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Autumn 2001 Forecasts for 2001-2003 [1]

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Highlights

- *The world economy is experiencing a severe and synchronised slowdown but is expected to recover in the course of next year as confidence returns, excess capacities unwind and international trade picks up.*
- *Euro area GDP growth is expected to reach only 1½ % on average in 2001. It is unlikely to be higher next year, even if the pick-up starts in the first half of 2002 and quickly gains momentum thereafter. Tax cuts, lower inflation and sound fundamentals should support the recovery. Employment creation is likely to be much lower and the number of jobless is expected to rise by about half a million in 2002, the first increase since 1997.*
- *After an increase this year, the inflation rate in the euro area is expected to fall below 2 % in early 2002 and not much inflationary pressure is expected during the period up to the end of 2003 covered by the forecast.*
- *For the first time since 1993 the general government balance deteriorates in 2001 (even if an adjustment is made for the UMTS licence receipts) and again in 2002. The economic downturn and, to a lesser extent, discretionary tax cuts implemented in early 2001 are the main reasons for the worsening of public finances.*
- *The forecasts are surrounded by an unusually high degree of uncertainty and, if confidence does not return, a worse outlook cannot be excluded.*

TABLE 1 **: Main features of the Autumn 2001 forecast - Euro area**

(Real annual percentage unless otherwise stated)				Autumn 2001			Difference with Spring 2001 (a)	
	1998	1999	2000	2001	2002	2003	2001	2002
GDP growth	2.9	2.7	3.4	1.6	1.3	2.9	-1.2	-1.6
Investment in equipment	9.8	6.7	8.1	0.7	1.2	5.2	-5.5	-5.0
Employment	1.7	1.7	1.9	1.2	0.2	1.2	-0.1	-1.1
Unemployment rate (b)	10.8	9.9	8.9	8.3	8.6	8.2	-0.2	0.7
Inflation (c)	1.2	1.1	2.4	2.8	1.8	1.8	0.6	0.0
Government balance (% GDP) (d)	-2.2	-1.3	0.3	-1.1	-1.4	-1.0	-0.4	-1.0
Government debt (% GDP)	73.7	72.7	70.2	68.8	68.4	66.7	1.1	2.8
Current account balance (% GDP)	0.9	0.4	-0.1	0.4	0.4	0.4	0.5	0.5
p.m. GDP growth EU-15	2.9	2.6	3.3	1.7	1.4	2.9	-1.1	-1.5

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Spring 2001.
(b) Percentage of the labour force. (c) Harmonised index of consumer prices, nominal change.
(d) Including proceeds relative to UMTS licences in 2000 and 2001, without which the general government balances would amount to -0.8% and -1.1% of GDP respectively.

[1] The Commission services' Autumn 2001 Forecasts are based on available data up to 12 November 2001.

Overview

The world is experiencing a synchronised slowdown as all major regions have been hit by shocks. The US has been particularly affected by the bursting of the ICT-bubble and over-investment, the EU by the surge in oil and food prices and Japan has already been suffering from structural problems for nearly a decade. The fall in aggregate demand has made the downturn deeper and longer than initially foreseen. The degree of uncertainty surrounding the outlook is unusually high, not the least because of the terrorist attack in the US economy on 11 September. Nevertheless, in the course of next year, a global recovery should take hold as the US takes a turn for the better, helped by a considerable easing of monetary and fiscal policy, while, in the EU, in addition to the policy easing, the absence of major imbalances provides a solid basis for a pick-up in activity. Moreover, low oil prices, if maintained, will also be supportive for growth.

World GDP growth for this year has been revised considerably to 2.1 % from 4.4 % last year, but should strengthen in the course of 2002 and reach 3.7 % in 2003. International trade, one of the engines of growth recently, is estimated to increase by a weak 0.9 % this year. Stronger growth rates are ahead, but international trade is unlikely to regain its previous dynamism soon due to the increased international uncertainty.

The euro area has not been able to escape a severe slowdown, despite the structural reforms undertaken, and the average growth rate in 2001 is expected to be only 1.6%, down from 3.4 % last year. In particular investment and exports have suffered a setback, but private consumption has also proved less resilient.

The implemented tax cuts, the working of the automatic stabilisers, favourable monetary conditions and receding inflation should lead to a turnaround in the euro area in the first quarter of next year. This is likely to be earlier than in the US as the euro area is not confronted to the same extent with the unwinding of excess capacities and the consequences of the terrorist assault. However, the pick-up remains moderate until the US recovers. The average growth rate of the euro area in 2002 is expected to be disappointingly low at 1.3 % because it will be only in the second half of that year that the economy gains momentum. In 2003 the output gap will be closed again and an average growth of 2.9 % is expected. Private consumption remains the largest contributor to growth, while the rebuilding of inventories and the resumption of investment and exports, benefiting from the improved international environment, will be the usual triggers for the growth acceleration.

Among the larger countries, Germany experiences the largest downward revision to growth and is likely to grow by less than 1 % in 2001. This is also the case for Finland, representing an even bigger downward correction as it has been hard hit by the slump in the ICT sector. Thanks to an investment and spending boom linked to the organisation of the Olympic games, Greece is likely to continue enjoying a strong expansion. Ireland, Luxembourg and Spain feel the impact of the slowdown but maintain relatively strong growth rates. Unlike in the aftermath of the Asian crisis, Italy is now more resilient and is expected to realise an average growth rate this year slightly less than 2 %. Growth in France is similar to that number and in the United Kingdom slightly stronger. The small open economies of the EU are particularly vulnerable to the slowdown in international trade, and realise only an average growth rate of at most 1.5 % this year.

Employment creation is expected to be less buoyant. In the three-year period 2001-2003 only 3.3 million new jobs are expected to be created, compared to the 2.4 million in the single year 2000. Due to the slowdown, the unemployment rate has stopped declining in the euro area and has already started to edge up in some Member States. The number of jobless is expected to increase by about half a million in 2002, the first increase since 1997. It would bring the average unemployment rate of the euro area in 2002 to 8.6 %, compared to 8.3 % in 2001. According to the forecasts, the downward trend in the unemployment rate will resume in 2003.

After the surge in oil and food prices, leading to an estimated HICP inflation rate of 2.8 % in the euro area on average this year, inflation is expected to fall below the ECB medium-term inflation objective of 2 % in the first quarter of 2002. Inflation is expected to continue declining in the forecast horizon. The evidence in 2000 of a positive output gap and its associated demand pressures has been reversed due to the current slowdown, which moderates wage claims and reduces the room for firms to increase profit margins.

Net of UMTS receipts, the general government balance in the Euro area is expected to deteriorate in 2001 to a deficit of 1.1 % of GDP (-0.5 % of GDP in the EU), roughly 0.5 % of GDP (0.3 % of GDP in the EU) worse than aimed for in the last set of updated stability and convergence programmes. This is the first time that the overall deficit has worsened since 1993 and a further deterioration is expected in 2002. The government deficit in Germany is expected to rise to 2.7 % of GDP next year. The main reason for the deterioration is the adverse cyclical development. Several countries have also implemented tax cuts, but their impact on the budget has been partially compensated by tight control of expenditures in some Member States.

The improvement of the euro area current account to about 0.5 % of GDP reflects the sharper deceleration of import growth than of export growth. The current account deficit of the US falls below 4 % of GDP.

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I. World economy and financial markets

1. Synchronisation leads to deeper than expected global slowdown

Before the dramatic events of 11 September, all major regions in the world were experiencing a growth slowdown, which started in the fourth quarter of last year and which in particular affected the US. The downturn propagated itself in a synchronised way, leading to a self-reinforcing fall in aggregate demand. At the origin of the slowdown is, first, the hike in oil prices in 1999/2000 fuelling inflation to which central banks reacted by increasing interest rates. Second, there was the simultaneous bursting of the ICT[1]-bubble contributing to a dramatic fall in share prices. Third, international trade, which expanded in real terms by 11.5% last year, stopped being a factor of dynamism. This year, global trade growth is likely to be below 1%, a level not seen since the early eighties when world GDP growth was very poor. The transmission of these shocks has been more rapid than in the past due to increased integration of financial markets and internationalisation of firms.

The international environment will further deteriorate in the short term as a result of the events of 11 September. The terrorist attack created a world-wide feeling of insecurity. This is negative for economic activity as firms and households tend to take a “wait and see” attitude. The industrial countries are in a downward spiral of confidence, reinforcing the negative economic developments observed before the terrorist attack. International trade is set to be negatively affected as transport costs and insurance premiums increase. Investment, especially foreign direct investment, is likely to be negatively affected due to the general increase in risk aversion. Households increase their precautionary savings and scale back their spending, in particular on durable consumer goods.

The global slowdown will be deeper and longer than initially anticipated. However, providing there are no disruptions to the oil supply and in the absence of further terrorist attacks in the Western world, the medium-term outlook is not that bleak. The sound economic fundamentals (low real interest rates and declining inflation) and the easing of monetary and fiscal policy lay the groundwork for recovery, that could start once overall uncertainty subsides.

World growth is expected to be very low, at 2.1% in 2001 and 2.2% in 2002, before recovering to 3.7% in 2003. The only regions of the world with growth above 3% in 2001 and 2002 will be the EU candidate countries, the former Soviet-Union countries and Asia. Reflecting a large sensitivity to the cycle, *world import*

[1] Information and Communication Technology

TABLE 2 : **International environment**

(Real annual percentage change)				Autumn 2001			Difference with Spring 2001	
	1998	1999	2000	2001	2002	2003	2001	2002
				Real GDP growth				
USA	4.3	4.1	4.2	0.9	0.5	3.4	-0.7	-2.5
Asia	3.1	5.1	5.1	3.4	3.6	4.3	-1.2	-1.4
of which **Japan**	-1.1	0.8	1.5	-0.6	-0.9	0.5	-1.6	-2.2
China	7.8	7.1	7.1	7.4	7.0	7.4	0.0	-0.5
ASEAN4 + Korea (a)	-8.4	4.7	6.0	1.5	2.1	3.2	-1.6	-2.2
EAC (b)	2.5	1.7	3.7	3.1	3.1	4.1	-0.7	-1.0
FSU	-3.0	4.4	7.9	5.5	4.2	5.1	1.1	-0.6
of which **Russia**	-4.9	5.4	8.3	5.0	3.8	5.0	0.8	-1.2
OPEC-Indonesia	3.7	0.6	2.6	2.7	2.9	3.4	-1.7	-1.7
Latin America	1.6	-0.5	3.2	0.7	1.7	3.8	-2.8	-2.2
Africa	3.2	3.1	3.5	2.7	2.7	3.9	-1.4	-1.7
World	2.8	3.7	4.4	2.1	2.2	3.7	-1.2	-1.7
World excl. Euro area	2.7	3.8	4.6	2.2	2.3	3.9	-1.2	-1.8
				World trade				
World import growth	6.1	7.4	11.3	0.9	1.8	6.1	-6.7	-6.2
World import growth excl. Euro area	4.4	7.6	11.4	0.3	1.4	5.9	-6.5	-6.3
Extra Euro area export market growth	5.0	5.2	11.4	2.2	2.5	6.2	-5.0	-5.4

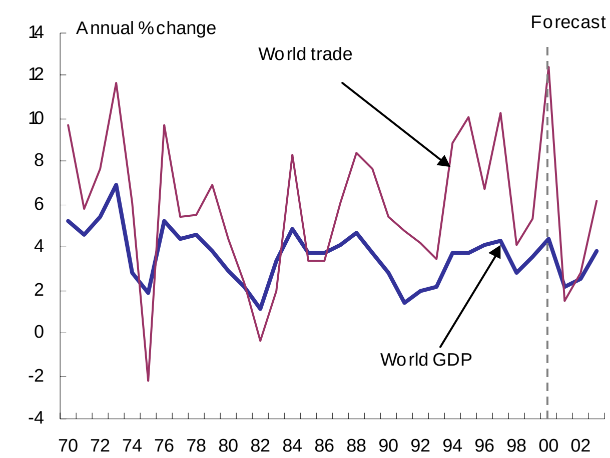
(a) ASEAN4 : Indonesia, Malaysia, Philippines, Thailand.
(b) Europe Agreement Countries.

growth would also be very subdued, at 0.9% in 2001 and 1.8% in 2002, before jumping to 6.1% in 2003.

As regards the *United States*, the direct damage of the events of 11 September to infrastructure, though dramatic for the firms and people involved, is limited, relative to the size of its economy. It is also smaller than in other recent natural disasters. However, the toll in terms of human life was huge and the terrorist attack created a feeling of insecurity, that has increased risk aversion and curbed confidence. Very negative readings from business and consumer surveys have recently confirmed the bleak outlook. The US economy is expected to experience four quarters of negative or very low growth (quarter-on-quarter) from the second quarter of 2001 up to the first quarter of 2002. This results in annual growth of respectively 0.9% in 2001 and 0.5% in 2002. The sizeable economic policy stimulus, including a fiscal impulse of about 1.5% of GDP in 2002, is expected to contribute to the recovery, from the second quarter of 2002 on.

Mexico and *Canada* were hit very hard by the slowdown, as they saw their key US export market

GRAPH 1: **World GDP and trade**



shrink. While this was also the case for *East Asia*, its specialisation in ICT-products has made its situation even worse. The slowdown also aggravated home-grown problems in large economies such as Japan, Argentina and Turkey.

The *Japanese* economy is seriously affected by the interrelated problems of stubborn deflation, structural rigidities, a bad fiscal situation, and a financial system straining under a significant burden of bad loans. After an almost flat first quarter GDP, a second quarter contraction of 0.8%, and bad third quarter indicators, a recession in 2001, continuing into 2002, seems inevitable. The government's plans for extensive structural reform and fiscal consolidation complicate the economic outlook in the short run.

The *Argentinean* economy is projected to continue shrinking in 2001-02. Despite the adoption of a number of debt restructuring and economic stimulus packages, the financial situation remains very weak. The implementation of the zero deficit law and a non-competitive exchange rate continue to have a deflationary effect on the economy.

Large, relatively closed, economies such as *China*, *Russia* and *India* are best placed to withstand the global slowdown. Sizeable fiscal stimuli and huge inflows of foreign direct investment have kept Chinese growth above 7%. It remains to be seen how increased risk aversion will affect FDI flows into China. While GDP growth in Russia remains vulnerable to swings in energy prices, it is forecast at around 5% and 4% this year and next, respectively, supported by the effects of the devaluation of the rouble, relatively high energy prices, better macroeconomic policies and the gradual implementation of structural reforms.

Most *EU candidate countries*, with the notable exceptions of Poland and Turkey, have witnessed only a limited deceleration of growth in the first half of

2001, while exports continued to grow quickly. Possible explanations for this differ across countries, but the following general factors could be playing a role:

- sustained domestic demand growth;
- increasing exports to Russia and between candidate countries;
- improving competitiveness, in particular in sectors with high foreign investment: foreign investors maintain or extend their production in the candidate countries in order to cut overall cost levels.

The worsening international economic climate, particularly in the EU, will also negatively affect growth prospects for the candidate countries, given the openness of their economies and their high trade integration with the EU.

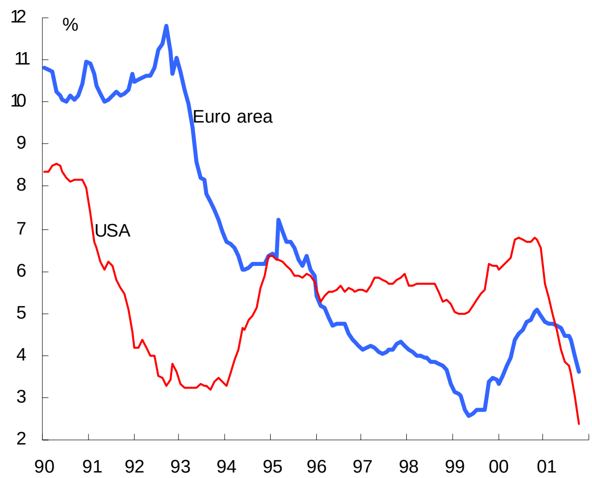
Oil prices remained in the target band ($22-$28/barrel) of the Organisation of Petroleum Exporting Countries (OPEC) up to mid-September. In the second half of September, however, oil prices breached the lower limit of the target band as the very bleak outlook for the world economy outweighed fears of disruptions in oil supply. Following the breach, OPEC has not reduced production so far, fearing to lose market share to non-OPEC producers. Moreover, OPEC probably realises that higher oil prices will further weaken the global economy. The market does not expect a drastic cut in production, as the latest oil price futures point to a price between $20 and $21/barrel during the whole forecast period. For the euro area, the depreciation of the euro against the dollar has partly offset the beneficial effects of the decline in oil prices. In the first ten months of 2001, compared to the same period of last year, Brent oil prices declined by 7.7% when expressed in dollars, but only 4.4% when expressed in euros.

2. Financial markets: low at short-term interest rates to combat slowdown

All major central banks increased *short-term interest rates* during 1999, as the continuing oil price rise, together with strong growth, started to create significant inflationary pressures. The oil price rise came to an halt in December 2000. In the *US*, the improved inflation outlook, together with an increasing number of weak data releases on the US economy, pushed the Federal Reserve then to unwind the previous tightening. So far this year, ten rate cuts totalling 450 basis points have more than offset the previous tightening and have brought the US benchmark rate to 2.0%, the lowest level in decades.

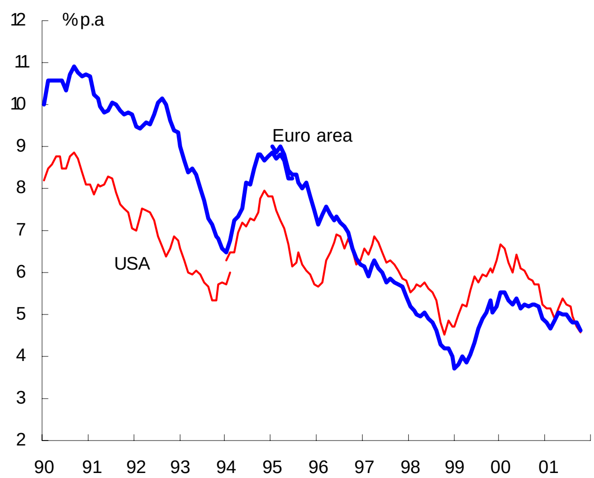
In the *euro area*, short-term interest rates followed a similar pattern. The European Central Bank reduced its key interest rates twice by 25 basis points (on 10 May and on 30 August) and twice by 50 basis points, on 17 September and on 8 November, to a level of 3.25%. This happened in response to accumulated evidence pointing to a rapidly improved outlook for inflation, and against the background of increased uncertainties about the US and world economies after (and even before) the events of 11 September, as well as the likely negative effects on the euro area.

GRAPH 2: **Nominal short-term interest rates**



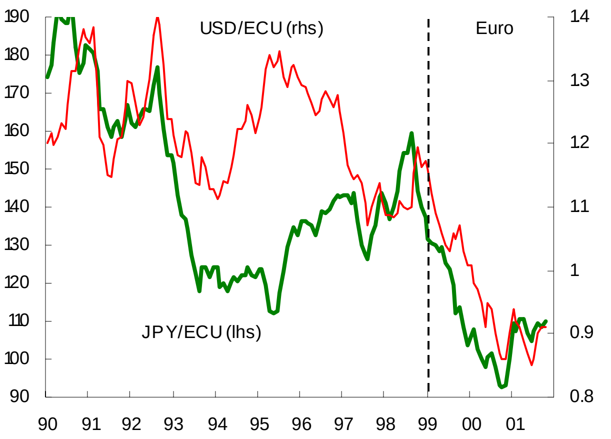
Contrary to the US and the EU, *Japan* had no room left for interest rate cuts, as short-term interest rates were already zero. With persistent deflation, real interest rates remain relatively high. In fact, they are now higher than in the US.

GRAPH 3: **Nominal long-term interest rates**



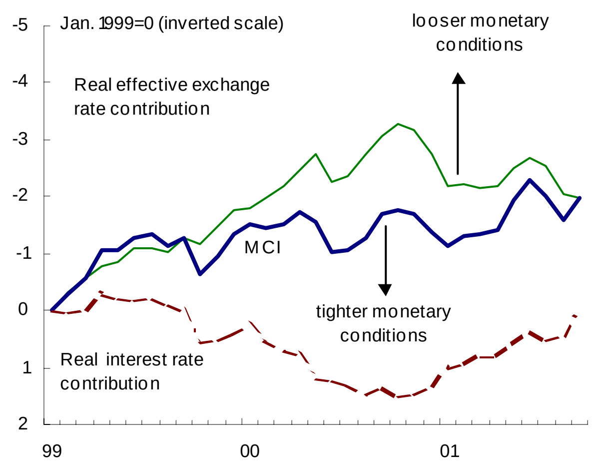
In *Europe* and in the *US*, *long-term interest rates* followed a similar path in 2001. At the beginning of the year, rates declined as evidence of weakness in the US economy and in the global economy accumulated. In Spring, the assessment of the US tax cuts and of the continuing loosening of US monetary policy gave way to a revival of optimism regarding the global economic outlook. Stock markets picked up, as well as long-term rates. From July onwards, rates started to decline again, as markets realised that the recovery in the US would need more time to materialise. In September, long-term rates in the US dropped below European rates for the first time since March 1996. *Japanese* long-term interest rates have remained in a narrow 1.0%-1.5% band since February 2001.

GRAPH 4: **Euro exchange rate**



After *foreign exchange* interventions in favour of the euro in Autumn 2000, the euro recovered from a record low of 0.83 USD/EUR at the end of October 2000 to reach 0.95 USD/EUR in January 2001. As a result of large net capital outflows from the euro area towards the US, the euro dropped again, to reach 0.84 USD/EUR at the beginning of July 2001. The euro regained some strength over the summer, amid concerns that the dollar might be overvalued and that the US recovery might not be as quick as earlier expected. Since mid-August, the euro has remained close to the 0.90 USD/EUR level (see Graph 4).

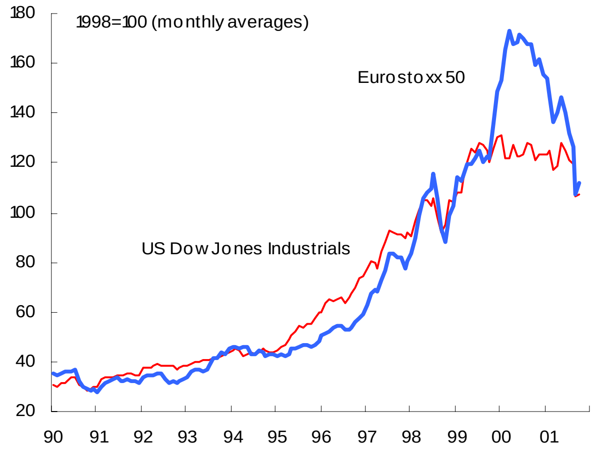
GRAPH 5: **Monetary condition indices in the euro area**



In the first three quarters of 2001, compared to the same period of 2000, the euro has appreciated in effective terms by 2.3%, notwithstanding the depreciation of 5% against the dollar. Developments against other currencies explain the trade weighted appreciation. Over that period, the euro has appreciated substantially (by 7 to 10%) against the Japanese yen, the Swedish krona and the Australian dollar, and by 1.6% against the British pound.

By combining real interest rates and real exchange rates, the monetary conditions index gives a synthetic view of the change in monetary conditions vis-à-vis a reference period (see Graph 5). The weights are determined by the impact on GDP growth of the real effective exchange rate (based on unit labour costs in manufacturing) and the real interest rate (approximated by the difference between the 3-month rate and core inflation). They are calibrated to be 6/7 for the real interest rate and 1/7 for the real exchange rate, respectively. The real depreciation of the euro has been behind the loosening in monetary conditions in the euro area since January 1999. Over the last 12 months, real interest rates have returned to their starting level due to gradually increasing core inflation, and the recent cuts in policy rates. As a result, monetary conditions remain conducive to growth.

GRAPH 6: **Share prices**



In 2001, the assessment of the US economy, with its implications for the global economy, has weighed on the evolution of global *stock markets*. In spring, stock markets staged a modest recovery on optimism that interest rate reductions and tax cuts would bring the US economy swiftly back to high growth rates. Moreover, some indicators seemed to point to a bottoming-out of the industrial recession. In summer, however, worries about the sustainability of US private consumption growth triggered a renewed decline, that accelerated at the beginning of September. The terrorist attack on the US initially led to a further acceleration in the decline. The swift policy response of the authorities and the growing belief that an escalation of the conflict can be avoided have brought most stock markets back to their pre-attack levels within a month after the attacks.

Between mid-2000 and end-September 2001 the stock market capitalisation of the euro area lost 1.867 billion euro or 29% of GDP. The US loss over the same period was 3.693 billion euro or 35% of GDP. The impact of these losses on consumer behaviour was much weaker than these figures would suggest. A possible explanation for this is that households did not count on the "exuberant" virtual gains of 1999-2000 to fund spending.

3. Impact on Europe will be wider and deeper than expected

The economic developments over the last twelve months have revealed a broader and deeper impact from the global slowdown on Europe. This reflects, on the one hand, transmission channels from exogenous shocks that changed and, on the other hand, that the domestic euro area growth forces were not as strong as expected.

The *transmission channels* can be regrouped into four: international trade, the corporate channel, confidence effects and financial linkages.

First, European exports to the US were directly affected by the slowdown, but other European exports followed quickly as world trade decelerated substantially. In addition, the service content of exports to the US is above average, making the "sheltered" European service sector more vulnerable. The annual growth rate (on the same quarter of the previous year) of euro area exports has dropped from double-digit rates in 2000 to 5.1% in the second quarter of 2001 and turned negative on a quarter-on-quarter basis. Euro area exports of services to the US represent 0.9% of GDP in 1999 (against 2.2% for goods). As an important destination of euro area exports, absorbing 13.8% of total euro area exports of services against 8.6% for goods, the US slowdown is likely to affect the European service sector more than expected.

Second, as a result of the substantial inflows of euro area foreign direct investment, sales of US affiliates of euro area firms have more than doubled between 1990 and 1999, to $742bn or 8.7% of euro area GDP. The US slowdown leads to lower profit repatriations by European multinationals and cost-cutting and production-curbing measures taken at the global balance sheet level of American multinationals. Through this corporate channel, worse investment and employment perspectives are created at the global level of the firm, affecting domestic European operations of the firm and, thus the euro area economy.

Third, confidence indicators in the US and in the euro area have moved in tandem in recent years. For consumer confidence, as well as for industrial confidence, the correlation in 1995-2001 is very high at about 0.85-0.90 (with 8 or 9 months lead for the US). As confidence influences the business cycle, the increased international co-movement of confidence indicators could suggest a larger transmission of shocks.

Finally, linkages through financial markets have become stronger as investors have increased the international diversification of their portfolio. Over the period 1995-2001, the correlation between the US stock index (S&P 500) and the euro area index (Euro-STOXX-Broad) was 0.96. The changed perceptions on the profit possibilities of the ICT revolution, which greatly affected stock market valuations, were quickly transmitted to the euro area.

Box 1: External assumptions, geographical and budgetary conventions

Exchange rates

Stable nominal DKK/EUR rates and stable real rates (nominal rates adjusted for changes in GDP deflators) for other major currencies are assumed, as compared to the average of the last three weeks of October 2001. The average USD/EUR rate for that period was 0.91 and the JPY/EUR rate 109.9. This leads to average USD/EUR rates of 0.91 in 2002 and 0.91 in 2003 and JPY/EUR rates of 108.5 and 106.4 respectively.

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 set taking into account market conditions, where initial conditions receive relatively more weight. For oil prices, the prolongation of present market trends is assumed for the second half of this year followed by slightly falling prices in 2002 before increasing again in 2003 in line with world demand. Prices for Brent oil are forecast at 24.9 USD/bl on average in 2001, 22.3 USD/bl in 2002 and 24.8 USD/bl in 2003. Prices of non-fuel commodities are assumed to fall by 3.6 % in 2002, 1.4 % in 2001 and to rise by 3.8% in 2003. Metals, being the most cyclical category, should lead the pick-up in 2003.

Budgetary policy

Estimates for 2000 are based on the September 2001 Excessive Deficit Procedure notification. For 2002, the budgets adopted or presented to parliaments and all other measures known in sufficient detail are taken into consideration. For 2003, the no-policy change assumption used in the forecasts implies that presently known measures and trends are extrapolated.

UMTS

According to Eurostat, the allocation of mobile phone licences (UMTS) must be recorded in the general government accounts as an expenditure with a negative sign at the moment the licence is sold. The cyclically adjusted net balance is calculated without taking into account these one-off proceeds.

Aggregation

The euro area and EUR-15 aggregates are calculated starting from growth rates between two years for each Member State expressed in national currency and then adding together weighted averages using Purchasing Power Standards for the previous year.

Turning now to *domestic euro area growth forces*, they were not as strong as expected. Structural reform has not gone far enough to enhance in a sufficient way the euro area economy's resilience to exogenous shocks. The terms-of-trade shock was reflected in rising unit labour costs, not because of wage increases, that remained moderate, but because productivity developments were lagging behind.

II. The economy of the Euro area

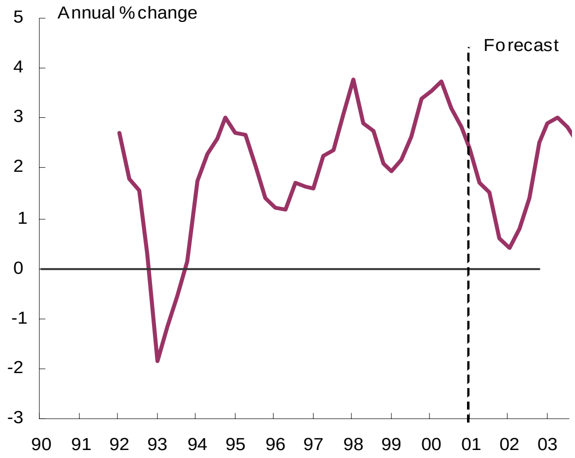
1. Activity slowed sharply in the first half of 2001

Together with the rest of the world, the euro area is experiencing a sustained growth slowdown. Annual GDP growth deteriorated further during the first two quarters of 2001 to 2.4% and 1.7% respectively (0.5% and 0.1%, quarter-on-quarter). Compared to previous slowdowns, in particular, private consumption and investment are weak. (see special topics V.1, page 48).

Apart from the global slowdown, the euro area also appeared sensitive to the recent rise in oil prices. The unexpected increase in food prices, caused by the mad-cow and the foot-and-mouth diseases further eroded purchasing power. Real disposable income growth was reduced and held back private consumption. Also domestic factors explain the vulnerability of the euro area to the global slowdown, and why domestic growth forces were not stronger. The structural reform efforts have made the economy more resilient, but not sufficiently so. Finally, there are country-specific reasons. In particular, the German economy is performing disappointingly, among other, due to its ongoing problems in the construction sector.

Private consumption has been on a declining growth path since the middle of 2000, when the rise in inflation dented real disposable income growth. Consumption showed some resilience to the economic slowdown in the beginning of 2001 as tax cuts (0.6% of euro area GDP in 2001) started to have an effect. Private consumption and general government spending are the main contributors to GDP growth in the euro area.

GRAPH 7: **Real GDP growth in the euro area**



Investment has been put on hold and plans reduced. The second quarter of 2001 showed an annual growth of investment rate of only 0.4% and, indeed, a contraction on a quarterly basis. Several reasons can be given for this. First, final demand is weak as both consumption and exports are growing very slowly. Second, the ICT-hype contributed to over-investment, which is being corrected. Third, already before the terrorist attack on 11 September, industrial confidence had been on a decline. Finally, profit margins of firms came under pressure because of the adverse term of trade shock, caused by the hike in oil prices.

An important drag on growth in the first half of 2001 has been the *inventory* correction as it became clear that the high demand expectations, on which earlier stock building was based, would not materialise.

Net exports are making a positive contribution to annual GDP growth, but this is the result of weak domestic demand leading to low imports, rather than of strong exports. The collapse in world demand is also

TABLE 3 **: Composition of growth - Euro area**

(Real annual percentage change)

	2000							Autumn 2001		
	bn Euro curr. prices	**% GDP**	**2000**	**2000-Q3**	**2000-Q4**	**2001-Q1**	**2001-Q2**	**2001**	**2002**	**2003**
			Real annual percentage change							
Private consumption	3748.1	57.2	2.7	2.5	1.9	2.0	1.6	2.0	1.6	2.5
Government consumption	1297.4	19.8	2.0	1.6	1.6	1.7	1.5	1.7	1.7	1.4
Gross fixed capital formation	1404.6	21.4	4.6	4.3	3.2	1.8	0.4	0.7	1.3	3.9
- of which : equipment	557.0	8.5	8.1	-	-	-	-	0.7	1.2	5.2
- of which : construction	701.4	10.7	2.2	-	-	-	-	0.1	1.1	2.6
Change in stocks as % of GDP	41.7	0.6	0.3	0.2	0.4	-0.2	0.0	-0.1	0.0	0.2
Exports of goods and services (a)	2431.9	37.1	11.9	12.1	11.6	8.7	5.1	3.8	2.1	6.5
Final demand	8923.7	136.2	5.2	8.6	8.2	6.2	4.6	2.0	1.7	3.8
Imports of goods and services (a)	2370.5	36.2	10.6	11.2	10.5	6.6	3.2	2.9	2.8	6.4
GDP	6553.1	100.0	3.4	3.2	2.9	2.4	1.7	1.6	1.3	2.9
p.m. GDP EU-15	8524.1		3.3	3.2	2.9	2.4	1.7	1.7	1.4	2.9
			Contribution to change in GDP							
Consumption			1.9	1.6	1.3	1.4	1.1	1.5	1.2	1.7
Investment			1.0	0.9	0.6	0.3	0.0	0.2	0.3	0.8
Inventories			-0.1	0.1	0.1	-0.4	-0.4	-0.3	0.0	0.2
Exports (b)			4.1	-	-	-	-	1.4	0.8	2.5
Final demand (b)			7.0	-	-	-	-	2.7	2.4	5.2
Imports (minus) (b)			-3.5	-	-	-	-	-1.1	-1.0	-2.4
Net exports			0.6	0.5	0.6	0.9	0.8	0.4	-0.2	0.1

(a) Including intra-EU trade.
(b) Excluding intra-EU trade.

affecting euro area exports.

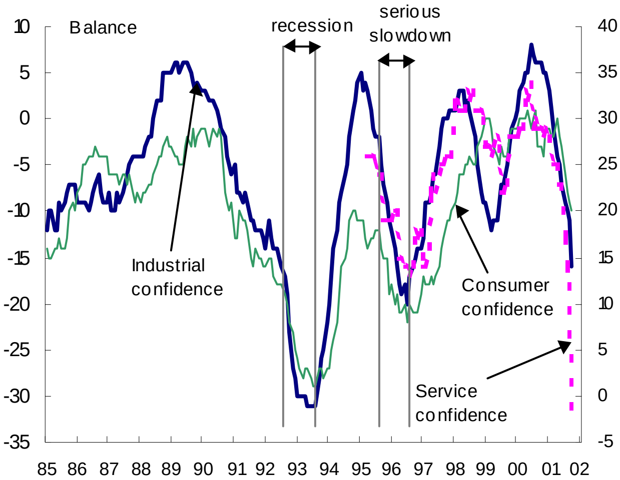
From the *supply side*, during 2001 the following sectors were badly hit (in comparison with the quarter before): agriculture (-1.2% in the first quarter), which is related to the animal diseases; industry (-1.2% in the second quarter), and construction (-1.6% in the second quarter). The economy was mainly supported by the service sector, even though it also became less dynamic: trade, transport and communication services (0.3% quarter on quarter growth in the second quarter), and financial services and business activities (0.9% in the second quarter). In summary, the lower GDP growth in the euro area can mainly be attributed to the contraction in the manufacturing industry and the diminishing growth in the trade, transport and communication sector.

2. The slowdown is likely to be deeper and more prolonged, but a basis for recovery exists

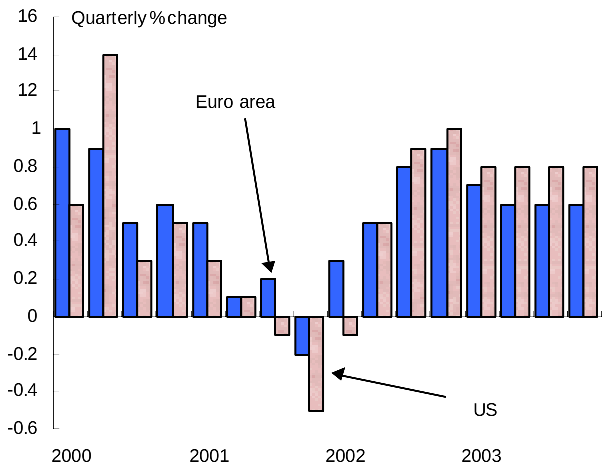
Before the terrorist attack, there were some tentative signs that in the fourth quarter of 2001, the worst of the slowdown could be over. Since the 11 September events, the *short-term outlook has become much bleaker*. Business confidence in the euro area deteriorated sharply in October, and the index stands at a level associated with recession. In the service sector, confidence dropped dramatically implying that the deterioration in the economic situation is spreading beyond industry. Also consumer confidence has worsened further, but the deterioration did not accelerate, and consumer confidence still lies above the levels observed during the recession of the early nineties.

In moments of crisis it is notably difficult to interpret, confidence indicators as there could be an overreaction to the dramatic events, that do not represent an underlying development. Evidence for this could be found in the consumer survey, which indicates that even though households are fairly pessimistic about the general economic outlook, they are confident about their own personal situation. However, given the deterioration in production expectations and in order books, the collapse of exports and the rise in unemployment, economic activity is likely to contract moderately in the fourth quarter of 2001. The average growth rate in the euro area is estimated to be only 1.6% this year, compared to 3.4% in 2000, and it represents a sharp downward revision compared to the Commission Spring 2001 Forecasts.

GRAPH 8: **Confidence indicators in the euro area**



GRAPH 9: **Quarterly profiles for GDP growth**



As the euro area is free of major imbalances and disposes of sound fundamentals, the slowdown is not expected to be as severe as in the US. Barring an escalation of the military action against terrorism, a moderate *pick-up* is foreseen is the first quarter of next year. It would imply that the euro area is to turnaround before the US. The pick-up is based on a return of confidence, resilience of private consumption and a rebuilding of inventories to meet future demand. The euro area will not be able to fully recover and accelerate to its growth potential by itself due to rigidities and if export markets are hampered. From the second quarter of 2002 onwards, the euro area should, however, be able to benefit from the recovery in the US, and a general improvement in the external environment.

As growth gains momentum only in the second half of 2002, the euro area GDP is expected to increase by only 1.3% on average in that year. However, the expansion should continue, and in 2003 an average growth rate of 2.9% is projected.

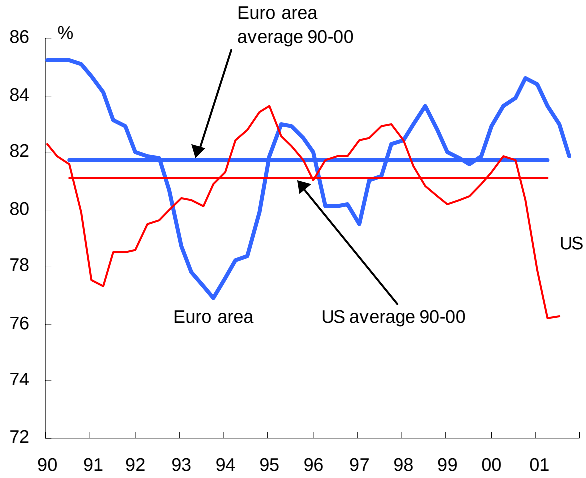
TABLE 4 : **Determinants of private consumption expenditure - Euro area**

(Annual percentage change)				Autumn 2001			Difference with Spring 2001 (a)	
	1998	1999	2000	2001	2002	2003	2001	2002
Real private consumption expenditure	3.1	3.2	2.7	2.0	1.6	2.5	-0.6	-1.1
Compensation per employee	1.5	2.3	2.5	3.0	3.0	2.9	0.0	-0.1
Real compensation per employee	0.0	1.0	0.3	0.5	1.1	1.1	-0.2	-0.1
Employment	1.7	1.7	1.9	1.2	0.2	1.2	-0.1	-1.1
Real gross disposable income	2.4	1.8	2.3	2.5	1.6	2.3	-0.4	-0.9
Saving rate of households (b)	16.0	14.5	14.3	14.7	14.8	14.7	-0.2	0.0
Labour tax wedge (c)	51.5	51.9	51.8	51.0	51.1	50.9	-0.3	0.0

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Spring 2001.
(b) As a percentage of gross disposable income.
(c) Defined as the difference between the gross wage paid by the firm and the income effectively left in the hands of the employee after deduction of social security contributions, personal income tax, as a percentage of the gross wage bill.

A recession in the euro area as in 1992/93 is likely to be avoided. The policy response within the euro area will help to avoid this, and can indeed lay the foundation for future growth. First, monetary policy has been eased, due to less upward price pressure. This is contrary to the early nineties when monetary policy was tightened to cope with the inflationary pressures. Second, the dramatic currency swings inside the EU in response to international crises, as during most of the nineties, will now be avoided thanks to the single currency and a single monetary policy. Third, the public finance situation in most Member States is now much healthier. This was different in the beginning of the nineties, when the size of government deficits and debt made fiscal consolidation necessary.

GRAPH 10: **Capacity utilisation in manufacturing industry**



More than in the past, the recovery in the euro area will have to rely on *private consumption* given the weakness of external demand. Household expenditures are expected to be weak in the last two quarters in 2001, which can be attributed to lower consumer confidence and to wealth effects due to the prolonged fall in stock markets, leading to a rise in the saving rate. A pick up in early 2002 is expected as real disposable income improves. While the deterioration of the labour market weighs on household income, the recent decline in inflation is encouraging. Further, the implemented tax cuts will continue to support households' expenditure.

Investment activity in the euro area was poor during 2001. Equipment investment growth is forecast to fall sharply from 8.1% in 2000 to 0.7% in 2001, and gross fixed capital formation is overall stagnant. However, the return of demand growth and the favourable financing conditions to which the easing of monetary policy contributed, should result in growth consumption. Furthermore, capacity utilisation is still at the long-term average suggesting that excess capacity is less of a problem in the euro area than in the US, where the burst of the ICT bubble provides evidence of more serious over-investment. Nevertheless, investment growth rates in the forecast horizon are likely to be disappointingly low as risk aversion among investors may have increased in the aftermath of the attack on the US.

Historically, increased export growth was an important trigger to get a recovery started in the EU. This is likely to be less so this time, given the weakness of global demand. Trade among Member States should, however, pick up. Overall, *trade* flows accelerate within the forecast horizon, but average growth rates are expected to be much lower than in the record year of 2000.

As far as *sectors* are concerned, the transport and tourism sectors can be expected to have a more difficult period ahead due to the attack against the US. Airlines were already showing poor performance. The decline of the ICT sector has mainly affected countries heavily dependent on the telecommunication industry, such as Sweden and Finland. the agricultural sector has shown negative growth rates during the first two quarters in 2001. Even though the contribution to GDP growth is rather low. This is due to the animal diseases that harassed some countries in the EU, and with these diseases under control, a recovery in output is possible.

Overall, *growth differentials* in the euro area are expected to shrink over the forecast horizon. In 2001, the standard deviation is 1.7% and it is expected to fall to 0.9% in 2002. In general, most countries fit the broad picture of a slowdown in 2001, and a recovery in the first half of next year.

The major exception from the broad picture is *Greece*, which is benefiting from its recent EMU-entry and from an investment boom associated with the hosting of the 2004 Olympic Games. Among the larger countries, *Germany* appears particularly vulnerable to the slowdown as it is still struggling with the lagged effect of re-unification, and construction investment is under hard pressure. Contrary to its experience during the emerging market crisis, *Italy is* resisting much better thanks to a better performing labour market that underpins private consumption. In *France* domestic demand is moderating, and firms are adjusting their production capacity to the new economic environment. Both *Austria* and *Portugal* will suffer from subdued domestic demand: Austria through lower government spending and Portugal because households are scaling back their consumption expenditures. *Belgium* and the *Netherlands* are faced with lower external demand. On top of that, the Netherlands are losing competitiveness due to higher wages. Spain and Ireland, though decelerating, are able to sustain growth rates at respectable levels. Activity in *Spain* is driven by domestic demand. The easing of the economic expansion in *Ireland* and the slowdown in *Finland* are mainly due to a less favourable external environment and the weak performance of the ICT sector.

The countries outside the euro area also fit the general picture of an enhanced slowdown during 2001 and a recovery in 2002. In *Denmark* , this is mainly due to a reduction in capital formation and exports. The sharp decline in construction investments is an offsetting effect of the increase the previous year, which was due to the damage caused by the storm in 1999. The *Swedish* economy suffers from a drop in consumption and the bursting ICT bubble. In the *UK* private consumption and government consumption are the supports to growth, which is holding up despite an expected rise in the saving ratio. There is a sharp distinction between buoyancy in the service sector and contraction in the manufacturing sector. GDP is expected to grow by 2.3% in 2001, but growth is then expected to fall in 2002 as a result of weaker private consumption.

3. Employment prospects worsen

Net job creation in the euro area is estimated to have grown by a healthy 1.9% last year after a similar strong increase of 1.7% in 1999. However, employment decelerated markedly during the first half of 2001 and the average growth for 2001 is now forecasted at only 1.2%, three quarters of a point below last year's employment growth. In 2001, the slowest pace of job creation is expected in Germany (0.0%), Austria (0.0%) and Denmark (0.4%).

Employment growth is forecast to fall further in 2002 and to pick up in 2003, as a consequence of the expected recovery of GDP growth. Net job creation in the euro area is forecast to increase by only 0.2% in 2002, a full point below what was forecast last spring. It should rise to 1.2% in 2003. In the three-year period 2001-2003 only about 3.3 million new jobs are expected to be created in the euro area, compared to about 2.4 million jobs created in the single year 2000. In 2002, two Member States will suffer from a net loss of jobs, as employment is expected to contract, albeit mildly, by -0.3% in Germany and Austria. In all other Member States, employment may grow at very moderate positive rates between zero and one per cent;

GRAPH 11: **Employment and real GDP in the euro-area**

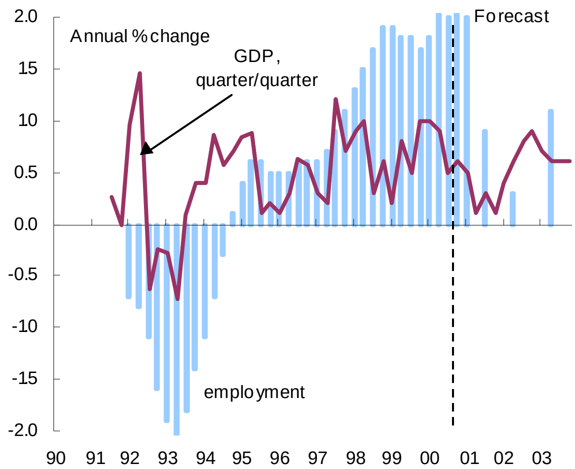


TABLE 5 : **Labour market outlook - Euro area**

(Annual percentage change)	1991-95	1996-03	2000	Autumn 2001: 2001	2002	2003	Difference with Spring 2001: 2001	2002
Population in working age (15-64)	0.1	0.1	0.1	0.3	0.2	0.2	0.3	0.2
Labour force	1.0	0.8	0.9	0.6	0.6	0.7	-0.2	-0.1
Employment	1.7	1.7	1.9	1.2	0.2	1.2	-0.1	-1.1
Employment (change in million)	-2.8	11.0	2.4	1.5	0.3	1.5	-0.2	-1.4
Unemployment rate (% of labour force)	10.8	9.9	8.9	8.3	8.6	8.2	-0.2	0.7
Labour productivity, whole economy	1.2	1.0	1.5	0.5	1.1	1.7	-1.0	-0.5
Employment rate (a)	-	60.8	61.5	62.1	62.1	62.8	0.7	-0.1
p.m. Employment EU-15	-0.4	1.1	1.7	1.1	0.2	1.0	-0.1	-1.0

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

the only country where employment will grow at a rate above 1% is Luxembourg (2.3%).

Over the past few years the *employment content of growth* increased strongly. That is a larger share of economic growth is translated into employment creation. This greater responsiveness of employment to GDP growth may have been the result of both specific measures destined to help employment and structural reforms in the labour market that increased flexibility. In this context a crucial question relates to whether this increased flexibility in the labour markets may imply that in the current juncture of a slowdown in economic activity the impact on employment and unemployment will be felt with a shorter time lag than in the past.

The number of *unemployed* fell significantly in recent years. In the euro area about 11.5 million people were unemployed in 2001. Next year will be the first time since 1997 that the number of unemployed will increase; the size of the increase is expected to be around half a million people. In 2003, as GDP growth will pick up, unemployment will be reduced again, bringing back the number of unemployed to the same level as that in 2001. The harmonised unemployment rate for the euro area, which stood at 11.5% in 1997, declined to 8.9% in 2000 and, it is estimated to decline further to 8.3% in 2001. Both in the EU as a whole and in the euro area, the unemployment rate is now at its lowest level since 1991. However, during the course of the year the decline in unemployment has slowed to a standstill according to the latest monthly figures from Eurostat. In September 2001, the unemployment rate stood at 8.3%, broadly unchanged for six consecutive months.

Countries with the highest unemployment rates succeeded in reducing the number of jobless significantly, but differences within the EU remain wide. Unemployment rates in 2001 are projected to range from 2-4% in Ireland, Luxembourg, the Netherlands, Portugal and Austria to slightly higher values - between 4% and 6% - in Denmark, Sweden and the United Kingdom, while they still remain above the EU average in France (8.7%), Finland (9.2%), Italy (9.5%), Greece (10.6%) and Spain (13.1%).

In 2002, the unemployment rate is expected to increase in the euro area to 8.6% of the civilian labour force, in line with the deceleration in economic activity. Once the recovery takes hold, unemployment will move, according to the forecasts, on its declining trend and average unemployment in the euro area will go down to 8.2% in 2003. Discouraged by the less favourable economic prospects, fewer people are expected to enter the labour market and the slower increase in the labour force explains why the unemployment rate does not deteriorate more. The worsening of the labour market is also visible in the *employment rate*, which remains broadly unchanged in the euro area at 62.1 % in 2002 compared to 2001. In 2003 the employment rate is expected to rise to 62.8 %.

Box 2: The changeover to the euro

On January 1, 2002 the euro will become the sole legal tender in the euro area. Billions of euro are now being distributed to banks and retailers in preparation for the change over. Overall, the change over is expected to go smoothly, and any macroeconomic consequences linked to the operation will probably be negligible.

How is the changeover conducted?

Banks, retailers and cash operated industry in the euro area will receive euro banknotes and coins, between 1 September and end December, 2001. This front-loading (banks) and sub-front-loading (retailers and industry) are in order to ensure that adequate cash supplies will be available as from 1 January 2002. By 31 December 2001, all bank accounts will be converted to euro automatically and free of charge. The general public will be able to acquire and use bank notes as from 1 January 2002. The majority of banknotes will enter into circulation via ATMs (automated teller machines). By contrast, the general public will be able to acquire coins as from mid December 2001 in the form of small value starter kits. As the banknotes, these coins cannot be used before 1 January 2001 when they become legal tender.

Will price rounding lead to higher or lower prices?

There are two forms of rounding, arithmetic rounding and rounding due to the so called "psychological prices". Arithmetic rounding entail an equal probability for the price to go up or down. However, the direction of "psychological" rounding will depend on what the new prevailing "psychological" euro-prices will be and on market conditions. Prices are likely to be rounded down if inflationary expectations are reduced as is the case now. Otherwise, market share will be lost under the pressure of competition. The table provides examples of a shift from "psychological" prices in D-mark to new "psychological" prices in euro, and their rounding effects.

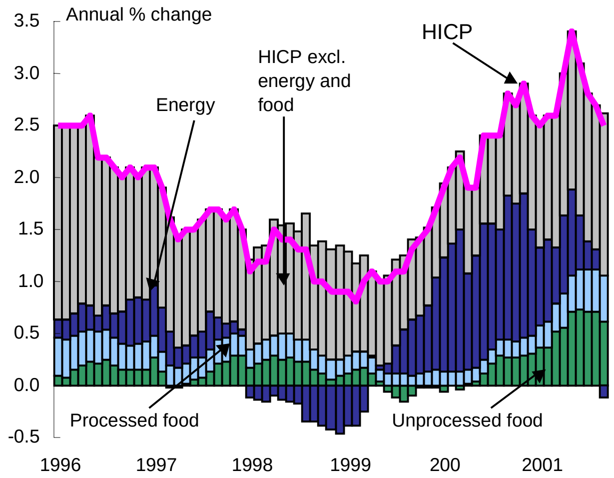
Psychological prices in D-marks and euros

Psychological DEM prices	Price in EUR	Psychological EUR prices Alt. 1	Psychological EUR prices Alt. 2	Difference in EUR Alt. 1	Difference in EUR Alt. 2
0.49	0.25	0.25		0.00	
0.99	0.51	0.49		-0.02	
1.99	1.02	0.99		-0.03	
4.99	2.55	2.49	2.59	-0.06	0.04
9.99	5.11	4.99	5.25	-0.12	0.14
19.99	10.22	9.99		-0.23	
49.99	25.56	24.99	25.99	-0.57	0.43
99.99	51.12	49.99	51.99	-1.13	0.87

4. Inflation prospects markedly better

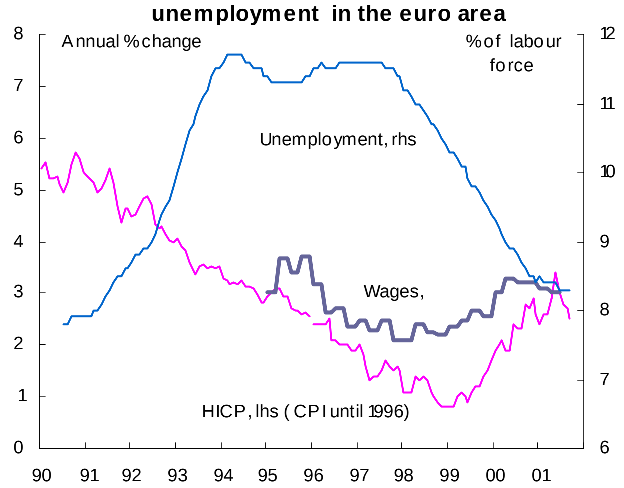
The year 2000 and the first part of 2001 witnessed a considerable increase in the overall price level in the euro area. Headline *annual inflation*, as measured by HICP, has remained above the threshold of 2% since June 2000 and peaked in May 2001 when it reached 3.4% (3.1% in the EU as a whole). Higher than expected oil prices and the weakness of the euro were the main causes of the inflation surge in 2000 while, in the first part of 2001, the sudden increase in food prices was the main contributor to the inflationary boost. Since June, the inflation rate has exhibited a continuous decline mainly attributable to a substantial fall in the contribution of energy prices. By contrast, the *core inflation* rate (headline inflation excluding energy and unprocessed food) did not ease so far. It stood at 2.5% in October 2001 having remained on an upward trend for almost two years.

GRAPH 12: **Contributions to euro area HICP inflation**



Because of the strong upward pressure in the beginning of the year coming from oil and food prices, the *average inflation* rate in 2001 is estimated to be 2.8% in the euro area, a level significantly higher than forecast by the Commission in Spring. The current downward trend in price inflation should, however, continue and in the first quarter of next year inflation is expected to fall below the ECB medium-term inflation objective of 2 %. The average headline inflation rate in 2002 is forecast at 1.8% in the euro area. Underlying this development is a favourable base effect associated with last year's increases in energy prices, as well as the recent fall in euro denominated oil prices and the continuous deceleration in producer prices which have started to feed through into consumer prices.

GRAPH 13: **HICP inflation, wages and unemployment in the euro area**



There are favourable medium-tem factors behind the *subdued inflation profile within the forecast horizon* in the form of deregulation in the service sector and overall increased competition among firms. Domestic prices benefit also from lower taxes. On top of this, the weakening of the economy and the associated reduction of the positive output gap, the emergence of excess capacity in manufacturing and lower demand prospects for goods and services all have a marked dis-inflationary impact. Firms have less room to increase profit margins as keeping sales up becomes more difficult. The increase in unemployment and the desire to maintain employment in the presence of weak output growth are leading to a continuation of wage moderation to which contributes also the better functioning of labour markets. Nominal compensation per head (which includes social security contributions) is projected to increase by 3.0% in 2002, the same rate as in 2001, with unit labour costs increases of 1.9%, coming down from 2.5% in 2001. The average inflation rate is expected to remain unchanged at 1.8% in 2003 despite the rebound of the economy as the declining trend of unit labour costs continues thanks to a marked recovery in labour productivity and nominal wage growth per head remaining subdued.

TABLE 6 : **Inflation outlook - Euro area**

(Annual percentage change)				Autumn 2001			Difference with Spring 2001	
	1998	1999	2000	2001	2002	2003	2001	2002
Private consumption deflator	1.6	1.2	2.2	2.5	1.8	1.8	0.2	0.0
GDP deflator	1.8	1.2	1.5	2.4	2.0	1.7	0.2	0.1
HICP	1.2	1.1	2.4	2.8	1.8	1.8	0.6	0.0
Compensation per employee	1.5	2.3	2.5	3.0	3.0	2.9	0.0	-0.1
Unit labour costs	0.3	1.3	1.0	2.5	1.9	1.2	1.0	0.5
Import prices of goods	-2.3	-0.5	9.3	1.2	0.0	2.2	0.6	-1.5
p.m. HICP EU-15	1.3	1.2	2.1	2.5	1.7	1.7	0.4	-0.1

There was a significant convergence in inflation rates over the past decade, but *inflation differences* remained wide in 2001. The highest average rates are anticipated for the Netherlands (5.2%), Portugal (4.3%), Ireland (4.0%), Spain (3.7%) and Greece (3.6%). An increase in VAT and less wage moderation against a tightening labour market explains the high inflation rate in the Netherlands. In Germany (2.4%), increases in tobacco and insurance taxes exerted upward pressure on prices. The lowest rates are forecast for the UK (1.4%) and France (1.8%). Inflation differences should narrow in the forecasting horizon as core inflation comes down. In 2003 seven euro area countries (Belgium, Germany, France, Italy, Luxembourg, the Netherlands, Austria) and also the UK are expected to record an average inflation rate below 2% while only two are forecast to remain below that threshold this year.

5. Deterioration of public finances due to the cycle

The average *general government balance* in the euro area, net of proceeds from the sale of UMTS licences, is expected to record a deficit of 1.1% of GDP in 2001, widening to 1.4% in 2002 before coming down to 1.0% in 2003. For the EU as a whole, the budget deficits are projected at 0.5% of GDP in 2001, 0.9% in 2002 and 0.6% in 2003. These figures represent a deterioration of government balances both compared to the year 2000 and to the Commission Spring forecasts. It is the first time that overall public finances have worsened since 1993. The deterioration is particularly sharp in Germany, where the deficit is forecast to reach 2.7 % of GDP in 2002, but also in France where the deficit widens to 2 % of GDP. In Portugal the deficit is expected to be above 1.5 % of GDP in both 2001 and 2002, while in Italy it is likely to remain at 1.2 %. The other countries have smaller deficits or record a surplus.

The main explanation for the downward revision in the actual balance in 2001 and 2002 is the *cyclical downturn*. This effect is estimated at 0.3% of GDP this year and at 0.5% in 2002 while in 2003 output is forecast to rise somewhat faster than potential thus generating a positive cyclical effect to the budget which is estimated at 0.3% of GDP.

Over the forecasting period, budget balances benefit from lower interest payments as both interest rates and the outstanding amount of debt as a percent of GDP have declined. *Interest expenditure* amounted to 4.1% of GDP in 2000 and is projected to decline to 3.9% in 2001, decreasing further to 3.7% in 2002 and to 3.6% in 2003. It contributes positively to the change in actual balance by 0.2% of GDP this year and next and by 0.1% in 2003.

Fiscal consolidation in the euro area as a whole has stalled, against the background of the economic slowdown. The *cyclical adjusted primary balance* recorded a surplus of 2.8% of GDP in 2000 which is forecast to deteriorate marginally over the forecasting horizon, to 2.6% of GDP in 2001 and 2002. As a result, fiscal policy in the euro area can be considered broadly neutral although with country differences.

A loosening of fiscal policy in 2001 is most evident in Ireland, Luxembourg and Germany. Finland shows a significant reduction of its cyclically adjusted budget balance also in 2002 and 2003. Other euro area countries continue their consolidation effort. Outside the euro area, a larger deterioration of the cyclically adjusted primary balance is anticipated for the United Kingdom and Sweden which, however, have strong surplus positions. During the period 2000-2003 the cyclically primary surplus is expected to shrink from 4.4% of GDP to 2.2% in the UK and from 6.7% to 4.6% in Sweden. The easing of the fiscal stance is thus more evident in the EU as a whole compared to the

TABLE 7 : **General government budgetary position - Euro area**

(% of GDP)				Autumn 2001			Difference with Spring 2001	
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2001**	**2002**
Total receipts (1)	47.1	47.8	47.3	46.8	46.8	46.5	0.2	0.5
Total expenditure (2)	49.3	49.1	47.1	47.9	48.2	47.5	0.7	1.5
Actual balance (3) = (1)-(2)	-2.2	-1.3	0.3	-1.1	-1.4	-1.0	-0.4	-1.0
Interest (4)	4.7	4.3	4.1	3.9	3.7	3.6	0.0	0.0
Primary balance (5) = (3)+(4)	2.5	3.0	4.3	2.8	2.4	2.7	-0.4	-0.9
UMTS	0.0	0.0	1.0	0.0	0.0	0.0	-0.1	0.0
Cyclically adjusted balance (6)	-2.0	-1.3	-1.3	-1.3	-1.1	-0.9	-0.4	-0.5
Cyclically adj. prim. balance = (6)+(4)	2.7	3.0	2.8	2.6	2.6	2.7	-0.4	-0.5
Change in actual balance :	0.4	0.9	1.6	-1.4	-0.3	0.4	-0.3	-0.6
Due to **- Cycle**	0.3	0.2	0.5	-0.3	-0.5	0.3	-0.4	-0.6
- UMTS	0.0	0.0	1.0	-1.0	0.0	0.0	0.0	0.1
- Interest	0.4	0.4	0.2	0.2	0.2	0.1	0.1	0.0
- Cycl. adj. primary balance	-0.3	0.3	-0.2	-0.2	0.0	0.1	0.1	-0.1
Gross debt	73.7	72.7	70.2	68.8	68.4	66.7	1.1	2.8
p.m. Actual balance EU-15	-1.6	-0.7	1.1	-0.5	-0.9	-0.6	-0.3	-0.9
p.m. Primary balance EU-15	3.0	3.4	5.0	3.2	2.5	2.7	-0.2	-0.9
p.m. Cycl. adj. prim. balance EU-15	3.1	3.3	3.2	2.9	2.8	2.7	-0.3	-0.3

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

euro area and is estimated at about 0.5% of GDP over the forecasting period.

Slower growth adversely affects the tax collection by the government and leads to additional expenditures (e.g. unemployment benefits) with an overall negative impact on the government balance. This widening of the deficit as a consequence of the economic downturn will partially offset the negative impact of the slowdown via the operation of the *automatic stabilisers*. Additional stabilisation of the cycle could be obtained through the tax cuts which were decided earlier and often formed part of an ongoing reform process. If countries had budgets close to balance or in surplus, thanks to the past consolidation effort, these measures would not endanger such a position. In 2001 taxes were cut by the equivalent of 0.6 % of GDP in the euro area.

As regards the composition of the government balance, the total revenue to GDP ratio is projected to decrease from 46.8% in 2001 to 46.5% in 2003 for the euro area. Compared to the year 2000, the share of *general government revenues* over GDP and the *tax burden* are estimated to decline by more than a full percentage point during the forecasting period due to lower GDP growth and broad tax cuts, mainly reductions in personal and corporate income taxes and social security contributions.

In 2001, the size of discretionary tax cuts (see Box 3) is estimated at 0.6% of GDP in the euro area (0.7% in the EU as a whole) with larger impacts for Ireland (1.9% of GDP), Germany and Luxembourg (1.2%), Sweden (1.1%), France (1%), Finland and the UK (0.8%). Cuts in personal income and corporate taxes have been announced by almost all Member States. Reductions of social security contributions are implemented, among others, by Germany, France, Italy, the Netherlands and Finland with the aim of lowering non-wage costs while indirect taxes are expected to be lowered in Ireland and Sweden. Further tax cuts are envisaged in 2002 in Sweden and Luxembourg and, to a lesser extent, in Belgium, Finland and France. However, due to tax increases in some other countries, the overall impact next year is negligible in the euro area and a marginal tax reduction of only 0.1% of GDP is estimated for the EU as a whole.

Government expenditures (excluding UMTS proceeds, which are recorded as negative outlays according to Eurostat's accounting rules) represented about 48% of GDP in 2000 in the euro area. These figures are projected to remain broadly unchanged in 2001 and 2002 as a combined result of slowing economic activity, lower interest payments and higher unemployment-related expenditures. In 2003, the share of total government expenditure over GDP is forecast

GRAPH 14: **General government expenditures and receipts**

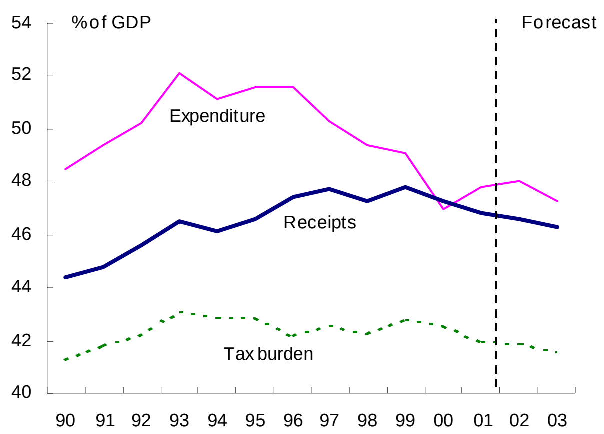


TABLE 8 : **General government balance** [1]

(% of GDP)	2000	Autumn 2001: 2001	2002	2003	Stability & Convergence Programmes (submitted between Sept 2000 and Jan 2001): 2000	2001	2002	2003	2004
B	0.1	-0.2	-0.2	0.1	-0.1	0.2	0.3	0.5	0.6
D	-1.3	-2.5	-2.7	-2.2	-1.0	-1.5	-1.0	-0.5	0.0
EL	-1.1	-0.4	0.3	0.8	-0.8	0.5	1.5	2.0	2.0
E	-0.4	0.1	-0.2	0.0	-0.3	0.0	0.2	0.3	0.3
F	-1.4	-1.6	-2.0	-1.6	-1.4	-1.0	-0.6	-0.4	0.3
IRL	4.5	2.4	1.8	1.8	4.7	4.3	3.8	4.6	-
I	-1.5	-1.2	-1.2	-0.9	-1.3	-0.8	-0.5	0.0	0.3
L	6.1	4.4	2.8	3.2	3.0	2.6	2.5	2.5	-
NL	1.5	1.3	0.5	1.4	0.7	1.0	1.0	1.0	1.0
A	-1.5	-0.2	-0.4	0.4	-1.8	-0.8	0.0	0.0	0.0
P	-1.8	-2.0	-1.6	-1.4	-1.9	-1.1	-0.7	-0.3	0.0
FIN	6.9	4.8	2.9	2.3	4.5	4.7	4.4	4.5	4.9
Euro area	-0.8	-1.1	-1.4	-1.0	-0.7	-0.6	-0.3	0.1	0.4
DK	2.5	2.0	1.6	2.0	2.7	2.8	2.6	2.6	2.7
S	4.1	3.9	1.6	1.9	4.1	4.6	2.1	2.2	2.3
UK	1.9	1.2	0.4	0.5	1.1	0.6	-0.1	-0.9	-1.0
EU-15	-0.1	-0.5	-0.9	-0.6	-0.2	-0.2	-0.1	0.0	0.2

1. Government balances in 2000 and 2001 exclude one-off proceeds from the sale of UMTS licences.
With these amounts included, the general government balance as a % of GDP would be, according to the Autumn 2001 forecasts,
In 2000 : D : 1.2%, E : -0.3%, I : -0.3%, NL : 2.2%, A : -1.1%, P : -1.5%, Euro area : 0.3%, UK : 4.3% and EU-15 : 1.2%.
In 2001 : B : 0.0%, EL : 0.0%, F : -1.5%, Euro area : -1.1%, DK : 2.2% and EU-15 : -0.5%.
The corresponding figures according to the updated stability and convergence programmes would be equal to :
In 2000 : D : 1.5%, I : -0.1%, NL : 1.5%, A : -1.4%, P : -1.5%, Euro area : 0.3%, UK : 3.5% and EU-15 : 1.0%.
In 2001 : F : 0.1%, Euro area : -0.4% and EU-15 : 0.0%.

to decline to 47.5% in the euro area and to 46.6% in the EU as a whole.

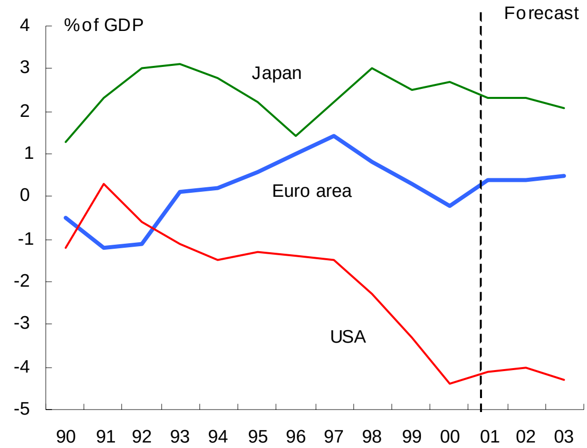
Box 3: Main discretionary measures on revenues					
	Description	Period	Overall size (% of GDP)	2001	2002
B	Personal income tax cuts; Gradual suppression of some direct taxes.	02-06	-1.3	-0.1	-0.6
DK	Income tax cuts; Lower tax deductions on interest payments; Rise energy taxes.	98-02	0.0	0.1	-0.1
D	Change in SSC; Net increase of direct taxes; Rise indirect taxes.	99-02	-1.5	-1.2	0.3
EL	Indexation and reduction in the maximum rate of personal income tax; Reduction in the corporate tax rate.	01-03			
E	Freeze income tax breaks; Corporate tax cuts; Rise in VAT and excise duties, for some items; Changes in UMTS fees; Measures to ease oil price effects.	01-03	0.2	0.2	0.0
F	Cuts in income and corporate taxes, oil taxes, VAT and SSC; Elimination of vehicle registration tax; Reform of "taxe professionnelle";	99-02	-2.7	-1.0	-0.4
IRL	Cuts in personal income, corporation and several indirect taxes.	00-01	-2.1	-1.9	-0.2
I	Tax and SSC breaks granted in 2001 budget (partial freeze in 2002); Tax incentives on investment; Tax amnesties for underground economy and on financial activities held abroad; new SSC rebates; Increase in family allowances; Tax on revaluation of shareholdings.	01-03	- 0.5	-0.5	0.1
L	Cuts in income and corporate tax.	01-02	-2.1	-1.2	-0.9
NL	Cuts in SSC and corporation tax; Income tax cuts partially compensated by a rise in the VAT standard rate and in environmental levies.	01-02	-1.0	-0.7	-0.3
A	Cuts in on-wage labour costs; Introduction university fees; Rise in various taxes and SSC;	01-02	1.4	1.3	0.1
P	Cuts in corporate taxes roughly compensated by the broadening of the tax base; Personal income tax cuts.	01-02			
FIN	Cuts of SSC and income tax; Rise of corporate and environmental taxes.	00-02	-1.8	-0.8	-0.6
S	Cuts of income, wealth, corporate, real estate and consumption taxes; Rise of environmental taxes.	00-02	-2.5	-1.1	-1.1
UK	Introduction of children's tax credit; Measures to encourage lower vehicle fuel consumption	00-02	-0.9	-0.8	0.0
EU-15				-0.7	-0.1
Euro area				-0.6	0.0

Stability and Convergence Programmes, submitted by Member States, form an essential element in budgetary surveillance. A new round of updates has started and at the cut-off date for the Autumn Forecasts, only Sweden and the Netherlands (Italy on 15 November) had transmitted to the Commission an updated programme. The previous complete set of Stability and Convergence Programmes were sent to the Commission between September 2000 and January 2001. The Autumn Forecast imply for the euro area a worse deficit by 0.5 % of GDP in 2001 (1.1 % in 2002) than aimed for in last year's Stability and Convergence Programmes. For the EU as a whole, the deterioration is 0.3 % of GDP in 2001 (0.8% of GDP in 2002). The difference can be mainly explained by the fact that for most Member States these budgetary projections were presented at a time when growth prospects for 2001 and 2002 were significantly better.

6. Stable trade surplus expected

In the first eight months of 2001 (compared to the same period of 2000), the growth of euro area export values outpaced import growth. As a result, the trade surplus jumped from 1.4 billion euro in the first eight months of 2000 to 20.8 billion euro in 2001. At the same time, the EU-15 trade deficit shrank to 47.3 billion euro. While the oil price in euro was broadly unchanged, manufactured goods, more specifically machines and vehicles, were behind the improvement of the euro area trade balance.

GRAPH 15: **Balance on current transactions with the rest of the world**



The improvement of the balance on trade in goods helped to halve the euro area current account deficit from 45.6 billion euro in the first eight months of 2000, to 21.8 billion euro in 2001. The balances on trade in services and on current transfers improved, while there was a deterioration of the income balance.

Over the forecasting period, the growth rates of euro area export and import values are not expected to diverge much. A stable trade surplus (fob/fob), at around 1.4% of GDP is consequently expected for the euro area.

7. An unusually high degree of uncertainty

The projection presented is the one with the highest probability, but the degree of uncertainty is unusually high implying that the outlook could be much worse. Uncertainty paralyses economic activity as it leads to a wait and see attitude with economic agents facing too many unknowns. The extent to which the consequences of further adverse developments will be felt also depends on the policy reaction.

Three reasons can be given for the particular high level of uncertainty at this juncture. First, the duration and scale of the military reaction to the terrorist attack is unknown, undermining consumer and business confidence, which was already fragile given the economic slowdown. Second, as a consequence of the events of 11 September, risk aversion has increased, and has been reflected in higher insurance premiums and transportation costs, but the impact on investment and trade is difficult to estimate. Finally, these shocks occurred against the background of persistent imbalances in the US economy. The personal saving rate in the US is unusually low, requiring an adjustment sooner or later. The recent events may be the trigger for US households to address their declining net wealth. Furthermore, profit expectations may be fundamentally revised, making the US less attractive for foreign investors. In consequence, the current account deficit would become more difficult to finance provoking turbulence in capital and exchange markets.

In such a situation it is appropriate to examine what happens if some of the risks materialise because of a general decline in confidence. Several simulations can be envisaged among which are an increase in oil prices or a sharp depreciation of the dollar accompanied by turbulence in the international exchange markets. Two particular simulations are examined here. The results should be interpreted with prudence and because of spill-over effects one should be careful if the shocks are combined.

- In the first simulation, it is assumed that a further increase in the US household saving rate takes place and that there is a reassessment of the expected rate of return on investment in the US.
- While the main uncertainty lies outside the euro area, domestic shocks, probably of a smaller size cannot be ruled out. In the second simulation, confidence falls and directly affects investment and consumption.

In the first simulation the US household saving rate would move further up to 7% of disposable income, which was the rate prevailing at the beginning of the 1990s. In addition investment plans are postponed. The result is that gross fixed capital formation and consumer spending would be held back and in 2002 average GDP growth in the US could be 1.2 percentage point lower than otherwise.

As US private consumption represents 15 % of world GDP, this would have consequences beyond the US. Global imports and exports would falter, the investment climate world wide would sharply deteriorate and large swings in international exchange rates could occur. World GDP growth could be 0.3 percentage point lower in 2002 and international trade growth down by 0.5 percentage points.

Assuming constant interest rates, some 0.6 percentage points would have to be subtracted from euro area GDP growth in 2002. The effect on the EU economy is larger than could be expected from pure trade linkages. The direct trade effect is reflected in a worsening of the trade balance, but domestic demand would also be affected. This occurs via confidence effects and the financial market channel. It leads to lower private consumption and investment because of negative wealth effects and less attractive financing conditions in stock markets. In the transmission of a US shock, the trade channel appears to be the smaller part. Two third of the transmission (in the simulation: 0.4 percentage point) occurs via financial and corporate linkages (0.6 = 0.2 + 0.4).

In the second simulation the shock originates in the euro area. It is assumed that confidence deteriorates and negatively affects investment, as well as household spending in the euro area. Investment activity would be 0.7 percentage point lower and private consumption 0.1 percentage point lower. The impact on private consumption may seem small, but the decline in inflation by 0.2 percentage point increases real disposable income, which forms a partially offsetting effect. Euro GDP growth could be 0.3 percentage point lower in 2002 under the assumptions of the second simulation.

A deterioration in the economic outlook, according to the simulations could imply a worsening in the fiscal position of the Member States. As the shocks are not limited to the trade channel, but also directly affect investment and, most importantly, consumer spending, the effect on budget balances is larger than would be expected from a pure external demand shock. It could bring the government deficit as percent of GDP in some Member States very close to the 3% limit.

III. Euro area Member States

Belgium: Subdued growth in 2001 and slow recovery in 2002

The economy in 2001. The Belgian economy has continued to slow down, following a trend that had already started–albeit more gradually—in the second part of 2000. Real GDP growth dropped to 0.4% quarter-on-quarter in Q1-2001. In the second quarter of 2001, the deterioration in GDP was substantial with a quarter-on-quarter decline of 0.5%. The prolonged weakness in foreign demand – all industrialised countries having experienced a similar and concomitant economic deceleration – has particularly affected the export performance of Belgium. In the first two quarters of 2001, the contribution of net exports to quarterly GDP growth was negative by 0.8% and 0.6% respectively. Export growth dropped to -0.2% year-on-year in the second quarter of 2001 compared to 12.9% in the first quarter of 2000. Higher-than-expected oil and food prices and, more recently, the dramatic events in the USA have constituted additional negative shocks. Private consumption has been negatively affected by rising inflation that peaked at 3.1% in May.

In the first quarter of 2001, investment had still performed quite well, capacity utilisation rates having reached historically high levels last autumn. However, investment collapsed in the second quarter of this year. Capacity utilisation rates are declining and demand perspectives are getting gloomier especially in the export driven and thus more exposed manufacturing sector.

Prospects. Economic survey indicators are not positive. The global synthetic indicator of the National Bank, a leading indicator of economic activity, is at its lowest level for the last six years. Consumer confidence reached negative territory even before the US tragedy. The difficulties already felt by the airline industry and the insurance and financial sector at large will most probably undermine consumer confidence even more in the coming months.

Real GDP growth is expected to average only 1.3% in 2001 and will start to recover slowly in the second quarter of 2002 and then more substantially in the second half of 2002. Belgium being an open economy specialising in intermediary products, in the past has demonstrated that it often slightly anticipated the general cycle. This explains why recovery could start as early as the second quarter of 2002 even if some trading partners will probably reach the trough only by the middle of next year. The statistical overhang weighs

Main features of country forecast - BELGIUM

	2000		Annual percentage change						
	bn Euro Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices	248.3	100.0	1.9	2.2	3.0	4.0	1.3	1.3	2.8
Private consumption	134.3	54.1	1.7	2.9	2.1	3.8	2.0	1.6	2.6
Public consumption	52.5	21.2	1.2	1.5	3.2	2.5	2.4	1.1	1.6
GFCF	52.5	21.1	2.0	4.3	3.3	2.6	-0.6	1.6	3.8
of which : **equipment**	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	1.0	0.4	0.3	0.1	-0.2	0.2	0.3	0.1	0.1
Exports (goods and services)	214.3	86.3	4.4	5.8	5.0	9.7	0.7	1.9	5.6
Final demand	454.6	183.0	2.6	4.4	3.4	6.4	1.2	1.6	4.0
Imports (goods and services)	206.2	83.0	3.9	7.5	4.1	9.7	1.0	2.0	5.6
Contribution to GDP growth : Domestic demand			1.6	2.7	2.5	3.1	1.5	1.4	2.5
Stockbuilding			0.0	0.3	-0.4	0.5	0.1	-0.2	0.0
Foreign balance			0.4	-0.8	0.9	0.5	-0.2	0.1	0.3
Employment			0.1	1.2	1.4	1.6	1.2	0.3	1.2
Unemployment (a)			9.3	9.5	8.8	7.0	6.9	7.0	6.9
Compensation of employees/head			4.7	1.8	3.2	3.2	3.2	3.1	2.3
Unit labour costs			2.8	0.8	1.6	0.8	3.1	2.1	0.8
Real unit labour costs			-0.7	-0.8	0.4	-0.6	1.0	0.2	-0.8
Savings rate of households (b)			-	16.6	16.1	14.7	14.8	15.5	15.4
GDP deflator			3.4	1.6	1.2	1.4	2.1	1.9	1.5
Private consumption deflator			3.5	1.2	1.0	2.2	2.4	1.4	1.4
Harmonised index of consumer prices			-	0.9	1.1	2.7	2.4	1.4	1.4
Trade balance (c)			-0.8	3.7	3.6	2.1	1.8	2.1	2.1
Balance on current transactions with ROW (c)			1.6	5.0	5.3	4.7	4.4	4.6	4.5
Net lending(+) or borrowing(-) vis à vis ROW (c)			1.4	5.0	5.3	4.5	4.3	4.5	4.5
General government balance (c) (d)			-7.2	-0.8	-0.6	0.1	0.0	-0.2	0.1
General government gross debt (c)			124.4	119.7	115.9	110.3	107.0	103.9	99.4

(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, without which the general government balance would amount to -0.2% of GDP.

heavily on the annual real GDP growth rate that can be achieved in 2002. Thus real GDP will only grow by 1.3% in 2002. In 2003, the rising trend should amplify and bring actual growth slightly above the potential growth rate. Under these circumstances, employment growth will be low in 2002 and a temporary rise in unemployment is forecast for 2002. Unemployment will resume its descending trend in 2003.

GDP components. The expected lowering of inflation should support consumer spending in 2002. However, the expected increase in unemployment and also precautionary reflexes should lead to a moderate increase in the savings rate and dampen slightly the positive effect of lower inflation. Personal income tax cuts in 2002 are also of smaller amplitude than in neighbouring countries. On the whole, consumer spending can nevertheless be expected to remain the driving force of the Belgian economy. In 2003, consumption should be much more sustained, employment prospects having improved and tax cuts allowing households to dispose of a higher income Investment is expected to perform poorly in 2002 and should start to pick up only in the second half of 2002, due to low interest rates and better demand prospects.

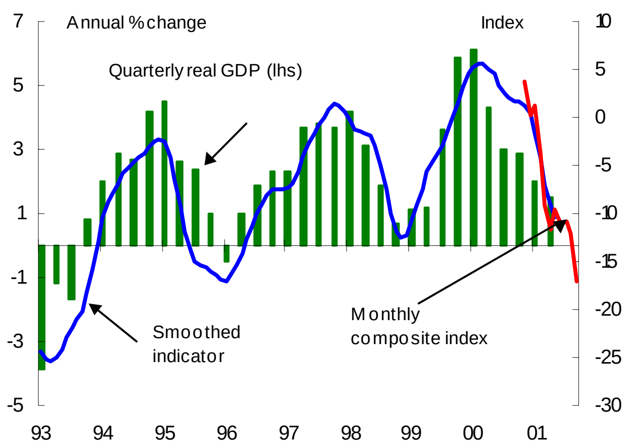
Net exports should contribute again positively to real GDP growth in 2002 and 2003, in part due to improved terms of trade. The volume in exports and imports is expected to increase at a moderate pace of around 2% in 2002 due to the slow growth of export markets in the world.

Costs and prices. Consumer price inflation should hover around 2.4% in 2001. Temporary shocks (high food prices due to bad weather in March, foot-and mouth disease) as well as high oil prices brought the CPI to a peak in May 2001. With a cooling off in economic activity, lower energy and food prices and a stabilisation in the Euro, price pressures should diminish.

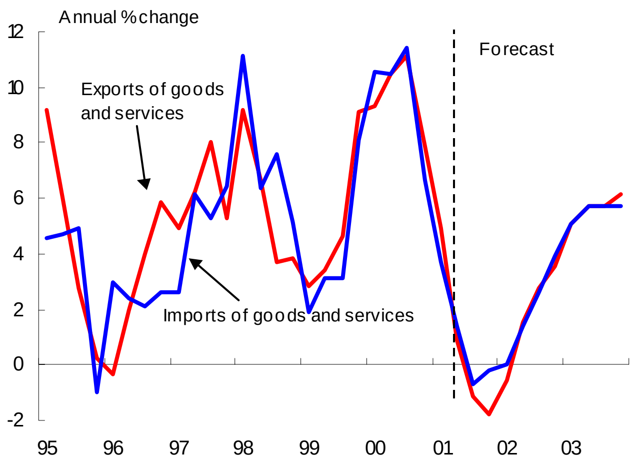
Next year, inflation is expected to fall to 1.4%, in part due to the suppression of radio and television taxes in Flanders. Nominal unit labour costs seem to be increasing more rapidly than in the three neighbouring countries, according to the Central Economic Council. Strong activity and an exceptionally high employment growth in 2000 have contributed to this situation. But gloomier employment perspectives should help curb this negative impact on inflation and Belgium's competitiveness. In 2003, inflation should remain stable also due to stronger price competition in the Euro area.

Public finances. After having reached their first surplus in 50 years in 2000, general government accounts are expected to be near equilibrium in 2001 and this despite the slowing down of the economy. The government has been strongly defending its fiscal stance and an extraordinary budget control exercise took place in July 2001. For 2002, Belgium will not reach the budget surplus of 0.3% of GDP foreseen in the Stability Pact. The government is working in order to establish a 2002 budget in equilibrium, based on the assumption of 1.3% growth in GDP. Under a no change policy assumption, the 2002 general government accounts would show a deficit of 0.5% of GDP. Gross public debt should reach 104% of GDP in 2002 compared to a 101.4% of GDP target set in the Stability Programme.

Belgium - GDP and leading indicator



Belgium - Import and export volumes



Germany: Recovery postponed

Output in 2001. Economic developments since February have been clearly worse than projected in Spring. This is not least due to the fast deceleration in world and intra-EU trade, which dampened German export growth much beyond earlier expectations. This has also left its mark on traditional equipment investment which is expected to decline in real terms in 2001. Furthermore, the decline in construction investment has even gained in speed and is projected to deduct 0.6 pp (percentage points) from annual GDP growth. The rise in private consumption has also been clearly lower than could be expected in view of the important tax relief taking effect on 1 January 2001, as the increase in energy and food prices drove consumer prices up by more than what was assumed in Spring. Finally, there has been a very important de-stocking, which is likely to deduct some 0.8 pp. from the overall GDP growth in 2001. Total output is estimated to grow by 0.7% in 2001.

Short-term growth outlook. The decline in production growth is projected to continue in coming months, not least because of the negative impact of the deceleration in world demand. Given the relatively high share of capital goods in German exports and the decline of foreign demand in this sector, which was already visible before the 11 September, a deterioration of export growth in coming months appears probable. However, the projected 2002 export growth figure incorporates a strong re-acceleration in the course of the year (due first of all to the assumed growth profile for the US).

Private consumption is also projected to perform badly, as the ongoing deterioration in employment is forecast to take its toll on households' income. Furthermore, the introduction and fiscal subsidisation of private pension schemes from 1 January 2002 on in combination with a declining level of consumer confidence does not make any further reduction in the savings ratio plausible. Public consumption is expected to perform as moderately as in the past two years. Clearly, the development of public finances in 2001 (see below) does not offer any leeway for generous expenditure programmes. Furthermore, the ongoing reduction in government employment in combination with the saving measures that have been announced in the health sector should contribute to put a lid on the rise in public consumption.

Equipment investment growth is forecast to improve in 2002, as negative impact of the change in depreciation rules in 2001 runs out and the economic outlook brightens. By contrast, construction investment will be

Main features of country forecast - GERMANY

		2000		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		2025.5	100.0	2.0	2.0	1.8	3.0	0.7	0.7	2.8
Private consumption		1182.6	58.4	2.0	1.8	3.1	1.5	1.5	0.6	1.8
Public consumption		384.5	19.0	1.4	1.2	1.6	1.2	1.4	1.3	1.3
GFCF		438.1	21.6	1.4	3.0	4.2	2.3	-2.7	-0.3	3.7
of which : **equipment**		174.8	8.6	1.6	9.2	7.2	8.7	-0.5	-0.2	7.0
Change in stocks as % of GDP		12.4	0.6	0.1	0.2	-0.2	0.2	-0.6	-0.2	0.3
Exports (goods and services)		683.3	33.7	5.1	6.8	5.6	13.2	4.8	1.2	6.6
Final demand		2700.8	133.3	2.4	3.4	3.3	4.6	1.0	1.0	3.6
Imports (goods and services)		675.3	33.3	4.1	8.9	8.5	10.0	2.0	2.1	6.3
Contribution to GDP growth :	**Domestic demand**			1.7	1.9	3.0	1.6	0.5	0.5	2.0
	Stockbuilding			0.0	0.5	-0.4	0.4	-0.8	0.4	0.5
	Foreign balance			0.4	-0.4	-0.7	1.1	1.0	-0.3	0.2
Employment				0.3	0.9	1.1	1.5	0.0	-0.3	0.8
Unemployment (a)				6.8	9.3	8.6	7.9	7.8	8.2	7.8
Compensation of employees/head				3.8	1.2	1.4	1.2	1.9	2.3	2.4
Unit labour costs				2.0	0.2	0.6	-0.2	1.3	1.2	0.4
Real unit labour costs				-0.7	-0.9	0.1	0.2	0.0	-0.1	-0.3
Savings rate of households (b)				-	16.9	15.5	15.9	16.2	16.4	16.2
GDP deflator				2.8	1.1	0.5	-0.4	1.3	1.3	0.8
Private consumption deflator				2.7	1.1	0.4	1.4	1.8	1.6	1.5
Harmonised index of consumer prices				-	0.6	0.6	2.1	2.4	1.5	1.5
Trade balance (c)				3.8	3.6	3.4	3.1	4.1	4.2	4.4
Balance on current transactions with ROW (c)				1.2	-0.3	-0.8	-1.0	-0.1	-0.2	-0.1
Net lending(+) or borrowing(-) vis à vis ROW (c)				1.1	-0.3	-0.8	-0.2	-0.1	-0.2	-0.1
General government balance (c) (d)				-2.4	-2.2	-1.6	1.2	-2.5	-2.7	-2.2
General government gross debt (c)				45.2	60.9	61.3	60.3	60.0	61.0	60.6

(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 2000, without which the general government balance would amount to -1.3% of GDP.

held back by the strong oversupply, especially in the apartment sector, in the New Länder. It should, however, benefit from higher rental construction in the southern part of the country and higher construction investments by enterprises.

Stocks, finally, should contribute strongly to GDP growth in 2002, when the very important decline in stocks observed in 2001 should be halted.

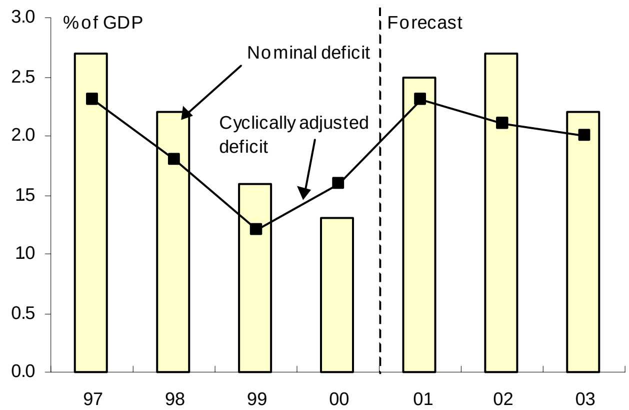
Employment. In 2001, in spite of the projected very low growth rate for output, as a result of positive overhang effects the employment figure should be very close to that of 2000. In 2002, however, employment is forecast to decline, as the negative overhang will more than compensate for the projected rise in employment in the second half of 2002. The decline in employment will be predominantly concentrated in the manufacturing sector, while the expansion of the workforce in the non-manufacturing sector should continue, albeit at a slower pace. Annual average unemployment is expected to rise marginally above the mark of four million in 2002. With economic activity projected to accelerate clearly in the course of 2002, employment should recover fast in 2003, bringing unemployment close to the level observed in 2000.

Inflation. Due to the combined impact of the rise in energy and food prices, the year-on-year rise in consumer prices reached 3.4% in May. Since then, supported primarily by the decline in energy prices and the appreciation of the euro, this rate has come down to 2.0% (October). For the year as a whole this implies a rise in the national and harmonised index of consumer prices of 2.5%. The trend decline in consumer prices should be halted temporarily in January 2002 when the increase in the mineral oil tax (‘eco-tax’) and in tobacco and insurance taxes should add at least 0.6 p.p. to the monthly rise in consumer prices. However, assuming no major changes in exchange rates and petrol prices, the rise in consumer prices should fall clearly below 2% in the course of next year. With wage negotiations in Spring 2002 expected to result in moderate wage agreements and assuming that exchange rates and petrol prices remain close to current levels, the medium-term outlook for prices remains favourable.

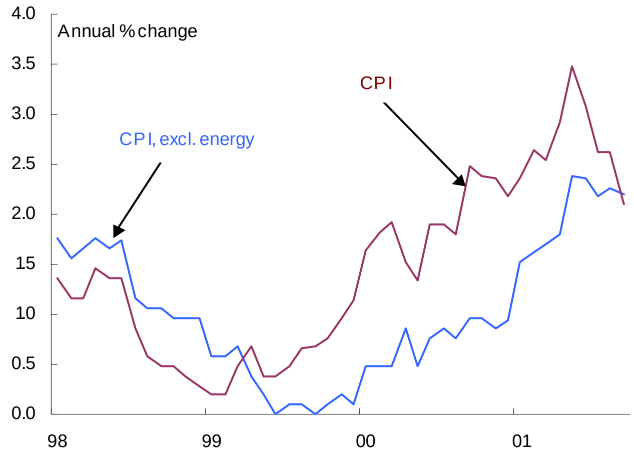
Public Finance. With economic growth strongly decelerating in the course of 2001, tax revenues and public finances in general have performed clearly worse than could be expected at the beginning of the year. Moreover, as a consequence of higher than expected unemployment additional financing needs are piling up at the ‘Bundesanstalt für Arbeit’. In addition, the abolition of expenditure ceilings for the drugs’ budget in the health sector is partially responsible for the high deficit in this sector, which is projected to reach at least € 2 billion (0.1% of GDP) in 2001. Finally, there is some evidence that the deficits of lower levels of government are developing worse than projected by the Spring ‘Finanzplanungsrat’. With the August 2001 statistical revision of the public finance figures for the past years now showing a structural deterioration in the general government deficit for 2000 by 0.3 pp., in 2001 the borrowing requirements of the general government sector are projected to reach 2.5% of GDP. As for 2002, in the light of the lower growth projections, the financial strains in the pension and unemployment insurance system are bound to grow considerably compared to 2001 – barring a (clear) rise in contribution rates, which is not assumed by this forecast. An increase in social security contribution rates in 2002 is to be expected in any case, as the deficit in the health sector is projected to be partially reduced by a rise in contribution rates.

In 2003, in spite of the implementation of another step of the income tax reform the deficit is forecast to decline again as economic growth and renewed savings efforts by the federal government should make themselves felt.

Germany - Nominal and cyclically adjusted deficits (without UMTS revenues)



Germany - CPI with and without 'Energy' (Bundesbank)



Greece: Despite adverse external developments, sustained real GDP growth continues

Following successful stabilisation efforts undertaken for a number of years, macroeconomic fundamentals have improved markedly in Greece and stability has been enforced although domestic price performance remains vulnerable particular to external shocks. In real terms, the catching-up process of the new Member of the euro zone, as from 1 January 2001, is accelerating. Despite an acceleration in exports, the external balance deteriorated in 2000, as most of the expanding components of domestic demand, in particular investment in equipment and private consumption, have a strong import content.

Real GDP growth and its components. Real GDP growth has been above the EU average since 1996; economic activity accelerated further in 2000, rising by 4.3%. As total investment was rising much faster than total output, its relative share in real GDP reached 23% in 2000 from 18% in 1995. Tax reforms and falling interest rates resulting in a sharp increase in consumer credit are supporting private consumption which increased strongly in 2000 and 2001. In view of the preparation for the Olympic Games of 2004 and of accelerating financial flows from EU Structural funds, investment growth is expected to rise further in the period ahead, partly compensating for the slowdown in world demand; total investment is expected to approach 27% of GDP in 2003. Real GDP growth is forecast to fall in 2002, rising by 3.5%, from an estimated 4.1% in 2001 and to return to rates above 4% afterwards in the aftermath of the recovery in world demand.

Labour market. Despite buoyant economic activity, the situation in the labour market improved only marginally until 2000. After peaking to almost 12% in 1999, the rate of unemployment fell to 11.1% in 2000. Total employment also fell by 0.3% in 2000, as the increase in employment in the services and the construction sectors could not compensate for continuing job losses in the manufacturing and the agricultural sectors. Employment is estimated to increase by 1.1% in 2001 inducing a further decline in the unemployment rate. Sustained activity and the continuation of structural reform efforts are expected to support an improvement in the situation of the labour market during the forecast period.

Prices. Throughout 2000, developments in consumer prices were dominated by surging oil prices: the national index of consumer prices increased by an annual average of 3.2% in 2000 from 2.6% in 1999. Until the Summer months of 2001, there was no clear sign of inflation slowdown, while underlying trends were also a source of

Main features of country forecast - GREECE

		2000		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		121.5	100.0	1.1	3.1	3.4	4.3	4.1	3.5	4.2
Private consumption		84.8	69.8	2.1	3.1	2.9	3.2	3.1	2.7	2.9
Public consumption		18.8	15.5	1.2	1.7	-0.1	2.3	1.8	0.5	0.6
GFCF		27.5	22.6	0.6	11.8	7.3	7.8	9.1	9.2	10.4
of which : **equipment**		9.9	8.1	4.6	24.4	1.9	16.2	8.3	7.0	8.5
Change in stocks as % of GDP		0.1	0.0	-0.2	0.4	-0.2	0.1	0.1	0.1	0.0
Exports (goods and services)		30.4	25.0	3.1	5.9	6.5	18.9	5.7	2.6	7.4
Final demand		161.5	132.9	1.9	4.9	3.5	6.8	4.5	3.6	4.9
Imports (goods and services)		40.0	32.9	5.2	11.3	3.9	15.0	5.6	4.1	6.8
Contribution to GDP growth :	**Domestic demand**			1.8	4.9	3.7	4.4	4.6	4.2	4.8
	Stockbuilding			0.1	0.2	-0.6	0.4	0.0	0.0	-0.1
	Foreign balance			-0.8	-2.0	0.2	-0.4	-0.5	-0.7	-0.5
Employment				0.7	3.4	-0.7	-0.3	1.1	0.6	1.2
Unemployment (a)				7.4	10.9	11.6	11.1	10.6	10.1	9.6
Compensation of employees/head				16.3	6.0	4.8	6.1	5.5	5.7	5.5
Unit labour costs				15.9	6.4	0.6	1.4	2.5	2.8	2.4
Real unit labour costs				-0.4	1.2	-2.2	-1.9	-0.8	-0.7	-0.9
Savings rate of households (b)				-	10.3	9.3	7.9	8.2	8.7	9.5
GDP deflator				16.3	5.2	2.9	3.4	3.3	3.5	3.4
Private consumption deflator				16.0	4.5	2.4	3.1	3.1	3.0	2.8
Harmonised index of consumer prices				-	4.5	2.1	2.9	3.6	2.7	2.9
Trade balance (c)				-11.8	-15.1	-13.9	-16.2	-16.5	-16.4	-16.7
Balance on current transactions with ROW (c)				-2.3	-3.9	-3.2	-4.5	-4.3	-4.5	-4.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-1.7	-1.0	-2.4	-2.3	-2.5	-2.7
General government balance (c) (d)				-10.2	-3.1	-1.8	-1.1	0.0	0.3	0.8
General government gross debt (c)				78.7	105.0	103.9	102.7	99.8	98.5	95.1

(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 2001, without which the general government balance would amount to -0.4% of GDP.

concern. In October 2001, the CPI rose by 2.8% (year-on-year) from 3.6% in September. Base year effects during the remainder of the year and positive developments in underlying indices, particularly in wholesale prices, are expected to contribute to faster deceleration in consumer prices, estimated to average 3.4% in 2001.

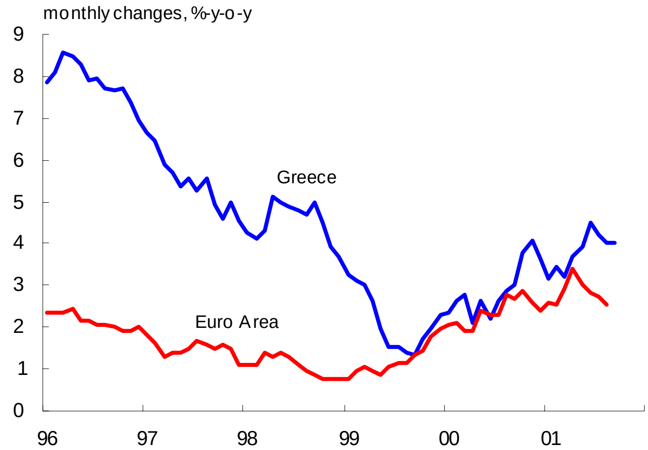
Inflation is expected to reach around 3% in 2002 and 2003; the forecast is influenced by assumptions for primary commodities prices and oil prices which justify a deceleration in import prices in 2002. In addition, real wages were decelerating in 2000 reflecting a restrictive incomes policy in the public sector and moderate wage increases in the private sector implied by the May 2000 collective wage agreement, despite the incorporation of a compensation equal to 0.7% for the increase in prices in excess of projected inflation in 1999. Short-term wage pressures are limited by the conditions set down in the wage agreement and prospects for public sector incomes policy as announced in the Greek stability programme and in the draft budget for 2002. In fact, the agreement provides no compensation for inflation until the end of 2001. In 2002, wage increases will incorporate an adjustment aimed at ensuring that wage increases in 2001 equal the average inflation rate in 2001 plus 1%.

However, despite a temporary deceleration, economic activity will continue to be strong; in addition, developments in unit labour costs are subject to uncertainty, particularly with respect to the final year as a new wage agreement in the private sector should be decided in the course of 2002.

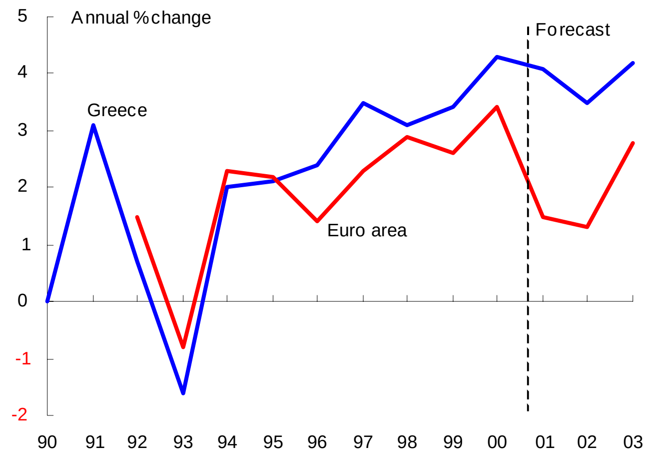
Public finances. Having achieved correction of severe fiscal imbalances, the stance of fiscal policy seems to have turn neutral. The general government deficit was reduced to 1.1% of GDP in 2000 from 1.8% in 1999 and 1.2% set in the budget. The budget for 2001 targeted a surplus of 0.5% of GDP for the general government; slower than expected real GDP growth and higher inflation should result in both a shortfall in tax revenues and an overrun in primary expenditure which are expected to be partly offset by proceeds from UMTS, amounting to € 500 million in 2001 (or 0.4% of GDP). In the draft budget for 2002, the government is targeting a surplus of 1.3% of GDP, marginally lower than the target of 1.5% included in the Greek Stability Programme presented in December 2000 under the requirements of the Stability and Growth Pact. In fact, under a projection of much slower GDP growth, the government intends to implement current spending cuts; although this may be difficult to achieve given that the major components of current expenditure (wages, interests and grants) are highly inelastic, a smaller surplus may be reasonably forecast for 2002.

Debt ratio. Rising primary surpluses, combined with the allocation of privatisation receipts to pay-off public debt resulted in reducing the debt ratio since 1996; it still reached a too high level in 2000, at 102.7% of GDP. The primary surplus is expected to remain high, at 6.0% throughout the forecast period, contributing in maintaining the downward path in the debt ratio, which is estimated to reach 99.8% at the end of 2001 and to continue declining thereafter.

Greece - HICP compared with the euro area



Greece - Real GDP growth compared to euro area



Spain: Ongoing deceleration to be reversed in 2002

Output. GDP rose strongly by 4.1% in both 1999 and 2000. However, economic activity has weakened significantly in 2001, at first partly due to the negative impact from oil and unprocessed food price hikes earlier in the year and subsequently in response to the general international downturn. Domestic demand has moderated, while an earlier improving trend of the external sector has reversed. GDP growth of 2.7% in 2001 is expected. Domestic demand is envisaged to moderate further in 2002 while external demand should recover slightly. For 2002 as a whole, heavily influenced by the weakness in the second half of 2001, output growth is expected to be 2.0%, markedly lower than in 2001 but with a recovery gaining strength through the year. In 2003 growth is forecast to recover to 3.2%, roughly in line with estimated potential.

In 2001 economic growth has slowed with weakening of all domestic demand components and exports. Private consumption growth has moderated as a consequence of slower job creation and growth of disposable income, while worsening expectations have caused growth of investment in equipment to fall sharply; in addition, although still dynamic, residential construction activity has moderated. As for the external demand, exports have slowed down markedly as the international setting has become less favourable. Despite a deceleration of imports in line with domestic demand, the contribution from the net external demand is expected to remain negative. As a result, output growth is set to moderate to 2.7% with a particularly weak second half.

The further fall of average growth in 2002 is based on more moderate growth of domestic demand and a neutral contribution from the external demand. These are, nevertheless, whole-year results, and cover a significant pick-up during the year to above trend growth by the end of the year. This recovery should take place along with an improvement in the international setting. Annual average growth of private consumption is expected to continue decelerating due to slower employment and wage growth and to non-indexation of income tax brackets, resulting in a moderation in growth of households' gross disposable income. In this context, the saving ratio is expected to increase after having reached a minimum in 2000. Growth in investment in equipment should remain moderate given the still adverse macroeconomic scenario in the first half of the year, while residential construction should show a decelerating trend only partially offset by robust infrastructure investment. With a slowdown in import

Main features of country forecast - SPAIN

	2000			Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		608.8	100.0	2.5	4.3	4.1	4.1	2.7	2.0	3.2
Private consumption		360.4	59.2	2.1	4.5	4.7	4.0	2.6	1.6	3.1
Public consumption		106.0	17.4	4.1	3.7	4.2	4.0	2.0	2.4	2.2
GFCF		154.2	25.3	3.3	9.7	8.8	5.7	3.8	2.6	4.2
of which : **equipment**		45.1	7.4	3.6	13.3	7.7	4.8	1.2	1.1	4.1
Change in stocks as % of GDP		1.9	0.3	0.3	0.4	0.5	0.3	0.3	0.3	0.3
Exports (goods and services)		182.6	30.0	7.5	8.2	7.6	9.6	4.9	3.9	7.6
Final demand		805.0	132.2	3.4	6.2	6.1	5.4	3.3	2.4	4.2
Imports (goods and services)		196.2	32.2	8.4	13.3	12.8	9.8	5.0	3.8	7.4
Contribution to GDP growth :		**Domestic demand**		2.6	5.5	5.6	4.5	2.8	2.0	3.3
		Stockbuilding		0.0	0.2	0.1	-0.1	0.0	0.0	0.0
		Foreign balance		0.0	-1.3	-1.5	-0.2	-0.1	0.0	-0.1
Employment				0.6	3.6	3.5	3.1	2.3	1.0	2.1
Unemployment (a)				19.5	18.8	15.9	14.1	13.0	13.0	12.1
Compensation of employees/head				8.7	2.7	2.7	3.4	3.9	3.5	2.8
Unit labour costs				6.6	2.0	2.1	2.4	3.5	2.4	1.6
Real unit labour costs				-0.8	-0.4	-0.7	-1.0	-0.3	-0.3	-0.7
Savings rate of households (b)				-	12.7	11.6	11.0	11.0	11.3	11.3
GDP deflator				7.4	2.4	2.9	3.4	3.8	2.7	2.4
Private consumption deflator				7.4	2.2	2.4	3.2	3.3	2.4	2.1
Harmonised index of consumer prices				-	1.8	2.2	3.5	3.7	2.3	2.1
Trade balance (c)				-4.0	-3.6	-5.1	-6.1	-6.0	-5.9	-6.2
Balance on current transactions with ROW (c)				-1.1	-0.6	-2.3	-3.4	-3.1	-2.9	-2.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.8	0.5	-1.1	-2.5	-2.0	-1.8	-1.5
General government balance (c) (d)				-4.8	-2.6	-1.1	-0.3	0.1	-0.2	0.0
General government gross debt (c)				46.1	64.7	63.4	60.7	58.0	57.3	55.6

(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 2000, without which the general government balance would amount to -0.4% of GDP.

growth matched on the side of exports their net contribution to output growth should be neutral.

The pick-up in economic activity in 2003 is underpinned by a recovery of domestic expenditure, as the contribution from the net external demand will turn negative.

Labour market. Employment, as measured by full-time equivalent jobs, is foreseen to rise by 2.3% in 2001 although on a clearly decelerating path in line with labour market indicators. In 2002, growth is expected to moderate further to 1.0%. This is mainly based on an expected deceleration of activity in more labour-intensive branches, especially construction and services, which have seen the more dynamic job creation in the recent past. In 2003, employment should accelerate following the stronger economic growth. Despite less vigorous job growth and with little change in the activity rate, the unemployment rate continues to decrease during the forecast period.

Prices. In 2001, despite relatively moderate wage growth, price developments were worse than expected due to high unprocessed food prices and a deterioration in core inflation during the first half of the year. HICP inflation for 2001 is forecast at 3.7% compared to 3.5% in the previous year. In 2002 inflation is expected to fall to 2.3%, based on deceleration of import prices, a better behaviour of food prices, and continued relatively mild wage growth implying moderating growth of unit labour costs. In 2003 inflation is forecast to ease further to 2.1%.

External sector. The current account deficit is expected to narrow gradually during the forecasting period. This is mainly explained by an improvement in the visible terms of trade along with a growing services surplus.

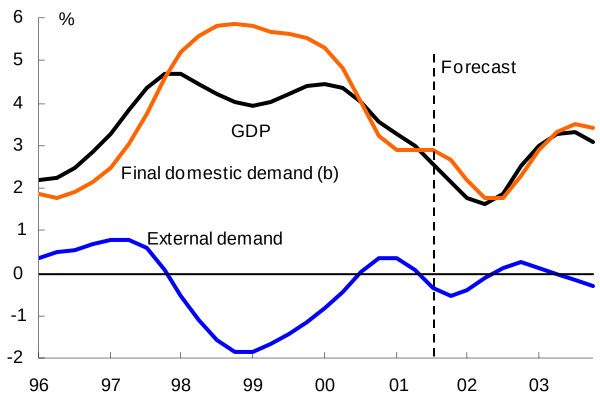
Public finances. The path of fiscal consolidation followed in recent years has continued in 2001 based partly on the strength of direct taxes (especially social security contributions) and the increase in UMTS fees, and partly on control of current expenditure. The general government sector is expected to reach a small surplus of 0.1% of GDP (compared to a deficit of 0.3% in 2000 and to an official target for 2001 of a general government balance).

For 2002 the general government balance is expected to record a small deficit (0.2% of GDP). Several factors contribute to avoid a bigger worsening. Firstly, income tax brackets will not be revised in line with inflation while VAT and excise duties on some items will be raised. Secondly, the budgetary impact from the indexation of pensions is expected to disappear as inflation would be close to 2% by end 2002. Finally, interest rates are assumed to remain moderate, reducing interest payments relative to GDP. These developments involving either higher revenues or more moderate expenditure would partially counterbalance the impact on social benefits from the 2001 April agreement on wider social coverage and the increase in unemployment benefits.

In 2003, under the assumption of no policy changes, the general government is forecast to reach a balance.

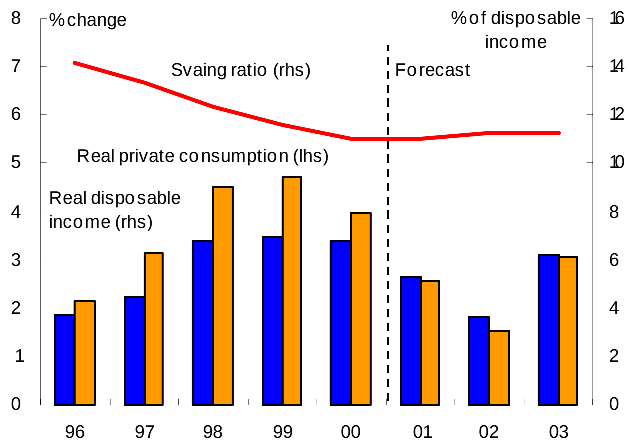
Stemming from the still relatively high primary surpluses envisaged during the forecasting period coupled with moderate interest rates, the debt-to-GDP ratio is expected to continue on a declining path. From 58% in 2001, the debt ratio is forecast to fall to 55.6% in 2003.

Spain - contributions to GDP growth (a)



(a) % change on four quarters earlier
b) excluding stockbuilding.

Spain-households: use of income account(a)



(a) real time series obtained by using private consumption deflator.

France: Following a year of weakness, economic activity should recover from Spring 2002

The economy in the first part of 2001. The deceleration in economic activity in the first half of 2001 was more pronounced and lasting than expected last Spring. Real GDP growth slowed to an annualised 1.4%, as against more than 3% in the second half of 2000. This slowdown clearly reflects the direct impact of the global downturn, through the trade channel. The sharp slowdown in world trade led to a contraction in French exports from the very early months of the year. Then, firms reacted rapidly to the deterioration in global demand expectations and to lower profits by adjusting the level of inventories (stock-building contribution to GDP growth was -0.9% in the first quarter 2001). In a further step, firms started postponing investment projects and diminishing new payrolls. By contrast, private consumption remained dynamic, increasing by a strong annualised 3% in the first half of the year, allowing the French economy to avoid an even more severe slowdown.

Current situation and prospects. Business surveys suggest that the economic climate continued deteriorating rapidly in the last few months. In this context, main economic indicators are still oriented downwards, in particular employment and private investment, firms adjusting their productive capacities to the slowdown in production. As a consequence, GDP growth is expected to remain sluggish in the next few quarters.

From next Spring, after a relatively long period (five quarters) of weak GDP growth, activity in France should recover. This rebound would reflect the influence of several factors. First, along with the recovery of the US economy, export markets growth for France is expected to accelerate gradually. Second, the marked decline in inflation expected in the next few quarters should bolster households' purchasing power, and thus private consumption, which remains the mainstay of the current phase of expansion. Finally, monetary and fiscal stimulus resulting from interest rates cuts and the cumulated impact from tax alleviation and increased spending should stimulate economic activity.

GDP components. The deceleration in exports observed in the last few quarters should gradually come to an end. This would result from an a acceleration in export markets growth of the French economy in 2002 and 2003, this effect compensating for the gradual fading of gains in competitiveness associated with the past depreciation of the euro.

Main features of country forecast - FRANCE

		2000		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		1404.8	100.0	1.9	3.4	2.9	3.1	2.0	1.5	2.6
Private consumption		769.1	54.8	1.6	3.4	2.8	2.5	2.7	1.9	2.6
Public consumption		327.1	23.3	2.5	-0.1	2.0	2.2	1.9	2.0	1.5
GFCF		276.5	19.7	1.4	7.0	6.2	6.1	2.8	0.9	3.7
of which : **equipment**		101.6	7.2	3.9	12.5	6.6	8.5	3.8	0.8	4.7
Change in stocks as % of GDP		12.2	0.9	0.1	0.7	0.5	0.6	-0.2	-0.3	-0.2
Exports (goods and services)		402.6	28.7	5.0	8.3	4.0	12.6	3.0	2.5	6.3
Final demand		1787.5	127.2	2.2	4.9	3.3	5.3	2.0	1.8	3.5
Imports (goods and services)		382.7	27.2	3.9	11.6	4.7	14.2	2.3	3.2	6.8
Contribution to GDP growth :	**Domestic demand**			1.8	3.1	3.2	3.1	2.5	1.7	2.5
	Stockbuilding			-0.1	0.8	-0.2	0.1	-0.7	-0.1	0.1
	Foreign balance			0.2	-0.5	-0.1	-0.1	0.2	-0.1	0.0
Employment				0.2	1.3	1.8	2.2	1.6	0.4	1.2
Unemployment (a)				10.1	11.8	11.2	9.5	8.7	9.2	8.7
Compensation of employees/head				5.5	2.3	2.4	1.9	2.2	2.6	2.7
Unit labour costs				3.7	0.2	1.3	1.0	1.9	1.5	1.3
Real unit labour costs				-0.6	-0.7	0.8	0.1	0.3	-0.2	-0.3
Savings rate of households (b)				-	15.7	15.3	15.7	16.1	15.7	15.8
GDP deflator				4.3	0.9	0.5	0.9	1.5	1.7	1.6
Private consumption deflator				4.6	0.7	0.4	1.5	1.5	1.4	1.4
Harmonised index of consumer prices				-	0.7	0.6	1.8	1.8	1.4	1.5
Trade balance (c)				-1.0	1.4	1.0	-0.2	-0.5	-0.3	-0.6
Balance on current transactions with ROW (c)				-1.1	2.4	2.3	1.4	1.7	1.8	1.5
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.2	2.4	2.2	1.5	1.7	1.8	1.5
General government balance (c) (d)				-3.1	-2.7	-1.6	-1.4	-1.5	-2.0	-1.6
General government gross debt (c)				38.5	59.5	58.5	57.6	57.1	57.3	56.6

(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, without which the general government balance would amount to -1.6% of GDP.

After the remarkable dynamism of the last three years, private consumption should mark a temporary slowdown in the next few quarters. Real gross disposable income is expected to decelerate due to a pause in job creations and moderation in wages resulting from the increase in the unemployment rate. From the Summer 2002, private consumption should resume and remain firm for the rest of the forecast period. This acceleration would be favoured by a decrease in inflation, a recovery in employment and the implementation of tax cuts.

After a year of stagnation, productive investment should gradually accelerate in the second part of 2002, pushed by more favourable internal and external demand prospects and a moderate cost of borrowing.

Labour market, costs and prices. The deterioration in economic conditions started to impact the labour market in Spring 2001: employment growth slowed markedly (from an annualised +3.5% in the first quarter of 2001 to below 2% in the second) and the fall in the unemployment rate came to an halt in March. In the next few quarters, such developments should continue, employment growth becoming virtually zero despite the creation of numerous state-aided jobs. The unemployment rate is expected to increase until next Spring. In this context, also characterised by the implementation of working time reduction in small and medium companies, wage moderation should remain the rule. From next Summer, the re-acceleration in economic activity should allow a rebound in employment growth and the unemployment rate could then recover a downward orientation.

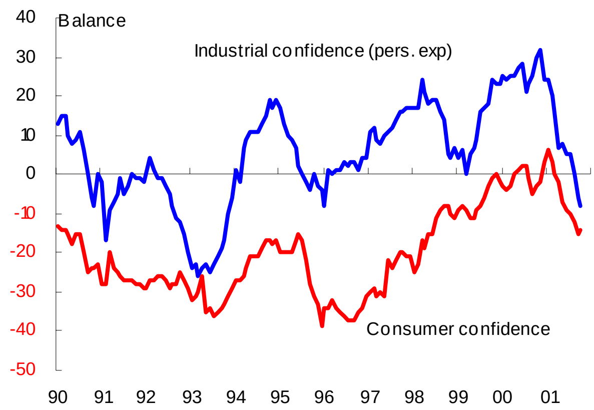
Unit labour costs should not constitute a major threat to price stability. Indeed, the slight acceleration observed in 2001 should be short-lived. The labour deepening phenomenon observed in the last few years resulting from past policies (cuts in social contributions, “emplois jeunes”, reduction in working time) is expected to vanish gradually. Labour productivity should then accelerate over the next two years compared to the levels observed in the recent past. As a consequence, unit labour costs should grow very moderately in 2002 and 2003. Against this background, underlying inflation should remain below 2% in 2002 and decrease in 2003. The stabilisation of the euro and the normalisation of energy and food prices should trigger a fall in the actual inflation rate from the beginning of 2002.

Public finances. The deterioration of macroeconomic prospects affects negatively the projections for public finances. As a consequence of the draft budget for 2002 and the corrective budget bill for 2001, the French government revised significantly its projections for public finances. After 1.4% of GDP in 2000, the deficit is now expected to reach 1.5% in 2001 and come back to 1.4% in 2002. The target set in the 2000 updated stability programme was a General government deficit of 0.6% of GDP in 2002 (under the assumption of a 3% GDP growth). The revision is due to the impact on tax revenues of lower-than-expected GDP growth and by an upward revision to the objective for real expenditures in 2002.

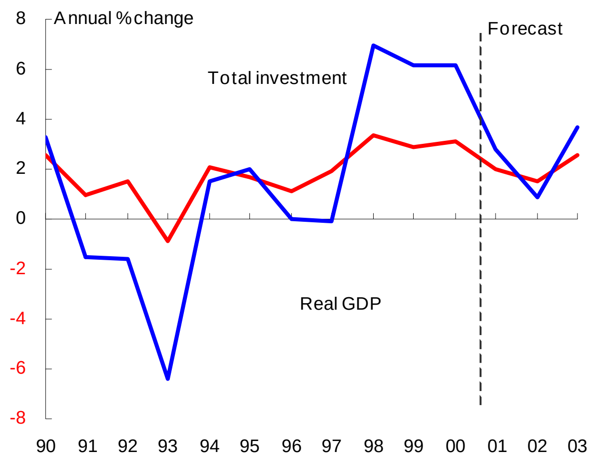
The Commission forecasts the general government deficit - excluding revenues from UMTS licences - at 1.6% in 2001 and 2.0% of GDP in 2002. The forecast is based on the assumption that the real expenditure target for 2001 and 2002 will be respected, and on the assumption of unchanged policy. This assumption is crucial when considering the risks on expenditures in the health sector, which have regularly overshot the pre-fixed target in recent years, the change in unemployment benefit rules and the cost associated with the implementation of working time reduction in the public sector. The forecast takes into account the recently announced counter-cyclical fiscal plan worth 0.1 percentage point of GDP. Given the one-off nature of the measures of the plan, the deficit for 2002 and 2003 is not affected.

In 2003, the improvement in economic conditions should allow a reduction in general government deficit to 1.6% of GDP, under the assumption that the objective for expenditures set in the 2000 update of the stability programme will be met.

France - Industrial and consumer confidence



France - GDP and investment



Ireland: A sharp slowdown, but towards medium-term sustainable growth by 2003

Output in 2001. Provisional national accounts for 2000 show record real GDP growth of 11.5%, with a rapid pace of expansion of 12.1% year-on-year in the final quarter. Provisional quarterly accounts reveal annual GDP growth of 13.2% in the first quarter of 2001, from a very low base. Nonetheless, activity has slowed significantly in 2001 under the combined influence of supply constraints, especially labour shortages, and several exogenous shocks. From March onwards, restrictions put in place to prevent the spread of foot and mouth disease not only hit agriculture but hampered overall activity, in particular in the tourism industry. The economy also suffered under the international slowdown, although moderated by the later slowdown of European markets, the destination for a significant part of exports. Finally, the world-wide retrenchment in the ICT sector added to the overall easing. While the projected growth rate for year 2001 of 6.5% still looks impressive, it should be stressed that this rate incorporates little intra-year growth.

Demand components in 2001. The fundamental determinants of private consumption have been high growth in earnings per capita, significant direct tax relief and a healthy rise in employment. Nonetheless, the pace of private consumption growth witnessed in 2000 is unlikely to have been sustained, because of falling confidence levels and a "normalisation" in car sales after last year's record figures. The forecast therefore assumes a rise in the savings ratio in 2001 after the big drop in 2000. Investment in equipment is expected to rise more moderately than in 2000 in view of lower business confidence. Housing completions in the private sector are expected to fall, although this is partly offset by a rise in social housing construction. By contrast, other construction is forecast to grow strongly as a result of rising public expenditure on infrastructure under the National Development Plan. Finally, the high annual growth rates of exports and imports mask a significant weakening through the year, given the international slowdown and some loss in competitiveness after several years of gains.

Growth outlook. The economy is expected to pick up strongly from about the middle of 2002. Nevertheless, in the absence of a significant carry-over from 2001, annual growth will be far below potential in 2002, entailing a rise in unemployment. For 2003, the projections assume that the economy will recover to a rate close to that commonly thought to be sustainable in the medium term, marking a distinct shift from a phase

Main features of country forecast - IRELAND

	2000			Annual percentage change						
mio Euro		Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		103651.2	100.0	4.6	8.6	10.8	11.5	6.5	3.3	5.5
Private consumption		49560.2	47.8	2.8	7.3	8.3	10.0	6.2	4.2	5.6
Public consumption		13879.6	13.4	1.3	5.7	6.3	5.4	6.0	3.8	2.7
GFCF		24441.5	23.6	2.9	15.7	13.5	7.3	3.4	2.7	4.2
of which : **equipment**		7775.9	7.5	2.9	24.9	17.9	6.3	4.5	2.7	4.5
Change in stocks as % of GDP		294.5	0.3	0.5	1.7	-0.1	0.4	0.1	0.1	0.1
Exports (goods and services)		98164.7	94.7	10.5	21.4	15.7	17.8	9.1	5.3	8.1
Final demand		186340.5	179.8	5.6	15.8	11.3	13.8	7.3	4.6	6.7
Imports (goods and services)		83484.0	80.5	7.6	25.8	11.9	16.6	8.5	6.0	8.1
Contribution to GDP growth :	**Domestic demand**			2.4	7.8	8.0	7.4	4.6	3.1	4.0
	Stockbuilding			0.2	0.5	-1.8	0.5	-0.2	-0.1	0.0
	Foreign balance			1.8	-0.3	5.0	3.7	2.0	0.3	1.4
Employment				1.0	7.2	6.3	4.9	2.3	0.8	1.8
Unemployment (a)				14.2	7.5	5.6	4.2	3.8	4.5	4.5
Compensation of employees/head				7.2	4.5	5.3	8.7	9.5	8.0	6.9
Unit labour costs				3.5	3.1	1.0	2.3	5.2	5.3	3.2
Real unit labour costs				-1.7	-2.6	-3.1	-1.9	0.4	0.6	-0.7
Savings rate of households (b)				-	12.0	12.8	11.2	12.3	13.0	13.1
GDP deflator				5.3	5.9	4.2	4.3	4.8	4.6	3.9
Private consumption deflator				5.3	3.5	3.4	4.7	4.6	3.7	3.2
Harmonised index of consumer prices				-	2.1	2.5	5.3	4.0	3.3	2.9
Trade balance (c)				7.5	23.0	25.6	26.8	27.9	27.5	28.0
Balance on current transactions with ROW (c)				-1.9	0.9	0.4	-0.6	-1.5	-2.0	-2.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.9	2.0	1.2	0.7	-0.4	-1.0	-1.2
General government balance (c)				-5.3	2.3	2.3	4.5	2.4	1.8	1.8
General government gross debt (c)				95.8	54.8	49.3	38.6	34.3	30.8	27.1

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

characterised by double-digit growth due to exceptional increases in the labour supply and productivity.

External sector. The re-emergence of a current account deficit in 2000 after a decade of surpluses is explained by the fact that the growing trade surplus failed to fully offset the steadily increasing deficits on both the services balance and the balance of primary incomes. This trend is expected to persist over the forecast period, with the relatively big drop in 2001 partly caused by a reduction in exports of foodstuffs and tourism services.

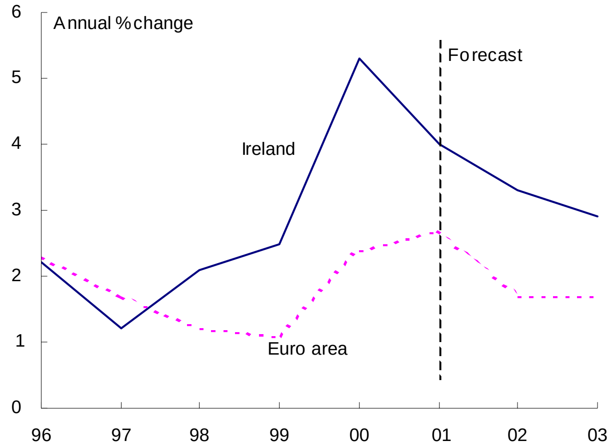
Labour market. The steady fall in unemployment since 1996 finally came to a halt in end-2000, with the rate virtually flat in the year to October 2001 at just below 4%. The achievement of effectively full employment has been accompanied by growing shortages of both skilled and unskilled labour. The economic slowdown is expected to lead to employment growth temporarily below labour force growth in 2002, even though the latter is on a downward trend. As a result, the forecast envisages a rise in the unemployment rate in 2002 to around 4.5% and a similar level is projected for 2003.

Wage developments. The pay clause of the national agreement 2000-2002, the *Programme for Prosperity and Fairness* (PPF), awards a 7.5% increase in basic pay in 2001. The available evidence suggests that earnings per capita are rising somewhat faster than in 2000, although the subdued increase in income tax receipts to date casts some doubt on these indications. The forecast assumes that the tight labour market will lead to some drift above the 2001 PPF provisions and that the rise in wages per capita will moderate gradually thereafter. This reflects the combination of a labour market that is still largely supply-determined and relatively sticky wage expectations, although wages in the exposed sectors of the economy are expected to respond more flexibly to the economic downturn in order to safeguard competitiveness.

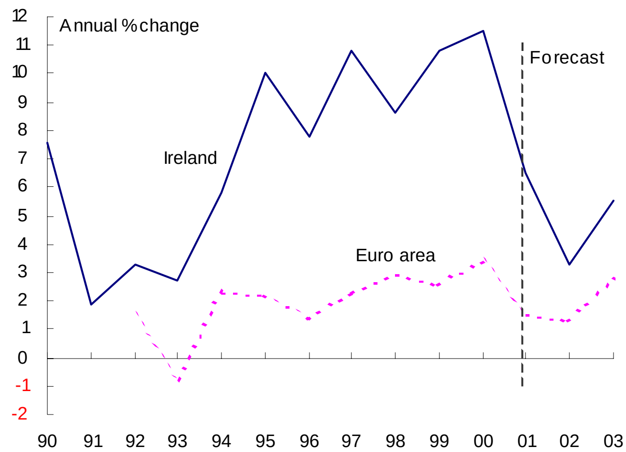
Prices. The decline in HICP inflation in 2001, to 4.0% on average in the first ten months after 5.3% in calendar 2000, is partly due to a reversal of one-off factors which drove up inflation last year and partly to indirect tax cuts implemented by the budget for 2001. However, the upsurge of inflation, which became evident in the course of 2000, also reflected domestically-generated pressures and these are expected to ease only gradually over the forecast period owing to the economic slowdown. As a result, inflation should ease while continuing to exceed the euro area average.

Public finances. The state of the public finances remains healthy, with the debt ratio declining further to close to 25% of GDP in 2003, but with significantly lower surpluses than the 4.5% of GDP seen in 2000. For 2001, a large tax undershoot, with spending broadly as targeted, is expected to result in a surplus of around 2.4% of GDP, rather than 4.3% as budgeted (this is exclusive of the proceeds of the tax recovery scheme running until 15 November). The projections for 2002-03 are on an announced policy basis and do not reflect the budgetary measures for 2002 to be announced on 15 November (spending) and 5 December (taxation and welfare). In line with the National Development Plan, capital spending will rise strongly over the forecast period, taking general government fixed investment in nominal terms to 4.9% of GDP from 3.8% in 2000. The forecast does not take into account proceeds from the auction of UMTS licences.

Ireland - HICP Inflation compared to euro area



Ireland - Real GDP growth compared to euro area



Italy: Rebound postponed by deterioration of global environment

Growth. The economic slowdown in 2001 has turned out steeper than expected, with real GDP stalling in the second quarter due to declining investment activity and weaker net exports. Thanks to the sound performance in the first quarter, with real GDP increasing by 0.8% on the previous three months, the overhang at the end of June 2001 was still high at 1.8%. However, the chances of a recovery in the second half of this year, as signalled by short-term indicators before 11 September, have vanished in the wake of the terrorist attacks in the USA. Flagging prospects started materialising in the September business survey, showing a marked drop in the business confidence index. By contrast, consumer confidence held up surprisingly well in October, offsetting the decline recorded a month earlier.

Against this background, Italian GDP growth is projected to remain weak in the second half of 2001, averaging 1.8% for the year as a whole. Nevertheless, compared to the euro area average, this would mark the end of a relatively long period in which Italian growth lagged significantly behind. The comparatively better performance in the current downturn can be partly explained by Italy’s low share in the particularly troubled ITC sector and a relative recovery in its terms-of-trade.

In 2002, the pace of economic expansion is forecast to remain slow at first, as private households postpone major purchases and firms remain cautious, with the uncertain outlook likely to outweigh the benefits of the tax incentive scheme for investment approved by Parliament in early October 2001. However, with emerging signs of the assumed global recovery, domestic demand is expected to pick-up swiftly. Investment expenditure especially is forecast to accelerate as firms try to bring forward some of their investment plans to take advantage of the tax incentive scheme before its expiry at the end of the year. Private consumption is also expected to strengthen, reflecting regained confidence. Despite the assumed recovery in world trade, net exports are expected to remain weak. Import growth will be particularly strong due to the high import content of investment, while the assumed appreciation of the real effective exchange rate will weigh on traditionally price sensitive Italian exports. For 2002 as a whole, GDP growth is forecast to average 1.3%.

The upturn is assumed to weaken briefly in early 2003 as investment expenditure sags following the end of the

Main features of country forecast - ITALY

		2000		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		1165.7	100.0	1.9	1.8	1.6	2.9	1.8	1.3	2.7
Private consumption		704.6	60.4	2.1	3.1	2.3	2.9	1.6	2.0	2.7
Public consumption		209.5	18.0	1.7	0.3	1.5	1.6	1.2	1.6	0.9
GFCF		228.9	19.6	1.1	4.3	4.6	6.1	1.6	2.7	3.8
of which : **equipment**		112.2	9.6	2.1	7.8	6.0	8.0	0.2	3.1	4.4
Change in stocks as % of GDP		9.5	0.8	0.7	0.8	1.2	0.2	0.4	0.2	0.3
Exports (goods and services)		330.6	28.4	5.2	3.6	0.0	10.2	3.8	1.8	6.8
Final demand		1483.1	127.2	2.3	3.2	2.3	4.1	2.2	1.9	3.7
Imports (goods and services)		317.4	27.2	4.7	9.0	5.1	8.3	3.8	3.9	7.2
Contribution to GDP growth :		**Domestic demand**		1.8	2.7	2.6	3.2	1.5	2.0	2.6
		Stockbuilding		-0.1	0.3	0.4	-1.0	0.2	-0.2	0.2
		Foreign balance		0.2	-1.2	-1.3	0.6	0.1	-0.6	0.0
Employment				0.2	1.0	1.1	1.6	1.5	0.4	1.3
Unemployment (a)				9.4	11.8	11.3	10.5	9.5	9.6	8.9
Compensation of employees/head				9.0	-1.5	2.4	2.9	3.2	2.8	2.9
Unit labour costs				7.2	-2.2	1.8	1.7	2.9	2.0	1.5
Real unit labour costs				-0.8	-4.8	0.2	-0.6	0.3	0.0	-0.7
Savings rate of households (b)				-	16.9	14.6	13.3	13.6	13.6	13.4
GDP deflator				8.1	2.7	1.6	2.2	2.6	1.9	2.2
Private consumption deflator				8.0	2.1	2.1	2.9	2.8	1.8	1.9
Harmonised index of consumer prices				-	2.0	1.7	2.6	2.7	1.7	1.8
Trade balance (c)				0.6	3.4	2.3	1.5	1.6	1.4	1.3
Balance on current transactions with ROW (c)				-0.2	1.8	1.0	0.1	0.2	-0.1	-0.3
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.1	2.0	1.2	0.3	0.4	0.0	-0.1
General government balance (c) (d)				-9.8	-2.8	-1.8	-0.3	-1.2	-1.2	-0.9
General government gross debt (c)				95.9	116.4	114.6	110.5	108.2	106.9	103.4

(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, without which the general government balance would amount to -1.5% of GDP.

tax incentive scheme. Subsequently, growth is forecast to firm again averaging at 2.7% for the year as a whole.

Prices and Wages. After peaking at an annual rate of 3.0% in April 2001 in response to the oil and food price shocks, HICP inflation has continued to fall. It is set to weaken further, averaging 2.7% in 2001. The impact of the price shocks on headline inflation was less pronounced than in the rest of the EU, with the positive differential vis-à-vis the euro area disappearing in the first half of 2001. Core inflation, however, has remained above that of the euro area as a whole.

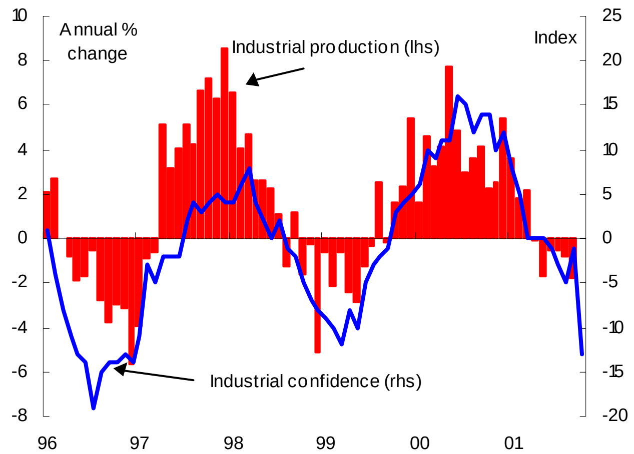
With no further price shocks the inflation rate will fall below 2% next year. In the second half of 2002 the expected economic recovery is likely to produce demand pressure countered by lower import prices and wage moderation. The annual average is expected to remain below 2% in both 2002 and 2003.

Wage developments are forecast to remain conducive to low inflation. The generous public sector wage agreements reached in 2001 did not spill over to the private sector, where wage moderation is expected to continue. *Employment and unemployment*. While losing some of the strong momentum recorded last year, employment growth held up surprisingly well in the first seven months of 2001, with the rate of unemployment declining to 9.4% in July. Employment growth is expected to weaken in the coming quarters, due to the economic slowdown, before picking up again later next year. This will lead to a temporary increase in the rate of unemployment. However, the increase is forecast to remain modest thanks to pro-cyclical movement of the labour force. With the economic recovery firming in 2003 the rate of unemployment is expected to fall below 9% at the end of the forecast horizon.

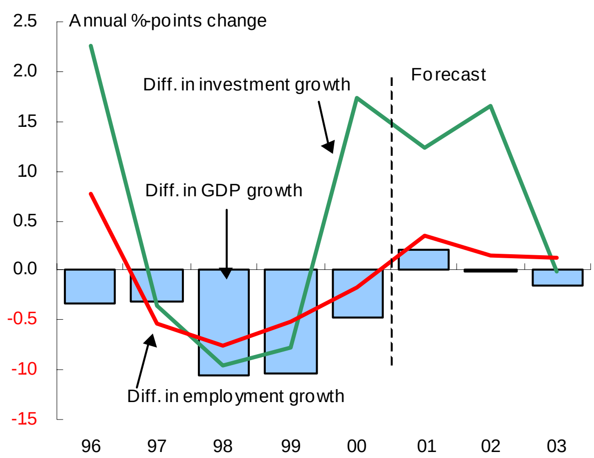
Public finances. The general government net borrowing is estimated at 1.2% of GDP this year, at 1.2% in 2002 and at 0.9% in 2003. The government debt ratio is expected to decline to around 108% of GDP in 2001 and to continue to decline over the forecast period. The forecast takes into account a series of provisions adopted in recent months (in particular, the agreement between the government and the regions on healthcare expenditure, the decree on the sale of publicly-owned real estate through a process of securitisation and the "first 100 days bill", which contains measures to support investment and encourage the "surfacing" of the black and grey economy). The forecast also encompasses the result of a first examination of the draft budget for 2002. The draft budget introduces higher current expenditure, in particular for pensions and public sector wages, increases family allowances, freezes the implementation of some of the tax reductions of last year's budget and extends the voluntary tax on the re-evaluation of company assets introduced last year.

The new arrangements for the sale of publicly-owned real-estate could yield revenues of up to 1.3% of GDP over the forecast period. In the Commission services' forecast, the one-off impact of these sales on the budget is cautiously assumed to be a cumulated 0.8% of GDP (0.1% of GDP in 2001, 0.3% in 2002 and 0.4% in 2003). While the real estate owned by the social security institutions (an estimated 0.6% of GDP) is well identified, at present no information is available on other property which the government intends to sell. Moreover, the process of establishing the new "vehicle company" in charge of the sales and of drawing up the list of saleable state-owned property may be somewhat lengthier than the government assumes. As for the impact of the measures to encourage the surfacing of the underground economy, the Commission services estimate the effect to be smaller and distributed in a different way over the forecast period than appears from the technical fiche accompanying the "first 100 days bill". As a result, the deficit is reduced by 0.3% of GDP in 2002 and 0.2% of GDP in 2003. In 2002 the impact is largely due to the one-off effect of the tax and social security contributions amnesty, which increases capital revenues. In 2003, the "emersion" is counted only in direct taxes and social security contributions

Italy - Industrial production and industrial confidence indicator



Italy - Growth differential vis-à-vis the euro area



Luxembourg: reduced activity but still stronger than in neighbours

Growth. Luxembourg recorded from 1997 to 2000 four years of very strong growth but remained, however, not immune against the brutal slowdown that hit the whole EU economy and signs of a deceleration can be observed in several sectors of the economy : industrial output still grew strongly in the first quarter of the year but declined significantly in the second. Activity in construction has been slowing down since the second part of last year but still remains rather high. Financial services are also showing signs of deceleration. However, retail trade remained buoyant until now, probably due to the dynamism in private consumption, boosted by important tax cuts implemented at the beginning of the year as well as strong job creation and acceleration in wage increases.

Real GDP growth should nevertheless remain rather dynamic this year, at least in yearly average, even if it will certainly decelerate significantly from the record growth rates recorded in the latest years. Strong growth in 2000 resulted in important overhang effects, which should amplify the change rates in 2001. Private consumption will benefit from the effects of the cuts in income tax implemented at the beginning of this year and from favourable developments in employment (at least until now) even if most jobs created in recent years went to non-residents. Government consumption will probably continue to increase rather fast, like in recent years. Gross fixed capital formation should remain rather dynamic due for a part to the purchase of several aeroplanes and satellites (which, however, being fully imported have no direct effect on GDP growth). On the contrary, exports, especially exports of goods will undergo the effects of the generalised slowdown in the world economy, while imports should remain more dynamic, chiefly due to the buoyancy in consumption and in investment in equipment.

Despite the expected recovery in the first half of 2002, in average, real GDP growth should decelerate further next year reflecting mostly an unfavourable overhang effect. Private consumption is likely to remain relatively dynamic as the second stage of the cuts in personal income tax will be implemented. With slowing external demand and decreasing confidence in business, investment should not repeat the results that will probably be recorded this year, which, were partially due to incidental factors. Exports, especially exports of goods should decelerate further, as well as imports but probably to a lesser extent, due to a still dynamic internal demand. In 2003, real GDP growth should

Main features of country forecast - LUXEMBOURG

		2000		Annual percentage change						
	mio Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		20505.4	100.0	5.0	5.9	5.7	9.5	4.0	3.0	5.4
Private consumption		8397.5	41.0	3.0	4.0	2.1	3.4	3.7	3.5	4.0
Public consumption		3494.9	17.0	2.9	1.4	7.7	4.8	3.4	3.0	4.0
GFCF		4236.8	20.7	4.9	2.8	19.6	-3.0	5.8	2.9	5.5
of which : **equipment**		2211.9	10.8	-	-3.1	42.3	-9.1	9.0	3.0	6.0
Change in stocks as % of GDP		55.3	0.3	-0.6	0.8	0.4	0.5	0.0	-0.1	0.1
Exports (goods and services)		24524.8	119.6	5.8	12.9	13.3	16.4	4.7	2.5	7.9
Final demand		40709.3	198.5	4.9	8.7	11.0	11.0	4.4	2.8	6.6
Imports (goods and services)		20257.1	98.8	4.7	11.4	15.9	12.3	4.7	2.5	7.7
Contribution to GDP growth :		**Domestic demand**		3.4	2.7	6.5	1.6	3.4	2.7	3.6
		Stockbuilding		0.4	-0.1	-0.4	0.2	-0.3	-0.1	0.2
		Foreign balance		1.2	3.3	-0.6	7.2	0.9	0.4	1.5
Employment				2.1	4.4	5.0	5.6	5.4	2.3	3.8
Unemployment (a)				2.5	2.7	2.4	2.4	2.2	2.4	2.2
Compensation of employees/head				5.2	2.4	3.5	5.6	4.4	4.3	3.7
Unit labour costs				2.3	0.9	2.7	1.9	5.9	3.5	2.1
Real unit labour costs				-1.2	-1.7	0.2	-1.7	2.8	0.2	-0.7
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				3.5	2.6	2.5	3.7	3.0	3.4	2.8
Private consumption deflator				4.0	1.3	1.4	2.8	2.7	2.3	1.9
Harmonised index of consumer prices				-	1.0	1.0	3.8	2.6	2.2	1.7
Trade balance (c)				-12.3	-10.2	-13.5	-11.1	-15.7	-15.0	-15.2
Balance on current transactions with ROW (c)				-	-	-	-	20.1	19.7	19.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	3.5	3.7	6.1	4.4	2.8	3.2
General government gross debt (c)				7.1	6.4	6.0	5.3	5.3	5.2	4.9

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

accelerate again, together with the expected recovery in international trade.

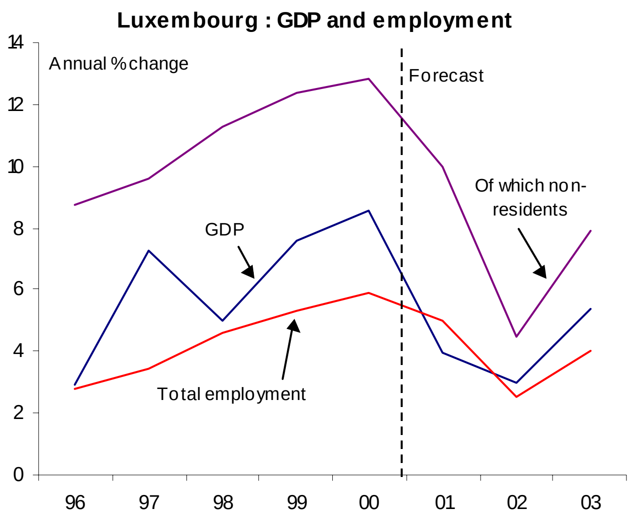
Employment and unemployment Strong growth in economic activity in recent years resulted in a very fast increase in employment, which rose by more than 5% a year both in 1999 and in 2000. This strong job creation continued in the first part of this year and perhaps even in the third quarter, while slowing slightly down with respect to the previous years. This is probably the reason why the decline in the unemployment rate slowed strongly down in recent months, while the number of unemployed, which had been continuously declining since the beginning of 1997, stopped decreasing since the end of 2000 and began even to rise slightly again in recent months. Similarly, part-time unemployment rose strongly since the beginning of this year.

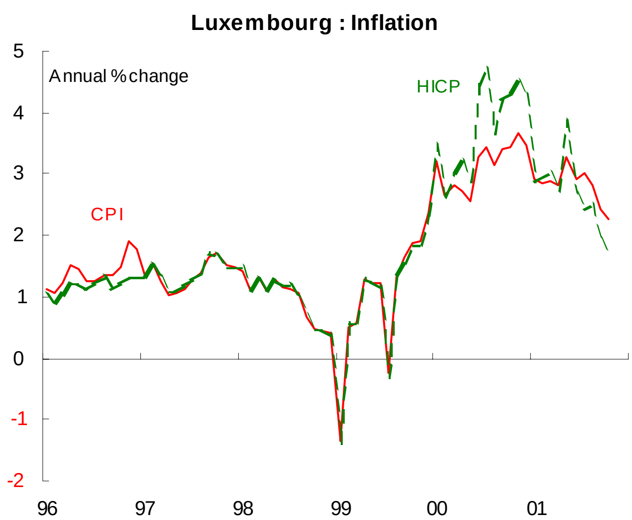
Employment growth should decelerate significantly in the coming months, reflecting the slowdown in economic activity. As job creation in recent years mostly benefited to non residents, the slowdown in employment growth will probably chiefly result in a slower increase in the number of frontier workers. However, it should also lead to a rise in the number of resident unemployed even if a significant part of this increase is likely to be cushioned by the specific measures for the unemployed already implemented by the authorities. Consequently, the rise in registered unemployment might well remain more limited than could be a priori expected.

Wages and prices. Inflation had significantly accelerated from the Autumn of 1999; it followed an increase in underlying inflation and mostly the strong rise in the price of oil products, the share of which in the Luxembourg harmonised price index is exceptionally large, due to the massive purchases of motor oil by non-residents on Grand-Duchy's territory. The increase in the HICP amounted to 3.8% in yearly average in 2000, reaching a maximum of 4.7% in July and remaining almost constantly above 4% until the end of the year. It significantly slowed down since the beginning of this year, falling to 2.4% in September, but this favourable development is for a large part due to the decrease in oil prices, as underlying inflation has been continuously accelerating since the beginning of last year, from about 1.5% to 3% in recent months. However, inflation should continue to decelerate during the forecasting period, at least because some factors which explained the previous acceleration (rising oil prices, depreciation of the Euro) will disappear.

Wage increases accelerated in the first part of this year, when the rise in total monthly labour cost amounted to 5.5% as against 4.9% in 2000. This evolution is partly due to the acceleration in inflation, which resulted in a new indexation threshold being reached in April 2001, the previous one having occurred in July 2000. As a result of decelerating inflation, wages increases should slow down somewhat in 2002 and 2003, while remaining probably faster than in neighbouring countries.

Public finance. General government balance has been in surplus for years in Luxembourg and, due to strong growth which boosted public revenues, this surplus reached record levels in 1999 and even more in 2000, despite the relatively fast increase in public expenditure. In 2002 and probably even more in 2003, this surplus, while remaining substantial, will probably decline significantly as a result of slower growth in activity and employment and the ensuing deceleration in revenues from taxes and social contributions but also of new cuts to be operated in personal income tax as well as in the corporate tax at the beginning of next year.





Netherlands: **Abrupt deceleration in economic activity**

Output. The abrupt slowdown which hit the EU economy was reinforced in the case of the Netherlands by two specific factors : first, households anticipated much more than expected the rise in the standard VAT rate from 17.5% to 19% which entered into force on 1st January 2001 and, consequently, massively bought durable goods in the last months of 2000: private consumption increased by 0.8% to 0.9% (s.a.) quarter-on-quarter in the last two quarters of 2000 but fell by 1.0% in the first quarter of 2001. This anticipation phenomenon was widely expected but its magnitude was a surprise for most observers. In addition, the foot-and-mouth epidemic which broke out at the end of March resulted in a ban on Dutch exports of meat and live animals for nearly 3 months, which intensified the decline in Dutch exports of goods in the second quarter

Apart from these incidental elements, more fundamental factors were also at work :as in neighbouring countries, exports were severely hit by the slowdown in the world economy.

Gross fixed capital formation has decreased quarter-on-quarter from the beginning of 2001, despite strong growth in public investment. With still declining demand from abroad and plummeting producer confidence, investment is not likely to improve before the summer of 2002 after a recovery in exports and a gradual acceleration in private consumption may have taken place.

Contrarily to what happened in previous episodes of slowdown in external trade, private consumption was rather subdued from the beginning of 2001, mainly for the reason given above. It should recover progressively and become the main support to growth next year, taking into account the fast increase in wages and also the effects of the tax reform which entered into force on 1st January 2001 (households' disposable income should rise by about 10% in nominal and 5% in real terms this year). However, consumption in 2002 will probably not reach the record growth rates registered over the period 1996-2000; already before 11 September, the worsening general economic situation had led to a significant deterioration in consumers' confidence, which will probably fall further in the coming months.

Government consumption is likely to provide a non negligible support to growth in 2001 and 2002: it will probably rise by about 3½% this year and still by around 2 ½% next year as a result of additional expenditure decided in two steps, in the Spring of this year and in the

Main features of country forecast - NETHERLANDS

	2000			Annual percentage change						
bn Euro	Curr. prices	% GDP		1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices	401.1	100.0		2.4	4.3	3.7	3.5	1.5	1.5	3.1
Private consumption	199.9	49.8		1.6	4.8	4.5	3.8	1.3	2.3	3.3
Public consumption	91.2	22.7		2.0	3.6	2.8	1.9	3.4	2.5	1.7
GFCF	90.9	22.7		2.2	4.2	7.8	3.8	-1.3	-0.8	2.5
of which : **equipment**	31.4	7.8		4.1	2.3	8.9	5.5	-3.4	-2.2	2.9
Change in stocks as % of GDP	-0.4	-0.1		0.4	0.7	0.1	-0.1	0.0	-0.2	0.1
Exports (goods and services)	269.6	67.2		5.3	7.4	5.4	9.5	2.3	1.1	4.8
Final demand	651.2	162.4		3.0	5.8	4.7	5.7	1.7	1.3	3.8
Imports (goods and services)	250.1	62.4		4.4	8.5	6.3	9.4	2.2	1.0	4.8
Contribution to GDP growth :	**Domestic demand**			1.8	4.1	4.5	3.1	1.1	1.5	2.6
	Stockbuilding			-0.1	0.4	-0.6	-0.2	0.1	-0.1	0.3
	Foreign balance			0.5	-0.2	-0.2	0.6	0.2	0.1	0.3
Employment				1.3	2.6	2.5	2.4	1.9	0.5	1.3
Unemployment (a)				7.6	4.0	3.4	3.0	2.3	3.2	3.5
Compensation of employees/head				2.5	3.5	3.3	4.6	5.0	4.5	3.9
Unit labour costs				1.4	1.8	2.1	3.5	5.5	3.5	2.1
Real unit labour costs				-0.6	0.1	0.4	-0.3	-0.3	0.1	0.1
Savings rate of households (b)				-	19.4	15.2	13.1	16.3	17.1	16.4
GDP deflator				2.0	1.7	1.7	3.7	5.7	3.5	2.0
Private consumption deflator				2.6	1.7	1.9	2.8	4.6	2.5	1.9
Harmonised index of consumer prices				-	1.8	2.0	2.3	5.2	2.6	1.9
Trade balance (c)				3.7	5.2	4.0	4.8	5.8	6.3	6.2
Balance on current transactions with ROW (c)				3.8	3.0	4.1	5.0	5.8	6.1	6.0
Net lending(+) or borrowing(-) vis à vis ROW (c)				3.5	2.8	3.9	4.7	7.2	7.8	8.1
General government balance (c) (d)				-4.2	-0.8	0.4	2.2	1.3	0.5	1.4
General government gross debt (c)				71.6	66.8	63.1	56.1	51.8	48.9	45.3

(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, without which the general government balance would amount to 1.5% of GDP.

2002 budget, and chiefly concentrated in the fields of education, healthcare, internal security and environmental protection.

Real GDP growth should thus not exceed 1½% in 2001 and will probably not speed up in yearly average terms in 2002, as the expected acceleration in private consumption should only compensate for the further slowdown in exports. Moreover, preliminary data for the 3d quarter released on November 15, after the forecast was completed, were surprisingly bad, and might imply, if confirmed, a lower annual growth rate both for 2001 and 2002. In 2003, however, growth should recover and reach a rate around 3%, closer to the long-term trend.

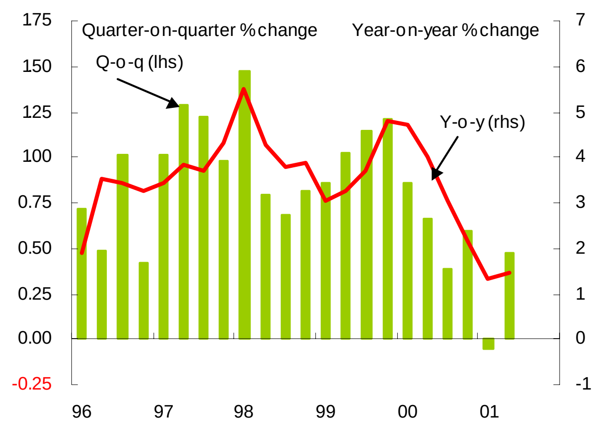
Employment and unemployment. Employment was very dynamic in recent years, rising by 2½% to 3% a year in the latest 5 years and still by 2.4% in 2000. It continued to grow rapidly in the first semester of 2001 but should slow significantly down in the second and even more in 2002, with a new acceleration only to be expected in 2003 as a result of the recovery in activity. Registered unemployment continued to decline at least until summer of 2001, falling to levels unseen since the early 70's (the Eurostat rate stood at 2.2% (s.a.) in July and August). However, along with the deceleration in jobs creation, it will probably begin to rise again in the later months of the year. It should continue to increase in 2002 before stabilising and beginning to decline the year after, although, as a yearly average, it is likely to remain higher in 2003 than in 2002.

Prices and wages. As a result of falling registered unemployment and subsequent increasing tightness in the labour market, wages accelerated significantly in recent years, from 1.3% growth in 1996 to about 5% in 2001, bringing 15 years of exemplary wage moderation to an end; however, the ensuing loss of external competitiveness was partially masked until 2000 by the depreciation of the euro. Wage increases, though slowing down, should remain rather strong in coming years, as unemployment, though rising again, should still remain at low levels and price inflation is likely to decelerate only progressively.

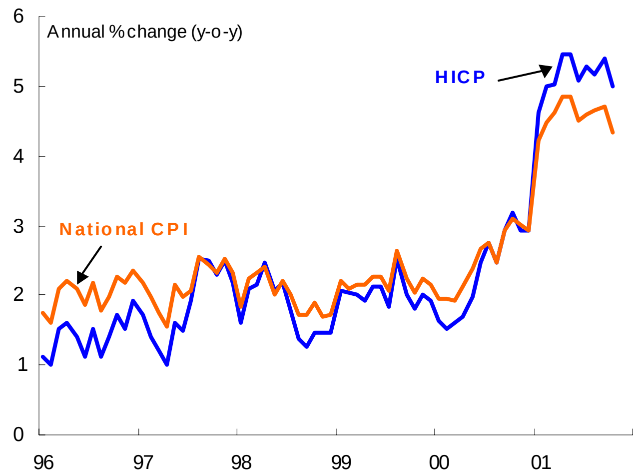
CPI inflation remained quite moderate by historical standards until 1999 but began to accelerate in 2000 and particularly from the beginning of 2001, partly because of the rise in indirect taxes which was part of the tax reform implemented on 1st January 2001. Both the national CPI and the Eurostat harmonised index should increase by 4½% to 5% in 2001. Price inflation will probably slow down to between 2½% and 3% in 2002, as the effects of the rise in indirect taxes fade away, and more significantly in 2003.

Public finances. The general government surplus rose from 0.4% in 1999 to 2.1% of GDP in 2000 due to strong economic growth but also to the proceeds of the auction of UMTS licences, which amounted to 0.7% of GDP. A wide tax reform entered into force on 1 January 2001, leading to a significant decrease in income tax and social security contributions, only partly offset by an increase in indirect taxes. In addition, in spring, the government used the room for manoeuvre created by decreasing interest payments and social transfers for the additional expenditure mentioned above. As a result, the surplus should decline only moderately in 2001 since the economic slowdown has not yet resulted in additional expenditure (unemployment has so far continued to decline), while stronger than expected increases in prices and nominal wages partly compensated for slower real growth in private consumption. The 2002 budget foresees additional spending amounting to about 0.8% of GDP in the same domains as in 2001, as well as 0.3% of GDP new tax cuts, directed towards households and companies. As a result of these measures, but also due to the slowdown in employment and in inflation, the general government surplus should decline to about 0.5% of GDP in 2002 before increasing again on unchanged policy to about 1.4% of GDP in 2003. Public debt will continue to decline and should fall below 50% of GDP, probably already in 2002.

The Netherlands : real GDP growth



The Netherlands : consumer price inflation



Austria: Government deficit improves in 2001 despite low growth

Output growth. Economic activity during the forecasting period is influenced by the strong slowdown in world economic growth until 2002 and a dive in domestic demand, expected to be reversed fully only in 2003. Budgetary consolidation is forecast to curb private and public demand. In addition, the projected slack in investment will dampen growth. Export expansion is expected to slow down considerably due to international developments. As a result, output growth in 2001 is forecast to fall to some 1% after 3% in 2000. In 2002, domestic demand is expected to pick up somewhat, thus offsetting a further decline in export growth. As a result GDP growth should remain more or less steady. In 2003 the projected improvement in both external trade and domestic demand should bring output expansion close to potential, i.e. some 2½%.

Demand components. Growth of private consumption is expected to slacken considerably in 2001. Households' purchasing power is being squeezed by tax measures and noticeably higher than anticipated inflation. In 2002, by contrast, decelerating price increases will impact positively on households' disposable income which will be supported also by a new childcare allowance. However, a less benign employment outlook will partly offset this effect. As a result, private consumption is expected to pick up only slightly in 2002 before recovering more vigorously in 2003. Public consumption is projected to fall until 2002 as a result of budgetary consolidation, before expanding very moderately in 2003. Influenced also by budgetary restraint, construction investment is projected to plunge in 2001 before bottoming out towards the end of 2002. Equipment investment is expected to decelerate considerably in 2001 and 2002 owing to the slowdown in external and domestic demand. Exports are projected to decelerate, but with import expansion declining, net exports should continue to contribute strongly to GDP growth in 2001 and 2002.

Prices. Oil price developments and increases in excise duties in June 2000 drove up prices until May 2001. Higher housing costs also added to price pressures, resulting in core inflation converging to headline inflation. In 2002, by contrast, the expected easing of import prices should dominate consumer price developments.

Wages. In 2001, private sector wage agreements were fairly moderate. In combination with higher than expected inflation, a slight loss in real wages will result.

Main features of country forecast - AUSTRIA

	2000			Annual percentage change						
	bn Euro Curr. prices	% GDP		1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices	204.8	100.0		2.2	3.5	2.8	3.0	1.1	1.2	2.4
Private consumption	116.8	57.0		2.5	2.8	2.7	2.5	1.4	1.6	2.3
Public consumption	39.7	19.4		1.8	2.8	2.2	0.9	-0.2	-0.1	0.2
GFCF	48.5	23.7		2.3	3.4	1.5	5.1	-0.2	0.8	3.5
of which : **equipment**	20.2	9.9		2.8	5.2	4.0	11.7	2.3	3.0	6.7
Change in stocks as % of GDP	1.7	0.8		0.3	0.7	0.8	0.5	0.6	0.4	0.6
Exports (goods and services)	102.7	50.1		4.9	7.9	8.7	12.2	5.3	4.0	7.5
Final demand	309.5	151.1		2.9	4.2	4.6	5.5	2.2	2.0	4.2
Imports (goods and services)	104.6	51.1		4.7	5.9	8.8	11.1	4.4	3.3	7.6
Contribution to GDP growth :	**Domestic demand**			2.3	2.9	2.3	2.8	0.7	1.1	2.2
	Stockbuilding			-0.1	0.1	0.2	-0.3	-0.1	-0.2	0.2
	Foreign balance			0.1	0.8	0.0	0.5	0.5	0.4	0.1
Employment				0.1	0.7	1.2	0.5	0.0	-0.3	0.3
Unemployment (a)				3.5	4.5	3.9	3.7	3.9	4.3	4.2
Compensation of employees/head				4.7	2.8	2.4	2.1	2.4	2.4	2.6
Unit labour costs				2.6	-0.1	0.8	-0.4	1.3	0.9	0.5
Real unit labour costs				-0.5	-0.6	0.1	-1.5	0.0	-0.6	-0.6
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				3.1	0.5	0.7	1.2	1.4	1.5	1.0
Private consumption deflator				3.2	0.5	0.7	1.5	2.6	1.9	1.9
Harmonised index of consumer prices				-	0.8	0.5	2.0	2.4	1.7	1.8
Trade balance (c)				-4.3	-1.6	-1.6	-1.3	-1.3	-1.0	-1.4
Balance on current transactions with ROW (c)				-0.6	-2.0	-3.1	-2.7	-2.7	-2.4	-2.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.6	-2.5	-3.2	-2.6	-2.7	-2.4	-2.7
General government balance (c) (d)				-3.2	-2.4	-2.2	-1.1	-0.2	-0.4	0.4
General government gross debt (c)				56.0	63.9	64.7	63.1	62.3	61.2	58.7

(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, without which the general government balance would amount to -1.5% of GDP.

Labour unions will strive to recuperate part of this loss in purchasing power in 2002, although the cyclical downswing should impose some wage moderation. Nominal wage settlements for 2002 and 2003 are thus assumed to be in the range of those for 2001, resulting in a slight increase in real wages. In the public sector, the agreed pay-rise for 2001 and 2002 is moderate but a noticeable pick-up is expected for 2003.

Labour market. The slowdown in production should curb total employment growth. Dependent labour is projected to expand at least slightly throughout the forecasting period with the decline in self-employment continuing. The expansion in total employment will thus come to a halt in 2001 and reverse in 2002 before resuming in 2003. Labour supply is subject to partly offsetting tendencies related to changes in social security legislation and a new childcare allowance. Unemployment is expected to rise in both 2001 and 2002 before falling again in 2003.

Current account. The current account deficit is expected to remain steady in 2001 and to improve in 2002. The trade deficit should decline thanks to lower imports reflecting weak domestic demand. In 2003, with import growth picking up, the current account deficit is expected to rise noticeably despite a relatively stable services surplus.

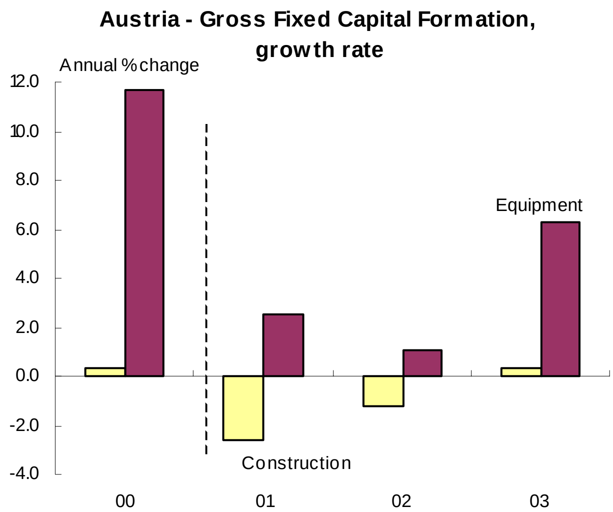
Public finances. The budgets 2001 and 2002 imply significant restraint despite a new childcare allowance to be introduced in 2002.

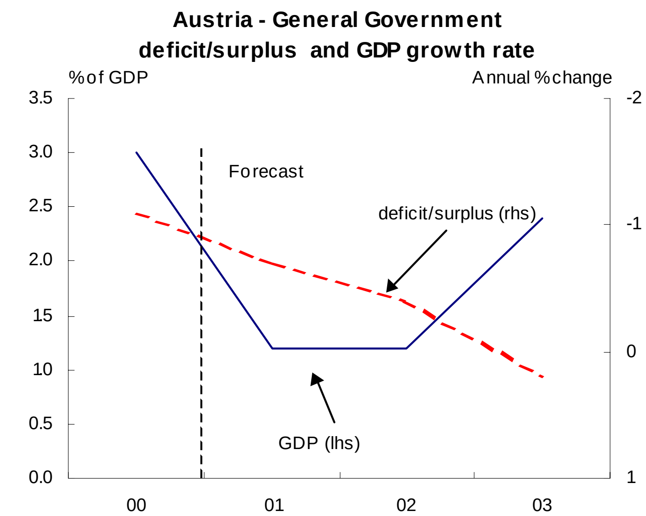
In 2001, revenues so far have turned out significantly higher than expected, for two reasons: First, the revenue-based consolidation measures yield better than anticipated results despite the slowdown in growth, suggesting that their budgetary effect was assessed very cautiously. Second, enterprises increased significantly their quarterly tax pre-payments as a result of the introduction of interest charges on tax arrears as of 1 October 2001.

According to this forecast's calculations, revenue side measures at the federal level amount to some 1.8% of GDP in 2001, significantly higher than estimated in the stability programme. In addition, higher than expected inflation is projected to offset partly the impact of the slowdown in growth. Hence, the deficit for 2001 is estimated to fall to 0.2% of GDP, clearly below the stability programme's target. However, given that already at the beginning of November the government announced that a balanced budget will be attained in 2001, it is likely that one-off measures will make up for any divergence from a balanced budget. Clearly, this result is achieved at the expense of a significant increase in the tax burden, projected to rise by 1.7 p.p. to 45.6% of GDP.

In 2002, the continued effects of the recent pension reform and the ongoing administrative reform should more than offset the cost of the new childcare allowance. Although government spending in percent of GDP should thus fall significantly (due also to the absence of some one-off expenditure in 2001), the slowdown in output growth and some revenue shortfalls from unsettled tax claims linked to higher prepayments in 2001 are expected to raise the deficit slightly to 0.4% of GDP. While this projection deviates from the official target of a balanced budget, the divergence is, however, mainly due to differences in the assumptions on economic growth. In other words, the underlying structural balance is expected to improve as planned.

In 2003, the continued impact of structural expenditure reform combined with the recovery of output growth should result in a small budgetary surplus. This forecast is based on a no-policy-change assumption, taking into account only measures decided at the cut-off date (e.g. the planned reduction in non-wage labour cost is not included).





Portugal: Towards a more balanced growth pattern

The economy in 2001. The pace of economic growth is estimated to decelerate from 3¼% during 1999-2000 to about 1¾ % in 2001, as the slowdown in the growth contribution of domestic demand is only partly offset by an improvement of exports. In particular, growth of private consumption has seen a sharp deceleration and investment growth is expected to decline by about 1%, reflecting a weakening in residential construction and business investment. Public investment, by contrast, picked up in 2001 partly due to a catch-up effect following problems with the new Community Support Framework in 2000 and an investment cycle due to local elections. Export growth is estimated to slow down from 8% in 2000 to just over 6% in 2001, partly reflecting a decline in exports market growth. At the same time, weakening domestic demand brought about a strong deceleration in import growth from 6% in 2000 to about 2¾% in 2001. Consequently, the contribution of net exports to output growth improved by about 1% of GDP.

Outlook. Following output growth of 0.8% in the first half of the year 2001, the forecast assumes a slight deceleration in GDP growth in the second half of the year, bringing the annual growth rate in 2001 to around 1¾%. A pick-up in economic activity is expected from the first half of 2002 onwards, reflecting the assumption of favourable developments in the world economy. However, in view of the negative overhang from 2001, output growth is expected to reach only 1½% in 2002 before reviving to an annual growth rate of some 2¼% in 2003. Domestic demand is forecast to grow by an annual average of about 1¾% in 2002-03, i.e. about ½ p.p. below the EU average. This is mainly due to continued efforts of private sector agents to redress their balance sheets, following the sharp rise in their indebtedness in recent years.

Private consumption is expected to remain subdued throughout the forecast period as consumer confidence is currently low and the households' saving rate is assumed to rebound from the historically low level reached in 1999. Moreover, the demand for durables is expected to fall back from the high levels reached in 2000, reflecting some saturation effects and the slowdown in residential construction which is expected to have a negative impact on the demand for domestic appliances.

Total investment growth is projected to strengthen to about 3% on average in the forecast period after a decline of about 1% in 2001. This acceleration reflects improved prospects for export growth and the

Main features of country forecast - PORTUGAL

		2000		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		115.3	100.0	2.9	4.5	3.4	3.4	1.7	1.5	2.3
Private consumption		71.3	61.8	2.7	5.1	4.8	2.6	1.1	1.2	1.8
Public consumption		23.1	20.1	4.0	3.8	4.5	2.5	1.9	1.1	0.9
GFCF		33.0	28.6	3.5	11.2	7.1	5.3	-1.0	2.2	3.7
of which : **equipment**		16.5	14.3	2.9	17.2	10.8	7.6	-2.0	2.7	4.3
Change in stocks as % of GDP		0.8	0.7	0.5	0.8	1.0	0.7	0.5	0.5	0.5
Exports (goods and services)		36.6	31.8	6.5	9.2	3.2	8.1	6.2	2.0	5.2
Final demand		164.8	143.0	3.9	7.2	5.0	4.2	2.0	1.6	2.9
Imports (goods and services)		49.7	43.2	6.8	14.2	8.7	6.0	2.7	1.9	4.1
Contribution to GDP growth :		**Domestic demand**		3.3	6.7	5.8	3.6	0.8	1.6	2.3
		Stockbuilding		0.0	0.3	0.2	-0.3	0.0	0.0	0.0
		Foreign balance		-0.4	-2.6	-2.6	0.0	0.9	-0.2	0.0
Employment				-0.3	2.7	1.8	1.7	1.5	0.7	0.8
Unemployment (a)				6.8	5.2	4.5	4.1	3.8	4.3	4.7
Compensation of employees/head				14.9	3.7	4.2	6.3	6.4	4.7	4.0
Unit labour costs				11.4	1.9	2.6	4.6	6.2	3.9	2.5
Real unit labour costs				-1.3	-1.9	-0.7	1.5	2.2	0.7	0.2
Savings rate of households (b)				-	-	10.7	12.1	12.5	12.6	12.7
GDP deflator				12.8	3.9	3.3	3.0	3.9	3.2	2.3
Private consumption deflator				12.6	2.9	2.3	2.8	4.3	2.8	2.2
Harmonised index of consumer prices				-	2.2	2.2	2.8	4.3	2.8	2.2
Trade balance (c)				-12.8	-11.0	-12.3	-13.6	-12.6	-12.2	-12.2
Balance on current transactions with ROW (c)				-3.6	-7.2	-8.9	-10.5	-8.7	-8.3	-8.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-4.6	-6.1	-8.9	-6.9	-6.4	-6.1
General government balance (c) (d)				-5.9	-2.4	-2.1	-1.5	-2.0	-1.6	-1.4
General government gross debt (c)				59.8	54.7	54.5	53.7	53.5	53.5	53.3

(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, without which the general government balance would amount to -1.8% of GDP.

implementation of the new Community Support Framework. Investment in equipment is expected to be fairly robust while construction should remain subdued as a consequence of the ongoing slowdown in residential construction – which represents some 40% of total investment – as a consequence of the projected correction in households' indebtedness levels.

In 2001, export market growth is estimated to decelerate to just 2½% from over 12% in 2000. This sharp deceleration in external demand is expected to affect negatively export growth in the second half of 2001 and into 2002. As export market growth progressively gathers pace over the forecast period, total export growth is projected to gain momentum. The total import elasticity of final demand is estimated to decline in 2001 and in the first half of 2002, because of the marked slowdown in the demand for durables, which have a high import content. With the gradual revival of investment and exports, the import elasticity should edge up again at the end of the forecast period. Overall, the contribution of net exports to output growth is forecast to be close to zero over the forecast period.

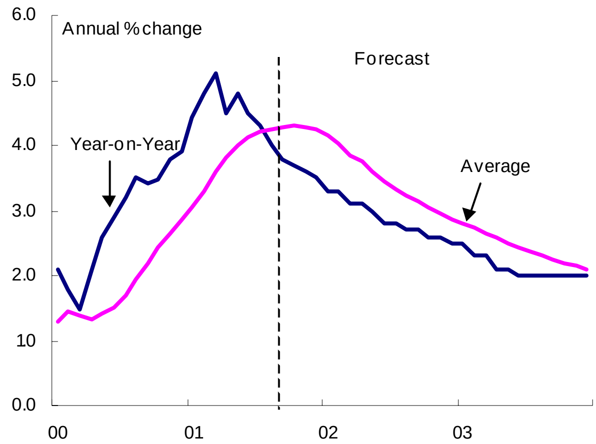
External balance. The external deficit, as measured by the sum of the current and capital balances, is projected to decline from 8¼ % of GDP in 2000 to 6% in 2003. The narrowing of the external imbalance reflects the slowdown in the growth of domestic demand combined with the expected normalisation in capital transfers resulting from the implementation of the new Community Support Framework.

Prices. CPI inflation rose from 2.5% (yoy) in Q2 of 2000 to 4.8% in Q1 of 2001. A number of temporary factors contributed to this, such as the oil price hike, bad weather conditions and the BSE scare, but demand pressures also played a role. Since Q2 of 2001 inflationary pressures have started to subside, although the inflation rate is still running at 4% yoy. In fact, underlying inflation (CPI excluding non-processed foodstuff) has risen above 3½% since early 2001. Inflation is projected to continue to decelerate in Q4 of 2001, reaching an annual average rate of 4¼%. Inflation is forecast to pursue its deceleration over the forecast period, attaining a value of just over 2% in 2003, reflecting a better outlook for import prices, the slight appreciation of the euro and lower demand pressures.

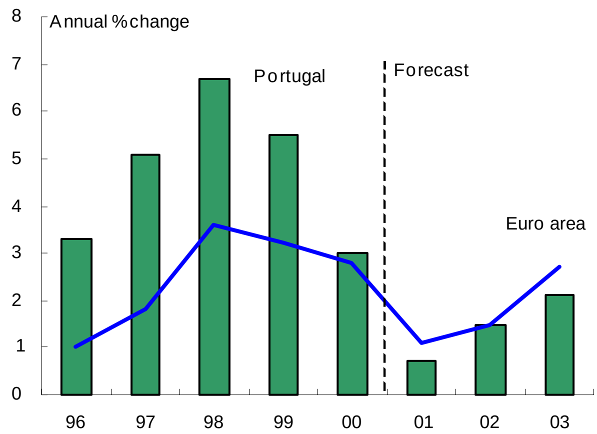
Labour market. Employment is estimated to grow by about 1½ % in 2001. However, due to a concomitant rise in the labour force, the unemployment rate is expected to remain unchanged at about 4 %. Employment growth is forecast to slow down to about ¾ % per year in the forecast period, whereas the unemployment rate is expected to rise moderately to 4½% by 2003. Despite the continuing tightness in the labour market, wages per head are projected to decelerate over the forecast period, from about 6½% in 2001 to some 4% in 2003, reflecting the fall in inflation and favourable knock-on effects in the private sector stemming from the assumed wage moderation in the public sector.

Government finances. In the first nine months of 2001, data on budgetary execution for the central government point to a significant shortfall in tax revenue, resulting both from the slowdown in growth and discretionary measures taken in the 2001 tax reform. However, no significant overrun in primary current expenditure is expected, due to the approval of a supplementary budget in June introducing savings of about 0.7% of GDP. Overall, the general government deficit is estimated to be around 2% of GDP in 2001. The 2002 budget law projects a general government deficit of 1.3% in 2002. However, this is based on the assumption of output growth of 2%. Moreover, the 2002 budget proposal assumes significant additional gains in the efficiency of tax collection, which might prove too optimistic given that tax elasticities tend to fall during an economic slowdown. All considered, the general government deficit is forecast at 1.6% of GDP in 2002.

Portugal : CPI inflation



Portugal : National final uses including stocks at 1995 prices



Finland: Sharp slowdown due to tumbling exports

The economy in 2001. The Finnish economy slowed down sharply at the beginning of 2001. Exports decelerated already from the last quarter of 2000, due basically to the world-wide decline of the ICT and forestry sectors. Following the decrease in output growth domestic demand also eased strongly towards summer. In spite of a strong expansion of household earnings, due also to sizeable income tax cuts, private consumption was sluggish, mainly as a result of rising inflation. In addition, investment activity was subdued. In particular, housing construction moderated strongly, while other construction activity remained robust. Moreover, expenditure on equipment and machinery investments dropped sharply in the second quarter following the sag in manufacturing. An inventory correction added to the slump of the economy. Only government consumption continued to hold up.

Inflation measured by HICP prices peaked in May 2001 at 3.3% reflecting the renewed rise of energy costs, a hike in food prices and high prices of private services. In spite of the rapid slowing of activity, employment growth continued to be solid in the first half of 2001, reflecting still favourable developments in the service sector. However, with the labour force still expanding, unemployment has been virtually unchanged since spring.

Since summer, both consumer's and industrie's sentiment surveys have continued to decline. Indicators of retail and wholesale trade point to an easing in consumption expenditure of households. Private consumption is thus expected to grow by only 1½%. Given the continued increase of household income in combination with weak spending figures, the savings rate is expected to rise noticeably. With the contraction of housing investments continuing and a marked deceleration in the investment outlook, gross fixed capital formation will increase by about 1.8%. Although government consumption is expected to be sustained, domestic demand is projected to increase by just over 1%. Due to the slack in global demand, the contraction of exports has further accelerated. On average, exports will be 2½% lower than the year before. With imports performing slightly better than exports the balance of trade in goods and services is expected to shave ½ pp. off GDP growth. Altogether, GDP growth will fall to some ½%, implying thus a strong drop of some 5 pp. from 2000.

As regards employment, average annual growth is estimated at around 1½%, even assuming no major

Main features of country forecast - FINLAND

		2000		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		131.7	100.0	2.2	5.3	4.0	5.7	0.5	1.7	2.9
Private consumption		65.2	49.5	2.2	5.1	4.0	3.0	1.5	1.9	1.9
Public consumption		27.3	20.7	2.1	1.7	1.9	0.7	1.7	1.6	1.1
GFCF		25.4	19.3	0.3	9.3	3.0	5.5	1.8	0.5	2.9
of which : **equipment**		8.1	6.1	1.4	8.0	-2.0	3.2	1.0	0.5	4.5
Change in stocks as % of GDP		1.3	1.0	0.1	1.1	-0.1	0.8	-0.4	0.0	0.1
Exports (goods and services)		56.3	42.7	4.9	8.9	6.8	18.1	-2.6	2.2	5.6
Final demand		175.5	133.3	2.5	6.1	4.0	8.1	-0.2	2.1	3.2
Imports (goods and services)		43.8	33.3	3.7	8.5	4.0	15.7	-2.2	3.0	4.4
Contribution to GDP growth :		**Domestic demand**		1.7	4.6	3.0	2.7	1.4	1.3	1.7
		Stockbuilding		-0.1	0.7	-1.2	0.9	-0.3	0.4	0.1
		Foreign balance		0.5	1.0	1.6	2.7	-0.5	0.0	1.1
Employment				-0.6	2.1	2.7	1.8	1.4	0.0	0.5
Unemployment (a)				8.3	11.4	10.2	9.8	9.2	9.4	9.3
Compensation of employees/head				6.9	4.1	2.1	3.9	4.4	3.5	3.4
Unit labour costs				4.0	0.9	0.8	0.1	5.3	1.7	1.0
Real unit labour costs				-0.8	-2.0	0.9	-3.2	2.8	0.8	-0.6
Savings rate of households (b)				-	8.4	9.4	7.6	9.1	9.0	8.6
GDP deflator				4.9	3.0	-0.1	3.4	2.4	0.9	1.6
Private consumption deflator				4.7	1.7	1.1	3.5	2.6	1.8	2.0
Harmonised index of consumer prices				-	1.4	1.3	3.0	2.7	2.0	2.2
Trade balance (c)				3.6	9.7	9.5	11.3	10.9	10.0	10.2
Balance on current transactions with ROW (c)				-1.1	5.6	6.0	7.3	7.1	6.2	6.6
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.0	5.3	6.4	7.9	7.2	6.3	6.6
General government balance (c)				0.2	1.3	1.9	6.9	4.8	2.9	2.3
General government gross debt (c)				29.7	48.8	47.3	44.0	42.7	42.0	41.7

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

improvements in the second half of the year. Unemployment will thus fall to 9.2% of the labour force. However, with recent announcements by Finnish firms of controlled lay-offs the risk of an increase in unemployment has increased. Wages and salaries continue to exceed the contractual agreement of 3.1% for this year implying continued strong wage drift. With the effects of the hike in oil and food prices tapering off, HICP inflation is expected to moderate significantly in the fourth quarter, leading to an average of 2.7%. Following the fading out of the impact of last years exceptional revenue factors (in particular high capital gains taxes) and in the face of a sharp slowdown of economic activity, the general government budgetary surplus is expected to fall by about 2 pp. to 4¾% of GDP.

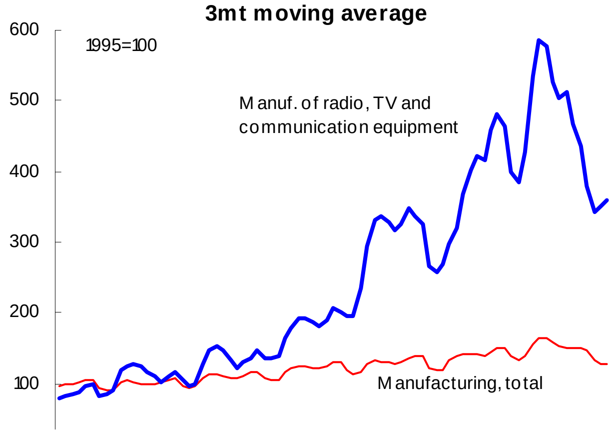
Outlook for 2002 and 2003. Although the uncertainty around the outlook of both the Finnish and the international economy is considerable, expansive monetary policy in the euro area and a fiscal impulse in Finland are expected to put the economy back on a growth path by mid-2002. Continued income tax cuts accompanied by lower inflation will give a boost to disposable income of households. Accordingly, private consumption should grow by about 2%. Simultaneously, improvement of external demand is predicted to boost exports of the ICT sector. However, notwithstanding lower interest rates, private investment will be subdued, reflecting increasing spare capacity in manufacturing and a normalisation of business construction. All in all, output growth is expected to gather momentum in Summer 2002 resulting in a growth rate of 1¾% in 2002 and of some 3% in 2003. Clearly, given the current great uncertainty of the international outlook, and to the extent that overall economic developments in Finland are highly dependent on the improvement in the ICT sector, the risks to the forecast are considerable.

Labour market. Following the steep slowdown in the economy unemployment is expected to rise in 2002. Still, improving domestic demand is expected to prevent firms from firing large numbers of workers while the prospects of a more positive development in the international economy towards 2003 will further ease pressures for additional dismissals. Accordingly, unemployment is anticipated to decrease again mildly in 2003.

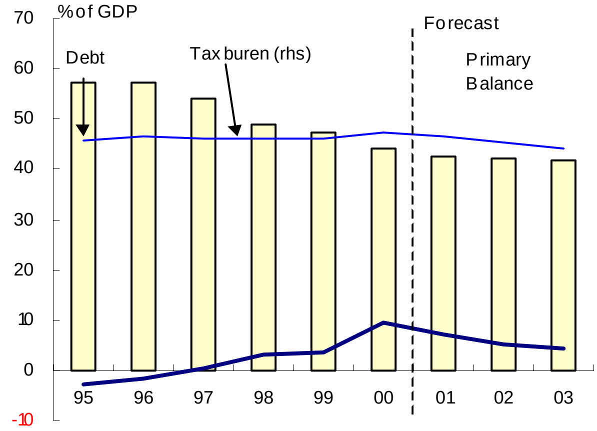
Wages and prices. Lower contractual increases should lead to a moderation in the average compensation of employees to some 3½%. Given the slowdown in economic activity, bottlenecks in the labour market will subside. However, some of the effects of wage rises above centralised agreements are yet to be seen. Since exceptional factors contributing to inflation are expected to fade out, and with the help of slightly lower import prices, HICP inflation is projected to ease to around 2%.

Public finances. The government budget for 2002 proposes reductions in income tax and in social security contributions amounting to ¾% of GDP. The budget further anticipates central government outlays to rise by about 2%, exceeding the spending guideline agreed in spring 2001 by slightly over 1%. In the absence of exceptionally strong capital gains taxes collected in 2000, and in combination with the revenue losses stemming from tax cuts and lower output growth, the general government surplus is estimated to fall to below 3% of GDP in 2002 and to 2¼% in 2003. The rather moderate decline in the debt ratio in the face of still high government surpluses is explained by low GDP growth in conjunction with the ongoing diversification of social security institutions' assets, implying a reduction in holding of domestic government bonds. Accordingly, the general government debt ratio is forecast to fall to about 42% in 2002 and to some 41¾% in 2003.

Finland - Manufacturing (w.d.a.) 3mt moving average



Finland - General Government debt, tax burden and Primary Balance



IV. Non-euro area Members States

Denmark: Slowdown this year, but growth gradually picking up in 2002 and 2003

Growth. Real GDP growth is expected to be moderate this year and to increase gradually during the forecast period. The modest growth rate this year is partly due to the international slowdown, but it should also be seen in the context of the high growth rate of 3.2% in 2000, since the growth rate of last year was inflated by one-off effects of the repair work after a storm that hit Denmark. The disappearance of the effect from the repair work will in itself lower GDP growth this year. Overall, GDP growth is expected to be 1.3% in 2001 increasing to 1.6% in 2002 and 2.5% in 2003.

GDP components. The main force driving GDP growth in the forecast period is private consumption. The past two years private consumption has been subdued due to falling real disposable income. In the forecast period private consumption is expected to pick up as real disposable income increases. The increase in real disposable income stems primarily from lower tax payments and lower inflation. The lower interest rate in the forecast period is also expected to fuel consumption growth. The indicators are, however, still mixed as to the extent to which this pick-up has already set in. Car sales in the second quarter of 2001 rose quarter-on-quarter for the first time in 1½ years but retail sales are still sluggish. Given that the households' savings rate has been very low and falling in recent years and that the international events in the autumn are expected to increase uncertainty, the savings rate is also expected to increase during the forecast period.

Gross fixed capital formation was the main element driving GDP growthin 2000. Due to the slowing of the economy, which will reduce growth in equipment investment from 2000 very high level and to the disappearance of the one-off effects from repair work after the storm, investment is expected to fall by around 2% in 2001and gradually pick up in 2002 and 2003. The investment growth in 2002 is also expected to be sustained by the housing package introduced by the government to increase the stock of affordable dwellings. In 2003, as the effect of the housing package is reduced and as the economy and profit margins are picking up again, investment growth is primarily driven by that of equipment investment.

Exports have slowed in 2001 but not to the extent suggested by Danish export market growth. Danish exports of agricultural products have benefited from the

Main features of country forecast - DENMARK

	2000		Annual percentage change						
	bn DKK Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices	1315.5	100.0	1.8	2.8	2.1	3.2	1.3	1.6	2.5
Private consumption	628.1	47.7	1.5	3.6	0.5	-0.1	1.2	1.7	2.0
Public consumption	325.9	24.8	1.4	3.1	1.4	1.0	1.7	1.4	1.2
GFCF	285.6	21.7	2.5	7.8	1.6	9.9	-2.3	3.3	4.1
of which : **equipment**	122.7	9.3	3.7	7.9	3.5	12.7	-3.1	0.9	5.1
Change in stocks as % of GDP	-1.4	-0.1	0.4	1.4	-0.2	0.0	0.0	0.0	0.0
Exports (goods and services)	565.7	43.0	4.2	2.4	9.7	11.6	4.1	1.8	5.6
Final demand	1803.9	137.1	2.3	3.9	2.1	5.2	1.6	1.9	3.3
Imports (goods and services)	488.4	37.1	4.3	7.4	2.2	10.8	2.5	2.8	5.5
Contribution to GDP growth : Domestic demand			1.6	4.2	0.9	2.3	0.5	1.9	2.2
Stockbuilding			0.1	0.2	-1.6	0.2	0.1	0.0	0.1
Foreign balance			0.1	-1.7	2.8	0.7	0.8	-0.3	0.3
Employment			0.2	1.2	1.1	0.7	0.4	0.2	0.5
Unemployment (a)			7.6	5.2	5.2	4.7	4.6	4.7	4.6
Compensation of employees/head			5.4	3.8	4.0	3.9	3.8	3.7	3.7
Unit labour costs			3.8	2.3	2.9	1.3	2.9	2.2	1.6
Real unit labour costs			-0.7	0.4	-0.1	-2.2	-0.1	0.4	-0.6
Savings rate of households (b)			-	3.7	1.6	1.5	3.7	4.1	3.5
GDP deflator			4.5	1.9	3.0	3.7	2.9	1.8	2.3
Private consumption deflator			4.5	1.8	2.6	3.1	2.5	1.8	2.0
Harmonised index of consumer prices			-	1.3	2.1	2.7	2.3	1.7	2.0
Trade balance (c)			1.2	1.3	3.0	3.4	4.4	4.1	4.2
Balance on current transactions with ROW (c)			-1.1	-0.8	2.2	2.1	3.2	2.5	2.7
Net lending(+) or borrowing(-) vis à vis ROW (c)			-1.1	-0.9	2.8	2.1	3.2	2.5	2.7
General government balance (c) (d)			-2.0	1.1	3.1	2.5	2.2	1.6	2.0
General government gross debt (c)			64.2	55.6	52.0	46.1	43.2	42.5	40.0

(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, without which the general government balance would amount to 2.0% of GDP.

fact that the animal diseases which hit Europe in the spring left Denmark fairly untouched. In the forecast period exports are expected to pick up more slowy than export market growth since unit labour costs are expected to grow relative to those elsewhere.

Imports grew rapidly in 2000 due to the high growth rate in equipment investment. The weaker growth in equipment investment in coming years is expected to bring growth of imports more in line with a "normal" relationship to final demand. The relative development of exports and imports implies that net exports will have a strong contribution to GDP growth this year, a negative contribution in 2002 and then a positive contribution in 2003.

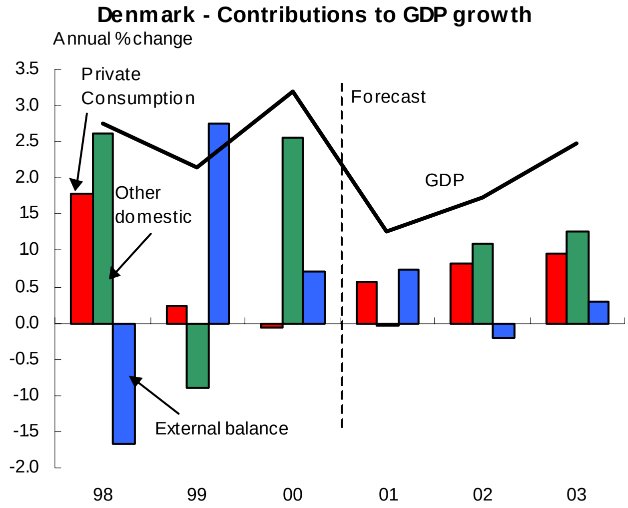
The current account had a healthy surplus in 2000. It is expected to increase this year and thereafter to stay around 2½% of GDP.

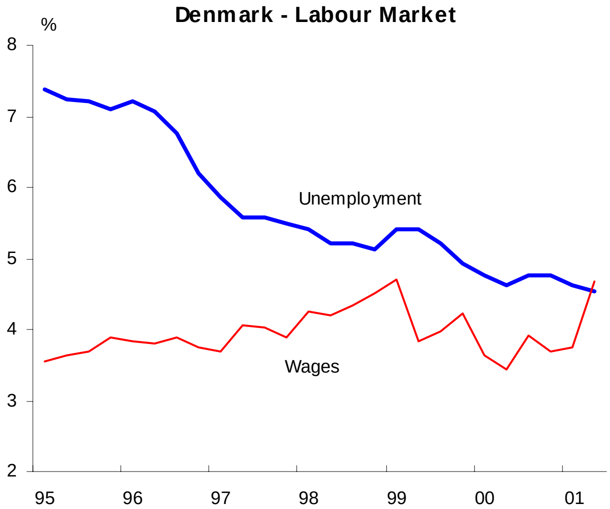
Labour market. The labour market is rather tight as unemployment continues to fall and has reached a very low level. An indication of the tightness was also seen in the second quarter wage increases for 2001, which were somewhat higher than expected. The slowdown in activity is expected to ease the situation on the labour market, especially in 2002. However, given that firms already are experiencing problems in hiring new employees, the slowdown is expected to a larger extent to be seen in slower growth in productivity rather than unemployment. Many firms will probably find it too costly to lay people off and then have to rehire them in a still tight labour market if the slowdown is as short-lived as expected. Employment creation has been strong in recent years, but is expected to slow markedly in 2002. In 2003 it is expected to regain strength.

Wages. Annual compensation per employee is expected to increase by just below 4% in each year of the forecast period. To this should be added the effects of additional holidays spread over the period, which will complete the sixth week of holiday for most of the labour market. However, given the tightness of the labour market there is a risk of larger increases in wages.

Prices. The increase in the harmonized inflation rate (HICP) has slowed markedly compared to 2000 as the contribution from increases in oil prices has been reduced. The slowing of the price increases is expected to continue into 2002 facilitated by a further reduction in oil prices, a small appreciation of the *krone* and lower profit margins. Inflation is expected to be just below 2% in 2002 and increase slightly in 2003.

Public finances. The surplus on the general government finances is expected to be 2.2% of GDP in 2001 (including proceeds of the UMTS licences of 0.2% of GDP). In 2002 tax payments from enterprises are expected to be slightly lower than in 2001. Furthermore the fall in the equity prices in 2001 has reduced the expected tax payments by pension companies both in 2001 and 2002. The surplus on the general government finances is therefore expected to be somewhat lower in 2002 and increase slightly in 2003. The smaller surplus in 2002 will slow down the payment of the debt. However, the consolidated gross debt as per cent of GDP is expected to fall gradually and reach a level of 40% of GDP in 2003.





Sweden: Weak demand results in lower growth in 2001, but a pickup is expected in 2002-03

Output. Swedish economic growth was 3.6% in 2000 but fell sharply in the first half of 2001 and is expected to remain weak the rest of the year. With the sharp fall of GDP growth and at the same time continued employment growth, productivity growth should fall sharply this year. As output recovers in 2002 and 2003, productivity growth should return towards 2% in 2003. Thus, the supply side seems set to allow for respectable GDP growth, with inflation expected to return towards the Riksbank's inflation target of 2%. However, the demand side is set to be less encouraging; a slowdown of growth of export markets this year coincides with a cyclical downturn of domestic demand and in particular of private consumption. The fall in share prices and pessimistic consumer confidence also add to the subdued growth outlook. In Q2, growth slowed substantially, notably private consumption, which was unchanged on the year, and exports, which fell in real terms. However, domestic demand growth is expected to rise in 2002, aided by expansionary economic policies - a continued loose monetary policy, with a repo-rate cut of 50 bp in September, and a fiscal stimulus, via tax cuts of 1.1% of GDP announced in the Budget for 2002. External demand growth should pick up in 2002 and further in 2003, which should result in a gradual recovery of exports. GDP is expected to grow by 1.4% in 2001, 1.6% in 2002 and 2.6% in 2003.

GDP components. Private consumption should grow slowly in 2001, due to declining consumer confidence and a cyclical downturn in consumption. Moreover, share prices have continued to fall and result in negative wealth effects, although partly countered by a, still, strong housing market. The fiscal stimulus stemming from tax cuts in 2002 raises disposable incomes and should result in higher private consumption growth while at the same time allow for a rise in the saving ratio. As the economy recovers further in 2003 and a rise of employment growth is expected, private consumption should rise further. Investment growth is expected to be relatively subdued over the forecast period following from the downturn in demand in the short-term and from lower capacity utilisation in the medium-term. However, continued strong demand for housing over the entire forecast period and the creation of the 3G communications network with most taking place in 2002, although revised downwards substantially, helps keeping total investment growth at respectable levels. Stocks are expected to contribute negatively to growth in 2001 and into 2002, as the correction in industry

Main features of country forecast - SWEDEN

		2000		Annual percentage change						
	bn SEK	Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices		2082.7	100.0	1.5	3.6	4.5	3.6	1.4	1.6	2.6
Private consumption		1050.7	50.4	1.0	2.7	3.9	4.6	0.9	1.7	2.3
Public consumption		548.4	26.3	1.0	3.2	1.7	-0.9	1.1	1.0	0.8
GFCF		355.7	17.1	0.7	8.5	9.6	5.0	3.2	3.1	4.0
of which : **equipment**		171.4	8.2	4.0	10.9	8.3	3.9	2.7	2.7	3.5
Change in stocks as % of GDP		16.9	0.8	-0.3	0.8	0.2	0.7	0.5	0.3	0.3
Exports (goods and services)		987.3	47.4	5.3	8.4	6.5	10.3	-0.1	3.3	6.8
Final demand		2959.0	142.1	2.0	5.7	4.5	5.9	0.6	2.2	3.8
Imports (goods and services)		876.2	42.1	3.7	11.2	4.4	11.5	-1.1	3.7	6.5
Contribution to GDP growth :		**Domestic demand**		0.9	3.5	3.9	2.9	1.3	1.7	2.1
		Stockbuilding		0.0	0.4	-0.6	0.5	-0.3	-0.1	0.0
		Foreign balance		0.6	-0.3	1.3	0.4	0.4	0.0	0.5
Employment				-0.3	1.2	2.3	2.2	1.8	0.1	0.7
Unemployment (a)				4.8	8.3	7.2	5.9	5.2	5.6	5.4
Compensation of employees/head				6.9	3.3	1.3	8.7	3.8	3.8	3.9
Unit labour costs				5.0	0.9	-0.8	7.2	4.2	2.3	2.0
Real unit labour costs				-0.7	0.1	-1.5	6.1	2.3	0.1	-0.2
Savings rate of households (b)				-	7.8	6.6	6.5	8.3	9.4	8.7
GDP deflator				5.7	0.9	0.7	1.0	1.9	2.1	2.2
Private consumption deflator				6.4	1.0	1.0	0.9	2.3	2.1	1.9
Harmonised index of consumer prices				-	1.0	0.6	1.3	2.7	2.2	2.2
Trade balance (c)				2.9	7.2	7.0	6.6	6.3	6.3	6.4
Balance on current transactions with ROW (c)				-0.6	3.8	4.0	3.3	3.4	2.4	2.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.7	3.8	2.7	3.2	3.3	2.3	2.1
General government balance (c)				-3.0	2.1	1.7	4.1	3.9	1.6	1.9
General government gross debt (c)				60.8	70.5	65.3	55.7	52.7	50.5	48.2

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

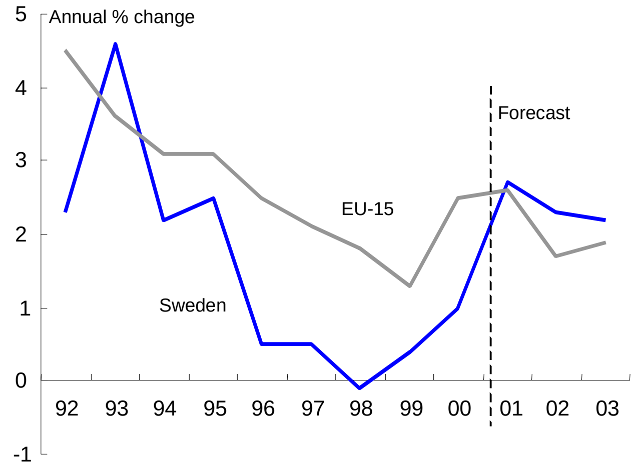
continues. The worsened global prospects in 2001 have resulted in weaker export growth. In addition, the previously fast-growing telecom sector, which have contributed significantly to exports, have turned around sharply and showed negative growth in Q2. Despite the competitiveness gains resulting from a weaker Krona, exports are expected to fall slightly in 2001. As external demand growth gains momentum during 2002 and in 2003, exports are set to recover. With lower domestic demand growth and the stock correction described above, imports are also expected to fall in 2001. However, imports should pick up as final demand recovers over the remainder of the forecast period.

Price developments. Inflation has risen strongly since the spring this year and in October the CPI was 2.7% and the HICP 2.9%. While this can in part be attributed to temporary factors, such as rises in food prices, most sub-components of the CPI show strong price rises at present. In this context, the consistent weakening of the krona over the year could result in higher inflation ahead. However, wages have not accelerated and three-year ahead agreements reached in 2001 for most of the labour market limits the risk for wage-price inflation. Moreover, as demand growth should be weaker in 2001 and into early 2002, it is expected that inflation will come down over the forecast period, although remaining slightly above 2%.

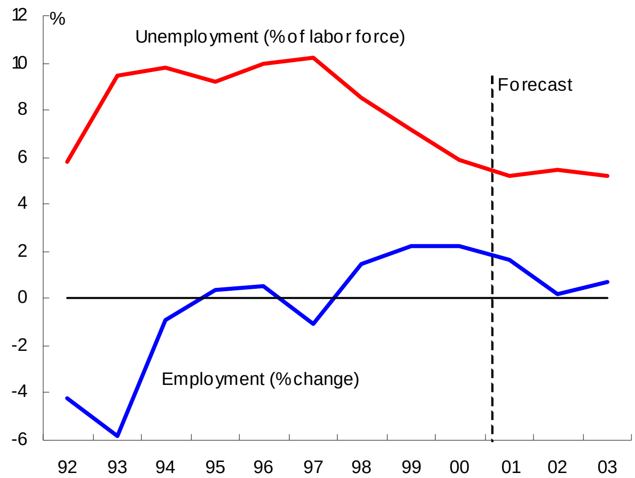
Labour market. Employment growth has been strong so far in 2001, although it has weakened over the year. Unemployment has stabilised at a low level recently. As economic activity has weakened over the year, surveys confirm that expanding staffing is decreasingly the most important limitation to expansion and has been replaced by low demand. Lagged effects of announced lay-offs together with a subdued demand outlook suggest that employment growth will be lower in 2002, which will result in a slight increase in the unemployment rate. In 2003, this is expected to be reversed, as economic activity gains momentum.

Government finances. The government finances have been in surplus since 1998 and a large surplus is expected also in 2001. This is to a large extent influenced by carry-over effects of strong tax revenue stemming from, in particular, good corporate profits and capital gains in 2000. The continued adherence to the central government expenditure ceilings has contributed to the strong fiscal position. In 2002 and 2003, the surplus in public finances is expected to be much lower. Lower economic growth, the absence of the above-mentioned carry-over effects on revenue and additional tax cuts of the order of 1.1% of GDP contributes to this on the revenue side. On the expenditure side, the government maintains the previously set expenditure ceilings on central government, as announced in the Budget for 2002. However, the budgetary margins are very small and expenditure in some areas, such as sick pay, may be higher than planned. In addition, higher inflation increases indexed transfer payments. Overall, it is assumed that the expenditure ceilings will not be breached, although some discretionary restraining measures may be necessary. This helps keeping the public finances in good shape. Gross debt is expected to fall further, to less than 50% of GDP in 2003, as the budget surpluses described above take effect.

Sweden - CPI Inflation - compared with EU-15



Sweden - Employment and Unemployment



United Kingdom: Annual growth expected to be below trend to 2002 but should be sustained by consumption growth

Output in the first half of 2001 decelerated but then quarterly growth picked up to 0.6% in Q3 from 0.4% in Q2, though year on year growth slowed a little to 2.2% from 2.3% in Q2. Household expenditure remained very buoyant in Q2 (the latest quarter for which expenditure data is available) and retail sales in Q3 also suggest strong growth. Fixed investment recovered in Q2, and general government consumption grew respectably. However, these positive aspects were partly offset by falls in stock-building and exports as world growth, and consequently UK markets, slowed. On the output side, services output continued to rise strongly in Q3 but industrial production fell, in association with falling exports. The labour market, despite the slowdown in growth, has stayed strong Productivity, grew by only 1.6% year on year in Q2; down from 2.1% growth in Q1. Inflationary pressures remain weak - on the HICP measure, inflation is under 2% and is around the lowest in the EU. RPIX inflation is a little below the 2.5% target.

Forecast output. Following the slowdown in the first half of 2001, the preliminary estimate for Q3 shows that growth picked up a little despite the world slowdown. It was sustained by strong growth in retail sales. Growth is expected to be slow in Q4 as world growth continues to be slow and confidence falls in the aftermath of September 11. GDP growth, on average, is expected to be a bit higher than 2% in 2001. It is expected to remain below trend in the first half of 2002 but pick up in the third quarter as growth in UK markets recovers. There is little reason to expect a particularly sharp downturn in the UK. While the external factors, both direct and indirect, suggest downward pressure on growth in the near term, especially given the UK's above average exposure to US economic and financial developments, this may be offset to a large extent by domestic policy; namely monetary loosening in the shape of a 2% cumulative cut in the repo rate since the beginning of the 2001 and a fiscal stimulus, largely in the form of planned rises in general government spending. With GDP recovering within the year, growth for 2002 on average should be around 1¾%. With growth below trend both in 2001 and 2002, a negative output gap will emerge during the course of 2002. Unemployment is expected to rise by 0.3 of a percentage point. Upward pressures on wage increases are not expected and though productivity growth may remain weak, rises in unit

Main features of country forecast - UNITED KINGDOM

	2000		Annual percentage change						
	bn GBP Curr. prices	% GDP	1981-97	1998	1999	2000	2001	2002	2003
GDP at constant prices	943.4	100.0	2.4	3.0	2.1	2.9	2.3	1.7	3.0
Private consumption	617.6	65.5	2.9	3.8	4.2	4.0	3.8	2.2	2.6
Public consumption	174.8	18.5	0.9	1.5	2.8	1.6	2.4	3.4	3.2
GFCF	165.2	17.5	3.1	13.2	0.9	4.9	2.0	1.1	4.3
of which : **equipment**	78.6	8.3	3.5	24.3	0.1	7.0	0.3	-1.8	3.5
Change in stocks as % of GDP	1.9	0.2	0.1	0.6	0.6	0.4	0.1	0.3	0.6
Exports (goods and services)	265.3	28.1	4.6	3.0	5.4	10.2	2.1	1.0	5.8
Final demand	1224.8	129.8	3.0	4.6	3.9	5.0	2.8	2.0	3.9
Imports (goods and services)	281.0	29.8	5.4	9.6	8.9	10.7	3.7	2.7	6.1
Contribution to GDP growth : Domestic demand			2.6	5.1	3.5	3.9	3.4	2.3	3.2
Stockbuilding			0.1	0.1	0.1	-0.3	-0.2	0.1	0.3
Foreign balance			-0.2	-2.2	-1.4	-0.7	-0.7	-0.7	-0.5
Employment			0.2	1.4	1.1	1.0	0.7	0.0	0.4
Unemployment (a)			9.5	6.3	6.1	5.5	5.1	5.4	5.4
Compensation of employees/head			7.0	5.0	5.3	4.1	4.3	3.9	4.4
Unit labour costs			4.7	3.4	4.2	2.2	2.6	2.1	1.8
Real unit labour costs			-0.4	0.4	1.5	0.4	0.2	-0.4	-0.7
Savings rate of households (b)			-	5.8	4.8	5.0	5.1	5.9	5.9
GDP deflator			5.1	2.9	2.6	1.7	2.3	2.5	2.5
Private consumption deflator			5.2	2.7	1.5	0.6	1.5	1.8	2.0
Harmonised index of consumer prices			-	1.6	1.3	0.8	1.3	1.3	1.5
Trade balance (c)			-1.9	-2.5	-3.1	-3.2	-3.7	-4.1	-4.2
Balance on current transactions with ROW (c)			-1.1	-0.6	-2.1	-2.0	-1.9	-2.9	-2.6
Net lending(+) or borrowing(-) vis à vis ROW (c)			-1.5	-0.5	-2.0	-1.7	-1.7	-2.6	-2.4
General government balance (c) (d)			-3.2	0.4	1.2	4.3	1.2	0.4	0.5
General government gross debt (c)			48.4	48.1	45.7	42.8	39.3	37.2	34.8

(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, without which the general government balance would amount to 1.9% of GDP.

labour costs will be subdued. With growth in UK markets strengthening, and with a small negative output gap emerging in 2002, growth should rebound in 2003 to a little above trend at 3%.

Output components. Growth in household consumption is expected to be maintained in 2002, albeit below the rapid rates observed in 2001. Real wage earnings are expected to grow moderately and disposable incomes will benefit from the cuts in interest rates. However, some rise in the saving ratio is expected as confidence may weaken in the face of the terrorist attack, weakness in equity markets and an easing of the labour market. The strong net asset position of the personal sector could limit the downside risk to consumption growth. On the other hand, fixed investment is expected to grow slowly – strong planned boosts to general government investment will be offset to a large extent by a fall in business investment which is expected to be hit by a number of negative factors like falling profitability, a significant financial deficit, rising cost of capital, and a slowdown, if temporary, in inward investment. Government consumption is expected to be an important contributor to demand growth as established in the Government's Comprehensive Spending Review that details spending plans to 2003-04. Export growth is expected to be weak in 2002 as UK markets weaken but import growth will also be slow as equipment investment falls.

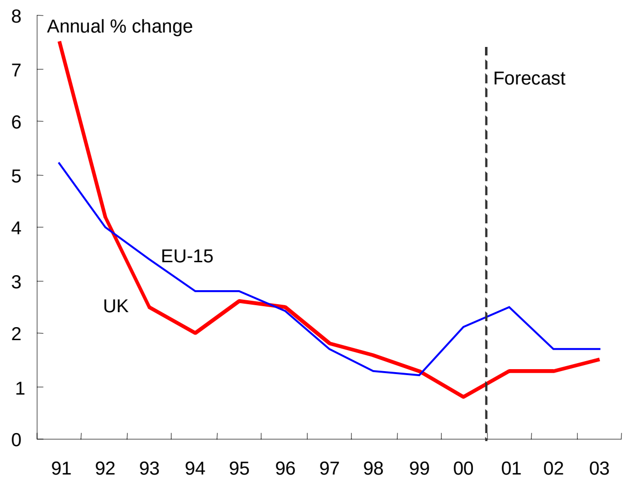
Labour Market. The labour market has continued to strengthen with unemployment hitting a twenty five year low and the rate is 5.1%. Employment is also growing moderately and rose by 0.6% in the year to June-August of 2001. Wage earnings are not a cause for concern. The labour market is expected to loosen a little in 2002 with no employment creation and unemployment rising, though any rise in unemployment will be limited by active labour market measures such as the 'new deal'. Productivity is expected to remain subdued in 2002. With a rebound in GDP growth expected in 2003, and an expected tighter labour market, it is forecast that productivity will accelerate in 2003. Unit labour costs rises are expected to be moderate and sustainable over the forecast period.

External balance. The current account is projected to be in deficit rising to close to 3% of GDP in 2002 before falling back to 2¾% in 2003. The negative contribution of net exports of goods and services to GDP growth in 2002 and 2003 is expected to fall a little.

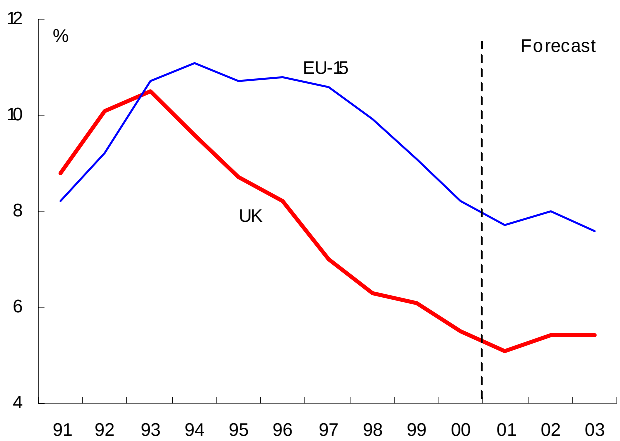
Prices. HICP inflation is low at under 2% - the lowest in the EU. RPIX inflation is below the 2.5% target. It is expected that the latter will continue to be met. Current benign developments in unit labour costs, should continue in the face of a slowdown in growth.

Public finances. The general government finances are expected to remain in surplus over the period. Despite slower growth than expected in 2001, the out-turn in the first three quarters of the year was of a substantial surplus – buoyed by tax revenue. A surplus of over 1% of GDP is expected for the year. This will fall to around 0.4% in 2002 as growth slows and discretionary expenditure growth rises as planned. With strong GDP growth in 2003 the fiscal position is not expected to worsen. The ratio of gross debt to GDP will fall to around 35% by the end of 2003.

United Kingdom - HICP



United Kingdom - Unemployment rate



V. Special Topics

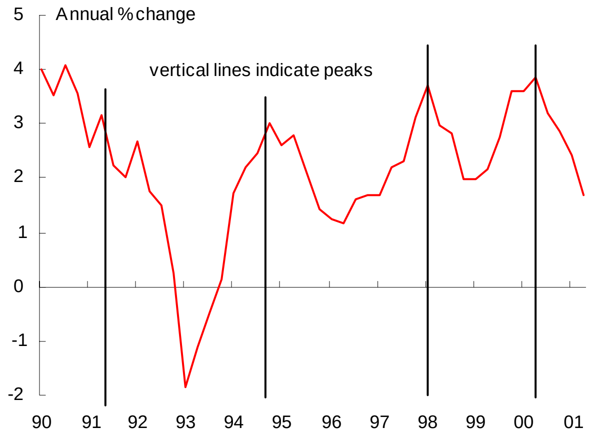
1. Comparing euro area slowdowns in the nineties

An analysis of the economic slowdowns in the euro area in the nineties points to unfavourable developments in export and exchange markets as important triggers. The internal market and the single currency should have made domestic demand more resilient to exogenous shocks. In the present slowdown, private consumption suffered from the abrupt hike in oil and food prices and also investment is surprisingly weak, to which the burst of the ICT bubble contributed.

Approach taken

The peak preceding the slowdown is chosen as anchor for the comparison. The peak is the quarter with the highest real GDP growth compared to one year ago and is indicated as quarter 0. The respective peaks are 1991Q2, 1994Q4, 1998Q1 and 2000Q2. Peaks are the focal points of the analysis and not the troughs, as the trough of the current downturn is not yet known. The growth rate compared to one year ago (y-o-y) is preferred over the quarterly growth rate (q-o-q), because of the volatility of the latter. Most graphs in this section show the evolution of different variables during a period which spans four quarters prior to the peak in GDP and up to seven quarters after the peak.

GDP growth in the euro area and cyclical peaks in the nineties

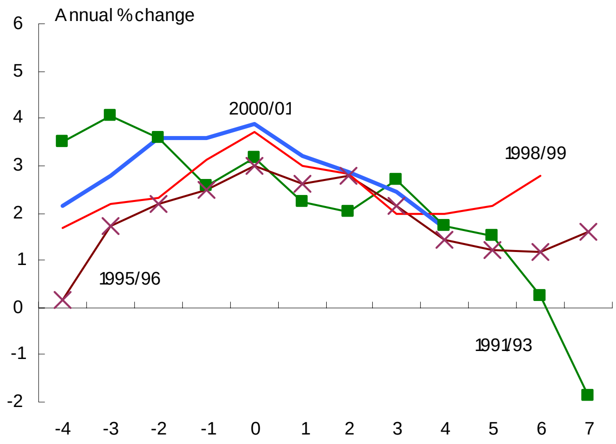


In the case of the 1991/93 slowdown, that stands out as the deepest and the most protracted one, the peak is not the top of the cycle, but is chosen such as to make the evolution following the peak similar to the other slowdowns, facilitating the graphical analysis. In the four cases, GDP growth at the peak (quarter 0) is between 3 and 4%, while one year later (at quarter 4), growth is a mere 1.4 to 2.0%. What happens in the second year after the peak distinguishes the three previous cases:

- in 1991/93, growth declined further and plunged into negative territory in quarter 7;
- in 1995/96, growth remained flat, before resuming decisively in quarter 7;
- in 1998/99, growth resumed strongly from quarter 5 on.

The analysis focuses on the demand decomposition of GDP growth.

GDP growth in the euro area across the cycles



The events that shaped the four episodes are very different

The oil price rise of the second half of 1990 continued to work its way through the economy in *1991*. This kept inflation above 5% and left interest rates (even in real terms) at a painfully high level. On top of this, the export market growth slowed strongly, led by the recession in the US. Finally, a one-year long episode of currency turmoil inside the ERM (Exchange Rate Mechanism) started in September 1992 and caused even more uncertainty.

In the *1995/96* slowdown, the economy suffered from high long-term interest rates (also in real terms) and from the Spring 1995 currency turmoil inside the ERM – both factors exerted a negative influence on confidence and activity.

The *1998/99* episode was characterised by the emerging market crisis that spread from Asia over Russia to Brazil. While export market growth slowed down substantially, weak global demand had also a deflationary effect that brought inflation and interest rates in the euro area to very low levels.

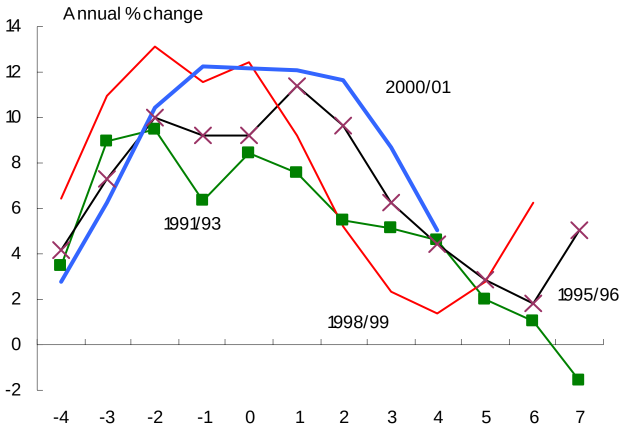
From the low caused by the emerging market crisis, the oil price more than doubled by the end of 1999 and continued its increase in 2000. This pushed inflation from a low of 0.9% at the end of 1998 to above 3% in 2001Q2, helped by the increase in food prices. The reduction of households' real income that followed has softened private consumption growth. Specific to the *present* slowdown is the burst of the ICT-bubble, causing a stock market slump and a situation of over-investment in the ICT sector.

Exports and imports move together

While export growth fluctuates, the contribution of the *external balance* is in general relatively small – less than 1% regardless of the sign – as exports and imports tend to move in the same direction. This is explained by the fact that in most cases imported goods are needed to produce the goods that are exported. Furthermore, there is the impact via domestic demand. For example, a deceleration of exports is likely to give way to cuts in investment and in private consumption (the latter through the effect on employment). This reduction in domestic demand will lead to lower imports.

The co-movement of exports and imports is not necessarily synchronous. It takes time for a decline in exports to influence domestic demand and so imports. If domestic demand remains resilient, the negative contribution of the external balance can become exceptionally big, as happened in 1998Q3-1999Q2.

Growth of exports in the euro area across the cycles



In the *1991/93* slowdown, two sub-periods have to be distinguished. In 1991 and 1992, export markets decelerated as the US slowdown brought global growth to the lowest levels since 1982. For the euro area countries, the external environment was even worse, as their real effective exchange rate appreciated strongly between mid-1991 and mid-1992. However, as imports decelerated in line with exports in 1991 and 1992, the contribution of the external balance remained close to zero in these years. This changed dramatically in 1993, when in successive quarters the external balance posted its four biggest ever positive growth contributions. A collapse in imports was behind this, as final domestic demand shrank. The collapse in imports was not fully matched by exports, which were supported by a substantial competitiveness gain.

In the *1995/96* slowdown the contribution of the external balance remained close to zero. Imports decelerated together with exports, from double-digit growth rates in 1995Q1 to below 2% growth in 1996Q2. Export growth was hampered by a slowdown in export market growth and the weak dollar. Import growth decelerated as domestic demand was weak.

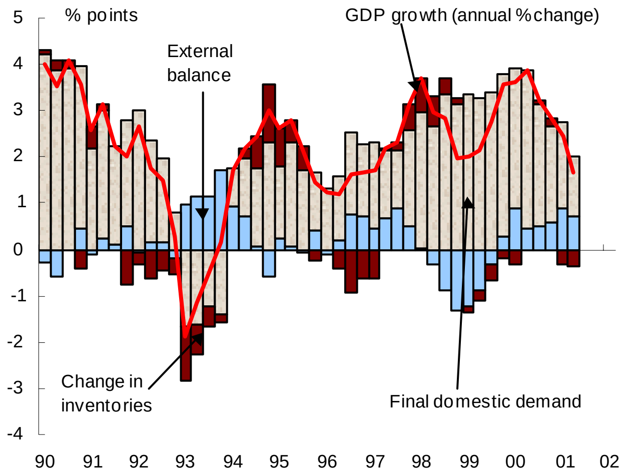
The *1998/99* slowdown was externally induced, caused by the emerging market crisis. The 1998 appreciation of the real effective exchange rate of the euro area countries, in the run-up to EMU, contributed also to the export deceleration. As domestic demand was resilient, exports lost pace long before imports, and year-on-year growth of exports bottomed out at 1.4%, against a bottom of 5.4% for imports. As a result, the external balance posted its four biggest ever negative growth contributions during this slowdown.

The development of export markets does not lie at the origin of the *present* slowdown. Boosted by record growth of world trade, euro area exports continued to grow at double-digit rates during two quarters after the peak in GDP growth. As in the meantime imports started to decelerate in line with the slowdown of domestic demand, the external sector made a sizeable positive contribution to growth during 2000 and so far this year. For the rest of 2001, it is expected that import and export growth rates will converge to a very low level, bringing the growth contribution of the external sector also close to zero.

Final domestic demand is the main contributor to GDP changes

Because of its weight in GDP, final domestic demand is the main contributor to changes in GDP. Since 1988 the growth contribution of final domestic demand has fluctuated between 1.3% and 4.8%, except for the period 1992Q4-1994Q1, when the contribution was even negative for four consecutive quarters. The profile of the present slowdown so far is between the 1991/93 recession and the moderate 1995/96 episode, in which final domestic demand continued to contribute at least 1.3%. The 1998/99 episode stands out as the only pure external slowdown, during which final domestic demand continued to contribute at least 2.7%.

Contribution to GDP growth in the euro area

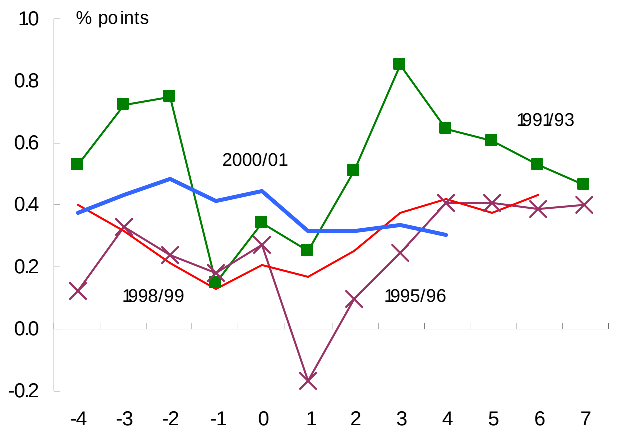


The evolution of final domestic demand is the result of different developments among its components.

Government consumption, low in the present cycle

Government consumption is very stable, with its growth contribution contained in a narrow range between –0.2% and 0.8%. In a remarkable departure from the past, the growth contribution of public consumption has declined, instead of having risen, in quarters 2 and 3 after the peak of the present slowdown.

Growth contribution of public consumption in the euro area across the cycles

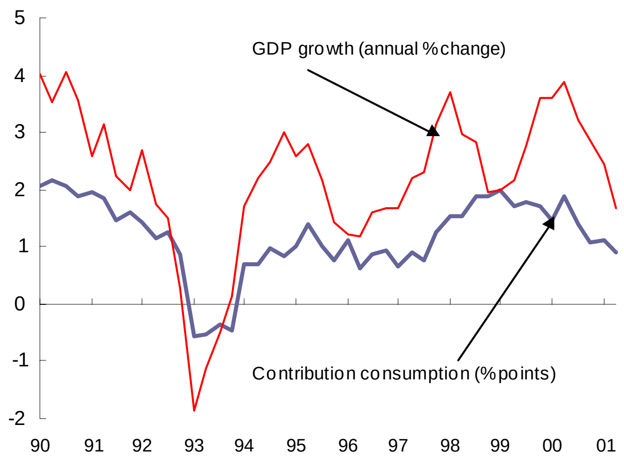


The acceleration of inflation dented private consumption

With an average share in GDP of 57% over the period under consideration, the evolution of *private consumption* is key to the growth performance. Private consumption has supported growth almost on its own during several quarters of the previous slowdowns. But after ten consecutive quarters of strong growth of private consumption – with a growth contribution of at least 1.5% from 1998Q1 to 2000Q2 – it started to lose speed from 2000Q3 on.

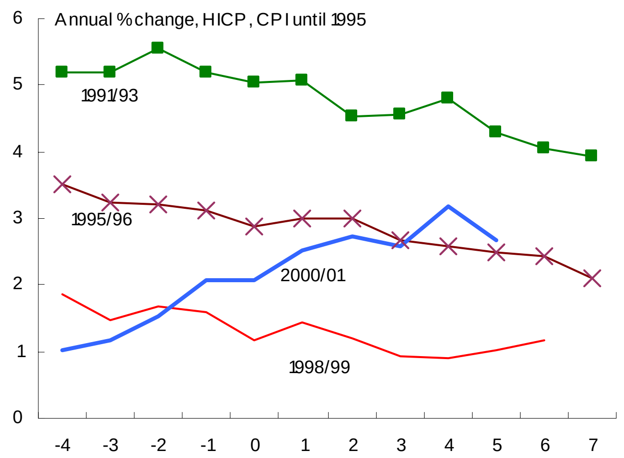
The main cause for this loss was the reversal in *inflation*. The decline in inflation and its persistence at a low level – remaining below 2% from February 1997 to January 2000 – supported private consumption substantially through its effect on the purchasing power of households.

Growth contribution of private consumption in the euro area



The doubling of oil prices between end-1998 and end-1999 did, however, put inflation again on an upwards path. When in 2001, the additional exogenous factor of rising food prices pushed inflation temporarily above 3%, private consumption decelerated substantially. At the origin of the present slowdown lies thus again an exogenous shock, this time not from shrinking export markets or exchange rate developments, but from price developments eating into the purchasing power of consumers.

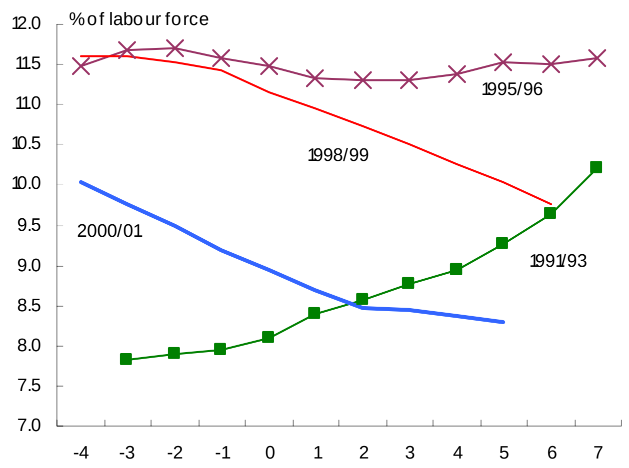
Inflation in the euro area across the cycles



While in the previous slowdowns inflation declined after the peak, because of weak growth, inflation continued now to increase and to deepen the present slowdown.

From 1998, private consumption was also supported by a declining *unemployment* rate, that dropped below 8.5% in the December 2000, for the first time in more than nine years.

Unemployment rate in the euro area across the cycles



Differences in the severity of the slowdown and in its sectoral composition lead to differences in the evolution of unemployment during the slowdown. In contrast to the 1991/93 crisis, unemployment did not increase during the other slowdowns, during which GDP growth remained always above 1%. Unemployment remained fairly stable during the 1995/96 episode. With growth always above 2% and domestic demand remaining very strong, the 1998/99 episode even saw the unemployment rate decrease continuously and to a substantial extent.

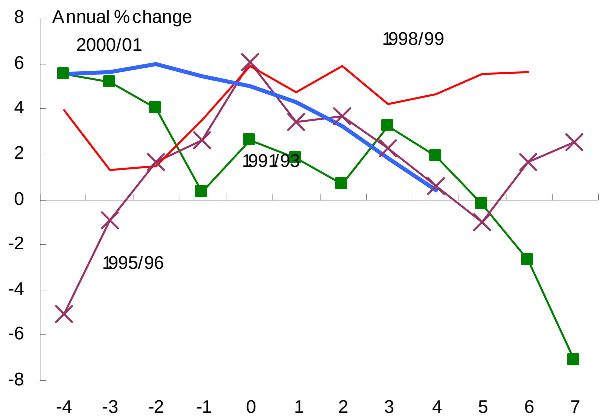
In the present slowdown up to August 2001, the unemployment rate has not yet increased, more than a year after the start of the slowdown. While unemployment is a lagging indicator, this long lag is most likely due to the resilience of the service sector – that covers two-thirds of total employment – compared to the economic slowdown that is concentrated so far in manufacturing. Another explanation is the slower increase of the labour force.

The fast weakening of consumption since the middle of 2000 was unexpected as consumption was thought likely to get strong support from recent tax cuts and from the low level of unemployment. A saturation effect among consumers – after ten consecutive quarters of strong growth – and the realisation of the seriousness of the global downturn may provide tentative explanations for the unexpectedly fast deceleration. Specific consumer survey results underpin these explanations: the expectations about making major purchases already fell strongly in spring 2000, while a substantial downturn in consumers' expectations about the economic situation started in the autumn of 2000. The evolution of these specific consumer survey results contrasts with the overall result as summarised in the consumer confidence indicator that remained relatively flat until April 2001.

Investment, particularly weak at the present juncture

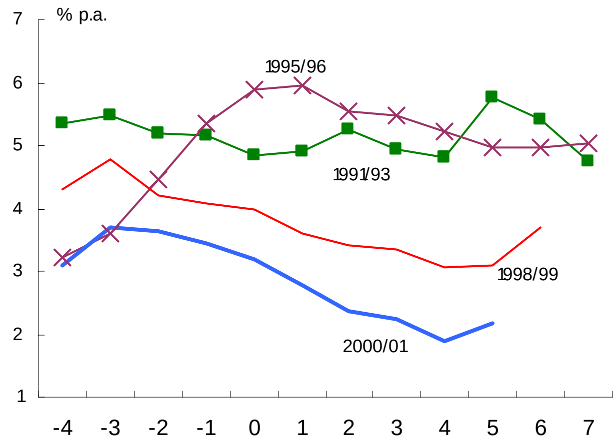
During the 1991/93 and the 1995/96 slowdowns, investment suffered from high real long-term interest rates (approximated by 10-year government bond yields minus HICP/CPI inflation), that most of the time stood above 5%. Real rates were a lot lower in 1998/99 and investment continued to grow at a rate above 4% y-o-y.

Growth of investment in the euro area across the cycles



In the present slowdown, real rates are even lower than in 1998/99. Nevertheless, investment has already been decelerating for six quarters. Three factors explain this. First, a combination of increasing oil prices and a weakening euro has squeezed profit margins. Second, demand prospects have deteriorated. Third, investment has suffered from factors that were absent in the previous slowdowns. The over-investment in the ICT sector will take time to unwind, while the unprecedented correction in the stock markets reduces the financing possibilities for new investment projects.

Real long term-term interest rates in the euro area across the cycles

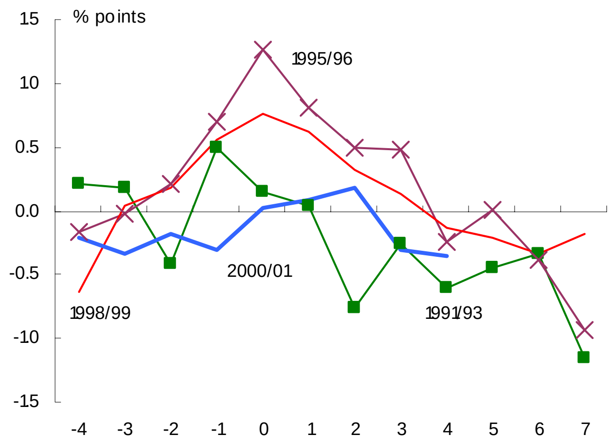


However, the early deceleration of investment growth in the present slowdown has helped to keep the capacity utilisation rate in industry higher than at the same phase of previous slowdowns. If the decline in the capacity utilisation rate remains limited, the recovery will quickly require new investment.

Smaller change in inventories

Data on changes in inventories are known to be unreliable on a quarterly basis, as they are often used to balance discrepancies between the output and expenditure measures of GDP. During the present downturn, the contribution of the change in inventories has been consistently lower than in the previous three episodes and its variability has also been much lower. It appears that better management methods are the reason for the lower volatility of stocks at present.

Growth contribution of the change in stocks in the euro area across the cycles



2. Quarterly National Accounts and GDP from production side

In times of large swings in activity, timely information on the economy is crucial, especially on the euro area which is the focus of the attention for monetary policy decisions. Speeding up the availability of quarterly national accounts and exploring its information content respond to this need.

Quarterly versus annual national accounts

Quarterly national accounts represent a subset of annual national accounts. As stated in the ESA95 manual, they use the same accounting framework, definitions of institutional units, transactions and accounting rules as national accounts. Although in principle quarterly national accounts cover the entire sequence of accounts, in practice, due to data availability problems and the need of rapid compilation, they provide a less detailed picture of the economy compared to annual accounts.

Quarterly accounts must be consistent with annual accounts as, for instance, differences in growth rates between quarterly and annual data would be otherwise difficult to justify. This means, in the case of flow variables, that the sum of the estimated levels of the series for the four quarters is equal to the year estimate. In addition, the accounting identities should be respected in each quarter. The focus of quarterly national accounts and annual national accounts is however very different: while the main task when compiling annual national accounts is to establish the correct level of the series, the main purpose of quarterly figures is to obtain the best indication of quarterly movements with levels of the series playing only a minor role. As regards the choice of the quarterly frequency, it is the result of making a compromise between reliability and quality of short-term economic information.

A brief history

Many countries started to produce quarterly national accounts after the second world war because of a desire to monitor their economies more closely. Quarterly accounts were developed according to national accounting traditions with little interest for harmonisation and comparability. In 1979, the OECD published the first edition of the handbook on quarterly accounts which represented an overview of the sources used and the methods adopted in the compilation of quarterly accounts by OECD Member States. A second updated version of this manual was published in 1996.

Eurostat was involved in the production of quarterly accounts from the second half of the 1980s due to the increasing interest of European Member States in this field. However, a decisive step towards the development of a common methodology and a harmonised system was only provided with the publication of the ESA95 manual (Eurostat, 1996, Chapter 12). The next step has been the recent publication by Eurostat of the handbook on quarterly national accounts. The intended scope of this manual is to allow the compilation of European quarterly national accounts in a fully harmonised framework. The seven parts of the handbook cover all the areas of interest: set of accounts and accounting rules, compilation methods, seasonality, internal consistency, revision process, flash estimates, quarterly financial accounts.

Within the framework of the new ESA95 accounting system, Member States were required to transmit quarterly data to Eurostat from end-April 1999, unless a derogation has been granted (Council Regulation 2223/96). Data should go back to 1980. The maximum delay for transmission is set at 120 days. During the transition period, which will run up to January 2005, derogations have been given to certain Member States.

Further progress for the provision of quarterly figures has been made under the EMU Action Plan endorsed by Ecofin in September 2000. The Plan proposes to shorten the delay for data transmission from 120 to 70 days with at least 80% coverage of Member States' data at the required deadlines. Quarterly data for 2001Q1 were transmitted to Eurostat according to the table below. Amongst the largest euro area countries, Germany fulfils the 70-days requirement for the whole set of quarterly aggregates while other large countries need to make improvements for gross national income data (France, Italy and Spain) as well as output and demand side data (Italy, Spain). Further efforts by other euro area countries are required to fulfil their obligations, particularly Greece, Ireland, Luxembourg and Portugal.

Number of days for transmission to Eurostat of quarterly accounts (2001Q1 data)

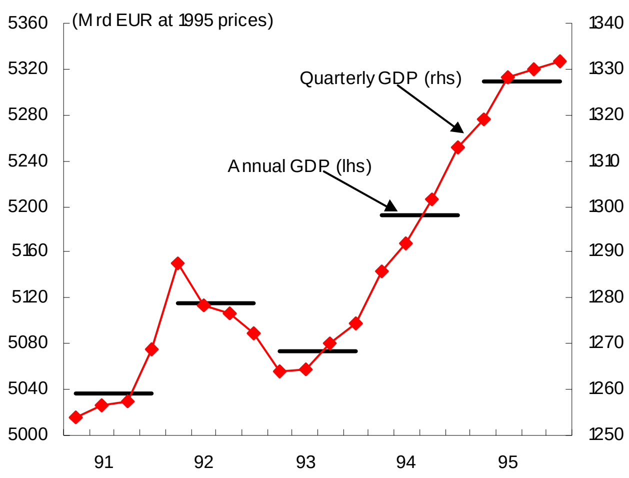
	Cumulative Weights[1] (%)	Output side	Demand side		Gross National Income
		Value Added[2]	Gross Domestic	Demand Components	
D	31.7	53	53	53	53
F	53.2	58	58	58	96
I	70.8	80	45	80	102
E	79.8	81	81	81	81
NL	85.8	72	48	48	72
B[3]	89.5	110	53	110	110
A	92.7	89	89	89	89
FIN	94.6	82	82	82	82
EL	96.5		70	70	
P	98.2	120	120	120	120
IRL[4]	99.6		198	198	
L	100.0				
DK		89	89	89	89
S		73	73	73	73
UK		60	27	60	90

[1] Weight in % of aggregate euro area GDP
[2] According to the 6-branch breakdown
[3] The 2001Q2 figures were transmitted with a delay of 59 days
[4] 2000Q4 figures

Purposes of quarterly national accounts

Quarterly national accounts are an important instrument for the monitoring and the analysis of the short-term movements of economic aggregates. They provide a timely picture of short term developments and, compared to annual figures, are able to detect in-year turning points (see chart).

Annual versus quarterly GDP growth in the euro area



According to quarterly data, the euro area economy was growing for most of 1993. Indeed, the recovery started approximately around the second quarter of that year. In contrast, annual national accounts show that the economy contracted in 1993 compared with 1992. Growth during 1993 can be shown by annual figures only in 1994. But the annual estimate for GDP in 1994 is usually not available before mid-1995. By that time, however, the economy may be on a different growth path. This is indeed what quarterly data shows in 1995. Hence, not only is the 1993 upturn in economic activity monitored by the annual account very late compared to actual developments but it also shows it as being at the wrong time, i.e. when, according to quarterly accounts, there are signs that the economic activity is decelerating.

Another advantage of quarterly national accounts is that, in contrast to single economic statistics (e.g. production and price indices, business surveys), they constitute a coherent accounting framework. Quarterly figures are therefore very useful in studying the dynamic relationships amongst variables (leads and lags) and measuring the effects induced by economic shocks or policy decisions. Moreover, the higher number of observations, is particularly useful when performing business cycle analysis with econometric tools.

Quarterly variables and sources for GDP

The main variables compiled by Eurostat with quarterly accounts are: GDP and main expenditure components; value added, compensations for employees and employment by broad industry group, population, main income aggregates and distributive transactions (national and disposable income, saving, operating surplus, taxes, subsides, net lending/net borrowing), and simplified non-financial sector accounts. Quarterly accounts are compiled both in current and constant prices.

The most important variable for monitoring the movements of economic activity is GDP at constant market prices. GDP can be calculated according to the expenditure, the income or the production approach.

- In the expenditure (or demand) approach, GDP is computed as the sum of household and government final consumption expenditure, gross fixed capital formation, change in inventories and net exports of goods and services.
- In the income approach, GDP is computed as the sum of compensation of employees, gross operating surplus of corporations and net indirect taxes.
- In the production (or output) approach, GDP is calculated as the sum of sector's gross value added, net indirect taxes and subtracting FISIM (Financial Intermediation Services Indirectly Measured).

Quarterly national accounts from the output side

As from January 2001, Eurostat supplements quarterly data for the expenditure calculation with output data for the euro area, the EU and, when available, the Member States. The starting period for the data is 1991Q1. The output approach has the advantage of showing the industry composition of growth and an indication of how GDP growth is attributed to different sectors of production.

Quarterly figures for output data are presented for 6 sectors:

- agriculture, hunting, forestry, fishing;
- industry, including energy;
- construction;
- trade, transport and communication services;
- business and financial activities, real estate, renting;
- other services, including public services.

For each sector, Gross Value Added (GVA) is calculated. GVA is the value of all goods and services produced (gross output) less the value of all goods and services consumed (intermediate consumption). The depreciation of fixed capital is not deducted, hence allowing the distinction between gross and net value added. The sum of GVA for all branches is termed Total GVA. Note that Total GVA still contains some intermediate consumption in the form of financial services (FISIM) which correspond to the value of services paid to financial intermediaries via the interest margin. Since FISIM is not deducted as intermediate consumption at sector level, it must be subtracted at the level of the entire economy. Hence, GVA for the whole economy is computed as Total GVA minus FISIM. To move from GVA to GDP at market prices a final step is needed because, when computing GVA at the level of each sector, gross output and intermediate consumption are valued at different prices: gross output is valued at basic prices, intermediate consumption at market prices. The difference between the two price measures is net indirect taxation. Net indirect taxes are the sum of taxes on production and imports (indirect taxes) less subsidies on products. They may be regarded as an allocation of value added to the government. In order to obtain GDP at market prices it is therefore necessary to add net indirect taxes to GVA.

GDP and value added components in the euro area in 2001Q2

		GDP Components		GDP Contributions[2]	
		Level[1]	(%)	Quarter on Quarter	Year on Year
Gross Domestic Product	GDP	1,695,404	100	0.1	1.7
Value Added in:					
Agriculture	AGR	38,012	2.2	0.0	0.0
Industry incl. energy	IND	357,322	21.1	-0.3	0.3
Construction	CON	84,803	5.0	-0.1	-0.1
Trade, Transport, Communications	TTC	330,378	19.5	0.1	0.6
Business and Financial	BFS	427,426	25.2	0.2	0.8
Other Services	PUB	331,477	19.6	0.0	0.2
Total Gross Value Added	TGVA	1,569,419	92.6	0.0	1.8
Indirect Taxes less Subsidies	ITS	180,934	10.7	0.1	0.0
Fin.ancial Interm. Serv. Ind.	FISIM	54,948	3.2	0.0	-0.2

[1] Millions of euro at current prices
[2] Measured at constant 1995 prices

GDP and expenditure components in the euro area in 2001Q2

		GDP Components		GDP Contributions[2]	
		Level[1]	(%)	Quarter on Quarter	Year on Year
Gross Domestic Product	GDP	1,695,404	100	0.1	1.7
Household Final Cons.	HFCE	974,420	57.5	0.2	0.9
Government Final Cons.	GFCE	334,664	19.7	0.0	0.3
Gross Fixed Capital	GFCF	358,409	21.1	-0.1	0.1
Change in Inventories	CI	5,331	0.3	0.2	-0.4
Domestic Demand	DD	1,672,824	98.7	0.3	0.9
Exports of goods and services	X	642,633	37.9	-0.3	1.9
Imports of goods and services	N	620,053	36.6	0.1	-1.2
External balance	NX	22,580	1.3	-0.2	0.7

[1] Millions of euro at current prices
[2] Measured at constant 1995 prices

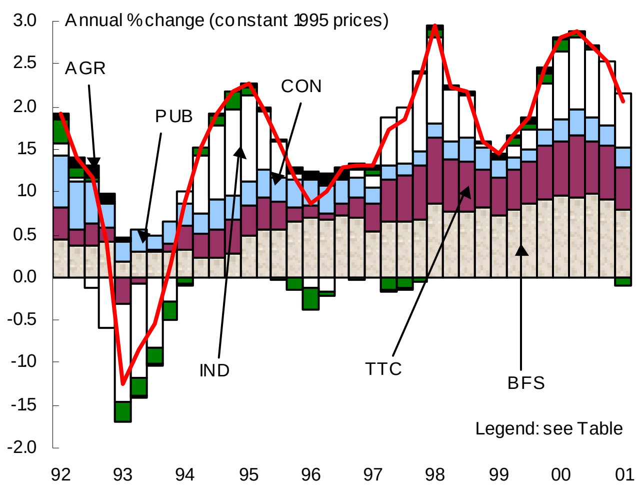
Development of output components of GDP

Over the 1990s, the increase in GDP in the euro area was mainly generated by the service sector. Between 1991Q1 and 2001Q2, its share rose by 2.5 percentage points in the euro area from 61.9% to 64.3%. The most dynamic component of the service sector has been the financial intermediation and real estate sector whose share of value added recorded an increase by 2.7 percentage points. More than a quarter of total valued added is now generated by this sector. In addition, trade, transport and communication sectors grew more than total value added. The branch now accounts for 19.5% of GDP.

Value added in all other sectors grew by less than the average and so their relative shares fell. Within the service sector, other services for about 20% GDP (mainly represented by public administration) declined by 0.6 percentage points. Value added generated by the agricultural sector declined by 0.2 percentage points. in the euro area and now contributes only 2.2% to GDP.

Industry recorded the strongest decline of all the sectors: its share of value added was about 30% at the beginning of the nineties, but declined by more than 3.0 pp points over ten years to stand at 26.1%. Within industry, both manufacturing and construction reduced their relative share of total value added.

Sectoral contributions to GDP growth in the euro area



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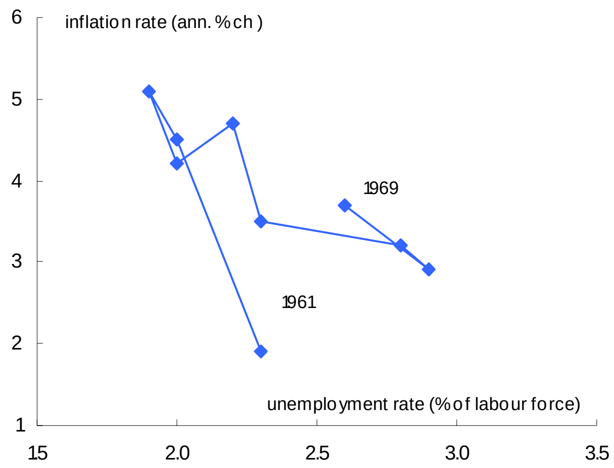
3. Is the Phillips curve back?

Over forty years ago A.W Phillips (1958) showed, in an empirical study, that low unemployment tended to be associated with high wage inflation, and vice versa. The Phillips curve – as the relationship between (price or wage) inflation and unemployment has come to be known – remains still today a controversial concept for macroeconomic theory and policy-making. If anything, it has attracted renewed attention as of late, partly because of the recent experience of extraordinary output growth and surprisingly dormant inflation in the US during the second part of the 1990s.

Euro area Phillips curve in the 1960s - now you see it ...



This note examines the ongoing debate on the Phillips curve. It focuses on three key questions: (1) Is there a trade-off between unemployment and inflation? (2) What is the role of inflationary expectations ? and (3) Is the curve still a useful concept today, in particular in view of recent developments in the euro area ?

The original Phillips curve

The original Phillips curve was the "missing link" of the then dominant Keynesian paradigm, by bringing the rate of inflation explicitly into the theory. Using fiscal and/or monetary policy governments could affect the level of unemployment and, according to the Phillips curve, obtain a given inflation rate. Paul Samuelson and Robert Solow (1960) presented the curve as a description of a trade-off between the goals of price stability and unemployment. Policy makers were confronted with a conflict between inflation and unemployment. Facing this "menu", according to a conventional interpretation, conservative governments tended to prefer low inflation and relatively high unemployment while socialist governments settled for higher employment.

In the 1960s, the original Phillips curve thus seemed to reflect a stable and suitable relation to form the basis for stabilisation policy-making. This curve seems to have held also for the euro area in those years.[1]

The expectations-augmented Phillips curve.

In his presidential address to the American Economic Association, and in parallel to the work of Edmund Phelps (1968), Milton Friedman (1968) presented a theoretical denouncement of the original Phillips curve. Friedman introduced the concept of the natural rate of unemployment. It is affected by real, not monetary, factors. Commonly, the natural rate of unemployment is viewed as either search, frictional or voluntary unemployment, which is determined by factors such as the structure of the labour market and the state of technology.

Friedman then proceeded to demonstrate that any attempt by the monetary authorities to maintain the actual rate of unemployment at a level different from the natural rate would be associated with movements in the price level. An increase in the rate of inflation would occur if the actual rate of unemployment were maintained below the natural rate and a decrease in the rate of inflation if it were maintained above the natural rate. Friedman employed an expectations scheme based on adaptive expectations. This mechanism implies that expectations are revised according to the forecast error made in the previous period. Once the economy has reached a steady rate of money growth and of inflation, expectations will be correct according to the adaptive scheme, and the rate of unemployment will be at its natural level. Accordingly, the long run Phillips curve would be vertical at the natural rate of unemployment.

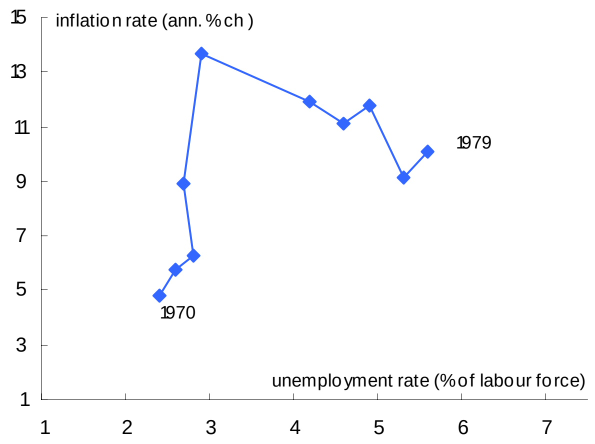
The result of Friedman´s and Phelps' theoretical analysis was that the initial belief in the stability of the original Phillips curve was undermined. There was no stable long-run Phillips curve, only a family of short-run curves, depending on the state of inflationary expectations. This view was eventually adopted as the mainstream one. However, it was soon to be questioned by a new theory of the generation of inflationary expectations.

1 Clearly the euro area did not exist before 1999. The aggregate constructed here is used only for illustrative purposes. It should be treated with caution since the absence of common policies and a common labour market during the period looked at complicates the interpretation of an aggregate Phillips curve. A case for easier interpretation could be made for the 1960s, when the existing fixed exchange rate arrangements implied some common policies. A similar case could be made for the second part of the 1980s and specially the 1990s, which were characterised by a high degree of convergence in economic policies and further integration in factor markets.

Rational expectations and the "Lucas critique".

The belief in a stable Phillips curve was further undermined by the experience of stagflation in the 1970s. The simple relationship broke down during that decade in the euro area, as it did elsewhere. During those years, high inflation tended to be associated with high unemployment, which was inconsistent with a simple Phillips curve interpretation.

Euro area Phillips curve in the 1970s - now you don't ....



The basic idea behind rational expectations, Muth (1961), is that economic agents use all relevant information at their disposal in an efficient manner to form expectations about future values of economic variables. This expectation formation mechanism thus addresses some of the main drawbacks of adaptive expectations, namely expectations are forward-looking rather than backward-looking, all available information is used, and the possibility of systematic mistakes is ruled out. By being a mechanism more in line with core economic theory (optimising principles), rational expectations represented a major improvement as a characterisation of how economic agents form expectations.

The policy implications of rational expectations and the so-called "Lucas critique" are important for the Phillips curve.

The Lucas critique is essentially the observation that economic agents can and will react to a changing environment. Thus, econometric simulations of policy changes based only on historical data will be of little use in predicting the actual outcome. The same doubts apply to the Phillips curve equation. To be immune from the Lucas critique, models of policy evaluation should be derived from microeconomic foundations and incorporate rational expectations.

In the extreme, even the short-run expectations-augmented Phillips curve vanishes. In the context of the high inflation of the 1970s and 1980s, this was less dramatic than it appeared as it offered the possibility to reduce inflation without a substantial increase in the unemployment rate. To be painless, the disinflation has to be announced so that economic agents know about it. Secondly, the announcement has to be credible so that

Box 4: The changing Phillips curve – the story we knew

A summary way to consider the road taken by the Phillips curve from its conception is to look at the different specifications implied by the different major critiques or amendments of it.

Consider the following stylised linear version of the original Phillips curve:

$$\omega_t = a - b\,U_t + \varepsilon_t \qquad (1)$$

where ω_t is the rate of nominal wage inflation, U is the rate of unemployment, ε_t is an error term and *a* and *b* are parameters to be estimated.

Equation (1) was rapidly translated to a relation like:

$$\pi_t = c - dU_t + \varepsilon_t \qquad (2)$$

where π_t is the rate of price inflation, *c* and *d* are again parameters to be estimated. Friedman and Phelps argued that, in the short run, inflation responds to deviations of unemployment from the natural rate, holding expected inflation constant, i.e.:

$$\pi_t = \phi\pi^e - \theta\,(U - U^n) + \varepsilon_t \qquad (3)$$

where U^n is the natural rate of unemployment, π^e is the expected inflation rate, which in this early formulation was adaptive, [i.e. $\pi^e_t = \pi^e_{t-1} + \beta\,(\pi_{t-1} - \pi^e_{t-1})$, where β is a parameter measuring the speed of adjustment of past expectation errors], or, in other words, a weighted average of past inflation rates. In its simplest form, expected inflation would be represented by lagged inflation:

$$\pi_t = \phi\pi_{t-1} - \theta\,(U - U^n) + \varepsilon_t \qquad (3b)$$

In the long run expected inflation must equal actual inflation so we have $U^n = U$.

The rational expectations school postulated that the subjective expectations of economic agents coincide with the mathematical expectation, given the information set available at the time of making the expectation (Ω_{t-1}) [i.e. $\pi_t^e = E\,(\pi_t \mid \Omega_{t-1})$, where E is the mathematical expectations operator]. Combining this expectations formation mechanism with the assumption of a frictionless economy in a deterministic world implies $\pi_t^e = \pi_t$. Hence, credible monetary policy announcements would instantly shift expectations and, at all times, lead to $U = U^n$.

economic agents do alter their inflationary expectations accordingly. Thirdly, agents have rational expectations, there are no costs of processing information and the economy has no nominal or real rigidities. Under these conditions the monetary authorities can in principle achieve an instantaneous reduction in the inflation rate without a recession. In other words, the classical dichotomy is forcefully reinstated: monetary policy has no real effects.

The New Keynesian approach.

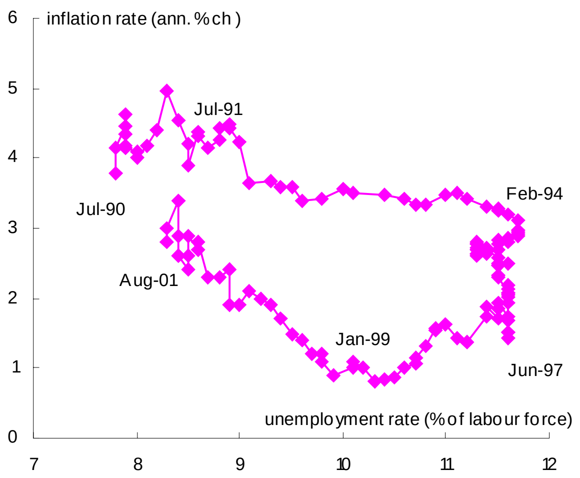
A major problem with the extreme rational expectations view is that in reality contractionary monetary policy seems to affect both nominal variables (the price level) and real variables (unemployment). The current consensus view among central bankers and monetary economists is that monetary policy shocks have a gradual and delayed effect on prices and affect, at least temporarily, the level of unemployment.

Box 5: The euro area Phillips curve in the 1990s.

Looking at data on inflation and unemployment for the euro area in the 1990s, two observations become apparent. Firstly, the data seems to confirm the existence of a short-run Phillips curve. Secondly, the euro area appears to be currently on a lower short-run Phillips curve than 8-10 years ago. This is descriptive evidence that, after the US, the euro area economy may have moved to a sustainable lower inflation path with general inflationary expectations at a lower level. It is interesting to note that the shift seems to have taken place in the run-up to EMU.

A further interesting aspect of the 1990s data is that, if compared to the 1980s, the short-run Phillips curve seems not only to be changing position but also changing slope. In particular the data points to a flattening Phillips curve, implying a lower sensitivity of price inflation to unemployment, somewhat reminiscent of the near-rational Phillips curve.

Euro area inflation and unemployment in the 1990s

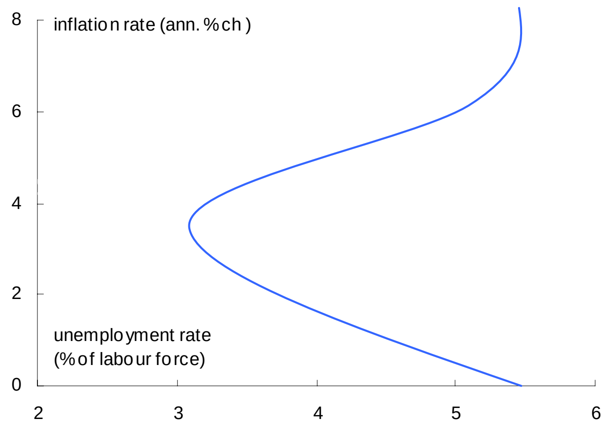


The New Keynesian approach argues, basically, that while the idea of rational expectations is hard to deny, the absence of costs for processing information and the ability of all markets to clear instantly are assumptions that are more open to question. Using the same techniques as the rational expectations approach (i.e. explicit dynamics and microfoundations) but assuming monopolistic competition in goods markets and cost of adjustment of prices, the short-run non-neutrality of monetary policy is re-established, that is, the distinction between a short-run and a long-run Phillips curve.

Departing from the standard Keynesian approach of disequilibrium in the labour market to justify the trade-off between inflation and unemployment, the New Keynesian models look instead at *product markets*. The traditional sticky wage Keynesian approach assumes that nominal wages are slow to adjust, so when the monetary authorities contract policy, leading to a fall in output and prices, real wages rise, causing firms to lay off workers. This explains the traditional trade-off between inflation and unemployment.

A notable problem with this theory is that actual real wages do not rise when output falls, one reason being that prices fail to clear goods markets rapidly enough in an economy where firms have some degree of market power and face costly price adjustments (Mankiw (1985), Akerlof and Yellen (1985)). Firms lay off workers not because real labour costs are high, but because firms cannot sell all the output they want after a monetary contraction. Blinder (1994) finds that the median firm changes prices once a year, suggesting that sticky prices are indeed one source of short-run money non-neutrality and an explanation of the trade-off between inflation and unemployment.

The near-rational US Phillips curve



Hysteresis is one of the reasons advanced why monetary policy might affect not only cyclical fluctuations in unemployment but also be responsible for movements in its trend (Blanchard and Summers 1986). For example, a policy tightening may cause a rise in unemployment that is initially cyclical, but that changes into a permanent rise. The reason why this might occur is the loss of human capital by the unemployed. They then become less attractive to employers, reduce job search, pushing them from the pool of cyclical unemployment into long-term unemployment. The implication is that the natural rate hypothesis might not be right, and thus the long-run Phillips curve might not be unique.

The "New Keynesian Phillips curve" postulates that inflation today is a function of inflation expected to prevail in the next period and deviations of unemployment from its natural rate. Models of this kind generally assume that firms follow *time-contingent* rules, i.e. they adjust prices on a schedule, at times determined optimally according to the environment they face. The reduced form relationship resembles the simple formulations familiar from the work of Friedman and Phelps, but allowing for rational expectations. The trade-off is re-established: holding expected inflation constant, higher unemployment leads to lower inflation. The coefficients on expected inflation and the deviations of unemployment are a function of the frequency of price adjustments and the responsiveness of "desired" prices to economic activity, thus providing room for both nominal and real rigidities to explain inflation dynamics.

Near-rational Phillips curves

Also departing from the neo-classical tradition, Akerlof, Dickens and Perry (2000), go further and reject the conventional natural rate theory. They argue that what matters is not how agents *form* expectations but how they *use* them. Their analysis is based on psychological evidence showing that: (i) decision makers typically *"edit"* the relevant available information, taking into account only those items deemed most important and (ii) information usually needs to pass a threshold. A similar form of cognitive process is assumed in wage- and price-setting behaviour.

Working with such an assumption produces a macroeconomic relation between inflation and unemployment that is starkly different from the conventional one. The Phillips curve of an economy with near-rational behaviour would have first a backward bending, then a forward bending portion before taking the standard vertical shape of the long run Phillips curve.

The economic intuition behind this result is the following. At any given time, a fraction of firms and their workers are fully rational (fully incorporating expected inflation in their wage-setting) while another fraction of firms and their workers are near-rational (responding fully to labour market conditions but less than fully to expected inflation in their wage-setting).

Box 6: The changing Phillips curve – new stories being written

Following Mankiw (2001), a stylised version of the *New Keynesian Phillips curve*, which is derived from a dynamic, general equilibrium framework with optimising economic agents, looks like:

$$\pi_t = E_t \pi_{t+1} - [\, \alpha \lambda^2 / (1-\lambda)\,]\, (U_t - U^n) \qquad (4)$$

i.e. inflation today is a function of inflation expected to prevail in the next period and the deviation of unemployment (U) from its natural rate (U^n). Holding expected inflation constant, higher unemployment leads to lower inflation. Note that the coefficient on unemployment deviations is a function of two parameters : (λ) the frequency of price adjustment (also said to reflect nominal rigidities) and (α) the responsiveness of desired relative prices to economic activity (reflecting "real rigidities"). Hence, equation (4) states that both nominal rigidities (small λ) and real rigidities (small α) contribute to explain why inflation does not respond much to unemployment in the short-run.

The recently proposed *Near-rational model* of Akerlof, Dickens and Perry (2000) produces a short-run Phillips curve like:

$$\pi = c - eU + f\,\pi^e + (1-f)\, h\Delta\, U^e \qquad (5)$$

where c,e,f, and h are reduced-form parameters (with $c,e,f,h > 0$). The implied long-run Phillips curve of this model is:

$$U^n - U = (1/e)\, f\pi . \qquad (6)$$

This curve will first be bowed inward and then later be forward-bending, before becoming vertical. At zero inflation, π is zero and unemployment is at the natural rate. At very high inflation rates all firms have given up being near-rational (f is close to zero) and U becomes assymptotically closer to U^n.

At zero inflation the natural rate coincides with the current unemployment rate, as in the standard neo-classical version.

When the steady-state inflation is moderately low but above zero, two effects are at work, producing first the standard short-run trade-off between inflation and unemployment and subsequently its opposite.

- Initially, the fraction of firms and workers that attaches a lower weight to expected inflation than to other labour market factors is large. Specifically, at low inflation rates near-rational workers consider their nominal wage increases but fail to recognise that prices rise, increasing their work effort. Simultaneously, near-rational firms face lower expected unit labour costs and hence increase employment. In this low inflation range, higher inflation is associated with lower unemployment.

- At higher inflation rates, a second effect outweighs the one just described because expected inflation commands progressively more attention in wage-setting behaviour. The costs of near-rational behaviour increase with the inflation rate. As inflation rises, firms increasingly shift to fully rational behaviour and cut their employment. This leads to a positive link between inflation and unemployment.

As inflation increases further, more and more firms and workers become fully rational, asymptotically returning the economy to the vertical long-run Phillips curve, where everyone fully incorporates inflationary expectations. Hence, wage-setting behaviour varies with the inflation rate.

A key result is that there exists a sustainable employment-maximising inflation rate that is substantially below the natural rate. For example, in the case of the US, the standard estimates of the NAIRU have been in the 5-6% range. This near-rational theory indicates that substantial gains in employment are available when the economy operates at low inflation rates. Using various specifications, estimates are 1.5 to 3 percent for the employment-maximising inflation rate and 0.5-3 percentage points for the corresponding unemployment reduction (vis-à-vis the natural rate).

The implications are strong for both economic theory and policy-making. For economic theory, the model shows that assuming other cognitive processes in decision-taking can have important effects on the understanding of the inflation-unemployment trade-off. Instead of a unique natural rate of unemployment, the economy would exhibit a range of sustainable unemployment rates that are consistent with moderate rates of inflation. The implication for empirical work is that models that assume a unique natural rate are misspecified. For policy-making the implications are that both zero inflation and high inflation rates are bad for the economy because they raise the sustainable rate of unemployment (in addition, high inflation rates impose all the costs associated with unexpected and expected inflation). Instead, low inflation (around 2% for the US) allows the economy to operate at a sustainable lower-than-natural rate of unemployment.

Productivity-augmented Phillips curve

Ball and Moffitt (2001) have recently proposed yet another version of the Phillips curve that could also account for the US inflation-unemployment puzzle of the late 1990s. Their theory allows for workers' "aspirations" for real wage increases to differ from productivity growth, resulting in a productivity gap-augmented Phillips curve that provides a unified explanation of the rise in unemployment during the productivity slowdown of the 1970s and its fall after 1995. The theory suggests that the post-1995 Phillips curve shift in the US was primarily caused by a productivity acceleration. Their empirical results point to an economy moving from a regime in which wage aspirations exceed productivity growth, thereby raising unemployment, to one in which aspirations are below productivity growth, leading to a non-inflationary fall in unemployment. Their estimated NAIRU at the steady state in the case of the US is 5.1%.

Conclusions

The Phillips curve is no longer considered as presenting a stable and exploitable trade-off, but neither can it be described, borrowing words from Lucas and Sargent (1978), as an econometric failure on a grand scale. Even as a forecasting tool, Stock and Watson (1999) for example, show that expectations-augmented Phillips curves are remarkably stable and relatively accurate predictors of inflation.

The answers to the three questions posed in the introduction are then the following.

- First, at least in the short run, there is a trade-off between inflation and unemployment, due to rigidities in wage and/or price formation. However, for the long run, the long-held tenet of mainstream macroeconomics that nominal aggregate demand shocks have no effect on real economic activity (the so-called classical dichotomy) has come under recent attack. There is the possibility that some form of hysteresis causes monetary shocks to have long-lasting effects on the real economy, opening the possibility of a non-unique long-run Phillips curve.
- Second, expectations are a key determinant not only of the position of the short-run modern expectations-augmented Phillips curve, but they may also determine its slope.
- Third, leaving aside the issues of stability of empirical Phillips curves, and concentrating on the view, now accepted by a majority of central bankers and monetary economists, that a contractionary monetary shock raises unemployment, at least temporarily, and leads to a delayed and gradual fall in inflation, the Phillips curve is still a useful concept today. It is useful in guiding policy, perhaps not by giving accurate estimates, but by indicating the likely direction of change. In the case of the euro area, the data suggest that a favourable change in the relationship between inflation and unemployment may have occurred in the 1990s.

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Statistical Annex: list of tables

STATISTICAL ANNEX : AUTUMN 2001 ECONOMIC FORECASTS

TABLE 1 : Gross domestic product, volume (percentage change on preceding year, 1961-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	4.9	2.0	3.2	1.4	2.4	3.0	4.0	3.0	1.3	3.1	1.3	-	2.8
DK	4.4	1.5	1.3	2.0	2.4	2.1	3.2	2.1	1.3	2.4	1.6	-	2.5
D	4.3	1.7	3.4	2.0	1.6	1.8	3.0	2.2	0.7	2.6	0.7	-	2.8
EL	8.5	1.7	1.2	1.2	3.5	3.4	4.3	4.4	4.1	4.8	3.5	-	4.2
E	7.2	1.8	4.5	1.5	3.4	4.1	4.1	3.2	2.7	3.3	2.0	-	3.2
F	5.4	2.2	3.3	1.1	2.3	2.9	3.1	2.9	2.0	2.8	1.5	-	2.6
IRL	4.4	3.8	4.6	4.7	8.1	10.8	11.5	7.5	6.5	7.1	3.3	-	5.5
I	5.3	2.7	2.9	1.3	1.9	1.6	2.9	2.5	1.8	2.7	1.3	-	2.7
L	4.0	1.8	6.4	5.4	5.7	5.7	9.5	5.6	4.0	5.5	3.0	-	5.4
NL	4.9	1.9	3.3	2.1	3.1	3.7	3.5	3.4	1.5	3.1	1.5	-	3.1
A	4.9	2.3	3.2	2.0	2.2	2.8	3.0	2.5	1.1	2.6	1.2	-	2.4
P	6.9	2.2	5.7	1.7	3.1	3.4	3.4	2.6	1.7	2.6	1.5	-	2.3
FIN	5.0	2.8	3.3	-0.7	3.8	4.0	5.7	4.0	0.5	3.6	1.7	-	2.9
S	4.1	1.8	2.3	0.6	2.5	4.5	3.6	2.7	1.4	3.0	1.6	-	2.6
UK	3.2	1.4	3.3	1.8	2.6	2.1	2.9	2.7	2.3	3.0	1.7	-	3.0
EU-15	4.8	2.0	3.3	1.6	2.4	2.6	3.3	2.8	1.7	2.9	1.4	-	2.9
Euro area	5.2	2.1	3.4	1.5	2.3	2.7	3.4	2.8	1.6	2.9	1.3	-	2.9
USA	4.4	2.8	3.2	2.4	3.2	4.1	4.2	1.6	0.9	3.0	0.5	-	3.4
JAP	9.4	3.3	4.9	1.4	0.7	0.8	1.5	1.0	-0.6	1.3	-0.9	-	0.5

TABLE 2 : Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2001-2003)

	2001/1	2001/2	2001/3	2001/4	2002/1	2002/2	2002/3	2002/4	2003/1	2003/2	2003/3	2003/4
B	0.4	-0.5	-0.2	0.2	0.4	0.5	0.6	0.7	0.7	0.7	0.7	0.7
DK	-0.5	0.6	0.5	0.1	0.2	0.4	0.7	0.6	0.7	0.5	0.8	0.6
D	0.4	0.0	0.0	-0.5	0.1	0.4	0.8	0.8	0.9	0.5	0.4	0.5
EL	-	-	-	-	-	-	-	-	-	-	-	-
E	0.8	0.7	0.4	0.3	0.4	0.6	0.7	0.9	0.9	0.8	0.6	0.6
F	0.4	0.3	0.4	-0.1	0.2	0.7	0.7	0.7	0.6	0.6	0.6	0.6
IRL	1.0	0.4	0.1	0.1	0.5	1.5	1.9	1.9	1.2	1.0	1.0	1.0
I	0.8	0.0	0.1	-0.2	0.3	0.5	0.8	1.0	0.5	0.5	0.6	0.6
L	-	-	-	-	-	-	-	-	-	-	-	-
NL	-0.1	0.6	0.6	0.0	0.1	0.5	0.7	0.7	0.8	0.8	0.9	0.9
A	0.2	0.1	0.1	-0.1	0.4	0.5	0.8	0.8	0.4	0.5	0.5	0.5
P	0.4	0.4	0.3	0.2	0.3	0.4	0.3	0.5	0.6	0.7	0.7	0.8
FIN	-0.1	-1.7	0.6	0.5	0.2	0.2	1.2	2.1	0.4	0.2	0.1	0.1
S	0.6	0.4	0.3	0.1	0.1	0.3	0.6	0.6	0.7	0.6	0.6	0.7
UK	0.6	0.4	0.6	0.4	-0.1	0.6	1.0	1.0	0.5	0.6	0.8	0.8
EU-15	0.5	0.2	0.3	-0.1	0.2	0.5	0.8	0.9	0.7	0.6	0.6	0.6
Euro area	0.5	0.1	0.2	-0.2	0.3	0.5	0.8	0.9	0.7	0.6	0.6	0.6
USA	0.3	0.1	-0.1	-0.5	-0.1	0.5	0.9	1.0	0.8	0.8	0.8	0.8
JAP	0.1	-0.8	-0.8	-0.1	0.0	-0.1	-0.2	-0.1	0.4	0.2	0.2	0.2

TABLE 3 : Profiles (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2001-2003)

	2001/1	2001/2	2001/3	2001/4	2002/1	2002/2	2002/3	2002/4	2003/1	2003/2	2003/3	2003/4
B	2.5	1.7	1.4	-0.1	-0.1	1.0	1.8	2.3	2.6	2.8	2.9	2.9
DK	1.9	1.4	1.5	0.7	1.5	1.4	1.6	2.1	2.5	2.5	2.5	2.5
D	1.9	0.7	0.6	-0.2	-0.5	0.0	0.9	2.3	3.0	3.1	2.6	2.3
EL	-	-	-	-	-	-	-	-	-	-	-	-
E	3.3	2.8	2.7	2.1	1.7	1.6	2.0	2.6	3.1	3.4	3.3	3.0
F	2.7	2.3	1.9	0.9	0.8	1.2	1.6	2.4	2.7	2.7	2.5	2.4
IRL	-	-	-	1.5	1.0	2.2	4.1	6.0	6.6	6.1	5.1	4.1
I	2.5	2.0	1.8	0.7	0.2	0.7	1.4	2.7	2.9	2.9	2.7	2.3
L	-	-	-	-	-	-	-	-	-	-	-	-
NL	1.8	1.5	1.7	1.1	1.3	1.3	1.3	2.0	2.7	3.0	3.3	3.5
A	2.2	1.3	1.5	0.2	0.5	1.0	1.7	2.7	2.7	2.7	2.4	2.1
P	2.2	-	-	1.3	1.2	1.2	1.2	1.5	1.8	2.1	2.5	2.8
FIN	3.4	0.5	-0.5	-0.7	-0.4	1.5	2.1	3.7	3.9	4.0	2.8	0.8
S	-	-	-	1.4	0.8	0.7	1.0	1.6	2.2	2.6	2.5	2.6
UK	2.6	2.2	1.8	2.1	1.3	1.4	1.8	2.4	3.1	3.2	3.0	2.8
EU-15	2.4	1.7	1.5	0.9	0.6	0.9	1.5	2.4	3.0	3.0	2.8	2.5
Euro area	2.4	1.7	1.5	0.6	0.4	0.8	1.4	2.5	2.9	3.0	2.8	2.5
USA	2.5	1.2	0.6	-0.2	-0.6	-0.2	0.8	2.3	3.2	3.5	3.5	3.3
JAP	0.1	-0.8	-0.7	-1.6	-1.7	-1.0	-0.4	-0.4	0.0	0.3	0.7	1.0

TABLE 4 : Final domestic demand, volume (percentage change on preceding year, 1961-2003) 12.11.2001

	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
B	4.8	1.6	3.7	1.1	2.3	2.2	3.8	2.7	1.6	2.7	1.3	-	2.6
DK	4.6	1.0	0.7	2.3	2.3	-0.6	2.6	1.4	0.5	2.1	2.0	-	2.3
D	4.5	1.3	3.5	2.1	1.4	2.6	2.0	2.3	-0.3	2.6	1.0	-	2.6
EL	8.9	1.5	2.5	1.5	3.9	3.0	4.4	4.6	4.2	4.9	3.9	-	4.3
E	7.7	1.3	6.4	1.0	3.6	5.6	4.2	3.1	2.8	3.3	2.0	-	3.2
F	5.6	1.9	3.6	0.7	2.2	3.1	3.3	3.0	1.7	3.0	1.6	-	2.6
IRL	5.1	2.1	3.3	2.5	7.0	6.6	9.2	8.3	5.2	7.2	3.7	-	4.8
I	5.3	2.5	3.4	0.3	2.3	3.0	2.3	2.7	1.7	2.9	1.9	-	2.8
L	4.1	1.5	6.5	3.8	4.4	7.5	2.7	4.5	3.8	4.1	3.1	-	4.7
NL	4.9	1.7	3.1	1.4	3.1	4.2	3.0	3.8	1.3	3.6	1.5	-	3.0
A	4.9	1.9	3.2	2.5	1.9	2.8	2.5	1.9	0.6	2.2	0.9	-	2.4
P	7.3	1.1	7.8	2.5	3.5	5.5	3.0	2.6	0.7	2.5	1.5	-	2.1
FIN	5.3	2.5	4.3	-2.7	3.1	2.7	3.3	3.2	1.2	2.9	2.0	-	2.0
S	3.7	1.4	2.8	-0.8	2.2	3.6	3.7	2.6	1.0	2.7	1.6	-	2.2
UK	3.2	1.3	3.9	1.3	3.4	3.4	3.4	3.4	3.0	3.2	2.3	-	3.3
EU-15	4.9	1.7	3.8	1.1	2.5	3.3	3.0	2.9	1.5	3.0	1.7	-	2.9
Euro area	5.4	1.8	3.9	1.2	2.3	3.3	2.9	2.8	1.3	3.0	1.6	-	2.8
USA	4.2	2.8	2.8	2.4	3.6	5.0	4.8	1.8	0.9	3.1	0.6	-	3.7
JAP	9.5	2.8	5.5	1.4	0.6	0.9	1.1	1.2	0.0	1.1	-1.0	-	0.3

TABLE 5 : Final demand, volume (percentage change on preceding year, 1961-2003)

	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
B	6.2	2.0	4.5	2.3	3.3	3.4	6.4	4.7	1.2	4.9	1.6	-	4.0
DK	4.9	1.7	1.8	2.4	3.2	2.1	5.2	3.0	1.6	3.6	1.9	-	3.3
D	4.9	2.0	3.9	2.5	2.6	3.3	4.6	4.3	1.0	4.3	1.0	-	3.6
EL	9.1	1.9	2.7	1.8	4.6	3.5	6.8	5.4	4.5	5.9	3.6	-	4.9
E	8.1	1.9	5.9	2.4	4.6	6.1	5.4	4.5	3.3	4.7	2.4	-	4.2
F	6.0	2.3	3.8	1.4	3.1	3.3	5.3	4.5	2.0	4.1	1.8	-	3.5
IRL	5.8	3.9	5.4	6.6	10.2	11.3	13.8	9.2	7.3	8.8	4.6	-	6.7
I	5.9	2.8	3.7	1.6	2.7	2.3	4.1	3.7	2.2	4.0	1.9	-	3.7
L	5.1	2.2	6.3	4.2	7.4	11.0	11.0	7.1	4.4	6.9	2.8	-	6.6
NL	6.1	2.1	3.8	3.2	4.0	4.7	5.7	5.1	1.7	4.7	1.3	-	3.8
A	5.7	2.9	3.8	2.5	3.8	4.6	5.5	3.7	2.2	3.8	2.0	-	4.2
P	8.0	1.8	8.1	2.8	4.1	5.0	4.2	3.5	2.0	3.5	1.6	-	2.9
FIN	5.4	2.9	3.8	-0.2	4.4	4.0	8.1	5.3	-0.2	4.6	2.1	-	3.2
S	4.4	1.8	2.9	1.0	3.6	4.5	5.9	4.1	0.6	4.3	2.2	-	3.8
UK	3.5	1.6	4.0	2.1	3.9	3.9	5.0	4.0	2.8	4.2	2.0	-	3.9
EU-15	5.4	2.1	4.1	2.1	3.4	3.8	5.2	4.4	2.1	4.4	1.8	-	3.8
Euro area	5.9	2.3	4.2	2.1	3.4	3.8	5.2	4.5	2.0	4.4	1.7	-	3.8
USA	4.5	2.9	3.4	2.8	3.6	4.9	5.4	2.0	0.3	3.4	0.0	-	3.6
JAP	9.7	3.2	5.3	1.5	0.8	0.9	2.2	1.3	-0.6	1.6	-1.0	-	0.8

TABLE 6 : Gross domestic product at current market prices (percentage change on preceding year, 1961-2003)

	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
B	9.2	8.8	6.2	4.2	4.0	4.3	5.4	5.4	3.5	5.1	3.2	-	4.3
DK	11.7	11.2	5.4	4.1	5.0	5.2	7.0	4.5	4.3	5.0	3.4	-	4.8
D	8.9	5.9	5.9	5.5	2.4	2.3	2.6	3.1	2.0	3.5	2.0	-	3.6
EL	13.3	21.0	18.6	15.4	8.2	6.3	7.9	7.5	7.5	7.6	7.1	-	7.7
E	14.9	17.1	12.2	7.0	6.4	7.1	7.7	6.7	6.6	5.8	4.8	-	5.6
F	10.7	12.5	6.8	3.2	3.6	3.4	4.0	4.3	3.5	4.5	3.2	-	4.2
IRL	11.8	17.0	7.9	7.7	12.7	15.5	16.2	13.7	11.6	12.7	8.1	-	9.6
I	11.0	19.4	10.2	6.2	4.6	3.3	5.2	5.4	4.4	5.2	3.2	-	4.9
L	8.7	8.5	8.8	8.1	8.8	8.4	13.6	9.5	7.1	9.0	6.5	-	8.4
NL	11.2	7.5	4.0	4.4	5.8	5.5	7.3	8.1	7.3	6.1	5.0	-	5.2
A	9.7	7.8	5.8	5.2	3.3	3.5	4.2	3.8	2.5	3.6	2.8	-	3.5
P	11.1	23.4	19.4	9.7	6.5	6.8	6.5	6.9	5.7	5.3	4.7	-	4.6
FIN	12.1	13.6	9.1	1.5	5.5	3.9	9.3	5.5	2.9	4.9	2.7	-	4.5
S	9.2	11.7	9.4	4.0	4.1	5.2	4.7	4.7	3.3	5.2	3.8	-	4.8
UK	8.5	14.0	9.4	5.2	5.3	4.8	4.7	4.9	4.7	5.5	4.3	-	5.6
EU-15	10.2	12.8	8.4	5.4	4.4	4.1	4.9	5.0	4.1	5.0	3.5	-	4.8
Euro area	10.7	12.6	8.2	5.5	4.2	3.9	4.9	5.0	4.1	4.8	3.3	-	4.6
USA	7.8	9.7	6.6	5.0	5.1	5.6	6.6	4.1	3.4	5.0	2.4	-	5.1
JAP	16.2	9.2	6.3	2.4	0.1	-0.6	-0.1	1.6	-1.3	1.8	-0.8	-	0.4

TABLE 7 : Private consumption expenditure, volume (percentage change on preceding year, 1961-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	4.3	2.0	3.1	1.4	2.3	2.1	3.8	2.5	2.0	2.4	1.6	-	2.6
DK	3.7	1.2	0.3	2.3	1.8	0.5	-0.1	0.9	1.2	1.7	1.7	-	2.0
D	4.9	1.9	3.6	2.3	1.5	3.1	1.5	2.2	1.5	2.2	0.6	-	1.8
EL	6.8	3.4	3.1	1.8	2.9	2.9	3.2	3.2	3.1	3.4	2.7	-	2.9
E	7.2	1.5	4.6	1.2	3.2	4.7	4.0	2.7	2.6	3.0	1.6	-	3.1
F	5.3	2.2	3.0	0.7	2.2	2.8	2.5	2.5	2.7	2.7	1.9	-	2.6
IRL	3.8	2.2	3.4	3.2	6.9	8.3	10.0	8.7	6.2	7.7	4.2	-	5.6
I	5.9	3.0	3.5	0.9	2.4	2.3	2.9	2.6	1.6	2.6	2.0	-	2.7
L	4.6	2.6	5.1	2.3	3.5	2.1	3.4	4.6	3.7	4.4	3.5	-	4.0
NL	5.6	1.8	2.7	1.6	3.4	4.5	3.8	4.0	1.3	3.9	2.3	-	3.3
A	4.6	2.4	3.4	2.3	2.3	2.7	2.5	2.0	1.4	2.4	1.6	-	2.3
P	6.0	1.4	5.4	2.3	2.9	4.8	2.6	2.0	1.1	2.0	1.2	-	1.8
FIN	5.2	2.6	3.6	-0.9	3.1	4.0	3.0	3.4	1.5	3.0	1.9	-	1.9
S	3.4	1.1	2.4	-0.3	2.4	3.9	4.6	2.6	0.9	2.7	1.7	-	2.3
UK	3.0	1.6	4.7	1.5	3.5	4.2	4.0	3.1	3.8	2.8	2.2	-	2.6
EU-15	4.9	2.1	3.7	1.4	2.5	3.4	2.9	2.7	2.3	2.7	1.7	-	2.5
Euro area	5.5	2.2	3.5	1.4	2.3	3.2	2.7	2.6	2.0	2.7	1.6	-	2.5
USA	4.5	3.0	3.2	2.6	3.3	5.0	4.8	2.1	2.5	2.0	-0.5	-	2.9
JAP	8.7	3.2	4.3	2.2	0.7	1.2	0.5	0.8	0.5	1.2	0.1	-	0.4

TABLE 8 : Government consumption expenditure, volume (percentage change on preceding year, 1961-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	5.5	2.5	0.8	1.5	1.9	3.2	2.5	1.8	2.4	1.5	1.1	-	1.6
DK	5.7	2.7	0.3	2.1	1.7	1.4	1.0	2.0	1.7	1.4	1.4	-	1.2
D	4.5	2.2	1.4	1.9	1.3	1.6	1.2	1.3	1.4	1.7	1.3	-	1.3
EL	6.2	5.0	-0.1	0.5	1.3	-0.1	2.3	0.6	1.8	0.6	0.5	-	0.6
E	4.5	4.8	6.4	3.0	2.8	4.2	4.0	2.5	2.0	2.7	2.4	-	2.2
F	4.0	3.2	2.4	2.3	1.7	2.0	2.2	1.8	1.9	1.5	2.0	-	1.5
IRL	5.2	3.7	-0.7	2.7	4.8	6.3	5.4	6.8	6.0	3.0	3.8	-	2.7
I	4.1	3.0	2.8	-0.2	1.0	1.5	1.6	1.4	1.2	1.1	1.6	-	0.9
L	3.4	2.4	3.9	2.7	4.1	7.7	4.8	3.6	3.4	3.6	3.0	-	4.0
NL	2.9	2.8	2.3	2.1	2.3	2.8	1.9	2.6	3.4	2.3	2.5	-	1.7
A	3.2	2.7	1.4	3.0	0.7	2.2	0.9	1.3	-0.2	1.0	-0.1	-	0.2
P	9.1	6.7	6.0	2.7	2.5	4.5	2.5	1.5	1.9	1.5	1.1	-	0.9
FIN	5.4	3.9	3.2	-0.5	1.9	1.9	0.7	1.1	1.7	1.3	1.6	-	1.1
S	4.9	2.7	1.5	0.3	0.8	1.7	-0.9	1.4	1.1	1.0	1.0	-	0.8
UK	2.6	1.4	0.9	1.2	2.0	2.8	1.6	4.4	2.4	4.1	3.4	-	3.2
EU-15	4.0	2.7	2.1	1.6	1.7	2.2	1.8	2.1	1.8	2.0	1.9	-	1.6
Euro area	4.3	3.0	2.4	1.7	1.6	2.2	2.0	1.7	1.7	1.6	1.7	-	1.4
USA	2.5	2.4	2.8	-0.1	2.6	2.4	2.7	1.7	3.4	2.7	6.3	-	2.4
JAP	4.9	4.3	3.4	3.2	2.1	4.0	3.6	-0.6	2.1	0.0	1.2	-	0.3

TABLE 9 : Total investment, volume (percentage change on preceding year, 1961-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	5.1	-0.2	9.2	-0.1	2.9	3.3	2.6	4.0	-0.6	4.2	1.6	-	3.8
DK	6.7	-1.0	1.7	1.8	4.8	1.6	9.9	1.2	-2.3	3.6	3.3	-	4.1
D	3.9	-0.3	4.8	1.8	1.2	4.2	2.3	2.4	-2.7	3.7	-0.3	-	3.7
EL	9.6	-2.2	2.3	-0.2	9.0	7.3	7.8	10.5	9.1	10.9	9.2	-	10.4
E	10.5	-0.6	10.9	-0.5	5.2	8.8	5.7	4.2	3.8	4.4	2.6	-	4.2
F	7.7	0.5	6.4	-1.2	3.3	6.2	6.1	6.3	2.8	5.5	0.9	-	3.7
IRL	9.9	0.7	4.5	2.3	10.0	13.5	7.3	7.3	3.4	8.7	2.7	-	4.2
I	4.5	0.6	4.3	-1.2	3.6	4.6	6.1	3.9	1.6	4.7	2.7	-	3.8
L	4.9	-2.7	14.3	6.3	6.0	19.6	-3.0	5.8	5.8	4.6	2.9	-	5.5
NL	5.4	0.0	4.1	0.7	3.6	7.8	3.8	3.9	-1.3	3.6	-0.8	-	2.5
A	6.5	0.9	4.8	2.4	2.3	1.5	5.1	2.5	-0.2	2.7	0.8	-	3.5
P	7.9	-1.3	10.9	2.2	6.0	7.1	5.3	4.5	-1.0	4.1	2.2	-	3.7
FIN	4.8	1.0	4.9	-9.5	5.4	3.0	5.5	4.5	1.8	3.7	0.5	-	2.9
S	4.4	0.5	5.5	-4.8	4.6	9.6	5.0	5.7	3.2	5.7	3.1	-	4.0
UK	4.6	0.9	5.7	-0.3	4.7	0.9	4.9	3.3	2.0	4.0	1.1	-	4.3
EU-15	5.7	0.1	5.8	-0.2	3.5	4.9	4.7	4.1	0.9	4.5	1.4	-	3.9
Euro area	5.9	0.0	5.9	0.0	3.2	5.6	4.6	4.2	0.7	4.6	1.3	-	3.9
USA	5.3	2.7	1.5	4.1	5.5	7.9	6.8	2.4	-1.6	5.9	-2.6	-	6.0
JAP	14.0	1.6	8.7	-0.9	-0.5	-0.9	0.6	2.9	-2.4	1.8	-4.5	-	0.1

TABLE 10 : Investment in construction, volume (percentage change on preceding year, 1971-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-	-	-	-	-	-	-	3.2	-	3.0	-	-	-
DK	5.1	-3.0	0.6	-0.6	2.7	-2.7	7.0	-2.2	-7.6	2.3	3.0	-	2.7
D	4.0	-1.4	3.1	4.0	-1.5	1.5	-2.5	-1.9	-5.1	0.5	-1.0	-	0.5
EL	14.5	-3.3	0.8	-2.8	7.6	9.0	2.9	11.4	10.2	12.0	11.2	-	12.1
E	7.3	-1.0	11.0	0.1	4.7	9.0	6.2	4.9	5.8	4.0	3.6	-	4.6
F	5.6	-1.2	4.1	-2.1	1.3	5.6	5.6	4.3	1.6	3.8	0.2	-	2.6
IRL	8.0	0.6	3.3	3.3	9.3	11.3	7.4	7.2	2.4	9.1	2.7	-	3.9
I	0.1	-0.3	2.4	-2.4	1.9	2.8	3.6	1.4	2.8	2.4	2.1	-	2.6
L	-	-	-	-	3.7	4.3	5.1	5.8	1.7	4.2	2.9	-	4.7
NL	0.4	-1.6	3.7	0.3	2.5	6.1	3.4	4.5	0.4	3.3	0.1	-	2.2
A	10.1	-0.1	4.0	3.6	-0.4	-0.7	0.3	1.3	-2.6	1.5	-1.3	-	0.4
P	-	-	8.5	3.3	5.0	4.6	4.7	4.0	0.1	3.7	1.7	-	3.0
FIN	6.4	0.4	3.7	-11.1	5.8	6.3	7.0	3.7	0.1	3.0	0.0	-	0.6
S	-0.5	-1.1	3.9	-8.3	2.0	3.8	4.4	5.8	3.9	6.2	3.7	-	4.8
UK	2.0	-0.7	7.4	-1.0	3.4	2.0	2.5	5.2	4.2	5.3	4.8	-	5.2
EU-15 [1]	4.0	-0.9	4.6	-0.1	1.7	3.7	2.4	2.6	0.6	3.3	1.7	-	3.0
Euro area [1]	4.4	-0.9	4.3	0.4	1.4	4.0	2.2	2.2	0.1	2.9	1.1	-	2.6
USA	6.6	1.4	-0.3	0.7	3.4	3.6	2.4	2.0	2.7	5.2	-2.9	-	4.0
JAP	9.3	0.6	8.6	-1.9	-1.5	-1.1	-1.2	5.4	-1.8	0.8	-3.5	-	-0.7

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

TABLE 11 : Investment in equipment, volume (percentage change on preceding year, 1971-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-	-	-	-	-	-	-	4.4	-	5.0	-	-	-
DK	6.3	2.5	1.8	2.5	4.8	3.5	12.7	1.7	-3.1	2.8	0.9	-	5.1
D	0.2	1.6	7.2	-2.4	4.5	7.2	8.7	7.2	-0.5	6.8	-0.2	-	7.0
EL	11.9	0.7	5.4	4.6	11.9	1.9	16.2	10.0	8.3	10.2	7.0	-	8.5
E	10.9	-0.2	11.9	-2.5	6.3	7.7	4.8	3.0	1.2	5.0	1.1	-	4.1
F	9.2	2.9	9.0	-0.1	5.2	6.6	8.5	8.8	3.8	7.0	0.8	-	4.7
IRL	13.8	1.6	6.0	1.8	10.8	17.9	6.3	7.6	4.5	8.5	2.7	-	4.5
I	8.7	1.8	6.3	-0.1	4.9	6.0	8.0	5.5	0.2	6.2	3.1	-	4.4
L	-	-	-	-	8.3	42.3	-9.1	6.0	9.0	5.0	3.0	-	6.0
NL	0.4	2.8	3.6	1.3	4.0	8.9	5.5	3.2	-3.4	3.9	-2.2	-	2.9
A	6.4	2.4	5.8	0.3	5.4	4.0	11.7	4.1	2.3	4.0	3.0	-	6.7
P	-	-	13.3	0.0	7.9	10.8	7.6	5.0	-2.0	4.5	2.7	-	4.3
FIN	6.0	1.6	6.4	-9.3	4.7	-2.0	3.2	5.5	1.0	4.4	0.5	-	4.5
S	6.9	3.2	6.9	-0.6	5.3	8.3	3.9	6.1	2.7	6.2	2.7	-	3.5
UK	4.5	1.8	5.2	0.3	6.1	0.1	7.0	1.9	0.3	3.0	-1.8	-	3.5
EU-15 [1]	5.6	2.0	7.2	-0.8	5.2	5.9	7.9	5.4	0.6	5.6	0.8	-	4.9
Euro area [1]	5.6	1.9	7.7	-1.1	5.1	6.7	8.1	6.2	0.7	6.2	1.2	-	5.2
USA	10.3	4.7	3.7	7.7	7.6	12.0	10.8	2.6	-4.3	6.4	-2.4	-	7.4
JAP	7.5	3.2	9.0	0.3	0.7	-0.8	2.6	0.3	-3.1	2.7	-5.5	-	1.0

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

TABLE 12 : Public investment (as a percentage of GDP, 1971-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	4.8	3.9	1.8	1.5	1.6	1.8	1.8	1.9	1.5	1.9	1.3	-	1.3
DK	4.3	3.1	1.7	1.8	1.8	1.6	1.7	1.9	1.8	1.8	1.8	-	1.8
D	4.3	3.2	2.4	2.6	1.9	1.9	1.9	1.8	1.8	1.7	1.8	-	1.7
EL	2.9	2.8	2.9	3.2	3.9	4.0	4.1	4.4	4.2	4.6	4.3	-	4.4
E	2.7	2.5	3.9	4.1	3.3	3.4	3.3	3.4	3.3	3.5	3.4	-	3.5
F	3.7	3.3	3.3	3.3	3.0	2.9	3.0	3.0	3.0	3.0	3.0	-	3.1
IRL	4.0	4.6	2.3	2.2	3.5	3.1	3.8	4.0	4.2	4.6	4.6	-	4.9
I	2.8	3.3	3.4	2.7	2.3	2.5	2.4	2.3	2.3	2.3	2.2	-	2.0
L	4.1	5.3	-	4.8	4.4	4.3	4.1	4.6	4.3	4.6	4.5	-	4.3
NL	3.9	2.9	2.0	2.2	3.1	3.0	3.2	3.2	3.3	3.2	3.3	-	3.3
A	5.2	4.4	3.4	3.2	1.9	1.8	1.7	1.6	1.6	1.6	1.6	-	1.5
P	2.2	3.4	3.2	3.6	4.0	4.1	3.8	4.2	3.9	4.3	4.0	-	4.1
FIN	3.9	3.9	3.6	3.2	2.7	2.9	2.6	2.7	2.4	2.7	2.5	-	2.4
S	5.6	3.9	2.4	2.4	2.7	2.8	2.5	2.6	2.6	2.6	2.5	-	2.5
UK	4.6	2.9	1.8	1.9	1.4	1.1	1.2	1.4	1.5	1.7	1.8	-	1.9
EU-15	4.0	3.2	2.7	2.7	2.3	2.3	2.3	2.3	2.3	2.4	2.4	-	2.4
Euro area	3.7	3.3	3.0	2.9	2.5	2.5	2.5	2.5	2.5	2.6	2.5	-	2.5
USA	3.1	2.8	2.8	2.8	2.9	2.7	2.7	3.4	3.3	3.4	3.4	-	3.4
JAP	5.1	5.5	4.9	5.8	5.5	5.7	5.6	6.7	5.5	6.5	5.3	-	5.0

TABLE 13 : Output gap relative to trend GDP (deviation of actual output from trend output as percentage of trend GDP, 1961-2003) [1] 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	0.0	0.0	0.2	0.1	-0.1	0.1	1.7	0.4	0.7	0.6	-0.3	-	0.1
DK	0.6	-0.8	1.4	-1.5	0.5	0.7	1.5	0.4	0.5	0.3	-0.2	-	0.0
D	0.3	-0.4	-0.9	2.2	-0.6	-0.6	0.6	-0.4	-0.4	0.1	-1.5	-	-0.6
EL	0.5	-0.1	-0.6	-0.3	-0.2	-0.7	0.2	0.6	0.8	1.8	0.8	-	1.4
E	0.2	-0.2	1.0	0.0	0.0	0.7	1.7	0.7	1.3	0.5	0.2	-	0.4
F	0.2	-0.2	0.5	0.2	-0.3	0.1	1.0	0.3	0.7	0.5	-0.1	-	0.1
IRL	-0.3	1.0	-0.7	-3.2	2.3	3.5	7.2	3.4	6.4	2.3	2.7	-	1.5
I	0.2	-0.2	0.8	-0.2	-0.3	-0.7	0.3	-0.1	0.2	0.4	-0.5	-	0.1
L	0.1	-0.6	0.5	0.8	0.3	0.0	3.7	1.4	2.2	1.0	0.0	-	0.3
NL	-0.2	-0.1	0.0	-0.1	0.4	1.6	2.1	1.0	0.8	0.7	-0.5	-	-0.1
A	-0.1	0.2	-1.0	0.9	0.0	0.5	1.4	0.0	0.4	-0.2	-0.4	-	0.1
P	0.2	-0.5	0.2	0.0	0.5	1.4	2.2	0.6	1.3	0.3	0.4	-	0.4
FIN	0.1	-0.4	4.6	-5.0	1.1	2.5	4.9	2.2	2.1	1.6	0.7	-	0.4
S	0.2	-0.4	2.4	-1.8	0.1	1.3	2.3	0.8	1.2	0.7	0.2	-	0.2
UK	0.2	-0.8	2.7	-1.7	0.3	0.4	0.7	0.3	0.5	0.6	-0.2	-	0.3
EU-15	0.2	-0.3	0.6	0.2	-0.1	0.1	1.1	0.2	0.4	0.4	-0.5	-	0.0
Euro area	0.2	-0.2	0.1	0.7	-0.2	0.0	1.1	0.2	0.4	0.4	-0.6	-	-0.1

[1] Output gaps are non observable concepts and can be measured in different ways. Analysis based on them should be treated with prudence.
(see note 4 on concepts and sources). This measure of output gap is used for the cyclical adjustment of public finance data.

TABLE 14 : Output gap relative to potential GDP (deviation of actual output from potential output as percentage of potential GDP, 1986-2003) [1]

						2001 estimate of		2002 forecast of		2003 forecast of	
	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	0.2	0.0	0.0	0.2	1.8	-	0.8	-	-0.3	-	0.3
DK	2.0	-0.8	1.2	1.4	2.2	-	1.1	-	0.4	-	0.7
D	-0.6	1.6	-0.7	-0.8	0.4	-	-0.5	-	-1.5	-	-0.5
EL	-0.4	-0.9	0.4	-0.5	1.2	-	2.0	-	2.2	-	3.0
E	0.4	-2.0	-1.1	-0.4	0.9	-	0.2	-	-0.9	-	-0.4
F	0.3	-0.3	-0.5	0.2	0.8	-	0.3	-	-0.6	-	-0.4
IRL	-2.2	-3.7	1.1	2.6	5.6	-	4.0	-	-0.2	-	-1.8
I	0.1	-1.3	-0.9	-1.2	-0.2	-	-0.3	-	-0.9	-	-0.2
L	1.2	0.5	-1.1	-1.1	1.8	-	-0.3	-	-3.0	-	-3.6
NL	-1.1	-0.8	0.1	1.4	1.7	-	0.3	-	-1.1	-	-0.7
A	-0.6	0.4	-0.6	-0.1	0.7	-	-0.3	-	-1.1	-	-0.6
P	0.2	0.4	-0.2	1.2	1.2	-	0.0	-	-1.5	-	-2.0
FIN	4.4	-5.7	1.7	2.8	5.6	-	3.0	-	1.8	-	1.8
S	2.4	-2.3	0.7	1.8	3.0	-	1.7	-	0.7	-	0.8
UK	2.4	-1.5	0.2	0.3	0.4	-	0.0	-	-1.0	-	-0.6
EU-15	0.6	-0.5	-0.4	-0.1	0.8	-	0.1	-	-0.9	-	-0.4
Euro area	0.1	-0.2	-0.6	-0.3	0.7	-	0.1	-	-0.9	-	-0.4

[1] Output gaps are non observable concepts and can be measured in different ways. Analysis based on them should be treated with prudence, series under revision.
(see note 4 on concepts and sources).

TABLE 15 : Deflator of gross domestic product (percentage change on preceding year, 1961-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	4.1	6.7	2.9	2.7	1.5	1.2	1.4	2.3	2.1	1.9	1.9	-	1.5
DK	7.0	9.5	4.1	2.1	2.5	3.0	3.7	2.3	2.9	2.5	1.8	-	2.3
D	4.4	4.1	2.4	3.4	0.8	0.5	-0.4	0.9	1.3	0.9	1.3	-	0.8
EL	4.4	19.0	17.1	14.0	4.5	2.9	3.4	2.9	3.3	2.7	3.5	-	3.4
E	7.2	15.0	7.4	5.4	2.9	2.9	3.4	3.4	3.8	2.5	2.7	-	2.4
F	5.1	10.0	3.4	2.1	1.2	0.5	0.9	1.4	1.5	1.6	1.7	-	1.6
IRL	7.2	12.8	3.2	2.9	4.3	4.2	4.3	5.8	4.8	5.2	4.6	-	3.9
I	5.4	16.3	7.1	4.9	2.6	1.6	2.2	2.8	2.6	2.4	1.9	-	2.2
L	4.4	6.7	2.2	2.5	2.8	2.5	3.7	3.6	3.0	3.3	3.4	-	2.8
NL	6.0	5.4	0.7	2.3	2.7	1.7	3.7	4.5	5.7	2.9	3.5	-	2.0
A	4.6	5.4	2.5	3.1	1.1	0.7	1.2	1.3	1.4	1.1	1.5	-	1.0
P	3.9	20.8	13.0	7.9	3.3	3.3	3.0	4.2	3.9	2.7	3.2	-	2.3
FIN	6.7	10.5	5.6	2.2	1.6	-0.1	3.4	1.4	2.4	1.2	0.9	-	1.6
S	4.9	9.8	7.0	3.4	1.5	0.7	1.0	1.9	1.9	2.1	2.1	-	2.2
UK	5.1	12.4	5.9	3.4	2.6	2.6	1.7	2.1	2.3	2.5	2.5	-	2.5
EU-15	5.2	10.6	5.0	3.8	2.0	1.5	1.5	2.1	2.4	2.0	2.1	-	1.8
Euro area	5.2	10.2	4.7	3.9	1.8	1.2	1.5	2.2	2.4	1.9	2.0	-	1.7
USA	3.2	6.8	3.3	2.5	1.8	1.4	2.3	2.5	2.4	2.0	1.8	-	1.6
JAP	6.2	5.6	1.3	1.0	-0.5	-1.4	-1.6	0.6	-0.7	0.5	0.1	-	-0.1

TABLE 16 : Price deflator of private consumption (percentage change on preceding year, 1961-2003) 12.11.2001

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	3.7	7.4	1.9	2.5	1.7	1.0	2.2	1.7	2.4	1.5	1.4	-	1.4
DK	6.6	9.7	4.0	2.3	2.3	2.6	3.1	2.1	2.5	2.1	1.8	-	2.0
D	3.4	4.3	1.4	3.3	1.4	0.4	1.4	1.8	1.8	1.3	1.6	-	1.5
EL	3.6	18.2	17.6	13.8	4.0	2.4	3.1	2.8	3.1	2.4	3.0	-	2.8
E	6.5	15.3	6.6	5.6	2.7	2.4	3.2	3.2	3.3	2.3	2.4	-	2.1
F	4.7	10.5	3.1	2.5	1.3	0.4	1.5	1.3	1.5	1.6	1.4	-	1.4
IRL	6.3	13.8	3.2	2.6	3.5	3.4	4.7	4.8	4.6	4.2	3.7	-	3.2
I	4.9	16.0	6.1	5.8	2.5	2.1	2.9	2.6	2.8	2.1	1.8	-	1.9
L	3.0	7.4	2.4	3.0	2.0	1.4	2.8	2.4	2.7	2.0	2.3	-	1.9
NL	5.1	6.0	1.0	2.6	2.4	1.9	2.8	4.2	4.6	2.9	2.5	-	1.9
A	4.1	5.8	2.0	3.1	1.6	0.7	1.5	1.7	2.6	1.6	1.9	-	1.9
P	3.9	22.2	11.9	7.5	3.0	2.3	2.8	3.5	4.3	2.3	2.8	-	2.2
FIN	5.7	10.7	4.3	3.0	1.9	1.1	3.5	2.2	2.6	1.8	1.8	-	2.0
S	4.8	10.3	6.7	4.7	1.6	1.0	0.9	1.4	2.3	1.6	2.1	-	1.9
UK	4.8	11.9	5.5	4.1	1.9	1.5	0.6	1.4	1.5	1.7	1.8	-	2.0
EU-15	4.6	10.9	4.4	4.2	2.0	1.3	1.9	2.1	2.3	1.8	1.8	-	1.8
Euro area	4.5	10.7	4.1	4.2	2.0	1.2	2.2	2.3	2.5	1.8	1.8	-	1.8
USA	2.9	6.9	3.8	2.7	1.8	1.6	2.7	2.4	1.9	1.9	1.5	-	1.8
JAP	6.1	6.5	1.3	1.1	-0.2	-0.7	-1.1	-0.2	-1.0	0.6	-0.1	-	0.1

TABLE 17 : Consumer prices (general index) (percentage change on preceding year, 1961-2003)

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	4.0	7.6	2.1	2.4	1.7	1.1	2.6	1.7	2.4	1.5	1.4	-	1.4
DK	6.2	9.7	3.9	2.0	2.2	2.5	2.9	2.2	2.4	2.1	1.8	-	2.0
D	3.4	4.4	1.4	3.5	1.5	0.6	1.9	2.1	2.5	1.5	1.5	-	1.6
EL	3.3	18.7	17.4	13.9	4.2	2.6	3.1	2.9	3.4	2.5	3.0	-	2.9
E	6.8	15.5	6.5	5.2	2.6	2.3	3.4	3.1	3.7	2.2	2.3	-	2.1
F	4.6	10.4	3.1	2.2	1.4	0.6	1.6	1.3	1.8	1.6	1.4	-	1.5
IRL	5.9	14.1	3.3	2.5	3.1	1.7	5.6	4.5	5.0	3.9	3.6	-	3.1
I	4.7	15.6	5.7	5.0	2.3	1.7	2.6	2.4	2.7	1.9	1.7	-	1.8
L	3.2	7.3	1.7	2.8	1.9	1.0	3.1	2.4	2.7	2.0	2.3	-	1.9
NL	5.1	5.9	0.8	2.9	2.5	2.2	2.6	4.2	4.6	3.1	2.5	-	1.9
A	4.2	5.7	2.2	3.2	1.7	0.6	2.3	1.7	2.6	1.5	1.8	-	1.9
P	6.1	22.3	11.3	7.1	2.8	2.3	2.9	3.5	4.3	2.3	2.8	-	2.2
FIN	5.7	10.9	4.9	2.3	1.8	1.2	3.4	2.3	2.6	1.9	1.9	-	2.3
S	4.6	9.8	6.2	4.2	1.2	0.4	1.0	1.7	2.7	1.9	2.3	-	2.2
UK	5.1	12.2	5.9	3.4	2.4	1.6	2.9	1.8	1.8	2.3	1.5	-	2.6
EU-15	4.7	10.9	4.4	3.9	2.0	1.3	2.5	2.2	2.6	1.9	1.8	-	1.9
Euro area	4.6	10.6	4.0	4.0	2.0	1.2	2.4	2.3	2.8	1.9	1.8	-	1.8
USA	3.2	7.6	4.0	3.1	2.4	2.2	3.3	2.7	3.0	2.1	1.8	-	2.0
JAP	6.2	6.7	1.4	1.4	0.0	-0.3	-0.7	-0.3	-0.6	0.6	-0.8	-	0.2

TABLE 18 : Consumer prices (harmonised index) (percentage change on preceding year, 1961-2003)

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-	-	-	-	1.6	1.1	2.7	1.9	2.4	1.7	1.4	-	1.4
DK	-	-	-	1.8	2.0	2.1	2.7	2.1	2.3	2.1	1.7	-	2.0
D	-	-	-	-	1.4	0.6	2.1	2.0	2.4	1.5	1.5	-	1.5
EL	-	-	-	-	4.0	2.1	2.9	2.6	3.6	2.3	2.7	-	2.9
E	-	-	-	-	2.6	2.2	3.5	3.2	3.7	2.3	2.3	-	2.1
F	-	-	-	2.3	1.4	0.6	1.8	1.3	1.8	1.6	1.4	-	1.5
IRL	-	-	-	-	2.9	2.5	5.3	4.0	4.0	3.6	3.3	-	2.9
I	-	-	-	5.1	2.3	1.7	2.6	2.2	2.7	1.9	1.7	-	1.8
L	-	-	-	-	1.9	1.0	3.8	2.2	2.6	1.8	2.2	-	1.7
NL	-	-	-	2.3	2.4	2.0	2.3	4.3	5.2	2.9	2.6	-	1.9
A	-	-	-	2.8	1.5	0.5	2.0	1.6	2.4	1.4	1.7	-	1.8
P	-	-	-	7.0	2.7	2.2	2.8	3.5	4.3	2.3	2.8	-	2.2
FIN	-	-	-	2.6	1.8	1.3	3.0	2.4	2.7	2.0	2.0	-	2.2
S	-	-	-	-	1.6	0.6	1.3	1.5	2.7	1.5	2.2	-	2.2
UK	-	-	-	3.8	1.5	1.3	0.8	1.4	1.3	1.7	1.3	-	1.5
EU-15	-	-	-	-	1.8	1.2	2.1	2.1	2.5	1.8	1.7	-	1.7
Euro area	-	-	-	-	1.9	1.1	2.4	2.2	2.8	1.8	1.8	-	1.8
USA	-	-	-	-	-	-	-	-	-	-	-	-	-
JAP	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 19 : Price deflator of exports of goods in national currency (percentage change on preceding year, 1961-2003) 12.11.2001

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	2.2	8.3	-0.7	-0.6	2.4	-0.3	10.0	2.0	1.1	2.2	1.0	-	1.9
DK	-	8.6	0.2	1.2	1.8	1.3	5.9	1.8	2.3	2.1	0.8	-	1.7
D	2.1	4.5	0.3	0.9	0.9	-1.0	3.1	0.3	1.0	1.0	0.7	-	2.0
EL	3.6	17.1	10.7	8.7	4.3	-0.2	16.4	2.2	2.2	2.8	1.4	-	2.9
E	-	14.0	1.3	3.1	2.1	-0.8	8.4	1.8	2.3	2.2	0.3	-	2.3
F	2.5	10.3	-0.4	-1.5	0.8	-0.8	1.6	1.0	0.9	1.6	1.4	-	1.4
IRL	6.0	12.5	-0.8	1.1	2.1	2.4	5.4	1.7	1.8	2.1	1.3	-	2.6
I	2.3	16.3	1.0	5.5	1.6	-0.5	6.8	1.3	2.5	1.9	1.0	-	2.3
L	-	7.1	-0.7	-2.0	0.1	-2.7	3.8	0.3	0.0	1.6	-0.5	-	2.0
NL	1.7	6.9	-4.0	-0.8	1.9	-0.8	9.9	1.5	2.5	1.7	0.9	-	2.0
A	-	-	-0.6	-0.1	0.8	-0.6	2.2	0.6	1.1	1.1	0.5	-	1.5
P	-	-	8.6	2.7	-	-	-	0.3	1.5	2.0	0.7	-	2.3
FIN	-	11.5	1.6	3.7	-0.7	-5.6	4.4	-0.5	1.0	0.3	-1.9	-	0.6
S	-	-	2.7	3.3	0.2	-2.2	2.2	3.4	4.8	1.0	3.1	-	1.5
UK	3.8	12.6	0.6	3.0	-1.0	-2.9	1.4	2.6	0.7	2.7	0.2	-	2.6
EU-15	2.5	9.4	0.0	1.3	1.0	-1.0	4.7	1.3	1.5	1.7	0.9	-	2.0
Euro area	2.3	8.8	-0.2	1.0	1.4	-0.8	5.3	1.0	1.5	1.6	0.8	-	2.0
USA	3.2	5.8	1.2	0.3	-0.9	-1.4	1.1	1.2	-0.5	1.9	0.4	-	2.0
JAP	-	-	-	-	-	-	-	-1.1	7.6	-1.7	-1.9	-	-0.9

TABLE 20 : Price deflator of imports of goods in national currency (percentage change on preceding year, 1961-2003)

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	2.3	9.4	-2.2	-0.7	2.9	0.8	12.6	1.4	1.2	2.0	0.5	-	2.0
DK	-	10.3	-1.8	0.5	1.1	-0.7	7.3	1.7	1.1	2.1	0.7	-	1.7
D	1.0	6.2	-3.2	-0.1	1.2	-1.7	8.9	0.7	1.0	1.0	-0.2	-	2.0
EL	2.9	19.9	9.9	8.5	3.7	0.4	11.8	1.0	2.1	2.0	0.9	-	2.7
E	-	17.8	-5.6	2.3	2.1	0.2	10.4	0.9	1.3	2.0	-0.1	-	2.1
F	2.2	13.2	-2.7	-1.7	1.1	-0.4	5.5	0.8	0.9	1.5	0.0	-	2.0
IRL	3.9	14.7	-0.9	2.4	2.2	3.0	8.4	0.5	1.7	1.7	0.5	-	2.4
I	3.3	17.9	-2.9	4.9	1.5	-0.5	13.6	0.1	1.5	1.5	-0.1	-	2.4
L	-	8.4	-1.5	-1.8	0.2	-0.9	4.7	0.5	1.0	1.5	-1.0	-	1.5
NL	1.4	7.4	-4.1	-1.2	1.8	0.5	9.9	0.6	0.6	1.7	-0.3	-	2.5
A	-	-	-0.8	0.1	1.3	-0.1	3.5	0.8	1.6	1.8	0.4	-	2.3
P	-	-	4.6	0.7	-	-	-	-0.3	2.5	2.1	0.3	-	2.5
FIN	-	11.8	-1.1	3.7	0.1	-1.7	6.4	-0.8	-0.3	1.1	-0.3	-	1.8
S	-	-	0.7	3.4	1.4	0.6	4.8	3.9	6.1	0.8	3.6	-	2.1
UK	4.1	12.5	0.8	3.4	-1.8	-3.3	0.5	3.4	1.5	2.2	0.4	-	2.3
EU-15	2.4	11.5	-2.1	1.1	1.1	-0.9	7.9	1.1	1.3	1.6	0.2	-	2.2
Euro area	2.0	11.3	-2.8	0.6	1.6	-0.5	9.3	0.6	1.2	1.5	0.0	-	2.2
USA	3.3	8.5	2.8	0.1	-1.2	0.2	4.8	0.2	-2.5	1.3	-1.1	-	2.2
JAP	-	-	-	-	-	-	-	4.9	3.7	0.2	-1.0	-	2.2

TABLE 21 : Terms of trade of goods (percentage change on preceding year, 1961-2003)

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-0.1	-1.0	1.5	0.1	-0.4	-1.1	-2.3	0.6	-0.1	0.2	0.5	-	-0.1
DK	-	-1.6	2.0	0.7	0.7	2.0	-1.3	0.1	1.2	-0.1	0.2	-	0.0
D	1.1	-1.6	3.6	1.0	-0.3	0.7	-5.4	-0.3	0.0	0.1	0.9	-	0.0
EL	0.7	-2.3	0.7	0.2	0.7	-0.6	4.1	1.1	0.1	0.7	0.6	-	0.2
E	-	-3.2	7.2	0.8	0.0	-1.0	-1.8	0.9	0.9	0.3	0.4	-	0.1
F	0.3	-2.5	2.4	0.2	-0.3	-0.4	-3.7	0.2	0.0	0.1	1.3	-	-0.5
IRL	2.1	-1.9	0.0	-1.2	-0.1	-0.6	-2.8	1.1	0.1	0.3	0.8	-	0.2
I	-1.0	-1.4	4.0	0.5	0.1	0.0	-6.0	1.2	0.9	0.3	1.1	-	-0.1
L	-	-1.2	0.8	-0.2	-0.1	-1.8	-0.9	-0.2	-1.0	0.1	0.5	-	0.5
NL	0.2	-0.4	0.1	0.4	0.1	-1.3	0.0	0.9	1.8	0.0	1.2	-	-0.4
A	-	-	0.2	-0.1	-0.5	-0.4	-1.2	-0.2	-0.5	-0.7	0.1	-	-0.8
P	-	-	3.8	2.0	-	-	-	0.6	-1.0	-0.1	0.4	-	-0.1
FIN	-	-0.2	2.7	-0.1	-0.8	-3.9	-1.9	0.3	1.2	-0.8	-1.6	-	-1.1
S	-	-	2.0	-0.1	-1.2	-2.8	-2.6	-0.5	-1.2	0.2	-0.5	-	-0.7
UK	-0.3	0.2	-0.3	-0.4	0.8	0.4	0.9	-0.8	-0.8	0.5	-0.1	-	0.2
EU-15	0.2	-1.9	2.2	0.2	-0.1	-0.2	-2.9	0.2	0.2	0.1	0.7	-	-0.2
Euro area	0.3	-2.3	2.7	0.4	-0.2	-0.3	-3.6	0.4	0.4	0.1	0.9	-	-0.2
USA	-0.1	-2.5	-1.6	0.2	0.3	-1.5	-3.5	1.0	2.0	0.6	1.5	-	-0.2
JAP	-	-	-	-	-	-	-	-5.7	3.8	-1.9	-0.9	-	-3.0

TABLE 22 : Compensation of employees per head (percentage change on preceding year, 1961-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	9.1	9.5	3.9	4.7	2.7	3.2	3.2	3.1	3.2	3.0	3.1	-	2.3
DK	10.8	10.6	5.4	3.1	3.8	4.0	3.9	3.6	3.8	3.7	3.7	-	3.7
D	9.1	5.8	3.5	5.4	1.6	1.4	1.2	1.7	1.9	2.5	2.3	-	2.4
EL	10.1	21.5	16.8	12.1	7.0	4.8	6.1	5.4	5.5	5.7	5.7	-	5.5
E	14.6	18.0	8.5	7.2	3.2	2.7	3.4	4.1	3.9	2.9	3.5	-	2.8
F	9.9	12.9	4.3	3.2	2.4	2.4	1.9	2.7	2.2	3.1	2.6	-	2.7
IRL	11.3	16.7	5.6	4.5	6.3	5.3	8.7	9.8	9.5	8.8	8.0	-	6.9
I	11.4	18.2	8.5	5.3	2.8	2.4	2.9	3.0	3.2	2.9	2.8	-	2.9
L	7.4	9.2	5.2	4.7	3.6	3.5	5.6	4.6	4.4	3.7	4.3	-	3.7
NL	11.4	6.6	1.7	3.4	3.5	3.3	4.6	4.5	5.0	4.5	4.5	-	3.9
A	9.4	7.9	4.6	5.1	2.2	2.4	2.1	2.7	2.4	2.0	2.4	-	2.6
P	10.9	24.1	16.7	10.5	5.2	4.2	6.3	5.8	6.4	4.2	4.7	-	4.0
FIN	11.1	13.1	8.7	3.3	3.2	2.1	3.9	4.0	4.4	3.5	3.5	-	3.4
S	8.4	10.7	9.2	4.5	4.4	1.3	8.7	3.9	3.8	4.0	3.8	-	3.9
UK	8.2	13.9	8.4	4.9	4.3	5.3	4.1	4.2	4.3	4.4	3.9	-	4.4
EU-15	9.9	12.4	6.2	5.1	2.9	2.8	3.0	3.2	3.3	3.3	3.2	-	3.2
Euro area	10.5	12.2	5.6	5.1	2.6	2.3	2.5	3.0	3.0	3.1	3.0	-	2.9
USA	5.6	7.7	4.3	3.4	3.7	4.1	5.1	4.7	5.3	4.7	2.2	-	3.1
JAP	14.2	8.3	4.1	2.0	0.1	-0.9	0.6	-1.2	0.8	-0.1	-1.5	-	-0.1

TABLE 23 : Real compensation of employees per head [1] (percentage change on preceding year, 1961-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	5.2	1.9	1.9	2.1	0.9	2.1	0.9	1.3	0.8	1.4	1.7	-	0.9
DK	4.0	0.8	1.4	0.8	1.5	1.4	0.7	1.5	1.3	1.6	1.9	-	1.7
D	5.5	1.4	2.1	2.0	0.1	1.0	-0.2	-0.1	0.1	1.2	0.7	-	0.9
EL	6.4	2.7	-0.7	-1.5	2.8	2.4	3.0	2.6	2.3	3.2	2.6	-	2.6
E	7.6	2.4	1.7	1.5	0.5	0.3	0.2	0.9	0.6	0.6	1.0	-	0.6
F	5.0	2.2	1.2	0.7	1.1	2.0	0.4	1.3	0.7	1.5	1.2	-	1.3
IRL	4.7	2.6	2.3	1.8	2.7	1.9	3.8	4.8	4.7	4.4	4.1	-	3.6
I	6.3	2.0	2.2	-0.5	0.3	0.3	0.0	0.4	0.4	0.8	1.0	-	1.0
L	4.2	1.7	2.7	1.7	1.6	2.0	2.7	2.1	1.6	1.7	1.9	-	1.7
NL	6.1	0.6	0.7	0.7	1.1	1.4	1.7	0.3	0.4	1.5	2.0	-	2.0
A	5.1	2.0	2.6	1.9	0.6	1.6	0.5	1.0	-0.1	0.4	0.5	-	0.7
P	6.7	1.6	4.2	2.8	2.1	1.9	3.4	2.2	2.0	1.8	1.8	-	1.8
FIN	5.1	2.1	4.2	0.2	1.3	1.0	0.4	1.8	1.8	1.6	1.7	-	1.4
S	3.5	0.4	2.3	-0.2	2.7	0.3	7.8	2.4	1.5	2.4	1.6	-	2.0
UK	3.2	1.7	2.7	0.8	2.3	3.7	3.4	2.8	2.7	2.6	2.1	-	2.4
EU-15	5.0	1.4	1.7	0.8	0.9	1.5	1.1	1.1	0.9	1.5	1.3	-	1.4
Euro area	5.7	1.4	1.4	0.9	0.6	1.0	0.3	0.7	0.5	1.2	1.1	-	1.1
USA	2.7	0.7	0.5	0.7	1.9	2.4	2.4	2.3	3.4	2.7	0.7	-	1.3
JAP	7.6	1.7	2.8	0.9	0.4	-0.2	1.7	-1.0	1.8	-0.7	-1.4	-	-0.2

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

TABLE 24 : Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1961-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	4.4	2.3	2.2	1.6	1.4	1.6	2.4	1.7	0.1	2.0	0.9	-	1.5
DK	3.3	1.2	1.2	2.2	1.6	1.0	2.5	1.6	0.9	1.9	1.5	-	2.0
D	4.0	1.9	1.9	2.1	1.2	0.8	1.4	1.6	0.6	1.7	1.0	-	2.0
EL	9.0	0.7	0.5	0.7	3.0	4.1	4.6	3.0	3.0	3.2	2.9	-	3.0
E	6.5	3.3	1.2	2.0	0.9	0.6	1.0	0.9	0.4	1.0	1.0	-	1.1
F	4.7	2.1	2.3	1.2	1.1	1.1	0.9	1.1	0.3	1.3	1.1	-	1.4
IRL	4.3	3.7	3.5	2.7	3.9	4.3	6.3	4.5	4.1	4.6	2.5	-	3.6
I	5.6	2.1	2.0	1.8	0.9	0.5	1.3	1.2	0.3	1.6	0.9	-	1.4
L	3.0	1.3	3.2	2.7	1.7	0.7	3.6	1.7	-1.4	1.8	0.7	-	1.5
NL	3.3	1.5	0.9	1.0	0.9	1.2	1.1	1.4	-0.4	1.3	1.0	-	1.8
A	4.9	2.2	2.5	1.9	1.9	1.5	2.5	2.0	1.1	2.1	1.5	-	2.1
P	6.6	2.6	4.6	2.3	2.5	1.5	1.7	1.6	0.2	1.9	0.8	-	1.5
FIN	4.5	2.4	3.0	3.2	2.1	1.2	3.9	2.5	-0.8	2.5	1.7	-	2.4
S	3.5	1.0	1.2	2.8	1.7	2.1	1.4	1.3	-0.4	2.2	1.5	-	1.9
UK	2.9	1.5	1.5	2.7	1.7	1.1	1.8	2.2	1.6	2.3	1.7	-	2.6
EU-15	4.4	2.0	1.8	2.0	1.3	1.0	1.6	1.6	0.7	1.8	1.2	-	1.8
Euro area	4.9	2.2	1.9	1.8	1.2	1.0	1.5	1.5	0.5	1.6	1.1	-	1.7
USA	2.3	0.9	1.0	1.3	1.9	2.2	2.2	1.2	1.0	2.4	1.1	-	2.5
JAP	7.9	2.7	3.8	0.6	0.8	1.6	1.8	1.1	-0.3	1.0	-0.5	-	0.8

TABLE 25 : Unit labour costs, whole economy [1] (percentage change on preceding year, 1961-2003) 12.11.2001

	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
B	4.5	7.0	1.7	3.1	1.2	1.6	0.8	1.4	3.1	1.0	2.1	-	0.8
DK	7.3	9.3	4.2	0.9	2.2	2.9	1.3	2.0	2.9	1.7	2.2	-	1.6
D	4.9	3.8	1.6	3.2	0.4	0.6	-0.2	0.2	1.3	0.8	1.2	-	0.4
EL	1.0	20.6	16.2	11.4	3.9	0.6	1.4	2.3	2.5	2.4	2.8	-	2.4
E	7.6	14.3	7.2	5.1	2.3	2.1	2.4	3.1	3.5	1.9	2.4	-	1.6
F	5.0	10.6	1.9	2.0	1.2	1.3	1.0	1.5	1.9	1.8	1.5	-	1.3
IRL	6.8	12.5	2.1	1.7	2.3	1.0	2.3	5.1	5.2	4.0	5.3	-	3.2
I	5.6	15.8	6.4	3.4	1.9	1.8	1.7	1.8	2.9	1.3	2.0	-	1.5
L	4.3	7.8	2.0	1.9	1.9	2.7	1.9	2.8	5.9	1.9	3.5	-	2.1
NL	7.8	5.1	0.7	2.4	2.5	2.1	3.5	3.1	5.5	3.2	3.5	-	2.1
A	4.3	5.6	2.1	3.2	0.2	0.8	-0.4	0.7	1.3	-0.1	0.9	-	0.5
P	4.0	20.9	11.6	8.1	2.7	2.6	4.6	4.1	6.2	2.3	3.9	-	2.5
FIN	6.3	10.4	5.5	0.0	1.1	0.8	0.1	1.5	5.3	1.0	1.7	-	1.0
S	4.7	9.6	7.8	1.7	2.7	-0.8	7.2	2.6	4.2	1.8	2.3	-	2.0
UK	5.1	12.1	6.8	2.2	2.6	4.2	2.2	2.0	2.6	2.0	2.1	-	1.8
EU-15	5.2	10.2	4.3	3.0	1.6	1.7	1.4	1.6	2.6	1.5	1.9	-	1.3
Euro area	5.3	9.8	3.6	3.3	1.3	1.3	1.0	1.5	2.5	1.4	1.9	-	1.2
USA	3.3	6.7	3.2	2.1	1.8	1.9	2.8	3.4	4.3	2.2	1.0	-	0.7
JAP	5.8	5.5	0.3	1.3	-0.7	-2.5	-1.2	-2.2	1.2	-1.1	-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, 1961-2003)

	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
B	0.4	0.3	-1.2	0.3	-0.3	0.4	-0.6	-1.0	1.0	-0.9	0.2	-	-0.8
DK	0.3	-0.2	0.1	-1.2	-0.3	-0.1	-2.2	-0.4	-0.1	-0.7	0.4	-	-0.6
D	0.5	-0.3	-0.8	-0.2	-0.4	0.1	0.2	-0.7	0.0	-0.1	-0.1	-	-0.3
EL	-3.2	1.3	-0.8	-2.3	-0.6	-2.2	-1.9	-0.6	-0.8	-0.2	-0.7	-	-0.9
E	0.5	-0.6	-0.2	-0.2	-0.6	-0.7	-1.0	-0.3	-0.3	-0.6	-0.3	-	-0.7
F	-0.1	0.5	-1.4	-0.2	0.0	0.8	0.1	0.1	0.3	0.1	-0.2	-	-0.3
IRL	-0.4	-0.2	-1.1	-1.1	-1.9	-3.1	-1.9	-0.7	0.4	-1.1	0.6	-	-0.7
I	0.1	-0.4	-0.7	-1.5	-0.7	0.2	-0.6	-0.9	0.3	-1.1	0.0	-	-0.7
L	-0.2	1.1	-0.3	-0.6	-0.9	0.2	-1.7	-0.8	2.8	-1.4	0.2	-	-0.7
NL	1.7	-0.3	0.0	0.1	-0.1	0.4	-0.3	-1.4	-0.3	0.3	0.1	-	0.1
A	-0.3	0.2	-0.4	0.1	-0.8	0.1	-1.5	-0.6	0.0	-1.2	-0.6	-	-0.6
P	0.1	0.1	-1.3	0.2	-0.6	-0.7	1.5	-0.2	2.2	-0.4	0.7	-	0.2
FIN	-0.4	-0.1	-0.1	-2.1	-0.5	0.9	-3.2	0.1	2.8	-0.2	0.8	-	-0.6
S	-0.2	-0.1	0.8	-1.6	1.2	-1.5	6.1	0.7	2.3	-0.4	0.1	-	-0.2
UK	0.1	-0.2	0.9	-1.2	0.0	1.5	0.4	-0.1	0.2	-0.4	-0.4	-	-0.7
EU-15	0.0	-0.3	-0.6	-0.7	-0.4	0.3	-0.1	-0.5	0.2	-0.4	-0.1	-	-0.5
Euro area	0.2	-0.4	-1.1	-0.5	-0.5	0.0	-0.4	-0.6	0.1	-0.4	-0.1	-	-0.5
USA	0.0	-0.1	0.0	-0.4	0.0	0.4	0.6	0.9	1.8	0.2	-0.8	-	-1.0
JAP	-0.4	-0.1	-1.0	0.3	-0.2	-1.1	0.5	-2.8	1.9	-1.5	-1.1	-	-0.7

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

TABLE 27 : Total employment (percentage change on preceding year, 1961-2003)

	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
B	0.5	-0.3	1.0	-0.2	1.0	1.4	1.6	1.3	1.2	1.2	0.3	-	1.2
DK	1.1	0.3	0.1	-0.2	0.7	1.1	0.7	0.5	0.4	0.5	0.2	-	0.5
D	0.3	-0.2	1.5	-0.1	0.4	1.1	1.5	0.7	0.0	0.9	-0.3	-	0.8
EL	-0.5	1.0	0.7	0.6	0.6	-0.7	-0.3	1.4	1.1	1.6	0.6	-	1.2
E	0.7	-1.4	3.3	-0.5	2.4	3.5	3.1	2.2	2.3	2.2	1.0	-	2.1
F	0.7	0.1	0.9	-0.2	1.1	1.8	2.2	1.7	1.6	1.5	0.4	-	1.2
IRL	0.1	0.1	1.1	1.9	4.0	6.3	4.9	2.9	2.3	2.4	0.8	-	1.8
I	-0.3	0.6	0.9	-0.6	1.0	1.1	1.6	1.3	1.5	1.1	0.4	-	1.3
L	1.1	0.5	3.2	2.7	4.0	5.0	5.6	3.9	5.4	3.6	2.3	-	3.8
NL	1.5	0.4	2.3	1.1	2.1	2.5	2.4	2.0	1.9	1.8	0.5	-	1.3
A	0.0	0.1	0.7	0.2	0.3	1.2	0.5	0.5	0.0	0.4	-0.3	-	0.3
P	0.3	-0.4	1.1	-0.6	0.6	1.8	1.7	0.9	1.5	0.7	0.7	-	0.8
FIN	0.4	0.4	0.3	-3.8	1.6	2.7	1.8	1.5	1.4	1.1	0.0	-	0.5
S	0.6	0.8	1.0	-2.2	0.8	2.3	2.2	1.5	1.8	0.8	0.1	-	0.7
UK	0.3	-0.1	1.8	-0.9	1.0	1.1	1.0	0.5	0.7	0.7	0.0	-	0.4
EU-15	0.4	0.0	1.4	-0.4	1.1	1.6	1.7	1.2	1.1	1.2	0.2	-	1.0
Euro area	0.3	0.0	1.4	-0.2	1.1	1.7	1.9	1.3	1.2	1.3	0.2	-	1.2
USA	2.0	1.8	2.2	1.1	1.3	1.9	1.9	0.4	-0.1	0.5	-0.6	-	0.9
JAP	1.3	0.7	1.0	0.8	-0.2	-0.8	-0.2	-0.1	-0.3	0.3	-0.3	-	-0.3

TABLE 28 : Number of unemployed (as a percentage of civilian labour force, 1964-2003) [1] 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1964-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	2.0	7.7	8.7	8.5	8.2	8.8	7.0	6.5	6.9	6.1	7.0	-	6.9
DK	0.9	6.4	6.4	8.6	5.2	5.2	4.7	4.6	4.6	4.5	4.7	-	4.6
D	0.7	4.2	5.9	7.3	8.6	8.6	7.9	7.8	7.8	7.1	8.2	-	7.8
EL	4.2	3.8	6.6	8.3	10.4	11.6	11.1	10.5	10.6	9.9	10.1	-	9.6
E	2.8	11.3	18.9	20.9	16.2	15.9	14.1	12.8	13.0	11.9	13.0	-	12.1
F	2.2	6.4	9.8	11.1	10.5	11.2	9.5	8.5	8.7	7.8	9.2	-	8.7
IRL	5.7	10.6	15.5	14.5	6.5	5.6	4.2	3.8	3.8	3.5	4.5	-	4.5
I	5.2	7.0	9.5	10.1	10.6	11.3	10.5	9.8	9.5	9.3	9.6	-	8.9
L	0.0	1.7	2.1	2.5	2.5	2.4	2.4	2.0	2.2	1.8	2.4	-	2.2
NL	1.3	7.1	7.4	6.4	3.9	3.4	3.0	2.6	2.3	2.4	3.2	-	3.5
A	2.2	2.6	3.0	3.6	4.2	3.9	3.7	3.4	3.9	3.2	4.3	-	4.2
P	2.5	7.0	6.4	5.7	5.1	4.5	4.1	4.6	3.8	5.1	4.3	-	4.7
FIN	2.6	4.9	4.1	13.3	10.8	10.2	9.8	9.1	9.2	8.4	9.4	-	9.3
S	2.0	2.4	2.0	7.2	7.1	7.2	5.9	5.2	5.2	5.0	5.6	-	5.4
UK	2.0	6.9	9.0	9.5	6.1	6.1	5.5	5.3	5.1	5.1	5.4	-	5.4
EU-15	2.4	6.4	8.9	10.0	9.0	9.1	8.2	7.7	7.7	7.2	8.0	-	7.6
Euro area	2.5	6.5	9.2	10.2	9.7	9.9	8.9	8.5	8.3	7.9	8.6	-	8.2
USA	4.6	7.5	5.9	6.6	4.9	4.2	4.0	4.6	4.7	4.7	5.9	-	5.7
JAP	1.2	2.2	2.5	2.6	4.9	4.7	4.7	4.7	5.2	4.8	6.5	-	7.3

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

TABLE 29 : Nominal bilateral exchange rates against Ecu/euro (1970-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	49.78	43.18	43.21	40.50	-	40.34	40.34	40.34	40.34	-	-	-	-
DK	7.66	7.53	7.94	7.64	7.45	7.44	7.45	7.46	7.46	7.46	7.46	-	7.46
D	3.56	2.57	2.08	1.96	-	1.96	1.96	1.96	1.96	-	-	-	-
EL	33.18	59.58	168.30	266.37	-	325.76	336.63	340.75	340.75	-	-	-	-
E	71.94	98.60	135.41	146.41	-	166.39	166.39	166.39	166.39	-	-	-	-
F	5.64	6.02	6.94	6.71	-	6.56	6.56	6.56	6.56	-	-	-	-
IRL	0.45	0.66	0.77	0.79	-	0.79	0.79	0.79	0.79	-	-	-	-
I	664.26	1142.69	1505.31	1803.04	-	1936.27	1936.27	1936.27	1936.27	-	-	-	-
L	49.78	43.18	43.21	40.50	-	40.34	40.34	40.34	40.34	-	-	-	-
NL	3.60	2.77	2.34	2.20	-	2.20	2.20	2.20	2.20	-	-	-	-
A	25.70	18.28	14.63	13.80	-	13.76	13.76	13.76	13.76	-	-	-	-
P	29.94	68.51	166.86	186.94	-	200.48	200.48	200.48	200.48	-	-	-	-
FIN	4.51	4.80	4.91	5.88	-	5.95	5.95	5.95	5.95	-	-	-	-
S	5.35	5.80	7.23	8.53	8.98	8.81	8.45	8.91	9.28	8.92	9.61	-	9.64
UK	0.45	0.59	0.69	0.76	0.67	0.66	0.61	0.64	0.62	0.64	0.63	-	0.63
EU-15	-	-	-	-	-	-	-	-	-	-	-	-	-
Euro area	-	-	-	-	-	-	-	-	-	-	-	-	-
USA	1.11	1.11	1.14	1.24	1.03	1.07	0.92	0.94	0.90	0.95	0.91	-	0.91
JAP	351.18	274.00	163.73	141.04	120.72	121.32	99.47	109.32	108.54	108.45	108.48	-	106.40

TABLE 30 : Nominal effective exchange rates to rest of 22 [1] industrialised countries (percentage change on preceding year, 1970-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	1.0	-0.2	2.8	1.9	-1.3	-1.4	-3.6	0.3	0.7	-0.4	0.2	-	0.0
DK	1.4	-1.1	3.0	1.8	-1.0	-1.6	-4.5	0.9	1.4	0.3	0.4	-	-0.1
D	6.2	3.2	4.5	2.4	-1.7	-2.1	-5.0	5.9	0.7	-0.5	0.3	-	-0.1
EL	-4.6	-9.3	-10.8	-7.2	-2.3	-0.5	-6.6	-1.1	-0.7	0.3	0.3	-	0.0
E	0.8	-4.9	2.8	-3.9	-1.1	-1.6	-3.5	0.6	0.5	0.3	0.3	-	0.0
F	-1.2	-2.5	2.0	1.8	-1.1	-2.0	-4.6	0.7	0.6	0.3	0.3	-	-0.1
IRL	-1.4	-2.8	1.5	-0.6	-1.1	-3.1	-5.8	1.5	0.8	0.3	0.4	-	0.0
I	-3.3	-6.8	1.5	-6.9	0.3	-2.3	-4.5	0.6	0.5	0.3	0.3	-	-0.1
L	1.0	-0.2	2.8	1.9	-1.3	-1.4	-3.6	0.3	0.7	-0.4	0.2	-	0.0
NL	0.9	1.9	3.2	2.0	-1.3	-1.2	-3.3	0.2	0.7	0.3	0.2	-	0.0
A	1.9	2.8	2.8	1.7	-1.1	-1.2	-2.9	-0.6	0.4	0.3	0.1	-	-0.1
P	0.5	-11.6	-4.8	-1.1	-0.8	-1.2	-2.9	0.3	0.5	0.3	0.2	-	0.0
FIN	-1.8	-0.4	1.6	-2.7	-1.5	-2.1	-4.6	1.2	1.3	0.3	0.5	-	-0.1
S	-0.1	-2.2	-0.1	-4.1	-1.4	-1.7	-0.6	-4.2	-8.6	0.1	-3.2	-	-0.3
UK	-3.6	-2.2	-1.0	-3.0	2.5	-0.5	2.5	-3.5	-1.7	-0.4	-0.1	-	-0.7
EU-15	1.6	-3.9	6.3	-2.3	-2.3	-6.2	-11.2	3.7	-0.1	-0.1	0.3	-	-0.6
Euro area	3.5	-1.9	6.0	-0.2	-2.7	-4.6	-10.1	5.1	1.6	0.0	0.7	-	-0.1
USA	-4.2	4.4	-4.2	0.4	3.6	-0.5	4.6	1.8	4.8	-0.1	0.1	-	0.2
JAP	4.8	3.8	6.6	9.4	-0.6	16.8	12.2	-7.7	-8.9	1.4	1.0	-	2.0

[1] EUR14 (excl. L), CH, N, USA, CDN, JAP, AUS, MEX, NZL

TABLE 31 : Relative unit labour costs, to rest of 22 [1] industrialised countries (nat. curr.) (percentage change on preceding year, 1963-2003) 12.11.2001

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1963-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-0.3	-0.8	-1.5	0.5	-0.2	0.1	-0.7	-0.2	0.3	-0.6	0.4	-	-0.4
DK	2.2	0.7	0.1	-1.5	0.6	1.6	-0.4	0.5	0.0	0.3	0.5	-	0.5
D	-0.6	-5.0	-2.4	0.6	-1.3	-1.0	-2.1	-1.7	-1.8	-0.8	-0.6	-	-0.8
EL	-3.5	11.6	12.3	8.5	2.4	-0.7	0.1	0.8	-0.2	1.0	1.1	-	1.4
E	3.2	4.9	3.0	2.1	0.8	0.6	0.7	1.4	0.5	0.3	0.5	-	0.4
F	-0.2	2.0	-2.1	-1.3	-0.4	-0.5	-0.5	-0.2	-0.5	0.3	-0.1	-	0.1
IRL	2.0	2.6	-2.2	-0.8	0.6	-0.8	0.6	3.3	2.2	2.4	3.6	-	2.1
I	1.0	7.9	2.7	0.3	0.4	0.2	0.1	0.2	0.2	-0.2	0.3	-	0.4
L	-	-	-	-	-	-	-	-	-	-	-	-	-
NL	2.4	-3.2	-2.9	-0.6	1.3	0.7	2.2	1.7	2.9	1.8	1.9	-	1.1
A	-1.1	-2.1	-1.3	0.1	-0.9	-0.7	-0.6	-0.6	-1.2	-1.4	-0.8	-	-0.5
P	-0.4	11.1	7.4	5.2	1.1	1.0	3.0	2.3	3.3	0.7	2.0	-	1.3
FIN	1.6	1.7	1.3	-2.4	-0.5	-0.6	-1.8	-0.2	2.3	-0.5	0.0	-	-0.1
S	-0.7	1.1	3.7	-0.6	1.0	-2.5	5.6	1.0	1.2	0.2	0.6	-	0.8
UK	0.0	3.8	3.4	-0.4	1.1	2.9	0.5	0.2	-0.5	0.5	0.4	-	0.7
EU-15	0.5	2.2	0.1	0.5	0.1	0.3	-0.5	-0.2	-0.6	0.1	0.8	-	0.6
Euro area	0.4	-0.1	-1.9	0.7	-0.6	-0.7	-1.3	-0.4	-0.4	-0.2	0.4	-	0.0
USA	-1.6	-2.6	-2.8	-1.1	-0.5	-0.6	0.9	2.1	1.0	0.9	-1.3	-	-0.8
JAP	1.4	-2.4	-3.7	-1.1	-2.6	-4.4	-3.5	-4.7	-2.4	-2.9	-2.6	-	-1.9

[1] EUR14 (excl. L), CH, N, USA, CDN, JAP, AUS, MEX, NZL

TABLE 32 : Real effective exchange rate : ulc relative to rest of 22 [1] industrialised countries (usd) (percentage change on preceding year, 1963-2003)

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1963-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	0.3	-1.0	1.2	2.4	-1.5	-1.4	-4.3	0.1	1.0	-1.0	0.6	-	-0.4
DK	2.4	-0.4	3.2	0.2	-0.3	-0.1	-4.9	1.4	1.4	0.6	0.9	-	0.5
D	2.0	-2.0	2.0	3.0	-3.0	-3.2	-6.9	4.0	-1.1	-1.3	-0.3	-	-0.9
EL	-4.9	1.3	0.1	0.7	0.1	-1.2	-6.5	-0.3	-0.9	1.3	1.3	-	1.3
E	2.3	-0.2	5.9	-1.9	-0.3	-1.0	-2.8	1.9	1.0	0.6	0.8	-	0.4
F	-0.9	-0.6	-0.2	0.5	-1.5	-2.5	-5.1	0.5	0.1	0.6	0.2	-	0.1
IRL	1.1	-0.2	-0.7	-1.4	-0.4	-3.9	-5.3	4.8	3.0	2.7	4.0	-	2.1
I	0.1	0.5	4.3	-6.6	0.7	-2.2	-4.4	0.8	0.7	0.1	0.6	-	0.4
L	-	-	-	-	-	-	-	-	-	-	-	-	-
NL	3.0	-1.3	0.2	1.4	0.0	-0.5	-1.2	1.9	3.6	2.2	2.1	-	1.0
A	-0.2	0.6	1.5	1.8	-1.9	-1.9	-3.5	-1.2	-0.8	-1.1	-0.7	-	-0.6
P	0.3	-1.8	2.2	4.0	0.2	-0.3	0.0	2.5	3.8	1.0	2.3	-	1.3
FIN	-1.2	1.3	3.0	-5.0	-2.0	-2.7	-6.3	1.0	3.7	-0.2	0.6	-	-0.2
S	-0.2	-1.2	3.6	-4.6	-0.4	-4.2	5.0	-3.3	-7.5	0.4	-2.6	-	0.5
UK	-2.5	1.5	2.4	-3.4	3.6	2.4	3.0	-3.3	-2.2	0.1	0.3	-	-0.1
EU-15	0.7	-1.8	6.5	-1.8	-2.3	-5.9	-11.6	3.5	-0.7	0.0	1.1	-	-0.1
Euro area	1.9	-2.0	4.0	0.4	-3.3	-5.3	-11.2	4.6	1.2	-0.1	1.1	-	-0.1
USA	-2.9	1.8	-7.0	-0.8	3.0	-1.1	5.5	3.9	5.9	0.8	-1.2	-	-0.6
JAP	3.4	1.3	2.7	8.2	-3.1	11.7	8.3	-12.1	-11.1	-1.6	-1.6	-	0.0

[1] EUR14 (excl. L), CH, N, USA, CDN, JAP, AUS, MEX, NZL

TABLE 33 : Short term interest rates (1961-2001)

	1961-73	1974-85	1986-90	1991-95	1996-01	1994	1995	1996	1997	1998	1999	2000	2001
B	5.3	10.7	8.1	7.5	3.6	5.7	4.7	3.2	3.4	3.5	3.0	4.4	4.3
DK	7.0	12.6	9.6	8.7	4.1	6.2	6.1	3.9	3.7	4.1	3.3	5.0	4.7
D	5.8	6.8	5.7	7.1	3.6	5.3	4.5	3.3	3.3	3.5	3.0	4.4	4.3
EL	-	-	17.8	22.1	10.5	24.6	16.3	13.8	12.8	14.0	10.4	7.8	4.3
E	-	-	13.9	11.1	4.8	8.0	9.4	7.5	5.4	4.3	3.0	4.4	4.3
F	5.7	11.0	8.7	8.2	3.8	5.9	6.6	3.9	3.5	3.6	3.0	4.4	4.3
IRL	-	13.4	10.5	8.8	4.8	5.9	6.3	5.4	6.0	5.5	3.0	4.4	4.3
I	4.2	15.5	12.1	11.0	5.3	8.5	10.3	8.7	6.8	4.9	3.0	4.4	4.3
L	5.3	10.7	8.1	7.5	3.6	5.7	4.7	3.2	3.4	3.5	3.0	4.4	4.3
NL	4.1	7.7	6.4	7.0	3.6	5.2	4.4	3.0	3.3	3.4	3.0	4.4	4.3
A	-	7.1	6.1	7.0	3.7	5.0	4.5	3.3	3.5	3.6	3.0	4.4	4.3
P	-	14.7	14.9	13.6	4.8	11.1	9.8	7.4	5.7	4.3	3.0	4.4	4.3
FIN	-	12.2	11.6	9.0	3.7	5.3	5.8	3.6	3.2	3.6	3.0	4.4	4.3
S	-	-	11.0	10.1	4.4	7.6	8.9	5.9	4.5	4.3	3.3	4.1	4.1
UK	6.8	11.9	11.9	7.9	6.2	5.5	6.7	6.0	6.8	7.3	5.5	6.2	5.1
EU-15	5.6	10.8	9.8	8.9	4.6	6.7	7.0	5.4	4.9	4.7	3.5	4.7	4.4
Euro area	5.2	10.5	9.3	9.0	4.3	6.9	7.0	5.2	4.5	4.2	3.1	4.5	4.3
USA	4.5	8.6	7.0	4.6	5.4	4.7	6.0	5.5	5.7	5.5	5.4	6.5	3.8
JAP	-	7.8	5.2	3.6	0.4	2.3	1.2	0.6	0.6	0.8	0.3	0.3	0.1

TABLE 34 : Long term interest rates (1961-2001) 12.11.2001

	1961-73	1974-85	1986-90	1991-95	1996-01	1994	1995	1996	1997	1998	1999	2000	2001
B	6.5	10.6	8.5	8.1	5.4	7.8	7.5	6.5	5.8	4.7	4.8	5.6	5.1
DK	9.0	16.0	10.8	8.7	5.7	7.9	8.3	7.2	6.2	4.9	4.9	5.6	5.1
D	7.2	8.0	6.8	7.3	5.2	6.9	6.8	6.2	5.7	4.6	4.5	5.3	4.8
EL	-	13.6	-	-	-	-	-	-	-	8.5	6.5	6.5	5.3
E	-	-	12.9	11.2	5.9	10.1	11.3	8.7	6.4	4.8	4.7	5.5	5.1
F	6.9	12.2	9.1	7.8	5.3	7.3	7.5	6.3	5.6	4.6	4.6	5.4	4.9
IRL	-	14.6	10.2	8.5	5.6	8.1	8.3	7.3	6.3	4.8	4.6	5.4	4.9
I	7.0	15.1	12.3	12.0	6.1	10.4	11.9	9.2	6.7	4.8	4.8	5.6	5.2
L	-	8.1	8.0	7.5	5.3	7.2	7.2	6.3	5.6	4.7	4.6	5.4	4.9
NL	5.9	9.4	7.1	7.4	5.2	6.9	6.9	6.2	5.6	4.6	4.6	5.4	4.9
A	-	8.9	7.4	7.5	5.3	6.7	7.2	6.3	5.7	4.7	4.7	5.6	5.0
P	-	-	17.1	13.0	5.9	10.4	11.5	8.6	6.4	5.0	4.8	5.6	5.1
FIN	8.0	11.2	11.7	9.8	5.5	8.4	8.8	7.1	6.0	4.8	4.7	5.5	5.0
S	6.3	11.0	11.7	10.0	5.8	9.5	10.2	8.1	6.7	5.0	5.0	5.4	5.1
UK	7.6	13.0	9.9	8.5	5.9	8.1	8.2	7.8	7.0	5.5	5.0	5.3	4.9
EU-15	7.1	11.7	9.8	8.9	5.6	8.2	8.6	7.3	6.2	4.9	4.7	5.4	5.0
Euro area	6.9	11.2	9.7	9.0	5.5	8.1	8.6	7.2	6.0	4.8	4.7	5.5	5.0
USA	5.0	9.5	8.6	7.1	5.8	7.1	6.6	6.4	6.3	5.3	5.6	6.0	4.9
JAP	-	7.8	5.5	4.7	1.9	4.2	3.3	3.0	2.2	1.3	1.8	1.8	1.5

TABLE 35 : Total expenditure, general government (as a percentage of GDP, 1970-2003) [1]

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	42.9	55.2	55.3	54.0	50.5	50.7	49.9	48.4	49.1	48.1	49.6	-	49.1
DK	40.8	51.3	55.4	59.4	55.1	55.3	53.2	53.8	52.6	53.1	52.7	-	52.0
D	40.1	47.6	46.0	48.2	48.7	48.9	45.9	47.5	48.6	47.1	49.4	-	48.6
EL [2]	23.6	31.9	43.4	47.6	46.7	48.4	48.7	43.8	47.8	43.4	47.3	-	46.4
E	21.8	31.0	41.0	45.4	41.0	41.0	40.0	39.7	39.5	39.6	39.9	-	39.7
F	37.1	46.0	50.2	53.0	53.6	53.5	52.8	52.0	52.7	51.8	52.9	-	52.2
IRL	34.2	45.1	43.2	39.6	34.6	34.8	32.0	33.2	32.1	32.6	32.6	-	32.6
I	35.0	43.9	52.0	54.6	48.9	48.9	46.5	46.8	47.5	45.9	47.7	-	46.8
L	31.2	44.9	-	-	42.0	42.8	40.1	40.5	40.3	39.7	40.8	-	40.3
NL	41.9	53.2	55.0	53.0	46.3	47.1	45.4	44.5	44.5	43.6	44.5	-	43.8
A	38.6	46.9	50.3	53.3	53.3	53.7	51.9	51.7	52.9	50.7	52.0	-	51.2
P	20.0	35.2	37.2	42.3	44.5	44.9	44.3	46.0	44.7	46.4	44.6	-	44.6
FIN	30.9	39.6	44.7	58.8	51.9	52.2	48.7	48.0	48.5	46.6	48.5	-	47.5
S	43.4	57.3	58.5	66.3	59.9	60.4	58.1	57.2	57.4	56.6	57.2	-	56.8
UK	37.3	43.6	39.8	42.5	40.7	40.1	37.6	40.6	40.4	40.3	40.9	-	40.4
EU-15	37.1	45.7	47.7	50.3	47.9	48.0	45.8	46.5	46.9	46.0	47.2	-	46.6
Euro area	36.6	45.4	48.6	50.8	48.9	49.1	47.1	47.2	47.9	46.7	48.2	-	47.5
USA	30.6	32.9	34.9	35.5	33.2	32.4	32.0	31.7	32.7	31.3	34.0	-	33.4
JAP	20.4	29.8	31.5	33.2	40.3	38.9	40.5	38.3	41.7	38.5	42.3	-	42.5

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. Total expenditure includes in 2000 and 2001 one-off proceeds relative to UMTS licences which are recorded as expenditure with a negative sign. Without these proceeds the total expenditure as a % of GDP in 2000 would be equal to: D : 48.4, E : 39.9, I : 47.6, NL : 45.5, A : 52.6, P : 44.4, UK : 39.6, EU-15 : 46.9 and Euro area : 48.1. The corresponding ratios in 2001 would be equal to B : 49.3, DK : 52.9, EL : 48.2, F : 52.7, EU-15 : 46.9 and Euro area : 47.9.

[2] Current expenditure, gross fixed capital formation and net capital transfers.

TABLE 36 : Total revenue, general government (as a percentage of GDP, 1970-2003) [1]

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	39.5	47.4	48.4	48.2	49.6	50.1	50.0	49.0	49.1	48.8	49.4	-	49.3
DK	45.7	49.4	57.0	57.0	56.5	58.4	55.6	57.0	54.8	56.0	54.3	-	54.0
D	40.3	44.9	44.5	45.1	46.7	47.4	47.1	45.8	46.0	45.9	46.7	-	46.4
EL [2]	23.7	26.9	31.4	36.0	44.6	46.6	47.7	43.8	47.8	44.0	47.6	-	47.2
E	22.2	28.6	36.9	39.8	39.5	39.9	39.7	39.8	39.6	39.8	39.7	-	39.7
F	37.8	44.4	48.4	48.5	51.3	51.9	51.4	51.4	51.2	51.0	51.0	-	50.7
IRL	30.3	35.2	37.9	37.5	36.6	37.2	36.5	37.2	34.5	36.1	34.5	-	34.4
I	29.4	34.0	41.1	45.5	46.6	47.1	46.1	45.5	46.3	44.9	46.5	-	45.9
L	33.8	46.7	-	-	45.7	46.4	46.2	44.5	44.7	42.6	43.6	-	43.5
NL	42.2	50.0	50.1	49.5	46.6	47.5	47.5	45.3	45.9	45.0	45.0	-	45.2
A	40.0	44.6	47.1	49.5	51.9	51.5	50.8	51.0	52.7	50.7	51.7	-	51.7
P	21.9	28.4	32.9	37.4	42.4	42.8	42.8	44.5	42.7	44.9	42.9	-	43.2
FIN	35.3	43.3	48.7	53.8	53.8	54.1	55.6	53.3	53.3	51.8	51.4	-	49.8
S	47.5	55.5	61.6	58.7	61.2	62.1	62.2	61.0	61.3	60.0	58.8	-	58.7
UK	37.4	40.1	39.1	36.8	40.9	41.3	41.9	41.6	41.6	41.2	41.3	-	40.9
EU-15	36.9	42.0	44.5	45.2	46.7	47.3	47.0	46.3	46.4	46.0	46.3	-	46.0
Euro area	35.9	41.5	44.4	45.8	47.2	47.8	47.3	46.6	46.8	46.3	46.8	-	46.5
USA	29.0	29.7	30.7	30.9	32.2	33.2	33.8	33.6	32.4	33.1	30.4	-	30.0
JAP	21.7	27.2	32.6	32.6	33.8	31.9	32.9	30.6	35.2	30.8	36.4	-	36.9

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

[2] Total current receipts.

TABLE 37 : Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1970-2003) [1] 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-3.4	-7.8	-7.0	-5.9	-0.9	-0.6	0.1	0.6	0.0	0.7	-0.2	-	0.1
DK	4.1	-2.7	1.3	-2.4	1.5	3.1	2.5	3.2	2.2	2.9	1.6	-	2.0
D	0.2	-2.8	-1.5	-3.1	-2.0	-1.6	1.2	-1.7	-2.5	-1.2	-2.7	-	-2.2
EL [2]	0.2	-4.9	-12.0	-11.5	-2.2	-1.8	-1.1	0.0	0.0	0.6	0.3	-	0.8
E	0.4	-2.6	-4.1	-5.6	-1.5	-1.1	-0.3	0.1	0.1	0.2	-0.2	-	0.0
F	0.7	-1.6	-1.8	-4.5	-2.2	-1.6	-1.4	-0.6	-1.5	-0.8	-2.0	-	-1.6
IRL	-3.9	-9.9	-5.3	-2.1	2.0	2.3	4.5	3.9	2.4	3.6	1.8	-	1.8
I	-5.4	-9.6	-10.8	-9.1	-2.3	-1.8	-0.3	-1.3	-1.2	-1.0	-1.2	-	-0.9
L	2.6	1.8	-	1.8	3.6	3.7	6.1	4.0	4.4	3.0	2.8	-	3.2
NL	-0.5	-3.4	-4.9	-3.5	0.3	0.4	2.2	0.8	1.3	1.4	0.5	-	1.4
A	1.4	-2.3	-3.2	-3.8	-1.4	-2.2	-1.1	-0.7	-0.2	0.0	-0.4	-	0.4
P	1.9	-6.8	-4.3	-5.0	-2.2	-2.1	-1.5	-1.5	-2.0	-1.5	-1.6	-	-1.4
FIN	4.5	3.7	4.0	-5.0	1.9	1.9	6.9	5.3	4.8	5.2	2.9	-	2.3
S	4.3	-1.7	3.1	-7.6	1.3	1.7	4.1	3.9	3.9	3.4	1.6	-	1.9
UK	0.1	-3.6	-0.7	-5.7	0.2	1.2	4.3	1.0	1.2	0.9	0.4	-	0.5
EU-15	-0.3	-3.7	-3.3	-5.1	-1.2	-0.7	1.1	-0.2	-0.5	0.0	-0.9	-	-0.6
Euro area	-0.7	-3.9	-4.2	-5.0	-1.7	-1.3	0.3	-0.7	-1.1	-0.4	-1.4	-	-1.0
USA	-1.6	-3.3	-4.2	-4.5	-1.0	0.9	1.7	1.9	-0.3	1.8	-3.6	-	-3.4
JAP	0.8	-3.2	1.2	-0.8	-6.5	-7.0	-7.6	-7.7	-6.5	-7.7	-5.9	-	-5.6

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The net lending (borrowing) includes in 2000 and 2001 one-off proceeds relative to UMTS licences. Without these proceeds the net lending (borrowing) as a % of GDP in 2000 would be equal to D : -1.3, E : -0.4, I : -1.5, NL : 1.5, A : -1.5, P : -1.8, UK : 1.9, EU-15 : -0.1 and Euro area : -0.8. The corresponding ratios in 2001 would be equal to B : -0.2, DK : 2.0, EL : -0.4, F : -1.6, EU-15 : -0.5 and Euro area : -1.1.

[2] Includes adjustments to ESA 95 introduced by Eurostat for the period 1996-1998.

TABLE 38 : Interest expenditure, general government (as a percentage of GDP, 1970-2003) [1]

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	3.1	6.2	10.3	10.1	7.1	7.1	6.9	6.6	6.5	6.3	6.1	-	5.8
DK	1.3	4.2	7.6	6.9	4.5	4.6	4.1	3.8	3.7	3.6	3.5	-	3.2
D	1.0	2.1	2.8	3.2	3.4	3.5	3.4	3.2	3.2	3.1	3.2	-	3.2
EL	0.8	2.3	7.3	11.7	7.3	7.5	7.1	6.7	6.6	6.1	5.8	-	5.2
E	0.3	0.6	3.8	4.6	3.8	3.6	3.3	3.2	3.2	3.1	3.1	-	3.0
F	0.9	1.7	2.7	3.3	3.4	3.3	3.3	3.2	3.2	3.1	3.2	-	3.1
IRL	3.4	6.3	8.1	6.2	2.7	2.4	2.1	1.8	1.8	1.6	1.6	-	1.4
I	2.0	5.6	8.5	11.2	7.5	6.7	6.5	6.2	6.2	5.8	5.8	-	5.6
L	0.9	1.0	-	0.4	0.3	0.3	0.3	0.3	0.2	0.3	0.2	-	0.2
NL	2.8	4.1	6.0	5.9	4.1	4.5	3.9	3.3	3.3	3.0	2.9	-	2.6
A	1.0	2.3	3.8	4.2	3.6	3.5	3.5	3.5	3.4	3.4	3.3	-	3.2
P	0.5	3.3	7.1	6.6	3.6	3.2	3.1	3.1	3.1	3.1	3.0	-	3.0
FIN	0.9	1.1	1.6	3.6	3.1	3.1	2.8	2.7	2.3	2.5	2.2	-	2.1
S	1.8	4.3	5.8	5.9	4.7	5.0	4.3	3.5	3.5	3.3	3.2	-	2.9
UK	3.7	4.5	3.9	3.0	2.9	3.0	2.9	2.3	2.5	2.0	2.2	-	1.9
EU-15	1.7	3.2	4.7	5.1	4.2	4.1	3.9	3.6	3.6	3.4	3.5	-	3.3
Euro area	1.3	2.8	4.7	5.4	4.4	4.3	4.1	3.9	3.9	3.7	3.7	-	3.6
USA	2.2	3.4	5.1	4.9	3.8	3.9	3.7	3.4	3.4	3.1	3.2	-	3.0
JAP	0.7	2.8	4.1	3.6	3.7	3.4	3.6	4.3	4.0	4.5	4.2	-	4.4

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

TABLE 39 : Primary balance, general government (as a percentage of GDP, 1970-2003) [1] [2]

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-0.3	-1.6	3.3	4.2	6.2	6.5	6.9	7.2	6.5	7.0	5.9	-	6.0
DK	5.4	1.5	8.9	4.4	6.0	7.7	6.6	6.9	6.0	6.4	5.1	-	5.3
D	1.2	-0.7	1.4	0.1	1.4	2.0	4.5	1.4	0.7	1.9	0.5	-	1.0
EL	1.0	-2.6	-4.7	0.2	5.2	5.7	6.1	6.7	6.5	6.7	6.0	-	6.0
E	0.7	-2.0	-0.2	-1.0	2.3	2.5	2.9	3.3	3.3	3.2	2.9	-	3.0
F	1.5	0.0	1.0	-1.2	1.2	1.7	1.9	2.6	1.7	2.3	1.2	-	1.5
IRL	-0.5	-3.6	2.9	4.1	4.7	4.7	6.6	5.7	4.2	5.1	3.4	-	3.2
I	-3.4	-4.0	-2.3	2.1	5.2	5.0	6.1	4.8	5.0	4.7	4.6	-	4.7
L	3.5	2.8	-	2.2	3.9	4.0	6.4	4.3	4.7	3.2	3.0	-	3.4
NL	2.4	0.7	1.1	2.4	4.4	4.9	6.1	4.1	4.6	4.4	3.4	-	4.0
A	2.4	0.0	0.7	0.4	2.2	1.3	2.4	2.9	3.2	3.4	2.9	-	3.6
P	2.4	-3.5	2.8	1.6	1.4	1.1	1.7	1.6	1.1	1.6	1.4	-	1.7
FIN	5.4	4.7	5.5	-1.4	5.0	5.0	9.7	8.0	7.0	7.7	5.1	-	4.4
S	6.2	2.7	8.9	-1.7	6.0	6.7	8.3	7.4	7.3	6.7	4.8	-	4.8
UK	3.8	1.0	3.2	-2.7	3.1	4.1	7.2	3.3	3.8	2.9	2.7	-	2.3
EU-15	1.4	-0.5	1.4	0.0	2.9	3.4	5.0	3.4	3.2	3.4	2.5	-	2.7
Euro area	0.6	-1.1	0.5	0.4	2.7	3.0	4.3	3.2	2.8	3.3	2.4	-	2.7
USA	0.6	0.2	0.9	0.4	2.9	4.8	5.4	5.3	3.1	4.9	-0.4	-	-0.4
JAP	1.5	-0.4	5.3	2.8	-2.8	-3.6	-4.0	-3.4	-2.6	-3.3	-1.7	-	-1.2

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The primary balance includes in 2000 and 2001 one-off proceeds relative to UMTS licences. Without these proceeds the primary balance as a % of GDP in 2000 would be equal to D : 2.0, E : 2.8, I : 5.0, NL : 5.4, A : 2.0, P : 1.3, UK : 4.8, EU-15 : 3.6 and Euro area : 3.2. The corresponding ratios in 2001 would be equal to B : 6.3, DK : 5.7, EL : 6.2, F : 1.6, EU-15 : 3.0 and Euro area : 2.7.

[2] Net lending/borrowing excluding interest expenditure.

TABLE 40 : Cyclically adjusted net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1970-2003) [1] 12.11.2001

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-4.1	-7.8	-7.1	-5.9	-0.9	-0.7	-1.0	0.2	-0.7	0.3	0.1	-	0.1
DK	2.7	-2.2	0.2	-1.2	1.1	2.5	1.3	2.7	1.6	2.7	1.8	-	2.0
D	-0.9	-2.6	-1.0	-4.1	-2.1	-1.3	-1.6	-1.6	-2.3	-1.3	-2.0	-	-1.9
EL	-0.7	-4.9	-11.8	-11.4	-2.2	-1.5	-1.2	-0.3	-0.8	-0.2	-0.1	-	0.2
E	0.2	-2.5	-4.5	-5.6	-1.5	-1.4	-1.1	-0.2	-0.4	0.0	-0.3	-	-0.1
F	0.1	-1.5	-2.0	-4.6	-2.1	-1.6	-1.8	-1.2	-1.9	-1.0	-1.9	-	-1.6
IRL	-3.8	-10.3	-4.9	-0.9	1.2	1.1	2.2	2.8	0.4	2.8	0.9	-	1.3
I	-5.6	-9.5	-11.2	-9.0	-2.3	-1.5	-1.7	-1.3	-1.2	-1.2	-1.0	-	-1.0
L	1.7	2.3	-	-	3.4	3.7	3.9	3.2	3.1	2.4	2.8	-	3.1
NL	-1.4	-3.4	-4.9	-3.4	-0.1	-0.6	0.1	0.2	0.8	0.9	0.8	-	1.4
A	1.0	-2.3	-2.9	-4.1	-1.5	-2.3	-1.9	-0.7	-0.3	0.0	-0.2	-	0.4
P	1.5	-6.7	-4.4	-5.0	-2.4	-2.6	-2.5	-1.7	-2.5	-1.6	-1.8	-	-1.5
FIN	3.3	3.9	1.1	-1.4	1.2	0.3	3.7	3.9	3.4	4.1	2.4	-	2.0
S	3.7	-1.3	1.4	-6.4	1.2	0.8	2.4	3.4	3.0	2.9	1.5	-	1.7
UK	-0.2	-3.2	-1.8	-5.0	-0.3	1.0	1.6	0.9	1.0	0.6	0.6	-	0.3
EU-15	-0.9	-3.5	-3.6	-5.2	-1.3	-0.8	-0.6	-0.4	-0.7	-0.2	-0.7	-	-0.6
Euro area	-1.4	-3.8	-4.3	-5.3	-1.7	-1.3	-1.3	-0.9	-1.3	-0.6	-1.1	-	-0.9

[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.

TABLE 41 : Cyclically adjusted primary balance, general government (as a percentage of GDP, 1970-2003) [1]

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-1.0	-1.5	3.2	4.2	6.2	6.4	5.8	6.8	5.8	6.6	6.3	-	6.0
DK	4.0	2.2	7.9	5.6	5.6	7.2	5.4	6.5	5.4	6.3	5.2	-	5.3
D	0.2	-0.5	1.8	-0.9	1.4	2.3	1.7	1.6	0.9	1.8	1.3	-	1.3
EL	0.1	-2.6	-4.4	0.3	5.2	6.0	6.0	6.4	5.8	5.9	5.7	-	5.4
E	0.8	-1.6	-0.6	-1.0	2.3	2.2	2.2	3.0	2.8	3.0	2.8	-	2.9
F	1.0	0.1	0.8	-1.3	1.3	1.7	1.5	1.9	1.3	2.1	1.2	-	1.4
IRL	-0.4	-4.0	3.2	5.4	3.9	3.5	4.3	4.6	2.2	4.4	2.5	-	2.6
I	-3.6	-3.9	-2.7	2.2	5.2	5.3	4.8	4.9	5.0	4.6	4.8	-	4.6
L	2.6	3.3	-	-	3.7	4.0	4.2	3.4	3.3	2.6	3.0	-	3.2
NL	1.3	0.7	1.1	2.5	4.0	3.9	4.0	3.5	4.1	3.9	3.7	-	4.1
A	2.0	0.0	0.9	0.1	2.1	1.2	1.6	2.9	3.1	3.4	3.0	-	3.6
P	2.0	-3.3	2.7	1.6	1.1	0.6	0.6	1.4	0.7	1.5	1.3	-	1.5
FIN	4.2	5.0	2.7	2.2	4.3	3.4	6.5	6.6	5.7	6.6	4.6	-	4.1
S	5.5	3.0	7.2	-0.4	6.0	5.8	6.7	6.9	6.5	6.2	4.7	-	4.6
UK	3.4	1.4	2.1	-2.0	2.7	3.9	4.4	3.2	3.5	2.6	2.8	-	2.2
EU-15	0.8	-0.3	1.1	0.0	2.8	3.3	3.2	3.2	2.9	3.1	2.8	-	2.7
Euro area	-0.1	-0.9	0.4	0.1	2.7	3.0	2.8	3.0	2.6	3.1	2.6	-	2.7

[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.

TABLE 42 : Gross debt, general government (as a percentage of GDP, 1980-2003) [1]

								2001		2002		2003	
								estimate of		forecast of		forecast of	
	1980	1985	1990	1995	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	78.3	121.8	127.7	133.4	119.7	115.9	110.3	104.4	107.0	98.7	103.9	-	99.4
DK [2]	36.4	69.8	57.7	69.3	55.6	52.0	46.1	43.4	43.2	39.6	42.5	-	40.0
D	31.7	41.7	43.5	57.1	60.9	61.3	60.3	58.6	60.0	57.6	61.0	-	60.6
EL	27.7	59.8	89.0	108.7	105.0	103.9	102.7	99.9	99.8	98.0	98.5	-	95.1
E	17.0	42.7	44.0	64.0	64.7	63.4	60.7	58.1	58.0	55.8	57.3	-	55.6
F	20.4	31.8	36.3	54.0	59.5	58.5	57.6	56.9	57.1	55.3	57.3	-	56.6
IRL	72.3	105.3	97.5	84.3	54.8	49.3	38.6	33.3	34.3	26.7	30.8	-	27.1
I	58.3	82.0	97.3	123.3	116.4	114.6	110.5	105.7	108.2	102.6	106.9	-	103.4
L	9.3	9.6	4.5	5.6	6.4	6.0	5.3	5.1	5.3	4.9	5.2	-	4.9
NL	46.3	70.5	77.4	77.0	66.8	63.1	56.1	52.1	51.8	47.8	48.9	-	45.3
A	36.4	49.5	57.5	68.5	63.9	64.7	63.1	61.5	62.3	59.4	61.2	-	58.7
P	34.9	66.6	63.0	64.1	54.7	54.5	53.7	52.8	53.5	52.4	53.5	-	53.3
FIN	11.6	16.4	14.5	57.1	48.8	47.3	44.0	41.7	42.7	39.5	42.0	-	41.7
S	39.6	61.6	42.1	76.6	70.5	65.3	55.7	53.4	52.7	49.1	50.5	-	48.2
UK	54.9	54.4	35.1	51.8	48.1	45.7	42.8	38.3	39.3	35.4	37.2	-	34.8
EU-15	38.4	53.8	54.9	70.2	69.0	67.5	64.4	61.7	62.5	59.3	61.8	-	59.9
Euro area	35.1	52.8	59.1	72.9	73.7	72.7	70.2	67.7	68.8	65.6	68.4	-	66.7

[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 2000.

TABLE 43 : Gross national saving (as a percentage of GDP, 1970-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	25.7	19.8	21.6	24.2	25.4	26.0	26.2	26.0	25.3	26.6	25.1	-	25.2
DK	24.3	18.1	19.3	19.8	22.5	22.4	23.7	24.2	23.9	24.9	23.5	-	24.1
D	27.1	21.9	24.4	22.4	21.0	21.0	21.3	21.1	20.4	21.3	20.3	-	20.7
EL	33.1	26.4	19.4	18.4	18.8	19.1	18.2	20.9	18.9	22.0	19.8	-	21.1
E	27.3	20.6	19.6	17.8	22.7	22.2	22.3	23.1	22.9	23.6	23.1	-	23.5
F	27.5	21.9	20.6	19.8	21.2	21.8	22.0	22.6	21.7	23.0	21.4	-	21.7
IRL	21.7	18.4	16.5	17.9	23.2	24.3	24.0	23.3	22.5	23.8	21.9	-	21.8
I	25.9	24.8	21.5	19.7	20.8	20.7	20.6	20.9	20.4	21.6	19.9	-	20.4
L	40.0	49.3	49.3	-	-	-	-	42.2	41.1	42.3	40.4	-	40.4
NL	27.5	20.4	24.7	25.6	27.1	26.7	27.6	28.4	27.7	28.1	27.3	-	27.5
A	30.5	25.1	24.0	23.0	21.4	21.0	21.8	22.5	21.1	22.6	21.0	-	20.9
P	27.2	20.3	27.3	21.4	20.0	19.4	19.0	18.2	19.8	18.6	20.2	-	20.8
FIN	29.1	26.0	24.8	17.1	25.2	25.1	27.6	28.0	26.6	28.2	25.8	-	26.4
S	24.1	18.4	18.4	16.0	20.6	21.2	21.2	21.2	21.5	21.4	20.7	-	20.8
UK	21.4	18.8	17.1	14.9	15.9	15.7	15.7	16.1	15.5	16.3	14.8	-	15.7
EU-15	26.1	21.6	21.3	20.0	20.7	20.8	21.0	21.3	20.6	21.7	20.3	-	20.8
Euro area	27.2	22.3	22.3	21.0	21.7	21.7	21.9	22.4	21.7	22.8	21.5	-	21.9
USA	19.6	19.7	16.4	16.3	16.9	17.2	16.3	17.2	15.8	17.9	16.1	-	16.5
JAP	38.5	32.1	33.1	32.3	28.7	28.6	28.4	29.7	27.7	29.8	26.7	-	26.6

TABLE 44 : Gross saving, private sector (as a percentage of GDP, 1970-2003) [1]

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	23.9	23.2	26.3	28.1	23.9	24.1	23.6	22.9	23.2	23.2	23.2	-	22.8
DK	15.1	17.0	16.2	20.5	19.4	17.8	19.7	19.6	20.2	20.5	20.3	-	20.4
D	21.1	19.8	22.4	21.6	20.6	19.8	19.8	20.3	20.3	20.0	20.4	-	20.5
EL	29.4	28.0	27.2	25.5	17.7	17.0	15.6	17.3	16.0	17.7	16.0	-	16.8
E	23.6	19.4	18.3	18.4	20.3	19.4	18.8	19.1	18.9	19.3	19.3	-	19.4
F	22.9	19.8	18.8	20.7	19.9	19.7	19.8	20.1	19.7	20.1	19.8	-	19.6
IRL	20.2	22.9	19.5	18.5	17.8	17.6	15.8	16.7	16.1	17.0	15.6	-	15.2
I	28.1	30.6	27.4	25.1	20.1	19.1	18.8	19.1	18.3	19.5	18.1	-	18.3
L	32.8	41.2	-	-	-	-	-	32.2	31.4	33.2	32.2	-	32.0
NL	22.8	19.2	25.5	26.2	24.1	23.4	23.1	25.0	23.4	24.1	23.9	-	23.1
A	22.4	21.3	22.2	22.0	19.1	19.3	19.9	20.1	17.8	19.7	18.1	-	17.3
P	22.9	22.9	28.1	23.0	18.5	17.6	17.4	14.9	18.1	15.2	18.1	-	18.2
FIN	20.5	18.2	17.0	18.7	20.5	20.5	18.3	20.1	19.5	20.5	20.6	-	21.9
S	14.2	15.5	13.0	19.8	16.8	16.8	14.8	14.9	15.1	15.5	16.7	-	16.5
UK	16.4	19.0	15.8	17.8	14.3	13.1	12.5	13.5	12.5	13.5	12.3	-	13.0
EU-15	21.7	21.1	21.2	21.7	19.3	18.6	18.4	18.8	18.3	18.8	18.4	-	18.4
Euro area	23.3	21.9	22.7	22.5	20.5	19.8	19.6	20.1	19.7	20.1	19.8	-	19.8
USA	18.6	20.5	18.0	18.3	15.2	13.9	12.2	12.2	13.2	13.0	16.6	-	16.9
JAP	31.6	28.6	26.1	25.9	27.8	28.6	29.2	38.2	27.6	38.4	26.3	-	26.1

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

TABLE 45 : Gross saving, general government (as a percentage of GDP, 1970-2003) [1]

								2001 estimate of		2002 forecast of		2003 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	1.9	-3.3	-4.7	-3.9	1.5	1.9	2.6	3.1	2.1	3.5	2.0	-	2.4
DK	9.2	1.1	3.1	-0.7	3.1	4.6	4.0	4.7	3.7	4.6	3.2	-	3.7
D	6.1	2.1	2.0	0.8	0.3	1.2	1.5	0.8	0.1	1.3	-0.2	-	0.3
EL	3.7	-1.6	-7.8	-7.1	1.1	2.0	2.6	3.6	2.9	4.3	3.8	-	4.3
E	3.7	1.2	1.3	-0.6	2.4	2.9	3.5	4.0	4.0	4.3	3.9	-	4.2
F	4.6	2.0	1.8	-0.9	1.3	2.1	2.2	2.5	2.0	2.9	1.6	-	2.1
IRL	1.5	-4.5	-3.0	-0.6	5.4	6.7	8.2	6.6	6.5	6.8	6.3	-	6.6
I	-2.2	-5.8	-5.9	-5.5	0.7	1.6	1.8	1.8	2.1	2.1	1.8	-	2.1
L	7.2	8.2	-	-	8.9	9.0	10.9	10.0	9.7	9.1	8.2	-	8.5
NL	4.7	1.2	-0.8	-0.6	3.0	3.3	4.5	3.4	4.3	4.0	3.5	-	4.4
A	8.1	3.8	1.8	1.0	2.3	1.7	1.9	2.4	3.3	2.9	3.0	-	3.5
P	4.3	-2.5	-0.8	-1.5	1.5	1.8	1.5	3.3	1.7	3.4	2.2	-	2.6
FIN	8.5	7.8	7.8	-1.6	4.6	4.7	9.3	7.8	7.1	7.7	5.2	-	4.5
S	9.9	2.8	5.4	-3.8	3.8	4.4	6.4	6.3	6.3	5.9	4.0	-	4.3
UK	5.0	-0.2	1.3	-2.9	1.6	2.6	3.2	2.7	3.0	2.8	2.5	-	2.7
EU-15	4.4	0.4	0.2	-1.8	1.4	2.1	2.6	2.5	2.3	2.8	1.9	-	2.3
Euro area	3.9	0.4	-0.3	-1.5	1.2	1.9	2.3	2.3	2.0	2.7	1.7	-	2.1
USA	1.0	-0.8	-1.7	-2.0	1.7	3.3	4.2	5.0	2.7	4.8	-0.5	-	-0.3
JAP	6.9	3.5	7.0	6.4	0.9	0.0	-0.8	-8.6	0.1	-8.5	0.4	-	0.5

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

TABLE 46 : Exports of goods, volume (percentage change on preceding year, 1961-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	10.1	2.3	5.7	4.8	4.3	4.2	9.1	7.2	0.7	7.4	1.9	-	5.5
DK	7.1	5.0	4.2	3.4	4.8	7.4	10.5	6.7	2.9	6.8	2.2	-	5.7
D	8.0	4.7	4.8	3.6	6.9	5.6	13.5	10.7	5.4	8.9	1.2	-	6.8
EL	10.5	7.3	3.3	3.6	4.9	2.3	11.8	8.3	3.0	8.1	2.0	-	6.0
E	-	8.8	4.5	11.9	8.0	6.3	9.2	9.1	4.1	8.7	3.6	-	7.0
F	10.0	4.5	5.7	5.9	6.4	4.1	13.1	9.5	2.1	8.1	2.7	-	6.3
IRL	8.1	8.7	9.1	13.2	12.3	14.3	17.6	10.0	9.2	9.5	5.1	-	7.9
I	11.7	5.1	6.0	7.3	4.0	1.1	9.7	7.6	2.8	8.1	2.3	-	6.4
L	5.3	1.9	6.6	3.9	6.5	5.6	14.8	6.8	4.3	6.5	1.0	-	6.0
NL	9.9	3.5	5.5	6.5	5.4	4.8	10.0	7.1	2.0	6.5	1.0	-	4.8
A	-	6.8	5.5	4.6	8.3	7.9	13.5	8.2	5.2	7.7	3.8	-	7.4
P	-	-	9.8	6.1	-	-	-	7.1	6.4	7.2	2.0	-	5.2
FIN	-	3.7	1.6	7.7	8.0	7.2	20.6	9.6	-2.9	8.2	2.2	-	5.7
S	-	3.1	2.5	7.5	6.2	5.6	11.2	7.3	-2.4	7.6	3.3	-	7.1
UK	5.3	3.7	4.9	5.3	5.4	4.4	11.3	7.0	3.5	8.0	0.8	-	6.6
EU-15 [1]	8.8	4.6	5.2	5.8	6.1	4.8	11.8	8.6	3.3	8.1	2.0	-	6.4
Euro area [2]	9.5	4.8	5.4	5.9	6.2	4.7	12.0	9.0	3.5	8.1	2.1	-	6.3
USA	6.9	3.6	11.1	7.7	3.7	3.9	11.3	4.8	-5.5	6.8	-6.1	-	2.5
JAP	-	9.0	2.6	1.9	2.9	-5.5	9.1	6.6	-2.1	8.5	3.8	-	6.2

[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 47 : Imports of goods, volume (percentage change on preceding year, 1961-2003)

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	9.3	1.7	7.1	3.8	4.4	3.3	9.6	7.0	1.0	7.1	1.9	-	5.5
DK	8.3	2.1	2.7	4.3	5.1	2.8	8.4	5.3	0.8	6.4	3.3	-	5.6
D	8.7	3.8	7.1	3.8	6.3	8.0	10.6	11.5	1.9	9.5	2.0	-	6.7
EL	13.0	2.6	8.7	3.8	7.5	-0.9	15.8	7.9	5.8	8.4	4.3	-	6.4
E	-	2.0	18.1	7.5	9.0	12.5	9.6	8.4	4.6	8.9	3.7	-	7.4
F	11.3	2.5	8.3	3.8	6.5	5.8	15.6	10.6	2.1	8.5	3.1	-	6.8
IRL	9.2	4.1	6.5	7.9	10.9	8.3	15.6	10.2	6.6	9.8	5.8	-	7.7
I	10.7	3.0	8.5	3.6	6.1	7.2	8.7	8.2	3.5	8.8	4.3	-	7.3
L	6.2	2.4	8.5	4.9	7.4	11.3	8.0	9.2	4.5	9.0	2.0	-	7.0
NL	9.4	2.5	5.8	5.9	5.6	5.9	9.5	8.2	1.6	7.6	0.9	-	4.7
A	-	4.4	6.0	3.7	6.8	7.2	10.8	6.7	4.3	6.9	3.2	-	7.5
P	-	-	16.3	6.7	-	-	-	5.6	3.1	5.5	1.9	-	4.2
FIN	-	2.1	5.7	0.8	7.5	2.7	16.8	9.8	-2.2	8.2	2.9	-	4.7
S	-	2.1	4.7	3.6	5.8	3.2	11.9	7.7	-2.8	7.4	3.5	-	6.8
UK	5.7	2.6	7.3	3.0	7.8	7.8	12.0	7.7	4.8	7.6	2.8	-	6.7
EU-15 [1]	9.3	2.9	8.0	4.2	6.6	6.9	11.3	9.0	2.7	8.3	2.8	-	6.5
Euro area [2]	10.0	3.0	8.3	4.4	6.5	6.9	11.3	9.3	2.6	8.5	2.8	-	6.5
USA	9.0	5.0	5.2	8.2	7.3	12.4	13.5	4.1	-3.4	6.5	-2.8	-	4.9
JAP	-	2.1	10.1	5.1	2.8	-1.0	11.9	6.6	0.7	6.9	0.3	-	4.1

[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 : Trade balance (fob-fob, as a percentage of GDP, 1974-2003)

							2001 estimate of		2002 forecast of		2003 forecast of	
	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	-3.8	-0.9	0.4	2.9	3.6	2.1	3.6	1.8	4.1	2.1	-	2.1
DK	-3.9	0.8	3.8	3.3	3.0	3.4	3.4	4.4	3.6	4.1	-	4.2
D	3.4	6.2	1.9	3.6	3.4	3.1	3.0	4.1	3.1	4.2	-	4.4
EL	-9.7	-11.9	-13.0	-15.2	-13.9	-16.2	-15.7	-16.5	-16.1	-16.4	-	-16.7
E	-5.4	-4.8	-3.8	-4.7	-5.1	-6.1	-6.1	-6.0	-6.4	-5.9	-	-6.2
F	-1.9	-1.3	-0.1	0.4	1.0	-0.2	-0.8	-0.5	-0.9	-0.3	-	-0.6
IRL	-9.6	6.9	15.1	25.4	25.6	26.8	27.7	27.9	27.5	27.5	-	28.0
I	-1.6	0.1	2.2	2.5	2.3	1.5	1.7	1.6	1.7	1.4	-	1.3
L	-7.7	-11.0	-13.2	-12.9	-13.5	-11.1	-16.4	-15.7	-17.6	-15.0	-	-15.2
NL	0.2	3.2	5.0	5.4	4.0	4.8	4.9	5.8	4.5	6.3	-	6.2
A	-6.3	-4.0	-3.7	-1.6	-1.6	-1.3	-1.1	-1.3	-1.1	-1.0	-	-1.4
P	-	-11.4	-11.0	-11.4	-12.3	-13.6	-13.1	-12.6	-13.0	-12.2	-	-12.2
FIN	-0.2	1.2	6.1	10.0	9.5	11.3	11.3	10.9	11.5	10.0	-	10.2
S	-	2.0	4.0	6.9	7.0	6.6	6.8	6.3	7.1	6.3	-	6.4
UK	-1.4	-3.6	-1.8	-3.0	-3.1	-3.2	-3.6	-3.7	-3.5	-4.1	-	-4.2
EU-15	-1.1	0.2	0.4	1.0	1.0	0.5	0.4	0.6	0.4	0.6	-	0.5
EU-15, adjusted	-	-	-	-	0.2	-0.4	-0.3	-0.1	-0.3	-0.1	-	-0.2
Euro area	-1.0	0.8	0.6	1.7	1.6	1.0	1.0	1.3	1.0	1.4	-	1.4
Euro area, adjusted	-	-	-	-	1.0	0.4	0.7	0.9	0.7	0.9	-	0.9
USA	-1.2	-2.6	-1.9	-3.6	-3.8	-4.7	-4.5	-4.3	-4.5	-4.1	-	-4.4
JAP	1.7	3.2	2.9	2.1	2.0	1.7	1.4	1.9	1.4	2.2	-	2.2

TABLE 49 : Balance on current transactions with the rest of the world (as a percentage of GDP, 1961-2003) 12.11.2001

								2001 estimate of		2002 forecast of		2003 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-03	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	1.4	-1.4	1.2	3.7	4.8	5.3	4.7	4.6	4.4	5.0	4.6	-	4.5
DK	-1.9	-3.5	-2.2	1.6	1.7	2.2	2.1	2.4	3.2	2.8	2.5	-	2.7
D	0.7	0.8	4.2	-0.9	-0.4	-0.8	-1.0	-1.6	-0.1	-1.7	-0.2	-	-0.1
EL	-2.0	-0.9	-3.0	-2.0	-3.7	-3.2	-4.5	-4.1	-4.3	-4.0	-4.5	-	-4.7
E	-0.7	-1.4	-1.2	-1.8	-1.8	-2.3	-3.4	-3.2	-3.1	-3.0	-2.9	-	-2.7
F	0.6	-1.7	-1.6	-0.1	1.8	2.3	1.4	1.1	1.7	1.1	1.8	-	1.5
IRL	-2.5	-7.9	-1.2	1.9	0.2	0.4	-0.6	-0.8	-1.5	-1.1	-2.0	-	-2.2
I	1.4	-0.8	-0.7	-0.1	1.1	1.0	0.1	0.2	0.2	0.3	-0.1	-	-0.3
L	6.9	26.6	28.1	-	-	-	-	21.4	20.1	22.0	19.7	-	19.7
NL	0.5	2.0	2.8	4.3	5.2	4.1	5.0	5.8	5.8	5.3	6.1	-	6.0
A	0.1	-1.0	0.1	-1.1	-2.5	-3.1	-2.7	-2.5	-2.7	-2.5	-2.4	-	-2.7
P	0.4	-6.6	-0.2	-2.7	-7.7	-8.9	-10.5	-9.4	-8.7	-9.3	-8.3	-	-8.2
FIN	-1.5	-2.0	-3.1	-1.2	6.0	6.0	7.3	8.1	7.1	8.1	6.2	-	6.6
S	0.2	-1.7	-1.6	-0.3	3.4	4.0	3.3	3.2	3.4	3.0	2.4	-	2.2
UK	0.4	0.2	-3.2	-1.6	-1.7	-2.1	-2.0	-2.1	-1.9	-2.2	-2.9	-	-2.6
EU-15	0.5	-0.5	-0.1	-0.4	0.3	0.1	-0.3	-0.3	0.2	-0.3	-0.1	-	-0.1
EU-15, adj.	-	-	-	-	-	0.0	-0.6	-0.6	-0.2	-0.7	-0.5	-	-0.5
Euro area	0.6	-0.5	0.7	-0.2	0.6	0.4	-0.1	-0.1	0.4	-0.1	0.4	-	0.4
Euro area, adj.	-	-	-	-	-	-0.2	-0.7	-0.5	-0.3	-0.6	-0.3	-	-0.3
USA	0.5	-0.3	-2.3	-0.9	-2.9	-3.3	-4.4	-4.2	-3.7	-4.2	-3.3	-	-3.6
JAP	0.6	0.9	2.7	2.5	2.3	2.5	2.5	2.7	2.3	2.8	2.3	-	2.1

TABLE 50 : Trade balance (fob-fob, in billions of Ecu/euro, 1995-2003)

							2001 estimate of		2002 forecast of		2003 forecast of	
	1995	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	9.1	8.3	8.3	8.3	8.4	5.3	9.3	4.7	11.2	5.7	-	5.9
DK	3.8	4.8	3.7	2.0	4.9	6.1	6.2	8.0	7.0	7.8	-	8.4
D	48.0	55.7	63.1	69.5	66.6	62.5	63.7	85.3	66.5	87.8	-	96.0
EL	-11.0	-13.0	-14.8	-16.4	-16.3	-19.9	-20.3	-21.6	-22.3	-23.0	-	-25.1
E	-14.0	-12.8	-12.0	-18.7	-28.6	-37.4	-39.3	-39.1	-43.5	-40.0	-	-44.3
F	4.3	8.4	21.2	18.4	13.7	-7.9	-11.5	-7.9	-14.1	-5.1	-	-9.3
IRL	10.3	12.4	16.3	17.8	22.8	27.7	32.5	32.2	36.4	34.4	-	38.4
I	33.3	45.9	38.7	36.8	26.0	17.9	21.3	19.3	22.4	17.9	-	16.9
L	-1.3	-1.6	-1.8	-1.7	-2.5	-3.2	-3.7	-3.4	-4.3	-3.5	-	-3.9
NL	18.8	17.9	18.6	18.2	15.1	19.4	21.2	24.8	20.7	28.3	-	29.5
A	-4.7	-5.4	-3.4	-3.0	-3.1	-2.7	-2.3	-2.6	-2.4	-2.2	-	-3.2
P	-6.9	-7.4	-8.9	-11.0	-13.3	-15.1	-15.9	-15.3	-16.6	-15.5	-	-16.3
FIN	9.5	8.9	10.2	11.2	11.5	14.9	15.7	14.8	16.7	14.0	-	14.8
S	13.1	14.9	16.9	15.5	15.9	16.4	16.6	14.7	18.3	14.5	-	15.5
UK	-14.5	-16.9	-17.8	-32.2	-41.8	-49.8	-55.0	-58.7	-57.2	-66.8	-	-71.9
EU-15	97.9	120.2	138.1	114.5	79.3	34.1	38.6	55.2	38.8	54.3	-	51.4
EU-15, adjusted	-	-	74.4	46.8	19.1	-32.5	-30.5	-11.4	-30.4	-12.3	-	-15.2
Euro area	95.4	117.4	135.4	129.3	100.3	61.5	70.8	91.2	70.7	98.7	-	99.4
Euro area, adjusted	-	-	99.9	92.8	64.1	28.3	47.5	58.0	47.3	65.5	-	66.2
USA	-132.9	-149.6	-173.0	-221.8	-327.1	-498.3	-494.0	-483.3	-520.9	-474.6	-	-530.6
JAP	100.4	65.9	101.9	79.8	85.1	89.8	66.2	89.7	69.7	99.9	-	103.6

TABLE 51 : Balance on current transactions with the rest of the world (in billions of Ecu/euro, 1995-2003)

							2001 estimate of		2002 forecast of		2003 forecast of	
	1995	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	11.3	10.1	11.1	11.3	12.4	11.7	11.9	11.2	13.6	12.1	-	12.3
DK	1.0	2.1	0.6	-1.3	3.6	3.7	4.4	5.9	5.4	4.8	-	5.4
D	-15.2	-6.1	-1.8	-5.7	-15.2	-19.3	-32.8	-2.7	-36.9	-5.2	-	-2.0
EL	-0.8	-2.3	-2.5	-4.3	-3.8	-5.5	-5.3	-5.6	-5.6	-6.3	-	-7.0
E	-0.1	0.7	2.3	-3.3	-12.9	-20.9	-20.4	-19.9	-20.9	-19.4	-	-19.4
F	3.1	11.2	31.6	30.8	31.7	20.1	16.7	24.4	16.6	26.4	-	23.4
IRL	1.4	1.9	2.2	0.7	0.3	-0.6	-0.9	-1.7	-1.4	-2.5	-	-3.0
I	18.8	31.1	28.6	19.6	10.6	1.6	2.8	2.3	3.6	-1.8	-	-3.6
L	-	-	-	-	-	4.4	4.8	4.4	5.4	4.6	-	5.0
NL	20.2	17.6	20.5	10.5	15.2	20.4	25.2	24.8	24.6	27.7	-	28.6
A	-4.3	-4.0	-4.7	-3.8	-6.0	-5.6	-5.4	-5.7	-5.5	-5.1	-	-6.1
P	-2.5	-3.5	-5.8	-7.2	-9.6	-11.2	-11.5	-10.7	-11.9	-10.6	-	-10.9
FIN	4.1	4.1	6.0	6.4	7.2	9.6	11.2	9.6	11.9	8.7	-	9.5
S	6.9	7.2	9.0	8.1	9.1	7.8	7.8	8.0	7.8	5.6	-	5.3
UK	-10.9	-10.7	-2.5	-7.1	-29.0	-30.2	-32.3	-30.9	-36.0	-47.3	-	-44.9
EU-15	33.0	59.6	94.7	54.9	13.7	-18.6	-28.6	9.1	-34.7	-12.9	-	-12.4
EU-15, adjusted	-	-	82.9	35.8	-1.8	-49.3	-56.0	-21.6	-62.1	-43.7	-	-43.2
Euro area	36.0	60.9	87.6	55.2	30.0	0.2	-8.5	26.1	-12.0	23.9	-	21.8
Euro area, adjusted	-	-	54.6	23.5	-13.8	-45.0	-36.9	-19.1	-40.5	-21.3	-	-23.4
USA	-74.9	-87.2	-108.5	-178.1	-287.7	-467.0	-463.0	-415.7	-480.9	-378.1	-	-433.7
JAP	84.4	51.8	85.6	106.1	107.6	127.9	128.9	105.3	136.6	104.5	-	99.0

TABLE 52 : Export markets (a) (percentage change on preceding year, 1995-2003) 12.11.2001

							2001 estimate of		2002 forecast of		2003 forecast of	
	1995	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	6.8	4.1	9.3	8.2	6.9	11.6	8.8	2.3	8.4	2.5	-	6.4
DK	6.9	4.7	8.6	6.9	5.0	9.3	7.7	2.1	7.5	2.6	-	6.0
D	7.7	5.1	9.8	7.3	5.9	11.8	7.8	2.3	8.1	2.7	-	6.4
EL	7.4	4.3	8.8	6.0	5.6	9.0	8.7	3.3	7.9	3.2	-	6.6
E	7.4	4.1	9.4	8.5	6.0	10.6	8.4	2.4	8.0	2.6	-	6.1
F	7.8	4.8	9.6	7.3	7.2	10.2	8.0	2.4	8.1	2.6	-	6.3
IRL	6.5	5.6	9.3	7.8	6.9	11.2	7.4	1.9	7.7	1.9	-	6.0
I	7.1	5.5	9.8	7.1	6.4	12.1	8.6	2.3	8.4	2.6	-	6.4
L (b)	-	-	-	-	-	-	-	-	-	-	-	-
NL	5.7	4.0	7.9	7.2	4.8	9.2	7.5	2.4	7.2	2.7	-	6.1
A	7.1	3.7	10.3	8.6	6.6	12.1	9.7	3.1	9.2	3.1	-	6.9
P	7.8	4.7	9.8	9.3	8.2	12.3	9.2	2.4	8.6	2.5	-	6.6
FIN	8.1	4.7	10.0	6.0	3.8	11.2	8.0	2.7	8.2	3.1	-	6.6
S	7.1	5.2	9.9	7.3	6.0	11.1	7.4	1.7	7.7	2.3	-	5.9
UK	8.3	5.4	9.8	7.5	6.5	11.3	7.7	1.6	7.9	2.1	-	6.1
EU-15 (c)	7.4	4.9	9.5	7.4	6.2	11.1	8.0	2.2	8.0	2.5	-	6.3
Euro area (c)	7.2	4.8	9.5	7.5	6.2	11.2	8.1	2.4	8.1	2.6	-	6.3
USA	10.5	6.6	10.0	1.6	6.7	11.4	7.5	0.0	8.4	1.9	-	5.9
JAP	10.8	6.8	11.6	3.2	9.1	11.4	7.4	-0.4	8.1	1.4	-	6.2

(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 53 : Export performance (a) (percentage change on preceding year, 1995-2003)

							2001 estimate of		2002 forecast of		2003 forecast of	
	1995	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
B	0.9	-0.3	-2.7	-3.8	-1.6	-2.2	-1.5	-1.6	-0.9	-0.6	-	-0.8
DK	-7.3	-2.7	-1.9	-5.2	2.3	1.1	-0.9	0.8	-0.7	-0.4	-	-0.3
D	-3.4	-0.5	1.6	0.2	-0.6	1.5	2.7	3.0	0.7	-1.5	-	0.4
EL	-3.6	-1.8	-4.6	-4.1	-3.1	2.6	-0.4	-0.3	0.2	-1.2	-	-0.6
E	2.3	6.2	3.6	-3.1	-0.9	-1.3	0.6	1.7	0.6	1.0	-	0.8
F	-0.2	-1.0	2.0	-0.5	-3.3	2.6	1.4	-0.3	0.0	0.1	-	0.0
IRL	8.0	4.5	5.4	12.6	4.5	5.8	2.4	7.2	1.7	3.1	-	1.8
I	3.6	-5.5	-5.2	-3.4	-5.0	-2.1	-0.9	0.5	-0.3	-0.3	-	0.0
L (b)	-	-	-	-	-	-	-	-	-	-	-	-
NL	0.6	0.1	-1.9	-0.7	0.8	0.7	-0.4	-0.4	-0.7	-1.7	-	-1.2
A	0.9	1.9	2.1	-0.4	1.2	1.2	-1.4	2.0	-1.4	0.7	-	0.5
P	4.3	5.5	-0.3	-1.5	-	-	-1.9	3.9	-1.3	-0.5	-	-1.3
FIN	-2.5	-0.3	4.7	3.8	3.7	8.5	1.5	-5.5	0.0	-0.9	-	-0.8
S	5.2	0.7	2.4	-0.5	-1.0	0.1	-0.1	-4.0	-0.1	1.0	-	1.1
UK	-1.8	1.4	-1.8	-5.8	-2.8	0.0	-0.6	1.9	0.1	-1.3	-	0.5
EU-15 (c)	-0.1	-0.3	-0.2	-1.4	-1.6	0.6	0.6	1.1	0.1	-0.5	-	0.1
Euro area (c)	0.3	-0.3	0.2	-0.6	-1.5	0.7	0.8	1.1	0.0	-0.5	-	0.0
USA	0.1	0.9	5.0	0.5	-2.5	-0.1	-2.5	-5.5	-1.5	-7.9	-	-3.2
JAP	-5.2	-4.4	-1.9	-4.5	-13.4	-2.1	-0.7	-1.7	0.4	2.4	-	0.0

(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 54 : World GDP, volume (percentage change on preceding year, 1996-2003) 12.11.2001

							2001 estimate of		2002 forecast of		2003 forecast of	
	(a)	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
EU-15	19.4	1.7	2.6	2.9	2.6	3.3	2.8	1.7	2.9	1.4	-	2.9
Euro area	15.6	1.5	2.4	2.9	2.7	3.4	2.8	1.6	2.9	1.3	-	2.9
Belgium	0.6	1.2	3.6	2.2	3.0	4.0	3.0	1.3	3.1	1.3	-	2.8
Denmark	0.3	2.5	3.0	2.8	2.1	3.2	2.1	1.3	2.4	1.6	-	2.5
Germany	4.5	0.8	1.4	2.0	1.8	3.0	2.2	0.7	2.6	0.7	-	2.8
Greece	0.4	2.4	3.5	3.1	3.4	4.3	4.4	4.1	4.8	3.5	-	4.2
Spain	1.7	2.4	4.0	4.3	4.1	4.1	3.2	2.7	3.3	2.0	-	3.2
France	3.2	1.1	1.9	3.4	2.9	3.1	2.9	2.0	2.8	1.5	-	2.6
Ireland	0.2	7.8	10.8	8.6	10.8	11.5	7.5	6.5	7.1	3.3	-	5.5
Italy	3.0	1.1	2.0	1.8	1.6	2.9	2.5	1.8	2.7	1.3	-	2.7
Luxembourg	0.0	3.6	9.1	5.9	5.7	9.5	5.6	4.0	5.5	3.0	-	5.4
Netherlands	0.9	3.0	3.8	4.3	3.7	3.5	3.4	1.5	3.1	1.5	-	3.1
Austria	0.5	2.0	1.6	3.5	2.8	3.0	2.5	1.1	2.6	1.2	-	2.4
Portugal	0.4	3.8	3.9	4.5	3.4	3.4	2.6	1.7	2.6	1.5	-	2.3
Finland	0.3	4.0	6.3	5.3	4.0	5.7	4.0	0.5	3.6	1.7	-	2.9
Sweden	0.5	1.1	2.1	3.6	4.5	3.6	2.7	1.4	3.0	1.6	-	2.6
United Kingdom	3.0	2.6	3.4	3.0	2.1	2.9	2.7	2.3	3.0	1.7	-	3.0
USA	22.5	3.6	4.5	4.3	4.1	4.2	1.6	0.9	3.0	0.5	-	3.4
Japan	7.5	3.5	1.8	-1.1	0.8	1.5	1.0	-0.6	1.3	-0.9	-	0.5
Canada	2.0	1.5	4.5	4.0	5.1	4.6	2.8	1.6	3.3	1.0	-	3.5
Rest OECD	6.9	5.2	4.6	1.5	4.4	6.4	3.2	0.3	4.1	2.2	-	3.7
- Norway	0.3	4.9	4.7	2.4	1.1	2.3	2.3	2.0	2.0	1.9	-	2.1
- Switzerland	0.5	0.3	1.7	2.4	1.6	3.0	2.3	1.7	2.0	1.0	-	2.0
- Iceland	0.0	5.2	4.8	4.5	4.3	3.6	2.6	2.6	2.6	3.2	-	3.3
- Turkey	1.0	7.0	1.1	5.0	-2.8	7.2	2.7	-6.8	3.9	2.7	-	4.2
- Australia	1.2	3.8	4.7	4.5	4.4	4.1	2.0	2.1	3.5	3.6	-	4.2
- New Zealand	0.2	2.7	1.9	0.0	4.4	3.6	2.7	1.9	3.2	3.1	-	3.1
- Mexico	2.0	5.2	6.8	4.9	3.7	6.8	4.0	0.5	4.5	1.3	-	4.0
- Korea	1.7	6.8	5.0	-6.7	10.7	8.9	3.8	1.9	5.2	2.1	-	3.5
Total OECD	58.4	3.1	3.5	2.8	3.3	3.8	2.1	0.9	2.9	0.8	-	2.9
OECD excluding EU-15	39.0	3.8	4.0	2.8	3.6	4.1	1.8	0.5	2.8	0.6	-	2.9
Europe Agreement Countries	2.1	3.6	3.2	2.5	1.7	3.7	3.8	3.1	4.1	3.1	-	4.1
- Bulgaria	0.1	-10.1	-6.9	3.4	2.4	5.8	5.2	4.2	4.9	3.6	-	4.4
- Czech Republic	0.3	3.9	1.0	-2.3	-0.8	2.9	3.5	3.5	4.0	3.8	-	4.2
- Estonia	0.0	3.9	10.6	4.0	-1.1	6.9	5.9	5.3	5.7	4.7	-	5.4
- Hungary	0.3	1.3	4.6	5.1	4.5	5.2	4.6	3.8	5.0	3.2	-	4.6
- Latvia	0.0	3.3	8.6	3.6	1.1	6.6	5.5	7.9	5.5	4.5	-	6.5
- Lithuania	0.1	4.7	7.3	5.1	-4.2	3.9	3.5	4.5	4.0	3.5	-	4.3
- Poland	0.8	6.0	6.8	4.8	4.1	4.0	4.3	1.5	4.6	1.9	-	3.4
- Romania	0.3	3.9	-6.1	-5.4	-3.2	1.6	1.8	4.6	2.3	4.4	-	4.8
- Slovakia	0.1	6.6	6.5	4.4	1.9	2.2	3.0	2.7	3.8	3.5	-	4.0
- Slovenia	0.1	3.5	4.6	4.0	4.9	4.6	4.3	3.7	4.3	3.3	-	4.0
FSU (excl. Baltics)	3.7	-3.5	0.6	-3.0	4.4	7.9	4.4	5.5	4.8	4.2	-	5.1
- Russia	2.5	-3.4	0.9	-4.9	5.4	8.3	4.2	5.0	5.0	3.8	-	5.0
- Ukraine	0.4	-10.1	-3.2	-1.7	-0.4	6.0	4.5	7.0	4.5	5.5	-	6.0
- Other FSU (10 states)	0.7	1.1	2.2	3.0	4.0	7.4	5.1	6.3	4.3	5.0	-	5.0
OPEC	4.7	5.2	4.1	-3.4	0.7	3.5	3.7	2.2	4.3	2.5	-	3.3
- Indonesia	2.0	7.8	4.7	-13.1	0.8	4.8	2.7	1.5	3.8	2.1	-	3.2
Other developing economies	31.0	6.8	6.1	4.3	4.9	5.3	5.3	3.9	5.7	4.3	-	5.2
- DAE's	3.2	6.3	3.6	-3.0	4.6	2.9	3.5	-0.6	4.8	2.5	-	3.5
Hong Kong	0.4	4.5	5.0	-5.3	3.1	0.0	3.7	-0.8	4.6	2.9	-	4.7
- Other Asia	19.0	8.3	6.9	6.7	6.4	6.6	6.4	5.8	6.7	5.7	-	6.1
China	12.0	9.6	8.8	7.8	7.1	7.1	7.4	7.4	7.5	7.0	-	7.4
India	4.4	7.0	4.6	6.4	5.9	5.9	5.6	4.2	5.9	4.7	-	4.7
- Latin America	6.0	3.5	4.7	1.6	-0.5	3.2	3.5	0.7	3.9	1.7	-	3.8
Brazil	2.9	2.7	3.3	0.2	0.8	4.5	4.0	1.2	4.3	2.0	-	4.0
- Africa	2.9	5.1	3.1	3.2	3.1	3.5	4.1	2.7	4.4	2.7	-	3.9
Total Non-OECD	41.6	5.5	5.2	2.7	4.2	5.2	5.0	3.8	5.4	4.0	-	4.9
World	100.0	4.1	4.2	2.8	3.7	4.4	3.3	2.1	3.9	2.2	-	3.7
World excluding EU-15	80.6	4.7	4.6	2.7	3.9	4.7	3.4	2.2	4.1	2.3	-	3.9
World excluding euro area	84.4	4.6	4.6	2.7	3.8	4.6	3.4	2.2	4.1	2.3	-	3.9

(a) Relative weights, based on GDP (at constant prices and pps) in 2000.

TABLE 55 : World exports of goods, volume (percentage change on preceding year, 1996-2003) 12.11.2001

							2001 estimate of		2002 forecast of		2003 forecast of	
	(a)	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
EU-15 (b)	36.3	4.6	9.9	6.3	4.8	11.8	8.6	3.3	8.1	2.0	-	6.4
Euro area (b)	29.5	4.1	10.2	7.2	4.7	12.0	9.0	3.5	8.1	2.1	-	6.3
USA	12.8	8.7	14.5	2.1	3.9	11.3	4.8	-5.5	6.8	-6.1	-	2.5
Japan	6.5	5.5	9.0	-1.5	-5.5	9.1	6.6	-2.1	8.5	3.8	-	6.2
Canada	4.6	5.5	9.1	8.5	11.0	10.3	4.3	-3.5	6.4	-2.5	-	5.3
Rest OECD	9.7	11.9	14.9	8.0	8.8	10.4	7.1	2.4	7.2	2.6	-	6.2
- Norway	1.0	10.4	6.5	-0.7	2.9	2.2	4.8	3.4	4.1	2.3	-	2.9
- Switzerland	1.4	2.0	7.9	4.8	4.4	9.1	6.9	3.3	5.9	1.4	-	3.2
- Iceland	0.0	-5.1	19.0	2.2	5.5	2.5	5.2	0.8	5.2	2.9	-	4.8
- Turkey	0.5	-20.3	27.6	8.2	-6.1	9.7	7.0	7.0	6.5	8.0	-	9.0
- Australia	1.0	12.2	8.1	0.1	5.2	9.5	8.5	2.5	8.1	2.5	-	4.0
- New Zealand	0.2	4.1	5.8	0.1	2.9	5.7	7.0	6.0	7.5	3.8	-	5.2
- Mexico	2.7	16.1	11.9	12.0	15.3	5.5	7.0	0.0	7.0	2.0	-	8.0
- Korea	2.8	19.8	24.9	12.2	11.3	19.4	7.4	2.9	8.9	3.0	-	7.5
Total OECD	70.0	6.5	11.3	5.2	4.6	11.2	7.3	0.6	7.7	0.5	-	5.6
OECD excluding EU-15	33.7	8.6	12.8	4.0	4.5	10.5	5.7	-2.3	7.2	-1.2	-	4.7
Europe Agreement Countries	2.2	4.7	13.9	10.4	1.8	21.7	13.2	9.4	13.0	6.5	-	10.3
- Bulgaria	0.1	-	-	-22.7	-4.6	25.5	10.0	5.5	6.0	6.0	-	13.0
- Czech Republic	0.5	6.2	13.7	13.8	8.7	19.9	19.3	9.0	18.6	7.0	-	8.1
- Estonia	0.1	0.9	35.7	18.2	-5.0	39.9	15.0	6.0	11.0	5.5	-	11.0
- Hungary	0.3	8.4	29.9	17.8	9.8	21.8	18.0	11.0	19.5	7.6	-	12.4
- Latvia	0.0	4.4	24.6	7.0	-2.8	14.1	7.4	7.0	7.9	4.5	-	7.4
- Lithuania	0.1	-	18.4	-9.8	-21.5	24.6	8.1	17.0	8.6	6.2	-	10.8
- Poland	0.7	3.5	5.0	10.6	-6.4	23.8	9.5	9.0	8.2	6.5	-	12.5
- Romania	0.2	3.1	11.9	6.3	8.8	24.4	8.0	12.4	8.3	5.6	-	8.1
- Slovakia	0.2	3.3	3.3	11.7	5.3	17.0	11.2	7.8	9.4	6.6	-	9.5
- Slovenia	0.1	2.6	13.0	9.0	2.6	12.8	7.2	7.5	7.3	4.0	-	5.5
FSU (excl. Baltics)	2.4	11.0	3.0	-6.3	-3.8	28.2	3.6	5.9	3.8	2.0	-	1.9
- Russia	1.7	11.1	3.8	-3.2	-3.0	28.6	2.1	6.2	2.4	1.0	-	1.4
- Ukraine	0.3	8.0	-6.5	-13.7	-4.7	16.1	5.4	5.8	3.9	5.8	-	7.0
- Other FSU (10 states)	0.4	13.2	7.9	-12.4	-6.5	34.7	7.6	4.9	8.2	3.4	-	0.9
OPEC	4.8	6.7	3.6	4.6	7.8	4.2	6.1	2.9	6.6	2.2	-	4.2
- Indonesia	0.9	3.7	12.9	17.2	1.5	-1.2	7.0	4.6	9.0	2.0	-	6.0
Other developing economies	20.5	10.6	14.7	4.6	6.8	10.8	7.5	0.2	8.6	3.4	-	6.0
- DAE's	9.8	4.8	7.0	0.5	8.0	7.5	7.7	-2.0	8.8	3.3	-	5.8
Hong Kong	3.2	4.4	5.8	-3.9	3.0	0.6	7.3	0.0	8.6	3.0	-	6.5
- Other Asia	6.5	15.4	16.3	12.3	6.7	19.6	8.2	3.8	9.5	3.9	-	5.8
China	3.4	20.5	25.8	13.6	8.1	27.2	8.5	5.2	10.0	4.3	-	5.8
India	0.6	13.1	-7.0	4.4	12.2	17.6	8.5	2.1	10.0	3.8	-	4.6
- Latin America	2.9	4.2	7.2	5.8	-6.1	2.3	6.4	-1.8	7.2	3.1	-	6.4
Brazil	0.9	-0.7	4.8	10.2	-0.7	7.0	7.0	0.5	8.0	5.0	-	8.0
- Africa	1.3	11.5	7.1	-1.0	5.3	10.0	5.4	3.4	5.9	2.4	-	7.6
Total Non-OECD	30.0	9.6	11.9	4.2	5.7	11.9	7.4	1.8	8.3	3.3	-	5.7
World	100.0	7.4	11.5	4.9	5.0	11.4	7.4	1.0	7.9	1.3	-	5.6
World excluding EU-15	63.7	9.0	12.4	4.1	5.1	11.2	6.5	-0.4	7.7	0.9	-	5.1
World excluding euro area	70.5	8.8	12.1	3.9	5.1	11.2	6.6	-0.1	7.7	1.0	-	5.3

(a) Relative weights, based on exports (at current prices and current exchange rates) in 2000.
(b) Intra- and extra-EU trade.

TABLE 56 : Export shares in EU trade (goods only - 2000)

	EU-15	USA	Japan	Canada	Rest OECD	EAC	FSU	OPEC	DAE's	Other Asia	Latin America	Africa	World
EU-15	62.1	9.4	1.8	0.8	6.5	4.7	1.1	2.2	3.3	2.9	1.8	2.1	100
Belgium	75.0	5.8	1.2	0.4	3.4	2.2	0.7	1.4	2.1	4.9	0.9	1.5	100
Denmark	66.8	6.0	3.6	0.7	11.2	3.5	1.3	1.3	2.8	2.1	1.3	0.9	100
Germany	56.6	10.3	2.2	0.7	8.1	8.1	1.6	1.8	3.7	3.1	1.6	1.5	100
Greece	41.5	5.6	0.8	0.7	2.3	10.6	3.6	2.8	1.3	3.6	1.8	2.9	100
Spain	69.4	5.0	1.0	0.5	2.8	2.6	0.6	2.5	1.6	1.8	4.6	2.7	100
France	61.4	8.7	1.6	0.8	6.5	2.7	0.8	3.3	3.1	2.5	2.6	4.6	100
Ireland	60.0	18.7	4.0	0.5	8.9	1.5	0.3	1.2	4.2	1.2	0.6	1.1	100
Italy	54.9	10.4	1.7	0.9	6.2	5.7	1.4	3.3	3.7	2.8	3.0	2.6	100
Luxembourg	84.7	3.9	0.6	0.6	3.3	2.5	0.4	0.6	0.9	1.2	0.5	0.7	100
Netherlands	78.5	4.4	0.9	0.4	3.8	2.6	0.9	1.3	2.8	1.5	0.9	1.1	100
Austria	61.7	5.0	1.3	0.7	8.4	13.2	1.5	1.3	1.9	1.5	0.8	0.9	100
Portugal	79.4	6.0	0.5	0.6	3.1	1.3	0.1	0.6	1.0	0.9	1.4	3.8	100
Finland	55.7	7.5	1.7	0.7	7.0	7.4	4.8	2.4	3.8	4.6	1.8	1.6	100
Sweden	55.7	9.4	2.8	1.1	12.4	4.4	0.9	2.0	3.7	3.6	1.8	1.6	100
United Kingdom	56.5	15.8	2.0	1.9	5.9	2.1	0.5	3.0	4.5	3.7	1.3	2.0	100

TABLE 57 : World imports of goods, volume (percentage change on preceding year, 1996-2003) 12.11.2001

							2001 estimate of		2002 forecast of		2003 forecast of	
	(a)	1996	1997	1998	1999	2000	IV-2001	XI-2001	IV-2001	XI-2001	IV-2001	XI-2001
EU-15 (b)	35.5	3.6	9.3	10.1	6.9	11.3	9.0	2.7	8.3	2.8	-	6.5
Euro area (b)	28.3	2.7	9.2	10.3	6.9	11.3	9.3	2.6	8.5	2.8	-	6.5
USA	20.1	9.4	14.2	11.7	12.4	13.5	4.1	-3.4	6.5	-2.8	-	4.9
Japan	5.1	10.0	2.4	-4.9	-1.0	11.9	6.6	0.7	6.9	0.3	-	4.1
Canada	4.0	6.0	17.1	7.3	10.4	12.5	5.2	-4.3	8.0	-2.0	-	4.7
Rest OECD	9.5	14.1	12.2	2.9	12.6	13.8	7.8	-1.2	7.7	2.4	-	5.6
- Norway	0.5	10.8	10.2	9.0	-3.6	1.9	0.7	2.1	2.5	2.5	-	2.7
- Switzerland	1.4	2.5	8.7	9.9	5.9	9.6	7.0	3.5	6.0	1.8	-	3.3
- Iceland	0.0	15.8	3.9	23.3	6.1	5.9	5.3	2.5	5.3	4.4	-	6.2
- Turkey	0.9	29.2	23.5	0.2	-11.7	28.4	6.6	-23.2	7.0	5.1	-	7.5
- Australia	1.1	6.9	6.4	6.9	6.6	5.4	9.2	3.5	8.4	4.1	-	5.4
- New Zealand	0.2	3.5	3.5	2.4	13.3	-2.7	7.0	2.5	7.1	2.5	-	7.1
- Mexico	2.8	20.6	23.3	17.3	14.2	15.7	8.5	0.0	8.5	0.5	-	5.0
- Korea	2.5	12.6	1.5	-19.4	29.2	16.4	9.4	-0.5	9.2	3.2	-	7.5
Total OECD	74.3	7.1	11.0	8.4	8.8	12.3	7.2	0.1	7.7	0.8	-	5.7
OECD excluding EU-15	38.8	10.3	12.4	6.9	10.5	13.2	5.5	-2.4	7.0	-1.0	-	5.0
Europe Agreement Countries	2.7	17.8	14.6	13.6	1.8	16.2	11.9	9.8	12.0	7.1	-	9.7
- Bulgaria	0.1	-	-	-1.9	11.1	14.9	9.2	10.0	7.2	11.0	-	14.0
- Czech Republic	0.5	12.4	10.6	8.7	6.0	22.4	19.2	10.1	17.2	7.5	-	7.7
- Estonia	0.1	6.9	33.8	11.8	-8.1	32.4	11.8	4.0	9.9	5.0	-	10.0
- Hungary	0.4	11.7	26.4	23.7	11.1	21.1	18.3	12.3	19.4	8.6	-	13.8
- Latvia	0.1	9.3	13.5	32.3	-3.0	4.2	6.3	11.6	7.5	6.1	-	7.1
- Lithuania	0.1	-	24.7	-2.6	-15.1	12.4	5.4	12.2	6.7	4.9	-	9.1
- Poland	0.8	31.9	16.6	13.0	-0.7	10.6	7.2	7.4	6.9	6.8	-	10.5
- Romania	0.2	8.7	7.5	19.1	-4.8	32.0	8.3	16.3	9.0	7.1	-	7.5
- Slovakia	0.2	22.9	-5.9	9.9	-3.5	11.8	10.6	12.3	9.7	6.3	-	8.6
- Slovenia	0.2	2.4	12.5	16.8	7.6	7.4	6.0	3.5	7.0	4.0	-	5.0
FSU (excl. Baltics)	1.4	10.2	3.5	-13.6	-27.7	12.4	8.2	13.4	9.6	6.6	-	7.2
- Russia	0.7	5.1	4.5	-12.0	-30.0	14.3	9.5	16.1	11.0	7.2	-	10.2
- Ukraine	0.2	13.5	-6.5	-23.9	-29.6	7.7	6.1	12.0	6.9	8.5	-	9.0
- Other FSU (10 states)	0.4	19.3	11.2	-8.4	-21.9	12.1	7.2	9.3	8.6	4.4	-	0.2
OPEC	2.7	2.9	7.4	-5.2	0.1	-1.3	6.7	6.2	6.5	4.3	-	5.8
- Indonesia	0.6	5.6	1.5	-26.4	-10.3	-22.5	7.6	5.0	8.8	5.2	-	8.8
Other developing economies	19.0	6.7	8.3	-0.9	6.3	8.1	8.3	1.7	8.7	4.2	-	6.7
- DAE's	8.8	2.0	6.4	-9.4	6.9	6.2	8.2	-0.8	8.9	3.7	-	6.5
Hong Kong	3.5	4.3	7.7	-6.9	-0.5	-0.4	7.7	2.0	9.1	4.0	-	6.8
- Other Asia	5.7	15.3	9.7	6.1	10.6	11.9	8.9	5.3	9.2	5.9	-	8.6
China	2.6	19.4	8.4	12.7	18.3	16.9	10.7	8.2	10.0	8.3	-	10.0
India	0.8	10.6	6.0	10.3	2.4	10.6	7.5	4.9	10.0	5.0	-	8.5
- Latin America	2.9	7.0	-2.3	8.2	-7.7	5.7	8.6	-0.1	8.7	1.6	-	5.1
Brazil	1.1	8.1	-15.6	0.8	-7.4	8.5	9.0	3.5	9.5	2.0	-	5.0
- Africa	1.5	9.9	6.0	11.6	3.6	9.5	6.0	5.8	5.5	5.3	-	4.0
Total Non-OECD	25.7	7.6	8.6	-0.5	3.4	8.2	8.5	3.6	8.8	4.6	-	7.0
World	100.0	7.2	10.4	6.1	7.4	11.3	7.6	1.0	8.0	1.8	-	6.0
World excluding EU-15	64.5	9.2	10.9	3.9	7.6	11.2	6.7	0.0	7.8	1.2	-	5.8
World excluding euro area	71.7	9.1	10.8	4.4	7.5	11.3	6.8	0.3	7.7	1.4	-	5.8

(a) Relative weights, based on imports (at current prices and current exchange rates) in 2000.
(b) Intra- and extra-EU trade.

TABLE 58 : Import shares in EU trade (goods only - 2000)

	EU-15	USA	Japan	Canada	Rest OECD	EAC	FSU	OPEC	DAE's	Other Asia	Latin America	Africa	World
EU-15	58.7	8.0	3.4	0.7	8.8	3.9	2.2	3.5	4.4	4.9	1.8	1.9	100
Belgium	69.3	7.3	2.7	0.8	5.4	2.0	0.9	1.5	2.7	5.5	1.6	2.7	100
Denmark	68.4	4.2	1.4	0.6	10.9	3.9	1.0	0.8	3.6	4.4	1.3	0.4	100
Germany	55.5	7.1	4.3	0.5	10.7	8.1	3.0	1.8	4.3	5.2	1.2	1.1	100
Greece	56.7	3.4	3.2	0.4	7.2	4.5	5.1	11.0	4.0	4.5	1.1	1.8	100
Spain	64.6	4.6	2.3	0.4	5.2	1.3	1.8	8.5	2.9	4.5	2.9	2.8	100
France	64.6	7.4	2.3	0.6	7.8	1.9	1.6	3.8	2.8	4.0	2.1	2.7	100
Ireland	59.4	17.2	3.9	1.0	8.0	1.2	0.0	0.2	8.9	3.1	0.4	0.7	100
Italy	56.3	5.3	2.5	0.8	7.1	4.3	4.2	8.1	2.6	4.9	2.3	3.0	100
Luxembourg	82.0	3.5	1.6	0.3	4.4	1.3	0.2	0.4	5.5	1.1	0.6	0.2	100
Netherlands	51.5	10.2	4.6	0.5	8.1	2.1	1.9	4.6	8.5	5.9	2.7	1.3	100
Austria	68.5	4.1	1.5	0.6	6.5	11.4	2.4	1.4	1.4	1.8	0.3	0.4	100
Portugal	74.0	3.1	2.6	0.3	6.7	1.3	0.8	5.1	2.1	2.4	2.3	2.2	100
Finland	61.8	4.8	3.7	0.4	9.7	5.0	9.6	0.3	2.7	3.3	1.3	0.6	100
Sweden	64.2	7.0	3.5	0.4	13.3	4.2	1.3	1.6	3.0	3.8	1.1	0.3	100
United Kingdom	48.8	13.5	4.6	1.7	11.3	1.6	1.0	1.9	6.8	6.6	1.8	2.5	100

TABLE 59 : World trade balances (fob-fob, bn. US dollars, 1995-2003) 12.11.2001

	1995	1996	1997	1998	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
EU-15	128.0	152.6	156.5	128.1	84.5	31.4	36.3	49.7	36.7	49.3	-	46.6
EU-15, adjusted	-	-	84.4	52.5	20.4	-30.0	-28.7	-10.2	-28.8	-11.2	-	-13.8
Euro area	124.8	149.0	153.4	144.7	106.8	56.7	66.7	82.0	67.0	89.7	-	90.1
Euro area, adjusted	-	-	113.3	104.0	68.3	26.1	44.7	52.1	44.8	59.5	-	60.0
USA	-173.8	-189.9	-196.2	-248.7	-348.6	-459.4	-464.8	-434.4	-493.3	-431.2	-	-481.3
Japan	131.2	83.6	115.4	89.3	90.6	82.9	62.3	80.6	66.0	90.7	-	93.9
Canada	25.8	31.1	17.2	12.9	22.7	39.0	38.7	48.4	38.8	50.0	-	55.1
Rest OECD	-4.8	-5.9	-9.4	18.2	11.8	5.8	53.3	20.6	48.2	19.1	-	26.9
- Norway	7.9	12.3	11.2	1.7	10.2	25.7	26.9	23.7	28.1	22.4	-	21.7
- Switzerland	0.9	0.9	-0.3	-1.6	-0.3	-2.9	-2.1	-3.4	-2.7	-4.4	-	-5.3
- Iceland	0.2	0.0	0.0	-0.4	-0.3	-0.5	-0.4	-0.5	-0.3	-0.5	-	-0.4
- Turkey	-13.2	-10.6	-20.4	-10.7	-10.4	-22.4	-17.5	-6.0	-19.3	-6.3	-	-7.3
- Australia	-4.2	-0.6	1.8	-5.3	-9.7	-4.2	-8.7	-7.2	-8.1	-9.9	-	-9.8
- New Zealand	0.9	0.6	0.9	0.9	-0.4	0.6	-0.8	1.2	-0.8	1.7	-	1.8
- Mexico	7.1	6.5	0.6	-7.9	-5.6	-8.1	26.6	-12.3	17.2	-12.1	-	-7.2
- Korea	-4.4	-15.0	-3.2	41.6	28.4	17.5	29.4	24.9	34.0	28.2	-	33.5
Total OECD	106.5	71.6	83.5	-0.2	-139.0	-300.3	-274.2	-235.2	-303.6	-222.1	-	-258.7
OECD excluding EU-15	-21.5	-81.0	-73.0	-128.3	-223.5	-331.7	-310.5	-284.8	-340.3	-271.4	-	-305.3
Europe Agreement Countries	-13.7	-25.0	-16.6	-24.9	-23.7	-26.9	-27.9	-28.9	-29.0	-31.7	-	-32.8
FSU (excl. Baltics)	15.7	11.5	5.3	6.7	34.2	63.1	52.0	55.8	49.3	46.7	-	46.2
OPEC	59.4	92.0	85.3	35.8	76.5	127.7	127.5	100.4	149.4	76.6	-	90.0
Other developing economies	-39.1	-35.9	-14.9	28.5	62.5	82.5	63.4	63.6	71.7	57.8	-	57.6
- DAE's	-12.9	-3.7	-0.5	48.4	57.6	54.0	78.4	48.6	88.7	51.5	-	53.5
- Other Asia	-7.4	-14.7	16.5	28.2	24.0	44.7	24.7	42.3	27.9	37.6	-	31.0
- Latin America	-7.7	-6.3	-18.8	-31.4	-5.3	-2.4	-16.6	-11.5	-20.4	-12.3	-	-10.0
- Africa	-11.1	-11.2	-12.1	-16.7	-13.8	-13.7	-23.2	-15.8	-24.6	-19.0	-	-16.9
Total Non-OECD	22.3	42.6	59.1	46.1	149.5	246.4	215.0	190.8	241.3	149.4	-	161.0
World	128.8	114.2	142.6	45.9	10.5	-53.9	-59.2	-44.3	-62.3	-72.7	-	-97.7

TABLE 60 : World current account balances (bn. US dollars, 1995-2003)

	1995	1996	1997	1998	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
EU-15	43.2	75.6	107.3	61.4	14.6	-17.1	-26.9	8.2	-32.9	-11.7	-	-11.3
EU-15, adjusted	-	-	94.0	40.1	-1.9	-45.5	-52.7	-19.4	-58.8	-39.7	-	-39.2
Euro area	47.1	77.3	99.2	61.7	31.9	0.2	-8.0	23.5	-11.4	21.8	-	19.8
Euro area, adjusted	-	-	61.9	26.3	-14.7	-41.5	-34.7	-17.2	-38.3	-19.3	-	-21.2
USA	-98.0	-110.7	-123.1	-199.7	-306.6	-430.5	-435.7	-373.6	-455.4	-343.5	-	-393.4
Japan	110.4	65.8	97.0	118.6	114.6	118.1	121.2	94.6	129.4	95.0	-	89.8
Canada	-1.6	4.7	-6.7	-7.4	-2.3	18.1	13.4	25.7	12.6	27.2	-	32.3
Rest OECD	-8.3	-14.8	-7.3	30.3	17.6	13.6	24.3	26.4	30.4	25.8	-	37.3
- Norway	4.9	10.2	8.7	-1.3	6.3	24.1	24.0	24.0	25.0	20.6	-	19.9
- Switzerland	21.8	22.4	25.8	25.9	29.6	30.5	34.3	32.6	37.4	36.4	-	38.6
- Iceland	0.1	0.1	-0.1	-0.6	-0.6	-0.5	-0.8	-0.6	-0.9	-0.4	-	-0.2
- Turkey	-2.3	-2.4	-9.0	1.9	-1.4	-9.8	-7.0	1.2	-7.5	-0.2	-	-0.8
- Australia	-19.6	-15.8	-12.6	-18.1	-23.1	-20.2	-13.9	-23.2	-13.5	-25.9	-	-25.8
- New Zealand	-3.1	-4.0	-4.3	-2.2	-3.6	-2.8	0.0	-2.1	0.5	-1.7	-	-1.6
- Mexico	-1.6	-2.3	-7.5	-15.7	-14.2	-17.7	-31.5	-20.3	-34.5	-21.1	-	-17.2
- Korea	-8.5	-23.0	-8.2	40.4	24.5	10.0	19.4	14.9	24.0	18.2	-	24.5
Total OECD	45.7	20.6	67.2	3.2	-162.2	-297.8	-303.6	-218.7	-315.9	-207.3	-	-245.2
OECD excluding EU-15	2.5	-55.0	-40.1	-58.2	-176.8	-280.7	-276.7	-226.9	-283.0	-195.5	-	-233.9
Europe Agreement Countries	-8.4	-13.2	-29.2	-46.9	-22.5	-18.3	-47.8	-19.2	-49.3	-20.7	-	-20.2
FSU (excl. Baltics)	3.8	6.2	-4.3	-5.8	22.5	48.2	86.4	40.9	82.5	35.7	-	36.2
OPEC	-1.4	25.5	18.6	-18.1	22.6	59.1	81.2	76.0	104.5	63.0	-	80.8
Other developing economies	-74.0	-58.7	-35.3	-14.6	27.0	-25.9	40.3	16.0	33.6	11.0	-	0.7
- DAE's	-7.8	4.1	9.7	50.4	63.5	26.4	91.9	37.2	102.3	38.8	-	39.1
- Other Asia	-16.6	-14.1	23.4	20.1	13.7	-6.2	14.7	32.3	17.9	27.6	-	21.0
- Latin America	-39.3	-41.2	-60.4	-74.5	-44.2	-42.2	-55.1	-50.8	-75.4	-52.4	-	-57.0
- Africa	-10.3	-7.5	-8.0	-10.6	-6.0	-3.9	-11.2	-2.8	-11.2	-3.0	-	-2.4
Total Non-OECD	-80.0	-40.2	-50.2	-85.4	49.6	63.2	160.1	113.7	171.2	89.1	-	97.4
World	-34.3	-19.6	17.0	-82.2	-112.5	-234.7	-143.5	-105.1	-144.7	-118.2	-	-147.8

TABLE 61 : Primary commodity prices (in US dollars, percentage change on preceding year, 1995-2003) 12.11.2001

SITC Classification	1995	1996	1997	1998	1999	2000	2001 estimate of IV-2001	2001 estimate of XI-2001	2002 forecast of IV-2001	2002 forecast of XI-2001	2003 forecast of IV-2001	2003 forecast of XI-2001
Food (0 + 1)	7.2	7.4	-5.6	-14.5	-15.2	-2.4	-2.9	-1.3	0.6	-1.4	-	3.1
Basic materials (2 + 4)	9.7	-4.8	-2.1	-14.8	-2.2	4.5	-2.7	-4.6	4.0	-1.5	-	4.1
- of which :												
Agricultures non-food	4.4	-1.2	-5.9	-14.3	-3.2	0.1	-2.2	-0.3	4.2	3.5	-	4.0
- of which :												
Wood and pulp	2.4	-4.6	-6.4	-13.1	8.8	2.7	-3.4	0.7	3.9	3.6	-	3.4
Minerals and metals	18.0	-10.0	3.7	-15.4	-0.8	10.6	-3.2	-10.0	3.8	-8.3	-	4.1
Fuel products (3)	8.6	17.1	-6.1	-26.7	25.2	48.3	-14.5	-12.8	6.7	-9.7	-	10.3
- of which :												
Crude petroleum	7.8	21.1	-7.5	-33.4	40.5	60.0	-14.6	-12.9	7.5	-10.7	-	11.2
Primary commodities												
- Total excluding fuels	8.9	-0.8	-3.4	-14.7	-6.7	2.3	-2.7	-3.6	3.0	-1.4	-	3.8
- Total including fuels	8.6	6.6	-4.9	-18.9	3.7	26.3	-8.7	-8.0	5.1	-6.1	-	7.3
Crude petroleum - price per barrel (us dollar)												
Brent	17.1	20.7	19.1	12.7	17.9	28.6	24.4	24.9	26.3	22.3	-	24.8

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 european Union as a whole, the euro area and the international environment. Although the forecasts primarily serve as a support to the internal work of the Commission and its services, they are also published in the Supplement A series "Economic Trends" of "european Economy".

2. Data for 2001, 2002 and 2003 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. These data start in the late 1980s, early 1990s or in 1995, with the exception of DK, F, I, NL, FIN and the UK, where most data cover longer periods in the past. For the USA and Japan the definitions are as in the SNA.

3. Tables 4 and 5 on final domestic demand and final demand respectively present data including inventories.

4. The trend output gap is calculated with reference to trend GDP obtained with a Hodrick-Prescott filter. The cyclical adjustment of budgetary balances is based on this concept.
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.

5. Employment data are based on numbers of persons employed. The concept of full-time equivalent is used for the Netherlands, Italy, Spain and the USA. Tables 22-27 and 31, 32 also use data on the basis of full-time equivalent for these countries.

6. 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.

7. EU-15 and euro area data are generally aggregated using Purchasing Power Standards (PPS). For aggregates at constant prices, PPS weighted national currency is used. In the tables on world trade and international payments, the aggregation is done on the basis of current exchange rates. Tables 48 - 51, 59 and 60 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 2000.

8. The allocation of mobile phone licences (UMTS) impacts strongly on the general government accounts for some countries in 2000 and 2001. Tables 35, 37 and 39 include the amounts from the sale of the licences, while the cyclically adjusted balances in tables 40 and 41 exclude these amounts.

9. German, EU-15 and euro area figures concern unified Germany from 1991 onwards; for percentage changes from 1992 onwards.

10. Geographical zones are defined as follows :
Euro area :
EUR-12 (EU-15 excluding DK, S and the UK)
OECD :
EU, Australia, Canada, Iceland, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and USA.
Rest OECD :
Australia, Iceland, Korea, Mexico, New Zealand, Norway, Switzerland and Turkey.
Europe Agreement Countries (EAC) :
Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
OPEC :
Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.
Dynamic Asian Economies (DAE) :
Hong Kong, Malaysia, Singapore, Taiwan and Thailand.
Other Asia :
all except DAE'S, Indonesia, Iran, Iraq, Korea, Kuwait, Qatar, Saudi Arabia and UAE.
Latin America :
all except Mexico and Venezuela.
Africa :
all except Algeria, Libya and Nigeria.

Principal economic policy measures – September 2001

Community (EU-15)

17.9. The Governing Council of the ECB decides

- to reduce the minimum bid rate on the main refinancing operations by 0.5 percentage points to 3.75 % (effective 19 September);
- to reduce the interest rate on the marginal lending facility and on the deposit facility by 0.5 percentage points to 4.75 % and 2.75 %, respectively (effective 18 September).

Belgium (B)

None.

Denmark (DK)

18.9. Following the ECB the Nationalbank lowers the repo rate by 50 basis points to 4.15% and the discount rate by 50 basis points to 3.75% with immediate effect.

Germany (D)

19.9. The Finance minister announces that he will raise DEM 3 billion next year through higher taxes on tobacco and non-life insurance premiums. The extra funds will be earned through a € 0.02 increase in tax on a cigarette and a 1 percentage point rise to 16% in insurance premium tax. The tax increases will finance a package of measures to tighten security.

Greece (EL)

None.

Spain (E)

21.9. The Spanish government approves the draft budget for 2002 which will be discussed in parliament in the coming months. The official GDP growth targets are 3.0% for 2001 and 2.9% for 2002. The general government targets are a zero balance for 2001 and 2002.

France (F)

18.9. The French government unveils the 2002 draft budget (State sector), accompanied by new projections for GDP growth and general government deficit in 2001 and 2002. French authorities expect the general government deficit to remain at 1.4% of GDP in both 2001 and 2002, the same level as in 2000. GDP is expected to grow by 2.3% in 2001 and 2.5% in 2002. The budget is characterised by: (i) a 2.3% increase in overall public expenditures in real terms (as against the +1.6% projected in the 2000 updated stability programme); (ii) the implementation of the third step of the tax reform (worth roughly 0.4% of GDP) and (iii) the strong rise of non-fiscal revenues (roughly 0.4% of GDP), most of them being one-off revenues.

Ireland (IRL)

None.

Italy (I)

29.9. The government approves the budget law for 2002. According to the technical document released by the Treasury (Relazione Previsionale e Programmatica), real GDP growth is now forecast to accelerate slightly from 2.0% in 2001 to 2.3% in 2002 (the previous forecast dating from July was 2.4% and 3.1%, respectively). The deficit is projected to decline to 0.5% of GDP in 2002 (as targeted in the Stability programme) from a projected deficit of 1.1% of GDP in 2001. The government expects to achieve the objective in 2002 mainly thanks to the sell-off of publicly-owned real estate through a process of securitisation (which would yield about 0.7% of GDP).

Luxembourg (L)

19.9. The Luxembourg government submits the 2002 budget to Parliament. The draft budget foresees a central government surplus of € 9.1 million (less than 0.1% of GDP). In 2002 corporation tax will be cut from 37.4% to 30%.

Netherlands (NL)

18.9. The Dutch government submits the 2002 budget to Parliament. The draft budget foresees a general government surplus (EMU definition) of 1% of GDP, the same figure as this year. Additional spending of NLG 8 billion (approximately 0.8% of GDP) is foreseen mainly for healthcare, education and public safety. Corporation tax will be cut by 0.5% to 34.5%.

Austria (A)

None.

Portugal (P)

None.

Finland (FIN)

4.9. The Finnish government presents its budget proposal for 2002 to the Parliament. The government counters weakening economic developments by reducing income taxes and employers' social security contributions. Taxes on earned income are to be reduced by approximately 0.5% of GDP, similar to the cuts of 0.6% of GDP in 2001 and 0.4% of GDP in 2000. The reduction will be highest in the low-income brackets. Other spending increases include higher local government transfers, increased efforts to reduce unemployment and extensions in health care benefits. According to the proposal, central government expenditure amounts to € 34.6 billion (24.2% of GDP), growing by 4.5% on the original budget for 2001. The rise in expenditure reduces the central government surplus to 0.5% of GDP in 2002 from an estimate of 1.9% in 2001. The budget proposal is based on a GDP growth assumption of 2.5% for 2002, down from 2.7% in 2001 due to the slowdown in exports and private investment, although the government has expressed concerns about even weaker growth in 2001. The general government surplus is anticipated to decrease quickly from 6.9% of GDP in 2000 to 4.1% of GDP in 2001 and further to 2.6% of GDP in 2002. The general government debt will reach 42.3% of GDP in 2002, thus not declining any further from 2001 (42.0% of GDP), partly due to an ongoing shift in the trend of investment behaviour of social security institutions from domestic to foreign bonds.

21.9. The government reaches agreement on the second supplementary budget for 2001: the estimate of tax receipts was reduced by € 0.8 billion (0.6% of GDP) to € 29.5 billion. The reduction is due to a shortfall of corporate and value added taxes. Estimates of expenditure were unchanged.

Sweden (S)

17.9. The Executive Board of the Riksbank decides to lower the repo rate 0.5 percentage points, from 4.25% to 3.75% with effect from 19 September.

United Kingdom (UK)

18.9. At a special meeting, the Monetary Policy Committee votes to reduce the Bank's repo rate by 0.25% to 4.75%.

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