

ASSOCIATION D'INSTITUTE EUROPEENS DE CONJONCTURE
ECONOMIQUE

ASSOCIATION OF EUROPEAN CONJONCTURE INSTITUTES

AIECE General Report

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PART II

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Section I.- INTERNATIONAL FORECASTS.

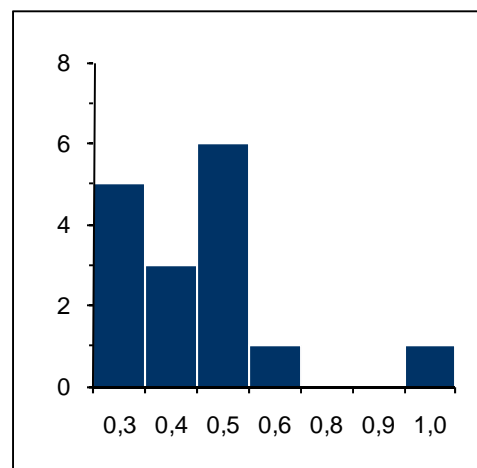
US FED fund rate

	2011	2012
Austria		
WIFO		
Belgium		
FPB	0,3	1,1
DULBEA	na	na
IRES	0,5	
Czech Rep		
CCSF		
Denmark		
DEC	0,3	1,0
Finland		
ETLA		
France		
BIPE	0,3	0,8
COE	0,3	2,0
INSEE	na	na
OFCE	0,3	0,6
Germany		
DIW		
HWWI	na	na
IFO	0,3	0,8
IFW (Kiel)		
RWI		
Greece		
KEPE	0,4	0,9
Hungary		
GKI	0,3	0,5
KOPINT		
Ireland		
ESRI	1,0	2,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	0,5	1,0
REF	0,4	1,3
Netherlands		
CPB		
Norway		
SN		
Poland		
IBRKK		
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	0,6	1,5
SGEI	0,25-0	0,5
Sweden		
CSE	0,25	0,88
NIER	0,3	0,8
Switzerland		
KOF	0,4	1,2
United Kingdom		
NIESR	0,4	0,9

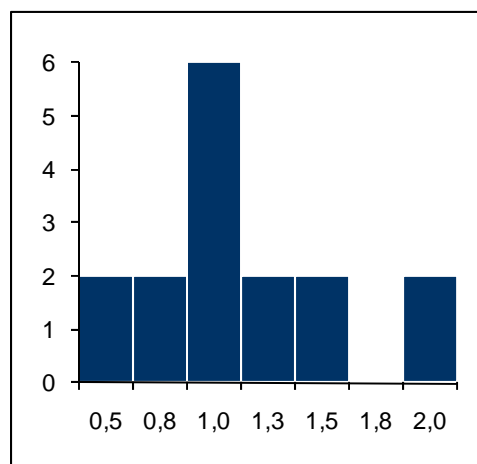
	2011	2012
Number	16	16
Average	0,4	1,1
Std.dev	0,2	0,5
Max	1,0	2,0
Min	0,3	0,5
Std.dev/avg	0,49	0,44

Frequency distribution of the answers

2011



2012



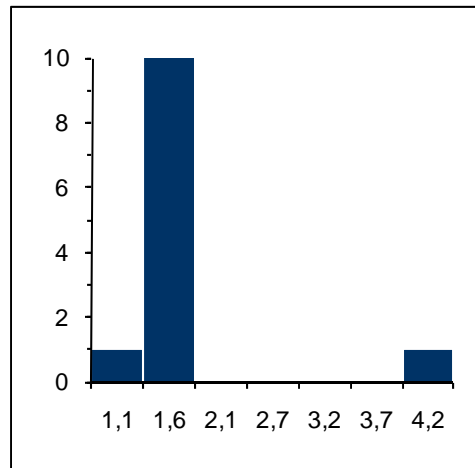
Euro Area short-term interest rates

	2011	2012
Austria		
WIFO	1,3	2,3
Belgium		
FPB	1,2	
DULBEA	na	na
IRES	1,6	
Czech Rep		
CCSF	1,3	1,9
Denmark		
DEC	1,6	2,5
Finland		
ETLA	1,5	2,4
France		
BIPE	1,2	1,6
COE	1,3	2,0
INSEE	na	na
OFCE	1,1	1,7a
Germany		
DIW	1,2	2,0
HWWI	na	na
IFO	1,5	2,5
IFW (Kiel)	1,2	2,1
RWI	1,3	2,0
Greece		
KEPE		
Hungary		
GKI	na	na
KOPINT	na	na
Ireland		
ESRI		
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	1,2	1,8
REF		
Netherlands		
CPB	1,3	2,0
Norway		
SN	na	na
Poland		
IBRKK	4,2	4,4
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	1,1	1,9
SGEI	1,6	2,5
Sweden		
CSE	na	na
NIER	na	na
Switzerland		
KOF	na	na
United Kingdom		
NIESR	na	na

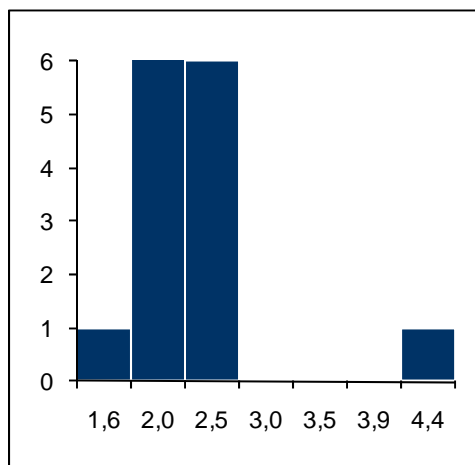
	2011	2012
Number	18	16
Average	1,5	2,2
Std.dev	0,7	0,7
Max	4,2	4,4
Min	1,1	1,6
Std.dev/avg	0,47	0,29

Frequency distribution of the answers

2011



2012



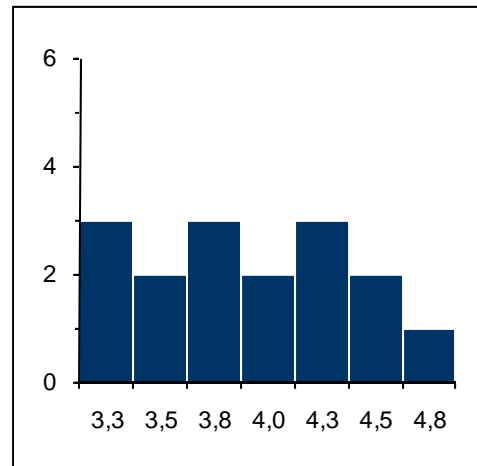
Euro Area long-term interest rates

	2011	2012
Austria		
WIFO	3,6	3,8
Belgium		
FPB	4,2	
DULBEA	na	na
IRES	3,9	
Czech Rep		
CCSF	3,8	4,0
Denmark		
DEC	3,4	3,9
Finland		
ETLA		
France		
BIPE	3,7	4,1
COE	3,6	3,8
INSEE	na	na
OFCE	4,1	4,0
Germany		
DIW	3,3	3,7
HWWI	na	na
IFO	4,5	4,9
IFW (Kiel)	3,3	3,7
RWI	4,2	4,4
Greece		
KEPE		
Hungary		
GKI	na	na
KOPINT	na	na
Ireland		
ESRI		
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	4,8	4,5
REF		
Netherlands		
CPB	3,5	4,0
Norway		
SN		
Poland		
IBRKK	na	na
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	4,5	4,6
SGEI	3,3	3,6
Sweden		
CSE	na	na
NIER	na	na
Switzerland		
KOF	na	na
United Kingdom		
NIESR	na	na

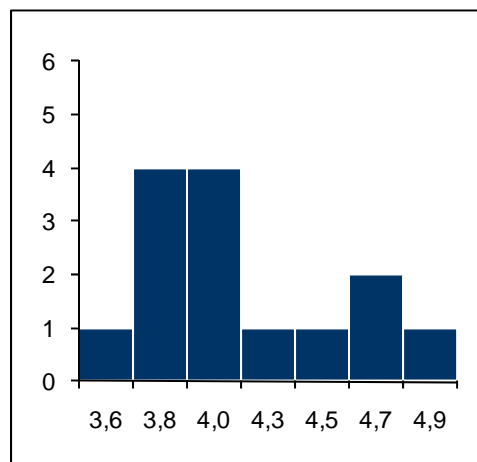
	2011	2012
Number	16	14
Average	3,9	4,1
Std.dev	0,5	0,4
Max	4,8	4,9
Min	3,3	3,6
Std.dev/avg	0,12	0,09

Frequency distribution of the answers

2011



2012



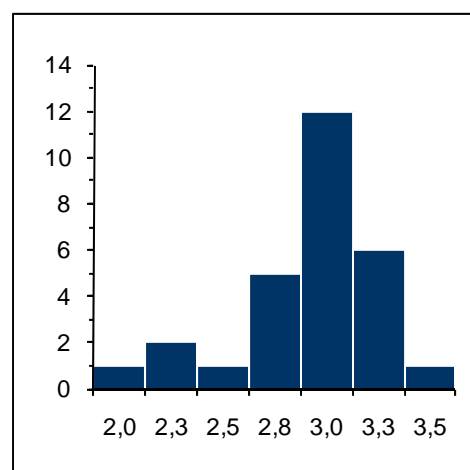
GDP United States

	2011	2012
Austria		
WIFO	2,9	3,0
Belgium		
FPB	3,1	3,0
DULBEA	na	na
IRES	3,1	
Czech Rep		
CCSF	2,9	3,1
Denmark		
DEC	2,9	3,2
Finland		
ETLA	3,5	3,0
France		
BIPE	2,7	2,6
COE	3,0	3,0
INSEE	na	na
OFCE	2,2	2,4
Germany		
DIW	2,2	1,8
HWWI	na	na
IFO	2,6	2,6
IFW (Kiel)	3,1	2,8
RWI	3,1	2,8
Greece		
KEPE	2,8	2,9
Hungary		
GKI	3,0	2,9
KOPINT	3,1	2,8
Ireland		
ESRI	2,0	2,5
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	3,0	2,9
REF	2,6	2,6
Netherlands		
CPB	3,0	2,8
Norway		
SN	2,4	2,2
Poland		
IBRKK	3,0	2,7
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	2,7	2,8
SGEI	3,2	3,3
Sweden		
CSE	2,8	3,0
NIER	3,0	3,0
Switzerland		
KOF	2,8	2,9
United Kingdom		
NIESR	2,6	2,7

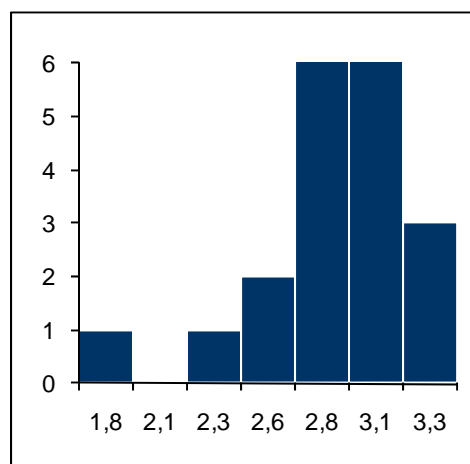
	2011	2012
Number	28	27
Average	2,8	2,8
Std.dev	0,3	0,3
Max	3,5	3,3
Min	2,0	1,8
Std.dev/avg	0,12	0,11

Frequency distribution of the answers

2011



2012



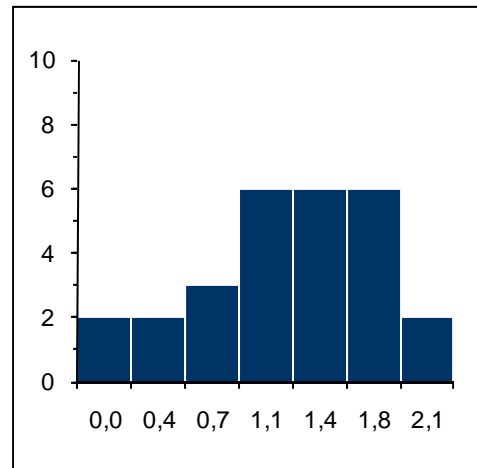
GDP Japan

	2011	2012
Austria		
WIFO	1,0	2,0
Belgium		
FPB	0,8	2,0
DULBEA	na	na
IRES	0,2	
Czech Rep		
CCSF	1,3	1,7
Denmark		
DEC	0,8	2,0
Finland		
ETLA	1,5	1,5
France		
BIPE	1,7	1,8
COE	1,4	1,8
INSEE	na	na
OFCE	0,2	2,9
Germany		
DIW	0,6	1,5
HWWI	na	na
IFO	0,7	1,9
IFW (Kiel)	1,4	1,2
RWI	1,8	2,2
Greece		
KEPE	1,4	2,1
Hungary		
GKI	1,4	1,3
KOPINT	1,4	1,2
Ireland		
ESRI	1,5	3,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	0,9	2,3
REF	0,0	2,7
Netherlands		
CPB	1,5	1,3
Norway		
SN	1,0	1,3
Poland		
IBRKK	1,6	1,9
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	0,5	2,2
SGEI	0,0	0,6
Sweden		
CSE	na	na
NIER	1,6	1,7
Switzerland		
KOF	0,8	2,2
United Kingdom		
NIESR	2,1	1,4

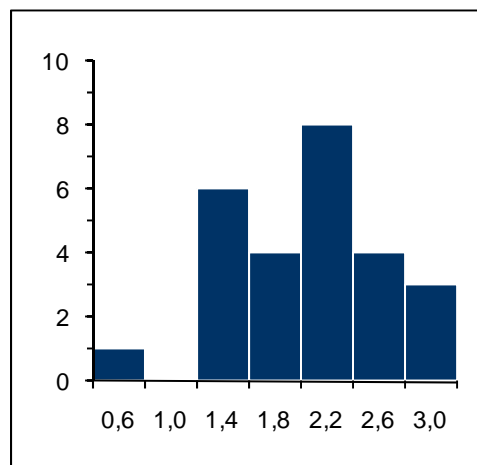
	2011	2012
Number	27	26
Average	1,1	1,8
Std.dev	0,6	0,6
Max	2,1	3,0
Min	0,0	0,6
Std.dev/avg	0,53	0,30

Frequency distribution of the answers

2011



2012



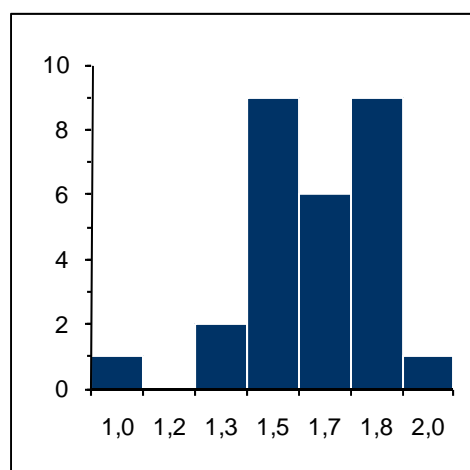
GDP Euro

	2011	2012
Austria		
WIFO	1,5	1,5
Belgium		
FPB	1,7	1,3
DULBEA	na	na
IRES	2,0	
Czech Rep		
CCSF	1,6	1,8
Denmark		
DEC	1,6	2,0
Finland		
ETLA	1,5	1,5
France		
BIPE	1,7	1,7
COE	1,7	1,6
INSEE	na	na
OFCE	1,4	1,5
Germany		
DIW	1,6	1,7
HWWI	na	na
IFO	1,6	1,6
IFW (Kiel)	1,7	1,5
RWI	1,6	1,7
Greece		
KEPE	1,5	2,1
Hungary		
GKI	1,8	1,7
KOPINT	1,3	1,5
Ireland		
ESRI	1,5	2,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	1,5	1,2
REF	1,2	1,6
Netherlands		
CPB	1,5	1,5
Norway		
SN	1,0	1,2
Poland		
IBRKK	1,7	1,9
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	1,5	1,7
SGEI	1,7	1,7
Sweden		
CSE	1,5	1,7
NIER	1,6	1,7
Switzerland		
KOF	1,7	1,9
United Kingdom		
NIESR	1,7	2,0

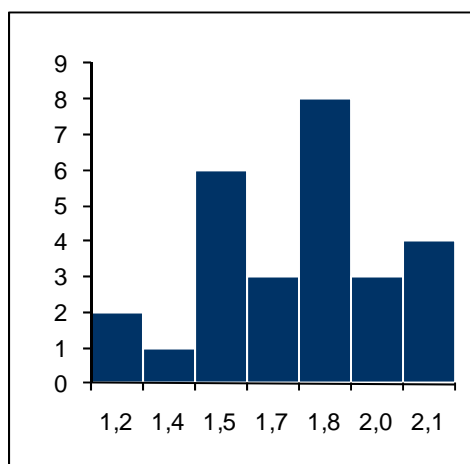
	2011	2012
Number	28	27
Average	1,6	1,7
Std.dev	0,2	0,2
Max	2,0	2,1
Min	1,0	1,2
Std.dev/avg	0,12	0,14

Frequency distribution of the answers

2011



2012



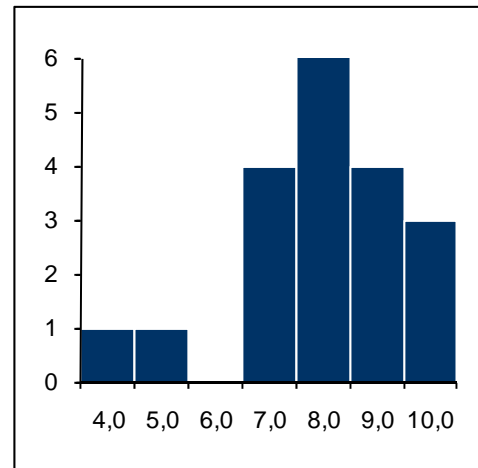
World trade growth

	2011	2012
Austria		
WIFO	8,0	8,5
Belgium		
FPB	9,5	7,5
DULBEA	na	na
IRES	7,4	
Czech Rep		
CCSF	7,1	6,9
Denmark		
DEC	-	-
Finland		
ETLA	8,0	5,5
France		
BIPE		
COE	8,1	8,6
INSEE	na	na
OFCE	7,5	7,1
Germany		
DIW	8,7	8,3
HWWI	na	na
IFO	8,8	6,7
IFW (Kiel)	10,0	7,5
RWI	7,5	7,0
Greece		
KEPE	7,0	6,5
Hungary		
GKI	8,0	9,0
KOPINT	7,5	7,0
Ireland		
ESRI	4,0	4,5
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	8,6	8,9
REF	6,3	7,7
Netherlands		
CPB	8,0	7,0
Norway		
SN	4,3	3,6
Poland		
IBRKK	7,0	6,7
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	7,8	7,3
SGEI	10,0	9,0
Sweden		
CSE	na	na
NIER		
Switzerland		
KOF	6,8	6,1
United Kingdom		
NIESR	7,8	5,7

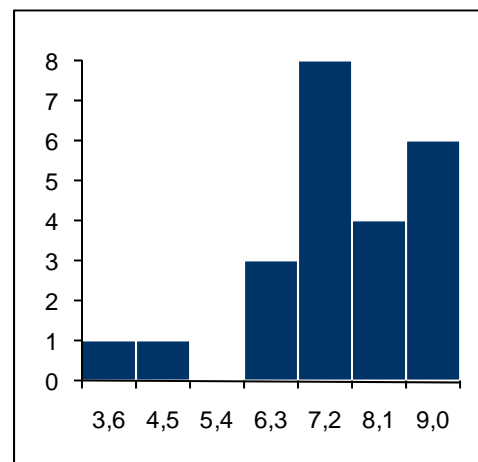
	2011	2012
Number	24	23
Average	7,7	7,1
Std.dev	1,4	1,4
Max	10,0	9,0
Min	4,0	3,6
Std.dev/avg	0,19	0,20

Frequency distribution of the answers

2011



2012



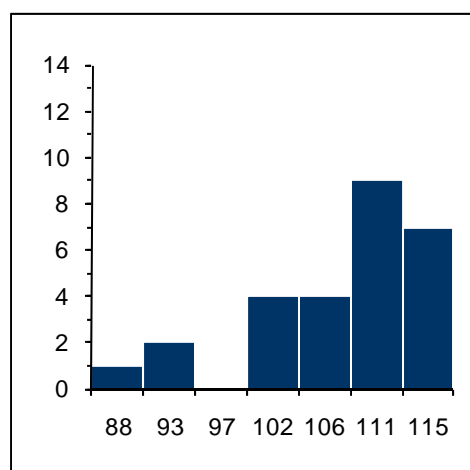
Oil price, dollars per barrel

	2011	2012
Austria		
WIFO	100,0	100,0
Belgium		
FPB	107,0	100,0
DULBEA	na	na
IRES	113,0	
Czech Rep		
CCSF	88,0	94,0
Denmark		
DEC	115,0	120,0
Finland		
ETLA	112,0	121,0
France		
BIPE		
COE	106,8	104,1
INSEE	na	na
OFCE	103,0	98,0
Germany		
DIW	113,9	110,2
HWWI	na	na
IFO	110,0	110,0
IFW (Kiel)	108,0	95,0
RWI	112,8	115,0
Greece		
KEPE	108,2	111,2
Hungary		
GKI	110,0	105,0
KOPINT	115,0	100,0
Ireland		
ESRI	110,0	85,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	109,6	105,4
REF	107,0	102,0
Netherlands		
CPB	97,3	97,3
Norway		
SN	91,0	90,0
Poland		
IBRKK	105,0	107,5
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP	105	98
Spain		
CEPREDE	98,5	91,8
SGEI	110,7	109,7
Sweden		
CSE	102,5	102,5
NIER	88,5	89,5
Switzerland		
KOF	101,6	102,2
United Kingdom		
NIESR	97,4	106,5

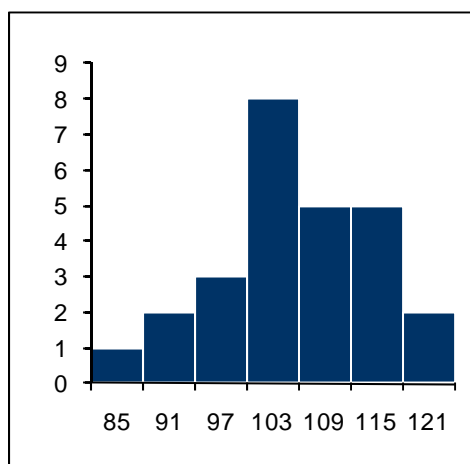
	2011	2012
Number	27	26
Average	105,3	102,8
Std.dev	7,8	9,0
Max	115,0	121,0
Min	88,0	85,0
Std.dev/avg	0,07	0,09

Frequency distribution of the answers

2011



2012



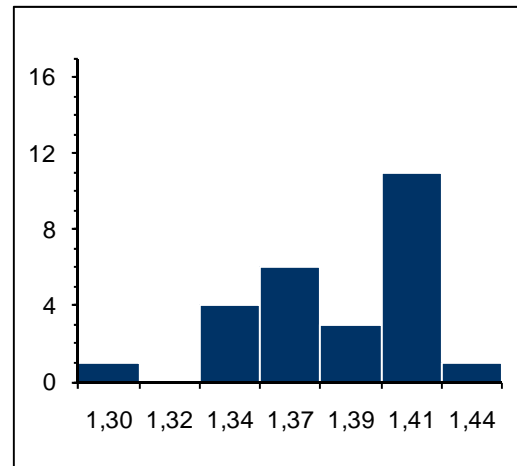
Exchange rates, dollar / euro

	2011	2012
Austria		
WIFO	1,35	1,30
Belgium		
FPB	1,38	1,42
DULBEA	na	na
IRES	1,40	
Czech Rep		
CCSF	1,30	1,30
Denmark		
DEC	1,39	1,40
Finland		
ETLA	1,39	1,40
France		
BIPE	1,44	1,43
COE	1,35	1,20
INSEE	na	na
OFCE	1,39	1,40
Germany		
DIW	1,36	1,36
HWWI	na	na
IFO	1,40	1,40
IFW (Kiel)	1,38	1,38
RWI	1,39	1,40
Greece		
KEPE	1,35	1,32
Hungary		
GKI	1,36	1,35
KOPINT	1,35	1,35
Ireland		
ESRI		
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	1,40	1,43
REF	1,41	1,47
Netherlands		
CPB	1,34	1,34
Norway		
SN		
Poland		
IBRKK	1,38	1,42
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	1,32	1,27
SGEI	1,39	1,39
Sweden		
CSE	1,40	1,38
NIER	1,34	1,35
Switzerland		
KOF	1,39	1,40
United Kingdom		
NIESR	1,33	1,31

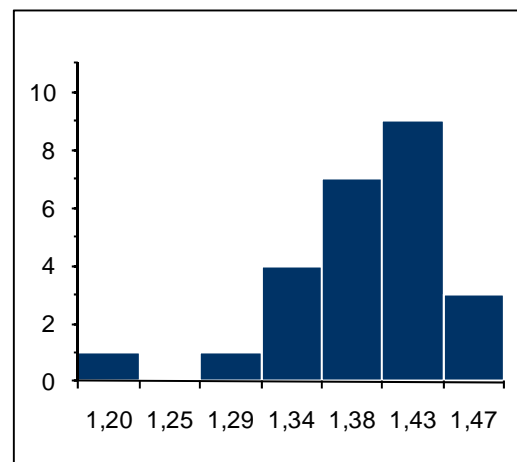
	2011	2012
Number	26	25
Average	1,37	1,37
Std.dev	0,03	0,06
Max	1,44	1,47
Min	1,30	1,20
Std.dev/avg	0,02	0,04

Frequency distribution of the answers

2011



2012



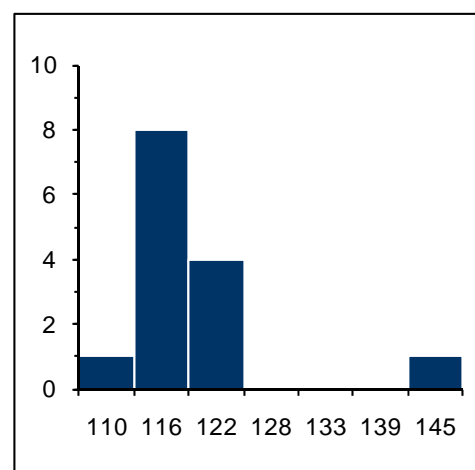
Exchange rates, yen / euro

	2011	2012
Austria		
WIFO		
Belgium		
FPB		
DULBEA	na	na
IRES		
Czech Rep		
CCSF		
Denmark		
DEC	-	-
Finland		
ETLA	111,0	112,0
France		
BIPE	118,7	116,4
COE	111,0	102,9
INSEE	na	na
OFCE	112,2	121,8
Germany		
DIW		
HWWI	na	na
IFO	114,0	114,0
IFW (Kiel)		
RWI		
Greece		
KEPE	na	na
Hungary		
GKI	117,0	118,0
KOPINT	-	-
Ireland		
ESRI		
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	116,5	121,6
REF	115,2	118,6
Netherlands		
CPB		
Norway		
SN	112,8	113,0
Poland		
IBRKK		
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	145,3	131,4
SGEI	115,0	120,0
Sweden		
CSE	na	Na
NIER	114,2	120,9
Switzerland		
KOF	116,2	123,0
United Kingdom		
NIESR	109,8	108,9

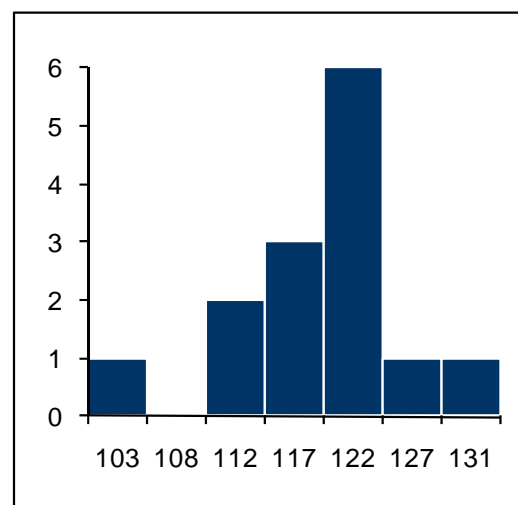
	2011	2012
Number	14	14
Average	116,4	117,3
Std.dev	8,7	7,0
Max	145,3	131,4
Min	109,8	102,9
Std.dev/avg	0,07	0,06

Frequency distribution of the answers

2011



2012



Section II.- CROSS COUNTRY FORECASTS.

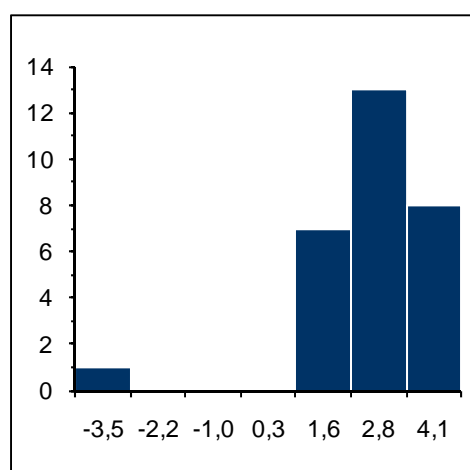
GDP Countries

	2011	2012
Austria		
WIFO	2,5	2,0
Belgium		
FPB	2,0	
DULBEA	na	na
IRES	2,4	
Czech Rep		
CCSF	2,2	2,6
Denmark		
DEC	1,6	2,0
Finland		
ETLA	4,0	3,0
France		
BIPE	1,7	1,7
COE	1,9	1,8
INSEE	na	na
OFCE	1,4	1,7
Germany		
DIW	2,7	1,4
HWWI	na	na
IFO	2,7	1,8
IFW (Kiel)	2,8	1,6
RWI	2,9	2,4
Greece		
KEPE	-3,5	1,1
Hungary		
GKI	2,5	2,9
KOPINT	3,0	3,0
Ireland		
ESRI	0,5	1,8
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	0,9	1,0
REF	0,7	0,9
Netherlands		
CPB	1,8	1,5
Norway		
SN	3,3	3,8
Poland		
IBRKK	4,1	3,9
Serbia		
FTRI	na	na
Slovak Republic		
SAS	3,8	4,7
Slovenia		
SKEP	1,7	2,4
Spain		
CEPREDE	0,8	1,0
SGEI	1,3	2,3
Sweden		
CSE	3,9	2,8
NIER	3,8	2,9
Switzerland		
KOF	2,8	2,3
United Kingdom		
NIESR	1,5	1,8

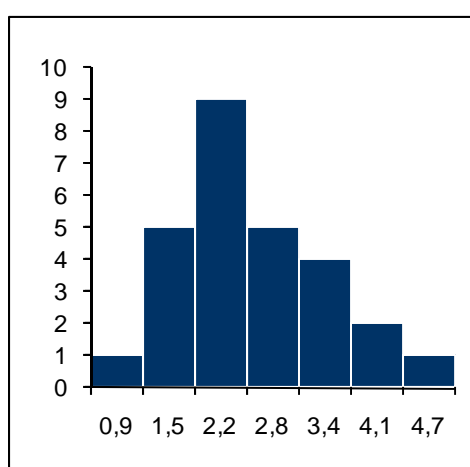
	2011	2012
Number	29	27
Average	2,1	2,2
Std.dev	1,5	0,9
Max	4,1	4,7
Min	-3,5	0,9
Std.dev/avg	0,71	0,42

Frequency distribution of the answers

2011



2012



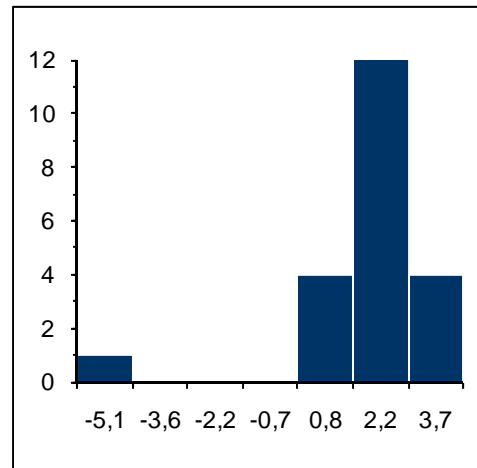
Private consumption

	2011	2012
Austria		
WIFO	1,1	1,1
Belgium		
FPB	1,6	
DULBEA	na	na
IRES	1,5	
Czech Rep		
CCSF	1,0	2,7
Denmark		
DEC	2,0	2,2
Finland		
ETLA	2,5	2,5
France		
BIPE	1,4	1,1
COE	1,3	1,1
INSEE	na	na
OFCE	1,5	1,9
Germany		
DIW	1,1	1,0
HWWI	na	na
IFO	1,2	1,2
IFW (Kiel)	1,1	1,0
RWI	1,4	1,3
Greece		
KEPE	-5,1	0,5
Hungary		
GKI	1,2	1,8
KOPINT	1,8	2,4
Ireland		
ESRI	0,0	2,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	0,8	0,9
REF	0,2	0,3
Netherlands		
CPB	0,8	1,0
Norway		
SN	3,7	4,0
Poland		
IBRKK	3,3	3,6
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP	0,9	2,1
Spain		
CEPREDE	0,9	1,3
SGEI	0,9	1,4
Sweden		
CSE	2,9	3,2
NIER	3,2	3,1
Switzerland		
KOF	1,6	2,0
United Kingdom		
NIESR	-0,1	0,5

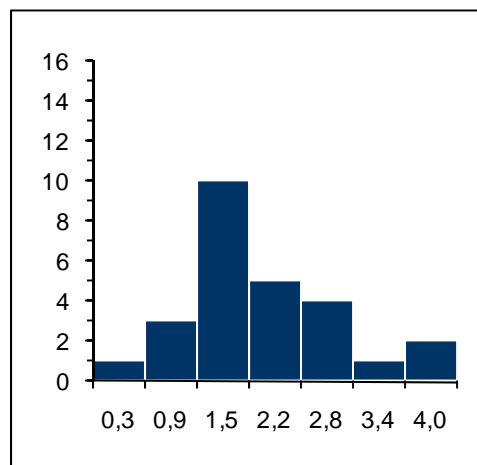
	2011	2012
Number	28	26
Average	1,2	1,7
Std.dev	1,5	0,9
Max	3,7	4,0
Min	-5,1	0,3
Std.dev/avg	1,30	0,56

Frequency distribution of the answers

2011



2012



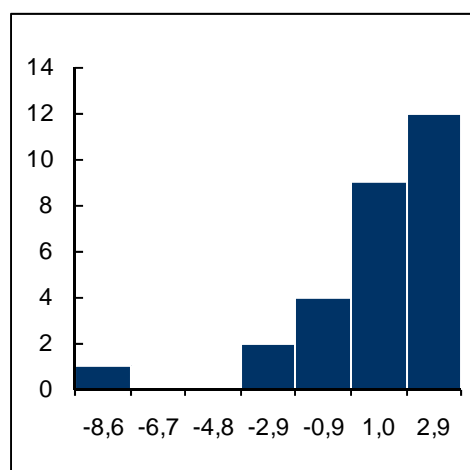
Public consumption

	2011	2012
Austria		
WIFO	1,0	1,0
Belgium		
FPB	1,3	
DULBEA	na	na
IRES	1,3	
Czech Rep		
CCSF	-3,5	-2,7
Denmark		
DEC	-0,1	-0,1
Finland		
ETLA	0,5	0,5
France		
BIPE	0,2	-0,6
COE	0,7	0,5
INSEE	na	na
OFCE	0,8	0,7
Germany		
DIW	1,6	1,2
HWWI	na	na
IFO	1,3	1,4
IFW (Kiel)	1,4	1,1
RWI	1,1	1,3
Greece		
KEPE	-8,6	-6,0
Hungary		
GKI	-3,0	-1,0
KOPINT	-1,0	-2,0
Ireland		
ESRI	-2,0	-4,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	-0,2	0,2
REF	0,1	0,0
Netherlands		
CPB	0,0	0,0
Norway		
SN	2,3	2,7
Poland		
IBRKK	2,9	1,7
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP	1,3	2,4
Spain		
CEPREDE	-1,1	0,6
SGEI	-1,3	-0,8
Sweden		
CSE	1,1	1,2
NIER	1,7	0,7
Switzerland		
KOF	1,0	0,3
United Kingdom		
NIESR	-0,7	-1,3

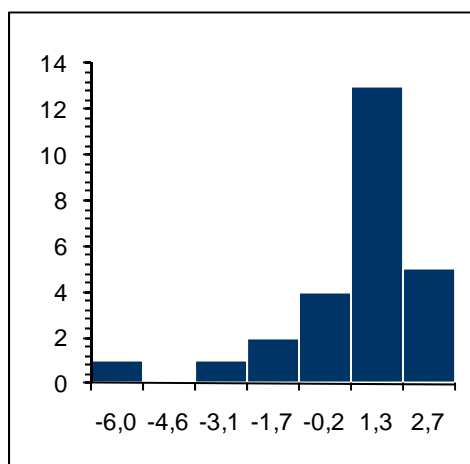
	2011	2012
Number	28	26
Average	0,0	-0,1
Std.dev	2,2	1,9
Max	2,9	2,7
Min	-8,6	-6,0
Std.dev/avg	-63,82	-22,92

Frequency distribution of the answers

2011



2012



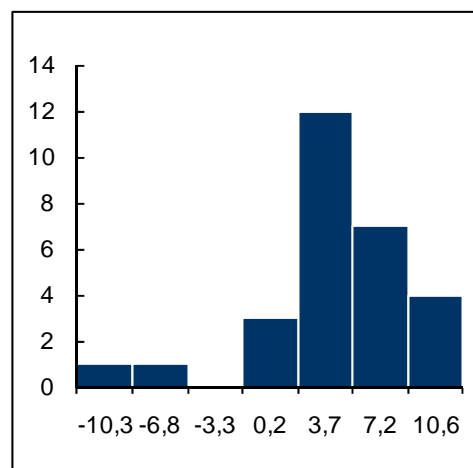
Gross fixed investments

	2011	2012
Austria		
WIFO	2,6	2,7
Belgium		
FPB	3,7	
DULBEA	na	na
IRES	4,3	
Czech Rep		
CCSF	0,8	3,7
Denmark		
DEC	2,7	4,2
Finland		
ETLA	7,5	5,5
France		
BIPE	3,3	3,8
COE	2,4	3,9
INSEE	na	na
OFCE	1,7	2,2
Germany		
DIW	6,0	2,0
HWWI	na	na
IFO	5,3	3,5
IFW (Kiel)	7,0	5,8
RWI	5,2	4,0
Greece		
KEPE	-7,9	-2,6
Hungary		
GKI	1,0	7,0
KOPINT	2,5	5,0
Ireland		
ESRI	-10,3	-2,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	1,6	1,9
REF	0,8	1,3
Netherlands		
CPB	2,5	3,0
Norway		
SN	7,7	8,2
Poland		
IBRKK	7,7	7,0
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP	-0,5	3,0
Spain		
CEPREDE	-1,7	2,0
SGEI	-1,3	2,7
Sweden		
CSE	7,0	5,0
NIER	10,6	8,2
Switzerland		
KOF	4,3	3,7
United Kingdom		
NIESR	1,8	2,8

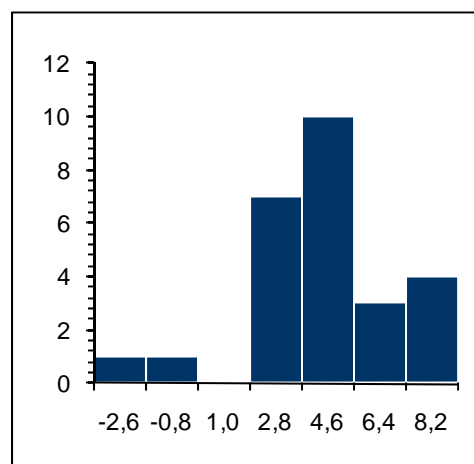
	2011	2012
Number	28	26
Average	2,5	3,6
Std.dev	4,4	2,6
Max	10,6	8,2
Min	-10,3	-2,6
Std.dev/avg	1,73	0,72

Frequency distribution of the answers

2011



2012



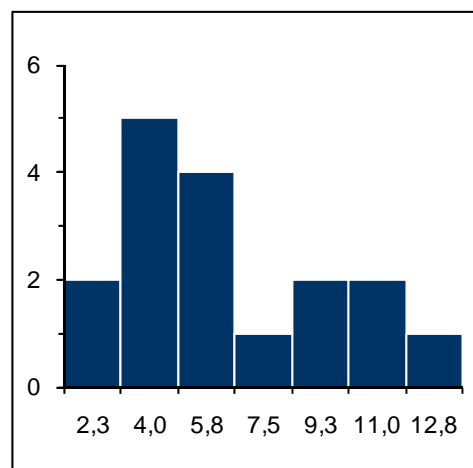
Private investments excl dwellings

	2011	2012
Austria		
WIFO	5,5	4,5
Belgium		
FPB	3,0	
DULBEA	na	na
IRES	4,7	
Czech Rep		
CCSF	x	x
Denmark		
DEC	2,9	4,2
Finland		
ETLA		
France		
BIPE	3,4	5,6
COE	3,2	5,5
INSEE	na	na
OFCE	2,3	2,6
Germany		
DIW	9,7	4,9
HWWI	na	na
IFO	9,4	6,0
IFW (Kiel)	9,1	8,3
RWI		
Greece		
KEPE	na	na
Hungary		
GKI	n.a.	n.a.
KOPINT	N/A	N/A
Ireland		
ESRI	8,8	1,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA		
REF	2,3	2,2
Netherlands		
CPB	3,8	4,3
Norway		
SN		
Poland		
IBRKK		
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	5,1	5,9
SGEI		
Sweden		
CSE	6,9	4,9
NIER	12,8	10,4
Switzerland		
KOF	6,4	4,9
United Kingdom		
NIESR	5,3	5,1

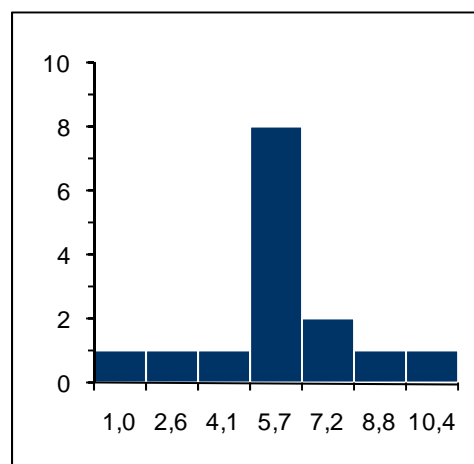
	2011	2012
Number	17	15
Average	5,8	5,0
Std.dev	3,1	2,3
Max	12,8	10,4
Min	2,3	1,0
Std.dev/avg	0,55	0,46

Frequency distribution of the answers

2011



2012



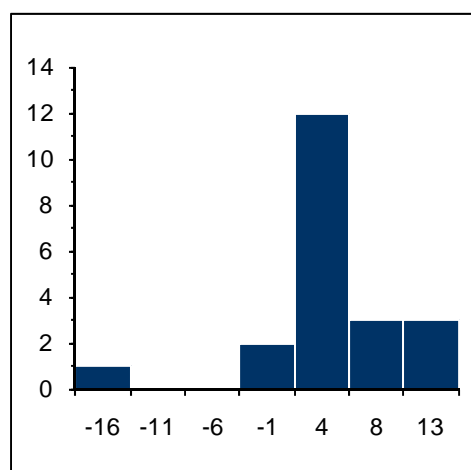
Dwellings investments

	2011	2012
Austria		
WIFO	0,0	1,0
Belgium		
FPB	1,0	
DULBEA	na	na
IRES	1,9	
Czech Rep		
CCSF	x	x
Denmark		
DEC	1,9	3,8
Finland		
ETLA		
France		
BIPE	5,1	2,7
COE	2,5	3,0
INSEE	na	na
OFCE	1,9	2,7
Germany		
DIW	3,4	-0,5
HWWI	na	na
IFO	2,2	1,5
IFW (Kiel)	2,6	1,4
RWI	3,6	3,8
Greece		
KEPE	na	na
Hungary		
GKI	n.a.	n.a.
KOPINT	N/A	N/A
Ireland		
ESRI	-15,8	2,8
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	-0,2	0,5
REF	-0,9	0,2
Netherlands		
CPB	1,5	4,0
Norway		
SN	8,7	9,3
Poland		
IBRKK		
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	-4,5	0,8
SGEI	-4,1	2,5
Sweden		
CSE	12,2	7,9
NIER	13,2	8,1
Switzerland		
KOF	3,5	3,2
United Kingdom		
NIESR	8,6	5,5

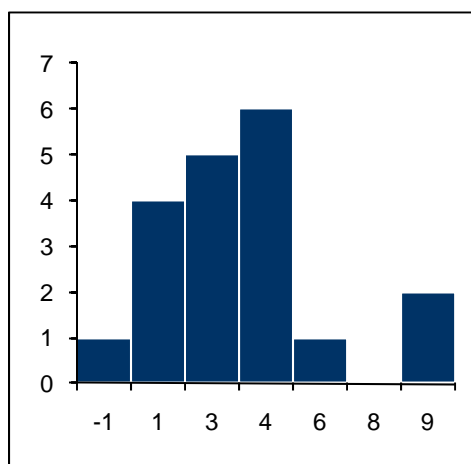
	2011	2012
Number	21	19
Average	1,7	3,0
Std.dev	5,7	2,5
Max	13,2	9,3
Min	-15,8	-0,5
Std.dev/avg	3,29	0,85

Frequency distribution of the answers

2011



2012



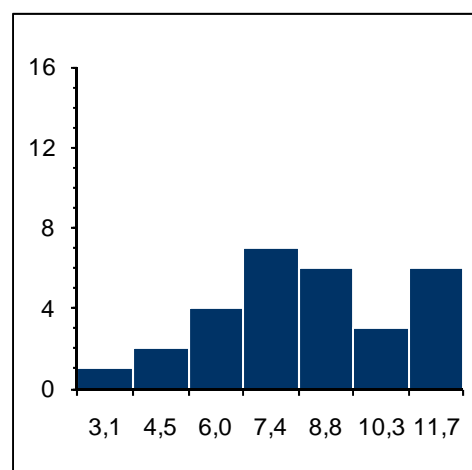
Exports

	2011	2012
Austria		
WIFO	7,4	6,5
Belgium		
FPB	4,7	
DULBEA	na	na
IRES	6,3	
Czech Rep		
CCSF	11,3	10,2
Denmark		
DEC	4,9	3,7
Finland		
ETLA	11,0	6,0
France		
BIPE	5,8	5,4
COE	6,1	5,9
INSEE	na	na
OFCE	6,3	6,2
Germany		
DIW	9,9	6,3
HWWI	na	na
IFO	9,5	5,9
IFW (Kiel)	10,3	6,6
RWI	8,8	6,6
Greece		
KEPE	6,3	5,9
Hungary		
GKI	11,0	10,0
KOPINT	9,0	8,0
Ireland		
ESRI	7,5	7,5
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	6,1	5,0
REF	3,1	3,9
Netherlands		
CPB	5,5	4,0
Norway		
SN	3,6	1,9
Poland		
IBRKK	10,6	11,3
Serbia		
FTRI	na	na
Slovak Republic		
SAS	11,7	14,0
Slovenia		
SKEP	8,0	8,0
Spain		
CEPREDE	7,9	4,3
SGEI	8,3	7,9
Sweden		
CSE	6,6	3,5
NIER	8,2	5,9
Switzerland		
KOF	3,5	6,0
United Kingdom		
NIESR	6,4	5,8

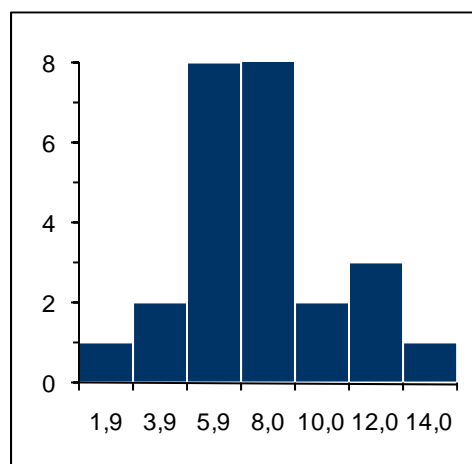
	2011	2012
Number	29	27
Average	7,5	6,6
Std.dev	2,5	2,5
Max	11,7	14,0
Min	3,1	1,9
Std.dev/avg	0,33	0,38

Frequency distribution of the answers

2011



2012



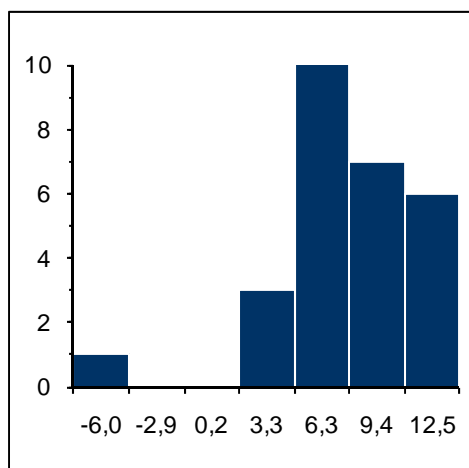
Imports

	2011	2012
Austria		
WIFO	6,1	6,0
Belgium		
FPB	4,4	
DULBEA	na	na
IRES	6,5	
Czech Rep		
CCSF	9,7	9,5
Denmark		
DEC	6,7	4,4
Finland		
ETLA	10,5	6,0
France		
BIPE	6,0	5,4
COE	6,1	5,5
INSEE	na	na
OFCE	6,2	6,5
Germany		
DIW	8,8	6,9
HWWI	na	na
IFO	7,6	6,2
IFW (Kiel)	9,5	8,1
RWI	7,5	6,0
Greece		
KEPE	-6,0	-1,5
Hungary		
GKI	11,0	10,5
KOPINT	8,1	8,0
Ireland		
ESRI	6,0	6,2
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	4,7	5,2
REF	1,5	2,6
Netherlands		
CPB	5,0	3,8
Norway		
SN	5,0	5,5
Poland		
IBRKK	12,5	13,7
Serbia		
FTRI	na	na
Slovak Republic		
SAS	11,7	14,4
Slovenia		
SKEP	6,2	8,1
Spain		
CEPREDE	4,2	4,6
SGEI	3,0	4,1
Sweden		
CSE	7,0	4,0
NIER	8,9	6,8
Switzerland		
KOF	6,2	7,5
United Kingdom		
NIESR	2,1	0,8

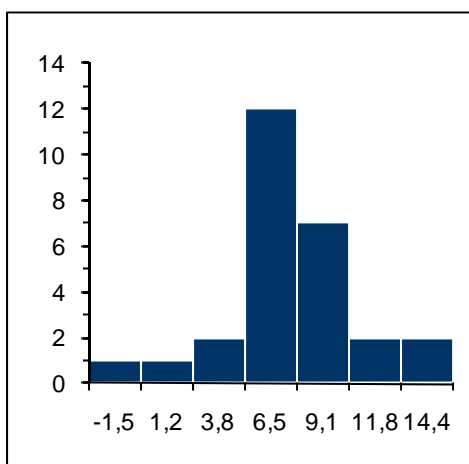
	2011	2012
Number	29	27
Average	6,4	6,3
Std.dev	3,6	3,3
Max	12,5	14,4
Min	-6,0	-1,5
Std.dev/avg	0,56	0,52

Frequency distribution of the answers

2011



2012



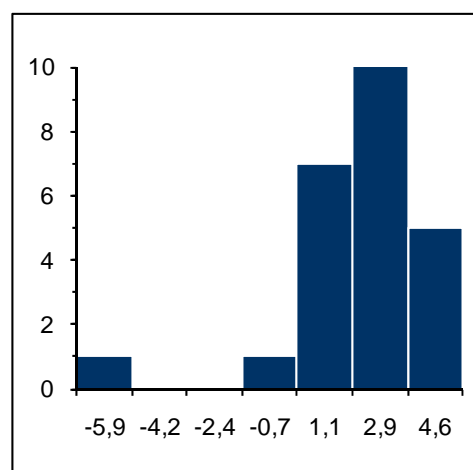
Domestic demand

	2011	2012
Austria		
WIFO	1,6	1,5
Belgium		
FPB	1,7	
DULBEA	na	na
IRES	2,1	
Czech Rep		
CCSF	0,0	1,7
Denmark		
DEC	2,3	2,2
Finland		
ETLA	3,5	3,0
France		
BIPE	1,5	1,3
COE	2,0	1,7
INSEE	na	na
OFCE	1,5	2,0
Germany		
DIW	1,9	1,5
HWWI	na	na
IFO	1,5	1,7
IFW (Kiel)	2,1	2,1
RWI	2,0	1,9
Greece		
KEPE	-5,9	-0,7
Hungary		
GKI	1,8	2,8
KOPINT	1,7	2,6
Ireland		
ESRI	-0,7	0,2
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	0,6	1,1
REF	0,3	0,5
Netherlands		
CPB	1,0	1,0
Norway		
SN	3,8	4,6
Poland		
IBRKK	4,6	4,6
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	0,0	1,5
SGEI	0,0	1,3
Sweden		
CSE	3,7	2,8
NIER	3,8	3,2
Switzerland		
KOF	4,0	2,5
United Kingdom		
NIESR	0,4	0,4

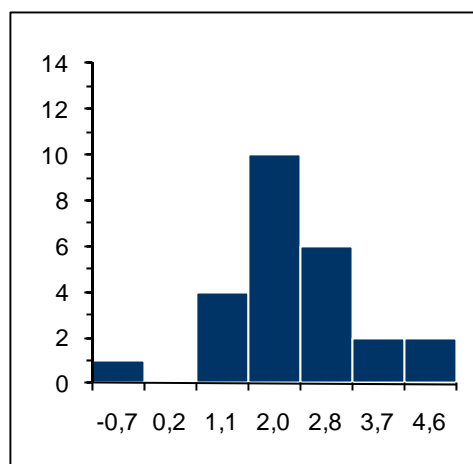
	2011	2012
Number	27	25
Average	1,4	1,8
Std.dev	2,0	1,2
Max	4,6	4,6
Min	-5,9	-0,7
Std.dev/avg	1,37	0,66

Frequency distribution of the answers

2011



2012



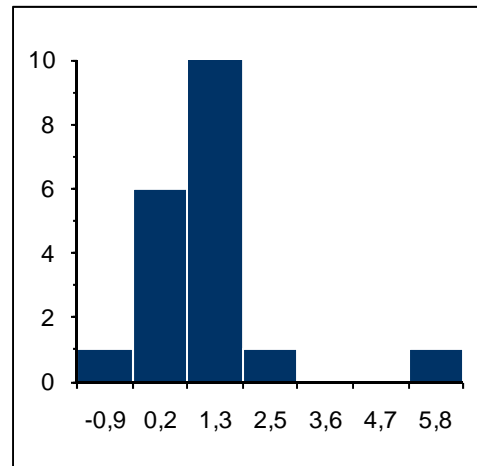
Net Exports

	2011	2012
Austria		
WIFO	1,1	0,7
Belgium		
FPB	0,3	
DULBEA	na	na
IRES	0,0	
Czech Rep		
CCSF	1,7	1,0
Denmark		
DEC	-0,9	-0,3
Finland		
ETLA		
France		
BIPE	-0,2	-0,1
COE	-0,2	0,0
INSEE	na	na
OFCE	-0,1	-0,3
Germany		
DIW	1,0	0,0
HWWI	na	na
IFO	1,3	0,2
IFW (Kiel)	0,8	-0,3
RWI	1,0	0,5
Greece		
KEPE	0,3	1,8
Hungary		
GKI	5,8	4,6
KOPINT	N/A	N/A
Ireland		
ESRI	1,1	2,9
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	0,2	-0,1
REF	0,4	0,3
Netherlands		
CPB	0,8	0,5
Norway		
SN		
Poland		
IBRKK	-0,5	-0,7
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	0,9	-0,2
SGEI	1,3	1,0
Sweden		
CSE	0,2	0,0
NIER	0,2	0,0
Switzerland		
KOF	-0,7	0,1
United Kingdom		
NIESR	1,1	1,4

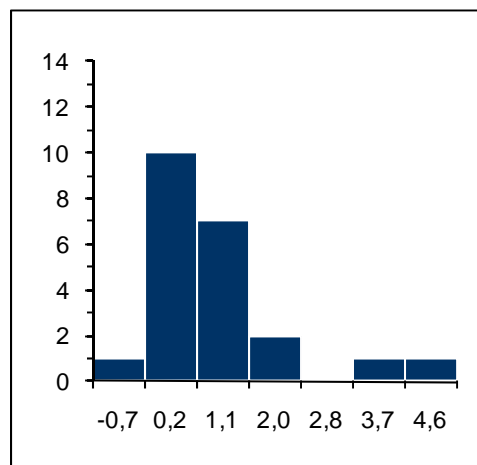
	2011	2012
Number	24	22
Average	0,7	0,6
Std.dev	1,3	1,2
Max	5,8	4,6
Min	-0,9	-0,7
Std.dev/avg	1,86	2,07

Frequency distribution of the answers

2011



2012



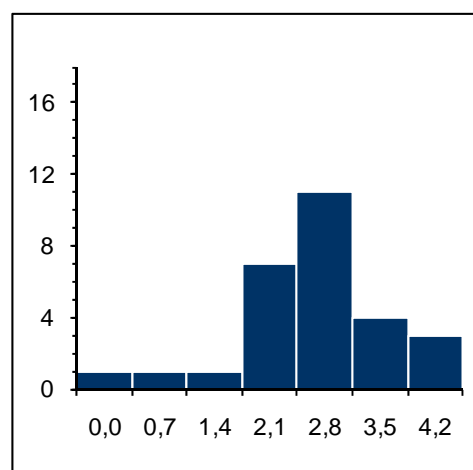
Inflation rate

	2011	2012
Austria		
WIFO	2,8	2,4
Belgium		
FPB	2,7	
DULBEA	na	na
IRES	3,2	
Czech Rep		
CCSF	2,3	2,3
Denmark		
DEC	2,6	2,3
Finland		
ETLA	2,7	2,3
France		
BIPE	1,6	1,9
COE	2,4	1,9
INSEE	na	na
OFCE	1,4	0,6
Germany		
DIW	2,1	1,8
HWWI	na	na
IFO	2,1	1,6
IFW (Kiel)	2,1	2,1
RWI	2,0	1,8
Greece		
KEPE	na	na
Hungary		
GKI	4,2	4,0
KOPINT	3,9	3,4
Ireland		
ESRI	0,0	1,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	2,9	1,7
REF	2,6	2,2
Netherlands		
CPB	2,0	2,0
Norway		
SN	1,5	1,2
Poland		
IBRKK	3,4	2,9
Serbia		
FTRI	na	na
Slovak Republic		
SAS	3,1	2,9
Slovenia		
SKEP	2,6	2,4
Spain		
CEPREDE	2,1	2,1
SGEI	2,8	1,9
Sweden		
CSE	2,0	2,3
NIER	2,2	2,2
Switzerland		
KOF	0,7	1,2
United Kingdom		
NIESR	4,2	1,8

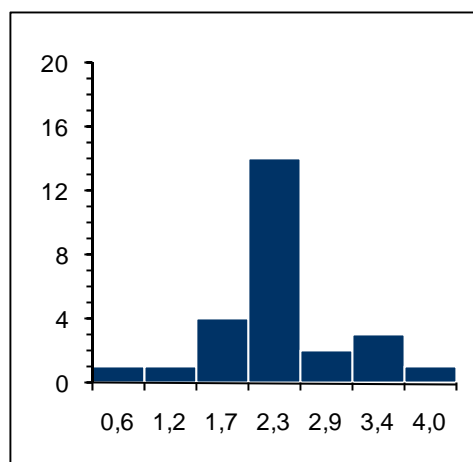
	2011	2012
Number	28	26
Average	2,4	2,1
Std.dev	0,9	0,7
Max	4,2	4,0
Min	0,0	0,6
Std.dev/avg	0,38	0,35

Frequency distribution of the answers

2011



2012



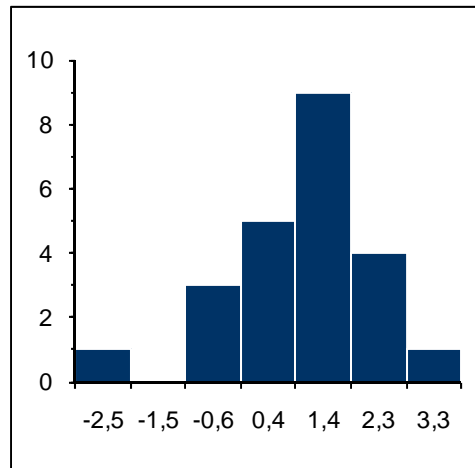
Unit labour costs

	2011	2012
Austria		
WIFO	1,4	1,6
Belgium		
FPB	1,9	
DULBEA	na	na
IRES	2,2	
Czech Rep		
CCSF	0,2	1,2
Denmark		
DEC	0,0	0,6
Finland		
ETLA	0,5	1,5
France		
BIPE		
COE	0,5	1,2
INSEE	na	na
OFCE	-0,9	0,8
Germany		
DIW	0,5	0,3
HWWI	na	na
IFO	0,5	1,1
IFW (Kiel)	-0,5	2,3
RWI	1,9	1,9
Greece		
KEPE	na	na
Hungary		
GKI	n.a.	n.a.
KOPINT	1,2	2,9
Ireland		
ESRI	-2,5	-2,5
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	1,4	1,9
REF	1,0	1,5
Netherlands		
CPB	-0,3	0,3
Norway		
SN		
Poland		
IBRKK	3,3	2,5
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	-0,5	0,5
SGEI	-0,6	0,3
Sweden		
CSE	na	na
NIER	1,3	1,5
Switzerland		
KOF	-0,7	0,3
United Kingdom		
NIESR	0,8	2,2

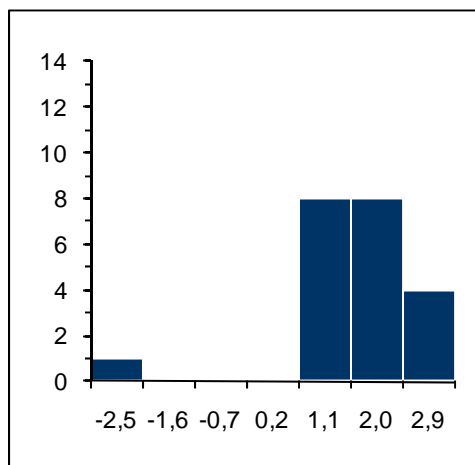
	2011	2012
Number	23	21
Average	0,6	1,1
Std.dev	1,2	1,1
Max	3,3	2,9
Min	-2,5	-2,5
Std.dev/avg	2,24	1,01

Frequency distribution of the answers

2011



2012



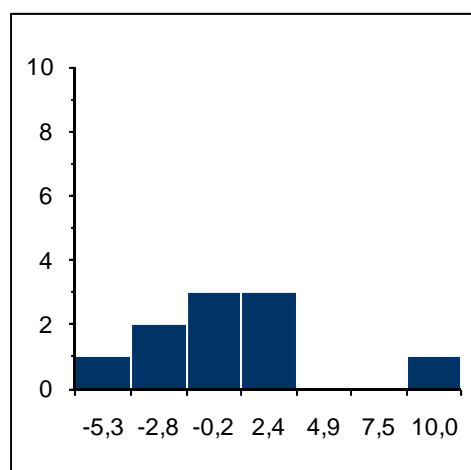
Output gap

	2011	2012
Austria		
WIFO		
Belgium		
FPB		
DULBEA	na	na
IRES	-	
Czech Rep		
CCSF	-1,8	-1,5
Denmark		
DEC	-3,3	-2,4
Finland		
ETLA		
France		
BIPE		
COE		
INSEE	na	na
OFCE	-5,3	-5,0
Germany		
DIW		
HWWI	na	na
IFO	-	-
IFW (Kiel)	0,1	0,6
RWI	0,5	1,4
Greece		
KEPE	na	na
Hungary		
GKI	n.a.	n.a.
KOPINT	N/A	N/A
Ireland		
ESRI	10,0	10,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	-4,0	-3,4
REF		
Netherlands		
CPB		
Norway		
SN		
Poland		
IBRKK	-0,1	0,6
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE		
SGEI		
Sweden		
CSE	na	na
NIER	-2,3	-1,2
Switzerland		
KOF	-0,3	0,3
United Kingdom		
NIESR	na	na

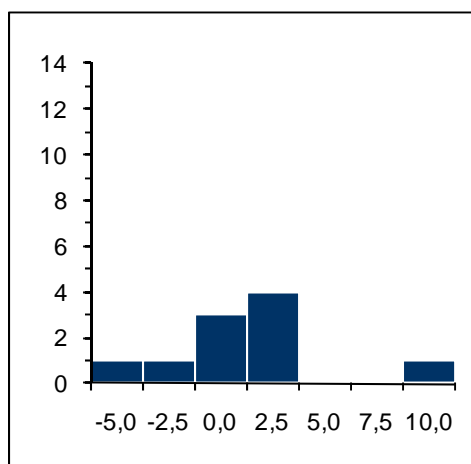
	2011	2012
Number	10	10
Average	-0,7	-0,1
Std.dev	4,2	4,1
Max	10,0	10,0
Min	-5,3	-5,0
Std.dev/avg	-6,43	-61,84

Frequency distribution of the answers

2011



2012



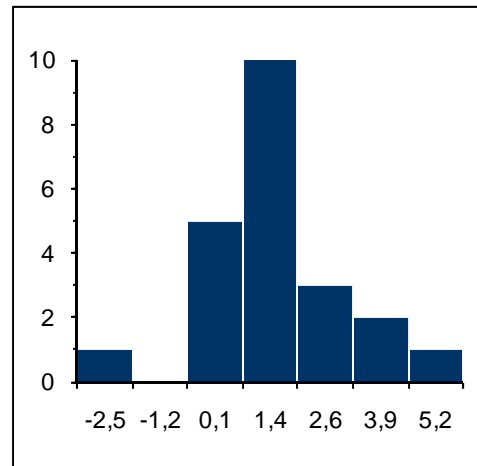
Real household disposable income

	2011	2012
Austria		
WIFO	0,9	0,9
Belgium		
FPB	1,1	
DULBEA	na	na
IRES	0,6	
Czech Rep		
CCSF	0,5	2,1
Denmark		
DEC	0,2	-0,7
Finland		
ETLA		
France		
BIPE	1,1	0,8
COE	0,0	0,8
INSEE	na	na
OFCE	1,1	2,1
Germany		
DIW	0,8	0,9
HWWI	na	na
IFO	0,9	1,1
IFW (Kiel)	0,8	0,7
RWI	1,1	1,2
Greece		
KEPE	na	na
Hungary		
GKI	2,0	2,0
KOPINT	2,6	2,8
Ireland		
ESRI	-2,5	-2,5
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	-0,6	0,7
REF	-0,1	0,0
Netherlands		
CPB	0,8	1,3
Norway		
SN	3,1	4,2
Poland		
IBRKK	2,6	3,0
Serbia		
FTRI	na	na
Slovak Republic		
SAS	5,2	6,5
Slovenia		
SKEP		
Spain		
CEPREDE	-1,0	0,2
SGEI		
Sweden		
CSE	1,5	1,7
NIER	3,3	3,6
Switzerland		
KOF	0,9	1,1
United Kingdom		
NIESR	-0,8	2,0

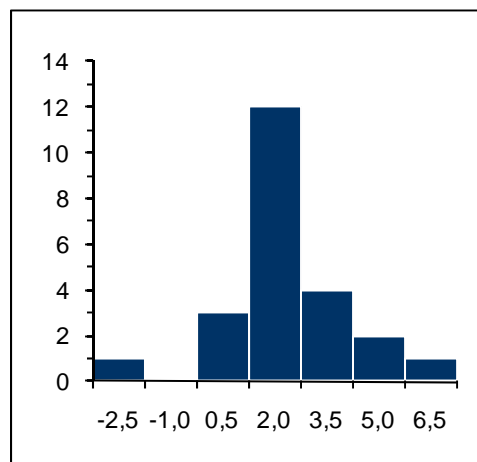
	2011	2012
Number	25	23
Average	1,0	1,5
Std.dev	1,6	1,8
Max	5,2	6,5
Min	-2,5	-2,5
Std.dev/avg	1,59	1,18

Frequency distribution of the answers

2011



2012



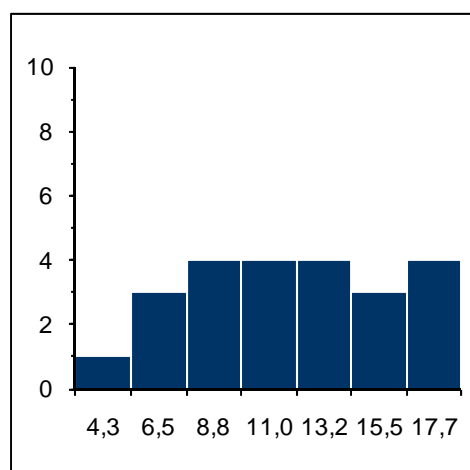
Net saving ratio (households)

	2011	2012
Austria		
WIFO	9,9	9,7
Belgium		
FPB	16,2	
DULBEA	na	na
IRES	16,9	
Czech Rep		
CCSF	4,3	3,7
Denmark		
DEC	-	-
Finland		
ETLA		
France		
BIPE		
COE	14,8	14,5
INSEE	na	na
OFCE	15,5	15,7
Germany		
DIW	11,2	11,1
HWWI	na	na
IFO	11,2	11,2
IFW (Kiel)	11,3	11,1
RWI	9,2	9,1
Greece		
KEPE	na	na
Hungary		
GKI	6,0	6,5
KOPINT	7,5	7,7
Ireland		
ESRI	14,0	9,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	8,6	8,4
REF	10,1	10,0
Netherlands		
CPB	7,0	8,0
Norway		
SN	6,9	7,3
Poland		
IBRKK	4,9	4,3
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP		
Spain		
CEPREDE	13,4	12,5
SGEI	11,8	11,5
Sweden		
CSE	9,4	8,1
NIER	10,6	10,5
Switzerland		
KOF	17,7	17,0
United Kingdom		
NIESR	4,8	6,3

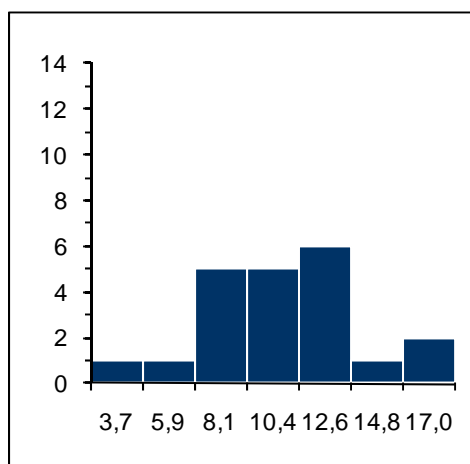
	2011	2012
Number	23	21
Average	10,6	9,8
Std.dev	4,0	3,4
Max	17,7	17,0
Min	4,3	3,7
Std.dev/avg	0,38	0,35

Frequency distribution of the answers

2011



2012



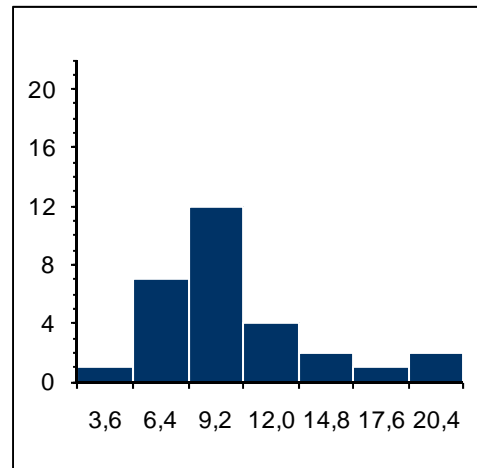
Unemployment rate

	2011	2012
Austria		
WIFO	4,1	4,0
Belgium		
FPB	8,4	
DULBEA	na	na
IRES	7,7	
Czech Rep		
CCSF	7,2	6,8
Denmark		
DEC	4,0	3,9
Finland		
ETLA	7,5	6,5
France		
BIPE	9,0	8,8
COE	9,0	8,7
INSEE	na	na
OFCE	9,4	9,5
Germany		
DIW	6,3	6,2
HWWI	na	na
IFO	6,6	6,2
IFW (Kiel)	5,9	5,2
RWI	5,9	5,1
Greece		
KEPE	14,9	15,0
Hungary		
GKI	11,2	10,5
KOPINT	11,0	10,5
Ireland		
ESRI	14,1	13,5
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	8,7	9,1
REF	8,3	8,0
Netherlands		
CPB	4,3	4,3
Norway		
SN	3,6	3,2
Poland		
IBRKK	11,3	10,5
Serbia		
FTRI	na	na
Slovak Republic		
SAS	13,8	13,0
Slovenia		
SKEP	8,0	8,1
Spain		
CEPREDE	20,4	20,1
SGEI	19,8	18,8
Sweden		
CSE	7,8	7,2
NIER	7,9	7,6
Switzerland		
KOF	3,9	3,7
United Kingdom		
NIESR	8,7	8,1

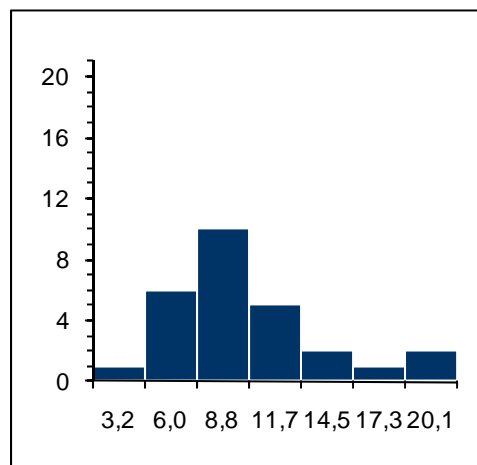
	2011	2012
Number	29	27
Average	9,0	8,7
Std.dev	4,3	4,4
Max	20,4	20,1
Min	3,6	3,2
Std.dev/avg	0,48	0,50

Frequency distribution of the answers

2011



2012



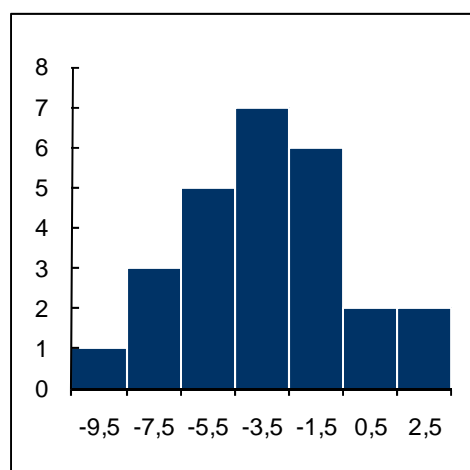
Public sector fiscal balance

	2011	2012
Austria		
WIFO	-3,9	-3,3
Belgium		
FPB		
DULBEA	na	na
IRES	-3,6	
Czech Rep		
CCSF	-4,6	-3,7
Denmark		
DEC	-3,2	-2,6
Finland		
ETLA	-1,1	0,0
France		
BIPE	-6,9	-5,7
COE	-5,9	-4,8
INSEE	na	na
OFCE	-5,8	-5,2
Germany		
DIW	-2,4	-2,1
HWWI	na	na
IFO	-2,4	-1,4
IFW (Kiel)	-2,4	-1,7
RWI	-1,8	-0,6
Greece		
KEPE	-7,5	-6,5
Hungary		
GKI	2,5	-2,9
KOPINT	-2,9	-2,9
Ireland		
ESRI	-9,5	-7,2
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	-4,0	-3,1
REF	-4,0	-3,4
Netherlands		
CPB	-3,7	-2,2
Norway		
SN		
Poland		
IBRKK	-5,8	-3,9
Serbia		
FTRI	na	na
Slovak Republic		
SAS	-5,0	-4,5
Slovenia		
SKEP	-5	-4
Spain		
CEPREDE	-7,7	-7,1
SGEI	-6,0	-4,4
Sweden		
CSE	na	na
NIER	0,1	0,4
Switzerland		
KOF	0,6	0,9
United Kingdom		
NIESR	-8,4	-7,1

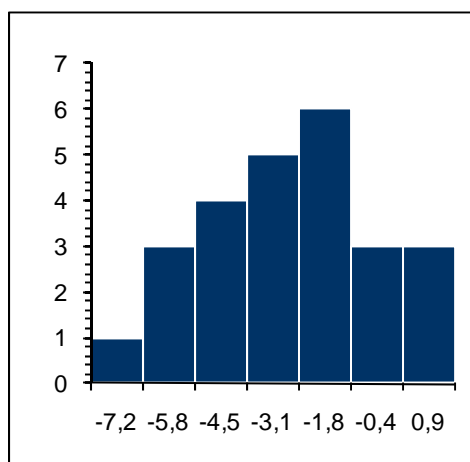
	2011	2012
Number	26	25
Average	-4,0	-3,4
Std.dev	2,8	2,3
Max	2,5	0,9
Min	-9,5	-7,2
Std.dev/avg	-0,70	-0,68

Frequency distribution of the answers

2011



2012



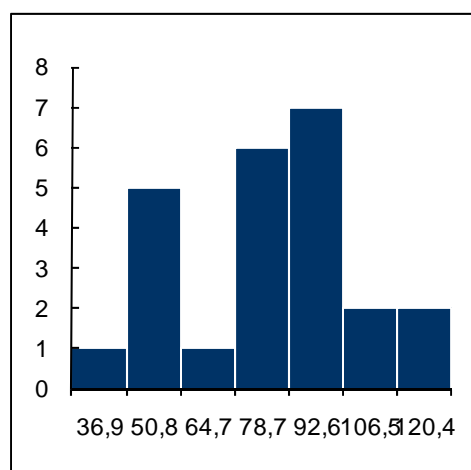
Gross Public Debt

	2011	2012
Austria		
WIFO	73,6	75,0
Belgium		
FPB		
DULBEA	na	na
IRES	96,4	
Czech Rep		
CCSF	42,1	44,0
Denmark		
DEC	44,5	45,4
Finland		
ETLA	50,4	51,0
France		
BIPE	88,0	90,4
COE	86,4	88,2
INSEE	na	na
OFCE	85,3	87,9
Germany		
DIW	83,4	83,1
HWWI	na	na
IFO	-	-
IFW (Kiel)	84,0	84,3
RWI	79,4	77,6
Greece		
KEPE		
Hungary		
GKI	75,0	72,0
KOPINT	73,0	70,0
Ireland		
ESRI	98,0	103,0
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	120,3	119,4
REF	120,4	120,6
Netherlands		
CPB	65,5	65,9
Norway		
SN		
Poland		
IBRKK	54,0	53,5
Serbia		
FTRI	na	na
Slovak Republic		
SAS	47,0	52,0
Slovenia		
SKEP	42	44
Spain		
CEPREDE	69,2	73,1
SGEI	67,3	68,5
Sweden		
CSE	na	na
NIER	36,9	35,4
Switzerland		
KOF	38,4	37,2
United Kingdom		
NIESR	82,2	85,3

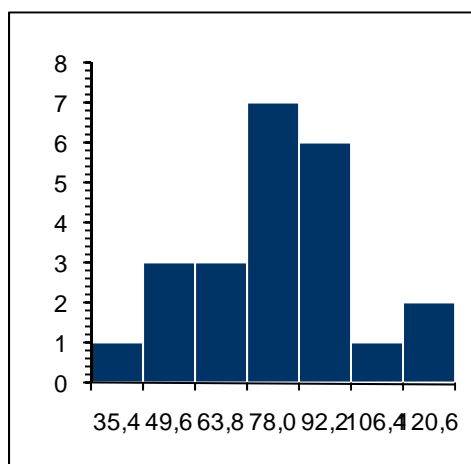
	2011	2012
Number	24	23
Average	73,4	73,2
Std.dev	23,3	23,5
Max	120,4	120,6
Min	36,9	35,4
Std.dev/avg	0,32	0,32

Frequency distribution of the answers

2011



2012



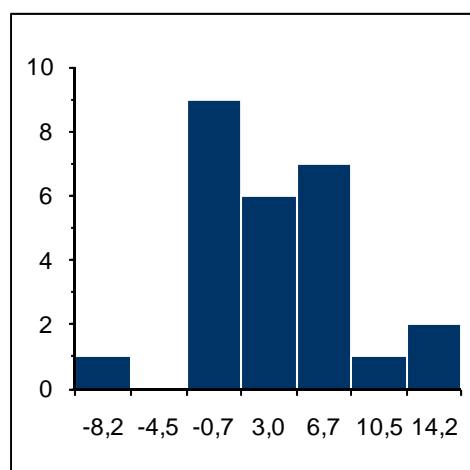
Current account balance

	2011	2012
Austria		
WIFO	3,7	4,3
Belgium		
FPB	0,9	
DULBEA	na	na
IRES	2,5	
Czech Rep		
CCSF	-2,5	-2,9
Denmark		
DEC	4,2	3,0
Finland		
ETLA	3,4	3,3
France		
BIPE	-1,8	-1,7
COE	-2,4	-2,4
INSEE	na	na
OFCE		
Germany		
DIW	4,6	4,0
HWWI	na	na
IFO	-	-
IFW (Kiel)	5,4	5,1
RWI	4,5	4,3
Greece		
KEPE	-8,2	-7,1
Hungary		
GKI	1,0	-0,9
KOPINT	0,5	-0,9
Ireland		
ESRI	1,2	2,9
Italy		
CONFINDUSTRIA	na	na
ISAE	na	na
PROMETEIA	-3,7	-3,1
REF	-3,9	-3,3
Netherlands		
CPB	7,5	8,1
Norway		
SN	12,3	11,5
Poland		
IBRKK	-4,0	-4,2
Serbia		
FTRI	na	na
Slovak Republic		
SAS		
Slovenia		
SKEP	-0,6	-0,7
Spain		
CEPREDE	-3,7	-4,7
SGEI	-3,9	-3,2
Sweden		
CSE	5,2	4,4
NIER	5,9	5,7
Switzerland		
KOF	14,2	13,9
United Kingdom		
NIESR	-2,0	-0,4

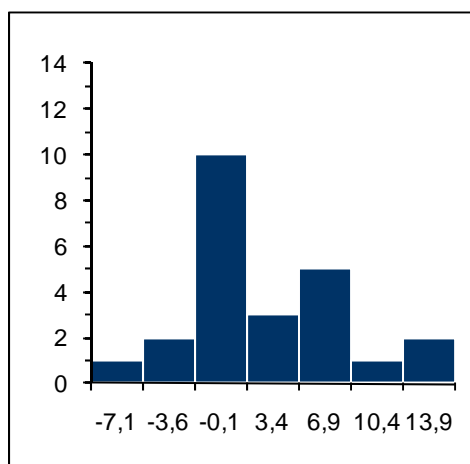
	2011	2012
Number	26	24
Average	1,4	1,3
Std.dev	5,2	5,2
Max	14,2	13,9
Min	-8,2	-7,1
Std.dev/avg	3,86	4,11

Frequency distribution of the answers

2011



2012



Section III.- COUNTRY FORECASTS.

Austria WIFO

a. The current situation

The recovery of the Austria economy remains strong. Quarterly growth rates of GDP amounted to 1.1% and 0.8% in the third and fourth quarters of 2010. Short-term indicators point to a continued expansion in early 2011. While initially driven by exports, the recovery is increasingly supported by investment in equipment. Private consumption, which had held up well during the 2009 crisis, continued to grow moderately, as household disposable income stagnated in 2010.

The labour market has markedly improved in 2010, supported by moderate wage growth and part-time work schemes earlier in the year. Employment increased by 0.8% and the unemployment rate stood at 4.2% at the end of 2010.

b. Economic policy and country's key features relevant for the outlook

In 2010 and 2011, the Austrian economy will continue to benefit from the recovery in world activity mostly via export demand for intermediate goods. In Spring 2010, the government has agreed upon a fiscal consolidation package, which is to be implemented in the course of 2010 and 2011 and foresees expenditure cut and tax increases of about 1 ½% of GDP. First measures have already come into effect.

c. The outlook

WIFO expects GDP growth of 2.5% and 2.0% for 2010 and 2011, respectively. Strong export market growth of close to 8% in both years will continue to boost export demand and also support a further recovery in equipment investment. Construction investment is however expected to stagnate in both years. Nevertheless, the expansion will create labour demand resulting in strong employment growth of 1.6% and 0.9% this year.

Despite the improved labour market outlook, private consumption is forecast to remain sluggish. Household disposable income growth is restrained by fiscal consolidation measures and the inflation surprise. As a result of higher energy prices and indirect tax increases, consumer price inflation is forecast to increase to 2.8% and 2.4%, respectively. Net real wages will therefore decline by 0.6% this year, before rising slightly in 2012.

The fiscal deficit is expected to decline to 3.0% in 2012 from 4.6% in 2010.

Country: **AUSTRIA**Institute: **WIFO**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	284,0	2,5		2,0
Private consumption	152,9	1,1		1,1
Public consumption	54,7	1,0		1,0
Gross fixed capital formation	58,9	2,6		2,7
Equipment	23,0	5,5		4,5
Construction	30,9	0,0		1,0
Change in stocks (1)	3,5			
Total domestic demand	270,2	1,6		1,5
Exports of goods and services	157,1	7,4		6,5
Imports of goods and services	143,3	6,1		6,0
Net Exports (1)	13,8	1,1		0,7
GDP deflator		2,0		2,1
Consumer prices		2,8		2,4
Private consumption deflator		2,8		2,4
Output gap (2)				
Unit labour costs (3)		1,4		1,6
Nominal hourly gross wage rate				
Employment (thousands)		4309,7		4340,8
Unemployment rate (4)		4,1		4,0
Real household disposable income		0,9		0,9
Net saving ratio (households) (5)		9,9		9,7
Public sector fiscal balance (6,7)		-3,9		-3,3
Gross public debt (6,7)		73,6		75,0
Current account balance (6)		3,7		4,3
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)		1,3		2,3
Long-term interest rate (10 years) (8)		3,6		3,8
United States Federal funds rate				
GDP				
USA		2,9		3,0
Japan		1,0		2,0
Euro Area		1,5		1,5
World trade volume		8,0		8,5
Oil price (9)		100,0		100,0
Exchange rate				
Dollar/Euro		1,4		1,3
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Belgium FPB

The Belgian economy started to recover during the second half of 2009. In the wake of Germany's strong growth performance, combined with a catch-up in construction activity after the cold winter, Belgian GDP increased sharply in 2010Q2 (1.1%). The growth deceleration in 2010Q3 (0.4%) was therefore hardly surprising, all the more so since export market growth was already expected to slow down in the second semester. In the course of 2011, export growth should pick up again and domestic demand growth should strengthen, especially due to investment. As a result, GDP growth should gradually improve from 0.5% in 2011Q1 to 0.6% in 2011Q4. On an annual basis, GDP growth is estimated at 2% both for 2010 and for 2011.

Belgian exports increased sharply from mid-2009 due to the international economic recovery. Although export growth slowed down in the second half of 2010, it should regain momentum throughout this year in the wake of growth in foreign markets. Backed by a favourable starting point, annual export growth in 2010 (9.8%) greatly exceeds the estimate for 2011 (4.7%). Belgian exports should continue to grow more slowly than foreign export markets, thus consolidating market share losses.

Real disposable income declined slightly in 2010 (-0.5%). In 2011, purchasing power should grow at the same pace as the number of hours worked (1.1%). Because of increased confidence and an improved financial position, households should save a smaller part of their disposable income than in 2009, causing private consumption to grow by 1.4% and 1.6% respectively. Housing investment was systematically scaled back from 2008 until mid-2010. Supported by low mortgage rates and a temporary VAT-rate reduction, housing investment has recovered somewhat since mid-2010. Nonetheless, this still means an annual decline of 3.4% in 2010. 2011 should mark a moderate recovery of 1%.

In the course of 2010, business investment started to pick up, albeit insufficiently to compensate for the strong decline in the course of 2009. As a result, average annual business investment growth was still slightly negative in 2010 (-1.1%), after a slump in 2009 (-8.1%). Considering the moderate economic activity growth in 2011 and an industrial capacity utilisation rate that did not reach its long-term average until 2010Q3, annual business investment growth should remain limited to 3% in 2011.

Despite the rise in labour productivity and working time, the number of jobs has been increasing again since 2010. During the first half of this year, employment growth should slightly weaken owing to an acceleration of productivity growth, but should regain momentum thereafter. The number of employed persons is expected to increase by 28 500 on average in 2010 and by 37 600 in 2011. Nevertheless, the number of jobs should continue to grow more slowly (resp. 0.6% and 0.8%) than the number of hours worked (resp. 1% and 1.1%).

Measured by the yoy growth rate of the monthly consumer price index, Belgian inflation was on the rise in the course of 2010 as a result of a steady increase in commodity prices. Underlying inflation was also on an uptrend as from May 2010.

This year, underlying inflation should increase further as the recent rise in commodity prices is feeding into prices of other goods and services. Future market quotations indicate that commodity prices should almost maintain their current level, as a result of which their yoy growth should slow in the course of the year. However, in average annual terms, the inflation rate should increase from 2.2% in 2010 to 2.7% in 2011, due to rising commodity prices during previous months.

Country: **BELGIUM**Institute: **FPB**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	351,32		2,0	
Private consumption	184,64		1,6	
Public consumption	85,33		1,3	
Gross fixed capital formation	71,52		3,7	
Private. excl. dwellings	45,48		3,0	
Dwellings	19,69		1,0	
Change in stocks (1)	0,37		-0,2	
Total domestic demand	341,86		1,7	
Exports of goods and services	284,32		4,7	
Imports of goods and services	274,85		4,4	
Net exports (1)	9,47		0,3	
GDP deflator			1,9	
Consumer prices			2,7	
Private consumption deflator			2,7	
Output gap (2)				
Unit labour costs (3)			1,9	
Nominal hourly gross wage rate			2,6	
Employment (thousands)	4466,7	4504,3		
Unemployment rate (4)			8,4	
Real household disposable income			1,1	
Net saving ratio (households) (5)			16,2	
Public sector fiscal balance (6.7)				
Gross public debt (6.7)				
Current account balance (6)			0,9	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)			1,2	
Long-term interest rate (10 years) (8)			4,2	
United States Federal funds rate			0,3	1,1
GDP				
USA			3,1	3
Japan			0,8	2
Euro Area			1,7	1,3
World trade volume (goods)			9,5	7,5
Oil price (9)			107	100
Exchange rate				
Dollar/Euro			1,38	1,42
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Belgium IRES

a. The current situation

Au dernier trimestre 2010, la croissance économique belge s'est raffermie, s'établissant à 0,5 % qoq (après 0,3 % au troisième) ce qui porte la croissance annuelle moyenne à 2,1 % en 2010. En 2010q4, la demande intérieure a progressé de 0,5 % qoq, tandis que les exportations se sont inscrites en baisse (-0,2 % qoq) pour la première fois depuis six trimestres, induisant une contribution des exportations nettes à la croissance très largement négative (-1,2 point) étant donné le net rebond des importations (1,2 % qoq). La contribution des stocks à la croissance fut très positive, s'établissant à 1,1 point.

Le renforcement de l'activité s'est accompagné de créations nettes d'emplois à nouveau vigoureuses en 2010q4, avec 10.900 nouveaux postes, portant à 54.000 le nombre total d'emplois créés en 2010. En outre, le nombre de demandeurs d'emploi a nettement diminué lors des derniers mois d'observation.

En raison de la forte remontée du prix du pétrole, l'ensemble des produits énergétiques a eu tendance à se renchérir ces derniers mois, ce qui a provoqué une accélération de l'inflation générale qui a atteint 3,5 % yoy en mars 2011. Toutefois, l'inflation sous-jacente, bien qu'en légère augmentation récemment, est demeurée beaucoup plus contenue, s'affichant à 2,1 % en mars. Ce résultat tend à indiquer que les effets de second tour provoqués par le renchérissement des prix du pétrole restent jusqu'à présent limités.

b. Economic policy and country's key features relevant for the outlook

L'emploi a affiché jusqu'à présent des performances meilleures que ce qui aurait pu être anticipé sur base des expériences passées de crise économique sévère. Ainsi, l'emploi n'a finalement été que modérément affecté par la chute de l'activité économique pendant la crise, le système du chômage temporaire ainsi que les différentes mesures d'aide prises par le gouvernement ayant encouragé les entreprises à réduire le temps de travail plutôt que de procéder à des licenciements massifs. Par ailleurs, durant la phase de reprise qui a suivi la crise, l'emploi a progressé plus rapidement qu'attendu. Cette évolution positive semble due assez peu à la reprise économique en elle-même, mais plutôt à la prolongation régulière des mesures de réduction du temps de travail par les pouvoirs publics et, surtout, à la mise en place en janvier 2010 du plan Win-Win qui constitue un soutien très avantageux à l'embauche.

Le temps de travail par personne occupée est actuellement nettement en deçà de sa moyenne de long terme et on pressent dès lors que le comportement de l'emploi en 2011 dépendra de manière cruciale de son évolution future. Or, les mesures publiques ayant encouragé la réduction du temps de travail sont coûteuses et seront

probablement en grande partie démantelées dans le courant de l'année 2011, tandis que l'on devrait également assister à la remise en activité des chômeurs temporaires dont le nombre est toujours excédentaire par rapport à la moyenne historique. En conséquence, nous anticipons qu'une partie croissante des nouveaux besoins de main d'œuvre découlant de la reprise économique sera satisfaite à l'avenir par une augmentation du temps de travail par personne plutôt que par l'accroissement des effectifs.

c. The outlook

Les indicateurs conjoncturels de l'économie belge sont à présent très bien orientés, ce qui conforte un scénario d'accélération de la croissance économique dans le courant de l'année 2011. D'un côté, la confiance des ménages a continué à se redresser au cours des derniers mois pour s'établir à un niveau proche de ses sommets historiques, avec notamment une appréciation de plus en plus favorable de la situation future du marché du travail par les ménages. D'un autre côté, si les entrepreneurs affichaient encore il y a trois mois une certaine hésitation quant aux perspectives économiques, force est de constater que leurs doutes ont diminué depuis lors. En particulier, le climat conjoncturel s'est à nouveau franchement amélioré dans le secteur des services ainsi que dans l'industrie manufacturière où les résultats récents des enquêtes montrent que l'on est à présent clairement en haute conjoncture.

Dans les prochains trimestres, la croissance économique en Belgique devrait repo-ser à la fois sur une bonne tenue des exportations et sur un renforcement progressif de la demande intérieure.

Country: **BELGIUM**Institute: **IRES**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
	2010	2011	2012	
GDP			2,4	
Private consumption			1,5	
Public consumption			1,3	
Gross fixed capital formation			4,3	
Private. excl. dwellings			4,7	
Dwellings			1,9	
Change in stocks (1)			0,3	
Total domestic demand			2,1	
Exports of goods and services			6,3	
Imports of goods and services			6,5	
Net exports (1)			0,0	
GDP deflator			2,5	
Consumer prices			3,2	
Private consumption deflator			3,2	
Output gap (2)			-	
Unit labour costs (3)			2,2	
Nominal hourly gross wage rate			3	
Employment (thousands)	4466		41	
Unemployment rate (4)	8		7,7	
Real household disposable income			0,6	
Net saving ratio (households) (5)	17,6		16,9	
Public sector fiscal balance (6.7)	-4,6		-3,6	
Gross public debt (6.7)			96,4	
Current account balance (6)			2,5	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)			1,6	
Long-term interest rate (10 years) (8)			3,9	
United States Federal funds rate			0,50	
GDP				
USA			3,1	
Japan			0,2	
Euro Area			2	
World trade volume (goods)			7,4	
Oil price (9)			113	
Exchange rate				
Dollar/Euro			1,4	
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Czech Republic CCSF

a. the current situation

The current situation in the Czech economy represents a mixture of excellent, medium and outright bad performances. The former may be observed mainly in big foreign-owned industrial enterprises, most of which have already reached or even surmounted pre-recession levels of capacity-utilisation. But the incidence of bankruptcies of domestic SMEs is still unusually high. The recovery in the service sector is as yet feeble, though huge firms in network-industries are already experiencing a boom. The slump in construction is even deepening at present. Underlying it was at first the weakening interest in residential construction (caused by increasing costs of mortgages), later it was enhanced by the cancellation of several infrastructural investment projects. Also in the corporate sector investments are still in suspense - being postponed until demand will become more robust. Nevertheless, GDP growth of Czechia was increasing quarter by quarter in 2010, reaching a yearly average of about 2,4%. This was due mainly to the good export performance of its manufacturing industry, and to positive expectations of households which caused them to undertake purchases of consumer durables, which surmounted by far the modest increase of their incomes, financing them from their savings.

b. Economic policy and country's key features relevant for the outlook

The Czech government is intent on reducing budgetary deficits rapidly and on preventing a further increase of Czechia's public debt. In support of this, expenditures of public institutions were curtailed, wages of most employees of the public sector will be reduced and the dismissal of several thousands of them is envisioned in the course of 2011. Also some of the social benefits granted to the population will be reduced and a step-by-step increase of VAT is intended in the next two years. These measures will enable the Czech Republic to fulfil the Maastricht criteria already in 2013, but they might also cause its unusually high unemployment rate to persist and the growth of private consumption to slacken. But it is assumed, that a stronger expansion of activities in the private sector will prevent such a development. In support of this numerous measures improving conditions of entrepreneurship in the Czech economy will be introduced presently (such as reducing red-tape requirements, keeping the taxation of corporate incomes relatively low, preventing corruption etc.). These measures, as well as the sustenance of a relatively low inflation rate and abundant reserves of liquidity in local banks caused foreign investors to regard the Czech economy as a safe investment site.

c. the outlook

Consequently an increased inflow of FDI may be expected before long. But - due to its strong export orientation - the perspectives of the Czech economy are dependent mainly on the development of the conjunctural situation in its main partner countries among which EU member states are predominant. We assume, that by focusing on trade with those which are already experiencing a strong recovery, will enable Czech enterprises to achieve substantial improvements of their export performance. To this might contribute also the success of their efforts to access markets of some prosperous NICs. We expect that the strengthening competitiveness of Czech enterprises, together with their deeper linking into international corporate networks, will become one of the main factors which will bring the Czech economy - within another two or three years - to a fully fledged recovery. But in the short term, consequences of stringent austerity measures which will be applied in the framework of fiscal consolidation, will probably cause the growth of the Czech GDP to decelerate temporarily.

Country: **Czech Republic**Institute: **CCSF**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	145,0	2,2	2,6	
Private consumption	73,9	1,0	2,7	
Public consumption	31,8	-3,5	-2,7	
Gross fixed capital formation	30,5	0,8	3,7	
Private excl. dwellings	x	x	x	
Dwellings	x	x	x	
Change in stocks (1)		0,6	0,0	
Total domestic demand	138,1	0,0	1,7	
Exports of goods and services	114,9	11,3	10,2	
Imports of goods and services	108,0	9,7	9,5	
Net exports (1)		1,7	1,0	
GDP deflator		0,8	1,9	
Consumer prices		2,3	2,3	
Private consumption deflator		2,3	2,4	
Output gap (2)		-1,8	-1,5	
Unit labour costs (3)		0,2	1,2	
Nominal hourly gross wage rate		x	x	
Employment (thousands)	4885,0	0,3	0,6	
Unemployment rate (4)		7,2	6,8	
Real household disposable income		0,5	2,1	
Net saving ratio (households) (5)		4,3	3,7	
Public sector fiscal balance (6.7)		-4,6	-3,7	
Gross public debt (6.7)		42,1	44,0	
Current account balance (6)		-2,5	-2,9	
Central bank policy rate (non-EMU countries)		0,9	1,1	
Short-term interest rate (3 months) (8)		1,3	1,9	
Long-term interest rate (10 years) (8)		3,8	4,0	
United States Federal funds rate				
GDP				
USA		2,9	3,1	
Japan		1,3	1,7	
Euro Area		1,6	1,8	
World trade volume (goods)		7,1	6,9	
Oil price (9)		88,0	94,0	
Exchange rate				
Dollar/Euro		0,77	0,77	
Yen/Euro				
CSK : Euro	25,3	24,30	24,30	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Denmark DEC

The economy grew by just above 2 per cent in 2010. Growth is forecasted to be 1½-1¾ per cent this year and around 2 per cent in 2012. Given an estimated output gap in 2010 of 4 per cent and an underlying growth of potential output of around 1¼ per cent these figures mean that the return to trend is on its way, but slow. Thus, the output gap isn't expected to be closed before 2015.

Employment has fallen 5 per cent relative to the pre-crisis level, and employment figures have continued to fall in 2010. However, unemployment figures have stabilized just above the structural level of around 3½ per cent of the labour force. Thus the mirror image of the big drop in employment has been a fall in the labour force, which has shown to be significantly more sensitive to the business cycle, than previously believed. Unemployment, employment and labour force are all forecasted to remain relatively constant over the next years.

The combination of positive growth and falling employment has increased productivity by more than 6 per cent in 2010. However, labour productivity in Denmark has been growing very slowly for long period: Over the period 1995-2009 labour productivity grew by less than ½ per cent per year (including a drop in 2008 and 2009 of 5 per cent in total).

Fiscal policy has increased the level of economic activity under the crisis. However, a tightening over the years 2011-13 (a planned improvement of the structural balance of ½ per cent of GDP each year) means that private demand has to take over. Private consumption is forecasted to grow by around 2 per cent. This is somewhat faster than rate of growth of income, which means that the consumption to income ratio will grow (and return close to the historical average in 2015). Also investments are forecasted to rebound from the current very low levels. In 2010 total investments was around 25 per cent below the level in 2008.

Public spending has been growing fast over the last decade – and faster than planned. However, it appears that public consumption came under control in 2010, and it seems almost realistic that public consumption actually can remain unchanged in real terms in 2011-13. If this holds, the outlook for the public budget points to a deficit of 3-3½ per cent this year and around 2½ percent in 2012. The Government currently aims at structural balance in 2015.

The Danish Government has announced that a new macroeconomic plan (“2020-plan”) will be presented in April. This plan will set up goals for the public finances and line up reforms in order to achieve a sustainable development. One likely element is a reform of the retirement system, including an abolishment (or at least significant reform) of the so called “voluntary-early-retirement-benefit”-scheme).

Country: **DENMARK**Institute: **DEC**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	234,1	1,6	2,0	
Private consumption	114,4	2,0	2,2	
Public consumption	68,9	-0,1	-0,1	
Gross fixed capital formation	38,5	2,7	4,2	
Private excl. dwellings	23,5	2,9	4,2	
Dwellings	9,9	1,9	3,8	
Change in stocks (1)	-0,7	0,8	0,4	
Total domestic demand	221	2,3	2,2	
Exports of goods and services	118,1	4,9	3,7	
Imports of goods and services	105,1	6,7	4,4	
Net exports (1)	13,1	-0,9	-0,3	
GDP deflator		1,3	1,9	
Consumer prices		-	-	
Private consumption deflator		2,6	2,3	
Output gap (2)	-4,2	-3,3	-2,4	
Unit labour costs (3)		0	0,6	
Nominal hourly gross wage rate		1,9	2,3	
Employment (thousands)	2764	2755	2763	
Unemployment rate (4)	4	4	3,9	
Real household disposable income		0,2	-0,7	
Net saving ratio (households) (5)		-	-	
Public sector fiscal balance (6.7)	-2,9	-3,2	-2,6	
Gross public debt (6.7)	42,5	44,5	45,4	
Current account balance (6)	5,5	4,2	3	
Central bank policy rate (non-EMU countries)	1,05	1,5	2,3	
Short-term interest rate (3 months) (8)	1,1	1,6	2,5	
Long-term interest rate (10 years) (8)	2,9	3,4	3,9	
United States Federal funds rate	0,3	0,25	1	
GDP				
USA		2,9	3,2	
Japan		0,8	2	
Euro Area		1,6	2	
World trade volume (goods)		-	-	
Oil price (9)	80,0	115	120	
Exchange rate				
Dollar/Euro	1,330	1,39	1,4	
Yen/Euro		-	-	
Local currency/Euro for non-EMU countries	7,44	7,45	7,45	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Finland ETLA

a. The current situation

The Finnish economy started to recover from the recession in the second quarter of 2010 thanks to a rise in exports. GDP growth in 2010 was 3.1 per cent. In the last quarter, GDP grew by 5.2 per cent year-on-year. This will give a good carryover for 2011, and we will be seeing high growth figures during the beginning of the year.

Industrial output increased by 6.3 per cent. The outlook has remained favourable. Also production in the service sectors picked up considerably in the second quarter. Higher employment and household optimism has increased private consumption, which has been the most visible in the demand for automobiles and retail goods.

b. Economic policy and country's key features relevant for the outlook

Without new measures, the general government fiscal deficit will be a little under 3 per cent of GDP in 2013. Thanks to the surplus in social security funds, the EMU deficit will then be close to zero. Gross debt will grow on an annual basis due to central and local government deficits and will be 51.5 per cent of GDP in 2013.

c. The outlook

We forecast this year's GDP growth rate to be 4 per cent. The pace is expected to be around 3 per cent in 2012-2013. Even though the outlook is favourable, we should keep in mind the risks associated with the Euro area debt problems, oil price and general inflation prospects.

We expect consumer prices to rise by 3.5 per cent this year. During the course of the year we will also see figures much higher than this. The biggest reason for the acceleration in inflation is higher food and energy prices. In 2012-13, consumer price inflation is expected to be around 2 per cent.

Employment demand has strengthened as the economy has started to grow. Meanwhile, the labour supply has started to slowly shrink as the post-WW2 baby boom generation has started to retire. The unemployment rate will decline by a little less than 1 percentage point to 7.5 per cent in 2011, further to 6.5 per cent in 2012, and 5.5 per cent in 2013. New jobs will be created especially in the service sectors. Fiscal constraints will limit employment growth in the public sector.

Country: **FINLAND**Institute: **ETLA**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	180,3	4,0	3,0	3,0
Private consumption	97,3	2,5	2,5	2,5
Public consumption	44,2	0,5	0,5	0,5
Gross fixed capital formation	33,4	7,5	5,5	5,5
Private excl. dwellings				
Dwellings				
Change in stocks (1)	0,4	0,0	0,0	0,0
Total domestic demand	175,3	3,5	3,0	3,0
Exports of goods and services	70,2	11,0	6,0	6,0
Imports of goods and services	65,2	10,5	6,0	6,0
Net exports (1)				
GDP deflator	2,1	1,9	2,3	2,3
Consumer prices	1,2	3,5	2,9	2,9
Private consumption deflator	1	2,7	2,3	2,3
Output gap (2)				
Unit labour costs (3)	-1,3	0,5	1,5	1,5
Nominal hourly gross wage rate				
Employment (thousands)	2448	2467	2494	2494
Unemployment rate (4)	8,4	7,5	6,5	6,5
Real household disposable income				
Net saving ratio (households) (5)				
Public sector fiscal balance (6.7)	-2,5	-1,1	0	0
Gross public debt (6.7)	48,4	50,4	51	51
Current account balance (6)	3,1	3,4	3,3	3,3
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)	0,8	1,5	2,4	2,4
Long-term interest rate (10 years) (8)				
United States Federal funds rate				
GDP				
USA	2,8	3,5	3	3
Japan	4	1,5	1,5	1,5
Euro Area	1,7	1,5	1,5	1,5
World trade volume (goods)	15,1	8	5,5	5,5
Oil price (9)	79,5	112	121	121
Exchange rate				
Dollar/Euro	1,33	1,39	1,4	1,4
Yen/Euro	116	111	112	112
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

France BIPE

a. The current situation

The French economy continues to recover from the 2008-09 downturn. Although growth in the last quarter of 2010 suffered from the poor climate conditions which slowed construction growth and transport & logistics, and from the strikes in November, average real GDP growth in 2010 remained close to 1.5%. Since January 2011, confidence indicators in the industrial and services sectors remain upward oriented, indicating a faster growth in the first quarter of 2011 than in the previous quarter. Even if the unemployment rate is still high, employment has increased in the past quarters, as have participation rates, which sustains real disposable income growth and private consumption. Although consumer confidence remains low, new car orders peaked in the last months of 2010 due to the elimination, end of December, of the special incentives for the purchase of new cars. Consumer credit is on the rise again, as well as housing permits, which could also signal a recovery on that front in the coming quarters.

On the supply side, industrial production continues its recovery, at uneven rates across sectors. Although the production of intermediate products and of machinery and equipment is rising steadily, month after month, the production of consumer goods continues to lag behind.

b. Economic policy and country's key features relevant for the outlook

The public sector deficit's share of GDP was close to 8% in 2010, and should only come down moderately in 2011 and 2012. By 2012, the deficits share of GDP should only have come down to 5.7%, leading to a share of the public debt in GDP rising to 90%. To reduce the deficit, cuts in expenditures and increases in taxes will have to be implemented simultaneously, which will likely only happen after the Presidential election in the Spring of 2012. In the meantime, some budget cuts have been implemented, but these are relatively painless and will only marginally curb growth.

On the monetary policy front, interest rates remain low, yet credit conditions which were tightened during the crisis remain a source of concern for the (many) small and medium sized enterprises which now have to raise the levels of production. There are fears that the preparation of Bâle 3 will make it more difficult for these SMEs to find the necessary financing, postponing the necessary investment recovery. Industrial companies are also complaining about shortages of skills in certain areas, which does not create a favourable investment climate.

c. Outlook

In 2011, real private consumption should continue to grow at around 1.4%, after posting growth of 1.6% in 2010. A further slowdown is expected in 2011 as a result of fiscal tightening. The growth in consumption goes along with a modest reduction in the savings rate, which has increased significantly during the crisis.

The recovery of investments, and a small positive contribution of inventories to growth in 2011 will lead a slight acceleration in growth this year, to 1.7% on average in 2011. In 2012, real GDP should grow by another 1.7%, despite slower personal consumption growth, thanks to stronger investments and a good standing of exports. Business fixed investment, which was already very depressed before the crisis, is indeed expected to grow by 3.4% in 2011 and 5.6% in 2012, after the cumulated 10% fall in the two previous years: this rise is necessary to accompany the recovery of output, in a context of sustained domestic and external demand.

Country: **FRANCE**Institute: **BIPE**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	1946	1,7	1,7	1,7
Private consumption	1115,7	1,4	1,1	1,1
Public consumption	482,2	0,2	-0,6	-0,6
Gross fixed capital formation	390,2	3,3	3,8	3,8
Private excl. dwellings	283,5	3,4	5,6	5,6
Dwellings	106,7	5,1	2,7	2,7
Change in stocks (1)	0,71	0,5	0,6	0,6
Total domestic demand	1990	1,5	1,3	1,3
Exports of goods and services	491,8	5,8	5,4	5,4
Imports of goods and services	537,2	6,0	5,4	5,4
Net exports (1)	-0,52	-0,2	-0,1	-0,1
GDP deflator	0,6	1,3	1,3	1,3
Consumer prices	1,5	1,9	2	2
Private consumption deflator	1,2	1,6	1,9	1,9
Output gap (2)				
Unit labour costs (3)				
Nominal hourly gross wage rate	1,9	1,5	1,6	1,6
Employment (thousands)	25608,0	25702,8	25787,9	25787,9
Unemployment rate (4)	9,3	9,0	8,8	8,8
Real household disposable income	1,8	1,1	0,8	0,8
Net saving ratio (households) (5)				
Public sector fiscal balance (6.7)	-8	-7	-6	-6
Gross public debt (6.7)	84	88	90	90
Current account balance (6)	-1,8	-1,76	-1,71	-1,71
Central bank policy rate (non-EMU countries)	1	1	1	1
Short-term interest rate (3 months) (8)	0,81	1,21	1,56	1,56
Long-term interest rate (10 years) (8)	3,10	3,74	4,11	4,11
United States Federal funds rate	0,25	0,31	0,80	0,80
GDP				
USA	2,8	2,7	2,6	2,6
Japan	4	1,7	1,8	1,8
Euro Area	1,4	1,7	1,7	1,7
World trade volume (goods)				
Oil price (9)				
Exchange rate				
Dollar/Euro	0,755	0,697	0,700	0,700
Yen/Euro	116,2	118,7	116,4	116,4
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

France COE-Rexecode

(The country report included in this chapter is the document delivered to Coe-Rexecode's members describing our forecast for 2011 and 2012.)

La croissance de l'économie française n'est pas parvenue à accélérer au second semestre 2010. Elle est ressortie à 1,4 % l'an au quatrième trimestre après déjà seulement 1 % l'an au trimestre précédent. Deux aléas ont contribué à faire repasser la croissance instantanée en-dessous de son rythme moyen observé depuis le début des années 2000 (soit environ 1,6 % par an, la période de récession étant exceptée) : les mouvements sociaux de l'automne ont temporairement freiné l'activité de certains secteurs (transports, raffinage, industrie chimique...) d'une part, l'activité dans le secteur de la construction a pâti d'un début d'hiver particulièrement rigoureux, d'autre part. Ces deux aléas ne s'exercent plus début 2011. Un effet de compensation pourrait même intervenir au premier trimestre, effet illustré notamment par le vif rebond de la consommation de ciment en janvier et février. Nous retenons que la croissance pourrait temporairement accélérer début 2011 en ligne avec la bonne tenue des enquêtes de conjoncture dans quelque secteur que ce soit, celui de la construction pris au sens large étant excepté.

Au-delà d'une correction technique des aléas baissiers du quatrième trimestre 2010, les conditions du retour durable à une croissance soutenue ne paraissent pas encore réunies. Surtout, le fait nouveau par rapport à nos précédents exercices de prévision que représente la répercussion sur les prix à la consommation de la hausse des cours des matières premières constitue un écueil supplémentaire à l'accélération de l'activité.

Comme à l'accoutumée depuis le début des années 2000, celle-ci a continué de reposer en 2010 sur des dépenses de consommation des ménages soutenues. Ces dernières ont ainsi progressé de 3,5 % l'an au cours du dernier trimestre 2010 et de 1,6 % sur l'ensemble de l'année écoulée par rapport à 2009. Nous retenons qu'elles ne connaîtraient pas de nouvelle accélération d'ici le terme de notre horizon de prévision. Outre l'arrivée à extinction des derniers dispositifs de soutien adoptés dans le cadre du plan de relance de l'économie (en particulier l'arrêt de la prime à la casse automobile), plusieurs raisons président à ce choix :

- la répercussion de la hausse des cours des matières premières pèserait lourdement sur le pouvoir d'achat du revenu des ménages. La seule hausse des prix des produits énergétiques contribuerait en 2011 à hauteur 0,85 point à la hausse de l'indice d'ensemble des prix à la consommation après déjà 0,73 point en 2010. En comparaison, cette contribution à la hausse des prix avait été de 0,79 point en d'inflation en 2008 lors de la précédente flambée des cours du baril de pétrole brut. Le

prélèvement qu'exercerait la hausse de prix des produits énergétiques attendue pour 2011 est équivalent à 0,7 point de revenu disponible brut.

- La hausse attendue des prix des produits alimentaires viendrait amplifier ce précédent prélèvement. Cette hausse ne se voit pour l'instant que dans les prix à la production de l'industrie agro-alimentaire (+6 % l'an en janvier par rapport à octobre) et dans les prix à l'importation des denrées alimentaires (un peu plus de +20 % l'an en janvier par rapport à octobre et + 9 % sur un an). Elle pourrait rapidement déborder sur les prix à la consommation. Nous retenons ainsi que la hausse des prix à la consommation des produits alimentaires exercerait une contribution équivalente à 0,46 point de revenu disponible brut à la hausse des prix à la consommation.

- Cette accélération de l'inflation (2,4 % attendu en 2011 en moyenne annuelle) serait suffisante pour quasiment annuler la progression en termes réels des salaires et traitements bruts reçus par les ménages en 2011. Ces derniers avanceraient de 2,6 et 3 % respectivement en 2011 et 2012 en termes nominaux pour ce qui concerne la masse salariale versée par le seul secteur marchand. S'ils resteraient soutenus par la poursuite du redressement des créations d'emplois, ils resteraient freinés par la progression des salaires. Après une accélération début 2010 sous l'effet de la remontée des heures supplémentaires et du versement de primes, la hausse du salaire moyen par tête s'est modérée à 0,9 % l'an au second semestre.

Par ailleurs, le dynamisme de la dépense de consommation des ménages a été soutenu par une probable modération de leur effort d'épargne en fin d'année dernière. Nous retenons que ce dernier serait relativement stabilisé un peu en-dessous de 15 % du revenu disponible brut, au voisinage de son niveau probablement atteint fin 2010. La bonne tenue de la dépense des ménages, et en particulier le redressement de leurs dépenses d'investissement (+3,9 % sur un an en euros courants mais seulement 1,3 % sur un an en volume), a également été favorisée par l'accélération de leur recours à l'endettement. Celui-ci a été permis par les niveaux exceptionnellement bas des taux des crédits à l'habitat, taux qui paraissent s'orienter désormais à la hausse. En conséquence, la progression de l'investissement résidentiel des ménages peinerait à accélérer (sa progression a été de 3,1 % l'an au cours du second semestre 2010 par rapport au semestre précédent).

L'absence de ressort de la consommation serait compensée en 2011 et 2012 par la progression de la dépense d'investissement des entreprises. Outre l'amélioration du climat des affaires dans la plupart des secteurs, plusieurs indications plaident pour une poursuite de l'accélération de l'investissement productif. Interrogés en janvier, les chefs d'entreprise du secteur industriel déclaraient anticiper en 2011 une vive hausse de ce type de dépenses (en valeur) en 2011 après deux années d'un recul cumulé supérieur à 20 %. Les immatriculations de véhicules utilitaires se réorientent à la hausse et les intentions de commandes des commerçants de gros de biens

d'équipement continuent de s'améliorer. L'investissement paraît également être une destination croissante de la demande de crédit de la part des entreprises selon les établissements de crédit interrogés par la Banque de France. Les dépenses en capital circulant n'ont pour leur part qu'à peine contribué à la croissance en 2010. Les variations ont contribué à seulement 0,2 point à la croissance annuelle de 2010 après une contribution négative cumulée de 2,2 points de PIB lors des deux années précédentes. Nous retenons qu'elles contribueraient à hauteur de 0,7 point de PIB à la croissance en 2011 puis 0,2 point en 2012 par simple effet de l'arrêt du déstockage en volume. La principale hypothèque qui pèse sur un tel scénario réside dans l'affaiblissement des résultats d'exploitation des sociétés non financières dont les profits avant distribution exprimés en euros courants sont encore en 2010 plus de 12 % en-dessous de leur niveau record atteint en 2007.

Pour la première fois depuis 1997, la demande extérieure nette a contribué positivement à la croissance en 2010. Cette performance ne se renouvellerait pas en 2011 ni en 2012. La nature de la croissance, tirée par la demande des entreprises (atténuation du déstockage et investissement productif), contribuerait à soutenir les importations. L'appréciation de l'euro contre le dollar ne crée pas non plus les conditions à une amélioration de la compétitivité tant à l'exportation que face aux importations. Les chefs d'entreprise du secteur industriel jugent du reste que leur position compétitive a eu tendance à se dégrader au cours des derniers mois sur l'ensemble des marchés. La dépréciation de l'euro contre le dollar dont nous retenons qu'elle interviendrait à partir du second semestre 2011 sera décisive pour limiter cette nouvelle fragilisation de la compétitivité extérieure.

Au cours des deux prochains exercices, l'impulsion associée à la puissance publique serait très faible. D'une part, les prestations sociales reçues par les ménages se modéreraient sensiblement alors que les impôts directs verraient leur progression s'accélérer tant pour les ménages que pour les entreprises. D'autre part, les effectifs employés par le secteur public resteraient stables après une progression de 0,5 % en 2009 et 0,3 % en 2010. Enfin, les investissements publics poursuivraient leur recul observé en 2010 alors que les dépenses de consommation publique ralentiraient à 0,7 % l'an en 2011. La combinaison de ces efforts permettrait d'atteindre l'objectif d'un déficit public limité à 6 % du PIB en 2011, ils resteraient insuffisants pour permettre à cette marque de revenir au voisinage de 4 % du PIB en 2012.

Au total, le redressement des dépenses des entreprises viendrait soutenir une croissance freinée en revanche par la modération attendue des dépenses des ménages comme des administrations publiques. Par ailleurs, la contribution positive du commerce extérieur à la croissance observée en 2010 resterait exceptionnelle. La croissance ressortirait ainsi à 1,9 % en 2011 puis à 1,8 % en 2012.

Country: **FRANCE**Institute: **COE-REXECODE**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	1945,8	1,9	1,8	
Private consumption	1115,2	1,3	1,1	
Public consumption	482,6	0,7	0,5	
Gross fixed capital formation	389,7	2,4	3,9	
Private excl. dwellings	202,2	3,2	5,5	
Dwellings	106,8	2,5	3,0	
Change in stocks (1)		0,7	0,2	
Total domestic demand	1960,6	2,0	1,7	
Exports of goods and services	490,9	6,1	5,9	
Imports of goods and services	536,4	6,1	5,5	
Net exports (1)		-0,2	0,0	
GDP deflator		1,3	1,8	
Consumer prices		2,4	1,9	
Private consumption deflator		2,4	1,9	
Output gap (2)				
Unit labour costs (3)		0,5	1,2	
Nominal hourly gross wage rate		1,8	2,2	
Employment (thousands)	25605	0,5	0,4	
Unemployment rate (4)		9	8,7	
Real household disposable income		0	0,8	
Net saving ratio (households) (5)		14,8	14,5	
Public sector fiscal balance (6.7)		-5,9	-4,8	
Gross public debt (6.7)		86,4	88,2	
Current account balance (6)		-2,4	-2,4	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)		1,3	2	
Long-term interest rate (10 years) (8)		3,6	3,8	
United States Federal funds rate		0,3	2	
GDP				
USA		3	3	
Japan		1,4	1,8	
Euro Area		1,7	1,6	
World trade volume (goods)		8,1	8,6	
Oil price (9)		106,8	104,1	
Exchange rate				
Dollar/Euro		0,74	0,83	
Yen/Euro		0,901	0,972	
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

France INSEE

In France, activity should accelerate in Q1 2011

The business tendency surveys suggest an acceleration in activity in Q1 2011

In the short term, activity prospects in France, as shown in the business tendency surveys, are positive. In manufacturing industry, the upturn in the indicators of past production and individual prospects suggests a marked acceleration in output at the start of the year. In services, the business climate indicator remains above its long-term average and continues to progress. The business climate in construction, although remaining at a low level, has been improving somewhat for several months.

Upturn in exports and support from domestic demand, in particular in Q1 2011

In the wake of world trade, foreign demand for French products should accelerate in Q1 (+2.1% after +1.2%). It should then slow down to a level close to its long-term average (+1.7% in Q2). Exports should therefore continue to boost growth in H1. The quarterly domestic demand profile, meanwhile, should be marked by a one-off upturn in the public works sector. In addition, household consumption should continue to be sustained at the start of the year by the "trailing" effects of the scrappage bonus, with deliveries of vehicles ordered before 31 December 2010. The after-effect of this is that consumption should no longer be boosting growth in Q2.

Foreign trade set to weigh down little on growth through to mid-2011

In Q4 2010, the contribution of stocks to growth was very negative (-0.9 points). This contribution partly reflects the sharp fall in imports (-1.2%), as a backlash against the high level of purchasing in the previous quarter. This should not be repeated in H1 2011. On the one hand, the slight stocking up trend should boost growth. On the other, imports should increase distinctly in Q1, buoyed up by the progression in domestic demand and exports. They are then likely to slow down in line with the trend in domestic demand. The contribution of foreign trade to growth should become neutral through to the time horizon of the forecast.

Inflation progressing, but second-round effects likely to remain limited

The continuing high level of unemployment and the still-limited use of production capacities are blocking the spread of inflationary tensions. But ultimately, the recent rise in commodity prices should be passed on progressively to consumer prices and notably to food prices which should increase through to June 2011. Until now, unlike in most Euro Zone countries, the recent rise in commodity prices has had few repercussions on consumer prices. It should work through more, however, over the period of our forecast. Core inflation should rise in France to 1.0% year-on-year by the

end of June 2011. This rise in core inflation should be offset by the fall in prices of seasonal food products and energy. The year-on-year change in prices should thus stand at 1.9% in June 2011 after 1.8% in December 2010.

Corporate investment should progress through to mid-2011

Acceleration in investment in H1 2011

In H1 2011, corporate investment should accelerate, as indicated by the business tendency surveys conducted among entrepreneurs. Investment should be buoyed up by positive activity prospects and increased use of production capacities.

The labour market is improving progressively

The progression in activity should boost market-sector employment

Since the start of the crisis, employment has not responded to fluctuations in activity as it used to in the past. For example, the upturn in employment observed since the beginning of 2010 was earlier and greater than expected. Through to the time horizon of our forecast, this dynamic employment trend is likely to strengthen somewhat, buoyed up by the progression in activity. Job creations in the non-agricultural market sector should be around 78,000 in H1 2011, after 60,000 in H2 2010. However, employment in non-market sectors should decrease in early 2011, due to the fall in the number of people starting State-aided contracts. All in all, employment should increase by 76,000 in H1 2011, after 70,000 in H2 2010.

Unemployment stabilised by mid-2011

The unemployment rate stood at 9.2% (9.6% respectively including the overseas departments) of the active population in Q4 2010. It should stabilise by mid-2011 at 9.1% (9.5% respectively), which is to say a distinctly higher level than that before the crisis.

Real wage stability

The inflation shock should lead to a rise in nominal wages in H1 2011, but this catching up should only be partial and in part delayed, in a context in which the labour market situation is weighing on wage negotiations. The average wage per head should therefore progress a little less quickly than inflation through to mid-2011 and real wages should be stable in H1.

Household consumption held back by moderate purchasing power gains

Although nominal income is holding up, the rise in inflation deducts from gains in purchasing power

In 2010, household purchasing power progressed by an annual average of 1.2%, after holding up through the crisis (+1.6% in 2009). In H1 2011, the progression in employment and nominal wages should buoy up household income. In contrast, fiscal revenues should accelerate in early 2011, linked to the improvement in incomes observed in 2010. The disposable income of households should progress, in current Euros, over the first two quarters of 2011 at the same rate as at the end of 2010 (+0.8% per quarter). Due to the upturn in inflation, household purchasing power should grow moderately: +0.1% in Q1 2011, then +0.3% in Q2.

Boosted by the "trailing" effect of the scrappage bonus, household consumption is likely to progress in Q1...

In Q4 2010, household consumption (+0.9%) was buoyed up by purchases of vehicles before expiry of the scrappage bonus. Due to the time required to deliver vehicles ordered at the end of 2010, this effect could carry over into early 2011. Consumption should therefore progress once again more quickly than purchasing power in Q1 2011 (+0.5%).

... and then fall back

By a backlash effect, automobile purchases should then fall in Q2, leading to a fall in household consumption (-0.1%). In this way, households would restore part of their precautionary savings.

Aside from one-off effects in public works, the construction sector is getting back on track

Recovery in public works

In the construction sector, production contracted once again in Q4 2010. This was mainly down to the marked fall in activity in public works, hit by bad weather conditions. In H1, production in construction should therefore increase slightly for the first time in three years.

Household investment in housing grows again

Household investment in housing started rising again in H2 2010, in the wake of housing commencements. It should continue to progress in H1 2011.

Uncertainties: the consequences of the catastrophe in Japan, the accentuation of stocking up and the impact of fiscal consolidation measures

The consequences of the catastrophe in Japan

The consequences of the catastrophe that occurred in Japan could be more complex than a mere fall in Japanese demand for products from its partners. On the one hand,

the strategic position of Japan in certain production chains could give rise to interruptions in supplies in some sectors. On the other hand, some countries could benefit from transfers of demand usually addressed to Japan.

Accentuation of the stocking up movement

In France, industrialists report levels of stocks that remain low in the business tendency surveys, while also indicating a high level of orders on their books. This context could lead them to enter into a more pronounced stocking up movement than that included in the forecast.

Behaviour of private agents in a context of fiscal restrictions

In 2011, the European countries are implementing fiscal consolidation strategies. The scenario taken here supposes that the effects of these policies on economic activity are partly offset by an upturn in household consumption. If these policies succeed in restoring household confidence in the sustainability of public finances, their effects might be attenuated. If, on the other hand, the restrictive impact of these policies is not counterbalanced by an increase in confidence among private agents, then European growth could be slower than in the scenario.

France OFCE

a. The current situation

In 2010, despite the end of the fiscal stimulus, French GDP grew by a modest 1.5% which allowed for job creation following two years of sharp falls. However, these encouraging outcomes should not be interpreted as a solid basis for the continuation of the French recovery. The economy is still affected by the economic crisis: public finances sharply deteriorated, high unemployment rate, falls in activity rates, productive capacities in excess.

b. Economic policy and country's key features relevant for the outlook

In 2011 and 2012, the French economy will be affected by two negative shocks.

First, fiscal policy will be tightened, with the government expecting to bring the government deficit from 7% in 2010 down to 4% in 2012. Fiscal consolidation will take place not only in France but in all major developed economies, while these economies are still far from having fully recovered from the crisis. We expect fiscal contraction will reduce French GDP growth by a cumulated 2.8% of GDP over 2011 and 2012. The second shock is inflationary, and is due to the rise in raw material prices. This shock will affect mainly households through reducing their purchasing power and hence consumption growth. We expect the past rises in energy prices will reduce French GDP growth by a cumulated 1 percentage point over 2011 and 2012.

c. The outlook

As a result of fiscal contraction and higher energy prices, French GDP will grow by 1.4% only in 2011 and 1.7% in 2012. This will not allow the French economy to cancel the output growth losses recorded since 2008. The unemployment rate will increase slightly and reach 9.5% at the end of 2012 (instead of 9.3% in 2010). The French government deficit would amount to 5.2% of GDP in 2012.

Country: **FRANCE**Institute: **OFCE**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP			1,4	1,7
Private consumption			1,5	1,9
Public consumption			0,8	0,7
Gross fixed capital formation			1,7	2,2
Private excl. dwellings			2,3	2,6
Dwellings			1,9	2,7
Change in stocks (1)			0,1	0,2
Total domestic demand			1,5	2,0
Exports of goods and services			6,3	6,2
Imports of goods and services			6,2	6,5
Net exports (1)			-0,1	-0,3
GDP deflator			1,4	0,6
Consumer prices				
Private consumption deflator			1,4	0,6
Output gap (2)			-5,3	-5,0
Unit labour costs (3)			-0,9	0,8
Nominal hourly gross wage rate			1,7	2,8
Employment (thousands)			65,0	92,0
Unemployment rate (4)			9,4	9,5
Real household disposable income			1,1	2,1
Net saving ratio (households) (5)			15,5	15,7
Public sector fiscal balance (6.7)			-5,8	-5,2
Gross public debt (6.7)			85,3	87,9
Current account balance (6)				
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)			1,1	1,7
Long-term interest rate (10 years) (8)			4,1	4,0
United States Federal funds rate			0,3	0,6
GDP				
USA			2,2	2,4
Japan			0,2	2,9
Euro Area			1,4	1,5
World trade volume (goods)			7,5	7,1
Oil price (9)			103,0	98,0
Exchange rate				
Dollar/Euro			1,4	1,4
Yen/Euro			112,6	121,8
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Germany DIW

a. The current situation

Germany is still growing strongly out of the crisis. Exports remain to be the driving force of growth, but domestic demand picks up more and more. The fourth quarter of 2010 was characterized by relatively weak growth, which was related to unfavourable weather conditions (early winter). Apart from that, the economic situation remains positive, with monthly indicators such as industrial production or new orders as well as producer and consumer sentiment indicators signalling an ongoing expansion in the short term. Despite improving labour market conditions, the environment for consumption has slightly worsened recently due to strongly increasing consumer prices.

b. The outlook

The short term outlook for Germany is favourable, with both catching up effects in the construction sector as well as the need to restock inventories after strong declines in the second half of 2010 generating solid growth in the first half of 2011. We expect growth to slow down in the second half of 2011 and in the course of 2012, since exports will develop less strongly due to declining growth dynamics in emerging economies and persistently weak growth in the US and the euro area. Labour market improvements will not keep up with the positive developments in the past. As a result, we do not expect consumption to be an exceptionally strong source of growth going forward.

Country: **GERMANY**Institute: **DIW**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	2498,8	2,7		1,4
Private consumption	1444,7	,1		1,0
Public consumption	486,7	1,6		1,2
Gross fixed capital formation	448,1	6,0		2,0
Private excl. dwellings	198,3	9,7		4,9
Dwellings	249,8	3,4		-0,5
Change in stocks (1)	-11	-0,3		0,2
Total domestic demand	2368,6	1,9		1,5
Exports of goods and services	1146,4	9,9		6,3
Imports of goods and services	1016,2	8,8		6,9
Net exports (1)	130,2	1,0		0,0
GDP deflator	0,6	0,3		1,1
Consumer prices	1,1	2,2		2
Private consumption deflator	2	2,1		1,8
Output gap (2)				
Unit labour costs (3)	-1,1	0,5		0,3
Nominal hourly gross wage rate				
Employment (thousands)	40483	40798		40908
Unemployment rate (4)	6,8	6,3		6,2
Real household disposable income	1595,9	0,8		0,9
Net saving ratio (households) (5)	11,4	11,2		11,1
Public sector fiscal balance (6.7)	-81,7	-2,4		-2,1
Gross public debt (6.7)	83,5	83,4		83,1
Current account balance (6)	5	4,6		4
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)		1,2		2,0
Long-term interest rate (10 years) (8)		3,3		3,7
United States Federal funds rate				
GDP				
USA	2,8	2,2		1,8
Japan	4	0,6		1,5
Euro Area	1,7	1,6		1,7
World trade volume (goods)	15,1	8,7		8,3
Oil price (9)	78,69	113,9		110,18
Exchange rate				
Dollar/Euro	1,33	1,36		1,36
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Country: **GERMANY**Institute: **IFO**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	2498,8	2,7	1,4	
Private consumption	1444,7	1,1	1,0	
Public consumption	486,7	1,6	1,2	
Gross fixed capital formation	448,1	6,0	2,0	
Private excl. dwellings	198,3	9,7	4,9	
Dwellings	249,8	3,4	-0,5	
Change in stocks (1)	-11	-0,3	0,2	
Total domestic demand	2368,6	1,9	1,5	
Exports of goods and services	1146,4	9,9	6,3	
Imports of goods and services	1016,2	8,8	6,9	
Net exports (1)	130,2	1,0	0,0	
GDP deflator	0,6	0,3	1,1	
Consumer prices	1,1	2,2	2	
Private consumption deflator	2	2,1	1,8	
Output gap (2)				
Unit labour costs (3)	-1,1	0,5	0,3	
Nominal hourly gross wage rate				
Employment (thousands)	40483	40798	40908	
Unemployment rate (4)	6,8	6,3	6,2	
Real household disposable income	1595,9	0,8	0,9	
Net saving ratio (households) (5)	11,4	11,2	11,1	
Public sector fiscal balance (6.7)	-81,7	-2,4	-2,1	
Gross public debt (6.7)	83,5	83,4	83,1	
Current account balance (6)	5	4,6	4	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)		1,2	2,0	
Long-term interest rate (10 years) (8)		3,3	3,7	
United States Federal funds rate				
GDP				
USA	2,8	2,2	1,8	
Japan	4	0,6	1,5	
Euro Area	1,7	1,6	1,7	
World trade volume (goods)	15,1	8,7	8,3	
Oil price (9)	78,69	113,9	110,18	
Exchange rate				
Dollar/Euro	1,33	1,36	1,36	
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Germany Ifw KIEL

a. The current situation

After two years of high catching-up growth rates following the bottom of the trough in 2009 Q1 the German economy is now close to normal levels of capacity utilization. Although the current record-high levels of business sentiment indicators may somewhat overdraw the growth perspectives of the German economy, the upward trend in production remains robust. Both demand-side and supply-side leading indicators suggest strong growth in the first half of 2011. Production shift effects in the construction sector resulting from bad weather conditions in the winter months will further strengthen economic activity in the first and second quarter followed by a slower growth pace in the second half of the year.

b. Economic policy and country's key features relevant for the outlook

Fiscal policy has switched towards a pronounced consolidation path. Following the constitutional debt break the overall structural government deficit is projected to come down to 10 billion Euro or 0.35 percent of potential GDP within the next five years. By contrast, the monetary policy stance of the ECB has an extremely expansionary impact on the German economy. This is amplified by the current government debt crisis of some Eurozone member countries as it increases the supply of capital for German investors. Both forces result in very low interest rates both for businesses and private households.

c. The outlook

We expect the output gap to be closed during the course of this year and production to exceed the pre-crisis peak in the second quarter. Capacity utilization will continue to grow with decreasing momentum until the end of the forecast horizon widening the output gap further to 0.6 percent next year. We forecast GDP to grow by 2.8 percent this year and 1.6 percent next year.

Two thirds of this year's increase in production is absorbed by domestic demand with private investment spending being the most important demand driver. Spending for machinery, equipment, and software will be particularly strong. Very low mortgage rates and a continuously improving labor market will stimulate housing constructions. By contrast, public investment spending will be significantly reduced now that the stabilizing impact of the stimulus packages fades out. In terms of growth rates, we expect the overall investment cycle to reach its peak this year. In terms of shares in GDP, the maximum will show up next year. Private consumption spending remains moderately strong during the whole forecast period. We expect the saving ratio of private consumers to decrease slightly towards pre-crisis levels, so the expected

increase in real personal income of 0.8 percent per year will lead to higher consumption demand of about 1 percent in both years.

Net exports will increase this year and decrease next year bringing the growth contribution of external trade down from 0.9 percentage points this year to -0.3 percentage points in 2012. This swing is mainly due to lower production dynamics in many of Germany's trading partners and a relatively stronger expansion of domestic demand.

With external and endogenous internal expansionary forces dampening in the course of the forecast period we expect the German economy to grow by 1.6 percent next year (corresponding to 1.8 percent when adjusted for working day-effects). While the speed of expansion slows down it is still above the estimated potential growth rate of 1.2 percent.

The upward trend in employment is intact but will become weaker during the next two years. The number of hours worked is already back to pre-crisis levels. Short-time working due to a lack of demand is no longer an issue in Germany. We expect the official number of unemployed persons to be slightly below 3 million in 2011 and 2.8 million in 2012. This corresponds to 7.1 and 6.7 percent of the labor force (after 7.6 percent last year). The improved bargaining position of workers will gradually drive effective wage rates upwards: the still moderate increase of 0.4 percent this year (coinciding with decreasing unit labor costs) is followed by 3.4 percent next year that push unit labor costs by 2.3 percent. As this process gains momentum during the course of 2012 it does not yet fully show in Germany's inflation figures (consumer prices are expected to increase by 2.2 percent in 2011 and 2.0 percent in 2012).

Country: **GERMANY**Institute: **Ifw KIEL**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	2498,8	2,8		,6
Private consumption	1444,7	1,1		1,0
Public consumption	486,7	1,4		1,1
Gross fixed capital formation	448,1	7,0		5,8
Private excl. dwellings	274,0	9,1		8,3
Dwellings	249,8	2,6		1,4
Change in stocks (1)	0,6	-0,2		0,1
Total domestic demand	2368,6	2,1		2,1
Exports of goods and services	1146,4	10,3		6,6
Imports of goods and services	1016,1	9,5		8,1
Net exports (1)	1,2	0,8		-0,3
GDP deflator	111,2	1,1		1,7
Consumer prices	116,7	2,2		2,0
Private consumption deflator	114,7	2,1		2,1
Output gap (2)	-1,7	0,1		0,6
Unit labour costs (3)	66,6	-0,5		2,3
Nominal hourly gross wage rate	21,1	0,4		3,4
Employment (thousands)	40483,3	1,1		0,7
Unemployment rate (4)	6,8	5,9		5,2
Real household disposable income	1393,7	0,8		0,7
Net saving ratio (households) (5)	11,4	11,3		11,1
Public sector fiscal balance (6.7)	-3,3	-2,4		-1,7
Gross public debt (6.7)	83,5	84,0		84,3
Current account balance (6)	5,0	5,4		5,1
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)	0,8	1,2		2,1
Long-term interest rate (10 years) (8)	3,1	3,3		3,7
United States Federal funds rate				
GDP				
USA		3,1		2,8
Japan		1,4		1,2
Euro Area		1,7		1,5
World trade volume (goods)		10		7,5
Oil price (9)		108		95
Exchange rate				
Dollar/Euro		1,38		1,38
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Germany RWI

a. The current situation

The German economy is experiencing a vigorous upswing. At a rate of 3.6%, GDP grew stronger last year than during any year since reunification. Substantial impetus came from outside the country, as global trade returned to normal following the dramatic decline seen in 2009. This impetus carried over to domestic demand. As prospects improved, companies became increasingly inclined to invest, while the favorable outlook for the employment market encouraged consumer spending. All these effects were bolstered by the interest rate, which reached a record low. The latter was an additional factor in the strong increase of investments in residential construction. In many cases, however, activity has not returned to the level seen at the onset of the financial crisis. Considering this, the labor market is surprisingly sound: the number persons employed has already surpassed by 300,000 the record high prior to the financial crisis, while the number registered as unemployed has fallen to the lowest level since 1992. The current upswing is clouded by rising prices: inflation reached a level of 2.1% in March, largely accounted for by climbing commodity prices. Yet, core inflation is on the rise, too. While the European Central Bank's (ECB) low interest rates are currently supporting the upswing, by the same token, its expansive monetary policy stance is fuelling inflation.

b. Economic policy and country's key features relevant for the outlook

Fiscal policy will be slightly restrictive since policy measures have been taken to reduce structural deficits. Government revenues will increase by raising taxes und cutting tax allowances by 5 bn € in 2011 and additional 2 bn € in 2012. Public expenditure will be cut by 5 bn € this year and addition 3 bn € in the next.

The ECB will start to raise the repo rate in spring 2011. At the end of 2012 will stand at 2.5%.

Negotiated wages will increase by 2.1% in this year and 3% in the next.

c. The outlook

A number of indicators suggest that the economy got a good start in the new year. As the year progresses, RWI is expecting production to increase at a healthy rate, though losing momentum slightly. Foreign trade partners will provide an initially substantial, and later waning, impetus, with domestic demand also slowing. Capital investments should return to a normal level as companies go forward with investments that were postponed due to the financial crisis. The economic conditions are highly favorable for residential construction activities, which, in particular, will expand considerably. Private consumption expenditures are also expected to increase at a rate substantially

higher than the average seen during the past decade. In view of these developments, RWI is expecting the GDP to increase by 2.9% this year and by 2.4% the next.

The situation on the labor market will probably continue to improve. The number of persons in employment is forecast to increase by an average of 500,000 in 2011 and by the same number again in 2012. The unemployment rate could consequently fall well below the 6% mark. Companies will, as a result, find it increasingly difficult to recruit qualified employees, so that actual earnings and thus unit labor costs are likely to increase.

Inflation will have a dampening effect. With commodity prices initially driving inflation, local governments are also likely to further raise municipal fees and taxes due to pressure on public finances. Assuming that crude oil remains constant, the effect of energy prices in inflation is expected to recede. Core inflation, in contrast, will probably increase as production capacities are increasingly utilized. RWI forecasts an inflation rate of 2.5% this year and 2.4% next year.

The condition of public budgets is also likely to improve considerably. The deficit rate is expected to drop to 1.8% in 2011 and 0.6% in 2012. Conditions are favorable for financial policymakers to further efforts toward consolidating public finances and to ensure compliance with the brake on spending, which goes into effect in 2016.

Country: **GERMANY**Institute: **RWI**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	2498,8	2,9	2,4	
Private consumption	1444,7	1,4	1,3	
Public consumption	486,7	1,1	1,3	
Gross fixed capital formation	448,1	5,2	4,0	
Private excl. dwellings	274,0			
Dwellings	142,8	3,6	3,8	
Change in stocks (1)	0,6	-0,1	0,0	
Total domestic demand	2368,6	2,0	1,9	
Exports of goods and services	1146,4	8,8	6,6	
Imports of goods and services	1016,2	7,5	6,0	
Net exports (1)	1,3	1,0	0,5	
GDP deflator	111,2	0,1	0,8	
Consumer prices	1,1	2,5	2,4	
Private consumption deflator	114,7	2,0	1,8	
Output gap (2)	98,7	100,5	101,4	
Unit labour costs (3)	-0,9	1,9	1,9	
Nominal hourly gross wage rate	-0,1	2,2	3,6	
Employment (thousands)	40483,3	40981,9	41432,8	
Unemployment rate (4)	6,8	5,9	5,1	
Real household disposable income	0,7	1,1	1,2	
Net saving ratio (households) (5)	9,5	9,2	9,1	
Public sector fiscal balance (6.7)	-3,3	-1,8	-0,6	
Gross public debt (6.7)	80,0	79,4	77,6	
Current account balance (6)	5,2	4,5	4,3	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)	0,8	1,3	2	
Long-term interest rate (10 years) (8)	3,6	4,2	4,4	
United States Federal funds rate				
GDP				
USA	2,8	3,1	2,8	
Japan	4	1,8	2,2	
Euro Area	1,7	1,6	1,7	
World trade volume (goods)	13,5	7,5	7	
Oil price (9)	79,5	112,8	115	
Exchange rate				
Dollar/Euro	1,33	1,39	1,4	
Yen/Euro				
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Greece KEPE

a. The current situation

The Greek economy remained in a state of recession in 2010, with the depth of the recession increasing gradually in the course of the year. The average annual rate of decline of the GDP amounted to 4.5% in 2010, reflecting a contraction of domestic demand at rates which widened considerably from the second quarter of the year onwards, thus inducing a strong negative contribution to the change in GDP. A crucial role in restraining the depth of the recession was played by the external sector, through a continuing rapid decline of the deficit of the balance of goods and services.

The main force behind the exacerbation of the decline in domestic demand from the second quarter of 2010 onwards, was the return of the rate of change of private consumption to negative and gradually deteriorating levels, following a temporary recovery in the first quarter of the year. Additionally, a mounting negative impact on the development of domestic demand was also inflicted by the large contraction of fixed capital investment, at rates that became gradually more severe in the second and third quarters. For the year as a whole, the average annual rate of decline in private consumption amounted to 4.5%, while the corresponding rate of decline in gross fixed capital investment reached 16.5%, the latter reflecting the fall in housing investment and other construction investment by 18.6% and 5.8% respectively and the decline in investment other than construction by 20.7%.

The large decline in the deficit of the balance of goods and services during 2010 came as a result of a sharp drop in goods' imports coupled with a significant rise in goods' exports. More particularly, in 2010 the year on year change in goods' imports amounted to -8.4%, with the corresponding rate for exports reaching 4.8%. With regards to the balance of services, a large increase in imports by 11.1% led to a decline of the relevant surplus despite an increase in exports by 3.2, the net result being a negative contribution to the rate of change of the GDP.

b. Economic policy and country's key features relevant for the outlook

The stabilisation program which began at 2010 will continue in 2011. Special weight will now be given to structural reforms in an attempt to reduce the budget deficit and restore the Greek economy in an upcoming trend. There are three pillars of these reforms which can be considered as priorities for the Greek Government: the social security and health system reform, in an attempt to control the relevant public spending, the increase of the labour market flexibility, in order to promote the preservation of jobs and finally the privatization of the public utilities (e.g. Electricity, Telecommunications, Water supply, etc) as well as the efficient exploitation of the public wealth.

The efficient implementation of these structural reforms is expected to produce some positive economic results. More specifically, it is expected to reduce progressively the headline inflation (towards the Euro zone average), to reverse the negative sign in the GDP growth (commencing from 2012) and finally to contribute to lighten the public debt repayment process.

c. The outlook

The economy is expected to continue contracting through 2011 and return to a positive growth rate in 2012. Domestic demand is projected to remain weak, reflecting the unfavorable conditions in the labor market but also the tight credit conditions. The prospects for external demand are improving, due to the positive developments and outlook in the country's main trading partners and the expected rebound in tourism. With the impact of the indirect tax rate hikes on inflation backing down and the continuing economic slack, inflation is projected to decline. Unemployment will continue to rise throughout 2011 and 2012.

The short-term and medium-term prospects for an export and investment led recovery through improvements in competitiveness will largely depend on two key factors: the degree of implementation of the fiscal adjustment programme, which aims at reducing the deficit below 3 percent of GDP by 2014, and the speed of advancing structural reforms. These measures may impact on market sentiment and policy credibility, which remain fragile and continue to amplify uncertainty and pessimistic perceptions.

Country: **GREECE**Institute: **KEPE**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	230,2		-3,5	1,1
Private consumption	172,7		-5,1	0,5
Public consumption	43,4		-8,6	-6,0
Gross fixed capital formation	33,8		-7,9	-2,6
Private excl. dwellings	25,7	na		na
Dwellings	8,1	na		na
Change in stocks (1)	0,8	na		na
Total domestic demand	249,9		-5,9	-0,7
Exports of goods and services	48,2		6,3	5,9
Imports of goods and services	67,7		-6,0	-1,5
Net exports (1)	2,2		0,3	1,8
GDP deflator	2,3		1,8	0,5
Consumer prices	4,7		2,5	0,4
Private consumption deflator	na	na		na
Output gap (2)	na	na		na
Unit labour costs (3)	na	na		na
Nominal hourly gross wage rate	na	na		na
Employment (thousands)	4388,0		-2,5	-0,1
Unemployment rate (4)	12,4		14,9	15,0
Real household disposable income	na	na		na
Net saving ratio (households) (5)	na	na		na
Public sector fiscal balance (6.7)	-10,6		-7,5	-6,5
Gross public debt (6.7)				
Current account balance (6)	-10,4		-8,2	-7,1
Central bank policy rate (non-EMU countries)	na	na		na
Short-term interest rate (3 months) (8)				
Long-term interest rate (10 years) (8)	9,1			
United States Federal funds rate	0,3		0,4	0,9
GDP				
USA	2759,4		2,8	2,9
Japan	1028,3		1,4	2,1
Euro Area	9203,2		1,5	2,1
World trade volume (goods)	11356,9		7,0	6,5
Oil price (9)	79,6		108,2	111,2
Exchange rate				
Dollar/Euro	1,3		1,4	1,3
Yen/Euro	116,5	na		na
Local currency/Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Hungary GKI

a. The current situation

Hungary's GDP grew by 1.2 per cent in 2010, slower than the EU average (1.8%), and particularly slower than that of Germany (3.5 per cent), Poland and Slovakia (3.8-4 per cent, respectively). (If agricultural production had not fallen due to the disastrous weather, Hungary's GDP would have increased by about 1.8 per cent.) Growth of the Hungarian economy in 2010 was attributed solely to net exports. Both the number of employees and the employment rate was stabilized at levels of 2009 in 2010. The annual average rate of unemployment rose to 11.2 per cent in 2010 from 10.1 per cent in 2009. The real value of wages grew by 1.9 per cent over the previous year, whereas total real income probably stagnated. In 2010 consumer prices increased by 4.9 per cent. Propensity (or compulsion) to save by households increased significantly in 2010. The net financial savings of households amounted to 4.5 per cent of GDP in 2010 (against 3.5 per cent in 2009). Final household consumption expenditure fell by 2.1 per cent, investments by 5.6 per cent. The surplus of foreign trade totalled EUR5.5 billion that of the current account EUR2 billion. The external financing capacity including the current account plus net EU transfers valued at about EUR1.7 billion, amounted to EUR3.7 billion, corresponding to 3.8% of GDP. The general government deficit (excluding local governments) was in line with planned figures in cash flow basis, but was a bit higher than targeted, 4.2 per cent of GDP on ESA basis. By the end of 2010 the government debt relative to GDP increased to approximately 80 per cent of GDP from 78.3 per cent at the end of 2009, mainly due to the weakening of the forint.

b. Economic policy and country's key features relevant for the outlook

At the beginning of 2011 the government faced three major economic problems. First, it became clear that the steps taken in 2010 were not going to yield a spectacular acceleration of economic development. The slight increase in domestic consumption and investment demand, which is quite natural in a recovery period after a crisis, is a positive development; however, the economy is picking up only very modestly. The causes include the increase of the burden on businesses that have an adverse impact on investments and the lending activity of banks, whereas the stimulating effects of the new flat tax rate are modest.

The second problem is that the structural deficit of the general government will increase in 2011 (instead of its assumed reduction), threatening the suspension of EU funds aiming at investments. Although the government originally hoped that the EU accepts the deterioration of the structural deficit this year, it is highly doubtful. This is the reason behind the HUF250bn freezing in the budget. However, it might become necessary to spend HUF50bn to cover the extra expenditures of local governments and HUF100bn to offset the lost budget revenues, thus only HUF100bn would remain for

meaningful improvement in the balance. It is questionable whether the EU would be satisfied with the structural deficit that can be achieved this way (essentially of the same magnitude as last year). If not, further corrective actions may also be considered in this year's budget.

The third problem is the most serious one: the dominance of the transitional arrangements will cause huge holes in the budget already in 2012, but especially in 2013 (HUF450bn and HUF700bn, respectively). Since the EU directs its attention on sustainability in the framework of the European Economic Semester introduced this year, this problem will come into focus in spring 2011. Additional risks are posed by the Constitutional Court proceedings on the nationalization of the private pension fund assets and the EU infringement proceedings because of the extra tax levied on the telecommunications sector. Aimed at creating a sustainable balance, the new Szell Kalman Plan seeks solutions to these three problems. The English version of its text contains important steps into the right direction; however, its implementation is uncertain owing to the lack of detailed programs, its dubious social acceptance, and the continued double talk (communication to domestic and foreign market participants is different).

c. The outlook

GDP will grow at a rate of about 2.5 per cent in 2011 and 2.9 per cent in 2012. In 2011 the acceleration over the last year, however, will be almost entirely generated by agriculture (weather factors). The annual average rate of inflation is expected to total 4.2 per cent in 2011 and 4 per cent in 2012. Gross earnings will increase by 3.5 per cent in 2011, unit labour costs continue to decline. Real wages will increase by around 2 per cent (by 2.5 per cent in the private sector and about 1 per cent in the public sphere). The expansion of the grey economy is bolstered by the elimination of the so called expected wage category, the increase in the costs of low wage employees and the nationalization of assets of private pension funds. The real income of households (after the disbursement of the real yields of private pension funds to their members) will increase by about 2 per cent. Income differentiation will be more intense. The increase in final household consumption will be lower, representing some 1.5 per cent in 2011 and 1.8 per cent in 2012. Borrowing intentions and options are also limited. The net savings ratio may reach last year's level in 2011 (mainly because of the continuous repayments of existing loans) and increase somewhat further in 2012. The unemployment rate will remain at last year's level of 11.2 per cent at best in 2011 and may drop to 0.5 per cent in 2012. The growth promoting impact of EU funds will also be weak in 2011, thus, investments will increase only slightly (by about 1 per cent). Apart from some big ongoing automotive manufacturing projects, a downturn will be typical. Particularly as a result of the inflow of EU funds, investments may be up by 7 per cent in 2012.

Although the base of economic growth will be somewhat broader, its driving force remains industrial exports. Recession in domestic demand will come to an end; it will be up slightly, by 1.8 per cent in 2011 and by 2.8 per cent in 2012. The foreign trade balance surplus is likely to increase to EUR6bn in 2011 from EUR5.5bn in 2010 and total EUR5 billion in 2012. The current and capital account will show a considerable surplus reaching EUR4.5bn (4.3 per cent of GDP) in 2011 and EUR3.5 billion (3.2 per cent of GDP) in 2012. In regional comparison only Hungary will not need net external financing. This fact contributed significantly to the success of the recent bond issuance denominated in US dollars.

With the nationalisation of the assets of private pension funds and taking into account additional one-off expenditures (for example for the debt consolidation of the state owned transport companies) as well, GKI forecasts a general government surplus of 2-3 per cent of GDP for 2011. Without one-off revenues there would be a general government deficit amounting to 6.5 per cent of GDP. In 2012 the deficit is likely to correspond to 2.9 per cent of GDP. The government debt may decrease below 75 per cent of the GDP in 2011, due to the nationalization of the crucial part of the private pension fund assets. No substantial changes can be expected in monetary policy after the replacement of the Monetary Council's four members whose terms expired, as the room of manoeuvring is relatively narrow, irrespective of the Council's composition. Similarly to last year, significant exchange rate and yield fluctuations are possible in 2011 and 2012. The exchange rate of the forint to the euro will be similar to last year's average, slightly weaker than at the beginning of March, around HUF275, while the central bank rate is expected to stagnate at 6 per cent.

Country: **HUNGARY**Institute: **GKI**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	27120,0	2,5	2,9	
Private consumption	17489,0	1,2	1,8	
Public consumption	2640,0	-3,0	-1,0	
Gross fixed capital formation	5239,0	1,0	7,0	
Private excl. dwellings	n.a.	n.a.	n.a.	
Dwellings	n.a.	n.a.	n.a.	
Change in stocks (1)	0,6	0,1	0,3	
Total domestic demand	25132,0	1,8	2,8	
Exports of goods and services	23450,0	11,0	10,0	
Imports of goods and services	21462,0	11,0	10,5	
Net exports (1)	1988,0	5,8	4,6	
GDP deflator	3	2,5	2,2	
Consumer prices	4,9	4,2	4,0	
Private consumption deflator	n.a.	n.a.	n.a.	
Output gap (2)	n.a.	n.a.	n.a.	
Unit labour costs (3)	n.a.	n.a.	n.a.	
Nominal hourly gross wage rate	n.a.	n.a.	n.a.	
Employment (thousands)	3781000	0,5	0,8	
Unemployment rate (4)	475	11,2	10,5	
Real household disposable income	0	2,0	2	
Net saving ratio (households) (5)	5	6,0	6,5	
Public sector fiscal balance (6.7)	-4,2	2,5	-2,9	
Gross public debt (6.7)	80,1	75	72	
Current account balance (6)	2	1,0	-0,9	
Central bank policy rate (non-EMU countries)	5,5	6	5,5	
Short-term interest rate (3 months) (8)	5,41	5,2	5	
Long-term interest rate (10 years) (8)	7,4	7,2	7,0	
United States Federal funds rate	0,5	0,25	0,50	
GDP				
USA	2,8	3,0	2,9	
Japan	3,5	1,4	1,3	
Euro Area	1,8	1,8	1,7	
World trade volume (goods)	11,8	8,0	9,0	
Oil price (9)	80,0	110,0	105,0	
Exchange rate	115,8	117	120	
Dollar/Euro	1,30	1,36	1,35	
Yen/Euro	115,8	117	118	
HUF/Euro for non-EMU countries	274,5	275	275	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Hungary KOPINT- Tárki

a.The current situation

After the sharp decline in 2009 (minus 6.7 percent), the Hungarian GDP rose by 1.2 percent in 2010. Final consumption of households fell by 2.1 percent; meanwhile public consumption (after a considerable growth in 2009) fell by 0.6 percent. It is worth noting that in the second half of the year, private consumption already grew minimally, while in the case of public consumption the trend was just the opposite – the annual decrease was entirely due to the last quarter, when public consumption fell by 7.6% compared to the analogous quarter of the previous year.

Gross fixed accumulation shrunk by 5.6 percent – our expectation of rebounding fixed investments in the second half of 2010 turned out to be overly optimistic. Manufacturing investments, however, did rebound spectacularly in the second half of the last year. Due to the ongoing rebuilding of stocks, gross capital accumulation rose by 2.1% in 2011.

Since the growth rate of domestic demand as a whole remained negative, net export was the real driver of growth. After a drastic decline in 2009, the volume of export of goods and services grew by 14% in 2010. Net export contributed to the GDP growth by 2.2 percentage points.

Unemployment rate was slightly declining from its last peak in the first quarter of 2010 to 10.8 percent in the last quarter of 2010, but the even so slight improvement basically came to a halt by the end of the year. Just as the former improvement, the current deterioration is mainly due to the trend (and policy) changes in the employment of fostered workers.

The inflation rate remains relatively high: in the average of 2010 it reached 4.9 percent YoY. Since July 2010 the rate significantly declined due to the cease of the impact of the VAT hike in July 2009. Yet the worrisome pattern of relatively high inflation along with relatively low growth (compared to the other EU member states) remains.

In 2010, the budget deficit was slightly higher (approximately 4.2-4.4 percent of GDP) than planned, due to the overspending of local governments. The introduction of extra taxes in the framework of the “Crisis Management” couldn’t compensate this overspending.

b. Economic policy and country’s key features relevant for the outlook

After applying one-off means to constrain the fiscal deficit, the government has announced the „Széll Kálmán” plan, a supposedly comprehensive budget consolidation plan, which mostly concentrates on expenditure cuts, rather than revenue boosts. However, up to now, only few concrete details of the plan are published. In general, in several areas the envisaged savings seem to be realistic (public transport, higher education), in other areas government savings targets seem to be exceedingly optimistic (prescription drug subsidy system).

c. The outlook

Kopint-Tarki forecasts a growth of GDP at 3 percent in 2011 and in 2012. The positive contribution of net exports to GDP remains (although at a less rapid rate as in 2010).

As a result of moderately growing household's income, the private consumption will turn to positive after 4 successive years of decline. However, consumption growth remains meagre, due to the fact that (1) the changes of the PIT rules overwhelmingly favour the well-off, (2) the process of the deleveraging of the indebted households – which would be badly needed to help a rebound of consumer and credit demand to take place – just does not advance.

Investment might grow in 2011, although the pace of growth remains very sluggish. The volume of investments in the business sector other than manufacturing is likely to stagnate or somewhat decrease further, amidst dynamic growth of manufacturing investments.

Industry (manufacturing) will remain the main beneficiary of widening export markets in 2011, too. Construction industry which has been shrinking since 5 years, will presumably decline further in 2011, and most probably stagnate in 2012. The outlook of service industries is varied. As for the public services, stagnation seems the most likely outcome for 2011. Among market services, communication and financial services are likely to grow, while domestic trade and accommodation services will stagnate at best.

The inflation rate remains relatively high (3.9 percent in 2011 and 3.4 percent in 2012), which is among the highest in the EU. The recovery of the labour market will be rather slow: unemployment rate is likely to be about 11 percent in 2011, and 10.5 percent in 2012.

A breakthrough in savings propensity of the households took place in 2010 – namely, the value of gross financial savings began to grow after several years of decline. Households' net savings rate will get a statistical hit in 2011 (the disappearance of the compulsory private pension funds will automatically decrease the registered sum of current gross savings), while the actual savings propensity of households will continue to improve through 2011-2012.

Extra tax income, and the fact that according to the ESA rules, the overturned wealth of the private pension funds is to be accounted as current budget income is still going to have a role in the budget improvement in 2011. Nevertheless, much of the structural problems of the Hungarian budget balance still exist, and they could come to the fore later, especially after the expiration of the „crisis taxes”. The Széll Kálmán plan is designed to avert this danger.

Country: **HUNGARY**Institute: **Kopint Tárki**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	98,6	3,0	3,0	
Private consumption	63,6	1,8	2,4	
Public consumption	9,6	-1,0	-2,0	
Gross fixed capital formation	19,1	2,5	5,0	
Private xcl. dwellings	N/A	N/A	N/A	
Dwellings	N/A	N/A	N/A	
Change in stocks (1)	0,6	N/A	N/A	
Total domestic demand	91,4	1,7	2,6	
Exports of goods and services	85,3	9,0	8,0	
Imports of goods and services	78,0	8,1	8,0	
Net exports (1)	7,2	N/A	N/A	
GDP deflator	-	2,2	1,8	
Consumer prices	-	3,9	3,4	
Private consumption deflator	N/A	N/A	N/A	
Output gap (2)	N/A	N/A	N/A	
Unit labour costs (3)	-	1,2	2,9	
Nominal hourly gross wage rate	737	3,3	5,5	
Employment (thousands)	3774	0,2	0,5	
Unemployment rate (4)		11,0	10,5	
Real household disposable income		2,6	2,8	
Net saving ratio (households) (5)		7,5	7,7	
Public sector fiscal balance (6.7)		-2,9	-2,9	
Gross public debt (6.7)		73,0	70,0	
Current account balance (6)		0,5	-0,9	
Central bank policy rate (non-EMU countries)		6,00	4,50	
Short-term interest rate (3 months) (8)		5	5,0	
Long-term interest rate (10 years) (8)		7,0	7,0	
United States Federal funds rate				
GDP				
USA		3,1	2,8	
Japan		1,4	1,2	
Euro Area		1,3	1,5	
World trade volume (goods)		7,5	7	
Oil price (9)		115,0	100,0	
Exchange rate				
Dollar/Euro		1,35	1,35	
Yen/Euro		-	-	
HUF/Euro for non-EMU countries		275	275	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Ireland ESRI

a. The Irish economy is still in the process of bank restructuring and public finance consolidation following the collapse of the property bubble.. This has led to a very poor performance of the economy since 2007 and this is set to continue in 2011, though GNP may increase slightly-the first time for 4 years. The economy may perform better in 2012 with GNP growing by 2 per cent, but this is conditional on a turnaround in the savings rate. Domestic demand in 2011 will fall by just under 1 per cent, the fourth year in succession. The one positive in the economy is the continued growth in exports, and this is not confined to the multinational sector as exports from traditional firms have increased as firms look to export markets to compensate for declining domestic demand. Export services both from multinationals and local firms have also continued to grow. In spite of this the deflationary effect of government measures still dominates. The domestic economy is still suffering from a lack of credit, though this should ease as a result of the restructuring of the domestic banks following a major stress test. Bank restructuring has added very significantly to Public Debt which will be about 100% of GDP by 2012.

b. Economic Policy is directed primarily to the targets set down in the memorandum of Agreement under the EU/IMF bailout deal. This is essentially a fiscal consolidation and Bank restructuring exercise with very little policy freedom on the deficit reduction targets. At present the new government is undertaking a review of public expenditure. It is expected that this will lead to cuts in both current and capital expenditure as government seeks to meet the terms of the memorandum. Government is proposing a "jobs initiative" which was described as revenue neutral, but is intended to be budget neutral. Attention has not yet turned to dealing with micro issues affecting the competitive position of firm, in particular improving competition in the sheltered sector of the economy which impacts on the traded sector.

c. The short term outlook remains poor, as government must continue to reduce the budget deficit. One aspect of the last 4 years has been a very big increase in the savings rate of the household and corporate sectors, with the balance of payments moving into surplus in 2011 and 2012. For both sectors this was necessary to restore their balance sheets following the excessive borrowing of the property bubble period. At some time balance sheets will be seen as adequate. When this happens then household expenditure and investment will increase. The household sector could start reducing new savings in 2012 and this lies behind the growth in the economy. Domestic demand is still only likely to grow by 0.2 per cent, with growth coming from net exports. Inflation both in 2011 and 2012 is muted, but the CPI and the HICP will increase faster than the personal consumption deflator.

Country: **IRELAND**Institute: **ESRI**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	124	0,5		1,8
Private consumption	81,4	0		2
Public consumption	26	-2		-4
Gross fixed capital formation	17,5	-10,3		-2
Private excl. dwellings	6,8	8,8		1
Dwellings	4,4	-15,8		2,8
Change in stocks (1)	-0,8	0,8		0
Total domestic demand	124,1	-0,7		0,2
Exports of goods and services	158,4	7,5		7,5
Imports of goods and services	129,3	6		6,2
Net exports (1)		1,1		2,9
GDP deflator		0,7		0,8
Consumer prices		2.5/1.5		1.6/1.0
Private consumption deflator		0		1
Output gap (2)		10		10
Unit labour costs (3)		-2,5		-2,5
Nominal hourly gross wage rate	20,5	0		0
Employment (thousands)	1850	-1		0
Unemployment rate (4)		14,1		13,5
Real household disposable income	94	-2,5		-2,5
Net saving ratio (households) (5)	13	14		9
Public sector fiscal balance (6.7)	-31,9	-9,5		-7,2
Gross public debt (6.7)	76	98		103
Current account balance (6)	-0,9	1,2		2,9
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)				
Long-term interest rate (10 years) (8)				
United States Federal funds rate		1		2
GDP				
USA		2		2,5
Japan		1,5		3
Euro Area		1,5		2
World trade volume (goods)		4		4,5
Oil price (9)	80	110		85
Exchange rate				
Dollar/Euro				
Yen/Euro				
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Italy ISAE

The growth of Italian GDP in 2010 amounted to 1.3% with respect to the previous year, 1.2% considering working days adjusted data. Export has been the main driver; however a positive contribution has been also provided for by investments and consumption expenditure.

Quarterly data show a weakening of the momentum growth in second half of the year, particularly in the last quarter, when GDP growth was mainly due to an increase in stocks. The carry-over for 2011 amounts to 0.4%

The recovery period which started in the third quarter 2009 has been driven mainly by exports and investments in machinery and equipments. A positive contribution was also provided by households consumption.

However, the magnitude of the recovery is somewhat smaller than in other countries.

In comparison with past recovery periods, the main difference lies in the persistent negative contribution of the construction sector as well as that due to collective consumption.

When considering the near term perspectives, as evidenced by short-term indicators, it appears that the GDP growth is substantially based on foreign demand. Business survey data on the industrial sector, in fact, still signal a positive outlook for foreign demand, while not being so positive on the domestic side. In particular, the construction sector appears to be still weak, while a robust recovery has already taken place for machinery and equipments: these facts, together with the persistent high level of unused capacity, make unlikely a strong contribution from the investments component. On the consumption side, consumer confidence indicators do not seem to point out towards a stronger dynamics for consumer expenditure. Instead, some downward risks are associated to the persistent negative prospects about both employment situation and consumer inflation.

Italy PROMETEIA

a. The current situation

In the fourth quarter of 2010 Italy's GDP grew by 0.1 per cent q-o-q. On average for the year, it expanded by 1.3 per cent (1.2 per cent working way adjusted). Positive contributions came from the performance of domestic demand (1.7 percentage points), even if more than half was due to the accumulation of stocks (0.9 per cent the contribution to growth). Notwithstanding the recovery of exports (2.2 points), import penetration increased very rapidly (driven by stocks), owing to a negative foreign trade's net contribution.

Consumer price inflation reached 2.3 per cent y-o-y in the first quarter of 2011 (compared with 1.8 per cent in the previous quarter), but this was largely due to energy and food prices increase.

b. Economic policy and country's key features relevant for the outlook

General government net borrowing decreased by nearly one percentage point of GDP by comparison with 2009, to 4.6 per cent, 0.4 points lower than the official projections made in September. The primary budget was broadly in balance.

The objective of a deficit below 3 per cent in 2012 is confirmed. The Economy and Finance Document for 2011-12 just published confirmed the deficit forecasts and targets: net borrowing is set to come down to 3.9 per cent of GDP in 2011 and to 2.7 per cent in 2012. The Government aims to achieve a broadly balance budget in 2014 through corrective measures amounting to 2.3 percentage points of GDP in 2013-14.

c. The outlook

A modest acceleration in economic activity seems likely in the first quarter, as indicated by the slight recovery of industrial production (but some statistical problem probably affected the very negative January result) and the strong pace of exports in January and February. Industrial firms' confidence and their expectations for demand improved.

For the coming quarters, we expect GDP continues to grow at a slower pace with respect the euro area. Household consumption spending is held back by declining real disposable income (for the fourth year in a row) and fragile perspective on labour market conditions; net export contributions will be negatively affected by the appreciation of the euro. Consumer inflation will increase this year but mainly reflecting raw material costs as, net of these components, core inflation remained low.

For the following year, we expect Italy to continue to grow less than the euro area average, according to his subdued potential output growth: output will remain far

below the prerecession level. The recovery in employment will be only due to the reduction of the number of workers on Wage Supplementation, so the unemployment rate is expected to increase.

Country: **ITALY**Institute: **PROMETEIA**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	1547,6	0,9		1,0
Private consumption	928,6	0,8		0,9
Public consumption	335,0	-0,2		0,2
Gross fixed capital formation	300,5	1,6		1,9
Private excl. dwellings				
Dwellings	72,9	-0,2		0,5
Change in stocks (1)	0,9	-0,2		0,2
Total domestic demand	1264,5	0,6		1,1
Exports of goods and services	413,2	6,1		5,0
Imports of goods and services	440,8	4,7		5,2
Net exports (1)	-1,4	0,2		-0,1
GDP deflator	1,3	1,6		2,5
Consumer prices	1,0	2,9		1,7
Private consumption deflator	1,3	2,9		1,7
Output gap (2)	-4,7	-4,0		-3,4
Unit labour costs (3)		1,4		1,9
Nominal hourly gross wage rate				
Employment (thousands)	22872,9	22803,2		22773,3
Unemployment rate (4)	8,4	8,7		9,1
Real household disposable income	1031,2088mld	-0,6		0,7
Net saving ratio (households) (5)	9,9	8,6		8,4
Public sector fiscal balance (6.7)	-71,2mld	-4,0		-3,1
Gross public debt (6.7)	1843,2mld	120,3		119,4
Current account balance (6)	-3,5	-3,7		-3,1
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)	0,6	1,2		1,8
Long-term interest rate (10 years) (8)	4,0	4,8		4,5
United States Federal funds rate		0,5		1,0
GDP				
USA		3,0		2,9
Japan		0,9		2,3
Euro Area		1,5		1,2
World trade volume (goods)		8,6		8,9
Oil price (9)		109,6		105,4
Exchange rate				
Dollar/Euro		1,4		1,4
Yen/Euro		116,5		121,6
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Italy REF

The Italian economy decelerated in the last part of 2010; the growth was sustained by inventory change and a household expenditure stronger than expected. Capital formation slowed down, and the net export contribution was widely negative, even though the internal demand performed poorly.

Indicators suggest a better start for 2011, since world trade seems to push recovery, but internal demands remains very weak. Household consumption is influenced by the very poor profile of real disposable income, no more helped by the fiscal policy. Employment creation is still very weak; although the lowest point has been probably reached, the recovery is very slow, given the large structural losses in production for some sectors. Also wage dynamic is slowing down; the cut in civil servants' pays as well as a lower pressure on requests (given the increased level in unemployment and in people outside the labour market). The rise in inflation is squeezing real wages, whose dynamic will be negative, and consequently households' purchasing power, though the feeble wage dynamic suggests that, at least for the moment, second round effects in inflation are not very likely.

Capital formation is expected quite weak: many sectors, especially in manufacturing, show an excess in productive capacity, given the huge losses in production (structural and not only cyclical); that means a lower demand for investment (except for substitution of obsolete machinery and equipments). There are also other factors affecting investment demand: credit conditions are more selective than in the past, and the profit margins, squeezed in the past by labour hoarding and productivity losses, are suffering from the increase in commodity and intermediate goods prices.

The outlook is thus crucially dependent on external demand profile: have competitiveness losses of Italian economy finally ended? The answer is not so easy: during last years, Italian industry has moved on productions of higher quality than before, as a strategy to compete, and market shares decline has slowed. However, some reforms to improve productivity growth are still needed.

Country: **ITALY**Institute: **REF**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	1547642,0	0,7	0,9	
Private consumption	928577,0	0,2	0,3	
Public consumption	335000,0	0,1	0,0	
Gross fixed capital formation	300542,0	0,8	1,3	
Private excl. dwellings	148182,0	2,3	2,2	
Dwellings	152360,0	-0,9	0,2	
Change in stocks (1)	11128,0	0,0	0,1	
Total domestic demand	1575249,0	0,3	0,5	
Exports of goods and services	413180,0	3,1	3,9	
Imports of goods and services	440786,0	1,5	2,6	
Net exports (1)		0,4	0,3	
GDP deflator	0,6	1,8	2,4	
Consumer prices	1,6	2,5	2,2	
Private consumption deflator	1,5	2,6	2,2	
Output gap (2)				
Unit labour costs (3)	-0,3	1,0	1,5	
Nominal hourly gross wage rate	2,1	1,5	1,9	
Employment (thousands)	22872	22953	23088	
Unemployment rate (4)	8,4	8,3	8,0	
Real household disposable income	0,3	-0,1	0,0	
Net saving ratio (households) (5)	10,3	10,1	10	
Public sector fiscal balance (6.7)	-4,6	-4,0	-3,4	
Gross public debt (6.7)	119,0	120,4	120,6	
Current account balance (6)	-3,5	-3,9	-3,3	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)				
Long-term interest rate (10 years) (8)				
United States Federal funds rate	0,3	0,4	1,3	
GDP				
USA	2,8	2,6	2,6	
Japan	4,0	0,0	2,7	
Euro Area	1,7	1,2	1,6	
World trade volume (goods)	12,2	6,3	7,7	
Oil price (9)	80,3	107,0	102,0	
Exchange rate				
Dollar/Euro	1,33	1,41	1,47	
Yen/Euro	116,5	115,2	118,6	
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Netherlands CPB

According to the provisional figures published by Statistics Netherlands, the economy grew by a 0.6% (quarter-on-quarter) in the fourth quarter of 2010. The growth rate is projected to decline somewhat in the next few quarters, resulting in an annual GDP growth of 1¾% this year and 1½% in 2012.

Exports follow the global trade pattern: following strong growth in 2010, the pace is slowing in the forecast years. Nonetheless, exports in 2011 and 2012 will continue to account for the major share in economic growth. The anticipated increase in household consumption will remain modest, especially because employment is only increasing to a limited extent and purchasing power is falling. Business investments, after two years of contraction, are projected to once again exhibit growth. Particularly investments in machinery, computers and means of transport are recovering. Due to the fact that existing production capacity is still not yet being fully exploited, replacement investments are probably playing a major role. Government spending is resulting in the lowest accumulated contribution to growth over the three-year period 2010 -2012, since this figure was first measured in 1970. A steady growth in healthcare expenditures is offset by a decline in the public sector's consumption of and investment in goods and services, and a contraction in public sector employment.

According to the international definition, unemployment is projected to decrease from an average of 4½% of the labour force in 2010 to 4% (355,000 persons) in 2012. In light of the significant contraction of production in recent years, the rise of unemployment to an annual peak of 4½% is better than anticipated. The labour market is once again beginning to tighten. Purchasing power is declining by ¾%, in part due to various policy measures. In addition, the increase in contract wages in the private sector (1¾%) is lagging inflation (2%) in 2011, while pensions are not or only partially being indexed. In 2012 the median purchasing power is projected to decrease by ¾% as well. Since median purchasing power also decreased in 2010, this is the first time since the eighties that purchasing power is declining three years in a row.

Country: **Netherlands**Institute: **CPB**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	590,1	1,8	1,5	
Private consumption	266,9	0,8	1,0	
Public consumption	167,8	0,0	0,0	
Gross fixed capital formation	104,8	2,5	3,0	
Private excl. dwellings	50,8	3,8	4,3	
Dwellings	30,9	1,5	4,0	
Change in stocks (1)	2,2	0,0	0,0	
Total domestic demand	541,7	1,0	1,0	
Exports of goods and services	463,3	5,5	4,0	
Imports of goods and services	415,0	5,0	3,8	
Net exports (1)	48,4	0,8	0,5	
GDP deflator		1,5	2,3	
Consumer prices		2,0	2,0	
Private consumption deflator		2,0	2,3	
Output gap (2)				
Unit labour costs (3)		-0,3	0,3	
Nominal hourly gross wage rate				
Employment (thousands)	8357,8	1,0	1,0	
Unemployment rate (4)	390,0	4,3	4,0	
Real household disposable income		0,8	1,3	
Net saving ratio (households) (5)		7,0	8,0	
Public sector fiscal balance (6.7)		-3,7	-2,2	
Gross public debt (6.7)		65,5	65,9	
Current account balance (6)		7,5	8,1	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)		1,3	2,0	
Long-term interest rate (10 years) (8)		3,5	4,0	
United States Federal funds rate				
GDP				
USA		3,0	2,8	
Japan		1,5	1,3	
Euro Area		1,5	1,5	
World trade volume (goods)		8,0	7,0	
Oil price (9)		97,3	97,3	
Exchange rate				
Dollar/Euro		0,7	0,7	
Yen/Euro				
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Norway SN

A moderate cyclical upturn in the economy in the second half of 2010 is expected to be replaced by slightly higher growth. Greater domestic demand is driving the upturn, while the growth impetus from abroad is expected to be modest in the next few years. The cyclical upturn in the economy is likely to contribute to a fall in unemployment in the next few years. Wage growth will increase, but interest rates and underlying inflation will also rise.

A strong import growth among Norway's trading partners in 2010 helped push Norwegian exports up. When the growth from abroad is reduced and Norwegian cost-related competitive power is weakened, traditional exports will experience moderate growth in the period ahead.

A clear trend emerged for increased investments in Norwegian mainland industries in 2010, after two years with a downturn in the economy. This development is expected to continue. The petroleum investments were substantially lower in 2010 than the year before, but a strong increase was seen in the fourth quarter. We now expect these investments to increase clearly in 2011 and 2012.

We estimate that money spent from petroleum activities (SOBD) in 2010 constituted around 4 per cent of the capital in the Government Pension Fund Global at the start of the fiscal year. A rapid improvement in the economic situation in Norway points solely towards a continuing restrictive fiscal policy. However, we expect that the continued high and gradually increasing oil price will lead to a rapid increase in the Government Pension Fund Global. This means that the fiscal rule's 4 per cent path is pointing towards a more expansive fiscal policy. We assume, however, that public demand will increase to around the same extent, or slightly more than trend growth in the Norwegian economy. According to our calculations, the structural oil-adjusted budget deficit (SOBD) as a share of the trend in the GDP for mainland Norway will remain more or less unchanged. Thus, the fiscal policy can be described as neutral in terms of the economic cycle. This means that money spent from petroleum activities will be lower than the 4 per cent path in the period ahead, and in 2014 will fall below 3 per cent of the Government Pension Fund Global according to our calculations.

The base rate was last increased in May 2010, and was subsequently 0.75 percentage points higher than the lowest level in 2009. The three-month money market rate has been in the region of 2.6 per cent in recent months. Prospects of a stronger upturn in the Norwegian economy are an indication of increased interest rates in the period ahead. Low interest rates abroad and low inflation in Norway indicate the opposite. Based on a balancing of stability in inflation and the real economy, we expect the base rate to be raised by 0.25 percentage points each quarter from June 2011 until the end of the projection period in 2014. The money market rate is expected to change roughly

in line with the base rate, and to exceed 6 per cent by the end of 2014. The average interest on loans in the banks is thus expected to reach 7.5 per cent.

Measured as a yearly average house prices increased by a good 8 per cent in 2010, despite a slight fall during the second half of the year. A considerable increase in the population, an improvement in the economic situation with high real income growth and continuing low interest rates mean potential for growth in house prices of around 6 per cent on an annual basis for the next four years. As house prices rise markedly, housebuilding becomes more profitable and we expect housing investments to make a clear recovery in the period ahead.

We expect the economic situation of households as a whole to continue to improve. A real wage growth of almost two per cent this year, followed by higher growth rates, is leading to a considerable increase in households' real income despite increasing interest rates. Combined with a growing housing wealth, this will be partly responsible for the consumption increasing almost as much as in the second half of 2010. The interest rate increases will mean a limited fall in savings.

Employment has shown a certain increase since the first quarter of 2010. We expect this development to intensify in the period ahead. However, the workforce is also likely to increase. Thus, the unemployment level may remain roughly unchanged in 2011. The upturn in the economy will subsequently play a role in the employment growth increasing to such an extent that unemployment will start to fall. In 2014, unemployment is expected to fall to 2.5 per cent of the workforce.

Wage growth in 2011 is expected to be the same as in 2010; 3.6 per cent. A more restrictive labour market and improvement in profitability in industry will subsequently lead to increased wage growth. In 2014, wage growth is expected to reach in the region of six per cent. The underlying growth in consumer prices was very low in January 2011. We expect increased food prices to contribute to pulling this up in the period ahead. The increased wage growth will also gradually aid this process, and in 2014 we expect the consumer price index to be adjusted for changes to duties, and excluding energy goods (CPI-ATE) will reach 2.5 per cent. Increased energy prices will contribute to the overall growth in the consumer price index being somewhat higher than growth in CPI-ATE in 2011, with growth of 1.8 per cent and 1.5 per cent respectively.

Country: **Norway**Institute: **SN**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP*	242,6966292	3,3	3,8	
Private consumption	133,8327091	3,7	4,0	
Public consumption	128,0898876	2,3	2,7	
Gross fixed capital formation	61,92259675	7,7	8,2	
Private excl. dwellings				
Dwellings	9,61298377	8,7	9,3	
Change in stocks (1)	4,868913858	-0,1	0,0	
Total domestic demand*	246,4419476	3,8	4,6	
Exports of goods and services**	37,82771536	3,6	1,9	
Imports of goods and services	88,51435705	5,0	5,5	
Net exports (1) *and**				
GDP deflator*	3,1	2,6	3,2	
Consumer prices	2,4	1,8	1,5	
Private consumption deflator	1,9	1,5	1,2	
Output gap (2)				
Unit labour costs (3)				
Nominal hourly gross wage rate	3,6	3,6	4,1	
Employment (thousands)	2508	1,5	1,2	
Unemployment rate (4)	3,6	3,6	3,2	
Real household disposable income		3,1	4,2	
Net saving ratio (households) (5)	7,4	6,9	7,3	
Public sector fiscal balance (6.7)	9,8			
Gross public debt (6.7)	43,7			
Current account balance (6)	12,9	12,3	11,5	
Central bank policy rate (non-EMU countries)	1,9			
Short-term interest rate (3 months) (8)	2,5	2,8	3,8	
Long-term interest rate (10 years) (8)	3,5			
United States Federal funds rate				
GDP				
USA	2,9	2,4	2,2	
Japan	4	1	1,3	
Euro Area	1,7	1	1,2	
World trade volume (goods)***	10,4	4,3	3,6	
Oil price (9)		91	90	
Exchange rate				
Dollar/Euro				
Yen/Euro		112,8	113	
Local currency /Euro for non-EMU countries	8,01	7,89	7,82	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

* Mainland Norway

** Traditional goods

*** Norway's trading partners

Poland IBRKK

a. The current situation

The GDP growth in the final quarter of 2010 reached 4.4% yoy (the highest since Q3 2008) supported by faster pace of individual and public consumption and inventories' rise, while investment stagnated. The increase in industrial output was in line with expectations, indicating a continuing expansion, fuelled mostly by the external demand. Although the construction output increased even more than the industrial output, this figure turned out to be disappointing when the very low base of the previous year (due to bad weather) is taken into account. The retail sales growth in January proved to be weaker than anticipated, decelerating in real terms to 2.3% yoy from 9.1% in December, but recovered in February. The effect of shifting some part of consumption demand to late 2010 ahead of introduction of VAT hike and other regulations was stronger than earlier expected.

b. Economic policy and country's key features relevant for the outlook

At the beginning of 2011 the evaluation of the economic situation in Poland remains moderately positive. After a temporary fall in the consumer demand in the first quarter of 2011, its later revival is expected during the year supported by increased incomes of household and low savings ratios. The industry will continue quite a fast export-led expansion and construction will be still benefitting from demand created by the EU-funded infrastructure projects.

However, improved business climate, growing world prices of commodities, contributing to higher inflation and inflationary expectations lead to a monetary policy tightening. Fiscal policy stance will also become more restrictive. Government plans to reduce considerably the budget deficit, both cutting spending and rising tax revenues. A large part of the deficit reduction this year will occur due to a decline in contributions to open pension funds and VAT hike, reinforced by introduction of a strict expenditure rule (a ceiling equal to expected inflation+1) and continued freezing of public sector wages.

c. The outlook

We expect a slight growth deceleration in 2012 due to envisaged turn to a restrictive policy stance. Also a stimulus to the private consumption growth coming from the EURO 2012 may not meet government expectations (0.5 p.p. contribution). But this should not pose a threat to the GDP growth close to 4%, provided that the expected revival in private investments occurs and the good record of the global economy will prevail.

Country: **Poland**Institute: **IBRKK**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	353,7	4,1	3,9	
Private consumption	217,7	3,3	3,6	
Public consumption	66,1	2,9	1,7	
Gross fixed capital formatio	69,1	7,7	7,0	
Private excl. dwellings				
Dwellings				
Change in stocks (1)	3,5	0,7	0,0	
Total domestic demand	356,4	4,6	4,6	
Exports of goods and services	147	10,6	11,3	
Imports of goods and services	149,7	12,5	13,7	
Net exports (1)	-2,7	-0,5	-0,7	
GDP deflator		3,3	2,7	
Consumer prices		3,4	2,9	
Private consumption deflator		3,4	2,9	
Output gap (2)		-0,1	0,6	
Unit labour costs (3)		3,3	2,5	
Nominal hourly gross wage rate		5,5	5,5	
Employment (thousands)	15960	2	1	
Unemployment rate (4)		11,3	10,5	
Real household disposable income		2,6	3	
Net saving ratio (households) (5)		4,9	4,3	
Public sector fiscal balance (6.7)		-5,8	-3,9	
Gross public debt (6.7)		54	53,5	
Current account balance (6)		-4	-4,2	
Central bank policy rate (non-EMU countries)		4,1	4,3	
Short-term interest rate (3 months) (8)		4,2	4,4	
Long-term interest rate (10 years) (8)		5,5	5,6	
United States Federal funds rate				
GDP				
USA		3	2,7	
Japan		1,6	1,9	
Euro Area		1,7	1,9	
World trade volume (goods)		7	6,7	
Oil price (9)	79,6	105	107,5	
Exchange rate				
Dollar/Euro	1,325	1,38	1,42	
Yen/Euro				
Local currency /Euro for non-EMU countries	3,995	3,89	3,8	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Slovakia SAVBA

a. The current situation

The economic recession in Slovakia was caused primarily by a decline in external demand with a negative impact on industrial production (especially in the automotive industry), a decline in construction and in domestic demand. The Slovak economy has recovered from crisis and deep recession in 2009 with an annual GDP growth at 4,0 % in 2010, the highest among the EU members. The growth of the economy has been driven mainly by the revival in external demand and by rebuilding of inventories. Industrial production increased due to improvement of situation in the automotive industry. The crisis was inevitably reflected in development of public finance as well as labour market, where unemployment rate of 14,4% has been recorded in 2010. The general government deficit reached 8,0 % of GDP in 2009 and 7,8 % of GDP in 2010. The deterioration of general government budget balances in the last two years resulted in substantial increase of general government debt. Since 2008, the general government debt in percentage of GDP grew from 27,8 % to 41,0%.

b. Economic policy and country's key features relevant for the outlook

The present economic policy is focused on fiscal consolidation, with the objective to decrease the general government deficit below the Maastricht threshold in 2013. This should be realised by both expenditure cuts and revenue increase. The first measures have been already implemented in 2010. The revenues are to be increased by the higher VAT rate as well as by higher excise taxes. The draft version of the tax and social contribution reform is currently under discussion and it is expected to be adopted by the parliament this year. Active labour market instruments are necessary to decrease the unemployment rate.

c. The outlook

Although it is expected that the economy will continue in recovery in next two years, reaching pre-crisis levels of GDP growth is not feasible. In 2011, revival in several industry branches is predicted. However, the impacts of recession on the labour market will still persist. After little improvement in the end of 2010, the unemployment rate is expected to reduce only slightly to approximately 13,8% in 2011 and 13,0% in 2012. Enterprises will prefer raising productivity to accepting new employees. The public debt will rise moderately with the general government deficit decreasing gradually to the Maastricht threshold. Fiscal consolidation will contribute to the overall stabilisation of the economy; however, it can weaken domestic demand in the short term. Due to such factors as the higher VAT rate, increase of oil prices and agricultural commodities, inflation is expected to rise in next to years, mainly in 2011.

Country: **SLOVAKIA**Institute: **SAVBA**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	65,9	3,8	4,7	
Private consumption	37,9			
Public consumption	12,7			
Gross fixed capital formation	13,4			
Private excl. dwellings				
Dwellings				
Change in stocks (1)				
Total domestic demand	66,1			
Exports of goods and services	53,3	11,7	14,0	
Imports of goods and services	54,0	11,7	14,4	
Net exports (1)	-1,0			
GDP deflator	1,3			
Consumer prices	0,7	3,1	2,9	
Private consumption deflator	1,5			
Output gap (2)	-2,2			
Unit labour costs (3)				
Nominal hourly gross wage rate				
Employment (thousands)	2318,0	0,9	1,1	
Unemployment rate (4)	14,4	13,8	13,0	
Real household disposable income	40,2	5,2	6,5	
Net saving ratio (households) (5)	8,0			
Public sector fiscal balance (6.7)	-7,8	-5,0	-4,5	
Gross public debt (6.7)	41,0	47,0	52,0	
Current account balance (6)	-3,5			
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)	1,1			
Long-term interest rate (10 years) (8)	3,9			
United States Federal funds rate				
GDP				
USA				
Japan				
Euro Area				
World trade volume (goods)				
Oil price (9)				
Exchange rate				
Dollar/Euro				
Yen/Euro				
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Slovenia SKEP

a. The current situation

A relatively modest recovery with GDP growth of 1.2 % in 2010 is being marked by continued deteriorating labour market and very tight financial markets. The recovery of the Slovenian economy has been sluggish and dependent mostly on the exports, that significantly improved in the second half of 2010 and reached a 7.8 % increase over the whole 2010. Domestic consumption has been marked by continuing deterioration of investment activities - down for 6.7 % in 2010, after a 21.6 drop in 2009. This has been mostly due to troubled situation in construction, where the activity has fallen to the level of the year 2005. Investments in machinery and equipment in manufacturing has, on the other side already shown some recovery. Household consumption recorded a minor surplus, with 0.5 % growth in spite of the sluggish labour market situation and relatively low real wages growth of 2.1 %. The latter was mostly influenced by an enormous rise in minimum wage in the beginning of 2010 and the restructuring of industrial sector employment hampering the lowest paid workers. Unemployment rate increased from 5.9 % in 2009 to 7.2 % in 2010. Inflation rate has been stable at 1.8 % annual level at the end 2010. The risks of higher inflation remain associated with increasing commodity prices, especially of food.

b. Economic policy and country's key features relevant for the outlook

The crisis specifically revealed several structural weaknesses and imbalances in the Slovenian economy, related to productivity, competitiveness and financing.

In terms of productivity, Slovenia lags behind the EU average because of insufficient development in the economic structure towards high-tech and knowledge-based activities. The deteriorating competitiveness of the Slovenian economy can also be contributed to a significant deterioration of the cost competitiveness due to rising unit labour cost. With the aim to improve competitiveness, the government adopted a set of short term measures in the field of employment, payment discipline, efficient financing of companies, governance and administrative procedures. The measures are to be in force in 2011 and 2012.

One of the key policy challenges is the low employment rate of older workers, on the labour market. That is also related to a relatively low current retirement age. The proposed (but still not approved) pension reform aims at eliminating the key shortcomings in the current system, by implementing a higher retirement age, a more sustainable indexation formula and incentives for longer activity. If adopted, it will come into force in 2012. Another issue is the needed improvements in the labour market legislation towards flexicurity that are subject to a demanding negotiation process in social dialogue.

The Slovenian banking system has a relatively low core capital (TIER 1) and are thinly capitalised compared to other EU countries. The capitalisation of the two largest banks is underway in 2011. With the low value of core capital, banks have fewer possibilities for taking additional risks. Similarly, the access to financing resources is hindered, which further diminishes support of the banking system to the economy. In the second half of 2010, the decrease in the net flow of loans granted to enterprises and NFIs was the strongest after the crisis outbreak. One of the main reasons for this is deterioration of the quality of banks' total assets, because of which banks created additional impairments and provisions in 2010. In contrast, household borrowing was strong, mainly thanks to mortgage loans, which allowed shifting some credit risk from overextended construction companies to less-indebted households. The second reason for maintaining the low loan activity lies in the limited financing resources. With the low growth of households' deposits and the outflow of state deposits, banks will continue to depend on foreign resources.

The Government has adopted an ambitious fiscal consolidation plan, with measures aimed at public wages backdraws, lowering the indexation of pensions and other social transfers as well also in cut or postponement of some of the public investments. In 2010, the general government deficit is estimated at 5.3 % of GDP, while general government gross debt is expected to reach 38.2 % of GDP. General government debt would reach 60 % of GDP by 2015 without efficient structural measures being enacted. Currently envisaged medium fiscal framework aims at reducing the general government deficit below 3 % of GDP and at stabilising general government gross debt below 45 % in 2013.

c. The outlook

The outlook is essentially dependent on the developments on the export markets and of the ability of the Slovenian economy to adapt to the changing demands of the markets. This requires improvements in the business environment, easier access to financing for the corporate sector, and smoothing the supply chains - also dependent on the disposal of parts and raw materials.

Our estimation for Slovenian economy is a 1.7 % GDP growth in 2011 and 2.4 % in 2012, associated with considerable uncertain conditions: low investment activities, pressing commodity prices, tight financial markets and tense fiscal austerity measures.

Export growth is again estimated to be the main engine of economic activity in both 2011 and 2012. Investment activity, which fell considerably in the last two years, still represents a very high risk, and a positive change could not be expected before the year 2012 - with 3 % growth. Consumption growth is also expected to be modest in view of weak labor market conditions and fiscal retrenchment. Labor market

conditions are not promising improvements before the end 2012. Although a growth path of the economy is expected to gradually improve in the second half of 2012, the job creation is still very uncertain. Employment is estimated to decrease by 2.2 % this year and additionally 0.7 % in 2012. Unemployment is foreseen to increase next year with ILO unemployment rate reaching 8 percent. Real wage growth would be, with the adopted policy in 2011 and 2012, moderate. Wages growth in 2010 is foreseen at around 1 % in real terms also due to a backdraw in public sector wages. Inflation will rise over the forecast period, and could come very close to 3 % annually.

Country: **SLOVENIA**Institute: **SKEP**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	36	1,7	2,4	
Private consumption	20	0,9	2,1	
Public consumption	7	1,3	2,4	
Gross fixed capital formation	8	-0,5	3,0	
Private excl. dwellings				
Dwellings				
Change in stocks (1)	309			
Total domestic demand				
Exports of goods and services	23	8,0	8,0	
Imports of goods and services	23	6,2	8,1	
Net exports (1)	189			
GDP deflator	0,7			
Consumer prices		2,6	2,4	
Private consumption deflator				
Output gap (2)				
Unit labour costs (3)				
Nominal hourly gross wage rate		3,6	3,5	
Employment (thousands)				
Unemployment rate (4)		8	8,1	
Real household disposable income				
Net saving ratio (households) (5)				
Public sector fiscal balance (6.7)		-5	-4	
Gross public debt (6.7)		42	44	
Current account balance (6)		-0,6	-0,7	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)				
Long-term interest rate (10 years) (8)				
United States Federal funds rate				
GDP				
USA				
Japan				
Euro Area				
World trade volume (goods)				
Oil price (9)	79,6	105	98	
Exchange rate	1,33	1,36	1,37	
Dollar/Euro				
Yen/Euro				
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Spain CEPREDE

a. The current situation

The Spanish economy still shows symptoms of the severe crisis experienced during the previous two years, and even when the rates of real GDP growth was slightly positive at the end of last year, with a significant net contribution of external sector, the severe restrictions facing domestic demand have not yet permitted the recovery of significant growth rates

The rate of unemployment reaches rates below 20,5% and it means the most important problem to be solved by the Government. In addition, Spain has to decrease the public deficit to adapt the numbers to the recommendation of Bruxelles pushing additional downward pressures to domestic demand.

b. Economic policy and country's key features relevant for the outlook

The fiscal consolidation will remain the priority objective of the Spanish government so the fiscal policy will maintain a clearcontractive bias in the coming years.

Additionally, even when monetary policy may seem slightly expansionary in relation to the Spanish inflation, spreads of public debt will be transferred to other markets raising interest rates significantly above the levels of intervention by the ECB.

c. The outlook

Given these constraints on economic policy, joined with high unemployment rates accumulated during the last crisis and the still unfinished housing market correction, the potential expansion of the Spanish domestic demand is quite limited in the sort term.

Thus, the low GDP growth expected for the next two years will be largely influenced by developments in the external sector, where maintaining the pace of import growth in the eurozone as a whole becomes a key element Spanish recovery support.

As a result of the weak growth expected in the coming years, the high unemployment rate accumulated during the crisis will take a long time to be reduced significantly and it will brake the recovery of the Spanish economy.

Country: **SPAIN**Institute: **CEPREDE**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	1062,0	0,8	1,0	
Private consumption	620,516	0,9	1,3	
Public consumption	220,775	-1,1	0,6	
Gross fixed capital formation	238,7	-1,7	2,0	
Private excl. dwellings	147,4	5,1	5,9	
Dwellings	49,7	-4,5	0,8	
Change in stocks (1)	5,6	0,0	-0,1	
Total domestic demand	1085,6	0,0	1,5	
Exports of goods and services	279,0	7,9	4,3	
Imports of goods and services	302,0	4,2	4,6	
Net exports (1)	-23,0	0,9	-0,2	
GDP deflator	137,4	1,0	1,6	
Consumer prices				
Private consumption deflator	133,9	2,1	2,1	
Output gap (2)				
Unit labour costs (3)		-0,5	0,5	
Nominal hourly gross wage rate		0,5	1,3	
Employment (thousands)	18456,5	18455,2	18609,1	
Unemployment rate (4)	20%	20%	20%	
Real household disposable income		-1,0	0,2	
Net saving ratio (households) (5)	15%	13%	13%	
Public sector fiscal balance (6.7)	-10%	-8%	-7%	
Gross public debt (6.7)	64%	69%	73%	
Current account balance (6)	-4%	-4%	-5%	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)	0,8	1,1	1,9	
Long-term interest rate (10 years) (8)	4,2	4,5	4,6	
United States Federal funds rate	0,4	0,6	1,5	
GDP				
USA	2,9	2,7	2,8	
Japan	2,9	0,5	2,2	
Euro Area	1,7	1,5	1,7	
World trade volume (goods)	12,2	7,8	7,3	
Oil price (9)	79,5	98,5	91,8	
Exchange rate				
Dollar/Euro	1,324	1,323	1,270	
Yen/Euro	136,7	145,3	131,4	
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Spain SGEI.- M^o E.y H.

a. La conjoncture actuelle.

Après la sévère récession de l'année précédente, l'économie espagnole amorce en 2010 un procès d'ajustement et de récupération visant à corriger les déséquilibres engendrés pendant la longue phase d'expansion antérieure. L'ajustement suit, d'un côté, la démarche conventionnelle de réduction de la demande interne et d'impulsion des exportations, tachant de réduire le déficit extérieur par compte courant qui avait atteint un maximum autour du 10% du PIB en 2007 et 2008 et qui vient de se réduire à moins de moitié, au 4,5% en 2010.

La composition interne de la variation du PIB reflète aussi la teneur d'ajustement. En moyenne annuelle le PIB diminua de 0,1%. Or la demande interne enlevait 1,2 p.p. à la croissance du PIB, alors que la demande externe nette lui apportait 1,1 p.p.. La consommation privée atteignait un taux de croissance positif de 1,2%, alors que les autres composants de la demande interne subissaient des taux négatifs, sauf l'investissement en équipement lequel atteignait 1,8%. La consommation publique et les autres composants de la FBCF diminuaient, en particulier l'investissement dans le bâtiment dont la chute atteint 11,1%, en enlevant 1,6 p.p. à la croissance du PIB.

D'autres traits de cet ajustement se sont traduits par une diminution des heures œuvrées de 1,7% et une augmentation de la productivité par heure de 1,6%. Cela, joint à une croissance modérée de 0,2% du coût horaire du travail, se traduisait par une chute du coût du travail par unité produite de 1,4%, une chute inouïe dans l'histoire économique récente. Ceci étant, la participation des revenus salariaux dans le PIB, laquelle avait augmenté au cours des trois dernières années, se réduisait plus d'un point pourcent, jusqu' à 47,9%. Cela permit la récupération des marges des entreprises par unité produite, même si la part du PIB correspondante à l'excédent des entreprises diminuait aussi légèrement, dû au fait que la part destinée aux impôts augmenta un 1,5 p.p. du PIB.

Or ce procès d'ajustement fut perturbé, mais pas interrompu par la crise de la dette souveraine, laquelle secoua les économies de la périphérie de l'Euro zone dès le printemps de 2010. Les différentiels de rentabilité exigés à la dette publique de ces pays, ont subi une forte augmentation, au travers des épisodes successifs de méfiance des marchés financiers quant à la capacité de ces pays pour faire face aux échéances de remboursement de leurs dettes. Cette crise traversa des moments cruciaux lors de la rançon de la Grèce et puis de l'Irlande en 2010; cette première semaine d'avril elle vient de déboucher sur la rançon du Portugal.

En ce qui concerne l'économie espagnole, l'éclatement de la crise imposa un changement de cap radical de la politique économique à partir du mois de mai de 2010. Le durcissement de la politique fiscale et le programme de réformes structurelles visent à endiguer le déséquilibre des comptes publics et le poids de la dette publique par rapport au PIB.

L'assainissement budgétaire qui comprend des augmentations d'impôts ainsi que des réductions des dépenses atteint en 2010 les objectifs prévus: le déficit public atteint 9,2% en pourcentage du PIB, face au maximum de 11,1% observé en 2009. C'est à dire que l'ajustement budgétaire suivit le calendrier accordé avec Bruxelles au printemps dernier. Le déficit global fut réduit de 1,9 points pourcent du PIB par rapport à 2009. On estime qu'autour de 55 pourcent de cette réduction résulte de l'augmentation des ressources, alors que le 45 pourcent restant provient de la diminution des dépenses.

Les revenus fiscaux se sont accrus de 3,9 %, quelque trois points pourcent au-dessus de la croissance du PIB nominal. Cette récupération est due fondamentalement à celle des rendements de la TVA avec une augmentation au-dessus de 40% et, dans une moindre mesure, aux rendements accrus de l'impôt sur les revenus des personnes physiques. De coté des dépenses, il y a eu des réductions des frais de personnel (les salaires des fonctionnaires ont été abaissés de 5% à partir du mois de juin), des achats de biens et de services et, surtout, des dépenses de capital, lesquels ont été réduits d'un point de PIB.

Du point de vue économique, la réduction du déficit publique signifia une action restrictive importante sur l'économie, puisque avec une diminution du PIB de 0,1%, le seul effet des stabilisateurs automatiques aurait induit une augmentation du déficit de 1,3 p.p. de PIB. C'est à dire que, sans prendre des mesures, le déficit aurait monté aux alentours du 12,5%, plus de trois points de PIB au-dessus du niveau observé.

b. Les Prévisions 2011-2012.

Pour l'année en cours nous attendons une croissance positive légèrement supérieure à 1,0%, provenant du secteur extérieur, alors que la demande interne resterait stable, avant d'apporter l'année prochaine 1,3 p.p. à la croissance du PIB. La consommation privée va probablement se décélérer un peu en 2011, dû à la faible augmentation des revenus salariaux des foyers, érodée par la hausse de l'inflation et la montée des taux d'intérêt. L'année prochaine l'augmentation de la création d'emploi et la baisse de l'inflation, entre autres, permettent d'attendre une accélération de la dépense des foyers.

L'investissement va prolonger en 2011 son évolution à la baisse des trois dernières années, à cause de l'ajustement que subit le secteur de la construction. Par contre, pour les biens d'équipement on attend une récupération en 2011, déjà amorcée

l'année dernière. En sens inverse, l'investissement dans la construction diminuera encore en 2011, en particulier la construction résidentielle.

Pour sa part, la politique de réduction des dépenses publiques, exigée dans le cadre du Programme de Stabilité pour atteindre les objectifs de déficit public, va à entrainer une réduction en termes nominaux des investissements effectués par les différentes instances des Administrations Publiques, cette année et l'année prochaine. Car la priorité absolue d'atteindre un déficit public de 6,0 % du PIB en 2011 prime au-dessus de toute autre dans ce Programme.

Country: **SPAIN**Institute: **SGEI.- Mº E.y H.**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	1.062,6	1,3	2,3	
Private consumption	620,5	0,9	1,4	
Public consumption	220,8	-1,3	-0,8	
Gross fixed capital formation	238,7	-1,3	2,7	
Private excl. dwellings	189,0			
Dwellings	49,7	-4,1	2,5	
Change in stocks (1)		0,0	0,0	
Total domestic demand	1.085,6	0,0	1,3	
Exports of goods and services	279,0	8,3	7,9	
Imports of goods and services	302,0	3,0	4,1	
Net exports (1)		1,3	1,0	
GDP deflator		1,2	1,5	
Consumer prices				
Private consumption deflator		2,8	1,9	
Output gap (2)				
Unit labour costs (3)		-0,6	0,3	
Nominal hourly gross wage rate				
Employment (thousands)		43,0	208	
Unemployment rate (4)		19,8	18,8	
Real household disposable income				
Net saving ratio (households) (5)		11,8	11,5	
Public sector fiscal balance (6.7)		-6	-4,4	
Gross public debt (6.7)		67,3	68,5	
Current account balance (6)		-3,9	-3,2	
Central bank policy rate (non-EMU countries)				
Short-term interest rate (3 months) (8)		1,6	2,5	
Long-term interest rate (10 years) (8)		3,3	3,6	
United States Federal funds rate		0,25-0	0,5	
GDP				
USA		3,2	3,3	
Japan		0	0,6	
Euro Area		1,7	1,7	
World trade volume (goods)		10	9	
Oil price (9)		110,7	109,7	
Exchange rate				
Dollar/Euro		1,39	1,39	
Yen/Euro		115	120	
Local currency /Euro for non-EMU countries				

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Sweden CSE

a. The current situation

The Swedish economy is at the moment growing at record pace, and is back at pre-crisis levels. However, these growth figures are to a large extent caused by an increase in stocks. The underlying demand is not as strong as one would think. It is important to bear in mind that this is a recovery; some companies are still a long way from producing at pre-crisis levels. However, consumption is still strong, boosted by lower taxes, low interest rates combined with an improving labor market. Both companies and consumers are also very optimistic about the future.

b. Economic policy and country's key features relevant for the outlook

Government finances are very good and are expected to get even better, with increasing budget surpluses. The government is at the moment very much focused on reducing sovereign debt, despite the fact that it is already relatively low. The Riksbank is increasing its policy rate, but the monetary policy is still very expansionary. Monetary policy is expected to continue getting less expansionary throughout the forecast period.

c. The outlook

As the restocking effect is mainly over, Swedish GDP-growth is expected to slow down. However, an improving global demand for Swedish investment goods and a continued strong development of the labor market implies relatively strong growth figures looking ahead. Budget surpluses and low sovereign debt implies room for much needed policy reforms, such as a lower tax on capital gains, but the government will to a large extent continue to repay debt and save for a rainy day. Fiscal policy is expected to turn slightly expansionary during 2012. Monetary policy is expected to remain expansionary throughout most of the period.

The main risk to the baseline scenario comes from inflation picking up. Commodity prices are increasing fast. Also many wages are being negotiated starting this fall, with a significant risk of the increases getting too high. Higher inflation and higher interest rates could be detrimental to the recovery. See also question 1b for further risks to the outlook.

Country: **SWEDEN**Institute: **CSE**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	346.1	3.9	2.8	
Private consumption	162.4	2.9	3.2	
Public consumption	94.2	1.1	1.2	
Gross fixed capital formation	61.5	7.0	5.0	
Private excl. dwellings	39.4	6.9	4.9	
Dwellings	9.4	12.2	7.9	
Change in stocks (1)	2.2	0.7	0.0	
Total domestic demand	325.8	3.7	2.8	
Exports of goods and services	172.9	6.6	3.5	
Imports of goods and services	152.6	7.0	4.0	
Net exports (1)	20.3	0.2	0.0	
GDP deflator	na	na	na	
Consumer prices	1.2	3.0	2.9	
Private consumption deflator	1.3	2.0	2.3	
Output gap (2)	na	na	na	
Unit labour costs (3)	na	na	na	
Nominal hourly gross wage rate	2.5	na	na	
Employment (thousands)	4545	1.9	1.5	
Unemployment rate (4)	8.4	7.8	7.2	
Real household disposable income	176.6	1.5	1.7	
Net saving ratio (households) (5)	10.8	9.4	8.1	
Public sector fiscal balance (6.7)	-0.3	na	na	
Gross public debt (6.7)	39.1	na	na	
Current account balance (6)	6.3	5.2	4.4	
Central bank policy rate (non-EMU countries)	0.51	1.85	3.00	
Short-term interest rate (3 months) (8)	0.51	2.03	3.05	
Long-term interest rate (10 years) (8)	2.88	3.56	4.05	
United States Federal funds rate	0.25	0.25	0.88	
GDP				
USA	11052,2	2,8	3	
Japan	na	na	na	
Euro Area	9188,9	1,5	1,7	
World trade volume (goods)	na	na	na	
Oil price (9)	79,51	102,5	102,5	
Exchange rate				
Dollar/Euro	1,33	1,4	1,38	
Yen/Euro	na	na	na	
Local currency /Euro for non-EMU countries	9,54	8,71	8,4	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Sweden NIER

a. The current situation

The Swedish economy is now recovering rapidly. The growth rate for the full year 2010 was 5.5 percent, and virtually the entire previous fall in GDP has been regained. The growth in 2010 is largely a rebound from the sharp drop sustained earlier and is due partly to inventory adjustment by firms.

Employment bottomed out in the third quarter of 2009 and has increased since then by some 90 000 persons. But employment is still much lower than in the summer of 2008, that is, before the crisis on the financial markets became acute. Unemployment is around 8 percent, and the labour market remains in a severe slump.

The speedy recovery of the Swedish economy is attributable to several interacting factors. Globally, economic policy has been given a strongly expansionary stance in order to counteract both the crisis in itself and the ensuing worldwide economic downturn. The increase in worldwide demand has played an important part in the upturn of the Swedish economy. Swedish exports dropped sharply when world trade plummeted in the acute phase of the crisis.

At the same time, policy measures to stimulate the domestic economy, as well as the upturn of the labour market, have improved the financial situation of Swedish households, which now are taking a much brighter view of the economy.

b. Economic policy and country's key features relevant for the outlook

Although the economy is now recovering rapidly, resource utilization in the economy as a whole, measured as the GDP gap, will not return to balance until the end of 2013, when inflationary pressure will still be comparatively low.

The Riksbank has begun to shift monetary policy in a less expansionary direction. At the end of 2013, the Riksbank's repo rate, is expected to approach 4 percent, a level considered compatible in the longer term with a cyclically balanced economy and 2 percent inflation.

Another consequence of the deep economic slump is that fiscal policy has also been given an expansionary stance. The Budget Bill for 2011 includes proposals for unfunded measures amounting to some SEK 13 billion. In the NIER's forecast, the Government will implement additional unfunded measures, rendering fiscal policy almost neutral 2011 and with a slightly expansionary stance 2012.

By international comparison, general government net lending is high in Sweden, and central government debt is low. In view of the forecast fiscal policy, cyclically adjusted general government net lending will average 1.2 percent in 2010–2012. The forecast

fiscal policy is thus considered appropriate in relation to the surplus target for general government finances. The forecast fiscal policy is also viewed as appropriate from a stabilization policy standpoint.

c. The outlook

As The level of exports is still below their high point before plummeting in 2008. The contribution of the inventory cycle will fade away in the period ahead. G, export demand growth in demand for Swedish exports in other countries will thus drop from over 10 percent in 2010 to around 7 percent in 2011 and 2012. At the same time, the Swedish krona will continue to strengthen, and . In total this means that the growth rate for Swedish exports growth will drop considerably 2011 and 2012. from almost 11 percent in 2010 to 6 percent in 2012.

Demand from abroad is normally the principal driving force when the Swedish economy is pulling out of a slump. The recovery that we are presently witnessing, however, is different in this respect. In the current recovery, domestic demand has so far been rising faster than GDP, and this tendency will continue in the period ahead. One reason is that growth is weak in the OECD countries; another is that conditions for an upswing in domestic demand are favourable, including low interest rates, tax cuts, the labour market upturn, rising household incomes and a brighter outlook on the economy.

Real household disposable income growth of 6.5 percent in 2010–2012, together with steady improvement of the labour market and demand-stimulating economic policy, mean that households increase their consumption by a total of around 6.3 percent in 2011–2012. Saving will continue to decrease.

Business sector output has grown rapidly in the last few quarters, particularly in manufacturing. But manufacturing output is still much lower than it was before plunging in 2008. I. In service industries, , on the other hand, output is now higher than it was just before the downturn, and the construction industry has regained virtually all of the ground lost. But the slump in these two industries was not as deep as in manufacturing. This situation reflects the unusual importance of domestic demand in the recovery of 2010–2012.

Rising capacity utilization and depressed investment levels after the 20 percent decrease in 2009, together with strong expectations, rising output and profits, as well as advantageous financing terms, mean favourable conditions for an investment upswing. Housing investment has started to pick up strongly in 2010. In manufacturing, by contrast, investment will not begin rising in until 2011. For the business sector as a whole, investment will be higher in 2012 than before its precipitous drop in 2009.

Driven by surging demand means that imports, too, will be rising rapidly. and a stronger krona, imports will also be stimulated by a stronger krona, and for the full period 2010–2012, they will be increasing somewhat faster than exports 2010–2012.

At the outset of 2011, growth will slow substantially. For the full year 2011, growth will be 3.8 percent in calendar-adjusted terms. In 2012 calendar-adjusted growth will slacken further to 3.3 percent.

The Swedish economy is now in an upward spiral where rising demand is leading to increased output, higher employment and a brighter outlook on the future, which then drive up demand further. Unemployment will still remain high, and resource utilization on the labour market as a whole will place no limitation on growth.

The surge in output over the last few quarters has led to a substantial increase in employment. At the same time, however, there have been ample spare resources at firms; productivity has therefore risen rapidly in the business sector. But the increase in productivity is not entirely cyclical. To a substantial extent, it is viewed as lasting and is thus expected to contribute to a permanent increase in the potential output of the business sector.

Resource utilization at firms is now almost normal. It will rise slightly more in the period ahead and reach a cyclically balanced level during some time in 2011. This will tend to curtail productivity the growth of productivity in 2011 and 2012 compared to 2010. Consequently, even though output will not increase as rapidly inslower 2011 and 2012, demand for labour – and thus employment – will continue to increase, especially. In 2012 the number employed will be 2.5 percent higher than in 2010, equivalent to some 110 000 persons. The increase will be greatest in the services and construction industries. In manufacturing and the general government sector, the number employed will not change appreciably during the period.

The improved situation on the labour market will attract more people into the labour force. The labour force will also increase as a consequence of policy measures taken by the Government, such as the tax credit on earned income and changes in the sickness insurance scheme. Unemployment will therefore recede rather slowly, and in 2012 it will still be up at 7.6 percent. This is roughly 1.1 percentage point higher than the unemployment rate considered by the NIER to be compatible in the longer term with 2 percent inflation and cyclical balance.

The high unemployment and the lower rate of centrally agreed increases in wages and salaries mean that earnings will increase at a modest rate in 2010–2012. In the business sector, the cost of labour per hour worked is forecast to rise by a total of approximately 7 percent during the period. At the same time, productivity will go up by 9.5 percent; consequently, with all factors taken into account, the so-called unit labour cost of labour will decrease during the period.

Ahead, it follows that cost pressure at firms, which was previously high, will be limited, and the profit share in the business sector will stabilize around a normal trend level in 2011 and 2012, despite modest price increases even though firms only raise prices modestly. Continued appreciation of the krona will help to keep a lid on import prices of imports. On the other hand, comparatively strong domestic development of demand will make it somewhat easier for firms to raise prices to consumers.

All these factors considered, inflation in terms of the CPIX inflation – that is, in terms of the (CPI adjusted for changes in home-mortgage interest rates) – will be 1.6 percent in both 2011 and 2012.

Country: **SWEDEN**Institute: **NIER**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	344,8	3,8		2,9
Private consumption	167,7	3,2		3,1
Public consumption	92,8	1,7		0,7
Gross fixed capital formation	60,3	10,6		8,2
Private excl. dwellings	38,2	12,8		10,4
Dwellings	11,2	13,2		8,1
Change in stocks (1)	2,6	-0,3		-0,2
Total domestic demand	323,4	3,8		3,2
Exports of goods and services	173,1	8,2		5,9
Imports of goods and services	151,6	8,9		6,8
Net exports (1)	21,4	0,2		0,0
GDP deflator	1,0	1,4		1,8
Consumer prices	1,3	2,2		2,2
Private consumption deflator	1,3	1,0		1,1
Output gap (2)	-4,1	-2,34		-1,23
Unit labour costs (3)	-2,6	1,3		1,5
Nominal hourly gross wage rate	2,6	2,78		3,28
Employment (thousands)	4428,5	1,64		0,81
Unemployment rate (4)	8,4	7,94		7,62
Real household disposable income		3,3		3,6
Net saving ratio (households) (5)		10,6		10,5
Public sector fiscal balance (6.7)		0,1		0,4
Gross public debt (6.7)		36,9		35,4
Current account balance (6)		5,9		5,7
Central bank policy rate (non-EMU countries)		1,68		2,47
Short-term interest rate (3 months) (8)		1,84		2,61
Long-term interest rate (10 years) (8)		3,5		4,2
United States Federal funds rate		0,25		0,83
GDP				
USA		3		3
Japan		1,6		1,7
Euro Area		1,6		1,7
World trade volume (goods)				
Oil price (9)		88,54		89,54
Exchange rate				
Dollar/Euro		1,34		1,35
Yen/Euro		114,2		120,9
Local currency /Euro for non-EMU countries	9,6	9,1		8,99

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

Switzerland KOF

a. The current situation

The Swiss economy recovered quickly from the 2008/09 recession. The appreciation of the Swiss franc also seems to have hampered the upturn less than expected: The feared sharp decline in exports has not materialised until now. Growth in exports slowed distinctly towards the end of last year but remained slightly positive. In addition, the KOF economic surveys suggest that the order books are well filled. The companies compensated for the appreciation of the franc in part by lowering their margins. The monetary policy is very expansionary but inflation levels are quite low

b. Economic policy and country's key features relevant for the outlook

Fiscal policy (general government) is expected to be very mildly expansionary in 2011 and 2012. This is counteracted in 2011 by increases in social insurance contributions and changes in the unemployment insurance, tightening eligibility criteria and shortening the duration of benefit receipts.

c. The outlook

Due to the persisting strength of the franc and the moderate, yet stable outlook for the world economy, exports this year will rise overall by 3.5%. The remaining service exports, including commodity trade, which is becoming increasingly important for Switzerland, and the export of goods will grow by the same amount this year. The franc appreciation will have a dampening impact on the price of foreign goods and services. These will be declining, which will lead to higher demand, hence growing imports. The latter should rise overall by 6.1%.

Employment will continue to rise this year and unemployment will decline. In addition, the labour market will experience a one-time – statistical – effect in early April: Because of a revision of the unemployment compensation scheme, benefits for 16,000 people will end at the beginning of April. This will further lower the official unemployment rate to 3.0% in 2011.

Private consumption in 2011 will climb by 1.6% thanks to immigration, the propitious outlook for employment and a slight improvement in income development. Due to the announced budget-cutting programmes of some cantons and municipalities, public consumption will only grow by 1.0%.

Investments in construction in 2011 will grow by 1.0% in 2011 due to the phasing out of the economic stimulus measures. The lowering of the growth rate to 3.3% is mainly due to a reduction in public construction works. Residential construction will continue evolving positively. This year, investments in machinery and equipment will climb by

7.1% due to high utilisation of production capacities and the rationalisation measures counteracting the appreciation effect.

In contrast to many other countries, rising inflation in Switzerland is not an issue. The KOF expects that the situation will remain stable. The strong currency and the intense competition among retailers will keep a lid on food prices, so inflation for 2011 will stand at 0.7%. A slight move towards higher inflation (1.2%) will be seen in 2012 owing to the expected weakening of the Swiss franc and the continuing upswing in economic activity.

For 2011 and 2012, the KOF is expecting positive economic development overall. This year, gross domestic product (GDP) will grow by 2.8%. The growth rates should gradually weaken throughout the period until the end of 2012, so that the Swiss economy in 2012 will increase by 2.3%. Despite the moderate inflation outlook, we expect that the Swiss National Bank will begin to normalize monetary policy and to tighten their monetary policy in June 2011.

Country: **Switzerland**Institute: **KOF**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	395,0	2,8	2,3	
Private consumption	228,8	1,6	2,0	
Public consumption	43,5	1,0	0,3	
Gross fixed capital formation	81,4	4,3	3,7	
Private excl. dwellings	49,0	6,4	4,9	
Dwellings	26,1	3,5	3,2	
Change in stocks (1)	-1,3	1,6	0,3	
Total domestic demand	347,4	4,0	2,5	
Exports of goods and services	214,0	3,5	6,0	
Imports of goods and services	166,4	6,2	7,5	
Net exports (1)	2,1	-0,7	0,1	
GDP deflator	-0,5	0,8	0,8	
Consumer prices	0,7	0,7	1,2	
Private consumption deflator	0,7	0,7	1,2	
Output gap (2)	-1,6	-0,3	0,3	
Unit labour costs (3)	-1,6	-0,7	0,3	
Nominal hourly gross wage rate	33,7	1,2	2,0	
Employment (thousands)	3397,8	1,4	0,9	
Unemployment rate (4)	4,5	3,9	3,7	
Real household disposable income	254,9	0,9	1,1	
Net saving ratio (households) (5)	18,3	17,7	17,0	
Public sector fiscal balance (6.7)	0,4	0,6	0,9	
Gross public debt (6.7)	39,5	38,4	37,2	
Current account balance (6)	15,0	14,2	13,9	
Central bank policy rate (non-EMU countries)	0,3	0,40	0,9	
Short-term interest rate (3 months) (8)	0,2	0,4	0,9	
Long-term interest rate (10 years) (8)	1,6	2,1	2,5	
United States Federal funds rate	0,3	0,4	1,2	
GDP				
USA	2759,4	2,8	2,9	
Japan	1028,3	0,8	2,2	
Euro Area	9203,2	1,7	1,9	
World trade volume (goods)	11356,9	6,8	6,1	
Oil price (9)	79,6	101,6	102,2	
Exchange rate				
Dollar/Euro	1,33	1,4	1,4	
Yen/Euro	116,5	116,2	123,0	
Local currency /Euro for non-EMU countries	1,38	1,31	1,36	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

(6) Percent of GDP

(7) EMU definition.

(8) Percent. the benchmark yield of corresponding government securities

(9) Brent. USD/barrel. annual average

United Kingdom NIESR

Growth in 2011 will be lacklustre. The economy will expand by 1.5 per cent, barely higher than the 1.4 per cent expansion in 2010. Some of the output lost to the exceptionally poor weather in late 2010, when GDP fell by 0.5 per cent, will be regained in early 2011, but the average rate of growth across the two quarters will be just 0.1 per cent. With the recovery so subdued, this year's surge in inflation will peter out and CPI inflation will fall to 1.8 per cent in 2012.

What growth there is this year will come mainly from net trade, as exports rise by 6.4 per cent while imports increase by only 2.1 per cent. That impetus will continue in 2012, when net trade will contribute 1.4 percentage points out of total growth of 1.8 per cent. This reflects a belated response by exporters to a more competitive pound and the opportunities of faster-growing foreign markets. Corresponding to this, the manufacturing sector, which accounts for about half of all exports, has been performing strongly and expanded by 1.4 per cent in the final quarter of 2010.

Imports will be subdued partly because domestic producers have become competitive but mainly because domestic demand will grow by just 0.4 per cent a year in both 2011 and 2012. Government spending will fall while personal consumption will decline by 0.1 per cent this year. Real disposable income, which fell by 1 per cent last year, will decline further in 2011, by 0.8 per cent.

We have revised up our inflation projection for this year by around 1 percentage point. Around 2/3 of this is attributable to the oil price movements we have seen since October 2010. The oil price increases are expected to further reduce real incomes. By the end of 2011 per capita real incomes are expected to be 4 per cent below the peak in the fourth quarter of 2008. Around ¾ of this is due to the scar caused by the financial crisis. The rest is the consequence of the rise in oil prices. At the time of the forecast (January) market expectations were for the Bank of England to raise interest rates three times this year, starting in May.

The government's plans for spending over the next five years were published in October 2010. There was no overall change to the scale of fiscal consolidation; rather there was a re-distribution to have less of a cut in both government consumption and investment and an increase in the scale of the cut to the welfare budget. The plan for fiscal consolidation remains: to cut the deficit by 2 per cent of GDP this fiscal year, before rising in each and every year such that fiscal consolidation in 2015-16 is the equivalent of around 7 per cent of GDP. Despite this ambitious plan, we expect there to still be a general government deficit of around 3½ per cent of GDP in 2015 (down from 11.4 per cent of GDP in 2009). General government gross debt is expected to peak at just under 87 per cent of GDP in 2014 (up from 68.1 per cent at the end of 2009).

Country: **United Kingdom**Institute: **NIESR**

Variables	Level, € bn, current prices	Volume (% change from previous year, except if otherwise specified)		
		2010	2011	2012
GDP	na	1,5	1,8	
Private consumption	na	-0,1	0,5	
Public consumption	na	-0,7	-1,3	
Gross fixed capital formation	na	1,8	2,8	
Private excl. dwellings	na	5,3	5,1	
Dwellings	na	8,6	5,5	
Change in stocks (1)	na	0,3	0,0	
Total domestic demand	na	0,4	0,4	
Exports of goods and services	na	6,4	5,8	
Imports of goods and services	na	2,1	0,8	
Net exports (1)	na	1,1	1,4	
GDP deflator	na	3,3	2,2	
Consumer prices	na	3,8	1,8	
Private consumption deflator	na	4,2	1,8	
Output gap (2)	na	na	na	
Unit labour costs (3)	na	0,8	2,2	
Nominal hourly gross wage rate	na	na	na	
Employment (thousands)	na	-0,4	1,1	
Unemployment rate (4)	7,9	8,7	8,1	
Real household disposable income	na	-0,8	2	
Net saving ratio (households) (5)	4,9	4,8	6,3	
Public sector fiscal balance (6.7)	-10,1	-8,4	-7,1	
Gross public debt (6.7)	78,4	82,2	85,3	
Current account balance (6)	-2,2	-2	-0,4	
Central bank policy rate (non-EMU countries)	0,5	0,8	1,8	
Short-term interest rate (3 months) (8)	0,7	1	1,9	
Long-term interest rate (10 years) (8)	3,6	3,8	4,1	
United States Federal funds rate	0,3	0,4	0,9	
GDP				
USA	na	2,6	2,7	
Japan	na	2,1	1,4	
Euro Area	na	1,7	2	
World trade volume (goods)	na	7,8	5,7	
Oil price (9)	na	97,4	106,5	
Exchange rate				
Dollar/Euro	1,33	1,33	1,31	
Yen/Euro	116,3	109,8	108,9	
Local currency /Euro for non-EMU countries	0,86	0,84	0,83	

(*) Including intangible fixed assets, other products, and products of agriculture, forestry, fisheries and aquaculture.

(1) Percent of GDP of previous period (contribution to growth)

(2) Percent of potential GDP

(3) Compensation of employees per head divided by labour productivity per head. defined as GDP(vol) divided by total employees

(4) Percent of total labour force (according to Eurostat)

(5) Percent of net disposable income

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(9) Brent. USD/barrel. annual average