Slovenian tolar) and SKK (Slovakian koruna), constant real rates against the euro are assumed. For currencies pegged to a basket (Latvian lat and Maltese lira), the future rate is deduced from the evolution of the currencies constituting the basket.

Interest rates

Short-term interest rates are set in order to reflect the objective of monetary policy with respect to price stability. Long-term interest rate assumptions are based on developments in short-term rates and an assessment of economic conditions. Attention is paid to international financial linkages, market expectations and budgetary developments.

Commodity prices

Commodity prices are forecast taking into account market conditions. In the case of oil prices special attention is paid to futures prices. Prices for Brent oil are, accordingly, forecast at 28.3 USD/bl in 2003, 25.6 USD/bl in 2004 and 24.1 USD/bl in 2005.

Prices of primary commodities, excluding fuels, are assumed to increase by 7.3% in 2003 and to rise further by 1.9% in 2004 and by 0.7% in 2005. The strongest price increases in 2003 apply to the group of agricultural non-food products. Food prices are expected to decline in 2004 and 2005, while the prices of metals are expected to rise during the forecast horizon.

Budgetary data

Data for 2002 are based on the Excessive Deficit Procedure notification, submitted by the Member States in September 2003. This information is found in a Eurostat Report on 15 September (press release 106/2003). For 2003, the budgets and information on the execution of these budgets is taken into account. For 2004, budgets adopted or presented to parliaments and all other measures known in sufficient detail are taken into consideration. For 2005, the "no-policy change" assumption used in the forecasts implies the extrapolation of measures and trends that are known at the time of completion of the forecasts.

The government balances reported in the notification may be different from those published in the national accounts, because of an amendment to ESA95. According to Regulation (EC) N° 2558/2001 on the reclassification of settlements under swaps agreements and forward rate agreements, interest flows under swaps have been reclassified from “income property” to “financial account”. However, the Regulation states the need for a specific treatment of these flows for data transmitted under the Excessive Deficit Procedure, allowing for interest expenditure to include swaps, contrary to ESA95 new rules. In the forecasts, it is the EDP definition of general government balances which is presented. Therefore, the calculation of general government expenditure does include swap-related settlements.

Calendar effects on GDP growth and output gaps

Year 2004 is a leap year. The addition of one extra working day implies that EU annual output increases, other things being equal, by about 0.4 of a percentage point. Annual GDP figures are not adjusted for the number of working days, while quarterly national accounts figures of most countries are. This implies that the simple addition of the four quarters of a single year may not add up exactly to the annual figure. Moreover, the calculation of potential GDP, from which the output gap is derived, does not involve any adjustment for the number of working days in the leap year, because this is considered to be a temporary phenomenon, which should not affect the cyclically adjusted balances that are calculated using these output gaps. Hence, for 2004, the increase in the negative output gap would be larger in the absence of this calendar phenomenon.

304978 European Economy

2. A return to potential growth in the course of 2004

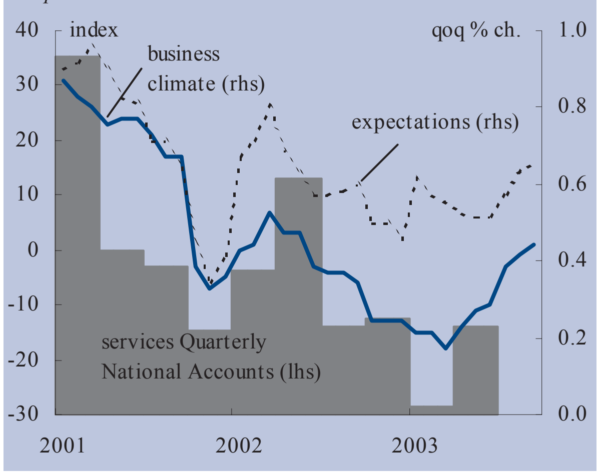
2.1. The EU economy is likely to bottom out in the second half of this year

Although the latest hard data available do not yet provide clear-cut evidence of the bottoming out of the EU economy, survey data are signalling an upturn at least in some sectors of the economy. This overall picture is supporting our projection of an upturn of growth, underpinned by domestic consumption and a favourable international environment, including a recovery in exports. In the second half of 2003, quarter-on-quarter GDP growth in the euro area is expected to be 0.3%.

Consumption growth to resume in the second half of 2003 led by expenditure on services

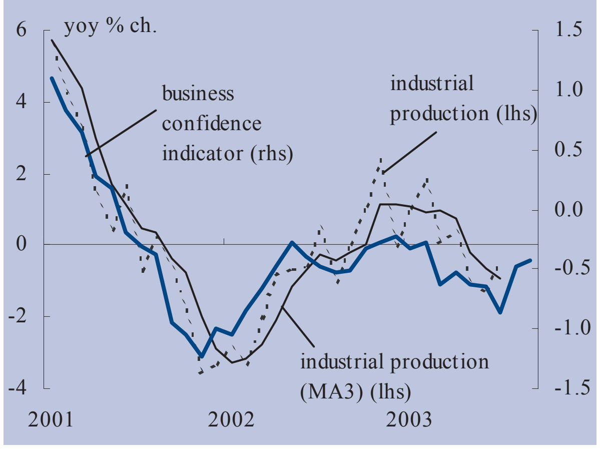
The latest available survey data have sent out encouraging signals for the main sectors of the economy. The service sector is leading the recovery. According to most survey indicators, the turnaround in sentiment started as early as in April of this year. The Commission confidence indicator for services for the euro area climbed to an eighteen-month high in September, with the German indicator improving by no less than thirty four points since January of this year. The Reuters purchasing managers index has entered expansive territory since July and is back to early 2002 highs. In addition, the recovery seems to be more firmly established than last year, when the short-lived upturn in confidence was mainly due to the very volatile expectations component of the indicator. This time, opinions on the present situation have improved more rapidly than expectations for the months ahead, closing the large gap that appeared last year.

Graph 2.6: **Services in the euro area**



Within the service sector, retail trade is characterised by a more gradual rise in confidence. Retail sales remained subdued in Germany, France and Italy until August, according to the data released by national statistical institutes. Signals of a slow-but-steady recovery are also provided by the Commission services' consumer confidence indicator. Since April, all elements have displayed a positive trend, including expectations about unemployment, prices and the economic situation in the future. Households remain relatively cautious only where major purchases are concerned. All in all, indications revealed by surveys augur well for a recovery in household consumption, and support the forecast of quarter-on-quarter growth of 0.2% and 0.3% respectively in the last two quarters of 2003.

Graph 2.7 : **Industrial production and the business climate indicator for the euro area**



Slower upturn in the manufacturing sector

The recovery in the manufacturing sector appears to be less well established. The three-month moving average of industrial production excluding construction had not yet bottomed out in the summer. However, a comparison of the industrial production index with the business climate indicator, which is slightly leading, suggests that the upturn could be in progress at present. Moreover, the leading purchasing managers' index (PMI) for the manufacturing sector moved above the threshold separating recession from expansion in September. The

304978 European Economy

return to positive growth territory can be thus expected towards the end of the last quarter of 2003. In the meantime, confidence is likely to remain more subdued in such sectors as manufacture of motor vehicles, machinery, investment and intermediate goods. Export order books were still reporting muted trade in September, except in Germany according to the purchasing managers' index.

Favourable external conditions

Domestic demand growth will also be supported by the improving international environment. Signs of accelerating growth are emerging in many parts of the world (see chapter 1). In particular, growth accelerated in the US at an annualised rate of 3.3% in the second quarter of 2003; the Japanese economy is performing better than expected; acceding countries are experiencing relatively strong growth and some Asian countries, such as China, are also registering robust growth following the end of SARS. As a result, the euro area is expected to benefit from a strengthening of foreign demand in the coming months that will offset the temporary decline in the price-competitiveness of euro area products. Exports are expected to increase by about 1% quarter-on-quarter in the second half of this year, and the contribution of net exports to growth should turn positive, with imports expanding at the same pace.

2.2. Balance-sheet constraints in the private sector have eased

The outlook for domestic demand is influenced by the financial situation of the private sector. Typically, companies and households tend to borrow against their expected earnings in an economic upswing and to consolidate their debts to free up disposable income in the downswing. Amid a pronounced cyclical upswing, leverage ratios in both corporate and household sectors rose substantially in the course of the 1990s. The subsequent economic downturn, long but shallow by normal standards, has been characterised by de-leveraging of the corporate sector, a continued increase in household debt, and some concern about the health of financial intermediaries.

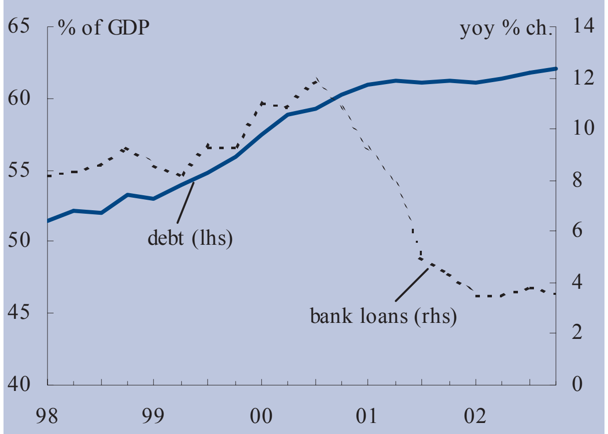
Table 2.3

Balance sheet indicators for euro area non-financial corporations

	1998	1999	2000	2001	2002	*03Q2*
Debt /GDP	52.2	54.0	58.8	61.3	61.4	*63*
Short-term debt/Total debt	30.3	31.2	32.9	32.2	30.0	*30*
Net incurrence liabilities/GDP	7.9	11.5	16.3	10.7	6.1	
debt financing	4.7	7.6	9.6	6.0	3.3	
equity financing	3.1	3.6	6.6	4.5	2.6	
Debt / equity	56.7	45.5	50.4	60.5	93.7	*75*

Source: ECB, Eurostat, Commission estimates

Graph 2.8: **Debt of euro area non-financial corporations**



Source: ECB

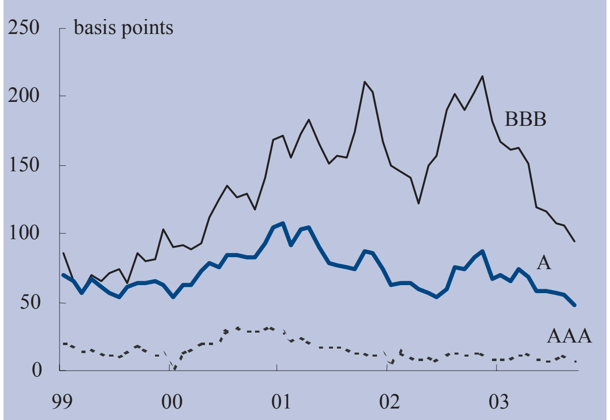
As a sustained recovery in corporate spending on investment is unlikely until this de-leveraging process has been completed, a key question in assessing economic prospects is whether adjustment of corporate balance sheets remains a factor weighing on investment activity. In the household sector, the main issue is the sustainability of rising levels of debt – particularly related to house purchases.

Corporate sector

Excessive leverage, in the aftermath of the bursting of the equity price bubble in 2000, has acted as a drag on investment during the current economic downturn. Under substantial financial pressure and with earnings prospects revised downwards, companies in the euro-area, like their US counterparts, have responded by reducing investment, inventories and debt. The total stock of debt of the euro-area non-financial corporate sector has broadly stabilised, in terms of GDP, since the beginning of 2002. Companies have also modified the term structure of their debt, reducing significantly the share of short-term borrowing after mid-2001. Meanwhile, lower interest rates have eased the cost of their debt.

A recovery in profitability is key to the restoration of corporate balance sheets. Although labour productivity and profitability picked up in the euro area in 2002, since the beginning of 2003 developments in profit margins have been less favourable, due to a near stagnation of productivity. Furthermore, euro-area companies, which had made substantial investments in the United States in the phase of dollar appreciation, have also suffered from the negative impact of the subsequent dollar depreciation on the book value of such investments and the revenues from the activity of their US subsidiaries.

Graph 2.9: **Corporate bond spreads - Euro area**



Source: Datastream

At present, it is difficult to assess the extent to which de-leveraging has been achieved. An optimistic view, supported by the recovery in equity prices in 2003 and the continuing narrowing of corporate bond spreads, especially for lower-rated borrowers, is that sufficient progress has been made in lowering leverage. This progress, together with a modest recovery in profitability, would have largely freed companies from balance-sheet constraints. Equally encouraging are the signs of a tentative pick-up in the growth of debt financing in the euro area. Issuance of corporate debt securities, in particular, accelerated to an annual rate of 12.7% in the second quarter of 2003 (from 4.1% at the end of 2002). There is also some recovery in secondary issuance of equity, although initial public offering (IPO) activity has remained weak.

In contrast, bank loans, which remain the largest source of financing for euro area companies, have accelerated only slightly in the first half of the year. Besides, although corporate bond spreads typically anticipate movements in bank-loan spreads, there is so far no clear evidence that the widening of margins between lending rates and comparable market interest rates has come to an end. This is consistent with the reportedly still cautious attitude of euro-area banks in extending loans to enterprises. Some more encouraging signs can be found in higher frequency data for loans to the whole private sector. Loans granted by euro area banks and central government to the whole private sector (non-financial corporations, households and other financial intermediaries) accelerated to about 5% in July and August, up from 4.5% in the second quarter of the year. This pick up in loans to the private sector may suggest an underlying acceleration in bank lending to companies during the summer, though it would be premature to consider this as firm evidence of a turning point.

To sum up, financial constraints for euro area enterprises have certainly eased since the Spring forecast. Higher financial asset prices and lower interest rates have improved the financing conditions for companies and facilitated the restoration of their balance sheets. Total debt financing has accelerated in 2003, mainly due to strong securities issuance, although there are tentative indications of a pick-up in bank lending. At the same time, debt levels and gearing ratios (e.g. the debt/equity ratio) remain high, banks maintain a cautious attitude in extending loans to companies and the recovery in equity prices has lost steam since the summer. Without firmer indications of a recovery in output growth and profits, financial markets still appear vulnerable to a reversal in sentiment. All this suggests that a return to the fast accumulation of debt of the late 1990s, and thus to the buoyant real and financial investment activity of those years, is unlikely in the near term.

Household sector

Euro area households have continued to accumulate debt in the course of the economic downturn, mostly to finance house purchases. Mortgage lending growth, which has generally been strongest in those Member States, where house prices have increased most – such as, Greece, Spain, Ireland, and the Netherlands, remained above a robust 7% in the first two quarters of 2003.

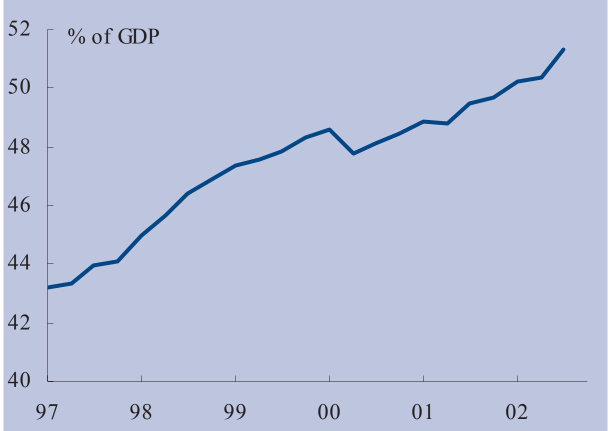
Table 2.4
Residential property prices and household debt

yoy % change	Residential property		Household debt	
	1995-02	2002	1995-02	2002
BE	5.2	6.5	5.1	1.5
DE	0.0	1.0	4.4	2.5
ES	9.8	17.4	13.2	6.2
FR	4.8	6.7	6.2	6.2
IE	14.5	14.2		
IT	3.7	10.0	8.1	6.3
NL	11.2	4.5	12.7	7.0
FI	8.2	8.7	4.3	4.7

Source: BIS

While the interest burden for households has been contained by the sharp decline in nominal and real interest rates, abnormally high debt levels increase the vulnerability of household spending to adverse developments in households' income or a rise in interest rates – especially where mortgage contracts include variable or short-term adjustable interest rates.

Graph 2.10: **Debt of euro area households**



Source: ECB

In several Member States there is the risk of a housing-market bubble, although some countries have lately seen a deceleration of prices. Ireland, Greece and Spain still experienced a double-digit increase in nominal house prices in 2002, while substantial but less marked increases were recorded in Belgium, France and Italy. However, prices began to decelerate in the Netherlands and Ireland in the course of the year.

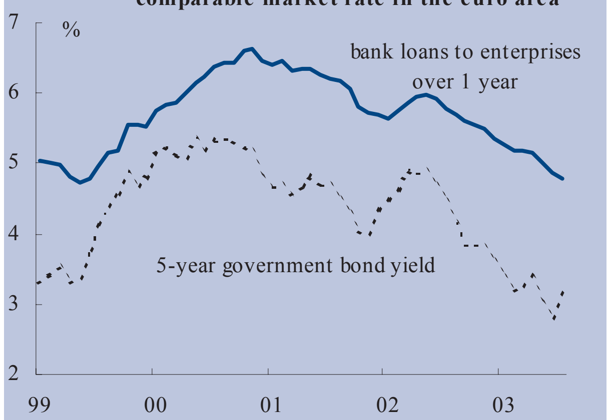
Notwithstanding the danger that a significant increase in interest rates, or a further deterioration of the labour market could at some point induce a sizeable correction in the housing markets of some Member States, for the euro area as a whole the risk that balance sheet constraints on households might act as a brake on consumption appears low at present.

The banking sector

There have been concerns that difficulties experienced by euro area financial intermediaries, in particular by parts of the banking system, were causing a shortage of funds for enterprises, in particular for SMEs. While there is only anecdotal evidence that this has been the case (not least because of the difficulties in disentangling the role of demand and supply factors), a solid banking system is clearly an important support for a recovery.

In general, concerns about the health of the euro area banking sector have eased during 2003. Despite the sharp deceleration in corporate lending and falling equity markets, euro area banks have on average remained profitable, well capitalised and with sound solvency ratios. With falling commission income, rising loan-loss provisions and sharply decelerating business lending, bank profitability has been supported mainly by buoyant retail activity, in particular by the atypically robust mortgage market in the current downturn. Profitability has also benefited from significant cost-cutting and business restructuring, e.g. via the closure or selling of investment banking activities, insurance subsidiaries, specialised credit providers etc. Other factors likely to have contributed to the resilience of the sector include the capital buffers accumulated in the 1990s, improved risk management techniques and the spreading of risk via the rapidly expanding market for credit-risk transfer.

Graph 2.11: **Long-term bank lending rate and comparable market rate in the euro area**



Source: ECB

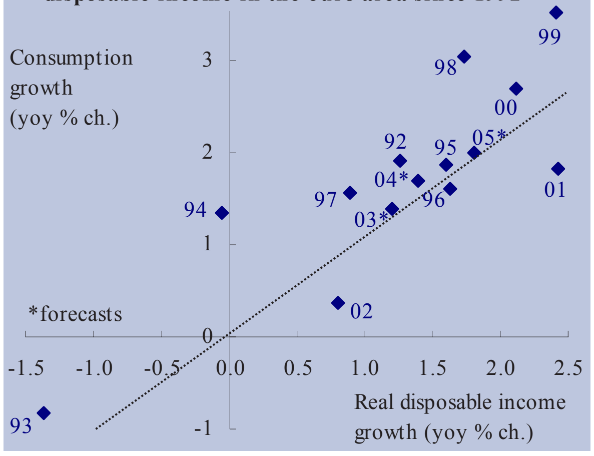
All in all, a shortage in the supply of bank credit – related to problems in the banking sector - does not appear to be a risk to the recovery of the euro area economy at present. In addition, the growing integration of European financial markets, by improving access to foreign lenders, may alleviate the negative effects from local problems in the intermediation sector, at least for larger borrowers. However, the delay in economic recovery means that the buffers available to banks are somewhat reduced, and parts of the banking system could be vulnerable to further sustained weakness in the real sector and/or renewed weakness in equity markets. Moreover, other categories of intermediaries, in particular insurance and reinsurance companies, remain under considerable stress, with potential spill-over effects on the banking system and a direct impact on economic activity through the availability and cost of insurance cover.

304978 European Economy

2.3. Further outlook: a return to potential growth

The euro area is expected to experience a broad-based recovery, driven by growing domestic demand and rising foreign demand, beginning in the second half of 2003. This would, in turn, trigger an acceleration of capital formation in the course of 2004. As a result, the euro area should return to potential growth in mid 2004.

Graph 2.12: **Household consumption and real disposable income in the euro area since 1992**



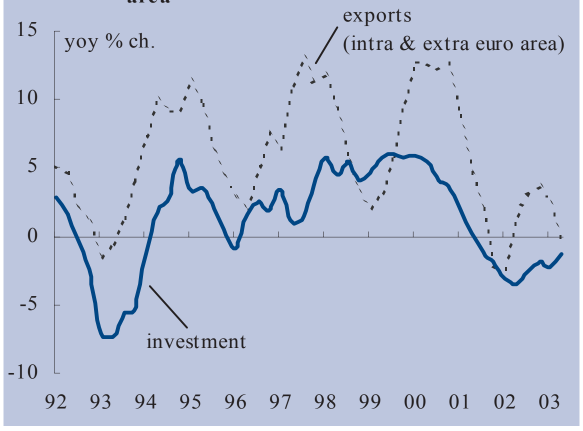
The driving forces behind the recovery of household spending

Private consumption growth is expected to gain momentum from 1.3% in 2003 to 1.6% in 2004 and 2% in 2005. Several factors support a recovery in household spending in the coming months.

First, with the loosening of monetary policy, interest rates, both short-term and long-term, are at historical lows. This has contributed to an easing of the balance sheet constraints of households through a reduction in debt servicing costs. The rebound in stock markets since March of this year and the buoyant housing markets in some Member States have also helped to restore wealth lost following the bursting of the stock market bubble.

Second, the real disposable income of households has received a boost from lower inflation, which will intensify as inflation declines further. The positive real income effect is supported by the appreciation of the euro and the ensuing terms of trade effect, which should be more visible in the medium-term.

Graph 2.13: **Exports and investment growth in the euro area**



Third, economic confidence could be boosted by recent reform initiatives, which signal a political willingness to tackle long-standing structural problems. Decisions on structural reforms of unsustainable pension and social security systems can, by reducing uncertainty about future income, have positive spill-over effects on consumption expenditure in the medium-term through a reduction in incentives for precautionary savings.

Given these supportive forces, and in view of the fact that more than two years of restrained spending on the part of households has seen the accumulation of pent-up

Table 2.5

Determinants of private consumption expenditure - euro area

(Annual percentage change)				Autumn 2003			Difference with Spring 2003 (a)	
	2000	2001	2002	2003	2004	2005	2003	2004
Real private consumption expenditure	2.7	1.8	0.5	1.3	1.6	2.0	0.3	0.4
Compensation per employee	2.8	2.9	2.7	2.7	2.5	2.6	-0.2	0.1
Real compensation per employee	0.6	0.5	0.4	0.6	0.5	0.8	-0.1	0.3
Employment	2.2	1.4	0.5	-0.2	0.3	0.8	0.5	0.5
Real gross disposable income	2.0	2.4	0.9	1.2	1.2	1.7	0.0	0.5
Saving rate of households (b)	:	14.8	15.1	15.0	14.8	14.5	-0.2	-0.3

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Spring 2003.
(b) As a percentage of gross disposable income.

demand, this demand could be progressively liberated in the course of 2004 and 2005. Such a development was observed in the 1994 recovery, even against a background of moderately increasing disposable income.

... but exports are also expected to recover

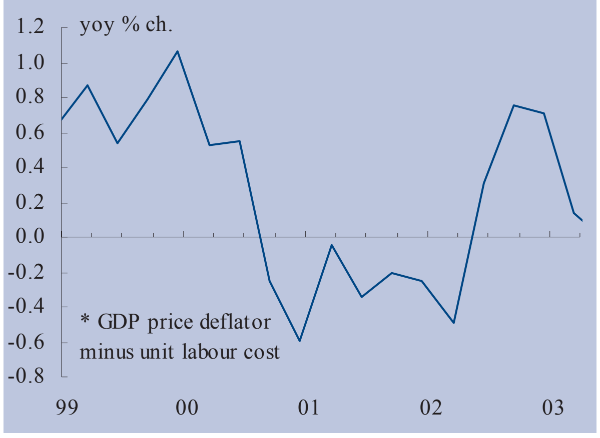
The upturn in world trade and GDP growth is expected to lift euro area exports in a scenario similar to the 1995 upturn. While the depreciation of the dollar until mid-1995 exerted a temporary dampening effect on the exports of the current euro area countries (except Italy), rapid exports growth resumed in the course of 1996 since the momentum of world trade did not decelerate and exporters adapted their mark-ups to the new level of exchange rate.

Past experience shows that a significant acceleration in world trade growth dominates the potential effects of large fluctuations in currencies exchange rates in the medium term. Exports of goods are expected to grow by 5.2% in 2004 and 6.7% in 2005 compared to a marginal increase of 0.1% expected for 2003. This performance appears to be compatible with the current level of the euro and world trade growth of about 6 to 7%.

A gradual revival of investment

The investment cycle in the euro area was driven by the pattern of exports rather than domestic components of demand during the first half of the nineties. The situation has not significantly changed since the mid-nineties, although domestic demand recovered and credit and monetary conditions were more favourable to investment. As a result of the very strong foreign direct investment flows from Europe to the US during the last five years, the exposure of the corporate sector to global developments has increased. A more robust upturn in world GDP and trade growth is likely to gradually foster investment decisions, bolstered by an improvement in corporate indebtedness and profitability.

Graph 2.14: **Corporate profits* in macroeconomic terms in the euro area**



Putting aside an easing in balance sheet constraints, profitability has broadly improved since mid-2002 with the reduction in labour hoarding, the containment of costs (decline in imports price except oil, slow increase

Table 2.6

Composition of growth - euro area

(Real annual percentage change) **Autumn 2003**

	2002		1998	1999	2000	2001	2002	2003	2004	2005
	bn Euro curr. prices	% GDP	Real percentage change							
Private consumption	4032.8	57.0	3.1	3.5	2.7	1.8	0.5	1.3	1.6	2.0
Government consumption	1438.0	20.3	1.4	1.8	2.1	2.5	2.9	1.7	1.3	1.4
Gross fixed capital formation	1428.9	20.2	5.3	6.0	5.0	0.0	-2.6	-1.0	2.4	3.0
- of which : equipment	539.3	7.6	9.4	8.5	8.1	-0.8	-4.6	-1.9	3.1	4.5
- of which : construction	734.0	10.4	1.7	3.7	2.7	0.1	-1.7	-0.4	1.5	1.6
Change in stocks as % of GDP	-12.2	-0.2	0.5	0.3	0.2	-0.3	-0.3	-0.1	0.0	0.0
Exports of goods and services	2594.4	36.7	7.3	5.3	12.6	3.3	1.7	-0.1	5.1	6.7
Final demand	9482.0	134.1	4.5	4.0	5.4	1.7	0.7	0.7	2.7	3.5
Imports of goods and services	2410.7	34.1	10.0	7.6	11.2	1.8	0.1	1.6	5.2	6.6
GDP	7071.2	100.0	2.9	2.8	3.5	1.6	0.9	0.4	1.8	2.3
GNI	7025.8	99.4	2.6	3.1	3.4	1.5	0.7	0.5	1.8	2.5
p.m. GDP EU-15	9186.0	129.9	2.9	2.9	3.6	1.7	1.1	0.8	2.0	2.4
			Contribution to change in GDP							
Consumption			2.0	2.3	2.0	1.5	0.9	1.1	1.2	1.4
Investment			1.1	1.3	1.1	0.0	-0.6	-0.2	0.5	0.6
Inventories			0.4	-0.2	-0.1	-0.5	0.0	0.1	0.0	0.1
Exports			2.4	1.8	4.4	1.2	0.6	0.0	2.0	2.7
Final demand			5.9	5.3	7.3	2.3	1.0	1.0	3.7	4.8
Imports (minus)			-3.0	-2.4	-3.7	-0.6	-0.1	-0.5	-1.9	-2.5
Net exports			-0.6	-0.6	0.6	0.6	0.6	-0.6	0.1	0.2

304978 European Economy

in labour costs), de-leveraging and the favourable impact of lower corporate spreads and interest rates.

Moreover, the fact that the contraction in investment has already lasted two years (in the absence of a recession at the level of the euro area) provides some hope for an imminent recovery. Some replacement investment might be expected until growing demand increases capacity utilisation and triggers the investment multiplier.

Last but not least, historically low interest rates, low corporate spreads and the recovery of stock markets set optimal conditions for an increase in capital stock, as soon as demand creates profit opportunities. Investment is expected to grow by 2.4% in 2004 and by 3.0% in 2005 after a slight contraction of 1.0% in 2003, resulting mainly from a negative carry-over of 1.6% at the end of the second quarter.

2.4 The balance of risks

Will domestic demand improve decisively?

As in 1995-96, the current recovery is likely to rely more on domestic demand than during other upturns in the nineties. Risks to such a scenario may be more on the downside with respect to household demand for three main reasons. First, structural reforms in the euro area still have some way to go. Pension reforms are still in the pipeline and the social security system is heavily in deficit in several countries. Labour market reforms also have some way to go. Experience has shown that the economic pay-back to structural reforms can take some time, but can be achieved more rapidly if such reforms are comprehensive in nature. Furthermore, the large budget deficits recorded by the three largest countries of the euro area might be a reason for households to increase savings, in view of expected future taxes. In this respect, it could be somewhat premature to expect positive results from structural reforms.

Secondly, the favourable impact of increased real estate prices is likely to disappear from the second half of 2003, and might indeed turn negative in case of a strong rise in interest rates.

Thirdly, the lagged response of labour markets to the upturn means that employment growth will be weak next year (see next chapter). Lower disposable income, combined with a potential increase in the saving rate due to job insecurity, could weaken the initial recovery in domestic demand.

In addition, there are also some downside risks to investment due to some uncertainties as to whether the balance sheet adjustment process within the corporate sector is yet complete in Europe.

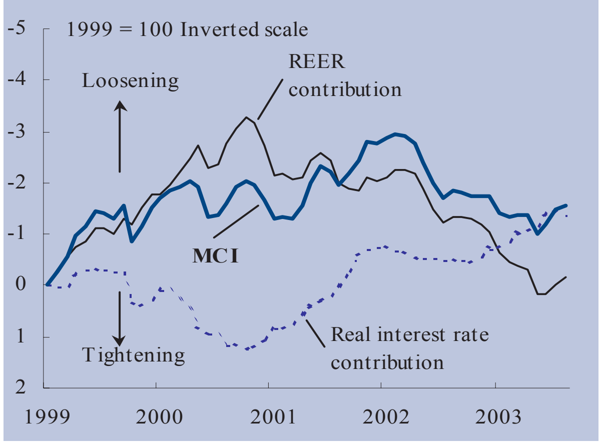
International environment: safe harbour within reach?

On the external side, the global upturn will hinge on the sustainability of the recovery in the US and, to a lesser extent, in Japan and other Asian countries. Downside risks relate to the sustainability of the US momentum, the robustness of the recovery in Japan and, finally, the possible resurgence of geopolitical tensions, in particular the side-effects of the on-going tensions in the Middle East. Although declining, the price of oil has remained under pressure after the war in Iraq, with a recent tightening of OPEC quotas. The persistence of large US fiscal and current account deficits creates a risk that foreign investors become reluctant to finance these deficits and that a sharp weakening of the USD could ensue. Since currencies of other euro area trading partners are pegged to the USD, this could have a large impact on the nominal effective exchange rate of the euro area.

Upside risks related to global growth, and also to the domestic environment

World macroeconomic policies are supportive, particularly monetary policies targeting a return to growth and the stabilisation of exchange rates. Some Asian central banks appear to be committed to preventing the USD from depreciating sharply. This configuration of policies might lead to a simultaneous recovery in domestic demand in the major economies, that would spill over into a greater boost to international trade.

Graph 2.15: **Monetary conditions in the euro area**



In the euro area, the policy mix is also conducive to growth, with low real interest rates by historical standards and ample liquidity. If the opportunity is taken against this favourable background to carry out additional structural reforms in Europe, a boost confidence in the short run can be expected together with higher potential growth in the medium-term. This combination of positive factors could trigger a release of pent-up demand and a decline in saving rates, which are currently above their long-term average.

3. Weak labour market prospects

3.1. A less resilient labour market

Labour market adjustment has recently intensified

From the initial phase of the slow growth period up to mid-2002, employment held up quite well and the rise in the unemployment rate remained limited. This was due mainly to the relative stability of employment in the services sector, which is the largest employer. At the same time, increased flexibility of work organisation has allowed for some reduction in working hours and for more flexible labour contract arrangements rather than job losses. Initially, since the downturn was expected to be milder than that which has materialised, some labour hoarding may have also played a role, particularly in Member States with relatively high levels of employment protection. Nevertheless, this conclusion is still tentative since, according to available evidence, employment reacted broadly in line with economic activity and wages.

From mid-2002 to date, the labour market has been less resilient. As the downturn became more protracted and perception of its length altered, firms accelerated labour cutbacks to adjust their balance sheets and restore profitability. This is in contrast to the beginning of the slow growth period, when the adjustment was mainly achieved through cutting capital spending. Employment growth has come to a standstill since the second half of 2002. Year-on-year growth, which peaked at over 2% in 2000, fell to 0% in the first two quarters of 2003. Quarter-on-quarter growth was also 0%, the same rate as that recorded in the second half of last year. Following the marked slowdown in growth over the past two years and paralleling the weakening employment performance, labour shedding has intensified. The harmonised unemployment rate in the euro area has gradually increased from 8% in August 2001 to 8.8% in August 2003.

A breakdown of employment developments by sector of activity shows that, while manufacturing and construction have continued to lose jobs over the past two years, employment growth in the service sector has remained positive so far, despite subdued economic activity. Year-on-year, employment in manufacturing and construction has been contracting since the beginning of 2001 and was down also in the second quarter of this year, by 1.5% and 0.4% respectively. In contrast, employment has increased by 0.7% in the services sector, which has remained the most dynamic sector of the economy for employment performance. The services sector has been less severely hit by the economic downturn compared to the industrial sector, partly because of the former sectors' limited exposure to international competition. However, the speed of growth has also been decelerating in the services sector since the third quarter of 2000, when it peaked at 3.1% (year-on-year).

Table 2.7

Sectoral employment growth in the euro area

(year-on-year percentage change)

	2000	2002	02Q2	02Q3	02Q4	03Q1	03Q2
Whole economy	2.2	0.4	0.5	0.3	0.1	0.0	0.0
Agriculture	-1.6	-2.2	-2.0	-2.0	-1.9	-2.3	-2.3
Industry	0.9	-1.2	-1.2	-1.3	-1.7	-1.8	-2.0
- excl. constr.	0.5	-1.3	-1.1	-1.3	-1.6	-1.6	-1.5
- Constr.	1.9	-1.1	-0.9	-1.3	-1.3	-1.1	-0.4
Services	3.0	1.2	1.3	1.1	0.9	0.7	0.7

3.2. A delayed labour market rebound

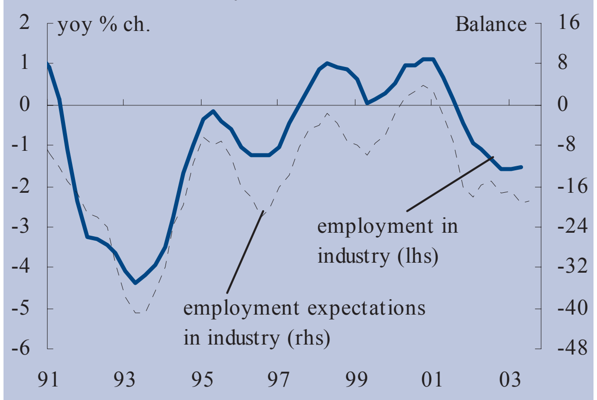
Limited employment growth in 2004

Economic activity practically stagnated in the first half of 2003, while growth was mildly positive in the second half of the previous year. At the same time, employment has remained broadly constant during the first half of 2003, which implies stagnating productivity. Productivity is not expected to gain strength before the beginning of 2004. Short-term prospects for employment are expected to remain sluggish, since labour market developments always lag behind economic growth trends. Further progress in productivity is necessary to maintain profitability, competitiveness and, finally, job creation through higher investment. Furthermore, despite the progress made in restoring corporate balance sheets and better financial conditions compared to last spring, the balance sheet adjustment is unlikely to have fully run its course.

The need for firms to focus on cost reductions would therefore imply a continuation of the slow rise of employment in the coming months, together with the prospects of a mild recovery.

The sluggish short-term prospects for employment are supported by developments in recent business surveys. Since the publication of the Commission Spring Forecasts, employment expectations have continued to anticipate weak labour market developments, particularly in manufacturing and construction.

Graph 2.16: **Employment and employment expectations in industry in the euro area**



Source: Commission services

According to the European Commission Business and Consumer Survey, employment expectations in both manufacturing and construction remained broadly unchanged in the third quarter of 2003. However, expectations were below the average level recorded in the first half of the year, thus indicating a deterioration in employment prospects. On the other hand, employment expectations in the services sector and retail trade have been improving modestly since April. Although less negative than in other sectors of the economy, they are still indicating weak employment prospects.

For the year 2003, employment in the euro area is estimated to contract marginally by 0.2% in 2003 and to remain flat in the EU as a whole, after growing by a modest 0.5% in 2002 in both regions. These developments are in sharp contrast to the performance of the euro area labour market in the second half of the 1990s. During that period, employment grew at a respectable pace of 1.4% on average each year and more than 8 million jobs were created.

Graph 2.17: **Employment and employment expectations in services in the euro area**

Source: Commission services

In 2003, employment developments are expected to differ across Member States. Net job creation is anticipated for Greece (1.0%), Spain (1.7%), Ireland and Italy (0.8%), Luxembourg (1.7%), and, outside the euro area, in the UK (0.7%). In contrast, employment is expected to contract in Belgium and Finland (-0.2%), Germany (-1.5%), France (-0.2%), the Netherlands (-1.1%), Portugal (-1.0%) and, outside the euro area, in Denmark (-0.6%) and Sweden (-0.2%).

The unemployment rate is projected to rise to 8.9% in the euro area and to 8.1% in the EU as a whole, about 0.5 pps higher than in 2002. Within the euro area, the unemployment rate is not expected to worsen in Spain and should even decline in Greece and Italy, but is forecast to remain close to or above the euro area average in all these countries. Outside the euro area, the unemployment rate is projected to remain unchanged in the UK.

Table 2.8

Labour market outlook - euro area

(Annual percentage change)				Autumn 2003			Difference with Spring 2003	
	1991-95	**1996-00**	**2002**	**2003**	**2004**	**2005**	**2003**	**2004**
Population in working age (15-64)	0.4	0.2	0.3	0.3	0.2	0.2	0.0	0.0
Labour force	0.3	1.1	1.0	0.5	0.5	0.7	-0.1	-0.2
Employment	-0.1	1.4	0.5	-0.2	0.3	0.8	-0.6	-0.7
Employment (change in million)	-2.5	8.4	0.6	-0.2	0.3	1.1	-0.7	-1.0
Unemployment (levels in millions)	12.5	13.3	11.7	12.4	12.7	12.6	0.7	1.4
Unemployment rate (% of labour force)	9.6	9.9	8.4	8.9	9.1	8.9	0.6	1.1
Labour productivity, whole economy	1.7	1.2	0.4	0.6	1.5	1.4	-0.8	-0.1
Employment rate (a)	58.6	59.5	62.2	62.0	62.0	62.5	0.6	0.1
p.m. Employment EU-15	-0.4	1.4	0.4	0.0	0.3	0.8	-0.4	-0.6

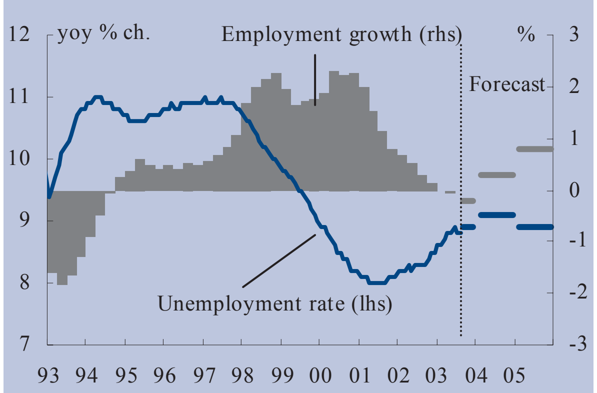
(a) As a percentage of population in working age. Definition according to structural indicators.

Employment growth is expected to remain subdued in the first part of 2004 and to show healthier signs of improvement in subsequent quarters, as the labour market benefits from the strengthening of the recovery. Overall, however, labour market conditions are forecast to remain weak also in 2004, because the low overhang from the previous year weighs on the annual average. For the year as a whole, employment is estimated to increase by a meagre 0.3% in 2004 both in the euro area and the EU. This would translate into net job creation of about 0.3 million new jobs in the euro area (and more than 0.5 million new jobs in the EU). As real GDP is forecast to grow by 1.8%, the above figures would also imply an increase in labour productivity of 1.5% vis-à-vis 0.6% in 2003.

The weakness of the labour market in 2004 will be reflected in the evolution of the employment rate. The latter, defined as the share of employed persons aged 15-64 in the total population of the same age group, is estimated at 62% in 2003 in the euro area and is forecast to remain broadly unchanged in 2004. As a consequence of low job creation and a relatively stronger increase in labour supply, unemployment is set to rise both this year and the next. Total unemployment in 2003 is estimated at 12.4 million persons in the euro area and about 14.5 million in the EU and is projected to increase by about 0.3 million in 2004 in both regions. The labour force participation is expected to rise by about 0.7 million persons in the euro area and almost 0.9 million in the EU. This translates into a deterioration of the unemployment rate, which is forecast to rise by 2 pps in both regions, to 9.1% and 8.3%, respectively.

The projected acceleration of economic activity during 2004 and the continuation of buoyant growth during the following year are expected to a have beneficial impact on the labour market in 2005. Employment is projected

Graph 2.18: **Employment growth and unemployment rate in the euro area**



Source: Commission services

to increase by 0.8% in both 2005 in the euro area and the EU as a whole. At the same time, the more limited increase in labour supply from an annual growth rate of 0.5% in 2004 to 0.7% in 2005 would imply a marginally lower unemployment rate, which is estimated to decline to 9% in the euro area and 8.1% in the EU. The employment rate in the euro area should rise to 62.5%.

Within the overall figures, however, there is a wide range of labour market performances. Employment rates range from high levels in Denmark, the Netherlands, Sweden, the UK to very low levels in Greece, Spain and Italy. Variations are expected to remain wide also in unemployment rates, which are forecast to range from around 4-5% in countries like Denmark, Ireland, Austria Luxembourg and the UK to around 9-10% in Germany, Greece, Spain, France, Italy and Finland.

Limited progress towards employment rate targets

Under the Lisbon Agenda (2001), an overall employment target of 70% by 2010 was established for the European Union, to which an intermediate target of 67% by 2005 was later added at the Stockholm Spring Council in 2001. On the basis of the Autumn 2003 Commission Forecasts, the employment rate in 2005 would remain below the agreed Stockholm target in the European Union. However, significant progress has been made in recent years. The employment rate rose by about 4 pps between 1995 and 2001, from just above 60% to about 64% in the EU and from about 58% to 62% in the euro area. The employment rate is estimated to reach 64.4% in the EU and 62.5% in the euro area at the end of the forecast period, making further progress towards the Stockholm target, despite subdued economic activity in recent years.

Although the employment targets are overall and not for individual countries, the aggregate outcome hides the labour market performances in the fifteen Member States. Some Member States (Denmark, the Netherlands, Austria Portugal, Finland, Sweden and the UK) had employment rates higher than 67% of the working population already in 2001 and are expected to remain above that threshold also in 2005. Outside this group of countries, employment is estimated to have increased relatively more strongly in Spain, Italy and Luxembourg. Looking in detail at the euro area Member States figures, we also find that the four largest euro-area countries (Germany, France, Italy and Spain) would not reach the Stockholm target by 2005. In Germany, the Netherlands, Portugal and, outside the euro area, in Sweden and Denmark, employment should contract between 2001 and 2005.

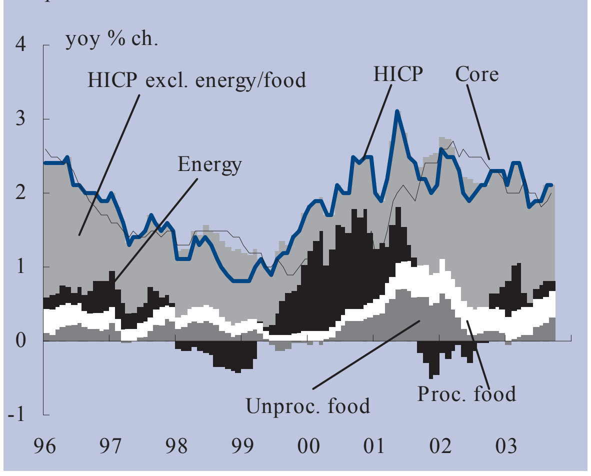
4. Slow improvement of inflation prospects

4.1 Recent inflation developments

Headline inflation underpinned by temporary factors in 2003

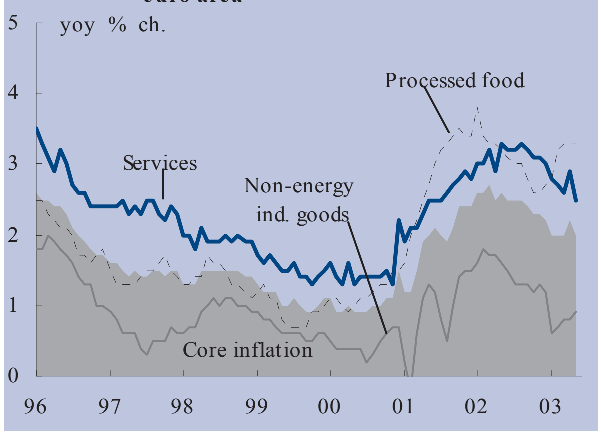
Headline inflation in the euro area has been on an upward trend from mid-2002 to the first quarter of 2003. The annual rate of inflation peaked at 2.4% in March 2003 compared to 1.9% in June of last year, mainly reflecting the upward pressure of the energy component of consumer prices as well as some base effects. Headline inflation eased somewhat in July to just below the ECB objective of "an inflation rate close to 2% over the medium term" but rose again to 2.1% in August and September.

Graph 2.19: **Contributions to euro area HICP inflation**



The resilience of headline inflation over the summer was driven by a number of temporary factors: the pass-through of increases in oil prices to the energy component of consumer price inflation delayed the unwinding that had been expected in Spring; inclement weather conditions throughout Europe exerted an upward pressure on food prices and some rises in indirect taxes also boosted headline inflation. Over the coming months, there is also a risk of a further increase in unprocessed food prices following the damage to crops caused by weather conditions during the summer. While these factors are underpinning inflation in the short run, they are not expected to have a long run impact on price developments. Overall, headline inflation is projected at 2.1% both in the fourth quarter of 2003 and for the year as a whole.

Graph 2.20: **Components of core inflation in the euro area**



Modest deceleration of core inflation

A main feature of inflation developments during the second half of last year and the first quarter of 2003 has been the divergence between headline and core inflation (defined as headline inflation excluding the volatile components of energy and unprocessed food). Core inflation fell from 2.6% in June 2002 to about 2% in the first quarter of this year. In January, for the first time in sixteen months, core inflation was below headline inflation. The downward trend in core inflation has benefited from a decline in services inflation, which diminished to 2.6% in March 2003 compared to 3.2% in June 2002. Core inflation eased more modestly in the following two quarters. It even accelerated slightly between February and April 2003, before declining again in the following months to stand at 2% in September. Here again, special factors, in particular the hike in tobacco taxes, contributed to the stickiness of core inflation. Excluding the impact of tobacco taxes, core inflation was down to 1.8% in September 2003, compared to 2.1% in December 2002 and 2.3% one year before.

The decomposition of core inflation into its main components - services, non-energy industrial goods and processed food – reveals that the downward trend is driven mainly by inflation in services and to a lesser extent in manufacturing goods.

Of particular importance for the deceleration of core inflation is the improvement of service inflation, which has been one of the most sluggish components of core inflation for most of 2002. Since the beginning of 2003, services inflation has been declining but the annual rate of price increase remains high: inflation in services was 2.5% in September 2003, down from 3.0% in December 2002. Since services represent almost 40% of the HICP basket, a continuation of this declining trend would make a significant contribution to an improvement of the underlying picture for overall inflation.

Manufacturing goods inflation is also contributing to the decline in core inflation, since strong competition in the tradeable goods sector, in an economic environment characterised by subdued growth, puts downward pressure on profit margins and prices. Manufacturing good inflation was only 0.6% in September 2003 and, despite a recent up-tick, it has been on a downward trend since the beginning of the slowdown.

In contrast, processed food inflation has remained relatively sticky during 2003 as a consequence of the pass-through effects of weather-related price spikes for fresh food. Processed food inflation was still 3.1% in September 2003, not significantly different from one year before.

Two important factors, which prevent a more marked decline in core inflation, are sluggish productivity growth and the slowness of the pass-through of the effect of the appreciation of the euro into domestic prices. With growth in labour compensation slightly up to 2.7% year-on-year and slow productivity gains, the first quarter of 2003 has seen an edging upwards of growth in unit labour costs by 1.8%, against 1.4% in the last quarter of 2002. As to the appreciation of the euro, import prices in the second quarter of 2003 were only 1.6% lower than a year before. Over the same period, the euro effective exchange rate appreciated by 15% (based on quarterly averages). The relatively slow pass-through of the euro appreciation to domestic prices is confirmed by an analysis of monthly import prices for manufactured goods. In June 2003, manufactured import prices were only 8% lower than a year before. Over the same period, the euro effective exchange rate had appreciated by 16%. These data suggest that the impact of the appreciation of the euro on import prices has not been fully reflected in domestic prices at this juncture.

4.2 A better inflation outlook in the medium term

Headline inflation is forecast to remain stubbornly high in the short-run. It is expected to average 2.0% in 2004, easing below that level only in the last quarter of the year. The resilience of headline inflation mainly reflects sluggish productivity growth, stemming from a mild recovery and the pass-through effects of past weather-related price spikes for food and oil prices.

Notwithstanding the short-term effects of temporary price shocks, the medium term forecasts for price developments remain favourable. The inflation rate is projected to slow down to 1.7% in 2005.

Several factors, both domestic and external, are expected to provide positive contributions to the improved inflation outlook. These include the fact that core inflation is expected to continue to decline, albeit at a slow pace, as a result of a sizeable output gap and lower imported inflation. At the same time, overall economic conditions are expected to be conducive to moderate wage developments and an improvement in unit labour costs. Headline inflation should benefit from more moderate oil price developments, compared to the

Table 2.9

Inflation outlook - euro area

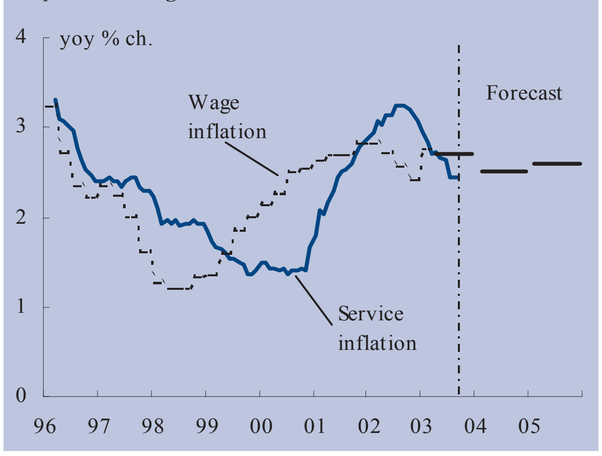
(Annual percentage change)				Autumn 2003			Difference with Spring 2003	
	2000	2001	2002	2003	2004	2005	2003	2004
Private consumption deflator	2.2	2.3	2.3	2.0	2.0	1.7	0.1	0.3
GDP deflator	1.4	2.4	2.4	2.1	2.0	1.6	0.1	0.3
HICP	2.1	2.4	2.3	2.1	2.0	1.7	0.0	0.3
Compensation per employee	2.8	2.9	2.7	2.7	2.5	2.6	-0.1	-0.3
Unit labour costs	1.4	2.6	2.3	2.1	1.0	1.1	0.4	-0.1
Import prices of goods	9.6	0.3	-2.5	-1.5	-0.2	1.1	0.4	-0.7
p.m. HICP EU-15	1.9	2.2	2.1	2.0	1.9	1.7	-0.1	0.2

recent past, and from the positive impact of the past euro appreciation on domestic prices. On top of this, producer and consumer inflation expectations point towards declining price trends, despite some short-term volatility.

Growth in the euro area is expected to pick-up in the second half of 2003 and to strengthen over the forecast horizon. However, the level of economic activity is forecast to remain well below potential as the output gap is estimated at about –1.2% of GDP in 2003 and to remain approximately unchanged at that level also in 2005, after having widened to 1.4% in 2004. This should keep inflation pressures low.

Growth in compensation per employee is forecast at 2.7% this year and at around 2.5% in 2004 and 2005. This translates into a deceleration of wage increases over the forecast horizon compared to the recent past. These moderate wage developments, combined with increasing labour productivity from 0.6% growth in 2003 to about 1.5% in 2004 and 2005, results in lower unit labour cost growth, which is estimated to decelerate from 2.1% in 2003 to around 1% in both 2004 and 2005. Moderate wage growth will also help to further dampen services inflation as wages account for a higher share of costs in services than in goods.

Graph 2.21: **Wage and service inflation in the euro area**



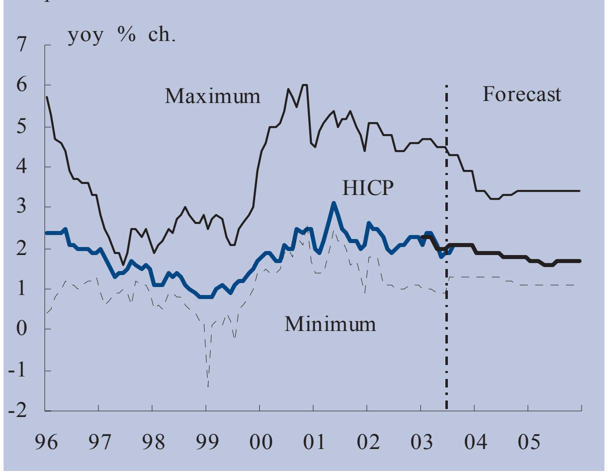
External price pressures are also expected to remain favorable over the forecast horizon. This reflects the projected decline in oil prices and the delayed effects of the euro appreciation. After falling significantly in the aftermath of the Iraq war, oil prices have picked up again mainly as a consequence of a number of supply-side factors (difficulty in restoring Iraq's oil production, political uncertainties in Venezuela and Argentina, strike in Nigeria, low stock levels in the USA). However, the oil supply is expected to recover next year and prices moderate as a result. Oil prices are projected to decline from an average level of 28.3 USD/bl. in 2003 to 25.6 USD/bl. next year and to 24.1 USD/bl. in 2005. This will help to bring down headline inflation, although there are always significant uncertainties attached to oil price projections.

The appreciation of the euro is also expected to have a positive effect on price developments. In 2003 the euro-dollar exchange rate is assumed to be 1.13 USD/EUR, which means a nominal appreciation of more than 20% compared to the average exchange rate of 0.92 USD/EUR recorded in the previous three years. The euro-dollar exchange rate is assumed to be 1.16 USD/EUR in 2004 and 1.15 USD/EUR in 2005. The nominal effective exchange rate of the euro (against main industrialized countries and accession countries) is estimated to appreciate by more than 11% in 2003 and to remain broadly unchanged at that level in 2004 and 2005. The effect of the euro appreciation is expected to reduce import prices this year and to lesser extent also in 2004, thereby having a positive effect on consumer price inflation particularly in 2004. The euro appreciation should also have an adverse effect on exporters' profit margins as exporters squeeze mark-ups to avoid market share losses. Export prices are projected to decline by 0.9% in 2003, before recovering somewhat in 2004 and increasing by about 1% in 2005.

Inflation differentials remain wide

Inflation rates among Member States differ substantially. In 2004, headline inflation is expected to decelerate in most countries but not in Belgium, Germany, Greece, Austria and the UK. In the three largest economies of the euro area, inflation rates for

Graph 2.22: **Inflation differentials in the euro area**



2004 range from 1.6% in Germany to 1.8% in France and 2.3% in Italy, despite less pronounced growth differentials. Inflation forecasts are higher in some other Member States, for example 2.8% in Spain, 3.7% in Greece, 3.4% in Ireland, partly because of stronger current and past growth rates.

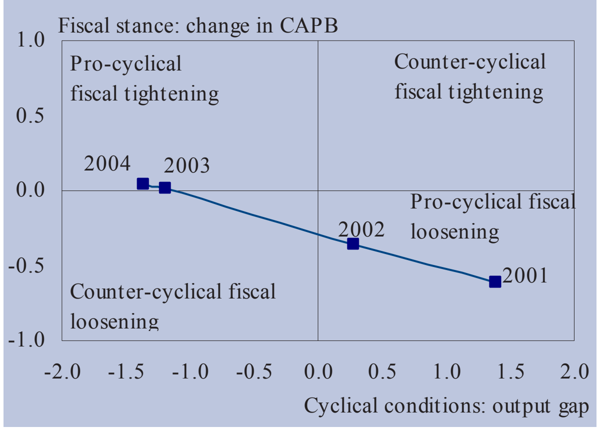
The lowest rate of inflation is forecast for Finland (1.0%) and the highest rate for Greece (3.7%). Five euro-area Member States are expected to have an inflation rate above the 2.0% ceiling in 2004: Greece, Spain, Ireland, Italy and Portugal (2.2%). In 2005, the highest price increases are anticipated again for Greece (3.3%), Spain (2.6%), Ireland (2.8%) and Portugal (2.3%). For the remaining countries, including non-euro area Member States, an inflation rate of 2.0% or less is projected.

5. Public finances: general deterioration with some Member States exceeding the 3% reference value

General government deficits widen

For 2003, the general government balance is expected to reach a deficit of 2.8% of GDP in the euro area, compared to 2.2% in 2002. This will be the highest deficit for the euro area since 1996, when the recorded deficit was 4.3% of GDP. In 2003, among the fifteen Member States, only five countries will have general government positions of close to balance or in surplus. These are Belgium, Finland, Denmark, Sweden and Spain. In the forecast years, no other country in the European Union, is expected to join this group, according to the Autumn forecasts. The expected deficits in two euro area countries, namely Germany and France, will exceed 3% of GDP in 2003, while Portugal is set to join this group in 2004.

Graph 2.23 : **Euro area fiscal stance and cyclical conditions**



This situation implies an upward revision compared to a deficit forecast of 2.5% of GDP for the euro area in the Commission Spring Forecasts. The revisions in the general government positions are particularly important in the case of the Netherlands (up by one percentage point), Germany (0.8 pps) and France (0.5 pps). The main downward revision to the deficit concerns Portugal, for which the deficit is projected to represent 2.9% of GDP, compared to 3.5% of GDP in the Spring forecast.

In 2004, a slight improvement is expected for the euro area, with the general government deficit falling marginally to 2.7% of GDP. In 2005, the deficit of the euro area is expected to remain stable in terms of GDP. This is mainly a result of the expected acceleration in GDP growth, since the forecast for 2005 is carried out on the basis of a « no-policy change » assumption.

Composition of government accounts

Total revenues as a percent of GDP are expected to decrease in the euro area over the forecast period. From 46.1% of GDP in 2002, revenues are forecast to remain broadly unchanged in 2003, before decreasing to 45.7% of GDP and 45.4% of GDP in 2004 and 2005, respectively. This is a generalised movement across Member States.

Total expenditure of the general government is expected to increase from 48.3% of GDP in 2002 to 49% of GDP in 2003. This is partially due to higher unemployment-related expenditure, as the slowdown in economic activity is leading to a rising unemployment rate. In 2004 and 2005, total expenditure is expected to decline somewhat in terms of GDP, reaching 48.4% and 48%, respectively, in these two years.

Over the forecast period, budget balances will benefit from slightly lower interest expenditure. Interest spending will fall from 3.6% of GDP in 2003 to 3.4% of GDP in both 2004 and 2005 in the euro area. Interest expenditure makes a slightly positive contribution to the change in actual balances during the forecast years.

The effect of the cycle and policy reactions

For the euro area as a whole, the economic slowdown is the main factor responsible for the deterioration of public finances in 2003. However, in some Member States, there have been slippages in budgetary policies.

The change in the actual balance for the euro area in 2003 shows a deterioration of 0.6 of a percentage point of GDP, compared to 2002. The cyclical component accounts for 0.7 of a percentage point. In 2004, the contribution of the cycle to the expected marginal improvement in the actual balance is again negative but only by 0.1 of a percentage point. In 2004, since actual output may grow at a rate very close to potential, the cyclical effect on the budget balance should be neutral.

Budgetary policy in the euro area remained broadly neutral in 2003, as measured by the change in the cyclically adjusted primary balance (CAPB), which reached 1.2% of GDP, compared to 1.3% of GDP in 2002. However, there are considerable differences at the country level. The overall budgetary stance in the euro area is expected to be broadly unchanged next year.

The debt situation

Several Member States are experiencing an increase in their debt to GDP ratio. Consequently, for the euro area as a whole, the debt ratio is expected to increase in 2003 for the first time in many years, when it will reach 70.4% of GDP. This is mainly the result of increases in the debt ratio in three countries: France, where the increase compared to 2002 is approximately four percentage points, bringing the ratio to 62.6% of GDP; Germany, where the debt to GDP ratio climbs to 63.8% (up by 3 percentage points); the Netherlands (up by 2.2 pps; debt/GDP at 54.6%).

In 2003, all three high debt countries, namely Belgium, Greece and Italy, will continue with debt/GDP ratios above 100% for one more year, although the ratios will be on a declining path. In 2004, the debt to GDP ratio is expected to decline further in Greece and Belgium, falling below 100% for the first time since the early 1990's in Greece. In Belgium, the debt ratio is projected to fall below this mark in 2005 for the first time in two decades. On the other hand, the Italian debt situation is expected to remain broadly unchanged in 2004-2005, leaving the debt/GDP ratio at approximately 106%.

Excessive deficits in France and Germany in 2003 and risks in other countries

Like most other countries in the euro area, these two countries entered EMU with relatively high deficits, but they have failed to make progress towards the medium-term objective of close-to-balance or in surplus, in particular during periods of strong expansion. Recent experience shows that the budgetary situation can deteriorate suddenly, raising the question of how to adjust in a situation of an unexpected downturn in economic activity or protracted sluggish growth. The deficit rose above 3% of GDP in Portugal in 2001, and above this reference value in France and Germany in 2002. In 2003, increased deficits are projected for

Table 2.10

General government budgetary position - euro area

(% of GDP)				Autumn 2003			Difference with Spring 2003	
	2000	2001	2002	2003	2004	2005	2003	2004
Total receipts (1)	47.2	46.5	46.1	46.2	45.7	45.4	0.1	-0.2
Total expenditure (2)	47.1	48.1	48.3	49.0	48.4	48.0	0.4	0.1
Actual balance (3) = (1)-(2)	0.2	-1.6	-2.2	-2.8	-2.7	-2.7	-0.3	-0.3
Interest (4)	4.1	4.0	3.6	3.6	3.4	3.4	0.0	-0.1
Primary balance (5) = (3)+(4)	4.2	2.3	1.4	0.7	0.7	0.8	-0.4	-0.4
UMTS	1.1	0.0	0.0	0.0	0.0	0.6	0.0	0.0
Cyclically adjusted balance (6)	-1.9	-2.3	-2.4	-2.3	-2.2	-2.2	-0.3	-0.2
Cyclically adj. prim. balance = (6)+(4)	2.2	1.6	1.3	1.2	1.3	1.2	-0.4	-0.2
Change in actual balance :	1.5	-1.8	-0.6	-0.6	0.1	0.0	-0.3	0.0
Due to - Cycle	0.6	-0.3	-0.5	-0.7	-0.1	0.1	-0.2	-0.2
- UMTS	1.1	-1.1	0.0	0.0	0.0	0.6	0.0	0.0
- Interest	0.2	0.1	0.4	0.0	0.2	0.0	-0.1	0.1
- Cycl. adj. primary balance	-0.4	-0.6	-0.3	-0.1	0.1	-0.1	-0.2	0.2
Gross debt	70.2	69.2	69.0	70.4	70.7	70.7	0.5	1.1
p.m. Actual balance EU-15	1.0	-0.9	-1.9	-2.7	-2.6	-2.4	-0.4	-0.4
p.m. Primary balance EU-15	4.8	2.7	1.4	0.6	0.5	0.7	-0.3	-0.5
p.m. Cycl. adj. prim. balance EU-15	2.6	2.0	1.3	1.1	1.1	1.2	-0.4	-0.3

Note : Total expenditure, actual and primary balances include UMTS, while cyclically adjusted figures exclude UMTS proceeds.

France and Germany, exceeding the 3% level by a large margin.

Among the high deficit countries, based on information available in late October, only France is expected to make a structural effort of at least 0.5% of GDP in 2004, although the cyclically adjusted deficit is forecast to remain high next year at 3.3% of GDP.

In Germany, the deficit for 2003 is expected to reach 4.2% of GDP, with only a marginal decline to 3.9% in 2004. This is, however, in the absence of any measures that may be taken in accordance to the 2004 budget, which is still under discussion and will be adopted only in December or even later. The cyclically-adjusted deficit is expected to increase by 0.1 pps in 2003. Between 2003 and 2004, the cyclically adjusted deficit will decline by 0.2 pps, reaching 3.3% of GDP, according to the forecasts.

In Portugal, the deficit is expected to increase to 2.9% of GDP in 2003, compared to 2.7% of GDP in 2002. However, this is the result of large one-off operations, which compensate for the heavy loss in revenues due to the significant slowdown. The forecast deficit is expected to increase in the following years to above the 3% reference value, at 3.3% of GDP and 3.9% of GDP in 2004 and 2005 respectively.

Besides the three countries currently in excessive deficit, the budgetary situation is showing worrying signs of deterioration also in other euro area countries, notably Italy, Greece and the Netherlands. In Italy, despite large one-off measures, the deficit is expected to reach 2.6% of GDP in 2003. Furthermore, the reduction in the debt to GDP ratio seems to have stalled somewhat, with the debt ratio falling slightly to 106.4% of GDP in 2003.

In Greece, the deficit is set to widen by half a percentage point in 2003 reaching 1.7% of GDP, while a significant deterioration is expected in 2004, bringing the deficit to 2.4% of GDP. More importantly, the Greek deficit is widening in cyclically adjusted terms by 0.7 pps in 2003 and 0.9 pps in 2004, and is projected to remain close to the actual deficit.

In the Netherlands, the deterioration in the general government balances has been rapid. From a comfortable surplus of 2.2% of GDP in 2000, a deficit of 1.6% of GDP was recorded in 2002, while the expected deficit for the current year is estimated at 2.6% of GDP. This development reflects, to a certain extent, the operation of automatic stabilisers in the context of a sudden weakening of economic activity. In 2004, the deficit may reach 2.7% of GDP. However, in cyclically-adjusted terms, the Dutch deficit is estimated to have declined by about 3/4 of a percentage point in 2003 and its cyclically-adjusted balance (CAB) is expected to decline by 0.6 pps in 2004, reflecting the strong adjustment measures enacted by the new government.

Chapter 3
Member States

1. Belgium

Little hard evidence of economic recovery

Economic situation

Although weak, a recovery seemed to be on its way in Belgium in 2002, but in the fourth quarter real GDP growth began to slow down and in the second quarter 2003 it became negative. A tentative recovery is assumed to begin in the second half of 2003, which is expected to strengthen in 2004 and 2005. The assumption of a recovery has some support from latest developments in the business and consumer surveys in Belgium, alongside the signs for the global economy, though less from hard data. In this scenario, compared to the Spring forecasts, real GDP growth has been revised downwards from 1.2% to 0.8% in 2003 and from 2.3% to 1.8% in 2004.

GDP components

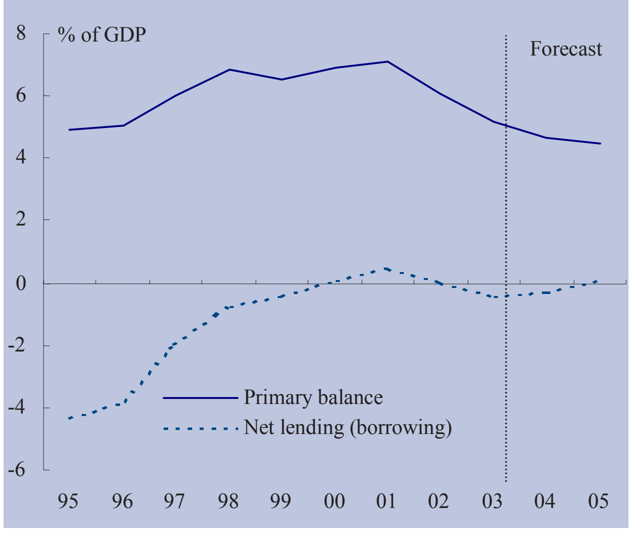
In 2002, both gross fixed investment and net exports contributed negatively to growth, whereas private and public consumption offered small but positive contributions.

In 2003, real GDP is driven entirely by domestic demand, as external demand will remain weak for some time. Due to subdued external demand and the appreciation of the euro, the first quarter reported a decrease in exports by 1.8% quarter on quarter; exports continued to decrease in the second quarter but not that sharply. Real disposable income of households is expected to increase slightly less in 2003 than in 2002. However, private consumption was very strong in the first two quarters and some positive signals from the consumer survey during the summer support the view that private consumption might be stronger on yearly average in 2003 than in 2002. Unless private consumption falls considerably in the second half of 2003, this should result in a notable decline in households' savings rate. Private investment was weak in the first half of 2003 and taking into account subdued external demand and a high rate of capacity utilisation, investment is expected to remain weak for the rest of the year.

Activity in the coming two years is projected to be also driven by external demand. Following the recovery in neighbouring countries, exports should start to increase in Belgium, despite the appreciation of the euro. Imports are closely linked to exports in Belgium, and the contribution from net exports will therefore be moderate.

The decline in the households' savings rate in 2003 seems somewhat unwarranted in the light of the labour market situation; the decline is assumed to slow down in 2004, consistent with private consumption increasing at about the same pace as in 2003. In 2005, the increase in disposable income will decelerate somewhat, but the overall improved economic situation might result in further reduction in the households' saving rate and private consumption should then accelerate again.

Graph 3.1: **Belgium - Public Finances**



Labour market

A downward trend has characterised employment since mid 2001 and the unemployment rate has risen from 6½% to about 8% in mid 2003. However, during the last months, the unemployment rate has been relatively stable, which might indicate a turning point. Although not a fully reliable indicator, but in line with the developments in the unemployment rate, the number of job offers indicates a possible forthcoming increase in employment. Given this and a slow upturn in economic activity, employment is foreseen to rise in the second half of 2003. Employment is then expected to strengthen further in 2004 and 2005 as a result of economic growth and the government's commitment to support job creation. However, growth in employment will not be immediately translated into a lower unemployment rate. After a 1 percentage point of increase in 2003, the unemployment rate is calculated to stabilise in 2004. Its decline in 2005 is foreseen to be slow.

Wages and inflation

In January 2003, a two-year wage agreement for the private sector was signed, fixing a norm of total wage increases to 5.4%. An increase of about 2% is expected to materialise in 2003, followed by some 3% in 2004. Wage negotiations for 2005 will be influenced by the likely improvement in the employment situation and by reductions in the social security contributions, but the still high unemployment rate might entail some moderation. Wages are therefore expected to increase at about the same rate in 2005 as in 2004. Moderate wage increases, reduced social security contributions and lower oil prices will allow inflation to remain between 1½ and 2% during the forecast period.

Public finances

Belgium reached government surpluses in 2000 and 2001 and a budget close to balance in 2002. The budget is expected to turn into a small surplus again in 2003, despite a deteriorating economic environment. However, the surplus is due to a one-off operation: the transfer of the Belgacom pension fund to the government. This operation, approximately 1.4% of GDP in 2003 and 0.5% of GDP in 2004, has been treated as deficit-reducing. Eurostat is investigating whether this accounting treatment is appropriate and whether this operation is covered by their decision of 21 October 2003 on lump-sum payments in relation to unfunded pension schemes. Hence the treatment as deficit reducing is of purely technical nature not prejudging in any way the final outcome of the investigation by Eurostat.

The government balance is expected to turn into a deficit in 2004 and 2005. However, this does not reflect a deterioration of the government balance when excluding the Belgacom operation: the underlying deficit tends to decline under the influence of low interest rates and an improvement of the business cycle. The cyclically adjusted primary surplus is projected to be reduced from 5.3% of GDP in 2003, to 4.5% of GDP in 2005. Government gross debt is foreseen to decrease continuously as a percentage of GDP but not fall below 100% until 2005.

Table 3.1

Main features of country forecast - BELGIUM

		2002		Annual percentage change						
		bn Euro Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		260.0	100.0	2.0	3.8	0.6	0.7	0.8	1.8	2.3
Private consumption		141.5	54.4	2.0	3.2	0.7	0.8	1.6	1.6	2.2
Public consumption		58.1	22.3	1.3	2.7	2.7	2.0	1.7	2.0	1.8
GFCF		51.6	19.8	1.9	4.4	0.3	-2.5	-0.3	2.0	3.6
of which : equipment		23.8	9.2	-	5.0	0.6	-2.7	-0.5	2.0	4.0
Change in stocks as % of GDP		-0.6	-0.2	0.1	0.1	-0.1	0.1	0.1	0.2	0.2
Exports (goods and services)		218.0	83.9	4.5	8.4	1.3	1.0	-1.1	2.2	4.2
Final demand		468.6	180.2	2.8	5.9	0.8	0.9	-0.1	2.0	3.2
Imports (goods and services)		208.5	80.2	4.1	8.5	1.1	1.2	-1.1	2.3	4.4
GNI at constant prices (GDP deflator)		266.0	102.3	2.1	3.7	0.4	0.8	-0.1	1.8	2.4
Contribution to GDP growth :	Domestic demand			1.7	3.2	1.0	0.1	1.2	1.7	2.3
	Stockbuilding			0.0	0.1	-0.2	0.2	-0.3	0.1	0.0
	Foreign balance			0.4	0.4	0.2	0.0	-0.1	0.0	0.0
Employment				0.4	1.9	1.5	-0.3	-0.2	0.5	1.0
Unemployment (a)				9.1	6.9	6.7	7.3	8.2	8.3	7.8
Compensation of employees/head				4.4	2.1	3.6	4.3	2.2	3.0	3.0
Unit labour costs				2.8	0.2	4.5	3.2	1.1	1.7	1.7
Real unit labour costs				-0.5	-1.0	2.6	1.5	-0.3	0.6	0.3
Savings rate of households (b)				-	-	15.4	16.2	15.8	15.7	14.7
GDP deflator				3.2	1.2	1.8	1.7	1.4	1.1	1.4
Private consumption deflator				3.1	2.3	2.8	1.4	1.6	1.4	1.8
Harmonised index of consumer prices				-	2.7	2.4	1.6	1.5	1.6	1.9
Trade balance (c)				0.3	2.1	2.6	1.5	1.5	1.7	1.5
Balance on current transactions with ROW (c)				2.3	4.0	4.0	4.5	5.2	4.5	4.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				2.2	3.9	3.9	4.3	5.1	4.4	4.0
General government balance (c) (d) (e)				-6.5	0.2	0.6	0.1	0.2	-0.4	-0.4
General government gross debt (c)				124.1	109.5	108.7	106.1	103.5	101.0	97.8

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001. The UMTS amount as a % of GDP would be : 0.2%.
(e) Including transfers of the Belgacom pension fund (1.4% and 0.5% of GDP in 2003 and 2004). Eurostat is still investigating this operation.

2. Denmark

Out of a relatively mild downturn

The economy in 2003

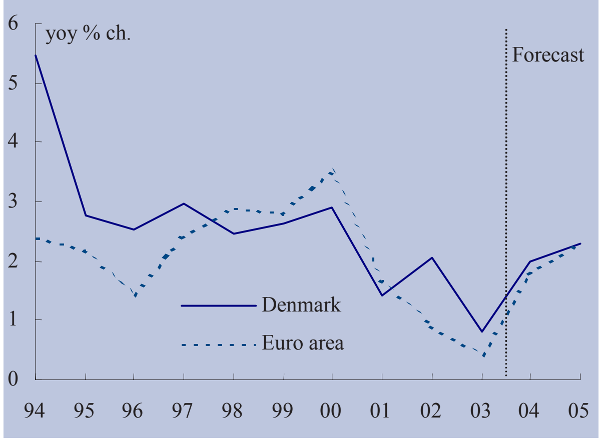
Denmark's economic growth has been rather subdued so far in 2003. In the first half of the year, economic activity weakened, in particular domestic demand. A slight GDP growth in the first quarter was held up largely by stockbuilding, while private consumption was negatively affected by a sharp decline in car sales. In the second quarter, GDP contracted by 0.6%, mainly due to a steep fall in investments, in particular equipment. All in all, the positive contribution from net exports could not compensate for the weak domestic demand in the first half of the year.

Prospects

With industry confidence indicators pointing upwards and with signs of recovery in retail sales and new car registrations, domestic demand should pick up in the second half of 2003. On top of a positive growth contribution from net exports, the recovery of domestic demand should provide for a GDP growth of 0.8% in 2003. In 2004 and 2005, GDP growth is expected to accelerate to 2% and 2¼%, respectively, with growth predominantly driven by domestic demand.

On the whole, Denmark's economy remains sound. Both public finances and the current account feature healthy surpluses throughout the forecast period.

Graph 3.2 : **Denmark - Real GDP growth compared to euro area**



GDP components

Private consumption is expected to pick up in the second half of 2003, on the back of improved prospects and increased confidence. Car sales should rebound after the pronounced fall in the first part of the year. In 2004, in particular, private consumption should be boosted further by a solid growth in real disposable incomes, held up by the income tax cuts as well as by lower inflation. Investments should recover in the second half of the year, albeit falling over the year as a whole. Against the background of increased overall demand, investment growth should then gather strength gradually in 2004 and 2005.

Exports have been resilient, in spite of the appreciation of the *krone* and relatively high wage increases. The benign export developments seem in part to have been due to the favourable composition of Danish export goods, which makes exports less affected by the economic cycle. As global markets are set to expand in the forecast period, Denmark's exports are consequently foreseen to grow less than its export markets, resulting in a loss of market shares. Danish exports of goods are thus expected to grow by 2¾% in 2003, increasing to 4% in 2004 and to some 4¾% in 2005. Imports are foreseen to expand at somewhat higher rates, implying, respectively, a slightly negative and neutral contribution to GDP growth from net exports in the latter two years.

Costs and prices

The inflation rate has come down in the first part of 2003 with falling energy prices. As from October 2003, excise duties on alcohol, tobacco and soft drinks have been reduced. The effects - a reduction of the inflation rate by ¼ percentage point - will mainly show up in 2004. In the forecast period, inflation is set to continue at rates just below 2%, as a result of less inflationary pressure from labour and product markets, increasing marginally only at the end of the period.

Labour market

As the expansion of economic activity is established in 2004, net job creation is set to increase again after a fall in employment in 2003. The unemployment rate is

304978 European Economy

expected to rise through 2003, peaking at 6% of the labour force, and to fall gradually in the rest of the period. Wage growth has decelerated somewhat in 2003and should remain around 3½% in 2004 and 2005.

Public finances

The general government balance recorded a surplus of about 2% of GDP in 2002. The expected modest GDP growth in 2003 will entail lower tax revenues and higher unemployment transfers to households, reducing the surplus to 0.9% of GDP. In 2004, the surplus is set to rise to 1.3% of GDP, due to effects of the increased GDP growth and to the fact that the pension fund yield tax should generate considerably more revenues. However, the increase in the surplus is limited by a reduction of income taxes corresponding to 0.4% of GDP, as part of the tax reform. In 2005, a general government surplus of 1.9% of GDP is foreseen.

The public debt, which stood at 45½% of GDP at the end of 2002, is set to fall below 40% of GDP by 2005.

Table 3.2

Main features of country forecast - DENMARK

		2002		Annual percentage change						
	bn DKK	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		1365.2	100.0	1.9	2.9	1.4	2.1	0.8	2.0	2.3
Private consumption		653.9	47.9	1.5	-1.9	0.4	1.9	1.0	2.9	2.6
Public consumption		358.7	26.3	1.5	1.1	2.1	2.1	0.8	0.7	0.6
GFCF		268.9	19.7	2.8	8.6	2.1	0.3	-2.0	2.9	4.6
of which : equipment		114.3	8.4	4.0	10.8	5.6	0.7	-5.6	2.0	5.5
Change in stocks as % of GDP		2.8	0.2	0.4	0.6	0.3	0.0	0.1	0.1	0.0
Exports (goods and services)		613.3	44.9	4.6	13.0	3.0	5.8	2.1	3.9	4.5
Final demand		1897.5	139.0	2.4	5.2	1.6	2.7	1.0	2.9	3.1
Imports (goods and services)		532.3	39.0	4.6	11.3	1.9	4.2	1.5	4.8	5.1
GNI at constant prices (GDP deflator)		1350.1	98.9	1.9	1.7	2.1	2.3	0.1	2.0	2.5
Contribution to GDP growth :	Domestic demand			1.7	1.2	1.2	1.5	0.2	2.1	2.4
	Stockbuilding			0.0	0.6	-0.3	-0.3	0.3	0.0	-0.1
	Foreign balance			0.2	1.1	0.6	0.9	0.3	-0.1	0.0
Employment				0.4	0.5	0.4	-0.6	-0.6	0.4	0.4
Unemployment (a)				6.9	4.4	4.3	4.5	5.5	5.2	4.9
Compensation of employees/head				5.2	3.8	4.8	3.8	3.7	3.5	3.6
Unit labour costs				3.6	1.4	3.7	1.2	2.2	1.9	1.7
Real unit labour costs				-0.5	-1.6	1.6	0.2	0.0	0.1	-0.2
Savings rate of households (b)				-	-	6.9	7.2	8.0	7.6	7.3
GDP deflator				4.2	3.1	2.0	0.9	2.2	1.8	2.0
Private consumption deflator				4.2	3.5	2.6	2.4	2.1	1.8	2.0
Harmonised index of consumer prices				-	2.7	2.3	2.4	2.3	1.8	1.9
Trade balance (c)				1.3	3.3	3.6	3.7	4.2	4.0	3.7
Balance on current transactions with ROW (c)				-0.9	1.6	3.1	2.9	2.8	2.7	2.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.9	1.5	3.1	2.9	2.9	2.6	2.7
General government balance (c)(d)				-1.6	2.6	3.1	1.9	0.9	1.3	1.9
General government gross debt (c)				63.2	47.3	45.4	45.5	42.9	41.0	37.9

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001. The UMTS amount as a % of GDP would be : 0.2%.

3. Germany

From shallow recession to slow recovery

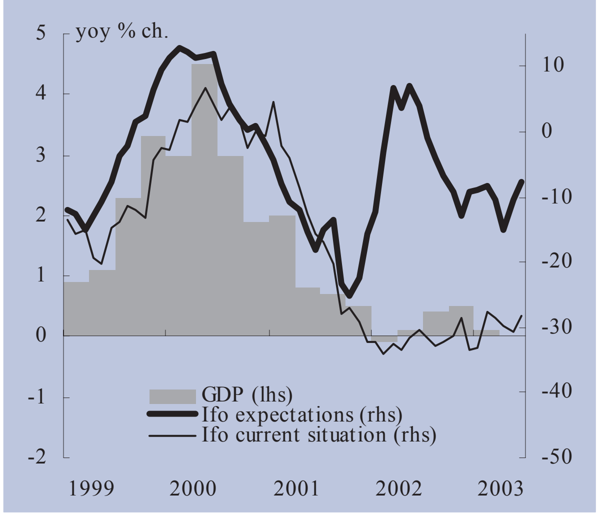
The economy in 2003

During the first half of 2003, the German economy could not overcome the three-year stagnation, which started in the middle of 2000. Indeed, the country fell into a shallow recession with the economy contracting by 0.2 % and 0.1%, respectively, in the first two quarters of 2003. Exports, traditionally an important source of growth in Germany, declined during the first half of the year. Imports, by contrast, held up fairly well, partly as a technical correction of the slump observed in 2002. As a consequence, the external contribution to growth turned strongly negative.

Rising imports are also a sign of strengthening domestic demand. Thus, private and government consumption were heading up in both the first and the second quarter. Nevertheless, equipment investment continued to be weak, and construction declined, despite a recent upward blip.

In the second half of 2003, domestic demand is set to continue growing at a slow pace, as recently rising order and output volumes suggest. Together with brightening export prospects, GDP growth should therefore become slightly positive. For the year as a whole, growth is expected to be zero. Stagnation in 2003 exacerbated the problems on the labour market, with a projected annual fall in employment by 1½ % compared with 2002. In parallel, annual average unemployment rose strongly.

Graph 3.3 : **Germany - expectations bubble**



Prospects

On the back of industrial and consumer confidence heading up, a gradual recovery should take hold over the next two years, with growth edging up from a quarterly rate of some ¼ % in the beginning of 2004 to around ½ % in 2005. A stronger acceleration is held back by a number of dampening factors. First, unemployment is high and will continue to rise until early 2005, holding back private consumption. Second, efforts at all levels of government to contain budget deficits will keep any growth impulse from the public sector small. Third, potential output is held back by the low level of investment over the last few years. In addition, following the protracted stagnation, many companies may still need to consolidate their balance sheets before engaging in capacity-enlarging investments. Also, credit constraints are likely to continue to be a limiting factor for new investment, even though recent figures indicate that commercial lending has picked up mildly. Finally, it cannot be excluded that, like in 2002, the pick-up in business sentiment only marks an expectations bubble that is not followed by an improvement in the actual business situation. Companies might therefore take a wait-and-see attitude.

These constraints will ease only gradually. Growth in 2004 is therefore projected at a modest 1.6%, about one third of which is simply the result of an unusually large calendar effect; the year has a leap day (29 February) and several holidays falling on a weekend. By contrast, a reversal of the calendar effect will reduce growth for 2005 by ¼ pp; it is estimated to be 1¾ %. These growth figures imply a significant narrowing of the output gap, since potential growth is estimated at only 1.3% annually.

In particular in the light of the Hartz labour market reform, which has already led to the creation of a sizeable number of mini-jobs, employment will start picking up, despite the relatively moderate pace of growth. Due to the statistical overhang, however, the average level for 2004 will still remain below that of 2003. A genuine relief will only be felt by 2005.

Wage and price developments will remain moderate throughout the forecast period, thereby improving Germany's competitiveness vis-à-vis its European trading partners. Nevertheless, CPI inflation will temporarily notch up in 2004 as a result of the increase

304978 European Economy

in tobacco taxes and administrative prices, such as the new road toll and charges for medical services.

Public finances

The general government deficit is expected to rise to 4.2% of GDP in 2003. Of the shortfall of over twenty billion euro compared with budget plans, around two-thirds can be attributed to unemployment-related expenditures, while the remaining one-third is a result of disappointing tax revenues and social security contributions.

Budget projections for the coming two years are complicated by a large number of government proposals that require approval by the second chamber of parliament (*Bundesrat*). In the light of the high uncertainty, the 2004 budget forecast of 3.9% of GDP is therefore based on the no-policy change assumption. It does not incorporate some additional €12 billion (0.6% of GDP) of net consolidation effort announced by the government. Even if that amount were included, Germany would be at least ¼ pp above the 3% of GDP deficit ceiling.

Similarly, the projection of a 3.4% of GDP deficit for 2005, takes only half of the envisaged consolidation measures on board. A full implementation of the announced proposals would reduce the projected deficit by a further €10 billion (0.5% of GDP). In this case, the deficit would fall below 3% of GDP.

Based on the projected deficit, the debt level, which stood at 60.8% of GDP in 2002 is expected to rise to over 63 % by the end of 2003 and reach close to 66% by the end of 2005.

Table 3.3

Main features of country forecast - GERMANY

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	2110.4	100.0	2.1	2.9	0.8	0.2	0.0	1.6	1.8
Private consumption	1236.5	58.6	2.0	2.0	1.4	-1.0	0.7	1.1	1.4
Public consumption	404.4	19.2	1.6	1.0	1.0	1.7	1.1	0.5	0.5
GFCF	392.0	18.6	1.6	2.7	-4.2	-6.7	-1.7	2.8	2.1
of which : equipment	151.9	7.2	1.8	10.1	-4.9	-9.1	0.8	4.8	4.7
Change in stocks as % of GDP	-13.2	-0.6	0.0	-0.4	-1.2	-1.1	-0.8	-0.8	-0.6
Exports (goods and services)	757.6	35.9	5.3	13.7	5.6	3.4	0.9	6.2	7.5
Final demand	2777.4	131.6	2.6	4.6	0.8	-0.3	0.7	2.7	3.3
Imports (goods and services)	667.0	31.6	4.7	10.5	0.9	-1.7	2.8	5.9	7.6
GNI at constant prices (GDP deflator)	2108.8	99.9	2.0	3.1	0.9	0.5	0.0	1.6	1.8
Contribution to GDP growth : Domestic demand			1.8	1.9	0.1	-1.7	0.3	1.3	1.3
Stockbuilding			0.0	-0.1	-0.8	0.1	0.3	0.0	0.2
Foreign balance			0.3	1.1	1.6	1.7	-0.5	0.4	0.3
Employment			0.6	1.8	0.4	-0.6	-1.5	-0.3	0.7
Unemployment (a)			6.9	7.8	7.8	8.6	9.4	9.6	9.5
Compensation of employees/head			3.4	2.1	1.7	1.5	1.9	1.9	2.2
Unit labour costs			1.9	1.0	1.3	0.7	0.3	0.0	1.0
Real unit labour costs			-0.6	1.2	0.0	-0.8	-0.9	-1.3	0.1
Savings rate of households (b)			-	-	15.8	16.2	16.4	15.8	15.5
GDP deflator			2.6	-0.3	1.3	1.6	1.2	1.3	0.9
Private consumption deflator			2.5	1.5	1.6	1.3	1.1	1.7	1.2
Harmonised index of consumer prices			-	1.4	1.9	1.3	1.1	1.6	1.3
Trade balance (c)			3.7	3.1	4.9	6.3	6.1	6.8	7.0
Balance on current transactions with ROW (c)			1.0	-1.1	0.6	3.1	3.0	3.6	3.7
Net lending(+) or borrowing(-) vis à vis ROW (c)			1.0	-0.4	0.6	3.1	3.1	2.2	1.8
General government balance (c)(d)			-2.4	1.3	-2.8	-3.5	-4.2	-3.9	-3.4
General government gross debt (c)			46.3	60.2	59.4	60.8	63.8	65.0	65.8

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amount as a % of GDP would be : 2.5%.

4. Greece

Increasing fiscal imbalances despite strong growth

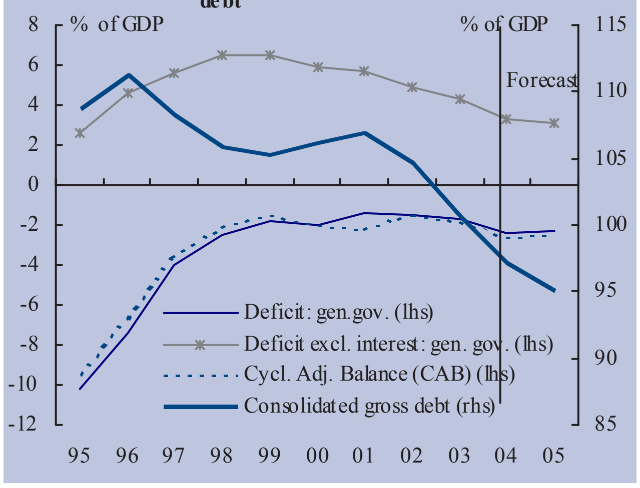
The economy in 2003

Economic activity continued to grow at a strong pace supported by domestic demand. Private consumption remained buoyant underpinned by high wage increases and tax reductions implemented by the recent tax reform. Investment spending linked to the accelerating preparations for the Olympics along with the financial flows from the EU Structural Funds contributed to increasing investment at a rate higher than the real GDP growth rate. The external transactions deficit remained high as exports of tourist services stagnated due to weak foreign demand and geopolitical uncertainties, whereas the buoyant domestic demand led to a slight pick up in imports of goods.

The labour market showed a significant improvement over the year, the unemployment rate dropping to 8.9% in the second quarter from 9.6% a year ago. Total employment is estimated to rise by 1% in 2003 and the unemployment rate to stand at 9.5%, remaining among the highest in the EU and euro area. Despite this improvement, which is to a great extent linked to the booming construction activity, the persisting high unemployment rates of young workers and females indicate that the remaining considerable rigidities in the labour market are not being eliminated at a satisfactory pace. The two-year wage agreement in the private sector, signed in early 2002, provided for an increase of 4.2% in minimum nominal wage in 2003. On average, nominal wages are estimated to increase by 6.5%.

Weather-related increases in unprocessed food prices as well as high energy prices contributed to the acceleration of inflation in the first half of the year. Price pressures eased temporarily late in Summer but remained above 3% due mainly to the considerable increase in service prices. Thus, with core inflation stubbornly standing at 3.2%, the headline rate is estimated to increase by 3.6% in yearly average.

Graph 3.4: **Greece - Net lending and consolidated gross debt**



Prospects in 2004 and 2005

Strong growth of real GDP is expected to continue in 2004 while a deceleration in economic activity is projected for 2005. Private consumption, buttressed by generous wage increases and easy monetary conditions will continue to increase rapidly; investment spending on projects linked to the Olympics is projected to remain the main driver of real GDP growth. As investment spending is likely to sharply retreat after the completion of the construction projects related to the Olympics, a deceleration in economic activity is expected in 2005. However, the expected improvement in the international environment from 2004 and low interest rates may help in keeping domestic activity relatively buoyant in the period after the end of the Olympics. The international economic recovery might help in reducing the external sector deficit provided that the necessary measures are taken to ward off a further deterioration in the international competitiveness of the Greek economy. In 2004, real GDP is projected to rise by 4.2% remaining above potential, but it is expected to decelerate to 3.4% in 2005 as investment in construction activities will wane and the fiscal stimulus to the economy will be weakened.

The external transactions deficit is expected to slightly improve as imports of goods and services will rise moderately and exports, in particular services exports, are expected to considerably increase due to the Olympics and the international economic recovery. However, the external sector deficit will continue to be large throughout the forecasting period, reflecting domestic macroeconomic imbalances and loss of competitiveness.

Costs and prices

Consumer price inflation is projected to remain high standing at 3.7% in 2004 and slightly decelerating to 3.4% in 2005; while the contribution of imported inflation to consumer price inflation should be small, developments concerning wages in the private sector are quite uncertain; the new collective negotiations, expected to start early next year, are very likely to be influenced by the electoral cycle and the announced generous increases in public wages. The assumed increase in the minimum nominal wages in the private sector by 10% in the 2004-2005 period may turn out to be conservative, the upside risks thus being significantly increased. Unit labour costs in the whole economy are expected to accelerate to 3.5% in 2004 and to increase by 2.5% in 2005.

Public finances

The State budget for 2003 and the 2002 updated stability programme targeted a deficit for the State Budget consistent with a deficit of 0.9% of GDP for the general government. However, the general government deficit is currently estimated by the Greek authorities to stand at 1.4% of GDP in 2003. The latest available data on budgetary implementation show significant overruns in primary spending, implying that the risks of a substantial deterioration in the Greek public finances are high. The budgetary strategy adopted by the 2002 update of the stability programme implied a budgetary adjustment resting heavily on the assumption of a significant improvement in the central government balances which was expected to result mainly from holding back primary spending. However, risks of missing the target for the increase in primary spending are very high. In fact, further rise in general government deficit is to be expected in 2004, due to the increase in the wage bill and social measures.

Thus, the general government deficit is estimated to stand at 1.7% of GDP in 2003, rise to 2.4% of GDP in 2004 and slightly fall to 2.3% of GDP in 2005. Primary surplus is projected to decline from 4.3% of GDP in 2003 to 3.1% of GDP in 2005. Consequently, the cyclically adjusted balance is estimated to reach –2.2% of GDP in 2003 and –3.1% of GDP in 2004. In spite of the large budget deficit, the debt ratio is estimated to stand at 100.6% of GDP in 2003 and decrease to 95% of GDP in 2005 mainly due to the contribution of nominal GDP growth.

Table 3.4

Main features of country forecast - GREECE

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	141.4	100.0	1.4	4.4	4.0	3.8	4.1	4.2	3.4
Private consumption	95.0	67.2	2.2	2.0	2.9	2.8	2.7	3.0	3.0
Public consumption	22.0	15.5	1.3	2.2	-1.0	5.1	3.7	4.3	2.0
GFCF	33.8	23.9	1.6	8.0	6.5	5.7	8.7	7.1	3.5
of which : equipment	12.8	9.1	5.9	14.1	4.9	6.9	7.7	6.6	3.0
Change in stocks as % of GDP	0.2	0.2	0.0	0.4	0.1	0.2	0.0	0.0	0.0
Exports (goods and services)	29.5	20.9	4.2	14.1	-1.1	-7.7	1.9	5.5	5.2
Final demand	180.5	127.7	2.1	5.6	2.2	1.7	3.7	4.4	3.4
Imports (goods and services)	39.1	27.7	5.9	8.9	-3.4	-4.7	2.4	5.1	3.1
GNI at constant prices (GDP deflator)	141.6	100.2	1.1	4.0	3.6	3.5	4.0	4.2	3.4
Contribution to GDP growth :	Domestic demand		1.6	3.6	3.5	4.0	4.5	4.5	3.2
	Stockbuilding		0.0	0.5	-0.3	0.1	-0.2	0.0	0.0
	Foreign balance		-0.6	0.4	0.9	-0.4	-0.3	-0.3	0.2
Employment			0.9	0.3	-0.3	0.1	1.0	0.8	0.5
Unemployment (a)			7.8	11.0	10.4	10.0	9.5	9.2	9.0
Compensation of employees/head			15.1	5.8	5.3	8.4	6.5	7.0	5.5
Unit labour costs			14.6	1.6	0.9	4.5	3.4	3.5	2.5
Real unit labour costs			-0.3	-1.7	-2.5	0.5	-0.7	-0.7	-0.9
Savings rate of households (b)			-	-	16.6	14.7	15.5	16.0	16.1
GDP deflator			15.0	3.4	3.5	4.0	4.1	4.3	3.5
Private consumption deflator			14.6	3.3	3.3	3.6	3.6	3.5	3.4
Harmonised index of consumer prices			-	2.9	3.7	3.9	3.6	3.7	3.4
Trade balance (c)			-11.8	-16.8	-15.1	-14.8	-14.0	-13.6	-13.0
Balance on current transactions with ROW (c)			-1.4	-6.3	-5.7	-5.8	-5.2	-4.6	-3.9
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-3.6	-3.4	-3.7	-3.1	-2.8	-2.2
General government balance (c)(d)			-9.3	-1.9	-1.5	-1.2	-1.7	-2.4	-2.3
General government gross debt (c)			77.2	106.2	106.9	104.7	100.6	97.1	95.0

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001. The UMTS amount as a % of GDP would be : 0.5%.

5 Spain

Growth still robust

Following 2.0% growth in 2002, the economy is envisaged to gain some momentum and grow by 2.3% in 2003 (0.3 percentage points higher than in the last Spring Commission forecast). On the back of a recovery in investment and exports, growth is expected to pick up further in 2004 and exceed potential in 2005. The economy would thus continue to outperform the euro area as a whole throughout the period.

Economic activity in 2003

Relatively good employment performance and the personal income tax reform, in force from 2003, are fuelling private consumption, while private investment in equipment, after having weakened sharply in 2002, is currently improving. Conversely, given the strength of construction in recent years and the brisk increase in housing prices, a moderation of this component is expected. Altogether, these factors are foreseen to increase the contribution of domestic demand to GDP growth even further. On the other hand, while exports are expected to gain some strength, imports are set to accelerate in response to expanding final demand. All in all, the negative external contribution to GDP growth is foreseen to widen, offsetting to some extent the contribution of domestic demand.

Prospects for 2004 and 2005

In 2004 private consumption growth is expected to remain broadly stable. The gains in disposable income stemming from the reform of the personal income tax and continuing sound employment growth are expected to result in a rise in the saving ratio, serving to restore the financial position of households. These trends are foreseen to continue in 2005, with private consumption growing by some 3½%.

Investment is expected to gain strength in 2004, stemming mainly from higher equipment investment as a result of improved business prospects, while construction is set to decelerate only slightly. All in all, gross fixed capital formation should accelerate in 2004 and 2005, with equipment investment being the most dynamic component .

Exports and imports are set to accelerate already in the first half of 2004, gaining further strength along the forecast period. On balance, the negative external contribution to GDP growth ought to narrow only marginally.

Labour market

After a modest pick up, full-time equivalent employment is expected to grow at around 2% annually until the end of the forecast period on the back of the acceleration in activity. As a result, the unemployment rate in 2003 is expected to remain broadly stable and fall to around 10½% (Eurostat definition) by the end of 2005. The activity rate is foreseen to rise by two percentage points over the period.

Costs and prices

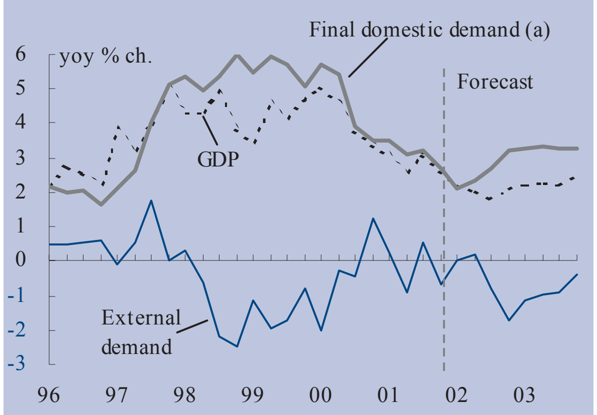
Inflation has been moderating since the start of 2003, with both headline and core HICP inflation rates expected to average close to 3.0%.

For 2004, HICP inflation is expected to fall below 3%, easing further to slightly above 2½% in 2005, provided wage moderation continues. Employee compensation per head in 2004 is foreseen to decelerate in spite of a stronger labour market than in 2003, along with rising labour productivity growth. Thus, growth of unit labour costs should continue to ease. These trends are expected to extend into 2005, with the rise in compensation per employee and unit labour costs moderating further.

External sector

The current account deficit is envisaged to widen slightly through the forecast period, reflecting a deterioration in both the trade and primary incomes and current transfers balances.

Graph 3.5: **Spain - Contributions to GDP growth**



(a) excluding stockbuilding.

Public finances

Despite tax cuts introduced by the 2003 reform of the personal income tax, revenues are buoyant as a result of the relatively robust employment growth. Consequently, even with a less optimistic scenario than that envisaged by the authorities in the budget, the balanced budget target seems within reach. Nevertheless, this forecast is still subject to a certain degree of uncertainty, given the transfer of major spending powers to regional governments.

The main spending guidelines are left unchanged in the budget for 2004, while revenues are expected to accelerate following the growth in economic activity and employment creation. Thus, a slight surplus of 0.1% of GDP is forecast. Assuming no policy changes, the general government is foreseen to record again a slight surplus in 2005, while the debt-to-GDP ratio is expected to remain on a declining path and fall below 50% of GDP already in 2004.

Table 3.5

Main features of country forecast - SPAIN

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	696.2	100.0	2.7	4.2	2.8	2.0	2.3	2.9	3.3
Private consumption	405.3	58.2	2.3	4.0	2.8	2.6	3.1	3.2	3.4
Public consumption	123.8	17.8	4.1	5.1	3.6	4.4	4.0	4.3	4.0
GFCF	175.4	25.2	4.0	5.7	3.3	1.0	2.8	3.9	4.5
of which : equipment	43.7	6.3	4.3	4.7	-1.2	-5.4	1.6	4.7	7.1
Change in stocks as % of GDP	2.0	0.3	0.3	0.4	0.3	0.3	0.2	0.1	0.1
Exports (goods and services)	197.7	28.4	7.6	10.0	3.6	0.0	4.1	5.5	7.4
Final demand	904.1	129.9	3.7	5.7	3.1	2.0	3.3	4.0	4.6
Imports (goods and services)	207.9	29.9	8.8	10.6	4.0	1.8	6.4	7.2	8.5
GNI at constant prices (GDP deflator)	687.6	98.8	2.7	4.2	2.5	2.2	2.3	3.0	3.3
Contribution to GDP growth : Domestic demand			2.9	4.6	3.1	2.6	3.3	3.6	3.9
Stockbuilding			0.0	-0.1	-0.1	0.0	-0.1	0.0	0.0
Foreign balance			-0.2	-0.4	-0.2	-0.6	-0.9	-0.8	-0.7
Employment			1.1	3.6	2.4	1.5	1.7	2.0	2.1
Unemployment (a)			15.7	11.3	10.6	11.3	11.3	10.9	10.4
Compensation of employees/head			8.0	3.7	3.8	3.9	4.2	3.8	3.4
Unit labour costs			6.2	3.1	3.4	3.3	3.5	2.9	2.2
Real unit labour costs			-0.6	-0.4	-0.7	-1.0	-0.6	-0.6	-0.8
Savings rate of households (b)			-	-	10.1	9.9	10.1	10.4	10.5
GDP deflator			6.9	3.5	4.2	4.4	4.1	3.6	3.1
Private consumption deflator			6.9	3.2	3.3	3.5	3.2	2.9	2.6
Harmonised index of consumer prices			-	3.5	2.8	3.6	3.1	2.8	2.6
Trade balance (c)			-4.1	-6.2	-5.7	-5.1	-5.3	-5.6	-6.0
Balance on current transactions with ROW (c)			-1.3	-3.3	-3.1	-2.7	-3.1	-3.2	-3.4
Net lending(+) or borrowing(-) vis à vis ROW (c)			-0.9	-2.5	-2.2	-1.6	-2.1	-2.3	-2.5
General government balance (c)(d)			-4.5	-0.8	-0.3	0.1	0.0	0.1	0.2
General government gross debt (c)			47.7	60.5	56.8	53.8	51.3	48.8	46.3

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amounts as a % of GDP would be : 0.1%.

6. France

Fiscal consolidation to start in 2004

The situation in 2003

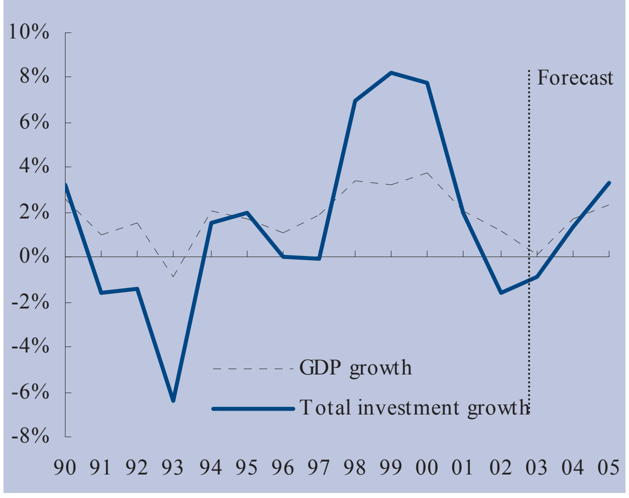
The deceleration in real GDP growth observed in the second half of 2002 continued in the first half of 2003: after increasing by 0.1% in Q1-03, activity recorded its largest quarterly decline in seven years in the second quarter of 2003, with a fall in real GDP by 0.3%. The fall in activity in the second quarter of 2003 was however amplified by exceptional factors, such as the war in Iraq and the strikes related to the negotiation of the pension reform, and was therefore not fully representative of underlying growth trends.

Several elements currently point to a relatively weak, but positive, economic growth over the next few quarters. Indeed, business surveys in the manufacturing industry have bottomed out in the last three months and in the service sector latest surveys show clear signs of improvement. Growth in the third quarter of the year should also benefit from a favourable technical rebound due to the fact that the temporary negative shocks mentioned above have disappeared. Despite these tangible signs of improvement in cyclical conditions, a sharp and sustained recovery seems unlikely in the short term, since the current low level of profit margins and the subsistence of cash problems in companies are expected to weigh on firms' demand.

Prospects for 2004 and 2005

By the beginning of 2004, recovery in the world economy and relatively favourable monetary conditions will contribute to the improvement in demand prospects and are expected to trigger a gradual acceleration in economic activity. Real GDP growth would then resume to a rate close to potential from the beginning of 2004, and accelerate gradually in the course of next year and in 2005.

Graph 3.6: **France - GDP and investment**



The acceleration in exports volumes from the Autumn 2003 should support an upturn in demand expectations, and create the conditions for firms to slow de-stocking. After two years of decline, productive investment is projected to gradually recover from next Spring, when the improvement in demand slackens current cash difficulties faced by firms.

The materialisation of a steady recovery in private consumption should also be gradual. Indeed, households' real gross disposable income is currently decelerating mainly due to the slowdown in employment growth. Moreover, the increase in the unemployment rate, expected to continue until next Spring, could negatively impact consumers' confidence and trigger an increase in precautionary savings.

Labour market, costs and prices

The deterioration in economic conditions is impacting the labour market: employment growth was negative in the first half of 2003, and is not expected to accelerate significantly before next Spring, when it should remain relatively modest due to the necessity for companies to restore margins. In such a context, wage moderation is expected to continue in 2004, when the impact of the harmonisation of the different levels of the minimum wage created by the working time reduction laws will be counterbalanced by a cyclical deceleration in wages, and in 2005.

As a consequence of the moderation in unit labour costs expected for the next two years, underlying inflationary pressures are projected to decrease gradually over the time-span covered by the forecast. The decline in overall inflation will however be slowed by the implementation of significant increases in indirect taxes (oil, tobacco) by the end of 2003 and in 2004.

Public finances

In 2003, the situation of French public finances deteriorated markedly, the general government deficit being now expected to reach 4.2% of GDP. This new estimate is 0.5 percentage point of GDP higher than expected by the Commission in the Spring, and 0.2 percentage point of GDP higher than the official government projection. Worsening in the 2003 government deficit compared to the Spring forecast reflects the impact of the large downward revision to the real GDP growth projection for 2003 (by 1 percentage point). The Commission forecast for 2003 makes the assumption that expenditures will be kept in line with plans in the State sector, and that no further slippage will occur in health spending. The general government debt is projected to increase from 59.0% of GDP in 2002 to 62.6% of GDP in 2003, also due to the impact of the subscription by the State to the recapitalisation of France Telecom worth 0.6 percentage point of GDP. This is the only financial transaction impacting on the debt ratio in this forecast.

In 2004, despite a projected improvement in the cyclically-adjusted balance by more than 0.5 percentage point of GDP, the general government deficit is projected to decline only slightly below 4% of GDP, at 3.8% of GDP. The decline in the deficit will be burdened next year by the lagged impact on fiscal revenues of the low 2003 real GDP growth. It is assumed in this forecast that expenditure plans included in the Finance Law for 2004 will be respected (real general government expenditures are projected to increase by 0.9% next year), i.e. expenditures of the State sector will remain constant in real terms (budgetary accounting) and that measures taken to curb the dynamics of health expenditures have the expected impact. Finally, the forecast incorporates an increase in local taxes by 0.1 percentage point of GDP on the basis of recent trends, even if the 2004 budgets of local authorities are still not unveiled. A number of risks exist for the budgetary execution in 2004, the main one being that the measures aimed at curbing the dynamic of spending in the health sector could prove insufficient.

In 2005, despite real GDP growth being close to potential, the general government deficit is projected to decrease only marginally to 3.6% of GDP. This projection is based on the assumption that real government expenditures will increase by about 2% in real terms, equal to the trend in real expenditures observed in the last 5 to 10 years, compared with a projection of 1% in the latest multi-annual projection of the French authorities.

Table 3.6

Main features of country forecast - FRANCE

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	1520.8	100.0	2.1	3.8	2.1	1.2	0.1	1.7	2.3
Private consumption	833.3	54.8	1.8	2.6	2.7	1.2	1.3	1.5	2.0
Public consumption	363.0	23.9	2.3	2.8	2.9	4.1	2.4	1.5	1.9
GFCF	296.0	19.5	2.1	7.8	1.9	-1.6	-1.3	1.4	3.3
of which : equipment	107.4	7.1	4.8	10.4	2.5	-3.2	-1.0	1.7	4.0
Change in stocks as % of GDP	-2.8	-0.2	0.1	1.0	0.4	0.0	-0.1	0.1	0.1
Exports (goods and services)	411.6	27.1	5.1	12.6	1.6	1.5	-1.6	4.5	6.9
Final demand	1901.0	125.0	2.5	5.9	1.9	1.1	0.4	2.3	3.3
Imports (goods and services)	380.2	25.0	4.4	14.6	1.3	0.6	1.5	4.6	6.7
GNI at constant prices (GDP deflator)	1527.8	100.5	2.1	3.5	2.1	0.9	0.1	1.6	3.2
Contribution to GDP growth : Domestic demand			2.0	3.6	2.6	1.3	1.0	1.5	2.2
Stockbuilding			0.0	0.4	-0.6	-0.4	-0.1	0.2	0.0
Foreign balance			0.2	-0.2	0.1	0.3	-0.9	0.0	0.1
Employment			0.2	2.7	1.8	0.7	-0.2	-0.1	0.6
Unemployment (a)			9.9	9.3	8.5	8.8	9.4	9.7	9.4
Compensation of employees/head			5.1	2.3	2.6	2.8	2.7	2.6	2.7
Unit labour costs			3.1	1.2	2.3	2.3	2.4	0.8	1.0
Real unit labour costs			-0.8	0.2	0.6	0.5	0.7	-0.9	-0.5
Savings rate of households (b)			-	-	16.0	16.7	16.1	16.2	16.1
GDP deflator			3.9	1.0	1.8	1.8	1.7	1.7	1.5
Private consumption deflator			4.2	1.5	1.6	2.0	1.9	1.7	1.5
Harmonised index of consumer prices			-	1.8	1.8	1.9	2.1	1.8	1.5
Trade balance (c)			-0.8	-0.8	-0.2	0.1	-0.4	-0.3	-0.3
Balance on current transactions with ROW (c)			-0.7	1.3	1.5	1.6	0.7	0.8	0.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-0.8	1.3	1.5	1.5	0.7	0.7	0.7
General government balance (c)(d)			-3.0	-1.4	-1.5	-3.1	-4.2	-3.8	-3.6
General government gross debt (c)			40.0	57.2	56.8	59.0	62.6	64.3	65.6

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001 and 2002. The UMTS amounts as a % of GDP would be : 0.1% and 0% respectively.

7. Ireland

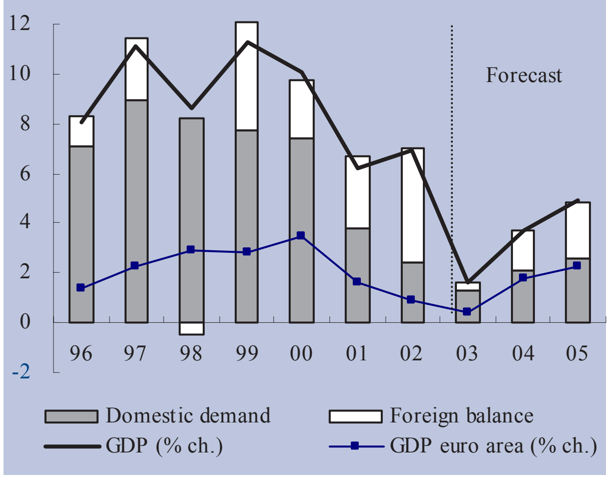
A broad-based recovery taking hold

Activity in 2003

According to preliminary national accounts, real GDP expanded by a mere 0.5% on the year in the first quarter of 2003, after 7.5% in the previous quarter. Domestic demand was quite subdued as relatively healthy consumption growth and construction activity were offset by a pronounced fall in equipment investment, which partly reflected base effects (aircraft purchases in 2002Q1). On the external side, both exports and imports fell dramatically on the year (more than 10% in volume terms), but this must also be qualified: 2003 merchandise trade developments are distorted by a very marked fall-off in trade recorded with the UK, which is believed to be related to the termination of UK-based VAT fraud schemes in the course of 2002. Partial indicators for the second quarter are mixed, combining stagnant retail sales and weak industrial output growth with a recovery of exports. As regards the rest of the year, the indications from the latest purchasing managers' indices for manufacturing and services are encouraging, with both indices recovering from a trough in the second quarter. Confidence indicators also generally point to an improvement in recent months.

For the year as a whole, real GDP growth is expected to reach 1½%, an apparently dramatic slowing from 6.9% in 2002. However, almost two-thirds of the latter figure can be attributed to the chemicals and pharmaceuticals sector. The exceptional performance of this predominantly foreign-owned sector generated a massive jump in factor outflows in 2002, so that growth in the income measure GNI fell well behind that of GDP; in view of an emerging decline in net factor outflows, the opposite is expected to occur in 2003.

Graph 3.7: **Ireland - GDP growth compared to euro area and contributions to change**



Prospects for 2004 and 2005

The economy is expected to show a broad-based recovery, with growth accelerating towards that commonly thought to be sustainable in the medium term, of some 5% in annualised terms. On the domestic side, private consumption is supported by a gradual rise in real disposable incomes and a modest fall in the savings rate. By contrast, the contribution of public consumption to growth falls by virtue of further spending restraint and the announced cap on public sector employment. The pick-up in investment does not extend to housing, where annual output is forecast to have peaked in 2003. The strengthening of the external environment leads to a recovery of net exports, which account for close to half of the forecast growth rate of 3.7% and 4.9% in 2004 and 2005 respectively. As net profit outflows are expected to resume their normal upward trend, the corresponding growth rates in GNI terms are somewhat lower.

Labour market

While the unemployment rate has increased from a trough of 3.8% during the first half of 2001, the overall rise, to some 4¾% in 2003Q3, has been relatively mild, as weak employment gains have combined with moderating labour force growth. A slight further rise to just over 5% is expected in 2004, but no further deterioration is expected for 2005.

Costs and prices

A marked easing in per capita compensation growth took place in 2002 given the flexibility of the Irish economy in the face of a deteriorating external environment. The fairly moderate pay provisions for the private sector in the latest national agreement, *Sustaining Progress*, and easing price pressures should foster further wage moderation and thereby help maintain competitiveness, although the latest data on industrial earnings point to some upward pressure. HICP inflation, which averaged 4.7% in 2002, has eased to just below 4% since May, although the downward pressures stemming from weak activity, moderating earnings growth and a stronger currency have been partly counteracted by a range of increases in indirect taxes and user charges. In the absence of further significant increases of this nature, inflation should fall further, from an expected 4.1% in 2003 to 2¾% in 2005, thus narrowing the differential with the euro area average.

Public finances

The budget for 2003 implemented various revenue-raising measures, almost halved the growth rate of current discretionary expenditure (to 8% from 15% in 2002) and cut capital outlays. The deficit is forecast to reach 0.9% of GDP with some savings on spending broadly offsetting the emerging tax undershoot relative to the budget target. Because the 2004 budget will be unveiled in December, the forecast adopts a no-policy change scenario for both 2004 and 2005. Given the non-indexed nature of the tax and social benefit system, this scenario is made operational, in the absence of previously announced measures, by freezing average tax rates and adjusting social transfer payments by the forecast CPI inflation rate (with a small top-up). The forecast further assumes that payment of the "benchmarking" awards (upward adjustments to public sector pay scales from a comparison with rates for similar jobs in the private sector) proceeds as foreseen in the national agreement and that public investment is maintained at 4% of GDP to allow for the roll-out of planned infrastructure projects. On these assumptions, the deficit is forecast to widen to 1.2% of GDP in 2004 and 1.1% in 2005, while government debt stabilises at around 34% of GDP.

Table 3.7

Main features of country forecast - IRELAND

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	129.3	100.0	5.1	10.1	6.2	6.9	1.6	3.7	4.9
Private consumption	58.3	45.1	3.4	8.3	5.3	2.0	2.0	2.8	3.8
Public consumption	19.5	15.1	2.0	8.4	11.5	10.7	3.8	2.0	2.0
GFCF	28.6	22.1	4.2	7.1	0.2	1.5	-1.1	2.5	3.0
of which : equipment	7.6	5.9	4.8	7.5	-6.4	-2.4	-5.0	5.0	5.0
Change in stocks as % of GDP	0.0	0.0	0.6	0.9	0.5	0.0	0.0	0.0	0.0
Exports (goods and services)	121.2	93.7	11.2	20.6	8.3	6.2	-3.4	6.0	7.9
Final demand	227.6	175.9	6.4	15.0	6.4	4.7	-1.3	4.5	5.9
Imports (goods and services)	97.0	75.0	8.7	21.3	6.5	2.3	-4.5	5.5	7.1
GNI at constant prices (GDP deflator)	104.7	80.9	4.3	9.9	4.3	1.9	4.1	3.1	3.9
Contribution to GDP growth : Domestic demand			3.1	6.9	4.2	2.9	1.3	2.1	2.6
Stockbuilding			0.2	0.5	-0.4	-0.4	0.0	0.0	0.0
Foreign balance			1.8	2.3	2.9	4.6	0.3	1.6	2.2
Employment			1.6	4.7	3.0	1.3	0.8	1.0	1.3
Unemployment (a)			13.4	4.3	3.9	4.4	4.8	5.1	5.0
Compensation of employees/head			7.0	8.1	9.0	5.2	5.1	5.0	4.8
Unit labour costs			3.3	2.8	5.7	-0.3	4.3	2.2	1.2
Real unit labour costs			-1.8	-1.4	0.6	-5.5	2.8	-1.0	-1.5
Savings rate of households (b)			-	-	13.0	13.9	14.1	14.0	13.9
GDP deflator			5.3	4.3	5.1	5.4	1.5	3.2	2.7
Private consumption deflator			5.1	4.3	4.3	6.6	3.5	3.0	2.7
Harmonised index of consumer prices			-	5.3	4.0	4.7	4.1	3.0	2.7
Trade balance (c)			8.8	26.5	26.6	28.6	25.2	25.2	25.7
Balance on current transactions with ROW (c)			-1.6	-0.4	-0.7	-0.7	-0.7	-0.5	-0.2
Net lending(+) or borrowing(-) vis à vis ROW (c)			-0.7	0.8	0.0	-0.3	-0.3	-0.2	0.0
General government balance (c)(d)			-4.5	4.4	0.9	-0.2	-0.9	-1.2	-1.1
General government gross debt (c)			93.5	38.4	36.1	32.4	33.5	33.8	33.8

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2002. The UMTS amount as a % of GDP would be : 0.2%.

8. Italy

Slow upturn on the cards

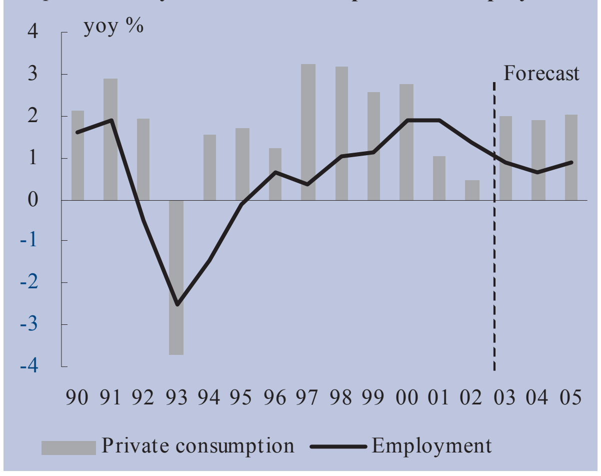
The economy in 2003 and prospects to 2005

The Italian economy went into a mild recession in the first half of the year, as economic growth tailed off in view of the weak economic environment and coupled with the expiry of fiscal incentives at the end of 2002. In particular, gross fixed capital formation fell sharply as investment plans had been brought forward creating a void in the first two quarters of 2003. The impact of the stronger euro on exports acted as an additional drag. Only consumption expenditure continued to grow at a relatively steady rate.

Signs of an improving short-term outlook started materialising around mid-year chiefly on account of recovering output figures in the manufacturing industry in the third quarter. On the demand side export activity also appears to be recuperating from the negative performance at the beginning of 2003 and consumption expenditure continues to hold up comparatively well. However, in the year as whole, real GDP is projected to increase by only 0.3% as the expected pick-up in economic activity in the second half of 2003 is likely to be very gradual, essentially brought about by the levelling out of the investment slump.

On the back of the assumed improvement in the economic environment, especially outside the euro area, the gradual recovery of economic activity in 2003 is projected to continue and to gain additional strength in the following two years. Real GDP growth is forecast to accelerate to 1.5% in 2004 and to climb to 1.9%, above the potential rate, in 2005. The recovery is assumed to be largely driven by domestic demand, as investment expenditure picks-up progressively alongside a steady expansion of private consumption underpinned by slowly declining inflation and job creation. The revival of stock markets observed in 2003, which in the assumed context of an overall improvement of the economic outlook is expected to stay, is likely to produce a positive wealth-effect contributing to the performance of consumption. Although to a lesser degree, the drag from the external side on economic growth is expected to continue in 2004, reflecting the tendency of Italian exports to lose shares in an expanding global market without the help from falling exchange rates.

Graph 3.8: **Italy - Private consumption and employment**



Costs and prices

Inflation has remained stubbornly high throughout 2003, unaffected by the widening negative output gap and the stronger euro. The annual rate of increase of the HICP bas been virtually stuck at around 2.8%, with the differential vis-à-vis the euro area widening to one full percentage point. While a series of special factors may have fuelled inflationary pressure, it is becoming increasingly evident that structural factors such as the lack of competition may also be at play. The marked increase in unit labour costs estimated for 2003 chiefly reflects the cyclical slowdown in productivity, whereas wage developments are projected to remain relatively benign.

As the effect of special factors, such as the drought in summer 2003, peter out and the negative output gap narrows slowly, inflation is expected to ease gradually over the course of the coming two years. Although industrial relations deteriorated in the recent past, labour costs are projected to remain conducive to moderate inflationary pressure to the extent that future wage agreements adhere to the 1993 agreement basing wage increases on a low inflation target.

Labour market

With a significant lag compared to economic growth, job creation ground to a halt around mid-year 2003 and is assumed to recover slowly towards the end of the year. Thanks to a pro-cyclical behaviour of the labour force the rate of unemployment is not expected to rise. It is projected to stabilise around 8.8% in 2004 and to resume its downward trend in the following year. The role of non-standard contracts is foreseen to rise again over the course of the projected economic recovery.

Public finances

The general government deficit is estimated to increase to 2.6% of GDP in 2003. The marked drop in the primary surplus is partly offset by a still sizeable decline in interest payments. The budgetary outturn depends crucially on the impact of transitory measures (above all a tax amnesty), expected to be 1.6 pp of GDP. In 2002 one-off measures (primarily sales of real assets) reduced the deficit by 1.0 pp. Correcting for the effects of the cycle, the improvement in the budget balance is marginal.

In 2004, the deficit is expected to increase to 2.8% of GDP, with the primary surplus falling by 0.5 pp to 2.2% of GDP. The main uncertainties concern the large expected impact of budgetary measures of difficult assessment and the strains which may arise in the implementation of the domestic stability pact. In the Commission forecast, the total impact of one-off factors (which include sales of publicly-owned real assets, an amnesty for building offences and a tax settlement scheme) is estimated at 1.0 pp of GDP in 2004. It is prudentially assumed that ANAS (the agency responsible for maintenance and investment in the state- road network) continues to be classified within the general government sector. The impact of the enabling legislation on the reform of the pension system, not fully defined at the cut-off date, has not been incorporated. The forecast for 2005 is based on legislation currently in force.

Despite a cash deficit in excess of 4.5% of GDP, the government debt ratio slightly declines in 2003, principally by drawing on cash assets held by the government with the Bank of Italy. Pending details, the impact of the announced privatization of the Cassa Depositi e Prestiti has not been included. In 2004 the debt ratio continues to decline marginally to around 106% of GDP, chiefly through sizeable planned disposals of financial assets.

Table 3.8

Main features of country forecast - ITALY

	2002		Annual percentage change						
	bn Euro Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	1258.3	100.0	1.9	3.1	1.8	0.4	0.3	1.5	1.9
Private consumption	757.8	60.2	2.2	2.7	1.0	0.4	2.0	1.9	2.0
Public consumption	235.9	18.8	1.6	1.6	3.6	1.7	1.5	1.0	1.2
GFCF	247.8	19.7	1.4	7.1	2.6	0.5	-2.1	2.0	2.9
of which : equipment	117.9	9.4	2.6	8.7	2.3	0.2	-6.4	2.8	3.9
Change in stocks as % of GDP	2.9	0.2	0.7	0.0	0.0	0.4	0.9	0.9	0.8
Exports (goods and services)	339.1	26.9	4.9	11.7	1.1	-1.0	-2.3	4.9	5.9
Final demand	1583.5	125.8	2.4	4.4	1.6	0.6	0.7	2.4	2.9
Imports (goods and services)	325.2	25.8	5.0	8.9	1.0	1.5	1.7	5.7	6.2
GNI at constant prices (GDP deflator)	1246.3	99.0	1.8	3.0	1.9	0.1	0.5	1.4	1.8
Contribution to GDP growth : Domestic demand			1.9	3.4	1.8	0.7	1.0	1.7	2.0
Stockbuilding			0.0	-1.1	0.0	0.4	0.5	0.0	0.0
Foreign balance			0.0	0.9	0.1	-0.7	-1.2	-0.3	-0.1
Employment			0.2	1.7	1.7	1.1	0.8	0.5	0.7
Unemployment (a)			9.6	10.4	9.4	9.0	8.8	8.8	8.7
Compensation of employees/head			8.1	3.1	3.0	2.4	3.0	3.0	2.7
Unit labour costs			6.3	1.7	2.9	3.1	3.5	2.0	1.5
Real unit labour costs			-1.0	-0.4	0.2	0.4	0.5	-0.5	-0.6
Savings rate of households (b)			-	-	15.5	16.1	15.6	14.9	14.6
GDP deflator			7.5	2.1	2.7	2.7	3.0	2.5	2.1
Private consumption deflator			7.3	2.9	2.7	3.0	2.9	2.4	2.1
Harmonised index of consumer prices			-	2.6	2.3	2.6	2.8	2.3	1.9
Trade balance (c)			0.9	1.3	1.8	1.9	1.2	1.5	1.5
Balance on current transactions with ROW (c)			0.0	-0.2	0.3	-0.3	-0.5	-0.4	-0.4
Net lending(+) or borrowing(-) vis à vis ROW (c)			0.1	0.1	0.4	-0.2	-0.5	-0.3	-0.3
General government balance (c)(d)			-9.0	-0.6	-2.6	-2.3	-2.6	-2.8	-3.5
General government gross debt (c)			98.0	110.6	109.5	106.7	106.4	106.1	106.1

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amount as a % of GDP would be : 1.2%.

9. Luxembourg

Adjustments to spell of weak growth

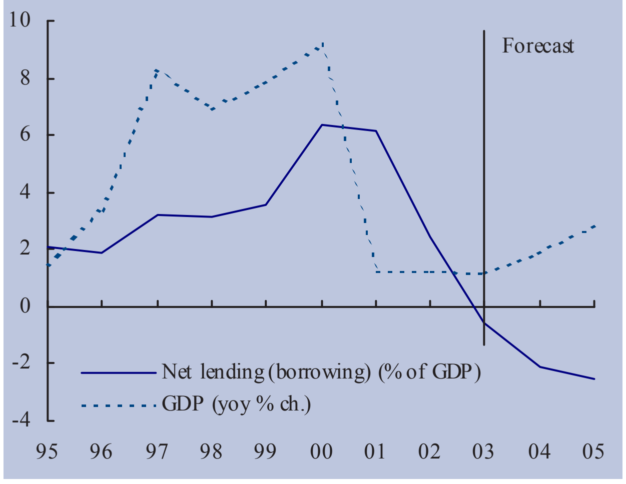
The economy in 2003

Following many years of real GDP growth well above the EU average, economic growth in Luxembourg slowed down sharply in 2001, to 1.2%. Economic growth in 2002, at 1.3%, was at around the same rate. Because of the importance of the financial sector to the economy of the Grand Duchy, the negative impact of the turmoil on financial markets was substantial. The resulting drag on activity continued into 2003, as firms adjusted to the shock. Weak profits and balance sheet restructuring held back investment. As slowdown in economic activity spread to sheltered sectors of the economy in the course of this year, the negative impact on employment was increasingly felt. Real GDP growth is estimated to be slightly higher than 1% in 2003. The contribution from domestic demand would decrease as private consumption decelerates due to worsened labour market conditions. However, the considerable destocking that occurred in 2002 would end. The recent resilience in global financial market seems to bode well for medium-term prospects.

Prospects for 2004 and 2005

Economic activity is expected to pick up only moderately in 2004. Real GDP growth is forecast at a 1.9%, before increasing further to 2.8% in 2005. The recovery would primarily be driven by increased domestic demand and in particular by investment catching up as external conditions continue to improve.

Graph 3.9: **Luxembourg - GDP and Budget Deficit**



The expected global recovery should also benefit exports: the net trade contribution is expected to turn positive in 2004 and 2005. Private consumption would remain rather resilient over the projection horizon with respect to past growth rates, as employment growth and the growth rate of real compensation per employee would remain positive. Nevertheless, the pick up in the rate of real GDP growth, to 2.8% in 2005, would be relatively slow compared to previous cyclical upturns, largely explained by historically weak growth of exports of financial services.

In Luxembourg, cross-border employment is highly sensitive to cyclical conditions, which translates into sharp swings in cross-border labour flows. Total employment growth is forecast to decelerate to around 1% in both 2004 and 2005. The worsening in the labour market would lead to a marked rise in the number of resident unemployed, even though this increase is likely to be cushioned somewhat by the specific employment schemes. Thus, the unemployment rate is expected to increase markedly over the forecast horizon, to over 4% by 2005.

Costs and prices

Average HICP inflation stood a 2.1% in 2002 and is expected to average 2.2% in 2003 before decreasing slightly to 2% in 2004 and 1.7% in 2005, in response to weak import prices, relatively moderate wage increases, a cyclical upturn in productivity and the fading of the upward impact of the introduction of the cash euro. In 2004 increases in excise duties on petrol would introduce some upward price pressures from energy prices (0.1-0.2%). Underlying inflation would show some resilience to go below 2% despite slow growth and unemployment edging up.

Public finances

The public finance situation is expected to deteriorate markedly over the projection period. In 2002, the fiscal accounts still registered a substantial surplus of 2.4% of GDP, to a large extent due to the lagged response of corporate tax revenues to the economic slowdown, to some increase in the collection of back taxes, and to lower expenditure from special funds. In 2003, the general government balance is expected to turn into a deficit of 0.6% of GDP. A further marked deterioration is expected in 2004, with the deficit rising to 2.1% of GDP. Continued sluggish revenues, mostly due

304978 European Economy

to the weak development of corporate tax revenue are the main explanation. That said, while the growth rates of total current and investment expenditure are expected to weaken compared to the high rates registered in 2002, the deceleration would not be sufficient to prevent the nominal deficit from rising to 2.5% of GDP by 2005. While most of the expected deterioration of the budget balance is accounted for by central government, local government revenues would also be affected negatively by the effects of the earlier tax reforms from 2004 onwards. The balance of social security funds should remain positive over the forecast horizon, but surpluses are expected to be lower than in previous years, largely due to the worsening in the labour market. The already low gross government debt ratio is forecast to decline slightly to 4.1% of GDP in 2005.

Table 3.9

Main features of country forecast - LUXEMBOURG

	2002			Annual percentage change						
	mio Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		22395.4	100.0	5.0	9.1	1.2	1.3	1.2	1.9	2.8
Private consumption		9589.7	42.8	3.1	4.6	4.5	2.3	1.9	1.8	2.0
Public consumption		4034.3	18.0	4.2	4.8	7.0	4.2	3.6	3.6	3.8
GFCF		5047.2	22.5	5.1	-3.5	10.1	-1.4	-1.7	1.0	3.2
of which : equipment		1938.6	8.7	6.8	-12.9	8.8	-1.2	-4.4	0.3	5.2
Change in stocks as % of GDP		-161.3	-0.7	1.1	2.8	1.2	-0.7	-0.8	-0.8	-0.8
Exports (goods and services)		32718.2	146.1	7.3	16.8	2.6	-0.3	0.9	3.8	6.1
Final demand		51228.2	228.7	5.8	12.1	3.3	-0.4	1.1	3.1	4.8
Imports (goods and services)		28832.7	128.7	6.5	14.8	4.8	-1.6	1.0	4.1	6.4
GNI at constant prices (GDP deflator)		25486.3	113.8	5.1	1.2	4.0	-2.0	1.5	-1.3	1.7
Contribution to GDP growth :	Domestic demand			3.5	1.9	5.3	1.4	1.1	1.7	2.3
	Stockbuilding			0.3	2.3	-1.6	-1.9	0.2	0.0	0.0
	Foreign balance			1.3	4.7	-2.3	1.6	-0.1	0.2	0.5
Employment				2.4	5.6	5.6	3.2	1.7	0.9	1.2
Unemployment (a)				2.5	2.3	2.1	2.8	3.7	4.2	4.5
Compensation of employees/head				4.8	4.7	3.7	3.1	2.7	2.0	2.3
Unit labour costs				2.2	1.4	8.2	5.1	3.2	1.0	0.6
Real unit labour costs				-1.4	-2.5	5.9	4.5	1.3	-1.6	-1.9
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				3.6	3.9	2.2	0.6	1.9	2.7	2.6
Private consumption deflator				3.7	2.6	3.3	2.3	2.1	1.8	1.6
Harmonised index of consumer prices				-	3.8	2.4	2.1	2.2	2.0	1.7
Trade balance (c)				-11.6	-11.8	-12.5	-11.6	-11.4	-11.5	-11.8
Balance on current transactions with ROW (c)				-	-	-	-	-	-	-
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	6.4	6.2	2.4	-0.6	-2.1	-2.5
General government gross debt (c)				7.0	5.5	5.5	5.7	4.9	4.7	4.1

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

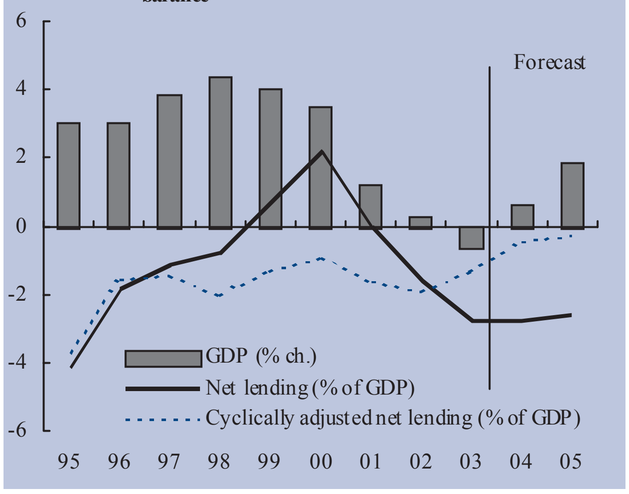
10. Netherlands

Deficit rises as recession deepens, substantial fiscal tightening

Recession in first half of 2003

Real GDP shrank in the first half of 2003 and is expected to decline by 0.9% on average in the year as a whole, compared to a meagre positive growth rate of 0.2% in 2002. Real GDP fell by 1.2% year-on-year and 0.6% quarter-on-quarter in the second quarter of 2003, the third consecutive quarter of decline. Available data and leading indicators give no indication of a clear rebound in growth in the remainder of the year. Following years of buoyant growth, private consumption is forecast to decrease by around 1% in the wake of rising unemployment, rising pension premiums, fading wealth effects from the housing market, fiscal consolidation weighing on disposable income, and confidence falling to record lows. The growth rate of real government consumption would decrease markedly to 0.7%, compared to close to 4% in 2002. Gross capital formation is expected to decrease by around 3% in response to weak profits, balance sheet adjustments in the corporate sector, relatively low capacity utilisation rates and the uncertain near-term outlook while exports suffer from the economic downturn, aggravated by the loss in price competitiveness of Dutch exporters due to high wage and price increases in recent years. Unemployment has risen markedly in the course of this year as employment growth is set to turn negative in response to the cyclical downturn, while wages and prices have been on a clear downward trend.

Graph 3.10: **Netherlands - GDP and general government balance**



Export-driven recovery expected

A very muted recovery is expected, starting towards the end of 2003. Real GDP growth is projected to reach no more than 0.6% in 2004, and to strengthen to 2% in 2005. In 2004, the projected recovery would to a large extent be due to more supportive net trade, whereas domestic demand would remain sluggish initially and recover only towards the end of the forecast horizon. Despite projected export growth of close to 6% in 2005, Dutch exporters would suffer further losses in market share, as competitiveness would only slowly be restored. Private consumption growth is expected to stagnate in 2004 and to recover only in 2005, reflecting relatively weak income growth in response to the marked further worsening in the labour market, the negative impact of fiscal consolidation on disposable income, and the continuation of a relatively high savings ratio. Private non-residential capital formation is expected to recover only gradually and to reach a growth rate of close to 2% by 2005, in line with the muted recovery as balance sheet adjustments and lower wage growth bear fruit and profitably would be gradually restored. Total employment is forecast to decrease by 0.8% in 2004 and to increase only marginally in 2005. This reflects the lagged response of the labour market to the severe economic slowdown. Hence the unemployment rate would continue to rise over the forecast horizon, to reach over 6% in 2005.

Deceleration in costs and prices

CPI inflation is expected to decrease markedly over the forecast horizon, from 3.9% in 2002 to 2.4% in 2003 and 1.3% and 0.9% in 2004 and 2005 respectively. This partly reflects lower import prices, but is primarily due to a substantial easing of unit labour costs. Overall wage growth is expected to moderate substantially in response to the rather bleak economic outlook, the agreement reached among social partners to freeze contractual wage increases in the next two years, and the prospect of falling inflation.

Public finances

The fiscal accounts deteriorated markedly in 2002 and showed a deficit of 1.6% of GDP, after a balanced budget in 2001. This deterioration of public finances mainly reflects the impact of the sharp economic downturn. However, revenue shortfalls related to higher tax-exempt pension premiums and increases in tax-deductible mortgage payments also added to the deficit, while deterioration in the balance of the sub-sector local government also played a role in 2002. The weak economic prospects imply a further deterioration of the general government balance in 2003 and 2004, despite substantial fiscal consolidation. The austerity measures put in place in 2003 and 2004 to help limit the increase in the deficit are equivalent to 2.5% of GDP in total. Planned expenditure reductions stem, inter alia, from reforms in social security, wage restraint in the public sector, the repeal of tax incentives for early retirement, measures to control health care spending, and a reduction of subsidies.

On the revenue side, taxes and social security contributions will be raised. In spite of these efforts for 2003, a general government deficit of 2.6% of GDP is expected. In 2004 the deficit would increase slightly to 2.7% of GDP, before decreasing somewhat to a deficit of 2.4% of GDP in 2005 in response to the economic upturn. The cyclically adjusted general government balance is projected to improve gradually from 2.1% of GDP in 2002 to 0.6% of GDP in 2005. As a result of projected deficits and weak economic growth the gross government debt ratio would be on a modest upward trend and stabilise at 55.5% of GDP in 2004 and 2005.

Table 3.10

Main features of country forecast - NETHERLANDS

		2002		Annual percentage change						
		bn Euro Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		444.6	100.0	2.5	3.5	1.2	0.2	-0.9	0.6	2.0
Private consumption		221.7	49.9	1.9	3.5	1.4	0.8	-1.1	-0.1	1.4
Public consumption		109.1	24.5	2.5	2.0	4.2	3.8	0.7	-0.1	0.4
GFCF		92.2	20.7	2.6	1.4	-0.1	-4.5	-3.2	0.5	2.3
of which : equipment		28.3	6.4	4.4	-3.5	-3.2	-4.2	-8.7	-1.5	2.6
Change in stocks as % of GDP		-1.0	-0.2	0.4	0.1	0.1	-0.2	-0.1	0.0	0.1
Exports (goods and services)		278.4	62.6	5.3	11.3	1.7	0.1	-0.3	4.3	5.6
Final demand		700.4	157.5	3.2	6.1	1.7	0.1	-0.7	1.9	3.2
Imports (goods and services)		255.7	57.5	4.7	10.5	2.4	-0.2	-0.4	4.0	5.0
GNI at constant prices (GDP deflator)		435.5	97.9	2.5	3.7	-0.1	-0.9	-1.0	1.8	3.0
Contribution to GDP growth :	Domestic demand			2.0	2.5	1.6	0.3	-1.0	0.1	1.2
	Stockbuilding			0.0	0.0	-0.1	-0.3	0.1	0.1	0.1
	Foreign balance			0.4	1.1	-0.4	0.2	0.0	0.5	0.7
Employment				1.1	1.8	1.3	0.2	-1.1	-0.8	0.3
Unemployment (a)				6.8	2.8	2.4	2.7	4.4	5.8	6.1
Compensation of employees/head				2.7	4.7	5.5	4.9	4.1	1.4	1.1
Unit labour costs				1.3	3.1	5.5	4.9	3.9	-0.1	-0.6
Real unit labour costs				-0.7	-0.8	0.1	1.4	1.1	-1.6	-1.5
Savings rate of households (b)				-	-	14.0	13.7	15.3	15.2	14.8
GDP deflator				2.0	3.9	5.4	3.4	2.8	1.5	0.9
Private consumption deflator				2.3	3.3	4.7	3.1	2.1	1.3	0.9
Harmonised index of consumer prices				-	2.3	5.1	3.9	2.4	1.3	0.9
Trade balance (c)				3.9	4.9	5.2	5.2	5.4	5.8	6.1
Balance on current transactions with ROW (c)				3.8	4.8	3.5	2.1	2.4	3.8	5.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				3.6	4.6	3.3	1.9	1.7	1.7	2.2
General government balance (c)(d)				-3.7	2.2	0.0	-1.6	-2.6	-2.7	-2.4
General government gross debt (c)				70.7	55.9	52.9	52.4	54.6	55.5	55.5

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amount as a % of GDP would be : 0.7%.

11. Austria

Unemployment stays high despite pick-up in growth

Developments in 2003 and prospects

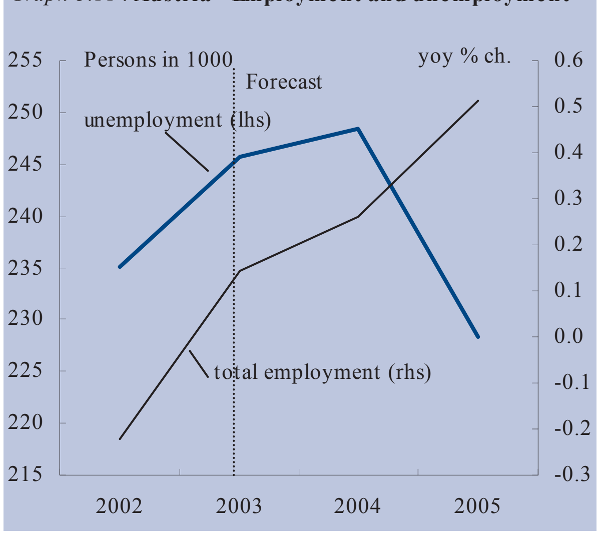
Economic growth stayed on a slow pace in the first half year. Contrary to last year, growth was supported by domestic demand components, above all moderately expanding household consumption and investment recovering slowly from the slump in 2002. Exports, by contrast, almost stagnated as demand from central and eastern Europe slowed down considerably. With imports picking up, the external contribution to growth decreased markedly. In all, growth of real GDP is set to reach only 0.9% in 2003.

With the international upswing gaining momentum, exports should rebound. Together with strengthening domestic demand, GDP growth is projected to accelerate to 1.9% in 2004 and further to a rate of 2.5% in 2005.

Demand components

Household real disposable income will rise only moderately in 2003 and 2004, before accelerating in 2005, thanks to a pick-up in labour demand and declining inflation. Private consumption is nevertheless expected to remain resilient in 2003 and to rebound in 2004. After adoption of the pension reform last June, the political debate on changes to the welfare system that may have led to uncertainty and consumption restraint, will cease for some time. Moreover, an income tax relief becoming effective at the beginning of 2004 and a more substantial one planned for 2005, in combination with the improved outlook on the labour market should boost consumer confidence. Public consumption is forecast to remain subdued throughout the projection period, assuming that the government continues its efforts to contain budgetary spending. Investment edged up in the first half of 2003, with equipment investment accelerating considerably, induced most likely by a tax incentive favouring investments undertaken in the year 2003. In 2004, a negative echo-effect in combination with sufficient spare capacity may hold back a stronger rebound of equipment investment to be expected from the improved export outlook. Construction investment is projected to strengthen throughout the forecast period. Exports are expected to rebound in 2004 and gain further momentum in 2005. Despite accelerating imports, the contribution of net exports to GDP growth should turn positive as of 2004 but remain small.

Graph 3.11 : **Austria - Employment and unemployment**



Prices and wages

While on the whole remaining subdued, consumer price inflation is likely to accelerate temporarily in 2004 owing to an increase in energy taxes and excise duties on tobacco. Notwithstanding continued wage moderation in the private sector, nominal increases in contractual wages are estimated to pick up somewhat already in 2004 due to the expected cyclical upswing and to accelerate further in 2005. In the public sector, very moderate wage agreements are expected for both 2004 and 2005, given the rather generous pay rise in 2003 compensating for purchasing power losses in the previous years.

Labour market

The deceleration in overall output growth in 2003 had an adverse impact on the labour market, with dependent employment virtually stagnating. Given the usual time lag of about six months, a more sustained pick-up in labour demand can be expected only in late 2004, when economic activity should have gained momentum. Given elastic labour supply, the rebound in growth will not translate immediately into falling unemployment, after the sharp rise in 2003. Only in 2005, the increase in labour demand is estimated to outpace labour supply, helped by the population of working age starting to decline due to demographic ageing.

Public finances

Revised data for 2002 show that the budgetary outcome was actually better than preliminary figures had indicated. The budgetary position weakened by half a percentage point of GDP to a deficit of 0.2% (revised downwards from a deficit 0.6%) after a surplus of 0.3% of GDP in 2001.

The twin-budget for 2003 and 2004 was adopted in mid-June, thereby largely incorporating the delay in the economic recovery. Despite the rather bleak cyclical situation entailing weaker-than-anticipated employment growth, central government data suggest that tax revenues in 2003 could develop more favourably than budgeted, mainly reflecting the authorities' successful fight against VAT fraud. However, expenditure is expected to overshoot the target, reflecting a sharper-than-expected rise in unemployment and additional discretionary spending such as an increase in social transfers, an extra pay-rise for public sector employees, additional labour market expenditure foreseen in the fiscal stimulus package, topped by deferred flood-related spending. In sum, the general government deficit is projected to widen to some 1% of GDP in 2003.

In 2004, the first step of the tax reform will take effect. Income tax cuts and related measures will, however, be largely offset by a rise in social contributions. As a result, the budgetary effect of the tax relief should be neutral. Savings from the pension reform for private and federal employees should largely outpace the increase in discretionary spending. Helped by the expected pick-up in domestic demand, the general government deficit is estimated to narrow by almost ½ percentage point of GDP.

In the light of the projected cyclical upswing, the deficit should decline further in 2005. Given the Commission’s no-policy-change assumption, the forecast for 2005, does not, however, incorporate the second step of the tax reform, which is planned but has not yet been presented to parliament.

Table 3.11

Main features of country forecast - AUSTRIA

		2002		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		218.3	100.0	2.3	3.4	0.8	1.4	0.9	1.9	2.5
Private consumption		123.9	56.8	2.5	3.3	1.4	0.8	1.1	1.8	2.2
Public consumption		40.7	18.6	1.9	-0.1	-1.4	0.1	-0.1	0.3	0.3
GFCF		48.3	22.1	2.2	6.2	-2.3	-2.8	1.9	2.5	3.8
of which : equipment		18.3	8.4	2.5	11.6	-3.2	-6.7	2.7	3.9	6.3
Change in stocks as % of GDP		0.7	0.3	0.4	0.5	0.5	0.3	0.2	0.2	0.2
Exports (goods and services)		115.2	52.8	4.9	13.4	7.5	3.7	1.1	5.7	7.6
Final demand		328.8	150.6	3.0	6.0	2.5	1.1	1.0	3.2	4.3
Imports (goods and services)		110.4	50.6	4.6	11.6	5.9	1.2	1.1	5.7	7.6
GNI at constant prices (GDP deflator)		216.3	99.1	2.3	3.4	0.5	2.3	0.8	1.9	2.5
Contribution to GDP growth :	Domestic demand			2.3	3.3	0.0	-0.2	1.0	1.7	2.1
	Stockbuilding			0.0	-0.7	-0.1	-0.1	-0.1	0.0	0.1
	Foreign balance			0.1	0.8	0.9	1.4	0.0	0.2	0.3
Employment				0.2	1.0	0.6	0.0	0.1	0.3	0.5
Unemployment (a)				3.4	3.7	3.6	4.3	4.5	4.6	4.1
Compensation of employees/head				4.4	2.2	1.4	2.2	2.5	2.9	2.9
Unit labour costs				2.2	-0.2	1.3	0.8	1.7	1.3	0.9
Real unit labour costs				-0.6	-1.6	-0.7	-0.5	0.4	0.1	-0.1
Savings rate of households (b)				-	-	12.0	12.6	12.4	12.0	12.1
GDP deflator				2.8	1.4	2.1	1.4	1.3	1.2	1.1
Private consumption deflator				2.9	1.4	2.2	1.1	1.4	1.7	1.4
Harmonised index of consumer prices				-	2.0	2.3	1.7	1.3	1.6	1.5
Trade balance (c)				-3.7	-1.3	-0.5	1.8	1.8	1.8	1.8
Balance on current transactions with ROW (c)				-1.1	-2.6	-1.9	0.5	0.5	0.5	0.5
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.1	-2.8	-2.2	0.2	0.3	0.3	0.3
General government balance (c)(d)				-3.1	-1.5	0.3	-0.2	-1.0	-0.6	-0.2
General government gross debt (c)				56.9	67.0	67.1	66.7	66.4	65.2	63.2

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amount as a % of GDP would be : 0.4%.

12. Portugal

A large and persistent output gap is hindering budgetary consolidation

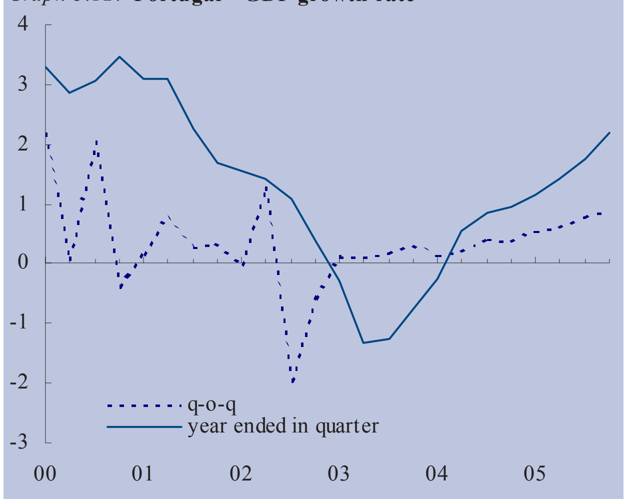
Overall developments and prospects

In Portugal, the impact of the cyclical downturn in the European economy is being accentuated by the undergoing economic adjustment. In fact, domestic demand has been receding since the last quarter of 2001, after a period of rapid growth at the end of the previous decade, which led to significant rises in the indebtedness levels for the private sector of the economy, and to an unsustainable increase in the net borrowing of the economy.

Despite the protracted fall of domestic demand, quarter-on-quarter output receded only in the second half of 2002, reflecting the progressive improvement of the net external balance. Despite the expectation of slow but positive growth for all quarters of 2003, GDP growth for the whole year is projected to fall by about ¾%, because of the negative carry-over from 2002.

As regards the forecast period, although both private consumption and investment are expected to gradually strengthen, domestic demand is expected to continue growing below output, because of the continued efforts by private sector agents to redress their balance sheets, combined with the re-orientation of production towards exports, which is supported by a high degree of wage moderation and the projected pick-up in foreign demand. Consequently, the external account is expected to be close to balance by the end of the forecast period. Overall, GDP is expected to grow by about 1% in 2004, largely reflecting the low carry-over from 2003, accelerating to about 2% in 2005.

Graph 3.12: **Portugal - GDP growth rate**



Prices

HICP inflation is forecast to decelerate in the second half of 2003. Moderate import price inflation, low wage increases, and subdued domestic demand throughout the forecast period are all expected to contribute to inflation abating from 3.4% in 2003 to about 2½% on average in the 2004 and 2005 period.

Labour Market

The labour market situation deteriorated significantly at the end of 2002. Cyclical developments are expected to lead to a decline in employment in 2003 and to a near stagnation in 2004, while the growth rate of the labour force is expected to slowdown. The unemployment rate is expected to exceed 7% in both 2004 and 2005. The worsening of labour market conditions is expected to reduce wage settlements for the private sector of the economy. The growth rate of total wages per employee is expected to decelerate from 5½% in 2002 to about 2¼-½% on average in the 2004-2005 period, such that the trend decline in price-competitiveness looks set to come to a halt. In the forecast period, households' real disposable income is expected to growth on average by about ½% per year. This relative strong pace given the forecast for employment and real wages, largely reflects the announced government policy of a phased convergence of low pensions towards the minimum wage.

Public finances

The cumulative loss in output in consecutive quarters, implying a fall in real GDP for the whole of 2003, is causing substantial shortfalls in tax revenue. In the first nine months of 2003, tax revenues in the state sector receded by 5.6% year-on-year. Against (positive) nominal GDP growth of around 2½%, this suggests that the tax system is very sensitive to cyclical movements. Government expenditure, for its part, is growing broadly in line with targeted for 2003.

These revenue and expenditure developments would lead to a government deficit above 3% of GDP in 2003. In order to prevent it, the Portuguese authorities have introduced two one-off measures, together worth more than 2% of GDP: i) a lump-sum payment by the Post Office (CTT) to the government in exchange of the transfer to government of their unfunded pension obligations, ii) the sale to a financial corporation of non-performing tax claims (i.e. tax arrears). Both operations are being closely scrutinised by Eurostat. Taking into account these one-off measures, the deficit for 2003 is forecast to be 2.9% of GDP.

The budget draft for 2004 projects a general government deficit of 2.8% of GDP. Tax revenue is estimated to increase by 3.1%, which compares with nominal GDP growth of 3½% (and real growth of 1%), while total current primary expenditure is planned to increase by 3%, thereby below nominal GDP growth. The draft budget for 2004 includes one-off measures amounting to some 1.1% of GDP. The present forecast takes on board the full amount of one-off measures planned for 2004, although as regards the sale of property (0.7% of GDP), a partial realisation of the sales programme could be a more likely outcome.

Although the macroeconomic assumptions underlying the Commission forecast differ only marginally from those made in the budget draft, the Commission's general government deficit forecast for 2004 is 3.3% of GDP, which is above the official budgetary target. This can basically be accounted for by two factors: carry-over effects from 2003 caused by the lower tax revenue projected for that year in the forecast, combined with a more prudent assessment of the impact on government accounts of the reduction in the corporate profit tax rate from 30 to 25%.

The budget forecast for 2004 is contingent upon the projected decline in the growth rate for total current expenditure, and in particular for the component of social transfers. Indeed, the assumed slowdown of total current expenditure growth from 4.5% in 2003 to 3.1%, and for social transfers (other than in kind) from 9.0% to 5.2%, is an ambitious target.

For 2005, the forecast for the general government deficit is based on legislation currently in force as amended by the draft budget for 2004 (the "no-policy-change" assumption). The actual deficit is projected to be close to 4% of GDP, reflecting the persistence of a large (negative) output gap, and the fading out of the effect of one-off operations.

Table 3.12

Main features of country forecast - PORTUGAL

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	129.7	100.0	3.0	3.7	1.6	0.4	-0.8	1.0	2.0
Private consumption	78.9	60.9	3.0	2.6	1.2	0.6	-0.9	0.8	0.9
Public consumption	27.3	21.1	4.1	4.0	3.4	2.9	-0.9	-0.2	0.1
GFCF	31.9	24.6	4.1	4.4	0.1	-5.1	-9.2	1.0	5.2
of which : equipment	14.8	11.4	4.0	4.9	-3.8	-8.1	-8.3	1.4	7.1
Change in stocks as % of GDP	0.8	0.6	0.6	0.7	0.6	0.6	0.4	0.5	0.4
Exports (goods and services)	39.4	30.3	6.4	8.0	1.9	2.1	3.1	5.1	7.0
Final demand	178.3	137.5	4.0	4.2	1.4	0.2	-1.4	1.9	3.1
Imports (goods and services)	48.8	37.6	7.3	5.4	0.9	-0.5	-2.9	3.9	5.5
GNI at constant prices (GDP deflator)	126.4	97.5	3.1	2.8	1.4	0.6	-0.7	0.9	2.1
Contribution to GDP growth :	Domestic demand		3.6	3.7	1.4	-0.5	-3.2	0.7	1.8
	Stockbuilding		0.0	-0.3	0.0	0.0	0.0	0.1	0.0
	Foreign balance		-0.6	0.3	0.2	1.0	2.4	0.2	0.2
Employment			0.3	2.1	1.3	0.3	-1.0	-0.1	0.5
Unemployment (a)			6.6	4.1	4.1	5.1	6.6	7.2	7.3
Compensation of employees/head			14.4	5.6	5.5	5.3	2.7	2.3	2.5
Unit labour costs			11.4	4.1	5.2	5.1	2.5	1.3	1.0
Real unit labour costs			-0.3	0.9	0.4	0.5	-0.9	-1.2	-1.4
Savings rate of households (b)			-	-	11.5	11.8	11.8	11.3	11.2
GDP deflator			11.8	3.2	4.8	4.6	3.4	2.5	2.4
Private consumption deflator			11.5	3.5	3.5	3.6	3.4	2.6	2.5
Harmonised index of consumer prices			-	2.8	4.4	3.7	3.4	2.6	2.5
Trade balance (c)			-12.1	-13.1	-11.8	-9.5	-7.9	-7.8	-7.5
Balance on current transactions with ROW (c)			-4.1	-10.8	-9.9	-7.7	-4.5	-4.2	-3.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-9.0	-8.4	-5.6	-2.5	-2.1	-1.5
General government balance (c)(d)			-5.8	-2.8	-4.2	-2.7	-2.9	-3.3	-3.9
General government gross debt (c)			56.5	53.3	55.5	58.1	57.5	58.6	60.0

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amount as a % of GDP would be : 0.3%.

13. Finland

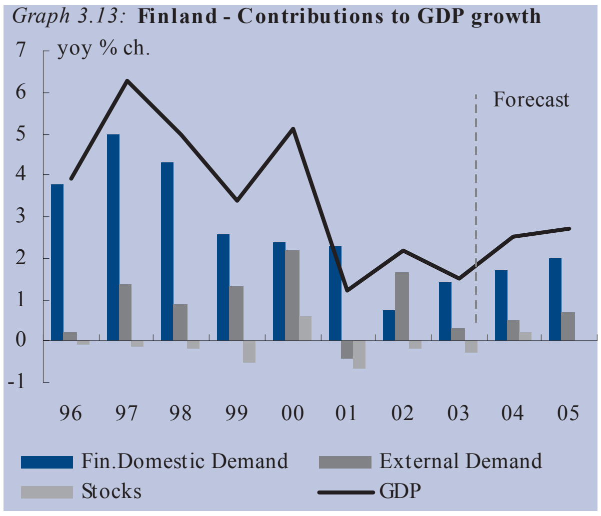
Private consumption driving the gradual revival of activity

Developments in 2003

Last year, Finland was one of the very few countries in the EU to experience a pick-up in economic activity. Boosted by domestic and external demand alike, real GDP rose by 2.2%, up from 1.2% in 2001. However, following the better-than-expected performance in 2002, demand and output receded by 0.8% in the first quarter of 2003 from the previous period. This was due to a fall in foreign demand and a further decline in investment. The economy rebounded in the second quarter of 2003, with real GDP increasing by 0.6% quarter-on-quarter. The driving force behind this increase were exports, which climbed by 2.5% on the quarter. Final domestic demand moved up steadily in the first half of the year, with private consumption giving firm support, while public consumption advanced only modestly. Investment, however, continued its declining trend, suffering from weaker final demand prospects.

The subdued activity has taken its toll on the labour market, as net employment creation has been on a declining path recording a cumulative contraction of 0.2% year-on-year in the first nine months of 2003. Despite the fall in employment, unemployment has remained fairly stable as labour supply has fallen. From an average rate of 9.1% (s.a.) in 2002, unemployment has remained unchanged between January and September 2003. Inflation (HICP) eased quickly from an average of 2.0% in 2002 to 1.2% in September 2003. This was mainly due to lower prices of services and the stronger euro keeping import price pressures moderate.

Graph 3.13: **Finland - Contributions to GDP growth**



Prospects

Even though the economy has returned to the growth trend, there are still downside risks in the international economy, which if realised will delay a further recovery. Moreover, signs of lasting economic growth are confined to private consumption and housing investment. Therefore, activity is set to advance at a moderate pace in the second half of 2003, resulting in average growth of about 1½% in 2003. Against the background of an assumed recovery in foreign demand and continued healthy domestic demand, the economy is projected to reach an annual GDP growth rate of 2½% in 2004 and 2¾% in 2005.

Following from the projected profile of activity, job creation is expected to ease in the last months of 2003, implying a decline in employment and a small rise in unemployment for the year as a whole. For the future, as the assumed recovery gradually gathers pace, employment is projected to rise slightly in 2004 and further in 2005.

GDP components

Private consumption is expected to continue to drive the economic recovery on the back of steady gains in disposable income following from wage increases and further income tax cuts in 2003 and 2004. Public spending is also expected to accelerate, based on the stimulatory measures introduced in the 2004 budget proposal. Investment activity, lacking the stimulus from external demand and suffering from excess capacity, is projected to decline in 2003, but revive in 2004-2005.

Exports are expected to decelerate this year, but in 2004 they should gain from the improved international economic outlook and further accelerate in 2005. Prospects for exports of telecommunication equipment, but also of forest products appear somewhat promising. However, higher consumer spending is expected to raise imports, squeezing the contribution from external demand to GDP growth.

Costs and prices

For 2003, HICP inflation is projected to average 1.4%. In 2004, alcohol tax cuts of 33% on average will reduce price pressures, bringing inflation further down to about

1% in 2004. In 2005, inflation may rise to 1.7%, as the economy expands and the effect of the tax cut fades away. In December 2002, a centralised two-year wage agreement provided for general wage rises of 2.9% in 2003 and 2.2% in 2004. Assuming the usual wage drift of about 1 percentage point, per-capita wages are expected to increase by nearly 4% in 2003 and about 3 ½% in 2004-05. However, higher growth in overall productivity appears likely to curb the rise in unit labour costs.

Public finances

The general government financial surplus is expected to decrease by about 1 ¾ percentage points to some 2½% of GDP in 2003. This results from a declining overall revenue intake, and expansionary measures proposed by the new government.

Moreover, the financial position of local governments appears to slip further into deficit due to weaker tax receipts and moderate expenditures growth. Public sector finances will stay in surplus due to social security funds surplus. Based on the government's medium-term spending guidelines of Spring 2003 and the budget proposal for 2004, the general government surplus is estimated to edge down further to some 1.7% of GDP in 2004, while stronger economic activity is expected to bring it up to 1.9 % in 2005.

In 2003-2005, the debt ratio is anticipated to ease to 44.3% of GDP by the end of the forecast period.

Table 3.13

Main features of country forecast - FINLAND

	2002		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	139.7	100.0	2.3	5.1	1.2	2.2	1.5	2.5	2.7
Private consumption	71.1	50.9	2.2	3.1	2.0	1.5	3.2	2.5	2.6
Public consumption	30.3	21.7	2.1	0.0	2.2	4.0	1.8	1.6	1.5
GFCF	26.4	18.9	0.8	4.1	4.3	-4.0	-2.7	0.5	2.3
of which : equipment	7.8	5.6	1.1	-1.0	13.3	-12.4	-7.5	-1.5	2.0
Change in stocks as % of GDP	-0.1	0.0	0.1	0.9	0.1	0.7	-0.4	-0.1	-0.1
Exports (goods and services)	54.0	38.7	5.2	19.3	-0.8	4.9	1.6	4.2	5.8
Final demand	181.8	130.1	2.5	8.2	0.9	2.5	1.4	2.8	3.4
Imports (goods and services)	42.1	30.1	4.0	16.9	0.2	1.3	1.1	4.0	5.5
GNI at constant prices (GDP deflator)	139.4	99.8	2.3	5.4	1.8	2.7	1.8	2.6	2.8
Contribution to GDP growth : Domestic demand			1.8	2.3	2.2	0.7	1.4	1.7	2.0
Stockbuilding			-0.1	1.0	-0.7	0.6	-0.3	0.2	0.0
Foreign balance			0.6	2.9	-0.5	1.9	0.3	0.5	0.7
Employment			-0.2	2.3	1.5	0.4	-0.2	0.2	0.4
Unemployment (a)			8.5	9.8	9.1	9.1	9.3	9.2	9.1
Compensation of employees/head			6.5	3.7	4.7	2.3	3.1	3.0	3.1
Unit labour costs			3.8	0.9	5.0	0.4	1.4	0.7	0.7
Real unit labour costs			-0.8	-2.2	2.2	-0.6	0.3	-0.1	-0.8
Savings rate of households (b)			-	-	7.4	7.3	6.6	6.9	6.5
GDP deflator			4.6	3.2	2.7	1.1	1.0	0.8	1.6
Private consumption deflator			4.5	3.6	3.4	3.0	1.7	1.1	1.7
Harmonised index of consumer prices			-	3.0	2.7	2.0	1.4	1.0	1.7
Trade balance (c)			4.3	11.4	10.5	9.9	9.1	9.0	9.0
Balance on current transactions with ROW (c)			-0.5	7.2	6.9	7.5	6.7	6.5	6.7
Net lending(+) or borrowing(-) vis à vis ROW (c)			-0.3	7.3	6.7	7.1	6.8	6.6	6.7
General government balance (c)			0.4	7.1	5.2	4.2	2.4	1.7	1.9
General government gross debt (c)			31.3	44.6	44.0	42.7	44.6	44.5	44.3

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

14. Sweden

Economic growth to revive after mild downturn

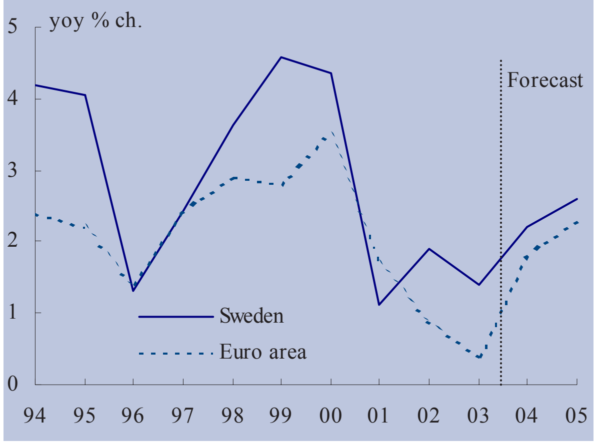
The economy in 2003

Swedish economic growth has been rather subdued so far in 2003, with GDP growth of 1.5% on the year in the first half of the year. Exports have improved after two years of very poor growth. At the same time, imports have risen faster, resulting in a low growth contribution from net exports. On the domestic side, economic activity has been mixed. Private consumption growth has been relatively strong. By contrast, investment growth has been poor, linked to continued uncertain business prospects. Public consumption growth has been rather weak, reflecting some budgetary constraints. Inflation has come down considerably during the year and as inflationary pressures should remain subdued, the repo-rate has been cut twice in 2003.

Prospects

Recent indicators are mixed and there is a clear distinction between consumers and business expectations. Consumer confidence indicators, and in particular consumers' expectations regarding their own economy, give a positive picture. The overall indicator was up in September for the fifth consecutive month. Business confidence indicators are by contrast substantially less positive and companies generally report weak developments regarding export markets. This impacts heavily on the very open Swedish economy. These prospects, both domestically and externally, are expected to result in relatively subdued GDP growth in 2003. Domestic demand growth should be fairly stable and external demand growth should pick up during 2003, resulting in stronger exports. In 2004, economic growth is expected to strengthen, as the recovery world-wide should be more firmly in place. In 2005, economic growth is expected to be close to the potential growth rate. Overall, GDP is expected to grow by 1.4% in 2003, 2.2% in 2004 and 2.6% in 2005.

Graph 3.14 : **Sweden-Real GDP growth compared to euro area**



Inflationary pressures are expected to remain subdued over the forecast period and inflation should return to 2% at the end of 2005. With gradually stronger GDP growth over this period, interest rates may rise slightly. Wage increases are expected to be moderate in the years to 2005, in part as the rise in unemployment observed this year is not expected to be reverted during this period.

GDP components

Despite a slowdown in disposable income growth in 2003, private consumption is expected to continue to grow steadily. Consumer confidence has improved significantly recently. Financial wealth has partially recovered from the long slump in the stock markets, with the recent surge in equity prices. House prices have continued to rise steadily, contributing to a relatively strong wealth position of households. Moreover, the saving rate of households reached an exceptionally high level in 2002 - up by 6 percentage points between 2000 and 2002 - which provides room for relatively high consumption growth over the forecast period. All in all, this should result in stable consumption growth in the years to 2005. Public consumption is expected to be weak over the forecast period, in part due to budgetary constraints at the local and central level. Investment growth is expected to be negative, while gradually improving, in 2003 as business prospects remain uncertain and also due to a negative overhang into 2003. A rise in investment is foreseen for 2004 and further in 2005, as economic activity gathers momentum and the productive capacity needs to be expanded, following a period of falling investment. Swedish exports rises faster in 2003, as external demand growth strengthens. In 2004 and 2005, a further recovery in exports is expected, in line with world markets. Imports too should continue to rise over the forecast period, as final demand recovers gradually.

Costs and prices

Inflation has come down considerably since the electricity and energy price hike last winter, reflecting relatively weak economic activity during this period. These factors should be less important from early 2004 onwards and inflationary pressures should be very subdued. As demand and growth revives further in 2005, inflation is expected to gradually rise to close to 2% towards the end of 2005. Wage increases are expected to be moderate over the forecast period. New wage negotiations foreseen to start this autumn are likely to result in moderate wage increases. This can partly be attributed to some deterioration in the labour market in 2003, which is not expected to be fully reverted in the years to 2005.

Labour market

Employment growth has been virtually zero since 2002. The unemployment rate has risen in the first half of 2003, in part as a result of fewer people engaged in labour market programmes. The gradual increase in economic activity foreseen from 2004 onwards is expected to create little in the way of employment until 2005.

Public finances

In 2003, the surplus in public finances is expected to be relatively low, mainly due to weaker economic growth. In 2004, overall revenues are expected to rise in line with nominal GDP. The expenditure-to-GDP ratio is expected to fall slightly, in part, as the government remains committed to the previously set expenditure ceilings on central government, as announced in the Budget Bill for 2004. In 2005, a higher surplus in the public finances is projected on current policies, due to stronger economic activity. The debt-to-GDP ratio is expected to fall over the forecast period and to be 50% of GDP in 2005.

Table 3.14

Main features of country forecast - SWEDEN

		2002		Annual percentage change						
	bn SEK	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		2339.9	100.0	2.1	4.4	1.1	1.9	1.4	2.2	2.6
Private consumption		1139.2	48.7	1.4	4.9	0.2	1.3	1.8	2.3	2.3
Public consumption		655.6	28.0	1.6	-1.1	0.9	2.1	0.8	0.6	0.7
GFCF		399.7	17.1	2.2	6.6	0.8	-2.5	-1.1	2.2	4.9
of which : equipment		177.7	7.6	4.8	6.8	-1.1	-4.0	-2.1	2.5	4.7
Change in stocks as % of GDP		3.6	0.2	0.0	0.7	0.3	0.1	0.4	0.4	0.4
Exports (goods and services)		1012.5	43.3	5.7	11.3	-0.8	0.4	4.2	6.0	6.8
Final demand		3210.6	137.2	2.7	6.6	-0.2	0.6	2.2	3.1	3.8
Imports (goods and services)		870.6	37.2	4.3	11.5	-3.5	-2.7	4.3	5.6	7.0
GNI at constant prices (GDP deflator)		2319.2	99.1	2.0	4.6	1.0	1.9	1.4	2.2	2.6
Contribution to GDP growth :	Domestic demand			1.5	3.2	0.5	0.7	0.9	1.7	2.2
	Stockbuilding			-0.1	0.4	-0.4	-0.1	0.2	0.0	0.0
	Foreign balance			0.6	0.9	1.1	1.3	0.2	0.5	0.4
Employment				-0.1	2.4	1.9	0.2	-0.2	0.0	0.2
Unemployment (a)				5.1	5.6	4.9	4.9	5.7	5.8	5.7
Compensation of employees/head				6.5	7.0	5.0	3.9	3.7	3.7	3.8
Unit labour costs				4.2	5.0	5.8	2.1	2.1	1.5	1.4
Real unit labour costs				-0.8	3.7	3.7	0.8	0.1	-0.5	-0.6
Savings rate of households (b)				-	-	9.5	12.3	12.3	11.0	10.3
GDP deflator				5.1	1.3	2.0	1.3	2.1	2.0	2.0
Private consumption deflator				5.7	1.2	2.1	2.0	2.0	1.5	1.6
Harmonised index of consumer prices				-	1.3	2.7	2.0	2.3	1.4	1.7
Trade balance (c)				3.5	6.2	6.2	6.4	6.3	6.4	6.6
Balance on current transactions with ROW (c)				0.6	4.0	4.2	4.2	4.0	4.1	4.4
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.2	3.8	4.1	4.1	4.0	4.1	4.4
General government balance (c)				-2.4	3.4	4.5	1.3	0.2	0.5	1.0
General government gross debt (c)				60.8	52.8	54.4	52.7	51.7	51.4	50.0

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

15. United Kingdom

Robust recovery, as investment and net exports revive

The economy in 2003

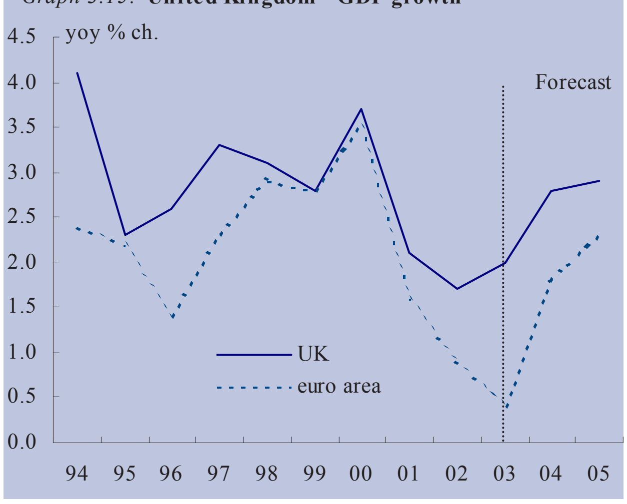
The UK economy weathered the recent global slow-down well. Weakness in exports and investment were more than offset by strong household consumption and general government spending.

The Office for National Statistics revised extensively historical national accounts data due to methodological improvements. Real GDP growth for 1998, 1999, and 2000 was revised up, while for 2002 it was revised down. The general pattern is of more robust growth than previously believed.

The new numbers indicate that recent UK GDP growth was more balanced than previously thought, with less household and general government consumption and better corporate investment and exports. Household expenditure nevertheless continues as a significant driver of growth. Fixed investment has been weak but picked up in 2003Q2. General government consumption has been a significant contributor to GDP growth. The significant drag to growth by net exports of goods and services reflects the continued weakness in world demand, but this effect is diminishing as external conditions improve.

On the output side, services output slowed in Q2, while construction grew strongly. Manufacturing output picked up in Q2, ending a long period of decline. Employment has stayed strong but this kept productivity growth (in terms of output per head) relatively low. Inflationary pressures have remained low. RPIX inflation has risen a little above the government's 2.5% target, but it is well within the permitted one-percentage-point symmetrical margin. HICP inflation is appreciably lower at less than 1½%.

Graph 3.15: **United Kingdom - GDP growth**



Prospects

Growth is expected to be around 2% in 2003, rising to 2.8% and 2.9%, slightly above trend, in 2004 and 2005 respectively. Final demand is expected to strengthen, with slower household and government consumption being offset by a pick-up in corporate investment and net exports. A negative output gap of around 1% of GDP has emerged following below-trend growth in 2002, so supply constraints, overall, should not constrain growth. Unemployment is expected to remain close to its NAIRU level of 5% throughout the forecast period. Wages should rise from recent rates that have been depressed by low bonus payments. This is accompanied by a pick-up in labour productivity growth, so growth in unit labour costs will remain subdued. Interest rates may rise slightly over the period as growth picks up.

GDP components

Growth in household consumption is maintained over the forecast period, but at more modest levels. Real wage earnings are expected to grow moderately and disposable incomes continue to benefit from low interest rates. Although the UK's house price inflation rate slowed somewhat during 2003, equity markets are recovering, and this is helping to keep the household balance sheet healthy despite recent build-ups in gross debt. Nevertheless, the savings rate is expected to increase over the forecast period. There will be more fixed investment, due to strong planned boosts to general government investment and a better financial position of companies with reviving business expectations and increased profitability. The importance of government consumption will diminish, as would be expected from the government's plans. Export growth is expected to recover strongly during the forecast period.

Labour Market

Rises in wage earnings continue to be moderate, and should stay that way, although compensation of employees per head have been boosted this year as a result of the introduction of higher employers' national insurance contributions in April. Employment continues to grow moderately. Productivity growth is expected to be improving from its low rate observed in 2002, given the stronger expected GDP growth. Unit labour costs rises are expected to be moderate and sustainable over the forecast period.

External balance

The current account deficit is expected to diminish over the forecast period. The negative contribution of net exports of goods and services to GDP growth is expected to decline as UK export markets show good growth.

Prices

HICP inflation was low at around 1.4 % in August. RPIX inflation is expected to remain within the bounds of the government's symmetric 2 ½ % target. The HICP rate is expected to be around 1½ % throughout the forecast period. Benign developments in unit labour costs should continue in the face of an economy operating a little below potential and with unemployment close to the NAIRU.

Public finances

The general government finances recorded a deficit of 1.5% of GDP in 2002. The deficit is expected to widen further in 2003 as some tax revenues, notably income and corporation tax, are weak, while discretionary expenditure growth is forecast to rise strongly as planned. It is assumed that expenditure will turn out broadly as projected by the authorities, in nominal terms. The Commission is thus projecting deficits of around 2¾% of GDP in 2003 and 2004 – rather larger than those projected in the Spring. A fall in the deficit is expected in 2005 as the economy grows strongly. The continuation of negative output gaps throughout the forecast period results in a cyclically adjusted balance of a little more than 2% of GDP. The ratio of gross debt to GDP, though increasing slightly, will be close to 40% by the end of 2005.

Table 3.15

Main features of country forecast - UNITED KINGDOM

		2002		Annual percentage change						
	bn GBP	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		1043.9	100.0	2.5	3.8	2.1	1.7	2.0	2.8	2.9
Private consumption		692.9	66.4	3.0	4.6	3.1	3.6	2.3	2.2	2.3
Public consumption		209.0	20.0	1.0	1.9	1.7	2.4	3.6	2.1	2.0
GFCF		170.0	16.3	3.5	3.6	3.6	1.8	3.1	4.8	4.8
of which : equipment		70.4	6.7	4.8	1.8	0.8	-6.7	-0.8	4.8	6.4
Change in stocks as % of GDP		1.8	0.2	0.2	0.6	0.4	0.2	-0.1	0.0	0.1
Exports (goods and services)		272.7	26.1	4.5	9.4	2.5	-0.9	-0.6	5.1	6.6
Final demand		1346.4	129.0	3.1	5.0	2.7	2.1	1.8	3.3	3.6
Imports (goods and services)		304.0	29.1	5.7	9.1	4.5	3.6	0.9	4.7	5.5
GNI at constant prices (GDP deflator)		1062.6	101.8	2.5	4.5	2.8	2.3	2.0	2.6	3.1
Contribution to GDP growth :	Domestic demand			3.0	4.5	3.4	3.5	2.8	2.8	2.8
	Stockbuilding			0.1	-0.1	-0.2	-0.2	-0.3	0.1	0.1
	Foreign balance			-0.4	-0.3	-0.9	-1.7	-0.4	-0.1	0.1
Employment				0.4	1.1	0.6	0.1	0.7	0.5	0.5
Unemployment (a)				8.9	5.4	5.0	5.1	4.9	4.9	4.9
Compensation of employees/head				6.7	6.0	4.7	4.3	4.3	4.4	4.4
Unit labour costs				4.6	3.2	3.1	2.6	2.9	2.0	1.9
Real unit labour costs				-0.3	1.8	0.8	-0.6	0.5	0.1	-0.1
Savings rate of households (b)				-	-	6.7	5.3	5.2	5.6	5.8
GDP deflator				4.9	1.4	2.3	3.2	2.4	1.9	2.0
Private consumption deflator				4.9	1.1	2.2	1.3	1.2	1.2	1.2
Harmonised index of consumer prices				-	0.8	1.2	1.3	1.4	1.5	1.6
Trade balance (c)				-2.0	-3.5	-4.1	-4.4	-4.1	-4.0	-3.9
Balance on current transactions with ROW (c)				-1.1	-2.1	-1.8	-1.8	-2.3	-2.2	-1.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.3	-1.9	-1.7	-1.7	-2.2	-2.1	-1.6
General government balance (c)(d)				-2.8	3.9	0.7	-1.5	-2.8	-2.7	-2.4
General government gross debt (c)				47.0	42.1	38.9	38.5	39.6	40.5	41.0

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000. The UMTS amount as a % of GDP would be : 2.4%.

Chapter 4
Acceding Countries

Acceding Countries

Resisting the slowdown and benefiting from accession

Resilient economy in 2002 and beginning of 2003

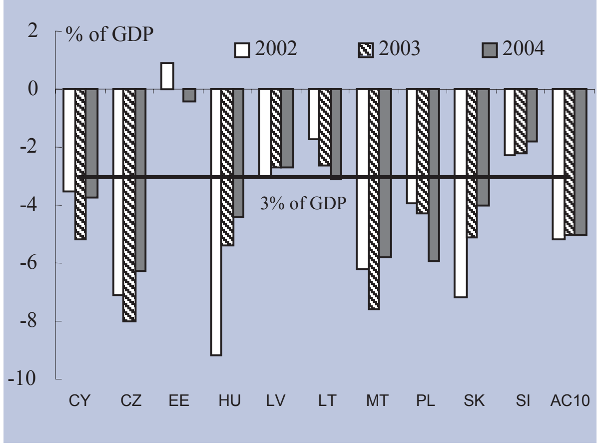
Despite a difficult external environment, growth in the acceding countries remained solid and an acceleration is expected in the second half of 2003 when the international economy recovers. Average GDP growth in the acceding countries is forecast to be 3.1% in 2003, up from last year's 2.3%. Growth is driven by exports, expected to increase by 6.2% in 2003 and a pick-up in industrial production. Private consumption growth at an expected 4.5% in 2003 is robust thanks to purchasing power gains resulting from relatively strong wage increases and declining inflation. Reflecting the situation at the world level, investment contracted by 0.6% in 2002, but should again moderately grow at 2.4% in 2003, as demand prospects improve and receiving additional support from easier monetary conditions.

However, the aggregate masks quite different trends at the country level. Growth has been revised downward for most countries and is forecast to be slower compared to last year except for Poland, which is gradually emerging from two years of slow growth. In 2003, expected growth varies form 0.8% in Malta, particularly affected by a fall in tourism due to global uncertainty, to 6.6% in Lithuania characterised by buoyant investment.

Benefiting from EU enlargement

Stimulated by the recovery in the EU and the prospect of enlargement, average growth in the acceding countries is expected to accelerate to 3.8% in 2004 and to 4.2% the year thereafter. Export growth is forecast to increase to 7.6% in 2005 for the acceding countries as a whole, favourably influenced by the pick-up in world trade and an improvement in competitiveness permitting to gain market share. The need to upgrade infrastructure remains large and investment, accelerating to almost 8% in 2005 according to the forecast, should complement exports as the main drivers of growth. Private consumption is expected to weaken somewhat, but to remain strong (between 3.5 and 4% in 2004-05), to which now also employment growth contributes. The external contribution to growth remains negative in the forecasting period because of the large import needs of the acceding economies.

Graph 4.0: **Acceding countries - General government deficit**



Employment creation remains low

Linked to the ongoing process of restructuring, employment has stopped declining in 2003 on average in the acceding countries. As new industries take off the situation is expected to improve, but average employment creation remains subdued at 0.6% in 2004 and 1.1% in 2005. Consequently, the unemployment rate remains high at close to 15% in 2005.

From 2004, all acceding countries are expected to register an increase in employment except the Czech Republic, where economic growth remains among the lowest in the acceding countries. The situation in the labour market continues to be very diverse with the unemployment rate ranging from 3.7% in Cyprus to 20.3% in Poland in 2005.

Subdued increase in headline inflation

During part of 2002 or in early 2003, the Czech Republic, Lithuania and Malta experienced falling consumer prices on an annual basis, while in Estonia and Poland annual price increases were below 1%. As money supply and credit growth remained in general resilient, falling prices are in general not due to a lack of demand, but rather to better supply side conditions driven by strong productivity gains and enhanced competition.

Also this year, average inflation at 2.4% (private consumption deflator) is expected to remain close to the levels observed in the euro area, but in 2004, an acceleration to 3.5% is foreseen, slowing down to 3.1%

in 2005. Driving these developments are the liberalisation of administrative prices and a hike of indirect taxes. Underlying inflation should remain subdued as pressures from relatively strong wage increases (on average 5.7% over the forecast period) due to catching up with EU levels are compensated by productivity growth (around 3% on average in the forecast period) so that the rise in unit labour costs remains limited.

Current account deficits remain high

The average current account deficit is forecast to stay around 4¾% of GDP during the forecast period. This is the combined result of the correction of too high deficits in Slovakia (about 8% of GDP in 2002) and Estonia (about 15% of GDP in 2003) and a slightly rising deficit in Poland (3.6% of GDP in 2005) and Latvia (9.6% of GDP in 2005). Deficits remain relatively high with little adjustment in the Czech Republic and Hungary (more than 6% of GDP in 2003-05), but also in Malta and Lithuania.

Six countries are likely to have deficits in excess of 3% of GDP in 2003

The average general government deficit in the acceding countries is estimated to be about 5% of GDP in 2003. Only Estonia, Latvia, Lithuania and Slovenia are expected to remain below the threshold of 3% of GDP. While representing a small decline compared to 2002, when the average general government deficit reached 5.2% of GDP, it falls short in most acceding countries of the targets that governments fixed for this year in the Pre-Accession Economic Programmes submitted in August 2003, as growth disappointed and the fiscal stance was loosened.

With the improvement of the economic situation and a tightening of fiscal policy in some countries, the average general government deficit is expected to decline to 4.1% in 2005. Only in Poland is a sharp deterioration of the deficit expected, from 4.3% of GDP in 2003 to 5.9% of GDP in 2004, while Lithuania is expected to join in 2004 the countries with deficits above 3% of GDP.

Table 4.0

Main features of country forecast - ACCEDING COUNTRIES

	2002		Annual percentage change						
	bn Euro Curr. prices	%GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	437.4	100.0	4.3	4.1	2.4	2.3	3.1	3.8	4.2
Private consumption	274.2	62.7	-	3.1	3.2	4.4	4.5	3.5	3.9
Public consumption	78.5	17.9	-	1.1	2.7	2.4	2.3	1.3	1.9
GFCF	95.9	21.9	-	4.2	-1.7	-0.6	2.4	6.6	7.8
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	9.1	2.1	1.7	1.9	0.9	2.6	2.5	2.6	2.5
Exports (goods and services)	195.1	44.6	-	18.5	9.2	4.5	6.2	7.0	7.6
Final demand	652.8	149.3	-	8.0	3.7	3.2	4.3	5.0	5.7
Imports (goods and services)	215.4	49.3	-	15.0	5.9	4.7	6.4	7.2	8.0
GNI at constant prices (GDP deflator)	430.7	98.5	4.2	4.3	2.4	1.9	3.2	3.8	4.2
Contribution to GDP growth : Domestic demand			-	3.2	1.9	2.9	3.7	3.9	4.6
Stockbuilding			-	0.3	-0.9	-0.1	-0.2	0.1	0.1
Foreign balance			-	0.8	1.4	-0.4	-0.4	-0.4	-0.6
Employment			-	-1.5	-0.2	-0.6	0.0	0.6	1.1
Unemployment (a)			10.6	13.6	14.5	14.8	15.1	15.2	14.8
Compensation of employees/head			-	11.7	11.2	-	5.9	5.4	5.7
Unit labour costs			-	5.7	8.3	-	2.7	2.1	2.5
Real unit labour costs			-	-2.3	2.9	-	0.0	-1.2	-0.9
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			13.0	8.2	5.2	3.4	2.8	3.4	3.5
Private consumption deflator			-	8.5	5.1	2.5	2.4	3.5	3.1
Harmonised index of consumer prices			-	-	-	-	2.3	3.7	3.2
Trade balance (c)			-6.7	-8.0	-6.0	-4.7	-6.1	-6.2	-6.0
Balance on current transactions with ROW (c)			-	-	-	-	-4.6	-4.9	-4.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-	-	-	-4.6	-4.9	-4.8
General government balance (c)			-	-3.5	-3.7	-5.2	-5.0	-5.0	-4.1
General government gross debt (c)			-	35.9	36.7	39.8	42.4	44.6	45.9

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

1. Cyprus

Positive growth but hit hard by international tension and weak EU growth

The economy in 2002

Due to low EU growth and international tension, tourist arrivals fell steeply in 2002. However, Cyprus still managed GDP growth of 2% that year, supported by moderate domestic demand. At the same time, fiscal policy slipped, turning more expansionary. Consumption growth remained modest at 2.5%, in line with moderate wage growth and weak consumer confidence, but supported by an increase in disposable income linked to tax reform and continuing full-employment conditions. Investment increased by 10%, partly stimulated by interest rate reductions to counter the external demand shock, but also included purchases of ships/aircraft.

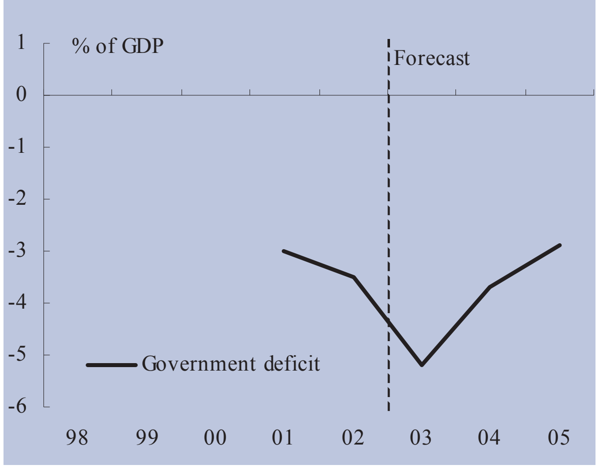
Strongly hit by international developments, exports dropped by more than 5% mostly due to a sharp decrease in tourist arrivals of 10%. Imports declined marginally as a result of lower exports and the domestic demand deceleration. Overall this widened the current account deficit to 5.3% of GDP.

Prospects

For 2003, the forecast projects modest real GDP growth of 2%, pushed by domestic demand. For 2004 a rebound to 3.4% is expected, increasing in strength in 2005 as external demand picks up while domestic private demand remains the driving force.

The economy, with tourism as a mainstay, has shown some resilience in the face of a difficult international environment. Economic imbalances have increased, but prospects are for a slow return to more sustainable levels.

Graph 4.1 : **Cyprus - General government finances**



Costs and prices

Prices in 2002 and 2003 were mainly pushed by higher VAT taxation related to the EU accession. Inflation reached 2.8% in 2002 and ran at 6.3% y-o-y by March 2003 before easing to 2.4% by August. For the year, inflation is expected to peak at 4.3%, but then to fall back to 2% for the remaining forecast period.

The Central Bank has achieved a solid track record on containing inflation and keeping the pound stable vis-à-vis the euro. Monetary policy followed the subdued economic activity and this led, together with stricter credit risk assessment applied by banks, to declining growth rates in money supply and lower interest rates in 2002. Annual money supply (M2) growth in early 2003 decelerated further to 9% in April 2003. At the same time, the Cyprus pound remained stable against the euro in 2002 and in the course of 2003.

GDP components

Private consumption growth for 2003 is expected to remain below 3%, subsequently picking up as consumer confidence restores. However, modest increases in earnings and a shift of the tax burden to consumption will limit consumption expansion. For this year, investment is foreseen to decline by 4.5%, although when corrected for ships and aircraft purchases last year, growth would still be above 4% on an annual basis. For the remainder of the period, investment should rebound; factors stimulating investment are still in place, such as EU accession, liberalisation in financial and utilities markets, and planned infrastructure projects (airports in Larnaca and Paphos and a port in Larnaca).

In the first half of 2003 the decline in tourist arrivals continued, linked to the Iraq war and SARS. Tourism arrivals now look to decrease by 5%. Arrivals are expected to revive gradually in 2004-5, in line with historical experience but also reflecting the global recovery and positive spill-over of the 2004 Olympic Games in Athens. Export growth is therefore projected to increase to above 5%. Import growth remains almost nil in 2003 as domestic demand growth slows down, but is foreseen to pick up in line with the resumption in export and domestic demand expansion but curbed by

304978 European Economy

ad hoc factors such as a fall in defence equipment imports. The current account deficit is therefore projected downward from a deficit of 5.3% of GDP in 2002 to 2.8% by 2005.

Labour market

With unemployment rates at around 3.5%, Cyprus does not have an unemployment problem. The labour market is relatively flexible while imported seasonal labour also takes some of the strain in some labour market segments. Despite lower growth, the unemployment rate decreased to about 3½% in 2002 and is expected to increase marginally in 2003 before falling back again, as GDP growth picks up.

Public finances

The fiscal consolidation programme slipped as the deficit climbed to 3.5% of GDP in 2002. The programme was abandoned in 2003 due to the economic slowdown, increased defence outlays, and expansionary expenditure measures introduced to offset subdued external demand. For 2003 the deficit is now projected to sharply rise to above 5% of GDP. To counter this slippage, the government adopted a new consolidation programme. The forecast sets for a gradually declining -but still relatively high- deficit of about 3% by 2005.

Table 4.1

Main features of country forecast - CYPRUS

	2002		Annual percentage change						
mio CYP	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	6194.8	100.0	4.0	5.0	4.0	2.0	2.0	3.4	4.2
Private consumption	4208.6	67.9	7.2	10.1	4.8	2.5	2.8	3.3	3.6
Public consumption	1137.0	18.4	3.3	0.2	11.5	3.1	3.3	-7.0	2.0
GFCF	1169.1	18.9	1.4	4.1	2.5	10.1	-4.5	7.4	7.7
of which : equipment	-	-	6.8	16.2	3.9	16.4	-	-	-
Change in stocks as % of GDP	127.8	2.1	1.7	2.2	1.0	1.2	2.4	2.3	1.8
Exports (goods and services)	3189.6	51.5	7.0	9.0	3.4	-5.1	0.4	4.9	5.9
Final demand	9832.1	158.7	5.5	7.6	3.7	1.4	1.3	3.0	4.4
Imports (goods and services)	3637.3	58.7	8.6	9.0	3.8	1.5	0.3	2.4	4.7
GNI at constant prices (GDP deflator)	6299.8	101.7	3.9	4.9	4.2	2.0	0.0	3.5	4.0
Contribution to GDP growth : Domestic demand			5.4	7.5	5.6	4.1	1.6	2.4	4.3
Stockbuilding			-0.6	0.9	-1.2	0.2	0.3	-0.1	-0.4
Foreign balance			-1.1	-0.4	-0.4	-3.8	0.0	1.1	0.3
Employment			-	2.8	1.9	1.2	0.5	0.6	1.0
Unemployment (a)			4.6	5.2	4.4	3.8	3.9	3.7	3.7
Compensation of employees/head			6.0	7.2	4.7	-	-	-	-
Unit labour costs			-	4.9	2.5	-	-	-	-
Real unit labour costs			-	0.4	0.3	-	-	-	-
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			2.4	4.5	2.3	3.2	4.8	3.9	3.9
Private consumption deflator			2.5	2.9	1.3	3.0	4.8	2.0	2.4
Harmonised index of consumer prices			-	4.9	2.0	2.8	4.3	2.1	2.0
Trade balance (c)			-25.6	-29.4	-29.0	-28.2	-30.8	-28.6	-27.1
Balance on current transactions with ROW (c)			-4.1	-3.5	-4.0	-5.3	-4.4	-3.1	-2.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-3.5	-	-	-	-4.4	-3.1	-2.8
General government balance (c)			-	-3.1	-3.0	-3.5	-5.2	-3.7	-2.9
General government gross debt (c)			-	54.4	55.6	59.8	60.3	58.9	56.8

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

2. Czech Republic

Deteriorating public finances

The economy in 2002 and the first half of 2003

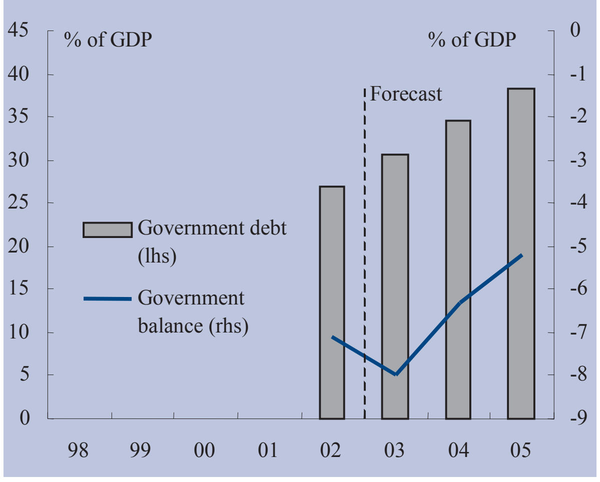
In 2002, real GDP growth was 2.0% despite the August floods, the strengthened national currency and sluggish external demand. The main driving force of economic growth was domestic consumption. Household consumption grew by 4% and government consumption by 5.7%. Fixed investment grew by a disappointing 0.6%.

In the first half of 2003, the performance of the Czech economy remained solid, even with a difficult economic environment. GDP growth reached 2.3%, being mostly driven by household consumption which grew by 5%. This growth was mainly due to the combination of high real increase in disposable income and of low nominal interest rates that enabled an expansion of consumer credit. The growth rate of gross fixed capital formation was negative (-0.3%). Although exports expressed in current koruna prices went up by 7.9% in the first half of 2003, imports also increased (by 7.3%) and net exports made a negative contribution to GDP growth (–1.6 percentage points).

Growth prospects

The immediate outlook for the Czech economy is for moderate economic growth for the rest of 2003, leading to an annual growth rate of 2.2%. The growth composition should basically stay the same as in the first half of the year – domestic consumption having a positive impact and gross fixed capital formation and net exports having a negative contribution to GDP growth.

Graph 4.2 : **Czech Republic - General government finances**



Growth prospects for 2004 and 2005 largely depend on the degree of economic recovery in the EU, in particular in Germany. They will also be influenced by the recently adopted fiscal consolidation package. The GDP growth rate is predicted to accelerate and to reach 2.6% in 2004 and 3.3% in 2005. Due to increases in indirect taxes, household consumption is projected to decelerate in 2004 and to increase somewhat again in 2005, in line with the assumed economic recovery. Due to cuts in government expenditures, government consumption will decrease in 2004 and increase only slightly in 2005. Gross fixed capital formation is expected to increase. Net exports are projected to remain a negative growth contributor.

Inflation

In the first half of 2003, the Czech Republic faced a new phenomenon – falling prices. From January to May 2003, the annual increase in the harmonised index of consumer prices remained slightly negative; in June 2003, the annual increase was zero, and in July it turned negative again. For the whole period, the monetary authorities were undershooting the inflation target. This undershooting was mainly a result of an unexpected disinflationary effect of the external environment, in particular by a lower-than-expected increase in food and regulated prices and by the stronger exchange rate of the koruna.

At the end of 2003, HICP inflation is expected to remain zero. In 2004, inflation is likely to increase to 3.3% on average, mainly as a consequence of higher indirect taxes. Thereafter, the annual HICP is expected to come down to 2.6% in 2005, assuming that second-round effects of indirect tax increases are kept under control.

Labour market

The labour market was affected by the ongoing restructuring of the Czech economy. The rate of unemployment was 7.3% at the end of 2002, going up slightly afterwards (7.6% in the first quarter of 2003). In addition to the restructuring process, unemployment will be affected by the public finance reform, according to which 2% of public sector employees should be dismissed annually over the period 2004-2006.

304978 European Economy

The ILO survey-based unemployment rate is expected to increase to 7.8% at the end of 2003 and to reach 8.1% in 2004. Afterwards, it is projected to fall slightly to 8.0% in 2005.

Current account

The trade balance is expected to deteriorate slightly in 2003 as a consequence of high domestic consumption and of the economic slowdown in the EU, mainly in Germany. The small improvement in the trade balance in 2004 will mainly reflect lower imports due to the public finance reform which will negatively affect domestic demand. The worsening in 2005 will be a consequence of increasing investments, which are import intensive. After the deterioration in 2002, the surplus in the balance of services as percentage of GDP is expected to remain constant in 2003 and 2004 (1% of GDP) and to improve slightly in 2005. The income balance should worsen in 2004 as profits of foreign investors are expected to be repatriated, which is partially linked to the effort of EU-based companies to improve their balance sheets. As a result, the current account deficit should increase to 6.9% of GDP in 2004 and then to decrease to 6.6% of GDP.

Public finances

According to ESA95 data communicated by the Czech authorities, the general government deficit in 2002 reached 7.1% of GDP – reflecting partly high expenditures in the election year and capital transfers to the Czech Consolidation Agency. Gross public debt was 27.1% of GDP.

In 2003, the general government deficit is projected to worsen further and to reach 8.0% of GDP and then to improve to 6.3% of GDP in 2004 and 5.2% of GDP in 2005 as a consequence of fiscal reform. Gross public debt is expected to increase from 30.7% of GDP in 2003 to 38.3% of GDP in 2005.

Table 4.2

Main features of country forecast - CZECH REPUBLIC

		2002		Annual percentage change						
	bn CZK	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		2275.7	100.0	1.7	3.3	3.1	2.0	2.2	2.6	3.3
Private consumption		1200.6	52.8	3.2	2.5	3.6	4.0	4.8	3.3	4.2
Public consumption		487.1	21.4	-1.5	-1.0	5.3	5.7	3.0	-0.8	0.5
GFCF		599.3	26.3	4.6	5.3	5.5	0.6	-0.5	2.7	3.2
of which : equipment		-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP		41.2	1.8	1.5	1.6	2.2	2.4	1.9	2.2	2.4
Exports (goods and services)		1483.0	65.2	10.0	17.0	11.9	2.8	4.9	4.5	5.4
Final demand		3811.3	167.5	5.1	9.3	8.0	3.1	3.5	3.5	4.3
Imports (goods and services)		1535.6	67.5	10.8	17.0	13.6	4.3	4.8	4.3	5.4
GNI at constant prices (GDP deflator)		2151.9	94.6	1.2	3.0	1.8	1.5	2.1	2.0	3.0
Contribution to GDP growth :	Domestic demand			2.8	2.9	4.8	3.4	3.1	2.6	3.6
	Stockbuilding			-0.1	1.3	0.7	0.3	-0.4	0.3	0.3
	Foreign balance			-0.9	-1.0	-2.3	-1.7	-0.4	-0.3	-0.6
Employment				-0.7	-0.7	0.4	1.0	-0.5	0.0	0.1
Unemployment (a)				5.5	8.7	8.0	7.3	7.8	8.1	8.0
Compensation of employees/head				11.6	6.4	7.3	6.5	6.5	6.3	6.3
Unit labour costs				8.9	2.3	4.5	5.4	3.7	3.6	3.1
Real unit labour costs				0.8	1.3	-1.7	2.8	1.6	0.9	0.4
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				8.1	1.1	6.3	2.6	2.1	2.7	2.6
Private consumption deflator				7.5	2.8	3.8	-0.1	0.0	3.5	2.6
Harmonised index of consumer prices				-	3.9	4.5	1.4	0.0	3.3	2.6
Trade balance (c)				-7.0	-6.1	-5.4	-3.3	-3.6	-3.5	-3.7
Balance on current transactions with ROW (c)				-4.5	-5.3	-6.2	-5.3	-6.6	-6.9	-6.6
Net lending(+) or borrowing(-) vis à vis ROW (c)				-4.5	-5.3	-	-	-6.6	-6.9	-6.6
General government balance (c)				-5.0	-4.0	-5.8	-7.1	-8.0	-6.3	-5.2
General government gross debt (c)				-	16.6	23.3	27.1	30.7	34.5	38.3

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

3. Estonia

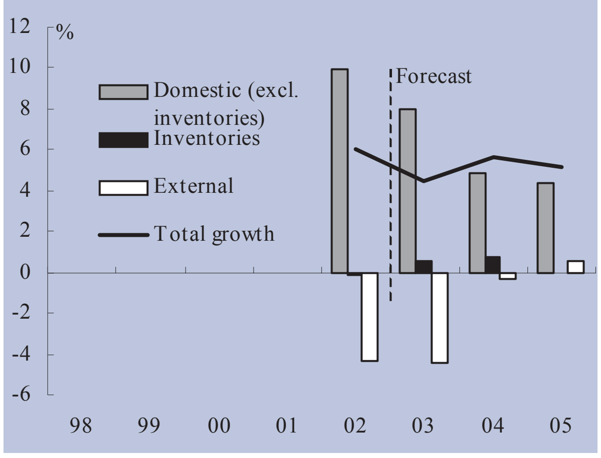
Strong domestic demand, and a weak external environment, will exacerbate the current account deficit in 2003

Real GDP is expected to grow by some 4½% in 2003, and close to potential in 2004-05. Strong domestic demand will be the main source of growth in 2003, and to a lesser extent in 2004. As the contribution from domestic demand gradually abates a steady improvement in the external environment will maintain the economy's momentum. Consequently the current account deficit is forecast to narrow to some 8½ % in 2005. The general government budget is forecast to remain balanced on a yearly basis, although slippages at the local government level could result in a small deficit in 2004.

The economy in 2002

GDP growth of some 6% in 2002 was underpinned by buoyant private consumption and investment growth, driven by low interest rates, and strong wage and employment growth. A mismatch between domestic and foreign demand was manifested in a robust demand for imports (10.2% increase in 2002), and a relatively sluggish export performance (6% increase in 2002), and resulted in a deterioration of the current account deficit to some 12.3% of GDP in 2002. CPI inflation receded to 2.7% by end-2002 owing to exchange rate movements, and other temporary factors (e.g., food prices). Labour market conditions continued to improve and, according to the labour force survey, the unemployment rate declined to 10.3% of the labour force in 2002. The general government surplus increased to around 1% of GDP mainly on account of buoyant growth, and despite additional spending of some 1.1% of GDP approved by the parliament in two supplementary budgets.

Graph 4.3: **Estonia - GDP growth and its contributors**



GDP components

Monetary conditions will remain favourable during 2003, and domestic demand—particularly private consumption which is forecast to grow by 6.5%—will continue to be the main source of growth. Fixed investment growth will decelerate from 16.1% in 2002 to 12% in 2003, as enterprises cut back on investment spending and the effects of one-off investment projects dissipate. However, as the current monetary policy cycle in the eurozone unwinds in 2004-05 and the external environment improves further, tighter monetary conditions and a gradual increase in the savings of households and firms will restraint domestic demand, turning the contribution from net exports positive. Hence, the forecast for 2004-05 envisages a more balanced growth outlook given weaker domestic demand—which is forecast to grow by 5.3% and 4% in 2004 and 2005 respectively, compared with 8% in 2002—, and the steady improvement in the external outlook. Accordingly, real GDP is expected to grow at around 5-5½ %, or close to potential in 2004-05.

Costs and prices

Inflation dynamics in Estonia have mirrored developments in the EU in recent years, although higher oil prices and a depreciating euro contributed to an acceleration of inflation to almost 7% in mid-2001. Inflationary pressures receded subsequently and CPI inflation decelerated to 2.7% by end-2002, while the differential with the euro area narrowed to less than ½ percentage point. The drop in inflation toward the end of the year, and during the first half of 2003, was due to temporary factors. Hence, the forecast envisages a pick-up in inflation in the second half of 2003, and during 2004. Additionally, a number of measures including tax, and administered price, hikes will contribute to higher prices and inflation is forecast to reach 4% in 2004, although is expected to fall slightly thereafter to 3.7% in 2005.

Labour Market

In spite of a strong growth performance, and sizeable employment gains since 2001, the unemployment rate—which remains at around 10% of the labour force—is forecast to decline only slightly in the medium term to around 9% of the labour force. Moderate employment gains will contribute to the decline in the unemployment rate, although considerable skills mismatch will hold back a faster improvement in labour market conditions

Balance of payments

The global economic slowdown, and in particular the ensuing slump in the telecommunication sector, led to a dramatic deceleration in Estonia's export growth since mid-2001. The delayed recovery in the EU is having its impact on demand for exports for Estonian goods which are forecast to grow by 5% in 2003. At the same time, imports are expected to increase by 9% and the current account deficit is consequently expected to widen to 15.2% in 2003. As the recovery in the EU gathers momentum, export growth in Estonia is forecast to gradually accelerate to 10% in 2004, and some 12% by 2005. Import growth will be less buoyant in 2004 partly as a result of the high level of imports in 2003 (and hence base effects), and weaker investment activity. As the external environment improves further, and investment activity recovers, demand for imports both for consumer goods and for intermediate inputs will accelerate to 10% in 2005. Consequently, the contribution of net exports is forecast to become positive, and the current account deficit narrow to 8.5% of GDP by 2005.

Public finances

Fiscal discipline and a better than expected growth performance both contributed to an increase in the general government surplus, from ½% of GDP in 2001 to around 1¼% of GDP in 2002. Windfall revenues of some 1.4% of GDP also led to a significant increase in government spending by 0.7% of GDP compared to the 2003 budget. Local governments continued to be a drain on public finances, with significant budget slippages in 2002, and projected expenditure overruns for 2003. In 2004, plans for tax cuts could put pressure of public finances, particularly at the central government level, although projected higher cyclical tax revenues, and strict expenditure control will offset some of the revenue losses. Several other tax changes, mostly for accession to the EU, will also provide additional revenues in 2004. Expenditure slippages at the local government level could, however, result in a small general government deficit in 2004.

Table 4.3

Main features of country forecast - ESTONIA

		2002		Annual percentage change						
	bn EEK	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		110.3	100.0	4.3	7.3	6.5	6.0	4.4	5.6	5.1
Private consumption		61.9	56.1	4.3	6.7	5.2	9.4	6.5	5.0	3.5
Public consumption		20.6	18.7	4.9	1.5	0.9	5.0	5.7	3.9	5.8
GFCF		30.8	27.9	5.3	13.3	12.2	16.1	12.0	5.0	4.0
of which : equipment		-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP		7.2	6.5	0.9	2.8	2.0	3.5	3.5	4.0	3.9
Exports (goods and services)		90.9	82.4	9.5	28.6	-0.2	6.0	5.0	10.0	12.0
Final demand		211.4	191.6	6.6	18.5	3.1	8.6	6.7	7.3	7.6
Imports (goods and services)		101.1	91.6	9.3	27.9	2.1	10.2	9.0	9.0	10.0
GNI at constant prices (GDP deflator)		104.9	95.0	4.2	5.1	5.3	5.9	4.0	5.8	5.1
Contribution to GDP growth :	Domestic demand			5.3	7.9	6.7	11.4	8.4	5.3	4.4
	Stockbuilding			-0.1	3.5	-0.7	1.8	0.4	0.7	0.1
	Foreign balance			-0.9	-2.1	-2.7	-5.6	-4.4	-0.3	0.5
Employment				-3.0	-1.5	0.9	1.3	0.5	0.2	0.2
Unemployment (a)				9.9	12.5	11.8	9.1	8.6	8.4	7.9
Compensation of employees/head				22.9	9.7	7.5	6.7	10.1	8.6	8.0
Unit labour costs				14.2	0.8	1.9	2.0	6.0	3.0	3.0
Real unit labour costs				-1.2	-5.6	-3.2	-2.1	3.2	-1.4	-1.8
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				15.6	6.7	5.2	4.1	2.7	4.4	4.9
Private consumption deflator				14.5	3.9	5.7	3.4	1.8	4.0	3.7
Harmonised index of consumer prices				-	3.9	5.6	3.6	1.6	3.9	3.7
Trade balance (c)				-20.7	-15.0	-14.1	-16.9	-18.8	-17.4	-15.6
Balance on current transactions with ROW (c)				-7.9	-5.8	-6.0	-12.3	-15.2	-12.2	-8.5
Net lending(+) or borrowing(-) vis à vis ROW (c)				-7.9	-5.5	-5.9	-12.0	-15.2	-12.2	-8.5
General government balance (c)				-0.9	-0.3	0.3	0.9	0.0	-0.4	0.4
General government gross debt (c)				-	5.0	4.7	5.7	5.4	5.3	4.5

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

4. Hungary

Re-balancing the economy

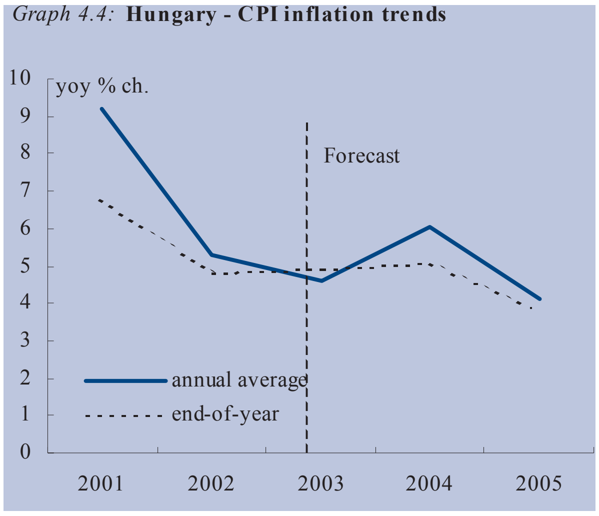
The economy in 2003

The overall macro-economic equilibrium of the Hungarian economy has deteriorated since 2002. In a difficult external environment, but supported by a strong demand-side stimulus, GDP grew by 3.3% in 2002. During the first half of 2003, the growth rate decreased to 2.6% year-on-year. Following last year's exceptionally high budget deficit, fiscal policy was significantly tightened in 2003. Coupled with unstable monetary and exchange rate policies, the forint suffered greater volatility, and risk premiums have risen sharply. The exporting industry, including foreign tourism, suffered from declining external demand which until January 2003 was combined with a strong appreciation of the currency. As a consequence, the external balance has started to deteriorate in 2002, with a current account deficit of 4% of GDP in 2002. Investment (FDI) decreased markedly in 2002, to 1.8% of GDP, with a further deterioration of this trend in the first half of 2003. As a result, there was a net outflow of capital over the first half of 2003, and the current account deficit is financed exclusively through the increase in net external debt.

Prospects

The immediate outlook for the Hungarian economy is for a relatively moderate growth rate in 2003 of 2.9%, assuming an upswing in the second half of the year. On the basis of an assumed recovery in the EU – Hungary's main trading partner – growth is expected to accelerate to 3.2% in 2004 and further to 3.4% in 2005. In both years a continuation of relatively strong domestic demand, continued public investment in infrastructure and a combination of recovering exports and foreign tourism are expected to be the driving forces of growth.

Graph 4.4: **Hungary - CPI inflation trends**



GDP components

Private consumption in the first half of 2003 expanded more rapidly than GDP growth, and is expected to be 9.8% in 2003, while growth in investment will remain nearly flat. Private consumption is expected to slow down in 2004 to 4.0% due to more moderate wage developments, while increasing again somewhat at the end of the forecasting period to 4.6%, in line with the economic recovery.

The net export contribution is expected to remain negative over the entire forecast period, but on a gradually improving trend, in line with growing external demand. Imports are expected to grow around a rate of 7-8% throughout 2004 and 2005, given the high import contribution contained in Hungarian exports along with continuing demand for private consumption.

Costs and prices

The disinflation of the recent years came to a halt in the first half of 2003. Inflation is expected to increase somewhat over the second half of 2003, thereafter reaching an annual average of 4.6%. The increase is expected to be the result of the weaker exchange rate, the proposed increase of regulated prices and measures aimed at reducing the excess supply of foodstuffs. In 2004, a temporary increase to 6.1% on average can be expected, due to the deregulation of administered prices and the expected one-off upward pressure on the price level caused by the projected changes to indirect taxes. Thereafter, average CPI inflation is expected to come down to 4.1% in 2005.

With the economy slowly adapting to the new low-inflation environment, wage developments in 2003 have started to be more moderate from their previously high growth rates, especially in the corporate sector.

Nevertheless, also in 2003 real wage growth at around 13% continues to exceed productivity growth by a considerable margin. Real wages are expected to become more in line with productivity increases, slowing down to 8.0% in 2002 and 6.7% in 2005.

304978 European Economy

Labour market

Although the unemployment rate temporarily increased to over 6% in the first half of 2003, the labour market in the skilled segment and in the industrialised regions of the country remains tight, while participation rates continue to be very low. During the June to August 2003 period, the ILO unemployment rate was down to 5.7%. Overall unemployment is expected to stabilise around this level over the forecasting period.

Public finances

For 2003, the government is aiming at a deficit target below 5% of GDP, which would represent a turnaround after the strong fiscal expansion of 2002. Consequently, the general government deficit is on a downward trend, following a redirection of fiscal policy since 2003. In late September 2003, a tight budget for 2004 was adopted by the government. This austerity programme addresses some structural problems on the revenue and expenditure side of the Hungarian budget. Budget deficits in ESA 95 terms are forecast at 5.4% of GDP in 2003, 4.4% in 2004 and 3.6% in 2005. The debt of the general government, which currently stands at 56.3% of GDP is expected to increase further to 57.9% of GDP in 2003, before gradually coming down to 56.9% in 2004 and to 55.5% in 2005.

Table 4.4

Main features of country forecast - HUNGARY

	2002		Annual percentage change						
bn HUF	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	16980.1	100.0	3.3	5.2	3.8	3.3	2.9	3.2	3.4
Private consumption	11234.4	66.2	0.3	5.5	5.7	10.2	9.8	4.0	4.6
Public consumption	2039.7	12.0	-0.6	1.9	4.3	2.3	3.3	1.2	1.5
GFCF	3786.3	22.3	6.0	7.7	3.5	5.8	3.0	6.8	7.3
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	296.3	1.7	4.9	6.4	3.3	1.2	0.6	1.3	1.2
Exports (goods and services)	10944.7	64.5	22.1	21.0	8.8	3.8	4.1	5.8	7.3
Final demand	28301.5	166.7	8.3	11.2	4.9	4.5	5.2	5.2	5.8
Imports (goods and services)	11321.4	66.7	18.5	19.4	6.1	6.1	8.0	7.5	8.4
GNI at constant prices (GDP deflator)	16979.1	100.0	2.3	7.8	4.2	3.3	2.9	3.2	3.5
Contribution to GDP growth :	Domestic demand		1.3	5.0	4.6	7.0	6.7	4.2	4.8
	Stockbuilding		1.1	-0.3	-2.9	-2.0	-0.6	0.6	0.0
	Foreign balance		0.7	0.5	2.1	-1.8	-3.2	-1.6	-1.4
Employment			0.2	1.0	0.4	0.2	0.5	0.8	1.0
Unemployment (a)			8.8	6.3	5.6	5.6	5.6	5.6	5.5
Compensation of employees/head			16.1	15.8	15.8	17.7	12.9	8.0	6.7
Unit labour costs			12.7	11.2	12.0	14.3	10.3	5.5	4.1
Real unit labour costs			-4.0	1.2	3.1	3.2	4.1	-1.8	-2.2
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			17.3	9.9	8.6	10.7	6.0	7.4	6.5
Private consumption deflator			18.3	9.1	8.2	6.9	6.7	5.9	4.1
Harmonised index of consumer prices			-	10.0	9.1	5.2	4.6	6.1	4.1
Trade balance (c)			-3.6	-6.3	-4.3	-3.1	-5.8	-5.2	-3.6
Balance on current transactions with ROW (c)			-	-	-	-4.0	-6.2	-6.1	-5.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-	-	-	-6.2	-6.1	-5.8
General government balance (c)			-	-3.0	-4.2	-9.2	-5.4	-4.4	-3.6
General government gross debt (c)			-	55.5	53.4	56.3	57.9	56.9	55.5

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

304978 European Economy

5. Latvia

Strong consumption and large current account deficit

Activity in 2002 and prospects

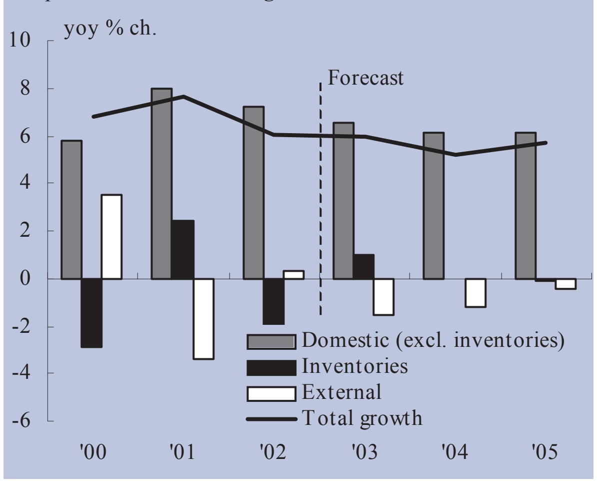
In 2002, Latvian economic activity has remained firm despite a weak external environment. GDP growth remained strong at 6.1% in 2002 and accelerated further to 7.5% in the first half of 2003 year-on-year. GDP growth was slower in the second quarter of the year than in the first quarter (6.2% and 8.8% over the same periods in 2002, respectively). Private consumption and gross fixed capital formation were particularly robust and became the driving factors for growth.

GDP components

Private consumption is expected to continue to show healthy, but slightly lower, growth rates in 2003 compared to 2002 (6.7% and 6% respectively), as disposable income is set to increase slightly less and inflation remains at a relatively high level. In 2004 and 2005, private consumption is expected to grow at a slightly lower pace of 5%. Overall investment growth is likely to remain high at 9.5% in 2004 and 2005. Housing investment is increasing over the entire forecast period. The large depletion of stocks in 2002 should come to an end, but no significant contribution to GDP growth from stocks is expected in both forecast years.

The outlook for the Latvian economy is for a strong growth rate in 2003 of 6%, declining slightly to 5.7% in 2005. In both years final domestic demand is expected to be driving growth, primarily led by increases in private consumption on the back of sustained increases in real disposable income and better credit access. Fixed investment growth will remain high at 9.5% throughout the forecast period. External demand will continue to be important for growth. The recovery of the EU economy and a further assumed depreciation of the lat against the euro will keep export growth strong. Import growth is expected to slow down but to remain robust, allowing for a narrowing of the trade balance. Thus, for 2005 the contribution from net exports will have recovered to -.4 percentage points from –1.5 percentage points in 2003. Accordingly, real GDP is expected to grow at around 5.5%, or close to potential in both forecast years.

Graph 4.5: **Latvia - GDP growth and its contributors**



Costs and prices

Despite high private consumption growth, inflation decreased to 2% in 2002, as inflation in Latvia's major trading partners was low and lower prices in mobile communication services helped to contain domestic price pressures. Inflation has picked up and reached 3.5% in August 2003. The sharpest rise was seen by health care costs. Costs of recreation and culture, housing and public utilities and foodstuffs have increased with only costs of the communications edging lower.

Inflation is expected to grow steadily and stabilise at 3% during the forecast period. Inflation will increase due to the expected adjustment of the price level to the EU level and due to wage increases. From 2004, an increase in excise duties on fuel and petrol is planned to be implemented – thus, the inflation rate is expected to increase due to this factor as well. However, the full impact of the effect of the increase will only be visible in the second half of 2004 and 2005, where inflation is set to increase more rapidly. Core inflation is, however, not expected to increase markedly over the forecast horizon.

Labour market

High growth has contributed to lowering the unemployment rate, which decreased from 12.8% in December 2001 to 11.6% in December 2002, and the employment rate was 60.4% in 2002. However, upward pressure on unemployment from enterprise and rural restructuring is expected to remain.

In spite of a strong growth performance, and sizeable employment gains since 2001, the unemployment rate—which remains at around 12% of the labour force—is forecast to decline only slightly in the medium term to around 11% of the labour force. Moderate employment gains of 0.5% per year over the forecast period will contribute to the decline in the unemployment rate, although considerable regional development disparities will hold back a faster improvement in labour market conditions.

The current account

Export growth in 2002 was very strong despite the international slowdown, and imports grew somewhat less than exports. Also, in the beginning of 2003 trade continued to be buoyant. Exports increased by 19.2% in the first half of 2003 over the same period last year while imports increased by 20.4%.

Exports are expected to grow by 9.4% on average in 2003, slightly decreasing to 9.0% in 2004 and 2005. Imports should grow broadly in line with final demand, resulting in a small negative contribution to GDP growth from net exports in both years.

The current account deficit decreased to 7.8% of GDP in 2002. As the trade balance is expected to worsen, this will result in a broadening of the current account deficit by about 2 percentage points during the forecast period.

Public finances

A sudden and large increase of public expenditures related to investment and temporary transfers at the very end of 2002 let the budget deficit increase to 3% of GDP. According to the budget for 2003, the general government deficit was planned to be 3% of GDP. However, better then expected tax revenues in the first two quarters of the year indicate that a somewhat smaller deficit is possible. In 2004, a broadening of the VAT base and the real estate tax base will outweigh the intended cut in the corporate income tax. Consequently, the deficit is expected to approach 2% of GDP in 2005.

Table 4.5

Main features of country forecast - LATVIA

	2002		Annual percentage change						
bn LVL	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	5.2	100.0	3.6	6.8	7.9	6.1	6.0	5.2	5.7
Private consumption	3.3	62.7	4.0	6.1	8.9	6.7	6.0	5.0	5.0
Public consumption	1.0	19.4	1.9	-1.9	0.3	1.5	1.9	2.2	2.0
GFCF	1.4	26.4	17.3	20.0	17.0	10.4	9.5	9.5	9.5
of which : equipment	0.7	13.1	-	-	-	-	2.1	3.0	3.1
Change in stocks as % of GDP	0.1	2.1	-1.1	-7.9	-4.7	-4.1	1.5	1.4	1.2
Exports (goods and services)	2.4	45.4	6.8	12.0	6.9	6.3	9.4	8.7	9.4
Final demand	8.1	156.1	5.4	6.5	9.2	5.6	7.9	6.6	6.8
Imports (goods and services)	2.9	56.1	9.4	4.9	12.6	4.5	10.4	9.1	8.3
GNI at constant prices (GDP deflator)	5.2	100.8	3.4	8.1	8.2	5.2	6.5	5.1	5.6
Contribution to GDP growth : Domestic demand			6.2	8.7	10.6	7.9	6.9	6.4	6.5
Stockbuilding			-1.8	-4.9	2.8	0.3	1.0	-0.1	-0.1
Foreign balance			-1.8	3.2	-4.1	0.5	-1.5	-1.2	-0.4
Employment			-2.1	-2.9	2.2	2.7	0.5	0.5	0.5
Unemployment (a)			16.6	13.7	12.8	12.8	12.4	12.0	11.5
Compensation of employees/head			-	6.9	6.4	4.7	5.7	7.5	7.5
Unit labour costs			-	-2.9	0.7	1.4	0.3	2.7	2.2
Real unit labour costs			-	-7.2	-1.8	-0.4	-1.6	0.1	-0.7
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			9.8	4.6	2.5	1.8	1.9	2.6	3.0
Private consumption deflator			10.7	3.9	1.9	2.2	2.3	2.8	2.8
Harmonised index of consumer prices			-	2.6	2.5	2.0	2.5	3.0	2.9
Trade balance (c)			-15.6	-14.8	-17.6	-17.1	-19.2	-20.1	-20.1
Balance on current transactions with ROW (c)			-6.5	-6.9	-9.6	-7.8	-8.6	-9.5	-9.6
Net lending(+) or borrowing(-) vis à vis ROW (c)			-6.3	-6.5	-9.0	-7.5	-8.6	-9.5	-9.6
General government balance (c)			-1.4	-2.7	-1.6	-3.0	-2.7	-2.7	-2.0
General government gross debt (c)			-	13.9	15.7	15.2	16.7	18.2	18.7

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

6. Lithuania

Strong domestic demand to continue as the leading factor for growth

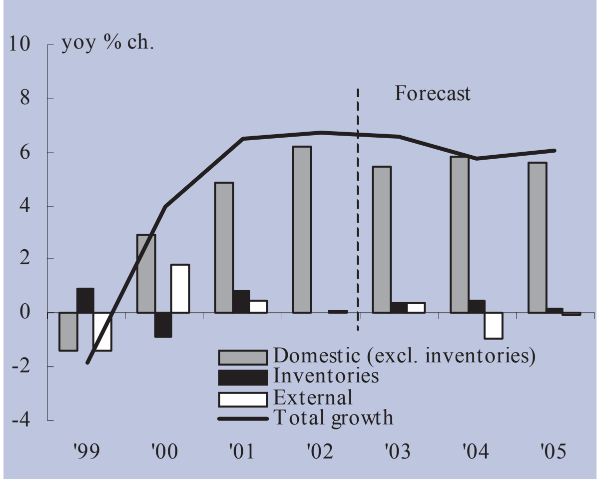
The economy

In spite of a weak external environment, the Lithuanian economy remained particularly strong in 2002 and the first half of 2003. Real GDP continued to grow unabated in 2002, reaching 6.7%, and accelerated further to 7.7% year-on-year in the first half of 2003. Output growth was particularly supported by strong investment and private consumption. Despite robust export growth in 2002, the contribution of net trade to GDP growth was moderate, as imports also picked up strongly. The current account deficit increased slightly to 5.4% of GDP in 2002. Strong productivity growth, moderate wage inflation, and the large appreciation of the litas contributed to low CPI inflation, at 0.3% in 2002. Consumer prices followed a decreasing trend in 2003 and declined by 1% in August compared with the same month of 2002. The unemployment rate (Labour Force Survey data) decreased from 17.4% in 2001 to 13.8% in 2002, underpinned by high employment growth. The authorities remained committed to the fiscal consolidation programme, and accordingly the general government deficit declined further to 1.7% of GDP in 2002.

Prospects

Output growth is expected to remain robust throughout the forecast horizon, in a range of 5.7%-6.6%. The pattern of GDP growth is expected to be continuously influenced by Lithuania's accession to the EU, which primarily affects the outlook for gross fixed capital formation, government expenditure and net trade.
In the face of increasing investment and consumption, domestic demand is expected to remain the leading factor for growth. The prospect for import growth, in the wake of robust domestic demand, is likely to offset an anticipated strong export performance, leading to a negative contribution of net trade to growth in 2004 and 2005.

Graph 4.6: **Lithuania - GDP growth and its contributors**



GDP components

Private consumption is likely to grow rapidly at around 5% over the forecast period, sustained by real wage increases and high credit growth. Higher employment and increasing government expenditure are also expected to stimulate consumption.

Public consumption is projected to grow considerably in 2004 and 2005, partly reflecting expenditure in goods and services related to projects co-financed by the EU. A higher public wage bill is also expected, to some extent reflecting a build up in administrative capacity for absorption of EU funds within the public sector.

Gross fixed capital formation is expected to continue as the main source of output growth. Investment growth is expected to moderate somewhat this year at 8.1%, edging up to 8.7% by 2005. Higher investment is likely to be supported by EU-related investment projects, together with low interest rates, increasing domestic lending and enhanced economic stability.

The strong appreciating trend of the litas experienced in 2002 and most of 2003 is expected to moderate in 2004-2005. This fact, together with a more benign outlook for growth in Lithuania's trading partners, is foreseen to increase foreign demand for Lithuania's exports. Domestic factors, such as high productivity growth and structural reforms, should contribute further to strong export growth at above 7% over the forecast horizon. Nonetheless, import growth is likely to remain robust, reflecting high domestic demand, and lead to a negative contribution of net trade to growth in 2004 and, more marginally, in 2005.

Inflation

Annual average CPI inflation is expected to be negative in 2003, to a large extent reflecting the effect of the appreciation of the litas. Inflation is expected to increase significantly to about 2.5% in 2004-2005, initially influenced by accession-related tax adjustments. Other factors could add further pressures on prices, such as wage inflation in the tradable sector

304978 European Economy

spilling over to the low-productivity non-tradable sector and price hikes among regulated sectors and public transport. Accordingly, wage pressures are likely to increase, although the estimated productivity growth level should temper the impact on unit labour costs.

Labour market

The unemployment rate (survey based data) is expected to decrease over the forecast period from 13% in 2003 to 10.7% in 2005. Job creation is likely to continue increasing, induced by higher economic activity, active labour market policies and the increase in the retirement age. Significant structural rigidities in the labour market are expected to remain in the medium-term, and constitutes a risk for the projections.

In particular, measures to tackle the mismatch between demand and supply of skills and the low mobility of the workforce could take a longer time than expected to feed through, resulting on an insufficient capacity to offset potential job losses stemming from enterprise and agricultural restructuring.

Public finances

The general government deficit is expected to edge up to 3.1% of GDP in 2004, from 1.7% of GDP in 2002. High public investment growth, together with current expenditure in the form of contributions to the EU budget and prepayments of agricultural subsidies, are expected to increase the deficit in 2004. The deficit is expected to decline again to 2.7% of GDP in 2005, assuming that control over expenditure continues.

Table 4.6

Main features of country forecast - LITHUANIA

	2002		Annual percentage change						
bn LTL	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	50.7	100.0	4.6	4.0	6.5	6.7	6.6	5.7	6.0
Private consumption	31.7	62.6	-	6.6	3.9	5.0	5.1	4.7	4.6
Public consumption	10.4	20.4	-	3.9	0.3	4.3	4.4	7.2	6.0
GFCF	10.9	21.5	-	-9.0	13.5	12.4	8.1	8.5	8.7
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	0.6	1.1	2.7	3.0	4.2	4.2	1.9	2.3	2.3
Exports (goods and services)	27.4	54.1	-	9.8	21.2	19.5	9.4	7.7	7.4
Final demand	81.0	159.8	-	3.6	11.3	11.2	7.1	6.8	6.4
Imports (goods and services)	30.3	59.8	-	4.7	17.7	17.4	8.0	8.6	7.0
GNI at constant prices (GDP deflator)	50.2	99.1	4.1	4.7	6.8	6.9	6.0	6.0	5.9
Contribution to GDP growth : Domestic demand			-	2.5	6.4	7.8	5.8	6.2	5.9
Stockbuilding			-	-1.4	1.5	0.3	0.4	0.5	0.2
Foreign balance			-	1.6	-1.5	-2.2	0.4	-0.9	-0.1
Employment			-0.3	-3.7	-4.0	4.0	1.5	1.3	1.6
Unemployment (a)			11.5	15.7	16.1	13.1	12.3	11.1	10.0
Compensation of employees/head			29.6	-2.3	3.0	2.1	3.7	3.9	4.2
Unit labour costs			23.5	-9.5	-7.2	-0.5	-1.3	-0.4	-0.2
Real unit labour costs			7.4	-10.3	-7.0	-0.5	-0.5	-2.7	-2.8
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			15.0	0.9	-0.2	0.0	-0.8	2.4	2.7
Private consumption deflator			-	-2.1	2.3	-1.0	-0.9	2.3	2.6
Harmonised index of consumer prices			-	0.9	1.3	0.4	-0.9	2.3	2.6
Trade balance (c)			-12.3	-9.9	-9.3	-9.6	-9.1	-9.9	-9.6
Balance on current transactions with ROW (c)			-10.5	-6.0	-4.8	-5.4	-5.7	-5.8	-5.9
Net lending(+) or borrowing(-) vis à vis ROW (c)			-10.6	-6.0	-4.8	-5.0	-5.7	-5.8	-5.9
General government balance (c)			-3.1	-2.3	-2.2	-1.7	-2.6	-3.1	-2.7
General government gross debt (c)			-	24.3	23.4	22.7	23.3	23.6	23.7

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

7. Malta

Public finances looser

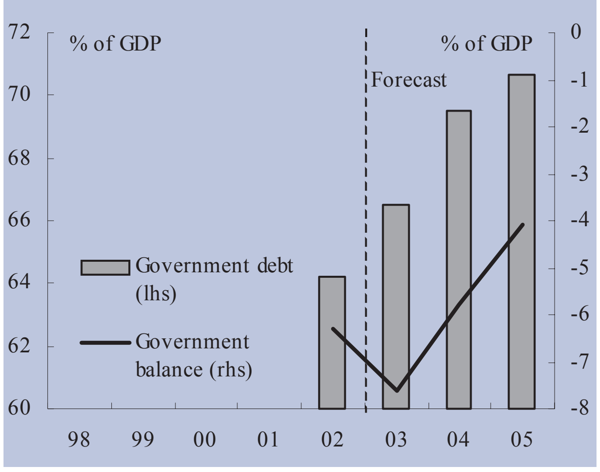
The economy in 2002

The difficult international environment continued to unfavourably affect Malta's economy, particularly vulnerable to external economic and geopolitical shocks given its small size, large dependence on tourism revenues and the increasingly open nature of its economy.

Weak external demand, stemming from the world economic slowdown, and a fall in tourist arrivals hit the Maltese economy in 2001 and 2002. After the contraction in real GDP in 2001, real GDP grew by 1.2% in 2002, led by a recovery in private and government consumption, both having grown 2.5% in real terms. Despite the increase in investment in the construction sector of 7.4%, retrenchment of 10.1% in investment in the machinery sector resulted in a 4% drop in gross fixed capital formation in 2002.

The external sector improved slightly, exports marginally increasing by 0.2% and imports falling by 2.2% in 2002. The current account deficit remained stable at 4.7% of GDP. The rate of inflation decelerated to 2.2% in 2002. The inflation pass-through of the depreciation of the Maltese lira against the euro was moderate because domestic demand was subdued. The unemployment rate increased to 6.8% in December 2002. Developments in the private sector largely explain the increase, as low activity in tourism and industrial restructuring in manufacturing accounted for significant job losses. The general government deficit decreased to 6.2% of GDP in 2002 from 6.8% in 2001, but remains well above the levels previously estimated by the government. As a result, the debt ratio increased to 64.2% of GDP, from 62% of GDP in 2001.

Graph 4.7: **Malta - General government finances**



Prospects

The economic situation at the beginning of 2003 deteriorated compared to the end of last year, and remarkably high public consumption could offer only a partial compensation. Growth in the first quarter contracted by 1.6% but expanded by 0.9% in the second quarter (q-o-q) driven by high gross fixed capital formation and government expenditure. This trend is estimated to consolidate in the second half of the year. An important driving force is the expected gradual recovery of the technological sector in the United States and in Asia that may positively affect exports. Furthermore higher tourism earnings in the summer and strong growth of public expenditure related to the construction sector will positively affect growth. Underlying the projection for the Maltese economy is a progressive, albeit slow, resumption of real GDP growth as efforts for deeper structural reforms and consolidation of public finances and debt reduction could weight on economic activity in the short term. Accordingly, real GDP growth is expected to go up to 0.8% in 2003 and 2.7% and 2.9% in 2004 and 2005 respectively, mostly supported by exports of goods and services and gross fixed capital formation.

GDP components

Domestic impulses are likely to weaken as growth in household consumption is projected to remain below the rates observed in 2001 and 2002, because real wages per head and real disposable income are expected to increase only moderately over the period. After a sharp rise in public consumption in 2003, this component is expected to dramatically slowdown in 2004 and 2005, in order to bring public deficit under control. The main contribution to the recovery should come from improvements in the external sector, where exports, after an expected revival to 2.5% in 2003 , are forecast to increase by 3.5% and 3.9% in 2004 and 2005. Fixed investment, albeit at lower levels than previously due to lower levels of public capital expenditure, is estimated to remain growing at close to 3% in 2004-2005.

304978 European Economy

Costs and prices

Consumer price inflation is expected to stay below 2% over the period provided wage moderation, especially in the public sector, is maintained. Due to the underlying assumptions for world primary commodity prices, oil prices and the exchange rate of the euro, the contribution of imported inflation to consumer price increases is expected to remain at the low risk side.

Labour market

Employment growth of 0.4% is expected in 2003 and 2004, but a doubling to 0.8% is foreseen by the end of the forecast period. The survey-based rate of unemployment is predicted to decline to 7% in 2003 and further improve over the period, due to job creation in manufacturing and tourism sectors which will offset the effects of continued downsizing in the public sector enterprises.

Public finances

The fiscal policy stance has loosened considerably this year. The general government deficit will likely further deteriorate to 7.6% of GDP in 2003, stemming from lower than expected GDP growth in 2003 and mounting public expenditure linked to outlays connected with the new Mater Dei Hospital, and high mandatory and quasi mandatory expenditures. The expected budgetary path relies, not only heavily on developments in GDP growth, the effects of population ageing and the requirement of co-financing of EU funds, but also on the government's ability to effectively slowdown public expenditure. In line with this evolution, the forecast is for a general government deficit of 5.8% in 2004 and 4.1% in 2005. As a result, the general government gross debt ratio is estimated to attain 66.4% of GDP in 2003 and will likely reach 69.4% in 2004 and 70.6% of GDP in 2005.

Table 4.7

Main features of country forecast - MALTA

		2002		Annual percentage change						
	mio MTL	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		1676.4	100.0	4.5	6.4	-1.2	1.2	0.8	2.7	2.9
Private consumption		1083.9	64.7	-	7.4	2.0	2.5	1.6	1.0	1.2
Public consumption		341.4	20.4	-	5.4	3.0	2.5	5.1	0.1	0.2
GFCF		348.6	20.8	-	17.4	-11.2	-4.0	5.3	2.4	3.9
of which : equipment		-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP		-73.0	-4.4	0.0	2.1	-3.0	-4.5	-4.4	-2.7	-1.3
Exports (goods and services)		1443.5	86.1	-	5.6	-4.9	0.2	2.5	3.5	3.9
Final demand		3144.4	187.6	-	8.4	-5.2	-0.4	2.9	3.1	3.4
Imports (goods and services)		1468.0	87.6	-	10.4	-9.2	-2.2	5.2	3.4	3.9
GNI at constant prices (GDP deflator)		1626.4	97.0	4.3	1.5	2.4	-1.6	0.9	3.6	1.8
Contribution to GDP growth :	Domestic demand			-	9.7	-1.2	1.1	3.2	1.2	1.7
	Stockbuilding			-	1.6	-5.1	-2.1	0.1	1.6	1.3
	Foreign balance			-	-4.9	4.7	2.2	-2.4	-0.1	-0.1
Employment				0.9	2.3	0.3	1.9	0.4	0.4	0.8
Unemployment (a)				6.3	7.0	6.7	7.4	7.0	6.8	6.7
Compensation of employees/head				6.0	2.1	10.2	-0.7	1.4	2.1	2.0
Unit labour costs				2.4	-1.8	11.8	0.1	0.9	-0.2	-0.1
Real unit labour costs				-0.2	-2.7	5.6	-1.4	-4.4	-0.1	-0.3
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				2.6	0.9	5.8	1.4	5.6	-0.1	0.3
Private consumption deflator				-	1.5	2.8	1.0	1.3	1.8	1.9
Harmonised index of consumer prices				-	-	-	-	-	-	-
Trade balance (c)				-20.5	-23.8	-17.9	-13.2	-12.1	-12.2	-12.0
Balance on current transactions with ROW (c)				-	-	-	-	-6.6	-6.3	-5.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-	-	-	-6.6	-6.3	-5.7
General government balance (c)				-	-7.0	-6.8	-6.2	-7.6	-5.8	-4.1
General government gross debt (c)				-	61.1	62.0	64.2	66.4	69.4	70.6

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

8. Poland

Accelerating growth amidst fiscal and labour market difficulties

Current situation and prospects

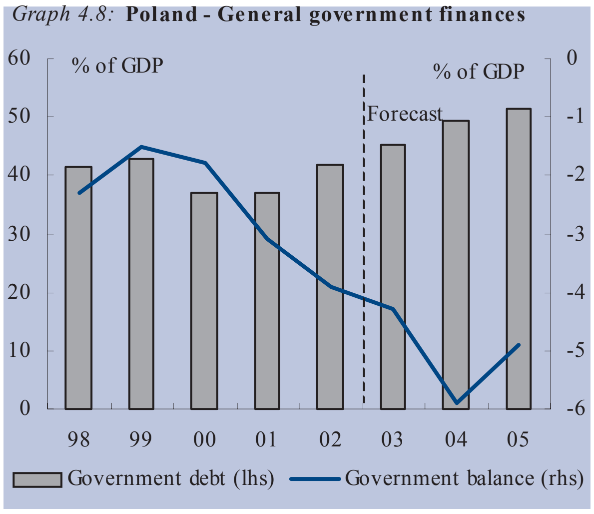
Poland is experiencing a gradual recovery after two years of slow growth. Real GDP growth accelerated to 3.8% year-on-year in the second quarter of 2003 from 2.2% in the first quarter. So far, the recovery has been mainly driven by net exports, despite weak growth in Poland's main trading partners. Private consumption, although growing moderately, has also continued to support GDP growth. Rapid expansion in industrial production and retail sales from July to September suggests that the pace of growth remained sustained in the third quarter of 2003. The current recovery is helped by an accommodating fiscal policy and more favourable monetary conditions, resulting from the easing of monetary policy and the sharp depreciation of the real effective exchange rate.

Real GDP growth is projected to accelerate gradually from 3.3% in 2003 to 4.8% in 2005. Growth will be supported by domestic demand, while the contribution of net exports will turn negative from 2004 onwards. Boosted by increasing corporate profits, an improving economic outlook and accession to the EU, investment is expected to become the driving force of domestic demand in 2004. In addition, the loosening of fiscal policy next year will provide an impetus to growth.

GDP components

After the sharp decline of the past two years, investment is expected to start growing again in the second half of 2003, reflecting improving company profitability. However, the recession in the construction sector and still difficult financing conditions for firms will limit the recovery in investment activity this year. As the business climate improves, investment growth will gradually gain momentum and is projected to reach, in volume terms, 11.5% in 2005.

Graph 4.8: **Poland - General government finances**



Private consumption is expected to remain relatively strong in 2003 despite rising unemployment. Higher than planned increases in social transfers and wages in real terms as well as a vigorous grey economy will support household spending this year. Growing consumer confidence and the increase in employment should lead to faster consumer spending in 2004 and 2005. Export growth is expected to remain robust, helped by the real effective depreciation of the zloty in 2003 and the productivity gains of Polish companies. Import growth will rise in parallel with the acceleration of domestic demand and is projected to outpace export growth in 2005.

Labour market, costs and prices

In 2003, the rise in unemployment will reflect both demographic factors and a drop in employment. Significant job losses will be associated with continued enterprise restructuring, notably in agriculture and in the coal mining and steel sectors. A modest increase in employment is expected in 2004 and 2005 as economic activity gathers momentum. However, the unemployment rate would start decreasing only in 2005.

Inflationary pressures will remain subdued in 2003, as domestic demand remains weak and high unemployment restrains wage pressures. As a result, headline inflation at the end of 2003 will likely undershoot the lower band of the target range set by the Polish National Bank (3% +/- 1%). The forecast foresees a gradual increase in inflation from the very low level of 0.7% on average in 2003 to 2.7% in 2005. The inflationary push will come from the acceleration of domestic demand, the pass-through of the currency depreciation and a small inflationary effect of accession linked to tax increases.

External accounts

The current account deficit is set to narrow further this year as a result of strong export growth and weak imports. The recovery should entail a gradual widening of the current account deficit from 2.9% of GDP in 2003 to 3.6% in 2005. Higher transfers from the EU will contribute to limiting the deterioration of the current account balance in 2004 and 2005. Thus, over

304978 European Economy

the forecast horizon, the current account deficit will remain at levels that can be easily financed by foreign direct investment and portfolio inflows.

Public finances

In 2003, the deficit would increase to 4.3 % of GDP in ESA 95 terms from 3.9% in 2002. The forecast includes provisionally the surplus of the open pension funds, which is expected to reach approx. 1.7% of GDP this year, but whose classification remains to be decided.
In 2004, notwithstanding the strengthening of economic growth, the investment recovery and the increase of private consumption, the general government balance is projected to increase substantially to 5.9% of GDP, reflecting additional spending pressures arising from accession. Revenues are set to decrease following the implementation of a tax reform, which lowers the corporate income tax rate. Under the no-policy-change assumption, the fiscal adjustment in the election year 2005 would be mainly cyclical with a positive role played by the disbursement of structural funds. It is projected that the deficit will fall to 4.9% of GDP in 2005. The medium-term fiscal strategy announced recently by the government and complemented by the programme of expenditure cuts (the so-called Hausner's plan) might further contribute to lowering the deficit to some limited degree in 2005. However, this forecast does not take into account the fiscal reform plan, as the measures have not yet been adopted. The gross debt ratio, which would stand at 45.1% of GDP in 2003, is expected to increase to above 51% by the end of 2005.

Table 4.8

Main features of country forecast - POLAND

	2002		Annual percentage change						
	bn PLN Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	771.1	100.0	5.7	4.0	1.0	1.4	3.3	4.2	4.8
Private consumption	511.5	66.3	5.9	2.7	2.1	3.3	3.0	3.3	3.7
Public consumption	138.9	18.0	2.5	1.1	0.6	0.9	1.8	2.0	2.0
GFCF	147.8	19.2	15.6	3.0	-9.8	-5.8	2.3	9.0	11.5
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	-0.9	-0.1	1.1	1.3	0.1	4.1	4.0	3.9	3.8
Exports (goods and services)	183.6	23.8	11.4	23.2	10.3	4.8	6.5	8.8	9.8
Final demand	980.9	127.2	8.2	7.0	0.7	1.7	3.5	5.4	6.3
Imports (goods and services)	229.9	29.8	18.2	15.6	-0.1	2.6	4.3	8.6	10.5
GNI at constant prices (GDP deflator)	764.7	99.2	5.8	3.7	1.2	1.2	3.3	4.3	4.8
Contribution to GDP growth : Domestic demand			7.3	2.7	-1.2	0.9	2.7	4.3	5.1
Stockbuilding			0.3	0.4	-1.2	-0.1	0.0	0.1	0.1
Foreign balance			-1.8	1.3	3.6	0.6	0.6	-0.1	-0.4
Employment			1.2	-2.3	-0.6	-2.3	-0.3	0.5	1.5
Unemployment (a)			12.0	16.4	18.5	19.9	20.6	20.9	20.3
Compensation of employees/head			22.2	13.3	13.3	4.7	3.2	3.4	4.9
Unit labour costs			16.9	6.4	11.5	0.9	-0.4	-0.3	1.6
Real unit labour costs			1.1	-4.6	7.0	-0.6	-1.1	-1.8	-0.7
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			15.6	11.5	4.2	1.4	0.7	1.6	2.4
Private consumption deflator			15.9	11.6	4.9	1.8	0.8	1.9	2.7
Harmonised index of consumer prices			-	10.1	5.3	1.9	0.7	1.9	2.7
Trade balance (c)			-5.0	-7.5	-4.2	-2.8	-4.9	-5.3	-5.7
Balance on current transactions with ROW (c)			-2.6	-6.1	-2.9	-3.5	-2.9	-3.4	-3.6
Net lending(+) or borrowing(-) vis à vis ROW (c)			-2.5	-6.0	-2.9	-3.5	-2.9	-3.4	-3.6
General government balance (c)			-2.5	-2.5	-3.1	-3.9	-4.3	-5.9	-4.9
General government gross debt (c)			-	37.2	37.2	41.6	45.1	49.2	51.5

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

9. Slovakia

Keeping up strong growth

Growth in 2002 and in the first half of 2003

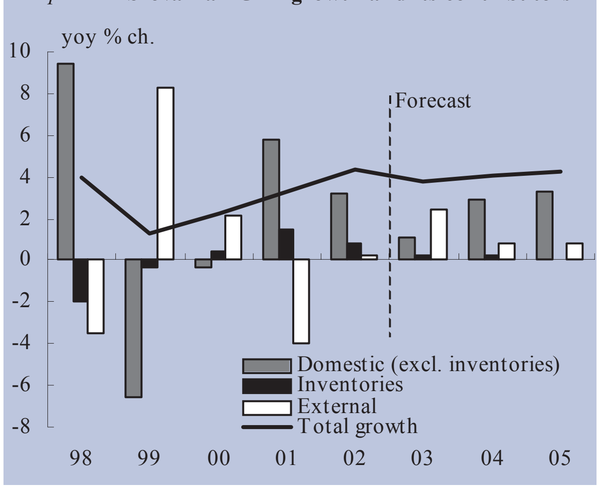
In 2002, real GDP growth accelerated to 4.4%. Like in the year before, domestic demand has been the main growth engine – owing to a strong expansion in private and public consumption. Private consumption was in particular driven by an exceptionally high real wage increase. Public consumption reflected the electoral cycle. Gross fixed investment contracted slightly after a very strong expansion in 2001. The contribution to GDP growth by net exports was minor.

In the first half of 2003, growth slowed down to 3.9% and its composition turned around. The contribution by domestic demand (excluding stocks) fell to almost zero. Both public and private consumption were dampened significantly by fiscal restraint and administered price adjustments. Gross fixed capital formation fell. In spite of the lacklustre performance of Slovakia's main export markets and reflecting the creation of significant new export capacity, exports of goods and services rose strongly by 22.8%, outpacing import growth of 15.8% and leading to a net external contribution to GDP growth of 5.1 percentage points.

Growth prospects

The immediate outlook for the Slovak economy is for a continuation of sustained growth performance for the rest of 2003, leading to an annual growth rate of 3.8%. The growth composition should basically stay the same as in the first half of the year, although the contribution of domestic demand is foreseen to become positive as well, based, *inter alia,* on a pick-up in gross fixed capital formation during the rest of the year.

Graph 4.9: **Slovakia - GDP growth and its contributors**



As for 2004 and 2005, growth is predicted to steadily accelerate to 4.3%, with all domestic demand components making an increasing contribution and net exports becoming the junior, but still significant, growth contributor.

Inflation

CPI headline inflation reached a record low of 3.3% in 2002 – down from over 7% in 2001. As the government continues to adjust administered prices and indirect taxes, headline inflation in 2003 and 2004 is likely to surge back to over 8%. In the first half of 2003, it averaged at 7.8%. Core inflation, which excludes these effects, averaged at 2.3%.

Assuming that second round effects are kept under control, a rapid disinflation leading to an inflation rate of around 5% in 2005 should be possible.

Current Account

Mainly dominated by trade developments, the current account deficit narrowed substantially from over 8% of GDP in 2002 to slightly below 5% in the 12 months until June 2003. Foreign trade developments should again be the main factor behind a further narrowing this year and a current account deficit of around 4½% of GDP in 2004 and 2005, as Slovakia further expands its export capacity.

Labour market

Real wages rose significantly in 2002 (by around 6% on a CPI basis), as nominal wage increases were not kept in line with the low inflation. In the first half of 2003, real wages decreased by roughly 1½%. Unemployment is slowly but steadily falling. It amounted to 18.6% in 2002 and to 17.7% in the first half of 2003.

In spite of continuing enterprise restructuring, unemployment is set for a slow but steady further decline to around 16½% by 2005 – the main reason being a more decisive policy stance in tackling the deep-seated structural unemployment problem.

304978 European Economy

Public finances

Approximating ESA95 standards, the general government deficit reached 7.2% of GDP in the election year 2002.

After the elections in September 2002, the new Slovak government has initiated a fiscal turn-around, aiming at a general government deficit target of 5% of GDP for 2003. To this end, the government has already advanced excise tax increases from the beginning of 2004 to August 2003, in the face of emerging budget execution risks. In 2004, a far-reaching tax reform will be implemented, consisting mainly of the introduction of a flat income tax rate and a unified value added tax, both at 19%. Estimates suggest that the tax reform is likely to be broadly revenue-neutral. Against this backdrop, it is projected that the government will basically meet its deficit target of 3.9% of GDP for 2004 and will reduce the deficit further to around 3½% of GDP in 2005.

Risks to this scenario stem in particular from the fundamental nature of the tax reforms, which make any revenue forecast uncertain and which are not yet matched with the same degree of precision as regards substance and sequencing of corresponding expenditure reforms. Furthermore, the introduction of a funded pension pillar, which is considered for 2005, would add roughly 1% to that year's deficit unless compensating measures are taken – like for instance further parametric reforms of the pay-as-you-go pillar.

Table 4.9

Main features of country forecast - SLOVAKIA

	2002		Annual percentage change						
bn SKK	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	1073.6	100.0	4.6	2.2	3.3	4.4	3.8	4.1	4.3
Private consumption	603.9	56.2	5.6	-1.8	3.9	5.3	1.6	2.6	3.2
Public consumption	214.0	19.9	3.3	1.3	5.1	4.0	-1.1	1.3	1.4
GFCF	319.8	29.8	6.6	1.2	9.6	-0.6	1.9	5.0	5.4
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	12.4	1.2	0.3	-2.2	-0.6	0.9	1.2	1.3	1.3
Exports (goods and services)	781.4	72.8	7.9	13.8	6.5	5.9	16.4	10.9	8.4
Final demand	1931.5	179.9	6.9	5.0	7.1	5.2	7.9	6.8	5.9
Imports (goods and services)	857.9	79.9	10.7	10.2	11.7	5.3	12.8	9.8	7.6
GNI at constant prices (GDP deflator)	1052.3	98.0	4.7	2.0	3.8	2.3	4.6	4.0	4.2
Contribution to GDP growth : Domestic demand			5.6	-0.4	5.8	3.4	1.2	3.0	3.5
Stockbuilding			0.8	-0.6	1.6	1.5	0.2	0.2	0.0
Foreign balance			-1.8	2.2	-4.0	0.3	2.4	0.8	0.8
Employment			0.5	-2.5	1.0	0.2	1.6	1.3	1.3
Unemployment (a)			13.2	18.7	19.4	18.6	17.7	17.1	16.5
Compensation of employees/head			11.4	12.3	5.8	9.8	7.5	8.1	6.1
Unit labour costs			7.0	7.1	3.4	5.4	5.2	5.2	3.1
Real unit labour costs			0.6	-1.1	-1.2	3.5	-1.5	0.1	-0.2
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			6.3	8.3	4.7	1.8	6.8	5.1	3.2
Private consumption deflator			7.2	9.0	5.6	2.4	6.8	7.5	4.0
Harmonised index of consumer prices			-	12.2	7.0	3.3	8.5	8.2	5.0
Trade balance (c)			-7.8	-4.8	-10.6	-9.4	-4.9	-5.3	-5.3
Balance on current transactions with ROW (c)			-5.4	-2.5	-7.4	-	-3.8	-4.4	-4.4
Net lending(+) or borrowing(-) vis à vis ROW (c)			-5.4	-2.5	-7.4	-	-3.8	-4.4	-4.4
General government balance (c)			-5.5	-13.5	-7.2	-7.2	-5.1	-4.0	-3.4
General government gross debt (c)			-	46.9	48.8	44.3	45.1	45.2	45.4

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

10. Slovenia

Steady and balanced growth despite the weak international environment

The economy in 2002

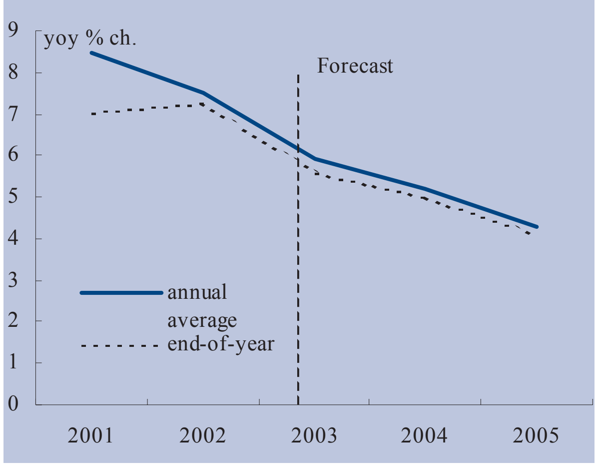
Slovenia has generally performed well in macroeconomic terms and achieved stable GDP growth; rates have been steady at 3-5% since 1993. In 2002, growth reached 2.9%, driven by domestic demand, which was mostly fed by revived investment, while household and government consumption stayed subdued. Stronger domestic demand in turn stimulated import growth. The net external demand contribution to growth declined as weak EU markets, the main trade area for Slovenia, put downward pressure on export expansion. Nevertheless, total export growth remained relatively dynamic thanks to continued market gains outside the EU, notably Russia and the Balkans.

Robust real export growth combined with improved terms of trade led to a sharp improvement in the current account. In 2002, the current account surplus rose to 1.7% of GDP, the highest level since 1994. At the same time, the usually low inward foreign direct investment flows reached record levels at 8.3% of GDP, mostly linked to privatisation in banking and pharmaceuticals, constituting the main part of capital inflows in 2002.

Prospects

For this year, the forecast projects a deceleration in GDP growth to 2.1% despite especially buoyant domestic consumption driving the economy. Next year, GDP growth should accelerate to 3.1% as domestic demand strengthens and export growth picks up with revived EU growth. All components should push GDP growth in 2005, with domestic demand giving the main impetus.

Graph 4.10: **Slovenia - CPI inflation trends**



GDP components

Both consumption and investment demand this year are foreseen to recover, increasing by 2.3% and 5.2%, respectively. Consumer and investor confidence have been rising despite sluggish real wage and employment growth. Next year, a modest upturn is projected with consumption and investment picking up against the background of EU accession, market competition and enterprise restructuring, increasing exports, and a boost in construction investment stimulated by released funds from the national housing saving scheme.

Exports will expand only marginally in 2003, as external demand from the EU is weak while the high export growth to markets of former Yugoslavia, CIS, and CEFTA, slowly fades. For the remaining forecast period, export growth is expected to accelerate somewhat. Import growth is also set to rise slightly, in step with strengthened domestic (investment) demand and exports. Overall, the current account surplus slowly erodes by 2005.

Costs and prices

Although inflation has been inching downward, its persistency remains a concern. For 2002, inflation stood at 7.5%, down from 8.6% in 2001. In the course of 2003 some further decline was registered, reaching 6.3% by August. This development is more attributable to special factors (such as caps on administered price rises and excise tax changes) than to a co-ordinated policy to lower inflation on a sustained basis. A steady depreciation of the currency continues to add to inflationary pressures. However, backward-looking indexation mechanisms have been weakened. After de-indexation of interest rates, a wage agreement for public sector wages was concluded in July 2003 limiting backward-looking indexation and taking into account EU inflation and the euro/tolar exchange rate. For the private sector, such an arrangement yet needs to be negotiated. Still, wage policy seems to have successfully kept real wage rises below productivity growth. For this year, inflation is projected at 5.9% while a further decline to 4.3% is envisaged in 2005, based on a further de-indexation of the economy, although there are risks.

The prime objective of the Bank of Slovenia (BoS) is to pursue price stability. This has proven hard to achieve. Furthermore, M3 growth repeatedly overshoots the band targets. In 2002, M3 achieved slightly lower growth but with 23%, again surpassed the upper limit set at 18%, providing room for inflation to persist. M3 growth in the first half of 2003 has been more limited, standing at 16% y-o-y in June 2003. Like last year, monetary expansion is partly a result of high capital inflows, prompting the BoS to attempt to sterilise these flows.

Labour market

Employment fell marginally in 2002 while the unemployment rate remained stable at 6%. This year the prospects for the labour market remain gloomy with employment decreasing and unemployment increasing. In 2004, the unemployment rate is to return to past levels of slightly above 6% and then resume its gradual trend decline as GDP growth strengthens.

Public finances

General government budget deficits have been relatively small. Nevertheless, there have been unexpected shortfalls, leading to budgetary overshooting and the repeated introduction of supplementary budgets in recent years. In 2002, the deficit rose by 0.6 percentage points more than planned, to 2.4% of GDP. With direct tax reform and expenditure limits, the deficit for this year is projected to decline marginally to 2.2% of GDP and then decrease further to 1.8% and 1.7% of GDP in 2004 and 2005, respectively. Wages constitute an important part of general government spending and the recent agreement on public sector wages is expected to contain budget expenditures.

Table 4.10

Main features of country forecast - SLOVENIA

		2002		Annual percentage change						
		bn SIT Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		5275.8	100.0	4.4	4.1	2.9	2.9	2.1	3.1	3.7
Private consumption		2896.4	54.9	4.6	0.3	2.4	1.1	2.3	3.0	3.0
Public consumption		1012.6	19.2	3.3	2.3	4.0	2.5	2.4	2.8	2.7
GFCF		1209.1	22.9	14.8	2.6	-0.4	1.3	5.2	5.5	7.0
of which : equipment		-	-	15.7	3.0	5.3	3.9	-	-	-
Change in stocks as % of GDP		18.1	0.3	1.1	1.3	0.2	1.0	0.5	0.3	0.3
Exports (goods and services)		3066.0	58.1	4.8	13.0	6.4	6.5	3.4	5.3	5.7
Final demand		8202.2	155.5	6.0	5.4	2.8	3.8	3.1	4.2	4.7
Imports (goods and services)		2990.9	56.7	8.6	7.6	3.0	4.9	4.5	5.7	6.1
GNI at constant prices (GDP deflator)		5258.7	99.7	4.3	3.9	2.8	2.5	2.3	3.1	3.7
Contribution to GDP growth :	Domestic demand			6.6	1.4	2.0	1.4	3.1	3.7	4.1
	Stockbuilding			0.1	0.3	-1.1	0.7	-0.2	-0.2	0.0
	Foreign balance			-2.2	2.4	1.9	0.8	-0.8	-0.3	-0.4
Employment				-	3.8	0.5	-0.5	-0.5	0.5	0.7
Unemployment (a)				7.1	6.6	5.8	6.0	6.4	6.1	6.0
Compensation of employees/head				-	15.1	11.6	10.5	7.6	7.0	6.5
Unit labour costs				-	14.7	9.0	6.8	4.8	4.3	3.4
Real unit labour costs				-	8.6	-0.1	-1.2	-1.4	-1.2	-1.5
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				10.8	5.6	9.1	8.1	6.4	5.6	5.0
Private consumption deflator				10.8	8.4	8.1	7.6	5.9	5.2	4.3
Harmonised index of consumer prices				-	8.9	8.6	7.5	5.9	5.2	4.3
Trade balance (c)				-4.6	-5.9	-3.2	-1.1	-2.0	-2.1	-2.2
Balance on current transactions with ROW (c)				-0.8	-2.8	0.1	1.7	0.5	0.3	0.1
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.8	-2.8	0.1	1.7	0.5	0.3	0.1
General government balance (c)				-	-3.1	-1.3	-2.3	-2.2	-1.8	-1.7
General government gross debt (c)				-	26.4	25.9	27.0	27.4	27.0	26.4

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

304978 European Economy

Chapter 5

Other Candidate Countries

1. Bulgaria

Catching up on the basis of strong domestic demand

The economy in 2003

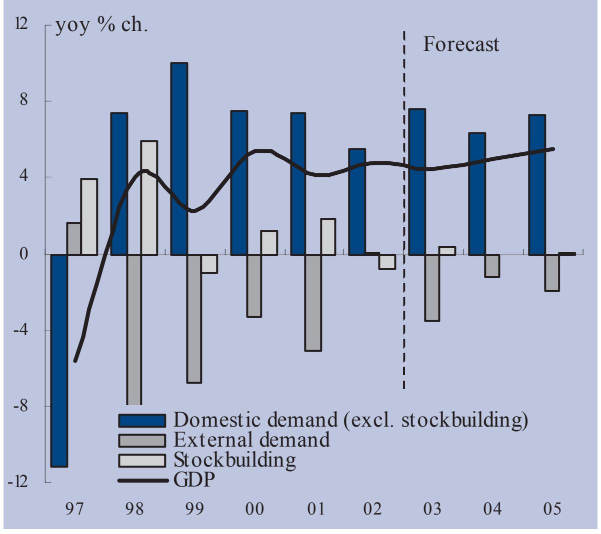
Following three consecutive years of real GDP growth above 4%, catching-up continued at a rate of 4.1% in the first half of 2003. Growth is based on domestic demand, in particular private consumption and investment, arising from strong increases in employment, net income and bank credit. While net exports had a slightly positive contribution to growth of 0.1% in 2002, there was a strong negative contribution of almost 4% in the first half of 2003.

Consumer price inflation has declined further from 5.8% on annual average in 2002 to 1.6% on average until September 2003, mostly resulting from low food prices and low import prices following the depreciation of the US dollar. Registered unemployment decreased to 13.0% in August 2003 and is about 4½ percentage points lower than one year earlier due to jobs created in the private sector and government employment schemes. The current account deficit was at 4.7% of GDP in 2002, considerably lower than in 2001, when it stood at 6.1% of GDP. However, it increased to 5.0% of forecast GDP until July 2003 because of higher deficits in the trade and income balances. Net inflows of foreign direct investment in 2002 amounted to about 3.1% of GDP, almost the same as in the first half of 2003 at estimated 2.7% of forecast GDP.

Prospects

Growth of real GDP is expected to amount to 4½% in 2003 and to accelerate to rates of 5% in 2004 and 5½% in 2005. This will be due to an improving external environment, in particular in the EU as its main trading partner, as well as the continuation of an economic policy oriented towards macroeconomic stability and structural reforms.

Graph 5.1: **Bulgaria - contributions to GDP growth**



While GDP growth is expected to be rather steady, its composition shows some variation over the forecasting horizon. Private consumption will be very strong in 2003 because of high credit growth, higher employment and increases in real income above productivity growth due to the unexpectedly low inflation. These effects are likely to moderate somewhat in 2004, but accelerating investment in view of the business opportunities expected from EU accession and some fiscal loosening could stimulate domestic demand further in 2005. Net exports are forecast to have a contribution of –3.5% in 2003, -1.2% in 2004 and –1.9% in 2005.

Inflation

Consumer price inflation in the second half of 2003 is expected to be higher than in the first half, mainly arising from increases in administered and regulated prices, and could reach 3.3% at the end of the year. If wage increases remain moderate, average inflation is likely to have rates of 3½% in 2004 and 4% in 2005, mostly due to catching-up effects for service prices and increases in administered prices and indirect taxes to implement commitments undertaken in the accession negotiations.

Labour markets

In view of continuing high GDP growth, net employment gains of 1½% per year in 2004 and 2005 would make it possible to achieve an unemployment rate of about 12.3% in 2005 since the induced increasing participation rate is likely to be offset by a declining share of the working-age population.

Public finances

For 2003, the forecast assumes that the general government deficit target of 0.7% of GDP will be revised towards a balanced budget in order to avoid a substantial fiscal expansion at the end of the year given the revenue over performance until August 2003 with an accumulated budget surplus (in cash terms) of more than 2% of forecast GDP. The expected deficit in 2004 of 0.7% of GDP is in line with the medium-term fiscal framework as presented in the Pre-accession Economic Programme 2003. However, the election year 2005 could see a limited widening of the budget deficit to 1% of GDP and less wage discipline. The government's commitment to reducing the expenditure-to-GDP ratio implies that public consumption should expand less than GDP. The continuation of running a high primary surplus and of high GDP growth will further reduce the debt-to-GDP ratio to below 50% over the forecasting horizon.

External balance

The deficit of the trade balance is expected to decrease from 10.9% of GDP in 2003 to 10.0% of GDP in 2004, but to increase again to 10.4% in 2005 as a result of strong domestic demand and the high import content of fixed investment because of the rather limited domestic production of investment goods and intermediate goods.

The substantial difference between trade and current account deficit arises from high positive net exports of services, in particular tourism, as well as positive net current transfers. The current account deficit is forecast to increase above 6% of GDP in 2003 and just below 6% of GDP in 2004, but could widen again in 2005 as a result of strong domestic demand and less favourable terms of trade. FDI could be at record levels in 2003 and 2004 related to both greenfield investment and privatisation. However, privatisation is planned to be finalised until the end of 2004 so that FDI might be lower and be mainly related to greenfield investment in 2005.

Table 5.1

Main features of country forecast - BULGARIA

		2002		Annual percentage change						
		bn BGN Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		32.3	100.0	-1.3	5.4	4.1	4.8	4.5	5.0	5.5
Private consumption		25.0	77.3	-0.8	4.3	5.2	4.2	6.5	5.0	5.5
Public consumption		3.2	10.0	-7.3	22.7	1.3	3.9	3.0	3.5	4.0
GFCF		5.9	18.1	3.0	8.2	19.9	9.3	12.0	10.0	12.0
of which : equipment		-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP		0.4	1.1	-	-	-	-	1.8	1.6	1.6
Exports (goods and services)		17.2	53.1	-	16.6	10.0	6.2	9.5	11.3	13.7
Final demand		51.6	159.7	-	10.7	8.7	4.7	8.2	7.6	9.3
Imports (goods and services)		19.3	59.7	-	18.6	14.8	4.7	13.7	11.3	14.2
GNI at constant prices (GDP deflator)		31.8	98.5	-1.1	4.2	4.4	5.6	4.5	5.0	5.5
Contribution to GDP growth :	Domestic demand			-1.0	7.5	7.4	5.5	7.6	6.3	7.3
	Stockbuilding			-	-	-	-	0.4	-0.1	0.1
	Foreign balance			-	-3.3	-5.1	0.1	-3.5	-1.2	-1.9
Employment				-1.0	-3.5	-0.4	0.8	2.0	1.5	1.5
Unemployment (a)				10.8	16.4	19.2	18.1	15.3	13.8	12.3
Compensation of employees/head				-	10.2	12.3	8.2	8.1	7.8	10.2
Unit labour costs				-	0.9	7.5	4.1	5.5	4.3	6.1
Real unit labour costs				-	-5.4	0.8	0.2	2.4	0.3	2.2
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				117.1	6.7	6.7	3.8	3.1	3.9	3.8
Private consumption deflator				114.4	4.5	6.0	4.3	2.0	3.0	3.5
Index of consumer prices				-	-	-	-	2.0	3.5	4.0
Trade balance (c)				-1.8	-9.3	-7.8	-6.6	-10.9	-10.0	-10.4
Balance on current transactions with ROW (c)				-0.8	-5.5	-6.1	-4.7	-6.2	-5.9	-6.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	-0.5	0.2	-0.7	0.0	-0.7	-1.0
General government gross debt (c)				-	73.6	66.2	53.2	50.8	48.6	46.6

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

2. Romania

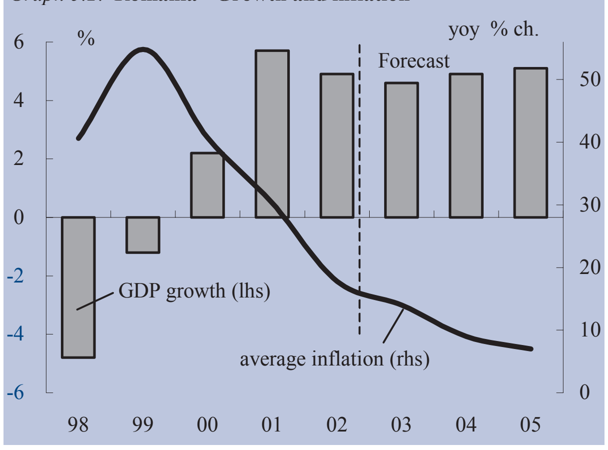
A weakening current account accompanies domestic driven growth and further disinflation

The economy in 2003

Growth slowed down somewhat but remained robust in 2003 as the economic recovery entered its fourth consecutive year. Real GDP growth equalled 4.9% in 2002 and 4.3% in the first half of 2003 but its composition changed as domestic demand accelerated and the external balance deteriorated. In 2002, household consumption growth slowed down to 3% and net exports contributed positively to growth for the first time in the current upswing. During the first half of 2003, instead, household consumption growth picked up again, rising by 5.4% on an annual basis, on the back of sharply rising net wages and booming consumer credit. With investment spending also continuing to increase apace at 7.8%, import growth remained sustained at 13.1%. At 11.3%, export growth decelerated causing the contribution of net exports to growth to turn negative again.

As a result of these trends, the current account deficit began widening again in 2003. After dropping sharply to 3.5% of GDP in 2002, by July 2003, the cumulative current account deficit over the previous twelve months rose to an estimated 4.3% of GDP. However, the process of sustained and gradual disinflation that started in late 1999 continued. After falling to 17.8% by December 2002 against an official target of 22%, the year-on-year inflation rate declined to 15.9% in September 2003.

Graph 5.2: **Romania - Growth and inflation**



Prospects

The immediate outlook for the Romanian economy points to sustained growth, broadly stable unemployment and declining inflation. Relative to the Spring 2003 forecast, a worsened external situation and a sharper acceleration in domestic demand justify an upward revision in the projected current account deficit. Following a tightening of policies over the second half of 2003, the forecast scenario assumes the ongoing acceleration of domestic demand will be kept in check. However, given the planned relaxation of the fiscal stance and the uncertainties surrounding the planned concomitant reduction in the quasi-fiscal deficit, risks are clearly on the downside.

GDP growth and components

After totalling 4.6% in 2003, projected GDP growth is expected to accelerate slightly on the back of domestic demand. Rising real incomes and increasing availability of credit will underpin a strong growth of household consumption while investment spending grows at an accelerating pace thanks to higher capital outlays by both the private and public sectors. Exports, are expected to continue expanding rapidly thanks to strong productivity gains and a strengthening recovery in Romania's EU markets. However, with strong domestic demand supporting imports growth, the contribution of net exports to GDP growth is projected to turn negative again from 2003 onwards.

Inflation

Despite significant increases in energy tariffs at the beginning of September, CPI inflation is projected to continue declining, dropping to 14.0% year-on-year by end-2002, and reaching single digit levels by end-2004 as the central bank gradually lowers the rate of nominal depreciation of the exchange rate. Largely as a result of a sharp increase in the minimum wage and a cut in employee's rate for social security contribution, real net wages increased by 8.7% in the first eight months of the year compared to the corresponding period in 2002. Albeit lower, wage growth is projected to remain robust in 2004 and 2005 due to further minimum wage increases and strong productivity gains.

Labour market

Statistical revisions significantly affect the behaviour of labour market indicators in 2004, as well as during the current year. Continued labour shedding by restructuring enterprises is expected to moderate the positive effects of sustained economic growth on labour demand. Against the background of a declining population and very slight rises in the participation rate, the unemployment rate is projected to remain relatively low.

Public finances

Despite lower than planned revenues, the general government deficit only amounted to 0.6% of GDP over the first seven months of the year. This prudent implementation of the 2003 budget and the adoption of a revised budget compensating for the revenue shortfall and accommodating for additional spending to advance structural reform imply that the 2.7% of GDP general government deficit target should be easily met.

As of 2004, however, net borrowing by the general government will increase to 3% of GDP, largely due to a further cut in the social security contribution rate, the introduction of a reduced VAT rate and a rise in transfers linked to enterprise restructuring. Gross debt, however, is projected to remain roughly stable at around 21.5% of GDP.

External balance

Romania's external position is projected to weaken on the back of a widening trade deficit. Despite continuously strong export growth, in fact, robust domestic demand is projected to pull in imports of both consumer and capital goods. Coupled with a slight worsening in net factor income from abroad, this will cause the current account deficit to rise throughout the period. However, the continued improvement in the service trade balance and the steady, albeit gradual, increase in transfers from abroad are projected to limit the extent of the external deterioration.

Table 5.2

Main features of country forecast - ROMANIA

	2002		Annual percentage change						
bn ROL	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices	1512256.6	100.0	-0.3	2.1	5.7	4.9	4.6	4.9	5.1
Private consumption	1149828.4	76.0	3.1	-0.6	6.2	3.0	5.0	4.5	4.2
Public consumption	100505.4	6.6	-1.8	11.9	5.2	2.5	3.8	2.5	2.0
GFCF	319645.1	21.1	0.6	5.5	9.1	8.3	9.3	9.8	10.0
of which : equipment	-	-	1.6	7.4	-	-	-	-	-
Change in stocks as % of GDP	29817.8	2.0	0.6	0.4	1.5	1.5	2.3	2.4	2.4
Exports (goods and services)	535975.6	35.4	7.6	23.4	11.1	16.9	11.2	9.6	9.1
Final demand	2135772.3	141.2	1.8	9.6	9.3	7.7	7.3	6.6	6.4
Imports (goods and services)	623492.5	41.2	10.7	27.1	17.2	12.1	13.2	10.1	8.9
GNI at constant prices (GDP deflator)	1496753.6	99.0	-0.6	2.6	-	-	4.3	5.0	5.0
Contribution to GDP growth : Domestic demand			2.6	4.4	9.4	4.6	6.0	5.8	5.6
Stockbuilding			-1.5	1.5	1.2	0.0	0.3	0.2	0.2
Foreign balance			-1.3	-3.8	-4.9	0.2	-1.7	-1.0	-0.7
Employment			-3.4	2.5	-0.8	-8.7	0.5	0.6	0.1
Unemployment (a)			5.2	6.8	6.6	7.0	6.5	6.3	6.3
Compensation of employees/head			73.0	74.9	-0.5	6.0	-	-	-
Unit labour costs			67.6	75.5	-6.6	-7.6	-4.0	-4.1	-4.7
Real unit labour costs			3.5	21.7	-32.0	-25.3	-16.5	-14.2	-12.7
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			61.9	44.2	37.3	23.6	15.0	11.7	9.1
Private consumption deflator			61.6	39.7	35.5	21.5	15.1	11.4	8.6
Index of consumer prices			-	-	-	-	15.3	11.5	8.5
Trade balance (c)			-7.4	-4.8	-7.5	-5.7	-7.0	-7.7	-8.2
Balance on current transactions with ROW (c)			-5.5	-4.1	-5.6	-3.5	-4.8	-5.1	-5.5
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-	-	-	-	-	-
General government balance (c)			-	-4.6	-3.3	-2.6	-2.7	-3.0	-3.0
General government gross debt (c)			-	23.9	23.1	22.7	21.5	21.4	21.6

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

3. Turkey

At the beginning of a virtuous cycle ?

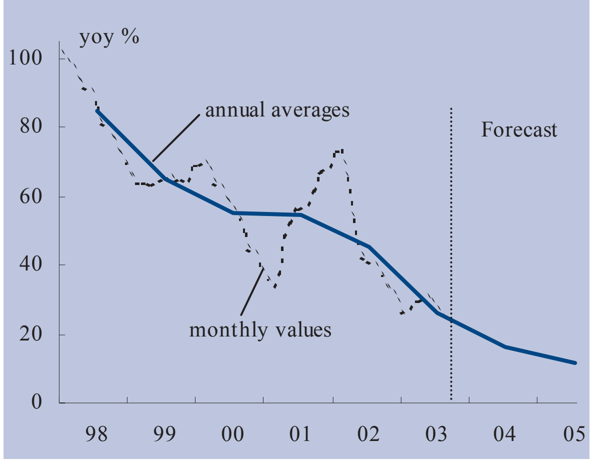
The economy since the first half of 2003

Since the beginning of the year, the economic situation has further stabilised. Inflationary pressures and real interest rates have come down, while robust exports and restocking have supported strong output recovery. The Turkish economy weathered relatively well the uncertainties related to the tensions and the war in neighbouring Iraq. Financial market pressure, which had built up during the increased tensions, abated rapidly once the fighting in Iraq came to an end. During the first half of 2003, output rose by 5.8%, mainly driven by restocking and exports. The latter increased by 13% during the first half of the year. Investment increased by 7%, despite a very weak performance of construction. Public consumption declined by 3%, while private consumption grew by 4½% in this period. However, import growth was very strong in the first half of 2003, reflecting the high import content of exports and investment, but also the strength of the Turkish lira, which remained remarkably strong during this period. Due to weak domestic demand and the strength of the Turkish currency, inflationary pressures continued to decline.

Prospects

The outlook for the Turkish economy implies that the immediate rebound after the sharp 2001 recession will peter out, leading to a slowdown in real GDP growth from 7.8% in 2002 to slightly above 5% in 2003 and 4½% in 2004. In 2005, accelerating private consumption and investment will lead to a GDP growth rate of 5%, which is close to potential output growth.
Inflationary pressures are expected to continue to decline, driven by stability-oriented fiscal and monetary policies. This decline will have a positive impact on real disposable income and consumer confidence. In line with lower price volatility, a significantly reduced public sector borrowing and an improved predictability, interest rates should come down, leading to increased private investment and a more balanced economic growth. Furthermore, Turkey's international environment is likely to improve moderately in 2004 and 2005.

Graph 5.3: **Turkey - CPI inflation**



GDP components

During the forecasting period, output growth is expected to be increasingly driven by private consumption and investment. Declining inflation will strengthen household income and improve consumer confidence. As a result, private consumption is expected to accelerate, from an annual growth of 3½% in 2003 to 4% in 2005. The increase of public consumption will be limited by the need to achieve a substantial primary surplus. Thus, the forecast expects only a moderate increase in 2003 by 1%, which will accelerate to 2½% and 3% annual growth in 2004 and 2005. Among domestic demand components, investment will be the most significant source of growth. After several years of particularly weak investment, the improved economic stability and declining real interest rates will lead to a significant increase in investment.

Inflation

The trend of declining inflationary pressures is expected to continue during the forecasting period. Hence, towards the end of the forecasting period, Turkey might be able to witness single-digit inflation rates. The main factors behind this decline are declining inflationary expectations of households, a strict wage policy in the public sector and a stability-oriented monetary policy of the Central Bank.

Labour market

After the marked increase in unemployment in 2002 and the first half of 2003, the situation in the labour market will remain difficult in the near future. One important issue in this respect is a rather high increase in the working-age labour force. So far, this increase in labour supply has been largely compensated by a

304978 European Economy

declining participation rate. In view of the recovery, the participation rate might increase again, raising labour supply accordingly. As a result, despite rising employment, the unemployment rate might remain relatively high.

Public finances

So far, the budgetary performance remained largely on track with fiscal targets. The forecast expects that during the forecast period, the general government deficit will decline. The main factor for this improvement will be lower interest payments, reflecting lower interest rates and a marked decline in the debt stock. Non-interest expenditures are seen to remain stable as a percentage of GDP, while the phasing-out of one-off revenue measures will lead to a slight decline in general government revenues.

Despite impressive progress, the need to consolidate public sector finances will continue to confine the room for a more active fiscal policy. Furthermore, the high interest rate sensitivity and short-term nature of the Turkish debt could lead to difficulties in case of another financial market turbulence.

External accounts

Exports performed remarkably well in 2002 and 2003, despite weak growth in important export markets and the strength of the exchange rate. In view of the expected improvement in the external environment, export growth is likely to remain high. The accelerating investment and private consumption will lead to strong growth of imports, which will result in a marked deterioration of the current account.

Table 5.3

Main features of country forecast - TURKEY

		2002		Annual percentage change						
	000 bn TRL	Curr. prices	% GDP	1995-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		276003.0	100.0	3.9	7.4	-7.5	7.8	5.1	4.5	5.0
Private consumption		184036.5	66.7	3.8	6.7	-9.6	3.1	3.5	3.8	4.0
Public consumption		30636.4	11.1	6.8	7.1	-8.5	5.4	1.0	2.5	3.0
GFCF		46031.2	16.7	3.0	16.9	-31.5	-0.8	8.5	8.3	9.0
of which : equipment		21181.3	7.7	6.3	34.5	-48.0	6.1	8.5	8.3	9.0
Change in stocks as % of GDP		19986.2	7.2	0.3	2.3	-1.4	4.5	5.3	4.8	4.4
Exports (goods and services)		81194.6	29.4	10.3	19.2	7.4	11.0	12.3	12.1	12.8
Final demand		361884.8	131.1	5.7	11.2	-11.9	8.8	7.1	6.5	7.3
Imports (goods and services)		87244.8	31.6	13.5	25.4	-24.8	15.7	13.0	12.0	13.0
GNI at constant prices (GDP deflator)		279803.0	101.4	4.0	7.0	-7.7	6.2	3.9	4.8	5.6
Contribution to GDP growth :	Domestic demand			4.2	9.3	-15.2	2.6	3.9	4.2	4.5
	Stockbuilding			0.9	1.0	-3.6	6.2	0.8	-0.3	-0.2
	Foreign balance			-1.1	-2.9	11.3	-0.9	0.3	0.6	0.6
Employment				1.6	-0.4	-1.0	-0.6	1.7	2.2	2.3
Unemployment (a)				6.9	6.6	8.5	10.4	11.2	10.9	10.4
Compensation of employees/head				84.7	53.1	40.5	47.2	39.8	32.2	27.5
Unit labour costs				80.6	42.1	50.3	35.6	35.3	29.3	24.3
Real unit labour costs				3.1	-5.2	-2.9	-5.5	7.6	11.9	11.8
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				75.2	49.9	54.8	43.5	25.8	15.6	11.2
Private consumption deflator				75.1	59.5	53.0	49.5	29.0	16.6	12.2
Index of consumer prices				-	-	-	-	26.0	16.5	11.5
Trade balance (c)				-9.7	-13.5	-5.8	-8.1	-5.8	-6.4	-7.0
Balance on current transactions with ROW (c)				-3.1	-6.7	1.3	-2.6	-3.6	-4.0	-4.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	-5.8	-26.9	-10.0	-8.0	-6.3	-4.9
General government gross debt (c)				-	57.6	105.4	95.0	89.1	86.2	83.4

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Chapter 6
Non-EU-countries

1. United States of America

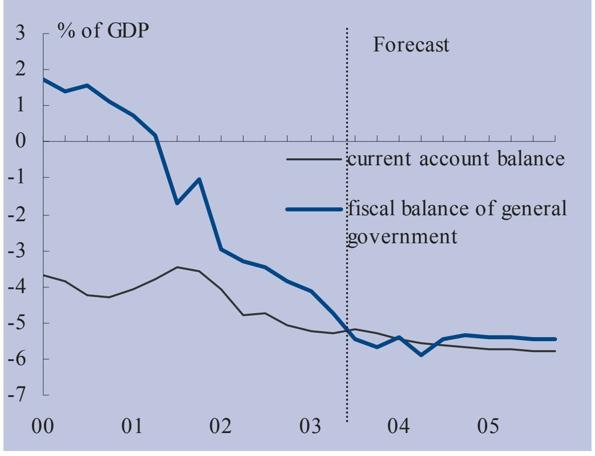
Fiscal policy boosts growth

Current situation

The recovery in the United States has been gaining momentum lately with consumer spending advancing strongly and business investment picking up. After two quarters with sluggish growth, output expanded at an annual rate of 3.3% in the second quarter of 2003. Recent economic data indicate that third-quarter growth has been even stronger. The abatement of geopolitical uncertainties since April has undoubtedly contributed to the economic rebound. But more important has been the continuation of an accomodative monetary policy and, particularly, the fiscal expansion. The tax cuts adopted in May have boosted both real disposable income and consumer spending while allowing the personal saving rate to increase at the same time. Public consumption has surged in connection with the war in Iraq. The federal deficit alone amounted to 3.5% of GDP in fiscal year 2003 which ended in September.

Employment has been a disappointing feature of the present recovery with the number of nonfarm payroll jobs on a declining trend until the autumn of 2003. The "jobless" nature of the recovery is reflecting strong gains in labour productivity: according to the official statistics, output per hour in the non-farm business sector increased at an annual rate of 4.8% over the two years to mid-2003. Helped by productivity growth and a considerable 'output gap', core inflation declined to 1.2% in September. The dollar's external value has continued its trend decline: the average of the Federal Reserve's price-adjusted broad dollar index was about 5% lower in the first nine months of 2003 as compared to 2002. The trade deficit and the current account deficit worsened to 4.6%, respectively 5.2%, of GDP in the first six months of the year.

Graph 6.1: **The US 'twin deficits'**



Can the recovery become self-sustaining ?

The stimulative effect of the expansionary macroeconomic policy will eventually taper off. Mortgage refinancing activity with the associated cash-out payments has already subsided. Based on the Administration's request for the "war on terrorism" in fiscal year 2004, Iraq-related spending will stabilize and thereby cease to give an impetus to GDP growth. The stipulated profile of tax cuts imply a strongly diminishing stimulatory effect from the middle of next year. Hence, the question is whether the current fiscal boost will generate sufficient momentum for the recovery to become self-sustaining.

The softness of the labour market seems to be a considerable risk for the strength of the recovery. It has held down consumer confidence since the spring despite fast-rising disposable incomes. When this tax cut boost peters out household spending may also be reined in by the relatively high level of household indebtedness and debt-service burden.

Strong productivity growth has benefited corporate profits which, in turn, has stimulated the upturn in business investments. The productivity growth trend seems unbroken and should continue to provide an incentive for capital spending. The low level of interest rates provides also a favourable background for investments. However, capital spending will be constrained by a considerable degree of unused capacity in the manufacturing sector and in non-residential structures.

Although the dollar has depreciated noticeably since its high point in early 2002, by the first half of October it was still about 6% above its average value since 1990 in real effective terms. Based on the assumption of constant real exchange rates, it is projected that external trade will continue to exert a drag on US growth even in the context of a strengthening world economy.

Growth and deficits to continue

The forecast expects the US economy to grow strongly in the second half of 2003 which should lift the annual growth rate to 2.8%. Relatively rapid growth is

304978 European Economy

projected to continue until the middle of next year when the fiscal stimulus will diminish. Against the background of a temporary deceleration in consumer spending, the GDP growth rate should recede to about 3% annualized in the second half of 2004. But due to an overhang from the strong growth in the second half of 2003, the annual growth rate would reach 3.8% in 2004. In 2005, output growth would return to its long-term potential. Inflation would remain subdued and employment growth would resume, but not sufficiently to prevent a slight rise in the unemployment rate. The risks of this forecast with regard to growth seem to be evenly balanced.

In this scenario, capital formation would expand at a relatively healthy rate around 6% and public spending growth would fall back from recent elevated levels. Exports would pick up from the negative growth rates in the first half of 2003 in response to a strengthening of global growth and the dollar depreciation over the past 18 months. Import growth has already resumed strongly in the second quarter and can be expected to continue in conjunction with domestic demand growth. As the level of imports is roughly 50% higher than the level of exports, the projected convergence of import and export growth rates is not sufficient to stabilize the trade deficit or to end the negative contribution of external trade to GDP growth. The trade deficit is projected to widen to 5.1% of GDP and the current account deficit even to 5.8% of GDP by 2005.

The fiscal expansion is projected to worsen the fiscal position of general government to 5% of GDP in 2003 and even to 5.5% next year. This means that the current account deficit will almost fully represent a domestic fiscal deficit. The 'twin-deficit' situation will aggravate the long-standing concern about the sustainability of the external deficit and is likely to increase the risk of a disorderly correction.

Table 6.1

Main features of country forecast - UNITED STATES

	2002			Annual percentage change					
	bn USD Curr. prices	**% GDP**	**1981-99**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
GDP at constant prices	10446.1	100.0	3.2	3.8	0.3	2.5	2.8	3.8	3.3
Private consumption	7303.7	69.9	3.3	4.3	2.5	3.1	3.0	3.5	2.5
Public consumption	1621.0	15.5	1.9	2.8	4.0	5.0	3.7	1.7	2.6
GFCF	1941.2	18.6	4.4	5.6	-2.9	-2.2	2.8	5.8	6.2
of which : equipment	994.2	9.5	7.0	8.1	-5.4	-1.6	4.1	7.7	7.7
Change in stocks as % of GDP	3.9	0.0	0.4	0.7	-0.7	0.1	0.0	0.4	0.6
Exports (goods and services)	1014.8	9.7	6.1	9.7	-5.4	-1.6	0.7	5.0	6.2
Final demand	11884.6	113.8	3.6	4.9	-0.4	2.5	2.8	4.2	3.8
Imports (goods and services)	1438.5	13.8	7.8	13.2	-2.9	3.7	3.6	6.0	6.2
GNI at constant prices (GDP deflator)	10436.5	99.9	3.1	3.8	0.2	2.1	2.9	3.8	3.3
Contribution to GDP growth :	Domestic demand		3.4	4.5	1.6	2.4	3.2	3.8	3.4
	Stockbuilding		0.1	0.0	-1.4	0.7	-0.1	0.4	0.3
	Foreign balance		-0.3	-0.9	-0.2	-0.8	-0.5	-0.4	-0.4
Employment (*)			1.7	1.9	-0.3	-0.3	0.8	0.4	0.6
Unemployment (a)			6.5	4.0	4.8	5.8	6.1	6.2	6.3
Compensation of employees/head			4.5	5.4	2.9	1.8	2.1	4.0	3.8
Unit labour costs			3.0	3.5	2.3	-1.0	0.1	0.6	1.1
Real unit labour costs			-0.3	1.4	0.0	-2.1	-1.3	-0.4	0.0
Savings rate of households (b)			-	-	2.2	3.6	3.9	4.7	5.1
GDP deflator			3.3	2.1	2.4	1.1	1.4	1.0	1.1
Private consumption deflator			3.4	2.5	2.0	1.4	1.7	1.2	1.1
General index of consumer prices			-	3.4	2.8	1.6	2.3	1.4	1.0
Trade balance (c)			-2.3	-4.7	-4.3	-4.7	-5.1	-5.4	-5.6
Balance on current transactions with ROW (c)			-1.6	-4.1	-3.8	-4.7	-5.3	-5.6	-5.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-1.6	-4.1	-3.8	-4.7	-5.3	-5.6	-5.8
General government balance (c)			-3.6	1.5	-0.5	-3.4	-5.0	-5.5	-5.4
General government gross debt (c)			-	-	-	-	-	-	-

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(*) Employment data from the BLS household survey. The 0.8 % increase for 2003 is largely reflecting an incorrect one-off change in population controls.

2. Japan

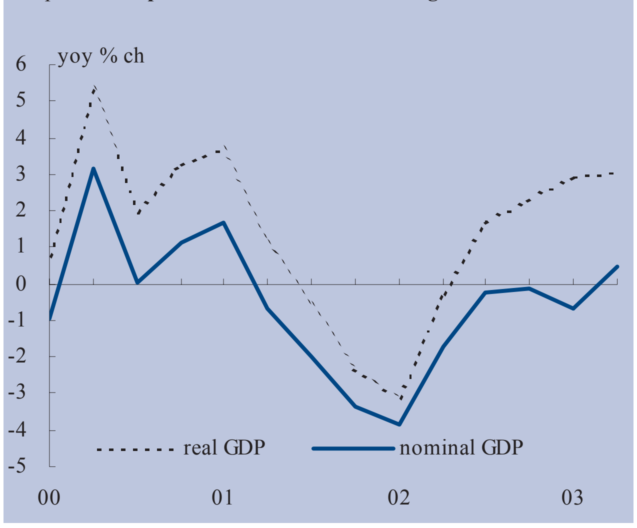
Moderate growth outlook with downside risks

In Japan, stronger-than-expected real growth was registered in the first half of this year. Growth was broad-based, mainly driven by corporate investment and private consumption. However, the reported data of 0.6% non-annualised growth in the first quarter and 1.0% in the second quarter are significantly higher than the 'underlying' development as a result of overestimated deflators. Nevertheless, even if data were to be corrected for these statistical distortions, there is a cyclical recovery gaining momentum.

A number of leading indicators and confidence surveys suggest output expansion to continue in the second half of the year. The strong rebound in corporate profits, enhanced capacity utilization in the manufacturing sector along with better prospects for global demand are likely to back solid investment expansion also in the remainder of the year. Private consumption, which has been firm despite previous cuts in real take home pay and a high unemployment level, should also remain supportive to growth as the labour market situation has started to ease slightly and real wages have begun to increase again. Prospects for key export markets, the US and the rest of Asia, have improved and should help keeping up the recovery in the second half of year. Given these positive developments, real GDP growth of 2.6% seems to be within reach in the current year.

As restructuring and consolidation of balance sheets in the corporate sector gradually have moved forwards, the Japanese economy should be able to continue to benefit from the global recovery. Private demand is expected to continue to be the main driving force, with a positive contribution from net exports. On the whole, growth is projected to remain moderately positive, averaging 1.7% on an annual basis in 2004 and 1.5% in 2005.

Graph 6.2 : **Japan - real vs nominal GDP growth**



There are also some positive signs in the labour market. Total employment has registered an upward trend since spring. Job creation has been particularly strong in the services sector whereas the manufacturing sector has continued to cut back on employees. In tandem, unemployment has declined by almost half a percentage point since the beginning of the year. New job offers, a leading indicator, are also increasing.

As for deflation, the decline in core CPI (excluding fresh food) has decelerated substantially since the beginning of the year, from –0.8% year-on-year in January to –0.3% in August. The fall in the corporate goods price index (CGPI) has shown a similar downward trend. Even if part of the deceleration in core CPI is due to tax hikes and rises in medical fees, deflationary pressures might be easing somewhat as the economy continues to expand.

On public finances, the general government budget deficit stood at above 7% of GDP and the gross debt exceeded 150% of GDP in 2002. The government's ambitions to cut public investment and other discretionary expenditure are largely offset by rising social expenditure linked to the ageing of the population. The fiscal stance is assumed to be roughly neutral throughout the forecast period.

Monetary policy has turned more expansionary and remains committed to maintain zero-interest rates until core deflation has been brought to an end. The Bank of Japan has raised the operating target for current accounts to 27-32 trillion yen (210-250 billion €). A scheme of purchasing Asset-Backed Securities (ABS), as a means of channelling funds to SMEs, has also been set up. The quantitative framework, i.e. of ensuring ample supply of liquidity to the banking system, has helped alleviating the strains on the financial sector. However, it is unlikely to have played a major role in the current recovery and it has not put an end of deflation.

In the first three quarters of this year, the Ministry of Finance intervened on a massive scale, totalling some 13.5 trillion yen (105 billion €). De facto, the exchange rate was kept within a band of 115-120 yen/US$.

However, in connection to the G7 meeting in September, the authorities seem to have accepted a stronger yen. In the past month, the yen has gradually strengthened and is currently trading below 110 yen/US$, although the authorities are reported to continue intervening in the foreign exchange markets. Given that the Japanese economy remains much dependent on export-led growth, any strong and rapid appreciation of the yen could hamper the current upturn.

Several risks remain to the Japanese economy. Although major banks have made progress in reducing their non-performing loans, the quality of the banks' capital base remains very weak, making the banking sector vulnerable to any renewed fall in asset prices. Balance sheets in most corporate sectors have been consolidated, but there are still some sectors (real estate, construction and wholesale/retail) that are highly indebted. In addition, the development of public finances, with a rapidly increasing government debt and a large deficit, is clearly not sustainable in the medium-term.

Table 6.2

Main features of country forecast - JAPAN

		2002			Annual percentage change					
	bn YEN	Curr. prices	% GDP	1981-99	2000	2001	2002	2003	2004	2005
GDP at constant prices		499985.4	100.0	2.8	2.8	0.4	0.1	2.6	1.7	1.5
Private consumption		285940.1	57.2	2.7	1.0	1.7	1.4	1.2	1.3	1.2
Public consumption		89400.4	17.9	3.3	4.7	2.6	2.3	1.1	1.3	1.3
GFCF		120303.1	24.1	2.7	2.7	-0.9	-4.8	3.8	1.6	0.4
of which : equipment		-	-	4.9	7.4	1.0	-	-	-	-
Change in stocks as % of GDP		-2070.1	-0.4	0.3	0.0	0.0	-0.4	-0.1	0.0	0.1
Exports (goods and services)		55829.1	11.2	4.4	12.4	-6.1	8.2	7.0	7.2	8.9
Final demand		549402.6	109.9	2.9	3.3	0.4	0.3	2.7	2.1	2.0
Imports (goods and services)		49417.2	9.9	4.4	9.5	0.1	2.0	3.9	5.9	6.5
GNI at constant prices (GDP deflator)		508178.8	101.6	2.8	2.8	0.8	0.1	2.5	1.6	1.4
Contribution to GDP growth :	Domestic demand			2.7	2.0	1.1	-0.2	1.8	1.3	1.0
	Stockbuilding			0.0	0.3	0.0	-0.4	0.3	0.1	0.1
	Foreign balance			0.1	0.5	-0.7	0.7	0.4	0.3	0.5
Employment				0.7	-0.1	-0.6	-1.2	0.5	0.2	0.1
Unemployment (a)				2.8	4.7	5.0	5.4	5.2	5.1	5.1
Compensation of employees/head				2.6	0.2	-0.7	-1.8	0.6	0.5	0.5
Unit labour costs				0.6	-2.7	-1.7	-3.1	-1.4	-1.0	-0.9
Real unit labour costs				-0.6	-0.8	-0.1	-1.5	0.8	0.3	0.1
Savings rate of households (b)				-	-	13.4	12.2	12.8	13.4	13.7
GDP deflator				1.2	-1.9	-1.6	-1.6	-2.2	-1.3	-1.1
Private consumption deflator				1.4	-1.3	-1.5	-1.5	-1.2	-1.0	-0.8
General index of consumer prices				-	-0.7	-0.6	-0.9	-0.3	-0.4	-0.3
Trade balance (c)				2.8	2.4	1.7	2.3	2.7	3.2	3.6
Balance on current transactions with ROW (c)				2.4	2.5	2.1	2.9	3.0	3.4	3.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				2.5	2.3	2.0	2.8	3.0	3.3	3.6
General government balance (c)				-2.0	-7.4	-6.1	-7.1	-7.3	-7.2	-7.1
General government gross debt (c)				78.9	133.1	141.5	147.3	157.4	164.0	170.4

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Statistical annex

Contents

General Government

Saving

Trade and international payments

World economy

STATISTICAL ANNEX : AUTUMN 2003 ECONOMIC FORECASTS

TABLE 1 : Gross domestic product, volume (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.4	1.6	2.7	3.2	3.8	0.6	0.7	*1.2*	0.8	*2.3*	1.8	:	2.3
Denmark	2.7	2.0	2.7	2.6	2.9	1.4	2.1	*1.5*	0.8	*2.2*	2.0	:	2.3
Germany	3.2	2.0	1.8	2.0	2.9	0.8	0.2	*0.4*	0.0	*2.0*	1.6	:	1.8
Greece	4.5	1.2	3.4	3.4	4.4	4.0	3.8	*3.6*	4.1	*3.8*	4.2	:	3.4
Spain	4.6	1.5	3.8	4.2	4.2	2.8	2.0	*2.0*	2.3	*3.0*	2.9	:	3.3
France	3.8	1.1	2.7	3.2	3.8	2.1	1.2	*1.1*	0.1	*2.3*	1.7	:	2.3
Ireland	4.2	4.7	9.8	11.3	10.1	6.2	6.9	*3.3*	1.6	*4.5*	3.7	:	4.9
Italy	3.9	1.3	1.9	1.7	3.1	1.8	0.4	*1.0*	0.3	*2.1*	1.5	:	1.9
Luxembourg	3.7	4.0	7.1	7.8	9.1	1.2	1.3	*1.1*	1.2	*2.7*	1.9	:	2.8
Netherlands	3.4	2.1	3.7	4.0	3.5	1.2	0.2	*0.5*	-0.9	*1.7*	0.6	:	2.0
Austria	3.6	2.0	2.7	2.7	3.4	0.8	1.4	*1.2*	0.9	*2.0*	1.9	:	2.5
Portugal	4.8	1.7	3.9	3.8	3.7	1.6	0.4	*0.5*	-0.8	*2.0*	1.0	:	2.0
Finland	3.9	-0.9	4.7	3.4	5.1	1.2	2.2	*2.2*	1.5	*2.9*	2.5	:	2.7
Sweden	2.9	1.3	3.3	4.6	4.4	1.1	1.9	*1.4*	1.4	*2.7*	2.2	:	2.6
United Kingdom	2.5	1.7	3.1	2.8	3.8	2.1	1.7	*2.2*	2.0	*2.6*	2.8	:	2.9
EU-15	3.4	1.5	2.7	2.9	3.6	1.7	1.1	*1.3*	0.8	*2.4*	2.0	:	2.4
Euro area	3.6	1.5	2.6	2.8	3.5	1.6	0.9	*1.0*	0.4	*2.3*	1.8	:	2.3
Cyprus	:	4.7	3.7	4.7	5.0	4.0	2.0	*2.0*	2.0	*3.8*	3.4	:	4.2
Czech Republic	:	-1.0	1.2	0.5	3.3	3.1	2.0	*2.8*	2.2	*3.9*	2.6	:	3.3
Estonia	:	:	4.9	-0.6	7.3	6.5	6.0	*4.9*	4.4	*5.1*	5.6	:	5.1
Hungary	:	-2.2	4.0	4.2	5.2	3.8	3.3	*3.7*	2.9	*4.1*	3.2	:	3.4
Latvia	:	-13.2	5.3	2.8	6.8	7.9	6.1	*5.5*	6.0	*6.0*	5.2	:	5.7
Lithuania	:	-9.8	4.2	-1.8	4.0	6.5	6.7	*4.5*	6.6	*5.0*	5.7	:	6.0
Malta	:	:	4.5	4.1	6.4	-1.2	1.2	*3.1*	0.8	*3.7*	2.7	:	2.9
Poland	:	2.2	5.1	4.1	4.0	1.0	1.4	*2.5*	3.3	*3.7*	4.2	:	4.8
Slovakia	:	:	3.8	1.3	2.2	3.3	4.4	*3.7*	3.8	*4.5*	4.1	:	4.3
Slovenia	:	-0.6	4.4	5.9	4.1	2.9	2.9	*3.4*	2.1	*3.7*	3.1	:	3.7
AC-10	:	:	4.1	3.1	4.1	2.4	2.3	*3.1*	3.1	*4.0*	3.8	:	4.2
EU-25	:	:	2.7	2.9	3.6	1.7	1.2	*1.3*	0.9	*2.4*	2.1	:	2.5
USA	3.5	2.4	4.1	4.1	3.8	0.3	2.5	*2.4*	2.8	*2.5*	3.8	:	3.3
Japan	6.2	1.5	1.4	0.1	2.8	0.4	0.1	*1.5*	2.6	*1.3*	1.7	:	1.5

TABLE 2 : Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2003-2005)

	2003/1	2003/2	2003/3	2003/4	2004/1	2004/2	2004/3	2004/4	2005/1	2005/2	2005/3	2005/4
Belgium	0.2	-0.1	0.0	0.3	0.6	0.5	0.7	0.7	0.5	0.6	0.5	0.4
Denmark	0.4	-0.6	0.9	1.4	0.4	0.2	0.1	0.2	0.7	1.0	0.9	0.7
Germany	-0.2	-0.1	0.2	0.3	0.3	0.3	0.4	0.5	0.5	0.6	0.6	0.6
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	0.5	0.7	0.6	0.6	0.7	0.8	0.9	0.9	0.8	0.8	0.7	0.7
France	0.1	-0.3	0.2	0.3	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Ireland	-0.5	0.5	0.8	0.8	0.9	1.0	1.2	1.2	1.2	1.2	1.2	1.2
Italy	-0.1	-0.1	0.3	0.2	0.4	0.4	0.6	0.5	0.5	0.5	0.5	0.5
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.3	-0.6	-0.1	0.1	0.3	0.3	0.4	0.5	0.5	0.5	0.5	0.5
Austria	0.0	0.3	0.3	0.4	0.4	0.6	0.7	0.7	0.6	0.8	0.8	0.8
Portugal	0.1	0.1	0.2	0.3	0.1	0.2	0.4	0.4	0.5	0.6	0.7	0.8
Finland	-0.8	0.6	1.3	0.5	0.2	0.6	0.7	0.8	0.4	0.6	0.9	0.9
Sweden	0.4	0.3	0.3	0.4	0.6	0.7	0.7	0.7	0.6	0.6	0.7	0.7
United Kingdom	0.2	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7
EU-15	0.0	0.0	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Euro area	0.0	-0.1	0.3	0.3	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Poland	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
AC-10	:	:	:	:	:	:	:	:	:	:	:	:
EU-25	:	:	:	:	:	:	:	:	:	:	:	:
USA	0.3	0.8	1.5	1.0	0.9	0.9	0.7	0.7	0.8	0.9	0.9	0.9
Japan	0.6	1.0	0.0	0.4	0.5	0.4	0.5	0.4	0.3	0.4	0.4	0.4

TABLE 3 : Profiles (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2003-2005) 20.10.2003

	2003/1	2003/2	2003/3	2003/4	2004/1	2004/2	2004/3	2004/4	2005/1	2005/2	2005/3	2005/4
Belgium	1.6	0.8	0.3	0.4	0.9	1.6	2.2	2.5	2.4	2.5	2.3	2.1
Denmark	1.4	-1.0	0.7	2.1	2.1	2.9	2.1	0.9	1.1	1.9	2.7	3.2
Germany	0.1	-0.2	-0.2	0.2	0.8	1.2	1.4	1.6	1.8	2.1	2.3	2.4
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	2.2	2.3	2.2	2.4	2.6	2.7	2.9	3.2	3.4	3.4	3.3	3.0
France	0.7	-0.3	-0.3	0.2	0.7	1.6	2.1	2.3	2.3	2.3	2.3	2.4
Ireland	:	:	:	1.6	3.0	3.5	3.9	4.2	4.6	4.9	4.9	5.0
Italy	0.7	0.3	0.5	0.3	0.8	1.3	1.6	1.9	2.0	2.1	2.0	2.0
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.2	-1.2	-1.3	-0.9	-0.4	0.5	1.0	1.4	1.6	1.8	2.0	2.0
Austria	0.8	0.7	0.9	1.0	1.5	1.8	2.1	2.4	2.6	2.7	2.8	2.8
Portugal	-1.2	-2.3	-0.1	0.7	0.7	0.8	1.1	1.1	1.5	1.9	2.3	2.7
Finland	1.9	0.8	1.7	1.6	2.6	2.7	2.1	2.4	2.6	2.6	2.8	2.9
Sweden	1.7	1.3	1.3	1.4	1.7	2.1	2.5	2.7	2.7	2.6	2.6	2.6
United Kingdom	1.8	2.0	2.0	2.3	2.8	2.9	2.8	2.7	2.8	2.9	3.0	3.0
EU-15	0.9	0.5	0.6	0.9	1.3	1.8	2.0	2.2	2.3	2.4	2.5	2.6
Euro area	0.7	0.2	0.3	0.5	0.9	1.5	1.8	2.1	2.2	2.3	2.4	2.4
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Poland	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
AC-10	:	:	:	:	:	:	:	:	:	:	:	:
EU-25	:	:	:	:	:	:	:	:	:	:	:	:
USA	2.0	2.5	2.8	3.4	4.3	4.3	3.5	3.3	3.2	3.2	3.4	3.5
Japan	2.9	3.0	2.1	2.0	1.9	1.3	1.8	1.8	1.6	1.6	1.5	1.5

TABLE 4 : Gross domestic product per capita (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.1	1.2	2.5	3.0	3.6	0.3	0.2	*0.8*	0.5	*1.9*	1.6	*:*	2.1
Denmark	2.3	1.6	2.3	2.3	2.6	1.1	1.7	*1.2*	0.6	*1.9*	1.8	*:*	2.0
Germany	2.7	1.4	1.7	2.0	2.7	0.7	0.0	*0.4*	0.0	*2.0*	1.6	*:*	1.7
Greece	3.9	0.3	2.9	3.0	4.1	3.9	3.6	*3.4*	3.8	*3.6*	4.0	*:*	3.2
Spain	3.7	1.3	3.5	3.8	3.4	2.0	1.3	*1.3*	1.6	*2.4*	2.3	*:*	2.7
France	3.0	0.6	2.3	2.8	3.3	1.6	0.7	*0.7*	-0.3	*2.0*	1.4	*:*	2.0
Ireland	3.4	4.1	8.7	10.1	8.8	4.7	5.4	*2.1*	0.3	*3.4*	2.6	*:*	3.9
Italy	3.4	1.1	1.8	1.6	2.9	1.5	0.2	*0.8*	0.2	*1.9*	1.3	*:*	1.7
Luxembourg	3.0	2.5	5.6	6.3	7.7	0.5	0.2	*0.4*	0.2	*1.9*	1.0	*:*	1.9
Netherlands	2.5	1.4	3.1	3.3	2.7	0.5	-0.4	*-0.1*	-1.5	*1.2*	0.1	*:*	1.6
Austria	3.2	1.3	2.6	2.5	3.2	0.5	1.1	*0.8*	0.8	*1.6*	1.5	*:*	2.1
Portugal	4.4	1.5	3.5	3.3	3.1	1.0	-0.3	*0.1*	-1.5	*1.6*	0.4	*:*	1.4
Finland	3.5	-1.4	4.4	3.1	4.9	1.0	1.9	*2.0*	1.3	*2.7*	2.3	*:*	2.6
Sweden	2.5	0.6	3.2	4.5	4.2	0.8	1.6	*1.0*	1.0	*2.3*	1.8	*:*	2.1
United Kingdom	2.2	1.3	2.7	2.3	3.3	1.8	2.1	*1.9*	1.7	*2.3*	2.5	*:*	2.6
EU-15	2.9	1.1	2.4	2.6	3.2	1.2	0.8	*1.0*	0.5	*2.1*	1.7	*:*	2.1
Euro area	3.0	1.1	2.3	2.5	3.1	1.2	0.5	*0.7*	0.1	*2.0*	1.5	*:*	2.0
Cyprus	:	2.8	2.5	3.6	3.9	2.8	0.4	*:*	1.4	*:*	2.8	*:*	3.6
Czech Republic	:	-0.9	1.3	0.6	3.4	3.2	2.1	*:*	2.1	*:*	2.6	*:*	3.3
Estonia	:	:	5.9	0.4	7.9	6.8	6.5	*:*	4.8	*:*	6.0	*:*	5.4
Hungary	:	-2.1	4.3	4.5	5.5	4.1	3.5	*:*	3.3	*:*	3.7	*:*	3.7
Latvia	:	-12.0	6.3	3.7	7.6	8.8	6.8	*:*	6.3	*:*	5.4	*:*	5.9
Lithuania	:	-9.5	4.9	-1.1	4.7	7.1	7.1	*:*	6.8	*:*	6.0	*:*	6.4
Malta	:	:	3.9	3.5	5.7	-2.0	0.5	*:*	0.3	*:*	2.2	*:*	2.4
Poland	:	1.9	5.1	4.1	4.0	1.0	1.4	*:*	3.3	*:*	4.2	*:*	4.8
Slovakia	:	:	3.6	1.2	2.1	3.7	4.4	*:*	3.8	*:*	4.1	*:*	4.3
Slovenia	:	-0.5	4.4	5.8	3.8	2.7	2.8	*:*	2.1	*:*	3.1	*:*	3.7
AC-10	:	:	4.2	3.4	4.2	2.5	2.5	*:*	3.2	*:*	3.8	*:*	4.3
EU-25	:	:	2.5	2.6	3.3	1.4	0.9	*:*	0.6	*:*	1.8	*:*	2.2
USA	2.4	1.1	2.8	3.0	2.5	-0.9	1.5	*1.5*	1.9	*1.5*	2.9	*:*	2.4
Japan	5.2	1.2	1.2	-0.1	2.6	0.2	0.0	*1.4*	2.4	*1.2*	1.6	*:*	1.4

ANNEX

TABLE 5 : Domestic demand, volume (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.3	1.2	2.5	2.5	3.6	0.4	0.8	*1.4*	0.9	*2.0*	1.9	:	2.4
Denmark	2.5	2.3	2.6	0.1	1.9	0.9	1.2	*1.7*	0.5	*2.4*	2.3	:	2.4
Germany	3.1	1.9	1.6	2.8	1.8	-0.8	-1.6	*0.4*	0.6	*2.0*	1.3	:	1.6
Greece	4.7	1.3	3.8	3.8	3.7	2.9	3.8	*3.3*	4.0	*3.6*	4.2	:	3.0
Spain	4.9	1.0	4.2	5.6	4.5	3.0	2.6	*2.3*	3.1	*3.4*	3.5	:	3.8
France	3.8	0.7	2.6	3.6	4.1	2.0	1.0	*1.3*	1.0	*2.5*	1.6	:	2.2
Ireland	3.6	2.5	9.0	7.5	9.1	3.9	2.8	*1.8*	1.6	*3.1*	2.6	:	3.3
Italy	3.8	0.3	2.4	3.2	2.3	1.8	1.1	*1.5*	1.5	*2.1*	1.7	:	2.0
Luxembourg	3.5	2.3	6.1	6.6	5.1	4.2	-0.4	*2.4*	1.5	*3.3*	2.0	:	2.7
Netherlands	3.3	1.5	3.7	4.3	2.5	1.7	0.0	*0.4*	-1.0	*1.6*	0.2	:	1.4
Austria	3.4	2.5	2.4	2.9	2.6	-0.2	0.0	*1.2*	0.9	*2.0*	1.7	:	2.3
Portugal	4.9	2.5	4.8	5.9	3.1	1.3	-0.5	*-0.2*	-2.9	*1.5*	0.7	:	1.7
Finland	4.1	-2.8	3.5	2.0	2.5	1.9	0.3	*2.3*	1.3	*2.3*	2.2	:	2.3
Sweden	2.7	-0.2	2.7	3.3	3.8	0.1	0.7	*1.1*	1.2	*2.1*	1.8	:	2.3
United Kingdom	2.6	1.2	3.9	3.8	3.8	2.7	2.9	*2.8*	2.4	*2.5*	2.8	:	2.8
EU-15	3.4	1.1	2.8	3.5	3.1	1.4	0.8	*1.5*	1.3	*2.3*	1.9	:	2.3
Euro area	3.6	1.1	2.6	3.5	2.9	1.1	0.3	*1.2*	1.1	*2.3*	1.8	:	2.2
Cyprus	:	:	4.0	0.2	5.2	4.2	5.5	:	1.8	:	2.2	:	3.7
Czech Republic	:	-0.2	1.7	0.3	4.0	5.1	3.4	:	2.4	:	2.6	:	3.5
Estonia	:	:	5.5	-5.9	8.5	8.2	10.3	:	8.0	:	5.3	:	4.0
Hungary	:	-1.6	4.5	5.0	4.5	1.7	5.1	:	6.1	:	4.7	:	4.6
Latvia	:	-16.8	6.3	2.6	3.3	11.1	5.0	:	7.2	:	5.7	:	5.7
Lithuania	:	:	5.8	-1.5	1.9	6.7	7.4	:	5.9	:	6.3	:	5.8
Malta	:	:	3.6	5.8	10.8	-5.4	-1.0	:	3.2	:	2.8	:	2.9
Poland	:	3.7	6.6	4.9	2.8	-2.2	0.7	:	2.6	:	4.3	:	5.1
Slovakia	:	:	4.0	-6.2	-0.9	7.5	4.7	:	1.3	:	3.2	:	3.5
Slovenia	:	2.7	4.9	9.5	1.5	0.9	2.1	:	2.8	:	3.4	:	4.0
AC-10	:	:	5.0	3.1	3.2	1.0	2.6	:	3.3	:	3.9	:	4.5
EU-25	:	:	2.8	3.5	3.1	1.3	0.9	:	1.4	:	2.0	:	2.4
USA	3.4	2.4	4.7	5.1	4.4	0.2	3.0	*2.9*	3.0	*2.9*	4.1	:	3.5
Japan	6.1	1.5	1.2	0.2	2.4	1.1	-0.6	*1.1*	2.2	*1.1*	1.4	:	1.1

TABLE 6 : Final demand, volume (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	4.2	2.4	3.9	3.7	5.9	0.8	0.9	*1.8*	-0.1	*3.3*	2.0	:	3.2
Denmark	3.1	2.4	4.0	3.4	5.2	1.6	2.7	*1.8*	1.0	*3.2*	2.9	:	3.1
Germany	3.6	2.4	3.1	3.4	4.6	0.8	-0.3	*1.3*	0.7	*3.2*	2.7	:	3.3
Greece	5.0	1.6	5.1	6.1	5.6	2.2	1.7	*3.2*	3.7	*4.2*	4.4	:	3.4
Spain	5.2	2.4	5.4	6.1	5.7	3.1	2.0	*2.5*	3.3	*3.6*	4.0	:	4.6
France	4.2	1.5	3.7	3.9	5.9	1.9	1.1	*1.6*	0.4	*3.1*	2.3	:	3.3
Ireland	4.9	6.8	13.1	11.9	15.0	6.4	4.7	*3.6*	-1.3	*5.6*	4.5	:	5.9
Italy	4.3	1.6	2.9	2.5	4.4	1.6	0.6	*1.8*	0.7	*3.0*	2.4	:	2.9
Luxembourg	4.2	4.1	10.2	11.3	12.1	3.3	-0.4	*2.0*	1.1	*3.2*	3.1	:	4.8
Netherlands	4.0	3.1	5.2	4.6	6.1	1.7	0.1	*1.2*	-0.7	*3.1*	1.9	:	3.2
Austria	4.2	2.5	4.5	4.7	6.0	2.5	1.1	*2.3*	1.0	*3.9*	3.2	:	4.3
Portugal	5.5	2.6	5.2	5.1	4.2	1.4	0.2	*0.4*	-1.4	*2.5*	1.9	:	3.1
Finland	4.1	-0.5	5.7	3.0	8.2	0.9	2.5	*2.8*	1.4	*3.6*	2.8	:	3.4
Sweden	3.1	1.7	4.7	4.8	6.6	-0.2	0.6	*1.6*	2.2	*3.5*	3.1	:	3.8
United Kingdom	2.9	2.0	4.5	3.9	5.0	2.7	2.1	*2.6*	1.8	*3.2*	3.3	:	3.6
EU-15	3.8	2.0	4.0	4.0	5.4	1.8	1.0	*1.9*	1.0	*3.3*	2.8	:	3.5
Euro area	4.1	2.1	3.9	4.0	5.4	1.7	0.7	*1.7*	0.7	*3.3*	2.7	:	3.5
Cyprus	:	:	4.3	2.4	7.6	3.7	1.4	:	1.3	:	3.0	:	4.4
Czech Republic	:	1.9	4.8	2.6	9.3	8.0	3.1	:	3.5	:	3.5	:	4.3
Estonia	:	:	9.0	-2.5	18.5	3.1	8.6	:	6.7	:	7.3	:	7.6
Hungary	:	0.9	9.2	7.9	11.2	4.9	4.5	:	5.2	:	5.2	:	5.8
Latvia	:	-15.1	6.9	-0.5	6.5	9.2	5.6	:	7.9	:	6.6	:	6.8
Lithuania	:	:	5.8	-6.1	3.6	11.3	11.2	:	7.1	:	6.8	:	6.4
Malta	:	:	3.7	6.9	8.4	-5.2	-0.4	:	2.9	:	3.1	:	3.4
Poland	:	4.0	7.7	3.2	7.0	0.7	1.7	:	3.5	:	5.4	:	6.3
Slovakia	:	:	6.2	-2.0	5.0	7.1	5.2	:	7.9	:	6.8	:	5.9
Slovenia	:	-1.1	5.7	6.7	5.4	2.8	3.8	:	3.1	:	4.2	:	4.7
AC-10	:	:	6.9	3.2	8.0	3.7	3.2	:	4.3	:	5.0	:	5.7
EU-25	:	:	4.1	3.9	5.5	1.9	1.1	:	1.1	:	2.9	:	3.6
USA	3.6	2.8	4.9	4.9	4.9	-0.4	2.5	*2.9*	2.8	*3.2*	4.2	:	3.8
Japan	6.3	1.6	1.6	0.3	3.3	0.4	0.3	*1.8*	2.7	*1.7*	2.1	:	2.0

TABLE 7 : Private consumption expenditure, volume (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.3	1.7	2.3	2.1	3.2	0.7	0.8	*0.9*	1.6	*1.4*	1.6	:	2.2
Denmark	2.1	2.3	1.3	0.7	-1.9	0.4	1.9	*1.8*	1.0	*2.3*	2.9	:	2.6
Germany	3.6	1.9	1.8	3.7	2.0	1.4	-1.0	*0.2*	0.7	*1.5*	1.1	:	1.4
Greece	4.8	1.9	2.6	2.5	2.0	2.9	2.8	*2.3*	2.7	*3.0*	3.0	:	3.0
Spain	4.5	1.2	3.7	4.7	4.0	2.8	2.6	*2.1*	3.1	*3.1*	3.2	:	3.4
France	3.7	0.7	2.1	3.2	2.6	2.7	1.2	*1.7*	1.3	*1.9*	1.5	:	2.0
Ireland	3.1	3.1	7.7	9.5	8.3	5.3	2.0	*2.8*	2.0	*3.8*	2.8	:	3.8
Italy	4.4	0.9	2.6	2.6	2.7	1.0	0.4	*1.8*	2.0	*2.2*	1.9	:	2.0
Luxembourg	3.8	2.5	4.4	2.6	4.6	4.5	2.3	*1.6*	1.9	*2.7*	1.8	:	2.0
Netherlands	3.6	1.6	4.0	4.7	3.5	1.4	0.8	*0.8*	-1.1	*1.5*	-0.1	:	1.4
Austria	3.6	2.3	2.7	2.4	3.3	1.4	0.8	*1.2*	1.1	*1.9*	1.8	:	2.2
Portugal	4.0	2.3	3.8	5.1	2.6	1.2	0.6	*0.3*	-0.9	*1.2*	0.8	:	0.9
Finland	3.9	-1.1	3.6	3.5	3.1	2.0	1.5	*2.4*	3.2	*2.3*	2.5	:	2.6
Sweden	2.3	-0.1	3.2	3.8	4.9	0.2	1.3	*1.8*	1.8	*2.3*	2.3	:	2.3
United Kingdom	2.8	1.3	4.0	4.4	4.6	3.1	3.6	*2.3*	2.3	*2.2*	2.2	:	2.3
EU-15	3.5	1.3	2.7	3.6	3.0	2.0	1.2	*1.5*	1.5	*2.0*	1.8	:	2.1
Euro area	3.8	1.3	2.5	3.5	2.7	1.8	0.5	*1.2*	1.3	*2.0*	1.6	:	2.0
Cyprus	:	:	5.3	0.8	10.1	4.8	2.5	*:*	2.8	*:*	3.3	:	3.6
Czech Republic	:	:	2.5	1.7	2.5	3.6	4.0	*:*	4.8	*:*	3.3	:	4.2
Estonia	:	:	5.0	-2.7	6.7	5.2	9.4	*:*	6.5	*:*	5.0	:	3.5
Hungary	:	-1.5	2.8	5.6	5.5	5.7	10.2	*:*	9.8	*:*	4.0	:	4.6
Latvia	:	-17.0	5.6	3.8	6.1	8.9	6.7	*:*	6.0	*:*	5.0	:	5.0
Lithuania	:	:	5.3	3.3	6.6	3.9	5.0	*:*	5.1	*:*	4.7	:	4.6
Malta	:	:	4.9	6.1	7.4	2.0	2.5	*:*	1.6	*:*	1.0	:	1.2
Poland	:	4.4	5.7	5.4	2.7	2.1	3.3	*:*	3.0	*:*	3.3	:	3.7
Slovakia	:	:	4.4	3.3	-1.8	3.9	5.3	*:*	1.6	*:*	2.6	:	3.2
Slovenia	:	2.1	2.8	5.9	0.3	2.4	1.1	*:*	2.3	*:*	3.0	:	3.0
AC-10	:	:	4.5	4.4	3.1	3.2	4.4	*:*	4.5	*:*	3.5	:	3.9
EU-25	:	:	2.8	3.7	3.0	2.1	1.3	*:*	1.7	*:*	1.8	:	2.2
USA	3.7	2.6	4.2	4.9	4.3	2.5	3.1	*1.9*	3.0	*3.2*	3.5	:	2.5
Japan	5.7	2.3	0.9	0.2	1.0	1.7	1.4	*0.6*	1.2	*1.2*	1.3	:	1.2

TABLE 8 : Government consumption expenditure, volume (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.5	1.5	2.0	3.6	2.7	2.7	2.0	*2.0*	1.7	*1.8*	2.0	:	1.8
Denmark	3.6	2.1	2.1	2.0	1.1	2.1	2.1	*0.9*	0.8	*0.9*	0.7	:	0.6
Germany	3.2	2.2	1.2	0.8	1.0	1.0	1.7	*0.5*	1.1	*0.8*	0.5	:	0.5
Greece	4.6	0.5	2.0	2.1	2.2	-1.0	5.1	*1.4*	3.7	*1.0*	4.3	:	2.0
Spain	4.9	3.0	3.4	4.2	5.1	3.6	4.4	*3.5*	4.0	*3.2*	4.3	:	4.0
France	3.4	2.3	1.7	1.5	2.8	2.9	4.1	*2.4*	2.4	*2.4*	1.5	:	1.9
Ireland	3.6	2.7	6.3	8.0	8.4	11.5	10.7	*1.7*	3.8	*1.5*	2.0	:	2.0
Italy	3.4	-0.2	0.9	1.3	1.6	3.6	1.7	*1.8*	1.5	*0.8*	1.0	:	1.2
Luxembourg	3.6	3.6	4.4	7.3	4.8	7.0	4.2	*6.4*	3.6	*4.5*	3.6	:	3.8
Netherlands	3.1	2.1	2.2	2.5	2.0	4.2	3.8	*0.0*	0.7	*1.4*	-0.1	:	0.4
Austria	2.7	3.0	1.1	3.0	-0.1	-1.4	0.1	*0.5*	-0.1	*0.5*	0.3	:	0.3
Portugal	7.6	2.7	3.9	5.6	4.0	3.4	2.9	*1.5*	-0.9	*0.8*	-0.2	:	0.1
Finland	4.4	-0.4	1.8	1.4	0.0	2.2	4.0	*1.1*	1.8	*1.2*	1.6	:	1.5
Sweden	3.5	1.8	0.7	1.7	-1.1	0.9	2.1	*0.7*	0.8	*0.5*	0.6	:	0.7
United Kingdom	1.8	1.1	1.4	3.2	1.9	1.7	2.4	*4.0*	3.6	*1.0*	2.1	:	2.0
EU-15	3.2	1.7	1.6	2.0	1.9	2.3	2.7	*1.9*	2.0	*1.4*	1.4	:	1.5
Euro area	3.5	1.8	1.6	1.8	2.1	2.5	2.9	*1.6*	1.7	*1.5*	1.3	:	1.4
Cyprus	:	:	3.0	-7.7	0.2	11.5	3.1	*:*	3.3	*:*	-7.0	:	2.0
Czech Republic	:	-4.1	-0.8	2.3	-1.0	5.3	5.7	*:*	3.0	*:*	-0.8	:	0.5
Estonia	:	:	2.1	3.8	1.5	0.9	5.0	*:*	5.7	*:*	3.9	:	5.8
Hungary	:	-1.8	1.2	1.5	1.9	4.3	2.3	*:*	3.3	*:*	1.2	:	1.5
Latvia	:	0.9	1.2	0.0	-1.9	0.3	1.5	*:*	1.9	*:*	2.2	:	2.0
Lithuania	:	:	2.0	-8.1	3.9	0.3	4.3	*:*	4.4	*:*	7.2	:	6.0
Malta	:	:	1.5	-0.6	5.4	3.0	2.5	*:*	5.1	*:*	0.1	:	0.2
Poland	:	4.7	1.7	1.0	1.1	0.6	0.9	*:*	1.8	*:*	2.0	:	2.0
Slovakia	:	:	3.2	-7.7	1.3	5.1	4.0	*:*	-1.1	*:*	1.3	:	1.4
Slovenia	:	1.5	3.3	2.9	2.3	4.0	2.5	*:*	2.4	*:*	2.8	:	2.7
AC-10	:	:	1.4	0.1	1.1	2.7	2.4	*:*	2.3	*:*	1.3	:	1.9
EU-25	:	:	1.6	1.9	1.9	2.3	2.7	*:*	2.0	*:*	1.4	:	1.5
USA	2.5	-0.1	1.9	3.1	2.8	4.0	5.0	*7.2*	3.7	*-1.4*	1.7	:	2.6
Japan	4.4	3.2	3.0	4.4	4.7	2.6	2.3	*1.5*	1.1	*1.8*	1.3	:	1.3

TABLE 9 : Total investment, volume (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	3.4	-0.4	4.0	4.4	4.4	0.3	-2.5	-0.5	-0.3	2.8	2.0	:	3.6
Denmark	2.7	1.8	6.9	1.4	8.6	2.1	0.3	1.6	-2.0	3.7	2.9	:	4.6
Germany	2.3	1.6	1.9	4.1	2.7	-4.2	-6.7	0.0	-1.7	3.1	2.8	:	2.1
Greece	3.5	-0.2	9.0	11.0	8.0	6.5	5.7	7.9	8.7	6.7	7.1	:	3.5
Spain	6.0	-0.5	6.3	8.8	5.7	3.3	1.0	2.1	2.8	4.1	3.9	:	4.5
France	4.5	-1.2	4.5	8.3	7.8	1.9	-1.6	-1.2	-1.3	3.0	1.4	:	3.3
Ireland	5.2	2.6	14.3	14.0	7.1	0.2	1.5	-0.2	-1.1	2.7	2.5	:	3.0
Italy	2.9	-1.2	4.4	5.0	7.1	2.6	0.5	1.7	-2.1	3.1	2.0	:	2.9
Luxembourg	3.3	3.2	7.7	14.6	-3.5	10.1	-1.4	0.8	-1.7	3.6	1.0	:	3.2
Netherlands	3.0	0.8	5.2	7.8	1.4	-0.1	-4.5	-0.9	-3.2	2.0	0.5	:	2.3
Austria	3.9	2.4	3.3	2.1	6.2	-2.3	-2.8	1.6	1.9	3.1	2.5	:	3.8
Portugal	4.6	2.2	8.3	6.4	4.4	0.1	-5.1	-3.0	-9.2	2.9	1.0	:	5.2
Finland	3.3	-9.1	7.0	2.5	4.1	4.3	-4.0	-1.4	-2.7	1.6	0.5	:	2.3
Sweden	3.1	-3.2	5.3	8.2	6.6	0.8	-2.5	-0.4	-1.1	4.1	2.2	:	4.9
United Kingdom	3.3	-0.3	6.0	1.6	3.6	3.6	1.8	3.4	3.1	4.2	4.8	:	4.8
EU-15	3.4	-0.3	4.3	5.3	4.9	0.6	-1.9	0.8	-0.4	3.4	2.7	:	3.4
Euro area	3.4	-0.1	4.0	6.0	5.0	0.0	-2.6	0.3	-1.0	3.2	2.4	:	3.0
Cyprus	:	:	2.6	-1.4	4.1	2.5	10.1	:	-4.5	:	7.4	:	7.7
Czech Republic	:	2.1	2.0	-1.0	5.3	5.5	0.6	:	-0.5	:	2.7	:	3.2
Estonia	:	:	7.1	-14.8	13.3	12.2	16.1	:	12.0	:	5.0	:	4.0
Hungary	:	-0.9	8.5	5.9	7.7	3.5	5.8	:	3.0	:	6.8	:	7.3
Latvia	:	-25.0	19.6	-4.0	20.0	17.0	10.4	:	9.5	:	9.5	:	9.5
Lithuania	:	:	8.3	-6.1	-9.0	13.5	12.4	:	8.1	:	8.5	:	8.7
Malta	:	:	0.6	4.0	17.4	-11.2	-4.0	:	5.3	:	2.4	:	3.9
Poland	:	5.1	12.8	6.5	3.0	-9.8	-5.8	:	2.3	:	9.0	:	11.5
Slovakia	:	:	6.5	-18.5	1.2	9.6	-0.6	:	1.9	:	5.0	:	5.4
Slovenia	:	2.6	11.9	22.6	2.6	-0.4	1.3	:	5.2	:	5.5	:	7.0
AC-10	:	:	8.7	2.5	4.2	-1.7	-0.6	:	2.4	:	6.6	:	7.8
EU-25	:	:	4.5	5.2	4.9	0.5	-1.8	:	-0.2	:	2.9	:	3.6
USA	3.6	4.1	8.4	7.9	5.6	-2.9	-2.2	2.0	2.8	4.6	5.8	:	6.2
Japan	8.0	-0.8	1.0	-0.9	2.7	-0.9	-4.8	0.8	3.8	-0.2	1.6	:	0.4

TABLE 10 : Investment in construction, volume (percentage change on preceding year, 1971-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1971-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	:	:	2.3	-0.2	4.1	-0.6	-2.2	-0.1	0.5	2.7	2.1	:	3.2
Denmark	-1.0	-1.8	4.0	-5.7	7.3	-5.8	3.2	0.1	0.7	3.2	3.2	:	3.1
Germany	0.7	4.0	-1.3	1.4	-2.6	-4.8	-5.8	-2.3	-3.9	0.2	0.7	:	-1.2
Greece	0.2	-2.8	5.4	5.4	3.6	7.0	3.7	8.7	8.7	7.5	7.8	:	4.0
Spain	3.1	0.1	4.6	9.0	6.1	5.8	4.2	3.1	3.4	3.0	3.1	:	3.0
France	1.1	-2.1	1.6	6.1	7.1	1.4	-1.0	-1.5	-1.6	2.6	1.5	:	3.1
Ireland	2.3	3.7	13.1	12.4	6.6	4.8	5.0	-1.4	1.7	1.4	0.8	:	1.7
Italy	0.4	-2.4	1.9	2.6	5.9	3.2	0.3	1.5	3.0	0.9	0.4	:	1.7
Luxembourg	2.3	4.4	5.9	3.9	7.9	12.4	-0.1	2.7	0.4	3.6	1.6	:	1.9
Netherlands	-0.1	0.8	3.9	6.2	4.9	2.1	-3.7	1.7	0.4	1.5	1.7	:	2.0
Austria	2.4	3.6	0.7	0.3	1.9	-2.5	-0.7	0.8	1.3	1.4	1.6	:	1.9
Portugal	:	3.5	6.6	3.7	4.5	2.7	-3.4	-2.4	-10.0	2.0	0.7	:	3.5
Finland	2.2	-9.9	8.7	5.0	6.2	-0.7	-2.6	-1.6	-0.5	0.3	1.3	:	2.4
Sweden	0.3	-6.7	-0.3	0.0	4.2	4.9	1.0	0.6	0.2	3.8	2.0	:	5.1
United Kingdom	1.9	-1.8	2.9	2.7	4.3	-6.7	6.9	6.3	6.3	3.7	5.0	:	3.5
EU-15	1.3	0.1	1.5	3.3	3.0	-0.9	-0.5	0.9	0.7	2.1	2.1	:	2.0
Euro area	1.2	0.7	1.4	3.7	2.7	0.1	-1.7	-0.1	-0.4	1.7	1.5	:	1.6
Cyprus	:	:	-1.4	-0.2	-3.5	1.5	5.7	:	:	:	:	:	:
Czech Republic	:	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	:	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	6.0	:	6.6	:	6.7
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:	:
Poland	:	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	-4.2	10.7	17.8	1.0	-6.5	-1.3	:	:	:	:	:	:
AC-10	:	:	:	:	:	:	:	:	:	:	:	:	:
EU-25	:	:	:	:	:	:	:	:	:	:	:	:	:
USA	1.7	0.7	4.8	3.9	2.7	-0.1	-2.7	-2.0	0.8	1.6	2.9	:	3.8
Japan	3.8	-1.6	-1.1	-1.3	-1.2	-3.5	:	:	:	:	:	:	:

TABLE 11 : Investment in equipment, volume (percentage change on preceding year, 1971-2005) 20.10.2003

	long-term							2003		2004		2005	
	average	5-year average						estimate of		forecast of		forecast of	
	1971-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	:	:	5.8	8.4	5.0	0.6	-2.7	*-0.7*	-0.5	*2.8*	2.0	:	4.0
Denmark	2.9	1.4	8.4	5.5	10.8	5.6	0.7	*2.4*	-5.6	*3.8*	2.0	:	5.5
Germany	2.2	-2.6	6.3	7.2	10.1	-4.9	-9.1	*2.2*	0.8	*5.8*	4.8	:	4.7
Greece	3.5	4.6	15.9	21.4	14.1	4.9	6.9	*6.7*	7.7	*6.0*	6.6	:	3.0
Spain	4.3	-2.5	9.1	7.8	4.7	-1.2	-5.4	*0.7*	1.6	*5.8*	4.7	:	7.1
France	5.3	-0.1	7.9	11.9	10.4	2.5	-3.2	*-0.5*	-1.0	*4.7*	1.7	:	4.0
Ireland	4.5	2.1	15.7	17.3	7.5	-6.4	-2.4	*1.5*	-5.0	*4.5*	5.0	:	5.0
Italy	3.9	-0.1	6.6	7.1	8.7	2.3	0.2	*1.6*	-6.4	*4.4*	2.8	:	3.9
Luxembourg	4.2	2.1	9.4	30.0	-12.9	8.8	-1.2	*-1.3*	-4.4	*3.6*	0.3	:	5.2
Netherlands	3.0	1.3	5.4	10.1	-3.5	-3.2	-4.2	*-5.4*	-8.7	*3.0*	-1.5	:	2.6
Austria	3.5	0.3	6.2	4.6	11.6	-3.2	-6.7	*2.7*	2.7	*5.7*	3.9	:	6.3
Portugal	:	0.0	11.2	9.2	4.9	-3.8	-8.1	*-3.6*	-8.3	*3.8*	1.4	:	7.1
Finland	3.7	-9.8	4.4	-3.2	-1.0	13.3	-12.4	*-2.2*	-7.5	*2.7*	-1.5	:	2.0
Sweden	4.7	-0.7	8.3	11.8	6.8	-1.1	-4.0	*-1.0*	-2.1	*4.6*	2.5	:	4.7
United Kingdom	2.9	1.1	9.3	7.9	1.8	0.8	-6.7	*0.7*	-0.8	*4.7*	4.8	:	6.4
EU-15 [1]	3.7	-0.4	7.5	8.5	7.0	-0.4	-4.9	*0.7*	-1.8	*4.8*	3.3	:	4.8
Euro area [1]	3.8	-0.9	7.1	8.5	8.1	-0.8	-4.6	*0.7*	-1.9	*4.9*	3.1	:	4.5
Cyprus	:	:	10.6	-3.4	16.2	3.9	16.4	:	:	:	:	:	:
Czech Republic	:	3.6	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	:	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	2.1	:	3.0	:	3.1
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:	:
Poland	:	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	8.0	12.3	25.7	3.0	5.3	3.9	:	:	:	:	:	:
AC-10	:	:	:	:	:	:	:	:	:	:	:	:	:
EU-25	:	:	:	:	:	:	:	:	:	:	:	:	:
USA	5.3	7.7	11.7	11.6	8.1	-5.4	-1.6	*4.8*	4.1	*6.5*	7.7	:	7.7
Japan	6.1	-0.7	3.4	-0.6	7.4	1.0	:	:	:	:	:	:	:

[1] Excluding Belgium, excluding Portugal up to 1985.

TABLE 12 : Public investment (as a percentage of GDP, 1971-2005)

	long-term							2003		2004		2005	
	average	5-year average						estimate of		forecast of		forecast of	
	1971-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.6	1.5	1.7	1.8	1.8	1.6	1.6	*1.4*	1.5	*1.5*	1.5	:	1.6
Denmark	3.0	1.8	1.8	1.7	1.7	1.9	1.8	*1.7*	1.6	*1.7*	1.6	:	1.6
Germany	3.1	2.6	1.9	1.9	1.8	1.7	1.6	*1.6*	1.6	*1.6*	1.5	:	1.4
Greece	2.8	3.2	3.5	3.5	4.1	4.0	3.8	*4.0*	3.9	*3.9*	3.8	:	3.7
Spain	2.9	4.1	3.2	3.4	3.1	3.3	3.4	*3.4*	3.5	*3.4*	3.6	:	3.8
France	3.4	3.3	3.1	3.0	3.2	3.1	3.1	*3.1*	3.1	*3.0*	3.1	:	3.1
Ireland	3.9	2.2	2.9	3.2	3.7	4.5	4.4	*3.9*	4.0	*3.8*	4.0	:	4.0
Italy	3.2	2.7	2.3	2.4	2.4	2.5	1.8	*2.1*	2.6	*2.6*	2.4	:	2.7
Luxembourg	:	4.7	4.4	4.4	3.8	4.2	4.7	*5.2*	5.2	*5.5*	4.8	:	4.9
Netherlands	2.9	2.2	3.0	3.0	3.1	3.2	3.3	*3.6*	3.4	*3.5*	3.4	:	3.4
Austria	4.3	3.2	2.0	1.7	1.5	1.2	1.3	*1.1*	1.2	*1.1*	1.2	:	1.1
Portugal	3.1	3.6	4.1	4.1	3.8	4.1	3.4	*3.6*	3.4	*3.6*	2.6	:	3.2
Finland	3.8	3.1	2.9	2.8	2.6	2.8	2.9	*2.7*	2.7	*2.7*	2.6	:	2.5
Sweden	3.9	2.5	3.2	3.2	2.9	3.0	3.2	*3.3*	3.3	*3.3*	3.2	:	3.1
United Kingdom	3.0	1.9	1.2	1.1	1.1	1.2	1.3	*1.7*	1.5	*1.9*	1.9	:	2.2
EU-15	3.2	2.7	2.3	2.3	2.3	2.3	2.2	*2.3*	2.4	*2.4*	2.4	:	2.5
Euro area	3.3	2.9	2.5	2.5	2.5	2.5	2.4	*2.5*	2.5	*2.5*	2.5	:	2.5
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	:	:	5.1	4.1	5.0	4.7	4.6	:	4.9	:	3.2	:	2.4
Estonia	:	:	4.6	4.5	3.8	:	:	:	4.5	:	4.4	:	4.4
Hungary	:	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	2.4	2.5	3.3	3.0	2.8	3.3	:	3.1	:	2.9	:	2.7
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	5.8	:	5.8	:	5.7
Poland	:	3.4	3.9	3.7	3.6	:	:	:	3.5	:	3.5	:	3.4
Slovakia	:	:	3.8	2.9	2.8	:	:	:	4.1	:	4.3	:	4.4
Slovenia	:	:	:	:	:	:	:	:	3.9	:	3.6	:	3.4
AC-10	:	:	:	:	:	:	:	:	3.6	:	3.3	:	3.0
EU-25	:	:	:	:	:	:	:	:	2.4	:	2.4	:	2.5
USA	2.7	2.5	2.6	2.7	2.7	2.8	2.8	*3.4*	3.3	*3.4*	3.3	:	3.3
Japan	5.3	5.8	5.6	5.8	5.1	4.9	4.7	*4.3*	4.4	*4.1*	4.1	:	3.9

TABLE 13 : Output gap relative to potential GDP (deviation of actual output from potential output as percentage of potential GDP, 1986-2005) [1] 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1965-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	0.0	-0.2	0.4	1.1	2.5	1.2	0.1	*-0.6*	-0.8	*-0.2*	-0.8	*:*	-0.4
Denmark	0.2	-1.7	1.1	1.4	1.9	1.0	1.0	*-0.3*	-0.1	*-0.2*	-0.1	*:*	0.0
Germany	-0.2	1.6	-0.3	-0.1	1.3	0.8	-0.3	*-1.8*	-1.6	*-1.4*	-1.4	*:*	-1.2
Greece	0.4	-1.8	-1.4	-0.8	0.0	0.7	0.7	*1.7*	1.2	*2.3*	2.0	*:*	2.1
Spain	0.2	-1.0	-0.5	0.8	1.4	0.8	-0.4	*-1.1*	-1.3	*-1.0*	-1.7	*:*	-1.7
France	0.0	0.0	0.3	1.2	2.5	2.1	1.3	*-0.6*	-0.7	*-0.6*	-1.1	*:*	-1.0
Ireland	0.9	-3.9	2.1	4.2	6.4	5.1	5.0	*-1.1*	0.3	*-3.1*	-1.8	*:*	-2.6
Italy	0.1	-0.5	0.4	0.3	1.5	1.3	0.0	*-1.1*	-1.2	*-0.9*	-1.2	*:*	-0.8
Luxembourg	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Netherlands	-0.1	-0.3	1.7	3.0	3.9	2.6	0.7	*-1.7*	-2.0	*-2.0*	-3.0	*:*	-2.7
Austria	-0.1	0.6	0.1	0.7	1.9	0.5	0.0	*-0.4*	-0.9	*-0.1*	-0.8	*:*	0.0
Portugal	0.1	-0.1	1.0	2.1	3.1	1.9	0.0	*-2.6*	-2.5	*-3.1*	-3.4	*:*	-3.5
Finland	0.6	-4.7	1.8	2.4	3.9	1.5	0.7	*-0.6*	-0.5	*-0.5*	-0.5	*:*	-0.2
Sweden	0.4	-2.2	0.4	1.5	3.0	1.4	0.7	*-0.5*	-0.3	*-0.5*	-0.6	*:*	-0.7
United Kingdom	0.3	-1.8	0.7	0.6	1.5	0.7	-0.2	*-0.9*	-0.9	*-0.9*	-0.7	*:*	-0.6
EU-15	0.0	-0.1	0.3	0.7	1.9	1.3	0.2	*-1.1*	-1.1	*-1.0*	-1.2	*:*	-1.1
Euro area	0.0	0.2	0.2	0.7	2.0	1.4	0.3	*-1.2*	-1.2	*-1.0*	-1.4	*:*	-1.2
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Estonia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Lithuania	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Malta	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Poland	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovakia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovenia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

[1] Output gaps are non observable concepts and can be measured in different ways. Analysis based on them should be treated with prudence.
Potential GDP is calculated on the basis of the Production Function (see note 5 on concepts and sources); the leap year 2004 has not been included.

TABLE 14 : Output gap relative to trend GDP (deviation of actual output from trend output as percentage of trend GDP, 1961-2005) [1]

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	0.0	0.0	0.3	0.8	2.6	1.3	0.1	*-0.7*	-0.9	*-0.3*	-0.8	*:*	-0.3
Denmark	0.2	-1.6	0.8	1.0	1.7	0.9	0.8	*-0.3*	-0.4	*-0.2*	-0.4	*:*	-0.2
Germany	-0.2	2.0	-0.1	0.0	1.4	0.9	-0.3	*-1.7*	-1.6	*-1.1*	-1.3	*:*	-0.9
Greece	0.1	-0.3	-0.9	-0.7	0.2	0.6	0.7	*1.0*	1.0	*1.2*	1.3	*:*	1.0
Spain	0.2	0.0	-0.3	0.8	1.8	1.6	0.5	*-0.2*	-0.2	*0.0*	-0.4	*:*	-0.2
France	0.1	0.0	-0.5	0.3	2.0	2.1	1.3	*-0.4*	-0.6	*-0.1*	-0.8	*:*	-0.4
Ireland	0.1	-3.5	1.6	4.1	6.7	5.9	6.3	*2.0*	1.7	*0.8*	-0.2	*:*	-0.8
Italy	0.1	-0.4	-0.1	-0.2	1.3	1.6	0.4	*-0.6*	-0.7	*-0.2*	-0.7	*:*	-0.2
Luxembourg	-0.2	1.1	0.2	2.5	7.2	4.3	2.0	*-1.2*	-0.2	*-1.5*	-1.4	*:*	-1.5
Netherlands	-0.1	-0.5	1.2	2.7	3.9	3.0	1.5	*-0.9*	-1.1	*-1.0*	-1.9	*:*	-1.4
Austria	-0.1	0.9	0.1	0.7	2.0	0.7	0.1	*-0.3*	-0.8	*0.0*	-0.8	*:*	-0.3
Portugal	-0.1	0.0	0.8	2.3	3.6	3.1	1.5	*-0.8*	-1.2	*-0.7*	-2.0	*:*	-1.7
Finland	0.7	-5.1	0.9	2.1	4.2	2.3	1.6	*-0.2*	0.3	*-0.4*	0.0	*:*	0.0
Sweden	0.3	-2.0	0.2	1.4	3.1	1.6	1.0	*-0.4*	0.0	*-0.2*	-0.2	*:*	0.0
United Kingdom	0.2	-1.7	0.4	0.5	1.5	1.0	0.1	*0.0*	-0.6	*0.3*	-0.4	*:*	-0.2
EU-15	0.0	0.1	0.0	0.5	1.9	1.5	0.5	*-0.7*	-0.8	*-0.4*	-0.8	*:*	-0.5
Euro area	0.0	0.5	-0.1	0.5	1.9	1.6	0.6	*-0.8*	-0.9	*-0.5*	-0.9	*:*	-0.6
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Estonia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Lithuania	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Malta	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Poland	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovakia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovenia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

[1] Output gaps are non observable concepts and can be measured in different ways. Analysis based on them should be treated with prudence.
Trend GDP is calculated using the Hodrick-Prescott filter (see note 5 on concepts and sources).

TABLE 15 : Deflator of gross domestic product (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	4.9	2.7	1.4	1.4	1.2	1.8	1.7	*1.8*	1.4	*1.7*	1.1	*:*	1.4
Denmark	7.5	2.1	2.1	1.8	3.1	2.0	0.9	*2.3*	2.2	*1.8*	1.8	*:*	2.0
Germany	3.9	3.3	0.6	0.5	-0.3	1.3	1.6	*1.2*	1.2	*0.8*	1.3	*:*	0.9
Greece	12.2	13.9	5.1	3.0	3.4	3.5	4.0	*3.7*	4.1	*3.7*	4.3	*:*	3.5
Spain	10.3	5.4	2.9	2.8	3.5	4.2	4.4	*3.7*	4.1	*3.0*	3.6	*:*	3.1
France	6.7	2.1	1.0	0.5	1.0	1.8	1.8	*1.6*	1.7	*1.4*	1.7	*:*	1.5
Ireland	8.7	2.9	4.1	3.8	4.3	5.1	5.4	*3.4*	1.5	*3.6*	3.2	*:*	2.7
Italy	9.9	4.9	2.8	1.6	2.1	2.7	2.7	*2.5*	3.0	*2.3*	2.5	*:*	2.1
Luxembourg	4.9	3.5	2.7	2.2	3.9	2.2	0.6	*2.1*	1.9	*2.0*	2.7	*:*	2.6
Netherlands	4.9	2.3	2.1	1.6	3.9	5.4	3.4	*3.0*	2.8	*1.6*	1.5	*:*	0.9
Austria	4.6	3.1	1.0	0.7	1.4	2.1	1.4	*1.1*	1.3	*1.5*	1.2	*:*	1.1
Portugal	11.9	7.9	3.4	3.1	3.2	4.8	4.6	*3.4*	3.4	*2.4*	2.5	*:*	2.4
Finland	8.0	2.5	1.6	-0.2	3.2	2.7	1.1	*0.9*	1.0	*1.5*	0.8	*:*	1.6
Sweden	7.2	3.4	1.1	0.7	1.3	2.0	1.3	*2.2*	2.1	*2.2*	2.0	*:*	2.0
United Kingdom	8.1	3.5	2.5	2.3	1.4	2.3	3.2	*2.8*	2.4	*2.1*	1.9	*:*	2.0
EU-15	6.9	3.6	1.7	1.3	1.4	2.4	2.5	*2.2*	2.2	*1.8*	2.0	*:*	1.7
Euro area	6.6	3.7	1.6	1.1	1.4	2.4	2.4	*2.0*	2.1	*1.7*	2.0	*:*	1.6
Cyprus	:	4.6	2.7	2.2	4.5	2.3	3.2	*:*	4.8	*:*	3.9	*:*	3.9
Czech Republic	:	18.3	6.2	3.0	1.1	6.3	2.6	*:*	2.1	*:*	2.7	*:*	2.6
Estonia	:	:	10.9	4.5	6.7	5.2	4.1	*:*	2.7	*:*	4.4	*:*	4.9
Hungary	:	24.6	14.0	8.4	9.9	8.6	10.7	*:*	6.0	*:*	7.4	*:*	6.5
Latvia	:	137.7	7.6	5.3	4.6	2.5	1.8	*:*	1.9	*:*	2.6	*:*	3.0
Lithuania	:	215.0	8.0	-0.4	0.9	-0.2	0.0	*:*	-0.8	*:*	2.4	*:*	2.7
Malta	:	:	1.8	2.7	0.9	5.8	1.4	*:*	5.6	*:*	-0.1	*:*	0.3
Poland	:	37.6	12.5	6.8	11.5	4.2	1.4	*:*	0.7	*:*	1.6	*:*	2.4
Slovakia	:	:	6.1	6.6	8.3	4.7	1.8	*:*	6.8	*:*	5.1	*:*	3.2
Slovenia	:	65.1	7.8	5.9	5.6	9.1	8.1	*:*	6.4	*:*	5.6	*:*	5.0
AC-10	:	:	10.3	5.9	8.2	5.2	3.4	*:*	2.8	*:*	3.4	*:*	3.5
EU-25	:	:	2.0	1.5	1.7	2.5	2.5	*:*	2.2	*:*	2.0	*:*	1.8
USA	4.6	2.5	1.7	1.4	2.1	2.4	1.1	*1.4*	1.4	*1.4*	1.0	*:*	1.1
Japan	5.1	0.9	-0.8	-1.5	-1.9	-1.6	-1.6	*-1.0*	-2.2	*-0.7*	-1.3	*:*	-1.1

TABLE 16 : Price deflator of private consumption (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	4.8	2.2	1.7	1.3	2.3	2.8	1.4	*1.7*	1.6	*1.3*	1.4	*:*	1.8
Denmark	7.4	2.3	2.3	2.4	3.5	2.6	2.4	*2.4*	2.1	*1.9*	1.8	*:*	2.0
Germany	3.4	3.3	1.3	0.3	1.5	1.6	1.3	*1.3*	1.1	*1.1*	1.7	*:*	1.2
Greece	11.5	13.8	4.8	2.3	3.3	3.3	3.6	*3.3*	3.6	*3.1*	3.5	*:*	3.4
Spain	10.0	5.6	2.8	2.4	3.2	3.3	3.5	*3.2*	3.2	*2.7*	2.9	*:*	2.6
France	6.7	2.5	1.2	0.4	1.5	1.6	2.0	*1.5*	1.9	*1.4*	1.7	*:*	1.5
Ireland	8.7	2.7	3.4	3.2	4.3	4.3	6.6	*4.0*	3.5	*3.1*	3.0	*:*	2.7
Italy	9.4	5.8	2.8	2.1	2.9	2.7	3.0	*2.4*	2.9	*2.1*	2.4	*:*	2.1
Luxembourg	4.6	3.2	1.6	1.5	2.6	3.3	2.3	*1.9*	2.1	*1.5*	1.8	*:*	1.6
Netherlands	4.5	2.6	2.1	1.8	3.3	4.7	3.1	*2.3*	2.1	*1.4*	1.3	*:*	0.9
Austria	4.4	3.1	1.2	0.8	1.4	2.2	1.1	*1.8*	1.4	*1.7*	1.7	*:*	1.4
Portugal	12.2	7.5	3.0	2.1	3.5	3.5	3.6	*3.2*	3.4	*2.3*	2.6	*:*	2.5
Finland	7.4	3.1	2.1	1.2	3.6	3.4	3.0	*2.0*	1.7	*1.4*	1.1	*:*	1.7
Sweden	7.2	4.8	1.3	1.1	1.2	2.1	2.0	*2.0*	2.0	*1.6*	1.5	*:*	1.6
United Kingdom	7.7	4.3	2.3	1.7	1.1	2.2	1.3	*1.1*	1.2	*1.2*	1.2	*:*	1.2
EU-15	6.6	4.1	1.9	1.3	2.0	2.3	2.1	*1.8*	1.8	*1.6*	1.8	*:*	1.6
Euro area	6.4	4.0	1.9	1.1	2.2	2.3	2.3	*1.9*	2.0	*1.7*	2.0	*:*	1.7
Cyprus	:	:	2.6	4.0	2.9	1.3	3.0	*:*	4.8	*:*	2.0	*:*	2.4
Czech Republic	:	:	6.2	3.7	2.8	3.8	-0.1	*:*	0.0	*:*	3.5	*:*	2.6
Estonia	:	:	10.0	5.3	3.9	5.7	3.4	*:*	1.8	*:*	4.0	*:*	3.7
Hungary	:	26.5	14.7	10.2	9.1	8.2	6.9	*:*	6.7	*:*	5.9	*:*	4.1
Latvia	:	138.4	6.9	1.7	3.9	1.9	2.2	*:*	2.3	*:*	2.8	*:*	2.8
Lithuania	:	:	6.4	0.8	-2.1	2.3	-1.0	*:*	-0.9	*:*	2.3	*:*	2.6
Malta	:	:	2.3	1.9	1.5	2.8	1.0	*:*	1.3	*:*	1.8	*:*	1.9
Poland	:	41.1	12.9	6.8	11.6	4.9	1.8	*:*	0.8	*:*	1.9	*:*	2.7
Slovakia	:	:	7.2	8.5	9.0	5.6	2.4	*:*	6.8	*:*	7.5	*:*	4.0
Slovenia	:	64.4	8.3	6.0	8.4	8.1	7.6	*:*	5.9	*:*	5.2	*:*	4.3
AC-10	:	:	10.6	6.4	8.5	5.1	2.5	*:*	2.4	*:*	3.5	*:*	3.1
EU-25	:	:	2.2	1.5	2.2	2.4	2.1	*:*	1.9	*:*	1.9	*:*	1.7
USA	4.6	2.7	1.9	1.6	2.5	2.0	1.4	*1.9*	1.7	*1.5*	1.2	*:*	1.1
Japan	5.5	1.1	-0.2	-0.7	-1.3	-1.5	-1.5	*-1.0*	-1.2	*-1.1*	-1.0	*:*	-0.8

TABLE 17 : Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average 1961-90	5-year average 1991-95	5-year average 1996-00	1999	2000	2001	2002	2003 estimate of *III-2003*	2003 estimate of X-2003	2004 forecast of *III-2003*	2004 forecast of X-2003	2005 forecast of *III-2003*	2005 forecast of X-2003
Belgium	5.1	2.4	1.6	1.1	2.7	2.4	1.6	*1.4*	1.5	*1.3*	1.6	*:*	1.9
Denmark	7.2	2.0	2.0	2.1	2.7	2.3	2.4	*2.4*	2.3	*1.9*	1.8	*:*	1.9
Germany	3.5	3.1	1.1	0.6	1.4	1.9	1.3	*1.3*	1.1	*1.2*	1.6	*:*	1.3
Greece	11.6	13.9	4.6	2.1	2.9	3.7	3.9	*3.8*	3.6	*3.5*	3.7	*:*	3.4
Spain	10.1	5.2	2.6	2.2	3.5	2.8	3.6	*3.2*	3.1	*2.7*	2.8	*:*	2.6
France	6.7	2.2	1.3	0.6	1.8	1.8	1.9	*1.9*	2.1	*1.5*	1.8	*:*	1.5
Ireland	8.6	2.5	2.6	2.5	5.3	4.0	4.7	*4.2*	4.1	*3.2*	3.0	*:*	2.7
Italy	9.1	5.0	2.4	1.7	2.6	2.3	2.6	*2.4*	2.8	*1.9*	2.3	*:*	1.9
Luxembourg	4.6	2.8	1.7	1.0	3.8	2.4	2.1	*2.1*	2.2	*1.6*	2.0	*:*	1.7
Netherlands	4.7	2.9	1.9	2.0	2.3	5.1	3.9	*2.7*	2.4	*1.5*	1.3	*:*	0.9
Austria	4.5	3.2	1.2	0.5	2.0	2.3	1.7	*1.8*	1.3	*1.8*	1.6	*:*	1.5
Portugal	13.2	7.1	2.4	2.2	2.8	4.4	3.7	*3.2*	3.4	*2.3*	2.6	*:*	2.5
Finland	7.6	2.3	1.6	1.3	3.0	2.7	2.0	*1.7*	1.4	*1.5*	1.0	*:*	1.7
Sweden	6.9	4.2	1.1	0.6	1.3	2.7	2.0	*2.5*	2.3	*1.8*	1.4	*:*	1.7
United Kingdom	8.0	3.4	1.6	1.3	0.8	1.2	1.3	*1.9*	1.4	*1.8*	1.5	*:*	1.6
EU-15	7.1	:	1.7	1.2	1.9	2.2	2.1	*2.1*	2.0	*1.7*	1.9	*:*	1.7
Euro area	6.8	:	1.7	1.1	2.1	2.4	2.3	*2.1*	2.1	*1.7*	2.0	*:*	1.7
Cyprus	:	:	:	1.1	4.9	2.0	2.8	*:*	4.3	*:*	2.1	*:*	2.0
Czech Republic	:	:	6.5	1.8	3.9	4.5	1.4	*:*	0.0	*:*	3.3	*:*	2.6
Estonia	:	:	8.8	3.1	3.9	5.6	3.6	*:*	1.6	*:*	3.9	*:*	3.7
Hungary	:	:	15.1	10.0	10.0	9.1	5.2	*:*	4.6	*:*	6.1	*:*	4.1
Latvia	:	:	:	2.1	2.6	2.5	2.0	*:*	2.5	*:*	3.0	*:*	2.9
Lithuania	:	:	7.7	0.7	0.9	1.3	0.4	*:*	-0.9	*:*	2.3	*:*	2.6
Malta	:	:	:	:	:	:	:	*:*	1.3	*:*	1.8	*:*	1.9
Poland	:	:	:	7.2	10.1	5.3	1.9	*:*	0.7	*:*	1.9	*:*	2.7
Slovakia	:	:	8.2	10.4	12.2	7.0	3.3	*:*	8.5	*:*	8.2	*:*	5.0
Slovenia	:	:	8.2	6.1	8.9	8.6	7.5	*:*	5.9	*:*	5.2	*:*	4.3
AC-10	:	:	:	:	:	:	:	*:*	2.3	*:*	3.7	*:*	3.3
EU-25	:	:	:	:	:	:	:	*:*	2.2	*:*	2.2	*:*	2.0
USA	5.1	3.1	2.5	2.2	3.4	2.8	1.6	*2.0*	2.3	*1.7*	1.4	*:*	1.0
Japan	5.6	1.4	0.3	-0.3	-0.7	-0.6	-0.9	*-0.6*	-0.3	*-0.7*	-0.4	*:*	-0.3

TABLE 18 : Profiles of quarterly harmonised index of consumer prices (percentage change on corresponding quarter in previous year, 2003-2005)

	2003/1	2003/2	2003/3	2003/4	2004/1	2004/2	2004/3	2004/4	2005/1	2005/2	2005/3	2005/4
Belgium	1.5	1.3	1.6	1.7	1.6	1.5	1.7	1.6	1.7	1.8	2.0	2.2
Denmark	2.8	2.2	1.6	1.9	2.0	1.7	1.7	1.8	1.8	1.8	1.9	2.1
Germany	1.1	0.9	1.0	1.3	1.3	1.5	1.7	1.7	1.3	1.4	1.2	1.2
Greece	3.8	3.5	2.7	3.8	5.2	3.4	3.2	2.9	2.3	2.7	5.1	3.6
Spain	3.8	2.9	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5
France	2.3	1.9	2.1	2.1	1.8	2.0	1.9	1.6	1.4	1.4	1.6	1.7
Ireland	4.9	4.1	3.9	3.7	3.3	3.1	3.0	2.7	2.7	2.7	2.6	2.6
Italy	2.8	2.9	2.9	2.7	2.7	2.3	2.2	2.1	2.0	1.9	1.8	1.8
Luxembourg	3.4	2.4	2.3	2.1	1.9	1.9	2.1	1.9	1.8	1.8	1.6	1.5
Netherlands	2.8	2.2	1.8	2.1	1.7	1.5	1.3	1.1	1.1	1.1	0.9	0.8
Austria	1.8	1.1	1.1	1.0	1.8	1.8	1.7	1.5	1.3	1.5	1.6	1.6
Portugal	4.0	3.6	3.0	2.9	2.8	2.7	2.6	2.5	2.5	2.5	2.5	2.5
Finland	1.8	1.2	1.1	1.3	0.9	0.8	0.4	1.7	1.5	1.8	2.4	1.1
Sweden	2.9	2.1	2.3	1.9	0.8	1.4	1.7	1.8	1.5	1.7	1.8	1.9
United Kingdom	1.5	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.7
EU-15	2.2	1.8	1.9	1.9	1.9	1.9	1.9	1.8	1.7	1.7	1.7	1.7
Euro area	2.3	2.0	2.0	2.1	2.0	2.0	2.0	1.9	1.7	1.7	1.8	1.7
Cyprus	5.2	4.7	2.5	2.4	2.3	2.0	1.9	1.9	2.0	1.8	2.0	2.0
Czech Republic	-0.6	0.0	0.0	0.6	3.4	3.8	3.6	2.9	2.9	2.8	2.6	2.3
Estonia	2.3	0.8	1.3	2.1	2.9	4.4	5.0	3.7	3.7	3.8	3.7	3.8
Hungary	4.7	3.9	4.8	4.9	6.5	6.7	6.1	5.2	4.9	4.7	4.2	4.1
Latvia	1.9	2.9	3.6	3.0	2.6	2.4	1.6	3.0	3.6	2.9	3.3	2.5
Lithuania	-1.9	-0.8	-1.0	0.1	1.3	2.4	2.7	2.8	2.9	2.7	2.5	2.4
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Poland	0.4	0.3	0.7	1.2	1.4	1.9	2.1	2.3	2.3	2.6	2.9	3.0
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
AC-10	1.2	1.1	1.4	1.9	2.9	3.3	3.3	3.1	3.1	3.1	3.1	3.1
EU-25	2.1	1.8	1.9	1.9	1.9	1.9	2.0	1.9	1.7	1.8	1.8	1.8
USA	2.9	2.2	2.2	2.1	1.5	1.6	1.4	1.3	1.3	1.3	1.3	1.3
Japan	-0.2	-0.2	-0.2	-0.1	-0.2	-0.5	-0.5	-0.5	-0.4	-0.3	-0.3	-0.3

TABLE 19 : Price deflator of exports of goods in national currency (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	4.1	0.5	3.1	-0.3	10.0	1.8	-0.6	*-2.4*	-1.0	*0.3*	1.0	*:*	1.2
Denmark	:	1.2	1.2	-0.6	6.9	2.5	-0.5	*0.7*	0.2	*1.0*	0.7	*:*	0.8
Germany	2.7	0.8	0.7	-1.0	3.1	1.4	-0.6	*-0.6*	-0.6	*0.7*	0.3	*:*	1.1
Greece	10.0	8.7	5.0	1.0	13.4	0.5	2.0	*1.6*	0.8	*1.3*	0.9	*:*	0.8
Spain	:	3.1	2.3	-1.0	8.4	2.1	-0.1	*0.7*	0.6	*1.3*	1.1	*:*	1.3
France	5.0	-1.5	0.5	-1.6	2.2	-0.3	-2.4	*-1.8*	-0.6	*0.6*	0.3	*:*	0.5
Ireland	7.4	1.1	2.3	2.5	5.8	3.9	-0.1	*-1.5*	-7.2	*2.3*	0.7	*:*	1.4
Italy	7.5	5.5	1.1	-0.4	5.1	3.8	-1.9	*-1.9*	0.7	*1.2*	1.2	*:*	1.3
Luxembourg	:	-0.4	-0.1	-3.4	4.6	-0.4	0.2	*1.7*	-1.4	*1.0*	-0.6	*:*	0.4
Netherlands	2.8	-0.8	1.8	-1.0	9.2	1.1	-1.4	*-2.1*	-2.5	*-0.9*	0.0	*:*	0.8
Austria	:	-0.1	0.6	-0.6	2.2	-0.9	-0.9	*-1.7*	-1.1	*-0.1*	0.4	*:*	0.6
Portugal	:	1.4	:	:	:	:	:	*-1.4*	-2.0	*0.3*	0.1	*:*	0.5
Finland	:	3.7	-1.4	-5.6	2.7	-3.1	-5.2	*-1.5*	-3.0	*1.0*	-0.5	*:*	0.5
Sweden	:	3.2	-1.6	-2.2	1.8	2.2	-2.5	*-0.9*	-1.9	*0.8*	-0.3	*:*	1.0
United Kingdom	6.7	2.9	-2.2	-1.8	0.8	-1.5	-0.2	*2.9*	2.0	*-0.7*	1.0	*:*	1.3
EU-15	4.8	1.3	0.7	-1.1	4.4	1.1	-1.2	*-0.7*	-0.6	*0.5*	0.5	*:*	1.0
Euro area	4.5	1.1	1.2	-0.9	4.9	1.3	-1.2	*-1.3*	-0.9	*0.6*	0.5	*:*	1.0
Cyprus	:	:	2.2	4.8	6.3	3.1	0.0	*:*	0.0	*:*	1.5	*:*	1.5
Czech Republic	:	:	2.9	0.5	2.8	-0.8	-6.9	*:*	1.0	*:*	1.0	*:*	1.0
Estonia	:	:	5.8	0.6	8.1	10.2	-4.3	*:*	0.5	*:*	3.5	*:*	4.0
Hungary	:	:	12.1	3.8	9.8	2.2	-4.7	*:*	5.0	*:*	5.5	*:*	4.0
Latvia	:	:	0.5	-3.7	-1.2	2.6	2.8	*:*	2.1	*:*	3.0	*:*	3.0
Lithuania	:	:	3.0	0.6	12.0	-3.1	-5.1	*:*	-3.9	*:*	1.9	*:*	2.5
Malta	:	:	4.8	1.1	20.0	-13.1	4.6	*:*	1.1	*:*	1.3	*:*	1.3
Poland	:	:	7.9	5.7	1.1	-2.4	4.1	*:*	7.7	*:*	1.0	*:*	0.7
Slovakia	:	:	4.1	3.5	14.9	6.1	-0.5	*:*	-2.1	*:*	0.4	*:*	1.8
Slovenia	:	57.1	6.3	1.5	10.9	8.0	3.7	*:*	2.4	*:*	1.9	*:*	1.9
AC-10	:	:	6.6	3.1	6.1	0.7	-1.4	*:*	3.3	*:*	2.1	*:*	1.9
EU-25	:	:	:	:	:	:	:	*:*	-0.4	*:*	0.6	*:*	1.1
USA	3.9	0.3	-1.7	-1.3	1.2	-0.7	-0.5	*1.4*	2.1	*1.5*	1.4	*:*	1.6
Japan	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

TABLE 20 : Price deflator of imports of goods in national currency (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	4.3	-0.7	3.9	0.8	12.6	1.8	-2.4	*-2.9*	-1.5	*0.4*	1.2	*:*	1.4
Denmark	:	0.5	-0.1	-3.9	7.0	1.5	0.0	*-0.1*	-0.3	*1.1*	0.4	*:*	1.0
Germany	2.2	-0.1	1.4	-1.5	8.9	0.8	-2.3	*-1.2*	-2.4	*1.3*	-1.1	*:*	1.8
Greece	10.6	8.5	4.7	1.8	10.5	1.7	0.6	*-0.5*	0.5	*-0.8*	0.3	*:*	0.9
Spain	:	2.3	2.7	0.4	10.4	-0.2	-1.5	*0.4*	-0.3	*1.0*	0.6	*:*	1.2
France	5.6	-1.7	1.4	-1.7	7.9	-1.4	-3.5	*-2.3*	-0.2	*0.1*	-0.1	*:*	0.5
Ireland	7.2	2.4	1.5	3.0	8.4	3.0	-4.0	*-2.0*	-7.3	*1.9*	0.3	*:*	1.1
Italy	7.8	4.9	1.6	-0.9	14.0	1.6	-3.5	*-3.3*	0.2	*-0.4*	-0.3	*:*	0.8
Luxembourg	:	0.4	1.0	-1.3	6.0	0.8	1.3	*1.0*	-1.6	*0.3*	-0.6	*:*	0.7
Netherlands	2.8	-1.2	2.2	0.5	9.5	-0.2	-1.2	*-2.9*	-3.2	*-0.4*	-0.1	*:*	0.9
Austria	:	0.1	1.2	-0.1	3.5	-0.7	-2.8	*-1.5*	-1.0	*0.2*	0.7	*:*	1.1
Portugal	:	0.3	:	:	:	:	:	*-1.9*	-1.5	*0.3*	0.2	*:*	0.5
Finland	:	3.7	-0.1	-1.7	6.4	-3.7	-2.7	*-0.7*	-0.4	*0.5*	0.6	*:*	1.0
Sweden	:	3.4	-0.1	0.8	4.7	3.6	-0.3	*-1.0*	-2.1	*0.4*	-0.1	*:*	0.9
United Kingdom	6.8	3.4	-2.6	-1.5	3.5	-1.0	-2.8	*1.3*	0.9	*0.6*	1.0	*:*	0.8
EU-15	5.1	1.1	1.1	-0.8	8.5	0.3	-2.4	*-1.3*	-1.1	*0.5*	0.0	*:*	1.1
Euro area	4.7	0.6	1.9	-0.7	9.6	0.3	-2.5	*-1.9*	-1.5	*0.5*	-0.2	*:*	1.1
Cyprus	:	:	2.9	1.4	11.3	-0.5	-1.0	*:*	1.0	*:*	-1.0	*:*	-1.0
Czech Republic	:	:	2.3	1.0	6.0	-3.2	-8.2	*:*	2.0	*:*	1.0	*:*	1.0
Estonia	:	:	5.9	-0.4	6.8	4.0	0.1	*:*	0.5	*:*	1.5	*:*	2.0
Hungary	:	:	13.3	5.5	12.9	2.5	-5.3	*:*	8.0	*:*	4.8	*:*	3.0
Latvia	:	:	4.3	-5.2	6.8	1.5	6.0	*:*	3.0	*:*	3.0	*:*	3.0
Lithuania	:	:	-0.2	-3.7	3.8	-2.6	-3.7	*:*	-3.0	*:*	2.4	*:*	2.7
Malta	:	:	5.2	1.0	16.7	-8.2	-1.4	*:*	1.2	*:*	1.2	*:*	1.2
Poland	:	:	9.7	7.2	5.4	-6.7	1.7	*:*	7.0	*:*	3.1	*:*	1.6
Slovakia	:	:	5.0	7.4	12.6	8.4	-0.8	*:*	-3.6	*:*	2.0	*:*	2.2
Slovenia	:	55.0	6.2	0.9	14.7	5.8	1.7	*:*	3.3	*:*	1.9	*:*	1.9
AC-10	:	:	7.1	4.1	8.6	-1.3	-2.5	*:*	3.9	*:*	2.6	*:*	1.9
EU-25	:	:	:	:	:	:	:	*:*	-0.7	*:*	0.2	*:*	1.1
USA	5.3	0.1	-1.6	0.2	4.8	-2.9	-1.7	*3.7*	3.2	*2.3*	2.0	*:*	1.6
Japan	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

TABLE 21 : Terms of trade of goods (percentage change on preceding year, 1961-2005)　20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	-0.2	1.2	-0.7	-1.1	-2.3	0.0	1.9	*0.5*	0.5	*0.0*	-0.2	*:*	-0.2
Denmark	:	0.7	1.4	3.4	-0.1	1.0	-0.5	*0.8*	0.5	*-0.1*	0.3	*:*	-0.2
Germany	0.5	1.0	-0.7	0.5	-5.3	0.6	1.7	*0.6*	1.8	*-0.6*	1.4	*:*	-0.6
Greece	-0.5	0.2	0.2	-0.8	2.6	-1.2	1.4	*2.1*	0.3	*2.1*	0.5	*:*	0.0
Spain	:	0.8	-0.4	-1.4	-1.7	2.2	1.5	*0.3*	1.0	*0.3*	0.5	*:*	0.1
France	-0.5	0.2	-0.9	0.2	-5.3	1.1	1.1	*0.5*	-0.4	*0.5*	0.4	*:*	0.1
Ireland	0.1	-1.2	0.7	-0.5	-2.4	0.9	4.0	*0.6*	0.1	*0.4*	0.4	*:*	0.4
Italy	-0.3	0.5	-0.5	0.4	-7.8	2.2	1.6	*1.4*	0.5	*1.6*	1.5	*:*	0.5
Luxembourg	:	-0.8	-1.1	-2.1	-1.3	-1.2	-1.2	*0.7*	0.1	*0.7*	0.0	*:*	-0.3
Netherlands	-0.1	0.5	-0.4	-1.5	-0.3	1.3	-0.1	*0.8*	0.8	*-0.5*	0.2	*:*	-0.1
Austria	:	-0.1	-0.6	-0.4	-1.2	-0.2	2.0	*-0.2*	-0.1	*-0.3*	-0.4	*:*	-0.5
Portugal	:	1.2	:	:	:	:	:	*0.6*	-0.5	*0.0*	-0.1	*:*	0.0
Finland	:	-0.1	-1.3	-3.9	-3.5	0.5	-2.5	*-0.8*	-2.6	*0.5*	-1.0	*:*	-0.5
Sweden	:	-0.2	-1.6	-2.9	-2.8	-1.4	-2.2	*0.1*	0.2	*0.4*	-0.2	*:*	0.2
United Kingdom	-0.1	-0.4	0.5	-0.3	-2.6	-0.5	2.8	*1.7*	1.1	*-1.4*	0.0	*:*	0.5
EU-15	-0.3	0.3	-0.4	-0.3	-3.8	0.8	1.3	*0.6*	0.5	*0.0*	0.5	*:*	0.0
Euro area	-0.3	0.5	-0.7	-0.3	-4.3	1.0	1.3	*0.6*	0.5	*0.1*	0.7	*:*	-0.1
Cyprus	:	:	-0.6	3.3	-4.4	3.6	1.1	*:*	-1.0	*:*	2.5	*:*	2.5
Czech Republic	:	:	0.6	-0.5	-3.0	2.5	1.5	*:*	-1.0	*:*	0.0	*:*	0.0
Estonia	:	:	0.0	0.9	1.3	6.0	-4.4	*:*	0.0	*:*	2.0	*:*	2.0
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	-3.7	1.6	-7.5	1.1	-3.0	*:*	-0.9	*:*	0.0	*:*	0.0
Lithuania	:	:	3.2	4.5	7.9	-0.5	-1.5	*:*	-0.9	*:*	-0.5	*:*	-0.1
Malta	:	:	-0.4	0.1	2.8	-5.3	6.1	*:*	-0.1	*:*	0.1	*:*	0.1
Poland	:	:	-1.7	-1.4	-4.1	4.6	2.4	*:*	0.7	*:*	-2.0	*:*	-0.9
Slovakia	:	:	-0.9	-3.6	2.0	-2.2	0.3	*:*	1.6	*:*	-1.6	*:*	-0.4
Slovenia	:	1.4	0.1	0.5	-3.3	2.1	2.0	*:*	-0.9	*:*	0.0	*:*	0.0
AC-10	:	:	-0.5	-1.0	-2.3	1.9	1.1	*:*	-0.6	*:*	-0.5	*:*	0.1
EU-25	:	:	:	:	:	:	:	*:*	0.3	*:*	0.4	*:*	0.0
USA	-1.3	0.2	-0.1	-1.5	-3.5	2.3	1.2	*-2.2*	-1.1	*-0.7*	-0.6	*:*	0.0
Japan	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

TABLE 22 : Compensation of employees per head (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	8.5	4.1	2.2	3.4	2.1	3.6	4.3	*2.1*	2.2	*3.1*	3.0	*:*	3.0
Denmark	9.8	3.0	3.6	3.7	3.8	4.8	3.8	*3.8*	3.7	*3.9*	3.5	*:*	3.6
Germany	6.7	5.4	1.3	1.2	2.1	1.7	1.5	*2.2*	1.9	*2.3*	1.9	*:*	2.2
Greece	15.7	12.1	7.7	6.5	5.8	5.3	8.4	*5.5*	6.5	*5.5*	7.0	*:*	5.5
Spain	14.9	7.2	3.2	2.7	3.7	3.8	3.9	*3.9*	4.2	*3.6*	3.8	*:*	3.4
France	10.2	3.1	2.3	2.5	2.3	2.6	2.8	*2.6*	2.7	*2.6*	2.6	*:*	2.7
Ireland	12.4	4.5	5.2	5.2	8.1	9.0	5.2	*5.5*	5.1	*5.2*	5.0	*:*	4.8
Italy	13.6	5.3	2.8	2.6	3.1	3.0	2.4	*3.3*	3.0	*3.1*	3.0	*:*	2.7
Luxembourg	7.7	4.6	2.9	3.6	4.7	3.7	3.1	*2.5*	2.7	*2.5*	2.0	*:*	2.3
Netherlands	7.9	3.5	3.0	3.7	4.7	5.5	4.9	*3.9*	4.1	*3.0*	1.4	*:*	1.1
Austria	7.9	5.2	1.9	2.1	2.2	1.4	2.2	*2.3*	2.5	*2.7*	2.9	*:*	2.9
Portugal	17.0	12.3	5.7	5.4	5.6	5.5	5.3	*2.9*	2.7	*2.3*	2.3	*:*	2.5
Finland	11.5	3.2	2.9	2.2	3.7	4.7	2.3	*3.5*	3.1	*3.0*	3.0	*:*	3.1
Sweden	9.5	4.8	4.5	1.2	7.0	5.0	3.9	*3.9*	3.7	*3.9*	3.7	*:*	3.8
United Kingdom	10.4	5.1	4.7	4.4	6.0	4.7	4.3	*4.5*	4.3	*4.6*	4.4	*:*	4.4
EU-15	9.8	5.0	2.7	2.6	3.5	3.3	3.1	*3.2*	3.1	*3.2*	2.9	*:*	3.0
Euro area	9.8	5.0	2.2	2.2	2.8	2.9	2.7	*2.8*	2.7	*2.8*	2.5	*:*	2.6
Cyprus	:	:	6.0	4.8	7.2	4.7	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	9.0	6.8	6.4	7.3	6.5	*:*	6.5	*:*	6.3	*:*	6.3
Estonia	:	:	16.7	14.8	9.7	7.5	6.7	*:*	10.1	*:*	8.6	*:*	8.0
Hungary	:	:	15.0	5.0	15.8	15.8	17.7	*:*	12.9	*:*	8.0	*:*	6.7
Latvia	:	:	11.9	7.5	6.9	6.4	4.7	*:*	5.7	*:*	7.5	*:*	7.5
Lithuania	:	:	15.5	6.6	-2.3	3.0	2.1	*:*	3.7	*:*	3.9	*:*	4.2
Malta	:	8.3	4.6	6.7	2.1	10.2	-0.7	*:*	1.4	*:*	2.1	*:*	2.0
Poland	:	:	18.1	13.0	13.3	13.3	4.7	*:*	3.2	*:*	3.4	*:*	4.9
Slovakia	:	:	10.2	8.2	12.3	5.8	9.8	*:*	7.5	*:*	8.1	*:*	6.1
Slovenia	:	:	11.3	9.3	15.1	11.6	10.5	*:*	7.6	*:*	7.0	*:*	6.5
AC-10	:	:	14.5	10.1	11.7	11.2	:	*:*	5.9	*:*	5.4	*:*	5.7
EU-25	:	:	3.3	3.3	4.2	3.9	:	*:*	3.1	*:*	3.0	*:*	3.1
USA	6.2	3.4	3.9	4.1	5.4	2.9	1.8	*4.2*	2.1	*3.1*	4.0	*:*	3.8
Japan	10.1	2.0	0.2	-1.1	0.2	-0.7	-1.8	*-0.9*	0.6	*-0.1*	0.5	*:*	0.5

TABLE 23 : Real compensation of employees per head [1] (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.5	1.8	0.5	2.1	-0.2	0.8	2.8	*0.5*	0.6	*1.8*	1.6	*:*	1.3
Denmark	2.3	0.6	1.3	1.3	0.2	2.2	1.4	*1.3*	1.5	*1.9*	1.7	*:*	1.6
Germany	3.2	2.0	0.0	0.9	0.6	0.2	0.2	*0.9*	0.8	*1.1*	0.2	*:*	1.0
Greece	3.7	-1.5	2.8	4.1	2.4	1.9	4.6	*2.1*	2.8	*2.3*	3.4	*:*	2.0
Spain	4.5	1.5	0.4	0.3	0.5	0.5	0.4	*0.7*	0.9	*0.9*	0.9	*:*	0.8
France	3.2	0.5	1.1	2.0	0.8	1.0	0.9	*1.1*	0.8	*1.2*	0.9	*:*	1.1
Ireland	3.5	1.8	1.8	1.9	3.6	4.5	-1.3	*1.5*	1.5	*2.1*	1.9	*:*	2.0
Italy	3.8	-0.5	0.1	0.4	0.2	0.4	-0.6	*0.9*	0.2	*0.9*	0.6	*:*	0.6
Luxembourg	3.0	1.3	1.3	2.1	2.1	0.4	0.8	*0.5*	0.6	*1.0*	0.2	*:*	0.7
Netherlands	3.3	0.9	0.9	1.9	1.4	0.7	1.7	*1.6*	2.0	*1.6*	0.0	*:*	0.1
Austria	3.4	2.0	0.7	1.3	0.8	-0.7	1.1	*0.5*	1.1	*1.0*	1.2	*:*	1.5
Portugal	4.2	4.5	2.6	3.2	2.1	2.0	1.6	*-0.3*	-0.7	*0.0*	-0.2	*:*	0.0
Finland	3.8	0.1	0.8	0.9	0.1	1.2	-0.7	*1.4*	1.4	*1.6*	1.8	*:*	1.4
Sweden	2.1	0.0	3.2	0.1	5.7	2.8	1.8	*1.8*	1.7	*2.2*	2.2	*:*	2.2
United Kingdom	2.5	0.8	2.4	2.6	4.8	2.4	2.9	*3.4*	3.1	*3.4*	3.1	*:*	3.1
EU-15	3.0	0.8	0.7	1.3	1.5	1.0	1.0	*1.4*	1.2	*1.6*	1.1	*:*	1.3
Euro area	3.2	0.9	0.3	1.1	0.6	0.5	0.4	*0.8*	0.6	*1.1*	0.5	*:*	0.8
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	6.5	*:*	2.7	*:*	3.6
Estonia	:	:	:	:	:	:	:	*:*	8.2	*:*	4.4	*:*	4.1
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	3.4	*:*	4.6	*:*	4.6
Lithuania	:	:	:	:	:	:	:	*:*	4.6	*:*	1.6	*:*	1.6
Malta	:	:	:	:	:	:	:	*:*	0.1	*:*	0.3	*:*	0.1
Poland	:	:	4.7	5.8	1.5	8.1	2.8	*:*	2.4	*:*	1.5	*:*	2.1
Slovakia	:	:	:	:	:	:	:	*:*	0.6	*:*	0.5	*:*	2.0
Slovenia	:	:	:	:	:	:	:	*:*	1.6	*:*	1.7	*:*	2.1
AC-10	:	:	:	:	:	:	:	*:*	3.4	*:*	1.8	*:*	2.5
EU-25	:	:	:	:	:	:	:	*:*	1.2	*:*	1.1	*:*	1.4
USA	1.5	0.7	2.0	2.4	2.8	0.9	0.4	*2.3*	0.4	*1.5*	2.8	*:*	2.6
Japan	4.4	0.9	0.4	-0.4	1.5	0.8	-0.3	*0.1*	1.8	*1.0*	1.5	*:*	1.3

[1] Deflated by the price deflator of private consumption.

TABLE 24 : Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	3.2	1.1	1.4	1.8	1.9	-0.8	1.0	*1.3*	1.0	*1.6*	1.3	*:*	1.3
Denmark	2.1	2.0	1.6	1.4	2.4	1.1	2.7	*1.7*	1.5	*1.8*	1.6	*:*	1.8
Germany	2.7	2.1	1.1	0.8	1.1	0.4	0.8	*1.3*	1.6	*1.8*	1.9	*:*	1.1
Greece	4.2	0.7	2.5	3.3	4.2	4.4	3.7	*3.3*	3.0	*3.4*	3.3	*:*	2.9
Spain	4.2	1.9	0.7	0.5	0.6	0.4	0.5	*1.0*	0.6	*1.4*	0.9	*:*	1.1
France	3.3	1.5	1.5	1.3	1.1	0.3	0.5	*1.1*	0.3	*1.8*	1.8	*:*	1.7
Ireland	3.9	2.9	3.9	5.0	5.2	3.1	5.5	*2.9*	0.7	*3.1*	2.7	*:*	3.5
Italy	3.5	2.1	1.1	1.1	1.4	0.1	-0.7	*0.6*	-0.5	*1.0*	1.0	*:*	1.2
Luxembourg	2.5	1.3	2.8	2.7	3.3	-4.2	-1.8	*0.0*	-0.5	*1.5*	1.0	*:*	1.7
Netherlands	2.7	1.3	1.2	1.6	1.6	-0.1	0.0	*0.9*	0.2	*1.7*	1.5	*:*	1.7
Austria	3.5	2.1	1.9	1.5	2.4	0.1	1.4	*1.1*	0.8	*1.6*	1.6	*:*	1.9
Portugal	4.7	2.3	1.9	1.9	1.5	0.3	0.2	*0.8*	0.2	*1.7*	1.1	*:*	1.5
Finland	3.5	2.9	2.4	0.8	2.8	-0.3	1.8	*2.4*	1.7	*2.6*	2.3	*:*	2.3
Sweden	2.2	3.4	2.5	2.4	1.9	-0.8	1.7	*1.7*	1.6	*2.5*	2.2	*:*	2.4
United Kingdom	2.1	2.7	1.7	1.2	2.7	1.5	1.6	*1.6*	1.4	*2.0*	2.3	*:*	2.4
EU-15	2.9	1.9	1.3	1.1	1.6	0.5	0.7	*1.2*	0.8	*1.7*	1.7	*:*	1.6
Euro area	3.2	1.7	1.2	1.0	1.3	0.3	0.4	*1.1*	0.6	*1.7*	1.5	*:*	1.4
Cyprus	:	:	6.6	3.4	2.1	2.1	0.8	*:*	1.5	*:*	2.8	*:*	3.2
Czech Republic	:	:	2.2	2.6	4.0	2.7	1.0	*:*	2.7	*:*	2.6	*:*	3.2
Estonia	:	:	7.1	4.0	8.9	5.6	4.6	*:*	3.9	*:*	5.4	*:*	4.9
Hungary	:	:	2.9	1.0	4.2	3.4	3.0	*:*	2.4	*:*	2.4	*:*	2.4
Latvia	:	-6.5	5.9	4.7	10.1	5.6	3.2	*:*	5.4	*:*	4.7	*:*	5.1
Lithuania	:	-7.6	4.9	-1.3	8.0	11.0	2.6	*:*	5.0	*:*	4.3	*:*	4.4
Malta	:	:	3.8	4.5	4.0	-1.4	-0.7	*:*	0.4	*:*	2.3	*:*	2.1
Poland	:	:	4.7	6.9	6.4	1.7	3.8	*:*	3.6	*:*	3.7	*:*	3.2
Slovakia	:	:	4.2	4.7	4.9	2.3	4.2	*:*	2.2	*:*	2.7	*:*	2.9
Slovenia	:	:	3.8	4.8	0.3	2.4	3.5	*:*	2.6	*:*	2.6	*:*	3.0
AC-10	:	:	4.0	4.9	5.7	2.7	3.0	*:*	3.1	*:*	3.2	*:*	3.1
EU-25	:	:	1.5	1.7	2.2	0.7	0.9	*:*	0.9	*:*	1.7	*:*	1.6
USA	1.5	1.3	2.0	2.3	1.9	0.5	2.8	*2.1*	2.0	*2.0*	3.4	*:*	2.7
Japan	5.1	0.7	1.4	1.0	2.9	1.0	1.4	*2.1*	2.1	*1.6*	1.5	*:*	1.4

TABLE 25 : Unit labour costs, whole economy [1] (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	5.1	3.0	0.7	1.6	0.2	4.5	3.2	*0.8*	1.1	*1.5*	1.7	*:*	1.7
Denmark	7.6	1.0	2.0	2.3	1.4	3.7	1.2	*2.0*	2.2	*2.0*	1.9	*:*	1.7
Germany	3.9	3.3	0.2	0.3	1.0	1.3	0.7	*0.9*	0.3	*0.5*	0.0	*:*	1.0
Greece	11.0	11.3	5.1	3.1	1.6	0.9	4.5	*2.1*	3.4	*2.0*	3.5	*:*	2.5
Spain	10.2	5.2	2.5	2.1	3.1	3.4	3.3	*2.9*	3.5	*2.2*	2.9	*:*	2.2
France	6.6	1.5	0.8	1.1	1.2	2.3	2.3	*1.5*	2.4	*0.8*	0.8	*:*	1.0
Ireland	8.2	1.6	1.3	0.2	2.8	5.7	-0.3	*2.5*	4.3	*2.1*	2.2	*:*	1.2
Italy	9.8	3.1	1.7	1.5	1.7	2.9	3.1	*2.6*	3.5	*2.1*	2.0	*:*	1.5
Luxembourg	5.1	3.2	0.1	0.9	1.4	8.2	5.1	*2.5*	3.2	*0.9*	1.0	*:*	0.6
Netherlands	5.1	2.2	1.9	2.1	3.1	5.5	4.9	*3.0*	3.9	*1.3*	-0.1	*:*	-0.6
Austria	4.3	3.0	0.0	0.6	-0.2	1.3	0.8	*1.1*	1.7	*1.1*	1.3	*:*	0.9
Portugal	11.8	9.8	3.7	3.4	4.1	5.2	5.1	*2.1*	2.5	*0.5*	1.3	*:*	1.0
Finland	7.8	0.3	0.5	1.3	0.9	5.0	0.4	*1.0*	1.4	*0.4*	0.7	*:*	0.7
Sweden	7.1	1.3	2.0	-1.2	5.0	5.8	2.1	*2.2*	2.1	*1.4*	1.5	*:*	1.4
United Kingdom	8.2	2.3	3.0	3.1	3.2	3.1	2.6	*2.8*	2.9	*2.5*	2.0	*:*	1.9
EU-15	6.7	3.0	1.4	1.5	1.9	2.8	2.3	*1.9*	2.3	*1.4*	1.2	*:*	1.3
Euro area	6.4	3.2	1.0	1.2	1.4	2.6	2.3	*1.7*	2.1	*1.1*	1.0	*:*	1.1
Cyprus	:	:	-0.6	1.4	4.9	2.5	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	6.7	4.0	2.3	4.5	5.4	*:*	3.7	*:*	3.6	*:*	3.1
Estonia	:	:	8.9	10.4	0.8	1.9	2.0	*:*	6.0	*:*	3.0	*:*	3.0
Hungary	:	:	11.8	4.0	11.2	12.0	14.3	*:*	10.3	*:*	5.5	*:*	4.1
Latvia	:	:	5.7	2.7	-2.9	0.7	1.4	*:*	0.3	*:*	2.7	*:*	2.2
Lithuania	:	:	10.1	8.0	-9.5	-7.2	-0.5	*:*	-1.3	*:*	-0.4	*:*	-0.2
Malta	:	:	0.9	2.1	-1.8	11.8	0.1	*:*	0.9	*:*	-0.2	*:*	-0.1
Poland	:	:	12.8	5.7	6.4	11.5	0.9	*:*	-0.4	*:*	-0.3	*:*	1.6
Slovakia	:	:	5.8	3.4	7.1	3.4	5.4	*:*	5.2	*:*	5.2	*:*	3.1
Slovenia	:	:	7.2	4.3	14.7	9.0	6.8	*:*	4.8	*:*	4.3	*:*	3.4
AC-10	:	:	10.1	4.9	5.7	8.3	:	*:*	2.7	*:*	2.1	*:*	2.5
EU-25	:	:	1.7	1.6	1.9	3.1	:	*:*	2.2	*:*	1.3	*:*	1.4
USA	4.6	2.1	1.8	1.8	3.5	2.3	-1.0	*2.1*	0.1	*1.1*	0.6	*:*	1.1
Japan	4.8	1.2	-1.2	-2.0	-2.7	-1.7	-3.1	*-2.9*	-1.4	*-1.7*	-1.0	*:*	-0.9

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

TABLE 26 : Real unit labour costs [1] (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	0.2	0.2	-0.6	0.2	-1.0	2.6	1.5	*-1.0*	-0.3	*-0.2*	0.6	*:*	0.3
Denmark	0.1	-1.1	-0.1	0.4	-1.6	1.6	0.2	*-0.2*	0.0	*0.2*	0.1	*:*	-0.2
Germany	0.0	-0.1	-0.4	-0.2	1.2	0.0	-0.8	*-0.3*	-0.9	*-0.3*	-1.3	*:*	0.1
Greece	-1.1	-2.3	0.0	0.1	-1.7	-2.5	0.5	*-1.5*	-0.7	*-1.6*	-0.7	*:*	-0.9
Spain	-0.1	-0.2	-0.4	-0.6	-0.4	-0.7	-1.0	*-0.8*	-0.6	*-0.7*	-0.6	*:*	-0.8
France	-0.1	-0.6	-0.3	0.6	0.2	0.6	0.5	*-0.1*	0.7	*-0.6*	-0.9	*:*	-0.5
Ireland	-0.4	-1.3	-2.7	-3.5	-1.4	0.6	-5.5	*-0.8*	2.8	*-1.5*	-1.0	*:*	-1.5
Italy	-0.1	-1.7	-1.1	-0.1	-0.4	0.2	0.4	*0.2*	0.5	*-0.2*	-0.5	*:*	-0.6
Luxembourg	0.2	-0.2	-2.6	-1.3	-2.5	5.9	4.5	*0.4*	1.3	*-1.1*	-1.6	*:*	-1.9
Netherlands	0.2	0.0	-0.2	0.5	-0.8	0.1	1.4	*0.0*	1.1	*-0.3*	-1.6	*:*	-1.5
Austria	-0.3	-0.1	-1.0	-0.1	-1.6	-0.7	-0.5	*0.0*	0.4	*-0.4*	0.1	*:*	-0.1
Portugal	-0.1	1.8	0.3	0.3	0.9	0.4	0.5	*-1.3*	-0.9	*-1.8*	-1.2	*:*	-1.4
Finland	-0.2	-2.1	-1.1	1.5	-2.2	2.2	-0.6	*0.2*	0.3	*-1.1*	-0.1	*:*	-0.8
Sweden	0.0	-2.0	0.9	-1.8	3.7	3.7	0.8	*0.0*	0.1	*-0.8*	-0.5	*:*	-0.6
United Kingdom	0.1	-1.1	0.5	0.8	1.8	0.8	-0.6	*0.0*	0.5	*0.4*	0.1	*:*	-0.1
EU-15	-0.2	-0.6	-0.3	0.2	0.4	0.5	-0.1	*-0.2*	0.1	*-0.3*	-0.7	*:*	-0.4
Euro area	-0.2	-0.4	-0.6	0.1	0.0	0.2	-0.1	*-0.4*	-0.1	*-0.6*	-1.0	*:*	-0.5
Cyprus	:	:	-3.2	-0.8	0.4	0.3	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	0.4	1.1	1.3	-1.7	2.8	*:*	1.6	*:*	0.9	*:*	0.4
Estonia	:	:	-1.8	5.7	-5.6	-3.2	-2.1	*:*	3.2	*:*	-1.4	*:*	-1.8
Hungary	:	:	-2.0	-4.1	1.2	3.1	3.2	*:*	4.1	*:*	-1.8	*:*	-2.2
Latvia	:	:	-1.7	-2.5	-7.2	-1.8	-0.4	*:*	-1.6	*:*	0.1	*:*	-0.7
Lithuania	:	:	1.9	8.4	-10.3	-7.0	-0.5	*:*	-0.5	*:*	-2.7	*:*	-2.8
Malta	:	:	-0.9	-0.6	-2.7	5.6	-1.4	*:*	-4.4	*:*	-0.1	*:*	-0.3
Poland	:	:	0.2	-1.0	-4.6	7.0	-0.6	*:*	-1.1	*:*	-1.8	*:*	-0.7
Slovakia	:	:	-0.3	-3.1	-1.1	-1.2	3.5	*:*	-1.5	*:*	0.1	*:*	-0.2
Slovenia	:	:	-0.6	-1.5	8.6	-0.1	-1.2	*:*	-1.4	*:*	-1.2	*:*	-1.5
AC-10	:	:	-0.2	-0.9	-2.3	2.9	:	*:*	0.0	*:*	-1.2	*:*	-0.9
EU-25	:	:	-0.3	0.1	0.3	0.6	:	*:*	0.0	*:*	-0.7	*:*	-0.4
USA	0.0	-0.4	0.1	0.3	1.4	0.0	-2.1	*0.7*	-1.3	*-0.3*	-0.4	*:*	0.0
Japan	-0.4	0.3	-0.4	-0.5	-0.8	-0.1	-1.5	*-1.9*	0.8	*-1.0*	0.3	*:*	0.1

[1] Nominal unit labour costs divided by GDP price deflator.

TABLE 27 : Total population (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	0.3	0.3	0.2	0.2	0.2	0.3	0.3	*0.3*	0.3	*0.3*	0.2	:	0.2
Denmark	0.4	0.4	0.4	0.3	0.3	0.4	0.3	*0.3*	0.3	*0.3*	0.3	:	0.3
Germany	0.4	0.7	0.1	0.1	0.1	0.2	0.2	*0.1*	0.1	*0.1*	0.1	:	0.1
Greece	0.6	0.7	0.3	0.2	0.6	0.2	0.3	*0.2*	0.2	*0.2*	0.2	:	0.2
Spain	0.8	0.2	0.4	0.4	0.8	0.8	0.7	*0.6*	0.6	*0.6*	0.6	:	0.5
France	0.7	0.4	0.4	0.4	0.5	0.5	0.5	*0.4*	0.4	*0.3*	0.3	:	0.3
Ireland	0.7	0.6	1.0	1.1	1.1	1.4	1.5	*1.2*	1.2	*1.1*	1.1	:	1.0
Italy	0.4	0.2	0.2	0.1	0.2	0.2	0.2	*0.2*	0.2	*0.2*	0.2	:	0.2
Luxembourg	0.6	1.4	1.3	1.4	1.2	1.0	1.1	*0.7*	1.0	*0.7*	0.9	:	0.9
Netherlands	0.9	0.7	0.6	0.7	0.7	0.8	0.7	*0.6*	0.6	*0.5*	0.5	:	0.4
Austria	0.3	0.8	0.2	0.2	0.2	0.2	0.3	*0.3*	0.2	*0.3*	0.3	:	0.3
Portugal	0.4	0.3	0.4	0.4	0.6	0.7	0.7	*0.4*	0.7	*0.4*	0.6	:	0.7
Finland	0.4	0.5	0.3	0.2	0.2	0.2	0.3	*0.2*	0.1	*0.2*	0.1	:	0.1
Sweden	0.5	0.6	0.1	0.1	0.2	0.3	0.4	*0.3*	0.4	*0.4*	0.4	:	0.5
United Kingdom	0.3	0.2	0.2	0.3	0.2	0.3	0.3	*0.3*	0.3	*0.3*	0.3	:	0.3
EU-15	0.5	0.4	0.3	0.3	0.3	0.4	0.4	*0.3*	0.3	*0.3*	0.3	:	0.3
Euro area	0.6	0.4	0.3	0.3	0.4	0.4	0.4	*0.3*	0.3	*0.3*	0.3	:	0.3
Cyprus	:	1.9	1.3	1.1	1.1	1.1	0.6	*:*	0.6	*:*	0.6	:	0.6
Czech Republic	0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.4	*:*	0.1	*:*	0.0	:	0.0
Estonia	0.9	-1.1	-1.6	-2.8	-2.8	-0.4	-0.4	*:*	-0.4	*:*	-0.3	:	-0.3
Hungary	0.1	-0.1	-0.2	-0.3	-0.3	-0.2	-0.2	*:*	-0.4	*:*	-0.4	:	-0.2
Latvia	0.8	-1.2	-1.2	-1.6	-1.6	-0.7	-1.1	*:*	-0.3	*:*	-0.2	:	-0.2
Lithuania	1.0	0.0	-0.7	-0.1	-3.0	-3.1	-0.3	*:*	-0.2	*:*	-0.3	:	-0.3
Malta	0.3	0.9	0.8	0.5	0.7	1.9	0.5	*:*	0.5	*:*	0.5	:	0.5
Poland	0.9	0.2	0.0	0.0	0.0	0.0	0.0	*:*	0.0	*:*	0.0	:	0.0
Slovakia	0.9	0.3	0.1	0.1	0.1	-0.2	0.1	*:*	0.0	*:*	0.0	:	0.0
Slovenia	0.8	-0.1	0.0	0.1	0.3	0.2	0.1	*:*	0.0	*:*	0.0	:	0.0
AC-10	:	0.1	-0.1	-0.2	-0.3	-0.2	0.0	*:*	-0.1	*:*	-0.1	:	0.0
EU-25	:	:	0.2	0.2	0.2	0.3	0.3	*:*	0.3	*:*	0.2	:	0.2
USA	1.1	1.0	0.9	0.9	0.9	1.0	0.9	*0.9*	0.9	*0.9*	0.9	:	0.9
Japan	0.9	0.3	0.2	0.2	0.2	0.3	0.1	*0.1*	0.1	*0.1*	0.1	:	0.1

TABLE 28 : Total employment (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	0.3	0.5	1.3	1.4	1.9	1.5	-0.3	*-0.1*	-0.2	*0.7*	0.5	:	1.0
Denmark	0.6	0.0	1.1	1.2	0.5	0.4	-0.6	*-0.3*	-0.6	*0.4*	0.4	:	0.4
Germany	0.5	0.0	0.7	1.2	1.8	0.4	-0.6	*-0.8*	-1.5	*0.2*	-0.3	:	0.7
Greece	0.3	0.6	1.0	0.1	0.3	-0.3	0.1	*0.3*	1.0	*0.4*	0.8	:	0.5
Spain	0.3	-0.4	3.1	3.7	3.6	2.4	1.5	*1.0*	1.7	*1.7*	2.0	:	2.1
France	0.4	-0.4	1.2	1.8	2.7	1.8	0.7	*0.1*	-0.2	*0.5*	-0.1	:	0.6
Ireland	0.2	1.7	5.7	6.0	4.7	3.0	1.3	*0.4*	0.8	*1.4*	1.0	:	1.3
Italy	0.4	-0.8	0.8	0.6	1.7	1.7	1.1	*0.4*	0.8	*1.0*	0.5	:	0.7
Luxembourg	1.2	2.6	4.2	5.0	5.6	5.6	3.2	*1.1*	1.7	*1.2*	0.9	:	1.2
Netherlands	0.7	0.8	2.6	2.3	1.8	1.3	0.2	*-0.4*	-1.1	*0.0*	-0.8	:	0.3
Austria	0.1	0.0	0.8	1.1	1.0	0.6	0.0	*0.0*	0.1	*0.4*	0.3	:	0.5
Portugal	0.1	-0.6	2.0	1.9	2.1	1.3	0.3	*-0.2*	-1.0	*0.3*	-0.1	:	0.5
Finland	0.4	-3.7	2.3	2.5	2.3	1.5	0.4	*-0.2*	-0.2	*0.3*	0.2	:	0.4
Sweden	0.7	-2.1	0.8	2.1	2.4	1.9	0.2	*-0.3*	-0.2	*0.2*	0.0	:	0.2
United Kingdom	0.4	-1.0	1.5	1.5	1.1	0.6	0.1	*0.5*	0.7	*0.5*	0.5	:	0.5
EU-15	0.4	-0.4	1.4	1.7	2.0	1.2	0.4	*0.0*	0.0	*0.6*	0.3	:	0.8
Euro area	0.4	-0.1	1.4	1.8	2.2	1.4	0.5	*-0.1*	-0.2	*0.6*	0.3	:	0.8
Cyprus	:	:	-2.7	1.3	2.8	1.9	1.2	*:*	0.5	*:*	0.6	:	1.0
Czech Republic	:	:	-0.9	-2.1	-0.7	0.4	1.0	*:*	-0.5	*:*	0.0	:	0.1
Estonia	:	-5.3	-2.0	-4.4	-1.5	0.9	1.3	*:*	0.5	*:*	0.2	:	0.2
Hungary	:	:	1.1	3.2	1.0	0.4	0.2	*:*	0.5	*:*	0.8	:	1.0
Latvia	:	-7.2	-0.5	-1.8	-2.9	2.2	2.7	*:*	0.5	*:*	0.5	:	0.5
Lithuania	:	-2.4	-0.7	-0.5	-3.7	-4.0	4.0	*:*	1.5	*:*	1.3	:	1.6
Malta	:	1.5	0.8	-0.4	2.3	0.3	1.9	*:*	0.4	*:*	0.4	:	0.8
Poland	:	:	0.4	-2.7	-2.3	-0.6	-2.3	*:*	-0.3	*:*	0.5	:	1.5
Slovakia	:	:	-0.4	-3.2	-2.5	1.0	0.2	*:*	1.6	*:*	1.3	:	1.3
Slovenia	:	:	0.5	1.1	3.8	0.5	-0.5	*:*	-0.5	*:*	0.5	:	0.7
AC-10	:	:	0.0	-1.7	-1.5	-0.2	-0.6	*:*	0.0	*:*	0.6	:	1.1
EU-25	:	:	1.2	1.2	1.4	1.0	0.2	*:*	0.0	*:*	0.3	:	0.8
USA	2.0	1.1	2.0	1.9	1.9	-0.3	-0.3	*0.4*	0.8	*0.5*	0.4	:	0.6
Japan	1.0	0.8	0.0	-0.8	-0.1	-0.6	-1.2	*-0.5*	0.5	*-0.2*	0.2	:	0.1

TABLE 29 : Number of unemployed (as a percentage of civilian labour force, 1964-2005) [1]

20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1964-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	5.7	8.3	8.7	8.6	6.9	6.7	7.3	*7.8*	8.2	*7.8*	8.3	*:*	7.8
Denmark	4.1	8.1	5.1	4.8	4.4	4.3	4.5	*5.0*	5.5	*4.8*	5.2	*:*	4.9
Germany	3.2	7.1	8.7	8.4	7.8	7.8	8.6	*8.9*	9.4	*8.9*	9.6	*:*	9.5
Greece	4.5	8.3	10.6	11.8	11.0	10.4	10.0	*9.5*	9.5	*9.2*	9.2	*:*	9.0
Spain	6.8	17.1	14.9	12.8	11.3	10.6	11.3	*11.6*	11.3	*11.4*	10.9	*:*	10.4
France	5.4	10.7	11.0	10.7	9.3	8.5	8.8	*9.2*	9.4	*9.1*	9.7	*:*	9.4
Ireland	9.7	14.5	7.8	5.6	4.3	3.9	4.4	*5.6*	4.8	*5.6*	5.1	*:*	5.0
Italy	6.7	10.0	11.3	11.3	10.4	9.4	9.0	*9.1*	8.8	*8.8*	8.8	*:*	8.7
Luxembourg	1.1	2.5	2.6	2.4	2.3	2.1	2.8	*3.3*	3.7	*3.7*	4.2	*:*	4.5
Netherlands	4.9	6.1	4.1	3.2	2.8	2.4	2.7	*4.2*	4.4	*5.1*	5.8	*:*	6.1
Austria	2.1	3.7	4.2	3.9	3.7	3.6	4.3	*4.5*	4.5	*4.4*	4.6	*:*	4.1
Portugal	5.2	5.7	5.6	4.5	4.1	4.1	5.1	*6.5*	6.6	*7.3*	7.2	*:*	7.3
Finland	3.9	13.3	11.7	10.2	9.8	9.1	9.1	*9.4*	9.3	*9.3*	9.2	*:*	9.1
Sweden	2.2	7.2	8.0	6.7	5.6	4.9	4.9	*5.3*	5.7	*5.3*	5.8	*:*	5.7
United Kingdom	5.4	9.2	6.5	5.9	5.4	5.0	5.1	*5.1*	4.9	*5.1*	4.9	*:*	4.9
EU-15	5.1	9.5	9.2	8.7	7.8	7.4	7.7	*8.0*	8.1	*8.0*	8.2	*:*	8.1
Euro area	5.1	9.6	9.9	9.4	8.5	8.0	8.4	*8.8*	8.9	*8.8*	9.1	*:*	8.9
Cyprus	:	:	5.0	5.3	5.2	4.4	3.8	*:*	3.9	*:*	3.7	*:*	3.7
Czech Republic	:	:	6.5	8.6	8.7	8.0	7.3	*:*	7.8	*:*	8.1	*:*	8.0
Estonia	:	5.8	10.5	11.3	12.5	11.8	9.1	*:*	8.6	*:*	8.4	*:*	7.9
Hungary	:	:	8.0	6.9	6.3	5.6	5.6	*:*	5.6	*:*	5.6	*:*	5.5
Latvia	:	9.8	15.5	14.0	13.7	12.8	12.8	*:*	12.4	*:*	12.0	*:*	11.5
Lithuania	:	8.1	12.4	11.2	15.7	16.1	13.1	*:*	12.3	*:*	11.1	*:*	10.0
Malta	:	5.3	6.7	7.4	7.0	6.7	7.4	*:*	7.0	*:*	6.8	*:*	6.7
Poland	:	:	12.6	13.4	16.4	18.5	19.9	*:*	20.6	*:*	20.9	*:*	20.3
Slovakia	:	:	14.3	16.7	18.7	19.4	18.6	*:*	17.7	*:*	17.1	*:*	16.5
Slovenia	:	:	7.0	7.2	6.6	5.8	6.0	*:*	6.4	*:*	6.1	*:*	6.0
AC-10	:	:	11.1	12.1	13.6	14.5	14.8	*:*	15.1	*:*	15.2	*:*	14.8
EU-25	:	:	9.2	8.7	7.9	7.5	7.9	*:*	:	*:*	:	*:*	:
USA	6.1	6.5	4.6	4.2	4.0	4.8	5.8	*6.0*	6.1	*6.2*	6.2	*:*	6.3
Japan	1.9	2.6	4.1	4.7	4.7	5.0	5.4	*5.4*	5.2	*5.4*	5.1	*:*	5.1

[1] Series following Eurostat definition, based on the labour force survey.

TABLE 30 : Nominal bilateral exchange rates against Ecu/euro (1970-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	44.45	40.50	40.23	40.34	40.34	40.34	:	*:*	:	*:*	:	*:*	:
Denmark	7.65	7.64	7.45	7.44	7.45	7.45	7.43	*7.45*	7.44	*7.46*	7.46	*:*	7.46
Germany	2.64	1.96	1.95	1.96	1.96	1.96	:	*:*	:	*:*	:	*:*	:
Greece	80.44	266.37	321.61	325.76	336.63	340.75	:	*:*	:	*:*	:	*:*	:
Spain	102.29	146.41	165.32	166.39	166.39	166.39	:	*:*	:	*:*	:	*:*	:
France	6.17	6.71	6.57	6.56	6.56	6.56	:	*:*	:	*:*	:	*:*	:
Ireland	0.64	0.79	0.78	0.79	0.79	0.79	:	*:*	:	*:*	:	*:*	:
Italy	1137.90	1803.04	1940.89	1936.27	1936.27	1936.27	:	*:*	:	*:*	:	*:*	:
Luxembourg	44.45	40.50	40.23	40.34	40.34	40.34	:	*:*	:	*:*	:	*:*	:
Netherlands	2.83	2.20	2.20	2.20	2.20	2.20	:	*:*	:	*:*	:	*:*	:
Austria	18.83	13.80	13.73	13.76	13.76	13.76	:	*:*	:	*:*	:	*:*	:
Portugal	84.58	186.94	199.40	200.48	200.48	200.48	:	*:*	:	*:*	:	*:*	:
Finland	4.77	5.88	5.92	5.95	5.95	5.95	:	*:*	:	*:*	:	*:*	:
Sweden	6.05	8.53	8.67	8.81	8.45	9.26	9.16	*9.19*	9.12	*9.21*	8.99	*:*	9.01
United Kingdom	0.59	0.76	0.69	0.66	0.61	0.62	0.63	*0.67*	0.69	*0.67*	0.70	*:*	0.71
EU-15	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Euro area	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Cyprus	0.48	0.58	0.58	0.58	0.57	0.58	0.58	*:*	0.58	*:*	0.58	*:*	0.58
Czech Republic	:	34.89	35.84	36.88	35.60	34.07	30.80	*:*	31.81	*:*	32.03	*:*	32.29
Estonia	:	:	15.61	15.65	15.65	15.65	15.65	*:*	15.65	*:*	15.65	*:*	15.65
Hungary	:	142.43	231.76	252.77	260.05	256.59	242.96	*:*	252.18	*:*	254.74	*:*	254.74
Latvia	:	:	0.64	0.63	0.56	0.56	0.58	*:*	0.64	*:*	0.65	*:*	0.65
Lithuania	:	:	4.41	4.26	3.70	3.58	3.46	*:*	3.45	*:*	3.45	*:*	3.45
Malta	0.43	0.43	0.43	0.43	0.40	0.40	0.41	*:*	0.43	*:*	0.43	*:*	0.43
Poland	:	2.60	3.86	4.23	4.01	3.67	3.86	*:*	4.38	*:*	4.55	*:*	4.57
Slovakia	:	:	40.66	44.12	42.60	43.30	42.69	*:*	41.50	*:*	42.26	*:*	43.38
Slovenia	:	:	187.96	194.47	206.61	217.98	225.98	*:*	233.71	*:*	241.00	*:*	247.82
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
USA	1.11	1.24	1.10	1.07	0.92	0.90	0.95	*1.07*	1.13	*1.07*	1.16	*:*	1.15
Japan	262.44	141.04	128.47	121.32	99.47	108.68	118.06	*126.19*	130.73	*124.29*	125.76	*:*	122.00

TABLE 31 : Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1970-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	1.0	1.9	-2.2	-1.4	-3.6	0.6	1.0	*2.8*	3.8	*-0.1*	0.4	*:*	-0.2
Denmark	1.4	1.8	-1.9	-1.7	-4.5	1.5	1.2	*3.1*	4.3	*-0.4*	-0.1	*:*	-0.3
Germany	6.2	2.4	-2.9	-2.1	-4.9	0.6	1.5	*3.9*	5.5	*-0.1*	0.6	*:*	-0.3
Greece	-4.6	-7.2	-3.5	-0.5	-6.4	-0.7	1.0	*2.7*	3.8	*-0.1*	0.4	*:*	-0.2
Spain	0.8	-3.9	-1.8	-1.6	-3.5	0.4	1.1	*3.0*	4.1	*0.0*	0.5	*:*	-0.2
France	-1.2	1.8	-1.9	-2.0	-4.5	0.5	1.4	*3.7*	5.1	*-0.1*	0.5	*:*	-0.3
Ireland	-1.4	-0.6	-1.9	-3.1	-5.7	0.6	1.9	*5.1*	7.2	*-0.1*	0.8	*:*	-0.3
Italy	-3.3	-6.9	0.4	-2.3	-4.4	0.4	1.4	*3.7*	5.0	*-0.1*	0.5	*:*	-0.3
Luxembourg	1.0	1.9	-2.2	-1.4	-3.6	0.6	1.0	*2.8*	3.8	*-0.1*	0.4	*:*	-0.2
Netherlands	0.9	2.0	-2.2	-1.3	-3.2	0.6	0.8	*2.5*	3.6	*0.0*	0.4	*:*	-0.2
Austria	1.9	1.7	-1.8	-1.2	-2.9	0.3	0.8	*2.2*	3.2	*-0.1*	0.3	*:*	-0.2
Portugal	0.5	-1.1	-1.5	-1.2	-2.9	0.4	0.8	*2.4*	3.4	*0.0*	0.4	*:*	-0.1
Finland	-1.8	-2.7	-2.7	-2.1	-4.6	1.2	1.3	*3.7*	5.2	*-0.2*	0.4	*:*	-0.3
Sweden	-0.1	-4.1	0.2	-1.8	-0.5	-8.3	2.1	*4.3*	6.1	*-0.5*	2.0	*:*	-0.7
United Kingdom	-3.6	-3.0	4.6	-0.5	2.8	-1.7	0.7	*-2.4*	-4.3	*-1.0*	-0.9	*:*	-0.7
EU-15	1.6	-2.2	-3.7	-6.2	-11.3	-0.3	4.3	*9.0*	12.6	*-0.9*	1.1	*:*	-1.1
Euro area	3.5	-0.2	-4.6	-4.7	-10.2	1.2	3.1	*8.1*	11.7	*-0.3*	1.2	*:*	-0.6
Cyprus	:	:	6.8	-0.9	-2.7	2.2	1.9	*:*	4.1	*:*	0.7	*:*	0.1
Czech Republic	:	:	0.4	-1.5	1.7	5.2	11.6	*:*	-0.1	*:*	0.0	*:*	-0.7
Estonia	:	:	-0.8	-0.2	-3.4	1.7	0.6	*:*	3.1	*:*	0.3	*:*	-0.1
Hungary	:	:	-7.8	-4.8	-4.7	2.4	6.9	*:*	-0.4	*:*	-0.4	*:*	0.2
Latvia	:	:	4.2	4.5	7.5	1.0	-3.0	*:*	-5.8	*:*	-1.2	*:*	0.7
Lithuania	:	:	8.7	5.0	12.3	4.6	5.1	*:*	5.2	*:*	0.9	*:*	0.1
Malta	:	:	-0.1	-1.4	-1.8	0.7	1.1	*:*	2.9	*:*	0.1	*:*	-0.3
Poland	:	:	-4.2	-8.5	3.3	10.3	-4.2	*:*	-9.7	*:*	-3.4	*:*	-0.4
Slovakia	:	:	-0.7	-10.1	2.0	-1.6	1.6	*:*	5.7	*:*	-1.2	*:*	-2.4
Slovenia	:	:	-4.9	-4.3	-7.2	-4.3	-2.7	*:*	-0.6	*:*	-2.5	*:*	-2.6
AC-10	:	:	-3.2	-5.4	0.0	4.6	3.2	*:*	-2.7	*:*	-1.5	*:*	-0.6
EU-25	:	:	1.7	-1.8	-8.0	4.2	6.0	*:*	12.2	*:*	1.5	*:*	-0.2
USA	-4.2	0.4	4.7	-0.6	4.6	5.1	-1.1	*-5.0*	-8.9	*0.4*	-2.9	*:*	0.4
Japan	4.8	9.4	0.3	17.1	11.8	-9.3	-5.2	*0.4*	-0.2	*2.5*	5.7	*:*	2.8

[1] For Member States, EU-15, euro area, USA and Japan : 22 countries : EUR14 (excl. LU), CH, NR, US, CA, JP, AU, MX and NZ.
For Acceding Countries, AC-10 and EU-25 : 35 countries (22 plus 13 candidates).

TABLE 32 : Relative unit labour costs, to rest of a group [1] of industrialised countries (nat. curr.) (percentage change on preceding year, 1963-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1963-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	-0.6	0.3	-0.6	0.3	-1.6	1.5	1.5	*-0.8*	-0.4	*0.4*	0.8	*:*	:
Denmark	1.2	-1.5	0.7	1.1	-0.6	0.6	-0.3	*0.6*	0.9	*1.0*	0.9	*:*	:
Germany	-2.8	0.7	-1.3	-1.1	-1.0	-2.2	-0.8	*-0.9*	-0.9	*-0.8*	-1.3	*:*	:
Greece	5.5	8.4	3.9	1.9	-0.2	-2.0	2.9	*0.5*	1.9	*0.9*	2.5	*:*	:
Spain	3.9	2.1	1.0	0.6	1.1	0.4	1.4	*1.2*	1.9	*1.1*	1.9	*:*	:
France	0.3	-1.4	-0.7	-0.2	-0.8	-0.9	0.9	*-0.2*	1.2	*-0.4*	-0.4	*:*	:
Ireland	1.5	-1.0	-0.3	-1.3	0.7	2.7	-1.5	*0.8*	3.2	*0.9*	1.2	*:*	:
Italy	4.2	0.3	0.4	0.2	-0.2	-0.1	1.8	*1.1*	2.6	*1.1*	1.1	*:*	:
Luxembourg	-0.6	0.3	-0.6	0.3	-1.6	1.5	1.5	*:*	-0.4	*:*	0.8	*:*	:
Netherlands	-0.9	-0.5	0.7	0.8	1.4	2.7	3.4	*1.4*	2.6	*0.2*	-1.1	*:*	:
Austria	-1.7	0.2	-1.1	-0.4	-1.8	-2.0	-0.6	*-0.3*	1.0	*0.1*	0.4	*:*	:
Portugal	5.8	6.9	2.3	2.0	2.0	2.2	3.2	*0.2*	0.7	*-0.8*	0.0	*:*	:
Finland	1.6	-2.1	-1.0	0.1	-1.2	1.9	-0.9	*-0.5*	0.1	*-0.7*	-0.3	*:*	:
Sweden	0.7	-1.1	0.5	-2.7	3.1	2.8	0.7	*0.6*	0.8	*0.3*	0.5	*:*	:
United Kingdom	2.2	-0.2	1.7	2.0	1.3	0.3	1.5	*1.3*	1.9	*1.6*	1.2	*:*	:
EU-15	1.1	0.5	-0.1	0.0	-0.3	-0.9	2.7	*0.9*	3.4	*0.8*	0.3	*:*	:
Euro area	-0.2	0.7	-0.9	-0.5	-1.1	-1.1	1.6	*0.1*	2.1	*0.0*	-0.3	*:*	:
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Estonia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Lithuania	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Malta	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Poland	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovakia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovenia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
USA	-2.2	-1.1	-0.3	-0.2	1.4	-0.1	-2.4	*0.7*	-1.6	*-0.4*	-0.5	*:*	:
Japan	-1.2	-1.3	-3.0	-3.7	-5.4	-4.5	-3.7	*-4.8*	-2.3	*-2.9*	-2.0	*:*	:

[1] For Member States, EU-15, euro area, USA and Japan : 22 countries : EUR14 (excl. LU), CH, NR, US, CA, JP, AU, MX and NZ.
For Acceding Countries, AC-10 and EU-25 : 35 countries (22 plus 13 candidates).

TABLE 33 : Real effective exchange rate : ulc relative to rest of a group [1] of industrialised countries (usd) (perc. change on preceding year, 1963-2005 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1963-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	0.0	2.2	-2.8	-1.1	-5.1	2.1	2.5	*1.9*	3.4	*0.3*	1.2	*:*	:
Denmark	1.3	0.2	-1.2	-0.6	-5.1	2.1	0.8	*3.7*	5.3	*0.6*	0.9	*:*	:
Germany	0.3	3.1	-4.2	-3.2	-5.9	-1.7	0.6	*3.0*	4.5	*-0.9*	-0.7	*:*	:
Greece	-1.4	0.7	0.3	1.4	-6.6	-2.7	3.9	*3.2*	5.8	*0.8*	2.9	*:*	:
Spain	1.9	-1.9	-0.9	-1.0	-2.4	0.8	2.5	*4.2*	6.0	*1.1*	2.4	*:*	:
France	-0.7	0.4	-2.6	-2.3	-5.3	-0.4	2.3	*3.5*	6.4	*-0.5*	0.2	*:*	:
Ireland	0.2	-1.6	-2.2	-4.3	-5.1	3.4	0.3	*6.0*	10.6	*0.8*	2.0	*:*	:
Italy	1.0	-6.6	0.8	-2.1	-4.6	0.3	3.3	*4.9*	7.7	*0.9*	1.6	*:*	:
Luxembourg	0.0	2.2	-2.8	-1.1	-5.1	2.1	2.5	*:*	3.4	*:*	1.2	*:*	:
Netherlands	0.7	1.5	-1.5	-0.5	-1.9	3.3	4.2	*4.0*	6.3	*0.1*	-0.7	*:*	:
Austria	0.3	1.9	-2.8	-1.6	-4.6	-1.7	0.2	*1.9*	4.2	*0.0*	0.7	*:*	:
Portugal	-0.3	5.7	0.8	0.7	-0.9	2.5	4.0	*2.7*	4.2	*-0.8*	0.5	*:*	:
Finland	0.6	-4.7	-3.6	-2.0	-5.7	3.1	0.4	*3.2*	5.3	*-0.8*	0.1	*:*	:
Sweden	-0.1	-5.1	0.8	-4.5	2.6	-5.8	2.9	*5.0*	6.9	*-0.3*	2.5	*:*	:
United Kingdom	0.0	-3.2	6.4	1.4	4.1	-1.4	2.2	*-1.2*	-2.5	*0.6*	0.3	*:*	:
EU-15	0.6	-1.7	-3.7	-6.2	-11.5	-1.1	7.2	*10.0*	16.5	*0.0*	1.4	*:*	:
Euro area	0.6	0.4	-5.5	-5.2	-11.2	0.1	4.8	*8.2*	14.0	*-0.3*	0.9	*:*	:
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Estonia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Lithuania	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Malta	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Poland	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovakia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovenia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
USA	-1.7	-0.7	4.3	-0.9	6.0	5.0	-3.4	*-4.4*	-10.4	*0.0*	-3.4	*:*	:
Japan	2.3	8.0	-2.7	12.7	5.7	-13.4	-8.7	*-4.5*	-2.5	*-0.6*	3.6	*:*	:

[1] For Member States, EU-15, euro area, USA and Japan : 22 countries : EUR14 (excl. LU), CH, NR, US, CA, JP, AU, MX and NZ.
For Acceding Countries, AC-10 and EU-25 : 35 countries (22 plus 13 candidates).

TABLE 34 : Short term interest rates (1961-2003)

	long-term average	5-year average											
	1961-90	1991-95	1996-00	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Belgium	7.9	7.4	3.5	5.6	4.7	3.2	3.4	3.5	3.0	4.4	4.3	3.3	2.3
Denmark	9.7	8.7	4.0	6.1	6.1	3.9	3.7	4.1	3.4	5.0	4.7	3.5	2.4
Germany	6.2	7.1	3.5	5.3	4.5	3.3	3.3	3.5	3.0	4.4	4.3	3.3	2.3
Greece	:	22.1	11.7	24.6	16.4	13.8	12.8	14.0	10.1	7.7	4.3	3.3	2.3
Spain	:	11.1	4.9	8.0	9.4	7.5	5.4	4.3	3.0	4.4	4.3	3.3	2.3
France	8.3	8.2	3.7	5.9	6.6	3.9	3.5	3.6	3.0	4.4	4.3	3.3	2.3
Ireland	:	8.8	4.9	5.9	6.3	5.4	6.1	5.5	3.0	4.4	4.3	3.3	2.3
Italy	10.0	11.0	5.5	8.5	10.3	8.7	6.8	4.9	3.0	4.4	4.3	3.3	2.3
Luxembourg	7.9	7.4	3.5	5.6	4.7	3.2	3.4	3.5	3.0	4.4	4.3	3.3	2.3
Netherlands	5.9	7.0	3.4	5.2	4.4	3.0	3.3	3.4	3.0	4.4	4.3	3.3	2.3
Austria	:	7.0	3.6	5.0	4.5	3.3	3.5	3.6	3.0	4.4	4.3	3.3	2.3
Portugal	:	13.6	5.0	11.1	9.8	7.4	5.7	4.3	3.0	4.4	4.3	3.3	2.3
Finland	:	9.0	3.6	5.3	5.8	3.6	3.2	3.6	3.0	4.4	4.3	3.3	2.3
Sweden	:	10.1	4.4	7.6	8.9	5.9	4.5	4.3	3.3	4.1	4.1	4.2	3.2
United Kingdom	9.7	7.9	6.4	5.5	6.7	6.0	6.8	7.3	5.5	6.2	5.0	4.1	3.7
EU-15	8.4	8.9	4.6	6.6	7.0	5.4	4.9	4.7	3.5	4.7	4.4	3.5	2.6
Euro area	8.0	9.0	4.3	6.8	7.0	5.3	4.5	4.2	3.1	4.5	4.3	3.3	2.3
Cyprus	:	:	:	:	:	:	:	:	6.3	6.4	5.9	4.4	3.6
Czech Republic	:	:	10.9	9.1	11.0	12.0	16.0	14.3	6.9	5.4	5.2	3.5	2.3
Estonia	:	:	7.7	:	:	7.1	7.6	12.5	6.6	4.7	4.5	3.4	2.8
Hungary	:	:	17.8	27.8	31.3	24.3	20.4	17.9	15.1	11.4	10.9	9.2	7.0
Latvia	:	:	:	:	:	:	6.0	6.9	7.5	4.0	6.1	3.3	2.7
Lithuania	:	:	:	:	:	:	:	:	13.9	8.6	5.9	3.7	2.3
Malta	:	:	5.1	:	4.8	5.0	5.1	5.4	5.2	4.9	4.9	4.0	3.1
Poland	:	:	19.8	:	27.6	21.4	23.7	20.4	14.7	18.8	16.1	9.0	5.6
Slovakia	:	:	15.8	:	8.4	11.9	21.8	21.1	15.7	8.6	7.8	7.8	6.2
Slovenia	:	:	:	29.1	:	:	:	10.3	8.6	10.9	10.9	8.0	6.4
AC-10	:	:	:	:	:	:	:	:	12.6	12.9	11.9	7.4	5.1
EU-25	:	:	:	:	:	:	:	:	4.2	5.4	4.7	3.6	2.7
USA	6.6	4.6	5.7	4.7	6.0	5.5	5.7	5.5	5.4	6.5	3.8	1.8	1.2
Japan	:	3.6	0.5	2.3	1.2	0.6	0.6	0.8	0.2	0.3	0.2	0.1	0.1

TABLE 35 : Long term interest rates (1961-2003) 20.10.2003

	long-term average 1961-90	5-year average 1991-95	5-year average 1996-00	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Belgium	8.5	8.1	5.5	7.8	7.5	6.5	5.8	4.8	4.8	5.6	5.1	5.0	4.1
Denmark	12.0	8.3	5.8	7.8	8.3	7.2	6.3	4.9	4.9	5.6	5.1	5.0	4.3
Germany	7.4	7.3	5.2	6.9	6.9	6.2	5.6	4.6	4.5	5.3	4.8	4.8	4.1
Greece	:	:	9.1	20.7	17.0	14.5	9.9	8.5	6.3	6.1	5.9	5.1	4.1
Spain	:	11.1	6.0	10.0	11.3	8.7	6.4	4.8	4.7	5.5	5.1	5.0	4.1
France	9.4	7.8	5.3	7.2	7.5	6.3	5.6	4.6	4.6	5.4	5.0	4.9	4.1
Ireland	:	8.5	5.7	7.9	8.3	7.3	6.3	4.8	4.7	5.5	4.9	4.9	4.1
Italy	11.1	12.1	6.3	10.5	12.2	9.4	6.9	4.9	4.7	5.6	5.2	5.0	4.1
Luxembourg	:	7.5	5.4	7.2	7.2	6.3	5.6	4.7	4.7	5.5	5.0	4.9	4.1
Netherlands	7.5	7.4	5.3	6.9	6.9	6.2	5.6	4.6	4.6	5.4	5.0	4.9	4.1
Austria	:	7.6	5.4	7.0	7.1	6.3	5.7	4.7	4.7	5.6	5.1	5.0	4.1
Portugal	:	11.8	6.0	10.5	11.5	8.6	6.4	4.9	4.8	5.6	5.2	5.1	4.1
Finland	9.9	10.1	5.6	9.0	8.8	7.1	6.0	4.8	4.7	5.5	5.0	4.9	4.1
Sweden	9.1	9.8	6.0	9.7	10.2	8.0	6.6	5.0	5.0	5.4	5.1	5.3	4.6
United Kingdom	10.2	8.6	6.2	8.2	8.3	7.9	7.1	5.6	5.0	5.3	4.9	4.9	4.4
EU-15	9.4	9.0	5.8	8.4	8.8	7.5	6.3	4.9	4.7	5.4	5.0	4.9	4.2
Euro area	9.1	9.1	5.7	8.4	8.9	7.4	6.1	4.8	4.7	5.4	5.0	4.9	4.1
Cyprus	:	:	:	:	:	:	6.9	6.7	7.4	7.6	7.7	5.4	4.6
Czech Republic	:	:	:	:	:	:	:	:	:	6.9	6.3	4.9	4.1
Estonia	:	:	:	:	:	:	:	:	:	:	:	:	6.4
Hungary	:	:	:	:	:	:	:	:	9.9	8.6	7.9	7.1	6.5
Latvia	:	:	:	:	:	:	:	:	:	:	:	:	5.1
Lithuania	:	:	:	:	:	:	:	:	:	:	:	6.0	5.1
Malta	:	:	:	:	:	:	:	:	:	5.8	6.1	5.7	5.8
Poland	:	:	:	:	:	:	:	:	9.5	11.8	10.7	7.3	5.9
Slovakia	:	:	:	:	:	:	:	:	:	8.3	8.1	6.9	4.9
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:	5.5
AC-10	:	:	:	:	:	:	:	:	:	:	:	:	5.5
EU-25	:	:	:	:	:	:	:	:	:	:	:	:	4.2
USA	7.4	7.0	6.0	7.2	6.7	6.5	6.5	5.3	5.6	6.0	5.0	4.6	4.0
Japan	:	4.7	2.0	4.2	3.3	3.0	2.2	1.3	1.8	1.8	1.3	1.3	1.0

TABLE 36 : Total expenditure, general government (as a percentage of GDP, 1970-2005) [1]

	long-term average 1970-90	5-year average 1991-95	5-year average 1996-00	1999	2000	2001	2002	2003 estimate of *III-2003*	2003 estimate of X-2003	2004 forecast of *III-2003*	2004 forecast of X-2003	2005 forecast of *III-2003*	2005 forecast of X-2003
Belgium	53.0	54.1	50.9	50.1	49.3	49.4	50.4	*49.7*	51.1	*49.3*	50.8	*:*	50.1
Denmark	50.3	59.4	57.3	56.2	54.6	55.0	55.4	*54.4*	55.4	*54.0*	54.7	*:*	53.6
Germany	44.8	48.2	48.6	48.7	45.7	48.3	48.5	*48.9*	49.1	*48.4*	48.4	*:*	47.6
Greece [2]	33.2	47.6	48.4	47.6	49.8	47.8	46.5	*47.1*	46.3	*46.2*	45.7	*:*	45.1
Spain	31.6	45.4	41.4	40.2	39.8	39.4	39.7	*39.8*	39.8	*39.6*	39.7	*:*	39.7
France	45.3	53.0	54.1	53.5	52.7	52.6	53.5	*54.1*	54.7	*53.8*	54.3	*:*	54.1
Ireland	42.6	39.6	35.7	34.5	32.1	34.0	33.3	*34.0*	34.8	*33.6*	34.9	*:*	34.5
Italy	44.1	54.6	50.0	48.8	46.9	48.5	47.5	*47.4*	48.5	*47.5*	47.7	*:*	47.6
Luxembourg	:	:	42.1	41.3	38.5	39.1	44.2	*46.3*	48.0	*46.4*	48.6	*:*	48.8
Netherlands	51.4	53.0	47.5	46.9	45.3	46.6	47.5	*47.5*	48.5	*47.7*	48.2	*:*	47.5
Austria	46.2	53.3	54.2	54.1	52.2	51.6	51.1	*52.1*	51.2	*51.1*	50.9	*:*	50.0
Portugal	32.8	42.4	45.0	45.2	45.1	46.3	46.0	*47.0*	46.9	*46.9*	46.0	*:*	46.3
Finland	39.2	58.7	54.0	52.1	49.0	49.1	50.0	*49.5*	50.9	*49.0*	51.0	*:*	50.1
Sweden	55.3	65.6	61.4	60.2	57.4	57.2	58.2	*59.1*	59.0	*58.5*	58.7	*:*	57.8
United Kingdom	41.5	42.3	39.9	39.2	36.9	40.5	41.3	*41.9*	42.8	*42.2*	43.1	*:*	43.2
EU-15	44.3	50.3	48.4	47.7	45.7	47.1	47.4	*47.8*	48.4	*47.6*	48.0	*:*	47.6
Euro area	44.2	50.8	49.4	48.9	47.1	48.1	48.3	*48.6*	49.0	*48.3*	48.4	*:*	48.0
Cyprus	:	:	:	:	:	39.3	39.8	*:*	40.6	*:*	39.1	*:*	38.3
Czech Republic	:	:	45.7	45.9	46.1	47.3	49.9	*:*	50.8	*:*	50.6	*:*	49.3
Estonia	:	:	:	:	:	37.3	38.5	*:*	41.1	*:*	39.7	*:*	38.9
Hungary	:	:	:	:	:	58.5	53.7	*:*	48.6	*:*	48.8	*:*	47.8
Latvia	:	38.0	46.5	50.2	45.2	42.4	44.9	*:*	46.0	*:*	43.8	*:*	38.2
Lithuania	:	:	40.3	43.7	38.8	37.1	36.9	*:*	37.8	*:*	38.7	*:*	38.6
Malta	:	:	:	:	:	46.9	48.8	*:*	46.6	*:*	44.9	*:*	43.3
Poland	:	53.1	46.2	45.2	43.3	45.0	44.3	*:*	45.6	*:*	48.1	*:*	46.7
Slovakia	:	:	:	:	:	42.1	43.7	*:*	38.5	*:*	37.3	*:*	37.1
Slovenia	:	:	:	:	:	42.8	44.0	*:*	43.8	*:*	44.0	*:*	44.1
AC-10	:	:	:	:	:	46.4	46.3	*:*	46.0	*:*	46.8	*:*	45.6
EU-25	:	:	:	:	:	47.1	47.4	*:*	48.3	*:*	47.9	*:*	47.5
USA	33.6	35.9	33.1	32.5	32.3	33.4	34.2	*35.7*	35.1	*35.3*	34.8	*:*	34.8
Japan	28.3	33.2	39.1	39.2	39.9	39.4	40.4	*40.2*	40.2	*40.3*	40.1	*:*	40.2

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. Total expenditure includes in 2000-2002 one-off proceeds relative to UMTS licences.
The UMTS amounts as a % of GDP in 2000 would be equal to DE : 2.5, ES : 0.1, IT : 1.2, NL : 0.7, AT : 0.4, PT : 0.3, UK : 2.4, EU-15 : 1.2 and euro area : 1.1.
For 2001 : BE : 0.2, DK : 0.2, EL : 0.5, FR : 0.1, EU-15 : 0 and euro area : 0. For 2002 : FR : 0, IE : 0.2, EU-15 : 0 and euro area : 0.
[2] Current expenditure, gross fixed capital formation and net capital transfers.

TABLE 37 : Total revenue, general government (as a percentage of GDP, 1970-2005) [1] 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium [2]	46.2	48.3	49.5	49.7	49.5	50.0	50.5	49.5	51.4	49.2	50.4	:	49.7
Denmark	50.5	57.0	58.5	59.5	57.2	58.0	57.4	56.2	56.4	56.1	56.0	:	55.6
Germany	43.0	45.1	46.9	47.3	47.1	45.5	45.0	45.4	44.9	45.5	44.4	:	44.2
Greece [3]	27.5	36.1	44.9	45.8	47.8	46.3	45.4	46.0	44.6	45.2	43.4	:	42.8
Spain	29.4	39.8	38.7	39.0	39.0	39.1	39.8	39.3	39.8	39.5	39.9	:	39.9
France	44.1	48.5	51.5	51.8	51.3	51.0	50.4	50.3	50.5	50.3	50.5	:	50.5
Ireland	34.9	37.5	37.7	36.8	36.5	34.9	33.1	33.4	34.0	32.8	33.7	:	33.5
Italy	34.8	45.5	46.9	47.1	46.2	45.8	45.2	45.1	45.9	44.3	44.9	:	44.1
Luxembourg	:	:	45.8	44.8	44.9	45.3	46.7	46.0	47.5	45.1	46.5	:	46.3
Netherlands	48.5	49.5	47.3	47.6	47.5	46.6	45.9	45.9	45.9	45.3	45.5	:	45.1
Austria	44.4	49.5	51.8	51.8	50.8	51.9	51.0	51.0	50.2	50.7	50.4	:	49.8
Portugal	28.2	37.2	41.6	42.4	42.3	42.1	43.3	43.5	44.1	43.6	42.7	:	42.4
Finland	43.1	53.7	55.3	54.2	56.1	54.3	54.2	52.8	53.4	52.0	52.7	:	52.0
Sweden	55.8	58.1	61.9	61.6	60.9	61.7	59.5	59.9	59.2	59.7	59.2	:	58.8
United Kingdom	39.3	36.6	39.7	40.3	40.8	41.2	39.8	39.5	40.0	39.7	40.4	:	40.8
EU-15	41.4	45.1	46.8	47.0	46.7	46.2	45.5	45.6	45.7	45.4	45.4	:	45.2
Euro area	40.8	45.8	47.4	47.6	47.2	46.5	46.1	46.1	46.2	45.9	45.7	:	45.4
Cyprus	:	:	:	:	:	36.3	36.3	:	35.4	:	35.4	:	35.4
Czech Republic	:	:	42.4	42.2	42.0	41.5	42.8	:	42.8	:	44.3	:	44.1
Estonia	:	:	:	:	:	37.6	39.5	:	41.1	:	39.3	:	39.3
Hungary	:	:	:	:	:	54.3	44.5	:	43.2	:	44.4	:	44.2
Latvia	:	38.9	44.9	44.9	42.5	40.8	41.9	:	43.4	:	41.1	:	36.2
Lithuania	:	:	37.1	38.0	36.4	34.9	35.2	:	35.2	:	35.5	:	35.9
Malta	:	:	:	:	:	40.1	42.6	:	39.0	:	39.1	:	39.2
Poland	:	49.6	43.7	43.3	40.8	42.0	40.4	:	41.3	:	42.2	:	41.8
Slovakia	:	:	:	:	:	35.0	36.5	:	33.4	:	33.3	:	33.7
Slovenia	:	:	:	:	:	41.5	41.7	:	41.6	:	42.2	:	42.4
AC-10	:	:	:	:	:	42.7	41.1	:	41.0	:	41.8	:	41.5
EU-25	:	:	:	:	:	46.1	45.3	:	45.5	:	45.3	:	45.0
USA	:	31.4	33.0	33.2	33.8	32.9	30.8	30.9	30.1	30.7	29.3	:	29.4
Japan	27.4	32.5	32.3	32.1	32.4	33.3	33.3	33.2	32.9	33.2	32.9	:	33.1

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

[2] Including transfers of the Belgacom pension fund (1.4% and 0.5% of GDP in 2003 and 2004). Eurostat is still investigating this operation.

[3] Total current receipts.

TABLE 38 : Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1970-2005) [1]

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium [2]	-6.8	-5.9	-1.3	-0.4	0.2	0.6	0.1	-0.2	0.2	-0.1	-0.4	:	-0.4
Denmark [3]	-0.5	-2.4	1.3	3.3	2.6	3.1	1.9	1.8	0.9	2.1	1.3	:	1.9
Germany	-1.9	-3.1	-1.7	-1.5	1.3	-2.8	-3.5	-3.4	-4.2	-2.9	-3.9	:	-3.4
Greece	-5.7	-11.5	-3.5	-1.8	-1.9	-1.5	-1.2	-1.1	-1.7	-1.0	-2.4	:	-2.3
Spain	-2.4	-5.6	-2.6	-1.2	-0.8	-0.3	0.1	-0.4	0.0	-0.1	0.1	:	0.2
France	-1.2	-4.5	-2.6	-1.8	-1.4	-1.5	-3.1	-3.7	-4.2	-3.5	-3.8	:	-3.6
Ireland	-7.7	-2.1	2.0	2.4	4.4	0.9	-0.2	-0.6	-0.9	-0.9	-1.2	:	-1.1
Italy	-9.1	-9.1	-3.1	-1.7	-0.6	-2.6	-2.3	-2.3	-2.6	-3.1	-2.8	:	-3.5
Luxembourg	:	1.7	3.6	3.5	6.4	6.2	2.4	-0.2	-0.6	-1.2	-2.1	:	-2.5
Netherlands	-3.2	-3.5	-0.2	0.7	2.2	0.0	-1.6	-1.6	-2.6	-2.4	-2.7	:	-2.4
Austria	-1.8	-3.8	-2.4	-2.3	-1.5	0.3	-0.2	-1.1	-1.0	-0.4	-0.6	:	-0.2
Portugal	-4.6	-5.2	-3.4	-2.8	-2.8	-4.2	-2.7	-3.5	-2.9	-3.2	-3.3	:	-3.9
Finland	3.9	-5.0	1.3	2.2	7.1	5.2	4.2	3.3	2.4	3.0	1.7	:	1.9
Sweden	0.6	-7.4	0.5	1.5	3.4	4.5	1.3	0.8	0.2	1.2	0.5	:	1.0
United Kingdom	-2.2	-5.7	-0.3	1.1	3.9	0.7	-1.5	-2.5	-2.8	-2.5	-2.7	:	-2.4
EU-15	-2.9	-5.1	-1.6	-0.7	1.0	-0.9	-1.9	-2.3	-2.7	-2.2	-2.6	:	-2.4
Euro area	-3.3	-5.0	-2.1	-1.3	0.2	-1.6	-2.2	-2.5	-2.8	-2.4	-2.7	:	-2.7
Cyprus	:	:	:	-4.4	-3.1	-3.0	-3.5	:	-5.2	:	-3.7	:	-2.9
Czech Republic	:	:	-3.3	-3.7	-4.0	-5.8	-7.1	:	-8.0	:	-6.3	:	-5.2
Estonia	:	:	-1.0	-2.8	-0.3	0.3	0.9	:	0.0	:	-0.4	:	0.4
Hungary	:	:	:	-5.6	-3.0	-4.2	-9.2	:	-5.4	:	-4.4	:	-3.6
Latvia	:	0.9	-1.5	-5.3	-2.7	-1.6	-3.0	:	-2.7	:	-2.7	:	-2.0
Lithuania	:	:	-3.2	-5.7	-2.3	-2.2	-1.7	:	-2.6	:	-3.1	:	-2.7
Malta	:	:	:	-8.2	-7.0	-6.8	-6.2	:	-7.6	:	-5.8	:	-4.1
Poland	:	-3.5	-2.5	-2.0	-2.5	-3.1	-3.9	:	-4.3	:	-5.9	:	-4.9
Slovakia	:	:	-8.0	-7.8	-13.5	-7.2	-7.2	:	-5.1	:	-4.0	:	-3.4
Slovenia	:	:	:	-2.1	-3.1	-1.3	-2.3	:	-2.2	:	-1.8	:	-1.7
AC-10	:	:	:	-3.5	-3.5	-3.7	-5.2	:	-5.0	:	-5.0	:	-4.1
EU-25	:	:	:	-0.8	0.8	-1.1	-2.1	:	-2.8	:	-2.7	:	-2.5
USA	-3.2	-4.5	-0.1	0.7	1.5	-0.5	-3.4	-4.8	-5.0	-4.6	-5.5	:	-5.4
Japan	-1.4	-0.9	-6.8	-7.2	-7.4	-6.1	-7.1	-7.0	-7.3	-7.0	-7.2	:	-7.1

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The net lending (borrowing) includes in 2000-2002 one-off proceeds relative to UMTS licences.
The UMTS amounts as a % of GDP in 2000 would be equal to DE : 2.5, ES : 0.1, IT : 1.2, NL : 0.7, AT : 0.4, PT : 0.3, UK : 2.4, EU-15 : 1.2 and euro area : 1.1.
For 2001 : BE : 0.2, DK : 0.2, EL : 0.5, FR : 0.1, EU-15 : 0 and euro area : 0. For 2002 : FR : 0, IE : 0.2, EU-15 : 0 and euro area : 0.

[2] Including transfers of the Belgacom pension fund (1.4% and 0.5% of GDP in 2003 and 2004). Eurostat is still investigating this operation.

[3] For 2001 the retroactive change to the "special pension contribution" is not included.

TABLE 39 : Interest expenditure, general government (as a percentage of GDP, 1970-2005) [1]

20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	6.6	10.1	7.6	7.0	6.7	6.6	6.0	*5.5*	5.6	*4.9*	5.0	:	4.6
Denmark	4.5	6.9	5.2	4.7	4.2	3.9	3.5	*3.3*	3.3	*3.2*	3.0	:	2.8
Germany	2.0	3.2	3.6	3.5	3.4	3.3	3.1	*3.2*	3.1	*3.3*	3.2	:	3.2
Greece	3.2	12.0	9.3	8.3	7.8	7.1	6.1	*5.2*	6.0	*4.9*	5.6	:	5.4
Spain	1.3	4.6	4.2	3.5	3.3	3.1	2.8	*2.6*	2.5	*2.5*	2.3	:	2.2
France	1.8	3.3	3.5	3.3	3.2	3.2	3.2	*3.2*	3.2	*3.3*	3.2	:	3.2
Ireland	6.2	6.2	3.3	2.4	2.1	1.6	1.4	*1.5*	1.5	*1.5*	1.5	:	1.4
Italy	5.6	11.2	8.5	6.7	6.5	6.4	5.7	*5.3*	5.3	*5.1*	5.0	:	5.1
Luxembourg	:	0.3	0.3	0.3	0.3	0.3	0.3	*0.2*	0.1	*0.2*	0.1	:	0.1
Netherlands	4.3	5.9	4.8	4.5	3.8	3.4	3.1	*3.0*	3.0	*2.9*	2.7	:	2.6
Austria	2.4	4.2	3.8	3.6	3.6	3.5	3.4	*3.5*	3.3	*3.4*	3.3	:	3.2
Portugal	3.7	6.6	3.9	3.2	3.2	3.1	3.0	*3.1*	2.9	*3.0*	2.7	:	2.8
Finland	1.2	3.6	3.6	3.1	2.9	2.7	2.2	*2.2*	2.1	*2.1*	2.0	:	1.8
Sweden	4.2	5.8	5.4	4.6	4.0	3.2	2.9	*2.7*	2.7	*2.6*	2.6	:	2.7
United Kingdom	4.2	3.0	3.3	2.9	2.7	2.4	2.0	*2.0*	2.1	*2.1*	2.1	:	2.0
EU-15	3.2	5.1	4.6	4.1	3.8	3.7	3.3	*3.2*	3.2	*3.2*	3.1	:	3.1
Euro area	3.0	5.4	4.8	4.3	4.1	4.0	3.6	*3.6*	3.6	*3.5*	3.4	:	3.4
Cyprus	:	:	:	5.5	5.7	4.9	4.9	*:*	4.8	*:*	4.6	:	4.5
Czech Republic	:	:	1.2	1.0	1.0	1.1	1.4	*:*	1.3	*:*	1.0	:	1.2
Estonia	:	:	0.4	0.4	0.3	0.3	0.2	*:*	0.3	*:*	0.3	:	0.3
Hungary	:	:	:	7.5	5.7	5.0	4.0	*:*	3.6	*:*	3.2	:	2.8
Latvia	:	0.5	1.1	0.9	1.1	1.0	0.9	*:*	0.9	*:*	0.8	:	0.8
Lithuania	:	:	1.2	1.5	1.8	1.8	1.6	*:*	1.5	*:*	1.4	:	1.3
Malta	:	:	:	3.8	4.0	3.6	3.8	*:*	3.9	*:*	4.2	:	4.2
Poland	:	6.4	4.0	3.2	3.3	3.2	3.1	*:*	3.2	*:*	3.0	:	3.1
Slovakia	:	:	2.9	3.4	4.1	3.1	3.5	*:*	2.9	*:*	2.6	:	2.5
Slovenia	:	:	:	2.3	2.2	1.5	1.6	*:*	1.7	*:*	1.8	:	1.8
AC-10	:	:	:	3.3	3.2	3.0	2.8	*:*	2.7	*:*	2.5	:	2.5
EU-25	:	:	:	4.0	3.8	3.6	3.3	*:*	3.3	*:*	3.1	:	3.1
USA	3.6	4.9	4.2	3.9	3.7	3.4	3.0	*2.9*	2.8	*3.0*	2.9	:	3.0
Japan	2.7	3.6	3.4	3.4	3.3	3.2	3.3	*3.4*	3.6	*3.5*	3.7	:	3.8

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 40 : Primary balance, general government (as a percentage of GDP, 1970-2005) [1] [2]

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	-0.2	4.2	6.3	6.6	6.9	7.1	6.1	*5.3*	5.8	*4.8*	4.6	:	4.2
Denmark	4.0	4.4	6.5	8.0	6.8	7.0	5.4	*5.1*	4.2	*5.3*	4.3	:	4.7
Germany	0.2	0.1	1.8	2.0	4.7	0.4	-0.4	*-0.2*	-1.1	*0.3*	-0.7	:	-0.2
Greece	-2.4	0.5	5.8	6.5	5.9	5.7	4.9	*4.1*	4.3	*3.9*	3.3	:	3.1
Spain	-1.1	-1.0	1.6	2.4	2.5	2.8	2.8	*2.2*	2.6	*2.4*	2.5	:	2.5
France	0.5	-1.2	1.0	1.6	1.8	1.7	0.1	*-0.5*	-0.9	*-0.2*	-0.6	:	-0.4
Ireland	-1.5	4.1	5.3	4.7	6.5	2.5	1.2	*0.9*	0.7	*0.6*	0.3	:	0.4
Italy	-3.5	2.1	5.4	5.0	5.8	3.8	3.4	*3.0*	2.7	*2.0*	2.2	:	1.6
Luxembourg	:	2.1	4.0	3.8	6.6	6.4	2.7	*0.0*	-0.4	*-1.1*	-2.0	:	-2.4
Netherlands	1.1	2.4	4.6	5.1	6.0	3.4	1.5	*1.5*	0.4	*0.5*	0.0	:	0.2
Austria	0.6	0.4	1.5	1.3	2.2	3.8	3.2	*2.4*	2.4	*3.0*	2.7	:	3.1
Portugal	-0.9	1.4	0.5	0.4	0.4	-1.1	0.3	*-0.4*	0.0	*-0.2*	-0.6	:	-1.0
Finland	5.0	-1.4	5.0	5.3	10.0	8.0	6.4	*5.4*	4.6	*5.0*	3.7	:	3.7
Sweden	4.8	-1.6	5.9	6.1	7.5	7.7	4.2	*3.5*	2.8	*3.9*	3.1	:	3.6
United Kingdom	2.0	-2.7	3.0	4.0	6.6	3.1	0.5	*-0.4*	-0.7	*-0.4*	-0.7	:	-0.4
EU-15	0.3	0.0	3.0	3.3	4.8	2.7	1.4	*0.9*	0.6	*1.0*	0.5	:	0.7
Euro area	-0.4	0.4	2.7	3.0	4.2	2.3	1.4	*1.1*	0.7	*1.1*	0.7	:	0.8
Cyprus	:	:	:	1.1	2.7	1.9	1.4	*:*	-0.5	*:*	0.9	:	1.6
Czech Republic	:	:	-2.2	-2.6	-3.0	-4.7	-5.7	*:*	-6.7	*:*	-5.2	:	-4.0
Estonia	:	:	-0.5	-2.4	0.0	0.5	1.2	*:*	0.3	*:*	-0.1	:	0.6
Hungary	:	:	:	1.9	2.7	0.8	-5.2	*:*	-1.9	*:*	-1.3	:	-0.8
Latvia	:	1.4	-0.4	-4.5	-1.7	-0.5	-2.1	*:*	-1.8	*:*	-1.9	:	-1.2
Lithuania	:	:	-1.9	-4.1	-0.6	-0.4	-0.1	*:*	-1.0	*:*	-1.7	:	-1.4
Malta	:	:	:	-4.3	-3.0	-3.2	-2.4	*:*	-3.7	*:*	-1.6	:	0.1
Poland	:	2.9	1.5	1.2	0.8	0.2	-0.8	*:*	-1.1	*:*	-2.8	:	-1.9
Slovakia	:	:	-5.1	-4.5	-9.4	-4.0	-3.7	*:*	-2.2	*:*	-1.4	:	-0.9
Slovenia	:	:	:	0.2	-0.9	0.2	-0.7	*:*	-0.5	*:*	-0.1	:	0.1
AC-10	:	:	:	-0.1	-0.3	-0.8	-2.4	*:*	-2.2	*:*	-2.5	:	-1.6
EU-25	:	:	:	3.2	4.6	2.6	1.2	*:*	0.5	*:*	0.5	:	0.6
USA	0.4	0.4	4.1	4.6	5.2	2.9	-0.4	*-1.8*	-2.2	*-1.6*	-2.6	:	-2.4
Japan	1.3	2.7	-3.4	-3.8	-4.2	-2.9	-3.7	*-3.6*	-3.7	*-3.5*	-3.5	:	-3.3

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The primary balance includes in 2000-2002 one-off proceeds relative to UMTS licences.
The UMTS amounts as a % of GDP in 2000 would be equal to DE : 2.5, ES : 0.1, IT : 1.2, NL : 0.7, AT : 0.4, PT : 0.3, UK : 2.4, EU-15 : 1.2 and euro area : 1.1.
For 2001 : BE : 0.2, DK : 0.2, EL : 0.5, FR : 0.1, EU-15 : 0 and euro area : 0. For 2002 : FR : 0, IE : 0.2, EU-15 : 0 and euro area : 0.

[2] Net lending/borrowing excluding interest expenditure.

TABLE 41 : Cyclically adjusted net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1970-2005) [1] 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	-6.9	-5.7	-1.6	-1.1	-1.3	-0.4	0.0	*0.2*	0.8	*0.0*	0.1	*:*	-0.2
Denmark	-0.5	-1.1	0.4	2.2	1.1	2.0	1.1	*2.0*	1.0	*2.2*	1.4	*:*	1.9
Germany	-1.8	-3.9	-2.2	-1.5	-1.9	-3.3	-3.4	*-2.6*	-3.5	*-2.4*	-3.3	*:*	-3.0
Greece	-5.8	-10.8	-3.0	-1.4	-1.9	-2.2	-1.5	*-1.8*	-2.2	*-1.9*	-3.1	*:*	-3.2
Spain	-2.4	-5.2	-2.5	-1.5	-1.6	-0.9	-0.2	*-0.4*	0.1	*-0.1*	0.3	*:*	0.3
France	-1.2	-4.5	-2.7	-2.3	-2.4	-2.5	-3.7	*-3.5*	-3.9	*-3.3*	-3.3	*:*	-3.2
Ireland	-7.8	-0.7	1.4	1.0	2.4	-0.7	-1.9	*-0.3*	-1.0	*0.1*	-0.6	*:*	-0.2
Italy	-9.1	-8.9	-3.5	-1.9	-2.5	-3.2	-2.3	*-1.8*	-2.1	*-2.7*	-2.3	*:*	-3.2
Luxembourg	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Netherlands	-3.2	-3.3	-1.4	-1.3	-1.0	-1.7	-2.1	*-0.4*	-1.3	*-1.1*	-0.7	*:*	-0.6
Austria	-1.8	-4.0	-2.5	-2.5	-2.4	0.1	-0.2	*-1.0*	-0.7	*-0.4*	-0.3	*:*	-0.1
Portugal	-4.6	-5.1	-3.8	-3.5	-4.2	-4.9	-2.7	*-2.6*	-2.0	*-2.1*	-2.1	*:*	-2.6
Finland	3.3	-1.6	0.1	0.6	4.5	4.2	3.8	*3.7*	2.8	*3.3*	2.1	*:*	2.0
Sweden	0.1	-5.9	0.2	0.4	1.4	3.5	0.8	*1.1*	0.4	*1.5*	0.9	*:*	1.5
United Kingdom	-2.2	-4.9	-1.1	0.8	0.8	0.4	-1.4	*-2.0*	-2.4	*-2.0*	-2.3	*:*	-2.1
EU-15	-3.0	-5.0	-2.0	-1.1	-1.2	-1.6	-2.1	*-1.8*	-2.2	*-1.8*	-2.0	*:*	-2.0
Euro area	-3.4	-5.1	-2.4	-1.7	-1.9	-2.3	-2.4	*-2.0*	-2.3	*-2.0*	-2.2	*:*	-2.2
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Estonia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Lithuania	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Malta	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Poland	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovakia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovenia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The proceeds from UMTS licences are not included in the calculation of the cyclically adjusted balances.
The cyclical adjustment is based on the Production Function approach for calculating output gaps,
except for DE, ES and AT for which the Hodrick-Prescott filter is used.

TABLE 42 : Cyclically adjusted primary balance, general government (as a percentage of GDP, 1970-2005) [1]

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	-0.3	4.3	6.0	5.9	5.4	6.2	6.0	*5.7*	6.4	*4.9*	5.1	*:*	4.5
Denmark	4.0	5.8	5.7	6.9	5.4	6.0	4.6	*5.3*	4.3	*5.4*	4.4	*:*	4.7
Germany	0.2	-0.7	1.4	2.0	1.5	0.0	-0.3	*0.6*	-0.3	*0.8*	-0.1	*:*	0.2
Greece	-2.6	1.2	6.4	6.8	5.9	4.9	4.6	*3.4*	3.8	*3.0*	2.5	*:*	2.2
Spain	-0.9	-0.6	1.7	2.1	1.7	2.2	2.6	*2.3*	2.6	*2.4*	2.7	*:*	2.6
France	0.5	-1.2	0.9	1.0	0.8	0.7	-0.5	*-0.3*	-0.7	*0.1*	-0.2	*:*	0.0
Ireland	-1.6	5.5	4.7	3.4	4.5	0.9	-0.4	*1.2*	0.6	*1.6*	0.9	*:*	1.2
Italy	-3.5	2.3	5.0	4.9	4.0	3.2	3.4	*3.5*	3.2	*2.4*	2.7	*:*	2.0
Luxembourg	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Netherlands	1.1	2.6	3.4	3.2	2.9	1.7	1.0	*2.6*	1.7	*1.8*	2.0	*:*	2.0
Austria	0.6	0.2	1.4	1.1	1.2	3.6	3.2	*2.5*	2.6	*3.0*	3.0	*:*	3.1
Portugal	-0.9	1.5	0.1	-0.3	-1.0	-1.8	0.3	*0.5*	0.8	*0.9*	0.6	*:*	0.2
Finland	4.5	2.0	3.7	3.7	7.3	7.0	6.0	*5.8*	4.9	*5.4*	4.0	*:*	3.8
Sweden	4.4	-0.1	5.6	5.0	5.4	6.8	3.7	*3.9*	3.0	*4.2*	3.5	*:*	4.1
United Kingdom	2.0	-1.9	2.2	3.7	3.5	2.7	0.6	*0.0*	-0.3	*0.0*	-0.3	*:*	-0.1
EU-15	0.2	0.1	2.5	2.9	2.6	2.0	1.3	*1.5*	1.1	*1.4*	1.1	*:*	1.2
Euro area	-0.4	0.3	2.4	2.6	2.2	1.6	1.3	*1.6*	1.2	*1.5*	1.3	*:*	1.2
Cyprus	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Czech Republic	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Estonia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Hungary	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Latvia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Lithuania	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Malta	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Poland	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovakia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
Slovenia	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
AC-10	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:
EU-25	:	:	:	:	:	:	:	*:*	:	*:*	:	*:*	:

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The proceeds from UMTS licences are not included in the calculation of the cyclically adjusted balances.
The cyclical adjustment is based on the Production Function approach for calculating output gaps,
except for DE, ES and AT for which the Hodrick-Prescott filter is used.

TABLE 43 : Gross debt, general government (as a percentage of GDP, 1980-2005) [1] 20.10.2003

								2003 estimate of		2004 forecast of		2005 forecast of	
	1980	1985	1990	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	78.6	122.3	129.2	114.8	109.5	108.7	106.1	102.7	103.5	98.9	101.0	:	97.8
Denmark [2]	36.5	70.0	57.8	53.0	47.3	45.4	45.5	42.7	42.9	39.9	41.0	:	37.9
Germany	31.2	40.7	42.3	61.2	60.2	59.4	60.8	62.7	63.8	63.0	65.0	:	65.8
Greece	25.0	53.6	79.6	105.2	106.2	106.9	104.7	101.0	100.6	97.0	97.1	:	95.0
Spain	16.8	42.3	43.6	63.1	60.5	56.8	53.8	52.5	51.3	50.5	48.8	:	46.3
France	19.8	30.8	35.1	58.5	57.2	56.8	59.0	61.8	62.6	63.1	64.3	:	65.6
Ireland	75.1	109.5	101.4	48.6	38.4	36.1	32.4	33.3	33.5	33.3	33.8	:	33.8
Italy	58.2	81.9	97.2	114.9	110.6	109.5	106.7	106.0	106.4	104.7	106.1	:	106.1
Luxembourg	9.3	9.7	4.4	5.9	5.5	5.5	5.7	4.1	4.9	3.4	4.7	:	4.1
Netherlands	45.9	70.3	76.9	63.1	55.9	52.9	52.4	52.4	54.6	52.8	55.5	:	55.5
Austria	36.2	49.2	57.2	67.5	67.0	67.1	66.7	68.5	66.4	66.8	65.2	:	63.2
Portugal	32.3	61.5	58.3	54.3	53.3	55.5	58.1	59.4	57.5	60.2	58.6	:	60.0
Finland	11.5	16.2	14.2	47.0	44.6	44.0	42.7	42.3	44.6	41.4	44.5	:	44.3
Sweden	40.3	62.4	42.3	62.7	52.8	54.4	52.7	50.9	51.7	49.5	51.4	:	50.0
United Kingdom	53.2	52.7	34.0	45.0	42.1	38.9	38.5	39.0	39.6	39.8	40.5	:	41.0
EU-15	37.8	52.9	54.0	67.3	64.1	62.8	62.5	63.5	64.1	63.2	64.4	:	64.4
Euro area	34.7	52.0	58.1	72.7	70.2	69.2	69.0	69.9	70.4	69.6	70.7	:	70.7
Cyprus	:	:	:	56.7	54.4	55.6	59.8	:	60.3	:	58.9	:	56.8
Czech Republic	:	:	:	14.3	16.6	23.3	27.1	:	30.7	:	34.5	:	38.3
Estonia	:	:	:	6.5	5.0	4.7	5.7	:	5.4	:	5.3	:	4.5
Hungary	:	:	:	61.2	55.5	53.4	56.3	:	57.9	:	56.9	:	55.5
Latvia	:	:	:	13.7	13.9	15.7	15.2	:	16.7	:	18.2	:	18.7
Lithuania	:	:	:	23.4	24.3	23.4	22.7	:	23.3	:	23.6	:	23.7
Malta	:	:	:	60.8	61.1	62.0	64.2	:	66.4	:	69.4	:	70.6
Poland	:	:	:	42.7	37.2	37.2	41.6	:	45.1	:	49.2	:	51.5
Slovakia	:	:	:	43.8	46.9	48.8	44.3	:	45.1	:	45.2	:	45.4
Slovenia	:	:	:	25.1	26.4	25.9	27.0	:	27.4	:	27.0	:	26.4
AC-10	:	:	:	38.5	35.9	36.7	39.8	:	42.4	:	44.6	:	45.9
EU-25	:	:	:	66.2	63.0	61.7	61.5	:	63.1	:	63.5	:	63.5

[1] Government gross debt as defined in Council Regulation (EC) Nº 3605/93. ESA 95 from 1996 onwards.

[2] Government deposits with the central bank, government holdings of non-government bonds and public enterprise related debt amounted to 9.1 % of GDP in 2001.

TABLE 44 : Gross national saving (as a percentage of GDP, 1970-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	21.3	24.6	25.6	26.0	25.9	24.8	24.8	24.8	23.8	25.5	23.5	:	23.5
Denmark	19.6	19.8	21.3	21.5	22.7	23.4	22.4	22.8	21.8	23.0	21.6	:	22.0
Germany	23.5	22.4	21.2	20.8	20.8	19.8	20.5	20.6	20.7	20.9	21.4	:	21.7
Greece	26.7	20.1	18.0	18.1	18.6	18.6	18.5	19.8	19.3	20.8	20.2	:	20.6
Spain	23.5	20.9	22.4	22.4	22.4	22.7	23.4	23.4	22.5	23.6	22.7	:	22.8
France	22.6	19.8	21.1	22.3	22.1	21.4	20.3	19.8	19.6	20.0	19.8	:	20.0
Ireland	18.6	18.0	24.3	24.6	25.0	23.4	21.9	21.2	20.6	21.2	20.5	:	20.5
Italy	24.2	19.7	21.1	20.7	20.0	20.0	19.7	19.0	18.8	19.1	18.8	:	18.8
Luxembourg	:	:	:	:	:	:	:	17.4	48.6	17.5	44.7	:	44.4
Netherlands	22.8	25.6	26.8	26.6	27.6	25.2	23.0	23.8	22.4	24.6	23.8	:	25.4
Austria	25.9	23.0	21.6	21.3	22.0	21.3	21.6	21.4	22.9	21.5	22.7	:	22.9
Portugal	23.3	21.4	19.9	19.6	18.8	18.4	17.9	18.2	18.5	19.0	18.8	:	19.8
Finland	26.3	17.3	25.1	25.8	27.7	27.9	27.2	26.3	24.9	26.7	24.5	:	24.6
Sweden	20.9	17.1	21.2	21.7	22.5	22.3	21.4	21.3	20.8	21.8	20.8	:	21.2
United Kingdom	18.6	14.9	16.2	15.5	15.3	15.4	14.9	14.6	14.2	15.6	14.7	:	15.6
EU-15	22.5	20.1	20.9	20.8	20.9	20.3	:	19.8	19.5	20.2	19.9	:	20.3
Euro area	23.4	21.3	21.8	21.9	21.9	21.2	:	20.9	20.6	21.2	20.9	:	21.2
Cyprus	:	:	:	15.4	:	:	:	:	16.9	:	19.2	:	19.9
Czech Republic	:	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	18.7	18.6	21.1	21.0	:	:	21.9	:	23.6	:	25.7
Hungary	:	:	:	:	:	:	:	:	15.3	:	16.3	:	17.7
Latvia	:	34.1	16.8	17.1	20.1	21.6	24.1	:	21.1	:	21.2	:	22.0
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	14.8	:	15.3	:	16.2
Poland	:	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	25.6	:	26.0	:	26.1
Slovenia	:	23.9	24.2	24.5	24.1	24.2	:	:	26.1	:	25.9	:	26.2
AC-10	:	:	:	:	:	:	:	:	18.8	:	19.1	:	19.8
EU-25	:	:	:	:	:	:	:	:	19.5	:	19.8	:	20.2
USA	18.9	16.3	17.4	17.5	16.7	14.9	13.4	13.0	13.2	12.9	13.6	:	14.1
Japan	33.6	32.2	29.6	28.4	28.7	27.7	26.4	26.7	26.8	26.6	26.7	:	26.4

304978 European Economy

TABLE 45 : Gross saving, private sector (as a percentage of GDP, 1970-2005) [1] 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	24.0	28.5	24.5	23.9	23.2	22.6	22.7	23.1	22.8	23.6	22.3	:	21.8
Denmark	16.5	20.5	18.3	16.5	18.4	18.8	19.0	19.7	19.5	19.5	18.9	:	18.7
Germany	20.7	21.6	20.7	19.5	19.4	19.6	21.3	21.3	22.1	21.2	22.6	:	22.5
Greece	28.7	27.2	18.4	16.4	16.0	15.8	15.7	16.7	17.4	17.8	19.0	:	19.5
Spain	21.8	21.5	21.1	19.6	19.2	18.9	19.2	19.5	18.2	19.3	18.1	:	18.1
France	20.2	20.7	20.1	20.1	19.8	19.1	19.9	20.2	20.2	20.3	20.0	:	20.1
Ireland	21.6	18.5	19.6	18.1	17.1	18.0	18.0	18.2	17.6	18.4	17.7	:	17.6
Italy	29.4	25.1	21.2	18.9	18.6	19.0	19.0	18.7	18.9	18.7	18.5	:	18.6
Luxembourg	:	:	:	:	:	:	:	11.7	41.7	13.8	41.1	:	41.6
Netherlands	21.4	26.2	24.5	23.2	23.0	21.5	20.5	21.8	21.6	23.6	23.3	:	24.5
Austria	21.7	22.0	20.0	19.7	20.1	17.1	18.4	19.1	21.0	18.5	20.5	:	20.4
Portugal	24.1	23.2	19.3	18.2	18.0	18.5	18.0	18.8	20.7	19.4	20.4	:	21.1
Finland	18.4	18.9	20.9	21.0	18.3	20.0	19.9	20.6	19.9	21.3	20.3	:	20.4
Sweden	16.1	20.7	17.6	17.0	16.3	14.9	16.9	17.2	17.4	17.3	17.2	:	17.2
United Kingdom	17.5	17.8	15.3	13.0	12.4	13.1	14.5	14.8	14.8	15.6	14.9	:	15.2
EU-15	21.3	21.7	19.9	18.6	18.3	18.2	:	19.2	19.4	19.4	19.5	:	19.6
Euro area	22.5	22.6	20.9	19.9	19.6	19.4	:	20.2	20.4	20.3	20.6	:	20.6
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	:	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	:	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:	:
Poland	:	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	27.0	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:	:
AC-10	:	:	:	:	:	:	:	:	:	:	:	:	:
EU-25	:	:	:	:	:	:	:	:	:	:	:	:	:
USA	:	18.5	15.2	14.3	12.7	12.8	14.2	14.6	15.1	14.3	16.0	:	16.3
Japan	28.7	26.0	28.3	28.6	28.8	27.7	27.3	28.2	28.4	28.4	28.7	:	28.6

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 46 : Gross saving, general government (as a percentage of GDP, 1970-2005) [1]

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1970-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	-2.7	-3.9	1.1	2.1	2.7	2.3	2.2	1.7	1.0	1.9	1.2	:	1.7
Denmark	3.1	-0.7	3.0	4.9	4.3	4.6	3.5	3.2	2.3	3.5	2.7	:	3.2
Germany	2.8	0.8	0.5	1.2	1.4	0.2	-0.8	-0.6	-1.4	-0.2	-1.3	:	-0.8
Greece	-2.1	-7.1	-0.5	1.7	2.6	2.7	2.7	3.0	1.9	3.0	1.1	:	1.1
Spain	1.7	-0.6	1.3	2.9	3.3	3.9	4.2	3.9	4.3	4.3	4.5	:	4.7
France	2.5	-0.9	1.0	2.1	2.3	2.3	0.4	-0.4	-0.6	-0.3	-0.2	:	-0.1
Ireland	-3.0	-0.6	4.7	6.5	7.9	5.5	3.9	3.0	3.1	2.8	2.8	:	2.9
Italy	-5.1	-5.5	-0.1	1.7	1.5	1.0	0.7	0.2	-0.1	0.4	0.3	:	0.2
Luxembourg	:	:	9.0	8.8	11.1	10.1	8.4	5.7	6.9	3.7	3.6	:	2.9
Netherlands	1.4	-0.6	2.3	3.4	4.6	3.7	2.5	2.0	0.8	1.0	0.5	:	0.8
Austria	4.2	1.0	1.6	1.6	1.9	4.1	3.2	2.3	1.9	3.0	2.2	:	2.5
Portugal	-0.8	-1.7	0.6	1.3	0.7	-0.2	-0.1	-0.6	-2.2	-0.4	-1.7	:	-1.2
Finland	7.9	-1.6	4.2	4.8	9.4	7.9	7.3	5.8	5.0	5.4	4.1	:	4.2
Sweden	4.8	-3.6	3.5	4.7	6.2	7.4	4.5	4.0	3.4	4.5	3.6	:	4.1
United Kingdom	1.2	-2.9	0.9	2.6	2.9	2.3	0.4	-0.2	-0.6	0.0	-0.2	:	0.4
EU-15	1.2	-1.6	1.0	2.2	2.5	2.1	1.0	0.6	0.2	0.8	0.4	:	0.7
Euro area	0.9	-1.3	0.9	2.0	2.3	1.8	1.0	0.6	0.2	0.8	0.4	:	0.6
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	:	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	5.9	5.5	5.2	1.6	3.2	:	1.3	:	1.3	:	:
Hungary	:	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:	:
Poland	:	-0.6	2.1	2.5	1.2	4.6	3.7	:	3.6	:	3.5	:	:
Slovakia	:	:	:	:	-0.4	-2.1	-2.2	:	-1.4	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:	:
AC-10	:	:	:	:	:	:	:	:	:	:	:	:	:
EU-25	:	:	:	:	:	:	:	:	:	:	:	:	:
USA	:	-2.2	2.2	3.2	3.9	2.1	-0.8	-1.6	-1.9	-1.4	-2.3	:	-2.2
Japan	5.0	6.3	1.3	-0.2	-0.1	0.1	-0.9	-1.5	-1.6	-1.8	-1.9	:	-2.2

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 47 : Exports of goods, volume (percentage change on preceding year, 1961-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	6.2	4.8	4.9	4.3	7.2	0.3	-3.7	*2.1*	-1.0	*4.9*	3.0	*:*	4.0
Denmark	5.8	3.4	6.1	8.6	9.3	0.9	4.6	*2.6*	2.7	*5.2*	4.0	*:*	4.8
Germany	6.2	3.7	8.5	5.6	13.6	5.3	2.7	*3.5*	2.1	*6.4*	6.3	*:*	7.4
Greece	8.0	4.1	4.0	6.3	8.7	-1.6	-7.1	*1.4*	4.7	*4.8*	4.8	*:*	6.1
Spain	:	11.9	10.1	6.5	10.0	2.4	1.2	*3.9*	4.4	*4.4*	5.4	*:*	7.6
France	7.0	5.9	8.1	4.9	12.2	2.1	1.9	*2.9*	-1.9	*5.3*	4.5	*:*	7.0
Ireland	8.5	13.2	15.2	13.6	18.6	4.4	5.4	*2.8*	-5.6	*5.0*	5.3	*:*	7.1
Italy	8.1	7.3	4.6	1.1	12.0	0.9	0.0	*2.7*	-2.9	*6.2*	5.2	*:*	5.8
Luxembourg	3.8	4.0	8.5	6.8	12.8	9.7	-0.9	*3.4*	0.5	*5.2*	3.4	*:*	5.8
Netherlands	6.6	6.0	7.3	4.4	11.9	1.5	-0.5	*2.3*	-0.6	*5.2*	4.8	*:*	5.9
Austria	:	4.6	10.0	7.9	13.5	7.4	5.4	*3.4*	2.8	*7.1*	6.3	*:*	7.8
Portugal	:	6.1	:	:	:	:	:	*2.8*	3.4	*6.2*	5.1	*:*	7.7
Finland	:	7.7	12.4	7.2	22.6	-0.2	4.2	*4.0*	2.3	*6.2*	4.2	*:*	6.0
Sweden	:	7.5	8.5	5.9	11.4	-3.5	2.3	*3.8*	4.1	*6.7*	6.5	*:*	7.2
United Kingdom	4.6	5.4	6.4	3.2	12.2	2.7	-1.8	*1.4*	0.5	*5.8*	5.7	*:*	6.9
EU-15 [1]	6.6	5.9	7.8	5.1	12.5	2.7	1.2	*2.9*	0.3	*5.8*	5.3	*:*	6.7
Euro area [2]	7.0	6.0	8.0	5.2	12.7	3.1	1.5	*3.0*	0.1	*5.7*	5.2	*:*	6.7
Cyprus	:	:	-1.7	-7.4	-2.4	5.9	-5.1	*-0.5*	0.4	*7.7*	4.9	*:*	5.9
Czech Republic	:	:	11.9	8.4	20.0	14.1	5.9	*7.3*	6.2	*9.2*	5.0	*:*	5.8
Estonia	:	:	16.9	-2.6	40.9	-5.5	3.5	*8.0*	5.0	*11.0*	10.0	*:*	12.0
Hungary	:	:	20.0	15.3	21.8	6.9	5.4	*6.0*	5.2	*8.5*	6.8	*:*	9.2
Latvia	:	:	11.1	-3.0	14.0	8.6	11.0	*8.5*	10.0	*9.0*	10.0	*:*	11.0
Lithuania	:	:	5.2	-21.1	15.0	24.6	18.6	*10.0*	10.0	*10.4*	8.0	*:*	8.0
Malta	:	:	4.0	11.2	10.9	-5.8	2.8	*4.5*	2.2	*5.9*	3.5	*:*	4.0
Poland	:	:	9.8	1.0	21.5	11.9	7.8	*6.8*	8.6	*9.0*	11.2	*:*	12.2
Slovakia	:	:	11.9	8.3	12.5	4.9	6.4	*6.5*	19.4	*8.8*	11.0	*:*	8.5
Slovenia	:	-7.8	8.0	2.7	12.9	6.9	6.5	*5.7*	3.4	*6.0*	5.3	*:*	5.7
AC-10	:	:	12.1	5.6	19.5	9.8	6.8	*6.6*	7.7	*8.5*	7.9	*:*	8.8
EU-25	:	:	:	:	:	:	:	*3.1*	0.8	*6.0*	5.5	*:*	6.8
USA	6.2	7.7	8.0	3.7	11.3	-5.9	-3.6	*2.3*	0.4	*5.1*	5.0	*:*	6.1
Japan	:	1.9	3.8	-5.5	12.4	-6.2	8.5	*8.1*	7.2	*6.1*	7.5	*:*	9.1

[1] Excluding Spain, Austria, Finland and Sweden up to 1973 and Portugal up to 2000.
[2] Excluding Spain, Austria and Finland up to 1973 and Portugal up to 2000.

TABLE 48 : Imports of goods, volume (percentage change on preceding year, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	5.8	3.8	5.1	3.3	8.0	-0.5	-0.4	*2.7*	-0.5	*4.6*	2.5	*:*	4.1
Denmark	4.8	4.3	7.4	5.5	9.0	0.5	3.9	*3.4*	1.6	*6.0*	5.2	*:*	5.6
Germany	6.7	3.8	8.1	7.8	10.7	-0.3	-1.5	*4.4*	4.9	*6.5*	5.9	*:*	7.4
Greece	8.0	3.9	7.9	8.5	7.6	-4.2	1.1	*2.0*	2.7	*5.4*	5.4	*:*	3.1
Spain	:	7.5	11.5	12.3	10.5	3.3	1.5	*4.2*	6.4	*5.4*	7.2	*:*	8.8
France	7.2	3.8	8.3	7.6	15.0	1.0	1.4	*3.3*	0.6	*6.1*	4.6	*:*	6.7
Ireland	6.7	9.0	13.7	8.4	16.9	3.5	0.5	*2.1*	-7.8	*4.6*	5.2	*:*	6.5
Italy	7.2	3.6	7.1	7.6	10.3	0.6	0.8	*4.7*	0.5	*6.3*	5.5	*:*	6.3
Luxembourg	4.6	3.4	8.3	9.1	6.7	8.5	-3.1	*3.6*	1.1	*4.7*	4.0	*:*	5.8
Netherlands	6.0	5.8	7.8	5.5	10.6	1.7	-1.1	*2.5*	-0.9	*5.8*	4.3	*:*	5.5
Austria	:	3.7	7.9	7.2	10.8	4.8	0.4	*3.7*	2.8	*7.1*	6.0	*:*	7.7
Portugal	:	6.7	:	:	:	:	:	*0.1*	-2.5	*3.8*	3.9	*:*	5.6
Finland	:	0.6	11.3	3.6	16.8	1.0	1.9	*4.7*	1.7	*6.1*	3.9	*:*	5.8
Sweden	:	3.7	7.8	3.2	11.9	-5.5	-1.4	*3.1*	4.5	*6.2*	6.3	*:*	7.4
United Kingdom	4.7	3.0	8.8	6.7	9.3	5.4	3.8	*3.8*	0.5	*5.0*	4.9	*:*	6.2
EU-15 [1]	6.5	4.3	8.3	7.1	11.1	1.3	0.6	*3.6*	1.7	*5.8*	5.2	*:*	6.6
Euro area [2]	6.9	4.4	8.3	7.4	11.5	0.9	0.0	*3.6*	1.9	*6.0*	5.2	*:*	6.6
Cyprus	:	:	4.5	-4.0	9.4	6.6	1.5	*0.2*	0.3	*5.3*	2.4	*:*	4.7
Czech Republic	:	:	10.8	5.1	20.2	15.3	4.3	*6.8*	5.6	*9.4*	4.8	*:*	6.0
Estonia	:	:	14.1	-7.9	32.6	0.3	5.2	*7.0*	9.0	*9.0*	9.0	*:*	10.0
Hungary	:	:	18.9	14.0	20.4	3.8	4.9	*6.4*	7.0	*8.3*	6.2	*:*	7.1
Latvia	:	:	8.3	-2.7	3.8	16.6	4.3	*10.5*	12.0	*8.1*	10.0	*:*	9.0
Lithuania	:	:	8.9	-13.8	9.2	19.4	16.4	*6.9*	8.0	*10.1*	8.7	*:*	7.0
Malta	:	:	3.1	8.7	17.6	-11.6	0.7	*4.0*	5.0	*5.3*	3.4	*:*	3.4
Poland	:	:	16.4	-3.2	15.8	3.2	3.6	*6.5*	4.7	*11.3*	9.5	*:*	11.5
Slovakia	:	:	12.1	-5.2	11.6	11.5	5.0	*5.6*	13.6	*7.0*	9.8	*:*	7.8
Slovenia	:	-1.1	8.4	8.6	7.7	3.2	4.4	*5.4*	4.5	*6.5*	5.6	*:*	6.0
AC-10	:	:	13.3	1.8	16.5	7.0	4.6	*6.3*	6.5	*9.0*	7.2	*:*	8.1
EU-25	:	:	:	:	:	:	:	*3.8*	2.1	*6.1*	5.3	*:*	6.7
USA	6.8	8.2	12.2	12.2	13.5	-3.3	3.9	*6.1*	4.0	*7.0*	6.0	*:*	6.3
Japan	:	5.1	3.5	-1.0	11.9	0.1	2.2	*5.3*	4.2	*5.1*	6.1	*:*	6.7

[1] Excluding Spain, Austria, Finland and Sweden up to 1973 and Portugal up to 2000.
[2] Excluding Spain, Austria and Finland up to 1973 and Portugal up to 2000.

TABLE 49 : Trade balance (fob-fob, as a percentage of GDP, 1974-2005) 20.10.2003

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1974-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	-2.9	2.9	3.5	3.7	2.1	2.6	1.5	2.7	1.5	2.9	1.7	:	1.5
Denmark	-2.5	3.8	2.6	2.9	3.3	3.6	3.7	3.5	4.2	3.4	4.0	:	3.7
Germany	4.1	1.9	3.3	3.4	3.1	4.9	6.3	6.2	6.1	6.2	6.8	:	7.0
Greece	-9.9	-12.6	-14.8	-15.6	-16.8	-15.1	-14.8	-13.3	-14.0	-12.8	-13.6	:	-13.0
Spain	-5.2	-3.8	-4.0	-5.1	-6.2	-5.7	-5.1	-5.2	-5.3	-5.4	-5.6	:	-6.0
France	-1.8	-0.1	0.8	0.9	-0.8	-0.2	0.1	0.1	-0.4	0.0	-0.3	:	-0.3
Ireland	-4.8	14.7	22.7	24.7	26.5	26.6	28.6	28.4	25.2	28.5	25.2	:	25.7
Italy	-1.1	2.2	3.1	2.4	1.3	1.8	1.9	1.7	1.2	2.1	1.5	:	1.5
Luxembourg	-8.5	-11.2	-12.0	-13.6	-11.8	-12.5	-11.6	-11.4	-11.4	-10.9	-11.5	:	-11.8
Netherlands	1.2	5.2	5.0	3.9	4.9	5.2	5.2	5.7	5.4	5.3	5.8	:	6.1
Austria	-5.0	-3.7	-1.9	-1.6	-1.3	-0.5	1.8	1.5	1.8	1.5	1.8	:	1.8
Portugal	:	-9.9	-10.7	-12.0	-13.1	-11.8	-9.5	-8.5	-7.9	-7.9	-7.8	:	-7.5
Finland	0.2	6.1	9.9	9.5	11.4	10.5	9.9	9.5	9.1	9.9	9.0	:	9.0
Sweden	:	4.0	6.9	6.7	6.2	6.2	6.4	6.6	6.3	7.0	6.4	:	6.6
United Kingdom	-2.1	-1.8	-2.5	-3.2	-3.5	-4.1	-4.4	-3.4	-4.1	-3.5	-4.0	:	-3.9
EU-15	-0.6	0.5	1.3	0.9	0.3	0.8	1.3	1.4	1.0	1.5	1.2	:	1.3
EU-15, adjusted [1]			:	0.2	-0.7	0.0	0.5	0.5	0.2	0.6	0.5	:	0.5
Euro area	-0.4	0.7	1.8	1.5	0.8	1.7	2.4	2.4	2.0	2.4	2.2	:	2.3
Euro area, adjusted [1]			:	1.2	0.5	1.1	1.9	1.9	1.5	1.9	1.7	:	1.8
Cyprus	:	:	-26.5	-25.0	-29.4	-29.0	-28.2	:	-30.8	:	-28.6	:	-27.1
Czech Republic	:	-2.6	-6.6	-3.5	-6.1	-5.4	-3.3	:	-3.6	:	-3.5	:	-3.7
Estonia	:	:	-20.0	-15.8	-15.0	-14.1	-16.9	:	-18.8	:	-17.4	:	-15.6
Hungary	:	-5.6	-4.3	-4.5	-6.3	-4.3	-3.1	:	-5.8	:	-5.2	:	-3.6
Latvia	:	:	-15.9	-15.4	-14.8	-17.6	-17.1	:	-19.2	:	-20.1	:	-20.1
Lithuania	:	:	-12.1	-13.2	-9.9	-9.3	-9.6	:	-9.1	:	-9.9	:	-9.6
Malta	:	-23.0	-20.7	-16.9	-23.8	-17.9	-13.2	:	-12.1	:	-12.2	:	-12.0
Poland	:	0.1	-6.8	-7.2	-7.5	-4.2	-2.8	:	-4.9	:	-5.3	:	-5.7
Slovakia	:	:	-8.5	-5.6	-4.8	-10.6	-9.4	:	-4.9	:	-5.3	:	-5.3
Slovenia	:	1.7	-4.8	-5.9	-5.9	-3.2	-1.1	:	-2.0	:	-2.1	:	-2.2
AC-10	:	:	-7.6	-7.1	-8.0	-6.0	-4.7	:	-6.1	:	-6.2	:	-6.0
EU-25	:	:	0.9	0.6	-0.1	0.5	1.0	:	0.7	:	0.9	:	0.9
USA	-1.6	-1.9	-3.2	-3.8	-4.7	-4.3	-4.7	-5.4	-5.1	-5.8	-5.4	:	-5.6
Japan	2.1	2.9	2.5	2.8	2.4	1.7	2.3	2.9	2.7	3.4	3.2	:	3.6

[1] See note 8 on concepts and sources.

TABLE 50 : Balance on current transactions with the rest of the world (as a percentage of GDP, 1961-2005)

	long-term average	5-year average						2003 estimate of		2004 forecast of		2005 forecast of	
	1961-90	1991-95	1996-00	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
Belgium	0.4	4.1	5.0	5.4	4.0	4.0	4.5	6.2	5.2	6.9	4.5	:	4.2
Denmark	-2.6	1.6	0.9	1.8	1.6	3.1	2.9	3.1	2.8	3.1	2.7	:	2.7
Germany	1.3	-0.9	-0.5	-0.8	-1.1	0.6	3.1	2.5	3.0	2.4	3.6	:	3.7
Greece	-0.9	-0.5	-4.0	-5.7	-6.3	-5.7	-5.8	-3.9	-5.2	-3.2	-4.6	:	-3.9
Spain	-1.1	-2.0	-1.1	-2.1	-3.3	-3.1	-2.7	-2.6	-3.1	-2.7	-3.2	:	-3.4
France	-0.7	-0.1	1.9	2.6	1.3	1.5	1.6	1.1	0.7	1.0	0.8	:	0.8
Ireland	-4.4	1.9	1.4	0.3	-0.4	-0.7	-0.7	-0.1	-0.7	0.3	-0.5	:	-0.2
Italy	0.2	-0.1	1.7	1.0	-0.2	0.3	-0.3	-0.6	-0.5	-0.5	-0.4	:	-0.4
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	1.8	4.4	4.7	4.0	4.8	3.5	2.1	3.8	2.4	4.3	3.8	:	5.2
Austria	-0.5	-1.1	-2.6	-3.0	-2.6	-1.9	0.5	-0.3	0.5	-0.6	0.5	:	0.5
Portugal	-2.5	-2.6	-7.3	-8.7	-10.8	-9.9	-7.7	-6.6	-4.5	-5.9	-4.2	:	-3.8
Finland	-2.1	-1.3	5.7	6.2	7.2	6.9	7.5	6.7	6.7	7.1	6.5	:	6.7
Sweden	-0.4	-0.1	4.0	4.2	4.0	4.2	4.2	4.4	4.0	4.9	4.1	:	4.4
United Kingdom	-0.3	-1.6	-1.2	-2.3	-2.1	-1.8	-1.8	-1.5	-2.3	-1.4	-2.2	:	-1.7
EU-15	0.0	-0.3	0.6	0.3	-0.3	0.3	1.0	0.7	0.5	0.7	0.7	:	0.8
EU-15, adjusted [1]			:	0.0	-0.8	-0.4	0.5	0.5	0.2	0.5	0.4	:	0.6
Euro area	0.1	-0.2	0.8	0.6	-0.2	0.5	1.3	1.0	1.0	1.0	1.2	:	1.3
Euro area, adjusted [1]			:	-0.4	-1.0	-0.3	0.8	0.9	0.6	1.0	0.8	:	1.0
Cyprus	:	:	-4.4	-1.7	-3.5	-4.0	-5.3	:	-4.4	:	-3.1	:	-2.8
Czech Republic	:	:	-4.7	-2.7	-5.3	-6.2	-5.3	:	-6.6	:	-6.9	:	-6.6
Estonia	:	:	-8.2	-4.7	-5.8	-6.0	-12.3	:	-15.2	:	-12.2	:	-8.5
Hungary	:	:	:	:	:	:	-4.0	:	-6.2	:	-6.1	:	-5.8
Latvia	:	10.1	-7.8	-9.8	-6.9	-9.6	-7.8	:	-8.6	:	-9.5	:	-9.6
Lithuania	:	:	-9.7	-11.2	-6.0	-4.8	-5.4	:	-5.7	:	-5.8	:	-5.9
Malta	:	:	:	:	:	:	:	:	-6.6	:	-6.3	:	-5.7
Poland	:	3.5	-4.1	-5.5	-6.1	-2.9	-3.5	:	-2.9	:	-3.4	:	-3.6
Slovakia	:	:	-6.5	-3.5	-2.5	-7.4	:	:	-3.8	:	-4.4	:	-4.4
Slovenia	:	4.3	-1.2	-3.3	-2.8	0.1	1.7	:	0.5	:	0.3	:	0.1
AC-10	:	:	:	:	:	:	:	:	-4.6	:	-4.9	:	-4.8
EU-25	:	:	:	:	:	:	:	:	0.3	:	0.4	:	0.6
USA	-0.3	-0.9	-2.5	-3.0	-4.1	-3.8	-4.7	-5.6	-5.3	-6.1	-5.6	:	-5.8
Japan	1.0	2.5	2.3	2.6	2.5	2.1	2.9	3.1	3.0	3.4	3.4	:	3.7

[1] See note 8 on concepts and sources.

TABLE 51 : Trade balance (fob-fob, in billions of Ecu/euro, 1997-2005) 20.10.2003

	1997	1998	1999	2000	2001	2002	2003 estimate of III-2003	2003 estimate of X-2003	2004 forecast of III-2003	2004 forecast of X-2003	2005 forecast of III-2003	2005 forecast of X-2003
Belgium	8.3	8.5	8.8	5.3	6.7	4.0	*7.3*	3.9	*8.1*	4.5	:	4.2
Denmark	3.7	1.8	4.7	5.6	6.5	6.9	*6.7*	7.9	*6.6*	7.8	:	7.6
Germany	63.1	69.4	66.6	62.8	100.7	133.8	*132.7*	130.9	*137.6*	149.2	:	158.4
Greece	-14.4	-16.1	-18.4	-20.7	-19.7	-21.0	*-20.1*	-21.4	*-20.9*	-22.6	:	-23.1
Spain	-12.0	-18.7	-28.6	-37.7	-37.1	-35.6	*-38.5*	-39.1	*-42.2*	-44.0	:	-50.1
France	21.2	18.3	12.5	-11.1	-2.6	2.9	*1.5*	-6.4	*0.6*	-5.2	:	-4.2
Ireland	14.6	17.5	22.2	27.3	30.5	37.0	*38.9*	33.6	*42.2*	35.9	:	39.5
Italy	38.6	36.8	26.1	15.1	22.1	23.6	*22.5*	15.9	*28.1*	19.8	:	21.3
Luxembourg	-1.8	-2.0	-2.6	-2.5	-2.7	-2.6	*-2.6*	-2.6	*-2.6*	-2.8	:	-3.0
Netherlands	18.6	18.2	14.7	19.7	22.5	23.0	*26.3*	24.5	*25.1*	26.8	:	29.0
Austria	-3.4	-3.0	-3.1	-2.7	-1.1	4.0	*3.3*	4.0	*3.4*	4.2	:	4.2
Portugal	-8.8	-10.8	-12.9	-15.1	-14.8	-12.6	*-11.4*	-10.6	*-11.1*	-10.7	:	-10.7
Finland	10.4	11.4	11.5	14.9	14.1	13.9	*13.7*	13.1	*14.9*	13.3	:	14.0
Sweden	16.9	15.4	15.9	16.2	15.1	16.3	*17.3*	16.6	*19.2*	17.9	:	19.3
United Kingdom	-17.8	-32.3	-44.1	-54.1	-65.3	-73.9	*-55.7*	-65.1	*-60.5*	-65.5	:	-66.1
EU-15	137.1	114.6	73.1	23.0	74.7	118.7	*138.1*	97.5	*144.5*	119.4	:	130.2
EU-15, adjusted [1]	62.9	42.4	11.8	-57.7	0.8	44.7	*49.8*	23.5	*56.2*	45.3	:	56.2
Euro area	134.3	129.6	96.6	55.3	118.4	170.5	*173.6*	145.8	*183.3*	168.4	:	179.4
Euro area, adjusted [1]	116.4	109.0	75.7	31.6	75.5	131.1	*135.3*	106.4	*145.0*	129.0	:	140.0
Cyprus	-1.9	-2.2	-2.2	-2.8	-3.6	-3.7	:	-3.7	:	-3.7	:	-3.8
Czech Republic	-4.3	-2.3	-1.8	-3.4	-3.4	-2.4	:	-2.7	:	-2.7	:	-3.0
Estonia	-1.0	-1.0	-0.8	-0.8	-0.9	-1.2	:	-1.4	:	-1.5	:	-1.4
Hungary	-1.1	-1.7	-2.0	-3.2	-2.5	-2.2	:	-4.3	:	-4.2	:	-3.2
Latvia	-0.7	-1.0	-1.0	-1.2	-1.5	-1.5	:	-1.7	:	-1.9	:	-2.1
Lithuania	-1.0	-1.4	-1.3	-1.2	-1.2	-1.4	:	-1.4	:	-1.7	:	-1.8
Malta	-0.6	-0.6	-0.6	-0.9	-0.6	-0.4	:	-0.5	:	-0.5	:	-0.5
Poland	-8.8	-11.9	-10.6	-13.3	-13.0	-11.0	:	-8.9	:	-9.9	:	-11.3
Slovakia	-1.9	-2.2	-1.1	-1.0	-2.5	-2.3	:	-1.4	:	-1.6	:	-1.7
Slovenia	-0.7	-0.7	-1.2	-1.2	-0.7	-0.3	:	-0.5	:	-0.5	:	-0.6
AC-10	-22.1	-24.9	-22.4	-29.1	-30.0	-26.5	:	-28.4	:	-30.8	:	-32.3
EU-25	115.0	89.7	50.7	-6.1	44.7	92.2	:	69.2	:	88.7	:	98.0
USA	-173.1	-222.1	-326.5	-496.5	-484.6	-518.0	*-543.7*	-496.7	*-616.5*	-530.2	:	-577.9
Japan	89.8	109.0	115.8	126.4	83.1	101.4	*115.5*	101.8	*138.8*	126.3	:	151.2

[1] See note 8 on concepts and sources.

TABLE 52 : Balance on current transactions with the rest of the world (in billions of Ecu/euro, 1997-2005)

	1997	1998	1999	2000	2001	2002	2003 estimate of III-2003	2003 estimate of X-2003	2004 forecast of III-2003	2004 forecast of X-2003	2005 forecast of III-2003	2005 forecast of X-2003
Belgium	11.7	12.0	12.6	10.0	10.2	13.2	*16.7*	13.8	*19.5*	12.4	:	11.8
Denmark	0.6	-1.4	2.8	2.7	5.5	5.3	*5.9*	5.3	*6.1*	5.2	:	5.6
Germany	-1.8	-5.2	-16.6	-23.2	12.2	65.6	*53.4*	64.7	*52.7*	79.7	:	84.1
Greece	-2.3	-3.8	-6.8	-7.8	-7.4	-8.2	*-5.9*	-7.9	*-5.2*	-7.7	:	-6.9
Spain	1.9	-4.6	-11.7	-19.9	-20.3	-18.7	*-19.4*	-22.7	*-21.2*	-25.3	:	-28.7
France	31.6	30.8	35.5	18.0	22.7	24.0	*17.2*	11.0	*16.3*	12.1	:	12.8
Ireland	2.2	0.6	0.2	-0.4	-0.8	-1.0	*-0.2*	-0.9	*0.4*	-0.8	:	-0.3
Italy	28.6	20.5	11.1	-2.0	3.7	-3.3	*-8.3*	-7.0	*-6.5*	-5.6	:	-5.9
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	20.5	10.5	14.8	19.5	14.9	9.3	*17.6*	11.0	*20.2*	17.6	:	24.9
Austria	-5.5	-4.4	-5.9	-5.3	-4.1	1.0	*-0.7*	1.2	*-1.4*	1.2	:	1.2
Portugal	-5.7	-7.1	-9.4	-12.5	-11.9	-9.8	*-8.8*	-6.0	*-8.3*	-5.8	:	-5.5
Finland	5.9	6.6	7.4	9.4	9.4	10.5	*9.7*	9.6	*10.8*	9.6	:	10.3
Sweden	9.4	8.7	10.0	10.5	10.4	10.6	*11.7*	10.6	*13.5*	11.5	:	12.8
United Kingdom	-1.4	-5.9	-31.7	-32.1	-29.1	-30.2	*-24.4*	-36.0	*-23.5*	-35.5	:	-28.6
EU-15	95.8	57.3	12.5	-33.2	22.3	73.9	*62.4*	46.9	*71.1*	67.5	:	86.0
EU-15, adjusted [1]	64.4	34.4	-3.0	-65.5	-38.0	47.7	*45.4*	20.7	*54.1*	41.3	:	59.8
Euro area	87.1	55.8	31.3	-14.2	35.6	88.9	*70.4*	73.1	*76.4*	93.3	:	103.9
Euro area, adjusted [1]	56.7	26.7	-23.8	-66.0	-19.4	59.6	*66.1*	43.8	*72.0*	64.0	:	74.6
Cyprus	-0.3	-0.6	-0.1	-0.3	-0.4	-0.6	:	-0.5	:	-0.4	:	-0.4
Czech Republic	-3.0	-1.1	-1.4	-2.9	-4.0	-4.8	:	-5.0	:	-5.4	:	-5.4
Estonia	-0.5	-0.4	-0.2	-0.3	-0.4	-0.8	:	-1.1	:	-1.0	:	-0.8
Hungary	:	:	:	:	-3.8	-2.8	:	-4.5	:	-4.9	:	-5.2
Latvia	-0.3	-0.6	-0.6	-0.5	-0.6	-0.7	:	-0.8	:	-0.9	:	-1.0
Lithuania	-0.9	-1.2	-1.1	-0.7	-0.6	-0.8	:	-0.9	:	-1.0	:	-1.1
Malta	:	:	:	:	-0.3	-0.2	:	-0.3	:	-0.3	:	-0.3
Poland	-4.7	-5.9	-8.0	-10.8	-8.0	-7.1	:	-5.2	:	-6.3	:	-7.2
Slovakia	-1.6	-1.8	-0.7	-0.6	-2.0	-2.1	:	-1.1	:	-1.4	:	-1.4
Slovenia	0.0	-0.1	-0.7	-0.6	0.0	0.4	:	0.1	:	0.1	:	0.0
AC-10	:	:	:	:	-20.0	-19.8	:	-21.3	:	-24.1	:	-25.8
EU-25	:	:	:	:	2.2	54.1	:	25.7	:	43.5	:	60.4
USA	-108.6	-178.3	-258.9	-429.0	-421.0	-518.4	*-566.7*	-508.0	*-640.8*	-547.0	:	-595.2
Japan	85.6	105.9	107.8	129.5	98.0	121.3	*122.2*	116.3	*138.5*	136.2	:	153.4

[1] See note 8 on concepts and sources.

TABLE 53 : Export markets (a) (percentage change on preceding year, 1997-2005) 20.10.2003

							2003 estimate of		2004 forecast of		2005 forecast of	
	1997	1998	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	9.3	8.2	6.9	11.9	1.1	2.5	*4.5*	3.5	*6.4*	6.7	:	7.8
Denmark	8.6	6.9	5.0	9.5	0.1	2.6	*4.6*	4.0	*6.1*	6.0	:	6.9
Germany	9.8	7.3	5.9	12.3	0.6	3.9	*4.8*	3.2	*6.6*	6.5	:	7.3
Greece	8.8	6.0	5.6	9.7	1.6	3.3	*5.1*	4.3	*6.4*	6.8	:	7.6
Spain	9.4	8.5	6.0	10.8	0.6	2.0	*4.2*	2.4	*6.2*	6.0	:	7.2
France	9.6	7.3	7.2	10.7	0.6	2.9	*4.7*	3.7	*6.2*	6.6	:	7.4
Ireland	9.3	7.8	6.9	11.5	0.1	3.2	*4.5*	2.8	*6.0*	5.8	:	6.8
Italy	9.8	7.1	6.4	12.3	0.5	3.5	*4.9*	4.1	*6.7*	6.9	:	7.7
Luxembourg (b)	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Netherlands	7.9	7.2	4.8	9.6	0.3	1.9	*4.1*	3.5	*5.7*	5.5	:	6.6
Austria	10.3	8.6	6.6	12.5	1.2	2.2	*5.0*	4.0	*6.9*	6.5	:	7.3
Portugal	9.8	9.3	8.2	12.5	0.7	1.4	*4.3*	3.4	*6.2*	6.2	:	7.4
Finland	10.0	6.0	3.8	11.6	0.6	3.8	*5.1*	4.4	*6.5*	6.9	:	7.5
Sweden	9.9	7.3	6.0	11.3	-0.4	3.4	*4.8*	3.4	*6.3*	6.2	:	7.1
United Kingdom	9.8	7.5	6.5	11.4	0.0	3.0	*4.7*	3.3	*6.3*	6.5	:	7.3
EU-15 (c)	9.5	7.4	6.2	11.5	0.5	3.1	*4.7*	3.5	*6.4*	6.4	:	7.3
Euro area (c)	9.5	7.5	6.2	11.5	0.6	3.1	*4.6*	3.5	*6.4*	6.4	:	7.3
Cyprus	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Czech Republic	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Estonia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Hungary	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Latvia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Lithuania	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Malta	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Poland	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Slovakia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Slovenia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
AC-10	:	:	:	:	:	:	*:*	:	*:*	:	:	:
EU-25	:	:	:	:	:	:	*:*	:	*:*	:	:	:
USA	10.0	1.6	6.7	10.8	-2.2	6.6	*5.8*	4.8	*6.9*	7.5	:	8.4
Japan	11.6	3.2	9.1	12.5	-2.3	7.9	*6.5*	6.0	*7.3*	8.4	:	9.0

(a) Imports to the various markets (incl. EU-markets) weighted according to their share in country's exports.
(b) Included in the figures for Belgium.
(c) Intra- and extra-EU trade.

TABLE 54 : Export performance (a) (percentage change on preceding year, 1997-2005)

							2003 estimate of		2004 forecast of		2005 forecast of	
	1997	1998	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
Belgium	-2.7	-3.8	-1.6	-2.5	-0.8	-6.0	*-2.3*	-4.3	*-1.4*	-3.5	:	-3.5
Denmark	-1.9	-5.2	2.3	0.6	-0.1	1.9	*-1.9*	-1.3	*-0.8*	-1.9	:	-2.0
Germany	1.6	0.2	-0.6	1.1	4.5	-1.2	*-1.2*	-1.1	*-0.2*	-0.2	:	0.1
Greece	-4.6	-4.1	-3.1	1.9	-6.8	-10.1	*-3.5*	0.4	*-1.5*	-1.9	:	-1.4
Spain	3.6	-3.1	-0.9	-1.4	1.7	-0.8	*-0.3*	2.0	*-1.7*	-0.6	:	0.4
France	2.0	-0.5	-3.3	2.2	0.7	-1.0	*-1.7*	-5.4	*-0.8*	-2.0	:	-0.4
Ireland	5.4	12.6	4.5	5.5	4.9	2.1	*-1.6*	-8.2	*-0.9*	-0.5	:	0.3
Italy	-5.2	-3.4	-5.0	-0.5	0.4	-3.4	*-2.1*	-6.7	*-0.5*	-1.6	:	-1.8
Luxembourg (b)	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Netherlands	-1.9	-0.7	0.8	0.4	1.6	-2.4	*-1.7*	-4.0	*-0.5*	-0.7	:	-0.7
Austria	2.1	-0.4	1.2	0.9	6.1	3.1	*-1.5*	-1.2	*0.2*	-0.2	:	0.5
Portugal	-0.3	-1.5	:	:	:	:	*-1.4*	0.0	*0.0*	-1.0	:	0.3
Finland	4.7	3.8	3.7	8.1	-2.4	0.4	*-1.0*	-2.0	*-0.3*	-2.5	:	-1.4
Sweden	2.4	-0.5	-1.0	-0.1	-3.1	-1.1	*-1.0*	0.7	*0.4*	0.3	:	0.1
United Kingdom	-1.8	-5.8	-2.8	0.2	1.3	-4.7	*-3.2*	-2.7	*-0.5*	-0.8	:	-0.4
EU-15 (c)	-0.2	-1.4	-1.6	0.7	1.8	-1.8	*-1.7*	-3.1	*-0.6*	-1.0	:	-0.6
Euro area (c)	0.2	-0.6	-1.5	0.9	2.2	-1.6	*-1.5*	-3.3	*-0.7*	-1.1	:	-0.6
Cyprus	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Czech Republic	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Estonia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Hungary	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Latvia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Lithuania	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Malta	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Poland	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Slovakia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
Slovenia	:	:	:	:	:	:	*:*	:	*:*	:	:	:
AC-10	:	:	:	:	:	:	*:*	:	*:*	:	:	:
EU-25	:	:	:	:	:	:	*:*	:	*:*	:	:	:
USA	5.0	0.5	-2.5	0.5	-3.8	-9.6	*-3.3*	-4.2	*-1.7*	-2.3	:	-2.1
Japan	-1.9	-4.5	-13.4	-0.1	-4.0	0.6	*1.5*	1.1	*-1.1*	-0.8	:	0.1

(a) Index for exports divided by an index for growth of markets.
(b) Included in the figures for Belgium.
(c) Intra- and extra-EU trade.

TABLE 55 : World GDP, volume (percentage change on preceding year, 1998-2005) 20.10.2003

							2003 estimate of		2004 forecast of		2005 forecast of	
	(a)	1998	1999	2000	2001	2002	III-2003	X-2003	III-2003	X-2003	III-2003	X-2003
EU-15	18.2	2.9	2.9	3.6	1.7	1.1	1.3	0.8	2.4	2.0	:	2.4
Euro area	14.5	2.9	2.8	3.5	1.6	0.9	1.0	0.4	2.3	1.8	:	2.3
Belgium	0.6	2.0	3.2	3.8	0.6	0.7	1.2	0.8	2.3	1.8	:	2.3
Denmark	0.4	2.5	2.6	2.9	1.4	2.1	1.5	0.8	2.2	2.0	:	2.3
Germany	4.6	2.0	2.0	2.9	0.8	0.2	0.4	0.0	2.0	1.6	:	1.8
Greece	0.2	3.4	3.4	4.4	4.0	3.8	3.6	4.1	3.8	4.2	:	3.4
Spain	1.3	4.3	4.2	4.2	2.8	2.0	2.0	2.3	3.0	2.9	:	3.3
France	3.2	3.4	3.2	3.8	2.1	1.2	1.1	0.1	2.3	1.7	:	2.3
Ireland	0.2	8.6	11.3	10.1	6.2	6.9	3.3	1.6	4.5	3.7	:	4.9
Italy	2.4	1.8	1.7	3.1	1.8	0.4	1.0	0.3	2.1	1.5	:	1.9
Luxembourg	0.0	6.9	7.8	9.1	1.2	1.3	1.1	1.2	2.7	1.9	:	2.8
Netherlands	0.9	4.3	4.0	3.5	1.2	0.2	0.5	-0.9	1.7	0.6	:	2.0
Austria	0.5	3.9	2.7	3.4	0.8	1.4	1.2	0.9	2.0	1.9	:	2.5
Portugal	0.2	4.6	3.8	3.7	1.6	0.4	0.5	-0.8	2.0	1.0	:	2.0
Finland	0.3	5.0	3.4	5.1	1.2	2.2	2.2	1.5	2.9	2.5	:	2.7
Sweden	0.6	3.6	4.6	4.4	1.1	1.9	1.4	1.4	2.7	2.2	:	2.6
United Kingdom	2.8	3.1	2.8	3.8	2.1	1.7	2.2	2.0	2.6	2.8	:	2.9
Candidate Countries	1.4	3.0	0.2	5.1	-0.7	4.0	3.5	4.4	4.3	4.3	:	4.8
Acceding Countries	0.9	3.8	3.1	4.1	2.4	2.3	3.1	3.1	4.0	3.8	:	4.2
- Cyprus	0.0	4.8	4.7	5.0	4.0	2.0	2.0	2.0	3.8	3.4	:	4.2
- Czech Republic	0.1	-1.0	0.5	3.3	3.1	2.0	2.8	2.2	3.9	2.6	:	3.3
- Estonia	0.0	4.6	-0.6	7.3	6.5	6.0	4.9	4.4	5.1	5.6	:	5.1
- Hungary	0.1	4.9	4.2	5.2	3.8	3.3	3.7	2.9	4.1	3.2	:	3.4
- Latvia	0.0	4.8	2.8	6.8	7.9	6.1	5.5	6.0	6.0	5.2	:	5.7
- Lithuania	0.0	7.3	-1.8	4.0	6.5	6.7	4.5	6.6	5.0	5.7	:	6.0
- Malta	0.0	3.4	4.1	6.4	-1.2	1.2	3.1	0.8	3.7	2.7	:	2.9
- Poland	0.4	4.8	4.1	4.0	1.0	1.4	2.5	3.3	3.7	4.2	:	4.8
- Slovakia	0.1	4.0	1.3	2.2	3.3	4.4	3.7	3.8	4.5	4.1	:	4.3
- Slovenia	0.1	3.7	5.9	4.1	2.9	2.9	3.4	2.1	3.7	3.1	:	3.7
Other Candidate Countries	0.5	1.9	-3.8	6.5	-4.9	7.0	4.0	5.0	4.7	4.6	:	5.0
- Bulgaria	0.3	3.9	2.3	5.4	4.1	4.8	4.5	4.5	5.0	5.0	:	5.5
- Romania	0.3	-4.8	-1.2	2.1	5.7	4.9	4.9	4.6	5.0	4.9	:	5.1
- Turkey	0.0	3.1	-4.7	7.4	-7.5	7.8	3.7	5.1	4.5	4.5	:	5.0
USA	21.8	4.3	4.1	3.8	0.3	2.5	2.4	2.8	2.5	3.8	:	3.3
Japan	7.4	-1.1	0.1	2.8	0.4	0.1	1.5	2.6	1.3	1.7	:	1.5
Canada	2.1	4.1	5.5	5.3	1.7	3.2	3.1	1.9	3.5	2.8	:	3.3
Norway	0.3	2.6	2.1	2.8	1.9	1.0	2.2	1.0	2.8	2.1	:	2.7
Switzerland	0.5	2.4	1.5	3.2	0.9	0.1	1.3	0.1	2.7	1.9	:	2.2
Iceland	0.0	5.5	3.9	5.5	2.9	-0.5	1.5	2.3	2.4	3.8	:	4.8
Australia	1.2	5.3	4.0	1.8	3.9	3.5	3.7	3.4	4.3	3.5	:	3.3
New Zealand	0.2	0.4	5.0	2.7	3.5	4.6	2.7	2.0	2.8	3.0	:	3.4
Industrialised countries	53.1	3.0	3.1	3.6	0.9	1.7	2.0	2.1	2.5	2.8	:	2.8
Others	46.9	2.5	4.5	6.0	3.8	4.1	4.6	4.8	5.3	5.4	:	5.7
CIS	4.1	-3.1	4.4	8.3	6.2	5.0	3.9	6.0	3.4	5.2	:	4.7
Russia	2.8	-4.9	5.4	9.0	5.0	4.3	3.4	6.0	2.6	5.0	:	5.0
Ukraine	0.5	-1.9	-0.2	5.9	9.2	4.1	3.9	5.5	4.1	5.5	:	5.5
Other	0.8	2.9	3.9	7.3	8.7	8.0	5.6	6.1	5.5	5.5	:	3.2
OPEC	4.9	-3.0	0.4	4.4	2.7	2.1	1.7	2.5	4.1	4.0	:	4.5
Indonesia	1.6	-13.1	0.8	4.9	3.3	3.7	3.7	4.3	4.5	4.2	:	4.4
Other emerging markets	38.0	3.7	5.0	6.0	3.7	4.2	5.0	5.0	5.7	5.6	:	6.0
Asia	25.5	4.0	6.7	6.8	5.2	6.0	6.1	6.3	6.3	6.7	:	6.7
- China	13.1	7.8	7.1	8.0	7.3	8.0	7.2	8.0	7.1	8.0	:	7.9
- India	4.9	6.0	7.1	4.0	5.5	4.9	5.9	6.3	6.4	6.1	:	5.9
- Hong Kong	0.4	-5.0	3.4	10.2	0.6	2.3	3.7	1.9	3.3	3.8	:	3.6
- Korea	1.8	-6.7	10.9	9.3	3.1	6.3	5.7	3.1	6.1	6.4	:	5.9
Latin America	9.6	2.9	1.1	4.5	0.4	0.3	2.4	2.0	4.1	3.4	:	4.4
- Argentina	0.7	3.8	-3.4	-0.8	-4.4	-10.9	2.1	4.5	5.1	5.0	:	5.5
- Brazil	2.6	0.1	0.8	4.4	1.4	1.5	2.6	1.1	4.0	3.1	:	4.5
- Mexico	2.0	5.0	3.6	6.6	-0.3	0.9	2.5	1.9	4.2	3.1	:	4.2
Africa	3.0	3.9	3.3	4.0	1.3	1.1	3.3	3.1	4.3	4.2	:	4.5
- South Africa	0.8	0.8	2.0	3.5	2.8	3.0	3.0	2.2	3.4	3.0	:	3.2
World	100.0	2.8	3.7	4.7	2.3	2.8	3.2	3.3	3.7	4.1	:	4.1
World excluding EU-15	81.8	2.7	3.9	5.0	2.4	3.2	3.6	3.9	4.0	4.5	:	4.5
World excluding euro area	85.5	2.7	3.9	5.0	2.4	3.2	3.5	3.8	4.0	4.4	:	4.5

(a) Relative weights, based on GDP (at constant prices and pps) in 2002.

TABLE 56 : World exports of goods, volume (percentage change on preceding year, 1998-2005) 20.10.2003

							2003 estimate of		2004 forecast of		2005 forecast of	
	(a)	1998	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
EU-15 (b)	36.3	6.8	5.1	12.5	2.7	1.2	*2.9*	0.3	*5.8*	5.3	*:*	6.7
Euro area (b)	29.9	7.5	5.2	12.7	3.1	1.5	*3.0*	0.1	*5.7*	5.2	*:*	6.7
Candidate Countries	3.4	:	:	:	:	:	*7.1*	10.1	*9.1*	10.0	*:*	11.0
Acceding Countries	2.3	13.3	5.6	19.5	9.8	6.8	*6.6*	7.7	*8.5*	7.9	*:*	8.8
- Cyprus	0.0	-13.0	-7.4	-2.4	5.9	-5.1	*-0.5*	0.4	*7.7*	4.9	*:*	5.9
- Czech Republic	0.6	11.6	8.4	20.0	14.1	5.9	*7.3*	6.2	*9.2*	5.0	*:*	5.8
- Estonia	0.1	16.3	-2.6	40.9	-5.5	3.5	*8.0*	5.0	*11.0*	10.0	*:*	12.0
- Hungary	0.5	22.5	15.3	21.8	6.9	5.4	*6.0*	5.2	*8.5*	6.8	*:*	9.2
- Latvia	0.0	11.1	-3.0	14.0	8.6	11.0	*8.5*	10.0	*9.0*	10.0	*:*	11.0
- Lithuania	0.1	2.8	-21.1	15.0	24.6	18.6	*10.0*	10.0	*10.4*	8.0	*:*	8.0
- Malta	0.0	9.3	11.2	10.9	-5.8	2.8	*4.5*	2.2	*5.9*	3.5	*:*	4.0
- Poland	0.6	11.9	1.0	21.5	11.9	7.8	*6.8*	8.6	*9.0*	11.2	*:*	12.2
- Slovakia	0.2	15.1	8.3	12.5	4.9	6.4	*6.5*	19.4	*8.8*	11.0	*:*	8.5
- Slovenia	0.2	9.4	2.7	12.9	6.9	6.5	*5.7*	3.4	*6.0*	5.3	*:*	5.7
Other Candidate Countries	1.0	:	:	:	:	:	*8.5*	11.4	*10.4*	11.1	*:*	12.1
- Bulgaria	0.1	:	:	:	:	:	*7.7*	11.0	*8.0*	13.0	*:*	16.0
- Romania	0.3	3.2	10.2	24.7	10.9	19.8	*10.5*	10.1	*12.0*	9.2	*:*	9.0
- Turkey	0.7	10.3	3.1	12.4	21.6	15.5	*8.0*	12.0	*10.2*	11.5	*:*	12.5
USA	10.9	2.1	3.7	11.3	-5.9	-3.6	*2.3*	0.4	*5.1*	5.0	*:*	6.1
Japan	6.2	-1.5	-5.5	12.4	-6.2	8.5	*8.1*	7.2	*6.1*	7.5	*:*	9.1
Canada	4.1	8.5	11.2	9.7	-3.9	0.0	*3.4*	-0.7	*7.0*	4.8	*:*	5.4
Norway	0.9	-1.1	3.2	2.1	6.0	-0.3	*2.5*	0.6	*3.6*	3.2	*:*	3.6
Switzerland	1.6	5.3	3.6	9.3	2.1	1.0	*2.9*	-0.1	*4.9*	4.7	*:*	4.1
Iceland	0.0	6.1	-2.0	-7.9	-17.8	9.7	*3.8*	1.1	*4.4*	3.5	*:*	4.9
Australia	1.0	0.1	5.2	9.5	1.1	4.5	*5.5*	5.0	*6.5*	6.5	*:*	7.5
New Zealand	0.2	0.1	2.9	5.8	2.6	6.0	*4.7*	4.7	*5.2*	5.2	*:*	6.2
Industrialised countries	64.6	:	:	:	:	:	*3.5*	1.5	*5.9*	5.6	*:*	6.9
Others	35.4	6.9	8.7	17.2	-3.3	9.6	*6.8*	8.4	*8.1*	10.3	*:*	10.4
CIS	2.4	-3.6	-7.6	7.2	5.0	4.0	*2.5*	6.8	*2.5*	5.3	*:*	5.0
Russia	1.7	-0.2	-7.2	-0.1	6.4	3.2	*1.1*	5.0	*2.9*	5.9	*:*	6.3
Ukraine	0.3	-12.4	-10.2	21.1	10.1	10.1	*4.0*	10.6	*3.5*	5.5	*:*	4.5
Other	0.4	-12.5	-7.8	33.5	-2.6	3.5	*6.5*	11.3	*0.1*	2.6	*:*	0.3
OPEC	4.6	5.5	11.4	0.8	-6.1	-8.3	*0.7*	-0.5	*9.5*	5.6	*:*	6.9
Indonesia	0.9	17.2	24.1	-17.2	1.1	-2.5	*7.0*	6.0	*8.0*	7.0	*:*	8.0
Other emerging markets	28.3	8.0	9.6	20.8	-3.5	13.0	*8.4*	10.0	*8.4*	11.5	*:*	11.5
Asia	19.4	7.1	9.6	24.9	-5.3	17.5	*9.3*	12.8	*8.9*	13.8	*:*	13.6
- China	5.0	14.3	10.0	35.5	4.5	30.3	*12.5*	33.0	*12.0*	27.0	*:*	24.0
- India	0.8	4.4	12.8	20.1	0.1	20.7	*5.5*	6.0	*6.0*	5.5	*:*	6.0
- Hong Kong	3.1	-3.8	2.9	16.8	-3.7	8.3	*8.3*	7.5	*7.5*	7.8	*:*	8.0
- Korea	2.5	21.8	11.2	19.4	-13.0	30.5	*9.0*	7.0	*7.7*	7.7	*:*	8.7
Latin America	7.6	12.0	10.0	11.5	-1.0	1.8	*5.9*	3.8	*7.3*	6.9	*:*	7.3
- Argentina	0.4	11.9	-0.7	2.6	4.5	-0.2	*6.0*	4.0	*8.0*	7.5	*:*	7.5
- Brazil	0.9	10.2	-0.7	7.0	11.4	8.4	*7.0*	6.0	*7.0*	6.0	*:*	6.0
- Mexico	2.5	12.3	14.0	16.5	-4.5	0.0	*6.0*	3.5	*7.6*	7.0	*:*	7.5
Africa	1.4	-1.8	8.2	14.0	7.2	10.6	*5.5*	4.3	*6.6*	4.6	*:*	4.7
- South Africa	0.5	-7.8	7.3	18.4	4.1	7.7	*8.6*	1.4	*8.6*	3.4	*:*	3.7
World	100.0	:	:	:	:	:	*4.6*	4.0	*6.6*	7.3	*:*	8.1
World excluding EU-15	63.7	:	:	:	:	:	*5.7*	6.0	*7.1*	8.4	*:*	8.9
World excluding euro area	70.1	:	:	:	:	:	*5.3*	5.6	*7.0*	8.2	*:*	8.7

(a) Relative weights, based on exports (at current prices and current exchange rates) in 2002.
(b) Intra- and extra-EU trade.

TABLE 57 : Export shares in EU trade (goods only - 2001)

	EU-15	USA	Japan	Canada	Candidate Countries	Acceding Countries	CIS	OPEC	Other Emerging Markets	Asia	Latin America	Africa	World
EU-15	51.2	16.8	1.6	3.1	6.5	4.8	2.2	3.3	15.3	9.9	2.6	2.9	100
Belgium	58.8	10.9	0.8	2.0	5.6	3.9	1.6	2.7	17.5	11.8	2.4	3.3	100
Denmark	58.3	11.9	1.2	6.0	5.5	4.6	2.9	2.3	11.8	7.7	2.3	1.8	100
Germany	46.8	15.4	1.2	3.0	12.6	10.3	3.3	2.8	15.0	9.0	3.6	2.4	100
Greece	26.3	9.2	1.2	1.0	34.6	14.3	7.0	5.3	15.5	8.4	2.6	4.5	100
Spain	53.3	8.4	0.8	1.8	6.7	4.6	1.4	4.5	23.0	6.2	10.6	6.2	100
France	46.4	14.0	1.5	2.5	6.0	4.1	1.5	5.8	22.3	9.0	4.6	8.7	100
Ireland	53.1	25.3	1.0	5.1	2.0	1.4	0.5	1.4	11.6	8.3	1.9	1.4	100
Italy	35.2	16.5	1.6	3.0	12.3	7.2	3.1	6.1	22.1	11.3	5.7	5.2	100
Luxembourg	77.3	6.6	1.1	1.1	4.7	3.9	1.2	1.0	6.9	3.5	1.4	2.0	100
Netherlands	65.4	8.7	0.8	2.1	6.2	4.5	2.3	2.9	11.7	6.8	2.3	2.5	100
Austria	31.6	12.5	1.8	2.9	29.2	24.9	4.7	3.6	13.6	8.5	2.6	2.5	100
Portugal	59.4	13.8	1.3	1.0	3.9	2.8	0.3	1.8	18.4	4.3	4.3	9.9	100
Finland	44.8	14.6	1.2	2.8	5.9	4.8	9.7	3.2	17.8	12.2	3.2	2.3	100
Sweden	49.8	16.7	1.7	4.7	5.7	4.5	2.2	3.0	16.1	10.0	3.9	2.2	100
United Kingdom	40.1	25.5	2.8	3.2	4.6	3.2	1.1	4.7	18.0	12.1	2.5	3.4	100

TABLE 58 : World imports of goods, volume (percentage change on preceding year, 1998-2005) 20.10.2003

							2003 estimate of		2004 forecast of		2005 forecast of	
	(a)	1998	1999	2000	2001	2002	*III-2003*	X-2003	*III-2003*	X-2003	*III-2003*	X-2003
EU-15 (b)	34.7	10.2	7.1	11.1	1.3	0.6	*3.6*	1.7	*5.8*	5.2	*:*	6.6
Euro area (b)	27.5	10.5	7.4	11.5	0.9	0.0	*3.6*	1.9	*6.0*	5.2	*:*	6.6
Candidate Countries	4.0	:	:	:	:	:	*7.0*	11.0	*9.4*	10.2	*:*	11.1
Acceding Countries	2.7	15.1	1.8	16.5	7.0	4.6	*6.3*	6.5	*9.0*	7.2	*:*	8.1
- Cyprus	0.1	8.2	-4.0	9.4	6.6	1.5	*0.2*	0.3	*5.3*	2.4	*:*	4.7
- Czech Republic	0.6	6.2	5.1	20.2	15.3	4.3	*6.8*	5.6	*9.4*	4.8	*:*	6.0
- Estonia	0.1	10.6	-7.9	32.6	0.3	5.2	*7.0*	9.0	*9.0*	9.0	*:*	10.0
- Hungary	0.6	25.9	14.0	20.4	3.8	4.9	*6.4*	7.0	*8.3*	6.2	*:*	7.1
- Latvia	0.1	21.1	-2.7	3.8	16.6	4.3	*10.5*	12.0	*8.1*	10.0	*:*	9.0
- Lithuania	0.1	7.0	-13.8	9.2	19.4	16.4	*6.9*	8.0	*10.1*	8.7	*:*	7.0
- Malta	0.0	1.6	8.7	17.6	-11.6	0.7	*4.0*	5.0	*5.3*	3.4	*:*	3.4
- Poland	0.8	18.2	-3.2	15.8	3.2	3.6	*6.5*	4.7	*11.3*	9.5	*:*	11.5
- Slovakia	0.3	18.6	-5.2	11.6	11.5	5.0	*5.6*	13.6	*7.0*	9.8	*:*	7.8
- Slovenia	0.2	10.8	8.6	7.7	3.2	4.4	*5.4*	4.5	*6.5*	5.6	*:*	6.0
Other Candidate Countries	1.3	:	:	:	:	:	*8.7*	13.2	*10.4*	11.6	*:*	12.4
- Bulgaria	0.1	:	:	:	:	:	*7.5*	14.0	*8.0*	12.0	*:*	15.0
- Romania	0.3	14.9	-1.5	29.5	22.1	13.5	*9.7*	13.5	*9.7*	10.2	*:*	9.1
- Turkey	0.8	-1.1	-2.6	32.3	-23.9	17.3	*8.5*	13.0	*11.0*	12.0	*:*	13.0
USA	18.5	11.7	12.2	13.5	-3.3	3.9	*6.1*	4.0	*7.0*	6.0	*:*	6.3
Japan	4.7	-4.9	-1.0	11.9	0.1	2.2	*5.3*	4.2	*5.1*	6.1	*:*	6.7
Canada	3.5	6.2	8.7	9.2	-5.5	1.5	*5.3*	4.2	*6.6*	5.6	*:*	6.2
Norway	0.6	9.5	-3.4	3.0	-1.0	2.9	*3.2*	3.5	*4.0*	3.0	*:*	3.3
Switzerland	1.5	8.4	8.3	8.9	0.2	-2.6	*2.8*	2.3	*6.0*	6.2	*:*	2.2
Iceland	0.0	25.7	1.1	-2.4	-22.4	-4.4	*4.0*	4.9	*6.9*	6.4	*:*	12.7
Australia	1.1	6.9	6.6	5.5	-5.3	20.6	*5.5*	5.5	*5.0*	5.0	*:*	6.0
New Zealand	0.2	2.4	13.3	-2.7	-4.0	15.9	*5.0*	5.0	*4.8*	4.8	*:*	5.8
Industrialised countries	68.7	:	:	:	:	:	*4.7*	3.3	*6.3*	5.8	*:*	6.6
Others	31.3	-1.5	5.2	16.0	0.2	8.4	*7.3*	7.8	*7.5*	10.3	*:*	10.7
CIS	1.6	-11.4	-25.9	12.2	7.7	9.1	*7.8*	10.2	*4.6*	10.1	*:*	7.8
Russia	0.9	-12.0	-30.0	14.3	10.1	14.4	*8.5*	12.6	*5.4*	13.4	*:*	10.2
Ukraine	0.3	-14.3	-14.3	6.6	12.7	12.7	*5.5*	7.0	*5.5*	8.0	*:*	9.0
Other	0.4	-8.6	-23.5	11.7	0.4	-4.3	*7.9*	6.6	*2.0*	3.0	*:*	-0.2
OPEC	2.9	-3.8	-0.9	11.1	5.8	-1.8	*3.0*	-0.2	*3.5*	6.9	*:*	5.1
Indonesia	0.5	-26.4	-11.5	33.0	-4.2	-15.3	*6.0*	4.8	*6.0*	6.0	*:*	6.0
Other emerging markets	26.8	-0.7	7.7	16.7	-0.8	9.4	*7.8*	8.5	*8.2*	10.7	*:*	11.4
Asia	17.8	-6.0	10.6	18.6	-4.7	15.9	*8.8*	11.7	*8.2*	12.8	*:*	12.9
- China	4.4	10.6	19.0	29.4	12.0	25.5	*16.0*	35.0	*12.5*	30.0	*:*	27.0
- India	0.9	16.7	3.4	5.8	1.3	16.0	*6.5*	5.0	*7.4*	6.5	*:*	7.4
- Hong Kong	3.2	-7.0	-0.5	18.1	-2.4	7.5	*6.5*	3.0	*7.0*	6.5	*:*	7.0
- Korea	2.3	-22.7	28.5	17.0	-23.3	41.2	*7.8*	7.3	*6.7*	6.7	*:*	7.7
Latin America	7.6	9.6	2.2	14.2	7.6	-5.1	*6.0*	2.2	*9.4*	7.3	*:*	9.7
- Argentina	0.1	8.7	-13.9	-0.9	-17.2	-57.1	*16.0*	35.0	*26.0*	25.0	*:*	15.0
- Brazil	0.7	0.7	-6.2	8.5	-5.3	-62.0	*6.0*	-5.0	*9.5*	9.0	*:*	12.5
- Mexico	2.6	17.3	14.9	21.4	17.3	18.1	*5.5*	2.5	*8.5*	6.0	*:*	9.0
Africa	1.4	11.0	1.7	6.7	2.9	5.9	*1.8*	0.4	*4.4*	2.6	*:*	3.1
- South Africa	0.4	-3.7	-3.1	15.8	1.1	9.3	*8.3*	4.6	*8.3*	3.9	*:*	3.4
World	100.0	:	:	:	:	:	*5.4*	4.7	*6.6*	7.2	*:*	7.9
World excluding EU-15	65.3	:	:	:	:	:	*6.4*	6.3	*7.1*	8.3	*:*	8.6
World excluding euro area	72.5	:	:	:	:	:	*6.2*	5.8	*6.9*	7.9	*:*	8.4

(a) Relative weights, based on imports (at current prices and current exchange rates) in 2002.
(b) Intra- and extra-EU trade.

TABLE 59 : Import shares in EU trade (goods only - 2001)

	EU-15	USA	Japan	Canada	Candidate Countries	Acceding Countries	CIS	OPEC	Other Emerging Markets	Asia	Latin America	Africa	World
EU-15	43.4	15.7	1.6	5.6	5.6	4.1	2.8	2.9	22.3	15.5	3.2	3.6	100
Belgium	55.4	11.4	1.2	4.7	4.6	3.2	1.8	1.3	19.5	11.8	3.2	4.6	100
Denmark	64.0	7.9	1.0	2.5	6.7	5.3	2.0	0.7	15.1	11.6	2.7	0.8	100
Germany	46.1	11.4	0.8	5.7	13.6	11.2	4.4	1.5	16.6	12.1	2.4	2.1	100
Greece	30.8	5.8	0.5	5.1	10.5	3.1	11.5	15.4	20.3	14.5	2.5	3.3	100
Spain	41.0	7.4	0.7	3.8	4.0	2.3	3.0	12.1	27.9	11.9	6.9	9.1	100
France	52.0	12.2	1.0	3.3	4.5	2.7	2.6	5.3	19.1	9.2	3.4	6.5	100
Ireland	61.3	19.9	1.5	3.8	1.7	1.3	0.1	0.1	11.6	9.8	0.9	0.8	100
Italy	38.0	8.0	1.0	3.9	8.9	4.3	7.1	10.7	22.4	10.9	3.6	7.9	100
Luxembourg	78.1	9.2	1.0	2.2	4.1	4.0	0.2	0.1	4.9	3.8	0.8	0.3	100
Netherlands	35.3	15.5	0.8	7.0	3.8	2.7	3.2	4.9	29.5	20.6	5.3	3.6	100
Austria	34.9	10.2	1.1	3.4	31.0	27.2	5.2	3.3	10.9	8.4	1.1	1.3	100
Portugal	43.4	9.7	0.6	5.0	5.3	3.4	3.1	11.0	21.9	8.3	7.3	6.3	100
Finland	52.2	7.5	0.9	5.5	4.3	3.8	17.9	0.1	11.6	8.2	2.3	1.1	100
Sweden	63.2	10.0	0.7	4.1	5.9	4.8	1.3	2.7	12.1	9.8	1.6	0.7	100
United Kingdom	33.3	22.4	2.7	6.7	4.3	2.6	1.6	1.9	27.1	19.3	2.9	4.9	100

TABLE 60 : World trade balances (fob-fob, bn. US dollars, 1997-2005) 20.10.2003

	1997	1998	1999	2000	2001	2002	2003 estimate of III-2003	2003 estimate of X-2003	2004 forecast of III-2003	2004 forecast of X-2003	2005 forecast of III-2003	2005 forecast of X-2003
EU-15	155.4	128.3	78.0	21.2	66.9	112.0	147.8	109.8	153.9	138.8	:	150.3
EU-15, adjusted [1]	71.3	47.5	12.6	-53.3	0.7	42.3	53.3	26.4	59.9	52.7	:	64.8
Euro area	152.3	145.1	103.0	51.0	106.0	160.8	185.7	164.2	195.2	195.8	:	207.0
Euro area, adjusted [1]	132.0	122.2	80.7	29.2	67.6	124.0	144.8	119.8	154.4	150.0	:	161.6
Candidate Countries	-49.9	-50.5	-40.7	-56.9	-36.2	-40.9	-43.8	-61.1	-46.2	-74.5	:	-85.4
Acceding Countries	-25.0	-27.9	-23.9	-26.9	-26.8	-25.0	-29.5	-31.9	-30.7	-35.9	:	-37.3
Other Candidate Countries	-24.9	-22.6	-16.8	-30.0	-9.4	-15.9	-14.3	-29.1	-15.5	-38.6	:	-48.1
USA	-196.2	-248.7	-348.0	-458.1	-433.8	-488.6	-581.8	-559.2	-656.5	-616.6	:	-666.8
Japan	101.7	122.1	123.4	116.6	74.4	95.6	123.6	114.6	147.9	146.9	:	174.4
Canada	18.5	16.0	28.3	45.7	44.5	36.8	38.5	44.4	42.4	46.6	:	46.4
Norway	11.3	1.7	10.7	26.0	26.0	25.3	31.1	27.5	20.9	25.2	:	23.1
Switzerland	0.9	1.2	0.1	-1.7	0.2	3.5	1.9	1.0	0.8	0.0	:	2.4
Iceland	0.0	-0.4	-0.3	-0.5	-0.3	-0.1	0.3	-0.3	0.2	-0.3	:	-0.6
Australia	1.8	-5.3	-9.7	-4.2	2.6	-4.1	-1.4	-1.8	-1.9	-1.9	:	-1.8
New Zealand	0.9	0.9	-0.4	0.7	1.5	0.5	1.3	0.3	1.9	0.6	:	1.1
Industrialised countries	44.5	-34.6	-158.8	-311.2	-254.3	-260.1	-282.6	-324.8	-336.6	-335.3	:	-356.8
Others	66.9	97.8	204.3	293.5	228.2	268.6	335.5	362.6	315.4	362.7	:	372.1
CIS	6.3	8.6	34.0	63.3	49.5	50.3	45.3	58.1	34.2	49.3	:	39.9
OPEC	84.8	35.2	92.6	166.5	117.3	116.2	133.0	142.7	117.5	125.4	:	120.6
Other emerging markets	-24.2	54.1	77.6	63.7	61.5	102.1	157.2	161.8	163.8	188.0	:	211.5
Asia	12.3	118.8	113.1	96.8	92.3	107.6	131.8	138.2	164.8	180.8	:	229.4
Latin America	-24.6	-47.5	-21.5	-23.1	-22.9	-0.4	24.1	22.4	0.2	7.6	:	-16.9
Africa	-11.9	-17.2	-14.0	-10.0	-7.9	-5.1	1.4	1.2	-1.2	-0.4	:	-1.0
World	111.4	63.2	45.5	-17.7	-26.0	8.6	52.9	37.7	-21.2	27.4	:	15.3

[1] See note 8 on concepts and sources.

TABLE 61 : World current account balances (bn. US dollars, 1997-2005)

	1997	1998	1999	2000	2001	2002	2003 estimate of III-2003	2003 estimate of X-2003	2004 forecast of III-2003	2004 forecast of X-2003	2005 forecast of III-2003	2005 forecast of X-2003
EU-15	108.6	64.1	13.3	-30.6	19.9	69.7	66.8	52.9	75.8	78.5	:	99.3
EU-15, adjusted [1]	73.0	38.6	-3.2	-60.5	-34.0	45.1	48.6	23.3	57.6	48.0	:	69.0
Euro area	98.8	62.5	33.4	-13.1	31.8	83.9	75.4	82.3	81.3	108.5	:	119.9
Euro area, adjusted [1]	64.3	29.9	-25.4	-61.0	-17.4	56.4	70.8	49.3	76.7	74.4	:	86.0
Candidate Countries	:	:	:	:	-17.6	-24.2	-25.8	-43.0	-25.5	-54.1	:	-62.8
Acceding Countries	:	:	:	:	-17.9	-18.7	-20.0	-24.0	-18.9	-28.1	:	-29.7
Other Candidate Countries	-9.2	-5.3	-5.9	-15.6	0.3	-5.5	-5.8	-19.0	-6.6	-26.0	:	-33.1
USA	-123.1	-199.7	-276.0	-395.8	-376.9	-489.0	-606.3	-572.0	-682.4	-636.2	:	-686.8
Japan	97.0	118.6	114.9	119.5	87.7	114.4	130.8	131.0	147.5	158.4	:	177.0
Canada	-6.6	-7.0	5.2	28.1	17.9	15.4	14.6	17.9	17.9	18.5	:	17.8
Norway	10.0	0.1	8.5	26.0	26.5	25.2	30.3	26.3	20.3	24.2	:	22.3
Switzerland	27.0	28.7	30.7	32.9	33.7	40.2	32.7	25.9	39.8	42.5	:	51.5
Iceland	-0.1	-0.6	-0.6	-0.8	-0.3	-0.1	0.5	-0.1	0.4	-0.1	:	-0.4
Australia	-12.4	-18.0	-23.0	-15.1	-8.7	-17.9	-13.4	-13.8	-13.9	-13.9	:	-13.8
New Zealand	-4.3	-2.1	-3.5	-2.7	-1.4	-1.9	-1.6	-2.1	-1.0	-1.8	:	-1.3
Industrialised countries	:	:	:	:	-219.2	-268.1	-371.4	-377.0	-421.2	-384.1	:	-397.2
Others	-47.0	-29.7	85.4	157.1	108.3	163.9	266.3	269.6	264.1	274.8	:	291.3
CIS	-3.7	-5.3	23.0	48.4	35.9	36.2	31.2	43.1	19.7	34.1	:	27.6
OPEC	18.1	-18.4	36.9	101.9	58.6	58.3	107.5	115.2	95.8	102.8	:	99.6
Other emerging markets	-61.5	-6.0	25.5	6.8	13.8	69.4	127.6	111.4	148.6	137.9	:	164.1
Asia	25.7	109.7	108.5	92.0	91.7	107.0	138.0	139.6	171.6	174.2	:	218.0
Latin America	-77.2	-102.3	-72.6	-77.5	-73.7	-36.8	-21.3	-37.9	-32.8	-44.4	:	-62.0
Africa	-10.0	-13.4	-10.3	-7.7	-4.2	-0.7	10.9	9.6	9.8	8.1	:	8.2
World	:	:	:	:	-110.9	-104.2	-105.1	-107.4	-157.1	-109.2	:	-105.9

[1] See note 8 on concepts and sources.

TABLE 62 : Primary commodity prices (in US dollars, percentage change on preceding year, 1997-2005) 20.10.2003

SITC Classification	1997	1998	1999	2000	2001	2002	*2003 estimate of III-2003*	2003 estimate of X-2003	*2004 forecast of III-2003*	2004 forecast of X-2003	*2005 forecast of III-2003*	2005 forecast of X-2003
Food (0 + 1)	-5.7	-14.6	-15.2	-2.4	1.2	7.8	*8.8*	3.8	*2.7*	-1.5	*:*	-0.3
Basic materials (2 + 4)	-1.7	-14.7	-2.1	4.6	-8.1	0.9	*11.0*	9.0	*2.5*	3.5	*:*	1.1
- of which :												
Agricultures non-food	-5.3	-14.3	-3.1	0.4	-6.9	5.0	*14.2*	10.4	*1.9*	1.5	*:*	0.7
- of which :												
Wood and pulp	-6.4	-13.1	8.8	2.7	-9.9	-3.1	*10.2*	12.2	*3.4*	4.6	*:*	1.8
Minerals and metals	3.7	-15.4	-0.8	10.5	-9.7	-4.3	*6.5*	7.1	*3.4*	6.5	*:*	1.8
Fuel products (3)	-6.7	-28.4	25.1	49.5	-9.4	-0.3	*10.0*	11.9	*-13.0*	-8.2	*:*	-5.3
- of which :												
Crude petroleum	-7.5	-33.4	41.1	59.1	-12.4	0.2	*10.3*	13.2	*-14.9*	-9.6	*:*	-5.9
Primary commodities												
- Total excluding fuels	-3.1	-14.7	-6.7	2.4	-5.3	3.1	*10.3*	7.3	*2.5*	1.9	*:*	0.7
- Total including fuels	-4.8	-21.0	6.6	26.0	-8.1	1.2	*10.1*	9.9	*-6.2*	-3.9	*:*	-2.6
Crude petroleum - price per barrel (us dollar)												
Brent	19.1	12.7	17.9	28.5	25.0	25.0	*27.6*	28.3	*23.5*	25.6	*:*	24.1

Note on concepts and sources

1. Directorate General "ECFIN" produces, under its own responsibility, short- term economic forecasts twice a year: in the spring and in the autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the Acceding Countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2003, 2004 and 2005 are estimates and projections. The sources for all tables are the Commission services, except where it is stated otherwise. In general, the historical data for the Member States are based on the ESA 95 system. For DE, IE, LU and PT data start in the late 1980s or early 1990s. For all other Member States most data have been reported for longer periods in the past. For the USA and Japan the definitions are as in the SNA.

3. Tables 5 and 6 on domestic demand and final demand respectively present data including inventories.

4. In Table 17 national index for USA and Japan, and for EU Member States and aggregates before 1996.

5. The potential output gap is calculated with reference to potential output estimated in a production function where the increase in the capital stock and the difference between actual unemployment and the NAIRU play a key role. The cyclical adjustment of budgetary balances is based on this concept, except for DE, ES and AT. In Table 14 output gaps are calculated according to the alternative method using the Hodrick-Prescott filter, which is used for the cyclical adjustment in the case of DE, ES and AT.

6. Employment data are based on numbers of persons employed. The concept of full-time equivalent is used for Spain, France, Italy, the Netherlands and Austria. Tables 22-28 and 32-33 use data on the basis of FTE for these countries.

7. The nominal short term interest rates are defined as the 3-month interbank rates. The nominal long term interest rates are defined as the central government benchmark bond of 10 years from 1995.

8. EU-15 and euro area data are aggregated using exchange rates. World GDP is aggregated at Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is done on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU-15 and euro area "adjusted" balances. Theoretically, balances of EU-15 and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU-15 or euro area aggregate. However, intra-EU-15 or intra euro area balances are, due to reporting errors, non-zero. The creation of the internal market in 1993 reduced border controls and formalities, and thereby the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. The "adjusted" balances are eurostat (for EU-15) and ECB (for euro area) estimates for the past. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2002.

9. Tables 38, 40 and 43 are based on Excessive Deficit Procedure data from 1999 onwards, as reported in the second notification in 2003 and subsequent revisions. Data before 1999 according to ESA 95. (See Eurostat news release N° 106, 15 September 2003). Tables 35, 37, 38 and 40 include swap related settlements.

10. The allocation of mobile phone licences (UMTS) impacts strongly on the general government accounts for some countries in 2000, 2001 and 2002. Tables 36, 38 and 40 include the amounts from the sale of the licences, while the cyclically adjusted balances in tables 41 and 42 exclude these amounts.

11. German, EU-15 and euro area figures concern unified Germany from 1991 onwards; for percentage changes from 1192 onwards.

12. With respect to the acceding countries, which are presently in a transition phase, data may not always be directly comparable to the existing member states.

13. Geographical zones are defined as follows :
Euro area :
EUR-12 (EU-15 excluding DK, SE and the UK)
Acceding Countries (AC-10) :
Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.
Candidate countries :
AC-10, Bulgaria, Romania and Turkey.
Industrialised Countries :
EU-15, Candidate Countries, USA, Japan, Canada, Norway, Switzerland, Iceland, Australia and New Zealand.
OPEC :
Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.
Asia :
All countries except Indonesia, Iran, Iraq, Japan, Kuwait, Qatar, Saudi Arabia and UAE.
Latin America :
All countries except Venezuela.
Africa :
All countries except Algeria, Libya and Nigeria.

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