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In this number:
Spring 2001 Forecasts for 2001-2002 [1]

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Highlights

- *The abrupt slowdown of the US economy is clouding the outlook, but the consequences for the EU economy should remain limited thanks to resilient domestic demand. Growth for 2001 in the EU and the euro area has been revised downwards, but should resume in 2002.*
- *Oil prices are expected to be lower within the forecasting horizon and purchasing power is expected to increase which, together with continued job creation and a declining unemployment rate, should underpin private consumption.*
- *Average inflation in the euro area was slightly above 2 % in 2000 and is expected to remain so this year, but on a declining path. While imported inflation is projected to decrease, core inflation has edged up as previous euro weakness and rising oil prices were partially passed on to domestic prices and wages. In general, wage developments continue to be moderate.*
- *The overall public finances continue to improve, although significant tax cuts in a few Member States made budgetary policy mildly expansionary. In other Member States the underlying government balances have not deteriorated, despite the slowdown in the economy. Last year's large general government surplus was due to the one-off UMTS receipts.*

TABLE 1 **: Main features of the Spring 2001 forecast - EU-15**

(Real annual percentage unless otherwise stated)					**Spring 2001**		**Difference with Autumn 2000** (a)	
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2001**	**2002**
GDP growth	2.6	2.8	2.5	3.4	2.8	2.9	-0.3	-0.1
Investment in equipment	6.2	10.3	7.0	6.6	5.4	5.6	-0.9	-0.4
Employment	1.0	1.6	1.6	1.7	1.2	1.2	-0.1	0.0
Unemployment rate (b)	10.6	9.9	9.2	8.3	7.7	7.2	-0.1	-0.1
Inflation (c)	1.7	1.3	1.2	2.1	2.1	1.8	0.1	0.0
Government balance (% GDP) (d)	-2.4	-1.5	-0.6	1.2	-0.2	0.0	-0.4	-0.3
Government debt (% GDP)	71.1	69.0	67.5	64.5	61.7	59.3	1.0	1.4
Current account balance (% GDP)	1.4	0.8	0.3	-0.2	-0.3	-0.3	0.1	-0.1
p.m. GDP growth Euro area	2.4	2.8	2.5	3.4	2.8	2.9	-0.4	-0.1

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Autumn 2000.
(b) Percentage of the labour force. (c) Harmonised index of consumer prices, nominal change.
(d) Including proceeds relative to UMTS licences in 2000 and 2001, without which the general government balances would amount to -0.0% and -0.3% of GDP respectively.

[1] The Commission services' Spring 2001 forecasts are based on available data up to 6 April 2001.

Overview

The year 2000 was one of the best of the last decade. Average GDP growth in the euro area and the EU as a whole reached 3.4 % and the previously lagging countries (Germany, Italy) caught up. About 2.8 million jobs were created in net terms in the EU and the unemployment rate dropped almost a full percentage point to 8.3 % in the EU and to 8.9 % in the euro area. The inflation rate (2.3 % in the euro area) exceeded the ECB's medium-term objective, but wage moderation prevented the hike in oil prices and the weak euro from translating into higher inflation.

The sharper than expected deceleration of the US economy at the end of last year, however, clouds the outlook and is a source of major uncertainty. There are two aspects to it, which are inter-linked. The first is the extent of the US slowdown. The Commission's Spring forecasts assume a profile according to which already in the second quarter of 2001 the recovery will start leading to an average US growth rate this year of 1.6 %, which marks a dramatic downward revision from 3.3 % according to the Commission's Autumn forecasts. In 2002, US growth is expected to be 3.0 %.

The second aspect is the consequences for the world economy and the EU in particular. It is assumed that the transmission via capital and exchange markets will be contained and that the US slowdown will operate mainly via the trade channel. EU trade exposure is limited and internal growth forces remain robust based on employment creation, tax reductions and price stability. Nevertheless, the EU will be affected. World GDP expanded by 4.8 % last year and is expected to increase by only 3.3 % in 2001, but should return to close to 4 % growth next year.

Average growth in the EU in 2001 has been revised downwards to 2.8 % as exports and, linked to that, equipment investment are expected to be less dynamic. Private consumption should continue growing at 2¾ % underpinned by a recuperation of the purchasing power losses incurred in the previous year due to the sudden hike in oil prices. Also tax cuts in a number of countries should support the disposable income of households. Furthermore, continued job creation and a declining unemployment rate should sustain consumer confidence.

Unlike the aftermath of the emerging market crisis, growth differentials should be less pronounced among EU Member States in current episode of an externally induced slowdown. In all Member States domestic demand is now stronger and can better absorb weaker external demand. Nevertheless, overall growth in Germany appears to be affected more, while Italy seems to be more resistant. France, with an average growth rate close to 3 % is set to be only mildly influenced. While for most Member States it is the deteriorated international environment that pulls down growth, in Spain and Portugal saturation effects, following strong growth in household consumption appears to be the more important factor in explaining the slowdown.

In 2002 growth in the EU should accelerate again, benefiting from an improved international economy. Real GDP is projected to expand at 2.9 % on average in the EU. Growth remains balanced, mainly relying on domestic demand. Exports benefit from the pick-up in world demand in that year, but some competitiveness is lost due to the assumed strengthening of the euro. Strong domestic demand fuels imports so that the external contribution to growth remains neutral.

Not as many jobs will be created in 2001 and 2002 as in the previous two years, but the increase in net employment is likely to remain above 1 % per year. Over the two forecast years, about 3.8 million jobs will be added to total employment in the EU, compared to more than 5 million in 1999/2000. It will lower the unemployment rate to 7.3 % of the labour force (to 7.9 % in the euro area) in 2002.

HICP inflation is estimated to have reached a peak in November 2000 and should decline as oil prices are expected to ease and the euro is assumed to strengthen. In the second half of 2001 the inflation rate could fall below 2 %. Some lagged pass-through effects of imported inflation to domestic prices and wages, and a rebounding economy will prevent the inflation rate remaining much below 2 % in 2002. In general wage moderation is expected to prevail, but some catching up in 2002 is foreseen after the unexpected increase in oil prices which eroded purchasing power. It contributes to inflation significantly above the average in cyclically advanced countries or with tight labour markets (Spain, Ireland, Netherlands, Portugal). Inflation differentials should, however, stabilise over the forecast horizon.

As far as government finances are concerned, a budget surplus was realised in 2000 both for the euro area and the EU as a whole, but this was mainly due to the sale of UMTS licenses in some countries. Without UMTS, developments are steadier and government balances continue to improve in most Member States. The aggregate budgetary stance in the EU for 2001 is mildly expansionary. This is mainly due to tax cuts in Germany and the Netherlands and to the easing of fiscal policy in some other countries, e.g. the United Kingdom, where budgetary surpluses have been realised. In 2002 the EU as a whole may have a balanced government account. By then the number of countries with a budgetary position in surplus or in balance will have increased to 11. Only Germany, France, Italy, and Portugal are projected to have a deficit in 2002.

Due to the adverse terms of trade effect linked to the hike in oil prices, the external current account of the EU became negative in 2000 and this is expected to remain so within the forecast horizon. In 2002, the deficit could be 0.3 % of GDP.

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I. World economy and financial markets

1. World economy overshadowed by US slowdown

Developments in the second half of 2000 showed a deterioration of world economic conditions in important parts of the world economy.

In particular, the *US economy* has slowed down significantly since the middle of 2000 after having expanded at growth rates above 4 % for several years. It has turned from being the global growth engine to being one of the main concerns about the course of the world economy over the months to come.

For the year as a whole, US GDP increased by another 5% in 2000. However, after a strong first half, GDP growth slowed to a modest 1.1 % in the 4th quarter (quarterly changes at annual rates). Private consumption softened significantly over the course of the year, but the main impact came from the collapsing investment cycle. Following growth rates of close to 20 % in the 1st half of 2000 growth in equipment investment actually turned negative in the 4th quarter, as a result of sharply lower growth for computer equipment and a contraction in transport equipment. Industrial production has fallen for five consecutive months until February 2001. Although the current economic weakness in the United States is most pronounced in the manufacturing sector, activity in the more important services sector has also softened.

Indicators of consumer spending have been mixed in recent months, but there is no sign of outright collapse. Real personal consumption expenditure rose at a respectable annual rate of 2.8 % in the 4th quarter of last year and continued to rise in the beginning of 2001. Consumer confidence, on the other hand, has been faltering in the December to February period, but stabilised in March. Construction, both residential and non-residential, remains at a high level and has shown some turnaround in the past few months after a modest slowing in 2000.

On the other hand, the US economy is likely to receive only modest support from external demand in the short term, following a sharp decline in real exports in the 4th quarter of 2000.

The forecast projects that the stagnation will be relatively short-lived and that GDP growth will re-accelerate over the course of the year supported by monetary policy easing and the prospect of large tax cuts and additional public spending. Consumption and investment should support at least some of the previous dynamic. Therefore, quarterly GDP growth at annualised rates is projected to return to about 3 % in the 2nd half of the current year and to be in the 3.0 - 3.5 % range next year. This would translate into annual growth rates of 1.6 % for 2001 and 3 % in 2002.

This forecast contains considerable downside risks, in particular the still declining household savings rate and

TABLE 2 : **International environment**

(Real annual percentage change)		1997	1998	1999	2000	Spring 2001: 2001	Spring 2001: 2002	Difference with Autumn 2000: 2001	Difference with Autumn 2000: 2002
					Real GDP growth				
Asia		5.1	3.2	5.0	5.8	4.6	5.0	-0.5	-0.6
of which	**Japan**	1.4	-0.8	0.7	1.7	1.0	1.3	-0.9	-0.9
	China	8.8	7.8	7.1	8.0	7.4	7.5	0.3	0.0
	ASEAN4 + Korea (a)	3.9	-8.4	4.4	5.9	3.1	4.3	-1.4	-1.2
USA		4.5	4.4	4.3	5.0	1.6	3.0	-1.7	0.0
EAC (b)		3.2	2.5	1.7	3.7	3.8	4.1	-0.3	-0.2
FSU		1.0	-3.0	2.9	7.3	4.4	4.8	0.7	0.7
of which	**Russia**	0.9	-4.8	3.2	7.6	4.2	5.0	0.7	1.0
OPEC-Indonesia		3.5	2.6	0.6	4.2	4.4	4.6	-0.3	-0.3
Latin America		4.6	1.2	1.0	3.4	3.5	3.9	-0.8	-0.5
Africa		3.6	3.9	3.7	3.3	4.1	4.4	0.0	-0.3
World excl. EU-15		4.7	2.7	3.8	5.2	3.4	4.1	-0.9	-0.3
World		4.2	2.7	3.5	4.8	3.3	3.9	-0.7	-0.2
					World trade				
World import growth		10.5	5.9	7.0	12.4	7.6	8.0	-1.0	-0.1
World import growth excl. EU-15		11.2	3.6	7.3	13.4	6.7	7.8	-1.9	-0.3
Extra-EU15 export market growth		10.8	3.6	5.3	13.1	6.9	7.9	-1.4	0.0

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

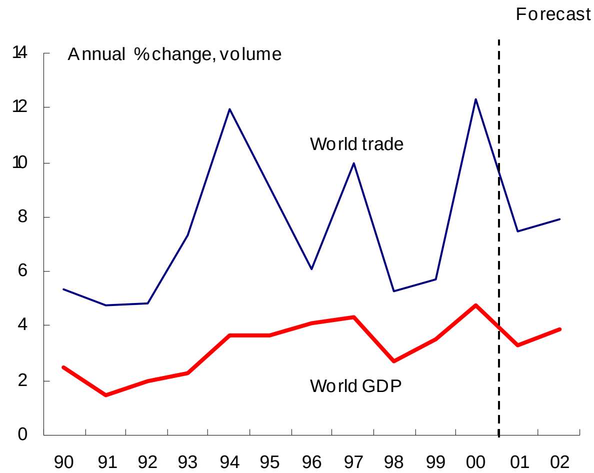
the continued high trade deficit as well as the potential knock-on effect of weaker demand and share prices on corporate investment. Corrections in these fields could prolong and deepen the current slowdown beyond what is assumed as the main scenario for this forecast.

The *Japanese* economy remains on a very fragile path of recovery. Industrial production was growing steadily until autumn and then started to level off. It fell sharply in January and recovered in February only very slightly. The GDP figures (which in general are subject to large revisions) for the 4th quarter of 2000 were relatively weak. This brought annual growth in 2000 to 1.7 %. Furthermore, several leading indicators point to some stabilization of economic activity, with downside risks in certain sectors. Consumer confidence, which had been extremely weak in 1998/99, has continued to be relatively subdued, and although the average propensity to consume rose at the end of 2000, retail sales remain sluggish.

Growth in *other Asian countries* firmed over the first half of 2000 and then deteriorated in many parts of the region. Reasons for the slowdown include the higher oil price, the US slowdown, weakening demand for electronics, as well as lack of reform in some East Asian countries and political uncertainty. In China, GDP growth in 2000 is estimated at 8 %, but its industrial production weakened in the last quarter of that year. Growth is forecast to slightly decelerate to 7.4 % in the current year. In Taiwan and Korea weaker overseas demand also hurt industrial production in the 4th quarter of 2000. In the ASEAN countries prospects differ, with Singapore and Malaysia still enjoying relatively strong growth. India is a relatively closed economy and therefore shielded against the present slowdown in international economic activity. The predicted slowdown for this country should instead primarily stem from weaker agricultural production and its repercussions on private consumption.

After stagnating in 1999, economic activity in *Latin America* recovered in 2000, led by a strong performance by Mexico, Brazil and Chile. Yet, some countries continued to face difficulties. Particularly Argentina's economy remained weak and suffered a negative market reaction in the wake of the Turkish crisis at the beginning of this year. Also, there are signs that the slowdown in US growth is beginning to have a negative impact, with some countries such as Mexico being particularly exposed.

GRAPH 1: **World GDP and trade**



The general cooling in the second half of last year has not spared economic development in the *candidate countries of Central Europe* or Europe Agreement countries (see for more information Supplement C of European Economy, No 2 of 2001). In Poland annual growth of GDP reached around 4 %, but is losing momentum in the 4th quarter. Also in the Czech Republic and in Hungary, industrial activity and consumer spending tend to point to a more subdued growth path towards the end of 2000. Domestic demand is expected to stay robust in the area, but a more difficult international environment should limit growth in the

Europe Agreement Countries to around 3.8 % in 2001, still slightly stronger than in 2000. For 2002, a reacceleration is expected of which most individual countries will benefit. Inflation is forecast to come down further in most countries. For 2002, in 7 of the 10 Europe Agreement countries, an inflation rate of 5 % or below is forecast, and only Romania will continue to show double-digit inflation rates.

In 2000, a low real exchange rate and very high oil prices gave a strong boost to *Russian* GDP, which expanded by almost 8% in terms of annual averages. The weakening of these two factors will imply a decline in the rate of GDP growth in 2001. Nevertheless, assuming that the government's economic reform programme finds satisfactory implementation, growth should still reach 4% in 2001. The gradual removal of economic distortions is expected to result in a re-acceleration of the pace of growth from then on.

The Spring 2001 forecasts for the *world economy* reflect these different trends consisting of a genuine slowdown in North America in the current year, some softening in all other parts of the world, and some rebound of world growth in 2002. World GDP growth (without the EU) would amount to 3.4 % in 2001 and 4.1 % in 2002. This marks for the current year a downward revision by 0.9 percentage points vis-à-vis the Autumn 2000 forecast for 2001. World import volumes (without the EU) are predicted to rise by 6.7 % and 7.8 % for the years 2001 and 2002.

Oil prices remained at high levels until the end of November in a range of 30 to 35 USD/barrel Brent. In December they then fell sharply to 23.6 USD before Christmas. Afterwards, they climbed again before settling at around 25 to 27 USD/bl in March.

The main driving forces of the recent fall and partial recovery were the OPEC official stance, as expressed in its revisions of its official quota and the course of the global economy. Last Autumn the official quota was lifted twice in order to stem the then overshooting of the OPEC official price target range. The fears of a global recession stemming from the sharp slowdown in US economic activity added to further downward price pressures on oil markets in December. Furthermore, global stocks had risen in the months up to November, against the typical seasonal pattern. In January, however, reacting to the December fall in prices, the official quota was lowered for the first time in nearly two years, followed by another cut in March.

For the forecasting horizon, global demand for oil is expected to be restrained by a weaker world economy and OPEC members are expected to produce at their quota. Future markets price the nearest contract (May delivery) close to present spot prices, but later deliveries suggest a gradual fall in prices to around 22 USD at the end of 2002, which is below the assumptions underlying the present forecasts (see box 1).

Box 1: External assumptions, geographical and budgetary conventions

Exchange rates

Stable nominal DKK/EUR rates and stable real rates (nominal rates adjusted for changes in GDP deflators) for other major currencies are assumed, as compared to the average of January 2001. The average USD/EUR rate for that period was 0.94 and the JPY/EUR rate 109.6. This leads to average USD/EUR rates of 0.94 in 2001 and 0.95 in 2002 and JPY/EUR rates of 109.3 and 108.4 respectively.

Interest rates

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

Commodity prices

Commodity prices are set taking into account market conditions, where initial conditions receive relatively more weight. For oil prices, the prolongation of present market trends is assumed for the first half of this year followed by slightly climbing prices later on. Prices for Brent oil are seen at 24.4 USD/bl on average in 2001 and 26.3 USD/bl in 2002. Prices of non-fuel commodities are assumed to fall by 2.7 % in 2001 and to rise by 3% in 2002. Metals, as the most cyclical category, should lead the pick-up in 2002.

Budgetary policy

Notification under the Excessive Deficit Procedure (Council Regulation 3605/93 as amended by Regulation 475/2000) was made under the ESA95. Estimates for 2000 are based on the March 2001 notification. For 2001, the budgets adopted or presented to parliaments and all other measures known in sufficient detail are taken into consideration. For 2002, the no-policy change assumption used in the forecasts implies that presently known measures (if not one-offs) and trends are extrapolated.

Euro area

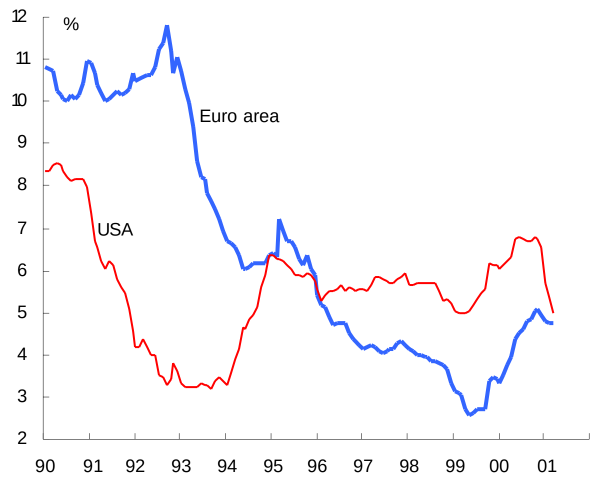
The euro area consists of EUR-11 up to and including year 2000 data, while EUR-12 (incl. Greece) make up the euro area thereafter.

UMTS

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

On average, *non-oil commodity prices* have, in contrast to oil, barely moved. The IMF index of non-oil commodities rose by 1.3 % in 2000, and actually fell during the second half of 2000. This applies equally to all major sub-categories, excluding food items, which saw slightly rising prices. Big movers were coffee with a declining trend, cocoa with strongly rising prices since Autumn, aluminium, with strongly rising prices and nickel, the prices of which first doubled last year, before they fell again sharply to levels relatively close to those of the beginning of 2000. For non-oil commodities a continuation of the relatively quiet price trend is assumed. A fall of 2.7 % and a rise of 3 % for 2001 and 2002 respectively is foreseen, with prices for food products moving even more slowly, and metals, being the most cyclical category, showing an above average decline this year and a rise next year.

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



2. Financial markets: lower interest rates and falling share prices

Global financial markets have seen a slower expansion since last Summer. This applies equally to international debt and share issuing as well as international bank loans to non-banks. The upward pressure on long-term interest rates finished at the end of January of last year. Inflation concerns did not rise further, despite increasing oil prices.

In the *US*, the Fed substantially changed its monetary policy stance. It had raised its rates over the course of 1999 until May 2000. Later in that year market expectations changed to a more neutral view. After a string of weak economic data, the Fed, in two steps in January and one in March 2001, lowered the Fed Funds rate each time by 50 basis points to 5 %. Short-term market rates followed this lead: 3-month T-bill rates dropped from November last year to March 2001 from 6.2 % to 4.2 %.

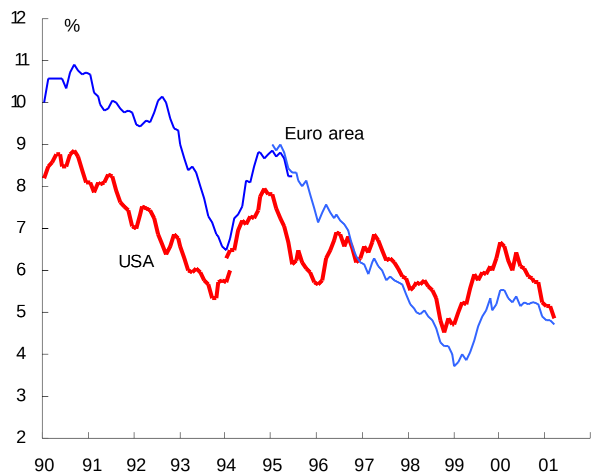
US 10-year treasury bond yields dropped significantly from their peak in late January 2000 by almost two percentage points to around 4.8 % in late March. Apart from a credible containment of inflation by the Fed and weakening demand for capital, less supply of US treasury securities as a consequence of reduced borrowing by the US Treasury might have contributed to that trend. However, non-treasury rates have also fallen, and recently even more strongly: the 30-year mortgage rate/Treasury spread has fallen since the 2nd half of 2000, from around 250 to 160 basis points in late March and thus close to long-term averages.

The Bank of *Japan* cut its overnight market rate on 3 March 2001 from 0.25% to 0.15% after the release of weak industrial-output figures, effectively returning to its zero interest rate policy.

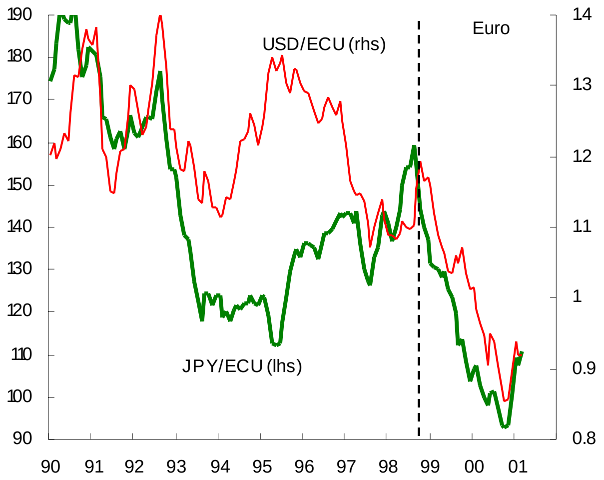
In the *euro area*, the European Central Bank raised its interest rate on main refinancing operations on 5 October 2000 by another ¼ percentage point to 4.75 %, after previous raises in June and August 2000. These increases reflected higher growth and inflation, following the rise in oil prices and the weaker euro. The balance of risks had therefore, in the view of the ECB, shifted to a higher inflation risk. Since then the ECB has not taken any interest rate action. After the last policy rate hike, money market rates increased further until the end of October, before expectations started to change. Since late January, 3-month money market rates have diminished to or somewhat below the ECB's main refinancing rate, whereas in 2000 they consistently led ECB rates on their move upwards.

Euro area bond markets followed the downward trend in US bond yields, but to a lesser degree. Euro (German) 10-year rates fell from around 5.6 % in late January 2000 to around 4.6% in late March 2001. The average rate for 2000 was 5.3 %. The yield differentials between euro and US long-term rates have consequently narrowed substantially, from around 100 basis points in early summer of last year to around 20 bps in late March, the lowest since the launch of the euro. The euro yield curve has been relatively flat since late November, whereas the US curve has dramatically changed over the past months, from being steeply negatively sloped to basically flat.

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



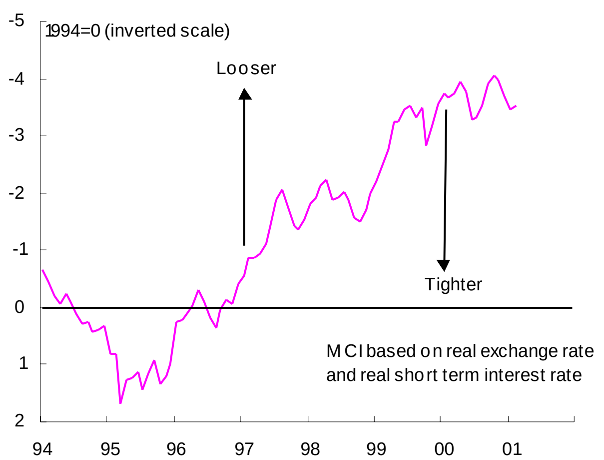
GRAPH 4: **Euro exchange rate**



In the *United Kingdom*, the Bank of England had raised its repo rate between September 1999 and February 2000 by one percentage point. In February 2001, it changed course by lowering its repo rate by a ¼ point, followed by another lowering in April, to presently 5½ %. Since early 2000 differentials between *GBP* long-term rates and euro area rates have almost disappeared.

The *euro* had continued to be under pressure vis-à-vis the other main currencies until late October. Afterwards a limited recovery carried it to levels beyond 0.95 USD/EUR in mid January. Several interventions in favour of the euro in late September and in early November 2000, contributed to this development by introducing a two-way risk. Afterwards it weakened again, despite the fact that the performance of other major economies have fallen back relative to the performance of the euro area. For 2000 as a whole the USD/EUR rate reached an average 0.924, which is also relatively close to average levels for the 1st quarter of 2001. All in all, monetary conditions remain conducive to growth.

GRAPH 5: **Monetary condition indices (MCI) in the euro area**



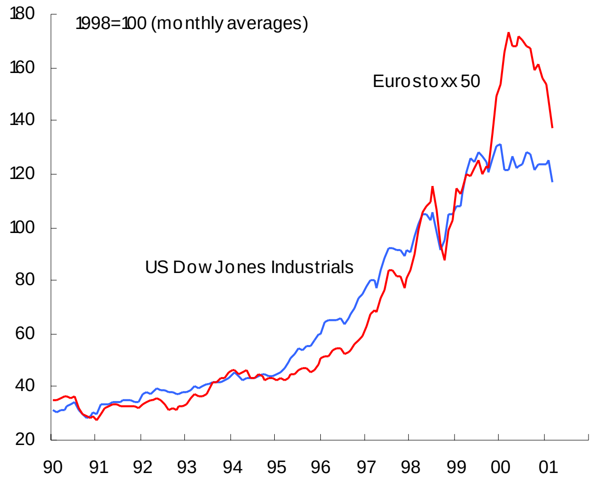
The *GBP* moved in parallel to the USD vis-à-vis the euro over the past number of months. However, the volatility of the GBP/EUR rate is almost 50 % lower than the USD/EUR rate.

World stock markets have seen a further slowdown in prices and lower growth in trading activity, signalling concerns about a global, US led, economic slowdown. The further fall in interest rates has only partly been instrumental in stopping this slide.

US stock markets started the current year with declines in prices. The Dow Jones Industrials index pursued its limited descent from its peak in April 1999. This limited fall over two years has partly corrected the massive overvaluation of shares. Price-earnings ratios have fallen, but are still considerably above historical averages, with falls also due to earnings forecasts being revised downwards. From March 2000 to March 2001 the NASDAQ index lost around 60 %. This downward correction ended a speculative run over more than two years. The major driving force of weak US stock markets was increasing numbers of earnings revisions. The IBES earnings revision index posted its sharpest decline in the last 15 years.

Japanese shares lost ground again in 2000, on the basis of mixed data on the economy and corporate profits. The Nikkei index lost in 2000 around 27 %, and, despite some gains in the 2nd half of March, another 5 % in the first three months of 2001.

GRAPH 6: **Share prices**



European share prices remained flat in the first part of 2000. However, in the last quarter of 2000, share prices fell on a broad basis; in January the Eurostoxx 50 was 8 % down from the average of last September. Between March 2000 and March 2001, the Eurostoxx lost around 19 % of its value, in USD terms even around 22 %. With such performance it fell clearly behind the development of the main US stock markets, after having outperformed US markets since back in 1999. The markets for shares of smaller companies, particularly technology shares, saw, contrary to the main market, a bursting of the previously speculatively high prices. The EASDAQ all share index fell in the past 12 months until early March by around 75 %, and thus more brutally than the NASDAQ, its US counterpart. Among the main losers in the 2nd half of 2000 were relatively small markets which had enjoyed very strongly rising prices in 1999, such as the exchanges in Stockholm (-20 %), Athens (- 16 %) and Helsinki (-14 %). Only the Danish and Irish share prices, against the general trend, still posted some gains during that period. Particularly technology shares, such as EASDAQ or Neuer Markt, plunged even more brutally than NASDAQ.

Turnover on European exchanges rose sharply in the winter months 1999/2000. Since then, however, market activity has somewhat receded. Nevertheless, for the year 2000 as a whole, growth in turnover was around 60 %. This reflects higher liquidity, but also increasing capitalization, fuelled by a high number of new admissions to the market.

Box 2: Impact on the EU of the US slowdown partly compensated by other developments

Simulations suggest that the impact of the US slowdown on the EU economy, although negative, should remain limited. It should be stressed, however, that this assessment rests on the scenario of a V-shaped recovery in the US and that the consequences of a sharp stock market correction are not considered. Furthermore, the simulation of the US slowdown do not go beyond the direct impact and spill-over effects are not incorporated.

Trade effect

EU exports to the US amount to about 2.3% of EU GDP. A 3 percentage point drop in US growth from 2000 to 2001, assuming a GDP elasticity of US imports from the EU of about 3 to 4, will reduce EU export growth to the US by 9 to 12 percentage points, shaving about 0.3 percentage point off EU GDP growth. This is an estimate of the direct impact (second-round effects are not taken into account).

Exchange rate

With the assumptions underlying the Spring 2001 Forecasts, the euro is assumed to appreciate by 2% against the USD from 2000 to 2001. *Ceteris paribus* calculations show a negative impact on EU GDP growth of about 0.1 percentage point after one year. Inflation would be lower by 0.1 percentage point. Volatility in exchange markets or a sharp drop in the USD could dramatically alter the parameters of the transmissions mechanism.

Lower oil prices

At USD 24.6 per barrel (assumption for 2001), the oil price is USD 4 below its 2000 level. The positive terms of trade effect could be reinforced by the assumed strengthening of the euro. Under this oil price hypothesis, simulations with the Commission's macroeconomic QUEST model suggests that inflation in the EU could be lower by 2 decimal points in 2001, whilst the impact on GDP is marginally positive.

Interest rates

Interest rates declined. A 0.25 percentage point decline in the euro area short-term interest rate triggers a positive impact on GDP growth by 1 decimal point, according to QUEST simulations.

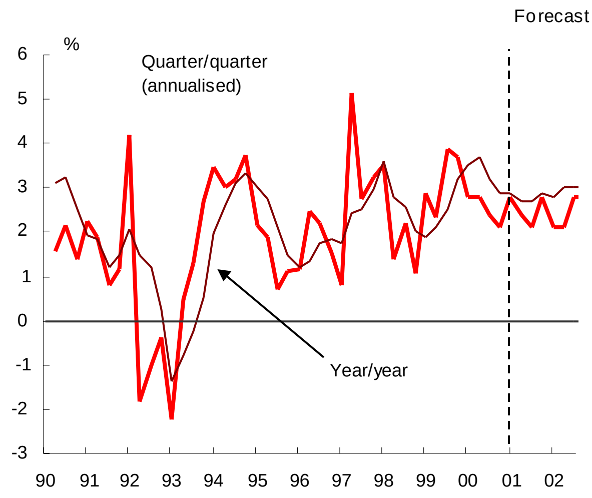
The fall in global share prices, reversing years of steady rises, will have its effect on economic activity. Consumer spending might be affected by a negative wealth effect, after households see the value of their financial assets being partly eroded. Company finance, as far as it is based on share issuing, will become more expensive and hamper business expansion. Although this effect could be compensated for by falling interest rates, it will nevertheless hit businesses that had increasingly relied on stock markets as a source of external financing.

II. The economy of the European Union

1. Activity slowed in the second half of 2000

GDP growth in the EU slowed further in the last two quarters of 2000 to respectively 0.6% and 0.7% quarter-on-quarter. Actually, the peak in terms of quarterly GDP growth had been reached at the end of 1999, although relatively strong activity had been maintained in the first half of 2000. The main culprit for the slowing is private consumption, which decelerated quite abruptly in the second half of 2000. As expected, private consumption was held back by the loss in purchasing power triggered by the surge in oil prices. Gross fixed capital formation has also been decelerating moderately over the last few quarters, but on the whole it remained an important contributor to growth. Net exports was the other major support to growth. Double-digit annual growth rates have been recorded for both export and import volumes since the end of 1999, and there were few signs in the latest available quarterly national accounts that exports have started to feel the bite from the deteriorating world environment.

GRAPH 7: **Real GDP growth in EU-15**



Looking at *individual countries*, the national accounts for the fourth quarter of 2000 are sent mixed signals. In Germany, the last number of quarters of 2000 have been characterised by subdued growth, on the back of extremely weak household consumption. France, Italy and Spain fit also very well into this picture of subdued

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

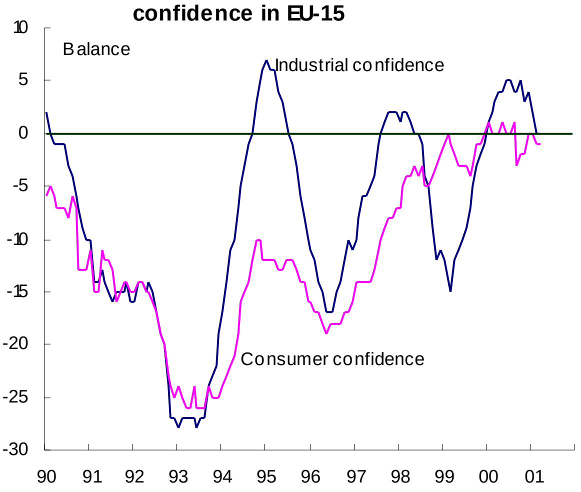
(Real annual percentage change)

	1997	1998	1999	2000-Q1	2000-Q2	2000-Q3	2000-Q4	2000	Spring 2001: 2001	Spring 2001: 2002
				Real annual percentage change						
Private consumption	2.2	3.3	3.1	2.8	3.2	2.7	2.2	2.8	2.7	2.7
Government consumption	0.5	1.2	2.0	1.5	1.8	1.4	1.6	1.8	2.1	2.0
Gross fixed capital formation	3.4	6.1	5.5	5.4	4.8	4.3	4.0	4.7	4.1	4.5
- Equipment	6.2	10.3	7.0	-	-	-	-	6.6	5.4	5.6
- Construction	0.2	2.0	3.7	-	-	-	-	2.8	2.6	3.3
Exports of goods and services (a)	10.1	6.3	4.7	12.0	10.9	10.1	10.8	11.3	8.3	7.9
Imports of goods and services (a)	9.3	9.6	6.7	9.8	10.2	9.7	10.1	10.3	8.8	8.1
GDP	2.6	2.8	2.5	3.5	3.7	3.2	2.9	3.4	2.8	2.9
p.m. GDP growth Euro area	2.4	2.8	2.5	3.5	3.7	3.2	3.0	3.4	2.8	2.9
				Contribution to change in GDP						
Consumption	1.4	2.2	2.2	1.9	2.2	1.8	1.6	2.0	2.0	2.0
Investment	0.7	1.2	1.1	1.1	1.0	0.9	0.8	1.0	0.9	1.0
Inventories	0.2	0.3	-0.2	-0.4	0.2	0.3	0.1	0.0	0.1	0.1
Exports (b)	1.4	0.7	0.4	-	-	-	-	1.9	1.1	1.1
Final demand (b)	3.6	4.4	3.6	-	-	-	-	4.9	3.9	4.1
Imports (minus) (b)	-1.0	-1.6	-1.0	-	-	-	-	-1.6	-1.2	-1.2
Net exports	0.4	-0.9	-0.6	0.8	0.3	0.2	0.3	0.4	-0.1	0.0

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

household consumption. A large part of the explanation probably lies in the purchasing power loss linked to the sudden rise in energy prices. Conversely, British households kept on consuming, and the quarterly growth rate of private consumption outpaced once again that of GDP in the third and the fourth quarter. The growth composition in the UK continues to differ substantially from the one seen in the largest continental economies : private consumption provides the major support to activity, while investment is rather subdued and net exports contribute very negatively to GDP growth.

GRAPH 8: **Industrial and consumer confidence in EU-15**



Inventories are estimated to have contributed very positively to GDP growth in Germany. This was also the case in France and the UK in the third quarter of 2000, but a correction occurred in these two countries in the fourth quarter. As regards Germany, the question can be raised whether this inventory accumulation was voluntary or involuntary, with obvious implications for growth performance in the following quarters. The monthly EU survey on inventory levels in manufacturing industry shows that manufacturers increasingly consider their level of stocks as excessive, which hints at some inventory unwinding.

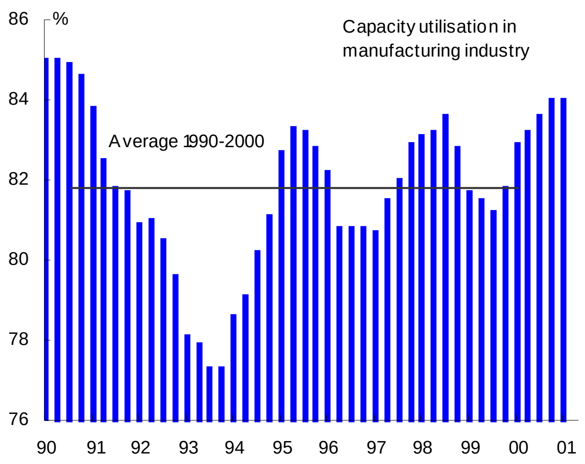
As far as *net exports* are concerned, Germany stands out among the major Member State economies that benefited most from the positive external environment seen in 2000. In contrast, the UK, hampered by a strong sterling exchange rate, recorded a negative external contribution throughout the year 2000.

2. Robust domestic demand is forecast to offset softer external demand

As regards the *period ahead*, the changes compared to the Autumn 2000 Forecasts concern mainly this year. The EU economy will not be able to escape some impact from the US-led slowing of world demand. This should be mainly felt in the first half of 2001 followed by an acceleration of economic activity continuing into next year. GDP growth in the EU (and the euro area) is now forecast to reach 2.8% in 2001 instead of 3.1% in the previous forecast and to increase to 2.9 % next year. Both domestic demand and the contribution from net exports have been revised slightly downwards. Yet, when one compares with the year 2000, the half point deceleration in GDP growth can be largely ascribed to external trade. Domestic demand in the EU is seen hardly decelerating in 2001 compared to 2000, while it remains at previous year's level in the euro area. It is forecast to accelerate slightly in 2002.

Among the domestic demand components, *household consumption expenditure* is seen growing at a steady rate of 2¾% throughout the forecast period. While negatively affected by the terms of trade effect in 2000, consumption should be underpinned by robust job creation and tax cuts in 2001 and 2002. In addition, the expected decline in inflation might well bring about the reverse effect of 2000, namely a purchasing power gain in 2001. This apparent steadiness in the growth rate of private consumption over the forecast horizon is due to the interplay of three factors. First, there is the stronger increase in real wages. Second, employment creation remains robust, but the number of new jobs is likely to be less than last year. Finally, the saving rate is expected to stop declining as households may face negative wealth effects caused by the fall in share prices and the greater economic uncertainty may lead to a more prudent spending behaviour.

GRAPH 9: **Capacity utilisation in EU-15**



Equipment investment growth decelerates over the forecast period. The slowing of final demand is the major explanation underlying this profile, whilst the assumed financial conditions cannot be considered as a serious obstacle to capital expansion. Real unit labour costs are forecast to keep declining and this is an indicator that profitability will improve further. *Gross fixed capital formation in construction* is forecast to grow by a relatively subdued rate of around 2½ to 3¼ % per year throughout the period. This apparent stability at the aggregated level hides in fact a modest recovery in Germany together with a deceleration in a few other large economies. There was no contribution of *inventories* to growth in 2000, and some stockbuilding is forecast in 2001 and 2002 in view of stronger demand ahead.

Regarding external trade, it should be stressed firstly that the EU is a relatively closed economy, and therefore, intra-zone trade should be little affected by the slowing of the world economy. As regards trade with third countries, the competitiveness gains which have been accumulated during the last two years will not fade away rapidly, and the small euro appreciation observed since the end of last year (and reflected in the exchange rate assumption) is not enough to reverse this pattern. On the other hand, exports are likely to slow because of weaker external demand. As a consequence, a deceleration is foreseen in the annual growth rates of both real exports and imports from the double-digit figures seen in 2000 to figures ranging between 8 and 9%. The growth contribution of net exports shrinks markedly to a virtually flat figure in both 2001 and 2002.

In general, most countries fit the broad picture of an externally induced slowdown in 2001 followed by renewed strength in 2002. Greece is the notable exception where the expansion goes on uninterrupted. However, contrary to last year, *growth divergences* seem to widen again between large economies. In particular, Germany appears more sensitive to the external shock. More on growth profiles for euro area participants can be found in section III p. 16/17.

Outside the euro area, real GDP growth in *Denmark* reached 2.9% in 2000, mainly on the back of dynamic investment and robust growth in export markets. Some GDP growth slowing to 2.1% is expected this year essentially due to a sharp deceleration in investment, whilst private and government consumption are recovering. The *Swedish* economy is forecast to decelerate substantially after the strong performance of almost 4% growth per year achieved during the previous three years. On top of being faced with less growth in its export markets, Sweden is affected by a cyclical downturn in consumption. In *the UK*, GDP growth reached 3% last year and thanks to monetary and fiscal loosening it is able absorb well the US slowdown. Much of the economic dynamism relies on private and government consumption, whilst the contribution of external trade remains largely negative related to sterling's strength.

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

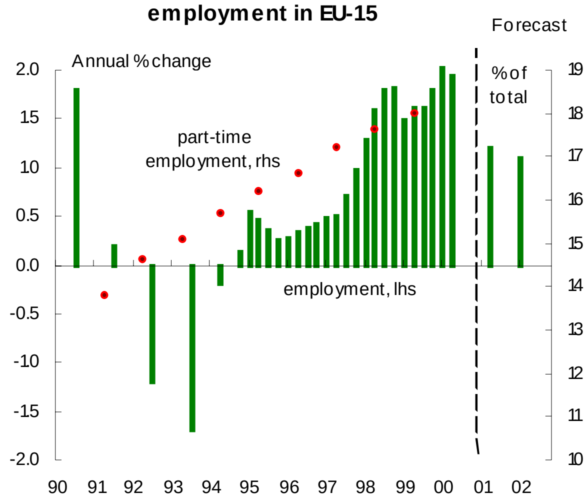
(Annual percentage change)					**Spring 2001**		**Difference with Autumn 2000** (a)	
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2001**	**2002**
Real private consumption expenditure	2.2	3.3	3.1	2.8	2.7	2.7	-0.1	0.0
Compensation per employee	2.7	2.2	2.6	2.8	3.2	3.3	0.0	0.0
Real compensation per employee	0.5	0.5	1.2	0.8	1.1	1.5	0.1	0.1
Employment	1.0	1.6	1.6	1.7	1.2	1.2	-0.1	0.0
Real gross disposable income	1.6	2.2	2.3	2.1	3.1	2.8	-0.2	0.2
Saving rate of households (b)	12.2	13.8	12.9	12.3	12.7	12.7	2.2	2.3
Labour tax wedge (c)	49.8	50.0	50.4	50.3	49.7	49.4	0.2	0.0

(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to Autumn 2000.
(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.

3. Good employment prospects

Net job creation in the EU as a whole is estimated to have grown by 1.7% last year, the best performance since 1990 and slightly above what had been forecast by the Commission in Autumn 2000. Thanks to strong growth, the implementation of labour market reforms and the short-lived effects of the Asian crisis, *employment* received a boost since 1998. It is estimated that over the three year period 1998-2000 more than 7.8 million jobs have been created in the EU and more than 6.4 million in the euro area. In 2000, the strongest pace of job creation was registered in Luxembourg (5.5%), Ireland (4.7%), Spain (3.3%), the Netherlands (2.5%), Sweden (2.2%) and France (2%). Germany and Italy also displayed buoyant employment growth rates in 2000 (1.5%) after years of subdued job creation.

GRAPH 10: **Employment and part-time employment in EU-15**



Employment growth is forecast to continue in 2001 and 2002 although at a somewhat slower pace, as a consequence of the effects on European growth of the strong US downturn. Net job creation in the EU is estimated to increase by 1.2% both in 2001 and in 2002 (1.3% in the euro area). Apart from the contribution stemming from GDP growth, other elements support positive employment projections over the forecasting period:

- Labour market reforms implemented in many Member States have increased the average employment content of growth and thus employment will suffer less than in the past if the economy weakens;
- The externally induced growth slowdown is expected to have less of an effect on the EU service sector which is more labour intensive than the exposed sector;
- In a situation where some regions of the EU are already characterised by full employment and face problems of labour shortages, especially for skilled jobs, firms are reluctant to fire workers if the slowdown in growth is perceived to be temporary.

Over the forecasting horizon, employment is expected to grow more than the European average in Luxembourg, Ireland, Spain and France. Germany is amongst the countries lagging behind.

Since employment grew at a higher pace than the civilian labour force, the number of unemployed was reduced significantly in recent years. There were 17.8 million unemployed in the EU in 1997 corresponding to a harmonised *unemployment rate* of 10.6%. Since then the unemployment rate declined continuously: it was 8.3% in 2000 and, it is estimated to decline to 7.7% in 2001 (8.5% in the euro area) and to further decline to 7.2% in 2002 (7.9% in the euro area). Both in the EU as a whole and in the euro area, the unemployment rate is now at its lowest level since 1991. Countries with the highest unemployment rates succeeded in reducing the number of jobless significantly, but differences within the EU remain wide. Unemployment rates in 2001 are projected to range from 2-3% in Luxembourg, the Netherlands and Austria to slightly higher values - between 4% and 6% - in Denmark, Ireland, Portugal, Sweden and the UK, while they still remain above the European average in France (8.5%), Finland (9.1%), Italy (9.8%), Greece (10.5%) and Spain (12.9%).

4. Continuing wage moderation and inflation expected to remain low

Despite the improving situation of the labour market and falling unemployment rates, *wage growth* has remained subdued in recent years and wage moderation is forecast to also continue during the coming two years.

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

(Annual percentage change)					Spring 2001		Difference with Autumn 2000	
	1991-95	1996-02	1999	2000	2001	2002	2001	2002
Population in working age (15-64)	0.4	0.2	0.2	0.2	0.1	0.1	0.0	0.0
Labour force	0.2	0.8	0.9	0.8	0.7	0.7	0.0	0.0
Employment	-0.4	1.2	1.6	1.7	1.2	1.2	-0.1	0.0
Employment (change in million)	-3.7	13.3	2.5	2.8	1.9	1.9	-0.2	-0.1
Unemployment rate (% of labour force)	10.0	9.1	9.2	8.3	7.7	7.2	-0.1	-0.1
Labour productivity, whole economy	1.9	1.4	0.9	1.6	1.6	1.8	-0.2	0.0
Employment rate (a)	-	62.1	62.0	62.9	63.6	64.3	-0.2	-0.2
p.m. Employment euro area	-0.2	1.3	1.8	1.9	1.3	1.3	-0.2	-0.1

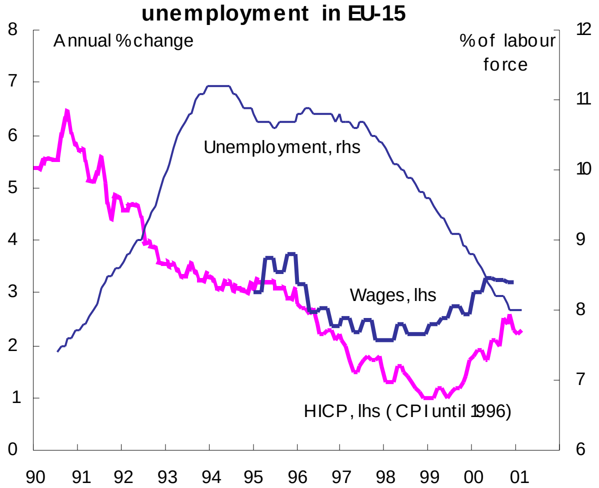
(a) As a percentage of population in working age. Benchmark series.

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

(Annual percentage change)					Spring 2001		Difference with Autumn 2000	
	1997	1998	1999	2000	2001	2002	2001	2002
Private consumption deflator	2.2	1.7	1.4	1.9	2.1	1.8	0.0	-0.1
GDP deflator	1.9	2.0	1.5	1.5	2.1	2.0	0.2	0.0
HICP	1.7	1.3	1.2	2.1	2.1	1.8	0.1	0.0
Compensation per employee	2.7	2.2	2.6	2.8	3.2	3.3	0.0	0.0
Unit labour costs	1.0	1.0	1.7	1.2	1.6	1.5	0.3	0.0
Import prices of goods	1.0	-2.8	-0.7	7.9	1.1	1.6	-2.2	0.3
p.m. HICP euro area	1.6	1.1	1.1	2.3	2.2	1.8	0.0	-0.1

Compensation of employees per head in the euro area went up by 2.4% last year and is projected to increase by 3% in 2001 and 3.1% in 2002. Real compensation of employees per head remained virtually unchanged in 2000 and is forecast to grow by about 0.7% in 2001 (1.1% in the EU) and slightly above 1% next year (1.5% in the EU).

GRAPH 11: **HICP inflation, wages and unemployment in EU-15**



Real wage growth is forecast to remain below that of productivity growth both in the euro area and in the EU. Real unit labour costs are projected to decline in the euro area by 6 decimal points in 2001 and 4 decimal points in 2002. As a consequence, further improvements in the profitability of investment are not prevented.

There are at least four elements behind these moderate wage developments:

(1) The hike in inflation resulting from oil price increases seems to have been perceived as temporary and the income loss due to the deterioration in the terms of trade cannot be recuperated. Accordingly, it is not expected to play a mayor role in wage negotiations;

(2) Tax cuts announced by several Member States are mainly targeted towards households and this is expected to have positive effects on disposable income: thus helping to diminish the pressure on wages;

(3) Wage settlements already concluded, and those scheduled for this year, do not give the impression of reversing the pattern of wage moderation. As regards the largest euro area countries, Germany is not facing a significant wage round this year and wage inflation is foreseen to remain under control. According to recent data, hourly wages continue to grow at a very modest rate. France is benefiting from the switch to a thirty-five-hour week, which is still acting as a moderator of wage inflation. Although many sectors will be involved in wage negotiations in Italy this year, wage inflation is expected to confirm the pace of moderate growth shown in recent years. Wage growth could be somewhat more pronounced in Spain as workers could get some additional compensation given that headline inflation in 2000 was above the level concluded in the wage agreements;

(4) The development of part-time and temporary jobs in recent years helped to reduce labour market rigidities and the pressure of structural unemployment on wage bargaining.

In 1999 a very low *inflation rate* was achieved. Linked to the hike in oil prices and the weak euro, headline inflation, as measured by the HICP, started to increase in mid 1999 and peaked in November 2000. According to the forecasts, the HICP in the EU as a whole is estimated at 2.1% in 2001 (2.2 % in the euro area). It declines further to 1.8% in 2002.

Several elements contribute to project a declining inflation profile:

- External price pressures are expected to diminish as oil prices are now back to their early 2000 levels of about USD 24-25 per barrel and are assumed to remain approximately in the same range of values over the forecasting period;
- increased competition spurred by the euro and deregulation in the service sector, especially in the telecommunications and electricity markets, are exerting downward pressure on domestic prices;
- despite some acceleration in a few countries, wages are expected to remain moderate thanks to reasonable wage agreements;
- the appreciation of the euro from the current low levels is also expected to help in pushing down the inflation rate.

Of the countries outside the euro area (more on the euro area in section III, p 16/17), low inflation is observed in Sweden, reflecting strong competition in the retail sector, and in the UK, for the same reason and also because of sterling's strength. In Denmark inflation is somewhat higher due to a tight labour market and relatively high unit labour costs.

5. Public finances: mildly expansionary

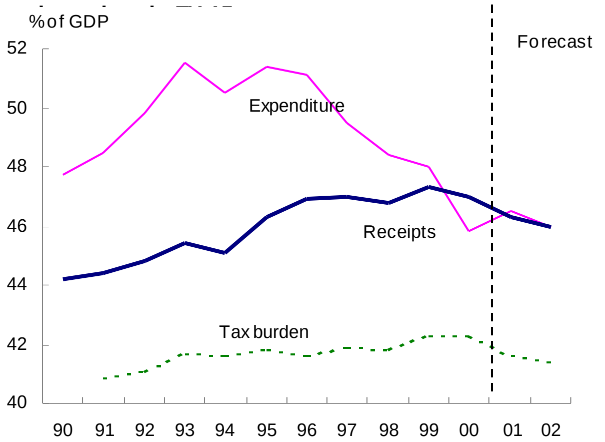
In 2000, the *overall general government balance* for the European Union as a whole recorded a surplus of 1.2% of GDP, compared to a deficit of 0.6% of GDP in 1999. For the euro area the 2000 surplus amounted to 0.4% of GDP, compared to a deficit of 1.2% of GDP a year earlier. UMTS licences had an important impact on these results. The related proceeds are estimated to be more than 1 % of GDP in 2000.

For 2001, the UMTS receipts are expected to be significantly lower, amounting to only 0.1% of GDP. A deficit of 0.2% of GDP is expected in 2001 in the EU as a whole (0.7 % in the euro area). For 2002, a balanced government account is projected at the level of the EU, while there could be a deficit of 0.4% of GDP in the euro area.

Without the UMTS receipts the general government balance continues to improve in most Member States (see Table 8). Of the countries with a deficit only Germany will see its deficit increase in 2001 due to a tax reform. The number of Member States with a deficit is expected to have fallen to 4 by 2002 (Germany, France, Italy and Portugal).

Measured by the change in the *cyclically adjusted primary balance*, the fiscal stance appears mildly expansionary at the level of the EU (and the euro area), making fiscal policy less pro-cyclical than initially thought. The situation in Member States is, however, diverse. Most Member States which do not comply with the requirements of the Stability and Growth Pact or where a wide safety margin is called for, remain on a consolidation course. Several countries have a more comfortable budgetary position and eased fiscal policy (Finland, Sweden, United Kingdom). In Germany, France and Italy, which still run a budget deficit, the planned tax cuts should also be judged in the light of their supply side effects. The tax cut in the Netherlands and the fiscal easing in Ireland occurs in surplus countries, but the issue of overheating arises.

GRAPH 12: **General government expenditures and receipts in EU-15**



As far as the *composition* of the government accounts is considered, expenditures as a percentage of GDP are likely to be reduced thanks to the strength of the economy and lower interest payments. Also receipts decline relative to GDP as a consequence of discretionary measures, mainly tax cuts. Both developments reduce the weight of the government in the economy. Total expenditure as a percent of GDP decreased from 47.9% in the EU-15 in 1999 to 46.0% in 2002. The drop in 2000 is due to the UMTS receipts, which are registered as a negative expenditure. Total revenue as a percent of GDP, decreased by a smaller amount in order not to jeopardise budgetary consolidation. The tax burden should have stopped increasing in 2000.

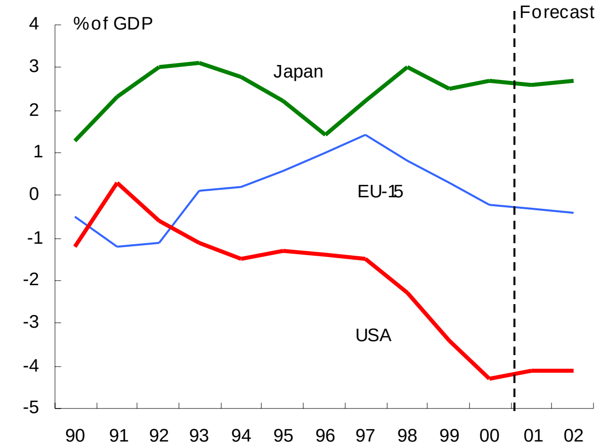
TABLE 7 : **General government budgetary position - EU-15**

(% of GDP)					Spring 2001		Difference with Autumn 2000	
	1997	1998	1999	2000	2001	2002	2001	2002
Total receipts (1)	47.0	46.8	47.2	47.0	46.3	46.0	0.0	0.1
Total expenditure (2)	49.4	48.4	47.9	45.8	46.5	46.0	0.4	0.4
Actual balance (3) = (1)-(2)	-2.4	-1.5	-0.6	1.2	-0.2	0.0	-0.4	-0.3
Interest (4)	5.0	4.6	4.1	3.8	3.6	3.4	0.0	-0.1
Primary balance (5) = (3)+(4)	2.5	3.1	3.5	5.1	3.4	3.4	-0.4	-0.4
UMTS	0.0	0.0	0.0	1.2	0.1	0.0	-0.1	0.0
Cyclically adjusted balance (6)	-2.0	-1.3	-0.4	-0.1	-0.4	-0.2	-0.2	-0.2
Cyclically adj. prim. balance = (6)+(4)	3.0	3.3	3.7	3.7	3.2	3.1	-0.2	-0.4
Change in actual balance :	1.8	0.9	0.9	1.8	-1.4	0.2	-0.4	0.1
Due to **- Cycle**	0.1	0.2	0.0	0.4	0.0	0.1	-0.2	0.0
- UMTS	0.0	0.0	0.0	1.2	-1.1	-0.1	-0.1	0.1
- Interest	0.5	0.4	0.5	0.3	0.2	0.2	-0.1	0.1
- Cycl. adj. primary balance	1.2	0.3	0.4	0.0	-0.5	-0.1	0.0	-0.2
Gross debt	71.1	69.0	67.5	64.5	61.7	59.3	1.0	1.4
p.m. Actual balance euro area	-2.6	-2.1	-1.2	0.4	-0.7	-0.4	-0.2	-0.1
p.m. Primary balance euro area	2.5	2.6	3.0	4.4	3.2	3.3	-0.2	-0.2
p.m. Cycl. adj. prim. balance euro area	3.1	2.9	3.4	3.3	3.0	3.1	-0.1	-0.1

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

According to the latest updates of the *Stability and Convergence Programmes* submitted by Member States at the end of last year and at the beginning of this year (see Table 8), it is intended to continue with budgetary consolidation. By 2004 no Member State (except the UK because of prudent growth forecasts and substantial public investment plans) is projected to have a general government deficit.

GRAPH 13: **Balance on current transactions with the rest of the world**



There are in general few differences between the public finance projections contained in the Stability and Convergence Programmes and those in the Spring forecasts. In 2001, the expected general government balances differ by only 0.1 percentage point at the aggregate EU-15 level. However, at the country level, some more pronounced differences appear. According to the forecasts, the deficit will be higher in Italy and Portugal by about half a percentage point of GDP, while the Greek Stability programme has set a surplus of 0.5% of GDP in 2001, compared to a balanced budget in the forecasts. Higher surpluses are expected according to the forecasts in Luxembourg, Finland, Sweden and the United Kingdom. In most cases the differences are due to either different assumptions on interest payments or stronger/weaker GDP growth paths between the forecasts and the Stability/Convergence programmes (more information on the comparison in the country sections, pp. 18/47).

The decline in *the government debt* is expected to continue through the forecast period. In 2000 the debt/GDP ratio is estimated to have fallen by about three percentage points to 64½% in EU-15. In 2002, the debt/GDP ratio for the Union as a whole is expected to be under 60% for the first time since the beginning of the 1990's. Only three Member States will continue to have a debt to GDP ratio above 60% in 2002, namely Belgium, Greece and Italy.

6. Persistent current account deficits

EU merchandise exports and imports, have, in value terms, continued to expand strongly over the past months, partly driven by higher prices but also due to growing world trade volumes. Imports have continued to grow faster than exports over the recent months. *Intra-EU trade* posted a rise of nearly 15 % in 2000, the highest number since 1995. *Trade with third countries* has continued to grow considerably faster, imports with an annual rate of around 31% in 2000 and exports at around 23%. The growth rates of exports and imports of the euro area were similar to the EU average, although

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

(% of GDP)			Spring 2001		Stability & Convergence programmes (update)				
	1999	**2000**	**2001**	**2002**	**2000**	**2001**	**2002**	**2003**	**2004**
B	-0.7	0.0	0.5	0.7	-0.1	0.2	0.3	0.5	0.6
D	-1.4	-1.0	-1.7	-1.2	-1.0	-1.5	-1.0	-0.5	0.0
EL	-1.8	-0.9	0.0	0.6	-0.8	0.5	1.5	2.0	2.0
E	-1.2	-0.4	0.1	0.2	-0.3	0.0	0.2	0.3	0.3
F	-1.6	-1.3	-1.1	-0.8	-1.4	-1.0	-0.6	-0.4	0.3
IRL	2.1	4.5	3.9	3.6	4.7	4.3	3.8	4.6	-
I	-1.8	-1.5	-1.3	-1.0	-1.3	-0.8	-0.5	0.0	0.3
L	4.7	5.3	4.0	3.0	3.0	2.6	2.5	2.5	-
NL	1.0	1.3	0.8	1.4	1.0	0.7	0.6	1.1	1.9
A	-2.1	-1.5	-0.7	0.0	-1.8	-0.8	0.0	0.0	0.0
P	-2.1	-1.7	-1.5	-1.5	-1.9	-1.1	-0.7	-0.3	0.0
FIN	1.8	6.7	5.3	5.2	4.5	4.7	4.4	4.5	4.9
Euro area	-1.2	-0.7	-0.8	-0.4	-0.7	-0.6	-0.3	0.1	0.4
DK	3.1	2.5	2.9	2.9	2.7	2.8	2.6	2.6	2.7
S	1.8	4.0	3.9	3.4	3.4	3.5	2.0	2.0	-
UK	1.3	1.9	1.0	0.9	1.1	0.6	-0.1	-0.9	-1.0
EU-15	-0.6	0.0	-0.3	0.0	-0.2	-0.2	-0.1	0.0	0.2

1. Government balances in 2000 and 2001 exclude one-off proceeds from the sale of UMTS licences.
With these amounts included, the general government balance as a % of GDP would be, according to the Spring 2001 forecasts,
In 2000 : 1.5%, -0.3%, -0.3%, 2.0%, -1.1%, -1.4%, 0.4%, 4.3% and 1.2% for D, E, I, NL, A, P, Euro area, UK and EU-15.
In 2001 : 0.6%, -0.6%, -0.7%, 3.2% and -0.2% for B, F, Euro area, DK and EU-15.
The corresponding figures according to the updated stability and convergence programmes would be equal to :
In 2000 : 1.5%, -0.1%, 1.7%, -1.4%, -1.5%, 0.3%, 3.5% and 1.1% for D, I, NL, A, P, Euro area, UK and EU-15.
In 2001 : 0.1%, -0.4% and 0.0% for F, Euro area and EU-15.

slightly lower.

As imports continue to grow faster, the overall *trade balance* has continued to deteriorate. In 2000 the trade deficit (fob/cif) of the EU amounted to around EUR 84 billion vis-à-vis third countries, compared to EUR 19 billion in 1999 (numbers are different on a fob/fob basis, as in table 50). The deterioration is primarily due to the rise in oil prices and to a minor degree the worsening terms of trade for manufactured goods. On the other hand, export volumes grew faster than import volumes, thereby contributing to partly stem the slide in the trade balance. The euro area still showed in 2000 a slight trade surplus (fob/cif) of around EUR 12 billion vis-à-vis third countries, down from EUR 51 billion in 1999.

With the deterioration of the trade balance the *balance on current transactions* also turned more negative in 2000. The preliminary deficit of the EU ("adjusted balance" in tables 49 and 51, fob/fob basis) for 2000 was EUR 48 billion, compared to just EUR 2 billion in 1999 and surpluses in the years before. The balances for trade in goods, in services and for current transfers worsened, and only the income balance improved. However, comparing quarterly values with the corresponding previous year numbers, a certain stabilization has been registered since the autumn.

7. Downside risks have increased

The forecasts rest on a limited impact on the EU of the US economic slowdown which was unfolding in the last quarter of 2000 and on a quick recovery in that country which should already take place in the second quarter of this year. This assessment cannot be taken for granted. Risks pertain to the US economy, the transmission mechanism and domestic demand in the EU.

It may take the US longer to overcome the present downturn in activity. In the boom period buoyant private consumption was partly thriving on borrowed money and prospects of ever rising stock market gains. In the light of recent developments, consumers could re-assess their financial position and react more slowly to the easing of monetary policy and the announced tax cuts.

The impact of the US slowdown on the EU may go beyond the direct trade effects, which are estimated to be relatively limited. The US economy remains characterised by large internal and external imbalances, which could trigger financial instability in the face of a downturn and falling stock markets. In particular, the large current account deficit is preoccupying as it could prompt turbulence in international exchange markets.

One can be reasonably confident in the robustness of EU domestic demand to partly neutralise the externally induced slowdown, provided that the appropriate policy-mix can be established. There are downside risks as regards confidence associated with the fall in stock markets. However, the episode of the emerging market crisis in 1997/98 has shown, against the rather pessimistic mood at the time, that EU domestic demand is relatively shock-proof and that with the appropriate policy response, lasting damage can be avoided. In April 1999 the European Central Bank drastically lowered interest rates. At current juncture, difficulties could occur if inflation remains higher than expected because the pass-through from higher oil prices is stronger or because of food prices increases related to BSE and foot-and-mouth problems.

On the bright side, economic fundamentals in the EU remain sound. Not only demand conditions remain relatively good, also from the supply-side it appears that the EU is in a better position to absorb the US slowdown. Competition and deregulation prompted further improvement in the functioning of product and labour markets which operate now more flexibly. In particular, the recent tightening of labour markets has exerted less pressure on wages than in the past and led to more job creation.

III. Euro area: Less asymmetry in the reaction to the external slowdown ?

Like the EU as a whole, *growth* in the euro area has been revised downward for 2001 under the influence of the abrupt slowdown in the US. In particular, exports suffer from this and consequently investment. On the other hand, private consumption is expected to continue growing at 2.6 % this year. Real wages should increase again after stalling in 2000 and consumer confidence remains high as unemployment declines. While of historical significance, the introduction of the euro notes and coins on 1 January 2002, is not expected to have a big macroeconomic impact on the forecasts (see box).

In the aftermath of the emerging market crisis, Germany and Italy suffered particularly, because their trade specialisation made them more vulnerable and because domestic demand was not strong enough to act as buffer. The present US slowdown should provoke smaller *growth differentials*, but nevertheless there remain some. With 2.2 % average GDP growth in 2001, German growth is forecast to be the slowest in the euro area. Thanks to employment creation and stronger domestic demand Italy is expected to fare better. While Portugal and Austria are forecast to register average growth rates of about 2.5 % this year, domestic factors are the main concern. Budgetary tightening has been implemented in these countries because there was a risk of overheating and, heavily indebted household are expected to reduce their consumption expenditures. In Spain, it is also less buoyant private consumption which is driving growth down to 3.2 % in 2001.

In Ireland, Finland and Luxembourg, it is mainly the less favourable external environment which is responsible for the downward growth revision, but the average growth rate should remain above 4 % this year. The risk of overheating declines in Ireland because of its greater exposure to the US. This is less so in the Netherlands (average GDP growth in 2001: 3.4 %), where substantial tax cuts underpin private consumption and a tight labour market makes wage moderation more difficult. With average growth around 3 % this year, Belgium and France should withstand the external shock well. Thanks to real wage gains and continuing strong employment creation, private consumption growth is even expected to increase in France compared to last year. Reaping the benefits of EMU participation and enjoying an investment boom related to the hosting of the 2004 Olympic Games, Greece is the only country where the expansion continues unabated.

In November 2000 *HICP-inflation* peaked at 2.9% in the euro area. Headline inflation is expected to remain, on average, above 2% this year but on a monthly basis should fall below the ECB target towards the end of the year. The average inflation rate is forecast to be just below 2% in 2002, but slightly accelerating towards the

Main features of country forecast - Euro area

	1999		Annual percentage change						
bn Euro	**Curr. prices**	**% GDP**	**1981-96**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
GDP at constant prices	6136.9	100.0	2.1	2.4	2.8	2.5	3.4	2.8	2.9
Private consumption	3477.7	56.7	2.0	1.7	3.2	2.9	2.6	2.6	2.7
Public consumption	1230.4	20.0	2.1	0.9	1.1	1.7	1.8	1.7	1.6
GFCF	1281.0	20.9	1.7	2.6	5.2	5.4	4.8	4.2	4.6
of which : **equipment**	519.4	8.5	2.6	5.5	9.1	7.0	7.3	6.2	6.2
Change in stocks as % of GDP	148.8	2.4	0.3	0.1	0.5	0.5	0.4	0.4	0.5
Exports (goods and services)	2041.1	33.3	5.0	10.3	7.0	4.6	11.8	8.7	8.0
Final demand	8179.1	133.3	2.5	3.9	4.4	3.6	5.2	4.5	4.4
Imports (goods and services)	1932.8	31.5	4.4	9.1	9.7	6.7	10.5	9.1	8.3
Contribution to GDP growth :	**Domestic demand**		1.9	1.6	3.0	3.0	2.9	2.7	2.9
	Stockbuilding		-0.1	0.2	0.4	0.0	-0.1	0.1	0.1
	Foreign balance		0.2	0.5	-0.6	-0.6	0.6	0.0	0.0
Employment			0.3	0.8	1.6	1.8	1.9	1.3	1.3
Unemployment (a)			9.6	11.5	10.9	9.9	8.9	8.5	7.9
Compensation of employees/head			6.3	2.1	1.4	2.0	2.4	3.0	3.1
Unit labour costs			4.4	0.5	0.3	1.3	0.9	1.5	1.4
Real unit labour costs			-0.9	-1.1	-1.5	0.0	-0.4	-0.6	-0.4
Savings rate of households (b)			-	13.5	16.2	15.3	14.9	14.9	14.8
GDP deflator			5.3	1.6	1.7	1.3	1.3	2.2	1.9
Private consumption deflator			5.4	2.0	1.4	1.3	2.2	2.3	1.8
Harmonised index of consumer prices			-	1.6	1.1	1.1	2.3	2.2	1.8
Trade balance (c)			0.5	2.6	2.4	1.8	1.3	1.0	1.0
Balance on current transactions with ROW (c)			0.0	1.6	1.0	0.5	0.1	-0.1	-0.1
Net lending(+) or borrowing(-) vis à vis ROW (c)			0.0	1.8	1.2	0.7	0.4	0.1	0.1
General government balance (c) (d)			-4.6	-2.6	-2.1	-1.2	0.4	-0.7	-0.4
General government gross debt (c)			57.4	74.7	73.1	72.0	69.7	67.7	65.6

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

(d) Including proceeds relative to UMTS licences in 2000 and 2001, without which the general government balances would amount to -0.7% and -0.8% of GDP respectively.

end of that year.

Following elements determine this inflation profile:

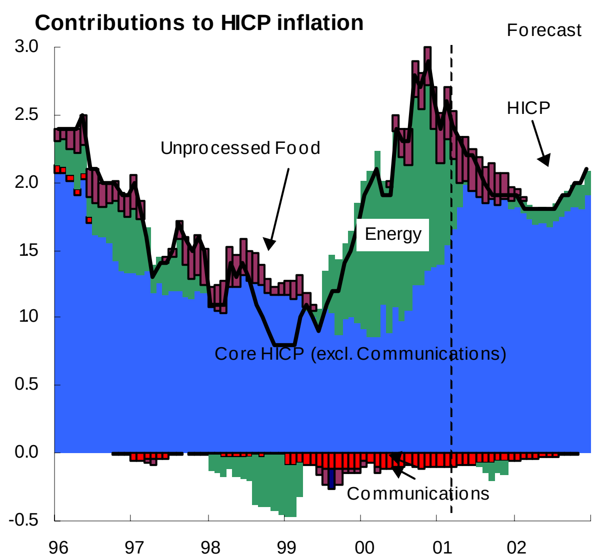
- a significant increase in the contribution from core inflation as a result of the potential pass-through of past oil price hikes to production and consumer prices;

- a more limited contribution (but above the historical average) from unprocessed food caused by current health concerns associated with meat consumption;

- energy provides a small negative contribution as a result of the recent fall in oil prices, but this is reversed at the end of this year. Also communication services depress inflation thanks to market liberation;

- some demand pressures towards the end of 2002 as the economic activity is re-accelerating;

Inflation differences remained wide in 2000 with some countries deviating substantially from the euro area average: Ireland (5.3%), Luxembourg (3.8%), Spain (3.5%) and Finland (3%). These differences are to a large extent attributable to higher prices for services with the exclusion of communication services whose prices have been declining in almost all Member States. Notably in the Netherlands, prices increases are due to a hike in indirect taxes and more wage pressure. Also in Portugal, wages exert an upward pressure on inflation. The moderate increase of consumer prices registered in France is mainly due to a lower inflation in the service sector and wage moderation. Inflation differentials should narrow over the forecast horizon.



Box: Macroeconomic impact of the changeover to the euro

On 1st January 2002 (« E-day »), the notes and coins in euro will be introduced. About EUR 350 billion of notes and coins in national currencies will be withdrawn in two month time and replaced by some 50 billion new coins and 14.5 billion new banknotes denominated in euro. On the whole, macroeconomic effects linked to the operation are thought to remain marginal and temporary.

Consumption hindered, postponed or boosted ?

Although the ATM (automatic teller machine) will be the principal means of distributing notes to the public, difficulties will arise inevitably from cash payment in the old currency during the period of dual circulation. Simulations run in train stations and supermarkets show that queues, delays, sales losses and even fraud might occur.

From a macroeconomic point of view, several consequences can be envisaged. Consumers may advance some purchases before 1st January through the fear of problems aforementioned, and subsequently reduce their expenses in the first few weeks of January. On the other hand, one can envisage a consumption boost from consumers willing to get rid of their old currency cash holding in the first days of January. The most likely outcome is some small, temporary noise in the consumption profile around the turn of the year. In addition, cash payments are generally used only for small purchases and therefore any disturbance is likely to be hardly perceptible at the macroeconomic level.

Prices lifted or steady ?

The risk is often mentioned that prices might rise due to the rounding imposed by the changeover. It appears to be a growing preoccupation for consumers, as reported by the Eurobarometer poll. As the dual display of prices is not compelling, there might be a diverging behaviour between large stores/supermarkets (where it is generally implemented) and the small retailers.

On the other hand, the rounding risk should not be exaggerated. Some supermarket chains have announced a downside rounding accompanied with a price freeze during the changeover period.

Money supply: less cash, more deposits ?

In the run-up to E-day consumers could be inclined to keep their money relatively more in their bank accounts rather than in their pockets and make payments with credit and debit cards in order to avoid unfamiliarity with the new notes and coins. Afterwards cash holdings may increase again. These behavioural changes will blur the information content of monetary aggregates in the transition period. Via the money multiplier on bank deposits, money supply may receive a boost which has nothing to do with inflationary pressures.

Belgium: Slower but still robust economic activity in 2001 and 2002

Output. In 2000 real GDP growth reached about 4%, the highest rate in the last ten years; in 2001 and 2002, economic growth is expected to slow somewhat but to remain robust at around 3%. A deterioration in the external economic environment, reflecting a marked slowdown in the US economy and lower growth of international trade is expected to affect the export performance of the open economy of Belgium. However, the sound economic fundamentals of the Belgian economy, a notable progress towards budgetary adjustment and ongoing structural reforms in the labour and product markets, should contribute to sustained economic activity and employment creation. Prospects for a lower tax burden, made possible by fiscal consolidation and improved public finances, should continue supporting the confidence of households and enterprises and affecting positively their consumption and investment decisions.

Prospects. Private consumption, after rising strongly by 2.9% in 2000 is expected to slow somewhat but to remain sustained in 2001 and in 2002 supported by employment growth and the increase in households real disposable income. As in recent years, the saving ratio of households has declined, reflecting renewed confidence underpinned by progress in the public finance situation, which raises prospects of tax alleviation. Moreover, households have drawn on their savings in order to compensate for the negative effect on disposable income of higher oil prices and to maintain their consumption pattern. The saving ratio is expected to rise marginally in 2001 and in 2002, as households would tend to rebuild their financial wealth.

Investment in real terms is projected to remain reasonably dynamic in the coming two years, at around 4% per year on average, due mainly to business investment while government investment should grow more slowly, notably in 2001, compared to the high rate registered in 2000, a year of local elections. Satisfactory business profitability and expected sustained domestic and foreign demand should ensure a reasonably robust investment spending in the coming two years; high rates of capacity utilisation should also work in the same direction.

The contribution of the external sector to GDP growth should remain positive in 2001 and in 2002, though considerably lower than the 1 percentage point registered in 2000 - the highest for almost 20 years. A relatively more robust economic activity within the EU, compared with the rest of the world, in the coming two years should favour Belgian exports mainly oriented towards European economies.

Labour market. Employment creation was strong in 2000 - some 68,000 new jobs were created - and is

Main features of country forecast - BELGIUM

	1999			Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		233.6	100.0	1.8	3.4	2.4	2.7	3.9	3.0	3.1
Private consumption		125.3	53.6	1.6	2.1	3.3	1.9	2.9	2.5	2.4
Public consumption		50.0	21.4	1.3	0.1	1.4	3.4	2.1	1.8	1.5
GFCF		49.8	21.3	1.7	6.7	4.6	4.8	4.2	4.0	4.2
of which : **equipment**		25.7	11.0	3.8	6.9	3.3	5.4	4.0	4.4	5.0
Change in stocks as % of GDP		-0.3	-0.1	0.3	0.0	0.6	-0.1	0.0	0.0	0.0
Exports (goods and services)		178.8	76.5	4.2	6.7	4.4	5.2	10.6	7.2	7.4
Final demand		403.6	172.8	2.5	4.3	4.1	3.4	6.4	4.7	4.9
Imports (goods and services)		170.0	72.8	3.7	5.7	6.5	4.5	9.9	7.0	7.1
Contribution to GDP growth :	**Domestic demand**			1.5	2.5	3.0	2.8	2.9	2.5	2.5
	Stockbuilding			0.0	0.0	0.6	-0.7	0.1	0.0	0.0
	Foreign balance			0.4	0.9	-1.2	0.7	1.0	0.5	0.6
Employment				0.1	0.8	1.2	1.3	1.7	1.3	1.2
Unemployment (a)				9.3	9.4	9.5	8.8	7.0	6.5	6.1
Compensation of employees/head				4.7	2.9	2.0	2.3	3.2	3.1	3.0
Unit labour costs				2.9	0.2	0.8	0.9	1.0	1.4	1.0
Real unit labour costs				-0.6	-1.1	-0.8	-0.1	-0.4	-1.0	-0.9
Savings rate of households (b)				-	17.8	16.6	16.3	16.0	16.1	16.2
GDP deflator				3.6	1.3	1.6	1.0	1.4	2.3	1.9
Private consumption deflator				3.6	1.6	1.0	1.2	2.5	1.7	1.5
Harmonised index of consumer prices				-	1.5	0.9	1.1	2.7	1.9	1.7
Trade balance (c)				-1.5	1.4	1.2	0.7	2.9	3.6	4.1
Balance on current transactions with ROW (c)				1.0	4.5	3.8	3.4	3.8	4.6	5.0
Net lending(+) or borrowing(-) vis à vis ROW (c)				0.9	4.7	3.8	3.4	3.8	4.6	5.0
General government balance (c) (d)				-7.6	-1.9	-0.9	-0.7	0.0	0.6	0.7
General government gross debt (c)				124.8	125.3	119.8	116.4	110.9	104.4	98.7

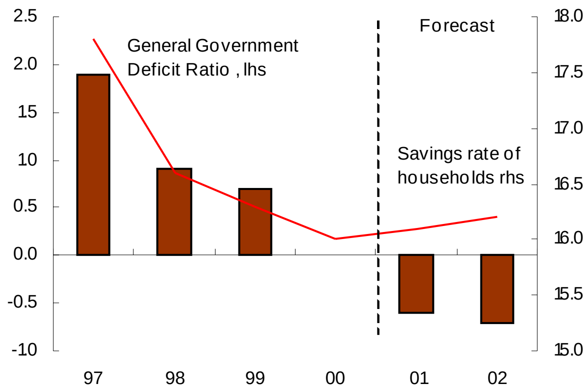
(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001, without which the general government balance would amount to 0.5% of GDP.

expected to continue, though at a slower pace, in 2001 and 2002 supported by robust economic activity and, also, by the positive effects of active employment measures, in particular the considerable reduction in recent years of social security contributions paid by employers - particularly important in 2000- which should continue supporting labour demand. The unemployment rate is expected to decline further over the coming years though by less than the employment creation rate as labour supply is also projected to rise.

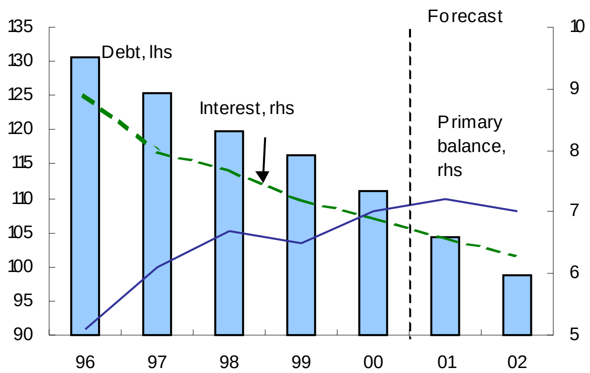
Prices and wages. Consumer price inflation, as measured by the HICP, should fall to just below 2% this year and even lower in 2002, after reaching 2.7% in 2000 mainly as a result of the impact of oil price rises and the depreciation of the euro. Lower oil prices and some appreciation of the euro would contribute to the projected price deceleration while domestic inflation pressures should remain contained: wage moderation is expected to prevail, supported by the reasonably moderate terms of the framework wage agreement for 2001-2002, concluded last December. However, tightening labour markets and labour shortages in some market segments may create wage pressures, but these, should remain contained.

Public finances. Fiscal developments in 2000 were marked by the balance achieved in the general government accounts, the first in 50 years; higher than expected economic activity and fiscal revenues contributed significantly to this development. Public finances are expected to improve further in the period forecast, supported by high primary surpluses, above 6% of GDP per year, and reduced interest payments resulting from a falling government debt ratio. A general government surplus of 0.6% of GDP is forecast for 2001, including UMTS receipts estimated at about 0.2% of GDP, and a surplus of 0.7% of GDP in 2002. The government debt ratio is expected to fall to 104.3% of GDP this year and decline further to 98.5% of GDP in 2002. These projections imply a faster fiscal adjustment than was foreseen in the updated stability programme of Belgium 2001-2005 which, however, was based on lower real GDP growth assumptions, 2.5%, for this year and for 2002. A notable feature of the public finance projections is the decline in the tax burden and the government expenditure ratio. The forecasts have taken into account fiscal measures already adopted or announced, including some tax cuts in 2001, while the more comprehensive personal income tax reform to be implemented during 2002-2006 will have only a small budgetary impact on 2002.

Belgium - Savings rate of households and General Government Deficit Ratio



Belgium - General Government debt, interest and Primary Balance (ESA95, % of GDP at market prices)



Germany: International slowdown takes its toll

Output in 2000. GDP rose by 3.0 % in 2000, the best performance since the reunification boom. Much of the acceleration in economic activity can be attributed to a favourable external environment and improvements in external competitiveness thanks to a low euro exchange rate and falling unit labour costs. As a result, exports grew by an impressive 13.2 %. With growth of imports falling significantly short of this figure, the external balance added a full percentage point to output growth.

Domestic demand, by contrast, rose rather moderately. This was due mainly to a lack of vigour in private consumption, notably in the second half of the year. Real consumer expenditure, while benefiting from rising employment, suffered from a loss in purchasing power as a result of a strongly negative terms of trade effect brought about by the euro depreciation and the rise in oil prices. Little additional impulse came from investment. Buoyant growth in equipment investment, particularly in the first half-year, was largely counterbalanced by a construction sector which remains bogged down in the mire. Average annual output growth for Germany would have been half a percentage point higher in the second half of the 1990s if the construction sector had developed in line with the rest of the economy. The drag on growth was particularly sharp in the “New Länder”, where the construction sector continues to slim down from the over-capacity built up during the post-unification building boom.

Short-term growth outlook. Even before the sharp deterioration in the US economy became apparent, the German economy started to show signs of a slowdown. Business sentiment (as measured by the IFO climate indicator) has weakened from mid-2000 on, while output growth fell significantly between the first and the second half of the year of 2000. However, even though world economic growth looks set to slow down significantly in 2001, foreign orders in Germany have continued to rise over the recent period and industrial production has held steady so far. As a result, the slowdown in economic activity in 2001 should be limited and, thanks to the assumed improvement in the external environment, a recovery can be expected in 2002. Output growth is thus projected to be around 2¼ % in 2001 and a little more than 2½ % in 2002.

A key element in this projection is that the German export sector is assumed to remain very competitive. In particular, on top of the depreciation of the euro over the past two years, Germany is reaping the benefits of several years of wage moderation which has led to a significant decline in relative unit labour costs. Overall, therefore, exports should continue to rise at solid rates in both 2001 and 2002. However, as imports are expected to grow even faster as a result of lower import prices and the pick-up of domestic demand, the external

Main features of country forecast - GERMANY

	1999			Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		1982.4	100.0	2.1	1.4	2.1	1.6	3.0	2.2	2.6
Private consumption		1145.9	57.8	2.1	0.7	2.0	2.6	1.6	2.2	2.2
Public consumption		377.3	19.0	1.5	-0.9	0.5	-0.1	1.4	1.3	1.7
GFCF		422.9	21.3	1.5	0.6	3.0	3.3	2.4	2.4	3.7
of which : **equipment**		158.7	8.0	1.5	3.7	9.2	6.7	9.0	7.2	6.8
Change in stocks as % of GDP		17.1	0.9	0.1	0.0	0.4	0.6	0.8	0.9	1.1
Exports (goods and services)		583.7	29.4	4.7	11.3	7.0	5.1	13.2	10.5	8.9
Final demand		2546.9	128.5	2.4	2.8	3.4	3.0	4.6	4.3	4.3
Imports (goods and services)		564.5	28.5	3.8	8.4	8.6	8.1	10.2	11.1	9.3
Contribution to GDP growth :	**Domestic demand**			1.8	0.3	1.9	2.2	1.7	2.1	2.4
	Stockbuilding			0.0	0.2	0.4	0.2	0.2	0.2	0.2
	Foreign balance			0.4	0.8	-0.3	-0.8	1.0	0.0	0.0
Employment				0.3	-0.2	0.9	1.1	1.5	0.7	0.9
Unemployment (a)				6.6	9.9	9.3	8.6	8.1	7.8	7.1
Compensation of employees/head				4.0	0.8	1.1	1.1	1.1	1.7	2.5
Unit labour costs				2.2	-0.8	0.0	0.6	-0.2	0.2	0.8
Real unit labour costs				-0.7	-1.6	-1.1	-0.3	0.1	-0.7	-0.1
Savings rate of households (b)				-	17.0	16.9	16.7	16.6	16.7	16.6
GDP deflator				2.9	0.8	1.1	0.9	-0.4	0.9	0.9
Private consumption deflator				2.7	2.0	1.1	0.3	1.4	1.8	1.3
Harmonised index of consumer prices				-	1.5	0.6	0.6	2.1	2.0	1.5
Trade balance (c)				3.8	3.4	3.7	3.5	3.1	3.0	3.1
Balance on current transactions with ROW (c)				1.3	-0.1	-0.2	-0.8	-1.2	-1.6	-1.7
Net lending(+) or borrowing(-) vis à vis ROW (c)				1.2	-0.1	-0.2	-0.8	-0.4	-1.5	-1.6
General government balance (c) (d)				-2.4	-2.7	-2.1	-1.4	1.5	-1.7	-1.2
General government gross debt (c)				44.2	60.9	60.7	61.1	60.2	58.6	57.6

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to -1.0% of GDP.

contribution to growth is projected to decline to zero in 2001.

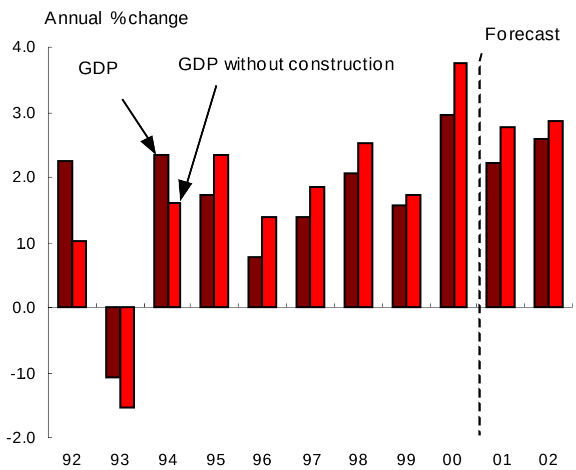
Part of the fall in the growth contribution of the external sector should be compensated for by faster growing domestic demand, invigorated by tax reforms that reduce the tax burden on enterprises and households by around 1 % of GDP. Lower taxes and lower oil prices should combine to give a boost to private consumption. At the same time, equipment investment is expected to remain strong, benefiting from a relatively high rate of capacity utilisation and still solid levels of orders. By contrast, prospects for the construction sector remain bleak.

Employment. On the back of the strong expansion in activity in 2000, employment rose by 1.6 % or almost 600,000 on an annual average. There are, however, indications that much of this new employment occurred in part-time jobs and in the segment of low paid '630-DM–jobs'. This would explain why fast job creation did not translate into a stronger rise in private consumption. It could furthermore be the main reason why the number of unemployed went down by a mere 200,000 (from 4.1 million in 1999 to 3.9 million last year), as the new jobs were mainly filled by persons previously outside the labour force. Despite the expected deceleration in growth, the number of unemployed is projected to continue to decline to around 3.7 million in 2001 and to about 3.4 million in 2002, thanks not only to demographic trends but also to an expanding service sector, where continued wage moderation should provide an additional impetus to employment growth, especially in 2001. However, little improvement is expected for the labour market in the New Länder where the construction sector will continue its downsizing.

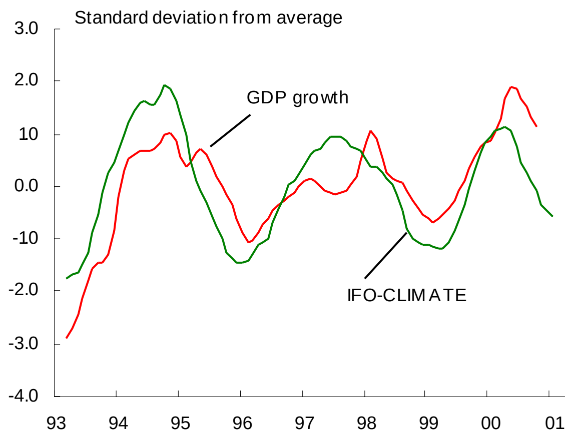
Inflation. Against a background of sharply rising oil prices, the year 2000 saw a clear acceleration in consumer prices, resulting in an average annual price increase of 2.1 % (HICP). As a consequence of a rise in some indirect taxes at the beginning of 2001, second round effects of the oil price hike on some goods and services (e.g. prices of gas and package tours) and rapidly rising food prices consumer prices continued their upward trend in the first months of the current year, bringing the year-on-year index to significantly above 2%. However, consumer price inflation should decline in the course of the year as a result of falling oil prices and continued moderate wage increases (with most of the contract wages for 2001 agreed in early 2000 and thus not reflecting higher than expected consumer prices in 2000). In 2002, in spite of the assumed acceleration in wage growth consumer prices should continue to decline as growth picks up only moderately and import prices are expected to remain broadly unchanged.

Public Finance. Due to UMTS receipts worth 2.5 % of GDP, the general government balance showed a surplus of 1.5 % of GDP in 2000 (i.e. net of UMTS proceeds a deficit of 1.0 % of GDP was recorded). This outcome is due to a decline in nominal expenditure at the federal level, while expenditure at other levels of government exceeded the agreed ceiling in the framework of the "Finanzplanungsrat" of November 1999. In the current year, the implementation of the third step of the income tax reform and of the corporate tax reform coupled with lower output growth than underlying the budget assumption are expected to drive the deficit of the general government up to 1.7% of GDP, slightly above the target of 1.5 %. With growth prospects for 2002 also slightly revised downwards, application of the "no policy change" assumption results in a deficit projection of some 1¼ % of GDP.

Germany - GDP growth 92-02 (in 1995 prices)



Germany - GDP and IFO Index



Greece: Real GDP growth is expected to accelerate

Substantial stabilisation efforts undertaken throughout the 1990s resulted in achieving nominal convergence with the rest of the euro zone. This has boosted the overall performance of the economy while the objective of joining the euro area as of January 2001 has been achieved. The conversion rate of the Greek drachma against the euro was fixed at the central rate of the drachma in ERM II, that is 340,75 GRD per euro.

GDP growth and its components. Real GDP growth has been above the EU average since 1996. Economic activity accelerated in 2000, rising by 4.1%; this was mainly due to strong growth in investment, particularly investment in equipment; exports also accelerated after a pause, registered in 1999, entailed by faltering export market growth. However, strong exports were more than offset by a fast rise in imports, resulting in a deterioration of the external balance. Growth prospects should improve further in 2001 and 2002: tax reforms and falling interest rates are expected to support private consumption and investment; in addition, non-residential construction is assumed to accelerate further, in view of the preparation for the Olympic Games of 2004. Thus, despite the forecast deceleration in world demand in 2001, real GDP growth is expected to rise throughout the period to 2002, reaching 4.8%.

Labour market. The situation in the labour market improved in 2000. Employment increased by 1.2% and the unemployment rate declined, though it still exceeded 10%. Sustained activity and the continuation of structural reform efforts are expected to support further improvement in employment throughout the forecast period.

Real wages decelerated further in 2000, reflecting a restrictive incomes policy in the public sector and the two-year collective wage agreement signed in the private sector in May 2000. Wage increases in 2000 incorporated a compensation equal to 0.7% for the increase in prices in excess of projected inflation in 1999; however, the impact of this adjustment on real wages was limited by non-anticipated inflation resulting from developments in oil prices during 2000. The 2000 wage agreement provides no compensation for inflation until the end of 2001; thus it is expected to contribute to wage moderation in the private sector until 2002; as wages in the public sector will continue to be contained during the period, a moderate increase in unit labour costs in the whole economy can be reasonably expected.

Prices. Consumer price inflation was on a downward trend until the third quarter of 1999; since then, developments in prices have been dominated by pressures stemming from surging oil prices. The national index of consumer prices increased by an annual average of 3.2% in 2000 from 2.6% in 1999. Since December 2000, the rate of increase in consumer prices slowed,

Main features of country forecast - GREECE

	1999		Annual percentage change						
	bn Euro Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	112.0	100.0	1.0	3.5	3.1	3.4	4.1	4.4	4.8
Private consumption	79.6	71.1	2.0	2.8	3.1	2.9	3.2	3.2	3.4
Public consumption	16.8	15.0	1.1	3.0	1.7	-0.1	0.8	0.6	0.6
GFCF	25.1	22.5	0.2	7.8	11.8	7.3	9.4	10.5	10.9
of which : **equipment**	8.7	7.7	4.4	8.2	24.4	1.9	11.0	10.0	10.2
Change in stocks as % of GDP	-0.2	-0.2	-0.2	0.2	0.4	-0.2	-0.2	-0.1	0.0
Exports (goods and services)	22.6	20.2	2.2	18.2	5.9	6.5	13.7	9.5	10.2
Final demand	143.9	128.6	1.7	5.7	4.9	3.5	5.7	5.4	5.9
Imports (goods and services)	32.0	28.6	4.7	13.9	11.3	3.9	10.7	8.4	8.8
Contribution to GDP growth :	**Domestic demand**		1.6	4.0	4.9	3.7	4.6	4.9	5.3
	Stockbuilding		0.2	-0.1	0.2	-0.6	-0.1	0.1	0.1
	Foreign balance		-0.8	-0.4	-2.0	0.2	-0.4	-0.6	-0.5
Employment			0.8	-0.3	3.4	-0.7	1.2	1.4	1.6
Unemployment (a)			7.2	9.8	10.9	11.7	11.0	10.5	9.9
Compensation of employees/head			16.5	13.6	6.0	4.8	5.0	5.4	5.7
Unit labour costs			16.3	9.3	6.4	0.6	2.0	2.3	2.4
Real unit labour costs			-0.6	2.3	1.2	-2.2	-0.9	-0.6	-0.2
Savings rate of households (b)			-	11.9	10.3	10.0	10.0	10.9	11.9
GDP deflator			17.0	6.8	5.2	2.9	2.9	2.9	2.7
Private consumption deflator			16.7	5.5	4.5	2.4	3.0	2.8	2.4
Harmonised index of consumer prices			-	5.4	4.5	2.1	2.9	2.6	2.3
Trade balance (c)			-11.7	-13.8	-15.1	-13.9	-15.7	-15.7	-16.1
Balance on current transactions with ROW (c)			-2.3	-2.3	-3.9	-3.2	-4.2	-4.1	-4.0
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-0.4	-1.7	-1.0	-2.1	-1.9	-1.9
General government balance (c)			-10.5	-4.7	-3.1	-1.8	-0.9	0.0	0.6
General government gross debt (c)			76.8	108.3	105.5	104.6	103.9	99.9	98.0

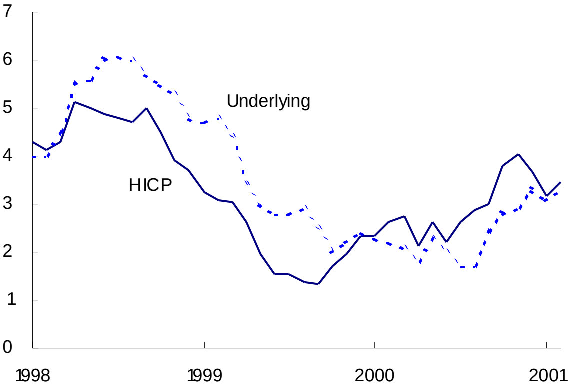
(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

rising by 3.5% in February 2001 from 3.9% in December and 4.2% in November 2000 (national index, year-on-year). Nonetheless, some concern persists with respect to price stability: underlying inflation, measured by the CPI excluding fresh fruit, vegetables and fuels, has resumed a rising trend since September 2000 although it still remains below headline inflation. The inflation forecast for 2001 and 2002 is influenced by a number of opposing factors. On one hand, inflation pressures may emerge from the monetary easing implied by the fall in interest rates as well as from the acceleration in economic activity. On the other hand, the assumptions for primary commodities prices and oil prices justify a forecast of decelerating import prices in 2001. Furthermore, developments in unit labour costs and structural reforms, may support medium-term price stability. Nonetheless, some risks underlie the inflation forecast for 2002; they are associated with the pace of implementation of structural reforms and the existence of a clause of adjustment of wages to prices in 2002, if average inflation is higher than anticipated in 2001.

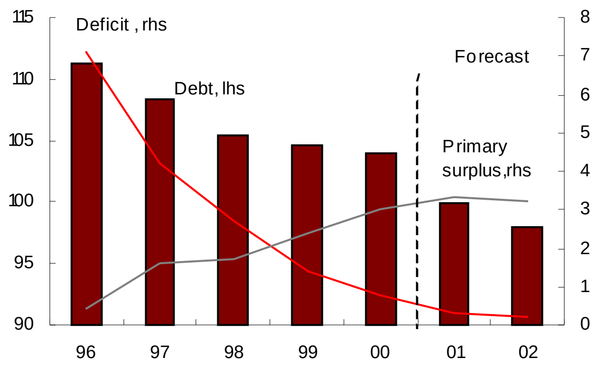
Public finances. The correction of fiscal imbalances has been among the main objectives of economic policy in the run-up to EMU. The general government deficit was reduced to 0.9% of GDP in 2000 from 1.8% in 1999 and 1.2% set in the budget for 2000. This was due to higher budget revenues, which resulted in more than offsetting an overrun in expenditure, both primary expenditure and interest payments. The budgetary accounts of the general government are forecast to be in balance in 2001 and turn into a surplus of 0.6% in 2002. The primary surplus, which increased to 6.4% of GDP in 2000 from 5.8% in 1999, is expected to reach 6.7% of GDP in the remainder of the forecast period. The Greek government, in the budget for 2001 and in the Greek Stability Programme presented in December 2000 under the requirements of the Stability and Growth Pact, is targeting a general government surplus already in 2001; this projection assumes higher GDP growth compared to Commission forecasts.

Debt ratio. Rising primary surpluses, combined with the allocation of privatisation receipts to pay-off public debt resulted in reducing the debt ratio since 1996. The expected high level of primary surplus throughout the forecasting period should contribute in maintaining the downward path of the debt ratio, which is forecast to fall below 100% at the end of 2001 and to continue declining thereafter.

Greece - Inflation and underlying trends (HICP, monthly data year-on-year)



Greece - General Government debt, deficit and Primary Surplus (ESA95, % of GDP at market prices)



Spain: Weaker but more balanced growth

Output. GDP rose strongly by around 4% in 1999 and 2000. This robust economic growth was based on domestic demand while external demand showed a negative contribution. However, partly due to the negative impact from the oil price hikes, during the second half of 2000 economic activity lost strength. Growth of all domestic demand components moderated, especially private consumption and investment in equipment, while the external sector contribution turned positive as imports decelerated in line with domestic demand. As a result, for 2001, output growth is expected to moderate to 3.2% following the trends observed in the second half of 2000. In 2002 growth is forecast to rise slightly to around 3.3%.

In 2001, according to current indicators, domestic demand should remain moderate in line with the profile shown in the second half of 2000. The deterioration in the economic setting should negatively affect private consumption and investment in equipment, especially in the first part of the year. Less dynamic private consumption would reflect a moderation in real disposable income, the freezing of income tax brackets, implying fiscal drag, and slower job creation. This moderation would be consistent with a slight recovery in the saving ratio, which has recorded historically low figures in recent years. In turn, in the short-term, investment in equipment will be affected by the worsening in the economic outlook. The external contribution to GDP growth should be slightly positive mainly because of imports decelerating in line with domestic demand.

In 2002 GDP growth is expected to rise slightly to 3.3%. This would stem from a strengthening of all domestic demand components other than investment in dwellings. Private consumption in particular is foreseen to accelerate due to more favourable price developments, implying an increase in real disposable income, and to an improvement in consumers' expectations reflecting stable employment creation compared to 2001. The assumed improvement in the economic setting along with stronger private consumption and still low interest rates should push up investment in equipment. In contrast, investment in dwellings is forecast to decelerate in 2002. This deceleration should start towards the end of 2001, mainly in reaction to housing supply having grown faster than demand in recent years. Finally, the external sector is forecast to post a small negative contribution since imports should gain strength due to the recovery of domestic demand.

Labour market. Employment rose briskly by 3.3% in 2000 but with a decelerating trend, especially during the second half of the year. In 2001 employment growth is expected to remain strong although moderating to 2.2%. This moderation is based mainly on an expected

Main features of country forecast - SPAIN

	1999			Annual percentage change						
	bn Euro Curr. prices		% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	563.1		100.0	2.5	3.9	4.3	4.0	4.1	3.2	3.3
Private consumption	334.1		59.3	2.0	3.1	4.5	4.7	4.0	2.7	3.0
Public consumption	97.6		17.3	4.1	2.9	3.7	2.9	2.6	2.5	2.7
GFCF	136.2		24.2	3.2	5.0	9.7	8.9	5.9	4.2	4.4
of which : **equipment**	41.2		7.3	3.1	10.3	13.4	8.1	5.0	3.0	5.0
Change in stocks as % of GDP	2.5		0.5	0.3	0.2	0.3	0.5	0.3	0.4	0.4
Exports (goods and services)	153.9		27.3	7.1	15.3	8.3	6.6	10.8	9.2	8.9
Final demand	724.5		128.7	3.2	5.7	6.2	5.8	5.6	4.5	4.7
Imports (goods and services)	161.3		28.7	8.1	13.3	13.4	11.9	10.4	8.4	8.8
Contribution to GDP growth :	**Domestic demand**			2.6	3.5	5.5	5.4	4.3	3.1	3.4
	Stockbuilding			-0.1	-0.1	0.1	0.2	-0.1	0.1	0.0
	Foreign balance			-0.1	0.5	-1.3	-1.5	-0.1	0.1	-0.1
Employment				0.4	2.8	3.7	3.5	3.3	2.2	2.2
Unemployment (a)				19.5	20.8	18.8	15.9	14.1	12.8	11.9
Compensation of employees/head				9.1	2.1	2.8	2.8	4.0	4.1	2.9
Unit labour costs				6.9	1.0	2.2	2.2	3.2	3.1	1.9
Real unit labour costs				-0.8	-1.2	-0.1	-0.6	-0.2	-0.3	-0.6
Savings rate of households (b)				-	-	12.7	12.0	11.2	11.3	11.4
GDP deflator				7.8	2.2	2.3	2.9	3.5	3.4	2.5
Private consumption deflator				7.7	2.4	2.0	2.5	3.6	3.2	2.3
Harmonised index of consumer prices				-	1.9	1.8	2.2	3.5	3.2	2.3
Trade balance (c)				-4.1	-2.4	-3.6	-5.1	-6.2	-6.1	-6.4
Balance on current transactions with ROW (c)				-1.2	0.5	-0.6	-2.3	-3.4	-3.2	-3.0
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.9	1.6	0.5	-1.1	-2.2	-1.7	-1.6
General government balance (c) (d)				-4.9	-3.2	-2.6	-1.2	-0.3	0.1	0.2
General government gross debt (c)				44.8	66.7	64.7	63.4	60.6	58.1	55.8

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to -0.4% of GDP.

deceleration in more labour-intensive activities, especially construction and services, which have been the more dynamic branches in job creation in the recent past. In 2002, employment growth is forecast to remain stable compared to the previous year. As a result, the still very high unemployment rate should keep on a clear decreasing path during the forecasting period: from more than 14% in 2000 to around 12% in 2002.

Prices. In 2000, price developments were worse than expected due both to the behaviour of the more volatile items, energy and unprocessed food, and to a deterioration of core inflation. The HICP for 2001 is forecast to decelerate to 3.2% average growth compared to 3.5% in the previous year. This is based on the assumptions for import prices in 2001, a moderation in some items such as telecommunications and electricity tariffs and the deceleration in domestic demand, which should help to dampen inflationary pressures. In contrast, the unprocessed food component is likely to push up prices more than expected previously due to the BSE crisis especially during the first half of the year. In addition, the second-round effects of last year's oil price hike will be visible in the GDP deflator growth rate compared to HICP inflation. Moreover, unit labour costs are expected to remain high not only because of the slight acceleration in compensation per head but also because of only moderate growth in labour productivity. In 2002, inflation is forecast to fall to 2.3% on average.

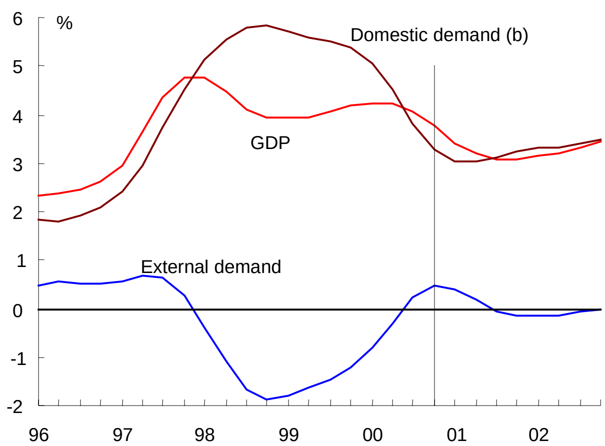
External sector. The current account deficit is expected to fall gradually in 2001 and 2002. This is chiefly based on a growing surplus of services, which partially offset the trade deficit, and an improvement in the terms of trade during the forecsating period. As a result, the deficit vis-à-vis the rest of the world should decrease from 2.2% of GDP in 2000 to 1.6% in 2002.

Public finances. In 2000 the general government deficit fell to 0.3% of GDP compared to 1.2% in the previous year. This improvement was due both to control of current expenditure and the strength in revenues, especially social security contributions stemming from strong job creation. For 2001 general government accounts are expected to register a surplus of 0.1% of GDP compared to the official target of balance. Such a surplus should be possible thanks to several factors. Firstly, tax revenues, although decelerating slightly, should remain strong and underpinned by fiscal drag. Secondly, fees will be levied on UMTS companies. These fees should represent a figure of around 0.15% of GDP. Finally, current expenditure is expected to grow moderately with public consumption, interest payments and social benefits declining relative to GDP. This deficit reduction should be compatible with an increase in public gross fixed capital formation as a percentage of GDP while mantaining active labour policies. Only a sharper deceleration in economic activity to below 3% might endanger the envisaged small surplus in 2001.

In 2002, and under the assumption of no policy changes, the general government balance is forecast to improve further, reaching a surplus of 0.2% of GDP.

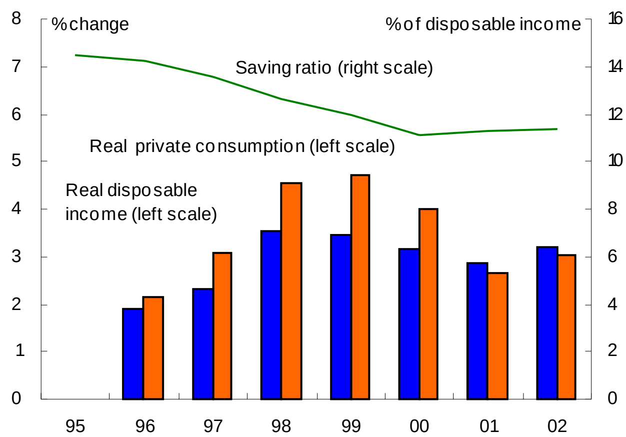
Stemming from increasing primary surpluses together with relatively low interest rates the debt-to-GDP ratio is expected to continue on a declining path during the forecasting period. As a result, after declining to 60.6% in 2000, the debt ratio is forecast to fall just under 56% in 2002.

Spain - contributions to GDP growth (a)



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

Spain - households: use of income account (a)



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

France : Economic activity set to remain robust over the next two years

The economy in 2000. As expected in the last Autumn forecasts, real GDP accelerated somewhat in the second half of 2000; the increase in real GDP rose to 3% at an annual rate as against 2.5% in the first half of the year. The acceleration resulted mainly from renewed dynamism in investment in equipment (which increased by 13.7% in annualised terms in the second half of 2000). However, the oil-induced rebound in inflation continued in the second half of 2000 and inflation peaked at 2.2% in December. In such a context, private consumption growth remained relatively disappointing. Overall, these figures suggest that the surge in oil prices did not affect dramatically the French economy in 2000: despite a slowdown in economic activity when compared to 1999, real GDP remained on a robust upward trend.

Prospects. In spite of a significant worsening in the external environment, economic activity is not expected to decelerate significantly in France in 2001 and 2002, and real GDP should expand by slightly below 3% a year, a still high rate by French historical standards. Domestic demand should remain the mainstay of the current phase of expansion. In fact, the slight forecast slowdown in real GDP in 2001 and 2002 reflects the influence of several factors. First, while export markets growth is expected to remain stable, gains in export market share resulting from the past depreciation of the euro are expected to vanish gradually. Second, the positive impact of the tax cut package on domestic demand will diminish over the forecast period. Finally, the emergence of constraints on the supply side of the economy could gradually exert a dampening effect on activity.

GDP components. The dynamism of private consumption observed before the second quarter of 2000 was temporarily interrupted in the three last quarters of 2000. This slowdown was clearly associated with the loss in purchasing power of households due to the increase in oil prices. From the beginning of 2001, private consumption growth should resume and remain firm throughout the forecast period. Gross disposable income, which should continue to benefit from the positive employment trend, is expected to be bolstered by three more factors. First, wage increases should gradually rise, triggered by the rapid fall in the unemployment rate and the past increase in prices. Second, the implementation of the multi-annual tax cuts programme will sustain personal disposable income in 2001. Third, part of the loss in purchasing power caused by the increase in oil prices should be reversed in the course of 2001, the inflation rate gradually coming back closer to its underlying component.

Main features of country forecast - FRANCE

	1999		Annual percentage change						
	bn Euro Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	1344.8	100.0	1.9	1.9	3.1	2.9	3.2	2.9	2.8
Private consumption	728.4	54.2	1.7	0.2	3.3	2.1	2.3	2.5	2.7
Public consumption	318.3	23.7	2.6	2.1	0.1	2.6	1.5	1.8	1.5
GFCF	255.8	19.0	1.5	-0.1	6.3	7.1	6.7	6.3	5.5
of which : **equipment**	92.5	6.9	4.0	2.8	11.6	8.4	7.7	8.8	7.0
Change in stocks as % of GDP	0.3	0.0	0.1	-0.1	0.5	0.0	0.2	0.1	0.1
Exports (goods and services)	350.9	26.1	4.6	11.8	7.8	3.7	13.6	9.5	7.6
Final demand	1653.7	123.0	2.2	2.8	4.5	3.1	5.5	4.5	4.1
Imports (goods and services)	317.2	23.6	3.7	6.9	11.0	3.6	14.7	10.5	8.6
Contribution to GDP growth :	**Domestic demand**		1.9	0.6	3.0	3.1	2.9	3.0	2.9
	Stockbuilding		-0.1	0.1	0.6	-0.5	0.2	-0.1	0.0
	Foreign balance		0.2	1.3	-0.5	0.1	0.1	0.0	-0.1
Employment			0.2	0.3	1.2	1.8	2.0	1.7	1.5
Unemployment (a)			10.0	12.3	11.8	11.2	9.5	8.5	7.8
Compensation of employees/head			5.7	2.3	2.3	2.0	1.6	2.7	3.1
Unit labour costs			3.9	0.7	0.4	0.8	0.4	1.5	1.8
Real unit labour costs			-0.6	-0.6	-0.5	0.4	-0.1	0.1	0.1
Savings rate of households (b)			-	16.2	15.7	15.8	16.0	16.3	16.1
GDP deflator			4.5	1.3	0.9	0.4	0.5	1.4	1.6
Private consumption deflator			4.8	1.4	0.8	0.8	1.2	1.3	1.6
Harmonised index of consumer prices			-	1.3	0.7	0.6	1.8	1.3	1.6
Trade balance (c)			-1.2	1.7	1.4	1.0	-0.6	-0.8	-0.9
Balance on current transactions with ROW (c)			-1.4	2.5	2.3	2.3	1.2	1.1	1.1
Net lending(+) or borrowing(-) vis à vis ROW (c)			-1.4	2.5	2.3	2.3	1.2	1.1	1.1
General government balance (c) (d)			-3.1	-3.0	-2.7	-1.6	-1.3	-0.6	-0.8
General government gross debt (c)			37.2	59.3	59.7	58.7	58.0	56.9	55.3

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001, without which the general government balance would amount to -1.1% of GDP.

Since demand prospects remain very positive and the cost of borrowing is expected to stay at a relatively moderate level, French firms will probably continue to increase their production capacities, as it is suggested by the results of the latest investment survey in the manufacturing industry.

Exports growth should slow gradually over the forecast period. In 2001, French exporters should continue to benefit from the past competitiveness gains associated with the depreciation of the euro. This effect is expected to vanish gradually over the forecast period. As a consequence, the contribution of net exports to growth should fall slightly in 2002.

Labour market, costs and prices. Underpinned by the dynamism of economic activity, the increase in employment reached an historical high and the unemployment rate continued on its rapid declining trend. Despite these developments, wage increases remained subdued. This temperance reflected, partly, the moderating impact on wages of the working time reduction agreements.

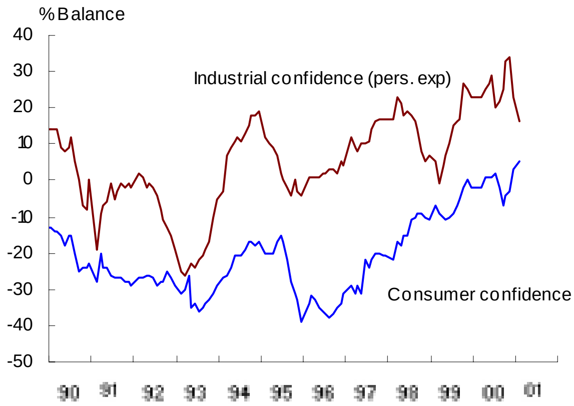
Over the period covered by the forecast, labour market developments should remain clearly positive. Employment growth is expected to hold firm, although a slight deceleration might be registered resulting from a gradual slowdown in activity and by fading effects of employment policies. As a consequence, the unemployment rate will continue to fall, albeit at a slower pace than observed so far. This forecast presupposes a sustained increase in the labour force resulting mainly from a return to the labour market of currently inactive people.

In this context, the labour market should continue to tighten in the next two years. Consequently, despite some productivity gains and cuts in social security contributions associated with the 35-hours week agreements, growth in unit labour costs and underlying inflation is expected to accelerate in 2001 and 2002. The inflation rate should however remain roughly stable all along 2001, a further decrease in the oil prices contribution being compensated by a parallel rise in the underlying component.

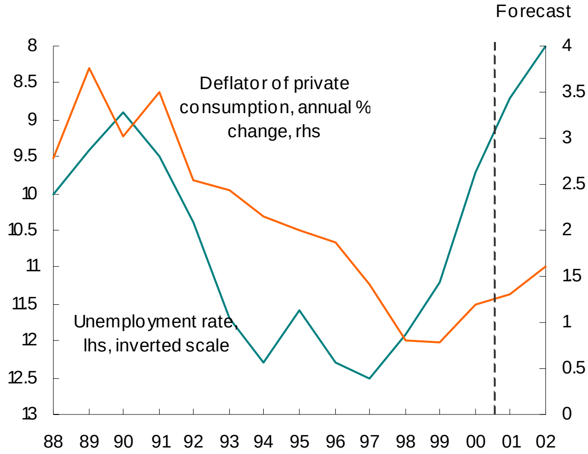
Public finances. The revision of macroeconomic prospects affects somewhat negatively the projections for public finances. Government budgetary consolidation, based on progressive reduction of the expenditure to GDP ratio is expected to continue over the period; however, the decline in the general government deficit will be slower than assumed in the Autumn forecasts; the reduction might be also less pronounced than projected in the 2000 updated stability programme.

The general government deficit - excluding UMTS receipts - is now forecast to fall by only 0.5 percentage points of GDP over the period, to 0.8% of GDP in 2002. This is to be compared with the objective of a deficit ratio of 0.6% of GDP in 2002 included in the 2000 updated stability programme of France. This will reflect mainly automatic effects on government finances ratios and tax revenues of lower-than-expected GDP growth. The forecast assumes, that the government will respect its objectives in terms of real expenditures. Moreover, the government deficit and debt ratio projections for 2001 are affected by the loss of UMTS receipts which will probably reach 0.5% of GDP instead of 1.1% of GDP initially projected.

France - Industrial and consumer confidence



France - Unemployment rate and inflation



Ireland: High but slowing growth with inflationary pressures

Output in 2000. Real GDP growth of 10.7 % is estimated for 2000, an acceleration on 9.8% in 1999. All expenditure categories recorded strong growth. Private consumption expanded rapidly as a combined consequence of high employment and earnings growth, wealth effects, the current programme of tax cuts and negative real interest rates. Investment in equipment continued to rise strongly as did output in the construction sector, in response to buoyant housing demand and public expenditure on infrastructure under the National Development Plan. Finally, net exports benefited both from a gain in competitiveness (as the weakness of the euro stimulated exports to non-euro area countries, especially to the UK and the US) and rapid growth in Ireland's markets

Growth outlook. While demand conditions continued to evolve favourably, the available evidence suggests that the pace of growth slowed in the latter half of 2000, mainly reflecting labour constraints (see below). Capacity constraints are expected to continue to be felt in the remainder of the forecast period. At the same time, however, some shocks reduce demand in 2001, such as the worse US outlook, the weak performance of the ICT sector and restrictions to prevent and contain foot-and-mouth disease. Moreover, given a very high degree of trade openness, the scale of FDI inflows from the US, the strong presence of ICT multinationals and the importance of the agricultural and tourism sectors, the Irish economy is more exposed to these adverse developments than its EU partners. However, with the assumptions regarding the US economy presented above and the added assumption that foot-and-mouth actual outbreaks will be limited, the Irish economy is expected to withstand this temporary weakening of external and domestic demand quite well. In particular, a strong pick-up in economic activity is forecast from the second half of 2001, with robust consumer confidence owing to strong earnings growth in a near full-employment economy, wealth effects and further tax relief.

External sector. For the first time in a decade, the current account is expected to have posted a deficit in 2000, which will persist and increase over the rest of the forecast period. Apart from the effect of higher oil prices on the trade balance in 2000, this reflects the expectation that, in contrast to previous years, the growing trade surplus will no longer be strong enough to offset the steadily increasing deficits on both the services balance and the balance of primary incomes. The relatively big drop in 2001 is partly caused by the foot-and-mouth induced reduction in exports of foodstuffs and tourism services.

Employment and labour supply. After record employment growth rates of 7.4% in 1998 and 6.3% in

Main features of country forecast - IRELAND

	1999			Annual percentage change						
	mio Euro Curr. prices	% GDP		1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	87678.0	100.0		4.2	10.7	8.6	9.8	10.7	7.5	7.1
Private consumption	42994.5	49.0		2.6	7.5	7.8	7.8	9.4	8.7	7.7
Public consumption	12232.9	14.0		1.1	5.6	5.3	5.2	5.7	6.8	3.0
GFCF	20494.5	23.4		2.0	17.8	14.7	12.5	10.4	7.3	8.7
of which : **equipment**	7046.3	8.0		2.1	15.6	24.9	18.1	11.7	7.6	8.5
Change in stocks as % of GDP	-28.1	0.0		0.5	1.3	1.6	-0.1	0.0	0.1	0.1
Exports (goods and services)	76764.6	87.6		10.0	17.4	21.4	12.4	15.9	10.0	10.1
Final demand	152458.4	173.9		5.2	13.2	15.7	9.3	12.8	9.2	8.8
Imports (goods and services)	64728.7	73.8		7.1	16.8	25.8	8.7	15.5	11.3	10.8
Contribution to GDP growth :	**Domestic demand**			2.1	8.2	7.8	7.4	7.8	6.9	6.2
	Stockbuilding			0.2	0.5	0.5	-1.8	0.1	0.2	0.0
	Foreign balance			1.8	2.5	-0.3	4.5	2.7	0.4	0.9
Employment				0.7	6.1	6.9	6.1	4.7	2.9	2.4
Unemployment (a)				14.5	9.9	7.5	5.6	4.2	3.8	3.5
Compensation of employees/head				7.3	3.6	4.4	5.1	7.9	9.8	8.8
Unit labour costs				3.8	-0.7	2.8	1.5	2.1	5.1	4.0
Real unit labour costs				-1.5	-4.9	-2.8	-2.2	-3.8	-0.7	-1.1
Savings rate of households (b)				-	11.7	12.0	11.0	10.2	10.1	10.1
GDP deflator				5.4	4.4	5.8	3.8	6.2	5.8	5.2
Private consumption deflator				5.4	2.6	3.8	3.3	5.9	4.8	4.2
Harmonised index of consumer prices				-	1.2	2.1	2.5	5.3	4.0	3.6
Trade balance (c)				6.5	23.1	23.1	25.9	27.7	27.7	27.5
Balance on current transactions with ROW (c)				-2.2	3.1	0.9	0.6	-0.1	-0.8	-1.1
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.3	4.2	1.8	1.3	0.5	-0.3	-0.6
General government balance (c)				-5.7	0.7	2.1	2.1	4.5	3.9	3.6
General government gross debt (c)				97.7	65.1	55.0	50.1	39.1	33.3	26.7

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

1999, numbers employed grew by a lower, but still very high, 4.7% in 2000 with increasing reports of labour shortages across the skill spectrum. With an unemployment rate of only 4.2% in 2000, the scope for further reductions in unemployment is clearly limited.

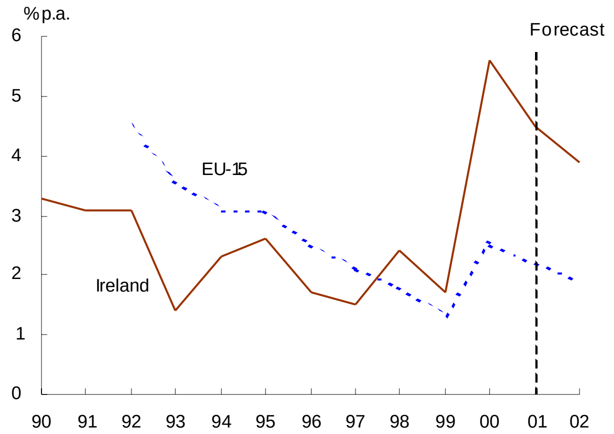
The contribution of other sources of labour supply is also likely to decline. More specifically, the natural demographic increase will moderate over the forecast period, inward migration will be discouraged by factors such as rising accommodation costs and increasing congestion and the available evidence suggests that further gains in participation rates will be fairly limited. The forecast assumes that employment growth will gradually slow to 2.4% in 2002. Productivity growth of 5.6% in 2000 is projected to decline to a still high rate of 4.6% in 2002.

Wage developments. Available data for 2000 suggest that there was considerable wage drift over and above the 5.5% basic pay rise negotiated in the national wage agreement under the Programme for Prosperity and Fairness (PPF). This drift resulted from demands for compensation for higher than expected inflation and from increasing labour market tightness. These factors also led to a re-negotiation of the PPF in December 2000, which brought up the basic pay rise for 2001 from 5.5% to 7.5%. An additional lump-sum payment equivalent to 1% of basic pay to be paid in April 2002 is also part of the new deal. Allowing for drift above the basic pay rise provisions in a tight labour market, growth in compensation per employee is projected to have been 7.9% in 2000, peaking at 9.8% in 2001 and slow to 8.8% in 2002.

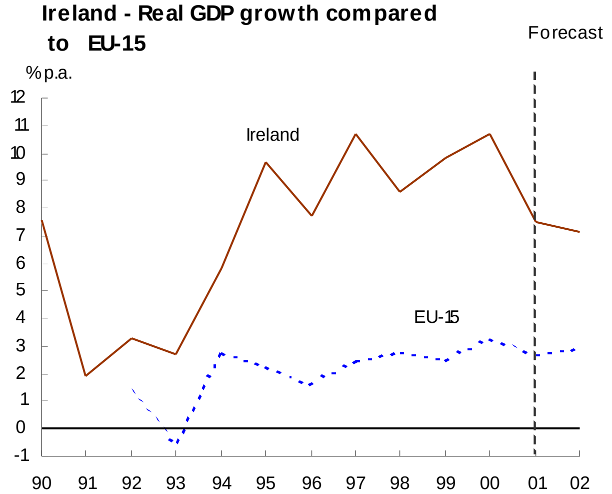
Inflationary pressures. CPI inflation was 5.6% on average in 2000, with a peak of 7.0% in November. The rapid rise in inflation - CPI inflation was just 1.6% in 1999 - was partly due to factors such as the increases in tobacco duties in the December 1999 Budget, the rise in oil prices and the weakness of the euro. With these factors falling out of the index, the headline inflation rate will ease over the forecast period, further aided by the expected recovery of the euro and by indirect tax cuts which the authorities expect to shave about 0.5 percentage points off the CPI inflation rate in 2001. However, the upsurge of inflation in the course of 2000 also reflected domestically-generated inflation in evidence of growing demand/supply imbalances. Capacity constraints coupled with rapid average earnings growth are expected to add to inflationary pressures over the forecast period. All in all, the outlook is for a moderate decline in headline inflation rates from 2000 levels.

Public finances. The state of the public finances remains healthy, with the debt ratio declining further to about 27% in 2002. After a surplus of 4.5% of GDP in 2000, the expansionary nature of the budget for 2001 results in declining but still high surpluses in 2001 and 2002. As yet, however, it is difficult to cost the new Exchequer-sponsored savings scheme (to start in May 2001) and the package of foot-and-mouth disease related measures and, in the absence of offsetting measures, these factors may well bring about somewhat lower surplus ratios than projected here.

Ireland - CPI Inflation compared to EU-15



Ireland - Real GDP growth compared to EU-15



Italy: Strong economic upswing in 2000 set to soften in 2001

2000 outcome. Economic growth stepped up sharply in 2000 yielding the best performance since 1995. Real GDP growth rose to 2.9%, almost twice the rate of the previous year. As a result, the growth gap with the euro area narrowed further to 0.5 percentage points from 0.9 percentage points in 1999.

The main ingredients of the upswing in 2000 were dynamic export growth, stronger than expected private consumption expenditure and robust gross fixed capital formation. The buoyant export performance was a late reversal of the strong negative impact of the international crises back in 1997 and 1998, when the relatively large exposure to extra-EU markets resulted in a deterioration of the foreign balance. In 2000, thanks to a strong expansion in world trade and the weak euro, the foreign balance recovered, adding over half a percentage point to GDP growth. The improvement was largely achieved outside the EU, contrasting with a rather disappointing performance inside the Union. Exports of goods to Germany, the largest foreign market for Italian goods, virtually stalled in 2000, whereas German imports of goods increased by more than 11%. Core inflation persistently higher than the euro area average may be partly responsible.

Private consumption expenditure, the second major contributor to the economic upswing in 2000, revived markedly, mainly thanks to buoyant employment creation and a dynamic durable goods component. The revival of private consumption expenditure was particularly strong in the first half of the year, followed by a slowdown in the last two quarters of 2000 when the negative terms of trade effect of high energy prices and the weak euro seems to have taken its toll.

The labour market posted a major improvement with employment increasing by 1.9% and the unemployment rate falling to well below 11%. The improvement largely reflects greater labour market flexibility from the wider use of new labour contracts for part-time and temporary employment. The more flexible contracts accounted for more than three-fifths of the employment increase between October 1999 and October 2000, with temporary contracts being particularly prominent.

Sustained high energy prices and the depreciation of the euro were the main culprits of the rise in HICP inflation, which on an annual basis accelerated to 2.6%. Domestic inflationary pressures remained subdued, thanks to wage moderation and productivity growth.

Outlook. The economic slowdown outside the EU in the second half of 2000, especially in the US, has already affected order books and expectations of manufacturing firms. This points to a loss of momentum on the external side in the first half of 2001. With a relatively high sensitivity of exports to changes in the external

Main features of country forecast - ITALY

	1999			Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		1107.8	100.0	1.9	2.0	1.8	1.6	2.9	2.5	2.7
Private consumption		665.5	60.1	2.0	3.2	3.1	2.3	2.9	2.6	2.6
Public consumption		200.5	18.1	1.8	0.2	0.3	1.5	1.6	1.4	1.1
GFCF		210.5	19.0	1.0	2.1	4.3	4.6	6.1	3.9	4.7
of which : **equipment**		123.4	11.1	1.8	6.3	7.8	6.0	7.8	5.5	6.2
Change in stocks as % of GDP		8.4	0.8	0.7	0.5	0.8	1.2	0.2	0.2	0.3
Exports (goods and services)		283.0	25.5	5.2	6.4	3.6	0.0	10.2	7.1	7.5
Final demand		1367.9	123.5	2.3	3.5	3.2	2.3	4.1	3.7	4.0
Imports (goods and services)		260.1	23.5	4.4	10.1	9.0	5.1	8.3	7.9	8.1
Contribution to GDP growth :		**Domestic demand**		1.7	2.3	2.7	2.6	3.2	2.6	2.7
		Stockbuilding		-0.1	0.3	0.3	0.4	-1.0	0.1	0.1
		Foreign balance		0.2	-0.6	-1.2	-1.3	0.6	-0.1	-0.1
Employment				0.2	0.4	1.0	1.2	1.5	1.3	1.1
Unemployment (a)				9.3	11.7	11.8	11.3	10.5	9.8	9.3
Compensation of employees/head				9.3	4.0	-1.5	2.4	2.9	3.0	2.9
Unit labour costs				7.6	2.3	-2.2	2.0	1.5	1.8	1.3
Real unit labour costs				-0.8	-0.1	-4.8	0.4	-0.7	-0.9	-1.1
Savings rate of households (b)				-	-	16.9	14.6	13.6	13.2	13.0
GDP deflator				8.5	2.4	2.7	1.6	2.2	2.8	2.4
Private consumption deflator				8.3	2.2	2.1	2.1	2.9	2.6	2.1
Harmonised index of consumer prices				-	1.9	2.0	1.7	2.6	2.2	1.9
Trade balance (c)				0.5	3.8	3.4	2.3	1.5	1.7	1.7
Balance on current transactions with ROW (c)				-0.4	2.8	1.8	1.0	0.1	0.2	0.3
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.3	3.1	2.0	1.2	0.3	0.4	0.5
General government balance (c) (d)				-10.3	-2.7	-2.8	-1.8	-0.3	-1.3	-1.0
General government gross debt (c)				94.4	120.1	116.2	114.5	110.2	105.7	102.6

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

(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to -1.5% of GDP.

environment and a weak performance of exports within the EU, both weaker world trade and higher relative export prices are expected to weigh on GDP growth. The contribution of net exports to growth is forecast to turn negative in 2001, leading to a temporary deceleration in the overall pace of economic expansion. A projected recovery in exports in 2002 will, however, be offset in terms of the external contribution to growth by rising imports.

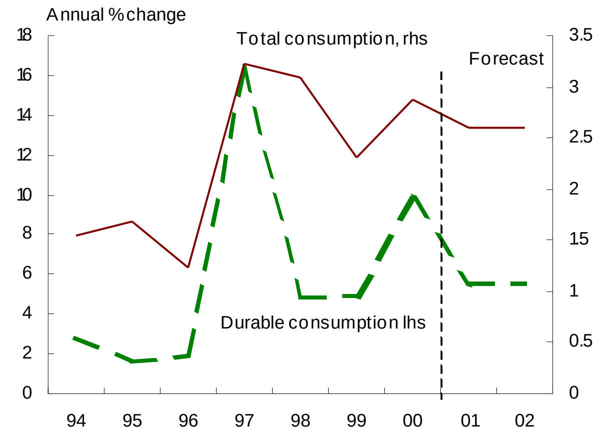
In 2001 domestic demand will also contribute to the export-led slowdown in GDP growth. Private consumption expenditure should turn out less dynamic than in 2000 despite the expansionary impact of the tax cuts included in the Financial Law for 2001. Firstly, expenditure on durable goods is projected to react from the hefty build-up in 2000. Secondly, employment creation is forecast to ease slightly as the catching-up effect prompted by the introduction of more flexible labour contracts in 1998 starts to peter out. The slowdown of fixed capital formation towards the end of 2000 is expected to extend into the first half of 2001 before picking up again in the second half. Investment growth is expected to be sustained in 2002 and be the main force of the increase in domestic demand. Despite the domestic and external slowdown compared with 2000, real GDP growth should remain well above the weak rates observed over the nineties.

After its oil-price-led acceleration in 2000, HICP headline inflation is expected to slow in 2001, with domestic inflationary pressures remaining subdued. Wage inflation could quicken slightly due to high wage increases in the public sector, but overall should not jeopardise wage moderation. Rising domestic pressures by the end of 2002 could arrest any further slowdown of inflation.

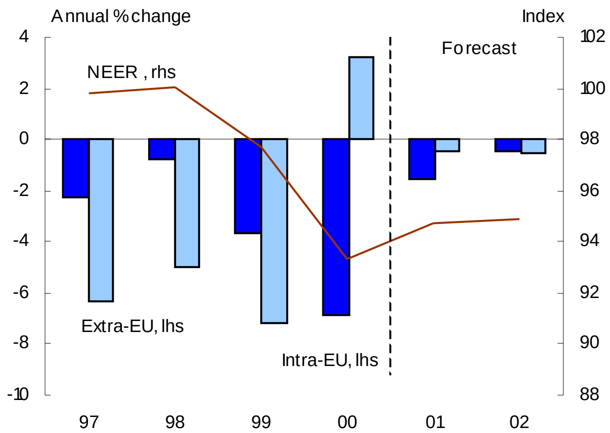
Public finances. General government net borrowing in 2000 was 0.3% of GDP. Excluding receipts from the October 2000 auction of UMTS licences, the general government deficit ratio was 1.5% of GDP, lower than the previous year's outcome, but slightly higher than the target of 1.3%. Compared to 1999, the primary surplus, excluding the proceeds from the allocation of the UMTS licences, remained stable at 5.0% of GDP (including UMTS proceeds, it increased to 6.1% of GDP), while interest payments decreased by 0.2 percentage points of GDP. For 2001, evaluation of the measures in the decree of 30 September 2000 and the Financial Law for 2001 lead to a projected deficit ratio of around 1.3% of GDP, with the primary surplus deteriorating to 4.8% of GDP. The full implementation of the tax and social contributions cuts, combined with substantially lower receipts from the capital gains tax on investment funds compared to 2000, are estimated to entail a reduction in the ratio of tax and contributions receipts of about 0.6 percentage points of GDP. At the same time, the expenditure-curbing measures in the Financial Law are assumed to be largely effective and the ratio of total primary expenditure is expected to decrease by 0.5 percentage points of GDP (the comparison excludes UMTS proceeds). The ratio of gross fixed capital formation is expected to decline by 0.1 percentage point of GDP. This reflects not only the assumption that public investment may be lower than planned, as was the case in recent years, but also proceeds from the sale of state-owned real estate being classified under this item with a negative sign. Interest payments should continue to decline relative to GDP to an estimated ratio of 6.2 percent. For 2002 the scenario takes into account further tax reductions and expenditure savings as set out in the Financial Law for 2001. Moreover it is assumed that some investment expenditure planned for 2001 is shifted into 2002. A further reduction of the deficit to 1.0% of GDP is expected in the absence of corrective measures.

The government debt ratio in 2000 fell to 110.2%, well below the initial objective of 111.7% of GDP. The debt ratio is expected to continue to decline over the forecast period.

Italy - Private consumption expenditure



Italy - export performance relative to market growth



Luxembourg : Activity remains strong, but is slowing

Growth. The Luxembourg economy has been performing extremely well in recent years; real GDP growth was especially strong in 1999, reaching 7.5%. It was even stronger in 2000, at 8.5%, according to preliminary estimates. Real GDP growth in 1999 was essentially driven by domestic demand, both government consumption and gross fixed capital formation registering record increases due chiefly to incidental factors. Exports of services proved remarkably dynamic, while exports of goods suffered from the slowdown in international trade. Moreover, imports rose fast, reflecting dynamism in domestic demand, especially in equipment investment.

In 2000, on the contrary, growth was essentially export-driven : exports of goods fully benefited from the acceleration in international trade, rising by more than 9% and exports of services proved even more buoyant than the year before, increasing by about 17% in real terms. On the contrary, private and government consumption, though remaining dynamic, did not repeat the high growth rates recorded in 1999 and investment remained roughly stagnant : investment in construction rose by more than 10% but investment in equipment fell by about 8% in real terms after the record increase registered in 1999. The slowdown in investment was reflected in a relatively modest increase in imports of goods (+6.1%, around half the 11.8% recorded in 1999). As a result, the contribution of external trade to GDP growth, which had been significantly negative in 1999 turned widely positive in 2000, exports of services alone generating a 10% rise in real GDP.

All branches contributed to the strong growth of the Luxembourg economy in 2000 but mostly transport and communications, banking and insurance as well as the sector of services to enterprises, which accounted together for about 60% of total GDP growth. However, industry and construction performed well too, as shown by the strong rise in exports of goods and in construction investment.

Real GDP growth will decelerate slightly in 2001 and 2002 but should remain strong, presumably between 5% and 6% : private consumption will benefit from the large tax cuts decided by the Luxembourg government and should accelerate to annual growth rates around 4½% in both years. Government consumption will keep growing at a quite rapid pace while, after the pause observed in 2000, investment is expected to increase at rates closer to its long term trend. Public investment should prove very dynamic anyway, as the 2001 budget plans a 25.7% increase in value in investment by the State. While exports of services will probably continue to benefit from the dynamism of the financial, transport and communications sectors, exports of goods should slow

Main features of country forecast - LUXEMBOURG

	1999			Annual percentage change						
	mio Euro Curr. prices	% GDP		1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	18141.4	100.0		4.7	7.3	5.0	7.5	8.5	5.6	5.5
Private consumption	7869.7	43.4		3.0	3.8	2.3	4.1	3.5	4.6	4.4
Public consumption	3219.0	17.7		2.9	2.1	2.8	12.8	4.9	3.6	3.6
GFCF	4064.2	22.4		4.0	10.5	1.5	26.6	0.4	5.8	4.6
of which : **equipment**	2176.9	12.0		-	24.9	-1.5	54.2	-8.0	6.0	5.0
Change in stocks as % of GDP	74.8	0.4		-0.8	0.2	0.2	0.3	0.4	0.3	0.1
Exports (goods and services)	20573.6	113.4		5.2	10.5	9.9	7.9	13.9	8.8	8.7
Final demand	35801.3	197.3		4.4	8.3	6.6	9.3	9.3	7.1	6.9
Imports (goods and services)	17659.9	97.3		4.2	9.3	8.3	11.2	9.7	8.3	8.1
Contribution to GDP growth :	**Domestic demand**			3.2	4.4	1.9	9.4	2.5	3.8	3.5
	Stockbuilding			0.4	0.4	0.0	0.1	0.2	-0.1	-0.2
	Foreign balance			1.1	2.5	3.0	-1.9	6.2	2.0	2.2
Employment				2.1	3.1	4.4	5.0	5.5	3.9	3.6
Unemployment (a)				2.5	2.7	2.7	2.3	2.2	2.0	1.8
Compensation of employees/head				5.3	3.1	0.9	3.1	5.1	4.6	3.7
Unit labour costs				2.7	-0.9	0.3	0.7	2.2	2.8	1.9
Real unit labour costs				-0.8	-4.1	-1.2	-1.6	-1.8	-0.8	-1.4
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				3.6	3.3	1.5	2.3	4.1	3.6	3.3
Private consumption deflator				4.1	1.7	1.7	1.4	3.1	2.4	2.0
Harmonised index of consumer prices				-	1.4	1.0	1.0	3.8	2.2	1.8
Trade balance (c)				-12.3	-11.5	-10.2	-16.7	-15.4	-16.4	-17.6
Balance on current transactions with ROW (c)				-	-	-	-	21.3	21.4	22.0
Net lending(+) or borrowing(-) vis à vis ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	3.6	3.2	4.7	5.3	4.0	3.0
General government gross debt (c)				7.1	6.0	6.4	6.0	5.3	5.1	4.9

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

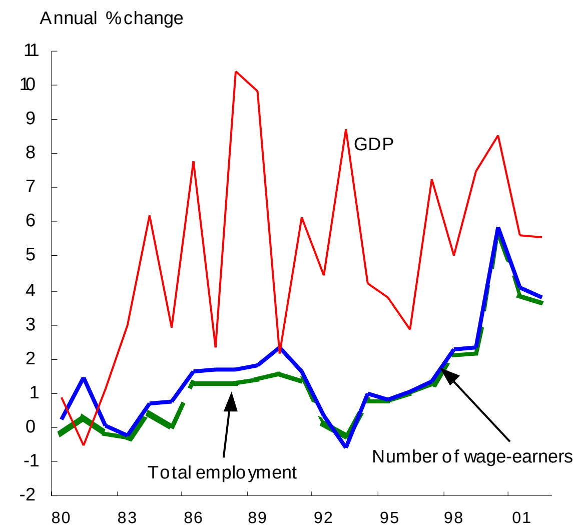
down from the high growth rate recorded in 2000 but, with a still dynamic domestic demand in neighbouring countries and a rather fast growth forecast for their imports, this slowdown should remain limited.

Employment and unemployment. Strong activity in recent years resulted in a rapid increase in employment, which rose by 4.4% in 1998, by 5.0% in 1999 and by 5.5% in 2000, while the number of wage earners increased by 5.9%. Consequently, unemployment continued to decline over the year, but stabilised in the last months. Like in recent years, the increase in employment mostly resulted from frontier workers, the number of which rose by more than 10% a year since 1998 and now represents about 30% of domestic employment. As activity is expected to remain sustained in the forecasting period, the slowdown in employment growth should be limited. Since unemployment is already at a very low level, the share of frontier workers in total employment should keep rising as should the activity rate of residents.

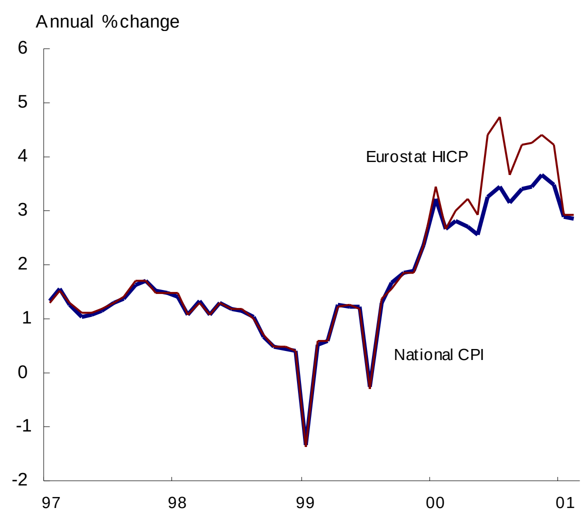
Wages and prices. In such a context of strong activity and employment growth, wage increases significantly rose last year : while average compensation per head rose by 3.1% in 1999, it increased by about 5% in 2000, mostly as a result of the acceleration in consumer prices and of the automatic wage indexation mechanism. The increase in consumer prices has been even more pronounced, with the HICP rising by 3.8% over the year, while it had increased by only 1.0% in 1999. Although this quickening partly reflects an increase in underlying inflation, it is also due for a large part to the very high share of petroleum products in the Luxembourg harmonised price which also takes into account expenditure by non-residents on the Luxembourg territory and in particular their large purchases of petrol, alcohol and tobacco induced by the low level of excise duties. This is the reason why the Luxembourg statistical office now computes a national CPI excluding purchases by non-residents, which is used for wage indexation at present; its increase was more moderate, reaching 3.2% in 2000. The rise in consumer prices should slow significantly in 2001 and 2002, as the effects of the hike in oil prices observed in 2000 will gradually fade away. If this slowdown materialises, some moderation in wage increases to around 4½% in 2001 and 3¾% in 2002 may be expected.

Public finances. Strong economic growth in 2000 also resulted in a rapid increase in tax and Social Security revenues, especially in indirect taxes, which have been rising by more than 10% annually over recent years. Despite a rather fast increase in expenditure, especially in government consumption and investment, the general government surplus rose from 3.2% of GDP in 1998 to 4.7% in 1999 and 5.3% in 2000. Large tax cuts, already planned for 2001 and 2002, as well as a reduction in company taxes announced for 2002 should result in a decrease in the government surplus, also owing to the fact that increase in expenditure is expected to remain rather strong. However, large government surpluses should still be recorded, amounting to about 4% of GDP this year and 3% in 2002. The general government gross debt, already the lowest by far in the whole European Union slightly declined in percentage of GDP in the last years, from 6.4% in 1998 to 5.3% in 2000. This downward trend should continue over the forecasting period.

Luxembourg : real GDP and employment



Luxembourg : consumer prices inflation



Netherlands: Buoyant, though decelerating economic activity

Growth. The Dutch macroeconomic performance has been outstanding since the 1993 recession, real GDP growing by at least 3% in 6 out of the 7 years from 1994; 2000 was no exception to this rule since, according to preliminary estimates, growth reached 3.9%. However, the peak of the cycle is now clearly behind us: real GDP growth reached 4½% in annual terms in the first half of 2000, and slowed to slightly more than 3% in the second. Like in previous years, growth was supported by buoyant private consumption but, in contrast with 1999, exports proved also extremely dynamic. Private consumption was fuelled by the rapid increase in employment, by tax cuts operated in recent years, by accelerating wage increases and also probably by the rise in the price of houses and, up to 1999, in the stock exchange. Exports fully benefited from the recovery in external trade and the depreciation of the Euro, growing probably by about 9%, which would represent the fastest annual increase of the decade. The contribution of external trade to GDP growth, which had been slightly negative in 1999, turned significantly positive in 2000. In contrast, investment proved less dynamic than expected despite a rapid increase in non residential construction : total GFCF rose by about 4 ¾% over the year but remained stagnant in the 3rd and 4th quarters.

Real GDP growth will slow somewhat in 2001 and in 2002. The main engine of growth in the Dutch economy will probably remain private consumption, buoyed by a very solid increase in households disposable income (about 10% in nominal terms and 6% in real terms) amplified by the reduction in income taxes and social security contributions implemented at the beginning of this year. Investment growth should ease slightly further in 2001 in yearly average, as construction output is not expected to repeat the high growth rate registered in 2000, but also as a consequence of a very low overhang due to the disappointing growth rates of the second half of 2000. Exports should feel the effects of the slowdown in international trade forecast for 2001 and the impact of the deterioration of competitiveness in recent years, which will no longer be partially compensated, as it was in 2000, by the depreciation of the Euro. However, as domestic demand will remain dynamic in most neighbouring countries, Dutch exports the composition of which, incidentally, makes them little sensitive to the cycle, are expected to decelerate moderately.

Employment and unemployment. Employment increased by about 3% a year in the period 1997-1999. In 2000, employment growth might have been slightly slower, around 2½%. Unemployment continued to fall, albeit at an increasingly slower pace, the harmonised Eurostat rate declining from 4.0% in 1998, on an annual average

Main features of country forecast - NETHERLANDS

		1999		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		373.9	100.0	2.2	3.8	4.1	3.9	3.9	3.4	3.1
Private consumption		186.6	49.9	1.7	3.0	4.4	4.4	3.9	4.0	3.9
Public consumption		85.4	22.8	1.9	3.2	3.4	2.5	2.8	2.6	2.3
GFCF		83.1	22.2	1.8	6.6	4.1	6.5	4.7	3.9	3.6
of which : **equipment**		29.0	7.8	3.8	9.3	4.3	5.5	3.8	3.2	3.9
Change in stocks as % of GDP		0.4	0.1	0.4	0.3	0.4	0.1	-0.1	0.0	0.2
Exports (goods and services)		227.3	60.8	4.4	8.8	7.4	5.6	8.8	6.9	6.3
Final demand		582.7	155.9	2.6	5.8	5.5	4.8	5.7	5.1	4.7
Imports (goods and services)		208.8	55.9	3.6	9.5	8.0	6.3	8.5	7.9	7.3
Contribution to GDP growth :		**Domestic demand**		1.7	3.6	3.8	4.1	3.6	3.4	3.3
		Stockbuilding		-0.1	0.1	0.1	-0.2	-0.3	0.1	0.1
		Foreign balance		0.5	0.2	0.1	-0.1	0.6	-0.2	-0.3
Employment				1.1	3.2	3.0	2.8	2.5	2.0	1.8
Unemployment (a)				7.7	5.2	4.0	3.3	2.8	2.6	2.4
Compensation of employees/head				2.5	2.2	2.8	3.0	4.1	4.5	4.5
Unit labour costs				1.5	1.6	1.7	1.9	2.7	3.1	3.2
Real unit labour costs				-0.5	-0.4	-0.3	0.3	-0.6	-1.4	0.3
Savings rate of households (b)				-	19.6	19.4	16.5	14.6	15.9	15.3
GDP deflator				2.0	2.0	2.0	1.7	3.3	4.5	2.9
Private consumption deflator				2.5	2.0	1.8	1.9	2.8	4.2	2.9
Harmonised index of consumer prices				-	1.9	1.8	2.0	2.3	4.3	2.9
Trade balance (c)				2.7	5.6	5.3	4.5	4.9	4.9	4.5
Balance on current transactions with ROW (c)				3.7	6.2	4.0	5.5	6.3	5.8	5.3
Net lending(+) or borrowing(-) vis à vis ROW (c)				3.4	5.8	3.9	5.3	5.4	4.6	4.8
General government balance (c) (d)				-4.3	-1.1	-0.7	1.0	2.0	0.8	1.4
General government gross debt (c)				71.4	70.0	66.8	63.2	56.3	52.1	47.8

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to 1.3% of GDP.

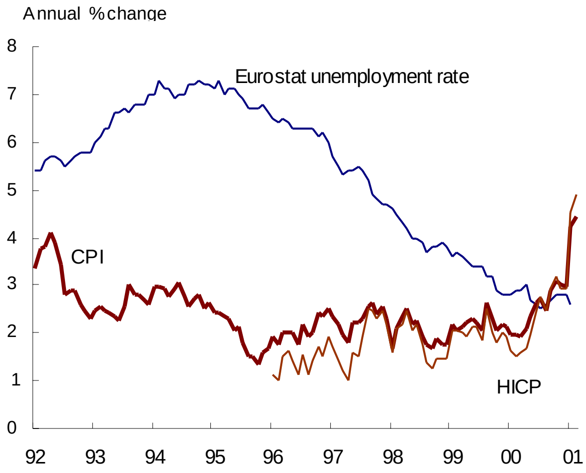
basis to 3.3% in 1999 and 2.8% in 2000. Employment growth is set to remain dynamic in 2001 and 2002 but will probably decelerate further as a result of slightly slower GDP growth and of mounting labour shortages (the stock of unfilled vacancies has been higher than the number of registered unemployed since the summer of 2000). In 2001 and 2002 registered unemployment should continue to decrease but at a much slower pace than in recent years as it is now certainly close to a frictional level. Accordingly, higher employment is expected to result essentially from a higher activity rate, which, despite climbing significantly in recent years, is still relatively low in international terms. A large number of persons potentially available for work exists, especially among the more than 900 000 beneficiaries of the disability insurance scheme (about 5 times the number of registered unemployed), whose number is increasing again despite the reforms introduced by the Dutch authorities in this field in recent years.

Prices and wages. The strong growth in activity recorded since 1994 and the resulting fall in unemployment have been reflected in a significant quickening of wage increases since 1997, which probably brought fifteen years of wage moderation to an end. The result was a worsening of the external competitiveness of the Dutch economy following the very large gains recorded in the 1980s and for most of the 1990s. However, this adverse trend was partially offset in recent years by the depreciation of the euro, which is not expected to persist during the forecasting period. In light of growing labour market tensions, wage increases are not expected to slow significantly in 2001 and 2002, even though some restraint in wage claims could perhaps be expected in response to the substantial increase in disposable income resulting from the tax reform.

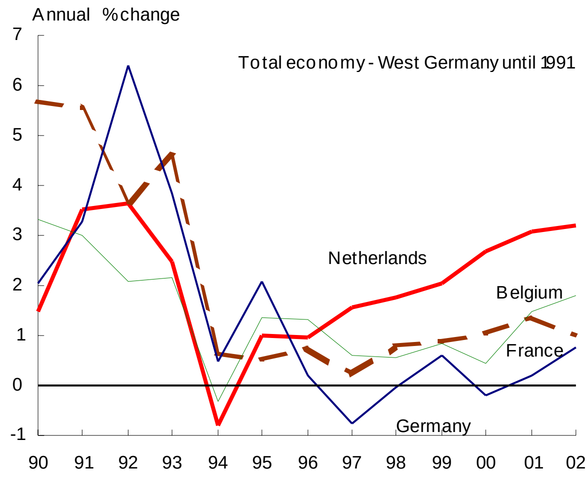
Consumer price inflation remained rather moderate until 1999, taking into account several years of rapid growth and a sharp fall in unemployment, although it grew higher than in neighbouring countries, where it was falling to an all-time low. However, inflation picked up in 2000 as a result of rising import prices, the CPI increasing by 2.5% and the HICP by 2.3%. An even sharper increase - 4% or more - is forecast for 2000 under the additional impact of higher indirect taxes. Inflation is expected to remain fairly high in 2002, although it will probably be lower than in 2001 as the effects of the indirect tax hike will gradually fade away.

Public finances. On the basis of strong real GDP growth the higher tax revenues and lower social security expenditure which it engendered, the deficit of 0.6% of GDP initially forecast for 1999 turned into a surplus of 1%, the first since 1973, while the ratio of public debt to GDP fell to 63.2%. In 2000, the surplus reached 2.0% of GDP, boosted by revenue from the sale of UMTS licences equivalent to 0.7% of GDP. The wide-ranging tax reform entered into force on 1 January 2001 will lead to a significant decrease in revenues from income tax and social security contributions that will be only partly offset by the increase in indirect taxes. Accordingly, the general government surplus should decline to about ¾% of GDP before rising again to around 1½% in 2002, assuming policy remains unchanged and no additional tax cuts are decided. The government debt ratio fell by more than 7 percentage points of GDP in 2000, decreasing from 63.2% in 1999 to 56.1%. It is expected to decline below 50% in 2002.

The Netherlands - Inflation and unemployment



The Netherlands : nominal unit labour costs



Austria: Favourable growth in the face of budgetary consolidation

Output growth. Economic activity during the forecasting period is influenced, apart from factors related to the external side, to a significant extent by budgetary developments. Budgetary consolidation will not only affect private households and enterprises through various tax related measures but will also be reflected in lower public consumption. Consequently, domestic demand is expected to decelerate substantially in 2001. In addition, export growth is likely to see a slowdown, in step with the economic development of Austria's main trading partners. As a result, output growth in 2001 is expected to come down to 2½ %, after more than 3 % in 2000. In 2002, domestic demand is expected to recover slightly, which should offset the projected further small decline in export growth, thereby keeping GDP growth in 2002 more or less steady.

Demand components. After peaking in 2000, growth of private consumption is expected to slacken in the current year. The increase in households' disposable income will be squeezed by tax related measures taking effect on 1 January 2001, following a rise in excise duties in June 2000. In addition, enterprises might partly pass on last year's oil price rises to consumers, which would act to further dampen households' purchasing power. In 2002, by contrast, households' disposable income is expected to rise more strongly helped also by the introduction of a new childcare allowance ("Kindergeld"). As a result, private consumption is expected to pick up again in 2002. Public consumption is projected to slow down substantially over the forecasting period, given the government's consolidation plans. Fiscal restraint is also expected to prolong the slack in construction investment, particularly in 2001 but also in 2002. While investment in equipment surged in 2000, it is expected to decelerate in 2001 as a result of the slowdown in exports in combination with lower growth of domestic demand. Net exports grew strongly in 2000, thus contributing significantly to GDP growth. Exports are projected to decelerate, but with import growth also declining, the external balance should continue to contribute strongly to economic expansion in 2001 and to a lesser extent in 2002.

Prices. In 2000, inflation stepped up due mainly to the oil price hike. However, domestic factors, in particular the increase in excise duties in June, contributed as well. While this domestic effect will continue to be felt in the first five months of 2001, the expected easing of import prices should dominate consumer price developments in 2001. Consumer price inflation is thus projected to fall in 2001 and - against the background of steady growth, broadly unchanged external conditions and the expected moderation of wages increases - to decline somewhat further in 2002. The budgetary consolidation measures

Main features of country forecast - AUSTRIA

	1999		Annual percentage change						
	bn Euro Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	197.1	100.0	2.2	1.3	3.3	2.8	3.2	2.5	2.6
Private consumption	111.6	56.6	2.5	1.4	2.9	2.3	2.7	2.0	2.4
Public consumption	38.7	19.6	2.0	-1.4	2.8	3.2	2.3	1.3	1.0
GFCF	46.7	23.7	2.3	1.0	2.7	3.2	2.9	2.5	2.7
of which : **equipment**	18.0	9.1	2.6	5.3	4.5	4.8	5.0	4.1	4.0
Change in stocks as % of GDP	1.1	0.6	0.3	0.7	0.7	0.4	0.6	0.5	0.5
Exports (goods and services)	88.9	45.1	4.7	9.9	5.5	7.6	9.8	7.2	6.8
Final demand	286.9	145.6	2.8	3.7	3.4	4.1	5.1	3.7	3.8
Imports (goods and services)	89.8	45.6	4.5	9.7	3.7	7.1	9.2	6.1	6.2
Contribution to GDP growth :	**Domestic demand**		2.3	0.7	2.8	2.7	2.6	2.0	2.2
	Stockbuilding		-0.1	0.3	0.0	-0.3	0.2	0.0	0.0
	Foreign balance		0.1	0.0	0.8	0.2	0.3	0.6	0.4
Employment			0.1	0.5	0.8	1.4	0.9	0.5	0.4
Unemployment (a)			3.6	4.4	4.5	4.0	3.7	3.4	3.2
Compensation of employees/head			5.0	1.3	3.4	2.9	2.1	2.7	2.0
Unit labour costs			2.8	0.4	1.0	1.5	-0.2	0.7	-0.1
Real unit labour costs			-0.5	-0.8	0.2	0.6	-1.4	-0.6	-1.2
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			3.3	1.2	0.7	0.9	1.2	1.3	1.1
Private consumption deflator			3.3	1.5	0.5	0.7	1.8	1.7	1.6
Harmonised index of consumer prices			-	1.2	0.8	0.5	2.0	1.6	1.4
Trade balance (c)			-4.4	-1.9	-1.6	-1.6	-1.4	-1.1	-1.1
Balance on current transactions with ROW (c)			-0.5	-2.6	-2.0	-2.6	-2.9	-2.5	-2.5
Net lending(+) or borrowing(-) vis à vis ROW (c)			-0.5	-2.3	-2.3	-2.8	-2.9	-2.5	-2.5
General government balance (c) (d)			-3.3	-1.7	-2.2	-2.1	-1.1	-0.7	0.0
General government gross debt (c)			55.5	64.7	63.9	64.7	62.8	61.5	59.4

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to -1.5% of GDP.

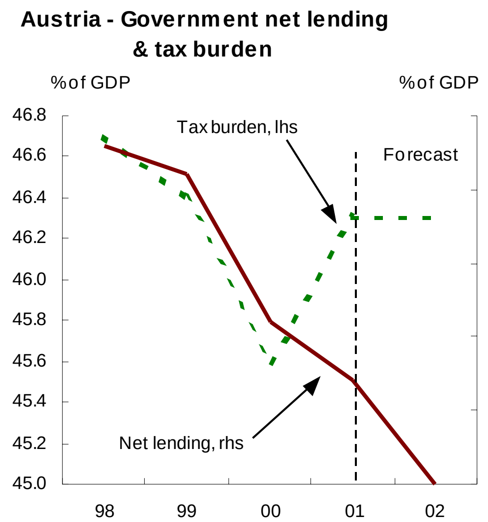
introduced in 2001 and 2002 should have little direct effect on inflation.

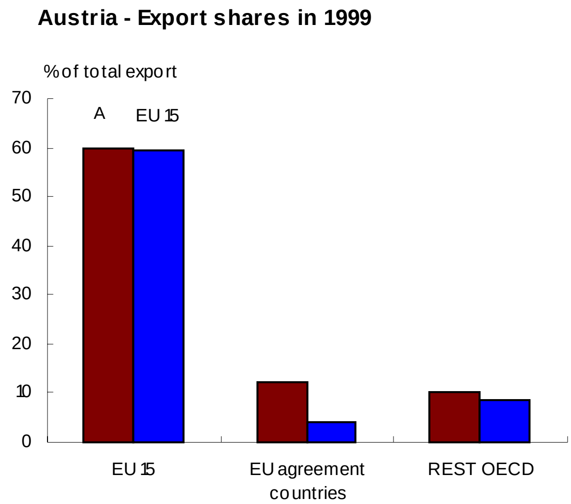
Wages. Although partly recuperating the loss in last year's purchasing power due to higher than expected inflation, wage agreements in the private sector for 2001 were not unduly high. Moreover, in the public sector, in view of the increased budgetary consolidation efforts, pay rises will be particularly moderate, both in 2001 and 2002. Still, with wage rises in 2001 somewhat higher than last year and labour productivity declining, unit labour costs are projected to rise in 2001, but to decrease again in 2002, when wage growth is expected to moderate. As a result, the observed improvement in cost-competitiveness vis-à-vis Austria's trading partners during recent years is likely to come only to a temporary halt in 2001.

Labour market. In line with the outlook for production, employment growth is expected to continue over the forecasting period, albeit at a slightly slower pace than in 2000. Labour supply is subject to various tendencies, partly offsetting each other. In particular, changes in social security legislation, such as the restriction of free access to health insurance for non-working spouses of gainfully employed persons, are expected to raise labour supply. Moreover, the government recently adopted a new childcare allowance to be introduced next year, which would tend to decrease labour supply. Basically, the new childcare allowance, which will be paid to a parent staying at home up to 3 years after the birth of a child, widens significantly the eligibility criteria for current child benefits at the same time as it raises the benefit level. However, since the allowance is subject to an own income limit, above which it would be gradually diminished, it is expected to encourage part-time work. This forecast assumes that, on balance, a rise in labour supply will partially offset the effect of employment growth on unemployment.

Current account. Data on a cash basis suggest a further fall of the current account deficit in 2000 to some 2.9% of GDP (1999: 2.6%), partly as a result of the negative terms of trade effect. The current account is expected to improve over the forecast period. In 2001, in particular, the deficit in the trade balance should fall substantially as domestic demand slows down and import price pressures ease. In recent years, the Austrian trade balance has benefited a lot from very dynamic exports to the EU agreement countries.

Public finances. On the face of it, general government net lending in 2000 dropped significantly to 1.1 % of GDP, from 2.1 % in 1999. However, taking into account one-off revenues worth more than 0.6 % of GDP (proceeds from the auctioning of UMTS licences, sale of real estate) and the fiscal gains stemming from strong output growth the underlying budgetary position changed little. By contrast, the budget plans or 2001 and 2002 imply significant budgetary restraint. By 2002, the general government position is planned to be in balance. Consolidation efforts total 1 % of GDP in 2001. Tax increases are estimated to raise revenues by 0.9 % of GDP in 2001. At the same time federal spending is projected to increase - despite savings from the reforms of the pension system and the public administration - mainly due to compensation payments related to World War II and higher subsidies to the national railways company. In 2002, budgetary consolidation at the federal level is chiefly brought about by expenditure savings. In addition, regional governments are to achieve significant savings in 2001 and 2002. Total measures incorporated in this forecast amount to a cumulative € 3.8 billion or 1.7 % of GDP over the period 2001-02. Since more than half of the overall consolidation stems from the revenue side, the tax burden in Austria is projected to increase by almost 1 percentage point to 44½ % of GDP.





Portugal: Growth slowdown to a more sustainable pace

Output in 2000. GDP is estimated to have grown by about 3¼ % in 2000. This is close to the rate registered in 1999, with a lower contribution from domestic demand being roughly offset by a stronger contribution from net exports. Growth of private consumption decelerated from some 4¾ % in 1999 to an estimated 3 %. Investment growth also slowed from about 6½ % in 1999 to some 5½ %, reflecting mainly a weakening of residential construction and lower government investment due to start-up problems with the new Community Support Framework. By contrast, investment in equipment remained robust. Export growth accelerated strongly during the year thanks partly to the depreciation of the euro but also because some transitory factors such as supply constraints of a large car manufacturer, which were related to a model change, faded out. As a consequence, growth of merchandise exports picked up to almost 8 %, from 3 % in 1999. With imports remaining fairly steady, net exports improved markedly in the course of 2000.

Outlook. Output growth is projected to slow down to some 2½ % in the period 2001-02. This is primarily a result of a further slowing of domestic demand and explained chiefly by private sector agents' efforts to redress their balance sheets following the sharp rise in their indebtedness over recent years.

Private consumption, in particular, should remain on a downward trend, attaining a rate of some 2 %, as the household savings rate is assumed to recover from the historically low level reached in 1999. A number of factors account for the expected further deceleration in consumer expenditure, notably the weak growth of non-wage income due to higher interest expenditure, a moderation in the demand for durables following the rapid expansion in recent years (demand for cars is expected to remain particularly subdued as saturation effects combine with tax increases for certain motor vehicles) and a slowdown in employment creation as the economy operates near full employment

Total investment growth is also expected to continue to decelerate to a rate of 4¼ %, although with some differences within the sector. More specifically, on the back of good export prospects coupled with a relatively high rate of capacity utilisation, investment in equipment is likely to remain robust. Additionally, government investment is expected to pick up in the forecast period owing to a normalisation of the project take-up rate in the new Community Support Framework. By contrast, investment in residential construction, which represents some 40% of total investment, is forecast to decelerate sharply in 2001-02, after its rapid expansion during the period 1996-1999. Export market

Main features of country forecast - PORTUGAL

	1999		Annual percentage change						
bn Euro	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	107.0	100.0	2.8	3.8	3.8	3.0	3.3	2.6	2.6
Private consumption	68.4	63.9	2.7	3.1	5.9	4.8	3.1	2.0	2.0
Public consumption	21.1	19.7	4.4	2.2	3.0	3.8	4.0	1.5	1.5
GFCF	28.6	26.7	2.9	14.4	9.1	6.4	5.4	4.5	4.1
of which : **equipment**	13.8	12.9	2.8	16.4	14.7	9.0	7.5	5.0	4.5
Change in stocks as % of GDP	0.4	0.4	0.7	0.1	0.2	0.3	0.1	0.1	0.1
Exports (goods and services)	31.7	29.6	6.8	7.2	7.7	3.0	7.9	6.4	6.5
Final demand	150.2	140.4	3.8	5.5	6.6	4.6	4.6	3.5	3.5
Imports (goods and services)	43.2	40.4	6.7	10.0	13.8	8.5	7.4	5.4	5.4
Contribution to GDP growth :	**Domestic demand**		3.2	5.7	6.6	5.5	4.3	2.9	2.8
	Stockbuilding		0.0	-0.5	0.1	0.1	-0.2	0.0	0.0
	Foreign balance		-0.4	-1.4	-2.9	-2.6	-0.7	-0.3	-0.2
Employment			-0.4	1.7	2.7	1.8	1.7	0.9	0.7
Unemployment (a)			6.8	6.8	5.2	4.5	4.2	4.6	5.1
Compensation of employees/head			15.4	3.7	3.7	4.2	5.6	5.8	4.2
Unit labour costs			11.8	1.6	2.6	3.0	3.9	4.1	2.3
Real unit labour costs			-1.5	-2.0	-1.3	-0.6	1.3	-0.2	-0.4
Savings rate of households (b)			-	-	-	-	-	-	-
GDP deflator			13.5	3.7	3.9	3.6	2.5	4.2	2.7
Private consumption deflator			13.4	2.9	2.6	2.3	2.8	3.5	2.3
Harmonised index of consumer prices			-	1.9	2.2	2.2	2.8	3.5	2.3
Trade balance (c)			-13.2	-9.5	-11.0	-12.2	-13.8	-13.1	-13.0
Balance on current transactions with ROW (c)			-3.7	-6.1	-7.4	-9.0	-10.2	-9.4	-9.3
Net lending(+) or borrowing(-) vis à vis ROW (c)			-	-3.1	-4.7	-6.5	-8.7	-7.6	-7.4
General government balance (c) (d)			-6.2	-2.7	-2.3	-2.1	-1.4	-1.5	-1.5
General government gross debt (c)			60.4	59.1	55.3	55.0	53.8	52.8	52.4

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to -1.7% of GDP.

growth is estimated to come down from 12½ % in 2000 to about 9 % on average in the forecast period. Consequently, growth of total exports is projected to decelerate to around 6½ %. The implied loss in market shares reflects the continuation of past years' trend, though somewhat less accentuated, and appears to be related to an ongoing deterioration in relative unit labour costs. However, as imports are projected to decelerate in step with domestic demand, the growth contribution of net exports will further improve from approximately -¾ pp. in 2000 to around -¼ pp. in the forecast period.

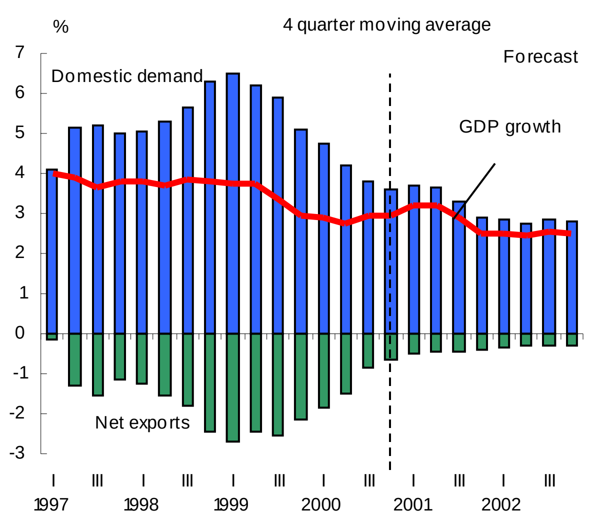
External balance. The external deficit, as measured by the sum of the current and capital balances, increased to some 8¾ % of GDP in 2000, resulting from several factors. Specifically, the continued strength of domestic demand and the deterioration in the terms of trade weakened the merchandise trade balance. In addition, due to the start-up problems with the new Community Support Framework the surplus in the capital transactions account diminished noticeably. However, the situation in the trade balance started to improve from mid-year onwards, thanks partially to a strong recovery of exports which, in combination with the expected strengthening of the terms of trade and lower import growth, should make for an appreciable improvement in the trade balance over the forecast period. Coupled with a normalisation of capital transfers this should lower the external deficit to some 7½ % of GDP in 2001-02.

Prices. Consumer price inflation has accelerated since March 2000 under the impact of strong domestic demand, rising fuel prices, the depreciation of the euro and a sharp increase in food prices. The HICP increased by 2.8 % in 2000, up from 2.2 % in 1999. The acceleration of the year-on-year inflation rate from 1.4 % in March 2000 to 4.9 % in February 2001 implies strong carry-over effects for 2001, and even though year-on-year inflation is expected to decline markedly in the course of the year, average inflation is forecast to rise to about 3½ % in 2001 before it falls back to some 2¼ % in 2002.

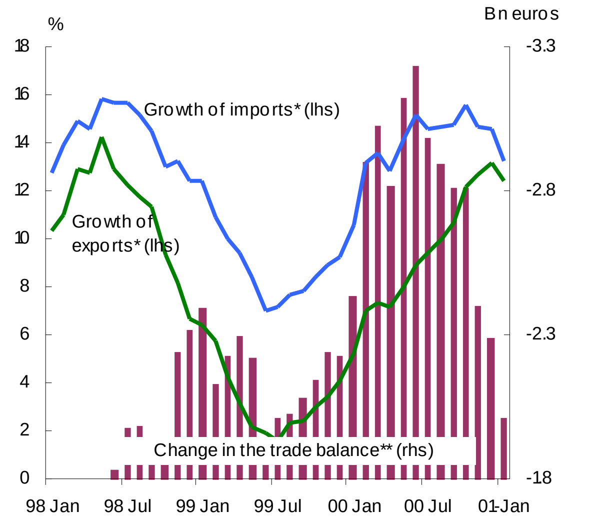
Labour market. Employment grew by 1.7 % in 2000 and the unemployment rate fell to 4 %. Employment growth is forecast to slow down to about ¾ % per year in the 2001-02 period, in line with the deceleration in output growth. The unemployment rate, although rising moderately, is projected to remain below 5 %. Continued tightness in the labour market will put pressure on wage settlements in the private sector. Overall, wages per employee are projected to continue to rise by more than 5 % per year on average.

Government finances. The general government deficit fell from 2.0 % of GDP in 1999 to 1.4 % in 2000. However, net of UMTS proceeds (worth 0.35 % of GDP), the deficit ratio in 2000 was 1.7 %, slightly above the target of 1.5 %. The smaller than planned decline in the deficit was due to a rise in current primary expenditure much above target which was only partially offset by lower capital expenditure. The deficit ratio is projected to attain 1½ % of GDP in 2001. This is above the official target of 1.1 % and reflects the impact of lower output growth as compared with the assumptions underlying the budget plan. For 2002, the government plans important tax changes, e.g. in the area of energy and property taxes. Moreover, a strengthening of budgetary procedures in the framework of the Public Finance Consolidation Programme should lead to improved expenditure control. However, as the details of these reforms are still unknown, a projection applying a "no policy change" assumption leads to an unchanged deficit of 1½ % of GDP in 2002.

Portugal - Contribution to growth



Portugal - Trade balance (in value terms)



*12-months moving average **Cumulative moving 12-month trade balance

Finland: Less exports make growth slow from a very high level

The economy in 2000. Following the slowdown in the summer half-year, domestic demand grew strongly in the fourth quarter. The strength of domestic demand owed much to the pick-up of private consumption in the last quarter, which in spite of its sluggishness during the preceding two quarters posted a sturdy annual growth rate of 3 %. Against a background of high rates of capacity utilisation, investment rose by an annual 5 %, due mainly to the acceleration in equipment investment and non-residential construction. By contrast, growth of housing investment weakened severely to some 2 %, down from a rate of more than 10 % in the year before, mainly in response to rising interest rates and high dwelling prices.

Although exports slowed somewhat in the last quarter, exceptionally high growth rates during the summer half-year propelled annual growth of merchandise exports to a whopping 20 %. Exports were buoyed by a very good price competitiveness of Finnish exporters and robust world demand, in particular for electronics - notably telecommunications equipment - and metal products. The high level of production in the manufacturing sector also prompted a strong rise in imports of goods. Nevertheless, the external balance contributed as much as 3½ pp. to output growth in 2000, which is estimated at a strong 5.7 %.

Following the good performance in 1999, employment growth slowed somewhat in 2000 to an annual average of 1½ %. Part-time jobs accounted for a significant portion of overall employment expansion. This might be one reason for the rather modest decline in the unemployment rate by 0.4 pp., to a still high annual average of 9.8%, with vacancies being primarily filled by persons previously outside the labour force. Continued structural problems in the labour market, most notably skill and geographical mismatch, might have been another factor preventing a more marked decline in unemployment.

Prices accelerated rapidly in the course of 2000, easing only towards the very end of the year. Deflators of most domestic demand components came in at an annual rate of over 3%. The worsening inflation performance reflected mostly external factors but domestic factors also contributed. In particular, the increase in the national CPI was aggravated by the effect of higher interest rates for mortgage loans combined with the rise in other housing costs.

Outlook for 2001 and 2002. Despite a clear deterioration of both consumer and business confidence towards the end of 2000, output should continue to grow at a healthy, albeit decelerating pace in the near term.

Private consumption is expected to pick up in line with the increase in real disposable income as a result of

Main features of country forecast - FINLAND

		1999		Annual percentage change						
	bn Euro	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		121.4	100.0	2.0	6.3	5.3	4.2	5.7	4.0	3.6
Private consumption		61.1	50.4	2.1	3.5	5.1	3.7	3.0	3.4	3.0
Public consumption		26.1	21.5	2.0	4.1	1.7	2.0	0.4	1.1	1.3
GFCF		22.9	18.8	-0.4	11.9	9.3	2.7	4.8	4.5	3.7
of which : **equipment**		7.9	6.5	0.8	12.2	8.0	-1.8	4.8	5.5	4.4
Change in stocks as % of GDP		1.3	1.1	0.1	0.5	1.1	0.5	-0.3	-0.2	-0.1
Exports (goods and services)		45.5	37.5	4.3	14.1	8.9	7.1	17.7	9.0	7.6
Final demand		157.0	129.3	2.2	7.4	6.1	4.2	7.4	5.3	4.6
Imports (goods and services)		35.5	29.3	3.3	11.3	8.5	4.3	12.8	8.9	7.4
Contribution to GDP growth :	**Domestic demand**			1.5	4.8	4.6	2.8	2.5	2.7	2.4
	Stockbuilding			-0.1	0.7	0.7	-0.5	-0.2	0.1	0.1
	Foreign balance			0.5	2.0	1.0	1.6	3.5	1.3	1.2
Employment				-0.8	3.3	2.1	2.1	1.5	1.5	1.1
Unemployment (a)				8.0	12.7	11.4	10.2	9.8	9.1	8.4
Compensation of employees/head				7.2	1.7	4.1	2.7	4.0	4.0	3.5
Unit labour costs				4.3	-1.1	0.9	0.6	-0.1	1.5	1.0
Real unit labour costs				-0.7	-3.1	-2.0	0.1	-2.9	0.1	-0.2
Savings rate of households (b)				-	9.9	8.4	9.3	6.8	7.2	7.4
GDP deflator				5.0	2.1	3.0	0.5	2.9	1.4	1.2
Private consumption deflator				4.9	1.3	1.7	1.3	3.2	2.2	1.8
Harmonised index of consumer prices				-	1.2	1.4	1.3	3.0	2.4	2.0
Trade balance (c)				3.3	9.5	9.7	9.0	10.9	11.3	11.5
Balance on current transactions with ROW (c)				-1.5	5.6	5.6	5.5	7.7	8.1	8.1
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.4	5.8	5.3	6.2	7.8	8.1	8.2
General government balance (c)				0.3	-1.5	1.3	1.8	6.7	5.3	5.2
General government gross debt (c)				28.1	54.1	48.8	46.9	44.0	41.7	39.5

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

sizeable income tax cuts in 2001 and, to a lesser extent, in 2002. After a drop in the savings rate in 2000 (in part due to some statistical peculiarities), the rate of household saving is projected to rise again in 2001-02, remaining, however, below the level reached in 1999. Government consumption is expected to remain subdued. Rapid population growth in some regions, due also to high levels of migration towards growth centres, is expected to stimulate residential construction investment, although shortages of skilled labour and construction land in some parts of the country are likely to be limiting factors to growth. On the back of sound profitability business investment will continue to grow at a fairly brisk pace but some slowdown is likely in 2002 owing to the slackening of external demand. Overall, thus, domestic demand is forecast to accelerate markedly in 2001 and to ease slightly in 2002.

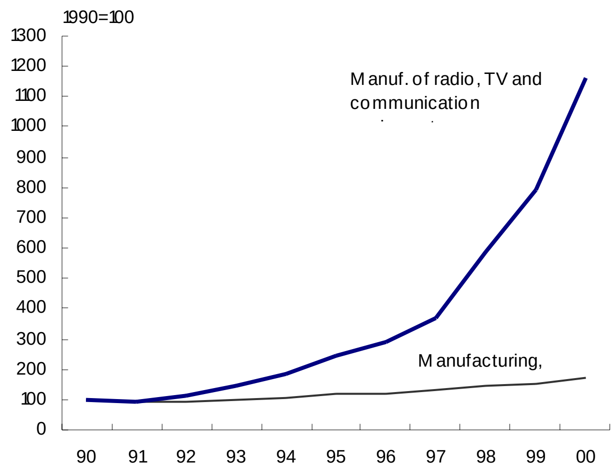
Regarding exports, the significant moderation in market growth is bound to translate in a slowdown of export growth to more normal rates despite further gains in market shares. As imports are likely to come down as well, the contribution of the external sector to output growth will remain firmly on the positive side, albeit at a much reduced level. Indeed, most of the projected decline in output growth in 2001-2002 to around 4 % is due to the reduced growth contribution of net exports. These projections are based on a “soft landing” scenario for the telecommunications equipment sector. To the extent that overall economic developments in Finland are highly dependent on this sector, a different evolution of the latter might have a significant impact on the Finnish economy at large. As a consequence, and given the current uncertainties surrounding the near-term prospects of various high-tech segments of the economy, the risks to the forecast are substantial.

Labour market. With overall labour productivity growth maintained at fairly high levels - albeit clearly reduced from the exceptional rate in 2000 - employment growth is expected to decelerate moderately over the forecast period. Most of the job creation is expected in the more labour-intensive services sectors and in construction. Employment in manufacturing should remain stable, as strong output growth will be mainly achieved through higher productivity. Unemployment is projected to decline to clearly below 9% by 2002.

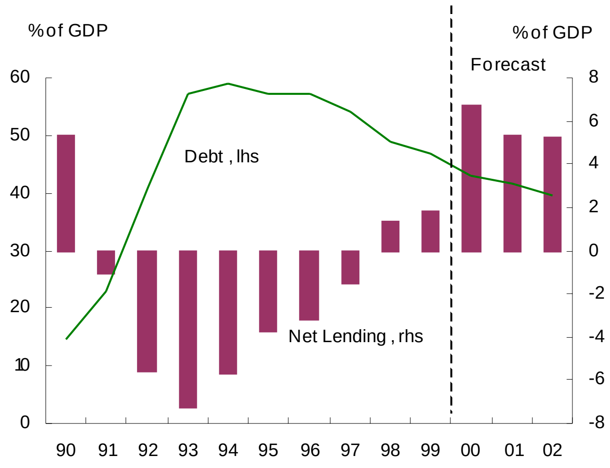
Wages and prices. A centralised two-years wage agreement was concluded in December 2000. According to the agreement, contractual wages will increase by 3.1% in 2001 and by 2.3% in 2002. Even taking into account a wage drift of around 1 pp., this outcome for the wage negotiations should ensure that unit labour costs develop moderately. In combination with lower oil prices and the assumed appreciation of the euro this should have some dampening effect on inflation.

Government finances. The government's multi-annual spending guidelines announced in March 2000 and in March 2001 were aimed at ensuring the sound evolution of government finances in the medium term. Following this, government consumption decreased noticeably in 2000. However, the strong rise of the government surplus to 6.7% of GDP was predominantly revenue driven, in part due to non-recurring factors (e.g. exceptional revenues from taxes on capital gains), while overall expenditure grew broadly in line with budget plans. In 2001, in the absence of windfall receipts, substantial tax cuts are expected to dampen revenues from income taxes significantly. Indirect tax revenue should continue to grow in line with domestic demand. Overall, robust economic growth, tight expenditure control and a falling interest burden from continuing debt redemption should keep the general government surplus at fairly high levels of some 5½ % of GDP in the period 2001-02. At the same time, both tax and expenditure ratios should fall. Government debt will continue to decrease, although at a somewhat reduced pace.

Finland - Manufacturing (w.d.a.)



Finland - General Government



IV Non-euro area

Denmark: Moderate growth rates in the next two years

Following real GDP growth of close to 3 per cent in 2000, boosted mainly by dynamic investment and robust growth in export markets, output expansion is expected to slow down in 2001. Whereas growth in both private and government consumption is projected to recover, this is likely to be more than offset by a much weaker rise in investment. In 2002 economic growth is forecast to accelerate slightly, primarily as a result of a continued revival of private consumption. Given that the Danish labour market is expected to remain very tight, relatively moderate growth rates are projected for 2001 and 2002.

Economic growth in 2000. In 2000 real GDP grew by 2.9 per cent, above all driven by strong gross fixed capital formation and a vital external demand. In contrast, private consumption developed weakly and fell slightly last year, on the back of the fiscal retrenchment package and sluggish real disposable income. Car sales continued to plunge, by more than 22 per cent year-on-year. The large drop in new car registrations is caused by reduced tax deductions of interest payments, high user costs and a relative saturation of the market. On the contrary, investment in equipment rose vigorously by some 16 per cent year-on-year. A favourable development of profits across most business sectors, an increasing capacity utilisation in the manufacturing sector and a sustained tightness of the labour market were factors contributing to this strong investment surge. Repair works after the storm in December 1999 induced a strong rise also in housing investment. Exports of goods and services expanded in tandem with the brisk rise in export markets and imports of goods and services increased substantially, partially linked to the high import intensity of equipment investment and of exports. Thus, the growth contribution of net exports ended up fairly weak at 0.2 per cent of GDP.

Outlook for 2001 and 2002. Although, there has not yet been any indications that the recovery in private consumption has begun, private consumption should gradually gain strength in 2001, helped by rising real take-home pay. Government consumption is forecast to expand by 2 per cent based on the final budget for 2001, which entails a much larger increase than the initial budget bill and the government's target of limiting real growth in government consumption to 1 per cent annually. Investment growth, on the other hand, is expected be very slow in the current year. Gross fixed capital formation in the construction sector is even projected to fall as the impact of the repair works after the 1999 storm fades out. Several of the beneficial factors promoting equipment investment last year should remain in 2001 and, thus the level of investment is

Main features of country forecast - DENMARK

	1999		Annual percentage change						
bn DKK	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices	1229.6	100.0	1.8	3.0	2.8	2.1	2.9	2.1	2.4
Private consumption	609.7	49.6	1.4	2.9	3.6	0.5	-0.2	0.9	1.7
Public consumption	313.3	25.5	1.4	0.8	3.1	1.4	0.6	2.0	1.4
GFCF	250.1	20.3	2.0	10.9	7.8	1.6	11.2	1.2	3.6
of which : **equipment**	105.0	8.5	3.1	15.4	7.9	3.5	15.8	1.7	2.8
Change in stocks as % of GDP	-2.0	-0.2	0.4	1.2	1.4	-0.2	0.0	0.1	0.1
Exports (goods and services)	460.1	37.4	4.2	4.1	2.4	9.7	9.8	6.9	7.0
Final demand	1631.2	132.7	2.2	4.7	3.9	2.1	4.8	3.0	3.6
Imports (goods and services)	401.6	32.7	3.9	10.0	7.4	2.2	10.2	5.5	6.6
Contribution to GDP growth :	**Domestic demand**		1.5	3.7	4.2	0.9	2.4	1.2	2.0
	Stockbuilding		0.0	0.9	0.2	-1.6	0.3	0.1	0.0
	Foreign balance		0.2	-1.7	-1.7	2.8	0.2	0.8	0.5
Employment			0.1	1.3	1.4	0.9	0.8	0.5	0.5
Unemployment (a)			7.7	5.6	5.2	5.2	4.7	4.6	4.5
Compensation of employees/head			5.6	3.5	3.8	4.2	3.9	3.6	3.7
Unit labour costs			3.9	1.9	2.4	2.9	1.8	2.0	1.7
Real unit labour costs			-0.7	-0.3	0.4	-0.1	-1.8	-0.4	-0.7
Savings rate of households (b)			-	27.0	3.7	1.7	1.9	2.1	2.3
GDP deflator			4.7	2.2	1.9	3.0	3.7	2.3	2.5
Private consumption deflator			4.6	2.2	1.8	2.6	3.1	2.1	2.1
Harmonised index of consumer prices			-	1.9	1.3	2.1	2.7	2.1	2.1
Trade balance (c)			1.1	2.5	1.3	3.0	2.9	3.4	3.6
Balance on current transactions with ROW (c)			-1.2	0.4	-0.8	2.2	1.5	2.4	2.8
Net lending(+) or borrowing(-) vis à vis ROW (c)			-1.2	0.5	-0.9	2.8	1.5	2.4	2.8
General government balance (c) (d)			-2.2	0.4	1.1	3.1	2.5	3.2	2.9
General government gross debt (c)			64.4	61.4	55.8	52.6	47.3	43.4	39.6

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2001, without which the general government balance would amount to 2.9% of GDP.

expected to continue to be high. However, the growth rate is forecast to be modest in 2001. Exports are projected to grow less than export markets. Although labour costs per person are expected to rise moderately, the additional four days of paid annual leave in the private sector implemented in the current year imply a higher rise for labour costs per hour. Given that the rise in equipment investment should be much weaker in 2001, growth in imports is assumed to return to a more "normal" relationship to final demand. Net exports are thus forecast to give a stronger contribution to GDP growth than in 2000.

In 2002 the recovery of private consumption should continue as real disposable income is forecast to further improve. Investment should increase by moderate rates and domestic demand growth is projected to strengthen in comparison to 2001. Exports of goods and services are again expected to rise somewhat slower than export markets and imports to increase in line with final demand.

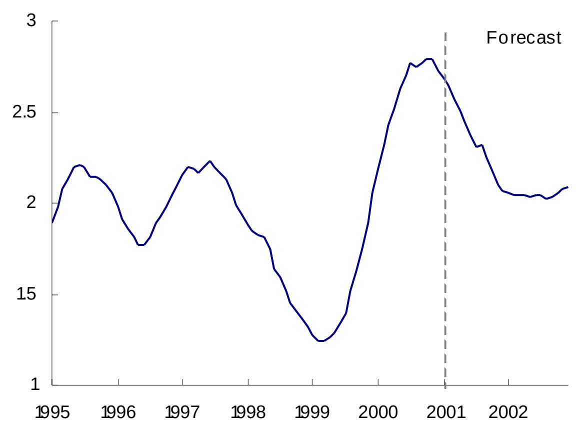
Labour market. The Danish labour market continues to be very tight. Employment creation has lost some speed, but it still rose by close to 1 per cent in 2000 and is forecast to continue to grow by some 0.5 per cent in both the current and the coming year. Unemployment remained fairly stable during 2000, but it cannot be excluded that this was linked to technical difficulties with the active labour market policy measures and that the underlying trend was a slight fall. Unemployment is forecast to edge down slightly over 2001 and 2002 and the labour market is thus expected to remain very tight.

Wages. Compensation per employee per head rose by 3.9 per cent in 2000, but the corresponding wage increase per hour was slightly more moderate at some 3.6 per cent. In 2001 wage increases per employee is forecast to decline to 3.6 per cent, mainly as employees are assumed to accept slightly lower wage increases as they will receive four additional days of holidays in the private sector (replacing 3 days of parental leave). In 2002 pay rises are projected to accelerate somewhat to 3.7 per cent.

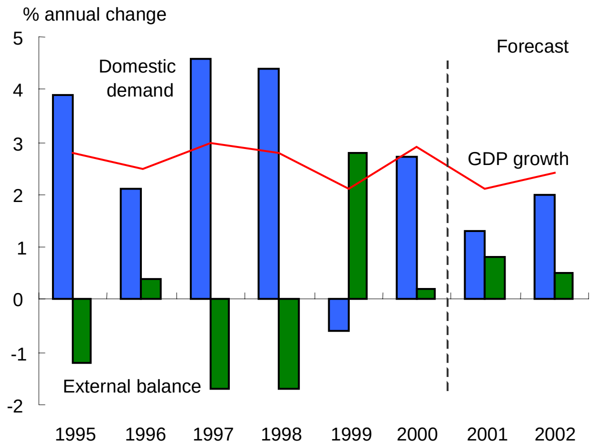
Prices. The harmonised inflation rate (HICP) slowed somewhat towards the end of 2000 and reached 2.7 per cent for the year as a whole. In 2001 inflation is expected to fall back, facilitated by the appreciation of the exchange rate at the end of 2000 and lower energy prices. Thus, inflation is expected to hover slightly above 2 per cent both in 2001 and 2002.

Public finances. Danish general government finances continue to show solid budget surpluses and a rapid reduction of the gross consolidated debt, which is projected to decline markedly to below 39 per cent of GDP at the end of the forecast period. A cautious technical assumption of the proceeds of the UMTS auction, planned to take place in autumn of this year, raises the general government surplus by 0.2 per cent of GDP.

Denmark - HICP (12 months average)



Denmark - Contribution to real GDP growth



Sweden: Beyond the peak in the cycle

Output. The Swedish economy showed good growth in 2000 and real GDP rose by 3.6%. Growth was sustained mostly by domestic demand, in particular high private consumption. The external side developed favourably in 2000, and net exports contributed positively to growth. Growth of domestic demand was sustained by continued favourable monetary conditions. The Riksbank raised the repo-rate by 25 basis points to 4% in December last year and has since left it unchanged, as inflationary pressures are expected to be contained this year and next. While economic growth has been solid since 1998, exceeding 3.5% in each year, there is still some potential for higher employment and productivity growth is expected to reach 2% in 2002. Thus, the supply side should allow for respectable GDP growth, with inflation remaining within the Riksbank's inflation target of 2% (+/- 1 percentage point). However, the demand side is set to be less encouraging; a slowdown of growth of export markets this year coincides with a normal cyclical downturn of domestic demand and in particular of private consumption. In Q4-2000, growth slowed substantially, notably private consumption. The deceleration was fairly broad-based, although some temporary factors influenced the results. This implies that the outlook for the Swedish economy is less positive in 2001 and 2002. Domestic demand growth is expected to be lower in 2001 and 2002, while external demand growth should slow this year but is expected to pickup in 2002, in line with world markets. GDP is expected to grow by 2.7% in 2001 and by 3.0% in 2002.

GDP components. Household consumption is expected to grow moderately over the forecast period, largely due to declining consumer confidence following a long period of sustained increases, resulting in a cyclical downturn in consumption, not least of durable goods. Disposable income of households' benefits from tax cuts in 2001 and some further employment growth. However, asset prices have developed sluggishly and result in negative wealth effects, which is likely to have contributed to the fall in consumer confidence observed since the end of last year. A reversal of the downward trend in the saving rate of households observed since 1993 is therefore expected in 2001 and 2002, which results in lower private consumption growth. After modest growth in construction investment in 2000, this should increase strongly, particularly housing investment, in both 2001 and 2002, due to high demand for housing. Equipment investment was subdued in 2000 and grew by 3.9%. Survey results point to higher investment growth in 2001 and the creation of the third generation communications network is also expected to result in higher growth in 2001. The latter should also help sustain relatively good growth in 2002, as there are indications that these investments should take place mostly in 2002 and 2003. In the second half of 2000,

Main features of country forecast - SWEDEN

		1999		Annual percentage change						
	bn SEK	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		1994.9	100.0	1.5	2.1	3.6	4.1	3.6	2.7	3.0
Private consumption		1001.0	50.2	0.9	2.0	2.7	3.8	4.1	2.6	2.7
Public consumption		536.7	26.9	1.1	-1.2	3.2	1.7	-1.7	1.4	1.0
GFCF		335.9	16.8	0.8	-1.1	8.5	8.1	4.5	5.7	5.7
of which : **equipment**		165.6	8.3	4.2	1.8	10.9	8.3	4.0	6.1	6.2
Change in stocks as % of GDP		3.7	0.2	-0.3	0.5	0.8	0.3	0.8	0.6	0.5
Exports (goods and services)		872.1	43.7	4.8	13.7	8.4	5.9	9.8	7.2	7.3
Final demand		2749.4	137.8	1.9	4.7	5.7	4.2	5.3	4.1	4.3
Imports (goods and services)		754.6	37.8	3.2	12.5	11.2	4.3	9.7	7.5	7.2
Contribution to GDP growth :	**Domestic demand**			0.9	0.5	3.5	3.6	2.4	2.7	2.6
	Stockbuilding			-0.1	0.4	0.4	-0.5	0.6	-0.2	-0.1
	Foreign balance			0.6	1.4	-0.3	1.1	0.6	0.3	0.5
Employment				-0.3	-1.1	1.2	2.3	2.2	1.5	0.8
Unemployment (a)				4.5	9.9	8.3	7.2	5.9	5.2	5.0
Compensation of employees/head				7.1	3.8	3.3	1.3	3.9	3.9	4.0
Unit labour costs				5.3	0.6	0.9	-0.4	2.5	2.6	1.8
Real unit labour costs				-0.6	-1.1	0.1	-1.0	1.7	0.7	-0.4
Savings rate of households (b)				-	4.2	7.8	6.8	6.7	7.1	7.2
GDP deflator				5.9	1.7	0.9	0.5	0.7	1.9	2.1
Private consumption deflator				6.7	2.3	1.0	0.8	0.9	1.4	1.6
Harmonised index of consumer prices				-	1.8	1.0	0.6	1.3	1.5	1.5
Trade balance (c)				2.6	8.0	7.2	7.1	6.6	6.8	7.1
Balance on current transactions with ROW (c)				-0.9	4.3	3.8	3.9	3.2	3.2	3.0
Net lending(+) or borrowing(-) vis à vis ROW (c)				-1.0	3.9	3.8	2.7	3.1	3.1	2.9
General government balance (c)				-3.0	-1.5	1.9	1.8	4.0	3.9	3.4
General government gross debt (c)				60.0	73.0	71.8	65.2	55.6	53.4	49.1

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

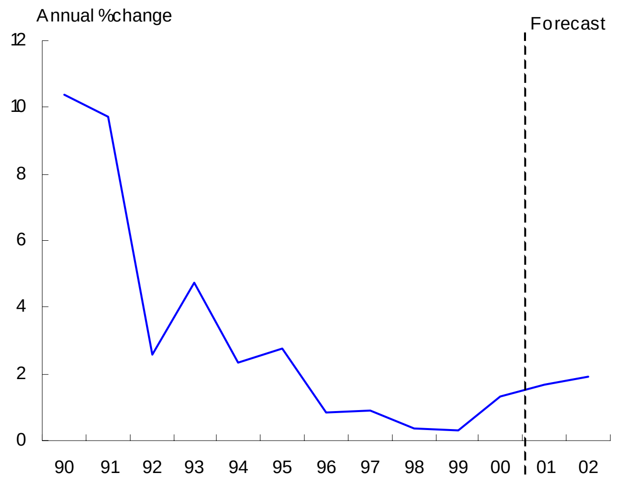
there was a build-up of stocks, partly involuntarily. While this was corrected to some extent in industry towards the end of 2000, further destocking should take place in 2001. In 2000, exports accelerated to 9.8%, as demand for Swedish exports, in particular goods, among the main trading partners was strong. However, the worsened global prospects in 2001 will result in weaker export growth, but as external demand improves in 2002, exports are set to accelerate slightly. The very strong performance observed in the telecom industries, which have contributed significantly to exports, is expected to weaken. With lower domestic demand growth, in particular private consumption, imports are also expected to grow more slowly over the forecast period.

Price developments. While inflation remained low in 2000, averaging 1.3% as measured by both the HICP and the CPI, it increased in late 2000 and the CPI stood at 1.7% in January. Even though the labour market is fairly tight only a small increase in inflationary pressures is expected to emerge and inflation could rise towards 2% by 2002. As demand growth should be weaker in 2001 and 2002, it is expected that the Riksbank will successfully fulfil its task in ensuring that the inflation target, of 2% +/- 1 percentage point, is not breached, without any further tightening of the monetary policy stance. The strong commitment to the inflation target has probably aided the continuation of wage moderation in industry, as evident by the wage agreements already reached early this year for three years ahead. In this framework, wage increases should be only slightly higher over the forecast period. The result will be sustainable rises in unit wage costs.

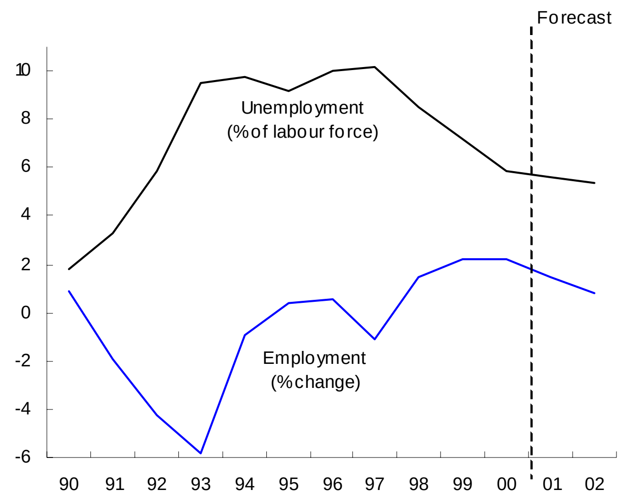
Labour market. Employment grew substantially by 2.2% during 2000 and unemployment fell to 6.3%. Continued employment growth is expected to be achieved, albeit at a lower pace. The number of unemployed is therefore expected to fall in 2001 and further in 2002, when the unemployment rate should reach 5.4%. Although some sectors appear to face difficulties in recruiting staff, there are no signs yet of widespread labour shortages. The functioning of the labour market seems to have improved in recent years, with moderate wage increases and a tendency towards a closer link between productivity and wage growth at a decentralised level. In all, these factors, together with the credible fulfilment of the inflation target, are expected to result in further employment growth without resulting in highly inflationary wage increases over the forecast period.

Government finances. The government finances have been in surplus since 1998 and continued large surpluses are expected in 2001 and 2002. The favourable economic position and continued adherence to the central government expenditure ceilings have contributed to the strong fiscal position. The credibility of the governments' ability not to breach the expenditure ceiling for central government is now well established. In addition, the reduction in public debt is expected to contribute to lower interest payments. In 2000, the surplus in public finances was 4% of GDP and in 2001 and 2002 it is expected to be 3.9% and 3.4% of GDP, respectively, aided by the favourable labour market which will moderate transfer payments to the household sector. This more than outweighs the effects of the lowering of taxes in 2001. Debt relative to GDP fell to below 60% of GDP in 2000, partly due to the use of the proceeds from the flotation of shares in Telia to reduce debt, and is expected to fall further, to below 50% of GDP at the end of 2002, as the strong budget surpluses described above take effect.

Sweden - CPI Inflation



Sweden - Employment and unemployment



United Kingdom: Good growth with inflation remaining subdued

Output in 2000 rose by 3%. Growth was broadly sustained by especially strong household consumption and a large rise in exports despite sterling's strength. (The latter were supported by good growth in the UK's overseas markets). These were partly offset by a weaker investment performance than seen in recent years and rapidly rising imports; the latter driven by strong growth in domestic demand and, probably, sterling’s strength. Growth slowed down to 0.4.% quarter on quarter in 2000 Q4 and 2.6% on the year due to slower growth of domestic demand. Some of this slowdown is attributable to falls in output resulting from adverse weather conditions, disruptions to transport and a fall in oil and gas extraction. The main expenditure components of GDP continued to grow well. The labour market is strong with unemployment down to a little over 5% but with wages remaining subdued. Productivity, having risen slowly for a long period, grew by 2.6% year on year, in 2000 Q3 following 2.9% in Q2. Inflationary pressures remain very weak - on the HICP measure, inflation is under 1% and amongst the lowest in the EU. The government's target measure of RPIX inflation is well under the 2.5% target.

Forecast output. Despite the slowdown in 2000 Q4, more timely data reveals a buoyant picture and growth is likely to pick up again. Retail sales volumes and export volumes have remained strong. Latest survey reports in both manufacturing and services suggest good growth and optimism, though, again, imports have risen rapidly. Looking towards 2001 and 2002, some modest slow down in growth is expected this year in response to the slowdown in the US. There may also be temporary reductions in output as a result of direct and indirect effects of the foot and mouth outbreak. However, the fundamentals of continuing strong household consumption, strong government consumption and investment, all sustained by some monetary and fiscal loosening (in the budget), as well as export growth should ensure that final demand remains strong over the forecast period. However, the contribution of exports will be weaker than originally expected. The expectation is that rising demand will be accommodated by rises in output with no big upsurge in inflation. While the labour market is tight, a modest rise in the employment rate accompanied by respectable growth in labour productivity should ensure that GDP will grow at a little below 3% in 2001, rising to 3% growth in 2002 as the contribution of net exports to growth becomes less negative. Strong growth in fixed investment in recent years will also reduce problems of capacity constraints.

Output components. Good household consumption growth is expected to be maintained in 2001 and 2002

Main features of country forecast - UNITED KINGDOM

		1999		Annual percentage change						
	bn GBP	Curr. prices	% GDP	1981-96	1997	1998	1999	2000	2001	2002
GDP at constant prices		891.0	100.0	2.3	3.5	2.6	2.3	3.0	2.7	3.0
Private consumption		585.5	65.7	2.8	3.9	4.0	4.4	3.7	3.1	2.8
Public consumption		165.0	18.5	1.0	-1.4	1.1	4.0	2.7	4.4	4.1
GFCF		157.6	17.7	2.8	7.5	10.1	5.4	2.6	3.3	4.0
of which : **equipment**		76.9	8.6	3.5	10.5	17.2	7.9	2.4	1.9	3.0
Change in stocks as % of GDP		-1.7	-0.2	0.1	0.5	0.6	-0.1	0.3	0.3	0.2
Exports (goods and services)		231.0	25.9	4.3	8.6	2.6	4.0	8.4	6.2	7.4
Final demand		1137.4	127.7	2.9	4.9	4.2	3.8	4.8	4.0	4.2
Imports (goods and services)		245.9	27.6	5.0	9.2	8.8	8.1	9.6	7.6	7.3
Contribution to GDP growth :		**Domestic demand**		2.4	3.5	4.5	4.6	3.5	3.5	3.4
		Stockbuilding		0.1	0.3	0.1	-0.8	0.4	0.0	-0.1
		Foreign balance		-0.2	-0.3	-2.0	-1.5	-0.8	-0.8	-0.4
Employment				0.1	2.0	1.4	1.1	1.0	0.5	0.7
Unemployment (a)				9.6	7.0	6.3	6.1	5.6	5.3	5.1
Compensation of employees/head				7.2	4.4	4.9	5.2	4.1	4.2	4.4
Unit labour costs				4.8	2.9	3.6	3.9	2.1	2.0	2.0
Real unit labour costs				-0.4	0.0	0.5	1.6	0.3	-0.1	-0.4
Savings rate of households (b)				-	9.1	5.8	5.2	4.5	5.4	6.2
GDP deflator				5.2	2.9	3.0	2.3	1.8	2.1	2.5
Private consumption deflator				5.4	2.5	2.4	1.6	0.8	1.4	1.7
Harmonised index of consumer prices				-	1.8	1.6	1.3	0.8	1.4	1.7
Trade balance (c)				-1.9	-1.5	-2.4	-2.9	-3.1	-3.6	-3.5
Balance on current transactions with ROW (c)				-0.8	0.8	0.0	-1.1	-1.7	-2.1	-2.2
Net lending(+) or borrowing(-) vis à vis ROW (c)				-0.8	0.9	0.0	-1.0	-1.5	-1.9	-2.0
General government balance (c) (d)				-3.2	-2.0	0.4	1.3	4.3	1.0	0.9
General government gross debt (c)				48.3	51.1	48.1	45.7	42.9	38.3	35.4

(a) as % of civilian labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
(d) Including proceeds relative to UMTS licences in 2000, without which the general government balance would amount to 1.9% of GDP.

as real earnings are expected to grow moderately and the labour market remains strong. There is also some stimulus from the budget measures. Nevertheless some slight slow down is expected as households lift the saving ratio from current low levels in the face of what are still high real interest rates and rebuild their position from what is expected to be a financial deficit in 2000. Recent weakness in the equity market and a cooling of the housing market should also act to restrain consumption a little. Export growth is expected to remain strong but slower than in 2000 as growth in UK markets, especially the US, slows but this will be offset partly by the unwinding of the adverse effects of sterling's strength in recent years on exports. Government consumption and investment are expected to be major contributors to demand growth as established in the Government's Comprehensive Spending Review that details spending plans to 2003-04. Non-government fixed investment is expected to show slower growth than in recent years but this reflects the absence of major capacity constraints following some years of very strong investment growth.

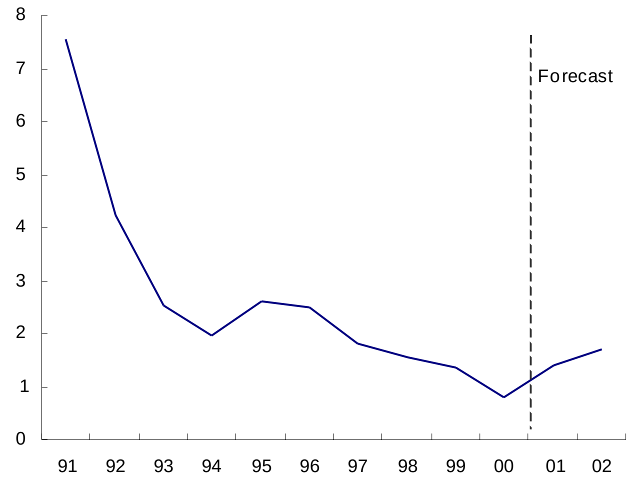
Labour Market. The labour market has continued to strengthen with unemployment hitting a twenty five year low recently. Its rate now stands at 5.2%. Employment is also growing well and rose by 1.2% in the year to Nov-Jan of 2001. Wage earnings are not a cause for concern especially given the recent respectable productivity performance. The labour market is expected to strengthen a little more over the forecast period. Some small rise in the employment rate is expected as labour market measures such as the 'new deal' continue to impact but the fall in unemployment to 2002 will be much more modest than recent drops. Rather, the major supply side contributor to economic growth, will be productivity growth in excess of 2% a year. This is a little higher than historical experience would suggest. Nevertheless the rise is expected to be sustainable in the near term and accords with good rises in productivity in recent quarters. These may be associated with the strong boost to business investment in recent years and, in particular, the high level of inward direct investment. Accordingly, unit labour costs rises are expected to be moderate and sustainable over the forecast period.

External balance. The current account is projected to be in modest deficit rising of around 2% of GDP in 2001 and 2002. This is not thought to constitute a major imbalance. In particular, the negative contribution of net exports of goods and services to GDP growth in 2002 is expected to be less than in recent years.

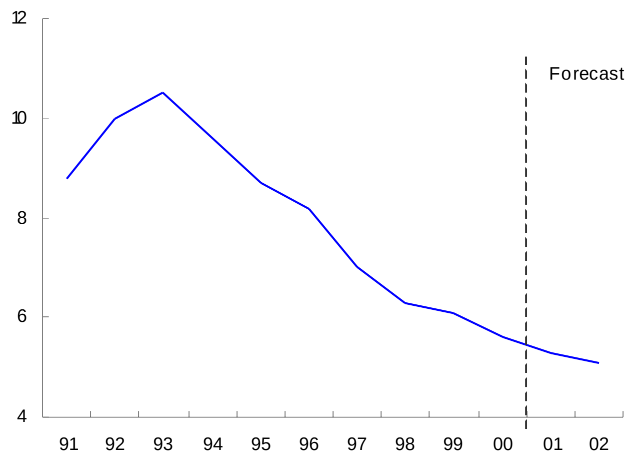
Prices. Inflation is very low on the HICP measure, and substantially below the RPIX 2.5% target. It is expected that the latter will continue to be met. Current and expected benign developments of wage inflation and in unit labour costs, may allow further monetary loosening. However, the inflation rate may tick up a little as the recent, strong, downward competitive pressure on retail margins eases and the effects of the small, recent, depreciation of sterling work through.

Public finances. The general government finances are expected to remain in healthy surplus over the period. They have been, and will continue to be, buoyed by strong growth in revenues associated with strong economic growth. This will be partly offset by the growth in planned current and investment expenditure, announced recently. Though the proceeds of sales of UMTS licences boosted the finances in a 'one off' fashion in 2000, to yield a surplus of 4.3% of GDP, the resulting reduction in debt interest will also make a significant contribution to government surpluses of around 1% of GDP in both 2001 and 2002 despite a mildly expansionary budget in March. Consequently, the ratio of gross debt to GDP will fall to well under 40% by the end of 2002.

United Kingdom - HICP



United Kingdom - Unemployment rate



V. Special Topics

1. Impact of technical progress on employment and unemployment

Considerable employment creation has taken place in the EU in recent years due to buoyant output growth. In spite of these favourable developments, the employment rate is still low and unemployment high. Whether or not a New Economy, based on modern information and communication technologies is arriving to the EU and to what extent it will allow to more job creation are still very much debated.

The employment content of growth depends both on the nature of the technical progress and the way goods and labour markets react to it. A flexible and competitive environment helps to translate technological progress into jobs.

A highly debated topic

There are opposing opinions on both the short and long-term effects of the New Economy and the ICT[1] sectors on employment and unemployment, since these sectors are considered as the engines of economic growth. Some argue that further development of ICT and the Information Society[2] could imply some job losses in the short run, but that the generation of new jobs can be expected to be more important with an overall net gain in employment growth (European Commission, 1998).

However, there are also those who fear that the initial positive effect on employment might be only temporary. This argument claims that a higher rate of growth would lead only to a cyclical fall in unemployment. Higher labour productivity would lead to job losses in some industries which could be outweighed only in the short run by job gains in others. It leaves unemployment in the long run unchanged, as the rigidities which determine it remain in place.

Types of technical progress

Neoclassical and "new growth" models describe the relationship between inputs (labour, capital, technology) and output (see box). Although not typically geared towards the study of the labour market, these models can be used to infer the impact of growth on employment and also provide the implications for unemployment, since unemployment can be described as the difference between the labour force and employment. Thus an increase in employment suggests a decrease in unemployment if the labour force is constant.

Solow's neoclassical growth model is based on diminishing returns to capital and labour separately and on constant returns to scale. The model implies that the economy converges to a balanced growth path, where each variable of the model is growing at a constant rate. Technological change is exogenous and thus not explained. If there is no technological change, the growth rate of the economy is determined by the trend growth rate of the production factors capital and labour, with the latter presumed to reflect population growth. In this context, employment is growing at a constant rate along the balanced growth path and there will be no unemployment, if market clearing conditions are assumed. However, welfare (measured by GDP per capita) does not increase.

With technical progress the situation changes. Technical progress can take different forms with different impacts on employment. Three kinds of technological change can be distinguished: labour-augmenting, capital-augmenting and Hicks-neutral.

Labour-augmenting technical change (also called Harrod-neutral) increases the efficiency of labour. It means that a given amount of output can be produced from a fixed input of capital, but with less labour. For example, the introduction of new production methods can increase labour productivity and allow the production of the same amount of output as before, but the number of workers can be reduced. This type of technological progress is labour-saving and could imply less employment in the short run if the capital stock is not adjusted and thus output cannot be increased.

Box: Different types of technical progress

In the absence of technological change output (*Y*) is only a function of capital (*K*) and labour (*L*):

$$Y_t = F(K_t, L_t)$$

The growth rate of an economy is determined by the change in the production factors over time ($_t$).

If technical progress is labour-augmenting (Harrod-neutral), the production function takes the following form:

$$Y_t = F(K_t, g(t)L_t)$$

where g(t) reflects the changed impact of labour on output due to the state of the technology at time t.

Capital-augmenting technological change influences output via the capital stock:

$$Y_t = F(h(t)K_t, L_t)$$

where h(t) is the technology parameter linking capital to output.

Capital and labour are affecting output in a similar way in the case of Hicks-neutral technical progress:

$$Y_t = F(j(t)K_t, j(t)L_t)$$

Technological progress of the capital-augmenting type, can be interpreted as an increase in the quality of capital. It allows output to be increased using the same capital stock and is reflected in a reduced cost of capital (for example, indications for that could be falling prices

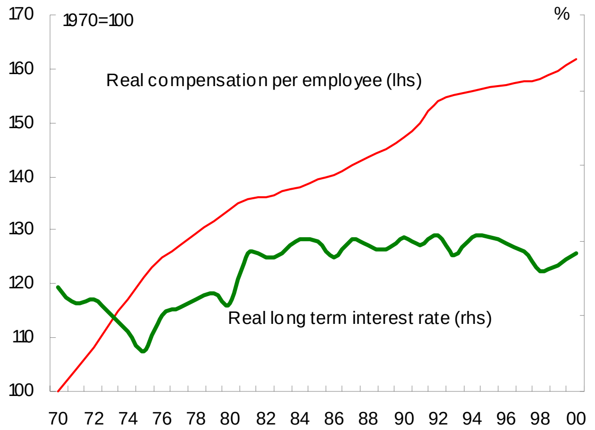
[1] Information and Communication Technology.

[2] The term Information Society refers to an economy in all its socio-economic dimensions, which uses extensively the new information and communication products and services.

of personal computers or increasing share prices). This type of technical progress can be capital saving, meaning that it cannot be held responsible for unemployment, if the substitution between capital and labour is modest (Boskin & Lau, 2000).

In the case of Hicks-neutral progress, both capital and labour are affected to the same extent by technical progress.

Interest rate and compensation per employee



Technical progress is usually considered to be of the labour-augmenting type, but …

The evolution of the prices of the two production factors, labour and capital, suggest that in practice overall technological progress is labour-augmenting (for a recent analysis, see Acemoglu, 2000). While real wages have increased over time, the interest-rate (reflecting the return on capital) has remained relatively stable (see graph).

The link between the observed price trends of the two production factors and the conclusion that technological progress is probably of the labour-augmenting type is as follows. Assuming profit-maximising behaviour, capital and labour should be remunerated according to their marginal product. Increasing real wages suggest that also labour productivity is rising, while the real interest does not appear to change in any particular direction. These observations are in line with the definition of labour-augmenting technological change[3].

…does not necessarily lead to less employment.

Although innovation is generally thought to be labour saving, its impact on employment depends on the way product markets and labour markets function.

First, the effects of a technological change crucially depend on product market developments. More precisely, the question is whether firms pass cost reductions (thanks to technological advance) into prices. If prices are not lowered, there is an insufficient increase in real demand and firms overall will reduce employment (instead of increasing output). However, if market developments are such that cost reductions lead to lower prices, purchasing power is increased, strengthening the demand for the new goods and in turn inducing firms to hire labour in order to produce more.

Another important factor is the price elasticity of the new products (Chennells and Reenen,1999). The higher the elasticity, the larger the rise in demand for a given price reduction, with favourable consequences for employment growth.

Secondly, the functioning of the labour market is also important. If the institutional structure of the labour market gives some bargaining power to labour, wages may be set independently of productivity developments. In such a context workers can capture some of the rents from technological progress, leading to higher labour costs that prevent firms reducing goods prices, which would otherwise have been possible thanks to innovation. Therefore, in a rigid labour market, technical progress and the associated higher potential output might only reduce cyclical unemployment, while leaving structural unemployment unaffected. If technical progress is skill-biased, the impact on unemployment is more complex. Skill-biased innovation will increase demand for highly skilled workers while decreasing demand for the low skilled.

Without labour supply adjustments, unemployment can increase mainly among low-skilled workers. Supply adjustments to counteract this can take the form of increasing wage dispersion, reducing labour costs (especially those of the less-skilled), education and training. The purpose of these measures is to price-in the less-productive back into the labour market. The options chosen are not indifferent to the model of social cohesion one has in mind.

The focus so far has been mainly on neoclassical models according to which long-run growth is determined by a few exogenous variables (capital accumulation, population growth, innovation) which are essentially beyond the control of policy makers. In the steady state, the growth rate is constant.

In the new (endogenous) growth models, economic growth is realised differently and less dependent on exogenous variables. Capital can play a bigger role by not extending its concept from only physical capital to embrace also human capital. In such a context, capital accumulation can have positive externalities and the traditional hypothesis of diminishing returns to capital is no longer valid. Hence, the accumulation of capital

[3] There could be other explanations for increasing labour productivity and wages linked, for example, to rising demand for labour independently from technological change. Alternatively, one could emphasise that rising labour productivity is more the result of high labour costs leading to substitution of labour by capital rather than the consequence of technical progress.

Sectoral contribution to annualised employment growth, 1986-1998								
	Agriculture	Industry	Producer services	Distributive services	Personal services	Social services	Total services	Total employment
B	-0.06	-0.18	0.46	0.05	0.11	0.42	1.05	0.80
DK	-0.17	-0.09	0.24	0.22	0.07	0.09	0.61	0.13
EL	-0.74	-0.07	0.34	0.47	0.34	0.48	1.63	0.82
E	-0.55	0.43	0.54	0.46	0.33	0.70	2.02	1.89
F	-0.25	-0.31	0.33	0.09	0.17	0.46	1.06	0.46
IRL	-0.29	0.87	0.70	0.70	0.65	0.72	2.77	3.37
L	-0.03	-0.41	0.85	-0.08	0.12	0.84	1.73	1.20
NL	-0.08	0.07	0.69	0.46	0.16	0.71	2.03	2.45
P	-0.49	0.58	0.25	0.14	0.36	0.29	1.04	1.11
UK	-0.02	-0.35	0.53	0.22	0.15	0.48	1.38	0.91
USA	0.00	0.04	0.42	0.32	0.22	0.60	1.56	1.60

Source : OECD (2000) : Employment Outlook.

can continue without being discouraged by a declining marginal productivity. This can lead to a permanently higher growth path with favourable implications for employment. Given the positive interactions between physical and human capital, this suggests gains from stimulating, in particular, learning, research and development, as this increases the knowledge base of the economy, allowing faster growth and more job creation. In this approach, there is a direct positive link between technical progress (including accumulation of human capital in this approach) and employment.

Recent characteristics of employment creation

It is often claimed that the employment potential in the service sector in Europe is still unexploited. From a comparison of the share of the working-age population employed in agriculture, industry and services in Europe and in the US, it appears that employment in services is much higher in the US then in the EU. Furthermore, this gap between the US and EU has increased slightly from 1990 to 1998 (from 14.1 percentage-points to 14.9 percentage-points) and is also slightly higher than the gap between non-employed working-age population.

A decomposition of net employment growth can reveal where jobs have been created and shed some light on the relation between innovation and employment. During the period 1986-1998 almost all net employment growth in the EU and the US was a result of increased employment in services (see table). Employment declined in agriculture in all countries, while in the industry sector (mining and quarrying; manufacturing; electricity, gas and water supply; construction) there were some differences between countries. However, in all countries the employment growth in services was the major (and in many countries the only) source of net employment creation.

On the other hand, one can see from the table, that the difference between the ratio of non-employed working-age population in the EU and USA is also substantial and has also slightly increased from 1990 to 1998. If the employment rate of the EU were close to that of the US it is quite probable that a large part of the 'services gap' would disappear (with increased employment in all sectors).

The largest absolute EU-US gap in services is in producer services (European Commission, 2000). For the period 1994-1998, comparing EU average levels of employment in services with US levels, it can be seen that the biggest difference is in producer services (business and professional services, finance, insurance, real estate) followed by personal services (hotels, bars and restaurants, recreation, culture, domestic services). There are no substantial differences for distributive services (which consists of retail and wholesale trade, transport and communication) and social services (comprises government, health, education, social services). An increase in employment during the period 1994-1999 in the US occurred only in producer services. In Europe there are important differences between countries. For example, the share of employment in producer services increased by 2.7% in Ireland, while in Portugal there was a 1.4% decrease. However, it can be seen from the table that most of the countries experienced the biggest increase in employment in producer services. In spite of the increase in the share of producer services during recent years, with the exception of Luxembourg, none of the countries has reached the level of the US share in producer services.

Employment to working-age population: ratios by sector					
		Agriculture	Industry	Services	Non-employed
1990	EU11	3.9	21.0	37.5	37.5
	USA	2.1	19.0	51.6	27.3
1998	EU11	2.7	17.8	40.1	39.3
	EU15	2.9	18.2	40.0	38.9
	USA	1.9	17.5	54.9	25.6

Source : OECD (2000) : Employment Outlook.

It is the producer services sector which makes most use of information and communication technology. As jobs were created particularly in this sector in the US, without apparently destroying jobs elsewhere, the presumption is that technological progress is not detrimental to employment. On the contrary, the data suggest that it may have contributed to the creation of

Evolution of the share of service employment
Percentage-point changes between 1994-1998, levels in 1998 (percentage of total employment)

	All services		Producer services		Distributive services		Personal services		Social Services	
	Changes	Level	Changes	Level	Changes	Level	Changes	Level	Changes	Level
B	2.3	70.2	1.8	11.7	-0.2	21.8	0.6	6.8	0.2	29.8
DK	1.6	69.5	0.1	11.4	0.6	21.1	0.0	5.8	0.8	31.2
D	..	62.6	1.7	10.9	..	19.9	..	7.1	..	24.8
EL	3.6	58.8	1.2	7.4	0.5	23.3	1.4	10.4	0.5	17.7
E	1.7	61.7	1.3	9.0	-0.5	22.4	0.1	11.8	0.9	18.5
F	1.3	69.2	0.1	11.9	-0.2	19.9	0.5	8.3	0.8	29.2
IRL	2.9	61.7	2.7	11.5	1.1	19.9	0.5	10.7	-1.4	19.6
I	2.2	60.8	1.7	9.3	0.0	21.6	0.3	8.0	0.3	22.0
L	5.7	75.1	2.8	17.8	-0.8	19.7	-1.4	8.4	5.1	29.3
NL	-0.8	70.2	1.3	14.3	-0.7	22.0	-0.4	6.2	-1.0	27.6
A	1.9	73.3	1.8	14.7	-0.2	24.6	0.5	11.8	-0.1	22.2
P	-5.3	50.2	-1.4	5.5	-2.0	17.7	0.8	10.7	-2.7	16.2
FIN	-0.3	64.2	0.9	11.3	0.1	18.8	0.5	6.2	-1.8	28.0
S	-0.1	70.9	0.8	12.2	0.4	19.4	0.1	5.9	-1.4	33.4
UK	1.6	71.4	1.2	14.7	-0.2	21.8	0.5	9.2	0.2	25.7
EU	1.2	65.5	1.2	11.4	-0.2	20.9	0.4	8.4	-0.2	24.8
USA	0.7	73.8	0.9	15.8	0.0	21.2	-0.1	12.1	-0.1	24.8

Source : OECD (2000) : Employment Outlook.

jobs elsewhere. PC and server manufacturers, fibber optic producers or on-line acceleration hardware manufacturers may have benefited. Furthermore, the greater use of ICT implied changes in distributive services (an increased role for on-line selling).

In the EU the employment share of producer services compared to the US is lower, indicative of the employment potential of ICT. During 1994-1998, Europe experienced a slightly higher increase in the employment share of this subsector, suggesting some catching up. Numbers should, however, be interpreted with care due to the inclusion in this subcategory of the banking sector which has a large weight and which many consider to be overstaffed in Europe. Depending on the evolution of the banking sector, judgement on ICT employment creation can differ. There could be employment creation, for example, thanks to the increased role of online banking and other financial services. On the other hand, modern technology, in a context of overstaffing, could be the trigger to slim the number of employees.

Conclusion

Depending on the nature of technical progress and the extent that it can be stimulated, the consequences for employment could be more or less strong. Equally important are well functioning labour and product markets. Even if technical progress is of the labour-saving type, which is the traditional assumption, long-term employment can be raised, if the cost reductions which innovation normally generates can be passed on to consumers. Their increase in purchasing power will fuel growth and employment.

There has been substantial employment creation in the US and ICT seems to have contributed to that. The sub-sectors most likely to use ICT are certain parts of the service sector that in the EU, compared to the US, represent a smaller share of total employment. This reflects an employment potential for the EU if the knowledge-based new economy is taking hold.

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2. The production function output gap

DG ECFIN currently computes two measures of the output gap. Besides the Hodrick Prescott (HP) filter which is mainly used for the purpose of calculating cyclically adjusted budget balances, DG ECFIN also calculates a measure of potential output and derives from that an output gap which is explicitly based on the production function as currently used in the Commission's macroeconomic model QUEST II (Roeger & in't Veld, 1997). The purpose of this second measure is threefold. First, an output gap which is based on a production function provides more economic information about the cyclical position of the economy. Secondly, the production function is also useful for medium term policy analysis. Finally, since there is no such thing as an "ideal filter", alternative trend extraction methods allow a better judgement about the robustness of estimated trends.

The production function approach is geared to medium-term economic analysis

With a production function approach one generally applies explicit economic reasoning for decomposing economic time series into trend and cycle. For example, macroeconomics suggests links between cyclical movements of GDP and inflation. Thus additional information contained in inflation can be exploited in order to arrive at estimates for cyclical GDP components.

Another useful piece of information from growth theory and growth empirics is the crucial role played by technical progress in the growth process. Indeed, growth accounting exercises typically attribute about 50% of output growth to technical progress. Especially when looking at the medium term prospects of the economy this suggests that it is necessary to analyse more closely the evolution of total factor productivity (TFP) over time. This seems particularly relevant for current policy discussions in the light of "new" economy developments.

Unfortunately there is an abundance of theories explaining TFP trends. Most hypotheses postulate a link between tangible and intangible capital formation and technical progress. Though, our knowledge about the driving forces of technical progress will necessarily be limited, nevertheless, theory provides some guidance in this area which can potentially be used for potential output estimation. Another advantage of economic theory based methods is the possibility of making forecasts or at least building scenarios of possible future growth prospects by making projections on future demographic, institutional and technological trends. Clearly, an economic theory based approach will necessarily rely to some extent on subjective elements concerning the selection of indicators and model formulation.

The HP filter is well suited to calculate structural government balances

Purely statistical methods in contrast rely much less on value judgement. In the case of the HP filter judgement is restricted to the choice of a so called smoothing parameter. The choice of this parameter allows elimination of cycles up to a certain duration from the GDP series. In the case of calculating structural budget balances this feature can be regarded as an advantage since by definition it guarantees a uniform statistical analysis for all member states. This feature together with conceptual simplicity and ease of construction constitutes the strength of the statistical approach.

The supply potential of an economy

The production function approach to estimating potential output focuses on the supply potential of an economy by postulating a technical relationship linking output to factor inputs and the level of technology. Actual output differs from potential output by the degree in which factor inputs are used. Temporary deviations of output from potential can also be caused by "technology shocks", such as bad weather or fluctuations in raw material prices, for example.

With a production function, GDP (Y) is represented by a combination of factor inputs - labour (L) and capital (K) - corrected for the degree of excess capacity (U_L, U_K) and adjusted for the level of efficiency (E_L, E_K). In many empirical applications a Cobb Douglas specification is chosen for the functional form. This greatly simplifies estimation and exposition. Therefore GDP is represented as follows:

(1) $Y = (U_L L\ E_L)^{\alpha} (U_K K E_K)^{1-\alpha} = L^{\alpha} K^{1-\alpha} * TFP$

where total factor productivity (TFP) - as conventionally defined – is given by

(2) $TFP = (E_L^{\alpha} E_K^{1-\alpha})(U_L^{\alpha} U_K^{1-\alpha})$.

It should be noted that TFP, or the "Solow Residual", summarises both the degree of factor utilisation as well as the level of factor efficiency. Factor inputs are measured in physical units. An ideal physical measure for labour would be hours worked. Unfortunately this information is not available for all member states and the statistical information that is available is not easily comparable across countries. We therefore measure labour input simply by the number of employees. This implies that any changes in working time will be reflected in the efficiency index. For capital we use a comprehensive measure which includes structures and equipment of the private and government sector.

Various assumptions enter this specification of the production function, the most important ones being the assumption of constant returns to scale and a factor price elasticity which is equal to one. The main advantage of this assumption is simplicity. However, these assumptions seem broadly consistent with empirical evidence at the macro level. The unit elasticity assumption is consistent with the relative constancy of nominal factor shares. Also, there is little empirical evidence of substantial increasing/decreasing returns to scale (see, e.g: Burnside, Eichenbaum & Rebelo, 1995 for econometric evidence). As will be explained below, our approach implies, however, a modest degree of increasing returns.

The output elasticities of labour and capital are represented by α and $(1-\alpha)$ respectively. Under the assumption of constant returns to scale and perfect competition, these elasticities can be estimated from the wage share. The same Cobb-Douglas specification is assumed for all countries, with the mean wage share for the EU15 over the period 1960-2000 being used as the estimate for the output elasticity of labour, which gives a value of 0.63 for α for all Member States and, by definition 0.37 for the output elasticity of capital.

In moving from actual output to the output gap it is necessary to define potential output. Potential output as used here refers to the level of output that can be produced with:

- full utilisation of the existing capital stock
- a level of employment, consistent with non-accelerating wage inflation
- normal level of efficiency of factor inputs

Within the production function framework, potential GDP can be represented as follows

(3) $$Y^P = (L^P E_L^T)^{\alpha} (KE_K^T)^{1-\alpha}$$

where E^T indicates trend levels of labour and capital. The next section discusses how labour potential and trend efficiency (E^T)is measured.

Estimating trend components of labour

For calculating potential employment, two steps are necessary. First, the labour force trend must be established, and secondly the NAIRU must be calculated. The trend of the labour force is obtained by multiplying the population of working age (*POPW*) with a trend participation rate ($part^m$). More structural economic information is used for calculating the NAIRU. These calculations are based on standard models of the labour market such as trade union models, search models or efficiency wage models These models suggest that real gross wages (w) are determined as a mark-up over the reservation wage (z). The mark-up depends on labour market tightness and taxes on labour (t_l). The reservation wage is a rather complicated concept and therefore difficult to measure. It is determined both by the value attached to leisure but also by institutional features such as unemployment compensation and its duration and alternative sources of income, like the income that can be earned in the shadow economy. To get a solution for the "equilibrium" unemployment rate one also has to look at labour demand. Firms adjust employment such that the marginal product of labour is equal to wage costs. Wage costs consist of salaries and social security contributions but they also include adjustment costs (v) associated with search, administration and training of employees. The costs associated with hiring and integrating/training workers turn the hiring decision into an investment decision for the firm and the marginal product generated by the worker must cover the capital cost of hiring. These adjustment costs will be proportional to the real interest rate (r). To identify the NAIRU a Phillips curve relationship[4] is estimated with the NAIRU expressed as a function of the structural factors.

(4) $$\Delta w\inf = a(NAIRU(z_0, t_l, r, \beta, v_0) - U)$$

In this formulation the change in wage inflation ($\Delta w\, inf$) is used as an additional piece of information for determining labour potential, which can now be calculated as

(5) $$L^P = (1 - NAIRU) * part^m * POPW$$

It must be stressed that this model only serves as a theoretical reference point for selecting variables, it is not our intention to exactly estimate a specific model. The labour market has many more dimensions and data is not available of sufficient quality to conduct precise inferences.

Estimating trend components of technology

Given the quantitative importance of total factor productivity for output growth, any analysis of potential output must devote special attention to technical progress. There are many hypotheses but generally not enough data of good enough quality to make precise statements. Hypotheses range from the standard view in neoclassical growth models which regard technical progress as completely exogenous to so called endogenous growth models which regard technical progress as the result of investment activities of firms, households and governments. Broadly one can distinguish between

- Vintage models
- R&D models
- Human capital models

Using these three alternatives, trend growth of total factor productivity would be determined either by the age of the capital stock, the stock of R&D capital or the stock of human capital. In the absence of good data for the efficiency of labour, efficiency improvements are recovered directly from the data by estimating a deterministic trend (T) where possible trend breaks

[4] More details on the method of calculating NAIRUs can be found in Mc Morrow and Roeger (2000).

(TB) are allowed for, as for example, related to German unification.

(6) $\log(E_L^T) = const + \pi T + \pi_1 TB$

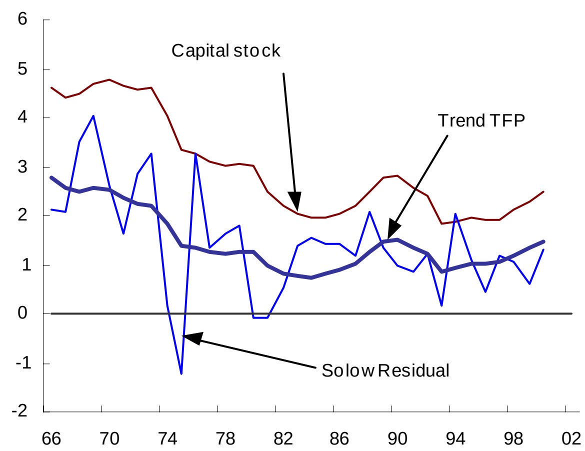
For measuring the efficiency of capital we adopt a simple vintage approach, both for pragmatic reasons, because data on physical investment which is needed to implement this approach are available for all EU member states over a sufficiently long time span but also because this specification seems to explain well the long-run movements of total factor productivity in nearly all EU countries as well as in the US and Japan. According to the vintage approach technical progress is embodied in the latest capital vintages. Therefore investment not only has a capacity effect but also increases efficiency. The impact of the history of past investment activities on the level of technology can be captured by a single indicator, namely the "mean age of the capital stock" (*agem*), defined as the total age of capital, divided by the capital stock.

(7)

$$\log(E_K^T) = const - \theta * agem \quad with: agem \equiv \frac{Age(K)}{K}$$

where θ gives the elasticity of capital efficiency with respect to the mean age of the capital stock.

Growth of capital and trend TFP in EU-15

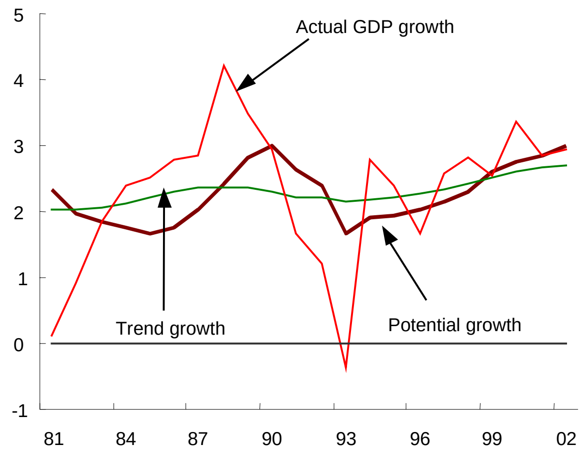


The trend of E_L and E_K can both be estimated from TFP. As can be seen from the following graph for EU15, the vintage model extracts a trend component from the growth rate of TFP that is roughly proportional to the growth rate of the capital stock itself.

How different is potential output from the HP trend?

As pointed out above, the production function approach is conceptually very different from purely statistical filtering of the data. In order to better understand differences in outcome between the two approaches it seems useful to stress some characteristics of both methods. First, a similarity should be highlighted. As can be seen from the graph, both methods generate a procyclical trend component. However, the HP trend is rather smooth compared to potential output. The smoothness of the HP trend is achieved by construction, namely by choosing a "smoothing parameter" which eliminates all cyclical components up to 16 years[5]. The stronger cyclicality of potential output is largely due to the fact that the capital stock is pro-cyclical. The dependence of the potential output measure on the capital stock also implies that potential output growth tends to be higher in periods with relatively high investment such as experienced in the last years. Given this feature, potential output at the end of a boom is higher compared to the HP trend.

Actual, potential and trend growth in EU-15



The following table presents a comparison of the two output gaps for the years 2000-2002. Though potential output grew more strongly in recent years, the slower growth in the early 1990s implies that the production function output gap in 2000 still tends to be somewhat larger on average compared to the HP gap. Higher potential growth does, however, imply that the output gap does not increase over the forecasting period. Some additional insight can be gained by decomposing the production function output gap into an employment gap (EMP), i. e. the difference between actual employment and potential employment and a technology gap (TECH) which is the difference between trend TFP and the actual TFP. This decomposition shows that it is essentially tightness in the labour market which is responsible for the positive sign of the gap. The employment forecast implies a further tightening of the labour market which shows up in an increasing employment gap. Recent potential growth has been driven by investment. The investment projections until 2002 imply further efficiency improvements, suggesting sufficient capacity over the next two years. Therefore the magnitude of the output gap depends crucially on the behaviour of the NAIRU over the next two years.

[5] The HP filter applied with a standard smoothing parameter would generate a cyclical component with cycles up to 8 years only. In this case the trend volatility would be similar to the volatility of potential output.

Comparison of output gaps based on trend and potential growth in 2000 - 2002

	2000				2001				2002			
	Trend output gap	Potential			Trend output gap	Potential			Trend output gap	Potential		
		Output gap	Contribution from			Output gap	Contribution from			Output gap	Contribution from	
			EMP	TECH			EMP	TECH			EMP	TECH
B	0.2	-1.2	0.0	-1.2	0.4	-1.3	0.4	-1.7	0.6	-1.4	0.7	-2.1
DK	0.8	0.4	0.7	-0.3	0.4	-0.3	1.0	-1.3	0.3	-0.8	1.3	-2.1
D	-0.5	-1.5	0.9	-2.4	-0.4	-1.5	1.2	2.7	0.1	-1.2	1.7	-2.9
EL	-0.2	0.1	-0.4	0.5	0.6	0.0	-0.3	0.3	1.8	-0.1	-0.2	0.1
E	0.9	1.2	1.8	-0.6	0.7	1.4	2.7	-1.3	0.5	1.6	3.6	-2.0
F	0.0	1.7	1.2	0.5	0.3	1.8	2.0	-0.2	0.5	1.6	2.6	-1.0
IRL	4.2	4.0	3.3	0.7	3.4	3.4	3.3	0.1	2.3	2.4	2.9	-0.5
I	-0.4	0.7	0.7	-0.0	-0.1	0.7	1.7	-1.0	0.4	0.6	2.2	-1.6
L	1.7	1.2	0.4	0.8	1.4	-0.1	1.4	-1.5	1.0	-1.4	2.1	-3.5
NL	0.9	1.3	1.2	0.1	1.0	1.0	1.2	-0.2	0.7	0.5	1.2	-0.7
A	0.1	0.9	0.1	0.8	0.0	1.5	0.2	1.3	-0.2	2.1	0.3	1.8
P	0.9	1.0	0.4	0.6	0.6	-0.1	0.5	-0.6	0.3	-1.1	0.5	-1.6
FIN	2.4	2.6	2.1	0.5	2.2	1.9	2.7	-0.8	1.6	0.7	3.1	-2.4
S	1.0	0.9	0.7	0.2	0.8	0.6	1.5	-0.9	0.7	0.4	1.8	-1.4
UK	0.3	0.6	1.3	-0.7	0.3	0.8	1.3	-0.5	0.6	1.1	1.5	-0.4
EU-15	0.1	0.5	1.0	-0.5	0.2	0.5	1.5	-1.0	0.4	0.4	1.9	-1.5
Euro area	0.0	0.3	1.0	-0.7	0.2	0.3	1.5	-1.2	0.4	0.2	2.0	-1.8

EMP: employment gap; TECH: technology gap (potential output gap = EMP + TECH).

Conclusions

This special topic has presented DG ECFIN’s current methodology for estimating potential output at the macroeconomic level. Emphasis was laid on the production function approach that is used together with a univariate statistical method, the HP filter. Both methods can be regarded as extremes concerning the use they make of economic information. Both methods yield broadly similar results concerning the cyclical nature of trend/potential output. As regards the current economic situation, potential growth estimates based on a production function tend to be somewhat higher than estimates based on statistical filters. This is not surprising given the emphasis put on investment in the production function, emphasising both capacity and embodiment effects.

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3. Aggregation and representativity: illustrative examples from the consumption-income relationship

Most of the analysis in macroeconomics and econometrics involve the study of the relationships between aggregate variables. Good examples are the consumption-income equation, the relationship linking aggregate price-indexes to aggregate cost-indexes or the relationship between corporate profits and investments. These aggregate relationships are clearly linked in some way to the behaviour of microeconomic units. The consumption-income relation or the profit-investment relation, for instance, result from the aggregation of micro-relations describing the behaviour of households and firms.

The problem with aggregation has long been recognised. A leading instance is Arrow's celebrated impossibility theorem (Arrow, 1951) which states that any attempt to aggregate individual preferences into a consistent social ordering is bound to fail. In the field of demand analysis, no less important is the claim by Debreu (1974) that individual optimisation (microeconomic rationality) does not pose any restriction on aggregate demand other than absence of money illusion and the fulfilment of the budget constraint.

The issue of aggregation is particularly relevant for Europe-wide modelling. The growing importance of the process of European integration means that political and business decisions increasingly ride on European rather than exclusively national economic indicators. Hence, there is increasing interest to develop appropriate indicators of economic variables for the Euro area or the EU as a whole. Example are: short term indicators for a better estimation of the EU business cycle, the rate of inflation as measured by the harmonised index, the harmonised rate of unemployment, aggregate industrial production growth or the pattern of aggregate trade.

What are the implications of aggregation when heterogeneity of (individual/country) behaviour is explicitly recognised? Is the behaviour of a macro-aggregate always very similar to that of its constituent parts thanks to the smoothing effect of averaging? Or may aggregation also create new phenomena which are more than just the logical counterpart of vanishing features at the micro level? Is it better to build EU-area estimates or are there gains from aggregating country-specific estimates?

With the help of a few examples, this special topic shows that when heterogeneity across countries (or across individuals) is taken into consideration, aggregation may have implications for the economic interpretation.

The intention is to give just a flavour of the issues at stake and not to investigate the reasons for differences in micro-economic behaviour. All examples presented refer to a hypothetical situation where micro-behaviour is attributed to EU countries while macro-behaviour is represented by the corresponding EU aggregate.

Example 1 is used to introduce some notation, to clarify the problem we shall deal with and to illustrate two cases when aggregation is elementary. Example 2 shows how aggregation can create an aggregate dynamic relationship starting from static micro behaviour and comments on structural differences of micro vis-à-vis macro-equations. Example 3 works out a computable case, namely one where all "participants" disagree with the "representative agent" and thus shows how misleading can be the hypothesis of a "representative agent". Example 4 investigates the effects of income distribution when micro-behaviour is linear. Some remarks concerning the understatement of aggregation issues conclude the note.

Example 1: Simple linear aggregation

Suppose each country faces a consumption-income equation of this type

(1) $$c_{it} = \alpha_i c_{it-1} + \beta_i y_{it} + \delta_i y_{it-1} + \varepsilon_{it} \qquad i=1,\ldots,15$$

Here, c denotes consumption, y income, ε is the error term (white-noise) and i the 15 Member States. This equation is widely used in empirical modelling because it has a standard interpretation as an error-correction mechanism. Consumption and income are proportional in the long run while in the short run, perhaps due to lags in information, inertia, etc., only a partial adjustment takes place.

If the parameters are the same in all countries, there is nothing to aggregate. The aggregate equation is simply

(2) $$c_t = \alpha\, c_{t-1} + \beta\, y_t + \delta\, y_{t-1} + \varepsilon_t$$

which has the same structural form of (1). The parameters of (2) can be fully interpreted as behavioural parameters describing how consumption in the "representative country" reacts to changes in income.

A more interesting case of simple aggregation is when

(a) the lagged dependent variable does not appear in equations (1) and

(b) independent variables remain in fixed proportions over time, i.e. $y_{it} = \omega_i y_t$.

With these hypotheses, equation (1) takes the form

(3) $$c_{it} = \beta_i \omega_i y_t + \delta_i \omega_i y_{t-1} + \varepsilon_{it}$$

Averaging over countries leads to the corresponding aggregate equation

(4) $$c_t = \phi y_t + \varphi y_{t-1} + \varepsilon_t$$

In this expression the macro-parameters are weighted averages of the corresponding micro-parameters with weights given by the shares of independent variables.

Since equation (4) inherits all the structural properties of equation (3), it can also be considered the behavioural equation of a "representative country"[6].

This case of aggregation better corresponds to the idea of a representative agent because at least some heterogeneity amongst individuals is still allowed.

Example 1 essentially summarises the necessary criteria for linear aggregation set by Theil (1954): either all agents share the same identical marginal responses or, if they differ, the distribution of independent variables remains fixed. For many economic relations these conditions are highly restrictive. As regards the variables income and consumption, for instance, the hypothesis of linear Engel curves is strongly rejected by data even for broad aggregates of commodities and certainly the distribution of income is not invariant across countries.

Example 2: Dynamic macro-equations from static micro-equations

Suppose consumption in each country is an exact linear function of current income

(5) $c_{it} = \beta_i y_{it}$

and that income follows the first-order autoregressive process

(6) $y_{it} = \delta_i y_{it-1} + \varepsilon_{it}$

In this case what is the shape of the relationship linking aggregate consumption to aggregate income? It is not difficult to see that the aggregate equation must possess a more complex structural form compared to the simple static relationship (5).

Indeed, since marginal propensities to consume are different in (5), changes in the distribution of income modify aggregate consumption even if aggregate income remains constant. Hence, when regressing aggregate consumption on aggregate income, the residual from the regression must depend on income distribution across countries and thus on national incomes. From (6) however, national incomes are correlated with their own past and therefore the residual in the aggregate equation must also display a correlation structure. But if the error term is autocorrelated there is enough room to allow for the presence of the lagged dependent variable. Hence, the aggregate equation is dynamic even though individual consumption equations are completely static. For instance, it may take the form

(7) $c_t = \alpha\, c_{t-1} + \beta\, y_t + \delta\, y_{t-1} + \varepsilon_t$

To put it in other words, when moving from national consumption equations (5) to the consumption equation for the EU as a whole, one loses the information contained in the dynamic processes generating national incomes (6). This is a general aspect of aggregation: the transition from a group of micro-relations to their average leads to an aggregation bias because some micro information is lost. The presence of lagged aggregate consumption in equation (7) is justified by the necessity to recuperate the amount of information lost when passing from national equations to European-wide aggregates. Note that equation (7) possesses the same structural form as (2) above, which was derived in a completely different framework.

The example shows how misleading can be the idea of a "representative agent". An equation like (7) can have two completely different interpretations: it may be the consumption profile of the optimising "representative agent" (example 1) or it may well be the result of aggregating very different micro-behaviours characterised by simple decision rules (example 2).

Note also, by comparing equation (7) with equation (5), that the parameters of the aggregate equation do not have a straightforward interpretation in terms of "national" behaviour.

Example 3: Can the aggregate hide divergence of all constituents?

To investigate how "micro" differences may produce important effects on aggregate behaviour, consider

(8) $z_{it} = x_t + y_{it}$ *i=1,…..,15*

According to equation (8), in each country, the time-pattern of the dependent variable is driven by two elements: a common component x_t referring to an EU-aggregate and an idiosyncratic component specific to each country. To keep things as simple as possible suppose that the variables x_t and y_{it} are uncorrelated to each other at any lead and lag and that the variance of the idiosyncratic component, σ_y^2, is identical in all countries. The variables y_{it} are also jointly uncorrelated. The variance of x_t is σ_x^2. From (8), total variance in each country is therefore $\sigma_x^2 + \sigma_y^2$.

Equation (8) may be the reflection of a wide range of economic relationships. It may describe the inflation rate in each country as a function of domestic unit labour costs and a common factor referring, for instance, to an EU terms of trade indicator (vis-à-vis the rest of the world). It may represent unemployment as a function of euro-area GDP growth rate and an indicator of domestic labour market conditions or it may indicate the behaviour of net exports as a function of domestic prices and GDP growth in the EU as a whole.

Whatever the plausibility of the different interpretations (which is not the issue here), an important feature of equation (8) is that it may generate completely different

[6] If the lagged dependent variable appears in the micro-equation (3), the parameters of the aggregate equation (4) are not a weighted average of the corresponding micro-parameters. They are a complicated mixture of the micro-parameters referred to consumption and income, with little reference to structural (country) micro-parameters.

micro and macro profiles as a simple consequence of averaging.

Averaging of (8) over countries, yields

$$(9) \qquad \frac{\sum z_{it}}{15} = x_t + \frac{\sum y_{it}}{15}$$

Since x_t and y_{it} are uncorrelated, the variance of the aggregate equation is $\sigma_x^2 + \sigma_y^2/15$, which is lower than the variance of the micro-equations (8), $\sigma_x^2 + \sigma_y^2$. Due to the smoothing effect of averaging, the proportion of total variance explained by the idiosyncratic component diminishes in the same proportion as the number of countries involved. While the idiosyncratic component may determine behaviour at the country level, its contribution is reduced in the aggregate and, in the limit with a very large number of countries, total variance would be fully explained by the common component.

Even more interesting is the fact that the dynamics of micro and macro-equations, i.e. their autocorrelation structure, may be completely different. To investigate this point, first note that, given (8), the autocorrelation[7] at the country level is given by

$$(10) \quad Cor(z_i) = Cor(x)\frac{\sigma_x^2}{\sigma_x^2 + \sigma_y^2} + Cor(y_i)\frac{\sigma_y^2}{\sigma_x^2 + \sigma_y^2}$$

The autocorrelation for the (average) aggregate is more complicated but leading to a similar expression:

(11)

$$Cor(z) = Cor(x)\frac{\sigma_x^2}{\sigma_x^2 + \sigma_y^2/15} + \frac{1}{15}\frac{\sigma_y^2}{\sigma_x^2 + \sigma_y^2/15}Cor(y_i)$$

Inspection at (10) and (11) reveals that, under suitable assumptions about the numerical values of variances and autocorrelations, the dynamic at the micro level may be completely reversed in the aggregate. Check using, for instance, the following values:

$\sigma_x^2 = \sigma_y^2 = 50$, $Cor(x) = 0.5$ and $Cor(y_i) = -0.6$

for all i.

It turns out that while micro-equations (8) display a small negative correlation (–0.05) with the past, the aggregate equation (9) exhibits a positive correlation (0.43).

This kind of result is not uncommon in empirical literature. For instance, this is precisely what happens with US labour income: panel data indicate that there is a large negative autocorrelation in micro-incomes (Deaton, 1992), whereas aggregate labour income exhibits a first-order positive autocorrelation, something impossible to explain with the representative agent hypothesis. Aggregation and heterogeneity of behaviour can provide an answer: common components are smooth but at the micro-level they are dominated by an idiosyncratic element.

Consider for illustration purposes also the following numeric example (see Table 1 for values). The common component x_t follows a deterministic positive linear trend of $x_t = 1.01 * x_{t-1}$. The correlation coefficient of x_t is obviously 1. The idiosyncratic components y_{it} equally follow a deterministic, but negative trend given by the equation $y_{it} = -0.9 * y_{it-1}$ for all i. The only difference at the country level lies in the starting values which are positive for some of the 15 countries (represented by y_{1t}) and negative for the others (represented by y_{2t}). The correlation coefficient of each y_{it} equals – 1 while the correlation coefficient of the z_{it} for each i equals –0.97, hence a negative number. However, the correlation of the aggregate z_t, which is the average of all individual z_{it}, with i =1, … 15, equals +1

Table 1 – Numerical example

T	x_t	y_{1t}	z_{1t}	y_{2t}	z_{2t}	z_t
1	100.00	10.00	110.00	-10.00	90.00	100.00
2	101.00	-9.00	92.00	+9.00	110.00	101.00
3	102.01	8.10	110.11	-8.10	93.91	102.01
4	103.03	-7.29	95.74	+7.29	110.32	103.03
5	104.06	6.56	110.62	-6.56	97.50	104.06
	Correlation coefficients					
	1	-1	-0.97	-1	-0.97	+1

Example 4: What does "average" behaviour mean?

The impossibility of interpreting aggregate parameters as if they were behavioural parameters may also arise in a completely deterministic framework.

There are two groups of countries, rich and poor. Average income in rich countries is four times average income in poor countries. As regards the income distribution within each group of countries, income is split into three classes and for each period the proportion of people belonging to each class is exactly the same. In other words, the distribution of income across countries does not change over time. Suppose consumption is the dependent variable.

Tables 2, 3 and 4 collect this information for both groups of countries and for the European aggregate over a time span of five years.

The pattern of consumption exhibits the same strict proportionality with income in each country group (micro-level) and, as a consequence, also in the aggregate (macro-level). Moreover, there are no differences in the relative distribution between rich and

[7] A simple way to obtain (10) is first to calculate the autocovariance in (8) and then remember that the autocorrelation coefficient is the ratio between autocovariance and variance. All variables in the example are considered to have a zero-mean.

poor people. Hence, an equation like (5) above with slope 0.5, i.e.

$$y_{it} = 0.5x_{it} \tag{12}$$

fits perfectly well the consumption-income pattern in each of the two groups of countries and also for the EU aggregate.

Table 2 – Income distribution and consumption – poor countries

T	Population share by income class			Income classes			Av. inc.	Av. cons.	Cons. / Inc.
	P1	P2	P3	Y1	Y2	Y3	Y	C	C/Y
1	0.283	0.433	0.283	200	400	800	457	228	0.5
2	0.293	0.413	0.293	200	400	800	459	229	0.5
3	0.303	0.393	0.303	200	400	800	461	230	0.5
4	0.313	0.373	0.313	200	400	800	463	231	0.5
5	0.323	0.353	0.323	200	400	800	465	232	0.5

Table 3 – Income distribution and consumption – rich countries

T	Population share by income class			Income classes			Av. Inc.	Av. Cons.	Cons. / Inc.
	P1	P2	P3	Y1	Y2	Y3	Y	C	C/Y
1	0.283	0.433	0.283	800	1600	3200	1,827	913	0.5
2	0.293	0.413	0.293	800	1600	3200	1,835	917	0.5
3	0.303	0.393	0.303	800	1600	3200	1,843	921	0.5
4	0.313	0.373	0.313	800	1600	3200	1,851	925	0.5
5	0.323	0.353	0.323	800	1600	3200	1,859	929	0.5

Table 4 – Consumption and income – EU averages

T	Income (Y)	Consumption (C)	APC=C/Y
1	1,142	571	0.5
2	1,147	573	0.5
3	1,152	576	0.5
4	1,157	578	0.5
5	1,162	581	0.5

One might conclude that:

- Since the structural form of the consumption-income equation is the same whatever the country-aggregate considered, there are no gains from country-specific estimates which are then aggregated compared to direct aggregate EU-wide estimation;
- Since the marginal (and average) propensity to consume is always 0.5, each group of countries, including the aggregate as a whole, is a potential "representative country" for studying the consumption-income relationship.

However, on the basis of additional information concerning the structure of individual Engel curves in each country group for different levels of income (Table 5), individual behaviour shows a less uniform pattern within the two groups of countries.

While in rich countries the marginal (and average) propensity to spend is always 0.5 at any income level, in poor countries it increases with income: the propensity to spend is 0.25 when income is low and goes up to 0.5625 for incomes belonging to the highest bracket. In other words, consumption is a "normal good" with constant income elasticity in rich countries and a "luxury good" with increasing income elasticity in poor countries.

Table 5 – Breakdown of consumption by income (Engel curves)

Poor countries	**Classes of income and expenditure**		
Income	200	400	800
Expenditure	50	200	450
MPC	*0.25*	*0.5*	*0.5625*
Rich countries			
Income	800	1,600	3,200
Expenditure	400	800	1,600
MPC	*0.5*	*0.5*	*0.5*

It follows that in rich countries, national consumption is necessarily 50% of national income irrespective of the income distribution. This is not true in general in poor countries. Indeed, by changing the proportion of reach and poor people in Table 2 the income distribution is modified and since marginal propensities to consume are different, also national consumption must necessarily change.

On the basis of the additional information provided by individual Engel curves and the income distribution, it is then concluded that

- Equation (12) above does not represent the structural equation linking aggregate consumption to aggregate income and, moreover, there are gains from micro-specific estimates which are then aggregated compared to direct aggregate EU-wide estimation;
- If, by chance, an equation like (12) fits aggregate and national data perfectly, that equation cannot be interpreted as the consumption rule of the "representative agent". The suggestion of a marginal propensity to consume of 0.5 is justified only in limited cases.

Conclusions

The common practice of most macroeconomics is to transpose microeconomic reasoning and representation to aggregate data, without too many considerations of the required conditions for this transposition. It is argued in defence that when the number of participants is large, differences amongst individuals tend to cancel out. Thus, aggregate data can be adequately described by a hypothetical average behaviour that adequately summarises individual behaviour. The implicit assumption here is that distributive considerations do not matter.

However, this is rarely the case in economics. Plenty of empirical evidence suggests that heterogeneity is the rule rather than the exception and that differences are not necessarily small. For instance, firms differ with respect to size and technology even within narrowly defined industries and consumers differ with respect to demographic characteristics even if they face the same income level.

If people are indeed different they are likely to be affected and react differently when they face a common situation such as, for instance, a shift in the policy regime. Indeed, and not surprisingly, many policy changes have precisely this as their main objective, that of provoking some (re)distributive effect. And when this happens, the "representative agent" constructed before the change may not represent the economy after that change. As a consequence, policy prescriptions based on that model may be misleading.

Aggregation is nevertheless necessary due to issues of data availability or to have an overview. The purpose of this special topic was, with a few examples, to draw attention to the meaning of aggregation and to the need for care in the interpretation of the results, especially when data are available at different levels of aggregation. Indeed, there are usually two aspects to be considered. On the one hand, the transition from a group of individuals/countries to its average can wipe out certain features which occur on the micro level if their occurrence is well spread among the population. At the same time, aggregation may also create macro-aggregates that may exhibit dynamic properties which are not shared by the corresponding micro-representations.

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6 April 2001

Statistical Annex: list of tables

STATISTICAL ANNEX : SPRING 2001 ECONOMIC FORECASTS

TABLE 1 : Gross domestic product, volume (percentage change on preceding year, 1961-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.9	2.0	3.1	1.5	2.8	2.4	2.7	3.9	3.9	3.3	3.0	3.2	3.1
DK	4.4	1.5	1.3	2.0	2.6	2.8	2.1	2.6	2.9	2.3	2.1	2.4	2.4
D	4.3	1.7	3.4	2.0	1.9	2.1	1.6	3.1	3.0	2.8	2.2	2.8	2.6
EL	8.5	1.7	1.2	1.2	3.7	3.1	3.4	4.1	4.1	4.5	4.4	4.8	4.8
E	7.2	1.8	4.5	1.5	3.6	4.3	4.0	4.1	4.1	3.5	3.2	3.3	3.3
F	5.4	2.2	3.3	1.1	2.6	3.1	2.9	3.3	3.2	3.1	2.9	2.8	2.8
IRL	4.4	3.8	4.6	4.7	8.9	8.6	9.8	10.5	10.7	8.2	7.5	7.1	7.1
I	5.3	2.7	2.9	1.3	2.1	1.8	1.6	2.9	2.9	2.8	2.5	2.7	2.7
L	4.0	1.8	6.4	5.4	6.0	5.0	7.5	7.8	8.5	6.5	5.6	6.0	5.5
NL	4.9	1.9	3.1	2.1	3.6	4.1	3.9	4.3	3.9	4.0	3.4	3.5	3.1
A	4.9	2.3	3.2	2.0	2.5	3.3	2.8	3.5	3.2	2.9	2.5	2.8	2.6
P	6.9	2.2	5.5	1.8	3.3	3.8	3.0	3.0	3.3	2.7	2.6	2.7	2.6
FIN	5.0	2.7	3.3	-0.7	4.7	5.3	4.2	4.8	5.7	4.3	4.0	3.8	3.6
S	4.1	1.8	2.3	0.6	2.9	3.6	4.1	4.0	3.6	3.7	2.7	3.2	3.0
UK	3.2	1.4	3.3	1.6	2.8	2.6	2.3	3.1	3.0	3.0	2.7	3.0	3.0
EU-15	4.8	2.0	3.3	1.5	2.7	2.8	2.5	3.4	3.4	3.1	2.8	3.0	2.9
Euro area	5.2	2.2	3.4	1.6	2.6	2.8	2.5	3.5	3.4	3.2	2.8	3.0	2.9
USA	4.4	2.8	3.2	2.4	3.7	4.4	4.3	5.1	5.0	3.3	1.6	3.0	3.0
JAP	9.4	3.3	5.2	1.5	1.2	-0.8	0.7	1.4	1.7	1.9	1.0	2.2	1.3

TABLE 2 : Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2000-2002) [1]

	2000/1	2000/2	2000/3	2000/4	2001/1	2001/2	2001/3	2001/4	2002/1	2002/2	2002/3	2002/4
B	1.1	0.2	0.5	0.7	0.8	0.8	0.8	1.7	0.4	0.5	0.5	0.9
DK	-0.3	1.2	0.1	0.6	0.5	0.3	0.5	0.7	0.6	0.7	0.6	0.7
D	1.0	1.2	0.3	0.2	0.8	0.4	0.9	0.7	0.7	0.7	0.8	0.6
EL	-	-	-	-	-	-	-	-	-	-	-	-
E	1.4	0.8	0.8	0.7	0.7	0.8	0.7	0.9	0.8	0.8	0.8	1.0
F	0.6	0.7	0.6	0.9	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
IRL	2.5	2.7	2.8	2.7	2.5	2.2	1.9	1.7	1.6	1.6	1.7	1.8
I	1.1	0.2	0.6	0.8	0.7	0.4	0.7	0.8	0.6	0.6	0.7	0.7
L	-	-	-	-	-	-	-	-	-	-	-	-
NL	0.8	0.7	0.7	1.2	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8
A	0.7	0.4	0.1	0.6	0.6	0.6	0.7	0.4	0.6	0.8	0.7	0.8
P	0.7	0.3	1.2	0.4	0.6	0.6	0.6	0.9	0.6	0.6	0.6	0.0
FIN	2.0	0.6	2.1	0.7	1.0	0.9	0.7	0.9	0.9	0.9	1.0	1.2
S	0.8	1.1	0.7	0.6	0.6	0.7	0.8	0.8	0.7	0.7	0.8	0.7
UK	0.3	1.0	0.8	0.3	0.9	0.5	0.4	0.9	0.6	0.7	0.9	1.1
EU-15	0.8	0.8	0.6	0.7	0.8	0.6	0.7	0.8	0.7	0.7	0.8	0.8
Euro area	0.9	0.8	0.5	0.7	0.7	0.6	0.8	0.8	0.7	0.7	0.8	0.7
USA	1.2	1.4	0.5	0.3	0.0	0.3	0.5	0.7	0.8	0.8	0.9	0.9
JAP	2.4	0.2	-0.6	0.8	0.2	0.8	-0.6	0.3	0.5	0.3	0.5	0.4

[1] Outcomes for 2000 as reported by Eurostat when available. Forecast IV-2001 from 2001/1 onwards.

TABLE 3 : Profiles (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2000-2002) [1]

	2000/1	2000/2	2000/3	2000/4	2001/1	2001/2	2001/3	2001/4	2002/1	2002/2	2002/3	2002/4
B	5.5	4.6	3.2	2.5	2.1	2.8	3.1	4.1	3.8	3.4	3.1	2.3
DK	2.6	3.4	2.7	2.3	2.9	1.8	1.8	1.9	2.0	2.5	2.6	2.7
D	2.6	4.0	3.3	2.6	2.5	1.7	2.3	2.8	2.7	3.0	2.9	2.8
EL	-	-	-	-	-	-	-	-	-	-	-	-
E	4.4	4.2	4.0	3.7	3.4	3.2	3.1	3.1	3.1	3.2	3.3	3.4
F	3.6	3.4	3.0	2.8	2.9	2.8	3.0	2.7	2.8	2.9	2.8	2.8
IRL	9.5	10.0	10.6	11.1	11.2	10.7	9.7	8.6	7.6	7.0	6.8	6.9
I	3.0	2.8	2.5	2.8	2.3	2.5	2.7	2.6	2.6	2.8	2.8	2.7
L	-	-	-	-	-	-	-	-	-	-	-	-
NL	4.5	4.0	3.3	3.4	3.5	3.6	3.6	3.2	3.1	3.1	3.1	3.1
A	4.0	3.7	2.0	3.0	2.7	2.5	2.5	2.3	2.3	2.5	2.5	2.9
P	3.2	2.7	3.4	4.1	2.5	2.8	2.2	2.7	2.8	2.8	2.8	1.9
FIN	5.8	5.1	6.3	5.5	4.5	4.8	3.4	3.6	3.5	3.4	3.7	4.0
S	3.4	3.9	3.5	3.1	2.6	2.6	2.7	2.9	3.1	3.0	3.0	3.0
UK	3.1	3.5	3.0	2.5	3.0	2.7	2.3	2.8	2.5	2.7	3.2	3.4
EU-15	3.5	3.7	3.2	2.9	2.9	2.7	2.7	2.9	2.8	3.0	3.0	3.0
Euro area	3.5	3.7	3.2	3.0	2.9	2.7	2.8	2.9	2.9	3.0	3.0	2.9
USA	5.3	6.1	5.2	3.5	2.3	1.2	1.1	1.5	2.3	2.8	3.2	3.4
JAP	6.1	1.1	0.5	2.8	0.6	1.1	1.1	0.7	1.0	0.5	1.7	1.8

[1] Outcomes for 2000 as reported by Eurostat when available. Forecast IV-2001 from 2001/1 onwards.

TABLE 4 : Final domestic demand, volume (percentage change on preceding year, 1961-2002) 06.04.2001

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.8	1.6	3.6	1.2	2.6	3.9	2.1	3.0	3.1	2.7	2.7	2.8	2.7
DK	4.6	1.0	0.7	2.3	2.4	4.5	-0.6	2.5	2.8	1.4	1.4	1.9	2.1
D	4.5	1.3	3.5	2.1	1.8	2.4	2.4	2.3	2.0	2.6	2.3	2.7	2.6
EL	8.9	1.5	2.5	1.5	4.0	4.6	3.0	4.2	4.1	4.4	4.6	4.7	4.9
E	7.7	1.3	6.4	1.0	3.8	5.6	5.5	4.4	4.1	3.5	3.1	3.6	3.3
F	5.6	1.9	3.6	0.7	2.4	3.7	2.7	3.1	3.2	3.0	3.0	2.8	3.0
IRL	5.1	2.1	3.3	2.5	8.2	10.2	6.0	9.5	9.2	7.3	8.3	6.1	7.2
I	5.3	2.5	3.4	0.3	2.5	3.1	3.0	2.5	2.3	2.8	2.7	3.0	2.9
L	4.1	1.5	6.5	3.8	4.8	2.4	11.3	2.2	3.1	4.8	4.5	4.5	4.1
NL	4.9	1.6	3.0	1.6	3.7	4.2	4.2	4.6	3.5	4.1	3.8	4.0	3.6
A	4.9	1.9	3.2	2.5	2.2	2.5	2.6	3.1	2.9	2.2	1.9	2.3	2.2
P	7.3	1.1	7.6	2.8	4.0	6.3	5.1	3.7	3.6	2.9	2.6	3.0	2.5
FIN	5.0	2.5	4.3	-2.7	3.6	4.8	2.9	3.2	2.5	3.0	3.2	2.5	2.9
S	3.7	1.4	2.8	-0.9	2.5	4.3	3.2	3.6	3.2	3.6	2.6	3.1	2.7
UK	3.2	1.3	4.0	1.1	3.6	4.6	3.8	3.5	3.7	3.1	3.4	3.2	3.2
EU-15	4.9	1.7	3.8	1.1	2.8	3.8	3.2	3.2	3.0	3.0	2.9	3.1	3.0
Euro area	5.3	1.8	3.9	1.2	2.6	3.5	3.2	3.1	2.8	3.0	2.8	3.0	3.0
USA	4.2	2.8	2.8	2.4	4.3	5.6	5.2	5.9	5.8	3.5	1.8	2.9	3.1
JAP	9.5	2.8	5.8	1.5	1.0	-1.1	0.8	1.4	1.3	1.9	1.2	2.2	1.1

TABLE 5 : Final demand, volume (percentage change on preceding year, 1961-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	6.2	2.0	4.5	2.3	4.1	4.1	3.4	5.8	6.4	5.2	4.7	5.0	4.9
DK	4.9	1.7	1.8	2.4	3.6	3.9	2.1	3.6	4.8	3.0	3.0	3.2	3.6
D	4.9	2.0	3.9	2.5	3.4	3.4	3.0	4.7	4.6	4.4	4.3	4.2	4.3
EL	9.1	1.9	2.7	1.8	4.9	4.9	3.5	4.7	5.7	5.0	5.4	5.2	5.9
E	8.1	1.9	5.9	2.4	5.1	6.2	5.8	5.6	5.6	4.8	4.5	4.8	4.7
F	6.0	2.3	3.8	1.4	3.7	4.5	3.1	5.2	5.5	4.2	4.5	3.9	4.1
IRL	5.8	3.9	5.4	6.5	11.2	15.7	9.3	12.2	12.8	9.9	9.2	8.3	8.8
I	5.9	2.8	3.7	1.6	3.1	3.2	2.3	4.1	4.1	4.1	3.7	4.1	4.0
L	5.1	2.2	6.3	4.2	7.3	6.6	9.3	7.9	9.3	7.7	7.1	7.3	6.9
NL	6.1	2.1	3.8	2.6	5.0	5.5	4.8	6.1	5.7	5.6	5.1	5.1	4.7
A	5.7	2.9	3.8	2.7	3.8	3.4	4.1	5.1	5.1	4.3	3.7	4.3	3.8
P	8.0	1.8	8.1	3.1	4.6	6.6	4.6	4.7	4.6	4.0	3.5	4.0	3.5
FIN	5.3	2.8	3.8	-0.2	5.7	6.1	4.2	5.4	7.4	4.9	5.3	4.3	4.6
S	4.4	1.8	2.9	1.0	4.2	5.7	4.2	5.5	5.3	5.0	4.1	4.5	4.3
UK	3.5	1.6	4.0	1.9	4.3	4.2	3.8	4.4	4.8	4.1	4.0	4.0	4.2
EU-15	5.4	2.1	4.1	2.0	4.0	4.4	3.6	5.0	5.1	4.5	4.4	4.3	4.4
Euro area	5.9	2.3	4.2	2.1	4.0	4.4	3.6	5.1	5.2	4.6	4.5	4.4	4.4
USA	4.5	2.9	3.4	2.8	4.5	5.3	5.1	6.2	6.2	4.1	2.0	3.6	3.4
JAP	9.7	3.2	5.5	1.7	1.4	-1.2	0.9	2.2	2.1	2.5	1.3	3.1	1.6

TABLE 6 : Gross domestic product at current market prices (percentage change on preceding year, 1961-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	9.2	8.8	6.1	4.3	4.4	4.1	3.8	4.4	5.4	4.9	5.4	5.3	5.1
DK	11.7	11.2	5.4	4.1	5.2	4.7	5.2	5.6	6.7	4.7	4.5	4.8	5.0
D	8.9	5.9	5.9	5.5	2.7	3.2	2.5	2.9	2.6	3.9	3.1	3.9	3.5
EL	13.3	21.0	18.6	15.4	8.2	8.4	6.3	6.5	7.2	7.2	7.5	7.8	7.6
E	14.9	17.1	12.2	7.0	6.6	6.7	7.0	7.6	7.7	6.8	6.7	5.8	5.8
F	10.7	12.5	6.8	3.2	3.7	4.0	3.3	4.1	3.7	4.2	4.3	4.6	4.5
IRL	11.8	17.0	7.9	7.7	14.1	14.8	14.0	15.3	17.5	12.6	13.7	11.1	12.7
I	11.0	19.4	10.2	6.2	4.9	4.5	3.3	4.8	5.2	5.0	5.4	4.9	5.2
L	8.7	8.5	8.8	8.1	9.0	6.6	9.9	9.6	13.0	8.6	9.5	9.5	9.0
NL	11.2	7.5	4.0	4.4	6.2	6.1	5.6	6.7	7.4	7.7	8.1	7.3	6.1
A	9.7	7.8	5.8	5.2	3.7	4.0	3.7	4.3	4.5	4.1	3.8	3.9	3.6
P	11.1	23.4	19.6	9.9	6.8	7.9	6.7	4.8	6.0	5.3	6.9	5.1	5.3
FIN	12.1	13.6	9.1	1.5	6.3	8.5	4.7	8.1	8.7	6.8	5.5	6.2	4.9
S	9.2	11.7	9.4	4.0	4.3	4.5	4.7	5.4	4.4	5.7	4.7	5.6	5.2
UK	8.5	14.0	9.4	5.1	5.4	5.7	4.6	5.6	4.9	5.5	4.9	5.8	5.5
EU-15	10.2	12.8	8.4	5.4	4.6	4.9	4.1	4.9	4.9	5.1	5.0	5.1	5.0
Euro area	10.6	12.4	8.0	5.2	4.4	4.6	3.9	4.7	4.8	5.1	5.0	5.0	4.8
USA	7.8	9.7	6.6	5.0	5.7	5.7	5.8	7.4	7.2	5.9	4.1	5.5	5.0
JAP	16.2	9.2	6.3	2.4	0.9	-1.2	-0.6	0.3	0.1	3.1	1.6	3.1	1.8

TABLE 7 : Private consumption expenditure, volume (percentage change on preceding year, 1961-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.3	2.0	3.1	1.4	2.3	3.3	1.9	2.5	2.9	2.4	2.5	2.4	2.4
DK	3.7	1.2	0.3	2.3	1.7	3.6	0.5	0.5	-0.2	1.3	0.9	1.7	1.7
D	4.9	1.9	3.6	2.3	1.8	2.0	2.6	1.7	1.6	2.6	2.2	2.4	2.2
EL	6.8	3.4	3.1	1.8	3.0	3.1	2.9	2.9	3.2	3.1	3.2	3.2	3.4
E	7.2	1.5	4.6	1.2	3.4	4.5	4.7	4.1	4.0	3.2	2.7	2.9	3.0
F	5.3	2.2	3.0	0.7	2.0	3.3	2.1	2.6	2.3	2.8	2.5	2.8	2.7
IRL	3.8	2.2	3.4	3.2	7.9	7.8	7.8	10.1	9.4	8.0	8.7	6.5	7.7
I	5.9	3.0	3.5	0.9	2.6	3.1	2.3	2.1	2.9	2.4	2.6	2.5	2.6
L	4.6	2.6	5.1	2.3	3.9	2.3	4.1	3.6	3.5	5.0	4.6	5.0	4.4
NL	5.6	1.8	2.9	1.9	3.9	4.4	4.4	4.3	3.9	4.3	4.0	4.2	3.9
A	4.6	2.4	3.4	2.3	2.4	2.9	2.3	3.1	2.7	2.2	2.0	2.4	2.4
P	6.0	1.4	5.2	2.6	3.4	5.9	4.8	3.0	3.1	2.4	2.0	2.4	2.0
FIN	5.2	2.6	3.6	-0.9	3.7	5.1	3.7	3.7	3.0	3.0	3.4	2.1	3.0
S	3.4	1.1	2.4	-0.3	2.8	2.7	3.8	4.9	4.1	3.5	2.6	3.1	2.7
UK	3.0	1.6	4.7	1.2	3.6	4.0	4.4	3.4	3.7	2.9	3.1	2.8	2.8
EU-15	4.9	2.1	3.7	1.4	2.7	3.3	3.1	2.8	2.8	2.8	2.7	2.7	2.7
Euro area	5.5	2.2	3.5	1.4	2.5	3.2	2.9	2.6	2.6	2.8	2.6	2.7	2.7
USA	4.5	3.0	3.2	2.6	3.7	4.7	5.3	5.2	5.3	2.9	2.1	2.4	2.0
JAP	8.7	3.2	4.3	2.2	1.0	0.1	1.2	1.7	0.5	1.7	0.8	2.0	1.2

TABLE 8 : Government consumption expenditure, volume (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	5.5	2.5	0.8	1.5	1.8	1.4	3.4	1.1	2.1	1.5	1.8	1.5	1.5
DK	5.7	2.7	0.3	2.1	1.8	3.1	1.4	1.1	0.6	1.4	2.0	1.4	1.4
D	4.5	2.2	1.4	1.9	0.8	0.5	-0.1	1.6	1.4	1.2	1.3	1.6	1.7
EL	6.2	5.0	-0.1	0.5	1.1	1.7	-0.1	0.8	0.8	0.6	0.6	0.6	0.6
E	4.5	4.8	6.4	3.0	2.6	3.7	2.9	1.3	2.6	2.2	2.5	2.6	2.7
F	4.0	3.2	2.4	2.3	1.7	0.1	2.6	1.3	1.5	1.3	1.8	1.3	1.5
IRL	5.2	3.7	-0.7	2.7	4.9	5.3	5.2	4.1	5.7	4.1	6.8	3.9	3.0
I	4.1	3.0	2.8	-0.2	1.0	0.3	1.5	0.9	1.6	1.0	1.4	0.8	1.1
L	3.4	2.4	3.9	2.7	4.8	2.8	12.8	4.0	4.9	3.8	3.6	3.6	3.6
NL	2.9	2.8	2.2	2.0	2.3	3.4	2.5	3.2	2.8	2.5	2.6	2.1	2.3
A	3.2	2.7	1.4	3.0	1.5	2.8	3.2	0.5	2.3	-0.2	1.3	-0.4	1.0
P	9.1	6.7	6.3	3.3	2.8	3.0	3.8	2.8	4.0	1.0	1.5	1.0	1.5
FIN	5.4	3.9	3.2	-0.5	1.9	1.7	2.0	0.7	0.4	1.0	1.1	1.0	1.3
S	4.9	2.7	1.5	0.3	0.7	3.2	1.7	-0.8	-1.7	0.8	1.4	0.8	1.0
UK	2.5	1.4	1.0	1.1	2.4	1.1	4.0	2.2	2.7	4.0	4.4	4.0	4.1
EU-15	4.0	2.7	2.1	1.6	1.6	1.2	2.0	1.5	1.8	1.8	2.1	1.8	2.0
Euro area	4.3	3.0	2.5	1.7	1.5	1.1	1.7	1.5	1.8	1.4	1.7	1.5	1.6
USA	2.5	2.4	2.8	-0.1	1.8	1.6	2.3	2.3	2.0	2.1	1.7	2.3	2.7
JAP	4.9	4.3	3.4	3.2	1.9	1.9	4.0	-0.1	3.6	0.3	-0.6	0.0	0.0

TABLE 9 : Total investment, volume (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	5.1	-0.2	9.2	-0.2	4.2	4.6	4.8	4.6	4.2	4.5	4.0	4.5	4.2
DK	6.7	-1.0	1.7	1.9	5.6	7.8	1.6	7.9	11.2	1.3	1.2	3.3	3.6
D	3.9	-0.3	4.8	1.8	2.1	3.0	3.3	3.4	2.4	3.5	2.4	3.6	3.7
EL	9.6	-2.2	2.3	-0.2	9.4	11.8	7.3	8.6	9.4	10.6	10.5	10.9	10.9
E	10.5	-0.6	10.9	-0.5	5.7	9.7	8.9	6.7	5.9	5.4	4.2	5.9	4.4
F	7.7	0.5	6.4	-1.2	4.5	6.3	7.1	6.2	6.7	5.4	6.3	4.6	5.5
IRL	9.9	0.7	4.5	2.3	12.5	14.7	12.5	9.4	10.4	7.8	7.3	6.5	8.7
I	4.5	0.6	4.3	-1.2	4.2	4.3	4.6	7.1	6.1	6.2	3.9	5.8	4.7
L	4.9	-2.7	14.3	6.3	6.2	1.5	26.6	-1.7	0.4	5.7	5.8	4.8	4.6
NL	5.4	0.0	3.7	0.9	5.1	4.1	6.5	6.8	4.7	5.4	3.9	5.0	3.6
A	6.5	0.9	4.8	2.4	2.4	2.7	3.2	5.2	2.9	4.0	2.5	4.2	2.7
P	7.9	-1.3	11.0	2.0	7.1	9.1	6.4	6.0	5.4	5.6	4.5	5.8	4.1
FIN	4.8	1.0	4.9	-9.5	6.4	9.3	2.7	4.4	4.8	5.3	4.5	4.8	3.7
S	4.4	0.5	5.5	-4.8	5.2	8.5	8.1	6.0	4.5	7.5	5.7	7.0	5.7
UK	4.6	0.9	5.7	-0.5	5.4	10.1	5.4	3.2	2.6	3.8	3.3	3.9	4.0
EU-15	5.7	0.1	5.8	-0.2	4.3	6.1	5.5	5.3	4.7	4.9	4.1	4.9	4.5
Euro area	5.8	0.1	6.0	0.0	4.0	5.2	5.4	5.5	4.8	5.1	4.2	5.0	4.6
USA	5.3	2.7	1.5	4.1	7.9	10.9	9.2	10.0	9.1	6.4	2.4	5.0	5.9
JAP	14.0	1.6	8.7	-0.9	1.2	-4.0	-0.9	1.0	1.2	3.0	2.9	3.4	1.8

TABLE 10 : Investment in construction, volume (percentage change on preceding year, 1971-2002) 06.04.2001

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	2.4	-2.5	8.1	0.7	3.2	4.2	5.4	4.0	4.1	3.2	3.2	3.0	3.0
DK	5.1	-3.0	0.6	-0.6	3.2	4.9	-2.7	10.3	5.8	-2.1	-2.2	2.4	2.3
D	4.0	-1.4	3.1	4.0	-1.2	-1.0	0.5	-1.1	-2.5	0.3	-1.9	1.0	0.5
EL	14.5	-3.3	0.8	-2.8	8.1	6.6	9.0	9.0	9.0	11.5	11.4	12.0	12.0
E	7.3	-1.0	11.0	0.1	4.7	8.1	9.0	8.2	6.4	6.1	4.9	6.7	4.0
F	6.1	-1.1	4.1	-2.1	2.2	1.7	6.5	5.7	6.2	3.5	4.3	2.8	3.8
IRL	8.0	0.6	3.3	3.2	11.7	9.9	10.5	8.5	9.5	7.0	7.2	5.8	9.1
I	0.1	-0.3	2.4	-2.4	1.6	-0.2	2.8	5.0	3.6	3.6	1.4	2.7	2.4
L	-	-	-	-	3.4	3.8	3.1	9.9	11.7	3.6	5.8	4.3	4.2
NL	0.4	-1.6	3.7	0.3	3.9	3.2	6.3	6.9	5.6	4.2	4.5	3.8	3.3
A	10.1	-0.1	4.0	3.6	0.8	0.9	2.2	2.5	1.2	1.7	1.3	2.1	1.5
P	-	-	8.8	3.9	5.8	5.1	4.6	3.7	3.3	4.5	4.0	4.5	3.7
FIN	6.3	0.4	3.7	-11.1	7.1	11.2	5.3	5.7	4.9	5.1	3.7	4.3	3.0
S	-0.5	-1.1	3.9	-8.3	2.3	2.7	3.8	4.9	4.5	7.3	5.8	7.1	6.2
UK	2.0	-0.7	8.1	-1.8	3.3	3.5	2.7	4.9	2.8	4.9	5.2	5.3	5.3
EU-15 [1]	4.0	-0.9	4.8	-0.1	2.0	2.0	3.7	4.0	2.8	3.5	2.6	3.7	3.3
Euro area [1]	4.2	-0.9	4.5	0.5	1.7	1.7	3.9	3.6	2.5	3.3	2.2	3.4	2.9
USA	6.6	1.4	-0.3	0.7	4.5	6.5	3.4	2.5	2.9	-0.2	2.0	2.0	5.2
JAP	9.3	0.2	8.6	0.3	-0.2	-4.5	-1.1	0.7	0.3	1.6	5.4	1.9	0.8

[1] Excluding Portugal up to 1985.

TABLE 11 : Investment in equipment, volume (percentage change on preceding year, 1971-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	3.1	2.3	10.3	-2.1	4.7	3.3	5.4	5.0	4.0	5.4	4.4	5.6	5.0
DK	6.3	2.5	1.8	2.7	6.0	7.9	3.5	6.7	15.8	3.7	1.7	3.6	2.8
D	0.2	1.6	7.2	-2.4	6.3	9.2	6.7	9.3	9.0	7.2	7.2	6.3	6.8
EL	11.9	0.7	5.4	4.6	12.4	24.4	1.9	9.0	11.0	10.1	10.0	10.1	10.2
E	10.9	-0.2	11.9	-2.5	7.5	13.4	8.1	4.3	5.0	4.3	3.0	4.6	5.0
F	9.2	2.9	9.0	-0.1	6.9	11.6	8.4	6.8	7.7	7.3	8.8	6.1	7.0
IRL	13.8	1.6	6.0	1.8	13.9	24.9	18.1	10.5	11.7	8.7	7.6	7.5	8.5
I	8.7	1.8	6.3	-0.1	6.2	7.8	6.0	8.5	7.8	7.9	5.5	7.8	6.2
L	-	-	-	-	9.3	-1.5	54.2	-11.0	-8.0	7.5	6.0	5.0	5.0
NL	0.4	2.8	3.6	1.3	5.6	4.3	5.5	6.4	3.8	6.6	3.2	6.4	3.9
A	6.4	2.4	5.8	0.3	4.6	4.5	4.8	7.7	5.0	5.6	4.1	5.2	4.0
P	-	-	13.5	1.9	9.2	14.7	9.0	8.0	7.5	6.5	5.0	6.8	4.5
FIN	6.2	1.6	6.4	-9.3	6.2	8.0	-1.8	2.8	4.8	5.7	5.5	5.5	4.4
S	6.9	3.2	6.9	-0.6	6.6	10.9	8.3	6.6	4.0	7.6	6.1	7.1	6.2
UK	4.3	1.9	4.9	1.1	7.4	17.2	7.9	1.8	2.4	3.0	1.9	3.0	3.0
EU-15 [1]	5.4	2.1	7.3	-0.7	6.5	10.3	7.0	6.6	6.6	6.3	5.4	6.0	5.6
Euro area [1]	5.4	2.0	7.8	-1.2	6.4	9.1	7.0	7.5	7.3	7.0	6.2	6.5	6.2
USA	10.3	4.7	3.7	7.7	10.8	15.0	14.5	15.1	13.3	10.3	2.6	6.7	6.4
JAP	7.5	4.2	9.9	-0.3	2.5	-10.8	-0.8	1.4	2.2	4.7	0.3	5.3	2.7

[1] Excluding Portugal up to 1985.

TABLE 12 : Public investment (as a percentage of GDP, 1971-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1971-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.8	3.9	1.8	1.5	1.7	1.5	1.8	1.8	1.8	1.7	1.9	1.7	1.9
DK	4.3	3.1	1.7	1.8	1.8	1.7	1.7	1.7	1.8	1.8	1.9	1.8	1.8
D	4.3	3.2	2.4	2.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7
EL	2.9	2.8	2.9	3.2	3.9	3.6	4.1	4.2	4.3	4.2	4.4	4.3	4.6
E	2.7	2.5	3.9	4.1	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.5	3.5
F	3.7	3.3	3.3	3.3	3.0	2.9	2.9	3.0	3.0	3.0	3.0	3.0	3.0
IRL	4.0	4.6	2.3	2.2	3.3	2.7	3.1	2.6	3.8	2.6	4.0	2.6	4.6
I	2.8	3.3	3.4	2.7	2.3	2.4	2.5	2.6	2.4	2.8	2.3	2.7	2.3
L	4.0	5.2	-	4.7	4.5	4.6	4.3	4.7	4.4	5.2	4.6	5.2	4.6
NL	3.8	2.9	2.0	2.2	3.1	3.0	3.0	3.2	3.2	3.1	3.2	3.1	3.2
A	5.2	4.4	3.4	3.2	1.9	1.9	1.8	1.8	1.7	1.7	1.6	1.7	1.6
P	2.2	3.5	3.2	3.6	4.1	4.0	4.1	4.3	3.8	4.4	4.2	4.5	4.3
FIN	3.9	3.9	3.6	3.2	2.8	2.9	2.8	2.9	2.6	2.8	2.7	2.7	2.7
S	5.6	3.9	2.4	2.4	2.7	2.7	2.8	2.6	2.5	2.6	2.6	2.6	2.6
UK	4.6	2.9	1.8	1.9	1.3	1.2	1.1	1.2	1.2	1.4	1.4	1.5	1.7
EU-15	4.0	3.2	2.7	2.7	2.3	2.2	2.3	2.3	2.3	2.4	2.3	2.4	2.4
Euro area	3.7	3.3	3.0	2.9	2.5	2.4	2.5	2.5	2.5	2.6	2.5	2.6	2.6
USA	3.1	2.8	2.8	2.8	3.0	2.6	2.8	3.4	3.4	3.5	3.4	3.5	3.4
JAP	5.8	6.4	5.8	6.8	6.2	5.6	5.8	7.3	6.7	7.4	6.7	7.1	6.5

TABLE 13 : Output gap relative to trend GDP (deviation of actual output from trend output as percentage of trend GDP, 1961-2002) [1] 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-0.1	0.0	0.3	0.2	-0.4	-0.9	-0.9	0.0	0.2	0.4	0.4	0.7	0.6
DK	0.6	-0.8	1.5	-1.5	0.5	0.8	0.4	0.4	0.8	0.3	0.4	0.2	0.3
D	0.3	-0.4	-0.8	2.3	-0.7	-1.1	-1.5	-0.7	-0.5	-0.2	-0.4	0.3	0.1
EL	0.5	-0.1	-0.6	-0.3	-0.4	-1.0	-0.9	-0.2	-0.2	0.6	0.6	1.7	1.8
E	0.2	-0.2	1.1	0.2	-0.3	-0.5	0.2	0.8	0.9	0.8	0.7	0.6	0.5
F	0.2	-0.2	0.6	0.3	-0.7	-1.2	-0.6	0.0	0.0	0.4	0.3	0.5	0.5
IRL	-0.3	1.0	-0.6	-2.7	1.4	0.5	2.0	3.7	4.2	3.5	3.4	2.3	2.3
I	0.2	-0.2	0.9	-0.1	-0.5	-0.8	-1.2	-0.7	-0.4	-0.1	-0.1	0.4	0.4
L	0.1	-0.7	0.6	1.5	-0.5	-2.2	-0.8	1.0	1.7	1.6	1.4	1.8	1.0
NL	-0.2	-0.1	0.1	0.0	0.1	-0.1	0.4	0.6	0.9	1.0	1.0	0.9	0.7
A	-0.1	0.2	-0.8	1.2	-0.5	-0.8	-0.5	0.0	0.1	0.2	0.0	0.2	-0.2
P	0.2	-0.5	0.4	0.2	0.1	0.4	0.4	0.5	0.9	0.3	0.6	0.2	0.3
FIN	0.2	-0.5	4.8	-4.7	0.5	0.7	0.9	1.8	2.4	1.9	2.2	1.5	1.6
S	0.2	-0.4	2.5	-1.7	-0.3	-1.0	0.4	0.5	1.0	1.2	0.8	1.2	0.7
UK	0.2	-0.9	2.9	-1.6	0.2	0.3	0.0	0.2	0.3	0.5	0.3	0.8	0.6
EU-15	0.2	-0.3	0.7	0.3	-0.4	-0.7	-0.6	-0.1	0.1	0.3	0.2	0.6	0.4
Euro area	0.2	-0.2	0.2	0.8	-0.5	-0.8	-0.8	-0.2	0.0	0.3	0.2	0.5	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, 1986-2002) [1]

						2000 estimate of		2001 forecast of		2002 forecast of	
	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	3.2	0.0	-1.6	-1.7	-1.7	-	-	-	-	-	-
DK	0.3	-1.5	0.3	0.9	0.4	-	-	-	-	-	-
D	-0.2	1.6	-1.7	-1.7	-2.1	-	-	-	-	-	-
EL	1.3	-0.5	-0.3	-0.2	0.0	-	-	-	-	-	-
E	-0.2	-1.4	0.1	-0.1	0.5	-	-	-	-	-	-
F	0.6	-0.8	0.4	0.1	1.1	-	-	-	-	-	-
IRL	-0.2	-2.1	2.3	1.9	3.0	-	-	-	-	-	-
I	0.6	-0.5	0.5	0.7	0.2	-	-	-	-	-	-
L	1.9	2.2	0.1	0.5	-0.1	-	-	-	-	-	-
NL	0.0	0.3	0.6	0.8	0.9	-	-	-	-	-	-
A	0.4	0.6	0.1	-0.6	0.0	-	-	-	-	-	-
P	-3.4	-0.1	0.8	1.8	0.8	-	-	-	-	-	-
FIN	1.5	-2.2	1.6	2.5	1.8	-	-	-	-	-	-
S	4.3	-0.6	-0.4	-1.0	0.1	-	-	-	-	-	-
UK	3.1	-1.6	0.5	0.6	-0.1	-	-	-	-	-	-
EU-15	1.0	-0.4	0.0	0.0	-0.1	-	-	-	-	-	-
Euro area	0.7	0.1	-0.2	-0.2	-0.2	-	-	-	-	-	-

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

TABLE 15 : Deflator of gross domestic product (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.1	6.7	2.9	2.7	1.5	1.6	1.0	0.5	1.4	1.5	2.3	2.0	1.9
DK	7.0	9.5	4.1	2.1	2.6	1.9	3.0	2.9	3.7	2.3	2.3	2.3	2.5
D	4.4	4.1	2.4	3.4	0.8	1.1	0.9	-0.2	-0.4	1.1	0.9	1.1	0.9
EL	4.4	19.0	17.1	14.0	4.4	5.2	2.9	2.3	2.9	2.6	2.9	2.9	2.7
E	7.2	15.0	7.4	5.4	2.9	2.3	2.9	3.3	3.5	3.2	3.4	2.4	2.5
F	5.1	10.0	3.4	2.1	1.1	0.9	0.4	0.8	0.5	1.1	1.4	1.7	1.6
IRL	7.2	12.8	3.2	2.9	4.8	5.8	3.8	4.4	6.2	4.1	5.8	3.7	5.2
I	5.4	16.3	7.1	4.9	2.8	2.7	1.6	1.8	2.2	2.1	2.8	2.2	2.4
L	4.4	6.7	2.2	2.5	2.8	1.5	2.3	1.7	4.1	2.1	3.6	3.3	3.3
NL	6.0	5.4	0.8	2.2	2.5	2.0	1.7	2.3	3.3	3.5	4.5	3.7	2.9
A	4.6	5.4	2.5	3.1	1.1	0.7	0.9	0.8	1.2	1.2	1.3	1.1	1.1
P	3.9	20.8	13.3	8.0	3.4	3.9	3.6	1.8	2.5	2.5	4.2	2.4	2.7
FIN	6.8	10.5	5.6	2.2	1.5	3.0	0.5	3.1	2.9	2.4	1.4	2.3	1.2
S	4.9	9.8	7.0	3.4	1.3	0.9	0.5	1.3	0.7	1.9	1.9	2.3	2.1
UK	5.1	12.4	5.9	3.5	2.6	3.0	2.3	2.4	1.8	2.5	2.1	2.7	2.5
EU-15	5.2	10.6	5.0	3.8	1.9	2.0	1.5	1.4	1.5	1.9	2.1	2.0	2.0
Euro area	5.2	10.0	4.4	3.6	1.8	1.7	1.3	1.2	1.3	1.8	2.2	1.9	1.9
USA	3.2	6.8	3.3	2.5	1.9	1.3	1.5	2.2	2.1	2.5	2.5	2.4	2.0
JAP	6.2	5.6	1.0	0.9	-0.3	-0.4	-1.3	-1.2	-1.6	1.2	0.6	0.9	0.5

TABLE 16 : Price deflator of private consumption (percentage change on preceding year, 1961-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	3.7	7.4	1.9	2.3	1.7	1.0	1.2	2.6	2.5	1.9	1.7	1.4	1.5
DK	6.6	9.7	4.0	2.3	2.3	1.8	2.6	3.3	3.1	2.6	2.1	2.0	2.1
D	3.4	4.3	1.4	3.3	1.4	1.1	0.3	1.7	1.4	1.6	1.8	1.4	1.3
EL	3.6	18.2	17.6	13.8	4.1	4.5	2.4	2.9	3.0	2.8	2.8	2.4	2.4
E	6.5	15.3	6.6	5.6	2.8	2.0	2.5	3.5	3.6	3.0	3.2	2.3	2.3
F	4.7	10.5	3.1	2.5	1.3	0.8	0.8	1.4	1.2	1.5	1.3	1.7	1.6
IRL	6.3	13.8	3.2	2.7	3.9	3.8	3.3	5.9	5.9	4.0	4.8	3.4	4.2
I	4.9	16.0	6.1	5.8	2.6	2.1	2.1	2.8	2.9	2.4	2.6	2.0	2.1
L	3.0	7.4	2.4	3.0	2.0	1.7	1.4	3.0	3.1	2.6	2.4	2.1	2.0
NL	5.1	6.0	0.9	2.5	2.5	1.8	1.9	2.8	2.8	4.0	4.2	2.9	2.9
A	4.1	5.8	2.0	3.1	1.4	0.5	0.7	2.4	1.8	2.0	1.7	1.8	1.6
P	3.9	22.2	12.2	7.7	2.9	2.6	2.3	2.8	2.8	2.9	3.5	2.3	2.3
FIN	5.7	10.7	4.3	3.0	1.8	1.7	1.3	2.9	3.2	2.5	2.2	2.2	1.8
S	4.8	10.3	6.7	4.7	1.3	1.0	0.8	1.0	0.9	1.4	1.4	1.8	1.6
UK	4.8	11.9	5.4	4.2	1.9	2.4	1.6	1.7	0.8	2.0	1.4	2.1	1.7
EU-15	4.6	10.9	4.4	4.2	2.0	1.7	1.4	2.2	1.9	2.1	2.1	1.9	1.8
Euro area	4.6	10.5	3.8	3.9	1.9	1.4	1.3	2.3	2.2	2.1	2.3	1.9	1.8
USA	2.9	6.9	3.8	2.7	1.9	1.1	1.8	2.5	2.4	2.3	2.4	2.3	1.9
JAP	6.1	6.5	1.3	1.1	-0.1	-0.1	-0.7	-0.1	-1.1	0.5	-0.2	1.2	0.6

TABLE 17 : Consumer prices (general index) (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.0	7.6	2.1	2.4	1.6	1.0	1.1	2.6	2.6	1.9	1.7	1.4	1.5
DK	6.2	9.7	3.9	2.0	2.3	1.8	2.5	3.0	2.9	2.4	2.2	1.8	2.1
D	3.4	4.4	1.4	3.5	1.5	0.9	0.6	1.9	1.9	1.7	2.1	1.6	1.5
EL	3.3	18.7	17.4	13.9	4.3	4.8	2.6	3.0	3.1	2.8	2.9	2.5	2.5
E	6.8	15.5	6.5	5.2	2.6	1.9	2.3	3.4	3.4	2.9	3.1	2.2	2.2
F	4.6	10.4	3.1	2.2	1.3	0.7	0.6	1.7	1.6	1.6	1.3	1.7	1.6
IRL	5.9	14.1	3.3	2.5	3.0	2.4	1.7	5.5	5.6	3.8	4.5	3.2	3.9
I	4.7	15.6	5.7	5.0	2.4	1.9	1.7	2.5	2.6	2.2	2.4	1.8	1.9
L	3.2	7.3	1.7	2.8	1.8	0.9	1.0	3.2	3.1	2.6	2.4	2.1	2.0
NL	5.1	5.9	0.8	2.9	2.6	2.0	2.2	2.5	2.6	4.0	4.2	2.9	3.1
A	4.2	5.7	2.2	3.2	1.5	0.9	0.6	2.3	2.3	1.9	1.7	1.7	1.5
P	6.1	22.3	11.3	7.1	2.7	2.8	2.3	2.8	2.9	2.9	3.5	2.3	2.3
FIN	5.7	10.9	4.9	2.3	1.7	1.4	1.2	3.4	3.4	2.4	2.3	2.1	1.9
S	4.6	9.8	6.2	4.2	0.8	-0.1	0.4	1.3	1.0	1.7	1.7	2.1	1.9
UK	5.1	12.2	5.9	3.4	2.5	3.4	1.6	2.7	2.9	2.2	1.8	2.3	2.3
EU-15	4.7	10.9	4.4	3.9	2.0	1.8	1.3	2.4	2.5	2.2	2.2	2.0	1.9
Euro area	4.6	10.4	3.7	3.7	1.9	1.3	1.2	2.3	2.4	2.2	2.3	1.9	1.9
USA	3.2	7.6	4.0	3.1	2.4	1.6	2.2	3.2	3.3	2.6	2.7	2.4	2.1
JAP	6.2	6.7	1.4	1.4	0.3	0.6	-0.3	-0.6	-0.7	0.4	-0.3	0.7	0.6

TABLE 18 : Consumer prices (harmonised index) (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-	-	-	-	1.7	0.9	1.1	2.7	2.7	2.0	1.9	1.5	1.7
DK	-	-	-	1.8	2.0	1.3	2.1	2.8	2.7	2.4	2.1	1.8	2.1
D	-	-	-	-	1.4	0.6	0.6	2.0	2.1	1.8	2.0	1.7	1.5
EL	-	-	-	-	3.9	4.5	2.1	2.7	2.9	2.6	2.6	2.3	2.3
E	-	-	-	-	2.6	1.8	2.2	3.4	3.5	2.9	3.2	2.2	2.3
F	-	-	-	2.3	1.3	0.7	0.6	1.8	1.8	1.6	1.3	1.7	1.6
IRL	-	-	-	-	3.0	2.1	2.5	5.2	5.3	3.7	4.0	3.1	3.6
I	-	-	-	5.1	2.3	2.0	1.7	2.6	2.6	2.2	2.2	1.8	1.9
L	-	-	-	-	1.8	1.0	1.0	3.8	3.8	2.9	2.2	1.9	1.8
NL	-	-	-	2.3	2.4	1.8	2.0	2.3	2.3	3.9	4.3	2.8	2.9
A	-	-	-	2.8	1.3	0.8	0.5	1.9	2.0	1.8	1.6	1.6	1.4
P	-	-	-	7.0	2.5	2.2	2.2	2.7	2.8	2.9	3.5	2.3	2.3
FIN	-	-	-	2.6	1.8	1.4	1.3	2.9	3.0	2.5	2.4	2.2	2.0
S	-	-	-	-	1.2	1.0	0.6	1.3	1.3	1.5	1.5	1.9	1.5
UK	-	-	-	3.8	1.6	1.6	1.3	1.0	0.8	1.3	1.4	1.4	1.7
EU-15	-	-	-	-	1.8	1.3	1.2	2.1	2.1	2.0	2.1	1.8	1.8
Euro area	-	-	-	-	1.8	1.1	1.1	2.3	2.3	2.2	2.2	1.9	1.8
USA	-	-	-	-	-	-	-	-	-	-	-	-	-
JAP	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 19 : Price deflator of exports of goods in national currency (percentage change on preceding year, 1961-2002) 06.04.2001

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	2.2	8.3	-0.7	-0.6	2.7	-0.4	-1.0	6.0	8.4	2.5	2.0	2.0	2.2
DK	-	8.6	0.2	1.2	1.9	-0.9	1.3	4.6	5.9	1.8	1.8	1.3	2.1
D	2.1	4.5	0.3	0.9	0.6	0.0	-0.7	3.4	2.7	3.1	0.3	1.8	1.0
EL	3.6	17.1	10.7	8.7	3.9	3.9	-0.2	8.3	10.0	4.7	2.2	2.8	2.8
E	-	14.0	1.3	3.1	2.1	-0.1	-1.0	6.3	7.4	2.8	1.8	1.9	2.2
F	2.5	10.3	-0.5	-1.5	0.7	-1.9	-0.8	1.5	1.0	2.2	1.0	2.1	1.6
IRL	6.0	12.5	-0.8	1.1	2.6	2.8	2.4	5.9	8.8	3.2	1.7	2.3	2.1
I	2.3	16.3	1.0	5.5	1.5	0.6	-0.5	6.0	6.8	3.0	1.3	1.6	1.9
L	-	7.1	-0.7	-2.0	0.2	0.1	-3.3	4.5	3.7	3.0	0.3	2.0	1.6
NL	1.7	6.9	-4.0	-0.9	1.7	-1.7	-0.8	7.2	8.4	2.8	1.5	1.8	1.7
A	-	-	-0.6	-0.1	0.9	0.2	-0.6	3.5	3.5	2.7	0.6	1.7	1.1
P	-	-	-	-	-	-	-	3.5	5.1	2.7	0.3	1.5	2.0
FIN	-	-	1.6	3.7	-0.9	-1.3	-5.9	9.7	4.5	2.8	-0.5	1.7	0.3
S	-	-	2.7	3.3	-0.4	-1.8	-1.6	2.1	2.5	1.8	3.4	1.1	1.0
UK	4.1	12.6	0.6	3.0	-0.7	-5.7	-2.1	2.3	2.0	3.1	2.6	1.8	2.7
EU-15	2.6	9.3	0.0	1.3	1.0	-1.2	-0.9	4.3	4.5	2.8	1.3	1.8	1.7
Euro area	2.3	8.7	-0.3	0.9	1.2	-0.5	-0.8	4.6	4.9	2.8	1.0	1.9	1.6
USA	3.2	5.8	1.2	0.3	-0.8	-3.1	-1.4	1.6	1.1	2.0	1.2	2.3	1.9
JAP	-	-	-	-	-	-	-	-7.7	-0.6	1.1	-1.1	0.5	-1.7

TABLE 20 : Price deflator of imports of goods in national currency (percentage change on preceding year, 1961-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	2.3	9.4	-2.2	-0.7	2.9	-2.2	0.6	8.5	9.9	3.0	1.4	1.5	2.0
DK	-	10.3	-1.8	0.5	1.3	-0.8	-0.7	6.4	7.3	2.2	1.7	1.3	2.1
D	1.0	6.2	-3.2	-0.1	1.3	-2.6	-1.7	9.1	8.9	3.6	0.7	1.4	1.0
EL	2.9	19.9	9.9	8.5	3.7	4.1	0.4	9.5	11.3	4.7	1.0	1.8	2.0
E	-	17.8	-5.6	2.3	2.2	-0.8	0.1	9.9	10.2	3.5	0.9	1.9	2.0
F	2.2	10.1	-2.9	-1.7	1.3	-3.0	0.1	5.5	5.5	2.8	0.8	0.4	1.5
IRL	3.9	14.7	-0.9	2.4	2.4	2.3	3.0	9.6	10.6	3.7	0.5	2.4	1.7
I	3.3	17.9	-2.9	4.9	1.4	-2.6	-0.5	12.5	13.6	4.0	0.1	1.0	1.5
L	-	8.4	-1.5	-1.8	-0.1	-2.6	-1.8	7.5	4.5	4.0	0.5	1.0	1.5
NL	1.4	7.4	-4.0	-1.0	1.7	-2.0	0.4	9.2	8.5	3.0	0.6	0.6	1.7
A	-	-	-0.8	0.1	1.5	-0.5	-0.1	6.4	5.6	3.4	0.8	1.9	1.8
P	-	-	-	-	-	-	-	7.5	7.5	3.1	-0.3	1.5	2.1
FIN	-	-	-1.1	3.7	0.0	-4.1	-1.7	10.6	6.4	3.1	-0.8	1.5	1.1
S	-	-	0.7	3.4	1.0	-1.1	1.3	3.9	6.6	2.1	3.9	0.9	0.8
UK	4.7	12.5	0.8	3.4	-1.5	-7.4	-3.0	2.1	1.5	2.9	3.4	1.7	2.2
EU-15	2.5	11.0	-2.2	1.1	1.2	-2.8	-0.7	7.7	7.9	3.3	1.1	1.3	1.6
Euro area	2.0	10.5	-3.1	0.4	1.6	-2.3	-0.4	8.8	9.0	3.4	0.6	1.2	1.5
USA	3.3	8.5	2.8	0.1	-1.0	-6.0	0.2	4.2	4.5	1.9	0.2	2.2	1.3
JAP	-	-	-	-	-	-	-	1.7	2.8	1.6	4.9	0.2	0.2

TABLE 21 : Terms of trade of goods (percentage change on preceding year, 1961-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-0.1	-1.0	1.5	0.1	-0.2	1.8	-1.6	-2.3	-1.4	-0.5	0.6	0.5	0.2
DK	-	-1.6	2.0	0.7	0.6	0.0	2.0	-1.6	-1.3	-0.4	0.1	0.0	-0.1
D	1.1	-1.6	3.6	1.0	-0.6	2.7	1.0	-5.1	-5.7	-0.5	-0.3	0.3	0.1
EL	0.7	-2.3	0.7	0.2	0.1	-0.2	-0.6	-1.1	-1.2	0.0	1.1	0.9	0.7
E	-	-3.2	7.2	0.8	-0.2	0.6	-1.1	-3.3	-2.5	-0.7	0.9	0.0	0.3
F	0.3	0.2	2.5	0.2	-0.6	1.1	-1.0	-3.8	-4.2	-0.5	0.2	1.7	0.1
IRL	2.1	-1.9	0.0	-1.2	0.1	0.5	-0.6	-3.4	-1.6	-0.4	1.1	-0.1	0.3
I	-1.0	-1.4	4.0	0.5	0.1	3.3	0.0	-5.8	-6.0	-1.0	1.2	0.6	0.3
L	-	-1.2	0.8	-0.2	0.3	2.7	-1.5	-2.8	-0.8	-1.0	-0.2	1.0	0.1
NL	0.2	-0.4	0.0	0.2	-0.1	0.2	-1.2	-1.8	-0.2	-0.2	0.9	1.2	0.0
A	-	-	0.2	-0.1	-0.7	0.7	-0.4	-2.7	-1.9	-0.7	-0.2	-0.2	-0.7
P	-	-	-	-	-	-	-	-3.7	-2.2	-0.4	0.6	0.0	-0.1
FIN	-	-	2.7	-0.1	-0.8	2.9	-4.2	-0.9	-1.8	-0.4	0.3	0.3	-0.8
S	-	-	2.0	-0.1	-1.3	-0.7	-2.8	-1.7	-3.9	-0.3	-0.5	0.1	0.2
UK	-0.6	0.1	-0.3	-0.4	0.8	1.9	0.9	0.2	0.4	0.1	-0.8	0.1	0.5
EU-15	0.1	-1.5	2.2	0.2	-0.2	1.7	-0.2	-3.2	-3.1	-0.5	0.2	0.5	0.1
Euro area	0.3	-1.7	2.9	0.5	-0.3	1.8	-0.3	-3.9	-3.7	-0.5	0.4	0.6	0.1
USA	-0.1	-2.5	-1.6	0.2	0.1	3.0	-1.5	-2.6	-3.3	0.1	1.0	0.0	0.6
JAP	-	-	-	-	-	-	-	-9.3	-3.2	-0.4	-5.7	0.3	-1.9

TABLE 22 : Compensation of employees per head (percentage change on preceding year, 1961-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	9.1	9.4	3.9	4.7	2.6	2.0	2.3	3.2	3.2	3.0	3.1	2.9	3.0
DK	10.9	10.7	5.5	3.5	3.7	3.8	4.2	4.2	3.9	3.3	3.6	3.7	3.7
D	9.1	5.8	3.5	5.4	1.4	1.1	1.1	1.7	1.1	1.9	1.7	2.6	2.5
EL	10.1	21.5	16.8	12.1	7.0	6.0	4.8	4.6	5.0	5.0	5.4	5.0	5.7
E	14.6	18.0	8.5	7.2	3.3	2.8	2.8	3.4	4.0	3.7	4.1	2.7	2.9
F	9.9	12.9	4.3	3.2	2.4	2.3	2.0	1.5	1.6	2.5	2.7	3.0	3.1
IRL	11.3	16.7	5.6	4.4	6.1	4.4	5.1	7.8	7.9	8.1	9.8	8.3	8.8
I	11.4	18.2	8.5	5.3	2.8	-1.5	2.4	2.6	2.9	2.9	3.0	2.7	2.9
L	7.4	9.2	5.2	4.7	3.3	0.9	3.1	5.0	5.1	4.0	4.6	4.0	3.7
NL	11.4	6.6	1.7	3.4	3.2	2.8	3.0	4.2	4.1	4.3	4.5	4.3	4.5
A	9.4	7.9	4.6	5.2	2.3	3.4	2.9	2.1	2.1	2.7	2.7	2.0	2.0
P	10.9	24.1	16.7	10.5	4.6	3.7	4.2	5.4	5.6	5.5	5.8	4.9	4.2
FIN	11.2	13.4	8.7	3.3	3.2	4.1	2.7	4.1	4.0	3.5	4.0	3.4	3.5
S	8.4	10.7	9.2	4.5	3.9	3.3	1.3	4.0	3.9	4.2	3.9	4.2	4.0
UK	8.2	13.8	8.4	4.9	4.4	4.9	5.2	4.1	4.1	4.2	4.2	4.4	4.4
EU-15	9.9	12.4	6.2	5.1	2.9	2.2	2.6	2.8	2.8	3.2	3.2	3.3	3.3
Euro area	10.5	12.0	5.4	5.0	2.4	1.4	2.0	2.4	2.4	2.9	3.0	3.0	3.1
USA	5.6	7.7	4.3	3.4	4.0	4.4	4.0	4.7	4.8	5.2	4.7	4.9	4.7
JAP	14.2	8.3	4.1	1.9	0.0	-0.6	-0.9	0.9	0.7	0.9	-1.2	1.1	-0.1

TABLE 23 : Real compensation of employees per head [1] (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	5.2	1.9	1.9	2.3	0.9	1.0	1.1	0.6	0.7	1.0	1.3	1.5	1.4
DK	4.0	0.9	1.5	1.1	1.4	1.9	1.6	0.9	0.8	0.7	1.5	1.7	1.6
D	5.5	1.4	2.1	2.0	0.0	0.0	0.8	0.0	-0.3	0.4	-0.1	1.2	1.2
EL	6.4	2.7	-0.7	-1.5	2.8	1.5	2.4	1.7	1.9	2.1	2.6	2.5	3.2
E	7.6	2.4	1.7	1.5	0.5	0.8	0.3	0.0	0.4	0.6	0.9	0.4	0.6
F	5.0	2.2	1.2	0.7	1.1	1.5	1.2	0.2	0.4	1.0	1.3	1.3	1.5
IRL	4.7	2.6	2.3	1.7	2.2	0.5	1.7	1.7	1.9	3.9	4.8	4.7	4.4
I	6.3	2.0	2.2	-0.5	0.2	-3.6	0.3	-0.2	0.0	0.5	0.4	0.7	0.8
L	4.2	1.7	2.7	1.7	1.2	-0.8	1.7	1.9	1.9	1.4	2.1	1.9	1.7
NL	6.1	0.6	0.8	0.9	0.7	1.0	1.1	1.4	1.2	0.3	0.3	1.4	1.5
A	5.1	2.0	2.6	2.0	0.9	2.9	2.2	-0.2	0.3	0.6	1.0	0.2	0.4
P	6.7	1.6	4.0	2.6	1.7	1.1	1.8	2.5	2.7	2.5	2.2	2.5	1.8
FIN	5.2	2.4	4.2	0.2	1.4	2.3	1.3	1.2	0.8	1.0	1.8	1.1	1.6
S	3.5	0.4	2.3	-0.2	2.5	2.2	0.5	2.9	3.0	2.7	2.4	2.3	2.4
UK	3.2	1.7	2.8	0.7	2.4	2.4	3.5	2.4	3.3	2.2	2.8	2.2	2.6
EU-15	5.0	1.4	1.7	0.8	0.9	0.5	1.2	0.6	0.8	1.0	1.1	1.4	1.5
Euro area	5.7	1.4	1.6	1.0	0.5	0.0	0.7	0.1	0.2	0.7	0.7	1.1	1.2
USA	2.7	0.7	0.5	0.7	2.0	3.3	2.2	2.2	2.3	2.8	2.3	2.5	2.7
JAP	7.6	1.7	2.8	0.8	0.1	-0.5	-0.2	1.1	1.8	0.4	-1.0	-0.1	-0.7

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

TABLE 24 : Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.4	2.2	2.1	1.7	1.7	1.2	1.4	2.6	2.2	1.9	1.7	1.8	2.0
DK	3.3	1.3	1.2	2.5	1.6	1.4	1.3	1.7	2.1	1.9	1.6	2.0	1.9
D	4.0	1.9	1.9	2.1	1.3	1.1	0.5	1.7	1.4	1.7	1.6	1.9	1.7
EL	9.0	0.7	0.5	0.7	2.8	-0.3	4.1	2.9	2.9	3.0	3.0	3.1	3.2
E	6.5	3.3	1.2	2.0	0.9	0.6	0.5	1.0	0.8	1.1	0.9	1.0	1.0
F	4.7	2.1	2.3	1.2	1.3	1.9	1.1	1.3	1.2	1.5	1.1	1.2	1.3
IRL	4.3	3.7	3.5	2.7	4.0	1.5	3.5	5.2	5.6	4.7	4.5	4.4	4.6
I	5.5	1.9	2.0	1.8	1.1	0.8	0.4	1.5	1.4	1.6	1.2	1.5	1.6
L	3.0	1.3	3.2	2.7	1.9	0.6	2.4	2.2	2.8	1.9	1.7	1.9	1.8
NL	3.3	1.5	0.8	1.0	1.1	1.1	1.0	1.6	1.4	1.4	1.4	1.2	1.3
A	4.9	2.2	2.5	1.9	2.0	2.5	1.4	2.6	2.3	2.2	2.0	2.2	2.1
P	6.6	2.6	4.4	2.3	2.8	1.1	1.1	1.5	1.6	1.8	1.6	1.8	1.9
FIN	4.5	2.4	3.0	3.2	2.8	3.2	2.0	2.8	4.2	2.8	2.5	2.8	2.5
S	3.5	1.0	1.2	2.8	2.0	2.3	1.8	2.0	1.4	2.3	1.3	2.2	2.2
UK	2.9	1.5	1.5	2.5	1.7	1.2	1.2	2.2	2.0	2.3	2.2	2.3	2.3
EU-15	4.4	2.0	1.8	1.9	1.4	1.2	0.9	1.8	1.6	1.8	1.6	1.8	1.8
Euro area	4.8	2.2	2.0	1.8	1.3	1.2	0.8	1.6	1.5	1.7	1.5	1.6	1.6
USA	2.3	0.9	1.0	1.3	2.2	2.1	2.3	3.6	3.7	2.4	1.2	2.3	2.4
JAP	7.9	2.7	4.1	0.8	1.2	-0.1	1.5	1.6	1.9	1.6	1.1	1.9	1.0

TABLE 25 : Unit labour costs, whole economy [1] (percentage change on preceding year, 1961-2002) 06.04.2001

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	4.5	7.0	1.8	3.0	0.9	0.8	0.9	0.6	1.0	1.1	1.4	1.1	1.0
DK	7.3	9.3	4.2	1.0	2.1	2.4	2.9	2.4	1.8	1.4	2.0	1.6	1.7
D	4.9	3.8	1.6	3.2	0.1	0.0	0.6	0.0	-0.2	0.2	0.2	0.8	0.8
EL	1.0	20.6	16.2	11.4	4.1	6.4	0.6	1.6	2.0	2.0	2.3	1.8	2.4
E	7.6	14.3	7.2	5.1	2.4	2.2	2.2	2.4	3.2	2.6	3.1	1.6	1.9
F	5.0	10.6	1.9	2.0	1.1	0.4	0.8	0.2	0.4	1.0	1.5	1.7	1.8
IRL	6.8	12.5	2.1	1.7	2.0	2.8	1.5	2.4	2.1	3.3	5.1	3.7	4.0
I	5.6	16.1	6.4	3.4	1.7	-2.2	2.0	1.0	1.5	1.3	1.8	1.1	1.3
L	4.3	7.8	2.0	1.9	1.3	0.3	0.7	2.7	2.2	2.0	2.8	2.1	1.9
NL	7.8	5.1	0.8	2.4	2.1	1.7	1.9	2.6	2.7	2.8	3.1	3.0	3.2
A	4.3	5.6	2.1	3.3	0.3	1.0	1.5	-0.5	-0.2	0.5	0.7	-0.2	-0.1
P	4.0	20.9	11.7	8.0	1.8	2.6	3.0	3.9	3.9	3.6	4.1	3.0	2.3
FIN	6.4	10.7	5.5	0.0	0.4	0.9	0.6	1.2	-0.1	0.7	1.5	0.5	1.0
S	4.7	9.6	7.8	1.7	1.9	0.9	-0.4	1.9	2.5	1.8	2.6	2.0	1.8
UK	5.1	12.1	6.9	2.3	2.7	3.6	3.9	1.9	2.1	1.9	2.0	2.0	2.0
EU-15	5.2	10.3	4.3	3.1	1.4	1.0	1.7	1.1	1.2	1.3	1.6	1.5	1.5
Euro area	5.5	9.7	3.4	3.2	1.1	0.3	1.3	0.8	0.9	1.2	1.5	1.3	1.4
USA	3.3	6.7	3.2	2.1	1.7	2.2	1.6	1.1	1.1	2.7	3.4	2.5	2.2
JAP	5.8	5.5	0.0	1.1	-1.2	-0.5	-2.4	-0.6	-1.2	-0.8	-2.2	-0.8	-1.1

[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, 1961-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	0.4	0.3	-1.1	0.2	-0.7	-0.8	-0.1	0.1	-0.4	-0.5	-1.0	-0.9	-0.9
DK	0.3	-0.2	0.1	-1.1	-0.5	0.4	-0.1	-0.4	-1.8	-0.9	-0.4	-0.6	-0.7
D	0.5	-0.3	-0.8	-0.2	-0.6	-1.1	-0.3	0.3	0.1	-0.8	-0.7	-0.3	-0.1
EL	-3.2	1.3	-0.8	-2.3	-0.3	1.2	-2.2	-0.6	-0.9	-0.6	-0.6	-1.0	-0.2
E	0.5	-0.6	-0.2	-0.2	-0.5	-0.1	-0.6	-0.9	-0.2	-0.6	-0.3	-0.8	-0.6
F	-0.1	0.5	-1.4	-0.2	0.0	-0.5	0.4	-0.6	-0.1	-0.1	0.1	0.0	0.1
IRL	-0.4	-0.2	-1.1	-1.2	-2.6	-2.8	-2.2	-1.9	-3.8	-0.8	-0.7	0.0	-1.1
I	0.1	-0.2	-0.7	-1.5	-1.0	-4.8	0.4	-0.8	-0.7	-0.8	-0.9	-1.0	-1.1
L	-0.2	1.1	-0.3	-0.6	-1.5	-1.2	-1.6	1.0	-1.8	0.0	-0.8	-1.1	-1.4
NL	1.7	-0.3	0.0	0.1	-0.4	-0.3	0.3	0.3	-0.6	-0.7	-1.4	-0.6	0.3
A	-0.3	0.2	-0.4	0.2	-0.8	0.2	0.6	-1.2	-1.4	-0.7	-0.6	-1.2	-1.2
P	0.1	0.1	-1.4	0.0	-1.6	-1.3	-0.6	2.1	1.3	1.1	-0.2	0.6	-0.4
FIN	-0.4	0.1	-0.1	-2.1	-1.1	-2.0	0.1	-1.9	-2.9	-1.7	0.1	-1.7	-0.2
S	-0.2	-0.1	0.8	-1.6	0.5	0.1	-1.0	0.7	1.7	0.0	0.7	-0.3	-0.4
UK	0.0	-0.3	0.9	-1.1	0.1	0.5	1.6	-0.4	0.3	-0.5	-0.1	-0.7	-0.4
EU-15	0.0	-0.3	-0.6	-0.7	-0.5	-1.0	0.2	-0.4	-0.3	-0.6	-0.5	-0.6	-0.4
Euro area	0.3	-0.3	-1.0	-0.5	-0.7	-1.5	0.0	-0.4	-0.4	-0.7	-0.6	-0.6	-0.4
USA	0.0	-0.1	0.0	-0.4	-0.2	0.9	0.1	-1.1	-1.0	0.2	0.9	0.1	0.2
JAP	-0.4	-0.1	-1.0	0.3	-0.9	-0.1	-1.1	0.5	0.4	-1.9	-2.8	-1.7	-1.5

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

TABLE 27 : Total employment (percentage change on preceding year, 1961-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	0.5	-0.3	1.0	-0.2	1.1	1.2	1.3	1.3	1.7	1.4	1.3	1.4	1.2
DK	1.1	0.2	0.1	-0.5	1.0	1.4	0.9	0.9	0.8	0.4	0.5	0.4	0.5
D	0.3	-0.2	1.5	-0.1	0.6	0.9	1.1	1.5	1.5	1.0	0.7	0.9	0.9
EL	-0.5	1.0	0.7	0.6	0.9	3.4	-0.7	1.2	1.2	1.5	1.4	1.6	1.6
E	0.7	-1.4	3.3	-0.5	2.7	3.7	3.5	3.1	3.3	2.4	2.2	2.3	2.2
F	0.7	0.1	0.9	-0.2	1.2	1.2	1.8	1.9	2.0	1.6	1.7	1.6	1.5
IRL	0.1	0.1	1.1	1.9	4.7	6.9	6.1	5.0	4.7	3.3	2.9	2.6	2.4
I	-0.2	0.9	0.9	-0.6	1.0	1.0	1.2	1.4	1.5	1.2	1.3	1.2	1.1
L	1.1	0.5	3.2	2.7	4.0	4.4	5.0	5.5	5.5	4.5	3.9	4.1	3.6
NL	1.5	0.4	2.3	1.1	2.5	3.0	2.8	2.7	2.5	2.6	2.0	2.3	1.8
A	0.0	0.1	0.7	0.2	0.5	0.8	1.4	0.9	0.9	0.7	0.5	0.6	0.4
P	0.3	-0.4	1.1	-0.6	0.5	2.7	1.8	1.5	1.7	0.8	0.9	0.8	0.7
FIN	0.5	0.3	0.3	-3.8	1.9	2.1	2.1	1.9	1.5	1.4	1.5	1.0	1.1
S	0.6	0.8	1.0	-2.2	0.9	1.2	2.3	2.0	2.2	1.4	1.5	1.0	0.8
UK	0.3	-0.1	1.8	-0.9	1.1	1.4	1.1	0.9	1.0	0.7	0.5	0.7	0.7
EU-15	0.4	0.0	1.4	-0.4	1.2	1.6	1.6	1.6	1.7	1.3	1.2	1.2	1.2
Euro area	0.4	0.0	1.4	-0.2	1.3	1.6	1.8	1.8	1.9	1.5	1.3	1.4	1.3
USA	2.0	1.8	2.2	1.1	1.5	2.2	1.9	1.5	1.3	0.9	0.4	0.7	0.5
JAP	1.3	0.7	1.0	0.7	0.0	-0.7	-0.8	-0.1	-0.2	0.2	-0.1	0.3	0.3

TABLE 28 : Number of unemployed (as a percentage of civilian labour force, 1964-2002) [1] 06.04.2001

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1964-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	2.0	7.7	8.7	8.5	8.1	9.5	8.8	8.6	7.0	8.0	6.5	7.4	6.1
DK	0.9	6.4	6.4	8.6	5.2	5.2	5.2	4.8	4.7	4.6	4.6	4.5	4.5
D	0.7	4.2	5.9	7.3	8.5	9.3	8.6	8.3	8.1	7.8	7.8	7.1	7.1
EL	4.2	3.8	6.6	8.3	10.5	10.9	11.7	11.2	11.0	10.6	10.5	10.1	9.9
E	2.8	11.3	18.9	20.9	16.6	18.8	15.9	14.2	14.1	12.9	12.8	12.0	11.9
F	2.2	6.4	9.8	11.1	10.5	11.8	11.2	9.9	9.5	9.0	8.5	8.2	7.8
IRL	5.7	10.6	15.5	14.5	6.6	7.5	5.6	4.2	4.2	3.6	3.8	3.3	3.5
I	5.2	7.0	9.5	10.1	10.9	11.8	11.3	10.5	10.5	10.0	9.8	9.6	9.3
L	0.0	1.7	2.1	2.5	2.4	2.7	2.3	1.9	2.2	1.6	2.0	1.4	1.8
NL	1.3	7.1	7.4	6.4	3.8	4.0	3.3	2.6	2.8	2.3	2.6	2.1	2.4
A	1.7	2.5	3.4	3.7	3.9	4.5	4.0	3.3	3.7	3.0	3.4	2.7	3.2
P	2.5	7.0	6.4	5.7	5.4	5.2	4.5	4.0	4.2	4.2	4.6	4.3	5.1
FIN	2.8	4.9	4.1	13.3	10.9	11.4	10.2	9.8	9.8	9.3	9.1	9.1	8.4
S	2.0	2.4	2.0	7.2	7.3	8.3	7.2	6.5	5.9	5.7	5.2	5.4	5.0
UK	2.0	6.9	9.0	9.5	6.2	6.3	6.1	5.6	5.6	5.3	5.3	5.1	5.1
EU-15	2.4	6.4	8.9	10.0	9.1	9.9	9.2	8.4	8.3	7.8	7.7	7.3	7.2
Euro area	2.5	6.6	9.3	10.2	9.9	10.9	9.9	9.0	8.9	8.5	8.5	7.9	7.9
USA	4.6	7.5	5.9	6.6	4.6	4.5	4.2	4.1	4.0	4.3	4.6	4.7	4.7
JAP	1.2	2.2	2.5	2.6	4.2	4.1	4.7	4.9	4.7	4.9	4.7	4.8	4.8

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

TABLE 29 : Nominal bilateral exchange rates against Ecu/euro (1970-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	49.78	43.18	43.21	40.50	-	40.62	40.34	40.34	40.34	40.34	40.34	-	-
DK	7.66	7.53	7.94	7.64	7.45	7.50	7.44	7.45	7.45	7.47	7.46	7.47	7.46
D	3.56	2.57	2.08	1.96	-	1.97	1.96	1.96	1.96	1.96	1.96	-	-
EL	33.18	59.58	168.30	266.37	-	330.73	325.76	336.29	336.63	340.75	340.75	-	-
E	71.94	98.60	135.41	146.41	-	167.18	166.39	166.39	166.39	166.39	166.39	-	-
F	5.64	6.02	6.94	6.71	-	6.60	6.56	6.56	6.56	6.56	6.56	-	-
IRL	0.45	0.66	0.77	0.79	-	0.79	0.79	0.79	0.79	0.79	0.79	-	-
I	664.26	1142.69	1505.31	1803.04	-	1943.65	1936.27	1936.27	1936.27	1936.27	1936.27	-	-
L	49.78	43.18	43.21	40.50	-	40.62	40.34	40.34	40.34	40.34	40.34	-	-
NL	3.60	2.77	2.34	2.20	-	2.22	2.20	2.20	2.20	2.20	2.20	-	-
A	25.70	18.28	14.63	13.80	-	13.85	13.76	13.76	13.76	13.76	13.76	-	-
P	29.94	68.51	166.86	186.94	-	201.70	200.48	200.48	200.48	200.48	200.48	-	-
FIN	4.51	4.80	4.91	5.88	-	5.98	5.95	5.95	5.95	5.95	5.95	-	-
S	5.35	5.80	7.23	8.53	8.74	8.92	8.81	8.40	8.45	8.41	8.91	8.42	8.92
UK	0.45	0.59	0.69	0.76	0.68	0.68	0.66	0.61	0.61	0.62	0.64	0.62	0.64
EU-15	-	-	-	-	-	-	-	-	-	-	-	-	-
Euro area	-	-	-	-	-	-	-	-	-	-	-	-	-
USA	1.11	1.11	1.14	1.24	1.06	1.12	1.07	0.93	0.92	0.90	0.94	0.90	0.95
JAP	351.18	274.00	163.73	141.04	122.88	146.42	121.32	99.76	99.47	96.30	109.32	96.12	108.45

TABLE 30 : Nominal effective exchange rates to rest of 22 [1] industrialised countries (percentage change on preceding year, 1970-2002)

								2000		2001		2002	
								estimate of		forecast of		forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	1.0	-0.2	2.9	1.9	-1.6	0.3	-1.4	-3.2	-3.6	-0.4	0.3	0.0	-0.4
DK	1.4	-1.0	3.1	1.8	-1.1	1.0	-1.6	-4.2	-4.5	-0.6	0.9	-0.1	0.3
D	6.3	3.2	4.7	2.5	-1.3	0.6	-2.1	-4.6	-5.0	-0.7	5.9	0.0	-0.5
EL	-4.5	-9.1	-10.7	-7.1	-2.6	-5.9	-0.5	-6.1	-6.5	-1.7	-1.1	0.0	0.3
E	0.8	-4.6	2.8	-3.8	-1.2	-0.1	-1.6	-3.2	-3.5	-0.4	0.6	0.0	0.3
F	-1.1	-2.4	2.0	1.9	-1.2	1.0	-2.0	-4.3	-4.6	-0.6	0.7	0.0	0.3
IRL	-1.3	-2.7	1.6	-0.6	-1.1	-4.6	-3.1	-5.1	-5.8	-0.6	1.5	0.0	0.3
I	-3.2	-6.7	1.5	-6.8	0.5	0.1	-2.3	-4.2	-4.5	-0.6	0.6	0.0	0.3
L	1.0	-0.2	2.9	1.9	-1.6	0.3	-1.4	-3.2	-3.6	-0.4	0.3	0.0	-0.4
NL	0.9	2.0	3.2	2.0	-1.5	0.1	-1.2	-3.0	-3.3	-0.3	0.2	0.0	0.3
A	1.9	2.8	2.9	1.7	-1.3	0.4	-1.2	-2.6	-2.9	-0.4	-0.6	0.0	0.3
P	0.6	-11.3	-4.8	-1.0	-1.0	-1.1	-1.2	-2.8	-2.9	-0.3	0.3	0.0	0.3
FIN	-1.8	-0.3	1.6	-2.2	-1.7	-0.5	-2.1	-4.3	-4.6	-0.5	1.2	0.0	0.3
S	-0.1	-2.1	-0.1	-3.8	-0.3	-1.6	-1.7	0.4	-0.6	-0.8	-4.2	0.0	0.1
UK	-3.6	-2.0	-1.0	-2.9	2.8	3.9	-0.5	2.4	2.5	-1.6	-3.5	-0.2	-0.4
EU-15	1.6	-3.6	6.6	-2.1	-2.0	2.3	-6.2	-10.5	-11.2	-2.5	3.7	-0.1	-0.1
Euro area	3.6	-1.4	6.6	0.1	-2.3	0.7	-4.5	-9.1	-9.7	-1.3	5.1	0.0	0.0
USA	-4.2	4.7	-4.1	0.4	3.6	6.1	-0.5	4.0	4.6	2.3	1.8	0.3	-0.1
JAP	4.9	4.2	7.5	9.6	-0.2	-5.7	16.8	12.5	12.2	2.2	-7.7	0.2	1.4

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

TABLE 31 : Relative unit labour costs, to rest of 22 [1] industrialised countries (nat. curr.) (percentage change on preceding year, 1963-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1963-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-0.3	-0.8	-1.4	0.4	-0.4	-0.2	-0.5	-0.4	-0.1	-0.3	-0.2	-0.5	-0.6
DK	2.2	0.7	0.2	-1.5	0.8	1.0	1.6	1.5	0.5	0.1	0.5	0.2	0.3
D	-0.6	-5.0	-2.4	0.7	-1.4	-1.3	-0.9	-1.1	-1.5	-1.4	-1.7	-0.8	-0.8
EL	-3.5	11.6	12.3	8.5	2.9	5.8	-0.7	0.8	1.0	0.7	0.8	0.4	1.0
E	3.2	4.9	3.0	2.1	1.1	1.2	0.8	1.3	2.0	1.1	1.4	0.0	0.3
F	-0.2	2.0	-2.1	-1.2	-0.4	-0.5	-0.7	-0.9	-0.9	-0.5	-0.2	0.3	0.3
IRL	2.0	2.6	-2.2	-0.8	0.5	1.2	-0.2	1.3	0.9	1.7	3.3	2.1	2.4
I	1.0	7.9	2.8	0.3	0.4	-3.6	0.2	0.1	0.5	-0.1	0.2	-0.4	-0.2
L	-	-	-	-	-	-	-	-	-	-	-	-	-
NL	2.4	-3.2	-2.9	-0.8	1.0	0.8	0.7	1.8	1.7	1.6	1.7	1.7	1.8
A	-1.1	-2.1	-1.3	-0.2	-0.9	-0.2	-0.5	-1.2	-1.0	-0.6	-0.6	-1.5	-1.4
P	-0.4	11.1	7.6	5.1	0.3	1.3	1.5	2.8	2.6	2.1	2.3	1.4	0.7
FIN	1.7	2.0	1.3	-2.4	-1.0	-0.4	-0.7	0.2	-1.5	-0.7	-0.2	-1.0	-0.5
S	-0.7	1.1	3.7	-0.6	0.9	-0.7	-2.1	0.9	4.5	0.5	1.0	0.5	0.2
UK	0.0	3.7	3.5	-0.2	1.4	2.5	2.7	1.0	0.9	0.4	0.2	0.4	0.5
EU-15	0.5	2.2	0.2	0.6	0.0	-0.9	0.3	0.1	0.4	-0.5	-0.2	-0.1	0.1
Euro area	0.5	-0.5	-2.2	0.3	-0.8	-2.0	-0.7	-0.6	-0.7	-0.7	-0.4	-0.4	-0.2
USA	-1.6	-2.6	-2.8	-1.1	-0.4	-0.4	-0.6	-0.2	-1.0	1.3	2.1	1.3	0.9
JAP	1.4	-2.4	-3.9	-1.3	-2.8	-2.3	-4.1	-1.9	-2.0	-2.8	-4.7	-2.8	-2.9

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

TABLE 32 : Real effective exchange rate : ulc relative to rest of 22 [1] industrialised countries (usd) (percentage change on preceding year, 1963-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1963-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	0.3	-1.0	1.3	2.3	-2.0	0.0	-1.9	-3.6	-3.7	-0.7	0.1	-0.5	-1.0
DK	2.4	-0.3	3.2	0.3	-0.4	2.0	-0.1	-2.8	-4.1	-0.5	1.4	0.1	0.6
D	2.0	-2.0	2.0	3.1	-2.7	-0.7	-3.0	-5.7	-6.4	-2.0	4.0	-0.8	-1.3
EL	-4.9	1.3	0.1	0.7	0.2	-0.5	-1.1	-5.4	-5.6	-1.0	-0.3	0.4	1.3
E	2.3	-0.2	5.9	-1.9	-0.1	1.1	-0.8	-2.0	-1.5	0.7	1.9	0.0	0.6
F	-0.9	-0.6	-0.2	0.6	-1.6	0.4	-2.7	-5.1	-5.4	-1.0	0.5	0.3	0.6
IRL	1.1	-0.2	-0.7	-1.4	-0.6	-3.5	-3.3	-3.8	-4.9	1.2	4.8	2.1	2.7
I	0.1	0.5	4.3	-6.6	0.8	-3.5	-2.1	-4.1	-4.0	-0.7	0.8	-0.4	0.1
L	-	-	-	-	-	-	-	-	-	-	-	-	-
NL	3.0	-1.3	0.2	1.2	-0.5	0.9	-0.5	-1.2	-1.7	1.3	1.9	1.7	2.2
A	-0.2	0.6	1.4	1.5	-2.2	0.2	-1.7	-3.8	-3.9	-1.0	-1.2	-1.5	-1.1
P	0.3	-1.8	2.4	4.0	-0.7	0.2	0.2	-0.1	-0.4	1.9	2.5	1.4	1.0
FIN	-1.1	1.6	3.0	-5.0	-2.7	-0.9	-2.9	-4.2	-6.1	-1.2	1.0	-1.0	-0.2
S	-0.3	-1.2	3.6	-4.6	0.4	-2.3	-3.8	1.4	3.9	-0.3	-3.3	0.4	0.4
UK	-2.5	1.4	2.4	-3.2	4.1	6.5	2.2	3.4	3.5	-1.3	-3.3	0.2	0.1
EU-15	0.7	-1.8	6.5	-1.7	-2.1	1.4	-5.9	-10.4	-10.9	-3.1	3.5	-0.3	0.0
Euro area	2.0	-2.0	4.0	0.4	-3.3	-1.3	-5.1	-9.6	-10.3	-2.0	4.6	-0.4	-0.1
USA	-2.9	1.8	-6.9	-0.7	3.2	5.7	-1.1	3.8	3.6	3.7	3.9	1.6	0.8
JAP	3.4	1.3	2.4	8.0	-3.5	-7.8	12.0	10.4	9.9	-0.7	-12.1	-2.7	-1.6

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

TABLE 33 : Short term interest rates (1961-2000)

	1961-73	1974-85	1986-90	1991-95	1996-00	1993	1994	1995	1996	1997	1998	1999	2000
B	5.3	10.7	8.1	7.5	3.5	8.2	5.7	4.7	3.2	3.4	3.5	-	-
DK	7.0	12.6	9.6	8.7	4.0	10.4	6.2	6.1	3.9	3.7	4.1	3.3	5.0
D	5.8	6.8	5.7	7.1	3.5	7.2	5.3	4.5	3.3	3.3	3.5	-	-
EL	-	-	17.8	22.1	11.8	23.5	24.6	16.3	13.8	12.8	14.0	10.4	7.9
E	-	-	13.9	11.1	4.9	11.7	8.0	9.4	7.5	5.4	4.3	-	-
F	5.7	11.0	8.7	8.2	3.7	8.6	5.9	6.6	3.9	3.5	3.6	-	-
IRL	-	13.4	10.5	8.8	4.9	9.3	5.9	6.3	5.4	6.0	5.5	-	-
I	4.2	15.5	12.1	11.0	5.5	10.2	8.5	10.3	8.7	6.8	4.9	-	-
L	5.3	10.7	8.1	7.5	3.5	8.2	5.7	4.7	3.2	3.4	3.5	-	-
NL	4.1	7.7	6.4	7.0	3.4	6.9	5.2	4.4	3.0	3.3	3.4	-	-
A	-	7.1	6.1	7.0	3.6	7.2	5.0	4.5	3.3	3.5	3.6	-	-
P	-	14.7	14.9	13.6	4.9	13.3	11.1	9.8	7.4	5.7	4.3	-	-
FIN	-	12.2	11.6	9.0	3.6	7.8	5.3	5.8	3.6	3.2	3.6	-	-
S	-	-	11.0	10.1	4.4	8.8	7.6	8.9	5.9	4.5	4.3	3.3	4.1
UK	6.8	11.9	11.9	7.9	6.4	5.9	5.5	6.7	6.0	6.8	7.3	5.5	6.1
EU-15	5.6	10.8	9.8	8.9	4.6	8.6	6.7	7.0	5.4	4.9	4.7	3.5	4.7
Euro area	5.2	10.5	9.1	8.8	4.1	8.8	6.5	6.8	5.0	4.4	3.9	3.0	4.4
USA	4.5	8.6	7.0	4.6	5.7	3.1	4.7	6.0	5.5	5.7	5.5	5.4	6.5
JAP	-	7.8	5.2	3.6	0.5	3.0	2.3	1.2	0.6	0.6	0.8	0.3	0.3

TABLE 34 : Long term interest rates (1961-2000) 06.04.2001

	1961-73	1974-85	1986-90	1991-95	1996-00	1993	1994	1995	1996	1997	1998	1999	2000
B	6.5	10.6	8.5	8.1	5.5	7.2	7.8	7.5	6.5	5.8	4.7	4.8	5.6
DK	9.0	16.0	10.8	8.7	5.8	7.2	7.9	8.3	7.2	6.2	4.9	4.9	5.6
D	7.2	8.0	6.8	7.3	5.2	6.4	6.9	6.8	6.2	5.7	4.6	4.5	5.3
EL	-	13.6	-	-	-	-	-	-	-	-	8.5	6.5	6.5
E	-	-	12.9	11.2	6.0	10.1	10.1	11.3	8.7	6.4	4.8	4.7	5.5
F	6.9	12.2	9.1	7.8	5.3	6.7	7.3	7.5	6.3	5.6	4.6	4.6	5.4
IRL	-	14.6	10.2	8.5	5.7	7.8	8.1	8.3	7.3	6.3	4.8	4.6	5.4
I	7.0	15.1	12.3	12.0	6.2	11.1	10.4	11.9	9.2	6.7	4.8	4.8	5.6
L	-	8.1	8.0	7.5	5.3	6.8	7.2	7.2	6.3	5.6	4.6	4.6	5.4
NL	5.9	9.4	7.1	7.4	5.3	6.3	6.9	6.9	6.2	5.6	4.6	4.6	5.4
A	-	8.9	7.4	7.5	5.4	6.6	6.7	7.2	6.3	5.7	4.7	4.7	5.6
P	-	-	17.1	13.0	6.1	9.5	10.4	11.5	8.6	6.4	5.0	4.8	5.6
FIN	8.0	11.2	11.7	9.8	5.6	8.2	8.4	8.8	7.1	6.0	4.8	4.7	5.5
S	6.3	11.0	11.7	10.0	6.0	8.6	9.5	10.2	8.1	6.7	5.0	5.0	5.4
UK	7.6	13.0	9.9	8.5	6.1	7.3	8.1	8.2	7.8	7.0	5.5	5.0	5.3
EU-15	7.1	11.7	9.8	8.9	5.7	7.8	8.2	8.6	7.3	6.2	4.9	4.7	5.4
Euro area	6.9	11.2	9.6	9.0	5.6	7.9	8.1	8.6	7.2	6.0	4.7	4.6	5.4
USA	5.0	9.5	8.6	7.1	5.9	5.8	7.1	6.6	6.4	6.3	5.3	5.6	6.0
JAP	-	7.8	5.5	4.7	2.0	4.0	4.2	3.3	3.0	2.2	1.3	1.8	1.8

TABLE 35 : Total expenditure, general government (as a percentage of GDP, 1970-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	42.9	55.4	55.5	54.3	50.4	50.9	50.7	49.8	50.0	49.0	48.4	48.6	48.1
DK	40.8	51.3	55.4	59.4	56.1	57.2	56.0	54.7	54.5	53.9	53.8	53.0	53.1
D	40.1	47.6	46.0	48.2	48.1	48.6	48.6	45.8	45.5	47.5	47.5	46.9	47.1
EL [2]	23.6	31.9	43.4	47.0	44.6	44.6	45.2	44.8	44.7	44.2	43.8	43.2	43.4
E	21.8	31.0	41.0	45.4	41.1	41.7	40.8	40.0	39.9	39.8	39.7	39.7	39.6
F	37.1	46.0	50.2	53.0	53.6	54.0	53.7	53.0	53.2	51.0	52.0	51.2	51.8
IRL	34.2	45.1	43.2	39.6	35.6	35.7	36.3	32.3	33.6	31.0	33.2	30.1	32.6
I	35.0	43.9	52.0	54.6	48.8	49.6	48.9	47.2	46.5	47.7	46.8	46.9	45.9
L	30.9	44.4	-	-	42.3	43.2	42.6	42.3	41.2	42.3	40.5	41.4	39.7
NL	41.6	52.9	54.7	52.8	46.4	47.1	46.5	45.4	45.4	44.6	44.5	43.1	43.6
A	38.6	46.9	50.3	53.3	53.2	54.3	53.7	52.0	51.7	50.4	51.7	49.0	50.7
P	20.3	35.7	37.7	42.5	45.1	44.1	44.8	47.0	44.6	47.8	46.0	48.3	46.4
FIN	30.6	39.6	44.7	58.8	52.1	53.2	51.8	49.6	48.4	47.6	48.0	45.7	46.6
S	43.4	57.3	58.5	66.3	60.3	61.0	60.3	58.3	58.4	56.8	57.2	55.6	56.6
UK	37.4	43.7	39.8	42.7	40.8	40.7	40.1	36.8	37.7	39.0	40.6	38.7	40.3
EU-15	37.1	45.7	47.8	50.3	47.9	48.4	47.9	45.8	45.8	46.1	46.5	45.6	46.0
Euro area	36.8	45.6	48.7	50.9	48.7	49.4	49.0	47.3	47.0	47.2	47.2	46.6	46.7
USA	30.6	32.9	34.9	35.5	32.5	32.7	32.2	31.5	31.7	31.2	31.7	31.0	31.3
JAP	20.9	30.3	31.4	32.9	36.0	35.5	31.3	40.4	38.9	39.5	38.3	40.7	38.5

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. Total expenditure includes in 2000 and 2001 one-off proceeds relative to UMTS licences which are recorded as expenditure with a negative sign. Without these proceeds the total expenditure as a % of GDP in 2000 would be equal to 48.1%, 40.0%, 47.6%, 45.9%, 52.1%, 45.5%, 40.1%, 47.0% and 48.1% for D, E, I, NL, A, P, UK, EU-15 and Euro area. The corresponding ratios in 2001 would be equal to 48.5%, 52.8%, 52.5%, 46.6% and 47.4% for B, DK, F, EU-15 and Euro area.
[2] Current expenditure, gross fixed capital formation and net capital transfers.

TABLE 36 : Total revenue, general government (as a percentage of GDP, 1970-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	39.6	47.6	48.5	48.4	49.5	50.0	50.0	49.8	50.0	49.7	49.0	49.4	48.8
DK	45.7	49.4	57.0	57.0	57.8	58.3	59.1	57.3	57.0	57.2	57.0	56.1	56.0
D	40.3	44.9	44.5	45.1	46.5	46.6	47.2	47.2	47.0	46.1	45.8	45.8	45.9
EL [2]	23.7	26.9	31.4	35.5	42.1	41.4	43.3	44.0	43.8	43.9	43.8	43.6	44.0
E	22.2	28.6	36.9	39.8	39.4	39.1	39.6	39.7	39.5	39.9	39.8	39.9	39.8
F	37.8	44.4	48.4	48.5	51.6	51.3	52.1	51.5	51.9	50.9	51.4	50.7	51.0
IRL	30.3	35.2	37.9	37.5	37.9	37.7	38.4	36.4	38.1	35.5	37.2	34.6	36.1
I	29.4	34.0	41.1	45.5	46.4	46.8	47.1	47.1	46.1	46.6	45.5	45.8	44.9
L	33.5	46.3	-	-	46.0	46.4	47.3	47.2	46.5	46.5	44.5	45.0	42.6
NL	41.9	49.7	49.8	49.4	46.7	46.4	47.5	47.1	47.4	45.3	45.3	44.7	45.0
A	40.0	44.6	47.1	49.5	51.5	52.0	51.6	50.6	50.5	49.6	51.0	48.5	50.7
P	22.2	28.8	33.3	37.5	42.9	41.8	42.7	45.5	43.2	46.4	44.5	46.9	44.9
FIN	35.1	43.2	48.7	53.8	54.3	54.5	53.6	53.9	55.1	51.9	53.3	50.6	51.8
S	47.5	55.5	61.6	58.7	61.7	62.9	62.1	61.9	62.4	60.5	61.0	59.7	60.0
UK	37.5	40.1	39.2	37.0	41.0	41.2	41.4	41.3	42.0	41.0	41.6	40.7	41.2
EU-15	36.9	42.0	44.5	45.2	46.7	46.8	47.2	47.0	47.0	46.3	46.3	45.9	46.0
Euro area	36.1	41.8	44.6	45.9	47.2	47.2	47.7	47.6	47.4	46.7	46.6	46.3	46.3
USA	29.0	29.7	30.7	30.9	33.1	33.0	33.3	33.5	33.7	33.5	33.6	33.5	33.1
JAP	21.7	27.2	32.6	32.3	29.2	25.5	24.5	31.6	30.3	31.6	30.6	32.9	30.8

[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, 1970-2002) [1] 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-3.4	-7.8	-7.0	-5.9	-0.9	-0.9	-0.7	0.0	0.0	0.7	0.6	0.8	0.7
DK	4.1	-2.7	1.3	-2.4	1.7	1.1	3.1	2.6	2.5	3.3	3.2	3.1	2.9
D	0.2	-2.8	-1.5	-3.1	-1.6	-2.1	-1.4	1.4	1.5	-1.5	-1.7	-1.2	-1.2
EL [2]	0.2	-4.9	-12.0	-11.5	-2.5	-3.1	-1.8	-0.8	-0.9	-0.3	0.0	0.3	0.6
E	0.4	-2.6	-4.1	-5.6	-1.7	-2.6	-1.2	-0.3	-0.3	0.1	0.1	0.2	0.2
F	0.7	-1.6	-1.8	-4.5	-2.0	-2.7	-1.6	-1.4	-1.3	0.0	-0.6	-0.5	-0.8
IRL	-3.9	-9.9	-5.3	-2.1	2.4	2.1	2.1	4.2	4.5	4.5	3.9	4.6	3.6
I	-5.4	-9.6	-10.8	-9.1	-2.4	-2.8	-1.8	-0.1	-0.3	-1.1	-1.3	-1.0	-1.0
L	2.5	1.8	-	2.0	3.8	3.2	4.7	4.9	5.3	4.2	4.0	3.6	3.0
NL	-0.5	-3.4	-4.9	-3.5	0.2	-0.7	1.0	1.8	2.0	0.6	0.8	1.6	1.4
A	1.4	-2.3	-3.2	-3.8	-1.7	-2.2	-2.1	-1.3	-1.1	-0.8	-0.7	-0.5	0.0
P	2.0	-6.9	-4.4	-5.0	-2.2	-2.3	-2.1	-1.5	-1.4	-1.4	-1.5	-1.4	-1.5
FIN	4.5	3.7	4.0	-5.0	2.2	1.3	1.8	4.2	6.7	4.4	5.3	4.9	5.2
S	4.3	-1.7	3.1	-7.6	1.5	1.9	1.8	3.5	4.0	3.6	3.9	4.1	3.4
UK	0.1	-3.6	-0.7	-5.7	0.2	0.4	1.3	4.5	4.3	2.0	1.0	2.0	0.9
EU-15	-0.3	-3.7	-3.3	-5.1	-1.1	-1.5	-0.6	1.2	1.2	0.2	-0.2	0.3	0.0
Euro area	-0.7	-3.9	-4.1	-4.9	-1.5	-2.1	-1.2	0.3	0.4	-0.5	-0.7	-0.3	-0.4
USA	-1.6	-3.3	-4.2	-4.5	0.6	0.3	1.0	1.9	2.0	2.4	1.9	2.6	1.8
JAP	0.8	-3.2	1.2	-0.6	-6.9	-10.0	-7.0	-8.9	-8.6	-7.9	-7.7	-7.8	-7.7

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The net lending (borrowing) includes in 2000 and 2001 one-off proceeds relative to UMTS licences. Without these proceeds the net lending (borrowing) as a % of GDP in 2000 would be equal to -1.0%, -0.4%, -1.5%, 1.3%, -1.5%, -1.7%, 1.9%, -0.0% and -0.7% for D, E, I, NL, A, P, UK, EU-15 and Euro area. The corresponding ratios in 2001 would be equal to 0.5%, 2.9%, -1.1%, -0.3% and -0.8% for B, DK, F, EU-15 and Euro area.

[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, 1970-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	3.1	6.3	10.3	10.1	7.4	7.7	7.2	7.0	7.0	6.6	6.6	6.3	6.3
DK	1.3	4.2	7.6	6.9	4.8	5.3	4.7	4.4	4.2	4.0	3.8	3.7	3.6
D	1.0	2.1	2.8	3.2	3.4	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1
EL	0.8	2.3	7.3	11.7	7.7	7.8	7.6	7.3	7.2	6.7	6.7	6.1	6.1
E	0.3	0.6	3.8	4.6	3.9	4.3	3.6	3.4	3.3	3.3	3.2	3.2	3.1
F	0.9	1.7	2.7	3.3	3.5	3.6	3.4	3.3	3.3	3.2	3.2	3.1	3.1
IRL	3.4	6.3	8.1	6.2	2.9	3.4	2.4	2.1	2.1	1.8	1.8	1.6	1.6
I	2.0	5.6	8.5	11.2	7.7	8.0	6.7	6.4	6.5	6.2	6.2	6.0	5.8
L	0.9	1.0	-	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
NL	2.8	4.1	6.0	5.9	4.3	4.8	4.4	3.9	4.0	3.4	3.3	3.0	3.0
A	1.0	2.3	3.8	4.2	3.7	3.8	3.5	3.5	3.6	3.4	3.5	3.3	3.4
P	0.5	3.4	7.2	6.6	3.7	3.5	3.2	3.3	3.1	3.3	3.1	3.4	3.1
FIN	0.9	1.1	1.6	3.6	3.3	3.6	3.1	3.2	2.8	2.9	2.7	2.7	2.5
S	1.8	4.3	5.8	5.9	5.0	5.8	4.8	4.2	4.3	3.6	3.5	3.4	3.3
UK	3.7	4.5	3.9	3.0	3.0	3.6	3.0	2.6	2.7	2.4	2.3	2.1	2.0
EU-15	1.7	3.2	4.7	5.1	4.3	4.6	4.1	3.9	3.8	3.6	3.6	3.5	3.4
Euro area	1.3	2.8	4.6	5.3	4.5	4.7	4.2	4.1	4.0	3.9	3.9	3.8	3.7
USA	2.2	3.4	5.1	4.9	3.9	4.3	3.9	3.6	3.6	3.3	3.4	3.0	3.1
JAP	0.7	2.8	4.1	3.6	3.9	3.6	3.8	5.1	4.1	5.7	4.3	6.8	4.5

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

TABLE 39 : Primary balance, general government (as a percentage of GDP, 1970-2002) [1] [2]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-0.3	-1.6	3.3	4.2	6.5	6.7	6.5	7.0	7.0	7.4	7.2	7.1	7.0
DK	5.4	1.5	8.9	4.4	6.5	6.4	7.8	7.0	6.6	7.3	6.9	6.8	6.4
D	1.2	-0.7	1.4	0.1	1.8	1.5	2.1	4.9	4.8	1.8	1.4	2.0	1.9
EL	1.0	-2.6	-4.7	0.2	5.2	4.7	5.7	6.5	6.4	6.5	6.7	6.5	6.7
E	0.7	-2.0	-0.2	-1.0	2.2	1.7	2.4	3.1	3.0	3.4	3.3	3.5	3.2
F	1.5	0.0	1.0	-1.2	1.4	0.9	1.7	1.8	2.0	3.2	2.6	2.6	2.3
IRL	-0.5	-3.6	2.9	4.1	5.3	5.5	4.5	6.2	6.6	6.2	5.7	6.1	5.1
I	-3.4	-4.0	-2.3	2.1	5.3	5.2	5.0	6.4	6.1	5.1	4.8	5.0	4.7
L	3.5	2.8	-	2.4	4.1	3.6	5.0	5.2	5.6	4.5	4.3	3.9	3.2
NL	2.3	0.7	1.1	2.4	4.5	4.2	5.4	5.7	6.0	4.0	4.1	4.6	4.4
A	2.4	0.0	0.7	0.4	2.0	1.5	1.5	2.1	2.4	2.6	2.9	2.8	3.4
P	2.5	-3.5	2.8	1.6	1.5	1.2	1.1	1.7	1.8	1.9	1.6	2.0	1.6
FIN	5.3	4.7	5.5	-1.4	5.5	4.9	4.9	7.4	9.4	7.3	8.0	7.6	7.7
S	6.2	2.7	8.9	-1.7	6.5	7.8	6.7	7.7	8.3	7.3	7.4	7.5	6.7
UK	3.8	1.0	3.2	-2.7	3.2	4.0	4.2	7.1	7.0	4.4	3.3	4.1	2.9
EU-15	1.4	-0.5	1.4	0.0	3.2	3.1	3.5	5.1	5.1	3.8	3.4	3.8	3.4
Euro area	0.6	-1.0	0.5	0.4	2.9	2.6	3.0	4.4	4.4	3.5	3.2	3.5	3.3
USA	0.6	0.2	0.9	0.4	4.5	4.6	4.9	5.5	5.6	5.7	5.3	5.6	4.9
JAP	1.5	-0.4	5.3	3.0	-3.0	-6.4	-3.1	-3.7	-4.5	-2.1	-3.4	-0.9	-3.3

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The primary balance includes in 2000 and 2001 one-off proceeds relative to UMTS licences. Without these proceeds the primary balance as a % of GDP in 2000 would be equal to 2.3%, 2.9%, 5.0%, 5.3%, 2.1%, 1.4%, 4.6%, 3.8% and 3.3% for D, E, I, NL, A, P, UK, EU-15 and Euro area. The corresponding ratios in 2001 would be equal to 7.0%, 6.7%, 2.1%, 3.3% and 3.1% for B, DK, F, EU-15 and Euro area.

[2] Net lending/borrowing excluding interest expenditure.

TABLE 40 : Cyclically adjusted net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1970-2002) [1] 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-4.1	-7.8	-7.2	-6.0	-0.6	-0.4	-0.1	0.0	-0.1	0.2	0.2	0.4	0.3
DK	2.7	-2.2	0.2	-1.3	1.3	0.5	2.8	2.3	1.9	2.6	2.7	2.9	2.7
D	-0.9	-2.6	-1.0	-4.1	-1.6	-1.5	-0.7	-0.7	-0.8	-1.4	-1.6	-1.3	-1.3
EL	-0.7	-4.9	-11.8	-11.4	-2.4	-2.7	-1.4	-0.7	-0.8	-0.6	-0.3	-0.4	-0.2
E	0.2	-2.5	-4.5	-5.6	-1.6	-2.4	-1.2	-0.7	-0.8	-0.2	-0.2	0.0	0.0
F	0.1	-1.5	-2.0	-4.6	-1.8	-2.2	-1.3	-1.4	-1.3	-1.3	-1.2	-0.7	-1.0
IRL	-3.8	-10.3	-5.0	-1.1	1.9	1.9	1.4	2.9	3.1	3.3	2.8	3.8	2.8
I	-5.6	-9.5	-11.2	-9.0	-2.4	-2.5	-1.2	-0.9	-1.3	-1.1	-1.3	-1.2	-1.2
L	1.7	2.3	-	-	4.1	4.5	5.2	4.3	4.3	3.3	3.2	2.5	2.4
NL	-1.4	-3.4	-4.9	-3.5	0.1	-0.6	0.7	0.7	0.7	-0.1	0.2	1.0	0.9
A	1.0	-2.3	-2.9	-4.1	-1.6	-2.0	-1.9	-1.7	-1.5	-0.9	-0.7	-0.6	0.0
P	1.5	-6.8	-4.5	-5.1	-2.3	-2.4	-2.2	-2.1	-2.0	-1.6	-1.7	-1.5	-1.6
FIN	3.2	4.0	1.0	-1.6	1.9	0.8	1.2	3.0	5.1	3.1	3.9	3.9	4.1
S	3.7	-1.3	1.4	-6.5	1.7	2.6	1.6	3.2	3.3	2.9	3.4	3.3	2.9
UK	-0.3	-3.1	-1.9	-5.0	-0.2	0.3	1.3	2.0	1.8	1.8	0.9	1.6	0.6
EU-15	-0.9	-3.5	-3.7	-5.2	-1.1	-1.3	-0.4	0.0	-0.1	-0.2	-0.4	0.0	-0.2
Euro area	-1.4	-3.7	-4.2	-5.2	-1.5	-1.7	-0.9	-0.7	-0.7	-0.8	-0.9	-0.6	-0.6

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The proceeds from UMTS licences are not included in the calculation of the cyclically adjusted balances.

TABLE 41 : Cyclically adjusted primary balance, general government (as a percentage of GDP, 1970-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-0.9	-1.5	3.2	4.1	6.8	7.3	7.1	7.0	6.8	6.9	6.8	6.7	6.6
DK	4.0	2.2	7.9	5.6	6.1	5.8	7.5	6.6	6.1	6.6	6.5	6.6	6.3
D	0.2	-0.5	1.8	-0.9	1.9	2.1	2.9	2.8	2.5	1.9	1.6	1.9	1.8
EL	0.1	-2.6	-4.4	0.3	5.4	5.1	6.1	6.6	6.4	6.2	6.4	5.7	5.9
E	0.8	-1.6	-0.7	-1.0	2.3	1.9	2.3	2.7	2.5	3.1	3.0	3.2	3.0
F	1.0	0.1	0.8	-1.3	1.7	1.4	2.0	1.8	2.0	1.9	1.9	2.4	2.1
IRL	-0.4	-3.9	3.1	5.2	4.8	5.3	3.9	5.0	5.2	5.1	4.6	5.4	4.4
I	-3.6	-3.9	-2.7	2.1	5.3	5.5	5.5	5.5	5.1	5.1	4.9	4.8	4.6
L	2.6	3.3	-	-	4.4	4.9	5.5	4.6	4.6	3.6	3.4	2.8	2.6
NL	1.3	0.7	1.1	2.4	4.4	4.2	5.1	4.6	4.7	3.3	3.5	4.0	3.9
A	2.0	0.0	0.9	0.1	2.1	1.8	1.6	1.8	2.1	2.5	2.9	2.7	3.4
P	2.0	-3.4	2.7	1.5	1.4	1.0	1.0	1.2	1.1	1.8	1.4	1.9	1.5
FIN	4.1	5.1	2.5	2.0	5.2	4.4	4.3	6.2	7.8	6.1	6.6	6.7	6.6
S	5.5	3.0	7.1	-0.5	6.7	8.5	6.4	7.3	7.6	6.5	6.9	6.6	6.2
UK	3.4	1.4	2.0	-2.0	2.8	3.9	4.3	4.6	4.5	4.2	3.2	3.7	2.6
EU-15	0.8	-0.3	1.0	-0.1	3.1	3.3	3.7	3.8	3.7	3.5	3.2	3.5	3.1
Euro area	-0.1	-0.9	0.4	0.1	3.0	2.9	3.4	3.4	3.3	3.1	3.0	3.2	3.1

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards. The proceeds from UMTS licences are not included in the calculation of the cyclically adjusted balances.

TABLE 42 : Gross debt, general government (as a percentage of GDP, 1980-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1980	1985	1990	1995	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	78.5	122.2	128.6	133.8	125.3	119.8	116.4	111.1	110.9	105.3	104.4	99.2	98.7
DK [2]	36.4	69.8	57.7	69.3	61.4	55.8	52.6	48.5	47.3	44.6	43.4	40.9	39.6
D	31.7	41.7	43.5	57.1	60.9	60.7	61.1	60.0	60.2	57.8	58.6	56.6	57.6
EL	27.7	59.8	89.0	108.7	108.3	105.5	104.6	103.9	103.9	99.8	99.9	96.4	98.0
E	17.0	42.7	44.0	64.0	66.7	64.7	63.4	61.0	60.6	58.1	58.1	55.6	55.8
F	20.4	31.8	36.3	54.0	59.3	59.7	58.7	58.3	58.0	56.9	56.9	55.7	55.3
IRL	72.3	105.3	97.5	84.4	65.1	55.0	50.1	41.6	39.1	33.3	33.3	26.3	26.7
I	58.3	82.0	97.3	123.3	120.1	116.2	114.5	110.7	110.2	105.8	105.7	102.3	102.6
L	9.2	9.5	4.5	5.6	6.0	6.4	6.0	5.5	5.3	5.3	5.1	5.1	4.9
NL	46.0	70.0	77.1	77.0	70.0	66.8	63.2	56.9	56.3	52.7	52.1	47.5	47.8
A	36.4	49.5	57.5	68.5	64.7	63.9	64.7	64.4	62.8	62.8	61.5	61.0	59.4
P	35.4	67.5	63.6	64.1	59.1	55.3	55.0	56.1	53.8	56.5	52.8	56.5	52.4
FIN	11.6	16.4	14.5	57.1	54.1	48.8	46.9	42.5	44.0	39.3	41.7	36.4	39.5
S	39.6	61.6	42.1	76.6	73.0	71.8	65.2	58.6	55.6	52.7	53.4	47.1	49.1
UK	55.0	54.3	35.2	52.1	51.1	48.1	45.7	38.8	42.9	34.8	38.3	30.9	35.4
EU-15	38.4	53.8	54.9	70.2	71.1	69.0	67.5	63.9	64.5	60.7	61.7	57.9	59.3
Euro area	35.3	52.7	58.6	72.3	74.7	73.1	72.0	69.8	69.7	67.5	67.7	65.2	65.6

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

[2] Government deposits with the central bank, government holdings of non-government bonds and public enterprise related debt amounted to 9.1 % of GDP in 2000.

TABLE 43 : Gross national saving (as a percentage of GDP, 1970-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	25.7	19.5	21.1	23.7	25.2	24.7	24.5	25.0	25.0	25.7	26.0	26.7	26.6
DK	24.3	18.1	19.3	19.8	22.5	20.9	22.4	21.6	23.6	22.2	24.2	23.0	24.9
D	27.1	21.9	24.4	22.4	21.4	21.6	21.4	21.7	21.5	21.7	21.1	21.8	21.3
EL	33.1	26.4	19.4	18.4	19.3	18.0	19.1	19.6	19.7	20.6	20.9	22.0	22.0
E	27.3	20.6	19.6	17.8	22.7	22.6	22.3	22.6	22.4	23.1	23.1	23.5	23.6
F	27.5	21.9	20.6	19.8	21.4	21.1	21.3	22.4	22.1	22.8	22.6	23.5	23.0
IRL	21.7	18.4	16.5	17.9	23.6	24.8	23.9	23.3	23.8	23.3	23.3	23.7	23.8
I	25.9	24.8	21.5	19.7	21.2	21.1	20.7	21.1	20.6	21.5	20.9	22.3	21.6
L	40.0	49.3	49.3	-	-	-	-	-	42.5	-	42.2	-	42.3
NL	27.5	21.5	21.7	22.4	27.6	25.9	27.9	27.7	28.6	27.5	28.4	27.9	28.1
A	30.5	25.1	24.0	23.0	22.0	22.0	21.4	21.1	22.2	21.6	22.5	22.0	22.6
P	27.2	20.3	27.1	21.6	18.7	19.2	18.1	15.1	17.5	15.2	18.2	15.5	18.6
FIN	27.9	25.9	24.8	17.1	25.6	24.9	25.4	26.4	27.9	27.6	28.0	28.8	28.2
S	24.1	18.4	18.4	16.0	20.6	20.6	20.9	20.2	21.1	20.9	21.2	21.9	21.4
UK	21.1	17.9	17.3	15.4	16.8	18.0	16.3	16.4	16.0	16.4	16.1	16.9	16.3
EU-15	26.1	21.5	21.2	19.9	21.1	21.2	20.9	21.1	21.1	21.4	21.3	21.9	21.7
Euro area	27.1	22.3	22.2	20.9	22.1	21.9	21.8	22.3	22.2	22.6	22.4	23.1	22.8
USA	19.6	19.7	16.4	16.3	17.6	18.1	17.2	17.7	17.5	18.2	17.2	18.6	17.9
JAP	38.5	32.1	33.2	32.3	29.7	29.8	28.5	28.3	28.6	29.1	29.7	29.3	29.8

TABLE 44 : Gross saving, private sector (as a percentage of GDP, 1970-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	23.9	22.9	25.8	27.6	23.5	23.2	22.6	22.7	22.4	22.8	22.9	23.5	23.2
DK	15.1	17.0	16.2	20.5	19.1	18.1	17.8	17.4	19.5	17.7	19.6	18.2	20.5
D	21.1	19.8	22.4	21.6	20.6	21.0	20.1	20.0	19.7	20.6	20.3	20.4	20.0
EL	29.4	28.0	27.2	25.5	18.4	18.0	17.2	16.6	16.8	17.1	17.3	17.9	17.7
E	23.6	19.4	18.3	18.4	20.2	21.4	19.5	18.9	19.0	18.9	19.1	19.1	19.3
F	22.9	19.8	18.8	20.7	19.9	20.0	19.3	20.2	19.8	20.4	20.1	20.3	20.1
IRL	20.2	22.9	19.5	18.5	18.6	20.7	17.9	17.2	16.5	16.9	16.7	17.2	17.0
I	28.1	30.6	27.4	25.1	20.7	20.9	19.1	19.0	18.8	19.3	19.1	20.0	19.5
L	32.9	41.2	-	-	-	-	-	-	31.5	-	32.2	-	33.2
NL	22.8	20.3	22.5	23.0	25.0	24.1	24.3	23.9	24.6	24.2	25.0	23.8	24.1
A	22.4	21.3	22.2	22.0	20.0	19.9	19.6	19.4	20.5	19.1	20.1	19.3	19.7
P	22.9	22.9	28.0	23.1	16.8	17.4	15.9	13.1	15.2	12.5	14.9	12.7	15.2
FIN	19.5	18.1	17.0	18.7	20.5	20.7	20.8	19.3	18.8	20.4	20.1	21.3	20.5
S	14.2	15.5	13.0	19.8	16.6	16.9	16.4	14.1	14.6	14.7	14.9	15.2	15.5
UK	16.2	18.0	16.0	18.3	15.2	16.0	13.6	13.0	12.8	13.0	13.5	13.3	13.5
EU-15	21.6	21.0	21.1	21.6	19.6	20.0	18.7	18.4	18.3	18.7	18.8	18.8	18.8
Euro area	23.2	21.9	22.4	22.2	20.7	20.9	19.8	19.9	19.8	20.2	20.1	20.3	20.1
USA	18.6	20.5	18.0	18.3	14.4	15.5	13.8	12.8	12.4	12.7	12.2	12.9	13.0
JAP	31.6	28.6	26.2	25.7	33.1	27.6	36.4	30.9	37.4	32.0	38.2	33.0	38.4

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

TABLE 45 : Gross saving, general government (as a percentage of GDP, 1970-2002) [1]

								2000 estimate of		2001 forecast of		2002 forecast of	
	1970-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	1.9	-3.4	-4.7	-3.9	1.7	1.5	1.9	2.4	2.7	2.8	3.1	3.2	3.5
DK	9.2	1.1	3.1	-0.7	3.4	2.9	4.6	4.2	4.2	4.5	4.7	4.8	4.6
D	6.1	2.1	2.0	0.8	0.7	0.6	1.3	1.7	1.8	1.1	0.8	1.4	1.3
EL	3.7	-1.6	-7.8	-7.1	0.9	0.0	1.9	3.0	2.9	3.5	3.6	4.1	4.3
E	3.7	1.2	1.3	-0.6	2.5	1.2	2.8	3.7	3.4	4.2	4.0	4.4	4.3
F	4.6	2.0	1.8	-0.9	1.5	1.1	2.1	2.2	2.3	2.5	2.5	3.2	2.9
IRL	1.5	-4.5	-3.0	-0.6	5.0	4.1	6.0	6.1	7.3	6.4	6.6	6.5	6.8
I	-2.2	-5.8	-5.9	-5.5	0.5	0.2	1.6	2.1	1.8	2.2	1.8	2.3	2.1
L	7.1	8.1	-	-	9.4	8.8	9.9	10.1	11.1	9.9	10.0	9.3	9.1
NL	4.7	1.2	-0.8	-0.6	2.7	1.8	3.5	3.8	4.1	3.2	3.4	4.1	4.0
A	8.1	3.8	1.8	1.0	2.0	2.0	1.8	1.7	1.7	2.5	2.4	2.7	2.9
P	4.3	-2.6	-0.8	-1.6	2.0	1.8	2.2	2.0	2.3	2.6	3.3	2.8	3.4
FIN	8.4	7.8	7.8	-1.6	5.1	4.2	4.6	7.1	9.1	7.2	7.8	7.6	7.7
S	9.9	2.8	5.4	-3.8	4.0	3.7	4.6	6.1	6.4	6.2	6.3	6.7	5.9
UK	5.0	-0.2	1.3	-2.9	1.6	2.0	2.7	3.4	3.3	3.4	2.7	3.6	2.8
EU-15	4.4	0.4	0.2	-1.8	1.5	1.2	2.2	2.7	2.8	2.8	2.5	3.1	2.8
Euro area	3.9	0.4	-0.2	-1.4	1.4	1.0	2.0	2.4	2.5	2.4	2.3	2.8	2.7
USA	1.0	-0.8	-1.7	-2.0	3.2	2.6	3.5	4.9	5.0	5.5	5.0	5.7	4.8
JAP	6.9	3.5	7.0	6.5	-3.5	2.3	-7.9	-2.6	-8.8	-2.8	-8.6	-3.7	-8.5

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

TABLE 46 : Exports of goods, volume (percentage change on preceding year, 1961-2002) 06.04.2001

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	10.1	2.3	5.7	4.8	6.2	4.1	5.2	9.4	10.6	8.2	7.2	7.5	7.4
DK	7.1	5.0	4.2	3.4	5.6	1.6	7.4	6.1	8.3	7.0	6.7	6.5	6.8
D	8.0	4.7	4.8	3.6	8.9	7.7	5.3	12.7	13.9	9.9	10.7	8.1	8.9
EL	10.5	7.3	3.3	3.6	6.0	8.4	2.3	8.4	8.5	7.2	8.3	6.8	8.1
E	-	8.8	4.5	11.9	9.7	7.1	5.0	11.1	11.0	10.0	9.1	9.0	8.7
F	10.0	4.5	5.8	5.9	8.3	8.7	3.7	13.5	14.0	8.7	9.5	8.0	8.1
IRL	8.1	8.7	9.1	13.2	13.1	16.0	11.7	14.6	15.9	12.0	10.0	10.1	9.5
I	11.7	5.1	6.0	7.3	5.2	3.5	1.1	10.7	9.7	9.2	7.6	7.8	8.1
L	5.3	1.9	6.6	3.9	6.2	14.1	-2.0	9.5	9.5	9.0	6.8	7.7	6.5
NL	9.9	3.5	5.4	4.6	6.9	7.3	5.6	8.8	9.1	8.3	7.1	6.9	6.5
A	-	6.8	5.5	4.6	9.0	8.2	7.9	12.1	10.9	10.2	8.2	9.3	7.7
P	-	-	-	-	-	-	-	8.5	7.8	8.0	7.1	7.9	7.2
FIN	-	3.7	1.6	7.7	11.1	9.8	7.6	10.8	20.0	9.3	9.6	8.4	8.2
S	-	3.1	2.5	7.5	7.9	8.1	4.9	10.9	10.7	8.7	7.3	8.0	7.6
UK	5.0	3.8	4.9	5.3	6.5	1.3	3.5	9.9	10.4	7.5	7.0	7.3	8.0
EU-15 [1]	8.8	4.6	5.2	5.6	7.7	6.3	4.5	11.2	11.8	9.0	8.6	7.9	8.1
Euro area [2]	9.5	4.8	5.4	5.7	7.9	7.1	4.6	11.6	12.2	9.3	9.0	8.0	8.1
USA	6.9	3.6	11.1	7.7	7.5	2.2	4.0	11.0	11.9	9.7	4.8	9.6	6.8
JAP	-	9.0	2.6	1.9	4.4	-1.5	-5.5	8.2	9.2	6.2	6.6	8.1	8.5

[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, 1961-2002)

								2000 estimate of		2001 forecast of		2002 forecast of	
	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	9.3	1.7	7.1	3.8	6.1	6.3	4.4	8.6	9.9	7.8	7.0	7.3	7.1
DK	8.3	2.1	2.7	4.3	6.1	6.0	2.8	5.3	8.1	5.1	5.3	5.5	6.4
D	8.7	3.8	7.1	3.8	8.7	9.8	7.9	10.3	11.1	9.8	11.5	8.1	9.5
EL	13.0	2.6	8.7	3.8	7.5	11.6	-0.9	6.6	8.0	6.4	7.9	6.4	8.4
E	-	2.0	18.1	7.5	10.6	13.5	11.7	9.3	10.4	8.3	8.4	9.0	8.9
F	11.3	2.4	8.5	3.8	8.3	12.0	4.7	14.2	15.8	8.6	10.6	7.9	8.5
IRL	9.2	4.1	6.5	7.9	11.7	18.6	4.8	14.2	14.3	11.6	10.2	9.3	9.8
I	10.7	3.0	8.5	3.6	7.2	8.8	7.2	9.5	8.7	9.7	8.2	9.6	8.8
L	6.2	2.4	8.5	4.9	9.4	13.0	11.8	7.5	6.1	9.5	9.2	9.0	9.0
NL	9.4	2.5	5.6	3.7	7.6	8.1	6.2	9.6	8.9	8.7	8.2	7.8	7.6
A	-	4.4	6.0	3.7	7.2	7.6	7.2	9.9	7.7	7.6	6.7	8.0	6.9
P	-	-	-	-	-	-	-	8.6	7.3	7.0	5.6	7.2	5.5
FIN	-	2.1	5.7	0.8	10.7	11.9	4.5	9.1	15.7	7.4	9.8	6.5	8.2
S	-	2.1	4.7	3.6	7.3	10.9	2.1	10.1	10.2	8.9	7.7	8.3	7.4
UK	5.2	2.6	7.3	2.9	8.6	8.5	7.4	9.4	10.6	7.4	7.7	7.2	7.6
EU-15 [1]	9.2	2.9	8.0	4.0	8.2	9.8	6.6	10.2	10.8	8.6	9.0	8.0	8.3
Euro area [2]	9.9	3.0	8.3	4.1	8.2	10.0	6.9	10.5	11.0	8.9	9.3	8.2	8.5
USA	9.0	5.0	5.2	8.2	10.3	11.8	12.5	13.7	14.0	8.5	4.1	6.9	6.5
JAP	-	2.1	10.1	5.1	4.6	-4.9	-1.0	7.9	13.1	7.6	6.6	11.1	6.9

[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 (fob-fob, as a percentage of GDP, 1974-2002)

							2000 estimate of		2001 forecast of		2002 forecast of	
	1974-85	1986-90	1991-95	1996-02	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-3.8	-0.9	-0.2	2.2	1.2	0.7	3.0	2.9	3.1	3.6	3.8	4.1
DK	-3.9	0.8	3.8	2.9	1.3	3.0	2.8	2.9	3.3	3.4	3.7	3.6
D	3.4	6.2	1.9	3.2	3.7	3.5	3.1	3.1	3.3	3.0	3.6	3.1
EL	-9.7	-11.9	-13.0	-14.8	-15.1	-13.9	-15.2	-15.7	-15.7	-15.7	-15.6	-16.1
E	-5.4	-4.8	-3.8	-4.6	-3.6	-5.1	-6.1	-6.2	-6.2	-6.1	-6.5	-6.4
F	-3.0	-1.3	-0.1	0.4	1.4	1.0	-0.2	-0.6	-0.3	-0.8	0.1	-0.9
IRL	-9.6	6.9	15.1	25.2	23.1	25.9	25.7	27.7	26.4	27.7	27.1	27.5
I	-1.6	0.1	2.2	2.8	3.4	2.3	1.4	1.5	1.2	1.7	1.0	1.7
L	-7.7	-11.0	-13.3	-14.2	-10.2	-16.7	-18.0	-15.4	-19.6	-16.4	-19.8	-17.6
NL	0.2	1.8	3.5	5.0	5.3	4.5	3.6	4.9	3.5	4.9	3.7	4.5
A	-6.3	-4.0	-3.7	-1.7	-1.6	-1.6	-2.0	-1.4	-1.6	-1.1	-1.2	-1.1
P	-	-11.7	-11.4	-11.6	-11.0	-12.2	-14.2	-13.8	-14.8	-13.1	-15.1	-13.0
FIN	-0.3	1.2	6.1	10.1	9.7	9.0	10.3	10.9	11.2	11.3	12.2	11.5
S	-	2.0	4.0	7.2	7.2	7.1	6.9	6.6	7.0	6.8	7.2	7.1
UK	-1.4	-3.6	-1.9	-2.7	-2.4	-2.9	-3.0	-3.1	-3.1	-3.6	-3.2	-3.5
EU-15	-1.4	0.1	0.4	1.0	1.5	1.0	0.4	0.5	0.4	0.4	0.6	0.4
EU-15, adjusted	-	-	-	-	0.6	0.2	-0.3	-0.4	-0.2	-0.3	0.0	-0.3
Euro area	-1.0	0.9	0.7	1.8	2.4	1.8	1.2	1.3	0.9	1.0	1.1	1.0
Euro area, adjusted	-	-	-	-	1.9	1.4	0.8	1.0	0.5	0.7	0.7	0.7
USA	-1.2	-2.6	-1.9	-3.6	-2.8	-3.8	-4.5	-4.6	-4.7	-4.5	-4.6	-4.5
JAP	1.7	3.2	2.9	1.9	2.3	2.0	2.4	1.7	2.3	1.4	2.3	1.4

TABLE 49 : Balance on current transactions with the rest of the world (as a percentage of GDP, 1961-2002) 06.04.2001

	1961-73	1974-85	1986-90	1991-95	1996-02	1998	1999	2000 estimate of X-2000	2000 estimate of IV-2001	2001 forecast of X-2000	2001 forecast of IV-2001	2002 forecast of X-2000	2002 forecast of IV-2001
B	1.4	-1.6	0.9	3.4	4.2	3.8	3.4	3.5	3.8	3.8	4.6	4.5	5.0
DK	-1.9	-3.5	-2.2	1.6	1.4	-0.8	2.2	0.8	1.5	1.4	2.4	2.1	2.8
D	0.7	0.8	4.2	-0.9	-0.8	-0.2	-0.8	-0.8	-1.2	-1.0	-1.6	-1.1	-1.7
EL	-2.0	-0.9	-3.0	-2.0	-3.5	-3.9	-3.2	-4.1	-4.2	-4.4	-4.1	-4.2	-4.0
E	-0.7	-1.4	-1.2	-1.8	-1.7	-0.6	-2.3	-3.6	-3.4	-3.9	-3.2	-4.2	-3.0
F	0.6	-1.7	-1.6	-0.1	1.6	2.3	2.3	1.6	1.2	1.7	1.1	2.2	1.1
IRL	-2.5	-7.9	-1.2	1.9	0.9	0.9	0.6	-1.2	-0.1	-1.8	-0.8	-1.8	-1.1
I	1.4	-0.8	-0.7	-0.1	1.3	1.8	1.0	-0.5	0.1	-0.7	0.2	-0.6	0.3
L	6.9	26.6	28.1	-	-	-	-	-	21.3	-	21.4	-	22.0
NL	0.5	2.0	2.9	4.5	5.5	4.0	5.5	4.7	6.3	4.4	5.8	4.6	5.3
A	0.1	-1.0	0.1	-1.1	-2.5	-2.0	-2.6	-3.4	-2.9	-3.1	-2.5	-2.9	-2.5
P	0.4	-6.6	-0.6	-3.1	-7.9	-7.4	-9.0	-10.9	-10.2	-11.5	-9.4	-11.9	-9.3
FIN	-1.4	-2.0	-3.1	-1.2	6.4	5.6	5.5	6.4	7.7	7.4	8.1	8.5	8.1
S	0.2	-1.7	-1.6	-0.3	3.6	3.8	3.9	2.9	3.2	2.9	3.2	3.3	3.0
UK	0.4	0.2	-2.8	-1.1	-0.9	0.0	-1.1	-1.5	-1.7	-1.7	-2.1	-1.5	-2.2
EU-15	0.5	-0.5	0.0	-0.3	0.4	0.8	0.3	-0.3	-0.2	-0.4	-0.3	-0.2	-0.3
EU-15, adj.	-	-	-	-	-	0.5	0.0	-0.7	-0.6	-0.8	-0.6	-0.6	-0.7
Euro area	0.7	-0.5	0.7	-0.2	0.6	1.0	0.5	-0.1	0.1	-0.2	-0.1	-0.1	-0.1
Euro area, adj.	-	-	-	-	-	0.6	-0.1	-1.0	-0.5	-1.0	-0.5	-0.9	-0.6
USA	0.5	-0.3	-2.3	-0.9	-3.0	-2.3	-3.4	-4.2	-4.3	-4.3	-4.2	-4.2	-4.2
JAP	0.6	0.9	2.8	2.5	2.4	3.0	2.5	2.0	2.5	2.0	2.7	1.9	2.8

TABLE 50 : Trade balance (fob-fob, in billions of Ecu/euro, 1994-2002)

	1994	1995	1996	1997	1998	1999	2000 estimate of X-2000	2000 estimate of IV-2001	2001 forecast of X-2000	2001 forecast of IV-2001	2002 forecast of X-2000	2002 forecast of IV-2001
B	0.7	2.9	2.9	3.0	2.6	7.1	7.4	7.2	8.0	9.3	10.2	11.2
DK	5.3	3.8	4.8	3.7	2.0	4.9	4.8	5.1	5.9	6.2	6.9	7.0
D	40.0	48.0	55.7	63.7	71.2	68.6	63.7	62.4	70.0	63.7	78.8	66.5
EL	-9.9	-11.0	-13.0	-14.8	-16.4	-16.3	-18.3	-19.0	-20.0	-20.3	-21.5	-22.3
E	-12.0	-14.0	-12.8	-12.0	-18.7	-29.0	-36.9	-37.8	-40.3	-39.3	-44.7	-43.5
F	2.9	4.3	8.4	21.7	18.2	9.9	-3.0	-7.7	-4.7	-11.5	1.9	-14.1
IRL	7.8	10.3	12.4	16.3	17.8	22.7	26.0	28.6	30.0	32.5	34.2	36.4
I	29.2	33.3	45.9	38.7	36.8	26.0	16.2	17.9	14.5	21.3	12.8	22.4
L	-1.5	-1.3	-1.6	-1.8	-1.7	-3.0	-3.6	-3.2	-4.2	-3.7	-4.7	-4.3
NL	10.8	18.8	17.9	18.6	18.8	16.8	14.4	19.9	14.9	21.2	17.0	20.7
A	-6.7	-4.7	-5.4	-3.4	-3.0	-3.1	-4.1	-2.9	-3.3	-2.3	-2.8	-2.4
P	-8.1	-7.1	-7.4	-9.0	-10.9	-13.1	-15.8	-15.6	-17.3	-15.9	-18.5	-16.6
FIN	6.5	9.5	8.9	10.2	11.2	11.0	13.6	14.4	15.8	15.7	18.3	16.7
S	7.9	13.1	14.9	16.9	15.5	16.1	17.0	16.4	18.4	16.6	19.9	18.3
UK	-14.3	-14.1	-16.1	-17.2	-30.4	-39.7	-46.8	-47.3	-50.4	-55.0	-53.9	-57.2
EU-15	58.6	91.8	115.5	134.5	113.0	79.0	34.5	38.3	37.2	38.6	54.0	38.8
EU-15, adjusted	-	-	-	74.4	46.8	19.1	-22.6	-30.8	-19.9	-30.5	-3.1	-30.4
Euro area	69.6	99.9	124.9	146.0	144.2	113.9	77.8	83.2	63.3	70.8	81.1	70.7
Euro area, adjusted	-	-	-	115.7	109.3	83.4	47.9	59.8	33.4	47.5	51.1	47.3
USA	-140.5	-132.9	-149.6	-173.0	-221.7	-327.8	-487.4	-497.8	-544.4	-494.0	-568.8	-520.9
JAP	121.4	100.4	65.9	89.8	108.2	85.1	117.9	89.9	124.3	66.2	124.7	69.7

TABLE 51 : Balance on current transactions with the rest of the world (in billions of Ecu/euro, 1994-2002)

	1994	1995	1996	1997	1998	1999	2000 estimate of X-2000	2000 estimate of IV-2001	2001 forecast of X-2000	2001 forecast of IV-2001	2002 forecast of X-2000	2002 forecast of IV-2001
B	10.1	9.6	9.8	9.7	8.5	7.8	8.4	9.3	9.6	11.9	12.2	13.6
DK	2.0	1.0	2.1	0.6	-1.3	3.6	1.4	2.7	2.6	4.4	3.9	5.4
D	-21.8	-15.2	-6.1	-1.9	-3.8	-14.4	-16.4	-24.8	-21.4	-32.8	-23.3	-36.9
EL	-0.4	-0.8	-2.3	-2.5	-4.3	-3.8	-5.0	-5.1	-5.7	-5.3	-5.9	-5.6
E	-5.5	-0.1	0.7	2.4	-3.1	-13.2	-22.1	-20.8	-25.2	-20.4	-28.8	-20.9
F	2.8	3.1	11.2	31.6	29.7	31.0	23.0	17.2	24.9	16.7	33.7	16.6
IRL	1.3	1.4	1.9	2.2	0.7	0.6	-1.2	-0.1	-2.1	-0.9	-2.3	-1.4
I	10.4	18.8	31.1	28.6	19.6	10.6	-6.2	1.6	-8.0	2.8	-8.0	3.6
L	2.2	-	-	-	-	3.2	-	4.4	-	4.8	-	5.4
NL	15.4	20.2	17.6	20.5	14.1	20.8	18.7	25.2	18.8	25.2	21.1	24.6
A	-2.8	-4.3	-4.0	-4.7	-3.8	-5.2	-7.1	-6.1	-6.7	-5.4	-6.5	-5.5
P	-3.3	-2.5	-3.5	-5.7	-7.4	-9.6	-12.1	-11.6	-13.4	-11.5	-14.5	-11.9
FIN	0.9	4.1	4.1	6.0	6.4	6.7	8.5	10.2	10.4	11.2	12.7	11.9
S	2.1	6.9	7.2	9.0	8.1	8.9	7.2	7.8	7.7	7.8	9.2	7.8
UK	-1.9	-4.5	-0.7	9.6	-0.1	-15.0	-23.5	-26.5	-26.9	-32.3	-25.2	-36.0
EU-15	11.7	37.6	69.1	105.4	63.6	28.8	-26.3	-20.9	-35.3	-28.6	-21.7	-34.7
EU-15, adjusted	-	-	-	82.9	35.8	-1.8	-60.6	-48.3	-69.5	-56.0	-55.9	-62.1
Euro area	9.9	35.1	62.9	88.7	61.1	35.1	-6.4	0.2	-18.6	-8.5	-9.6	-12.0
Euro area, adjusted	-	-	-	61.5	31.1	-5.8	-58.9	-28.2	-71.1	-36.9	-62.1	-40.5
USA	-91.0	-74.9	-87.2	-108.5	-177.6	-293.8	-454.8	-467.2	-504.1	-463.0	-514.9	-480.9
JAP	108.1	82.2	50.9	83.5	104.1	106.4	99.2	129.5	107.2	128.9	105.0	136.6

TABLE 52 : Export markets (a) (percentage change on preceding year, 1994-2002) 06.04.2001

							2000 estimate of		2001 forecast of		2002 forecast of	
	1994	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	8.4	6.8	4.1	9.3	8.2	6.9	10.7	12.0	8.7	8.8	8.0	8.4
DK	9.0	6.9	4.7	8.6	6.9	5.0	8.6	9.5	7.9	7.7	7.4	7.5
D	9.1	7.7	5.1	9.8	7.3	5.9	10.6	12.3	8.4	7.8	8.1	8.1
EL	7.5	7.4	4.3	8.8	6.0	5.6	8.8	10.0	8.0	8.7	7.3	7.9
E	8.3	7.4	4.1	9.4	8.5	6.0	10.2	11.3	8.3	8.4	7.8	8.0
F	8.9	7.8	4.8	9.6	7.3	7.2	9.7	11.1	8.5	8.0	8.0	8.1
IRL	8.6	6.5	5.6	9.3	7.8	6.9	9.9	11.4	8.2	7.4	7.6	7.7
I	8.7	7.1	5.5	9.8	7.1	6.4	10.8	12.8	8.6	8.6	8.0	8.4
L (b)	-	-	-	-	-	-	-	-	-	-	-	-
NL	7.8	5.7	4.0	7.9	7.2	4.8	8.7	9.5	7.4	7.5	7.0	7.2
A	8.4	7.1	3.7	10.3	8.6	6.6	10.6	12.7	9.2	9.7	8.4	9.2
P	9.5	7.8	4.7	9.8	9.3	8.2	10.8	12.5	8.9	9.2	8.2	8.6
FIN	10.2	8.1	4.7	10.0	6.0	3.8	10.1	11.7	8.4	8.0	7.9	8.2
S	9.5	7.1	5.2	9.9	7.3	6.0	9.7	11.6	8.3	7.4	7.8	7.7
UK	9.6	8.3	5.4	9.8	7.5	6.5	10.7	12.1	8.6	7.7	7.9	7.9
EU-15 (c)	8.9	7.4	4.9	9.5	7.4	6.2	10.3	11.7	8.4	8.0	7.9	8.0
Euro area (c)	8.7	7.2	4.8	9.5	7.5	6.2	10.3	11.7	8.4	8.1	7.9	8.1
USA	10.4	10.5	6.6	10.0	1.6	6.7	11.4	13.4	9.2	7.5	8.5	8.4
JAP	13.0	10.8	6.8	11.6	3.2	9.1	12.0	14.5	8.9	7.4	8.1	8.1

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

TABLE 53 : Export performance (a) (percentage change on preceding year, 1994-2002)

							2000 estimate of		2001 forecast of		2002 forecast of	
	1994	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
B	-1.3	0.9	-0.3	-2.7	-3.8	-1.6	-1.2	-1.2	-0.5	-1.5	-0.5	-0.9
DK	-2.0	-7.3	-2.7	-1.9	-5.2	2.3	-2.3	-1.1	-0.8	-0.9	-0.8	-0.7
D	-0.2	-3.4	-0.5	1.6	0.2	-0.6	1.9	1.4	1.4	2.7	0.0	0.7
EL	-0.8	-3.6	-1.8	-4.6	-4.1	-3.1	-0.4	-1.4	-0.7	-0.4	-0.5	0.2
E	11.5	2.3	6.2	3.6	-3.1	-0.9	0.8	-0.3	1.6	0.6	1.1	0.6
F	-2.1	-0.2	-1.0	2.0	-0.5	-3.3	3.5	2.6	0.2	1.4	0.0	0.0
IRL	2.7	8.0	4.5	5.4	12.6	4.5	4.3	4.0	3.5	2.4	2.3	1.7
I	1.7	3.6	-5.5	-5.2	-3.4	-5.0	-0.1	-2.7	0.6	-0.9	-0.2	-0.3
L (b)	-	-	-	-	-	-	-	-	-	-	-	-
NL	-1.4	0.6	0.1	-1.9	-0.7	0.8	0.1	-0.4	0.8	-0.4	-0.1	-0.7
A	-0.4	0.9	1.9	2.1	-0.4	1.2	1.4	-1.6	0.9	-1.4	0.8	-1.4
P	2.6	4.3	5.5	-0.3	-1.5	-	-2.1	-4.2	-0.8	-1.9	-0.3	-1.3
FIN	2.5	-2.5	-0.3	4.7	3.8	3.7	0.6	7.4	0.8	1.5	0.5	0.0
S	5.8	5.2	0.7	2.4	-0.5	-1.0	1.1	-0.8	0.4	-0.1	0.2	-0.1
UK	0.9	-1.8	1.4	-1.8	-5.8	-2.8	-0.7	-1.5	-1.0	-0.6	-0.6	0.1
EU-15 (c)	0.6	-0.1	-0.3	-0.2	-1.4	-1.6	0.8	0.1	0.6	0.6	0.0	0.1
Euro area (c)	0.7	0.3	-0.3	0.2	-0.6	-1.5	1.2	0.4	0.8	0.8	0.1	0.0
USA	0.9	0.1	0.9	5.0	0.5	-2.5	-0.4	-1.3	0.5	-2.5	1.0	-1.5
JAP	-6.8	-5.2	-4.4	-1.9	-4.5	-13.4	-3.4	-4.6	-2.5	-0.7	0.0	0.4

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

TABLE 54 : World GDP, volume (percentage change on preceding year, 1995-2002) 06.04.2001

							2000 estimate of		2001 forecast of		2002 forecast of	
	(a)	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
EU-15	20.2	2.4	1.7	2.6	2.8	2.5	3.4	3.4	3.1	2.8	3.0	2.9
Euro area	15.9	2.3	1.5	2.4	2.8	2.5	3.5	3.4	3.2	2.8	3.0	2.9
Belgium	0.6	2.6	1.2	3.4	2.4	2.7	3.9	3.9	3.3	3.0	3.2	3.1
Denmark	0.3	2.8	2.5	3.0	2.8	2.1	2.6	2.9	2.3	2.1	2.4	2.4
Germany	4.7	1.7	0.8	1.4	2.1	1.6	3.1	3.0	2.8	2.2	2.8	2.6
Greece	0.4	2.1	2.4	3.5	3.1	3.4	4.1	4.1	4.5	4.4	4.8	4.8
Spain	1.7	2.8	2.4	3.9	4.3	4.0	4.1	4.1	3.5	3.2	3.3	3.3
France	3.3	1.7	1.1	1.9	3.1	2.9	3.3	3.2	3.1	2.9	2.8	2.8
Ireland	0.2	9.7	7.7	10.7	8.6	9.8	10.5	10.7	8.2	7.5	7.1	7.1
Italy	3.1	2.9	1.1	2.0	1.8	1.6	2.9	2.9	2.8	2.5	2.7	2.7
Luxembourg	0.0	3.8	2.9	7.3	5.0	7.5	7.8	8.5	6.5	5.6	6.0	5.5
Netherlands	1.0	2.3	3.0	3.8	4.1	3.9	4.3	3.9	4.0	3.4	3.5	3.1
Austria	0.5	1.6	2.0	1.3	3.3	2.8	3.5	3.2	2.9	2.5	2.8	2.6
Portugal	0.4	2.9	3.7	3.8	3.8	3.0	3.0	3.3	2.7	2.6	2.7	2.6
Finland	0.3	3.8	4.0	6.3	5.3	4.2	4.8	5.7	4.3	4.0	3.8	3.6
Sweden	0.5	3.7	1.1	2.1	3.6	4.1	4.0	3.6	3.7	2.7	3.2	3.0
United Kingdom	3.1	2.8	2.6	3.5	2.6	2.3	3.1	3.0	3.0	2.7	3.0	3.0
USA	22.3	2.7	3.6	4.5	4.4	4.3	5.1	5.0	3.3	1.6	3.0	3.0
Japan	7.8	1.5	3.0	1.4	-0.8	0.7	1.4	1.7	1.9	1.0	2.2	1.3
Canada	2.0	2.8	1.5	4.4	3.3	4.5	5.3	5.0	3.1	2.8	2.9	3.3
Rest OECD	6.8	2.5	5.1	5.4	1.6	3.9	5.7	6.2	4.6	3.2	4.1	4.1
- Norway	0.3	3.8	4.9	4.7	2.0	0.9	3.2	2.9	2.6	2.3	2.7	2.0
- Switzerland	0.5	0.5	0.3	1.7	2.3	1.5	2.4	3.4	1.8	2.3	2.2	2.0
- Iceland	0.0	1.0	5.6	4.4	5.0	4.3	2.9	2.9	2.6	2.6	2.6	2.6
- Turkey	1.0	7.2	7.0	7.5	3.1	-5.0	6.0	5.9	4.7	2.7	4.3	3.9
- Australia	1.2	4.0	3.0	3.8	5.1	4.7	4.3	3.7	3.6	2.0	3.8	3.5
- New Zealand	0.2	3.6	2.7	2.3	-0.8	4.4	4.6	3.5	3.4	2.7	3.2	3.2
- Mexico	1.9	-6.2	5.2	7.0	4.8	3.6	6.0	7.2	5.5	4.0	3.0	4.5
- Korea	1.7	8.9	6.8	5.0	-5.8	10.7	7.8	8.8	5.4	3.8	6.4	5.2
Total OECD	59.0	2.4	3.0	3.5	2.8	3.2	4.1	4.1	3.2	2.1	3.0	2.9
OECD excluding EU-15	38.9	2.4	3.6	4.0	2.8	3.5	4.5	4.6	3.2	1.8	3.0	2.8
Europe Agreement Countries	2.2	5.7	3.6	3.2	2.5	1.7	3.9	3.7	4.1	3.8	4.3	4.1
- Bulgaria	0.1	2.9	-10.1	-6.9	3.4	2.4	5.4	5.4	4.9	5.2	4.5	4.9
- Czech Republic	0.3	6.4	3.9	1.0	-2.3	-0.8	2.5	3.1	3.0	3.5	3.7	4.0
- Estonia	0.0	4.3	3.9	10.6	4.0	-1.1	6.2	6.6	6.3	5.9	6.4	5.7
- Hungary	0.3	1.5	1.3	4.6	5.1	4.5	5.4	5.3	5.5	4.6	5.2	5.0
- Latvia	0.0	-0.8	3.3	8.6	3.6	1.1	3.6	5.7	4.5	5.5	4.9	5.5
- Lithuania	0.1	3.3	4.7	7.3	5.1	-4.2	2.3	2.9	3.2	3.5	3.9	4.0
- Poland	0.8	7.0	6.0	6.8	4.8	4.1	5.1	4.2	5.0	4.3	4.8	4.6
- Romania	0.3	7.1	3.9	-6.1	-5.4	-3.2	1.4	1.6	1.9	1.8	2.4	2.3
- Slovakia	0.1	6.9	6.6	6.5	4.4	1.9	2.0	2.2	3.1	3.0	4.1	3.8
- Slovenia	0.1	4.1	3.5	4.6	4.0	4.9	4.3	4.5	4.2	4.3	4.3	4.3
FSU (excl. Baltics)	3.6	-5.8	-3.5	1.0	-3.0	2.9	5.2	7.3	3.7	4.4	4.1	4.8
- Russia	2.5	-4.1	-3.6	0.9	-4.8	3.2	5.8	7.6	3.5	4.2	4.0	5.0
- Ukraine	0.4	-12.2	-10.1	-3.2	-1.7	-0.4	2.5	6.0	2.8	4.5	3.3	4.5
- Other FSU (10 states)	0.7	-5.9	1.0	4.0	2.9	3.9	4.8	7.0	4.8	5.1	4.6	4.3
OPEC	4.7	4.7	5.2	4.0	-4.1	0.4	4.1	4.5	4.5	3.7	4.9	4.3
- Indonesia	2.0	8.2	7.8	4.7	-13.2	0.1	4.0	4.8	4.0	2.7	5.0	3.8
Other developing economies	30.4	7.1	6.8	6.1	4.3	4.9	5.0	5.9	5.7	5.3	6.1	5.7
- DAE's	3.1	7.5	6.0	3.3	-3.0	4.6	6.5	6.7	4.9	3.5	5.9	4.8
Hong Kong	0.4	3.9	4.5	5.3	-5.3	3.1	8.7	10.5	4.4	3.7	5.1	4.6
- Other Asia	18.5	8.9	8.2	6.9	6.8	6.4	5.5	7.0	6.5	6.4	6.9	6.7
China	12.0	10.5	9.5	8.8	7.8	7.1	7.7	8.0	7.1	7.4	7.5	7.5
India	4.4	8.0	7.3	5.0	6.8	5.9	6.6	5.9	6.2	5.6	6.3	5.9
- Latin America	5.9	4.0	3.3	4.6	1.2	1.0	3.5	3.4	4.3	3.5	4.4	3.9
Brazil	2.9	4.2	2.7	3.6	0.2	0.8	3.9	4.0	4.5	4.0	4.3	4.3
- Africa	2.9	3.5	5.7	3.6	3.9	3.7	3.5	3.3	4.1	4.1	4.7	4.4
Total Non-OECD	41.0	5.6	5.5	5.3	2.6	4.0	4.9	5.8	5.3	5.0	5.7	5.4
World	100.0	3.7	4.0	4.2	2.7	3.5	4.4	4.8	4.0	3.3	4.1	3.9
World excluding EU-15	79.8	4.1	4.6	4.7	2.7	3.8	4.7	5.2	4.3	3.4	4.4	4.1
World excluding euro area	84.1	4.0	4.5	4.6	2.7	3.7	4.6	5.1	4.2	3.4	4.3	4.1

(a) Relative weights, based on GDP (at constant prices and pps) in 1999.

TABLE 55 : World exports of goods, volume (percentage change on preceding year, 1995-2002) 06.04.2001

							2000		2001		2002	
							estimate of		forecast of		forecast of	
	(a)	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
EU-15 (b)	39.2	9.0	4.5	10.1	6.3	4.5	11.2	11.8	9.0	8.6	7.9	8.1
Euro area (b)	31.7	9.0	4.1	10.5	7.1	4.6	11.6	12.2	9.3	9.0	8.0	8.1
USA	12.6	11.9	8.7	14.5	2.2	4.0	11.0	11.9	9.7	4.8	9.6	6.8
Japan	6.3	6.0	5.5	9.0	-1.5	-5.5	8.2	9.2	6.2	6.6	8.1	8.5
Canada	4.4	9.5	5.5	9.1	8.5	11.4	13.3	10.3	10.5	4.3	7.1	6.4
Rest OECD	9.3	21.3	12.3	14.2	8.4	8.5	12.5	14.8	7.8	7.1	7.8	7.2
- Norway	0.8	6.2	10.4	6.5	-0.8	2.2	5.7	4.9	6.8	4.8	6.2	4.1
- Switzerland	1.4	2.6	2.0	7.9	4.8	4.3	8.5	11.4	5.6	6.9	6.2	5.9
- Iceland	0.0	-2.0	-5.1	19.0	10.5	7.8	6.2	6.2	5.2	5.2	5.2	5.2
- Turkey	0.5	6.9	27.5	2.2	8.2	-5.4	7.0	8.0	7.5	7.0	7.8	6.5
- Australia	1.2	2.6	12.2	8.1	0.1	5.2	12.0	10.5	9.5	8.5	8.5	8.1
- New Zealand	0.2	2.9	4.7	5.0	0.2	2.9	10.0	9.0	7.5	7.0	7.0	7.5
- Mexico	2.4	48.8	8.1	14.3	10.9	13.9	14.0	17.9	7.0	7.0	7.0	7.0
- Korea	2.6	24.9	20.4	26.1	15.7	12.6	17.0	21.0	9.5	7.4	9.7	8.9
Total OECD	71.7	10.9	6.4	11.2	5.3	4.5	11.2	11.9	8.8	7.3	8.2	7.7
OECD excluding EU-15	32.6	13.2	8.7	12.6	4.1	4.4	11.1	12.0	8.5	5.7	8.5	7.2
Europe Agreement Countries	2.2	16.0	4.7	13.9	10.4	1.8	12.5	18.1	9.5	13.2	9.4	13.0
- Bulgaria	0.1	-	-	-	-22.7	-4.6	19.0	17.5	14.1	10.0	13.1	6.0
- Czech Republic	0.5	17.3	6.2	13.7	13.8	8.7	11.5	20.1	11.0	19.3	10.8	18.6
- Estonia	0.0	6.5	0.9	35.7	18.2	-5.0	29.0	30.0	10.0	15.0	8.0	11.0
- Hungary	0.4	14.0	8.4	29.9	17.8	9.8	15.9	20.2	14.3	18.0	14.3	19.5
- Latvia	0.0	35.1	4.4	24.6	7.0	-2.8	3.6	11.9	4.0	7.4	4.1	7.9
- Lithuania	0.1	-	-	18.4	-9.8	-21.5	19.6	24.0	9.1	8.1	8.6	8.6
- Poland	0.6	22.8	3.5	5.0	10.6	-6.4	6.0	15.5	6.5	9.5	6.8	8.2
- Romania	0.2	15.3	3.1	11.9	6.3	8.8	19.0	23.2	8.0	8.0	8.3	8.3
- Slovakia	0.2	7.9	3.3	3.3	11.7	5.3	20.2	15.9	8.6	11.2	7.9	9.4
- Slovenia	0.2	3.0	2.6	13.0	9.0	2.6	8.0	10.5	7.0	7.2	7.0	7.3
FSU (excl. Baltics)	1.9	11.9	8.3	-1.0	-5.6	-4.4	6.9	16.3	4.6	3.6	5.3	3.8
- Russia	1.4	8.5	6.9	-2.3	-3.2	-3.0	3.1	12.9	4.0	2.1	5.6	2.4
- Ukraine	0.2	6.4	8.0	-6.5	-6.8	-9.9	11.8	19.0	6.9	5.4	4.9	3.9
- Other FSU (10 states)	0.3	34.6	14.2	8.4	-12.5	-6.1	18.2	27.7	5.0	7.6	4.9	8.2
OPEC	4.2	4.7	3.6	7.9	-6.0	-3.8	7.1	7.5	6.7	6.1	6.4	6.6
- Indonesia	0.9	3.4	0.0	18.0	14.7	1.7	10.2	10.4	9.4	7.0	9.3	9.0
Other developing economies	19.9	11.4	10.6	14.7	4.6	6.8	9.5	14.0	7.8	7.5	8.2	8.6
- DAE's	9.9	11.7	4.6	7.0	0.2	8.4	9.7	15.5	8.0	7.7	8.7	8.8
Hong Kong	3.2	11.2	4.4	5.8	-3.9	3.0	10.2	16.9	8.0	7.3	9.0	8.6
- Other Asia	5.9	15.6	16.0	16.5	12.7	7.9	10.6	16.1	8.9	8.2	9.0	9.5
China	3.4	16.1	20.5	25.8	13.6	8.3	12.0	18.0	9.5	8.5	9.5	10.0
India	0.6	29.4	13.1	-7.0	4.4	12.4	9.0	13.0	9.0	8.5	9.5	10.0
- Latin America	2.7	10.6	2.8	15.4	4.4	-1.7	8.5	8.4	5.9	6.4	5.8	7.2
Brazil	0.9	1.6	2.1	15.8	7.1	-6.0	9.0	5.7	6.0	7.0	6.0	8.0
- Africa	1.4	1.2	8.7	7.2	2.1	6.5	5.1	5.1	5.3	5.4	6.0	5.9
Total Non-OECD	28.3	10.8	8.9	12.5	2.8	4.0	9.2	13.5	7.5	7.4	7.8	8.3
World	100.0	10.9	7.1	11.6	4.6	4.4	10.6	12.3	8.4	7.4	8.1	7.9
World excluding EU-15	60.8	12.1	8.8	12.6	3.5	4.2	10.2	12.7	8.1	6.5	8.2	7.7
World excluding euro area	68.3	11.8	8.5	12.2	3.4	4.2	10.2	12.4	8.0	6.6	8.1	7.7

(a) Relative weights, based on exports (at current prices and current exchange rates) in 1999.
(b) Intra- and extra-EU trade.

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

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

TABLE 57 : World imports of goods, volume (percentage change on preceding year, 1995-2002) 06.04.2001

							2000 estimate of		2001 forecast of		2002 forecast of	
	(a)	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
EU-15 (b)	37.5	8.0	3.5	9.4	9.8	6.6	10.2	10.8	8.6	9.0	8.0	8.3
Euro area (b)	29.4	8.3	2.5	9.3	10.0	6.9	10.5	11.0	8.9	9.3	8.2	8.5
USA	18.8	9.0	9.4	14.2	11.8	12.5	13.7	14.0	8.5	4.1	6.9	6.5
Japan	4.6	11.4	10.0	2.4	-4.9	-1.0	7.9	13.1	7.6	6.6	11.1	6.9
Canada	4.0	7.5	6.0	17.1	7.3	10.8	14.8	12.5	10.7	5.2	7.7	8.0
Rest OECD	9.2	8.7	10.1	11.7	1.1	11.4	12.8	15.5	9.6	7.8	8.8	7.7
- Norway	0.6	8.7	10.8	10.2	9.4	-6.5	2.1	0.1	9.0	0.7	7.8	2.5
- Switzerland	1.5	4.0	2.5	8.7	9.9	6.2	7.8	13.3	5.8	7.0	6.5	6.0
- Iceland	0.0	6.0	15.8	3.9	28.6	16.4	7.2	7.2	5.3	5.3	5.3	5.3
- Turkey	0.7	28.5	18.6	19.2	0.2	-11.8	15.4	19.8	8.5	6.6	7.0	7.0
- Australia	1.4	9.2	6.9	6.4	6.9	6.6	10.0	9.8	9.7	9.2	8.0	8.4
- New Zealand	0.2	6.0	3.5	3.5	2.5	13.3	7.0	7.0	6.0	7.0	7.0	7.1
- Mexico	2.5	-4.3	12.2	22.9	15.2	12.8	14.0	19.1	11.0	8.5	11.0	8.5
- Korea	2.1	21.2	12.7	3.1	-29.2	29.9	20.0	21.0	11.5	9.4	9.5	9.2
Total OECD	74.1	8.5	6.3	10.9	8.2	8.5	11.5	12.4	8.7	7.2	8.0	7.7
OECD excluding EU-15	36.6	9.1	9.3	12.4	6.5	10.3	12.8	14.1	8.9	5.5	8.1	7.0
Europe Agreement Countries	2.6	18.1	17.8	14.6	13.6	1.8	9.7	13.8	8.3	11.9	8.6	12.0
- Bulgaria	0.1	-	-	-	-1.9	11.1	13.2	13.3	10.2	9.2	11.5	7.2
- Czech Republic	0.5	26.9	12.4	10.6	8.7	6.0	10.0	20.9	9.8	19.2	9.6	17.2
- Estonia	0.1	5.9	6.9	33.8	11.8	-8.1	24.8	23.8	10.8	11.8	8.9	9.9
- Hungary	0.4	-0.5	11.7	26.4	23.7	11.1	14.6	20.6	14.1	18.3	14.0	19.4
- Latvia	0.1	61.6	9.3	13.5	32.3	-3.0	2.9	4.2	3.2	6.3	3.3	7.5
- Lithuania	0.1	-	-	24.7	-2.6	-15.1	11.3	11.4	6.8	5.4	7.2	6.7
- Poland	0.8	22.7	31.9	16.6	13.0	-0.7	5.0	7.5	5.0	7.2	5.5	6.9
- Romania	0.2	16.3	8.7	7.5	19.1	-4.8	15.3	21.2	8.3	8.3	9.0	9.0
- Slovakia	0.2	12.5	22.9	-5.9	9.9	-3.5	11.0	10.2	8.8	10.6	9.1	9.7
- Slovenia	0.2	13.1	2.4	12.5	16.8	7.6	6.0	5.0	6.8	6.0	6.8	7.0
FSU (excl. Baltics)	1.3	6.2	4.7	7.3	-11.6	-27.2	10.4	10.0	8.2	8.2	7.8	9.6
- Russia	0.7	1.7	-10.0	15.0	-12.0	-30.0	13.9	8.7	9.3	9.5	8.7	11.0
- Ukraine	0.2	1.6	13.5	-6.5	-14.7	-29.6	4.3	9.1	5.6	6.1	6.9	6.9
- Other FSU (10 states)	0.4	20.3	20.7	10.5	-8.3	-19.8	8.7	12.8	7.9	7.2	6.5	8.6
OPEC	2.9	8.9	2.1	13.4	-5.6	-4.5	7.2	6.8	7.2	6.7	6.9	6.5
- Indonesia	0.6	16.2	7.0	11.0	-27.3	-1.7	11.1	9.0	9.0	7.6	9.0	8.8
Other developing economies	19.0	12.4	6.7	8.3	-0.9	6.3	8.8	13.3	8.2	8.3	8.2	8.7
- DAE's	8.9	14.1	1.8	6.4	-9.6	6.9	8.6	14.5	7.9	8.2	8.6	8.9
Hong Kong	3.5	13.6	4.3	7.7	-6.9	-0.5	7.8	14.0	7.7	7.7	8.7	9.1
- Other Asia	5.5	10.5	14.9	7.4	3.1	12.6	12.0	15.8	10.0	8.9	9.0	9.2
China	2.6	6.2	19.4	9.2	12.7	18.3	15.0	21.0	12.0	10.7	10.0	10.0
India	0.8	27.4	10.6	6.0	10.3	2.4	10.5	10.0	9.0	7.5	9.5	10.0
- Latin America	2.9	10.0	9.4	17.5	10.3	-8.0	5.1	9.3	6.8	8.6	7.0	8.7
Brazil	1.1	23.5	15.8	14.7	7.9	-12.7	2.5	13.1	7.5	9.0	7.5	9.5
- Africa	1.8	10.8	9.7	6.2	9.9	7.6	6.3	6.1	6.4	6.0	5.9	5.5
Total Non-OECD	25.9	12.3	7.2	9.5	-0.5	2.9	8.8	12.4	8.1	8.5	8.1	8.8
World	100.0	9.5	6.6	10.5	5.9	7.0	10.8	12.4	8.6	7.6	8.1	8.0
World excluding EU-15	62.5	10.4	8.4	11.2	3.6	7.3	11.2	13.4	8.6	6.7	8.1	7.8
World excluding euro area	70.6	10.0	8.3	11.0	4.2	7.1	10.9	13.0	8.4	6.8	8.0	7.7

(a) Relative weights, based on imports (at current prices and current exchange rates) in 1999.
(b) Intra- and extra-EU trade.

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

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

TABLE 59 : World trade balances (fob-fob, bn. US dollars, 1994-2002) 06.04.2001

							2000 estimate of		2001 forecast of		2002 forecast of	
	1994	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
EU-15	69.6	120.1	146.6	152.4	126.5	84.1	32.1	35.3	33.6	36.3	48.8	36.7
EU-15, adjusted	-	-	-	84.4	52.5	20.4	-21.1	-28.4	-18.0	-28.7	-2.8	-28.8
Euro area	82.6	130.7	158.5	165.4	161.5	121.4	72.5	76.6	57.2	66.7	73.2	67.0
Euro area, adjusted	-	-	-	131.2	122.5	88.9	44.6	55.1	30.2	44.7	46.2	44.8
USA	-167.1	-173.8	-189.9	-196.2	-248.5	-349.4	-454.4	-458.9	-492.2	-464.8	-513.8	-493.3
Japan	144.1	131.2	83.6	101.7	121.0	90.6	109.9	83.0	112.4	62.3	112.7	66.0
Canada	14.9	25.8	31.1	17.2	12.9	22.5	34.4	36.7	37.9	38.7	39.6	38.8
Rest OECD	-18.8	-4.8	-5.9	41.4	2.0	7.6	45.4	50.2	39.2	53.3	27.1	48.2
- Norway	6.8	7.9	12.3	11.2	1.5	10.6	18.7	24.8	18.8	26.9	18.1	28.1
- Switzerland	1.6	0.9	0.9	-0.3	-1.6	-0.4	-1.4	-0.9	-1.8	-2.1	-2.3	-2.7
- Iceland	0.3	0.2	0.0	-0.3	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	-0.3	-0.3
- Turkey	-4.2	-13.2	-10.6	-20.4	-10.7	-10.4	-15.4	-15.7	-17.7	-17.5	-19.0	-19.3
- Australia	-3.3	-4.2	-0.6	-2.9	-7.9	-11.9	-1.7	-6.9	-1.1	-8.7	-1.8	-8.1
- New Zealand	1.4	0.9	0.6	-1.9	-0.2	-0.4	-1.0	-1.1	-0.8	-0.8	-0.6	-0.8
- Mexico	-18.5	7.1	6.5	-4.0	-9.8	-7.6	25.9	25.0	23.3	26.6	9.0	17.2
- Korea	-2.9	-4.4	-15.0	60.0	31.2	28.4	20.7	25.6	18.9	29.4	24.1	34.0
Total OECD	42.7	98.5	65.6	116.6	13.8	-144.6	-232.5	-253.6	-269.1	-274.2	-285.7	-303.6
OECD excluding EU-15	-26.9	-21.5	-81.0	-35.8	-112.7	-228.7	-264.7	-289.0	-302.7	-310.5	-334.5	-340.3
Europe Agreement Countries	-6.6	-13.7	-25.0	-16.6	-24.9	-25.3	-25.4	-25.5	-27.0	-27.9	-28.2	-29.0
FSU (excl. Baltics)	34.8	40.9	45.0	36.5	8.7	33.3	49.5	61.3	47.0	52.0	43.9	49.3
OPEC	53.6	57.6	91.6	45.0	73.7	70.7	158.6	145.0	176.3	127.5	163.9	149.4
Other developing economies	-24.2	-46.4	-46.3	-20.1	28.1	49.1	50.6	65.6	45.4	63.4	54.2	71.7
- DAE's	0.6	-12.9	-3.7	0.4	48.4	57.6	51.4	71.6	54.3	78.4	64.7	88.7
- Other Asia	-15.5	-10.1	-14.6	16.6	28.2	23.9	20.3	24.2	14.7	24.7	16.4	27.9
- Latin America	-2.3	-11.6	-16.3	-24.9	-32.0	-13.2	-2.6	-10.7	-2.5	-16.6	-4.3	-20.4
- Africa	-7.0	-11.8	-11.7	-12.2	-16.4	-19.2	-18.5	-19.5	-21.1	-23.2	-22.7	-24.6
Total Non-OECD	57.6	38.4	65.3	44.8	85.6	127.8	233.3	246.4	241.7	215.0	233.8	241.3
World	100.3	136.9	130.9	161.4	99.4	-16.8	0.8	-7.2	-27.4	-59.2	-52.0	-62.3

TABLE 60 : World current account balances (bn. US dollars, 1994-2002)

							2000 estimate of		2001 forecast of		2002 forecast of	
	1994	1995	1996	1997	1998	1999	X-2000	IV-2001	X-2000	IV-2001	X-2000	IV-2001
EU-15	13.8	49.2	87.8	119.4	71.2	30.7	-24.6	-19.3	-31.9	-26.9	-19.6	-32.9
EU-15, adjusted	-	-	-	94.0	40.1	-1.9	-56.5	-44.5	-62.9	-52.7	-50.5	-58.8
Euro area	11.7	45.9	79.8	100.5	68.4	37.4	-6.0	0.2	-16.8	-8.0	-8.7	-11.4
Euro area, adjusted	-	-	-	69.7	34.9	-6.2	-54.9	-26.0	-64.3	-34.7	-56.1	-38.3
USA	-108.3	-98.0	-110.7	-123.1	-199.1	-313.1	-424.0	-430.7	-455.8	-435.7	-465.1	-455.4
Japan	128.3	107.4	64.6	94.6	116.4	113.3	92.5	119.5	96.9	121.2	94.8	129.4
Canada	-13.8	-1.6	4.7	-8.4	-10.3	-2.3	11.3	13.2	13.3	13.4	14.4	12.6
Rest OECD	-29.2	-8.3	-14.8	-4.5	35.9	25.0	14.4	30.6	5.0	24.3	-9.2	30.4
- Norway	3.7	4.9	10.2	8.7	-1.9	6.0	14.2	22.0	13.2	24.0	11.2	25.0
- Switzerland	17.6	21.8	22.4	25.8	25.9	29.7	21.5	30.5	21.0	34.3	21.2	37.4
- Iceland	0.1	0.1	0.1	-0.1	-0.6	-0.7	-0.8	-0.8	-0.8	-0.8	-0.9	-0.9
- Turkey	2.6	-2.3	-2.4	-9.0	1.9	-1.4	-8.9	-8.0	-9.3	-7.0	-9.9	-7.5
- Australia	-17.3	-19.6	-15.8	-9.3	-11.5	-14.8	-10.4	-13.3	-9.7	-13.9	-10.0	-13.5
- New Zealand	-2.4	-3.1	-4.0	-4.8	-2.6	-4.3	0.7	-0.3	0.0	0.0	0.4	0.5
- Mexico	-29.7	-1.6	-2.3	-7.5	-15.7	-14.0	-15.1	-17.6	-18.1	-31.5	-35.2	-34.5
- Korea	-3.9	-8.5	-23.0	-8.2	40.4	24.5	13.2	18.1	8.9	19.4	14.1	24.0
Total OECD	-9.2	48.8	31.7	78.0	14.1	-146.4	-330.4	-286.6	-372.3	-303.6	-384.6	-315.9
OECD excluding EU-15	-23.1	-0.5	-56.1	-41.4	-57.1	-177.1	-305.9	-267.3	-340.5	-276.7	-365.0	-283.0
Europe Agreement Countries	-8.4	-8.4	-13.2	-29.2	-46.9	-46.8	-45.6	-44.4	-47.1	-47.8	-48.1	-49.3
FSU (excl. Baltics)	25.2	28.3	33.6	61.5	3.3	55.9	81.1	104.5	77.0	86.4	72.3	82.5
OPEC	-11.5	-3.1	25.0	15.4	-18.6	17.0	109.4	103.6	123.8	81.2	118.3	104.5
Other developing economies	-28.3	-72.9	-64.2	-46.3	-13.6	14.4	18.2	36.2	13.6	40.3	12.6	33.6
- DAE's	7.4	-7.6	4.6	9.4	50.4	63.5	62.9	84.1	66.6	91.9	76.7	102.3
- Other Asia	-5.9	-16.6	-14.1	16.1	20.1	13.7	10.2	14.2	4.7	14.7	6.4	17.9
- Latin America	-23.2	-37.3	-45.1	-61.1	-70.5	-47.0	-45.6	-52.7	-46.5	-55.1	-59.3	-75.4
- Africa	-6.6	-11.4	-9.6	-10.7	-13.6	-15.9	-9.4	-9.4	-11.2	-11.2	-11.2	-11.2
Total Non-OECD	-23.0	-56.1	-18.8	1.4	-75.8	40.5	163.1	199.9	167.2	160.1	155.1	171.2
World	-32.2	-7.3	12.9	79.4	-61.7	-105.9	-167.3	-86.7	-205.1	-143.5	-229.5	-144.7

TABLE 61 : Primary commodity prices (in US dollars, percentage change on preceding year, 1994-2002) 06.04.2001

SITC Classification	1994	1995	1996	1997	1998	1999	2000 estimate of X-2000	2000 estimate of IV-2001	2001 forecast of X-2000	2001 forecast of IV-2001	2002 forecast of X-2000	2002 forecast of IV-2001
Food (0 + 1)	14.0	7.2	7.4	-5.6	-14.5	-15.2	-7.2	-2.4	2.5	-2.9	2.0	0.6
Basic materials (2 + 4)	11.4	9.7	-4.8	-2.1	-14.8	-2.2	7.3	4.5	4.0	-2.7	2.4	4.0
- of which :												
Agricultures non-food	9.6	4.4	-1.2	-5.9	-14.3	-3.2	4.1	0.1	3.3	-2.2	3.1	4.2
- of which :												
Wood and pulp	4.3	2.4	-4.6	-6.4	-13.1	8.8	8.0	3.1	4.0	-3.4	2.0	3.9
Minerals and metals	14.5	18.0	-10.0	3.7	-15.4	-0.8	11.5	10.6	5.0	-3.2	1.5	3.8
Fuel products (3)	-5.1	8.6	16.4	-6.7	-28.4	25.2	54.1	48.3	3.8	-14.5	-8.0	6.7
- of which :												
Crude petroleum	-7.1	7.8	21.1	-7.5	-33.4	40.5	62.7	60.0	3.6	-14.6	-9.2	7.5
Primary commodities												
- Total excluding fuels	12.3	8.9	-0.8	-3.4	-14.7	-6.7	3.7	2.3	3.6	-2.7	2.3	3.0
- Total including fuels	3.4	8.6	6.6	-4.9	-21.0	3.7	33.9	26.4	3.7	-8.7	-3.9	5.1
Crude petroleum - price per barrel (us dollar)												
Brent	15.8	17.1	20.7	19.1	12.7	17.9	29.0	28.6	30.0	24.4	27.3	26.3

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 2000, 2001 and 2002 are estimates and projections. The sources for all tables are the Commission services, except where it is stated otherwise. In general, the historical data for the Member States are based on the ESA 95 system. These data start in the late 1980s, early 1990s or in 1995, with the exception of 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 and the difference between actual unemployment and the NAIRU play a key role.

5. Employment data are based on numbers of persons employed. The concept of full-time equivalent is used for the forecasts on the Netherlands, Italy, Spain and the USA from 2000.

6. The nominal short term interest rates are defined as the 3-month interbank rates. The nominal long term interest rates are defined as the central government benchmark bond of 10 years from 1995.

7. EU-15 and euro area data are generally aggregated using Purchasing Power Standards (PPS). For aggregates at constant prices, PPS weighted national currency is used. In the tables on world trade and international payments, the aggregation is done on the basis of current exchange rates. Tables 48 - 51, 59 and 60 show also EU-15 and euro area "adjusted" balances. Theoretically, balances of EU-15 and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU-15 or euro area aggregate. However, intra-EU-15 or intra euro area balances are, due to reporting errors, non-zero. The creation of the internal market in 1993 reduced border controls and formalities, and thereby the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. The "adjusted" balances are eurostat (for EU-15) and ECB (for euro area) estimates for the past. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2000.

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

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

10. Geographical zones are defined as follows :
euro area :
EUR-11 (EU-15 excluding DK, EL, S and the UK) up to 2000.
EUR-12 (EU-15 excluding DK, S and the UK) from 2001 onwards.
OECD :
EU, Australia, Canada, Iceland, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and USA.
Rest OECD :
Australia, Iceland, Korea, Mexico, New Zealand, Norway, Switzerland and Turkey.
Europe Agreement Countries (EAC) :
Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
OPEC :
Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.
Dynamic Asian Economies (DAE) :
Hong Kong, Malaysia, Singapore, Taiwan and Thailand.
Other Asia :
all except DAE'S, Indonesia, Iran, Iraq, Korea, Kuwait, Qatar, Saudi Arabia and UAE.
Latin America :
all except Mexico and Venezuela.
Africa :
all except Algeria, Libya and Nigeria.

Principal economic policy measures – February 2001

Community (EU-15)

12.2 The Ecofin Council examines the stability programmes of

- Greece -- The first Greek stability programme projects robust GDP growth and a general government surplus rising to 2 per cent of GDP in 2004. The Council considers the growth forecast as ambitious. The projected budgetary position is in conformity with the SGP. The Council commends the fiscal consolidation strategy of maintaining high primary surpluses which is essential to reduce rapidly the still very high debt ratio and considers that the strategy should be primarily based on an adequate control of primary expenditure increase. The Council considers that the programme is consistent with the BEPGs and encourages the Greek government to accelerate the implementation of necessary economic reforms.
- France -- The Council notes that the estimated government deficit of 1.4 per cent of GDP in 2000 is lower than initially expected, but finds that a better outcome could have been achieved in view of the favourable economic and public finance developments. The projected budgetary position in the programme update is in conformity with the requirements of the SGP. The Council commends the budgetary strategy based on control of real expenditure growth and invites the government to introduce the appropriate mechanism enabling the respect of the expenditure norms. It notes that the norm has been revised up. In the Council's view a lower increase in expenditure would be desirable to allow a faster deficit reduction.
- Ireland -- The Council welcomes the substantial surplus in the budget and another sharp reduction in the debt ratio in 2000. It welcomes also that according to the projections in the programme update Ireland fully and comfortably fulfils the SGP obligations, and that the update addresses the issue of structural reform. However, the Council considers as pro-cyclical the budget for 2001. At a time when the positive output gap is expected to peak, tax cuts and increases in expenditure are an inappropriate contribution to the macroeconomic policy mix. The Council regrets that the 2001 budget does not reflect the advice given in the 2000 BEPGs, i.e. to ensure economic stability by means of fiscal policy.

The Council therefore considers that Irish fiscal policy in 2001 is not consistent with the BEPGs as regards budgetary policy and decides to recommend to Ireland, in application of Article 99 (4) of the Treaty, to remove this inconsistency.

- Italy -- The Council welcomes that the budgetary objectives were revised in the programme update, as recommended in the BEPGs. According to the update, Italy would continue to satisfy the requirements of the SGP. However, considering the still high debt ratio, the Council considers that the revised fiscal targets could have been more ambitious. The Council observes risks that the budgetary framework outlined in the update may not materialise as planned and urges Italy to firmly commit itself to respect the objectives through a tight control of current primary expenditure. Moreover, Italy should take every opportunity to improve future budgetary targets and address with determination pension related challenges.
- Austria -- The Council notes with satisfaction that the current programme envisages a much faster government deficit reduction than the previous update. The requirements of the SGP are met from 2001 onwards. However, the Council notes that in the initial years the deficit reduction relies heavily on revenue side measures while acknowledging that by 2003 more than half of the envisaged consolidation originates from expenditure savings. A strict implementation at all levels of government is crucial and in view of the longer-term challenges, fiscal adjustment needs to be continued with determination. The recent reform of early retirement is welcome and the Council encourages the government to continue its reform efforts.

Moreover, the Ecofin Council examines the updates of the convergence programmes of

- Denmark -- The Council welcomes that the Danish authorities maintain their ambition to achieve large budgetary surpluses. As a result, Denmark continues to clearly fulfil the requirements of the SGP. The budgetary strategy outlined in the previous update foresees a decline in both the primary expenditure to GDP ratio and the tax burden. The strategy is upheld but for a small increase in both ratios in 2001. The Council would have preferred a decline without disruption. It invites the Danish government to strengthen the institutional framework between levels of government to better respect agreements aiming at restricting increases in public consumption and taxes. The Council notes with satisfaction that Denmark continues to fulfil the interest rate convergence criterion and that the exchange rate has remained stable vis-à-vis the euro.
- the United Kingdom -- The programme envisages declining government surpluses followed by deficits around 1 per cent of GDP, on the basis of macroeconomic assumptions which the Council considers realistic if cautious. While government finances fulfil the requirements of the SGP up to the fiscal year 2002/03, the persistent deficits emerging then would not be in line with the Pact. The Council acknowledges that this is in part due to increased government investment, as recommended to the UK in the BEPGs, which however advised to do so within firm control of total expenditure. The Council encourages the government to take remedial action if necessary. With respect to inflation and interest rates, the UK continues to fulfil the convergence criteria with some margin.

Belgium (B)

None.

Denmark (DK)

9.2 The Nationalbank lowers the lending rate by 0.1% to 5.30% and leaves the discount rate unchanged at 4.75%.

Germany (D)

14.2 The government agrees on a reform of the law on co-determination. The draft bill, which now goes to parliament for approval, strengthens the role of worker co-determination in companies and extends it to smaller businesses. The government proposes to increase the number of workers' council members and to lower the threshold at which a workers' council includes one full-time representative in addition to the normal part-time members. The draft bill simplifies the system for electing workers' council members - a move that would encourage the creation of new workers' councils.

Greece (EL)

None.

Spain (E)

None.

France (F)

None.

Ireland (IRL)

None.

Italy (I)

21.2. The Treasury sells shares amounting to 5% of the capital of the oil company ENI to institutional investors, reducing its stake in the company to 30.3%. The collected amount, € 2.7 billion, will be used to redeem government debt.

Luxembourg (L)

None.

Netherlands (NL)

None.

Austria (A)

None.

Portugal (P)

None.

Finland (FIN)

None.

Sweden (S)

None.

United Kingdom (UK)

8.2 The Bank of England's Monetary Policy Committee votes to lower the Bank's repo rate by 0.25% to 5.75%.