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Spring 2000 Forecasts for 2000-2001 [1]

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Highlights

- *A strong pick-up in EU activity is taking place driven by exports. The expansion is expected to be sustained in 2001 as domestic demand is on a solid footing. Average real GDP growth in the EU is forecast to be 3.4 % in 2000 and 3.1 % in 2001. Growth differentials among Member States are expected to narrow.*
- *There will be significant employment creation thanks to strong growth and continued labour market reform. The unemployment rate in the EU is expected to fall below 8 % at the end of the forecast period.*
- *Inflation has increased mainly due to the hike in oil prices, but over the remainder of the year a slowing is expected. Average inflation in the euro area should remain below 2 %, which is the upper limit of the ECB's objective for price stability. Overall, wage developments remain subdued.*
- *The budgetary results for 1999 turned out better than expected and government balances will further improve mainly thanks to higher growth and lower interest payments. In several Member States the room for manoeuvre is being used to cut taxes rather than to speed up the reduction in deficits. With a general government deficit of 0.3 % of GDP for the EU as a whole in 2001, the close-to-balance objective of the Stability and Growth Pact is in sight, but there are country differences.*

TABLE 1 **: Main features of Spring 2000 forecasts - EU-15**

(Real annual percentage unless otherwise stated)				**Spring 2000**		**Difference with Autumn 1999**[(a)]	
	1997	**1998**	**1999**	**2000**	**2001**	**2000**	**2001**
GDP growth	2.5	2.7	2.3	3.4	3.1	0.4	0.1
Investment in equipment	5.6	9.7	6.7	7.5	6.9	1.2	0.1
Employment	0.8	1.3	1.3	1.3	1.2	0.1	0.1
Unemployment rate [(b)]	10.6	9.9	9.2	8.5	7.9	-0.1	-0.1
Inflation [(c)]	1.7	1.3	1.2	1.8	1.7	0.3	0.1
Government deficit (% GDP)	-2.4	-1.5	-0.6	-0.4	-0.3	0.2	0.0
Government debt (% GDP)	71.0	69.0	67.6	65.1	62.6	-1.2	-1.2
Current account balance (% GDP)	1.4	0.9	0.2	0.1	0.3	-0.2	-0.1
p.m.GDP growth EUR-11	2.3	2.7	2.3	3.4	3.1	0.5	0.2

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Autumn 1999. The changeover to ESA 95 implies that some data are not totally comparable between the two forecasts.
(b) Percentage of the labour force.
(c) Harmonised index of consumer prices, nominal change.

[1] The Commission services' Spring 2000 forecasts are based on available data up to 21 March 2000.

Overview

The EU economy is estimated to have grown by 2.3 % last year, slightly above the forecast by the Commission in Autumn 1999. The negative impact from the international financial crisis of 1998-99 remained limited thanks to strong domestic demand and easier monetary conditions. Since the early summer of 1999 the EU economy is on a clearly accelerating path; exports have been benefiting from the global recovery after the crisis, but also from the depreciation of the euro. All indicators point to continuing strength in 2000 when average GDP growth in the EU (and the euro area) could reach 3.4 %. In the final year of the forecast (2001) growth could slow down but remain at about 3.1 %. This occurs against the background of some loss of momentum in the world economy as the US economy heads for a soft landing and domestic demand in the EU is dampened by somewhat tighter monetary conditions.

The expansion will be broad-based both in terms of demand components and Member States. The externally induced slowdown at the end of 1998 particularly affected the manufacturing sector, but left the sheltered services sector unscathed so that employment creation helped keep consumer confidence high. As a consequence private consumption remained robust. Investment activity proved to be more resilient to faltering foreign demand since profitability remained high. While in 1999 domestic demand was the main source of growth, this year and next all demand components will contribute. EU exporters should recuperate some of the loss in market shares. Increased exports together with robust private consumption, will favourably affect investment and form a solid basis for strong growth.

Growth rates among Member States differed considerably in 1999. Growth differentials are likely to narrow over the forecast period. Germany and Italy, which had a dismal growth performance last year, are finally recovering. All Member States, except Denmark which is undergoing a policy-induced slowdown in order to avoid a deterioration in the current account, are expected to realise growth rates above 2.5 % and most of them are likely to be above 3 % in 2000 and 2001.

Employment in the EU increased by 1.3 % in 1999, adding about 2.1 million jobs in net terms. This can be explained by the perception of firms that the deceleration in economic activity would be only short-lived, which kept them from laying off workers. Moreover, the employment content of growth appears to have increased. This bodes well for continuing high job creation at more than 1 % per year in the forecast period, further raising the employment rate to 63.3 % in 2001 (from 61.9 % in 1999). The unemployment rate is forecast to decrease from 9.2 % in 1999 to 7.9 % in 2001; over the same period the decrease for the euro area is from 10 % to 8.5 %.

After having fallen to 0.8 % in December 1998 in the euro-zone, inflation (measured by the harmonised index of consumer prices) is accelerating mainly due to rising oil prices. The weakness of the euro is also contributing to the rise in import prices and a deterioration of the terms of trade. In the first few months of 2000 inflation for the euro area might slightly exceed 2 %, which is the upper limit of the ECB's inflation objective. The impact of the abrupt hike in oil prices should, however, fade away and there are in general no signs of an end to wage moderation. Unit labour costs will also be limited by productivity gains which are usually realised in this phase of the cycle. Moreover, increased competition will keep a lid on inflation and, in particular, limit the pass-through from import prices. Overall, these considerations suggest a slowing in inflation in the remainder of the year which would contain the average rise in the harmonised consumer price index to 1.8 % in the EU and in the euro area. A similar rate is expected in 2001.

Unlike the growth differentials, inflation differentials remain considerable in 2000. In some Member States capacity constraints and tight labour markets are putting pressure on prices. However, with the exception of Ireland, all Member States are forecast to have inflation rates (based on the harmonised index of consumer prices) below 2.5 % for the average of the year. In 2001 the Netherlands is expected to join Ireland with an inflation rate above 2.5 %.

The EU general government deficit fell to 0.6 % of GDP in 1999 (to 1.2 % of GDP in the euro area). This outcome was better than planned in the national budgets partly due to higher than expected tax receipts. Lower interest payments and strong economic growth are the drivers behind the deficit reduction to 0.4 % of GDP this year (to 0.9 % of GDP in the euro area). Under the no-policy change assumption little progress in deficit reduction is forecast at the EU level for 2001. This result is mainly due to a temporary increase in the German deficit to 1.4 % of GDP in 2001 linked to the implementation of tax reform; for most other Member States the favourable growth conditions lead to a reduction in deficits (increase in surpluses).

In a world of liberalised capital movements, and even more so in a monetary union, current account imbalances are easier to finance. Nevertheless, large imbalances deserve continued attention. The US deficit is forecast to remain around 4 % of GDP, while for the EU as a whole a small surplus is expected. Inside the euro-area the Portuguese current account deficit deteriorates sharply.

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I. Further improving international environment

The development of *world GDP* in 1999 showed a global pronounced recovery affecting most regions of the world economy. Growth outside the EU amounted to 3.5 % in 1999. Overall, the forecast for world GDP amounts to an acceleration of economic growth over the forecast period. Growth (outside the EU) is expected to amount to 4.1 % in 2000 and 2001. This is mainly due to a combination of faster growth in developing countries, in particular in East Asia, a gradual improvement in Japan, and a “soft landing” in North America.

In line with improved growth prospects for the global economy, *world imports* of goods (excluding the EU) will grow faster compared to 1999 when import volumes increased by 6.3 %. This rate will accelerate to 8.2 % in 2000 and level off at around 7 % in 2001. The slowdown in 2001 is particularly due to decelerating imports by the US and Canada. The elasticity of world merchandise trade to economic growth will continue to hover around 2, the average value seen during the past 10 years.

Given the buoyancy of regions where the EU has traditionally a high market share, EU *export markets* are bound to develop somewhat more strongly over the next two years than total trade volumes. EU export market growth is forecast to amount to 8.1 % in 2000, and 7.3 % in 2001, slightly faster than total world trade.

In particular, the *US economy* has been on a healthy expansion path resulting in a 1999 growth rate of 4.1 %. The strength and duration of the US expansion has been remarkable and has surprised many observers and forecasters over the past years.

Nevertheless, the supply side of the US economy shows increasing signs of capacity constraints, particularly on the labour market. This will leave further economic expansion increasingly confined to the increasing labour productivity. On the demand side, signs of a pending slowdown are difficult to be spotted. A slight softening in investment demand over the past few quarters was so far offset by buoyant consumption of private households and the government.

The combination of supply constraints and slower demand in certain areas, reinforced by the effects of higher interest rates, should lower the rate of expansion of the US economy to 3.6 % this year and to 3 % in 2000. Domestic demand should expand less vigorously, but external trade is forecast to lend support to growth as of next year. This should mainly come from a slowdown in imports.

After its severe recession in 1998, *the Japanese economy* rebounded in the first half of 1999, but slowed again later in the year. A large part of the 1999 upswing was still built upon an extremely expansionary fiscal policy, as well as de-facto zero short-term interest rates.

TABLE 2 : **International environment**

(Real annual percentage change)		1997	1998	1999	Spring 2000: 2000	Spring 2000: 2001	Difference with Autumn 1999: 2000	Difference with Autumn 1999: 2001
		Real GDP growth						
Asia		5.2	2.9	4.9	4.9	5.1	0.3	0.1
of which	**Japan**	1.6	-2.5	0.3	1.1	1.8	-0.5	-0.3
	ASEAN4+Korea (a)	3.5	-8.9	4.3	4.9	5.0	0.8	0.3
USA		4.5	4.3	4.1	3.6	3.0	0.8	0.5
EAC (b)		3.2	2.5	2.2	3.7	4.6	0.2	0.3
FSU		1.0	-2.5	2.3	1.4	2.5	0.8	0.8
of which	**Russia**	0.9	-4.6	3.2	1.3	2.5	0.3	0.0
OPEC-Indonesia		3.5	2.0	1.3	4.1	4.4	0.1	0.1
Latin America		4.6	1.2	-0.9	2.9	3.6	-0.5	-0.2
of which	**Brazil**	3.6	-0.1	0.5	3.0	3.6	-0.5	-0.2
Africa		3.6	3.9	3.3	4.5	4.8	0.0	0.0
World excl EU-15		4.8	2.6	3.5	4.1	4.1	0.4	0.2
World		4.3	2.6	3.3	4.0	3.9	0.4	0.2
		World trade						
World import growth		10.4	5.6	6.4	8.1	7.2	1.8	1.2
World import growth excl. EU-15		11.1	3.4	6.3	8.2	7.1	2.2	1.3
Extra-EC export market growth		10.8	3.9	4.9	8.1	7.3	2.1	1.3

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

This policy impulse has not yet ignited a healthy self-sustaining growth dynamic. Corporate and financial restructuring will continue and restrain overall private domestic demand. Public fiscal support should ease in 2000 and private activity, despite improved business and consumer confidence, will only gradually accelerate. Therefore, the year 2000 will see a lower growth rate (+ 1.1 %) than foreseen last autumn. Economic growth in 2001 is expected to be at 1.8 %.

Recovery in *Central and Eastern Europe* is gaining momentum. In Poland (by far the largest country in that region), Hungary and Slovenia, domestic demand remained strong in 1999, driving growth rates in these countries to close to 4 %. The Czech Republic is still suffering from the correction to the macroeconomic imbalances which erupted in 1997, but will be gradually back on a growth track. In Romania GDP is expected to shrink again slightly in 2000. Total exports of goods of the Central and Eastern European candidate countries should grow by around 8 % in 2000 and 8½% in 2001. Rising imports from the European Union (of which the main trading partners are Germany, Italy and Austria) will add to that strong export recovery. The improvement in the export performance and the ongoing structural reforms have brightened growth prospects. Growth in 2000 and 2001 is thus expected to reach 3.7 % and 4.6 %, respectively, with Poland notably posting growth rates of more than 5 % in both years, and, on the other hand, Romania continuing to significantly under-perform vis-à-vis the regional average growth.

The economic situation of *Russia* has further improved over the last months, and a timid recovery after a long period of economic slump seems to be confirmed. The massive increase in oil prices continues to benefit the Russian economy. Growth is forecast to reach around 1.3% in 2000 and 2.5% in 2001.

The economies in *East Asia* have further firmed over the summer and autumn of 1999, particularly in the Dynamic Asian Economies, with Korea (double-digit growth rates) leading the pack. While exports gave the initial boost, domestic demand (especially private consumption) has followed very rapidly, contrary to previous cycles. Investment in most countries is still weak (notable exceptions are China, due to government investment, and Korea) because of low levels of capacity utilisation and the lending restraint of banks. The situation in China is more fragile because of the negative short term effects of WTO-induced reform. Hong Kong has to cope with the recently increased short-term interest rates. In *South Asia*, India is enjoying stronger growth thanks in particular to higher agricultural production.

After a weak performance in the first half of 1999, reflecting the regional repercussions of the Brazilian Real crisis, most *Latin American* economies show increasing signs of recovery. Excluding Mexico and Venezuela, real GDP growth is projected to recover from a moderately negative rate in 1999 to positive rates of about 3% in 2000 and 3½% in 2001.

World *current account* imbalances remain large. The surplus of Japan will remain high at around the 1999 levels of 2.5 % of GDP reflecting Japan's role as the prime lender to the rest of the world. The US deficit is expected to grow further, both in absolute values and in terms of GDP from 3.4 % in 1999 to more than 4 % in 2000 and 2001). These external imbalances (surplus in

Japan, deficit in the US) have their counterparts in internal imbalances: the shortage of private savings is partially offset by a government surplus in the US, while the reverse is observed in Japan.

II. The economy of the European Union

1. A stronger than expected rebound in the second half of 1999

Economic developments since the completion of the Commission Autumn 1999 Forecast have displayed a clear improvement. A strong acceleration took place in the second half of 1999, nearing an annualised rate of 4% for the EU as a whole. The average growth rate was 2.3 % for both the EU and euro area representing an upward revision of 0.2 percentage points. The external shock of 1998 has been absorbed more easily and more rapidly than earlier feared. Moreover, the world environment has shifted briskly upward, which has boosted EU exports.

Looking into *GDP components*, both household consumption expenditure (especially in the UK and Spain) and gross fixed capital formation (especially in France and Italy) remained healthy during the second half of 1999. The former increased at an annual pace of

Box 1: Accounting framework, external assumptions

ESA95

All countries have now submitted national accounts data on the basis of ESA95 system, in accordance with Council Regulation 2223/96. However, for some countries available national accounts data on the basis of ESA95 cover only the 1995-98(99) period. Moreover, Member States are not obliged to submit to EUROSTAT national accounts data for all institutional sectors (households, enterprises) before the end of 2000. For this reason, a complete breakdown according to institutional sectors was not possible for all Member States in the current forecast.

Exchange rate assumptions

For the euro exchange rates over the forecasting period, a technical assumption is made, namely stability of nominal exchange rates in the ERM2 (DKK, GRD) and of real exchange rates (nominal rates adjusted for respective changes in the GDP deflators) for the other major currencies, as compared to the present situation. The “present situation” is a two weeks period (10 - 21 January 2000), in order to avoid extreme values. The average USD/EUR rate for that period was approximately 1.02, and the JPY/EUR rate 107.3.

These assumptions lead to an average USD/EUR rate of 1.02 in both 2000 and 2001 and for the JPY/EUR rate, of 106.8 and 105.8 respectively. Furthermore, they point to a depreciation of the bilateral nominal effective exchange rate of the euro vis-à-vis the other industrialised countries of 4.8 % in 2000, and of no change in 2001 vis-à-vis 2000

Interest rate assumptions

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 price assumptions

Commodity prices are set taking into account market conditions, where initial conditions receive relatively more weight.

With respect to oil prices, the forecast for the years 2000 and 2001 assumes a slight increase, from 17.8 USD in 1999, to respectively 24.2 and 21.2 USD per barrel of crude Brent. Despite the increase in the annual average from 1999 to 2000, this assumption amounts to actually falling prices from the levels in the first quarter of 2000. The projection is based on the assumption that demand for crude petroleum will remain firm, caused by the growing world economy, and stemming in particular from East Asia. This will keep prices relatively high, despite possible increases in supply due to a change in the stance of OPEC and possibly country specific production volumes exceeding the OPEC official quota. Present market expectations, as reflected in futures contracts, are in line with these assumptions but the fall in oil prices is slightly more pronounced than that embedded in the Commission forecast.

With respect to non-oil commodity prices, metal prices are assumed to continue their rise of around 13% and 8% in 2000 and 2001, respectively, after a decline of 2.6 % in 1999. In contrast to that, other commodity prices (food, agricultural products etc.) should increase more modestly over the next two years. The increase in all non-fuel commodity prices should therefore amount to 4.3% and 5.3% in 2000 and 2001, respectively.

Budgetary policy

The public finance figures are presented on an ESA95 basis in the present forecasts. Notification under the Excessive Deficit Procedure (Council Regulation 3605/93 as amended by Regulation 475/2000) was made under the ESA95 system for the first time in March 2000. For the gross debt figures, a direct comparison between the Autumn 1999 and the current forecast is not possible because the former has not been adjusted to the switchover to ESA95. Nevertheless, these differences appear to be small.

The estimates for 1999 are in general based on the March notification. For 2000 the budget plans and all extra measures known in sufficient detail are taken into consideration. For Austria information contained in the draft budget for 2000 presented at the parliament on 21 March 2000 has been taken on board. For 2001, the no-policy change assumption used in the forecasts implies that presently known measures (if not one-offs) and trends are extrapolated.

TABLE 3 : **Composition of growth – EU-15**

(Real annual percentage change)				**Spring 2000**		**Difference with Autumn 1999**	
	1997	**1998**	**1999**	**2000**	**2001**	**2000**	**2001**
	Real annual percentage change						
Private consumption	2.1	3.0	2.8	2.8	2.9	-0.1	0.1
Government consumption	0.5	1.2	1.6	1.5	1.5	0.4	0.1
Gross fixed capital formation	3.3	5.7	5.1	5.6	5.1	0.3	-0.3
- Equipment	5.6	9.7	6.7	7.5	6.9	1.2	0.1
- Construction	0.1	1.9	3.7	3.6	3.1	-0.6	-0.9
Exports of goods and services (a)	9.8	5.9	4.0	8.2	7.0	1.7	1.0
Imports of goods and services (a)	9.0	8.9	6.1	7.7	7.1	0.9	0.8
GDP	2.5	2.7	2.3	3.4	3.1	0.4	0.1
p.m.GDP growth EUR-11	2.3	2.7	2.3	3.4	3.1	0.5	0.2
	Contribution to change in GDP						
Consumption	1.3	2.0	2.0	1.9	2.0	0.0	0.1
Investment	0.6	1.1	1.1	1.2	1.1	0.0	-0.2
Inventories	0.2	0.4	0.0	0.1	0.1	0.0	0.1
Exports (b)	1.3	0.3	0.4	1.4	1.1	0.5	0.3
Final demand (b)	3.5	3.8	3.3	4.6	4.2	0.7	0.3
Imports (minus) (b)	-1.0	-1.2	-1.0	-1.2	-1.0	-0.2	-0.1
Net exports	0.4	-0.8	-0.6	0.2	0.0	0.3	0.1

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

around 3% in the EU, while the latter expanded at a pace of about 4.5%. The negative contribution of inventories to quarterly GDP growth observed in the third quarter of 1999 was reversed in the fourth quarter, when stocks were replenished and even received a likely additional boost from Y2K effects. Finally, the most remarkable element is the external contribution, which showed a marked improvement compared to 1998 and the beginning of 1999. The export revival is relatively well shared by all major economies in the euro area (Germany, France, Italy, Spain).

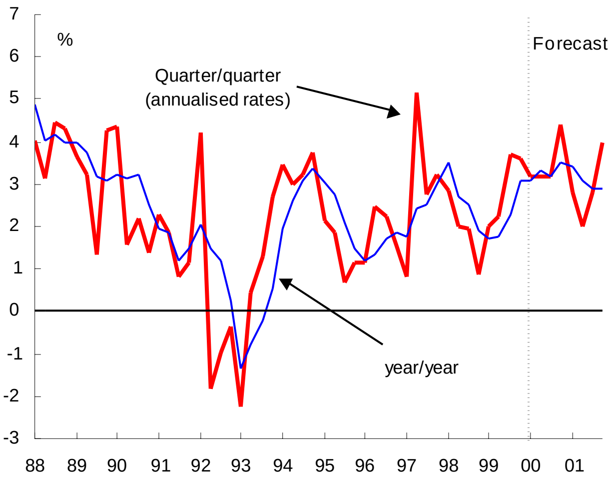
Following a semester of no growth (between December 1998 and May 1999), the growth rate of *industrial production* in the EU rebounded in June 1999 at an annual pace of around 1% and edged up further in the following months to reach 3.5% in January 2000.

Leading indicators suggest a further acceleration in output during the first half of 2000.

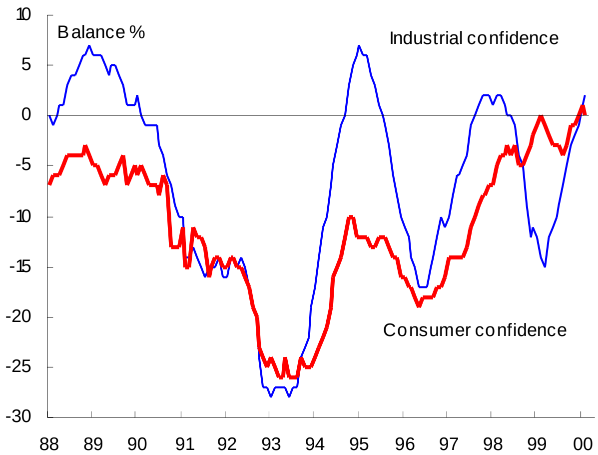
Since the publication of the Autumn 1999 Forecasts, the additional information from the monthly *EU business surveys* is largely positive. The level of confidence observed in February 2000 is higher (and sometimes by a sizeable amount) than that witnessed in October 1999. It suggests that economic activity remained strong during the first quarter of 2000.

In particular, consumer confidence, which exceeds markedly its peak of the previous cycle, now stands at its maximum ever. Throughout the year 1999, industrial confidence has been recovering from the consequences of the Asian crisis, and has now reached a level close to historical peaks.

GRAPH 1 : **Real GDP growth in EU-15**



GRAPH 2 : **Industrial and consumer confidence in EU-15**



In addition, the current level of inventories in the manufacturing sector is increasingly regarded as below normal, which indicates that firms are likely to replenish their stocks, and therefore augurs well for industrial production in the first half of 2000. In January 2000, capacity utilisation gained one percentage point and stands now above trend, but still some distance from the peak of the previous cycle. In spite of Germany, which is weighing down on the EU average, EU confidence in the construction sector is close to record highs.

2. Rising interest rates, but monetary and financial conditions remain favourable

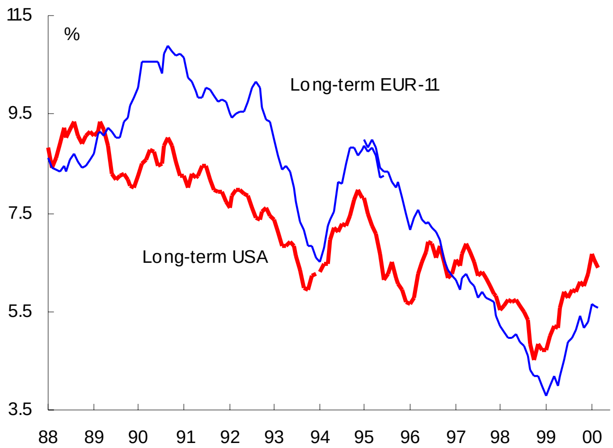
Despite the rise in interest rates since early 1999, monetary and financial conditions remain favourable in the EU as reflected in relatively low real interest rates, a steeper yield curve, a favourable competitiveness situation and rising stock markets.

Long-term interest rates continued increasing until the beginning of 2000, but since then they have stabilised and even fell following increasing short term rates. The increase was driven by inflation concerns.

In the *US*, the benchmark 10-year treasury bond rate moved up from around 5.85 % at the end of July 1999 to around 6.8 % in late January, with a 1999 average rate of 5.63 %. Since late January rates especially for longer maturities have fallen, with 10-year rates at around 6.3 % in mid March and 30-year rates being presently below the ones for 10 years.

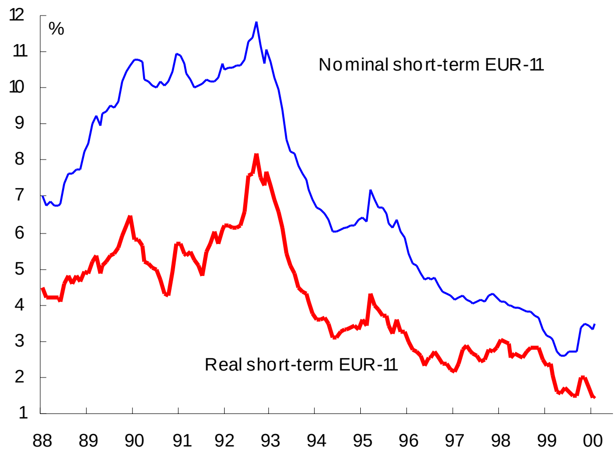
The upward trend in the US long rates until the end of January was followed by the *euro area* bond markets. Euro 10-year rates climbed from an average of close to 4.7 % in July 1999 to around 5.4 % in February. For the average of 1999, they amounted to 4.5%. Yield differentials between Euro and US 10-year bonds stayed roughly stable over the past months at around 1 percentage point. Within the euro area a small differential between German and other rates has remained of between around 10 and 25 basis points.

GRAPH 3 : **Nominal long term interest rates in EUR-11 and USA**



GBP long-term rates have continued to converge towards euro rates: the GBP-EUR differential for 10-year government bonds has been falling within the past 6 months from around 50 basis points in Summer 1999 to slightly negative rates since late February with trading in mid March at around 5.3 %. The 1999 average was at around 5 %.

GRAPH 4 : **Nominal and real short term interest rates** (nom. rates minus CPI, HICP from 96)



The rise in long-term interest rates was accompanied by tightening monetary policy and rising *short-term rates* in the major markets. Three-month money market rates in the US have risen to around 6.1 % in mid March. One of the factors behind these higher rates is that markets seem to expect further increases in Fed rates in the coming months, after five hikes in the past nine months, the latest one in March to 5.6 % (Fed funds) and 5½ % (discount rates).

As regards *euro rates*, the ECB raised for the first time in November 1999 its key interest rates by 50 basis points and on 3 February and 16 March 2000 by another 25 basis points on each occasion. The rate on the main refinancing operations is now at 3½ %. Three-month money market rates have inched up, to around 3.8 % in mid March. However, real short-term rates remain low, but implied forward rates point to further expected rate hikes.

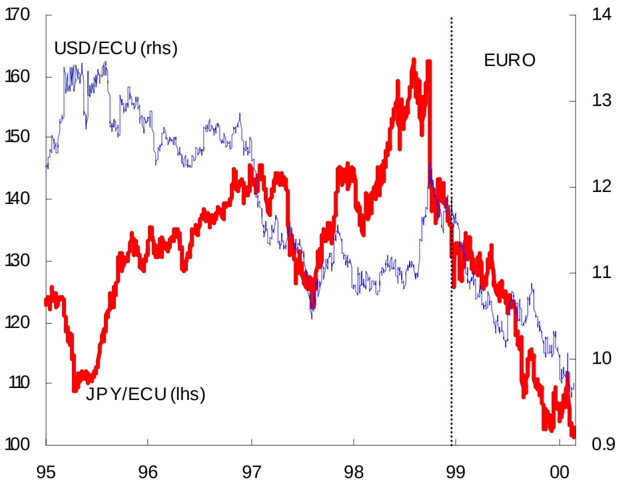
The *yield curve* in the euro area and the US continued to move in different directions. In the euro area spreads between long-term and short-term interest rates widened further to around 125 basis points. In the US more sharply rising short-term rates led to a basically flat yield curve.

The Bank of England raised its key rate four times, most recently in February by 25 basis points to reach the present rate of 6 % resulting in a tightening of *UK money market* conditions. Money market rates in the UK have moved in parallel with the slight upward trend of euro and USD markets. However, levels continue to be mirroring the US levels rather than the lower ones for the euro area.

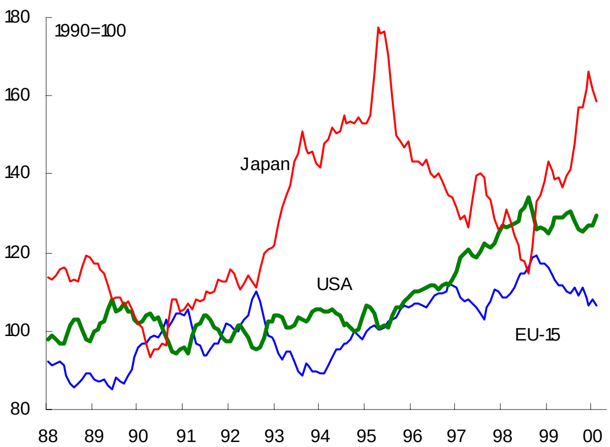
On the *foreign exchange markets*, as of October 1999 the euro was sliding again vis-à-vis USD and JPY, after some temporary stabilisation last summer.

In late January 2000 it fell further, below parity with the USD. The average USD/EUR rate was at 1.07 in 1999, and for 2000 up to 13 March at 0.9925. Nominal effective exchange rates in the EU have dropped bymore than 6 % in 1999 vis-à-vis the previous year. It has increased the competitive position of EU exporters.

GRAPH 5: **ECU/EURO exchange rates**



GRAPH 6: **Nominal effective exchange rates**
(v-à-v rest of 24 industrial countries)



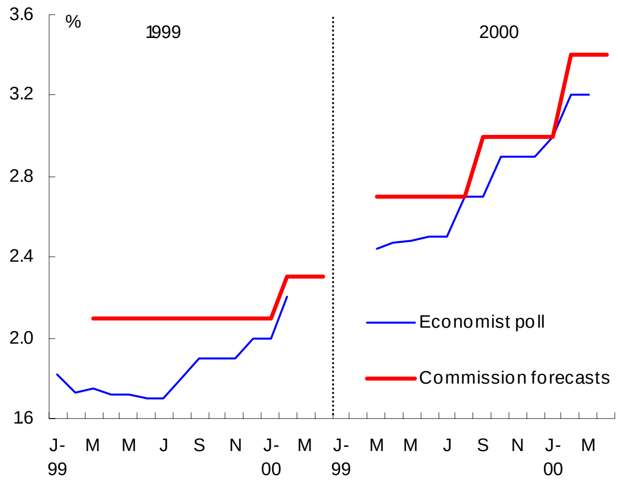
With the introduction of the euro, a further step was made in the creation of a large, integrated and liquid capital market, facilitating the financing of economic expansion in the EU. *Market activity* was high partly driven by sizeable mergers and acquisitions. Issues of euro denominated bonds dropped slightly over 1999, but expanded rapidly in the first quarter of 2000.

World *stock markets* (see special topic on stock markets) enjoyed a prolonged period of rising volumes and prices, reflecting partly improving economic fundamentals but also buoyant growth optimism towards certain sectors such as high tech or biotechnology.

3. Very strong expansion in 2000

The Commission's Autumn 1999 Forecast appears to be outperformed by actual developments in 1999. Real GDP growth in the EU as a whole is now forecast to grow by 3.4% in 2000 and 3.1% in 2001, i.e. an upward revision of 0.4 and 0.1 percentage points from the previous forecast and a sharp acceleration from the average observed in 1999. The Spring 2000 Forecasts are situated above the consensus forecast.

GRAPH 7 : **EU-15 GDP forecast revision for 1999 and 2000**



Underlying the stronger than expected expansion in 2000 are the following key elements:

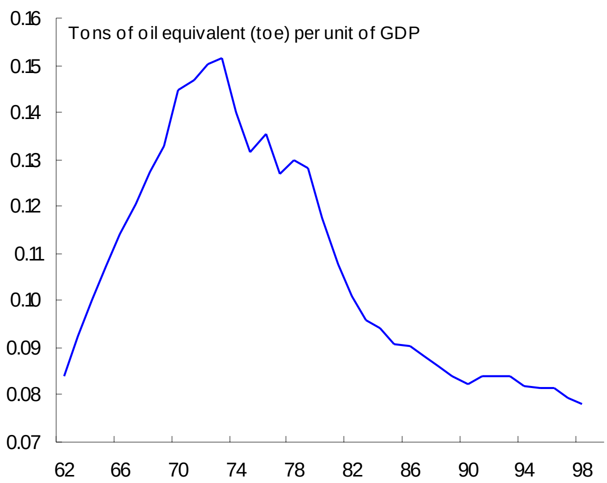
- the improvement in world demand for European exports has delivered an initial boost, which is likely to continue this year and next. Contrary to 1998 and 1999, both domestic demand and external demand will push output growth in the same direction;
- buoyant job creation has fuelled consumer confidence. With better demand prospects on both domestic and third markets, firms also show a higher level of confidence and investment prospects are promising;

- support is coming from favourable monetary conditions and the weakness of the euro, coupled with an accommodative budgetary stance;

In 2001 economic activity will remain robust, but real GDP growth is likely to decelerate somewhat in 2000 mainly due to the following factors:

- the assumed slowdown of the US economy will slow external demand;
- after the usual lag of 12-18 months, the tightening of monetary conditions will start weighing on domestic demand in the EU;
- the lagged impact of the increase in oil prices.

GRAPH 8 : **Oil content of output in EU-15**

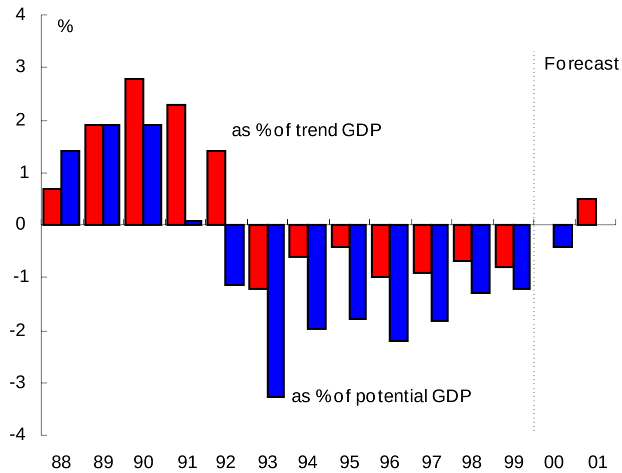


The impact of the current *oil price hike* has little in common with what happened in 1973 and 1979. European economies are now less vulnerable to oil shocks, having drawn lessons from the past. Energy saving measures have been developed and substitutability between energy sources has increased. It is estimated that oil consumption per unit of GDP in the EU economy has been halved since 1973 from 0.15 to 0.08.

With the robust expansion foreseen in 2000 and 2001 the question arises as to what extent constraints are emerging, eventually leading to inflationary pressures. A key issue here is the *output gap:* both its sign and size. However, the output gap is a theoretical concept which is not directly observable (see special topic, page 59). Two different measurements are presented in the statistical annex: the output gap as a percent of trend GDP (table 13) and the output gap as a percent of the potential GDP (table 14). For the EU as a whole, both measurements suggest few constraints, but the situation in individual Member States could differ.

Comparing the *growth composition* of this forecast to the Autumn 1999 Forecast, the decisive shift is the *recovery of exports*, which is matched only partially by an increase in imports. Growth of export volumes of goods is forecast to reach about 9 % in 2000 and 7 % in 2001. Reflecting a less cyclical pattern of exports in services, growth of goods and services is forecast to reach rates of around 0.3% points lower than growth in goods only. Therefore, in 2000, foreign trade in the EU is no longer expected to exert a drag on GDP growth, but will rather make a positive contribution of +0.2 percentage points, before returning to neutral in 2001.

GRAPH 9 : **Output Gap**



EU domestic demand is forecast to accelerate very moderately from 1999 to 2000, but to level off in 2001. Among domestic demand components, *household consumption expenditure* is predicted to grow at a steady rate of about 2.8% throughout the forecast period, fuelled by a healthy net job creation of over 1% per year, a rise in real wages per head and a further slight reduction in the savings rate of households compared to 1999. In addition, the tax wedge on labour (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 and taxes) is forecast to decline from 2000 onwards. A noteworthy element is also the wealth-effect coming from stock and real estate prices. The latter, representing by far the largest share in households total assets, with any impact coming from the rise in the valuation of house prices likely to be larger than that of a rise in stock prices. The UK, Ireland, the Netherlands, Spain, Portugal, Finland and Sweden are witnessing annual rates of increase of house prices often exceeding 10% per annum. The same countries have been experiencing over the recent period a marked acceleration in credit growth. In the euro area on average, credit to the private sector is growing at an annual pace of about 8%, while in most of the countries previously mentioned it is

TABLE 4 : **Determinants of private consumption expenditure - EU-15**

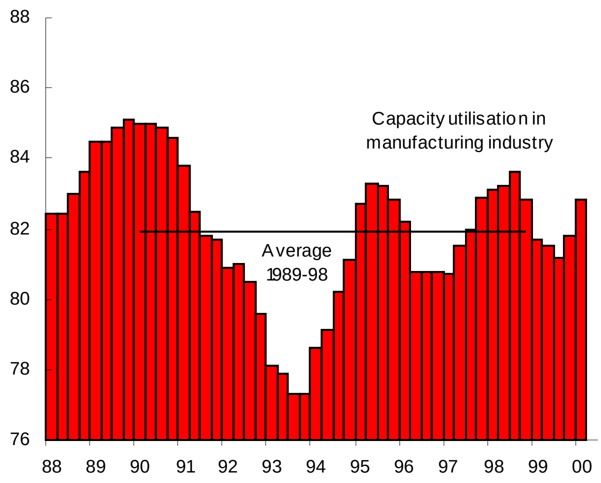
(Annual percentage change)	1997	1998	1999	Spring 2000 2000	Spring 2000 2001	Difference with Autumn 1999[a] 2000	Difference with Autumn 1999[a] 2001
Real private consumption expenditure	2.1	3.0	2.8	2.8	2.9	-0.1	0.1
Compensation per employee	2.8	2.3	2.8	3.0	3.1	0.1	0.0
Real compensation for employee	0.7	0.7	1.1	1.1	1.2	-0.1	-0.2
Employment	0.8	1.3	1.3	1.3	1.2	0.1	0.1
Real gross disposable income	1.6	2.2	2.3	2.6	3.4	0.1	0.7
Saving rate of households [b]	12.2	11.0	10.4	10.2	10.5	-0.6	-0.1
Labour tax wedge [c]	50.1	50.1	50.5	50.0	49.6	0.2	0.0

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Autumn 1999.
(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.

growing by 15%, and even by 30% in Ireland and Portugal.

Equipment investment (45 % of gross fixed capital formation) weathered the externally induced slowdown of late 1998 surprisingly well since it posted a real growth rate of around 6.5% in 1999. In 2000 and 2001, with both final demand and profitability rising further, it is expected to accelerate to above 7%.

GRAPH 10 : **Capacity utilisation in EU-15**



A sharper acceleration in equipment investment towards the end of the forecasting period is not excluded, but the rise in long term interest rates is likely to have a dampening impact. Also the level of capacity utilisation, though

increasing, is still some distance from its peaks of previous cycles.

Investment in construction (55 % of gross fixed capital formation) is forecast to grow by a steady real rate between 3.5% and 4% per year throughout the period. It is worth pointing out that the EU average is heavily affected by the persistent difficulties in the German construction sector. Finally, the contribution of stockbuilding to growth is assumed to stay virtually neutral in 2000 and 2001.

Most Member States benefit from the general economic upswing. The average growth rate in the *euro area* is the same as in the EU as a whole: 3.4 % in 2000 and 3.1 in 2001 (more on growth differentials among euro area participants in section III).

Greece, which will continue to experience GDP growth rates steadily above the EU average, is expected to make further important progress in solving past imbalances in terms of inflation and the public finances. In *Sweden*, the contribution of the new technologies sector to total GDP growth is rising. There is a risk that the rapid decline in unemployment leads to skilled labour shortages and to a drift in labour costs. In the *United Kingdom*, after a slowdown which was much less severe than at first expected, the economy is gathering pace. The revival is driven by domestic demand, but the external drag is assumed to fade somewhat. Although wages per head are clearly on the rise, no pass through is evident so far in the retail price indices. In *Denmark*, the fiscal tightening effectively cooled off booming domestic demand. The economy is set to operate at a growth rate close to trend in 2000 and 2001, but given the tightness of the labour market, wage costs remain a sensitive issue.

4. Favourable employment prospects

Employment in the EU has continued to rise at a robust pace despite the temporary slowdown in economic activity which occurred at the turn of 1998. *Employment* creation is estimated to have grown by 1.3 % last year and is expected to increase by 1.3 % in 2000 and by 1.2 % in 2001. In absolute terms these figures translate into a yearly increase of 1.9 million jobs which would mean adding 4 million jobs to total employment over the period 2000-2001. This overall result roughly depends, in equal proportions on the increase in the labour force and on a decline in the number of unemployed persons.

The positive development of employment primarily reflects the strength of economic growth.

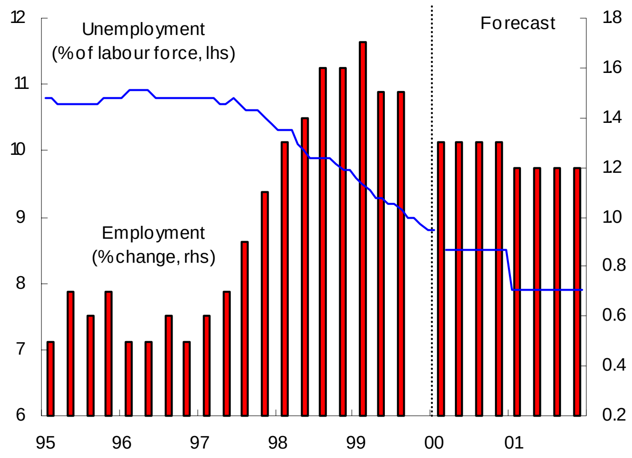
Box 2: Main employment measures reflected in the forecasts		
	Measure	**Entry into force**
B	Additional reductions in social security contributions	2000, 2001
DK	1998 tax reform: gradual lowering of basic income tax rate	1999
D	Reduction of social charges (Ecotax)	2001
EL	Tax benefit package: employers' social security contributions	1999, 2000
E	Cut in social contribution rate by 0.25% for permanent contracts Active job search subsidies for long term unemployed over the age of 45	2000 2000
F	Legislation on 35 hour working week Youth employment programme	1998 1997 & 1998
IRL	Cuts in top and standard tax rate. Measures to improve labour supply, e.g. reform of personal allowances	2000
I	Measures to increase labour market flexibility ("Pacchetto Treu")	1998
NL	Reduction of social security contributions	2000
A	Reduction in labour income taxes Increase in general tax-free allowances	2000
FIN	Reduction of labour income taxes	2000-2003
S	Incentives for hiring long-term unemployed persons. Reduction in income taxes	1999
UK	Welfare to Work measures to increase labour supply; working families tax credit; lower income tax	1998-2001

However, a number of structural factors and measures also contribute:

- in recent years the employment content of growth increased significantly because of a gradual, albeit continuous, shift towards the more labour intensive services sector;
- after many years of job destruction due to intense industrial restructuring, the manufacturing sector for the EU as a whole is expected to make a positive contribution to employment over the forecast period;
- labour market reforms implemented in many countries are starting to bear fruit and employment creation will benefit from higher labour flexibility, the development of part-time and temporary jobs, and the reduction in labour taxes;
- continued wage moderation is likely to influence firms in a favourable decision to hire staff.

The *employment rate*, defined as total employment divided by the population of working age (from 15 to 64 years), is expected to increase from 61.9 % in 1999, to 63.3 % in 2001. The favourable development of the employment rate will be determined by strong employment growth rather than by movements in the working-age population. Indeed, the latter will only slightly increase over the forecast horizon by 0.2% per year. At the level of individual Member States employment rates still remain markedly uneven. While in some countries (Denmark, Luxembourg, Austria, Sweden, the Netherlands and the United Kingdom) employment rates are well above the EU average, in some other countries (Italy, Greece, Belgium and Spain) less than 60 % of the working-age population has a job.

GRAPH 11: **Unemployment and employment in EU-15**



As a consequence of strong job creation, the number of unemployed will be reduced significantly over the forecast period. Registered unemployment (national definition) was estimated at around 16.3 million persons last year and is projected to decline to roughly 14.3 million in 2001. Having reached historical highs in 1997 in many countries, the *unemployment rate* (Eurostat definition, based on the labour force survey) will continue its downward path in the coming years as it is estimated to be 9.2 % in 1999 and is expected to further decline to 8.5 % in 2000 and to 7.9 % in 2001.

The decline in the unemployment rate will benefit both from the marked reduction in the number of unemployed

TABLE 5 : **Labour market outlook - EU-15**

(Annual percentage change)					Spring 2000		Difference with Autumn 1999	
	1991-95	1996-01	1998	1999	2000	2001	2000	2001
Population in working age (15-64)	0.4	0.2	0.2	0.3	0.2	0.1	0.1	0.0
Labour force	0.1	0.6	0.5	0.7	0.6	0.6	0.0	0.0
Employment	-0.4	1.1	1.3	1.3	1.3	1.2	0.1	0.1
Employment (change in million)	-3.6	9.4	2.1	2.1	2.0	1.9	0.1	0.2
Unemployment rate (% of labour force)	10.0	9.5	9.9	9.2	8.5	7.9	-0.1	-0.1
Labour productivity, whole economy	1.9	1.5	1.3	1.0	2.1	1.9	0.3	0.0
Employment rate [(a)]	-	61.6	61.1	61.9	62.6	63.3	0.3	0.4
p.m. Employment EUR-11	-0.3	1.0	1.3	1.4	1.4	1.3	0.3	0.2

(a) As a percentage of population in working age. Benchmark series.

persons and from the increase in the civilian labour force which is projected to grow by 0.6% each year from 1999 to 2001. The positive evolution of the European labour markets will have widespread positive effects on consumer confidence and disposable income.

There are important differences at the level of individual *Member States*. Unemployment rates range from 2-3 % in Luxembourg and the Netherlands, to slightly higher values (from 4 to 6%) in Austria, Portugal, Sweden and the United Kingdom while they are expected to be clearly above 10% in Spain and slightly above 10% in Italy. The favourable economic conditions will reduce the average dispersion of unemployment rates over the forecast horizon but differentials remain wide.

5. Appropriate wage developments

In the EU as a whole, *nominal compensation* per employees is estimated to have grown by 2.8 % in 1999 and is expected to accelerate to 3 % in 2000 and 3.1 % in 2001. This overall benign development owes much to reasonable wage agreements. In the bargaining process, wage negotiators appear in general to have taken on board the price stability objective set by central banks. Moreover, the oil price increases seem to have been perceived as temporary and, accordingly, did not play a major role in the wage negotiations. The experience of the seventies with its two oil shocks and the ensuing deterioration in the terms of trade may also have helped (see special topic, page 52). At that time the attempt to preserve the purchasing power of income, led to inflation and a profit squeeze with detrimental consequences for the economy. Also the widespread tendency of governments to reduce the tax pressure on labour, may have contributed to the moderate wage claims.

Labour productivity growth in the EU fell below its long-term trend in the second half of the nineties and contrasted sharply with the productivity gains realised in the US, along with the diffusion of the 'new economy'. Mainly linked to the cyclical upswing, it is predicted to return to a yearly increase of around 2% in 2000 and 2001, which is about the long-term average. A special topic in part V (see page 53) puts this development into perspective by addressing in particular the influence of the cycle and working time.

The productivity gains will dampen *nominal unit labour costs*. After an increase of 1.8% in 1999, nominal unit labour costs are expected to increase by only 0.9% in 2000 and 1.2 % in 2001.

The further improvement in the profitability of investment can continue as the profit share in national income is not likely to fall over the forecast period, unlike in 1999. An indicator for this is the change in *real unit labour costs*. After an increase of 0.2 % last year, real unit labour costs are expected to decline by about 0.7% per year in 2000 and 2001.

Despite the acceleration in inflation, the purchasing power of wage earners is preserved. The growth rate of *real compensation per head* is expected to be 1.1 % in 2000 (the same as in 1999) and it could increase to 1.2 % in 2001 in the EU as a whole.

While at the EU level wage developments appear appropriate, at the level of some *Member States*, there could be risks, particularly in those which have enjoyed several years of strong growth:

- in the Netherlands and Portugal the unemployment rate has fallen to very low levels;
- in Ireland there could be significant wage drift on top of the three-year national wage agreement as labour demand remains high and supply is curtailed by declining rates of net immigration;
- in Finland and Sweden, high wage growth is partially compensated by strong productivity gains in the technology sector, but there could be imitation effects;
- nominal compensation per head remains high in Denmark, despite the slowdown in activity which this economy is experiencing. In the United

Kingdom wage growth remains high, even in the light of the economic acceleration foreseen in 2000 and 2001. However, unit wage cost growth is expected to moderate significantly as productivity growth rises.

Box 3: Wage agreements/negotiations in Member States

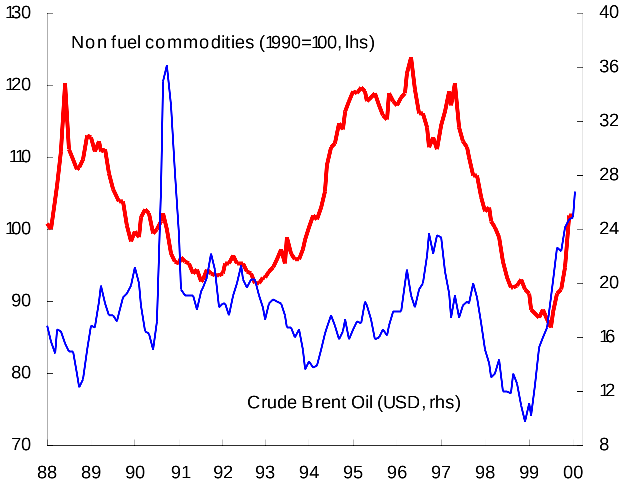
MS[a]	T[a]	Comments
B	M	In line with the "employment and competitiveness" law of 1996, wage increases are limited to 5.9% for 1999-2000.
DK	M	Private sector agreements include an additional week of paid holidays and a rise in employers' social security contributions
D	M	First agreements in the important metal and chemical industries resulted in wage settlements of 3% and 2% respectively, for 2000 and of some 2% for 2001.
EL	M	Sectoral and regional agreements are based on the framework two-year agreement, setting minimum wage increases. The benchmark is the public sector wage claim of 2.3% for 2000.
E	M	Wages of central government should rise by 2% in 2000 (in line with expected inflation). Private sector trade unions claim 2½-3% for 2000 (due to higher inflation in 1999).
F	D	The current public sector wage agreement covers 1998-1999. No wage increases expected for 2000. Next negotiation is in July 2000.
IRL	C	A national agreement with the trade unions provides for a 15% wage increase over three years from 2000.
I	M	National collective contracts pending renewal in 2000 concern only a small part of dependent workers in the manufacturing sector and services. In January 46.5% of contracts in terms of total contractual compensations were in force.
NL	D	The "Representation of social partners" claims an increase of 3% for the year 2000.
A	M	For 2000, wage agreements between 1.5% (public sector) and 1.9% (metal industry). In the energy sector: 1.1% in exchange for safeguarding employment, otherwise 1.6%.
P	M	For 2000, wages in the government sector were raised by 2.5%. The minimum wage was increased by 4% in November 1999.
FIN	C	The Finnish Metalworker's union obtained a wage increase of 3.1%, considered the minimum benchmark. Other unions are claiming 4.0-4.4%.
S	M	Wage agreements from 1998 are in place mostly until the end of 2000. Wages are forecast to increase by about 3.8% in 2000, 1.1% due to the wage drift.
UK	D	

[a] MS: Member State; T: Type of wage setting procedure (D=Decentralised, C=Centralised, M=Mixed)

6. Core inflation remains subdued

Higher oil prices and a weaker euro led to an upward revision of the previous inflation forecast. Average HICP inflation in the *EU* is expected to be 1.8% in 2000 and 1.7% in 2001. This is a marked acceleration from 1.2 % in 1999. The inflation profile for the remainder of 2000 is, however, downward sloping as the impact of the hike in oil prices should wane after having reached a peak in the first quarter of this year.

GRAPH 12 : **Commodities prices**



Oil prices have risen further since the Autumn 1999 forecast to around 29 USD/bl in March 2000 (Brent quality). This level was last seen in 1990-1991 at the time of the Gulf war, but it is still some distance away from the peak of 35 USD/bl seen during this period. It is assumed that oil prices will ease over the forecasting period.

Among *non-oil commodity prices*, metal prices (nickel, aluminium, copper and zinc) have risen substantially in 1999, while other commodities have not been significantly rising over recent months. This trend is forecast to prevail.

Since October 1999, *HICP inflation* in the EU rose steadily from 1.3% to 1.9% in February 2000. The rise in oil prices is one element which explains the rise observed in harmonised inflation. As far as the euro area is concerned, another major explanation is the depreciation of the euro against the US dollar, but also against other currencies, such as the yen and sterling. Overall, the effective exchange rate of the EU depreciated by 5.8% in 1999 and is assumed to decline by another 4.8% in 2000. All member countries experienced an increase in prices, with most of them having HICP inflation standing around 2.0% in February

TABLE 6 : **Inflation outlook - EU-15**

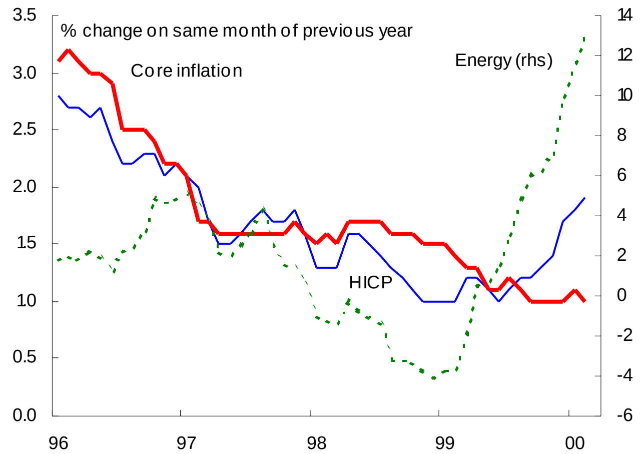
(Annual percentage change)				Spring 2000		Difference with Autumn 1999	
	1997	1998	1999	2000	2001	2000	2001
Private consumption deflator	2.1	1.7	1.6	1.9	1.9	0.2	0.2
GDP deflator	1.9	2.0	1.6	1.7	2.0	-0.1	0.1
HICP	1.7	1.3	1.2	1.8	1.7	0.3	0.1
Compensation per employee	2.8	2.3	2.8	3.0	3.1	0.1	0.0
Unit labour costs	1.0	1.0	1.8	0.9	1.2	-0.3	0.0
Import prices of goods	0.9	-2.5	-0.7	3.1	1.2	0.6	-0.5
p.m. HICP EUR-11	1.6	1.1	1.1	1.8	1.8	0.3	0.3

2000. Only Ireland is notably above the average (4.6% in February 2000).

Although *energy* accounts only for about 8% of the HICP basket, the tripling of oil prices in the international markets since the beginning of 1999 contributed about 1 percentage point to the annual increase in HICP inflation in February 2000.

By contrast, EU *core inflation* defined as the annual change in the overall index excluding energy and unprocessed food (an aggregate totalling some 84% of the HICP basket) remained remarkably steady over the last months to February 2000 at around 1%.

GRAPH 13: **HICP inflation in EU-15 and some components**



The same development can be observed as regards *services*, a good indicator for eventual domestic price pressures. Inflation in the services sector (accounting for 40% of the HICP basket) is stable to February 2000 at around 2% yoy in the EU. The basket has been revised in 2000 with the consequence of raising the share of services.

The HICP forecast for the *euro-area* is 1.8 % in 2000 and 2001. More details and comparisons across countries can be found in the euro area section (see page 20).

In the *United Kingdom* and *Greece*, steady HICP inflation rates of respectively about 1.5% and 2.3% are forecast. In *Sweden*, an acceleration is foreseen from a rate of 0.6% in 1999 to 2.0% in 2001. In *Denmark*, HICP inflation is expected to spike at 2.4% this year, before falling back to 1.7% next year.

7. Improved prospects in general government balances

The public finances keep on improving in the EU as a whole and in the euro area also. Thanks to major consolidation efforts the general government deficit in terms of GDP declined to 1.5 % in 1998, while the most recent data on *1999* shows a deficit for the EU of 0.6 % of GDP. This result is considerably better than expected in the Autumn 1999 forecasts. The main reasons behind the generalised better picture in budgetary outturns in 1999 include: the outcome for GDP growth was stronger than thought earlier; more buoyant tax receipts and a better starting point as 1998 deficits were revised favourably.

The net borrowing of general government as a percentage of GDP is forecast to fall from 0.6% in 1999 to 0.4% of GDP in 2000 and 0.3% of GDP in 2001 in the EU as a whole, i.e. a position very close to balance. In the euro-area the general government account is estimated to show a deficit of 1.2% of GDP in 1999 (down from 2% in 1998), while for the current and subsequent year the respective deficits are expected to decline to 0.9% of GDP and 0.8% of GDP. In 2001, seven Member States will record a surplus: Denmark, Ireland, Luxembourg, the Netherlands, Finland, Sweden and the United Kingdom. From the countries which are expected to be in deficit, four could register a deficit to GDP ratio of below one percent, while only in Germany, Austria and Portugal will the general government position show a deficit close to 1½% of GDP.

The reduction in the actual deficit from 1998 to 1999 was 0.9 % of GDP for the EU as a whole. Lower interest payments played a decisive role in further cutting the

TABLE 7 : **General government budgetary position - EU-15**

(% of GDP)	1997	1998	1999	Spring 2000 2000	Spring 2000 2001	Difference with Autumn 1999 2000	Difference with Autumn 1999 2001
Total receipts (1)	46.3	46.1	46.6	45.9	45.1	-0.2	-0.5
Total expenditure (2)	48.7	47.6	47.2	46.3	45.5	-0.4	-0.4
Actual balance (3) = (1)-(2)	-2.4	-1.5	-0.6	-0.4	-0.3	0.2	0.0
Interest (4)	5.1	4.7	4.1	3.9	3.7	-0.1	-0.1
Primary balance (5) = (3)+(4)	2.7	3.3	3.5	3.5	3.4	0.1	-0.1
Cyclically adjusted balance (6)	-2.0	-1.2	-0.2	-0.5	-0.6	0.0	0.0
Cyclically adj. primary balance =(6)+(4)	3.0	3.4	3.9	3.5	3.1	0.0	-0.1
Change in actual balance:	1.8	0.9	0.9	0.2	0.1	-0.2	-0.2
Due to **- Cycle**	0.0	0.1	-0.2	0.4	0.3	0.2	-0.1
- Interest	0.6	0.4	0.6	0.2	0.2	-0.1	0.0
- Cyclically adj. primary balance	1.2	0.4	0.5	-0.4	-0.4	-0.3	-0.1
Gross debt	71.0	69.0	67.6	65.1	62.6	-1.2	-1.2
p.m. Actual balance EUR-11	-2.6	-2.0	-1.2	-0.9	-0.8	0.3	0.1
p.m. Primary balance EUR-11	2.7	2.8	3.1	3.1	3.1	0.1	0.1
p.m. Cycl. adj. primary bal. EUR-11	3.1	3.1	3.6	3.2	2.9	0.1	0.0

deficit. However, some discretionary adjustment also took place offsetting the negative contribution of the cycle. For 2000, the expected improvement in the actual deficit for the EU will be mainly achieved through the cyclical component and lower interest payments. These forecasts assume a loosening of the stance of budgetary policy. Figures for 2001 were obtained under the no-policy change assumption.

Updated *Stability and Convergence Programmes* have set targets which can be qualified as prudent. Part of the lack of ambition can be attributed to insufficient knowledge about the strength of the recovery at the moment when the updates were drawn up (late 1999/beginning of 2000). For 2000, the targets set by Member States imply a deficit of 0.7% of GDP for the EU as a whole, compared to 0.4% of GDP according to the Spring forecasts. The most noticeable differences at the country level concern: Belgium, France, the Netherlands and the United Kingdom. These differences are mainly explained by the fact that the forecasts took fully on board the better budgetary outcomes for 1999 and are based on stronger growth.

TABLE 8: **Differences between Commission forecasts and Stability programmes on General government balance**

(% of GDP)	Commission Forecasts (1) 1999	2000	2001	Stability Programmes (2) 1999	2000	2001	Difference (1)-(2) 2000	2001
B	-0.9	-0.5	-0.2	-1.1	-1.0	-0.5	0.5	0.3
DK	3.0	2.4	2.5	2.9	2.1	2.2	0.3	0.3
D	-1.1	-1.0	-1.4	-1.2	-1.0	-1.5	0.0	0.1
EL	-1.6	-1.3	-0.6	-1.5	-1.2	-0.2	-0.1	-0.4
E	-1.1	-0.7	-0.4	-1.3	-0.8	-0.4	0.1	0.0
F	-1.8	-1.5	-1.2	-2.1	-1.7	-1.2	0.2	0.0
IRL	2.0	1.7	2.7	1.4	1.2	2.5	0.5	0.2
I	-1.9	-1.5	-0.8	-2.0	-1.5	-1.0	0.0	0.2
L	2.4	2.6	2.7	2.3	2.5	2.6	0.1	0.1
NL	0.5	1.0	0.4	-0.6	-0.6	-1.3	1.6	1.7
A	-2.0	-1.7	-2.0	-2.0	-1.7	-1.5	0.0	-0.5
P	-2.0	-1.5	-1.5	-2.0	-1.5	-1.1	0.0	-0.4
FIN	2.3	4.1	5.0	3.1	4.7	4.2	-0.6	0.8
S	1.9	2.4	2.9	1.7	2.1	2.0	0.3	0.9
UK	1.2	0.9	0.7	0.3	0.2	0.2	0.7	0.5
EU-15	-0.6	-0.4	-0.3	-0.9	-0.7	-0.6	0.3	0.3
EUR-11	-1.2	-0.9	-0.8	-1.4	-1.1	-1.0	0.2	0.2

One of the common characteristics of the Stability/Convergence Programmes and of the national budgets are *tax cuts and reform*:

- Belgium and France will reduce social security contributions and in France income taxes will also decline;
- in Spain personal income taxes have been cut and the United Kingdom has also announced cuts;
- in Germany income tax reform is implemented more rapidly and corporate taxation reform is planned in 2001;
- the labour income tax cuts in Finland are rather modest in 2000, but more significant in 2001, while in Sweden tax cuts should total some 0.7% of GDP;
- Greece announced a tax package in September 1999 and direct tax cuts were announced in last December's Irish budget;
- Italy introduced tax reductions in the Budget for 2000. Portugal offsets the cut in corporate taxation by a wider tax base;
- in the Netherlands a wide-ranging fiscal reform is planned in 2001. There is a reduction in direct taxes and an increase in the standard VAT rate from 17.5% to 19%.

These measures together with a favourable development of GDP will reduce the *tax burden* on average in the EU.

Box 4: Main fiscal measures reflected in the forecasts			
	Budget for 2000[1]	**Other measures**	**Date**[2]
B	Reductions in social security contributions		2000, 2001
DK	√	1998 Tax Reform	1999-2001
D	Savings package at Federal level in 2000	Advancing the third stage of income tax reform Corpor. tax reform	January 2001
EL	√	Tax benefit package	1999, 2000, 2001
E	Withholding tax cut. Frozen excise duties (energy, tobacco). Pension compensation	Personal income tax reform	1999
F	Constant real state government expenditures. Cut in VAT on services.	Cuts in the income tax, accommodation tax and VAT	2000
IRL	Pre-fund pensions	Cuts in personal income tax rates	
I	Curr. expenditure cuts. Increase in non-tax revenues. Tax breaks.		2000
L	√		
NL	√	Indirect taxes increase, decrease in direct taxes and social security contributions	2000, 2001
A	Spending cuts; increase in excise duties; sale of real estate and licenses	Income tax reform and reform of family allowances	2000, 2001
P	Reduction in corporate taxes offset by a widening of the tax base		2000
FIN	Expenditure ceiling. Increases in capital tax. Cut in labour income tax and social contrib.	Expenditure ceiling for future budgets	
S	Tax reduction		2000
UK	√	Cut in standard tax rate; working families tax credit	1999 onwards

[1] This column presents the principal measures of the budget. "√" means available.

[2] Date of entry into force; several dates reflect phased implementation.

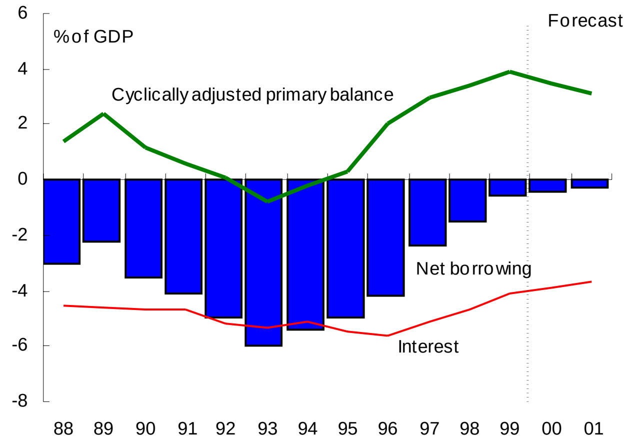
The tax burden is defined as the sum of the following taxes as a percentage of GDP: taxes on production and imports (including taxes paid to the EU) plus current taxes on income and wealth plus actual social contributions plus capital taxes. The tax burden increased to 43.5 % of GDP in 1999, but is expected to decline to 42.3 % in 2001.

Total revenue and expenditure ratios stabilise and start declining gradually from their historically high levels over the forecast horizon. In 1999, expenditure as a percentage of GDP is estimated at 47.2 % for the EU as a whole, but should decline to 46.3 % in 2000. Total revenue represented 46.6 % of GDP in the EU in 1999 and is expected to decline to 45.9 % in 2000. As regards expenditure, the failure to increase government investment is regrettable.

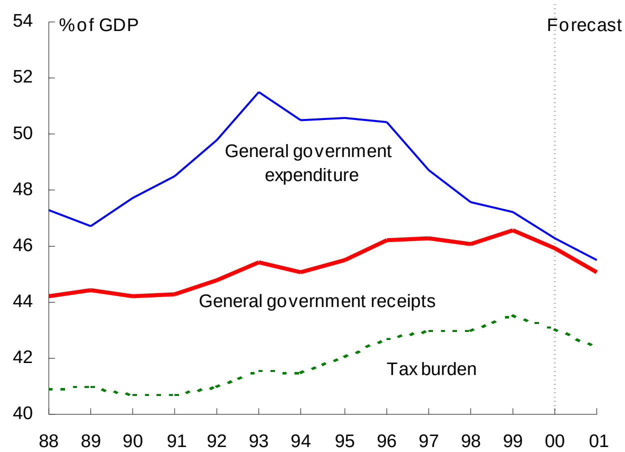
The *government debt* to GDP ratio for EU-15 is expected to continue on its downward trend after peaking at 72.1 % in 1996.

In 1999 it is estimated to have fallen to 67.6 %, while it may amount to 65.1 % and 62.6 % of GDP in 2000 and 2001 respectively. In 2001, eleven out of the 15 Member States will have debt ratios below the 60 percent of GDP threshold. Only Belgium, Greece and Italy will have debt/GDP ratios close to or above 100 percent.

GRAPH 14: **General government balance in EU-15**



GRAPH 15: **General government expenditures and receipts in EU-15**

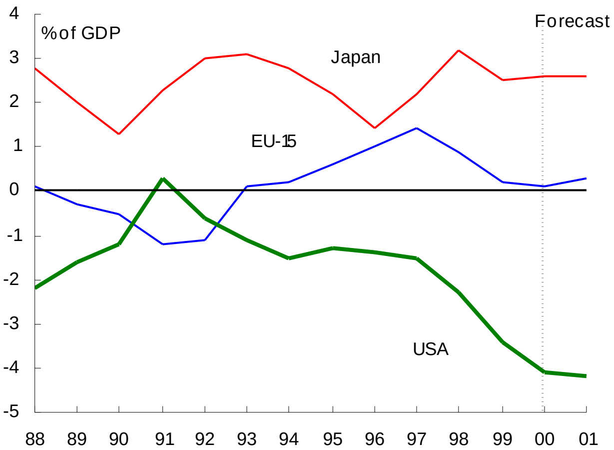


8. External balances affected by the terms of trade

Foreign trade of the European Union, which had been at the origin of the slowdown of the EU economy in late 1998/early 1999, has started to respond to the improved condition of the world economy. Exports and imports to and from third countries have shown double digit growth rates (in value terms) in the fourth quarter of 1999.

Exports to North America and to East Asia have grown considerably. Nevertheless, EU export growth to the Dynamic Asian countries lags behind the overall import growth of these countries. In other words the EU only partly participates in the strong recovery in that area. Machinery and transport equipment, the largest group in EU exports, has performed best in 1999, with clearly positive growth. The losses in export market shares in the wake of the Asian crisis considerably reduced the EU trade balance from historically very high levels in 1997 to much lower ones in 1998 and 1999.

GRAPH 16 : **Balance on current transaction with the rest of the world**



Imports have also started to take off in the second half of 1999. The yearly growth rate of EU imports from third countries was at around 8 % (in value terms). The strong performance of machinery imports, with a 1999 growth rate of around 12 % has underlined the relatively healthy investment behaviour of the European economy over the past several months. Energy imports in value terms have grown very strongly over the past months due to the oil price increase.

Whereas in January 1999 import unit values for the EU still showed a decline of -8.7 % compared to the same month of the previous year, this rate turned positive in May and has steadily risen to 12.4 % in October 1999. This development is partly due to exchange rate movements and the continued rise in some international commodity prices.

Box 5: External accounts - methods and concepts

According to the new accounting system (ESA95) and the fifth edition of the IMF BOP manual, figures for *net lending or net borrowing* vis-à-vis the rest of the world are the combined values for the current account and the capital account which registers capital transfers. This capital account is different from the so-called financial account (under ESA79, in the past called capital account) which reflects international financial movements of capital (e.g. FDI, portfolio investments, commercial credits, financial loans …). Net lending or net borrowing vis-à-vis the rest of the world represents the net increase/decrease of assets/liabilities of a country vis-à-vis the outside.

National figures for the trade, current account and net lending/borrowing balances vis-à-vis all other countries (including other Member States) are added up in order to get the *EU-15 and EUR-11 aggregates*. However, these figures are biased upwards because of an under-reporting of imports of goods since the introduction of the Single Market and the relaxation of reporting requirements. Hence, the recorded intra-EU trade balance is positive, although, conceptually, it should be zero. This statistical error feeds into the external accounts figures for EU-15 and EUR-11. Therefore, estimates by Eurostat and the ECB for extra-EU balances deliver lower results than the aggregates for Member State countries vis-à-vis all other countries.

In addition to EU-15 and EUR-11 totals, tables 48-51, 59 and 60 show *"adjusted" balances*, which represent the mentioned lower balances vis-à-vis third countries. The figures for 1998 and 1999 are based on the current account estimates by Eurostat (for EU-15) and the European Central Bank (for EU-11). Figures for 2000 and 2001 are DG ECFIN's estimates on the basis of the total balances and the recorded historical differences between total and "adjusted" balances.

With import growth continuing to be higher than that of exports, the EU-15 "adjusted" *trade balance* (see Box 5 on "External accounts - methods and concepts"), on a balance of payments basis (fob/fob), showed an estimated surplus of EUR 37 billion[1]. In particular, the previous years' trade surpluses in manufactured goods have shrunk considerably over 1999 and now fail to match the traditional deficits in primary products.

The EU *current account balance* dropped more than the trade balance in 1999, partly due to a shrinking services surplus (to around EUR 8.1 billion, down from ECU 8.6 billion in 1998, on an "adjusted" basis). The EU-15 "adjusted" current account balance for 1999 is estimated at a surplus of EUR 8.8 billion. The current account surplus of the EU as a whole is now forecast to reach 0.1% and 0.3% of GDP, in 2000 and 2001, respectively,

1 The trade balance showed, on a customs basis (fob/cif), a 1999 deficit of around 11.3 bn. EUR, according to preliminary Eurostat estimates.

after 0.2% in 1999. The respective estimates for the adjusted current account are 0.1 % in 2000 and 0.2 % in 2001, after 0.1 % in 1999. Due to the favourable trade position with the United Kingdom, the euro area balances are larger.

The relatively steady development of the EU external balances is, to a large degree, the result of *diverging patterns in volumes and prices*:

- The forecast foresees a stronger increase in export than in import volumes in 2000. This would suggest an improvement in the external balances in 2000. However, foreign trade prices work in the opposite direction. The average increase in import prices is forecast to be above the average increase in export prices in 2000, leading to a deterioration in the EU terms of trade. This is in sharp contrast to the course of events in 1998, when falling commodity prices and a stable currency led to a considerable increase in the terms of trade. Falling terms of trade for the European Union will actually overcompensate for the strong increase in export volumes and slightly reduce the surplus in the trade, current account and net lending positions.
- In 2001, the situation should be reversed, when EU export volumes will slightly level off and fall behind import volume growth; but calmer commodity markets and import prices will allow the Community to enjoy slightly larger external surpluses than in 2000.

The developments among *Member States* will continue to be diversified. A normalisation in international trade will accentuate the positive balances in the presently high surplus countries, such as Belgium, the Netherlands, Finland or Sweden. On the other hand, buoyant domestic demand in Member States with presently high deficits, such as Spain or, particularly, Portugal, will lead to widening deficits over the forecasting period. The situation in Luxembourg, with extremely high surpluses, is quite apart from the situation in other Member States, given its specific role as a banking centre and the high services incomes, derived therefrom. Furthermore, the situation of the Netherlands and the United Kingdom is not comparable to the expected development in the rest of the EU, given their role as energy producers and exporters, and therefore, the different development of their prices in foreign trade, as forecast over the next two years.

9. Risks and uncertainties

The outlook is surrounded by positive risks balanced by negative ones. The present momentum could be underestimated, leading to a better outcome. Downward risks are related to the development of the US economy, oil prices and the rise in long-term interest rates.

A better outcome is possible, but in some Member States overheating could loom

Since the second half of 1999 the EU economy has been on a strongly accelerating path, the dynamism of which might well be underestimated. The policy framework set up for EMU is generating a stable macroeconomic environment conducive to growth. Against this background it was already easier to cope with the consequences of the emerging market crisis of 1997/98 and, more recently, of higher oil prices. Employment creation remained high and structural measures are contributing to a better functioning of the labour market. This bodes well for generating more momentum than what was actually in the Commission's Autumn Forecasts. The introduction of new technologies could lead to productivity gains, which dampen wage costs and price increases, but allow real incomes to grow. The EU economy could then, in the footsteps of the US, grow more strongly over a longer period without price tensions emerging.

While the risk of overheating is certainly not of immediate relevance to the EU as a whole, it could become an issue in some Member States. In particular, in a single currency area where the monetary policy instrument is not available for individual countries, the concern is relevant. Ireland succeeded in increasing its productive potential thanks to strong investment growth, but this may become more difficult if, despite the recently concluded 3-year wage agreement, there is wage drift putting profit margins under pressure and fuelling demand together with the planned tax cuts. In Finland, productivity gains in the technology sector fuel wage increases, generating imitation effects in other sectors. In the Netherlands, the planned tax reform will have pro-cyclical effects and the unemployment rate is falling to very low levels. However, the current account continues to display a comfortable surplus and there exists an important labour reserve formed by the large number of part-time workers and by those not participating in the labour market. The current account balance continues to deteriorate significantly in Portugal and to a much lesser degree in Spain, but in the latter country the implemented tax reform has given an additional boost to demand. Price trends and economic developments in Spain and Portugal have also to be assessed against the catching-up process in which they are engaged. Therefore, in all the above mentioned countries there is a need for an adequate response at the national level in order to contribute at the euro area level to a balanced policy mix.

A hard landing in the US

The major negative risk concerns a hard landing for the US economy. The projected soft landing may not materialise and the longest expansion since the second world war could instead abruptly end. The US economy has become increasingly vulnerable because several imbalances are building up. Share prices could be based on excessively optimistic future profit estimates and the hype about technology stocks could be overdone (see special topic, page 56). If developments were not to meet expectations a sharp correction in the stock market could occur and consumers will suddenly realise that their net financial position is less solid than initially thought, leading to a dramatic fall in confidence.

Strong domestic demand in the last few years has led to an accumulation of current account deficits that increased also external indebtedness. Continuous employment creation has lowered unemployment and labour shortages are appearing with mounting wage claims as a consequence. If this were to lead to inflationary pressures and as a consequence to a sharp hike in interest rates in order to neutralise them, stock markets could fall dramatically.

In both these cases a hard landing will have spill over effects to the other economies.

Higher oil prices and their impact

From their low in December 1998, oil prices have more than doubled and are at the origin of the recent rise in prices. This imported inflation has not been embedded in inflationary expectations so far and it is assumed that wage moderation remains in place.

This judgement could be wrong if oil prices rise beyond what is incorporated in the forecast. Upward pressure on prices could also stem from supply constraints in the labour or goods markets when the output gap is closing. Increased integration and competition should limit price increases, but if they cannot be avoided the ECB will tighten monetary conditions and economic activity will suffer in the short run.

Long-term rates weighing on investment

Finally, a negative risk consists in the recent rise in long-term interest rates. To the extent that the steeper yield curve does not reflect improved prospects for the EU economy, but is a consequence of international financial arbitrage operations transmitting the higher US yields to the EU or because a risk premium is asked for price uncertainty, the increase in long-term interest rates could be a source of concern. However, the present rise in long rates, unlike the one in 1995, does not occur against a background of intra-EU exchange rate instability or a lack of credibility for budgetary consolidation, so that its impact in general and more specifically on investment, will be limited. Especially if structural reform continues, the capacity to absorb adverse interest rate developments is strengthened.

III. Euro area: convergence of GDP growth rates, but inflation differentials remain wide

Euro area *GDP* growth accelerated significantly from mid-1999 onwards, and is likely to show robust growth rates of 3.4 % and 3.1% in 2000 and 2001 respectively.

The *composition* of output growth through the forecasting period is the same as for the EU. Domestic demand excluding inventories is forecast to grow by about 3% each year, while the change in inventories would have a neutral influence on GDP growth. Like for the EU as a whole, the major element is the radical shift in the contribution of net exports to output growth from -0.5 percentage points in 1999 to +0.3 percentage points in 2000.

Virtually all euro area member countries are likely to experience an acceleration in output growth in 2000 compared to 1999. The exception is *Ireland*, where the growth rate of GDP (though remaining the highest in the EU) is expected to moderate somewhat following several years of very buoyant activity. *Germany* and *Italy*, two economies together representing some 50% of the GDP of the euro area, were distinctly lagging behind other countries over the last few years. They are now seen to partially close the gap. *In France*, *Belgium* and *Austria* to a lesser extent, job creation fuelling consumer confidence represents a decisive aspect in the performance of these countries. In particular, GDP growth is forecast to be buoyant in France in 2000 at 3.7%. The *Netherlands* are further ahead in the cycle compared to the previous group of 3 countries. Several years of sustained growth driven by private consumption, which itself benefits from strong job creation, have lowered the rate of unemployment to under 3% of the labour force. *Spain and Portugal* have experienced GDP growth rates steadily above the EU average over the last years. This trend is likely to continue during the forecast period. In *Finland* new technologies are leading the current expansion but skilled labour shortages are already evident.

After several years of declining *consumer price inflation*, the tone has changed. HICP inflation in the euro area is forecast to be at 1.8 % in 2000 and 2001, which is a significant increase compared to 1.1 % in 1999.

The risks on the price front are now definitely on the upside. However, several factors support the view that consumer price inflation is likely to be kept below 2% over the forecasting horizon:

- While headline HICP inflation in the euro area rose from 1.4 % in October 1999 to 2.0 % in February 2000, core inflation remained steady over the last months to January 2000 at around 1 %. The rise in headline inflation is thus explained mainly by energy prices.

TABLE **: Main features of country forecast – EUR-11**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		5869.1	100.0	2.1	1.4	2.3	2.7	2.3	3.4	3.1
Private consumption		3316.3	56.5	1.9	1.5	1.6	3.0	2.6	2.7	3.0
Public consumption		1175.5	20.0	2.1	1.7	0.8	1.2	1.3	1.2	1.2
GFCF		1192.8	20.3	1.6	1.4	2.3	4.7	5.0	5.6	5.1
of which: **equipment**		491.5	8.4	2.3	3.1	4.8	8.9	6.6	8.1	7.6
Change in stocks as % of GDP		119.4	2.0	-	-	-	-	0.8	0.9	0.9
Exports (goods and services)		1938.7	33.0	5.2	4.3	10.0	6.5	4.1	8.5	7.2
Final Demand		7742.7	131.9	2.6	1.8	3.8	4.2	3.2	4.5	4.2
Imports (goods and services)		1794.4	30.6	4.3	3.2	8.9	9.1	6.0	7.9	7.4
Contribution to GDP growth :	**Domestic demand**			1.9	1.4	1.5	2.8	2.8	3.0	3.0
	Stockbuilding			0.0	-0.5	0.2	0.5	0.1	0.1	0.1
	Foreign balance			0.2	0.4	0.5	-0.6	-0.5	0.3	0.1
Employment				0.3	0.3	0.6	1.3	1.4	1.4	1.3
Unemployment (a)				9.5	11.6	11.5	10.8	10.0	9.2	8.5
Compensation of employees/head				6.4	2.9	2.2	1.5	2.2	2.5	2.6
Unit labour costs				4.5	1.8	0.5	0.1	1.3	0.5	0.8
Real unit labour costs				-1.0	-0.5	-1.1	-1.6	-0.1	-0.9	-1.1
Savings rate of the households(b)				-	-	13.5	13.0	12.4	12.3	12.5
GDP deflator				5.5	2.3	1.6	1.7	1.3	1.4	1.9
Private consumption deflator				5.6	2.6	1.9	1.4	1.5	1.8	1.8
Harmonised index of consumer prices				-	2.2	1.6	1.1	1.1	1.8	1.8
Trade balance (c)				0.1	2.2	2.7	2.6	2.0	1.8	2.0
Balance on current transactions with ROW (c)				0.2	1.2	1.6	1.2	0.5	0.4	0.6
General government balance (c)				-4.7	-4.2	-2.6	-2.0	-1.2	-0.9	-0.8
General government gross debt(c)				55.4	74.7	74.5	73.1	72.3	70.5	68.2

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

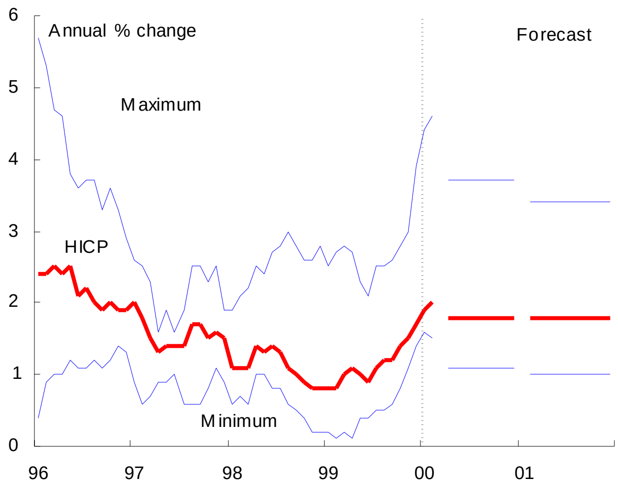
- There is still a degree of slack in the euro area. Unemployment, though on a declining trend, remains high, and there is probably some more room for decline before triggering tensions in the labour market. In addition, the activity rate (as a percentage of the population of working age) is relatively low in the euro area compared to the US, which implies that extra labour can be mobilised provided that the working posts are created and the necessary training is granted. Also the capacity utilisation rate in the manufacturing sector is still some distance away from its peak of the 1988-91 period. For the euro area as a whole, it stands now at just above the long term average.
- Wage developments on average in the euro area remained appropriate. There was a spike for cyclical reasons in the increase in unit labour costs in 1999, but overall the increase in unit labour costs should remain compatible with price stability and the maintenance of a high degree of international competitiveness.
- The pass-through of a currency depreciation via imported inflation to consumer prices is likely to be smaller for the euro area compared to the previous experience of the small open economies which now form a large single currency economic entity. The latter can influence international prices. Foreign suppliers and domestic importers will adjust their prices downwards if demand for their goods falter due to a currency depreciation.
- Deregulation is making further progress, particularly in sectors that were previously public monopolies such as network and utility companies, with the effect of pushing down prices.
- Finally, increased price and cost transparency in the single currency area also contributes to maintaining low prices.

Inflation differentials continue to be wide in the euro area. In 2000 HICP inflation is expected to vary from 1.1 % (France) to 3.7 % (Ireland) and in 2001 from less than 1 % (Austria) to 3.4 % (the Netherlands). The range was from 0.5 % (Austria) to 2.5 % (Ireland) in 1999.

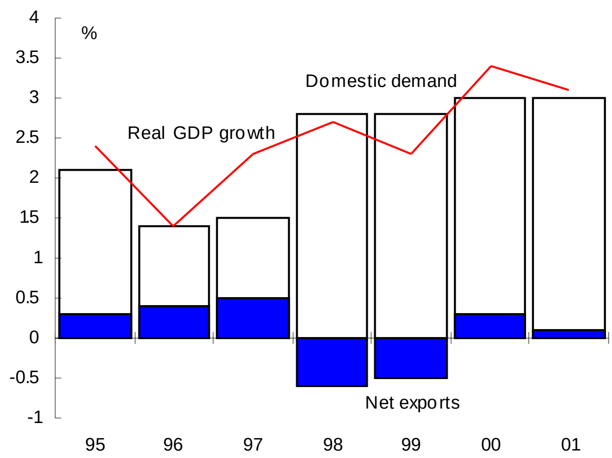
In the recent past, core inflation in Spain, Ireland, Italy, Portugal and Finland remained steadily above the average of the zone. The same observation applies as regards prices in the services sector. It is not only the rise in energy prices which has pushed headline HICP inflation in February 2000 as high as 3.0 % in Spain and 4.6 % in Ireland, i.e. far beyond the 2% limit monitored by the European Central Bank for the euro area as a whole. Overheating is certainly not an issue in the euro area as a whole, but it could become a concern in Ireland, the Netherlands, Spain, Portugal and Finland.

These latter countries have enjoyed several years of strong growth, rapidly falling unemployment rates and wage pressures are mounting. The supply constraints are reflected in rising prices as unit labour costs are forecast to increase by 2 % or more over the forecasting period (not in Spain and Finland). In Portugal, and to a lesser degree in Spain, they are also visible in a quickly deteriorating current account. These high-growth countries should take the necessary steps to ensure that major imbalances can be avoided.

GRAPH 1 : **HICP inflation in Eur-11**



GRAPH 2 : **Contributions to growth in the euro area**



Belgium: Acceleration of GDP growth underpinned by both internal demand and exports

Output. Real GDP growth is expected to accelerate in 2000 after a slowdown in economic activity in 1999 which was, in the event, less severe than initially feared. The dioxin crisis is estimated to have caused a slowdown in GDP growth of about 0.2 percentage points in 1999 but this effect was countered by a revival in economic activity during the second half of the year. Recent estimates point to real GDP growth of 2.3 % in 1999, down from a revised 2.7 % in 1998 and 3.5 % in 1997. Sustained domestic demand, in both consumption and investment, and strong contribution of net exports were the main sources of GDP growth in 1999, while the strong negative contribution from the sharp rundown in stocks was noteworthy. The positive contribution of the external sector was mainly the result of subdued imports, which seem to have risen by only 2.2 % in volume, as a result of strong reduction in stocks and less dynamic exports which have a high import content; however, exports are estimated to have increased by 2.9 %. The economic recovery in the second half of 1999 is expected to continue in 2000 and in 2001, underpinned by sustained domestic demand and a continuing positive contribution of net exports. Real GDP growth should reach 3.5 % in 2000 and 3.3 % in 2001.

Sources of growth. The expected increase in market growth and improved international competitiveness due to the effective depreciation of the euro and contained domestic costs, are expected to favour exports, while the expected revival in stockbuilding would add to import demand; in total, the external sector would contribute by about half a percentage point to real GDP growth in 2000 and in 2001; an effect similar to that in 1999 but resulting from considerably higher volumes of both exports and imports. Private consumption is expected to rise by 2.2 % in 2000 and by a similar rate in 2001 supported by employment growth, a rise in real incomes and further small decline in the saving rate. Total investment is projected to grow by 5.0 % in 2000 and by a similar rate in 2001, i.e. at rates higher than those forecast last Autumn but somewhat lower than the rate seen in 1999. Investment spending in 1999 seems to have been supported by ad hoc factors such as strong public investment, investment in information systems, preparing for the millennium, and investment in activities less sensitive to the business cycle such as telecommunications and public transport. Investment in equipment is expected to increase by about 6.0 % in 2000 and in 2001, a projection reflecting good demand prospects and improved profitability of enterprises.

Labour market. Employment growth continued in 1999 with the creation of 44.000 new jobs, despite the econo-

TABLE **: Main features of country forecast – BELGIUM**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		9089.2	100.0	1.7	1.0	3.5	2.7	2.3	3.5	3.3
Private consumption		4890.0	53.8	1.6	0.6	2.2	3.8	2.0	2.2	2.4
Public consumption		1916.7	21.1	0.8	2.3	0.0	1.4	2.2	1.3	1.7
GFCF		1893.0	20.8	1.5	1.0	6.5	3.7	5.8	5.0	4.5
of which: **equipment**		976.0	10.7	3.8	4.2	6.9	3.3	7.4	6.0	5.6
Change in stocks as % of GDP		24.0	0.3	0.0	-0.1	0.0	0.8	-0.2	0.2	0.3
Exports (goods and services)		6868.0	75.6	4.3	1.3	6.7	4.2	2.9	7.2	6.6
Final Demand		15591.7	171.5	2.5	1.0	4.4	4.2	2.3	4.9	4.6
Imports (goods and services)		6502.5	71.5	3.8	1.0	5.8	6.3	2.2	6.8	6.3
Contribution to GDP growth :	**Domestic demand**			1.4	1.0	2.5	3.1	2.7	2.5	2.6
	Stockbuilding			-0.1	-0.3	0.1	0.8	-1.0	0.4	0.2
	Foreign balance			0.4	0.3	0.9	-1.2	0.6	0.6	0.5
Employment				0.0	0.3	0.8	1.2	1.1	1.3	1.4
Unemployment (a)				9.3	9.7	9.4	9.5	9.0	8.5	7.9
Compensation of employees/head				5.0	1.2	2.8	2.1	2.1	2.2	2.1
Unit labour costs				3.2	0.5	0.1	0.6	0.9	0.0	0.2
Real unit labour costs				-0.7	-0.6	-1.2	-0.9	-0.2	-1.2	-1.3
Savings rate of the households (b)				-	-	17.8	16.7	16.3	16.0	16.0
GDP deflator				3.9	1.2	1.3	1.6	1.0	1.1	1.5
Private consumption deflator				3.8	2.1	1.5	0.8	1.1	1.5	1.5
Harmonised index of consumer prices				-	1.8	1.5	0.9	1.1	1.3	1.4
Trade balance (c)				-1.7	1.4	4.0	3.8	3.9	3.9	4.1
Balance on current transactions with ROW (c)				0.7	4.5	4.7	4.1	4.1	4.1	4.5
General government balance (c)				-7.9	-3.7	-2.0	-1.0	-0.9	-0.5	-0.2
General government gross debt (c)				121.1	128.3	123.0	117.4	114.4	110.0	105.2

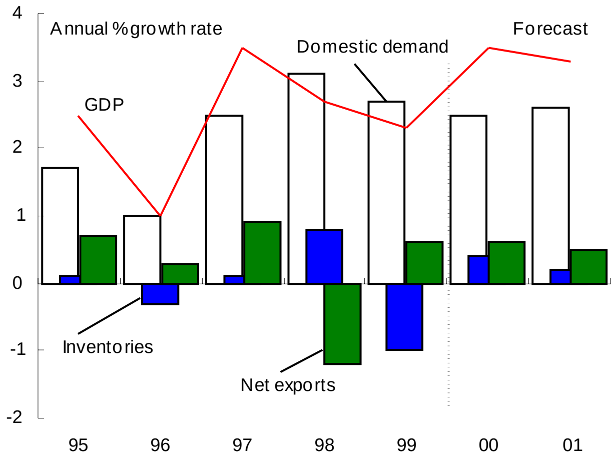
(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

mic slowdown; it is expected to remain on an upward trend in 2000, supported by the acceleration in economic activity, and to strengthen further in 2001 as the impact of government measures, notably the reduction of social security contributions will have a full effect. The share of job creation induced by special employment programmes is expected to be reduced to 20% of the total in 2000 compared to 40% in 1999. The unemployment rate, which reached 8.6 % in February 2000 is projected to fall further, although by less than the rate of employment creation as labour supply should also rise. Total employment growth during 2000-2001 would lead to a rise in the employment rate (total employment in proportion of the working age population) by 1.5 percentage points to 58.8%.

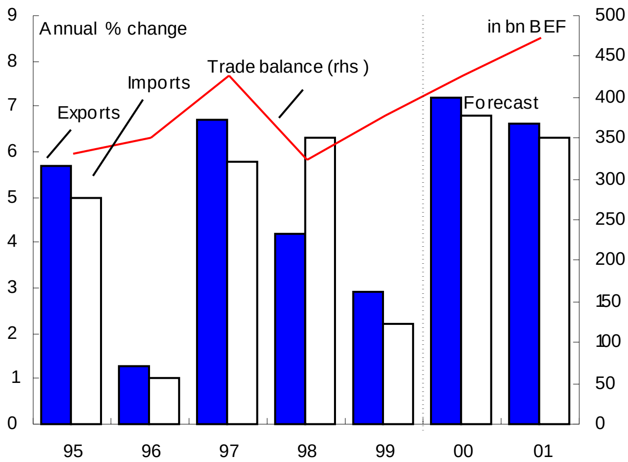
Prices and wages. Rise in consumer prices, as measured by the HICP, remained low in 1999 at 1.1 % on average; a development attributed to a large extent to wage moderation which continued to characterise the labour market in Belgium. The impact of the rise in oil prices is expected to lead to an acceleration in consumer prices to 1.5 % on average in 2000 and to similar levels in 2001. It is expected that continued wage moderation combined with enhanced competition in the integrated European market will keep price increases at a sustainable level despite a tightening in labour market conditions and higher economic growth and demand. The expected stabilisation of the effective exchange rate of the euro, and even a small appreciation at the end of the forecasting period, would contribute to contain price increases.

Public finances. Fiscal consolidation continued in 1999 as the general government deficit was reduced to 0.9 % of GDP and the debt ratio has fallen by 3 percentage points. This trend is forecast to continue in 2000 and in 2001. The projected budgetary outcomes are better compared to the Autumn 1999 forecasts, as GDP growth will also be higher and the budgetary outurn for 1999 slightly better than initially forecast. The projected decline in government expenditure and revenue ratios, in relation to GDP, reflects also the fiscal consolidation strategy adopted in the updated stability programme of Belgium, covering the period 2000-2003, pursuing parallel objectives. These were to reduce the government deficit and debt ratios to GDP through control of the increase in primary expenditure and generation of high primary surpluses and, also, to create a margin for alleviating the overall tax burden. The government deficit is forecast to decline to 0.5 % of GDP in 2000 and to 0.2 % in 2001. The government debt is also projected to fall further from an estimated 114.4 % of GDP at the end of 1999 to 105.2 % at the end of the forecasting period.

GRAPH 1: **Belgium - Contribution to real GDP growth**



GRAPH 2 : **Belgium - Exports , imports and balance of goods and services**



Germany: Growth to take ground

1999 outcome. Under the impact of the international financial crisis, GDP growth in 1999 slowed down to 1.5%, with exports falling sharply in the first half of the year, leading to a strongly negative external contribution to GDP growth for the year as a whole. However, on the back of a vigorous acceleration in external demand, economic activity started to change gear in the second half of the year.

Growth outlook. Orders and business climate indicators show that the current year should be characterized by an ongoing vigour on the external side, with German exporters not only profiting from the depreciation of the euro but also from strong demand by neighbouring countries within the euro zone. Regarding domestic demand, consumption will be boosted by the implementation of the second step of income tax reform and further improvements on the labour market, while investment growth should be underpinned by the revival of external demand, rising capacity utilization and the planned reform of corporate taxation in 2001. Government consumption is likely to remain subdued, not least as a consequence of the savings package adopted by the federal governement. While construction investment should be driven by investment at the plant and the owner-occupied residential level, the ongoing problems in rental residential construction, and, in particular, the huge oversupply in eastern Germany (one million vacant apartments) will continue to keep construction investment down in the current year. In 2001 the composition of growth is set to change away from external demand towards domestic demand, which is projected to see a strong acceleration. The advancing of the third step of income tax reform from 2002 to 2001, implying a very important tax relief, combined with a further clear improvement on the labour market, should induce a rise in private consumption not observed since reunification. Furthermore, equipment investment is projected to expand dynamically on the basis of continued good profitability and slightly rising final demand. In spite of the ongoing problems in the construction sector in the eastern Länder, the year 2001 is likely to see a further rise in construction investment, thanks to very high consumer sentiment which should give a clear impetus to residential construction. Public consumption, however, is expected to grow only very moderately, due to the federal government's intention to balance the federal budget by 2006.

Labour market. While the drop in external demand also triggered a decrease in employment in the first quarters of 1999, unemployment figures for the fourth quarter of last year seem to indicate that the recovery has now also reached the labour market. With growth accelerating, the current year should see a clear improvement in the

TABLE **: Main features of country forecast – GERMANY**

	1998		Annual percentage change						
	Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices	3784.2	100.0	2.2	0.8	1.5	2.2	1.5	2.9	2.9
Private consumption	2174.7	57.5	2.1	0.8	0.7	2.3	2.1	2.2	3.0
Public consumption	719.4	19.0	1.5	2.1	-1.1	0.5	0.2	0.7	0.8
GFCF	797.2	21.1	1.7	-1.1	0.5	1.4	2.3	3.9	3.9
of which: **equipment**	297.0	7.8	1.5	1.2	3.4	9.2	5.1	7.9	6.9
Change in stocks as % of GDP	29.6	0.8	0.1	-0.2	0.2	0.9	1.4	1.4	1.4
Exports (goods and services)	1092.1	28.9	4.7	5.1	10.9	7.0	4.2	9.3	7.6
Final Demand	4813.0	127.2	2.5	1.2	2.8	3.5	2.7	3.9	4.0
Imports (goods and services)	1028.9	27.2	3.9	3.2	8.3	8.5	7.1	7.3	7.6
Contribution to GDP growth : Domestic demand			1.8	0.6	0.3	1.7	1.7	2.2	2.7
Stockbuilding			0.0	-0.4	0.4	0.7	0.4	0.0	0.0
Foreign balance			0.4	0.5	0.8	-0.3	-0.7	0.7	0.1
Employment			0.3	-0.8	-0.8	0.4	0.3	0.4	0.7
Unemployment (a)			6.5	8.9	9.9	9.4	9.1	8.6	7.8
Compensation of employees/head			4.3	2.2	1.4	1.4	1.9	2.0	2.4
Unit labour costs			2.3	0.6	-0.8	-0.4	0.7	-0.4	0.2
Real unit labour costs			-0.7	-0.4	-1.6	-1.4	-0.3	-1.1	-1.5
Savings rate of the households (b)			-	-	10.5	10.1	9.3	9.1	9.4
GDP deflator			3.0	1.0	0.8	1.0	1.0	0.6	1.7
Private consumption deflator			2.8	1.9	1.7	0.9	0.8	1.5	1.6
Harmonised index of consumer prices			-	1.2	1.5	0.6	0.6	1.6	1.6
Trade balance (c)			3.8	2.9	3.4	3.6	3.3	3.4	3.7
Balance on current transactions with ROW (c)			1.4	-0.3	0.0	-0.2	-0.8	-0.8	-0.5
General government balance (c)			-2.4	-3.4	-2.6	-1.7	-1.1	-1.0	-1.4
General government gross debt (c)			43.1	59.8	60.9	60.7	61.0	60.7	59.5

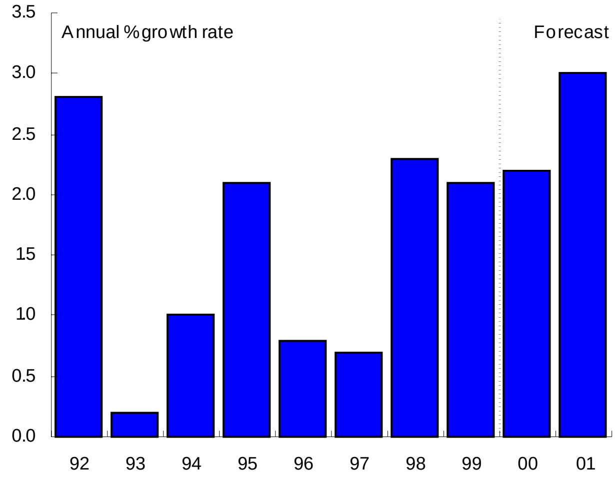
(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

labour market and the average number of unemployed is likely to fall below the psychologically important threshold of 4 million. In 2001, the labour market should see an even stronger reduction in the number of unemployed, resulting from the combined effects of a decrease in the labour force and a stronger rise in employment.

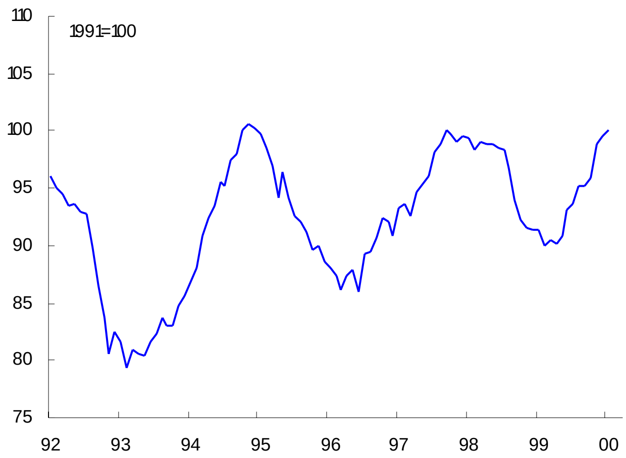
Prices. Although petrol prices were clearly rising in the course of 1999, prices of imported goods as a whole fell by 0.5% in 1999 compared to the preceding year. In spite of slightly rising unit labour costs and an increase in indirect taxes, the combined effects of falling import prices and only moderately growing private consumption made for a very favourable development of consumer prices (0.6% rise year-on-year). As a result of the strong increase in petrol prices observed in 1999 and in the first months of this year combined with the depreciation of the Euro and also due to another hike in indirect taxes ('ecological tax'), consumer price inflation is to rise in 2000 (1.5%), in spite of the dampening effects of the ongoing liberalisation in the network industries, increased competition in the retail sector and the forecast slight decline in unit labour costs. In 2001, while the strong increase in domestic demand will create some price pressure, the rise in consumer prices should not accelerate, as long as wage moderation prevails and the forecast decrease in petrol prices materialises.

Public Finances. Following the better-than-expected result in 1998, the general government deficit in 1999 once again turned out to be lower than expected (1.1% of GDP compared to an original target of 2%). This result is mostly due to higher tax revenues in 1999, as a consequence, in particular, of higher corporate and assessed income taxes related to 1998. In 2000, the deficit reduction in Maastricht terms will be lower than the adopted savings package might suggest, among other things, to rising deficits at the regional and local level and a decreasing surplus of the social security system. Furthermore, tax revenues should rise more moderately, due to the implementation of the second step of income tax reform and the lagged effects of low nominal GDP growth in 1999. In 2001, the implementation of the corporate tax reform and the advancing of the third step of income tax reform - both implying important tax reliefs - will lead to a deterioration of the general government deficit.

GRAPH 1 : **Germany - Private consumption**



GRAPH 2 : **Germany - IFO Business Index western Germany**



Spain: Economic growth remains strong

Output. GDP rose by 3.7% in 1999 compared to 4.0% in the previous year. This strong growth performance means that GDP has risen by above 3.5% for three years in a row. In 2000 economic activity is expected to remain robust, posting a growth of 3.8%, with a different GDP composition. Finally, in 2001, although more moderate than in the previous years, output growth is forecast to maintain a strong pace at around 3.4%.

GDP components. In 1999 GDP growth was driven by domestic demand while the external sector made a negative contribution. The dynamism of private consumption was due to strong job creation and the personal income tax reform implemented in January 1999, which increased households' disposable income. The strength of investment stemmed partially from the historically low interest rates registered in Spain and the acceleration of private consumption. In this respect, it is worth noting that investment, for both equipment and dwellings, was the most dynamic component of domestic demand. Regarding the external sector, its negative contribution came from high import growth, linked to the strength of domestic demand, and the unfavourable international setting from the second half of 1998 which induced a sharp deceleration of Spanish exports. This was reflected in the current account deficit widening to 1.8% of GDP.

In 2000 economic growth should remain robust, rising slightly to 3.8%. Nevertheless, a change in its composition is foreseen. Firstly, a deceleration in domestic demand is forecast. Although private consumption should remain strong, its growth should moderate as the main effects of the tax reform fade away and employment should continue growing but at slower pace. In addition, investment, especially investment in dwellings, should moderate its dynamism due partly to the expected increase of interest rates. Secondly, Spanish exports should continue recovering gradually as the international setting improves, especially in the EU area, and so make the external sector contribution to growth less negative. Recent data suggest that this change in the composition of GDP growth started taking place in the second half of 1999. In 2001, GDP is forecast to record strong growth, although decelerating, with an accentuation of the trends previously envisaged in 2000: a more moderate domestic demand and a less negative contribution from the external sector to GDP growth.

Labour market. Employment rose briskly by 3.4% in 1999. In 2000, it is expected to remain strong although decelerating to 2.8%. This moderation in job creation partially reflects the projected change in GDP growth composition, more based on a less intensive labour activities. These favourable developments can be partly

TABLE : **Main features of country forecast – SPAIN**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		86968.5	100.0	2.4	2.3	3.8	4.0	3.7	3.8	3.4
Private consumption		51525.3	59.2	2.0	2.0	2.9	4.1	4.4	3.8	3.3
Public consumption		15091.9	17.4	4.5	1.3	2.7	2.0	1.8	1.7	1.6
GFCF		19800.2	22.8	3.2	2.0	5.0	9.2	8.3	7.2	6.4
of which: **equipment**		7234.8	8.3	2.9	7.3	11.3	13.7	8.4	8.3	8.0
Change in stocks as % of GDP		257.5	0.3	0.6	0.3	0.2	0.3	0.3	0.3	0.3
Exports (goods and services)		23604.9	27.1	7.1	10.3	15.1	7.1	8.5	10.4	9.9
Final Demand		110279.8	126.8	3.3	3.4	5.6	5.4	5.7	5.6	5.2
Imports (goods and services)		23311.3	26.8	7.3	8.1	12.8	11.1	12.6	11.5	10.8
Contribution to GDP growth :	**Domestic demand**			2.7	1.9	3.3	4.8	4.9	4.3	3.8
	Stockbuilding			0.0	-0.1	-0.1	0.1	0.1	0.0	0.0
	Foreign balance			-0.2	0.5	0.6	-1.0	-1.2	-0.5	-0.4
Employment				0.4	1.3	2.8	3.6	3.4	2.8	2.5
Unemployment (a)				19.3	22.2	20.8	18.7	15.8	13.8	12.1
Compensation of employees/head				8.9	4.0	2.5	3.0	2.4	2.9	2.6
Unit labour costs				6.7	3.0	1.5	2.6	2.0	1.9	1.7
Real unit labour costs				-1.2	-0.5	-0.7	0.3	-1.1	-0.8	-0.6
Savings rate of the households (b)				-	-	-	-	-	-	-
GDP deflator				8.1	3.4	2.1	2.3	3.1	2.7	2.3
Private consumption deflator				8.1	3.4	2.5	2.0	2.8	2.5	2.2
Harmonised index of consumer prices				-	3.6	1.9	1.8	2.2	2.5	2.2
Trade balance (c)				-5.1	-2.7	-2.4	-3.2	-4.6	-5.6	-6.2
Balance on current transactions with ROW (c)				-1.4	0.1	0.3	-0.3	-1.8	-2.4	-2.8
General government balance (c)				-4.9	-5.0	-3.2	-2.6	-1.1	-0.7	-0.4
General government gross debt (c)				42.5	68.0	66.7	64.9	63.5	62.3	59.9

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

explained by the reforms to the labour market implemented in recent years, which have improved its functioning. Employment on a permanent basis is growing faster than fixed-term jobs, although the share of the latter in total employment still remains very high. For 2001, job creation should continue rising but at a more moderate pace. As a result, the still very high unemployment rate should keep on a clear decreasing path during the forecasting period.

Prices. In 1999, despite moderate wage growth and core inflation remaining stable, price developments were worse than expected in the second half of the year due to the behaviour of the more volatile items, especially energy prices. HICP inflation for 1999 thus posted a figure of 2.2% on average compared to 1.8% in the previous year. In 2000 inflation is forecast to accelerate to 2.5%. However, the assumptions on oil prices from the second half of 2000 and deceleration both in domestic demand and in unit labour costs should help to ease inflationary pressures in the forecast period. Decelerating unit labour costs should stem from the recovery of productivity which should more than offset the expected rise in compensation per employee. In 2001 inflation is thus forecast to fall to 2.2%.

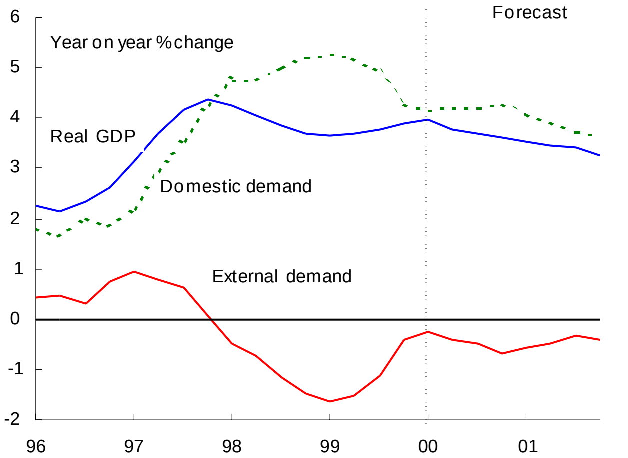
External sector. The current account deficit is expected to widen gradually during the forecasting period. This is due partially to the worsening of the terms of trade in 2000 and the growing trade deficit which is not offset by the expected surplus in the service balance.

Public finances. In 1999 the general government deficit registered a figure of 1.1% of GDP (2.6% in 1998), lower than the 1.3% previously envisaged in the Stability Programme Update. This deficit reduction was mainly due to the moderate growth of current expenditure, the dynamism shown by indirect taxes (especially VAT) and the relative buoyancy of direct taxes despite the personal income tax reform implemented in 1999. Additionally, the social security sub-sector recorded a surplus of 0.2% of GDP.

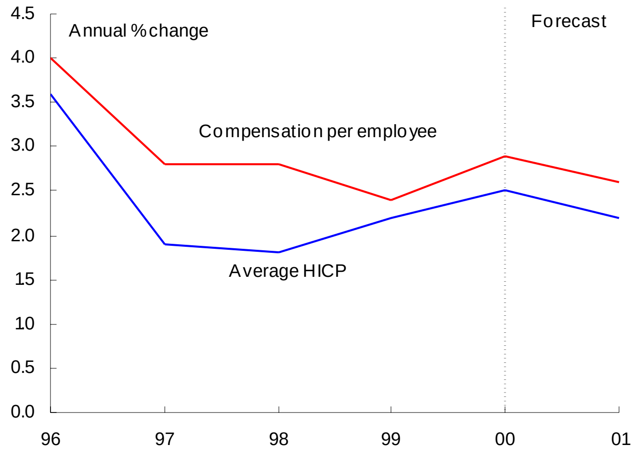
For 2000 the general government deficit is forecast at 0.7% of GDP (0.1 percentage points lower than the figure previously considered in the 2000 Budget Law). The bulk of the deficit reduction is based on restraint of primary expenditure, mainly public consumption, and the further reduction in interest payments. Thus, public consumption is forecast to grow below nominal GDP, partly due to the policy at State and small municipalities levels of replacing no more than 25% of outgoing staff with new employees. This deficit reduction should be compatible with the continuation of an active labour policy and the increase in public gross fixed capital formation as a percentage of GDP. In 2001, and under the assumption of no policy changes, the general government deficit is forecast at 0.4% of GDP.

Stemming from the increasing primary surpluses coupled with strong growth and the, still, relatively low interest rates for the Spanish economy, the debt-to-GDP ratio is expected to continue on a declining path during the forecasting period. As a result, after falling to a figure of 63.5% in 1999, the debt ratio is forecast to fall below 60% of GDP in 2001.

GRAPH 1: **Spain - Contributions to GDP**
(quarterly data)



GRAPH 2 : **Spain -HICP and nominal compensation**



France: Entering a phase of sustained expansion

Output. After temporarily decelerating around the turn of 1999 as a result of the international crisis, economic activity rebounded from the second quarter. The upturn became very robust during the second half of 1999 as a result of a sharp increase in exports triggered by accelerating external demand, a weakening euro and by improving competitiveness. Together with recovery in exports, domestic demand has been growing steadily, as a result of rising demand of households and of companies and, therefore, strong job creation. Households have been feeling fully the effects of this improvement on the labour market, which explains the exceptionally high level of the consumer confidence indicator. Confidence surveys suggest that growth should remain healthy during the early months of 2000, but economic activity might have peaked in the second half of 1999.

GDP components. Consumer demand, the cornerstone of growth since 1998, is expected to remain buoyant over the forecast period. Households should benefit from the vigour of employment resulting from sound economic performance, the positive effect of the reduction in working time and the reduction of VAT by 1 percentage point effective from April 2000. In parallel, the purchasing power of household income is likely to increase slightly faster during the forecast period than in 1999 despite a surge in inflation. Furthermore, households' confidence should remain high, allowing a fall in their saving ratio. Following the exceptional rate of growth in 1999, housing investment is expected to decelerate somewhat. The main reasons for this are slightly less favourable financing conditions and the removal of a very effective tax incentive.

Business demand is set to continue to move in line with consumer demand. The high level in overall industrial demand prospects, combined with higher raw material prices, should lead to renewed stockbuilding. Investment in equipment should remain sturdy as a result of acceleration in activity and of a good business financial situation.

Exports, fuelled by dynamic external demand both intra-community and from outside Europe, are expected to perform well. With improved competitiveness, France is expected to gain market share. Foreign trade should hence make a significant positive contribution to GDP growth in both 2000 and 2001.

Overall, GDP is expected to grow by 3.7% in 2000 and by 3.2% the following year. The forecast assumes some slowdown in activity at the turn of the year 2000 when the strong build-up in inventories realised in the fourth quarter of 1999 will be reversed. Should this development not occur, real GDP growth in 2000 might be slightly higher.

TABLE **: Main features of country forecast – FRANCE**

		1998		**Annual percentage change**						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		8560.6	100.0	1.9	1.1	2.0	3.2	2.8	3.7	3.2
Private consumption		4705.4	55.0	1.5	1.3	0.2	3.4	2.3	3.1	3.0
Public consumption		2017.3	23.6	2.4	2.3	1.7	1.1	1.7	1.7	1.4
GFCF		1570.6	18.3	1.3	0.0	0.5	5.7	7.1	6.0	5.2
of which: **equipment**		576.6	6.7	3.1	2.4	3.7	9.9	8.8	8.2	7.0
Change in stocks as % of GDP		41.2	0.5	0.0	-0.2	0.0	0.4	0.3	0.4	0.5
Exports (goods and services)		2224.8	26.0	5.3	3.5	10.7	6.2	3.6	7.5	5.9
Final Demand		10559.3	123.3	2.2	1.2	2.7	4.2	3.0	4.4	3.8
Imports (goods and services)		1998.7	23.3	3.7	1.6	6.2	8.7	3.8	7.3	5.9
Contribution to GDP growth :	**Domestic demand**			1.7	1.3	0.6	3.2	3.0	3.3	3.0
	Stockbuilding			0.0	-0.6	0.2	0.4	-0.2	0.2	0.1
	Foreign balance			0.2	0.4	1.2	-0.4	0.0	0.2	0.2
Employment				0.1	0.3	0.3	1.2	1.5	1.7	1.3
Unemployment [(a)]				9.8	12.4	12.3	11.7	11.0	10.0	9.4
Compensation of employees/head				5.8	2.1	2.1	2.4	1.9	2.1	2.4
Unit labour costs				3.9	1.3	0.4	0.4	0.6	0.2	0.5
Real unit labour costs				-0.8	-0.1	-1.0	-0.6	0.2	-0.8	-0.8
Savings rate of the households [(b)]				-	-	16.2	15.6	15.8	15.7	15.6
GDP deflator				4.7	1.4	1.4	0.9	0.4	1.0	1.3
Private consumption deflator				5.0	1.9	1.4	0.9	0.8	1.2	1.2
Harmonised index of consumer prices				-	2.1	1.3	0.7	0.6	1.1	1.2
Trade balance [(c)]				-1.6	0.4	1.7	1.4	1.0	0.9	1.1
Balance on current transactions with ROW [(c)]				-0.3	0.9	2.3	2.1	1.8	1.6	1.6
General government balance [(c)]				-3.0	-4.2	-3.0	-2.7	-1.8	-1.5	-1.2
General government gross debt [(c)]				34.4	57.1	59.0	59.3	58.6	58.2	57.1

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

Labour market. The strong pick-up in employment seen in the private sector in 1999, along with the boost resulting from employment policies, allowed a reduction in unemployment. Supported by the acceleration in output, employment is expected to remain dynamic in 2000 but to decelerate somewhat in 2001.

At the same time, apparent productivity growth should edge up in 2000 from 1.2 % to 1.9 %. Indeed, the positive impact on employment of incentives aimed at lowering labour costs introduced in 1992-1993 on one hand, and the implementation of the “emplois jeunes” scheme designed to create jobs for young people in the public sector and associations on the other hand, will start to fade away. However, the unemployment rate is set to continue to fall and should cross the 10% line in the course of 2000.

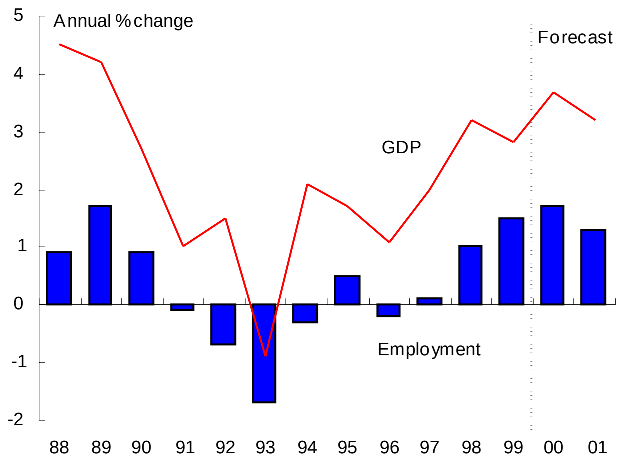
Prices and wages. Despite above potential growth, inflationary pressures are expected to remain weak. The fall in unemployment, although significant over the forecast period, is not expected to be sufficient to generate wage pressures; the introduction of reduced working time in company agreements already signed will be accompanied by wage moderation over the next few years. Moreover, since the 35-hour working week entails risks of higher wage costs, it has led enterprises to restrain wage increases since 1998. This should continue to prevail over the forecasting period. Following the deregulation process, increased competition in the services sector is helping to narrow margins and even reduce prices. All these factors added to the reduction of VAT are therefore expected to offset the adverse effects of imported inflation to some extent.

Public finances. Government finances improved clearly in 1999: the deficit fell from 2.7% of GDP in 1998 to 1.8%. This was a better performance than expected by the government, which had initially planned a deficit of 2.3% of GDP. The outcome was influenced in particular by buoyant revenues, especially direct taxes. Indirect taxes and social contributions also performed well. As a result, the tax burden rose again to reach a record 45.6% of GDP. Progress in budgetary consolidation also resulted from tight control in State spending. In contrast, an expenditure slippage was registered on social security, although most of spending in excess of targets was due to overhang.

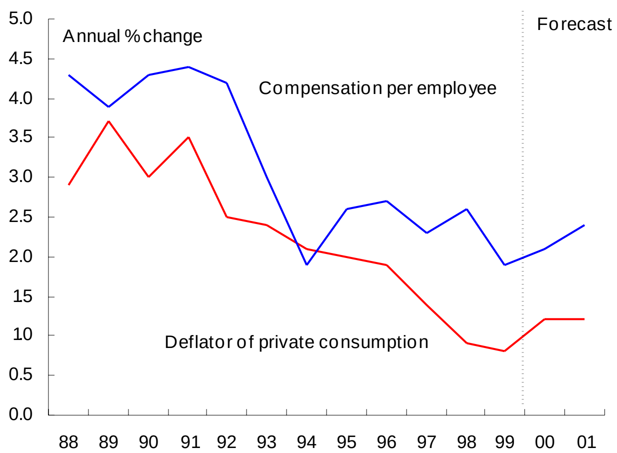
In 2000 and 2001, the favourable economic conditions and the continuing restraint in spending will create the conditions for further budgetary consolidation. However, the fall in the deficit ratio will be relatively small, because of the tax cuts announced in September 1999 (budget for 2000) and in March 2000 (mini-budget), as well as the reductions in social contributions connected with the introduction of the 35-hour working week.

The government debt ratio declined in 1999 from 59.3% of GDP to 58.6% (the first fall in the debt ratio for 20 years). Further reductions in the debt ratio are expected in the coming years.

GRAPH 1 : **France - Real GDP and employment**



GRAPH 2 : **France - Compensation and deflator of private consumption**



Ireland: Growth to remain strong but slow down

Output in 1999. Growth of GDP in Ireland in 1999 is, yet again, estimated to have been particularly strong at over 8%. All sectors contributed to strong growth. The largest contribution was from domestic demand where, in particular, households increased their expenditure rapidly in response to rises in real income, wealth and a strong labour market. In addition, investment both in construction and equipment rose rapidly. The overseas side also contributed modestly to growth; export volume growth of goods outstripped that of imports as exports responded to recovery of growth in Ireland's markets, particularly the UK, and they were also aided by an improvement in competitiveness.

Demand pressures With an economy that has been so dynamic and has enjoyed remarkable growth with relatively subdued inflation until now, it is difficult to determine what, even approximately, is the trend rate of growth and whether the economy is actually working above productive potential. That makes projecting 2000 and beyond uncertain. Certainly there are plenty of reasons for expecting, if anything, demand in the economy to accelerate. Retail sales volumes are growing very rapidly. The strong labour market, rising wealth, especially that resulting from rising house prices, and the direct tax cuts announced in last December's budget will maintain strong household expenditure growth. Further support should come from the external side. Ireland's export markets are expected to grow more strongly into 2000 especially that of the UK and Ireland's competitiveness has increased as the euro has weakened. There are also pressures to raise construction expenditure, in view of both the government intentions to improve the infrastructure and current constraints in the housing market.

Output forecast. The view taken here is that, in response to strong demand, strong GDP growth will continue but, at 7.5% in 2000, will be lower than in 1999 as supply constraints restrict growth Both actual domestic demand growth and export growth will slow down a bit and strong import growth will accommodate strong demand to some extent. GDP growth is expected to fall a little more in 2001 to average 6.2% as supply restraints continue to bite but some of the demand pressures will fall - for example a slowdown of growth in Ireland's export markets is expected.

Labour market. The labour market is expected to tighten but some success in alleviating labour market pressures is expected that can be attributed to the direct tax cuts in December's budget. There is certainly scope for increasing labour participation despite strong growth in employment in recent years. As a result of strong demand and recent measures, employment is projected to grow by 3.5% in 2000 and 2.7% in 2001.

TABLE **: Main features of country forecast – IRELAND**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		59636.9	100.0	3.9	7.7	10.7	8.9	8.3	7.5	6.2
Private consumption		29965.1	50.2	2.3	6.7	7.3	7.5	7.7	7.2	6.7
Public consumption		8707.1	14.6	0.9	2.7	4.8	5.7	3.8	4.7	3.7
GFCF		13398.0	22.5	1.2	16.3	17.3	15.9	12.5	10.8	9.1
of which: **equipment**		4542.2	7.6	1.5	11.9	15.7	23.7	12.9	10.4	8.3
Change in stocks as % of GDP		788.5	1.3	0.5	0.9	1.3	1.5	1.3	1.2	1.1
Exports (goods and services)		50305.0	84.4	9.8	11.8	17.0	20.5	12.7	11.7	9.6
Final Demand		103163.7	173.0	4.8	9.4	12.9	14.8	10.4	9.7	8.2
Imports (goods and services)		43326.0	72.6	6.6	12.0	16.1	23.2	13.2	12.4	10.7
Contribution to GDP growth :	**Domestic demand**			1.7	6.9	8.0	7.9	7.2	6.8	6.0
	Stockbuilding			0.2	0.1	0.5	0.4	-0.1	0.0	0.0
	Foreign balance			1.8	1.1	2.5	0.6	1.1	0.8	0.1
Employment				0.5	3.8	5.6	5.0	5.1	3.5	2.7
Unemployment (a)				14.6	11.6	9.8	7.7	6.5	5.7	5.1
Compensation of employees/head				7.6	3.2	4.3	5.3	6.0	6.5	7.0
Unit labour costs				4.1	-0.5	-0.5	1.5	2.9	2.5	3.5
Real unit labour costs				-1.4	-2.7	-3.9	-3.9	-0.6	-1.3	-0.7
Savings rate of the households (b)				-	-	11.7	11.5	10.4	10.4	10.5
GDP deflator				5.6	2.3	3.5	5.6	3.5	3.8	4.3
Private consumption deflator				5.6	2.5	2.4	3.7	3.3	4.0	3.0
Harmonised index of consumer prices				-	2.2	1.2	2.1	2.5	3.7	3.0
Trade balance (c)				4.7	19.4	23.8	27.5	28.8	29.9	31.3
Balance on current transactions with ROW (c)				-2.4	2.8	2.5	0.9	0.3	-0.5	-0.2
General government balance (c)				-6.1	-0.6	0.8	2.1	2.0	1.7	2.7
General government gross debt (c)				93.7	74.1	65.3	55.6	52.4	45.2	38.1

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

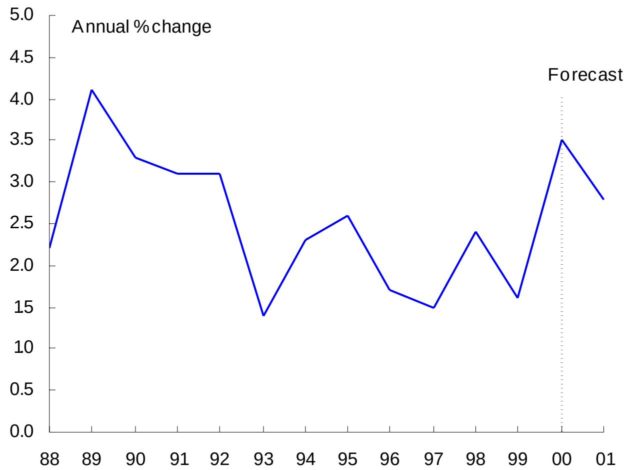
The employment rate will rise from 62.7% in 1999 to 65% in 2001.

Inflation currently. Around the turn of last year, significant upward pressure on inflation emerged. In February of 2000, the consumer price index was 4.3% up on a year earlier and the HICP rose even more - by 4.6%. Much of the rise can be attributed to specific factors that may not persist - rises in tobacco duty in last December's budget, rises in import prices due to euro weakness and rises in prices of petroleum products associated with the oil price rise. Nevertheless, there are signs of more general inflationary pressures such as rapidly rising house prices and an acceleration of wages. The latter has been accompanied by larger rises in services prices than in the recent past.

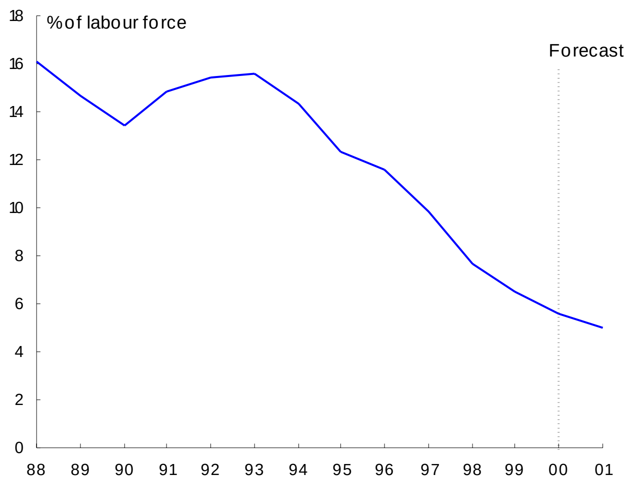
Inflation expected. Price pressures will rise in reponse to strong demand and supply constraints. CPI inflation averaged only 1.6% in 1999 but is expected to increase. It will average 3.5% in 2000 and 2.8% in 2001. Wage inflation is expected to rise moderately over the forecast period from 6% in 1999 to 7% in 2001 though the assessment here is that rises in wage inflation will be moderated to some extent by recognition, in wage negotiations, of the tax cuts in December's budget. As a result some of the inflationary pressures may ease. In addition, some of the one off factors contributing to high inflation in 2000 disappear.

Public finances. The public finances are in very good shape and posted a surplus of 2% of GDP in 1999. They are expected to remain strong as growth remains robust despite the expansionary nature of last December's budget. While they will be distorted, particularly in 2000, as a result of the decision to pre-fund future pension commitments, healthy surpluses are expected of 1.7% of GDP in 2000 and 2.7% in 2001. In underlying terms the surpluses would be close to 3% in each year. While it is possible that the economy may be operating above productive potential, in cyclically adjusted terms the finances are still expected to be in comfortable surplus. Gross debt is expected to continue its rapid decline to under 40% by the end of 2001.

GRAPH 1 : **Ireland - CPI**



GRAPH 2 : **Ireland - Unemployment rate**



Italy: Economic growth in 1999 remained weak, but strong recovery gaining ground

1999 outcome. In 1999 the Italian economy once again grew at a rate which was significantly lower than the euro zone average. A number of domestic factors (amongst these, the increasing fiscal burden and fluctuating consumer confidence) have contributed to slow down output growth, dampening private consumption expenditure and, to a lesser extent, investment in equipment. The most adverse effect came from the external side of the economy. Due to Italy's export structure and to its position as a relatively large exporter to emerging economies, the impact of the international crisis was deep and long-lasting and net exports subtracted a full percentage point to growth. Annual average figures, however, do not reveal the reversion in the cycle which took place during 1999. The recovery was fully underway in the second half of the year, despite a marked deceleration in private consumption expenditure. Exports surged, fuelled by the favourable exchange rate effect and by improved external demand, while import penetration rose, but more moderately.

Outlook. The recovery recorded in the second half of 1999, is expected to consolidate during the forecast period. The tax measures in favour of households and enterprises introduced in 2000, should underpin economic growth, and domestic demand should firm over the forecast period. The improvement in the external environment should contribute to strengthen gross fixed capital formation and drive the acceleration of GDP in 2000. In 2001, external demand growth is estimated to contract somewhat. The erosion of export market share will continue but at a substantially lower rate than in recent years.

GDP components. In 2000 and 2001, private consumption should be supported by good employment prospects and rising real disposable income, which should also benefit from the income tax reductions. Investment in equipment should grow at a sustained rate, thanks to improving demand, changes to the tax treatment of reinvested profits and incentives introduced in 1999. Although in 2000, investment in construction should display stronger average annual growth, the pace is expected to slow markedly during the forecast period with the completion of planned public works. Exports of goods and services should grow markedly in 2000 and decelerate in 2001, in line with the expected evolution of external demand.

Sustained growth in exports of services reflect higher expected receipts from tourism due to the Jubilee 2000. Driven by improving demand, imports of goods and services should accelerate significantly in 2000, and continue to grow, although at a slower pace, in 2001.Real net exports are foreseen to provide a positive

TABLE **: Main features of country forecast – ITALY**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		2067.7	100.0	1.9	1.1	1.8	1.5	1.4	2.7	2.7
Private consumption		1219.5	59.0	2.1	1.2	3.0	2.3	1.7	1.9	2.3
Public consumption		372.2	18.0	1.7	1.0	0.8	0.7	0.6	0.5	1.0
GFCF		381.2	18.4	0.6	3.6	1.2	4.1	4.4	6.2	5.6
of which: **equipment**		219.8	10.6	1.7	2.6	3.2	6.0	6.2	8.7	8.8
Change in stocks as % of GDP		25.7	1.2	0.8	0.3	0.5	1.1	1.5	1.5	1.6
Exports (goods and services)		547.2	26.5	5.4	0.6	6.5	3.3	-0.4	8.2	6.6
Final Demand		2545.8	123.1	2.3	0.8	3.4	3.0	1.8	3.7	3.7
Imports (goods and services)		478.1	23.1	4.7	-0.3	10.2	9.1	3.4	7.5	7.6
Contribution to GDP growth :	**Domestic demand**			1.7	1.6	2.1	2.3	2.0	2.4	2.7
	Stockbuilding			0.0	-0.7	0.3	0.6	0.4	0.0	0.1
	Foreign balance			0.2	0.2	-0.6	-1.3	-1.0	0.3	-0.2
Employment				0.3	0.4	0.1	0.6	1.0	1.1	1.2
Unemployment [(a)]				9.1	11.7	11.7	11.9	11.3	10.9	10.4
Compensation of employees/head				9.5	5.9	4.2	-1.4	1.9	2.4	2.7
Unit labour costs				7.7	5.2	2.5	-2.3	1.4	0.8	1.1
Real unit labour costs				-0.9	-0.1	0.1	-4.9	0.0	-1.1	-1.0
Savings rate of the households [(b)]				-	-	-	-	-	-	-
GDP deflator				8.7	5.3	2.4	2.7	1.5	1.9	2.1
Private consumption deflator				8.6	4.4	2.2	2.1	2.1	2.3	2.1
Harmonised index of consumer prices				-	4.0	1.9	2.0	1.7	2.1	1.9
Trade balance [(c)]				0.1	4.7	3.8	3.4	2.1	1.8	1.8
Balance on current transactions with ROW [(c)]				-0.7	3.1	2.8	1.6	0.9	1.0	1.2
General government balance [(c)]				-10.5	-7.1	-2.7	-2.8	-1.9	-1.5	-0.8
General government gross debt [(c)]				92.5	122.1	119.8	116.3	114.9	110.8	106.6

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

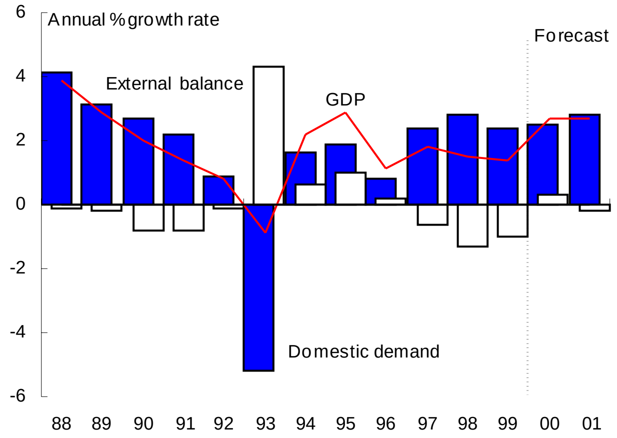
contribution to GDP growth in 2000 and a slightly negative contribution in 2001. In both years the current external balance should improve as a percentage of GDP.

Labour market. Despite low growth, employment continued to increase in 1999, benefiting from higher labour market flexibility. Supported by the acceleration of output and by initiatives to reduce labour costs in the depressed areas in 2000-2001 employment creation is expected to continue to improve and unemployment to decrease. During the period, compensation of employees per head is expected to continue to grow in a framework of wage moderation. Productivity growth should display a marked increase in 2000, resulting in a deceleration in unit labour costs.

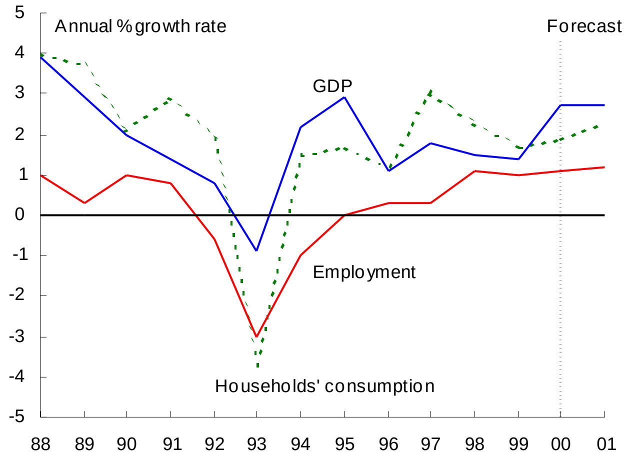
Prices. Headline consumer price inflation has been on the rise since mid-1999, with annual rates above 2.0 percent in the last few months. This increase is largely attributable to the impact of higher energy prices, while wage dynamics have remained moderate. The forecast assumes that the increase in consumer prices will be progressively re-absorbed during the year. However, the inflation overhang from 1999 and the first months of this year implies that the annual rate will average around 2.1 percent in 2000. In 2001, the assumptions of continuing wage moderation and of a favourable evolution in import prices support the view that inflation will decline.

Public finances. Despite much weaker economic growth than foreseen, Italy achieved a general government deficit of 1.9 per cent of GDP in 1999; better than the original objective of 2.0 percent of GDP. Lower-than-expected interest payments and higher revenues, namely from improved tax collection, have contributed to this result. However, non-interest expenditures were slightly above projections. Compared to 1998, the primary surplus decreased to 4.9 percent of GDP, while interest payments in terms of GDP dropped by more than 1 percentage point. For 2000, a general government deficit of around 1.5 percent of GDP is foreseen. The primary surplus should stabilise at the same level as last year. Despite higher interest rates, interest payments will continue to decline as a percentage of GDP to an estimated 6.4 percent, reflecting the fact that the increase in the share of fixed-interest-rate and longer-maturity securities in the total debt has significantly diminished the budget sensitivity to interest rate movements. Total current resources are projected to fall as a percentage of GDP, in line with the objective of reducing the fiscal burden. Total current non-interest expenditures are also projected to fall as a percentage of GDP, in accordance with the government's strategy. The scenario "at current legislation" for 2001, points to a further reduction of the overall budget deficit to 0.8% of GDP. Thanks also to large privatisation receipts which partly offset the impact of lower growth, the debt/GDP ratio decreased to 114.9 percent in 1999. It should continue to decline over the forecast period.

GRAPH 1 : **Italy - Contribution to real GDP growth**



GRAPH 2 : **Italy - Employment , households' consumption and GDP**



Luxembourg: Strong output and employment growth

Growth. The economy of Luxembourg performed extremely well in 1999 with real GDP rising by about 5% according to preliminary estimates. This rate is very close to that of 1998, while in 1996 and 1997, GDP growth was around 3%. Since the first half of the 80's, Luxembourg has repeatedly achieved growth rates significantly above the EU average.

Private consumption increased in real terms by about 3% in 1999; slightly more than forecast at the beginning of the year. Investment was extremely dynamic, increasing by about 10% in real terms; however, a large part of this increase was due to the purchase of several large aircraft, which resulted in an equivalent rise in imports of goods.

Exports significantly decelerated as a result of slowing export markets: while exports had increased by about 10% both in 1997 and 1998, they rose by only 5% in 1999; exports of goods being more dynamic and exports of services less dynamic than forecast. This did not prevent the trade balance for goods from deteriorating significantly, due to the strong increase in goods imports. However, as in previous years, the trade deficit for goods was more than compensated by a huge surplus in services, so that the global surplus in goods and services marginally improved (although it declined as a percentage of GDP).

The main contributors to GDP growth in 1999 were, as in previous years, market services: the value added of financial services increased by more than 7% in volume but other services to enterprises, transports and communications as well as hotels and restaurants achieved similar growth rates.

Real GDP growth is likely to speed up somewhat in 2000 and 2001, following the general movement of the EU economy and the acceleration in external trade. Domestic demand will remain dynamic, private consumption being fuelled, as in recent years, by wage increases and intense job creation. Investment will probably not repeat, in 2000, the high growth rate recorded in 1999, as it is traditionally extremely volatile in Luxembourg, due to the size of the country. However, the likely slowdown in equipment investment should result in a similar deceleration in imports of goods so that its effect on GDP will remain minor. Exports of goods will benefit from the recovery of external trade in 2000 before decelerating somewhat in 2001 due to a slight weakening in export market growth.

Employment and unemployment. The main features of employment growth in recent years were present in 1999: job creation was extremely strong and has even risen since the mid-90's, total employment increasing by

TABLE : **Main features of country forecast – LUXEMBOURG**

		1998		Annual percentage change						
		Curr.prices	% GDP	1981-95	1996	1997	1998	1999	2000	2001
GDP at constant prices		665.7	100.0	4.8	2.9	7.3	5.0	5.0	5.6	5.7
Private consumption		300.6	45.2	2.9	4.4	3.8	2.3	3.0	3.2	3.0
Public consumption		111.6	16.8	2.8	4.4	2.1	2.8	3.3	3.2	3.2
GFCF		127.7	19.2	4.6	-3.5	10.9	1.9	10.1	3.7	6.4
of which: **equipment**		55.8	8.4	-	-4.0	24.9	-1.5	19.0	3.5	8.0
Change in stocks as % of GDP		2.3	0.3	-0.8	0.0	0.1	0.2	0.8	0.3	0.2
Exports (goods and services)		756.7	113.7	5.3	4.0	10.5	10.0	5.2	7.0	6.7
Final Demand		1298.9	195.1	4.5	3.4	8.3	6.8	5.4	5.2	5.5
Imports (goods and services)		633.2	95.1	4.2	4.0	9.5	8.7	5.8	4.9	5.4
Contribution to GDP growth :	**Domestic demand**			3.3	2.1	4.5	1.9	4.0	2.8	3.2
	Stockbuilding			0.4	-0.2	0.1	0.1	0.7	-0.5	-0.1
	Foreign balance			1.1	0.5	2.3	2.8	0.3	3.3	2.6
Employment				2.0	2.7	3.3	4.4	4.8	4.0	3.8
Unemployment (a)				2.5	3.0	2.8	2.8	2.7	2.6	2.4
Compensation of employees/head				5.5	2.3	2.8	0.5	2.5	2.6	2.5
Unit labour costs				2.7	2.1	-1.1	-0.1	2.3	1.0	0.6
Real unit labour costs				-0.9	0.4	-4.3	-1.6	1.2	-0.2	-1.4
Savings rate of the households (b)				-	-	-	-	-	-	-
GDP deflator				3.7	1.7	3.3	1.5	1.2	1.2	2.0
Private consumption deflator				4.3	1.7	1.7	1.7	1.0	2.0	1.8
Harmonised index of consumer prices				-	1.2	1.4	1.0	1.0	2.0	1.8
Trade balance (c)				-12.4	-11.4	-11.5	-10.2	-13.0	-12.9	-12.7
Balance on current transactions with ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	2.7	3.6	3.2	2.4	2.6	2.7
General government gross debt (c)				8.7	6.2	6.0	6.4	6.2	5.8	5.3

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

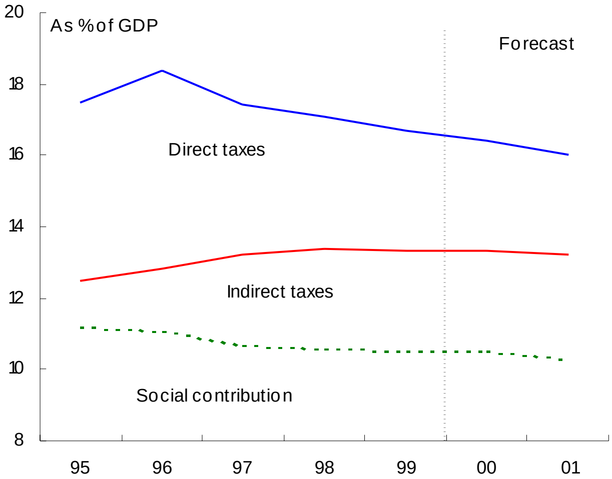
nearly 5% in 1999 as against 3.3% in 1997 and 4.4% in 1998. The bulk of the increase in employment (about 80%) occurred in the service sector but employment in industry and construction also rose. As in previous years, the largest share of the newly created jobs went to frontier-workers, the number of which increased by about 11% and now represents more than 28% of total domestic employment but national employment rose too, by about 2.3%. As a result of rapid employment growth together with special programs launched by the authorities of the Grand-Duchy, unemployment, which had slowly increased until 1997, continued, in 1999, the declining trend begun in 1998 ; the Eurostat rate declined from 2.8% to 2.7%.

Wages and prices. Wages slightly accelerated to 2.5% in 1999, this acceleration proceeding partly from the fact that an indexation threshold was reached in August 1999. Price inflation remained moderate, with the CPI increasing by only 1.0% in 1999. However, this low figure is partly due to the inclusion of, for the first time in the index, the effects of the January and July discount sales. Moreover, CPI inflation accelerated significantly throughout the year, reaching 2.0% in the fourth quarter, largely due to the surge in oil prices but also to a slight acceleration in core inflation. CPI inflation should rise to around 2% in 2000, partly because the effect of the discount sales will not be repeated and also due to the rise in inflation in the fourth quarter of 1999.

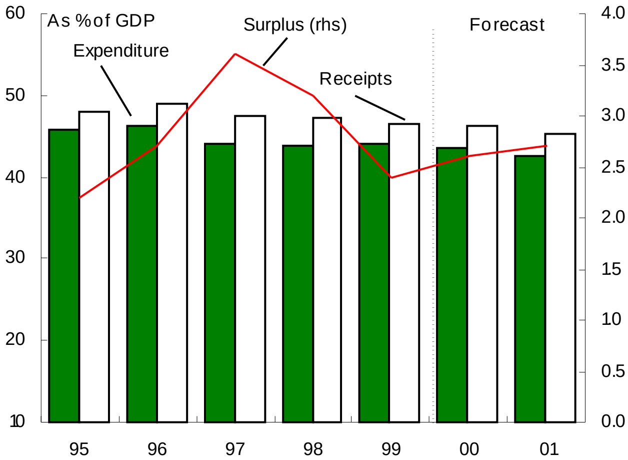
Public finances. Luxembourg has continuously registered considerable government net lending for several years. These surpluses amounted to 3.2% in 1998 and 2.4% in 1999. Expenditure increased relatively fast, especially public investment, which rose by nearly 15% in value, both in 1998 and 1999 and represented, in recent years, between 4.5% and 5% of GDP, by far the highest percentage in the EU. However, the fast rise in expenditure was easily matched by the rapid increase in tax proceeds and Social Security contributions resulting from strong growth in the economy. Strong growth has also allowed government expenditure and revenues to decline slightly, as a percentage of GDP since 1995, despite their rapid increase.

This favourable situation should not change significantly in coming years: as a result of the expected rapid growth of the economy and the resulting buoyant revenues, the Luxembourg government should continue to register comfortable surpluses. The government debt, which is already by far the lowest in the EU, has marginally increased in recent years. It should stabilise and even perhaps decline in percentage of GDP in coming years as the Luxembourg authorities do not envisage issuing additional debt.

GRAPH 1 : **Luxembourg - Total receipts**



GRAPH 2: **Luxembourg - General government receipts , expenditure and surplus**



The Netherlands: GDP growth was robust in 1999 and should be even stronger in 2000

Growth. Once more the Dutch economy performed surprisingly well in 1999. At the beginning of the year, most observers expected the turmoil in several regions of the world to result in a significant slowdown in activity, albeit probably less pronounced than in neighbouring countries. Yet, real GDP still increased by 3.5% in 1999, little less than the 3.7% recorded in 1998. Supported essentially by internal demand, growth fell less than expected in the first half of the year and remained around 3% in annual terms. It strengthened in the second semester, especially in the fourth quarter, together with exports.

*GDP component*s. In 1999 as in previous years, strong economic activity was mostly driven by dynamic internal demand. As forecast, exports slowed down from 6.4% in 1998 to 4.7%, but private consumption remained buoyant. It rose by 4.1%, stimulated by job creation, tax cuts implemented in recent years, rising wage increases and wealth effects due to buoyancy in the stock exchange and increasing houses prices. Investment, which was expected to slow down sharply in response to falling producers confidence in the last months of 1998 and at the beginning of 1999, in the event slightly accelerated from 5.2% in 1998 to about 5.7%. Investment by the government was extremely dynamic, rising by more than 10% in volume, but private investment was also stronger than generally expected.

Real GDP growth should speed up to about 4% in 2000 as a result of acceleration in external trade and of still dynamic internal demand. Investment should respond to stronger demand and to increasing labour shortages. Consumption will remain buoyant for the same reasons as in recent years but also because consumers will probably anticipate a rise in the standard VAT rate from 17.5% to 19% planned for the beginning of 2001 as part of a wide fiscal reform and by bringing forward their purchases of durable goods in the second half of 2000.

In 2001, growth could slow down to 3.7% as a result of a slight deceleration in export markets. Investment might also decelerate, partially because the carry-over effect will probably be smaller at the end of 2000 than one year before. Consumption should benefit from the fiscal reform which, notwithstanding the increase in the standard VAT rate, will lead to a new significant reduction in the households tax burden. Consumption growth might slow down at the beginning of 2001 after the acceleration due to the anticipation of the increase in the VAT rate but, since this acceleration is expected to occur in the second half of the year 2000, it should raise the yearly growth rate in 2001 as well as in 2000.

TABLE **: Main features of country forecast – NETHERLANDS**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		776.2	100.0	2.2	3.0	3.8	3.7	3.5	4.1	3.7
Private consumption		384.4	49.5	1.7	4.0	2.6	4.1	4.1	3.9	3.9
Public consumption		178.2	23.0	1.8	-0.4	3.3	3.3	2.6	2.0	1.8
GFCF		168.6	21.7	1.6	6.3	5.9	5.2	5.7	6.3	5.2
of which: **equipment**		61.5	7.9	3.4	9.4	7.3	7.9	4.0	7.0	6.8
Change in stocks as % of GDP		1.4	0.2	0.5	0.2	0.1	0.1	-0.2	0.1	0.2
Exports (goods and services)		472.9	60.9	4.4	4.6	9.0	6.4	4.7	7.4	5.8
Final Demand		1205.6	155.3	2.6	3.5	5.6	5.1	4.1	5.5	4.6
Imports (goods and services)		429.5	55.3	3.5	4.4	9.0	7.7	5.3	7.9	6.1
Contribution to GDP growth :	**Domestic demand**			1.6	3.1	3.3	3.9	3.9	3.8	3.5
	Stockbuilding			-0.1	-0.5	-0.1	0.1	-0.3	0.3	0.1
	Foreign balance			0.6	0.4	0.6	-0.3	-0.1	0.1	0.2
Employment				1.1	2.3	3.1	2.5	2.5	2.6	2.3
Unemployment [(a)]				7.8	6.3	5.2	4.0	3.1	2.4	2.0
Compensation of employees/head				2.2	1.6	1.8	2.6	3.7	4.0	3.4
Unit labour costs				1.1	0.9	1.1	1.4	2.7	2.4	2.0
Real unit labour costs				-1.0	-0.3	-0.8	-0.5	1.1	-0.2	-1.4
Savings rate of the households [(b)]				-	-	19.6	18.1	15.5	15.3	16.7
GDP deflator				2.1	1.2	2.0	1.9	1.5	2.7	3.4
Private consumption deflator				2.4	1.9	2.1	1.8	2.0	2.4	3.2
Harmonised index of consumer prices				-	1.4	1.9	1.8	2.0	2.4	3.4
Trade balance [(c)]				2.6	5.5	5.8	5.3	4.8	4.6	5.0
Balance on current transactions with ROW [(c)]				3.7	5.4	7.0	6.0	4.8	5.4	5.6
General government balance				-4.5	-1.8	-1.2	-0.8	0.5	1.0	0.4
General government gross debt				69.8	75.3	70.3	67.0	63.6	58.7	54.4

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

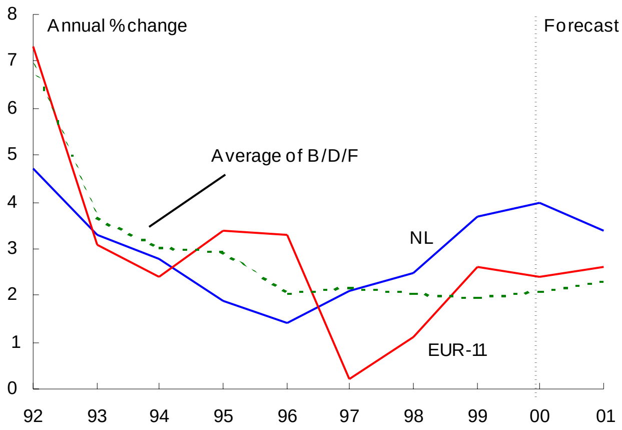
Employment and unemployment Strong real GDP growth led to a fast increase in employment in 1999 : it rose by about 2.5%, even faster than in 1998. As a result, unemployment kept decreasing rapidly, the Eurostat unemployment rate falling from 4% in 1998 to 3.2%. Employment should keep rising at around 2.5% a year in 2000 and could perhaps decelerate slightly in 2001. The unemployment rate will fall to levels unseen since the early 70's, but presumably not as fast as in recent years.

Prices and wages. Strong employment growth and rapidly falling unemployment observed in recent years are positive developments but rising tensions on the labour market are increasingly becoming a major challenge for the Dutch economy : the long lasting Dutch wage moderation is clearly fading away with wage increases rising from 1.4% in 1996 to 3.7% in 1999 and unit labour costs from 1.0% to 2.6%, which is significantly more than in neighbouring countries. Such a development, if it were to continue, could negatively affect the competitiveness of the Dutch economy even if a significant competitive advantage has been accumulated since the early 80's. However, the increase in labour costs is less pronounced and the comparison with the neighbouring countries less negative when considering manufacturing industry, which constitutes a large part of the exposed sector and where the increase in productivity is faster than in the rest of the economy. Wage growth might fall slightly in 2001, provided wage-earners accept a moderation of their wage claims since the reduction in direct taxes and Social Security contributions, which is part of the fiscal reform, will increase after-tax incomes.

Despite the acceleration in wages, price inflation has remained rather moderate until now, the HICP rising by 2.0% after 1.8% in 1998, which is above the EU average but cannot be considered very high after six years of fast growth, or by historical standards. However, CPI inflation is expected to rise to more than 3% at the end of the forecast period, a large part of this rise being due to rising import prices this year and to the increase in indirect taxes in 2001. Moreover, it should be noted that the increase in the CPI in 2000 would probably have been about ½% faster had it not been for the suppression of the TV fee at the beginning of the year.

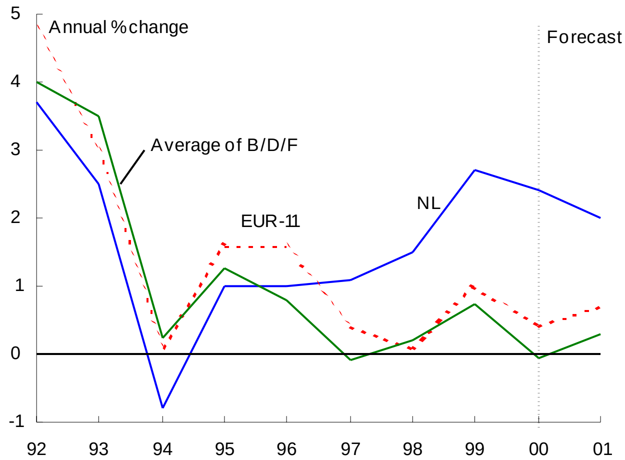
Public finances. Strong real GDP growth recorded in 1999 also boosted tax receipts. As a result, the general government deficit, which amounted to 0.8% of GDP in 1998 and was at the beginning of 1999 generally expected to rise, eventually turned into a 0.5% of GDP surplus, the public debt continuing to fall, from 67.0% of GDP in 1998 to 63.6%. The general government surplus should rise to about 1.0% of GDP in 2000 before decreasing to around 0.4% in 2001 as a result of the tax reform, because the increase in indirect taxes will not fully compensate for the cut in direct taxes and social contributions. The debt ratio will thus keep declining and fall below the 60 % threshold, probably even in 2000.

GRAPH 1 : **Netherlands-Nominal compensation***



* Nominal compensation per employee; total economy.

GRAPH 2 : **Netherlands - Nominal unit labour costs**



Austria: Good growth prospects, but budgetary pressures remain

Growth. In 2000, output growth in Austria is expected to rise considerably to 3.2% after having slowed down to an estimated 2.3% in 1999. This expansion is due to a well-balanced improvement in all demand components. The pick-up of export growth in step with the recovery of the economies of Austria's main trading partners will accompany the upsurge in domestic demand, which already rose considerably faster in 1999. In addition, the remarkable revival of investment in equipment that started in the second half of last year should enhance domestic demand in 2000. In 2001, a slight fall in growth is projected, when private consumption – while remaining the main engine of expansion – will slow down. In addition, due to budgetary restraint public consumption is expected to stagnate. As a result, annual growth in 2001 should somewhat reduce speed to around 3.0%

Demand components. Private consumption growth, boosted by a reduction of income taxes and increases in child benefits, is expected to reach its peak in 2000. Underpinned by higher employment, lower unemployment and real wage increases households' disposable income should rise sharply. By contrast, new excise duties to be introduced in June 2000 could have some dampening effect. However, this impact will only be felt fully in 2001, when private consumption should return to pre-tax reform levels. Supply side conditions will, in general, remain favourable, supporting the resurgence of private investment in equipment. Investment in construction, which decelerated considerably in 1999, will recover during the forecast period despite the continuing slack in the residential sector. Net exports should, under the expected international economic setting, contribute strongly to GDP growth in both 2000 and 2001.

Prices and wages. In 1999, Austria registered a record low in post-war inflation despite the pick-up of oil prices at the end of the year. Yet, in view of the oil price hike and the closing output gap consumer prices are estimated to edge up in 2000 and 2001, remaining, however, rather moderate among euro zone countries. Due to very moderate wage increases in 2000 – negotiations took place before rising oil prices translated into inflation rates – and relatively high productivity growth, unit labour costs will decrease in both 2000 and 2001. Hence, as in previous years, Austria will further improve its cost-competitiveness vis-à-vis its trading partners and export prices in comparison with main competitors are expected to decline.

Labour market. In line with the favourable outlook for production, employment growth, which was high in 1999, is expected to continue in 2000 and 2001, albeit at a slower pace.

TABLE : **Main features of country forecast – AUSTRIA**

		1998		Annual percentage change						
		Curr.prices	% GDP	1981-95	1996	1997	1998	1999	2000	2001
GDP at constant prices		2610.9	100.0	2.2	2.0	1.2	2.9	2.3	3.2	3.0
Private consumption		1465.8	56.1	2.4	3.2	0.1	1.5	2.4	2.7	2.2
Public consumption		516.5	19.8	1.6	1.3	-0.4	2.0	2.3	0.7	0.0
GFCF		631.0	24.2	2.6	2.1	0.8	6.8	3.5	5.1	4.8
of which: **equipment**		238.8	9.1	2.9	2.6	4.3	9.8	5.3	8.0	6.9
Change in stocks as % of GDP		11.7	0.4	0.2	0.2	0.5	0.4	0.5	0.5	0.5
Exports (goods and services)		1172.4	44.9	4.8	6.0	10.1	8.7	5.4	9.0	8.2
Final Demand		3797.3	145.4	2.8	3.1	3.5	4.1	3.4	4.9	4.4
Imports (goods and services)		1186.4	45.4	4.4	5.9	9.4	6.9	5.8	8.4	7.2
Contribution to GDP growth :	**Domestic demand**			2.3	2.5	0.2	2.8	2.6	2.9	2.4
	Stockbuilding			-0.1	-0.5	0.3	-0.1	-0.1	0.1	0.0
	Foreign balance			0.1	0.0	0.2	0.7	-0.2	0.3	0.5
Employment				0.2	-0.6	0.5	0.9	1.0	0.9	0.7
Unemployment (a)				3.5	4.3	4.4	4.7	4.4	4.0	3.6
Compensation of employees/head				5.0	1.1	0.6	2.9	2.8	1.6	2.0
Unit labour costs				3.0	-1.4	-0.1	1.0	1.5	-0.7	-0.2
Real unit labour costs				-0.4	-2.7	-1.6	0.3	0.4	-1.2	-1.0
Savings rate of the households (b)				-	-	-	-	-	-	-
GDP deflator				3.5	1.3	1.6	0.6	1.0	0.6	0.8
Private consumption deflator				3.4	2.3	1.8	0.7	0.6	1.2	1.1
Harmonised index of consumer prices				-	1.8	1.2	0.8	0.5	1.3	1.0
Trade balance (c)				-5.0	-2.9	-1.8	-1.4	-1.8	-2.2	-2.0
Balance on current transactions with ROW (c)				-0.3	-2.0	-2.4	-2.0	-2.9	-3.5	-3.3
General government balance (c)				-3.2	-3.8	-1.9	-2.5	-2.0	-1.7	-2.0
General government gross debt (c)				53.9	68.3	63.9	63.5	64.5	64.0	63.6

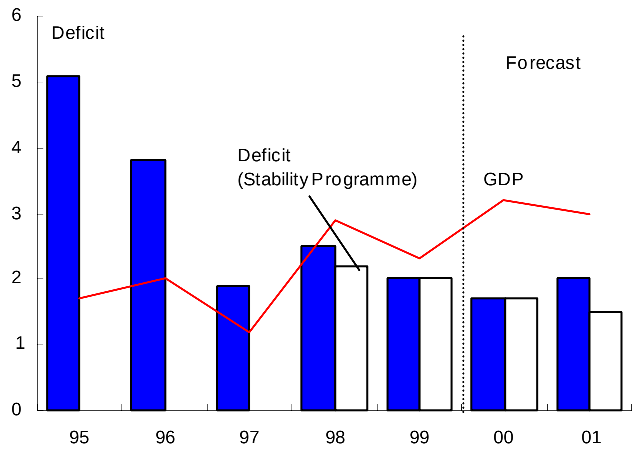
(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

The forecast assumes that the expansion in employment will, to a large extent, be accompanied by a rising labour supply. As a consequence, employment gains will translate only partly into a decline in the unemployment rate.

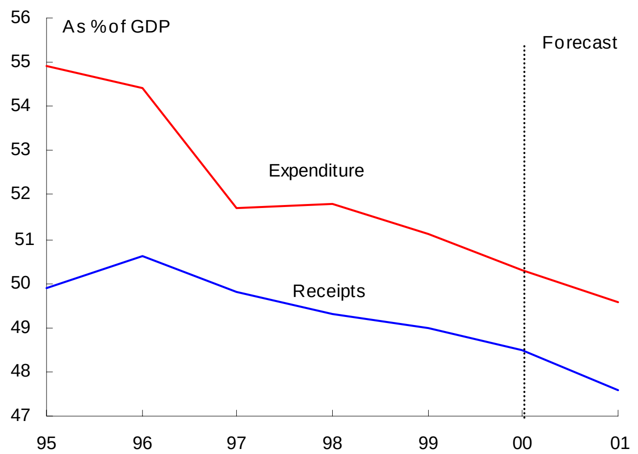
Current account. In the year 1999, the trade and services balance improved considerably thanks to a noticeable recovery of tourism. Despite this favourable development, the current account deficit widened significantly owing to a sharp increase in the net outflow of primary income stemming mainly from foreigners' portfolio investments. In the year 2000, the current account deficit is expected to deteriorate further but to improve again in 2001. In the year 2000, it is predominantly the widening trade deficit, which is responsible for this decline. In nominal terms, the expansion of imports, induced by buoyant private consumption in particular, will more than offset the significant increase in exports. In addition, net outflow of primary income is expected to increase, albeit at a much slower pace. By contrast, the surplus in the services balance - after having improved substantially already in 1999 - is expected to rise further in 2000 and in 2001 thanks to the continuing recovery of tourism. In 2001, when private consumption will return to pre-tax reform levels, the expansion of imports should slow down somewhat resulting in a lower trade deficit.

Public finances. The recent fiscal reform, effective since 1 January 2000, burdens government finances by a total of 1.1% of GDP, of which some 0.9% of GDP weigh on the year 2000. While the former government had adopted the package before general elections in October 1999, it failed to take timely compensatory action. Moreover, due to delays in forming a new government after the elections, the budget for the year 2000 has not yet been passed. The Minister of Finance presented the draft budget to parliament on 21 March, thereby starting the parliamentary debate. Due to the obligatory legal delays, the budget for 2000 is expected to be adopted towards the end of May. Therefore, this forecast incorporates expenditure cuts and additional revenue as outlined in the draft budget. The measures known at this stage are estimated at € 2.2 billion or some 1.1% of GDP. Nearly three quarters of these measures are one-off and more than half stem from the revenue side (for details see box 4 in the general section). On this basis, and thanks also to a significant growth dividend, the general government deficit in 2000 will be reduced to 1.7% of GDP. This is in conformity with the objective of the stability programme. For the year 2001, however, the outlook is less favourable. Given the predominantly one-off nature of budgetary consolidation in 2000 and the underlying structural problems, the general government deficit is expected to widen to 2.0% of GDP in 2001 unless compensated by additional significant savings (or revenues). Given the no policy change assumption of this forecast, only measures starting in 2000 are incorporated, and continued into 2001 - such as staff reductions in the public sector or increases in excise duties - as well as action not requiring substantial domestic policy co-ordination (road-pricing, sale of real-estate property).

Graph 1 : **Austria - Real GDP and general government deficit**



GRAPH 2 : **Austria - General government receipts and expenditure**



Portugal: Rebound of exports should support growth

1999 outcome. GDP growth fell in 1999 due to the slowdown of both domestic and external demand. Growth of private consumption is estimated at about 4½ per cent, down from 5¼ per cent a year before, with a stronger deceleration in the demand for durables. Investment growth also fell back from 9¾ per cent in 1998 to about 6 per cent in 1999. Both construction and equipment investment weakened. However, the residential construction component remained dynamic as mortgage credit developed vigorously, contributing to the rise in the ratio of household debt over disposable income from 66 per cent in 1998 to some 80 per cent at the end of 1999. Total export growth is estimated at about 3½ per cent as compared to 8¾ per cent in the previous year, reflecting the weakness of external demand but also a deterioration in price-competitiveness due to an increase in relative unit labour costs.

Growth outlook. The outlook for 2000-01 is primarily characterised by the composition of the sources of growth. In particular, domestic demand is expected to slow down further. Private consumption is expected to decelerate due mainly to the more moderate pace of real disposable income growth. Growth of total investment is forecast to remain at around 6¼ per cent, masking, however, some differences within the sector. More specifically, investment in equipment is likely to accelerate to about just under 10 per cent on the back of brightening prospects for export demand coupled with a relatively high level of capacity utilisation. By contrast, growth of investment in construction is forecast to fall to about 3 per cent on average. This is based on a "soft landing" scenario for the residential construction sector following its exceptionally fast expansion during 1996-98, a projection which appears corroborated by recent signs of a moderation of mortgage credit growth.

Export market growth for goods is estimated to rise to some 7½ to 8½ per cent, making for stronger export growth despite further losses in market shares due to the evolution of labour costs. As imports are projected to decelerate in step with domestic demand, the growth contribution of net exports should improve. This will, however, not be sufficient to stop the deterioration in the external balance of goods and services underway for some years, which in 2000 is partly also due to a deterioration in the terms of trade.

All considered, GDP is expected to grow by some 3½ per cent in both 2000 and 2001, as the further weakening of domestic demand is likely to be more than offset by the strengthening of export growth.

Prices. Consumer price inflation as measured by the HICP moderated significantly in the course of 1999 to an average of 2.2 per cent, after the winding down of

TABLE **: Main features of country forecast – PORTUGAL**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		19691.1	100.0	2.7	3.2	3.5	3.5	2.9	3.6	3.5
Private consumption		12257.2	62.2	2.7	3.4	2.6	5.8	4.4	3.5	3.5
Public consumption		3879.0	19.7	4.5	1.8	2.1	3.3	4.0	2.0	2.0
GFCF		5226.3	26.5	2.7	7.0	10.4	10.0	6.0	6.2	6.3
of which: **equipment**		2606.6	13.2	2.4	7.4	11.7	14.4	7.0	9.0	9.0
Change in stocks as % of GDP		176.2	0.9	-	-	-	-	-0.1	-0.1	-0.1
Exports (goods and services)		6084.2	30.9	6.7	7.6	8.1	7.8	3.5	7.1	6.5
Final Demand		27622.9	140.3	3.8	4.3	5.4	6.6	4.5	4.7	4.6
Imports (goods and services)		7931.8	40.3	6.8	7.5	10.4	14.3	7.9	7.1	6.9
Contribution to GDP growth :	**Domestic demand**			3.2	3.8	4.9	6.8	5.2	4.5	4.5
	Stockbuilding			0.0	-	-	-	0.0	0.0	0.0
	Foreign balance			-0.5	-0.5	-1.5	-3.3	-2.3	-0.9	-1.0
Employment				-0.1	1.5	1.5	2.6	1.8	1.3	1.3
Unemployment (a)				6.5	7.3	6.8	5.1	4.5	4.5	4.4
Compensation of employees/head				16.2	4.9	3.7	3.7	5.1	4.8	4.7
Unit labour costs				13.0	3.1	1.8	2.8	4.0	2.4	2.4
Real unit labour costs				-1.1	0.2	-1.5	-1.2	1.0	0.3	-0.2
Savings rate of the households (b)				-	-	8.2	7.0	6.2	5.7	5.1
GDP deflator				14.3	2.9	3.3	4.1	2.9	2.1	2.6
Private consumption deflator				14.0	3.2	2.7	1.8	2.3	2.2	2.1
Harmonised index of consumer prices				-	2.9	1.9	2.2	2.2	2.2	2.1
Trade balance (c)				-13.5	-8.5	-9.7	-11.2	-12.6	-13.6	-14.0
Balance on current transactions with ROW (c)				-3.8	-4.3	-5.8	-6.8	-8.6	-9.7	-10.1
General government balance (c)				-6.4	-3.8	-2.6	-2.1	-2.0	-1.5	-1.5
General government gross debt (c)				58.8	63.6	60.3	56.5	56.7	57.0	55.1

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

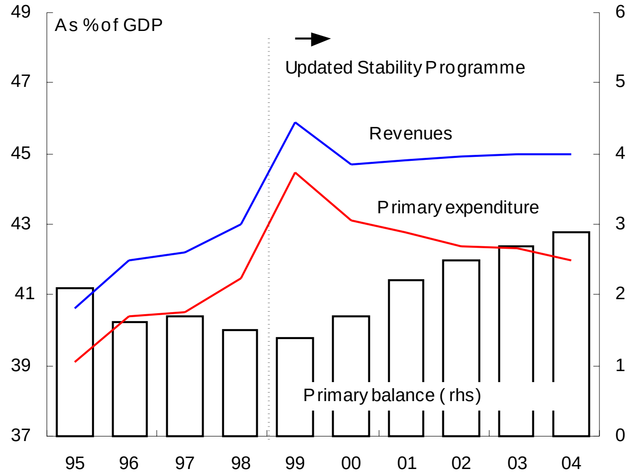
some exceptional price rises in 1998 and in the first quarter of 1999. Inflation is likely to remain stable in 2000, although there is an upward risk due to the strong increase in import prices (of energy), the pass-through of which to final users has been delayed due to the policy of stabilising energy prices.

Labour market. Job growth in 1999 averaged almost 2 per cent. Despite a likely slowdown, employment is expected to continue to grow at a rate of more than 1 per cent per year during the period 2000-01. In tandem with the favourable development of employment, unemployment is expected to continue its decline to below 4½ per cent of the labour force. The labour market will thus remain tight, putting pressure on nominal wages per head, which are projected to rise by about 5 per cent per year.

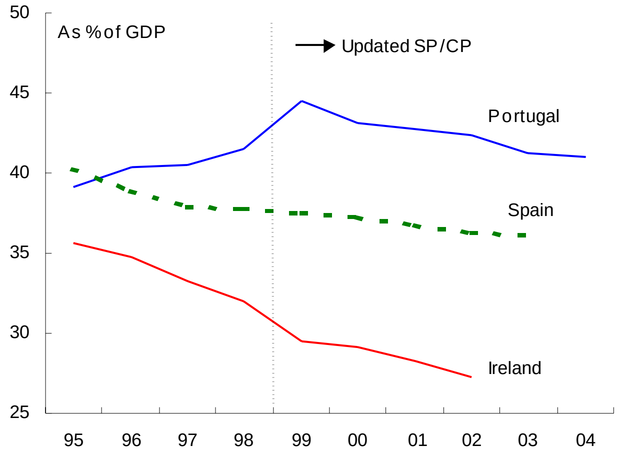
Current account. Net external borrowing (i.e. the balance of current transactions with the ROW plus the capital balance) is forecast to rise from 5½ per cent of GDP in 1999 to approximately 7 per cent in 2001, mirroring the evolution of the external balance of goods and services. The counterpart of this rising disequilibrium in the current account is a rapid accumulation of net external liabilities by households and the financial sector.

Public finances. In 1999, the government deficit is estimated to have attained the stability programme's target of 2.0 per cent of GDP. In 2000, the government deficit is forecast to decline to 1.5 per cent of GDP as projected in the stability programme update. The decline in the deficit reflects strong gains in the efficiency of tax collection as expected in the 2000 budget. However, the recomposition of growth away from domestic demand constitutes a downward risk, because the implicit tax elasticities assumed in the 2000 budget might turn out to be too optimistic, especially on indirect taxes. In addition, current primary expenditure is expected to grow by about 10 per cent, according to the stability programme update. To counterbalance these risks, an important fraction of primary expenditure has been frozen *ex ante*. Forecasting government finances is also made rather difficult by the numerous tax changes introduced in the 2000 budget and uncertainties surrounding the implementation of capital expenditure plans due to possible teething troubles with the new Community Support Framework.

GRAPH 1 :**Portugal - Key economic indicators**



GRAPH 2 : **Portugal - Primary expenditure**
(Updated Stability/Convergence Programmes)



Finland: Growth underpinned by the information sector

The "new economy". The Finnish economy is heavily influenced by the global and domestic growth of sectors associated with the “new economy”. A large and growing share of output is linked to information technology goods and services with these contributing significantly to Finland’s international trade. This has important consequences in terms of the economy’s above-average exposure to rapidly evolving international demand in these sectors and the necessity to maintain product competitiveness. A benefit is the prospect of enhanced proceeds from privatisation of highly valued state-owned telecommunications enterprises. The growth of the new economy is significant in terms of economic assessment and policy. Rapidly declining prices of information technology products and services, even as these are constantly upgraded in standard, exacerbates measurement problems in national data and particularly blurs price/volume allocations. It thus makes more difficult an assessment of productivity trends and capacity utilisation in relation to output potential, complicating macro-economic management.

Output growth in 1999. Last year, Finland’s GDP rose by 3.5% compared with 5.0% in 1998. Growth thus fell short of year-earlier forecasts (of around 4%) but nevertheless represented a recovery of momentum after the marked externally induced slowdown at the turn of 1998-99. After the weak performance in the beginning of the year, export growth picked up while import levels grew only slowly. Industrial output decelerated to 5.5% from 7.4% in 1998. In addition to weak export demand in early 1999, this was partly due to temporary supply difficulties in the production of new generation mobile phones; output recovered very strongly at the end of the year. Final domestic demand was also far less buoyant than in 1998, contributing 2.4% to overall growth, with private consumption up 2.8% (1998, 4.6%) and fixed investment up 4.8% (1998, 7.8%).

Outlook. The economy entered 2000 on a very strong note, with industrial confidence having risen to its highest level since early 1998 and with consumer confidence at its highest level in the post-recession period. The major factor is the improved outlook in export markets, also helped by the low external value of the euro, which is expected to lead to a rise in economic growth in 2000 to approaching 5%. Exports are thus expected to pick up further. Information technology exports are expected to be boosted when a new generation of mobile phone services become more widely available in overseas markets. However, a modest deceleration in exports is likely in 2001, due to capacity constraints in heavy industries, with an increased risk of overheating if this slowing does not occur.

TABLE **: Main features of country forecast – FINLAND**

		1998		Annual percentage change						
		Curr.prices	% GDP	1981-95	1996	1997	1998	1999	2000	2001
GDP at constant prices		686.7	100.0	1.8	4.0	6.3	5.0	3.5	4.9	4.2
Private consumption		345.6	50.3	2.0	4.2	3.5	4.6	2.8	3.0	3.3
Public consumption		149.2	21.7	1.9	2.5	4.1	1.5	0.3	0.3	0.3
GFCF		127.4	18.6	-1.0	8.4	11.9	7.8	4.8	6.1	5.0
of which: **equipment**		47.5	6.9	0.2	10.8	12.2	5.1	5.1	9.2	6.8
Change in stocks as % of GDP		3.3	0.5	0.1	-0.2	0.5	1.2	-0.5	0.1	0.3
Exports (goods and services)		267.9	39.0	4.2	5.8	14.1	9.3	7.0	7.8	7.1
Final Demand		893.4	130.1	2.1	4.5	7.4	5.9	3.5	5.1	4.5
Imports (goods and services)		206.7	30.1	3.1	6.4	11.3	8.5	3.3	5.8	5.2
Contribution to GDP growth :	**Domestic demand**			1.4	4.1	4.8	4.1	2.4	2.7	2.6
	Stockbuilding			0.0	-1.5	0.7	0.8	-0.7	0.6	0.1
	Foreign balance			0.5	0.3	2.0	1.1	1.9	1.5	1.5
Employment				-1.0	1.4	3.3	2.0	3.3	2.3	1.5
Unemployment (a)				7.5	14.6	12.7	11.4	10.2	8.9	8.2
Compensation of employees/head				7.5	2.7	1.7	4.7	3.7	4.0	4.0
Unit labour costs				4.6	0.1	-1.1	1.6	3.5	1.4	1.3
Real unit labour costs				-0.8	0.4	-3.1	-1.2	2.5	0.2	-0.4
Savings rate of the households (b)				-	-	9.9	9.3	10.3	10.5	9.7
GDP deflator				5.4	-0.2	2.1	2.9	1.0	1.2	1.6
Private consumption deflator				5.1	1.4	1.3	2.1	1.8	2.3	2.0
Harmonised index of consumer prices				-	1.1	1.2	1.4	1.3	2.3	2.0
Trade balance (c)				2.9	8.9	9.5	9.7	9.0	9.3	10.0
Balance on current transactions with ROW (c)				-1.8	4.0	5.6	5.9	5.2	5.7	6.5
General government balance (c)				0.6	-3.2	-1.5	1.3	2.3	4.1	5.0
General government gross debt (c)				26.0	57.1	54.1	49.0	47.1	42.6	38.0

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

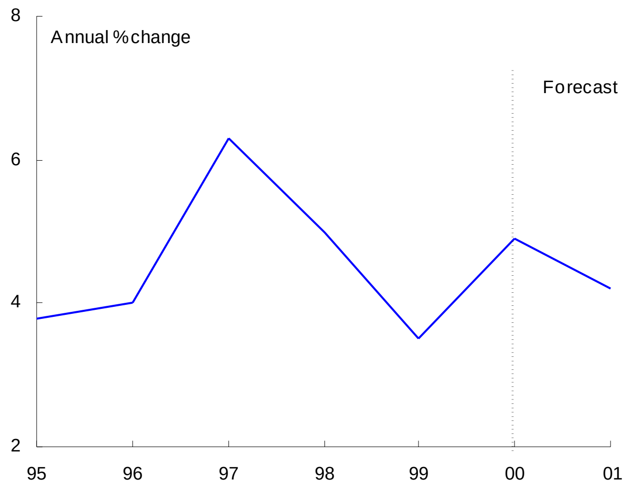
Domestic demand. Private consumption should be buoyed by the high level of confidence, real income gains and wealth effects from rising asset prices, particularly of residential property. Households as a sector have benefited significantly from stock options and profit-sharing schemes which should continue to support consumption. Growth should be sustained through 2000 and into 2001. Public consumption is expected to remain subdued as a result of tight expenditure limits, which for 2001 were reinforced at central government level in March 2000 because of the acknowledged increasing risks of overheating. As regards investment, the bright export outlook suggests needs for increased industrial capacity. In addition, continuing high levels of internal migration to urban growth centres is expected to stimulate residential and other construction activity, although shortages of land zoned for construction and skilled construction labour have become increasingly evident and will constrain growth. Government investment, like consumption, is expected to grow more slowly.

Labour market. The rate of growth of employment rose from 2.4% in 1998 to 3.3% in 1999 with most new jobs being created in the private services sector. The unemployment rate, 11.4% in 1998, declined to 10.2%, already well below recent estimates of the NAIRU (around 14% for 1999). Henceforth employment growth is expected to decelerate, and to shift further from capital-intensive manufacturing industry to the more labour-intensive construction and services sectors. Unemployment is expected to continue to fall, but eventually at a slower pace due to skill mismatches.

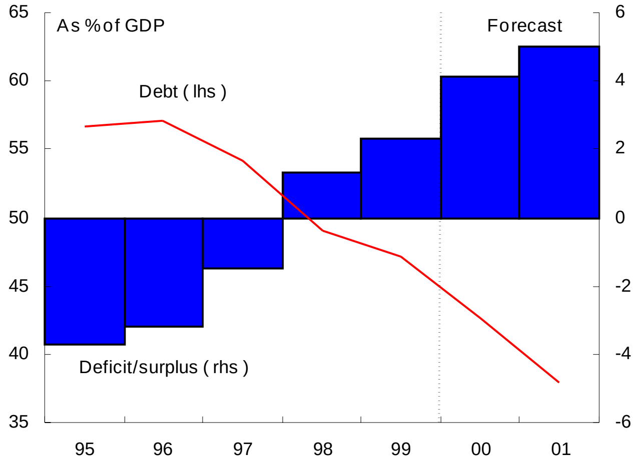
Prices. Increasing import prices, due to developments in energy prices, contributed to a rise in consumer price inflation towards the end of 1999. However, average consumer price inflation (general index) still fell slightly to 1.2% for the whole year (1998, 1.4%). The full effect of rising import prices on inflation is expected to occur in 2000, with a downward correction after a peak early in the year. Price developments for different output components have been and are likely to continue for some time to be quite dispersed. Investment prices in 1999 were strongly influenced by the trend for high increases in the construction sector, which are set to continue. On the external side the terms of trade declined by about 10% through 1999 and a further worsening is expected for 2000, with no significant change for 2001. The rise in the GDP deflator is thus likely to undershoot the rise in consumer prices.

Public finances. The general government surplus is expected to increase rapidly from its level of 2.3% of GDP in 1999. As noted above, government expenditure is expected to remain subdued, due to tight central government constraints. Despite modest labour income tax cuts to be implemented in 2000 and more significant cuts in 2001, tax revenues from options, profit-sharing schemes and increases in wealth taxes are forecast to yield higher total tax receipts. Although central government debt should decrease, the reduction in general government debt is forecast to be slowed by the assumption that the social security sector continues on a net basis to disinvest some of its current holdings of government bonds. Offsetting this tendency, the forecast includes privatisation revenues used to amortise debt of FIM 12 billion in 2000, already realised, and an assumed FIM 2.5 billion in 2001.

GRAPH 1 : **Finland - Real GDP growth**



GRAPH 2 : **Finland - General government debt and deficit(-)/suplus(+)**



IV. Non-euro area Member States

Denmark: A mild upswing ahead

Output. After five years of strong economic expansion, GDP growth moderated to an estimated 1.4 per cent in 1999. Growth in all domestic demand components slowed down significantly whereas the growth contribution of net exports improved remarkably. In 2000 domestic demand should recover somewhat, while export growth is expected to remain robust in line with the acceleration of Danish export markets. Overall, the economy is forecast to grow by some 2.0 per cent. In 2001 the scenario should turn out to be rather similar and GDP growth is projected to edge up to slightly above 2 per cent.

GDP components. Under the impact of the contractionary fiscal package (the "Whitsun package"), which was adopted in order to dampen domestic demand and thereby avoid a situation of overheating of the Danish economy, the growth rate of private consumption decelerated substantially - from 3.5 per cent in 1998 to some 0.6 per cent in 1999. In addition, a strong correction of inventories exerted a drag on output growth. Exports developed vigorously, one of the probable reasons being that Danish companies, which earlier focused on serving a strong home demand turned to export markets. Growth in imports, on the other hand, was moderate, in step with the weakening of growth in domestic demand. In line with the improvement of net exports, the current account (excluding Greenland and the Faroe Islands) improved strongly, from a deficit of 15.2 billion DKK in 1998 to a surplus of some 10.6 billion DKK in 1999.

In 2000, private consumption should regain some strength as the real disposable income of households will resume rising. The rise in investment in equipment, which continued to be surprisingly strong in 1999, is likely to moderate, in particular as profits in the manufacturing sector were squeezed in the course of last year. Construction investment should continue to decline as large infrastructure projects will be finalised in 2000 and as the progressive lowering of the tax deduction of interest payments on mortgage loans, included in the Whitsun package, has caused a large fall in housing starts. Exports should continue to perform well since external demand is expected to recover in 2000. However, Denmark - following high wage rises combined with low productivity increases over recent years - is expected to experience a further loss in cost competitiveness. Regarding imports, the elasticity of imports to final demand is assumed to normalise and, thus, the growth contribution of net exports should turn out lower than in 1999. In 2001 the growth contribution of domestic demand is expected to be slightly stronger.

TABLE **: Main features of country forecast – DENMARK**

	1998		Annual percentage change						
	Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices	1168.3	100.0	2.2	2.8	3.1	2.7	1.4	2.0	2.1
Private consumption	592.5	50.7	1.9	2.9	3.7	3.5	0.6	1.4	1.6
Public consumption	298.7	25.6	1.4	3.2	1.0	3.0	1.2	1.4	1.2
GFCF	245.2	21.0	2.0	4.9	10.3	7.1	2.1	0.9	2.2
of which: **equipment**	106.0	9.1	4.2	2.9	12.9	7.3	5.7	2.7	3.5
Change in stocks as % of GDP	10.9	0.9	0.2	0.2	0.2	0.6	-0.3	0.1	0.2
Exports (goods and services)	408.7	35.0	4.3	5.0	4.4	1.4	5.9	4.4	4.6
Final Demand	1556.0	133.2	2.5	3.2	4.4	3.6	1.7	2.5	2.6
Imports (goods and services)	387.7	33.2	3.5	4.3	8.5	6.4	2.6	3.7	4.0
Contribution to GDP growth : Domestic demand			1.7	3.2	4.1	4.0	1.1	1.3	1.6
Stockbuilding			0.1	-0.8	0.1	0.4	-1.0	0.4	0.2
Foreign balance			0.4	0.4	-1.1	-1.6	1.3	0.3	0.3
Employment			0.2	1.4	2.1	2.1	0.8	0.2	0.3
Unemployment (a)			7.8	6.8	5.6	5.1	4.5	4.2	4.4
Compensation of employees/head			5.5	3.0	3.8	3.0	4.6	3.8	3.5
Unit labour costs			3.4	1.5	2.8	2.4	4.0	1.9	1.7
Real unit labour costs			-1.0	-0.8	1.0	0.3	1.6	-0.7	-0.5
Savings rate of the private sector (b)			-	-	27.0	26.0	25.2	25.9	26.8
GDP deflator			4.4	2.2	1.8	2.1	2.4	2.6	2.2
Private consumption deflator			4.4	1.4	1.9	1.8	2.1	2.4	1.7
Harmonised index of consumer prices			-	2.1	1.9	1.3	2.1	2.4	1.7
Trade balance (c)			1.0	3.3	2.3	1.2	2.5	2.9	3.3
Balance on current transactions with ROW (c)			-1.4	1.5	0.3	-1.3	0.9	1.2	1.7
General government balance (c)			-2.3	-1.0	0.5	1.2	3.0	2.4	2.5
General government gross debt (c)			64.9	65.0	61.3	55.6	52.6	49.3	46.3

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

Private consumption is forecast to strengthen further, investment in equipment is assumed to pick up somewhat and the decline in construction investment should be less marked. On the other hand, the growth contribution of stocks should not be as pronounced as in 2000. The contribution of net exports is projected to remain at a similar level as in 2000.

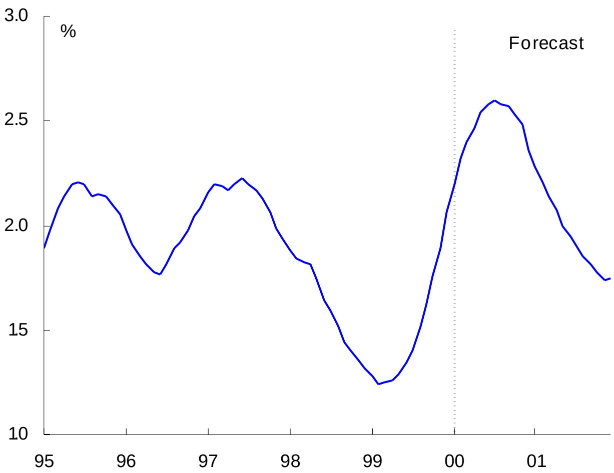
Employment/unemployment. Employment creation, which up to 1998 was very strong, was much more subdued in 1999. While the number of jobs in the manufacturing sector declined in response to weaker demand, employment growth in the services sector remained strong. Employment is expected to increase slightly over the forecast period from the estimated end-of-1999 value. Registered unemployment continued to decline throughout 1999, reaching at the beginning of 2000, its lowest level since the 1970's, but is likely to edge up slightly over the forecast period.

Wages. Collective negotiations for the private sector were concluded in February this year. The agreements include an additional week of paid annual leave and a rise in employers' social security contributions. The agreements will be phased in over a period of four years and are expected to raise wage costs by around 1 per cent each year. To these costs, the results of the upcoming wage negotiations at company level need to be added. These negotiations will prove important in order not to further add to inflationary pressures in the Danish economy.

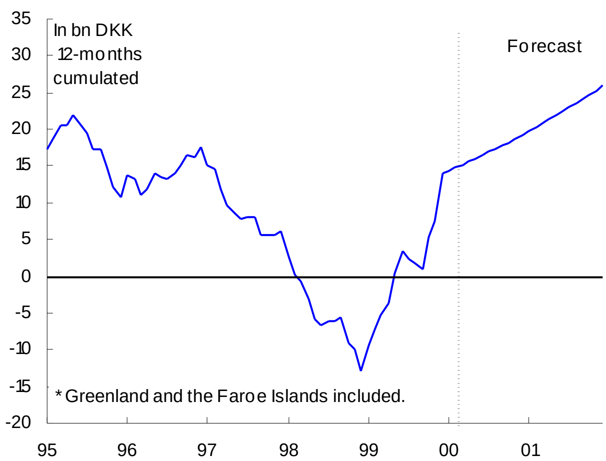
Prices. The harmonised consumer price index rose by 2.1 per cent in 1999, which compares with an average increase of 0.6 per cent for the three Member States with the lowest inflation. The strong rise in consumer prices last year was boosted by a rise in energy taxes that contributed to the overall increase by some 0.5 of a percentage points. Domestic inflationary pressures are expected to ease in 2000 as the impact of the weaker internal demand feeds through, but due to the oil price hike inflation is forecast to reach 2.4 per cent in 2000, before declining in 2001.

Public finances. Danish general government finances remain in a solid position. In 1999 the general government surplus reached 3.0 per cent of GDP and for 2000 and 2001 budget surpluses of 2.4 and 2.5 per cent of GDP are projected. The general government consolidated gross debt is expected to be reduced to close to 46 per cent of GDP by the end of 2001.

GRAPH 1: **Denmark - HICP** (12-months average)



GRAPH 2 : **Denmark - Current account balance***



Greece: Nominal and real convergence gain momentum

GDP growth and its components. Real output decelerated slightly in 1999 as a result of slower external demand but remained above the EU average for a fourth consecutive year. All the components of domestic demand were buoyant, in particular private consumption and investment in equipment; in addition, exports of services, mainly tourism, compensated slowing exports of goods and the overall external balance improved for the second consecutive year. Growth prospects should improve further in 2000 and 2001: domestic demand will be driven by consumption, boosted by higher disposable income as a result of the September 1999 tax and benefit package and by falling interest rates. The latter will also support investment, particularly in construction. Investment in housing is expected to accelerate due to reparations from the 1999 Athens earthquake. Real output growth is forecast to be close to 4% to the end of the forecast period.

Labour market. The situation in the labour market showed signs of improvement in 1999. Sustained activity and the announced plans for structural reform are expected to support further improvement in the remainder of the forecast period. Real wages decelerated further in 1999, reflecting the restrictive incomes policy in the public sector and the two-year collective wage agreement in the private sector which provided for nominal wage increases on the basis of expected inflation. The agreement expired at the end of 1999 and another one will be signed in 2000. Wage increases in 2000 will incorporate the year-end increase in prices in excess of projected inflation for end-1999, which is equal to 0.7%. The positive impact of the tax and benefit package on disposable income and the moderate wage increases in the public sector, included in the 2000 Budget, are expected to affect future wage negotiations positively. Unit labour costs are forecast to rise at a moderate pace in 2000 and 2001.

Prices. Favourable developments in unit labour costs and in international commodity prices were reflected in the downward trend of consumer price inflation until the third quarter of 1999; since then, the situation has been reversed under the pressure of surging oil prices. The national index of consumer prices increased by an annual average of 2.6% in 1999 down from 4.8% in 1998. In February 2000, the index rose by 2.9% (year-on-year). Nonetheless, underlying trends point to improving inflation prospects: CPI inflation excluding fresh fruit and vegetables and fuels has been on an uninterrupted downward trend since August 1998 and has been rising below the headline rate since October 1999. The gap between the increases of prices of goods and services is also narrowing at a rapid pace.

TABLE **: Main features of country forecast – GREECE**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		35910.6	100.0	0.9	2.4	3.4	3.7	3.5	3.9	4.0
Private consumption		25541.6	71.1	2.0	2.4	2.7	2.1	2.6	3.0	3.0
Public consumption		5520.5	15.4	1.1	0.9	1.7	2.1	0.5	0.7	0.6
GFCF		7931.2	22.1	-0.3	8.4	13.2	8.0	8.3	8.8	9.3
of which: **equipment**		2495.0	6.9	3.3	23.1	8.2	7.2	10.0	9.1	9.5
Change in stocks as % of GDP		-268.2	-0.7	-0.2	0.4	0.0	-0.1	-0.1	-0.2	-0.1
Exports (goods and services)		6331.3	17.6	2.1	3.5	7.9	4.2	5.4	6.4	6.4
Final Demand		45056.4	125.5	1.6	3.3	4.7	3.3	3.8	4.3	4.5
Imports (goods and services)		9145.8	25.5	4.5	7.0	9.5	1.9	5.1	5.8	6.3
Contribution to GDP growth :	**Domestic demand**			1.5	3.4	4.8	3.6	3.8	4.3	4.5
	Stockbuilding			0.2	0.0	-0.4	-0.1	0.0	0.0	0.0
	Foreign balance			-0.8	-1.1	-1.1	0.3	-0.4	-0.4	-0.5
Employment				0.9	-0.4	-0.3	3.4	1.2	1.3	1.3
Unemployment (a)				7.1	9.6	9.8	10.7	10.4	10.0	9.6
Compensation of employees/head				17.0	8.8	12.4	5.8	4.8	4.7	4.5
Unit labour costs				17.0	5.9	8.4	5.5	2.5	2.1	1.8
Real unit labour costs				-0.5	-1.4	1.6	0.6	-0.4	-0.5	-1.2
Savings rate of the households (b)				-	-	11.9	11.4	10.5	11.2	11.1
GDP deflator				17.6	7.4	6.7	4.9	2.9	2.7	3.1
Private consumption deflator				17.3	8.2	5.5	4.7	2.5	2.5	2.6
Harmonised index of consumer prices				-	7.9	5.4	4.5	2.1	2.3	2.3
Trade balance (c)				-11.6	-13.2	-13.4	-13.3	-13.1	-14.0	-14.0
Balance on current transactions with ROW (c)				-2.3	-2.4	-2.3	-1.9	-1.4	-2.0	-2.0
General government balance (c)				-10.7	-7.8	-4.6	-3.1	-1.6	-1.3	-0.6
General government gross debt (c)				69.4	111.3	108.5	105.4	104.4	103.7	99.7

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

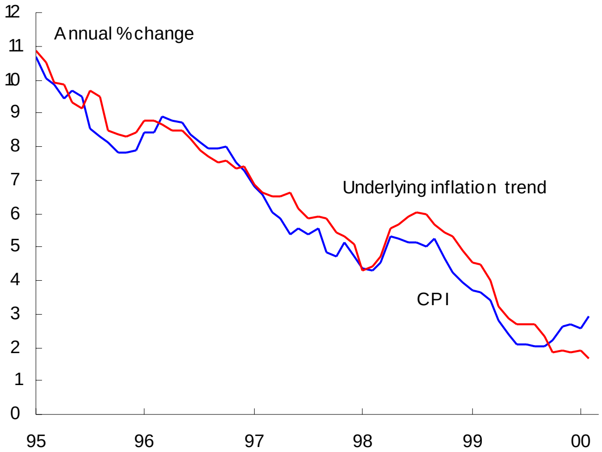
In the remainder of the forecast period, a number of factors will push price developments in opposite directions. On one hand, inflation pressures are most likely to emerge from the monetary easing implied by the fall in interest rates and from international price developments. On the other hand, price stability may be supported by fiscal tightening in particular in 2001, by the increase in competition in the markets of goods and services following announced structural reforms and the liberalisation of the markets and the much smaller downward exchange rate adjustment needed now for the drachma to return to its ERM central parity, following the revaluation on 17 January 2000. In addition, with respect to interest rates, given delays in the transmission mechanism of monetary policy on inflation in Greece, the timing of the undoubtedly sizeable reduction may imply that its effect will be felt in late 2001 or even after the time horizon of this forecast. Finally, despite uncertainty as regards the outcome of wage negotiations, wage inflation is not expected to emerge, in particular in view of the acceleration in productivity and the relatively high rate of unemployment.

Public finances. The public finances have posted an uninterrupted improvement since 1994. In November 1999, the Council abrogated its decision on the existence of an excessive deficit in Greece. Fiscal consolidation gained further momentum in 1999. The initial tightening proposed with the 1999 budget was much stronger as the general government deficit was reduced to 1.6% of GDP from 1.9% set in the budget. This was the result of considerably higher budget revenues, reflecting further progress in combating tax evasion and the strengthening of domestic demand.

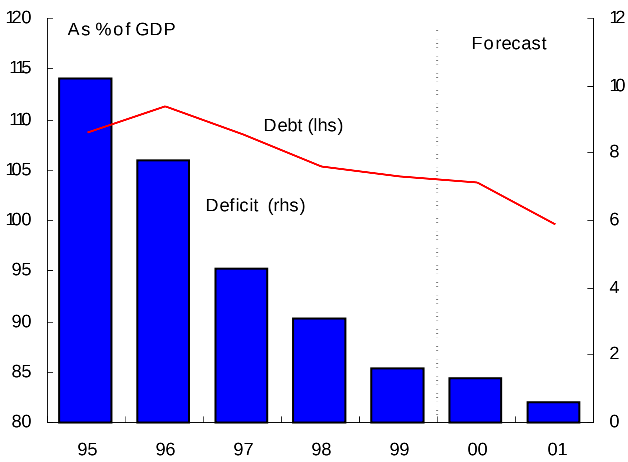
The budget for 2000, targets a deficit for the general government of 1.2% of GDP while the 1999 update of the convergence programme projects a deficit of 0.2% of GDP in 2001 and a surplus of 0.2% of GDP in 2002. Nonetheless, uncertainty related with interest rate developments in 2000 and with primary current expenditure, in particular in 2001 implies a slightly slower fiscal adjustment in the remainder of the forecasting period: the general government deficit is forecast to be 1.3% and 0.6% of GDP in 2000 and 2001 respectively. The primary surplus, after having reached 5.8% of GDP in 1999, is expected to remain broadly stable to the end of the forecasting period. Thus, in both 2000 and 2001, the reduction of the general government deficit will be mostly the result of lower debt servicing costs, following the expected fall in interest rates.

Debt ratio. The correction of fiscal imbalances, combined with allocation of privatisation receipts to pay-off public debt resulted in reducing the debt ratio in 1999 for a third consecutive year. The expected high level of primary surplus throughout the forecasting period is expected to support the downward path of the debt ratio, which is forecast to fall below 100% at the end of 2001.

GRAPH 1 : **Greece - Inflation and underlying trends**



GRAPH 2 : **Greece - General governement debt and deficit**



Sweden: Buoyant demand leads to continued strong output growth

Output. The Swedish economy performed strongly despite the pessimistic outlook that prevailed at the beginning of last year and real GDP accelerated to 3.8% in 1999. Growth has been sustained mostly by domestic demand, with both private consumption and investment achieving high growth rates. In 1999, private consumption rose by 4.1%, strongly supported by spending on durables and in particular on new cars. Gross fixed capital formation rose strongly, by 8.1% in 1999, resulting from strong growth in equipment investment and, partly in order to secure the millennium transition, computer software investment. However, the external side also contributed, with relatively strong net exports during 1999. Despite a weakening of demand for Swedish exports in several important export markets, total exports grew relatively well in 1999. Imports were weak during the first half of the year and increased relatively slowly in 1999. Growth of domestic demand was sustained by continued favourable monetary conditions for the most part of last year. However, the acceleration of inflation towards the end of 1999 in combination with expectations of higher inflationary pressures ahead, led the Riksbank to raise the repo-rate twice; first in November 1999 and again in February this year to 3.75%. The strong growth of the economy is generally considered to have resulted in a closing of the output gap. Inflationary pressures are therefore projected to rise over the forecast period and inflation is projected to reach 2% in 2001. Nevertheless, the outlook for the Swedish economy is positive and strong demand growth should be accommodated by good output growth without inflation necessarily rising beyond this number. With high consumption and high employment growth, GDP is expected to continue to grow well above trend at 3.9% in 2000 and at 3.3% in 2001.

GDP components. Household consumption is expected to grow strongly over the forecast period, due to the increase in both employment and household wealth stemming from the strong asset prices. In particular, house and equity prices have risen strongly (the Stockholm Stock Exchange has surged by 75% between 1 October 1999 and 1 March 2000). In 2000, consumption should continue to grow well with consumer confidence running at peak levels and retail sales growing briskly in the beginning of this year. Furthermore, the tax cuts introduced in the budget for 2000, totalling some 0.7% of GDP, should stimulate spending. However, the strong growth of spending on durables is expected to ease slightly in 2001. In 2000, construction investment is set to accelerate while surveys suggest less rapid equipment investment.

As demand slows down in 2001, investment growth is expected to weaken, although housing is likely to continue to grow robustly. In 2000, exports are projected

TABLE **: Main features of country forecast – SWEDEN**

		1998		Annual percentage change						
		Curr.prices	% GDP	1981-95	1996	1997	1998	1999	2000	2001
GDP at constant prices		1890.2	100.0	1.5	1.1	2.0	3.0	3.8	3.9	3.3
Private consumption		950.5	50.3	0.9	1.4	1.7	2.4	4.1	3.7	3.4
Public consumption		505.0	26.7	1.2	0.9	-1.0	2.2	1.8	1.4	1.3
GFCF		299.0	15.8	0.5	5.0	-2.2	9.4	8.1	6.1	5.9
of which: **equipment**		155.0	8.2	3.8	9.3	4.4	15.1	11.5	5.9	5.1
Change in stocks as % of GDP		16.9	0.9	-0.4	0.1	0.6	0.9	0.4	0.6	0.5
Exports (goods and services)		828.2	43.8	4.9	3.5	13.0	7.3	5.2	7.4	6.6
Final Demand		2599.5	137.5	1.9	1.6	4.5	5.0	4.1	4.9	4.4
Imports (goods and services)		709.3	37.5	3.2	3.0	11.8	10.4	5.0	7.4	7.0
Contribution to GDP growth :	**Domestic demand**			0.9	1.7	0.3	3.2	3.8	3.3	3.0
	Stockbuilding			0.0	-1.0	0.5	0.3	-0.5	0.2	0.0
	Foreign balance			0.6	0.4	1.3	-0.5	0.4	0.5	0.3
Employment				-0.2	-0.6	-0.6	1.3	2.2	1.4	0.7
Unemployment (a)				4.1	9.6	9.9	8.3	7.0	6.3	6.0
Compensation of employees/head				7.1	6.8	3.1	3.3	3.0	4.1	4.3
Unit labour costs				5.3	5.0	0.5	1.6	1.5	1.5	1.7
Real unit labour costs				-0.9	3.6	-0.8	0.3	0.9	-0.3	-0.6
Savings rate of the households (b)				-	-	4.2	3.2	2.2	2.4	2.6
GDP deflator				6.2	1.4	1.2	1.3	0.5	1.8	2.3
Private consumption deflator				7.0	1.4	2.2	1.0	0.7	1.4	1.8
Harmonised index of consumer prices				-	0.8	1.8	1.0	0.6	1.6	2.0
Trade balance (c)				2.3	7.2	7.8	7.2	6.7	7.0	7.3
Balance on current transactions with ROW (c)				-1.2	3.0	3.6	2.8	2.1	2.5	2.8
General government balance (c)				-3.1	-3.4	-2.0	1.9	1.9	2.4	2.9
General government gross debt (c)				59.0	76.0	75.0	72.4	65.5	61.3	55.4

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

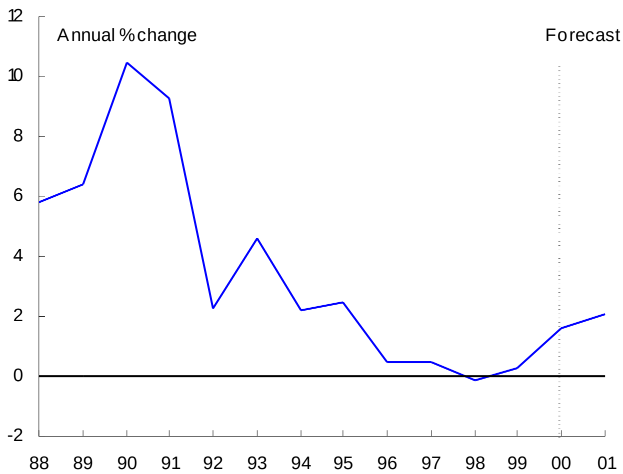
to accelerate, as economic growth among the main trading partners picks up. In particular, the strong performance in the telecom and pharmaceutical industries is expected to accelerate further. In 2001, export growth should however slow down somewhat as external demand moderates. With strong domestic demand, in particular household consumption expenditure, and the stock correction in industry, which lowered import demand for input goods, coming to an end, imports are expected to grow faster in 2000 and in 2001.

Prices. While inflation remained low in 1999, averaging 0.3% as measured by the CPI, it accelerated towards the end of last year, fuelled by the strong increase in output and the sharp increase in petrol prices. This has prompted the Riksbank to raise interest rates on two occasions. As output continues to grow above trend in 2000 and 2001, inflationary pressures should increase and inflation could accelerate towards 2% by 2001. There is however a strong likelihood that the Riksbank will successfully fulfil its task in ensuring that the inflation target, of 2% +/- 1 percentage point, is not breached, though with some further tightening of the monetary policy stance.

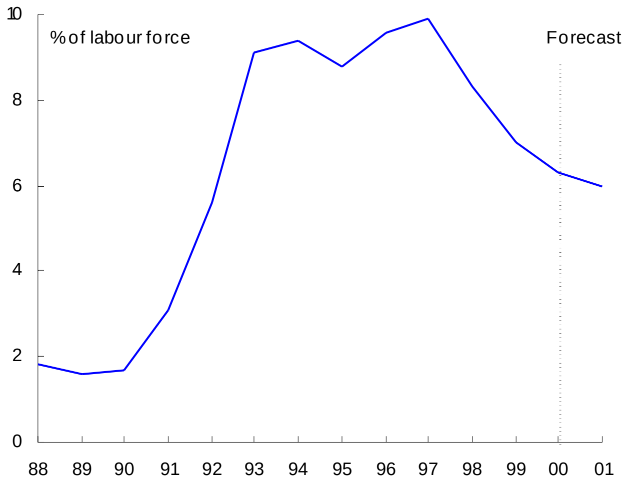
Labour market. Employment grew substantially by 2.2% during 1999 and unemployment fell by 1.3 percentage points to 7.0%. However, employment growth flattened in the second half of 1999 and the reduction of unemployment slowed down. Nevertheless, with buoyant demand and currently high numbers of job vacancies, further employment growth and lower unemployment is expected over the forecast period. Although wage settlements are moderate for most sectors of the economy in 1999 and 2000, wages are expected to accelerate in 2000. This is because some sectors appear to face increasing difficulties in recruiting staff. More sectors are expected to expand staffing this year and next and this could lead to an acceleration in wages, as the labour market tightens further.

Public finances. The efforts made to reduce the general government deficit since the early nineties have proven successful and Sweden now exhibits sound public finances, and a surplus of 1.9% of GDP was recorded in 1998. The favourable economic position and continued adherence to the central government expenditure ceiling resulted in a surplus of 1.9% of GDP also, in 1999. In 2000, the surplus is expected to increase to 2.4% of GDP as good growth continues, despite the lowering of taxes. Debt relative to GDP is projected to fall to almost 60% of GDP in 2000 and further to some 55% at the end of 2001. The credibility of the government's ability not to breach the expenditure ceiling for central government is strong.

GRAPH 1 : **Sweden - CPI**



GRAPH 2 : **Sweden - Unemployment rate**



United Kingdom: Good growth expected in 2000 and 2001

Output in 1999. The UK economy recovered strongly during the course of 1999 as UK export markets in both Asia and Europe recovered and as a result of monetary easing up until the middle of the 1999. Growth was driven mainly by the strength of household expenditure, buoyed by confidence, rises in real wages and a rise in wealth as well as the monetary easing. However, also, fixed investment continued to grow strongly. Further, exports recovered strongly in the second half of the year, despite sterling's strength, as UK markets recovered. GDP grew by 2% in the year as a whole but in the second half of the year, growth was more rapid - probably above trend. The economy was also estimated to be operating around productive potential.

Forecast output. The strong recovery in domestic demand in the second half of last year is likely to have continued into 2000. As a result, in part, of this recent strong growth, the Monetary Policy Committee (MPC) of the Bank of England raised the repo rate four times, from last June, in steps of quarter percentage points to six percent currently. This was to ensure that the target of inflation of 2.5% for RPIX inflation (Retail prices less mortgage interest payments) is not breached. Although monetary policy has been tightened, GDP is still forecast to accelerate in 2000 as a whole, to 3.3%. Looking towards 2001, some slowing down of growth is expected as the full impact of monetary tightening is felt. Further, the growth in UK export markets is expected to slow. However, the fundamentals of a strong labour market, and rising real wages as well as continued good growth in investment will maintain GDP growth at relatively high levels. As a result GDP growth of 3% is forecast. The assessment on which these forecasts are based is that the economy can grow somewhat above trend, on average, in 2000 and 2001 without much in the way of increased inflation pressures. This is for two reasons. One, because recent and expected rises in fixed investment should raise capacity to allow such growth. Two, recent labour market measures taken should alleviate serious upward labour market pressures.

Output components. As far as components are concerned, one reason for strong growth is that growth in household consumption will remain strong. It will be the major contributor to growth as the labour market continues to strengthen, real wages rise and consumer confidence continues at a high level. Further, exports will grow more rapidly than in 1999 as UK markets grow strongly, despite a loss in export competitiveness resulting from sterling's recent strength. Investment expenditure will rise - stimulated by planned rises in government investment and the cheapness of imports of equipment investment as a result of sterling's strength.

TABLE **: Main features of country forecast – UNITED KINGDOM**

		1998		Annual percentage change						
		Curr.prices	**% GDP**	**1981-95**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
GDP at constant prices		847.4	100.0	2.3	2.6	3.5	2.2	2.0	3.3	3.0
Private consumption		547.3	64.6	2.7	3.6	3.9	3.2	4.0	3.1	2.6
Public consumption		154.1	18.2	0.9	1.7	-1.4	0.7	3.4	3.1	3.5
GFCF		149.3	17.6	2.7	4.9	7.5	10.8	5.2	5.2	4.0
of which: **equipment**		72.5	8.6	2.7	9.7	10.5	14.9	6.2	5.3	3.8
Change in stocks as % of GDP		4.0	0.5	0.1	0.3	0.5	0.4	-0.2	0.0	0.0
Exports (goods and services)		225.0	26.6	4.1	7.5	8.6	2.4	2.6	6.9	6.1
Final Demand		1079.7	127.4	2.8	4.0	4.9	3.8	3.2	4.4	3.8
Imports (goods and services)		233.4	27.5	4.7	9.1	9.2	8.8	7.1	7.3	5.7
Contribution to GDP growth :	**Domestic demand**			2.4	3.4	3.5	4.1	4.2	3.6	3.2
	Stockbuilding			0.1	-0.4	0.3	0.0	-0.7	0.1	0.0
	Foreign balance			-0.2	-0.5	-0.3	-2.1	-1.7	-0.5	-0.1
Employment				0.1	1.2	1.8	1.0	1.2	1.0	1.0
Unemployment (a)				9.7	8.2	7.0	6.3	6.1	5.8	5.6
Compensation of employees/head				7.4	3.5	4.6	5.6	4.9	5.0	4.7
Unit labour costs				5.1	2.1	2.9	4.4	4.1	2.6	2.6
Real unit labour costs				-0.3	-1.1	0.0	1.2	1.3	-0.1	0.1
Savings rate of the households (b)				-	-	9.1	6.2	5.8	5.5	6.2
GDP deflator				5.4	3.3	2.9	3.2	2.7	2.7	2.6
Private consumption deflator				5.5	3.1	2.5	2.5	2.2	2.1	2.3
Harmonised index of consumer prices				-	2.5	1.8	1.6	1.3	1.4	1.6
Trade balance (c)				-1.9	-1.7	-1.5	-2.4	-3.0	-2.7	-2.7
Balance on current transactions with ROW (c)				-0.9	-0.1	0.8	0.0	-1.5	-1.5	-1.3
General government balance (c)				-3.2	-4.4	-2.0	0.3	1.2	0.9	0.7
General government gross debt (c)				47.8	52.6	50.8	48.4	46.0	42.4	39.4

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

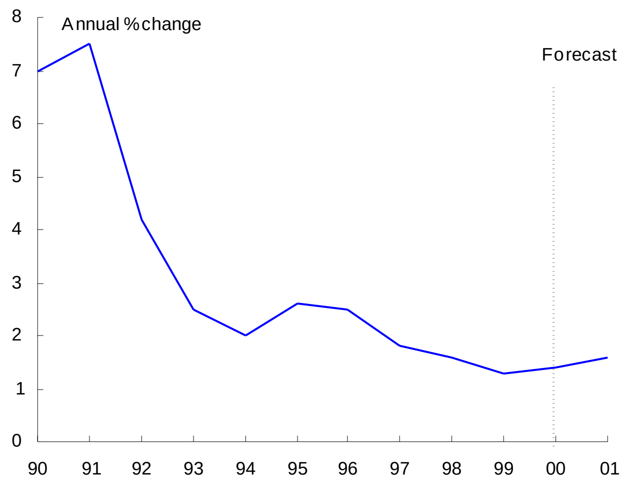
Labour Market. The labour market strengthened in 1999 and unemployment fell to a twenty year low of 5.9%. Pressures on the labour market were associated with a rise in headline wage inflation towards the end of the year - put at 5.9% in January - though special factors associated with bonus payments and the millenium bug may have inflated the figure. The labour market is forecast to strengthen again with employment rising and unemployment continuing to fall to average 5.5% in 2000. Labour productivity growth is expected to pick up and will be a modest 2% or so. A tighter labour market may put upward pressure on wage inflation but recent labour market measures to make work pay as well as measures to get they unemployed back to work, will ease these pressures - enabling the economy to grow above trend for a while but at the same time maintaining broad price stability.

Prices. Inflation based on the target measure of RPIX (retail prices index less mortgage interest payments) remained moderate in 1999, indeed, around the target of 2.5% on average. It was, in February, below target at 2.2% and HICP inflation was even lower, among the lowest in the EU, at 1.0%. The forecast assumes that the Bank of England will operate monetary policy to secure the inflation target. Since domestic demand is growing strongly and output is around potential, there could be upward pressures on inflation over the forecast period. That may imply some, but not much, raising of the repo rate from its current 6% level. Inflation is expected to rise a little, based on the private consumption deflator. However, this is consistent with the target indicator of inflation being around, or just below, target of 2.5%. HICP inflation will be rather lower at around 1.5%.

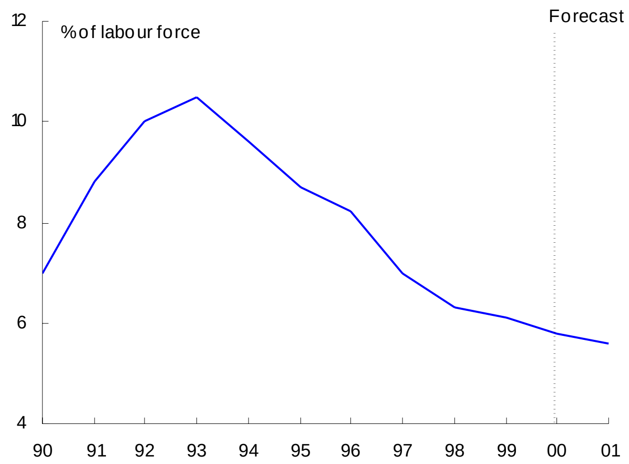
External balance. The current account is projected to be in modest deficit of around 1.5% of GDP but this is not thought to constitute a major imbalance.

Public finances. The general government finances posted a strong surplus of 1.2% of GDP in 1999 and, as the economy was operating around potential, the cyclically adjusted balance was also in surplus of a similar magnitude. The budget of 2000 was moderately stimulatory and, in particular, increased expenditure from previous plans. Nevertheless the finances are expected to remain in surplus, albeit declining, in 2000 and 2001 as revenues will be sustained by sound growth in activity. Gross debt will fall to around 40% of GDP by the end of 2001.

GRAPH 1 : **United Kingdom - HICP**



GRAPH 2 :**United Kingdom-Unemployment rate**



V. Special topics

1. Terms of trade and real income

A country's terms of trade are defined as the ratio of its export prices divided by import prices. The higher that ratio, the greater is the volume of imports that can be exchanged against a given volume of exports. By contrast, decreasing terms of trade constitute a welfare loss as a lower volume of imported goods or services has to be acquired if one is not prepared to sacrifice any domestically produced goods or services. In other words, the real income position of the country concerned has deteriorated. A negative terms of trade effect could make the distribution of income between labour and profits more difficult at the macroeconomic level.

The distribution of national income between labour and profits is unaffected if wage growth is determined by:

$$\frac{\Delta W}{W} = \frac{\Delta P}{P} + \frac{\Delta (Y/E)}{(Y/E)}$$

where W are wages per head, P is the deflator of output (Y), E is employment and Δ is the difference operator. In other words, the rate of wage growth consistent with a stable labour income - profits share is determined by the change in productivity (the last term) plus the change in the GDP deflator.

Wage negotiations are based on a similar formula. However, as one seeks a compensation for the erosion of purchasing power, the private consumption deflator or consumer price index is from the wage claimer point of view the more relevant reference. When the terms of trade develop unfavourably, the rise in the GDP deflator is smaller than the rise in consumption related prices as the latter are rapidly influenced by imported inflation, while the former is not. Under these circumstances distributing all productivity gains to wage earners will put the profit share in national income under pressure with possibly negative consequences for investment and eventually employment.

TABLE : **Estimating the terms of trade effect on real income in EU-15**

(Annual growth rates)	1998	Estimate 1999	Forecast 2000	2001
Export deflator [(a)]	-0.4	-0.5	1.9	1.6
Import deflator [(a)]	-1.9	-0.3	2.8	1.3
Terms of trade [(a)]	1.5	-0.2	-0.9	0.3
Real GDP	2.7	2.3	3.4	3.1
Real GDP adjusted	3.1	2.2	3.0	3.3
Difference	0.4	-0.1	-0.4	0.2

(a) based on goods and services and including intra-EU trade.

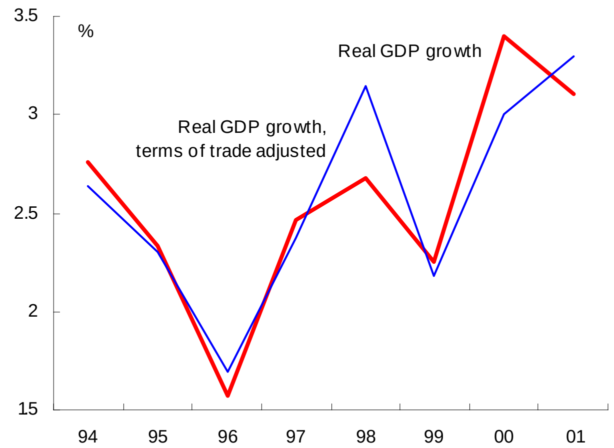
The real income effects from changing terms of trade can be estimated. The more important is foreign trade, the larger are the terms of trade effects. The net external contribution to real GDP is traditionally calculated as the value of exports (X) deflated by the export price (P^X) minus the value of imports (M) deflated by the import price (P^M). A measure for the purchasing power of the increase in income due to foreign trade is obtained by deflating the net contribution with the price of imported goods. The terms of trade effect (A^{TOT}) is the difference between the two differently deflated net external contributions to GDP. Subsequently, a terms of trade adjusted real GDP (GDP^A) can be calculated:

$$A^{TOT} = (X - M)/P^M - (X/P^X - M/P^M)$$

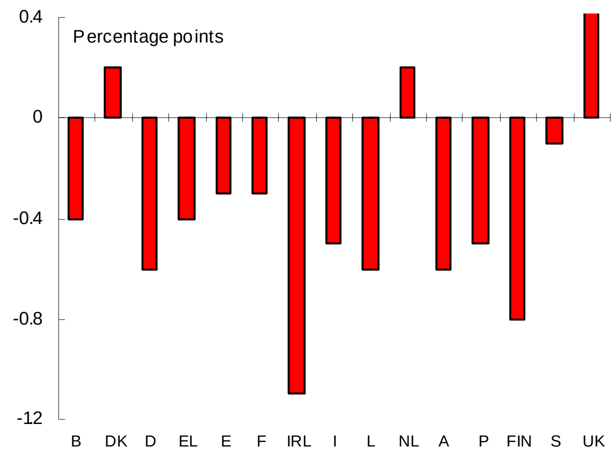
$$GDP^A = GDP + A^{TOT}$$

In 1998, falling import prices and rising exchange rates led to positive terms of trade effects and hence to a growth of adjusted GDP which was higher than the normal GDP growth by around 0.4 % points.

GRAPH 1 : **GDP growth in EU-15 and terms of trade effect**



GRAPH 2 : **Terms of trade effect on GDP growth in 2000**



In 2000, however, because of the adverse changes in international prices and exchange rates, the terms of trade effect will, for the first time in many years, reduce significantly real income. It is estimated that adjusted real GDP growth is 0.4 % points lower than actual GDP growth. By implication, productivity growth used as reference for determining wage increases should be adjusted by the same amount if pressures on profits are to be avoided.

The amount of these effects varies among Member States. The energy exporting countries, the Netherlands and the United Kingdom, will see, unlike the rest of the EU, positive terms of trade effects in 2000. On the other hand, countries with a high energy import content, such as Ireland (also particularly affected by sterling's strength), Finland and Germany, will be subject to larger income-reducing terms of trade effects in 2000.

Negative terms of trade effects occurred in the two oil price crisis periods, in 1973/74 and 1979-81, but clearly larger in size (–0.9 % during the second oil shock). In both periods, for the EU as a whole, it was mostly profits that were particularly squeezed and the wage shares in national income rose. At this moment, wage behaviour appears to remain broadly appropriate in this respect.

2. Recent developments in labour productivity in the EU with special attention regarding the cycle and working time

Labour productivity developments have recently attracted more than usual attention. This stems from the divergence in productivity patterns which has been seen in the US and the EU in the second half of the nineties and the related debate about the new economy.

The divergent labour productivity developments in the US and the EU in the latter half of the nineties are undeniable, but the differences are somewhat less marked if the cycle and working time are brought into the picture.

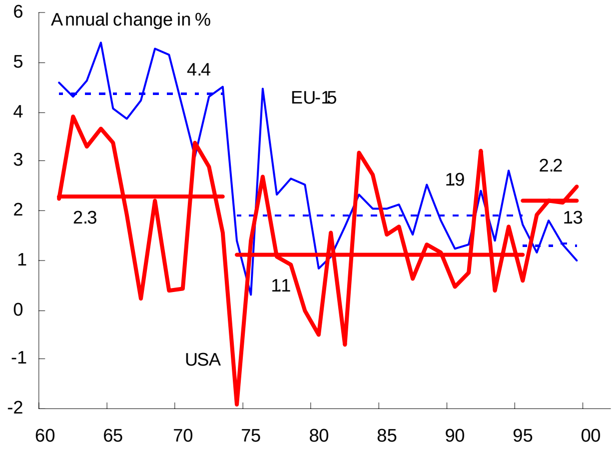
Recent developments

After very strong growth in labour productivity (defined as real GDP per employed person) in the sixties (4.4 % per year between 1961-73), productivity growth in the EU fell back and for a long time fluctuated around 2 % (1.9 % between 1974-95). In the latter half of the nineties productivity growth made another dive resulting in an average of 1.3 % between 1996-1999.

The evolution in the second half of the nineties contrasts markedly with developments in the US in two respects:

- while the move to lower productivity growth in the early seventies was similar (a cut by half), in the late nineties productivity growth in the US tended to accelerate while further decelerating in the EU;
- while productivity growth in the EU was on average up to the mid-nineties above levels in the US, this difference reversed for the second half of the decade.

GRAPH 1 : **Labour productivity in EU-15 and USA**



Most Member States displayed a similar pattern as the one seen for the EU average with some noteworthy exceptions. All Member States experienced a similar slowdown in productivity growth in the beginning of the seventies, but in Ireland the deceleration was slower. Contrary to the overall trend, Greece, Ireland and Sweden saw an acceleration in productivity growth in the second half of the nineties, while there was hardly any deceleration in Finland.

TABLE : **Labour productivity in EU-15**

(Annual change)	Real GDP per employed person							
	B	**DK**	**D**	**EL**	**E**	**F**	**IRL**	**I**
1961-73	4.4	3.2	4.0	9.1	6.5	4.7	4.3	5.5
1974-95	2.0	1.7	2.0	0.7	2.5	1.9	3.4	1.8
1996-99	1.5	0.9	1.7	2.3	0.7	1.4	3.8	0.9
	L	**NL**	**A**	**P**	**FIN**	**S**	**UK**	**EU-15**
1961-73	3.0	3.3	4.9	6.6	4.5	3.5	2.9	4.4
1974-95	2.1	1.2	2.1	3.0	2.7	1.5	1.7	1.9
1996-99	1.2	0.9	1.6	1.4	2.1	1.9	1.2	1.3

High productivity: efficiency versus employment considerations

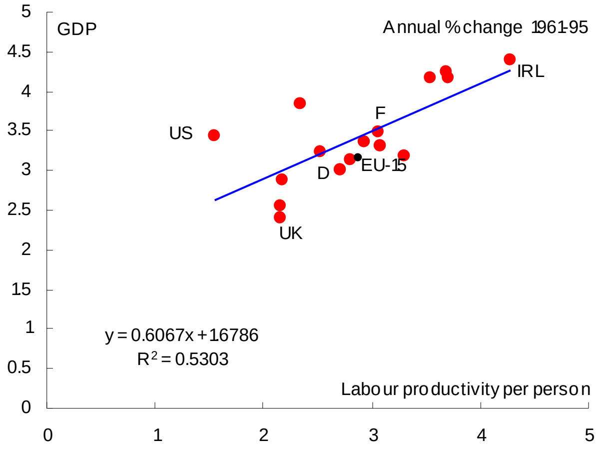
High productivity growth is desirable because inputs are used more efficiently and it stimulates economic growth. Wages can be higher without igniting inflationary pressures as productivity growth dampens the rise of unit labour costs, which has further beneficial consequences for maintaining competitiveness and a sustainable balance of payments position.

Productivity developments receive special attention in the American debate on the emergence of the so-called “new economy”. It is argued that productivity gains have been realised mainly thanks to a widespread use of information technology permitting the economy to grow for a longer time without being confronted by inflationary pressures.

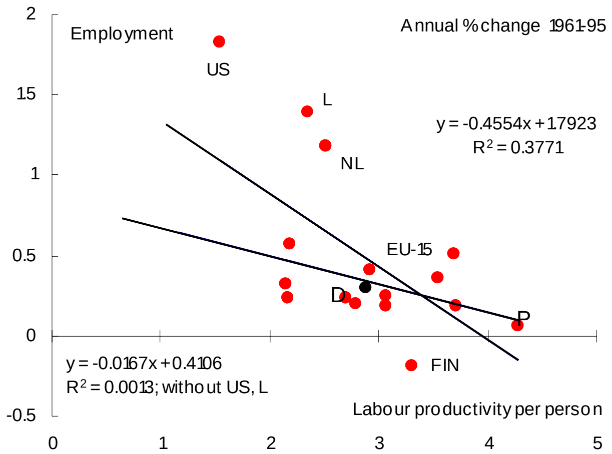
On the other hand, there is the concern that high productivity growth leads to a crowding out of labour in the production process as more can be produced with less people. However, if there exists a negative relation between productivity growth and employment creation, it does not appear to be significant at the macroeconomic level.

In the EU, the importance of low productivity growth is downplayed as it is seen as evidence of a higher job content of growth.

GRAPH 2 : **Labour productivity and GDP growth**



GRAPH 3 : **Labour productivity and employment growth**

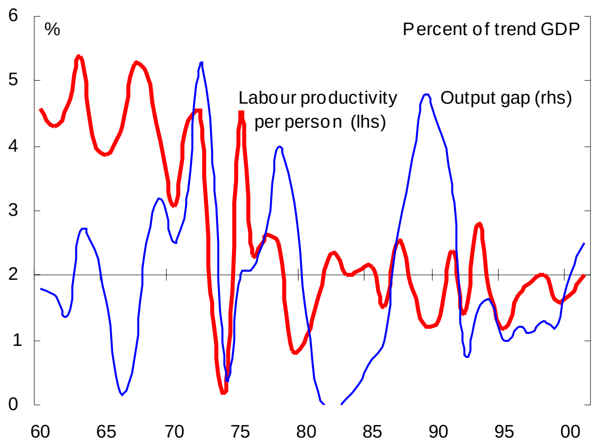


Moreover, it does not necessarily mean that the rate of technical progress as a determinant of labour productivity growth (see below) is declining. Growth of apparent productivity (defined as real GDP divided by the number of occupied persons) may be decreasing, but not necessarily that of productivity per hour.

Labour productivity and the business cycle

It is the delayed reaction of hiring and firing decisions to economic activity that governs the relation of productivity growth to the cycle. Behind this pattern are legal obligations with respect to wage contracts and imperfect expectations with respect to economic developments. Starting at the peak of the cycle, the following stylised facts can be observed with a reaction time of about one year:

GRAPH 4 : **Labour productivity growth and the output gap in EU-15**

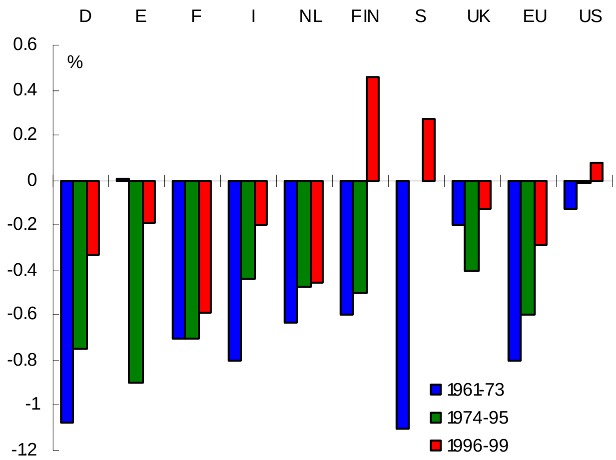


- the output gap is positive, but becoming smaller, activity is decelerating and, given the slow adjustment of the number of employed persons, productivity is declining;
- the output gap became negative and is further widening; deceleration of the economy is bottoming out but employees are being fired at a high rate; hence productivity growth is accelerating;
- the output gap is still negative, but closing. Output is growing but it takes time to engage more labour; hence, a boost is given to productivity;
- eventually, the output gap turns positive again and is becoming larger. More labour is hired, but the cycle is maturing and activity is less buoyant so that productivity growth is decelerating.

With the projected faster closing of the output gap, labour productivity should receive a boost. This is what the Spring 2000 forecasts of the European Commission show and labour productivity growth (measured in persons) accelerates to about 2 % in 2000 and 2001, which is a return to the previously observed trend. Given the cyclical position, this growth rate can be considered on the low side so that the average productivity growth over the current cycle is likely to be somewhat lower than what was observed in past cycles. This suggests that the employment content of growth has increased.

Working time

GRAPH 5 : **Annual change in working hours**



Labour productivity has been defined as real GDP per employed person. It is meant to give a measure of the degree of efficiency of an economy. A better measure would be output per hour, but data on working time is difficult to gather and often not comparable across countries. However, as long as numbers of employees are used in a coherent way in concepts like compensation per person or unit labour costs, economic analysis based on them remains valid.

In most countries significant reductions in working time occurred in the sixties. It is estimated that working time decreased in the EU by 0.8 % per year on average between 1961 and 1973 (source: OECD, Employment Report, own calculations). There was still a decline of about 0.3 % per year in the second half of the nineties. The number of hours worked varied much less in the US.

Large reductions in working time were observed in Germany and Sweden in the sixties. Reductions in France and the Netherlands continued in the nineties, while Finland and Sweden saw a reversal in working time in the second half of the nineties.

The consequences of changes in working time are analysed for two variables: (i) productivity itself, (ii) technical progress.

(i) Productivity levels and changes

If from one period to another the evolution of working time is different, one may obtain a different picture of productivity developments depending on whether productivity is measured in persons or in hours.

Measured in terms of hours, the deceleration of productivity growth in the second half of the nineties in the EU is somewhat more marked, but the differential with the US is less sharp.

Comparisons of absolute levels are surrounded with a degree of uncertainty. Overall, the EU lags behind productivity levels in the US, but the EU has until recently been catching up thanks to stronger productivity growth. The gap remains wide on the basis of per person calculations. If due account is taken of working time, the gap has almost closed.

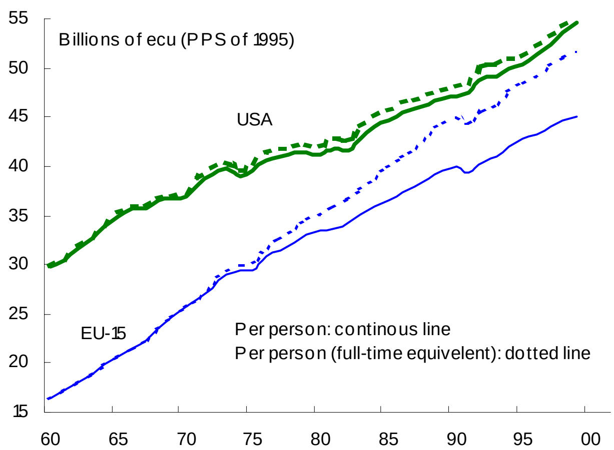
TABLE : **Labour productivity per person and per hour in EU-15 and the USA**

(Annual change)	Per person (1)		Hours (2)		Per hour (3)=(1)-(2)	
	EU-15	**USA**	**EU-15**	**USA**	**EU-15**	**USA**
1961-73	4.4	2.3	-0.8	-0.2	5.2	2.5
1974-95	1.9	1.1	-0.6	0.0	2.5	1.1
1996-99	1.3	2.2	-0.3	+0.1	1.6	2.1

Output is measured with real GDP.

While EU productivity levels in terms of full time equivalent or per hour (but in the latter case the absolute values are different) were about 50 % of those in the US in the beginning of the 60's, they increased to about 95 % in 1995. Strong productivity growth in the US in the second half of the nineties made EU hourly productivity fall to about 93 % of the US level by 1999.

GRAPH 6 : **Labour productivity level in EU-15 and USA**



(ii) Technical progress

Solow's growth decomposition offers an approach to analyse some of the determinants of productivity. Assuming a Cobb Douglas production, output (Y) is linked to technical progress or total factor productivity (A), capital (K) and labour (L). The importance of capital and labour as factor inputs is related to the profit share (α) and the wage share ($1-\alpha$) in national income. In order to take account of the effect of hours worked, labour (L) is further defined as employment in persons (E) multiplied by average working time per person (H):

$Y = A\,K^{\alpha} L^{1-\alpha}$ and $L = E\,H$ or in terms of growth rates

$$\frac{\Delta(Y/E)}{(Y/E)} = \frac{\Delta A}{A} + (1-\alpha)\frac{\Delta H}{H} + \alpha\frac{\Delta(K/E)}{(K/E)}$$

Labour productivity growth per employed person is then derived as the sum of the change in technical progress, hours worked (corrected for the wage share in national income) and capital per employed person (corrected for the profit share in national income). The last term is a measure of the substitution of labour by capital.

TABLE : **Determinants of productivity growth per person in EU-15 and the USA**

(Annual change)		Productivity	Total factor productivity	Hours	Capital/labour substitution
		=	+	+	
1961-73	**EU-15**	4.4	3.4	-0.5	1.5
	USA	2.3	1.9	-0.1	0.5
1974-95	**EU-15**	1.9	1.5	-0.4	0.8
	USA	1.1	0.8	0.0	0.3
1996-99	**EU-15**	1.3	1.0	-0.2	0.5
	USA	2.2	1.5	0.1	0.5

Output is measured with real GDP.

If not explicitly attention is paid to the change in working time, its effect is captured by total factor productivity. A reduction in working time will decrease total factor productivity. Hence a reduction in working time may lead to the impression of a slow-down in technical progress. In contrast, if the number of hours worked declines, the picture is less dramatic as it implies more leisure time. An estimate of the impact of working time on labour productivity growth in the EU and the US is provided in the table which also includes an adjusted estimate of total factor productivity. The impact on labour productivity growth is obtained by multiplying the change in working time with the wage share in national income. Total factor productivity is adjusted by the same amount, but with the opposite sign.

It appears that:

- the slow labour productivity growth in the EU in the latter half of the nineties is due to slow factor productivity growth, a reduction in working time and a deceleration of the rate of substitution of labour by capital. Given the high rate of unemployment in the EU, in particular the latter element is a favourable development reflecting a reduction of relative wage costs;
- the difference in labour productivity growth compared with the US is explained by the acceleration of technical progress in the latter country. The difference in total factor productivity between the two countries is smaller if working time is taken into account.

3. Stock markets

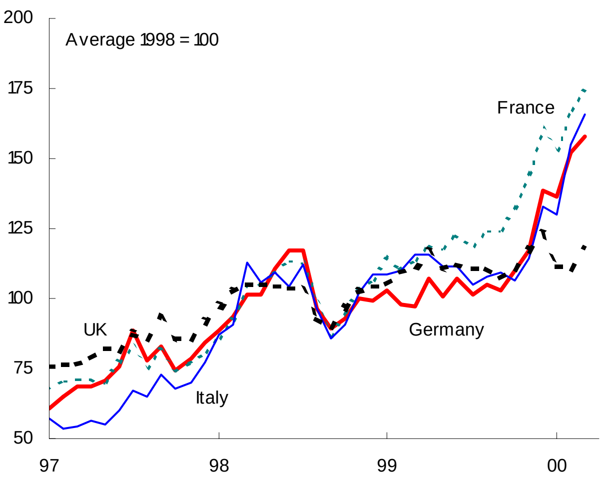
Strong rise of prices and issues over the past months

One of the major features of the past months has been the strong rise of certain asset prices in the technology and telecom field against the background of general increases in share prices. This development reflected to some degree the global stabilisation of economies and growth optimism vis-à-vis the high tech sector.

European share prices recovered from the slump in winter 1998/1999 and reached new highs in most markets. The development in Member States was not uniform. In 1999, price rises were particularly strong in Greece, France, Finland and Sweden.

The capitalisation of EU stock markets in 1999 rose strongly by 52 % to around 9100 billion EUR, or 113 % of GDP, driven by both rising prices and new share issues admitted to the markets. This is still less than the US capitalisation, but the gap has stabilised.

GRAPH 1: **European stock markets**



Similarly to the US, although to a lesser extent, market developments have become quite split over the past months: some technology and also biotechnology shares of often relatively small companies trading on markets such as EASDAQ, or Nouveau Marché/Neuer Markt, have skyrocketed.

In the US, particularly the NASDAQ composite index, driven by technology stocks, experienced a sharp rise. Blue chips and the broader NYSE market were much weaker. Japanese markets, particularly vigorous in the first half of 1999, were less dynamic in the second half but still slightly outperformed European markets, on average.

TABLE : **Stock market capitalisation** (31/1/2000)

	In percent of …		Ann. growth
	EU total	99 GDP	rate (%)
B	1.9	69.9	-16.4
DK	1.2	61.8	-4.2
D	16.5	72.9	37.6
EL	2.1	159.2	124.9
E	4.8	74.8	23.0
F	16.3	105.6	58.4
IRL	0.8	79.0	14.4
I	8.2	65.9	47.9
L	0.4	188.3	3.9
NL	7.2	170.9	26.8
A	0.4	16.3	9.7
P	0.8	68.0	27.0
FIN	4.1	302.2	145.6
S	4.3	166.5	45.0
UK	31.0	201.8	34.8
EUR-11	61.4	87.9	41.6
EU-15	100.0	109.8	39.9
USA	186.8	190.1	41.7
Japan	80.8	172.8	89.1

Increasingly elevated valuations

Price/earnings (P/E) ratios in the US reached historical highs in 1999. S&P 500 shares traded at about 35 times earnings. Even higher price/earnings ratios feature on the NASDAQ. P/E ratios on the US markets have been on a pronounced upward trend since the early 90s, which might suggest a fundamental revaluation of shares coinciding with a basically uninterrupted economic upswing. However, a bubble cannot be excluded. A correction of US markets of 20 % and more would not seem completely out of line bearing in mind the 1987 episode. Such a drop would affect economic activity via reduced investment and consumption plans by companies and households.

Possible impact of a stock market correction on GDP growth: some simple arithmetic

Focusing only on the direct potential impact of wealth effects on consumption and GDP, some simple arithmetic might give a first indication of the magnitudes involved. The marginal propensity to consume out of financial wealth in the form of shares is found in most studies to be between 0.03 and 0.05.

Assuming a 0.05 propensity, the consequences of a stock market correction of 20 % are significant. In the US it would lower GDP growth by nearly 2 % points and in the EU by 1.1 % point, but there are sizeable differences among Member States. The smaller impact in the EU is explained by the lower stock market capitalisation. If the marginal propensity to consume out of wealth were lower in the EU than the in US, the impact is proportionally scaled down.

In interpreting these estimates several points should be borne in mind:

- these figures are of a comparative-static and long-term nature. In other words, they are to be considered as upper bounds in this respect;

GRAPH 2**: World stock markets**

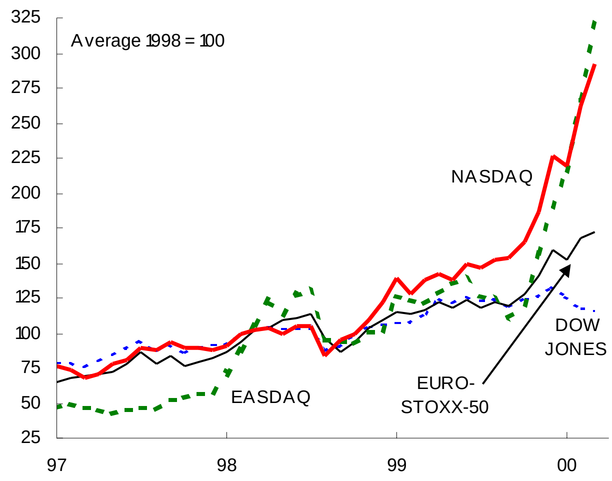


TABLE : **Impact of a share price correction of - 20 % on real GDP**

(In % points)	Propensity private consumption / financial wealth in shares		
	0.01	0.03	0.05
B	- 0.14	- 0.42	- 0.70
DK	- 0.12	- 0.37	- 0.62
D	- 0.15	- 0.44	- 0.73
EL	- 0.32	- 0.96	- 1.59
E	- 0.15	- 0.45	- 0.75
F	- 0.21	- 0.63	- 1.06
IRL	- 0.16	- 0.47	- 0.79
I	- 0.13	- 0.40	- 0.66
L	- 0.38	- 1.13	- 1.88
NL	- 0.34	- 1.03	- 1.71
A	- 0.03	- 0.10	- 0.16
P	- 0.14	- 0.41	- 0.68
FIN	- 0.60	- 1.81	- 3.02
S	- 0.33	- 1.00	- 1.67
UK	- 0.40	- 1.21	- 2.02
EUR-11	- 0.18	- 0.53	- 0.88
EU-15	- 0.22	- 0.66	- 1.10
USA	- 0.38	- 1.14	- 1.90
Japan	- 0.35	- 1.04	- 1.73

- only the direct consumption/wealth effect is taken into account. Bringing in the investment transmission channel would raise the impact;
- the relative amount of shares held by households should be the basis for the calculations. In this respect, the present estimates are an upper bound as e.g. financial institutions and non-residents also hold shares.

QUEST model estimates

DG ECFIN's QUEST model incorporates stock market valuations in the investment and consumption decisions. It permits a more complete analysis. Second round effects via international trade and financial linkages are included and the impact of policy reactions can be simulated.

TABLE : **Impact of share price correction of –20 % on real GDP growth**

(% from base line)	**1st year**	**2nd year**
1. Global correction, pricking the bubble		
EU-15	- 1.1	- 0.5
USA	- 1.4	- 0.7
Japan	- 1.1	- 0.7
2. Global correction, pricking the bubble EU and US short interest rates cut by 1 % in first year		
EU-15	- 0.1	- 0.1
USA	- 0.2	- 0.1
Japan	- 1.2	- 0.6
3. Correction only in the US, pricking the bubble		
EU-15	0	+ 0.1
USA	- 1.4	- 0.7
Japan	+ 0.1	0
4. Correction only in the US, change in risk equity premium		
EU-15	+ 0.5	+ 0.2
USA	- 3.9	- 2.7
Japan	+ 0.3	0

Source: In't Veld, Jan, "Risk re-assessment in stockmarket and currency markets: simulations with the QUEST model", mimeo, February 2000

The model also allows being more specific about the shock. In the first three scenarios there is no economic rationale for the rise in stock prices ("irrational exuberance"). Economic agents have only partially adapted their behaviour. It is a bubble that at a certain moment is pricked. The consequences work mainly via the consumption/wealth effect. In the fourth scenario the rise in share prices is seen as driven by a fall in the risk equity premium and, in particular, investment is assumed to have responded. A sudden increase in the equity risk premium to its long-term average has a stronger impact.

Under the assumption of a global, across-the-board, stock market downward correction of 20 % and no accommodating monetary policy in the first year, US GDP would fall by 1.4 % in the first and 0.7 % in the 2nd year after the correction; the respective impact on EU GDP would be 1.1 % and 0.5 %. These figures are somewhat lower than those obtained above, as they represent the effects only in the first and second year, and not the long-term result as in the calculation above.

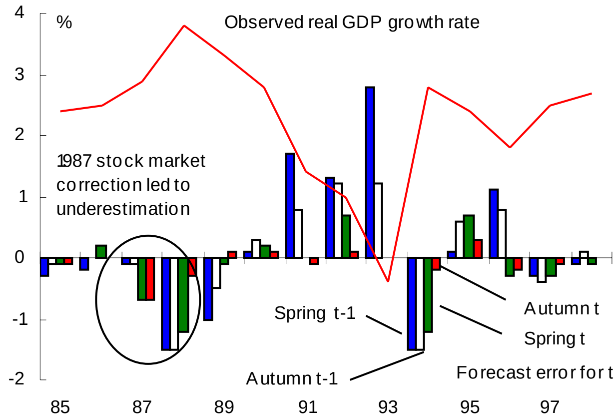
However, the results change dramatically if short-term interest rates are lowered in the first year, resulting in a looser monetary stance compared to the first scenario. The model then predicts almost no negative impact on GDP both in the US and the EU.

The less realistic scenario of a downward correction by 20 % only in the US would, on the other hand, have no negative effect on growth outside the US. The reduction in external demand is balanced by the market-induced cut in interest rates provoked by a capital flow out of the US to the EU and Japan.

The 1987 experience

The US stock markets suffered from a severe setback on 19 October 1987, when the Dow Jones Industrials lost in one trading day around 25% of its value. This crash was followed by similar movements in the other major markets and high volatility in the global stock markets over the following several months.

GRAPH 3 : **GDP forecast error revisions for EU-15**



Source : Keereman, Filip, Economic Papers No.137, 1999

The Commission forecasts during that period were clearly under the impression of these events, and gave initially much more prominence to the possible negative fallout of those dramatic financial markets developments. The Autumn 1987 forecast for 1987 was, ex-post wrongly, revised downward from the previous Spring forecast and the forecasts for 1988 were equally too gloomy (2.3 % instead of a 3.8 % outturn).

However, one of the reasons behind this divergence between expectations and outcome might indeed have been in the monetary policy response: monetary authorities, led by the US Federal reserve, immediately and thoroughly eased monetary conditions after the crash; the Fed Funds rate dropped by around 100 basis points by the end of October, and 10-year government bond yields dropped within one week by around 130 basis points and by another 70 basis points by early March 1988. Interest rates also fell in Europe, although to different extents; short-term rates fell most strongly in Germany (by 80 bps from October to November 1987) whereas other Member States, in order to stem capital outflows, even saw rising rates (as in France).

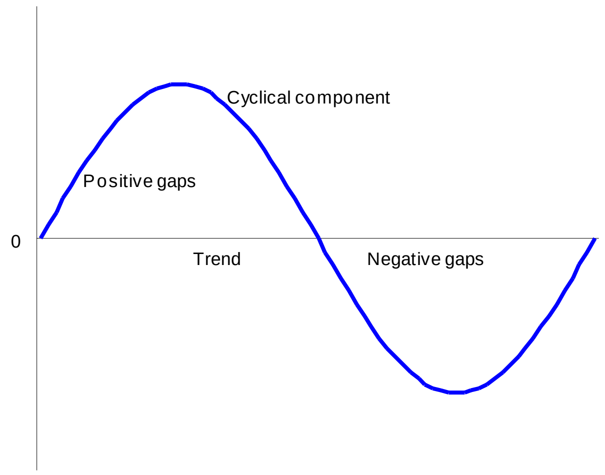
4. Output gap measures

The present document contains two different measures of the output gap. This dichotomy comes from the fact that output gaps are non-observable concepts and may thus be measured in various ways.

Measurement methods fall into two broad families: the output gap as a percentage of trend GDP and the output gap as a percentage of potential GDP.

Trend output gap

GRAPH 1 : **Stylised representation of HP filter**



When output gaps are basically used for "purging" some data (e.g. budget variables) from the mechanical impact of the business cycle, then the output gap may be defined as the discrepancy between effectively observed statistical data and a trend, extracted by the well-known statistical methods[2] that try to disaggregate series into: trend, cycle, seasonal movements and erratic components.

This basically amounts to a filtering process, taking out of the series the "high frequency" data.

All these methods require at least one arbitrary assumption and none therefore can be considered to be "better" than any other although some might be more computationally convenient.

The Commission in its analysis of budgetary data has for some time been using the Holdrick-Prescott filter to analyse a time-varying trend around which develop cyclical movements. Given the properties of the H.P. filter, these measured movements are symmetric around the trend. Thus, as shown by the graph, the closure of the gap from below does not mean that there is no remaining idle productive capacity but simply that the economy is about to enter in the upper part of the current business cycle.

It should thus be considered as a warning that capacity limits are approaching but in no way implies that they are reached. Such cyclical corrections cancel out over the length of a full business cycle.

Capacity output gap

For broader macro-economic analysis a measure representing the full-capacity output of an economy rather than its trend may be desirable since it gives a better idea of overheating risks and induced inflationary pressures in the production field.

Such an indicator is basically asymmetric and must be based on the measurement of full capacity use of factors of production to which must be added autonomous technical progress (otherwise known as "total factor productivity").

When the economy is working below potential, gaps are thus always negative and, as a consequence, larger than those given by the HP-filter.

Measurement problems are, however, more severe than in the HP filter and similar statistical techniques since arbitrary choices must be made on:

- the analytical specification retained for the production frontier (Cobb-Douglas, CES, VES, Translog, Diewert, etc.);
- the estimation technique to be used for its parameters (linear, non-linear, calibration,…);
- the kind and number of inputs (labour, capital, energy, others);
- the evaluation of the potential level of all these inputs (filtering, use of NAIRU, NAWRU, etc.…);
- the definition of technical progress (endogenous or exogenous, Harrod-neutral, Hicks-neutral, etc.…).

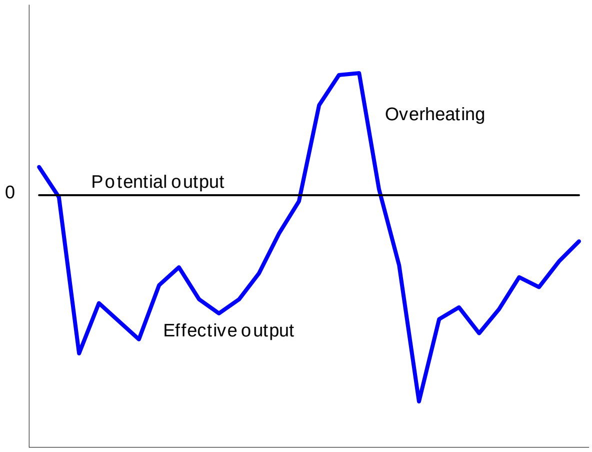
The series of potential output gaps published in this document are based on a simplified production frontier initially developed for the EU as a whole when unemployment reaches its maximum. As a consequence it was felt that at the highest macro-economic level labour was not a constraining factor whereas the lack of productive capital might be one. Thus the production

2 Peak to speak spectral analysis, unobserved components, Holdrick-Prescott, Beveridge-Nelson, Baxter-King, etc.

frontier used determines the growth of potential output from the growth of the capital stock only.

This amounts to assuming that technical progress is fully endogenous and totally capital embodied. For the EU as a whole, the measure gives plausible results, given other indicators of the cyclical position of the EU economy, clearly showing the strong overheating that took place in the second half of the eighties and the large negative output gaps that appeared in the beginning of the 90s following the 1993 recession and 1996 growth slowdown.

GRAPH 2 : **Stylised representation of potential output gap.**



At member country level, however, the estimates are still tentative, very provisional and counter-factual for some countries (e.g. the Netherlands).

On this question, one may also wonder whether in the euro area, given the internal market and the introduction of the euro, a single country output gap still has a meaning since all producers now have free and secure access to the full supply capacity of the euro area even (if tempered by “brand fidelity”, differences in tastes, etc…).

This is one specific consequence of the euro-single market combination that is presently being investigated by the Commission services.

Statistical Annex: list of tables

STATISTICAL ANNEX : SPRING 2000 ECONOMIC FORECASTS

TABLE 1 : Gross domestic product, volume (percentage change on preceding year, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.9	1.8	3.0	1.5	2.7	3.5	2.7	1.8	2.3	2.7	3.5	2.8	3.3
DK	4.3	2.0	1.3	2.6	2.4	3.1	2.7	1.5	1.4	1.9	2.0	2.1	2.1
D	4.3	1.7	3.4	2.0	1.9	1.5	2.2	1.5	1.5	2.6	2.9	2.7	2.9
EL	8.5	1.7	1.2	1.2	3.5	3.4	3.7	3.4	3.5	3.8	3.9	3.9	4.0
E	7.2	1.9	4.5	1.3	3.5	3.8	4.0	3.6	3.7	3.6	3.8	3.5	3.4
F	5.4	2.2	3.1	1.1	2.7	2.0	3.2	2.5	2.8	2.9	3.7	3.0	3.2
IRL	4.4	3.8	4.6	4.6	8.2	10.7	8.9	7.8	8.3	6.9	7.5	5.8	6.2
I	5.3	2.7	2.9	1.3	1.9	1.8	1.5	1.1	1.4	2.2	2.7	2.5	2.7
L	4.0	1.8	6.4	5.4	5.2	7.3	5.0	5.0	5.0	5.3	5.6	5.5	5.7
NL	4.9	1.9	3.1	2.1	3.6	3.8	3.7	3.0	3.5	3.2	4.1	3.3	3.7
A	4.9	2.3	3.2	1.9	2.4	1.2	2.9	2.1	2.3	2.8	3.2	2.6	3.0
P	6.9	2.2	5.5	1.8	3.4	3.5	3.5	3.1	2.9	3.3	3.6	3.3	3.5
FIN	5.0	2.7	3.3	-0.7	4.7	6.3	5.0	3.9	3.5	4.0	4.9	4.0	4.2
S	4.1	1.8	2.3	0.6	2.8	2.0	3.0	3.7	3.8	3.5	3.9	2.8	3.3
UK	3.2	1.4	3.3	1.6	2.8	3.5	2.2	1.8	2.0	3.4	3.3	3.6	3.0
EU-15	4.8	2.0	3.2	1.5	2.6	2.5	2.7	2.1	2.3	3.0	3.4	3.0	3.1
EUR-11	5.2	2.1	3.3	1.5	2.6	2.3	2.7	2.1	2.3	2.9	3.4	2.9	3.1
USA	4.4	2.8	3.3	2.4	3.9	4.5	4.3	3.8	4.1	2.8	3.6	2.5	3.0
JAP	9.4	3.4	4.6	1.4	1.2	1.6	-2.5	1.3	0.3	1.6	1.1	2.1	1.8

TABLE 2 : Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 1999-2001) [1]

	1999/1	1999/2	1999/3	1999/4	2000/1	2000/2	2000/3	2000/4	2001/1	2001/2	2001/3	2001/4
B	0.8	1.0	1.2	1.0	0.7	0.7	0.7	1.1	0.8	0.8	0.8	0.8
DK	-0.6	0.8	0.8	1.0	-0.1	0.3	0.6	0.7	0.4	0.4	0.6	0.6
D	0.3	0.4	0.5	0.6	0.7	0.9	1.0	0.8	0.6	0.5	0.6	0.7
EL	-	-	-	-	-	-	-	-	-	-	-	-
E	0.9	1.0	1.0	0.9	0.9	0.8	0.9	0.8	0.9	0.7	0.9	0.7
F	0.4	0.8	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
IRL	-	-	-	-	-	-	-	-	-	-	-	-
I	0.3	0.5	0.8	0.4	0.7	0.9	0.7	0.8	0.6	0.6	0.6	0.6
L	-	-	-	-	-	-	-	-	-	-	-	-
NL	0.7	0.9	1.0	1.2	1.2	0.7	0.9	1.1	0.8	1.0	1.0	1.0
A	0.5	0.6	0.7	0.8	0.9	0.8	0.8	1.0	0.7	0.5	0.7	0.6
P	-	-	-	-	-	-	-	-	-	-	-	-
FIN	0.3	0.9	1.3	1.3	1.0	1.1	1.5	1.5	0.7	0.8	1.0	1.1
S	1.0	0.8	0.8	0.8	1.1	1.1	1.0	0.8	0.8	0.7	0.8	0.7
UK	0.4	0.7	1.0	0.8	0.8	0.9	0.6	1.1	0.6	0.8	0.4	0.9
EU-15	0.5	0.6	1.0	0.9	0.8	0.9	0.8	0.9	0.7	0.7	0.7	0.7
EUR-11	0.6	0.5	1.0	0.9	0.8	0.9	0.9	0.9	0.7	0.7	0.7	0.7
USA	0.8	0.6	1.0	1.5	0.4	1.0	0.7	0.7	0.8	0.7	0.8	0.8
JAP	1.5	1.0	-1.0	-1.4	0.3	1.2	1.8	1.4	-0.3	-0.4	0.2	0.1

[1] Forecast III-2000 from 1999/4 onwards.

TABLE 3 : Profiles (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 1999-2001) [1]

	1999/1	1999/2	1999/3	1999/4	2000/1	2000/2	2000/3	2000/4	2001/1	2001/2	2001/3	2001/4
B	1.0	1.3	2.9	4.1	4.0	3.6	3.1	3.2	3.3	3.3	3.4	3.1
DK	0.6	1.9	0.9	2.0	2.5	2.1	1.9	1.6	2.1	2.2	2.1	2.0
D	1.3	1.3	1.4	1.8	2.3	2.8	3.3	3.5	3.4	3.0	2.6	2.5
EL	-	-	-	-	-	-	-	-	-	-	-	-
E	3.6	3.7	3.8	3.9	4.0	3.8	3.7	3.6	3.5	3.4	3.4	3.3
F	2.4	2.4	2.9	3.2	3.6	3.7	3.6	3.6	3.5	3.3	3.2	3.1
IRL	-	-	-	-	-	-	-	-	-	-	-	-
I	1.0	1.1	1.5	2.1	2.5	2.8	2.7	3.0	2.9	2.7	2.6	2.5
L	-	-	-	-	-	-	-	-	-	-	-	-
NL	3.1	3.3	3.7	3.9	4.4	4.1	4.1	3.9	3.5	3.8	3.9	3.8
A	2.3	2.2	2.3	2.6	2.9	3.2	3.3	3.6	3.4	3.1	2.9	2.4
P	-	-	-	-	-	-	-	-	-	-	-	-
FIN	3.5	3.4	3.4	3.8	4.6	4.8	5.0	5.1	4.8	4.5	4.0	3.6
S	3.7	3.4	3.6	3.5	3.6	3.9	4.1	4.1	3.7	3.4	3.1	3.0
UK	1.4	1.6	2.1	2.9	3.3	3.5	3.1	3.4	3.3	3.2	3.0	2.7
EU-15	1.7	1.8	2.3	3.1	3.1	3.3	3.3	3.5	3.3	3.1	3.0	2.8
EUR-11	1.7	1.8	2.3	3.1	3.1	3.3	3.4	3.5	3.4	3.2	3.0	2.8
USA	3.7	3.9	4.0	4.1	3.7	4.1	3.7	2.8	3.2	2.9	2.9	3.0
JAP	-0.4	0.7	1.0	0.0	-1.2	-1.0	1.9	4.8	4.3	2.6	0.9	-0.4

[1] Forecast III-2000 from 1999/4 onwards.

TABLE 4 : Final domestic demand, volume (percentage change on preceding year, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.8	1.4	3.6	1.2	2.6	2.7	4.1	2.0	1.8	2.2	3.1	2.4	2.9
DK	4.6	1.3	0.4	2.9	2.5	4.4	4.5	0.2	0.1	1.6	1.7	2.1	1.8
D	4.5	1.3	3.5	2.1	1.8	0.7	2.5	1.8	2.2	2.2	2.3	2.4	2.8
EL	8.9	1.5	2.5	1.5	3.7	4.1	3.2	3.5	3.5	3.8	3.9	4.0	4.2
E	7.7	1.3	6.6	0.8	3.8	3.2	5.0	5.2	4.9	4.4	4.2	4.1	3.8
F	5.6	1.6	3.5	0.7	2.4	0.8	3.7	2.9	2.8	3.0	3.6	2.8	3.2
IRL	5.1	2.1	3.3	2.7	8.2	9.5	9.4	8.7	8.0	7.6	7.6	6.5	6.8
I	5.3	2.4	3.4	0.3	2.4	2.5	2.9	2.4	2.5	2.4	2.5	2.7	2.9
L	4.1	1.5	6.5	3.8	3.8	5.6	2.3	3.3	5.6	2.9	2.7	3.4	3.8
NL	4.9	1.6	3.0	1.5	3.7	3.4	4.2	3.2	3.8	3.3	4.3	3.4	3.8
A	4.9	1.9	3.0	2.3	2.2	0.5	2.7	2.1	2.5	2.4	3.0	2.3	2.4
P	7.3	1.1	7.6	2.8	4.5	4.6	6.3	4.8	4.8	4.0	4.0	4.0	4.0
FIN	5.0	2.5	4.2	-2.7	3.6	4.7	4.3	4.1	1.8	3.6	3.8	3.6	3.1
S	3.7	1.4	2.8	-0.9	2.6	0.7	3.8	2.8	3.6	3.5	3.7	2.8	3.3
UK	3.2	1.2	4.0	1.1	3.5	3.8	4.2	3.4	3.4	4.1	3.6	4.2	3.0
EU-15	4.9	1.6	3.8	1.1	2.8	2.2	3.6	2.9	3.0	3.1	3.2	3.2	3.1
EUR-11	5.3	1.7	3.9	1.1	2.6	1.8	3.5	2.8	2.9	2.9	3.1	2.9	3.2
USA	4.3	2.7	2.7	2.4	4.4	4.7	5.5	4.9	5.2	2.8	4.1	2.1	2.9
JAP	9.5	2.8	5.4	1.3	1.1	0.2	-3.1	1.5	0.7	1.6	1.0	1.8	2.2

TABLE 5 : Final demand, volume (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	6.2	1.9	4.4	2.3	3.5	4.4	4.2	2.1	2.3	3.6	4.9	3.7	4.6
DK	5.0	1.9	1.5	3.1	3.0	4.4	3.6	1.1	1.7	2.4	2.5	2.7	2.6
D	4.9	2.0	3.9	2.5	3.0	2.8	3.5	2.1	2.7	3.3	3.9	3.2	4.0
EL	9.1	1.9	2.7	1.8	4.0	4.7	3.3	3.7	3.8	4.2	4.3	4.4	4.5
E	8.1	2.0	6.2	2.5	5.1	5.6	5.4	5.5	5.7	5.5	5.6	5.2	5.2
F	6.0	2.2	3.7	1.4	3.2	2.7	4.2	2.6	3.0	3.5	4.4	3.4	3.8
IRL	5.8	3.9	5.4	6.4	10.9	12.9	14.8	10.2	10.4	8.9	9.7	7.8	8.2
I	5.8	2.8	3.7	1.6	2.8	3.4	3.0	1.6	1.8	3.0	3.7	3.3	3.7
L	5.1	2.2	6.3	4.2	5.8	8.3	6.8	5.6	5.4	5.0	5.2	5.4	5.5
NL	6.1	2.1	3.8	2.6	4.7	5.6	5.1	3.7	4.1	4.3	5.5	4.5	4.6
A	5.7	2.9	3.9	2.7	3.9	3.5	4.1	2.7	3.4	3.8	4.9	3.8	4.4
P	8.0	1.8	8.1	3.1	5.0	5.4	6.6	4.7	4.5	4.6	4.7	4.6	4.6
FIN	5.3	2.8	3.8	-0.2	5.1	7.4	5.9	3.9	3.5	4.2	5.1	4.2	4.5
S	4.4	1.8	2.9	1.0	4.1	4.5	5.0	3.6	4.1	4.4	4.9	3.6	4.4
UK	3.5	1.6	4.0	1.9	4.0	4.9	3.8	3.2	3.2	4.8	4.4	4.6	3.8
EU-15	5.4	2.1	4.0	2.0	3.7	4.0	4.1	2.9	3.2	4.0	4.5	3.9	4.1
EUR-11	5.9	2.3	4.2	2.1	3.6	3.8	4.2	2.8	3.2	3.8	4.5	3.8	4.2
USA	4.5	3.0	3.4	2.9	4.6	5.6	5.2	4.7	5.1	3.1	4.3	2.7	3.3
JAP	9.7	3.2	5.2	1.6	1.5	1.5	-3.0	1.2	0.8	1.8	1.6	2.4	2.4

TABLE 6 : Gross domestic product at current market prices (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	9.2	8.8	6.3	4.3	4.0	4.9	4.3	2.4	3.4	3.9	4.7	4.4	4.8
DK	11.7	11.2	5.6	4.1	4.6	5.0	4.8	3.8	3.8	4.7	4.7	4.7	4.3
D	8.9	5.9	5.9	5.5	3.0	2.2	3.2	2.3	2.5	3.9	3.6	4.1	4.6
EL	13.3	21.0	18.6	15.4	8.2	10.3	8.7	6.5	6.5	6.1	6.6	6.4	7.2
E	14.9	17.2	12.2	6.8	6.3	6.1	6.3	6.4	7.0	6.1	6.5	5.7	5.8
F	10.7	12.5	6.6	3.2	3.8	3.4	4.1	3.3	3.2	4.3	4.7	4.5	4.6
IRL	11.8	17.0	7.9	7.5	12.4	14.6	15.1	11.9	12.1	11.4	11.7	9.8	10.7
I	11.0	19.4	10.2	6.2	4.6	4.3	4.2	2.7	2.9	4.1	4.7	4.4	4.9
L	8.7	8.5	8.8	8.1	7.1	10.8	6.6	6.1	6.2	6.8	6.8	7.4	7.8
NL	11.2	7.5	4.0	4.4	5.8	5.8	5.6	4.9	5.1	6.1	6.9	6.3	7.3
A	9.7	7.8	5.8	5.1	3.4	2.8	3.5	2.8	3.4	3.8	3.8	3.7	3.8
P	11.1	23.4	19.6	9.9	6.5	6.9	7.8	5.9	6.0	6.2	5.8	6.2	6.2
FIN	12.1	13.6	9.1	1.5	6.1	8.5	8.1	5.3	4.5	5.3	6.1	5.1	5.9
S	9.2	11.7	9.4	4.0	4.3	3.2	4.3	3.9	4.3	4.9	5.9	4.7	5.6
UK	8.5	14.0	9.4	5.1	5.7	6.5	5.4	4.0	4.8	6.0	6.1	6.2	5.7
EU-15	10.2	12.8	8.4	5.3	4.6	4.5	4.7	3.6	3.9	4.8	5.1	5.0	5.2
EUR-11	10.6	12.4	7.9	5.2	4.3	4.0	4.5	3.5	3.7	4.6	4.8	4.7	5.1
USA	7.8	9.7	6.6	5.0	5.6	6.3	5.6	5.1	5.7	4.6	5.7	4.5	4.5
JAP	16.2	9.1	6.1	2.4	0.9	1.9	-2.2	0.9	-1.3	2.0	1.2	3.1	2.6

TABLE 7 : Private consumption expenditure, volume (percentage change on preceding year, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.3	2.0	2.9	1.4	2.2	2.2	3.8	1.9	2.0	2.0	2.2	2.1	2.4
DK	3.8	1.5	0.6	3.1	2.3	3.7	3.5	1.0	0.6	1.7	1.4	1.6	1.6
D	4.9	1.9	3.6	2.3	1.8	0.7	2.3	1.7	2.1	2.1	2.2	2.5	3.0
EL	6.8	3.4	3.1	1.8	2.6	2.7	2.1	2.6	2.6	3.0	3.0	3.0	3.0
E	7.2	1.6	4.7	1.1	3.4	2.9	4.1	4.2	4.4	3.6	3.8	3.2	3.3
F	5.3	2.1	2.7	0.7	2.2	0.2	3.4	2.3	2.3	2.8	3.1	2.6	3.0
IRL	3.8	2.2	3.4	3.1	7.2	7.3	7.5	7.7	7.7	6.9	7.2	6.3	6.7
I	6.0	3.1	3.5	0.9	2.1	3.0	2.3	1.5	1.7	2.3	1.9	2.5	2.3
L	4.6	2.6	5.1	2.3	3.3	3.8	2.3	2.7	3.0	2.8	3.2	2.8	3.0
NL	5.6	2.0	2.8	2.2	3.8	2.6	4.1	4.0	4.1	3.6	3.9	3.7	3.9
A	4.6	2.4	3.2	2.2	2.0	0.1	1.5	1.9	2.4	2.4	2.7	2.0	2.2
P	6.0	1.4	5.2	2.6	3.9	2.6	5.8	4.8	4.4	3.5	3.5	3.4	3.5
FIN	5.2	2.6	3.6	-0.9	3.6	3.5	4.6	3.8	2.8	3.3	3.0	2.8	3.3
S	3.4	1.1	2.4	-0.3	2.8	1.7	2.4	3.4	4.1	3.3	3.7	2.8	3.4
UK	3.0	1.6	4.7	1.2	3.4	3.9	3.2	4.2	4.0	3.7	3.1	3.5	2.6
EU-15	4.9	2.1	3.6	1.4	2.6	2.1	3.0	2.7	2.8	2.9	2.8	2.8	2.9
EUR-11	5.5	2.2	3.4	1.4	2.4	1.6	3.0	2.4	2.6	2.7	2.7	2.7	3.0
USA	4.5	3.1	3.2	2.6	4.1	3.7	4.9	5.0	5.3	2.5	4.4	1.8	2.7
JAP	8.7	3.2	4.4	1.9	1.3	0.5	-0.5	1.9	1.2	2.2	0.6	2.4	2.9

TABLE 8 : Government consumption expenditure, volume (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	5.5	2.2	0.3	1.6	1.5	0.0	1.4	2.2	2.2	1.7	1.3	2.0	1.7
DK	5.8	3.0	0.6	2.1	1.8	1.0	3.0	1.5	1.2	1.4	1.4	1.4	1.2
D	4.5	2.2	1.4	1.9	0.5	-1.1	0.5	0.5	0.2	0.5	0.7	0.6	0.8
EL	6.2	5.0	-0.1	0.5	1.1	1.7	2.1	-0.2	0.5	0.5	0.7	0.5	0.6
E	4.5	5.0	6.6	2.7	1.9	2.7	2.0	1.3	1.8	1.5	1.7	1.5	1.6
F	4.0	2.9	2.4	2.3	1.7	1.7	1.1	1.4	1.7	1.2	1.7	1.1	1.4
IRL	5.2	3.7	-0.7	2.6	4.2	4.8	5.7	5.2	3.8	4.7	4.7	3.1	3.7
I	4.0	2.6	2.8	-0.2	0.8	0.8	0.7	2.1	0.6	0.0	0.5	1.5	1.0
L	3.4	2.4	3.9	2.7	3.2	2.1	2.8	2.9	3.3	2.9	3.2	3.0	3.2
NL	2.9	2.8	2.2	1.2	2.1	3.3	3.3	2.4	2.6	1.9	2.0	2.5	1.8
A	3.2	2.7	1.2	1.9	1.0	-0.4	2.0	1.1	2.3	1.0	0.7	0.9	0.0
P	9.1	6.7	6.3	3.3	2.5	2.1	3.3	3.0	4.0	2.0	2.0	2.0	2.0
FIN	5.4	3.9	3.2	-0.5	1.5	4.1	1.5	0.6	0.3	0.7	0.3	0.7	0.3
S	4.9	2.7	1.5	0.3	1.1	-1.0	2.2	1.3	1.8	1.1	1.4	1.0	1.3
UK	2.5	1.4	1.0	1.1	1.8	-1.4	0.7	3.2	3.4	2.2	3.1	2.7	3.5
EU-15	3.9	2.6	2.1	1.5	1.3	0.5	1.2	1.7	1.6	1.1	1.5	1.4	1.5
EUR-11	4.2	2.8	2.5	1.6	1.2	0.8	1.2	1.4	1.3	0.9	1.2	1.3	1.2
USA	2.5	2.4	2.7	-0.2	1.6	1.8	1.5	1.6	1.7	1.6	1.8	2.0	2.0
JAP	4.9	3.8	2.5	2.4	-0.4	1.5	1.5	1.2	1.3	0.6	1.2	0.2	-9.3

TABLE 9 : Total investment, volume (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	5.1	-0.6	9.4	-0.1	4.4	6.5	3.7	2.6	5.8	3.3	5.0	3.5	4.5
DK	6.5	-0.9	0.9	2.9	4.5	10.3	7.1	0.7	2.1	0.8	0.9	2.9	2.2
D	3.9	-0.3	4.8	1.8	1.8	0.5	1.4	2.8	2.3	3.7	3.9	3.2	3.9
EL	9.6	-2.2	2.3	-0.2	9.3	13.2	8.0	7.8	8.3	8.3	8.8	8.6	9.3
E	10.5	-0.9	11.6	-0.7	6.3	5.0	9.2	10.8	8.3	8.5	7.2	7.7	6.4
F	7.7	-0.1	6.3	-1.2	4.0	0.5	5.7	6.1	7.1	5.6	6.0	5.0	5.2
IRL	9.9	0.7	4.5	2.4	13.6	17.3	15.9	13.7	12.5	11.7	10.8	9.4	9.1
I	4.5	0.3	4.3	-1.2	4.2	1.2	4.1	3.4	4.4	5.1	6.2	4.6	5.6
L	4.9	-2.7	14.3	6.3	4.8	10.9	1.9	5.6	10.1	3.0	3.7	5.0	6.4
NL	5.4	0.0	3.7	1.0	5.8	5.9	5.2	2.5	5.7	3.4	6.3	4.2	5.2
A	6.5	0.9	5.3	2.7	3.8	0.8	6.8	3.0	3.5	3.6	5.1	4.0	4.8
P	7.9	-1.3	11.0	2.0	7.6	10.4	10.0	6.4	6.0	6.2	6.2	6.0	6.3
FIN	4.8	1.0	4.9	-9.5	7.3	11.9	7.8	7.5	4.8	7.4	6.1	7.3	5.0
S	4.4	0.5	5.5	-4.8	5.3	-2.2	9.4	7.0	8.1	7.3	6.1	6.0	5.9
UK	4.6	0.9	5.7	-0.5	6.2	7.5	10.8	4.7	5.2	6.0	5.2	8.9	4.0
EU-15	5.7	-0.1	5.8	-0.2	4.5	3.3	5.7	4.9	5.1	5.3	5.6	5.4	5.1
EUR-11	5.8	-0.2	6.1	0.0	4.0	2.3	4.7	4.9	5.0	5.2	5.6	4.8	5.1
USA	5.3	2.7	1.5	4.1	7.4	8.2	10.7	8.6	8.4	4.6	5.1	3.5	3.5
JAP	14.0	1.6	8.4	0.1	1.3	-0.8	-7.4	0.3	-0.7	-0.3	2.1	0.8	4.5

TABLE 10 : Investment in construction, volume (percentage change on preceding year, 1971-2001) **21.03.2000**

								1999 estimate of		2000 forecast of		2001 forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	2.4	-2.5	8.1	0.7	2.8	5.9	4.2	2.3	3.4	3.0	3.5	3.0	3.0
DK	5.1	-3.4	0.1	-1.0	1.9	8.3	3.6	-4.7	-3.9	-4.3	-2.9	0.5	-1.0
D	4.0	-1.4	3.1	4.0	-1.0	-1.4	-3.9	-1.0	0.0	1.2	0.8	1.0	1.3
EL	14.5	-3.3	0.8	-2.8	9.0	17.3	9.0	7.7	7.7	8.5	9.0	8.7	9.5
E	7.3	-1.5	11.3	0.2	4.7	2.3	7.0	11.0	8.3	8.2	6.5	7.1	5.5
F	6.1	-1.1	4.1	-2.1	1.1	-2.9	1.4	5.5	5.5	4.2	3.2	3.3	2.5
IRL	8.0	0.6	3.3	3.5	13.7	16.8	13.8	12.5	12.5	11.5	11.5	9.9	9.9
I	0.5	-1.3	2.4	-2.4	0.9	-1.8	0.1	3.8	1.8	4.3	2.7	2.2	0.8
L	-	-	-	-	1.6	-0.6	3.8	-	2.3	-	3.8	-	4.5
NL	0.4	-1.6	3.7	0.3	4.0	3.2	2.8	2.3	6.4	3.0	5.7	3.8	3.8
A	10.1	-0.1	4.9	3.7	1.6	-1.6	4.1	0.7	1.3	1.3	2.1	1.9	2.1
P	-	-	8.8	3.9	6.0	11.8	6.2	4.5	4.8	4.0	3.0	3.0	3.0
FIN	6.3	0.4	3.7	-11.1	7.4	12.6	10.3	7.8	3.9	8.6	5.4	7.9	3.8
S	-0.5	-1.1	3.9	-8.3	1.5	-13.6	4.6	7.1	3.8	7.5	6.7	7.5	7.2
UK	2.0	-0.4	6.4	-1.1	4.4	4.4	7.3	3.7	5.7	6.0	5.1	7.3	4.3
EU-15 [1]	4.1	-1.1	4.8	-0.2	1.9	0.1	1.9	3.5	3.7	4.2	3.6	4.0	3.1
EUR-11 [1]	4.4	-1.2	4.7	0.3	1.5	-0.2	0.9	3.4	3.4	3.9	3.2	3.3	2.7
USA	6.6	1.4	-0.3	0.7	5.2	4.5	5.7	10.5	9.5	2.8	3.9	1.8	1.9
JAP	9.3	0.2	8.6	0.3	0.1	-4.9	1.9	1.5	1.9	0.6	-0.9	1.7	0.0

[1] Excluding Portugal up to 1985.

TABLE 11 : Investment in equipment, volume (percentage change on preceding year, 1971-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	3.1	2.3	10.3	-2.1	5.5	6.9	3.3	3.0	7.4	3.7	6.0	4.0	5.6
DK	3.8	3.5	1.2	4.1	5.8	12.9	7.3	2.3	5.7	2.1	2.7	2.9	3.5
D	0.2	1.6	7.2	-2.4	5.6	3.4	9.2	6.8	5.1	6.1	7.9	5.3	6.9
EL	11.9	0.7	5.4	4.6	11.0	8.2	7.2	8.5	10.0	8.7	9.1	9.2	9.5
E	10.9	-0.5	13.0	-2.4	9.5	11.3	13.7	10.4	8.4	9.1	8.3	8.7	8.0
F	9.2	1.4	8.5	-0.1	6.6	3.7	9.9	6.7	8.8	6.9	8.2	6.4	7.0
IRL	13.8	1.6	6.0	1.8	13.7	15.7	23.7	15.9	12.9	12.5	10.4	9.1	8.3
I	8.4	2.8	6.3	-0.1	5.9	3.2	6.0	3.1	6.2	5.8	8.7	6.4	8.8
L	-	-	-	-	7.8	24.9	-1.5	-	19.0	-	3.5	-	8.0
NL	0.4	2.8	3.6	1.3	7.1	7.3	7.9	1.2	4.0	3.5	7.0	4.3	6.8
A	6.4	2.4	6.1	1.4	6.1	4.3	9.8	5.4	5.3	6.2	8.0	6.4	6.9
P	-	-	13.5	1.9	9.7	11.7	14.4	8.0	7.0	8.0	9.0	8.5	9.0
FIN	6.2	1.6	6.4	-9.3	8.2	12.2	5.1	8.0	5.1	6.9	9.2	7.3	6.8
S	6.9	3.2	6.9	-0.6	8.5	4.4	15.1	6.7	11.5	7.3	5.9	5.4	5.1
UK	4.3	1.9	5.2	-0.1	8.3	10.5	14.9	6.3	6.2	5.7	5.3	10.3	3.8
EU-15 [1]	5.4	2.0	7.3	-0.8	6.8	5.6	9.7	6.0	6.7	6.3	7.5	6.8	6.9
EUR-11 [1]	5.5	1.9	7.8	-1.1	6.5	4.8	8.9	6.0	6.6	6.4	8.1	6.3	7.6
USA	10.3	4.7	3.7	7.6	9.3	11.5	15.2	7.2	7.6	6.0	6.1	4.8	4.8
JAP	7.5	4.2	9.9	-0.3	5.3	2.3	-3.9	-1.3	-3.9	-1.4	5.8	-0.3	9.7

[1] Excluding Portugal up to 1985.

TABLE 12 : Public investment (in percentage of GDP, 1971-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.8	3.9	1.8	1.5	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7
DK	4.4	3.1	1.7	1.8	1.7	1.9	1.7	1.7	1.5	1.7	1.6	1.7	1.6
D	4.3	3.2	2.4	2.6	1.8	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7
EL	2.9	2.8	2.9	3.2	3.9	3.5	3.7	3.8	4.2	3.9	4.3	4.0	4.3
E	2.7	2.5	3.9	4.1	3.3	3.1	3.2	3.3	3.3	3.4	3.4	3.6	3.5
F	3.7	3.3	3.3	3.3	2.9	3.0	2.9	3.0	2.9	3.0	2.9	2.9	2.9
IRL	4.1	4.6	2.3	2.2	2.8	2.5	2.7	2.5	3.1	2.6	3.1	2.7	3.2
I	2.8	3.3	3.4	2.7	2.4	2.2	2.4	2.6	2.6	2.6	2.6	2.6	2.5
L	4.0	5.2	-	4.7	4.8	4.2	4.6	4.7	4.9	4.8	5.1	4.6	5.2
NL	3.8	2.9	2.0	2.2	3.0	2.9	2.8	3.0	3.1	3.0	3.2	3.0	3.1
A	5.1	4.4	3.3	3.2	1.9	1.9	1.9	1.8	1.8	1.8	1.6	1.8	1.6
P	2.3	3.5	3.2	3.7	4.5	4.4	4.4	4.3	4.6	4.4	4.6	4.4	4.7
FIN	3.9	3.9	3.6	3.2	2.8	3.2	2.9	2.8	2.8	2.7	2.7	2.7	2.6
S	5.6	3.9	2.4	2.4	2.7	2.6	2.7	2.6	2.8	2.5	2.5	2.5	2.5
UK	4.7	3.0	1.8	1.9	1.4	1.2	1.3	1.3	1.2	1.5	1.4	1.7	1.6
EU-15 [1]	4.0	3.2	2.7	2.7	2.3	2.2	2.2	2.3	2.3	2.3	2.3	2.4	2.3
EUR-11 [1]	3.7	3.3	3.0	2.9	2.5	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.4
USA	3.1	2.8	2.8	2.8	-	2.7	2.7	-	-	-	-	-	-
JAP	5.9	6.4	5.9	7.0	-	5.7	-	-	-	-	-	-	-

TABLE 13 : Output gap relative to trend GDP (deviation of actual output from trend output as percentage of trend GDP, 1961-2001) [1] 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-0.1	0.1	0.0	0.2	-0.5	-0.7	-0.5	-0.4	-0.7	-0.1	0.0	0.3	0.6
DK	0.5	-0.6	1.2	-1.5	0.8	1.5	1.7	0.7	0.6	0.2	0.2	-0.1	-0.1
D	0.3	-0.4	-0.8	2.2	-0.8	-1.2	-1.0	-1.3	-1.5	-0.7	-0.6	0.0	0.2
EL	0.5	-0.1	-0.7	-0.4	-0.2	-1.2	-0.4	0.1	0.0	0.7	0.7	1.5	1.5
E	0.2	-0.3	1.3	0.2	-0.7	-1.5	-0.6	-0.2	-0.1	0.2	0.3	0.3	0.3
F	0.2	-0.2	0.4	0.3	-0.9	-2.1	-1.3	-0.6	-1.0	-0.1	0.0	0.4	0.5
IRL	-0.3	1.0	-0.7	-2.7	1.8	1.3	2.6	3.6	3.3	3.3	3.3	2.0	2.1
I	0.3	-0.3	0.8	-0.1	-0.5	-0.5	-0.8	-1.2	-1.2	-0.7	-0.4	0.0	0.2
L	0.1	-0.7	0.4	1.5	-0.3	0.0	-0.2	0.0	-0.4	0.3	0.1	0.9	0.8
NL	-0.2	-0.1	0.1	0.1	-0.2	-0.6	-0.3	0.2	-0.2	0.2	0.5	0.3	0.8
A	-0.1	0.1	-0.7	1.1	-0.7	-1.5	-1.0	-0.7	-1.1	-0.2	-0.3	0.0	0.1
P	0.2	-0.5	0.5	0.5	-0.5	-0.8	-0.4	-0.1	-0.5	0.1	-0.1	0.3	0.3
FIN	0.2	-0.5	4.8	-4.6	0.0	-0.4	0.9	1.3	0.6	1.4	1.3	1.3	1.3
S	0.2	-0.4	2.5	-1.6	-0.4	-1.8	-1.3	0.0	-0.2	0.8	0.9	0.9	1.4
UK	0.2	-0.9	2.9	-1.6	0.2	0.6	0.2	-0.6	-0.3	0.2	0.4	1.1	0.8
EU-15	0.2	-0.3	0.6	0.3	-0.5	-0.9	-0.7	-0.7	-0.8	-0.1	0.0	0.4	0.5
EUR-11	0.2	-0.2	0.2	0.8	-0.7	-1.2	-0.8	-0.7	-1.0	-0.3	-0.2	0.2	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.
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, 1974-2001) [1]

							1999 estimate of		2000 forecast of		2001 forecast of	
	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-1.7	0.7	-1.5	-0.9	-0.1	-0.7	-	-1.1	-	-0.2	-	-0.6
DK	-0.9	-3.8	-1.3	-1.7	-0.6	-1.6	-	-2.9	-	-2.2	-	-2.2
D	-1.6	1.4	-1.1	-1.3	-1.9	-1.1	-	-1.8	-	-0.3	-	0.0
EL	-3.8	-1.6	-2.6	0.5	-0.1	1.4	-	1.0	-	0.9	-	0.7
E	-1.2	-1.8	-3.9	-1.9	-2.2	-2.1	-	-1.8	-	-1.6	-	-1.4
F	-1.6	0.3	-1.9	-2.3	-4.0	-2.7	-	-2.0	-	-0.7	-	0.0
IRL	-3.4	-1.7	-2.3	-1.1	-2.2	-1.2	-	-0.1	-	0.0	-	0.2
I	-2.2	0.4	-2.6	-2.6	-3.3	-3.1	-	-2.6	-	-1.8	-	-1.2
L	-1.8	-3.3	-3.9	-2.9	-3.3	-3.4	-	-2.8	-	-1.9	-	-1.1
NL	-2.3	-2.4	-2.3	-1.2	-2.1	-2.0	-	-1.0	-	-0.1	-	0.4
A	0.7	0.1	-0.3	-0.4	-1.0	-0.3	-	-0.4	-	0.2	-	0.1
P	-3.4	-0.6	-0.5	-0.7	-0.7	-0.4	-	-0.6	-	-0.4	-	-1.0
FIN	-0.1	1.8	-7.7	-1.9	-2.7	-2.6	-	-1.3	-	-1.0	-	-0.7
S	-1.2	-2.0	-1.7	-0.6	-1.2	-0.7	-	-0.1	-	0.2	-	0.1
UK	-0.1	5.8	0.9	0.3	0.1	0.7	-	0.0	-	0.3	-	0.2
EU-15	-1.4	0.9	-1.6	-1.2	-1.8	-1.3	-	-1.2	-	-0.4	-	0.0
EUR-11	-1.7	0.3	-2.0	-1.9	-2.7	-2.1	-	-2.0	-	-1.2	-	-0.7

[1] Output gaps are non observable concepts and can be measured in different ways. Analysis based on them should be treated with prudence.

TABLE 15 : Deflator of gross domestic product (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.1	6.8	3.2	2.7	1.3	1.3	1.6	0.5	1.0	1.2	1.1	1.5	1.5
DK	7.0	9.0	4.2	1.5	2.2	1.8	2.1	2.2	2.4	2.7	2.6	2.5	2.2
D	4.4	4.1	2.4	3.4	1.0	0.8	1.0	0.8	1.0	1.3	0.6	1.4	1.7
EL	4.4	19.0	17.1	14.0	4.6	6.7	4.9	3.0	2.9	2.3	2.7	2.4	3.1
E	7.2	15.0	7.4	5.4	2.7	2.1	2.3	2.7	3.1	2.4	2.7	2.1	2.3
F	5.1	10.1	3.4	2.1	1.1	1.4	0.9	0.8	0.4	1.3	1.0	1.5	1.3
IRL	7.2	12.8	3.2	2.8	3.8	3.5	5.6	3.9	3.5	4.2	3.8	3.9	4.3
I	5.5	16.3	7.1	4.9	2.6	2.4	2.7	1.7	1.5	1.8	1.9	1.8	2.1
L	4.4	6.7	2.2	2.5	1.8	3.3	1.5	1.1	1.2	1.4	1.2	1.8	2.0
NL	6.0	5.4	0.8	2.2	2.1	2.0	1.9	1.8	1.5	2.8	2.7	2.9	3.4
A	4.6	5.4	2.5	3.2	1.0	1.6	0.6	0.7	1.0	1.1	0.6	1.1	0.8
P	3.9	20.8	13.3	8.0	3.0	3.3	4.1	2.7	2.9	2.8	2.1	2.8	2.6
FIN	6.8	10.5	5.6	2.2	1.4	2.1	2.9	1.4	1.0	1.2	1.2	1.1	1.6
S	4.9	9.8	7.0	3.4	1.4	1.2	1.3	0.1	0.5	1.4	1.8	1.8	2.3
UK	5.1	12.4	5.9	3.5	2.9	2.9	3.2	2.2	2.7	2.4	2.7	2.6	2.6
EU-15	5.2	10.6	5.0	3.8	1.9	1.9	2.0	1.5	1.6	1.8	1.7	1.9	2.0
EUR-11	5.2	10.0	4.4	3.6	1.7	1.6	1.7	1.3	1.3	1.7	1.4	1.7	1.9
USA	3.3	6.7	3.3	2.5	1.6	1.7	1.2	1.3	1.5	1.8	2.1	2.0	1.5
JAP	6.2	5.6	1.4	0.9	-0.3	0.3	0.3	-0.4	-1.6	0.4	0.1	0.9	0.8

TABLE 16 : Price deflator of private consumption (percentage change on preceding year, 1961-2001) 21.03.2000

								1999		2000		2001	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	3.7	7.4	2.2	2.3	1.4	1.5	0.8	1.2	1.1	1.3	1.5	1.4	1.5
DK	6.6	9.6	3.8	1.6	1.9	1.9	1.8	2.2	2.1	2.4	2.4	2.0	1.7
D	3.4	4.3	1.4	3.3	1.4	1.7	0.9	0.7	0.8	1.3	1.5	1.3	1.6
EL	3.6	18.2	17.6	13.8	4.3	5.5	4.7	2.4	2.5	2.2	2.5	2.2	2.6
E	6.5	15.4	6.6	5.6	2.6	2.5	2.0	2.3	2.8	2.2	2.5	2.0	2.2
F	4.7	10.6	3.1	2.5	1.3	1.4	0.9	0.8	0.8	1.2	1.2	1.4	1.2
IRL	6.3	13.8	3.2	2.6	3.2	2.4	3.7	3.0	3.3	3.1	4.0	2.9	3.0
I	4.9	15.9	6.1	5.8	2.5	2.2	2.1	1.7	2.1	1.9	2.3	1.7	2.1
L	3.0	7.4	2.4	3.0	1.6	1.7	1.7	0.9	1.0	1.2	2.0	1.3	1.8
NL	5.1	5.7	0.9	2.5	2.2	2.1	1.8	2.3	2.0	2.4	2.4	2.8	3.2
A	4.1	5.8	2.0	3.0	1.3	1.8	0.7	0.6	0.6	1.2	1.2	1.1	1.1
P	3.9	22.2	12.2	7.7	2.4	2.7	1.8	2.3	2.3	2.5	2.2	2.3	2.1
FIN	5.7	10.7	4.3	3.0	1.8	1.3	2.1	1.3	1.8	1.9	2.3	1.7	2.0
S	4.8	10.3	6.7	4.7	1.4	2.2	1.0	0.7	0.7	1.3	1.4	1.6	1.8
UK	4.8	11.9	5.4	4.2	2.5	2.5	2.5	1.6	2.2	1.9	2.1	2.0	2.3
EU-15	4.6	10.9	4.4	4.2	2.0	2.1	1.7	1.4	1.6	1.7	1.9	1.7	1.9
EUR-11	4.6	10.4	3.8	3.9	1.8	1.9	1.4	1.3	1.5	1.6	1.8	1.6	1.8
USA	2.9	6.8	3.8	2.6	1.7	1.7	0.9	1.6	1.6	2.4	2.3	2.4	1.7
JAP	6.1	6.5	1.2	1.1	0.3	1.7	0.2	-0.3	-0.5	0.2	-0.2	0.8	0.5

TABLE 17 : Consumer prices (general index) (percentage change on preceding year, 1961-2001)

								1999		2000		2001	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.0	7.6	2.1	2.4	1.5	1.6	1.0	1.2	1.1	1.3	1.5	1.4	1.5
DK	6.2	9.7	3.9	2.0	2.1	2.2	1.8	2.4	2.5	2.5	2.5	2.2	1.7
D	3.4	4.4	1.4	3.5	1.3	1.8	0.9	0.6	0.6	1.2	1.5	1.3	1.5
EL	3.3	18.7	17.4	13.9	4.4	5.5	4.8	2.4	2.6	2.1	2.7	2.1	2.7
E	6.8	15.5	6.5	5.2	2.4	2.0	1.9	2.3	2.3	2.2	2.5	2.0	2.2
F	4.6	10.4	3.1	2.2	1.1	1.2	0.7	0.5	0.5	1.1	1.1	1.3	1.2
IRL	5.9	14.1	3.3	2.5	2.3	1.5	2.4	1.7	1.6	2.1	3.5	2.3	2.8
I	4.7	15.6	5.7	5.0	2.3	2.0	1.9	1.7	1.7	1.8	2.1	1.6	1.9
L	3.2	7.3	1.7	2.8	1.4	1.4	0.9	0.9	1.0	1.2	2.0	1.3	1.8
NL	5.1	5.9	0.8	2.9	2.4	2.3	2.0	2.3	2.2	2.0	2.5	2.8	3.5
A	4.2	5.7	2.2	3.2	1.2	1.3	0.9	0.6	0.6	1.2	1.2	1.1	1.1
P	6.1	22.3	11.3	7.1	2.4	1.8	2.8	2.3	2.3	2.5	2.2	2.3	2.1
FIN	5.7	10.9	4.9	2.3	1.4	1.2	1.4	1.1	1.2	1.7	2.3	1.5	2.0
S	4.6	9.8	6.2	4.2	0.8	0.5	-0.1	0.4	0.3	1.4	1.6	2.0	2.1
UK	5.1	12.2	5.9	3.4	2.6	3.1	3.4	1.6	1.6	2.7	2.7	2.7	2.6
EU-15	4.7	10.9	4.4	3.9	1.9	2.0	1.8	1.3	1.3	1.8	2.0	1.8	1.9
EUR-11	4.6	10.4	3.7	3.7	1.7	1.7	1.3	1.2	1.2	1.5	1.8	1.6	1.7
USA	3.2	7.6	4.0	3.1	2.4	2.3	1.6	2.2	2.3	2.4	2.6	2.4	2.4
JAP	6.2	6.7	1.4	1.4	0.4	1.7	0.6	-0.3	-0.3	0.3	-0.2	0.7	0.5

TABLE 18 : Consumer prices (harmonised index) (percentage change on preceding year, 1961-2001)

								1999		2000		2001	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-	-	-	-	1.3	1.5	0.9	1.2	1.1	1.2	1.3	1.3	1.4
DK	-	-	-	1.8	1.9	1.9	1.3	2.0	2.1	2.2	2.4	1.9	1.7
D	-	-	-	-	1.2	1.5	0.6	0.6	0.6	1.2	1.6	1.2	1.6
EL	-	-	-	-	4.1	5.4	4.5	2.1	2.1	1.9	2.3	1.9	2.3
E	-	-	-	-	2.4	1.9	1.8	2.3	2.2	2.2	2.5	2.0	2.2
F	-	-	-	2.3	1.2	1.3	0.7	0.6	0.6	1.1	1.1	1.3	1.2
IRL	-	-	-	-	2.5	1.2	2.1	2.3	2.5	2.5	3.7	2.1	3.0
I	-	-	-	5.1	2.2	1.9	2.0	1.7	1.7	1.8	2.1	1.6	1.9
L	-	-	-	-	1.4	1.4	1.0	0.9	1.0	1.2	2.0	1.3	1.8
NL	-	-	-	2.3	2.2	1.9	1.8	2.1	2.0	1.8	2.4	2.6	3.4
A	-	-	-	2.8	1.1	1.2	0.8	0.5	0.5	1.1	1.3	1.0	1.0
P	-	-	-	7.0	2.3	1.9	2.2	2.2	2.2	2.5	2.2	2.3	2.1
FIN	-	-	-	2.6	1.5	1.2	1.4	1.3	1.3	1.9	2.3	1.8	2.0
S	-	-	-	-	1.3	1.8	1.0	0.6	0.6	1.5	1.6	1.9	2.0
UK	-	-	-	3.8	1.7	1.8	1.6	1.4	1.3	1.5	1.4	1.6	1.6
EU-15	-	-	-	-	1.7	1.7	1.3	1.2	1.2	1.5	1.8	1.6	1.7
EUR-11	-	-	-	-	1.6	1.6	1.1	1.2	1.1	1.5	1.8	1.5	1.8
USA	-	-	-	-	-	-	-	-	-	-	-	-	-
JAP	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 19 : Price deflator of exports of goods in national currency (percentage change on preceding year, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	2.2	8.3	-0.7	-0.6	2.0	5.1	-0.4	0.4	0.2	2.2	2.4	1.8	1.8
DK	-	8.6	0.6	0.2	1.3	1.8	-1.0	0.3	1.1	2.0	2.9	2.3	2.3
D	2.1	4.5	0.3	0.9	0.5	1.3	-0.1	0.5	-0.7	2.0	1.3	1.7	1.3
EL	3.6	17.1	10.7	8.7	3.1	2.6	2.3	1.4	2.0	3.4	4.8	2.4	1.4
E	-	14.4	0.6	3.4	1.3	3.2	0.1	-0.2	-0.4	1.5	2.4	1.6	1.8
F	2.5	9.3	-0.8	-1.5	1.1	3.4	-0.1	-0.3	-1.5	2.4	1.4	2.2	1.6
IRL	6.0	12.5	-0.8	1.1	1.8	1.1	2.8	2.0	1.3	3.2	3.5	1.8	2.6
I	2.3	16.3	1.0	5.5	0.9	0.1	0.6	-0.4	-0.5	2.0	2.8	1.6	1.9
L	-	7.1	-0.7	-2.0	0.1	1.2	0.1	-2.0	-2.0	2.0	1.5	2.0	1.8
NL	1.7	6.9	-4.0	-0.9	1.1	2.6	-1.6	-0.3	-0.7	3.9	3.9	2.3	2.1
A	-	-	-0.6	-0.1	0.7	0.3	0.2	0.5	-0.2	1.0	1.7	1.0	1.0
P	-	-	8.6	2.7	-0.2	-0.5	-0.2	0.9	-1.5	2.6	2.5	1.8	1.1
FIN	-	-	1.6	3.7	-1.4	-1.7	-1.5	1.3	-6.0	1.6	1.4	2.1	1.1
S	-	-	2.7	3.3	-1.0	-0.5	-0.6	-1.9	-1.4	-0.2	1.2	0.6	0.8
UK	4.1	12.5	0.0	3.3	-1.7	-5.2	-5.7	-0.9	-1.6	3.4	0.2	2.6	1.0
EU-15	2.6	9.4	0.0	1.5	0.5	0.8	-0.8	0.0	-0.8	2.3	1.9	1.9	1.6
EUR-11	2.3	9.0	-0.3	1.1	0.9	1.9	-0.1	0.2	-0.8	2.3	2.1	1.8	1.6
USA	3.2	5.8	1.2	0.3	-1.2	-2.7	-3.1	-1.6	-1.3	1.6	1.5	1.6	1.2
JAP	-	-	-	-	-	-	-	-8.4	-10.5	3.0	-0.4	4.7	1.0

TABLE 20 : Price deflator of imports of goods in national currency (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	2.3	9.4	-2.2	-0.7	2.0	5.8	-2.2	1.0	0.7	2.5	3.0	1.6	1.8
DK	-	10.7	-1.0	-0.7	0.7	3.9	-1.0	-1.6	-1.4	1.2	2.7	1.8	1.9
D	1.0	6.2	-3.2	-0.1	0.6	2.7	-2.6	0.8	-1.7	2.0	4.2	1.4	1.0
EL	2.9	19.9	9.9	8.5	3.3	1.7	4.9	1.2	0.5	4.2	6.6	2.5	1.2
E	-	17.8	-3.2	3.1	1.5	3.5	-1.1	0.0	0.4	3.3	4.3	1.8	1.8
F	2.2	13.3	-2.6	-1.7	1.2	2.5	-0.9	0.1	-0.3	2.3	2.5	2.2	1.2
IRL	3.9	14.7	-0.9	2.4	1.7	0.4	2.3	2.3	1.9	3.5	5.0	1.6	1.6
I	3.5	17.7	-2.9	4.9	0.5	0.6	-2.5	-0.4	0.6	2.6	5.6	1.7	1.0
L	-	8.4	-1.5	-1.8	-0.1	-0.7	-2.6	-1.0	0.6	2.5	2.5	2.1	1.7
NL	1.4	7.4	-4.0	-1.0	1.0	2.4	-2.1	0.0	-0.3	3.2	3.6	1.7	1.1
A	-	-	-0.8	0.1	1.1	1.3	-0.5	0.7	-0.7	2.1	3.2	0.9	1.0
P	-	-	4.6	0.7	0.2	0.0	-1.6	2.0	-1.0	3.1	4.0	1.8	1.1
FIN	-	-	-1.1	3.7	-0.3	-0.3	-4.1	1.0	-1.3	2.9	3.3	1.8	1.1
S	-	-	0.7	3.4	-0.4	1.2	-1.2	1.3	1.1	0.5	1.4	0.3	0.2
UK	4.7	12.5	0.9	3.6	-2.9	-6.7	-7.4	-2.3	-3.0	2.6	-1.1	2.2	1.1
EU-15	2.5	11.8	-1.7	1.2	0.4	0.9	-2.5	0.1	-0.7	2.5	3.1	1.7	1.2
EUR-11	2.0	11.6	-2.6	0.5	1.0	2.4	-1.8	0.5	-0.4	2.6	3.9	1.7	1.2
USA	3.3	8.5	2.8	0.1	-1.1	-4.1	-5.9	0.1	0.0	4.3	3.9	2.0	2.0
JAP	-	-	-	-	-	-	-	-10.5	-12.3	3.0	1.9	0.9	-0.5

TABLE 21 : Terms of trade of goods (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-0.1	-1.0	1.5	0.1	-0.1	-0.6	1.8	-0.6	-0.5	-0.3	-0.6	0.2	0.0
DK	-	-1.9	1.6	0.9	0.6	-2.1	0.1	1.9	2.5	0.8	0.2	0.5	0.3
D	1.1	-1.6	3.6	1.0	-0.1	-1.4	2.6	-0.3	1.0	0.0	-2.8	0.3	0.3
EL	0.7	-2.3	0.7	0.2	-0.2	0.8	-2.5	0.2	1.5	-0.8	-1.7	-0.2	0.2
E	-	-2.9	3.9	0.4	-0.2	-0.3	1.2	-0.1	-0.8	-1.7	-1.7	-0.2	-0.1
F	0.3	-3.5	1.9	0.2	-0.1	0.9	0.8	-0.4	-1.2	0.0	-1.1	0.0	0.4
IRL	2.1	-1.9	0.0	-1.2	0.1	0.7	0.4	-0.3	-0.6	-0.3	-1.5	0.2	1.0
I	-1.2	-1.2	4.0	0.5	0.3	-0.5	3.2	0.0	-1.1	-0.6	-2.7	-0.1	0.9
L	-	-1.2	0.8	-0.2	0.2	2.0	2.7	-1.0	-2.6	-0.5	-1.0	-0.1	0.0
NL	0.2	-0.4	0.0	0.2	0.1	0.2	0.5	-0.3	-0.4	0.6	0.3	0.6	0.9
A	-	-	0.2	-0.1	-0.4	-1.0	0.7	-0.2	0.5	-1.1	-1.5	0.0	0.1
P	-	-	3.8	2.0	-0.4	-0.4	1.5	-1.1	-0.5	-0.5	-1.4	0.0	0.0
FIN	-	-	2.7	-0.1	-1.0	-1.3	2.7	0.3	-4.7	-1.2	-1.8	0.3	-0.1
S	-	-	2.0	-0.1	-0.6	-1.6	0.6	-3.2	-2.5	-0.6	-0.2	0.3	0.6
UK	-0.6	0.0	-0.8	-0.3	1.2	1.6	1.8	1.4	1.4	0.8	1.4	0.4	-0.1
EU-15	0.1	-2.1	1.7	0.3	0.1	-0.1	1.8	-0.1	-0.1	-0.2	-1.2	0.2	0.3
EUR-11	0.3	-2.3	2.4	0.5	-0.1	-0.5	1.8	-0.3	-0.4	-0.3	-1.7	0.1	0.4
USA	-0.1	-2.5	-1.6	0.2	0.0	1.5	3.0	-1.7	-1.4	-2.6	-2.3	-0.4	-0.8
JAP	-	-	-	-	-	-	-	2.4	2.0	0.1	-2.3	3.8	1.5

TABLE 22 : Compensation of employees per head (percentage change on preceding year, 1961-2001) 21.03.2000

	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
B	9.1	9.4	4.0	4.7	2.1	2.8	2.1	1.8	2.1	2.3	2.2	2.4	2.1
DK	10.7	10.1	5.1	3.5	3.6	3.8	3.0	4.3	4.6	4.0	3.8	3.8	3.5
D	9.1	5.8	3.5	5.5	1.9	1.4	1.4	2.6	1.9	2.1	2.0	2.5	2.4
EL	10.1	21.5	16.8	12.1	6.8	12.4	5.8	4.3	4.8	4.3	4.7	4.2	4.5
E	14.6	18.0	8.0	6.4	2.9	2.5	3.0	2.4	2.4	2.6	2.9	2.7	2.6
F	9.9	12.9	4.1	2.9	2.2	2.1	2.4	2.1	1.9	2.1	2.1	2.3	2.4
IRL	11.3	16.7	5.6	4.3	5.4	4.3	5.3	6.0	6.0	6.4	6.5	6.6	7.0
I	11.4	18.2	8.5	5.0	2.6	4.2	-1.4	2.3	1.9	2.4	2.4	2.5	2.7
L	7.4	9.2	5.3	4.6	2.2	2.8	0.5	1.9	2.5	2.2	2.6	2.3	2.5
NL	10.7	6.1	1.4	3.0	2.8	1.8	2.6	3.7	3.7	3.7	4.0	3.0	3.4
A	9.4	8.4	4.5	4.6	1.8	0.6	2.9	2.5	2.8	2.3	1.6	2.2	2.0
P	10.9	24.1	16.7	10.5	4.5	3.7	3.7	5.3	5.1	5.7	4.8	5.6	4.7
FIN	11.2	13.4	8.7	3.3	3.5	1.7	4.7	3.5	3.7	4.0	4.0	4.0	4.0
S	8.4	10.7	9.2	4.5	4.1	3.1	3.3	3.4	3.0	3.8	4.1	4.1	4.3
UK	8.2	13.8	8.4	4.9	4.7	4.6	5.6	4.8	4.9	4.8	5.0	4.8	4.7
EU-15	9.9	12.4	6.1	4.9	2.9	2.8	2.3	3.0	2.8	2.9	3.0	3.1	3.1
EUR-11	10.5	12.0	5.3	4.8	2.3	2.2	1.5	2.5	2.2	2.4	2.5	2.6	2.6
USA	5.5	7.6	4.4	3.4	4.0	3.8	4.5	4.0	4.5	4.3	4.3	4.3	4.3
JAP	14.2	8.3	4.1	1.9	0.5	1.2	0.2	-0.5	-0.8	-0.5	-0.4	0.8	1.7

TABLE 23 : Real compensation of employees per head [1] (percentage change on preceding year, 1961-2001)

	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
B	5.2	1.9	1.7	2.3	0.7	1.3	1.3	0.6	1.0	1.0	0.7	1.0	0.6
DK	3.8	0.5	1.2	1.9	1.7	1.8	1.2	2.1	2.4	1.6	1.4	1.8	1.8
D	5.5	1.4	2.1	2.2	0.5	-0.3	0.5	1.9	1.1	0.8	0.6	1.1	0.7
EL	6.4	2.7	-0.7	-1.5	2.4	6.5	1.0	1.9	2.2	2.1	2.1	2.0	1.9
E	7.6	2.3	1.2	0.8	0.3	0.0	0.9	0.1	-0.4	0.4	0.3	0.7	0.4
F	5.0	2.1	1.0	0.4	0.9	0.6	1.4	1.3	1.1	0.9	0.9	0.9	1.2
IRL	4.7	2.6	2.3	1.7	2.2	1.8	1.5	2.9	2.7	3.2	2.4	3.6	3.9
I	6.3	2.0	2.2	-0.8	0.1	2.0	-3.4	0.6	-0.2	0.4	0.1	0.8	0.6
L	4.2	1.7	2.8	1.6	0.5	1.1	-1.1	1.0	1.5	1.0	0.5	1.0	0.6
NL	5.4	0.3	0.5	0.4	0.6	-0.3	0.8	1.4	1.7	1.3	1.6	0.2	0.3
A	5.1	2.4	2.4	1.5	0.6	-1.1	2.2	1.9	2.2	1.1	0.4	1.1	0.9
P	6.7	1.6	4.0	2.6	2.1	0.9	1.9	3.0	2.8	3.1	2.5	3.2	2.5
FIN	5.2	2.4	4.2	0.2	1.6	0.4	2.5	2.1	1.9	2.0	1.7	2.3	2.0
S	3.5	0.4	2.3	-0.2	2.6	0.8	2.3	2.7	2.3	2.4	2.6	2.4	2.4
UK	3.2	1.7	2.8	0.7	2.2	2.0	3.0	3.2	2.6	2.8	2.8	2.8	2.4
EU-15	5.0	1.4	1.6	0.7	0.8	0.7	0.7	1.6	1.1	1.2	1.1	1.4	1.2
EUR-11	5.7	1.5	1.5	0.9	0.5	0.3	0.1	1.2	0.7	0.8	0.6	1.0	0.8
USA	2.5	0.7	0.5	0.8	2.3	2.1	3.6	2.4	2.8	1.8	2.0	1.8	2.6
JAP	7.6	1.7	2.8	0.8	0.2	-0.6	0.0	-0.2	-0.3	-0.8	-0.2	-0.1	1.1

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

TABLE 24 : Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1961-2001)

	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
B	4.4	2.1	2.0	1.7	1.7	2.7	1.5	0.9	1.2	1.7	2.2	1.8	1.9
DK	3.2	1.5	1.0	3.1	1.2	1.0	0.5	1.3	0.6	2.1	1.8	2.1	1.8
D	4.0	1.9	1.9	2.3	1.9	2.3	1.8	1.3	1.2	2.3	2.5	2.4	2.2
EL	9.0	0.7	0.5	0.7	2.4	3.8	0.3	2.1	2.2	2.4	2.5	2.5	2.7
E	6.5	3.4	1.2	1.8	0.8	1.1	0.4	0.4	0.3	1.0	1.0	1.1	0.9
F	4.7	2.1	2.2	1.2	1.6	1.7	2.0	1.3	1.3	1.5	1.9	1.6	1.9
IRL	4.3	3.7	3.5	2.6	3.8	4.9	3.7	3.4	3.0	3.6	3.9	3.2	3.4
I	5.5	1.8	2.0	1.8	1.2	1.7	0.9	0.3	0.5	1.4	1.7	1.6	1.5
L	3.0	1.3	3.2	2.7	1.4	3.9	0.6	0.5	0.2	1.4	1.6	1.6	1.9
NL	3.3	1.5	0.8	1.0	1.1	0.6	1.2	0.9	1.0	1.1	1.5	1.1	1.4
A	4.9	2.2	2.4	1.5	1.8	0.7	1.9	1.1	1.3	2.1	2.4	2.1	2.2
P	6.6	2.6	4.4	2.3	1.7	1.9	0.9	1.7	1.1	2.4	2.4	2.3	2.2
FIN	4.5	2.4	3.0	3.2	2.3	2.9	3.0	1.7	0.2	2.0	2.5	2.7	2.7
S	3.5	1.0	1.2	2.8	2.1	2.6	1.7	1.1	1.5	1.7	2.5	2.1	2.6
UK	2.9	1.5	1.5	2.3	1.6	1.7	1.1	0.4	0.8	2.0	2.3	2.2	2.1
EU-15	4.4	2.0	1.8	1.9	1.5	1.8	1.3	0.9	1.0	1.8	2.1	1.9	1.9
EUR-11	4.8	2.2	1.9	1.8	1.5	1.7	1.4	1.0	0.9	1.7	2.0	1.8	1.8
USA	2.3	1.0	1.0	1.3	2.2	2.2	2.2	2.1	2.5	1.6	2.3	1.5	2.0
JAP	7.9	2.7	3.6	0.7	1.4	0.5	-1.9	2.1	1.1	1.1	1.6	1.4	2.4

TABLE 25 : Unit labour costs, whole economy [1] (percentage change on preceding year, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	4.5	7.1	1.9	3.0	0.4	0.1	0.6	1.0	0.9	0.6	0.0	0.6	0.2
DK	7.3	8.5	4.0	0.4	2.4	2.8	2.4	2.7	4.0	2.2	1.9	1.6	1.7
D	4.9	3.8	1.6	3.2	0.0	-0.8	-0.4	1.4	0.7	-0.3	-0.4	0.0	0.2
EL	1.0	20.6	16.2	11.4	4.3	8.4	5.5	2.1	2.5	1.8	2.1	1.7	1.8
E	7.6	14.2	6.7	4.6	2.1	1.5	2.6	2.3	2.0	1.8	1.9	1.6	1.7
F	5.0	10.6	1.9	1.6	0.6	0.4	0.4	1.0	0.6	0.6	0.2	0.7	0.5
IRL	6.8	12.5	2.1	1.7	1.6	-0.5	1.5	2.5	2.9	2.7	2.5	3.3	3.5
I	5.6	16.2	6.4	3.1	1.4	2.5	-2.3	2.1	1.4	1.0	0.8	0.9	1.1
L	4.3	7.8	2.1	1.8	0.8	-1.1	-0.1	1.4	2.3	0.8	1.0	0.7	0.6
NL	7.2	4.5	0.5	1.9	1.8	1.1	1.4	2.8	2.7	2.7	2.4	1.9	2.0
A	4.3	6.1	2.1	3.0	0.0	-0.1	1.0	1.3	1.5	0.2	-0.7	0.1	-0.2
P	4.0	20.9	11.7	8.0	2.7	1.8	2.8	3.6	4.0	3.2	2.4	3.2	2.4
FIN	6.4	10.7	5.5	0.0	1.1	-1.1	1.6	1.5	3.5	2.0	1.4	1.9	1.3
S	4.7	9.6	7.8	1.7	1.9	0.5	1.6	2.3	1.5	2.2	1.5	2.2	1.7
UK	5.1	12.1	6.9	2.6	3.1	2.9	4.4	4.3	4.1	2.7	2.6	2.6	2.6
EU-15	5.2	10.3	4.3	2.9	1.3	1.0	1.0	2.1	1.8	1.2	0.9	1.2	1.2
EUR-11	5.5	9.7	3.3	2.9	0.8	0.5	0.1	1.6	1.3	0.7	0.5	0.8	0.8
USA	3.2	6.5	3.3	2.1	1.8	1.6	2.3	1.9	1.9	2.7	2.0	2.7	2.2
JAP	5.8	5.5	0.5	1.2	-0.9	0.6	2.1	-2.5	-2.0	-1.6	-1.9	-0.6	-0.7

[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, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	0.4	0.3	-1.2	0.2	-0.9	-1.2	-0.9	0.4	-0.2	-0.6	-1.2	-0.9	-1.3
DK	0.2	-0.4	-0.2	-1.1	0.2	1.0	0.3	0.4	1.6	-0.5	-0.7	-0.9	-0.5
D	0.5	-0.3	-0.8	-0.2	-1.0	-1.6	-1.4	0.5	-0.3	-1.5	-1.1	-1.4	-1.5
EL	-3.2	1.3	-0.8	-2.3	-0.2	1.6	0.6	-0.9	-0.4	-0.4	-0.5	-0.7	-1.2
E	0.5	-0.8	-0.7	-0.8	-0.6	-0.7	0.3	-0.4	-1.1	-0.5	-0.8	-0.5	-0.6
F	-0.1	0.5	-1.5	-0.5	-0.5	-1.0	-0.6	0.2	0.2	-0.7	-0.8	-0.7	-0.8
IRL	-0.4	-0.2	-1.1	-1.1	-2.2	-3.9	-3.9	-1.3	-0.6	-1.4	-1.3	-0.6	-0.7
I	0.1	-0.1	-0.7	-1.7	-1.2	0.1	-4.9	0.4	0.0	-0.8	-1.1	-0.9	-1.0
L	-0.2	1.1	-0.2	-0.6	-1.0	-4.3	-1.6	0.4	1.2	-0.6	-0.2	-1.1	-1.4
NL	1.1	-0.9	-0.3	-0.3	-0.3	-0.8	-0.5	1.0	1.1	-0.2	-0.2	-1.0	-1.4
A	-0.3	0.6	-0.4	-0.2	-1.0	-1.6	0.3	0.6	0.4	-0.9	-1.2	-1.0	-1.0
P	0.1	0.1	-1.4	0.0	-0.2	-1.5	-1.2	0.8	1.0	0.4	0.3	0.4	-0.2
FIN	-0.4	0.1	-0.1	-2.1	-0.3	-3.1	-1.2	0.1	2.5	0.7	0.2	0.8	-0.4
S	-0.2	-0.1	0.8	-1.6	0.5	-0.8	0.3	2.1	0.9	0.8	-0.3	0.4	-0.6
UK	0.0	-0.3	0.9	-0.9	0.2	0.0	1.2	2.1	1.3	0.3	-0.1	0.0	0.1
EU-15	0.0	-0.3	-0.7	-0.8	-0.6	-0.9	-1.0	0.6	0.2	-0.6	-0.7	-0.7	-0.8
EUR-11	0.2	-0.3	-1.1	-0.7	-0.9	-1.1	-1.6	0.3	-0.1	-0.9	-0.9	-0.9	-1.1
USA	-0.1	-0.1	0.0	-0.4	0.1	-0.1	1.1	0.6	0.4	0.9	-0.1	0.7	0.7
JAP	-0.4	0.0	-0.8	0.3	-0.6	0.4	1.8	-2.2	-0.3	-2.0	-2.0	-1.5	-1.5

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

TABLE 27 : Total employment (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	0.5	-0.3	0.9	-0.2	1.0	0.8	1.2	0.9	1.1	1.0	1.3	1.0	1.4
DK	1.1	0.5	0.3	-0.5	1.2	2.1	2.1	0.2	0.8	-0.2	0.2	0.0	0.3
D	0.3	-0.2	1.5	-0.2	0.0	-0.8	0.4	0.2	0.3	0.3	0.4	0.3	0.7
EL	-0.5	1.0	0.7	0.6	1.1	-0.3	3.4	1.2	1.2	1.3	1.3	1.4	1.3
E	0.7	-1.4	3.3	-0.5	2.7	2.8	3.6	3.2	3.4	2.6	2.8	2.4	2.5
F	0.7	0.1	0.9	-0.2	1.0	0.3	1.2	1.3	1.5	1.4	1.7	1.3	1.3
IRL	0.1	0.1	1.1	1.9	4.3	5.6	5.0	4.2	5.1	3.2	3.5	2.4	2.7
I	-0.2	0.9	0.9	-0.6	0.7	0.1	0.6	0.8	1.0	0.8	1.1	0.9	1.2
L	1.1	0.5	3.2	2.7	3.8	3.3	4.4	4.5	4.8	3.8	4.0	3.8	3.8
NL	1.5	0.4	2.3	1.1	2.5	3.1	2.5	2.0	2.5	2.1	2.6	2.2	2.3
A	0.0	0.1	0.8	0.4	0.6	0.5	0.9	1.0	1.0	0.6	0.9	0.5	0.7
P	0.3	-0.4	1.1	-0.6	1.7	1.5	2.6	1.4	1.8	0.9	1.3	0.9	1.3
FIN	0.5	0.3	0.3	-3.8	2.3	3.3	2.0	2.2	3.3	2.0	2.3	1.2	1.5
S	0.6	0.8	1.0	-2.2	0.7	-0.6	1.3	2.6	2.2	1.7	1.4	0.7	0.7
UK	0.3	-0.1	1.8	-0.7	1.2	1.8	1.0	1.4	1.2	1.4	1.0	1.3	1.0
EU-15	0.4	0.0	1.4	-0.4	1.1	0.8	1.3	1.2	1.3	1.2	1.3	1.1	1.2
EUR-11	0.4	0.0	1.4	-0.3	1.0	0.6	1.3	1.2	1.4	1.1	1.4	1.1	1.3
USA	2.0	1.8	2.2	1.1	1.6	2.3	2.1	1.7	1.5	1.2	1.3	1.0	1.0
JAP	1.3	0.7	1.0	0.7	-0.2	1.1	-0.7	-0.9	-0.8	0.5	-0.5	0.7	-0.5

TABLE 28 : Number of unemployed (as a percentage of civilian labour force, 1964-2001) [1] 21.03.2000

	1964-73	1974-85	1986-90	1991-95	1996-01	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
B	2.0	7.7	8.7	8.5	9.0	9.4	9.5	8.6	9.0	8.3	8.5	8.0	7.9
DK	0.9	6.4	6.4	8.6	5.1	5.6	5.1	4.3	4.5	4.6	4.2	4.6	4.4
D	0.7	4.2	5.9	7.3	9.0	9.9	9.4	9.0	9.1	8.6	8.6	8.0	7.8
EL	4.2	3.8	6.6	8.3	10.0	9.8	10.7	9.4	10.4	9.0	10.0	8.6	9.6
E	2.8	11.3	18.9	20.9	17.2	20.8	18.7	15.7	15.8	13.9	13.8	12.3	12.1
F	2.2	6.4	9.7	11.1	11.1	12.3	11.7	11.1	11.0	10.5	10.0	9.8	9.4
IRL	5.7	10.6	15.5	14.5	7.7	9.8	7.7	6.4	6.5	5.5	5.7	4.9	5.1
I	5.2	7.0	9.5	10.1	11.3	11.7	11.9	11.7	11.3	11.3	10.9	11.0	10.4
L	0.0	1.7	2.1	2.5	2.7	2.8	2.8	2.5	2.7	2.4	2.6	2.2	2.4
NL	1.3	7.1	7.4	6.4	3.8	5.2	4.0	3.0	3.1	2.5	2.4	2.1	2.0
A	1.7	2.5	3.4	3.7	4.2	4.4	4.7	4.2	4.4	3.9	4.0	3.8	3.6
P	2.5	6.9	6.1	5.6	5.4	6.8	5.1	4.6	4.5	4.5	4.5	4.4	4.4
FIN	2.8	4.8	4.1	13.3	11.0	12.7	11.4	10.4	10.2	9.4	8.9	8.8	8.2
S	2.0	2.4	2.0	7.2	7.9	9.9	8.3	7.3	7.0	6.5	6.3	6.1	6.0
UK	2.0	6.9	9.0	9.5	6.5	7.0	6.3	6.0	6.1	5.5	5.8	5.3	5.6
EU-15	2.4	6.4	8.9	10.0	9.5	10.6	9.9	9.2	9.2	8.6	8.5	8.0	7.9
EUR-11	2.5	6.6	9.3	10.2	10.3	11.5	10.8	10.0	10.0	9.4	9.2	8.8	8.5
USA	4.6	7.5	5.9	6.6	4.7	4.9	4.5	4.2	4.2	4.4	4.3	4.7	4.6
JAP	1.2	2.2	2.5	2.6	4.3	3.4	4.1	4.9	4.7	5.0	4.9	4.7	5.4

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

TABLE 29 : Nominal bilateral exchange rates against Ecu/euro (1970-2001)

	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
B	49.78	43.18	43.21	40.50	40.25	40.53	40.62	40.34	40.34	40.34	40.34	40.34	40.34
DK	7.66	7.53	7.94	7.64	7.44	7.48	7.50	7.44	7.44	7.44	7.44	7.44	7.44
D	3.56	2.57	2.08	1.96	1.95	1.96	1.97	1.96	1.96	1.96	1.96	1.96	1.96
EL	33.18	59.58	168.30	266.36	322.20	309.35	330.73	325.10	325.70	326.60	330.92	326.60	330.95
E	71.94	98.60	135.41	146.41	165.50	165.89	167.18	166.39	166.39	166.39	166.39	166.39	166.39
F	5.64	6.02	6.94	6.71	6.56	6.61	6.60	6.56	6.56	6.56	6.56	6.56	6.56
IRL	0.45	0.66	0.77	0.79	0.78	0.75	0.79	0.79	0.79	0.79	0.79	0.79	0.79
I	664.26	1142.69	1505.31	1803.04	1940.12	1929.30	1943.65	1936.27	1936.27	1936.27	1936.27	1936.27	1936.27
L	49.78	43.18	43.21	40.50	40.25	40.53	40.62	40.34	40.34	40.34	40.34	40.34	40.34
NL	3.60	2.77	2.34	2.20	2.20	2.21	2.22	2.20	2.20	2.20	2.20	2.20	2.20
A	25.70	18.28	14.63	13.80	13.73	13.82	13.85	13.76	13.76	13.76	13.76	13.76	13.76
P	29.94	68.51	166.86	186.94	199.58	198.59	201.70	200.48	200.48	200.48	200.48	200.48	200.48
FIN	4.51	4.80	4.91	5.88	5.92	5.88	5.98	5.95	5.95	5.95	5.95	5.95	5.95
S	5.35	5.80	7.23	8.53	8.69	8.65	8.92	8.82	8.82	8.65	8.61	8.62	8.62
UK	0.45	0.59	0.69	0.76	0.68	0.69	0.68	0.67	0.66	0.66	0.62	0.66	0.63
EU-15	-	-	-	-	-	-	-	-	-	-	-	-	-
EUR-11	-	-	-	-	-	-	-	-	-	-	-	-	-
USA	1.11	1.11	1.14	1.24	1.11	1.13	1.12	1.07	1.07	1.07	1.02	1.08	1.02
JAP	351.18	274.00	163.73	141.04	125.98	137.08	146.41	123.50	121.72	115.40	106.81	114.40	105.76

TABLE 30 : Nominal effective exchange rates (percentage change on preceding year, 1970-2001)

	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
B	0.9	-0.2	2.4	1.7	-1.4	-4.0	0.2	-1.1	-1.1	-0.5	-1.6	-	0.1
DK	1.5	-0.9	3.1	1.8	-1.1	-3.1	1.0	-1.3	-1.4	-0.8	-2.3	-	0.1
D	6.0	3.2	4.3	2.3	-1.8	-4.8	0.5	-1.7	-1.8	-0.7	-2.2	-	0.1
EL	-4.7	-9.1	-10.8	-7.1	-2.3	-2.5	-6.0	-0.1	-0.3	-0.9	-3.2	-	0.1
E	0.7	-4.5	2.8	-3.7	-1.1	-4.7	-0.1	-1.3	-1.3	-0.4	-1.6	-	0.2
F	-1.2	-2.3	1.7	1.8	-1.0	-3.7	0.9	-1.6	-1.7	-0.6	-2.1	-	0.1
IRL	-1.0	-2.5	1.4	-0.5	-1.1	1.4	-4.8	-2.6	-2.7	-0.7	-2.9	-	0.2
I	-3.2	-6.7	1.4	-6.7	0.9	0.0	0.1	-2.0	-2.0	-0.6	-2.1	-	0.1
L	0.9	-0.2	2.4	1.7	-1.4	-4.0	0.2	-1.1	-1.1	-0.5	-1.6	-	0.1
NL	0.8	2.0	2.8	1.9	-1.4	-3.9	0.0	-0.8	-0.9	-0.4	-1.5	-	0.1
A	1.7	2.7	2.5	1.6	-1.1	-2.7	0.4	-0.9	-0.9	-0.4	-1.2	-	0.0
P	0.3	-11.2	-4.9	-0.8	-1.0	-2.3	-1.3	-0.8	-0.9	-0.3	-1.4	-	0.1
FIN	-1.8	-0.2	1.6	-2.1	-1.8	-3.3	-0.5	-1.9	-1.8	-0.8	-2.4	-	0.1
S	-0.1	-2.0	-0.2	-3.7	0.5	-4.0	-1.6	-1.6	-1.5	1.3	0.1	-	0.1
UK	-3.5	-1.9	-1.2	-3.0	4.1	15.9	3.9	-1.1	-0.2	0.2	4.0	-	-0.8
EU-15	1.7	-3.6	6.6	-2.1	-1.8	-4.8	2.2	-5.7	-5.8	-1.6	-4.8	-	0.0
EUR-11	3.6	-1.4	6.5	0.2	-2.7	-8.5	0.6	-3.9	-4.1	-1.5	-5.0	-	0.3
USA	-4.2	4.7	-3.9	0.5	3.3	7.7	6.1	-0.6	-0.5	-1.1	-0.1	-	0.8
JAP	4.8	4.2	7.5	9.5	0.6	-5.6	-5.5	14.9	16.4	6.7	10.1	-	1.3

TABLE 31 : Relative unit labour costs, to rest of 22 [1] industrialised countries (nat. curr.) (percentage change on preceding year, 1963-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1963-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-0.5	-0.5	-1.0	0.5	-0.8	-0.8	-0.5	-0.9	-0.7	-0.6	-1.0	-	-1.0
DK	2.1	0.0	-0.1	-2.0	1.1	1.9	0.8	1.0	2.5	0.5	1.0	-	0.4
D	-0.7	-4.8	-2.1	0.8	-1.4	-2.2	-1.9	-0.5	-1.0	-1.6	-1.6	-	-1.2
EL	-3.5	11.7	12.4	8.5	3.2	7.4	4.9	0.4	1.1	0.8	1.4	-	0.7
E	3.1	4.7	2.5	1.5	0.7	0.4	1.3	0.0	0.3	0.3	0.8	-	0.4
F	-0.3	2.1	-2.1	-1.2	-0.7	-0.8	-0.9	-1.0	-1.0	-0.6	-0.8	-	-0.7
IRL	2.0	2.4	-2.2	-0.8	0.2	-0.7	-1.0	0.3	1.0	1.2	1.3	-	2.1
I	1.0	7.9	2.9	0.4	0.2	1.7	-3.7	0.4	-0.7	-0.1	-0.1	-	0.0
L	-	-	-	-	-	-	-	-	-	-	-	-	-
NL	2.3	-3.0	-2.8	-0.8	0.8	0.4	0.5	1.1	1.3	1.7	1.8	-	1.0
A	-1.1	-1.5	-1.0	0.4	-0.8	-0.6	0.4	-0.2	0.3	-0.5	-1.2	-	-1.1
P	-0.4	11.1	7.7	5.2	1.4	0.9	1.4	1.7	2.3	2.0	1.4	-	1.2
FIN	1.6	2.0	1.2	-2.3	-0.4	-2.3	0.0	-0.2	0.8	0.6	0.4	-	-0.1
S	-0.8	1.1	3.7	-0.4	0.2	-0.8	-0.4	0.2	-2.1	0.6	0.3	-	0.2
UK	-0.1	3.7	3.6	0.2	1.9	2.0	3.2	2.8	2.6	1.4	1.6	-	1.3
EU-15	0.5	2.5	0.4	1.0	-0.2	-0.6	-1.6	1.1	0.2	-0.3	-0.5	-	-0.5
EUR-11	0.5	-0.2	-2.0	0.6	-1.2	-1.6	-2.8	-0.5	-0.9	-1.0	-1.2	-	-1.0
USA	-1.6	-2.6	-2.9	-1.2	-0.5	-1.4	-1.1	-0.2	-0.4	1.2	0.2	-	0.9
JAP	1.4	-2.4	-3.3	-1.2	-2.5	-0.8	0.3	-4.5	-3.8	-3.5	-3.5	-	-2.4

[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, 1963-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1963-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	0.0	-0.8	1.4	2.2	-2.2	-4.7	-0.3	-2.0	-1.8	-1.0	-2.6	-	-0.9
DK	2.3	-1.0	2.8	-0.3	0.0	-1.3	1.9	-0.3	1.1	-0.2	-1.3	-	0.5
D	1.9	-1.8	1.9	3.1	-3.2	-6.9	-1.4	-2.2	-2.8	-2.2	-3.8	-	-1.0
EL	-5.0	1.3	0.0	0.8	0.8	4.6	-1.4	0.3	0.9	-0.1	-1.8	-	0.8
E	2.2	-0.2	5.4	-2.4	-0.4	-4.3	1.2	-1.3	-1.0	-0.1	-0.8	-	0.6
F	-1.1	-0.3	-0.5	0.6	-1.8	-4.4	0.0	-2.6	-2.7	-1.3	-2.9	-	-0.6
IRL	1.3	-0.3	-0.9	-1.3	-0.9	0.8	-5.7	-2.3	-1.7	0.5	-1.6	-	2.3
I	-0.1	0.6	4.3	-6.5	1.1	1.7	-3.6	-1.6	-2.7	-0.8	-2.2	-	0.1
L	-	-	-	-	-	-	-	-	-	-	-	-	-
NL	2.8	-1.1	-0.1	1.1	-0.6	-3.5	0.6	0.3	0.4	1.3	0.3	-	1.1
A	-0.3	1.1	1.5	2.0	-1.9	-3.3	0.7	-1.2	-0.7	-0.9	-2.4	-	-1.1
P	0.2	-1.7	2.5	4.3	0.4	-1.5	0.1	0.9	1.4	1.7	-0.1	-	1.3
FIN	-1.0	1.7	2.8	-4.8	-2.2	-5.5	-0.5	-2.1	-1.1	-0.2	-2.0	-	0.1
S	-0.4	-1.1	3.5	-4.5	0.6	-4.8	-1.9	-1.3	-3.5	1.9	0.5	-	0.3
UK	-2.6	1.6	2.3	-2.9	6.0	18.2	7.3	1.7	2.4	1.7	5.6	-	0.6
EU-15	0.6	-1.5	6.8	-1.3	-2.0	-5.4	0.6	-4.7	-5.6	-1.9	-5.3	-	-0.5
EUR-11	2.0	-1.8	4.1	0.7	-4.0	-10.0	-2.3	-4.3	-5.0	-2.5	-6.2	-	-0.8
USA	-2.8	1.7	-6.9	-0.7	2.7	6.2	5.0	-0.8	-0.9	0.1	0.0	-	1.7
JAP	3.4	1.3	3.0	8.1	-2.4	-6.4	-5.2	9.7	12.0	2.9	6.3	-	-1.1

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

TABLE 33 : Short term interest rates (1961-1999)

	1961-73	1974-85	1986-90	1991-95	1996-99	1992	1993	1994	1995	1996	1997	1998	1999
B	5.3	10.7	8.1	7.5	3.3	9.4	8.2	5.7	4.7	3.2	3.4	3.6	3.0
DK	7.0	12.6	9.6	8.7	3.8	11.0	10.4	6.2	6.1	3.9	3.7	4.1	3.4
D	5.8	6.8	5.7	7.1	3.3	9.5	7.2	5.3	4.5	3.3	3.3	3.5	3.0
EL	-	-	17.8	22.1	12.8	23.5	23.5	24.6	16.3	13.8	12.8	14.4	10.1
E	-	-	13.9	11.1	5.0	13.3	11.7	8.0	9.4	7.5	5.4	4.3	3.0
F	5.7	11.0	8.7	8.2	3.5	10.4	8.6	5.9	6.6	3.9	3.5	3.6	3.0
IRL	-	13.4	10.5	8.8	5.0	12.4	9.3	5.9	6.3	5.4	6.0	5.5	3.0
I	4.2	15.5	12.1	11.0	5.9	14.0	10.2	8.5	10.3	8.7	6.8	5.0	3.0
L	5.3	10.7	8.1	7.5	3.3	9.4	8.2	5.7	4.7	3.2	3.4	3.6	3.0
NL	4.1	7.7	6.4	7.0	3.2	9.4	6.9	5.2	4.4	3.0	3.3	3.4	3.0
A	-	7.1	6.1	7.0	3.4	9.3	7.2	5.0	4.5	3.3	3.5	3.6	3.0
P	-	14.7	14.9	13.6	5.1	16.2	13.3	11.1	9.8	7.4	5.7	4.3	3.0
FIN	-	12.2	11.6	9.0	3.4	13.3	7.8	5.3	5.8	3.6	3.2	3.6	3.0
S	-	-	11.0	10.1	4.5	13.5	8.8	7.6	8.9	5.9	4.5	4.4	3.3
UK	6.8	11.9	11.9	7.9	6.5	9.6	5.9	5.5	6.7	6.0	6.8	7.5	5.5
EU-15	5.6	10.8	9.8	8.9	4.6	11.2	8.6	6.7	7.0	5.4	4.9	4.7	3.5
EUR-11	5.2	10.5	9.1	8.8	4.1	11.2	8.8	6.5	6.8	5.0	4.4	4.0	3.0
USA	4.5	8.6	7.0	4.6	5.5	3.5	3.1	4.7	6.0	5.5	5.7	5.5	5.4
JAP	-	7.8	5.2	3.6	0.5	4.4	3.0	2.3	1.2	0.6	0.5	0.8	0.3

TABLE 34 : Long term interest rates (1961-1999) 21.03.2000

	1961-73	1974-85	1986-90	1991-95	1996-99	1992	1993	1994	1995	1996	1997	1998	1999
B	6.5	10.6	8.5	8.1	5.4	8.6	7.2	7.8	7.5	6.5	5.8	4.7	4.8
DK	9.0	16.0	10.8	8.7	5.8	10.1	7.2	7.9	8.3	7.2	6.2	5.0	4.9
D	7.2	8.0	6.8	7.3	5.2	8.0	6.4	6.9	6.8	6.2	5.7	4.6	4.5
EL	-	13.6	-	-	-	-	-	-	-	-	9.3	8.5	6.4
E	-	-	12.9	11.2	6.2	12.2	10.1	10.1	11.3	8.7	6.4	4.8	4.7
F	6.9	12.2	9.1	7.8	5.3	8.6	6.7	7.3	7.5	6.3	5.6	4.6	4.6
IRL	-	14.6	10.2	8.5	5.7	9.1	7.8	8.1	8.3	7.3	6.3	4.8	4.6
I	7.0	15.1	12.3	12.0	6.4	13.7	11.1	10.4	11.9	9.2	6.7	4.8	4.8
L	-	8.1	8.0	7.5	5.3	7.9	6.8	7.2	7.2	6.3	5.6	4.7	4.6
NL	5.9	9.4	7.1	7.4	5.2	8.1	6.3	6.9	6.9	6.2	5.6	4.6	4.6
A	-	8.9	7.4	7.5	5.4	8.3	6.6	6.7	7.2	6.3	5.7	4.7	4.7
P	-	-	17.1	13.0	6.2	15.4	9.5	10.4	11.5	8.6	6.4	5.0	4.8
FIN	8.0	11.2	11.7	9.8	5.6	12.0	8.2	8.4	8.8	7.1	6.0	4.8	4.7
S	6.3	11.0	11.7	10.0	6.2	10.0	8.6	9.5	10.2	8.1	6.6	5.1	5.0
UK	7.6	13.0	9.9	8.5	6.4	9.1	7.3	8.1	8.2	7.8	7.0	5.7	5.0
EU-15	7.1	11.7	9.8	8.9	5.8	9.8	7.8	8.2	8.6	7.3	6.2	4.9	4.7
EUR-11	6.9	11.2	9.6	9.0	5.6	10.0	7.9	8.1	8.6	7.2	6.0	4.7	4.6
USA	5.0	9.5	8.6	7.1	5.9	7.7	5.8	7.1	6.6	6.4	6.3	5.4	5.6
JAP	-	7.8	5.5	4.7	2.1	5.3	4.0	4.2	3.3	3.0	2.2	1.4	1.8

TABLE 35 : Total expenditure, general government (as a percentage of GDP, 1970-2001) [1]

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	43.2	55.8	55.6	54.4	51.2	52.2	51.3	51.3	51.0	50.6	50.0	49.7	49.2
DK	41.2	51.9	55.5	59.3	55.8	57.2	56.1	54.9	54.9	54.2	54.3	53.5	53.5
D	40.1	47.6	46.0	48.1	47.8	48.6	47.7	48.1	47.8	47.3	47.2	46.3	46.1
EL [2]	23.6	31.9	43.4	46.8	43.2	43.5	43.2	53.2	43.2	52.7	42.8	52.1	41.8
E	21.8	30.9	40.7	45.3	41.9	42.7	42.2	41.6	41.1	41.2	40.7	40.9	40.5
F	36.8	45.5	50.2	52.8	52.3	53.4	52.5	52.4	52.4	51.4	51.1	50.6	50.2
IRL	34.3	45.2	43.3	39.7	36.3	37.6	35.5	34.2	36.4	33.2	35.4	32.6	33.6
I	35.0	43.9	52.0	54.5	49.4	50.9	49.4	49.3	48.8	48.2	47.8	47.3	46.8
L	30.9	44.4	-	-	44.1	44.0	43.9	-	44.1	-	43.6	-	42.7
NL	41.6	52.9	54.7	52.7	46.2	47.6	46.5	46.4	46.2	45.2	45.0	44.2	43.4
A	38.3	46.5	49.9	52.7	51.5	51.7	51.8	51.9	51.1	51.5	50.3	51.0	49.6
P	20.4	36.0	37.9	42.9	46.8	44.8	45.1	47.4	47.8	47.7	48.3	48.0	48.7
FIN	30.6	39.6	44.7	58.2	51.0	54.1	51.1	49.3	49.8	47.6	47.7	45.9	46.1
S	43.4	57.3	58.5	65.7	58.6	61.1	58.7	57.6	58.5	56.4	56.0	54.8	54.7
UK	37.5	43.8	39.9	42.6	40.5	41.5	40.2	39.9	39.3	39.1	39.1	38.6	39.1
EU-15	37.1	45.6	47.7	50.2	47.6	48.7	47.6	47.6	47.2	46.7	46.3	45.9	45.5
EUR-11	36.8	45.5	48.6	50.7	48.6	49.6	48.6	48.6	48.4	47.7	47.5	46.9	46.5
USA	30.6	32.9	34.9	35.4	32.5	33.2	32.8	33.9	32.3	33.3	31.5	32.7	30.9
JAP	21.2	30.7	32.0	33.8	38.2	35.3	37.0	38.7	40.4	39.0	40.6	38.4	39.8

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.
[2] Current expenditure, gross fixed capital formation and net capital transfers.

TABLE 36 : Total receipts, general government (as a percentage of GDP, 1970-2001) [1]

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	39.8	48.0	48.6	48.5	49.8	50.2	50.2	50.3	50.1	49.9	49.5	49.3	48.9
DK	46.1	49.9	57.2	56.8	57.3	57.7	57.3	57.9	57.9	56.8	56.7	56.1	56.0
D	40.3	44.9	44.5	45.0	46.0	45.9	46.0	46.5	46.7	46.0	46.3	45.4	44.7
EL [2]	23.7	26.9	31.4	35.3	40.0	38.9	40.1	51.3	41.6	51.0	41.4	50.9	41.1
E	22.2	28.6	36.6	39.7	39.8	39.6	39.6	40.3	40.0	40.4	40.0	40.3	40.0
F	37.5	43.9	48.4	48.3	49.9	50.4	49.8	50.3	50.6	49.7	49.6	49.3	49.0
IRL	30.4	35.2	38.0	37.5	37.8	38.4	37.7	37.1	38.4	36.3	37.1	35.8	36.4
I	29.4	33.9	41.1	45.4	46.6	48.2	46.6	47.1	46.9	46.5	46.3	46.0	46.0
L	33.5	46.3	-	-	46.9	47.6	47.2	-	46.5	-	46.2	-	45.4
NL	42.0	49.7	49.8	49.2	45.9	46.4	45.7	46.0	46.8	45.1	46.0	44.0	43.8
A	39.7	44.3	46.8	48.9	49.2	49.8	49.3	49.7	49.0	48.9	48.5	48.6	47.6
P	22.4	29.0	33.5	37.8	44.5	42.2	43.0	46.1	45.9	46.5	46.8	46.7	47.2
FIN	35.1	43.2	48.7	53.3	52.3	52.6	52.4	52.8	52.1	51.7	51.8	50.2	51.1
S	47.5	55.5	61.6	58.0	59.2	59.1	60.6	59.5	60.4	58.6	58.5	57.1	57.6
UK	37.6	40.3	39.3	36.9	40.0	39.5	40.5	40.6	40.5	40.3	40.0	40.1	39.8
EU-15	36.9	41.9	44.5	45.0	46.0	46.3	46.1	46.6	46.6	46.1	45.9	45.6	45.1
EUR-11	36.1	41.6	44.5	45.8	46.6	47.1	46.6	47.1	47.2	46.6	46.6	46.0	45.7
USA	29.0	29.7	30.7	30.8	32.6	32.4	32.8	36.1	33.0	35.8	32.8	35.2	32.7
JAP	22.0	27.5	33.3	33.1	31.9	31.9	32.4	30.5	31.3	30.7	31.7	30.8	31.9

[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, 1970-2001) [1] 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-3.4	-7.9	-7.0	-5.9	-1.4	-2.0	-1.0	-1.0	-0.9	-0.7	-0.5	-0.5	-0.2
DK	4.2	-2.7	1.3	-2.4	1.4	0.5	1.2	3.0	3.0	2.6	2.4	2.6	2.5
D	0.2	-2.8	-1.5	-3.1	-1.9	-2.6	-1.7	-1.6	-1.1	-1.2	-1.0	-1.0	-1.4
EL [2]	0.2	-4.9	-12.0	-11.5	-3.2	-4.6	-3.1	-1.9	-1.6	-1.6	-1.3	-1.2	-0.6
E	0.4	-2.6	-4.0	-5.6	-2.2	-3.2	-2.6	-1.4	-1.1	-0.8	-0.7	-0.6	-0.4
F	0.6	-1.6	-1.8	-4.5	-2.4	-3.0	-2.7	-2.1	-1.8	-1.7	-1.5	-1.4	-1.2
IRL	-3.9	-10.0	-5.3	-2.2	1.4	0.8	2.1	2.9	2.0	3.1	1.7	3.2	2.7
I	-5.4	-9.6	-10.8	-9.1	-2.8	-2.7	-2.8	-2.2	-1.9	-1.7	-1.5	-1.3	-0.8
L	2.5	1.8	-	1.8	2.9	3.6	3.2	2.2	2.4	2.1	2.6	2.1	2.7
NL	-0.5	-3.4	-4.9	-3.5	-0.3	-1.2	-0.8	-0.4	0.5	-0.1	1.0	-0.2	0.4
A	1.4	-2.3	-3.2	-3.8	-2.3	-1.9	-2.5	-2.2	-2.0	-2.6	-1.7	-2.4	-2.0
P	2.0	-7.0	-4.4	-5.0	-2.3	-2.6	-2.1	-1.3	-2.0	-1.2	-1.5	-1.2	-1.5
FIN	4.5	3.7	4.0	-5.0	1.3	-1.5	1.3	3.5	2.3	4.1	4.1	4.3	5.0
S	4.3	-1.7	3.1	-7.6	0.6	-2.0	1.9	1.9	1.9	2.2	2.4	2.3	2.9
UK	0.1	-3.6	-0.7	-5.7	-0.5	-2.0	0.3	0.6	1.2	1.2	0.9	1.5	0.7
EU-15	-0.3	-3.7	-3.3	-5.1	-1.6	-2.4	-1.5	-1.0	-0.6	-0.6	-0.4	-0.3	-0.3
EUR-11	-0.7	-3.9	-4.1	-4.9	-2.0	-2.6	-2.0	-1.6	-1.2	-1.2	-0.9	-0.9	-0.8
USA	-1.6	-3.3	-4.2	-4.5	0.1	-0.9	0.0	2.2	0.7	2.6	1.3	2.5	1.8
JAP	0.8	-3.2	1.3	-0.6	-6.3	-3.4	-4.6	-8.2	-9.0	-8.3	-8.9	-7.6	-7.9

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

[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, 1970-2001) [1]

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	3.1	6.3	10.4	10.1	7.5	7.9	7.7	7.3	7.2	7.0	6.9	6.7	6.6
DK	1.3	4.3	7.7	6.9	5.0	5.7	5.3	4.6	4.7	4.2	4.4	3.9	3.9
D	1.0	2.1	2.8	3.2	3.5	3.7	3.6	3.5	3.5	3.5	3.5	3.4	3.4
EL	0.8	2.3	7.3	11.7	8.0	8.3	7.8	8.7	7.4	8.1	7.2	7.6	6.6
E	0.3	0.6	3.8	4.6	4.2	4.8	4.4	4.0	3.7	3.7	3.5	3.6	3.4
F	0.9	1.7	2.7	3.3	3.5	3.7	3.6	3.4	3.3	3.3	3.1	3.2	3.2
IRL	3.4	6.3	8.1	6.3	3.2	4.3	3.5	2.7	2.6	2.3	2.2	2.1	1.9
I	2.0	5.6	8.5	11.2	8.0	9.4	8.1	6.9	6.8	6.3	6.4	5.9	6.0
L	0.9	1.0	-	0.3	0.3	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3
NL	2.8	4.1	6.0	5.9	4.6	5.1	4.9	4.5	4.4	4.1	4.0	3.7	3.6
A	1.0	2.3	3.8	4.2	3.7	3.9	3.8	3.9	3.6	3.9	3.5	3.9	3.4
P	0.5	3.4	7.2	6.7	3.9	4.3	3.6	3.4	3.4	3.4	3.3	3.4	3.3
FIN	0.9	1.1	1.6	3.6	3.7	4.3	3.7	3.2	3.6	2.9	3.3	2.7	3.1
S	1.8	4.3	5.8	6.0	5.7	6.9	6.2	5.3	5.5	4.5	4.7	3.9	4.1
UK	3.7	4.6	3.9	3.0	3.3	3.7	3.6	3.3	2.9	3.0	3.0	2.8	2.7
EU-15	1.7	3.1	4.7	5.3	4.6	5.1	4.7	4.3	4.1	4.0	3.9	3.8	3.7
EUR-11	1.3	2.8	4.7	5.6	4.7	5.3	4.8	4.3	4.3	4.1	4.1	3.9	3.9
USA	2.2	3.4	5.1	4.9	4.0	4.5	4.2	3.3	3.8	3.0	3.5	2.8	3.2
JAP	0.7	2.8	4.2	3.7	4.4	3.7	3.7	3.9	4.1	4.0	5.2	4.1	5.8

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

TABLE 39 : Primary balance, general government (as a percentage of GDP, 1970-2001) [1] [2]

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-0.3	-1.6	3.3	4.2	6.1	5.9	6.6	6.3	6.3	6.3	6.4	6.2	6.4
DK	5.4	1.5	9.0	4.4	6.5	6.2	6.5	7.6	7.7	6.8	6.8	6.4	6.4
D	1.2	-0.7	1.4	0.1	1.7	1.0	1.9	2.0	2.5	2.3	2.5	2.4	2.0
EL	1.0	-2.6	-4.7	0.2	4.8	3.7	4.7	6.8	5.8	6.5	5.8	6.4	5.9
E	0.7	-2.0	-0.2	-1.0	2.0	1.6	1.8	2.7	2.5	3.0	2.8	3.0	2.9
F	1.5	0.0	1.0	-1.2	1.1	0.7	0.9	1.3	1.6	1.5	1.6	1.9	2.0
IRL	-0.5	-3.6	2.9	4.1	4.7	5.1	5.6	5.6	4.6	5.4	3.9	5.3	4.7
I	-3.4	-4.0	-2.3	2.1	5.2	6.7	5.3	4.7	4.9	4.5	4.9	4.6	5.3
L	3.5	2.8	-	2.1	3.2	3.9	3.6	-	2.8	-	2.9	-	3.0
NL	2.3	0.7	1.1	2.4	4.3	3.9	4.1	4.1	5.0	3.9	5.1	3.5	4.1
A	2.4	0.0	0.6	0.4	1.4	2.0	1.3	1.7	1.6	1.3	1.8	1.5	1.5
P	2.5	-3.6	2.8	1.7	1.6	1.7	1.5	2.1	1.4	2.2	1.8	2.2	1.8
FIN	5.3	4.7	5.5	-1.4	5.0	2.7	5.0	6.7	5.8	7.0	7.5	7.0	8.1
S	6.2	2.7	8.9	-1.7	6.4	4.8	8.0	7.3	7.4	6.7	7.1	6.2	7.0
UK	3.8	1.0	3.2	-2.7	2.7	1.7	3.9	3.9	4.1	4.3	3.9	4.3	3.5
EU-15	1.4	-0.5	1.4	0.2	3.0	2.7	3.3	3.3	3.5	3.4	3.5	3.5	3.4
EUR-11	0.6	-1.0	0.6	0.6	2.7	2.7	2.8	2.8	3.1	2.9	3.1	3.0	3.1
USA	0.6	0.2	0.9	0.4	4.1	3.6	4.3	5.5	4.6	5.6	4.8	5.3	5.0
JAP	1.5	-0.4	5.4	3.1	-2.0	0.3	-0.9	-4.3	-4.9	-4.3	-3.7	-3.5	-2.2

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

[2] Net lending/borrowing excluding interest expenditure.

TABLE 40 : Cyclically adjusted net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1970-2001) [1] **21.03.2000**

								1999		2000		2001	
								estimate of		forecast of		forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-4.1	-7.9	-7.0	-6.0	-1.0	-1.6	-0.7	-0.8	-0.3	-0.6	-0.5	-0.6	-0.6
DK	3.0	-2.2	0.2	-1.1	0.7	-0.9	-0.3	2.5	2.4	2.4	2.3	2.6	2.6
D	-0.9	-2.6	-1.0	-4.0	-1.4	-2.0	-1.2	-1.0	-0.3	-0.9	-0.7	-1.0	-1.5
EL	-0.7	-4.9	-11.7	-11.3	-3.1	-4.1	-3.0	-1.9	-1.6	-1.9	-1.7	-1.8	-1.3
E	0.2	-2.4	-4.5	-5.7	-1.9	-2.6	-2.3	-1.3	-1.1	-0.9	-0.8	-0.7	-0.6
F	0.1	-1.5	-1.9	-4.7	-1.9	-2.1	-2.1	-1.8	-1.3	-1.7	-1.6	-1.6	-1.4
IRL	-3.8	-10.3	-4.9	-1.1	0.8	0.3	1.2	1.1	0.8	1.4	0.5	2.2	2.0
I	-5.7	-9.5	-11.2	-9.0	-2.5	-2.5	-2.5	-1.6	-1.3	-1.4	-1.3	-1.3	-0.9
L	1.7	2.3	-	-	3.0	3.6	3.4	-	2.6	-	2.5	-	2.3
NL	-1.5	-3.3	-4.9	-3.6	-0.2	-0.7	-0.5	-0.5	0.7	-0.3	0.6	-0.4	-0.2
A	1.0	-2.3	-3.0	-4.1	-2.1	-1.5	-2.2	-1.8	-1.7	-2.5	-1.7	-2.4	-2.0
P	1.5	-6.8	-4.5	-5.1	-2.1	-2.3	-2.0	-1.2	-1.8	-1.3	-1.5	-1.4	-1.6
FIN	3.2	4.0	0.9	-1.6	1.3	-1.2	0.6	2.6	1.9	3.3	3.3	3.5	4.2
S	3.6	-1.3	1.1	-6.4	1.0	-0.6	2.9	2.0	2.0	1.5	1.7	1.5	1.9
UK	-0.3	-3.2	-1.9	-5.0	-0.6	-2.3	0.2	1.0	1.4	1.2	0.7	0.9	0.3
EU-15	-0.9	-3.5	-3.6	-5.2	-1.4	-2.0	-1.2	-0.7	-0.2	-0.5	-0.5	-0.6	-0.6
EUR-11	-1.4	-3.7	-4.2	-5.2	-1.6	-2.0	-1.6	-1.2	-0.7	-1.0	-0.9	-1.0	-1.0

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

TABLE 41 : Cyclically adjusted primary balance, general government (as a percentage of GDP, 1970-2001) [1]

								1999		2000		2001	
								estimate of		forecast of		forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-1.0	-1.6	3.4	4.1	6.5	6.3	7.0	6.3	6.8	6.3	6.3	6.2	6.1
DK	4.3	2.2	8.0	5.8	5.7	4.9	5.0	7.6	7.1	6.8	6.6	6.4	6.4
D	0.2	-0.5	1.8	-0.8	2.1	1.6	2.4	2.0	3.2	2.3	2.8	2.4	1.9
EL	0.1	-2.6	-4.4	0.4	4.9	4.1	4.8	6.8	5.8	6.5	5.5	6.4	5.3
E	0.8	-1.6	-0.7	-1.1	2.3	2.2	2.0	2.7	2.6	3.0	2.7	3.0	2.8
F	0.9	0.1	0.8	-1.3	1.5	1.6	1.5	1.3	2.1	1.5	1.6	1.9	1.7
IRL	-0.4	-4.0	3.2	5.2	4.0	4.6	4.6	5.6	3.4	5.4	2.7	5.3	3.9
I	-3.6	-3.9	-2.7	2.1	5.5	6.9	5.6	4.7	5.5	4.5	5.1	4.6	5.2
L	2.6	3.3	-	-	3.4	3.9	3.7	-	3.0	-	2.8	-	2.6
NL	1.1	0.7	1.0	2.3	4.5	4.5	4.3	4.1	5.1	3.9	4.7	3.5	3.5
A	2.0	0.0	0.9	0.1	1.6	2.4	1.6	1.7	1.9	1.3	1.9	1.5	1.5
P	2.0	-3.4	2.7	1.5	1.8	2.0	1.6	2.1	1.6	2.2	1.8	2.2	1.7
FIN	4.0	5.1	2.5	2.0	5.0	3.0	4.4	6.7	5.4	7.0	6.6	7.0	7.3
S	5.4	3.0	6.9	-0.4	6.7	6.3	9.1	7.3	7.5	6.7	6.4	6.2	6.0
UK	3.4	1.4	2.0	-2.0	2.6	1.4	3.8	3.9	4.3	4.3	3.7	4.3	3.1
EU-15	0.8	-0.3	1.0	-0.1	3.1	3.0	3.4	3.3	3.9	3.4	3.5	3.5	3.1
EUR-11	-0.1	-0.9	0.4	0.1	3.0	3.1	3.1	2.8	3.6	2.9	3.2	3.1	2.9

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

TABLE 42 : Gross debt, general government (as a percentage of GDP, 1980-2001) [1]

								1999		2000		2001	
								estimate of		forecast of		forecast of	
	1980	1985	1990	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	76.6	119.3	124.7	129.8	128.3	123.0	117.4	116.3	114.4	112.9	110.0	108.9	105.2
DK [2]	37.6	70.4	57.7	69.3	65.0	61.3	55.6	54.8	52.6	51.2	49.3	47.1	46.3
D	31.7	41.7	43.8	57.0	59.8	60.9	60.7	61.8	61.0	61.3	60.7	60.8	59.5
EL	23.6	50.9	89.0	108.7	111.3	108.5	105.4	104.5	104.4	103.0	103.7	100.3	99.7
E	16.8	41.9	43.2	63.2	68.0	66.7	64.9	64.0	63.5	62.0	62.3	59.3	59.9
F	19.3	30.3	34.8	51.9	57.1	59.0	59.3	59.4	58.6	59.0	58.2	58.2	57.1
IRL	67.6	98.6	92.6	80.8	74.1	65.3	55.6	47.0	52.4	39.3	45.2	32.8	38.1
I	57.9	81.9	97.3	123.2	122.1	119.8	116.3	117.5	114.9	114.7	110.8	111.2	106.6
L	11.8	12.3	4.5	5.6	6.2	6.0	6.4	7.1	6.2	7.2	5.8	7.2	5.3
NL	45.1	68.7	75.6	75.5	75.3	70.3	67.0	65.2	63.6	61.6	58.7	58.2	54.4
A	35.8	48.8	56.8	68.0	68.3	63.9	63.5	63.2	64.5	63.2	64.0	63.0	63.6
P	31.9	60.8	64.2	64.7	63.6	60.3	56.5	56.1	56.7	54.6	57.0	53.3	55.1
FIN	11.5	16.2	14.3	56.6	57.1	54.1	49.0	43.2	47.1	38.3	42.6	33.6	38.0
S	39.6	61.6	42.1	76.6	76.0	75.0	72.4	69.5	65.5	61.7	61.3	56.6	55.4
UK	54.7	54.1	35.0	52.0	52.6	50.8	48.4	46.1	46.0	42.1	42.4	38.0	39.4
EU-15	37.8	52.9	54.4	69.5	72.1	71.0	69.0	68.6	67.6	66.3	65.1	63.8	62.6
EUR-11	34.6	51.8	58.0	71.4	74.7	74.5	73.1	73.1	72.3	71.5	70.5	69.6	68.2

[1] Government gross debt as defined in Council Regulation (EC) Nº 3605/93. The forecast of X-1999 had not yet been adjusted to the switchover to ESA95.
[2] Government deposits with the central bank, government holdings of non-government bonds and public enterprise related debt amounted to 10.3 % of GDP in 1999.

TABLE 43 : Gross national saving (as a percentage of GDP, 1970-2001) **21.03.2000**

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	25.7	18.0	20.1	23.7	25.5	25.3	25.2	24.1	25.3	24.5	26.0	25.2	26.7
DK	23.2	16.5	18.3	19.8	21.4	21.0	20.6	20.6	21.6	21.0	22.1	21.7	22.7
D	27.1	21.9	24.4	22.5	21.6	21.6	21.7	21.6	21.3	22.2	21.6	22.6	21.9
EL	33.1	26.4	19.4	18.4	20.2	18.7	19.5	21.4	20.9	22.3	21.9	23.2	23.0
E	27.3	22.2	21.9	20.0	22.6	22.5	22.7	22.9	22.4	23.2	22.8	23.5	23.2
F	27.5	19.8	19.2	19.5	20.8	20.5	20.9	21.1	20.9	21.5	21.4	22.1	21.9
IRL	21.7	18.4	16.7	18.5	24.6	23.3	24.4	25.1	25.3	26.3	25.8	27.0	26.9
I	26.2	24.3	21.5	19.7	21.8	21.7	21.3	21.4	21.3	21.9	22.1	22.4	22.8
L	40.0	49.3	49.3	-	-	-	-	39.3	-	40.7	-	42.3	-
NL	27.5	22.9	24.6	24.8	27.8	28.5	27.9	27.2	26.9	27.3	28.1	27.3	28.5
A	30.5	25.1	23.8	23.3	22.1	22.4	22.6	22.6	21.8	22.9	21.8	23.3	22.5
P	27.2	20.3	27.1	21.7	19.8	21.0	20.6	19.6	19.2	19.4	18.8	19.5	18.9
FIN	27.9	25.9	24.8	17.1	24.9	24.1	24.9	26.1	25.3	27.0	26.6	27.9	27.8
S	24.1	18.4	18.4	15.9	19.5	19.1	19.6	18.1	19.0	18.6	19.9	19.5	20.4
UK	21.1	17.9	16.9	15.4	17.3	18.1	18.2	16.6	16.5	17.2	17.0	17.7	17.4
EU-15	26.1	21.1	21.2	20.1	21.2	21.3	21.4	21.0	20.9	21.6	21.4	22.0	21.9
EUR-11	27.1	21.9	22.2	21.2	22.1	22.0	22.2	22.1	21.9	22.6	22.4	23.1	23.0
USA	19.6	19.8	16.6	16.5	17.4	18.0	18.2	15.4	17.4	15.2	16.7	15.4	16.8
JAP	38.5	32.0	32.9	32.6	29.5	31.3	29.6	29.0	27.7	29.0	28.0	29.0	28.9

TABLE 44 : Gross saving, private sector (as a percentage of GDP, 1970-2001) [1]

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	23.9	21.4	24.8	27.6	24.5	24.9	23.8	22.5	23.6	22.7	24.0	23.1	24.6
DK	14.0	15.3	15.2	20.5	18.4	18.7	17.8	16.0	17.2	16.9	18.1	17.5	18.6
D	21.1	19.8	22.4	21.6	21.0	22.7	20.7	20.4	19.8	20.6	20.0	20.8	20.9
EL	29.4	28.0	27.2	25.5	20.1	20.0	19.5	21.1	18.9	21.8	19.6	22.4	20.0
E	23.6	21.0	20.6	20.7	20.9	22.1	21.5	20.3	19.5	19.9	19.4	19.8	19.4
F	22.9	17.8	17.5	20.4	19.7	20.6	20.1	19.9	19.1	20.0	19.4	20.2	19.6
IRL	20.2	22.9	19.7	19.2	20.2	20.5	20.1	20.3	18.9	21.0	19.7	21.4	21.2
I	28.4	30.1	27.4	25.1	21.5	21.8	21.1	19.9	19.7	20.1	20.2	20.3	20.4
L	32.9	41.2	-	-	-	-	-	38.5	-	40.8	-	43.2	-
NL	22.8	21.7	25.4	25.4	25.4	27.3	26.1	25.0	23.5	24.7	24.1	24.8	25.1
A	22.4	21.3	22.0	22.3	20.6	20.7	21.0	21.1	20.1	21.9	20.1	22.3	21.0
P	22.8	22.9	28.0	23.2	18.3	19.9	19.5	17.7	17.0	17.5	16.3	17.6	16.3
FIN	19.5	18.1	17.0	18.7	20.6	22.5	20.7	19.9	20.3	20.1	19.8	21.0	20.1
S	14.2	15.5	13.0	19.9	16.5	18.3	16.0	13.7	14.5	14.0	15.2	14.8	15.2
UK	16.1	18.1	15.6	18.4	16.1	18.4	16.3	14.1	13.7	13.9	14.3	13.8	14.7
EU-15	21.7	20.7	21.0	21.9	20.0	21.3	20.1	19.2	18.6	19.2	18.9	19.4	19.4
EUR-11	23.3	21.4	22.4	22.5	21.1	22.2	21.1	20.5	19.9	20.6	20.2	20.8	20.7
USA	18.7	20.6	18.2	18.5	14.6	16.4	15.4	10.7	13.8	10.2	12.6	10.5	12.3
JAP	31.6	28.5	25.7	25.9	29.0	27.7	27.2	29.8	29.4	30.1	31.0	30.4	31.1

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

TABLE 45 : Gross saving, general government (as a percentage of GDP, 1970-2001) [1]

								1999 estimate of		2000 forecast of		2001 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	1.9	-3.4	-4.7	-3.9	1.0	0.4	1.4	1.5	1.7	1.9	2.0	2.1	2.1
DK	9.3	1.1	3.1	-0.7	3.1	2.3	2.8	4.6	4.4	4.2	4.0	4.2	4.1
D	6.1	2.1	2.0	0.8	0.6	-1.1	1.0	1.2	1.5	1.6	1.5	1.8	1.1
EL	3.7	-1.6	-7.8	-7.1	0.1	-1.3	0.0	0.3	2.0	0.5	2.3	0.8	3.0
E	3.7	1.2	1.3	-0.7	1.8	0.5	1.2	2.6	3.0	3.3	3.4	3.8	3.8
F	4.6	2.0	1.8	-0.9	1.1	-0.1	0.8	1.2	1.8	1.5	2.0	1.8	2.3
IRL	1.5	-4.6	-3.0	-0.6	4.4	2.8	4.3	4.9	6.4	5.2	6.2	5.6	5.7
I	-2.2	-5.8	-5.9	-5.5	0.4	-0.2	0.3	1.5	1.5	1.8	1.9	2.1	2.4
L	7.1	8.1	-	-	8.6	8.8	8.8	7.2	8.3	7.1	8.6	7.0	8.7
NL	4.7	1.2	-0.8	-0.6	2.4	1.3	1.8	2.2	3.4	2.6	4.0	2.6	3.3
A	8.0	3.8	1.8	1.0	1.5	1.7	1.6	1.5	1.7	1.0	1.7	1.1	1.5
P	4.4	-2.6	-0.8	-1.5	1.6	1.1	1.1	1.8	2.1	1.9	2.5	1.9	2.6
FIN	8.4	7.8	7.8	-1.6	4.3	1.6	4.2	6.2	5.0	6.8	6.8	7.0	7.6
S	9.9	2.8	5.4	-3.9	3.0	0.8	3.5	4.4	4.5	4.6	4.7	4.7	5.3
UK	5.0	-0.2	1.3	-2.9	1.3	-0.3	1.9	2.5	2.9	3.4	2.7	3.9	2.7
EU-15	4.4	0.4	0.2	-1.8	1.2	-0.1	1.3	1.9	2.3	2.3	2.4	2.6	2.5
EUR-11	3.9	0.4	-0.2	-1.4	1.0	-0.1	1.0	1.6	2.0	2.0	2.2	2.3	2.3
USA	1.0	-0.8	-1.7	-2.0	2.8	1.6	2.8	4.7	3.6	5.0	4.1	4.9	4.5
JAP	7.0	3.5	7.1	6.7	0.5	3.6	2.3	-0.7	-1.7	-1.1	-2.9	-1.4	-2.2

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

TABLE 46 : Exports of goods, volume (percentage change on preceding year, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	10.1	2.3	5.7	4.8	5.0	6.7	4.1	2.2	2.9	5.5	7.2	5.4	6.6
DK	7.0	4.9	3.6	4.4	4.2	5.7	1.3	2.9	3.8	4.8	5.5	4.4	5.2
D	8.0	4.7	4.8	3.6	7.7	11.1	7.5	3.1	4.9	7.1	10.0	6.0	8.1
EL	10.5	7.3	3.3	3.6	4.1	6.9	1.7	3.7	3.8	5.1	6.1	5.4	5.9
E	-	8.5	5.2	11.5	9.6	16.6	5.1	4.6	6.7	9.0	10.0	8.4	9.0
F	10.0	5.4	6.0	5.9	6.5	10.7	6.7	1.7	4.5	5.6	8.5	5.5	6.2
IRL	8.1	8.7	9.1	13.2	14.2	17.6	21.4	11.5	13.0	9.8	12.0	8.8	9.7
I	11.7	5.2	6.0	7.3	4.0	5.0	3.5	-0.9	-1.0	4.9	8.1	5.5	6.7
L	5.3	1.9	6.6	3.9	7.1	11.1	14.1	4.0	5.0	5.0	7.6	5.6	7.0
NL	9.9	3.5	5.4	4.6	6.3	9.1	6.5	4.5	4.8	5.9	7.2	6.2	6.0
A	-	6.8	6.1	4.0	8.5	16.3	8.2	4.1	4.7	7.3	9.1	7.1	8.5
P	-	-	9.8	6.1	8.0	9.8	7.7	4.5	4.5	6.8	8.0	6.6	7.3
FIN	-	3.7	1.6	7.7	9.4	16.2	10.1	3.3	7.0	5.6	8.3	6.0	7.8
S	-	3.1	2.5	7.5	7.1	11.9	6.8	5.8	5.2	6.4	7.7	5.5	6.8
UK	5.0	3.9	5.5	5.0	5.5	8.2	1.3	1.6	2.2	7.6	7.5	5.6	6.2
EU-15 [1]	8.8	4.8	5.4	5.7	6.7	9.9	5.9	2.8	4.0	6.6	8.6	6.1	7.1
EUR-11 [2]	9.5	5.0	5.6	5.8	6.9	10.2	6.7	2.8	4.2	6.5	8.9	6.2	7.3
USA	6.9	3.6	11.1	7.7	7.0	14.5	2.1	3.2	4.0	5.7	6.7	6.8	6.8
JAP	-	9.0	2.6	1.9	4.9	9.0	-1.5	2.0	4.9	2.2	7.6	2.7	4.0

[1] Excluding Spain, Austria, Finland and Sweden up to 1973 and Portugal up to 1985.
[2] Excluding Spain, Austria and Finland up to 1973 and Portugal up to 1985.

TABLE 47 : Imports of goods, volume (percentage change on preceding year, 1961-2001)

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	9.3	1.7	7.1	3.8	5.0	6.1	6.3	2.4	2.2	5.0	6.9	5.0	6.4
DK	8.3	1.5	1.6	5.5	4.5	7.9	5.7	-0.4	1.2	3.9	4.2	4.6	4.4
D	8.7	3.8	7.1	3.8	7.5	8.8	9.7	4.4	7.6	6.3	7.8	5.2	8.0
EL	13.0	2.6	8.7	3.8	5.7	8.8	1.2	5.1	5.0	5.8	5.6	6.2	6.2
E	-	1.9	15.3	6.9	10.9	13.0	10.5	11.9	12.6	11.4	11.3	10.1	10.2
F	11.3	2.3	8.1	3.7	5.8	6.5	9.3	3.3	5.3	5.6	8.0	5.2	6.1
IRL	9.2	4.1	6.5	7.9	12.1	15.3	17.9	10.8	10.7	9.3	10.3	8.3	8.9
I	10.2	3.1	8.5	3.6	6.3	11.2	9.1	3.7	4.5	5.7	8.0	6.2	7.6
L	6.2	2.4	8.5	4.9	8.3	13.0	13.0	6.5	8.0	5.5	5.8	6.4	6.5
NL	9.4	2.5	5.6	3.7	7.0	9.3	8.0	4.9	5.5	6.5	8.4	6.8	6.2
A	-	4.4	6.1	3.2	7.2	9.6	7.4	4.2	6.2	6.6	8.5	6.5	7.4
P	-	-	16.3	6.7	9.9	13.0	14.2	8.5	9.4	7.6	7.6	7.4	7.5
FIN	-	2.1	5.7	0.8	8.7	14.2	11.9	4.6	3.5	5.2	6.5	5.3	5.7
S	-	2.1	4.7	3.6	6.8	10.0	10.3	2.6	4.4	6.8	7.2	5.7	6.9
UK	5.2	2.6	7.2	2.7	7.8	9.1	8.5	6.1	6.7	8.5	7.5	7.0	5.9
EU-15 [1]	9.1	2.9	8.0	4.0	7.3	9.3	9.1	5.0	6.4	6.8	8.0	6.3	7.2
EUR-11 [2]	9.8	2.9	8.3	4.2	7.3	9.4	9.4	5.1	6.6	6.7	8.3	6.3	7.5
USA	9.0	5.0	5.2	8.2	10.4	14.2	11.7	11.1	12.7	5.3	9.0	4.0	5.5
JAP	-	2.1	10.1	5.1	5.3	2.4	-4.9	5.7	10.5	5.0	5.3	5.4	9.2

[1] Excluding Spain, Austria, Finland and Sweden up to 1973 and Portugal up to 1985.
[2] Excluding Spain, Austria and Finland up to 1973 and Portugal up to 1985.

TABLE 48 : Trade balance (as a percentage of GDP, 1974-2001)

							1999 estimate of		2000 forecast of		2001 forecast of	
	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-3.8	-0.9	-0.2	3.5	4.0	3.8	0.1	3.9	0.3	3.9	0.7	4.1
DK	-4.0	0.8	3.8	2.6	2.3	1.2	2.5	2.5	2.9	2.9	3.1	3.3
D	3.4	6.2	1.9	3.4	3.4	3.6	3.3	3.3	3.7	3.4	4.0	3.7
EL	-9.7	-11.9	-13.0	-13.5	-13.4	-13.3	-13.3	-13.1	-14.0	-14.0	-14.5	-14.0
E	-5.8	-5.7	-4.6	-4.1	-2.4	-3.2	-4.7	-4.6	-5.9	-5.6	-6.6	-6.2
F	-2.2	-1.6	-0.5	1.1	1.7	1.4	1.0	1.0	1.0	0.9	1.1	1.1
IRL	-9.6	6.5	13.1	26.8	23.8	27.5	28.1	28.8	28.7	29.9	29.2	31.3
I	-2.5	0.1	2.2	2.9	3.8	3.4	2.6	2.1	2.4	1.8	2.4	1.8
L	-7.7	-11.0	-13.3	-11.9	-11.5	-10.2	-11.7	-13.0	-12.3	-12.9	-12.8	-12.7
NL	0.3	1.9	3.6	5.2	5.8	5.3	5.0	4.8	5.2	4.6	5.3	5.0
A	-6.3	-4.6	-4.5	-2.0	-1.8	-1.4	-1.6	-1.8	-1.8	-2.2	-1.6	-2.0
P	-	-11.7	-11.4	-11.6	-9.7	-11.2	-12.9	-12.6	-13.7	-13.6	-14.4	-14.0
FIN	-0.3	1.2	6.1	9.4	9.5	9.7	9.4	9.0	9.4	9.3	9.9	10.0
S	-	2.0	4.0	7.2	7.8	7.2	7.6	6.7	7.4	7.0	7.6	7.3
UK	-1.4	-3.6	-1.9	-2.3	-1.5	-2.4	-3.0	-3.0	-3.2	-2.7	-3.5	-2.7
EU-15	-1.4	0.0	0.2	1.4	1.9	1.6	1.0	1.1	1.0	0.9	1.0	1.1
EU-15, adjusted	-	-	-	-	-	0.7	-	0.5	-	0.4	-	0.5
EUR-11	-1.1	0.8	0.6	2.2	2.7	2.6	1.9	2.0	1.9	1.8	2.0	2.0
EUR-11, adjusted	-	-	-	-	-	2.0	-	1.5	-	1.3	-	1.5
USA	-1.2	-2.6	-1.9	-3.4	-2.4	-2.8	-3.9	-3.8	-4.3	-4.4	-4.1	-4.5
JAP	1.7	3.3	3.0	3.0	2.7	3.5	3.2	3.1	3.1	3.3	3.3	3.1

TABLE 49 : Balance on current transactions with the rest of the world (as a percentage of GDP, 1961-2001) 21.03.2000

								1999 estimate of		2000 forecast of		2001 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-01	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	1.4	-1.7	0.9	3.4	4.3	4.7	4.1	3.1	4.1	3.4	4.1	4.0	4.5
DK	-2.0	-3.5	-2.2	1.6	0.7	0.3	-1.3	0.0	0.9	0.5	1.2	0.7	1.7
D	0.7	0.8	4.2	-0.8	-0.4	0.0	-0.2	-0.6	-0.8	-0.2	-0.8	0.1	-0.5
EL	-2.0	-0.9	-3.0	-2.0	-2.0	-2.3	-1.9	-1.6	-1.4	-1.9	-2.0	-2.1	-2.0
E	-0.7	-1.4	-1.3	-1.9	-1.2	0.3	-0.3	-1.8	-1.8	-2.7	-2.4	-3.3	-2.8
F	0.6	-0.3	-0.3	0.1	1.7	2.3	2.1	1.7	1.8	1.6	1.6	1.7	1.6
IRL	-2.5	-7.9	-1.0	2.1	1.0	2.5	0.9	-0.2	0.3	-0.5	-0.5	-0.8	-0.2
I	1.4	-0.8	-0.7	-0.1	1.8	2.8	1.6	1.2	0.9	1.2	1.0	1.3	1.2
L	6.9	26.6	28.1	-	-	-	-	-	-	-	-	-	-
NL	0.5	2.0	3.0	4.7	5.7	7.0	6.0	5.6	4.8	5.7	5.4	5.8	5.6
A	0.1	-1.0	0.2	-0.7	-2.7	-2.4	-2.0	-2.2	-2.9	-2.4	-3.5	-2.3	-3.3
P	0.4	-6.6	-0.6	-3.2	-7.5	-5.8	-6.8	-8.5	-8.6	-9.3	-9.7	-9.8	-10.1
FIN	-1.4	-2.0	-3.1	-1.2	5.5	5.6	5.9	5.9	5.2	6.2	5.7	6.7	6.5
S	0.2	-1.7	-1.6	-0.4	2.8	3.6	2.8	1.2	2.1	1.1	2.5	1.5	2.8
UK	0.4	0.2	-2.8	-1.1	-0.6	0.8	0.0	-1.2	-1.5	-1.3	-1.5	-1.6	-1.3
EU-15	0.5	-0.2	0.3	-0.3	0.7	1.4	0.9	0.3	0.2	0.3	0.1	0.4	0.3
EU-15, adj.	-	-	-	-	-	-	0.5	-	0.1	-	0.1	-	0.2
EUR-11	0.7	-0.2	1.0	-0.1	0.9	1.6	1.2	0.7	0.5	0.7	0.4	0.8	0.6
EUR-11, adj.	-	-	-	-	-	-	1.0	-	0.7	-	0.6	-	0.8
USA	0.5	-0.3	-2.3	-0.9	-2.8	-1.5	-2.3	-3.5	-3.4	-3.9	-4.1	-3.7	-4.2
JAP	0.6	0.9	2.8	2.7	2.4	2.2	3.2	3.0	2.5	3.2	2.6	3.3	2.6

TABLE 50 : Trade balance (in billions of Ecu/euro, 1993-2001)

							1999 estimate of		2000 forecast of		2001 forecast of	
	1993	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	0.2	0.7	2.9	2.9	3.0	8.5	0.3	9.0	0.6	9.5	1.6	10.6
DK	5.7	5.3	3.8	4.8	3.5	1.8	4.0	4.0	5.0	5.0	5.5	5.9
D	32.8	40.0	48.0	55.1	63.0	70.0	66.1	66.3	75.3	70.3	86.6	78.9
EL	-10.6	-9.9	-11.0	-13.0	-14.3	-14.4	-15.7	-15.4	-17.4	-17.2	-19.1	-18.5
E	-15.4	-15.8	-14.0	-12.8	-12.0	-16.8	-26.3	-25.7	-34.9	-33.4	-41.4	-39.0
F	1.7	-0.4	1.0	5.2	17.5	18.4	13.7	13.8	14.7	13.3	16.9	16.0
IRL	6.0	6.8	9.1	11.0	14.8	20.9	23.8	24.4	27.0	28.3	30.3	32.9
I	27.6	29.2	33.3	45.9	38.6	36.0	28.4	23.3	27.8	20.3	28.1	22.1
L	-1.5	-1.5	-1.3	-1.6	-1.8	-1.7	-2.0	-2.3	-2.3	-2.4	-2.6	-2.6
NL	9.9	10.8	18.8	17.9	19.3	18.7	18.4	17.8	20.4	18.4	22.1	21.3
A	-6.9	-8.1	-4.7	-5.3	-3.3	-2.7	-3.0	-3.5	-3.6	-4.6	-3.4	-4.2
P	-7.9	-8.1	-7.1	-7.4	-9.0	-10.9	-13.4	-13.1	-15.2	-15.0	-16.9	-16.4
FIN	5.5	6.5	9.5	8.9	10.2	11.2	11.4	10.8	12.0	11.9	13.3	13.6
S	6.3	7.9	13.1	14.9	16.4	15.3	16.8	15.0	17.6	16.9	18.8	18.6
UK	-17.1	-14.3	-14.1	-16.1	-17.2	-30.4	-39.8	-39.9	-44.7	-41.0	-51.5	-43.0
EU-15	36.3	49.0	87.3	110.4	128.9	123.8	82.7	84.8	82.3	80.2	88.4	96.2
EU-15, adjusted	-	-	-	-	-	53.1	-	36.7	-	32.1	-	48.2
EUR-11	51.9	60.1	95.4	119.8	140.5	151.5	117.4	121.0	121.9	116.5	134.7	133.2
EUR-11, adjusted	-	-	-	-	-	118.8	-	88.8	-	84.3	-	101.0
USA	-113.7	-140.5	-132.9	-149.6	-172.9	-222.2	-323.0	-327.1	-372.7	-423.0	-372.5	-451.6
JAP	119.0	121.4	100.4	65.9	89.8	119.0	129.5	126.2	138.2	153.7	153.7	150.9

TABLE 51 : Balance on current transactions with the rest of the world (in billions of Ecu/euro, 1993-2001)

							1999 estimate of		2000 forecast of		2001 forecast of	
	1993	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	7.7	10.1	9.4	9.6	10.0	9.1	7.2	9.6	8.2	10.1	10.0	11.4
DK	3.3	2.0	1.0	2.1	0.5	-2.0	0.0	1.4	0.9	2.1	1.2	3.0
D	-8.8	-21.1	-14.1	-5.4	0.0	-3.2	-11.2	-16.7	-4.9	-15.8	2.1	-10.2
EL	-2.0	-0.4	-0.8	-2.3	-2.4	-2.0	-1.9	-1.6	-2.4	-2.4	-2.8	-2.7
E	-4.1	-5.5	-0.2	0.5	1.5	-1.7	-9.8	-9.9	-15.7	-14.5	-20.8	-17.6
F	8.0	2.8	3.1	11.2	28.9	27.3	22.6	23.9	23.2	22.5	25.5	23.7
IRL	1.5	1.2	1.3	1.6	1.7	0.7	-0.2	0.3	-0.4	-0.4	-0.8	-0.2
I	6.8	10.4	18.8	30.5	28.7	17.5	12.9	10.2	13.9	11.0	15.5	14.7
L	2.2	2.2	-	-	-	-	-	-	-	-	-	-
NL	13.0	15.4	20.2	17.6	23.2	20.9	20.7	17.7	22.3	21.4	24.2	23.8
A	-0.6	-1.5	-4.0	-3.7	-4.4	-3.8	-4.4	-5.8	-4.8	-7.1	-4.9	-6.9
P	-1.8	-3.3	-2.9	-3.8	-5.3	-6.6	-8.9	-9.0	-10.3	-10.7	-11.5	-11.8
FIN	-1.0	0.9	4.1	4.1	6.0	6.7	7.1	6.3	7.9	7.3	9.0	8.8
S	-2.2	2.1	6.1	6.2	7.6	6.0	2.8	4.7	2.6	6.1	3.7	7.1
UK	-13.6	-1.9	-4.5	-0.7	9.6	-0.1	-16.3	-20.0	-18.0	-22.2	-24.5	-21.3
EU-15	8.5	13.5	37.5	67.5	105.7	68.7	20.9	11.1	22.4	7.4	25.9	21.8
EU-15, adjusted	-	-	-	-	-	34.3	-	8.8	-	5.1	-	19.5
EUR-11	23.0	11.7	35.7	62.2	90.4	66.9	36.3	26.6	39.4	23.8	48.3	35.7
EUR-11, adjusted	-	-	-	-	-	60.3	-	43.3	-	40.5	-	52.4
USA	-62.3	-91.0	-74.9	-87.2	-109.1	-179.7	-290.6	-292.8	-340.8	-395.0	-330.6	-420.6
JAP	112.7	110.3	84.7	51.8	83.4	109.9	120.4	101.2	139.6	122.2	153.2	123.1

TABLE 52 : Export markets (a) (percentage change on preceding year, 1993-2001) **21.03.2000**

							1999 estimate of		2000 forecast of		2001 forecast of	
	1993	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-2.7	8.4	6.8	4.1	9.3	8.2	4.7	6.2	6.6	8.2	6.2	7.1
DK	-0.8	9.0	6.9	4.7	8.6	6.9	3.0	3.9	6.2	7.0	5.8	6.8
D	0.5	9.1	7.7	5.1	9.8	7.3	4.6	5.4	6.6	8.2	6.4	7.1
EL	-2.6	7.5	7.4	4.3	8.8	6.0	4.4	4.2	6.6	7.4	5.5	7.1
E	-2.2	8.3	7.4	4.1	9.4	8.5	4.2	5.1	6.4	7.8	6.1	7.0
F	-1.7	8.9	7.8	4.8	9.6	7.3	4.6	6.2	6.7	8.2	6.3	7.4
IRL	0.1	8.6	6.5	5.6	9.3	7.8	5.1	6.3	6.5	7.8	6.0	6.7
I	-1.0	8.7	7.1	5.5	9.8	7.1	4.7	5.9	6.7	8.3	6.3	7.4
L (b)	-	-	-	-	-	-	-	-	-	-	-	-
NL	-2.8	7.8	5.7	4.0	7.9	7.2	3.7	4.2	6.1	7.1	5.7	6.5
A	-	8.4	7.1	3.7	10.3	8.6	4.4	5.3	6.6	8.1	6.1	7.7
P	-2.7	9.5	7.8	4.7	9.8	9.3	5.3	7.2	7.3	8.6	6.7	7.7
FIN	-	10.2	8.1	4.7	10.0	6.0	3.2	3.1	6.7	7.5	6.0	7.0
S	-	9.5	7.1	5.2	9.9	7.3	3.8	4.6	6.4	7.5	6.1	6.9
UK	0.6	9.6	8.3	5.4	9.8	7.5	5.3	6.4	6.5	8.2	6.1	7.2
EU-15 (c) (d)	-0.9	8.9	7.4	4.9	9.5	7.4	4.5	5.5	6.5	8.0	6.2	7.1
EUR-11 (c)	-	8.7	7.2	4.8	9.5	7.5	4.5	5.5	6.6	8.1	6.2	7.1
USA	4.7	10.4	10.5	6.6	10.0	1.6	4.7	5.2	6.4	7.8	6.1	7.4
JAP	8.1	13.0	10.8	6.8	11.6	3.2	6.6	8.4	6.3	9.3	6.0	7.4

(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.
(d) EU-12 up to 1993.

TABLE 53 : Export performance (a) (percentage change on preceding year, 1993-2001)

							1999 estimate of		2000 forecast of		2001 forecast of	
	1993	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
B	-0.9	-1.3	0.9	-0.3	-2.7	-3.8	-2.4	-3.1	-1.0	-0.9	-0.8	-0.5
DK	1.2	-2.0	-7.3	-2.7	-1.9	-5.2	-0.1	-0.1	-1.3	-1.4	-1.3	-1.5
D	-10.3	-0.2	-3.4	-0.5	1.6	0.2	-1.4	-0.5	0.4	1.7	-0.3	1.0
EL	5.3	-0.8	-3.6	-1.8	-4.6	-4.1	-0.7	-0.4	-1.4	-1.2	-0.1	-1.1
E	14.1	11.5	2.3	6.2	3.6	-3.1	0.3	1.6	2.4	2.1	2.1	1.9
F	0.4	-2.1	-0.2	-1.0	2.0	-0.5	-2.8	-1.6	-1.1	0.3	-0.7	-1.1
IRL	4.1	2.7	8.0	4.5	5.4	12.6	6.1	6.3	3.1	3.9	2.6	2.9
I	9.5	1.7	3.6	-5.5	-5.2	-3.4	-5.4	-6.5	-1.7	-0.2	-0.7	-0.7
L (b)	-	-	-	-	-	-	-	-	-	-	-	-
NL	3.2	-1.4	0.6	0.1	-1.9	-0.7	0.8	0.5	-0.1	0.1	0.5	-0.5
A	-	-0.4	0.9	1.9	2.1	-0.4	-0.2	-0.6	0.6	0.9	0.9	0.7
P	-1.3	2.6	4.3	5.5	-0.3	-1.5	-0.8	-2.5	-0.5	-0.5	-0.1	-0.4
FIN	-	2.5	-2.5	-0.3	4.7	3.8	0.1	3.8	-1.0	0.8	0.0	0.8
S	-	5.8	5.2	0.7	2.4	-0.5	1.9	0.6	0.0	0.2	-0.6	-0.1
UK	2.4	0.9	-1.8	1.4	-1.8	-5.8	-3.5	-4.0	1.0	-0.6	-0.5	-1.0
EU-15 (c) (d)	-0.1	0.6	-0.1	-0.3	-0.2	-1.4	-1.6	-1.4	0.1	0.6	-0.1	0.0
EUR-11 (c)	-	0.8	0.2	-0.4	0.0	-0.7	-1.6	-1.2	-0.1	0.7	0.0	0.2
USA	-0.5	0.9	0.1	0.9	5.0	0.5	-1.4	-1.2	-0.7	-1.0	0.7	-0.6
JAP	-9.3	-6.8	-5.2	-4.4	-1.9	-4.5	-4.3	-3.2	-3.8	-1.5	-3.1	-3.2

(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.
(d) EU-12 up to 1993.

TABLE 54 : World GDP, volume (percentage change on preceding year, 1994-2001) 21.03.2000

							1999		2000		2001	
							estimate of		forecast of		forecast of	
	(a)	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
EU-15	19.4	2.8	2.4	1.6	2.5	2.7	2.1	2.3	3.0	3.4	3.0	3.1
EUR-11	15.0	2.4	2.3	1.4	2.3	2.7	2.1	2.3	2.9	3.4	2.9	3.1
Belgium	0.5	3.0	2.5	1.0	3.5	2.7	1.8	2.3	2.7	3.5	2.8	3.3
Denmark	0.3	5.8	3.7	2.8	3.1	2.7	1.5	1.4	1.9	2.0	2.1	2.1
Germany	4.3	2.3	1.7	0.8	1.5	2.2	1.5	1.5	2.6	2.9	2.7	2.9
Greece	0.5	2.0	2.1	2.4	3.4	3.7	3.4	3.5	3.8	3.9	3.9	4.0
Spain	1.8	2.3	2.7	2.3	3.8	4.0	3.6	3.7	3.6	3.8	3.5	3.4
France	3.0	2.1	1.7	1.1	2.0	3.2	2.5	2.8	2.9	3.7	3.0	3.2
Ireland	0.2	5.8	9.5	7.7	10.7	8.9	7.8	8.3	6.9	7.5	5.8	6.2
Italy	3.2	2.2	2.9	1.1	1.8	1.5	1.1	1.4	2.2	2.7	2.5	2.7
Luxembourg	0.0	4.2	3.8	2.9	7.3	5.0	5.0	5.0	5.3	5.6	5.5	5.7
Netherlands	0.8	3.2	2.3	3.0	3.8	3.7	3.0	3.5	3.2	4.1	3.3	3.7
Austria	0.4	2.4	1.7	2.0	1.2	2.9	2.1	2.3	2.8	3.2	2.6	3.0
Portugal	0.4	2.2	2.9	3.2	3.5	3.5	3.1	2.9	3.3	3.6	3.3	3.5
Finland	0.2	4.0	3.8	4.0	6.3	5.0	3.9	3.5	4.0	4.9	4.0	4.2
Sweden	0.5	4.1	3.7	1.1	2.0	3.0	3.7	3.8	3.5	3.9	2.8	3.3
United Kingdom	3.1	4.4	2.8	2.6	3.5	2.2	1.8	2.0	3.4	3.3	3.6	3.0
USA	21.2	4.1	2.7	3.7	4.5	4.3	3.8	4.1	2.8	3.6	2.5	3.0
Japan	7.6	0.6	1.5	5.0	1.6	-2.5	1.3	0.3	1.6	1.1	2.1	1.8
Canada	1.9	4.7	2.7	1.7	4.0	3.1	3.7	3.7	2.6	3.5	2.1	2.6
Rest OECD	7.1	3.6	2.0	5.1	5.6	1.9	2.8	3.5	3.9	4.4	3.9	4.5
- Norway	0.3	5.5	3.8	4.9	4.3	2.1	0.6	0.9	2.3	2.9	2.8	3.0
- Switzerland	0.5	2.2	1.6	0.7	1.6	2.3	1.1	1.4	1.9	2.0	2.0	2.1
- Iceland	0.0	3.7	1.0	5.6	4.4	5.0	5.0	6.0	3.5	2.9	2.8	2.6
- Turkey	1.1	-5.5	7.2	7.0	7.5	3.1	-1.6	-3.9	4.5	4.5	4.6	5.1
- Australia	1.1	4.7	4.0	3.0	3.8	5.1	3.9	4.2	3.4	3.8	3.4	3.3
- New Zealand	0.2	5.4	3.6	2.7	2.3	-0.8	2.2	3.3	3.0	3.2	3.0	3.3
- Mexico	2.4	4.4	-6.2	5.2	7.0	4.8	3.2	3.5	3.9	4.5	3.9	4.8
- Korea	1.5	8.3	8.9	6.8	5.0	-5.8	5.9	9.6	4.7	6.0	4.7	5.8
Total OECD	57.1	3.1	2.4	3.3	3.6	2.5	2.8	2.9	2.8	3.3	2.8	3.1
OECD excluding EU-15	37.7	3.3	2.3	4.1	4.1	2.4	3.1	3.2	2.7	3.2	2.7	3.0
Europe Agreement countries	2.0	3.6	5.7	3.6	3.2	2.5	1.8	2.2	3.5	3.7	4.3	4.6
- Bulgaria	0.1	1.8	2.9	-10.1	-6.9	3.4	1.5	2.4	3.9	4.5	4.1	4.9
- Czech Republic	0.3	2.7	6.4	3.9	1.0	-2.3	-0.4	-0.5	2.4	1.8	3.8	3.1
- Estonia	0.0	-2.0	4.3	3.9	10.6	4.0	0.4	-1.4	4.5	4.0	5.8	5.5
- Hungary	0.2	2.9	1.5	1.3	4.6	5.1	3.8	4.3	4.2	4.7	4.2	5.1
- Latvia	0.0	0.6	-0.8	3.3	8.6	3.6	-0.5	0.5	2.0	2.5	3.7	3.9
- Lithuania	0.0	-9.8	3.3	4.7	7.3	5.1	0.0	-4.0	2.8	2.2	4.0	3.4
- Poland	0.9	5.2	7.0	6.0	6.8	4.8	3.7	4.1	5.1	5.1	5.3	5.5
- Romania	0.2	3.9	7.1	3.9	-6.1	-5.4	-4.3	-3.2	-2.1	-0.6	1.4	2.8
- Slovakia	0.1	4.9	6.9	6.6	6.5	4.4	1.3	1.9	1.7	2.2	3.4	3.3
- Slovenia	0.1	5.3	4.1	3.5	4.6	4.0	3.3	3.7	3.6	4.1	4.2	4.1
FSU (excl. Baltics)	2.7	-14.4	-5.8	-3.5	1.0	-2.5	0.0	2.3	0.6	1.4	1.7	2.5
- Russia	1.7	-12.6	-4.1	-3.6	0.9	-4.6	1.0	3.2	1.0	1.3	2.5	2.5
- Ukraine	0.4	-23.0	-12.2	-10.1	-3.2	-1.7	-3.4	-0.5	-1.9	0.5	-1.1	2.0
- Other FSU (10 states)	0.7	-12.6	-5.9	1.0	4.0	2.8	-0.7	1.4	0.9	2.0	1.2	2.8
OPEC	5.8	2.8	4.7	5.2	4.0	-4.1	0.8	0.9	4.0	4.0	4.2	4.2
- Indonesia	2.0	7.5	8.2	7.8	4.7	-13.5	-0.5	0.2	4.0	3.8	4.0	4.0
Other developing economies	32.5	8.2	7.1	6.8	6.1	4.3	4.2	4.5	5.0	5.4	5.5	5.5
- DAE's	3.6	7.7	7.5	6.0	3.3	-3.0	3.8	4.7	4.1	5.2	5.2	5.3
Hong Kong	0.4	5.4	3.9	4.5	5.3	-5.1	0.7	2.0	2.7	3.8	3.2	4.1
- Other Asia	19.7	10.1	8.9	8.2	6.9	6.7	5.8	6.3	5.8	6.3	6.1	6.2
China	12.0	12.7	10.5	9.5	8.8	7.8	6.5	7.1	6.3	6.9	6.7	6.9
India	4.4	7.9	8.0	7.3	5.0	5.8	5.6	5.8	5.4	6.0	5.1	6.2
- Latin America	6.2	5.9	4.0	3.3	4.6	1.2	-0.5	-0.9	3.4	2.9	3.8	3.6
Brazil	2.9	5.8	4.2	2.7	3.6	-0.1	-0.3	0.5	3.5	3.0	3.8	3.6
- Africa	3.0	3.1	3.5	5.7	3.6	3.9	3.5	3.3	4.5	4.5	4.8	4.8
Total Non-OECD	42.9	5.9	5.9	5.8	5.4	2.7	3.4	3.8	4.5	4.9	5.0	5.1
World	100.0	4.3	3.9	4.4	4.3	2.6	3.0	3.3	3.6	4.0	3.7	3.9
World excluding EU-15	80.6	4.7	4.2	5.0	4.8	2.6	3.2	3.5	3.7	4.1	3.9	4.1

(a) Relative weights, based on GDP (at constant prices and pps) in 1998.

TABLE 55 : World exports of goods, volume (percentage change on preceding year, 1994-2001) 21.03.2000

							1999 estimate of		2000 forecast of		2001 forecast of	
	(a)	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
EU-15 (b)	40.4	10.4	9.1	4.8	9.9	5.9	2.8	4.0	6.6	8.6	6.1	7.1
EUR-11 (b)	32.7	10.3	9.3	4.4	10.2	6.7	2.8	4.2	6.5	8.9	6.2	7.3
USA	12.6	9.7	11.9	8.7	14.5	2.1	3.2	4.0	5.7	6.7	6.8	6.8
Japan	7.1	1.5	6.0	5.5	9.0	-1.5	2.0	4.9	2.2	7.6	2.7	4.0
Canada	4.0	13.2	9.5	5.5	9.1	8.3	6.1	6.1	3.7	3.7	2.8	2.8
Rest OECD	8.6	12.8	21.2	12.5	14.1	8.5	5.5	8.3	6.9	7.9	7.7	6.9
- Norway	0.8	11.0	6.3	10.4	5.2	-0.3	1.1	1.0	6.3	7.1	6.4	6.4
- Switzerland	1.3	3.4	2.6	2.0	7.9	5.2	1.3	3.5	4.2	6.9	5.3	6.2
- Iceland	0.0	14.9	-2.0	-5.1	19.0	10.5	8.5	8.5	6.2	6.2	5.2	5.2
- Turkey	0.5	20.1	6.9	27.5	2.2	8.2	-6.0	-5.0	6.0	6.5	8.5	8.5
- Australia	1.2	6.4	2.6	12.2	8.1	0.1	6.2	7.5	6.7	9.0	6.2	7.2
- New Zealand	0.2	9.8	2.9	4.7	5.0	0.2	4.0	7.0	6.0	7.5	7.0	7.5
- Mexico	2.2	19.9	48.8	8.1	14.3	10.9	7.5	6.5	8.0	5.0	9.0	4.5
- Korea	2.4	13.7	24.9	20.4	26.1	15.7	9.5	18.0	8.0	11.0	9.0	9.0
Total OECD	72.8	9.8	10.7	6.5	11.1	4.9	3.3	4.7	5.9	7.8	5.9	6.5
OECD excluding EU-15	32.4	9.1	12.8	8.6	12.5	3.8	3.9	5.6	5.0	6.8	5.7	5.7
Europe agreement countries	2.2	13.7	16.0	4.7	13.9	10.4	2.8	0.5	7.9	7.8	9.3	8.5
- Bulgaria	0.1	-	-	-	-	-22.7	-1.3	-7.4	6.6	10.1	7.5	9.0
- Czech Republic	0.5	-	17.3	6.2	13.7	13.8	3.2	5.5	5.0	6.5	5.6	7.0
- Estonia	0.0	5.9	6.5	0.9	35.7	18.2	-9.1	-4.1	5.8	6.7	7.8	7.3
- Hungary	0.4	13.7	14.0	8.4	29.9	17.8	10.1	11.9	12.0	13.3	12.0	14.3
- Latvia	0.0	-24.7	35.1	4.4	24.6	7.0	-5.5	-5.7	3.0	3.0	4.6	4.6
- Lithuania	0.0	-	-	-	18.4	-9.8	-11.9	-16.9	8.0	5.8	10.0	7.4
- Poland	0.6	15.4	22.8	3.5	5.0	10.6	1.5	-12.5	11.9	6.4	14.9	7.0
- Romania	0.2	19.6	15.3	3.1	11.9	6.3	2.2	8.0	3.1	5.0	3.6	6.7
- Slovakia	0.2	16.1	7.9	3.3	3.3	11.7	3.5	8.0	5.0	7.9	6.0	8.9
- Slovenia	0.2	8.6	3.0	2.6	13.0	9.0	3.9	2.4	5.0	6.0	6.0	6.0
FSU (excl. Baltics)	1.8	29.4	11.9	8.3	-1.0	-13.0	-11.0	-7.3	-0.8	2.8	-0.2	4.3
- Russia	1.2	35.4	8.5	6.9	-2.3	-14.2	-13.9	-6.9	-1.9	-0.4	0.0	2.0
- Ukraine	0.3	18.8	6.4	8.0	-6.5	-6.8	-2.0	-3.6	-0.5	11.8	-0.5	9.8
- Other FSU (10 states)	0.4	15.6	34.6	14.2	8.4	-13.0	-7.0	-11.5	2.6	6.4	-0.6	8.6
OPEC	3.7	4.0	4.7	3.6	7.9	-6.0	1.9	-1.0	5.7	6.9	5.6	6.3
- Indonesia	0.9	10.8	3.4	0.0	18.0	14.7	-2.2	-26.0	6.0	11.0	6.0	8.0
Other developing economies	19.5	14.4	11.4	10.6	14.7	4.6	4.0	5.7	5.9	7.9	6.7	7.6
- DAE's	9.6	13.5	11.7	4.6	7.0	0.2	2.8	6.6	5.4	8.1	6.1	7.9
Hong Kong	3.2	10.2	11.2	4.4	5.8	-3.9	-3.2	2.9	3.4	6.7	4.5	8.4
- Other Asia	5.7	21.0	15.6	16.0	16.5	12.7	6.8	7.1	6.9	8.9	7.6	8.1
China	3.4	32.2	16.1	20.5	25.8	14.0	7.5	6.3	6.7	10.0	7.5	11.0
India	0.6	14.2	29.4	13.1	-7.0	8.3	8.5	7.0	8.0	8.0	8.0	8.0
- Latin America	2.8	8.4	10.6	2.8	15.4	4.4	1.6	0.0	5.1	5.8	6.0	6.1
Brazil	0.9	5.6	1.6	2.1	15.8	4.1	-	0.0	-	7.0	-	6.0
- Africa	1.4	8.4	1.2	8.7	7.2	2.1	6.4	4.6	7.1	6.2	8.0	6.6
Total Non-OECD	27.2	13.9	10.9	9.0	12.6	2.4	2.5	3.5	5.6	7.4	6.2	7.3
World	100.0	11.0	10.8	7.2	11.5	4.2	3.1	4.4	5.8	7.7	6.0	6.7
World excluding EU-15	59.6	11.3	11.9	8.8	12.6	3.2	3.3	4.6	5.3	7.1	5.9	6.4

(a) Relative weights, based on exports (at current prices and current exchange rates) in 1998.
(b) Intra- and extra-EU trade.

TABLE 56 : Export shares in EU trade (goods only - 1998)

	EU-15	USA	Japan	Canada	Rest OECD	EAC	FSU	OPEC	DAE's	Other Asia	Latin America	Africa	World
EU-15	61.5	8.6	1.9	1.0	8.5	4.0	1.3	2.4	3.4	3.2	2.1	2.1	100
Belgium	74.4	5.8	1.2	0.5	4.8	2.0	0.6	1.6	2.2	4.2	1.2	1.4	100
Denmark	63.7	5.9	2.9	0.7	11.9	4.3	1.6	2.0	2.3	2.2	1.4	1.1	100
Germany	55.5	9.2	2.1	0.9	11.1	6.3	1.7	2.2	3.5	3.4	2.3	1.7	100
Greece	63.6	6.5	0.7	0.7	5.9	6.8	3.4	3.4	1.6	3.2	1.3	3.0	100
Spain	70.0	5.3	1.2	0.6	4.9	1.9	0.6	3.6	1.8	2.3	4.8	3.1	100
France	63.0	7.9	1.7	1.1	7.0	2.4	0.7	2.9	4.1	3.6	1.8	3.7	100
Ireland	66.9	12.4	3.5	1.2	6.1	1.2	1.1	1.2	2.6	1.6	1.1	1.1	100
Italy	54.3	9.5	2.2	1.1	9.4	5.4	1.6	3.1	3.8	3.7	3.4	2.6	100
Luxembourg (a)	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	76.7	4.6	0.9	0.5	5.5	2.3	0.9	1.3	2.8	2.2	1.0	1.2	100
Austria	60.4	4.9	1.4	1.1	10.4	12.2	2.0	2.2	1.6	1.5	1.2	1.0	100
Portugal	82.6	5.2	0.6	0.7	4.5	0.6	0.2	0.5	0.6	1.3	1.8	1.3	100
Finland	53.5	7.2	2.2	1.0	8.9	7.2	6.8	2.5	4.2	3.1	1.9	1.5	100
Sweden	54.7	10.2	2.5	1.3	13.6	3.3	1.1	2.5	3.5	3.2	2.5	1.5	100
United Kingdom	55.8	13.6	2.1	2.1	8.3	2.2	0.7	3.0	4.6	3.8	1.6	2.3	100

(a) Included in the figures for Belgium.

TABLE 57 : World imports of goods, volume (percentage change on preceding year, 1994-2001) 21.03.2000

							1999 estimate of		2000 forecast of		2001 forecast of	
	(a)	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
EU-15 (b)	38.6	9.0	7.7	3.9	9.3	9.1	5.0	6.4	6.8	8.0	6.3	7.2
EUR-11 (b)	30.2	9.8	8.2	2.8	9.4	9.4	5.1	6.6	6.7	8.3	6.3	7.5
USA	17.6	13.3	9.0	9.4	14.2	11.7	11.1	12.7	5.3	9.0	4.0	5.5
Japan	4.8	13.3	11.4	10.0	2.4	-4.9	5.7	10.5	5.0	5.3	5.4	9.2
Canada	3.9	10.6	7.5	6.2	16.9	7.3	3.9	3.9	3.6	3.6	3.5	3.5
Rest OECD	8.8	13.4	8.8	10.2	11.9	2.2	7.6	8.5	8.5	10.2	8.2	9.0
- Norway	0.7	7.9	8.8	10.8	10.3	10.6	-6.3	-7.1	6.1	2.6	7.1	7.2
- Switzerland	1.4	8.1	4.0	2.5	7.8	9.5	3.2	5.4	4.0	6.9	5.6	6.4
- Iceland	0.0	7.4	6.0	15.8	3.9	28.6	6.3	5.1	6.6	7.2	3.2	5.3
- Turkey	0.9	-19.1	28.5	18.6	19.2	0.2	-6.9	-3.7	11.2	8.8	9.1	7.0
- Australia	1.4	11.7	9.2	6.9	6.4	6.9	6.0	9.5	6.0	8.0	6.0	8.5
- New Zealand	0.3	16.7	6.0	3.5	3.5	2.5	4.0	4.7	4.0	5.0	7.0	5.0
- Mexico	2.4	24.8	-4.3	12.2	22.9	15.2	8.0	8.0	9.0	11.0	10.5	11.0
- Korea	1.7	22.0	21.2	12.7	3.1	-29.2	19.5	24.5	12.0	18.6	9.0	11.5
Total OECD	73.6	10.9	8.4	6.4	10.8	7.9	6.8	8.3	6.4	8.1	5.8	6.9
OECD excluding EU-15	35.0	13.0	9.1	9.3	12.3	6.6	8.7	10.4	6.0	8.2	5.3	6.7
Europe agreement countries	2.7	8.1	18.1	17.8	14.6	13.6	3.1	-0.2	7.5	6.4	8.6	7.5
- Bulgaria	0.1	-	-	-	-	-1.9	4.6	8.7	5.6	5.9	5.6	7.1
- Czech Republic	0.5	-	26.9	12.4	10.6	8.7	2.1	4.0	4.3	5.2	5.0	6.5
- Estonia	0.1	14.6	5.9	6.9	33.8	11.8	-14.8	-9.0	6.7	6.1	6.7	6.8
- Hungary	0.4	8.8	-0.5	11.7	26.4	23.7	10.0	10.2	11.0	12.9	11.0	14.1
- Latvia	0.1	-9.4	61.6	9.3	13.5	32.3	-7.5	-8.4	2.7	2.7	4.0	4.0
- Lithuania	0.0	-	-	-	24.7	-2.6	-7.9	-12.1	6.0	4.3	7.0	5.4
- Poland	0.8	11.6	22.7	31.9	16.6	13.0	8.9	-6.9	11.8	5.2	13.8	5.5
- Romania	0.2	2.8	16.3	8.7	7.5	19.1	-6.5	-8.1	1.7	2.2	2.3	5.6
- Slovakia	0.2	-1.9	12.5	22.9	-5.9	9.9	-5.3	-2.3	2.5	4.8	4.2	7.8
- Slovenia	0.2	14.2	13.1	2.4	12.5	16.8	5.1	7.8	5.3	6.8	5.6	6.1
FSU (excl. Baltics)	1.4	8.7	6.2	4.7	7.3	-16.5	-16.9	-28.2	6.7	2.8	0.8	4.0
- Russia	0.5	0.0	1.7	-10.0	15.0	-24.1	-20.8	-31.7	16.3	2.5	4.4	3.0
- Ukraine	0.3	16.0	1.6	13.5	-6.5	-14.7	-20.3	-27.1	-10.7	-0.9	-4.7	5.7
- Other FSU (10 states)	0.5	20.8	20.3	20.7	10.5	-8.1	-6.0	-25.3	0.8	5.7	-3.5	3.8
OPEC	3.1	-7.5	8.9	2.1	13.4	-5.6	1.0	-1.4	5.3	7.3	5.3	6.3
- Indonesia	0.6	10.4	16.2	7.0	11.0	-26.8	-5.0	-34.0	4.0	15.0	6.0	9.0
Other developing economies	19.3	11.6	12.4	6.7	8.3	-0.9	0.0	3.6	6.0	8.9	6.7	8.3
- DAE's	8.9	13.9	14.1	1.8	6.4	-9.6	0.2	3.6	5.8	8.1	5.9	7.7
Hong Kong	3.5	13.5	13.6	4.3	7.7	-6.9	-5.3	0.0	5.0	6.0	5.0	8.1
- Other Asia	5.2	10.9	10.5	14.9	7.4	3.1	5.7	12.4	7.0	12.4	8.0	9.9
China	2.6	6.8	6.2	19.4	9.2	11.2	6.5	19.0	7.5	16.0	9.5	13.0
India	0.8	27.4	27.4	10.6	6.0	-1.2	7.0	10.0	6.0	11.0	6.0	10.0
- Latin America	3.4	9.1	10.0	9.4	17.5	10.3	-10.9	-9.7	4.9	6.7	5.9	7.3
Brazil	1.1	5.8	23.5	15.8	14.7	5.9	-	-5.0	-	7.0	-	8.5
- Africa	1.7	4.6	10.8	9.7	6.2	9.9	3.3	3.3	6.3	6.5	8.7	8.4
Total Non-OECD	26.4	8.9	12.3	7.2	9.5	-0.8	-0.7	1.0	6.1	8.1	6.4	7.8
World	100.0	10.4	9.4	6.6	10.4	5.6	4.8	6.4	6.3	8.1	6.0	7.2
World excluding EU-15	61.4	11.2	10.5	8.4	11.1	3.4	4.7	6.3	6.0	8.2	5.8	7.1

(a) Relative weights, based on imports (at current prices and current exchange rates) in 1998.
(b) Intra- and extra-EU trade.

TABLE 58 : Import shares in EU trade (goods only - 1998)

	EU-15	USA	Japan	Canada	Rest OECD	EAC	FSU	OPEC	DAE's	Other Asia	Latin America	Africa	World
EU-15	64.0	7.3	3.0	0.7	6.4	3.7	1.6	2.4	4.4	3.4	1.6	1.7	100
Belgium	77.9	5.6	1.9	0.5	3.0	1.5	0.8	0.8	1.6	3.2	1.1	2.1	100
Denmark	72.9	4.9	2.0	0.4	7.8	3.6	0.9	0.5	3.1	2.3	1.4	0.3	100
Germany	58.7	6.7	4.0	0.6	8.3	7.6	2.2	1.5	4.3	3.5	1.6	1.0	100
Greece	68.5	3.1	2.6	0.3	5.4	3.8	2.8	3.5	2.0	4.0	1.4	2.6	100
Spain	68.1	5.7	2.2	0.4	4.3	1.3	1.2	5.1	2.3	4.0	2.5	2.8	100
France	65.9	7.6	2.6	0.6	5.5	2.0	1.4	2.7	3.6	4.0	1.5	2.5	100
Ireland	60.5	15.1	4.6	0.7	3.7	0.8	0.1	0.2	10.8	2.3	0.5	0.8	100
Italy	64.0	4.6	1.6	0.8	6.7	4.2	2.6	5.0	2.0	4.0	1.9	2.6	100
Luxembourg (a)	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	62.6	8.1	3.2	0.5	4.8	2.4	1.0	3.8	6.7	3.3	2.2	1.4	100
Austria	71.3	4.1	1.9	0.6	4.7	9.2	1.7	1.4	2.1	1.9	0.5	0.7	100
Portugal	76.2	2.9	1.7	0.3	3.7	0.6	0.9	3.5	1.5	3.3	2.1	3.2	100
Finland	62.3	7.1	4.3	0.6	6.8	4.1	7.0	0.4	3.3	2.0	1.7	0.5	100
Sweden	71.4	5.6	2.0	0.3	9.1	3.8	0.6	1.0	3.5	1.4	0.8	0.5	100
United Kingdom	56.4	11.9	4.0	1.2	8.2	1.7	0.7	1.5	8.3	3.5	1.3	1.4	100

(a) Included in the figures for Belgium.

TABLE 59 : World trade balances (bn. US dollars, 1993-2001) 21.03.2000

							1999		2000		2001	
							estimate of		forecast of		forecast of	
	1993	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
EU-15	42.5	58.2	114.2	140.2	146.1	138.7	88.7	90.7	87.8	81.6	95.6	98.2
EU-15, adjusted	-	-	-	-	-	59.5	-	39.3	-	32.7	-	49.2
EUR-11	60.8	71.3	124.8	152.1	159.3	169.6	125.8	129.4	130.0	118.6	145.6	136.0
EUR-11, adjusted	-	-	-	-	-	133.2	-	95.0	-	85.8	-	103.1
USA	-133.1	-167.1	-173.8	-189.9	-196.1	-249.1	-346.2	-349.8	-397.7	-430.7	-402.5	-461.0
Japan	139.4	144.2	131.6	83.7	101.9	133.5	138.8	135.0	147.5	156.5	166.1	154.1
Canada	10.2	14.9	25.8	30.8	17.1	10.4	14.9	14.9	15.7	15.9	15.0	14.9
Rest OECD	-15.0	-18.8	-4.8	-5.9	41.2	7.4	-45.3	31.9	-53.9	38.4	-63.1	20.9
- Norway	6.9	6.8	7.9	12.3	10.9	1.3	10.7	10.2	16.1	18.2	17.4	16.6
- Switzerland	1.7	1.6	0.9	0.9	-0.3	-1.0	-4.7	-0.6	-5.9	-2.9	-6.7	-3.2
- Iceland	0.2	0.3	0.2	0.0	-0.3	-0.4	-0.3	-0.1	-0.3	-0.1	-0.3	0.0
- Turkey	-14.2	-4.2	-13.2	-10.6	-20.4	-18.9	-18.8	-14.1	-22.5	-17.0	-25.2	-17.2
- Australia	0.0	-3.3	-4.2	-0.6	-2.9	-6.3	-8.5	-7.2	-6.3	-3.4	-6.5	-6.2
- New Zealand	1.7	1.4	0.9	0.6	-1.9	-1.0	0.3	-1.7	0.2	-2.2	0.3	-1.7
- Mexico	-13.5	-18.5	7.1	6.5	-4.0	-7.9	-3.3	5.1	1.5	15.3	0.0	-0.7
- Korea	2.3	-2.9	-4.4	-15.0	60.0	41.6	-	40.4	-	30.5	-	33.3
Total OECD	44.0	31.5	93.0	58.9	110.2	40.8	-149.2	-77.3	-200.5	-138.1	-189.0	-172.9
OECD excluding EU-15	1.5	-26.8	-21.2	-81.3	-35.9	-97.9	-237.8	-168.0	-288.4	-219.8	-284.5	-271.1
Europe agreement Countries	-9.6	-6.6	-13.7	-25.0	-16.6	-22.5	-27.8	-21.8	-29.9	-22.2	-31.9	-22.7
FSU (excl. Baltics)	18.9	34.8	40.9	45.0	36.5	28.0	22.5	41.6	16.9	46.1	16.6	47.3
OPEC	39.7	53.6	57.6	91.6	45.0	38.1	75.6	72.9	113.0	121.6	124.5	113.4
Other developing economies	-29.8	-24.2	-46.4	-46.3	-20.0	30.8	65.3	47.1	65.9	33.5	75.5	32.6
- DAE's	4.2	0.6	-12.9	-3.7	0.4	48.7	61.0	65.4	60.8	68.7	69.8	80.2
- Other Asia	-29.1	-15.5	-10.1	-14.6	16.6	30.4	33.9	15.8	32.0	0.2	33.2	-6.0
- Latin America	2.2	-2.3	-11.6	-16.3	-24.9	-31.3	-16.1	-16.8	-14.2	-17.4	-13.7	-20.5
- Africa	-7.1	-7.0	-11.8	-11.7	-12.2	-16.9	-13.5	-17.3	-12.7	-18.0	-13.8	-21.1
Total Non-OECD	19.2	57.6	38.4	65.3	44.9	74.5	135.7	139.9	165.9	179.0	184.7	170.5
World	63.2	89.1	131.4	124.2	155.0	115.3	-13.5	62.6	-34.6	40.9	-4.3	-2.4

TABLE 60 : World current account balances (bn. US dollars, 1993-2001)

							1999		2000		2001	
							estimate of		forecast of		forecast of	
	1993	1994	1995	1996	1997	1998	X-1999	III-2000	X-1999	III-2000	X-1999	III-2000
EU-15	9.9	16.1	49.0	85.7	119.8	77.0	22.4	11.9	23.9	7.5	28.0	22.3
EU-15, adjusted	-	-	-	-	-	38.5	-	9.4	-	5.2	-	19.9
EUR-11	26.9	13.9	46.7	79.0	102.5	74.9	38.9	28.5	42.0	24.3	52.2	36.4
EUR-11, adjusted	-	-	-	-	-	67.6	-	46.3	-	41.2	-	53.5
USA	-72.9	-108.3	-98.0	-110.7	-123.7	-201.5	-311.5	-313.2	-363.6	-402.2	-357.3	-429.4
Japan	132.1	131.0	111.2	65.8	94.6	123.3	129.0	108.3	148.9	124.4	165.6	125.7
Canada	-20.5	-14.5	-2.5	4.1	-9.1	-11.1	-6.4	-6.4	-5.7	-5.8	-5.5	-5.4
Rest OECD	-16.1	-29.2	-8.3	-14.8	-7.7	31.6	-39.5	37.7	-54.9	43.2	-51.8	26.0
- Norway	3.5	3.7	4.9	10.2	7.9	-2.2	7.6	5.6	12.2	13.9	12.0	11.3
- Switzerland	19.5	17.7	21.9	22.4	23.2	22.8	16.4	24.8	15.5	21.6	15.5	22.4
- Iceland	0.1	0.1	0.1	0.1	-0.1	-0.5	-0.6	-0.4	-0.6	-0.5	-0.6	-0.6
- Turkey	-6.4	2.6	-2.3	-2.4	-9.0	1.1	-0.2	-0.6	-5.3	-2.8	-5.4	-1.1
- Australia	-9.8	-17.3	-19.6	-15.8	-9.3	-11.0	-16.5	-14.3	-15.1	-12.5	-15.2	-14.0
- New Zealand	-0.7	-2.4	-3.1	-4.0	-4.8	-3.2	-5.2	-5.9	-5.3	-1.3	-5.2	-0.7
- Mexico	-23.4	-29.7	-1.6	-2.3	-7.5	-16.0	-12.8	-6.9	-9.6	1.8	-10.7	-14.7
- Korea	1.0	-3.9	-8.5	-23.0	-8.2	40.6	-	35.4	-	23.0	-	23.3
Total OECD	32.5	-4.9	51.4	30.2	73.9	19.4	-206.0	-161.8	-251.4	-232.9	-220.9	-260.9
OECD excluding EU-15	22.6	-21.0	2.4	-55.5	-45.9	-57.6	-228.4	-173.6	-275.3	-240.4	-248.9	-283.2
Europe agreement Countries	-8.4	-8.4	-8.4	-13.2	-29.2	-41.0	-46.6	-42.3	-50.9	-42.8	-54.8	-43.2
FSU (excl. Baltics)	9.1	25.2	28.3	33.6	61.5	42.7	43.6	65.9	30.1	74.5	27.8	75.2
OPEC	-27.2	-11.5	-3.1	25.0	15.4	-16.5	26.2	28.4	64.5	77.4	74.1	66.7
Other developing economies	-38.9	-28.3	-72.9	-64.2	-46.3	-12.5	22.2	1.7	24.4	-6.2	28.0	-17.1
- DAE's	10.1	7.4	-7.6	4.6	9.4	52.6	64.9	67.9	70.7	78.4	76.5	85.7
- Other Asia	-24.4	-5.9	-16.6	-14.1	16.1	20.7	21.9	5.8	17.7	-9.9	16.5	-16.0
- Latin America	-19.3	-23.2	-37.3	-45.1	-61.1	-71.3	-54.1	-63.3	-53.8	-65.4	-55.1	-75.5
- Africa	-5.3	-6.6	-11.4	-9.6	-10.7	-14.5	-10.5	-8.7	-10.2	-9.4	-9.9	-11.2
Total Non-OECD	-65.4	-23.0	-56.1	-18.8	1.4	-27.3	45.4	53.7	68.2	102.9	75.1	81.7
World	-32.9	-27.9	-4.7	11.4	75.3	-7.9	-160.5	-108.1	-183.2	-130.0	-145.8	-179.2

TABLE 61 : Primary commodity prices (in US dollars, percentage change on preceding year, 1994-2001) 21.03.2000

SITC Classification	1993	1994	1995	1996	1997	1998	1999 estimate of X-1999	1999 estimate of III-2000	2000 forecast of X-1999	2000 forecast of III-2000	2001 forecast of X-1999	2001 forecast of III-2000
Food (0 + 1)	-6.0	6.3	5.6	0.0	-2.9	-7.8	-7.8	-7.8	3.0	0.8	4.7	3.5
Basic materials (2 + 4)	-9.3	11.9	14.1	-8.6	-4.7	-11.6	-5.0	-7.2	7.0	8.6	7.2	7.4
- of which :												
Agricultures non-food	-6.7	12.3	12.3	-8.2	-7.4	-10.6	-6.2	-9.4	5.1	6.4	6.6	6.9
- of which :												
Wood and pulp	26.4	-1.8	12.3	-15.4	-5.9	-16.9	-4.2	4.4	10.0	13.9	9.3	9.3
Minerals and metals	-14.8	11.1	18.1	-9.5	1.5	-13.7	-2.5	-2.6	11.0	13.1	8.3	8.2
Fuel products (3)	-11.2	-6.4	8.3	18.2	-7.7	-31.0	29.6	34.0	24.5	34.0	2.1	-11.6
- of which :												
Crude petroleum	-11.9	-7.1	7.8	21.1	-7.5	-33.4	34.5	40.0	25.7	36.1	2.0	-12.4
Primary commodities												
- Total excluding fuels	-7.5	8.8	9.5	-4.2	-3.7	-9.5	-6.6	-7.5	4.9	4.3	5.9	5.3
- Total including fuels	-9.4	1.0	9.0	6.5	-5.8	-20.6	9.7	11.2	15.3	20.4	3.7	-4.9
Crude petroleum - price per barrel (us dollar)												
Brent	17.0	15.8	17.1	20.7	19.1	12.7	17.1	17.8	21.5	24.2	21.9	21.2

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 1999, 2000 and 2001 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 starts in the late 1980s, early 1990s or in 1995, with the exception of F, I, 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 plays a key role.

5. Employment data are based on numbers of persons employed. The concept of full-time equivalent is used for the forecasts on the Netherlands, Italy, Spain and the USA from 1999.

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 EUR-11 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 EUR-11 "adjusted" balances. Theoretically, balances of EU-15 and EUR-11 vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU-15 or EUR-11 aggregate. However, intra-EU-15 or intra EUR-11 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 EUR-11) estimates for the past. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 1999.

8. German, EU-15 and EUR-11 figures include the new German Länder from 1991 onwards; for percentage changes from 1992 onwards.

9. Geographical zones are defined as follows :
   Rest OECD :
   Australia, Iceland, Korea, Mexico, New Zealand, Norway, Switzerland and Turkey.
   OECD :
   EU, Australia, Canada, Iceland, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and USA.
   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 – January and February 2000

Community (EU-15)

15.01. The central rate of the Greek drachma in the ERM II is revalued by 3.5 %, with effect from 17 January. The new central rate is 1 EUR = 340.75 GRD.

31.01. The Ecofin Council examines the annual updates of three stability (euro area countries) and of two convergence programmes (pre-ins). The Council notes in its opinions:

Ireland continues to fulfil its obligations under the Stability and Growth Pact (SGP) in the programme period 2000-02. The projected government surplus is clearly sufficient to provide a safety margin against breaching the 3 % of GDP deficit reference value. The Council urges the national authorities to be ready to use budgetary policy to ensure economic stability given that the economy is in an advanced stage of the cycle.

In the Netherlands, general government finances are expected to broadly have an adequate safety margin to prevent the deficit from breaching the 3 % of GDP threshold in 2002, the last year covered in the update, thus fulfilling the SGP requirements. Given currently strong economic growth and possible inflationary pressures, the Council recommends to strengthen the envisaged budgetary position in 2000 and in the following years.

Finland fulfils the requirements of the SGP in the programme period 1999-2003. The surplus targets are clearly sufficient to provide a safety margin against breaching the 3 % of GDP deficit threshold. The Council considers continued consolidation also justified in view of the future effects of population ageing.

In Greece, budgetary positions provide an adequate safety margin to prevent the deficit from breaching the 3 % GDP threshold in the period 1999-2002, in compliance with the SGP. Given the projected high growth environment and the convergence of monetary conditions in Greece to those in the euro zone, the Council considers the budgetary targets in the programme as a minimum.

Sweden continues to comply with the SGP in the programme period 1999-2002. The targeted surpluses provide a large enough safety margin not to breach the 3 % of GDP reference value. The Council notes that in the current high-growth environment the fiscal policy stance followed since 1999 could become too expansionary.

3.2. The Governing Council of the ECB increases the interest rate on

- the main refinancing operation by 0.25 basis points to 3.25 % (effective 9 February);

- the marginal lending facility and the deposit facility by 0.25 percentage points to 4.25 % and 2.25 %, respectively (effective 4 February).

28.2. The Ecofin Council examines the annual updates of four stability (euro area countries) and of two convergence programmes (pre-ins). The Council notes in its opinions:

Belgium continues to fulfil the Stability and Growth Pact (SGP) requirements in the programme period 2000-03. The targets for the government balance provide a safety margin against breaching the 3 % of GDP deficit threshold. The Council considers that the envisaged further budgetary improvement is necessary to allow a steady decline of the still high debt ratio and to create room for the announced tax reform.

Germany has deficit objectives in conformity with the SGP for 2002-03, the end of the programme period. The budget will remain from 1999 close to the minimum benchmark position, which allows the automatic stabilisers to work without risk of the deficit breaching the 3 % of GDP reference value. The Council recommends tax reform to be implemented with greatest caution to minimise the risk of a lasting deterioration of the structural deficit.

Spain targets a government surplus in 2002-03, the final years of the programme. This medium-term target is in conformity with the SGP as it would provide a sufficient safety margin to prevent the deficit from breaching the 3 % of GDP threshold. In view of recent developments, the Council considers that fiscal policy should be ready to counteract any possible overheating risk.

Italy targets a budgetary position in the years 2000-03 that should be sufficient to provide a safety margin against breaching the 3 % of GDP threshold. This implies that the SGP requirements would be satisfied. The Council reaffirms that Italy must secure a steady decline in its still high debt ratio and urges the government to address with determination the age related medium-term structural challenges to public finances.

Denmark envisages budgetary surpluses over the entire programme period from 1999 to 2005. The SGP requirements should continue to be fulfilled with a comfortable margin. The Council encourages the Danish government to monitor inflation and to take further action if necessary. The expected reduction in the government gross debt ratio is commendable in facing future challenges from the ageing population.

The United Kingdom projects government finances of close to balance over the programme period up to the financial year 2004/05. The Council notes with approval that this fulfils the SGP. The Council also welcomes the raising of government investment as a share of GDP within the expenditure totals.

Belgium (B)

None.

Denmark (DK)

3.2 Following the interest rate rise by the ECB, the Nationalbank raises its main steering rates to take effect on 4 February; the lending rate by 0.3% to 3.60% and the discount rate by 0.25% to 3.25%.

Germany (D)

9.1 The "Alliance for Jobs", a gathering of employer organisations, trade unions and the federal government to tackle unemployment, recommends longer-term wage settlements, employment oriented wage bargaining and sector- and company-specific regulations for early retirement.

9.2 The Cabinet approves the "Tax Reform 2000" which foresees a considerable reduction of both income and corporate tax rates. The planned tax cuts should lead to a net tax relief of about DEM 44.2 billion between 2001 and 2005. The tax reform still has to pass both chambers of parliament.

Greece (EL)

17.1 The central rate of the Greek drachma in ERM II is revalued by 3.5% to 340.750 per euro from 353.109 previously.

Spain (E)

21.1 The government approves the 1999 updated Stability Programme including the general government deficit targets of 1.3% and 0.8% of GDP for 1999 and 2000 respectively. It points to an improvement of the general government net borrowing for 1999 and 2000 compared to the 1998 Stability Programme targets (1.6% and 1.0% of GDP respectively), reaching a surplus of 0.2% over GDP at the end of the Programme period (1999-2003).

18.2 In the framework of active labour policies related to the National Action Plan, the government approves a set of measures addressed at reducing long-term unemployment.

25.2 The government raises by ESP 40 billion (up to ESP 100 billion) the Social Security reserve fund created in the 2000 Budget Law.

France (F)

25.1 The government unveils the update of the Stability Programme covering the period 2001-2003. Based on two macroeconomic scenarios, the budget deficit is expected to reach 0.5% or 0.3% of GDP in 2003. Public debt is forecast to go down to 57.7% or 57.2% of GDP in 2003.

Ireland (IRL)

Italy (I)

19.1 Italy submits an update of its medium-term fiscal programme, as required under the stability and growth pact, covering the period 2000-2003.

Luxembourg (L)

None.

Pays-Bas (NL)

Austria (A)

8.2 The new government decides that for the time being the provisional budget for the year 2000 will be continued. Given the legal delays for establishing a regular budget, now expected to be presented by the end of March, this decision prevents a potential liquidity squeeze - due to constitutional rules - by May-June. The government cuts across-the-board expenditure in the ministries' budgetary envelopes for 2000 by ATS 10 billion (0.3-0.4% of GDP), which is ATS 10 billion less than decreed by the former Minister of Finance.

Portugal (P)

28.1 The budget for 2000 is approved in the Council of ministers of the 27 January and is presented to parliament the following day. Parliamentary approval should be secured by mid-March. The deficit in 1999 is revised upwards to 1.9% of GDP, due to changes in the year of recording of some expenditure items, giving more slack to the present government in meeting the budgetary targets for 2000. The deficit target for 2000 continues to be 1.5% of GDP as set in the Portuguese stability programme.

Finland (FIN)

13.1 The Government decides to include labour tax cuts in the budget (FIM 1.6 billion, 0.2% of GDP) for the year 2000. The marginal labour tax rate will decrease by 0.5% in all income brackets.

Sweden (S)

3.2 The Riksbank raises the repo-rate by 0.5 percentage points, from 3.25% to 3.75%, taking effect from 9 February.

United Kingdom (UK)

13.1 The Bank of England raises the repo rate to 5¾% from 5½%.

10.2 The Bank of England's Monetary Policy Committee decides to raise the Bank's repo rate by 0.25% to 6.0%.