Association d'Instituts Européens de Conjoncture Economique (AIECE)

AIECE General Report

Part I

Prepared for the AIECE Autumn Meeting 2018 in Brussels
November 2018

le BIPE

BDO ADVISORY

AIECE General Report

Part I

November 2018

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Abstract :

The General Report was prepared for the AIECE (Association d'Instituts Européens de Conjoncture Economique) Autumn Meeting 15-16 November 2018 in Brussels. It summarises the assessment of the AIECE member institutes regarding the economic situation and the outlook in the euro area and in the home economies of the AIECE member institutes.

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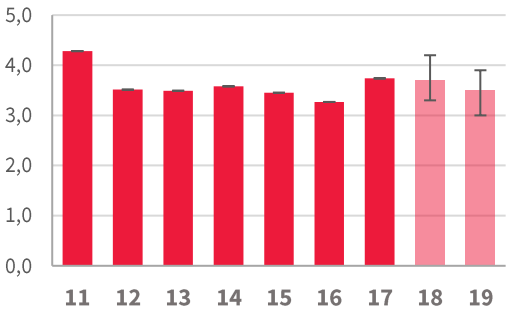
We would like to thank all AIECE member institutes who participated to the AIECE General Report survey. Their answers greatly contributed to this document.

1. Key Global Developments

After an acceleration of global growth, the world GDP is expected to plateau in 2018-2019. The IMF forecasts 3.7% for both 2018 and 2019[1]. This figure is in line with the forecasts of AIECE members, which expect global activity to grow by 3.7% this year. Economies seem now to be close to the end of the business cycle and output gaps are being closed progressively. The IMF is a little more optimistic than AIECE institutes for 2019, as the latter expect global GDP to grow by 3.5% next year. Global trade is slowing down, as a consequence of plateauing growth. Confidence indicators are weakening, especially in the manufacturing sector, where industrials are less optimistic about future prospects. Risks are now tilted to the downside, as the policy environment becomes unclear.

Figure 1 : Global GDP
% change, volume



Source: IMF WEO, AIECE institutes. All institutes with the same weight. Error bands indicate the upper and lower extremes of the member institutes' projections (n=20)

Emerging economies are slowing down

Emerging economies are experiencing difficulties with political uncertainty growing in some countries. Strong fluctuations in exchange rates and political instability have further increased risks and limited growth in 2018. Activity in Brazil was impacted by the strike of truck drivers in May, while currencies in Argentina and Turkey plunged against the dollar following elevated crisis of confidence.

China's growth is easing, on the backdrop of slowing investment in fixed assets. China is thus confirming the reorientation of its growth model, towards services and private consumption. Exports have accelerated in the third quarter, in spite of US tariffs. Confidence surveys in the industrial sector show a softening of external demand, suggesting a worsening of exports in the months to come. Chinese officials have reacted by loosening credit conditions and allowed for a depreciation of the Yuan. Chinese stock markets have fallen by about 20% since January, despite multiple efforts of Chinese authorities to talk up investors' confidence. Private consumption remains strong, thanks to growing wages and the contribution to growth of private consumption is increasing, substituting for investment. Public and private debt are however at high level and the question of the risks associated should be addressed.

[1] IMF, World Economic Outlook, October 2018. https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018

In Brazil, growth is slower than expected. The sluggish economy was strongly affected by the truck drivers' strikes in May. On top of this factor, uncertainty before the presidential election, as well as turbulences in Argentina have weighed on confidence indicators and, in turn, on investment.
Growth is gaining momentum in Russia. Activity in the industrial sector is on the rise and sustains GDP growth. The World Cup as well as improvements on the labour market contributed to the dynamism of private consumption. Increasing oil production and higher oil prices are expected to further support Russian growth over the year.

Growth is more moderate in developed economies

Developed economies are following a similar path, with a general slowdown observed in the major countries. The US depart from this analysis as growth is very strong in America. In the USA, the fiscal stimulus package implemented by the government (tax cuts, increase in public spending) has boosted growth over the first three quarters of 2018. The labour market is under pressure as the unemployment rate is at its lowest level since 1970. As a consequence, the compensation of employees is accelerating, allowing consumption to further gain momentum and to remain the driver of growth.

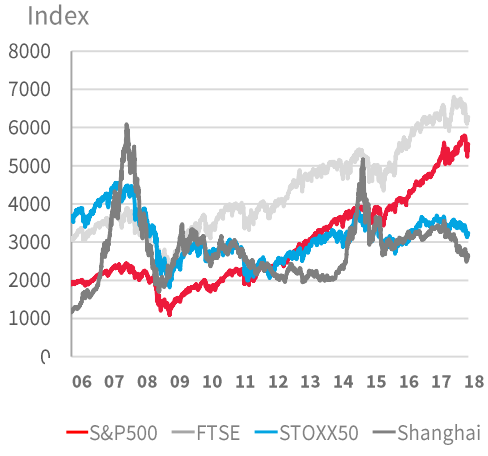
In Japan, growth is slowing down in 2018. The very accommodative monetary policy is expected to support growth in the near future. The labour market is very tight as the unemployment rate is lower than 3%, and the new-job-offers-to-applicant is at an all-time high. Consumer confidence is easing slowly. Japan is exposed to global trade tensions, as the country is trading intensively with China and the US.

In the European Union, the activity is slowing down faster than expected. The European Commission's Economic sentiment is on a downward trend, after reaching a high in January.

Financial markets are losing steam

In the US, for more than 3,500 days, the stock markets have not experienced any large correction (more than 20%), setting a new record last summer before entering into a correction in Autumn. The average 2018 performance year to date falls short of last year. Lower growth figures, increase in oil prices, variability of exchange rates as well as uncertainty regarding

Figure 2 : Equity indices



Source: Macrobond

economic prospects have weighted on stock returns. The European stock market is down year-to-date. Among the BRICs, Brazil, Russia and India record modest gains, in sharp contrast with China.

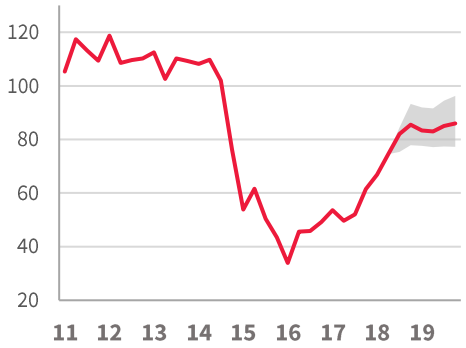
Oil prices are on the rise

Overall, the prices of oil have been on an upward trend since January 2018. The price of brent has reached 86$ in October, its highest level since 2014. Concerns about the capacity of Saudi Arabia to meet demand, as well as fears related to Iranian and Venezuelan supply losses have pulled prices up. On the other side, trade wars, the strengthening of the US dollar as well as lower global demand weighed on oil prices. The price has dropped by more than 10$/barrel since the high of the beginning of October.

Where is the Euro/Dollar going?

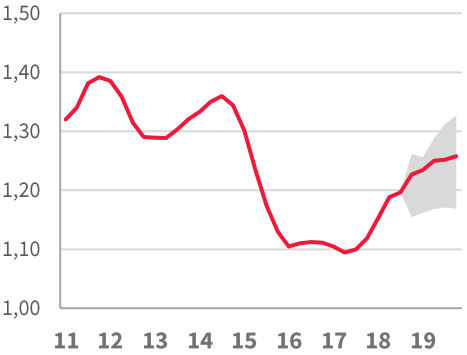
The Euro has strengthened against the dollar at the beginning of the year (1€=1.23$ at the end of Q1 2018) but has weakened since. At the end of Q3 2018, the Euro/Dollar exchange rate reached 1.17 (end of period), the Euro losing 4,9% to the Dollar as compared to Q1. AIECE institutes expect the Euro/Dollar exchange rate to reach 1.16 in Q4 2018 and 1.17 by 2019. Out of 19 respondents, 2 institutes expect a slight depreciation of the Euro, while 9 institutes expect an appreciation of the common currency. The remaining 8 institutes expect a stabilisation of the exchange rate.

Figure 3: Crude oil prices
Brent, USD/barrel, average over the period



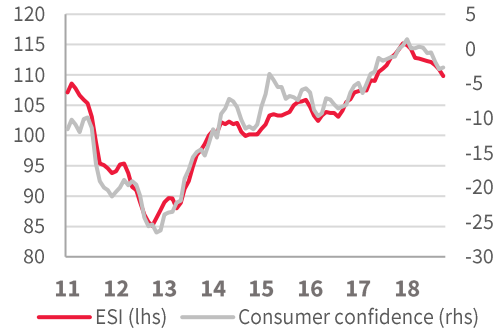
Source: EIA, AIECE institutes. All institutes with the same weight. Error bands indicate the upper and lower extremes of the member institutes' projections (n=20)

Figure 4: Exchange rates
USD per Euro



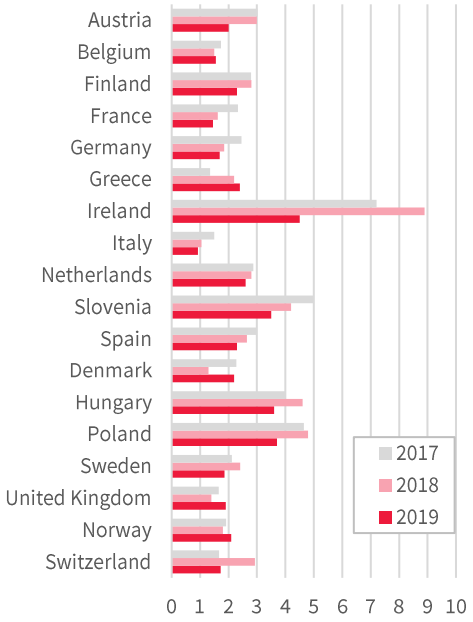
Source: Macrobond, AIECE institutes. All institutes with the same weight. Error bands indicate the upper and lower extremes of the member institutes' projections (n=19)

Figure 5: Confidence indicators for the Eurozone



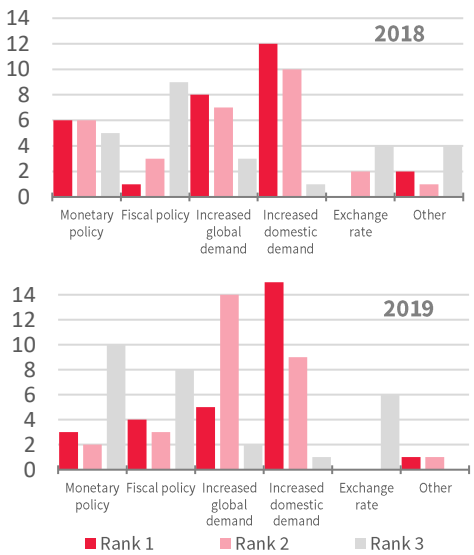
Source: European Commission

Figure 6: GDP growth in AIECE economies
% change, volume



Source: IMF WEO, AIECE institutes (n=30)

Figure 7: Most important factors with a positive effect on growth in your home country
# of ranks 1, 2, 3 with 1 = most important factor



Source: All AIECE institutes (n=29 for 2018, n=28 for 2019)

2. Outlook for Europe

2.1 Euro Area growth outlook

For the fifth year in a row, the economy of the Euro Area is growing. However, activity in the Euro Area has lost some momentum in 2018. Estimated growth for 2018 and 2019 has been downwardly revised by AIECE institutes as compared to the Spring meeting. AIECE institutes expect growth in the Euro Area to reach 2.0% in 2018 and 1.8% in 2019 in average (compared to 2.3% and 1.9% in May). This slower-than-expected growth is partly due to private consumption being less dynamic than initially foreseen, on the backdrop of higher inflation figures. Sentiment indicators for business and consumer confidence have weakened since the beginning of the year, reflecting an increase in uncertainty.
However, fundamentals are still strong, with labour market conditions improving and financing conditions remaining favourable. Confidence indicators, even if currently weakening, remain at high levels from a historical perspective, signalling further growth of the Euro area economy.

According to AIECE institutes, domestic and global demand are the most important factors for growth in their respective countries in 2018. Monetary policy is an important factor as well but institutes have ranked it evenly between factors of first, second and third importance. Fiscal policy is however mostly a factor of third importance.
For 2019, AIECE members expect domestic demand to be one of the most important factor of growth in their respective country, to a similar extent than in 2018. As the ECB is expected to normalize its monetary policy, AIECE members expect monetary policy to play a less significant role next year. The increase in global demand is also forecast to have a positive effect on growth, to a greater extent than in 2018 (14 institutes put the item on rank 2 for 2019 vs. 7 for 2018). The exchange rate in each country is also expected to play a greater role next year, although it will remain of third importance.
Country by country, there are some differences related to the local context. French and German institutes for example believe that fiscal policy will be the major factor driving growth in 2019, while Ireland, Italy or Norway for example only rank this factor 3.

When we look at the aggregated answers for the EU, AIECE institutes believe that increased domestic demand will be one of the most important factors driving growth in 2019 but to a lesser extent that for individual countries. 13 institutes have chosen to put this item on rank 1 for 2019 against 6 for 2018. Monetary policy is set to contribute less to growth next year, as well as global demand.

In AIECE home countries, investment has been one of the main drivers of growth in 2018, followed by private consumption. In 2019, consumption will take over investment and should be the main factor contributing to growth, before consumption. AIECE institutes also forecast that exports will deliver a greater contribution than in 2019. In the Euro area as a whole, respondents draw the same conclusions, except for exports. AIECE members indeed believe that exports will only be a factor of third importance, to a similar extent than in 2018.

Investment will remain dynamic

Investment is expected to accelerate in 2018 and slightly slow down next year. AIECE members expect investment to grow by 3.5% on average in 2018 in Europe. Growth should slow down to 3.2% next year. Levels of capacity utilization rates are very high in many countries, thus generating a need for investment.

We have asked AIECE members about their level of confidence regarding investment growth in their country. Institutes are in general confident on this point: 16 of them chose this answer. 9 institutes are neutral, while 3 institutes from the UK, Italy and Ireland are not so confident.

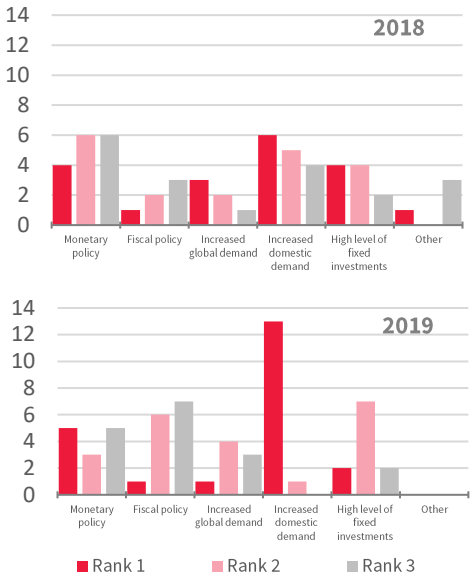
We have also asked the institutes about the strength of investment with regard to the position of their country in the business cycle. One institute from Greece finds it very weak. 9 institutes find it weak. For 5 institutes from Spain, France, Finland, Belgium and Germany investment is strong related to the country's cyclical position.
According to AIECE institutes, high risks, uncertainty and geopolitical risks as well as weaker business perspectives are the main factors limiting investment in the next two years.

Private consumption will plateau

Unlike investment, AIECE members expect private consumption to plateau next year. The ever-improving situation on the labour market is expected to generate purchasing power gains, and thus fuel consumption in return. On the other side, higher inflation will limit the capacity of households to consume. On average, AIECE members expect private consumption to grow by 1.5% this year and 1.6% next year.

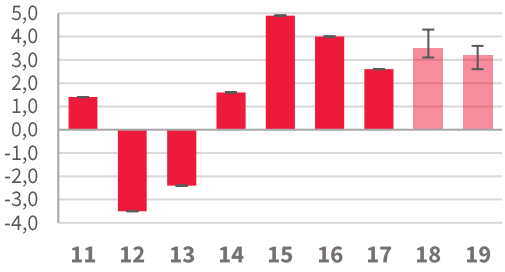
We wanted to ask AIECE members about the most important factors positively contributing to private consumption in 2018-2019. The improving labour market conditions have been overwhelmingly chosen as the main factor expected to fuel private consumption. Consumer

Figure 8: Most important factors with a positive effect on growth in the Eurozone
# of ranks 1, 2, 3 with 1 = most important factor



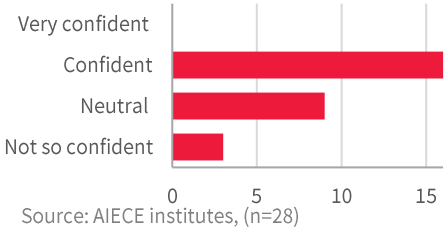
Source: All AIECE institutes (n=19 for 2018, n=20 for 2019)

Figure 9: Gross fixed capital formation (Eurozone)
% change, volume, Eurostat definition



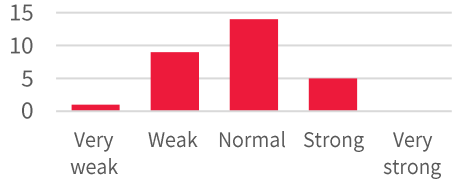
Source: Eurostat and all AIECE institutes (n=16 for 2018, n=15 for 2019)

Figure 10: How confident are you regarding investment growth in your country?
Number of respondents



Source: AIECE institutes, (n=28)

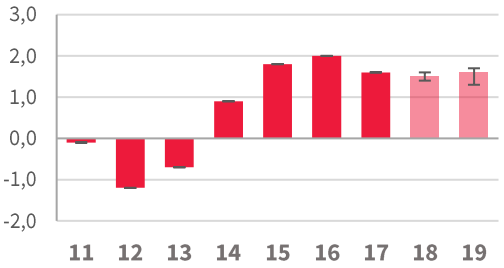
Figure 11: Judging on your country's cyclical position, would you say that private investment is…
Number of respondents



Source: AIECE institutes, (n=29)

Figure 12: Private consumption (Eurozone)

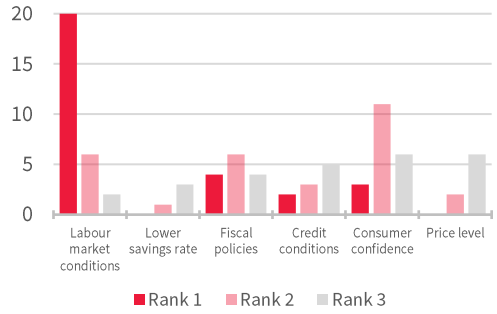
% change, volume, Eurostat definition



Source: Eurostat, AIECE institutes, (n=16 for 2018, n=15 for 2019)

Figure 13: Important factors with a positive effect on private consumption in 18-19

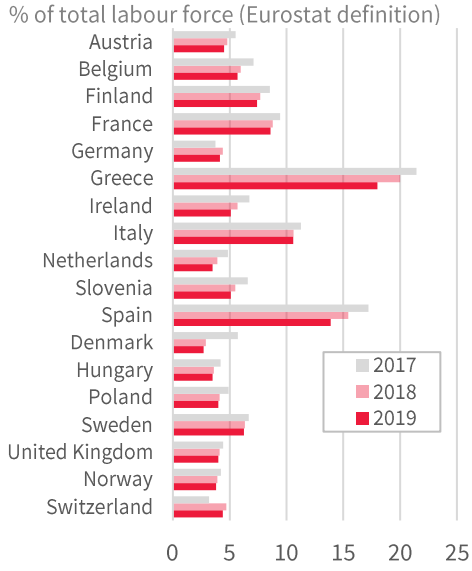
Number of rank 1, 2, 3 (1= most important)



Source: Eurostat, AIECE institutes (n=29)

Figure 14: Unemployment rate

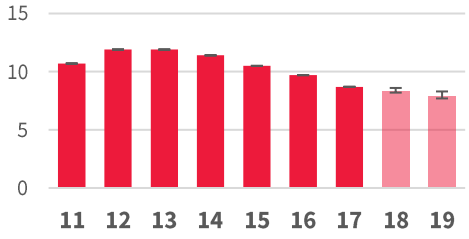
% of total labour force (Eurostat definition)



Source: Eurostat, AIECE institutes (n=30)

Figure 15: Unemployment rate (Eurozone)

% of total labour force (Eurostat definition)



Source: Eurostat, AIECE institutes (n=17 for 2018, 16 for 2019). Error bands indicate the upper and lower extremes of the member institutes' projections.

confidence is the most important factor of rank 2. Fiscal policy is another factor chosen by AIECE members, to a lesser extent however. Other factors are less significantly expected to contribute to the growth of private consumption.

2.2 Labour market

Continuous improvement on the labour market

The unemployment rate in the Euro area has been continuously decreasing since 2013 and AIECE members continue to expect an improvement of the labour market. AIECE members expect the unemployment rate of the Euro area to reach 8.3% this year and 7.9% in 2019, close to the equilibrium unemployment rate forecast at 7.4%. 18 out of 26 respondents estimate that the current employment rate is close to its structural level in their home country. 3 institutes from Greece, Italy and Spain estimate that the current unemployment rate in their country is significantly above its structural level. In Switzerland, Italy, Norway and for 1 institute in France, the current unemployment rate is still above the structural level of their home country.

Difficulties to find new staff

The steady decrease of the unemployment rate in AIECE economies start to generate tensions on the labour market. The last SAFE study conducted by the ECB shows that "*availability of skilled staff or experienced managers*" has become a pressing problem for companies in the Euro area. AIECE institutes note these tensions as well, as 22 out of 27 institutes estimate that their country is concerned by labour shortage. According to the answers of AIECE institutes, Slovenia, Germany and Hungary are particularly exposed to the problem. In 11 other countries, institutes believe that the labour market is somewhat concerned with labour shortages. Institutes from Greece, Italy and Spain however believe that their countries are not concerned at all with this issue.

Nominal wages and employment security

We have asked AIECE institutes about the dynamism of nominal wages in their country. Out of the 26 institutes who have answered the question, 20 of them indicate that nominal wages are going up. Interestingly in Hungary, on

institutes believes that nominal wages are going up while the other one believes they are going down.

AIECE members have also been asked about their perception of employment security in their home country. For 5 out of 23 institutes, employment is unsecured or highly unsecured while the other 18 institutes estimate that employment is secured. No institute believes employment to be highly secured. On a country-basis, employment is deemed secured in a large majority of countries (9). In Italy, employment is deemed unsecured, while in Greece it is believed to be highly unsecured. Hungary is caught in between unsecured and highly unsecured.

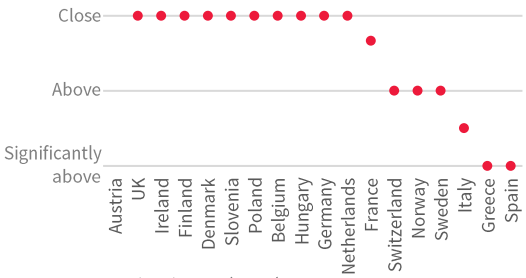
Labour market policy in AIECE countries

As the labour market is becoming tighter and tighter, AIECE members have been asked about government's policies concerning labour market in their home country. Answers are balanced concerned the governments' policies regarding labour market. Out of 265 respondents, 10 estimate that the labour market is going towards more flexibility, while 9 believe that the government is not taking any measure to increase or decrease the flexibility of the labour market. 7 institutes estimate that their country is going towards a more rigid labour market. From a country perspective, Greece, Slovenia, Poland and Switzerland believe their government is heading towards more rigidity. In 6 countries, the government is trying to increase flexibility while in 5 countries, the labour policy is unchanged. In German and Italy, responses are balanced between "more flexibility" and "unchanged".

What kind of reforms are implemented regarding the labour market? In Greece and in Germany, 2 institutes name an increase (or introduction) of minimum wage as one of the government's policy making the labour market more rigid. In Hungary, the government is making it easier to fire employees below 25 and above 55. The Hungarian government further aims at facilitating the employment of pensioners willing to work and at integrating workers from public workfare schemes in the private labour market. In Finland, the government is cutting the duration of unemployment benefits and is trying to increase unemployed persons' job searching. In the Netherlands, the government has reduced taxes on labour and lowered social security contributions for employers and increased taxes on consumption (on electricity, tobacco, gasoil, soda drinks, alcohol). In Switzerland, the government gives priority to local citizens for job offers in sectors with

Figure 16: How would you qualify the current unemployment rate in your country as compared to the structural level?

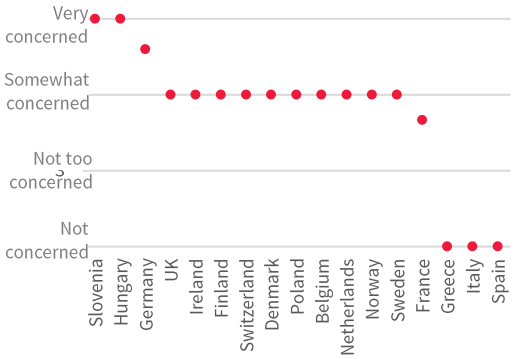
Number of respondents



Source: AIECE institutes (n=26)

Figure 17: To what extent would say that your country is concerned with a shortage of labor?

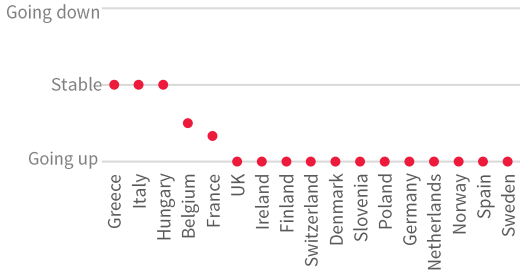
Number of respondents



Source: AIECE institutes (n=27)

Figure 18: How would you qualify the recent dynamics in nominal wages in your country?

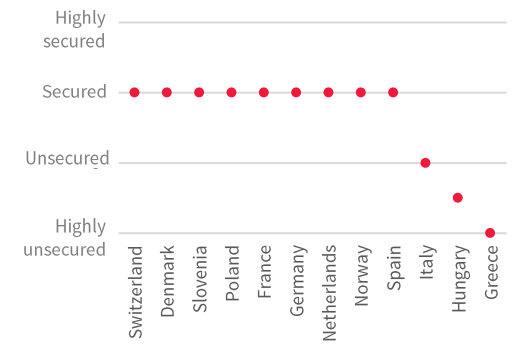
Number of respondents



Source: AIECE institutes (n=26)

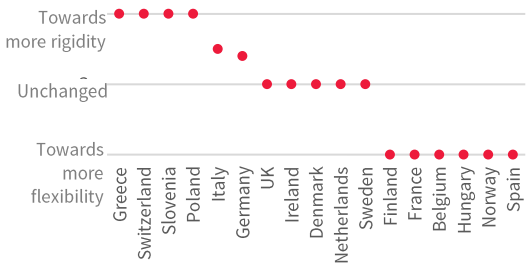
Figure 19: What is your perception of employment security in your country?

Number of respondents



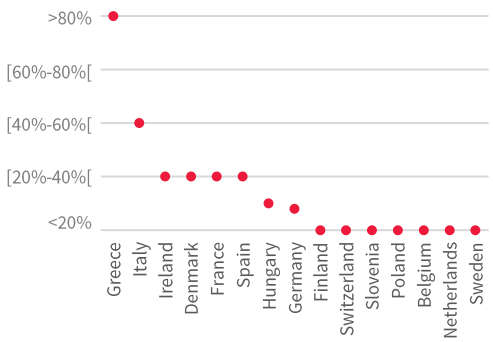
Source: AIECE institutes (n=23)

Figure 20: What is the government's policy regarding the labour market in your country?
Number of respondents



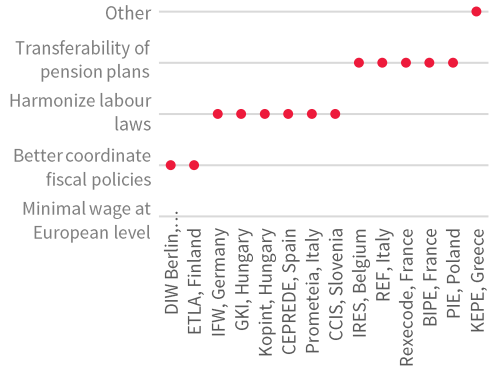
Source: AIECE institutes (n=26)

Figure 21: Proportion of involuntary part-time work
% of total part-time work



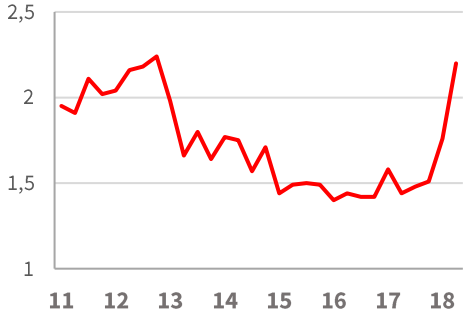
Source: AIECE institutes (n=22)

Figure 22: How to improve labour mobility across the EU?



Source: AIECE institutes (n=14)

Figure 23: Indicator of Negotiated Wages
EA 19, % change year on year



Source: ECB

above-average unemployment. In Sweden, the government is changing its subsidised employment programs and has increased the number of study slots in vocational adult education.

Involuntary part-time work is globally under 40%

10 out of 22 institutes estimate that the share of involuntary part-time work out of total part-time work is between 20% and 40%. 11 institutes as well estimate that this share is below 20%. One institute from Greece estimates that the share of involuntary part-time work out of total part-time work is higher than 80%. On a country basis, Italy and Greece stand out as they are the two countries with the highest share of involuntary part time work. In Germany and Hungary, institutes have a different estimation of the share of involuntary part-time but this share is under 40% in any case.

We have asked AIECE institutes about the best policy to increase labour mobility in the EU. Institutes tend to recommend the harmonization of labour laws and the transferability of pension plans. In Greece, KEPE suggests to implement common qualification standards across member states to improve labour mobility.

2.3 Inflation development

Inflation is back in the Euro Area… for good? Prices are going up, pushed by increasing oil prices. From July 2018 onwards, inflation has remained higher than 2%, for the first time since January 2013. In the Euro Area, about half of the increase in prices is related to energy costs. Core inflation remains however well contained, around 1%. The tightening of labour market is expected to push up wage growth. The indicator of negotiated wages in the Euro Area has sharply increased over the second quarter of 2018, reaching its highest level since 2012.

Improving labour market conditions support nominal wage growth. Among AIECE members, 20 see nominal wages going up in their country while 5 see a stability. Only one institute from Belgium sees nominal wages going down.

AIECE members expect inflation to reach 1.7% this year and remain at the same level next year. The difference between the lowest and the highest forecast for 2018 is rather small (1.6% for the lowest, 1.9% for the highest) but widens in 2019 (1.3% for the lowest, 2.0% for the lowest), signalling diverging point of views among AIECE members regarding the evolution of inflation.

Country by country, we see large differences both in the level and in the evolution. Inflation is expected to decrease between 2018 and 2019 in 6 countries while it is predicted to accelerate in 12. Inflation is expected to remain stable in 1 country. Persistent inflation rates differential are thus expected among AIECE members.
Overall, inflation should be higher than 2% in 6 countries in 2018 and in 8 in 2019.
Next year, inflation will be the highest in Hungary (+3.5%), Poland (+3.1%) the Netherlands and Sweden (+2.5%). It will be the lowest in Switzerland (+0.8%), Greece (+1.0%) and Ireland (+1.1%).

The acceleration of inflation could provide further rationale for the European Central Bank's decision to start normalizing its monetary policy and start raising its policy rates.

Questions for discussion :

1. Is the cyclical peak behind in all European countries?

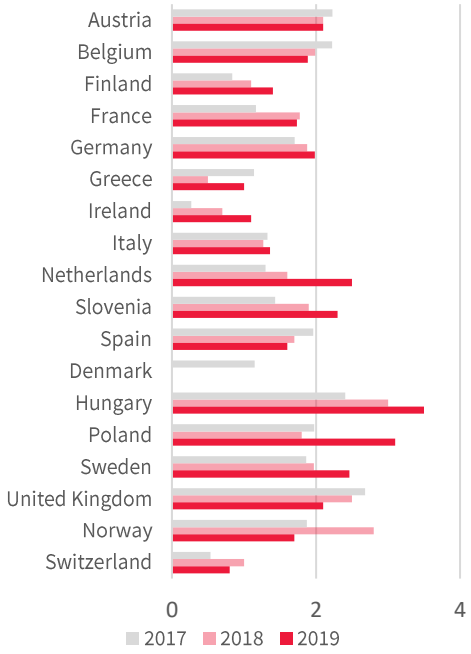
2. In your view what are the chances of a European "hard-landing" in 2019-2020?

3. Many countries report labour shortages. Which sectors are mainly concerned in your country? Is your government implementing measures to help companies face this problem? What measures do you think should be taken to limit the negative effects of labour shortages? What can be done to increase labour productivity in the short run?

4. Do you believe that an increase in labour mobility across European countries could be a good solution to reduce labour shortages?

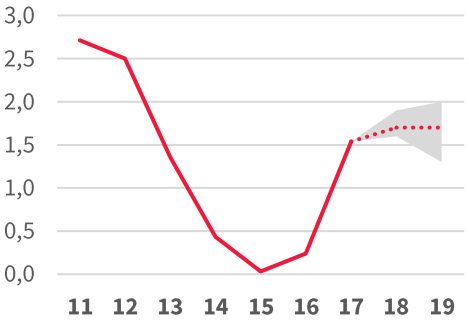
5. Headline inflation has been rising, mainly due to oil prices, while core inflation is rather muted. One explanation is that wages have increased relatively slowly as compared to the high level of tensions on the labour market. Do you believe wage growth is set to accelerate in your

Figure 24: Consumer prices
% change



Source: IMF, AIECE institutes (n=25)

Figure 25: HICP (Eurozone)
% change



Source: Eurostat, AIECE Institutes (n=19 for 2018, n=28 for 2019). Error bands indicate the upper and lower extremes of the member institutes' projections.

2.4 Non-Euro Area outlook

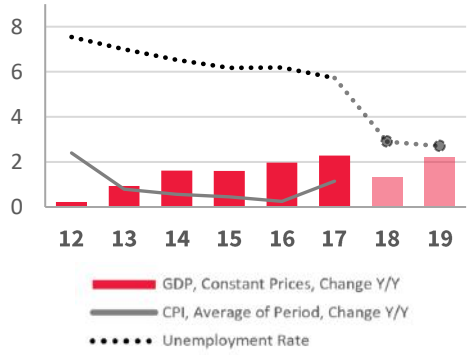
Denmark

The Danish economy is expected to grow by 1.3% in 2018, mainly driven by private investment and consumption. Private investment should significantly ease in 2019, this includes investment in dwellings. In 2019, GDP is expected to grow by 2.2%.

Despite considering being significantly exposed to protectionism and tariffs barriers, the Danish Economic Council expects exports to be the main driver of 2019 GDP growth. Labour market conditions contributed to boost private consumption in 2018, which should remain solid for 2019. Employment is projected to run above its structural level in 2018. Wages are slowly increasing in 2018 and are expected to do so in 2019 whilst the Danish economy is experiencing some shortage of labour. Therefore, inflation is expected to increase in 2019, combined with a rise in energy prices. The Danish Economic Council also warns about household debt, which is still very high despite a rather slow credit growth. The situation is similar in Sweden.

Figure 26: Outlook for Denmark

Growth, consumer prices and unemployment



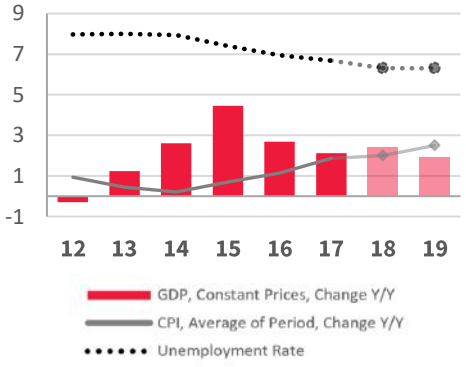
Source: IMF (WEO), Danish Economic Councils

Sweden

GDP growth for 2018 in Sweden is expected to reach 2.4%, driven by exports and private consumption. The current weak Krona helps maintain solid exports, despite a poor performance in the first half of the year. The same GDP components are anticipated to drive growth in 2019. Business confidence is stimulated by strong external demand and investment climate in both the US and the Euro area. The ECB's low interest rate policy and a rather expansionary fiscal policy also contribute to this optimism. Consumer confidence has fallen sharply since the beginning of the year, as a result of falling house prices that are now stabilized according to the CSE. Labour market conditions are very favourable to households and wage growth should continue to accelerate, putting cost pressures on firms. To control inflation, the Riksbank projects to gradually raise its policy rate starting February 2019. Sweden is experiencing a contrasting situation though: the unemployment rate increased in September 2018 to 6.5%, which means there is a significant matching problems in the labour market. Unemployment is very high in the foreign-born population.

Figure 27: Outlook for Sweden

Growth, consumer prices and unemployment



Source: IMF (WEO), CSE Confederation of Swedish Enterprise and NIER National Institute of Economic Research

The Swedish economy will be less dynamic in 2019 as growth in both business and housing investment will significantly slowdown. The fall in house prices will contribute to a slowdown (or even a drop) of housing

investment. The NIER and the CSE forecasts stand at 1.9% and 1.8% respectively for 2019. Both institutes, the NIER and the CSE, mentioned concerns about the high level of household's debt.

Poland

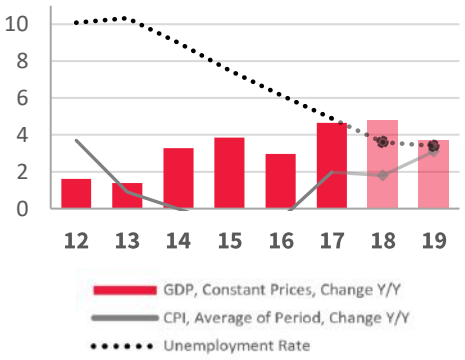
Similarly to Hungary, Poland is now having a vigorous economic growth, first driven by private consumption. Economic growth in Poland is expected to reach 4.8% in 2018 and 3.7% in 2019 according to PIE.

Consumer confidence and favourable labour market conditions markedly contribute to the dynamic of private consumption. Unemployment rate is projected to decrease from 3.6% in 2018 to 3.4% in 2019, a record-low level. EU funds give rise to public investment. Forecast for 2019 is slightly less dynamic as private consumption eases due to rising inflation impacting the real income of households. Consumer prices were contained so far but are forecast to increase in 2019 resulting from labour market pressures and higher energy prices. Exports are set to grow in 2018-2019, at a slower pace though considering the slowdown in the world trade dynamics. The extent to which Poland could be impacted in a potential disruption in international production chains is unknown but uncertainty remains as for exports growth. The solid domestic demand fuels imports and therefore the contribution of net exports to GDP growth is expected to be slightly negative in 2019.

General government debt is expected to decrease further in 2018 and 2019 as measures are currently implemented to reach this objective: improved tax compliance, widening tax base and obeying expenditure rules should bring down the level of public debt to 50.2% in 2019.

Figure 28: Outlook for Poland

Growth, consumer prices and unemployment



Source: IMF (WEO), PIE Polski Instytut Ekonomiczny

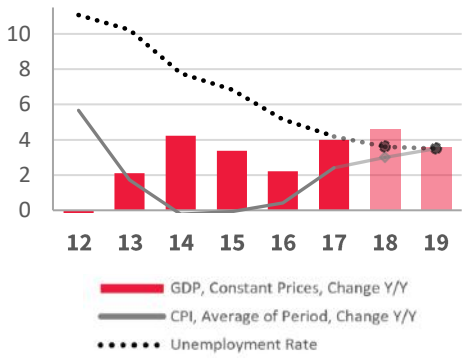
Hungary

Hungary is one of the European countries currently having the strongest economic growth: GDP growth is expected to reach 4.6% in 2018. This is the zenith as reported by GKI Economic Research Co., as the growth rate will slow down noticeably next year with a GDP growth forecast within a range of 3.5% to 3.6%.

GKI Economic Research Co expects public investment to be the main driver of growth in 2019, linked to the inflow of EU funds (expected to peak in 2019) that are a major source of GDP. However, Kopint-Tárki mentioned some structural weaknesses of the private sector, insufficient resources and business skills that could limit investment

Figure 29: Outlook for Hungary

Growth, consumer prices and unemployment



Source: IMF (WEO), GKI Economic Research Co. and Kopint-Tárki

over the next two years. Private consumption is seen as the second most important component by GKI to GDP growth in 2018 and 2019 and the first one for Kopint-Tárki.

Wages are increasing due to a shortage of skilled labour, thus fuelling private consumption. Deterioration of external demand for 2019 is a shared view for both institute Kopint & GKI but the extent of the impact on exports is still unknown. Inflation is expected to accelerate in 2019 and fiscal and monetary policy will tighten only slowly.

UK

Uncertainty is the most commonly used word at present when considering economic growth in the UK. The central forecast of the NIESR assumes a soft Brexit where the UK still has a large access to EU market. On that base, GDP growth is expected to reach 1.4% in 2018 and 1.9% in 2019. In the case of a hard Brexit, the growth could be more than 1 percentage point lower.

Despite affecting business and consumer confidence, the impact of the Brexit is, as for now, rather limited on industrial production and retail trade – as both continue to grow. Investment perspectives are constrained by the ongoing Brexit negotiations and so are exports perspectives after the Sterling stabilized in 2018.

Inflation is set to continue falling from an average of 2.5% in 2018 to 2.1% in 2019 whilst the Bank of England increased its policy rates from 0.5% to 0.75% in August. Under a hard Brexit scenario, NIESR reports Sterling's depreciation that in turn lifts inflation higher.

Even though the country didn't benefit from a further depreciation of the sterling in 2018, exports are expected to maintain a solid rate of growth and are projected to expand from 2.6% in 2018 to 2.7% in 2019.

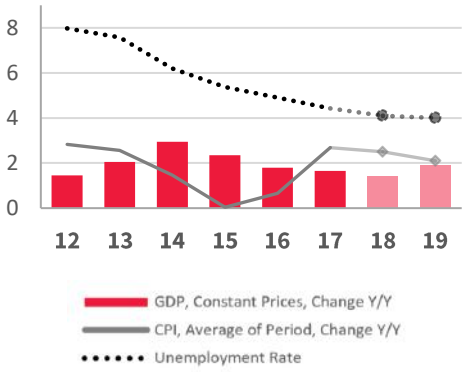
The unemployment rate has fallen sharply and is now close to 4%, at its lowest level in 50 years. Real wages have not increased since prices have risen faster than nominal wages.

Norway

The Norwegian economy is set to grow next year, with Statistics Norway forecasts standing at 1.8% for 2018 and 2.1% for 2019. Private consumption growth has been the primary driving force of the Norwegian economy in 2018 and is forecast to be the second most important in 2019.

Figure 30: Outlook for the UK

Growth, consumer prices and unemployment



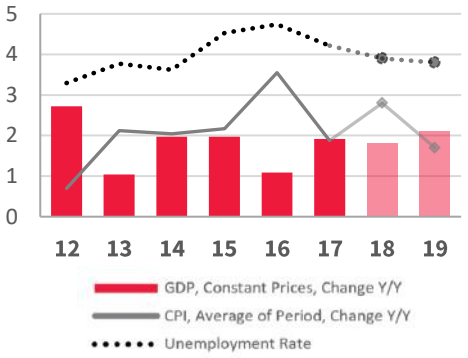
Source: IMF (WEO), NIESR The National Institute of Economic and Social Research

Low interest rates contributed to the growth dynamic in 2018, combined with an expansionary fiscal policy and weak Krone exchange rate. Statistics Norway expects these factors to become more neutral in 2019.

Investments should significantly rise in 2019, notably due to an upswing in petroleum investment. Exports are driven by a weak Krone, allowing Norway to improve its competitiveness against its EU peers.

Norway has seen its unemployment rate fall in 2018 and is expected to reach 3.8% next year. No further decrease is anticipated as more people are entering the labour market.

Figure 31: Outlook for Norway
Growth, consumer prices and unemployment



Source: IMF (WEO), SN Statistics Norway

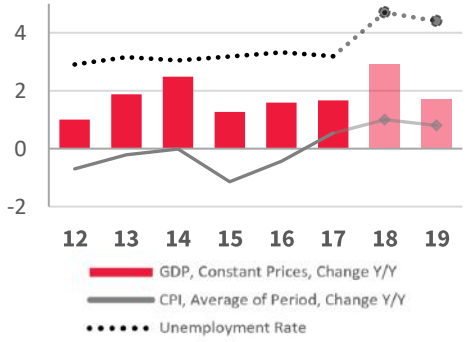
Switzerland

The Swiss economy is expanding dynamically. After a GDP growth of 1.6% in 2017, the KOF forecasts a 2.9% GDP growth in 2018 and a slowdown in 2019 with 1.7% GDP growth. This projection does not take into account the distortion created by sizeable international spectator sporting events - as headquarters of international sports organizations are located in Switzerland.

Private consumption and exports were the main contributors to 2018 GDP growth. High consumer confidence and accommodative credit conditions are fostering private consumption.

The Swiss labour market is solid and gained momentum after a period of mediocre growth. Real wages are expected to increase slightly next year.

Figure 32: Outlook for Switzerland
Growth, consumer prices and unemployment

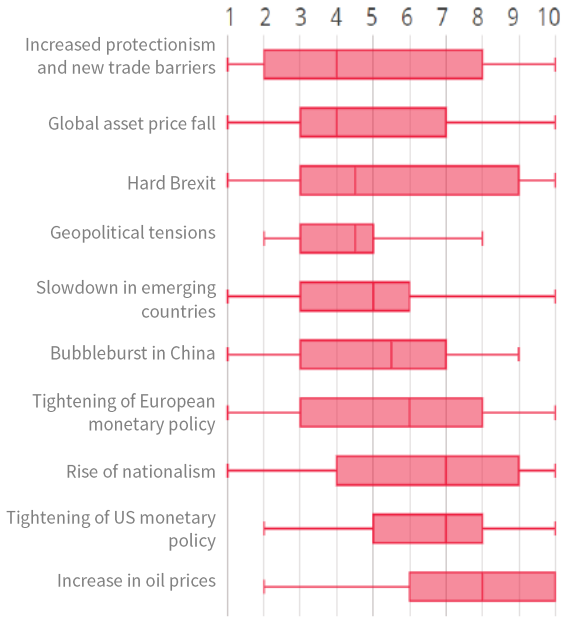


Source: IMF (WEO), KOF Swiss Economic Institute

Questions for discussion :

1. Denmark and Sweden have reported a high household debt. How do you assess the risk for economic growth linked to this factor?
2. To what extent EU funds are fuelling economic growth in your country?
3. How to avoid a fall in investment in the UK as uncertainty is increasing about the outcome of the negotiations?
4. Most of the non-euro area countries are expecting to register buoyant growth in 2018 and 2019 and seem unfazed by trade tensions and other main downside risks identified for the euro area, how long do you think it can last?
5. How is/will your country affected by the slowdown in the Euro area?

Figure 33: Main downside risks to the growth-projection for AIECE economies



Source: All AIECE institutes. – The figure shows how AIECE institutes evaluate 10 main downside risks to the projection according to their importance, where 1 is the most important. For each risk, the figure shows a box plot with the minimum, the 25%-quartile, the median, the 75%-quartile and the maximum of the member institutes' answers (n=18)

2.5 Risks to the outlook

In a context of increasing risks and rising uncertainty, we have asked members institutes about the main downside risks to their home economy.

Hard Brexit, global asset price fall and increased protectionism are regarded by AIECE members as major downside risks for their country forecasts. When asked to which degree their home country was exposed to the rise in protectionism and tariff barriers, no respondent answered that their country is not exposed to that risk. Almost half of them (13 out of 28) even considered being "significantly exposed". Without surprise, the biggest economies of the EU – and those with the biggest trade flows towards non EU countries – were seeing this risk as the most imminent one. German and Italian institutes consider their country to be highly exposed to a rise in protectionism.

The tightening of EU and US monetary policy is a moderate risk to growth-projection for AIECE economies and the rise of nationalism does not appear as a big concern regarding economic growth. Geopolitical tensions is the item with the closest distribution and was given a high grade, given the internal and external political environment directly impacting inflow and outflow of goods and services.

3. Policy Environment

3.1 Monetary policy

Since the beginning of 2018, the Euro Zone has seen an acceleration in inflation, with prices growing faster than 2% for the first time since 2013. In its September macroeconomic projections, the ECB expects overall inflation to plateau in 2018-2019-2020 at 1.7%. The ECB remains confident that inflation will remain below, but close to its 2% target in the short term. The ECB acknowledges that "the medium-term increase in inflation that [they] predict is based on the premise of quite some degree of monetary policy accommodation".

ECB actions

The ECB has reduced the level of the APP (Asset Purchase Programme) from 60 billion € net purchases at the end of 2017 to 30 billion € from January-September and to 15 billion € over the three last months of the year. The ECB is planning on ending net purchases at the end of 2018. The downsizing of the APP will not be immediately followed by an increase in policy rates, as stated by the ECB.

The ECB has announced that "*rates are expected to remain at their present levels at least through the summer of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term*". Following the meeting of the Governing Council of the ECB on the 25th of October, the institution has maintained its interest rates on the main refinancing operations as well as the interest rates on the marginal lending facility and deposit facility unchanged. Overall, there is quite a broad agreement on the fact that the ECB will raise its rate this year. 20 out of 22 AIECE institutes expect the Central Bank to raise its policy rate in 2019. In detail, 14 institutes expect that the ECB will raise its policy rate over the Q3 2019. 3 institutes believe that the Central bank will do so over the first or the second quarter, while 5 institutes expect a hike in policy rate after the 3rd quarter.

AIECE members mostly expect a slow increase in policy rates. 15 out of 22 expect that the pace at which the ECB will rise rates will be slow, while 5 expect the Central Bank to increase its rate at a gradual pace.

We have asked AIECE Institutes whether they believe that the normalization strategy to be followed by the ECB will increase volatility on financial markets. Out of 22 responses, 13 institutes believe that the policy of the central bank will have no significant impact on volatility. 9

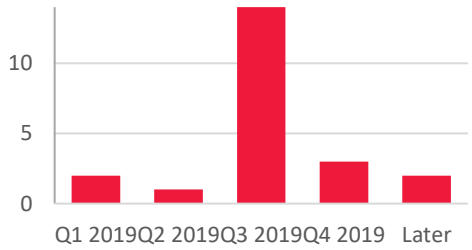
Figure 34: Headline and core inflation

% change year on year

Source: Eurostat

Figure 35: When will the ECB raise its policy rate?

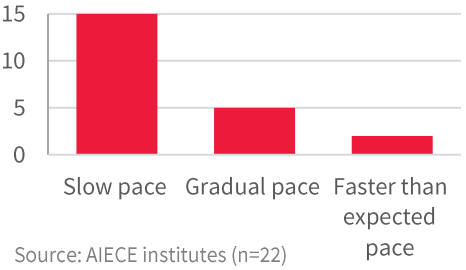
Number of respondents



Source: AIECE institutes (n=22)

Figure 36: At which pace will the rise of the interest rate be undertaken?

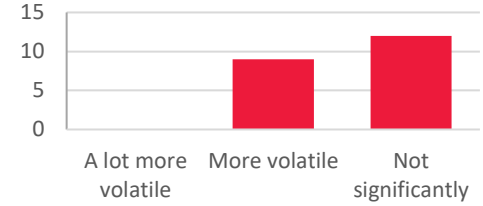
Number of respondents



Source: AIECE institutes (n=22)

Figure 37: Do you think that the normalization strategy of the ECB will make financial markets more volatile?

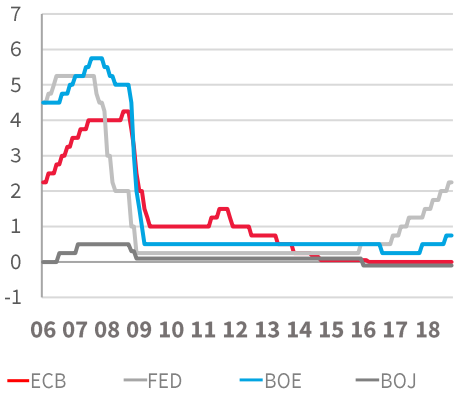
Number of respondents



Source: AIECE institutes (n=22)

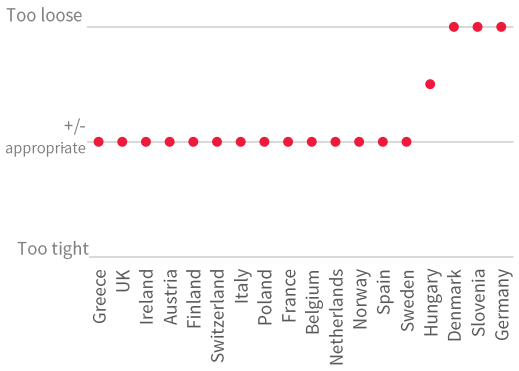
institutes expect the normalization of monetary policy to increase volatility more significantly, while no institute believe that it will make markets a lot more volatile.

Figure 38: Policy rates of Central banks



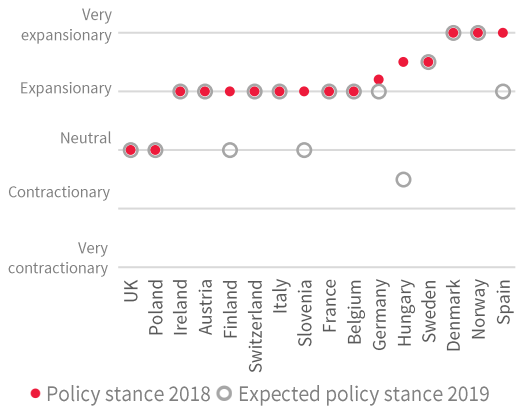
Source: Central banks

Figure 39: From your country's perspective, the monetary policy environment is…



Source: AIECE institutes, n=28

Figure 40: Monetary policy stance 2018-2019



Source: AIECE institutes, n=26

Monetary policy out of Europe

In the US, the Federal Reserve has increased its rates 3 times in 2018 so far. AIECE members expect a fourth increase over the last quarter of 2018. On average, respondents expect the Fed policy rates to reach 3.0% at the end of 2019. In this case, the policy rate of the Federal Level will be at its highest level since 2006.

In Japan, the BOJ is expected to continue with its accommodative policy – albeit at a slowing pace too - on the backdrop of low inflation. However, a majority of institutes expect a return to zero (from negative) interest rates starting 2019.

The Bank of England has raised its rate once in 2018 and is expected to further tighten its monetary policy next year. AIECE institutes expect policy rates to be in an interval from 0.75% to 1.5% by the end of 2019, with a lot of uncertainty attached to the outcome of the Brexit negotiations.

Policy stance

We have asked AIECE institutes about the monetary policy stance in their country in 2018 and the expected monetary policy stance in 2019. Overall, monetary policy remains rather monetary policy to be already neutral. 18 institutes find monetary policy to be expansionary, while 6 find it to be very expansionary. In the future, AIECE members expect monetary policy in their country to remain expansionary (15 institutes) or very expansionary (4 institutes). Monetary policy is expected to remain neutral in the UK. In Hungary, monetary policy is expected to be either neutral or contractionary in 2019 after having been expansionary this year.

Non-eurozone countries seem to find their local monetary policy to me more expansionary than Eurozone countries but the difference remains rather subtle.

In this context of expansionary monetary policies, no AIECE member finds it to be too tight. Institutes in All institutes from Germany, Finland and Slovenia agree on the fact that monetary policy is too loose for their country. Overall, there is a consensus among the institutes from the same country concerning the monetary policy environment. The only exception is to be found in Hungary

as one institute believes monetary policy to be more or less appropriate while the other believes it to be too loose.

3.2 Fiscal policy

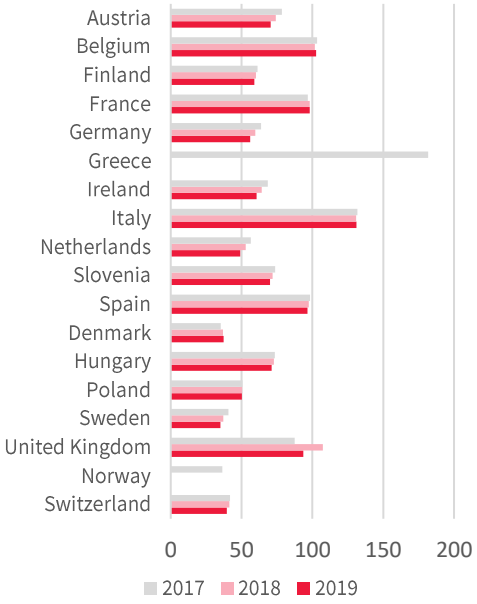
The debate concerning the efficiency of fiscal policy is still a very open one. In some countries, governments argue that it is necessary to increase public spending to boost the economy, while others believe that budgets should be balanced. Long-term sustainability of public finance is scrutinized by European institutions, after the financial crisis has strongly impacted fiscal positions and debt levels in most European countries.
As the end of the cycle nears, the high level of debt in some countries could indeed limit governments' leeway to support the economy in case of a downturn. Member states with high levels of debt are also more exposed to pressures from the financial markets, and thus more at risk in case of exogenous interest rate shocks.

Sustained growth and low interest rates over the last quarters have allowed fiscal policy to become more and more neutral in AIECE member states. Public debt has also been reduced in almost all Eurozone countries. The aggregate level of gross public debt in the Euro area has thus decreased: it went from 92% in 2014 to 87% in 2017. The debt-to-GDP ratio is above 100% in four member states, while it is below 60% in 13 member states.

Public deficit has improved as well and is now very close to its historical lows (1.0% in 2017). The structural budget deficit has also improved. The number of countries under the Excessive deficit procedure of the European Commission also decreased as there is only one country remaining subject to the procedures. According to the last macro-economic forecasts of the Commission (October 2018), all Eurozone countries are expected to comply with the 3%-deficit-rule. Improving cyclical conditions as well as sustained private demand have contributed to the improvement in headline budget balances.

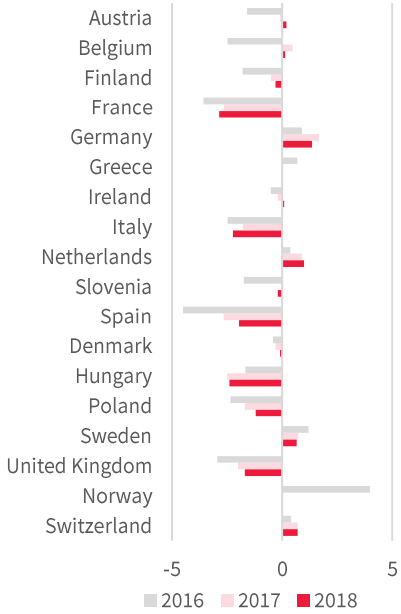
We have asked AIECE members about their perception of the fiscal policy stance in their country. The fiscal policy is deemed contractionary only in Greece and in the UK and neutral in 7 countries. In Belgium, France, Germany and Hungary, institutes' opinion are split between neutral and expansionary. In the Netherlands, Norway, Spain and Sweden, the fiscal policy stance is expansionary. No institute believes fiscal policy to be very expansionary in its home country.

Figure 41: Gross public debt
% of GDP



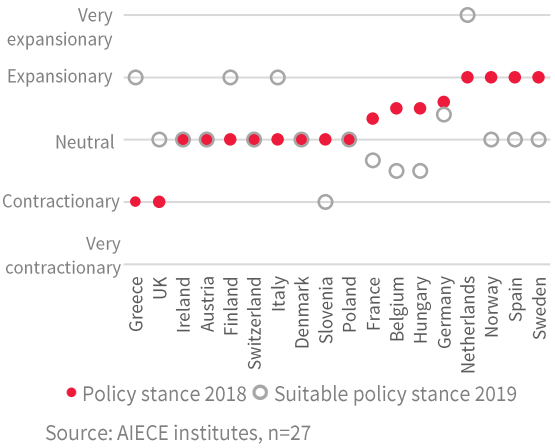
Source: IMF (WEO), AIECE institutes (n=26)

Figure 42: Public deficit
% of GDP



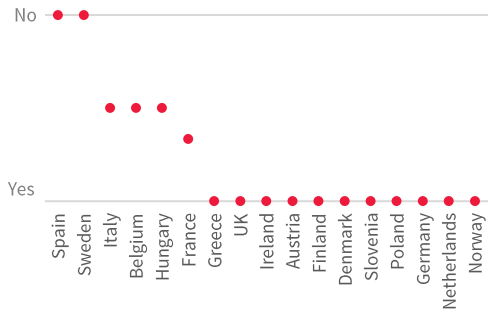
Source: IMF (WEO), AIECE institutes (n=26)

Figure 43: Fiscal policy stance in your country



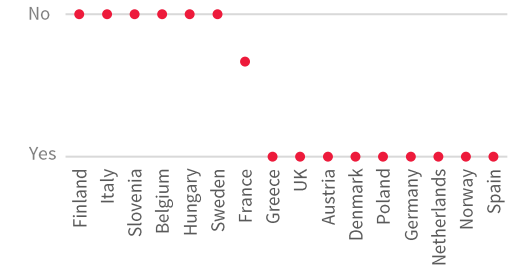
Source: AIECE institutes, n=27

Figure 44: Do you think that the current stance of fiscal policy is appropriate to meet the budget deficit target for 2018?



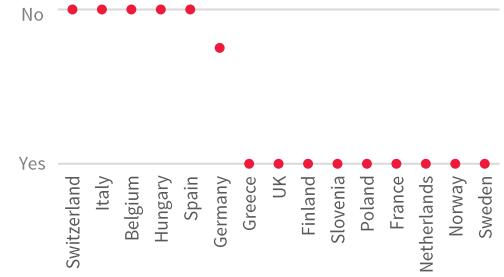
Source: AIECE institutes, n=26

Figure 45: Do you think that the current stance of fiscal policy is appropriate to meet the budget deficit target for 2019?



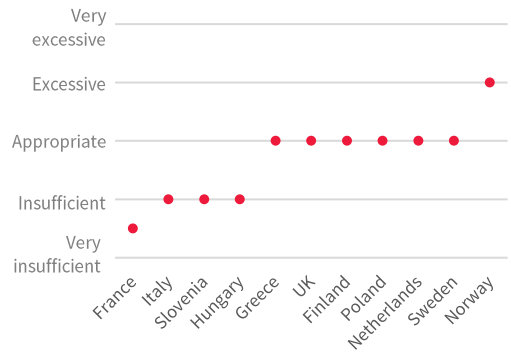
Source: AIECE institutes, n=25

Figure 46: Are there currently implemented measures to bring down the level of public debt in your country?



Source: AIECE institutes, n=22

Figure 47: How do you evaluate them?



Source: AIECE institutes, n=12

For 2019, AIECE members seem to favour a more contractionary policy. Slovenia believes a contractionary fiscal policy to be suitable, while institutes from Belgium, France and Hungary are split between the wish of a neutral and a contractionary fiscal policy. In 8 countries, AIECE members advocate for a neutral fiscal policy, while 3 countries (Finland, Greece and Italy) believe the fiscal policy should be expansionary. In Germany, institutes wish for a neutral to expansionary fiscal policy. One institute from Netherlands and one from Germany however favours a very expansionary fiscal policy.
In the UK, fiscal policy was contractionary in 2018 but the British institute believes it should be neutral in 2019. In Greece, the fiscal policy was contractionary as well but the Greek institute believes it should be expansionary next year.

We have also asked AIECE institutes about the appropriateness of fiscal policy to meet the budget deficit target for 2018. Institutes from 11 countries believe it is appropriate, while institutes from Spain and Sweden believe it is not. In Belgium, France, Hungary and Italy, institutes seem to disagree on the appropriateness of fiscal policy. For 2019, AIECE members are more likely to believe that fiscal policy is inappropriate: they agree on this point in 6 countries. In the remaining 9 countries, institutes believe the fiscal policy is appropriate. In France, one institute believes the fiscal policy is appropriate, while two believe it is not.

Concerning the reduction of the level of public debt, 9 institutes say that there are measures implemented for this purpose in their home country. 5 countries have not implemented such measures. In Germany, three institutes believe there are no measure implemented to bring down the level of public debt, while one believes there are. We have asked institutes about the efficiency of the measures. The answers are quite diverging. In 4 countries, the measures are deemed insufficient of very insufficient. In 6 countries, they are believed to be appropriate while in Norway, they are deemed excessive.
In Greece, the government is following a policy of fiscal austerity, extended payout period, and privatizations. Norway is also privatizing public utilities and aims at reducing red tape. In Finland, the government is cutting on social transfers, so is the French government. France is also aiming at downsizing public employment.

Questions for discussion :

1. The Federal Reserve has started to normalize its monetary policy in December 2015. As the American economy is close to overheating, some believe that the Fed could accelerate the pace of the rate increases. Do you agree with this statement? The ECB will most likely only start rising its policy rates over the Summer 2019, do you believe it is too late?

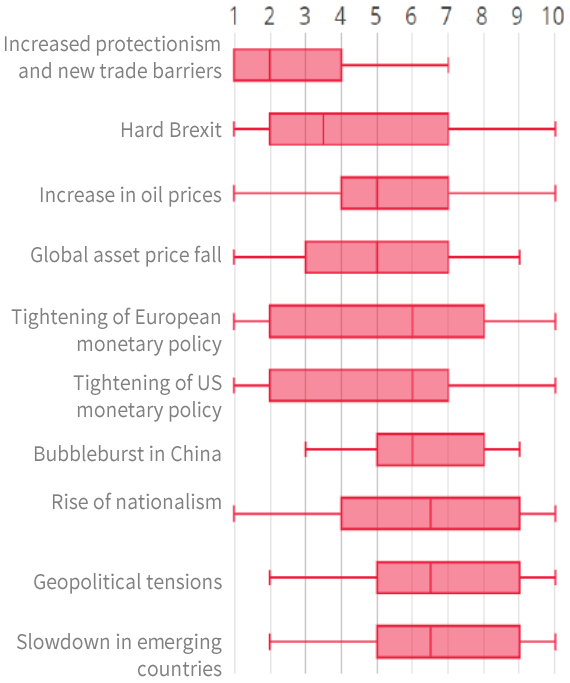
2. To what extent do you believe the normalization of ECB's monetary policy will limit investment growth and private consumption in your country?

3. Do you believe countries should start implementing expansionary fiscal policies to support the economy?

4. Risks, Challenges and Economic Policy

2017 has been marked by a broad-based economic growth, at the European and global level. It was also a year that initiated major political changes - change of US administration, French and German elections among others. 2018 is about to become less dynamic, considering the economic environment but more turbulent if we focus on political and geopolitical issues. Italian elections, Brexit negotiations, Trump's new policies towards more protectionism, European Commission referring Hungary to the European court of justice are some of the events that definitely shaped this year. Further events are likely to create uncertainty in 2019: European elections, policy rates hike... This report aims at giving some insights from the AIECE experts on these questions and assess how these risks and challenges are seen as a threat for European growth as well as the European Union.

Figure 48: Main downside risks to the growth-projection for Europe



Source: All AIECE institutes. – The figure shows how AIECE institutes evaluate 10 main downside risks to the projection according to their importance, where 1 is the most important. For each risk, the figure shows a box plot with the minimum, the 25%-quartile, the median, the 75%-quartile and the maximum of the member institutes' answers (n=21)

Downside risks to the outlook for Europe

The largest risk to economic growth projections for Europe is an increase in protectionism and new trade barriers according to AIECE's institutes. Most of the answers were largely scattered, ranging from no risk to high risk.

The rise in commodity prices is of concern for half of AIECE members – median is at level 5 – but forecasts do not show a significant increase for the coming year. The tightening of US and EU monetary policy are not raising too much concern as well, as AIECE institute expect the hike in policy rate to be slow.

Slowdown of growth in emerging countries is regarding as low risk as well as a potential bubbleburst in China and geopolitical tensions.

With little surprise, Brexit remains a burning and challenging issue for Europe for a significant number of AIECE institutes despite a high distribution of answers.

Brexit

UK's withdrawal from the EU appears to be a significant risk for most of the European economies. The uncertainty that surrounds the outcome, and especially the risk of a "no-deal" Brexit, is very high. Most of the AIECE institutes are now considering the possibility of a

no deal Brexit about as likely as not while "unlikely" was the dominant answer in the Spring report.

Recent events can easily explain these doubts with a lack of progress in negotiations, as the deadline for the signature of a divorce deal is approaching fast. After the October meeting which led to a dead-end, European leaders are ramping up preparations for a chaotic split. Many issues remain unsolved: on the top of the list, the agreement on the Irish border is still a major stumbling block in Brexit talks. At the same time, *Brexiters* are pressuring the British Prime Minister to strengthen its position against Europe and *Remainers* are campaigning for a new referendum.

In September, Britain's trade unions have backed the option of a "Final Say vote" on any deal Theresa May could reach concerning the UK's exit from the EU. Trade Unions are blaming the government for not enough taking into account the interests of the working class. When asked whether this second referendum could take place, AIECE institutes were rather sceptical on the likelihood of such a Final Say vote. 14 out of 21 institutes believe a new vote is unlikely. 2 institutes believe such a new referendum is likely, while 5 institutes believe there's about a fifty-fifty percent chance that a new vote takes place.

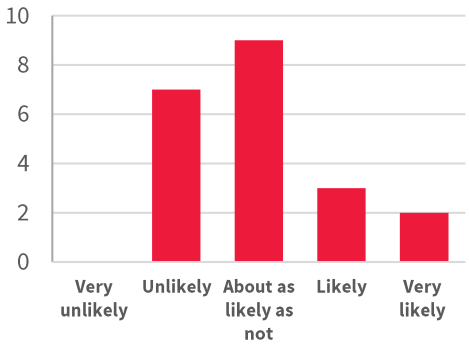
Regular surveys seem to show that, if the Brexit vote would have taken place now, most of people would have voted "No"[2]. This is the paradoxical situation Great Britain is going through: whilst the probability of a hard Brexit is taken more and more seriously, most of the population now seem to be reluctant to an exit from the EU.

The imminent question is also the trade deals UK has to renegotiate since the country is about to leave the EU – and therefore to lose all trade agreements the EU has with non-EU "third countries". The trade department is facing urgency as only few weeks are left to agree on bilateral trade deals before Brexit.

A no-deal Brexit, with return to tariffs under WTO rules, would imply no 21-month transition period. Consumers, business and public administrations would have to respond immediately to changes as the result of leaving the EU. This would also signal a poor political

Figure 49: Given the progress on Brexit negotiations, what is your current assessment of the possibility of no-deal Brexit?

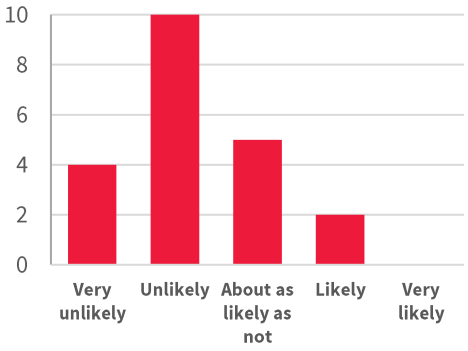
Number of answers



Source: All AIECE Institutes (n=21)

Figure 50: In September, the Trade Union Congress said it will back a second referendum after the final Brexit deal, how likely do you assess this second referendum could happen?

Number of answers

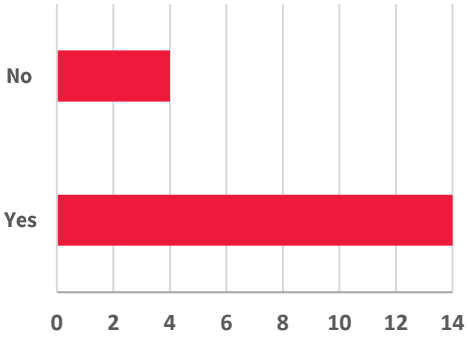


Source: All AIECE Institutes (n=21)

[2] https://www.reuters.com/article/uk-britain-eu-polls/britain-would-now-vote-to-stay-in-the-eu-new-poll-shows-idUSKCN1LK2U4

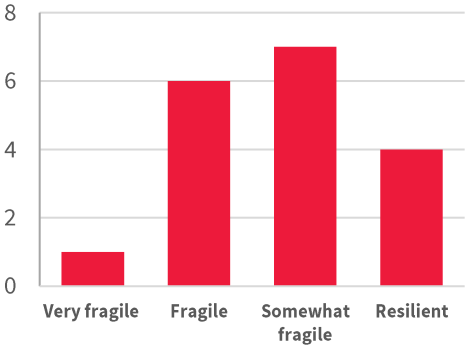
relationship between the UK and the EU that none of them is in reality willing to give.

Figure 51: Do you expect that the European elections of May 2019 will affect national party system (i.e opportunity for new parties to emerge v.s traditional ones)?
Number of answers



Source: All AIECE Institutes (n=18)

Figure 52: Given the current political environment, inside and outside of the EU, how would you evaluate the capacity of the European Union to carry out its basic governance functions?
Number of answers



Source: All AIECE Institutes (n=18)

European Parliament Elections

In May 2019, European elections will be held and are already seen as a major battle between pro and anti-EU parties. Elections to the European Parliament often raise two problems: voter turnout is usually much lower than in national elections and candidates are less known to the general public. European elections also struggle to stand as truly European since campaigns are mostly raising national topics.

Against this backdrop, AIECE institutes were asked whether the European elections will affect national party system or not. Most respondents (14 out of 18) were in agreement with the idea that new parties are likely to be gaining strength, and notably parties that are critical of EU integration. AIECE institutes showed some concerns about a wave of nationalism that could impede the development of the European governance. In particular, the ENF Europe of Nations and Freedom group – consisting of several extreme right wing nationalistic political parties – could gain influence. Some institutes were more sceptical about the fact that they will have enough votes enter the European Parliament.

Apart from ENF, the centre-right EPP is predicted to be the largest party but the second largest-party is very uncertain: ALDE, the liberals, and S&D Group are both on list to be the main opposition to the EPP. What could change the game for the 2019 elections is the dialogue engaged with citizens on different policy areas to think – or rethink – what we expect of European Union for the future and how we keep building it.

EU challenges

Diverging approaches between countries in the EU and ongoing events – Brexit, European Commission's rejection of Italy's 2019 budget – are questioning the capacity of the European Union to gather basic consensus. We asked AIECE experts to comment on this topic and how they would evaluate the capacity of the European Union today to carry out its basic governance functions. Most of the institutes agree on the fragility the EU is facing given the current environment and the rise

of anti-EU feelings. Political tensions between the European Parliament and the national government are becoming increasingly acute and *de facto* weaken the legitimacy of the EU. One AIECE institute suggests that the basic governance functions are not threatened as they are backed by European Law and a wide institutional framework. More cooperation on key issues is however needed to overcome political tensions inside and outside of the EU.

Here lies a major stumbling block: how could the EU strengthen its positon against countries that are not complying with European rules and principles whereas diverging national interests and scepticism towards EU institutions are becoming stronger? AIECE institutes agree that the EU should strengthen its position but their answers depend on the topic. Respondents suggest that a more assertive policy regarding the compliance with the rules of the Stability and Growth Pact could threaten the survival of the Euro area as it would engage more and more voters towards the fringes of the political spectrum. However, respondents also point out that being part of the EU comes with terms that national governments cannot circumvent permanently. Apart from economic rules, basic democratic principles have to be followed by EU members at the risk of jeopardizing the EU's credibility.

Questions for discussion :

1. Do you think that policymakers in your country and in the EU as a whole are preparing enough in case of "cliff-edge" Brexit?

2. How likely is a further escalation of trade tensions with China? With the US? Does the WTO remain efficient in implementing/applying its rules on trade and tariffs?

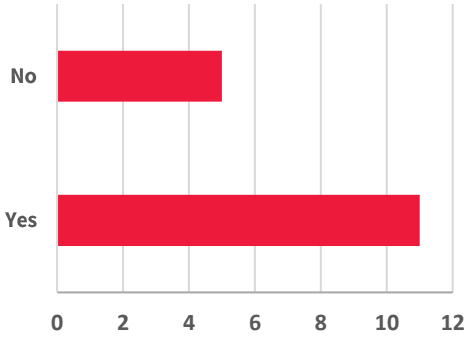
3. Recent events have shown a growing disapproval towards EU policy among the population (Italy, Hungary in particular). Do you think there is a democratic deficit in the EU and/or that institutional rules should be reviewed?

4. Are the next European elections a turning point for the future of the EU?

5. Aggregate debt levels in relation to global GDP have continued to grow and raise concerns about the global financial stability. The fear is gaining more relevance in a context of the increasing interest rates. Do you believe a debt crisis could start in the short term?

Figure 53: Do you think that the European Commission should strengthen its position against countries that are not complying with European rules and principles?

Number of answers



Source: All AIECE Institutes (n=16)

6. Considering the current problems faced by the Chinese economy, do you think a Chinese “hard-landing” is likely?

7. American stock markets have performed very well in the last years and reached historical highs. How do you assess the risk of a large correction in 2019?

5. Appendix : Questionnaire

2.1.1. Please choose the three most important factors according to their positive effect on 2018 growth in your country and rank them from 1 to 3, where 1 is the most important… *Monetary policy / Fiscal policy / Increased global demand / Increased domestic demand / Exchange rate / Other*
If you included 'Other' as an option, please specify.

2.1.2. Which of the following GDP components are the most important drivers of GDP growth in 2018? Please choose three components and rank them from 1 to 3, where 1 is the most important….*Private consumption / Private investment / Public consumption/ Public investment/ Exports*

2.1.3. Please choose the three most important factors expected to have a positive impact on GDP growth in your country in 2019 and rank them from 1 to 3, where 1 is the most important… *Monetary policy / Fiscal policy / Increased global demand / Increased domestic demand / Exchange rate / Other*
If you included 'Other' as an option, please specify.

2.1.4. Which of the following GDP components are expected to be the most important drivers of GDP growth in 2019? Please choose three components and rank them from 1 to 3, where 1 is the most important….*Private consumption / Private investment / Public consumption/ Public investment/ Exports*

2.2.1. Please choose the three most important factors according to their positive effect on private consumption in 2018-2019 in your country and rank them from 1 to 3, where 1 is the most important…*Labour market conditions/ Lower savings rate/ Fiscal policies / Credit conditions/ Consumer confidence/ Price level/ Other*
If you included 'Other' as an option, please specify.

2.2.2. How confident are you regarding investment growth in your country ?...*Not so confident/ Neutral / Confident / Very confident*

2.2.3. Judging on your country's cyclical position, would you say that private investment is…Very *weak / Weak / Normal / Strong / Very strong*

2.2.4. What are the most important factors limiting investment in your country over the next two years? Please rank them from 1 to 3, 1 being the most important factor…*Weak external demand / Weak domestic demand / Weaker business perspectives / Stricter credit conditions / High risks and uncertainties, geopolitical risks Exchange rate / Other*
Please mention any other factor likely to limit investment in your country.

4.2.1. What was the fiscal policy stance in your country in 2018?... *Very contractionary/ Contractionary/ Neutral / Expansionary / Very expansionary*

2.3.2. What is a suitable fiscal policy stance in your country for 2019?...*Very contractionary/ Contractionary/ Neutral / Expansionary / Very expansionary*

2.3.3. Do you think that the current stance of fiscal policy is appropriate to meet the budget deficit target for 2018?... *Yes/No*

2.3.4. Do you think that the current stance of fiscal policy is appropriate to meet the budget deficit target for 2019?... *Yes/No*

2.3.5. Are there currently implemented measures to bring down the level of public debt in your country?... *Yes/ No*

If you have chosen "Yes", please specify them

How do you evaluate them*?... Very insufficient/Insufficient/Appropriate/excessive/Very excessive*

2.4.1. From your country's perspective, the monetary policy environment is…*Too tight/ More or less appropriate / Too loose*

2.4.2. What was the monetary policy stance in your country for 2018?... *Very contractionary/ Contractionary/ Neutral / Expansionary / Very expansionary*

2.4.3. *What is the expected monetary policy stance in your country for 2019?... Very contractionary/ Contractionary/ Neutral / Expansionary / Very expansionary*

2.5.1. According to you, how would you qualify the current unemployment rate in your country as compared to the structural level ?...*Significantly above / Above / Close*

2.5.2. To what extent would you say that your country is concerned with a shortage of labor?...*Going up / Stable / Going down*

2.5.3. How would you qualify the recent dynamics in nominal wages in your country?...*Not concerned at all / Not too concerned / Somewhat concerned / Very concerned*

2.5.4. What is your perception of employment security in your country?...*Highly unsecured / Unsecured / Secured / Highly secured*

2.5.5. What is the governement's policy regarding the labor market in your country?...*Toward more flexibility / Unchanged / Towards more rigidity*

Please specify, the labor market reforms undertaken in your country (if any)

2.5.6. In your opinion, which is the proportion of involuntary part-time work out of total part-time work?...*Below 20% / Between 20% and 40%/ Between 40% and 60% / Between 60% and 80%/ Above 80%*

2.6.1. What are the main downside risks to the projection for your home country over the next two years? Please evaluate according to their importance from 1: not important at all to 10 : very important…*Increase oil prices / Hard Brexit / Rise of nationalism/ Increased protectionism and new trade barriers / Tightening of US monetary policy / Tightening of European monetary policy / Geopolitical tensions / Global asset price falls / Bubbleburst in China/ Slowdown of growth in emerging countries*

2.6.2. In your opinion to which degree your country is exposed to this rising protectionism and tariff barriers?...*Not exposed at all/ Somewhat exposed/Significantly exposed / Highly exposed*

Euro area and EU questions

4.1.1. Please choose the three most important factors according to their positive effect on 2018 growth the Euro area and rank them from 1 to 3, where 1 is the most important… *Monetary policy / Fiscal policy / Increased global demand / Increased domestic demand / Exchange rate / Other*
If you included 'Other' as an option, please specify.

4.1.2. Which of the following GDP components are the most important drivers of GDP growth in 2018? Please choose three components and rank them from 1 to 3, where 1 is the most important….*Private consumption / Private investment / Public consumption/ Public investment/ Exports*

4.1.3. Please choose the three most important factors expected to have a positive impact on GDP growth in your country in 2019 and rank them from 1 to 3, where 1 is the most important… *Monetary policy / Fiscal policy / Increased global demand / Increased domestic demand / Exchange rate / Other*
If you included 'Other' as an option, please specify.

4.1.4. Which of the following GDP components are expected to be the most important drivers of GDP growth in 2019? Please choose three components and rank them from 1 to 3, where 1 is the most important….*Private consumption / Private investment / Public consumption/ Public investment/ Exports*

4.2.1. What was the aggregate fiscal policy stance in the euro area in 2018?... *Very contractionary/ Contractionary/ Neutral / Expansionary / Very expansionary*

4.2.2. What is the expected aggregate fiscal policy stance in the euro area during 2019?...*Very contractionary/ Contractionary/ Neutral / Expansionary / Very expansionary*

4.2.3. Do you think that the current stance of fiscal policy is appropriate for the euro area?... *Yes/No*

4.3.1. When do you think most likely that the ECB will raise its policy rate?...Q1 2019 / Q2 2019 / *Q3 2019 / Q4 2019 / Later*

4.3.2. To your opinion, at which pace will the rise of the interest rate be undertaken?... *Slow pace/ Gradual pace / Faster than expected pace*

4.3.3. Do you think that the normalization strategy of the ECB will make financial markets more volatile?...*A lot more volatile / More volatile / Not significantly*

4.4.1. What is the equilibrium unemployment rate in the euro area at present?

4.4.2. What would be the most important/efficient measure to your opinin to improve labour mobility across the European Union?...*Implement a minimal wage at the European level/ Better coordinate fiscal policies/ Harmonize labor laws (e.g equal protection rights)/ Transferability of pension plans/ Other*

If you included 'Other' as an option, please specify.

Risks and challenges for Europe

6.1. What are the main downside risks to the projection for growth in Europe over the next two years? Please evaluate according to their importance from 1 to 10, where 1 is the most important...*Increase oil prices / Hard Brexit / Rise of nationalism/ Increased protectionism and new trade barriers / Tightening of US monetary policy / Tightening of European monetary policy / Geopolitical tensions / Global asset price falls / Bubbleburst in China/ Slowdown of growth in emerging countries*

6.2. Given the progress on Brexit negotiations, what is your current assessment of the possibility of no-deal Brexit ?...*Very unlikely / Unlikely / About as likely as not / Likely / Very Likely*

6.3. In September, the Trade union Congress said it will back a second referendum after the final Brexit deal, how likely do you assess this second referendum could happen?... *Very unlikely / Unlikely / About as likely as not / Likely / Very Likely*

6.4. Do you expect that the European elections of May 2019 will affect national party system (i.e opportunity for new parties to emerge v.s traditional ones)?...*Yes/No*
Please discuss

6.5. Given the current political environment, inside and outside of the EU, how would you evaluate the capacity of the European Union to carry out its basic governance functions?...*Very fragile/ Fragile/ Somewhat fragile/ Resilient/ Very resilient*
Please discuss

6.6. Do you think the European Commission should strengthen its position against countries that are not complying with European rules and principles?...*Yes/ No*
Please discuss

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