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European Economic Forecast

Spring 2020

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EUROPEAN ECONOMY

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European Commission
Directorate-General for Economic and Financial Affairs

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EUROPEAN ECONOMY

Institutional Paper 125

ABBREVIATIONS

Countries and regions

EU	European Union
EA	Euro area
BE	Belgium
BG	Bulgaria
CZ	Czechia
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
CN	China
JP	Japan
US	United States of America

CIS	Commonwealth of Independent States
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
MENA	Middle East and North Africa
ROW	Rest of the World

Economic variables and institutions

BIS	Bank for International Settlements
CCCI	Composite Credit Cost Indicators
CPI	Consumer price index
ECB	European Central Bank
ECDC	European Center for Disease Prevention and Control
ESI	Economic Sentiment Indicator
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund

NBER	National Bureau of Economic Research
OECD	Organisation for Economic Cooperation and Development
PMI	Purchasing Managers' Index
VAT	Value-Added Tax
WHO	World Health Organization
WTO	World Trade Organization

Other abbreviations

CICE	Tax credit for employment and competitiveness
COVID-19	Coronavirus disease 2019
FDI	Foreign Direct Investment
GVCs	Global value chains
NFC	Non-Financial Corporations
SME	Small and medium-sized enterprise
SSM	Single Supervisory Mechanism
PEPP	Pandemic Emergency Purchase Programme

Graphs/Tables/Units

bbl	Barrel
bn	Billion
bp. /bps.	Basis point / points
lhs	Left hand scale
mn	Million
pp. / pps.	Percentage point / points
pt. / pts.	Point / points
Q	Quarter
q-o-q%	Quarter-on-quarter percentage change
rhs	Right hand scale
tr	Trillions
y-o-y%	Year-on-year percentage change

Currencies

EUR	Euro
ECU	European currency unit
BGN	Bulgarian lev
CNY	Chinese yuan, Renminbi
CZK	Czech koruna
DKK	Danish krone
GBP	Pound sterling
HUF	Hungarian forint
HRK	Croatian kuna
ISK	Icelandic krona
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen
RMB	Renminbi
TRY	Turkish lira
USD	US dollar

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FOREWORD

In a matter of just a few weeks, the COVID-19 pandemic has profoundly affected public life around the globe. The virus is a public health challenge of unprecedented dimensions. The first concern of governments around the world is to protect the health and safety of their citizens. But it has also completely modified the outlook for the European and world economy. To contain the virus, EU Member States have had to take drastic measures that have put their economies into a state of hibernation. Economic activity in the EU dropped by around one third, practically overnight. Without such measures to contain the pandemic, however, the ultimate damage to society and the economy would doubtlessly be greater.

In the current quarter, economic output in the EU is set to be almost 16% lower than in the last quarter of 2019. Although activity is expected to pick up again with the just-initiated, gradual easing of containment measures, the contraction in EU GDP this year is expected to be 7½%, far deeper than during the financial crisis in 2009. In the near-term, the lockdowns implemented in most Member States and globally, reduce supply as many non-essential activities are suspended, delivery of inputs is disrupted, and workers are unavailable due to sickness, quarantine or because they have to take care of relatives and children whose schools are closed. Provided that the policy measures taken to support incomes, jobs, liquidity and investment are effective, economic activity should rebound once the confinement is gradually relaxed. Even so, demand is set to remain subdued for longer as workers concerned about their employment prospects will tend to save a higher share of their income, and firms faced with uncertainty about future sales will delay or cancel investment. Even if most of the impact is expected to be temporary, the pandemic will likely leave some persistent scars. The shortfall of investment compared to the autumn forecast, estimated at around EUR 850 billion in 2020 and 2021, and the drop in employment will reduce the economy's production potential, preventing a return to the previous trajectory of output.

As the coronavirus has spread across Europe, all Member States are faced with the same set of challenges. The EU and its Member States have reacted quickly. Governments have put in place large programmes in order to keep the economic tissue intact during the lockdowns. They involve liquidity support for firms to avoid bankruptcies, and support for workers to dampen income losses and avoid a surge in unemployment, as well as measures to avoid a financial meltdown. The actions of Member States have been complemented by actions at the EU level. These actions include a full flexibilisation of the use of the remaining structural funds, and the political agreements on the creation of a EUR 100 billion support scheme to mitigate unemployment risks, a EUR 25 billion guarantee fund for SMEs and a pandemic credit line from the European Stability Mechanism. Forceful action by the ECB has strongly reduced the tail risks for the EU economy. Without these measures, the contraction in EU GDP would have been about 4¾ percentage points deeper in 2020.

Fundamental uncertainty surrounds this forecast. The danger of a deeper and more protracted recession is very real. The point forecasts presented in this document should therefore be understood as just one among several possible scenarios. Different assumptions to those made here about the length of the lockdowns, the confinement measures still necessary in the period ahead, and the effectiveness of the policy response would lead to very different projections. Another surge in infections, for example, could reduce GDP by an additional 3 percentage points. The downside risks are thus particularly large.

The COVID-19 crisis risks leading to a further widening of economic divergences in the EU. While the pandemic is a symmetric shock, the impacts differ across Member States, reflecting the severity of the pandemic and stringency of related containment measures, different exposures due e.g. to the size of the tourism sector, and the available space for discretionary fiscal policy responses. As containment measures are starting to be gradually lifted, a strong European recovery plan needs to complement national action to rapidly bring those who lost their jobs back into employment, minimise scars from a prolonged shortfall in investment and, last but not least, compensate for the differences in the policy space among Member States. The risk otherwise is that the crisis will lead to severe distortions within the Single Market and to entrenched economic, financial and social divergences between euro area Member States that could ultimately threaten the stability of the Economic and Monetary Union. This recovery strategy has to be forward-looking and underpin the digital and green transitions. Standing together in the response to the pandemic is a question of solidarity and enlightened self-interest, since one country's measures can affect the health situation in others. A common European approach to tackling the pandemic's economic consequences is also a matter of efficiency, as economic and financial spillovers spread fast through the Single Market and Monetary Union. By acting together, we can overcome this crisis and build a common, better future.

Maarten Verwey

Director General
Economic and Financial Affairs

OVERVIEW: A DEEP AND UNEVEN RECESSION, AN UNCERTAIN RECOVERY

Unlocking activity: how quickly will the European economy emerge?

The COVID-19 pandemic has drastically altered the outlook for the European economy

The COVID-19 pandemic and the containment measures it has necessitated have profoundly disrupted people's lives and the economy. Global demand, supply chains, labour supply, industrial output, commodity prices, foreign trade and capital flows have all been affected. The pandemic struck the European economy when it was on a moderate path and still vulnerable to new shocks. It has also snuffed out nascent hopes that a trough might have been reached when manufacturing activity and foreign trade showed signs of bottoming out at the start of this year. Given the severity of this unprecedented worldwide shock, it is now quite clear that the EU has entered the deepest economic recession in its history.

Even if a relatively swift rebound is likely under a set of benign assumptions…

Real-time data suggest that economic activity in Europe has dropped at an unusually fast speed over the last few weeks, as the containment measures triggered in response to the crisis by most Member States in mid-March have put the economy into a state of hibernation. Economic output is thus set to collapse in the first half of 2020 with most of the contraction taking place in the second quarter. It is then expected to pick up, assuming (i) that containment measures will be gradually lifted, (ii) that after these measures are loosened the pandemic remains under control, and (iii) that the unprecedented monetary and fiscal measures implemented by Member States

Table 1:
Overview - the spring 2020 forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Belgium	1.4	-7.2	6.7	1.2	0.2	1.3	5.4	7.0	6.6	-0.7	-0.1	-0.3	-1.9	-8.9	-4.2
Germany	0.6	-6.5	5.9	1.4	0.3	1.4	3.2	4.0	3.5	7.6	6.1	7.4	1.4	-7.0	-1.5
Estonia	4.3	-6.9	5.9	2.3	0.7	1.7	4.4	9.2	6.5	2.3	1.1	2.2	-0.3	-8.3	-3.4
Ireland	5.5	-7.9	6.1	0.9	-0.3	0.9	5.0	7.4	7.0	-9.4	4.6	4.4	0.4	-5.6	-2.9
Greece	1.9	-9.7	7.9	0.5	-0.6	0.5	17.3	19.9	16.8	-0.3	0.1	-1.2	1.5	-6.4	-2.1
Spain	2.0	-9.4	7.0	0.8	0.0	1.0	14.1	18.9	17.0	2.0	3.2	2.7	-2.8	-10.1	-6.7
France	1.3	-8.2	7.4	1.3	0.4	0.9	8.5	10.1	9.7	-0.1	-0.1	-0.4	-3.0	-9.9	-4.0
Italy	0.3	-9.5	6.5	0.6	-0.3	0.7	10.0	11.8	10.7	3.0	3.4	3.3	-1.6	-11.1	-5.6
Cyprus	3.2	-7.4	6.1	0.5	-0.2	1.0	7.1	8.6	7.5	-5.7	-10.9	-10.1	1.7	-7.0	-1.8
Latvia	2.2	-7.0	6.4	2.7	0.2	1.9	6.3	8.6	8.3	0.6	1.1	1.2	-0.2	-7.3	-4.5
Lithuania	3.9	-7.9	7.4	2.2	0.8	1.5	6.3	9.7	7.9	3.5	2.2	2.9	0.3	-6.9	-2.7
Luxembourg	2.3	-5.4	5.7	1.6	0.7	1.6	5.6	6.4	6.1	4.5	4.5	4.5	2.2	-4.8	0.1
Malta	4.4	-5.8	6.0	1.5	0.7	1.1	3.4	5.9	4.4	10.7	7.6	9.7	0.5	-6.7	-2.5
Netherlands	1.8	-6.8	5.0	2.7	0.8	1.3	3.4	5.9	5.3	10.2	9.0	8.4	1.7	-6.3	-3.5
Austria	1.6	-5.5	5.0	1.5	1.1	1.5	4.5	5.8	4.9	2.3	0.9	1.6	0.7	-6.1	-1.9
Portugal	2.2	-6.8	5.8	0.3	-0.2	1.2	6.5	9.7	7.4	0.0	-0.6	-0.2	0.2	-6.5	-1.8
Slovenia	2.4	-7.0	6.7	1.7	0.5	1.2	4.5	7.0	5.1	6.8	6.8	6.8	0.5	-7.2	-2.1
Slovakia	2.3	-6.7	6.6	2.8	1.9	1.1	5.8	8.8	7.1	-2.6	-2.9	-2.4	-1.3	-8.5	-4.2
Finland	1.0	-6.3	3.7	1.1	0.5	1.4	6.7	8.3	7.7	-0.8	-1.3	-1.5	-1.1	-7.4	-3.4
Euro area	**1.2**	**-7.7**	**6.3**	**1.2**	**0.2**	**1.1**	**7.5**	**9.6**	**8.6**	**3.3**	**3.4**	**3.6**	**-0.6**	**-8.5**	**-3.5**
Bulgaria	3.4	-7.2	6.0	2.5	1.1	1.1	4.2	7.0	5.8	5.2	3.3	5.4	2.1	-2.8	-1.8
Czechia	2.6	-6.2	5.0	2.6	2.3	1.9	2.0	5.0	4.2	0.7	-1.5	-1.0	0.3	-6.7	-4.0
Denmark	2.4	-5.9	5.1	0.7	0.3	1.3	5.0	6.4	5.7	7.9	6.2	6.7	3.7	-7.2	-2.3
Croatia	2.9	-9.1	7.5	0.8	0.4	0.9	6.6	10.2	7.4	2.4	-1.7	0.5	0.4	-7.1	-2.2
Hungary	4.9	-7.0	6.0	3.4	3.0	2.7	3.4	7.0	6.1	-0.9	1.3	1.5	-2.0	-5.2	-4.0
Poland	4.1	-4.3	4.1	2.1	2.5	2.8	3.3	7.5	5.3	0.4	0.6	0.9	-0.7	-9.5	-3.8
Romania	4.1	-6.0	4.2	3.9	2.5	3.1	3.9	6.5	5.4	-4.6	-3.3	-3.4	-4.3	-9.2	-11.4
Sweden	1.2	-6.1	4.3	1.7	0.4	1.1	6.8	9.7	9.3	4.4	3.7	4.0	0.5	-5.6	-2.2
EU	**1.5**	**-7.4**	**6.1**	**1.4**	**0.6**	**1.3**	**6.7**	**9.0**	**7.9**	**3.2**	**3.1**	**3.4**	**-0.6**	**-8.3**	**-3.6**
United Kingdom	1.4	-8.3	6.0	1.8	1.2	2.1	3.8	6.7	6.0	-3.8	-4.1	-4.3	-2.1	-10.5	-6.7
China	6.1	1.0	7.8	:	:	:	:	:	:	1.0	0.6	0.8	:	:	:
Japan	0.7	-5.0	2.7	0.5	0.0	0.2	2.3	4.3	4.5	3.5	3.6	3.2	-2.3	-4.9	-5.3
United States	2.3	-6.5	4.9	1.8	0.5	1.5	3.7	9.2	7.6	-2.3	-3.0	-3.0	-7.2	-17.8	-8.5
World	2.9	-3.5	5.2	:	:	:	:	:	:	:	:	:	:	:	:

and the EU are effective at cushioning the immediate economic impact of the crisis as well as at limiting permanent damage to the economic tissue.

…the recovery is expected to be incomplete…

Under these benign assumptions, EU GDP is forecast to contract by about 7½% this year, far deeper than during the Global Financial crisis in 2009, and to rebound by only 6% in 2021. This rebound, however, would leave the European economy, at the end of this forecast horizon, about 3% lower than the output level implied by the autumn forecast. The same holds for the volume of investment that is forecast to be about 7% lower than expected in the autumn. Next year, the number of employed people in the EU would be, on average, about 1% below what was recorded in 2019. Lower employment and investment reduce potential output, whereas the record-high uncertainty about jobs, incomes and sales, are set to hold back demand for some time. This suggests an only gradual ('U-shaped') recovery. Uncertainty about the pandemic remains huge, and different assumptions than the ones underpinning the baseline scenario analysis on which this forecast is anchored would lead to very different projections.

…and asymmetric across Member States.

The COVID-19 crisis is a symmetric shock hurting all Members States. Their strong economic interconnectedness is magnifying the aggregate demand and supply shocks. While the recovery looks set to be incomplete in almost all countries, the impact of the crisis and the way Member States will emerge from it is set to be uneven. How well countries emerge will depend not only on the severity of the pandemic and the stringency of their containment measures, but also on their specific economic exposures and initial conditions, and the discretionary policy responses that their levels of policy space allowed them to afford. Due to their strong interdependencies, an incomplete recovery in one country would spill over to all the other countries and dampen economic growth everywhere.

The global economy is set for a sharper recession than during the Global Financial crisis…

As the COVID-19 virus spread around the world, many governments were forced to take extreme precautionary public health measures to save lives and prevent health care systems from being overwhelmed. These measures made it impossible for economic life to continue normally, effectively shut down large portions of the economy and derailed the incipient bottoming out in the global economy that had started to emerge around the turn of the year. This crisis has also triggered a collapse in oil and many other commodity prices and sparked financial turmoil. This has been particularly damaging for commodity exporting countries as well as emerging economies with high US dollar-denominated debt. The combination of these three shocks is expected to push the global economy into a deep recession in the first half of 2020. The massive health and macroeconomic policy efforts taken across most major economies are, however, assumed to contain the pandemic and to limit its negative impact on the global economy to a deep but essentially temporary downturn. Overall, global GDP (excluding the EU) is projected to contract by about 3% this year, which is a sharper downturn than during the Global Financial Crisis in 2008-2009. It is then expected to rebound by 5% in 2021, implying that global output should recover above it 2019 level but remain well below the level projected in the autumn 2019 forecast.

…and output in advanced economies outside the EU next year is likely to remain below its 2019 level …

Both advanced economies and emerging markets are expected to be in recession this year, but the restart in economic activity is set to be gradual and uneven across countries and regions. In most advanced economies outside the EU, the rebound is forecast to be insufficient to bring output back to their pre-pandemic levels by the end of the forecast horizon. Growth dynamics are expected to 'normalise' in China, while only a limited pick-up is set to take hold in Latin America, the Middle East and Africa. For many emerging and low-income countries with limited capacity to deal with a health crisis of this magnitude as well as limited policy space to absorb the macroeconomic impact, the economic shock is projected to be more persistent, as it is also compounded by subdued prospects for commodity prices and tightened financial conditions.

…while disruptions in global value chains should limit the rebound in trade.

After falling into near stagnation last year amid elevated trade policy uncertainty, world import volumes (excluding the EU) are likely to fall by more than 10% this year due to an unprecedented collapse in international trade concomitant to the lockdown measures taken across the globe in the first half of the year. As these measures are assumed to be gradually lifted and global demand recovers, trade in goods is expected to start rebounding in the second half, while trade in services, particularly tourism, is set to rebound more slowly. Next year, non-EU world imports are set to increase by about 6¾%, a pace closer to global economic activity. A stronger rebound is unlikely, as trade policy uncertainty is assumed to remain unabated and the pandemic crisis is expected to trigger some permanent damage to global value chains.

The resilience of financial markets has been severely tested by the pandemic…

The COVID-19 shock has reverberated across global financial markets as the spread of the virus outside China led to a sudden repricing of risks in March while safe haven sovereign yields declined. In Europe, riskier market segments such as equities and high-yield corporate bonds took a hit once it became clear that COVID-19 was also strongly affecting the continent. This resulted in the fastest market sell-off since the Global Financial crisis of 2008-2009, reflecting the rapid and sharp deterioration of the economic outlook and profitability prospects, but also by the severe liquidity dry-up that non-financial corporations (NFCs) were confronted with. In the euro area sovereign markets, a divide re-emerged between the core and the periphery, suggesting renewed investor concerns about debt sustainability, in particular in case of insufficiently coordinated support at the EU level.

…but the swift policy response succeeded in preserving financial stability…

The monetary and fiscal policy response to the crisis, both globally and in the EU, has been swift and strong with unprecedented measures taken to contain the macroeconomic fallout and alleviate liquidity pressures. In the EU, policy announcements contributed to the stabilisation of financial markets with spreads narrowing for corporates and sovereigns and equity markets recovering part of their losses in April, although markets also benefited from reports suggesting that the pandemic might have peaked in some countries. In the euro area, the ECB began in mid-March to take a broad range of monetary and credit policy measures. A particular aim was to ensure (bank) credit flows to NFCs so as to prevent temporary liquidity shortages from evolving into solvency crises. The Pandemic Emergency Purchase Programme (PEPP) announced by the ECB aims to prevent the fragmentation of credit markets and the impairment of monetary policy transmission. In response to these liquidity constraints, EU Member States have also implemented a number of liquidity support measures, such as partial or total guarantees on bank loans. These liquidity measures amount to 22% of EU GDP and were complemented by existing EU budget instruments offering support of up to about 4½% of EU GDP.

...while the banking sector should be able to withstand the recession.

Lending support from the banking sector will be vital, not only during the crisis, but also during the economic recovery. But banks are particularly exposed to the economic recession as more borrowers are likely to default and because the prices of securities on their balance sheets have taken a beating. The underperformance of their share prices since late February is a reflection of such concerns. However, as European banks have strengthened their capital positions very substantially over the last 10 years, they should be resilient enough to withstand even a massive economic recession. Overall, it is assumed that the wide range of policy measures will be largely effective at protecting the corporate sector from widespread bankruptcies this year and lending flows are expected to grow again next year when the economic recovery gains traction.

Private consumption is set for its fastest drop on record...

All demand components will be hit hard by the pandemic except government consumption and public investment, which are playing a stabilising role. Private consumption, which for several years has been the backbone of economic growth in Europe, is expected to contract by about 9% in both the EU and the euro area this year. This sharp fall is, however, forecast to be mainly concentrated in the current quarter, as the lack of opportunity to spend results in 'forced savings'. It is then expected to start recovering quickly once containment measures are lifted. But the recovery is set to be incomplete, as spending on travel and recreational services will lag behind because restrictions affecting these activities may last longer and because the fiscal measures implemented to protect employment and workers' incomes will only limit rather than prevent a drop in household purchasing power this year. Moreover, uncertainty about employment and income prospects will likely ensure that precautionary savings remain higher than they were before the crisis well after the lockdowns have ended.

...a plunge in investment will impact the economy's capital stock...

Business investment is likely to take a very severe double-digit hit this year, as many businesses, including the already fragile investment-intensive car industry, are experiencing a series of incremental supply, demand and financial shocks. Faced with heightened uncertainty about future sales prospects, firms are likely to postpone or even cancel their investment plans. Moreover, the lack of revenue during the lockdowns may constrain their ability to finance investment projects in the near term, or even longer if the increase in debt triggers a need to deleverage. The economic fallout is also expected to lead to a sharp fall in capacity utilisation, reducing the need for investment linked to capacity expansion and lowering incentives for upgrading the capital stock. Once the adverse impact of the COVID-19 pandemic abates, investment should find support from a highly accommodative monetary policy, lower uncertainty and some recovery in profits. The expected rebound of euro area and EU investment by slightly more than 10% next year, however, should only help to recover some of the lost ground. Compared to the levels projected in the autumn 2019 forecast, the cumulated shortfall in investment in the EU is expected to amount to almost EUR 850 billion at current prices, or 6% of EU GDP.

...while net exports should contribute little to the economic recovery.

Euro area exporters already suffered last year from weakening foreign demand largely reflecting trade tensions and elevated trade policy uncertainty. Since the pandemic, the halt in the free movement of people, goods and services is set to result in a sudden, severe and synchronised drop in external demand. The euro area is expected to be particularly affected due to its relatively high participation in global and intra-EU value chains. Euro area exports are thus forecast to fall by about 13% in 2020 before rebounding incompletely by close to 10% in 2021. A stronger catch-up is unlikely due to enduring weakness of foreign demand, likely delays to the resumption of production and supply chain normalisation, as well as still elevated levels of uncertainty. As exports and imports are expected to move almost in parallel, the contribution of net exports to GDP growth in the euro area and the EU should be relatively small this year and next.

The pandemic is set to halt the decade-long improvement in labour markets…

The COVID-19 pandemic and the confinement measures it has necessitated have led to significant disruptions and completely changed the prospects of European labour markets that were, up to early 2020, the bright spot in the expansion years. National policy measures, such as short-time work schemes for workers, wage subsidies for the self-employed as well as liquidity measures for firms have been taken to limit employment losses during the confinement period and to ensure that work can resume smoothly once restrictions can be relaxed. Assuming that these measures are effective, the fall in employment this year is expected to be contained, particularly in terms of headcount given the sharp drop in working hours. Nevertheless, some persistent negative impact (hysteresis) is likely, in particular for the more precarious workers who have often been the first to lose their jobs and young cohorts unable to find their first job. The euro area unemployment rate is expected to increase from 7.5% last year, its lowest level in more than a decade, to about 9½% this year and to decrease next year while remaining well above its pre-pandemic level in 2021. Unemployment rates are expected to rise very differently across the EU, not only because of the size and effectiveness of policy measures, but because of pre-existing vulnerabilities (e.g. high share of temporary contracts) and different sector specialisations (e.g. tourism).

…and to lower near-term domestic price pressures…

Overall, the pandemic is likely to put downward pressure on prices because the effect of lower demand will outweigh price increases sparked by supply chain disruptions. This has already been signalled by recent developments in euro area inflation. However, in March headline HICP inflation has also been sunk by the steep fall in energy prices. The combination of weakening economic activity, which makes the pass-through from wages to prices even more difficult for firms, and a deteriorating labour market outlook limiting future wage increases, translates into lower domestic price pressures that are set to weigh on core inflation going forward. Combined with markedly lower oil price assumptions, the forecast for HICP inflation in the euro area has been significantly revised down to 0.2% this year. It is forecast to increase to 1.1% in 2021, largely on the back of positive base effects in energy prices.

…while having a severe impact on public finances…

The aggregate general government deficit is expected to surge from 0.6% of GDP in 2019 to 8½% of GDP in both the euro area and the EU this year. This sharp increase largely reflects the work of automatic stabilisers and sizeable discretionary fiscal measures. In 2021, the headline deficit is forecast to decrease to 3½% of GDP in both areas due to the expected rebound in economic activity and the unwinding of most of the temporary measures adopted in response to the COVID-19 crisis. After having been on a declining trend since its peak in 2014, the euro area's aggregate debt-to-GDP ratio is projected to reach a new peak of close to 103% in 2020 before decreasing by about 4 pps. in 2021 based on a no-policy-change assumption.

…amid a very expansionary fiscal stance this year.

The fiscal stance for the euro area is expected to be very expansionary in 2020 given the discretionary measures related to the COVID-19 outbreak, while most of these discretionary measures taken are set to be discontinued next year under a no-policy-change assumption. In several Member States, even those particularly affected by the pandemic, the limited availability of fiscal space implies a more muted policy response than elsewhere. Given the economic disruptions caused by the coronavirus outbreak, the ECB's subsequent broad range of easing measures, and only a very limited increase in long-term inflation expectations, real short and long-term interest rates should remain clearly in negative territory over the forecast horizon.

Downside risks to the outlook are extraordinarily large

Risks to this forecast are extraordinarily large and concentrated on the downside. The pandemic could become more severe and last much longer than assumed, requiring more stringent and longer lasting containment measures than assumed in this baseline scenario. This would result in much worse outcomes as shown by the scenario analysis presented in this document. This would also be the case in a scenario where a second wave of infections take place later this year.

As some of the Member States hit hardest by the virus are also those with the least policy space to respond, divergences across countries could become entrenched if national policy responses are not sufficiently coordinated or if there is no strong common response at the EU level. This could distort the internal market and ultimately threaten the stability of the euro area.

Globally, the pandemic period could also trigger more drastic and permanent changes in attitudes towards global value chains and international cooperation that would particularly hit open economies such as the EU. Inside the EU, the pandemic could also leave permanent scars, such as a large number of bankruptcies and higher hysteresis effects in the labour market, that are not taken into account in the baseline scenario.

The risk also remains that new tariffs might be applied, which could adversely affect business investment plans. Moreover, reaching the end of the transition period foreseen in the Withdrawal Agreement between the EU and the UK will dampen economic growth, even if a free trade agreement between the EU and the UK is concluded. This will affect particularly the UK, but also the EU, albeit to a lesser extent.

PART I

Economic outlook for EA and EU

1. KEY FEATURES

1.1. THE MAIN ISSUES OF THE FORECAST

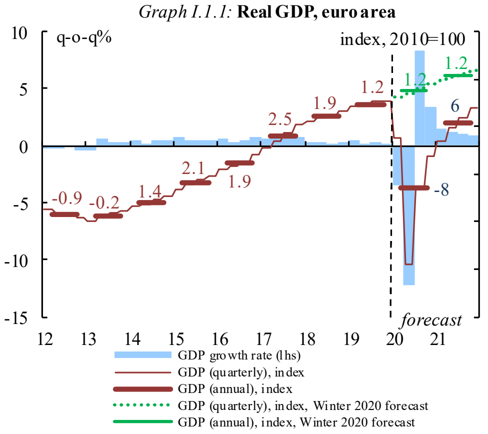
What began as a supply shock in China has morphed into something much more serious that is pushing the global and the European economy into its deepest recession since the 1930s. In mid-February when the Commission last updated its forecasts, the working assumption was that the novel coronavirus disease (COVID-19) would be a localised and transitory economic event, although significant associated downside risks were recognised.[1] By March, the situation had changed as the virus turned into a pandemic with infections in more than 100 countries, causing major disruptions and resulting in lockdowns in most Member States. Since then, the situation has deteriorated further. It is now very likely that global economic activity will shrink markedly this year and that the EU economy has entered the deepest recession in its history.

The question for the forecast in spring 2020 is how deep the recession will be and how long it will last. The answer depends on the spread of the virus and the length of the outbreak as well as on the effectiveness of the policy response. As large parts of the economy have deliberately been put into 'hibernation', major adjustment needs that usually accompany a 'normal' recession (e.g. correcting imbalances or deleveraging) are largely absent. This and the swiftness and scale of the policy response provide hope for a quick recovery after the pandemic is under control and containment measures have been relaxed. However, combined with the emerging evidence on the need for a cautious and phased approach to the lifting of containment measures, the pace and size of the downturn are set to cause damage that will prevent an immediate return to pre-pandemic output levels. This suggests that the recovery will not be rapid ('V-shaped') but rather more gradual ('U-shaped') and uneven across economies.

The pandemic pushes forecasters into uncharted territory. Forecasts usually begin with a good look in the rear-view mirror; they then assess the current environment and the road in sight, before moving towards a forecast of the unseen road ahead. However, the unprecedented suddenness of the downturn renders this standard approach useless. In such a situation, with unprecedented levels of uncertainty, model-based scenario analyses can provide some guidance to forecasters. Combining insights from model-based analyses with country-specific information (e.g. about policy measures) and expert knowledge offers a flexible approach for preparing '*a forecast like no other*'. The European Commission's spring 2020 forecast follows this route.

According to this forecast, GDP in the euro area will fall by about 8% in 2020 and rebound by about 6% in 2021. Despite this historically high growth rate, output in 2021 would be almost 2 pps. lower than the pre-pandemic level in 2019 and very significantly below the paths expected in autumn 2019 and winter 2020 (see Graph I.1.1). The incompleteness of the recovery is common to almost all Member States, though to different extents, i.e. the symmetric shock is projected to result in asymmetric outcomes. Some of the weakest outcomes in terms of output, employment and public finances are expected in some of the countries that are the hardest hit by the pandemic.

Graph I.1.1: **Real GDP, euro area**



Note: Figures next to horizontal bars are annual growth rates.

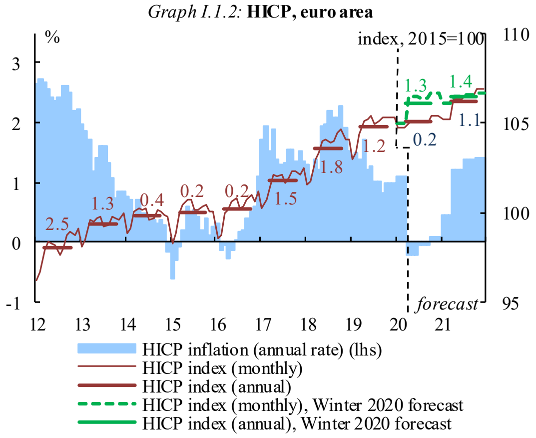
Due to the downturn and to the sharp fall in oil prices, inflation is set to slow this year before increasing moderately next year (Graph I.1.2).

These projections rest on a number of assumptions: that the major economic impact of COVID-19 will be observed in the second quarter of this year; that containment measures will be gradually lifted in the coming months; and that the

[1] European Commission (DG ECFIN) (2020). 'European Economic Forecast – winter 2020 (interim)'. *Institutional Paper* 121, February.

measures adopted to limit the negative economic effects prove effective. A very high level of uncertainty surrounds these forecasts, implying that point forecasts presented here should be understood as just one among several possible scenarios. Different assumptions about the length of the lockdowns, the containment measures and the effectiveness of the policy response would lead to very different projections.

Graph I.1.2: **HICP, euro area**



Note: Figures next to horizontal bars are annual inflation rates.

1.2. RECENT DEVELOPMENTS

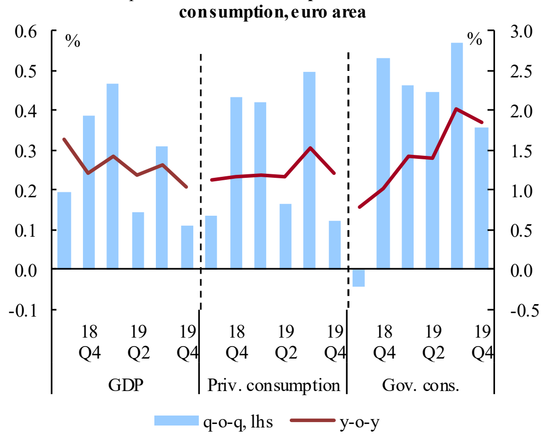
Following a period of moderate growth until the end of last year, the expected bottoming out and stabilisation initially expected for this year was upended by the pandemic. Due to the suddenness of the downturn, the impact of COVID-19 is so far visible mainly in high-frequency ('fast') data and only to a limited extent in survey data.

The euro area began the year with moderate growth...

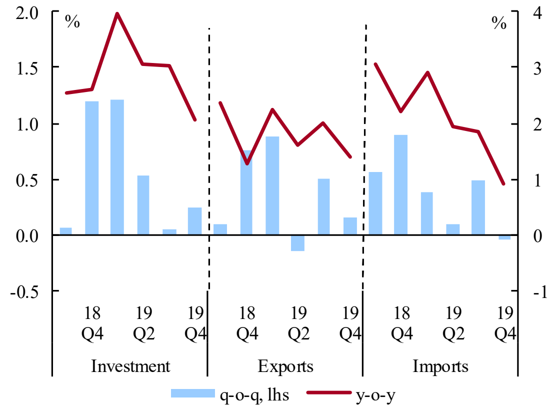
Economic growth in the euro area lost momentum last year and fell well below its average of recent years (Graph I.1.3). In the fourth quarter, GDP expanded by 0.1% q-o-q (0.2% in the EU), which was the slowest pace since the start of the expansion in the second quarter of 2013. The weakness was broad based; private consumption growth was very low; excluding Ireland, investment grew only slightly from the preceding quarter; exports of goods and services expanded at a moderate pace, and imports were more or less stagnant (Graph I.1.4).

The labour market continued to show resilience to the slowdown in economic growth (see Section I.2.4) with employment continuing to grow up to late 2019. In February 2020, the unemployment rate in the euro area stood at 7.3%, its lowest level since May 2008 (6.5% in the EU). Inflation has remained muted in early 2020 with headline inflation heavily influenced by energy prices.

Graph I.1.3: **Recent developments: GDP and consumption, euro area**



Graph I.1.4: **Recent developments: Investment and foreign trade, euro area (excl. Ireland)**



...with 'pre-existing conditions' weighing on the outlook...

In early 2020, the European economy's 'pre-existing conditions' meant that it was vulnerable to new shocks. Factors behind these conditions were a number of long-term developments (e.g. a trend decline in productivity, population ageing, a shift in demand towards 'greener' cars, and the economic transformation of China), as well as a number of temporary factors (e.g. the oil supply constraints after the escalation of the US-Iran conflict in early January), cyclical features (e.g. the economic cycle in the US, Asian tech cycle), policy effects (e.g. fading fiscal stimulus in the US), and in particular elevated uncertainty (e.g. related to trade policy, post-Brexit negotiations on trading relationship between the EU and the UK, and geopolitical issues).

The euro area's more externally oriented manufacturing sector had been contracting for some time, partly reflecting the problems the car industry had been struggling with since 2018. However, the area's more domestically oriented sectors had expanded further. This discrepancy had continued into 2020, as developments in gross value added and surveys confirmed.

...but the EU economy had been showing positive signs just before the pandemic...

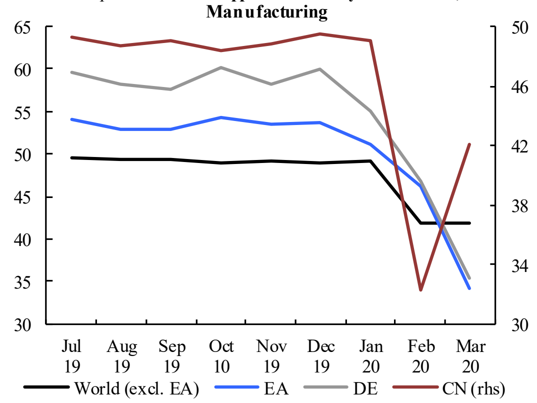
Before the pandemic became the main issue, data looked broadly consistent with the expectation of ongoing but subdued economic growth, with some leading indicators providing arguments for a bottoming out of global trade and manufacturing output. Sectoral hard data from the industry, construction, and retail sectors in the first two months of 2020 exceeded those in the fourth quarter of 2019 in both the euro area and the EU. Moreover, the signing of the 'Phase One' agreement between the US and China had been seen as a sign of somewhat fading trade tensions.

...and then COVID-19 became increasingly apparent in worsening economic and health data...

In the first weeks after the COVID-19 outbreak was declared in China, the economic effects for the EU economy were perceived as moderate, although the large downside risks were recognised. The disease belonged to the same type of viruses as SARS (initial outbreak in China in 2002-2003) and MERS (first identified in the Middle East in 2012) and these outbreaks had only limited economic effects in Europe. Over time, as efforts to prevent the disease from spreading within and beyond China failed, this assessment changed. While COVID-19 seemed to have a lower fatality rate than SARS, [2] it turned out to be considerably more contagious with the possibility of transmission through infected persons without symptoms. No vaccine or treatment drug became available and it remains unknown for how long people remain immune after recovering from the disease. [3]

In February this year, hints of the economic impact of the COVID-19 outbreak in China became visible in European PMI details. At first sight, the slightly increasing Composite PMI in the euro area and Manufacturing PMIs in many Member States could be taken as a signal of sufficient resilience to the disruptions triggered by the COVID-19, because surveys were conducted after the economic impact in China had become visible. However, a closer look at the drivers of the increase in the PMIs raised doubts as to whether increases really reflected an improvement. Already in February, some PMI components showed a significant impact from the virus outbreak, including a sharp decline in export orders and a lengthening of delivery times. While longer delivery times are usually the signal of strong demand and high capacity utilisation, they can also reflect disruptions in the production process. This is what the continued increase in suppliers' delivery times in manufacturing (i.e. the decline in the index) suggests for the euro area readings in February and March (Graph I.1.5); this interpretation is compatible with the sharp fall in the index this February in China, followed by its rebound in March when disruptions began to fade.

Graph I.1.5: **PMI Suppliers' Delivery Times Index, Manufacturing**



Source: IHS Markit

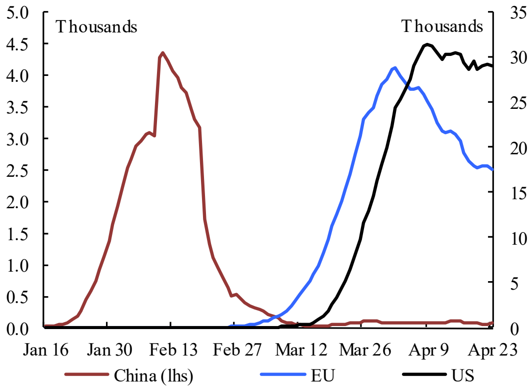
In early March, the disease had spread to other countries in Asia and beyond to other continents, leading the World Health Organization (WHO) to declare a health pandemic on 11 March. With

(2) See e.g. Atkeson, A. (2020). 'How deadly is COVID-19? Understanding the difficulties with estimation of its fatality rate'. *NBER Working Paper 26965*, April. Projections of the path of the pandemic suffered from data gaps, see J.H. Stock (2020). 'Data gaps and the policy response to the Novel Coronavirus'. *NBER Working Paper* 26902, March.

(3) The concept of 'herd immunity' rests on the assumption that immunity is acquired for a substantial period. The WHO noted that 'there is currently no evidence that people who have recovered from COVID-19 and have antibodies are protected from a second infection.'; WHO (2020). 'Coronavirus disease 2019'. *Situation Report* 96, April 25.

some delay, the numbers of reported new infections started to rise in the EU, and subsequently in the US (Graph I.1.6). According to data compiled by Johns Hopkins University, by 22 April, more than 2½ million people worldwide had been infected with the virus and more than 170,000 people had died.

Graph I.1.6: **COVID-19 infections, China, EU and US**



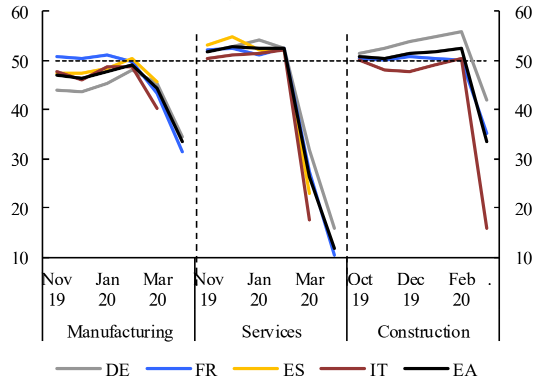
Note: reported new cases, 10-day averages.
Source: ECDC, 23 April 2020.

In response to the pandemic, authorities in most countries have implemented measures such as lockdowns, travel restrictions, border closures, and more stringent social distancing protocols, in an effort to contain the virus. Central banks have also taken action, cutting rates and/or extending asset purchase programmes, and reactivating currency swap lines (see Section I.2.2). Governments have pledged additional fiscal spending, liquidity support for firms, support to limit the labour market impact of the sudden drop in economic activity and other measures to combat the potential effects of the pandemic and related confinement measures. In late April, a few countries had already announced, or started to implement, a relaxation of some containment measures. However, various restrictive measures are likely to remain in place to keep a lid on the number of new infections until an effective treatment or vaccine are found.

...and the COVID-19 recession became visible.

While COVID-19 developments in the north of Italy made headlines in early March 2020, the spread of the virus in other parts of Europe has been mainly observable since mid-March. As a result, surveys conducted in March did not fully capture the deterioration in economic sentiment caused by the pandemic. Nevertheless, flash PMI readings on 23 March, the Commission's Business and Consumer Surveys, and the final PMI readings in early April were heavily affected by the spread of the virus. Sharp declines were observed in almost all countries and sectors. As expected, the declines were particularly strong in Italy and in the countries' service sectors (Graph I.1.7). On 23 April, Flash PMI readings pointed to a further deterioration, with the Composite and Services PMIs in the euro area, France and Germany falling to new series' lows.

Graph I.1.7: **Manufacturing, Services, and Construction PMIs, euro area and Member States**



Source: IHS Markit (Flash PMIs for April 2020)

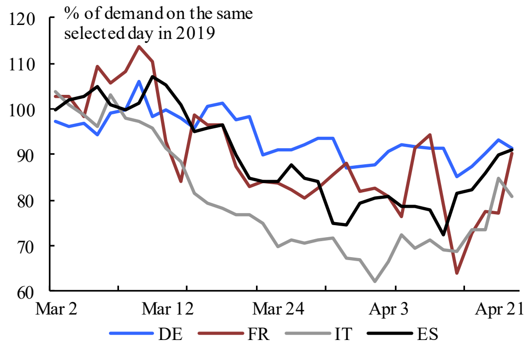
Similar declines became visible in the Commission's sentiment indicators (see Section I.2.3), which in March recorded some of the largest falls in the history of the series, even though in many countries the vast majority of survey responses were collected before strict containment measures were enacted. National survey results sent similar signals, including in France the INSEE's household and business confidence indicators, and in Germany the Ifo Business Climate (falling to the lowest level since July 2009).

In addition to the rapid deterioration in survey readings in Europe, the situation in the EU's external environment also continued to worsen. The economic downturn set in so quickly that, at the time of writing (mid-April), the amount of 'hard' data capturing the impact of the spread of the virus was still limited. Thus, attention shifted from 'slow' to 'fast' data, such as daily electricity demand (Graph I.1.8) and air traffic. [4] Such data from Member States clearly show the exceptional magnitude of the downturn and the impact of

[4] This shift has also led to the construction of new short-term indicators; see e.g. the Weekly Economic Index (WEI) presented in D. Lewis, K. Mertens and J.H. Stock (2020). 'US economic activity during the early weeks of the SARS-Cov-2 outbreak'. *Covid Economics, Vetted and Real-Time Papers* 6 (CEPR), April 17, pp. 1-21.

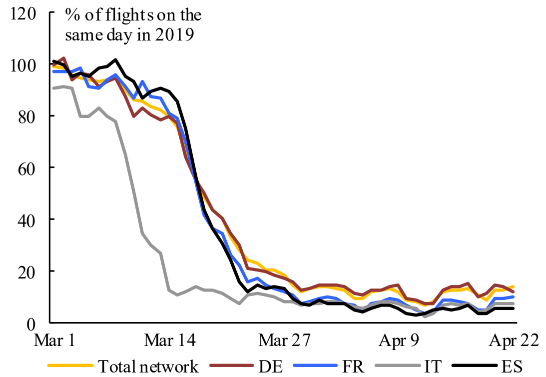
containment measures. For instance, in terms of airline traffic (Graph I.1.9) the decline started in Italy much earlier than in other large Member States.

Graph I.1.8: **Electricity demand in March and April 2020, largest Member States**



Source: McWilliams, B. and G. Zachmann (2020). 'Covid-19 crisis: electricity demand as a real-time indicator'. Blog (Bruegel), April 23.

Graph I.1.9: **Air traffic, March and April 2020, Eurocontrol network and largest Member States**



Source: Eurocontrol (total flights, Instrumental Flight Rules)

The limited availability of area-wide 'fast data' also raised attention on ('faster') national data, such as developments in registrations for short-time work schemes.

1.3. KEY FACTORS BEHIND THE FORECAST

The key issue behind the spring forecast is the COVID-19 pandemic and its impact on uncertainty, on the EU's external environment, and the EU economy itself. This includes the transmission channels and the shocks that matter for the EU economy, with related questions about the profile of the downturn and the subsequent rebound as well as the outlook for inflation.

The first strike of COVID-19 came from China...

In January and February 2020, the spread of the virus in China with shutdowns in some regions caused a first round of relatively mild COVID-19 effects, affecting the EU economy via a number of channels. [5] The first channel was the impact on supply of key manufacturing inputs sourced from China and other manufacturing hubs affected by the virus (acting as a supply shock to the EU economy). The most vulnerable companies were those which relied heavily or solely on factories in China for parts and materials. High pressure to reduce production costs had motivated companies to pursue strategies such as lean manufacturing, offshoring, and outsourcing. Such cost-cutting measures, however, mean that supply-chain disruptions can bring production rapidly to a halt due to missing parts.

The second channel was the impact on consumer and investment demand in China (acting as a demand shock to the EU economy) and the businesses and commodities reliant on it.

A third channel was the impact on private consumption (e.g. via transport and tourism) and investment demand outside China. As Chinese authorities did not manage to contain the virus inside the country, COVID-19 rapidly spread to neighbouring countries (e.g. Korea), which then faced problems similar to those in China with implications for the EU economy.

...but the main strike followed when the virus spread in Europe...

The COVID-19 pandemic has triggered shocks to the demand and the supply-side of the economy. These shocks are compounded by a number of additional shocks, such as a liquidity shock (e.g. via interrupted cash flows), an uncertainty shock (e.g. via the impact of increased fear on consumer and investor/business sentiment) and/or a shock to the financial sector (e.g. via repricing of more risky asset classes). [6] A key difference from more

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(5) Spillovers from developments in China to the EU economy have been subject of various empirical studies; see e.g. European Commission (DG ECFIN). 'Spill-overs from the slowdown in China on the EU economy – channels of contagion'. European Economic Forecast – Autumn 2015, *Institutional Paper* 11, pp. 53-6 (Box I.2).

(6) The COVID-19 crisis has already been subject of a large number of economic analysis; e.g. OECD (2020). 'Coronavirus: The world economy at risk'. *OECD Interim Economic Assessment*, March 2; ECB (2020). 'Impacts on the euro area economy from an intensification of the COVID-19 pandemic, both globally and within the euro

typical shocks is that these are to some extent self-imposed as a necessary response to the health crisis, which takes precedence. Another is that these are occurring globally. Unlike a financial crisis, COVID-19 causes a real shock that reduces production and incomes. However, disentangling these shocks is a challenging if not impossible task, which suggests an approach of looking at the main impacts in their order of appearance.

- *Increased uncertainty.* The pandemic and the large number of 'unknowns' creates substantial uncertainty among consumers and firms, which has an impact on spending and saving decisions (e.g. precautionary savings), as well as recruitment and investment decisions.

- *Labour supply reductions.* Labour supply is disrupted primarily by containment measures, such as the closure of non-essential workplaces where remote working is not possible.[7] In addition, the workforce is affected by sickness and by the absence of workers who need to take care of relatives, friends or children where schools and kindergartens are closed.

- *Sectoral disruptions.* The first sectors that were hit by containment measures were travel and tourism. Lockdowns extended disruptions to many non-essential economic activities. Since mid-March the number of regions and sectors blocked increased; several countries inside and outside the EU interrupted intra-country and cross border movements. Disruptions also led to production halts in sectors that were not obliged to do so but were cut off from inputs from other sectors and/or countries, such as in some car factories. In the case of a pandemic, solving such production chain problems is especially difficult due to the global nature of the disruptions.

- *Whole-economy disruptions.* In order to contain the virus, more broad-based measures have been taken, such as the closure of schools and universities, the cancellation of mass events, the requirement of more physical distancing, and lockdowns. All these measures weigh heavily on economic activity with estimates depending on their stringency and duration.

- *Income losses, forced savings and lack of demand.* The disruptions have hurt the earnings of many households. Even with some labour institutions and short-time work schemes in place, many employees will suffer from income losses, which lower their purchasing power. A demand effect also comes from households aiming at high precautionary saving balances. In addition, even those not suffering from income losses have restricted opportunities to go out and spend, for instance on non-essential retail goods and services (forced savings).

- *Liquidity shocks and financial market implications.* The immediate response to the spread of the virus was a sudden repricing of financial and real assets, together with a heavy withdrawal of liquid reserves by firms. Distortions to manufacturing, services and retail have far-reaching implications for the financial health and the profit outlook of companies (e.g. liquidity shocks due the impact on cash flows). This has led to a sharp drop in equity prices and a fall in the yields of (safe haven) sovereign bonds. Moreover, the shocks could put a severe strain on the financial system, if companies' liquidity problems turn into solvency problems. Some of these effects are heterogeneous (i.e. country-specific), often depending on the public finances and the ability of the state to support corporate entities that have fundamentally sound balance sheets but face a drop in demand and value of equity. Moreover, the banking sector situation of the countries affected and/or their specific economic structure (e.g. size of the tourism sector) might add to the risk of structural divergences that may weaken and fragment the EU Single Market.[8] Accordingly, doubts about the impact on the real economy and fiscal sustainability could re-occur as suggested by the recent widening of spreads vis-à-vis benchmark yields.

A broad range of policy measures has been taken to limit the impact of the pandemic.

area'. *ECB Staff Macroeconomic Projections*, March 12, pp. 13-4; IMF (2020). 'The great lockdown'. *World Economic Outlook*, April 14.

(7) According to estimates for the US economy, only about 34% of jobs can be performed at home (equivalent to 44% of overall wages); see Dingel, J. and B. Neiman (2020). 'How many jobs can be done at home?'. *Covid Economics, Vetted and Real-Time Papers* 1 (CEPR), April 3, pp. 16-24.

(8) In 2018, tourism made up 11.8% of GDP (13.5% of employment) in Spain, 8.0% (9.8%) in Portugal, 7.4% (7.5%) in France and 6.8% (10.0%) in Greece (source: OECD (2020). *Tourism trends and policies*.).

The first goal is to *lower the number of infections, to avoid an overloading of the acute health system and to limit the number of casualties.* To this end, governments have taken drastic measures to contain the spread of the virus (e.g. lockdown and school closures) and to support those that are infected (e.g. investment in hospital capacity, medical equipment and protective gear).

The second goal is to *cushion the economic impact* on revenues, incomes and liquidity in order to avoid a cascade of downward movements. To this end, central banks, governments and international institutions have pledged support and implemented or announced an unprecedented ‘cocktail’ of measures. The fiscal policy measures announced by Member States consist of discretionary polices with a direct impact on the budget, as well as liquidity-oriented measures. Examples include targeted tax relief policies, short-time work schemes and partial or total government guarantees on bank loans. These measures are essential to cushion employment losses, prevent a reversal of investment plans, as well as limit widespread bankruptcies and avoid permanent damage.

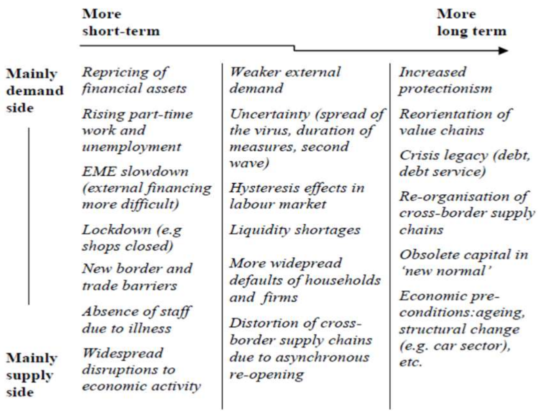
A third goal is *providing support to the rebound and recovery* once the pandemic is under control. The ability to respond depends on each country’s initial conditions, financial strength and policy space. COVID-19 has affected most seriously some of the countries with the least availability of fiscal space to respond. Differences in national responses could, in the absence of a sufficient degree of EU level intervention result in asymmetric downturns and recoveries. Due to the strong interdependencies among Member States, this would spill over, weaken the overall recovery of the EU, and result in entrenched economic divergence in the future.

While the focus of the spring forecast is on the EU economy, it has to be stressed that COVID-19 is a global shock, hitting the external environment almost in parallel, with repercussions between various regions. This means that individual regions, including Europe, will not be able benefit from sustained economic growth in other more or less unaffected regions of the world, as was the case during the Global Financial Crisis. [9] This has implications for the severity of shocks hitting the EU economy (e.g. due to possibly missing inputs from abroad, or via less demand for EU exports) and introduces further country-specific features, as the exposure to the external environment differs across countries.

...creating a complex matrix of economic effects on the EU economy.

Overall, the COVID-19 pandemic’s economic impact is likely to be highly complex and widely varied. [10] However the economic effects differ with respect to their relevance for demand and supply and with respect to the time horizon of their impact (see Graph I.1.10). The duration of the effects depends on the duration of the pandemic, but also on whether changes to trade policies and globalisation attitudes, consumer behaviour, working methods and production chains become permanent. Moreover, debt accumulated during the downturn may exert a lasting impact on firms (e.g. bankruptcies), investor risk perception (e.g. debt sustainability concerns) and the banking sector (e.g. non-performing loans). In addition, the interplay of pre-existing economic conditions and the impact of the pandemic could make some effects longer lasting.

Graph I.1.10: **Selected economic effects of the COVID-19 outbreak in Europe**



The multiplicity of effects implies that not all of them can be addressed separately. Bundling them

(9) The IMF stressed that it is the first time since the Great Depression that both advanced economies and emerging markets are in recession. See Gopinath, G. (2020). ‘The Great Lockdown: worst economic downturn since the Great Depression’. *IMF Blog*, April 14.

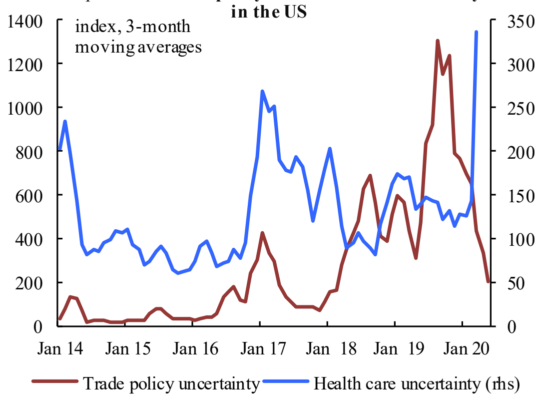
(10) Studies on the economic impact of previous pandemics can provide useful information, but these outbreaks hit a less integrated global economy; for an overview see F. Boissay and P. Rungcharoenkitkul (2020). ‘Macroeconomic effects of Covid-19: an early review’. *BIS Bulletin* 7, April 17; this caveat also applies to studies of the influenza pandemic in 1918-20, see e.g. Barro, R.J., Ursúa, J.F. and J. Weng (2020). ‘The coronavirus and the Great Influenza Pandemic: lessons from the ‘Spanish flu’ for the coronavirus’ potential effects on mortality and economic activity’. *NBER Working Paper* 26866, March.

leads to the main questions of this forecast round concerning (a) the impact of the unprecedented uncertainty shock, (b) the chances of seeing a quick rebound after the severe downturn and the role policy responses can play, and (c) the impact of COVID-19 on the inflation outlook.

(a) The role of unprecedented uncertainty

Until early 2020, forecasters were mainly concerned about uncertainty related to trade conflicts as they were seen as an obstacle to foreign trade growth, to the future of global value chains (cross border production) and thereby to investment. With the spread of the virus, the main factor driving uncertainty has shifted to health concerns. The COVID-19 pandemic has triggered a massive spike in uncertainty, which relates to many features of the pandemic including the capacity of health care systems to deal with it. This is visible when plotting trade policy uncertainty in the US (as shown in the autumn forecast) and health care uncertainty in the US (see Graph I.1.11).

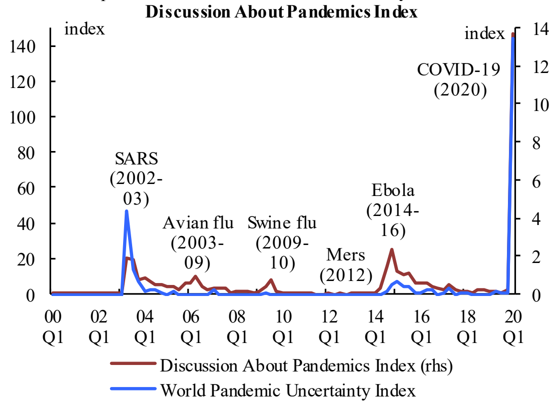
Graph I.1.11: **Trade policy and health care uncertainty in the US**



Source: Baker, Bloom and Davis at www.PolicyUncertainty.com.

The health care uncertainty index is only available for the US and provides therefore only regional information. A counterpart at the global level can be seen in the 'World Pandemic Uncertainty Index' (WPUI) and the 'Discussion about pandemics index' (Graph I.1.12). [11] Both show that their latest rise clearly exceeded that observed during past epidemics, mainly because COVID-19 affects more countries than previous pandemics.

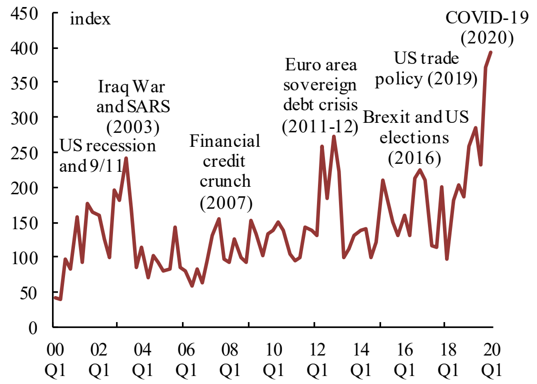
Graph I.1.12: **World Pandemic Uncertainty Index and Discussion About Pandemics Index**



Source: www.worlduncertaintyindex.com.

In order to assess the impact, it is useful to check how the pandemic-induced uncertainty as a sub-index relates to the World Uncertainty Index, which has already been used in past forecast exercises. The latest reading of this broader global index (Graph I.1.13) confirms the exceptionally high level of uncertainty COVID-19 has caused.

Graph I.1.13: **World Uncertainty Index**



Source: Ahir, H., N. Bloom, and D. Furceri (2018), "World Uncertainty Index", Stanford mimeo (data download in April 2020)

What do these quick and enormous increases in economic uncertainty signal for the macroeconomic impact of the pandemic? In the past, high uncertainty has coincided with periods of lower growth and tighter financial conditions. However, at the current juncture, providing an answer is extremely difficult, given the scarcity of similar developments, which could provide useful guidance. [12] In principle, heightened uncertainty can delay decisions that imply long-term commitments. For companies, this matters for hiring decisions that are costly to reverse, but also

[11] See Ahir, H., Bloom, N. and D. Furceri (2020). 'Global uncertainty related to Coronavirus at record high'. *IMF Blog*, 4 April.

[12] See European Commission (DG ECFIN) (2020). 'Putting the forecast into perspective: the impact of uncertainty'. European Economic Forecast – Spring 2017. *Institutional Paper* 53, pp. 10-13.

and mainly for investment decisions. The pandemic increases uncertainties for investment returns, raising risk premia, which causes firms to either postpone investment plans, or cancel them altogether. For consumers, heightened uncertainty reduces spending as precautionary savings are increased, for example to prepare for potential unemployment. Thus, via lowering consumption and investment, increases in uncertainty lower aggregate demand and deteriorate the employment situation. [13] Moreover, uncertainty could also raise risk premia on sovereign debt and thereby increase the cost of additional public debt.

As regards the time horizon of uncertainty effects, empirical analyses for the US economy suggest that, through the uncertainty channel, the pandemic is likely to weigh on the economy persistently, depressing economic activity and inflation well beyond the near term. [14] These considerations suggest that uncertainty regarding the spread of virus is likely to hurt investment decisions in the EU economy and other countries, further dampening demand prospects and delaying a full recovery.

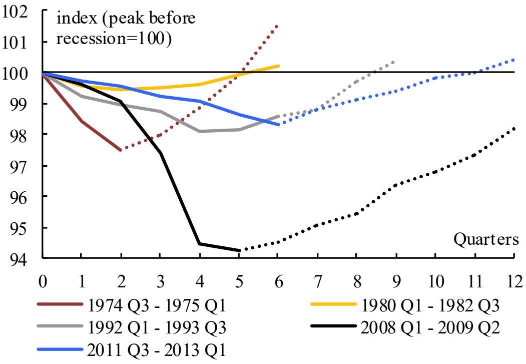
(b) Assessing the shape of the downturn and the subsequent rebound.

The current economic downturn is unique, not only because of its size and abruptness, but also because it results from a public health imperative to deliberately shutdown economic activity, rather than any of the standard triggers of a downturn such as the build-up of cyclical excesses. Neither inappropriate financial asset valuations, nor financial sector weakness, nor sovereign debt issues or debt sustainability concerns, nor an excessive expansion of the construction sector is behind the recession. This provides central banks and fiscal authorities with options they did not have during more typical recessions, but also with challenges in terms of the most effective policy tools to deploy at what time, e.g. the effectiveness of measures to support aggregate demand in a situation of supply constraints and containment measures.

The current set-up also implies that a rebound does not hinge on an adjustment phase during which previous cyclical or structural excesses first need to be corrected. As a result, there has been some hope that a rebound could start earlier than during a more 'normal' recession, as it would mainly depend on getting control of the pandemic and on the length of the containment measures related to it. In combination with an 'optimistic' assumption about the pandemic and about the lifting of containment measures, the 'warming up' after a relatively short period of 'hibernation' appears less difficult, adding up to a kind of 'rebound optimism'.

A very swift, 'V-shaped' recovery would indeed be extraordinary, as in previous, more 'normal' recessions in the euro area it has always taken some time to return to the pre-recession level of GDP, in particular after the Global Financial Crisis (see Graph I.1.14).

Graph I.1.14: **Recessions and rebounds in the euro area, real GDP, 1970 Q1 - 2019 Q4**



Note: Peak-to-trough, dates as identified by the CEPR Business Cycle Dating Committee (straight lines), recoveries shown until return to prior peak (dotted line). Source: AWM database.

The speed at which GDP growth rebounds will depend on the duration of the lockdowns and the economic impediments stemming from the 'cocktail' of containment measures that need to remain in place for longer. The duration of containment measures is difficult to forecast as it depends on characteristics of the virus that are so far not well understood and the development of treatment options and, in the best case, on the availability of a vaccine. The longer a lockdown lasts, the more companies might suffer from liquidity or even solvency issues and go bankrupt, the more workers may permanently lose jobs, and the more impaired assets will weigh on bank

(13) See S. Leduc and Z. Liu (2016). 'Uncertainty shocks are aggregate demand shocks'. *Journal of Monetary Economics* 82, pp. 20–35.

(14) Baker et al. (2020) estimate 'a year-on-year contraction in U.S. real GDP of nearly 11% as of 2020-Q4, with a 90% confidence interval extending to a nearly 20% contraction' with about half of the contraction reflecting a negative effect of COVID-19 induced uncertainty; see Baker, S.R., Bloom, N., Davis, S.J. and S.J. Terry (2020). 'COVID-induced economic uncertainty'. *NBER Working Paper* 26983, April.

balance sheets. [15] The longer shops are closed and consumers are missing spending opportunities, the more consumption may be permanently lost. The longer fiscal authorities have to keep companies alive, the more relevant debt sustainability issues might become.

A look at GDP components suggests a slow and incomplete recovery by the end of 2021…

For many years, ***private consumption*** has been the backbone of economic growth in Europe. Moreover, during past economic downturns private consumption has been the most stable demand component with declines of only up to 2% during the sovereign debt crisis. At present, the contraction of private consumption is expected to be sharp, as shop closures and containment measures lead to 'forced savings'. General uncertainty and specific concerns about employment prospects may induce households to increase their precautionary savings beyond the end of the lockdowns. A particularly strong pandemic impact on lower-income jobs hits persons with a high marginal propensity to consume, so that distributional effects could additionally weigh on private consumption. [16] Wealth effects from falling asset prices may reinforce spending restraint. [17] On the upside, policy measures to protect workers' incomes should mitigate some of these impacts. There is a high probability of private consumption starting to recover quickly, but incompletely and with differences for the various consumption purposes. While postponed car and furniture purchases could lead to pent up demand later, much of the discretionary spending on leisure and travel will be permanently lost.

Investment is the most volatile GDP component and is likely to take a very severe hit, reflecting a combination of demand, supply and financial factors. Faced with high uncertainty about future sales prospects, weakened equity positions and potentially more difficult access to credit, firms are likely to postpone or cancel investment plans. Even if they intend to carry on with certain projects, the current disruption to international supply chains may make a swift realisation impossible. Moreover, the lack of revenue during the lockdown may constrain firms' ability to finance investment projects in the near term, and longer if the increase in debt leads to deleveraging needs. On balance, many of the dampening factors are set to remain in place even once economic activity has started to rebound. [18]

Finally, ***exports of goods and services*** may remain dampened for some time as demand from outside the EU, which was already weak in 2019, takes time to recover from the pandemic and existing global supply chains go through structural changes to reduce the risk of disruptions such as those experienced with the current shock. Moreover, the rebound of exports and imports in Member States depends heavily on exports and imports within the EU, which have substantially increased in recent decades as economic integration within the internal market has intensified. Due to the high degree of intra-EU interdependence, most notably via a high integration in intra-EU value chains, an incomplete rebound in one country would spill over to all the other countries and dampen economic growth everywhere. [19]

…as the impact on the labour market may be difficult to reverse quickly.

Labour markets were the bright spot in the expansion years up to early 2020 with unemployment rates falling to their lowest in more than a decade and employment reaching new all-time highs. The pandemic is expected to bring the decade-long improvement in the labour market

(15) Increased debt could also slow the recovery; for a discussion see Becker, B., Hege. U. and P. Mella-Barral (2020). 'Corporate debt burdens threaten economic recovery after COVID-19: Planning for debt restructuring should start now'. *VoxEU*, March 21.

(16) See also A. Glover, J. Heathcote, D. Krueger and J.-V. Rios-Rull (2020). 'Health versus wealth: on the distributional effects of controlling a pandemic'. *CEPR Discussion Paper* 14606, April.

(17) According to recent estimates for the euro area, the long-term marginal propensity of consumption out of financial wealth is significantly positive, ranging between 1% and 7%; see De Bondt, G., Gieseck, A. and M. Tujula (2020). 'Household wealth and consumption in the euro area`. *Economic Bulletin* 1 (ECB), February, pp. 46-61.

(18) Empirical studies of past pandemics found sustained periods with depressed investment opportunities, partly due to a lasting fall of the real natural rate; see Ò. Jordà, S. R. Singh and A.M. Taylor (2020). 'Longer-run economic consequences of pandemics'. *CEPR Discussion Paper* 14543, March.

(19) An ECB study has found that an initial decline of GDP in the largest euro area economies by 5% (15%) would already during the downturn lower GDP in the euro area by 7% (20%) with further declines possible in subsequent periods; see F. Panetta (2020). 'Why we all need a joint European fiscal response'. *Politico*, April 21. Moreover, global spillovers magnify the impact of domestic shocks and add to internal spillovers in the euro area; see Holland, D. and I. Liadze (2020) 'Quantifying the global macroeconomic spillovers of illness and lockdown measures'. *National Institute Economic Review* 252, May, F69-F70 (Box B).

shuddering to a halt, but how severe the deterioration in the labour market situation is remains difficult to assess. On the one hand, the measurement of employment and unemployment is complicated by statistical issues (e.g. the measurement of short-time work in employment series that include for some countries only headcount numbers). On the other hand, the usual mapping from economic activity into the employment/unemployment situation might be misleading due to the unprecedented situation (e.g. by newly implemented labour market measures).

The information content of labour market statistics differs across regions and countries as labour market institutions and policies differ. Some employees affected by the situation have kept their jobs either with their full salary, or with some type of temporary wage subsidy, such as a short-time work scheme. [20] Others have been laid off and provided either with a recall date (temporary layoff, furlough) or without such cushioning. Such effects hit large companies, medium and small sized-enterprises but also the self-employed. In some countries, more generous short-time working arrangements have so far limited the increase in unemployment but dramatically increased the number of employees in such schemes, often markedly above levels observed during the Great Recession (e.g. in Germany and France). [21] In other countries, the number of unemployed has increased markedly.

The duration of the lockdowns and the containment measures kept in place (e.g. physical distancing) and the strength of the rebound in economic activity will determine to what extent large reductions in hours worked will translate into employment losses and increases in the unemployment rate. Government-subsidised job retention, such as short-time work arrangements where workers benefit from transfers, can be expected to limit negative permanent effects on employment. rate. [22] A high share of labour hoarding that ends up in re-employment is crucial for avoiding mismatches and hysteresis effects. [23] In addition, the long-term impact on the labour market will depend on how successful labour market policies are in cushioning the negative effects on vulnerable groups with a lower attachment to the labour market (e.g. young persons, low-skilled workers, elderly people).

(c) COVID-19's impact on inflation

The inflation outlook depends on the balance of downward pressures from the demand shock and upward pressures from the supply shock. Up to now, COVID-19 is more likely to put additional downward pressure on consumer inflation (as measured by the Harmonised Index of Consumer Prices) and inflation expectations. [24]

- The demand effects on prices of *non-energy goods* should dominate the supply side effects. So far, downside effects of lower demand are only partially mitigated by the upside effects from the disruption of supply chains. Downward pressure on inflation is reinforced by the large drop in oil prices and a deteriorating labour market situation.

- Going forward, *domestic price pressures* are expected to subside. The weaker demand outlook is expected to make it harder for firms to maintain their margins, which would imply that the pass-through from wages to prices has become more difficult. Moreover, the outlook for future wage increases is clouded by the expected deterioration of the labour market situation that is set to raise economic slack. [25]

[20] The Commission's proposal for '*Support to mitigate Unemployment Risks in an Emergency*' (SURE) will support Member States to cover costs directly related to the creation or extension of national short-time work schemes, and other similar measures they have put in place for the self-employed; see F. Vandenbroucke, L. Andor, R. Beetsma, B. Burgoon, G. Fischer, T. Kuhn, C. Luigjes, and F. Nicoli (2020). 'The European Commission's SURE initiative and euro area unemployment re-insurance'. *VoxEU*, 6 April; European Commission (2020), 'Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak', 2 April 2020, COM (2020), 139 final.

[21] See e.g. Berson, C., Camatte, H. and S. Nevoux (2020). 'Short-time work: a useful tool in times of crisis'. *Eco Notepad* 158 (Banque de France), April 20.

[22] Empirical analysis showed that short-time work may save up to 0.87 jobs per short-time worker in deep economic crises; see Gehrke, B. and B. Hochmuth (2020). 'Counteracting unemployment in crises: Non-linear effects of short-time work policy'. *Scandinavian Journal of Economics* 122 (forthc.).

[23] See e.g. Giupponi, G., and C. Landais (2018). 'Subsidizing labor hoarding in recessions: The employment and welfare effects of short-time work'. CEPR Discussion Paper 13310. Boeri, T. and H. Bruecker (2011). 'Short-time work benefits revisited: Some lessons from the Great Recession'. *Economic Policy* 26:68, pp. 697–765.

[24] For a recent discussion of this issue see also L. Cadamuro and F. Papadia (2020). 'Three macroeconomic issues and Covid-19'. *Bruegel Blog Post*, March 10.

[25] In assessing euro-area wide developments in the compensation of employees the impact of the CICE in

- Lower *oil price assumptions* are also expected to weigh on the inflation outlook. The deteriorated global growth outlook and the dispute over production cuts, most notably between Saudi Arabia and Russia, has pulled prices to very low levels. The agreement on production cuts that was reached in the first half of April has not led to a rebound in prices. Accordingly, the oil price assumptions underlying this forecast are markedly lower than in the previous forecasts.

Overall, in the near term, the new downward pressures on prices are expected to dominate, leading to a downward revision of the forecast for headline HICP inflation in 2020. Developments in 2021 will certainly be driven by energy prices and thus depend mainly on external assumptions.

Beyond the short-term impact of COVID-19, some analysts have raised the issue as to whether unprecedented monetary and fiscal efforts, the sharp increase in debt, and the monetisation of government debt would necessarily push inflation over the medium term. [26] Although this cannot be completely excluded, there is so far no evidence, for example in inflation expectations, that this risk is significant. [27]

Finally, one has to note that the pandemic is affecting the measurement of prices as lockdowns limit the basket of goods consumers can purchase. This applies to roughly half of the weight of the HICP in the euro area. According to Eurostat's HICP Methodological Manual, prices that are temporarily not available are kept unchanged for a period of up to two months after the closure of shops, which could constitute one cause of biased inflation measurement. [28] Another cause could be the temporary change in consumption patterns with less spending on consumer services.

France in 2019 (lowering the growth rate by up to half a percentage point) need to be taken into account.

(26) See e.g. C. Goodhart and M. Pradhan (2020). 'Future imperfect after coronavirus'. *VoxEU*, March 27.

(27) See e.g. Blanchard, O. J. (2020). 'Is there deflation or inflation in the future?'. *VoxEU*, April 24; Blanchard, O. J. and J. Pisani-Ferry (2020). 'Monetisation: Do not panic'. *VoxEu*, April 10.

(28) This provision means that past price developments matter for annual inflation. For example, in 2019 during the Easter period the prices of package holidays increased markedly (annual rate in April 2019 at 7.7%), whereas in April 2020 prices for Easter holiday travel are almost impossible to collect. The prolonged use of the package holiday prices from February would result in April in annual inflation of package holidays of -10.3% (i.e., lowering annual HICP inflation by 0.16 pps.).

1.4. THE FORECAST AND ITS MAIN RESULTS

Forecasters are in uncharted territory. This implies that the usual compass needles might not work properly any longer and that a more flexible approach is needed for assessing the economic situation and outlook. Accordingly, this section starts by looking at forecasting in times of a pandemic, sketches the results of a scenario analysis and presents the main results of the Commission's spring forecast.

The challenge of economic forecasting during a pandemic...

Without any sort of historical precedent upon which to base analysis and a substantial lack of information about the spread of the virus and the duration of containment measures, macroeconomic forecasting is more challenging than usual. What can be done? First, sticking to the usual forecast techniques does not look like a feasible option. Given the speed of the downturn, any method that relies on the rear view and the availability of hard data could provide misleading signals. Moreover, given the size and speed of the downturn, elasticities and relationships between economic variables that have been used in previous forecasts do not necessarily provide guidance for producing a reasonable projection. Second, interrupting forecast activities until more knowledge about the pandemic and its impact are known might be tempting but is not an option in a situation where informed policy decisions need to be taken. [29] Accordingly, a more flexible approach to forecasting ('a forecast like no other'), which exploits data and techniques that are usually not at the centre of forecasters' attention, seems necessary.

A more flexible forecast approach requires, first, evidence from previous pandemics and information from sources outside the standard forecast sphere (a more multidisciplinary approach). Second, it widens the view on data by putting more emphasis on the most recent developments, on real-time data such as electricity consumption (see above), and on data about the spread of the virus. Third, in terms of methods, the selection of models needs to be reconsidered (see also Section I.3), for example by assigning a larger role to model-based scenario analyses.

(29) At its meeting in mid-March 2020, the Federal Reserve opted to drop its Summary of Economic Projections, citing greater-than-usual uncertainty.

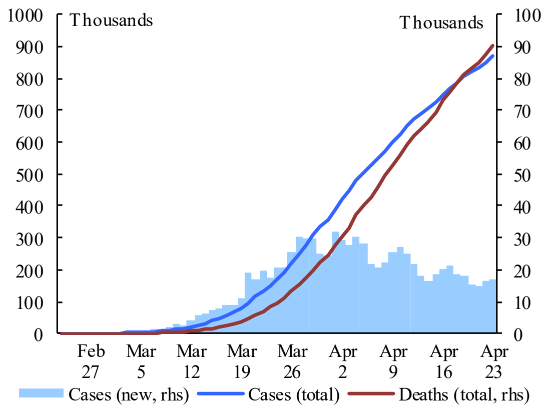
How can model results support the forecast? Faced with fundamental uncertainty along several dimensions (e.g. the dynamics of the pandemic, the economic impact of containment measures) this spring forecast resorts more than usual to scenario analysis whereby the baseline projection is conditioned on a set of assumptions, and then its sensitivity to these assumptions is tested in alternative scenarios. Model results depend crucially on the assumptions about the pandemic, its duration and deepness. Under a set of assumptions, models can provide valuable information about economic processes, for example for linkages between shocks and developments in private consumption and investment. [30] For this purpose, forecasters can develop scenarios that illustrate how the EU economy might be hit by the pandemic and how the rebound from the trough might look like once the spread of the virus has been stopped. [31] Such information can then assist forecasters who combine model-based results and in-depth knowledge to arrive at rough estimates. This is the route the European Commission's spring 2020 forecast has followed. [32]

…and the approach in the Commission's spring 2020 forecast.

The Commission's spring 2020 forecast uses structural (QUEST model) and statistical (input-output tables) approaches (see Section I.3). However, the scenarios developed to evaluate the impact of the pandemic and the point forecasts presented in this section should be understood as strongly dependent on the assumptions about the length of the lockdowns, the containment measures and the effectiveness of the policy response. The high uncertainty surrounding them should be noted.

The most important assumptions for the spring forecast baseline are the following: (1) Having peaked in April, the number of new COVID-19 infections in Europe (Graph I.1.15) remains under control after the containment measures are loosened; (2) strict lockdowns are gradually lifted in the coming months, only targeted containment measures with a relatively minor economic impact will remain in place in the second half of this year; (3) policy measures are effective in protecting the economic tissue. Widespread bankruptcies and mass unemployment as well as a financial crisis are avoided.

Graph I.1.15: **Reported COVID-19 cases and deaths, EU**



Note: since 100th case on 23 February 2020
Source: ECDC, April 23, 2020.

The COVID-19 crisis is estimated to have a very large detrimental economic impact on the EU. A scenario with automatic stabilisers but without planned policy measures estimates that GDP in the EU will fall by about 13% in 2020, compared to a non-pandemic reference scenario, and rebound by about 10% in 2021 (see Section I.3). About half of the decline is attributable to the demand shock, whereas the supply and the liquidity shocks account for about one fifth and the rest is due to

(30) See e.g. Pollitt, Hector (2020). 'Coronavirus: how to model the economic impacts of a pandemic'. *Cambridge Economics Blog*, 10 March.

(31) Several past pandemic studies have used scenario analyses; see L. Jonung and W. Roeger (2006). 'The macroeconomic effects of a pandemic in Europe - A model-based assessment'. *European Economy Eonomic Paper* 251, DG ECFIN (European Commission); Rubin, H. (2011). 'Future global shocks: pandemics'. *OECD Report* IFP/WKP/FGS(2011)2, January, OECD.

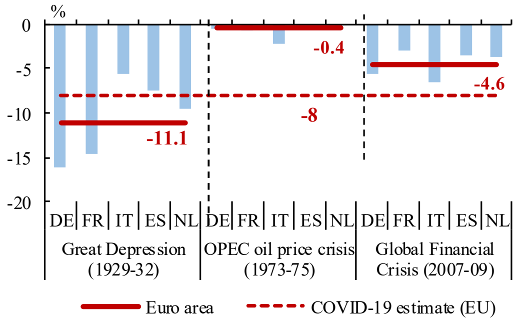
(32) Several institutions and researchers have recently presented scenario analyses to evaluate the COVID-19 impact, including outcomes for the euro area; see e.g. OECD (2020). 'Coronavirus: the world economy at risk'. *OECD Interim Economic Assessment*, March 2; IMF (2020). 'Alternative evolutions in the fight against COVID-19'. *World Economic Outlook*, April, pp. 15-6 (box); Battistini, N. and G. Stoevsky (2020). 'Alternative scenarios for the impact of the COVID-19 pandemic on economic activity on the euro area'. *Economic Bulletin* 3 (ECB), May (forthc.); Hurst, I., Liadze, I., Naisbitt, B. and G. Young (2020). 'A preliminary assessment of the possible economic impact of the coronavirus outbreak: update.' *NiGEM Observations* 18, March 27; McKibbin, W. and R. Fernando (2020). 'The global macroeconomic impacts of COVID-19: seven scenarios'. *Brookings Report*, March 2; CPB Netherlands Bureau of Economic Policy Analysis (2020). 'Scenarios for the economic consequences of the corona crisis'. *CPB Scenarios*, March. Additional scenario analyses have been published by private banks and, for their respective countries, by several euro area central banks (e.g. in Ireland, Spain, Lithuania, and Portugal).

the uncertainty shock. Once the planned policy measures are taken into account (baseline scenario) the impact looks much smoother, with GDP falling with respect to the non-pandemic scenario by about 8% in 2020 and recovering by about 6% in 2021. These mitigation effects in both years can mainly be attributed to discretionary spending and government guarantees to businesses.

The effectiveness of planned policy measures is also reflected in the developments of demand components and employment. The scenario without planned measures shows in 2020 double-digit declines in private investment, private consumption, but also exports and imports, and much smaller but further declines compared to a non-pandemic reference scenario in 2021. Planned measures are estimated to cushion the declines in private consumption and private investment but also for exports and imports, but not sufficiently to prevent an unprecedented decline in private consumption in 2020, which would then only partially be offset by the rebound in 2021, as private consumption would still be below a non-pandemic reference scenario. Planned policy measures are estimated to halve the fall in employment in 2020, but despite a significant rebound in the labour market, employment is estimated to remain below the non-pandemic scenario in 2021.

The estimated fall in annual real GDP in 2020 exceeds the amplitude of the deepest recessions in the history of the EU, including the first oil price shock (1973-1975) and the Global Financial Crisis (2007-2009), [33] but it is smaller than the peak-to-trough decline during the Great Depression (Graph I.1.16). [34]

Graph I.1.16: **GDP declines during Great Depression, first oil crisis, and Global Financial Crisis, euro area**



Note: Largest peak-to-trough GDP declines since 1921 (peacetime years only), based on annual data, 1921-51 EA12 excl. LU, 1952-84 EA19 excl. EE, LT, LV, and SK, and since 1985 EA19.
Source: Maddison Project Database, 2018, www.ggdc.net/maddison

Overall, these results of the baseline scenario show up to the end of the forecast horizon in 2021 a relatively rapid, but incomplete recovery with output remaining below a non-pandemic scenario. In assessing these results one has to acknowledge the large amount of uncertainty surrounding the numbers, in particular with respect to the dynamics of the pandemic and the relaxation of containment measures, but also with respect to the availability of an effective treatment for COVID-19 and a vaccine. More adverse assumptions about the pandemic and about the stringency and duration of containment measures result in outcomes that are more negative for 2020 and 2021 (Section I.3). [35]

The euro area has undergone a severe shock...

The pandemic and the efforts to contain it have brought the economic expansion in the EU and the euro area to an end. The extremely rapid peak-to-trough decline in GDP growth constitutes an unusually fast downturn, which is expected to be partially reversed in the second half of the year.

COVID-19 has spread globally and caused governments to shut down large portions of their economies in an attempt to contain the virus' transmission. [36] The combination of the

(33) These three post-World War II recessions have been identified as globally outstanding; see Kose, M. A., Sugawara, N. and M. E. Terrones (2020). 'Global recessions'. *Policy Research Working Paper* 9172 (World Bank), March.

(34) The same ranking is obtained for euro area per-capita GDP data from the Long-Term Productivity database (-15.2% in the Great Depression, -4.8% in the Global Financial Crisis and -1.2% in the OPEC oil price crisis); for further analysis see Bergeaud, A., Cette, G. and R. Lecat (2020). 'Current and past recessions: a long-term perspective'. *Eco Notepad* 159 (Banque de France), April 27.

(35) This does not necessarily imply a trade off between containment measures and economic recovery, as the failure to mitigate the peak of an infection may cause very large upfront costs in terms of output and demand; see Bodenstein, M., Corsetti, G. and L. Guerrieri (2020). 'Social distancing and supply disruptions in a pandemic'. *Finance and Economics Discussion Series* 31 (Federal Reserve Board), April.

(36) According to ILO estimates, in early April full or partial lockdown measures were affecting almost 2.7 billion workers, representing around 81% of the world's workforce; see International Labour Organization (2020). 'COVID-19 and the world of work. Second edition'. *ILO Monitor*, April 7.

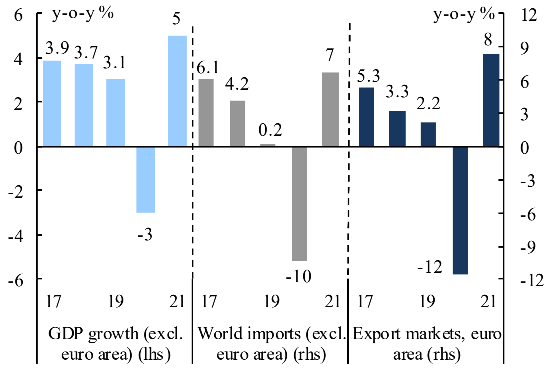
pandemic, falling oil prices and financial market shocks is expected to have pushed the global economy into recession (see Graph I.1.17). Global economic activity outside the euro area is forecast to contract by about 3% in 2020, which is a sharper downturn than during the Global Financial Crisis when at least some countries escaped the downturn.

Supported by unprecedented policy efforts, the outlook for the external environment in 2021 is more benign, showing a strong rebound in growth, although output is expected to not fully recover to pre-pandemic levels within the forecast horizon (see Section I.2.1). Economic activity in advanced economies (excluding the EU) is projected to fall by about 6% this year and to increase by about 4½% next year. In emerging market economies, the projected decline in GDP in 2020 is somewhat smaller, reflecting the expected growth rebound in China. The deterioration is expected to be sharper in emerging market countries with limited capacity to deal with a health crisis of this magnitude as well as with limited policy space to absorb the macroeconomic shock. Moreover, in many emerging market economies, the negative impact of COVID-19 is compounded by a simultaneous commodity price shock and a sharp deterioration in financing conditions.

The COVID-19 shock is set to affect the global economy via disruptions to demand, labour supply and industrial output, supply chains, commodity prices, international trade and capital flows. For the trade outlook (Graph I.1.17), this implies that an already weak 2019 is followed by a year with plummeting global trade. [37] The rebound in 2021 is projected to be limited because some of the disruption in global value chains caused by the pandemic is likely to prove more permanent. Overall, these projections for the external environment are expected to weigh on the outlook for the euro area, as they imply unfavourable developments in euro area export markets.

[37] The WTO projected world merchandise trade to fall in 2020 by between 13% and 32%; see WTO (2020). 'Trade set to plunge as COVID-19 pandemic upends global economy'. *WTO Press Release* 855, April 8.

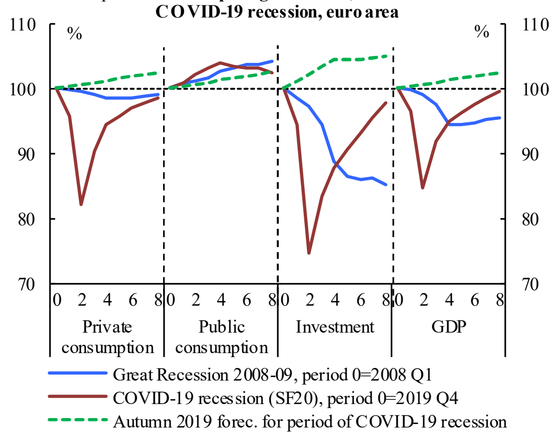
Graph I.1.17: **Forecast: Global economic activity, world trade and euro area export markets**



...with private domestic demand set to recover only gradually...

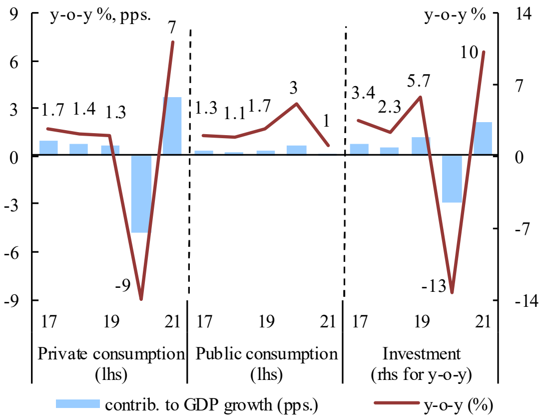
Economic activity in the euro area and the EU is being hit by a variety of shocks, as described in the model-based scenario analysis. Private consumption and investment are set to fall sharply in the first half of the year, before rebounding in the second half. Both the downturn and the upswing are expected to be extreme compared to the Global Financial Crisis (Graph I.1.18). However, it has to be noted that the pace of the rebound rests on assumptions about the pandemic, which are surrounded by large uncertainty.

Graph I.1.18: **Comparing recessions, 2008-09 crisis vs COVID-19 recession, euro area**



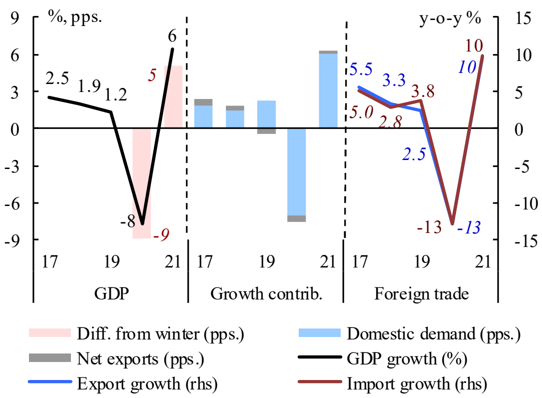
Despite the expected gradual rebound in the second half of 2020, the troughs in the first half of the year are set to be so deep that the projected annual growth rates are at unprecedented lows (see Graph I.1.19). The profile implies strong carry-overs to 2021, which are one reason for projections of relatively strong growth next year.

Graph I.1.19: **Forecast: Domestic demand components, euro area**



Due to the synchronous global economic downturn expected in 2020 and the subsequent rebound in 2021, euro area exports and imports are set to move almost in parallel (Graph I.1.20), limiting net contributions to growth from the external side. As a result, domestic demand components dominate the growth outlook, which is characterised by a sharp downturn in 2020 and an incomplete rebound in 2021.

Graph I.1.20: **Forecast: GDP, growth contributions and foreign trade, euro area**

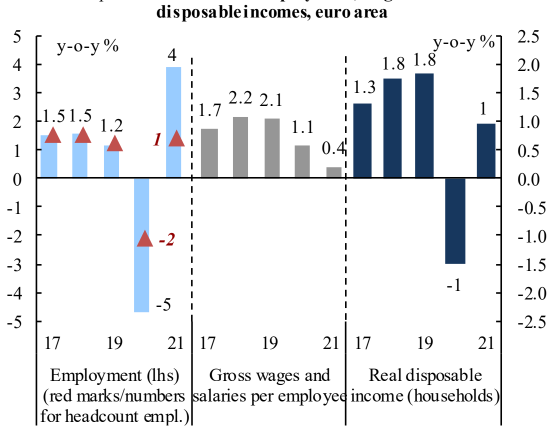


Against the background of sharp moves in annual growth rates, the expected importance of calendar effects on euro area growth this year (due to the leap year and a relatively high number of working days in some Member States) has faded.

...the labour market being severely hit...

The ups and downs in economic activity are also reflected in projections for the labour market (see Section I.2.4). The relatively moderate expected decline in employment of about 4% in 2020 hides a more substantial deterioration in the number of hours worked, as employees in short-time work schemes are de facto unemployed but remain statistically employed. The deterioration in the labour market situation is projected to limit increases in wages and salaries this year and next as the bargaining power of workers is diminished. Accordingly, gains in real disposable incomes are also expected to fall behind the rates seen in the years of economic expansion (Graph I.1.21).

Graph I.1.21: **Forecast: Employment, wages and real disposable incomes, euro area**



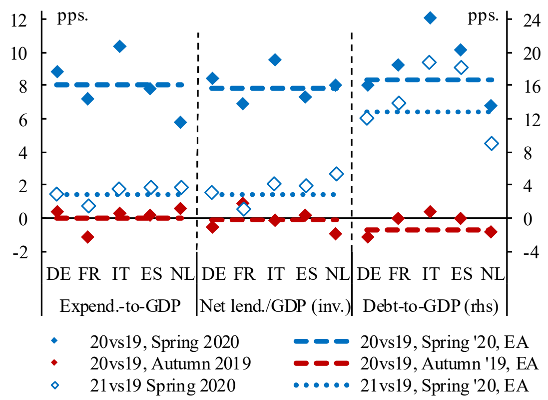
...near-term inflationary pressures diminishing rapidly...

The combination of weakening economic activity and a deteriorating labour market outlook translates in the near term into lower domestic price pressures that weigh on core inflation. In combination with falling energy price inflation, mainly reflecting the sharp fall in oil prices, this explains the downward revision to inflation projections. HICP inflation in the euro area is forecast to fall below 1% in 2020 and to tick higher in 2021, mainly on the back of base effects.

...while additional policy measures impact on public finances.

To protect households, workers and firms, new discretionary fiscal measures have been announced or implemented that add to the effects of automatic stabilisers (see Section I.2.6). As a result, public expenditure, deficit, and debt to GDP ratios are projected to increase significantly (Graph I.1.22), whereas the revenue ratio is set to remain roughly unchanged. Under the baseline scenario, in 2020 increases in the deficit and debt ratios combine the effects of unprecedented fiscal policy measures and the decline in economic activity (nominal GDP). The increases in 2020 (dashed blue line) differ markedly from the autumn forecast (red line). In 2021, Member States are assumed to unwind many of the temporary policy measures adopted in response to the COVID-19. In combination with the expected rebound in economic activity in 2021, under a no-policy change assumption this is projected to lower expenditure, deficit and debt ratios (dotted blue line). It has to be noted that not all measures are reflected in the budget, e.g. liquidity support measures such as loans or loan guarantees to firms.

Graph I.1.22: **Forecast: Change in public finance indicators, 2019-2020/21, EA and large Member States**

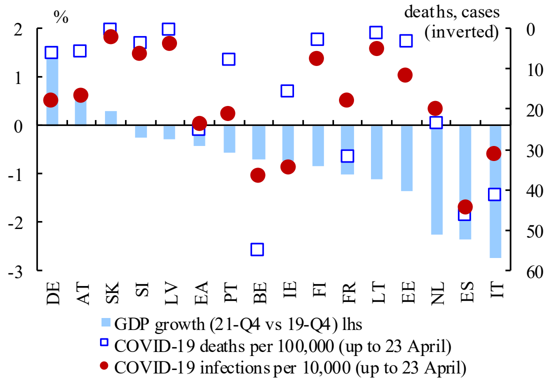


Most Member States are pushed into recessions, though of different extents,...

The COVID-19 shock is broadly symmetric and hits all Member States, but both the downturn and the rebound of economic activity are expected to be asymmetric (Graph I.1.23). While some countries are set to return next year to their pre-pandemic levels of output, a majority of Member States is expected to recover only partially by the end of the forecast horizon. Among the reasons are country-specific features, such as differences in the extent and timing of the pandemic in individual countries as also reflected in the reported numbers of COVID-19 infections and deaths.

Other differences are found in the exposure to sectors most affected by the pandemic and containment measures (e.g. tourism), and in the fiscal response to the crisis (see Section I.2.7). Country specific developments are expected key public finance indicators. For example, in 2020, the highest increase in the debt ratio is expected in Italy and Spain (Graph I.1.22), partly reflecting a more pronounced economic contraction. In 2021, both economies are projected to face the highest increases as compared to the outturns in 2019.

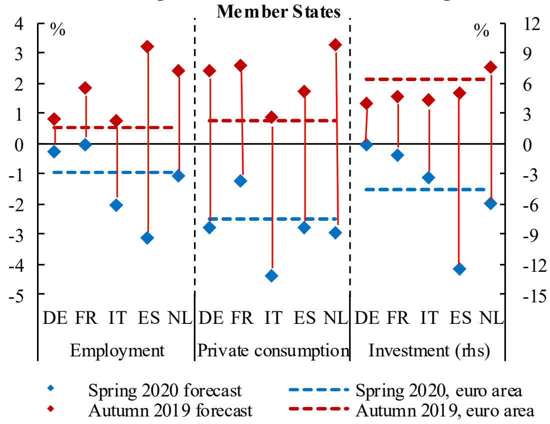
Graph I.1.23: **COVID-19 and its asymmetric growth impact in euro area Member States**



Source: ECDC, April 23, 2020.

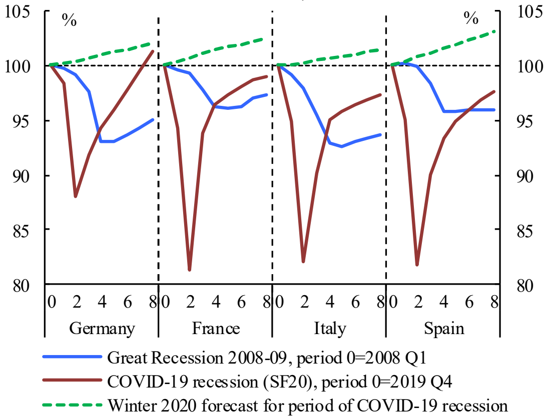
The uneven rebound of economic activity is also visible in annual figures. While the levels of employment and private domestic demand (private consumption and investment) are projected to remain in 2021 below their pre-pandemic levels in the euro area and the five largest Member States, the differences across countries are substantial (Graph I.1.24). This also applies in terms of 'lost growth' when compared with the growth rates that were expected in autumn 2019 forecast (red lines in the graph below).

Graph I.1.24: **Forecast: Employment and domestic demand growth 2019-2021, euro area and largest Member States**



Substantial differences across countries are also clearly visible in the projected profiles of GDP growth in 2020 and 2021. Among the largest Member States (Graph I.1.25), the projected declines are more similar than the rebounds, which are set to be more limited in Italy and Spain, so far the two countries hardest hit by COVID-19. The decline in GDP is followed by a largely asymmetric recovery, which leads to entrenched divergences. In comparison to the Great Recession in 2008-2009, the crisis triggered by the COVID-19 pandemic is much deeper and highlights the importance of persistent structural, macroeconomic differences in Member States.

Graph I.1.25: **Comparing recessions, 2008-09 crisis vs. COVID-19 recession, Member States**

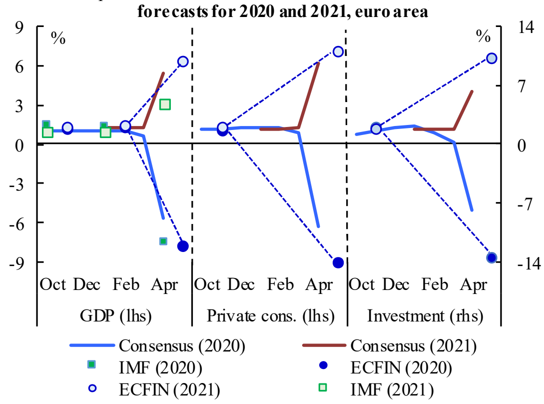


...and the downturn is resulting in sharp downward revisions to forecasts.

Both the exceptional pace of the expected downturn and rebound are reflected in recent revisions by most forecasters (including the IMF and the forecasters surveyed by Consensus Economics). Within weeks, rather flat forecast evolutions for private consumption, investment and GDP in the euro area have turned into forecast 'scissors' with low forecast numbers for 2020 and high forecast numbers for 2021. Thus, the directions forecasters have taken in the newly entered 'uncharted territory' look quite similar (Graph I.1.26).

Overall, the economic outlook for the euro area and the EU economy has sharply deteriorated since the winter 2020 interim forecast. The COVID-19 pandemic has affected China much more than expected and spread globally, including in the EU. As key parameters of the disease including its duration remain unknown, forecasts at the current juncture are inevitably shrouded by elevated uncertainty. It is therefore somewhat premature to try to assess the likely shape of the rebound. As compared to the profiles observed during the Global Financial Crisis, however, current projections could still merit description as 'V-shaped', but the incomplete rebound that is projected for economic activity, trade and employment could suggest a 'U shaped' rebound. Whether this in the end turns into an 'elongated U', as for some countries in the wake of the Great Recession, depends on the validity of assumptions on which the forecast is based.

Graph I.1.26: **COVID-19 and forecast 'scissors', selected forecasts for 2020 and 2021, euro area**



Sources: IMF, ECFIN, and Consensus Economics.

Extremely high uncertainty and substantial downside risks surround the forecast

The huge uncertainty surrounding this spring forecast is unprecedented. The scale and duration of the pandemic are essentially unknown. There is also uncertainty regarding both the duration and scope of containment measures and, in turn, the shape of the rebound.

Risks surrounding the forecast are severe and mostly point to the downside. The major risks concern the total economic impact of COVID-19 on the EU economy, which will depend upon the scale and duration of the pandemic.

- Growth in the EU could underperform the already revised forecast, as the ***pandemic*** poses downside risks. The forecast is based on the assumption that the pandemic exerts its biggest impact in the second quarter 2020 followed by a period of gradual relaxation of the containment measures. This could be too optimistic, in particular as a treatment drug or vaccine may not be available soon. Already planned or implemented relaxations of containment measures could prove premature and spark another outbreak ('second wave'). A prolonged or more severe spread of the virus would yield an even worse downturn than currently expected, as also visible in the adverse scenarios that have been simulated (see Section I.3).

- The recovery in Europe could also suffer from insufficiently ***coordinated national policy responses, or a too limited common response at the EU level***. This could limit the efficient use of the workforce (e.g. labour mobility), result in different treatment of companies depending on their location in the EU, or be inadequate to compensate for the lack of sufficient policy space in those euro area Member States that are also hardest hit. It could endanger the functioning of the internal market, result in efficiency losses, dampen economic growth, increase divergence, and ultimately threaten the stability of the monetary union. Tight linkages through supply chains, financial connections and trade relationships would compound and spread negative effects throughout the EU.

- Growth in the ***external environment*** could be weaker than expected, i.e. the recession could be deeper than anticipated and the rebound could be more gradual than expected. This could be related to more painful economic effects of COVID-19 in emerging market economies (e.g. sovereign defaults).

- The possibility of ***financial turmoil*** cannot be excluded. For indebted corporate borrowers, initial liquidity strains could turn into solvency problems, which lead to bankruptcies, make loans non-performing and cause losses in the banking sector that endanger financial stability and cause a risk-off episode with implications to companies' access to credit and their funding costs. [38] Frictions in credit markets could lower economic efficiency due to higher costs of capital and/or by capital being misallocated away from its most productive uses. For some sovereigns, the budgetary burden of implemented and planned measures could become more difficult to cope with than currently expected. This – in combination with the impact of the recession on output and inflation – could lead to a revival of concerns about debt sustainability, and financial tensions. In the absence of sufficient circuit breakers, economic and financial feedback loops could emerge.

- Even if the virus is successfully suppressed in the near term and a lifting of containment measures leads to a revival in economic activity, the pandemic could leave ***permanent scars*** in the EU economy that are not included in the central scenario. They could be related to a wave of bankruptcies and an accompanying destruction of capital, as well as fragmentation in the Single Market, which would lower the intensity of trade and dampen investment. In addition, experiences from the pandemic could also trigger fundamental changes to global trade and international cooperation that would hit open economies such as the EU most. Against the background of fears that imported cases result in renewed infections, a rise of protectionism could become more popular than currently expected.

- In addition, some ***downside risks evaluated in the previous forecasts*** remain in place. These include concerns that new tariffs might be applied on a much wider range of items, which could adversely affect business investment plans and lead to a worse outcome. Moreover, the failure to secure an agreement about the future trading relationship between the EU and the UK could dampen economic growth, particularly in the UK.

On the upside, a more rapid than expected development of a vaccine against COVID-19 could allow physical distancing measures to be lifted more quickly, could improve economic sentiment, and result in a faster-than-anticipated return to a more normal economic situation.

[38] Regarding financial stability, the Financial Stability Board assessed the pandemic as 'the biggest test of the post-financial system to date'; Financial Stability Board (2020). 'COVID-19 pandemic: Financial stability implications and policy measures taken'. April 15.

2. ECONOMIC OUTLOOK

2.1. INTERNATIONAL ENVIRONMENT

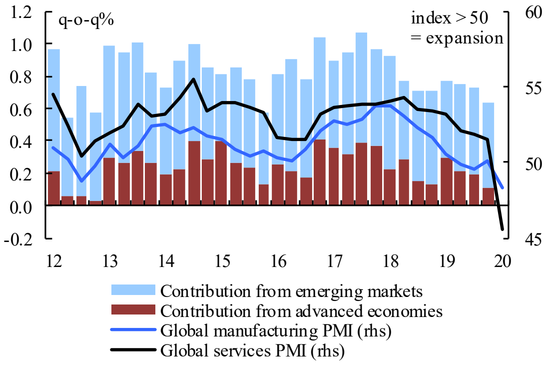
Pandemic hits a vulnerable global economy

Around the turn of the year, the global economy, which was slowing down since 2018, showed some tentative signs of bottoming out when it was hit by the COVID-19 global pandemic. This crisis profoundly disrupted global demand, supply chains, labour supply and industrial output and triggered a collapse in oil and commodity prices as well as financial market turmoil. The combination of these shocks is expected to push the global economy into a deep recession in the first half of 2020. The unprecedented policy efforts to limit the economic impact of the pandemic however, are expected to contain the downturn and contribute to the subsequent recovery. The resumption of economic activity is projected to begin in the second half of 2020 when the pandemic is assumed to be broadly contained and the restrictive health policy measures progressively phased out. However, the restart in economic activity is set to be gradual and uneven across countries and regions as it will depend on their policy space and capacities to deal with a health crisis of this magnitude. For many emerging and low-income countries, the economic impact is projected to be particularly long lasting. Furthermore, the economic and social challenges in some of these countries are expected to be compounded by a simultaneous commodity price shock and a sharp deterioration of financing conditions. Overall, global real GDP (excluding the EU) is projected to contract by around 3% in 2020 before a recovery of 5% in 2021, implying that by the end of the forecast horizon global output would recover above the 2019 level but below the projected level in the autumn 2019 forecast. Uncertainty around the present forecast is extremely large as it is impossible to predict the future patterns of the virus outbreak, the containment measures taken to flatten its spread, the effectiveness of the policy response as well as the damage it may have on international trade and global value chains. Overall, the economic shock hitting all economies simultaneously may have a deeper and longer lasting impact.

A triple shock of global pandemic, collapsing oil prices and financial market turmoil

Global growth (excl. EU) remained subdued in the second half of 2019 but signs of an upturn started to emerge around the turn of the year. Some high frequency indicators improved on the back of easing concerns around possible tail risks thanks to the "phase one" trade deal between the US and China and the reduction of uncertainty about the UK withdrawal from the EU. In addition, macroeconomic, and especially monetary, policy support in a number of major economies supported global business sentiment. Signs of bottoming out were particularly strong in emerging Asia where a tentative upturn in the tech cycle further strengthened the outlook for manufacturing.

Graph I.2.1: **Growth in global GDP and global PMIs**



Sources: National sources, OECD, IMF and WB for GDP, JPMorgan/IHS Markit for PMI. Quarterly PMIs are calculated as the average over three months.

The outbreak and spread of COVID-19, starting in China in December 2019 and subsequently becoming a pandemic, derailed this incipient global recovery and fundamentally changed the economic outlook. The fast cross-border spread of the virus triggered a wave of public containment measures, a change in behaviour of the general public, a substantial drop in business confidence, and a steep rise in financial market risk aversion, implying a sharp and abrupt halt to economic activity. This shock rippled through the global economy via disruptions to global demand, labour supply and industrial output, supply chains, commodity prices, international trade and capital flows. The latest high frequency data confirm that since the beginning of the year the pandemic has caused significant disruption across the global economy, with global output, trade and employment contracting in March and April at the

Table I.2.1:
International environment

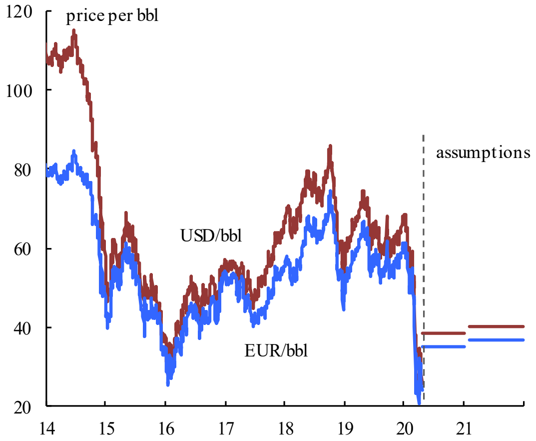
(Annual percentage change)					Spring 2020 forecast			*Autumn 2019 forecast*		
	(a)	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
						Real GDP growth				
Japan	4.1	0.5	2.2	0.3	**0.7**	**-5.0**	**2.7**	*0.9*	*0.4*	*0.6*
United Kingdom	2.2	1.9	1.9	1.3	**1.4**	**-8.3**	**6.0**	*1.3*	*1.4*	*1.4*
United States	15.2	1.6	2.4	2.9	**2.3**	**-6.5**	**4.9**	*2.3*	*1.8*	*1.6*
Emerging and developing Asia	34.1	6.9	6.5	6.4	**5.6**	**0.6**	**7.2**	*5.7*	*5.6*	*5.5*
- China	18.7	6.8	7.0	6.7	**6.1**	**1.0**	**7.8**	*6.1*	*5.8*	*5.6*
- India	7.7	9.0	6.6	6.8	**5.3**	**1.1**	**6.7**	*5.6*	*6.1*	*6.3*
Latin America	7.5	-0.9	1.1	0.9	**-0.1**	**-5.6**	**2.4**	*-0.1*	*1.1*	*1.7*
- Brazil	2.5	-3.3	1.3	1.3	**1.1**	**-5.2**	**1.9**	*0.8*	*1.5*	*1.8*
MENA	6.5	4.6	1.9	1.0	**0.2**	**-3.8**	**2.0**	*1.0*	*1.8*	*1.9*
CIS	4.4	0.7	2.2	2.7	**2.1**	**-4.0**	**2.3**	*1.7*	*2.1*	*2.1*
- Russia	3.1	0.3	1.6	2.3	**1.3**	**-5.0**	**1.6**	*1.0*	*1.4*	*1.5*
Sub-Saharan Africa	3.2	1.1	2.6	2.6	**2.4**	**-4.1**	**2.1**	*2.7*	*2.8*	*2.8*
Candidate Countries	1.9	3.2	7.0	2.9	**1.1**	**-5.3**	**4.5**	*0.6*	*3.1*	*3.5*
World excluding EU	86.0	3.5	3.9	3.7	**3.0**	**-2.9**	**5.0**	*3.1*	*3.3*	*3.4*
						Trade of goods and services, volumes				
World excluding EU, import		1.3	6.0	4.1	**0.1**	**-10.3**	**6.7**	*0.5*	*2.1*	*2.5*
EU export market growth (b)		3.3	5.4	3.3	**2.2**	**-11.5**	**8.4**	*2.3*	*2.6*	*2.7*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2018.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

sharpest rate since the Great Depression. Reflecting on the experience in China where the virus outbreak first appeared and seemed to have been contained, the COVID-19 pandemic is assumed to be of transitory nature but to hit all economies across the globe. The severe disruption to global activity is expected to be largely concentrated in Q1 (China and large parts of East Asia) and Q2 (Europe and the US). It is expected to be followed by a rebound, starting in the second half of this year, as the pandemic ebbs away and containment measures are phased out (albeit in a staggered and managed way). Nevertheless, the pick-up in economic activity is expected to be only gradual and particularly subdued in countries with limited policy space.

The virus outbreak and the associated sharp economic slowdown resulted in a negative demand shock to oil and many other commodities, putting downward pressure on prices since the beginning of the year. In the case of oil, in March a brief price war between Saudi Arabia and Russia prompted a surge in supply leading to an additional sharp plunge in prices. Eventually, in April, the OPEC+ countries agreed to curtail oil production in the face of the slump in global demand. However, concerns that the agreed production cuts would be insufficient to cope with the plunging demand, together with scarcity of storage for the excess oil supply, sustained the downward pressure on prices. In an environment of extreme uncertainty around the unfolding COVID-19 pandemic and the growing jitters over the global economic outlook, oil and commodity prices are set to remain subdued over this year and next, well below earlier expectations. As a result, the assumptions for Brent prices are revised downwards to an average of 38 USD/bbl in 2020 and 40 USD/bbl in 2021, down by 33% and 28%, respectively compared to the autumn Forecast (see Graph I.2.2). In euro terms, downward revisions as compared to the autumn forecast amount to 32% and 27%, respectively. These developments are expected to further dampen the economic prospects for many oil-exporting countries, in addition to limiting their fiscal space to counter the health shock in a context of exacerbating financial vulnerabilities. On the other hand, potential positive effects from lower oil prices in oil importing countries would be impaired in the near-term by the depressed demand conditions in view of restrictive public health measures effectively shutting down large parts of their economies.

Graph I.2.2: **Brent oil price assumptions**



A fiscal policy response mainly concentrated in the advanced economies and East Asia

Outside of the EU, the most sizeable fiscal measures to cushion the negative shock have been put forward by the governments in the US (11% of GDP), the UK (at least 5% of GDP) and Japan (5% of GDP). In addition, these countries provided substantial guarantees for personal and business loans (2% of GDP in the US, 16% in the UK and 17% in Japan). At the same time, China expanded fiscal policy by around 1¼% of GDP while Russia, India and some of the emerging markets in Southeast Asia have also put forward ambitious fiscal packages. Most of the announced fiscal measures have been primarily aimed at enhancing the existing automatic stabilisers in all these economies, i.e. cushioning the economy during the shock by stabilising incomes, providing liquidity and avoiding bankruptcies. In contrast, a large number of emerging and low-income countries affected by the pandemic and/or its macroeconomic spillovers have been constrained by limited policy space in addition to already weak social safety nets (most of Latin America and Sub-Saharan Africa). In order to support these countries, the G20 and the Paris Club agreed for a time-bound suspension of debt service payments by bilateral official creditors, for the poorest countries that request forbearance, while the IMF approved immediate debt service relief to 25 countries.

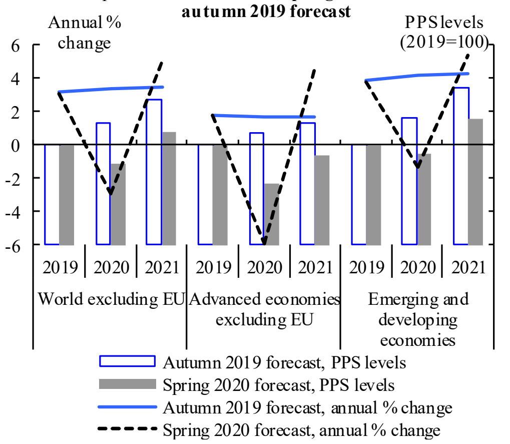
A global recession followed by an uneven recovery across countries and regions

The triple shock of a global pandemic, collapsing oil prices and financial market turmoil hit an already fragile global economy that expanded by less than 3% in 2019 (the lowest growth rate since the Global Financial Crisis). The combination of these shocks is set to push the global economy into an abrupt and deep recession in 2020 with global real GDP (excluding the EU) contracting by around 3% (-6¼ pps. compared to the autumn forecast). However, the massive health and macroeconomic policy efforts across most major economies are expected to contain the pandemic and limit its negative impact on the global economy to a deep but temporary downturn. Thus, in 2021 global real GDP (excluding the EU) is projected to rebound by 5% (+1¾ pps. compared to the autumn forecast), though driven to a large extent by base effects. The rebound is expected to be gradual and uneven across countries and regions.

Economic growth in the advanced economies (excluding the EU) decelerated to 1¾% in 2019 (from 2½% in 2018) on the back of subdued business confidence, waning fiscal stimulus in the US and a drop in GDP growth in Japan around the consumption tax hike in October. This slowdown is poised to sharply deepen in the first half of 2020 as the COVID-19 containment measures depress domestic demand, employment and incomes, leading to a real GDP contraction of 6½% for the year as a whole (-7½ pps. compared to the autumn forecast). However, thanks to the significant macroeconomic policy response assumed to broadly preserve the economic fundamentals in these countries, a gradual economic normalisation starting from the second half of 2020 is projected to result in a rebound of growth to 4½% in 2021 (+3 pps. compared to the autumn forecast). This implies that by the end of the forecast horizon, output in most advanced economies outside the EU would remain below 2019 levels (see Graph I.2.3).

In the emerging economies, real GDP growth decelerated to 3¾% in 2019 (from 4½% in 2018) amid weak global trade momentum, heightened uncertainty, a surge in geopolitical tensions, and an array of largely political and structural impediments. Going forward, economic prospects in many of these countries are set to severely deteriorate in view of the COVID-19 pandemic as they enter the crisis with weak public health systems, low institutional capacity and constrained macroeconomic policy space. Furthermore, in a number of these economies the impact of the virus outbreak is set to be compounded by a simultaneous commodity price shock and a sharp deterioration of financing conditions laying bare many of the financial vulnerabilities accumulated in the past decade, such as high debt levels and a large share of foreign-currency denominated debt. On the positive side, in China and some countries in Southeast Asia, the virus appears to have been contained so far and these economies are expected to gradually recover as of the second half of 2020 underpinned by accommodative monetary and fiscal policies. Against this backdrop, real GDP in the EMEs as a group is projected to contract by 1¼% in 2020 (-5½ pps. compared to the autumn forecast) before expanding by 5¼% in 2021 (+1 pp. compared to the autumn forecast). This implies that in 2021 output in emerging markets is expected to recover above 2019 levels, but below the projected level in the autumn 2019 forecast (see Graph I.2.3). The expected rebound in 2021 is mainly driven by the dissipating global pandemic and the normalisation of growth dynamics in China while only a limited pick-up in growth is set to take hold in Latin America, the Middle East and Africa.

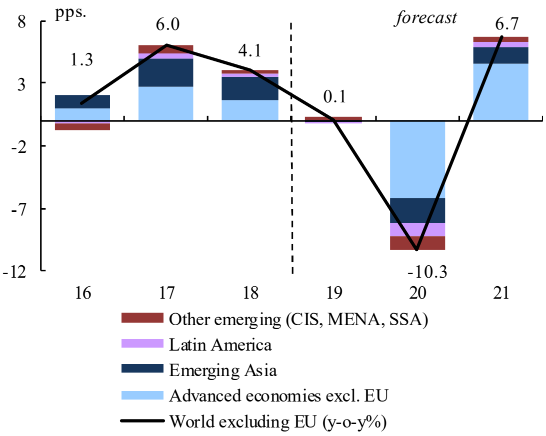
Graph I.2.3: **GDP forecast, spring 2020 forecast vs autumn 2019 forecast**



A deeper slump in global trade

Following an already weak 2019, global trade is expected to plummet in 2020. A combined demand and supply shock due to worldwide lockdown measures is projected to lead to an unprecedented collapse in trade in the first half of the year. In the second half of the year, trade in goods should start rebounding as lockdown measures are gradually lifted and global demand gradually recovers. However, trade in services, particularly tourism, is expected to rebound more slowly. Thus, global imports (ex-EU) are expected to plunge by 10¼% in 2020 (see Graph I.2.4). In 2021, global imports (excluding the EU) are set to grow by 6¾%, as economic and trade activity in the advanced economies and China enter the year with strong momentum and positive carry-over effects mechanically boost the forecast. On the whole, however, the current crisis is expected to weigh on gross trade flows as it is set to lead to lesser integration of production processes and simpler global value chains. Furthermore, global trade policy uncertainty is predicted to continue weighing on trade, in spite of the recent US-China "phase one" trade deal, which is considered not sufficient to reverse the ongoing broader trend towards protectionism. For these reasons, while trade is expected to fall considerably more steeply than GDP in 2020, producing imports elasticity of about 3, its rebound in 2021 is expected to be in line with the recovery of economic activity (elasticity of around 1).

Graph I.2.4: **Contributions to non-EU world import growth**

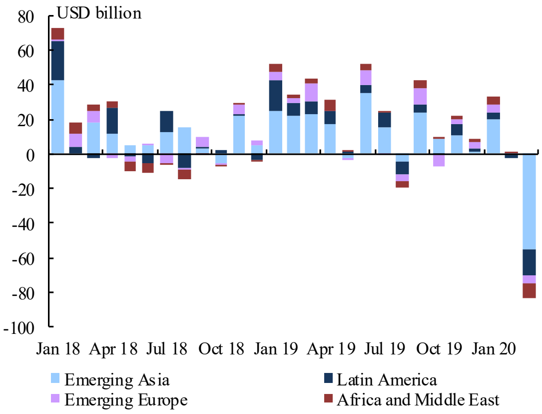


2.2. FINANCIAL MARKETS

Global financial markets severely shaken by COVID-19 shock

As the global economic outlook deteriorated and uncertainty about the evolution of the COVID-19 pandemic increased, a sharp shift to global risk-off sentiment resulted in deep losses in global equity markets, massive capital outflows from emerging markets and rallies in safe haven assets. As a consequence, longer-term yields have declined materially since the beginning of the year across advanced economies. In March, global market turmoil and risk aversion intensified to a point where a liquidity crunch temporarily caused stress in US credit markets, hampering the transmission mechanisms of the Fed's monetary policy and testing the limits of the resilience of the global financial system. In emerging markets, the interaction of the COVID-19 shock with the collapse in oil and commodity prices has triggered sharp capital outflows, currency depreciations and an increase in corporate and sovereign bond spreads. These developments create a major risk for financial stability in emerging and developing countries, reflecting their heavy dependence on external and USD-denominated debt. Taken together, all these developments have resulted in a sharp tightening of global financing conditions, despite a massive easing of global monetary policy over the last few months.

Graph I.2.5: **Portfolio flows to emerging markets**



Source: *IIF.*

A bold policy response to the pandemic

Central banks and governments around the world have taken unprecedented policy measures to contain the macroeconomic fallout from the COVID-19 pandemic. The US Federal Reserve led a global monetary policy response, swiftly slashing its benchmark interest rate to zero, re-starting quantitative easing programmes on a major scale and activating USD currency swap lines and repo operations with other central banks. A number of major central banks followed suit. In the advanced economies where interest rate policy space is limited (Japan, the UK, Korea), the response also focused on credit stimulation, asset purchases and regulatory forbearance. In emerging markets, the easing measures of the US Fed combined with limited inflationary pressures provided some space for cutting rates, but depreciating currencies and capital outflows forced several central banks to sell foreign currency reserves and intervene directly in their sovereign debt markets. In China, the central bank has provided more liquidity to financial markets and banks have been encouraged to provide more lending to SMEs and to raise their tolerance for bad debt. Some key policy rates have been cut but to a limited extent. Overall, the swift global monetary policy response has so far been effective in ensuring global financial stability by alleviating liquidity pressures amid intense financial market tensions.

European financial markets have been particularly impacted

Until mid-February, financial-market volatility in Europe remained subdued across major asset classes, with prices in the riskier market segments even marking new highs. In the second half of February, investor sentiment changed profoundly as it became clear that rather than remaining largely confined to China, the COVID-19 virus was spreading across continents, gravely impacting the global and European economy. In Europe's riskier market segments, such as equities and high yield corporate bonds, investors cut exposures sharply, causing the fastest market sell-off since the Global financial crisis of 2008-2009. This is largely due to the severe pressure on the liquidity stance of non-financial companies, including SMEs, as the sudden collapse in cash flows among many non-financials could quickly trigger liquidity problems and lead to a sharp increase in default rates.

Monetary and fiscal authorities in the euro area and EU have reacted swiftly to the crisis, proposing unprecedented policy support measures. Financial markets have since shown signs of stabilisation with sovereign and to a lesser extent corporate bond spreads narrowing, equity markets recovering part of their losses and liquidity stress softening in several market segments. Investor sentiment improved further in April on reports suggesting the pandemic had peaked in some countries and that an exit from the confinement period might be approaching. However, caution is still warranted in the absence of estimates of the nature and duration of the economic damages due to the COVID-19 outbreak.

EU central banks were quick to respond with mitigating measures to the COVID-19 economic shock …

The ECB has taken a broad range of monetary and credit policy measures since mid-March to try to mitigate the adverse economic impacts of the COVID-19 pandemic and in particular to prevent non-financial companies from suffering from liquidity shortages that could threaten their solvency during the crisis. These include additional liquidity-provision measures for banks (both targeted and non-targeted), supported by measures aimed at easing collateral requirements, as well as substantial additional purchases of public and private sector assets under the Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP).

The ECB announced additional purchases of public and private sector assets amounting to EUR 870bn until the end of 2020. As these purchases aim to address risks to the uniform transmission of the ECB's monetary policy across the euro area, fluctuations in the distribution of purchase flows would be allowed over time, across asset classes and among jurisdictions.

Through its additional liquidity-provision operations, the Eurosystem could lend more than EUR 1trn of additional funding to euro area banks at a negative rate, which could be as low as -0.75%. In order to enhance banks' access to central bank liquidity across the euro area, a number of temporary collateral easing measures have also been introduced. In particular, these measures ease the conditions at which loans granted by euro area banks are accepted as collateral in the Eurosystem's liquidity-provision operations and reduce the haircuts applied to all assets pledged as collateral. Crucially, loans to corporations, SMEs, self-employed individuals and households that benefit from public sector guarantees offered in the context of the COVID-19 crisis will be accepted as collateral. On 22 April 2020, the ECB adopted additional temporary measures related to the collateral that can be used by euro area banks in their credit operations with the Eurosystem. The ECB will accept as collateral until September 2021, all assets that fulfilled minimum credit quality requirements on 7 April 2020, independently of any possible downgrades by rating agencies after this date, as long as the ratings remain above a certain credit quality level (i.e. not more than two notches below the current minimum credit quality requirements defined in the Eurosystem collateral framework).

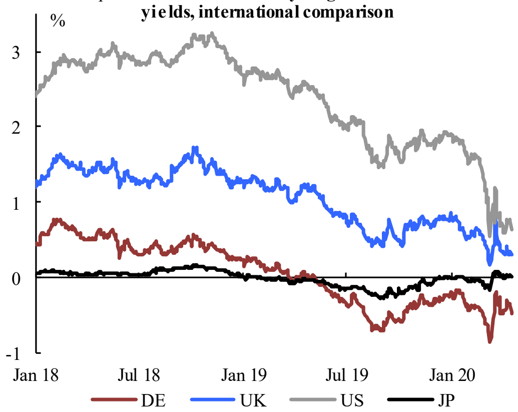
The ECB's liquidity measures have been complemented by a number of decisions by the Single Supervisory Mechanism (SSM) to relax regulatory requirements on banks in a counter-cyclical way. The SSM measures will provide temporary capital and operational relief to euro area banks, which could be used to absorb losses or loans provided to the real economy.

Most of the central banks in the EU countries outside the euro area have also taken measures with similar objectives.

...in a context of significant tensions in financial markets...

In bond markets, benchmark sovereign bonds rallied at the beginning of the year and the downward trend in yields gained strength in late February. As the impact of the public health crisis led more and more governments across the world to shut down non-essential economic activity, investors sought refuge in traditional safe havens. The 10-year German Bund yield reached an historic low of -0.84 % on 9 March amid extreme risk aversion. However, as central banks worldwide adopted massive, coordinated measures to inject liquidity in the financial system and investors started to gauge the enormous cost of adequate fiscal policy responses for public finances, investors subsequently sold off even these traditional safe assets and went into cash or money market assets. After the ECB announced the launch of the PEPP on 18 March, benchmark bond yields softened again (see Graph I.2.6).

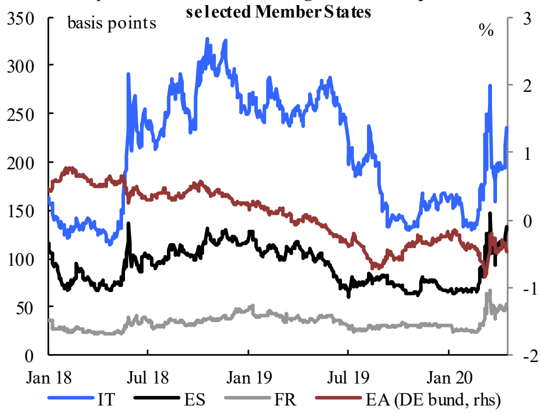
Graph I.2.6: **Benchmark 10-year government bond yields, international comparison**



Source: Bloomberg

On the euro area sovereign bond markets, peripheral and core-euro area sovereigns started the year with yield curves flattening and spreads to the Bund somewhat narrowing. Following the COVID-19 outbreak in Europe in the last week of February, sovereign spreads widened strongly suggesting that worries about the budgetary impact of the economic fallout have re-ignited debt sustainability concerns. By 17 March, spreads on 10-year euro area sovereign bonds to the Bund had increased very significantly. The subsequent announcement of the PEPP by the ECB effectively triggered a temporary reversal of the widening of sovereign bond spreads. The spread on Greek 10-year sovereign bonds also declined, supported by the ECB's waiver of the eligibility requirements for securities issued by the Greek government. However, at the end of April, most euro area Member States were still seeing higher spreads than before the COVID-19 outbreak (see Graph I.2.7).

Graph I.2.7: **Euro area sovereign bonds and spreads of selected Member States**

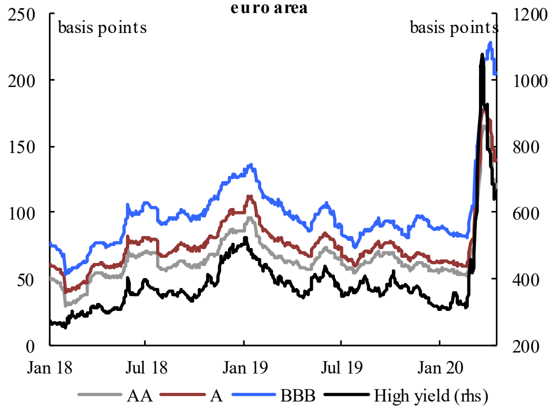


Source: Bloomberg

...particularly in the riskier market segments...

European corporate credit markets started the year with spreads in a tight range and at historically low levels, while primary market activity was very strong, with high levels of issuance. At the end of February, however, corporate bond spreads widened very sharply (see Graph I.2.8), leading primary markets to shut down and corporates to tap credit facilities at banks, where possible.

Graph I.2.8: **Corporate bond spreads, 5-year maturity, euro area**

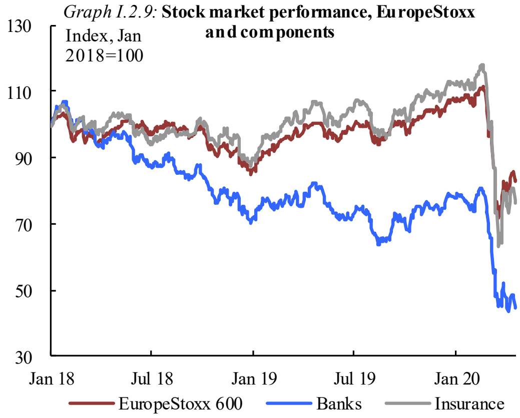


Source: Bloomberg

The ECB's PEPP has also been helpful for this market segment as corporate spreads narrowed somewhat after the announcement but remain double their pre-crisis levels. The deterioration in corporate debt quality could be particularly worrying for bonds currently rated BBB, as downgrades could see them fall into the non-investment grade segment. While the average share of BBB-rated corporate bonds downgraded to high-yield has historically been less than 5% per year, it reached 15% during the financial crisis in 2009. In the current crisis, a downgrade to the non-investment grade segment would lead to portfolio rebalancing by investment funds, asset sales and further impacts on the value of the downgraded assets.

Stock markets, which began the year with generous valuations, have been hammered since the outbreak began. Between 24 February and 24 March, European stock indices declined at a record speed within a range of between -35% and -45% (see Graph I.2.9). Around mid-March, financial-market authorities in several Member States adopted emergency short-selling prohibitions for a limited period. In addition, the European Securities and Markets Authority (ESMA) issued a decision temporarily requiring the holders of net short positions in shares traded on an EU regulated market to notify the relevant national competent authority if the position reached or exceeded 0.1% of the issued share capital after the entry into force of the decision. Thanks to these decisions, as well as the massive monetary and fiscal measures announced in the EU and across the globe, stock markets have recovered part of their losses.

Graph I.2.9: **Stock market performance, EuropeStoxx and components**



Source: Bloomberg

...and risks for the credit dynamics of the private sector.

Before the impact of the pandemic, credit dynamics in the euro area were robust, growing at an annual rate of 3.7% to the private sector in February (adjusted for loan sales, securitisation

Table I.2.2:
Financing side - euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2020 forecast				*Autumn 2019 forecast*			Spring 2020 forecast				*Autumn 2019 forecast*		
	2018	2019	2020	2021	2019	2020	2021	2018	2019	2020	2021	2019	2020	2021
Domestic non-financial private sector	3.3	3.2	**-2.2**	**2.7**	*3.1*	*3.0*	*3.1*	3.3	4.1	**-0.5**	**2.8**	*3.0*	*3.0*	*3.1*
(% of GDP)	87.3	86.9	**90.9**	**86.7**	*87.7*	*87.9*	*88.2*	102.1	102.3	**108.8**	**104.1**	*102.2*	*102.2*	*102.3*
- Credit to households	3.2	3.6	**-1.5**	**2.5**	*3.0*	*2.9*	*3.0*	3.1	4.6	**0.2**	**2.8**	*2.9*	*2.9*	*3.1*
(% of GDP)	51.7	51.9	**54.6**	**52.0**	*51.9*	*51.9*	*52.1*	63.6	64.2	**68.9**	**65.9**	*63.6*	*63.5*	*63.5*
- Loans to non-financial corporations	3.4	2.6	**-3.1**	**3.1**	*3.3*	*3.1*	*3.2*	3.6	3.2	**-1.8**	**2.9**	*3.3*	*3.1*	*3.2*
(% of GDP)	35.6	35.0	**36.3**	**34.7**	*35.8*	*35.9*	*36.1*	38.5	38.0	**40.0**	**38.3**	*38.6*	*38.7*	*38.7*

Note: Credit data is adjusted for sales and securitisation, counterpart area is domestic (home or reference area). Data from the Autumn 2019 forecast for the EU have been recalculated to exclude the UK.

and notional cash pooling). The annual growth rate of adjusted loans stood at 3.0% for non-financial corporations and at 3.8% for households. The COVID-19 outbreak puts this positive dynamic at risk as demand may decline and any decrease in borrower creditworthiness may lead banks to tighten their lending standards.

Banks are exposed to the economic recession via lower business generation, rising default rates (particularly among more risky loans, including leveraged loans), and depressed prices of securities on their balance sheet (including sovereign assets). The sharp fall in bank share prices since late February and their underperformance vs broader stock markets, is a reflection of such expectations. The Achilles heel of the banking sector is its low profitability rate, which implies that losses will quickly hit capital buffers. The banking sector's capital position, however, has been strengthened very substantially since the global and financial crisis of 2008. Judging from the 2018 EBA/ECB stress tests, banks are resilient enough to withstand a massive economic recession. Meanwhile, supervisors have called on banks to suspend dividend distribution for 2020 in order to save capital and support lending to the economy.

The ECB has responded to the deterioration of corporate credit conditions on bond markets, both through direct purchases of non-financial corporate bonds and commercial paper by the Eurosystem. For banks, the more favourable terms for TLTRO III should incentivise euro area banks to continue providing financing to the non-financial private sector. Moreover, the ECOFIN council has called on banks to continue lending to households and corporates, including SMEs, or to set in place moratoria for those experiencing temporary difficulties (see statement of 23rd of March)[39]. Meanwhile, national Banking Authorities have been called on to make full use of the flexibility provided for in prudential regulation and accounting frameworks.

Besides measures involving the banking sector, a number of other support measures have been implemented by Member States to shore up the cash-flow constraints that non-financial companies are suddenly facing. These include deferrals of social security contributions and taxes, guarantees, wage subsidies, and the implementation of economic stabilisation funds to guarantee corporate loans. To complement measures in the Member States, existing EU budget instruments are being used to support companies with liquidity constraints, including a guarantee to the European Investment Bank/European Investment Fund to incentivise banks to provide liquidity to SMEs.

Overall, the wide range of policy measures are expected to be effective in protecting the corporate sector from widespread bankruptcies by preventing the temporary liquidity squeeze from turning into a solvency crisis. As regards bank lending, a moderate decline in credit to the private sector is expected this year, essentially due to business discontinuity in the banking sector during the confinement period. Assuming that policy measures prove effective, credit volumes should rebound in 2021 (see Table I.2.2).

The euro has strengthened in nominal effective terms since the COVID-19 outbreak

The euro's appreciation in nominal effective terms by around 4% since mid-February mainly reflects the significant weakening in commodity prices and

[39] see Council of the EU (2020). 'Statement of EU ministers of finance on the Stability and Growth Pact in light of the COVID-19 crisis'. *Press Release*, 23 March.

emerging market currencies that has occurred amid mounting evidence about the damaging economic impact the COVID-19 pandemic will have on the global economy. While the euro in mid-April was broadly unchanged against the US dollar compared to mid-February, it has experienced significant swings in recent months driven by changing risk perceptions and monetary policy expectations on both sides of the Atlantic.

Acute US dollar funding shortages in March led to a very significant widening in cross currency basis swap spreads, thereby raising funding costs for non-US borrowers. Coordinated actions amongst central banks to enhance liquidity provision via standing US dollar liquidity swap line arrangements, as well as enhanced swap lines and unlimited purchases of US government bonds by the US Federal Reserve, have since succeeded in halting a further deterioration in USD funding conditions.

2.3. GDP AND COMPONENTS

The COVID-19 crisis hit the euro area economy when it was already treading on a soft path. Growth flattened out in the last quarter of 2019 and the economy contracted in a few countries. With a near stagnation in international trade, the external environment had become much less supportive than in previous years. Rising geopolitical tensions, uncertainty about the future EU-UK trading relations, tariff threats, the persistent weakness in manufacturing and several structural factors kept a lid on growth.

At the turn of the year, there were signs of a bottoming-out of external demand and leading indicators were pointing to a stabilisation in global manufacturing activity. However, the spread of COVID-19 derailed this nascent progress. This was particularly evident after the World Health Organization (WHO) declared the coronavirus outbreak a pandemic in early March.

The European economy was hit by a simultaneous wave of supply and demand shocks, as policy makers took unprecedented measures to flatten the fast rising infection curve. This was further compounded by a sudden and sharp tightening in financial conditions, as uncertainty gripped financial markets and led to sharp risk-off episodes. [40]

Containment measures of unprecedented scope in western democratic societies delivered a drop in the number of new infections. Through these measures in response to the virus, the economy has deliberately been put into what has been described as ‘hibernation’ or an ‘artificial coma’ [41]. On the supply side, worker absenteeism and factory shutdowns have led to reduced output in a wide range of industries, further amplified by supply chain disruptions. Containment measures leading to the temporary closure of shops, restaurants and other services providing activities have had further knock-on impacts on output. On the demand side, social distancing has weighed on aggregate demand, particularly through reduced household spending. Fundamental uncertainty and concerns about jobs, incomes and sales prospects have led consumers and firms to delay purchases and investment. A synchronised global retrenchment has dampened external demand.

The full extent of these supply and demand shocks is still difficult to capture, not only given the lack of available data to gauge their size but also given the uncertainty about their duration. Moreover, the nature of the restrictions and the extent of second-round effects blur the distinction between demand and supply factors.

A forecast in an extreme context…

In the current context, economic forecasts are subject to higher and more fundamental uncertainty [42] than usual, as there is no recent historical precedent of comparable size and nature to this crisis. To a much larger extent than usual, the present forecast is therefore based on a number of key conditioning assumptions. It should be understood as a scenario analysis more than a standard forecast. [43] Alternative scenarios to the

(40) See Lane, P. (2020). ‘The monetary policy package: an analytical framework’. The ECB Blog, 13 March.

(41) See Krugman, P. (2020). ‘Notes on the Coronacoma (Wonkish)’. New York Times *Opinion*, 1 April.

(42) Different dimensions of uncertainty reflect the lack of data (e.g. about important parameters of the pandemic such as the true number of infected people), lack of information about the probability of key events (e.g. mutations of the virus, availability of a vaccine) as well as uncertainty about the adequacy of standard economic and econometric tools in the current situation.

(43) Whereas a forecast uses all available information about the current state of the world to assess the most likely future developments, a scenario analysis derives the assessment of future outcomes from assumptions about the current

central scenario described below are discussed in section I.3 (‘*How the pandemic shaped the forecast*’).

The set of assumptions concerns in particular the evolution of the pandemic, the path of containment measures in the coming months and quarters, and the effectiveness of policy measures to protect workers against income losses and firms against bankruptcy.

Importantly, this forecast is based on the assumption that the number of people requiring hospitalisation is swiftly and durably reduced to a level that no longer overburdens health care systems, and that this allows containment measures across the European Union to be eased substantially over the course of the second quarter. Containment measures remaining in the second half of 2020 are assumed to have a lighter economic impact, allowing the economy to recover at a relatively strong pace. It is also assumed that fiscal and monetary policy measures announced up to the cut-off date of this forecast are successful in preserving the economic fabric (e.g. products, processes and human capital) that was rebuilt since the sovereign debt crisis.

Other assumptions from previous forecasts continue to hold: trade tensions are not set to escalate further, measures credibly announced are implemented (e.g. the ‘Phase-one’ trade agreement between the United States and China) and the technical assumption for 2021 of a status quo in EU-UK trading relations applies.

…after both cyclical and structural headwinds put a lid on euro area growth in 2019 …

Last year, economic growth in the euro area lost momentum and fell well below its average of recent years. GDP growth in 2019 stood at 1.2%, down from 1.9% in 2018 and the post-crisis high of 2.7% in 2017. This step down in growth momentum was broad-based among the largest euro area economies. The GDP breakdown, abstracting from developments in Ireland, [44] confirmed the key role of domestic demand as the driving force of growth – particularly of private consumption. In contrast, destocking weighed significantly on activity during this period, subtracting about 0.5 pps. from GDP growth.

In the last quarter of 2019, GDP expanded by 0.1% (q-o-q) in the euro area, ending the longest economic expansion on record on a soft note. The decline from the 0.3% growth recorded in the quarter before was driven by both private consumption and investment. [45] GDP growth was close to zero in Germany and activity contracted in France and Italy. Apart from transitory distortions due to a high number of ‘bridge days’ (vacation days taken between public holidays and weekends), as well as strikes in France, the underlying momentum reflected the ongoing drag from manufacturing. This can be partly traced to persistent economic uncertainty, which hindered the demand for capital goods. [46]

…when there were some rays of light ahead in the horizon…

In early 2020, both surveys and hard data showed positive signs, suggesting that global trade might have bottomed out and that there might be some uptick in manufacturing output. The ‘Phase One’ trade deal between the US and China and the clarity about trading relations between the EU and the UK until 31 December 2020 eased some of the uncertainty overshadowing the near-term outlook.

In January, the main sectoral indices rebounded after the weak readings at the end of 2019, which was somewhat exaggerated by ‘bridge days’ around Christmas and New Year’s Eve. *Industrial production* went up by 2.3% m-o-m (after declining -1.8% in December), *retail trade volumes* were up by 0.6% (after having fallen

state of the world but also about the future (e.g. duration of containment measure, speed of the rebound), which are acknowledged to be fundamentally uncertain.

(44) As in previous years, euro area aggregates were significantly affected by the activity of multinational companies in Ireland, which mainly mattered for investment and imports of services and resulted in large shifts in the balance of domestic and external growth contributions. These activities of multinational firms include the relocation of intellectual property and contract manufacturing; see e.g. J. FitzGerald (2018). ‘National accounts for a global economy: the case of Ireland’. *ESRI Quarterly Economic Commentary* 2 (Economic & Social Research Institute), Summer, pp. 85-122.

(45) In the euro area (excluding Ireland), the contribution of domestic demand (excluding inventories) declined from 0.4 to 0.1 pps., while net exports posted a positive contribution to growth (0.2 pps. after turning out neutral in 2019-Q3). The rollback of inventories reduced quarterly growth by 0.3 pps.

(46) Uncertainty acts as an extra hurdle on the required return for new projects. Investment is hit more than in normal circumstances as waves of uncertainty resurface following previous peaks, frustrating expectations around duration and resolution, consistently increasing the real value of waiting. See Broadbent, B. (2019). ‘Investment and uncertainty: the value of waiting for news’. Speech at the Imperial College Business School, 20 May.

Table I.2.3:

Composition of growth - euro area

(Real annual percentage change)	2018		2014	2015	2016	2017	2018	Spring 2020 forecast 2019	2020	2021
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	6207.6	53.7	0.9	1.9	2.0	1.7	1.4	**1.3**	**-9.0**	**7.1**
Public consumption	2363.3	20.4	0.8	1.3	1.9	1.3	1.1	**1.7**	**3.2**	**0.6**
Gross fixed capital formation	2408.1	20.8	1.4	4.8	4.0	3.4	2.3	**5.7**	**-13.3**	**10.2**
Change in stocks as % of GDP	82.4	0.7	0.5	0.5	0.5	0.6	0.7	**0.2**	**0.1**	**0.2**
Exports of goods and services	5547.7	48.0	4.8	6.6	2.9	5.5	3.3	**2.5**	**-12.9**	**9.5**
Final demand	16609.1	143.7	2.4	3.7	2.6	3.3	2.2	**2.0**	**-9.3**	**7.3**
Imports of goods and services	5048.9	43.7	4.9	7.7	4.1	5.0	2.8	**3.8**	**-12.9**	**9.7**
GDP	11561.5	100.0	1.4	2.1	1.9	2.5	1.9	**1.2**	**-7.7**	**6.3**
GNI	11636.5	100.6	1.2	1.8	2.1	2.7	2.0	**1.1**	**-8.0**	**6.5**
p.m. GDP EU	13485.3	116.6	1.6	2.3	2.1	2.7	2.1	**1.5**	**-7.4**	**6.1**
			Contribution to change in GDP							
Private consumption			0.5	1.0	1.1	0.9	0.8	**0.7**	**-4.8**	**3.7**
Public consumption			0.2	0.3	0.4	0.3	0.2	**0.3**	**0.7**	**0.1**
Investment			0.3	0.9	0.8	0.7	0.5	**1.2**	**-2.9**	**2.1**
Inventories			0.4	0.0	0.0	0.2	0.0	**-0.5**	**-0.2**	**0.0**
Exports			2.1	3.0	1.3	2.5	1.6	**1.2**	**-6.2**	**4.2**
Final demand			3.4	5.2	3.6	4.6	3.1	**2.9**	**-13.4**	**10.2**
Imports			-2.0	-3.1	-1.7	-2.1	-1.2	**-1.7**	**5.7**	**-3.9**
Net exports			0.1	-0.2	-0.4	0.4	0.4	**-0.5**	**-0.5**	**0.4**

by -1.1%), and *construction output* increased by 3.6% (after -1.8%).

Having bottomed out towards the end of 2019, the Commission's *Economic Sentiment Indicator* increased in the euro area in both January and February, to a level of 103.5 points. This resulted from significantly higher confidence among consumers and in industry, with sentiment remaining virtually unchanged in other sectors. Moving in tandem, Markit's *Purchasing Managers Composite Output Index* (PMI) reached a six-month high (of 51.6) in February. These improvements were summarized by the strengthening of the *EuroCOIN* indicator, which rose in February to a one-year high of 0.28% (0.16% in December).

…but dimmed significantly as shutdowns unfolded…

While the European economy was displaying a divergence between the resilience of the domestic services sector and the weakness of the manufacturing industry, it was expected that domestic growth drivers and the robustness of its labour market would compensate for (remaining) external headwinds.

However, the COVID-19 pandemic and its economic fallout changed the picture abruptly and dramatically.

At this early stage, hard data on production losses in Europe are still patchy. A real-time assessment of the impact on economic activity therefore has to rely on alternative indicators (i.e. road traffic congestion, daily electricity consumption). [47] Financial-market indicators can also be used to gauge investors' consensus about future income streams. [48] The dramatic fall in production and trade in China in the first quarter offered an early indication of the order of magnitude of the shock.

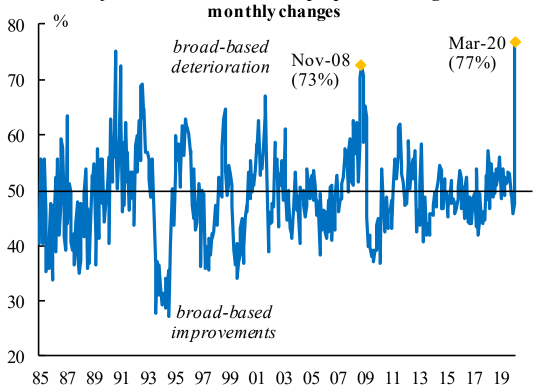
In March, the *Eurozone Composite Output Purchasing Managers' Index* (PMI) suggested that business activity was in free fall. This unprecedented collapse was renewed in April, when the flash Composite PMI dropped to 13.5 (from 29.7 the month before), its largest monthly fall since comparable data collection began. As a reference, the prior low was seen during the Global financial crisis in February 2009, when the index hit 36.2. Inferring from these readings about GDP growth is more difficult now, since diffusion

(47) Recent research, for example, has looked at the economic impact of the outbreak through the lens of equity investors and by distinguishing how equity valuations price-in both local and global risks. Avalos, F., and Zakrajšek, E. (2020). Covid-19 and SARS: what do stock markets tell us?'. BIS Quarterly Review, March.

(48) Using dividend futures to estimate the expected GDP growth following the corona outbreak points to next-year revision of growth in the EU of about -8 pps. See Gormsen, N., and Koijen, R. (2020). 'Coronavirus: impact on stock prices and growth expectations'. VoxEU.org, March.

indices are based on the proportion of firms reporting falling output and not the extent to which output is falling. This feature of surveys is of extraordinary importance in circumstances in which many firms' output drops to extreme lows.

Graph I.2.10: **ESI breakdown, proportion of negative monthly changes**

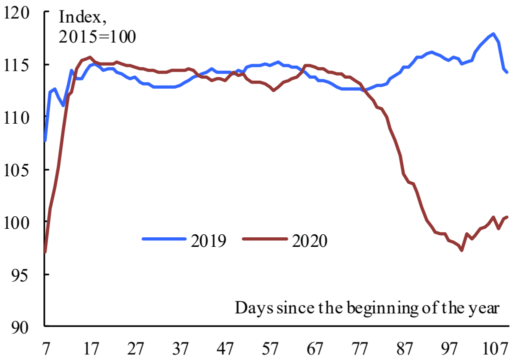


Note: Industrial, construction, services and retail breakdown by NACE rev 2 divisions; consumer by income quartile.

This time around, no sector has been insulated from the economic malaise. With consumer-focused activities (e.g. travel, tourism and restaurant visits) drying up or being suspended, Markit's flash *Service Business Activity Index* slumped to just 11.7 (from 26.4 in March and 52.6 in February) thus surpassing the survey's prior low of 39.2 from February 2009. The decline in the *Manufacturing PMI Index* was apparently more muted (33.6 from 44.5 in March). A closer look, however, shows that supply-side disruptions caused delivery times to lengthen, thereby artificially boosting the PMI reading. The situation was thus much worse already in March than the headline PMI for the manufacturing sector suggests. [49]

The Commission's *Economic Sentiment Indicator* (ESI) also suffered its worst monthly drop on record, slumping to 94.8 points in March (down by -8.2 points). This was the most broad-based deterioration since the survey began in 1985, with sentiment in almost 80% of all sectors across all euro area countries falling simultaneously – only in November 2008 did a similar picture emerge (see Graph I.2.10). [50] In April, DG ECFIN's flash *consumer confidence indicator* saw its strongest decline on record, to a level well below its long term average and close to the lows recorded during the Great Recession in 2009.

Graph I.2.11: **Daily truck toll mileage, Germany**



Note: Seven day moving average.
Source: Destatis.

Evidence from 'hard' data point in a similar direction. In mid-April, *electricity consumption* in the euro area was about 15% below its level in the corresponding month of the previous year. *Truck toll mileage* data, now available on a daily frequency, [51] is testament to the extent of the disruption to freight traffic by trucks on German roads – and on the evolution of the country's transport and industrial activity (see Graph I.2.11). In the same vein, n*ew passenger car registrations* between January and March declined by about -25% (y-o-y) in the EU. Most of this dire performance was concentrated in March, when registrations nosedived by almost 60%, hitting their lowest level on record.

...changing the economic landscape in the quarters to come.

With the adverse effects of the COVID-19 pandemic hitting the economy particularly hard, the euro area will not be able to escape a technical recession in the first half of 2020. Euro area GDP is expected to decline by about 3 ¼% (q-o-q) in 2020-Q1, its first contraction in seven years. This is far below the Commission's winter interim

(49) Delivery times are used to gauge the pressure being placed on suppliers' capacity. Since the manufacturing survey began in mid-1997, only May 2000 saw more widespread supply chain delays. In a demand-driven downturn, delivery times should typically move in tandem with activity, and it is with this signal that this component is build into the PMI composite.

(50) This comparison is still very likely understating the severity of the crisis because most responses were collected before strict containment measures were enacted.

(51) Due to the pandemic, in Germany trucks are now allowed to operate on weekends and public holidays. This explains some of the movements shown in the graph, because the calculation does not fully capture such structural breaks. See Destatis (2020). 'Truck toll mileage index is updated every day for the time being'. *Press release* 129, 9 April.

Table I.2.4:

Composition of growth - EU

(Real annual percentage change)

	2018		2014	2015	2016	2017	2018	Spring 2020 forecast 2019	2020	2021
bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption	7204.9	53.4	1.1	2.1	2.2	2.0	1.7	**1.6**	**-8.5**	**6.7**
Public consumption	2768.9	20.5	1.0	1.4	1.9	1.3	1.2	**1.8**	**3.3**	**0.6**
Gross fixed capital formation	2837.6	21.0	2.1	5.0	3.3	3.7	2.9	**5.7**	**-13.2**	**9.7**
Change in stocks as % of GDP	112.8	0.8	0.5	0.5	0.5	0.7	0.8	**0.3**	**0.2**	**0.2**
Exports of goods and services	6631.7	49.2	5.0	6.6	3.4	5.6	3.5	**2.7**	**-12.8**	**9.5**
Final demand	19555.9	145.0	2.7	3.9	2.7	3.5	2.5	**2.2**	**-9.1**	**7.1**
Imports of goods and services	6071.8	45.0	5.4	7.4	4.4	5.3	3.3	**3.7**	**-12.8**	**9.5**
GDP	13485.3	100.0	1.6	2.3	2.1	2.7	2.1	**1.5**	**-7.4**	**6.1**
GNI	13533.3	100.4	1.4	2.0	2.2	2.9	2.2	**1.4**	**-7.7**	**6.2**
p.m. GDP euro area	11561.5	85.7	1.4	2.1	1.9	2.5	1.9	**1.2**	**-7.7**	**6.3**
			Contribution to change in GDP							
Private consumption			0.6	1.1	1.2	1.1	0.9	**0.8**	**-4.5**	**3.5**
Public consumption			0.2	0.3	0.4	0.3	0.2	**0.4**	**0.7**	**0.1**
Investment			0.4	1.0	0.7	0.8	0.6	**1.2**	**-2.9**	**2.0**
Inventories			0.4	0.0	0.1	0.2	0.1	**-0.6**	**-0.2**	**0.1**
Exports			2.2	3.0	1.6	2.6	1.7	**1.3**	**-6.3**	**4.3**
Final demand			3.8	5.5	3.9	5.0	3.6	**3.1**	**-13.2**	**10.0**
Imports			-2.2	-3.1	-1.9	-2.3	-1.4	**-1.7**	**5.8**	**-3.9**
Net exports			0.0	-0.1	-0.3	0.4	0.3	**-0.3**	**-0.5**	**0.4**

forecast of 0.2% (q-o-q) growth. The contraction in the first quarter is expected to be followed by a deeper one in the second, with output falling further by about 12 ¼%. This contraction would be about four times larger than that seen in 2009-Q1, with all countries pushing in the same direction.

How deep, lasting, or widespread the economic impact will be remains highly uncertain.[52] This uncertainty includes the spread of the disease, the extent to which it affects the economy and the ability of different policy levers to mitigate the shock. The economic costs triggered by the virus are also likely to increase with disproportionate strength the longer its disruption continues. Still, it is expected that highly accommodative monetary conditions, muted inflation and the supportive discretionary fiscal and regulatory measures implemented in recent weeks should enable the resumption of normal spending patterns and a rapid even if not entirely complete bounce-back in economic activity. A gradual reduction in global uncertainty and recovery in foreign demand should also prove supportive.

In part, the ability to reverse some of the economic damage inflicted is contingent on expectations and beliefs, in which policy and communication take the centre stage. At this point in time, a rebound may be possible in the second half of the year, assuming that containment measures are gradually eased and that household and corporate sentiment strengthens. Afterwards, production and consumption patterns should slowly normalise, assuming that employment losses are contained, the capital stock is not severely impaired and financial tensions ease swiftly. However, not all the consumption and investment that was foregone in the first half of the year will necessarily be made up for later.[53]

The large scope of the containment measures and the considerable uncertainty about job and income prospects triggered by the pandemic are likely to result in elevated precautionary savings for some time, as consumers remain reluctant to buy big-ticket items. Parts of the corporate sector will be left with larger debt burdens, with distressed firms likely to sell assets, reduce investment and employment.[54] This comes on top of the impact

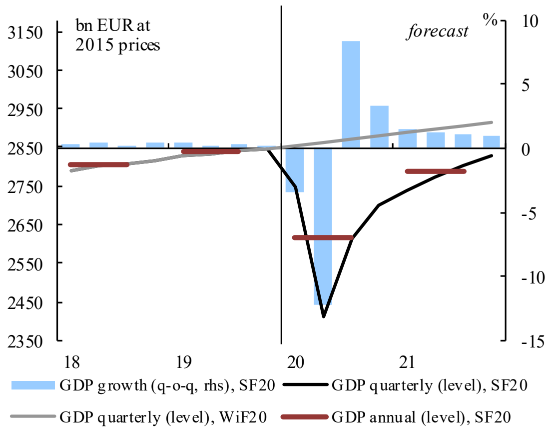
(52) It should be noted that the economic costs of the shutdown are likely to increase disproportionately with its duration, which extends the time needed for a return to normal levels of activity. See Dorn, F., Fuest, C., Göttert, M., Krolage, C., Lautenbacher, S., Link, S., Peichl, A., Reif, M., Sauer, S., Stöckli, M., Wohlrabe, K., Wollmershäuser, T. (2020). 'The economic costs of the coronavirus shutdown for Germany: a scenario calculation. EconPol *Policy Brief* 21.

(53) see Furman, J. (2020). 'Protecting people now, helping the economy rebound later'. VoxEU.org, March.

(54) With a risk of turning a temporary economic shock into a balance-sheet driven dislocation, slowing down the return of productive assets to the economy. Becker, B., Hege, U., and Mella-Barral, P. (2020). 'Corporate debt burdens threaten economic recovery after COVID-19: Planning for debt restructuring should start now'. VoxEU.org. March.

that such disruptions can have on social trust, with important economic consequences. [55]

Graph I.2.12: **Real GDP growth path, euro area**



The effects of this pandemic will likely reverberate for several years. Some bottlenecks in production will not be immediately resolved and some value chains will need to be rebuilt. Beyond the toll on health, the economic toll on workers who lost their jobs or saw reductions in their incomes is expected to be longer lasting. Frictions in labour market matching imply that rises in unemployment rates tend to lead to only staggered falls. Questions have also been raised about possible structural shifts in how people work, shop and travel, and how firms organise supply chains.

In contrast to previous recessions, this one was not preceded by the building-up of macroeconomic or financial imbalances. However, prospects for recovery are this time around muted by the synchronised and severe global aftershocks of the crisis. While many countries have been driven to a recession by a common shock, they are likely to emerge from it in an asymmetric way. Some were better equipped than others to contain the virus, or were more successful in doing so. The same can be said about the economic and financial damage that followed.

At the same time, the euro area economy suffers from a number of 'pre-existing conditions' that could complicate the healing process. These include a high level of economic policy uncertainty, as well as structural impediments (e.g. the trend decline in productivity, and population ageing). [56]

All in all, the pandemic crisis is generating a succession of shocks that will stretch across both time and geography. In 2020, the euro area economy is forecast to contract by about 7 ¾%, significantly worse than the 4.5% drop in GDP registered during the global financial crisis in 2009. In 2021, the economy is projected to recover most but not all of the lost ground. As the shock wears off, a lower starting level in 2020 and a high carry over into 2021 should boost annual growth rates in 2021 to about 6 ¼% (see Graph I.2.12). This would leave GDP at the end of 2021 about 3 ¼% smaller than the level projected by the winter interim forecast (published in February). Finally, the mostly temporary, but sharp fall in activity opens a negative output gap in all euro area countries.

Domestic demand will be the most hit. Its contribution to growth in the euro area will turn sizeably negative this year (close to -6 ½ pps.) due to a sharp fall in private consumer and investment spending, only partially cushioned by public consumption and investment. With exports falling at a faster rate than imports, the contribution of net exports to growth is projected to turn strongly negative (near -1 pps.). These are the most negative contributions to growth on record. As activity recovers, the rebound in domestic demand from depressed levels is forecast to drive a positive contribution to growth of about 6 pps. whereas the partial upswing in external markets should lead to a positive contribution to growth from net trade..

Importantly, while the shock hit all Member States due to the wide spread of the pandemic and the high interconnectedness between industries and countries, the impact on lost output was heterogeneous. This is clear when assessing how much euro area countries' economies are forecast to distance themselves both from their output levels at the end of 2019, and also from their pre-crisis path as set out in the winter forecast. On both accounts, the recovery is expected to be incomplete (see Graph I.2.13).

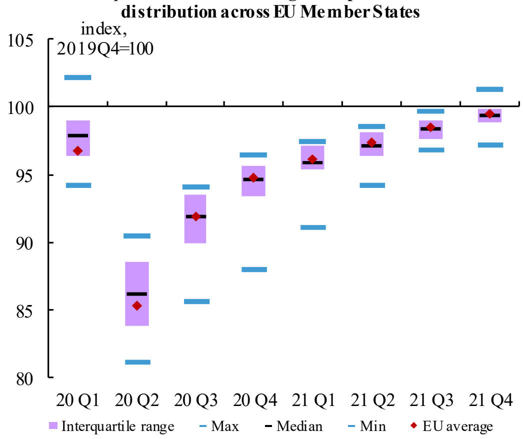
The majority of euro area countries are expected to see their GDP levels in the last quarter of 2021

(55) Aassve, A., Alfani, G., Gandolfi, F., Le Moglie, M. (2020). 'Pandemics and social capital: From the Spanish flu of 1918-19 to COVID-19'. VoxEU.org, March.

(56) For a more comprehensive analysis see European Commission (DG ECFIN) (2019). 'European Economic Forecast: Autumn 2019'. *Institutional Paper* 115, pp. 12-19.

below that of the last quarter of 2019. While for the euro area as a whole, the shortfall in GDP is projected to be of around - ½%, there is a significant discrepancy among countries. The difference among the largest euro area economies is forecast at about -2 ¾% in Italy, -2 ¼ in Spain and -1% in France. In Germany, output is forecast to surpass its pre-crisis level by about 1 ¼%. This reflects factors such as the different timing at which containment and social distancing measures were enforced or lifted; but also economic structures, including exposure to services dependent on person-to-person contact (e.g. tourism and leisure activities). Also, the size and expected effectiveness of the policy response cannot be overlooked.

Graph I.2.13: **Cumulative growth performance-distribution across EU Member States**



Private consumption had shown great resilience…

Before the pandemic, private consumption had for years been the backbone of economic growth. Continued employment creation, high (nominal and real) wage increases and fiscal measures in several countries supported growing households spending. These pillars have also been behind the resilience of consumer confidence in an environment of elevated uncertainty.

On the back of stable real disposable income growth, consumer spending growth was relatively strong in comparison to the cooling of overall economic activity, last year. The annual growth rate in the euro area fell only slightly to 1.3% from 1.4% in 2018. The breakdown of consumer expenditure shows that non-durable goods and services consumption growth moved sideways (at 1.1%) while durable goods consumption slowed. It has decreased to its lowest growth rate since 2013 (-0.8 pps. to 2.4%) which cannot be dissociated from ongoing structural and regulatory changes affecting the car industry, as well as lowered pent-up demand after years of catching up. [57]

Still, private consumption ended the year on a soft note, dragged by some pullback in the purchase of durable goods. It grew by only 0.1% (q-o-q), after increasing by 0.5% in 2019-Q3.

…but hit the brakes as containment measures were raised…

Consumer spending has been greatly disrupted by the curtailment of economic and social activity triggered by the pandemic. The social distancing through reduced person-to-person contact and quarantine measures has led to a significant cutback to consumer-facing services, particularly restaurants, hotels and transport services. This was initially particularly relevant for Member States with sizeable tourism sectors (see Graph I.2.14), but then started to apply more extensively across countries and sectors.

The impacts on labour income and wealth [58] are difficult to assess at this point in time but are expected to lead to a deterioration in both consumer and business confidence for some time. The combined intense negative supply and demand shocks are having a significant impact on the production of goods and services and on the income from which it is sourced. Many households will be both emotionally and financially distressed as the risk of unemployment increases, incomes fall and 'economic anxiety' rises. [59]

The pandemic can also be expected to severely reduce the marginal propensity to consume. It has been shown that consumers who have experienced times of high job insecurity exhibit persistent pessimism about their future financial situation and spend significantly less, controlling for the standard life-cycle consumption factors. This is

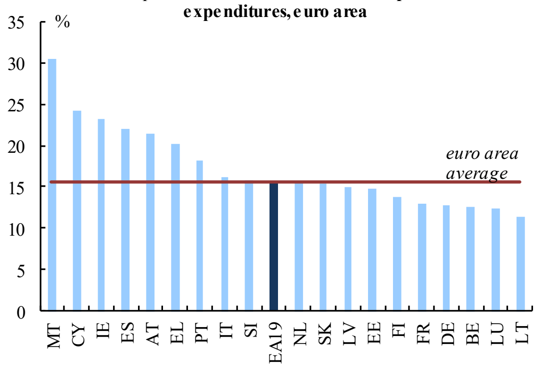
(57) At least on aggregate, as the share of durables on overall consumer expenditure is now close to where it stood prior to the euro area crisis (at about 9.0%).

(58) Equities net worth accounted for about 40% of financial net worth and 15% of total net worth (including housing wealth) in 2019-Q4. The decline in net worth can be expected to result from the sharp downward adjustment in financial market prices. See Guerrieri, C. and Mendicino, C. (2018). 'Wealth effects in the euro area'. ECB *Working Paper Series* 2157.

(59) Recent research has documented the rise of 'economic anxiety' as shown by the surge in the search activity of specific topics. See Fetzer, T., Hensel, L., Hermle, J. and Roth, C. (2020). 'Coronavirus perceptions and economic anxiety'. VoxEU.

particularly relevant for households at the lower end of the income distribution that have a lower capacity to smooth consumption spending. [60] This is because workers are affected unevenly - the income of lower-wage earners and younger cohorts shows more vulnerability to downturns. [61] The same households might also be credit constrained, limiting their ability to cushion the shortfall in income with credit. [62]

Graph I.2.14: **Share of social consumption expenditures, euro area**



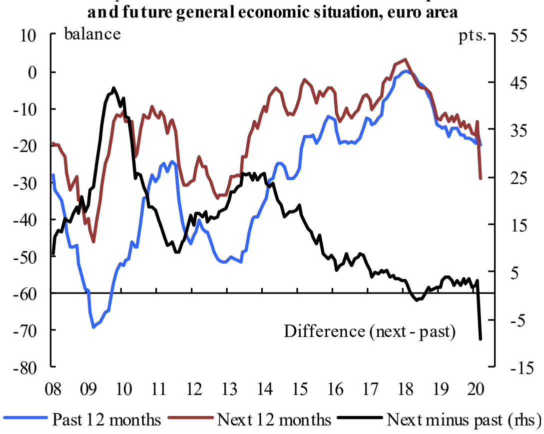
Note: COICOP classification. Includes recreation and culture, incl. package holidays; hotels & restaurants; personal care services. Data for 2018, with the exception of EL where data is for 2017.

Early on, there was evidence of 'panic buying' of a number of consumer goods and hoarding behaviour. [63]As a result, precautionary purchases can be expected to have pushed up sales of several products, but to come along with substantial delays (and declines) afterwards, so that the overall impact on private consumption may be minor. [64]

At this time, neither sentiment indicators nor retail sales data, for example, can fully reflect the situation. Early in 2020, available short-term indicators hinted at a continued resilience in private consumption. After rising in January and February, DG ECFIN's *consumer confidence indicator* plummeted in March and, even more so, in April, falling to close to the record low recorded during the Great Recession in 2009. The detailed breakdown of consumer survey results shows that consumers became more pessimistic about the labour market with *consumers' unemployment fears* over the next 12 months shooting up to 2009 levels. Among the components of the consumer confidence indicator the largest adjustment was for the expectations about the *general economic situation* for the coming year, with the 'optimism bias', i.e. the difference between the assessment of the future and the past economic situation, turning strongly negative (see Graph I.2.15). In April, consumers' expectations concerning their own financial situation took a massive dive, equalling the all-time low recorded in March 2012.

With individuals' experiences significantly influencing beliefs about their future financial situation, changes in sentiment tend to have a long-lasting and persistent impact on consumer spending, weighing on activity well beyond the short term. [65] This creates the risk of a self-perpetuating downward spiral in household expectations.

Graph I.2.15: **Consumers' assessment of the past and future general economic situation, euro area**



The sharp adjustment in expectations sets the stage for a rise in precautionary savings, pushing up the saving rate. This is amplified by the intertemporal substitution of consumption, mostly for durable goods. Foregone consumption of travel and other services will also only partly be compensated for in the coming quarters, also feeding a higher saving rate (e.g. as shown by the extensive drop in

[60] The public health imperative of school closure can exacerbate such effects through higher absenteeism. Dee Lempel, H., Epstein, J. M., and Hammond, R. A. (2009). 'Economic cost and health care workforce effects of school closures in the U.S'. PLoS currents, 1, RRN1051.

[61] Dossche, M. and J. Hartwig (2019). 'Household income risk over the business cycle'. ECB *Economic Bulletin* 6, pp. 58-64.

[62] A substantial heterogeneity in the structure of balance sheets across households remains, with the share of credit constrained- households at about 7%. See ECB (2020). 'The household finance and consumption survey: results from the 2017 wave'. Statistics Paper Series 36. March.

[63] In periods of high uncertainty, the influence of the group on individual behaviour also increases. Beliefs that depend upon others' beliefs can lead to herd behaviour and panic, with multiple equilibriums likely. See Toal, A. (2020). 'Why are we panic buying?'. Durham University.

[64] While making up for a small share of expenditures, durables account for a large fraction of overall spending fluctuations.

[65] See Benhabib, J., Shapiro, B., and M. M. Spiegel (2018). 'How persistent are the effects of sentiment shocks'. Federal Reserve Bank of San Francisco *Economic Letter* 22. October.

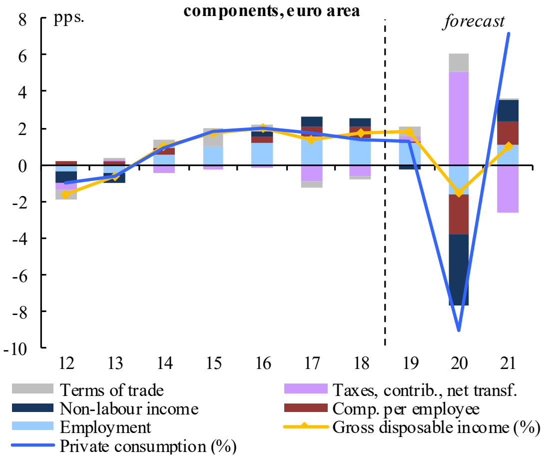
travel and hotel bookings). Such painful experiences can 'scar' consumers into building higher precautionary savings for a long time. [66]

...with the fastest drop in household spending on record....

Real household disposable income is projected to decrease by around -1 ½%, on aggregate, bouncing back only partly in 2021 (by about 1%, see Graph I.2.16). The projected divergence between GDP developments and household income is mostly due to the working of automatic stabilisers and targeted government measures through income taxes, contributions, net transfers and short-time work schemes (see Graph I.2.17). Both non-labour and labour income act as a drag this year, while these should prove supportive in 2021.

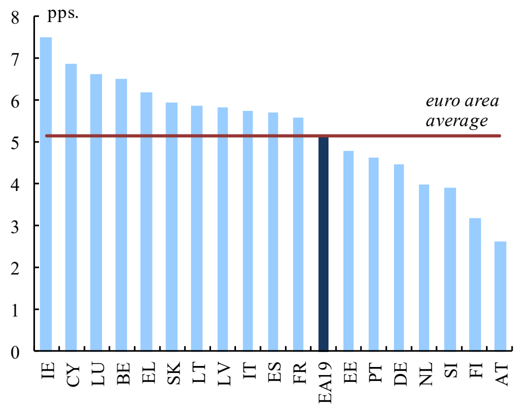
Aggregate labour income is set to decrease this year as many companies are deferring decisions about employing new staff, while others are resorting to short-term employment contracts, reducing hours or staff numbers. These effects are expected to be partially mitigated by government measures (e.g. extending the terms of reduced-hours compensation), wage stickiness and lags in the response of employment to the slump in activity.

Graph I.2.16: **Real gross disposable income and components, euro area**



How much of the decline in income spills over to actual consumer spending will ultimately depend on household saving decisions. The lack the confidence [67] or the opportunity to spend is expected to drive a large wedge between private consumption and income growth through an increase in both precautionary and forced savings this year. After increasing strongly over the past two years, [68] the saving rate is forecast to pick-up strongly in the euro area from 12.8% in 2019 to around 19% in 2020. This is its highest level since at least the inception of the Monetary Union. As containment measures are lifted, households' savings are expected to be largely rolled back but to remain above pre-crisis levels, with the saving rate approaching 14 ½% in 2021.

Graph I.2.17: **Net taxes, social contributions and transfers, contribution to income in 2020**



With everyday activities and work in limbo and consumers scaling back or refraining from non-essential spending, private consumption is projected to fall markedly in the first half of 2020. Over the forecast horizon, however, private consumption growth should still find support in favourable financing conditions and the gradual disappearance of economic stress factors. However, there is exceptional uncertainty surrounding the timing and size of the expected rebound and the length of time it will take for consumer behaviour to normalise.

Overall, private consumption in the euro area is expected to fall sharply this year by 9%. As a reference, consumer spending fell by 1.1% in both 2009 (at the height of the global financial crisis) and in 2012 (during the euro area sovereign debt crisis). In 2021, it is forecast to crawl back by around 7% thanks to a recovery in consumer

[66] Wee Malmendier, U. and Sheng Shen, L. (2019). 'Scarred consumption'. Board of Governors of the Federal Reserve System *International Finance Discussion Papers* No. 1259.

[67] See Knotek II, E. and Khan, S. (2011). 'How do households respond to uncertainty shocks?'. Federal Reserve Bank of Kansas City, *Economic Review*.

[68] On the back of a worsening outlook, the possible saturation of consumer demand and the impact of low (or negative) interest rates on capital gains and "target saving behaviour".

confidence, decreased savings, and favourable financing conditions.

… while government consumption growth is set to surge …

In 2019, government consumption continued to contribute positively to growth. It expanded by 1.7%, which compares favourably with the increase of 1.1% in 2018. This was particularly driven by developments in Germany, where government consumption increased almost twice as much as in the previous year.

Government consumption offered the first line of defence from the economic fallout across all remaining demand components and is expected to continue playing a stabilising role throughout 2020. On the back of a step-up in the acquisition of intermediate goods (e.g. medical supplies), it is projected to increase by around 3% this year in the euro area, its highest on record.

In 2021, government consumption growth is projected to decelerate (to about ½%) but to remain above what was expected in the autumn forecast. This projected slowing is partly a result of exceptional and front-loaded spending in 2020 and partly linked to the no-policy-change assumption, according to which measures are only factored into the forecast if they have been adopted and presented to national parliaments, or if they have been sufficiently specified.

The stabilising role of public spending, however, has gone beyond the more restricted accounting in government consumption. Governments have enacted or announced a wide range of discretionary policy measures that build on top of existing automatic stabilisers and which have been taken by the Member States and the EU. [69]

In the Member States, these include [70]: (i) measures which provide for an *immediate fiscal impulse*, namely short-time work schemes, the extension of sick pay and unemployment benefits, subsidies to firms, public investment and the outright cancelation of certain taxes and social security contributions; (ii) measures aimed at *improving the liquidity position* of households and firms through deferrals of taxes and social security contributions, servicing of loans or the payment of utility bills; (iii) *broader liquidity provision* through credit lines and public guarantee schemes, export guarantees and waiving of delay penalties in public procurement contracts.

These efforts have been complemented and strengthened by EU initiatives such as: flexible State Aid rules; a €37 billion 'Corona Response Investment Initiative' directed at healthcare systems, SMEs and labour markets; re-activation of the Emergency Support Instrument, with EUR 2.7 billion from EU budget resources; initiatives with the EIB to mobilise working capital lending for firms, backed by the EU budget; and the creation of a pan-European guarantee fund of EUR 25 billion, which could support EUR 200 billion of financing.

…and investment to lose impetus.

Investment in the euro area (excluding Ireland) remained surprisingly resilient last year, despite the deterioration of company profit margins. It slowed only slightly from 3.3% in 2018 to 2.9% in 2019. But these annual figures mask unfavourable developments during the year. Half year-on-half year investment spending was brought to a standstill in the second half of 2019, growing by only 0.4% in the euro area, below the 2.2% rate seen in the first half of the year.

Since then, many businesses have been experiencing the economic fallout of the pandemic across a broad front, with a series of incremental supply and demand shocks. First, a direct supply disruption hindering production through increased worker absenteeism or factory closures due to containment policies. Second, a supply-chain contagion. [71] [72] Finally, regardless of their desire to spend, consumers and firms are unable to do so in light of the sudden stop in activity. Heightened uncertainty around the full extent of the economic

(69) Member States have so far committed to provide liquidity support for sectors facing disruptions and companies facing liquidity shortages, consisting of public guarantee schemes and deferred tax payments, which are now estimated at 22% of EU GDP.

(70) See Anderson, J., Bergamini, E., Brekelmans, S., Cameron, A., Darvas, Z., Domínguez Jíménez, M. (2020). 'The fiscal response to the economic fallout from the coronavirus'. Bruegel, April.

(71) see Demertzis, M. and Masllorens, G. (2020). 'The cost of coronavirus in terms of interrupted global value chains'. Bruegel Blog Post, March.

(72) The supply of components is often highly specialised and tailored to the needs of the next step in the value chain, with limited alternative suppliers who can deliver quickly and at acceptable prices for companies. See Bofinger, P., Dullien, S., Felbermayr, G., Fuest, C., Hüther, M., Südekum, J., and Weder di Mauro, B. (2020). 'Economic implications of the COVID-19 crisis for Germany and economic policy measures'. VoxEU, March.

damage and the outlook for domestic and external demand undermines incentives to invest. As a result, wait-and-see investment delays by firms are likely to be prominent, particularly in capital-intensive sectors most exposed to international markets.

These fallouts will also lead to a sudden shortfall of revenue and liquidity and a sharp drop in *capacity utilisation* rates across industries. The amount of idle capacity is reducing the need for investments linked to capacity expansion and lowered incentives for upgrading.

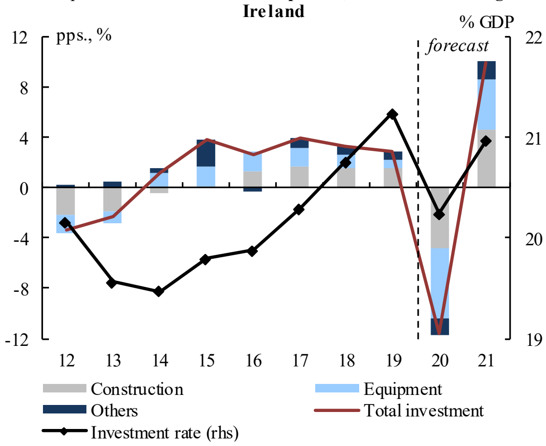
The various distortions to manufacturing, services and retail are set to have far-reaching implications for the financial health and the profit outlook of companies. Non-financial corporations have accumulated significant liquid asset positions over the last few years, providing some cushion against swings in income. Still, this crisis may prove existential for many businesses. Cash-strapped firms reliant on cash flow for debt repayments are the most vulnerable to default and bankruptcy. Large-scale defaults would exacerbate financial stability concerns and damage the recovery prospects of the economy.

Short-term pressures to companies' inventory levels are expected to deepen further. Firms' investment in inventory build-up closed the previous year at its lowest since the euro area sovereign debt crisis. Following the collapse in global demand and emergence of supply bottlenecks, firms are set to further deplete their stocks.

Taking these elements together, a sharp turnaround in corporate investment plans seems inevitable. A subsequent recovery will depend on how different countries and jurisdictions implement a return to normality, particularly for multinational companies. Expectations will be key. Were policy interventions and communications to be uncoordinated and staggered, the pullback would be more persistent and expectations depressed for longer. There is some evidence that a rise in uncertainty has a larger impact on economic activity in an environment of high uncertainty than when uncertainty is low to begin with. [73]

The car sector will find its woes increased by the current crisis. This is especially worrying since this sector is directly responsible for a non-negligible share of all investment in the euro area. [74] A weaker financial position will negatively impact the sectors’ transformation, diverting investment in R&D. Regulatory uncertainty was already weighing down car sales for some time, [75] and the sector has been troubled by a number of structural issues. [76] It has been extensively reported that a large number of car manufacturers have announced factory closures due to supply shortages or imposed shutdowns and important automotive shows have been cancelled. With consumer confidence plummeting, the appetite for major purchases will be much reduced. Consequently, investment plans may be further curtailed.

Graph I.2.18: **Investment developments, euro area excluding Ireland**



Nevertheless, investment should find support from the highly accommodative monetary policy stance and targeted government support schemes that have been put in place. The degree to which these factors prove successful in spurring investment is, however, far from certain and is highly dependent on how business sentiment recovers. Diminishing uncertainty would give way to favourable economic fundamentals as a driving force of business investment. A recovery of profit margins after a long period of erosion would also provide should further incentives to resurrect postponed investment plans.

(73) See Mann, C. (2020). 'Real and financial lenses to assess the economic consequences of COVID-19'. VoxEU.

(74) The sector (C29) invests around 4% of the total gross fixed capital formation in the euro area. This estimate is based on a subset of countries (12) for which information is available.

(75) See Banco de España (2020). 'Regulatory uncertainty and its impact on car sales'. *Quarterly Report on the Spanish Economy* 1, Box 8.

(76) Such as the shift away from internal combustion engines, alternative modalities of usage (e.g. car sharing), and the move towards autonomous driving and connectivity.

Against this background, after growing by 2.9% in 2019, investment in the euro area (excluding Ireland) is projected to fall by almost 11 ½% this year (see Graph I.2.18). In line with the gradual resumption in activity throughout the year, investment is forecast to fall the most in the first half of 2020, after which it is forecast to grow faster that overall activity. Topped by elevated uncertainty and faltering demand both at home and abroad, the prospects for a strong catch-up once the adverse impact of the COVID-19 outbreak abates are limited. While investment is forecast to rebound by close to 10% in 2021, only some ground will be recovered, particularly if one compares with the levels expected back in the autumn. The cumulative investment foregone is expected to amount to an estimated 5% of euro area GDP, a level which has implications for the economy's capital stock.

After interrupting the upward trend it had been tracing since 2014, the investment rate in 2021 is forecast to settle close, but below, its 2019 level of 21% of GDP also thanks to a pick-up in public investment (from 2.8% in 2019 to about 3.1% of GDP) in 2020. The expectation that public investment will provide a degree of stabilisation during the downturn is worth highlighting, as public investment is often cut back when deficits soar.

Investment in construction and equipment (excluding Ireland) are expected to contract by about 9 ½% and 18%, respectively this year. The drop in construction investment is partially linked to the likely slump in the number of *building permits* that come on top of absenteeism, construction sites that have been temporarily closed and administrative bottlenecks for processing such permits. In the following year, as strains on firms' profit margins are lifted and capacity utilisation recovers, equipment investment is expected to drive ahead of other demand components (14 ½%, with construction at around 9%). High levels of capacity utilisation in the construction sector of some Member States were already a constraining factor along with unfavourable demographic trends.

Recent events are fuelling questions about the reversibility of existing supply chains and friction-free trade. Supply chain disruptions and bottlenecks may be larger and more extended than is currently evident and may take some time to be fully resolved. An increased push to repatriate supply chains ('"reshoring') and undo their fragmentation could increase domestic investment in the near-term but dampen productivity prospects and long-term growth, a key metric for the return on investment. Still, it is likely that the crisis may result in a new attitude towards cross-border supply chains and drive a re-assessment of geographical diversification needs.

Export growth was already weak…

Even before the pandemic hit the global economy, euro area exports where humming through at a muted pace. Euro area exporters had suffered from softening foreign demand in an environment characterised by trade tensions and elevated uncertainty. There was also Brexit-related volatility in trade flows spurred by UK companies stockpiling in anticipation of the Brexit deadlines in March and October 2019 which strongly affected the quarterly profile. [77]

Exports of goods and services in the euro area (excluding Ireland) rose by 1.8% (y-o-y) in 2019, down from 2.8% in 2018, its lowest growth rate since 2013. The aggregate picture masks considerable differences between goods and services, but not between countries. The softening was driven by the halving in the growth rate of goods exports, whereas growth in service exports picked up. Despite its volatility throughout the year, export growth cooled particularly in the second half of 2019 and finished the year by growing at just 0.3% in in the fourth quarter, down from 0.5% in the third.

The growth path of imports mirrored that of exports, particularly for trade in goods, which likely also reflects the strong unwinding of inventories in the same period. Accordingly, the growth contribution of net exports remained broadly neutral in the last three quarters of the year after adding as much as 0.3 pps. in the first.

International trade data shows that both intra- and extra-euro area exports of goods were anaemic in 2019. Both failed to grow and trailed closely the downswing in new industrial orders. This is seen in the divergence between the strong growth in consumer goods exports and the contraction in both capital and intermediate goods over the year.

[77] According to international trade data, exports volumes of goods to the UK fell -3.1% (q-o-q) in the fourth quarter, after increasing 8.0% in the third, falling -17.4% in the second and picking-up 8.2% in the first quarter of 2019.

Looking at extra-euro area exports of goods in detail, positive growth outturns in the US market did not compensate for drops in sales to the UK, China, India and Iran.

...and external demand will not soften the blow.

Early this year, the grinding to a halt of activity in China was already set to dampen the demand for European exports as well as the import of intermediate goods. [78] Particularly for exports of services, travel restrictions for Chinese visitors had already massively reduced bilateral China-EU tourism with the impact mostly felt in the favourite travel destinations of Chinese tourists (e.g. Italy and France).

As the scale of the crisis increased later in February, the slump in commodities and the crash in international trade paved the way for a significant contraction in exports. The halt in the free movement of people, goods and services is set to result in a sudden, severe and synchronised drop in external demand - heightened by a so-called 'bullwhip' effect. [79] With its relatively high participation in global value chains, the euro area is expected to be among the worst hit. Additionally, the cost of transport restrictions and border controls may be non-negligible, driving export prices up. [80]

As foreign incomes fall, trading partners will reduce their spending on imports, which will weigh on European export sales. This impact can already be seen in the negative response of commodity prices and the large depreciation of emerging economies' currencies, which are important markets for euro area exporters. [81] The ensuing tightening of financial conditions and capital outflows, exacerbated by corporate leverage and exposure to foreign exchange debt [82] are thus likely to lead to a sharp fall in investment and demand for euro area capital goods. [83]

For countries relatively specialised in the export of manufactured goods, the hit could be magnified by the adoption of wait-and-see behaviour by consumers and firms, as the purchase of capital-intensive goods can be postponed without large short-term costs. As the lifting of containment measures may take place at different times and follow different patterns in different parts of the world, the euro area's high dependence on trade may delay a swift rebound at home, as it may take time to resolve production bottlenecks or find alternative suppliers.

For now, the intensifying headwinds are mostly visible in soft data although hard data is beginning to drip in and fuel grim expectations. In the beginning of the year, there was a muted response of trade to events unfolding in China. This delay can be partly explained by the usual one-month time it takes for goods to ship from Asia to Europe by sea. [84] Since then, Markit's *Manufacturing PMI new export orders* index showed a record fall in export business as cross border trade flows seized up.

The geographical orientation of the euro area's external trade, as well as its product specialisation are unlikely to do it any favours. After growing by 2.2% in 2019, euro area export markets are forecast to plummet by about 11 ½% in 2020 before rebounding by around 8 ½% in 2021 and thus only partially making up for lost ground. In a context of persistently sluggish world trade, heightened uncertainty adds to the challenges facing a revival in demand for trade-intensive capital goods.

The impact of the pandemic on euro area exports and imports is expected to be seen primarily in the first half of the year when factors dampening demand and supply come together. While both exports of goods (e.g. particularly manufactured

(78) See UNCTAD (2020). 'Global trade impact of the coronavirus (COVID-19) epidemic'. *Technical Note*. March.

(79) A drop in demand for final goods leads each producer in the value chain to empty their inventories before re-ordering, amplifying the demand shock further up the supply chain see Baldwin, R. and Tomiura, E. (2020). 'Thinking ahead about the trade impact of COVID-19'. VoxEU.

(80) For an assessment of cost incurred by border controls see European Commission (DG ECFIN) (2016). 'Estimating a hypothetical scenario of generalised border controls in the Schengen area'. European Economic Forecast – Spring 2016, Institutional Paper 25, pp. 54-7 (Box I.3).

(81) see Arezki, R. and Nguyen, H. (2020). 'Novel coronavirus hurts the Middle East and North Africa through many channels'. VoxEU.

(82) see Banerjee, R., Hofmann, B. and Mehrotra, A. (2020). 'Corporate investment and the exchange rate: The financial channel'. BOFIT *Discussion Papers* 6.

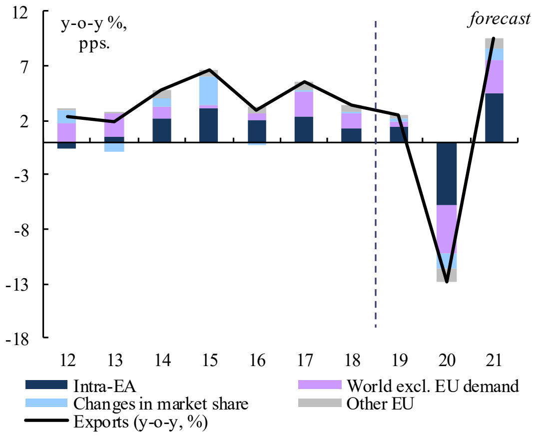
(83) Estimates of the economic impact and revisions of earnings of the largest multinational enterprises (MNEs) suggest that the downward pressure on FDI flows could range from -30% to -40% during 2020-2021. See UNCTAD (2020). 'Impact of the COVID-19 pandemic on global FDI and GVCs'. *Investment Trends Monitor*. March.

(84) See Weder di Mauro, B. (2020). 'Macroeconomics of the Flu'. VoxEU.org.

goods) and services (e.g. travel and transport services) are set to suffer, the latter is projected to take a more significant hit and the shortfall to be larger compared to 2019.

In the second half of the year, export growth is projected to gain traction, in line with the recovery forecast for major trading partners. While goods exports could bounce back later in the year, lost output in services-producing sectors including travel and tourism cannot be expected to be fully recouped. Both pull factors (e.g. travel restrictions imposed in EU Member States) and push factors (e.g. the economic fallout in countries of origin leading to lower outward traveling) will play a role. With regards to service exports, the duration of travel and migration restrictions will be key in determining the persistence of the shock.

Graph I.2.19: **Export growth contributions, euro area**



All in all, euro area exports (excluding Ireland) are projected to fall by around 13% in 2020, the sharpest contraction among final demand components. A strong catch-up is limited by enduring foreign demand weakness, likely delays to the resumption of production and supply chain normalisation. The assumed appreciation of the euro's nominal and effective exchange rates will further hinder a more robust recovery, with the appreciation persisting through the typical lags in the reaction of trade flows to exchange rate movements. As a result, exports of goods and services are forecast to grow by only about 10% next year (see Graph I.2.19).

Euro area imports of goods and services are projected to broadly follow developments in final demand. Still, with the large magnitude of the impact concentrated in components with the highest import content (e.g. durable goods consumption and investment spending) import penetration is expected to decline somewhat in 2020. With export growth weakening more dramatically than imports, net trade is projected to act as a drag on growth this year before contributing only slightly next year.

Projections for 2021 are based on a purely technical assumption of status quo in terms of trading relations between the EU and the UK. This is for forecasting purposes only and reflects no anticipation or prediction of the outcome of the negotiations between the EU and the UK on their future relationship.

2.4. LABOUR MARKET

The outbreak of COVID-19 will test the resilience of the EU labour market that has prevailed until now. The pandemic has generated an unprecedented macroeconomic shock in the EU with sizable effects on working hours and corporate earnings. Bold policy measures have been taken to limit employment losses during the confinement period and to ensure that work can be resumed smoothly after the confinement. While the uncertainty is wide, a drop in employment seems a given by the end of the year even though, with support from targeted policies, firms are expected to hold on to most of their workers during the confinement period. The drop in headcount employment is therefore expected to be dampened even as the number of hours worked drops sharply. As a consequence, the creation of additional jobs in the expected recovery will also be muted.

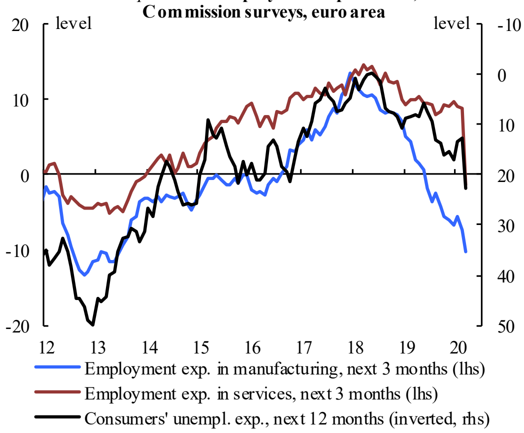
Labour markets proved rather resilient to the economic slowdown last year …

Last year's economic slowdown had only limited effects on the labour market. While manufacturing activity declined, companies appear to have largely refrained from layoffs, suggesting labour hoarding in this sector. Meanwhile employment in the services sector was still on the rise and weighs significantly more in aggregate employment. Overall, for the euro area, the unemployment rate declined further to 7.6% last year, as total employment grew by 1.2%, the same rate as GDP. The absence of productivity gains in 2019 combined with above-inflation wage growth has already affected firms' margins. This suggests that firms were at the limit of their capacity to hoard labour early this year and that employment losses in the manufacturing sector were likely in the absence of a rebound in economic growth this year. This is consistent with the observation that changes in the labour market situation usually lag developments in economic activity by several quarters.

...but the COVID-19 outbreak has led to a massive drop in hours worked...

The COVID-19 outbreak and subsequent confinement measures taken by all EU countries have led to significant disruptions in labour markets. According to the Commission's survey conducted in March, firms and households have rapidly adjusted their employment expectations (see Graph I.2.20).

Graph I.2.20: **Employment expectations, Commission surveys, euro area**



The strictness of the containment measures implemented in the EU since March this year vary across countries to a certain degree. But, all euro area Member States have faced discontinuity in the production of goods and services in most sectors with the labour force becoming partially or totally redundant. While working arrangements such as teleworking have been implemented wherever possible, the nature of work in many sectors does not allow for this alternative. The sectors most affected by production discontinuity include accommodation and food services, retail, business and administrative activities but also manufacturing and construction activities.

In response to the current COVID-19 crisis and with the objective to protect employment and prevent an increase in unemployment during 2020 that could become persistent, EU Member States have provided liquidity support for businesses and the self-employed and implemented or reinforced short-time work schemes. The experience from the 2009 crisis showed that the use of short-time/part-time working schemes such as the German 'Kurzarbeit' was effective at securing jobs[85]. These arrangements allow companies to temporarily reduce labour costs by reducing regular working hours while the income loss for employees is partly offset by a short-time working allowance paid by the government. Additional measures have been taken in most Member States to support micro enterprises and the self-employed who are eligible to one-off compensations to cushion pandemic-induced income losses. Other examples of measures taken include a moratorium on laying off workers (Italy), or the possibility to take sick leave to look after children at home (France).

To support these efforts, the EU had adopted a proposal by the Commission for a new instrument for temporary Support to mitigate Unemployment Risk in an Emergency (SURE). The SURE facility will provide financial assistance, in the form of loans granted on favourable terms from the EU to Member States, of up to €100 billion in total. These loans will assist Member States to cope with sudden increases in public expenditure to preserve employment. Specifically, these loans will help Member States to cover the costs directly related to the creation or extension of national short-time work schemes, and other similar measures they have put in place for the self-employed, as a response to the COVID-19 pandemic.

The overall objective of these measures is to allow firms to weather the fall in revenues without permanently dismissing workers. The number of applications for these schemes is already considerable across Europe and is expected to far exceed the numbers recorded in 2009 in countries such as Germany where such schemes existed. However, these measures may do little to help spare the more precarious workers who are already seeing their contracts not being renewed.

...which may partially translate into more permanent employment losses...

During the second half of this year, once the confinement period ends and most workers come

(85) See Balleer A., B. Gehrke, W. Lechthaler, C. Merkl (2016). 'Does short-time work save jobs? A business cycle analysis'. European Economic Review 84: 99–122. See also Hijzen A., S. Martin (2013). 'The role of short-time work schemes during the global financial crisis and early recovery: a cross-country analysis'. IZA Journal of Labor Policy

back to work, firms may adjust to the new context of lower demand in many sectors by either laying off workers or maintaining them at the expense of productivity if they value their skills and believe in the temporary nature of the lower demand. The length of the partial unemployment schemes may play a crucial role in preserving employment in sectors that will be affected beyond the confinement period and need more time to recover. However, employment losses could become more permanent despite the measures taken, if growth in EU economies struggles to rebound later this year and in 2021. Hysteresis with structurally higher unemployment rates might in turn dampen growth rates and productivity further.

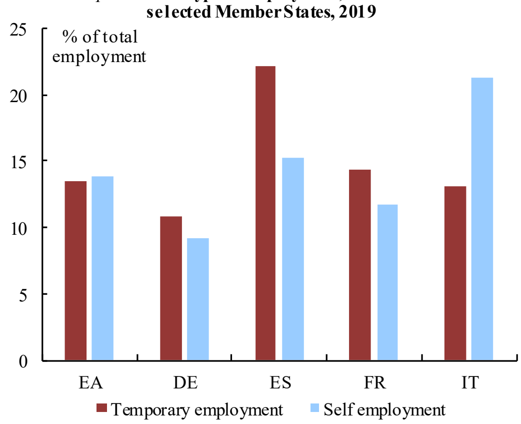
In particular, the usual movements in the labour market may stall if uncertainty remains high long after the confinement ends, leading to little or delayed new hiring. This would disproportionally affect young new labour market entrants and the unemployed. Such a development would structurally damage the labour market, lowering its efficiency and generating higher unemployment. The risk of substantial outflows into early retirement also looms large. This is not addressed by the current policy schemes which aim at maintaining existing jobs. Additional policy measures aimed at upskilling and reskilling workers to smooth their transition into new jobs may also become necessary to revive labour markets.

...depending also on country-specific features...

The final impact on EU labour markets this year and in 2021 remains uncertain and largely depends on future developments in the COVID-19 crisis and the success of the policy measures taken to contain it and offset its impact. However, some country-specific features allow us to assess the fragility of employment in the current crisis. The difference between countries may appear large and are not only linked to the successful implementation of policy measures but to pre-existing vulnerabilities. Three measures can be used to reflect the vulnerability of a country's labour market to the crisis: (i) the existing labour market structures, in particular the share of temporary or self-employed workers, (ii) the average size of corporations and (iii) the sectoral specialisation of the country.

Countries with a higher share of temporary and self-employed workers have more vulnerable labour markets, as these parts of the workforce are more likely to see significant employment and income reductions during a sharp economic contraction. Moreover, the self-employed tend to receive less support from government schemes and are overrepresented in the sectors hardest-hit by the confinement. While Spain has a high share of temporary contracts, Italy has a relatively high proportion of self-employed workers (see Graph I.2.21).

Graph I.2.21: **Atypical employment, euro area and selected Member States, 2019**



Also, in Italy and Spain, small firms, which are typically more fragile during economic contractions, account for a high share of employment. While measures have been put in place to offset liquidity shortages, the smallest firms are more likely to see liquidity squeezes and blocked bank credit lines. Companies that already began to experience difficulties during the slowdown last year or who have been struggling since the financial crisis may be particularly vulnerable.

As regards the sectoral effect, the sectors most at risk include accommodation and food services, transport, retail and other personal services. Here again, countries in the euro area's periphery such as Italy and Spain are more exposed to these sectors which are specifically linked to tourism. Manufacturing is also being his in this crisis but as firms in this sector are more reliant on specific skills, firms tend to value their workforce more and try harder to maintain workers during a temporary crisis. While manufacturing firms hoarded labour as manufacturing activity declined last year, it seems that key firms in this sector are now heavily using the temporary/partial

Table I.2.5:

Labour market outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2020 forecast				*Autumn 2019 forecast*			Spring 2020 forecast				*Autumn 2019 forecast*		
	2018	2019	2020	2021	2019	2020	2021	2018	2019	2020	2021	2019	2020	2021
Population of working age (15-64)	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Labour force	0.5	**0.5**	**0.1**	**0.4**	*0.4*	*0.3*	*0.3*	0.4	**0.4**	**0.1**	**0.3**	*0.3*	*0.3*	*0.3*
Employment	1.5	**1.2**	**-4.7**	**3.9**	*1.1*	*0.5*	*0.5*	1.4	**1.0**	**-4.4**	**3.3**	*1.0*	*0.4*	*0.4*
Employment (change in million)	2.3	**1.8**	**-7.2**	**5.7**	*1.7*	*0.8*	*0.7*	2.7	**2.0**	**-8.9**	**6.3**	*2.0*	*0.9*	*0.8*
Unemployment (levels in millions)	13.4	**12.4**	**16.0**	**14.4**	*12.4*	*12.2*	*12.0*	15.5	**14.4**	**19.6**	**17.3**	*14.4*	*14.2*	*14.0*
Unemployment rate (% of labour force)	8.1	**7.5**	**9.6**	**8.6**	*7.6*	*7.4*	*7.3*	7.2	**6.7**	**9.0**	**7.9**	*6.8*	*6.7*	*6.5*
Labour productivity, whole economy	0.4	**0.1**	**-3.2**	**2.4**	*0.0*	*0.7*	*0.8*	0.7	**0.5**	**-3.2**	**2.7**	*0.4*	*0.9*	*1.0*
Employment rate (a)	62.0	**62.6**	**61.2**	**61.9**	*62.6*	*62.7*	*62.9*	61.6	**62.1**	**60.6**	**61.4**	*62.1*	*62.3*	*62.5*

(a) As a percentage of population of working age. Definition according to structural indicators. See also note 6 in the Statistical Annex

unemployment schemes put forward by governments to maintain employment.

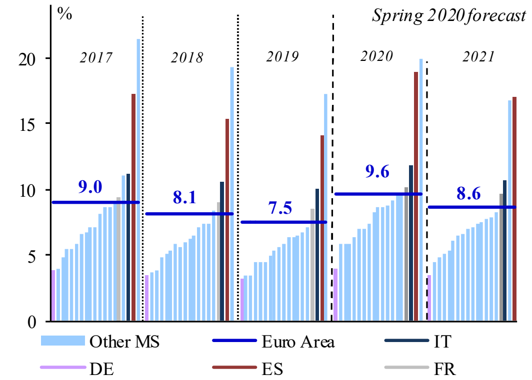
...and lead to higher unemployment rates.

The COVID-19 outbreak has completely changed the prospects for economic output and labour markets this year. Without the measures taken by Member States to sustain employment, the containment measures triggered by the pandemic could affect employment even more than GDP, as the most affected sectors are those with the highest employment intensity and the highest shares of temporary contracts. The policy measures are expected to cushion these negative effects and allow employment to decline more moderately than GDP.

For 2020, total employment is expected to shrink by about 4 ½% in the EU. However, country-specific features and large tourism sectors mean that the negative effect on employment is likely to be bigger than average in many southern EU Member States (see annex table 23).[86] For 2021, a slight rebound in employment is forecast, consistent with the expected rebound in total output. Changes in unemployment rates mainly reflect headcount employment losses and are expected to rise to various degrees in all EU Member States. On average for the euro area, the unemployment rate is expected to jump two percentage points to 9.6% this year before setting at 8.6% in 2021.

[86] The figures presented in the table 23 of the statistical annex are referring to full time equivalent employment (FTE) for a number of countries, including France, Italy and Spain. Due to the COVID-19 induced rise in part-time employment, a discrepancy emerged between FTE and headcount figures in 2020 with the latter declining significantly less. Nevertheless, headcount employment remains more negative in Spain (-5 ½%) and Italy (-2%) than in France and Germany (-1%).

Graph I.2.22: **Unemployment rate, euro area and Member States**



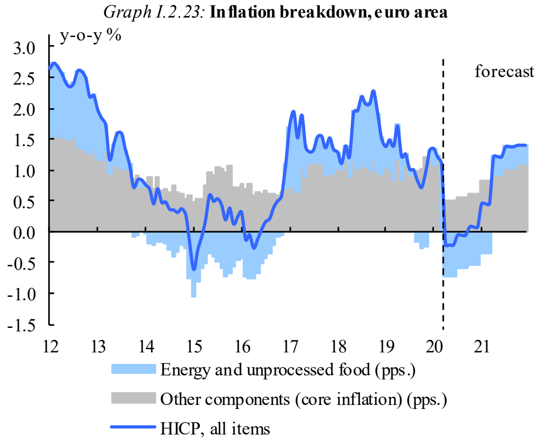
Note: In each period, the bars for all 19 euro area economies are ranked by size.

2.5. INFLATION

The inflation outlook over the forecast horizon has abated. The spread of the virus is expected to severely curtail both aggregate supply and demand in the domestic and global economy. Amid substantial uncertainty, this forecast takes the view that the drop in demand will dominate price developments. Moreover, the sharp drop in global oil prices is expected to lead to strongly negative energy inflation base effects for the rest of the year. Consequently, the forecast for headline HICP inflation in 2020 has been substantially cut compared to the winter forecast, with a smaller downward revision for core inflation. The forecast for 2021 has also been revised down, marginally.

During the lockdown period, some supply constraints may result in temporary increases in the prices of certain goods but this is expected to last only for a limited period as some supply chains in parts of the world and Europe had already started to normalise before the cut-off date of this forecast. As the negative output gap increases and real output is not expected to recover to 2019 levels by the end of 2021, the downward pull of a shortfall in aggregate demand is expected to outweigh the impact of remaining supply constraints over the forecast horizon. This is set to lead to a period of very low inflation rates well into 2020, after which the expected rebound in economic activity and reversed base effects uplift inflation slightly in 2021.

Graph I.2.23: **Inflation breakdown, euro area**



As overall inflationary pressures will depend fundamentally on the spread of the virus and the containment measures in force, the outlook is predicated on the assumptions inherent to this forecast, mainly that the lockdown measures will be eased gradually, starting in May, and is therefore surrounded by unprecedented and large uncertainty.

Earlier signs of a pick-up in inflation are now reversing

The outbreak of the virus led to a premature halt of signs that inflationary pressures were gradually building up. Up until February this year, headline inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP) had shown signs of picking up in line with what was expected in the winter forecast. In December (at 1.3%) and January (1.4%), inflation ticked above the 2019 yearly average, supported by services inflation and also reflecting stronger developments in volatile items like unprocessed foods as well as the phase out of significant negative base effects in energy inflation. Negative energy inflation detracted slightly from the February headline figure (1.2%). Excluding developments in the volatile components, core inflation (all items excluding energy and unprocessed food) had otherwise exhibited a steady pace of underlying price pressures. It crawled up to 1.3% in the fourth quarter of 2019, from 1.1% in the third quarter, and remained at that level in both January and February this year.

This pick-up in core inflation since autumn, and of services inflation in particular, provided some signs that domestic inflationary pressures were building up slowly. Excluding some relatively volatile items from the core measure, such as clothing, footwear and holiday-related items, there was a discernible increase in underlying price pressures in 2019 and early 2020. The component of services inflation related to housing had moved up, signalling that higher house prices were feeding through to consumer prices with a delay. Annual house price growth was running at 4.2% in the euro area in the fourth quarter of 2019, almost three-times as much as the inflation of actual rentals for housing.

In March, headline inflation dropped to 0.7%, down from 1.2% in February, and was dragged mainly by a strong decline in energy inflation (-4.5%). HICP inflation excluding energy and unprocessed food (core inflation) fell to 1.2%, from 1.3% in both January and February.

The detailed data of the March release showed the first impact of the virus containment measures on inflation. By adjusting for average seasonal fluctuations in March and focusing on the month-on-month change in prices, considerable impacts in certain detailed categories of inflation become apparent. The monthly change in overall prices was substantially weaker than usual for March (when prices usually increase due to the Easter holidays). This variation will exert a downward shift in inflation for the rest of this year, but will lead to a marked positive base effect in March next year if things normalise. Compared to their average monthly price change in March, most food categories increased, especially meat and fish products, but fruit and vegetables declined considerably. Likewise, clothing and footwear declined, while transport prices registered the biggest relative decline of all categories. Energy-related prices also declined strongly, reflecting the collapse in oil prices. On the other hand, health prices increased more than usual, reflecting increased expenditure on medical supplies to tackle the COVID-19 pandemic. Prices related to restaurants, hotels, recreation and cultural services dropped only slightly more than usual but this was probably due to the forced closure of many of these service outlets, which rendered price collection difficult. It is therefore likely that these latter categories present a downside risk for inflation once they start opening, since the demand for these services is expected to suffer longer due to the social distancing measures for the sector that are expected to remain in force in many Member States.

The assessment of the inflation outlook is complicated by several factors and has to be seen in light of the current exceptional economic circumstances. There are three main factors that need to be considered and their respective impact will affect the profile of inflation. The first one relates to the impact of temporary supply-side disruptions, panic buying and sudden stops during lockdown periods. Second, the sharp fall in oil prices is expected to detract significantly from inflation in 2020. The third one relates to the opposing forces between a sharp (temporary) fall in aggregate demand, remaining supply disruptions, and a likely shift in demand preferences. On balance, these factors are expected to lead to a period of disinflation in 2020 (several quarters of inflation close to zero).

Temporary issues beset inflation in the current period

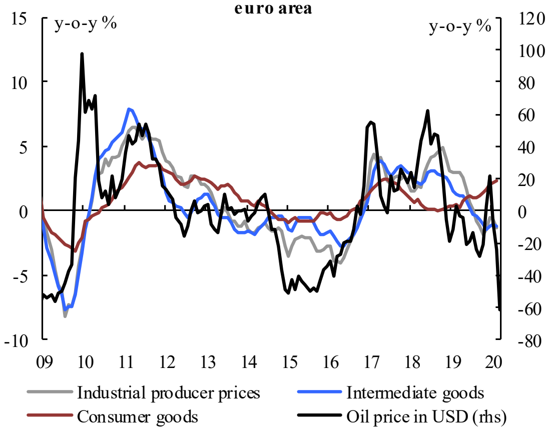
Inflation in the second quarter of 2020, and possibly in the third quarter, is expected to suffer from several issues, some of which are unprecedented and will distort normal fluctuations in prices. First, several shops, especially of non-essential items, and social spaces are still closed or are expected to remain so for some time - for example bars, restaurants, hotels and cinemas – rendering the calculation of the prices of these goods and services difficult to measure. Second, there was evidence of supply chain disruptions in the production of certain goods – for example of certain food items or medical supplies – while panic buying led to a surge in demand for example of hygienic products, essential foods or even particular IT equipment associated with remote working etc. At the same time there is a sudden stop in demand (and sometimes non-availability) for non-essential items and services. Moreover, the temporary base effect that usually uplifts inflation around the Easter holiday period, especially on items such as accommodation and package holidays, will be missing. As March data already show, the overall impact of all these factors is expected to drag on inflation in April and May.

The collapse in oil prices will dominate the profile in 2020

Oil prices (Brent) which peaked at close to $70 per barrel in early January, collapsed in March to just over $20 per barrel and were still around that level at the cut-off date in April. Oil prices are assumed to pick-up only moderately during the rest of 2020, but to levels representing approximately a 50% decline compared to their average in 2019. This will have strong negative base effects on energy inflation and will subsequently impinge heavily on overall inflation in 2020.

Despite the agreed production cuts among oil-producing countries due to begin in May, a sharp fall in oil demand is expected and is assumed to keep energy prices low. Given that oil is used as an input in many other sectors, and is strongly correlated with industrial producer prices, it is expected to have a general dampening effect on overall global price developments (see Graph I.2.24). In 2021, the slight increase in the price of oil assumed is expected to lead to some marginally positive base effects.

Graph I.2.24: **Oil price and selected producer price indices, euro area**



Lower demand expected to outweigh the impact of supply disruptions on inflation

There are two opposing forces at work in the determination of prices along global supply chains: supply disruptions and a general fall in aggregate demand. Supply side disruptions (due to forced production plant closures and offices, social distancing, and border controls) limit the supply of critical intermediate items and even the presence of labour needed for the production of goods and services. This tends to have an upward push on inflation, especially in those items still in high demand. It is still too early to assess the impact of

Table I.2.6:

Inflation outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2020 forecast				*Autumn 2019 forecast*			Spring 2020 forecast				*Autumn 2019 forecast*		
	2018	2019	2020	2021	2019	2020	2021	2018	2019	2020	2021	2019	2020	2021
Private consumption deflator	1.4	**1.2**	**0.3**	**1.2**	*1.2*	*1.2*	*1.4*	1.5	**1.4**	**0.5**	**1.3**	*1.4*	*1.4*	*1.5*
GDP deflator	1.3	**1.7**	**1.3**	**1.3**	*1.5*	*1.5*	*1.5*	1.4	**1.9**	**1.4**	**1.4**	*1.8*	*1.7*	*1.6*
HICP	1.8	**1.2**	**0.2**	**1.1**	*1.2*	*1.2*	*1.3*	1.8	**1.4**	**0.6**	**1.3**	*1.4*	*1.4*	*1.6*
Compensation per employee	2.2	**2.1**	**1.1**	**0.4**	*2.0*	*2.1*	*2.2*	2.7	**2.6**	**1.1**	**1.1**	*2.5*	*2.6*	*2.6*
Unit labour costs	1.8	**2.1**	**4.3**	**-1.9**	*2.0*	*1.4*	*1.4*	2.1	**2.2**	**4.3**	**-1.6**	:	:	:
Import prices of goods	2.7	**-0.6**	**-3.6**	**1.1**	*0.4*	*0.3*	*0.8*	2.8	**-0.3**	**-3.1**	**1.0**	*0.7*	*0.5*	*0.9*

supply disruptions on prices, but anecdotal evidence suggest that so far this seems to be limited to certain categories of inflation.

Most important is the production of food, which is a staple item and has a relatively high weight in the consumption basket. Labour shortages in a number of Member States due to a lack of seasonal workers from other countries pose problems for the agricultural industry, especially in the fruit, vegetable and livestock sectors. So far however, short-term commodity futures prices for several food categories have fallen and thus do not signal immediate price pressures. The UN Food and Agriculture Organisation's Food Price Index for March fell compared to February, with the international organisation noting the impact of the pandemic on demand contractions. There is evidence that closures of restaurants and hotels, and travelling in general, is having a strong impact on prices of certain food categories and this is particularly so for example in tourist regions in the EU where the collapse in traditional demand by tourist establishments on locally sourced food is leading to excess supply. In addition, the fall in oil prices is generally associated with lower prices along the food chain. By the cut-off date of this forecast, there was anecdotal evidence suggesting that temporary solutions were being found for labour shortages in the agri-food sectors which need harvesting and in the transportation of these goods and that some lockdown measures were already being relaxed. These factors should further alleviate bottlenecks and reduce supply disruptions, however there may still be an upside risk to prices in those categories where the harvesting season or livestock processing may have been disrupted. On the other hand, a general substitution towards staple or less perishable food may add price pressures in these items.

Overall, the interaction between the aggregate demand shock and the oil price shock is set to dominate headline inflation and eclipse any short-term supply disruptions. Many inflation components that exhibited an upward trend until last year are also expected to reverse course and head downwards in 2020.

For example, housing-related inflation, particularly actual rentals for housing, may already have had a substantial downward hit and may undergo further pressures throughout the year. There are two main factors behind this. First, faced with sudden wage cuts or employment losses, there is anecdotal evidence that landlords are reducing rents paid by tenants in order to avoid rental contracts either being stopped or tenants moving to cheaper alternatives. Second, as there was an increasing trend of converting old or newly-built residential properties into alternative tourist accommodation, especially in major cities, the sudden drop in tourism and its dire outlook is expected to result in many vacant properties that will enter into competition with domestically-oriented rentals and thus force rents down. The weight of this component in overall inflation has an average of 6.5% in the euro area but differs strongly across Member States, standing for example at 11% in Germany but only 2.7% in Italy.

The expected drop in capacity utilisation is also set to have a negative impact on prices, particularly for non-energy industrial goods. Moreover, in some sectors, the build-up of large inventories during the lockdown period may force companies to push prices lower to reduce stocks once the economy progressively re-adjusts. Further ahead, as unemployment rates increase, income losses are expected to keep a lid on inflation pressures well into 2021.

A substantial drop in the forecast for inflation in 2020 …

On average, headline inflation in the euro area is forecast to drop strongly to 0.2% in 2020, but to recover to 1.1% in 2021. Compared to the winter forecast, this represents a downward revision of 1.1 pps. for 2020 and 0.3 pps. for 2021.

Growth in compensation per employee in the euro area is expected to decline throughout the forecast horizon, even though income losses are alleviated by government wage support schemes in 2020. It is projected to drop to 1.1% in 2020 and 0.4% in 2021. The growth of real compensation per employee, after deducting for inflation, is expected to turn negative in 2021. As a result mainly of labour hoarding schemes in 2020, unit labour cost growth in the euro area is expected to increase strongly to 4.2% in 2020, but then to fall strongly to -1.8% in 2021 as lower employment levels leave a mark on labour costs.

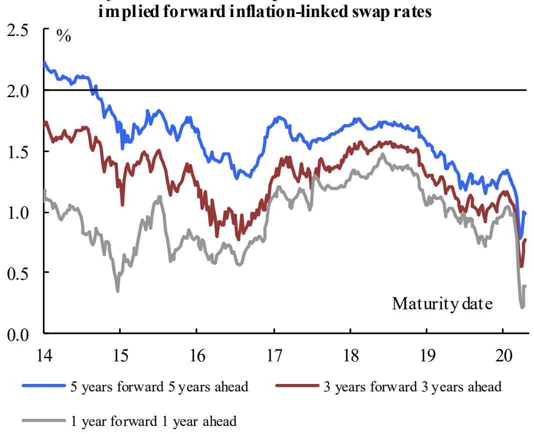
Overall, the annual growth rate of the GDP deflator in the euro area is projected to fall to 1.3% in both 2020 and 2021. On one hand, the sharp drop in oil prices improves the terms of trade and thus supports the GDP deflator, while on the other hand the latter is weighed down by the drop in the private consumption deflator.

…consistent with lower inflation expectations.

Market-based measures of inflation expectations along the maturity spectrum fell sharply in March as the scale of the COVID-19 impact became clearer but then recovered slightly in April. At the cut-off date of this forecast, inflation-linked swap rates at the one-year forward one-year-ahead horizon stood at 0.4% (see Graph I.2.25). Swap rates at the three-year forward three-years-ahead horizon imply an average inflation of around 0.8%. On a longer horizon, the widely watched five-year forward five-years-ahead indicator suggests inflation of 1%, below the ECB's definition of medium-term price stability.

Latest survey-based measures of price developments in April, taken from the IHS Markit Flash Eurozone PMI, show a strong decline in both input and output prices. Output price declines were generally facilitated by lower input prices, and this was even more so in the services sectors where input prices are linked to lower payroll costs. Factory input prices fell at a reduced rate possibly reflecting shortages along the supply chain. According to the Commission's surveys taken in March, the manufacturing sector had already signalled a sharp drop in selling price expectations. However, consumers in the euro area reported expectations of higher price trends over the next twelve months, particularly in France and Italy, possibly reflecting concerns of shortages in food and medicine supplies in times of panic-buying or fear that they may not afford current prices with reduced incomes.

Graph I.2.25: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

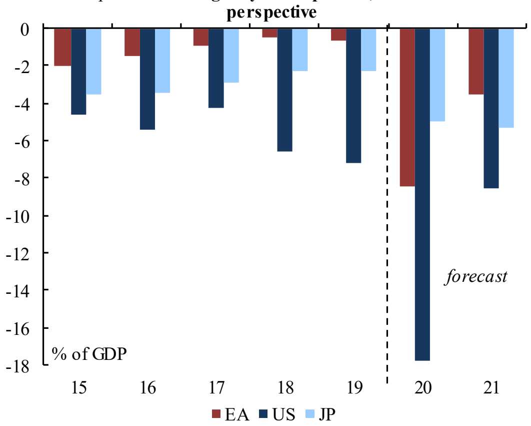
The monthly mean of market forecasts calculated by Consensus Economics stood in April at 0.4% for 2020 and 1.3% for 2021. The results of the ECB Survey of Professional Forecasters (taken in early January, before the COVID-19 pandemic) for the first quarter of 2020 showed average inflation expectations at 1.2% in 2020 and 1.4% in 2021. Longer-term inflation expectations stood at 1.7%.

2.6. PUBLIC FINANCES

The COVID-19 outbreak is set to have a severe impact on public finances in 2020…

Having declined for eight years in a row since 2010, the euro area aggregate general government deficit (Graph I.2.26) reached a trough in 2018 and marginally increased in 2019. Sizeable discretionary fiscal measures (around 3¼% of GDP) and automatic stabilisers to cushion the economic impact of the pandemic and related containment measures imply that the deficit is set to surge in 2020 and to decrease in 2021. Moreover, euro-area governments have provided sizeable state guarantees for loans to firms and other liquidity support for almost 24% of GDP. This does not include liquidity support measures taken at EU level. From an international perspective, budget deficits are expected to be significantly larger in the US in both 2020 and 2021 where the fiscal support aimed at containing the economic impact of COVID-19 is estimated at around 11% of GDP. In Japan, on the other hand, which is forecast to run a lower deficit in 2020, the support that has a direct impact on the deficit is estimated at less than 5% of GDP.[87]

Graph I.2.26: **Budgetary developments, international perspective**

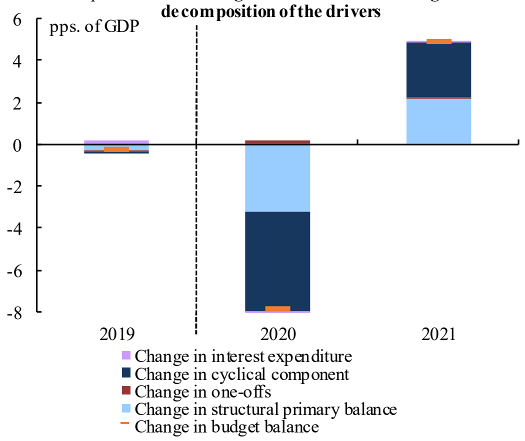


In 2019, the deficit stood at 0.6% of GDP in both the euro area and the EU. In 2020, the deficit is set to increase considerably, to about 8½% of GDP in the euro area (8¼% and the EU). The sharp increase in the deficit is primarily due to a large decline in both the cyclical component and the structural primary balance (Graph I.2.27).[88] These developments largely reflect the work of automatic stabilisers and new fiscal measures aiming at protecting households, workers and businesses from the impact of the lockdowns triggered by the pandemic.

... and to narrow in 2021 based on unchanged policies.

In 2021, based on unchanged policies, the budget deficit is forecast to decrease noticeably to around 3½% of GDP in both the euro area and the EU due to the expected rebound of GDP growth and because most Member States are assumed to unwind a large part of the measures adopted in response to the COVID-19 crisis. Indeed, the changes in the cyclical component and in the structural primary balance are both forecast to provide a large positive contribution to the increase in the budget balance in 2021 (Graph I.2.27).

Graph I.2.27: **General government balance change and decomposition of the drivers**



Looking at the country level, all Member States except Bulgaria are projected to run a deficit exceeding 3% of GDP in 2020. In 2021, half the Member States are forecast to continue running a deficit over 3% of GDP, based on a no-policy-change assumption.

Expenditure-to-GDP ratio to drive the projected ups and downs in the euro area deficit

In 2020 and 2021, developments in the deficit look set to be driven almost exclusively by the change in the expenditure ratio (Graph I.2.28). It is projected to increase noticeably in 2020 (by more than 8 pps.), due to the discretionary measures and the effect of sharply contracting nominal GDP. In 2021, the drop in the expenditure ratio (by more than 5¼ pps.) explains the deficit reduction of about 5 pps. This is due to the temporary nature of most of the fiscal measures taken in response to the COVID-19 outbreak, which are predicted to lead to much smaller additional expenditure in 2021 than in 2020. Furthermore, the projected rebound in GDP at a pace faster than potential output will also help to lower the expenditure ratio. The revenue ratio is projected to decline only slightly between 2019 and 2021.

(87) Liquidity measures that do not have a direct impact of the deficit is much larger in Japan (around 17½% of GDP) than in the US (2¼% of GDP).

(88) On 20 and 23 March 2020, the Commission and the Council, respectively, activated the general escape clause of the Stability and Growth Pact. That activation has allowed Member States to take targeted measures to deal with the health crisis and provide support for those affected by the outbreak, as well as broader measures to support the economy. To facilitate fiscal surveillance for the duration of the general escape clause, the Commission decided not to classify COVID-19-related measures as one-off in its 2020 spring forecast.

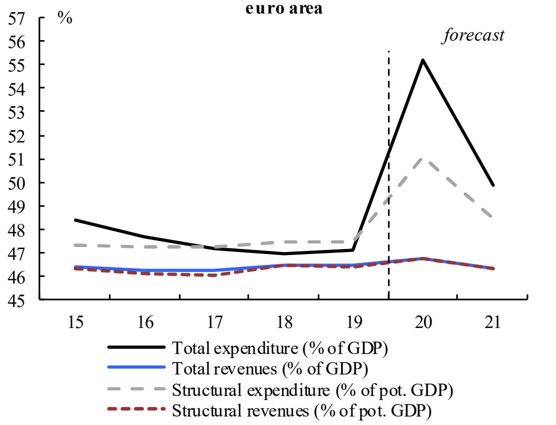
Table I.2.7:

General Government budgetary position - euro area and EU

(% of GDP)	Euro area							EU						
	Spring 2020 forecast				*Autumn 2019 forecast*			Spring 2020 forecast				*Autumn 2019 forecast*		
	2018	2019	2020	2021	*2019*	*2020*	*2021*	2018	2019	2020	2021	*2019*	*2020*	*2021*
Total receipts (1)	46.5	**46.5**	**46.7**	**46.3**	*46.3*	*46.2*	*45.9*	46.2	**46.2**	**46.4**	**46.0**	*46.0*	*45.9*	*45.6*
Total expenditure (2)	47.0	**47.1**	**55.2**	**49.9**	*47.1*	*47.1*	*47.0*	46.6	**46.7**	**54.7**	**49.6**	*46.8*	*46.7*	*46.6*
Actual balance (3) = (1)-(2)	-0.5	**-0.6**	**-8.5**	**-3.5**	*-0.8*	*-0.9*	*-1.0*	-0.4	**-0.6**	**-8.3**	**-3.6**	*-0.7*	*-0.8*	*-1.0*
Interest expenditure (4)	1.8	**1.6**	**1.7**	**1.6**	*1.7*	*1.5*	*1.4*	1.7	**1.5**	**1.6**	**1.5**	*1.6*	*1.5*	*1.4*
Primary balance (5) = (3)+(4)	1.4	**1.0**	**-6.8**	**-2.0**	*0.9*	*0.6*	*0.4*	1.3	**1.0**	**-6.7**	**-2.1**	*0.9*	*0.6*	*0.3*
Cyclically-adjusted budget balance (a)	-1.1	**-1.3**	**-4.4**	**-2.1**	*-1.1*	*-1.1*	*-1.2*	-1.1	**-1.2**	**-4.4**	**-2.1**	*-1.1*	*-1.1*	*-1.2*
Cyclically-adjusted primary balance (a)	0.7	**0.4**	**-2.7**	**-0.5**	*0.6*	*0.4*	*0.2*	0.6	**0.3**	**-2.8**	**-0.6**	*0.5*	*0.4*	*0.2*
Structural budget balance (a)	-1.0	**-1.1**	**-4.4**	**-2.1**	*-0.9*	*-1.1*	*-1.2*	-1.0	**-1.1**	**-4.4**	**-2.1**	*-0.9*	*-1.1*	*-1.2*
Change in structural budget balance (a)	0.2	**-0.1**	**-3.3**	**2.3**	*-0.1*	*-0.2*	*-0.1*	0.1	**-0.1**	**-3.3**	**2.3**	*-0.2*	*-0.2*	*-0.1*
Gross debt	87.8	**86.0**	**102.7**	**98.8**	*86.4*	*85.1*	*84.1*	81.3	**79.4**	**95.1**	**92.0**	*79.8*	*78.4*	*77.4*

(a) as a % of potential output. The structural budget balance is the cyclically-adjusted budget balance net of one-off and other temporary measures estimated by the European Commission.

Graph I.2.28: **Expenditure and revenues developments, euro area**



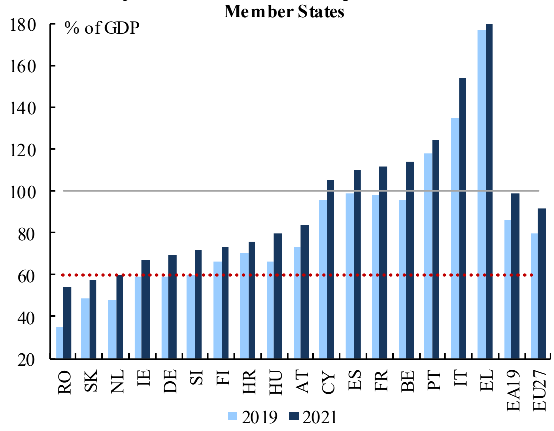
Looking at selected public spending components of the euro area aggregate, the projected surge in the expenditure ratio in 2020 is mainly related to higher social transfers, also due to the sizeable discretionary measures taken to support households and workers, followed by subsidies. Public investment as a share of potential GDP is projected to increase marginally, from 2.8% of GDP in 2019 to 2.9% in 2021, still below its average of 3.3% of GDP between 2000 and 2009.

The debt ratio is set to jump in 2020

In 2019, the debt-to-GDP ratio of the euro area fell to 86.0% (79.4% in the EU), standing around 9 pps. below its peak in 2014. However, the unprecedented economic recession expected in 2020 and the measures taken in response to the pandemic are set to derail this trend. The debt-to-GDP ratio of the euro area is projected to rise substantially, reaching a new peak of around 103% in 2020, before decreasing to below 100% in 2021, under a no-policy-change assumption. The combined impact of interest expenditure and the drop in nominal GDP (the so-called 'snow-ball effect' [89]) is forecast to increase the debt-to-GDP ratio by about 7¾ pps. in 2020. In 2021, thanks to the expected rebound in nominal GDP, the snow-ball effect is forecast to reduce the debt-to-GDP ratio by 5¾ pps. The primary deficit is expected to have a debt-increasing contribution in both 2020 and 2021 (6¾ and 2 pps. respectively).

In 2020, the debt-to-GDP ratio is projected to increase significantly in all Member States. In 2021, under a no-policy-change assumption, it is expected to stay above 100% in seven Member States (Belgium, Greece, Spain, France, Italy, Cyprus and Portugal). Other seven Member States are forecast to show a debt ratio above 60% of GDP in 2021 (Germany, Ireland, Croatia, Austria, Slovenia, Finland and Hungary) (Graph I.2.29).

Graph I.2.29: **Public debt development in selected Member States**



(89) The "snow-ball effect" captures the impact of interest expenditure on the annual accumulation of debt, as well as the impact of real GDP growth and inflation on the debt ratio.

2.7. MACROECONOMIC POLICIES IN THE EURO AREA

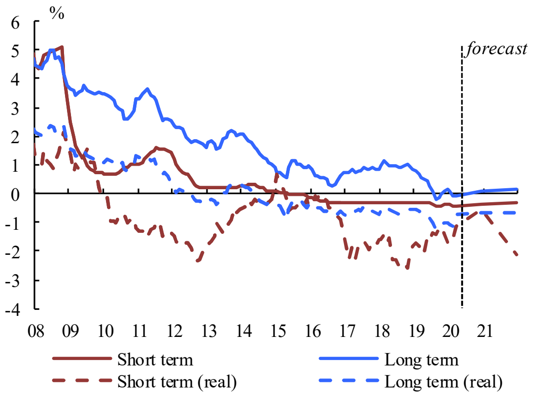
The policy mix in the euro area reflects the interplay between financing conditions and fiscal policy. Monetary conditions in the euro area remain very accommodative overall. Based on technical assumptions,[90] short-term money market rates are set to remain broadly constant over the forecast horizon and should remain very supportive overall in both nominal and real terms. As nominal long-term yields are expected to increase only marginally and inflation expectations for the longer term are also assumed to increase slightly over the forecast horizon, real long-term financing costs should remain clearly in negative territory. The fiscal policy stance, measured by the change in the structural primary budget balance, is expected be very expansionary in 2020 given the discretionary measures related to the COVID-19 outbreak. Most of those measures are set to be discontinued by 2021 under a no-policy-change assumption.

Monetary conditions are expected to remain accommodative

In light of the economic disruptions caused by the coronavirus outbreak and the ECB's subsequent easing measures, which include sizeable additional net asset purchases [91], only marginal upward pressures on nominal rates are expected over the forecast horizon. Given the present record low interest rate levels, financing conditions in the euro area are therefore expected to remain very loose by historical standards. Nominal long-term rates [92], which picked up at the end of last year but which have decreased since then on account of the pandemic, are expected to pick up only slightly and remain below their levels reached in mid-2019. The additional net asset purchases under the ECB's Asset Purchase Programme (APP) and Pandemic Emergency Purchase Programme (PEPP) in combination with the continued reinvestment of maturing securities should help keep nominal long-term rates very low, overall.[93] On the short end of the yield curve, interest rates remain at historically low levels following the deposit facility rate cut in September 2019. The high and growing volume of excess reserves, in combination with the ECB's forward guidance as well as very favourable TLTRO-III pricing [94], should keep short-term money market rates at very low levels and support favourable lending conditions further on.

In real terms, short-term rates have stayed broadly unchanged in negative territory since the autumn, although developments in headline inflation led to some fluctuations in real short-term rates (see Graph I.2.30).[95] Real long-term interest rates have increased somewhat over the same period, mainly on account of markedly lower inflation expectations, which edged downward in February and March. By contrast, their nominal counterpart remained largely unchanged on balance.

Graph I.2.30: **Euro area interest rates**



Short term rate: 3M Euribor; Long term rate: 10Y interest swap

Looking ahead, nominal short-term rates are assumed to remain broadly unchanged over the course of the current and the coming year before

(90) The interest rate assumptions underlying the forecast are market-based; nominal exchange rates are assumed to remain constant with respect to a given base period. For details, see Box I.4.1.

(91) For details, see https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200312~8d3aec3ff2.en.html and https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html

(92) Nominal long-term rates refer to the 10 year interest rate swap based on EURIBOR 6M.

(93) Empirical evidence suggests that the portfolio rebalancing effect of asset purchases on bond market yields works predominantly via the size of the stock of purchased assets rather than the size of the monthly flows.

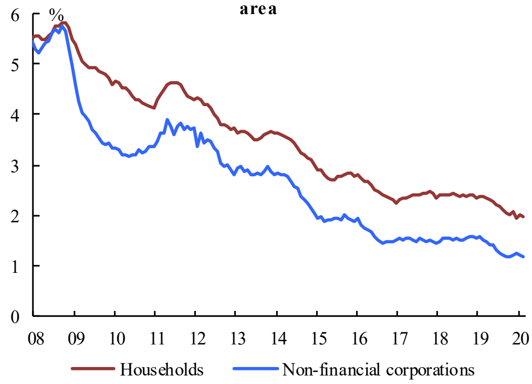
(94) From 24 June 2020 to 23 June 2021, for counterparties taking part in TLTRO-III and whose eligible net lending reaches the benchmark, the interest rate applied on all TLTRO III operations outstanding over that period will be 25 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -0.75%.

(95) Real rates are derived from the respective short- or long-term rate minus annual HICP inflation and expected average inflation according to 10-year inflation swaps, respectively. Forecasts are derived from futures and forward rates, deflated by the Commission's inflation forecast and market-based measures of inflation expectations.

starting to increase gradually thereafter. Meanwhile, inflation is expected to decrease sharply in the second quarter of 2020 and to only recover marginally over the remainder of the year, followed by a steady increase over the course of 2021 (see section I.2.5). Altogether, this should lead to a hump-shaped profile of real short-term interest rates over the forecast horizon. At the same time, forward rates suggest a slight but persistent rise in nominal long-term rates over the forecast horizon. With markets anticipating long-term inflation to increase at a somewhat slower pace, this should also translate into marginally higher, but still clearly negative, real long-term rates.

The composite credit cost indicators (CCCI) [96] for non-financial corporations and households captures the transmission of rate developments to nominal financing conditions (see Graph I.2.31). Reflecting the subdued developments in short- and long-term nominal rates, overall changes in nominal financing conditions have been small since the autumn. The decrease in nominal long-term rates since the beginning of the year has decreased borrowing costs for non-financial corporations somewhat, mainly on account of corresponding developments in corporate bond yields and interest rates on long-term loans. However, data availability allows CCCI calculation only until February, hence the substantial increases in euro area corporate bond yields since the beginning of March are not yet captured. For households, borrowing costs have decreased somewhat, driven by lower interest rates on housing loans.

Graph I.2.31: **Composite credit cost indicators, euro area**



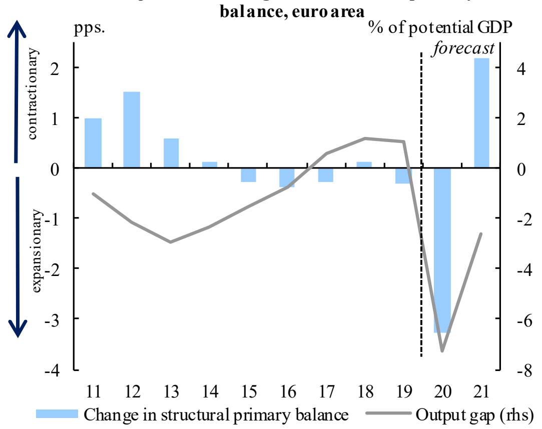
Note: Last observation: February 2020
Sources: ECB, Bloomberg, own calculations

[96] The CCCIs are calculated as weighted averages of interest rates on different types of bank loans and corporate bonds (in case of non-financial corporations).

The euro area fiscal stance set to support the economy in 2020

The euro area fiscal stance is projected to turn strongly expansionary in 2020 after having been broadly neutral since 2014. The expansionary fiscal stance - based on the expected decline in the structural primary balance of around 3¼ pps. of GDP - is essentially the result of the sizeable fiscal measures taken by Member States in response to the COVID-19 pandemic. In 2021, based on a no policy-change assumption, the euro area fiscal stance is forecast to turn contractionary (by around 2¼ pps. of GDP), reflecting the expected exit from most of the crisis related measures (Graph I.2.32).

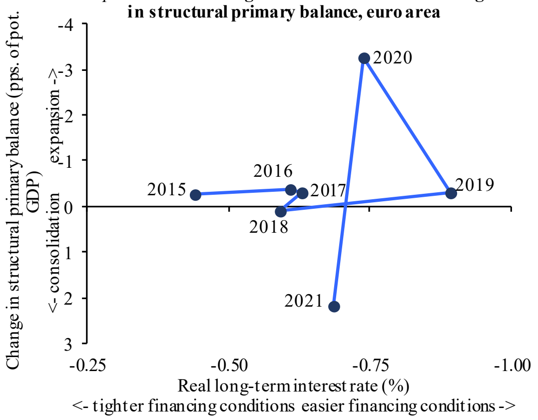
Graph I.2.32: **Change in the structural primary balance, euro area**



Moreover, Member States have supported businesses with sizeable guarantees for their loans and other liquidity measures, which do not show up in the fiscal stance but are nonetheless estimated to provide a significant recovery impulse (see technical box for the treatment of these guarantees). In 2021, all euro area Member States are forecast to start decreasing their structural deficits.

Looking at the policy mix (see Graph I.2.33), the policy measures taken by the ECB since the end of 2014 have exerted significant downward pressure on nominal long-term rates. However, monetary easing has been only partially transmitted to real rates as long-term inflation expectations also declined over the same period. As a result, average real long-term rates for 2020 (derived from the 10-year swap rate deflated by inflation expectations) are expected to be somewhat higher than in the previous year. Nonetheless, they remain in negative territory and financing conditions should thus remain very supportive of growth. At the same time, the fiscal policy stance is expected to strongly support economic activity in 2020 and then retreat in 2021 when the recovery is expected to be underway.

Graph I.2.33: **Real long-term interest rates and change in structural primary balance, euro area**



2.8. RISKS

Forecast uncertainty has significantly increased since the release of the winter forecast in February while the balance of risks to the growth projection for the euro area has tilted further to the downside.

The pandemic has raised forecast uncertainty...

Uncertainty surrounding the spring forecast is huge. The scale of the pandemic is still uncertain and its duration remains unpredictable as it depends on the time needed for developing an effective treatment or a vaccine. The duration, in turn, affects both the shape of the economic rebound and the volume of fiscal policy measures that will have to be deployed. While the severe consequences of pandemics had been discussed in the economic literature, there are no recent examples comparable to COVID-19 that could guide the analysis of the impact on a diversified and globalised economy. Overall, there is a much higher level of uncertainty surrounding the spring forecast than would normally be the case.

...with risks to the economic growth outlook almost entirely on the downside...

Reflecting on the huge uncertainties, the spring forecast has been anchored on scenario analyses ('a forecast like no other'), which involved a series of assumptions to construct a stylised shock to the global economy. Given the suddenness of developments in recent weeks, this per se bears the risk that the scenario simulation is rendered obsolete by events. Faced with this the present degree of uncertainty and its partly fundamental nature, the customary risk 'fan chart' is not shown this time. Instead, illustrative alternative scenarios produced with the QUEST model are described in section I.3.

Risks to the spring forecast projections are largely skewed to the downside such that economic activity could decline more (in 2020) or rebound less (in 2021). As already signalled in the presentation of the baseline scenario (see Section I.1.4), the major risks concern the total economic impact of COVID-19 on the EU economy, which will depend upon on the scale and length of the pandemic. The assumptions about the pandemic dynamics underlying the baseline scenario might be too optimistic.

The **pandemic** could become more severe and last much longer. Already planned or implemented relaxations of containment measure could prove premature and the pandemic could resurface, requiring the re-imposition of stricter confinement measures with less policy options left for mitigating their economic effects.

The global nature of the COVID-19 shock implies that it is insufficient for the economic recovery, if only a few countries cope successfully with the medical challenge. **Insufficiently coordinated national policy responses, or a limited common response at the EU level** that limit the efficient use of the workforce (e.g. labour mobility), could result in worse outcomes than currently expected. They could endanger the functioning of the internal market, result in efficiency losses, dampen economic growth and increase divergence, and ultimately threaten the stability of the monetary union. The same could result from inadequate efforts to compensate for the lack of sufficient policy space in those euro area Member States that are also hardest hit. Tight linkages through supply chains, financial connections and trade relationships would spread negative effects throughout the EU. [97]

Economic growth in the **external environment** of the EU could turn out lower than expected, either with the recession being more severe or the

(97) On the inefficiency of policies predominantly decided upon at the national level, see Beck, T. and W. Wagner (2020). 'National containment policies and international cooperation'. *Covid Economics, Vetted and Real-Time Papers* 1 (CEPR), April 22, pp. 120-34.

recovery taking longer. Potential reasons for an unexpectedly weak performance can be attributed to both advanced, and emerging and developing countries. For the advanced economies, the downside risks to the growth projection, as in the EU, mainly relate to the (length and breadth of the) pandemic and the policy response. If necessary restrictive public health measures are to last longer than currently assumed, this risks generating more severe disruptions to global supply chains and more sizeable and longer-lasting demand shocks. There is also a risk that the coronavirus spreads to those emerging market economies with less developed medical facilities, limiting the prospects for an effective containment of the pandemic and increasing the likelihood for recurring waves of infections globally. Given these health-related uncertainties, there is a risk that extreme financial volatility may persist, with particularly concentrated damage on many of the emerging economies. Continuing capital outflows and currency depreciations in these countries risk undermining the stability of their domestic banking sectors, accompanied by spikes in sovereign debt spreads and government defaults in the most vulnerable cases. This could lead to a protracted downturn in the poorest and most vulnerable countries in the world, exacerbating already existing social tensions, and making it even more difficult to tackle long-standing structural challenges. The slump in oil prices also increases the risk of additional financial market stress related to potentially sizeable investment redemptions by sovereign wealth funds of oil-exporting countries that are asked to fill gaps in their governments' budgets. Lower oil prices also expose vulnerabilities in the highly leveraged energy sector in the US, and if persistent, risk throwing large parts of the sector into outright bankruptcy with knock-on effects on US financial stability and real activity. Countries outside the EU would also suffer from an intensification of protectionism and its adverse consequences as regards economic growth and trade.

The possibility of **financial turmoil and financial crises** in the EU cannot be excluded. The financial burden of implemented and planned measures to combat the pandemic and mitigate its economic impact is very large and expected to increase public debt substantially. In the absence of sufficient circuit breakers, yields of some Member States could come under upward pressure according to perceptions of sovereign risk, which could translate into funding difficulties for the sovereigns and banking sectors of the countries affected.

A different trigger of financial turmoil could emerge if for indebted corporate borrowers the initial liquidity strains turn into solvency problems, even under the current assumptions about the pandemic. This could then lead to bankruptcies, make loans non-performing and cause losses in the banking sector that endanger financial stability and cause a risk-off episode with implications to companies' access to credit and their funding costs. [98] Frictions in credit markets could lower economic efficiency due higher costs of capital and/or by capital being misallocated away from its most productive uses.

The pandemic could leave **permanent scars** in the EU economy that are not taken into account in the central scenario of the spring forecast. Inside the EU, this could result from a large number of bankruptcies that weaken competition and dampen innovation. In an international context, experiences from the pandemic period could trigger fundamental changes in attitudes towards global value chains and international cooperation. This would hit open economies such as the EU most. Against the background of fears that imported cases result in renewed infections, 'de-globalisation' could become more popular than currently expected. More permanent scars than currently expected could also characterise labour market developments (hysteresis effects).

In addition, some **pre-existing vulnerabilities** of the EU economy constitute downside risks, which were already evaluated in the previous forecasts. This includes concerns that new tariffs might be applied on a much wider range of items, which could adversely affect business investment plans and lead to a worse outcome. Moreover, reaching the end of the transition period foreseen in the Withdrawal Agreement between the EU and the UK will dampen economic growth, even if an EU-UK free trade agreement is concluded. This will affect in particular the UK, but also the EU, though to a lesser extent.

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(98) The IMF and the Financial Stability Board have recently emphasised the increased risks to financial stability; see IMF (2020). 'Global financial stability overview: markets in the time of COVID-19'. *Global Financial Stability Report*, April (chapter 1); Financial Stability Board (2020). 'COVID-19 pandemic: Financial stability implications and policy measures taken'. April 15.

On the upside, a faster than expected availability of a vaccine against COVID-19 could allow removing physical distancing measures, improve economic sentiment, and result in a faster-than-anticipated return to a more normal economic situation.

...and in the near term risks to the inflation outlook are closely related.

In recent weeks, a number of downside risks to the inflation outlook have materialised, while others have diminished. Oil prices fell sharply until the cut-off date of this forecast, and domestic price pressures have been curbed by the sharp slowdown in economic activity.

In the near term, the downside risks to the growth outlook translate into downside risks to the inflation outlook. A deeper downturn and a slower rebound would negatively influence inflation expectations and price pressures. A more protracted period of low inflation could also have a more negative impact on the anchoring of medium-term inflation expectations than currently visible in surveys; this could trigger a further downward movement of inflation. Should the decline in economic activity be related to severe disruptions of production and distribution chains, a temporary mismatch between demand and supply could decouple developments in economic activity and inflation.

On the upside, a faster-than-expected rebound in the external environment could push commodity prices up and lift external price pressures. A faster and stronger than expected rebound of economic activity would raise inflation expectations and domestic price pressures. Beyond the very short term, some analysts have raised the issue as to whether unprecedented monetary and fiscal efforts, the sharp increase in debt, and the monetisation of government debt could necessarily push inflation over the medium term,[99] which cannot be completely excluded, but so far, there is no evidence that the risk is significant.[100]

(99) See e.g. C. Goodhart and M. Pradhan (2020). 'Future imperfect after coronavirus'. *VoxEU*, March 27.

(100) See e.g. Blanchard, O. J. and J. Pisani-Ferry (2020). 'Monetisation: Do not panic'. *VoxEU*, April 10.

3. SPECIAL ISSUES

3.1. HOW THE PANDEMIC SHAPED THE FORECAST

The COVID-19 pandemic has characteristics not seen in over 100 years, and the measures taken to contain it have no precedent in living memory. Initially concentrated in China, the virus quickly spread worldwide, leading to more than 3 million confirmed cases and more than 200 thousand deaths at the time of writing. A large number of countries have implemented containment measures of unprecedented scale, ranging from limiting travel to the almost complete shutdown of public and economic life.

In this exceptional context, economic forecasters have to grapple with uncertainty at various levels. To name just a few, knowledge about the actual spread of the virus is hampered by incomplete statistics; the impact of the lockdowns on economic activity has to be assessed in real time with non-standard metrics; standard quantitative economic models, calibrated and estimated with historical data, have to be adapted to assess new types of large economic shocks.

To deal with this uncertainty, the present forecast relies much more heavily on assumptions than usual. Such assumptions concern, for instance, key parameters of the pandemic, the duration and effectiveness of containment measures, and the degree of nonlinear effects. This reliance on conditioning assumptions makes the Spring 2020 European Economic Forecast more akin to a scenario analysis.

The main value added of such a scenario analysis is to highlight the channels (and their relative magnitude) through which the economy is affected. It also allows us to discern the stabilising role of fiscal and monetary support measures announced or enacted since the start of the pandemic. These policy actions are expected to help by supporting household incomes, improving firm's liquidity positions and helping to limit long-term damages to the economic fabric, which might otherwise lead to widespread bankruptcies and persistent unemployment.

Given these extraordinary circumstances, this chapter tries to shed some light on the possible economic damage triggered by the pandemic and sketches a tentative recovery path. First, through the lens of a model-based decomposition of the spring forecast, it gives insight into how the multiple shocks triggered by the COVID-19 pandemic are likely to be transmitted to the economy over the next two years. Second, it presents simulations with DG ECFIN's QUEST model,[101] as they were used to chart the terrain in the preparation of this forecast. Three scenarios are sketched, mostly reflecting alternative paths for the duration of the pandemic and required containment measures. The QUEST simulations were then crosschecked against simulations with alternative quantitative tools, in order to explore different transmission channels and mitigate model uncertainty.

In interpreting the scenario analysis presented here, it is important to bear its central assumptions in mind, most of which pertain to the time-span during which people's mobility and business operations are heavily constrained. In such a complex environment with a large number of moving pieces, it is possible that the economic impact could be either smaller or larger and no probability is attached to these scenarios.

3.1.1. Setting the stage

Several institutions have put out scenarios and estimates…

Since the beginning of this crisis, a number of impact estimates have been published by private banks and analysts as well as think tanks and public institutions. Mirroring the wide range of views regarding many of the facets of the pandemic and the way out of it, as well as fast-evolving information, there is only a limited understanding of the magnitude of the impact and the size of the expected rebound. While it is outside of its scope to review the various forecasts in detail, some provided important insights for the analysis presented in this chapter.

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(101) QUEST is a macroeconomic model in the New-Keynesian tradition with micro foundations derived from utility and profit maximisation by households and firms respectively, featuring frictions in goods, labour and financial markets. See Ratto M., Roeger W., In 't Veld J. (2009) , 'QUEST III: An Estimated Open-Economy DSGE Model of the Euro Area with Fiscal and Monetary Policy', Economic Modelling, 26, pp. 222-233.

One early example concerned the French statistical institute, INSEE[102]. Notwithstanding the high uncertainty and unavoidable imprecisions, it was estimated that the French economy was operating at around 65% of its normal level in the last week of March, with household consumption standing at a similar level. A similar assessment was later published by the Banque de France.[103] In Italy, Istat[104] estimated that containment measures interrupted the activity of 49% of firms and about 44% of workers. For the US, the President of the Federal Reserve Bank of St Louis stated that US real GDP might be operating at about half of its operating capacity during the lockdown period.[105]

...signalling a shock of unparalleled magnitude spurred by multiple forces...

The COVID-19 pandemic has affected the economy in a number of different ways. Once the virus started spreading in Europe, the supply side of the economy took a hit. Absenteeism due to quarantines, business closures following containment measures as well as social distancing, lowered production through declines in the number of hours worked and productivity. Still, it should be noted that containment measures are likely to prevent an even worse economic outcome, both in the short and in the medium-term.[106]

The demand side has simultaneously suffered from reduced consumer spending and investment, as both households and firms have delayed spending or lacked the opportunities to spend as a result of the confinement measures, e.g. with respect to travelling, shopping or social activities. Uncertainty about the progress of the disease and the policies implemented to stop its spread have lead to higher precautionary savings and a 'wait and see' attitude amplified by income losses incurred by reduced working times and/or due to the loss of jobs. Wealth effects are also at play through a global decline in asset prices.

As a result of suppressed demand, there is a chance that supply could be further impaired by companies going bankrupt, as liquidity constraints evolve into solvency issues. The reduction in cash flows thus constitutes an additional and significant macroeconomic risk. Business linkages across firms and workers may break down causing additional damages to productive capacity. Additional demand reduction could follow with rising unemployment and lower incomes, trapping the economy in a deeper and longer-lasting slump. All these uncertainties warrant the scenario-based approach adopted in this chapter.

Given the worldwide scale of the pandemic, the European economy will also suffer from reduced external demand and from disruptions to international supply chains. The observed fall in commodity prices, particularly for oil, can be seen as a positive supply shock to the European economy but its growth impulse is at least partially undone by the fall in external demand for European products.

...visible in the growth decomposition of this forecast.

According to the spring forecast, the COVID-19 pandemic is set to trigger a contraction of about 7 ¾% in the GDP of the euro area in 2020 and to leave scars even in 2021, when GDP rises but remains below its 2019 level. A model-based decomposition[107] of the growth forecast brings to light the narrative behind both the fall in activity in 2020 and the partial recovery in 2021. The results of the decomposition are summarised in Graph I.3.1.

As previewed above, the fall in domestic demand is the main force driving the forecast for output in the euro area deep into recessionary territory in 2020. The lack of spending opportunities that is

(102) See INSEE (2020). 'Conjoncture in France 2020'. March. Sources included direct feedback from companies and professional federations and data on electricity consumption, rail transport and statistics on bankcard transactions.

(103) See Banque de France (2020). 'Update on business conditions in France at the end of March 2020'.

(104) See Istat (2020). 'Covid-19 impact on the Italian economy: preliminary analyses'. *Monthly Report*. March.

(105) Bullard, J. (2020). 'Expected U.S. Macroeconomic Performance during the Pandemic Adjustment Period'. March.

(106) Based on the experience of the 1918 flu pandemic in the US, recent research finds that cities that intervened earlier and more aggressively did not perform worse and, if anything, grew faster after the pandemic was over. See Correia, S., Luck, S., Verner, E. (2020). 'Pandemics depress the economy, public health interventions do not: evidence from the 1918 flu.' SSRN, April.

(107) The Global Multi-Country (GM) DSGE model has been developed by DG ECFIN and the Joint Research Centre of the European Commission. A detailed description of the GM model can be found in: Albonico, A., L. Calès, R. Cardani, O. Croitorov, F. Di Dio, F. Ferroni, M. Giovannini, S. Hohberger, B. Pataracchia, F. Pericoli, P. Pfeiffer, R. Raciborski, M. Ratto, W. Roeger and L. Vogel (2019). 'The Global Multi-Country Model (GM): an Estimated DSGE Model for the Euro Area Countries'. ECFIN Discussion Paper No. 102. European Commission.

associated with the containment measures forces households to cut spending, while elevated uncertainty increases precautionary savings. The effect of higher savings is strong enough to account for almost half of the projected decline in euro area real GDP growth this year. The increase in savings, however, is seen as mostly temporary. If containment measures start to be lifted as assumed from the second quarter on, consumers are expected to gradually resume their spending patterns, and thus lead to a gradual but incomplete retreat of the negative shock from household savings.

By contrast, financial constraints and the impact of uncertainty on firms' investment plans are seen as having a more persistent dampening effect. This is reflected in the drag on domestic demand brought about by risk premium shocks, reflecting weak investment spending. In the short term, liquidity-squeezed firms are likely to strongly defer investment, even if policies aimed at relieving cash flow shortages are being implemented.

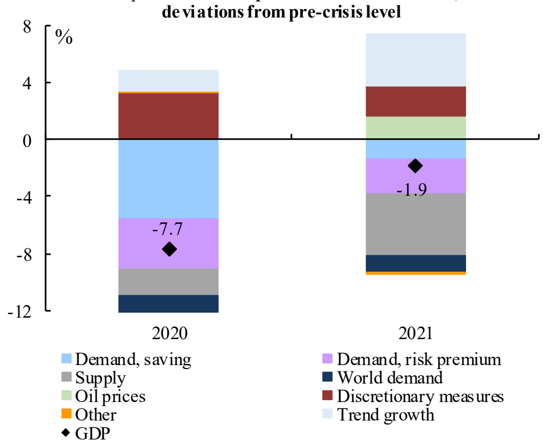
Despite large negative demand shocks, wages and prices are forecast to adjust only gradually, weighing on firms' balance sheets. Furthermore, the broad-based recession and associated supply chain disruptions and labour hoarding also have a damaging effect on productivity. These negative supply-side factors reduce production levels beyond the reduction induced by the demand contraction alone. While consumption demand is expected to pick up once containment measures are lifted, supply-side disruptions are expected to be more persistent, dampening output growth also in 2021. The more lasting effect on the productivity of investment can be traced to prolonged disruptions to value chains, which are more acute in sectors of the economy specialised in the production of capital goods.

As the global economy enters into a synchronised recession, the chances of the euro area exporting its way out of the crisis are impaired. This is reflected in the extremely negative performance of euro area exports this year. Exports of tourism, in particular, but also of manufactured products are set to suffer significantly. As the global economy and international trade are forecast to recover incompletely in 2021, this drag on the economy is unlikely to vanish even if exports pick up. Stronger support from low oil prices should find its way to help the recovery at home, however.

The policy response, beyond the working of automatic stabilisers embedded in the tax system and social transfers, is key in mitigating the depth of the recession and avoiding an even stronger hit to the economy's fabric. According to the forecast, temporary discretionary fiscal measures offset about a quarter of the impact of negative shocks to growth in 2020. Their effect largely fades in 2021, as they are unwound. Furthermore, government guarantees to company credit lines are likely to cushion investment from an even deeper fall, thereby reducing the downside contribution from risk premium shocks. Also, the same can be said about recent ECB monetary policy actions which are likely to prove effective in avoiding more severe demand shocks.

Taken together, after a sharp contraction in 2020, the euro area economy is forecast to settle at around 2% below its pre-pandemic level in 2021, on average. The sluggish recovery of investment explains a large part of this gap. Renewed consumer confidence, low oil prices, and continued policy support are of paramount importance in lifting the economy throughout the recovery period.

Graph I.3.1: **Decomposition of euro area GDP, deviations from pre-crisis level**



3.1.2. A QUEST-based scenario analysis

A scenario analysis was sketched…

The COVID-19 pandemic has led to a massive exogenous economic shock without recent historical precedent and as such is difficult to capture with standard economic models. As a result, one has to rely on a set of assumptions to tailor the simulations and benchmark the different shocks at play. This also allows for a transparent discussion. For this purpose, three scenarios are sketched to offer a more informed reading of this

Table I.3.1:
Assumptions for the simulated scenarios

	Scenario I 'Baseline'	**Scenario II** 'Longer lasting'	**Scenario III** '2nd wave'
Duration of containment measures[1]	6 weeks	10 weeks	12 weeks
Sectoral demand shock[2]	4%	9%	8%
Uncertainty[3]	200 bps.	400 bps.	200 bps.
Tourism activity[4]	-50%	-50%	-50%
Precautionary savings[5]	moderate	severe	moderate for longer
Liquidity shortages[6]	high	very high	high for longer
Extended distancing for vulnerable groups[7]	yes	yes	yes
Automatic stabilizers	yes	yes	yes
Discretionary fiscal policy[8]	2.8%	2.8%	2.8%
Liquidity support[9]	26½%	26½%	26½%

(1) In scenario III, the 12 weeks of containment are not consecutive; (2) first-round reduction, measured as a per cent of GDP in 2020; (3) rise in risk premia, basis points (bps.), which in both scenario I and II peaks in Q2 and in scenario III in both Q2 and Q4; (4) reduction in tourism-related exports in Q3 and Q4; (5) in scenario I, 50% of households' increase precautionary savings, with this impact doubled in scenario II, and extended into Q4 in scenario III; (6) proxied by a fall in investment equivalent to 2/3 of the contraction in firms' gross operating surplus through higher risk premia; (7) accounting for a higher demand falls due to prolonged confinment in 2020-H2; (8) per cent of GDP, total discretionary fiscal policy support is assumed to be 3¼% of GDP, increased public spending on health care is assumed to a positive demand shock in this simulation; (9) per cent of GDP, guarantees offset around half of the fallout from liquidity constraints.

impact assessment, as well as its sensitivity to changed assumptions. The first scenario, named 'baseline', served as an anchor to the Spring Economic Forecast. In it, a six-week strict lockdown period was taken as a benchmark. The remaining two scenarios give light to less benign assumptions, either on a more prolonged confinement period and stronger impact ('longer lasting'); or a resurgence of the pandemic in the second half of 2020 ('second wave') necessitating additional confinement measures later in the year. In the following analysis, these assumptions are presented in more detail, with a particular focus on the 'baseline' scenario. An overview can be found in Table I.3.1.

This scenario analysis is based on simulations using DG ECFIN's QUEST model. The model includes the four largest EU Member States (DE, ES, FR, IT), the rest of the euro area, China, and the rest of the world and is based on quarterly data. Both trade and financial linkages connect all countries and regions. [108]

… based on a number of assumptions…

As mentioned before, the distinction between supply and demand forces is difficult in practice, and even more so under the current circumstances. Still, the first assumption, presented in Table I.3.1, defines the supply shock. This relates to the impact of the lockdown on the *workforce* following absenteeism, closedowns of offices, factories and schools, as remote working cannot be generalised. In the 'baseline' scenario, it is assumed that 40% of the *workforce* is in some way unable to carry out most of its work activities for six weeks on average. In the absence of sufficient information on the sectoral breakdown of such work restrictions, this supply shock is evenly distributed across sectors. As mentioned before, in the remaining scenarios a more adverse duration is taken into account.

The second assumption defines the demand shock through changes in *consumption expenditures* on a sector-by-sector basis. For instance, the assumed first-round falls are largest for spending on arts, entertainment and recreation (about ¾ reduction in value added during 2020-Q2) and the smallest for electricity and gas expenditure (about -10%). On aggregate, the 'baseline' scenario factors in a fall of almost 4% in consumer spending as a share of GDP in the first quarter of the year, followed by a fall of close to 14% in the second (or 4%, on average during the year). These are amplified by second round effects, which lead to an even sharper contraction of consumer spending.

Taken together, this set of assumptions about the supply and demand shocks accounts for an adverse effect on activity of almost 10% in the first quarter. In the second quarter, the negative impact is 25%, equivalent to a loss of about half of all activity during the six weeks of lockdown assumed. [109]

(108) Pfeiffer, P., Roeger, W. and in 't Veld, J., (2020), 'The COVID19-pandemic in the EU: Macroeconomic transmission and economic policy response', ECFIN Discussion Paper (forthcoming).

Table I.3.2:
Growth deviation from non-pandemic baseline in 2020

pps.	**Scenario I** 'Baseline'	**Scenario II** 'Longer lasting'	**Scenario III** '2nd wave'
GDP	-8	-15½	-10½
Private consumption	-10½	-18¾	-13
Investment	-20½	-53	-28¾
Employment	-3	-7	-4½
Impact of discretionary fiscal policy support(1)	4¾	6¼	5

(1) On top of automatic stabilisers. Includes discretionary fiscal measures and liquidity support measures.

Additionally, higher *uncertainty* is modelled through an assumption of increased risk aversion among investors and lenders. A stylised increase in investment risk premia is assumed. In size, this increase is close to what was recorded at the height of the Global Financial Crisis.

These three shocks are amplified by *liquidity* constraints, which are assumed to force firms to reduce investment by around half of the estimated fall in their gross operating surplus ('financial accelerator'). Finally, households are expected to see a rise in their *precautionary savings,* thus further reducing their spending.

Two extra assumptions are added to the simulations. First, transport, hospitality and entertainment as well as cultural activities endure a longer lasting hit as they are assumed to be affected by containment measures for longer, but also as lower confidence and income losses are expected to deter non-essential travel. It is therefore assumed that *tourism* activity is still reduced by 50% in the second half of 2020. Second, while containment measures are assumed to be lifted in the second half of the year, the *elderly* (those over 65 years of age) and *vulnerable groups* are assumed to remain subject to more stringent social distancing rules and thus see their demand shortfalls extended into the third and fourth quarters of 2020.

In all scenarios, the role of *automatic stabilisers* (e.g. falling tax revenues and rising unemployment benefits) is taken into account. On top of it, the analysis also offers insights into the role of *discretionary fiscal policies* and *liquidity support*, the latter helping to dampen the more adverse effects from firms' cash flow shortages.

All these assumptions are applied to all countries covered in the model, except for China, where the economic forecast published in chapter 2 is instead used. Given their historically low level, the euro area monetary authority is assumed to be more constrained in using its interest rate policy. In contrast, in the remaining regions, more policy space is assumed to be available and to offer greater stabilisation.

…shedding light on the hit to the economy…

An overview of the results from each scenario is presented in Table I.3.2.

The *baseline* scenario foretells a large drop in output in 2020 followed by a strong, but incomplete, recovery. While the economy's production potential is expected to remain largely unaffected, as policies are assumed to be effective in preventing damage to the capital stock and in limiting a substantial rise in persistent unemployment; a swift return to the pre-crisis output level level is hampered by ongoing partial containment measures in the second half of 2020 and a continued shortfall in demand. While the model baseline scenario was used as an anchor for the spring forecast, the country-by-country forecasts presented in the country chapter and the statistical annex capture country specificities and offers more granularity.

Excluding policy measures beyond the normal workings of automatic stabilisers, GDP growth would be expected to take a hit in the baseline scenario of about -12 pps. in 2020, compared to a situation without the pandemic. The largest negative effect stems from demand shortfalls, which account for about half of the hit. Liquidity constraints also play an important role, contributing to about one quarter of the decline.

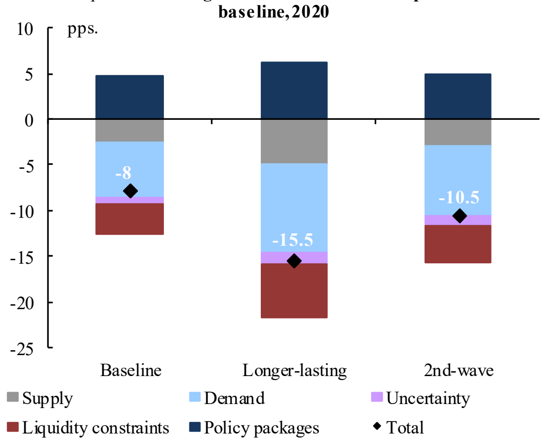
(109) For a related approach, see Jonung, L. and Roeger, W. (2006), 'The macroeconomic effects of a pandemic in Europe – A model-based assessment', European Commission, Economic Papers N° 251.

...and pointing to the virtuous role of timely policy action.

To mitigate the depth of the economic recession and to sustain public welfare, governments have already announced or adopted comprehensive economic packages, which have been complemented by EU support and significant easing from monetary authorities. The fiscal measures announced by Member States consist of discretionary polices with a direct impact on the budget, as well as liquidity measures without direct budgetary impact. Examples include targeted tax relief policies, short-time work schemes and lending guarantees for banks. These measures should help cushion employment and income losses, prevent a complete reversal of investment plans as well as limit widespread bankruptcies.

According to the model results, the policy measures [110] announced and or adopted by the EU and its Member States up to the cut-off date of the forecast mitigate about one third of the fall in activity, but cannot prevent a severe recession this year. The positive impact on GDP growth is estimated at more than 4 ¾ pps., around half of it from the increase in both national and EU transfers, government consumption and investment; and the remainder from liquidity support measures.

Graph I.3.2: **GDP growth deviation from non-pandemic baseline, 2020**

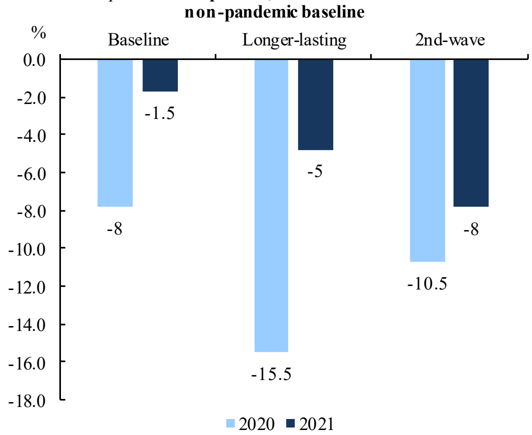


(110) At the national level, liquidity support amounts to approximately 22% of GDP, and discretionary measures of about 2½ % of GDP (excluding increased expenditure on health care), mostly as spending increases (incl. transfers) and less as tax relief measures. EU budgetary support is estimated to amount to around 0.5% of GDP, while EU liquidity measures add around 4½% of GDP (without liquidity measures by the ECB). Public guarantees are assumed to offset about half of the amplification coming from liquidity constraints.

Another important insight concerns the impact of the crisis on the labour market. Importantly, in the absence of discretionary policy action, the baseline scenario previews a 6 pps. loss in employment growth (compared to a non-pandemic scenario). However, this loss is expected to be halved by the positive impulse from government measures.

Overall, including policy packages, the 'baseline' scenario is consistent with GDP growth decreasing by about -8 pps. in 2020 and recovering by around 6 pps. in 2021 compared to a non-pandemic scenario. Yet, despite the high growth rate reported in 2021, GDP level remains below its pre-crisis growth path by about 1 ½%.

Graph I.3.3: **Output loss, GDP level deviation from non-pandemic baseline**



As expected, the two alternative scenarios are gloomier. Should more extended lockdowns be required and result in higher uncertainty and more severe and long-lasting liquidity shortages, the fall in economic activity in 2020, compared to a non-pandemic scenario would be estimated to range from between -15 1/2% and -10 ½%, under the 'longer lasting' and 'second wave' scenarios, respectively. In these scenarios, the already unprecedented severity of the recession is aggravated and the economy remains further below its pre-crisis level next year.

3.1.3. Alternative modelling approaches

The tightening of financial conditions and uncertainty more generally may be the most pervasive forces hindering the economy's restarting and post-crisis recovery.

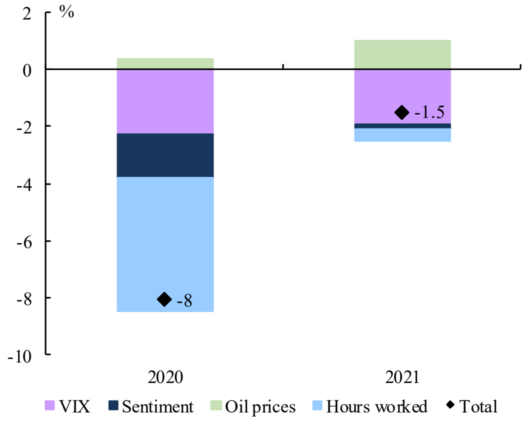
Due to geopolitical concerns and moves towards more protectionist trade policy initiatives, the role of uncertainty in shaping household and company spending decisions has been discussed frequently in recent years. But by many measures [111] the spike in uncertainty witnessed in recent months exceeds its highest level in the global financial crisis.

To highlight this particular channel and grasp the magnitude of the impact of uncertainty on economic activity, the COVID-19 induced rise in the volatility index VIX [112] since the start of the year is fed to a Bayesian Vector Autoregression (BVAR) model. [113] [114] Financial data such as the VIX are available at a daily frequency and therefore reflect the speed at which recent events unfolded better than official output measures that are of much lower frequency and available only with a delay. The uncertainty and financial shock is augmented with the latest readings of economic sentiment and oil prices. [115]

The results, ultimately derived from historical relations between the variables in the model, highlight how negative, protracted and persistent the impact of the selected shocks can be. Even without the direct hit to demand from the shutdown, the euro area economy would be expected to see a recession of a magnitude similar to that experienced in 2009. While the recession would be concentrated in the second and third quarters of 2020, a swift recovery would not be on the cards and the level of GDP would remain depressed still in 2021 (see Graph I.3.4). [116]

The most salient feature of the measures introduced to contain the pandemic are the stringent restrictions to business operations and labour mobility. In a next step, the simulation is therefore further conditioned on the same reduction in working hours as assumed in the QUEST-based 'baseline' scenario. As a reference, this is equivalent to a fall in total hours worked of about 10% in the first half of 2020, assumed to revert subsequently in the third and fourth quarter of this year.

Graph I.3.4: **GDP deviation from non-pandemic scenario, euro area**



All in all, compared to a no-pandemic scenario, both the uncertainty shocks and the supply disruptions would suffice to push the euro area economy to its deepest recession on record. While the policy-driven confinement measures impacting the labour supply can be expected to shape the profile of economic activity this year, drags from uncertainty will persist well into 2021.

While these BVAR simulations highlight only selected transmission channels, their results are of a similar order of magnitude to the QUEST baseline for the uncertainty and supply channels.

In a second crosscheck of the baseline, the effect of social distancing and temporary business closures on economic activity is assessed from a different angle. The previous analysis is complemented with the assessment of the impact of demand shortfall due to confinement measures across sectors [117] and countries. These effects are best analysed in the input-output framework as the economic fabric is highly intertwined and shocks propagate between sectors and countries both upstream and downstream following value and supply chain linkages. For that purpose, the Trade-SCAN model [118] is used to illustrate the impact of

(111) Baker, S., Bloom, N., Davis, S., Terry, S. (2020). 'COVID-induced economic uncertainty and its consequences'. VoxEU.org.

(112) Implied volatility (over the next month) on the S&P500 index, available on a daily basis.

(113) Simulations performed in the ECB's BEAR toolbox. See Dieppe, A. Legrand, R., and B. van Roye (2016). 'The BEAR toolbox'. ECB *Working Paper* 1934.

(114) The model includes the VIX, CPB world trade in goods, euro area GDP, gross fixed capital formation, total hours worked, unemployment rate, economic sentiment, oil prices, the HICP and the 3-month EURIBOR.

(115) All conditioned variables are set equal to the actual level in Q1 and to 10-day average of the most recent available data points in Q2.

(116) The contribution of each variable is computed by conditioning the model sequentially by each of the variables displayed in the graph. As a result, this contribution is best interpreted as a 'surprise' compared to what would be the model's median estimation.

(117) NACE breakdown of 45 sectors across 38 countries (Euro area, non-Euro area, Brazil, Canada, China, Switzerland, India, Japan, Russia, Turkey, United Kingdom and United States) and a Rest of the World region.

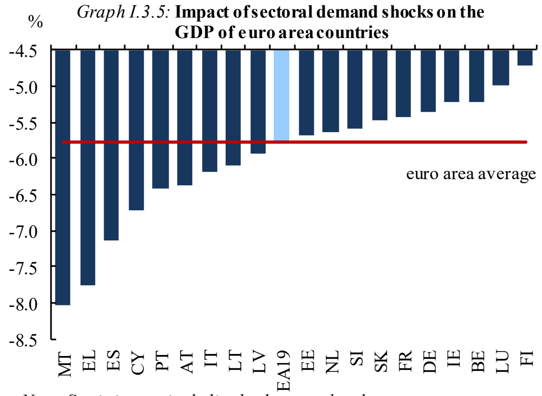
(118) Trade-SCAN is a multi-country input-output model toolbox developed by the European Commission's Joint Research Centre based on the OECD inter-country input-output (ICIO) tables, gathering input-output linkages for 64 countries and 36 sectors as recorded in 2015. For the

shocks to final demand on the European economy taking into account the spillovers across sectors and economies, both within and outside the euro area.

For this purpose the set of uniform and simultaneous shocks to sectoral demand analogous to those assumed in the QUEST model was applied to both the EU and rest of the world. The shocks, affecting both consumption and investment, amount to roughly 5% and yield significant GDP losses across all EU Member States, with an average contraction in the euro area of about -5 ¾%. Output losses range from around -5% in Finland to -8% in Malta and Greece. Given that the demand shortfall was assumed to be particularly severe in tourism, and reflecting the fact that input-output spillovers are very significant in this sector, it is no surprise that countries with the highest exposure to this sector appear to be the most impacted (see Graph I.3.5). The Graph also confirms a high degree of propagation of demand shocks across sectors and countries, with the final effect on output significantly higher than the 'static' effect of a direct hit to sectoral final demand.

Taken together, and examined without any policy responses, the uncertainty and hours-worked shocks simulated with the BVAR model, together with the demand shortfall and its spillovers worked through input-output tables, signal the possibility of double-digit GDP contractions in the euro area in 2020.

Graph I.3.5: **Impact of sectoral demand shocks on the GDP of euro area countries**



Note: Static impact including both sectoral and cross-country spillovers. Initial demand shock of about 5%, on average, equivalent to that assumed in the QUEST simulation.

methodology, see: Arto, I., Dietzenbacher, E. and J.M. Rueda-Cantuche (2019). 'Measuring bilateral trade in value added terms'. EUR 29751 EN, Publications Office of the European Union, Luxembourg.

3.1.4. Closing remarks

This chapter aims to shed light on the multifaceted uncertainty surrounding the outlook for the European economy. By putting forward and highlighting the variety of channels through which the pandemic is impacting private spending, and businesses operations, it strives to offer a benchmark and provide references against which incoming information will be checked. These scenarios have worked as goalposts in guiding this Spring Economic Forecast.

The variety of estimation strategies, the number of assumptions taken, and the large magnitude of the fallout are all testament of the uncertainty surrounding any point estimates at this point in time. Key assumptions included the dynamics of the pandemic (broadly under control, no further exponential growth); the related containment measures (strict lockdowns to be gradually lifted; only targeted containment measures in the second half of 2020); and the effectiveness of policy measures to protect the economic tissue (no widespread bankruptcies, no mass unemployment, no financial crisis).

Overall, the euro area economy is likely to experience a severe recession this year. Government measures and EU support are shown to be instrumental in cushioning the blow and paving the way for a strong rebound. Once the confinement is relaxed, activity should recover swiftly, but remaining restrictions (e.g. in tourism, recreational services), high uncertainty and a shortfall of demand due to increased precautionary savings are likely to restrain the strength on the recovery. The economy is not expected to return to its pre-crisis level in 2021.

4. BOXES

Box I.4.1: Some technical elements behind the forecast

Given that the future relations between the EU and the UK are not yet clear, projections for 2021 are based on a purely technical assumption of status quo in terms of their trading relations. This is for forecasting purposes only and reflects no anticipation or prediction with regard to the outcome of the negotiations between the EU and the UK on their future relationship.

The United Kingdom withdrew from the European Union as of 1 February 2020. The Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and European Atomic Energy Community (OJ L 29, 31.1.2020, p. 7) entered into force on the same date. It provides for a transition period which will end on 31 December 2020. During the transition period, Union law, with a few exceptions, is applicable to and in the United Kingdom. For the purposes of Union law applicable to it during the transition period, the United Kingdom is treated as an EU Member State, but will not participate in EU decision-making and decision-shaping.

The cut-off date for taking new information into account in this European Economic Forecast was 23 April 2020. The forecast incorporates validated public finance data as published in Eurostat's news release 65/2020 of 22 April 2020.

External assumptions

This forecast is based on a set of external assumptions, reflecting market expectations at the time of the forecast. To shield the assumptions from possible volatility during any given trading day, averages from a 10-day reference period (between 7 and 20 April) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption regarding exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.09 both in 2020 and in 2021. The average JPY/EUR is 118.35 in 2020 and 117.78 in 2021.

Interest-rate assumptions are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro area interest rate is taken for both short- and long-term rates. As a result, short-term interest rates are assumed to be -0.3% in 2020 and -0.4% in 2021 in the euro area. Long-term euro area interest rates are assumed to be -0.4% in 2020 and -0.3% in 2021.

Commodity prices

Commodity price assumptions are also based on market conditions. According to futures markets, prices for Brent oil are projected to be on average 38.4 USD/bbl in 2020 and 40.2 USD/bbl in 2021. This would correspond to an oil price of 35.1 EUR/bbl in 2020 and 36.9 EUR/bbl in 2021.

Trade policies

As far as trade policy is concerned, this forecast pencils in only the measures that have been implemented until the cut-off date. Compared to the winter interim forecast, there were only limited changes to the baseline scenario.

- On 14/02/2020, the US decided to increase the levy on aircraft imports from the EU from 10% to 15% from 18 March onwards as a follow-up of an ongoing dispute at the WTO regarding a case against Airbus.

- On 27/03/2020, the EU and 15 other members of the World Trade Organization (including China, Canada, Brazil Australia and Mexico) decided on an arrangement that will allow them to bring appeals and solve trade disputes among them despite the current paralysis of the WTO Appellate Body.

- As a result of the COVID-19 pandemic, export prohibitions or restrictions mostly related to medical supplies have increased significantly. According to WTO, eighty countries have introduced new trade barriers in response to the COVID-19 crisis.

(Continued on the next page)

Box (continued)

Table 1:
Technical assumptions

		Spring 2020 forecast			Autumn 2019 forecast		
	2018	2019	2020	2021	2019	2020	2021
3-month EURIBOR (percentage per annum)	-0.3	**-0.4**	**-0.3**	**-0.4**	*-0.4*	*-0.5*	*-0.5*
10-year government bond yields (percentage per annum) (a)	0.4	**-0.3**	**-0.4**	**-0.3**	*-0.3*	*-0.4*	*-0.3*
USD/EUR exchange rate	1.18	**1.12**	**1.09**	**1.09**	*1.12*	*1.11*	*1.11*
JPY/EUR exchange rate	130.38	**122.05**	**118.35**	**117.78**	*121.81*	*119.52*	*119.52*
GBP/EUR exchange rate	0.88	**0.88**	**0.87**	**0.87**	*0.88*	*0.88*	*0.88*
EUR nominal effective exchange rate (annual percentage change) (b)	2.4	**-1.2**	**1.5**	**0.5**	*-1.0*	*-0.1*	*0.0*
Oil price (USD per barrel)	71.5	**64.1**	**38.4**	**40.2**	*63.3*	*57.4*	*56.1*
Oil price (EUR per barrel)	60.6	**57.2**	**35.1**	**36.9**	*56.5*	*51.9*	*50.8*

(a) 10-year government bond yields for the euro area are the German government bond yields.
(b) 42 industrial countries EU-28, TR CH NR US CA JP AU MX NZ KO CN HK RU BR.

Budgetary data and forecasts

Data up to 2019 are based on data notified by Member States to the European Commission before 1 April and validated by Eurostat on 22 April 2020. [1]

Eurostat is **expressing a reservation** on the quality of the data reported by Denmark for the year 2019. This is due to the fact that the Danish Statistical Authorities provided significantly incomplete data for that year, which only allowed Eurostat to carry out very limited verification checks. In addition, a considerable statistical discrepancy for 2019 was observed.

The public finance forecast is made under the ‘no-policy-change’ assumption, which extrapolates past revenue and expenditure trends and relationships in a way that is consistent with past policy orientations. This may also include the adoption of working assumptions, especially to deal with structural breaks caused by the COVID-19 pandemic. The forecast includes all fiscal policy measures that imply a change to these past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced. For 2020 in particular, the annual budgets adopted or presented to national parliaments, as well as Coronavirus relief measures announced before the cut-off date of the forecast, are taken into consideration.

EU and euro area aggregates for general government debt in the forecast years 2020 and 2021 are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility). To ensure consistency in the time series, historical data are also published on the same basis. For 2019, this implies an aggregate debt-to-GDP ratio which is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 65/2020 of 22 April (by 1.9 pps. in the EA19 and by 1.6 pps. in the EU).

(1) Eurostat News Release No 65/2020.

Coronavirus relief measures

In response to the outbreak of the COVID-19 pandemic, many Member States have announced and taken unprecedented and sizeable measures to contain the spread of the virus and to lessen its socio-economic impact. Those measures include additional expenditure to equip healthcare systems with the necessary resources, but also broader economic support measures to ensure the continued supply of basic goods and services to the population, and to support households, firms and the financial sector.

In the forecast, the budgetary impact of such measures are estimated in line with the established “no-policy change” guidelines. In particular, a distinction is made between discretionary measures with a direct budgetary impact and broader liquidity support measures that do not imply an immediate budgetary impact. Concerning the former, those include, for example, increases in healthcare expenditure, lump-sum payments to companies, or the net incremental impact of new policy measures to set up or increase coverage of short-time work or temporary unemployment schemes. In addition, the macroeconomic and budgetary projections in the forecast reflect the effect of automatic stabilisers.

Liquidity provisions in the form of public guarantees or loans to companies are in general included as risks to the budgetary projection. Ex-ante impacts are only included in specific cases, notably in case of standardised instruments, where in accordance with the past practices applied by the national statistical authorities, a certain share of such loans or guarantees can be assumed to have an

(Continued on the next page)

Box (continued)

impact on the government balance ex-ante. This recording is without prejudice to the statistical treatment of these measures by the national statistical authorities and Eurostat. In many cases, the duration of the budgetary measures taken in response to the coronavirus is difficult to assess, as it depends on the duration of decreed lockdowns and the evolution of the pandemic. In light of the activation of the general escape clause, the measures taken in response to the coronavirus outbreak in 2020 are not treated as one-off and are thus not excluded from the estimation of the structural budget balance.

ESA 2010

The current forecast is based on the ESA 2010 system of national accounts for all Member States, the EU and the euro area aggregates. Information on data quality under ESA 2010, including effects of the Covid-19 pandemic, are available on Eurostat's website. (2)

Calendar effects on GDP growth and output gaps

The number of working days may differ from one year to another. The Commission's annual GDP forecasts are not adjusted for the number of working days, but quarterly forecasts are.

The working-day effect in the EU and the euro area is estimated to be limited in 2020 and 2021, implying that adjusted and unadjusted annual growth rates differ only marginally (by up to ±0.1 pps.).

Estimations of potential GDP and output gaps are not adjusted for working days. Furthermore, since the working-day effect is considered temporary, it is not expected to affect cyclically-adjusted balances.

(2) https://ec.europa.eu/eurostat/web/esa-2010/esa-2010-implementation-and-data-quality

PART II

Prospects by individual economy

Euro Area Member States

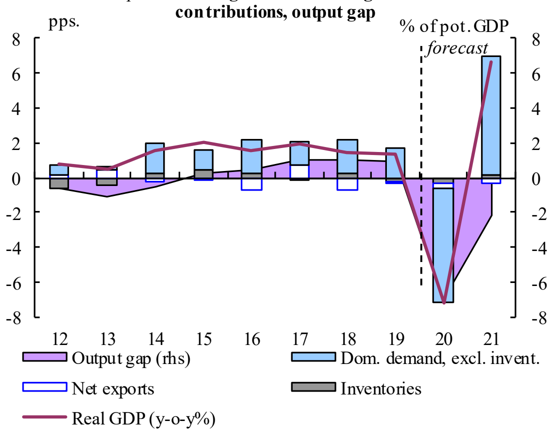
1. BELGIUM

Economic growth in Belgium is set to be severely hit by the COVID-19 outbreak in 2020, but should see a rebound in 2021. Domestic demand is projected to plummet due to restrictions to consumption linked to lockdown measures, supply chain disruptions and an historic drop in confidence. International trade is expected to detract from growth in both 2020 and 2021. Inflation is forecast to decrease markedly in 2020 and rise slightly thereafter. The general government deficit is projected to deteriorate significantly, leading to a rise in public debt.

A broad-based economic plunge in 2020

Economic growth is forecast to fall from 1.4% in 2019 to -7% in 2020 due to the COVID-19 pandemic. This is expected to be driven by a large drop in household consumption, which has been hindered by restrictive measures put in place to combat the pandemic and low confidence. A more significant slump in investment due to supply chain disruptions and falling aggregate demand is also expected. Measures to protect employment, household disposable incomes and corporate liquidity should support domestic demand recovery from mid-2020 onwards, underpinning a rebound in GDP growth in 2021.

Graph II.1.1: **Belgium - Real GDP growth and contributions, output gap**



Real GDP growth is forecast to fall to -7% in 2020 and to rebound to 6¾% in 2021. The impact of the lockdown measures is expected to lead to negative quarterly GDP growth in the first and second quarters of 2020, followed by a rebound in the third quarter once restrictive measures are gradually lifted. Economic activity is projected to recover progressively throughout the rest of the forecast horizon, although GDP level in 2021 is forecast to remain below that of 2019.

Private consumption and investment to plummet in 2020, amid rising unemployment

The lockdown measures in place since mid-March are expected to decrease private consumption significantly, which is projected to fall by almost 7% in 2020. This is set to most severely affect services sectors (hotels, restaurants, leisure) and durable goods consumption. Automatic stabilisers and measures taken to protect employment and purchasing power are expected to help offset part of the fall in private consumption as households are temporarily raising precautionary savings. Despite widespread recourse to the short-term unemployment scheme to avoid job losses during the lockdown period, the unemployment rate is set to rise from 5.4% in 2019 to 6½% in 2021.

Falling demand, strong supply chain disruptions and high uncertainty are expected to lead to a decrease of over 15% in investment in 2020. After an expected slump during the lockdown period, housing investment is set to rebound, supported by fundamentals. Business investment is projected to fall in line with the reduction in gross operating surplus, and is expected to recover more slowly, as supply chains are restored gradually and uncertainty subsides. Public investment is projected to fall in 2020 and to recover in 2021. Investment growth is forecast to grow by almost 16% in 2021.

Exports are projected to plunge in 2020 due to a fall in external demand, and to rebound in 2021 amid the expected global recovery. Reflecting Belgium's position as a trade hub, imports are projected to evolve in line with exports, resulting in a contraction in 2020 and a rebound in 2021. The contribution of net exports to GDP growth is forecast to remain negative in 2020 and 2021.

Inflation to decline

Headline inflation is forecast to fall from 1.2% in 2019 to 0.2% in 2020, mainly driven by lower energy prices. Headline inflation is expected to rise slightly to 1.3% in 2021, reflecting rising food and services prices. This should support core inflation, which is projected to increase in 2021.

Deficit and debt to increase sharply in 2020

The general government deficit increased to 1.9% of GDP in 2019, 0.2 pps. higher than projected in the 2019 autumn forecast. In 2020, the COVID-19 crisis is expected to push the general government deficit to about 9% of GDP.

In 2020, the sharp decline in economic activity is expected to weigh heavily on tax collection and social transfers. In particular, a sizeable increase in the number of temporary unemployed and self-employed benefitting from replacement income is set to lead to a strong rise in social benefits. On top of automatic stabilisers, the government adopted expenditure measures totalling about 1¼% of GDP, both to alleviate the economic impact of the crisis and to fight the spread of the pandemic. They include a top-up of the federal temporary unemployment allowance, regional transfers to companies and self-employed workers forced to halt their activities and regional subsidies to the most affected sectors. Moreover, a federal provision for health spending is set to boost intermediate consumption. Tax and social contribution deferrals, aimed at providing liquidity support to companies, are not assumed to have a budgetary impact in 2020. Similarly, public guarantees totalling around EUR 52 billion are expected to entail no immediate budgetary impact.

Other factors impacting the deficit in 2020 are a cut in corporate tax rates, amid a broader reform of corporate taxation launched in 2018, and a reduction in employers' social contributions as a part of the tax shift reform.

Consequently, the expenditure-to-GDP ratio is projected to increase by 7½ pps. to 59¼%, while the revenue-to-GDP ratio is set to remain roughly stable. Interest payments are projected to continue declining.

Given the temporary nature of the measures taken in 2020 and the expected economic recovery in 2021, the general government deficit is expected to shrink to 4¼% of GDP in 2021 on a no-policy change basis. Public debt is forecast to rise from 98¾% of GDP in 2019 to 113¾% of GDP in 2020, falling back slightly to 110% of GDP in 2021.

Table II.1.1:

Main features of country forecast - BELGIUM

		2018		Annual percentage change						
		bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		459.8	100.0	1.7	1.5	2.0	1.5	**1.4**	**-7.2**	**6.7**
Private Consumption		237.2	51.6	1.4	1.9	1.8	1.5	**1.1**	**-6.9**	**6.5**
Public Consumption		106.1	23.1	1.5	0.4	0.3	0.9	**1.6**	**2.8**	**0.3**
Gross fixed capital formation		109.6	23.8	2.1	3.8	1.3	4.0	**3.1**	**-15.3**	**15.9**
of which: equipment		37.1	8.1	1.2	14.3	-3.1	5.1	**3.4**	**-19.6**	**19.0**
Exports (goods and services)		379.7	82.6	3.3	6.5	5.3	1.2	**1.0**	**-10.6**	**7.7**
Imports (goods and services)		380.4	82.7	3.3	7.5	4.4	2.1	**1.2**	**-10.2**	**8.1**
GNI (GDP deflator)		462.8	100.6	1.7	1.0	2.1	1.0	**1.5**	**-6.7**	**6.6**
Contribution to GDP growth:	Domestic demand			1.5	1.9	1.3	1.9	**1.7**	**-6.6**	**6.9**
	Inventories			0.1	0.2	-0.1	0.3	**-0.2**	**-0.3**	**0.1**
	Net exports			0.1	-0.7	0.7	-0.7	**-0.1**	**-0.3**	**-0.3**
Employment				0.9	1.3	1.6	1.4	**1.5**	**-1.0**	**1.2**
Unemployment rate (a)				7.8	7.8	7.1	6.0	**5.4**	**7.0**	**6.6**
Compensation of employees / head				2.4	0.6	1.8	1.9	**1.7**	**-1.4**	**1.2**
Unit labour costs whole economy				1.5	0.3	1.5	1.8	**1.9**	**5.1**	**-4.0**
Real unit labour cost				-0.2	-1.4	-0.2	0.3	**0.3**	**3.6**	**-5.5**
Saving rate of households (b)				16.1	12.2	12.0	11.8	**12.9**	**20.6**	**12.9**
GDP deflator				1.7	1.7	1.7	1.5	**1.6**	**1.4**	**1.6**
Harmonised index of consumer prices				2.0	1.8	2.2	2.3	**1.2**	**0.2**	**1.3**
Terms of trade goods				-0.4	0.3	-1.0	-1.3	**0.5**	**0.8**	**0.2**
Trade balance (goods) (c)				1.2	0.4	0.7	-0.2	**-0.3**	**0.0**	**-0.1**
Current-account balance (c)				3.1	0.6	1.2	-1.0	**-0.7**	**-0.1**	**-0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				3.1	0.7	1.3	-1.0	**-0.6**	**-0.1**	**-0.2**
General government balance (c)				-2.0	-2.4	-0.7	-0.8	**-1.9**	**-8.9**	**-4.2**
Cyclically-adjusted budget balance (d)				-2.2	-2.6	-1.3	-1.4	**-2.4**	**-4.5**	**-2.9**
Structural budget balance (d)				-	-2.6	-1.8	-2.0	**-2.6**	**-4.7**	**-2.9**
General government gross debt (c)				101.0	104.9	101.7	99.8	**98.6**	**113.8**	**110.0**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

2. GERMANY

In early 2020, German manufacturing had shown signs of recovery, but the COVID-19 pandemic and the confinement measures in March ended this. The economy is now set for the deepest recession since WWII. Activity is expected to recover in the second half of the year and thereafter, but to remain below normal for some time due to lingering limitations on social life and travel and impaired foreign trade. The swift and sizeable fiscal measures are expected to help avert a deeper recession. They will come with a significant fiscal cost and the budget balance is set to switch to an unprecedentedly large deficit.

A turn for the better ended too soon

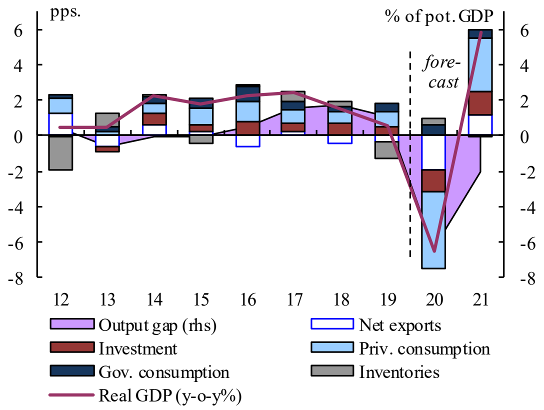
In January and February industrial production, exports and factory orders were recovering, retail sales were rising, and construction was at an historical high. Businesses and consumers were regaining confidence and employment was further increasing. Growth seemed to be reviving after a year of near-stagnation. In March, however, the factory shutdowns in China started to affect manufacturing in Germany. Sanitary measures to contain the COVID-19 outbreak imposed severe limitations on mobility, social and leisure activities and most of retail trade. These developments squeezed domestic demand and the services sector, which were largely keeping the economy afloat in past contractions, and are likely to have caused GDP to decline already in the first quarter of the year.

Heading towards a recession

The first weeks of the second quarter have been marked by complete outages in various service activities due to the containment measures. Manufacturing is not subject to restrictions, but major factories have been shut due to the disappearance of demand and the disruption of supply chains as a result of the global spread of COVID-19. Demand for leisure-related services is constrained both by sanitary measures as well as by consumer uncertainty. Thus, Q2 will likely see an unprecedented decline in activity that will drag the economy in 2020 into its deepest recession in the history of the Federal Republic.

In the coming months, many activities, in particular services, will need to adapt to limitations on the use of their capacity. Manufacturing may continue to struggle as a result of impaired supply chains and weak global trade as markets and suppliers around the world continue to suffer from the impact of COVID-19 and related restrictions. This will inevitably affect business investment adversely. Germany was among the first set of EU Member States to announce a gradual relaxation of confinement measures. Assuming that the measures to mitigate the public health risks and contain the economic fall-out are effective, activity is expected to recover thereafter and to reach its pre-crisis level in late 2021. Overall, GDP is expected to decline by around 6 ½ % in 2020 and grow by around 6% in 2021.

Graph II.2.1: **Germany - Real GDP growth and contributions, output gap**



Determined support by policy

Despite its strength at the start of the year, the labour market seems unlikely to escape the economic fallout of the COVID-19 pandemic. To cushion the impact, the government has enhanced access to subsidised short-time work programmes. Combined with running down overtime balances, this scheme, which proved successful in the financial crisis, is expected to again help companies to keep their employees on the payroll so that skilled labour remains available once activity recovers. This measure is aimed at containing job cuts and protecting household incomes, but cannot totally fend off an increase in unemployment. Moreover, in light of uncertainty concerning the crisis and constraints on consumption, the household saving rate is likely to increase.

The very large volume of measures to support businesses consist of tax deferrals, liquidity support for SME's and credit guarantees, which are expected to enable companies to stay liquid and avoid excessive cutbacks to investment.

External surplus to fall markedly

Exports are expected to suffer a large decline before foreign markets recover. The decline in imports is expected to remain more contained as the import-rich components of private consumption are not as adversely affected. Thus, the current account surplus, which declined to 7.1 % of GDP in 2019, is expected to come down further to around 6% in 2020, a level last seen 7 years ago, before rebounding in 2021.

Inflation to slow

Consumer prices are expected to be affected by dichotomous trends, as services and energy prices slow down or fall while food and non-energy consumer goods prices increase due to possible supply bottlenecks. Nevertheless, inflation is expected to be subdued in 2020 (0.3%) and 2021 (1.4%).

A temporary large budget deficit

The government reacted swiftly to the COVID-19 outbreak with measures of historic size to stabilise the economy. These provide liquidity support to companies and transfers to avoid lay-offs and bankruptcies. At the end of March 2020, ample guarantees and an extra budget of EUR 156 bn (4.8% of GDP), almost half the size of the federal budget, were adopted to finance the measures. Together with the expected decrease in tax revenues due to the drop in activity, the general government deficit is projected to jump to around 7% of GDP after a surplus of 1.4% in 2019. Based on unchanged policies and assuming that the measures prove effective in supporting a quick recovery, the budget is projected to be closer to balance again in 2021.

Government debt fell below 60% in 2019 for the first time since 2002 but is expected to rise to around 76% in 2020 due to the measures adopted to support the economy. In 2021, the government debt is projected to return to its downward trend to reach around 72% of GDP.

Table II.2.1:

Main features of country forecast - GERMANY

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	3344.4	100.0	1.3	2.2	2.5	1.5	**0.6**	**-6.5**	**5.9**
Private Consumption	1743.7	52.1	0.7	2.3	1.3	1.3	**1.6**	**-8.3**	**6.0**
Public Consumption	665.6	19.9	1.5	4.1	2.4	1.4	**2.6**	**2.8**	**2.1**
Gross fixed capital formation	707.7	21.2	0.6	3.8	2.4	3.5	**2.6**	**-5.8**	**5.9**
of which: equipment	235.3	7.0	1.8	3.0	4.0	4.4	**0.6**	**-17.0**	**12.7**
Exports (goods and services)	1585.8	47.4	5.4	2.4	4.9	2.1	**0.9**	**-12.1**	**10.3**
Imports (goods and services)	1379.7	41.3	4.3	4.3	5.2	3.6	**1.9**	**-9.2**	**8.6**
GNI (GDP deflator)	3437.9	102.8	1.4	2.4	2.6	1.8	**0.7**	**-7.1**	**6.4**
Contribution to GDP growth: Domestic demand			0.8	2.8	1.7	1.7	**1.9**	**-5.0**	**4.8**
Inventories			-0.1	0.1	0.5	0.3	**-0.9**	**0.5**	**-0.1**
Net exports			0.6	-0.6	0.2	-0.4	**-0.4**	**-1.9**	**1.2**
Employment			0.6	1.2	1.4	1.4	**0.9**	**-0.9**	**0.6**
Unemployment rate (a)			7.8	4.1	3.8	3.4	**3.2**	**4.0**	**3.5**
Compensation of employees / head			1.7	2.3	2.6	2.9	**3.2**	**-0.6**	**3.2**
Unit labour costs whole economy			1.1	1.3	1.5	2.7	**3.5**	**5.3**	**-1.9**
Real unit labour cost			-0.1	0.1	0.4	1.2	**1.3**	**3.1**	**-3.5**
Saving rate of households (b)			16.9	17.6	17.9	18.5	**18.7**	**24.8**	**20.7**
GDP deflator			1.2	1.2	1.0	1.5	**2.2**	**2.1**	**1.6**
Harmonised index of consumer prices			1.6	0.4	1.7	1.9	**1.4**	**0.3**	**1.4**
Terms of trade goods			0.1	2.3	-1.6	-1.1	**1.2**	**3.2**	**0.0**
Trade balance (goods) (c)			6.5	8.1	7.8	6.8	**6.7**	**5.5**	**6.3**
Current-account balance (c)			4.8	8.6	8.3	7.6	**7.6**	**6.1**	**7.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			4.7	8.6	8.0	7.5	**7.4**	**5.9**	**7.2**
General government balance (c)			-1.7	1.2	1.2	1.9	**1.4**	**-7.0**	**-1.5**
Cyclically-adjusted budget balance (d)			-1.6	1.0	0.5	1.0	**0.9**	**-3.8**	**-0.5**
Structural budget balance (d)			-	0.9	0.7	1.2	**0.9**	**-3.8**	**-0.5**
General government gross debt (c)			69.5	69.2	65.3	61.9	**59.8**	**75.6**	**71.8**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

3. ESTONIA

Estonia entered the crisis from an economic peak, with a balanced economy and a solid financial sector. The deep recession this year sparked by the COVID-19 pandemic is expected to affect all sectors and lead to a sharp rise in unemployment. A large fiscal stimulus package will result in a large budget deficit but public debt should remain the lowest in the EU. The economy is set to rebound strongly in 2021 but activity levels are forecast to remain below 2019 levels.

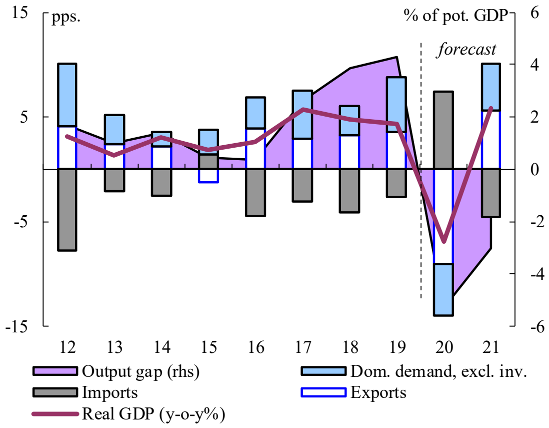
Growth momentum taken over by the crisis

After a strong 2019 in which GDP grew by 4.3%, Estonia's economy is forecast to contract by about 7% in 2020. COVID-19 has hit Estonia less severely than many other countries so fewer restrictions affecting the economy were introduced and industrial production and construction activity have been able to continue. Moreover, Estonia entered the crisis from a position of strength with record high employment, a current account in surplus, a solid financial sector and very low public debt. This has enabled the country to adopt quite a large fiscal stimulus package. Estonia also benefits from its well-developed IT sector and comprehensive e-government solutions, which have allowed public sector activities to continue relatively undisrupted while still respecting social distancing measures.

Short-term indicators suggest that economic momentum was still good in the first two months of 2020 before the crisis hit private consumption and economic confidence. Household purchasing power is being supported by the fiscal policy programmes in place, which should allow private consumption to recover once the crisis subsides. The decline in investment is set to be driven by a fall in corporate machinery investment. Construction is assumed to be affected with a lag, and should find some support from the increase in public investment. Exports and imports are projected to decline by over a tenth in 2020, with a large negative effect from the loss of tourism due to the strict closure of borders, initially even with closest neighbours.

As a small, open economy, Estonia's eventual recovery will be closely tied to the speed of recovery in the EU as a whole. The current forecast assumes a gradual normalisation in confidence along with the main export markets from the second half of 2020. Growth is expected to reach about 6% in 2021 once activity resumes in all sectors.

Graph II.3.1: **Estonia - Real GDP growth and contributions, output gap**



Price dynamics reflect energy prices

Headline inflation is forecast to fall from 2.3% in 2019 to well below 1% in 2020, rebounding to about 2% in 2021. Energy and service prices are expected to drop substantially, reflecting the trend in commodity prices, the cut in excise taxes and reduced demand. However, there is a risk that some prices could increase due to global transport and supply chain disruptions.

Swift labour market reaction

Compared to the financial crisis in 2008, a more tempered labour market adjustment pattern is expected in 2020, softened by policy measures, notably the introduction of a temporary wage subsidy. Unlike in 2008, public sector employment and wages are assumed to remain steady in 2020 as the current budget remains in force and budgetary constraints would kick in only in 2021. The short-term increase in unemployment will nevertheless be significant. Overall, the unemployment rate is projected to exceed 9% in 2020 (from 4.4% in 2019) before decreasing to 6½% in 2021, in line with the assumed rapid economic rebound and given the assumed agility of the labour market.

A large fiscal stimulus driving record deficit

Taking advantage of its very low public debt, the government adopted a relatively large stimulus package of over 4% of GDP. In addition, 3½% of GDP is made available for liquidity schemes. The stimulus measures appear primarily designed to support the existing economic structures, facilitating a faster economic recovery once the crisis abates. Apart from raising healthcare-related spending, the main measures include a temporary support to private sector liquidity (tax deferrals and guarantee provisions for investment), measures to sustain employment in all sectors of the economy and compensating local governments for revenue losses. Some specific investment programmes (housing insulation and road construction) support construction activity. Less conventional measures include lowering temporarily (for two years) excises for electricity, gas and diesel, for the time being helping the competitiveness of energy intensive industries and trucking. The support programme also foresees a temporary (for one year) halt of payments to second pillar pension funds. This will bring some savings to the budget in the short term, but in the longer term it will be compensated from the state budget for the pension savers. In addition to the planned stimulus, the economic shock would cut all revenue categories, bringing the general government deficit from 0.3% of GDP in 2019 to over 8% in 2020. Based on a no-policy-change assumption, the deficit is projected to decline to about 3½% in 2021, when the economy is expected to recover and most of the budgetary measures expire.

Public debt is forecast to jump from 8.4% of GDP in 2019 to over 22% of GDP by 2021, which would still be the lowest in the EU.

Table II.3.1:

Main features of country forecast - ESTONIA

		2018			Annual percentage change						
	bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		26.0	100.0	3.8	2.6	5.7	4.8	**4.3**	**-6.9**	**5.9**
Private Consumption		12.9	49.7	4.4	4.6	2.8	4.3	**3.1**	**-7.2**	**7.1**
Public Consumption		5.1	19.6	2.2	2.4	1.1	0.9	**2.9**	**4.3**	**-2.4**
Gross fixed capital formation		6.2	23.9	5.6	0.9	12.5	1.7	**13.2**	**-8.7**	**6.3**
of which: equipment		2.3	8.8	5.3	0.4	17.9	9.3	**12.9**	**-15.1**	**20.0**
Exports (goods and services)		19.3	74.3	6.2	5.1	3.8	4.3	**4.9**	**-12.5**	**8.5**
Imports (goods and services)		18.4	70.7	6.9	6.0	4.2	5.7	**3.7**	**-10.8**	**7.2**
GNI (GDP deflator)		25.5	98.1	3.8	2.6	5.6	5.3	**4.2**	**-6.8**	**6.0**
Contribution to GDP growth:	Domestic demand			4.7	3.0	4.6	2.7	**5.2**	**-4.9**	**4.4**
	Inventories			0.2	1.8	-0.2	0.9	**-0.2**	**-0.4**	**0.4**
	Net exports			-0.8	-0.5	-0.1	-0.8	**1.0**	**-1.6**	**1.1**
Employment				0.4	0.3	2.7	1.2	**1.3**	**-5.7**	**3.7**
Unemployment rate (a)				9.9	6.8	5.8	5.4	**4.4**	**9.2**	**6.5**
Compensation of employees / head				8.6	5.7	7.0	10.2	**7.8**	**2.0**	**2.7**
Unit labour costs whole economy				5.1	3.3	3.9	6.5	**4.6**	**3.4**	**0.6**
Real unit labour cost				0.3	1.6	0.2	1.9	**1.3**	**1.7**	**-1.3**
Saving rate of households (b)				5.0	9.8	10.0	11.2	**12.2**	**18.2**	**14.8**
GDP deflator				4.8	1.7	3.6	4.5	**3.2**	**1.7**	**2.0**
Harmonised index of consumer prices				3.7	0.8	3.7	3.4	**2.3**	**0.7**	**1.7**
Terms of trade goods				0.8	1.0	0.9	0.1	**-0.6**	**0.4**	**0.3**
Trade balance (goods) (c)				-11.0	-3.5	-3.5	-3.8	**-3.2**	**-2.8**	**-2.5**
Current-account balance (c)				-5.6	1.6	2.7	2.0	**2.3**	**1.1**	**2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.8	2.6	3.6	3.4	**3.8**	**3.8**	**4.9**
General government balance (c)				0.5	-0.5	-0.8	-0.6	**-0.3**	**-8.3**	**-3.4**
Cyclically-adjusted budget balance (d)				-0.3	-0.7	-2.0	-2.4	**-2.4**	**-5.8**	**-1.9**
Structural budget balance (d)				-	-0.6	-2.0	-2.4	**-2.4**	**-5.8**	**-1.9**
General government gross debt (c)				6.5	10.2	9.3	8.4	**8.4**	**20.7**	**22.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

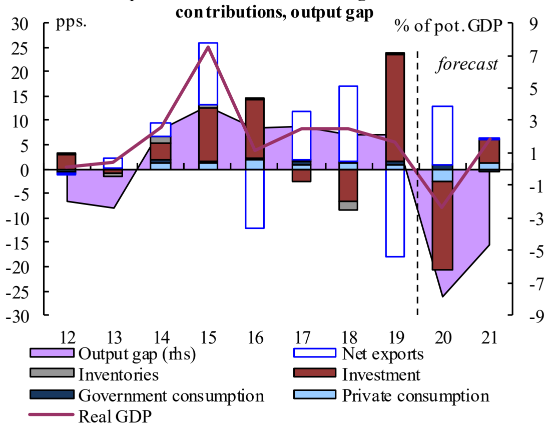
4. IRELAND

After years of strong growth, Ireland's economy is expected to contract in the second quarter of 2020, with a severely weakened external environment and lockdown measures hitting investment, private consumption, and external trade. Public spending is projected to expand sharply in order to mitigate these effects, contributing to a significant general government deficit. Negative risks to the macroeconomic and fiscal outlook remain exceptionally elevated.

Strong activity before the pandemic

Ireland's real GDP grew by 5.5% in 2019, partly driven by the activities of multinationals. Domestic economic activity, as reflected by the modified domestic demand indicator, grew by 3%. Ireland entered 2020 on a strong footing, with both domestic demand and net exports performing well.

Graph II.4.1: **Ireland - Real GDP growth and contributions, output gap**



The onset of the pandemic changed the situation dramatically. Initially, it disrupted global value chains and affected large information and telecommunication companies registered in Ireland. As the disease spread across Europe, containment measures enacted by the Irish authorities disrupted private consumption, as people were unable to access certain services and goods, while a number of households postponed purchases of durable goods amid uncertainty regarding income. Private consumption is expected to shrink by about 9% in 2020 and to partly recover by 4½% in 2021. Ireland has banned construction works since late March, while investment in equipment and other areas is likely to be postponed or even lost. As a result, gross fixed capital formation is forecast to drop by around 40% in 2020 from its very elevated level in 2019. The negative outlook is corroborated by confidence and other activity indicators, such as credit card use, which suggest a large contraction in economic activity since the lockdown.

In contrast, the contribution of net exports to economic growth in 2020 is expected to be positive, as a result of substantial import compression and some export resilience due to the large share of pharmaceuticals and medical products in Irish exports. In addition, exports of information and communication goods and services may also prove resilient. Overall, Ireland's economy is projected to contract by around 8% in 2020 and to expand by around 6% in 2021. The large uncertainty surrounding this outlook is compounded by factors specific to Ireland, such as changes in the international taxation environment. Moreover, Ireland is particularly affected by the future relationship between the EU and the UK. Operations of multinationals remain difficult to predict and can affect GDP figures in either direction.

Inflation expected to weaken…

Contagion mitigation measures may have changed consumption patterns, with purchases reportedly concentrating in food and necessities, where prices are likely to increase, and away from durables and non-essential services. The sharp fall in oil prices, which translates into lower energy prices and is gradually spilling into other categories, has reinforced the overall disinflationary pressures stemming from the fall in global demand. As a result, Ireland is expected to experience a period of negative inflation, with an average of -0.3% for the whole of 2020, followed by moderate inflation of 0.9% in 2021.

…and the labour market to weather the storm

The labour market performed strongly in 2019. In early 2020, the unemployment rate had stabilised at 4.8%. Since the end of March, the lockdown has prevented at least one fifth of the workforce from working, notably affecting the retail, accommodation, and recreation sectors. However, the increase in registered unemployment is expected to be relatively muted as many companies avail themselves of the government's income support schemes. In 2020, the unemployment rate is expected to rise to 7½ %, amid losses in consumption and exports. The rebound of the economy in 2021 is forecast to bring employment gradually back to pre-crisis levels by the last quarter of 2021, resulting in an average unemployment rate of 7.0% in that year.

Public finances to move into deficit and remain clouded by uncertainty

The general government balance reached a surplus of 0.4% of GDP in 2019, on the back of a booming economy, which brought about strong increases in tax revenues and social security contributions and a continued fall in the interest burden.

The economic slump is forecast to have a strong negative impact on the general government balance in 2020, due to the operations of automatic stabilisers and discretionary fiscal measures taken by the government. Revenues are expected to move in tandem with the decline in GDP. This reflects lower tax receipts, associated with weaker consumption and declining imports, lower income taxes, both personal and corporate, as well as lower social contributions, due to weaker personal income and company profits. The government response to the pandemic – wage subsidies to protect jobs, welfare payments and healthcare support – will raise current expenditure, with an overall direct budgetary cost of around 2% of GDP. Revenue and expenditure pressures are projected to lead to a general government deficit of 5½% of GDP in 2020. The government deficit is projected to shrink to around 3% of GDP in 2021 under the assumptions of no policy change and the temporary nature, limited to 2020, of the measures adopted to fight the pandemic.

Against this background, the gross government debt-to-GDP ratio is projected to reach 66½% in 2020 and 66¾% in 2021. Risks to the fiscal outlook are elevated and reflect various sources of uncertainty such as: the outlook for growth and jobs, the final cost of the fiscal expansion to counter the crisis and the changes in the international taxation environment.

Table II.4.1:

Main features of country forecast - IRELAND

	2018			Annual percentage change					
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	324.0	100.0	4.4	3.7	8.1	8.2	**5.5**	**-7.9**	**6.1**
Private Consumption	100.5	31.0	2.7	5.4	3.1	3.4	**2.8**	**-8.8**	**4.6**
Public Consumption	38.6	11.9	2.5	3.4	3.5	4.4	**5.1**	**7.7**	**-3.0**
Gross fixed capital formation	75.8	23.4	5.0	50.6	-6.7	-21.1	**94.2**	**-41.6**	**16.9**
of which: equipment	24.5	7.6	5.0	25.1	-11.2	39.4	**-12.3**	**-35.0**	**5.8**
Exports (goods and services)	396.4	122.3	7.9	4.1	9.2	10.4	**11.1**	**-15.2**	**6.7**
Imports (goods and services)	289.0	89.2	6.9	18.4	1.1	-2.9	**35.6**	**-27.7**	**8.4**
GNI (GDP deflator)	254.3	78.5	3.6	10.0	5.3	6.9	**3.7**	**-9.8**	**7.8**
Contribution to GDP growth: Domestic demand			2.9	14.4	-0.9	-5.0	**23.4**	**-19.8**	**5.5**
Inventories			0.2	0.3	0.4	-1.6	**0.2**	**0.0**	**0.0**
Net exports			2.1	-12.1	10.0	15.4	**-18.2**	**11.9**	**0.6**
Employment			1.3	3.7	3.0	3.2	**2.9**	**-2.5**	**1.3**
Unemployment rate (a)			8.6	8.4	6.7	5.8	**5.0**	**7.4**	**7.0**
Compensation of employees / head			3.2	2.2	2.5	2.1	**4.0**	**-2.3**	**1.7**
Unit labour costs whole economy			0.1	2.2	-2.3	-2.6	**1.4**	**3.5**	**-3.0**
Real unit labour cost			-1.9	2.5	-3.4	-3.4	**-0.1**	**2.2**	**-4.1**
Saving rate of households (b)			8.5	8.0	10.5	10.2	**10.9**	**19.6**	**13.3**
GDP deflator			2.2	-0.3	1.1	0.8	**1.5**	**1.3**	**1.2**
Harmonised index of consumer prices			2.0	-0.2	0.3	0.7	**0.9**	**-0.3**	**0.9**
Terms of trade goods			0.0	2.7	-4.2	-6.1	**1.7**	**2.9**	**-0.1**
Trade balance (goods) (c)			22.8	39.0	36.7	34.9	**35.4**	**35.9**	**36.0**
Current-account balance (c)			-1.5	-4.2	0.5	10.6	**-9.4**	**4.6**	**4.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-1.6	-5.8	-8.2	-5.8	**-19.3**	**-6.1**	**-5.6**
General government balance (c)			-4.6	-0.7	-0.3	0.1	**0.4**	**-5.6**	**-2.9**
Cyclically-adjusted budget balance (d)			-4.9	-2.0	-1.7	-1.0	**-0.7**	**-1.5**	**-0.5**
Structural budget balance (d)			-	-2.2	-1.7	-0.9	**-0.7**	**-1.5**	**-0.5**
General government gross debt (c)			59.6	73.8	67.7	63.5	**58.8**	**66.4**	**66.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

5. GREECE

Greece's economy is expected to be hit severely by the COVID-19 pandemic and the counter measures taken to limit its spread in 2020. The impact of the crisis is expected to be large due to the importance of the hospitality sector in Greece and the high share of micro enterprises, which are particularly vulnerable. Despite the swift policy response, the strong contraction in output is forecast to take a toll on employment. Nevertheless, the crisis is expected to be followed by a rebound in 2021. The recession and the cost of fiscal measures to tackle the crisis will lead to a sizeable deficit in 2020.

The economy was growing before the pandemic ...

Greece's economy entered 2020 on a relatively strong footing. GDP growth in 2019 reached 1.9%, only slightly below expectations. Growth was mainly driven by domestic demand and to a lesser extent net exports. The labour market was improving and employment grew by 2%, leading to a further decrease in the unemployment rate to 17.3% for the year overall.

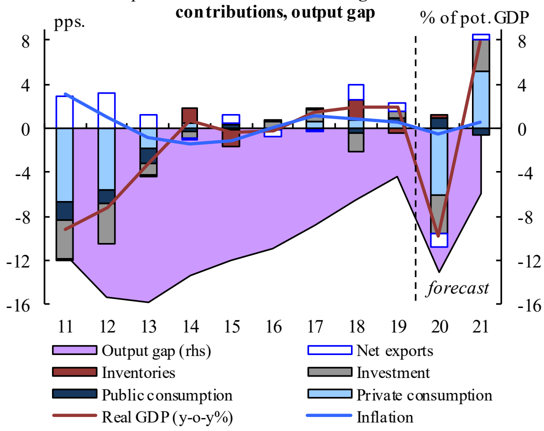
...but came to a sudden stop with the spread of the virus

While the main effects of the lockdown are expected to be concentrated in the second quarter of this year, Greece's large tourism sector is likely to be affected in the third quarter as well, as restrictions on travel are expected to remain in place and foreign demand for overseas travel may remain subdued. Since more than 70% of tourism receipts are concentrated in the main summer months, impediments during this period would have a large impact on overall exports of services in 2020.

Amid limited consumption opportunities during the lockdown and falling disposable income, private consumption is forecast to experience a strong decline in 2020. The fiscal measures enacted during the lockdown period to protect the economy are expected to cushion consumer spending to some extent and pave the way for a faster recovery, in 2021. Investment is expected to be strongly affected by the increased uncertainty and lower turnover in 2020 but the liquidity support provided by the Greek government and the EU institutions should help companies to bridge the lock down period and speed up the recovery.

Due to the global nature of the crisis, exports are expected to suffer strong declines in 2020. Greece's main export markets are expected to be amongst the worst affected countries, leading to a drop in demand for Greek goods and services, also amplified by the large share of tourism and shipping in exports.

Graph II.5.1: **Greece - Real GDP growth and contributions, output gap**



While the measures introduced by the government to protect the labour market are expected to avoid large-scale lay-offs and insolvencies, some 160 000 jobs could still be lost due to the crisis and the unemployment rate could rise to 20% in 2020. The partial recovery in 2021 is expected to have positive effects on the labour market, bringing the unemployment rate down again, to about 16½%. The downward pressure from wages, energy prices and industrial production is expected to lead to a fall in consumer prices by 0.6% in 2020 and a limited increase in 2021.

Greece's heavy exposure to travel restrictions is a source of downside risks. Due to the strong concentration of tourism in the summer months, even a short prolongation of restrictions beyond what is assumed in the baseline could have a strong downward effect. Moreover, the impact of the crisis on the large service sector and on micro-enterprises, which are more vulnerable, could be larger than expected and hold back the recovery.

The cost of tackling the crisis will take toll on the primary balance

Greece's general government balance recorded a surplus of 1.5% of GDP in 2019, on the back a strong revenue outturn and transfers of the SMP-ANFA profit equivalents. The primary surplus monitored under enhanced surveillance reached 3.5% of GDP in 2019.

The budget balance will deteriorate significantly in 2020 due to the operation of automatic stabilisers and the cost of measures to address the crisis. The size of the fiscal measures amounts to 6.9% of GDP. The package consists of special unemployment benefits, a waiver of social security contributions for certain employees affected by the crisis, increased health care expenditure, a refundable advance scheme for enterprises and other measures. Some of the measures will be supported by the EU or the domestic investment budget.

The government also adopted 1.9% of GDP of measures that aim to improve the liquidity of the private corporate sector. Payment of certain tax obligations have been deferred to autumn, and the authorities created a credit guarantees scheme implemented through the Hellenic Development Bank, which may unlock loans up around 5% of GDP. The measures adopted to fight the pandemic only have a temporary effect in 2020.

The fiscal outlook is subject to substantial risks, including the pending ruling of the Council of State on retroactive payments to pensioners, ongoing litigation cases against the Public Real Estate Company and possible costs of the restructuring of the Hellenic Post. Last but not least, there is considerable uncertainty as to the final cost of the emergency fiscal measures adopted by the authorities.

The general government deficit is forecast to reach 6¼% of GDP in 2020 and to decrease to about 2% in 2021 based on a no-policy-change assumption. Public debt is expected to increase to around 196% of GDP in 2020 before declining to around 183% in 2021, supported by the economic recovery.

Table II.5.1:

Main features of country forecast - GREECE

		2018			Annual percentage change					
		bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		184.7	100.0	0.1	-0.2	1.5	1.9	1.9	-9.7	7.9
Private Consumption		125.6	68.0	0.2	0.0	0.9	1.1	0.8	-9.0	7.5
Public Consumption		35.4	19.1	0.6	-0.7	-0.4	-2.5	2.1	4.9	-2.4
Gross fixed capital formation		20.5	11.1	-3.8	4.7	9.1	-12.2	4.7	-30.0	33.0
of which: equipment		9.4	5.1	-1.3	-11.4	22.2	-10.2	12.0	-32.0	35.2
Exports (goods and services)		66.7	36.1	3.1	-1.8	6.8	8.7	4.8	-21.4	17.9
Imports (goods and services)		67.2	36.4	1.0	0.3	7.1	4.2	2.5	-18.0	15.8
GNI (GDP deflator)		183.7	99.5	0.0	-0.3	1.7	1.2	1.8	-8.4	6.2
Contribution to GDP growth:	Domestic demand			-0.2	0.4	1.6	-1.3	1.5	-8.7	7.6
	Inventories			0.0	0.1	0.0	1.8	-0.4	0.2	-0.2
	Net exports			0.4	-0.7	-0.1	1.5	0.8	-1.3	0.5
Employment				-0.4	0.5	1.5	1.7	2.0	-3.7	3.8
Unemployment rate (a)				14.5	23.6	21.5	19.3	17.3	19.9	16.8
Compensation of employees / head				2.1	-0.9	0.5	1.3	1.1	-3.6	3.2
Unit labour costs whole economy				1.7	-0.3	0.6	1.1	1.3	2.9	-0.8
Real unit labour cost				0.0	0.0	0.0	0.5	1.7	3.0	-1.3
Saving rate of households (b)				-	-	-	-	-	-	-
GDP deflator				1.7	-0.2	0.6	0.5	-0.4	-0.1	0.6
Harmonised index of consumer prices				2.3	0.0	1.1	0.8	0.5	-0.6	0.5
Terms of trade goods				0.0	-2.3	1.2	-1.0	-1.9	1.1	-0.9
Trade balance (goods) (c)				-14.2	-9.3	-10.3	-9.9	-10.3	-6.8	-9.4
Current-account balance (c)				-8.9	-1.1	-1.0	-1.1	-0.3	0.1	-1.2
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-7.2	0.4	0.1	-0.1	0.8	1.6	0.3
General government balance (c)				-8.1	0.5	0.7	1.0	1.5	-6.4	-2.1
Cyclically-adjusted budget balance (d)				-6.5	6.2	5.4	4.4	3.8	0.4	1.0
Structural budget balance (d)				-	5.5	5.0	5.0	2.8	-0.1	0.8
General government gross debt (c)				130.1	178.5	176.2	181.2	176.6	196.4	182.6

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

6. SPAIN

The strict confinement measures put in place in Spain in response to the outbreak of the COVID-19 pandemic are expected to result in an unprecedented contraction in economic activity. Output should rebound strongly once restrictions are lifted, but the recovery will be uneven across sectors, and the lost output will not be fully recovered within the forecast horizon. Measures to limit job losses and support the corporate sector will cushion some of the impact of the crisis. Still, the unemployment rate is forecast to increase significantly this year, and only part of this increase will be reversed in 2021. The downturn is set to further deteriorate the general government balance.

An unprecedented downturn followed by a strong but uneven rebound

The Spanish economy was on a moderating growth path before the outbreak of the COVID-19 pandemic. GDP growth stood at 2.0% in 2019, and the 2020 winter forecast projected it to slow down to 1.6% this year. Soft and hard indicators for January and February pointed to an unchanged growth pace compared to the last quarter of 2019. However, the severe outbreak of the pandemic in the country in early March led to strict confinement measures, culminating in the suspension of all non-essential activities for two weeks. The ongoing restrictions are expected to take an unprecedented toll on economic activity, with a particularly severe impact on the services sector. Output is expected to have already declined substantially in the first quarter of 2020.

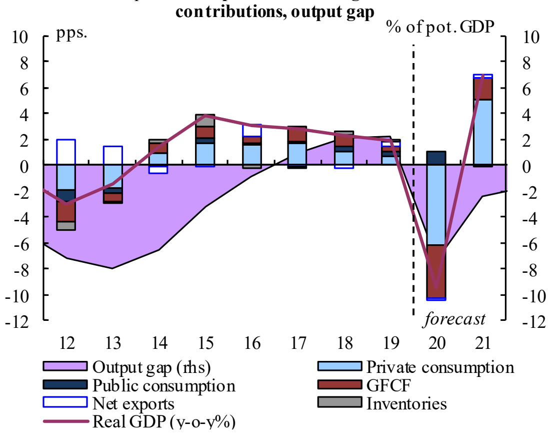
Under the assumption of a gradual and targeted lifting of the more severe restrictions beginning in mid-May, the economy is expected to experience an even sharper contraction in the second quarter, before undergoing a strong 'mechanical' rebound in the second half of 2020 as activity gradually resumes. For the year as whole, GDP is forecast to decline by almost 9½%. Activity in the manufacturing sector is expected to resume more quickly than in the services sector, where restrictions are expected to remain in place for longer, affecting in particular retail trade and tourism-related activities, such as transport, and food and accommodation services. Still, disruptions in global value chains, and weak demand may impede a normalisation of industrial activity before the end of the year.

If all productive restrictions are lifted by the start of 2021, activity should experience some rebound during the first half of the year, and then moderate gradually but remain above potential in the second half. This, together with a strong positive carry-over from the last quarters of 2020, would bring annual GDP growth to 7% in 2021, leaving output in 2021 about 3% below its 2019 level.

A protracted recovery for the labour market

Short-time work schemes (so called "ERTEs") are being used in high numbers, and should limit job losses and support household incomes during the downturn. Still, the widespread use of these schemes has not prevented a rapid fall in employment, affecting in particular temporary workers. The unemployment rate is expected to rise rapidly, amplifying the shock to the economy, although job losses should be partly reabsorbed as activity picks up again. However, the recovery in the labour market is expected to be slower amid high uncertainty, weak corporate balance-sheet positions, and the disproportionate impact of the crisis on labour intensive sectors, such as retail and hospitality. The lockdown should lead to a sharp contraction of private consumption in the first half of 2020, followed by a strong rebound in the second. The decline in private consumption this year will exceed that of household disposable incomes, resulting in a sizeable increase in the saving rate.

Graph II.6.1: **Spain - Real GDP growth and contributions, output gap**



Measures aimed at supporting the corporate sector may reduce the number of bankruptcies, but weak demand, high uncertainty, liquidity shortages, and impaired profitability are set to result in a sharp contraction in investment. Although capital expenditure should gain traction from 2020-Q3 onwards, investment in 2021 is expected to remain well below its 2019 level. Exports are also forecast to contract strongly this year due to sharp declines in export markets, production restrictions, and the severe impact of the crisis on the tourism sector. Goods exports should rebound in 2021, but the recovery of the tourist sector is projected to be slower owing to longer-lasting restrictions in activity and possibly increased aversion to travel. Imports are also likely to contract strongly this year and rebound in 2021, in line with final demand. The contribution of net exports to growth should be slightly negative this year, and turn positive in 2021. Owing to the marked drop in oil prices, the current account surplus is set to widen, while headline inflation is expected to decline from 0.7% in 2019 to 0% this year, before picking up to 1.0% in 2021, as base effects fade away.

Downturn to further worsen the fiscal balance

In 2019, the general government deficit increased for the first time since 2012, from 2.5% to 2.8% of GDP. The increase was driven by expenditure growth outstripping revenue growth, following increases in pensions and public sector pay.

In 2020, the downturn is expected to have a deeply negative impact on government finances. The contraction of tax bases is expected to lead to a significant drop in revenues, while the increase in unemployment and the extensive use of short-time work schemes (‘ERTEs’) should result in large increases in social transfers. In addition, health care expenditure is increasing significantly. These factors, together with the already-enacted increases in pensions and public sector pay, should push the deficit up to about 10% of GDP in 2020. The deficit should then narrow to below 7% of GDP in 2021 on a no-policy-change basis, as economic activity resumes and most of the measures put in place to respond to the COVID-19 crisis have a temporary effect.

Due to the large government deficit and the severe contraction in GDP, the general government debt-to-GDP ratio is expected to rise by around 20 pps., from 95% in 2019 to almost 116% by 2020, before decreasing to about 114% in 2021.

Table II.6.1:

Main features of country forecast - SPAIN

		2018			Annual percentage change					
	bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		1202.2	100.0	1.6	3.0	2.9	2.4	**2.0**	**-9.4**	**7.0**
Private Consumption		700.8	58.3	1.3	2.7	3.0	1.8	**1.1**	**-10.7**	**8.9**
Public Consumption		223.8	18.6	2.9	1.0	1.0	1.9	**2.3**	**5.8**	**-0.4**
Gross fixed capital formation		233.6	19.4	0.3	2.4	5.9	5.3	**1.8**	**-20.7**	**10.3**
of which: equipment		75.6	6.3	1.0	1.8	8.5	5.7	**2.6**	**-23.0**	**12.0**
Exports (goods and services)		422.2	35.1	3.5	5.4	5.6	2.2	**2.6**	**-19.8**	**11.9**
Imports (goods and services)		389.5	32.4	2.5	2.6	6.6	3.3	**1.2**	**-21.1**	**12.4**
GNI (GDP deflator)		1204.9	100.2	1.7	3.3	2.6	2.6	**2.0**	**-8.9**	**6.5**
Contribution to GDP growth:	Domestic demand			1.4	2.2	3.0	2.4	**1.4**	**-9.2**	**6.7**
	Inventories			0.0	-0.2	0.0	0.2	**0.1**	**0.0**	**0.0**
	Net exports			0.2	1.0	-0.1	-0.3	**0.5**	**-0.1**	**0.3**
Employment				0.5	2.8	2.8	2.5	**2.3**	**-8.7**	**6.1**
Unemployment rate (a)				15.8	19.6	17.2	15.3	**14.1**	**18.9**	**17.0**
Compensation of employees / f.t.e.				2.7	-0.6	0.7	1.0	**2.0**	**0.5**	**0.7**
Unit labour costs whole economy				1.6	-0.8	0.7	1.2	**2.3**	**1.3**	**-0.2**
Real unit labour cost				-0.5	-1.1	-0.7	0.1	**0.7**	**1.1**	**-1.2**
Saving rate of households (b)				8.6	7.1	5.5	5.9	**7.4**	**14.0**	**10.5**
GDP deflator				2.1	0.3	1.4	1.1	**1.6**	**0.2**	**1.0**
Harmonised index of consumer prices				2.4	-0.3	2.0	1.7	**0.8**	**0.0**	**1.0**
Terms of trade goods				-0.1	0.1	-0.8	-2.2	**-0.6**	**2.6**	**-0.1**
Trade balance (goods) (c)				-5.2	-1.3	-1.9	-2.4	**-2.3**	**0.1**	**-0.4**
Current-account balance (c)				-3.8	3.2	2.7	1.9	**2.0**	**3.2**	**2.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.2	3.4	2.9	2.4	**2.3**	**3.5**	**3.0**
General government balance (c)				-3.8	-4.3	-3.0	-2.5	**-2.8**	**-10.1**	**-6.7**
Cyclically-adjusted budget balance (d)				-3.3	-3.8	-3.6	-3.8	**-4.2**	**-5.8**	**-5.2**
Structural budget balance (d)				-	-3.8	-3.5	-3.5	**-4.0**	**-5.6**	**-5.2**
General government gross debt (c)				61.2	99.2	98.6	97.6	**95.5**	**115.6**	**113.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

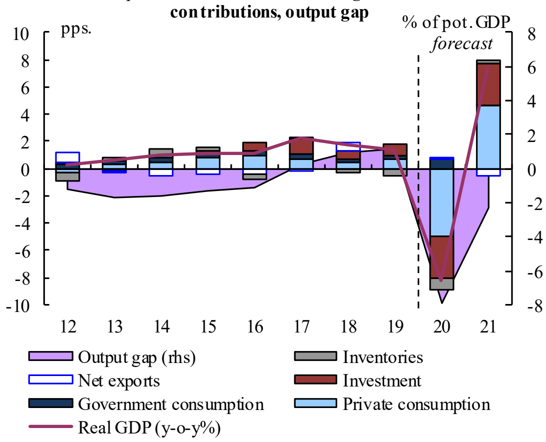
7. FRANCE

France's GDP is set to decline sharply in 2020 due to the COVID-19 outbreak. Economic activity is forecast to rebound gradually once lockdown measures are eased, supported by fiscal measures aimed at ensuring firms' liquidity and protecting employment. The general government deficit is forecast to rise to 10% of GDP in 2020.

GDP growth sharply impacted by the virus

GDP growth in France decreased to 1.3% in 2019 after 1.7% in 2018. This was mainly due to temporary factors such as strikes against pension reform, which lowered quarterly growth in the final quarter of 2019 after three quarters at near-potential rates.

Graph II.7.1: **France - Real GDP growth and contributions, output gap**



Due to the COVID-19 outbreak, GDP is projected to contract by 8¼% in 2020 before rebounding and grow by 7½% in 2021. While economic activity had gradually recovered in January and February as the strikes eased, economic sentiment indicators plunged in March after lockdown measures were introduced to contain the virus. Surveys suggest that services, including the retail sector, have been particularly impacted. The impact of the virus outbreak is expected to show in Q1 data but will be even more significant in Q2 due to the prolongation of the confinement period. France's economy is set to contract sharply in the first half of 2020 before rebounding from the third quarter onwards. Yet the impact on some sectors may be long lasting (food services and accommodation, recreational activities, transport, and tourism more generally).

Private consumption is projected to sink during the lockdown period and to recover gradually afterwards. Despite fiscal measures supporting household disposable incomes, the rebound is expected to be partial as some categories of workers may face net losses, especially in transport and leisure-related activities. The decrease in private consumption is set to outweigh the decrease in purchasing power, resulting in an important increase in the household saving rate in 2020. Due to workforce unavailability, value chain disruptions, increased uncertainty and liquidity constraints, investment is set to contract sharply in the first half of 2020. Fiscal measures should mitigate firms' liquidity difficulties and help support the rebound. Nevertheless, a rebound in equipment investment is likely to face obstacles from a more prolonged demand shock in sectors such as transport equipment. In line with tumbling external demand, exports are projected to plunge in 2020, especially in tourism-related sectors. Recovery in these sectors is set to be hindered by long lasting negative impacts, in particular on tourism and transport equipment. Imports are expected to evolve in line with domestic demand, resulting in a contraction in 2020 and a rebound in 2021. The broadly neutral contribution of net exports to GDP growth in 2020 is set to deteriorate in 2021.

Unemployment rate set to increase moderately and inflation to decrease

Unemployment in France is projected to increase due to the severity of the economic downturn but the extended short-term activity scheme set up by the government should help to contain the rise. Inflation is forecast to drop to 0.4% in 2020 from 1.3% in 2019, due to lower oil prices and the negative demand shock. Inflation is expected to gradually rebound starting in 2021.

Risks are tilted to the downside as regards global economy as well as the impact on tourism-related sectors.

High deficit in 2020

The general government deficit was 3.0% of GDP in 2019, 0.1 pps. lower than projected in the autumn forecast. In 2020, however, the deficit is set to reach an unprecedented 10% of GDP.

The sizeable drop in economic activity following the lockdown will weigh heavily on tax revenues and social transfers due to the response of automatic stabilisers. This macroeconomic-related impact accounts for most of the deterioration in the deficit. The expenditure measures adopted to fight the pandemic and to assuage the adverse macroeconomic effects amount to 1.9% of GDP and comprise additional healthcare expenditure of EUR 8 billion; transfers to cover partial unemployment schemes of EUR 24 billion; subsidies under the sectoral compensation fund for SMEs of EUR 7 billion; and the creation of an emergency fund of EUR 2.5 billion. Liquidity measures and public guarantees aimed to support firms, amounting to about EUR 385 billion, are assumed to entail no immediate budgetary impact.

Other measures affecting the deficit forecast for 2020 compared to the previous year include the 0.9% of GDP one-off effect mainly stemming from the transformation of the tax credit for competitiveness and employment (*crédit d'impôt pour la compétitivité et l'emploi, CICE*) into a permanent cut in employers' social contributions in 2019. The measures aimed at enhancing household purchasing power adopted after the broad national debate 'Grand Débat National' altogether amount to 0.3% of GDP in 2020.

Accordingly, the expenditure-to-GDP ratio is projected to rise by some 7 pps., to 62¾% of GDP, whereas the revenue-to-GDP ratio is set to increase only slightly. Interest payments are set to continue declining. These projections are nonetheless subject to a high degree of uncertainty.

At unchanged policies and assuming that the measures adopted to fight the pandemic will take place only in 2020, the general government deficit is expected to shrink to 4% of GDP in 2021. While the revenue-to GDP ratio is set to improve slightly, the expenditure-to-GDP ratio is projected to decline by 5½ pps. In turn, public debt is set to rise from 98.1% in 2019 to 116½% of GDP in 2020, before declining to almost 112% in 2021.

Table II.7.1:

Main features of country forecast - FRANCE

		2018			Annual percentage change					
		bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		2353.1	100.0	1.3	1.1	2.3	1.7	**1.3**	**-8.2**	**7.4**
Private Consumption		1268.5	53.9	1.5	1.8	1.4	0.9	**1.2**	**-9.3**	**8.9**
Public Consumption		550.9	23.4	1.5	1.4	1.5	0.8	**1.4**	**2.8**	**0.0**
Gross fixed capital formation		537.9	22.9	1.3	2.7	4.7	2.8	**3.6**	**-13.3**	**14.0**
of which: equipment		116.3	4.9	1.1	6.1	1.1	2.0	**3.5**	**-14.8**	**13.2**
Exports (goods and services)		737.4	31.3	3.2	1.8	3.9	3.5	**2.0**	**-12.0**	**8.8**
Imports (goods and services)		755.6	32.1	3.9	2.9	3.9	1.2	**2.2**	**-11.8**	**10.6**
GNI (GDP deflator)		2406.1	102.3	1.4	1.1	2.5	1.6	**1.4**	**-8.5**	**7.4**
Contribution to GDP growth:	Domestic demand			1.5	1.9	2.1	1.3	**1.8**	**-7.4**	**7.7**
	Inventories			0.1	-0.4	0.2	-0.3	**-0.4**	**-0.8**	**0.2**
	Net exports			-0.2	-0.4	-0.1	0.7	**-0.1**	**0.0**	**-0.5**
Employment				0.6	0.5	0.9	1.0	**1.3**	**-9.1**	**10.0**
Unemployment rate (a)				9.0	10.0	9.4	9.0	**8.5**	**10.1**	**9.7**
Compensation of employees / f.t.e.				2.4	1.3	2.0	1.8	**0.2**	**6.0**	**-6.0**
Unit labour costs whole economy				1.7	0.7	0.6	1.0	**0.1**	**5.1**	**-3.7**
Real unit labour cost				0.2	0.1	0.1	0.2	**-1.3**	**3.7**	**-4.6**
Saving rate of households (b)				14.4	13.6	13.6	13.8	**14.8**	**22.0**	**15.7**
GDP deflator				1.5	0.5	0.5	0.8	**1.5**	**1.3**	**0.9**
Harmonised index of consumer prices				1.7	0.3	1.2	2.1	**1.3**	**0.4**	**0.9**
Terms of trade goods				0.1	1.2	-1.6	-1.7	**1.2**	**1.6**	**0.0**
Trade balance (goods) (c)				-1.2	-1.1	-1.6	-1.7	**-1.3**	**-0.9**	**-1.3**
Current-account balance (c)				0.0	-0.6	-0.6	-0.6	**-0.1**	**-0.1**	**-0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.0	-0.6	-0.5	-0.5	**0.2**	**0.2**	**0.3**
General government balance (c)				-3.8	-3.6	-2.9	-2.3	**-3.0**	**-9.9**	**-4.0**
Cyclically-adjusted budget balance (d)				-4.1	-2.9	-3.1	-2.9	**-3.7**	**-4.9**	**-2.6**
Structural budget balance (d)				-	-2.9	-2.9	-2.8	**-2.8**	**-4.7**	**-2.5**
General government gross debt (c)				75.2	98.0	98.3	98.1	**98.1**	**116.5**	**111.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

8. ITALY

The COVID-19 pandemic and the related containment measures are set to push Italy's economy into a deep recession. A technical rebound is expected in the second half of 2020, supported by policy measures, and a partial recovery is expected to follow in 2021. The government deficit and debt are set to increase significantly in 2020, before partially declining next year. Consumer price inflation is projected to fall to below zero this year and pick up moderately in 2021.

A deep contraction followed by a technical rebound and a partial recovery

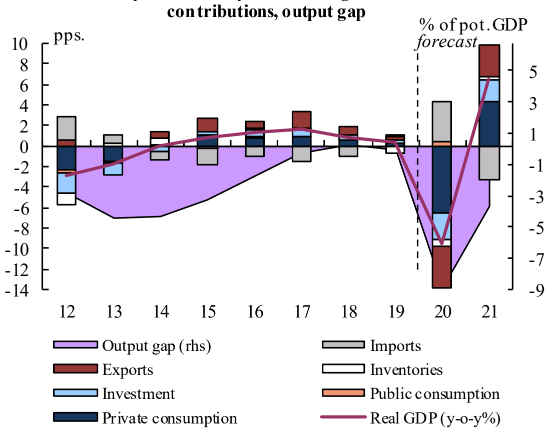
Amid signs in early 2020 that its economy was on the mend, Italy was struck particularly forcefully by the coronavirus pandemic. Initially an external supply-side shock that disrupted supply chains and weighed on manufacturing, the spread of the coronavirus in Italy let to nationwide lockdown measures, including production shutdowns. As a result, real output is forecast to shrink by about 18% in the first half of 2020. Assuming that economic activity starts to resume in May and gradually normalise, output growth is projected to bounce back, helped by sizeable policy support. On average, real GDP is set to fall by 9½% in 2020 before climbing by 6½% in 2021, supported by a substantial carryover effect, but without fully recovering the lost output by the end of the forecast period.

A multi-pronged upturn amid high uncertainty

Lockdown measures put an abrupt break on private consumption, but consumer spending is forecast to bounce back sharply in the second half of 2020. Income support measures and low inflation are expected to support household expenditure, though only partially due to the gradual easing of containment measures. Amid a collapse in demand, draining cash flows and high uncertainty, firms are likely to cut investment spending, while policy measures such as liquidity support to firms are set to limit the number of bankruptcies. Capital spending is projected to gain traction in the second half of 2020 and pick up further in 2021, also helped by public investment. Italy's export markets are set to shrink sharply in 2020, implying a substantial drop in exports, with tourism among the hardest-hit sectors. In 2021, exports are forecast to recover in line with global trade.

Risks to the growth outlook are tilted to the downside. The high and increasing public debt levels and a possible rise in the banking sector's stock of non-performing loans may impact financing conditions. A change in consumer behaviour implying higher precautionary savings, and a protracted labour market slump could additionally dampen domestic demand and damage Italy's economic fabric, curbing potential growth and disrupting the expected recovery.

Graph II.8.1: **Italy - Real GDP growth and contributions, output gap**



Policy measures set to cushion the immediate impact of weak activity on the labour market

The extended coverage and relaxed eligibility criteria for wage supplementation schemes (*Cassa integrazione guadagni*) should support labour incomes and reduce the risk of dismissals and unemployment. However, job seekers as well as seasonal and contract workers may not all qualify for emergency benefits and some workers might temporarily withdraw from the labour market. The production shutdowns imply a substantial but temporary drop in hours worked in 2020.

Oil price rout is stifling consumer price inflation

Consumer prices are projected to decrease marginally this year. The sharp drop in oil prices and the domestic demand shock due to the pandemic, in particular affecting the service sector, is set to stymie inflationary pressures, even if food prices are likely to rise. In 2021, headline inflation is set to average 0.7%.

After worsening sharply in 2020, public finances set to improve from next year

The general government deficit recorded a historical low in 2019 (1.6% of GDP), thanks to several policy measures and a resilient labour market, which supported government revenues.

In 2020, the coronavirus pandemic is expected to lift the government deficit to 11% of GDP. Government revenues are set to decline significantly due to the drop in economic activity. The sharpest decline is expected in revenues from corporate taxes in light of falling profits. The lower wage bill will cause a reduction in social security contributions and yields from personal income taxes, while revenues from indirect taxes will reflect the fall in private consumption. Conversely, the in-year postponement of tax payments is not expected to increase the government deficit, assuming no policy changes. Government expenditure is expected to rise sizably due to the cost of automatic stabilisers and the policy response. The fiscal package adopted in March 2020 increases government spending by around 1.2% of GDP, in order to strengthen healthcare and civil protection, extend wage supplementation schemes and support self-employed workers and firms. The package announced in Italy's Stability Programme amounts to 3.3% of GDP and provides additional funds for the same policy areas, including specific resources for the sectors most affected by the pandemic.

In 2021, the government deficit is expected to decline to around 5½% of GDP. Government revenues are set to benefit from a rebound in private consumption and a progressive recovery in the labour market. This forecast does not consider the VAT hikes originally legislated for 2021, whose repeal has been announced. Under a no-policy-change assumption, government expenditure is expected to sharply decline after the temporary increase in 2020, despite higher interest spending caused by rising borrowing requirements. The possibility of a high number of calls on public guarantees represents a downside risk.

After having remained stable at 134.8% in 2019, the government debt-to-GDP ratio is expected to reach 159% in 2020 and to decline to 153½% in 2021, mainly driven by GDP dynamics. The primary balance is expected to turn negative for only the second time since the launch of the euro, strongly weighing on the debt ratio in 2020.

Table II.8.1:

Main features of country forecast - ITALY

		2018			Annual percentage change						
	bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		1766.2	100.0	0.2	1.3	1.7	0.8	**0.3**	**-9.5**	**6.5**
Private Consumption		1065.5	60.3	0.2	1.2	1.5	0.9	**0.4**	**-10.9**	**7.3**
Public Consumption		334.8	19.0	0.5	0.7	-0.1	0.1	**-0.4**	**2.6**	**-0.6**
Gross fixed capital formation		315.1	17.8	-0.8	4.0	3.2	3.1	**1.4**	**-14.2**	**13.0**
of which: equipment		120.6	6.8	-0.5	8.0	6.4	4.0	**0.3**	**-20.7**	**19.7**
Exports (goods and services)		555.5	31.5	2.3	1.9	5.4	2.3	**1.2**	**-13.0**	**10.5**
Imports (goods and services)		513.2	29.1	1.7	3.9	6.1	3.4	**-0.4**	**-13.6**	**12.2**
GNI (GDP deflator)		1785.4	101.1	0.2	2.3	1.9	1.3	**0.1**	**-9.7**	**6.5**
Contribution to GDP growth:	Domestic demand			0.1	1.6	1.5	1.1	**0.4**	**-8.7**	**6.3**
	Inventories			0.0	0.2	0.2	-0.1	**-0.6**	**-0.6**	**0.3**
	Net exports			0.2	-0.5	0.0	-0.3	**0.5**	**-0.3**	**0.0**
Employment				0.1	1.4	0.8	0.8	**0.3**	**-7.5**	**5.5**
Unemployment rate (a)				9.1	11.7	11.2	10.6	**10.0**	**11.8**	**10.7**
Compensation of employees / f.t.e.				2.3	0.1	0.6	2.1	**1.6**	**-0.5**	**0.8**
Unit labour costs whole economy				2.1	0.2	-0.3	2.0	**1.5**	**1.8**	**-0.2**
Real unit labour cost				0.2	-1.0	-1.0	1.1	**0.6**	**0.9**	**-1.1**
Saving rate of households (b)				12.9	10.6	10.2	10.1	**10.2**	**16.5**	**10.9**
GDP deflator				1.9	1.1	0.7	0.9	**0.9**	**0.9**	**0.9**
Harmonised index of consumer prices				2.0	-0.1	1.3	1.2	**0.6**	**-0.3**	**0.7**
Terms of trade goods				-0.4	4.0	-1.9	-1.4	**1.5**	**3.3**	**0.4**
Trade balance (goods) (c)				0.7	3.5	3.1	2.6	**3.2**	**4.4**	**4.2**
Current-account balance (c)				-0.8	2.6	2.5	2.5	**3.0**	**3.4**	**3.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.7	2.4	2.6	2.5	**2.9**	**3.2**	**3.2**
General government balance (c)				-3.2	-2.4	-2.4	-2.2	**-1.6**	**-11.1**	**-5.6**
Cyclically-adjusted budget balance (d)				-2.9	-1.3	-2.2	-2.2	**-1.5**	**-6.1**	**-3.5**
Structural budget balance (d)				-3.5	-1.5	-2.1	-2.3	**-1.5**	**-6.3**	**-3.7**
General government gross debt (c)				115.2	134.8	134.1	134.8	**134.8**	**158.9**	**153.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

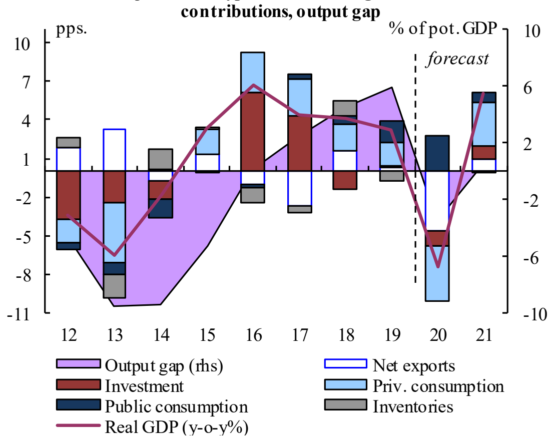
9. CYPRUS

Cyprus' economic activity is heading into a severe contraction in 2020 due to the global outbreak of COVID-19 and the confinement measures that followed. External demand for services is set to dip significantly, with tourism expected to be particularly hard hit by the crisis. Domestic demand is also forecast to contract significantly due to the restrictions to consumption and construction activity as well as a drop in confidence. The general government budget is expected to record a large deficit and public debt is set to increase as a result before declining again in 2021.

Economic growth headed for a large drop in 2020

Cyprus' recovery from the deep financial and economic crisis of 2013 has been remarkable. By 2017, real GDP had risen above its pre-crisis level. In 2019, economic activity grew by 3.2%. However, the COVID-19 crisis is set to push the economy into a severe recession in 2020, with real GDP forecast to contract by 7½ in 2020 before bouncing back with growth of around 6% in 2021.

Graph II.9.1: **Cyprus - Real GDP growth and contributions, output gap**



The impact of the outbreak and subsequent health-policy responses on economic activity is expected to be significant in the second quarter as the outbreak in the country and the lockdown started in mid-March. The economy is expected to start a slow recovery towards the end of the second quarter. However, the impact of the crisis on the tourism sector is likely to last longer.

Exports of services to plummet in 2020

The COVID-19 pandemic is expected to significantly dampen demand for tourism. Cyprus is heavily dependent on tourism, as every year the country hosts around 4 million tourists (4.5 times more than its population) and the sector accounts for more than 20% of GDP [119]. Imports are expected to evolve in line with final demand, resulting in a contraction in 2020 and a rebound in 2021. The contribution of net exports to GDP growth is set to be significantly negative in 2020, but to turn positive in 2021.

Domestic demand to fall moderately

Private consumption is set to fall sharply during the lockdown period and to gradually recover in the second half of the year. Private consumption is expected to fall more than real disposable income, leading to a surge of savings in 2020, which should normalise in 2021. The unemployment rate is projected to increase, albeit modestly. The fiscal measures adopted are expected to support employment and households' incomes. Investment in construction could rebound quickly after the lockdown owing to the pipeline of large and already commenced multi-year projects. Public consumption is the only component of domestic demand that is expected to continue growing in 2020, reflecting the fiscal stimulus measures adopted, increases in the public payroll, and expenditures linked to the national health system.

Downside risks are significant. In addition to the uncertainty surrounding the pandemic and the economic recovery after the lifting of the lockdown measures, the large private and public sector debt overhang increases further downside risks related to a prolonged economic downturn. Moreover, as a small open economy, Cyprus is exposed to external risks related to the economic impact of the pandemic on its main trading partners i.e. the EU, the UK and Russia.

Inflation to remain subdued

Headline inflation is forecast to fall from 0.5% in 2019 to -0.2% in 2020, driven by lower energy prices and non-energy industrial goods. Headline

(119) Including indirect impact.

inflation is expected to turn positive again in 2021, at 1%, reflecting increasing food and services prices. This is set to lead to a moderate increase in core inflation.

Public finances are set to deteriorate

The general government balance is forecast to dive into a deficit of 7% of GDP in 2020 after a sizeable surplus of 1¾% of GDP in 2019. Cyprus' fiscal performance in 2020 is projected to be severely affected by falling revenues due to the economic downturn and measures to dampen the social and economic effects of the COVID-19 crisis. In 2021, public finances should improve, with the general government deficit narrowing to 1¾% of GDP, based on the assumption that the measures adopted to fight the pandemic will only have a temporary effect in 2020. The public debt-to-GDP ratio is set to rise to over 115½% in 2020 from 95½% in 2019, before decreasing to 105% in 2021.

Expenditure growth is projected to surge by 17½% in 2020 and to decrease by 1½% in 2021. Spending measures adopted to fight the pandemic (4.3% of GDP), which include wage subsidies, income support for the self-employed, and additional spending to strengthen the healthcare system, are expected to have a temporary effect on public finances in 2020. However, higher compensation of public employees and the cost of the roll-out of the second phase of National Health Insurance System (NHIS) are projected to increase public expenditure in 2020 and 2021. The projected decrease in revenue in 2020 (-3%) primarily reflects the large expected decrease in tax revenues (-10%). Revenue is expected to pick up in 2021 on account of the projected economic recovery.

Looking forward, the potential realisation of contingent liabilities is a risk to Cyprus' public finances. They concern in particular the asset protection schemes to Hellenic Bank, as well as the potential deficit of public healthcare providers during the first years of the NHIS.

Table II.9.1:

Main features of country forecast - CYPRUS

		2018		Annual percentage change						
	mio EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		21137.8	100.0	1.9	6.7	4.4	4.1	**3.2**	**-7.4**	**6.1**
Private Consumption		13777.5	65.2	2.7	4.4	4.5	3.3	**3.0**	**-6.7**	**5.1**
Public Consumption		3149.8	14.9	1.7	-0.9	2.1	3.5	**11.3**	**16.6**	**3.7**
Gross fixed capital formation		4042.2	19.1	-1.3	48.9	24.1	-6.6	**0.1**	**-6.1**	**5.3**
of which: equipment		1300.1	6.2	-2.1	121.6	20.7	-31.9	**-15.0**	**-9.0**	**12.5**
Exports (goods and services)		15444.6	73.1	2.6	7.2	8.7	4.6	**2.0**	**-21.8**	**16.8**
Imports (goods and services)		15278.4	72.3	2.6	9.0	12.8	2.4	**1.5**	**-15.2**	**13.7**
GNI (GDP deflator)		20387.5	96.5	2.3	3.2	5.4	3.5	**3.2**	**-7.6**	**6.2**
Contribution to GDP growth:	Domestic demand			1.9	9.0	7.6	1.3	**3.6**	**-2.8**	**5.1**
	Inventories			0.1	-1.2	-0.5	1.2	**-0.7**	**0.0**	**0.0**
	Net exports			0.0	-1.1	-2.7	1.6	**0.3**	**-4.6**	**1.0**
Employment				1.1	4.7	5.3	4.1	**3.1**	**-2.5**	**2.3**
Unemployment rate (a)				7.3	13.0	11.1	8.4	**7.1**	**8.6**	**7.5**
Compensation of employees / head				2.5	-0.9	1.0	0.5	**2.9**	**-5.4**	**6.6**
Unit labour costs whole economy				1.7	-2.9	1.9	0.6	**2.8**	**-0.4**	**2.7**
Real unit labour cost				-0.2	-2.1	0.2	-0.8	**2.2**	**-0.9**	**1.8**
Saving rate of households (b)				3.4	1.3	3.7	2.4	**2.5**	**8.7**	**3.4**
GDP deflator				1.9	-0.8	1.7	1.4	**0.6**	**0.5**	**0.9**
Harmonised index of consumer prices				2.1	-1.2	0.7	0.8	**0.5**	**-0.2**	**1.0**
Terms of trade of goods				0.7	-0.4	-0.3	-1.9	**-0.1**	**-0.4**	**-0.6**
Trade balance (goods) (c)				-23.2	-22.1	-25.0	-22.1	**-21.5**	**-18.8**	**-21.1**
Current-account balance (c)				-8.4	-4.2	-5.1	-4.4	**-5.7**	**-10.9**	**-10.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-8.0	-4.1	-4.7	-3.8	**-5.0**	**-10.3**	**-9.5**
General government balance (c)				-3.4	0.3	2.0	-3.7	**1.7**	**-7.0**	**-1.8**
Cyclically-adjusted budget balance (d)				-3.2	0.2	0.7	-6.0	**-1.2**	**-5.2**	**-2.1**
Structural budget balance (d)				-	0.3	0.7	2.0	**0.1**	**-5.2**	**-2.1**
General government gross debt (c)				68.9	103.4	93.9	100.6	**95.5**	**115.7**	**105.0**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

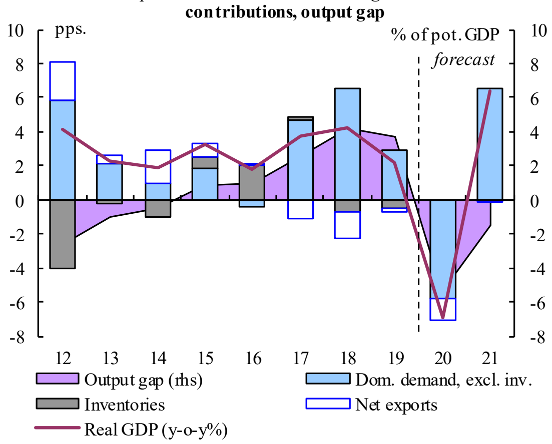
10. LATVIA

Latvia's GDP is projected to decline by 7% in 2020, followed by a fairly rapid recovery in 2021. Investments and exports are expected to suffer the most amid border closures and declining foreign demand, while consumption is expected to fare better than in other countries thanks to a relatively milder lockdown. The government deficit is projected to reach 7% of GDP in 2020 due to income and liquidity support measures as well as a drop in tax revenue. The deficit is projected to decline to 4½% in 2021, as the government is expected to maintain its support while the economy recovers fully.

The economy was strong before the crisis

In 2019, Latvia's GDP grew by 2.2%, driven mostly by solid private consumption amid slowing investment and export growth. The labour market remained tight, driving rapid wage growth. Economic growth since the last crisis in 2009 has been sound with a balanced current account, low credit growth, and falling private and public debt ratios. As a result, Latvia entered the crisis with overall macroeconomic conditions favourable to a relatively swift recovery, provided that the current crisis impact remains short-lived. Crucially, public debt remains low, providing room for support measures during the lockdown and in the recovery phase.

Graph II.10.1: **Latvia - Real GDP growth and contributions, output gap**



Investment and exports will suffer the most

Latvia managed to contain the spread of the virus at low levels. As a result, the lockdown restrictions in Latvia are milder than in most other EU countries. With the exception of international transport services and businesses involving mass gatherings, like concerts, theatres and sports competitions; most other businesses are allowed to remain open, subject to social distancing requirements. However, many non-essential retailers and catering businesses have closed voluntarily due to lack of demand. Given Latvia's above EU-average share of exports, the shock to its economy will mostly stem from declining foreign demand. Moreover, the uncertainty related to the duration of the measures both at home and abroad are expected to lead to a postponement of new investment projects, thus leading to a significant decline in investment, with a moderate lag. Government investment, however, is set to go on as planned, providing some support to the economy.

All in all, real GDP is projected to shrink by some 7% in 2020, with investment and service exports poised for the largest declines. The baseline scenario assumes that after a steep decline in the first two quarters of 2020, a fairly rapid recovery will follow in the second part of the year. Private consumption and investment should lead the way, the latter being supported by the beginning of the Rail Baltica project, a large railway infrastructure project to integrate the Baltic states with the EU rail network. In 2021, real GDP is expected to grow by some 6½%, bringing economic activity in the final quarter of 2021 back to the level it was in the final quarter of 2019.

Labour market projected to recover quickly

Employment is expected to decline by some 2½% this year. Government-subsidised employee furlough scheme is expected to cushion most of the employment loss in the short-term and therefore help foster the recovery in 2021. Headline inflation is set to slow significantly in 2020 due to both falling demand and rapidly declining energy prices. It is expected to rebound in 2021 along with the pick-up in demand and wage growth.

While there are significant downside risks to the baseline scenario, country-specific risks are balanced. Lacking domestic supply-side restrictions, investment and goods exports could prove more resilient than expected. On the negative side, damage to consumer confidence could last longer than currently assumed, leading to a slower recovery in private consumption.

Government deficit set to increase in 2020 as tax revenues fall and spending grows

The government deficit declined to 0.2% of GDP in 2019, driven by higher revenue from taxes on labour and non-tax revenues, while taxes on consumption underperformed. In 2020, a sharp deterioration of the government deficit to some 7% of GDP is projected, as a result of the economic downturn and the adoption of temporary stimulus measures. The expected tax revenue loss accounts for most of the deterioration. A lower tax intake is linked to the drop in economic activity, as well as a tax deferral measure with a deficit-increasing impact of around 1% of GDP in 2020. Government expenditure is set to expand more than previously planned due to the measures put in place in response to the COVID-19 pandemic and due to higher unemployment spending. Additional financing for the healthcare sector accounts for 0.1% of GDP. Moreover, the existing resources in the healthcare sector have been mobilised to fight the pandemic. Temporary downtime payments to idled employees and other income support measures amount to 0.5% of GDP. Finally, sector specific support and loss provisions for loan guarantees are estimated to increase the government deficit by 1.2% of GDP.

In 2021, the government deficit is projected to narrow to 4½% of GDP under a no-policy change assumption. The temporary expenditure measures are projected to cease in 2021. However, underlying expenditure growth is assumed to be sustained in line with pre-crisis plans. As a result, the expenditure-to-GDP ratio is expected to increase by some 2½ percentage points between 2019 and 2021. Tax revenue is expected to grow in line with the pick-up in GDP in 2021, while the 2020 tax deferrals are projected to be partly recovered by 2023. Moreover, dividend payments in 2021 based on the returns for 2020 are expected to be weak.

The government debt-to-GDP ratio is expected to increase from 37% in 2019 to 44% in 2021, mostly due to the large government deficits in 2020 and 2021. The increase in the debt ratio should be softened by a partial reduction in large precautionary cash resources, which were accumulated at the end of 2019.

Table II.10.1:
Main features of country forecast - LATVIA

		2018			Annual percentage change					
	mio EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		29056.1	100.0	3.8	1.8	3.8	4.3	**2.2**	**-7.0**	**6.4**
Private Consumption		17172.6	59.1	3.8	1.5	3.1	4.2	**2.9**	**-6.1**	**7.0**
Public Consumption		5242.3	18.0	1.0	2.9	3.2	4.0	**2.6**	**2.9**	**2.0**
Gross fixed capital formation		6553.8	22.6	4.8	-8.2	11.3	15.8	**3.1**	**-12.0**	**9.2**
of which: equipment		2565.0	8.8	3.5	11.2	9.3	13.1	**2.0**	**-15.0**	**12.0**
Exports (goods and services)		17870.8	61.5	7.6	4.0	6.4	4.0	**2.0**	**-10.3**	**7.8**
Imports (goods and services)		17924.7	61.7	6.0	3.8	8.4	6.4	**2.3**	**-8.3**	**8.0**
GNI (GDP deflator)		28554.5	98.3	3.8	2.1	3.6	3.0	**3.4**	**-6.3**	**6.4**
Contribution to GDP growth:	Domestic demand			4.3	-0.4	4.7	6.5	**2.9**	**-5.8**	**6.5**
	Inventories			0.0	2.1	0.2	-0.7	**-0.5**	**0.0**	**0.0**
	Net exports			-0.3	0.1	-1.1	-1.5	**-0.2**	**-1.2**	**-0.1**
Employment				-0.5	-0.3	0.0	1.6	**-0.1**	**-2.6**	**0.9**
Unemployment rate (a)				12.2	9.6	8.7	7.4	**6.3**	**8.6**	**8.3**
Compensation of employees / head				9.5	7.3	7.6	8.5	**8.8**	**0.3**	**3.9**
Unit labour costs whole economy				5.0	5.1	3.7	5.7	**6.4**	**5.0**	**-1.5**
Real unit labour cost				0.1	4.2	0.7	1.6	**3.6**	**3.5**	**-3.7**
Saving rate of households (b)				1.2	4.5	4.4	6.3	**9.8**	**18.5**	**14.5**
GDP deflator				4.9	0.9	3.0	4.0	**2.6**	**1.4**	**2.3**
Harmonised index of consumer prices				4.0	0.1	2.9	2.6	**2.7**	**0.2**	**1.9**
Terms of trade of goods				0.2	3.5	0.9	1.6	**0.9**	**2.1**	**0.5**
Trade balance (goods) (c)				-15.7	-7.5	-8.3	-8.1	**-8.1**	**-8.2**	**-7.9**
Current-account balance (c)				-7.1	1.4	1.0	-0.7	**0.6**	**1.1**	**1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-5.4	2.5	1.7	1.1	**2.8**	**2.6**	**3.4**
General government balance (c)				-2.7	0.2	-0.8	-0.8	**-0.2**	**-7.3**	**-4.5**
Cyclically-adjusted budget balance (d)				-2.5	-0.2	-1.7	-2.4	**-1.5**	**-5.2**	**-3.8**
Structural budget balance (d)				-	-0.4	-1.7	-2.4	**-1.7**	**-5.2**	**-3.8**
General government gross debt (c)				25.5	40.9	39.3	37.2	**36.9**	**43.1**	**43.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

11. LITHUANIA

The COVID-19 pandemic forced a temporary closure of many economic activities in Lithuania. This is expected to cause a sizeable GDP contraction in 2020. Possible relaxation of lockdown measures in the second quarter of 2020 and the government's economic stimulus plans provide hope for a quick recovery over the forecast horizon. At the same time, this economic shock is projected to drive increases in the unemployment rate and the general government deficit.

A rollercoaster ride ahead

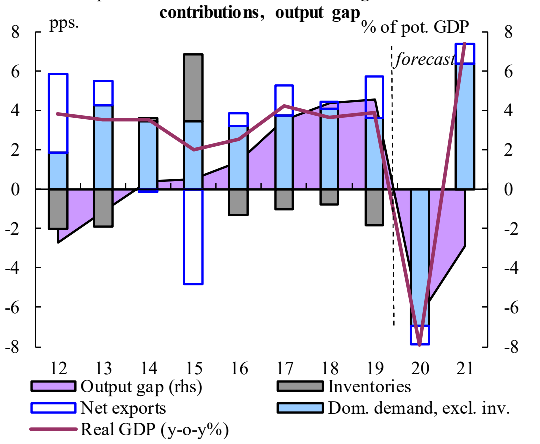
After a long period of above-potential growth, the sudden arrival of the COVID-19 pandemic in Europe swept away a scenario of gradual deceleration for Lithuania's economy. Since 16 March, the country has been in lockdown, with many economic activities effectively suspended. International and national travel restrictions have put a strain on accommodation services and related passenger transport and tourism. Declining international demand for goods in the EU has started to have a negative effect on producers and providers of transportation services which had supported growth over the past years.

Such an unprecedented suspension of economic activity will drag down Lithuania's GDP in the second quarter of 2020. The exact size of the dip depends on the length of the confinement period in the country and the exit strategies in Lithuania and abroad. Assuming the lockdown comes to an end in the second quarter, GDP growth is expected to stage a strong rebound in the third quarter as a result of base effects. However, output is expected to stay below the volume of the first quarter of 2020 as different factors will weigh on growth drivers.

Domestic demand is forecast to be negatively affected by declining household income and, as a consequence, limited possibilities to borrow. Investment activities are expected to be put on halt by many businesses due to liquidity issues and uncertainty in 2020. As a result of the confinement period, the implementation of EU-funded projects is also forecast to slow in 2020 and drop below the level of 2019. However, thanks to EU-level initiatives, the use of EU funds is expected to gain speed again in 2021.

Export recovery is projected to depend, in the short term, on the economic strength of Lithuania's Nordic trading partners, while demand in the southern EU Member States is expected to stay suppressed in the near term. On the other hand, a combination of lower demand for refined oil products and a sharp decline in oil prices is set to put pressure both on Lithuania's imports and exports over the forecast horizon.

Graph II.11.1: **Lithuania - Real GDP growth and contributions, output gap**



Lithuania's economic recovery is also expected to be supported by the government's 'Plan for Economic Stimulus and Mitigation of Consequences of COVID-19 Transmission'. The measures of this plan are projected to increase government consumption slightly in 2020 as a consequence of higher spending on healthcare.

Overall, Lithuania's GDP is forecast to decline by approximately 8% in 2020 and then rebound by 7½% in 2021.

Measures taken to reduce job losses

The introduction of quarantine requirements affected the employment of workers in the service sector and a large share of the self-employed. A number of companies took measures to limit hours worked while keeping people employed. In some cases, workers took unpaid leaves. With a view to job protection, the government proposed to pay subsidies to companies that would retain their employees during and after the quarantine period. Overall, the unemployment rate is forecast to remain contained below 10% in 2020 and decline in 2021.

Lower inflation ahead

In 2020, lost business revenues, lower overall profitability and a larger supply of labour are expected to put downward pressure on wages and, consequently, on prices of some products and services. Furthermore, as a result of cheaper oil and gas, energy prices are forecast to be lower than in 2019. Together with the rebound of the economy in 2021, domestic inflationary pressures are expected to return slowly. Overall, headline inflation is forecast to stand at 0.8% and 1.5% in 2020 and 2021, respectively.

Challenging times for public finances

In 2019, the general government recorded a nominal surplus of 0.3% of GDP. An improvement of the general government balance amounting to 0.6 pps. came from the fact that some military equipment ordered in 2019 is expected to be delivered in coming years, and, therefore, expenditure recording will be done at a later stage.

With regard to the COVID-19 pandemic, the declared size of government measures to increase funding for healthcare and to help safeguard jobs and disposable incomes amounts to EUR 1 billion or 2½% of GDP in 2020. In addition, the government decided to increase provision of state guarantees to businesses by EUR 1 billion to help companies preserve liquidity.

Overall, the implementation of the fiscal stimulus plan and impact of automatic stabilisers are forecast to push the general government deficit close to 7% of GDP in 2020. Due to the greater financing needs expected, the government has increased the country's borrowing limits by EUR 5 billion or approximately 12½% of GDP in 2020. In 2021, based on a no-policy-change assumption, the government deficit is projected to decline to 2¾% of GDP.

Due to a large general government deficit in 2020, the debt-to-GDP ratio is expected to rise from 36.3% in 2019 to approximately 48½%. This increase also comprises an accumulation of pre-financing needed for upcoming bond redemptions at the beginning of 2021. The debt-to-GDP ratio is projected to remain at a similar level in 2021.

Table II.11.1:

Main features of country forecast - LITHUANIA

		2018			Annual percentage change					
		bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		45.3	100.0	4.1	2.6	4.2	3.6	**3.9**	**-7.9**	**7.4**
Private Consumption		28.0	61.8	4.4	4.0	3.5	3.7	**3.2**	**-9.9**	**7.8**
Public Consumption		7.5	16.5	1.0	0.1	-0.3	0.5	**0.7**	**1.0**	**0.5**
Gross fixed capital formation		9.3	20.5	4.8	3.4	8.2	8.4	**7.4**	**-5.0**	**7.9**
of which: equipment		3.3	7.3	6.6	14.6	9.2	7.3	**4.6**	**-15.4**	**16.7**
Exports (goods and services)		34.2	75.6	9.5	4.9	13.6	6.3	**9.3**	**-12.5**	**13.5**
Imports (goods and services)		33.4	73.7	8.7	4.0	11.5	6.0	**6.7**	**-12.0**	**12.8**
GNI (GDP deflator)		43.8	96.8	4.0	2.5	4.2	4.2	**4.1**	**-8.6**	**8.2**
Contribution to GDP growth:	Domestic demand			4.3	3.2	3.8	4.1	**3.6**	**-6.9**	**6.4**
	Inventories			0.2	-1.3	-1.0	-0.8	**-1.8**	**0.0**	**0.0**
	Net exports			-0.2	0.6	1.5	0.4	**2.1**	**-1.0**	**1.0**
Employment				-0.5	2.3	-0.7	1.4	**0.5**	**-3.5**	**2.0**
Unemployment rate (a)				11.7	7.9	7.1	6.2	**6.3**	**9.7**	**7.9**
Compensation of employees / head				6.8	6.4	9.5	7.7	**9.5**	**-8.2**	**7.4**
Unit labour costs whole economy				2.0	6.1	4.3	5.3	**5.9**	**-3.8**	**2.0**
Real unit labour cost				-0.7	4.4	0.1	1.9	**3.1**	**-5.6**	**-0.6**
Saving rate of households (b)				3.4	2.9	0.3	-1.2	**1.6**	**8.4**	**4.2**
GDP deflator				2.7	1.6	4.3	3.3	**2.8**	**1.9**	**2.7**
Harmonised index of consumer prices				2.4	0.7	3.7	2.5	**2.2**	**0.8**	**1.5**
Terms of trade goods				0.9	1.8	0.5	-1.0	**1.3**	**0.5**	**-0.4**
Trade balance (goods) (c)				-8.5	-4.9	-4.9	-6.1	**-4.5**	**-4.2**	**-4.4**
Current-account balance (c)				-4.7	-1.1	0.5	0.3	**3.5**	**2.2**	**2.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.8	0.3	1.7	1.8	**5.1**	**4.2**	**5.0**
General government balance (c)				-3.0	0.2	0.5	0.6	**0.3**	**-6.9**	**-2.7**
Cyclically-adjusted budget balance (d)				-2.6	-0.3	-1.0	-1.2	**-1.6**	**-4.4**	**-1.6**
Structural budget balance (d)				-	-0.5	-1.0	-1.2	**-1.6**	**-4.4**	**-1.6**
General government gross debt (c)				27.3	39.7	39.1	33.8	**36.3**	**48.5**	**48.4**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

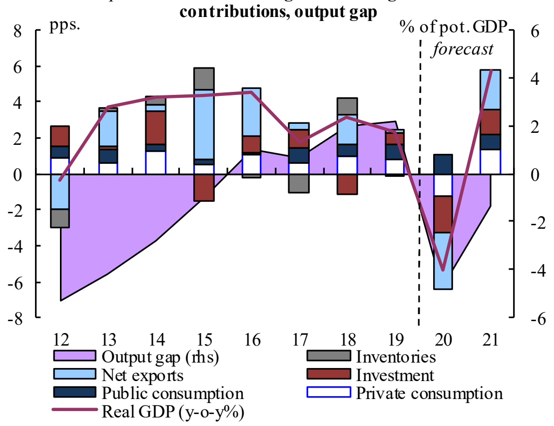
12. LUXEMBOURG

Restrictions put in place to control the COVID-19 pandemic are expected to impact domestic demand and net trade leading to a large decline in real GDP in 2020. Strong fiscal measures are projected to mitigate the decline and pave the way for real GDP growth to rebound in 2021. Consequently, the general government balance will revert into a deficit, while government debt, although increasing, remains at a low level. Inflation is forecast to decline significantly following the drop in energy prices in 2020.

A broad-based fall in activity in 2020

The COVID-19 crisis will push Luxembourg into recession in 2020. Real GDP is forecast to decline by -5½% in 2020. Compared to 2.3% GDP growth estimated for 2019, which was already lower than in previous years. Assuming normalisation over the course of 2020, Luxembourg is projected to show a strong recovery in 2021 when GDP is forecast to grow by 5¾%.

Graph II.12.1: **Luxembourg - Real GDP growth and contributions, output gap**



In 2020, private consumption is expected to decline as a result of the lock down and travel ban that were implemented since mid-March. In recent years, private consumption had been a solid driver of GDP growth in Luxembourg. The high level of uncertainty and the squeeze on liquidity due to falling revenues, especially for corporations, will result in a sharp contraction in gross fixed capital formation by 12% in 2020. The government measures to buffer the liquidity contraction and increased government consumption (+6¼%) will only partly mitigate the economic impact of the crisis. The sharp drop in international trade in goods and services and lower cross border consumption are expected to be a drag on economic growth as well. In addition, the heightened stock market volatility and the decline in economic activity are expected to negatively impact the financial sector which represents a large share of GDP in Luxembourg. [120]

Rebound after normalisation

Private consumption, the main driver of domestic demand growth, is expected to rebound in 2021 once restrictions are completely lifted and the economy goes back to normal again, while the expected wage indexation in the third quarter of 2021 should support purchasing power. As uncertainty dissipates, investment should recover, while the normalisation of international trade should also provide a strong positive contribution to GDP growth in 2021. As a small open economy with strong trade and financial links with international markets, Luxembourg is highly exposed to external risks. Uncertainty related to the end of the COVID-19 crisis and any financial turmoil that may ensue, could result in a less benign outcome for its economy.

Higher unemployment and lower inflation

The labour market peaked in 2019 as employment growth fell back from the high levels of previous years and the decline in unemployment stopped. The COVID-19 crisis is expected to lead to higher unemployment in 2020. Disposable income will be supported by the indexation of wages in January 2020, the short-time unemployment scheme and other crisis-related measures implemented by the government. Specific measures are addressed to cross border workers such as teleworking arrangements and travel permits. Headline inflation is forecast to fall to 0.7% in 2020, mainly due to the sharp decline in oil prices, falling demand and the introduction of free public transport. A rebound to 1.6% is foreseen for 2021, on the back of some positive base effects related mainly to energy prices.

(120) Luxembourg's national accounts are subject to sometimes substantial revisions, amongst others due to methodological difficulties related to the important role of multinational firms and financial services in external trade.

The general government balance falls into deficit for the first time since 2010

The general government surplus declined from 3.1% of GDP in 2018 to 2.2% of GDP in 2019, as revenues declined by 0.6 pps. of GDP and expenditure increased by 0.3 pps.

The COVID-19 outbreak is expected to bring a sharp deterioration in public finances in 2020. The general government balance is projected to shift to a deficit of 4¾% of GDP. Revenues will be heavily affected; although increasing as a share of GDP to 45½% in 2020, a decline in their absolute value is expected. Taxes on income and wealth are expected to decline by the lower profitability of the financial sector, which is the main contributor. The sharp decline in the stock market will bring a drop in the taxes collected on assets managed by the fund industry. The travel ban is expected to lead to drop in excises collected on the sales of fuels, tobacco and alcohol.

In line with the sizeable measures adopted by the government to combat the pandemic and its impact, expenditure is expected to shoot up to 50¼% of GDP. In particular, the existing short-time working scheme has been extended to all companies affected by the current crisis, a new aid scheme to support SMEs in temporary financial difficulty has been introduced, and procedures for requesting special leave for family reasons due to school closure has been simplified. Additional expenditures in the context of health and crisis management are expected to boost government investment. Measures such as tax and social contribution deferrals, refundable loans and credit guarantees aimed at providing liquidity support to companies are not assumed to have a budgetary impact in 2020. Finally, the purchase of a military plane will have an impact on public investment (EUR 0.2 billion).

At unchanged policies and assuming that the measures adopted to fight the pandemic will have only a temporary effect in 2020 and that economic activity should recover in 2021, the government balance is forecast to improve close to a small surplus in 2021. Public debt is expected to increase from 22.1% of GDP in 2019 to 26½% in 2020 and fall slightly to 25¾% in 2021.

Table II.12.1:

Main features of country forecast - LUXEMBOURG

		2018			Annual percentage change					
		mio EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		60053.1	100.0	3.1	4.6	1.8	3.1	**2.3**	**-5.4**	**5.7**
Private Consumption		17874.0	29.8	2.3	3.4	2.2	3.3	**2.8**	**-4.1**	**4.6**
Public Consumption		10004.5	16.7	3.1	1.0	4.7	4.1	**4.8**	**6.3**	**4.1**
Gross fixed capital formation		10096.4	16.8	2.9	4.6	5.6	-5.9	**3.9**	**-12.0**	**8.5**
of which: equipment		3164.0	5.3	3.9	-1.0	16.3	-22.2	**12.5**	**-14.4**	**9.4**
Exports (goods and services)		127047.7	211.6	6.1	2.6	0.7	0.5	**0.8**	**-11.5**	**8.4**
Imports (goods and services)		105419.8	175.5	6.5	1.6	0.6	-0.3	**0.9**	**-12.0**	**8.8**
GNI (GDP deflator)		38255.6	63.7	1.4	2.2	3.1	1.9	**9.9**	**-2.1**	**4.8**
Contribution to GDP growth:	Domestic demand			1.9	2.0	2.4	0.5	**2.3**	**-2.2**	**3.5**
	Inventories			0.1	-0.2	-1.1	0.9	**-0.2**	**0.0**	**0.0**
	Net exports			1.2	2.7	0.4	1.6	**0.2**	**-3.2**	**2.2**
Employment				3.1	3.0	3.4	3.7	**3.6**	**0.9**	**3.1**
Unemployment rate (a)				4.6	6.3	5.5	5.6	**5.6**	**6.4**	**6.1**
Compensation of employees / head				3.0	0.8	3.0	3.3	**1.7**	**1.8**	**2.4**
Unit labour costs whole economy				3.0	-0.7	4.6	3.9	**3.0**	**8.5**	**-0.2**
Real unit labour cost				0.2	-1.5	2.8	1.3	**-0.4**	**8.1**	**-2.9**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.7	0.8	1.7	2.5	**3.4**	**0.4**	**2.8**
Harmonised index of consumer prices				2.5	0.0	2.1	2.0	**1.6**	**0.7**	**1.6**
Terms of trade of goods				0.4	2.0	-1.4	0.4	**-1.0**	**0.2**	**0.0**
Trade balance (goods) (c)				-4.8	-1.1	-2.0	-2.0	**-3.1**	**-2.6**	**-2.7**
Current-account balance (c)				3.7	0.2	-0.9	0.0	**4.5**	**4.5**	**4.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				3.1	-0.4	-1.5	-0.7	**4.0**	**4.1**	**4.1**
General government balance (c)				1.6	1.8	1.3	3.1	**2.2**	**-4.8**	**0.1**
Cyclically-adjusted budget balance (d)				1.9	1.4	1.0	2.2	**1.2**	**-2.6**	**0.7**
Structural budget balance (d)				-	1.4	1.0	2.2	**1.2**	**-2.6**	**0.7**
General government gross debt (c)				14.0	20.1	22.3	21.0	**22.1**	**26.4**	**25.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

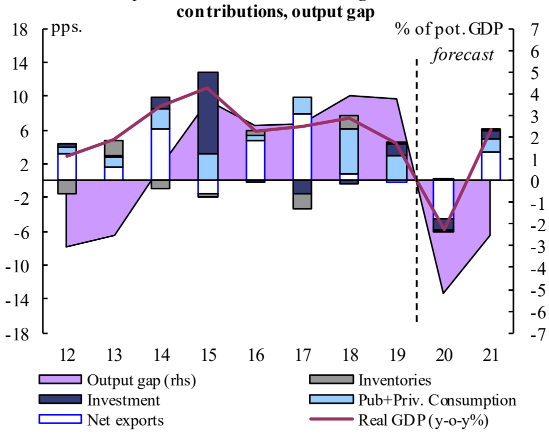
13. MALTA

Economic growth in Malta, which has been strong in recent years, is expected to turn negative in 2020 due to the outbreak of COVID-19. Private consumption and trade are projected to take a significant hit, while increased public spending should partially mitigate the effects of the recession. Employment is forecast to decline temporarily and the unemployment rate to increase. After several years in surplus, the general government balance is expected to slip into deficit and public debt to rise, as the government takes fiscal measures to offset the crisis.

A resilient economic growth model tested

After annual real GDP growth of 7.3% in 2018 and 4.4% in 2019, Malta's economy had already started to show signs of cooling before the COVID-19 outbreak. Domestic demand has been the main growth driver, underpinned by robust private consumption and investment. Economic sentiment had eased in recent months, but remained strong with steady confidence in industry and construction. Although exports have been losing steam, tourism still contributed significantly to GDP growth.

Graph II.13.1: **Malta - Real GDP growth and contributions, output gap**



A temporary downturn led by services

Malta's economy will be severely affected by the COVID-19 pandemic this year. GDP is expected to contract by around 5¾% but should rebound by 6.0% in 2021. The lockdown and closure of non-essential businesses since March 26 is weighing on private consumption and service exports, with limited room for expenditure on recreation or food services. However, the initial tightness in the labour market and households' high saving rate may cushion the crisis' impact on consumption. Some large-scale investment projects in health and infrastructure are continuing, while other plans have been postponed.

The external sector is set to contribute negatively this year, reflecting a weaker external environment, elevated global uncertainty and a substantial decline in tourism revenues. A fall in domestic demand is expected to drag imports down at a slower pace than exports in 2020, before imports growth outpaces exports' in 2021. The current account surplus, which peaked in 2017, is projected to gradually narrow over the forecast horizon, but to remain high. An easing in general restrictions is expected to re-stimulate domestic demand in 2021, though it is set to remain below its 2019 level.

As a small open economy, Malta's economic outlook is highly sensitive to global uncertainties and the growth performance of its trading partners. Their economic development in the wake of the COVID-19 pandemic may weigh on Malta's exports and pace of recovery more strongly than assumed in this forecast.

Tight labour market inevitably affected despite the government's financial packages

The fast pace of economic growth in Malta led to a record-low unemployment rate of 3.5% in 2019, but in the wake of the COVID-19 crisis, the temporary closure of tourism-related activities is set to have a harsh impact on employment. Despite the financial aid made available to employees and the government's measures to cushion the impact on corporates, the unemployment rate is projected to increase to around 6% in 2020 before decreasing again in 2021 to 4½ %.

Inflation eases amid recession

Headline inflation is projected to moderate from 1.5% in 2019 to 0.7% in 2020 and 1.1% in 2021. The strong decline in energy prices should contribute to this slowdown with an expected fall in fuel prices in 2020. The interruption of hospitality-related activities will substantially impact services inflation as a result of demand contraction and wage reductions. In turn, possible disruptions in supply-chains may create inflationary pressures for some imported goods.

Fiscal position set to deteriorate temporarily

In 2019, the government surplus declined to 0.5% of GDP from 1.9% a year earlier. The outcome fell short of the government's plans to assure a balanced budget when discounting for the proceeds of the Individual Investor Programme (citizenship scheme), mainly due to lower-than-budgeted VAT receipts. The favourable economic environment translated into strong growth in income taxes and social contributions. Nevertheless, outlays on intermediate consumption, wages and capital outpaced positive revenue developments.

In 2020, the general government balance is projected to swing into a large deficit of around 6¾% of GDP. Revenue from indirect taxes is set to decline as household consumption falls. Direct tax revenues are projected to record a slight positive growth given the assumed wage growth and profits recorded by companies in the previous year. The main drag on the fiscal balance will come from the financial packages adopted to combat the economic impact of COVID-19. Wage supplements, additional spending on healthcare and social benefits, and interest rate subsidies are expected to cost around 4% of GDP. Moreover, the social measures announced in the 2020 budget, which was prepared under a more favourable economic scenario, are expected to be implemented.

Assuming no changes in policies, which implies that the pandemic-related measures would be discontinued after a few months and healthcare spending would decline to pre-2020 levels, the general government balance should improve strongly, but remain in a deficit of around 2½% of GDP.

After declining steadily since 2011, the government debt-to-GDP ratio is forecast to surge to about 51% in 2020 and remain around this level in 2021, driven by adverse developments in the deficit.

Table II.13.1:

Main features of country forecast - MALTA

	2018		Annual percentage change						
	mio EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	12366.3	100.0	3.4	5.8	6.5	7.3	**4.4**	**-5.8**	**6.0**
Private Consumption	5406.0	43.7	2.2	2.4	3.4	7.6	**2.4**	**-5.0**	**4.0**
Public Consumption	1993.9	16.1	2.8	-3.0	1.8	12.7	**12.0**	**12.8**	**-1.2**
Gross fixed capital formation	2335.9	18.9	5.0	-0.3	-6.9	-2.1	**7.2**	**-7.0**	**5.0**
of which: equipment	768.9	6.2	-	13.0	-35.1	-10.7	**1.7**	**-**	**-**
Exports (goods and services)	17922.3	144.9	5.6	4.5	4.8	3.5	**1.7**	**-9.3**	**12.0**
Imports (goods and services)	15314.2	123.8	5.3	1.6	-0.5	3.4	**2.1**	**-7.2**	**10.8**
GNI (GDP deflator)	11352.2	91.8	3.1	2.4	6.0	7.7	**4.0**	**-5.8**	**6.0**
Contribution to GDP growth: Domestic demand			2.9	0.6	0.2	4.9	**4.3**	**-1.3**	**2.4**
Inventories			-0.1	0.5	-1.7	1.6	**0.2**	**-0.1**	**0.1**
Net exports			0.7	4.7	8.0	0.9	**-0.2**	**-4.4**	**3.4**
Employment			1.8	4.3	8.1	6.0	**5.6**	**-1.8**	**2.8**
Unemployment rate (a)			6.6	4.7	4.0	3.7	**3.4**	**5.9**	**4.4**
Compensation of employees / head			3.7	2.9	-0.5	2.1	**2.4**	**3.4**	**2.8**
Unit labour costs whole economy			2.0	1.4	1.0	0.8	**3.6**	**7.8**	**-0.3**
Real unit labour cost			-0.4	-0.1	-1.5	-1.3	**1.3**	**5.9**	**-1.5**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	1.5	2.5	2.1	**2.3**	**1.8**	**1.3**
Harmonised index of consumer prices			2.2	0.9	1.3	1.7	**1.5**	**0.7**	**1.1**
Terms of trade of goods			0.8	-4.2	4.4	2.7	**1.1**	**3.1**	**0.4**
Trade balance (goods) (c)			-15.8	-18.4	-12.6	-11.7	**-11.8**	**-8.0**	**-11.4**
Current-account balance (c)			-3.2	3.8	11.5	11.3	**10.7**	**7.6**	**9.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-1.8	4.1	12.1	12.2	**11.7**	**8.6**	**10.7**
General government balance (c)			-3.7	1.0	3.3	1.9	**0.5**	**-6.7**	**-2.5**
Cyclically-adjusted budget balance (d)			-3.6	-0.3	2.1	0.1	**-1.3**	**-4.2**	**-1.3**
Structural budget balance (d)			-	-0.1	2.3	0.0	**-1.3**	**-4.2**	**-1.3**
General government gross debt (c)			65.8	55.5	50.3	45.6	**43.1**	**50.7**	**50.8**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

14. THE NETHERLANDS

The Netherlands is set to experience its sharpest post-war contraction in 2020, with both domestic demand and trade declining sharply. A rebound is expected next year as economic activity recovers, albeit from a very low level. Notwithstanding the broadening of the work-time reduction scheme, labour market conditions should deteriorate substantially. The authorities have adopted emergency measures to prevent structural damage to the economy, and automatic stabilisers are being allowed to operate in full. Consequently, the general government balance will go into a large deficit.

Sharp contraction in 2020

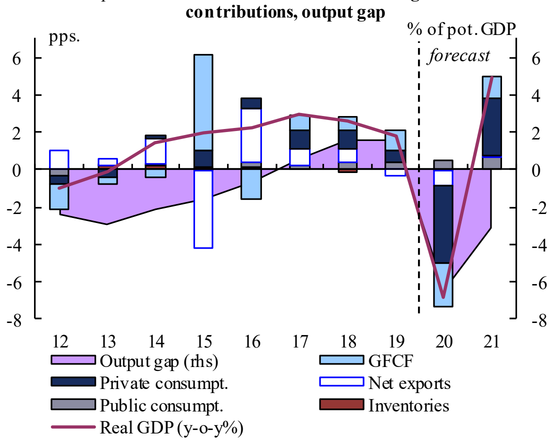
After growth of 1.8% in 2019, the COVID-19 pandemic has put an abrupt end to six consecutive years of economic expansion. In the baseline macroeconomic scenario, the Dutch economy is projected to contract by about 6¾% in 2020, the strongest recorded annual decline in the country's post-war history. All demand components, except public consumption, should contract sharply this year, with a projected trough in economic activity in the second quarter. For 2021, growth is expected to rebound, reflecting a gradual normalisation of economic activity and a recovery of domestic demand and global trade from a depressed level. Activity levels, however, are expected to remain below those of 2019.

Private consumption expenditure is expected to contract this year by around 9½% with household spending constrained by the containment measures. Moreover, adverse unemployment expectations in combination with negative wealth effects are expected to boost precautionary savings, weighing further on household spending. The recovery of private consumption is likely to accelerate only towards the end of the year, as uncertainty fades out and pent-up demand takes over. Investment in equipment is projected to decline sharply this year given weak demand, high uncertainty, low capacity utilisation, as well as restricted access to credit. Construction investment, which was already hampered by low permit issuance and regulatory uncertainty, is set to slow considerably as well.

Global recession weighs on exports

As a highly open economy, the Netherlands is particularly sensitive to the collapse in world trade. However, the negative contribution of exports to growth is projected to be limited by a similarly sharp drop in imports. The latter can be linked to the decline in domestic demand, and the high import content of exports. In line with the projected global recovery, exports should see positive growth again in 2021.

Graph II.14.1: **The Netherlands - Real GDP growth and contributions, output gap**



Labour market to weaken considerably

The unemployment rate is forecast to rise to around 6% this year, after having reached an historic low of 2.9% in the months leading up to the crisis. Mandated business closures and the abrupt decline in economic activity are projected to have an adverse effect on employment in affected sectors. Employment protection measures – in particular the significant expansion of work-time reduction benefits and income support for the self-employed, which have already seen widespread recourse - should help dampen employment losses. Notwithstanding these measures, the deterioration of the labour market is expected to unfold in the coming months as firms in heavily affected sectors inevitably shed labour, especially workers with flexible and temporary contracts. In 2021, the unemployment rate is projected to decline gradually to around 5¼% as economic activity recovers. For 2020, most wage agreements were concluded at a time of positive economic growth assumptions and higher inflation expectations. With these as a basis, nominal compensation of employees per full-time equivalent is expected to see continued growth of

2¼% this year despite the deterioration in sentiment. Together with the substantial decline in production, this entails a sharp increase in unit labour costs. For 2021, labour market slack is set to put downward pressure on wage dynamics.

Subdued inflation dynamics ahead

Consumer prices are set to moderate to 0.8% this year, after having risen by 2.7% in 2019. Around 1.5 pps. of this decline reflects the base effect from the 2019 increase in indirect taxes. A sharp drop in oil prices, as well lower energy-related taxes and dissipating domestic inflationary pressures, put further downward pressure on inflation. As base effects fade away, headline inflation is expected to pick up to 1.3% in 2021.

Extraordinary budget measures to support the economy

The general government budget surplus, which stood at 1.7% of GDP in 2019, is projected to evaporate this year as emergency measures are implemented and automatic stabilisers function fully. The general government balance is forecast to reach a deficit of about 6¼% of GDP in 2020 and around 3½% in 2021. Revenues are expected to decrease sharply this year due to the projected drop in consumption, production and profitability.

Higher spending on social security and healthcare will lead to a strong increase in expenditure. Furthermore, the government has adopted a significant package of emergency measures with an estimated budgetary impact of more than 2½% of GDP to help avoid structural damage to the economy. The measures focus on employment protection, household purchasing power and loan guarantees to support the flow of credit to the private sector and prevent temporary liquidity problems from morphing into insolvency issues.

In 2021, based on a no-policy-change assumption and assuming that the measures adopted to fight the pandemic only have a temporary effect in 2020, revenues are expected to increase again, leading to a gradual improvement in the deficit. Government debt is forecast to rise to around 62% of GDP and to decline again in 2021 to 58%. The large amount of loan guarantees present a significant downside risk to the budget balance.

Table II.14.1:

Main features of country forecast - NETHERLANDS

	2018		Annual percentage change						
bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	774.0	100.0	1.3	2.2	2.9	2.6	**1.8**	**-6.8**	**5.0**
Private Consumption	341.5	44.1	0.6	1.1	2.1	2.3	**1.4**	**-9.5**	**7.2**
Public Consumption	187.6	24.2	2.2	1.3	0.9	1.6	**1.6**	**2.1**	**2.6**
Gross fixed capital formation	157.5	20.3	1.4	-7.3	4.2	3.2	**5.3**	**-11.2**	**5.9**
of which: equipment	44.4	5.7	0.8	4.8	3.2	1.5	**8.1**	**-15.1**	**9.1**
Exports (goods and services)	652.7	84.3	4.2	1.7	6.5	3.7	**2.4**	**-10.6**	**7.0**
Imports (goods and services)	567.6	73.3	4.2	-2.0	6.2	3.3	**3.1**	**-11.2**	**8.0**
GNI (GDP deflator)	781.7	101.0	1.3	0.6	5.2	2.8	**1.2**	**-7.6**	**4.9**
Contribution to GDP growth: Domestic demand			1.1	-0.8	2.0	2.1	**2.1**	**-6.0**	**4.9**
Inventories			0.0	0.1	0.0	-0.2	**0.0**	**-0.1**	**0.0**
Net exports			0.3	2.9	0.9	0.7	**-0.3**	**-0.7**	**0.0**
Employment			0.4	2.1	2.2	2.6	**1.8**	**-2.4**	**1.4**
Unemployment rate (a)			4.8	6.0	4.9	3.8	**3.4**	**5.9**	**5.3**
Compensation of employees / f.t.e.			2.7	1.2	1.0	1.7	**2.9**	**2.2**	**1.5**
Unit labour costs whole economy			1.7	1.1	0.3	1.8	**3.0**	**7.0**	**-2.0**
Real unit labour cost			-0.1	0.6	-1.0	-0.4	**-0.1**	**5.9**	**-3.4**
Saving rate of households (b)			12.3	16.6	15.3	15.1	**15.1**	**20.9**	**18.1**
GDP deflator			1.8	0.5	1.3	2.2	**3.0**	**1.1**	**1.5**
Harmonised index of consumer prices			2.0	0.1	1.3	1.6	**2.7**	**0.8**	**1.3**
Terms of trade goods			0.2	1.0	-0.3	-0.3	**0.9**	**-0.1**	**0.0**
Trade balance (goods) (c)			8.2	9.3	9.7	9.6	**8.5**	**8.2**	**7.7**
Current-account balance (c)			6.7	8.1	10.8	11.2	**10.2**	**9.0**	**8.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			6.5	7.9	10.8	11.1	**10.2**	**9.0**	**8.4**
General government balance (c)			-2.0	0.0	1.3	1.4	**1.7**	**-6.3**	**-3.5**
Cyclically-adjusted budget balance (d)			-1.6	0.5	0.9	0.4	**0.8**	**-2.4**	**-1.6**
Structural budget balance (d)			-	0.2	0.5	0.4	**0.6**	**-2.4**	**-1.6**
General government gross debt (c)			55.5	61.9	56.9	52.4	**48.6**	**62.1**	**57.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

15. AUSTRIA

The GDP is forecast to contract sharply in 2020 as a result of the economic lockdown in the first half of the year. After the gradual lifting of the lockdown, the economy is expected to rebound, leading to a gradual recovery in 2021. The general government balance is set to materially deteriorate due to the economic downturn and fiscal packages launched to mitigate the socio-economic effects of the lockdown.

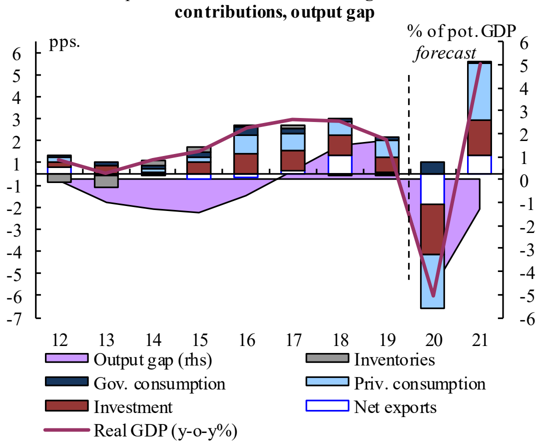
The health-policy response to the COVID-19 pandemic is expected to lead to a severe economic downturn

The rapid COVID-19 outbreak has strongly affected Austria's economy. National and international containment measures against the virus have hit both the demand and supply side of the economy, leading to a broad-based downturn. GDP is therefore projected to contract sharply by 5½% in 2020, more than during the economic and financial crisis in 2008-2009. However, given the relatively rapid fall in new infections, Austria was one of the first European countries to announce a progressive relaxation of containment measures beginning in mid-April. The contraction in the first half of the year is therefore expected to be slightly less severe than in other Euro area countries. Assuming a gradual normalisation of economic activity, GDP growth is expected to rebound in the second half of the year followed by a solid recovery in 2021, reaching 5%.

Domestic and external demand to plummet in 2020

Private consumption is expected to drop in 2020 in light of the temporary closure of shops, businesses and restaurants and the domestic and cross-border travel restrictions, but also as the effect of the crisis takes its toll on the labour market. This, together with increased uncertainty, is expected to drive household precautionary savings upwards. Being a small, open economy, developments in Austria's economy are strongly linked to those in its main trading partners. Investment is projected to decline sharply given the disruptions to supply chains and the high uncertainty surrounding the severity and length of the crisis. The service sector has been hit particularly hard by the containment measures and in particular the travel restrictions. Usually, services make up almost half of total private consumption expenditure in Austria, whilst tourism-related services account for around 30% of total services exports. Overall, exports and imports of goods and services are also expected to decrease strongly.

Graph II.15.1: **Austria - Real GDP growth and contributions, output gap**



Strong increase in unemployment

Despite the quick policy response in setting up short-time work schemes, the effect of the crisis on the labour market has already been large. The number of registered unemployed increased by 50% to above 500,000 in March, affecting all sectors and services in particular. However, recent numbers suggest that the situation would have been noticeably worse without the measures. By the third week of April, support for more than 900.000 jobs had already been requested. In view of the relaxation of the containment measures and the projected rebound in the economy, the labour market is expected to start recovering in the second half of 2020. Overall, the unemployment rate is projected to increase from 4½ % in 2019 to 5¾ % in 2020 and decrease to around 5% in 2021.

Fall in oil prices dampens inflation

The significant fall in oil prices is set to dampen inflation in 2020 to 1.1% before increasing again to 1.5% in 2021. The impact of the crisis on non-energy prices is expected to put a drag on services prices in particular.

Risks mainly tilted to the downside

A main downward risk to the projections is the development in tourism-related sectors, which are expected to be the most affected in case of prolonged containment measures and travel restrictions. Another downward risk is linked to the labour market, especially in the services sector, if the recovery turns out slower than expected.

Public finances are set to deteriorate

From a surplus of 0.2% of GDP in 2018, the general government balance improved further to 0.7% of GDP over the course of 2019, thanks to the higher-than-expected receipts from wage and assessed-income taxes. In 2020, as a result of the major economic shock caused by the COVID-19 pandemic and related policy measures, the general government balance is expected to deteriorate significantly, reaching a deficit of 6¼% of GDP. On the revenue side, the expected decline in employment and corporate profits affects revenues from taxes on income and wealth, which are projected to decline by 3%. On the expenditure side, the acquisition of medical equipment increases intermediate consumption (+8¼%), while subsidies for the corporate sector go up as a result of funds made available for short-time work arrangements and emergency aid for distressed companies (+227¼%). Overall, the budgetary impact of measures related to the COVID-19 pandemic amount to EUR 15 bn (4% of GDP). In 2021, based on the assumption of unchanged policies, the general government balance is expected to improve to -2% of GDP, on the back of a solid economic recovery. Expenditure-related measures to mitigate the socio-economic effects of the COVID-19 crisis are expected to be largely temporary, affecting mostly 2020.

Driven by the development of the general government balance, public debt is expected to deviate from its recent downward path. Standing at 70.4% of GDP in 2019, public debt is projected to increase to 78¾% of GDP in 2020 before decreasing to 75¾% in 2021. The improvement of Austria's budgetary position in 2021 rests largely on the expected economic recovery and the smooth return to economic normality. The main risks underlying the budgetary projections stem from the extent to which the COVID-19-related fiscal packages are used, including the materialisation of available state guarantees to firms.

Table II.15.1:

Main features of country forecast - AUSTRIA

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	385.7	100.0	1.5	2.1	2.5	2.4	**1.6**	**-5.5**	**5.0**
Private Consumption	199.7	51.8	1.2	1.6	1.4	1.1	**1.4**	**-4.8**	**4.9**
Public Consumption	74.5	19.3	1.2	1.8	1.1	0.9	**0.9**	**3.0**	**0.1**
Gross fixed capital formation	92.4	23.9	0.9	4.1	4.0	3.9	**2.9**	**-9.5**	**6.9**
of which: equipment	31.1	8.1	1.1	9.3	6.3	4.3	**3.4**	**-16.0**	**12.0**
Exports (goods and services)	215.1	55.8	4.1	3.1	5.0	5.9	**2.7**	**-12.5**	**10.3**
Imports (goods and services)	200.7	52.0	3.6	3.7	5.0	4.6	**2.8**	**-10.8**	**9.0**
GNI (GDP deflator)	384.7	99.7	1.5	3.1	1.6	3.1	**1.6**	**-5.6**	**5.0**
Contribution to GDP growth:	Domestic demand		1.1	2.1	1.9	1.7	**1.6**	**-4.2**	**4.2**
	Inventories		0.0	0.0	0.2	0.0	**-0.1**	**0.0**	**0.0**
	Net exports		0.4	-0.2	0.2	0.9	**0.1**	**-1.3**	**0.9**
Employment			-	1.3	1.7	1.7	**1.2**	**-1.4**	**1.4**
Unemployment rate (a)			4.8	6.0	5.5	4.9	**4.5**	**5.8**	**4.9**
Compensation of employees / f.t.e.			2.2	2.4	1.6	2.9	**2.9**	**0.7**	**1.2**
Unit labour costs whole economy			1.5	1.6	0.8	2.2	**2.4**	**5.1**	**-2.3**
Real unit labour cost			-0.2	-0.1	-0.3	0.5	**0.7**	**3.9**	**-3.3**
Saving rate of households (b)			14.8	13.1	12.8	13.1	**13.3**	**17.7**	**14.4**
GDP deflator			1.8	1.7	1.1	1.7	**1.7**	**1.2**	**1.1**
Harmonised index of consumer prices			1.9	1.0	2.2	2.1	**1.5**	**1.1**	**1.5**
Terms of trade goods			0.0	0.9	-1.8	-1.0	**0.3**	**0.0**	**0.3**
Trade balance (goods) (c)			-0.1	0.7	0.4	1.0	**1.1**	**0.1**	**0.8**
Current-account balance (c)			2.0	2.9	1.7	2.4	**2.3**	**0.9**	**1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			1.9	2.8	1.6	2.4	**2.2**	**0.8**	**1.6**
General government balance (c)			-2.4	-1.5	-0.8	0.2	**0.7**	**-6.1**	**-1.9**
Cyclically-adjusted budget balance (d)			-2.3	-1.1	-1.0	-0.7	**-0.3**	**-3.4**	**-1.1**
Structural budget balance (d)			-	-1.1	-1.0	-0.7	**-0.3**	**-3.4**	**-1.1**
General government gross debt (c)			73.6	82.9	78.3	74.0	**70.4**	**78.8**	**75.8**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

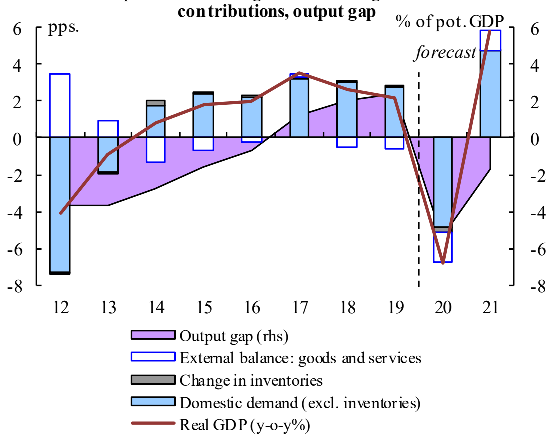
16. PORTUGAL

Economic activity is projected to fall sharply in 2020 due to the impact of the COVID-19 pandemic. The economy is expected to rebound strongly after the initial shock but in some sectors, particularly tourism, the aftershocks are expected to linger. The labour market is projected to suffer both temporary and medium-term setbacks. The pandemic is expected to take a temporary toll on public finances, which will be called to provide significant stabilisation in 2020 before improving again in 2021.

Economic outlook changes abruptly

Portugal's economy had been performing strongly up until the end of February 2020, but the economic situation changed dramatically in March when the COVID-19 pandemic hit. Authorities announced containment measures on 12 March and a state of emergency on 18 March with further restrictions on mobility. Many businesses suspended operations with tourism being the hardest hit. The Commission's economic sentiment indicator deteriorated strongly in March. Service providers reported the largest decline, while construction firms were the least affected. All in all, after growing by 2.2% in 2019, the economy is now projected to contract by 6¾% in 2020 and to rebound by 5¾% in 2021. As a result, GDP is projected to remain below its 2019 levels well into 2021. Risks are tilted to the downside, given Portugal's reliance on foreign tourism.

Graph II.16.1: **Portugal - Real GDP growth and contributions, output gap**



Domestic demand is expected to contract substantially in 2020. Private consumption is projected to drop at a slightly lower rate than GDP as policy measures partly offset household income losses. Investment in equipment is expected to be the hardest hit due to lingering uncertainty and disruptions to global supply chains. At the same time, investment in construction is expected to be more resilient, benefiting from the cycle and the newly introduced flexibility in EU funds.

Both exports and imports are projected to drop at double digit rates in 2020 and to recover substantially in 2021. Exports are set to decrease relatively more, in light of the sizeable revenues Portugal typically earns from foreign tourists (about 8.7% of GDP in 2019) and targeted social distancing measures affecting services over the second half of 2020. Still, the strong drop in equipment investment and durable goods consumption weighs down on imports and should partly offset the fall in exports. In nominal terms, the trade balance is also expected to benefit from the drop in oil prices keeping the overall current account at a relatively small deficit.

Unemployment set to rise sharply in 2020

The sudden drop in economic activity in March 2020 led to a significant increase in unemployment registrations, despite the significant job-support measures enacted. Many of the job cuts are likely to be temporary, but the expected slow recovery in tourism and related services is likely to have a negative impact on labour demand over a longer period. The unemployment rate is therefore set to rise from 6.5% in 2019 to about 9½% in 2020 before improving to around 7½% in 2021. Labour income will also be affected by reduced working hours in 2020, which imply lower productivity per employee.

Inflation to remain low

In 2019, annual headline inflation remained low at 0.3%, mainly driven by a significant decline in energy prices. The negative contribution of energy prices is expected to be even more pronounced in 2020. At the same time, the government's containment measures and the subsequent limits to the supply of labour and production capacities may generate inflationary pressures in certain goods, such as food and healthcare products. However, downward pressures are expected to prevail and inflation is set to be slightly negative in 2020. Owing to the economic recovery in 2021, inflation is projected to pick up moderately to 1.2%.

Public finances to worsen in view of COVID-19

The general government headline balance turned into a surplus of 0.2% of GDP in 2019, helped by strong revenue performance (especially in social contributions and indirect taxes) and continuously decreasing interest expenditure. Excluding the impact of a further activation of the Novo Banco contingent capital mechanism (of 0.5% of GDP last year) and other one-offs, the general government balance would have reached a surplus of 0.8% of GDP in 2019.

It is expected that the economic and social consequences of the COVID-19 pandemic will cause a sizeable deterioration in the general government balance in 2020, reflecting the operation of the automatic stabilisers and the need for significant fiscal policy support. The government adopted fiscal policy measures to reinforce the response capacity of the health system, protect jobs, provide social support and safeguard firms' liquidity, with an estimated overall direct budgetary cost of around 2½% of GDP. As a result, a general government deficit of 6½ of GDP is projected this year. This deterioration is driven by increases in most expenditure items (particularly subsidies and social transfers), as well as decreases in current revenue reflecting a strong contraction in the relevant tax bases.

Under a no-policy-change assumption, the deficit is projected to decrease swiftly in 2021, on the back of the expected economic recovery and the phasing-out of fiscal policy measures taken to tackle the pandemic. Risks to the budgetary forecast are tilted to the downside, linked to uncertainties surrounding the country's epidemic curve and the persistence of its economic and social effects, as well as the surge in public contingent liabilities on top of non-negligible pre-existing levels partly related to potential further fiscal impacts of additional bank support measures.

The general government debt ratio continued to decline to 117.7% of GDP in 2019. It is now set to increase to 131½% of GDP in 2020 before resuming its decreasing path in 2021, when it is set to drop to 124½% of GDP.

Table II.16.1:

Main features of country forecast - PORTUGAL

		2018		Annual percentage change						
	bn EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		204.3	100.0	0.4	2.0	3.5	2.6	**2.2**	**-6.8**	**5.8**
Private Consumption		131.9	64.6	0.6	2.6	2.1	2.9	**2.2**	**-5.8**	**5.3**
Public Consumption		34.6	16.9	0.7	0.8	0.2	0.9	**1.1**	**2.4**	**-1.5**
Gross fixed capital formation		35.8	17.5	-2.5	2.5	11.5	5.8	**6.3**	**-8.6**	**8.9**
of which: equipment		11.7	5.7	-0.7	8.0	12.4	7.5	**2.6**	**-26.9**	**26.2**
Exports (goods and services)		89.3	43.7	4.1	4.4	8.4	4.5	**3.7**	**-14.1**	**13.2**
Imports (goods and services)		88.4	43.3	2.2	5.0	8.1	5.7	**5.2**	**-10.3**	**10.3**
GNI (GDP deflator)		199.3	97.5	0.3	2.3	3.6	2.5	**2.2**	**-6.8**	**5.6**
Contribution to GDP growth:	Domestic demand			0.0	2.2	3.2	3.0	**2.7**	**-4.9**	**4.7**
	Inventories			-0.1	0.0	0.1	0.1	**0.0**	**-0.2**	**0.1**
	Net exports			0.5	-0.2	0.2	-0.5	**-0.6**	**-1.6**	**1.0**
Employment				-0.5	1.6	3.3	2.3	**0.8**	**-3.4**	**2.7**
Unemployment rate (a)				9.4	11.2	9.0	7.1	**6.5**	**9.7**	**7.4**
Compensation of employees / head				2.1	1.2	2.3	2.5	**2.8**	**0.2**	**1.7**
Unit labour costs whole economy				1.2	0.8	2.1	2.2	**1.4**	**3.8**	**-1.3**
Real unit labour cost				-0.9	-0.9	0.6	0.6	**-0.4**	**2.5**	**-2.7**
Saving rate of households (b)				9.8	7.0	6.6	6.7	**6.7**	**9.0**	**6.9**
GDP deflator				2.1	1.7	1.5	1.6	**1.7**	**1.2**	**1.4**
Harmonised index of consumer prices				2.1	0.6	1.6	1.2	**0.3**	**-0.2**	**1.2**
Terms of trade goods				0.2	0.9	-1.1	-0.4	**0.4**	**2.0**	**0.0**
Trade balance (goods) (c)				-9.8	-5.5	-7.0	-8.0	**-8.1**	**-7.1**	**-7.4**
Current-account balance (c)				-7.0	0.6	1.0	0.2	**0.0**	**-0.6**	**-0.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-5.5	1.5	1.8	1.2	**0.8**	**0.5**	**0.8**
General government balance (c)				-5.8	-1.9	-3.0	-0.4	**0.2**	**-6.5**	**-1.8**
Cyclically-adjusted budget balance (d)				-5.4	-1.6	-3.6	-1.6	**-1.1**	**-3.6**	**-0.9**
Structural budget balance (d)				-	-2.0	-1.6	-0.9	**-0.5**	**-3.2**	**-1.2**
General government gross debt (c)				89.0	131.5	126.1	122.0	**117.7**	**131.6**	**124.4**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

17. SLOVENIA

Economic growth in Slovenia was already slowing in the second half of 2019, when investment spending started to hit the breaks. As a small open economy, Slovenia is particularly vulnerable to the effects of the COVID-19 pandemic. The economy is projected to shrink significantly in 2020, but the large stimulus package announced by the authorities is expected to partly cushion losses to employment and household incomes and pave the way to a strong rebound in 2021. Public finances are expected to go into significant deficit in 2020, due to the loss of revenues and the sizeable measures to support the economy, and to improve in 2021 together with the recovering economy.

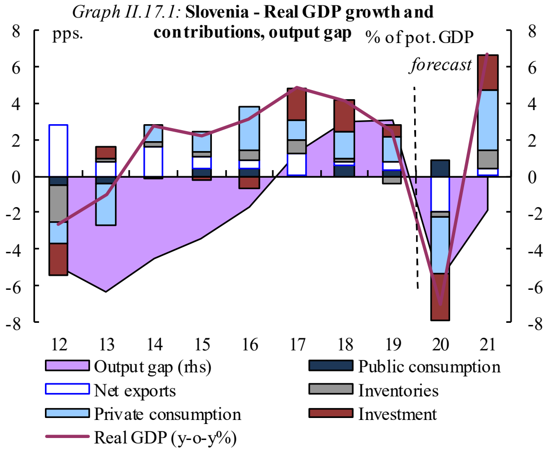
Expected slump in 2020 and recovery in 2021

Slovenia's economy grew by 2.4% in 2019. Although growth was moderating in the second half of the year, Slovenia entered this crisis in a relatively strong position, with the winter forecast projecting GDP to grow at 2.7% this year.

Due to the COVID-19 outbreak, the economy is expected to contract by about 7% in 2020. Supply disruptions and containment measures are expected to produce strong negative effects, especially in the first half of 2020. Falling demand, both at home and abroad, is set to take a heavy toll. Consumers, unable to spend due to restrictions and with uncertain income prospects, are expected to increase their saving significantly. The export of services (particularly transport and tourism) is expected to be exceptionally weak in 2020. Due to lingering uncertainty and supply chain disruptions, new investment decisions in the private sector are likely to be largely postponed towards 2021. The worst affected sectors are expected to be services, particularly trade, transport, food and accommodation and real estate services. Although most factories have remained open during the period of confinement, the manufacturing sector has not been entirely insulated. Export decline is compensated by broadly similar drop in imports and the current account surplus is set to remain unchanged.

As containment measures are lifted, in line with the assumption underlying this forecast, economic activity is expected to rebound. This recovery is set to benefit from the strong policy measures taken to shore up employment and to cushion income falls for the affected households and enterprises during the downturn. All in all, economic activity is to grow by about 6 ¾% in 2021, which means that GDP would not fully recover its 2019 level by the end of 2021.

Graph II.17.1: **Slovenia - Real GDP growth and contributions, output gap**



Labour market supported by policy measures

The unprecedented nature of government measures is expected to significantly dampen the impact of the crisis on the labour market. Nevertheless, employment is forecast to fall by about 2 ¾% in 2020, with the unemployment rate increasing to 7.0%. Hand in hand with the recovery, the unemployment rate is forecast to decrease again to around 5% in 2021, remaining higher than before the crisis.

Due to low energy prices and weak demand, inflation is expected to fall to 0.5% in 2020 before rising to 1.2% in 2021.

Pandemic relief measures to significantly impact the general government deficit in 2020

Slovenia's general government surplus decreased from 0.7% of GDP in 2018 to 0.5% of GDP in 2019. In 2020, the general government balance is forecast to deteriorate significantly to a deficit of around 7 ¼% of GDP, due to the projected decline in economic activity and the measures adopted to mitigate the economic and social impact of the COVID-19 pandemic. Those measures include: (i) higher healthcare spending; (ii) wage and social security contribution compensation for temporarily laid-off workers and the self-employed; (iii) pension contribution compensation for workers remaining in the workplace; (iv) one-off payments for vulnerable groups; and (v) crisis bonus for public sector employees performing hazardous or over-time work. The total estimated budgetary impact of the measures amounts to around 4% of GDP.

In 2021, under a no-policy-change assumption, the general government deficit is expected to decrease to around 2% of GDP. This is due to the assumption that the measures adopted to fight the pandemic only have a temporary effect in 2020 and due to the expected recovery of domestic demand and positive projected developments on the labour market. The forecast for public finances is subject to downside risks.

Slovenia's debt-to-GDP ratio continued declining to 66.1% of GDP in 2019, from 70.4% of GDP in 2018. However, the ratio is forecast to increase significantly to around 83 ¾% of GDP in 2020, driven by the high projected deficit and stock-flow adjustment due to tax deferrals and pre-financing for 2021, and to start declining again in 2021.

Table II.17.1:
Main features of country forecast - SLOVENIA

	2018		Annual percentage change						
	bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	45.8	100.0	2.0	3.1	4.8	4.1	**2.4**	**-7.0**	**6.7**
Private Consumption	23.7	51.9	1.6	4.4	2.0	2.8	**2.7**	**-6.1**	**6.3**
Public Consumption	8.4	18.3	1.8	2.5	0.3	3.2	**1.6**	**4.7**	**0.5**
Gross fixed capital formation	8.8	19.2	-0.3	-3.7	10.4	9.1	**3.2**	**-13.0**	**11.7**
of which: equipment	3.8	8.2	1.4	7.4	12.5	10.6	**1.4**	**-19.5**	**21.8**
Exports (goods and services)	38.8	84.8	6.1	6.5	10.5	6.1	**4.4**	**-12.4**	**13.5**
Imports (goods and services)	34.8	76.0	4.6	6.7	10.1	6.6	**4.2**	**-11.4**	**14.8**
GNI (GDP deflator)	45.0	98.4	1.9	3.7	5.6	4.4	**2.8**	**-6.9**	**6.4**
Contribution to GDP growth: Domestic demand			1.2	2.1	2.9	3.7	**2.3**	**-4.8**	**5.3**
Inventories			0.0	0.6	0.7	0.2	**-0.4**	**-0.3**	**1.0**
Net exports			0.9	0.4	1.2	0.2	**0.5**	**-1.9**	**0.3**
Employment			0.3	1.8	3.0	3.2	**2.4**	**-2.7**	**2.0**
Unemployment rate (a)			7.1	8.0	6.6	5.1	**4.5**	**7.0**	**5.1**
Compensation of employees / head			4.9	3.1	3.0	3.9	**4.5**	**1.6**	**1.2**
Unit labour costs whole economy			3.1	1.8	1.2	3.0	**4.5**	**6.3**	**-3.3**
Real unit labour cost			0.0	1.1	-0.4	0.7	**2.0**	**4.0**	**-4.2**
Saving rate of households (b)			13.1	11.5	12.6	13.3	**15.1**	**20.6**	**18.2**
GDP deflator			3.1	0.8	1.6	2.2	**2.4**	**2.1**	**0.9**
Harmonised index of consumer prices			3.6	-0.2	1.6	1.9	**1.7**	**0.5**	**1.2**
Terms of trade goods			-0.4	0.8	-0.6	-0.2	**0.3**	**2.9**	**0.6**
Trade balance (goods) (c)			-2.0	3.8	3.8	2.8	**2.9**	**4.0**	**3.6**
Current-account balance (c)			-1.0	4.9	6.4	6.3	**6.8**	**6.8**	**6.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.8	4.1	5.6	5.8	**6.5**	**6.4**	**6.4**
General government balance (c)			-4.0	-1.9	0.0	0.7	**0.5**	**-7.2**	**-2.1**
Cyclically-adjusted budget balance (d)			-4.0	-1.2	-0.7	-0.7	**-0.9**	**-4.5**	**-1.2**
Structural budget balance (d)			-	-1.0	-0.6	-0.6	**-0.8**	**-4.4**	**-1.2**
General government gross debt (c)			39.7	78.7	74.1	70.4	**66.1**	**83.7**	**79.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

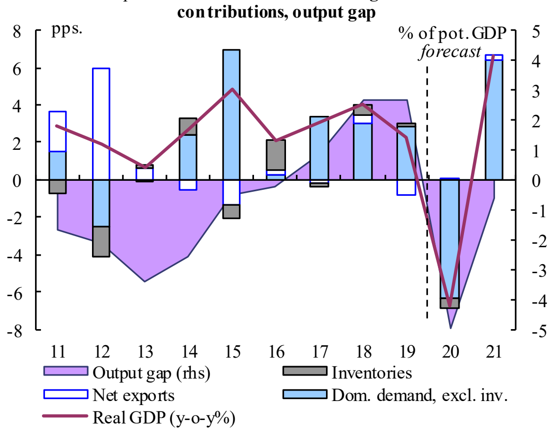
18. SLOVAKIA

In the wake of the COVID-19 crisis, Slovakia's economy is expected to enter into a deep recession in 2020 as private consumption, investment and trade suffer. As the impact of COVID-19 and the containment measures put in place to fight it are likely to subside in the second half of 2020, a swift recovery is expected in 2021. Consumer price inflation is projected to moderate substantially due to lower energy prices and less demand-pull inflation. Increased public spending should mitigate the recession and aid the recovery, but sharply increase the general government deficit in 2020 and 2021.

A deep recession and a swift recovery

After expanding by 2.3% in 2019, real GDP in Slovakia is forecast to contract sharply by 6¾% in 2020, but to then recover swiftly as containment measures are lifted and grow by 6½% in 2021. Despite substantial government measures put in place to cushion the impact, the COVID-19 crisis is projected to temporarily suppress domestic demand, the main driver of both the recession in 2020 and the recovery in 2021. Private consumption is expected to drop sharply in 2020 as consumers withhold spending due to closed stores, travel restrictions and higher precautionary savings. It is expected to recover in 2021, but not to fully return to its previous trajectory, as employment and wage growth are also impacted. The uncertainty, liquidity constraints and restrictions to business activity are projected to weigh even more heavily on investment growth in 2020. Trade is also projected to decrease sharply in 2020, but to offset most of the losses in 2021.

Graph II.18.1: **Slovakia - Real GDP growth and contributions, output gap**



Trade outlook marked by recession

Supply chain disruptions and weaker demand in key EU trading partners are expected to take their toll on exports in 2020. However, goods, the bulk of Slovakia's exports, are expected to recover relatively quickly and post high growth rates in the second half of 2020 and in 2021. This is particularly the case for Slovakia's large automotive sector. As imports are expected to display a similar pattern, net exports are unlikely to act as a significant drag on growth. While the recovery in trade remains subject to uncertainties and depends on prospects in key trading partners and on demand in the automotive sector, Slovakia is well-positioned to regain export market shares.

Employment to fall in 2020 but partially recover in 2021

The limited duration of the crisis and public support are projected to mitigate the fallout on the labour market. Nevertheless, after years of strong employment growth, Slovakia's economy is expected to shed jobs amid the recession. The unemployment rate is projected to rise from its record low of 5.8% in 2019 to 8¾% in 2020. Strong economic growth in 2021 is expected to bring a marked, but not full recovery to employment in 2021, with the unemployment rate decreasing to 7%. Wage growth is also expected to slow markedly from the high rates seen in recent years. While these developments weigh on household disposable income, the latter remains relatively robust, in part aided by government measures. The saving rate is expected to increase sharply in 2020 as consumers refrain from spending, though this development is projected to be largely reversed in 2021.

Inflation slows amid recession and lower energy prices

Headline inflation is forecast to slow substantially over the forecast horizon, moderating from 2.8% in 2019 to 1.9% in 2020 and 1.1% in 2021. Energy prices contribute markedly to the slowdown, as oil prices have recently collapsed. This is expected to sharply reduce regulated energy prices in 2021. Service price inflation is also expected to slow as the recession weighs on demand and on wage growth. Food prices are likely to grow more swiftly than overall inflation.

Deficit and debt to rise strongly

In 2019, the general government deficit of 1.3% of GDP turned out to be higher than the budget target of 0.5%. The worse-than-expected outturn was the result of the lower local governments' surplus, higher subsidies and public wages, higher spending on healthcare and social security systems, as well as military equipment purchases. Higher-than-expected expenditure was carried over from previous years and outpaced the solid growth in tax revenues, driven by robust labour market developments and buoyant household consumption.

In 2020, the general government deficit is expected to increase to 8½% of GDP. This is the result of both a sharp decline in tax revenue, reflecting the economic downturn, and the introduction of fiscal support measures to counteract the economic impact of the COVID-19 pandemic. The estimated decrease in tax revenues attributable to macroeconomic fundamentals is around 3% of GDP. The impact of the measures on the expenditure side is estimated at above 2¼% of GDP and of 1¼% of GDP on the revenue side in 2020. Key measures increasing the general government deficit include employment support schemes, as well as sickness and nursing benefits. An accelerated drawing and reallocation of EU funds offsets the cost of these measures by around 1% of GDP. Shifting payments in time, such as postponed employer social security contributions, waived income tax advance payments and the loss-carry forward used in tax returns for 2019, are likely to have a limited impact on the overall 2020 deficit. The general government balance is also negatively impacted by the delayed implementation of the online connection of all cash registers to the financial administration and the introduction of the regular 13th pensions at the beginning of the year.

In 2021, under a no-policy-change assumption, the general government deficit is forecast to decline to close to 4% of GDP. The use of EU funds is set to increase as the end of the programming period nears. The general government debt-to-GDP ratio is forecast to increase to nearly 60% of GDP in both 2020 and 2021.

Table II.18.1:
Main features of country forecast - SLOVAKIA

	2018			Annual percentage change					
	bn EUR Curr. prices	**% GDP**	**00-15**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
GDP	89.7	100.0	4.0	2.1	3.0	4.0	**2.3**	**-6.7**	**6.6**
Private Consumption	50.2	55.9	3.1	3.9	4.3	3.9	**2.2**	**-7.1**	**7.2**
Public Consumption	16.7	18.6	2.7	1.9	1.0	0.2	**3.8**	**4.2**	**1.5**
Gross fixed capital formation	19.0	21.2	3.0	-9.3	3.9	3.7	**4.4**	**-14.7**	**10.7**
of which: equipment	8.4	9.3	4.3	-2.0	0.8	-3.5	**4.8**	**-24.1**	**18.7**
Exports (goods and services)	86.2	96.1	9.5	5.0	3.5	5.4	**1.7**	**-12.4**	**13.4**
Imports (goods and services)	84.4	94.1	8.0	4.8	3.9	5.0	**2.6**	**-12.6**	**13.3**
GNI (GDP deflator)	88.3	98.4	3.8	2.0	3.6	4.5	**2.3**	**-7.1**	**6.9**
Contribution to GDP growth: Domestic demand			3.0	0.2	3.4	3.0	**2.9**	**-6.3**	**6.4**
Inventories			0.1	1.6	-0.2	0.5	**0.2**	**-0.5**	**0.0**
Net exports			0.9	0.3	-0.2	0.5	**-0.8**	**0.1**	**0.3**
Employment			0.6	2.4	2.2	2.0	**1.2**	**-3.4**	**2.0**
Unemployment rate (a)			14.7	9.7	8.1	6.5	**5.8**	**8.8**	**7.1**
Compensation of employees / head			6.0	2.2	5.4	5.6	**6.2**	**1.3**	**2.5**
Unit labour costs whole economy			2.5	2.5	4.5	3.5	**5.1**	**4.9**	**-2.0**
Real unit labour cost			0.0	3.0	3.3	1.4	**2.4**	**2.7**	**-3.2**
Saving rate of households (b)			7.5	8.6	8.2	8.4	**7.7**	**17.1**	**10.0**
GDP deflator			2.6	-0.5	1.2	2.0	**2.6**	**2.2**	**1.3**
Harmonised index of consumer prices			3.8	-0.5	1.4	2.5	**2.8**	**1.9**	**1.1**
Terms of trade goods			-0.5	-0.4	-0.8	-0.9	**-0.3**	**0.1**	**0.0**
Trade balance (goods) (c)			-1.7	2.3	1.1	1.1	**0.3**	**0.5**	**0.5**
Current-account balance (c)			-3.0	-2.0	-1.8	-1.6	**-2.6**	**-2.9**	**-2.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.5	-2.1	-2.5	-1.3	**-2.3**	**-2.6**	**-2.2**
General government balance (c)			-4.9	-2.5	-1.0	-1.0	**-1.3**	**-8.5**	**-4.2**
Cyclically-adjusted budget balance (d)			-4.7	-2.4	-1.3	-2.1	**-2.3**	**-6.6**	**-4.0**
Structural budget balance (d)			-	-2.3	-1.3	-2.1	**-2.3**	**-6.6**	**-4.0**
General government gross debt (c)			43.1	52.0	51.3	49.4	**48.0**	**59.5**	**59.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

19. FINLAND

Economic activity in Finland is being severely affected as a result of the COVID-19 pandemic and the measures taken to contain it. Still, thanks to unprecedented fiscal support, the economy is expected to rebound in line with the gradual lifting of containment measures, although it is not expected to re-attain its 2019 level over the forecast horizon. Public finances will be impacted by the measures taken to counteract the crisis, with both the general government deficit and debt growing significantly in 2020.

Economic growth to plunge

The economy ended last year on a weak footing. GDP growth unexpectedly decreased in the fourth quarter of 2019, bringing the annual GDP growth rate down to 1.0%, after 1.6% in 2018. Growth in 2019 was strongly driven by exports and private consumption, while investment spending contracted.

As a consequence of measures taken to contain the COVID-19 pandemic, GDP is forecast to contract sharply by about 6¼% in 2020, before rebounding 3¾% in 2021. As the main outbreak started later in Finland, the main blow is set for the second quarter of this year, followed by a rebound in the third quarter once the bulk of the containment measures are lifted.

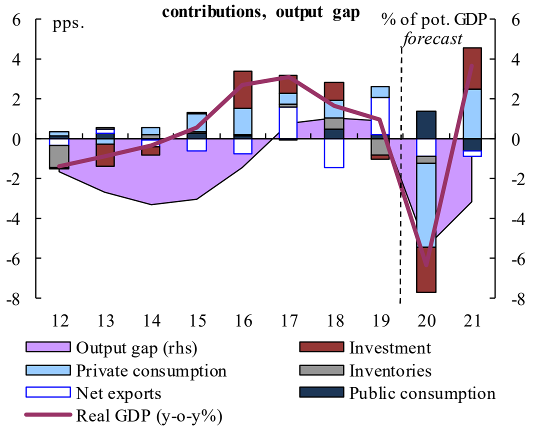
All demand components, except government consumption, are expected to fall in 2020. High uncertainties and rising unemployment is set to weigh on private consumption. Even households whose purchasing power is unaffected by the crisis are expected to increase precautionary savings, delaying discretionary spending. This effect is expected to slowly fade with the end of the outbreak, and private consumption should recover progressively in 2021. A strong, temporary increase in government spending and exceptional liquidity measures should soften the direct impact of the crisis during the most critical period.

Investment spending is set to fall sharply in 2020 due to uncertainties causing weak demand in both the housing market and the business sector. Public investment is expected to provide some stimulus over the crisis period, while a recovery in private investment is likely to take hold only in 2021, as surviving businesses get a clearer view of the demand outlook. Faltering external demand is initially set to bring exports down much more than imports. Exports are forecast to improve in line with the expected recovery in Finland's main trading partners, but only gradually. Consequently, net exports' contribution to GDP is forecast to turn negative. Falling productivity is likely to hit Finland's cost competitiveness.

Grim employment outlook and low inflation

The labour market, already stagnant prior to the crisis, is set to be strongly affected. Because of falling output, unemployment is set to rise markedly in mid-2020. As activity resumes, unemployment should start to fall, but remain at a higher level in 2021 than in 2019. Wages are expected to rise due to the wage bargaining agreements reached before the crisis hit, while unit labour costs are projected to rise even faster due to labour hoarding. Headline inflation is forecast to be even lower than in 2019, followed by a minor rise in 2021. The decrease in consumer demand and sharp declines in energy and commodity prices are set to outweigh the expected rise in food prices.

Graph II.19.1: **Finland - Real GDP growth and contributions, output gap**



This forecast scenario is subject to downside risks mostly relating to the length and severity of the pandemic-induced domestic and foreign demand shock. A more prolonged crisis in some leisure-related activities, such as the cruise ship industry, could cause a sizeable additional shock. At the same time, Finland's main trading partners might enter recovery period more quickly than expected.

Commensurate fiscal response

Actions taken to contain the spread of the virus are set to take a heavy toll on public finances. This additional burden weighs on the 2020 budget that frontloaded expenditure related to implementation of the 2019-2023 government programme.

The fiscal cost of the pandemic relief measures adopted by mid-April 2020 amounts to about 1.7% of GDP. Most of them consist of subsidies for the most affected sectors of the economy, helping SMEs and the self-employed get through the lockdown period. The government also decided on the temporary lowering of pension contributions for private employers. The measures cover also the direct costs of dealing with the epidemic such as spending on healthcare and medical supplies, public order and border protection. The indirect impact of the crisis reflects the functioning of automatic stabilisers and stems from lower government revenues due to the economic recession and higher expenditure on social security. The overall impact of the crisis is currently projected to deteriorate the general government balance to -7½% of GDP in 2020.

Although a robust economic recovery is expected in 2021, government revenues are expected to remain below their pre-crisis forecasts, based on a no-policy-change assumption. The bulk of expenditure related to the pandemic has been temporary in nature and is expected to be fully cancelled by the end of 2020, but some business support programmes are set to continue in the following years. Furthermore, the government is expected to incur some losses from the loans and investments it has guaranteed. Consequently, the general government balance projected for 2021 is -3½% of GDP.

The public debt-to-GDP ratio is expected to jump by around 10 pps. in 2020. This is the result of the high deficit of the general government as well as some measures not recorded in the deficit, such as tax deferrals and investments in private companies. In 2021, the debt ratio is projected to marginally further deteriorate.

Table II.19.1:

Main features of country forecast - FINLAND

		2018		Annual percentage change						
		bn EUR Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		233.6	100.0	1.5	2.7	3.1	1.6	**1.0**	**-6.3**	**3.7**
Private Consumption		123.7	53.0	2.0	2.4	1.0	1.7	**1.0**	**-7.9**	**4.9**
Public Consumption		53.4	22.9	1.2	0.7	-0.2	2.1	**0.9**	**6.0**	**-2.4**
Gross fixed capital formation		55.8	23.9	0.9	8.8	4.0	3.7	**-0.8**	**-9.8**	**9.1**
of which: equipment		12.4	5.3	0.8	13.4	6.4	-0.3	**0.2**	**-17.4**	**15.3**
Exports (goods and services)		90.2	38.6	2.8	3.7	8.8	1.7	**7.2**	**-10.7**	**7.3**
Imports (goods and services)		92.5	39.6	3.7	5.8	4.1	5.5	**2.2**	**-8.6**	**8.1**
GNI (GDP deflator)		234.4	100.4	1.6	2.2	2.6	2.0	**0.4**	**-6.4**	**3.7**
Contribution to GDP growth:	Domestic demand			1.5	3.3	1.4	2.3	**0.5**	**-5.1**	**4.0**
	Inventories			0.1	0.1	0.1	0.5	**-0.8**	**-0.4**	**0.0**
	Net exports			-0.1	-0.8	1.6	-1.4	**1.9**	**-0.9**	**-0.3**
Employment				0.7	0.5	1.0	2.5	**1.0**	**-2.5**	**1.1**
Unemployment rate (a)				8.4	8.8	8.6	7.4	**6.7**	**8.3**	**7.7**
Compensation of employees / head				2.7	0.9	-1.1	1.3	**1.6**	**2.1**	**2.8**
Unit labour costs whole economy				1.9	-1.3	-3.1	2.2	**1.6**	**6.3**	**0.2**
Real unit labour cost				0.2	-1.5	-3.7	0.4	**-0.2**	**4.5**	**-1.6**
Saving rate of households (b)				8.1	6.3	6.7	7.3	**8.1**	**18.3**	**14.2**
GDP deflator				1.7	0.2	0.7	1.8	**1.8**	**1.8**	**1.8**
Harmonised index of consumer prices				1.8	0.4	0.8	1.2	**1.1**	**0.5**	**1.4**
Terms of trade goods				-0.7	0.0	-0.9	0.9	**-0.9**	**1.4**	**0.3**
Trade balance (goods) (c)				6.1	0.0	0.7	0.1	**1.1**	**0.4**	**0.4**
Current-account balance (c)				2.8	-1.9	-0.8	-1.6	**-0.8**	**-1.3**	**-1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.9	-1.9	-0.7	-1.6	**-0.7**	**-1.2**	**-1.4**
General government balance (c)				1.3	-1.7	-0.7	-0.9	**-1.1**	**-7.4**	**-3.4**
Cyclically-adjusted budget balance (d)				1.3	-0.9	-1.1	-1.5	**-1.6**	**-4.2**	**-1.6**
Structural budget balance (d)				-	-0.9	-1.1	-1.4	**-1.7**	**-4.2**	**-1.6**
General government gross debt (c)				45.2	63.2	61.3	59.6	**59.4**	**69.4**	**69.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

Non-EA Member States

20. BULGARIA

The strength of Bulgaria's economy and the positive external and fiscal balances before the outbreak of COVID-19 should help it recover from the large economic shock caused by the pandemic. Unemployment is already increasing, albeit from historic lows, even though government support is cushioning the blow to the labour market. Investment is projected to fall sharply in 2020 and to recover partially in 2021. Household consumption, improvements in the labour market and a return of export growth should drive a recovery in 2021.

Sharp recession followed by a partial recovery

At the onset of the COVID-19 pandemic, economic conditions in Bulgaria were favourable. At 3.4%, GDP growth in 2019 was robust for the fifth year in a row, mainly driven by growing household consumption. This positive trend has been interrupted by the COVID-19 outbreak. Bulgaria's real GDP is projected to contract by over 7% in 2020, largely due to the adverse impact of measures taken to contain the spread of the pandemic following the declaration of a state of emergency on 13 March 2020. The sectors directly subject to these measures (e.g. retail, transport, hotels and restaurants, art and entertainment) are estimated to be operating at 30-40% of their capacity, while important negative spillover effects are also expected on the rest of the economy.

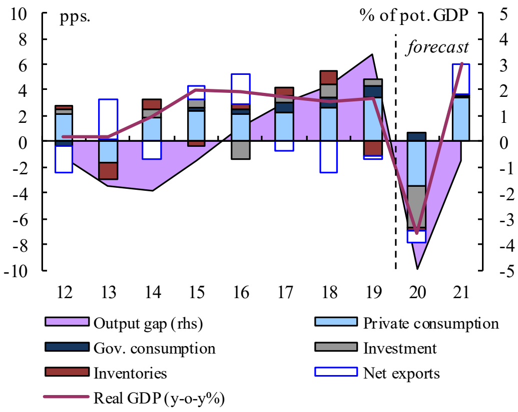
A rebound in economic activity is expected in the second half of 2020 with the gradual lifting of the confinement measures. Domestic demand is projected to strengthen already in the third quarter and should continue growing in the fourth.

Government measures to protect income and employment should support household consumption, which is nevertheless expected to fall by almost 6% in 2020. Investment is set to shrink by 18% in 2020 on account of current and expected financial hardship at the firm level due to drastically reduced cash flows. Liquidity support schemes are expected to mitigate chain defaults but not to stimulate new investment.

The slowdown of international economic activity has had a negative effect on Bulgaria's exports since end-2019. In 2020, a broad-based fall in exports of more than 13% is expected, mainly due to the worldwide impact of the COVID-19 pandemic. Imports are expected to contract by more than 12%, mainly due to the large fall in investment but also due to the decline in exports, which have a significant import content.

In 2021, growth is forecast to rebound to around 6%, partially offsetting the decline in 2020. Private consumption is set to drive the recovery, as the labour market is expected to improve. Growth is also forecast to benefit from an assumed rebound in exports. Investment, however, is expected to follow a slower recovery path with an annual growth of only 1%, as high uncertainty and still weak business finances are set to supress and postpone investment activity.

Graph II.20.1: **Bulgaria - Real GDP growth and contributions, output gap**



Risks to this macroeconomic outlook arise from the uncertainty on the degree of take up and success of the measures to support the economy. The impact of the epidemic on consumption patterns will also be critical for the strength and duration of the recovery phase.

Unemployment rate surges from historic lows

The unemployment rate has increased significantly since the COVID-19 containment measures were put in place, boosted in part by the return of workers from abroad. Job losses are set to be most pronounced in the services sector (which accounts for more than 60% of employment), where the disruption is likely to last longest. The unemployment rate is expected to jump to 7% in 2020, after having reached historic lows of 4.2% in

2019. In 2021, a partial recovery in employment is projected to take place and the unemployment rate to decrease to 5¾%. Nominal wage growth, after years of substantial gains, is expected to moderate to 3½% in 2020 and 2¼% in 2021.

Oil price shock pushing down inflation

Consumer price inflation is expected to fall from 2.5% in 2019 to 1.1% in 2020 and stay at that level in 2021. This can be largely explained by the sizeable impact of the collapse in oil prices. Core inflation is set to fall to 2% in 2020 reflecting lower prices in non-energy industrial goods and a slowdown in services inflation. In 2021, core inflation is forecast to decelerate further to 1.3% due to a smaller price increase of processed food.

Fiscal policy to support public health and the economy

Bulgaria is facing the COVID-19 pandemic from a strong fiscal position. In 2019, the budget surplus reached 2.1% of GDP. As part of the package of measures to contain the pandemic and its impact the government announced a higher spending on medical equipment, wage bonuses and increases for the medical and security staff, as well as subsidies, tax deferrals, state guarantees and a reallocation of investment funds to support the economy. The severe macroeconomic outlook is set to increase spending on unemployment and social benefits and curtail the revenue from taxes. The overall impact on the budget is estimated to be close to 5 pps. of GDP relative to the previous year, pushing the balance into a deficit of around 2¾% of GDP in 2020 after four years of surplus.

In 2021, based on a no-policy-change assumption, the budget deficit is forecast at 1¾% of GDP, mainly due to the positive impact of higher economic growth on revenues and the fading impact of some expenditure measures. General government debt is expected to increase and reach over 25% of GDP in both 2020 and 2021, as a result of the primary deficit, the contraction in GDP and certain measures to support liquidity in the economy (e.g. the capital strengthening of the Bulgarian Development Bank to provide state guaranteed loans) that do not affect the deficit but which do weigh on debt.

Table II.20.1:

Main features of country forecast - BULGARIA

		2018		Annual percentage change						
	bn BGN	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		109.7	100.0	3.6	3.8	3.5	3.1	**3.4**	**-7.2**	**6.0**
Private Consumption		65.5	59.7	4.6	3.5	3.8	4.4	**5.8**	**-5.8**	**5.6**
Public Consumption		18.0	16.5	1.4	2.2	4.3	5.3	**5.5**	**4.0**	**0.7**
Gross fixed capital formation		20.6	18.8	6.4	-6.6	3.2	5.4	**2.2**	**-18.0**	**1.0**
of which: equipment		8.5	7.7	7.1	-14.8	4.4	8.8	**3.1**	**-21.7**	**2.4**
Exports (goods and services)		72.2	65.9	5.5	8.6	5.8	1.7	**1.9**	**-13.2**	**10.8**
Imports (goods and services)		69.4	63.3	6.6	5.2	7.4	5.7	**2.4**	**-12.5**	**6.8**
GNI (GDP deflator)		110.7	100.9	3.6	5.6	5.1	2.7	**3.1**	**-7.3**	**6.1**
Contribution to GDP growth:	Domestic demand			4.8	1.1	3.6	4.4	**4.8**	**-6.0**	**3.7**
	Inventories			-0.1	0.4	0.6	1.1	**-1.2**	**-0.2**	**0.0**
	Net exports			-1.0	2.2	-0.7	-2.4	**-0.3**	**-0.9**	**2.3**
Employment				0.2	0.5	1.8	-0.1	**0.3**	**-2.5**	**0.5**
Unemployment rate (a)				11.7	7.6	6.2	5.2	**4.2**	**7.0**	**5.8**
Compensation of employees / head				8.5	5.8	10.5	9.7	**6.1**	**3.4**	**2.3**
Unit labour costs whole economy				5.0	2.4	8.7	6.3	**3.0**	**8.6**	**-3.1**
Real unit labour cost				0.4	-0.1	4.5	2.2	**-1.6**	**8.1**	**-5.4**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.5	2.5	3.9	4.0	**4.7**	**0.5**	**2.4**
Harmonised index of consumer prices				4.6	-1.3	1.2	2.6	**2.5**	**1.1**	**1.1**
Terms of trade goods				-0.4	3.9	0.3	0.7	**1.8**	**-1.6**	**0.2**
Trade balance (goods) (c)				-15.0	-2.1	-1.5	-3.3	**-2.8**	**-3.3**	**-1.6**
Current-account balance (c)				-6.5	5.3	6.1	4.7	**5.2**	**3.3**	**5.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-5.7	7.3	7.1	5.8	**6.4**	**4.7**	**6.8**
General government balance (c)				-0.7	0.1	1.1	2.0	**2.1**	**-2.8**	**-1.8**
Cyclically-adjusted budget balance (d)				-0.6	-0.1	0.7	1.3	**1.1**	**-1.3**	**-1.6**
Structural budget balance (d)				-	-0.1	0.7	1.3	**1.1**	**-1.3**	**-1.6**
General government gross debt (c)				29.6	29.3	25.3	22.3	**20.4**	**25.5**	**25.4**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

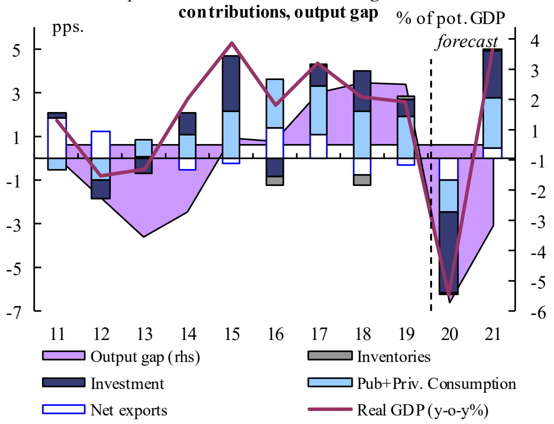
21. CZECHIA

Czechia's economy is set to suffer a strong hit from the COVID-19 outbreak in 2020, as external demand drops and lockdown measures disrupt economic activity. Real GDP is expected to gradually recover in 2021, although it is unlikely to rebound to 2019 levels. Inflation is expected to decrease amid falling oil prices and demand. In parallel, public finances are forecast to deteriorate significantly, as the government's measures provide support against the economic impact of the pandemic.

Economic growth to plummet in 2020

Before the COVID-19 pandemic, Czechia's economy was on track for a gradual slowdown after several years of sustained growth. This was largely reflected in weakening confidence indicators and a drop in industrial production throughout 2019 and early 2020.

Graph II.21.1: **Czechia - Real GDP growth and contributions, output gap**



In 2020, the COVID-19 pandemic is expected to lead to a sharp decline in GDP growth of -6¼%. Nonetheless, the magnitude of the fall will largely depend on the effectiveness of government measures and how quickly global demand rebounds after the shock. Czechia implemented lockdown measures early and will likely lift them progressively starting in early May, considering the current evolution of the pandemic. Thus, output is estimated to shrink by over 9% in the second quarter of 2020. The economy should then gradually recover from the third quarter onwards, but the impact on sectors such as transport, hospitality and tourism may last longer. In 2021, GDP is expected to grow by 5%, and recover the loss only partially. The upturn is forecast to be mainly driven by an increase in private consumption and investment.

Private consumption, which was the driver of growth in past years, is set to drop by around 4½% in 2020. Households will likely defer consumption of durable goods and build precautionary savings as uncertainty remains high. Unemployment is expected to be impacted as well, reaching around 5%, but its increase should be cushioned by the government's measures, a previously tight labour market and a low share of temporary contracts.

Investment and trade to nosedive in 2020 and recover only partially

Investment is expected to contract sharply in 2020 by nearly 15%, owing to value-chain disruptions, increasing uncertainty and workforce shortages during the lockdown period. Reinforcing already prevalent structural challenges, the automotive sector is set to be particularly hit by the COVID-19 crisis, fuelling a large drop in equipment investment. On the other hand, the fall in construction investment may be softened by the sector's order stock and its reliance on local supply-chains. However, expectations of declining house prices could limit the scope for recovery in construction investment even in 2021. Public investment growth should be negligible in 2020, but is expected to rebound significantly in 2021.

Trade is set to be impacted strongly due to the structure of Czechia's exports. The highly cyclical nature of some sectors (e.g. the automotive sector) will likely cause a drop in the trade balance of goods in 2020, before gradually recovering in 2021. Services should also be strongly affected, although its trade balance is expected to decrease only mildly in 2020 and to remain stable in 2021.

Inflation expected to decrease slightly

Headline HICP inflation is forecast to fall to 2.3% in 2020 and 1.9% in 2021. The decline in oil prices will likely translate into a drop in energy prices, while the easing of wage growth may put additional downward pressure on inflation, particularly on prices of services. However, a rather weaker Czech crown and a likely rise in food prices is expected to moderate the fall in inflation over the forecast horizon.

Public finances to deteriorate significantly in both 2020 and 2021

After four years of budgetary surpluses that lowered the public debt-to-GDP ratio to around 30%, the general balance is expected to turn sharply negative this year. To help households and firms through the pandemic, the Czech government adopted a stimulus package amounting to around 2% of GDP in direct aid. It also launched public guarantee schemes of up to 17% of GDP which are assumed to entail no immediate budgetary impact.

The combined loss in tax revenues due to the drop in economic output and the adopted policy measures are expected to generate a fiscal deficit of 6¾% of GDP in 2020. On the revenue side, direct taxes should be the most impacted, particularly corporate tax receipts. On the expenditure side, the largest pandemic relief measures include financial support to the self-employed and a short-time subsidy working scheme. This expenditure will add to the previously agreed increases in public wages, pensions and other social benefits. This fiscal expansion will also likely lead to an increase in interest expenditures. Public investment, on the other hand, is likely to stagnate, as there is a standstill in terms of new infrastructure projects.

On a no-policy change scenario, the general government deficit is expected to improve slightly in 2021, to 4% of GDP. The recovery in tax revenue is expected to be modest, whereas current expenditures are expected to continue growing. Public investment is projected to increase sharply, as the current EU funds cycle is drawing to a close. The general government debt is projected to increase from around 31% of GDP in 2019 to almost 40% by 2021.

Table II.21.1:

Main features of country forecast - CZECHIA

		2018		Annual percentage change						
	bn CZK	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		5323.6	100.0	2.8	2.5	4.4	2.8	**2.6**	**-6.2**	**5.0**
Private Consumption		2525.8	47.4	2.2	3.6	4.3	3.2	**3.0**	**-4.6**	**4.0**
Public Consumption		1059.0	19.9	1.3	2.7	1.3	3.4	**2.6**	**3.6**	**1.5**
Gross fixed capital formation		1363.7	25.6	3.0	-3.1	3.7	7.6	**2.8**	**-14.5**	**9.6**
of which: equipment		593.0	11.1	4.4	-2.5	3.4	8.5	**0.3**	**-25.0**	**20.9**
Exports (goods and services)		4177.1	78.5	8.7	4.3	6.7	4.4	**1.2**	**-13.3**	**9.6**
Imports (goods and services)		3836.9	72.1	8.2	2.8	5.9	5.9	**1.7**	**-13.0**	**9.6**
GNI (GDP deflator)		5026.8	94.4	2.4	2.7	4.7	3.5	**3.7**	**-7.2**	**5.4**
Contribution to GDP growth:	Domestic demand			2.2	1.4	3.2	4.0	**2.7**	**-5.1**	**4.5**
	Inventories			0.1	-0.4	0.1	-0.4	**0.2**	**-0.1**	**0.0**
	Net exports			0.4	1.4	1.1	-0.8	**-0.3**	**-1.0**	**0.5**
Employment				0.4	1.6	1.6	1.3	**0.7**	**-3.1**	**0.8**
Unemployment rate (a)				6.9	4.0	2.9	2.2	**2.0**	**5.0**	**4.2**
Compensation of employees / head				4.5	4.0	6.4	8.0	**6.2**	**2.5**	**4.2**
Unit labour costs whole economy				2.0	3.1	3.6	6.5	**4.2**	**5.9**	**0.0**
Real unit labour cost				0.2	1.8	2.1	3.8	**0.7**	**4.4**	**-1.6**
Saving rate of households (b)				11.6	11.6	9.5	10.9	**10.7**	**16.2**	**12.9**
GDP deflator				1.8	1.3	1.4	2.6	**3.5**	**1.4**	**1.6**
Harmonised index of consumer prices				2.2	0.6	2.4	2.0	**2.6**	**2.3**	**1.9**
Terms of trade goods				-0.1	1.0	-1.4	-0.1	**0.2**	**-0.5**	**0.0**
Trade balance (goods) (c)				-0.5	5.4	5.0	4.2	**4.2**	**3.4**	**3.5**
Current-account balance (c)				-3.5	0.1	0.3	-0.1	**0.7**	**-1.5**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.5	0.6	0.8	0.8	**1.1**	**-0.8**	**0.0**
General government balance (c)				-3.3	0.7	1.5	0.9	**0.3**	**-6.7**	**-4.0**
Cyclically-adjusted budget balance (d)				-3.5	0.7	0.8	0.1	**-0.5**	**-4.6**	**-2.9**
Structural budget balance (d)				-	0.7	0.8	0.1	**-0.5**	**-4.6**	**-2.9**
General government gross debt (c)				32.3	36.8	34.7	32.6	**30.8**	**38.7**	**39.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

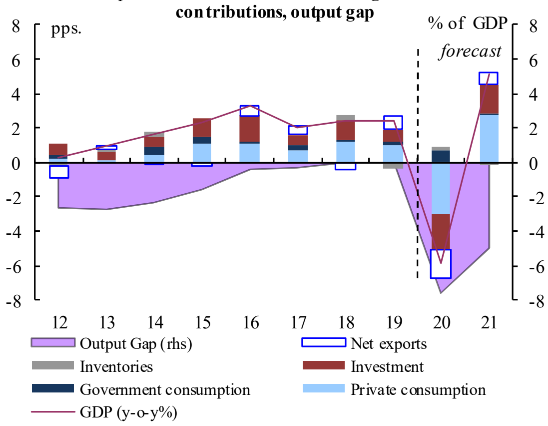
22. DENMARK

Denmark's economy is forecast to contract sharply this year as the COVID-19 pandemic is taking a significant economic toll despite the decisive policy response of Danish authorities to mitigate its impact. The general government budget deficit is projected to rise above 7% of GDP and government debt to increase by over 10 pps., albeit from a comparatively low level.

Abrupt downturn

Denmark entered the COVID-19 crisis with strong economic fundamentals and without any major macroeconomic imbalances. Real GDP expanded by 2.4% in 2019, above its potential growth rate, with positive contributions from all demand components. The general government budget recorded a surplus of 3.7% of GDP last year. These favourable trends continued into 2020 before coming to an abrupt halt in early March. Economic activity took a sharp downturn following the introduction of restrictions to prevent the spread of the pandemic. Denmark's GDP is estimated to have contracted significantly in the first quarter of 2020, but an even steeper decline is expected in the second quarter. The gradual reopening of the economy from 15 April could help reignite economic growth from the third quarter of 2020 onwards, provided the containment of the COVID-19 virus remains effective.

Graph II.22.1: **Denmark - Real GDP growth and contributions, output gap**



Strong policy measures put swiftly in place by the government, including direct support to partly cover businesses' fixed costs and wage expenditures, tax payment deferrals and liquidity provisions for banks and firms are expected to significantly mitigate the negative economic impact of the crisis. Still, real GDP is forecast to contract by almost 6% in 2020, followed by a rebound in 2021, with GDP growth expected to exceed 5%.

Domestic demand takes a big hit

Consumer spending fell sharply, when measures to contain the pandemic, such as the shutdown of shops and restaurants or the cancellation of events and suspension of other economic activities, were taken. Uncertainty about the future employment and income situation is expected to lead households to increase precautionary savings. On the other hand, strong automatic stabilisers should cushion negative labour market developments. Nevertheless, private consumption is forecast to fall by more than 6% in 2020.

In the current economic turmoil, many companies are postponing or cancelling investment decisions. As a result, investment is set to fall by around 10% in 2020. In particular equipment investment, which is highly dependent on external demand, is expected to contract sharply. Public investment and the global economic recovery are forecast to drive an investment rebound in 2021.

Labour market downturn

Denmark entered the present crisis with close to full employment and a low unemployment rate. However, the restrictions on economic activity have led to a rapid and sizeable rise in unemployment. This rise was highly uneven across sectors with tourism, hospitality, food services, transport and retail hit particularly hard. The emergency packages adopted by the government appear to have been successful so far in keeping many workers in employment and limiting a sharp increase in unemployment. Overall, by the end of 2020, the total number of people in employment is forecast to fall by more than 40,000. Despite the rising pension age, the labour force is projected to stagnate this year as many foreign workers have returned to their home countries. As a result, the unemployment rate is forecast to moderately increase from 5% in 2019 to around 6½% in 2020 before decreasing again to below 6% in 2021.

Sharp contraction in external trade

The global downturn and the disruption of cross-border value chains and trading patterns imply a sharp contraction of foreign trade in 2020. Services exports, in particular shipping, are set to see a sharp fall. However, the composition of Danish goods exports (high share of pharmaceutical and food products) is less sensitive to business cycles, potentially preventing a sharper downturn. Still, exports of goods and services are projected to contract by around 10% in 2020. Despite some import compression, net external trade is forecast to detract from real GDP growth in 2020.

Moderately increasing inflation

Consumer price inflation remained moderate at 0.7% in 2019, due to low energy prices and decreasing domestic price pressures. Collapsing oil prices and sharp contraction of consumption are forecast to further ease inflationary pressures in 2020. On the other hand, the announced increase of tobacco taxes in 2020 and 2021 and expected increases in food prices are set to push inflation upwards. As a result, headline inflation is projected to moderate to 0.3% in 2020 before increasing again to 1.3% in 2021.

Strong initial public finances help to mitigate the shock

The 2020 recession and the emergency measures adopted in response to the COVID-19 outbreak are projected to have a substantial impact on government finances. On the expenditure side, automatic stabilisers and emergency packages equivalent to over 4% of GDP should result in the largest deficit in years. The repayment of excessively collected property taxes is estimated to add a further ¾% of GDP to the deficit. On the revenue side, the deferral of significant tax revenues until 2021 should have a temporary deficit-increasing effect in 2020 that should be reversed in 2021. In addition, marked shortfalls in tax revenue are projected as a result of the slump in economic activity in 2020. The deficit is forecast to exceed 7% of GDP in 2020, before the expected recovery and reversal of tax payment deferrals reduces the deficit to around 2¼% of GDP in 2021, based on an assumption that the measures adopted to fight the pandemic only have a temporary effect in 2020. The gross debt ratio should rise sharply from 33.2% of GDP in 2019 to around 45% of GDP at the end of 2020.

Table II.22.1:

Main features of country forecast - DENMARK

	2018			Annual percentage change						
	bn DKK	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		2246.0	100.0	1.1	3.2	2.0	2.4	**2.4**	**-5.9**	**5.1**
Private Consumption		1047.7	46.7	1.1	2.4	1.6	2.6	**2.2**	**-6.4**	**5.9**
Public Consumption		546.8	24.3	1.6	0.2	1.0	0.4	**0.5**	**3.1**	**0.5**
Gross fixed capital formation		494.7	22.0	1.4	7.9	3.0	5.4	**3.4**	**-9.5**	**7.9**
of which: equipment		143.4	6.4	1.3	7.2	3.3	7.4	**-5.6**	**-17.1**	**15.8**
Exports (goods and services)		1249.7	55.6	3.5	4.1	4.6	2.4	**1.6**	**-10.7**	**8.7**
Imports (goods and services)		1113.9	49.6	4.4	3.7	4.3	3.6	**0.1**	**-8.8**	**8.1**
GNI (GDP deflator)		2304.3	102.6	1.4	2.6	1.7	2.9	**2.4**	**-6.0**	**5.1**
Contribution to GDP growth:	Domestic demand			1.2	2.7	1.6	2.5	**1.9**	**-4.3**	**4.5**
	Inventories			0.0	0.0	-0.1	0.3	**-0.4**	**0.2**	**-0.2**
	Net exports			-0.1	0.5	0.5	-0.4	**0.8**	**-1.7**	**0.8**
Employment				0.2	1.7	1.6	1.4	**1.2**	**-1.6**	**1.4**
Unemployment rate (a)				5.7	6.0	5.8	5.1	**5.0**	**6.4**	**5.7**
Compensation of employees / head				2.9	1.3	1.6	1.7	**1.5**	**1.0**	**1.7**
Unit labour costs whole economy				2.0	-0.2	1.1	0.7	**0.3**	**5.6**	**-1.9**
Real unit labour cost				0.0	-0.5	0.0	-0.1	**-0.7**	**5.0**	**-3.7**
Saving rate of households (b)				6.7	11.5	12.3	12.3	**12.3**	**19.9**	**17.2**
GDP deflator				2.0	0.3	1.1	0.8	**1.0**	**0.5**	**1.8**
Harmonised index of consumer prices				1.8	0.0	1.1	0.7	**0.7**	**0.3**	**1.3**
Terms of trade goods				0.9	1.4	-1.4	-2.4	**0.0**	**0.2**	**0.2**
Trade balance (goods) (c)				4.0	5.4	4.9	4.0	**5.7**	**4.8**	**5.3**
Current-account balance (c)				4.6	7.8	7.8	7.0	**7.9**	**6.2**	**6.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				4.6	7.8	7.8	7.0	**7.9**	**6.3**	**6.9**
General government balance (c)				0.7	0.1	1.8	0.7	**3.7**	**-7.2**	**-2.3**
Cyclically-adjusted budget balance (d)				0.4	0.4	2.0	0.8	**3.6**	**-2.7**	**0.6**
Structural budget balance (d)				-	0.3	2.0	0.8	**3.6**	**-1.9**	**0.6**
General government gross debt (c)				42.0	37.2	35.8	33.9	**33.2**	**44.7**	**44.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

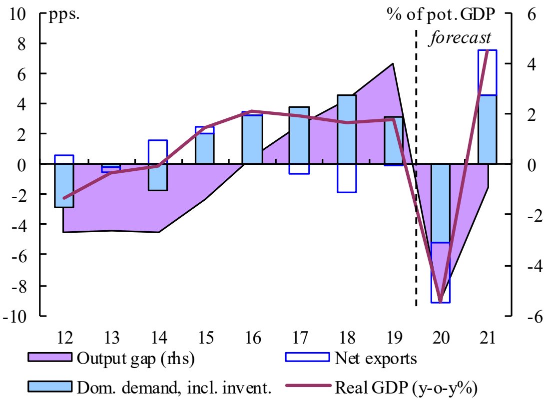
23. CROATIA

Croatia's economy entered the COVID-19 crisis in a significantly better shape than the crisis in 2008. Assuming that suppression and moderation measures are slowly phased out in 2020, Croatia's economy should rebound quickly in 2021 after a strong contraction in 2020. High reliance on tourism exacerbates the slump and poses a risk in case of longer travel restrictions. Domestic demand should remain the main driver of the recovery, as the outlook for global trade remains uncertain. Government measures are expected to cushion the impact of the recession on the labour market, though they come at a high cost for public finances.

Facing this crisis with a more resilient economy

Croatia's economy is facing the negative economic impact of the COVID-19 pandemic from a more resilient starting position than at the outset of the 2008 global financial crisis. In 2019, real output finally surpassed its 2008 level, and unemployment rate reached an all-time low. The magnitude of macroeconomic imbalances (high levels of debt and external liabilities) fell below its 2008 level. Although still relatively high, government debt decreased markedly, helped by three consecutive years of government surpluses. Furthermore, the average maturity and cost of servicing public debt improved substantially. Cost competitiveness gains and EU accession set the stage for a strong expansion of exports and Croatia's market share until 2019.

Graph II.23.1: **Croatia - Real GDP growth and contributions, output gap**



A sharp contraction in 2020

As high-frequency indicators still pointed to a strong economic performance in the first two months of 2020, Croatia's economy does not appear to have been hit hard by supply chains disruptions in China. However, with the escalation of the pandemic in Europe in early March, and the introduction of stricter suppression measures in Croatia in the second half of March, the bulk of the economic impact of the pandemic is expected to be concentrated in the second quarter of 2020.

Croatia's economy is forecast to contract by about 9% in 2020 before partially recovering by 7½% in 2021. Despite accounting for more than half of the drop in 2020, domestic demand is expected to recover faster than exports, due to significant uncertainties surrounding the outlook for global trade. Wage support measures and the operation of automatic stabilisers should help sustain household consumption while investment is expected to be supported by the ongoing implementation of projects financed by EU funds and several liquidity support measures for companies. Government consumption should continue contributing positively to growth.

Goods exports are expected to contract in 2020, primarily due to the expected recession in Croatia's main trading partners. Service exports should suffer even more due to the negative impact of the suppression and mitigation measures on the travel, hospitality and transport sectors. Due to the expected increased aversion towards international travel by potential non-resident tourists, tourism is not expected to recover to its 2019 level in 2021. However, the negative impact on GDP of the large fall in exports should be mitigated by the high import component of tourism exports. The trade deficit is expected to temporarily deteriorate in 2020 before partially recovering in 2021. The current account balance should temporarily deteriorate to -1¾% of GDP in 2020, before improving to 0.5% of GDP in 2021.

Employment to contract then rebound quickly

The labour market is expected to react fast to the disruption of economic activity. Although government wage and liquidity support measures should mitigate the fall in employment in some sectors, employment is set to drop sharply in sectors that are likely to experience the longest disruption, e.g. hospitality. Employment should bottom out towards the end of the year, leaving the unemployment rate at 10¼% in 2020, some 3½ pps. above its level in 2019. Consumer price inflation is expected to decline in 2020 due to the drop in oil prices. Core inflation should be driven by weaker overall demand and the base effects from the VAT rates cut in 2019. Inflation should remain subdued also in 2021.

Public finances

After the third consecutive year of surplus in 2019, the general government balance is projected to deteriorate sharply in 2020 on the back of the economic slowdown, as automatic stabilisers and measures on both the revenue and expenditure side of the budget play their role. Partial and full cancellations of tax and social contributions for the hardest hit companies in the second quarter should undercut revenue by a projected 1½% of GDP. Meanwhile, the subsidy for wages in the private sector is expected to cover more than half a million employees and cost almost 2% of GDP. This measure should drive expenditure growth up, as it will only partly be offset by cuts in investment and savings on public wages. Overall, the general government balance is expected to turn into a deficit of more than 7% of GDP in 2020. The effect of these deficit-increasing measures, as well as liquidity measures (tax deferrals) and the economic slowdown on financing needs will be pronounced, particularly in the second quarter.

In 2021, tax revenues should recover strongly, driven by the economic recovery and the base effect from 2020. Corporate income tax revenues are expected to lag behind other sources of revenue as many companies offset their losses against future profits. Meanwhile, expenditures should decrease driven by the drop in wage subsidies. Overall, on a no-policy-change basis, the government balance is expected to recover substantially, reaching a deficit of around 2¼% of GDP in 2021.

In 2020, the debt ratio is set to increase in excess of the deficit on the back of the liquidity measures put in place to support firms, mostly in the form of tax deferrals. After reaching a peak of almost 89% of GDP in 2020, the debt ratio should start decreasing again, to below 84% of GDP in 2021.

Table II.23.1:

Main features of country forecast - CROATIA

	2018		Annual percentage change						
bn HRK	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	383.0	100.0	1.7	3.5	3.1	2.7	**2.9**	**-9.1**	**7.5**
Private Consumption	222.8	58.2	1.6	3.1	3.1	3.2	**3.5**	**-6.9**	**6.1**
Public Consumption	74.5	19.4	1.2	0.5	2.2	1.3	**3.3**	**2.5**	**0.1**
Gross fixed capital formation	76.7	20.0	2.3	6.5	5.1	4.1	**7.1**	**-8.2**	**4.2**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	193.4	50.5	4.4	7.0	6.8	3.7	**4.6**	**-29.0**	**33.7**
Imports (goods and services)	196.6	51.3	4.1	6.5	8.4	7.5	**4.8**	**-21.2**	**23.4**
GNI (GDP deflator)	377.4	98.5	1.8	1.0	4.7	2.7	**2.9**	**-8.7**	**7.1**
Contribution to GDP growth: Domestic demand			1.9	3.2	3.3	3.0	**4.1**	**-5.2**	**4.5**
Inventories			0.1	0.0	0.5	1.6	**-1.0**	**0.0**	**0.0**
Net exports			-0.2	0.3	-0.6	-1.8	**-0.1**	**-3.9**	**3.0**
Employment			0.1	0.3	2.2	1.8	**1.4**	**-3.9**	**3.0**
Unemployment rate (a)			13.7	13.1	11.2	8.5	**6.6**	**10.2**	**7.4**
Compensation of employees / head			3.1	0.4	0.2	2.2	**3.4**	**-1.2**	**1.1**
Unit labour costs whole economy			1.5	-2.7	-0.7	1.4	**1.9**	**4.5**	**-3.1**
Real unit labour cost			-1.2	-2.6	-1.9	-0.4	**0.4**	**3.7**	**-4.0**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.8	-0.1	1.2	1.8	**1.5**	**0.7**	**0.9**
Harmonised index of consumer prices			2.6	-0.6	1.3	1.6	**0.8**	**0.4**	**0.9**
Terms of trade goods			0.8	-0.6	-1.3	-0.5	**0.3**	**0.9**	**-0.3**
Trade balance (goods) (c)			-18.2	-16.3	-17.2	-18.7	**-18.9**	**-12.6**	**-18.5**
Current-account balance (c)			-	2.0	3.3	1.9	**2.4**	**-1.7**	**0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	3.6	4.4	3.3	**4.4**	**0.4**	**2.6**
General government balance (c)			-4.3	-1.0	0.8	0.2	**0.4**	**-7.1**	**-2.2**
Cyclically-adjusted budget balance (d)			-	-1.0	0.1	-0.9	**-1.2**	**-4.4**	**-1.9**
Structural budget balance (d)			-	-1.1	0.2	-0.9	**-1.2**	**-4.4**	**-1.9**
General government gross debt (c)			52.2	80.8	77.8	74.7	**73.2**	**88.6**	**83.4**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

24. HUNGARY

The economic shock from the pandemic hit Hungary's economy at the peak of the business cycle. With a strong specialisation in sectors affected by the decline in global demand and the pandemic containment measures, and taking into account the muted fiscal policy response, Hungary is projected to experience a sharp recession in 2020, followed by a gradual recovery. The general government deficit is set to peak in 2020.

The virus is expected to cause a deep recession in 2020…

Before COVID-19, Hungary's economy was on track for a gradual slowdown after several years of outstanding growth. Real GDP rose by 4.9% in 2019, and the first monthly indicators in 2020 signalled continued momentum.

Economic performance in 2020 is expected to depend on the health impact of the virus, the sectoral specialisation of the economy, and the economic policy response. Confirmed case numbers have remained limited so far. Sanitary measures have severely restricted certain services. Tourism and transport, which account for half of service exports, are among the most affected sectors. Constraints on industrial and construction activity remain moderate, but the international recession can hit manufacturing particularly strongly due to the dominant role of highly cyclical industries (e.g. automotive). The initial policy measures have focused on liquidity provision, including a debt moratorium for all borrowers until the end of 2020, but the overall fiscal policy response has been muted so far.

Economic activity is estimated to have begun contracting in March, and should reach its trough in the second quarter of 2020. A gradual economic recovery is projected in the second half of the year as containment measures are assumed to be gradually lifted. Unemployment could rise sharply, due to the flexibility of the labour market. The liquidity support and temporary job protection measures offered to companies are expected to provide limited containment only. Consequently, household consumption is set to fall sharply. Declining demand and high uncertainty are expected to reduce private investment. The trade balance could improve thanks to the shrinking demand for imported consumer durables and capital goods, and also due to falling energy import prices. Thus, the current account is projected to return to a surplus after a modest deficit in 2019.

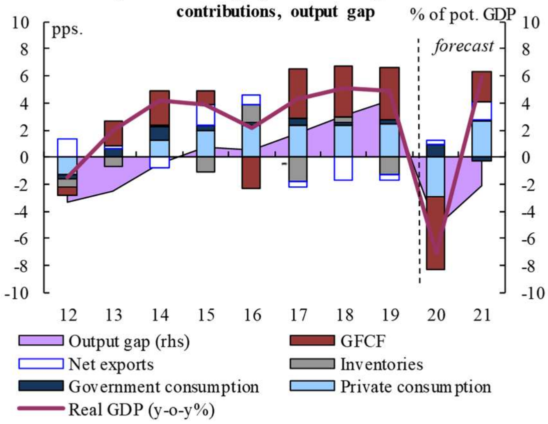
In 2020, GDP is projected to decrease by 7%, while unemployment rate could rise from an annual average of 3.4% in 2019 to 7%.

…to be followed by a partial recovery in 2021

GDP is projected to bounce back by 6% in 2021, while the unemployment rate could fall back to 6%. Output could remain below its 2019 level, due to the gradual recovery of external demand and tourism flows, and domestic headwinds. The latter include elevated unemployment and limited income support to households, delaying the recovery of consumption; and the lagged impact of declining house prices on real estate projects.

There are both upside and downside risks to the projection. More vigorous fiscal policy support could limit the economic fallout in 2020 and hasten the recovery in 2021. On the other hand, a wave of corporate bankruptcies could weigh on the recovery by restricting job creation and lending.

Graph II.24.1: **Hungary - Real GDP growth and contributions, output gap**



Inflation is projected to decrease

Inflation peaked at 4.7% in January 2020, but has eased more recently thanks to falling fuel prices and favourable base effects. Overall, the recession is set to reduce inflation. However, this process is dampened by the pass-through of currency depreciation as well as the impact of supply bottlenecks on food prices. Headline inflation is forecast to decrease from 3.4% in 2019 to 3.0% in 2020 and 2.7% in 2021.

Limited fiscal response

The budget deficit improved only marginally in 2019 to 2.0% of GDP. Higher-than-budgeted revenues, thanks to high income and consumption growth, were offset by higher expenditure. These were partly the result of tightening budgetary rules, which limit budgetary institutions' possibility to carry over unused funds to the following fiscal years. Public investment continued growing also on the back of increased EU funds absorption, while capital transfers were boosted by the take-up of the prenatal funding scheme of the 'demography programme'.

In 2020, the deficit is forecast to increase to 5¼% of GDP. The deterioration is mainly driven by lower tax revenues as a result of the economic downturn. Fiscal measures adopted so far to contain the economic impact of the pandemic amount to 1% of GDP and include some temporary tax cuts in the most affected sectors; bringing forward the planned 2 pps. cut to employers' social contributions from October to July; a job protection scheme that covers part of lost wages for three months under certain conditions; a wage subsidy scheme for R&D jobs; and a one-off bonus for health workers. Moreover, medical emergency expenditures have amounted to ¾% of GDP until now. Overall, these measures are financed largely from the reshuffling of existing budgetary chapters and reserves as well as from new taxes on banks and retail companies, with a net budgetary impact of ¼% of GDP. Additional measures to support the recovery have been announced: they are planned to be financed through further budgetary reallocations and their details are yet to be specified. Government spending is also set to increase with higher unemployment benefits and rising expenditure on the demography programme (by ¼% of GDP compared to 2019). The deficit in 2021 could fall to 4% of GDP, on the back of the expected improvement in macroeconomic conditions and assuming moderate expenditure growth.

The debt-to-GDP ratio decreased significantly in 2019, to 66¼% of GDP. It is forecast to increase to 75% in 2020 and to decrease to 73½% of GDP in 2021.

Table II.24.1:

Main features of country forecast - HUNGARY

		2018				Annual percentage change				
	bn HUF	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		42661.8	100.0	2.2	2.2	4.3	5.1	**4.9**	**-7.0**	**6.0**
Private Consumption		20776.4	48.7	1.5	4.9	4.7	4.8	**5.1**	**-6.0**	**5.5**
Public Consumption		8404.5	19.7	2.0	0.7	2.4	0.9	**1.7**	**5.0**	**-1.4**
Gross fixed capital formation		10739.3	25.2	2.3	-10.6	18.7	17.1	**15.3**	**-18.7**	**8.9**
of which: equipment		4163.3	9.8	3.0	2.5	16.1	10.2	**10.7**	**-27.6**	**15.8**
Exports (goods and services)		36236.5	84.9	8.7	3.8	6.9	4.3	**6.0**	**-14.0**	**11.2**
Imports (goods and services)		34370.5	80.6	7.5	3.4	8.2	6.8	**6.9**	**-15.0**	**10.1**
GNI (GDP deflator)		40952.1	96.0	2.3	4.3	2.8	5.1	**5.1**	**-6.0**	**5.1**
Contribution to GDP growth:	Domestic demand			1.8	0.2	6.5	6.4	**6.7**	**-7.3**	**4.6**
	Inventories			-0.4	1.4	-1.8	0.4	**-1.3**	**0.0**	**0.0**
	Net exports			0.8	0.6	-0.5	-1.7	**-0.4**	**0.2**	**1.3**
Employment				0.3	3.7	1.9	2.4	**1.7**	**-3.8**	**1.1**
Unemployment rate (a)				8.0	5.1	4.2	3.7	**3.4**	**7.0**	**6.1**
Compensation of employees / head				6.2	2.4	7.0	6.2	**9.4**	**5.0**	**4.4**
Unit labour costs whole economy				4.3	4.0	4.5	3.4	**6.0**	**8.6**	**-0.4**
Real unit labour cost				-0.5	3.0	0.8	-1.0	**1.5**	**4.2**	**-3.4**
Saving rate of households (b)				10.6	11.9	11.4	11.6	**13.2**	**15.9**	**14.8**
GDP deflator				4.8	1.0	3.7	4.5	**4.5**	**4.2**	**3.1**
Harmonised index of consumer prices				4.8	0.4	2.4	2.9	**3.4**	**3.0**	**2.7**
Terms of trade goods				-0.5	1.5	-0.3	-1.0	**0.5**	**1.0**	**0.0**
Trade balance (goods) (c)				-1.0	3.4	1.5	-1.3	**-1.9**	**0.7**	**0.8**
Current-account balance (c)				-4.0	4.7	2.3	-0.3	**-0.9**	**1.3**	**1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.4	4.6	3.1	2.1	**0.9**	**3.3**	**3.4**
General government balance (c)				-5.0	-1.8	-2.5	-2.1	**-2.0**	**-5.2**	**-4.0**
Cyclically-adjusted budget balance (d)				-4.9	-2.1	-3.3	-3.6	**-3.9**	**-2.8**	**-3.1**
Structural budget balance (d)				-	-2.0	-3.6	-3.6	**-3.8**	**-2.6**	**-3.1**
General government gross debt (c)				68.2	75.5	72.9	70.2	**66.3**	**75.0**	**73.5**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

25. POLAND

Real GDP is forecast to decline by 4¼% in 2020 due to the COVID-19 pandemic and its containment measures, before growing again by around 4% in 2021. As consumer confidence weakens and the drop in economic activity weighs on the labour market, private consumption is set to decrease strongly in 2020. Private investment will likely follow a similar path, pushed by uncertainty and lowered demand expectations. Public investment growth is set to be affected by a fall in public revenue and an increase in other expenditure. The general government deficit is set to rise strongly in 2020 before improving in 2021.

GDP growth remained robust in 2019…

Economic growth exceeded 4% in 2019, mainly due to a robust performance of domestic demand. Supported by high consumer confidence and a buoyant labour market, private consumption continued expanding strongly. Meanwhile, investment made a significant contribution to growth as investment in equipment surged.

… but is set to decline strongly in 2020 and to recover in 2021

The COVID-19 pandemic is set to end nearly three decades of uninterrupted growth in Poland. GDP is projected to decline in 2020 by about 4¼% due to a disruption in economic activity caused by the lockdown measures and an unprecedented fall in external demand. In 2021, GDP should bounce back by 4% driven by a strong recovery in household consumption. Nonetheless, GDP is unlikely to return to 2019 levels over the forecast horizon.

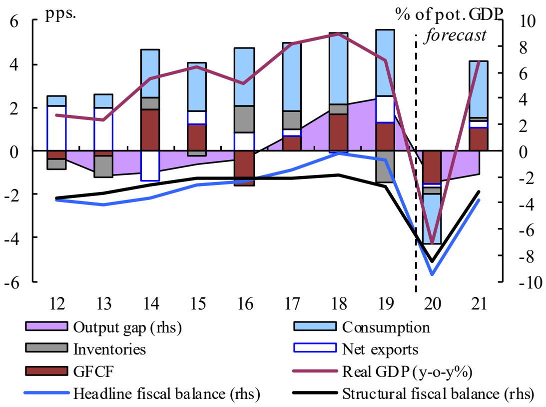
Despite substantial support measures put in place by the government, private consumption is projected to be hard-hit due to an increase in unemployment, a sharp drop in wage growth and weak consumer confidence. Investment is also set to fall strongly in 2020 as uncertainty mounts and expectations of lower demand are likely to have an impact on firm's investment plans. Meanwhile, public investment may suffer from lower revenue and increases in other expenditure items.

Falling demand from Poland's main trading partners and disruptions in international trade are expected to cause a drop in both exports and imports in 2020. However, owing to the structure of Polish exports and increased price competitiveness, the trade balance is projected to remain broadly unchanged in 2020. As external demand recovers, exports are projected to surge in 2021, improving the trade balance.

Wage growth to plummet amid a surge in unemployment

The labour market is set to be impacted by the lockdown measures and the drop in demand, bringing the unemployment rate to around 7½% in 2020. This will likely lead to a sudden reversal in the increasing trend in wages observed in recent years, especially in the services sector. However, the drop in wage growth is to be partly offset by previously decided increases in public wages. In 2021, while employment is set to recover strongly, wages are expected to follow only moderately.

Graph II.25.1: **Poland - Real GDP growth and contributions, output gap, fiscal balances**



Price dynamics to be constrained

HICP inflation accelerated to 2.1% in 2019 and is estimated to have peaked in the first quarter of 2020 at almost 4%, driven by an increase in food and service prices. Inflation is then set to weaken markedly from the second quarter onwards, in line with a drop in oil prices, falling demand and a sharp decrease in wage growth. Overall, inflation is expected to moderate to 2.5% in 2020 and to increase to 2.8% in 2021 as the economy recovers.

Risks

Risks to the forecast are tilted to the downside. The recovery will largely depend on the effectiveness of government measures and how they cushion the impact of the shock on the labour market. Also, beyond global downside risks, the virus could have a long-lasting impact on some sectors, particularly services, which could limit the scope for recovery.

2020 fiscal deficit to exceed 9% of GDP

In 2019, the general government deficit widened to 0.7% of GDP. In 2020 and 2021, the recession triggered by the COVID-19 pandemic is expected to have a strong negative impact on public finances. It will materialise via two main channels. First, a contraction in tax revenue is expected, due to the recession, unfavourable labour market situation and cyclical factors. This projection includes also changes to the personal income tax decided in 2019. Second, spending is increasing, mainly due to measures to contain the pandemic and support the economy. The 2020 fiscal impact of those measures is expected to exceed 5.5% of GDP, with a part of them being financed from dedicated EU funds. In particular, this projection includes loans to companies to be granted by the Polish Development Fund, assuming in line with the authorities announcements that about 60% of loans will be cancelled. This lifts the 2020 deficit by some 2¾ pps of GDP. Also, in recent years Poland implemented spending policies that are difficult to reverse. All those factors are set to widen the 2020 general government deficit to 9½% of GDP.

In 2021, under a no-policy-change assumption, the deficit is set to improve to around 3¾% of GDP, driven by the economic recovery and the expiration of the sizeable expenditure to support the economy. The improving labour market situation and growing consumption are expected to drive increases in tax and social contributions revenue. This projection includes measures that have been signed into law and specified in sufficient detail at the cut-off date. Meanwhile, risks to this forecast include public guarantees and loans that may be called or not repaid in the future.

The general government debt-to-GDP ratio is set to strongly worsen to some 58½% in 2020-2021, reflecting deficit and nominal GDP developments.

Table II.25.1:

Main features of country forecast - POLAND

	2018		Annual percentage change						
bn PLN	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	2120.5	100.0	3.7	3.1	4.9	5.3	**4.1**	**-4.3**	**4.1**
Private Consumption	1232.3	58.1	3.1	3.9	4.5	4.5	**3.8**	**-4.9**	**3.8**
Public Consumption	376.7	17.8	3.2	1.9	2.9	3.7	**4.9**	**2.9**	**2.1**
Gross fixed capital formation	386.4	18.2	3.7	-8.2	4.0	9.4	**7.2**	**-8.4**	**5.9**
of which: equipment	161.5	7.6	4.2	-7.6	8.3	1.6	**9.0**	**-11.4**	**9.1**
Exports (goods and services)	1175.9	55.5	8.1	8.8	9.5	7.0	**4.7**	**-9.8**	**8.6**
Imports (goods and services)	1103.2	52.0	6.3	7.6	9.8	7.6	**2.7**	**-10.6**	**8.9**
GNI (GDP deflator)	2031.1	95.8	3.5	2.7	4.7	5.3	**3.3**	**-4.3**	**4.3**
Contribution to GDP growth:	Domestic demand		3.3	1.0	3.8	4.9	**4.4**	**-3.9**	**3.6**
	Inventories		0.0	1.2	0.8	0.5	**-1.4**	**-0.3**	**0.1**
	Net exports		0.4	0.8	0.3	0.0	**1.2**	**-0.1**	**0.3**
Employment			0.5	0.8	1.3	0.5	**-0.2**	**-4.5**	**2.2**
Unemployment rate (a)			12.9	6.2	4.9	3.9	**3.3**	**7.5**	**5.3**
Compensation of employees / head			4.4	4.8	5.8	7.9	**7.3**	**3.8**	**2.6**
Unit labour costs whole economy			1.2	2.5	2.2	3.0	**2.8**	**3.5**	**0.7**
Real unit labour cost			-1.2	2.2	0.3	1.8	**-0.1**	**1.0**	**-1.8**
Saving rate of households (b)			5.9	4.2	2.8	1.5	**2.4**	**8.0**	**4.6**
GDP deflator			2.6	0.3	1.9	1.2	**2.9**	**2.4**	**2.5**
Harmonised index of consumer prices			2.9	-0.2	1.6	1.2	**2.1**	**2.5**	**2.8**
Terms of trade goods			0.4	0.6	0.2	-1.2	**1.9**	**0.6**	**0.3**
Trade balance (goods) (c)			-3.0	0.7	0.3	-1.0	**0.5**	**1.1**	**1.1**
Current-account balance (c)			-3.5	0.0	0.1	-0.7	**0.4**	**0.6**	**0.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.5	1.2	1.0	0.8	**1.9**	**1.3**	**1.7**
General government balance (c)			-4.4	-2.4	-1.5	-0.2	**-0.7**	**-9.5**	**-3.8**
Cyclically-adjusted budget balance (d)			-4.1	-2.1	-2.1	-1.9	**-2.7**	**-8.3**	**-2.9**
Structural budget balance (d)			-	-2.1	-2.1	-1.9	**-2.7**	**-8.5**	**-3.1**
General government gross debt (c)			47.6	54.3	50.6	48.8	**46.0**	**58.5**	**58.3**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

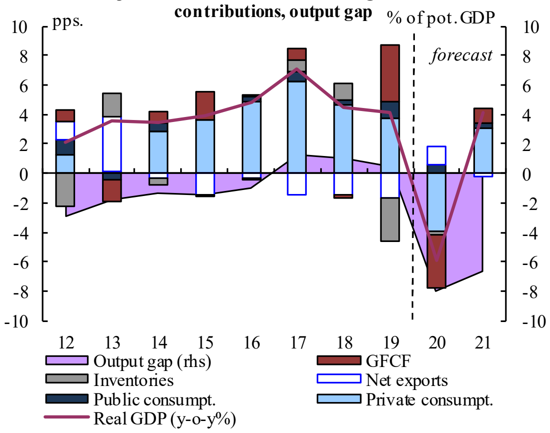
26. ROMANIA

Real GDP is projected to decline sharply in 2020, after several years of robust growth. Private consumption, the main driver of growth in recent years, is expected to be impacted severely by the lockdown measures. Uncertainty is expected to hurt investment decisions, while net exports are projected to contribute positively to growth. Unemployment is set to increase while inflation is forecast to ease due to the drop in oil prices. In 2021, real GDP is projected to rebound, though not to pre-crisis levels. The budget deficit is projected to increase significantly as the fiscal measures required to fight the COVID-19 crisis come on top of past fiscal slippages.

Sharp output drop followed by a moderate recovery

At the onset of the COVID-19 crisis Romania's economy was growing at an annual rate of around 4%, mainly driven by private consumption. However, signs of macro-economic imbalances had already emerged, notably in the form of high and growing current account and fiscal deficits.

Graph II.26.1: **Romania - Real GDP growth and contributions, output gap**



Romania declared a state of emergency on 16 March and subsequently extended it until mid-May. Containment measures are expected to significantly affect services and manufacturing. To counter the negative impact of the crisis, the government adopted measures aimed at supporting consumers and businesses, such as loan guarantees for SMEs, temporary moratoriums on loan servicing, and technical unemployment schemes.

Real GDP is projected to contract by 6% in 2020 and rebound by 4¼% in 2021. Private consumption, which is expected to be significantly affected by lockdown measures in 2020, should increase gradually as these are lifted and contribute positively to growth in 2021. After a very strong performance in 2019, investment is projected to drop significantly in 2020, as businesses react to the very uncertain environment by postponing or cancelling investment projects. Public investment activity, meanwhile, is projected to be subdued. In 2021, investment is expected to recover only partially amid persistent uncertainty.

Exports are also set to contract in 2020, reflecting the economic contraction in Romania's main trading partners and supply chain disruptions. They should resume growth in 2021 as global economic activity gradually picks up. Imports are also set to decline, as domestic demand drops and as production in other countries is affected by lockdowns and supply chain disruptions. Overall, the contribution of net exports to growth in 2020 is set to turn positive and result in a lower current account deficit. However, this positive evolution is expected to start reversing in 2021.

From a record low of 3.9% in 2019, the unemployment rate is projected to increase to 6½% in 2020 as some firms will inevitably close as a result of the COVID-19 crisis, although policy measures are expected to limit job losses. Nominal wages are projected to increase only moderately in 2020 after several years of double-digit growth and remain relatively subdued in 2021.

Inflation is projected to fall to 2.5% in 2020 mainly due to the sharp fall in oil prices. Core inflation is projected to ease somewhat but remain above 3% in 2020 and 2021. In response to the COVID-19 crisis, the National Bank of Romania cut its key monetary policy rate from 2.5% to 2% and started purchasing RON-denominated government securities on the secondary market in order to support the financing of the real economy and the public sector.

Downside risks to the growth forecast

The current projections are subject to a particularly high degree of uncertainty. Beyond the uncertainty that affects all countries related to the evolution of the health crisis, global growth and international trade, for Romania it will be important how the authorities balance the need for support measures with concerns about the medium-term trajectory of public finances which pre-dated the COVID-19 crisis.

Public deficit set to increase

In 2019, the general government deficit rose to 4.3% of GDP from 2.9% in 2018. The increase was driven by higher current expenditure, in particular on public wages. Additionally, public investment rebounded from the very low levels of previous years.

The general government deficit is forecast to increase to around 9¼% of GDP in 2020. The pre-existing expansionary trend largely driven by pension increases is set to be reinforced by the impact of the COVID-19 crisis. Expenditure on old-age pensions is set to rise considerably, driven by the full-year effect of the 15% pension increase that came into effect in September 2019 and a further increase of 40% scheduled for September 2020. COVID-19 related measures in the 2020 budget amendment amount to 1.3 pp of GDP of additional spending, out of which 0.4 pp of GDP financed by EU transfers. They include in particular the technical unemployment benefit and emergency spending. Tax revenues are set to be negatively affected by the recession.

The general government deficit is set to further increase in 2021 to around 11½% of GDP under a no-policy-change assumption, despite a projected recovery in tax revenues and phasing out of pandemic-relief related expenditures. This is due to the full-year effect of the 40% increase in pensions in September 2020, an additional upward pension recalculation scheduled for September 2021, and the doubling of child allowance payments.

The debt-to-GDP ratio is forecast to rise from 35.2% in 2019 to around 54¾% in 2022.

Table II.26.1:
Main features of country forecast - ROMANIA

	2018			Annual percentage change						
	bn RON Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	952.4	100.0	3.7	4.8	7.1	4.4	**4.1**	**-6.0**	**4.2**
Private Consumption	604.6	63.5	5.3	7.9	10.0	7.3	**5.9**	**-6.2**	**4.9**
Public Consumption	159.6	16.8	-0.5	2.2	4.2	2.1	**6.4**	**3.4**	**1.4**
Gross fixed capital formation	199.7	21.0	6.7	-0.2	3.6	-1.2	**18.2**	**-15.0**	**5.0**
of which: equipment	75.5	7.9	5.6	-8.9	-9.9	4.3	**17.8**	**-22.1**	**7.2**
Exports (goods and services)	396.1	41.6	8.7	16.0	7.6	6.2	**4.6**	**-12.8**	**9.9**
Imports (goods and services)	424.6	44.6	11.2	16.5	10.8	9.1	**8.0**	**-14.4**	**9.8**
GNI (GDP deflator)	932.8	97.9	3.7	4.5	7.5	4.4	**5.0**	**-5.9**	**4.0**
Contribution to GDP growth: Domestic demand			5.5	5.1	7.7	4.7	**8.7**	**-6.9**	**4.4**
Inventories			-0.1	0.0	0.8	1.2	**-2.9**	**-0.3**	**0.0**
Net exports			-1.6	-0.3	-1.4	-1.4	**-1.7**	**1.2**	**-0.3**
Employment			-1.5	-1.1	2.4	0.2	**-0.1**	**-2.5**	**0.6**
Unemployment rate (a)			7.1	5.9	4.9	4.2	**3.9**	**6.5**	**5.4**
Compensation of employees / head			16.6	15.0	14.8	13.4	**8.9**	**2.6**	**4.8**
Unit labour costs whole economy			10.8	8.5	9.8	8.8	**4.5**	**6.4**	**1.3**
Real unit labour cost			-2.0	5.9	4.9	2.4	**-2.2**	**4.0**	**-1.2**
Saving rate of households (b)			-9.0	-9.3	-7.3	-2.3	**-2.5**	**6.9**	**9.5**
GDP deflator			13.1	2.5	4.7	6.3	**6.9**	**2.3**	**2.5**
Harmonised index of consumer prices			10.9	-1.1	1.1	4.1	**3.9**	**2.5**	**3.1**
Terms of trade goods			2.5	-1.7	-2.4	1.3	**1.0**	**-0.5**	**0.5**
Trade balance (goods) (c)			-10.4	-5.5	-6.5	-7.3	**-7.8**	**-6.6**	**-6.6**
Current-account balance (c)			-5.9	-2.0	-3.4	-4.4	**-4.6**	**-3.3**	**-3.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-4.9	0.5	-1.8	-3.2	**-3.1**	**-1.7**	**-1.7**
General government balance (c)			-3.3	-2.6	-2.6	-2.9	**-4.3**	**-9.2**	**-11.4**
Cyclically-adjusted budget balance (d)			-3.4	-2.3	-3.0	-3.3	**-4.4**	**-6.7**	**-9.2**
Structural budget balance (d)			-	-1.9	-3.0	-2.9	**-4.3**	**-6.7**	**-9.2**
General government gross debt (c)			25.2	37.3	35.1	34.7	**35.2**	**46.2**	**54.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

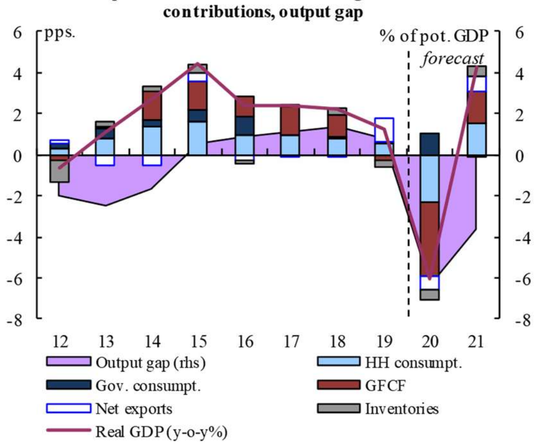
27. SWEDEN

COVID-19 will induce a sharp fall in economic activity, followed by a partial recovery from the second half of 2020 onwards, leaving the economy well below its potential in 2021. Sizable budgetary and financial support measures should limit the fall out in the economy and the labour market. Inflation is projected to edge further down. The general government balance is set to move into a deficit of more than 5% of GDP in 2020. For 2021, improved public finances are expected to stabilise the public debt-to-GDP ratio at just over 42% of GDP.

Abrupt fall in economic activity…

Short-term indicators of economic activity and sentiment in Sweden gave positive signs in early 2020 after real GDP growth fell markedly to 1.2% in 2019. With the spread of COVID-19 in March, however, economic activity declined rapidly

Graph II.27.1: **Sweden - Real GDP growth and contributions, output gap**



The deterioration in economic conditions is unprecedented in terms of speed and depth. At first, production, trade disruptions and plant closures affected industries highly integrated in international value chains, such as the car industry. As the virus spread so did its impact on the domestic economy. Concerns about infection risk and official advice to limit social contacts – albeit less severe than in other EU Member States – put a major dampener on household demand. Falling demand coupled with disruptions in production processes and delivery chains dealt severe blows to production, trade and investment in large parts of the business sector. Overall, real GDP is projected to fall by around 6% in 2020, before veering back over 4% in 2021.

… severely impacting consumers and firms

Real private consumption is projected to fall by nearly 5% in 2020, due to losses in jobs and income and the impact of physical restrictions. The recovery in 2021 is forecast to see relatively strong gains in private consumption, albeit not fully making up for the loss in 2020. The marked increase in government consumption in 2020 reflects a wide range of support measures, which should mostly be reversed in 2021. Uncertainty is set to exacerbate the impact of demand and supply disruptions on investment. Overall, real gross fixed capital formation is forecast to fall by more than 14% in 2020, chiefly driven by equipment investment. Companies are set to have marked drops in capacity utilisation and are likely to postpone projects. The dampened medium-term outlook is set to hold back the strength of any rebound in investment. The occurrence and likely subsequent unwinding of severe trade disruptions shape the forecast for exports and imports, which are set to abruptly fall and then recover.

Policy action to cushion the impact on the labour market

Since March 2020, labour market indicators have shown a severe deterioration, with redundancy notices soaring. Worst affected were employees on flexible and short-term contracts, particularly in the hotel, restaurant and retail sectors. Government support for firms, including for small businesses and the self-employed, is set to cushion the impact on the labour market. The registered unemployment rate is expected to rise to around 9¾% in 2020 from 6.8% in 2019 and fall slightly in 2021.

Energy and service prices drive fall in inflation

Headline inflation is set to decrease from 1.7% in 2019 to 0.4% in 2020. This mainly reflects sharply falling energy prices. By contrast, supply and distribution disruptions are expected to exert some upward impact on food prices. Social partners have deferred negotiations on a new multi-annual wage agreement and overall compensation growth is expected to remain muted. This should feed into moderate underlying inflation of close to 1% in both 2020 and 2021.

With high uncertainty, downside risks prevail

Risks to the main scenario are mainly on the downside. This reflects, among other factors, the exceptionally high degree of uncertainty weighing on investment and the export sector. Downside risks also stem from the ability of firms to restore profitability and retain access to funding.

Strong policy response to limit crisis impact

The authorities in Sweden responded to the crisis with a series of coordinated fiscal, monetary and financial support measures successively scaled up as the pandemic spread. Fiscal measures with an immediate budgetary impact are estimated to amount to around 2½ % of GDP. These include extra outlays on health care, education and social protection, as well as support for the regions and local authorities responsible for the health care system. The government has further taken steps to limit crisis-related costs to the corporate sector, employees, self-employed and small businesses. These include taking over sick pay costs, funding of short-term work schemes, reductions in social security contributions, lowering requirements to receive unemployment benefits, and contributing to rent reductions. Credit guarantees and allowing the postponement and reimbursement of tax and VAT payments should support corporate liquidity without affecting the budget. The Riksbank has decided to extend loans to companies via banks, to purchase government and municipal bonds, covered mortgage bonds as well bonds and commercial paper of Swedish non-financial corporations. It also concluded a currency swap agreement with the US Federal Reserve. The Swedish Financial Supervisory Authority reduced banks' capital requirements and allowed a temporary suspension of amortisation requirements. Against this backdrop, the general government balance is set to swing from a surplus in 2019 to a deficit of around 5½ % of GDP in 2020, which should improve markedly in 2021 under a no-policy-change assumption and assuming that the measures adopted to fight the pandemic are limited to 2020. Sweden's debt-to-GDP ratio is set to increase from around 35% in 2019 to over 42% in 2020 before stabilising.

Table II.27.1:

Main features of country forecast - SWEDEN

	2018		Annual percentage change						
bn SEK	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	4833.8	100.0	2.4	2.4	2.4	2.2	**1.2**	**-6.1**	**4.3**
Private Consumption	2158.6	44.7	2.5	2.0	2.1	1.7	**1.2**	**-5.2**	**3.4**
Public Consumption	1257.8	26.0	1.0	3.7	0.1	0.4	**0.4**	**3.9**	**-0.1**
Gross fixed capital formation	1249.7	25.9	2.9	4.1	5.6	4.2	**-1.2**	**-14.3**	**6.7**
of which: equipment	361.5	7.5	2.8	6.6	1.7	0.9	**-4.2**	**-39.3**	**19.3**
Exports (goods and services)	2213.3	45.8	3.9	2.8	4.3	3.2	**4.2**	**-12.0**	**6.5**
Imports (goods and services)	2092.4	43.3	3.7	3.8	4.8	3.6	**1.8**	**-11.5**	**5.1**
GNI (GDP deflator)	4917.8	101.7	2.4	2.2	3.6	2.3	**2.0**	**-6.4**	**3.9**
Contribution to GDP growth: Domestic demand			2.1	2.9	2.3	1.9	**0.4**	**-4.9**	**3.0**
Inventories			0.1	-0.2	0.1	0.4	**-0.3**	**-0.5**	**0.4**
Net exports			0.3	-0.3	0.0	-0.1	**1.1**	**-0.7**	**0.8**
Employment			0.9	1.9	2.5	1.6	**0.6**	**-2.5**	**1.1**
Unemployment rate (a)			7.0	7.0	6.7	6.4	**6.8**	**9.7**	**9.3**
Compensation of employees / head			3.5	2.6	2.1	3.9	**3.0**	**-1.3**	**5.6**
Unit labour costs whole economy			2.0	2.0	2.1	3.3	**2.4**	**2.4**	**2.3**
Real unit labour cost			0.3	0.5	-0.1	0.9	**-0.4**	**1.3**	**1.0**
Saving rate of households (b)			11.2	16.5	16.0	17.9	**19.0**	**21.5**	**19.5**
GDP deflator			1.6	1.5	2.2	2.3	**2.7**	**1.0**	**1.3**
Harmonised index of consumer prices			1.5	1.1	1.9	2.0	**1.7**	**0.4**	**1.1**
Terms of trade goods			-0.3	0.6	-0.6	-1.1	**1.2**	**0.7**	**0.5**
Trade balance (goods) (c)			5.7	2.8	2.7	2.5	**3.8**	**3.7**	**4.3**
Current-account balance (c)			5.2	2.9	3.4	2.6	**4.4**	**3.7**	**4.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.0	2.9	3.4	2.6	**4.4**	**3.7**	**4.0**
General government balance (c)			0.4	1.0	1.4	0.8	**0.5**	**-5.6**	**-2.2**
Cyclically-adjusted budget balance (d)			0.6	0.5	0.8	0.0	**0.1**	**-2.1**	**-0.2**
Structural budget balance (d)			-	0.5	0.8	0.0	**0.1**	**-2.1**	**-0.2**
General government gross debt (c)			44.0	42.2	40.8	38.8	**35.1**	**42.6**	**42.5**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Candidate Countries

28. ALBANIA

Following subdued growth and a devastating earthquake in 2019, Albania was hit by the COVID-19 pandemic in March 2020. The economy is projected to contract by 4¾ % in 2020 because the domestic and international restrictions will depress private consumption and tourism, on which Albania strongly relies. The recession in the EU will also affect remittances and FDI inflows and put pressure on the current account and the exchange rate. The fiscal deficit is expected to rise above 5 % of GDP and public debt is set to rise temporarily to about 75% of GDP. For 2021, GDP growth is expected to rebound to 4¼ %, but this is subject to uncertainty about the length of travel restrictions and the resilience of enterprises during the crisis.

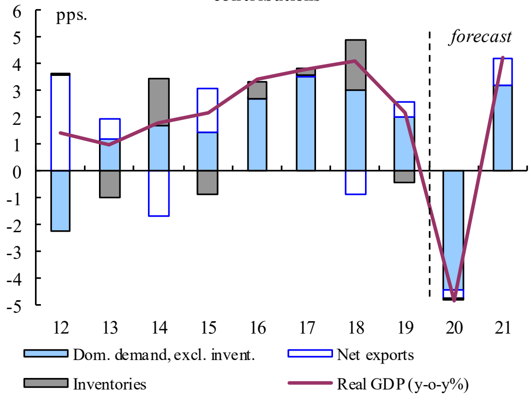
Subdued economic growth and the earthquake in 2019 weaken resilience

The growth of the Albanian economy slowed to 2.2% in 2019, mainly because of low hydroelectric production due to below average rainfall, aggravated by the strong earthquake in November that caused substantial damage and loss of lives. In addition, the finalisation of some large energy projects caused a 4.1 % contraction in investment. Household consumption continued to be the main growth driver (+3.3% y-o-y), based on growing wages and employment. Strong growth of services exports offset the fall of electricity exports and net exports contributed 0.6 pps. to growth.

Recession in the wake of the pandemic

Since March 2020, domestic and international restrictions to contain the pandemic have begun to depress private consumption, investment and exports. Private consumption and investment are projected to drop by 4¼% and 7% respectively. Total exports are set to drop by about 25%, mainly because tourism services are set to lose an entire season in 2020. Merchandise exports are expected to contract because of falling manufacturing and commodity exports, whereas electricity exports are not expected to be affected. The expected strong fall in imports, in particular for travel services, will not be able to fully offset the drop of exports; overall net exports are likely to subtract about ¼ pps. from growth. The still large share of family based agriculture and hydro-electricity production will not be affected by the crisis and could slightly limit the contraction of GDP. Manufacturing, construction and services industries are expected to recover gradually after the end of the lock-down assumed for May. Overall, GDP is estimated to contract by about 4¾% in 2020.

Graph II.28.1: **Albania - Real GDP growth and contributions**



Rebound in 2021 subject to uncertainty and downside risks

The contraction is likely to increase the unemployment rate by more than 3 pps. to close to 15%. The rise in unemployment and weak social safety nets will dampen the recovery of private consumption in 2021. The depletion of many SMEs' financial resources is expected to continue depressing private investment in 2021. Nonetheless, economic growth is estimated to rebound to 4¼% mainly due to the recovery of tourism. Moreover, already lined-up public reconstruction projects could stimulate the construction sector. This projection is subject to substantial uncertainty about how enterprises will survive the crisis period. Continuing travel restrictions, which would dampen the recovery of tourism, are the downside risk.

A moderately depreciating currency

The recession in the EU will likely cause a fall in remittances from Albanians working in the EU and contribute the most to the expected widening of the current account deficit. Foreign direct investments are also likely to fall due to the recession in the

EU. In response to falling foreign capital inflows and a growing current account deficit, the lek is expected to depreciate moderately. In 2021, following a moderate rebound in remittances and FDI, the current account deficit is set to narrow slightly.

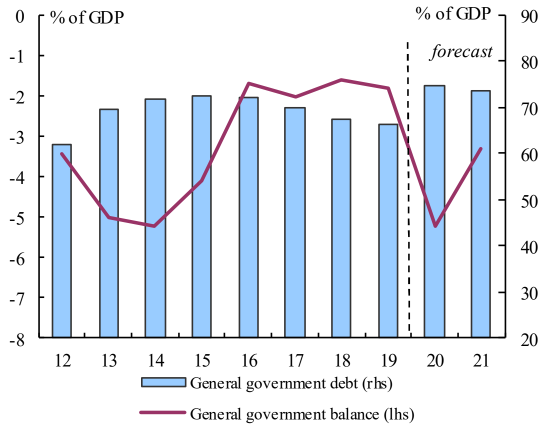
A new record low policy rate

The central bank has intensified its accommodative monetary policy and lowered its policy rate to a record low 0.5% in March 2020. The inflation rate is expected to rise to 2.5% in 2020 as the inflationary effect of the weaker currency is expected to outweigh the impact of low demand and oil prices. In 2021, recovering demand is projected to contribute to a further pick-up in inflation to 2.8%, still below the 3% target. Thus, monetary policy is set to remain very accommodative well into 2021.

Fiscal balance set to deteriorate

In response to the earthquake, the government planned a 0.6 pps. increase in the fiscal deficit, to 2.2% of GDP in 2020. The government's financial support measures in the context of the pandemic, combined with the expected fall in revenue are forecast to increase the fiscal deficit temporarily above 5% of GDP.

Graph II.28.2: **Albania - Public finances**



The public debt-to-GDP ratio declined to 66.3% at end-2019. Because of the high financing needs, the new sovereign guarantees for the private sector and the fall in GDP, the public debt ratio is set to increase temporarily to about 75% of GDP in 2020 and to decline mildly in 2021.

Table II.28.1:

Main features of country forecast - ALBANIA

		2018			Annual percentage change					
	bn ALL	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		1630.9	100.0	4.5	3.3	3.8	4.1	**2.2**	**-4.8**	**4.2**
Private Consumption		1290.4	79.1	4.8	2.1	2.4	3.3	**3.3**	**-4.3**	**3.3**
Public Consumption		184.7	11.3	1.7	4.7	3.2	0.7	**3.1**	**5.5**	**5.2**
Gross fixed capital formation		390.7	24.0	5.7	2.4	6.0	2.4	**-4.1**	**-7.0**	**-0.5**
of which: equipment		-	-	6.9	-	-	-	**-**	**-**	**-**
Exports (goods and services)		516.7	31.7	10.6	11.3	13.2	4.1	**5.9**	**-24.8**	**12.2**
Imports (goods and services)		740.4	45.4	7.7	6.9	8.4	2.4	**2.7**	**-16.7**	**5.1**
GNI (GDP deflator)		1629.0	99.9	4.4	3.8	2.4	3.7	**1.3**	**-4.8**	**4.2**
Contribution to GDP growth:		Domestic demand		5.8	2.8	3.8	3.3	**2.0**	**-4.4**	**3.3**
		Inventories		0.1	0.5	0.0	0.6	**-0.4**	**-0.1**	**0.0**
		Net exports		-1.2	0.0	0.0	0.2	**0.6**	**-0.3**	**1.0**
Employment				-	7.0	3.4	1.4	**2.2**	**-3.0**	**2.8**
Unemployment rate (a)				-	15.5	13.9	12.7	**11.6**	**14.9**	**13.5**
Compensation of employees / head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				3.0	-0.6	1.5	1.0	**0.7**	**2.6**	**2.7**
Harmonised index of consumer prices				-	2.2	1.8	1.8	**1.1**	**2.5**	**2.8**
Terms of trade goods				-1.3	-2.1	3.7	3.6	**-3.1**	**-3.4**	**-3.4**
Trade balance (goods) (c)				-24.6	-24.3	-24.4	-22.4	**-23.0**	**-21.2**	**-21.6**
Current-account balance (c)				-9.8	-7.6	-7.5	-6.8	**-7.6**	**-9.1**	**-8.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-1.7	-2.0	-1.6	**-1.8**	**-5.2**	**-3.3**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				58.8	72.4	70.1	67.9	**66.3**	**74.6**	**73.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

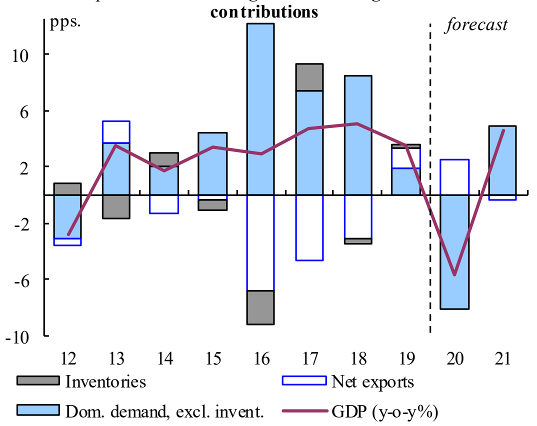
29. MONTENEGRO

The economy is set to contract substantially in 2020 due to the negative effects of the COVID-19 outbreak. Montenegro's economy is strongly dependent on tourism, a key source of GDP growth, foreign exchange, employment and fiscal revenues. However, the lock-down brought tourism and travel to a standstill at a time when these activities were about to enter the high season. Economic recovery in 2021 is dependent on the duration of the shock.

Growth deceleration in 2019

As the maturing of the investment cycle had a dampening effect on economic output, GDP growth decelerated markedly to 3.6% y-o-y in 2019, down from the 5.1% expansion recorded a year earlier. The main growth contributions came from private consumption and net exports, both supported by an exceptionally good tourism season boosting net exports performance. Fiscal consolidation resulted in a modest (0.3 pps) contribution of government consumption to economic growth.

Graph II.29.1: **Montenegro - Real GDP growth and contributions**



Tourism shock

The COVID-19 pandemic is expected to push Montenegro into a deeper recession than the global financial crisis. The main transmission channel is the collapse in tourism arrivals due to the breakdown of international travel following the lockdown measures implemented in many countries. Travel and tourism accounts for some 25% of Montenegro's GDP in total. The large tourism shock will have knock-on effects on domestic consumption and investment, although the resulting fall in imports will absorb some of the negative impact. Conversely, the cost of the authorities' policy response would increase government consumption.

This forecast scenario assumes the tourism shock to last into the second quarter of 2020, followed by a very modest recovery in the third quarter, led by domestic tourists and travellers from neighbouring countries reaching Montenegro's coastal resorts by road once the movement restrictions end. Air connections would need more time to be re-established, while cruise ship tours might suffer an even longer-term damage. A swift recovery of the economy in 2021, while possible, is subject to very substantial uncertainties. The main risk for this scenario would be a revitalisation of the virus and delays to obtain a vaccine before the next tourism season.

Trade and remittances downfall

The current account deficit is set to narrow for two consecutive years. First, in 2020, due to the contraction of domestic demand and imports, the latter outpacing in terms of volume the contraction of tourism exports. Then, in 2021, following the completion of the Bar-Boljare highway works, which was heavily reliant on construction materials, equipment, but also services imports. The plunge of oil prices would also contribute to narrowing the external gap, but this could be partially offset by an almost simultaneous decline in exports prices of electricity and aluminium. Remittances inflows are also set to contract as Montenegrins abroad are also confronted with lockdowns. A reversal of FDI flows is not expected considering the nature of investments, most of them in real estate, construction and intercompany debt. However, some important FDI projects could be delayed.

Seasonal jobs to absorb partially the shock

Montenegro's labour market is characterised by strong seasonality and dependence on foreign temporary workers, particularly in construction, agriculture and tourism. This situation could facilitate a quick adjustment of the payroll for local businesses, dampening to some extent the negative impact on unemployment. Employment would recover gradually in 2021, following the expected rebound of the economy.

Inflation driven by domestic factors

In addition to the sharp decline of international oil prices, inflation pressures are set to stay low in 2020 due to the contraction of domestic demand. Some likely price increases in agro-food and medical products in 2020 could be offset by rebates in tourism packages and real estate. Some modest increase of inflation is forecast for 2021, in the wake of the projected recovery in consumption and employment.

Enterprises liquidity support

Montenegro's Investment Development Fund, International Financial Institutions and the EU are providing credit lines and guarantees to domestic banks to facilitate liquidity to local companies. The financial sector appears stable, liquid and well capitalised, with capacity to provide liquidity to the real sector during the forecast period. However, risks remain on the demand side, in particular the capacity of small businesses to recover after the lockdown and reimburse debt.

Public finance shudders

Public finances are confronted with a triple shock: the collapse of tax revenue due to the interruption of economic activity, a sudden surge of healthcare expenditure, and the need to finance support measures to preserve the economy. Only the more pressing medical needs to respond to the pandemic are estimated at 1.2% of GDP, while the first set of measures in support of the economy are estimated to cost some 3.5% of GDP. The contraction of tax revenue is extremely difficult to estimate, as it would depend on the duration of the lockdown and its effects, and on the amount of taxes deferred (and recovered). Overall, a historically high deficit of more than 7% of GDP is expected in 2020, instead of the initially planned balanced budget. In 2021, the rebound of the economy and a marked reduction in capital spending would facilitate a modest primary surplus, providing some relieve to public debt.

Public debt growth would be partially limited in 2020 thanks to the use of government reserves. These were built-up to pay maturing debt in 2020 and 2021. Instead, they would be used to cover urgent financing needs created by the pandemic.

Table II.29.1:

Main features of country forecast - MONTENEGRO

		2018			Annual percentage change					
	mio EUR	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		4663.1	100.0	-	2.9	4.7	5.1	**3.6**	**-5.9**	**4.4**
Private Consumption		3424.6	73.4	-	5.4	3.9	4.6	**2.9**	**-9.1**	**10.9**
Public Consumption		862.9	18.5	-	0.8	-1.4	6.3	**1.5**	**2.5**	**-1.7**
Gross fixed capital formation		1363.9	29.2	-	38.4	18.7	14.7	**-1.5**	**-7.5**	**-8.4**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1999.3	42.9	-	5.9	1.8	6.9	**6.4**	**-33.7**	**24.3**
Imports (goods and services)		3111.9	66.7	-	15.3	8.4	9.2	**2.1**	**-26.1**	**16.0**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand			-	12.1	7.4	8.5	**2.0**	**-8.1**	**4.9**
	Inventories			-	-2.4	1.9	-0.3	**0.3**	**0.0**	**0.0**
	Net exports			-	-6.8	-4.6	-3.1	**1.4**	**2.2**	**-0.5**
Employment				-	1.1	2.3	2.2	**2.1**	**-1.4**	**2.6**
Unemployment rate (a)				-	17.7	16.1	15.5	**15.4**	**17.0**	**16.2**
Compensation of employees / head				-	0.9	0.8	0.0	**0.8**	**-1.8**	**2.1**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	-	-	-	**-**	**-**	**-**
Consumer-price index				-	0.1	2.8	2.9	**0.5**	**0.8**	**1.3**
Terms of trade of goods				-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (c)				-38.7	-41.9	-43.3	-43.9	**-42.1**	**-29.0**	**-33.5**
Current-account balance (c)				-	-16.2	-16.1	-17.0	**-15.2**	**-13.8**	**-12.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-3.6	-5.2	-3.7	**-2.0**	**-7.7**	**-1.5**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	63.4	64.2	70.1	**77.2**	**82.7**	**79.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

30. NORTH MACEDONIA

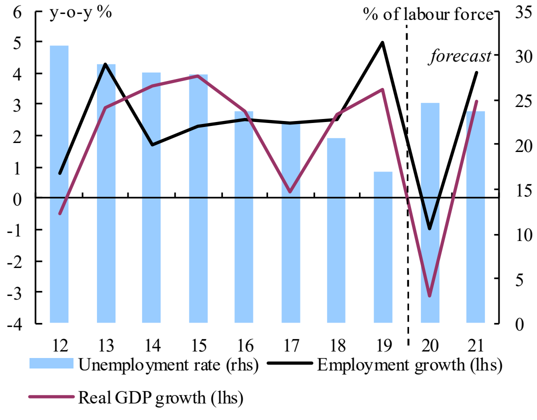
After economic growth accelerated in 2019, the outlook has deteriorated markedly due to the COVID-19 pandemic. External demand is heavily hit by trade disruptions while local containment measures are curbing domestic demand. A sharp drop in public revenues and fiscal measures to mitigate the crisis impact will lead to a significant increase in public deficit and debt levels in 2020. In a most likely scenario, based on a gradual easing of restrictions and recovery of foreign demand, the economy would start to recover in the second half of the year, and continue to pick up in 2021.

A sharp downturn in 2020

Real growth accelerated to 3.6% in 2019, on the back of firming domestic demand. Private consumption, boosted by rising wages, social transfers, remittances from abroad, and household credit, rose faster than in the preceding year. Investment, which had been weak for two and a half years, strengthened in the second half of 2019.

The upswing ended abruptly in March, when the COVID-19 crisis required a massive lockdown of the economy, and similar measures in the main trading partners led to trade disruptions. Shop and factory closures hit both domestic activity and external trade, while travel bans impact on tourism and transport. The baseline scenario assumes the lockdown lasts until end–May and the economy would recover as of the third quarter.

Graph II.30.1: **North Macedonia - Real GDP growth and labour market**



Net exports temporarily add to growth

The sharp deterioration in the economic outlook of North Macedonia's major export markets, combined with supply chain disruptions, are set to trigger a significant decline in export volumes in 2020. As the main exporters, foreign companies are particularly hit, such as producers of automotive components facing stalled car production in Germany and import disturbances from the lockdown in China. Lower exports and the drop in domestic demand are likely to lead to a marked reduction in imports. Overall, net exports are projected to contribute marginally to growth in 2020, while the expected pick-up in domestic activity and in external demand would reverse this in 2021. On the supply side, exports could benefit from delayed new foreign-owned production capacities coming on stream in 2021 and a boost in investor confidence given the recent green light for EU accession negotiations. The improvement in the trade balance will, however, not compensate for the drop in current transfers, further widening the current account deficit in 2020.

Consumer prices drop, before rising again

In 2019, consumer prices rose moderately, on account of higher cost of food, alcohol and tobacco, and health services. Energy and transport prices declined. In 2020, the consumer price index is expected to drop, compared to the preceding year, as the downturn reduces domestic price pressures, complemented by lower prices for energy and commodities. In 2021, price levels are projected to rise again, based on expectations of slightly firming domestic demand.

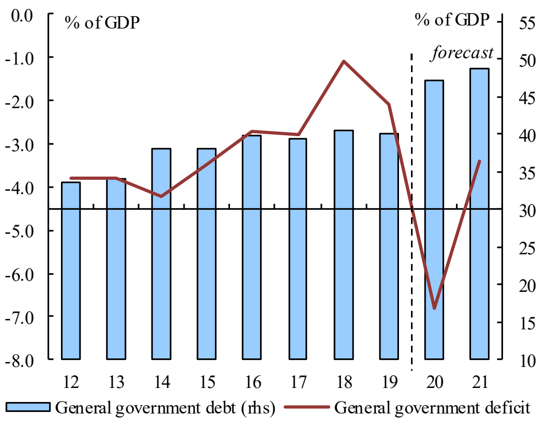
Public revenue is set to decline heavily

In the baseline scenario, central government revenue is projected to drop by 25% in 2020, as the severe slowdown in economic activity curbs income from taxes and contributions. In addition, the government has granted sizeable tax deferrals to companies most impacted. In spite of two sets of fiscal support measures amounting to EUR 200 million, the government plans to adhere to its original spending targets by reallocating funds within the budget. In April, it cut investment spending to accommodate wage subsidies totalling EUR 120 million, as part of the overall package.

Financing needs delay debt stabilisation

The crisis hits the country at a time when fiscal space is restricted and large debt repayments fall due in 2020 and 2021. The expected revenue shortfall in 2020 is projected to drive debt levels higher over the forecast horizon than previously anticipated. Depending on the duration and severity of the lockdown, the debt ratio might stabilise around its 2019 level only well after 2021.

Graph II.30.2: **North Macedonia - Public finances**



A renewed rise in unemployment lies ahead

While job creation was particularly strong in 2019, and unemployment declined further, there is likely to be a reversal in 2020. Companies' production halts have led to forced annual holidays and pay-cuts. Most established foreign companies have so far refrained from layoffs, preferring to retain skilled workers. In past years, many jobs have been linked to government spending (employment measures, FDI, public works). These funds might decline now, which would protract the return of the labour market to pre-COVID dynamics.

Risks to the forecast are on the downside

Downside risks are sizeable. A stronger or longer-lasting than expected deterioration of the external environment, or a more extended disruption of supply chains would exacerbate the decline in exports beyond 2020. On the domestic side, a lockdown that lasts well into the summer would lead to a sharper decline in employment, disposable income, household spending, and government revenue. A much larger than anticipated drop in private transfers from abroad would further diminish financing sources.

Table II.30.1:
Main features of country forecast - NORTH MACEDONIA

	2018			Annual percentage change						
bn MKD	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	658.1	100.0	2.9	2.8	0.2	2.7	**3.6**	**-3.9**	**4.0**
Private Consumption	433.7	65.9	3.0	3.9	0.7	3.7	**3.5**	**-2.5**	**3.0**
Public Consumption	97.1	14.8	1.3	-4.9	-2.5	2.4	**4.4**	**2.7**	**1.5**
Gross fixed capital formation	167.6	25.5	4.7	9.9	0.8	-7.2	**6.6**	**-10.0**	**13.0**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	398.4	60.5	6.6	9.1	8.1	15.3	**8.3**	**-11.0**	**10.0**
Imports (goods and services)	481.3	73.1	7.1	11.1	6.4	9.0	**9.0**	**-9.2**	**10.6**
GNI (GDP deflator)	630.4	95.8	2.8	2.0	0.3	2.5	**3.8**	**-4.2**	**4.0**
Contribution to GDP growth:	Domestic demand		3.7	4.2	0.3	1.0	**4.6**	**-4.1**	**5.9**
	Inventories		0.6	1.5	0.1	-0.5	**0.4**	**0.1**	**-0.1**
	Net exports		-1.3	-2.8	-0.1	2.2	**-1.6**	**0.2**	**-1.9**
Employment			1.7	2.5	2.4	2.5	**5.0**	**-1.7**	**1.1**
Unemployment rate (a)			32.5	23.7	22.4	20.7	**17.3**	**18.1**	**17.6**
Compensation of employees / head			2.3	0.9	0.9	5.0	**3.0**	**-4.9**	**4.4**
Unit labour costs whole economy			1.1	0.5	3.1	4.8	**4.5**	**-2.7**	**1.5**
Real unit labour cost			-1.7	-2.8	-0.6	1.1	**2.1**	**-2.8**	**-1.8**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			3.0	3.5	3.7	3.7	**2.3**	**0.1**	**3.4**
Consumer-price index			-	-0.2	1.3	1.5	**0.8**	**-0.7**	**2.0**
Terms of trade goods			0.7	7.1	-0.8	-9.7	**-0.3**	**-0.2**	**-0.1**
Trade balance (goods) (c)			-22.6	-18.8	-17.8	-16.2	**-17.6**	**-16.9**	**-18.7**
Current-account balance (c)			-4.5	-2.9	-1.0	-0.3	**-1.5**	**-3.0**	**-3.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-2.7	-2.8	-1.1	**-2.1**	**-6.8**	**-3.4**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			33.3	39.8	39.4	40.6	**40.2**	**47.2**	**48.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

31. SERBIA

Following two years of strong GDP growth, the Serbian economy is projected to contract sharply in 2020, followed by a strong rebound in 2021. Private consumption and investment are expected to fall in 2020 due to lockdown restrictions, confidence effects and uncertainties, before a strong recovery in 2021. Due to the economic contraction and sizeable fiscal mitigation measures, the general government deficit is forecast to rise sharply in 2020 followed by a strong reduction in 2021. The debt-to-GDP ratio is set to increase temporarily by around 10 percentage points in 2020.

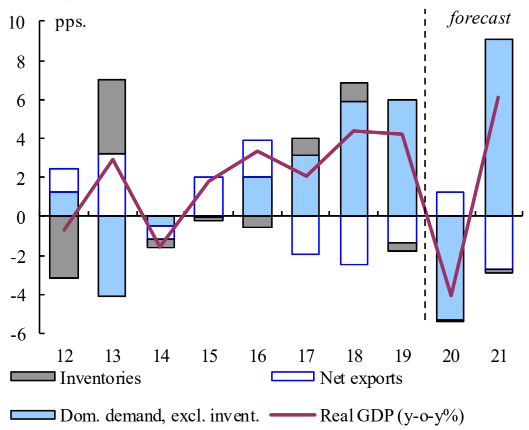
Strong growth momentum ahead of the crisis

Growth accelerated strongly in the second half of 2019, bringing annual growth above 4% for a second consecutive year. Robust domestic demand continued to determine the pace of expansion, in particular from gross fixed capital formation, strongly supported by the construction of the Turkstream gas pipeline. Short-term indicators suggest that growth remained robust in the first quarter of 2020, but the positive outlook came to a sudden halt due to the outbreak of the COVID-19 pandemic. The government declared a state of emergency on 15 March, imposing a series of containment measures, including a 12-hour daily curfew, the closure of all non-essential shops, restaurants and cafés, and transport shutdowns. A first gradual relaxation of lockdown measures started to be envisaged as of late April.

Sharp economic contraction before rebound

The impact of the COVID-19 pandemic is expected to cause GDP to contract by around 4% in 2020, followed by a strong rebound by 6% in 2021. Both the contraction and the recovery are forecast to be mainly driven by private consumption and investment. The overall short duration of lockdown measures is not expected to durably affect production capacity and the long-term growth trajectory, allowing for a strong recovery, also in line with the forecast recovery of external demand. Due to supply restrictions in many service sectors, not fully compensated income losses and uncertainty-induced precautionary savings, private consumption is projected to decrease by around 4¼% in 2020 and to rebound strongly in 2021. Gross fixed capital formation is also expected to have a similar-sized negative contribution to overall 2020 GDP growth, contracting by a projected 13½%, as many private investments are put on hold due to increased uncertainty and public investment is delayed. As these short-term crisis effects subside, investment is set to rebound strongly in 2021. On the external side, due to its relatively high trade openness, the Serbian economy is set to be strongly hit by the COVID-19 crisis-induced contraction of external demand, particularly from its main trading partners in the EU, leading to a projected fall in exports by 8½%. The negative domestic demand shock is however expected to lead to a stronger fall of imports by 9½% and thus to a positive contribution of net exports to GDP growth in 2020. Exports and imports are forecast to rebound strongly in 2021.

Graph II.31.1: **Serbia - Real GDP growth and contributions**



Unemployment to rise temporarily

While government measures are expected to mitigate lockdown-induced job losses, the economic contraction is nonetheless expected to temporarily interrupt the continuous decline of unemployment over the last five years. Inflation is set to moderate further in the short term, reflecting lower oil prices and subdued domestic demand, while rebounding in 2021 due to the recovery.

Outlook subject to high uncertainty

The growth outlook is subject to high uncertainty with risks tilted to the downside. While a potential faster lifting of the main restrictions might allow for an earlier and stronger rebound, a potentially more protracted duration of restrictions on some sectors may more persistently affect consumer confidence and consumption patterns, thereby dampening the economic recovery. In this regard, the effectiveness of measures to protect household disposable income and business liquidity will also be essential. On the external side, a potential stronger contraction in main trading partners would weigh on Serbian exports and investment.

Public deficit and debt to rise strongly in view of crisis mitigation

The strong revenue performance in 2019 allowed for high increases in current and capital spending while maintaining a general government deficit close to balance. The public debt-to-GDP ratio also continued its gradual decline towards 50% of GDP. The COVID-19 crisis is set to deteriorate sharply the deficit to 7½% of GDP in 2020, both due to the effect of automatic stabilisers, mostly on the revenue side, but also due to a sizeable package of discretionary fiscal measures to cushion the impact of the crisis. The package includes deferred tax payments, income support to employees in SMEs and to temporarily suspended workers in large companies, one-off payments to all citizens and liquidity-enhancing loan guarantees. The package has a direct budgetary impact of around 6% of GDP and another 5% in liquidity-enhancing measures. In line with the projected recovery, the fading out of one-off mitigation measures and the revenue increase from deferred tax payments, the deficit is forecast to drop sharply to 2% of GDP in 2021. The debt-to-GDP ratio is projected to rise above 60% in 2020 reflecting both the high deficit and low GDP developments, before resuming its gradual decline in line with the economic rebound and lower deficit developments in 2021.

Graph II.31.2: **Serbia - Public finances**

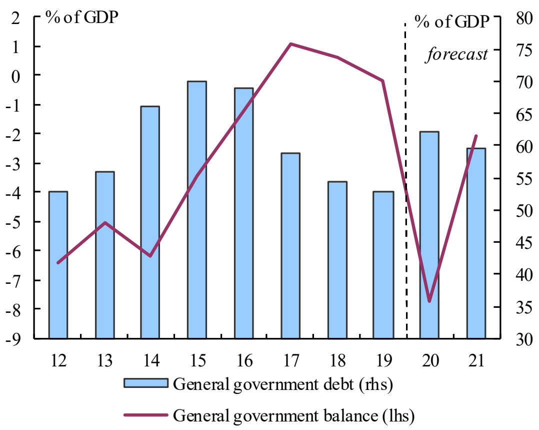


Table II.31.1:

Main features of country forecast - SERBIA

	2018			Annual percentage change						
	bn RSD Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	5068.6	100.0	-	3.3	2.0	4.4	**4.2**	**-4.1**	**6.1**
Private Consumption	3511.9	69.3	-	1.3	1.9	3.1	**3.2**	**-4.2**	**6.8**
Public Consumption	839.3	16.6	-	1.2	3.3	3.7	**2.9**	**3.2**	**2.8**
Gross fixed capital formation	1016.5	20.1	-	5.4	7.3	17.8	**16.4**	**-13.5**	**19.4**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	2573.6	50.8	-	11.9	8.2	8.3	**8.5**	**-8.5**	**13.8**
Imports (goods and services)	3005.3	59.3	-	6.7	11.1	11.6	**9.5**	**-9.4**	**16.7**
GNI (GDP deflator)	4806.8	94.8	-	2.4	1.0	5.9	**3.9**	**-3.7**	**6.4**
Contribution to GDP growth:	Domestic demand		-	2.0	3.1	5.9	**6.0**	**-5.4**	**9.0**
	Inventories		-	-0.6	0.9	0.9	**-0.4**	**0.0**	**-0.2**
	Net exports		-	1.9	-2.0	-2.4	**-1.3**	**1.3**	**-2.7**
Employment			-	5.6	2.8	1.4	**2.4**	**-3.2**	**2.7**
Unemployment rate (a)			-	15.3	13.5	12.7	**10.3**	**12.7**	**10.0**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	1.5	3.0	2.1	**2.5**	**1.8**	**3.0**
Consumer-price index			-	1.1	3.2	2.0	**1.7**	**0.9**	**1.9**
Terms of trade goods			-	0.0	-1.0	-1.6	**0.5**	**0.0**	**0.0**
Trade balance (goods) (c)			-	-7.3	-9.0	-11.1	**-11.3**	**-10.1**	**-11.9**
Current-account balance (c)			-	-2.9	-5.2	-4.8	**-6.9**	**-4.3**	**-5.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-1.2	1.1	0.6	**-0.2**	**-7.7**	**-2.1**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	68.8	58.7	54.5	**52.8**	**62.2**	**59.5**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

32. TURKEY

Balance sheet and external financing vulnerabilities and expansionary policies prior to the crisis limit the policy space to mitigate the COVID-19 effects and remain a major source of risk. The economy is particularly exposed to the fallout from the crisis due to its high integration in global value chains and dependence on tourism and transport – two of the most heavily affected sectors. Following a steep decline in domestic demand and international trade this year, persistent uncertainty and a weak labour market are expected to dampen the strength of the recovery in 2021.

Starting from a strong growth momentum

Economic growth accelerated to 6.0% y-o-y in the fourth quarter of 2019, bringing the annual growth rate just under 1%. Household consumption, boosted by consumer lending and pent-up demand, drove the growth momentum along with rebounding investment activity. Although investment remained in negative territory, strong rises in machinery and equipment purchases and a build-up of inventories signalled that economic recovery was gaining speed. Construction was the only sector subtracting from growth.

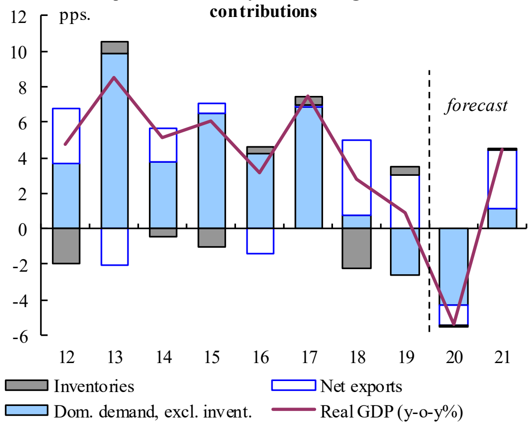
First signs of a steep fall in economic activity visible in March

The economy had not yet fully recovered from the dislocations caused by the 2018 recession when the COVID-19 pandemic started to disrupt the global economy. The first, more tangible signs of the pandemic effects on the Turkish economy became visible in March. Real sector confidence plummeted to 99.7, down 7.2 pps from the previous month. Its decline was mostly driven by deteriorating expectations for output and export orders in the next 3 months. In parallel, the manufacturing PMI fell steeply from 52.4 in February to 48.1 in March. General economic confidence declined as well, although March data did not yet fully capture COVID-19 effects on consumers, retail trade, and construction.

Multiple channels of contagion and limited policy space

The Turkish economy is particularly exposed to the effects of the pandemic due to its high integration in global value chains and dependence on tourism and transport – two of the most heavily affected sectors. As a result, net exports are forecast to have a negative effect on growth and external trade to contract by around a quarter this year. In a bleak international environment, as a net energy importer, the Turkish economy will benefit strongly from the lower international oil prices via the room created for more accommodative monetary policy and the reduction in the import bill. Nevertheless, the economy is expected to contract because of a large domestic demand shock, in both private consumption and investment, amid further decline in confidence and persistently high uncertainty. The recovery in 2021 is likely to be subdued in view of growing balance sheet problems and a weak labour market.

Graph II.32.1: **Turkey - Real GDP growth and contributions**



Financial market stress was quite pronounced already in early 2020, with credit default swap spreads rising to multi-year highs in April and the lira losing 17% of its value against the US dollar since the beginning of the year. While a weaker lira would work to compress imports and external imbalances, it will also stoke inflationary pressures and aggravate vulnerabilities caused by the large open net foreign currency position of the non-financial sector.

The policy space to mitigate the effects from the crisis is limited. Real interest rates became negative already before the crisis, while previous years' expansionary fiscal policy had reduced fiscal buffers. Nevertheless, the authorities took a number of measures to boost liquidity and provide favourable credit conditions. However, fiscal transfers, beyond the operation of automatic stabilisers, remained limited. In view of the economy's vulnerabilities and significant exchange rate pressures, addressing external financing needs and arresting the decline in international reserves will be crucial in order to allow a stronger policy reaction to cushion the social and economic effects of the crisis. Risks related to geopolitical and regional tensions remain elevated.

Significant labour market challenges and a growing fiscal cost

The steep contraction of domestic and external demand is expected to further weaken the labour market, with particularly negative employment effects in services and construction. Weak safety nets, coupled with widespread informal employment in these sectors, are unlikely to mitigate fully the social fallout of the crisis and to cushion the hit to private consumption.

Automatic fiscal stabilisers and initial fiscal measures would alleviate only partially the economic burden from the crisis. Nevertheless, the underlying fiscal position, which weakened already in 2019 due to one-off and temporary measures, is expected to worsen significantly. The main reason for this is the expected large decline in revenues because of the steep fall in economic activity. Therefore, even without additional, more decisive discretionary measures, the budget deficit is set to expand significantly, while government debt is forecast to increase above 40% of GDP. Ultimately, in view of the magnitude of the economic and financial challenges, and if the government takes further measures to aid companies and limit employment losses, the fiscal cost of the crisis may turn out to be even higher.

Graph II.32.2: **Turkey - Labour market**

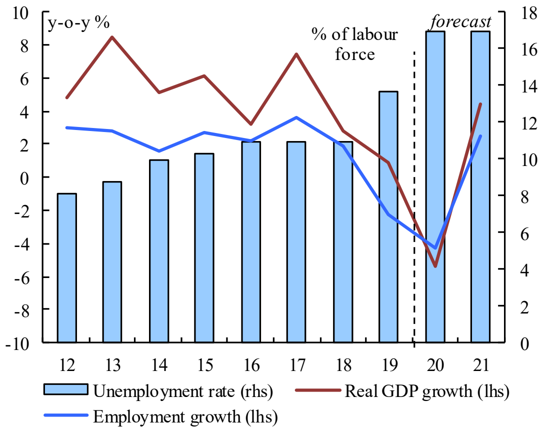


Table II.32.1:

Main features of country forecast - TURKEY

		2018			Annual percentage change					
		bn TRY Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		3724.4	100.0	5.1	3.2	7.5	2.8	**0.9**	**-5.4**	**4.4**
Private Consumption		2111.3	56.7	4.5	3.7	6.2	0.0	**0.7**	**-2.1**	**1.9**
Public Consumption		552.4	14.8	4.6	9.5	5.0	6.6	**4.4**	**4.0**	**4.5**
Gross fixed capital formation		1114.1	29.9	8.7	2.2	8.2	-0.6	**-12.4**	**-14.3**	**-3.3**
of which: equipment		-	-	7.7	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1099.8	29.5	7.0	-1.9	12.0	7.8	**6.4**	**-26.4**	**17.7**
Imports (goods and services)		1140.7	30.6	6.6	3.7	10.3	-7.8	**-3.6**	**-24.5**	**5.2**
GNI (GDP deflator)		3623.4	97.3	5.1	3.4	7.2	1.4	**2.0**	**-5.9**	**3.4**
Contribution to GDP growth:	Domestic demand			5.7	4.2	6.9	0.8	**-2.6**	**-4.3**	**1.1**
	Inventories			-0.2	0.4	0.5	-2.2	**0.5**	**0.0**	**0.0**
	Net exports			-0.2	-1.4	0.1	4.2	**3.0**	**-1.1**	**3.3**
Employment				1.2	2.2	3.6	1.9	**-2.2**	**-4.3**	**2.5**
Unemployment rate (a)				9.1	10.8	10.8	10.9	**13.6**	**16.9**	**16.9**
Compensation of employees / head				17.6	20.2	8.8	17.0	**18.7**	**5.3**	**8.6**
Unit labour costs whole economy				13.2	19.1	4.9	15.9	**15.0**	**6.5**	**6.6**
Real unit labour cost				-1.8	10.2	-5.5	-0.4	**1.0**	**-5.4**	**-4.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				15.3	8.1	11.0	16.4	**13.9**	**12.5**	**11.4**
Consumer-price index				16.6	7.8	11.1	16.3	**15.5**	**11.4**	**11.7**
Terms of trade goods				-	9.4	-6.9	-4.7	**-0.5**	**3.3**	**0.2**
Trade balance (goods) (c)				-	-4.8	-6.9	-4.9	**-2.5**	**0.6**	**3.0**
Current-account balance (c)				-4.1	-3.8	-5.6	-3.6	**0.2**	**-0.5**	**1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-1.1	-2.8	-2.8	**-3.0**	**-7.8**	**-9.0**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				46.0	28.3	28.2	30.4	**33.1**	**43.1**	**47.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Other non-EU Countries

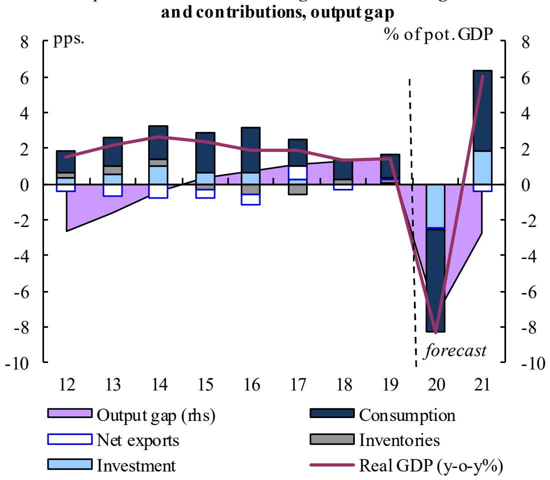
33. THE UNITED KINGDOM

UK GDP is expected to fall steeply in the first half of 2020, mostly due to the containment measures the UK government has implemented to combat the spread of COVID-19, before rebounding into 2021. Private consumption is expected to fall sharply, before picking up again, while investment is expected to take longer to recover, due both to the lasting consequences of COVID-19 and continuing uncertainty about the UK's future trading relations with the EU. Net trade is expected to remain a drag on growth. Unemployment is set to spike in 2020, before easing down in 2021. Inflation is projected to drop this year before rising in 2021.

GDP growth was modest and volatile in 2019…

UK GDP growth was very volatile throughout 2019. This was in part due to fears of a possible disorderly exit from the EU in March and October, which led to stockpiling and other mitigation activities, temporarily boosting growth in the first and third quarter of 2019. The subsequent unwinding of stocks had a negative effect on GDP growth in the second and fourth quarters. Overall, UK GDP grew by 1.4% in 2019, up slightly from 1.3% in 2018.

Graph II.33.1: **The United Kingdom - Real GDP growth and contributions, output gap**



Following the UK's withdrawal from the EU on 31 January 2020 and the entry into force of the Withdrawal Agreement, the UK entered a transition period during which EU law, with a few exceptions, continues to apply to and in the UK. The transition period lasts until the end of 2020, with the possibility of an extension. Projections for 2021 are based on a purely technical assumption of status quo in terms of trading relations between the EU and the UK. This is for forecasting purposes only and has no bearing on the negotiations between the EU and the UK on their future relations.

…and is expected to drop in 2020 because of COVID-19 before rebounding in 2021

To contain the spread of the COVID-19 pandemic, the UK government implemented a lockdown from late March onwards, leading to a sharp slowdown in business activity in many sectors, particularly hospitality. Consequently, private consumption and investment are expected to fall sharply in the second quarter of 2020. As containment measures are eased, private consumption is expected to rebound quickly in the second half of the year, supported by an expansionary fiscal policy. Business investment is also expected to rebound, although with uncertainty about the UK's future trading relations continuing to weigh on investment. Public consumption is expected to contribute significantly to GDP growth in 2020, while net exports are projected to weigh on growth. Overall, UK GDP is expected to fall by 8¼ % in 2020.

Private consumption is expected to be the main driver of growth in 2021, with public consumption growth slowing. Investment is expected to contribute positively to growth, while net exports are projected to continue to weigh on growth. Reflecting this and the purely technical assumption on EU-UK trade relations, UK GDP is expected to grow by 6 % in 2021. The risks to the UK GDP forecast are tilted to the downside.

Employment to fall sharply in 2020

Employment is expected to fall sharply in 2020 as a consequence of the containment measures. The unemployment rate, which reached a historical low in 2019 of 3.7 %, is therefore expected to increase to an average of 6.7 % in 2020, with government policies to support employees and the self-employed preventing an even steeper increase. In 2021, unemployment is expected to fall slightly to 6 %. Consumer price inflation is forecast to ease to 1.2 % in 2020 from 1.8 % in 2019, mainly due to lower energy and service prices. Inflation is projected to rebound to 2.1% in 2021.

General government deficit to rise to levels last seen in the global financial crisis

The general government deficit is expected to have increased to 2.5% of GDP in 2019-2020, from 1.8% in 2018-2019. This is the first increase of the deficit after several years of fiscal tightening, mainly due to planned increases in departmental spending. The spread of COVID-19 also had some negative impact on the fiscal balance in the first quarter of 2020.

In the Budget in March, the UK government announced significant fiscal loosening, in particular higher resource and capital spending. In addition, in the Budget and in the following weeks, the government announced several fiscal measures to deal with the consequences of COVID-19. These measures amount to around 5½ % of GDP, and include income support for employees and self-employed workers, support for businesses and an increase in welfare spending. Based on a no-policy change assumption, the measures are assumed to only have temporary effect in 2020-2021. The government has also provided credit guarantees for bank loans of about 16 % of GDP, creating contingent liabilities. The additional spending, in combination with the economic downturn expected for 2020 lead to an expected increase in the general government deficit in 2020-2021 to 10¾ %, slightly higher than at the height of the financial crisis in 2009. The general government deficit is then expected to fall to 6½ % in 2021-2022.

The general government debt-to-GDP ratio is expected to have increased to 85.2 % in 2019-2020, up from 84.2% in 2018-2019. In 2020-2021, it is projected to increase to 102½ %. In 2021-22, it is projected to fall slightly due to the rebound in the economy, but remain above 100 % of GDP.

Table II.33.1:

General government projections on a financial-year basis

ESA10	Actual		Forecast		
	2017-18	2018-19	2019-20	2020-21	2021-22
General government balance~	-2.7	-1.8	**-2.5**	**-10.7**	**-6.2**
Structural budget balance	-3.3	-2.4	**-1.8**	**-6.7**	**-4.3**
General government gross debt	84.6	84.2	**85.2**	**102.5**	**100.2**

~APF transfers included

Table II.33.2:

Main features of country forecast - UNITED KINGDOM

	2018			Annual percentage change						
	bn GBP	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP		2144.3	100.0	1.9	1.9	1.9	1.3	**1.4**	**-8.3**	**6.0**
Private Consumption		1404.0	65.5	2.0	3.6	2.2	1.6	**1.1**	**-10.3**	**6.9**
Public Consumption		396.2	18.5	2.3	1.0	0.3	0.4	**3.5**	**4.9**	**0.8**
Gross fixed capital formation		362.6	16.9	1.6	3.6	1.6	-0.2	**0.6**	**-14.3**	**11.5**
of which: equipment		81.0	3.8	1.7	9.0	6.3	-8.2	**-6.2**	**-21.3**	**16.8**
Exports (goods and services)		656.5	30.6	3.0	2.7	6.1	1.2	**4.8**	**-10.7**	**5.1**
Imports (goods and services)		686.3	32.0	3.5	4.4	3.5	2.0	**4.6**	**-9.9**	**6.1**
GNI (GDP deflator)		2116.8	98.7	1.8	1.8	3.2	1.2	**1.3**	**-8.3**	**6.0**
Contribution to GDP growth:	Domestic demand			2.0	3.2	1.8	1.1	**1.5**	**-8.2**	**6.4**
	Inventories			0.0	-0.6	-0.6	0.3	**0.2**	**0.0**	**0.0**
	Net exports			-0.2	-0.5	0.7	-0.3	**0.0**	**-0.1**	**-0.4**
Employment				0.9	1.5	1.0	1.2	**1.1**	**-2.7**	**1.5**
Unemployment rate (a)				6.1	4.8	4.3	4.0	**3.8**	**6.7**	**6.0**
Compensation of employees / head				3.2	3.2	3.2	2.9	**3.8**	**-6.5**	**8.6**
Unit labour costs whole economy				2.2	2.7	2.2	2.7	**3.5**	**-0.7**	**4.0**
Real unit labour cost				0.2	0.6	0.4	0.6	**1.6**	**-2.4**	**2.5**
Saving rate of households (b)				9.2	7.2	5.3	5.8	**5.7**	**10.6**	**7.8**
GDP deflator				2.0	2.1	1.9	2.1	**1.9**	**1.7**	**1.5**
Harmonised index of consumer prices				2.1	0.7	2.7	2.5	**1.8**	**1.2**	**2.1**
Terms of trade goods				0.2	3.0	0.1	0.5	**0.9**	**0.0**	**0.0**
Trade balance (goods) (c)				-5.3	-6.7	-6.6	-6.5	**-5.9**	**-6.1**	**-6.2**
Current-account balance (c)				-3.0	-5.2	-3.5	-3.9	**-3.8**	**-4.1**	**-4.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.1	-5.3	-3.6	-4.0	**-3.8**	**-4.2**	**-4.5**
General government balance (c)				-4.4	-3.3	-2.5	-2.2	**-2.1**	**-10.5**	**-6.7**
Cyclically-adjusted budget balance (d)				-4.2	-3.7	-3.0	-2.8	**-2.7**	**-6.2**	**-4.8**
Structural budget balance (d)				-	-3.7	-3.0	-2.8	**-2.7**	**-6.2**	**-4.8**
General government gross debt (c)				56.8	86.8	86.2	85.7	**85.4**	**102.1**	**101.5**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

34. THE UNITED STATES

The US economy is set to contract sharply in 2020 because of the impact of COVID-19 and the sharp deterioration of both consumer and business sentiment. Once the worst effects of the coronavirus are left behind, the economy is expected to recover gradually as of the second half of 2020 supported by unprecedented monetary policy easing and a historically large fiscal stimulus. Risks are tilted to the downside in a context of very high economic uncertainty.

Solid economic performance in 2019 before a dramatic contraction in 2020

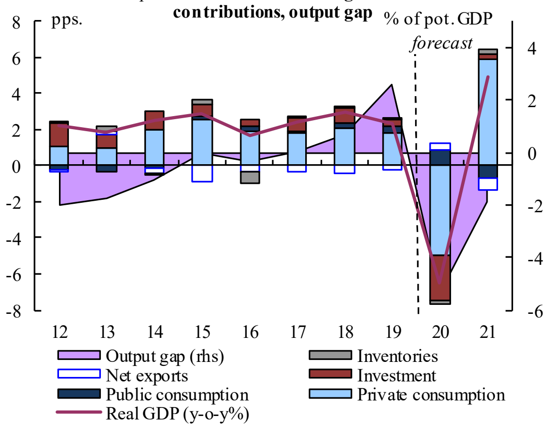
Real GDP increased by 2.3% in 2019 driven by robust private consumption and a strong labour market. Nevertheless, domestic demand gradually softened because of subdued private investment and a weak manufacturing sector suffering from restrictive trade policies and the global slowdown. The positive contribution from residential investment confirmed the pick-up of the housing sector.

Following a similar baseline scenario of the unfolding pandemic, as assumed for the euro area, GDP is expected to contract sharply in the first half of 2020 against the backdrop of a steep contraction of household consumption and private investment while the severe global recession is expected to weigh heavily on the export sector. The economy is set to recover from the second half of 2020 onwards and rebound over the forecast horizon on the back of private consumption, which is projected to be supported by a massive fiscal stimulus, a reduction of relatively high saving rates and a gradual recovery of the labour market. Private investment is expected to grow more slowly than consumption and remain rather subdued because of high debt levels in the corporate sector, the significant adverse impact of very low oil prices in the energy sector, significant doubts about the profile of the economic recovery and the elevated uncertainty about the trade and the global outlook. In this context, government consumption is set to play a significant counter-cyclical role by growing markedly in 2020 and declining later as the economic activity recovers.

Total exports and imports are forecast to contract sharply in 2020 against the backdrop of the sharp fall in economic activity, especially investment, and major disruptions to global value chains. Trade is expected to recover in 2021 even though imports are expected to grow faster than exports because of the significant recovery of private consumption compared to external demand. As a result, the current account is expected to deteriorate also in line with the major increase in the fiscal deficit.

Thus, the US economy is expected to contract by 6½% in 2020 and then rebound by almost 5% in 2021.

Graph II.34.1: **US - Real GDP growth and contributions, output gap**



Macroeconomic policies will be exceptionally supportive to the economy

Macroeconomic policies are set to remain particularly supportive in 2020 on the back of the unprecedented set of facilities adopted by the US Federal Reserve (Fed) and a comprehensive package of fiscal measures worth some USD 2.2 trillion (around 11% of the US GDP).

The Fed cut its funds target range a full 150 bps to 0-0.25% in March. It then began an open-ended purchase of Treasuries and mortgage-backed securities at an even faster pace than during the financial crisis. The unlimited Quantitative Easing was complemented by a set of other unconventional measures aimed at providing liquidity, restoring normal market functioning and easing financing conditions to support economic recovery.

The fiscal stimulus was adopted to cushion the dramatic effects of the partial shutdown on economic activity. The stimulus is a 2020 one-off that consists of a set of instruments that provides direct income support to many citizens, expands unemployment insurance, offers loans to businesses, and provides additional resources to the healthcare sector. The general government deficit-to-GDP ratio is expected to soar to above 17% of GDP in 2020 and the debt-to-GDP ratio to increase by close to 25 percentage points over 130% of GDP.

Unemployment will reach the highest level in many decades

Having touched a historic low of 3.4%, the unemployment rate is set to increase sharply and reach a double-digit figure in the course of 2020. Unemployment is expected to rise across the whole economy even though some sectors such energy as well as tourism, retail or the aircraft industry are likely to be particularly hard hit. Job creation is set to resume as of the second half of 2020 even though the unemployment rate is likely to remain still above 6% at the end of 2021. Consumer price inflation is estimated to soften markedly in 2020, reflecting depressed demand, an unprecedented collapse of oil prices and the intense deterioration of the labour market.

An exceptionally high degree of uncertainty

Disruptions to economic activity could be even more severe if the duration of the virus outbreak is longer or new waves of infections force the extension of public health measures beyond the second quarter. A major hit to corporate profits and a sharp reassessment of financial risks may expose vulnerabilities of the most highly leveraged companies, and compromise the expected recovery of economic activity and employment. In addition, the massive fiscal stimulus may not be as effective as needed in cushioning the impact of the COVID-19 on domestic demand. Furthermore, financing conditions could also tighten more than expected if volatility in financial markets remains elevated.

Table II.34.1:

Main features of country forecast - UNITED STATES

	2018		Annual percentage change						
bn USD	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	20580.2	100.0	2.0	1.6	2.4	2.9	**2.3**	**-6.5**	**4.9**
Private Consumption	13998.7	68.0	2.3	2.7	2.6	3.0	**2.6**	**-7.2**	**8.5**
Public Consumption	2904.3	14.1	1.1	1.8	0.6	1.7	**1.8**	**6.6**	**-4.7**
Gross fixed capital formation	4260.8	20.7	1.8	1.9	3.7	4.1	**1.8**	**-12.2**	**1.7**
of which: equipment	1376.0	6.7	3.9	-0.9	4.8	6.7	**1.9**	**-6.7**	**0.8**
Exports (goods and services)	2510.2	12.2	4.0	0.0	3.5	3.0	**0.0**	**-13.4**	**10.3**
Imports (goods and services)	3148.5	15.3	3.8	2.0	4.7	4.4	**1.0**	**-12.9**	**13.2**
GNI (GDP deflator)	20848.1	101.3	2.2	1.6	2.5	3.0	**2.4**	**-7.2**	**5.4**
Contribution to GDP growth:	Domestic demand		2.1	2.5	2.6	3.1	**2.4**	**-6.5**	**5.4**
	Inventories		0.0	-0.5	0.0	0.1	**0.1**	**-0.2**	**0.2**
	Net exports		-0.1	-0.3	-0.3	-0.3	**-0.1**	**0.3**	**-0.7**
Employment			-	1.5	1.2	1.7	**1.1**	**-6.3**	**2.0**
Unemployment rate (a)			6.3	4.9	4.4	3.9	**3.7**	**9.2**	**7.6**
Compensation of employees / f.t.e.			3.1	0.9	3.1	3.3	**3.1**	**0.4**	**1.3**
Unit labour costs whole economy			1.6	0.8	1.9	2.1	**1.9**	**0.5**	**-1.5**
Real unit labour cost			-0.4	-0.3	0.0	-0.4	**0.2**	**1.2**	**-3.0**
Saving rate of households (b)			11.3	12.3	12.5	13.3	**13.7**	**18.8**	**10.5**
GDP deflator			2.0	1.0	1.9	2.4	**1.7**	**-0.6**	**1.5**
Consumer-price index			-	1.3	2.1	2.4	**1.8**	**0.5**	**1.5**
Terms of trade goods			-0.2	0.4	0.3	0.7	**0.6**	**0.4**	**0.0**
Trade balance (goods) (c)			-4.9	-4.2	-4.3	-4.4	**-4.1**	**-3.7**	**-4.2**
Current-account balance (c)			-3.3	-2.3	-2.3	-2.4	**-2.3**	**-3.0**	**-3.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.3	-2.3	-2.3	-2.4	**-2.3**	**-3.0**	**-3.0**
General government balance (c)			-6.2	-5.4	-4.3	-6.6	**-7.2**	**-17.8**	**-8.5**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			78.3	106.8	106.0	104.3	**106.6**	**130.6**	**131.0**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

(*) Employment data from the BLS household survey.

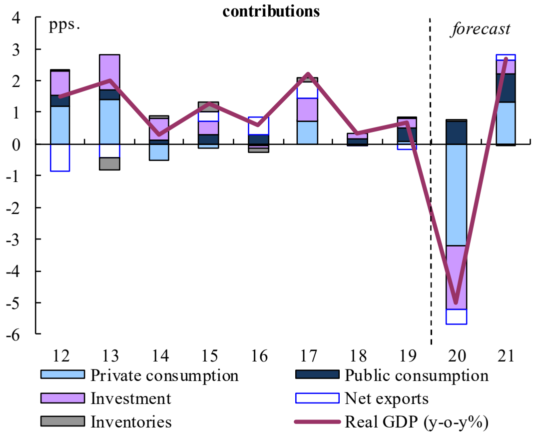
35. JAPAN

After a very weak end of 2019, economic activity is set to slump in the first half of 2020 amid the negative COVID-19 shock to external demand and lockdown-related demand suppression. The recovery from this shock is likely to be gradual, as policy space is limited and uncertainty about economic prospects has increased markedly.

Partial lockdown and tumbling external demand weights on growth

After three quarters of robust growth, real GDP growth in Japan flattened in Q3-2019 and dropped rapidly in Q4-2019 to -1.8% q-o-q reflecting the negative impact of a the hike in the consumption tax rate and the impact of typhoon Hagibis. For the year as a whole, economic activity increased by 0.7% driven by robust public consumption and investments linked to the organisation of the 2020 Tokyo Olympics and labour-replacing automation.

Graph II.35.1: **Japan - Real GDP growth and contributions**



A recovery was expected to take hold in the beginning of 2020 but the COVID-19 outbreak led to a sharp fall in external demand, disruption of global value chains, plunging tourism revenues and weakened domestic demand. On the external side, tourism revenues plummeted as Japan has imposed wide-ranging border controls and exports slumped as the pandemics ravaged China and, later on, advanced economies. On the domestic side, retail sales were relatively robust in February in line with the limited scale of containment measures so far, although consumer confidence paints a bleaker picture for March.

In Q2-2020 domestic demand is expected to drop, curtailed by the introduction of a one-month state of emergency in seven prefectures responsible for half of Japan's economic activity, which in mid-April was extended to the whole country. The declaration will enable prefectural governors to request people to stay in confinement and order closures of schools and public facilities. These measures are likely to result in a significant fall in private consumption. However, the scale of the closures seem to be more limited than in other advanced economies as public transportation, hotels and restaurants, distribution services and factories are not supposed to stop operating. At the same time, foreign trade is set to be hampered further by plunging foreign demand and temporary seizure of global supply chains.

Recovery is likely to be gradual ...

Economic activity is expected to rebound in the second half of 2020 and thereafter, as restrictive measures are gradually lifted. Private consumption is set to recover as pent-up demand for durables and semi-durables picks up and Tokyo Olympics are expected to take place in 2021. Public consumption and investments are likely to be prompted by sizeable stimulus measures. However, the extent of the rebound may be limited by changes in households' behaviour, as uncertainty around the health situation and future incomes is set to increase. Private investment growth is likely to remain sluggish, tough, reflecting lower global demand, increased uncertainty and disruptions in financing for some sectors.

On the external side, export growth is projected to pick up gradually in the second half of 2020 reflecting recovering demand in China and advanced economies. However, disruptions to global value chains and remaining travel restrictions are likely to hamper a strong rebound of foreign trade and tourism. At the same time, imports are likely to recover in line with rising domestic demand. Overall, net exports are expected to contribute negatively to growth in 2020 and recover afterwards, while real GDP is forecast to contract by 5% in 2020 before increasing by 2¾% in 2021.

… supported by renewed fiscal stimulus…

In the beginning of April the government adopted a new fiscal stimulus to cushion the impact of COVID-19 on the economy. The major part of the financing is intended to protect employment and businesses and key interventions include cash handouts to households and firms, deferral of tax payments and social security contributions, and concessional loans from public and private financial institutions. Although part of the announced government spending constitutes repackaging of previous stimuli, expansion of credit guarantees and deferment of tax and social security payments, the new fiscal spending in the supplementary budget amounts to around 4½% of GDP.

…and more accommodative monetary policy

The space for further interest rate cuts appears limited in Japan as interest rates are in negative territory and the central bank has refrained from cutting them further. Still, the Bank of Japan introduced a set of measures to provide liquidity and support credit flows. It increased the size and frequency of Japanese sovereign bond purchases and the annual pace of purchases of Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs). It also introduced a special funds-supplying operation to provide loans to financial institutions to facilitate financing of corporates and temporary increased targeted purchases of commercial paper and corporate bonds. At the same time, it has enhanced the provision of USD liquidity through swap arrangements with the Fed. Overall, financing conditions for corporates have been kept lose, but the risks for some sectors have increased significantly with the virus outbreak and the turmoil on international financial markets.

Risks are elevated

Risks to the forecast are skewed to the downside. On the domestic side, the scale and duration of lockdown measures might be higher than currently assumed, leading to a much sharper and longer contraction in domestic demand. On the external side, postponed rebound in external demand and more pronounced disintegration of value chains remains an important downward risk.

Table II.35.1:

Main features of country forecast - JAPAN

	2018		Annual percentage change						
bn JPY	Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	547125.5	100.0	0.9	0.5	2.2	0.3	**0.7**	**-5.0**	**2.7**
Private Consumption	304427.8	55.6	0.8	-0.3	1.3	0.0	**0.2**	**-5.7**	**2.3**
Public Consumption	108335.3	19.8	1.6	1.4	0.2	0.9	**1.9**	**3.5**	**4.2**
Gross fixed capital formation	131971.2	24.1	-0.4	-0.3	3.0	0.6	**1.3**	**-8.4**	**1.6**
of which: equipment	44170.7	8.1	1.1	-1.9	5.3	2.8	**-**	**-**	**-**
Exports (goods and services)	101354.6	18.5	4.4	1.7	6.8	3.4	**-1.8**	**-15.0**	**3.2**
Imports (goods and services)	100077.9	18.3	3.3	-1.6	3.4	3.4	**-0.8**	**-11.8**	**2.0**
GNI (GDP deflator)	567134.5	103.7	1.0	0.1	2.4	0.4	**0.6**	**-4.3**	**2.2**
Contribution to GDP growth:	Domestic demand		0.7	0.1	1.5	0.3	**0.8**	**-4.4**	**2.6**
	Inventories		0.1	-0.1	0.1	0.0	**0.1**	**0.0**	**0.0**
	Net exports		0.2	0.6	0.6	0.0	**-0.2**	**-0.6**	**0.2**
Employment			0.0	1.0	1.0	1.7	**0.5**	**-5.0**	**-1.0**
Unemployment rate (a)			4.5	3.1	2.8	2.4	**2.3**	**4.3**	**4.5**
Compensation of employees / head			-0.6	1.2	0.5	1.5	**0.9**	**-2.1**	**2.3**
Unit labour costs whole economy			-1.5	1.6	-0.7	2.9	**0.8**	**-2.0**	**-1.4**
Real unit labour cost			-0.7	1.3	-0.5	3.0	**0.2**	**-2.0**	**-1.4**
Saving rate of households (b)			10.5	9.7	9.0	10.5	**10.6**	**13.3**	**11.4**
GDP deflator			-0.7	0.3	-0.2	-0.1	**0.6**	**-0.1**	**0.1**
Consumer-price index			0.0	-0.1	0.5	1.0	**0.5**	**0.0**	**0.2**
Terms of trade goods			-2.5	7.4	-4.9	-4.8	**1.1**	**0.0**	**0.0**
Trade balance (goods) (c)			1.1	1.0	0.9	0.2	**0.3**	**-0.1**	**0.0**
Current-account balance (c)			2.7	4.0	4.1	3.5	**3.5**	**3.6**	**3.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			2.6	3.9	4.1	3.5	**3.4**	**3.5**	**3.2**
General government balance (c)			-6.3	-3.5	-2.9	-2.3	**-2.3**	**-4.9**	**-5.3**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			190.5	236.5	234.6	236.8	**236.2**	**253.7**	**252.2**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

36. CHINA

The COVID-19 outbreak has severely hit the Chinese economy. Available data point to a sharp contraction of economic activity in the first two months of 2020 followed by a gradual recovery, which is, however, expected to be dampened by a slump in external demand. Overall, the Chinese economy is expected to grow by about 1% in 2020 and to pick up by around 8% in 2021 but uncertainty around this forecast is particularly elevated.

Unprecedented hit to an economy already in slowdown

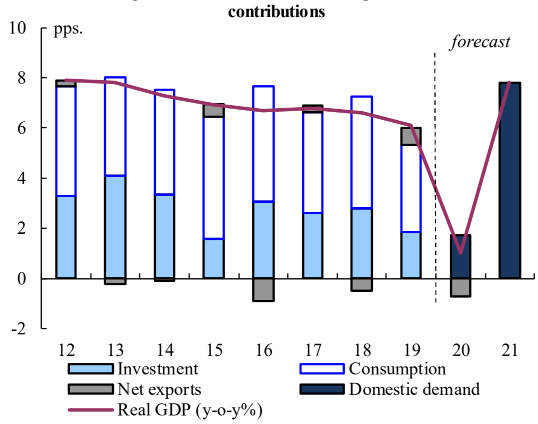
The Chinese economy had been on a decelerating trend already prior to the COVID-19 outbreak. GDP growth slowed to 6.1% last year, amid softer domestic demand and escalation of economic tensions with the US. High frequency indicators at the turn of the year pointed to some tentative signs of stabilisation but the virus outbreak and the related strict public health measures implemented by the Chinese authorities completely reversed this path and resulted in an unprecedented economic downturn. GDP declined by 6.8% year-on-year in the first quarter of 2020, reflecting the severe damage caused by the outbreak.

Available high frequency indicators point to a sharp drop in economic activity in the first two months of 2020 and to a gradual resumption of production in March, as businesses started to reopen and confinement measures were progressively lifted. According to official estimates, the vast majority of businesses have now resumed activity, although capacity utilisation remains below normal levels, in particular in SMEs. Overall, industrial production seems to be recovering much faster than consumer demand. In particular, retail and recreation services remain constrained as a number of health and social distancing measures remain in place.

A gradual and uneven recovery dampened by a slump in external demand

Going forward, the Chinese economy is expected to recover only gradually, with domestic demand weakness compounded by a slump in external demand. Growth is expected to accelerate in the second half of this year and in 2021 but the projected rebound still implies some permanent loss of output compared to the pre-pandemic baseline, as some sectors (in particular services such as travel and tourism) are unlikely to recuperate lost activity. Growth is projected to fall to 1% in 2020, the lowest growth rate in several decades, and to pick up to around 8% in 2021, reflecting in particular a strong carry-over effect, low baseline in 2020 and, to a lesser extent, the macroeconomic policy response to the outbreak. The underlying growth momentum will be weaker than before the crisis as higher unemployment and lower household and corporate incomes are expected to continue dampen consumer demand and investment. In addition, structural factors, such as shrinking working age population, slow productivity growth and high debt levels are expected to act as additional drags on growth in the medium term.

Graph II.36.1: **China - Real GDP growth and contributions**



The trade outlook for China is also expected to worsen materially. 2019 was already a very weak year in terms of trade performance, with both export and import growth falling sharply. Supply chain disruptions as well as significantly lower demand from the rest of the world due to the COVID-19 outbreak are projected to reduce China’s exports massively, by more than 10% this year. Imports are also expected to shrink, reflecting in particular lower outbound tourism. The projected rebound in trade in 2021 is rather subdued by historical standards, as global trade policy uncertainty and still weak external demand are expected to continue to weigh on China’s trade outlook.

A targeted and rather cautious policy response

The macroeconomic policy response to the outbreak has been overall more cautious and targeted than the massive fiscal and monetary stimulus deployed during the financial crisis in 2008-09. The Chinese authorities have so far focused on targeted stress relief and liquidity provision. On the monetary side, the Chinese central bank has provided more liquidity to financial markets, banks have been encouraged to provide more lending to SMEs, to extend loan and interest payments for affected enterprises and to raise their tolerance for bad debt. Some key policy rates have been cut but so far to a limited extent.

On the fiscal side, more support has been provided both by central and local governments, in particular in the form of additional healthcare spending, extensions of tax payments, reduction in taxes and social security contributions for firms, employment or wage subsidies and financial guarantees for SMEs. More fiscal and monetary stimulus is likely to be implemented in the course of the year to further support consumption, boost infrastructure investments, stimulate credit growth and achieve the poverty reduction goal. However, available policy space is limited given high public debt burden (in particular at the local government level) and serious financial stability issues.

Unprecedented levels of uncertainty

Both the growth and trade outlooks are subject to extreme uncertainty. In particular, a second outbreak of the virus could occur as factories re-open and activity resumes. This would imply another supply and demand shock and postpone the recovery. Moreover, given the financial vulnerabilities and high indebtedness of the Chinese economy, the supply and demand disruptions together with the sharp financial market reaction globally may trigger severe financial stability problems and deepen the downturn even further. At the same time, upside risks include a possibility of a sharper-than-expected rebound in economic activity when the pandemic subsides as well as more substantial policy support than currently assumed.

Table II.36.1:

Main features of country forecast - CHINA

	2018			Annual percentage change					
	bn CNY Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	91928.1	100.0	9.6	6.8	7.0	6.7	**6.1**	**1.0**	**7.8**
Consumption	50613.5	55.1	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation	39384.8	42.8	-	-	-	-	**-**	**-**	**-**
of which: equipment			-	-	-	-	**-**	**-**	**-**
Change in stocks as % of GDP			-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	18155.6	19.7	15.5	1.1	9.1	4.0	**0.7**	**-10.5**	**5.0**
Final demand			-	-	-	-	**-**	**-**	**-**
Imports (goods and services)	17450.2	19.0	14.7	4.7	7.1	7.9	**-2.3**	**-6.0**	**4.6**
GNI (GDP deflator)	-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth : Domestic demand			-	-	-	-	**-**	**-**	**-**
Inventories			-	-	-	-	**-**	**-**	**-**
Net exports			-	-	-	-	**-**	**-**	**-**
Employment			-	-	-	-	**-**	**-**	**-**
Unemployment (a)			4.0	4.0	3.9	3.8	**3.6**	**-**	**-**
Compensation of employees/head			-	-	-	-	**-**	**-**	**-**
Unit labour costs			-	-	-	-	**-**	**-**	**-**
Real unit labour costs			-	-	-	-	**-**	**-**	**-**
Saving rate of households			-	-	-	-	**-**	**-**	**-**
GDP deflator			3.6	1.5	4.2	3.5	**1.6**	**1.7**	**2.1**
Private consumption deflator			-	-	-	-	**-**	**-**	**-**
Index of consumer prices (c)			2.3	2.0	1.6	2.1	**2.9**	**-**	**-**
Merchandise trade balance (b)			4.5	4.4	3.9	2.8	**3.0**	**1.9**	**2.1**
Current-account balance (b)			4.0	1.8	1.6	0.2	**1.0**	**0.6**	**0.8**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)			-	-	-	-	**-**	**-**	**-**
General government balance (b)			-	-	-	-	**-**	**-**	**-**
General government gross debt (b)			-	-	-	-	**-**	**-**	**-**

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

37. EFTA

The EFTA countries entered the COVID-19 crisis with their economies already in a downswing, largely resulting from a deteriorating international environment. The pandemic puts further strain on growth prospects, primarily in 2020, but also still in 2021. Key transmission channels include trade of goods and services, such as aluminium demand and tourism in the case of Iceland, but also lower oil prices in the case of Norway. Fiscal support packages amounting up to 10% of GDP have been adopted. Risks are largely on the downside.

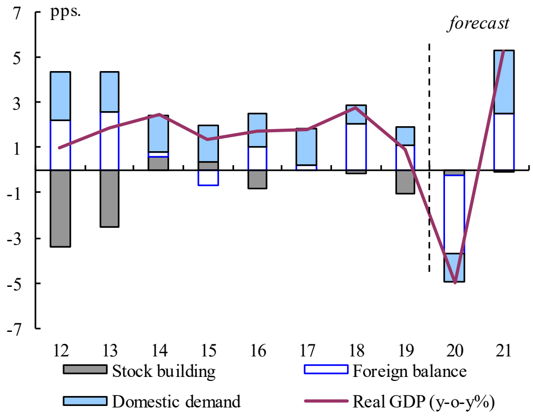
Switzerland

Output growth continued to decelerate during the second half of 2019, bringing annual growth to 0.9%, compared to 2.8% the year before. Key factors for the slowdown were a deteriorating international environment, and a base-year effect, related to international sports events in 2018. Domestic demand remained subdued, reflecting moderate wage growth, weak investment spending in view of the overall uncertain international environment and the end of a construction boom. Inflation remained low, largely due to low import prices, in particular for energy. Faced with rapidly increasing cases of COVID-19 infections, Switzerland announced a lockdown on 16 March, among others cancelling all private and public events and closing schools, restaurants and bars.

In addition to the costs of the domestic shut-down, Switzerland's high integration into the global economy makes it vulnerable to the effects of the global recession. So far, the Swiss government has presented three packages to cushion the economic consequences with an overall amount of CHF 62 billion (about 10% of GDP). The Swiss Central Bank has taken measures to improve the financial sector's liquidity and has been intervening in the foreign exchange markets to stem the currency's tendency to appreciate, resulting from the CHF's safe-haven status.

Based on a scenario of a sharp drop in external and domestic economic activity in the second quarter and a gradual recovery thereafter, output growth is expected to drop by some 5% in 2020, followed by a subdued rebound in 2021. A sharp drop in exports is set to be a key driver of the decline in 2020, while on the domestic side, the fall in working hours, weaker private demand and lower investment will weigh further on output. Due to the lockdown, employment could decline markedly, leading to an increase in the number of unemployed by nearly 20%. Inflation is likely to remain low in 2020, given recent declines in oil and food prices. In 2021, a subdued rebound in output growth is expected, largely based on pent-up private consumption and investment. The fiscal costs of fighting the pandemic and its economic implications will result in a substantial, but temporary increase in the deficit and debt ratios, which will still be felt in 2021.

Graph II.37.1: **Switzerland - Real GDP growth and contributions**



Country-specific risks to the outlook are primarily on the downside and are related to the recovery of key trading partners, such as Germany but also the USA and the United Kingdom. Further risks are a marked appreciation of the Swiss currency, given its status as a safe-haven in times of crisis. This could have a negative affect on the country's price competitiveness.

Norway

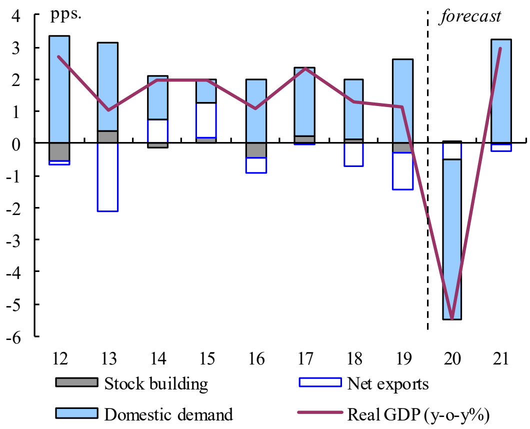
Real GDP grew by 1.2% in 2019, almost the same growth rate as in 2018, driven by a pickup in domestic demand. This was largely on the back of a surge in hydrocarbons-related investment and solid private consumption. The latter reflected the tight labour market supporting wage growth as well as elevated consumer confidence. Still, the external sector posed headwinds to growth due to sluggish export demand across main trading partners.

The outbreak of the COVID-19 pandemic in early March interrupted the growth momentum abruptly. The government swiftly imposed quarantine measures to stem the spread of the virus that had substantial disruptive effects on the mainland economy. Worsening labour market conditions combined with the economic fallout from the pandemic and negative consumer sentiment are expected to suppress private consumption while the concerns over the duration of the crisis among investors will weigh heavily on investment. Net exports will continue to subtract from growth as merchandise exports are expected to suffer due to the collapse in oil and gas prices so far this year. The recovery in housing investment will likely be slow due to concurrent headwinds including modest population growth and restrictions to business operations delaying a restart in construction.

As the damage done by the virus is assumed to abate in the second half of the year, a return to growth is expected in 2021 mainly driven by the rebound in household spending and investment.

Overall, the economy is forecast to shrink sharply by about 5½% in 2020, before recovering by 3% in 2021.

Graph II.37.2: **Norway - Real GDP growth and contributions**



Worsening domestic economic conditions, plunging oil prices and recent monetary easing by other major central banks due to the COVID-19 pandemic triggered Norges Bank's Executive Board emergency decisions to slash the key policy rate from 1.5% to the historic low of 0.25% with two successive cuts of 50 and 75 basis points on 12 and 19 March, respectively.

The Norwegian authorities announced fiscal stimulus measures in several steps to mitigate the virus crisis' negative effects on growth and employment. The budget now anticipates a fiscal impulse of around 4½% of GDP and spending of oil revenues equivalent to around 4% of the sovereign wealth fund's (Government Pension Fund Global) assets at the beginning of the year.

Domestic risks to the outlook are clearly tilted to the downside. A further depreciation of the Krone could eat into private consumption. Uncertainties in the property market and high household debt levels raise financial stability concerns, which are however mitigated by the significant capital and liquidity buffers held by the Norwegian banks. Regarding the external environment, the volatility of energy prices presents upside and downside risks while a continued severe disruption caused by the spread of the virus across Norway's major export markets continues to point to downside risks.

Iceland

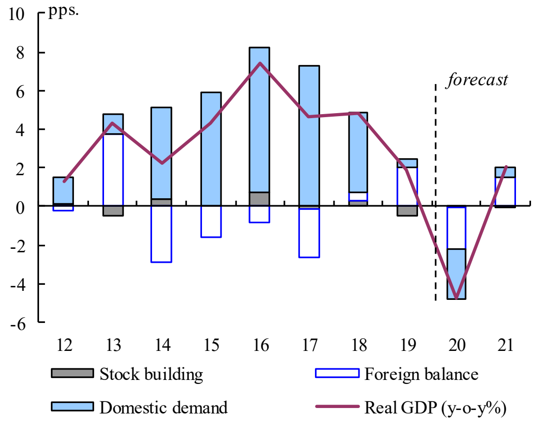
After several years of robust growth, Iceland entered into a cyclical slowdown in 2019. Real GDP decelerated to 1.9% due to deteriorating tourism activity (bankruptcy of domestic airlines, declining number of tourist arrivals) and shrinking business investment. Moreover, further headwinds came from poor growth of goods exports, such as aluminium and marine products. Growth of private consumption softened in line with the cyclical slowdown, but continued to contribute positively to GDP growth. Further positive contributions came from increasing public consumption and declining imports, which were driven by lower investment and contraction of aluminium related imports.

The pandemic is set to trigger a recession in 2020. There is high uncertainty concerning the magnitude of the contraction. The shutdown in the second quarter will have a strong negative impact on key export items such as tourism, marine products and aluminium. Increasing lay-offs, falling incomes and lowered confidence will weigh on private consumption. Uncertainty is likely to deter business and residential investment.

In 2019, unemployment had already risen in line with the weaker cyclical position of the economy. Given the negative growth outlook for 2020, the unemployment rate is expected to increase to more than 7% in 2020 and adjust only slowly thereafter.

In response to the crisis, the government launched a fiscal package of nearly 8% of GDP, aiming to mitigate the crisis impact on firms and workers. The government will provide tax reductions and increased benefits (up to 75% of salaries), state-backed bridging loans to companies, deferrals of tax payments, financial support for the tourism sector, access to third-pillar pension savings during the next 15 months and refunds of value-added tax (VAT) for construction projects. The government will also accelerate public infrastructure investment.

Graph II.37.3: **Iceland - Real GDP growth and contributions**



The central bank lowered the policy interest rate by half a percentage point, bringing it to a record low of 1.75% in March. In addition, the 2% requirement on the countercyclical capital buffer for commercial banks has been lifted. In response to a sharp drop of the ISK exchange rate, the central bank intervened massively in the foreign exchange market, but the intervention didn't prevent the ISK from sliding. Between January and March the ISK depreciated by 12% against the euro, and it is likely to slide further this year. Given the depreciating currency and rising import prices, inflation is set to spike in 2020 and moderate in 2021, despite a faltering demand outlook.

The balance of risks is tilted to the downside. Key external risk stems from a gloomy outlook for Iceland's exports, in particular tourism with the largest group of visitors coming from the US. Upside risk is related to the depreciating ISK, which could raise the country's attractiveness for tourists towards the end of the year. The timid recovery, which is foreseen for 2021, is surrounded by high uncertainty.

Table II.37.1:

Main features of country forecast - EFTA

	Iceland				Norway				Switzerland			
(Annual percentage change)	**2018**	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
GDP	3.8	1.9	-5.0	2.4	1.3	**1.2**	**-5.5**	**3.0**	2.8	**0.9**	**-5.0**	**4.5**
Private Consumption	4.7	**1.6**	**-5.3**	**0.2**	1.9	**1.7**	**-7.4**	**3.3**	1.0	**1.0**	**-2.5**	**3.0**
Public Consumption	3.9	**4.1**	**4.7**	**2.4**	1.4	**1.7**	**2.8**	**2.2**	0.3	**1.3**	**2.0**	**1.5**
Gross fixed capital formation	-1.1	**-6.3**	**-4.9**	**-1.1**	2.8	**6.2**	**-8.9**	**4.5**	1.1	**0.6**	**-7.0**	**8.8**
of which: equipment	-	**-**	**-**	**-**	7.8	**7.4**	**-2.2**	**3.0**	2.7	**2.1**	**-5.0**	**7.9**
Exports (good and services)	1.7	**-5.0**	**-10.5**	**6.5**	-0.2	**1.5**	**-13.5**	**7.1**	2.9	**0.5**	**-10.5**	**8.5**
Imports (goods and services)	0.8	**-9.9**	**-5.9**	**2.6**	1.9	**5.2**	**-12.6**	**7.7**	-0.3	**-1.4**	**-8.8**	**9.2**
GNI (GDP deflator)	4.1	**1.9**	**-5.0**	**2.4**	1.3	**1.2**	**-5.5**	**3.0**	2.4	**0.9**	**-5.0**	**4.5**
Contribution to GDP growth: Domestic demand	3.1	**0.4**	**-2.6**	**0.5**	1.9	**2.6**	**-5.0**	**3.2**	0.8	**0.8**	**-2.8**	**3.9**
Inventories	0.3	**-0.5**	**0.0**	**0.0**	0.1	**-0.3**	**0.0**	**0.0**	-0.1	**-1.0**	**0.0**	**0.0**
Net exports	0.4	**2.0**	**-2.4**	**1.8**	-0.7	**-1.1**	**-0.5**	**-0.2**	2.1	**1.1**	**-2.2**	**0.6**
Employment	2.9	**0.8**	**-4.7**	**0.8**	1.6	**1.7**	**-3.1**	**2.9**	0.9	**1.0**	**-1.0**	**2.5**
Unemployment rate (a)	2.9	**3.3**	**7.3**	**6.7**	3.7	**3.5**	**7.1**	**5.5**	4.7	**4.7**	**5.5**	**5.0**
Compensation of employee/head	6.1	**4.6**	**0.2**	**1.7**	3.3	**3.8**	**0.3**	**1.6**	1.2	**1.1**	**0.0**	**1.5**
Unit labour cost whole economy	5.2	**3.4**	**0.5**	**0.2**	3.6	**4.4**	**2.9**	**1.6**	-0.6	**1.2**	**4.2**	**-0.5**
Real unit labour cost	2.5	**-1.0**	**-6.1**	**-5.0**	-2.0	**5.4**	**3.6**	**-0.3**	-0.9	**0.8**	**5.3**	**-1.3**
Saving rate of households (b)	4.1	4.0	2.6	3.6	12.6	**13.3**	**12.7**	**13.6**	:	:	:	:
GDP deflator	2.6	**4.4**	**7.0**	**5.5**	5.8	**-0.9**	**-0.7**	**1.8**	0.2	**0.4**	**-1.0**	**0.8**
Harmonised index of consumer prices	2.7	3.7	5.5	4.2	3.0	**2.3**	**0.3**	**1.5**	0.9	**0.4**	**-0.5**	**1.0**
Terms of trade goods	-3.1	**0.8**	**-0.6**	**-0.2**	12.6	**-11.7**	**-5.5**	**0.0**	0.3	**-1.7**	**0.4**	**-0.1**
Trade balance (goods) (d)	-5.8	**-3.3**	**-3.7**	**-3.0**	7.0	**2.8**	**1.1**	**1.0**	8.6	**9.4**	**8.4**	**8.2**
Current account balance (d)	2.8	**4.7**	**2.4**	**3.9**	8.1	**3.5**	**1.9**	**1.7**	8.2	**8.4**	**6.4**	**6.5**
Net lending (+) or borrowing (-) vis-a-vis ROW	2.8	**4.6**	**2.3**	**3.9**	8.0	**3.5**	**1.8**	**1.7**	8.9	**7.6**	**5.5**	**5.7**
General government balance (d)	0.8	**-0.9**	**-5.9**	**-2.9**	7.8	**6.4**	**4.7**	**9.2**	1.4	**-0.2**	**-4.0**	**-1.5**
General government gross debt (d)	40.8	**40.2**	**48.5**	**48.8**	39.3	**40.6**	**46.7**	**43.2**	31.2	**31.0**	**37.0**	**36.7**

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c) for Iceland national consumer price index.
(d)as a % of GDP.

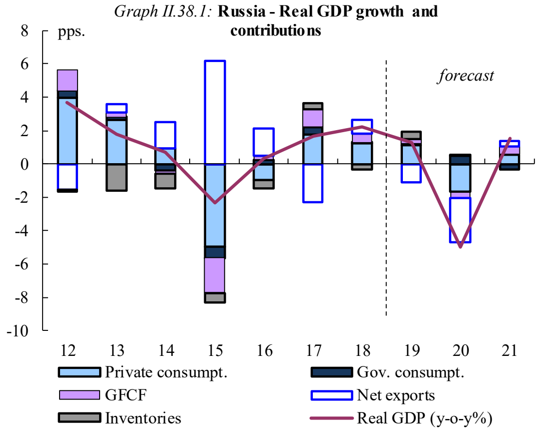
38. RUSSIAN FEDERATION

Russia faces a double hit from sharply lower oil prices and lockdown-driven deceleration in domestic demand in the context of the COVID-19 outbreak. Against this backdrop a sharp slump in economic activity is expected in the first half of 2020. Authorities, aware of the limited size of the fiscal buffers in the current environment of very low oil prices and a global pandemic, are unlikely to opt for a major fiscal boost to prop up the economy.

Channels of economic contagion are manifold

The economic activity slowed down to 1.3% in 2019, as investments and external demand were sluggish. Still, public investments into national projects, a major programme of mostly infrastructure spending to stimulate potential growth, accelerated towards the end of 2019 resulting in a gradual pick up of economic activity.

Graph II.38.1: **Russia - Real GDP growth and contributions**



Real GDP growth was expected to strengthen further in 2020, but the negative economic impact of the virus outbreak will be significant. First, oil prices collapsed to 18-year lows in March amidst a 25% plunge in global oil demand and the breakdown of the OPEC+ agreement to cut supply. Confronted with the price shock of this scale, oil producers, including Russia, finally agreed in April to cut production by 10%. Second, in end-March the authorities announced a quarantine in Moscow and some other regions, requiring non-essential businesses to close and people to remain indoors. The lockdown is expected to last at least until the end of April, significantly curtailing domestic demand. Third, global demand and prices for metals also dwindled limiting further non-oil export revenues. Finally, tourism, a rapidly growing but still relatively small sector is set to be hampered by strict travel restrictions.

Real GDP growth falls on oil price collapse and demand destruction due to the virus

The lockdown measures were originally less severe than in other countries, but were sharpened with accelerating infections in April. These measures have a significant negative effect on consumption that is expected to decline sharply, as most outside activity is curtailed. However, fiscal measures are likely to cushion part of the slump as automatic stabilisers start to work and social spending is expected to rise. At the same time, corporate and household incomes are set to dwindle. Oil revenues might shrink by half if current price trends continue, putting further pressure on export-related incomes. Private investment is set to be subdued in 2020, as the situation of SMEs is deteriorating rapidly and the energy sector is unlikely to spend in the current circumstances.

On the external side, exports are set to plummet, as commodity prices fall and foreign demand shrinks, although imports are projected to fall less reflecting their lower dependence on consumption. All in all, contribution of external trade is set to turn highly negative before recovering towards the end of the forecast horizon. Against this backdrop, real GDP is likely to fall by 5% in 2020, more than in 2015 (-2.3%) when the previous oil price crisis and Western sanctions battered the economy.

Recovery in 2021 is likely to be subdued with real GDP growing by 1½% as income losses and uncertainty among consumers are set to continue hampering consumption. Investments are expected to be held back by a cautious attitude of Russian authorities, while recovering external demand is likely to boost trade.

Fiscal expansion is limited

Since 2015, fiscal policy has been tight and buffers have been rebuilt, though the situation changed in 2018 when the authorities announced the sizable public investment program. However, due to crisis-related revenue losses and the desire to protect reserves, given the scale of the current economic crisis and the turbulences in the oil markets, a lower-than-previously-planned execution of investment plans is expected for 2020 and 2021. At the same time, authorities announced a limited fiscal expansion (3% of GDP). It will include higher compensation for healthcare workers, increased sick leave benefits, interest rate subsidies and tax deferrals for SMEs and childcare lump sum benefits. Overall, together with automatic stabilisers kicking in, this additional spending is set to turn recent fiscal surpluses into deficit over the forecast horizon.

Monetary policy has already been eased

Monetary policy has been eased recently as the central bank cut interest rates from 7.75% in May 2019 to 5.5% in April 2020 in lockstep with rapidly falling inflation. In parallel, the central bank conducted some credit and regulatory easing measures. Going forward, further rate cuts are possible, supporting the economy, despite inflation temporarily exceeding the target at the end of 2020, before subsiding in 2021.

Risks to the forecast more on the downside

The major risk to the downside is a possible market exit of SMEs at a larger scale than anticipated accompanied by massive job losses. On the upside, world oil demand could rebound earlier than expected on swifter recovery of the global economy resulting in higher export revenues and a boost to domestic demand.

Table II.38.1:

Main features of country forecast - RUSSIA

	2018		Annual percentage change						
	bn RUB Curr. prices	% GDP	00-15	2016	2017	2018	2019	2020	2021
GDP	103875.8	100.0	4.1	0.3	1.6	2.3	**1.3**	**-5.0**	**1.6**
Private Consumption	51283.7	49.4	6.4	-1.9	3.3	2.3	**2.3**	**-3.3**	**1.1**
Public Consumption	18049.3	17.4	0.9	1.5	2.5	0.3	**2.8**	**-1.8**	**0.8**
Gross fixed capital formation	21383.0	20.6	6.6	1.0	5.1	2.4	**1.4**	**-1.8**	**2.0**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	31932.6	30.7	5.0	3.2	5.0	5.5	**-2.1**	**-16.5**	**3.9**
Imports (goods and services)	21574.3	20.8	9.8	-3.6	17.4	2.7	**2.2**	**-9.7**	**2.3**
GNI (GDP deflator)	101542.5	97.8	4.2	0.3	1.9	2.5	**1.2**	**-5.2**	**1.6**
Contribution to GDP growth: Domestic demand			4.7	-0.5	3.3	1.8	**1.9**	**-2.4**	**1.2**
Inventories			0.4	-0.5	0.3	-0.3	**0.4**	**0.0**	**0.0**
Net exports			-0.7	1.7	-2.3	0.9	**-1.1**	**-2.6**	**0.4**
Employment			0.7	0.1	-0.1	0.1	**-0.3**	**-1.3**	**0.1**
Unemployment rate (a)			7.2	5.7	5.2	5.0	**5.1**	**6.2**	**6.0**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			14.2	3.2	5.4	10.3	**3.0**	**-0.2**	**4.5**
Consumer-price index			-	7.0	3.7	2.9	**4.6**	**4.0**	**4.0**
Terms of trade goods			3.7	-18.0	13.0	17.3	**-4.9**	**-17.2**	**2.9**
Trade balance (goods) (c)			11.6	7.0	7.3	11.8	**9.5**	**3.5**	**4.2**
Current-account balance (c)			6.8	2.0	2.0	6.9	**4.0**	**-2.7**	**-2.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			6.6	2.0	2.0	6.9	**4.0**	**-2.7**	**-2.1**
General government balance (c)			-	-3.7	-1.5	2.9	**1.7**	**-2.7**	**-2.7**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			19.7	16.3	15.6	14.3	**15.7**	**21.2**	**23.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

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	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.9	1.5	1.3	1.5	2.0	1.5	**1.4**	**-7.2**	**6.7**	*1.1*	*1.0*	*1.0*
Germany	0.5	1.2	1.7	2.2	2.5	1.5	**0.6**	**-6.5**	**5.9**	*0.4*	*1.0*	*1.0*
Estonia	7.3	-0.3	3.3	2.6	5.7	4.8	**4.3**	**-6.9**	**5.9**	*3.2*	*2.1*	*2.4*
Ireland	5.3	0.4	6.7	3.7	8.1	8.2	**5.5**	**-7.9**	**6.1**	*5.6*	*3.5*	*3.2*
Greece	3.9	-0.3	-4.0	-0.2	1.5	1.9	**1.9**	**-9.7**	**7.9**	*1.8*	*2.3*	*2.0*
Spain	3.3	1.0	0.0	3.0	2.9	2.4	**2.0**	**-9.4**	**7.0**	*1.9*	*1.5*	*1.4*
France	1.7	0.8	1.0	1.1	2.3	1.7	**1.3**	**-8.2**	**7.4**	*1.3*	*1.3*	*1.2*
Italy	0.9	-0.3	-0.7	1.3	1.7	0.8	**0.3**	**-9.5**	**6.5**	*0.1*	*0.4*	*0.7*
Cyprus	4.0	2.7	-1.7	6.7	4.4	4.1	**3.2**	**-7.4**	**6.1**	*2.9*	*2.6*	*2.3*
Latvia	8.2	-0.5	3.6	1.8	3.8	4.3	**2.2**	**-7.0**	**6.4**	*2.5*	*2.6*	*2.7*
Lithuania	7.6	1.1	3.8	2.6	4.2	3.6	**3.9**	**-7.9**	**7.4**	*3.8*	*2.4*	*2.4*
Luxembourg	2.9	2.4	2.9	4.6	1.8	3.1	**2.3**	**-5.4**	**5.7**	*2.6*	*2.6*	*2.6*
Malta	2.1	2.0	5.7	5.8	6.5	7.3	**4.4**	**-5.8**	**6.0**	*5.0*	*4.2*	*3.8*
Netherlands	1.3	1.4	0.7	2.2	2.9	2.6	**1.8**	**-6.8**	**5.0**	*1.7*	*1.3*	*1.3*
Austria	1.8	1.3	1.1	2.1	2.5	2.4	**1.6**	**-5.5**	**5.0**	*1.5*	*1.4*	*1.4*
Portugal	0.9	0.6	-0.8	2.0	3.5	2.6	**2.2**	**-6.8**	**5.8**	*2.0*	*1.7*	*1.7*
Slovenia	3.6	1.9	0.4	3.1	4.8	4.1	**2.4**	**-7.0**	**6.7**	*2.6*	*2.7*	*2.7*
Slovakia	5.0	4.9	2.6	2.1	3.0	4.0	**2.3**	**-6.7**	**6.6**	*2.7*	*2.6*	*2.7*
Finland	2.6	0.9	0.1	2.7	3.1	1.6	**1.0**	**-6.3**	**3.7**	*1.4*	*1.1*	*1.0*
Euro area	1.5	0.8	0.8	1.9	2.5	1.9	**1.2**	**-7.7**	**6.3**	*1.1*	*1.2*	*1.2*
Bulgaria	5.7	3.2	1.8	3.8	3.5	3.1	**3.4**	**-7.2**	**6.0**	*3.6*	*3.0*	*2.9*
Czechia	3.9	2.4	1.7	2.5	4.4	2.8	**2.6**	**-6.2**	**5.0**	*2.5*	*2.2*	*2.1*
Denmark	1.3	0.2	1.3	3.2	2.0	2.4	**2.4**	**-5.9**	**5.1**	*2.0*	*1.5*	*1.6*
Croatia	4.5	0.5	-0.2	3.5	3.1	2.7	**2.9**	**-9.1**	**7.5**	*2.9*	*2.6*	*2.4*
Hungary	4.4	-0.2	2.1	2.2	4.3	5.1	**4.9**	**-7.0**	**6.0**	*4.6*	*2.8*	*2.8*
Poland	3.1	4.8	3.0	3.1	4.9	5.3	**4.1**	**-4.3**	**4.1**	*4.1*	*3.3*	*3.3*
Romania	5.6	2.8	3.0	4.8	7.1	4.4	**4.1**	**-6.0**	**4.2**	*4.1*	*3.6*	*3.3*
Sweden	2.6	1.9	2.1	2.4	2.4	2.2	**1.2**	**-6.1**	**4.3**	*1.1*	*1.0*	*1.4*
EU	1.7	1.0	1.0	2.1	2.7	2.1	**1.5**	**-7.4**	**6.1**	*1.4*	*1.4*	*1.4*
United Kingdom	2.8	0.5	2.0	1.9	1.9	1.3	**1.4**	**-8.3**	**6.0**	*1.3*	*1.4*	*1.4*
Japan	1.2	0.1	1.0	0.5	2.2	0.3	**0.7**	**-5.0**	**2.7**	*0.9*	*0.4*	*0.6*
United States	2.6	0.9	2.2	1.6	2.4	2.9	**2.3**	**-6.5**	**4.9**	*2.3*	*1.8*	*1.6*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2019-21) 23.4.2020

	2019/1	2019/2	2019/3	2019/4	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4
Belgium	0.0	0.3	0.4	0.4	-5.0	-11.5	11.9	2.2	1.3	1.0	0.7	0.4
Germany	0.5	-0.2	0.2	0.0	-1.7	-10.5	4.3	2.6	1.8	1.8	1.8	1.8
Estonia	1.0	0.9	1.2	0.9	-1.6	-12.7	4.5	3.5	2.8	1.2	1.0	1.0
Ireland	2.7	-0.4	2.1	1.8	1.9	-17.3	1.8	2.7	3.6	3.4	3.0	2.3
Greece	0.2	1.0	0.4	-0.7	:	:	:	:	:	:	:	:
Spain	0.6	0.4	0.4	0.4	-5.0	-14.0	10.1	3.7	1.6	1.1	0.9	0.8
France	0.3	0.4	0.3	-0.1	-5.7	-13.7	15.3	2.6	0.9	0.9	0.5	0.4
Italy	0.2	0.1	0.1	-0.3	-5.1	-13.6	9.9	5.4	0.7	0.6	0.4	0.4
Cyprus	1.4	0.4	0.5	0.8	:	:	:	:	:	:	:	:
Latvia	-0.5	0.7	0.6	0.1	-3.3	-10.9	6.8	3.1	2.0	1.3	0.8	0.8
Lithuania	1.1	0.9	0.8	1.0	-5.0	-12.1	9.2	2.7	2.3	1.5	1.1	0.7
Luxembourg	0.5	1.9	0.3	0.4	:	:	:	:	:	:	:	:
Malta	0.0	1.5	1.2	1.7	:	:	:	:	:	:	:	:
Netherlands	0.5	0.3	0.4	0.4	-2.3	-10.0	2.4	5.3	1.7	0.7	0.5	0.2
Austria	0.5	0.1	0.2	0.2	-2.0	-8.7	4.6	2.5	1.4	1.2	1.1	0.8
Portugal	0.7	0.5	0.3	0.7	-1.8	-11.8	5.6	2.5	2.3	1.6	1.2	0.8
Slovenia	0.5	0.0	0.8	0.4	-3.7	-13.0	11.9	2.1	1.7	0.9	0.8	0.8
Slovakia	0.6	0.3	0.4	0.6	-3.1	-11.0	6.5	3.7	1.8	1.3	1.1	0.9
Finland	0.3	0.6	0.3	-0.6	0.1	-11.1	3.8	2.4	1.2	1.2	1.2	1.2
Euro area	0.5	0.1	0.3	0.1	-3.5	-12.2	8.3	3.3	1.4	1.3	1.1	1.0
Bulgaria	1.0	0.7	0.7	0.8	-2.1	-14.0	6.7	5.5	1.0	1.1	1.1	1.2
Czechia	0.6	0.5	0.4	0.5	-2.2	-9.2	3.5	2.4	1.9	1.6	1.2	0.9
Denmark	0.0	1.2	0.5	0.6	-3.6	-9.7	7.4	2.8	0.8	0.8	0.8	0.8
Croatia	1.1	0.6	0.6	0.3	2.1	-20.4	6.4	5.4	2.6	2.5	2.4	2.2
Hungary	1.4	1.0	1.1	1.0	-0.5	-14.3	3.9	3.3	2.7	2.2	1.7	1.2
Poland	1.4	0.7	1.2	0.3	-1.0	-8.7	4.0	1.8	1.5	1.2	1.0	0.7
Romania	1.1	0.9	0.6	1.5	0.6	-12.0	1.2	2.1	2.2	2.1	2.1	2.0
Sweden	0.0	0.2	0.4	0.2	-2.2	-7.7	2.4	1.7	1.5	1.5	1.5	1.5
EU	0.5	0.2	0.4	0.2	-3.2	-11.9	7.6	3.2	1.5	1.3	1.1	1.0
United Kingdom	0.7	-0.2	0.5	0.0	-1.6	-16.7	10.5	5.1	0.8	0.8	0.7	0.7
Japan	0.5	0.6	0.0	-1.8	-0.8	-4.9	0.4	1.7	1.6	1.0	0.3	0.2
United States	0.8	0.5	0.5	0.5	-2.7	-11.4	7.5	2.4	1.3	1.1	0.6	0.3

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2019-21) 23.4.2020

	2019/1	2019/2	2019/3	2019/4	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4
Belgium	1.3	1.3	1.6	1.2	-3.9	-15.3	-5.6	-3.9	2.5	16.9	5.2	3.3
Germany	1.0	0.3	0.6	0.5	-1.7	-11.8	-8.1	-5.7	-2.5	10.9	8.2	7.4
Estonia	4.6	4.4	4.5	4.0	1.3	-12.3	-9.5	-7.1	-2.9	12.5	8.8	6.2
Ireland	7.3	4.2	4.5	6.3	5.5	-12.4	-12.7	-12.0	-10.5	11.9	13.2	12.8
Greece	1.6	2.8	2.3	1.0	:	:	:	:	:	:	:	:
Spain	2.2	2.0	1.9	1.8	-3.8	-17.5	-9.6	-6.6	-0.2	17.4	7.5	4.6
France	1.3	1.5	1.5	0.9	-5.2	-18.4	-6.2	-3.7	3.1	20.5	5.1	2.7
Italy	0.2	0.4	0.5	0.1	-5.2	-18.2	-10.1	-4.9	0.9	17.5	7.4	2.3
Cyprus	3.3	3.1	3.3	3.2	:	:	:	:	:	:	:	:
Latvia	3.3	2.7	1.8	1.0	-1.9	-13.2	-7.9	-5.1	0.1	13.9	7.5	5.1
Lithuania	4.1	3.9	3.8	3.8	-2.5	-15.0	-7.9	-6.4	0.8	16.4	7.8	5.7
Luxembourg	0.3	2.9	2.8	3.1	:	:	:	:	:	:	:	:
Malta	5.6	4.5	3.3	4.3	:	:	:	:	:	:	:	:
Netherlands	2.0	1.6	1.8	1.6	-1.2	-11.4	-9.6	-5.2	-1.3	10.4	8.4	3.1
Austria	1.9	1.7	1.5	0.9	-1.5	-10.2	-6.2	-4.0	-0.7	10.1	6.4	4.6
Portugal	2.4	2.1	1.9	2.2	-0.3	-12.5	-7.9	-6.3	-2.3	12.5	7.9	6.1
Slovenia	3.5	2.3	2.1	1.7	-2.5	-15.2	-5.9	-4.3	1.0	17.2	5.6	4.3
Slovakia	3.3	2.3	1.7	1.9	-1.8	-12.9	-7.5	-4.7	0.1	14.0	8.1	5.2
Finland	0.5	1.1	1.6	0.6	0.4	-11.2	-8.1	-5.3	-4.3	8.9	6.1	4.8
Euro area	1.4	1.2	1.3	1.0	-2.9	-14.9	-8.2	-5.3	-0.4	14.9	7.3	4.8
Bulgaria	3.8	3.5	3.2	3.1	0.0	-14.6	-9.4	-5.2	-2.3	14.8	8.8	4.4
Czechia	2.8	2.7	2.5	2.0	-0.8	-10.4	-7.7	-5.9	-2.0	9.7	7.2	5.7
Denmark	1.9	2.7	2.6	2.3	-1.4	-12.1	-6.0	-3.9	0.5	12.1	5.2	3.1
Croatia	4.0	2.4	2.8	2.7	3.7	-18.0	-13.2	-8.9	-8.4	18.0	13.5	10.1
Hungary	5.3	5.1	4.8	4.6	2.6	-12.9	-10.5	-8.4	-5.4	12.7	10.2	7.9
Poland	4.7	4.1	4.0	3.7	1.2	-8.2	-5.7	-4.3	-1.9	8.7	5.7	4.6
Romania	5.0	4.4	3.2	4.2	3.6	-9.6	-9.1	-8.6	-7.2	7.8	8.7	8.7
Sweden	1.4	1.0	1.9	0.8	-1.5	-9.3	-7.5	-6.1	-2.5	7.3	6.4	6.3
EU	1.7	1.5	1.6	1.3	-2.5	-14.2	-8.1	-5.4	-0.8	14.1	7.2	5.0
United Kingdom	2.0	1.3	1.3	1.1	-1.3	-17.6	-9.4	-4.9	-2.5	18.0	7.5	3.1
Japan	0.8	0.9	1.7	-0.7	-2.0	-7.3	-7.0	-3.7	-1.4	4.7	4.7	3.1
United States	2.7	2.3	2.1	2.3	-1.2	-12.9	-6.8	-5.0	-1.1	12.8	5.5	3.4

Table 4: Gross domestic product per capita (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.5	0.7	0.6	1.0	1.6	1.0	**0.9**	**-7.6**	**6.2**	*0.7*	*0.5*	*0.5*
Germany	0.6	1.4	1.4	1.4	2.1	1.2	**0.3**	**-6.7**	**5.7**	*0.2*	*0.8*	*0.8*
Estonia	8.0	0.1	3.6	2.4	5.8	4.5	**3.9**	**-7.2**	**5.6**	*2.9*	*1.9*	*2.2*
Ireland	3.5	-1.4	6.1	2.5	6.9	6.9	**4.1**	**-8.5**	**5.3**	*4.4*	*2.7*	*2.4*
Greece	3.5	-0.6	-3.4	0.2	1.7	2.1	**2.1**	**-9.2**	**8.5**	*2.3*	*2.9*	*2.5*
Spain	1.8	-0.3	0.0	2.9	2.7	1.9	**1.2**	**-9.5**	**6.4**	*1.3*	*0.8*	*0.6*
France	0.9	0.2	0.5	0.7	1.9	1.4	**1.6**	**-8.5**	**7.1**	*1.1*	*1.0*	*1.0*
Italy	0.5	-0.8	-1.0	1.5	1.8	0.9	**0.4**	**-9.5**	**6.6**	*0.1*	*0.5*	*0.8*
Cyprus	2.7	0.3	-2.1	6.3	3.4	2.8	**2.0**	**-8.4**	**4.9**	*2.1*	*1.8*	*1.4*
Latvia	9.4	0.8	4.8	2.7	4.8	5.1	**2.9**	**-6.8**	**7.1**	*3.3*	*3.3*	*3.4*
Lithuania	8.7	2.6	5.1	3.9	5.7	4.6	**4.2**	**-7.8**	**7.9**	*4.5*	*3.1*	*3.1*
Luxembourg	1.6	0.7	0.5	1.9	-0.4	1.1	**0.2**	**-7.0**	**3.7**	*0.4*	*0.5*	*0.7*
Malta	1.4	1.5	4.2	3.4	3.6	3.6	**1.1**	**-8.6**	**2.9**	*2.4*	*2.1*	*2.2*
Netherlands	0.8	1.0	0.4	1.7	2.3	2.0	**1.1**	**-7.6**	**4.2**	*1.1*	*0.8*	*0.8*
Austria	1.2	1.0	0.4	0.8	1.8	1.9	**1.2**	**-6.0**	**4.5**	*1.1*	*0.9*	*0.9*
Portugal	0.5	0.5	-0.4	2.3	3.8	2.8	**2.2**	**-6.7**	**5.8**	*2.0*	*1.7*	*1.7*
Slovenia	3.4	1.4	0.3	3.1	4.8	3.8	**1.6**	**-7.3**	**6.5**	*1.9*	*2.4*	*2.5*
Slovakia	5.1	4.7	2.6	2.0	2.9	3.9	**2.1**	**-6.8**	**6.5**	*2.5*	*2.5*	*2.6*
Finland	2.3	0.5	-0.4	2.4	2.9	1.5	**0.9**	**-6.5**	**3.6**	*1.2*	*1.0*	*0.9*
Euro area	1.0	0.4	0.6	1.6	2.3	1.7	**1.1**	**-7.9**	**6.1**	*0.9*	*1.0*	*1.0*
Bulgaria	6.8	3.8	2.8	4.5	4.3	3.8	**3.9**	**-6.5**	**6.8**	*4.3*	*3.8*	*3.7*
Czechia	4.0	1.9	1.6	2.2	4.1	2.5	**2.2**	**-6.5**	**4.7**	*2.1*	*1.8*	*1.9*
Denmark	1.0	-0.3	0.8	2.4	1.4	1.9	**1.9**	**-6.2**	**4.7**	*1.6*	*1.1*	*1.2*
Croatia	4.4	0.6	0.3	4.4	4.2	3.7	**3.5**	**-8.8**	**7.7**	*3.5*	*3.1*	*2.7*
Hungary	4.6	0.0	2.4	2.5	4.6	5.2	**5.0**	**-6.9**	**6.2**	*4.8*	*3.0*	*3.0*
Poland	3.1	4.6	3.1	3.1	5.0	5.4	**4.2**	**-4.2**	**4.2**	*4.1*	*3.4*	*3.4*
Romania	6.7	3.9	3.4	5.4	7.7	5.1	**4.4**	**-5.4**	**4.9**	*4.7*	*4.2*	*3.9*
Sweden	2.3	1.1	1.2	1.1	1.0	1.0	**0.2**	**-6.9**	**3.5**	*0.2*	*0.1*	*0.4*
EU	1.4	0.7	0.8	1.8	2.6	2.0	**1.3**	**-7.5**	**5.9**	*1.2*	*1.2*	*1.2*
United Kingdom	2.3	-0.3	1.3	1.1	1.3	0.7	**0.8**	**-8.8**	**5.4**	*0.7*	*0.8*	*0.8*
Japan	1.1	0.1	1.1	0.7	2.4	0.5	**0.9**	**-4.7**	**3.0**	*1.1*	*0.7*	*0.9*
United States	1.6	0.0	1.5	0.9	1.7	2.4	**1.8**	**-7.1**	**4.2**	*1.6*	*1.1*	*0.9*

Table 5: Domestic demand, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.5	1.6	1.4	2.2	1.2	2.2	**1.5**	**-6.9**	**7.0**	*1.1*	*1.3*	*1.3*
Germany	-0.4	1.1	1.4	3.0	2.4	2.1	**1.0**	**-4.8**	**4.9**	*1.2*	*1.5*	*1.4*
Estonia	9.3	-1.3	4.6	5.0	4.5	3.8	**5.2**	**-5.5**	**4.9**	*3.9*	*2.3*	*2.5*
Ireland	5.8	-1.2	4.8	20.6	-0.6	-8.6	**35.5**	**-23.0**	**7.8**	*17.3*	*3.4*	*3.0*
Greece	3.6	-0.3	-5.2	0.5	1.6	0.5	**1.0**	**-8.5**	**7.4**	*2.1*	*2.5*	*1.9*
Spain	4.1	0.3	-1.0	2.1	3.1	2.7	**1.5**	**-9.5**	**6.9**	*1.3*	*1.4*	*1.3*
France	1.9	1.1	1.1	1.5	2.3	1.0	**1.4**	**-8.2**	**7.9**	*1.2*	*1.4*	*1.2*
Italy	1.1	-0.1	-1.5	1.8	1.7	1.1	**-0.2**	**-9.6**	**6.9**	*-0.3*	*0.5*	*0.7*
Cyprus	4.8	4.0	-3.7	8.0	7.2	2.5	**2.9**	**-2.8**	**4.9**	*6.7*	*5.3*	*3.4*
Latvia	9.6	-2.2	3.5	1.7	4.9	5.8	**2.4**	**-5.8**	**6.5**	*3.4*	*2.8*	*3.0*
Lithuania	8.8	0.0	3.8	1.9	2.8	3.4	**1.8**	**-7.3**	**6.7**	*4.0*	*3.1*	*2.8*
Luxembourg	2.8	2.0	3.2	2.8	2.1	2.3	**3.3**	**-3.4**	**5.3**	*3.5*	*2.8*	*2.4*
Malta	1.3	2.1	3.5	1.2	-1.7	8.2	**5.8**	**-1.7**	**3.1**	*7.2*	*5.2*	*4.2*
Netherlands	1.0	1.3	0.8	-0.7	2.3	2.1	**2.4**	**-6.8**	**5.5**	*2.3*	*1.9*	*1.6*
Austria	1.3	1.0	0.9	2.2	2.1	1.7	**1.6**	**-4.3**	**4.2**	*1.7*	*1.4*	*1.2*
Portugal	0.7	0.5	-2.1	2.2	3.3	3.1	**2.8**	**-5.1**	**4.7**	*2.8*	*2.3*	*2.3*
Slovenia	3.0	1.3	-1.0	3.0	4.0	4.3	**2.1**	**-5.6**	**7.0**	*3.1*	*3.3*	*3.3*
Slovakia	5.0	3.3	1.2	1.9	3.3	3.6	**3.1**	**-6.9**	**6.5**	*3.2*	*2.6*	*2.3*
Finland	2.8	0.9	0.7	3.4	1.5	2.8	**-0.3**	**-5.5**	**3.9**	*1.3*	*1.2*	*1.2*
Euro area	1.4	0.7	0.3	2.4	2.2	1.6	**1.8**	**-7.5**	**6.3**	*1.5*	*1.4*	*1.3*
Bulgaria	8.1	2.3	1.4	1.6	4.4	5.8	**3.7**	**-6.5**	**3.8**	*4.1*	*3.4*	*3.2*
Czechia	3.6	1.9	1.3	1.1	3.5	3.9	**3.0**	**-5.5**	**4.7**	*2.4*	*1.9*	*2.1*
Denmark	1.9	0.2	1.5	2.9	1.7	3.0	**1.6**	**-4.5**	**4.6**	*0.6*	*1.9*	*1.6*
Croatia	6.1	-0.3	-0.5	3.2	3.8	4.6	**3.1**	**-5.2**	**4.3**	*4.6*	*3.9*	*3.5*
Hungary	4.3	-1.9	1.3	1.7	5.2	7.3	**5.6**	**-7.6**	**4.9**	*5.5*	*2.7*	*2.7*
Poland	2.3	5.1	2.2	2.3	4.9	5.6	**3.0**	**-4.4**	**4.0**	*4.6*	*4.0*	*3.6*
Romania	8.1	4.1	2.3	5.1	8.4	5.7	**5.6**	**-6.9**	**4.3**	*5.6*	*4.4*	*3.9*
Sweden	1.7	2.3	2.3	2.8	2.5	2.4	**0.1**	**-5.6**	**3.6**	*-0.1*	*0.2*	*0.6*
EU	1.5	0.9	0.5	2.4	2.5	2.0	**1.9**	**-7.2**	**6.0**	*1.7*	*1.6*	*1.5*
United Kingdom	3.3	0.2	2.0	2.5	1.2	1.3	**1.6**	**-8.1**	**6.3**	*1.5*	*1.7*	*1.7*
Japan	0.8	-0.4	1.3	-0.1	1.6	0.3	**0.8**	**-4.4**	**2.5**	*1.1*	*0.4*	*0.6*
United States	2.9	0.4	2.3	1.8	2.6	3.1	**2.4**	**-6.4**	**5.2**	*2.5*	*1.9*	*1.7*

Table 6: Final demand, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.3	1.8	2.0	4.1	3.0	1.7	**1.3**	**-8.5**	**7.3**	*0.9*	*1.3*	*1.4*
Germany	1.2	2.0	2.4	2.8	3.2	2.1	**1.0**	**-7.2**	**6.6**	*1.0*	*1.5*	*1.5*
Estonia	10.0	0.9	5.3	5.0	4.2	4.0	**5.1**	**-8.5**	**6.4**	*3.3*	*2.1*	*2.5*
Ireland	6.0	1.5	8.4	10.2	5.2	3.0	**19.7**	**-18.3**	**7.1**	*13.5*	*3.9*	*3.7*
Greece	3.4	-0.2	-3.6	-0.1	2.8	2.5	**2.0**	**-11.9**	**9.8**	*2.6*	*2.7*	*2.2*
Spain	3.9	0.6	0.2	2.9	3.8	2.6	**1.8**	**-12.2**	**8.1**	*1.5*	*1.6*	*1.6*
France	2.1	1.1	1.7	1.5	2.7	1.6	**1.5**	**-9.1**	**8.1**	*1.5*	*1.6*	*1.5*
Italy	1.2	0.0	-0.6	1.8	2.6	1.4	**0.1**	**-10.4**	**7.7**	*0.2*	*0.8*	*1.2*
Cyprus	3.0	3.2	-0.7	7.7	7.8	3.4	**2.5**	**-10.7**	**9.1**	*2.8*	*2.6*	*2.4*
Latvia	9.9	-0.4	4.5	2.6	5.5	5.1	**2.2**	**-7.5**	**7.0**	*3.1*	*2.4*	*2.7*
Lithuania	10.8	2.0	4.9	3.1	7.1	4.6	**5.1**	**-9.6**	**9.6**	*5.2*	*3.3*	*2.9*
Luxembourg	4.6	3.9	5.7	2.7	1.0	0.9	**1.4**	**-9.6**	**7.6**	*2.1*	*2.0*	*2.3*
Malta	1.0	6.8	4.9	3.3	2.4	5.1	**3.1**	**-6.6**	**8.6**	*3.7*	*3.0*	*2.7*
Netherlands	2.0	1.9	2.5	0.4	4.3	2.9	**2.4**	**-8.7**	**6.2**	*2.2*	*1.8*	*1.7*
Austria	2.5	1.6	1.6	2.5	3.2	3.2	**2.0**	**-7.3**	**6.3**	*1.9*	*1.7*	*1.6*
Portugal	1.1	1.1	-0.2	2.9	4.8	3.5	**3.1**	**-7.8**	**7.1**	*2.7*	*2.4*	*2.4*
Slovenia	4.9	2.5	1.2	4.6	7.0	5.2	**3.2**	**-8.9**	**10.0**	*5.4*	*4.1*	*4.0*
Slovakia	8.4	5.0	4.0	3.4	3.4	4.5	**2.4**	**-9.5**	**9.7**	*2.2*	*3.2*	*3.4*
Finland	3.2	1.1	0.6	3.5	3.4	2.5	**1.8**	**-7.0**	**4.9**	*1.5*	*1.5*	*1.5*
Euro area	2.1	1.2	1.5	2.6	3.3	2.2	**2.0**	**-9.3**	**7.3**	*1.8*	*1.6*	*1.7*
Bulgaria	8.5	3.2	3.3	4.3	5.0	4.1	**3.0**	**-9.2**	**6.3**	*2.4*	*3.3*	*3.2*
Czechia	6.8	3.7	3.1	2.6	5.0	4.1	**2.2**	**-9.0**	**6.8**	*2.3*	*1.9*	*2.2*
Denmark	2.4	0.8	2.1	3.4	2.7	2.8	**1.6**	**-6.8**	**6.0**	*1.8*	*1.9*	*1.7*
Croatia	6.3	-0.1	0.8	4.4	4.8	4.3	**3.6**	**-13.2**	**12.4**	*4.1*	*3.5*	*3.2*
Hungary	6.5	2.2	3.1	2.7	6.0	5.8	**5.8**	**-10.6**	**7.7**	*5.3*	*3.3*	*3.5*
Poland	3.4	5.8	3.6	4.5	6.5	6.1	**3.6**	**-6.4**	**5.6**	*4.7*	*4.1*	*4.0*
Romania	8.9	5.4	4.0	8.3	8.2	5.9	**5.3**	**-8.6**	**5.8**	*5.1*	*4.2*	*3.9*
Sweden	2.7	2.2	2.6	2.8	3.1	2.6	**1.4**	**-7.7**	**4.5**	*1.3*	*0.9*	*1.2*
EU	2.3	1.5	1.7	2.7	3.5	2.5	**2.2**	**-9.1**	**7.1**	*1.9*	*1.8*	*1.8*
United Kingdom	3.3	0.6	2.3	2.5	2.3	1.3	**2.3**	**-8.7**	**6.0**	*1.5*	*1.8*	*1.7*
Japan	1.4	0.1	1.5	0.2	2.3	0.8	**0.4**	**-6.0**	**2.6**	*0.7*	*0.4*	*0.6*
United States	2.8	0.9	2.5	1.6	2.7	3.1	**2.2**	**-7.2**	**5.8**	*2.2*	*1.9*	*1.7*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	1.0	1.8	1.2	1.9	1.8	1.5	1.1	-6.9	6.5	1.0	1.2	1.3
Germany	0.3	0.4	1.3	2.3	1.3	1.3	1.6	-8.3	6.0	1.3	1.1	1.1
Estonia	8.8	0.0	4.0	4.6	2.8	4.3	3.1	-7.2	7.1	3.4	3.0	2.6
Ireland	4.4	1.7	0.7	5.4	3.1	3.4	2.8	-8.8	4.6	2.7	2.5	2.4
Greece	4.0	0.4	-4.1	0.0	0.9	1.1	0.8	-9.0	7.5	0.5	1.5	1.4
Spain	3.5	0.7	-0.8	2.7	3.0	1.8	1.1	-10.7	8.9	0.8	1.0	1.0
France	2.1	1.5	0.6	1.8	1.4	0.9	1.2	-9.3	8.9	1.1	1.4	1.4
Italy	0.7	0.2	-0.8	1.2	1.5	0.9	0.4	-10.9	7.3	0.4	0.5	0.6
Cyprus	4.8	3.8	-1.6	4.4	4.5	3.3	3.0	-6.7	5.1	3.8	2.7	2.5
Latvia	7.9	0.7	3.3	1.5	3.1	4.2	2.9	-6.1	7.0	3.2	3.6	3.5
Lithuania	8.8	0.3	3.9	4.0	3.5	3.7	3.2	-9.9	7.8	3.3	3.2	3.1
Luxembourg	2.3	1.8	2.5	3.4	2.2	3.3	2.8	-4.1	4.6	3.1	2.7	2.5
Malta	2.1	1.0	2.4	2.4	3.4	7.6	2.4	-5.0	4.0	4.2	3.8	3.7
Netherlands	0.9	0.2	0.1	1.1	2.1	2.3	1.4	-9.5	7.2	1.5	1.7	1.5
Austria	1.7	1.2	0.5	1.6	1.4	1.1	1.4	-4.8	4.9	1.5	1.5	1.3
Portugal	1.2	1.1	-1.2	2.6	2.1	2.9	2.2	-5.8	5.3	2.3	2.0	1.9
Slovenia	2.7	2.7	-0.4	4.4	2.0	2.8	2.7	-6.1	6.3	3.0	2.9	3.0
Slovakia	4.7	4.3	0.4	3.9	4.3	3.9	2.2	-7.1	7.2	1.8	2.4	2.1
Finland	3.2	1.9	1.0	2.4	1.0	1.7	1.0	-7.9	4.9	0.6	1.1	1.5
Euro area	1.5	0.8	0.2	2.0	1.7	1.4	1.3	-9.0	7.1	1.1	1.2	1.2
Bulgaria	7.3	3.7	2.0	3.5	3.8	4.4	5.8	-5.8	5.6	6.1	3.8	3.7
Czechia	3.5	2.2	1.0	3.6	4.3	3.2	3.0	-4.6	4.0	2.8	2.4	2.2
Denmark	2.3	0.5	0.8	2.4	1.6	2.6	2.2	-6.4	5.9	1.5	2.0	1.8
Croatia	5.7	-0.3	-1.0	3.1	3.1	3.2	3.5	-6.9	6.1	3.6	3.1	2.9
Hungary	5.1	-1.7	0.9	4.9	4.7	4.8	5.1	-6.0	5.5	4.9	3.8	3.4
Poland	2.7	4.7	1.9	3.9	4.5	4.5	3.8	-4.9	3.8	4.0	3.8	3.4
Romania	10.1	3.9	2.8	7.9	10.0	7.3	5.9	-6.2	4.9	5.8	5.2	5.0
Sweden	2.2	2.6	2.1	2.0	2.1	1.7	1.2	-5.2	3.4	0.8	1.5	1.5
EU	1.7	1.0	0.4	2.2	2.0	1.7	1.6	-8.5	6.7	1.4	1.5	1.5
United Kingdom	3.2	0.4	1.9	3.6	2.2	1.6	1.1	-10.3	6.9	1.3	1.8	1.9
Japan	1.3	0.5	0.6	-0.3	1.3	0.0	0.2	-5.7	2.3	0.6	-0.2	0.5
United States	3.1	1.1	2.3	2.7	2.6	3.0	2.6	-7.2	8.5	2.6	2.2	2.1

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	2.0	1.5	0.7	0.4	0.3	0.9	1.6	2.8	0.3	1.2	1.2	1.2
Germany	0.5	2.2	1.6	4.1	2.4	1.4	2.6	2.8	2.1	2.1	2.0	1.9
Estonia	2.9	2.2	2.5	2.4	1.1	0.9	2.9	4.3	-2.4	1.1	0.9	1.1
Ireland	5.1	1.1	0.1	3.4	3.5	4.4	5.1	7.7	-3.0	6.2	3.0	2.2
Greece	3.7	1.5	-3.9	-0.7	-0.4	-2.5	2.1	4.9	-2.4	3.4	0.3	0.1
Spain	4.8	4.5	-1.0	1.0	1.0	1.9	2.3	5.8	-0.4	2.0	1.5	1.4
France	1.6	1.6	1.3	1.4	1.5	0.8	1.4	2.8	0.0	0.9	1.0	0.8
Italy	1.9	0.4	-1.2	0.7	-0.1	0.1	-0.4	2.6	-0.6	0.4	0.2	0.3
Cyprus	4.1	4.7	-2.6	-0.9	2.1	3.5	11.3	16.6	3.7	8.7	11.7	3.7
Latvia	3.8	-1.6	1.9	2.9	3.2	4.0	2.6	2.9	2.0	2.8	2.3	3.0
Lithuania	2.9	-0.1	0.4	0.1	-0.3	0.5	0.7	1.0	0.5	1.4	0.8	0.5
Luxembourg	4.5	2.4	2.3	1.0	4.7	4.1	4.8	6.3	4.1	3.2	2.9	3.1
Malta	1.0	3.1	3.8	-3.0	1.8	12.7	12.0	12.8	-1.2	12.7	3.6	3.6
Netherlands	2.5	4.0	-0.2	1.3	0.9	1.6	1.6	2.1	2.6	1.8	2.6	2.1
Austria	1.0	2.2	0.5	1.8	1.1	0.9	0.9	3.0	0.1	0.9	1.3	1.1
Portugal	2.7	0.4	-1.8	0.8	0.2	0.9	1.1	2.4	-1.5	0.8	0.8	0.8
Slovenia	3.0	2.4	-0.5	2.5	0.3	3.2	1.6	4.7	0.5	2.0	1.9	1.8
Slovakia	2.5	4.3	1.3	1.9	1.0	0.2	3.8	4.2	1.5	3.0	3.5	2.6
Finland	1.9	1.1	0.5	0.7	-0.2	2.1	0.9	6.0	-2.4	2.4	2.5	0.4
Euro area	1.8	2.0	0.4	1.9	1.3	1.1	1.7	3.2	0.6	1.6	1.5	1.3
Bulgaria	3.0	0.5	0.6	2.2	4.3	5.3	5.5	4.0	0.7	4.8	2.6	1.4
Czechia	3.1	1.1	0.0	2.7	1.3	3.4	2.6	3.6	1.5	3.1	1.9	2.1
Denmark	1.4	2.3	0.7	0.2	1.0	0.4	0.5	3.1	0.5	0.8	1.3	1.0
Croatia	2.2	2.5	0.0	0.5	2.2	1.3	3.3	2.5	0.1	3.3	2.9	1.3
Hungary	3.5	0.2	1.8	0.7	2.4	0.9	1.7	5.0	-1.4	0.3	0.6	0.8
Poland	3.3	3.9	1.4	1.9	2.9	3.7	4.9	2.9	2.1	5.2	5.7	4.9
Romania	-2.3	-0.1	1.2	2.2	4.2	2.1	6.4	3.4	1.4	3.1	3.5	2.1
Sweden	0.6	1.4	1.4	3.7	0.1	0.4	0.4	3.9	-0.1	0.2	0.0	0.1
EU	1.8	2.0	0.5	1.9	1.3	1.2	1.8	3.3	0.6	1.8	1.7	1.4
United Kingdom	4.3	1.4	1.1	1.0	0.3	0.4	3.5	4.9	0.8	3.1	2.3	1.9
Japan	2.0	1.0	1.4	1.4	0.2	0.9	1.9	3.5	4.2	2.0	1.2	0.6
United States	2.3	1.9	-1.1	1.8	0.6	1.7	1.8	6.6	-4.7	2.3	1.7	0.6

Table 9: Total investment, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.3	0.8	2.5	3.8	1.3	4.0	**3.1**	**-15.3**	**15.9**	*3.4*	*1.7*	*1.6*
Germany	-2.0	1.5	2.1	3.8	2.4	3.5	**2.6**	**-5.8**	**5.9**	*2.5*	*1.5*	*1.6*
Estonia	14.9	-6.3	7.8	0.9	12.5	1.7	**13.2**	**-8.7**	**6.3**	*9.0*	*2.1*	*3.4*
Ireland	9.1	-7.7	15.0	50.6	-6.7	-21.1	**94.2**	**-41.6**	**16.9**	*44.3*	*4.5*	*3.9*
Greece	1.9	-2.3	-11.8	4.7	9.1	-12.2	**4.7**	**-30.0**	**33.0**	*10.1*	*12.5*	*8.1*
Spain	5.3	-3.5	-2.1	2.4	5.9	5.3	**1.8**	**-20.7**	**10.3**	*2.5*	*2.5*	*2.1*
France	1.9	0.5	0.5	2.7	4.7	2.8	**3.6**	**-13.3**	**14.0**	*2.7*	*1.9*	*1.4*
Italy	1.8	-1.9	-3.7	4.0	3.2	3.1	**1.4**	**-14.2**	**13.0**	*2.7*	*1.5*	*1.6*
Cyprus	5.0	3.7	-11.8	48.9	24.1	-6.6	**0.1**	**-6.1**	**5.3**	*14.7*	*8.3*	*6.0*
Latvia	14.5	-8.0	5.9	-8.2	11.3	15.8	**3.1**	**-12.0**	**9.2**	*4.5*	*1.3*	*1.9*
Lithuania	13.0	-2.7	7.2	3.4	8.2	8.4	**7.4**	**-5.0**	**7.9**	*8.0*	*4.4*	*3.5*
Luxembourg	2.7	3.4	4.3	4.6	5.6	-5.9	**3.9**	**-12.0**	**8.5**	*4.5*	*2.9*	*1.6*
Malta	3.4	1.9	7.5	-0.3	-6.9	-2.1	**7.2**	**-7.0**	**5.0**	*10.0*	*9.5*	*5.5*
Netherlands	-0.2	0.3	4.0	-7.3	4.2	3.2	**5.3**	**-11.2**	**5.9**	*5.6*	*1.8*	*1.5*
Austria	0.2	-0.6	2.2	4.1	4.0	3.9	**2.9**	**-9.5**	**6.9**	*2.9*	*1.2*	*1.1*
Portugal	-1.9	-1.2	-5.6	2.5	11.5	5.8	**6.3**	**-8.6**	**8.9**	*6.5*	*4.8*	*5.0*
Slovenia	3.3	-2.3	-2.4	-3.7	10.4	9.1	**3.2**	**-13.0**	**11.7**	*6.1*	*6.0*	*5.9*
Slovakia	5.9	1.1	5.4	-9.3	3.9	3.7	**4.4**	**-14.7**	**10.7**	*1.0*	*2.6*	*2.8*
Finland	1.9	0.2	-0.5	8.8	4.0	3.7	**-0.8**	**-9.8**	**9.1**	*0.7*	*0.4*	*1.5*
Euro area	1.2	-0.6	0.4	4.0	3.4	2.3	**5.7**	**-13.3**	**10.2**	*4.3*	*2.0*	*1.9*
Bulgaria	16.1	1.1	0.8	-6.6	3.2	5.4	**2.2**	**-18.0**	**1.0**	*1.8*	*3.0*	*3.3*
Czechia	4.0	2.3	1.8	-3.1	3.7	7.6	**2.8**	**-14.5**	**9.6**	*1.1*	*1.0*	*2.1*
Denmark	1.6	-1.8	3.1	7.9	3.0	5.4	**3.4**	**-9.5**	**7.9**	*-0.8*	*2.5*	*1.9*
Croatia	10.3	-1.3	-0.7	6.5	5.1	4.1	**7.1**	**-8.2**	**4.2**	*8.8*	*7.5*	*7.2*
Hungary	4.6	-2.6	4.3	-10.6	18.7	17.1	**15.3**	**-18.7**	**8.9**	*17.0*	*2.1*	*2.6*
Poland	-0.4	7.8	4.3	-8.2	4.0	9.4	**7.2**	**-8.4**	**5.9**	*8.0*	*3.3*	*3.5*
Romania	9.8	7.7	2.8	-0.2	3.6	-1.2	**18.2**	**-15.0**	**5.0**	*8.0*	*3.4*	*2.8*
Sweden	2.7	2.0	3.3	4.1	5.6	4.2	**-1.2**	**-14.3**	**6.7**	*-1.9*	*-1.7*	*0.2*
EU	1.4	-0.2	0.8	3.3	3.7	2.9	**5.7**	**-13.2**	**9.7**	*3.8*	*1.8*	*1.7*
United Kingdom	2.9	-1.6	2.9	3.6	1.6	-0.2	**0.6**	**-14.3**	**11.5**	*0.9*	*0.5*	*0.6*
Japan	-0.9	-3.4	3.0	-0.3	3.0	0.6	**1.3**	**-8.4**	**1.6**	*1.4*	*0.9*	*0.7*
United States	2.8	-2.7	4.7	1.9	3.7	4.1	**1.8**	**-12.2**	**1.7**	*2.2*	*1.1*	*1.1*

Table 10: Investment in construction, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.8	1.7	1.6	2.5	1.6	3.2	**3.1**	**-16.8**	**17.5**	*3.6*	*1.7*	*1.8*
Germany	-4.0	0.6	1.6	3.8	0.7	2.5	**3.9**	**-1.5**	**3.5**	*3.9*	*2.1*	*1.5*
Estonia	16.5	-8.4	7.0	0.6	10.2	-3.0	**13.2**	**-3.8**	**-1.6**	*6.2*	*2.4*	*2.4*
Ireland	7.8	-14.7	2.2	13.0	13.5	12.5	**6.9**	**-11.6**	**6.5**	*8.4*	*7.4*	*6.4*
Greece	1.2	-5.6	-16.4	29.2	0.4	-18.5	**-1.9**	**-28.0**	**31.0**	*19.5*	*12.4*	*8.4*
Spain	6.0	-5.4	-5.5	1.6	5.9	6.6	**0.8**	**-20.1**	**9.0**	*3.1*	*2.5*	*2.1*
France	2.4	-0.3	-0.8	0.9	5.4	2.1	**3.2**	**-15.3**	**17.8**	*2.6*	*1.8*	*1.2*
Italy	2.9	-3.1	-6.0	0.0	1.5	2.8	**2.6**	**-9.2**	**8.2**	*3.0*	*1.7*	*2.0*
Cyprus	8.3	1.2	-15.4	24.6	24.6	18.8	**10.9**	**-6.0**	**3.4**	*22.0*	*12.0*	*8.7*
Latvia	16.1	-7.3	6.1	-20.8	14.2	19.9	**2.8**	**-10.4**	**8.0**	*3.0*	*1.0*	*1.9*
Lithuania	11.3	-2.7	5.1	-4.4	6.3	9.8	**9.4**	**4.0**	**4.0**	*12.1*	*5.3*	*3.9*
Luxembourg	2.6	1.0	2.8	9.5	-0.1	2.9	**2.2**	**-10.8**	**8.2**	*4.2*	*2.8*	*1.8*
Malta	8.0	-2.8	8.1	-14.9	25.0	2.4	**11.0**	**-2.0**	**2.5**	*18.3*	*16.5*	*7.0*
Netherlands	-0.2	-1.4	-1.0	10.9	5.5	6.0	**3.9**	**-9.1**	**5.1**	*5.5*	*2.7*	*1.6*
Austria	-0.4	-2.3	0.7	0.5	3.3	3.7	**2.4**	**-7.4**	**5.4**	*2.6*	*1.2*	*0.9*
Portugal	-2.5	-4.0	-8.5	-1.1	12.2	4.6	**8.9**	**0.6**	**3.2**	*7.0*	*4.5*	*4.7*
Slovenia	1.3	-3.5	-5.3	-14.4	9.1	8.2	**5.0**	**-13.1**	**8.3**	*10.4*	*10.0*	*9.3*
Slovakia	2.1	0.8	4.3	-17.0	9.6	6.4	**3.1**	**-8.2**	**6.5**	*1.8*	*3.2*	*3.3*
Finland	2.0	0.7	-0.4	10.2	4.3	4.0	**-1.2**	**-7.3**	**5.5**	*0.0*	*-0.3*	*0.3*
Euro area	1.1	-2.0	-1.7	2.7	3.6	3.3	**3.2**	**-9.6**	**8.8**	*3.7*	*2.3*	*1.8*
Bulgaria	11.8	8.1	-4.4	-2.7	-3.2	0.8	**1.7**	**-13.6**	**0.2**	*0.3*	*2.2*	*2.9*
Czechia	3.7	0.9	-0.4	-6.9	3.6	6.7	**4.6**	**-6.4**	**1.1**	*1.6*	*2.3*	*3.0*
Denmark	1.9	-5.4	4.0	5.5	5.0	4.6	**7.8**	**-9.2**	**6.6**	*2.0*	*2.9*	*2.0*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Hungary	5.7	-5.3	2.0	-21.0	28.0	23.5	**16.8**	**-14.7**	**4.8**	*16.7*	*0.8*	*1.3*
Poland	-0.4	8.5	2.4	-10.2	-0.2	10.4	**5.5**	**-5.9**	**3.1**	*3.7*	*3.4*	*3.0*
Romania	8.7	12.1	3.7	7.4	10.7	-4.0	**20.9**	**-10.0**	**4.0**	*11.6*	*4.5*	*3.7*
Sweden	5.0	1.7	3.4	6.4	6.3	1.8	**-1.8**	**-6.2**	**4.3**	*-1.8*	*-0.6*	*1.2*
EU	1.3	-1.5	-1.1	2.1	3.9	3.6	**3.7**	**-9.4**	**8.1**	*3.8*	*2.1*	*1.7*
United Kingdom	2.7	-3.3	3.2	2.0	0.3	0.5	**2.3**	**-13.5**	**10.0**	*4.7*	*1.1*	*0.5*
Japan	-4.4	-5.6	3.2	1.3	3.0	-1.2	**:**	**:**	**:**	*:*	*:*	*:*
United States	2.2	-8.4	3.7	1.2	3.0	0.8	**-1.5**	**-6.1**	**1.8**	*-0.9*	*1.3*	*1.5*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.7	-1.7	1.8	14.3	-3.1	5.1	3.4	-19.6	19.0	3.4	1.5	1.2
Germany	-0.4	1.8	2.3	3.0	4.0	4.4	0.6	-17.0	12.7	0.6	0.4	1.7
Estonia	12.7	-6.0	8.4	0.4	17.9	9.3	12.9	-15.1	20.0	12.1	0.7	4.0
Ireland	7.9	-1.7	9.2	25.1	-11.2	39.4	-12.3	-35.0	5.8	-0.1	3.7	3.2
Greece	2.3	2.0	-8.9	-11.4	22.2	-10.2	12.0	-32.0	35.2	11.1	12.8	9.1
Spain	2.6	-2.5	1.7	1.8	8.5	5.7	2.6	-23.0	12.0	1.9	2.3	2.1
France	0.3	0.2	1.2	6.1	1.1	2.0	3.5	-14.8	13.2	3.0	1.7	1.6
Italy	0.9	-1.2	-2.8	8.0	6.4	4.0	0.3	-20.7	19.7	3.0	1.7	1.4
Cyprus	-1.4	9.0	-13.0	121.6	20.7	-31.9	-15.0	-9.0	12.5	7.0	4.0	2.0
Latvia	13.7	-11.0	6.1	11.2	9.3	13.1	2.0	-15.0	12.0	6.0	1.5	1.8
Lithuania	16.8	-6.4	12.2	14.6	9.2	7.3	4.6	-15.4	16.7	3.4	3.0	2.7
Luxembourg	4.8	6.6	6.1	-1.0	16.3	-22.2	12.5	-14.4	9.4	5.0	3.0	1.4
Malta	-3.1	4.5	6.4	13.0	-35.1	-10.7	1.7	:	:	:	:	:
Netherlands	-1.8	1.8	3.2	4.8	3.2	1.5	8.1	-15.1	9.1	7.8	1.1	1.2
Austria	-0.5	-0.6	2.7	9.3	6.3	4.3	3.4	-16.0	12.0	3.9	1.1	1.1
Portugal	-2.1	1.7	-2.9	8.0	12.4	7.5	2.6	-26.9	26.2	6.5	5.6	6.0
Slovenia	5.9	-3.3	1.5	7.4	12.5	10.6	1.4	-19.5	21.8	2.5	2.1	2.1
Slovakia	9.8	-0.4	9.0	-2.0	0.8	-3.5	4.8	-24.1	18.7	0.7	1.8	2.3
Finland	1.1	-2.0	3.4	13.4	6.4	-0.3	0.2	-17.4	15.3	2.1	1.2	2.9
Euro area	0.7	0.1	1.2	5.8	4.1	4.3	1.8	-18.8	14.3	2.5	1.6	1.9
Bulgaria	21.2	-8.3	8.8	-14.8	4.4	8.8	3.1	-21.7	2.4	13.5	3.1	3.1
Czechia	4.1	4.1	2.6	-2.5	3.4	8.5	0.3	-25.0	20.9	-0.4	-0.8	0.9
Denmark	0.2	-1.3	3.8	7.2	3.3	7.4	-5.6	-17.1	15.8	-4.9	1.9	1.4
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	2.9	-0.8	6.7	2.5	16.1	10.2	10.7	-27.6	15.8	18.0	3.6	4.3
Poland	-0.1	6.3	7.0	-7.6	8.3	1.6	9.0	-11.4	9.1	14.4	3.4	4.4
Romania	11.8	2.2	2.2	-8.9	-9.9	4.3	17.8	-22.1	7.2	3.7	1.9	1.8
Sweden	2.7	2.3	3.5	6.6	1.7	0.9	-4.2	-39.3	19.3	-4.8	-4.3	0.7
EU	0.9	0.4	1.7	4.6	4.0	4.3	2.1	-19.5	14.2	1.7	1.2	1.9
United Kingdom	2.3	-1.6	3.3	9.0	6.3	-8.2	-6.2	-21.3	16.8	-9.2	-1.3	0.8
Japan	2.1	-2.4	3.2	-1.9	5.3	2.8	:	:	:	:	:	:
United States	3.0	1.3	6.4	-0.9	4.8	6.7	1.9	-6.7	0.8	2.4	1.0	0.9

Table 12: Public investment (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.1	2.1	2.5	2.4	2.4	2.6	2.6	2.4	2.3	2.6	2.7	2.8
Germany	2.1	2.2	2.2	2.2	2.3	2.4	2.5	2.8	2.8	2.5	2.6	2.7
Estonia	5.0	5.7	5.4	4.7	5.7	5.3	4.9	5.6	5.5	5.4	5.2	5.2
Ireland	3.8	4.2	2.1	1.9	1.8	2.0	2.3	2.7	2.6	2.3	2.4	2.4
Greece	5.4	5.1	3.2	3.5	4.4	3.0	2.2	2.1	3.6	3.5	3.8	3.9
Spain	4.1	4.7	2.7	2.0	2.0	2.1	2.0	2.3	2.2	2.1	2.1	2.1
France	3.9	4.0	3.8	3.4	3.3	3.4	3.6	4.0	3.7	3.5	3.5	3.5
Italy	3.0	3.3	2.6	2.3	2.2	2.1	2.3	2.6	2.6	2.2	2.3	2.4
Cyprus	3.7	3.6	2.7	2.5	2.7	5.7	1.7	1.7	1.9	2.1	2.1	2.1
Latvia	2.6	5.1	4.8	3.5	4.6	5.5	4.9	5.2	4.9	5.6	4.9	4.8
Lithuania	3.1	4.9	3.9	3.0	3.2	3.2	3.1	3.5	3.6	3.5	3.7	3.6
Luxembourg	5.1	4.2	4.0	3.9	4.2	4.0	4.3	5.1	4.6	4.1	4.3	4.1
Malta	4.1	3.0	3.3	2.5	2.5	3.1	3.8	4.7	4.4	4.4	4.1	4.1
Netherlands	4.0	4.0	3.7	3.5	3.4	3.3	3.4	3.6	3.7	3.4	3.4	3.5
Austria	2.6	3.1	3.0	3.0	3.1	3.0	3.0	3.2	3.2	3.0	3.0	3.0
Portugal	4.5	3.9	2.5	1.5	1.8	1.9	1.9	2.3	2.3	2.0	2.2	2.3
Slovenia	3.8	4.7	4.5	3.1	3.0	3.5	3.8	4.1	4.1	3.8	3.9	4.0
Slovakia	3.5	3.6	4.2	3.4	3.4	3.7	3.6	3.7	3.6	3.4	3.0	3.1
Finland	3.7	3.6	4.0	4.1	4.1	4.2	4.2	4.8	4.6	4.2	4.3	4.3
Euro area	3.2	3.4	2.9	2.6	2.6	2.7	2.8	3.1	3.0	2.8	2.8	2.9
Bulgaria	3.5	4.9	4.6	2.7	2.3	3.1	3.2	3.7	3.7	4.2	4.2	4.5
Czechia	5.3	5.3	4.3	3.3	3.4	4.2	4.4	4.6	4.6	4.3	4.4	4.5
Denmark	2.8	3.1	3.7	3.8	3.4	3.4	3.3	3.6	3.3	3.5	3.5	3.5
Croatia	6.0	5.6	3.7	3.3	2.8	3.5	4.3	4.3	4.2	4.1	4.4	4.4
Hungary	4.2	3.9	4.7	3.2	4.5	5.9	6.0	5.8	5.7	6.4	5.4	5.4
Poland	2.9	4.7	4.8	3.3	3.8	4.7	4.3	4.3	4.2	4.5	4.5	4.5
Romania	3.1	5.9	4.8	3.6	2.6	2.7	3.4	3.3	4.0	3.0	3.4	3.6
Sweden	4.2	4.3	4.4	4.4	4.6	4.9	4.9	5.2	5.1	4.9	5.0	5.0
EU	3.2	3.5	3.1	2.8	2.8	2.9	3.0	3.3	3.2	3.0	3.0	3.1
United Kingdom	2.3	2.9	2.7	2.6	2.7	2.7	2.8	3.0	3.0	2.8	2.8	2.8
Japan	4.7	3.7	3.8	3.7	3.7	3.8	3.9	4.2	4.3	3.7	3.8	3.8
United States	3.8	4.0	3.5	3.2	3.2	3.2	3.4	3.9	3.6	3.4	3.4	3.3

Table 13: Potential GDP, volume (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.2	1.7	1.1	1.4	1.3	1.4	**1.5**	**0.8**	**1.3**	*1.5*	*1.5*	*1.5*
Germany	1.3	1.2	1.3	1.7	1.4	1.4	**1.2**	**0.9**	**1.2**	*1.4*	*1.4*	*1.4*
Estonia	5.8	2.2	1.9	2.7	3.4	3.5	**3.9**	**2.5**	**3.4**	*3.8*	*3.5*	*3.4*
Ireland	6.0	1.2	5.8	5.0	8.1	8.6	**5.6**	**2.1**	**2.5**	*5.0*	*4.3*	*3.9*
Greece	3.9	0.9	-2.4	-1.4	-0.9	-0.6	**-0.4**	**-0.8**	**-0.2**	*-0.5*	*-0.2*	*0.1*
Spain	3.4	2.2	-0.2	0.6	1.0	1.3	**1.7**	**0.0**	**1.7**	*1.3*	*1.4*	*1.5*
France	1.8	1.5	1.0	0.8	0.9	1.0	**1.1**	**0.8**	**1.2**	*1.1*	*1.2*	*1.3*
Italy	1.1	0.2	-0.3	-0.3	0.1	0.3	**0.6**	**-0.6**	**0.7**	*0.5*	*0.4*	*0.5*
Cyprus	3.6	3.4	-0.6	1.0	1.9	2.0	**1.9**	**1.6**	**1.7**	*2.3*	*2.5*	*2.6*
Latvia	7.0	3.1	0.6	1.7	2.2	2.7	**2.7**	**2.1**	**2.2**	*3.4*	*3.5*	*3.3*
Lithuania	6.0	3.9	1.6	1.7	2.1	2.8	**3.8**	**2.9**	**3.5**	*3.6*	*3.9*	*3.9*
Luxembourg	4.4	2.8	2.5	2.5	2.2	1.8	**2.1**	**1.5**	**2.1**	*2.5*	*2.7*	*2.7*
Malta	2.4	2.5	4.5	7.0	6.4	6.0	**4.5**	**3.1**	**3.1**	*5.8*	*5.3*	*4.9*
Netherlands	2.2	1.4	0.7	1.3	1.6	1.6	**1.8**	**1.0**	**1.4**	*1.8*	*1.7*	*1.4*
Austria	2.3	1.5	1.0	1.3	1.3	1.3	**1.3**	**1.0**	**1.2**	*1.7*	*1.7*	*1.7*
Portugal	1.7	0.4	-0.5	1.1	1.6	1.8	**1.8**	**0.9**	**1.8**	*1.8*	*1.9*	*1.9*
Slovenia	3.3	2.8	0.6	1.2	1.8	2.4	**2.4**	**1.6**	**2.6**	*2.5*	*2.9*	*3.1*
Slovakia	4.5	5.1	2.5	1.8	2.0	2.2	**2.3**	**0.8**	**1.9**	*2.6*	*2.8*	*2.9*
Finland	3.0	1.4	0.3	1.0	0.9	1.3	**1.2**	**-0.1**	**1.2**	*1.3*	*1.2*	*1.2*
Euro area	1.9	1.3	0.7	1.0	1.2	1.3	**1.4**	**0.6**	**1.2**	*1.3*	*1.4*	*1.4*
Bulgaria	4.3	3.8	1.7	2.5	2.5	2.4	**2.2**	**1.0**	**1.5**	*3.0*	*2.8*	*2.5*
Czechia	3.5	3.2	1.4	2.6	2.7	2.5	**2.6**	**1.0**	**2.2**	*2.8*	*2.7*	*2.5*
Denmark	1.4	1.3	1.1	2.0	2.0	2.1	**2.3**	**1.9**	**2.2**	*1.7*	*1.7*	*1.7*
Croatia	:	1.5	-0.4	1.7	1.7	1.8	**1.8**	**0.3**	**1.7**	*2.1*	*2.5*	*2.8*
Hungary	3.9	1.0	1.1	2.4	3.1	3.7	**3.9**	**2.1**	**2.6**	*4.3*	*3.9*	*3.8*
Poland	3.8	4.2	3.4	2.7	3.0	3.2	**3.5**	**2.1**	**3.4**	*3.9*	*3.9*	*4.0*
Romania	4.1	4.5	2.3	4.4	4.6	4.7	**4.6**	**2.7**	**2.6**	*4.4*	*3.8*	*3.6*
Sweden	2.9	2.2	1.8	2.1	2.1	2.0	**1.8**	**1.0**	**1.4**	*1.9*	*1.7*	*1.6*
EU	:	1.5	0.9	1.3	1.4	1.5	**1.5**	**0.7**	**1.4**	*1.6*	*1.6*	*1.6*
United Kingdom	2.8	1.5	1.2	1.6	1.5	1.3	**1.4**	**0.6**	**1.2**	*1.6*	*1.6*	*1.5*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	2.8	1.7	1.5	1.8	1.8	2.0	**1.7**	**1.3**	**1.3**	*2.0*	*2.0*	*2.0*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	0.1	0.6	-0.4	0.4	1.0	1.0	**0.9**	**-7.1**	**-2.2**	*0.4*	*-0.1*	*-0.6*
Germany	-0.6	-0.6	0.1	0.5	1.5	1.7	**1.0**	**-6.4**	**-2.0**	*0.2*	*-0.2*	*-0.6*
Estonia	2.9	2.1	0.9	0.4	2.6	3.9	**4.3**	**-5.3**	**-3.0**	*2.9*	*1.5*	*0.5*
Ireland	0.8	-0.4	0.1	2.5	2.6	2.2	**2.1**	**-7.9**	**-4.7**	*2.0*	*1.2*	*0.5*
Greece	1.9	1.8	-13.6	-11.0	-8.8	-6.5	**-4.4**	**-13.0**	**-6.0**	*-4.6*	*-2.2*	*-0.4*
Spain	2.5	0.1	-6.0	-0.9	1.0	2.1	**2.3**	**-7.3**	**-2.4**	*1.6*	*1.7*	*1.6*
France	1.6	0.5	-1.3	-1.1	0.2	1.0	**1.1**	**-7.9**	**-2.3**	*0.7*	*0.8*	*0.7*
Italy	1.2	0.3	-3.3	-2.0	-0.5	0.0	**-0.3**	**-9.2**	**-3.9**	*-0.2*	*-0.1*	*0.2*
Cyprus	2.0	3.0	-6.0	0.1	2.5	4.6	**5.9**	**-3.5**	**0.7**	*3.9*	*4.0*	*3.7*
Latvia	0.6	-0.2	-1.8	0.9	2.5	4.0	**3.5**	**-5.7**	**-1.8**	*2.2*	*1.4*	*0.8*
Lithuania	-0.4	-0.4	-1.6	1.4	3.5	4.4	**4.6**	**-6.4**	**-2.9**	*3.9*	*2.3*	*0.8*
Luxembourg	1.0	-1.0	-3.2	1.0	0.6	2.0	**2.2**	**-4.8**	**-1.3**	*1.5*	*1.4*	*1.2*
Malta	0.4	-0.2	-0.8	2.5	2.6	3.9	**3.8**	**-5.2**	**-2.5**	*1.5*	*0.4*	*-0.7*
Netherlands	-0.9	0.0	-2.0	-0.7	0.6	1.5	**1.5**	**-6.4**	**-3.1**	*1.0*	*0.6*	*0.4*
Austria	-0.6	0.0	-0.7	-0.7	0.4	1.5	**1.7**	**-4.8**	**-1.3**	*0.8*	*0.4*	*0.1*
Portugal	-0.3	-0.1	-2.5	-0.7	1.2	2.1	**2.4**	**-5.4**	**-1.7**	*1.7*	*1.5*	*1.4*
Slovenia	1.2	2.9	-4.3	-1.6	1.3	3.0	**3.0**	**-5.7**	**-1.9**	*3.3*	*3.1*	*2.7*
Slovakia	-1.2	2.1	-2.0	-0.2	0.8	2.7	**2.7**	**-5.0**	**-0.6**	*1.8*	*1.6*	*1.5*
Finland	0.2	1.0	-2.1	-1.4	0.7	1.1	**0.9**	**-5.4**	**-3.1**	*0.3*	*0.2*	*0.0*
Euro area	0.6	0.1	-2.0	-0.7	0.6	1.2	**1.1**	**-7.3**	**-2.6**	*0.5*	*0.4*	*0.3*
Bulgaria	-0.8	1.7	-1.0	0.5	1.5	2.2	**3.4**	**-5.0**	**-0.7**	*0.5*	*0.8*	*1.1*
Czechia	0.7	2.1	-1.4	0.1	1.8	2.1	**2.0**	**-5.2**	**-2.6**	*1.1*	*0.6*	*0.3*
Denmark	1.8	1.2	-2.3	-0.4	-0.3	0.0	**0.0**	**-7.6**	**-5.0**	*0.0*	*-0.2*	*-0.3*
Croatia	0.4	1.5	-2.4	0.1	1.5	2.5	**3.7**	**-6.1**	**-0.7**	*2.0*	*2.2*	*1.9*
Hungary	0.9	-0.3	-1.4	0.6	1.8	3.1	**4.1**	**-5.2**	**-2.1**	*3.7*	*2.5*	*1.6*
Poland	-2.7	1.3	-0.7	-0.6	1.3	3.4	**4.0**	**-2.5**	**-1.8**	*2.5*	*1.9*	*1.2*
Romania	1.7	2.8	-2.2	-1.1	1.3	1.0	**0.5**	**-8.0**	**-6.6**	*0.1*	*-0.1*	*-0.4*
Sweden	-0.1	-0.2	-1.1	0.9	1.1	1.4	**0.8**	**-6.3**	**-3.7**	*0.1*	*-0.6*	*-0.9*
EU	0.6	0.1	-1.9	-0.4	0.7	1.2	**1.2**	**-7.1**	**-2.8**	*0.6*	*0.4*	*0.2*
United Kingdom	0.9	-0.8	-1.5	0.7	1.0	1.0	**1.1**	**-7.9**	**-3.5**	*0.4*	*0.2*	*0.1*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	0.1	-0.8	-0.9	0.5	1.0	1.9	**2.6**	**-5.3**	**-1.9**	*0.9*	*0.7*	*0.4*

[1] When comparing output gaps between successive forecasts it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: Deflator of gross domestic product (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.9	1.7	1.5	1.7	1.7	1.5	**1.6**	**1.4**	**1.6**	*1.6*	*1.9*	*2.0*
Germany	1.1	1.1	1.6	1.2	1.0	1.5	**2.2**	**2.1**	**1.6**	*2.0*	*2.0*	*1.7*
Estonia	5.2	5.9	3.5	1.7	3.6	4.5	**3.2**	**1.7**	**2.0**	*3.4*	*3.0*	*2.7*
Ireland	3.9	-0.7	2.5	-0.3	1.1	0.8	**1.5**	**1.3**	**1.2**	*0.8*	*1.5*	*1.5*
Greece	3.1	2.9	-0.8	-0.2	0.6	0.5	**-0.4**	**-0.1**	**0.6**	*0.8*	*0.9*	*1.6*
Spain	4.0	2.0	0.1	0.3	1.4	1.1	**1.6**	**0.2**	**1.0**	*1.4*	*1.4*	*1.4*
France	1.9	1.6	0.9	0.5	0.5	0.8	**1.5**	**1.3**	**0.9**	*1.4*	*1.2*	*1.2*
Italy	2.8	1.8	1.2	1.1	0.7	0.9	**0.9**	**0.9**	**0.9**	*0.6*	*0.9*	*1.1*
Cyprus	2.8	2.8	0.0	-0.8	1.7	1.4	**0.6**	**0.5**	**0.9**	*1.5*	*1.5*	*1.7*
Latvia	6.0	6.3	2.7	0.9	3.0	4.0	**2.6**	**1.4**	**2.3**	*3.1*	*2.3*	*2.2*
Lithuania	1.7	4.7	2.1	1.6	4.3	3.3	**2.8**	**1.9**	**2.7**	*3.6*	*3.3*	*2.4*
Luxembourg	2.4	3.5	2.4	0.8	1.7	2.5	**3.4**	**0.4**	**2.8**	*2.2*	*1.9*	*2.0*
Malta	2.4	3.0	2.1	1.5	2.5	2.1	**2.3**	**1.8**	**1.3**	*2.1*	*2.0*	*2.1*
Netherlands	2.7	1.6	0.8	0.5	1.3	2.2	**3.0**	**1.1**	**1.5**	*2.5*	*1.5*	*1.2*
Austria	1.7	1.8	2.0	1.7	1.1	1.7	**1.7**	**1.2**	**1.1**	*1.9*	*1.7*	*1.7*
Portugal	3.4	1.9	0.9	1.7	1.5	1.6	**1.7**	**1.2**	**1.4**	*1.4*	*1.5*	*1.6*
Slovenia	5.3	2.6	0.9	0.8	1.6	2.2	**2.4**	**2.1**	**0.9**	*2.7*	*2.4*	*2.3*
Slovakia	4.5	1.2	0.6	-0.5	1.2	2.0	**2.6**	**2.2**	**1.3**	*2.4*	*2.3*	*2.2*
Finland	1.2	1.8	2.3	0.2	0.7	1.8	**1.8**	**1.8**	**1.8**	*1.4*	*1.8*	*2.0*
Euro area	2.2	1.6	1.2	0.8	1.0	1.3	**1.7**	**1.3**	**1.3**	*1.5*	*1.5*	*1.5*
Bulgaria	4.9	6.2	1.9	2.5	3.9	4.0	**4.7**	**0.5**	**2.4**	*4.5*	*3.0*	*2.6*
Czechia	2.5	1.5	1.3	1.3	1.4	2.6	**3.5**	**1.4**	**1.6**	*2.6*	*2.3*	*1.8*
Denmark	2.3	2.5	1.1	0.3	1.1	0.8	**1.0**	**0.5**	**1.8**	*1.5*	*1.8*	*1.9*
Croatia	3.8	3.5	0.8	-0.1	1.2	1.8	**1.5**	**0.7**	**0.9**	*1.9*	*2.4*	*2.5*
Hungary	6.4	4.1	2.9	1.0	3.7	4.5	**4.5**	**4.2**	**3.1**	*4.2*	*3.7*	*3.0*
Poland	2.6	2.9	1.4	0.3	1.9	1.2	**2.9**	**2.4**	**2.5**	*2.9*	*3.1*	*3.1*
Romania	21.9	9.9	3.1	2.5	4.7	6.3	**6.9**	**2.3**	**2.5**	*7.3*	*4.5*	*4.4*
Sweden	1.3	2.2	1.4	1.5	2.2	2.3	**2.7**	**1.0**	**1.3**	*2.4*	*1.5*	*1.7*
EU	2.3	1.8	1.2	0.9	1.2	1.4	**1.9**	**1.4**	**1.4**	*1.8*	*1.8*	*1.7*
United Kingdom	2.1	2.3	1.6	2.1	1.9	2.1	**1.9**	**1.7**	**1.5**	*1.9*	*2.1*	*1.9*
Japan	-1.3	-1.0	0.2	0.3	-0.2	-0.1	**0.6**	**-0.1**	**0.1**	*0.3*	*0.6*	*0.3*
United States	2.3	1.9	1.7	1.0	1.9	2.4	**1.7**	**-0.6**	**1.5**	*1.7*	*1.8*	*1.7*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.0	1.9	1.5	1.4	2.0	1.9	**1.4**	**0.8**	**1.5**	*1.4*	*1.6*	*1.7*
Germany	1.4	1.4	1.2	0.7	1.5	1.5	**1.3**	**0.3**	**1.4**	*1.2*	*1.2*	*1.4*
Estonia	3.8	4.7	2.5	0.7	3.6	3.7	**2.5**	**0.5**	**1.7**	*2.6*	*2.3*	*2.4*
Ireland	3.3	-0.3	1.0	0.3	1.1	1.7	**2.2**	**-1.0**	**0.9**	*2.1*	*2.0*	*2.0*
Greece	2.8	3.2	-0.7	-0.8	0.6	0.3	**0.6**	**-0.6**	**0.5**	*0.5*	*0.6*	*0.9*
Spain	3.3	2.3	1.1	0.2	1.6	1.5	**1.2**	**-0.2**	**1.1**	*0.9*	*1.1*	*1.4*
France	1.7	1.3	0.9	0.2	0.8	1.4	**1.1**	**0.6**	**1.0**	*1.2*	*1.2*	*1.2*
Italy	2.6	1.8	1.4	0.1	1.1	0.9	**0.5**	**-0.3**	**0.7**	*0.6*	*0.8*	*1.1*
Cyprus	1.9	3.0	0.5	-1.5	0.9	1.7	**0.4**	**-0.2**	**1.0**	*0.6*	*0.8*	*1.3*
Latvia	5.9	5.5	2.0	1.1	3.0	2.8	**2.9**	**0.2**	**1.9**	*3.1*	*2.5*	*2.3*
Lithuania	0.5	5.4	1.5	1.0	3.5	2.6	**2.0**	**1.1**	**1.8**	*2.0*	*1.9*	*1.4*
Luxembourg	2.2	1.7	1.5	0.3	1.8	2.1	**1.9**	**1.7**	**2.0**	*2.2*	*1.7*	*2.0*
Malta	2.4	2.3	1.6	0.6	1.0	0.7	**1.5**	**1.0**	**1.2**	*1.2*	*1.3*	*1.4*
Netherlands	2.4	1.4	1.3	0.6	1.4	2.0	**2.4**	**0.8**	**1.3**	*2.5*	*1.5*	*1.4*
Austria	1.8	1.8	2.2	1.4	2.0	2.1	**1.6**	**1.1**	**1.5**	*1.7*	*1.6*	*1.6*
Portugal	3.4	1.9	1.1	1.0	1.6	1.3	**1.0**	**0.5**	**1.4**	*0.5*	*1.2*	*1.4*
Slovenia	5.1	2.9	0.9	-0.6	1.8	2.3	**1.8**	**0.4**	**1.4**	*1.6*	*2.2*	*2.2*
Slovakia	5.0	2.6	1.7	-0.3	1.4	2.3	**2.7**	**1.8**	**1.1**	*2.5*	*2.4*	*2.4*
Finland	1.3	2.0	2.1	0.2	0.7	1.2	**1.1**	**0.5**	**1.4**	*1.2*	*1.4*	*1.5*
Euro area	2.1	1.7	1.2	0.4	1.3	1.4	**1.2**	**0.3**	**1.2**	*1.2*	*1.2*	*1.4*
Bulgaria	4.0	4.1	1.1	0.4	3.2	2.0	**2.0**	**0.0**	**2.0**	*2.2*	*2.3*	*2.0*
Czechia	1.8	2.1	1.1	0.5	2.4	2.3	**3.0**	**2.0**	**1.6**	*2.5*	*2.6*	*2.0*
Denmark	1.7	2.1	1.3	0.1	1.3	0.8	**0.8**	**0.6**	**1.5**	*0.9*	*1.6*	*1.8*
Croatia	2.4	3.3	1.3	-1.1	0.9	1.4	**0.8**	**0.4**	**0.9**	*1.0*	*1.3*	*1.5*
Hungary	5.8	4.8	2.6	0.2	2.7	3.1	**3.6**	**3.0**	**2.7**	*3.4*	*3.1*	*3.0*
Poland	2.8	2.6	1.5	-0.4	2.0	1.6	**1.9**	**2.4**	**2.6**	*2.3*	*2.7*	*2.6*
Romania	17.7	6.4	2.6	0.7	2.7	4.2	**5.2**	**2.0**	**2.0**	*5.8*	*4.0*	*3.7*
Sweden	1.4	1.7	0.9	0.9	1.8	2.2	**1.9**	**0.3**	**1.0**	*1.7*	*1.6*	*1.6*
EU	2.3	1.8	1.2	0.4	1.4	1.5	**1.4**	**0.5**	**1.3**	*1.4*	*1.4*	*1.5*
United Kingdom	1.2	2.2	1.8	1.4	1.4	2.6	**1.3**	**1.2**	**1.5**	*1.3*	*1.5*	*1.7*
Japan	-0.9	-0.7	0.2	-0.5	0.2	0.6	**0.3**	**0.2**	**0.1**	*0.2*	*0.9*	*0.3*
United States	2.1	2.0	1.5	1.0	1.8	2.1	**1.4**	**0.1**	**1.3**	*1.5*	*1.9*	*1.8*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.0	2.2	1.7	1.8	2.2	2.3	1.2	0.2	1.3	1.3	1.4	1.4
Germany	1.6	1.6	1.5	0.4	1.7	1.9	1.4	0.3	1.4	1.3	1.2	1.4
Estonia	3.6	4.9	2.6	0.8	3.7	3.4	2.3	0.7	1.7	2.4	2.1	2.2
Ireland	3.4	1.1	0.8	-0.2	0.3	0.7	0.9	-0.3	0.9	0.8	1.1	1.4
Greece	3.5	3.3	0.2	0.0	1.1	0.8	0.5	-0.6	0.5	0.5	0.6	0.9
Spain	3.2	2.5	1.2	-0.3	2.0	1.7	0.8	0.0	1.0	0.9	1.1	1.4
France	2.0	1.7	1.2	0.3	1.2	2.1	1.3	0.4	0.9	1.3	1.3	1.3
Italy	2.4	2.0	1.6	-0.1	1.3	1.2	0.6	-0.3	0.7	0.6	0.8	1.1
Cyprus	2.5	2.3	1.0	-1.2	0.7	0.8	0.5	-0.2	1.0	0.6	0.7	1.3
Latvia	4.1	6.8	1.5	0.1	2.9	2.6	2.7	0.2	1.9	3.1	2.5	2.3
Lithuania	0.9	5.2	1.6	0.7	3.7	2.5	2.2	0.8	1.5	2.4	2.2	2.1
Luxembourg	2.8	2.5	1.8	0.0	2.1	2.0	1.6	0.7	1.6	1.7	1.6	1.9
Malta	2.5	2.4	1.7	0.9	1.3	1.7	1.5	0.7	1.1	1.6	1.7	1.7
Netherlands	2.8	1.5	1.7	0.1	1.3	1.6	2.7	0.8	1.3	2.6	1.4	1.5
Austria	1.9	1.8	2.1	1.0	2.2	2.1	1.5	1.1	1.5	1.5	1.6	1.6
Portugal	3.2	1.7	1.4	0.6	1.6	1.2	0.3	-0.2	1.2	0.3	1.1	1.4
Slovenia	5.6	3.0	1.3	-0.2	1.6	1.9	1.7	0.5	1.2	1.8	1.9	2.0
Slovakia	5.9	2.3	1.8	-0.5	1.4	2.5	2.8	1.9	1.1	2.7	2.5	2.2
Finland	1.4	2.0	2.0	0.4	0.8	1.2	1.1	0.5	1.4	1.2	1.4	1.5
Euro area	2.2	1.9	1.4	0.2	1.5	1.8	1.2	0.2	1.1	1.2	1.2	1.3
Bulgaria	5.5	6.5	0.7	-1.3	1.2	2.6	2.5	1.1	1.1	2.4	1.6	2.1
Czechia	2.0	2.6	1.6	0.6	2.4	2.0	2.6	2.3	1.9	2.6	2.3	2.0
Denmark	1.9	2.1	1.2	0.0	1.1	0.7	0.7	0.3	1.3	0.8	1.3	1.4
Croatia	2.9	3.0	1.6	-0.6	1.3	1.6	0.8	0.4	0.9	0.9	1.4	1.5
Hungary	5.9	5.3	2.3	0.4	2.4	2.9	3.4	3.0	2.7	3.4	3.1	3.0
Poland	2.8	2.9	1.6	-0.2	1.6	1.2	2.1	2.5	2.8	2.2	2.6	2.5
Romania	18.6	6.2	2.7	-1.1	1.1	4.1	3.9	2.5	3.1	3.9	3.5	3.4
Sweden	1.8	2.1	0.7	1.1	1.9	2.0	1.7	0.4	1.1	1.7	1.5	1.6
EU	2.7	2.2	1.5	0.2	1.6	1.8	1.4	0.6	1.3	1.5	1.5	1.7
United Kingdom	1.5	2.7	2.3	0.7	2.7	2.5	1.8	1.2	2.1	1.8	2.0	2.2
Japan	-0.4	-0.1	0.7	-0.1	0.5	1.0	0.5	0.0	0.2	0.5	1.1	0.7
United States	2.5	2.2	1.7	1.3	2.1	2.4	1.8	0.5	1.5	1.8	2.1	2.0

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2019-21) 23.4.2020

	2019/1	2019/2	2019/3	2019/4	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4
Belgium	2.0	1.7	0.9	0.5	1.0	-0.2	0.0	0.0	0.3	1.5	1.7	1.8
Germany	1.6	1.7	1.0	1.2	1.6	-0.5	-0.1	0.4	1.0	1.7	1.6	1.4
Estonia	2.3	3.0	2.1	1.7	1.5	0.2	0.3	0.8	1.3	1.7	1.9	2.0
Ireland	0.9	1.3	0.6	0.8	0.8	-1.5	-0.7	0.0	0.1	1.3	1.2	1.1
Greece	0.8	0.6	0.2	0.4	0.6	-0.3	-1.0	-1.7	-1.5	-0.3	1.3	2.4
Spain	1.1	1.1	0.4	0.5	0.7	-0.3	-0.2	-0.3	0.2	1.3	1.3	1.3
France	1.4	1.3	1.2	1.3	1.3	0.4	0.1	-0.1	0.2	0.8	1.3	1.4
Italy	1.0	0.9	0.3	0.3	0.2	-0.7	-0.4	-0.3	-0.1	0.7	1.1	1.1
Cyprus	1.3	0.6	0.1	0.2	0.6	-0.4	-0.5	-0.4	0.4	1.3	1.2	1.2
Latvia	2.8	3.3	2.8	2.1	1.9	-0.4	-0.2	0.2	1.0	2.2	2.3	2.2
Lithuania	2.1	2.5	2.3	2.0	2.5	-0.2	0.2	0.9	1.5	1.5	1.5	1.5
Luxembourg	2.1	2.0	1.4	1.2	1.6	0.1	0.5	0.6	0.8	2.1	1.9	1.5
Malta	1.2	1.7	1.8	1.3	1.2	0.8	0.4	0.5	1.1	1.1	1.2	1.2
Netherlands	2.5	2.7	2.8	2.7	1.3	0.8	0.6	0.6	0.9	1.1	1.4	1.7
Austria	1.6	1.7	1.3	1.4	2.0	0.5	0.8	1.0	1.1	1.8	1.7	1.6
Portugal	0.8	0.6	-0.3	0.2	0.5	-1.4	-0.1	0.2	0.4	2.0	1.5	1.1
Slovenia	1.3	1.7	2.1	1.6	1.6	-0.1	0.2	0.3	0.6	1.0	1.4	1.9
Slovakia	2.4	2.6	3.0	3.1	2.9	1.8	1.5	1.3	1.0	1.1	1.2	1.2
Finland	1.2	1.3	1.1	0.9	1.1	0.2	0.3	0.5	1.2	1.5	1.4	1.4
Euro area	1.4	1.4	1.0	1.0	1.1	-0.2	0.0	0.1	0.5	1.2	1.4	1.4
Bulgaria	2.5	2.8	2.2	2.3	3.0	1.1	0.3	0.0	-0.2	0.9	1.8	2.1
Czechia	2.3	2.4	2.6	3.0	3.7	2.4	1.7	1.3	1.6	1.7	2.0	2.1
Denmark	1.2	0.7	0.4	0.7	0.6	0.4	0.1	0.1	0.5	1.9	1.4	1.4
Croatia	0.8	0.8	0.7	0.9	1.2	0.0	0.1	0.3	0.6	1.0	1.0	1.0
Hungary	3.2	3.8	3.1	3.5	4.4	2.3	2.8	2.6	2.1	3.3	2.7	2.5
Poland	1.2	2.2	2.5	2.6	3.9	2.8	1.9	1.3	1.3	2.3	3.3	4.2
Romania	3.8	4.3	3.9	3.7	3.1	1.9	2.3	2.7	2.6	3.2	3.4	3.3
Sweden	1.9	1.9	1.4	1.7	1.2	-0.1	0.2	0.2	0.8	1.2	1.3	1.3
EU	1.5	1.6	1.2	1.3	1.5	0.0	0.1	0.2	0.6	1.3	1.5	1.6
United Kingdom	1.8	2.0	1.9	1.4	1.7	0.5	1.0	1.6	2.1	2.2	2.1	2.0
Japan	-0.3	0.2	0.0	0.5	-0.1	-0.2	-0.3	-0.1	0.2	0.2	0.2	0.2
United States	1.6	1.8	1.8	2.0	1.8	-0.2	0.1	0.3	0.6	2.2	1.8	1.4

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	0.7	1.2	0.4	-1.8	2.4	2.4	0.3	-4.4	1.7	0.7	1.0	1.1
Germany	-0.2	0.5	0.8	-1.0	1.4	0.8	0.6	0.3	0.4	0.7	0.1	0.3
Estonia	1.8	3.6	0.3	-0.1	3.9	2.4	-0.4	-1.7	1.2	0.5	1.1	1.3
Ireland	-2.0	0.0	1.6	-3.6	-0.9	-3.8	-3.5	0.9	0.9	-3.3	-1.0	-1.0
Greece	1.6	2.7	-0.8	-5.5	7.3	5.5	-0.5	-5.0	5.0	2.4	1.9	2.1
Spain	0.8	1.9	0.9	-1.6	3.2	1.1	0.2	-0.8	1.1	0.9	1.0	1.1
France	-0.7	0.9	0.9	-1.9	1.1	0.6	0.7	-5.6	2.9	0.6	0.8	1.1
Italy	1.1	1.5	1.0	-0.7	2.0	1.9	0.5	-0.7	1.4	0.7	0.9	0.9
Cyprus	2.3	2.6	1.2	-0.9	0.4	0.2	0.0	-4.0	1.0	1.1	1.2	1.2
Latvia	7.4	5.7	3.2	-2.7	4.2	3.2	-0.2	-1.0	1.0	1.0	1.2	1.4
Lithuania	1.4	3.3	0.8	-3.1	4.7	3.7	-0.1	-0.5	0.5	3.0	2.9	2.4
Luxembourg	1.9	3.2	0.3	-0.4	3.2	3.3	-0.9	-1.7	2.0	3.1	1.8	1.5
Malta	-1.9	2.4	0.3	-4.9	4.6	3.2	-0.8	1.0	1.2	3.3	3.0	3.0
Netherlands	-0.1	1.3	0.4	-3.6	3.3	2.4	-0.3	-2.1	0.4	0.9	1.0	1.0
Austria	0.5	1.3	0.4	-0.9	1.5	1.3	0.1	-2.0	0.5	0.9	0.9	0.9
Portugal	0.0	1.5	0.2	-3.1	3.0	2.0	0.0	0.0	1.3	1.5	0.6	0.7
Slovenia	3.7	1.2	0.6	-2.1	2.6	2.7	-0.4	-0.5	0.9	0.4	0.9	0.9
Slovakia	2.3	0.1	-0.5	-1.7	2.2	1.6	-0.2	-1.5	0.1	2.2	2.0	2.0
Finland	-1.4	-0.2	0.1	-3.1	3.8	5.0	-0.9	-1.4	0.6	0.8	1.1	1.0
Euro area	0.0	1.0	0.8	-1.8	1.9	1.2	0.1	-1.5	1.1	0.6	0.6	0.7
Bulgaria	2.2	9.1	0.7	-2.4	7.7	2.8	2.2	-4.6	3.0	1.9	2.5	2.8
Czechia	-1.4	-1.5	1.6	-2.8	-0.6	-0.7	0.8	-0.1	0.1	1.0	0.0	0.0
Denmark	1.2	2.3	1.0	-1.1	0.2	0.4	-0.2	-1.9	0.9	2.2	1.6	1.4
Croatia	1.3	2.7	1.4	-3.1	1.2	0.7	0.5	0.2	1.0	2.0	2.0	2.0
Hungary	-1.1	1.2	1.4	-1.0	1.5	2.9	1.7	3.8	2.5	2.0	1.8	1.5
Poland	3.6	3.4	2.7	0.3	1.5	1.6	3.1	0.6	0.4	2.3	2.2	2.0
Romania	17.0	8.4	0.9	-8.9	2.8	5.8	3.2	-2.0	1.5	5.0	3.9	3.7
Sweden	-0.2	1.9	-0.6	-1.7	4.0	5.6	3.6	-1.9	0.1	4.6	1.3	1.4
EU	0.1	1.2	0.8	-1.8	1.9	1.4	0.5	-1.3	1.0	1.0	0.8	0.9
United Kingdom	0.5	4.1	-0.9	5.4	6.5	3.8	1.5	-2.0	1.8	1.8	1.5	1.4
Japan	-0.8	-2.7	1.9	-8.7	4.5	0.9	-2.8	-5.0	1.0	1.0	1.0	1.0
United States	1.2	1.8	-0.4	-3.9	2.6	3.6	-1.2	-1.9	2.0	-0.4	1.3	1.2

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			Autumn 2019 forecast		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	1.0	1.7	0.4	-2.1	3.4	3.8	-0.1	-5.2	1.5	0.5	0.9	1.0
Germany	-0.7	0.5	0.2	-3.2	3.0	1.9	-0.6	-2.9	0.4	-0.5	-1.3	0.0
Estonia	-0.3	3.1	0.7	-1.1	3.0	2.4	0.2	-2.1	0.9	0.5	0.7	1.1
Ireland	-1.7	1.1	-0.2	-6.2	3.5	2.5	-5.2	-2.0	1.0	0.1	0.3	0.3
Greece	2.0	3.1	-1.7	-3.3	6.1	6.5	1.5	-6.0	6.0	1.9	1.7	1.4
Spain	-0.1	1.7	1.5	-1.6	4.1	3.4	0.9	-3.3	1.2	0.9	1.2	1.3
France	-0.8	0.8	0.0	-3.1	2.7	2.4	-0.5	-7.1	2.8	0.2	0.8	1.1
Italy	1.3	2.1	0.1	-4.5	4.0	3.3	-1.0	-3.9	1.0	0.8	0.6	0.9
Cyprus	2.0	2.3	-0.5	-0.5	0.7	2.1	0.1	-3.6	1.6	1.5	1.5	1.2
Latvia	6.8	5.0	2.3	-6.0	3.3	1.6	-1.1	-3.0	0.5	0.6	1.0	1.4
Lithuania	-0.7	4.1	0.5	-4.8	4.1	4.7	-1.4	-1.0	0.9	1.9	1.6	1.6
Luxembourg	1.7	1.3	0.3	-2.3	4.7	2.9	0.0	-1.9	1.9	2.9	1.8	1.4
Malta	-0.7	1.0	-0.4	-0.8	0.2	0.5	-1.8	-2.0	0.8	1.5	1.6	1.7
Netherlands	-0.9	1.7	0.2	-4.5	3.6	2.7	-1.2	-2.0	0.5	1.0	1.0	1.0
Austria	0.2	1.7	0.5	-1.8	3.4	2.3	-0.1	-2.0	0.2	0.8	0.9	0.9
Portugal	0.1	0.9	-0.5	-3.9	4.2	2.5	-0.4	-2.0	1.3	1.5	0.8	0.9
Slovenia	3.6	1.7	0.5	-2.9	3.3	2.9	-0.7	-3.3	0.3	0.0	0.9	1.0
Slovakia	2.5	1.4	0.2	-1.3	3.0	2.5	0.0	-1.6	0.1	2.7	2.2	2.2
Finland	-0.4	0.8	-0.5	-3.2	4.7	4.1	0.0	-2.8	0.3	1.5	1.2	1.2
Euro area	-0.1	1.3	0.3	-3.3	3.4	2.7	-0.6	-3.6	1.1	0.4	0.3	0.8
Bulgaria	2.5	4.8	0.7	-6.0	7.5	2.2	0.4	-3.0	2.8	0.0	1.8	2.3
Czechia	-2.0	-0.7	1.3	-3.8	0.7	-0.6	0.6	0.4	0.2	1.4	-0.1	-0.1
Denmark	0.2	1.1	0.6	-2.4	1.6	2.8	-0.2	-2.1	0.7	1.9	1.4	1.2
Croatia	0.8	1.8	1.3	-2.5	2.6	1.1	0.2	-0.7	1.3	1.6	1.3	1.4
Hungary	-0.5	1.6	1.5	-2.5	1.9	4.0	1.1	2.8	2.5	2.1	1.5	1.5
Poland	3.2	2.8	2.0	-0.3	1.3	2.9	1.2	0.0	0.1	1.4	1.3	1.0
Romania	13.2	3.6	0.8	-7.3	5.3	4.5	2.1	-1.5	1.0	3.7	3.4	3.3
Sweden	1.1	1.5	-1.0	-2.2	4.6	6.7	2.3	-2.6	-0.4	3.9	2.4	1.6
EU	0.1	1.4	0.4	-3.2	3.2	2.8	-0.3	-3.1	1.0	0.7	0.5	0.8
United Kingdom	-0.5	3.9	-0.5	2.3	6.5	3.2	0.6	-2.0	1.8	0.5	0.5	0.5
Japan	2.2	0.8	2.4	-15.0	9.9	6.0	-3.9	-5.0	1.0	0.9	0.8	1.0
United States	1.7	2.0	-1.0	-4.3	2.3	2.9	-1.8	-2.3	2.0	-0.9	1.2	1.2

Table 21: Terms of trade of goods (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	-0.3	-0.5	0.1	0.3	-1.0	-1.3	**0.5**	**0.8**	**0.2**	*0.1*	*0.1*	*0.1*
Germany	0.5	0.1	0.6	2.3	-1.6	-1.1	**1.2**	**3.2**	**0.0**	*1.2*	*1.4*	*0.3*
Estonia	2.1	0.4	-0.3	1.0	0.9	0.1	**-0.6**	**0.4**	**0.3**	*0.0*	*0.4*	*0.2*
Ireland	-0.3	-1.1	1.8	2.7	-4.2	-6.1	**1.7**	**2.9**	**-0.1**	*-3.4*	*-1.3*	*-1.3*
Greece	-0.4	-0.4	0.9	-2.3	1.2	-1.0	**-1.9**	**1.1**	**-0.9**	*0.5*	*0.2*	*0.7*
Spain	0.9	0.2	-0.6	0.1	-0.8	-2.2	**-0.6**	**2.6**	**-0.1**	*0.0*	*-0.2*	*-0.2*
France	0.1	0.1	0.8	1.2	-1.6	-1.7	**1.2**	**1.6**	**0.0**	*0.4*	*0.0*	*0.0*
Italy	-0.2	-0.6	0.9	4.0	-1.9	-1.4	**1.5**	**3.3**	**0.4**	*-0.1*	*0.3*	*0.0*
Cyprus	0.2	0.3	1.7	-0.4	-0.3	-1.9	**-0.1**	**-0.4**	**-0.6**	*-0.4*	*-0.3*	*0.0*
Latvia	0.5	0.6	0.9	3.5	0.9	1.6	**0.9**	**2.1**	**0.5**	*0.4*	*0.2*	*0.0*
Lithuania	2.0	-0.7	0.3	1.8	0.5	-1.0	**1.3**	**0.5**	**-0.4**	*1.1*	*1.2*	*0.8*
Luxembourg	0.2	1.9	0.1	2.0	-1.4	0.4	**-1.0**	**0.2**	**0.0**	*0.2*	*0.0*	*0.0*
Malta	-1.2	1.3	0.7	-4.2	4.4	2.7	**1.1**	**3.1**	**0.4**	*1.8*	*1.4*	*1.3*
Netherlands	0.8	-0.4	0.2	1.0	-0.3	-0.3	**0.9**	**-0.1**	**0.0**	*-0.1*	*0.0*	*0.0*
Austria	0.3	-0.4	0.0	0.9	-1.8	-1.0	**0.3**	**0.0**	**0.3**	*0.1*	*0.0*	*0.0*
Portugal	-0.2	0.6	0.8	0.9	-1.1	-0.4	**0.4**	**2.0**	**0.0**	*0.0*	*-0.2*	*-0.2*
Slovenia	0.1	-0.5	0.1	0.8	-0.6	-0.2	**0.3**	**2.9**	**0.6**	*0.4*	*0.0*	*-0.1*
Slovakia	-0.1	-1.4	-0.7	-0.4	-0.8	-0.9	**-0.3**	**0.1**	**0.0**	*-0.5*	*-0.2*	*-0.2*
Finland	-1.0	-1.0	0.6	0.0	-0.9	0.9	**-0.9**	**1.4**	**0.3**	*-0.7*	*-0.1*	*-0.2*
Euro area	0.2	-0.3	0.5	1.5	-1.5	-1.5	**0.7**	**2.3**	**0.0**	*0.1*	*0.3*	*0.0*
Bulgaria	-0.3	4.1	-0.1	3.9	0.3	0.7	**1.8**	**-1.6**	**0.2**	*1.9*	*0.7*	*0.5*
Czechia	0.6	-0.7	0.2	1.0	-1.4	-0.1	**0.2**	**-0.5**	**0.0**	*-0.4*	*0.1*	*0.1*
Denmark	1.0	1.2	0.4	1.4	-1.4	-2.4	**0.0**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
Croatia	0.4	0.9	0.0	-0.6	-1.3	-0.5	**0.3**	**0.9**	**-0.3**	*0.4*	*0.7*	*0.6*
Hungary	-0.7	-0.4	-0.1	1.5	-0.3	-1.0	**0.5**	**1.0**	**0.0**	*-0.1*	*0.3*	*0.0*
Poland	0.4	0.6	0.7	0.6	0.2	-1.2	**1.9**	**0.6**	**0.3**	*0.9*	*0.9*	*1.0*
Romania	3.4	4.6	0.1	-1.7	-2.4	1.3	**1.0**	**-0.5**	**0.5**	*1.3*	*0.5*	*0.4*
Sweden	-1.3	0.5	0.4	0.6	-0.6	-1.1	**1.2**	**0.7**	**0.5**	*0.7*	*-1.1*	*-0.2*
EU	0.1	-0.2	0.5	1.4	-1.3	-1.4	**0.7**	**1.9**	**0.0**	*0.3*	*0.3*	*0.1*
United Kingdom	1.0	0.1	-0.4	3.0	0.1	0.5	**0.9**	**0.0**	**0.0**	*1.3*	*1.0*	*0.9*
Japan	-2.9	-3.5	-0.5	7.4	-4.9	-4.8	**1.1**	**0.0**	**0.0**	*0.1*	*0.2*	*0.0*
United States	-0.4	-0.2	0.6	0.4	0.3	0.7	**0.6**	**0.4**	**0.0**	*0.5*	*0.0*	*0.0*

Table 22: Total population (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	0.4	0.8	0.7	0.5	0.4	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Germany	0.0	-0.3	0.3	0.8	0.4	0.3	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Estonia	-0.6	-0.4	-0.3	0.2	0.0	0.3	**0.4**	**0.3**	**0.2**	*0.3*	*0.3*	*0.2*
Ireland	1.8	1.9	0.6	1.1	1.1	1.2	**1.4**	**0.6**	**0.8**	*1.2*	*0.8*	*0.8*
Greece	0.3	0.2	-0.5	-0.4	-0.2	-0.2	**-0.2**	**-0.6**	**-0.6**	*-0.5*	*-0.6*	*-0.6*
Spain	1.5	1.3	-0.1	0.1	0.2	0.4	**0.8**	**0.1**	**0.5**	*0.6*	*0.7*	*0.8*
France	0.7	0.6	0.5	0.4	0.4	0.3	**-0.3**	**0.3**	**0.3**	*0.2*	*0.3*	*0.3*
Italy	0.4	0.6	0.3	-0.2	-0.1	-0.1	**-0.1**	**0.0**	**0.0**	*0.0*	*0.0*	*0.0*
Cyprus	1.3	2.3	0.4	0.5	0.9	1.2	**1.2**	**1.1**	**1.1**	*0.7*	*0.8*	*0.9*
Latvia	-1.1	-1.3	-1.2	-0.9	-0.9	-0.8	**-0.7**	**-0.2**	**-0.7**	*-0.8*	*-0.7*	*-0.7*
Lithuania	-1.0	-1.4	-1.3	-1.3	-1.4	-0.9	**-0.3**	**-0.1**	**-0.4**	*-0.6*	*-0.6*	*-0.7*
Luxembourg	1.3	1.7	2.3	2.6	2.2	2.0	**2.1**	**1.8**	**2.0**	*2.1*	*2.0*	*1.8*
Malta	0.7	0.5	1.4	2.3	2.8	3.6	**3.3**	**3.0**	**3.0**	*2.5*	*2.0*	*1.5*
Netherlands	0.5	0.4	0.4	0.5	0.6	0.6	**0.7**	**0.8**	**0.8**	*0.6*	*0.5*	*0.4*
Austria	0.5	0.3	0.6	1.3	0.6	0.5	**0.4**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Portugal	0.4	0.1	-0.4	-0.3	-0.2	-0.2	**-0.1**	**0.0**	**0.0**	*0.0*	*0.0*	*0.0*
Slovenia	0.1	0.5	0.1	0.1	0.1	0.3	**0.8**	**0.3**	**0.2**	*0.6*	*0.3*	*0.2*
Slovakia	-0.1	0.2	0.0	0.2	0.1	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Finland	0.3	0.4	0.4	0.3	0.2	0.1	**0.1**	**0.2**	**0.1**	*0.2*	*0.1*	*0.1*
Euro area	0.5	0.4	0.3	0.3	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Bulgaria	-1.1	-0.5	-1.0	-0.7	-0.7	-0.7	**-0.5**	**-0.7**	**-0.7**	*-0.7*	*-0.7*	*-0.7*
Czechia	-0.1	0.5	0.0	0.2	0.2	0.3	**0.4**	**0.4**	**0.2**	*0.4*	*0.4*	*0.2*
Denmark	0.3	0.5	0.5	0.8	0.7	0.5	**0.4**	**0.4**	**0.4**	*0.4*	*0.4*	*0.4*
Croatia	0.1	-0.1	-0.4	-0.8	-1.0	-0.9	**-0.5**	**-0.4**	**-0.2**	*-0.5*	*-0.4*	*-0.2*
Hungary	-0.2	-0.2	-0.3	-0.3	-0.3	-0.1	**0.0**	**-0.2**	**-0.2**	*-0.2*	*-0.2*	*-0.2*
Poland	0.0	0.2	0.0	-0.1	0.0	0.0	**-0.1**	**-0.1**	**-0.1**	*0.0*	*-0.1*	*-0.1*
Romania	-1.0	-1.0	-0.4	-0.6	-0.6	-0.6	**-0.3**	**-0.6**	**-0.7**	*-0.6*	*-0.6*	*-0.6*
Sweden	0.4	0.8	0.9	1.3	1.4	1.2	**1.0**	**0.9**	**0.8**	*0.9*	*1.0*	*1.0*
EU	0.3	0.3	0.2	0.2	0.2	0.2	**0.1**	**0.1**	**0.2**	*0.2*	*0.2*	*0.2*
United Kingdom	0.5	0.8	0.7	0.8	0.6	0.6	**0.6**	**0.5**	**0.6**	*0.6*	*0.6*	*0.6*
Japan	0.1	0.0	-0.1	-0.2	-0.2	-0.2	**-0.2**	**-0.3**	**-0.3**	*-0.2*	*-0.3*	*-0.3*
United States	0.9	0.9	0.7	0.7	0.6	0.5	**0.5**	**0.7**	**0.7**	*0.7*	*0.7*	*0.7*

Table 23: Total employment (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	0.8	1.0	0.5	1.3	1.6	1.4	**1.5**	**-1.0**	**1.2**	*1.3*	*0.9*	*0.8*
Germany	-0.3	0.9	1.0	1.2	1.4	1.4	**0.9**	**-0.9**	**0.6**	*0.8*	*0.1*	*0.2*
Estonia	0.9	-2.1	2.6	0.3	2.7	1.2	**1.3**	**-5.7**	**3.7**	*0.7*	*0.0*	*-0.1*
Ireland	3.0	-0.7	1.3	3.7	3.0	3.2	**2.9**	**-2.5**	**1.3**	*2.4*	*1.7*	*1.4*
Greece	1.5	0.3	-2.8	0.5	1.5	1.7	**2.0**	**-3.7**	**3.8**	*2.2*	*2.2*	*1.4*
Spain	2.8	-0.5	-1.4	2.8	2.8	2.5	**2.3**	**-8.7**	**6.1**	*2.2*	*1.0*	*0.8*
France	0.7	0.5	0.3	0.5	0.9	1.0	**1.3**	**-9.1**	**10.0**	*1.1*	*0.7*	*0.5*
Italy	0.8	-0.2	-0.6	1.4	0.8	0.8	**0.3**	**-7.5**	**5.5**	*0.6*	*0.1*	*0.3*
Cyprus	3.1	2.1	-1.9	4.7	5.3	4.1	**3.1**	**-2.5**	**2.3**	*2.5*	*2.2*	*1.8*
Latvia	1.0	-2.5	1.1	-0.3	0.0	1.6	**-0.1**	**-2.6**	**0.9**	*-0.4*	*0.0*	*0.2*
Lithuania	0.3	-2.5	1.5	2.3	-0.7	1.4	**0.5**	**-3.5**	**2.0**	*0.2*	*0.1*	*0.0*
Luxembourg	3.1	3.2	2.5	3.0	3.4	3.7	**3.6**	**0.9**	**3.1**	*3.7*	*3.4*	*3.1*
Malta	0.7	1.6	3.8	4.3	8.1	6.0	**5.6**	**-1.8**	**2.8**	*4.0*	*3.0*	*2.5*
Netherlands	0.0	1.0	0.0	2.1	2.2	2.6	**1.8**	**-2.4**	**1.4**	*1.8*	*0.6*	*0.3*
Austria	0.6	1.1	0.9	1.3	1.7	1.7	**1.2**	**-1.4**	**1.4**	*1.1*	*0.7*	*0.6*
Portugal	0.0	-0.7	-1.2	1.6	3.3	2.3	**0.8**	**-3.4**	**2.7**	*1.0*	*0.5*	*0.5*
Slovenia	0.3	0.7	-0.4	1.8	3.0	3.2	**2.4**	**-2.7**	**2.0**	*2.3*	*1.5*	*1.3*
Slovakia	0.6	0.8	0.9	2.4	2.2	2.0	**1.2**	**-3.4**	**2.0**	*0.8*	*0.2*	*0.2*
Finland	1.0	0.6	0.2	0.5	1.0	2.5	**1.0**	**-2.5**	**1.1**	*0.9*	*0.4*	*0.3*
Euro area	0.7	0.3	0.1	1.4	1.5	1.5	**1.2**	**-4.7**	**3.9**	*1.1*	*0.5*	*0.5*
Bulgaria	1.5	0.7	-0.9	0.5	1.8	-0.1	**0.3**	**-2.5**	**0.5**	*0.6*	*0.0*	*-0.2*
Czechia	0.3	0.6	0.5	1.6	1.6	1.3	**0.7**	**-3.1**	**0.8**	*1.1*	*0.6*	*0.5*
Denmark	0.2	0.1	0.3	1.7	1.6	1.4	**1.2**	**-1.6**	**1.4**	*1.3*	*0.9*	*0.8*
Croatia	0.9	0.8	-1.2	0.3	2.2	1.8	**1.4**	**-3.9**	**3.0**	*1.3*	*1.1*	*1.1*
Hungary	0.0	-0.9	1.8	3.7	1.9	2.4	**1.7**	**-3.8**	**1.1**	*1.9*	*0.2*	*0.0*
Poland	-0.6	1.8	0.8	0.8	1.3	0.5	**-0.2**	**-4.5**	**2.2**	*0.1*	*-0.1*	*-0.1*
Romania	-3.1	-0.9	-0.5	-1.1	2.4	0.2	**-0.1**	**-2.5**	**0.6**	*0.2*	*0.1*	*0.1*
Sweden	0.2	0.7	1.4	1.9	2.5	1.6	**0.6**	**-2.5**	**1.1**	*0.3*	*0.0*	*0.5*
EU	0.3	0.3	0.1	1.3	1.6	1.4	**1.0**	**-4.4**	**3.3**	*1.0*	*0.5*	*0.4*
United Kingdom	1.0	0.3	1.4	1.5	1.0	1.2	**1.1**	**-2.7**	**1.5**	*1.0*	*0.7*	*0.7*
Japan	0.0	0.0	0.2	1.0	1.0	1.7	**0.5**	**-5.0**	**-1.0**	*0.5*	*0.2*	*0.3*
United States	0.3	-0.6	1.6	1.5	1.2	1.7	**1.1**	**-6.3**	**2.0**	*1.1*	*1.0*	*0.5*

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	7.8	7.8	8.0	7.8	7.1	6.0	**5.4**	**7.0**	**6.6**	*5.5*	*5.4*	*5.3*
Germany	9.8	8.3	5.2	4.1	3.8	3.4	**3.2**	**4.0**	**3.5**	*3.2*	*3.4*	*3.5*
Estonia	10.5	9.2	8.9	6.8	5.8	5.4	**4.4**	**9.2**	**6.5**	*5.1*	*5.4*	*5.8*
Ireland	4.6	8.8	13.3	8.4	6.7	5.8	**5.0**	**7.4**	**7.0**	*5.2*	*5.0*	*5.0*
Greece	10.3	9.5	24.3	23.6	21.5	19.3	**17.3**	**19.9**	**16.8**	*17.3*	*15.4*	*14.0*
Spain	10.8	13.2	23.8	19.6	17.2	15.3	**14.1**	**18.9**	**17.0**	*13.9*	*13.3*	*12.8*
France	8.4	8.5	10.0	10.0	9.4	9.0	**8.5**	**10.1**	**9.7**	*8.5*	*8.2*	*8.0*
Italy	8.6	7.2	11.2	11.7	11.2	10.6	**10.0**	**11.8**	**10.7**	*10.0*	*10.0*	*10.0*
Cyprus	4.4	4.8	13.4	13.0	11.1	8.4	**7.1**	**8.6**	**7.5**	*7.2*	*6.3*	*5.7*
Latvia	11.9	11.6	12.8	9.6	8.7	7.4	**6.3**	**8.6**	**8.3**	*6.6*	*6.4*	*6.4*
Lithuania	12.5	9.5	12.1	7.9	7.1	6.2	**6.3**	**9.7**	**7.9**	*6.2*	*6.2*	*6.2*
Luxembourg	3.7	4.7	5.7	6.3	5.5	5.6	**5.6**	**6.4**	**6.1**	*5.3*	*5.3*	*5.3*
Malta	7.1	6.6	6.0	4.7	4.0	3.7	**3.4**	**5.9**	**4.4**	*3.6*	*3.5*	*3.6*
Netherlands	3.9	4.5	6.5	6.0	4.9	3.8	**3.4**	**5.9**	**5.3**	*3.5*	*3.7*	*4.1*
Austria	4.6	4.9	5.2	6.0	5.5	4.9	**4.5**	**5.8**	**4.9**	*4.6*	*4.6*	*4.6*
Portugal	6.0	8.8	14.4	11.2	9.0	7.1	**6.5**	**9.7**	**7.4**	*6.3*	*5.9*	*5.6*
Slovenia	6.4	5.7	9.2	8.0	6.6	5.1	**4.5**	**7.0**	**5.1**	*4.4*	*4.2*	*4.2*
Slovakia	18.0	12.1	13.3	9.7	8.1	6.5	**5.8**	**8.8**	**7.1**	*5.8*	*5.7*	*5.6*
Finland	8.9	7.5	8.4	8.8	8.6	7.4	**6.7**	**8.3**	**7.7**	*6.7*	*6.5*	*6.4*
Euro area	8.8	8.6	11.2	10.0	9.0	8.1	**7.5**	**9.6**	**8.6**	*7.6*	*7.4*	*7.3*
Bulgaria	14.9	7.7	11.4	7.6	6.2	5.2	**4.2**	**7.0**	**5.8**	*4.4*	*4.1*	*4.0*
Czechia	7.9	6.2	6.4	4.0	2.9	2.2	**2.0**	**5.0**	**4.2**	*2.1*	*2.2*	*2.3*
Denmark	5.0	5.1	7.2	6.0	5.8	5.1	**5.0**	**6.4**	**5.7**	*4.9*	*4.8*	*4.7*
Croatia	14.3	10.1	16.1	13.1	11.2	8.5	**6.6**	**10.2**	**7.4**	*6.9*	*5.8*	*4.9*
Hungary	6.1	8.8	9.3	5.1	4.2	3.7	**3.4**	**7.0**	**6.1**	*3.4*	*3.4*	*3.4*
Poland	19.0	9.7	9.3	6.2	4.9	3.9	**3.3**	**7.5**	**5.3**	*3.5*	*3.6*	*3.5*
Romania	7.5	6.7	6.9	5.9	4.9	4.2	**3.9**	**6.5**	**5.4**	*3.9*	*4.2*	*4.3*
Sweden	5.9	7.3	7.9	7.0	6.7	6.4	**6.8**	**9.7**	**9.3**	*6.8*	*7.1*	*7.2*
EU	9.6	8.4	10.6	9.1	8.1	7.2	**6.7**	**9.0**	**7.9**	*6.3*	*6.2*	*6.2*
United Kingdom	4.9	6.3	7.0	4.8	4.3	4.0	**3.8**	**6.7**	**6.0**	*3.8*	*4.0*	*4.1*
Japan	5.0	4.4	4.0	3.1	2.8	2.4	**2.3**	**4.3**	**4.5**	*2.3*	*2.2*	*2.2*
United States	5.4	6.8	7.2	4.9	4.4	3.9	**3.7**	**9.2**	**7.6**	*3.7*	*3.7*	*3.7*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.7	2.7	2.0	0.6	1.8	1.9	**1.7**	**-1.4**	**1.2**	*1.7*	*1.8*	*2.1*
Germany	1.1	1.5	2.6	2.3	2.6	2.9	**3.2**	**-0.6**	**3.2**	*3.3*	*2.5*	*2.5*
Estonia	10.8	9.7	4.7	5.7	7.0	10.2	**7.8**	**2.0**	**2.7**	*7.3*	*5.8*	*5.8*
Ireland	6.0	2.0	0.8	2.2	2.5	2.1	**4.0**	**-2.3**	**1.7**	*3.5*	*3.7*	*3.8*
Greece	7.3	2.5	-3.8	-0.9	0.5	1.3	**1.1**	**-3.6**	**3.2**	*0.4*	*1.1*	*2.0*
Spain	3.3	4.3	0.4	-0.6	0.7	1.0	**2.0**	**0.5**	**0.7**	*2.4*	*2.2*	*2.1*
France	2.9	2.5	1.8	1.3	2.0	1.8	**0.2**	**6.0**	**-6.0**	*-0.2*	*1.4*	*1.9*
Italy	3.4	2.7	0.7	0.1	0.6	2.1	**1.6**	**-0.5**	**0.8**	*1.0*	*1.1*	*1.0*
Cyprus	5.0	3.1	-1.3	-0.9	1.0	0.5	**2.9**	**-5.4**	**6.6**	*3.4*	*3.1*	*3.0*
Latvia	12.1	10.1	6.3	7.3	7.6	8.5	**8.8**	**0.3**	**3.9**	*6.1*	*5.0*	*4.8*
Lithuania	9.3	7.3	5.2	6.4	9.5	7.7	**9.5**	**-8.2**	**7.4**	*7.0*	*4.4*	*4.0*
Luxembourg	3.2	2.9	2.3	0.8	3.0	3.3	**1.7**	**1.8**	**2.4**	*3.2*	*2.5*	*2.3*
Malta	3.8	3.4	3.2	2.9	-0.5	2.1	**2.4**	**3.4**	**2.8**	*2.4*	*3.4*	*3.0*
Netherlands	3.4	2.5	1.6	1.2	1.0	1.7	**2.9**	**2.2**	**1.5**	*2.5*	*3.2*	*2.5*
Austria	1.9	2.4	2.2	2.4	1.6	2.9	**2.9**	**0.7**	**1.2**	*2.8*	*2.0*	*1.9*
Portugal	3.8	2.5	-0.6	1.2	2.3	2.5	**2.8**	**0.2**	**1.7**	*3.2*	*2.8*	*2.8*
Slovenia	8.3	4.9	0.8	3.1	3.0	3.9	**4.5**	**1.6**	**1.2**	*3.6*	*3.6*	*3.6*
Slovakia	7.8	6.3	2.5	2.2	5.4	5.6	**6.2**	**1.3**	**2.5**	*7.1*	*5.4*	*4.9*
Finland	2.9	3.0	2.0	0.9	-1.1	1.3	**1.6**	**2.1**	**2.8**	*3.1*	*3.0*	*3.2*
Euro area	2.6	2.5	1.7	1.2	1.7	2.2	**2.1**	**1.1**	**0.4**	*2.0*	*2.1*	*2.2*
Bulgaria	7.7	10.7	6.9	5.8	10.5	9.7	**6.1**	**3.4**	**2.3**	*7.8*	*6.6*	*5.4*
Czechia	7.1	3.8	1.9	4.0	6.4	8.0	**6.2**	**2.5**	**4.2**	*5.2*	*4.7*	*4.4*
Denmark	3.6	3.4	1.6	1.3	1.6	1.7	**1.5**	**1.0**	**1.7**	*2.3*	*2.7*	*3.0*
Croatia	6.1	2.9	-0.4	0.4	0.2	2.2	**3.4**	**-1.2**	**1.1**	*2.6*	*2.5*	*2.2*
Hungary	11.6	3.4	2.0	2.4	7.0	6.2	**9.4**	**5.0**	**4.4**	*7.8*	*6.5*	*6.4*
Poland	3.7	5.7	2.9	4.8	5.8	7.9	**7.3**	**3.8**	**2.6**	*8.1*	*8.2*	*7.6*
Romania	28.0	12.0	2.7	15.0	14.8	13.4	**8.9**	**2.6**	**4.8**	*13.0*	*9.2*	*7.1*
Sweden	3.7	3.5	2.6	2.6	2.1	3.9	**3.0**	**-1.3**	**5.6**	*3.1*	*2.9*	*3.0*
EU	2.9	2.7	1.7	1.5	2.1	2.7	**2.6**	**1.1**	**1.1**	*2.8*	*2.7*	*2.7*
United Kingdom	4.4	3.2	1.6	3.2	3.2	2.9	**3.8**	**-6.5**	**8.6**	*4.0*	*3.3*	*3.1*
Japan	-1.2	-1.0	0.3	1.2	0.5	1.5	**0.9**	**-2.1**	**2.3**	*0.9*	*1.0*	*1.0*
United States	3.1	2.6	2.6	0.9	3.1	3.3	**3.1**	**0.4**	**1.3**	*3.3*	*2.9*	*2.5*

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	0.6	0.7	0.4	-0.8	-0.1	0.0	**0.4**	**-2.2**	**-0.3**	*0.3*	*0.2*	*0.4*
Germany	-0.3	0.1	1.4	1.6	1.1	1.4	**1.9**	**-0.9**	**1.8**	*2.0*	*1.3*	*1.1*
Estonia	6.8	4.8	2.1	5.0	3.2	6.3	**5.1**	**1.5**	**1.0**	*4.6*	*3.4*	*3.3*
Ireland	2.6	2.4	-0.3	1.9	1.5	0.4	**1.7**	**-1.2**	**0.8**	*1.4*	*1.6*	*1.8*
Greece	4.5	-0.7	-3.1	-0.2	0.0	1.0	**0.5**	**-3.1**	**2.7**	*-0.1*	*0.5*	*1.1*
Spain	0.0	2.0	-0.7	-0.8	-0.9	-0.4	**0.8**	**0.7**	**-0.4**	*1.4*	*1.1*	*0.7*
France	1.2	1.1	0.9	1.1	1.1	0.3	**-1.0**	**5.4**	**-6.9**	*-1.4*	*0.2*	*0.7*
Italy	0.8	0.9	-0.7	0.0	-0.4	1.2	**1.0**	**-0.2**	**0.1**	*0.4*	*0.3*	*-0.2*
Cyprus	3.0	0.1	-1.8	0.6	0.1	-1.1	**2.5**	**-5.2**	**5.5**	*2.8*	*2.4*	*1.7*
Latvia	5.8	4.3	4.2	6.1	4.4	5.5	**5.7**	**0.1**	**1.9**	*3.0*	*2.4*	*2.4*
Lithuania	8.8	1.8	3.7	5.4	5.8	4.9	**7.4**	**-9.2**	**5.5**	*4.9*	*2.4*	*2.6*
Luxembourg	1.0	1.2	0.8	0.5	1.1	1.1	**-0.3**	**0.1**	**0.4**	*1.0*	*0.8*	*0.3*
Malta	1.4	1.1	1.6	2.3	-1.5	1.3	**1.0**	**2.3**	**1.6**	*1.2*	*2.1*	*1.6*
Netherlands	0.9	1.0	0.3	0.7	-0.4	-0.2	**0.5**	**1.3**	**0.2**	*0.0*	*1.7*	*1.1*
Austria	0.1	0.6	-0.1	1.0	-0.4	0.8	**1.2**	**-0.4**	**-0.3**	*1.1*	*0.4*	*0.3*
Portugal	0.4	0.6	-1.7	0.2	0.7	1.2	**1.7**	**-0.3**	**0.3**	*2.7*	*1.6*	*1.4*
Slovenia	3.1	2.0	-0.2	3.8	1.2	1.6	**2.6**	**1.1**	**-0.2**	*2.0*	*1.4*	*1.3*
Slovakia	2.7	3.6	0.9	2.6	3.9	3.2	**3.3**	**-0.4**	**1.3**	*4.5*	*3.0*	*2.5*
Finland	1.5	0.9	-0.1	0.7	-1.8	0.1	**0.6**	**1.5**	**1.4**	*1.8*	*1.6*	*1.7*
Euro area	0.4	0.9	0.5	0.8	0.4	0.7	**0.9**	**0.8**	**-0.7**	*0.8*	*0.9*	*0.8*
Bulgaria	3.6	6.4	5.7	5.3	7.1	7.5	**4.0**	**3.4**	**0.3**	*5.5*	*4.2*	*3.3*
Czechia	5.2	1.6	0.8	3.4	4.0	5.6	**3.1**	**0.4**	**2.5**	*2.7*	*2.0*	*2.3*
Denmark	1.9	1.3	0.3	1.2	0.3	0.8	**0.6**	**0.4**	**0.1**	*1.4*	*1.0*	*1.1*
Croatia	3.6	-0.3	-1.7	1.5	-0.7	0.8	**2.5**	**-1.6**	**0.2**	*1.5*	*1.2*	*0.7*
Hungary	5.4	-1.3	-0.6	2.2	4.1	3.0	**5.6**	**1.9**	**1.7**	*4.3*	*3.3*	*3.3*
Poland	0.9	3.0	1.4	5.2	3.7	6.2	**5.4**	**1.3**	**0.0**	*5.7*	*5.4*	*4.9*
Romania	8.7	5.3	0.1	14.1	11.8	8.8	**3.5**	**0.5**	**2.8**	*6.8*	*5.0*	*3.3*
Sweden	2.3	1.8	1.7	1.7	0.3	1.7	**1.1**	**-1.6**	**4.5**	*1.3*	*1.2*	*1.3*
EU	0.7	0.9	0.4	1.1	0.7	1.2	**1.2**	**0.6**	**-0.2**	*1.4*	*1.3*	*1.1*
United Kingdom	3.2	1.0	-0.2	1.7	1.7	0.3	**2.5**	**-7.6**	**7.0**	*2.7*	*1.8*	*1.4*
Japan	-0.3	-0.3	0.1	1.7	0.3	0.9	**0.6**	**-2.2**	**2.2**	*0.7*	*0.1*	*0.7*
United States	1.0	0.6	1.1	-0.1	1.3	1.2	**1.7**	**0.2**	**0.1**	*1.9*	*1.0*	*0.7*

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

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 27: Labour productivity (real GDP per occupied person) (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.2	0.5	0.7	0.3	0.3	0.1	**-0.2**	**-6.2**	**5.5**	*-0.1*	*0.1*	*0.2*
Germany	0.9	0.3	0.7	1.0	1.1	0.2	**-0.3**	**-5.6**	**5.2**	*-0.3*	*0.9*	*0.9*
Estonia	6.4	1.9	0.7	2.3	3.0	3.5	**3.0**	**-1.4**	**2.1**	*2.5*	*2.1*	*2.5*
Ireland	2.3	1.3	5.4	0.0	5.0	4.8	**2.6**	**-5.5**	**4.8**	*3.2*	*1.8*	*1.8*
Greece	2.3	-0.6	-1.1	-0.7	0.0	0.2	**-0.1**	**-6.3**	**4.0**	*-0.4*	*0.1*	*0.6*
Spain	0.4	1.6	1.4	0.2	0.0	-0.2	**-0.3**	**-0.7**	**0.8**	*-0.3*	*0.5*	*0.6*
France	1.0	0.4	0.7	0.6	1.4	0.8	**0.1**	**0.9**	**-2.3**	*0.2*	*0.5*	*0.7*
Italy	0.1	0.0	-0.1	-0.1	0.9	0.0	**0.0**	**-2.2**	**1.0**	*-0.5*	*0.3*	*0.4*
Cyprus	0.9	0.6	0.2	2.0	-0.9	0.0	**0.1**	**-5.0**	**3.7**	*0.4*	*0.5*	*0.5*
Latvia	7.1	2.3	2.5	2.1	3.8	2.6	**2.3**	**-4.4**	**5.5**	*2.9*	*2.6*	*2.5*
Lithuania	7.3	3.8	2.3	0.3	5.0	2.2	**3.4**	**-4.6**	**5.3**	*3.6*	*2.3*	*2.4*
Luxembourg	-0.2	-0.7	0.4	1.5	-1.6	-0.6	**-1.3**	**-6.2**	**2.6**	*-1.1*	*-0.8*	*-0.5*
Malta	1.4	0.4	1.8	1.5	-1.5	1.2	**-1.1**	**-4.1**	**3.1**	*1.0*	*1.1*	*1.3*
Netherlands	1.4	0.4	0.8	0.1	0.7	0.0	**0.0**	**-4.5**	**3.6**	*-0.1*	*0.7*	*1.0*
Austria	1.1	0.2	0.2	0.8	0.8	0.7	**0.4**	**-4.2**	**3.6**	*0.5*	*0.7*	*0.8*
Portugal	0.9	1.3	0.4	0.4	0.2	0.3	**1.4**	**-3.4**	**3.0**	*1.0*	*1.2*	*1.2*
Slovenia	3.2	1.2	0.8	1.3	1.8	0.9	**0.1**	**-4.4**	**4.6**	*0.3*	*1.2*	*1.4*
Slovakia	4.4	4.1	1.7	-0.3	0.8	2.0	**1.0**	**-3.4**	**4.6**	*1.8*	*2.4*	*2.5*
Finland	1.6	0.3	-0.2	2.2	2.0	-0.9	**0.0**	**-4.0**	**2.6**	*0.4*	*0.7*	*0.7*
Euro area	0.8	0.5	0.8	0.5	1.0	0.4	**0.1**	**-3.2**	**2.4**	*0.0*	*0.7*	*0.8*
Bulgaria	4.1	2.6	2.7	3.3	1.7	3.2	**3.0**	**-4.8**	**5.6**	*3.0*	*3.0*	*3.1*
Czechia	3.6	1.9	1.2	0.8	2.8	1.5	**1.9**	**-3.2**	**4.2**	*1.4*	*1.6*	*1.6*
Denmark	1.1	0.2	1.0	1.5	0.4	1.0	**1.2**	**-4.3**	**3.6**	*0.7*	*0.6*	*0.9*
Croatia	3.6	-0.2	1.1	3.2	0.9	0.8	**1.5**	**-5.5**	**4.3**	*1.6*	*1.5*	*1.3*
Hungary	4.4	0.7	0.3	-1.5	2.4	2.7	**3.2**	**-3.4**	**4.8**	*2.7*	*2.6*	*2.8*
Poland	3.8	2.9	2.2	2.2	3.6	4.8	**4.4**	**0.3**	**1.8**	*3.9*	*3.5*	*3.4*
Romania	9.1	3.8	3.5	6.0	4.6	4.2	**4.1**	**-3.6**	**3.5**	*3.9*	*3.4*	*3.1*
Sweden	2.4	1.2	0.7	0.6	0.0	0.6	**0.7**	**-3.6**	**3.2**	*0.8*	*1.1*	*0.8*
EU	1.3	0.6	0.8	0.8	1.1	0.7	**0.5**	**-3.2**	**2.7**	*0.4*	*0.9*	*1.0*
United Kingdom	1.8	0.2	0.6	0.4	0.9	0.1	**0.3**	**-5.8**	**4.4**	*0.3*	*0.7*	*0.7*
Japan	1.2	0.1	0.8	-0.4	1.2	-1.3	**0.2**	**0.0**	**3.7**	*0.4*	*0.2*	*0.3*
United States	2.3	1.5	0.6	0.1	1.2	1.2	**1.2**	**-0.2**	**2.9**	*1.2*	*0.8*	*1.1*

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.5	2.2	1.2	0.3	1.5	1.8	**1.9**	**5.1**	**-4.0**	*1.8*	*1.7*	*1.9*
Germany	0.2	1.1	1.9	1.3	1.5	2.7	**3.5**	**5.3**	**-1.9**	*3.6*	*1.6*	*1.7*
Estonia	4.2	7.6	4.0	3.3	3.9	6.5	**4.6**	**3.4**	**0.6**	*4.7*	*3.6*	*3.2*
Ireland	3.6	0.7	-4.4	2.2	-2.3	-2.6	**1.4**	**3.5**	**-3.0**	*0.4*	*1.8*	*2.0*
Greece	4.9	3.1	-2.7	-0.3	0.6	1.1	**1.3**	**2.9**	**-0.8**	*0.7*	*1.0*	*1.4*
Spain	2.8	2.7	-1.0	-0.8	0.7	1.2	**2.3**	**1.3**	**-0.2**	*2.7*	*1.7*	*1.5*
France	2.0	2.1	1.0	0.7	0.6	1.0	**0.1**	**5.1**	**-3.7**	*-0.4*	*0.9*	*1.3*
Italy	3.3	2.7	0.8	0.2	-0.3	2.0	**1.5**	**1.8**	**-0.2**	*1.6*	*0.8*	*0.5*
Cyprus	4.1	2.5	-1.5	-2.9	1.9	0.6	**2.8**	**-0.4**	**2.7**	*3.0*	*2.7*	*2.5*
Latvia	4.6	7.6	3.7	5.1	3.7	5.7	**6.4**	**5.0**	**-1.5**	*3.1*	*2.3*	*2.2*
Lithuania	1.9	3.4	2.8	6.1	4.3	5.3	**5.9**	**-3.8**	**2.0**	*3.3*	*2.1*	*1.6*
Luxembourg	3.4	3.7	1.9	-0.7	4.6	3.9	**3.0**	**8.5**	**-0.2**	*4.3*	*3.3*	*2.8*
Malta	2.4	3.0	1.3	1.4	1.0	0.8	**3.6**	**7.8**	**-0.3**	*1.4*	*2.3*	*1.7*
Netherlands	1.9	2.1	0.8	1.1	0.3	1.8	**3.0**	**7.0**	**-2.0**	*2.6*	*2.5*	*1.5*
Austria	0.7	2.2	2.0	1.6	0.8	2.2	**2.4**	**5.1**	**-2.3**	*2.3*	*1.3*	*1.1*
Portugal	2.9	1.2	-1.0	0.8	2.1	2.2	**1.4**	**3.8**	**-1.3**	*2.2*	*1.7*	*1.6*
Slovenia	4.9	3.7	-0.1	1.8	1.2	3.0	**4.5**	**6.3**	**-3.3**	*3.3*	*2.4*	*2.2*
Slovakia	3.3	2.1	0.8	2.5	4.5	3.5	**5.1**	**4.9**	**-2.0**	*5.2*	*3.0*	*2.4*
Finland	1.3	2.7	2.1	-1.3	-3.1	2.2	**1.6**	**6.3**	**0.2**	*2.7*	*2.3*	*2.5*
Euro area	1.9	2.1	0.9	0.7	0.7	1.8	**2.1**	**4.3**	**-1.9**	*2.0*	*1.4*	*1.4*
Bulgaria	3.5	7.9	4.1	2.4	8.7	6.3	**3.0**	**8.6**	**-3.1**	*4.7*	*3.5*	*2.3*
Czechia	3.4	1.9	0.8	3.1	3.6	6.5	**4.2**	**5.9**	**0.0**	*3.7*	*3.0*	*2.8*
Denmark	2.4	3.2	0.6	-0.2	1.1	0.7	**0.3**	**5.6**	**-1.9**	*1.6*	*2.0*	*2.1*
Croatia	2.4	3.2	-1.5	-2.7	-0.7	1.4	**1.9**	**4.5**	**-3.1**	*1.0*	*1.0*	*0.8*
Hungary	6.9	2.7	1.7	4.0	4.5	3.4	**6.0**	**8.6**	**-0.4**	*5.0*	*3.8*	*3.5*
Poland	-0.1	2.7	0.6	2.5	2.2	3.0	**2.8**	**3.5**	**0.7**	*4.0*	*4.6*	*4.1*
Romania	17.3	7.8	-0.8	8.5	9.8	8.8	**4.5**	**6.4**	**1.3**	*8.8*	*5.6*	*3.8*
Sweden	1.3	2.2	1.9	2.0	2.1	3.3	**2.4**	**2.4**	**2.3**	*2.2*	*1.8*	*2.2*
EU	2.0	2.2	0.9	0.9	1.0	2.1	**2.2**	**4.3**	**-1.6**	*2.5*	*1.8*	*1.7*
United Kingdom	2.5	2.9	1.0	2.7	2.2	2.7	**3.5**	**-0.7**	**4.0**	*3.7*	*2.6*	*2.4*
Japan	-2.4	-1.1	-0.5	1.6	-0.7	2.9	**0.8**	**-2.0**	**-1.4**	*0.5*	*0.8*	*0.7*
United States	0.8	1.1	2.0	0.8	1.9	2.1	**1.9**	**0.5**	**-1.5**	*2.1*	*2.0*	*1.5*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 29: Real unit labour costs [1] (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	-0.4	0.5	-0.3	-1.4	-0.2	0.3	**0.3**	**3.6**	**-5.5**	*0.2*	*-0.2*	*-0.1*
Germany	-0.8	0.0	0.3	0.1	0.4	1.2	**1.3**	**3.1**	**-3.5**	*1.5*	*-0.4*	*-0.1*
Estonia	-1.0	1.6	0.5	1.6	0.2	1.9	**1.3**	**1.7**	**-1.3**	*1.3*	*0.6*	*0.4*
Ireland	-0.3	1.5	-6.7	2.5	-3.4	-3.4	**-0.1**	**2.2**	**-4.1**	*-0.4*	*0.4*	*0.4*
Greece	1.7	0.2	-1.9	0.0	0.0	0.5	**1.7**	**3.0**	**-1.3**	*0.0*	*0.1*	*-0.2*
Spain	-1.2	0.7	-1.1	-1.1	-0.7	0.1	**0.7**	**1.1**	**-1.2**	*1.3*	*0.3*	*0.1*
France	0.1	0.5	0.1	0.1	0.1	0.2	**-1.3**	**3.7**	**-4.6**	*-1.7*	*-0.3*	*0.1*
Italy	0.4	0.9	-0.4	-1.0	-1.0	1.1	**0.6**	**0.9**	**-1.1**	*1.0*	*-0.2*	*-0.5*
Cyprus	1.2	-0.3	-1.5	-2.1	0.2	-0.8	**2.2**	**-0.9**	**1.8**	*1.5*	*1.2*	*0.8*
Latvia	-1.3	1.3	1.0	4.2	0.7	1.6	**3.6**	**3.5**	**-3.7**	*0.0*	*0.0*	*0.0*
Lithuania	0.2	-1.3	0.7	4.4	0.1	1.9	**3.1**	**-5.6**	**-0.6**	*-0.3*	*-1.2*	*-0.8*
Luxembourg	1.0	0.2	-0.5	-1.5	2.8	1.3	**-0.4**	**8.1**	**-2.9**	*2.1*	*1.4*	*0.8*
Malta	0.0	0.0	-0.7	-0.1	-1.5	-1.3	**1.3**	**5.9**	**-1.5**	*-0.7*	*0.3*	*-0.3*
Netherlands	-0.7	0.5	0.0	0.6	-1.0	-0.4	**-0.1**	**5.9**	**-3.4**	*0.1*	*1.0*	*0.3*
Austria	-1.0	0.5	0.0	-0.1	-0.3	0.5	**0.7**	**3.9**	**-3.3**	*0.5*	*-0.4*	*-0.6*
Portugal	-0.5	-0.7	-1.9	-0.9	0.6	0.6	**-0.4**	**2.5**	**-2.7**	*0.8*	*0.1*	*-0.1*
Slovenia	-0.4	1.0	-1.0	1.1	-0.4	0.7	**2.0**	**4.0**	**-4.2**	*0.7*	*0.0*	*-0.2*
Slovakia	-1.2	0.9	0.2	3.0	3.3	1.4	**2.4**	**2.7**	**-3.2**	*2.7*	*0.6*	*0.2*
Finland	0.1	0.9	-0.1	-1.5	-3.7	0.4	**-0.2**	**4.5**	**-1.6**	*1.2*	*0.5*	*0.5*
Euro area	-0.5	0.4	-0.3	-0.2	-0.3	0.5	**0.3**	**3.0**	**-3.2**	*0.4*	*-0.1*	*-0.1*
Bulgaria	-1.3	1.6	2.1	-0.1	4.5	2.2	**-1.6**	**8.1**	**-5.4**	*0.1*	*0.5*	*-0.3*
Czechia	0.8	0.4	-0.5	1.8	2.1	3.8	**0.7**	**4.4**	**-1.6**	*1.1*	*0.7*	*0.9*
Denmark	0.1	0.8	-0.5	-0.5	0.0	-0.1	**-0.7**	**5.0**	**-3.7**	*0.2*	*0.3*	*0.2*
Croatia	-1.3	-0.3	-2.3	-2.6	-1.9	-0.4	**0.4**	**3.7**	**-4.0**	*-0.9*	*-1.4*	*-1.6*
Hungary	0.5	-1.4	-1.1	3.0	0.8	-1.0	**1.5**	**4.2**	**-3.4**	*0.8*	*0.1*	*0.5*
Poland	-2.6	-0.3	-0.8	2.2	0.3	1.8	**-0.1**	**1.0**	**-1.8**	*1.1*	*1.4*	*1.0*
Romania	-3.8	-1.9	-3.8	5.9	4.9	2.4	**-2.2**	**4.0**	**-1.2**	*1.4*	*1.0*	*-0.5*
Sweden	-0.1	0.0	0.5	0.5	-0.1	0.9	**-0.4**	**1.3**	**1.0**	*-0.2*	*0.3*	*0.5*
EU	-0.8	0.2	-0.4	-0.1	-0.2	0.5	**0.1**	**3.0**	**-3.0**	*0.6*	*0.0*	*0.0*
United Kingdom	0.5	0.6	-0.6	0.6	0.4	0.6	**1.6**	**-2.4**	**2.5**	*1.8*	*0.5*	*0.5*
Japan	-1.1	-0.1	-0.7	1.3	-0.5	3.0	**0.2**	**-2.0**	**-1.4**	*0.2*	*0.2*	*0.4*
United States	-1.5	-0.8	0.3	-0.3	0.0	-0.4	**0.2**	**1.2**	**-3.0**	*0.4*	*0.2*	*-0.2*

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

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Nominal bilateral exchange rates against Ecu/euro (2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	15.6466	15.6466	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.5788	:	:	:	:	:	:	:	:	:	:	:
Latvia	0.6286	0.7027	:	:	:	:	:	:	:	:	:	:
Lithuania	3.4800	3.4528	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	0.4192	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	231.2923	:	:	:	:	:	:	:	:	:	:	:
Slovakia	41.2208	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1.9511	1.9558	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czechia	31.6782	26.5545	26.1067	27.0343	26.3258	25.6470	**25.6693**	**26.7061**	**27.0524**	*25.7182*	*25.7691*	*25.7691*
Denmark	7.4410	7.4519	7.4532	7.4452	7.4386	7.4532	**7.4660**	**7.4655**	**7.4634**	*7.4656*	*7.4696*	*7.4696*
Croatia	7.4722	7.3030	7.5575	7.5333	7.4637	7.4182	**7.4182**	**7.5769**	**7.6053**	*7.4163*	*7.4329*	*7.4329*
Hungary	250.6	264.6	296.8	311.4	309.2	318.9	**325.3**	**350.4**	**353.9**	*325.5*	*332.3*	*332.3*
Poland	4.0958	3.9028	4.1742	4.3632	4.2570	4.2615	**4.2975**	**4.4882**	**4.5419**	*4.3022*	*4.3017*	*4.3017*
Romania	3.4309	3.7992	4.4013	4.4904	4.5688	4.6540	**4.7455**	**4.8256**	**4.8350**	*4.7422*	*4.7542*	*4.7542*
Sweden	9.1894	9.6552	8.9675	9.4689	9.6351	10.2583	**10.5843**	**10.8487**	**10.9090**	*10.6307*	*10.8282*	*10.8282*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.6610	0.7822	0.8120	0.8195	0.8767	0.8847	**0.8775**	**0.8717**	**0.8748**	*0.8821*	*0.8781*	*0.8781*
Japan	125.8020	141.2594	123.5467	120.1967	126.7112	130.3959	**122.0716**	**118.3687**	**117.7930**	*121.8227*	*119.5373*	*119.5373*
United States	1.0921	1.3635	1.2886	1.1069	1.1297	1.1810	**1.1194**	**1.0917**	**1.0881**	*1.1187*	*1.1052*	*1.1052*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.8	0.4	-0.3	2.1	1.2	2.2	**-0.6**	**0.7**	**0.2**	*-0.5*	*0.0*	*0.0*
Germany	2.3	0.4	-0.4	2.4	1.4	2.9	**-0.8**	**1.0**	**0.3**	*-0.7*	*0.0*	*0.0*
Estonia	2.0	0.7	1.3	2.3	0.0	3.3	**0.0**	**2.1**	**0.5**	*0.2*	*0.2*	*0.0*
Ireland	2.7	0.8	-1.3	2.1	1.9	2.8	**-1.9**	**-0.2**	**0.1**	*-1.9*	*-0.4*	*0.0*
Greece	2.8	0.6	0.6	2.5	1.7	3.9	**0.0**	**1.6**	**0.4**	*0.1*	*0.0*	*0.0*
Spain	1.9	0.4	-0.2	2.2	1.4	2.5	**-0.5**	**1.0**	**0.3**	*-0.4*	*0.0*	*0.0*
France	2.2	0.3	-0.5	2.1	1.4	2.7	**-0.8**	**0.7**	**0.2**	*-0.7*	*0.0*	*0.0*
Italy	2.4	0.3	-0.2	2.1	1.4	3.0	**-0.8**	**0.9**	**0.3**	*-0.7*	*-0.1*	*0.0*
Cyprus	2.6	0.4	-0.7	2.3	1.8	2.9	**-0.6**	**0.8**	**0.3**	*-0.5*	*0.1*	*0.0*
Latvia	-2.7	0.4	2.0	3.0	-0.6	3.5	**-0.2**	**2.3**	**0.6**	*:*	*:*	*:*
Lithuania	3.9	0.8	2.4	3.3	-1.0	3.8	**-0.4**	**2.5**	**0.6**	*-0.3*	*-0.2*	*0.0*
Luxembourg	1.1	0.4	-0.2	1.5	0.8	1.7	**-0.4**	**0.6**	**0.2**	*-0.4*	*0.0*	*0.0*
Malta	1.6	0.2	-0.7	1.5	1.7	2.8	**-2.0**	**-0.3**	**0.0**	*-2.0*	*-0.3*	*0.0*
Netherlands	1.5	0.5	-0.3	2.1	1.2	2.0	**-0.4**	**0.8**	**0.2**	*-0.4*	*0.0*	*0.0*
Austria	1.4	0.2	0.0	1.6	0.7	2.1	**-0.6**	**0.8**	**0.2**	*-0.5*	*-0.1*	*0.0*
Portugal	1.4	0.3	-0.3	1.8	1.0	1.8	**-0.4**	**0.7**	**0.2**	*-0.4*	*0.0*	*0.0*
Slovenia	-1.7	0.4	0.7	1.7	0.2	2.1	**-0.2**	**1.3**	**0.3**	*-0.1*	*0.0*	*0.0*
Slovakia	2.7	5.4	0.3	1.9	0.5	1.7	**-0.2**	**1.1**	**0.3**	*-0.1*	*0.0*	*0.0*
Finland	2.6	0.5	0.4	2.3	0.7	3.4	**-0.6**	**1.5**	**0.4**	*-0.5*	*0.1*	*0.0*
Euro area	4.3	0.9	-0.7	4.0	2.4	4.8	**-1.2**	**1.5**	**0.5**	*-1.0*	*-0.1*	*0.0*
Bulgaria	3.4	0.8	0.8	2.4	1.9	3.9	**0.5**	**1.8**	**0.4**	*0.6*	*0.1*	*0.0*
Czechia	4.8	3.7	-1.3	2.8	3.4	4.6	**-0.3**	**-3.0**	**-1.0**	*-0.4*	*-0.2*	*0.0*
Denmark	1.9	0.4	-0.3	2.2	1.4	2.7	**-0.6**	**1.4**	**0.4**	*-0.5*	*0.1*	*0.0*
Croatia	2.3	0.7	-0.1	3.0	1.3	3.3	**-0.2**	**-0.8**	**-0.1**	*-0.1*	*-0.2*	*0.0*
Hungary	2.2	-1.7	-2.0	1.2	1.4	-1.1	**-2.1**	**-6.2**	**-0.7**	*-2.1*	*-2.1*	*0.0*
Poland	1.2	0.6	-0.5	-2.3	3.2	2.1	**-1.1**	**-3.2**	**-0.9**	*-1.1*	*0.0*	*0.0*
Romania	-9.4	-2.4	-0.5	1.0	-0.8	0.7	**-1.9**	**-0.4**	**0.1**	*-1.8*	*-0.2*	*0.0*
Sweden	0.3	-0.2	0.3	1.0	-0.8	-3.8	**-3.6**	**-0.8**	**-0.2**	*-4.0*	*-1.7*	*0.0*
EU	5.5	-0.4	-0.1	1.2	1.5	6.2	**-1.9**	**1.4**	**0.3**	*-1.9*	*-0.2*	*0.0*
United Kingdom	0.0	-4.5	2.7	-10.1	-5.6	2.0	**-0.3**	**1.1**	**-0.2**	*-0.8*	*0.4*	*0.0*
Japan	-2.3	3.6	-5.2	15.0	-3.3	0.5	**5.0**	**3.4**	**0.6**	*5.3*	*2.0*	*0.0*
United States	-2.1	-1.5	3.6	4.7	-0.3	-0.6	**3.6**	**6.2**	**1.2**	*3.8*	*1.0*	*0.0*

[1] 42 countries: EU-28, TR, CH, NO, US, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 32: Relative unit labour costs, to rest of a group[1] of industrialised countries (nat. curr) (percentage change over preceding year, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	-0.3	0.1	0.0	-1.2	0.2	-0.7	**-0.7**	**1.4**	**-3.2**	*-0.8*	*-0.3*	*0.0*
Germany	-1.9	-1.2	0.8	-0.3	0.1	0.1	**0.9**	**1.9**	**-1.3**	*1.0*	*-0.6*	*0.0*
Estonia	2.3	4.8	2.2	1.6	2.6	3.4	**1.5**	**-0.5**	**0.7**	*1.8*	*1.3*	*0.0*
Ireland	1.9	-1.3	-5.5	0.9	-3.7	-4.8	**-1.1**	**0.6**	**-2.2**	*-2.1*	*-0.2*	*0.0*
Greece	1.9	0.2	-4.4	-2.7	-1.2	-2.2	**-2.0**	**-0.8**	**-0.6**	*-2.7*	*-1.6*	*0.0*
Spain	0.6	0.5	-2.2	-2.5	-0.7	-1.4	**-0.3**	**-2.5**	**0.7**	*0.1*	*-0.4*	*0.0*
France	0.1	-0.1	-0.1	-0.8	-0.7	-1.6	**-2.7**	**1.7**	**-3.2**	*-3.2*	*-1.2*	*0.0*
Italy	1.3	0.5	-0.4	-1.6	-1.8	-0.6	**-1.3**	**-2.0**	**0.7**	*-1.2*	*-1.4*	*0.0*
Cyprus	1.4	0.0	-1.9	-4.3	0.5	-2.0	**0.0**	**-3.5**	**3.0**	*0.3*	*0.5*	*0.0*
Latvia	2.7	4.9	2.0	2.7	1.9	2.4	**2.9**	**1.7**	**-1.4**	*0.6*	*-0.2*	*0.0*
Lithuania	-0.3	0.5	1.2	4.0	2.6	2.1	**2.6**	**-7.4**	**2.6**	*0.1*	*-0.4*	*0.0*
Luxembourg	1.6	1.4	0.6	-2.0	3.3	1.5	**0.4**	**4.2**	**1.2**	*1.8*	*1.4*	*0.0*
Malta	0.9	1.2	0.2	-0.1	-0.3	-1.6	**1.2**	**4.9**	**0.8**	*-0.9*	*0.4*	*0.0*
Netherlands	0.2	0.0	-0.4	-0.4	-1.1	-0.7	**0.2**	**3.3**	**-1.2**	*-0.1*	*0.5*	*0.0*
Austria	-1.1	0.1	0.7	0.0	-0.7	-0.5	**-0.5**	**0.9**	**-1.3**	*-0.6*	*-0.8*	*0.0*
Portugal	0.9	-1.1	-1.8	-0.2	0.9	0.0	**-1.1**	**0.5**	**-0.5**	*-0.3*	*-0.3*	*0.0*
Slovenia	2.9	1.3	-1.3	0.2	-0.2	0.2	**1.5**	**2.0**	**-2.3**	*0.4*	*0.3*	*0.0*
Slovakia	1.4	-0.1	-0.5	0.7	2.9	0.6	**2.0**	**0.7**	**-1.2**	*2.1*	*0.7*	*0.0*
Finland	-0.5	0.4	0.7	-3.0	-4.5	-0.6	**-1.3**	**2.7**	**0.7**	*-0.1*	*0.1*	*0.0*
Euro area	-0.6	-0.5	-0.4	-1.6	-1.1	-1.4	**-0.8**	**1.9**	**-2.5**	*-1.0*	*-1.3*	*0.0*
Bulgaria	-0.4	4.8	2.8	-0.5	6.6	2.5	**-0.6**	**4.4**	**-2.8**	*0.9*	*0.8*	*0.0*
Czechia	1.8	-0.2	-0.6	1.4	2.0	3.7	**1.1**	**1.6**	**1.0**	*0.6*	*0.9*	*0.0*
Denmark	0.8	1.0	-0.8	-1.7	-0.2	-1.9	**-2.5**	**2.1**	**-1.5**	*-1.1*	*-0.1*	*0.0*
Croatia	0.1	0.8	-2.8	-4.5	-2.1	-1.5	**-1.2**	**0.5**	**-2.3**	*-2.0*	*-1.1*	*0.0*
Hungary	5.1	0.3	0.5	2.0	2.7	0.4	**2.9**	**4.2**	**0.5**	*1.8*	*1.5*	*0.0*
Poland	-1.9	0.4	-0.8	0.7	0.5	0.1	**-0.3**	**-0.6**	**1.5**	*0.9*	*2.4*	*0.0*
Romania	14.1	5.0	-2.3	6.4	8.2	5.7	**1.4**	**2.3**	**2.1**	*5.6*	*3.3*	*0.0*
Sweden	-0.5	-0.3	0.4	0.8	1.0	0.7	**-0.4**	**-1.3**	**3.0**	*-0.5*	*-0.4*	*0.0*
EU	-0.1	0.0	-0.9	-1.4	-0.3	-1.3	**-0.9**	**1.0**	**-0.9**	*-0.6*	*-0.9*	*0.0*
United Kingdom	0.8	0.9	-0.1	1.4	1.1	0.4	**0.9**	**-4.2**	**5.4**	*1.2*	*0.6*	*0.0*
Japan	-0.1	0.0	-0.9	-1.4	-0.3	-1.3	**-0.9**	**1.0**	**-0.9**	*-2.0*	*-1.4*	*0.0*
United States	-0.5	-0.9	0.4	-0.1	0.6	-1.1	**-2.1**	**-6.2**	**-1.8**	*-1.6*	*-1.1*	*0.0*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 33: **Real effective exchange rate, based on HICP/CPI: ULC relative to rest of a group [1] of industrialised countries (USD) (% change on preceding year, 2001-2021)** 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	1.3	0.2	-0.7	2.9	1.6	2.3	**-1.2**	**-0.1**	**-0.1**	*-1.1*	*-0.4*	*-0.5*
Germany	1.0	-0.7	-1.1	1.7	1.1	2.6	**-1.5**	**0.0**	**-0.1**	*-1.4*	*-0.8*	*-0.7*
Estonia	2.1	2.0	1.2	1.6	1.5	4.5	**0.2**	**1.6**	**0.3**	*0.4*	*0.2*	*0.1*
Ireland	3.8	-0.4	-2.4	1.0	0.2	1.3	**-2.7**	**-1.4**	**-0.6**	*-2.8*	*-1.2*	*-0.5*
Greece	1.8	0.7	-1.9	1.2	0.6	1.8	**-2.0**	**-0.6**	**-1.3**	*-1.9*	*-1.6*	*-1.4*
Spain	2.3	0.5	-1.1	0.8	1.5	1.9	**-1.6**	**-0.1**	**-0.5**	*-1.4*	*-0.8*	*-0.6*
France	1.5	-0.5	-1.4	1.4	0.6	2.5	**-1.4**	**0.1**	**-0.6**	*-1.3*	*-0.6*	*-0.7*
Italy	1.9	-0.3	-0.9	0.9	0.7	1.8	**-2.2**	**-0.6**	**-0.9**	*-2.1*	*-1.3*	*-1.0*
Cyprus	1.6	-0.2	-1.6	-0.1	0.5	1.5	**-2.0**	**-0.6**	**-0.5**	*-1.8*	*-1.0*	*-0.8*
Latvia	-1.8	3.2	0.3	1.3	0.0	3.6	**0.2**	**1.0**	**0.4**	*:*	*:*	*:*
Lithuania	0.6	1.9	0.5	2.0	0.4	4.0	**-0.6**	**1.8**	**-0.1**	*-0.4*	*-0.3*	*-0.2*
Luxembourg	1.5	0.5	-0.3	0.8	1.1	1.6	**-0.5**	**0.4**	**0.2**	*-0.5*	*-0.1*	*0.1*
Malta	1.8	0.3	-1.1	1.5	1.2	2.4	**-2.2**	**-0.5**	**-0.4**	*-2.1*	*-0.5*	*-0.1*
Netherlands	1.9	-0.4	-0.6	1.3	0.6	1.4	**0.4**	**0.7**	**-0.2**	*0.5*	*-0.4*	*-0.3*
Austria	0.5	-0.5	0.0	1.7	1.1	2.1	**-1.0**	**0.8**	**0.1**	*-0.9*	*-0.3*	*-0.3*
Portugal	2.1	-0.3	-0.8	1.7	0.7	0.8	**-1.8**	**-0.4**	**-0.1**	*-1.7*	*-0.6*	*-0.4*
Slovenia	0.4	0.3	-0.3	0.5	-0.2	1.8	**-0.5**	**0.7**	**-0.2**	*-0.3*	*0.1*	*0.1*
Slovakia	5.8	5.0	0.0	0.6	-0.1	2.0	**0.6**	**1.9**	**-0.4**	*0.7*	*0.7*	*0.2*
Finland	0.8	-0.6	-0.1	1.3	-0.5	2.3	**-1.5**	**0.8**	**-0.1**	*-1.3*	*-0.5*	*-0.5*
Euro area	3.1	-0.6	-1.8	2.7	1.7	3.9	**-2.3**	**0.0**	**-0.6**	*-2.1*	*-1.3*	*-1.1*
Bulgaria	3.5	3.6	-1.1	-0.3	0.7	3.5	**0.3**	**1.2**	**-0.8**	*0.3*	*-0.6*	*-0.3*
Czechia	3.9	3.7	-1.9	2.6	3.9	4.3	**0.3**	**-1.8**	**-0.9**	*0.2*	*0.3*	*0.1*
Denmark	1.4	0.0	-1.1	1.1	0.5	1.1	**-1.8**	**0.7**	**0.0**	*-1.6*	*-0.4*	*-0.5*
Croatia	1.5	0.7	-1.0	1.2	0.6	2.5	**-1.5**	**-1.6**	**-1.0**	*-1.1*	*-0.8*	*-0.6*
Hungary	5.2	0.8	-2.0	0.8	1.8	-0.5	**-0.8**	**-4.5**	**0.1**	*-0.9*	*-1.0*	*1.0*
Poland	0.9	0.7	-1.2	-3.5	2.8	1.0	**-1.0**	**-1.8**	**0.1**	*-0.9*	*0.7*	*0.6*
Romania	3.4	0.6	-0.2	-1.2	-1.7	2.3	**-0.2**	**0.9**	**1.3**	*0.0*	*1.3*	*1.3*
Sweden	-0.4	-0.7	-1.1	0.9	-0.8	-3.9	**-3.8**	**-1.5**	**-0.8**	*-4.2*	*-2.1*	*-0.3*
EU	3.6	-1.8	-1.6	-0.6	0.9	5.1	**-3.2**	**-0.1**	**-0.7**	*-3.2*	*-1.4*	*-1.1*
United Kingdom	-1.2	-4.1	3.0	-10.5	-4.8	2.3	**-0.4**	**1.3**	**0.2**	*-0.9*	*0.5*	*0.2*
Japan	-5.1	0.7	-6.8	13.2	-4.6	-0.7	**3.4**	**1.9**	**-1.0**	*3.8*	*1.0*	*-1.5*
United States	-2.0	-1.6	2.6	3.5	-1.0	-0.9	**2.6**	**4.9**	**0.8**	*3.4*	*0.9*	*-0.2*

[1] 42 countries: EU, TR, CH, NO, US, CA, JP, AU, MX, NZ, CN, HK, KO, RU and BR.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 34: **Total expenditure, general government (as a percentage of GDP, 2001-2021)** 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	50.3	51.3	55.4	53.1	51.9	52.2	**52.2**	**59.6**	**54.2**	*52.3*	*52.6*	*52.8*
Germany	47.4	45.8	44.7	44.3	44.4	44.6	**45.4**	**54.2**	**48.3**	*45.3*	*45.7*	*45.9*
Estonia	34.7	38.4	38.2	39.5	39.3	39.1	**39.0**	**47.0**	**42.4**	*39.2*	*39.3*	*39.2*
Ireland	33.1	44.8	39.1	27.8	26.1	25.3	**24.8**	**29.6**	**26.6**	*25.0*	*24.9*	*24.4*
Greece	46.3	49.9	55.2	49.0	47.4	46.9	**46.3**	**55.2**	**49.0**	*46.4*	*45.3*	*44.4*
Spain	38.5	42.3	45.9	42.4	41.2	41.7	**41.9**	**49.7**	**45.6**	*41.7*	*41.8*	*41.9*
France	52.8	54.6	56.9	56.7	56.5	55.7	**55.6**	**62.7**	**57.1**	*55.5*	*54.4*	*54.0*
Italy	47.1	48.7	50.4	49.1	48.8	48.5	**48.7**	**59.1**	**52.2**	*48.9*	*49.1*	*49.0*
Cyprus	38.1	39.7	43.5	37.4	36.8	43.4	**39.5**	**49.9**	**45.9**	*37.9*	*41.4*	*41.9*
Latvia	34.8	40.3	39.1	37.6	39.0	39.5	**38.9**	**45.1**	**41.5**	*37.6*	*37.2*	*36.7*
Lithuania	34.8	39.0	36.8	34.2	33.2	34.0	**34.9**	**41.8**	**37.4**	*34.9*	*35.4*	*35.1*
Luxembourg	42.3	41.4	42.9	40.9	42.1	42.3	**42.6**	**50.2**	**46.2**	*43.1*	*43.9*	*44.0*
Malta	42.6	41.8	41.3	36.6	35.9	36.7	**37.7**	**46.5**	**41.5**	*38.1*	*38.1*	*38.0*
Netherlands	43.3	44.8	46.1	43.6	42.4	42.2	**41.9**	**47.7**	**45.6**	*42.3*	*42.9*	*42.9*
Austria	51.7	51.3	51.5	50.1	49.2	48.7	**48.2**	**56.4**	**50.9**	*48.3*	*48.4*	*48.1*
Portugal	45.2	47.4	49.8	44.8	45.4	43.4	**42.7**	**49.3**	**44.5**	*43.4*	*43.4*	*43.1*
Slovenia	47.2	46.7	52.0	46.3	44.1	43.6	**43.7**	**51.9**	**46.0**	*43.6*	*43.1*	*42.8*
Slovakia	41.8	39.8	42.7	42.7	41.5	41.8	**42.8**	**49.8**	**45.1**	*41.8*	*41.8*	*41.5*
Finland	48.6	50.1	55.9	55.7	53.8	53.4	**53.3**	**59.8**	**56.8**	*53.0*	*53.5*	*53.4*
Euro area	47.1	48.1	49.4	47.7	47.2	47.0	**47.1**	**55.2**	**49.9**	*47.1*	*47.1*	*47.0*
Bulgaria	38.6	36.8	38.0	35.0	34.9	36.6	**36.3**	**42.0**	**40.2**	*38.2*	*38.5*	*38.4*
Czechia	44.4	42.0	42.8	40.0	39.5	41.2	**41.9**	**48.5**	**45.7**	*41.7*	*42.1*	*42.4*
Denmark	52.8	52.6	56.0	52.2	51.0	50.7	**49.6**	**59.2**	**53.5**	*50.5*	*50.1*	*49.5*
Croatia	50.8	47.1	48.6	47.4	45.3	46.3	**47.1**	**53.4**	**49.6**	*47.0*	*46.7*	*46.3*
Hungary	49.1	50.0	49.9	47.2	47.0	46.7	**46.1**	**50.3**	**47.7**	*45.9*	*44.3*	*43.8*
Poland	44.8	44.4	42.7	41.1	41.2	41.5	**42.0**	**50.3**	**44.1**	*42.0*	*42.1*	*41.9*
Romania	34.6	38.0	36.7	34.5	33.5	34.8	**36.0**	**41.5**	**43.5**	*35.8*	*37.1*	*39.1*
Sweden	53.2	50.8	50.6	49.7	49.3	49.8	**49.3**	**55.1**	**52.0**	*49.8*	*49.9*	*49.7*
EU	47.3	48.0	49.1	47.3	46.8	46.6	**46.7**	**54.7**	**49.6**	*45.9*	*45.9*	*45.8*
United Kingdom	38.8	44.1	44.1	41.5	41.2	40.9	**41.0**	**48.6**	**43.4**	*41.1*	*41.4*	*41.3*
Japan	:	37.3	40.3	39.3	38.6	38.8	**39.1**	**42.8**	**42.7**	*39.2*	*39.3*	*39.2*
United States	36.7	40.1	39.5	38.3	38.0	37.8	**38.3**	**49.2**	**39.0**	*38.0*	*38.1*	*38.2*

Table 35: Total revenue, general government (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	49.4	49.3	52.0	50.7	51.2	51.4	**50.3**	**50.7**	**49.9**	*50.5*	*50.3*	*50.2*
Germany	44.0	44.0	44.8	45.5	45.7	46.4	**46.8**	**47.2**	**46.8**	*46.5*	*46.3*	*46.1*
Estonia	35.9	38.6	38.6	39.0	38.6	38.5	**38.7**	**38.7**	**39.0**	*39.0*	*39.1*	*39.0*
Ireland	33.8	34.8	32.6	27.1	25.8	25.4	**25.2**	**24.0**	**23.7**	*25.3*	*25.2*	*25.0*
Greece	39.4	40.1	46.9	49.5	48.2	47.9	**47.7**	**48.8**	**46.9**	*47.7*	*46.3*	*45.4*
Spain	38.5	38.0	38.2	38.1	38.2	39.2	**39.1**	**39.6**	**38.9**	*39.3*	*39.6*	*39.8*
France	49.7	50.1	52.6	53.0	53.5	53.4	**52.6**	**52.9**	**53.1**	*52.5*	*52.1*	*51.8*
Italy	43.7	45.3	47.4	46.7	46.3	46.3	**47.1**	**47.9**	**46.5**	*46.7*	*46.8*	*46.3*
Cyprus	34.5	38.3	38.1	37.7	38.8	39.8	**41.2**	**42.9**	**44.2**	*41.6*	*44.0*	*44.3*
Latvia	33.3	35.5	37.2	37.8	38.2	38.7	**38.7**	**37.8**	**37.0**	*37.0*	*36.7*	*36.2*
Lithuania	33.1	35.0	33.7	34.4	33.6	34.6	**35.2**	**34.8**	**34.6**	*34.9*	*35.4*	*35.1*
Luxembourg	43.5	43.2	43.8	42.8	43.5	45.4	**44.8**	**45.4**	**46.3**	*45.4*	*45.3*	*45.4*
Malta	37.1	38.9	39.1	37.5	39.3	38.6	**38.2**	**39.8**	**38.9**	*39.4*	*39.1*	*38.9*
Netherlands	41.7	42.7	43.0	43.6	43.7	43.6	**43.6**	**41.4**	**42.2**	*43.8*	*43.4*	*43.3*
Austria	49.5	48.3	49.4	48.6	48.4	48.8	**49.0**	**50.2**	**49.1**	*48.8*	*48.7*	*48.5*
Portugal	40.0	41.0	43.6	42.9	42.4	42.9	**42.9**	**42.7**	**42.7**	*43.3*	*43.4*	*43.7*
Slovenia	44.7	43.9	45.3	44.3	44.0	44.3	**44.2**	**44.8**	**44.0**	*44.0*	*43.6*	*43.3*
Slovakia	37.0	35.0	39.3	40.2	40.5	40.7	**41.5**	**41.3**	**40.9**	*40.8*	*40.7*	*40.3*
Finland	51.9	51.8	53.7	53.9	53.1	52.5	**52.2**	**52.4**	**53.4**	*51.9*	*52.0*	*51.8*
Euro area	44.5	44.7	46.3	46.2	46.2	46.5	**46.5**	**46.7**	**46.3**	*46.3*	*46.2*	*45.9*
Bulgaria	39.0	36.3	36.0	35.1	36.0	38.5	**38.4**	**39.3**	**38.3**	*39.3*	*39.4*	*39.3*
Czechia	39.6	39.1	40.7	40.7	41.0	42.2	**42.1**	**41.9**	**41.7**	*41.8*	*41.9*	*42.1*
Denmark	54.4	54.1	54.6	52.4	52.8	51.4	**53.3**	**52.0**	**51.2**	*52.7*	*50.6*	*49.5*
Croatia	47.2	42.9	43.1	46.5	46.1	46.5	**47.5**	**46.3**	**47.4**	*47.1*	*46.8*	*46.3*
Hungary	42.2	44.5	47.0	45.4	44.5	44.5	**44.0**	**45.1**	**43.6**	*44.1*	*43.3*	*43.0*
Poland	39.9	39.7	38.9	38.7	39.8	41.3	**41.3**	**40.8**	**40.3**	*41.0*	*41.8*	*41.1*
Romania	32.8	32.8	34.1	31.9	30.8	31.9	**31.7**	**32.3**	**32.2**	*32.2*	*32.7*	*33.0*
Sweden	53.4	52.2	49.7	50.7	50.7	50.6	**49.8**	**49.5**	**49.8**	*50.0*	*50.0*	*49.8*
EU	44.7	44.8	46.1	46.0	46.0	46.2	**46.2**	**46.4**	**46.0**	*45.0*	*44.8*	*44.6*
United Kingdom	36.6	38.1	37.9	38.2	38.7	38.7	**38.9**	**38.0**	**36.7**	*38.9*	*39.0*	*39.1*
Japan	:	31.5	33.5	35.8	35.7	36.5	**36.8**	**37.8**	**37.4**	*36.3*	*36.7*	*37.0*
United States	31.9	32.0	32.3	32.9	33.7	31.2	**31.0**	**31.4**	**30.4**	*31.3*	*31.4*	*31.4*

Table 36: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	-0.9	-2.1	-3.4	-2.4	-0.7	-0.8	**-1.9**	**-8.9**	**-4.2**	*-1.7*	*-2.3*	*-2.6*
Germany	-3.5	-1.8	0.1	1.2	1.2	1.9	**1.4**	**-7.0**	**-1.5**	*1.2*	*0.6*	*0.2*
Estonia	1.2	0.2	0.4	-0.5	-0.8	-0.6	**-0.3**	**-8.3**	**-3.4**	*-0.2*	*-0.2*	*-0.2*
Ireland	0.7	-10.0	-6.5	-0.7	-0.3	0.1	**0.4**	**-5.6**	**-2.9**	*0.2*	*0.3*	*0.6*
Greece	-6.9	-9.8	-8.3	0.5	0.7	1.0	**1.5**	**-6.4**	**-2.1**	*1.3*	*1.0*	*1.1*
Spain	0.0	-4.3	-7.7	-4.3	-3.0	-2.5	**-2.8**	**-10.1**	**-6.7**	*-2.3*	*-2.2*	*-2.1*
France	-3.1	-4.5	-4.3	-3.6	-2.9	-2.3	**-3.0**	**-9.9**	**-4.0**	*-3.1*	*-2.2*	*-2.2*
Italy	-3.4	-3.4	-3.0	-2.4	-2.4	-2.2	**-1.6**	**-11.1**	**-5.6**	*-2.2*	*-2.3*	*-2.7*
Cyprus	-3.6	-1.4	-5.4	0.3	2.0	-3.7	**1.7**	**-7.0**	**-1.8**	*3.7*	*2.6*	*2.4*
Latvia	-1.5	-4.7	-2.0	0.2	-0.8	-0.8	**-0.2**	**-7.3**	**-4.5**	*-0.6*	*-0.6*	*-0.6*
Lithuania	-1.7	-4.0	-3.1	0.2	0.5	0.6	**0.3**	**-6.9**	**-2.7**	*0.0*	*0.0*	*0.0*
Luxembourg	1.3	1.8	0.9	1.8	1.3	3.1	**2.2**	**-4.8**	**0.1**	*2.3*	*1.4*	*1.4*
Malta	-5.5	-2.9	-2.2	1.0	3.3	1.9	**0.5**	**-6.7**	**-2.5**	*1.2*	*1.0*	*1.0*
Netherlands	-1.6	-2.0	-3.1	0.0	1.3	1.4	**1.7**	**-6.3**	**-3.5**	*1.5*	*0.5*	*0.4*
Austria	-2.2	-3.0	-2.1	-1.5	-0.8	0.2	**0.7**	**-6.1**	**-1.9**	*0.4*	*0.2*	*0.4*
Portugal	-5.2	-6.4	-6.2	-1.9	-3.0	-0.4	**0.2**	**-6.5**	**-1.8**	*-0.1*	*0.0*	*0.6*
Slovenia	-2.5	-2.8	-6.7	-1.9	0.0	0.7	**0.5**	**-7.2**	**-2.1**	*0.5*	*0.5*	*0.6*
Slovakia	-4.8	-4.8	-3.5	-2.5	-1.0	-1.0	**-1.3**	**-8.5**	**-4.2**	*-0.9*	*-1.2*	*-1.3*
Finland	3.3	1.6	-2.2	-1.7	-0.7	-0.9	**-1.1**	**-7.4**	**-3.4**	*-1.1*	*-1.4*	*-1.6*
Euro area	-2.6	-3.4	-3.1	-1.5	-1.0	-0.5	**-0.6**	**-8.5**	**-3.5**	*-0.8*	*-0.9*	*-1.0*
Bulgaria	0.5	-0.5	-2.0	0.1	1.1	2.0	**2.1**	**-2.8**	**-1.8**	*1.1*	*0.9*	*0.9*
Czechia	-4.8	-2.9	-2.1	0.7	1.5	0.9	**0.3**	**-6.7**	**-4.0**	*0.2*	*-0.1*	*-0.3*
Denmark	1.6	1.5	-1.4	0.1	1.8	0.7	**3.7**	**-7.2**	**-2.3**	*2.2*	*0.5*	*0.0*
Croatia	-3.6	-4.1	-5.5	-1.0	0.8	0.2	**0.4**	**-7.1**	**-2.2**	*0.1*	*0.0*	*0.0*
Hungary	-6.9	-5.5	-3.0	-1.8	-2.5	-2.1	**-2.0**	**-5.2**	**-4.0**	*-1.8*	*-1.0*	*-0.8*
Poland	-4.9	-4.7	-3.8	-2.4	-1.5	-0.2	**-0.7**	**-9.5**	**-3.8**	*-1.0*	*-0.2*	*-0.9*
Romania	-1.7	-5.2	-2.6	-2.6	-2.6	-2.9	**-4.3**	**-9.2**	**-11.4**	*-3.6*	*-4.4*	*-6.1*
Sweden	0.2	1.4	-0.8	1.0	1.4	0.8	**0.5**	**-5.6**	**-2.2**	*0.3*	*0.1*	*0.1*
EU	-2.6	-3.2	-3.0	-1.3	-0.8	-0.4	**-0.6**	**-8.3**	**-3.6**	*-0.9*	*-1.1*	*-1.2*
United Kingdom	-2.2	-6.0	-6.3	-3.3	-2.5	-2.2	**-2.1**	**-10.5**	**-6.7**	*-2.2*	*-2.4*	*-2.2*
Japan	:	-5.8	-6.8	-3.5	-2.9	-2.3	**-2.3**	**-4.9**	**-5.3**	*-2.8*	*-2.6*	*-2.2*
United States	-4.8	-8.0	-7.2	-5.4	-4.3	-6.6	**-7.2**	**-17.8**	**-8.5**	*-6.7*	*-6.7*	*-6.7*

Table 37: Interest expenditure, general government (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	5.4	3.9	3.3	2.7	2.3	2.1	**2.0**	**2.0**	**1.9**	*2.0*	*1.8*	*1.7*
Germany	2.9	2.6	1.9	1.2	1.1	0.9	**0.8**	**0.7**	**0.7**	*0.9*	*0.8*	*0.7*
Estonia	0.2	0.2	0.1	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*	*0.0*
Ireland	1.2	1.6	3.7	2.3	2.0	1.6	**1.3**	**1.2**	**1.1**	*1.4*	*1.1*	*1.0*
Greece	5.2	5.0	4.9	3.2	3.1	3.3	**2.9**	**3.0**	**2.7**	*3.0*	*2.7*	*2.6*
Spain	2.3	1.7	3.1	2.8	2.5	2.4	**2.3**	**2.4**	**2.3**	*2.3*	*2.1*	*2.0*
France	2.9	2.6	2.4	1.8	1.7	1.7	**1.4**	**1.4**	**1.3**	*1.5*	*1.3*	*1.1*
Italy	5.1	4.6	4.7	3.9	3.8	3.7	**3.4**	**3.7**	**3.6**	*3.5*	*3.3*	*3.1*
Cyprus	3.1	2.5	3.0	2.7	2.5	2.4	**2.5**	**2.4**	**2.1**	*2.3*	*2.0*	*1.7*
Latvia	0.7	1.0	1.5	1.0	0.9	0.7	**0.7**	**0.8**	**0.7**	*0.7*	*0.7*	*0.6*
Lithuania	1.1	1.0	1.7	1.3	1.1	0.9	**0.9**	**0.6**	**0.6**	*0.8*	*0.5*	*0.4*
Luxembourg	0.2	0.3	0.5	0.3	0.3	0.3	**0.3**	**0.3**	**0.2**	*0.3*	*0.3*	*0.3*
Malta	3.7	3.4	2.8	2.1	1.8	1.5	**1.4**	**1.5**	**1.5**	*1.3*	*1.3*	*1.2*
Netherlands	2.5	2.0	1.6	1.2	1.0	0.9	**0.8**	**0.8**	**0.8**	*0.8*	*0.7*	*0.6*
Austria	3.3	3.1	2.6	2.1	1.8	1.6	**1.4**	**1.5**	**1.3**	*1.5*	*1.4*	*1.2*
Portugal	2.7	3.0	4.7	4.1	3.8	3.4	**3.0**	**3.4**	**3.4**	*3.1*	*2.9*	*2.8*
Slovenia	1.9	1.3	2.6	3.0	2.5	2.0	**1.7**	**1.8**	**1.7**	*1.6*	*1.5*	*1.4*
Slovakia	2.8	1.4	1.8	1.7	1.4	1.3	**1.2**	**1.3**	**1.3**	*1.2*	*1.1*	*1.1*
Finland	1.9	1.4	1.3	1.1	1.0	0.9	**0.9**	**0.8**	**0.7**	*0.8*	*0.8*	*0.7*
Euro area	3.3	2.9	2.7	2.1	1.9	1.8	**1.6**	**1.7**	**1.6**	*1.7*	*1.5*	*1.4*
Bulgaria	2.4	0.9	0.8	0.9	0.8	0.7	**0.6**	**0.6**	**0.7**	*0.6*	*0.6*	*0.6*
Czechia	1.0	1.1	1.3	0.9	0.7	0.8	**0.7**	**0.9**	**0.9**	*0.7*	*0.7*	*0.7*
Denmark	2.8	1.7	1.7	1.1	0.8	0.8	**0.7**	**0.8**	**0.8**	*0.8*	*0.7*	*0.7*
Croatia	1.7	1.9	3.2	3.1	2.7	2.3	**2.2**	**2.3**	**2.3**	*2.2*	*1.9*	*1.8*
Hungary	4.2	4.1	4.1	3.1	2.7	2.4	**2.3**	**2.5**	**2.4**	*2.4*	*2.4*	*2.4*
Poland	2.8	2.3	2.3	1.7	1.6	1.4	**1.4**	**1.4**	**1.4**	*1.3*	*1.2*	*1.2*
Romania	2.0	1.0	1.7	1.5	1.3	1.1	**1.2**	**1.5**	**1.7**	*1.2*	*1.2*	*1.3*
Sweden	2.3	1.5	0.8	0.5	0.5	0.5	**0.4**	**0.3**	**0.3**	*0.6*	*0.6*	*0.5*
EU	3.2	2.7	2.6	2.0	1.8	1.7	**1.5**	**1.6**	**1.5**	*1.7*	*1.6*	*1.5*
United Kingdom	1.9	2.2	2.7	2.4	2.7	2.4	**2.2**	**2.1**	**2.0**	*2.2*	*2.2*	*2.1*
Japan	2.2	1.9	1.9	1.8	1.7	1.6	**1.5**	**1.6**	**1.5**	*1.8*	*1.7*	*1.7*
United States	4.0	4.1	4.1	3.9	3.8	3.9	**3.9**	**4.2**	**4.0**	*3.9*	*4.0*	*4.0*

Table 38: Primary balance, general government [1] (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	4.5	1.9	-0.2	0.3	1.6	1.3	**0.1**	**-6.8**	**-2.4**	*0.2*	*-0.4*	*-0.9*
Germany	-0.6	0.8	2.1	2.4	2.3	2.8	**2.3**	**-6.3**	**-0.8**	*2.1*	*1.4*	*0.9*
Estonia	1.4	0.4	0.4	-0.5	-0.7	-0.5	**-0.3**	**-8.3**	**-3.3**	*-0.2*	*-0.1*	*-0.2*
Ireland	1.9	-8.4	-2.9	1.6	1.7	1.8	**1.7**	**-4.4**	**-1.8**	*1.6*	*1.4*	*1.6*
Greece	-1.6	-4.9	-3.4	3.7	3.8	4.3	**4.4**	**-3.4**	**0.6**	*4.3*	*3.7*	*3.6*
Spain	2.3	-2.6	-4.6	-1.6	-0.5	-0.1	**-0.5**	**-7.7**	**-4.4**	*-0.1*	*-0.1*	*-0.1*
France	-0.2	-1.8	-2.0	-1.8	-1.2	-0.6	**-1.6**	**-8.4**	**-2.7**	*-1.6*	*-0.9*	*-1.1*
Italy	1.7	1.2	1.7	1.5	1.3	1.5	**1.7**	**-7.4**	**-2.1**	*1.3*	*0.9*	*0.4*
Cyprus	-0.5	1.1	-2.3	3.0	4.5	-1.3	**4.2**	**-4.6**	**0.3**	*6.0*	*4.6*	*4.1*
Latvia	-0.8	-3.8	-0.4	1.2	0.2	-0.1	**0.5**	**-6.6**	**-3.8**	*0.1*	*0.1*	*0.0*
Lithuania	-0.5	-3.0	-1.4	1.6	1.6	1.5	**1.1**	**-6.4**	**-2.2**	*0.8*	*0.5*	*0.4*
Luxembourg	1.5	2.2	1.4	2.2	1.7	3.4	**2.4**	**-4.5**	**0.3**	*2.6*	*1.7*	*1.7*
Malta	-1.8	0.5	0.6	3.0	5.2	3.5	**1.9**	**-5.2**	**-1.1**	*2.5*	*2.3*	*2.1*
Netherlands	0.9	-0.1	-1.5	1.2	2.3	2.3	**2.5**	**-5.5**	**-2.7**	*2.2*	*1.2*	*1.0*
Austria	1.1	0.0	0.5	0.5	1.0	1.8	**2.2**	**-4.7**	**-0.5**	*1.9*	*1.6*	*1.6*
Portugal	-2.5	-3.5	-1.5	2.2	0.8	2.9	**3.2**	**-3.1**	**1.6**	*3.0*	*2.9*	*3.4*
Slovenia	-0.6	-1.5	-4.1	1.1	2.5	2.7	**2.3**	**-5.3**	**-0.3**	*2.1*	*2.0*	*2.0*
Slovakia	-2.0	-3.4	-1.7	-0.8	0.5	0.3	**-0.1**	**-7.1**	**-2.9**	*0.3*	*0.0*	*-0.2*
Finland	5.2	3.0	-0.9	-0.6	0.3	0.1	**-0.3**	**-6.6**	**-2.8**	*-0.3*	*-0.7*	*-0.9*
Euro area	0.6	-0.5	-0.3	0.7	1.0	1.4	**1.0**	**-6.8**	**-2.0**	*0.9*	*0.6*	*0.4*
Bulgaria	2.9	0.4	-1.2	1.0	1.9	2.6	**2.6**	**-2.2**	**-1.2**	*1.7*	*1.4*	*1.5*
Czechia	-3.8	-1.8	-0.8	1.6	2.3	1.7	**1.0**	**-5.8**	**-3.1**	*0.9*	*0.6*	*0.4*
Denmark	4.4	3.3	0.3	1.2	2.6	1.5	**4.4**	**-6.4**	**-1.5**	*2.9*	*1.2*	*0.7*
Croatia	-1.9	-2.2	-2.3	2.1	3.5	2.5	**2.6**	**-4.8**	**0.1**	*2.3*	*1.9*	*1.8*
Hungary	-2.6	-1.4	1.1	1.3	0.2	0.2	**0.2**	**-2.6**	**-1.6**	*0.6*	*1.4*	*1.6*
Poland	-2.1	-2.4	-1.5	-0.7	0.1	1.2	**0.6**	**-8.1**	**-2.4**	*0.3*	*1.0*	*0.3*
Romania	0.3	-4.2	-0.9	-1.1	-1.4	-1.8	**-3.1**	**-7.8**	**-9.6**	*-2.4*	*-3.2*	*-4.8*
Sweden	2.4	2.8	0.0	1.5	1.9	1.3	**0.9**	**-5.3**	**-1.8**	*0.8*	*0.7*	*0.7*
EU	0.6	-0.4	-0.4	0.7	1.0	1.3	**1.0**	**-6.7**	**-2.1**	*0.7*	*0.5*	*0.3*
United Kingdom	-0.3	-3.8	-3.5	-0.9	0.2	0.2	**0.1**	**-8.4**	**-4.7**	*0.0*	*-0.2*	*-0.1*
Japan	1.3	-3.9	-4.8	-1.7	-1.2	-0.7	**-0.8**	**-3.4**	**-3.8**	*-1.1*	*-0.9*	*-0.5*
United States	-0.7	-4.0	-3.1	-1.5	-0.4	-2.7	**-3.3**	**-13.5**	**-4.5**	*-2.8*	*-2.7*	*-2.7*

[1] Net lending/borrowing excluding interest expenditure.

Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	-1.0	-2.5	-3.2	-2.6	-1.3	-1.4	**-2.4**	**-4.5**	**-2.9**	*-2.0*	*-2.2*	*-2.2*
Germany	-3.1	-1.5	0.1	1.0	0.5	1.0	**0.9**	**-3.8**	**-0.5**	*1.1*	*0.7*	*0.5*
Estonia	-0.2	-0.8	-0.1	-0.7	-2.0	-2.4	**-2.4**	**-5.8**	**-1.9**	*-1.6*	*-0.9*	*-0.5*
Ireland	0.3	-9.7	-6.6	-2.0	-1.7	-1.0	**-0.7**	**-1.5**	**-0.5**	*-0.8*	*-0.3*	*0.3*
Greece	-7.9	-10.8	-1.2	6.2	5.4	4.4	**3.8**	**0.4**	**1.0**	*3.7*	*2.2*	*1.3*
Spain	-1.5	-4.4	-4.2	-3.8	-3.6	-3.8	**-4.2**	**-5.8**	**-5.2**	*-3.3*	*-3.2*	*-3.0*
France	-4.1	-4.8	-3.5	-2.9	-3.1	-2.9	**-3.7**	**-4.9**	**-2.6**	*-3.5*	*-2.8*	*-2.7*
Italy	-4.0	-3.5	-1.2	-1.3	-2.2	-2.2	**-1.5**	**-6.1**	**-3.5**	*-2.1*	*-2.3*	*-2.8*
Cyprus	-4.6	-2.9	-2.3	0.2	0.7	-6.0	**-1.2**	**-5.2**	**-2.1**	*1.7*	*0.6*	*0.5*
Latvia	-1.7	-4.7	-1.3	-0.2	-1.7	-2.4	**-1.5**	**-5.2**	**-3.8**	*-1.5*	*-1.1*	*-0.9*
Lithuania	-1.5	-3.9	-2.5	-0.3	-1.0	-1.2	**-1.6**	**-4.4**	**-1.6**	*-1.5*	*-0.9*	*-0.3*
Luxembourg	0.8	2.3	2.4	1.4	1.0	2.2	**1.2**	**-2.6**	**0.7**	*1.6*	*0.8*	*0.9*
Malta	-5.7	-2.8	-1.8	-0.3	2.1	0.1	**-1.3**	**-4.2**	**-1.3**	*0.5*	*0.8*	*1.3*
Netherlands	-1.1	-2.0	-1.9	0.5	0.9	0.4	**0.8**	**-2.4**	**-1.6**	*0.9*	*0.2*	*0.2*
Austria	-1.9	-3.0	-1.7	-1.1	-1.0	-0.7	**-0.3**	**-3.4**	**-1.1**	*0.0*	*0.0*	*0.3*
Portugal	-5.1	-6.4	-4.8	-1.6	-3.6	-1.6	**-1.1**	**-3.6**	**-0.9**	*-1.0*	*-0.8*	*-0.1*
Slovenia	-3.1	-4.2	-4.7	-1.2	-0.7	-0.7	**-0.9**	**-4.5**	**-1.2**	*-1.0*	*-1.0*	*-0.7*
Slovakia	-4.3	-5.5	-2.7	-2.4	-1.3	-2.1	**-2.3**	**-6.6**	**-4.0**	*-1.6*	*-1.8*	*-1.8*
Finland	3.1	1.0	-1.0	-0.9	-1.1	-1.5	**-1.6**	**-4.2**	**-1.6**	*-1.3*	*-1.6*	*-1.6*
Euro area	-3.0	-3.4	-2.0	-1.1	-1.3	-1.1	**-1.3**	**-4.4**	**-2.1**	*-1.1*	*-1.1*	*-1.2*
Bulgaria	0.7	-1.1	-1.7	-0.1	0.7	1.3	**1.1**	**-1.3**	**-1.6**	*1.0*	*0.6*	*0.6*
Czechia	-5.1	-3.7	-1.6	0.7	0.8	0.1	**-0.5**	**-4.6**	**-2.9**	*-0.3*	*-0.4*	*-0.4*
Denmark	0.6	0.8	-0.1	0.4	2.0	0.8	**3.6**	**-2.7**	**0.6**	*2.1*	*0.6*	*0.2*
Croatia	-3.8	-4.8	-4.4	-1.0	0.1	-0.9	**-1.2**	**-4.4**	**-1.9**	*-0.8*	*-1.0*	*-0.8*
Hungary	-7.3	-5.3	-2.3	-2.1	-3.3	-3.6	**-3.9**	**-2.8**	**-3.1**	*-3.5*	*-2.1*	*-1.5*
Poland	-3.6	-5.4	-3.5	-2.1	-2.1	-1.9	**-2.7**	**-8.3**	**-2.9**	*-2.2*	*-1.2*	*-1.5*
Romania	-2.3	-6.1	-1.9	-2.3	-3.0	-3.3	**-4.4**	**-6.7**	**-9.2**	*-3.7*	*-4.4*	*-5.9*
Sweden	0.3	1.4	-0.2	0.5	0.8	0.0	**0.1**	**-2.1**	**-0.2**	*0.2*	*0.4*	*0.6*
EU	-2.9	-3.3	-1.9	-1.0	-1.2	-1.1	**-1.2**	**-4.4**	**-2.1**	*-1.3*	*-1.3*	*-1.4*
P.M.: United Kingdom	*-2.7*	*-5.5*	*-5.4*	*-3.7*	*-3.0*	*-2.8*	***-2.7***	***-6.2***	***-4.8***	*-2.4*	*-2.5*	*-2.3*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	4.4	1.5	0.1	0.1	1.0	0.6	**-0.5**	**-2.5**	**-1.0**	*0.0*	*-0.4*	*-0.5*
Germany	-0.2	1.1	2.0	2.2	1.5	2.0	**1.7**	**-3.0**	**0.2**	*2.0*	*1.5*	*1.2*
Estonia	0.0	-0.7	0.0	-0.7	-2.0	-2.4	**-2.4**	**-5.8**	**-1.9**	*-1.6*	*-0.9*	*-0.4*
Ireland	1.5	-8.1	-2.9	0.3	0.3	0.6	**0.6**	**-0.3**	**0.7**	*0.6*	*0.8*	*1.3*
Greece	-2.6	-5.8	3.7	9.4	8.4	7.7	**6.7**	**3.4**	**3.7**	*6.6*	*4.9*	*3.8*
Spain	0.8	-2.7	-1.1	-1.0	-1.1	-1.3	**-1.9**	**-3.4**	**-3.0**	*-1.0*	*-1.1*	*-1.0*
France	-1.3	-2.2	-1.2	-1.1	-1.3	-1.2	**-2.3**	**-3.5**	**-1.3**	*-2.0*	*-1.4*	*-1.5*
Italy	1.1	1.0	3.5	2.6	1.6	1.4	**1.9**	**-2.4**	**0.0**	*1.4*	*1.0*	*0.3*
Cyprus	-1.5	-0.4	0.7	2.9	3.3	-3.6	**1.3**	**-2.8**	**0.0**	*4.0*	*2.6*	*2.2*
Latvia	-1.0	-3.7	0.2	0.8	-0.8	-1.6	**-0.8**	**-4.4**	**-3.1**	*-0.7*	*-0.4*	*-0.3*
Lithuania	-0.4	-2.9	-0.7	1.0	0.2	-0.3	**-0.7**	**-3.8**	**-1.0**	*-0.8*	*-0.4*	*0.1*
Luxembourg	1.0	2.7	2.9	1.7	1.4	2.5	**1.4**	**-2.3**	**0.9**	*1.9*	*1.0*	*1.1*
Malta	-2.0	0.6	1.0	1.8	3.9	1.6	**0.1**	**-2.7**	**0.1**	*1.8*	*2.1*	*2.5*
Netherlands	1.4	-0.1	-0.3	1.6	1.9	1.3	**1.6**	**-1.7**	**-0.8**	*1.7*	*0.8*	*0.8*
Austria	1.4	0.0	0.9	1.0	0.8	1.0	**1.2**	**-1.9**	**0.2**	*1.5*	*1.4*	*1.6*
Portugal	-2.4	-3.4	-0.1	2.6	0.2	1.8	**1.9**	**-0.3**	**2.5**	*2.1*	*2.1*	*2.6*
Slovenia	-1.2	-2.8	-2.1	1.9	1.9	1.3	**0.8**	**-2.7**	**0.5**	*0.6*	*0.5*	*0.7*
Slovakia	-1.5	-4.2	-0.9	-0.7	0.2	-0.7	**-1.1**	**-5.2**	**-2.7**	*-0.4*	*-0.6*	*-0.8*
Finland	5.1	2.4	0.3	0.2	-0.1	-0.6	**-0.8**	**-3.5**	**-0.9**	*-0.5*	*-0.8*	*-0.9*
Euro area	0.2	-0.6	0.8	1.1	0.7	0.7	**0.4**	**-2.7**	**-0.5**	*0.6*	*0.4*	*0.2*
Bulgaria	3.1	-0.1	-0.9	0.8	1.5	2.0	**1.6**	**-0.7**	**-1.0**	*1.5*	*1.2*	*1.2*
Czechia	-4.1	-2.6	-0.3	1.6	1.6	0.8	**0.2**	**-3.7**	**-2.0**	*0.5*	*0.3*	*0.3*
Denmark	3.3	2.5	1.6	1.5	2.8	1.6	**4.4**	**-1.9**	**1.4**	*2.9*	*1.3*	*0.8*
Croatia	-2.1	-2.9	-1.2	2.1	2.8	1.4	**1.0**	**-2.1**	**0.4**	*1.4*	*0.9*	*1.0*
Hungary	-3.1	-1.2	1.8	1.0	-0.6	-1.2	**-1.6**	**-0.3**	**-0.6**	*-1.1*	*0.2*	*0.9*
Poland	-0.8	-3.0	-1.2	-0.4	-0.5	-0.5	**-1.4**	**-6.8**	**-1.5**	*-0.9*	*0.0*	*-0.3*
Romania	-0.2	-5.1	-0.2	-0.8	-1.8	-2.1	**-3.2**	**-5.2**	**-7.5**	*-2.5*	*-3.1*	*-4.6*
Sweden	2.5	2.9	0.6	1.1	1.3	0.5	**0.5**	**-1.8**	**0.2**	*0.7*	*1.1*	*1.2*
EU	0.3	-0.6	0.7	1.0	0.7	0.6	**0.3**	**-2.8**	**-0.6**	*0.4*	*0.3*	*0.1*
P.M.: United Kingdom	*-0.8*	*-3.3*	*-2.7*	*-1.3*	*-0.3*	*-0.3*	***-0.5***	***-4.1***	***-2.8***	*-0.2*	*-0.3*	*-0.2*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 41: Structural budget balance, general government[1] (as a percentage of potential GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	:	:	-3.3	-2.6	-1.8	-2.0	-2.6	-4.7	-2.9	-2.1	-2.4	-2.2
Germany	:	:	0.2	0.9	0.7	1.2	0.9	-3.8	-0.5	1.1	0.7	0.5
Estonia	:	:	-0.1	-0.6	-2.0	-2.4	-2.4	-5.8	-1.9	-1.6	-0.9	-0.5
Ireland	:	:	-5.7	-2.2	-1.7	-0.9	-0.7	-1.5	-0.5	-0.8	-0.3	0.3
Greece	:	:	1.4	5.5	5.0	5.0	2.8	-0.1	0.8	3.0	1.8	1.1
Spain	:	:	-3.3	-3.8	-3.5	-3.5	-4.0	-5.6	-5.2	-3.1	-3.2	-3.0
France	:	:	-3.6	-2.9	-2.9	-2.8	-2.8	-4.7	-2.5	-2.7	-2.6	-2.6
Italy	:	:	-1.4	-1.5	-2.1	-2.3	-1.5	-6.3	-3.7	-2.2	-2.5	-2.9
Cyprus	:	:	-0.4	0.3	0.7	2.0	0.1	-5.2	-2.1	1.7	0.6	0.5
Latvia	:	:	-1.2	-0.4	-1.7	-2.4	-1.7	-5.2	-3.8	-1.6	-1.1	-0.9
Lithuania	:	:	-1.8	-0.5	-1.0	-1.2	-1.6	-4.4	-1.6	-1.6	-0.9	-0.3
Luxembourg	:	:	2.4	1.4	1.0	2.2	1.2	-2.6	0.7	1.6	0.8	0.9
Malta	:	:	-2.1	-0.1	2.3	0.0	-1.3	-4.2	-1.3	0.5	0.8	1.3
Netherlands	:	:	-2.0	0.2	0.5	0.4	0.6	-2.4	-1.6	0.7	0.2	0.2
Austria	:	:	-1.1	-1.1	-1.0	-0.7	-0.3	-3.4	-1.1	0.0	0.0	0.3
Portugal	:	:	-3.8 :	-2.0	-1.6	-0.9	-0.5	-3.2	-1.2	-0.4	-0.4	-0.4
Slovenia	:	:	-2.1	-1.0	-0.6	-0.6	-0.8	-4.4	-1.2	-1.0	-0.9	-0.7
Slovakia	:	:	-2.9	-2.3	-1.3	-2.1	-2.3	-6.6	-4.0	-1.6	-1.8	-1.8
Finland	:	:	-1.0	-0.9	-1.1	-1.4	-1.7	-4.2	-1.6	-1.4	-1.6	-1.6
Euro area	:	:	-1.8	-1.1	-1.2	-1.0	-1.1	-4.4	-2.1	-0.9	-1.1	-1.2
Bulgaria	:	:	-1.0	-0.1	0.7	1.3	1.1	-1.3	-1.6	1.0	0.6	0.6
Czechia	:	:	-1.1	0.7	0.8	0.1	-0.5	-4.6	-2.9	-0.3	-0.4	-0.4
Denmark	:	:	-1.0	0.3	2.0	0.8	3.6	-1.9	0.6	2.1	1.4	0.2
Croatia	:	:	-4.4	-1.1	0.2	-0.9	-1.2	-4.4	-1.9	-0.8	-1.0	-0.8
Hungary	:	:	-2.4	-2.0	-3.6	-3.6	-3.8	-2.6	-3.1	-3.3	-2.1	-1.5
Poland	:	:	-3.4	-2.1	-2.1	-1.9	-2.7	-8.5	-3.1	-2.2	-1.9	-1.5
Romania	:	:	-1.8	-1.9	-3.0	-2.9	-4.3	-6.7	-9.2	-3.5	-4.4	-5.9
Sweden	:	:	-0.2	0.5	0.8	0.0	0.1	-2.1	-0.2	0.2	0.4	0.6
EU	:	:	-1.8	-1.0	-1.1	-1.0	-1.1	-4.4	-2.1	-1.1	-1.3	-1.4
P.M.: United Kingdom	:	:	-5.4	-3.7	-3.0	-2.8	-2.7	-6.2	-4.8	-2.4	-2.5	-2.3

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 42: Gross debt, general government (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2019	2020	2021
Belgium	101.5	94.5	105.2	104.9	101.7	99.8	98.6	113.8	110.0	99.5	99.6	100.0
Germany	62.7	70.3	77.5	69.2	65.3	61.9	59.8	75.6	71.8	59.2	56.8	55.0
Estonia	5.2	5.3	9.3	10.2	9.3	8.4	8.4	20.7	22.6	8.7	8.4	8.2
Ireland	29.6	47.5	106.4	73.8	67.7	63.5	58.8	66.4	66.7	59.0	53.9	52.6
Greece	104.7	117.8	172.8	178.5	176.2	181.2	176.6	196.4	182.6	175.2	169.3	163.1
Spain	48.2	45.7	90.4	99.2	98.6	97.6	95.5	115.6	113.7	96.7	96.6	96.0
France	63.3	73.2	92.5	98.0	98.3	98.1	98.1	116.5	111.9	98.9	98.9	99.2
Italy	106.5	110.5	129.9	134.8	134.1	134.8	134.8	158.9	153.6	136.2	136.8	137.4
Cyprus	62.0	53.9	93.4	103.4	93.9	100.6	95.5	115.7	105.0	93.8	87.8	81.8
Latvia	13.5	24.4	41.1	40.9	39.3	37.2	36.9	43.1	43.7	36.0	35.2	32.9
Lithuania	20.3	22.4	39.8	39.7	39.1	33.8	36.3	48.5	48.4	36.3	35.1	34.8
Luxembourg	7.7	13.6	21.9	20.1	22.3	21.0	22.1	26.4	25.7	19.6	19.2	18.6
Malta	67.9	64.9	65.5	55.5	50.3	45.6	43.1	50.7	50.8	43.3	41.0	38.7
Netherlands	49.7	51.8	65.6	61.9	56.9	52.4	48.6	62.1	57.6	48.9	47.1	45.6
Austria	66.6	72.7	82.9	82.9	78.3	74.0	70.4	78.8	75.8	69.9	67.2	64.6
Portugal	64.1	82.0	127.8 :	131.5	126.1	122.0	117.7	131.6	124.4	119.5	117.1	113.7
Slovenia	26.7	28.7	66.6	78.7	74.1	70.4	66.1	83.7	79.9	66.7	63.1	59.5
Slovakia	43.2	33.5	51.1	52.0	51.3	49.4	48.0	59.5	59.9	48.1	47.3	46.9
Finland	41.3	38.6	56.3	63.2	61.3	59.6	59.4	69.4	69.6	59.2	59.3	59.8
Euro area	69.0	74.0	92.8	92.2	89.8	87.8	86.0	102.7	98.8	86.4	85.1	84.1
Bulgaria	44.2	15.9	20.4	29.3	25.3	22.3	20.4	25.5	25.4	21.1	19.9	18.6
Czechia	26.7	30.9	42.3	36.8	34.7	32.6	30.8	38.7	39.9	31.5	30.7	30.1
Denmark	45.1	35.0	43.8	37.2	35.8	33.9	33.2	44.7	44.6	33.0	32.3	31.7
Croatia	38.6	44.4	76.9	80.8	77.8	74.7	73.2	88.6	83.4	71.2	67.7	64.4
Hungary	57.1	72.2	77.9	75.5	72.9	70.2	66.3	75.0	73.5	68.2	66.7	64.4
Poland	43.5	48.4	53.3	54.3	50.6	48.8	46.0	58.5	58.3	47.4	45.5	44.3
Romania	21.5	17.6	37.1	37.3	35.1	34.7	35.2	46.2	54.7	35.5	37.2	40.6
Sweden	49.9	39.9	40.9	42.2	40.8	38.8	35.1	42.6	42.5	34.6	33.4	32.0
EU	66.3	69.7	86.5	85.8	83.3	81.3	79.4	95.1	92.0	80.6	79.4	78.4
P.M.: United Kingdom	36.3	53.8	84.1	86.8	86.2	85.7	85.4	102.1	101.5	85.2	84.7	84.2

Note: See box on technical elements behind the forecast for details and definition.

Table 43: Gross national saving (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	27.3	27.0	24.4	24.8	25.3	24.5	**24.8**	**22.9**	**24.6**	*24.6*	*24.6*	*24.6*
Germany	23.2	26.5	27.6	28.9	29.0	29.4	**29.0**	**28.1**	**29.4**	*28.9*	*29.0*	*28.9*
Estonia	23.4	24.2	27.1	25.6	28.2	29.2	**29.7**	**27.2**	**28.6**	*29.4*	*29.5*	*29.6*
Ireland	24.3	19.3	21.2	34.1	34.3	34.5	**33.7**	**31.2**	**33.9**	*33.6*	*34.9*	*36.2*
Greece	15.6	9.1	8.5	10.4	11.5	12.0	**12.2**	**10.2**	**10.8**	*13.2*	*14.2*	*15.4*
Spain	22.7	20.0	19.2	21.9	22.1	22.3	**22.9**	**21.2**	**21.2**	*23.1*	*23.5*	*23.7*
France	22.9	22.5	21.7	22.0	22.8	22.9	**23.6**	**21.6**	**23.1**	*23.4*	*23.4*	*23.4*
Italy	20.7	19.0	18.1	20.2	20.6	20.8	**20.9**	**19.6**	**20.8**	*20.4*	*20.5*	*20.7*
Cyprus	13.0	9.2	12.4	12.8	14.8	14.7	**13.4**	**8.1**	**9.0**	*13.2*	*11.8*	*12.2*
Latvia	20.9	22.4	21.8	22.2	22.9	22.7	**22.7**	**21.3**	**22.1**	*22.9*	*21.8*	*21.0*
Lithuania	15.4	16.3	19.9	18.1	19.7	20.1	**20.6**	**18.7**	**21.5**	*21.4*	*21.7*	*22.0*
Luxembourg	27.7	22.2	19.2	19.2	17.7	17.5	**21.9**	**20.8**	**21.0**	*22.1*	*22.1*	*21.8*
Malta	15.4	15.8	21.0	27.7	30.7	30.3	**30.7**	**27.1**	**29.2**	*29.3*	*30.1*	*30.4*
Netherlands	26.4	27.5	28.5	28.5	31.4	31.9	**31.4**	**29.3**	**28.9**	*31.0*	*30.3*	*30.1*
Austria	25.6	26.9	25.8	27.1	26.7	27.6	**27.7**	**25.4**	**26.2**	*27.7*	*27.7*	*27.8*
Portugal	16.2	11.9	14.8	16.5	18.2	18.3	**18.8**	**17.4**	**18.5**	*18.6*	*18.7*	*18.9*
Slovenia	25.5	25.5	22.0	23.3	26.5	27.3	**27.4**	**25.2**	**26.3**	*27.3*	*27.7*	*28.0*
Slovakia	22.6	21.8	23.4	21.1	21.2	21.8	**21.0**	**18.2**	**19.2**	*21.7*	*21.3*	*21.5*
Finland	29.3	26.9	21.2	21.3	23.1	23.5	**23.1**	**21.2**	**22.2**	*24.3*	*24.0*	*23.9*
Euro area	22.9	22.8	22.8	24.4	25.0	25.3	**25.4**	**23.9**	**25.0**	*25.3*	*25.4*	*25.5*
Bulgaria	16.1	16.3	22.1	24.0	25.5	25.9	**24.7**	**20.7**	**22.0**	*25.2*	*25.1*	*25.0*
Czechia	25.9	24.9	24.2	26.1	26.2	26.1	**27.0**	**22.3**	**23.9**	*25.7*	*25.7*	*25.7*
Denmark	25.0	25.7	27.4	29.5	29.6	30.0	**30.6**	**27.8**	**28.7**	*29.6*	*29.3*	*29.3*
Croatia	19.3	19.9	19.3	23.1	25.1	25.1	**25.2**	**21.4**	**22.9**	*24.0*	*23.9*	*24.4*
Hungary	17.4	18.5	23.3	26.0	25.1	26.9	**27.7**	**26.1**	**27.2**	*27.9*	*28.2*	*28.2*
Poland	16.4	17.6	18.7	19.6	19.9	19.8	**20.0**	**18.9**	**19.5**	*20.7*	*20.5*	*20.6*
Romania	16.6	20.0	23.7	21.3	20.1	17.7	**18.4**	**16.9**	**17.0**	*19.3*	*18.9*	*18.7*
Sweden	27.5	30.2	27.9	27.6	29.2	29.4	**30.3**	**27.0**	**28.2**	*29.8*	*29.6*	*29.7*
EU	22.8	22.8	23.0	24.4	25.0	25.3	**25.4**	**23.7**	**24.8**	*23.5*	*23.5*	*23.5*
United Kingdom	16.0	13.7	12.5	12.2	14.0	13.6	**13.6**	**12.1**	**12.6**	*13.6*	*13.4*	*13.2*
Japan	28.0	26.9	24.7	27.4	28.2	27.9	**28.2**	**27.3**	**26.7**	*28.1*	*28.1*	*28.0*
United States	18.2	16.3	19.0	18.6	18.6	18.4	**18.1**	**16.0**	**15.8**	*18.4*	*18.2*	*17.9*

Table 44: Gross saving, private sector (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	24.9	26.2	24.3	24.6	23.6	22.6	**24.1**	**29.4**	**26.5**	*23.7*	*24.2*	*24.4*
Germany	23.3	24.9	24.6	24.9	24.6	24.4	**24.3**	**31.4**	**27.3**	*24.4*	*25.1*	*25.4*
Estonia	17.3	18.9	22.3	21.3	23.7	25.0	**25.1**	**29.2**	**27.0**	*24.9*	*25.1*	*25.3*
Ireland	20.1	20.4	24.3	32.9	32.6	32.3	**30.8**	**33.7**	**33.9**	*30.9*	*32.1*	*33.1*
Greece	16.8	15.1	11.5	7.8	8.7	8.6	**8.7**	**15.6**	**9.9**	*10.5*	*11.6*	*12.3*
Spain	18.4	19.2	23.5	24.3	23.2	22.8	**23.7**	**29.1**	**25.9**	*23.6*	*23.8*	*23.9*
France	21.6	22.0	21.3	21.4	21.1	21.1	**22.4**	**26.9**	**23.1**	*22.2*	*21.5*	*21.5*
Italy	20.3	18.1	17.8	19.7	19.6	19.9	**19.4**	**26.2**	**22.8**	*19.6*	*19.7*	*20.2*
Cyprus	13.1	6.4	12.6	9.7	10.3	9.3	**8.8**	**13.3**	**8.7**	*7.6*	*7.1*	*7.7*
Latvia	18.8	22.1	20.1	19.2	19.5	18.9	**19.3**	**24.2**	**23.0**	*19.0*	*18.4*	*17.8*
Lithuania	13.5	16.4	19.8	15.1	16.2	16.8	**18.0**	**23.0**	**21.5**	*18.5*	*18.7*	*19.1*
Luxembourg	20.7	15.2	13.5	12.6	11.5	9.5	**14.6**	**19.7**	**15.5**	*14.6*	*15.2*	*15.0*
Malta	17.0	16.6	21.1	24.1	24.9	25.3	**26.9**	**29.7**	**27.7**	*24.8*	*25.4*	*25.5*
Netherlands	23.8	25.2	27.6	24.9	26.9	27.1	**26.3**	**31.2**	**28.7**	*26.0*	*26.3*	*26.1*
Austria	23.2	25.5	23.6	25.0	23.6	24.0	**23.6**	**27.8**	**24.4**	*23.9*	*23.9*	*23.9*
Portugal	17.5	14.4	17.6	17.0	17.2	16.1	**16.1**	**21.2**	**18.1**	*16.3*	*16.3*	*16.1*
Slovenia	23.2	23.2	21.9	22.0	23.3	23.0	**23.3**	**28.6**	**25.2**	*23.4*	*23.7*	*23.8*
Slovakia	22.0	22.6	23.5	20.2	18.9	19.4	**18.8**	**23.1**	**19.9**	*19.8*	*20.1*	*20.5*
Finland	22.5	21.7	19.5	19.0	20.0	20.4	**20.3**	**24.1**	**21.3**	*21.4*	*21.3*	*21.3*
Euro area	21.6	21.8	22.2	22.8	22.6	22.5	**22.8**	**28.5**	**25.1**	*22.8*	*23.0*	*23.2*
Bulgaria	11.8	12.4	20.6	20.4	22.0	20.8	**19.1**	**19.7**	**20.1**	*20.3*	*20.5*	*20.2*
Czechia	22.3	22.2	21.9	22.0	21.2	21.1	**22.5**	**24.4**	**23.4**	*21.4*	*21.6*	*21.6*
Denmark	20.8	21.0	24.1	25.3	24.3	25.4	**23.5**	**31.3**	**27.6**	*23.8*	*25.2*	*25.6*
Croatia	15.1	16.9	19.6	19.6	20.7	20.0	**19.5**	**23.9**	**20.7**	*18.7*	*19.1*	*19.6*
Hungary	18.3	19.6	22.3	22.7	21.9	22.6	**23.4**	**25.1**	**25.5**	*23.1*	*23.1*	*23.1*
Poland	17.8	17.6	18.6	18.8	17.6	16.1	**17.1**	**21.5**	**19.5**	*17.8*	*17.3*	*17.6*
Romania	13.8	19.1	21.8	20.1	20.7	17.7	**19.3**	**23.2**	**24.8**	*19.6*	*20.0*	*21.4*
Sweden	23.1	24.6	24.3	22.2	23.2	23.7	**24.8**	**27.3**	**25.2**	*24.6*	*24.5*	*24.6*
EU	21.4	21.7	22.2	22.6	22.4	22.3	**22.6**	**28.0**	**24.9**	*21.0*	*21.1*	*21.3*
United Kingdom	15.5	16.0	15.4	12.3	13.0	12.3	**12.1**	**18.7**	**15.3**	*12.1*	*12.0*	*11.7*
Japan	28.7	28.3	27.3	27.7	27.5	26.3	**26.5**	**28.0**	**27.7**	*27.4*	*27.0*	*26.6*
United States	19.3	20.0	22.6	20.9	21.0	21.9	**21.9**	**26.5**	**20.8**	*21.7*	*21.5*	*21.4*

Table 45: Saving rate of households (2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	17.2	17.3	13.7	12.2	12.0	11.8	**12.9**	**20.6**	**12.9**	*12.4*	*12.4*	*12.3*
Germany	16.6	17.3	17.1	17.6	17.9	18.5	**18.7**	**24.8**	**20.7**	*19.3*	*19.6*	*19.7*
Estonia	-0.9	6.7	8.9	9.8	10.0	11.2	**12.2**	**18.2**	**14.8**	*13.4*	*13.4*	*13.9*
Ireland	7.4	10.1	9.1	8.0	10.5	10.2	**10.9**	**19.6**	**13.3**	*9.4*	*9.2*	*9.2*
Greece	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Spain	9.8	8.2	7.6	7.1	5.5	5.9	**7.4**	**14.0**	**10.5**	*7.8*	*8.6*	*8.9*
France	14.2	14.9	14.5	13.6	13.6	13.8	**14.8**	**22.0**	**15.7**	*14.6*	*14.4*	*14.1*
Italy	14.8	13.3	10.6	10.6	10.2	10.1	**10.2**	**16.5**	**10.9**	*10.1*	*10.2*	*10.2*
Cyprus	3.9	6.2	0.2	1.3	3.7	2.4	**2.5**	**8.7**	**3.4**	*3.8*	*4.5*	*6.4*
Latvia	0.8	5.9	-3.0	4.5	4.4	6.3	**9.8**	**18.5**	**14.5**	*6.6*	*7.2*	*7.2*
Lithuania	4.5	2.8	2.3	2.9	0.3	-1.2	**1.6**	**8.4**	**4.2**	*-0.6*	*-2.0*	*-1.7*
Luxembourg	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Malta	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	10.7	11.5	15.3	16.6	15.3	15.1	**15.1**	**20.9**	**18.1**	*15.1*	*15.3*	*15.3*
Austria	14.9	16.4	13.0	13.1	12.8	13.1	**13.3**	**17.7**	**14.4**	*13.2*	*13.1*	*12.9*
Portugal	11.9	8.7	8.3	7.0	6.6	6.7	**6.7**	**9.0**	**6.9**	*6.6*	*6.7*	*6.7*
Slovenia	14.5	14.6	10.3	11.5	12.6	13.3	**15.1**	**20.6**	**18.2**	*13.7*	*14.2*	*14.0*
Slovakia	7.4	7.1	7.5	8.6	8.2	8.4	**7.7**	**17.1**	**10.0**	*9.9*	*10.3*	*9.8*
Finland	8.4	8.0	7.7	6.3	6.7	7.3	**8.1**	**18.3**	**14.2**	*8.7*	*9.0*	*9.6*
Euro area	13.4	12.9	12.3	12.3	12.0	12.3	**12.8**	**19.0**	**14.4**	*12.7*	*12.9*	*12.9*
Bulgaria	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Czechia	10.9	12.4	11.4	11.6	9.5	10.9	**10.7**	**16.2**	**12.9**	*11.4*	*11.7*	*11.9*
Denmark	7.1	6.3	7.5	11.5	12.3	12.3	**12.3**	**19.9**	**17.2**	*12.2*	*12.4*	*12.6*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Hungary	9.6	10.5	11.8	11.9	11.4	11.6	**13.2**	**15.9**	**14.8**	*12.3*	*12.2*	*12.1*
Poland	9.4	4.8	2.0	4.2	2.8	1.5	**2.4**	**8.0**	**4.6**	*4.0*	*4.0*	*3.9*
Romania	-7.1	-11.5	-10.2	-9.3	-7.3	-2.3	**-2.5**	**6.9**	**9.5**	*-2.8*	*-2.0*	*-0.4*
Sweden	7.9	11.6	15.3	16.5	16.0	17.9	**19.0**	**21.5**	**19.5**	*19.1*	*19.1*	*19.6*
EU	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United Kingdom	8.2	10.1	9.5	7.2	5.3	5.8	**5.7**	**10.6**	**7.8**	*6.6*	*6.7*	*6.6*
Japan	11.6	10.4	8.6	9.7	9.0	10.5	**10.6**	**13.3**	**11.4**	*8.7*	*8.5*	*7.9*
United States	10.5	10.9	12.9	12.3	12.5	13.3	**13.7**	**18.8**	**10.5**	*12.4*	*12.2*	*11.9*

Table 46: Gross saving, general government (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.3	0.9	0.1	0.2	1.7	1.9	**0.8**	**-6.5**	**-1.9**	*0.9*	*0.4*	*0.1*
Germany	-0.1	1.6	3.0	4.0	4.4	5.0	**4.7**	**-3.3**	**2.1**	*4.4*	*3.9*	*3.6*
Estonia	6.1	5.3	4.8	4.3	4.6	4.2	**4.6**	**-2.0**	**1.7**	*4.5*	*4.4*	*4.3*
Ireland	4.2	-1.0	-3.2	1.3	1.7	2.3	**2.9**	**-2.6**	**0.0**	*2.7*	*2.9*	*3.1*
Greece	-1.2	-6.0	-3.0	2.5	2.9	3.4	**3.5**	**-5.4**	**0.9**	*2.7*	*2.5*	*3.0*
Spain	4.3	0.8	-4.2	-2.4	-1.1	-0.5	**-0.9**	**-7.8**	**-4.7**	*-0.4*	*-0.3*	*-0.1*
France	1.4	0.5	0.4	0.7	1.7	1.7	**1.2**	**-5.3**	**-0.1**	*1.1*	*2.0*	*2.0*
Italy	0.4	0.9	0.3	0.5	1.0	0.9	**1.6**	**-6.6**	**-2.0**	*0.9*	*0.8*	*0.4*
Cyprus	-0.1	2.8	-0.1	3.1	4.5	5.4	**4.6**	**-5.2**	**0.3**	*5.5*	*4.7*	*4.5*
Latvia	2.1	0.3	1.7	3.1	3.5	3.7	**3.4**	**-2.9**	**-0.9**	*4.0*	*3.4*	*3.2*
Lithuania	1.9	-0.1	0.1	3.0	3.5	3.3	**2.6**	**-4.3**	**0.0**	*2.8*	*3.0*	*2.9*
Luxembourg	6.9	7.1	5.7	6.6	6.2	8.1	**7.3**	**1.1**	**5.5**	*7.5*	*6.9*	*6.7*
Malta	-1.6	-0.8	-0.1	3.6	5.8	5.0	**3.7**	**-2.6**	**1.6**	*4.5*	*4.7*	*4.9*
Netherlands	2.6	2.2	0.9	3.6	4.5	4.7	**5.1**	**-1.9**	**0.2**	*4.9*	*4.0*	*4.0*
Austria	2.4	1.3	2.2	2.0	3.0	3.7	**4.1**	**-2.4**	**1.8**	*3.9*	*3.8*	*3.9*
Portugal	-1.3	-2.5	-2.8	-0.5	1.0	2.2	**2.7**	**-3.8**	**0.4**	*2.3*	*2.5*	*2.7*
Slovenia	2.4	2.3	0.0	1.3	3.2	4.3	**4.1**	**-3.4**	**1.2**	*3.9*	*4.0*	*4.2*
Slovakia	0.6	-0.8	-0.1	0.9	2.3	2.4	**2.2**	**-4.9**	**-0.7**	*2.0*	*1.2*	*1.0*
Finland	6.9	5.2	1.8	2.4	3.1	3.1	**2.8**	**-2.8**	**0.9**	*2.9*	*2.8*	*2.6*
Euro area	1.3	0.9	0.6	1.6	2.4	2.8	**2.6**	**-4.7**	**-0.1**	*2.4*	*2.4*	*2.2*
Bulgaria	4.3	4.0	1.4	3.6	3.5	5.2	**5.6**	**1.1**	**1.9**	*5.0*	*4.7*	*4.9*
Czechia	3.5	2.7	2.3	4.1	4.9	5.0	**4.5**	**-2.1**	**0.4**	*4.3*	*4.1*	*4.1*
Denmark	4.2	4.7	3.3	4.2	5.3	4.6	**7.0**	**-3.4**	**1.1**	*5.8*	*4.2*	*3.7*
Croatia	4.2	3.0	-0.3	3.5	4.4	5.0	**5.7**	**-2.4**	**2.3**	*5.3*	*4.8*	*4.8*
Hungary	-0.9	-1.1	1.0	3.2	3.3	4.3	**4.3**	**1.1**	**1.7**	*4.8*	*5.1*	*5.1*
Poland	-1.4	0.0	0.1	0.8	2.4	3.7	**2.9**	**-2.5**	**0.0**	*2.8*	*3.1*	*3.0*
Romania	2.8	1.0	1.8	1.2	-0.6	0.0	**-0.9**	**-6.3**	**-7.8**	*-0.3*	*-1.1*	*-2.8*
Sweden	4.3	5.6	3.5	5.4	5.9	5.7	**5.4**	**-0.3**	**2.9**	*5.2*	*5.1*	*5.1*
EU	1.4	1.2	0.8	1.8	2.6	3.0	**2.8**	**-4.3**	**0.0**	*2.5*	*2.4*	*2.3*
United Kingdom	0.5	-2.3	-2.9	-0.1	1.0	1.3	**1.5**	**-6.6**	**-2.8**	*1.5*	*1.4*	*1.5*
Japan	-0.8	-1.4	-2.6	-0.3	0.7	1.6	**1.7**	**-0.6**	**-1.0**	*0.7*	*1.1*	*1.4*
United States	-1.1	-3.8	-3.7	-2.3	-2.4	-3.5	**-3.8**	**-10.6**	**-5.0**	*-3.3*	*-3.4*	*-3.5*

Table 47: Exports of goods and services, volume (percentage change on preceding year, 2001-2021) 23.4.2020

		5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	3.4	2.1	2.7	6.5	5.3	1.2	**1.0**	**-10.6**	**7.7**	*0.6*	*1.2*	*1.5*
Germany	6.0	4.1	4.5	2.4	4.9	2.1	**0.9**	**-12.1**	**10.3**	*0.8*	*1.6*	*1.9*
Estonia	11.1	4.3	6.2	5.1	3.8	4.3	**4.9**	**-12.5**	**8.5**	*2.6*	*1.9*	*2.7*
Ireland	6.0	4.3	10.9	4.1	9.2	10.4	**11.1**	**-15.2**	**6.7**	*11.4*	*4.1*	*4.1*
Greece	2.4	0.6	2.7	-1.8	6.8	8.7	**4.8**	**-21.4**	**17.9**	*4.3*	*3.4*	*3.0*
Spain	3.0	1.7	4.4	5.4	5.6	2.2	**2.6**	**-19.8**	**11.9**	*2.0*	*2.3*	*2.4*
France	2.7	1.2	3.8	1.8	3.9	3.5	**2.0**	**-12.0**	**8.8**	*2.2*	*2.2*	*2.5*
Italy	1.5	0.5	2.9	1.9	5.4	2.3	**1.2**	**-13.0**	**10.5**	*1.9*	*2.0*	*2.5*
Cyprus	0.3	1.6	4.7	7.2	8.7	4.6	**2.0**	**-21.8**	**16.8**	*-2.5*	*-1.3*	*0.7*
Latvia	10.8	4.3	6.4	4.0	6.4	4.0	**2.0**	**-10.3**	**7.8**	*2.7*	*1.8*	*2.3*
Lithuania	15.4	5.9	6.5	4.9	13.6	6.3	**9.3**	**-12.5**	**13.5**	*6.8*	*3.6*	*3.0*
Luxembourg	5.5	4.7	6.5	2.6	0.7	0.5	**0.8**	**-11.5**	**8.4**	*1.7*	*1.7*	*2.3*
Malta	0.8	10.6	5.7	4.5	4.8	3.5	**1.7**	**-9.3**	**12.0**	*1.7*	*1.8*	*1.8*
Netherlands	3.5	2.8	4.6	1.7	6.5	3.7	**2.4**	**-10.6**	**7.0**	*2.0*	*1.7*	*1.7*
Austria	5.1	2.8	2.8	3.1	5.0	5.9	**2.7**	**-12.5**	**10.3**	*2.3*	*2.3*	*2.3*
Portugal	2.9	3.2	5.5	4.4	8.4	4.5	**3.7**	**-14.1**	**13.2**	*2.7*	*2.7*	*2.8*
Slovenia	8.5	4.5	4.2	6.5	10.5	6.1	**4.4**	**-12.4**	**13.5**	*7.9*	*4.9*	*4.6*
Slovakia	14.3	7.3	7.2	5.0	3.5	5.4	**1.7**	**-12.4**	**13.4**	*1.2*	*3.8*	*4.5*
Finland	4.0	1.6	0.2	3.7	8.8	1.7	**7.2**	**-10.7**	**7.3**	*1.9*	*2.2*	*2.4*
Euro area	4.1	2.7	4.4	2.9	5.5	3.3	**2.5**	**-12.9**	**9.5**	*2.4*	*2.1*	*2.3*
Bulgaria	9.8	5.3	6.7	8.6	5.8	1.7	**1.9**	**-13.2**	**10.8**	*-0.2*	*3.2*	*3.2*
Czechia	13.0	6.5	5.6	4.3	6.7	4.4	**1.2**	**-13.3**	**9.6**	*2.1*	*1.9*	*2.2*
Denmark	3.4	2.1	3.3	4.1	4.6	2.4	**1.6**	**-10.7**	**8.7**	*3.9*	*1.8*	*2.0*
Croatia	6.7	0.6	4.1	7.0	6.8	3.7	**4.6**	**-29.0**	**33.7**	*3.2*	*2.7*	*2.6*
Hungary	10.2	8.0	5.0	3.8	6.9	4.3	**6.0**	**-14.0**	**11.2**	*5.1*	*4.0*	*4.6*
Poland	7.3	7.7	6.6	8.8	9.5	7.0	**4.7**	**-9.8**	**8.6**	*4.8*	*4.4*	*4.7*
Romania	12.6	10.9	9.0	16.0	7.6	6.2	**4.6**	**-12.8**	**9.9**	*3.8*	*3.7*	*3.6*
Sweden	4.8	2.0	3.4	2.8	4.3	3.2	**4.2**	**-12.0**	**6.5**	*4.2*	*2.3*	*2.3*
EU	4.4	3.0	4.5	3.4	5.6	3.5	**2.7**	**-12.8**	**9.5**	*2.5*	*2.3*	*2.4*
United Kingdom	3.5	1.7	2.7	2.7	6.1	1.2	**4.8**	**-10.7**	**5.1**	*1.3*	*2.3*	*2.1*
Japan	6.2	3.1	2.5	1.7	6.8	3.4	**-1.8**	**-15.0**	**3.2**	*-1.5*	*0.6*	*0.8*
United States	2.1	5.2	3.7	0.0	3.5	3.0	**0.0**	**-13.4**	**10.3**	*0.3*	*1.5*	*1.6*

Table 48: Imports of goods and services, volume (percentage change on preceding year, 2001-2021) 23.4.2020

		5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.9	2.4	2.8	7.5	4.4	2.1	**1.2**	**-10.2**	**8.1**	*0.6*	*1.6*	*1.9*
Germany	3.5	4.2	3.9	4.3	5.2	3.6	**1.9**	**-9.2**	**8.6**	*2.5*	*2.7*	*2.8*
Estonia	14.5	1.5	7.6	6.0	4.2	5.7	**3.7**	**-10.8**	**7.2**	*3.4*	*2.1*	*2.7*
Ireland	6.0	2.8	9.4	18.4	1.1	-2.9	**35.6**	**-27.7**	**8.4**	*22.3*	*4.2*	*4.1*
Greece	2.0	0.4	-2.8	0.3	7.1	4.2	**2.5**	**-18.0**	**15.8**	*5.1*	*4.0*	*3.0*
Spain	6.0	-0.8	0.9	2.6	6.6	3.3	**1.2**	**-21.1**	**12.4**	*0.5*	*2.0*	*2.4*
France	3.5	2.2	3.8	2.9	3.9	1.2	**2.2**	**-11.8**	**10.6**	*2.1*	*2.4*	*2.5*
Italy	2.3	1.3	-0.2	3.9	6.1	3.4	**-0.4**	**-13.6**	**12.2**	*0.7*	*2.2*	*2.6*
Cyprus	1.4	4.2	0.8	9.0	12.8	2.4	**1.5**	**-15.2**	**13.7**	*2.6*	*2.5*	*2.5*
Latvia	13.4	-0.5	6.2	3.8	8.4	6.4	**2.3**	**-8.3**	**8.0**	*4.2*	*2.2*	*2.8*
Lithuania	17.0	3.6	6.4	4.0	11.5	6.0	**6.7**	**-12.0**	**12.8**	*7.1*	*4.6*	*3.4*
Luxembourg	5.9	4.9	7.5	1.6	0.6	-0.3	**0.9**	**-12.0**	**8.8**	*1.9*	*1.7*	*2.2*
Malta	0.1	10.6	4.3	1.6	-0.5	3.4	**2.1**	**-7.2**	**10.8**	*2.6*	*2.1*	*1.8*
Netherlands	3.3	2.9	5.1	-2.0	6.2	3.3	**3.1**	**-11.2**	**8.0**	*2.9*	*2.5*	*2.3*
Austria	4.5	2.2	2.8	3.7	5.0	4.6	**2.8**	**-10.8**	**9.0**	*2.6*	*2.3*	*2.0*
Portugal	2.0	2.5	1.4	5.0	8.1	5.7	**5.2**	**-10.3**	**10.3**	*4.6*	*3.9*	*4.0*
Slovenia	7.3	3.6	2.4	6.7	10.1	6.6	**4.2**	**-11.4**	**14.8**	*9.2*	*5.8*	*5.5*
Slovakia	13.8	5.2	5.7	4.8	3.9	5.0	**2.6**	**-12.6**	**13.3**	*1.6*	*3.8*	*4.1*
Finland	5.8	1.7	1.7	5.8	4.1	5.5	**2.2**	**-8.6**	**8.1**	*1.8*	*2.5*	*3.0*
Euro area	3.8	2.5	3.4	4.1	5.0	2.8	**3.8**	**-12.9**	**9.7**	*3.2*	*2.6*	*2.7*
Bulgaria	14.7	3.0	5.9	5.2	7.4	5.7	**2.4**	**-12.5**	**6.8**	*0.5*	*3.8*	*3.7*
Czechia	12.5	5.8	5.2	2.8	5.9	5.9	**1.7**	**-13.0**	**9.6**	*2.0*	*1.6*	*2.3*
Denmark	5.2	2.3	4.0	3.7	4.3	3.6	**0.1**	**-8.8**	**8.1**	*1.4*	*2.6*	*1.9*
Croatia	10.3	-1.6	3.2	6.5	8.4	7.5	**4.8**	**-21.2**	**23.4**	*6.3*	*5.3*	*4.6*
Hungary	9.8	5.6	4.3	3.4	8.2	6.8	**6.9**	**-15.0**	**10.1**	*6.2*	*4.0*	*4.5*
Poland	4.2	8.5	4.7	7.6	9.8	7.6	**2.7**	**-10.6**	**8.9**	*5.9*	*5.6*	*5.4*
Romania	19.4	12.2	6.7	16.5	10.8	9.1	**8.0**	**-14.4**	**9.8**	*7.3*	*5.6*	*5.1*
Sweden	2.9	2.9	4.0	3.8	4.8	3.6	**1.8**	**-11.5**	**5.1**	*1.6*	*0.7*	*0.8*
EU	4.2	2.9	3.6	4.4	5.3	3.3	**3.7**	**-12.8**	**9.5**	*3.3*	*2.8*	*2.8*
United Kingdom	5.3	0.9	3.2	4.4	3.5	2.0	**4.6**	**-9.9**	**6.1**	*2.8*	*3.1*	*2.7*
Japan	3.8	0.2	4.7	-1.6	3.4	3.4	**-0.8**	**-11.8**	**2.0**	*-0.8*	*0.3*	*0.5*
United States	4.6	1.0	4.0	2.0	4.7	4.4	**1.0**	**-12.9**	**13.2**	*2.2*	*2.0*	*1.8*

Table 49: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	3.6	0.7	-0.8	0.4	0.7	-0.2	**-0.3**	**0.0**	**-0.1**	*-0.1*	*0.0*	*0.0*
Germany	6.1	6.8	7.3	8.1	7.8	6.8	**6.7**	**5.5**	**6.3**	*6.4*	*6.2*	*5.9*
Estonia	-16.6	-10.7	-4.6	-3.5	-3.5	-3.8	**-3.2**	**-2.8**	**-2.5**	*-4.2*	*-4.0*	*-4.0*
Ireland	23.3	18.8	25.7	39.0	36.7	34.9	**35.4**	**35.9**	**36.0**	*34.1*	*32.7*	*31.5*
Greece	-15.4	-16.2	-10.6	-9.3	-10.3	-9.9	**-10.3**	**-6.8**	**-9.4**	*-10.7*	*-11.2*	*-11.1*
Spain	-6.1	-6.7	-2.4	-1.3	-1.9	-2.4	**-2.3**	**0.1**	**-0.4**	*-1.9*	*-1.7*	*-1.7*
France	0.1	-1.7	-2.1	-1.1	-1.6	-1.7	**-1.3**	**-0.9**	**-1.3**	*-1.5*	*-1.5*	*-1.5*
Italy	0.7	-0.4	1.8	3.5	3.1	2.6	**3.2**	**4.4**	**4.2**	*3.0*	*3.1*	*3.1*
Cyprus	-24.0	-25.9	-19.1	-22.1	-25.0	-22.1	**-21.5**	**-18.8**	**-21.1**	*-24.7*	*-25.6*	*-26.3*
Latvia	-19.5	-16.6	-11.1	-7.5	-8.3	-8.1	**-8.1**	**-8.2**	**-7.9**	*-8.6*	*-8.5*	*-8.8*
Lithuania	-10.6	-10.4	-4.3	-4.9	-4.9	-6.1	**-4.5**	**-4.2**	**-4.4**	*-6.5*	*-6.9*	*-7.2*
Luxembourg	-9.3	-3.5	-0.4	-1.1	-2.0	-2.0	**-3.1**	**-2.6**	**-2.7**	*-2.1*	*-2.1*	*-1.9*
Malta	-13.1	-18.3	-15.5	-18.4	-12.6	-11.7	**-11.8**	**-8.0**	**-11.4**	*-11.9*	*-11.7*	*-11.3*
Netherlands	7.5	8.2	9.3	9.3	9.7	9.6	**8.5**	**8.2**	**7.7**	*8.3*	*7.8*	*7.3*
Austria	0.0	0.2	-0.2	0.7	0.4	1.0	**1.1**	**0.1**	**0.8**	*1.0*	*1.1*	*1.4*
Portugal	-11.1	-11.6	-6.1	-5.5	-7.0	-8.0	**-8.1**	**-7.1**	**-7.4**	*-8.7*	*-9.3*	*-9.9*
Slovenia	-3.1	-3.1	1.2	3.8	3.8	2.8	**2.9**	**4.0**	**3.6**	*1.8*	*1.0*	*0.1*
Slovakia	-6.6	-1.2	3.4	2.3	1.1	1.1	**0.3**	**0.5**	**0.5**	*0.3*	*0.2*	*0.6*
Finland	9.7	6.4	1.0	0.0	0.7	0.1	**1.1**	**0.4**	**0.4**	*0.4*	*0.3*	*0.2*
Euro area	1.7	0.9	2.4	3.8	3.5	3.0	**3.2**	**3.4**	**3.4**	*2.9*	*2.8*	*2.7*
Euro area, adjusted[2]	0.8	0.2	1.8	3.3	3.1	2.6	**2.7**	**2.9**	**3.0**	*2.5*	*2.4*	*2.3*
Bulgaria	-18.7	-19.0	-7.1	-2.1	-1.5	-3.3	**-2.8**	**-3.3**	**-1.6**	*-2.9*	*-2.9*	*-2.9*
Czechia	-4.2	0.8	3.6	5.4	5.0	4.2	**4.2**	**3.4**	**3.5**	*4.0*	*4.1*	*4.0*
Denmark	4.6	2.6	4.6	5.4	4.9	4.0	**5.7**	**4.8**	**5.3**	*6.3*	*6.0*	*6.1*
Croatia	:	-19.0	-15.0	-16.3	-17.2	-18.7	**-18.9**	**-12.6**	**-18.5**	*-18.7*	*-19.3*	*-19.8*
Hungary	-4.7	0.3	2.9	3.4	1.5	-1.3	**-1.9**	**0.7**	**0.8**	*-1.9*	*-1.5*	*-1.3*
Poland	-3.1	-4.0	-1.2	0.7	0.3	-1.0	**0.5**	**1.1**	**1.1**	*-1.2*	*-1.6*	*-1.7*
Romania	-13.4	-12.6	-5.5	-5.5	-6.5	-7.3	**-7.8**	**-6.6**	**-6.6**	*-8.2*	*-8.9*	*-9.6*
Sweden	7.1	5.7	3.8	2.8	2.7	2.5	**3.8**	**3.7**	**4.3**	*3.7*	*4.0*	*4.3*
EU	1.5	0.6	2.2	3.5	3.2	2.6	**2.8**	**3.1**	**3.1**	*1.2*	*1.2*	*1.0*
EU, adjusted[2]	0.7	-0.1	1.5	2.8	2.5	1.9	**2.1**	**2.3**	**2.4**	*:*	*:*	*:*
United Kingdom	-4.4	-5.6	-6.2	-6.7	-6.6	-6.5	**-5.9**	**-6.1**	**-6.2**	*-6.2*	*-5.9*	*-5.9*
Japan	2.3	1.8	-1.0	1.0	0.9	0.2	**0.3**	**-0.1**	**0.0**	*0.2*	*0.3*	*0.3*
United States	-5.0	-5.2	-4.6	-4.2	-4.3	-4.4	**-4.1**	**-3.7**	**-4.2**	*-4.3*	*-4.4*	*-4.4*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 50: Current-account balance[1] (as a percentage of GDP, 2001-2021) 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	5.1	3.1	0.9	0.6	1.2	-1.0	**-0.7**	**-0.1**	**-0.3**	*-0.8*	*-0.9*	*-1.0*
Germany	2.5	6.1	7.2	8.6	8.3	7.6	**7.6**	**6.1**	**7.4**	*7.0*	*6.8*	*6.4*
Estonia	-10.3	-6.8	0.4	1.6	2.7	2.0	**2.3**	**1.1**	**2.2**	*1.4*	*1.6*	*1.6*
Ireland	-0.5	-4.8	0.4	-4.2	0.5	10.6	**-9.4**	**4.6**	**4.4**	*0.8*	*1.3*	*1.7*
Greece	-9.4	-13.5	-3.8	-1.1	-1.0	-1.1	**-0.3**	**0.1**	**-1.2**	*-0.8*	*-1.1*	*-0.9*
Spain	-4.9	-7.0	0.6	3.2	2.7	1.9	**2.0**	**3.2**	**2.7**	*2.4*	*2.5*	*2.6*
France	1.1	-0.5	-1.0	-0.6	-0.6	-0.6	**-0.1**	**-0.1**	**-0.4**	*-0.4*	*-0.6*	*-0.6*
Italy	-0.5	-2.2	0.3	2.6	2.5	2.5	**3.0**	**3.4**	**3.3**	*2.9*	*2.9*	*2.9*
Cyprus	-7.5	-15.8	-2.4	-4.2	-5.1	-4.4	**-5.7**	**-10.9**	**-10.1**	*-8.1*	*-10.6*	*-11.1*
Latvia	-9.9	-9.1	-2.5	1.4	1.0	-0.7	**0.6**	**1.1**	**1.2**	*-0.8*	*-1.4*	*-1.8*
Lithuania	-6.2	-7.2	-0.5	-1.1	0.5	0.3	**3.5**	**2.2**	**2.9**	*1.2*	*1.5*	*1.8*
Luxembourg	7.0	3.8	-0.3	0.2	-0.9	0.0	**4.5**	**4.5**	**4.5**	*4.4*	*4.4*	*4.4*
Malta	-3.3	-5.8	1.3	3.8	11.5	11.3	**10.7**	**7.6**	**9.7**	*9.0*	*8.5*	*8.2*
Netherlands	5.4	5.9	9.0	8.1	10.8	11.2	**10.2**	**9.0**	**8.4**	*9.8*	*9.0*	*8.6*
Austria	1.3	3.2	2.1	2.9	1.7	2.4	**2.3**	**0.9**	**1.6**	*2.2*	*2.1*	*2.2*
Portugal	-8.7	-10.4	-1.2	0.6	1.0	0.2	**0.0**	**-0.6**	**-0.2**	*-0.4*	*-0.7*	*-1.0*
Slovenia	-1.7	-2.9	2.2	4.9	6.4	6.3	**6.8**	**6.8**	**6.8**	*5.8*	*5.5*	*5.1*
Slovakia	-6.0	-4.1	0.8	-2.0	-1.8	-1.6	**-2.6**	**-2.9**	**-2.4**	*-2.4*	*-2.6*	*-2.3*
Finland	6.1	2.8	-1.5	-1.9	-0.8	-1.6	**-0.8**	**-1.3**	**-1.5**	*-1.3*	*-1.5*	*-1.7*
Euro area	0.6	0.3	2.5	3.6	3.8	3.7	**3.3**	**3.4**	**3.6**	*3.3*	*3.2*	*3.1*
Euro area, adjusted[2]	0.3	-0.5	1.6	3.3	3.1	3.1	**2.7**	**2.7**	**3.0**	*2.7*	*2.6*	*2.5*
Bulgaria	-6.2	-14.4	0.7	5.3	6.1	4.7	**5.2**	**3.3**	**5.4**	*5.5*	*5.5*	*5.4*
Czechia	-4.0	-4.5	-2.1	0.1	0.3	-0.1	**0.7**	**-1.5**	**-1.0**	*0.0*	*0.5*	*0.7*
Denmark	3.4	3.5	7.6	7.8	7.8	7.0	**7.9**	**6.2**	**6.7**	*7.1*	*6.7*	*6.7*
Croatia	-4.5	-5.6	0.4	2.0	3.3	1.9	**2.4**	**-1.7**	**0.5**	*1.6*	*0.7*	*0.3*
Hungary	-8.3	-4.6	1.8	4.7	2.3	-0.3	**-0.9**	**1.3**	**1.5**	*-1.2*	*-0.8*	*-0.7*
Poland	-3.2	-5.1	-1.9	0.0	0.1	-0.7	**0.4**	**0.6**	**0.9**	*-0.4*	*-0.4*	*-0.1*
Romania	-6.5	-9.2	-2.4	-2.0	-3.4	-4.4	**-4.6**	**-3.3**	**-3.4**	*-5.1*	*-5.3*	*-5.4*
Sweden	5.0	6.6	4.3	2.9	3.4	2.6	**4.4**	**3.7**	**4.0**	*3.6*	*4.1*	*4.5*
EU	0.5	0.1	2.4	3.4	3.6	3.4	**3.2**	**3.1**	**3.4**	*1.9*	*1.8*	*1.8*
EU, adjusted[2]	0.1	-0.2	2.0	3.3	3.1	3.0	**2.8**	**2.7**	**3.0**	*1.1*	*1.0*	*1.0*
United Kingdom	-2.0	-3.3	-3.9	-5.2	-3.5	-3.9	**-3.8**	**-4.1**	**-4.3**	*-4.3*	*-4.2*	*-4.2*
Japan	3.0	3.6	1.6	4.0	4.1	3.5	**3.5**	**3.6**	**3.2**	*3.5*	*3.5*	*3.3*
United States	-4.6	-4.2	-2.4	-2.3	-2.3	-2.4	**-2.3**	**-3.0**	**-3.0**	*-2.5*	*-2.5*	*-2.5*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 51: **Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2001-2021)** 23.4.2020

	5-year averages						Spring 2020 forecast			*Autumn 2019 forecast*		
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	5.1	2.9	1.0	0.7	1.3	-1.0	**-0.6**	**-0.1**	**-0.2**	*-0.8*	*-0.9*	*-0.9*
Germany	2.4	6.0	7.1	8.6	8.0	7.5	**7.4**	**5.9**	**7.2**	*6.9*	*6.7*	*6.3*
Estonia	-9.8	-4.5	3.1	2.6	3.6	3.4	**3.8**	**3.8**	**4.9**	*2.7*	*2.9*	*3.0*
Ireland	-0.2	-4.7	-0.4	-5.8	-8.2	-5.8	**-19.3**	**-6.1**	**-5.6**	*-14.6*	*-13.4*	*-12.2*
Greece	-8.3	-11.8	-1.7	0.4	0.1	-0.1	**0.8**	**1.6**	**0.3**	*0.5*	*0.3*	*0.6*
Spain	-4.1	-6.6	1.1	3.4	2.9	2.4	**2.3**	**3.5**	**3.0**	*2.9*	*3.1*	*3.1*
France	1.0	-0.4	-1.0	-0.6	-0.5	-0.5	**0.2**	**0.2**	**0.3**	*-0.4*	*-0.5*	*-0.5*
Italy	-0.4	-2.1	0.4	2.4	2.6	2.5	**2.9**	**3.2**	**3.2**	*2.9*	*2.9*	*2.9*
Cyprus	-7.0	-15.6	-2.1	-4.1	-4.7	-3.8	**-5.0**	**-10.3**	**-9.5**	*-7.1*	*-9.9*	*-10.3*
Latvia	-9.2	-7.4	0.2	2.5	1.7	1.1	**2.8**	**2.6**	**3.4**	*1.3*	*0.7*	*0.3*
Lithuania	-5.7	-4.5	2.5	0.3	1.7	1.8	**5.1**	**4.2**	**5.0**	*2.8*	*3.2*	*3.6*
Luxembourg	6.9	2.2	-0.2	-0.4	-1.5	-0.7	**4.0**	**4.1**	**4.1**	*3.7*	*3.7*	*3.6*
Malta	-2.3	-4.3	3.1	4.1	12.1	12.2	**11.7**	**8.6**	**10.7**	*10.0*	*9.5*	*9.2*
Netherlands	5.5	5.8	8.4	7.9	10.8	11.1	**10.2**	**9.0**	**8.4**	*9.7*	*8.9*	*8.5*
Austria	1.2	3.1	1.9	2.8	1.6	2.4	**2.2**	**0.8**	**1.6**	*2.1*	*2.0*	*2.2*
Portugal	-6.9	-9.2	0.3	1.5	1.8	1.2	**0.8**	**0.5**	**0.8**	*0.8*	*0.6*	*0.3*
Slovenia	-1.9	-2.5	2.8	4.1	5.6	5.8	**6.5**	**6.4**	**6.4**	*5.3*	*5.0*	*4.6*
Slovakia	-6.5	-3.3	2.3	-2.1	-2.5	-1.3	**-2.3**	**-2.6**	**-2.2**	*-2.1*	*-2.4*	*-2.0*
Finland	6.2	2.9	-1.5	-1.9	-0.7	-1.6	**-0.7**	**-1.2**	**-1.4**	*-1.2*	*-1.4*	*-1.6*
Euro area	0.7	0.4	2.6	3.6	3.6	3.3	**3.1**	**3.1**	**3.5**	*3.0*	*2.9*	*2.7*
Euro area, adjusted[2]	0.4	-0.4	1.7	3.2	2.9	2.7	**2.5**	**2.4**	**2.8**	*2.3*	*2.2*	*2.1*
Bulgaria	-5.8	-13.9	2.7	7.3	7.1	5.8	**6.4**	**4.7**	**6.8**	*6.7*	*6.8*	*6.7*
Czechia	-3.8	-3.3	-0.2	0.6	0.8	0.8	**1.1**	**-0.8**	**0.0**	*1.0*	*1.7*	*2.2*
Denmark	3.5	3.6	7.5	7.8	7.8	7.0	**7.9**	**6.3**	**6.9**	*7.1*	*6.7*	*6.7*
Croatia	-4.5	-5.6	0.7	3.6	4.4	3.3	**4.4**	**0.4**	**2.6**	*3.6*	*2.6*	*2.2*
Hungary	-8.0	-3.4	5.2	4.6	3.1	2.1	**0.9**	**3.3**	**3.4**	*0.6*	*1.2*	*1.2*
Poland	-3.1	-4.0	0.1	1.2	1.0	0.8	**1.9**	**1.3**	**1.7**	*1.3*	*1.2*	*1.4*
Romania	-6.0	-8.5	-0.5	0.5	-1.8	-3.2	**-3.1**	**-1.7**	**-1.7**	*-3.7*	*-3.9*	*-3.9*
Sweden	4.9	6.4	4.1	2.9	3.4	2.6	**4.4**	**3.7**	**4.0**	*3.6*	*4.1*	*4.5*
EU	0.6	0.3	2.6	3.5	3.4	3.2	**3.1**	**3.0**	**3.4**	*1.7*	*1.7*	*1.6*
EU, adjusted[2]	0.2	0.0	2.2	3.4	2.9	2.8	**2.7**	**2.6**	**3.0**	*:*	*:*	*:*
United Kingdom	-2.1	-3.3	-4.0	-5.3	-3.6	-4.0	**-3.8**	**-4.2**	**-4.5**	*-4.6*	*-4.5*	*-4.4*
Japan	2.9	3.5	1.5	3.9	4.1	3.5	**3.4**	**3.5**	**3.2**	*3.4*	*3.4*	*3.3*
United States	-4.6	-4.2	-2.4	-2.3	-2.3	-2.4	**-2.3**	**-3.0**	**-3.0**	*-2.5*	*-2.5*	*-2.5*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 52: **Current-account balance[1] (in billions of euro, 2013-21)** 23.4.2020

							Spring 2020 forecast			*Autumn 2019 forecast*		
	2013	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	7.1	5.8	5.8	2.4	5.5	-4.6	**-3.2**	**-0.6**	**-1.3**	*-3.9*	*-4.4*	*-4.9*
Germany	184.8	216.2	261.2	271.1	267.9	255.8	**262.8**	**200.5**	**261.6**	*239.3*	*239.9*	*233.3*
Estonia	0.1	0.1	0.4	0.4	0.6	0.5	**0.6**	**0.3**	**0.6**	*0.4*	*0.5*	*0.5*
Ireland	2.8	2.1	11.6	-11.4	1.5	34.3	**-32.8**	**14.8**	**15.2**	*2.7*	*4.6*	*6.6*
Greece	-4.0	-3.7	-0.4	-2.0	-1.8	-2.0	**-0.6**	**0.2**	**-2.3**	*-1.4*	*-2.1*	*-1.9*
Spain	20.8	17.5	21.8	35.4	31.1	23.3	**25.2**	**36.1**	**32.7**	*29.8*	*32.1*	*33.7*
France	-20.8	-26.4	-10.9	-13.5	-13.0	-13.7	**-2.5**	**-3.3**	**-8.5**	*-10.4*	*-13.7*	*-15.3*
Italy	17.8	30.8	23.5	44.0	44.1	44.0	**53.2**	**54.8**	**58.4**	*52.1*	*52.9*	*53.5*
Cyprus	-0.3	-0.7	-0.1	-0.8	-1.0	-0.9	**-1.2**	**-2.2**	**-2.2**	*-1.8*	*-2.4*	*-2.6*
Latvia	-0.6	-0.5	-0.2	0.4	0.3	-0.2	**0.2**	**0.3**	**0.4**	*-0.3*	*-0.5*	*-0.6*
Lithuania	0.6	1.3	-0.9	-0.4	0.2	0.1	**1.7**	**1.0**	**1.5**	*0.6*	*0.8*	*1.0*
Luxembourg	-0.6	-0.5	0.2	0.1	-0.5	0.0	**2.8**	**2.7**	**3.0**	*2.8*	*2.9*	*3.0*
Malta	0.0	0.5	0.3	0.4	1.3	1.4	**1.4**	**1.0**	**1.3**	*1.2*	*1.2*	*1.2*
Netherlands	66.5	63.9	43.5	57.1	79.9	86.6	**83.0**	**69.1**	**68.8**	*78.9*	*74.3*	*72.8*
Austria	6.1	8.2	6.4	10.2	6.2	9.4	**9.0**	**3.4**	**6.6**	*8.7*	*8.6*	*9.4*
Portugal	1.8	-0.2	0.0	1.2	2.0	0.4	**-0.1**	**-1.2**	**-0.4**	*-0.8*	*-1.4*	*-2.3*
Slovenia	0.8	1.9	1.5	2.0	2.8	2.9	**3.3**	**3.1**	**3.3**	*2.8*	*2.8*	*2.7*
Slovakia	2.3	1.9	-0.5	-1.6	-1.6	-1.5	**-2.4**	**-2.6**	**-2.3**	*-2.3*	*-2.6*	*-2.3*
Finland	-4.0	-3.0	-1.7	-4.2	-1.7	-3.9	**-1.8**	**-3.0**	**-3.7**	*-3.1*	*-3.6*	*-4.5*
Euro area	281.2	315.3	361.3	390.6	423.6	432.1	**398.5**	**374.1**	**432.6**	*395.1*	*389.7*	*383.4*
Euro area, adjusted[2]	209.4	240.5	291.0	352.4	348.2	360.9	**320.5**	**296.1**	**354.6**	*319.1*	*313.6*	*307.3*
Bulgaria	0.9	0.2	0.3	2.6	3.2	2.6	**3.1**	**1.9**	**3.3**	*3.4*	*3.6*	*3.7*
Czechia	-1.7	-1.9	-2.6	0.2	0.6	-0.3	**1.6**	**-3.0**	**-2.1**	*-0.1*	*1.1*	*1.6*
Denmark	20.1	23.7	22.5	22.0	22.7	21.2	**24.4**	**18.2**	**21.2**	*21.8*	*21.2*	*21.9*
Croatia	-0.5	0.1	1.4	0.9	1.6	1.0	**1.3**	**-0.8**	**0.3**	*0.9*	*0.4*	*0.2*
Hungary	3.5	1.3	2.6	5.4	2.9	-0.4	**-1.4**	**1.7**	**2.1**	*-1.7*	*-1.2*	*-1.0*
Poland	-1.9	-5.5	0.8	-0.1	0.6	-3.3	**2.2**	**2.8**	**4.8**	*-1.9*	*-2.2*	*-0.7*
Romania	-1.4	-0.7	-1.8	-3.5	-6.3	-8.9	**-10.2**	**-7.0**	**-7.7**	*-11.3*	*-12.8*	*-14.1*
Sweden	19.8	16.8	14.6	13.6	16.2	12.1	**20.9**	**16.4**	**18.7**	*17.1*	*19.3*	*22.2*
EU	319.9	349.3	399.1	431.7	465.1	456.0	**440.5**	**404.2**	**473.3**	*314.2*	*308.7*	*305.2*
EU, adjusted[2]	288.4	291.8	340.7	417.2	399.3	406.2	**385.5**	**349.2**	**418.2**	*:*	*:*	*:*
United Kingdom	-99.9	-109.1	-129.6	-126.9	-82.5	-93.7	**-95.5**	**-96.7**	**-109.8**	*-108.9*	*-110.4*	*-111.9*
Japan	34.4	27.9	123.0	178.0	178.8	148.2	**157.6**	**158.9**	**148.9**	*158.8*	*163.1*	*158.4*
United States	-262.6	-274.9	-367.5	-387.0	-389.2	-415.7	**-445.2**	**-548.3**	**-587.0**	*-483.9*	*-499.4*	*-513.3*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 53: Export markets (a) (percentage change on preceding year, 2013-21) 23.4.2020

							Spring 2020 forecast			*Autumn 2019 forecast*		
	2013	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	2.5	4.5	5.1	2.6	5.1	3.0	**2.2**	**-11.1**	**8.4**	*2.3*	*2.6*	*2.7*
Germany	2.9	3.6	3.5	3.3	5.6	3.6	**1.6**	**-11.4**	**8.4**	*1.9*	*2.5*	*2.7*
Estonia	2.0	1.6	1.4	3.2	6.1	4.2	**2.4**	**-10.6**	**7.8**	*2.4*	*2.4*	*2.5*
Ireland	3.1	4.8	4.2	2.8	4.9	3.4	**1.9**	**-11.9**	**8.8**	*2.0*	*2.4*	*2.4*
Greece	3.2	4.1	3.7	3.0	6.0	2.7	**2.4**	**-12.1**	**8.5**	*2.1*	*3.0*	*2.9*
Spain	3.1	4.0	4.3	2.8	5.2	2.8	**2.4**	**-11.2**	**8.3**	*2.2*	*2.7*	*2.8*
France	2.8	4.6	3.8	2.7	5.3	3.4	**1.9**	**-11.6**	**8.1**	*1.9*	*2.5*	*2.7*
Italy	3.4	3.4	3.5	3.1	5.3	3.1	**1.8**	**-11.4**	**8.5**	*2.1*	*2.6*	*2.8*
Cyprus	7.4	1.2	-4.8	-2.6	7.5	4.5	**3.1**	**-10.7**	**6.2**	*2.1*	*2.7*	*2.5*
Latvia	2.7	0.6	-1.3	2.8	7.4	3.8	**2.9**	**-11.0**	**7.6**	*2.7*	*2.7*	*2.6*
Lithuania	1.6	0.6	-2.6	2.7	7.2	4.1	**2.3**	**-10.8**	**7.2**	*2.4*	*2.6*	*2.8*
Luxembourg	3.0	6.5	7.4	4.2	4.6	1.9	**6.5**	**-14.9**	**8.9**	*4.3*	*2.7*	*2.5*
Malta	3.6	6.1	5.5	3.3	4.7	2.8	**5.5**	**-13.4**	**8.7**	*3.8*	*3.1*	*2.6*
Netherlands	2.1	4.5	4.9	4.4	4.9	2.7	**3.4**	**-11.7**	**8.3**	*3.0*	*2.6*	*2.8*
Austria	3.2	3.6	4.5	3.6	5.6	3.8	**2.0**	**-11.4**	**9.1**	*2.4*	*2.8*	*2.9*
Portugal	2.1	5.1	4.6	2.1	5.1	3.2	**2.4**	**-13.8**	**9.0**	*2.0*	*2.5*	*2.6*
Slovenia	2.3	3.8	4.4	4.1	6.2	4.4	**2.3**	**-11.9**	**10.3**	*2.8*	*3.2*	*3.2*
Slovakia	1.9	4.8	4.5	4.0	6.1	4.3	**2.0**	**-11.0**	**8.9**	*2.6*	*2.8*	*3.0*
Finland	2.8	3.2	1.3	2.7	5.9	3.5	**2.1**	**-10.9**	**7.3**	*2.0*	*2.3*	*2.4*
Euro area (b)	2.8	4.1	4.0	3.2	5.3	3.3	**2.2**	**-11.5**	**8.4**	*2.2*	*2.6*	*2.7*
Bulgaria	3.0	3.9	3.0	3.9	6.7	3.4	**2.3**	**-12.5**	**9.1**	*2.1*	*3.2*	*3.2*
Czechia	2.6	3.8	4.2	4.0	5.7	3.9	**2.1**	**-10.6**	**8.8**	*2.4*	*2.9*	*3.1*
Denmark	2.8	4.8	3.9	3.0	5.1	3.6	**2.2**	**-11.5**	**7.6**	*2.3*	*2.4*	*2.5*
Croatia	2.7	4.4	4.7	4.0	6.2	4.0	**3.1**	**-12.4**	**10.1**	*3.5*	*3.2*	*3.1*
Hungary	2.4	3.9	4.5	4.4	6.0	4.2	**2.4**	**-11.3**	**9.2**	*2.7*	*3.1*	*3.1*
Poland	2.1	3.3	3.7	3.5	5.6	3.6	**2.3**	**-11.0**	**8.5**	*2.4*	*2.6*	*2.8*
Romania	2.2	4.0	4.2	3.3	5.8	3.4	**2.1**	**-11.5**	**8.9**	*2.2*	*2.8*	*3.0*
Sweden	2.9	3.8	3.5	3.3	4.9	3.4	**2.5**	**-11.1**	**8.0**	*2.5*	*2.6*	*2.6*
EU (b)	2.8	4.0	4.0	3.3	5.4	3.3	**2.2**	**-11.5**	**8.4**	*2.3*	*2.6*	*2.7*
United Kingdom	3.2	4.6	4.8	2.9	4.8	3.1	**2.9**	**-12.4**	**8.5**	*2.7*	*2.4*	*2.6*
Japan	3.9	3.7	2.3	3.1	6.5	4.9	**0.6**	**-10.2**	**7.7**	*1.0*	*2.3*	*2.7*
United States	3.4	4.2	2.9	1.9	5.2	3.3	**1.7**	**-12.8**	**6.8**	*1.7*	*2.3*	*2.6*

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

(b) Intra- and extra-EU trade.

Table 54: Export performance (a) (percentage change on preceding year, 2013-21) 23.4.2020

							Spring 2020 forecast			*Autumn 2019 forecast*		
	2013	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
Belgium	-2.1	0.7	-1.3	3.8	0.2	-1.7	**-1.2**	**0.6**	**-0.6**	*-1.7*	*-1.3*	*-1.1*
Germany	-1.9	1.1	1.8	-0.9	-0.7	-1.4	**-0.7**	**-0.8**	**1.8**	*-1.0*	*-0.9*	*-0.8*
Estonia	0.8	1.1	-2.8	1.8	-2.1	0.1	**2.4**	**-2.0**	**0.6**	*0.2*	*-0.5*	*0.1*
Ireland	-0.2	9.3	33.6	1.3	4.2	6.8	**9.0**	**-3.8**	**-1.9**	*9.2*	*1.7*	*1.7*
Greece	-1.6	3.5	-0.6	-4.6	0.7	5.8	**2.3**	**-10.5**	**8.6**	*2.1*	*0.4*	*0.1*
Spain	1.3	0.5	0.0	2.5	0.4	-0.6	**0.2**	**-9.7**	**3.3**	*-0.2*	*-0.4*	*-0.3*
France	-0.7	-1.3	0.8	-0.9	-1.4	0.0	**0.1**	**-0.4**	**0.7**	*0.3*	*-0.3*	*-0.2*
Italy	-2.9	-0.7	0.7	-1.2	0.1	-0.8	**-0.7**	**-1.8**	**2.2**	*-0.2*	*-0.6*	*-0.3*
Cyprus	-5.8	5.0	15.5	10.1	1.1	0.1	**-1.1**	**-12.4**	**10.0**	*-4.5*	*-3.9*	*-1.7*
Latvia	-1.5	5.8	4.3	1.1	-0.9	0.2	**-0.9**	**0.7**	**0.2**	*0.0*	*-0.9*	*-0.3*
Lithuania	5.6	-2.4	5.2	2.1	5.9	2.2	**6.8**	**-1.9**	**5.8**	*4.3*	*1.0*	*0.2*
Luxembourg	2.2	9.3	-2.5	-1.5	-3.7	-1.4	**-5.3**	**4.0**	**-0.4**	*-2.5*	*-0.9*	*-0.2*
Malta	-2.6	-1.9	9.5	1.2	0.1	0.6	**-3.7**	**4.8**	**3.1**	*-2.0*	*-1.2*	*-0.8*
Netherlands	0.4	0.0	2.4	-2.6	1.6	1.0	**-1.0**	**1.2**	**-1.2**	*-0.9*	*-0.8*	*-1.0*
Austria	-2.5	-0.7	-1.4	-0.5	-0.5	2.0	**0.7**	**-1.3**	**1.1**	*-0.2*	*-0.4*	*-0.6*
Portugal	5.0	-0.8	1.6	2.3	3.2	1.3	**1.3**	**-0.3**	**3.9**	*0.7*	*0.2*	*0.2*
Slovenia	0.8	2.2	0.3	2.2	4.0	1.7	**2.1**	**-0.6**	**2.9**	*4.9*	*1.7*	*1.3*
Slovakia	4.0	-1.0	2.0	1.0	-2.4	1.0	**-0.3**	**-1.5**	**4.1**	*-1.4*	*0.9*	*1.5*
Finland	-2.2	-5.0	-0.9	1.0	2.8	-1.7	**5.0**	**0.2**	**0.1**	*-0.1*	*0.0*	*0.0*
Euro area (b)	-0.9	0.7	2.5	-0.3	0.1	0.1	**0.3**	**-1.5**	**1.1**	*0.1*	*-0.5*	*-0.4*
Bulgaria	6.5	-0.7	3.3	4.6	-0.8	-1.6	**-0.4**	**-0.8**	**1.5**	*-2.3*	*0.0*	*0.0*
Czechia	-2.3	4.7	1.7	0.3	0.9	0.5	**-0.9**	**-3.0**	**0.7**	*-0.3*	*-1.0*	*-0.8*
Denmark	-1.2	-1.6	-0.3	1.1	-0.5	-1.1	**-0.6**	**0.9**	**1.0**	*1.5*	*-0.6*	*-0.5*
Croatia	-0.2	2.9	5.4	3.0	0.6	-0.3	**1.5**	**-19.0**	**21.4**	*-0.3*	*-0.4*	*-0.5*
Hungary	1.6	5.1	2.8	-0.6	0.8	0.1	**3.5**	**-3.1**	**1.8**	*2.4*	*0.9*	*1.4*
Poland	3.9	3.3	3.9	5.1	3.7	3.3	**2.3**	**1.3**	**0.1**	*2.3*	*1.7*	*1.9*
Romania	17.6	3.9	0.4	12.3	1.7	2.7	**2.4**	**-1.5**	**0.9**	*1.6*	*0.8*	*0.6*
Sweden	-3.9	0.5	2.7	-0.5	-0.5	-0.2	**1.7**	**-1.1**	**-1.4**	*1.7*	*-0.3*	*-0.3*
EU (b)	-0.6	0.9	2.5	0.1	0.3	0.2	**0.4**	**-1.4**	**1.0**	*0.2*	*-0.3*	*-0.3*
United Kingdom	-2.0	-3.4	-1.0	-0.2	1.3	-1.8	**1.9**	**1.9**	**-3.2**	*-1.4*	*-0.1*	*-0.5*
Japan	-3.0	5.3	0.7	-1.4	0.3	-1.4	**-2.3**	**-5.4**	**-4.2**	*-2.5*	*-1.7*	*-1.9*
United States	0.2	0.0	-2.4	-1.8	-1.6	-0.3	**-1.7**	**-0.7**	**3.2**	*-1.4*	*-0.8*	*-1.0*

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 55: World GDP, volume (percentage change on preceding year, 2015-21) 23.4.2020

						Spring 2020 forecast			*Autumn 2019 forecast*		
	(a)	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
EU	14.0	2.3	2.1	2.7	2.1	**1.5**	**-7.4**	**6.1**	*1.4*	*1.4*	*1.4*
Euro area	11.3	2.1	1.9	2.5	1.9	**1.2**	**-7.7**	**6.3**	*1.1*	*1.2*	*1.2*
Belgium	0.4	2.0	1.5	2.0	1.5	**1.4**	**-7.2**	**6.7**	*1.1*	*1.0*	*1.0*
Bulgaria	0.1	4.0	3.8	3.5	3.1	**3.4**	**-7.2**	**6.0**	*3.6*	*3.0*	*2.9*
Czechia	0.3	5.3	2.5	4.4	2.8	**2.6**	**-6.2**	**5.0**	*2.5*	*2.2*	*2.1*
Denmark	0.2	2.3	3.2	2.0	2.4	**2.4**	**-5.9**	**5.1**	*2.0*	*1.5*	*1.6*
Germany	3.2	1.7	2.2	2.5	1.5	**0.6**	**-6.5**	**5.9**	*0.4*	*1.0*	*1.0*
Estonia	0.0	1.8	2.6	5.7	4.8	**4.3**	**-6.9**	**5.9**	*3.2*	*2.1*	*2.4*
Ireland	0.3	25.2	3.7	8.1	8.2	**5.5**	**-7.9**	**6.1**	*5.6*	*3.5*	*3.2*
Greece	0.2	-0.4	-0.2	1.5	1.9	**1.9**	**-9.7**	**7.9**	*1.8*	*2.3*	*2.0*
Spain	1.4	3.8	3.0	2.9	2.4	**2.0**	**-9.4**	**7.0**	*1.9*	*1.5*	*1.4*
France	2.2	1.1	1.1	2.3	1.7	**1.3**	**-8.2**	**7.4**	*1.3*	*1.3*	*1.2*
Croatia	0.1	2.4	3.5	3.1	2.7	**2.9**	**-9.1**	**7.5**	*2.9*	*2.6*	*2.4*
Italy	1.8	0.8	1.3	1.7	0.8	**0.3**	**-9.5**	**6.5**	*0.1*	*0.4*	*0.7*
Cyprus	0.0	3.4	6.7	4.4	4.1	**3.2**	**-7.4**	**6.1**	*2.9*	*2.6*	*2.3*
Latvia	0.0	3.3	1.8	3.8	4.3	**2.2**	**-7.0**	**6.4**	*2.5*	*2.6*	*2.7*
Lithuania	0.1	2.0	2.6	4.2	3.6	**3.9**	**-7.9**	**7.4**	*3.8*	*2.4*	*2.4*
Luxembourg	0.0	4.3	4.6	1.8	3.1	**2.3**	**-5.4**	**5.7**	*2.6*	*2.6*	*2.6*
Hungary	0.2	3.8	2.2	4.3	5.1	**4.9**	**-7.0**	**6.0**	*4.6*	*2.8*	*2.8*
Malta	0.0	10.9	5.8	6.5	7.3	**4.4**	**-5.8**	**6.0**	*5.0*	*4.2*	*3.8*
Netherlands	0.7	2.0	2.2	2.9	2.6	**1.8**	**-6.8**	**5.0**	*1.7*	*1.3*	*1.3*
Austria	0.3	1.0	2.1	2.5	2.4	**1.6**	**-5.5**	**5.0**	*1.5*	*1.4*	*1.4*
Poland	0.9	3.8	3.1	4.9	5.3	**4.1**	**-4.3**	**4.1**	*4.1*	*3.3*	*3.3*
Portugal	0.2	1.8	2.0	3.5	2.6	**2.2**	**-6.8**	**5.8**	*2.0*	*1.7*	*1.7*
Romania	0.4	3.9	4.8	7.1	4.4	**4.1**	**-6.0**	**4.2**	*4.1*	*3.6*	*3.3*
Slovenia	0.1	2.2	3.1	4.8	4.1	**2.4**	**-7.0**	**6.7**	*2.6*	*2.7*	*2.7*
Slovakia	0.1	4.8	2.1	3.0	4.0	**2.3**	**-6.7**	**6.6**	*2.7*	*2.6*	*2.7*
Finland	0.2	0.5	2.7	3.1	1.6	**1.0**	**-6.3**	**3.7**	*1.4*	*1.1*	*1.0*
Sweden	0.4	4.4	2.4	2.4	2.2	**1.2**	**-6.1**	**4.3**	*1.1*	*1.0*	*1.4*
United Kingdom	2.2	2.4	1.9	1.9	1.3	**1.4**	**-8.3**	**6.0**	*1.3*	*1.4*	*1.4*
Candidate Countries	1.9	5.8	3.2	7.0	2.9	**1.1**	**-5.3**	**4.5**	*0.6*	*3.1*	*3.5*
- Albania	0.0	2.2	3.3	3.8	4.1	**2.2**	**-4.8**	**4.2**	*3.1*	*3.7*	*3.6*
- Montenegro	0.0	3.4	2.9	4.7	5.1	**3.6**	**-5.9**	**4.4**	*3.1*	*3.0*	*2.8*
- North Macedonia	0.0	3.9	2.8	0.2	2.7	**3.6**	**-3.9**	**4.0**	*3.2*	*3.2*	*3.3*
- Serbia	0.1	1.8	3.3	2.0	4.4	**4.2**	**-4.1**	**6.1**	*3.2*	*3.8*	*3.7*
- Turkey	1.7	6.1	3.2	7.5	2.8	**0.9**	**-5.4**	**4.4**	*0.3*	*3.1*	*3.5*
Potential Candidates	0.1	4.1	3.4	3.5	3.4	**3.3**	**-5.0**	**4.9**	*3.1*	*2.9*	*2.5*
Iceland	0.0	4.7	6.6	4.5	3.8	**1.9**	**-5.0**	**2.4**	*-0.2*	*1.8*	*2.4*
Norway	0.3	2.0	1.1	2.3	1.3	**1.2**	**-5.5**	**3.0**	*1.6*	*1.9*	*1.9*
Switzerland	0.4	1.3	1.7	1.8	2.8	**0.9**	**-5.0**	**4.5**	*1.0*	*1.6*	*1.3*
Australia	1.0	2.3	2.8	2.5	2.7	**1.8**	**-6.7**	**5.7**	*1.8*	*2.0*	*2.1*
Canada	1.4	0.7	1.0	3.2	2.0	**1.6**	**-7.4**	**5.2**	*1.6*	*1.7*	*1.7*
Japan	4.1	1.2	0.5	2.2	0.3	**0.7**	**-5.0**	**2.7**	*0.9*	*0.4*	*0.6*
Korea	1.7	2.8	2.9	3.2	2.7	**2.0**	**-1.0**	**2.5**	*1.9*	*2.1*	*2.1*
United States	15.2	2.9	1.6	2.4	2.9	**2.3**	**-6.5**	**4.9**	*2.3*	*1.8*	*1.6*
Advanced economies	44.0	2.5	1.8	2.8	2.3	**1.7**	**-6.4**	**5.0**	*1.7*	*1.6*	*1.6*
Emerging and developing Asia	34.1	6.6	6.9	6.5	6.4	**5.6**	**0.6**	**7.2**	*5.7*	*5.6*	*5.5*
- China	18.7	6.9	6.8	7.0	6.7	**6.1**	**1.0**	**7.8**	*6.1*	*5.8*	*5.6*
- India	7.7	7.5	9.0	6.6	6.8	**5.3**	**1.1**	**6.7**	*5.6*	*6.1*	*6.3*
- Indonesia	2.6	4.9	5.0	5.1	5.2	**5.0**	**0.0**	**6.3**	*5.1*	*5.0*	*5.0*
CIS	4.4	-1.9	0.7	2.2	2.7	**2.1**	**-4.0**	**2.3**	*1.7*	*2.1*	*2.1*
- Russia	3.1	-2.3	0.3	1.6	2.3	**1.3**	**-5.0**	**1.6**	*1.0*	*1.4*	*1.5*
- Other CIS	1.3	-0.8	1.7	3.5	3.9	**3.9**	**-1.6**	**4.0**	*3.4*	*3.5*	*3.5*
Latin America	7.5	0.2	-0.9	1.1	0.9	**-0.1**	**-5.6**	**2.4**	*-0.1*	*1.1*	*1.7*
- Argentina	0.7	2.7	-2.1	2.7	-2.5	**-2.2**	**-5.5**	**2.9**	*-2.9*	*-1.4*	*0.7*
- Brazil	2.5	-3.5	-3.3	1.3	1.3	**1.1**	**-5.2**	**1.9**	*0.8*	*1.5*	*1.8*
- Mexico	1.9	3.3	2.9	2.1	2.1	**-0.1**	**-6.4**	**2.8**	*0.4*	*1.2*	*1.7*
MENA	6.5	2.4	4.6	1.9	1.0	**0.2**	**-3.8**	**2.0**	*1.0*	*1.8*	*1.9*
- Saudi Arabia	1.4	4.1	1.7	-0.7	2.4	**0.3**	**-3.5**	**1.5**	*1.2*	*1.4*	*1.4*
Sub-Saharan Africa	3.2	3.0	1.1	2.6	2.6	**2.4**	**-4.1**	**2.1**	*2.7*	*2.8*	*2.8*
- South Africa	0.6	1.2	0.4	1.4	0.8	**0.2**	**-6.2**	**1.5**	*0.6*	*1.0*	*1.4*
Emerging and developing economies	56.0	4.0	4.5	4.6	4.5	**3.7**	**-1.3**	**5.3**	*3.9*	*4.2*	*4.3*
World	100.0	3.3	3.3	3.8	3.5	**2.9**	**-3.5**	**5.2**	*2.9*	*3.0*	*3.1*
World excluding EU	86.0	3.5	3.5	3.9	3.7	**3.0**	**-2.9**	**5.0**	*3.1*	*3.3*	*3.4*
World excluding euro area	88.7	3.5	3.5	3.9	3.7	**3.1**	**-3.0**	**5.0**	*3.1*	*3.3*	*3.3*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2018.

Table 56: World exports of goods and services, volume (percentage change on preceding year, 2015-21) 23.4.2020

						Spring 2020 forecast			*Autumn 2019 forecast*		
	(a)	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
EU (b)	31.7	6.6	3.4	5.6	3.5	**2.7**	**-12.8**	**9.5**	*2.6*	*2.3*	*2.5*
Euro area (b)	26.6	6.6	2.9	5.5	3.3	**2.5**	**-12.9**	**9.5**	*2.4*	*2.1*	*2.3*
United Kingdom	3.6	3.8	2.7	6.1	1.2	**4.8**	**-10.7**	**5.1**	*1.3*	*2.3*	*2.1*
Candidate Countries	1.1	4.8	-0.3	11.5	8.0	**6.7**	**-24.3**	**17.0**	*6.4*	*3.8*	*4.1*
- Albania	0.0	1.0	11.3	13.2	4.1	**5.9**	**-24.8**	**12.2**	*5.4*	*6.8*	*5.8*
- Montenegro	0.0	5.7	5.9	1.8	6.9	**6.4**	**-33.7**	**24.3**	*4.3*	*2.8*	*3.6*
- North Macedonia	0.0	8.5	9.1	8.1	15.3	**8.3**	**-11.0**	**10.0**	*9.9*	*9.7*	*9.2*
- Serbia	0.1	9.4	11.9	8.2	8.3	**8.5**	**-8.5**	**13.8**	*8.1*	*7.9*	*7.4*
- Turkey	0.9	4.3	-1.9	12.0	7.8	**6.4**	**-26.4**	**17.7**	*6.2*	*3.1*	*3.5*
Iceland	0.0	9.1	10.9	5.4	1.7	**-5.0**	**-10.5**	**6.5**	*-2.0*	*1.3*	*2.7*
Norway	0.7	4.3	1.1	1.7	-0.2	**1.5**	**-13.5**	**7.1**	*1.9*	*2.5*	*2.4*
Switzerland	1.9	2.6	6.3	-0.2	2.9	**0.5**	**-10.5**	**8.5**	*2.0*	*2.8*	*2.4*
Australia	1.3	6.5	6.8	3.4	5.0	**1.1**	**-18.0**	**9.7**	*1.4*	*2.0*	*2.2*
Canada	2.2	3.4	1.3	1.1	3.2	**1.2**	**-14.9**	**10.4**	*2.9*	*2.6*	*2.5*
Japan	3.7	2.9	1.7	6.8	3.4	**-1.8**	**-15.0**	**3.2**	*-1.5*	*0.6*	*0.8*
Korea	3.0	0.2	2.4	2.5	3.5	**1.8**	**-8.5**	**4.6**	*-0.4*	*0.6*	*1.4*
United States	10.2	0.5	0.0	3.5	3.0	**0.0**	**-13.4**	**10.3**	*0.3*	*1.5*	*1.6*
Advanced economies	66.7	4.1	2.2	5.0	3.3	**1.5**	**-12.7**	**8.4**	*1.3*	*1.9*	*2.2*
Emerging and developing Asia	17.6	-1.5	2.7	9.7	4.6	**1.4**	**-10.1**	**5.6**	*2.0*	*2.5*	*3.4*
- China	10.7	-2.2	1.1	9.1	4.0	**0.7**	**-10.5**	**5.0**	*1.1*	*1.4*	*2.5*
- India	2.2	-5.3	6.7	10.0	4.7	**1.3**	**-9.4**	**4.4**	*3.8*	*4.2*	*5.1*
- Indonesia	0.9	-5.7	1.1	13.4	3.5	**2.2**	**-7.6**	**7.1**	*2.3*	*3.9*	*4.4*
CIS	3.0	0.9	1.1	5.4	4.9	**-1.1**	**-14.8**	**4.3**	*0.9*	*2.0*	*2.0*
- Russia	2.1	3.7	3.2	5.0	5.5	**-2.1**	**-16.5**	**3.9**	*0.2*	*1.3*	*1.4*
- Other CIS	1.0	-4.4	-3.0	6.0	3.8	**0.9**	**-11.5**	**4.9**	*2.5*	*3.2*	*3.2*
Latin America	5.1	4.3	2.9	4.8	3.4	**0.3**	**-12.2**	**7.1**	*1.6*	*2.0*	*2.6*
- Argentina	0.3	-1.6	6.8	-0.2	-0.6	**9.4**	**-9.7**	**4.2**	*7.6*	*3.0*	*3.6*
- Brazil	1.1	8.1	3.7	11.4	7.0	**0.2**	**-9.4**	**6.3**	*1.5*	*1.7*	*3.2*
- Mexico	1.9	8.4	3.6	4.2	5.7	**1.1**	**-14.2**	**8.0**	*3.4*	*2.4*	*2.1*
MENA	6.1	5.8	3.6	1.9	1.0	**-1.9**	**-6.4**	**3.0**	*-1.3*	*4.1*	*2.8*
- Saudi Arabia	1.3	4.0	5.9	-0.3	7.2	**-9.3**	**-6.6**	**5.8**	*-9.3*	*10.9*	*0.9*
Sub-Saharan Africa	1.5	2.7	-0.8	1.7	2.5	**0.4**	**-10.2**	**5.3**	*1.4*	*2.6*	*3.1*
- South Africa	0.4	2.9	0.4	-0.7	2.6	**-2.5**	**-12.0**	**5.1**	*0.8*	*1.2*	*1.9*
Emerging and developing economies	33.3	1.3	2.6	6.9	3.7	**0.4**	**-10.2**	**5.3**	*1.2*	*2.6*	*3.0*
World	100.0	3.1	2.3	5.6	3.5	**1.1**	**-11.9**	**7.4**	*1.3*	*2.2*	*2.5*
World excluding EU	68.3	1.7	1.9	5.6	3.4	**0.4**	**-11.5**	**6.4**	*0.7*	*2.1*	*2.5*
World excluding euro area	73.4	1.9	2.1	5.6	3.5	**0.6**	**-11.5**	**6.6**	*0.9*	*2.2*	*2.5*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2018.

(b) Intra- and extra-EU trade.

Table 57: Export shares in EU trade (goods only - 2019) 23.4.2020

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	61.3	48.8	1.8	7.1	6.5	1.1	13.1	3.7	2.1	2.6	3.5	2.3	1.4
Euro area	59.3	47.6	1.7	7.7	6.8	1.2	13.5	4.0	2.3	2.3	3.8	2.5	1.5
Belgium	66.7	59.7	1.5	5.3	8.2	0.8	12.2	1.7	3.2	1.3	2.8	1.8	2.6
Bulgaria	69.9	51.3	11.4	1.8	2.7	0.2	4.3	2.7	1.0	3.6	3.3	0.5	1.2
Czechia	80.5	66.1	1.6	2.0	4.7	0.4	7.4	1.2	0.8	3.4	1.5	0.7	0.5
Denmark	55.5	38.4	1.1	8.3	7.1	2.0	18.6	4.1	2.6	1.5	3.1	2.6	0.7
Germany	54.4	38.4	1.8	8.8	6.4	1.6	14.7	7.0	2.7	2.8	2.5	2.6	1.0
Estonia	67.7	49.1	1.1	6.5	2.3	0.5	9.4	1.3	0.9	8.0	2.2	1.1	1.3
Ireland	40.5	37.3	0.5	28.8	11.9	2.3	19.5	3.3	0.8	0.5	1.5	1.7	0.7
Greece	51.8	39.2	11.9	4.3	3.9	0.4	6.3	2.7	1.8	2.0	15.6	1.9	1.4
Spain	62.2	55.0	1.9	4.6	7.1	0.9	11.5	2.2	1.5	1.1	7.7	5.2	1.3
France	54.5	47.6	1.4	8.1	7.0	1.4	14.2	4.2	3.5	1.6	6.4	2.6	2.1
Croatia	75.2	63.7	9.4	2.6	1.7	0.4	4.9	1.0	0.6	1.7	3.5	0.4	0.3
Italy	53.3	42.9	2.7	9.4	5.3	1.4	14.7	2.8	2.5	2.7	6.2	3.1	1.2
Cyprus	25.4	21.4	0.4	2.4	4.8	0.0	16.7	1.8	5.6	1.0	23.7	19.7	3.4
Latvia	62.0	45.1	1.0	3.5	5.4	0.4	9.2	1.1	0.7	18.7	2.2	0.5	0.6
Lithuania	55.9	37.3	0.9	5.2	3.9	1.1	8.3	0.7	0.6	24.4	2.0	0.4	0.7
Luxembourg	81.5	74.0	1.2	2.7	3.4	0.6	6.5	1.6	0.9	1.4	1.4	1.2	1.0
Hungary	79.1	59.2	3.6	2.3	3.7	0.4	5.7	1.4	0.7	4.5	0.9	1.1	0.3
Malta	58.2	52.9	0.7	6.5	2.8	6.4	10.1	1.4	2.7	0.1	8.3	2.6	3.0
Netherlands	68.9	59.0	1.1	4.5	8.6	0.7	13.4	1.8	1.4	1.5	2.6	1.9	2.2
Austria	70.0	54.6	1.5	6.4	2.8	0.9	10.6	2.7	1.7	2.2	1.6	1.9	0.7
Poland	74.8	58.1	1.6	2.8	6.3	0.3	9.6	0.9	0.8	6.4	1.3	1.0	0.6
Portugal	71.4	66.0	0.8	5.1	6.6	0.3	9.4	1.1	0.5	0.5	3.3	2.9	4.7
Romania	73.7	57.2	4.6	1.9	4.3	0.4	6.6	0.9	0.8	4.7	5.1	0.9	0.6
Slovenia	77.7	52.5	5.8	1.6	1.7	0.3	5.3	1.4	0.9	3.4	2.7	0.6	0.3
Slovakia	81.1	49.4	1.3	3.2	5.3	0.1	7.8	1.6	0.2	2.8	1.1	0.6	0.2
Finland	55.7	39.4	1.2	7.1	4.6	2.4	12.7	5.5	2.9	6.2	2.8	2.4	1.1
Sweden	54.8	42.5	1.1	6.9	5.8	1.5	21.6	4.6	2.1	1.9	2.7	1.9	1.0
P.M.: United Kingdom	*49.9*	*44.3*	*2.3*	*14.0*	*:*	*1.8*	*13.2*	*5.8*	*3.0*	*1.4*	*5.4*	*1.8*	*1.7*

Table 58: **World imports of goods and services, volume (percentage change on preceding year, 2015-21)** 23.4.2020

						Spring 2020 forecast			*Autumn 2019 forecast*		
	(a)	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
EU (b)	29.9	7.4	4.4	5.3	3.3	**3.7**	**-12.8**	**9.5**	*3.3*	*2.7*	*2.8*
Euro area (b)	24.9	7.7	4.1	5.0	2.8	**3.8**	**-12.9**	**9.7**	*3.2*	*2.6*	*2.7*
United Kingdom	3.8	5.4	4.4	3.5	2.0	**4.6**	**-9.9**	**6.1**	*2.8*	*3.1*	*2.7*
Candidate Countries	1.2	2.0	4.3	10.2	-5.3	**-1.6**	**-22.1**	**7.1**	*-7.4*	*3.9*	*4.4*
- Albania	0.0	-2.9	6.9	8.4	2.4	**2.7**	**-16.7**	**5.1**	*4.8*	*4.4*	*4.0*
- Montenegro	0.0	4.4	15.3	8.4	9.2	**2.1**	**-26.1**	**16.0**	*3.9*	*2.3*	*1.4*
- North Macedonia	0.0	9.9	11.1	6.4	9.0	**9.0**	**-9.2**	**10.6**	*10.2*	*10.1*	*9.3*
- Serbia	0.1	4.0	6.7	11.1	11.6	**9.5**	**-9.4**	**16.7**	*9.5*	*7.8*	*7.5*
- Turkey	1.0	1.7	3.7	10.3	-7.8	**-3.6**	**-24.5**	**5.2**	*-10.8*	*3.2*	*3.9*
Iceland	0.0	13.8	14.5	12.3	0.8	**-9.9**	**-5.9**	**2.6**	*-1.1*	*3.8*	*4.0*
Norway	0.6	1.9	2.7	1.9	1.9	**5.2**	**-12.6**	**7.7**	*4.8*	*2.6*	*2.0*
Switzerland	1.6	4.5	5.7	-0.6	-0.3	**-1.4**	**-8.8**	**9.2**	*2.3*	*2.4*	*2.4*
Australia	1.3	2.0	0.1	7.7	4.0	**0.7**	**-20.9**	**10.3**	*0.9*	*1.7*	*2.0*
Canada	2.4	0.6	0.0	4.2	2.9	**0.3**	**-14.6**	**11.1**	*1.0*	*1.8*	*1.9*
Japan	3.8	0.8	-1.6	3.4	3.4	**-0.8**	**-11.8**	**2.0**	*-0.8*	*0.3*	*0.5*
Korea	2.7	2.1	5.2	8.9	0.8	**-0.6**	**-7.7**	**4.3**	*-1.4*	*1.5*	*1.6*
United States	13.1	5.3	2.0	4.7	4.4	**1.0**	**-12.9**	**13.2**	*2.2*	*2.0*	*1.8*
Advanced economies	67.3	4.9	2.9	5.1	3.1	**1.7**	**-12.3**	**9.0**	*1.7*	*2.2*	*2.3*
Emerging and developing Asia	18.0	0.3	4.7	9.2	7.6	**-0.5**	**-7.9**	**5.4**	*0.5*	*2.3*	*3.2*
- China	10.6	-0.5	4.7	7.1	7.9	**-2.3**	**-6.0**	**4.6**	*-1.7*	*1.1*	*2.2*
- India	2.7	0.0	4.0	13.8	4.3	**-1.7**	**-10.8**	**3.3**	*2.6*	*2.9*	*3.5*
- Indonesia	0.9	-8.6	2.0	10.5	12.8	**3.3**	**-8.2**	**8.9**	*3.5*	*4.8*	*5.9*
CIS	2.4	-20.3	-2.9	13.0	4.1	**3.4**	**-10.5**	**3.7**	*1.5*	*2.4*	*2.6*
- Russia	1.4	-25.1	-3.6	17.4	2.7	**2.2**	**-9.7**	**2.3**	*-0.1*	*1.4*	*1.7*
- Other CIS	1.0	-12.3	-1.7	6.7	6.2	**5.1**	**-11.7**	**5.6**	*3.9*	*3.8*	*3.8*
- Latin America	5.3	-1.8	-2.6	4.8	4.4	**-1.6**	**-13.0**	**4.7**	*-0.8*	*2.5*	*3.2*
- Argentina	0.4	2.6	3.6	14.2	-5.6	**-18.7**	**-12.9**	**4.8**	*-17.7*	*-0.8*	*3.9*
- Brazil	1.1	-13.5	-8.2	5.2	6.6	**1.1**	**-12.0**	**2.3**	*1.7*	*3.6*	*3.6*
Mexico	2.1	5.9	2.8	6.4	6.2	**-1.1**	**-15.1**	**6.8**	*0.5*	*3.0*	*3.3*
MENA	5.4	-0.4	-1.8	3.5	-0.5	**0.9**	**-3.2**	**2.8**	*1.2*	*2.6*	*2.9*
- Saudi Arabia	0.9	1.7	-16.2	0.4	1.4	**2.9**	**-7.4**	**3.5**	*2.9*	*3.3*	*3.5*
Sub-Saharan Africa	1.6	2.5	-9.6	-0.1	7.1	**1.7**	**-13.2**	**2.7**	*2.4*	*2.4*	*2.9*
- South Africa	0.5	5.4	-3.9	1.0	3.3	**-0.5**	**-16.8**	**1.8**	*1.1*	*1.3*	*1.9*
Emerging and developing economies	32.7	-1.9	0.8	7.2	5.4	**-0.1**	**-8.4**	**4.6**	*0.6*	*2.4*	*3.1*
World	100.0	2.7	2.2	5.8	3.8	**1.1**	**-11.0**	**7.5**	*1.4*	*2.3*	*2.6*
World excluding EU	70.1	0.8	1.3	6.0	4.1	**0.1**	**-10.3**	**6.7**	*0.5*	*2.1*	*2.5*
World excluding euro area	75.1	1.1	1.6	6.1	4.2	**0.2**	**-10.4**	**6.8**	*0.7*	*2.2*	*2.6*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2018.

(b) Intra- and extra-EU trade.

Table 59: Import shares in EU trade (goods only - 2019) 23.4.2020

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	62.7	50.5	1.7	4.5	4.1	1.2	9.9	6.3	3.1	4.8	2.8	1.8	1.1
Euro area	60.8	49.2	1.6	5.1	4.4	1.3	10.4	6.3	3.3	4.6	3.2	2.1	1.3
Belgium	62.3	56.3	1.1	7.6	4.6	1.6	9.6	4.2	3.7	2.6	3.4	2.3	1.7
Bulgaria	62.8	45.2	10.0	1.0	1.6	0.4	4.2	3.8	2.5	11.2	1.1	2.8	0.2
Czechia	77.9	61.7	1.0	1.7	1.7	0.9	5.5	6.9	1.3	4.1	0.2	0.3	0.2
Denmark	68.2	49.7	1.1	2.4	3.5	0.5	11.9	6.9	2.7	4.0	0.3	1.6	0.4
Germany	65.0	46.2	1.8	4.6	3.8	1.7	11.2	6.3	3.2	3.2	0.8	1.4	0.8
Estonia	70.3	52.9	0.5	1.7	1.7	0.8	5.0	4.9	1.6	13.2	0.3	0.5	1.3
Ireland	40.0	34.9	0.8	11.9	31.4	1.2	36.2	4.1	2.0	0.9	0.7	1.5	0.6
Greece	50.2	40.0	4.2	1.7	2.5	0.7	6.1	10.4	2.0	9.4	14.2	1.0	0.2
Spain	58.2	51.3	2.2	3.5	3.7	0.9	8.3	6.7	3.8	1.6	7.1	5.0	2.7
France	66.0	58.9	1.2	5.5	4.7	1.1	10.6	4.6	2.5	1.9	4.2	1.1	1.4
Croatia	73.8	55.6	4.1	2.1	1.1	0.2	3.8	4.6	1.2	6.4	3.1	0.6	0.1
Italy	56.8	47.4	2.7	4.5	2.7	0.9	8.4	6.5	3.2	7.3	6.5	1.9	1.3
Cyprus	55.1	49.5	0.2	1.0	4.1	1.3	16.8	5.8	2.5	7.6	2.4	2.7	4.7
Latvia	58.7	45.5	0.6	2.2	2.2	0.3	6.6	5.0	2.3	23.1	0.1	0.9	0.2
Lithuania	63.9	44.1	1.0	2.1	1.9	0.2	6.5	5.2	0.8	19.0	0.5	0.5	0.2
Luxembourg	84.6	80.0	0.3	3.7	1.2	2.2	3.8	3.1	0.6	0.4	0.2	0.3	0.7
Hungary	74.9	58.1	1.8	1.5	1.7	1.4	6.2	5.6	1.9	5.7	0.6	0.3	0.1
Malta	32.5	30.1	2.9	1.2	5.0	3.9	12.4	8.4	2.3	28.4	5.0	2.2	0.8
Netherlands	43.1	36.7	0.8	7.6	5.3	2.0	12.1	11.3	5.5	8.2	3.5	3.8	2.1
Austria	81.4	67.0	1.0	2.0	1.5	0.7	6.9	1.6	2.8	2.4	0.7	0.3	0.0
Poland	68.9	58.1	1.4	1.9	2.5	0.8	7.0	7.5	2.1	7.9	1.4	0.9	0.2
Portugal	72.4	67.6	1.3	1.7	2.5	0.7	6.1	4.4	2.1	2.4	3.5	2.8	2.6
Romania	74.1	54.3	5.5	1.2	1.8	0.5	4.0	4.7	1.2	7.3	0.8	0.7	0.1
Slovenia	68.0	52.6	5.5	0.8	1.1	0.3	8.4	10.8	2.9	1.1	0.3	1.6	0.3
Slovakia	82.5	46.2	1.2	0.3	0.9	0.3	5.3	3.0	1.7	5.6	0.1	0.2	0.0
Finland	67.2	43.8	0.5	2.4	2.5	0.6	7.6	4.0	1.3	15.0	0.2	1.1	0.2
Sweden	71.5	55.1	1.1	2.8	4.6	0.9	12.3	5.2	2.3	2.2	0.4	1.0	0.3
P.M.: United Kingdom	*56.2*	*48.5*	*1.7*	*9.9*	*:*	*2.1*	*10.1*	*8.5*	*4.4*	*2.3*	*1.9*	*1.3*	*1.7*

Table 60: World merchandise trade balances (fob-fob, in billions of US dollar, 2014-21) 23.4.2020

						Spring 2020 forecast			*Autumn 2019 forecast*		
	2014	2015	2016	2017	2018	2019	2020	2021	*2019*	*2020*	*2021*
EU	396.2	479.1	489.5	466.0	410.4	**437.9**	**437.0**	**472.7**	*398.2*	*384.2*	*373.3*
EU, adjusted[1]	282.1	368.8	393.9	373.2	307.9	**330.5**	**332.2**	**368.3**	*:*	*:*	*:*
Euro area	371.9	453.8	459.7	444.5	410.9	**420.1**	**413.1**	**445.5**	*390.9*	*381.7*	*373.4*
Euro area, adjusted[1]	307.4	385.7	400.3	390.4	354.6	**360.8**	**355.3**	**387.8**	*328.4*	*320.0*	*311.7*
United Kingdom	-199.6	-179.9	-181.2	-175.1	-186.0	**-165.5**	**-156.5**	**-171.8**	*-173.5*	*-168.7*	*-175.4*
Candidate Countries	-75.5	-58.2	-50.7	-70.1	-51.0	**-33.0**	**-7.5**	**9.3**	*-37.0*	*-41.6*	*-47.8*
- Albania	-2.9	-2.5	-2.9	-3.2	-3.4	**-3.5**	**-3.0**	**-3.3**	*-3.5*	*-3.7*	*-3.8*
- Montenegro	-1.8	-1.6	-1.8	-2.1	-2.4	**-2.3**	**-1.5**	**-1.8**	*-2.4*	*-2.5*	*-2.5*
- North Macedonia	-2.5	-2.0	-2.0	-2.0	-2.1	**-2.2**	**-2.0**	**-2.4**	*-2.2*	*-2.5*	*-2.8*
- Serbia	-4.4	-3.6	-3.0	-4.0	-5.6	**-5.8**	**-4.9**	**-6.3**	*-6.2*	*-6.7*	*-7.3*
- Turkey	-63.8	-48.4	-41.0	-58.8	-37.5	**-19.2**	**4.0**	**23.1**	*-22.6*	*-26.3*	*-31.3*
Iceland	-0.1	-0.3	-0.8	-1.5	-1.5	**-0.8**	**-0.8**	**-0.7**	*-1.4*	*-1.7*	*-1.9*
Norway	50.6	24.9	11.7	20.4	30.5	**11.1**	**3.6**	**3.4**	*28.8*	*29.0*	*30.7*
Switzerland	55.5	53.7	50.7	50.8	60.3	**65.8**	**57.2**	**58.7**	*64.5*	*66.6*	*68.3*
Australia	2.2	-19.0	-5.8	10.5	20.9	**25.3**	**35.6**	**29.9**	*25.5*	*29.2*	*27.0*
Canada	5.1	-18.6	-19.2	-18.8	-17.1	**-13.7**	**-20.2**	**-24.7**	*-8.6*	*-1.8*	*5.7*
Japan	-99.1	-7.3	50.8	43.8	10.9	**13.5**	**-5.6**	**0.1**	*7.9*	*13.3*	*14.3*
Korea	86.1	120.3	116.5	113.6	110.1	**76.9**	**65.9**	**69.5**	*104.9*	*105.0*	*106.2*
United States	-776.6	-793.5	-777.1	-841.4	-909.3	**-886.3**	**-743.7**	**-899.1**	*-929.3*	*-966.4*	*-999.5*
Advanced economies	-439.5	-257.3	-172.7	-248.2	-386.4	**-337.0**	**-210.8**	**-325.3**	*-397.6*	*-428.1*	*-471.4*
Emerging and developing Asia	336.3	483.1	423.7	367.5	215.4	**241.9**	**93.4**	**129.3**	*262.7*	*243.9*	*229.1*
- China	435.0	576.2	488.9	475.9	395.2	**425.3**	**277.7**	**325.3**	*451.7*	*442.9*	*437.7*
- India	-144.0	-136.9	-107.5	-148.1	-186.7	**-193.8**	**-159.5**	**-165.0**	*-191.2*	*-195.1*	*-202.0*
- Indonesia	7.0	14.0	15.3	18.8	-0.2	**-2.9**	**-7.3**	**-11.3**	*-3.2*	*-4.2*	*-4.2*
CIS	228.6	150.4	83.1	115.3	201.7	**159.7**	**32.9**	**44.1**	*174.9*	*176.3*	*178.1*
- Russia	186.8	145.7	90.2	115.4	195.3	**159.0**	**48.8**	**61.6**	*173.9*	*177.1*	*180.2*
- Other CIS	41.8	4.7	-7.1	-0.1	6.4	**0.7**	**-16.0**	**-17.6**	*1.0*	*-0.7*	*-2.1*
Latin America	-10.3	-47.8	7.9	41.0	22.1	**45.3**	**37.5**	**40.2**	*44.3*	*44.9*	*38.4*
- Argentina	5.5	-0.8	4.4	-5.4	-0.7	**18.2**	**18.2**	**19.5**	*15.2*	*23.8*	*23.9*
- Brazil	-6.6	17.7	44.6	64.0	53.0	**40.8**	**42.2**	**43.6**	*54.6*	*51.6*	*50.0*
- Mexico	-2.8	-14.6	-13.1	-11.0	-13.8	**5.6**	**16.5**	**16.6**	*-4.6*	*-5.0*	*-8.3*
MENA	448.5	124.3	76.8	180.1	320.3	**232.3**	**16.9**	**13.6**	*235.1*	*224.6*	*224.7*
- Saudi Arabia	184.0	44.3	55.8	98.5	168.7	**129.3**	**62.8**	**58.1**	*136.4*	*132.4*	*127.4*
Sub-Saharan Africa	27.6	-33.6	-12.0	13.6	24.3	**19.9**	**4.8**	**9.9**	*22.8*	*21.3*	*21.6*
- South Africa	-5.1	-3.6	2.2	4.9	1.7	**3.1**	**7.3**	**7.7**	*2.1*	*1.6*	*1.6*
Emerging and developing economies	1030.7	676.4	579.5	717.5	783.8	**699.1**	**185.4**	**237.1**	*739.9*	*711.1*	*691.9*
World	591.2	419.1	406.8	469.3	397.4	**362.1**	**-25.5**	**-88.2**	*342.2*	*283.0*	*220.5*
World excluding EU	194.9	-60.0	-82.7	3.3	-12.9	**-75.8**	**-462.4**	**-560.9**	*-56.0*	*-101.3*	*-152.8*
World excluding euro area	219.3	-34.8	-52.8	24.8	-13.4	**-58.0**	**-438.6**	**-533.7**	*-48.6*	*-98.8*	*-152.9*

[1] See note 8 on concepts and sources.

Table 61: World current-account balances (in billions of US dollar, 2014-21) 23.4.2020

						Spring 2020 forecast			Autumn 2019 forecast		
	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020	2021
EU	464.0	442.8	477.8	525.4	538.5	**493.1**	**441.3**	**515.0**	*473.3*	*463.2*	*461.0*
EU, adjusted[1]	387.6	378.0	461.8	451.0	479.8	**431.5**	**381.3**	**455.1**	:	:	:
Euro area	418.9	400.8	432.3	478.6	510.2	**446.1**	**408.4**	**470.8**	*442.0*	*430.7*	*423.7*
Euro area, adjusted[1]	319.5	322.8	390.1	393.4	426.2	**358.7**	**323.2**	**385.9**	*356.9*	*346.6*	*339.6*
United Kingdom	-144.9	-143.7	-140.5	-93.2	-110.6	**-106.9**	**-105.6**	**-119.5**	*-121.8*	*-122.0*	*-123.6*
Candidate Countries	-48.3	-35.0	-36.2	-51.5	-31.9	**-4.0**	**-8.2**	**6.0**	*-9.7*	*-10.5*	*-14.3*
- Albania	-1.4	-1.0	-0.9	-1.0	-1.0	**-1.2**	**-1.3**	**-1.3**	*-1.0*	*-0.9*	*-0.9*
- Montenegro	-0.6	-0.4	-0.7	-0.8	-0.9	**-0.8**	**-0.7**	**-0.7**	*-0.9*	*-0.9*	*-0.8*
- North Macedonia	-0.1	-0.2	-0.3	-0.1	0.0	**-0.2**	**-0.4**	**-0.5**	*-0.2*	*-0.3*	*-0.3*
- Serbia	-2.6	-1.4	-1.2	-2.3	-2.5	**-3.5**	**-2.1**	**-2.9**	*-3.1*	*-2.9*	*-3.1*
- Turkey	-43.6	-32.0	-33.1	-47.3	-27.4	**1.8**	**-3.7**	**11.4**	*-4.6*	*-5.5*	*-9.2*
Iceland	0.7	0.9	1.6	0.9	0.7	**1.1**	**0.5**	**0.9**	*0.6*	*0.3*	*0.2*
Norway	52.6	30.6	14.8	22.6	35.1	**14.3**	**6.2**	**5.7**	*31.4*	*31.9*	*34.1*
Switzerland	61.3	76.5	63.6	44.3	57.9	**58.9**	**43.4**	**46.7**	*71.2*	*74.9*	*77.6*
Australia	-43.4	-57.0	-41.0	-35.8	-29.2	**-12.3**	**-9.7**	**-18.5**	*-12.1*	*-22.3*	*-21.9*
Canada	-41.9	-54.7	-47.3	-46.4	-43.0	**-34.2**	**-38.1**	**-42.8**	*-34.9*	*-27.8*	*-21.7*
Japan	37.1	136.5	197.0	202.0	175.0	**176.4**	**173.5**	**162.0**	*177.6*	*180.2*	*175.1*
Korea	83.0	105.1	97.9	75.2	77.5	**60.0**	**39.2**	**42.1**	*58.3*	*54.3*	*51.3*
United States	-375.6	-424.1	-441.4	-466.6	-509.5	**-502.9**	**-598.6**	**-638.7**	*-541.3*	*-551.9*	*-567.2*
Advanced economies	170.0	230.4	296.1	353.0	320.9	**292.5**	**63.7**	**90.4**	*239.3*	*220.0*	*203.4*
Emerging and developing Asia	225.8	304.4	221.4	187.6	-40.3	**88.8**	**25.1**	**59.6**	*60.0*	*43.0*	*19.8*
- China	236.0	304.2	202.2	195.1	25.5	**141.3**	**81.6**	**119.2**	*117.0*	*98.2*	*89.3*
- India	-27.3	-22.5	-12.1	-38.2	-65.6	**-65.5**	**-36.9**	**-49.8**	*-62.8*	*-58.4*	*-71.4*
- Indonesia	-27.5	-17.5	-17.0	-16.2	-30.6	**-29.9**	**-31.6**	**-33.9**	*-30.7*	*-33.1*	*-35.7*
CIS	53.6	50.5	2.8	19.5	109.0	**59.5**	**-78.7**	**-66.7**	*79.6*	*73.3*	*64.5*
- Russia	53.5	66.1	25.7	31.3	113.7	**67.4**	**-38.5**	**-30.8**	*86.1*	*80.5*	*74.8*
- Other CIS	0.1	-15.6	-22.9	-11.8	-4.8	**-7.9**	**-40.2**	**-35.8**	*-6.5*	*-7.2*	*-10.3*
Latin America	-182.3	-169.5	-98.0	-84.3	-123.2	**-91.4**	**-77.2**	**-83.3**	*-82.2*	*-88.1*	*-97.2*
- Argentina	-9.2	-17.6	-15.1	-31.2	-27.3	**-3.5**	**2.5**	**1.2**	*-8.6*	*-2.5*	*-1.4*
- Brazil	-101.4	-54.5	-24.2	-15.0	-41.5	**-49.5**	**-34.3**	**-39.9**	*-21.6*	*-26.6*	*-29.8*
- Mexico	-25.4	-31.0	-24.3	-20.5	-23.0	**-2.4**	**11.3**	**11.0**	*-13.5*	*-14.4*	*-18.9*
MENA	226.1	-81.5	-83.8	28.2	165.1	**62.8**	**-130.6**	**-107.5**	*40.9*	*48.7*	*66.2*
- Saudi Arabia	73.8	-56.7	-23.8	10.5	70.6	**49.8**	**2.5**	**8.8**	*33.4*	*46.5*	*55.4*
Sub-Saharan Africa	-49.8	-79.0	-43.6	-25.8	-28.1	**-49.1**	**-73.1**	**-58.0**	*-45.6*	*-56.0*	*-59.8*
- South Africa	-17.8	-14.6	-8.4	-8.9	-13.4	**-10.6**	**-1.9**	**-5.7**	*-12.3*	*-14.6*	*-15.7*
Emerging and developing economies	273.5	24.9	-1.2	125.1	82.4	**70.5**	**-334.5**	**-255.9**	*52.7*	*20.9*	*-6.4*
World	443.5	255.3	294.9	478.1	403.3	**363.0**	**-270.8**	**-165.6**	*292.0*	*240.9*	*197.0*
World excluding EU	-20.5	-187.5	-182.9	-47.3	-135.2	**-130.1**	**-712.1**	**-680.6**	*-181.2*	*-222.2*	*-264.0*
World excluding euro area	24.6	-145.5	-137.4	-0.5	-106.9	**-83.0**	**-679.2**	**-636.3**	*-150.0*	*-189.7*	*-226.7*

[1] See note 8 on concepts and sources.

Table 62: Crude oil prices, 2014-2021 23.4.2020

							Spring 2020 forecast		Autumn 2019 forecast		
	2014	2015	2016	2017	2018	2019	2020	2021	2019	2020	2021
Annual percentage change (USD)	-8.5	-46.3	-15.5	21.2	30.7	**-10.4**	**-40.1**	**4.8**	*-11.6*	*-9.3*	*-2.2*
Price per barrel											
- Brent (USD)	99.5	53.4	45.2	54.8	71.5	**64.1**	**38.4**	**40.2**	*63.3*	*57.4*	*56.1*
- Brent (EUR)	74.9	48.2	40.8	48.5	60.6	**57.2**	**35.1**	**36.9**	*56.5*	*51.9*	*50.8*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2020 and 2021 are forecasts. The source for all tables is the European Commission, unless otherwise stalted. Historical data for the Member States are based on the European System of Accounts (ESA 2010). US national accounts are based on SNA 2008, whilst the Japanese accounts use SNA 1993. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17 and 18, the data are based on the national index for USA and Japan.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 23-29 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, and the Netherlands report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 50, 52, and 61 (Balance of Payments). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2019.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility.

10. Geographical zones are defined as follows :

Euro area :

EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

European Union :

EU (EA19, BG, CZ, DK, HR, HU, PL, RO, and SE).

Candidate countries :

Albania, Montenegro, North Macedonia, Serbia and Turkey.

Potential candidates :

Bosnia-Herzegovina and Kosovo.

Advanced economies :

EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

Emerging and developing Asia:

All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :

All countries in that region.

MENA (Middle East and Northern Africa) :

Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :

All countries in that region except the African MENA countries.

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