Eurozone

EY Eurozone Forecast

December 2015

A broadening recovery points to a brighter future

December 2015

Final edition

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Foreword

"I'm happy to be signing off the last *EY Eurozone Forecast* on a fairly positive note, as growth establishes a more stable footing."

After almost six years, we are bringing the *EY Eurozone Forecast* to a close. Conceived in the wake of the financial crisis, our first edition was published in April 2010. It is perhaps a sign of improved economic prospects across the Eurozone that we have decided to stop the forecast at this point. It is somewhat heartening that I can sign off this final issue with a broadly positive forecast.

As we move into 2016, the economic recovery of the Eurozone is looking more stable. When I wrote the foreword for the October edition, Greece had just finished negotiations to avoid an exit from the single currency. Since then, things have been a bit quieter in the Eurozone – economically speaking at least. The atrocities in Paris have dominated the headlines in recent weeks. In addition, the migrant crisis has reminded us that, as much as we have agonized in these pages over the economic future of the Eurozone, the sheer number of people willing to risk their lives to enter Europe illustrates that, relatively speaking, Europe is still an economic, political and social promised land for many.

But this fact shouldn't be taken for granted. Indeed, it is the efforts of public and private leaders that ensure that Europe remains, on aggregate, a prosperous place. The effects of the weaker euro and the low energy prices that supported the recovery in the early parts of this year are beginning to fade, as we have been forecasting for some time. But fortunately, the recovery is becoming more broad-based and should be able to sustain at least modest growth into the future.

Consumer spending has been the main driver behind the return to stable growth. But now other economic elements should also begin to support growth, with capital investment in particular helping to keep the Eurozone economy afloat.

However, don't expect the Eurozone recovery to take off in a spectacular fashion. Even if things are looking more stable, growth will remain distinctly underwhelming into the medium and even long term. The losses of competitiveness that Europe has suffered in recent years, as well as years of tight fiscal policy and an aging population, will combine to ensure that Eurozone GDP expansion stays at only about 1.5% from 2018 and beyond, according to our forecast. To put this in perspective, before 2008, the single currency bloc enjoyed growth of 2% annually. We think it is unlikely that pre-crisis growth rates will be seen again without more thorough structural reforms.

As the year draws to a close, we expect to see GDP growth at an average of 1.5% for 2015 as a whole. This is just down on the 1.6% that we forecast in our October edition. Into the medium term, we expect to see growth pick up to 1.8% in 2016 and 2017, before it stabilizes at 1.5%.

As mentioned, capital spending has begun to show an upturn as firms have become more confident in the recovery and are seeing improved profitability. Looking further ahead, we expect capital investment rates of 2.5% per annum in 2018–19, which will continue to be a strong spur to growth.

Even though the effect of low international energy prices will begin to fade, the expansion of capital stock will begin to increase demand for labor. As such, we expect consumer spending across the single currency area will remain strong — and support overall Eurozone growth, even if it doesn't lead it. For 2015, we expect consumption growth of 1.7% and a similar rate next year.

The harsh austerity measures imposed by national governments seeking to claw back deep deficits have put the dampeners on growth throughout Europe in recent years. In fact, public investment across the Eurozone as a whole has fallen for the last six years in a row. But, at last, the austerity measures are falling away, and in 2016 we expect to see a return to growth in public investment and for this to gather pace until it hits 3.2% in 2018. As public money starts to flow through the Eurozone again, this should really help to support growth.

Overall, the Eurozone seems to be approaching something nearer to economic stability. But it should also be noted that key numbers across almost all measures will remain well below pre-crisis levels for some years to come.

I hope that you find this final edition of the *Eurozone Forecast* as interesting and informative as ever. I also hope that the publication has been a consistently useful and reliable tool for you over the past six years. Please don't forget to visit ey.com/eurozone to download the latest report and access related material — and to seek out the host of other EY publications designed to keep you up to date with global economic developments.

Mark Otty
Area Managing Partner, Europe, Middle East, India and Africa

Highlights

- Heading into 2016, the Eurozone recovery is becoming broader-based and more self-sustaining. After initially being led by consumer spending in 2014–15, conditions are now right for the rebound in capital investment that should underpin a steady (if unspectacular) recovery into the medium term. We expect GDP growth of 1.5% in 2015, before it picks up to 1.8% in 2016 and 2017.

- Growing exports and rebounding domestic demand mean that capacity constraints are emerging in a number of sectors. Alongside better access to credit and low interest rates for the foreseeable future, this is driving increased loan demand. We expect total fixed investment to grow 2.4% in 2016 (the fastest rate since 2007), accelerating to 3.1% in 2017.

- In 2018–19, capital investment should grow by around 2.5% a year. This is somewhat slower than in the decade to 2007, but because much of the capital accumulation that took place in this period was in housing, a slower rate of investment growth need not necessarily mean slower potential growth.

- As firms expand their capital stock, workers will benefit from additional labor demand and increased productivity. Both will support wage growth from 2016 onwards, and although the temporary boost from lower energy prices will fade, consumption growth should remain robust. We expect consumer spending to grow 1.7% in 2015 and 1.6% in 2016. Over the medium term, we expect spending growth of around 1.4% a year.

- Additional capital investment should also complement the reforms to enhance competitiveness that have boosted exports from some Eurozone economies in recent years. But the slowdown in emerging markets will have an impact upon export prospects. So despite a more favorable exchange rate and recovery in advanced economies, we forecast that export growth will ease from 4.5% in 2015, to 3.7% in 2016 and 3.4% a year into the medium term.

- Finally, with emergency austerity measures now largely in the past, governments should start to ease their capital budgets. After falling for six straight years up to 2015, we expect public investment to grow by 0.4% in 2016 and then gather pace to 3.2% by 2018, before easing gradually thereafter. More generally, current government spending will continue to recover, albeit to a pace well short of the pre-crisis era.

- Overall, the Eurozone economy should enter 2016 supported by a rebound in capital spending and the prospect that all components will contribute to growth. But eroded competitiveness, ongoing fiscal restraint and demographic decline will keep GDP growth contained at around 1.5% from 2018 onwards. Only with further (and more widespread) structural reforms will the Eurozone regain the GDP growth of around 2% a year that was the norm in the pre-crisis era.

GDP
(annual change)

2015	2016	2017-19
1.5%	1.8%	1.6%

Exports of goods and services
(annual change)

2015	2016	2017-19
4.5%	3.7%	3.4%

Fixed investment
(annual change)

2015	2016	2017-19
1.6%	2.4%	2.8%

Eurozone forecast by sector (% change)	2015	2016
Manufacturing	1.2	1.7
Agriculture	1.6	1.2
Construction	1.8	1.5
Utilities	0.7	2.1
Trade	1.8	1.9
Financial and business services	1.9	2.3
Communications	2.2	3.4
Non-market services	0.9	1.1

Inflation

2015	2016
0.1%	1.1%

Unemployment

2015
11.0%

Implications for businesses:

Riding the recovery

Riding the recovery

Eurozone growth looking more stable

The Eurozone recovery is broadening out, even as global growth slows. Business indicators suggest expansion continued steadily during the second half of 2015. We believe a gentle if unspectacular acceleration is likely next year, sustained into 2017.

Though lagging behind expansion in the US and UK, the pickup in the Eurozone contrasts with slowing global growth, as emerging economies feel the impact of China's rebalancing toward increased domestic consumption.

In this section, we look at how companies and governments should respond to five big factors shaping Eurozone growth: economic recovery, a benign business environment, prolonged quantitative easing, rising investment, and the issue of immigration.

Gaining momentum

Lower energy and commodity prices have helped sustain economic growth in the Eurozone, which remains on course to expand by 1.5% this year, and 1.8% through 2016 and 2017. Stronger consumer spending has been the main engine of recovery, aided by cheaper energy, which left more money in consumers' pockets. Now, as labor markets tighten, rising wages and investment are set to pick up the baton.

Weaker growth in emerging markets and Chinese rebalancing will curtail export growth. But tightening capacity and labor supply will also prompt rising investment.

In the meantime, improving tax receipts will ease the pressure for austerity. Public investment should also start to rise, particularly in relation to infrastructure and housing.

Financial services, professional services, and tourism and leisure are likely to be the three sectors that offer most opportunities in the upturn. The demand outlook needs to be assessed on a country-by-country basis. In some nations, such as Spain, energetic structural reform has cleared the way for rapid growth and renewed hiring, which should restore spending by some previously unemployed people. Partial reform has even helped engineer an Italian revival. In other countries, labor market tightening will help drive wages up — both where unemployment is low, for example in Austria, and where lack of reform results in high structural unemployment, as in France.

Export destinations should also be reviewed: the best opportunities may now not lie in emerging markets, but rather among the numerous middle-class consumers of developed economies.

Responding to the recovery

How can your firm best profit from the accelerating Eurozone recovery? After seven years of belt-tightening, aided by low interest rates, some Eurozone consumers are now replacing durables such as cars and household goods. There are also signs of increased discretionary spending by the Eurozone's 335 million consumers on holidays. Moreover, the weakness of the euro encourages citizens to spend their extra money within the Eurozone, and is likely to draw in more holiday-makers from the US, UK and China.

For businesses

- Is your business positioned to profit from the Eurozone's return to growth?
- Are you tapping into increased consumer spending?
- Have you adapted your production location decisions to take into account currency weakness and increased labor market flexibility in some countries?
- Have your realigned your supply chain to profit from the improved competitiveness of some Eurozone countries?

For governments

- Are you monitoring skills shortages and revising training plans as labor markets tighten?
- How can you ensure that all socioeconomic groups benefit from recovery?
- Have you assessed the need for further labor market reforms to maintain or accelerate recovery?
- Have you updated capital spending priorities to ensure the right projects are launched as funds once more become available?

Riding the recovery

Fueled by cheap money

Monetary policy appears to be diverging on both sides of the Atlantic. The European Central Bank (ECB) now intends to extend its bond purchases into 2017 and its president has even hinted at expanding quantitative easing and cutting interest rates further. Meanwhile, in the US, the Federal Reserve is expected to raise its funds rate at least twice next year.

One effect is likely to be further weakening of the euro. After an average rate of US$1.11 per euro for 2015 (down from US$1.33 in 2014) we expect the euro to weaken to US$1.07 in 2016 and to remain at low levels. Prolonged Eurozone quantitative easing will also serve to keep borrowing rates within the currency bloc at historic lows for several more years.

For businesses

- Cheap borrowing and a weak euro are potent aids for those Eurozone producers of goods and services who compete with rivals outside the currency bloc.
- Exporters to the Eurozone need to review the consequences of sustained euro weakness for their sales and margins.
- Eurozone producers need to re-evaluate their competitive position in both domestic and international markets: is this a moment to build market share, or rebuild margins?
- Are you taking full advantage of cheap borrowing to enhance your Eurozone activities?
- If you're selling big-ticket consumer items, can you boost sales by offering cheap credit?
- Are you prepared for the consequences of rising rates in the US and UK?
- Are you hedging currencies when doing big cross-border deals to protect margins from exchange-rate risk?

For governments

- Quantitative easing is holding down the cost of government borrowing within the Eurozone, providing relief for those that have borrowed too much.
- Have you taken full advantage of the current opportunity to lock in lower long-term rates?
- Are you alert to the impact on your borrowing plans as US rates start to rise?
- Do long-term financing plans integrate the likelihood that rates will eventually rise?

Driving M&A

Low interest rates, slow global growth, and the digital transition have combined to power a global mergers and acquisitions (M&A) boom. With an estimated US$4t of deals already announced, 2015 is set to beat the record US$4.3t of deals announced in 2007. The pressure for consolidation is strong across a whole range of industries, from brewing to telecoms. But October brought a slowdown in the number of deals worldwide to 2,177 against a monthly average of 3,521 for the first 9 months of the year.

Companies are benefiting from a relatively stable outlook. In November, Standard & Poor's rating agency said that Europe has entered a benign phase in the credit cycle. The speculative grade default rate, at 2% at the end of June, has, according to Standard and Poor's "returned to levels not seen since before the financial crisis."

Companies have rebuilt their margins, but Eurozone corporates are seeing reported earnings squeezed by the euro's weakness. On 10 November, it was reported that although more than three-quarters of companies had published Q3 earnings, only 50% of European companies had met or beaten forecasts, compared with 74% of US firms.

For businesses

- Are you looking at opportunities to strengthen your activities or market position via M&A?
- Where and how do you need to invest to sustain earnings growth?
- What action should you take in response to euro weakness?

For governments

- Have you modified corporate tax receipt forecasts to take slowing corporate earnings growth into account?
- Have you ensured regulators have sufficient resources to monitor corporate consolidation and protect consumer interests?

Riding the recovery

Powered by investment

We expect investment spending to increase further next year, matching the contribution of consumption to Eurozone growth by 2017. Aided by government spending, which we forecast to rise by 0.9% in 2016, we expect to see the emergence of broad-based demand for the first time since 2007.

The European Commission's 2011 *Roadmap to a Single European Transport Area* calculated that €1.5t of investment was needed between 2010 and 2030 to upgrade European Union (EU) transport infrastructure. Yet Eurozone countries have been notably poor at tapping private finance, often preferring to defer projects during the downturn. France's €7.8b Tours-Bordeaux high-speed rail link, financed privately by holders of a 50-year operating concession, is widely viewed as a model for using public-private partnerships to facilitate investment flows. With interest rates low, pension funds are keen to invest in infrastructure to match predictable returns against their very long-term liabilities. Involving the private sector can help match provision to need, and avoid repeating the past errors of building "roads to nowhere."

For businesses

Companies need to review investment plans now and identify what they need to do and how this will be financed. Capacity and skills shortages are likely to emerge quickly in some sectors, such as construction and building materials, that have withered during the prolonged downturn. This could quickly result in project delays and rising prices. Are you looking at opportunities to strengthen your activities or market position via M&A?

- Have you reviewed investment projects and lined up those that are most urgent?
- Have you locked in affordable funding to ensure your projects can go ahead?
- After a long period of contraction, do you have the project management skills to ensure developments run to plan?
- Have you reviewed training needs to ensure you can staff your projects once they are complete?
- Have you looked at alternatives, such as acquisitions, that could quickly bolster capacity or skills?

For governments

- Have you looked for likely bottlenecks in public provision, from transport to training, arising from renewed growth?
- Have you identified long-term infrastructure projects needed to underpin sustained economic growth?
- Have you reassessed needs and prioritized projects?
- Have you looked at all sourcing options, including contracting out and public-private partnerships?
- Have you structured projects so that they can attract private finance?

Thinking about migration

Eurozone governments are wrestling with a migration crisis as refugees from conflicts and poverty seek a new life in Europe. Many economists argue that an influx of young, highly motivated migrants can mitigate the problem of supporting the Eurozone's aging population. However, the pace of inflows is placing heavy pressure on facilities to welcome and absorb migrants in favored destinations. In September, the Organisation for Economic Cooperation and Development estimated that EU members would receive 1 million asylum applications during 2015. Of those, Germany is expected to receive 800,000 — a global one-year record.

For businesses

- Inward migration offers opportunities, most obviously to provide welcome services, language and skills training, and accommodation.
- Migrants can be a new source of affordable skills and highly motivated labor.
- Onsite language and skills training may be needed to facilitate the induction of immigrant workers.
- In Germany, demand for accommodation may help offset falls in rents and property prices, which could otherwise be expected to accompany demographic decline.

For governments

- Substantial financial resources may be needed to provide accommodation, facilities and training for immigrants.
- Extra classrooms and teachers may be needed in schools, together with additional staff training.
- Extra facilities and skills may also be needed in job placement agencies.
- Income taxes and national insurance contributions from migrants may help fund rising pension payments and health care costs in a population that would otherwise be aging.

A broadening recovery points to a brighter future

Eurozone recovery broader, more sustainable, but not much faster

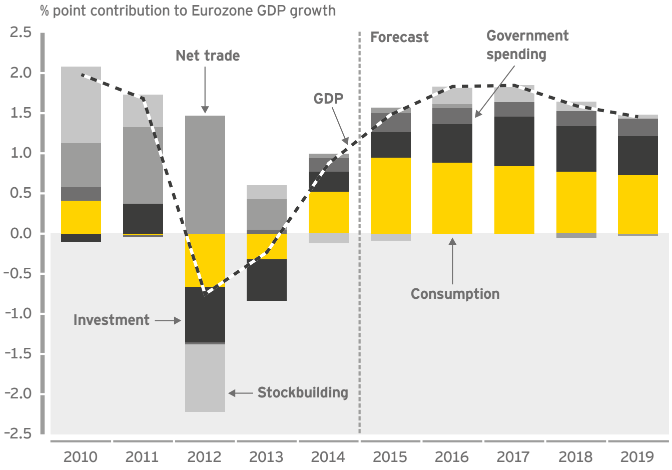
The Eurozone has endured a turbulent few years, but moving into 2016, the conditions seem right for a more stable period of economic recovery. The pace of growth into the medium term will be a little slower than Eurozone residents are used to, but more sustainable and less reliant on debt accumulation.

After an initial rebound led by consumer spending in 2014–15, we expect investment spending to increasingly take up the baton of growth from 2016 onwards. By 2017, investment and household consumption should be contributing broadly similar amounts to overall Eurozone GDP growth. Alongside this, we expect a growing contribution from government spending, which will be increasingly free from the constraints of austerity, albeit still constrained by high debt burdens.

Nevertheless, at just 1.8% in 2016 and 2017, GDP growth will be 0.5 percentage points or so short of the average pace during the decade to 2007, and we expect GDP growth to ease a little further into the medium term, settling at an average of around 1.5% a year from 2018 onwards. This reflects the debt burdens facing Eurozone governments and firms, high structural unemployment in several economies and the loss of international competitiveness in some countries.

Figure 1

Eurozone recovery becoming broader-based



Source: Oxford Economics; Haver Analytics.

Second half of 2015 to be stronger than expected

After a strong Q1 2015, with GDP expanding by 0.5% (the fastest quarterly growth for four years) and a further 0.4% in Q2, many were expecting a slowdown in the second half of the year, as the migration crisis threatened to undermine the free movement of people and goods across borders, and further uncertainty rattled

Table 1

Forecast for the Eurozone economy (annual percentage changes unless specified)

	2014	2015	2016	2017	2018	2019
GDP	0.9	1.5	1.8	1.8	1.6	1.5
Private consumption	0.9	1.7	1.6	1.5	1.4	1.3
Fixed investment	1.3	1.6	2.4	3.1	2.8	2.4
Stockbuilding (% of GDP)	-0.1	-0.2	0.0	0.2	0.3	0.4
Government consumption	0.8	1.1	0.9	0.9	0.9	1.0
Exports of goods and services	3.9	4.5	3.7	3.7	3.3	3.2
Imports of goods and services	4.2	4.9	4.0	4.0	3.7	3.6
Consumer prices	0.4	0.1	1.1	1.5	1.5	1.6
Unemployment rate (level)	11.6	11.0	10.6	10.3	9.9	9.6
Current account balance (% of GDP)	2.4	3.1	3.4	3.2	3.0	2.8
Government budget (% of GDP)	-2.6	-2.1	-1.9	-1.5	-1.2	-1.0
Government debt (% of GDP)	91.9	92.3	92.2	91.4	90.2	88.8
ECB main refinancing rate (%)	0.1	0.1	0.1	0.1	0.2	0.5
Euro effective exchange rate (1995 = 100)*	123.6	114.8	115.3	114.8	116.1	117.2
Exchange rate (US$ per €)	1.33	1.11	1.07	1.06	1.09	1.11

*A rise in the effective exchange rate index corresponds to an appreciation of the euro.

Source: Oxford Economics.

Greece in the summer. But neither threat seems to have undermined the pace of recovery too badly, with the Q3 reading coming in at a quarter-on-quarter rate of 0.3%. This is a little slower than expected, in part due to the strength of import demand in Germany. High-frequency indicators suggest growth of around 0.4% in Q4, and this should yield 1.5% for 2015 as a whole.

Renewed weakness in global commodity prices has clearly played a part in keeping the Eurozone recovery on track. After falling from US$100 per barrel (pb) in mid-2014, to US$60pb a year later, oil prices have since slipped further to a current level of around US$45pb. This aids both households, which are seeing renewed falls in their utility bills, as well as firms, which are able to enjoy better profitability – at least temporarily.

But domestic factors are also contributing to the recovery. The labor market continues to improve, with the unemployment rate falling in 7 of the last 11 months, in turn supporting household optimism about earnings prospects and prosperity. Meanwhile, in light of ongoing savings from lower interest costs and better tax receipts, public spending constraints are easing modestly: Q2 2015 saw the fastest annual growth in government spending since 2010, and it seems likely this will have continued through the last six months of the year.

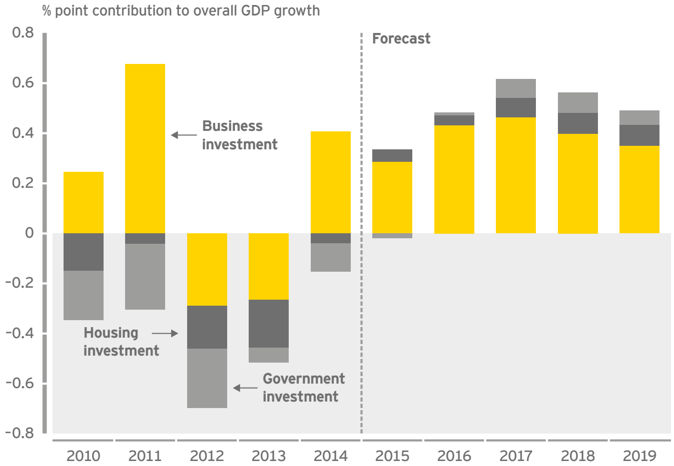
Investment taking up the baton for growth

An additional positive from 2015 has been the upturn in capital spending. Spurred on by recovery and improved profitability, firms increased their capital spending in Q1 at the fastest quarterly growth rate since 2011. Investment subsequently fell back in Q2, although surveys suggest this was a temporary setback, and business investment is bouncing back through the second half of the year and into 2016.

Housing investment is also tentatively recovering, as the backlog of unsold and part-built homes in countries such as Spain and Ireland is used up, and increasingly optimistic households reinvigorate housing demand. However, the easing in government purse strings is yet to feed through into capital spending, with government investment in 2015 set to be unchanged from last year.

Figure 2

Investment as a driver of recovery



Source: Oxford Economics; Haver Analytics.

Looking into 2016, we expect business investment to gather pace, as the financial and political uncertainties of 2012–15 fade. This will be supported by improved profitability, growing export and domestic demand and historically cheap financing. Our forecast is for business investment to grow by 3.5% in 2016, accelerating to 3.7% in 2017, and easing back toward an average of just below 3% per annum in 2018–20 (see box 1).

Alongside this, government investment and housing investment will pick up speed in the coming couple of years. Government investment should grow by 0.4% in 2016 – the first annual rise for seven years – and then about 3% in 2017–18, before easing to a more sustainable 2% a year into the longer term. Meanwhile, housing investment should increase by 0.8% in 2016, picking up to 1.7% by 2019, and easing thereafter.

Taken on aggregate, investment will become an increasingly important driver of recovery in the Eurozone. Next year will be the first year since 2007 that all three components of investment contribute positively to GDP growth. We expect the total direct contribution to growth to rise from 0.3 percentage points in 2015 to 0.5 percentage points in 2016 and then 0.6 percentage points in 2017–18. This direct contribution is clearly positive for the recovery, but in addition greater investment spending should support improved productivity and competitiveness.

Business investment: drivers and constraints

Business investment has started to recover in many Eurozone countries, and is expected to be a key driver of growth in the years ahead. But prospects vary by both sector and country, as do financial conditions for supporting capital spending.

Most obviously, the retail sector is benefiting from the recovery in household incomes — driven by stabilizing labor markets and the windfall effect of lower oil prices. With only a very gradual pickup in energy bills likely, and household income set to grow more rapidly, retailers are increasingly upbeat about the future. Expected demand in the retail sector has risen to a five-year high in response.

The acceleration in demand has been less rapid in recent quarters in the business services sector, but nevertheless the outlook here is at its strongest since 2011. Barring shocks to confidence, it seems likely that both sectors will accelerate their capital spending from 2016 onwards. By contrast, although much improved through 2013–14, the aggregate picture for industrial sectors is somewhat weaker than in services. The slowdown in global demand for industrial materials has had a particularly severe impact on high-wage producers, such as those in the Eurozone.

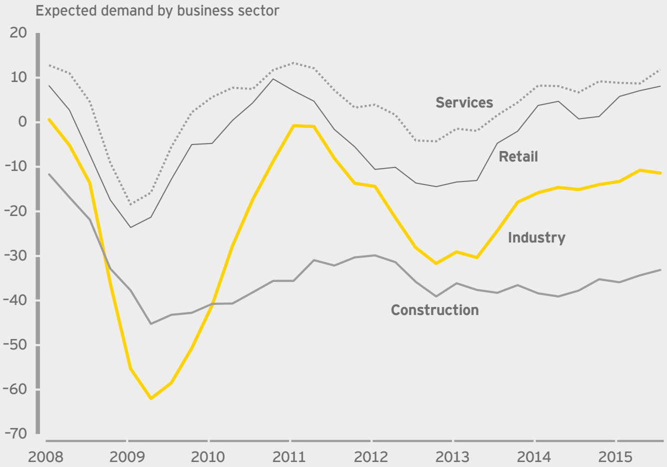
Also supportive of business investment has been the continued reintegration of the Eurozone financial system. The banking crises of 2012–13 drove a wedge between borrowing costs across Eurozone economies, with cross-border flows seizing up as investors became wary about bank solvency and the nexus of bad banks and government debt. By late-2013, typical interest rates on loans to non-financial firms in Italy were 2 percentage points higher than in France. Thanks to policy measures taken at the domestic and Eurozone level, this divergence has halved, making the financial case for borrowing and investing more compelling.

That said, major differences remain in the ability of firms across the Eurozone to take on more debt. Despite substantial deleveraging over recent years, Spanish and Italian non-financial firms' net financial debt is still 110%–120% of GDP — double the level of German firms' net liabilities. As such, even as recovery presents increased opportunities for investment, and cheap financing with which to fund them, there is a risk that the existing burden of corporate debt will impinge on firms' ability to invest.

Additionally, the wider environment remains less business-friendly in many Eurozone economies than it could be. Only five Eurozone economies make it into the top 20 of the World Bank's Ease of Doing Business 2016 (Finland, Germany, Estonia, Ireland and Lithuania), while Italy and Belgium do not even make it into the top 40 (Greece is 60th and Malta 80th). Italy ranks 111th in the world for the ease of enforcing contracts, and Belgium 132nd for the ease of registering property. Further measures to tackle these obstacles to business could boost the rate of business formation, investment and economic growth.

Figure 3

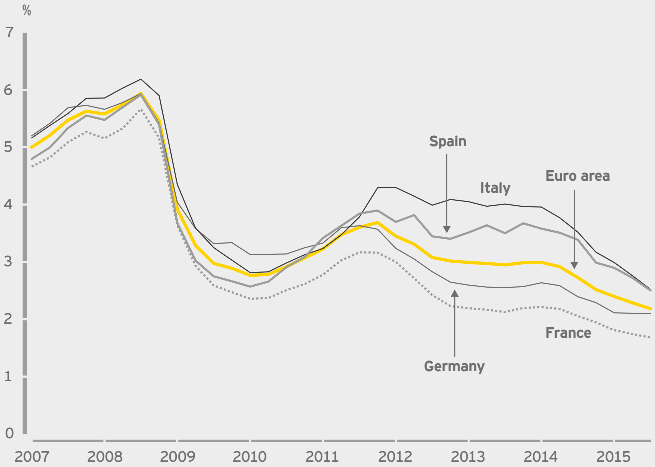
Expected business demand



Source: Oxford Economics; Haver Analytics.

Figure 4

Cost of borrowing for non-financial firms



Source: Oxford Economics; Haver Analytics.

A broadening recovery points to a brighter future

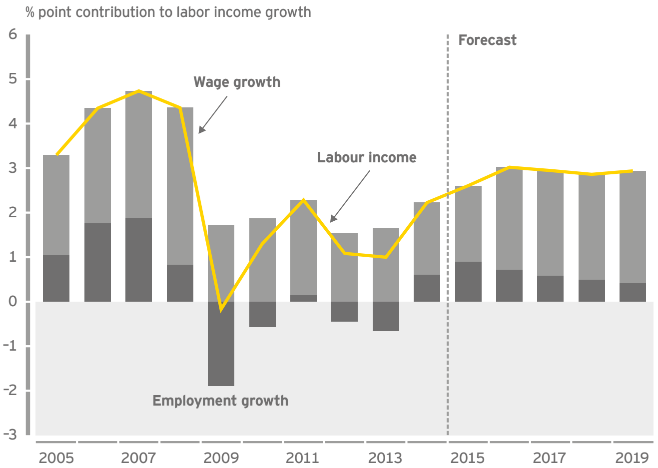
Labor income to become key driver of household spending

Consumer spending has been the principle driver of growth in the Eurozone recovery thus far. Looking ahead, although we expect a more balanced recovery with investment spending and consumption making broadly similar contributions to growth, household spending will nevertheless remain crucial.

The main contributor to household real income growth over the past year has been the slide in energy prices – we estimate that this alone has increased real incomes in the Eurozone by 1 percentage point. In light of the degree of global spare capacity, we expect only a very slow rebound in commodity prices (see box 2) and as such energy bills will remain broadly flat in 2016, before picking up modestly from 2017 onwards.

Figure 5

Labor income growth

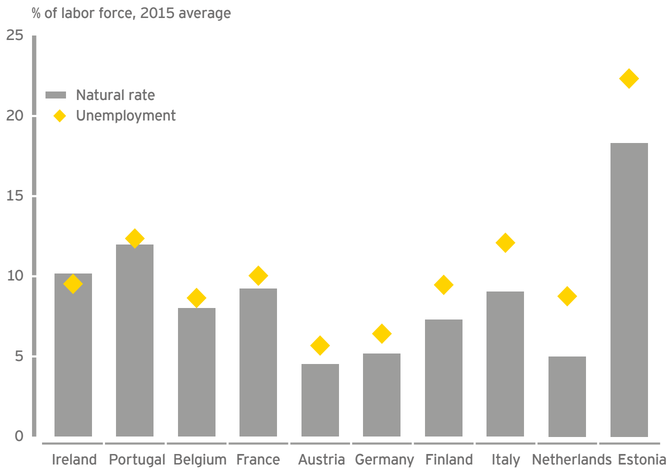


Source: Oxford Economics; Haver Analytics.

Looking ahead, rebounding labor income will be the key driver of household spending, driven mainly by a pickup in wage growth. Even though unemployment remains around 3 percentage points above our estimate of the "natural rate" at the Eurozone level (i.e., the rate at which further increases in employment are likely to drive up inflation) spare labor is highly concentrated in the hardest-hit economies, such as Spain, Portugal and Greece. By contrast, high structural employment in France, Belgium and Italy means that job creation will be slow by historical standards, while in Germany and Austria there is very little spare labor.

Figure 6

Spare capacity in the labor market



Source: Oxford Economics; Haver Analytics.

Table 2

Forecast for the Eurozone by sector (annual percentage changes in gross added value)

	2014	2015	2016	2017	2018	2019
Manufacturing	1.3	1.2	1.7	2.2	1.9	1.5
Agriculture	3.3	1.6	1.2	1.2	1.1	1.0
Construction	-1.0	1.8	1.5	1.6	1.6	1.6
Utilities	-1.9	0.7	2.1	1.7	1.3	1.2
Trade	1.3	1.8	1.9	1.8	1.6	1.5
Financial and business services	1.1	1.9	2.3	2.2	1.9	1.7
Communications	1.5	2.2	3.4	3.4	2.9	2.7
Non-market services	0.6	0.9	1.1	1.0	0.9	0.9

Source: Oxford Economics.

Consequently, in a number of economies rising labor demand should feed through reasonably quickly into wage growth, a process supported by productivity-enhancing capital spending by firms, and the associated investment in training and people. After growing by 2.2% in 2014 and 2.7% in 2015, we expect total Eurozone labor market income to rise 3.1% in 2016 and around 3% per annum to the end of the decade.

Therefore, 2015 probably marks the high-water mark for consumer spending growth, at 1.7%. As the boost from cheaper energy fades, we expect private consumption growth of 1.6% in 2016, 1.5% in 2017 and then about 1.3% a year in 2018–19.

Emerging market slowdown only partly offset by advanced economies

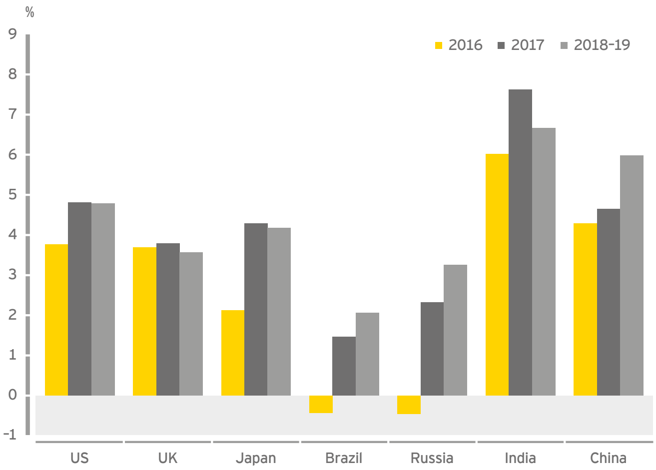
One of the key achievements in recent years has been the extent to which Eurozone countries have expanded their trade into emerging markets to achieve growth while traditional markets have been contracting. However, with the slowdown in China and attendant falls in commodity prices, imports by some major emergers have slumped — down 27% in Russia in 2015 and 8% in Brazil in our forecast.

Given the rebalancing of growth in China and the weak outlook for commodities, we expect only a modest recovery in emerging market imports. Import demand in China is set to grow by just 5.2% per annum in 2016–19, compared with over 12% per annum in 2010–14, while Brazil and Russia will only recovery gradually from their 2015 crises.

In advanced economies, imports have been rather more robust through 2015, particularly in the US, where we estimate that they have grown by more than 5% thanks to the stronger US dollar and a tightening labor market. But this will ease though our forecast horizon and, even with faster import growth in the UK and Japan, the overall outlook is for slower growth in Eurozone exports. We see exports growing by 4.5% in 2015, before easing to about 3.7% a year in 2016–17 and then around 3.2% in 2018–19.

Figure 7

Import growth



Source: Oxford Economics; Haver Analytics.

Eurozone countries where labor costs have fallen least over recent years, such as France and Italy, will feel the slower export market growth particularly strongly. Capital investment has a key role to play in aiding firms in these countries — replacing aging plant and machinery with more modern equipment could yield competitiveness gains, enabling these countries to compete more effectively with those where labor costs have fallen in recent years, such as Spain and Ireland.

That said, exporters should benefit from a further depreciation of the euro, as monetary policy diverges on the two sides of the Atlantic. The ECB's December announcement of an extension to the purchase of bonds into 2017 and a modest cut to the deposit rate was widely anticipated, given the ECB President's comments in October, and we currently expect two increases in the Federal Reserve funds rate in the US in 2016 (see box 2). Even though the euro strengthened in the immediate aftermath of the December ECB meeting, we expect this divergence in policy to keep the euro weak, with an average exchange rate versus the dollar of around US$1.06 throughout 2016 and 2017.

However, a faster-than-expected recovery in the US could result in a swifter pace of monetary tightening there. Alternatively, a further slowing in the path of Eurozone inflation (which we expect to pick up from 1.1% in 2016 to 1.6% by 2019) could be a cue for yet further monetary stimulus in Europe. Either would put further downward pressure on the euro, in turn aiding Eurozone exporters.

A broadening recovery points to a brighter future

Developments in the global economy

The global economy is undergoing something of a rotation throughout 2015–16, with the managed slowdown in China putting a brake on the emerging economies, at the same time as delivering a welcome "terms of trade" boost to most of the advanced countries. The net effect of these developments is broadly positive as far as the Eurozone is concerned, although some countries will feel the impact of slower emerging market demand more keenly than others.

China's growth through the post-Lehman Brothers period has been fueled largely by rapid investment into the property sector. But with the property market increasingly overheated and oversupplied moving into 2015, the Chinese authorities took a number of measures to cool property investment. The resulting slowdown in capital spending will mean a much slower pace of GDP growth than in recent years – 6.3% in 2016, 5.8% in 2017 and 5.4% in 2018–19, according to Oxford Economics' forecast, compared with an average of 9% for 2007–15 , while the World Bank projects growth in China to be 6.7% in 2016 and 6.5% in 2017.

Slower growth in Chinese demand for commodities, combined with the rise in energy production in the US, has had a major impact on world energy prices and the current accounts of major commodity producers. Russia and Brazil have suffered most in this respect, given their failure to diversify their export bases away from commodities in recent years. Both have seen sharp falls in their currencies and have had to tighten monetary policy in a pro-cyclical manner to keep inflation under control.

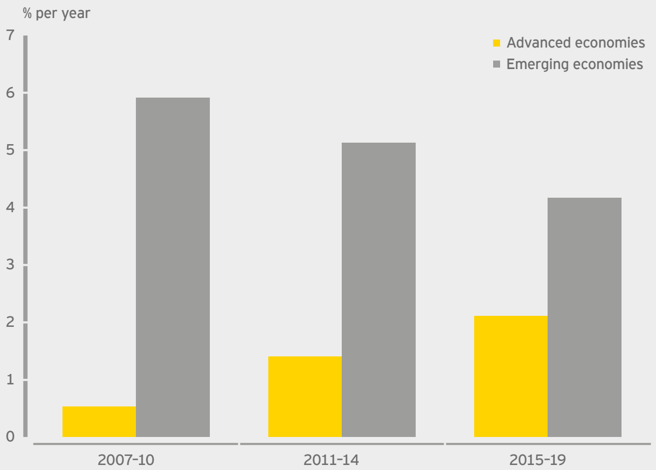
We expect a contraction in GDP in both these economies for a second successive year in 2016 and, barring ambitious reform measures, only tepid growth thereafter given the outlook for oil prices. Fiscal balances in a number of OPEC economies have deteriorated, prohibiting unilateral cuts in production to underpin prices, while US oil production has proved remarkably resilient to lower prices. We forecast the world oil price will average US$50pb in the final quarter of 2015, before picking up to just US$60 by the end of 2017 and US$70 by the end of 2019.

Slower growth in the emerging economies (although India, as a major commodity importer, gains from weaker energy prices) will be a drag on global demand growth in the years ahead, but the terms of trade boost to advanced economies provides some offset. In the near term, consumers in the US and UK are benefiting from the same energy windfall as in the Eurozone, while in the medium to longer term a slower recovery in energy bills will aid manufacturing competitiveness and allow a relatively gentle pace of monetary tightening.

This boost to household budgets is aiding recoveries that were already well under way in the US and UK. We expect GDP growth in the US of 2.7% in 2016, and broadly the same rate in 2017–19, while growth in the UK will be around 0.3 percentage points slower on average, but still well above 2% a year. Both are set to start the process of monetary "normalization" heading into 2016, with two increases in interest rates expected in each.

Figure 8

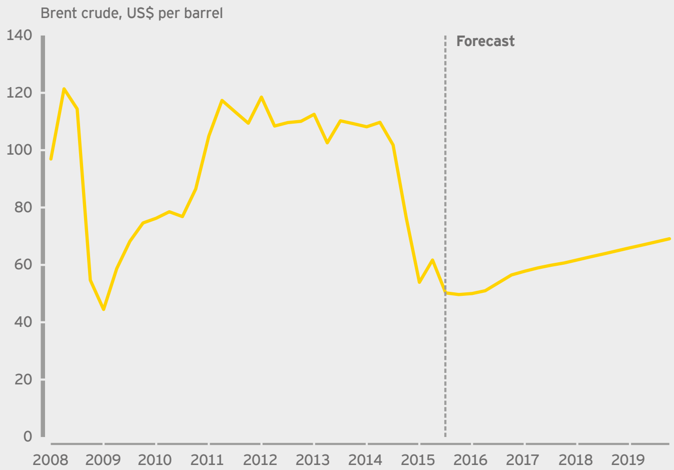
GDP growth



Source: Oxford Economics; Haver Analytics.

Figure 9

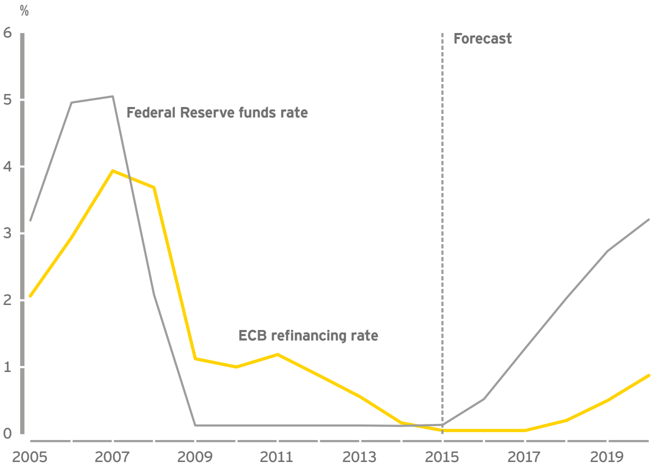
World oil price



Source: Oxford Economics; Haver Analytics.

Figure 10

ECB policy rates



Source: Oxford Economics; Haver Analytics.

Fiscal constraints starting to lift modestly

Consumer spending growth and recovering labor markets are already helping government revenues to do more of the lifting in correcting budget deficits — total Eurozone government revenues rose by 2% in 2014 and then by 2.4% in 2015 in our estimation. This is set to continue, with revenue growth seen rising to 3.4% in 2017, before easing back in subsequent years.

However, this will still be somewhat slower than in the pre-crisis years — revenues grew by an average of 4% per annum between 1997 and 2007. Combined with the impact of bank rescues and accumulated deficits on government debt stocks, this will mean only a modest recovery in the rate of spending growth. We expect current government spending to grow by just 0.9% in 2016, picking up only gradually to 1% by 2019.

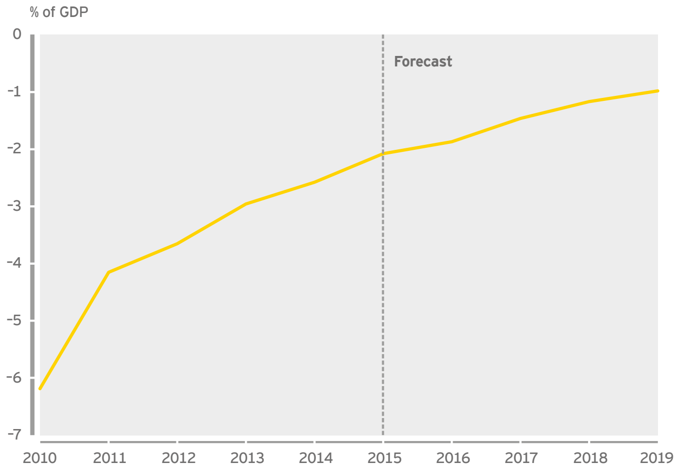
Growth to pick up modestly in 2016–17

Overall, we forecast Eurozone GDP growth will pick up from 1.5% in 2015 to 1.8% in 2016 and 2017, driven by accelerating investment spending that will broaden the recovery and make it less reliant on consumption and external demand. However, in the longer-term, growth will ease back to 1.6% in 2018 and 1.5% in 2019, reflecting a combination of factors, including high structural unemployment in many economies, high debt burdens that constrain fiscal policy, weak export competitiveness and demographic decline.

More can be done to address these obstacles to growth. In Spain, the labor market reforms of 2012 have had a transformative effect on competitiveness and job creation. Similarly, recent measures in Italy, although they are less ambitious, are also starting to have an impact. But in France, the process of tackling the barriers to job creation has not really begun, and as such it seems likely that unemployment will remain structurally high, limiting the rate of employment growth and in turn household income and consumer spending. Meanwhile, although the current migration crisis is clearly a humanitarian issue, the potential inflow of young workers into the Eurozone presents an opportunity to improve the demographic profile of the region's workforce over the longer term.

Figure 11

Eurozone government budget deficit



Source: Oxford Economics; Haver Analytics.

Nevertheless, the fact that the Eurozone enters 2016 with all 19 members in place and recovery under way in most of the hardest-hit economies is a testament to the energies of Eurozone leaders in delivering solutions to the financial and economic problems of the past few years. If these energies are sustained into making the Eurozone more flexible and dynamic in the years ahead, a stronger economic recovery than our baseline forecast is within grasp.

Detailed tables and charts

Forecast assumptions

	2014	2015	2016	2017	2018	2019
Short-term interest rates (%)	0.2	0.0	-0.1	-0.2	0.1	0.5
Long-term interest rates (%)	2.0	1.2	1.5	2.3	2.9	3.2
Euro effective exchange rate (1995 = 100)	123.6	114.8	115.3	114.8	116.1	117.2
Oil prices (€/barrel)	74.5	48.6	49.6	55.7	58.2	60.7
Share prices (% year)	12.6	8.9	1.7	8.6	6.4	5.8

	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Short-term interest rates (%)	0.3	0.3	0.2	0.1	0.0	0.0	0.0	-0.1
Long-term interest rates (%)	2.7	2.2	1.8	1.5	1.0	1.3	1.4	1.2
Euro effective exchange rate (1995 = 100)	125.7	125.2	122.6	121.1	114.9	112.6	116.1	115.5
Oil prices (€/barrel)	79.0	80.0	76.8	61.1	47.9	55.8	45.2	45.6
Share prices (% year)	15.5	19.2	14.0	2.8	11.4	12.7	6.7	4.7

Eurozone GDP and components

Quarterly forecast (quarterly percentage changes)

	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	0.2	0.1	0.3	0.4	0.5	0.4	0.3	0.4
Private consumption	0.1	0.2	0.5	0.6	0.5	0.4	0.3	0.4
Fixed investment	0.4	-0.5	0.3	0.6	1.4	-0.5	-0.1	0.6
Government consumption	0.3	0.2	0.2	0.2	0.6	0.3	0.0	0.2
Exports of goods and services	0.6	1.2	1.5	0.9	1.0	1.6	0.6	0.7
Imports of goods and services	0.9	1.2	1.7	0.9	1.5	1.0	1.0	0.7

Contributions to GDP growth (percentage point contribution to quarter-on-quarter GDP growth)

	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	0.2	0.1	0.3	0.4	0.5	0.4	0.3	0.4
Private consumption	0.1	0.1	0.3	0.3	0.3	0.2	0.2	0.2
Fixed investment	0.1	-0.1	0.1	0.1	0.3	-0.1	0.0	0.1
Government consumption	0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.1
Stockbuilding	0.1	0.0	-0.1	-0.1	0.0	-0.1	0.3	0.0
Exports of goods and services	0.3	0.5	0.7	0.4	0.5	0.7	0.3	0.3
Imports of goods and services	-0.4	-0.5	-0.7	-0.4	-0.6	-0.4	-0.4	-0.3

Annual levels — real terms (€b, 2000 prices)

	2014	2015	2016	2017	2018	2019
GDP	9,685	9,828	10,008	10,193	10,355	10,506
Private consumption	5,328	5,419	5,506	5,590	5,669	5,744
Fixed investment	1,913	1,943	1,991	2,053	2,110	2,161
Government consumption	2,054	2,078	2,097	2,115	2,135	2,157
Stockbuilding	-12	-21	1	21	33	38
Exports of goods and services	4,319	4,515	4,684	4,855	5,015	5,177
Imports of goods and services	3,917	4,107	4,270	4,442	4,607	4,771

Annual levels — nominal terms (€b)

	2014	2015	2016	2017	2018	2019
GDP	10,133	10,405	10,726	11,083	11,440	11,800
Private consumption	5,645	5,754	5,913	6,101	6,285	6,473
Fixed investment	1,985	2,034	2,112	2,211	2,311	2,407
Government consumption	2,131	2,170	2,220	2,271	2,330	2,393
Stockbuilding	-17	-36	-16	10	28	39
Exports of goods and services	4,516	4,737	4,978	5,253	5,515	5,788
Imports of goods and services	4,127	4,253	4,481	4,763	5,028	5,301

Prices and cost indicators

(annual percentage changes unless specified)

	2014	2015	2016	2017	2018	2019
HICP headline inflation	0.4	0.1	1.1	1.5	1.5	1.6
Inflation ex. energy	0.9	0.8	1.1	1.4	1.5	1.6
GDP deflator	0.9	1.2	1.2	1.5	1.6	1.7
Import deflator	0.5	2.4	1.0	1.8	1.6	1.7
Export deflator	-2.2	-1.2	1.2	2.3	1.8	1.9
Terms of trade	-2.7	-3.6	0.2	0.5	0.2	0.2
Earnings	1.6	1.7	2.3	2.4	2.4	2.5
Unit labor costs	1.2	1.0	1.2	1.1	1.3	1.5
Output gap (% of GDP)	-3.5	-3.1	-2.4	-1.8	-1.5	-1.3
Oil prices (€ per barrel)	74.5	48.6	49.6	55.7	58.2	60.7
Euro effective exchange rate (1995 = 100)	123.6	114.8	115.3	114.8	116.1	117.2

	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
HICP headline inflation	0.6	0.6	0.3	0.1	-0.3	0.2	0.1	0.5
Inflation ex. energy	1.0	0.9	0.8	0.7	0.6	0.8	0.8	1.0
GDP deflator	0.9	0.7	0.9	0.9	1.0	1.2	1.3	1.2
Import deflator	-0.5	-0.4	1.5	1.3	2.7	5.0	0.8	1.2
Export deflator	-2.7	-2.2	-2.0	-2.0	-3.2	1.5	-2.6	-0.8
Terms of trade	-2.2	-1.8	-3.5	-3.3	-5.8	-3.4	-3.4	-2.0
Earnings	1.8	1.6	1.6	1.6	1.5	1.6	1.7	2.0
Unit labor costs	0.9	1.2	1.3	1.3	0.9	0.8	1.0	1.4
Output gap (% of GDP)	-3.4	-3.6	-3.6	-3.3	-3.2	-3.1	-3.1	-3.0
Oil prices (€ per barrel)	79.0	80.0	76.8	61.1	47.9	55.8	45.2	45.6
Euro effective exchange rate (1995 = 100)	125.7	125.2	122.6	121.1	114.9	112.6	116.1	115.5

Note: HICP is the European Harmonized Index of Consumer Prices.

Labor market indicators

(annual percentage changes unless specified)

	2014	2015	2016	2017	2018	2019
Employment	0.6	0.9	0.7	0.6	0.5	0.4
Unemployment rate (%)	11.6	11.0	10.6	10.3	9.9	9.6
NAIRU (%)	8.1	8.0	7.9	7.7	7.6	7.4
Participation rate (%)	76.5	76.5	76.6	76.7	76.8	77.0
Earnings	1.6	1.7	2.3	2.4	2.4	2.5
Unit labor costs	1.2	1.0	1.2	1.1	1.3	1.5

	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Employment	0.2	0.6	0.8	0.8	0.8	0.9	0.9	1.0
Unemployment rate (%)	11.8	11.6	11.5	11.5	11.2	11.0	10.9	10.9
NAIRU (%)	8.1	8.1	8.1	8.1	8.0	8.0	8.0	8.0
Participation rate (%)	76.5	76.5	76.6	76.6	76.5	76.5	76.5	76.6
Earnings	1.8	1.6	1.6	1.6	1.5	1.6	1.7	2.0
Unit labor costs	0.9	1.2	1.3	1.3	0.9	0.8	1.0	1.4

Note: NAIRU is the non-accelerating inflation rate of unemployment; i.e., the rate of unemployment below which inflationary pressures would start to appear due to labor market tightness.

Current account and fiscal balance

	2014	2015	2016	2017	2018	2019
Trade balance (€b)	194.0	271.6	276.9	266.0	259.4	253.9
Trade balance (% of GDP)	1.9	2.6	2.6	2.4	2.3	2.2
Current account balance (€b)	245.6	326.6	361.1	351.1	339.5	331.4
Current account balance (% of GDP)	2.4	3.1	3.4	3.2	3.0	2.8
Government budget balance (€b)	-261	-216	-200	-162	-133	-115
Government budget balance (% of GDP)	-2.6	-2.1	-1.9	-1.5	-1.2	-1.0
Government debt (€b)	9,308	9,608	9,892	10,127	10,319	10,480
Government debt (% of GDP)	91.9	92.3	92.2	91.4	90.2	88.8

Measures of convergence and divergence within the Eurozone

	2005-09	2010-14	2015-19
Growth and incomes			
Standard deviation of GDP growth rates	5.3	2.8	1.3
Growth rate gap (max – min)	5.6	8.8	4.3
Highest GDP per capita (Eurozone = 100)	251.9	240.0	235.2
Lowest GDP per capita (Eurozone = 100)	55.5	58.0	52.7
Inflation and prices			
Standard deviation of inflation rates	2.5	1.4	0.9
Inflation rate gap (max – min)	6.9	2.7	1.4
Highest price level (Eurozone = 100)	134.3	138.7	139.8
Lowest price level (Eurozone = 100)	82.4	91.5	92.5

Cross-country tables

Real GDP (% year)

Rank		2014	2015	2016	2017	2018	2019	Average 2015–19
1	Ireland	5.2	5.8	4.3	3.8	3.4	3.3	4.1
2	Latvia	2.4	2.2	3.3	4.2	4.8	4.5	3.8
3	Slovakia	2.5	3.3	3.1	3.2	3.1	3.3	3.2
4	Estonia	2.9	1.6	2.8	3.5	4.0	4.0	3.2
5	Lithuania	3.0	1.6	3.2	3.4	3.5	3.5	3.0
6	Luxembourg	4.1	3.6	3.1	2.7	2.9	2.7	3.0
7	Slovenia	2.8	2.6	2.5	2.8	3.3	3.1	2.9
8	Malta	3.6	4.0	3.0	2.5	2.0	1.8	2.7
9	Spain	1.4	3.1	2.9	2.5	2.3	2.1	2.6
10	Netherlands	1.0	1.9	2.1	2.4	1.8	1.8	2.0
11	Cyprus	-2.3	0.5	1.4	2.1	2.4	2.5	1.8
12	Eurozone	0.9	1.5	1.8	1.8	1.6	1.5	1.6
13	Germany	1.6	1.5	2.2	2.0	1.4	1.0	1.6
14	France	0.2	1.2	1.5	1.7	1.7	1.6	1.5
15	Belgium	1.3	1.3	1.4	1.6	1.6	1.6	1.5
16	Austria	0.5	0.8	1.1	1.8	1.8	1.8	1.5
17	Portugal	0.9	1.5	1.4	1.3	1.2	1.2	1.3
18	Italy	-0.4	0.7	1.3	1.2	1.1	1.0	1.0
19	Finland	-0.4	-0.2	0.6	1.4	1.6	1.8	1.0
20	Greece	0.7	0.2	-2.4	-1.7	0.9	2.0	-0.2

Inflation rates (% year)

Rank		2014	2015	2016	2017	2018	2019	Average 2015–19
1	Greece	-1.4	-1.4	-0.4	1.1	1.8	1.9	0.6
2	Cyprus	-0.3	-1.0	0.9	1.3	1.6	1.8	0.9
3	Spain	-0.2	-0.5	1.0	1.2	1.5	1.5	0.9
4	Italy	0.2	0.2	0.7	1.1	1.4	1.7	1.0
5	Finland	1.2	-0.1	0.9	1.3	1.5	1.6	1.1
6	Portugal	-0.2	0.6	0.9	1.2	1.4	1.7	1.1
7	Eurozone	0.4	0.1	1.1	1.5	1.5	1.6	1.2
8	Netherlands	0.3	0.5	1.2	1.3	1.4	1.7	1.2
9	France	0.6	0.2	1.4	1.6	1.5	1.6	1.2
10	Germany	0.8	0.2	1.4	2.0	1.6	1.5	1.4
11	Belgium	0.5	0.6	1.5	1.7	1.6	1.7	1.4
12	Slovenia	0.2	-0.6	0.9	1.9	2.5	2.5	1.4
13	Lithuania	0.1	-0.6	1.6	2.2	2.1	2.1	1.5
14	Slovakia	-0.1	-0.2	1.1	2.2	2.2	2.3	1.5
15	Luxembourg	0.7	0.2	1.8	2.0	1.9	1.9	1.6
16	Austria	1.5	0.9	1.7	1.9	1.8	1.8	1.6
17	Ireland	0.3	0.2	1.7	2.2	2.3	2.0	1.7
18	Latvia	0.6	0.4	1.8	2.4	2.4	2.4	1.9
19	Estonia	0.5	0.1	1.9	2.5	2.5	2.5	1.9
20	Malta	0.8	1.1	1.8	2.3	2.3	2.3	2.0

Cross-country tables

Unemployment rate (% of labor force)

Rank		2014	2015	2016	2017	2018	2019	Average 2015–19
1	Germany	5.0	4.6	4.5	4.5	4.5	4.4	4.5
2	Austria	5.6	5.7	5.5	5.4	5.3	5.1	5.4
3	Estonia	7.4	6.3	5.5	5.3	5.3	5.4	5.5
4	Malta	5.9	5.5	5.5	5.6	5.6	5.6	5.6
5	Luxembourg	6.0	5.9	5.9	5.8	5.5	5.0	5.6
6	Netherlands	7.4	6.8	6.7	6.6	6.5	6.5	6.6
7	Ireland	11.3	9.6	8.4	7.1	6.2	5.8	7.4
8	Lithuania	10.7	10.1	9.6	8.1	6.8	5.6	8.0
9	Slovenia	9.7	9.6	8.9	8.1	7.2	6.4	8.0
10	Belgium	8.5	8.7	8.4	8.0	7.8	7.7	8.1
11	Latvia	10.8	10.0	9.1	8.3	7.9	7.7	8.6
12	Finland	8.7	9.4	9.4	9.2	8.7	7.9	8.9
13	Slovakia	13.2	11.4	10.9	10.3	9.4	8.7	10.2
14	Eurozone	11.6	11.0	10.6	10.3	9.9	9.6	10.3
15	France	10.3	10.5	10.5	10.3	10.1	10.0	10.3
16	Portugal	14.1	12.6	11.7	10.8	10.3	10.0	11.1
17	Italy	12.7	12.1	11.8	11.4	11.1	10.6	11.4
18	Cyprus	16.1	16.0	14.8	13.5	11.9	10.2	13.3
19	Spain	24.5	22.3	20.7	19.3	18.2	17.3	19.5
20	Greece	26.6	25.5	26.5	27.3	27.0	25.7	26.4

Government budget (% of GDP)

Rank		2014	2015	2016	2017	2018	2019	Difference 2015–19
1	Germany	0.3	0.5	-0.1	-0.1	-0.2	-0.1	-0.6
2	Luxembourg	1.4	0.6	0.2	0.2	0.2	0.2	-0.4
3	Estonia	0.7	-0.1	-0.4	-0.1	0.0	-0.1	0.0
4	Lithuania	-0.7	-1.0	-1.1	-1.1	-1.0	-1.0	0.0
5	Malta	-2.1	-1.6	-1.4	-1.3	-1.1	-1.0	0.6
6	Netherlands	-2.3	-1.8	-1.5	-1.4	-1.2	-0.9	0.9
7	Latvia	-1.5	-1.4	-1.1	-1.8	-0.4	-0.4	1.0
8	Eurozone	-2.6	-2.1	-1.9	-1.5	-1.2	-1.0	1.1
9	Austria	-2.7	-2.0	-1.7	-1.2	-0.9	-0.9	1.1
10	Slovakia	-2.8	-2.9	-2.8	-2.6	-2.0	-1.8	1.1
11	Greece	-3.6	-3.5	-3.5	-3.1	-2.6	-2.1	1.4
12	Slovenia	-5.0	-3.9	-3.2	-2.8	-2.6	-2.5	1.4
13	Italy	-3.0	-2.7	-2.2	-1.6	-1.3	-1.1	1.6
14	Finland	-3.3	-3.4	-2.9	-2.5	-2.0	-1.4	2.0
15	France	-3.9	-3.8	-3.5	-2.7	-2.1	-1.8	2.0
16	Portugal	-7.2	-3.2	-2.6	-1.9	-1.4	-1.0	2.2
17	Belgium	-3.1	-3.2	-2.2	-1.6	-0.9	-0.6	2.6
18	Ireland	-3.9	-2.8	-2.0	-1.4	-0.7	-0.2	2.6
19	Spain	-5.9	-4.5	-3.2	-2.6	-2.2	-1.9	2.6
20	Cyprus	-8.8	-1.5	0.0	1.0	1.7	1.8	3.3

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