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European Economic Forecast

Autumn 2024

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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 296

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

BA	Bosnia and Herzegovina
BR	Brazil
CH	Switzerland
CN	China
IN	India
IS	Iceland
JP	Japan
MD	Moldova
NO	Norway
MX	Mexico
UA	Ukraine
UK	United Kingdom
US	United States of America

AE	Advanced economy
CEE	Central and Eastern European
EFTA	European Free Trade Association
EME	Emerging markets economy
EMU	Economic and Monetary Union
MENA	Middle East and North Africa
ROW	Rest of the World

Economic variables and institutions

CPI	Consumer price index
ECB	European Central Bank
EUI	Economic Uncertainty Indicator
ESI	Economic Sentiment Indicator
FAO	Food and Agriculture Organization of the United Nations
FED	Federal Reserve Bank
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
NEER	Nominal Effective Exchange Rate
OPEC	Organization of the Petroleum Exporting Countries
PMI	Purchasing Managers' Index

Other abbreviations

AF	Autumn Forecast
APP	ECB asset purchase programme
BCS	Joint Harmonised EU Programme of Business and Consumer Surveys
CFCI	Composite Financing Cost Indicator
COICOP	Classification of individual consumption by purpose
COVID-19	Coronavirus disease 2019
DGSE	Dynamic Stochastic General Equilibrium model
EUCAM	European Union Commonly Agreed Methodology
GM	European Commission's Global Multi-country model
HDD	Heating degree days
NACE	Statistical classification of economic activities in the European Community
NFC	Non-financial corporation
NGEU	NextGenerationEU
LNG	Liquefied Natural Gas
PEPP	ECB pandemic emergency purchase programme
PPP	Purchasing power parity
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SF	Spring Forecast
SME	Small and medium-sized enterprise
S&P GSCI	Standard and Poor's Goldman Sachs Commodities Index
SVB	Silicon Valley Bank
TFP	Total factor productivity
TTF	Title Transfer Facility
TLTRO III	Targeted longer-term refinancing operations
VAT	Value-added tax
WiF	Winter interim Forecast

Graphs/Tables/Units

bbl	Barrel
bcm	Billion cubic meters
bn	Billion
bp. /bps.	Basis point / points
euro/MWh	Euro per megawatt hour
GW	Giga Watt
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	Trillion
y-o-y%	Year-on-year percentage change

Currencies

EUR	Euro
ALL	Albanian lek
BAM	Bosnian Mark
BGN	Bulgarian lev
CZK	Czech koruna
DKK	Danish krone
GEL	Georgian Lari
GBP	Pound sterling
HUF	Hungarian forint
ISK	Icelandic krona
MDL	Moldovan Leu
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
RUB	Russian Ruble
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen
CNY	Chinese Yuan Renminbi
TRY	Turkish lira
USD	US dollar

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FOREWORD

The EU economy is navigating a complex and challenging environment, but the ingredients for a gradual and sustained domestic demand-driven economic expansion are in place. Employment is strong and still growing. Real incomes are recovering, in a context of solid household and corporate balance sheets. After two years of globally synchronous disinflation, financing conditions are easing. The necessary fiscal consolidation will have some impact on growth, but the new economic governance framework allows for more gradual adjustments over the medium term and provides room for investment and reforms to underpin the growth potential and fiscal sustainability. Moreover, a forceful implementation of the Recovery and Resilience Plans in the last two years of the facility will help mitigate the adverse effects of fiscal consolidation and render the composition of public finances more growth friendly.

However, the legacy of high inflation, including the still high borrowing costs, and structural challenges, notably in the EU's all-important automotive sector, constrain the growth outlook.

Geopolitical risks and policy uncertainty have further increased. In addition to the risks related to the wars in Ukraine and the Middle East, a further increase in protectionist measures by trading partners could weigh on international trade. With its structural dependence on energy imports and high degree of openness, the EU is especially vulnerable.

At this juncture, the sources of uncertainty for the EU are predominantly beyond our borders, but domestic policy uncertainty is elevated too. To foster a more predictable economic environment, it is important for policymakers at both the EU and Member State level to maintain a steadfast commitment to announced reforms and investment plans and avoid costly policy reversals.

Maarten Verwey

Director General
Economic and Financial Affairs

A GRADUAL REBOUND IN AN ADVERSE ENVIRONMENT

EXECUTIVE SUMMARY

Subdued yet steady growth in the first nine months of the year…

Following a prolonged and broad-based stagnation, the EU economy resumed growth in the first quarter of this year. As projected in spring, the expansion continued at a subdued, yet steady, pace throughout the second and third quarters, amidst further abating inflationary pressures. The conditions for a mild acceleration of domestic demand appear in place, despite heightened uncertainty.

…leads the way to a mild acceleration of economic activity, while the disinflation process continues.

This Autumn Forecast projects real GDP growth in 2024 at 0.9% in the EU and 0.8% in the euro area. For the EU, this is 0.1 pps. lower with respect to spring, while it is unchanged for the euro area. Growth in the EU is expected to pick up to 1.5% in 2025, as consumption is shifting up a gear and investment is set to rebound from the contraction of 2024. In 2026, economic activity is projected to expand by 1.8%, on the back of continued expansion of demand. Growth in the euro area is set to follow similar dynamics and attain 1.3% in 2025 and 1.6% in 2026. The disinflationary process that started towards end-2022 continued over the summer. Notwithstanding a slight pick-up in October, largely driven by energy prices, headline inflation in the euro area is set to more than halve in 2024, from 5.4% in 2023 to 2.4%, before easing more gradually to 2.1% in 2025 and 1.9% in 2026. In the EU, the disinflation process is set to be even sharper in 2024, with headline inflation falling to 2.6%, from 6.4% in 2023, and to continue easing to 2.4% in 2025 and 2.0% in 2026.

Table 1: **Overview - the Autumn 2024 Forecast**

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Belgium	1.1	1.2	1.5	4.4	2.9	1.9	5.6	5.7	5.6	0.4	0.3	0.3	-4.6	-4.9	-5.3
Germany	-0.1	0.7	1.3	2.4	2.1	1.9	3.3	3.3	3.4	7.1	6.8	6.5	-2.2	-2.0	-1.8
Estonia	-1.0	1.1	2.6	3.6	3.6	2.4	7.5	7.7	7.2	-1.5	-1.0	-0.7	-3.0	-3.0	-3.0
Ireland	-0.5	4.0	3.6	1.4	1.9	1.8	4.4	4.4	4.5	13.6	9.7	9.8	4.4	1.4	1.3
Greece	2.1	2.3	2.2	3.0	2.4	1.9	10.4	9.8	9.2	-7.1	-7.5	-7.2	-0.6	-0.1	0.2
Spain	3.0	2.3	2.1	2.8	2.2	2.0	11.5	11.0	10.7	4.2	4.5	4.4	-3.0	-2.6	-2.7
France	1.1	0.8	1.4	2.4	1.9	1.8	7.4	7.5	7.6	-0.5	-0.3	-0.3	-6.2	-5.3	-5.4
Croatia	3.6	3.3	2.9	4.0	3.4	2.0	5.1	4.7	4.6	0.4	0.5	0.6	-2.1	-2.1	-1.9
Italy	0.7	1.0	1.2	1.1	1.9	1.7	6.8	6.3	6.2	1.1	1.2	1.4	-3.8	-3.4	-2.9
Cyprus	3.6	2.8	2.5	2.2	2.1	2.0	4.9	4.7	4.5	-9.2	-8.4	-8.2	3.5	2.7	2.7
Latvia	0.0	1.0	2.1	1.2	2.2	2.2	6.7	6.7	6.5	-3.2	-2.1	-2.3	-2.8	-3.2	-3.2
Lithuania	2.2	3.0	3.0	0.9	1.7	1.6	7.5	7.0	6.9	2.7	2.5	2.4	-2.0	-2.4	-2.6
Luxembourg	1.2	2.3	2.2	2.3	2.4	1.8	6.0	6.0	5.8	-4.5	-4.3	-4.0	-0.6	-0.8	-0.6
Malta	5.0	4.3	4.3	2.5	2.2	2.0	3.2	3.1	3.0	5.7	5.7	5.9	-4.0	-3.5	-3.1
Netherlands	0.8	1.6	1.5	3.2	2.4	1.9	3.7	3.8	3.9	11.1	11.1	11.0	-0.2	-1.9	-2.4
Austria	-0.6	1.0	1.4	2.9	2.1	1.7	5.3	5.3	5.0	1.7	1.5	1.5	-3.6	-3.7	-3.5
Portugal	1.7	1.9	2.1	2.6	2.1	1.9	6.4	6.3	6.2	0.9	0.6	0.4	0.6	0.4	0.3
Slovenia	1.4	2.5	2.6	2.1	3.2	2.1	3.5	3.6	3.6	3.0	2.9	2.6	-2.4	-2.1	-2.1
Slovakia	2.2	2.3	2.5	3.1	5.1	3.0	5.5	5.3	5.1	-1.3	-2.0	-1.4	-5.8	-4.7	-4.1
Finland	-0.3	1.5	1.6	1.0	2.0	1.8	8.2	7.9	7.5	-0.6	-0.9	-0.9	-3.7	-3.0	-2.5
Euro area	0.8	1.3	1.6	2.4	2.1	1.9	6.5	6.3	6.3	3.8	3.6	3.6	-3.0	-2.9	-2.8
Bulgaria	2.4	2.9	3.0	2.5	2.3	2.9	4.3	4.0	3.8	0.3	-0.2	-1.2	-2.6	-2.8	-2.8
Czechia	1.0	2.4	2.7	2.7	2.4	2.0	2.6	2.7	2.7	4.3	3.3	3.2	-2.5	-2.3	-1.9
Denmark	2.4	2.5	1.8	1.3	1.9	1.7	5.8	5.8	5.8	10.6	10.1	9.8	2.3	1.5	0.9
Hungary	0.6	1.8	3.1	3.8	3.6	3.2	4.5	4.3	4.1	2.1	1.2	1.0	-5.4	-4.6	-4.1
Poland	3.0	3.6	3.1	3.8	4.7	3.0	2.9	2.8	2.7	0.6	0.4	0.3	-5.8	-5.6	-5.3
Romania	1.4	2.5	2.9	5.5	3.9	3.6	5.5	5.5	5.4	-8.3	-7.6	-6.9	-8.0	-7.9	-7.9
Sweden	0.3	1.8	2.6	1.9	1.5	1.8	8.5	8.4	7.8	6.6	6.4	6.5	-1.9	-1.4	-0.3
EU	**0.9**	**1.5**	**1.8**	**2.6**	**2.4**	**2.0**	**6.1**	**5.9**	**5.9**	**3.6**	**3.4**	**3.3**	**-3.1**	**-3.0**	**-2.9**

Despite faltering investment, real GDP growth has so far evolved broadly as expected

Household disposable income kept expanding at a healthy pace in the first half of the year, supported by expanding employment and continued recovery in real wages. By mid-year, the purchasing power of wages had recouped almost half of the loss caused by high inflation. Households, however, appeared reluctant to consume their extra income. With high inflation still fresh in mind, purchasing power remaining below its mid-2022 peak and the opportunity to reap greater financial returns from high interest rates, households kept saving an increasing share of their income. In the second quarter of 2024, the household saving rate stood at 14.8% - above expectations and more than 3 pps. above its pre-pandemic long-term average (see Box I.2.3). At the same time, investment disappointed, contracting by more than 2.5% in the first half of the year. More than half of the contraction was due to one-off transactions in intellectual property products. Net of this volatile component, the contraction was still deep and broad-based across asset categories. Elevated uncertainty is estimated to have weighed on consumption and especially investment (see Special Issue 3). A rebound in global goods trade and continued expansion of trade in services nudged exports of goods and services up by 0.5% in the first half of the year. Imports growth lagged considerably behind, and net external demand thus contributed positively to growth. Consumption is estimated to have gained strength in the third quarter, but investment to have further contracted.

Energy commodity prices tend to decline, amidst volatility

Concerns over OPEC+ production cuts and the intensification of the conflict in the Middle East have driven recent volatility in Brent oil prices. Still, their gradual decline over the summer has put annual average futures' oil prices on a downward path over the forecast horizon, pushed down by expectations of weak global oil demand, especially in China, and increased production by OPEC+ and the US. Compared to the spring assumptions, at the cut-off date of the forecast, futures oil prices were 7% and 10% lower in 2024 and 2025 respectively. Meanwhile, prices of gas have gone up since spring and are expected to be higher than assumed in the Spring Forecast in both 2024 and 2025, while wholesale prices of electricity are projected slightly higher in 2024 but lower in 2025. Importantly, prices of both gas and electricity are expected to decline in 2026 from their 2025 levels.

Continued disinflation hinges upon easing price pressures in services

After the strong deflationary impact of energy inflation tapered out, consumer inflation largely moved sideways in the first months of the year. It resumed its decline in August, under renewed downward pressures from energy and continued moderation in inflation of non-energy goods. Euro area inflation dropped to 1.7% in September, before rebounding to 2% in October, as an uptick in oil prices and strong base effects lifted energy inflation up again. Despite some expected volatility caused by base effects and expiring energy-related support measures, the disinflationary process appears solidly in place. Energy inflation is projected to only make a negligible contribution to headline inflation, despite a slight pick-up in 2026. Price pressures in non-energy goods are set to moderate further with inflation of food and non-energy industrial goods stabilising around historical averages by the end of the forecast horizon. Importantly, the strong inflationary pressures in services are set to remain strong until early 2025 and start moderating thereafter, driven by slowing wage growth and a projected pick-up in productivity, and supported by negative base effects.

Financial conditions are easing markedly

In October, the European Central Bank cut its policy rate for the third time since the beginning of its loosening cycle in May. At the cut-off date of this forecast, markets priced the euro area deposit facility rate below 3% by the end of the year. By the end of 2025, the policy rate is expected to fall further to around 2%, some 60 basis points lower than expected in spring, and to stabilise around that level for the rest of the forecast horizon. Most central banks in non-euro area Member States are also expected to loosen the monetary stance, with somewhat more pronounced cuts in Poland and especially Romania. Long-term rates in the euro area (10-year) decreased in recent months, but by far less than short-term rates. They are now expected to stay slightly above 2% over the forecast horizon, with the downward adjustment since spring largely reflecting lower inflation expectations. Meanwhile, bank lending data for the euro area show signs of revival. Net lending is expanding again, but remains weak in nominal terms. Demand for housing loans is resuming and credit standards are easing. For enterprises, credit standards have not yet started loosening, but in the last quarter they stopped tightening – heralding a turnaround in credit flows.

Employment growth continues, though at slowing pace

The EU labour market held up well in the first half of 2024. The economy still generated jobs for 750 000 workers. This brings the number of new employed persons since the start of the pandemic (2019-Q4) to a sizeable 8 million, largely benefiting women, older workers and foreign-born jobseekers. However, the pace of employment growth decelerated, and the job intensity of growth appears to be gradually normalising. Though still tight by historical standards, the EU labour market started loosening, with the vacancy rate nearing its pre-pandemic level and business managers' labour shortages further abating, especially in industry. Labour demand growth, however, continued to outpace supply: in October, the EU unemployment rate reached a new historical low of 5.9%. Employment growth is set to slow down from 0.8% in 2024 to 0.5% in 2026. Following a contraction in 2023, productivity is set to stagnate in 2024. It is then expected to post a cyclical rebound in 2025 and to gain even more strength in 2026. Still, productivity growth is set to remain subdued. This likely reflects continuing weak innovation capacity and business dynamism. Composition effects have so far not played a major role (see Special Issue 2). The unemployment rate is projected to edge further down, reaching 5.9% in the EU and 6.3% in the euro area in 2026. After the peak reached in 2023 (6.1%), wage growth in the EU is still expected at a healthy pace in 2024 (4.9%). It is then set to slow down markedly to 3.5% and 3% in 2025 and 2026 respectively. Still, wage growth will be sufficiently above inflation to allow full recoup of real wages by next year in the EU and the following year in the euro area.

Restraint to consumption to loosen

As inflation continues to ease, household real disposable income is set to grow further in both 2025 and 2026. With strong balance sheets, abating incentives to save and improving credit conditions, households are projected to gradually lower their saving rate, to 14% in 2026.

Consumption growth is therefore projected to accelerate throughout the forecast horizon.

Investment set to rebound vigorously

Strong corporate balance sheets, recovering profits, improving credit conditions and the impulse of the Recovery and Resilience Facility set the stage for a robust rebound of investment. After contracting this year, investment is projected to expand in 2025 and further accelerate in 2026. In 2025, residential construction is still set to be held back by subdued household investment. The general government sector, however, is projected to boost investment in infrastructure, also with the support of the RRF. As the housing sector finally recovers in 2026, construction investment is set to expand by 3.3%. Equipment investment is also forecast to rebound in 2025 and continue expanding the following year. Roughly half of the projected RRF-grant related expenditure is set to support corporates in addressing capacity adjustment needs, including for the transition to energy saving and low-emission production. Still, elevated uncertainty and structural shifts are expected to weigh on segments of manufacturing, especially on the energy-intensive and automotive industries.

Moderate global growth and accelerating global trade ahead

Global economic activity held up well in the first half of the year, largely thanks to a pick-up in activity in the US. Excluding the EU, global growth is projected to hover around 3.5% over the forecast horizon. This is broadly in line with projections back in spring, though with some changes in geographical composition. Namely, growth in the US is seen a bit stronger in 2024 (at 2.7%) before moderating to just above 2% in 2025 and 2026. Growth prospects in the UK and Japan brightened a bit as well. The outlook for China, in contrast, is slightly weaker than previously expected. The Chinese economy is projected to grow by 4.9% this year and, notwithstanding the recent stimulus package, to continue slowing down to 4.4% in 2026. India is expected to remain the fastest growing major economy over the forecast horizon (see Special Issue 1), even if real GDP growth is projected to gradually slow down. As demand for goods is expected to recover and the manufacturing sector to regain momentum, global merchandise trade is set to continue rebounding in the second half of 2024. Global services trade is expected to keep expanding at a solid pace, driven by tourism and digital services. All in all, global trade excluding the EU is projected to expand by 3.2% in 2024, and to accelerate to 3.5% in 2025, before edging down to 3.2% in 2026. This suggests that the intensifying headwinds against the expansion of global trade, including the increasing number of trade restrictions, have not (yet) significantly affected global trade (see Box I.2.1).

…. support external demand, but import growth is set to pick up pace

This positive trade dynamics is set to support an expansion of EU exports. Following a broadly flat yearly growth of exports of goods in 2024, in 2025 and 2026, merchandise exports are projected to pick up speed. Data for the first half of the year show that export of services are in for a strong performance this year, lifting the expected growth of aggregate exports to 1.4% in 2024. In 2025 and 2026, exports of services are projected to grow at roughly the same pace as goods, as the catch-up dynamics of global travel expenditure gradually tapers off. After broadly stagnating this year, imports of goods and services in 2025 and 2026 are expected to rebound visibly. As a result, after supporting real GDP growth in 2024, net exports are projected to no longer contribute to growth in 2025 and 2026. The surplus in the balance of current transactions with the rest of the world is set to move down from 3.6% from 2024 to 3.4% in 2025 and 3.3% in 2026, as the improvement in terms of trade comes to a halt.

A gradual decline of the government deficit, but the debt ratio is still increasing

The EU general government deficit is expected to decline in 2024 by around 0.4 pps. to 3.1% of GDP, driven by revenue windfalls and fiscal consolidation efforts. In 2025, the deficit is forecast to decrease marginally, to 3.0%, as further budgetary restraint is offset by revenue shortfalls. In 2026, the positive economic momentum is set to reduce the deficit further to 2.9%. In the euro area, the deficit is projected to gradually decrease from 3.0% of GDP in 2024 to 2.8% in 2026. Notwithstanding the contribution of EU funds, discretionary fiscal policy is estimated to have a slightly contractionary impulse on the EU economy in 2024, and a broadly neutral effect in 2025 and 2026. The contractionary fiscal stance in 2024 is largely due to a temporary dip in EU-financed expenditure and the phase-out of housing tax credits in Italy. In 2025, a contractionary impulse of primary net current expenditure is broadly offset by higher public investment, also reflecting the uptake of the RRF and other EU funds. These projections do not include measures needed to achieve the adjustment paths set out in Member States' Medium-Term Fiscal-Structural Plans (MTFSPs) as they will be specified only in late 2025. The aggregate debt-to-GDP ratio of the EU is projected to increase slightly, from 82.1% in 2023 to 83.4% in 2026. This follows an almost 10 pps. decrease between 2020 and 2023 and reflects the effect of still elevated deficits that are no longer offset by high nominal growth, while the impact of higher interest rates becomes more visible. In the euro area, government debt is forecast to rise from 88.9% of GDP in 2023 to 90% in 2026.

The EU economy is navigating a highly complex and challenging environment

The EU's economic outlook remains highly uncertain, with risks largely tilted to the downside. Russia's protracted war of aggression against Ukraine and the intensified conflict in the Middle East fuel geopolitical risks and continued vulnerability of European energy security. A further increase in protectionist measures by trading partners could weigh on global trade, with negative impact on the EU's highly open economy. Low productivity growth may make it increasingly difficult for firms to sustain wage growth, leading them to either reduce labour or pass rising costs to consumers. Moreover, delays in the implementation of the RRF or a more restrictive fiscal stance in 2026 as the MTFSPs are implemented could further dampen economic activity. Finally, the recent floods in Spain illustrate once again the dramatic consequences that the increasing frequency and scope of natural hazards can have not only for the people affected and their habitat, but also for the economy.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

Despite the extremely challenging context, the EU economy managed a soft landing. The European economy has been particularly affected by the impact of Russia's unprovoked aggression against Ukraine on energy price. The escalating conflict in the Middle East has so far had a limited impact on the EU economy, but risks of global oil and gas supply disruptions are again on the rise. Meanwhile, slow innovation and weak business dynamism in EU manufacturing continued to pose challenges. These factors compound with the forceful tightening of financial conditions that contributed to five consecutive quarters of stagnation from late 2022 through 2023. Monetary policy, however, has largely achieved its goal of ensuring a steady decline in inflation. Remarkably, the labour market has continued to show resilience — a soft landing under challenging circumstances. Yet, questions remain as to the extent with which the EU economy can sustain the growth rebound observed in the first three quarters of the year, in an increasingly adverse and uncertain environment.

Real household disposable income continued to grow. Despite the broad economic stagnation, the EU economy added jobs for around two million workers in 2023 and a further 750000 in the first half of 2024. The unemployment rate has been hovering around its record low of 6% for more than a year. Nominal wage growth has been outpacing inflation since early last year and by mid-2024 real wages had recovered around half of the losses inflicted by the inflation surge of the past years. Fiscal support mitigated the impact of high energy costs. As a result, after expanding for six straight quarters, and by more than 3% in the past two quarters, real household disposable income stood 6% above its pre-pandemic level in the second quarter of the year.

Yet, households kept saving an ever-larger share of their income. Throughout 2023, private consumption expanded by a mere 0.6% in the EU and picked up only modestly in the first two quarters of 2024. By mid-2024, private consumption was just some 2.7% above its pre-pandemic level. After surging at the onset of the pandemic crisis, the household saving rate began to normalise - converging towards its pre-pandemic average and adding momentum to the consumption rebound between 2021 and mid-2022. As inflation surged, the saving rate started to increase again. In the second quarter of 2024 it stood at 14.8% – more than 3 percentage points above its pre-pandemic level. Saving intentions reported by consumers keep creeping up.

High inflation still resonates in consumers' spending attitudes. The mood amongst EU consumers – as measured by the European Commission's consumer survey – has been recovering very slowly from the record-low observed in October 2022 – just as inflation peaked to 11.5%. Though inflation has fallen sharply since then, the cost of living remains high, particularly affecting low-income individuals. Moreover, the prolonged spell of high inflation still resonates strongly in consumers' perceptions. According to the Commission survey, consumers continue to perceive inflation as being very high and expect it to remain high going forward.

Faced with high uncertainty, households have also become more cautious. The repeated exposure to extreme shocks may have made households more risk adverse. With two ongoing wars near the EU's borders and escalating geopolitical tensions, EU consumers have legitimate reasons for concern. Climate change and the green transition have also introduced uncertainties about the long-term value of physical and financial assets, while the ongoing shifts towards digitalisation and the potential deployment of artificial intelligence may raise fears of layoffs. Econometric evidence indicates that the recent surge in uncertainty – as measured by the Economic Policy Uncertainty index – significantly contributes to the high saving propensity of households.

Finally, high interest rates led households to seek opportunities for higher returns from savings, while reducing indebtedness. As interest rates started increasing, households directed their savings towards the accumulation of financial assets, increasingly illiquid ones, offering higher returns. Tightening credit standards alongside high borrowing costs weighed on new borrowing. Household debt accumulation thus slowed significantly, leaving household debt at historically low levels, both as a ratio to disposable income and as a share of financial assets.

The corporate sector has been even more severely impacted by high energy costs, rising funding costs, and a highly uncertain business environment. Investment in equipment sharply declined in recent quarters as tighter credit conditions limited access to funds, and weak demand left many factories operating below capacity. Economic policy uncertainty related to escalating geopolitical tensions and the future path of the green transition - both with impact on the future course of energy prices - have further dampened incentives to investment. Investment in commercial real estate also suffered. ECB data indicates that new loans to commercial real estate borrowers across the euro area decreased sharply in early 2024, by approximately 35% y-o-y for Q1 and Q2. Office and retail spaces were most impacted, as rising borrowing costs compound with the ongoing transition to remote or hybrid work models and the growing importance of online shopping.

High profit margins and low investment have allowed corporates to strengthen their balance sheets. Strong corporate earnings from 2022 to mid-2023, driven inter alia by a gap between inflation and wage growth, have raised the profit share of firms well above its long-term average. Weak aggregate demand and high funding costs resulted in corporate leverage ratios declinign to historic lows. As real wages continue to recover, the ample profit margins that corporations enjoyed until last year are expected to keep shrinking, partially offsetting the benefits of improved access to external finance. The below-average bankruptcy rates and record-low levels of impaired loans reported by banks show that, despite weak economic activity, corporates have beeb able to build resilience.

In contrast, in the government sector fiscal consolidation needs are coming to the fore, but the RRF sustains the growh momentum. Unlike in the private sector, the balance sheet of the general government improved only marginally over the past couple of years and concerns about long-term sustainability are coming to the fore. The new EU Economic Governance Framework will guide Member States through the needed fiscal adjustment, which will undoubtedly weigh on growth. As the RRF approaches its final stage of implementation, expenditure of the grant and loan allocation is expected to rise significantly, providing an offsetting boost to economic activity. The RRF and EU funds are also supporting a shift in the composition of government expenditure towards investment, buth public and private. In fact, infrastructure investment – mainly reflecting public investment - is the only component of investment that has been holding up in recent quarters.

The ECB and other EU Central banks are set to cut rates faster than previously expected. With inflationary pressures largely under control, markets now expect some 125 bps. cut in the ECB main re-financing rate. The cuts are not only set to be larger, but also more frontloaded than just a few months ago. As other EU Central Banks are also expected to ease monetary conditions more forcefully, financial conditions appear now markedly looser. Lower rates are set to translate into easier credit conditions, bringing to an end the prolonged tightening that started in 2022. Demand for bank lending is picking up, particularly for housing loans, alongside easing of mortgage credit standards, creating a more favourable climate for further growth in the housing market. For businesses, conditions still have to improve. Nonetheless, demand for business loans increased, signalling potential relief for investment activity ahead.

The EU external environment has so far proved resilient to mounting geopolitical tensions. Global growth outside of the EU has remained steady, notwithstanding an increasingly challenging geopolitical context. The recovery in trade, however, has proved slower than previously expected. A rebound in the EU's external demand, especially for goods, depends crucially on a recovery of global manufacturing, but also on the course of increasingly tense geopolitical tensions and the threats they pose to global trade relations. As highlighted by recent volatility in oil prices, energy commodities remain vulnerable to a potential intensification and broadening of the conflict in the Middle East. In this unpredictable context, this forecast continues to rely on the ad-hoc assumption that the conflicts and related trade disruptions will persist, but not intensify, throughout the forecast horizon. Energy commodity prices are, as customary, assumed to evolve in line with prices in futures markets, which incorporate markets assessments of risks to supply (see Box I.2.5).

The EU's economic outlook largely depends on whether households and businesses can continue to build on the resilience demontrated in recent months. Household spending fundamentals remain very strong. The main question now is whether households will soon start spending more confidently or whether they will remain cautious. Business investment fundamentals are also solid, though the balace of factors is slightly less favourable in the short run. Looking beyond the current weakness, a key issue will be how quickly the construction sector can bounce back from its current downturn and how resolutely the manufacturing sector will address the structural shifts that risk otherwise leading to a downsizing of the EU's manufacturing capacity. Lastly, it is essential to consider how the expected fiscal consolidation will interact with the implementation of the Recovery and Resilience Plans, as both will shape the near-term economic environment.

Box I.1.1: **Key assumptions underlying the forecast**

In a context of still high uncertainty, forecasts continue to rely heavily on ad-hoc assumptions.

Russian invasion of Ukraine and geopolitical tensions

The economic impact of Russia's war against Ukraine remains highly uncertain and depends crucially on its evolution. The central scenario assumes that geopolitical tensions in the region and sanctions against Russia remain in place throughout the forecast horizon. Given the intensity of the Russian war of aggression, it is now assumed that the conditions for a gradual increase in reconstruction efforts in Ukraine will only be in place as from end-2025/early 2026.

Impact of Middle East crisis

The technical assumption underpinning this forecast is that trade disruptions in the Red Sea will persist over the forecast horizon, though without a tangible impact on production and prices.

People fleeing the war in Ukraine to the EU

The number of beneficiaries of temporary protection in the EU was about 4.2 million by August 2024 (1). It is assumed that the number of active temporary protection registrations will stay broadly stable over 2024 before decreasing to 4 million by the end of 2025 and to 3.6 million by the end of 2026. (2) Over 2024, new registrations are expected to be counterbalanced by attrition of previous registrations (i.e. data revisions by Member States reflecting people who returned to Ukraine, moved on to another country, or attained another status in their country of residence). This results in the projection of an annual average of people seeking protection of about 4.2 million in 2024, 4.1 million in 2025 and 3.9 million in 2026. Assumptions on the geographical distribution of people fleeing the war reflect their current distribution across Member States as new inflows and onward movements have slowed. Finally, as the labour market integration of people fleeing the war continues to make progress, related assumptions remain in line with the Spring 2024 Forecast.

(1) Eurostat

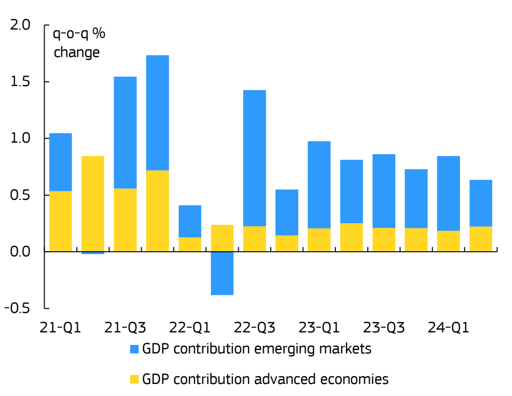
(2) These technical assumptions are not meant as predictions of the development of the conflict, nor of policy decisions made by the EU or Member States to follow up the temporary protection scheme, set to expire in March 2026 based on the provisions of the Temporary Protection Directive.

2. OUTLOOK

2.1. THE EU'S EXTERNAL ENVIRONMENT

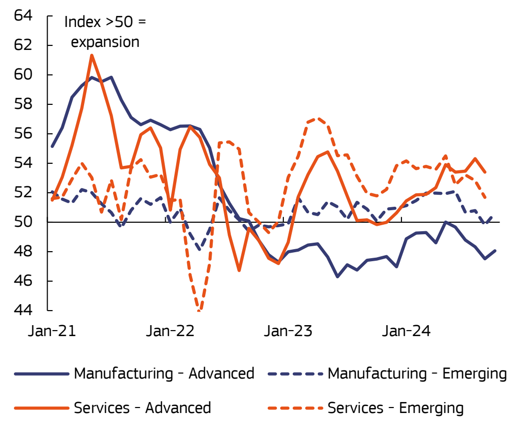
Global economic activity held up relatively well in the first half of 2024. It is estimated to have expanded by around 0.6% q-o-q in 2024-Q2 [1], a slightly slower pace than in the previous quarter (see Graph I.2.1). Global growth was mainly driven by a pick-up in activity in major advanced economies (e.g. US, UK). Growth also surprised on the upside in Brazil and in Russia. In China, it remained lacklustre by historical standards and fell short of expectations in Mexico and Argentina.

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



Source: OECD, IMF and national sources.

Graph I.2.2: **Global PMIs**



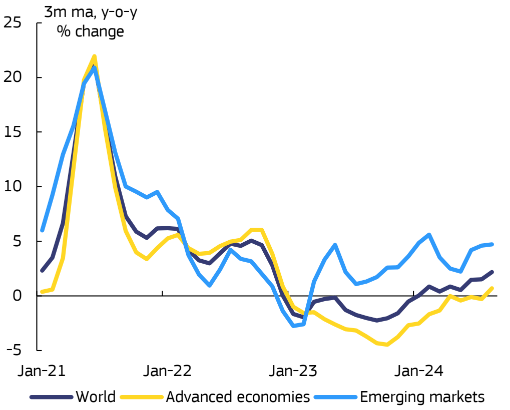
Source: S&P Global.

Latest sentiment surveys point to continued divergence between strengthening services activity and a weakening manufacturing sector. The S&P global composite PMI declined from 53.7 in May to 52 in September, driven by manufacturing. The manufacturing PMI declined from 51 in May to 49.4 in October, falling into contractionary territory. This reflected a softening in all major advanced economies (e.g. EU, Japan and US) over the summer, while emerging market economies (EMEs) held up. In contrast, the global services PMI hovered between 53-54 between May and September, with the sub-index for advanced economies remaining robust, while that for EMEs declined.

The Asian economies supported growth in global merchandise trade in the first half of the year, but momentum likely slowed down in the third quarter. World merchandise trade volumes grew by 1.3% y-o-y between January and August 2024, after falling by 1.2% y-o-y in 2023 as a whole. Excluding the EU, global merchandise trade increased by a more robust 3.4% up to August 2024. There was significant divergence between advanced and emerging economies. Advanced economies saw merchandise trade decline by 0.3% in January-August 2024, compared to the same period of 2023, while in EMEs it increased by 4.1% y-o-y. China and the rest of emerging Asia experienced robust growth, but also the US and advanced Asia (excluding Japan) expanded at a decent pace. By contrast the EU, Japan and the UK saw goods trade contract in the first half of the year. High frequency indicators suggest weakening global merchandise trade momentum ahead. New manufacturing export orders in global PMIs deteriorated to 47.5 in September and have been on a downward path since May 2024, and the UNCTAD nowcast model suggests softening merchandise trade growth in 2024-Q3.

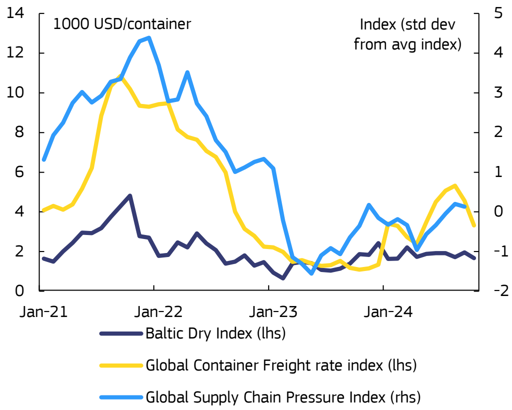
(1) Based on available data covering 91% of global GDP.

Graph I.2.3: **Growth in global goods trade**



Source: Own calculation based on CPB data.

Graph I.2.4: **Spot rates for container shipping and pressure index**



Source: Baltic Exchange, Freightos and New York Fed.

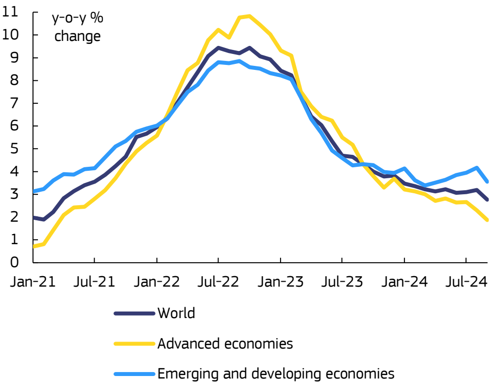
Supply chain pressures have been on the rise since April 2024, but remain around their long-term average, and global freight rates have further increased. The Federal Reserve Supply Chain Pressure Index was 0.1 in September, deteriorating from -1 in April. The supplier's delivery times index reported in global PMIs remained stable (at 49.3 between July and September). According to the IMF Port Watch, the number of ships passing through the Red Sea in October 2024 was around 65% below the average recorded before the Houthi attacks started in October 2023. Lengthier shipping routes, port strikes in the US and recovering global import demand have resulted in global freight rates almost doubling between May and July 2024. While weekly data show gradual moderation in rates since mid-July, the escalating tensions in the Middle East could trigger even higher shipping rates.

Services trade growth remained robust. New export orders in the services PMI remained in expansionary territory at 51.5 in September, maintaining the positive momentum seen since the beginning of this year. At the beginning of 2024, world tourism was still 3% below its pre-pandemic average, with the Asia and Pacific region lagging the most, at around 18% below its pre-pandemic average. Transport services are set to expand in 2024 after the contraction last year. The UNCTAD nowcast model projects further strengthening of services trade in 2024-Q3.

Global inflationary pressures have moderated further since spring. Global headline inflation declined from 3.2% in March 2024 to 2.8% in September. Over the same period, core inflation decelerated from 3.6% to 2.8%. Disinflation continued in the US, with headline CPI inflation falling to 2.4% in September. US core CPI inflation edged up to 3.3% in September, from 3.2% the month before, driven by the housing inflation component, which is expected to moderate going forward. CPI headline and core inflation both decelerated in advanced economies as a whole (from 3% in March to 1.9% in September for headline inflation) [2] (see Graph I.2.5). By contrast, headline inflation in EMEs accelerated from 3.4% in March to 3.7% in September, driven by localized spikes in food prices (e.g. India, Mexico). However, deflationary pressures in China continued to mount in September, as headline and core inflation fell to 0.4% and 0.1% respectively. Furthermore, China's producer and export prices continue to decline, which is adding downward pressure on global goods prices.

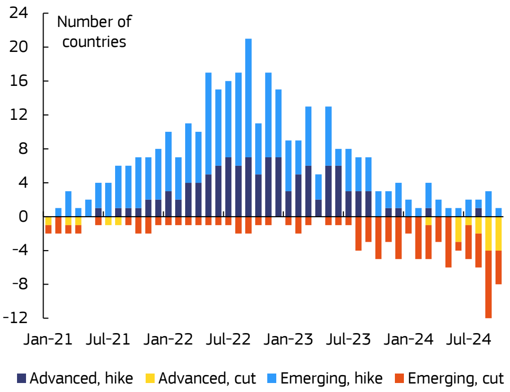
(2) ECFIN own calculations based on national sources. Headline CPI inflation calculated as the median of available data for 162 countries (50 advanced, 112 emerging). Core CPI inflation based on available data for 56 countries (40 advanced, 16 emerging).

Graph I.2.5: **Global headline inflation**



Source: ECFIN own calculation based on national sources. Inflation calculated as the median of available data for 162 countries (50 advanced, 112 emerging).

Graph I.2.6: **Monetary policy changes**



Number of countries (out of 10 advanced and 18 emerging) hiking or cutting rates in a given month.

Source: National sources.

Global financial conditions appear looser than in spring. In view of lower inflation, the US Federal Open Market Committee cut the policy rate by 50 bps. on 18 September, the first rate cut since March 2020. According to the accompanying economic projections, the FOMC members expect another 50 bps. in cuts until the end of this year, followed by further cuts in 2025-26 totalling 150 bps., with a terminal rate of 2.75-3% by end-2026. Compared to their March 2024 projections, the FOMC members now expect more frontloaded rate cuts in 2024 and 2025 with the projected terminal rate for end-2026 also revised downwards by 25 bps. Central banks in other advanced economies (e.g. UK, Canada, Switzerland) started to ease policy rates over the summer as headline and core inflation decelerated and economic activity softened, while the Bank of Japan increased rates in July for the second time in 17 years to stem the yen depreciation. Monetary policy easing in major EMEs, notably in Latin America and Asia, continued, though in countries with very high inflation (e.g. Türkiye, Russia) rates were raised further.

Concerns over global monetary policy divergence fuelled a bout of financial turbulence in early August, but global financial markets recovered thereafter. In early August, global financial markets saw significant turbulence, with a convergence of factors (i.a. unwinding of yen carry trades) leading to widespread uncertainty. However, falling inflation and waning fears of recession in the US fuelled a recovery in global financial markets in the late summer. Financial conditions in emerging market economies continued to improve as well, reflecting more accommodative domestic monetary policy and expected cuts in the US. Notably, stock market indices in major EMEs (e.g. India, Brazil) rose over the summer. At the same time, markets in China surged in October, bolstered by the new policy stimulus targeting the stock market. Portfolio capital inflows into EMEs (besides China) accelerated over the summer, despite increased volatility.

Strong domestic demand in the US has sustained rapid growth, but momentum is expected to moderate going forward. US real GDP increased by 0.7% q-o-q in 2024-Q2, accelerating from a 0.3% q-o-q increase in 2024-Q1. According to preliminary estimates, it increased by a further 0.7% q-o-q in 2024-Q3. The economic expansion in the last two quarters was driven by strong private consumption growth and was also supported by robust fixed investment and government consumption. Tightness in the labour market is however receding, with the unemployment rate having risen to 4.2% in 2024-Q3 and new job creation having slowed down. GDP growth is projected to reach 2.7% in 2024, as domestic demand is expected to remain solid in the last quarter of the year. Momentum is set to slow down somewhat in 2025, as the labour market cools down, and fiscal policy tightens marginally. Under a no-policy-change assumption (the results of the presidential elections were not known at the time of the cut-off date), GDP growth is projected to decline to 2.1% in 2025 and edge up to 2.2% in 2026, supported by the transmission of lower interest rates.

Growth prospects in other major advanced economies brightened a bit as well. The UK economy grew surprisingly strongly in the first half of 2024, with private consumption recovering in 2024-Q1 after the weak end to 2023, and government consumption driving growth in 2024-Q2. However, growth is expected to slow down in the second half of the year. The underlying growth of private consumption and investment remains sluggish, and monetary policy restrictive. The new government's budget, delivered on 31 October, loosened fiscal policy relative to the previous government's plans, but the fiscal stance is still set to gradually tighten. UK real GDP growth is expected to reach 1% overall in 2024, before picking up to around 1.4% in 2025 and 2026 as monetary policy gradually eases. Economic activity in Japan surprised on the upside in 2024-Q2 after several quarters of subdued growth, and prospects for the remainder of 2024 are relatively bright. Still, real GDP growth is expected to be around 0.2% in 2024, reflecting a very weak beginning of the year. It is projected to pick up to 1.2% in 2025, as a tight labour market and rising wages fuel a rebound in private consumption, before moderating towards 1% in 2026.

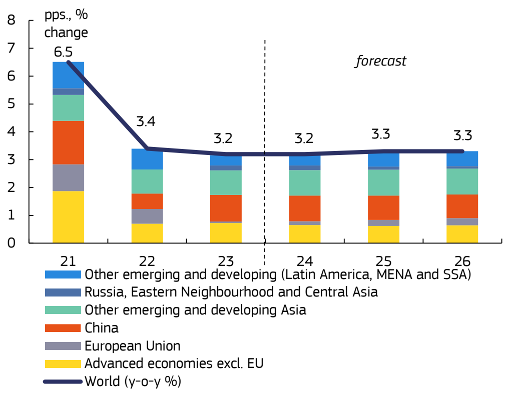
China's prospects continue to be weighed down by weak household consumption and the troubled property sector. Growth saw a notable deceleration in 2024-Q2, coming in at 0.5% q-o-q, one third of the 1.5% q-o-q increase seen in 2024-Q1. The slowdown was broad-based, with weak consumer confidence and the property crisis negatively affecting both services and industry. In 2024-Q3, growth was at 0.9%, but softer retail sales and state-owned enterprise-driven investment growth highlighted weakness of domestic demand. Industrial production was supported by high-tech manufacturing and strong exports. Real estate indicators showed no improvement, with sales and project starts and completions continuing to decline, while price adjustments became more pronounced and widespread in the last few months. Overall, the economy is expected to grow by 4.9% in 2024. The stimulus package announced in late September might help to stabilise the real estate sector but will not be sufficient to reverse the structural slowdown in the economy. In the absence of significant reforms, growth is expected to continue slowing down to 4.6% in 2025 and 4.4% in 2026.

Growth in India moderated in 2024-Q2 after a strong start of the year. The Indian economy grew by 6.7% y-o-y in 2024-Q2, down from 7.8% in 2024-Q1. The slowdown appears temporary, induced by lower government spending during the general election period and weaker agriculture yields, with the monsoon season starting later than expected. Private consumption, investment and manufacturing output all posted strong growth rates in 2024-Q2, and sentiment and other high frequency indicators suggest continued robust growth in 2024-Q3. Driven by strong domestic demand and productivity growth, India is expected to remain the fastest growing major economy over the forecast horizon (see Special Issue 1). Real GDP growth is projected to gradually slow down towards potential, from 7.2% in 2024 to 6.9% in 2025 and 6.7% in 2026.

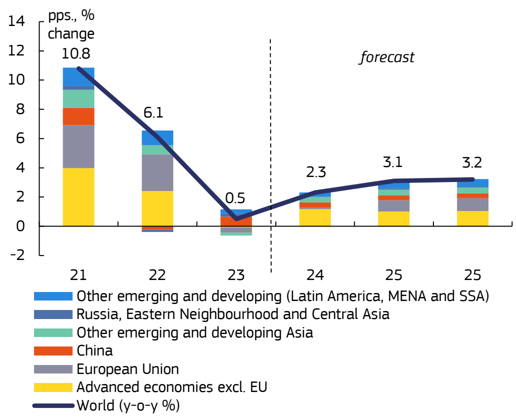
Growth in other major emerging market economies is projected to remain broadly stable over the forecast horizon. In Türkiye, real GDP growth is set to moderate to between 3% in 2024 and 4% in 2026, against the background of the authorities' economic stabilisation programme and tight policy stance. External and internal imbalances are projected to decline as domestic demand and imports weaken. In Russia, growth is expected to decelerate slightly but to remain strong at 3.5% in 2024, underpinned by a tight labour market and war-related fiscal spending amid high inflation. Tighter monetary policy is set to weigh on private investments and, together with capacity constraints (especially on the labour market), contribute to a cooling of economic activity in the second half of 2024 and in 2025, with GDP growth softening to below 2% in 2025 and 2026. In Latin America, growth in Mexico is forecast to remain subdued in 2024-25, at around 1.5%, amid elevated uncertainty and with a severe fiscal retrenchment set to be implemented under the new administration, before edging up above 2% in 2026. At the same time, growth is expected to remain robust in Brazil, at slightly above 3% in 2024 and below 2.5% over the next two years, on the back of the ongoing tax reform and fiscal stimulus. In South Africa, the absence of power cuts since the end of March and the formation of a solid political majority after the May elections set the stage for a gradual revival of economic growth from around 1% in 2024 to above 1.5% in 2026, although significant structural problems remain. In the Gulf Cooperation Council (GCC), growth is projected to soften to 1.4% in 2024, reflecting lower oil prices and OPEC+ oil supply cuts, though non-oil GDP remains robust owing to sustained diversification efforts. Growth is expected to rebound to above 4% in 2025 and 2026 due to a recovery in oil output and continued strong non-oil growth. On aggregate, growth in EMEs is forecast to edge up from 4.3% in 2024 to 4.4% in 2025, before inching down to 4.3% in 2026.

Overall, global growth is expected to remain moderate over the forecast horizon, with differentiated developments across economies. After growing by 3.2% in 2023, the global economy is forecast to expand at a similar rate in 2024 before growth inches up to 3.3% in 2025 and 2026 as the effects of interest rate cuts filter through the global economy. Global growth (excluding the EU) is projected to hover around 3.5% over the forecast horizon, edging down from 3.7% in 2023 to 3.5% in 2024, before returning to 3.6% in 2025 and 2026.

Graph I.2.7: **Contributions to global GDP growth**



Graph I.2.8: **Contributions to global import growth**



Global trade is expected to recover from the 2023 slump, expanding by above 2% in 2024 and accelerating to over 3% in 2025 and 2026. Considering recent weakness of new manufacturing export orders in global PMIs, global goods trade growth is projected to remain modest in 2024, especially in the EU and some other advanced economies (e.g. UK, Japan). Still, as the global services PMIs remain in expansionary territory, the annual services trade growth is forecast to come in stronger than previously expected for this year, supporting a moderate expansion of global trade (+2.6%) in 2024. As macroeconomic headwinds, including tight monetary policies, are set to ease gradually, demand for goods is projected to recover and the manufacturing sector to regain momentum, supporting global merchandise trade growth. Global services trade is expected to keep expanding at a solid pace, driven by tourism and digital services. Accordingly, global trade growth is forecast to pick up and expand by 3.1% in 2025 and by 3.3% in 2026. Global trade growth excluding the EU is projected to remain broadly constant at 3.4% in 2024-26. Increasing geopolitical tensions, the cumulative effect of rising trade restricting measures, as well as further increase in protectionist measures by trading partners pose important downside risks to the global trade outlook (See Box I.2.1).

Table I.2.1: **International environment**

(Annual percentage change)	(a)	2021	2022	2023	Autumn 2024 Forecast 2024	2025	2026	Spring 2024 Forecast 2023	2024	2025
					Real GDP growth					
Japan	3.5	2.7	1.2	1.7	**0.2**	**1.2**	**1.0**	*1.9*	*0.8*	*0.8*
United Kingdom	2.2	8.6	4.8	0.3	**1.0**	**1.4**	**1.4**	*0.1*	*0.5*	*1.4*
United States	15.0	6.1	2.5	2.9	**2.7**	**2.1**	**2.2**	*2.5*	*2.4*	*2.1*
Emerging and developing Asia	34.4	7.4	4.3	5.4	**5.3**	**5.1**	**5.0**	*5.4*	*5.2*	*5.1*
- China	18.7	8.5	3.0	5.2	**4.9**	**4.6**	**4.4**	*5.2*	*4.8*	*4.6*
- India	7.9	9.4	6.5	7.7	**7.2**	**6.9**	**6.7**	*7.7*	*7.0*	*6.9*
Latin America	7.4	7.3	4.0	2.1	**1.8**	**2.4**	**2.6**	*2.4*	*2.1*	*2.5*
- Brazil	2.4	4.8	3.0	2.9	**3.1**	**2.3**	**2.4**	*2.9*	*2.0*	*2.1*
MENA	5.6	4.7	5.9	2.1	**2.3**	**3.7**	**3.5**	*2.0*	*2.8*	*4.0*
Eastern Neighbourhood and Central	1.1	4.5	3.4	4.6	**4.1**	**4.1**	**3.5**	*4.5*	*3.8*	*4.1*
Russia	3.5	5.9	-1.2	3.6	**3.5**	**1.8**	**1.6**	*3.6*	*2.9*	*1.7*
Sub-Saharan Africa	3.3	4.3	3.7	2.8	**2.9**	**4.1**	**4.5**	*2.2*	*3.3*	*3.9*
Candidate Countries	2.4	9.6	-1.4	4.9	**3.2**	**3.2**	**4.3**	*4.4*	*3.4*	*4.0*
World excluding EU	85.1	6.5	3.4	3.7	**3.5**	**3.6**	**3.6**	*3.6*	*3.5*	*3.6*
World	100.0	6.5	3.4	3.2	**3.2**	**3.3**	**3.3**	*3.1*	*3.2*	*3.3*
					Trade of goods and services, volumes					
World excluding EU		11.0	4.7	1.0	**3.4**	**3.4**	**3.4**	*1.0*	*3.3*	*3.6*
World		10.9	5.7	0.5	**2.6**	**3.1**	**3.3**	*0.5*	*2.7*	*3.4*
					Trade of goods, volumes					
World excluding EU		11.3	2.1	-0.9	**3.1**	**3.5**	**3.4**	*0.5*	*3.3*	*3.5*
World		11.3	3.0	-1.3	**2.1**	**3.2**	**3.3**	*-0.3*	*2.6*	*3.5*
					Trade of services, volumes					
World excluding EU		11.4	16.6	8.6	**4.2**	**3.2**	**3.3**	*3.1*	*3.4*	*3.6*
World		10.2	15.9	6.9	**4.0**	**2.9**	**3.1**	*3.4*	*3.1*	*3.4*

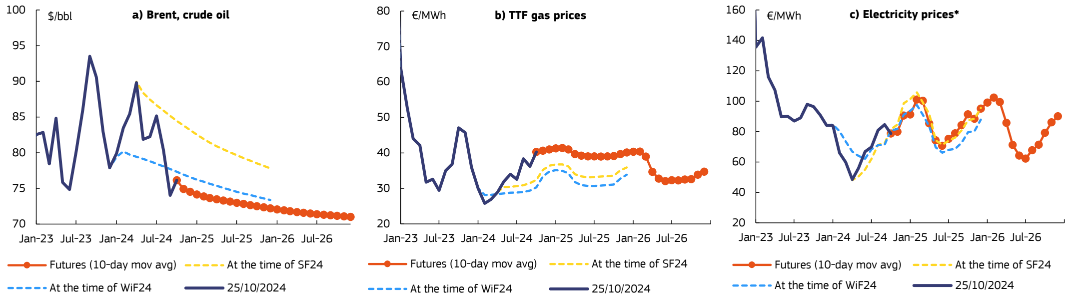
(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2023.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

Oil prices have declined since spring, weighed down by weak demand from China, and futures indicate further declines. Brent oil prices peaked in April at about USD 90/bbl amid Israeli-Iranian tensions. However, they started falling steadily in July to reach an average of USD 74/bbl in September, as expectations of weak global oil demand, especially in China, still outweighed supply-side concerns related to the OPEC+ production cuts and the Middle East conflict. Newly heightened tensions in the Middle East pushed Brent prices temporarily above USD 80/bbl in early October, but prices declined again to USD 70-75/bbl in the second half of October as markets' fears subsided. However, with no immediate solution in sight, the deteriorating situation in the Middle East considerably increases the volatility and uncertainty in oil markets. At the beginning of October, the quarterly averages of Brent futures prices increased on average by 3% for the forecast horizon compared to late September, as markets priced in risks stemming from the worsening geopolitical environment. Nonetheless, the futures curve remains downward sloping over the forecast horizon, suggesting that notwithstanding increasing risks, subdued oil demand, the gradual phase-out of OPEC+ production cuts until the end of 2025, and increasing production in countries outside of OPEC+ exert downward pressures on oil prices. In late October, quarterly averages of Brent futures prices until 2025-Q4 were on average still 9% lower compared to the commodity price assumptions underpinning the Spring Forecast.

European TTF gas prices have increased since spring and are expected to rise further until early 2025, before stabilising during 2025 and dropping thereafter. TTF gas prices increased moderately, from around EUR 30/MWh in spring to below EUR 40/MWh in 2024-Q3. Concerns about Russian gas supplies were tempered by confidence in increased alternative sources, including from renewable energy, and in high EU gas storage levels (at 95% of total capacity in late October). In their October forecast, the US Energy Information Administration (EIA) expects increased LNG exports from the US starting at the end of 2024, once the planned infrastructure expansion goes online. Futures contracts for the last two months of the year suggest that gas prices in the EU will drop by 18% overall in 2024 compared to last year, before rising by 17% in 2025 and falling again by 13% in 2026. Still, quarterly averages of TTF futures prices until the end of 2025 increased on average by 15% compared to spring, also likely reflecting a higher risk premium linked to the conflict in the Middle East. Further intensification of the conflict in the

Middle East could have an impact on flows through the Strait of Hormuz, which is a crucial chokepoint for the global Liquefied Natural Gas (LNG) market, with around 30-35% of the world's LNG supply transiting this vital passage. A blockade of the strait by Iran might deny all or at least partial passage of these gas supplies, essentially cutting them off from the world market. Average electricity prices across the EU have broadly stabilised in 2024 and, at EUR 72/MWh, they are expected to be around 30% cheaper compared to 2023 levels. In 2025, they are projected to increase to EUR 86/MWh on average and to fall again to EUR 81/MWh in 2026. Compared to spring, electricity futures are somewhat higher in 2024, but lower in 2025.

Graph I.2.9: **Oil, gas and electricity prices**



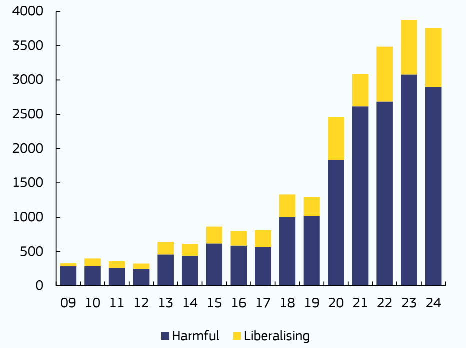
* Electricity prices are weighted average of market prices in DE, FR, IT, ES, NL, BE, AT
Source: S&P Datainsight

Food prices are expected to decline until the beginning of 2026, while metal prices are trending upwards with futures indicate further increases. According to the FAO food price index, food prices across all categories ticked up in September, after declining in the previous two months. Compared to September 2023, the FAO food price index was 2.1% higher. Food prices are expected to fall slightly until 2026-Q1, due to the waning effects of El Niño on coffee and cocoa, as well as to a reduction in sugar prices, and to stabilise in 2026. Year-to-date, both precious and industrial metal prices gained ground, with the prices of precious metals supported by a weakening US dollar and those of industrial metals underpinned by expected increasing demand from sectors related to the energy transition. In the face of numerous geopolitical risk factors, upward price pressures on precious metals mostly stem from their safe-haven characteristic. In broad terms, futures for both industrial and precious metals are pointing to a continuation of the upward trend.

Box I.2.1: Global trade outlook and the resilience of Global Value Chains

The global trade policy environment has been deteriorating for a number of years. Globalisation, understood as increasing interconnectedness of economies through the flow of goods, services, capital and technology, has been exposed to increasing headwinds in the last fifteen years. These include the fallout from the Global Financial Crisis (GFC), the tailing-off of gains from China's rapid integration into the global manufacturing system in the 1990s and 2000s [(1)] and, more recently, the widespread rise of protectionist trade policies (see Graph 1) as geopolitical tensions have mounted [(1)].

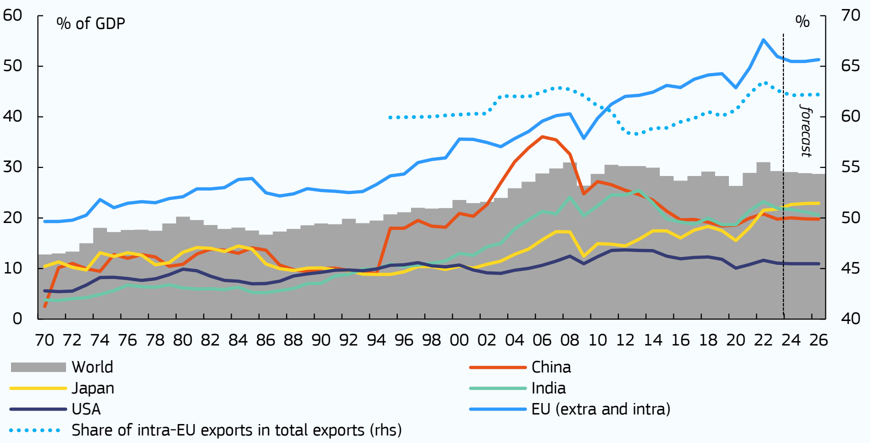
Graph 1: **New trade policy interventions**



Source: https://www.globaltradealert.org/

The era of hyper-globalisation of the 1980s and 1990s has given way to a phase of 'slowbalisation'. Global trade has gone through a prolonged period of 'hyper-globalisation'. The ratio of global exports to GDP, one of the key gauges of globalisation, rose steadily from 17% in 1986 to 31% in 2008, or more than 0.5 pps. per year. After the GFC this ratio has stalled at around 30% (see Graph 2), as the global economy entered a period of weaker trade growth, dubbed 'slowbalisation'. However, despite the double shock of the pandemic and the energy crisis hitting the global economy in succession, and the gradual deterioration of the trade environment, global exports of goods and services have shown remarkable resilience, broadly keeping their share in GDP at around the pre-GFC peak. This forecast expects the ratio of global exports to GDP to remain broadly unchanged over 2023-26 (see Graph 2).

Graph 2: **Share of exports of goods and services in GDP**



Against this background, the export-to-GDP ratio in the EU [(2)] has fared surprisingly well and is forecast to edge up over the forecast horizon. Propelled by a trade-supportive policy stance, the introduction of the euro and major successive enlargements of the EU single market, as

(1) See European Commission (EC-DG ECFIN) (2023). " Global trade fragmentation risks." In EC Winter 2023 Economic Forecast, European Economy Institutional Paper 296, Box.1.1, pp. 11-13 and European Commission (EC-DG ECFIN) (2019). "Global value chains and protectionism" In EC Autumn 2019 Economic Forecast, European Economy Institutional Paper 115, Special Issue 3.1, pp. 59-65

(2) Throughout this box exports of the EU include intra-EU exports.

(Continued on the next page)

Box (continued)

well as opportunities created by the expansion of manufacturing bases in China [3] and South-East Asia, EU exports continued to expand, even after global trade entered the post-GFC stagnation [4]. This expansion has been driven by exports, both inside and outside the EU, with the share of intra-EU in total EU exports remaining around 60%, broadly unchanged since the 1990s. The share of exports to GDP in the EU is projected to edge up over the course of 2024-26. By comparison, the respective export shares remained stable in the US and China, increased modestly in Japan, and saw a decline in India (see Graph 2).

The expansion of global value chains has warranted a new measurement of trade openness. Traditional trade indicators, such as export-to-GDP ratios (Graph 2) are based on gross trade flows that record the value of goods and services, including intermediate ones, each time they cross borders. However, with the expansion of global value chains (GVCs), intermediate goods and services cross multiple borders, including possibly the same border multiple times, before reaching the final consumer. To address this, international organisations such as the OECD (De Backer and Miroudot, 2013), WTO (WTO et al., 2023) and the World Bank (World Bank et al., 2017) have proposed indicators measuring the integration in GVCs based on trade in value added [5]. This approach helps identify countries' contributions to global production processes through the lens of value added rather than gross trade flows.

Despite mounting headwinds to trade, global value chains have continued expanding in recent years. Standard GVC participation indicators calculated based on Eurostat's FIGARO [6] database available for the period 2010-2022 confirm continued modest expansion in GVCs in recent years. While total GVC integration [7] at the global level declined from 2010 to 2015, it has been gradually rebounding as from 2016, reaching 41.9% in 2022, roughly 1 pp. above its 2010 level (see Graph 3). The EU (viewed as a single entity), Japan and the US have seen their GVC participation increase over this period. In China, the rebalancing towards domestic production weighed on its position in GVC. In 2022 GVC participation in the EU stood at 37.9%, significantly above the US (35.3%) and China (33.8%).

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(3) For details on the EU's trade exposure to China see European Commission (EC-DG ECFIN) (2024). "Spillover effects to the EU from a potential sharp slowdown in China." In EC Autumn 2023 Economic Forecast, European Economy Institutional Paper 296, Box.I.2.1, pp. 18-20

(4) See European Commission (EC-DG ECFIN) (2023). " Global trade fragmentation risks." In EC Winter 2023 Economic Forecast, European Economy Institutional Paper 296, Box.1.1, pp. 11-13.

(5) An extensive academic literature supports this debate, for instance, (i) Baldwin R. (2019). The Great Convergence. Information technology and the new globalisation. Cambridge, MA: Harvard Univ. Press., (ii) Arto, I., E. Dietzenbacher and J. M. Rueda-Cantuche (2019). Measuring bilateral trade in terms of value added. EUR 29751 EN, Luxembourg: Publications Office of the European Union, and (iii) Miroudot, S. and M. Ye (2021). Decomposing value added in gross exports. Economic Systems Research, Taylor & Francis Journals, vol. 33(1), pages 67-87, and (iv) and Borin, A. and M. Mancini (2019). Measuring What Matters in Global Value Chains and Value-Added Trade. Policy. Research Working Paper; No. 8804. World Bank, Washington, DC..

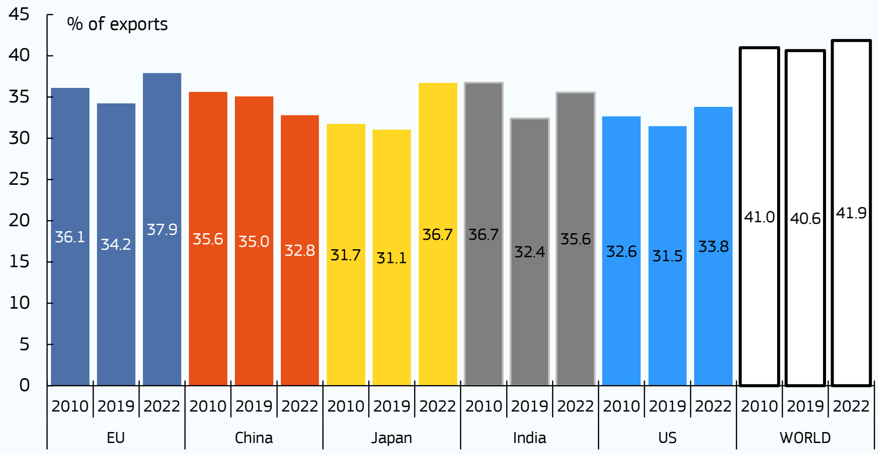
(6) FIGARO is the official global input-output tables released annually for the 27 EU Member States and its main 18 trade partners, including a rest of the world region for 64 industries and 64 products. More details at: Rémond-Tiedrez, I., Rueda-Cantuche, J.M. (eds.) (2019). EU inter-country supply, use and input-output tables: full international and global accounts for research in input-output analysis (FIGARO): 2019 edition, Publications Office of the European Union. Luxembourg.

(7) Total GVC integration or participation indices are defined as sum of backward and forward participation. The backward participation is calculated as a share of foreign value added in gross exports of an economy. The forward participation is calculated as domestic value added generated in an economy due to other countries' exports as a share of a country's gross exports.

(Continued on the next page)

Box (continued)

Graph 3: **Total GVC participation (sum of backward and forward participation indices)**



Source: JRC calculation based on Eurostat's FIGARO database.

Inherent resilience of Global Value Chains to trade disruptions has helped keep global trade openness high. This resilience can be explained by several factors. Firstly, much of GVC trade involves intra-firm transactions, where multinational corporations trade intermediate goods between their subsidiaries in different countries. This type of trade is generally less price-sensitive and more resistant to tariffs, as companies often find it more efficient to absorb short-term cost increases rather than to disrupt well-established supply chains. Secondly, the deep integration and specialisation in GVCs make firms more inclined to weather short-term trade disruptions. Highly specific supplier-customer relationships, make it more challenging to switch partner. In sum, the structured dependencies, specialised nature and lower price sensitivity of value chains contribute to their resilience. Studies by the World Bank, [8] IMF [9] and the OECD [10] that observed composition of trade flows following recent trade disruptions confirm that GVC trade flows are indeed less responsive to short-term barriers than traditional trade. Given that the expansion of GVCs has been behind a large share of gross trade in recent years, their resilience may help explain why trade has retained a high share of the global economy despite mounting headwinds. However, this does not mean that the global organisation of production is immune to protectionist policies. If disruptions persist or intensify, or when alternative policies increase the incentives for domestic production, more companies may start reshoring certain production processes [11].

(8) Brenton, Paul, Michael J. Ferrantino, and Maryla Maliszewska (2022). "Reshaping Global Value Chains in Light of COVID-19: Implications for Trade and Poverty Reduction in Developing Countries." Washington, DC: World Bank

(9) International Monetary Fund (IMF) (2022). *World Economic Outlook: War Sets Back the Global Recovery*, Chapter 4 Global trade and value chains during the pandemic, Washington, DC: IMF, April

(10) Organisation for Economic Cooperation and Development (OECD) (2023). International trade in the wake of multiple shocks, *OECD Trade Policy Paper* n°277, November 2023

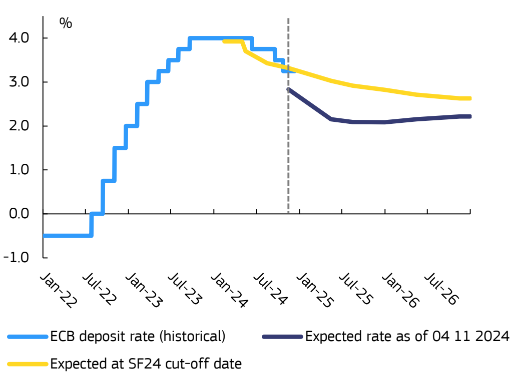
(11) This is especially the case of tariffs that can have cascading effect on goods and services crossing borders multiple times.

2.2. FINANCIAL CONDITIONS IN THE EU

The European Central Bank is moving more forcefully than previously expected in its monetary loosening cycle. Since the beginning of the year, the ECB has cut its policy rates three times by 25 bps., lowering the deposit facility rate from 4% to 3.25%. The latest cut, on 17 October, came only five weeks after the previous one. The ECB Governing Council stressed that the decision to lower policy rates was based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission. It noted that while the incoming information showed that the disinflationary process is well on track, the inflation outlook is also affected by recent downside surprises in indicators of economic activity, in a context where financing conditions remain restrictive.

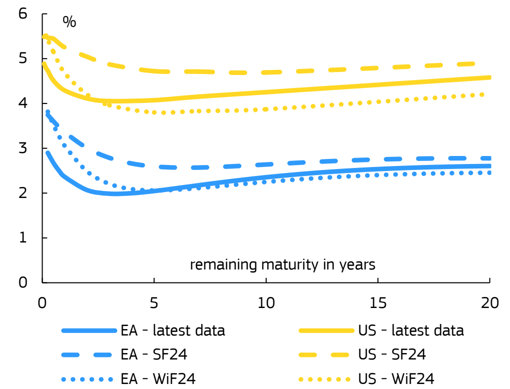
Markets expect the ECB to continue cutting policy rates faster than in spring. The Euribor 3-months futures suggests a sharper expected decline in policy rates compared with the Spring Forecast. The short-term nominal interest rate is projected to decrease to below 3% by the end of the year and to around 2% by end-2025 - 40 and 60 bps. lower, respectively, than expected in spring. It is then set to stabilise over the rest of the forecast horizon (see Graph I.2.10).

Graph I.2.10: **Short-term euro interest rate expectations**



(1) Expectations based on future contracts for 3 months Euribor.
Source: S&P Global, LSEG, Bloomberg, ECB.

Graph I.2.11: **Yield curves in EA and US**

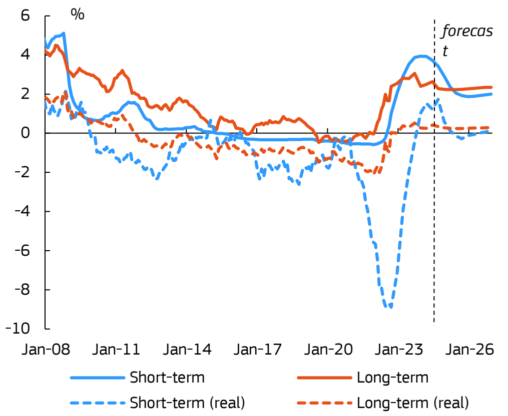


Source: ECB, US Department of Treasury.

The decline in euro area long-term interest rates has been more muted. The downward shift in the euro area yield curve took place mainly in August, mimicking the more abrupt downward shift in the US curve (see Graph I.2.11). Nominal long-term risk-free rates have declined by about 20 bps. since the Spring Forecast, much less than short-term rates. For 10-year maturity, they are now expected to hover around 2.3% over the forecast horizon. At the same time, inflation expectations (i.e. 10-year inflation swaps) have also declined across maturities. Thus, a large part of the declines in interest rates reflects the fall in market measures of compensation for expected inflation. As such, the expected long-term real rates have remained at roughly the same level as in spring, at between 0.25% and 0.3%.

Outside the euro area, all central banks started to ease their monetary policy. In Romania, the central bank started to cut rates in the summer, while central banks in Hungary and Czechia have continued to lower their policy rates since spring. The monetary authorities in Denmark and Sweden also started to decreasing rates, with both lowering rates three times by a total of 75 bps. Also outside of the euro area, rates are expected to fall sharper and faster than in spring. In terms of magnitude of expected declines, countries that started to cut rates earlier such as Hungary and Czechia, but also Sweden, are expected to see somewhat smaller declines over the forecast horizon. Conversely, Romania and Denmark are set to lower rates at the same pace as in the euro area.

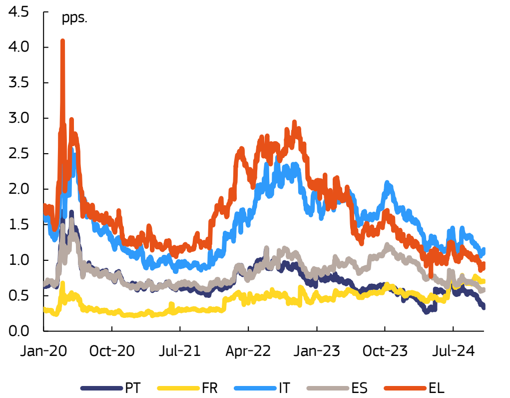
Graph I.2.12: **Euro area benchmark interest rates**



Short-term rate: 3M Euribor; Long-term rate: 10Y interest rate swap; Real rates are derived from the respective short or long-term rate minus annual HICP inflation and average future inflation inferred from 10Y inflation swaps, respectively. Short-term nominal forecasts (derived from forward short-term rates) are deflated by ECFIN inflation forecasts. Long-term nominal forecasts (derived from forward long-term swap rates) are deflated by their respective forward inflation swaps (i.e. 1Y 10Y and 2Y 10Y forward inflation swap rates).

Source: ECB.

Graph I.2.13: **Spreads over German federal 10y bonds**

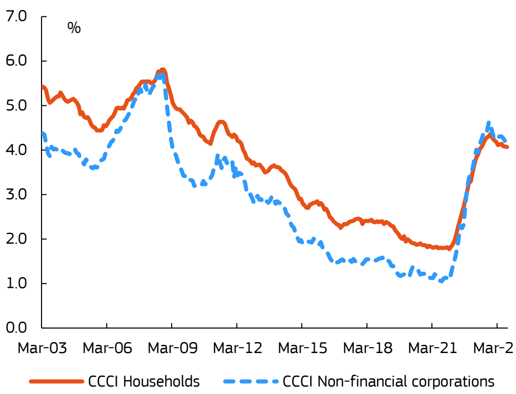


Source: iBoxx by IHS Markit, Deutsche Bank AG.

Sovereign bond markets adjusted to monetary policy expectations with broadly declining yields since spring. The German 10-year bund yield – i.e the euro area benchmark - decreased by approx. 40 bps. since 30 April, to reach around 2.40% at the end of October. At the same time, euro area spreads narrowed slightly over the same period (see Graph I.2.13), with the notable exception of France. French spreads widened particularly after the European election results, the subsequent dissolution of the French parliament and the ensuing political uncertainty. French 10-year sovereign yields are now trading at levels slightly above the Spanish ones. Outside of the euro area, in Hungary, Poland and Czechia, spreads widened somewhat since summer.

Bank lending activity is recovering but remains subdued. Financing costs for firms and households have continued to decrease moderately over the last few months, reflecting current and expected monetary policy easing. The composite credit cost indicator declined for both households and corporations but remains at decade-long high levels (see Graph I.2.14). Meanwhile, the annual growth rate of adjusted bank loans to the private sector in the euro area picked up since spring but remains weak. In nominal terms, it stood at 1.6% in September, up from 0.8% in March. Market-based debt funding for corporates continues to be modest, growing by only 2.5% annually in September, the same growth rate as in spring. As such, the euro area private sector continues to deleverage as the increase in nominal debt remains below GDP growth.

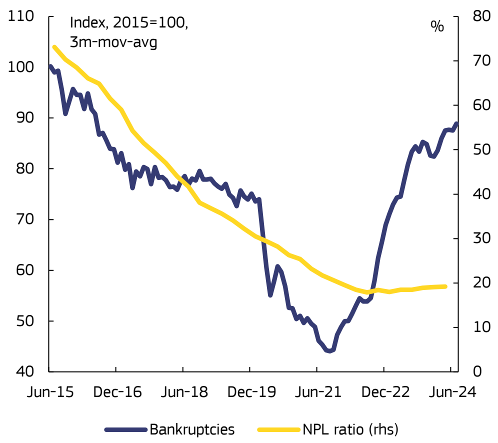
Graph I.2.14: **Composite credit cost indicators**



Source: ECB, Bloomberg, Datastream.

The ECB Bank Lending Survey for the third quarter points to recovering demand for loans, particularly for mortgage loans. In the third quarter of 2024, banks reported a moderate net increase in loan demand from firms and consumers, while net demand for housing loans rebounded strongly. Declining interest rates and improving housing market prospects were the main factors driving housing loan demand. For firms, the net increase in loan demand was also driven by declining interest rates, with a muted contribution from fixed investment. The increase in consumer credit and other lending to households was primarily supported by improving consumer confidence. Turning to loan supply, credit standards eased further for housing loans while remaining unchanged for firms and tightening for consumer credit. For housing loans, this is the third consecutive net easing after credit standards tightened throughout 2022 and 2023. Competition from other banks and banks' cost of funds and balance sheet situation were the main easing factors for credit standards on housing loans. For firms, unchanged credit standards follow more than two years of successive tightening. Banks' risk perceptions related to the economic outlook and firm-specific situations were still reported to have a small tightening impact, while banks' cost of funds and balance sheet constraints, as well as their risk tolerance and competition, had a broadly neutral impact, similar to previous quarters. For the fourth quarter of 2024, euro area banks expect credit standards on housing loans to ease significantly and housing loan demand to increase strongly again. For corporate loans, consumer credit and other lending to households, the prospects for the fourth quarter are more muted as banks expect a modest net increase in demand coupled with a moderate net tightening of credit conditions.

Graph I.2.15: **Bankruptcies and non-performing loans, EU**



Source: ECB.

The banking sector continues to exhibit strong profitability, underpinned by solid metrics in solvency, liquidity, and asset quality. Trend data concerning bankruptcy filings in the EU in 2024-Q2 indicate a continued upward trajectory, with figures now exceeding the averages seen prior to the COVID-19 outbreak. The construction sector continues to be the most notable source of defaults and bankruptcies. Despite this, banks' asset quality remains sound, with the incidence of non-performing loans remaining very small, particularly in relation to historical norms. However, some decline in asset quality, influenced by the sustained impact of elevated interest rates on a slow and sluggish economy. Banks within the EU are well prepared to weather a potential slight worsening in asset health, and even a scenario that encompasses a sharp downturn — as outlined in the 2023 stress tests conducted by the European Banking Authority and the ECB.

EU private sector asset prices held up well, showing resilience to global financial market jitters over the summer. Eurostoxx600, the EU equity reference index, lost 6% in early August, as global markets were affected by turbulences linked to the unwinding of Japanese carry-trades. Equity valuations recovered thereafter, with the Eurostoxx600 standing at the end of October slightly above the level at the cut-off date of the Spring Forecast. On the European corporate bond markets, after some jitters over the summer, spreads narrowed back, including for high yield bonds, and are currently slightly tighter than in spring.

EU housing markets recovered in the first half of 2024, with almost all EU countries recording positive growth rates. In 2024-Q2, EU house prices stood 2.9% above their level a year before (1.3% in the euro area), following quarter-on-quarter increases by 0.6% and 1.9% in 2024-Q1 and Q2, respectively. In the first half of 2024, house prices decreased (relative to their level in 2023-Q4) only in Finland and France, while they grew in all other Member States, and by more than 5% in Bulgaria, Spain, Croatia, Hungary, Lithuania, Latvia and Poland. However, both housing transactions and new building permits remain at the lowest levels of the last decade. The EU housing market benefited from loosening credit standards and strong demand for credit amid positive prospects for income growth and lower interest rates. The interaction between these developments and structurally low housing supply is expected to further support house price growth.

The euro appreciated by almost 2% against the US dollar over the past few months. The appreciation of the euro nominal effective exchange rate (NEER) has been mainly driven by a strengthening of the euro against the US dollar and some emerging currencies (Brazilian real, Mexican peso, Turkish lira). Compared to the situation prevailing at the time of the Spring Forecast, the euro's appreciation against the US dollar reflects expectations of a more decisive monetary easing in the US. However, since early October, the euro lost some of its gains against the US dollar as markets reassessed those expectations, amid evidence of a more resilient US economy than anticipated by investors.

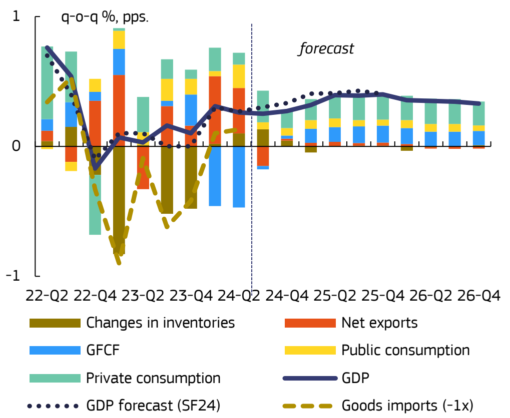
Overall, financial conditions in the EU appear looser than in spring. The ECB policy rate cuts, completed and expected, are being transmitted to bank and market lending rates, and, in turn, stirring demand for credit and eventually lending volumes. Mortgage lending is already showing signs of rebound while corporate lending lags behind. Euro area private assets held up relatively well, despite a bout in volatility during the summer. This suggests investor confidence in the resilience of the euro area economy.

2.3. ECONOMIC ACTIVITY

In the third quarter of 2024, economic activity in the EU expanded by 0.8% on the last quarter of 2023 (0.9% in the euro area). Assuming no growth in the last quarter of 2024, calendar adjusted real GDP would be 0.8% higher than in 2023 in the EU and 0.7% higher in the euro area. Real GDP growth within January-September 2024 was 0.6% in both areas, while the statistical carry-over effect from 2023 accounted for a further 0.2% for the EU and 0.1% for the euro area. This result for 2024-Q1 through Q3 was 0.1 pps. lower than projected in spring for the EU, while it came in broadly as expected for the euro area. The outturn for the euro area masks a significant underperformance by Germany and a slight one for Italy and the Netherlands, but also a marked positive surprise by Spain and a slight one by France. Information on the demand composition of growth for the EU aggregate is only available for the first half of the year. It shows that growth in this period was primarily driven by net exports (see Graph I.2.16), thanks to expanding exports, particularly of services, and weak import growth. Public consumption also contributed strongly to GDP growth in most Member States. Private consumption expanded only moderately and investment disappointed, particularly in the euro area.

Benchmark and routine revisions to national account series of most Member States[3] **entail a higher statistical carry-over from 2023 than previously estimated**. The impact of the data revisions since the cut-off of the Spring 2024 Forecast varies across Member States. The revisions to quarterly data already published by Eurostat have upgraded the carry-over from 2023 by 0.1 pps. for both the EU and euro area aggregates. The revisions had notable positive impact on the carry-over for Ireland (+1.4 pps.), Romania (+0.4 pps.), Croatia, France, Sweden, (+0.3 pps.), Cyprus, Greece, Poland[4] (+0.2 pps.), but a negative one for Italy (-0.2 pps.). Box I.2.2 summarises implications from the benchmark and regular revisions on the forecast.

Graph I.2.16: **Real GDP growth and contributions, EU**



(3) Quarterly benchmark-revised data are still to be published for Greece (6 December). The benchmark-revised data for Greece, as well as for Belgium, Austria and Poland (all published after 18 October), will be incorporated in the EU and euro area aggregates with the release of 6 December.

(4) Based on routine revisions only.

Box I.2.2: **2024 benchmark and regular revisions: implications for the Autumn Forecast**

Revisions are an established feature of national accounts, and an important element of good practice in statistics compilation. Rather than being a correction of errors, they are the result of the successive incorporation of new information into the published data. National accounts are subject to both routine and major revisions. The former are part of the regular data production cycle. They usually occur over a period of up to 3 years, after which a published value is usually not subject to routine revisions any longer. Major revisions occur less frequently, either on an ad hoc basis or as part of regular multi-annual revision cycles. According to the harmonised European revision policy (1), major regular revisions, called benchmark revisions, should be implemented every 5 years to incorporate changes in basic data sources and/or new estimation methods. Benchmark revisions potentially have larger impacts than routine revisions on the whole time series. After the benchmark revision of 2019, this year saw the implementation of a coordinated benchmark revision (BM24) by most statistical institutes in the European Statistical System.

This box looks at the 2024 benchmark revision and its implications for the Autumn Forecast. Contrary to the 2014 benchmark revision, which incorporated the new ESA10 accounting framework, this year's benchmark revision did not introduce major changes in methodology. As such, the revisions have neither significantly changed economic history nor the assessment of the current economic situation. The next benchmark revision in 2029 is planned to coincide with the introduction of a new ESA accounting standard based on SNA 2025. Given a number of important methodological changes, the BM29 can be expected to see larger revisions than the BM24, and potentially also a loss of length of time series for some indicators.

The 2024 benchmark revision introduced a number of mostly minor methodological changes and data adjustments in national accounts (2). The revision incorporated the new classification of individual consumption by purpose (COICOP 2018) stipulated in the amended ESA 2010 regulation (3). For many countries it also implemented a number of recommendations in the European Statistical System for national accounts improvements, in particular concerning the further harmonisation of estimates for fixed capital stocks and depreciation and results of an analysis of volume estimates using implicit deflators. The revision also aimed to improve adherence with the ESA methodology in the determination of the EU's own resources and, where not already done with routine revisions, the implementation of updates of government finance statistics in accordance with the latest version of the Manual for Government Deficit and Debt (4). Recommendations made in the context of the quality assurance of statistics underpinning the Macroeconomic Imbalances Procedure (MIP) were also implemented. Several countries incorporated in their national accounts first results from the census round 2021, as well as from the structural business statistics under the new regulation on European Business Statistics. Information on the changes introduced with BM24 can be found on the dedicated Eurostat webpage (5).

This Autumn Forecast incorporates the benchmark revision implemented by most EU national statistical institutes. The data from countries that published their benchmark revision were progressively incorporated in the European aggregates, together with possible additional regular updates, and published by Eurostat according to its regular release schedule. With the Eurostat release of 18 October 2024, the European main aggregates include annual benchmark revisions from all EU countries except Luxembourg, which postponed its benchmark revision to 2025. Revised updated

(1) See Practical Guidelines for revising ESA 2010 data
(2) See 2024 benchmark revision of national accounts and balance of payments. In the context of the BM24, this year many countries, as well as Eurostat, have introduced a new reference year in their chain-linked volume data, switching from 2015 to 2020. In chain-linked series, the choice of reference year has an impact on the level of volumes – as they are set equal to the current prices value in the reference year – but not on the growth rates. This publication does not use 2020 as index reference year yet.
(3) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R0734
(4) European Commission (EC – Eurostat) (2023). "Manual on Government Deficit and Debt – Implementation of ESA 2010, 2022 edition." Eurostat Manuals and Guidelines. Luxembourg : EU, January.
(5) See on Eurostat's website at https://ec.europa.eu/eurostat/web/esa-2010/data-revision, and there in particular "2024 benchmark revision of national accounts: Information on GDP impacts and main changes."

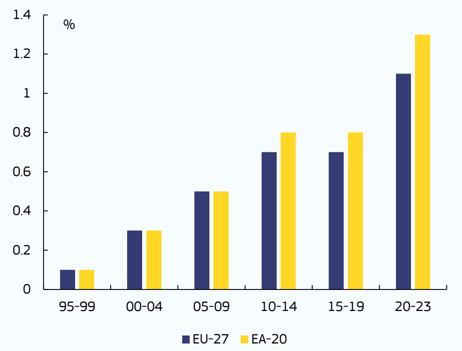
(Continued on the next page)

Box (continued)

quarterly data from most countries were also integrated in the 18 October release. For Belgium, Greece, Austria and Poland, benchmarked quarterly main aggregates data will be integrated with the next update of European aggregates scheduled on 6 December 2024.

While the 2024 benchmark revision did not introduce major methodological changes, it did impact some key macroeconomic variables, including GDP. The overall impact of the benchmark revision on the European aggregates for nominal GDP levels is 0.7% for the EU and 0.8% for the euro area for the periods 2010 to 2014 and 2015 to 2019. Revisions are smaller for previous years and somewhat higher for the most recent period from 2020 to 2023 – at 1.1% for the EU and 1.3% for the euro area - as they also include regular revisions of previous preliminary estimates, including for the COVID-19 period. The impact on the GDP volume growth rate of European aggregates was negligeable for all periods except the latest, where an upward revision of the average growth rate (0.1 pps.) is observed. Across countries, the average impact of the revisions in nominal GDP over the period 2020-23 ranged from 3% or above in the Netherlands, Czechia, Malta and Cyprus, to -3.8% in Latvia. For growth rates, it ranged from 1 pp. in Cyprus to -0.4 pps. in Ireland. Looking at demand components the revisions since spring are on average more signifcant for private and public consumption than investment.

Graph 1: **Average revisions to nominal GDP, EU and euro area**



Consumers continued showing restraint, despite marked improvement in real disposable income. Household consumption grew modestly in the first half of 2024 (+0.5% in the EU, 0.3% in the euro area) and even declined in Germany (-0.1%), the Netherlands (-0.6%), Austria and the Nordic countries, the latter characterised by elevated household indebtedness. While employment continued to expand and real wages returned to growth in the second half of 2023, consumer confidence has been only slowly recovering from the historical low recorded in September 2022 - when inflation was about to peak - and remained below pre-COVID levels in October 2024. Households continued to put aside a larger share of their disposable incomes than in preceding quarters. At 14.8% in 2024-Q2, the saving rate in the EU moved further away from pre-COVID readings and intentions to save reported by consumers were at a historical high, likely reflecting a legacy impact of the prolonged spell of high inflation and elevated uncertainty, but also the improved returns on saving/deleveraging brought about by higher interest rates (see Graph I.2.20). This dynamic is in sharp contrast with developments in the US (see Box I.2.3). Admittedly, spending on durables continued expanding in 2024-Q2 (see Graph I.2.17) and appetite for major purchases in the near future has been recovering, but durables have limited impact on overall consumption dynamics due to their limited weight in total consumption. August retail trade data do not indicate any upswing in consumer demand. Limited country detail published with the GDP preliminary flash estimate suggests that private consumption has gained some strength in 2024-Q3.

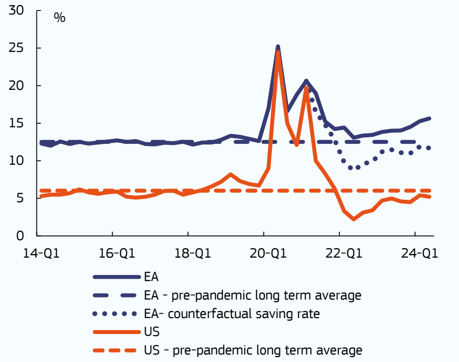
Box I.2.3: Household saving rates in the euro area and in the US: a counterfactual analysis

In the euro area (and the EU), the household saving rate has again been departing from its long-term average since mid-2022. As economies emerged from the pandemic, the saving rate started to reconverge towards its long-term average, falling from a peak of 20.6% in 2021-Q1 to 13.9% by 2022-Q2. However, the rapid surge in inflation and the forceful tightening of monetary conditions reversed this trend, pushing the saving rate up again to a high of 15.7% by 2024-Q2. The saving rate thus remained well above the pre-pandemic average of 12.3%.

By contrast, in the US, the saving rate has dipped below its long-term average. At the onset of the pandemic, the saving rate spiked also in the US, as consumers were forced to stay at home. Soon, however, US consumers started drawing on the extra savings accumulated during the pandemic. The US household saving rate fell to 2.2% in 2022-Q2, well below its 2014-19 average of 6.1%, even amid high inflation and interest rate hikes. It has since been creeping up, converging again to its long-term average.

Higher saving rates in the euro area explain part of its weaker growth relative to the US. Two counterfactual analyses investigate the implications of the different saving behaviour in the US and the euro area. In a first "back-of-the-envelope" exercise, the deviation of the saving rate from its long-term average in the euro area is assumed to be the same as in the US, starting from 2021-Q1 (see Graph 1). In 2024-Q2, the euro area saving rate would be some 3 pps. below its actual reading. With no second-round effects, private consumption and GDP would have been on average 3.6% and 1.9% higher than observed between 2021-Q2 and 2024-Q2. An alternative model-based counterfactual exercise relying on the European Commission's Global Multi-country (GM) [(1)] model identifies two domestic private demand forces that drive the divergence of the saving rate paths in the euro area and the US from 2021-Q3 until 2024-Q2. [(2)] First, US households seem to have a more favourable attitude towards current spending than European consumers, as they tend to value spending today more than saving for the future. Second, the model estimates that the return on risky assets was lower than required by US savers, which further discouraged their savings propensity compared to the euro area. These two forces reduce the model-implied saving rate in the US by roughly 2 pps. on average during the observed period, in turn implying that GDP in the euro area would be 2.8% higher by end of 2024 – with part of the GDP increase would also result from stronger investment growth.

Graph 1: **Household saving rate in the EA and in the US**

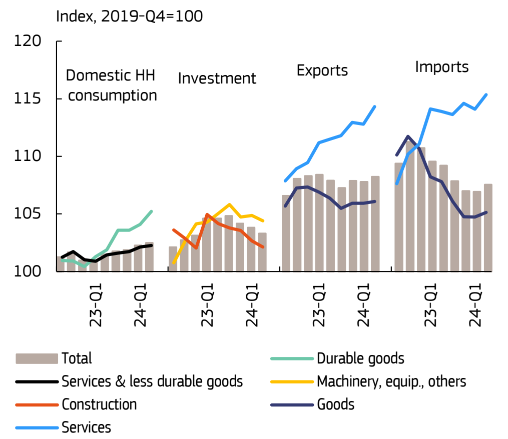


Source: Eurostat for EA, Bureau of Economic Analysis for US.

(1) The European Commission's Global Multi-country model is a structural macroeconometric model of the euro area and the US. For further information see https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-research/macroeconomic-models/global-multi-country-gm-model_en.

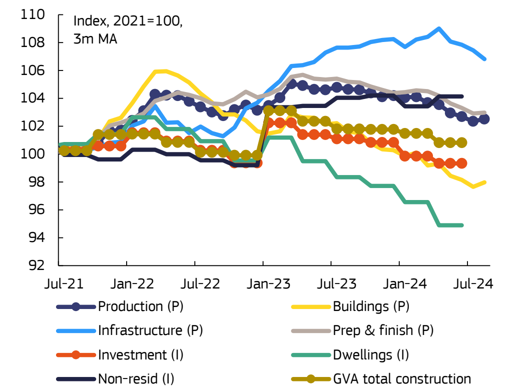
(2) In the GM model, the first driving force is modeled by the subjective rate of time preference at which households discount their future utility, while the second by investment risk premia that affect both households' risky asset holdings and firms' investment decisions.

Graph I.2.17: **Demand components, EU ex. IE**



Note: Data on household consumption are based on expenditures in the EU excluding Ireland (to adjust for volatility in exports and investment) made by both residents and non-residents.

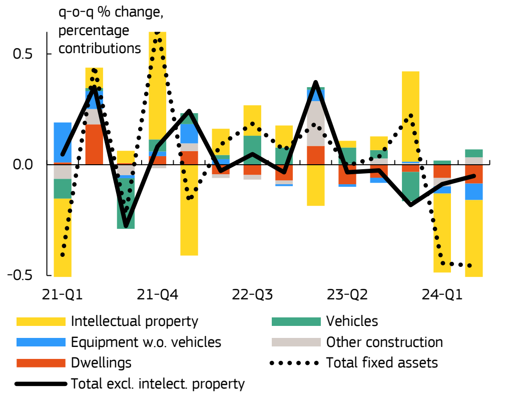
Graph I.2.18: **Activity indicators in construction**



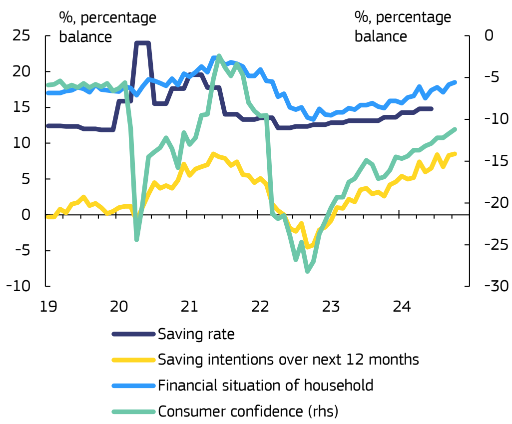
The contraction in investment was broad-based across asset categories. Investment decreased by 2.1% in 2024-Q1 and 2.2% in 2024-Q2, reflecting extraordinary dynamics of the volatile investment into intellectual property products (IPP) by multinationals' subsidiaries in Ireland. Even excluding intellectual property assets, investment still underperformed in the first half of 2024 compared to the Spring Forecast [5]. It was dragged by further weakening investment in equipment and real estate (see Graph I.2.17). High interest rates and tighter credit conditions have dampened household demand for new homes, weakening residential construction. Private non-residential construction is similarly affected, with high borrowing costs compounding structural trends — such as hybrid work models and online retail — which lower demand for office and retail spaces. Infrastructure investment, in contrast, has remained resilient, largely supported by public investment. Equipment investment has also faced cyclical pressures from the global manufacturing downturn but also growing uncertainty over trade, energy prices, and the pace of the green transition. Infrastructure investment bounced back in 2024-Q2, but the decline of infrastructure construction activity in May through August may signal that the rebound was short-lived (see Graph I.2.18). The issuance of building permits has stayed at depressed levels (close to its historical low, see Graph I.2.26). Confidence in the construction sector has not shown any improvement lately, possibly due to the continued drag from tight financial conditions. Investment in transport equipment rebounded in 2024-Q1 and Q2, but from very low levels, while output volumes of the car industry remain depressed and business sentiment in the sector is plummeting, reflecting, in particular, lower vehicle demand by businesses. Partially available detail from the preliminary flash GDP estimate indicates continuing weakness in investment in 2024-Q3.

(5) The quarterly forecast aggregates of GDP and components for the EU and the euro area are calculated without including the Member States for which no quarterly forecast is submitted.

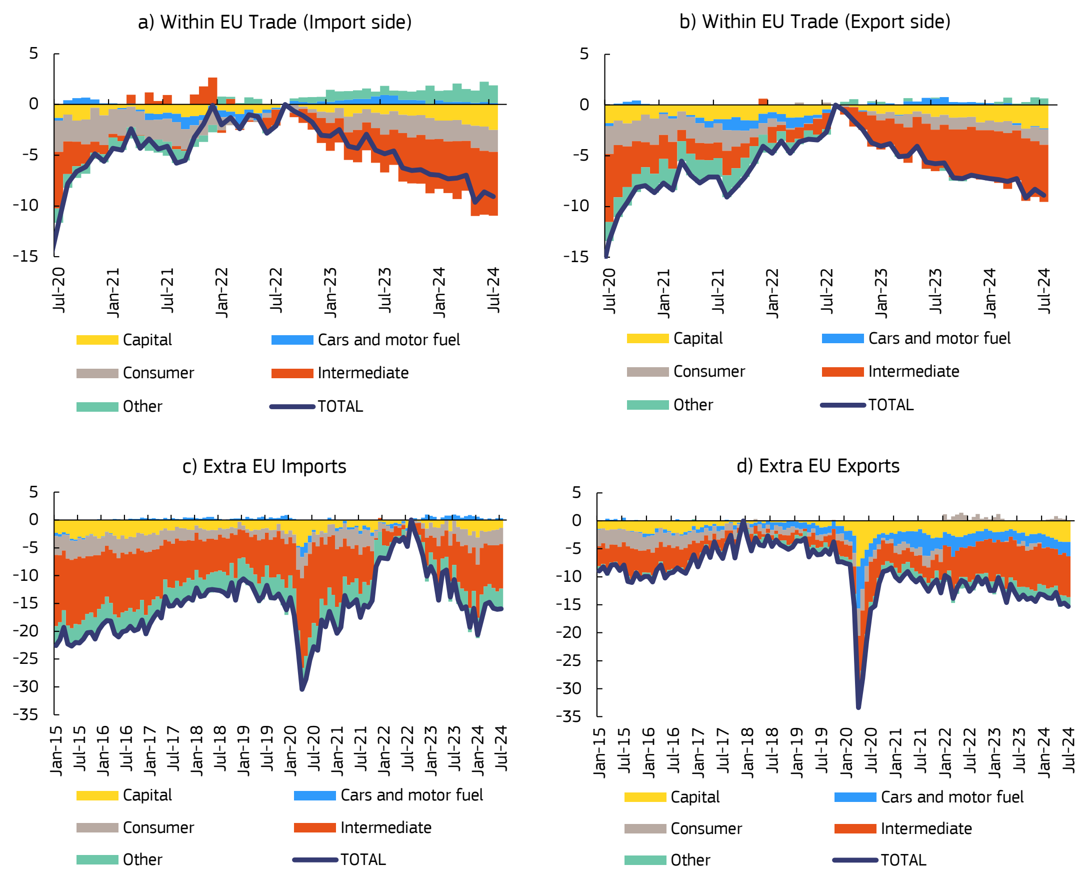
Graph I.2.19: **Investment contribution to GDP growth, EU**



Graph I.2.20: **Saving intentions, saving rate, EU**



Graph I.2.21: **International trade in goods, EU**



(1) % or pps difference from respective maximum for the depicted time span

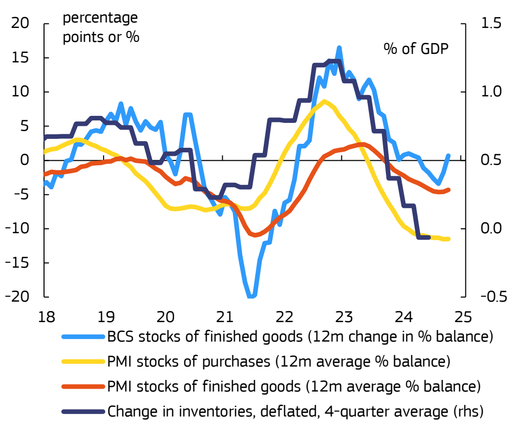
Net exports contributed little to growth in January-September 2024. Adjusting for the volatility in the data in Ireland [6], exports stagnated in 2024-Q1 and rebounded in 2024-Q2. Limited detail from the preliminary flash GDP estimate indicates a probable slight increase also in 2024-Q3. With imports moving in parallel, the effect on GDP was neutralised, but the growth in imports may signal revival of domestic demand. The rebound in trade was driven by service

[6] The accounting impact on GDP growth of the strong disinvestment in intellectual property products in Ireland was matched and neutralised by strong exports from Ireland.

exports, and somewhat less so by goods (see Graph I.2.17). At the same time, data on trade in goods seems to suggest weakness across all broad categories of goods (see Graph I.2.21) and the order inflow in manufacturing, including for exports, has shown no improvement (see Graph I.2.23) and the global trade outlook has been softening. Thus, the outlook for goods exports appears modest.

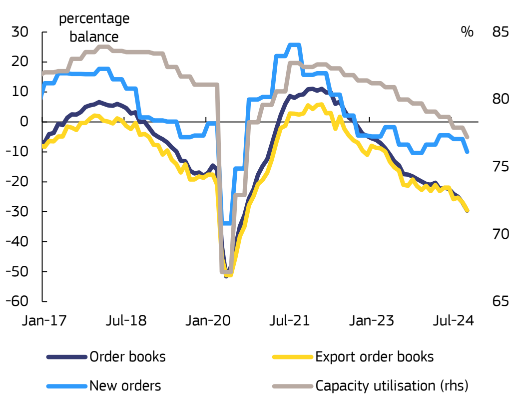
The drag to growth from inventory accumulation started reversing in the first half of the year. In the second half of 2023 the change in inventories detracted on average 0.4 pps. of growth in each quarter (0.3 pps. in the euro area). In 2024-Q1 and Q2, its contribution turned positive. The PMI indicator for stocks of purchases indicates ongoing destocking in inputs and signs of bottoming out in stocks of finished goods, the latter in line with the respective indicator from the Commission's Business and Consumer Survey (BCS) (see Graph I.2.22). It is also worth noting that since 2022-Q4 the negative contribution of the change in inventories has almost exactly been mirroring the positive contribution of imports of goods, particularly the declines throughout 2023 and the rebound in the first half of 2024 (see Graph I.2.17).

Graph I.2.22: **Evolution of inventories and assessments in manufacturing in the euro area**



(1) To facilitate comparison, PMI indices have been transformed in % balances.
(2) The BCS assessment refers to the level, the original PMI index refers to the change on the month before.
Source: S&P Global, IHS Markit, European Commission.

Graph I.2.23: **Order books and capacity utilisation in manufacturing, EU**



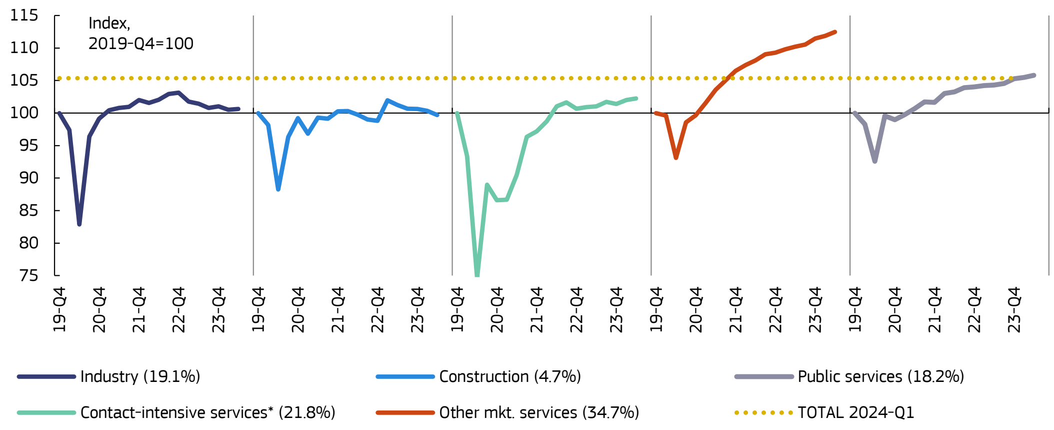
Turning to the production perspective, weakness in manufacturing continued in the first half of 2024. Value added in industry has stagnated since mid-2023 (see Graph I.2.24). Among the energy-intensive intermediate goods sectors, the contraction of output in the chemical industry seems to have bottomed out, but other sectors, like metal and mineral products (i.e. building materials) are still struggling. Less energy-intensive industries have also suffered under weak demand. Industries that relate strongly to car manufacturing [7], and machine building in general, have seen output decline throughout 2023 and into 2024 (see Graph I.2.25). This trend is particularly relevant in Germany, but lately it is also affecting the rest of the EU, though sentiment there is somewhat less downbeat (see Graph I.2.27). Manufacturing of other transport equipment (non-automotive) has been consistently recovering from a deep slump in the wake of the COVID-19 pandemic. It recently regained the pre-pandemic level of output, and the expansion is progressing, though at a slow rate. The sector of non-durable consumer goods staged a rebound over recent months and appears sheltered from the bearish sentiment characterising most other manufacturing sectors.

Overall, EU manufacturing seems to struggle under the legacy effect of high energy costs, a cyclical downturn and the erosion of the competitive edge of its automotive

[7] NACE activities C22 – rubber and plastics, C25 – metal products, C27 – electrical equipment, C28 – other equipment, C29 – motor vehicles, for all of which industrial production show a high correlation with that of activity C29.

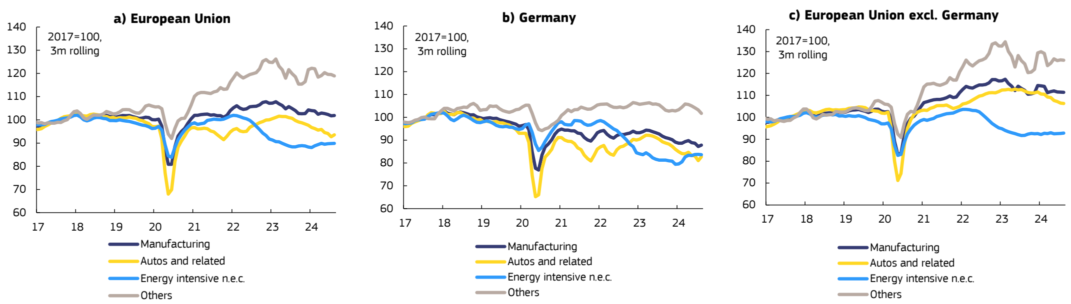
industry. The energy shock dealt a significant blow to EU industry, as it widened the gap in energy costs between the EU and its primary global competitors, especially the U.S. and certain Asian economies where energy is cheaper and more readily available. Although EU energy markets are gradually stabilising, concerns about the competitiveness of EU-based energy-intensive production remain. Moreover, with synchronised monetary policy tightening across major global economies, demand for investment goods — a core export for the EU — has slumped, resulting in reduced orders and declining revenue for firms producing machinery, transport equipment and technology components. The downturn is also evident in industries linked to the construction sector, where a pullback in activity has weakened demand for building materials and other inputs produced by EU manufacturers, putting further strain on industrial output. Beyond these cyclical pressures, EU manufacturing is grappling with structural shifts in automotive production, which has a strong base in several EU Member States, starting from Germany. As the industry transitions from internal combustion engine (ICE) vehicles to electric vehicles (EVs), EU manufacturers are finding it difficult to match the speed and scale of their global competitors' EV production. Germany is facing particularly acute impacts due to its reliance on energy-intensive and export-driven production.

Graph I.2.24: **Gross value added in the EU across sectors**



(1) % of GVA in latest four quarters in brackets.
(*) Wholesale and retail; transport; accommodation, food services; arts, entertainment, recreation.

Graph I.2.25: **Manufacturing production in the EU and Germany**



(1) Sectors related to the auto industry (C29) are deemed to be: C22 – rubber and plastics, C25 – metal products, C27 – electrical equipment, C28 – other equipment, for all of which industrial production show a high correlation with that of activity C29.
(2) Energy intensive sectors defined as having energy intensity above the average in manufacturing C16_17 - wood and paper, 19 - refined petroleum products, C20 - basic chemicals, C22, C23 non-metal mineral products, C24 - basic metals.

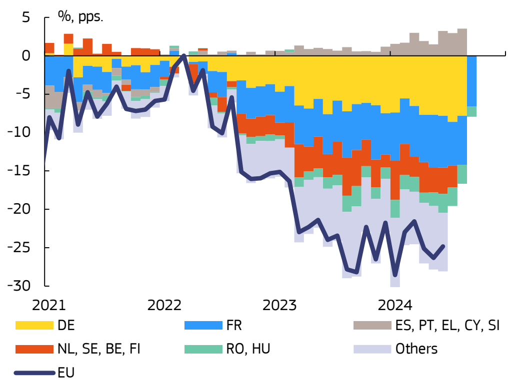
The service sector continues to compensate for the weakness in industry and construction. Business services remained buoyant in 2024-Q1 and Q2. Together with a rebound of contact-intensive services (distribution services - trade, transport - and consumer services - hospitality, recreation and entertainment), they made up for the weakness in industry and construction (see Graph I.2.24). Readings of the PMI and the European Commission's Business and

Consumer Survey indicate that sentiment among services managers remains in expansionary territory (see Graph I.2.28).

Looking forward, the conditions for a sustained expansion of consumption appear in place. Employment is high and set to expand slightly further. Tightness in the labour market is expected to maintain real wage growth positive, if slowing. Despite some drag from fiscal consolidation, households' real disposable incomes are set to keep increasing. The high saving rate, an indication of restraint and precaution until recently, should now rather be signalling that households' capacity to continue sustaining the expansion in domestic demand has improved further. This is also confirmed by the improving assessment of their financial situation, coupled with low indebtedness, at least on aggregate. Consumer confidence has continued recovering consistently and is virtually back to its historical average. Loan demand by households has started to revive amid easing credit conditions. Private consumption is set to expand moderately in the second half of the year and build momentum in 2025 and 2026, as households only gradually lower their savings rate.

Despite a healthy corporate sector, the outlook for business investment is set to remain constrained. A low bankruptcy rate, low non-performing loans and impaired assets in banks, as well as subsiding corporate indebtedness all suggest that despite little dynamism in the economy, the business sector remains financially sound and reasonably profitable. Nevertheless, profit margins have decreased in the first half and are forecast to contract in 2024 as a whole. Credit demand by corporates is still weak, and credit conditions have just stopped tightening, while banks remain cautious about relaxing credit standards. Major industrial clusters are struggling with potentially long-standing structural problems on top of cyclically weak demand for key output, like capital goods. Leading indicators in construction, like building permits, still suggest depressed demand in the short-to-medium term (see Graph I.2.26). Uncertainty about global security and economic policies, domestically and in target markets, has anything but abated in the past months.

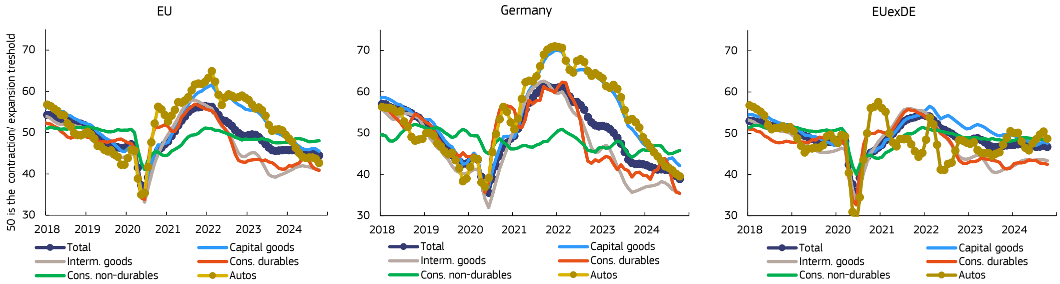
Graph I.2.26: **Evolution of building permits for buildings, m2 of useful space**



(1) % change and contributions relative to March 2022
(2) Coverage of grouped countries incomplete for July and August 2024

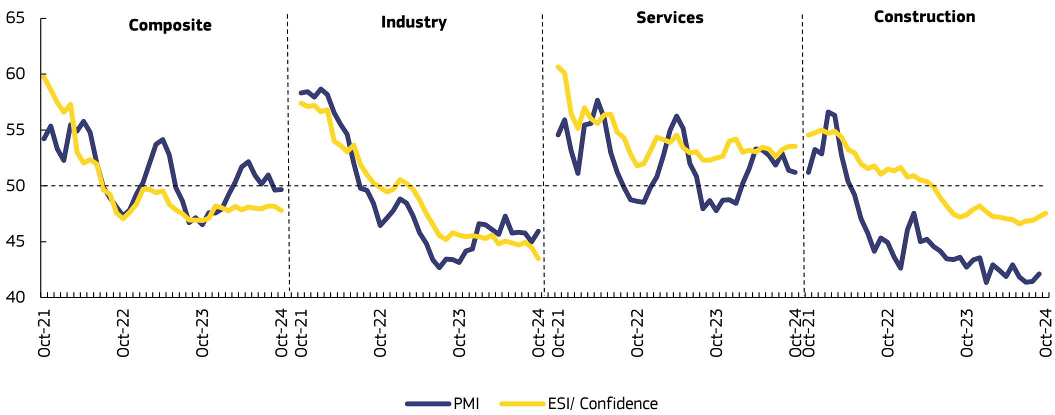
Business confidence remains below the long-term average, especially in construction and segments of manufacturing. Business sentiment remains upbeat in the services sector, but in industry it is weak and with no sign of a turnaround, particularly among (German) equipment and auto builders. It also seems premature to herald a turnaround in construction, despite the revival of housing credit and strong fundamentals for housing demand. Together with growing slack (declining capacity utilisation and weak order inflows in manufacturing), this is making the investment outlook bleaker than earlier projected.

Graph I.2.27: **Confidence indicator in main industrial groupings**



(1) BCS data (based on percentage balance of positive and negative answers) transformed to allow better comparison with PMI's (based on the sum of the share of positive answers and half the sum of neutral answers): BAL'=50+0.5*BAL.

Graph I.2.28: **ESI/Confidence and PMI, euro area**



(1) EC BCS series rescaled for better comparability with PMI: Confidence'=50+0.5*Confidence; ESI'=ESI/2
Source: S&P Global, European Commission.

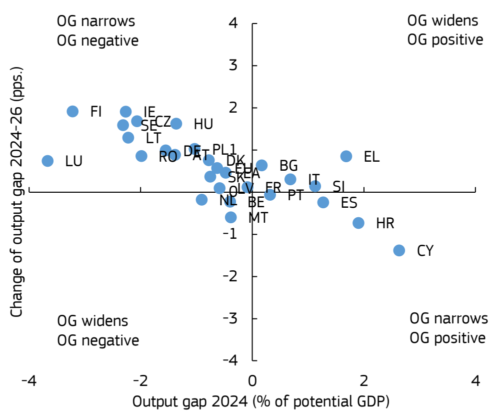
Investment is expected to return to moderate growth in 2025, driven by the corporate and public sectors, while the recovery in housing investment takes time. The outlook for the remainder of the year remains depressed and investment is seen to decline by 1.6% in the EU and 1.9% in the euro area in 2024. Excluding Ireland, the decline is projected at around 1% in both areas. The main drivers of the decline are housing and equipment, while infrastructure investment continued increasing, although at a still muted pace. Intangibles, too, are seen growing at a fairly steady rate between 2½ - 3% over this and the following years, when adjusting for the volatile dynamics in Ireland. As of next year, growth in equipment investment is expected to resume. The RRF is set to support corporates in addressing the business transformation and capacity adjustment needed for the transition to energy-saving and low-emission production. Still, elevated uncertainty and structural shifts are set to weigh on segments of manufacturing, especially the all-important automotive industry. At around 2% annually in the EU and 1.8% in the euro area, the expansion of equipment investment is set to remain moderate by historical standards, as earlier investment plans are being scaled back (e.g. Intel and Wolfspeed in Germany), and rather weak, taking into account the likely decline in 2024. Infrastructure investment, assumed to have stayed resilient in the second half of 2024, is projected to regain strength with growth accelerating to 3.5% and 4.6% in 2025 and 2026 (2.8% and 4.2% respectively for the euro area) not least due to an increasing volume of maturing RRF-funded projects. Investment in dwellings is seen declining a third year in a row in 2025 (1.9% in the EU and 2.3% in the euro area, after 3.6% and 3.2% respectively expected for 2024). Even if mortgage lending is reviving and fundamentals of housing demand are strong, new housing starts are likely to take time, also against a backdrop of a low volume of issuance of building permits, especially since the second half of 2023. In 2025, residential construction housing investment is still set to be held back by still subdued household demand for new homes in e.g. Germany, Sweden and Belgium and by the phase-out of sizeable housing tax credits in Italy. This way, housing investment is seen to start recovering only in 2026 to grow by just below 2% in the EU and the euro area.

The external balance is projected neutral to GDP growth. The weak performance in goods exports of 2023 carries over to 2024, leading to a broadly flat yearly growth in 2024. In 2025 and 2026, merchandise exports are projected to expand more briskly. Although manufacturing sentiment is currently depressed, including as regards to export prospects, global trade is projected to improve over the forecast horizon, with demand, notably for investment goods, boosted by easing financial conditions. Exporters from the EU are expected to adapt to variations in the geographical structure of demand, though not without loss in market shares, and exports are set to grow over the forecast horizon, even if at a moderate rate of 2.5-3%. Export of services are in for a strong performance this year, set to lift the growth rate of aggregate exports to 1.4% in 2024. In 2025 and 2026, exports of services are set to grow at roughly the same pace as goods, as the catching up dynamics of global travel expenditure gradually taper off. After broadly stagnating this year, imports of goods and services in 2025 and 2026 are expected to rebound visibly. Imports are set to respond to the strengthening consumer and investment demand at home and are largely neutralising the growth impact of exports.

Growth is set to be slightly softer than expected in spring but to strengthen in 2026. All in all, GDP growth has been running marginally below expectations. The growth outlook for the turn of the year has also been revised down on aggregate, returning to the growth trajectory assumed in spring only in 2025-Q2. The drag from tighter financing conditions and weaker external demand on investment and exports are the main factors behind these outcomes and revisions. By contrast, private consumption is set to gather strength, albeit more slowly than assumed in spring. Investment is expected to return to very modest growth early next year, bringing domestic demand back to cruising speed in the course of 2025. Thus, after growing by 0.9% in 2024 in the EU and 0.8% in the euro area, in 2025 GDP is projected to consolidate at 1.5% in the EU and 1.3% in the euro area, and at 1.8% and 1.6% respectively in 2026.

Growth is estimated to fall behind potential in 2024, but outpace it in 2025-26. Consequently, the output gap is set to widen in 2024 to -0.6% of potential output in the EU (-0.5% in the euro area), then narrow to -0.1% in 2026 (0.0% in the euro area). The majority of Member States are estimated to have negative but narrowing output gaps between 2024-26. However, 8 Member States are estimated to have positive output gaps throughout the forecast horizon (see Graph I.2.29). Based on the projected evolution of demographics, employment and investment, potential growth is set to slow down slightly in the EU from 1.4% in 2024 to 1.3% in 2026 (in the euro area, from 1.3% to 1.2%). This trend is similar across most Member States.

Graph I.2.29: **Output gaps across Member States**



Note: Estonia is excluded from the graph.

Table I.2.2: **Composition of growth - euro area**

(Real annual percentage change)	2023		2019	2020	2021	2022	2023	Autumn 2024 Forecast 2024	2025	2026
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	7,735.7	53.0	1.4	-7.8	4.7	4.9	0.6	**0.9**	**1.2**	**1.4**
Public consumption	3,093.1	21.2	1.9	1.2	4.3	1.1	1.6	**1.9**	**1.2**	**1.1**
Gross fixed capital formation	3,194.8	21.9	7.1	-5.7	3.7	2.0	1.6	**-1.9**	**1.8**	**2.5**
Change in stocks as % of GDP	55.1	0.4	0.4	0.2	1.0	1.9	0.4	**-0.1**	**-0.1**	**-0.1**
Exports of goods and services	7,375.3	50.5	3.1	-8.8	11.4	7.3	-0.7	**1.5**	**2.2**	**3.0**
Final demand	21,454.1	147.0	2.6	-6.7	7.1	5.0	-0.2	**0.5**	**1.6**	**2.0**
Imports of goods and services	6,858.4	47.0	4.9	-8.2	9.0	8.3	-1.3	**0.0**	**2.5**	**3.0**
GDP	14,593.9	100.0	1.6	-6.0	6.3	3.5	0.4	**0.8**	**1.3**	**1.6**
GNI	14,598.8	100.0	1.5	-6.6	7.0	3.0	0.2	**0.9**	**1.2**	**1.5**
p.m. GDP EU	17,398.1	119.2	1.9	-5.6	6.3	3.5	0.4	**0.9**	**1.5**	**1.8**
			Contribution to change in GDP							
Private consumption			0.7	-4.2	2.4	2.5	0.3	**0.5**	**0.6**	**0.7**
Public consumption			0.4	0.3	1.0	0.2	0.3	**0.4**	**0.3**	**0.2**
Investment			1.5	-1.2	0.8	0.4	0.3	**-0.4**	**0.4**	**0.5**
Inventories			-0.4	-0.3	0.7	0.5	-0.9	**-0.4**	**0.1**	**0.0**
Exports			1.5	-4.2	5.1	3.5	-0.4	**0.7**	**1.1**	**1.5**
Final demand			3.7	-9.6	10.0	7.2	-0.3	**0.8**	**2.4**	**3.0**
Imports (minus)			-2.1	3.6	-3.7	-3.7	0.7	**0.0**	**-1.1**	**-1.4**
Net exports			-0.6	-0.6	1.4	-0.2	0.3	**0.8**	**0.0**	**0.1**

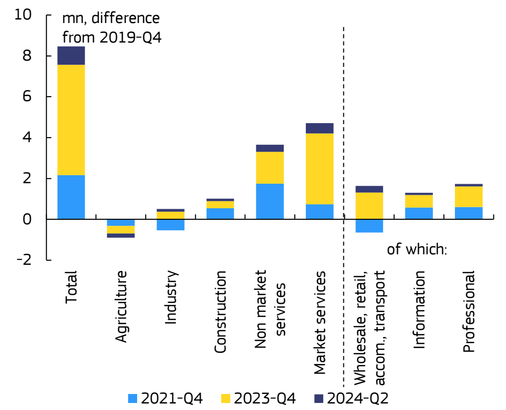
Table I.2.3: **Composition of growth - EU**

(Real annual percentage change)	2023		2019	2020	2021	2022	2023	Autumn 2024 Forecast 2024	2025	2026
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	9,192.9	52.8	1.5	-7.2	4.9	4.7	0.5	**1.2**	**1.4**	**1.6**
Public consumption	3,685.6	21.2	2.0	1.2	4.2	1.0	1.7	**2.1**	**1.3**	**1.2**
Gross fixed capital formation	3,839.0	22.1	6.8	-5.0	4.0	2.1	1.8	**-1.6**	**2.1**	**2.8**
Change in stocks as % of GDP	53.0	0.3	0.5	0.2	1.2	2.1	0.3	**-0.2**	**-0.1**	**-0.1**
Exports of goods and services	9,041.9	52.0	3.4	-8.2	11.3	7.3	0.1	**1.4**	**2.2**	**3.0**
Final demand	25,813.2	148.4	2.7	-6.2	7.3	5.0	-0.2	**0.7**	**1.8**	**2.2**
Imports of goods and services	8,413.7	48.4	4.7	-7.6	9.6	8.3	-1.2	**0.2**	**2.6**	**3.0**
GDP	17,398.1	100.0	1.9	-5.6	6.3	3.5	0.4	**0.9**	**1.5**	**1.8**
GNI	17,175.1	98.7	1.8	-6.0	6.9	3.0	0.3	**1.0**	**1.4**	**1.7**
p.m. GDP euro area	14,593.9	83.9	1.6	-6.0	6.3	3.5	0.4	**0.8**	**1.3**	**1.6**
			Contribution to change in GDP							
Private consumption			0.8	-3.8	2.5	2.4	0.3	**0.6**	**0.7**	**0.9**
Public consumption			0.4	0.3	0.9	0.2	0.4	**0.5**	**0.3**	**0.3**
Investment			1.4	-1.1	0.9	0.5	0.4	**-0.4**	**0.5**	**0.6**
Inventories			-0.4	-0.3	0.8	0.5	-1.3	**-0.4**	**0.1**	**0.0**
Exports			1.6	-4.0	5.2	3.6	0.0	**0.7**	**1.1**	**1.5**
Final demand			4.0	-9.0	10.4	7.2	-0.2	**1.0**	**2.7**	**3.2**
Imports (minus)			-2.1	3.4	-4.0	-3.8	0.7	**-0.1**	**-1.2**	**-1.4**
Net exports			-0.5	-0.6	1.1	-0.1	0.7	**0.6**	**-0.1**	**0.1**

2.4. LABOUR MARKET

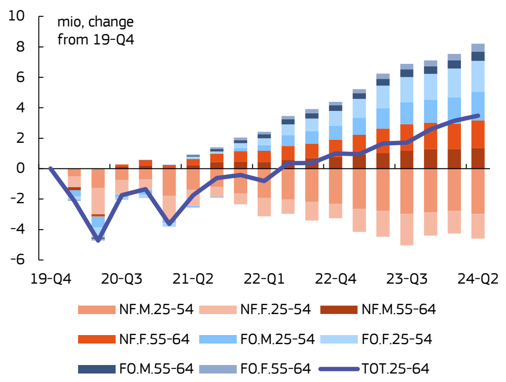
In the first half of the year, the EU economy generated jobs for an additional 750 000 people. Following three years of expansion, headcount employment in the EU continued to increase in the first half of 2024, supported by favourable developments of both labour demand and supply. Employment continued to increase in the majority of Member States, with the highest increases recorded in Croatia, Romania, Estonia and Ireland. On the opposite side of the distribution, employment declines were posted in Poland, Sweden, Finland, Slovenia and Slovakia. EU employment growth remained concentrated in market services. According to national accounts data, the services sector created around 800 000 jobs in the first six months of the year, more than a half of which in the private sector. In addition, 150 000 workers joined the industry sector, whose share in total employment continued to decrease and fall short of its 2019 level. Less than 100 000 jobs were added in the construction sector. The agriculture sector lost a further 250 000 workers in the first half of 2024. Looking at a longer time period, the bulk of job creation in the post-pandemic recovery (2022-23) has been in the services sector, in particular the contact-intensive services. Information and communication and professional activities also saw robust employment growth from the 2019-Q4 levels, most likely benefiting from the shift towards digitalisation. Similarly, the non-market sector played a non-negligible role in supporting overall employment growth. By contrast, employment in industry as a whole appears anaemic. Employment in agriculture continues to shrink (see Graph I.2.30).

Graph I.2.30: **Employment growth by sector and by period, EU**



The EU employment rate hit the highest level on record. According to the Labour Force Survey, the EU employment rate of people aged 20-64 reached 75.8% in the second quarter. It continued to increase for young workers (aged 15-24), for prime age workers (aged 25-54) and for older workers (55-64). Employment rates of foreign workers aged 20-64 years stood at 70.5% in the second quarter, increasing but still below the rate of non-foreign employees, at 77.1%. Looking at the gender perspective, employment rates among women aged 20-64 years increased further, reaching 70.8%, as opposed to 80.8% among men. As a result, the employment gender gap, calculated as the difference between the employment rates of men and women of working age (20-64 years), fell to 10 pps. - the lowest on record (since 2009), although still significant. Over the past 10 years, however, the decline in the gap has been small (just 1 pp.), and EU Member States like Italy, Greece and Romania still record gaps above 15 pps. The gender gap is higher among foreign workers (16.1 pps.).

Graph I.2.31: **Change in active population per country of origin, gender and age compared to 19-Q4, EU**



Country/region of birth name: NF (non-foreign), FO (foreign); gender: female, male, total; age groups: 25-54, 55-64, 25-64.

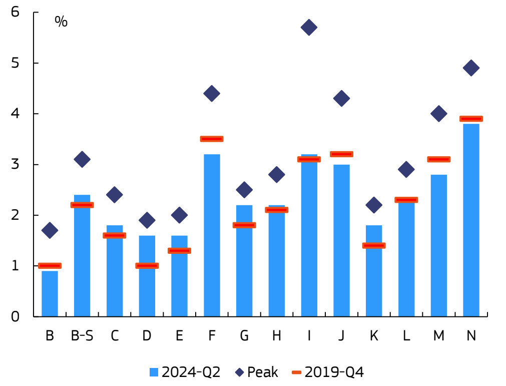
Labour market participation continued to rise, supported by foreign-born population. The EU activity rate of people aged 20-64 stood 80.4% in 2024-Q2, hitting a new record. The foreign-born population continued to strongly support the labour force. According to the Labour Force Survey [8], the number of foreign-born people in the labour force was more than 5 million since 2019-Q4. Most of them (70%) were in the age group 25-54, about equally distributed by gender. I.2.31 By contrast, the non-foreign-born active population declined between 2019-Q4 and 2024-Q2, as the increase in participation among the older cohort (aged 55-64 years, and especially women) was not sufficient to offset the significant decline in the 25-54 cohort, especially of men (see Graph I.2.31I.2.31). Among the foreign-born population, the people fleeing the war in Ukraine have been integrating in the EU labour markets successfully. About 70% of these beneficiaries were of working age [9], and it is estimated that about 35% of them were employed by mid-2024.

(8) Foreign-born population, who usually lives in community or in collective households, are not entirely reflected in the data, as LFS covers only persons aged 15 years and over who live in private households and those living in military or community service, not including those living in institutional or collective households.

(9) Source: Eurostat, Beneficiaries of temporary protection at the end of the month by citizenship, age and sex - monthly data (online data code: migr_asytpsm).

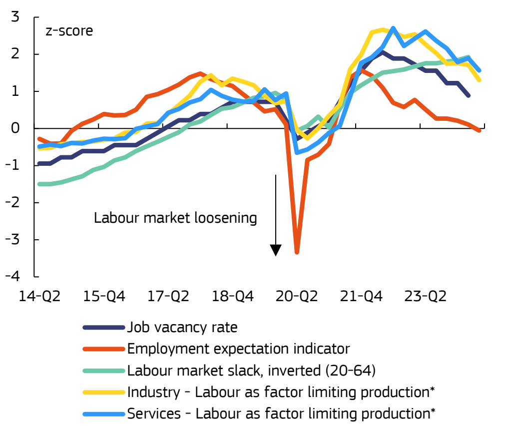
The ongoing decline in the job vacancy rate suggests labour demand pressures are abating. In the second quarter, 2.4% of jobs were reported as vacant in the total economy, down by 0.2 pps. from the previous quarter and significantly lower than the record high reached in 2022-Q2 (3.1% in the EU). The job vacancy rate is thus approaching the rate recorded in 2019-Q4 (2.2%). The breakdown by sector reveals that the job vacancy rate is still slightly above pre-pandemic levels in most sectors, but it is already below that in construction (F), information and communication (J), professional, scientific and technical activities (M) (see Graph I.2.32). Along with the decline in the vacancies, there are fewer firms reporting labour shortages. According to the Commission's business surveys, in October the share of industry managers reporting shortage of labour force as a factor limiting production came down significantly (to 18%) from the peaks reached in 2022-Q2 and Q3 and is now approaching the pre-pandemic share (at 15% in 2019-Q4). However, managers in services continued to report historically high labour constraints in October (at 27%), lower than the 2022-Q3 peak, but still higher than in 2019-Q4, when it was at 20% (see Graph I.2.34).

Graph I.2.32: **Job vacancy rate by sector, EU**



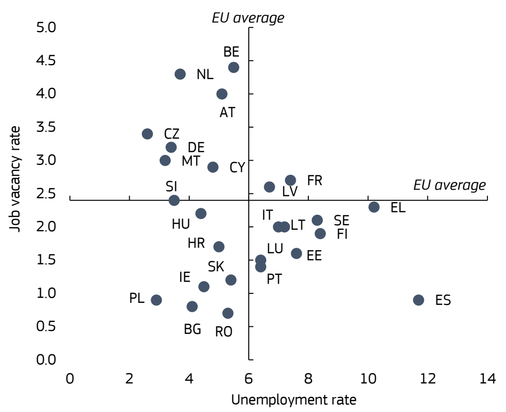
B-S: Industry, construction and services; B: Mining and quarrying, C: Manufacturing; D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage, waste management and remediation activities; F: Construction; G: Wholesale and retail trade; repair of motor vehicles and motorcycles; H: Transportation and storage; I: Accommodation and food service activities; J: Information and communication; K: Financial and insurance activities; L: Real estate activities; M: Professional, scientific and technical activities; N: Administrative and support service activities.

Graph I.2.34: **Labour market indicators, EU**



Z-scores are used as measures and computed by subtracting the mean from a data value and then dividing by the standard deviation. Mean and standard deviation are calculated from 2000, except for the job vacancy rate and labour market slack.
*Share of managers indicating shortage of labour force as factor limiting production.

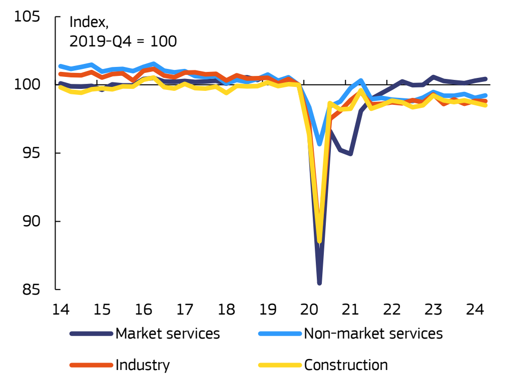
Graph I.2.33: **Unemployment and vacancy rates across Member States**



Nevertheless, the labour market remains tight, especially in services and in some Member States. The EU unemployment rate recorded a new record low of 6.0% in the second quarter and latest monthly data show a further decline to 5.9% in September (6.3% in the euro area). In the third quarter, the unemployment rate ranged from 11.3% in Spain to 2.7% in Czechia. However, dispersion in unemployment rates, as measured by the coefficient of variation, is on a downward path, also approaching historically low levels. Eurostat's broader measure of labour market slack, which includes other groups with an unmet need for employment besides the unemployed, continued to decline, hitting a new low in the second quarter (11.0% of the extended labour force aged 20-64 in the EU) [10]. Labour market slack as a share of the extended labour force aged 20-64 ranged from 18.8% in Spain to 4.8% in Poland. There appears to be a negative relationship between the unemployment rate and the job vacancy rate across countries, suggesting heterogeneity in the labour market tightness across Member States. In some countries, such as the Netherlands, Austria and Belgium, and to a lesser extent Czechia and Germany, comparatively low unemployment is accompanied by a high vacancy rate, suggesting a very tight labour market. In other countries, like Spain and Greece, relatively high unemployment is accompanied by a relatively low vacancy rate, suggesting labour market slack. Some other Member States (Belgium, Poland, Romania) displayed comparatively low levels of both unemployment and vacancy rates.

Average hours worked continued to be below 2019-Q4 levels in the EU. In the first months of 2024, the total number of hours worked grew at a slightly faster rate than employees, resulting in a marginal uptick of the hours worked per employee in the first two quarters (see Graph I.2.35). However, the average hours worked per employee are continuing to hover below the pre-pandemic levels. Among sectors, it remained lower than pre-pandemic levels in industry and construction, as well as in the non-market sectors. They hover around pre-pandemic level in the contact-intensive and professional service sectors.

Graph I.2.35: **Hours worked per employee, EU**

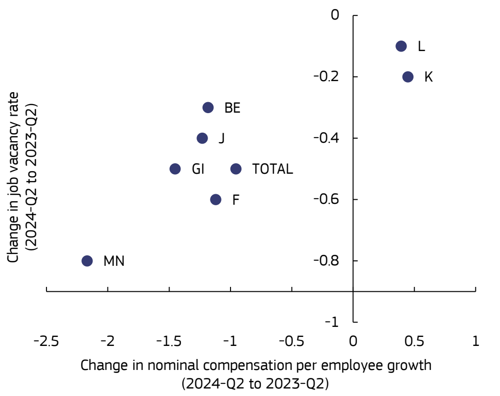


Labour productivity growth stagnated in the second quarter of the year. Both output per worker and per hours worked have been weak since the last quarter of 2022 and turned negative in the first quarter of 2023 (output per hours worked already in the last quarter of 2022). In the second quarter of 2024, productivity, measured by real GDP per employed person, stagnated after gradually softening its pace, while productivity measured by output per hour worked increased marginally in the first two quarters of the year. Labour productivity still recorded a negative dynamic in eleven Member States. Poland, Slovakia and Denmark saw strong labour productivity growth compared to a year ago, while on the opposite side of the distribution Estonia, Romania, Croatia and Ireland displayed negative growth in productivity (by more than 2%).

(10) This indicator measures unmet demand for work and consists of the unemployed, underemployed part-time workers, and those available for work but not seeking work, as well as of those actively seeking work but not available to take up work.

Wage growth remained strong in the first half of 2024, but decelerated. EU compensation per employee increased by 5.4% y-o-y in the first half of 2024 (4.6% y-o-y in the euro area). The slowdown was broad-based across Member States. In the first semester, the most significant decelerations were recorded in Belgium, Luxembourg and Latvia (above 4 pps.) while wage growth picked up in a few countries including Malta, Austria and Denmark (by more than 2 pps. and 1 pp. respectively). In 2024-H1, the fastest wage growth was recorded in Croatia and Latvia, in the euro area, as well as in some non-euro-area Member States (Romania, Poland, Bulgaria, and Hungary). In contrast, wage growth was slightly negative in Finland, and relatively slow in Belgium (close to 3%), as well as in Luxembourg, France and Italy (between 3 and 4%). Across sectors, in the first semester compared to the same period of 2023, nominal compensation per employee grew faster in the entertainment and recreation, real estate and agriculture sectors, while information and communication and professional activities, and to lesser extent the construction and wholesale sectors, displayed lower than average wage growth. Latest data seems to suggest that sectors in which vacancy rates are falling more rapidly exhibit a more significant slowdown of wage growth (see Graph I.2.36).

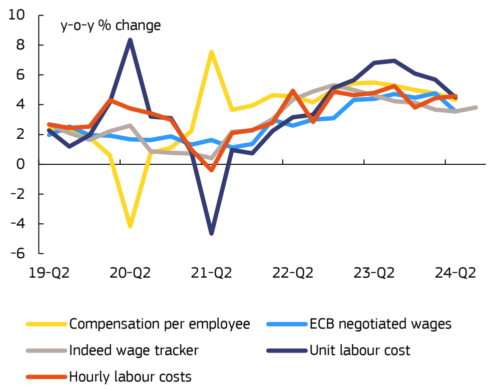
Graph I.2.36: **Change in nominal wage growth and job vacancy rates, by sector, 2024-Q2 compared to 2023-Q2**



BE: Industry (except construction); F: Construction; GI: Wholesale and retail trade, transport, accommodation and food service activities; J: Information and communication; K: Financial and insurance activities; L: Real estate activities; MN: Professional, scientific and technical activities; administrative and support service activities.

Negotiated wages also decelerated. The ECB index of negotiated wage growth also declined in the second quarter, to 3.6% y-o-y (from 4.7% y-o-y in the first quarter) (see Graph I.2.37), though the timing of one-off payments in some countries played a role in the decline. According to the Indeed monthly wage tracker [11], euro area wage growth in job postings (i.e. for newly hired workers) was 3.8% y-o-y in the third quarter, slightly up from 3.5% in the second quarter, but significantly down from highs reached in 2022. Eurostat's quarterly labour cost index, which measures the short-term change in the total hourly costs for employers to maintain their employees, moderated in the second quarter, to 5.2% y-o-y in the EU (from 5.5% in the first quarter) and to 4.7% y-o-y in the euro area (from 5.0% previously recorded).

Graph I.2.37: **Nominal wage indicators, euro area**



Real wage growth in the EU strengthened in the first half of the year. In the first semester, real wage growth exceeded 10% in Romania and Poland, and it was above 8.5% in Bulgaria and Hungary. Real wage growth was negative (more than 1%) in Finland and Ireland. In the aggregate, real wage growth was 2.1% in the EU (1.5% in the euro area). Moreover, real wage levels in the EU and the euro area are still well below the post-pandemic peak in 2021-Q3 (1.7%

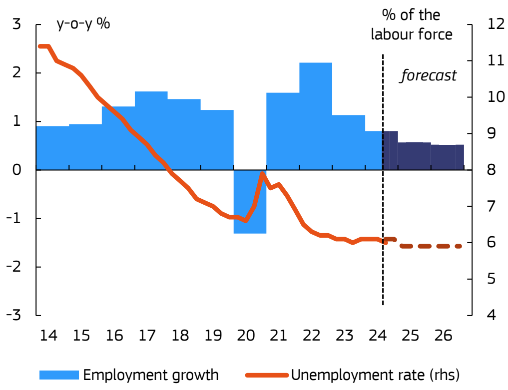
(11) The Indeed monthly tracker, developed by the Central Bank of Ireland in collaboration with the Indeed online platform, measures wage growth in online job postings in the euro area, which covers six countries (France, Germany, Ireland, Italy, the Netherlands and Spain) that jointly account for over 80% of euro area employment. This indicator reflects changes in wages offered to new hires. Data are available at https://github.com/hiring-lab/indeed-wage-tracker. For the methodology, see Adrjan, P., and R. Lydon. (2022). "Wage Growth in Europe: Evidence From Job Ads." Central Bank of Ireland Economic Letter, (7).

and 2.5% lower in the EU and the euro area, respectively), having recovered only less than half of the loss suffered in the EU (and a bit more in the euro area). The majority of Member States have not recovered yet the 2021-Q3 levels.

Going forward, surveys suggest a weaker employment outlook as well as a moderation in wage growth. The employment index of the euro area composite PMI fell again in October, further below the 50 threshold, signalling reduction of work force levels for the third month in a row. The European Commission's Employment Expectations Indicator (EEI), which summarises managers' employment plans, kept hovering around its long-term average in recent months, also pointing to weakening employment prospects. Furthermore, the extent of labour hoarding expected by firms moderated again in October 2024: the share of EU firms that still expected a simultaneous decrease in output and unchanged or even increased employment decreased to 9.3% of firms in the EU, the lowest reading since early 2022. On wages, latest ECB survey indicators signal moderating wage growth over the course of next year.

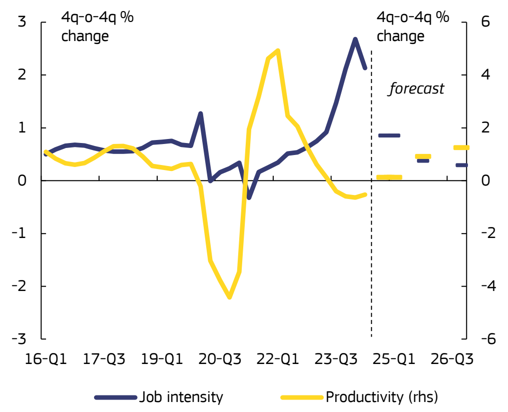
Employment is set to continue its growth, though at slower pace. Employment growth is set to slow down in the second half of the year also on the back of the weak prospects from the surveys (see Graph I.2.38). In annual terms, it is expected to decline from 1.1% in 2023 to 0.8% in 2024. The growth in job creation is projected to stabilise at more moderate rates in 2025 and 2026 (0.6% and 0.5% respectively). Across countries, Malta tops the ranking in each of the years in the horizon, followed by Croatia in 2024 and Spain in 2025 and 2026. At the low end of the distribution, five countries are expected to register negative employment growth this year. Negative employment growth is projected in Estonia in both 2024 and 2025, given depressed economic output in both 2023 and 2024, while Latvia would see a mild decline in employment over the forecast horizon.

Graph I.2.38: **Employment growth and unemployment rate, EU**



The job intensity [12] of economic growth has increased in recent years, but it is set to gradually normalise over the forecast horizon. Since the aftermath of the pandemic, employment growth has been stronger than expected based its long-term relation to GDP growth (see Graph I.2.39). In parallel, labour productivity growth has been weak and even contracting in 2023. Still, evidence does not suggest a trade-off between productivity and employment growth (See Special Issue 2). Job intensity - measured over a 4-quarters-rolling window - peaked in 2024-Q1. In 2024-Q2 the employment intensity has started to decline slightly, halting the upward trend. The current forecast projects a gradual normalisation of the job intensity over the forecast horizon. As output growth strengthens and employment growth moderates, the implied employment intensity is set to gradually return to below to 0.5% by the end of 2026. Labour productivity instead is projected to pick up over the forecast horizon, largely

Graph I.2.39: **Job intensity of economic growth and labour productivity, EU**

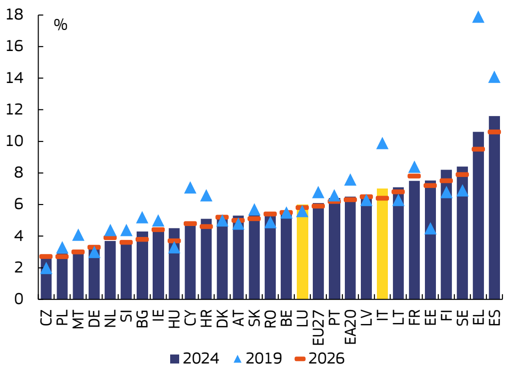


[12] Job intensity is defined as the ratio of employment growth to economic activity growth and captures the extent to which economic growth is converted into employment growth.

driven by cyclical dynamics (see Graph I.2.39). The job intensity of growth displayed marked differences across Member States in 2019, but this heterogeneity is projected to narrow over the forecast horizon.

Unemployment rates are expected to remain broadly stable over the forecast horizon. As demand pressures are set to fade from very high levels without triggering a significant increase in the number of unemployed, the EU unemployment rate (Eurostat definition) is projected to remain at a record low and even fall marginally, to 5.9% in 2026, from 6.1% in 2023. Only in a few Member States the unemployment rate is still expected to record a significantly higher unemployment rate than in 2019 (see Graph I.2.40).

Graph I.2.40: **Unemployment rates across Member States, 2024 compared to 2019 and 2026**



Nominal wage growth is set to moderate over the horizon. Consistently with the signals provided by survey indicators and the projected ongoing disinflation, after peaking at 6.1% in 2023, growth of nominal compensation per employee is expected to gradually moderate, reaching 4.9% in 2024 (4.3% in the euro area), before declining to 3.5% in 2025 (3% in the euro area) and 3% in 2026 (2.6% in the euro area). In turn, real compensation per employee in the EU is set to recover from the contraction seen in the last two years and grow by around 4% over the horizon. It is projected that the EU recovers the post-pandemic level next year, and in 2026 for the euro area.

Labour productivity is set to remain weak this year, before gaining momentum in the next two years. Following the decline observed in 2023, labour productivity per employed person is projected to remain weak this year (0.1% in the EU and -0.2% in the euro area), before gaining strength to 1.3% in 2026 (1% in the euro area), which is above the long-term average. Moderation in growth of nominal compensation per employee and the expected productivity gains are in turn set to contain unit labour costs dynamics over the horizon. These are expected to abate to 2.5% in 2025 and 1.8% in 2026, from 4.8% in 2024.

Table I.2.4: **Labour market outlook - euro area and EU**

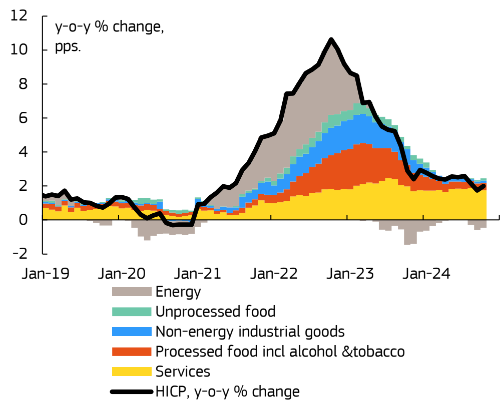
(Annual percentage change)	Euro area							EU						
	Autumn 2024 Forecast				*Spring 2024 Forecast*			Autumn 2024 Forecast				*Spring 2024 Forecast*		
	2023	2024	2025	2026	2023	2024	2025	2023	2024	2025	2026	2023	2024	2025
Population of working age (15-74)	0.7	**0.4**	**0.3**	**0.2**	*0.7*	*0.4*	*0.3*	0.5	**0.3**	**0.2**	**0.1**	*0.5*	*0.2*	*0.2*
Labour force	1.2	**0.8**	**0.5**	**0.5**	*1.2*	*0.7*	*0.4*	1.0	**0.7**	**0.4**	**0.4**	*1.0*	*0.6*	*0.3*
Employment	1.4	**0.9**	**0.6**	**0.6**	*1.4*	*0.7*	*0.5*	1.1	**0.8**	**0.6**	**0.5**	*1.2*	*0.6*	*0.4*
Employment (change in million)	2.4	**1.6**	**1.1**	**1.0**	*2.4*	*1.2*	*0.9*	2.4	**1.7**	**1.2**	**1.1**	*2.6*	*1.2*	*1.0*
Unemployment (levels in millions)	11.2	**11.0**	**10.8**	**10.7**	*11.2*	*11.2*	*11.0*	13.2	**13.1**	**12.9**	**12.7**	*13.2*	*13.3*	*13.1*
Unemployment rate (% of labour force)	6.6	**6.5**	**6.3**	**6.3**	*6.6*	*6.6*	*6.5*	6.1	**6.1**	**5.9**	**5.9**	*6.1*	*6.1*	*6.0*
Labour productivity, whole economy	-1.0	**-0.2**	**0.6**	**1.0**	*-1.0*	*0.1*	*0.9*	-0.7	**0.1**	**0.9**	**1.3**	*-0.7*	*0.5*	*1.2*
Employment rate (a)	64.4	**64.8**	**65.0**	**65.3**	*64.3*	*64.5*	*64.7*	64.1	**64.4**	**64.7**	**64.9**	*63.9*	*64.1*	*64.3*

(a) Employment as a percentage of population of working age. Definition according to structural indicators. See also note 6 in the Statistical Annex. For the EU and EA, this table now also displays employment in persons, limiting the comparability to figures published before Spring 2023.

2.5. INFLATION

After moving sideways in the first half of the year, inflation resumed its decline in the summer. Energy prices continue to shape the inflation profile. Between February and July, headline inflation in the euro area fluctuated within a narrow range of 2.4-2.6%, as the gradually narrowing deflation of energy prices was broadly offset by moderation of inflation of non-energy goods, while services inflation persisted at around 4%. A new turnaround in energy inflation in late summer brought headline inflation down to 2.2% in August and 1.7% in September, before a rebound in energy prices, together with accelerating food prices, pushed it up again to 2% in October [13] (see Graph I.2.41).

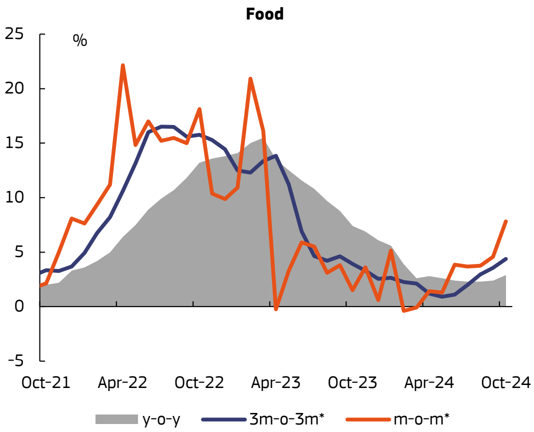
Graph I.2.41: **Inflation breakdown, euro area**



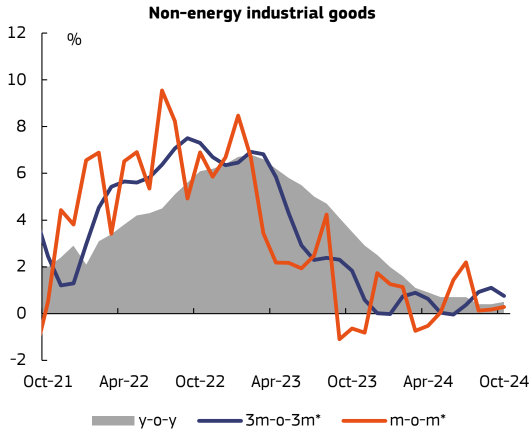
The disinflationary impulse from non-energy goods of recent months is set to fade. Annual food inflation declined from 2.6% in the second quarter to 2.3% in the third, to then rebound to 2.9% in October, in the context of moderating agricultural commodity prices and persistently weak pipeline pressures [14]. Likewise, inflation in non-energy industrial goods fell from 0.8% in the second quarter to 0.5% in October. The slowdown was broad-based across durable, semidurable and non-durable goods, as producer prices in consumer goods continued to decelerate in an environment of strong international price competition [15] and weak demand. Annual inflation of both food and industrial goods came down close to their respective pre-pandemic historical averages [16], likely limiting scope for further downward pressures to headline inflation from both components.

(13) Flash estimate for the euro area.
(14) Producer prices in manufacturing of food products rose a mere 0.2% y-o-y on average in the third quarter in the EU and in the euro area.
(15) Import prices of consumer durables were broadly flat in the EU on an annual basis in the second and third quarters of 2024.
(16) Annual inflation in the euro area averaged 2.2% for food (including alcohol and tobacco) and 0.6% for non-energy industrial goods over 2000-2019.

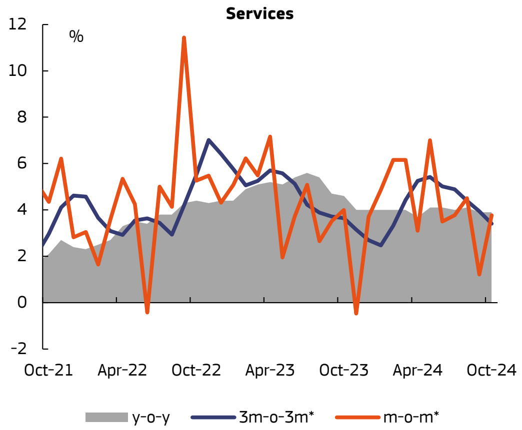
Graph I.2.42: **Inflationary pressures, euro area**



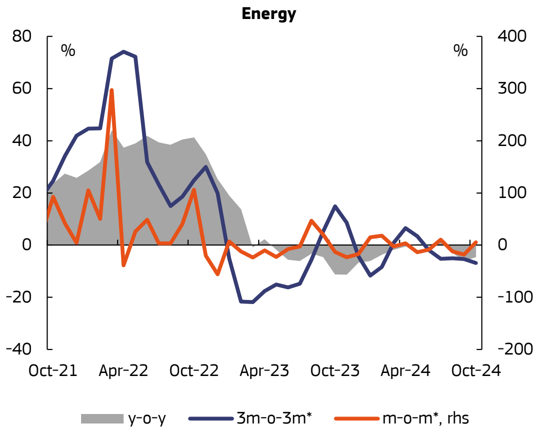
Note: * seasonally and working-day adjusted, annualised



Note: * seasonally and working-day adjusted, annualised



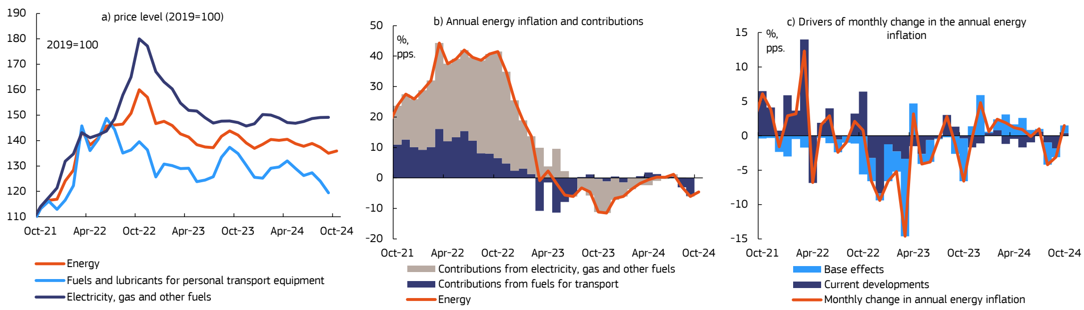
Note: * seasonally and working-day adjusted, annualised



Note: * seasonally and working-day adjusted, annualised

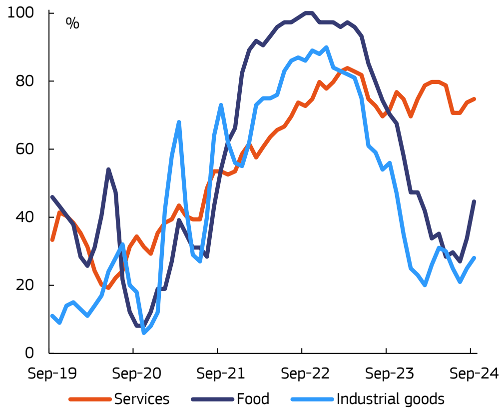
Energy subtracted from inflation in the third quarter. Following a sharp correction between October 2022 and July 2023, consumer energy prices have been on a mildly downward trend since early 2024, reflecting steady fall in electricity and gas prices in January-May, and a sharper decline in the prices of fuels for transport between May and September (see Graph I.2.43.a). The volatile profile of annual inflation was shaped to a large extent by sizable base effects, which contributed to lifting energy inflation to 1.2% y-o-y in July 2024, to subsequently push it down to –6.1% and -4.6% in September and October, respectively (see Graph I.2.43.b and c). All in all, following three months of mildly positive contributions to headline inflation (May-July), energy inflation again started detracting from headline inflation beginning in August.

Graph I.2.43: **Energy inflation in the euro area**



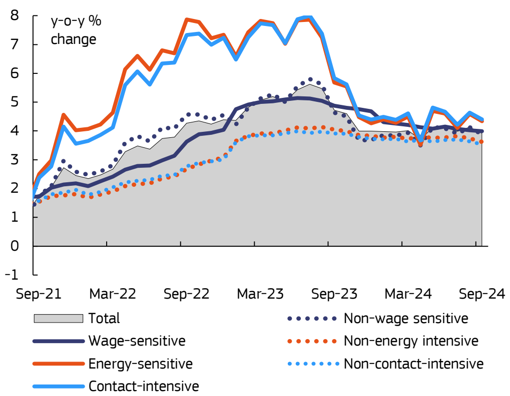
Annual inflation of services remains elevated and broad-based, but the price momentum appears to be weakening. Inflation in services has persisted at around 4% since October 2023, contributing some 85% of headline inflation in the third quarter of 2024. Price pressures in services remain broad-based across different dimensions. First, the share of individual HICP services with above-average price momentum (i.e. three months on three months price changes) remains close to its all-time high in March 2023 (see Graph I.2.44). Second, all six major service groupings [17], with the exception of communication, continue to show elevated shares of above-average price growth. Third, when grouped according to energy- and wage-intensity, as well as the need for personal contact, services continue to show persistently high inflation rates, which, however, passed their respective peaks in mid-2023 (see Graph I.2.45). Against a stability of annual inflation, 3m-o-3m price momentum has slowed visibly since the summer and dropped below the annual inflation in October for the first time since February 2024 (see Graph I.2.42) in a sign of the continued easing of price pressures in services.

Graph I.2.44: **Share of items with 3m-o-3m price momentum above historical average**



(1) Share of individual COICOP items (5 to 3-digit) comprising each broad component (101 in services, 100 in industrial goods, 74 in food).
(2) Exceeding average momentum in the pre-pandemic period 2016-2019, based on seasonally adjusted series.

Graph I.2.45: **Annual inflation various types of services, euro area**

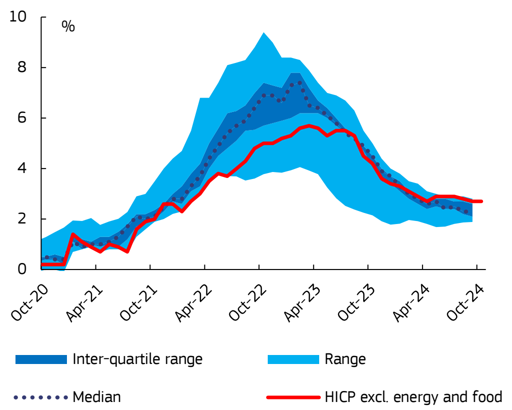


Contact-intensive sectors include Transport services (cp073), Recreational and cultural services (cp094), Package holidays (cp096), Restaurants and hotels (cp11), Hairdressing salons and personal grooming establishments (cp1211).
Energy- and wage- sensitive components based on ECB (Fagandini et al, 2024, Decomposing HICPX inflation into energy-sensitive and wage-sensitive items, ECB Economic Bulletin, Issue 3/2024).

Underlying inflationary pressures continue to weaken. Despite the inertia in services inflation, underlying price pressures continued to moderate in the second and third quarters. Headline inflation excluding energy and food remained relatively stable (hovering in the narrow range of 2.7-2.9% since March) and close to the upper band of the core inflation range presented in Graph I.2.47. However, underlying price pressures, as reflected in a broader battery of indicators, have clearly continued to moderate, with the median and inter-quartile range down around a quarter-of-a-percentage point between April and September.

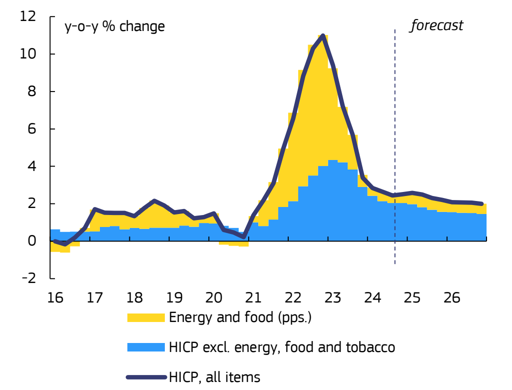
[17] Groups according to purpose of consumption: (1) communication, (2) housing, (3) recreation and personal care, (4) package holidays and accommodation, (5) transport and (6) miscellaneous.

Graph I.2.47: **HICP excluding energy and food, and a range for 20 alternative underlying inflation indicators in the euro area**



Notes: Median, interquartile range and range refer to a battery of 20 underlying inflation indicators: 10 trimmed means with trims ranging from 5 to 50%, weighted and unweighted median, 3 standard exclusion-based measures (excl. energy, excl. energy and unprocessed food and excl. energy and food), 2 ECB supercore indicators and 3 ECB Persistent and Common Component of Inflation Indicator

Graph I.2.46: **Inflation breakdown, EU**



Lower commodity prices are set to ease pressures on consumer energy and food inflation. The gradual decline in Brent oil prices over the summer has put annual average futures prices on a downward path over the entire forecast horizon. Compared to the Spring Forecast assumptions, at the cut-off date of this forecast they are 7% and 10% lower in 2024 and 2025 respectively (see Section 2.1.). Importantly, as in the case of oil, prices of both gas and electricity are expected to decline significantly in 2026 from their 2025 levels, implying subdued energy inflation in the latter part of the forecast horizon. Given the different strength and speed of the pass-through of the three energy commodity prices to consumer prices - strong and fast for oil, weak and protracted for gas and electricity - the energy component of the HICP is projected to make a negligible contribution to headline inflation during the entire forecast horizon, weaker than expected in spring. Annual inflation of food (both processed and unprocessed) is set to moderate slightly in the near term to stabilise around historical averages as from mid-2025, as downward pressures from falling food commodity prices kick in, offsetting the still elevated, but fading, impulse from services' input to retail food prices related to e.g. wages, transport and rents.

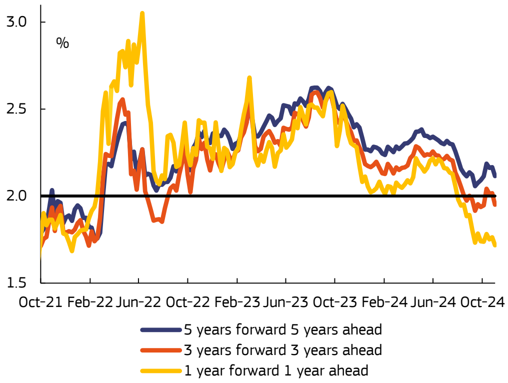
Inflation of non-energy industrial goods is set to remain broadly consistent with its historical average amid strong downward pressures from import prices. Following its gradual decline to around 0.5% in the third quarter, industrial goods inflation in the euro area is expected to remain broadly in line with historical averages (0.5-1%) in the entire forecast horizon. Inflation is revised down by around 0.5 and 0.25pps. from spring in 2024 and 2025, respectively, on the back of persisting weakness in manufacturing and the ensuing deeper-than-expected deflationary pressures from imports, including due to contraction in Chinese producer prices magnified by the stronger euro.

Services inflation is revised up, but should start easing in 2025, amid weakening pressures from labour cost and post-pandemic shocks. Services inflation is set to remain high in the last quarter of 2024, also reflecting significant *positive* base effects (see Graph I.2.42). Price pressures in services are expected to moderate gradually as from early 2025, driven by slowing wage growth, a projected pick up in productivity, and the fading-out of the various shocks that have kept prices elevated over the last couple of years. The slowdown in price pressures is set to be reinforced by sizeable *negative* base effects, leading to a marked decline in annual services inflation over the course of 2025, followed by further, but more modest, moderation in 2026. Still, the outlook for services inflation has been revised up from spring in both 2024 and 2025, largely reflecting persistence of inflationary pressures in the second and third quarters of this year. Core inflation will closely follow the dynamics of services inflation, as the contribution from its other component (non-energy industrial goods) is expected to be small and relatively stable over the forecast horizon. Compared to the Spring Forecast, core inflation in the euro area is now expected around 0.25 pps. higher in 2024 and 2025.

Gradual disinflation in services is set to push headline inflation down to 2% in the final quarter of 2025, and to bring it below 2% in 2026. Notwithstanding some possible volatility due to expiring energy support measures and important base effects, headline inflation averaged over quarters is set to remain flat, at 2.2%, until the second quarter of 2025, amid offsetting trends in inflation of food and services (decline) and energy (increase). From the third quarter of 2025, slowing services inflation should prevail, pushing headline inflation down to 2.0%, the ECB target, in the final quarter of the year. The continued moderation in services inflation is then set to drive disinflation in 2026, with headline inflation expected to fall to 1.8% in the fourth quarter of 2026. Core inflation (excluding energy and food) in the euro area is projected to mirror the dynamics of services prices, remaining above headline inflation over the entire forecast horizon, although the gap is expected to narrow gradually. Headline inflation in the euro area is thus set to more than halve from 5.4% in 2023 to 2.4% in 2024, before easing more gradually to 2.1% in 2025 and 1.9% in 2026. This forecast is marginally lower in 2024 (-0.1 pps.) compared to spring, but remains unchanged in 2025. In the EU, disinflation is expected to be even sharper, as headline inflation is set to fall from 6.4% in 2023 to 2.6% in 2024 and to continue slowing to 2.4% in 2025 and 2.0% in 2026. Compared to spring, these projections are 0.1 pps. lower in 2024 but 0.2 pps. higher in 2025. The difference between EU and euro area inflation remains positive, but is set to narrow considerably in the forecast horizon.

Consistent with this outlook, inflation expectations by financial markets have shifted further down across all horizons. Financial markets inflation expectations have moved down steadily since late May. At slightly above 2%, the 5y5y inflation-linked swap rate is now at its lowest level in more than two years, down from 2.6% in autumn last year. Shorter horizons broke the 2% threshold in August and settled at around 2% and 1.7% for the 3y3y and 1y1y, respectively, in late October.

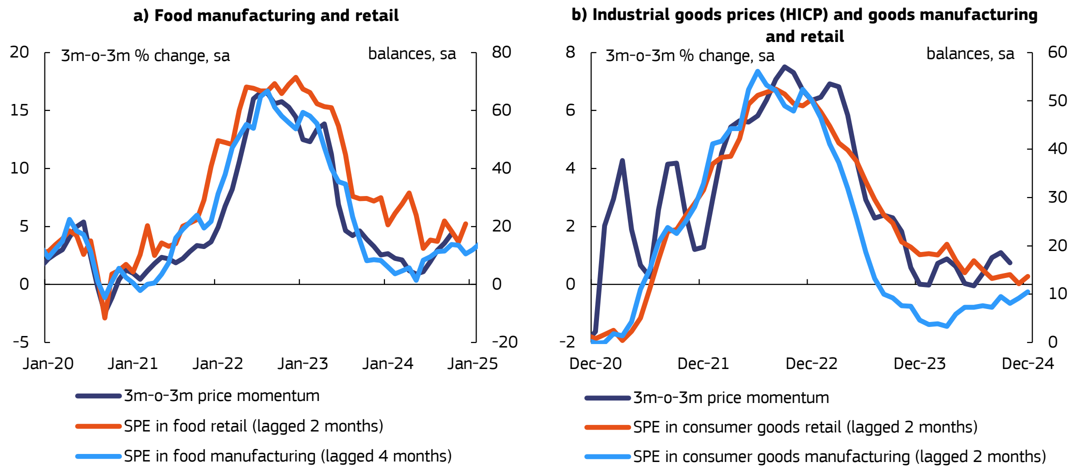
Graph I.2.48: **Market based inflation expectations***



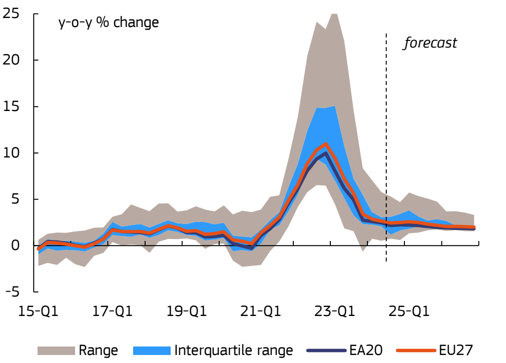
* Based on forward inflation-based swap rates
Source: Bloomberg.

Selling price intentions in industry and retail confirm the outlook for subdued price pressures in the near term. According to the Commission's surveys, selling price expectations by business managers in industry, services and retail remain consistent with subdued consumer price pressures. Price expectations in food retail indicate a stable price momentum in the very near term, which should translate into a gradual moderation in annual food inflation (see Graph I.2.49a). Likewise, selling price expectations in non-food industries and retail suggest subdued momentum, possibly gaining strength in the near term, which remains consistent with some limited rebound in annual inflation from the current lows (see Graph I.2.49b).

Graph I.2.49: **Momentum in HICP and selling price expectations, per component and sector**

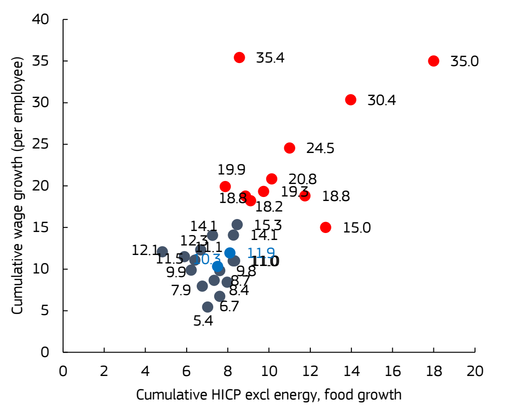


Graph I.2.50: **Range of annual HICP inflation rates in EU Member States**



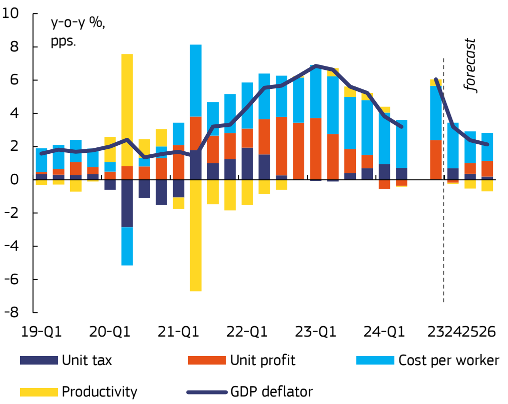
Dispersion of inflation within the EU is expected to fall to historical averages by 2025. Having peaked in the first quarter of 2023, intra-EU dispersion of annual inflation rates has since declined significantly and is set to continue shrinking over the forecast horizon, approaching historical averages as from mid-2025 (see Graph I.2.50). As the impact of the energy shock and the associated energy measures (to support households) wane gradually over the course of 2024 and 2025, intra-EU inflation heterogeneity should be driven mainly by the core components of the consumption basket, and services in particular. Dispersion in projected core inflation (excluding energy and food) in turn reflects country-specific drivers, including the wide range of expected wage growth, developments in productivity and unit profits. Graph I.2.51 confirms a strong geographical pattern in inflation outcomes, with inflation in Member States from central and eastern Europe still visibly higher amid larger contributions from domestic unit labour cost.

Graph I.2.51: **Cumulative HICP excl energy & food inflation and wage growth 2024-26**



Member States from Central and Eastern Europe marked in red.

Graph I.2.52: **Decomposition of the annual growth in GDP deflator, EU**



Domestic price pressures are set to moderate as wage growth slows, while recovering profits are broadly absorbed by the rebounding productivity. The annual growth of the GDP deflator continued to moderate in the EU in 2024, falling to 3.2% y-o-y in the second quarter (3.0% in the euro area). Firms continued to absorb elevated labour costs in their margins, as reflected in contracting unit profits, confirming the temporary nature of the surge in unit profits in 2022 and 2023. Contributions from unit labour cost remain elevated from a historical perspective, but continue to decline, while productivity growth turned (marginally) positive (in 2024-Q2) for the first time in two years, likewise contributing to moderation in the GDP deflator growth. Over the forecast horizon, both slowing wage growth and a gradually rebounding productivity are expected to offset the progressive recovery in unit profits, whose contribution is projected to rise closer to historical averages in the context of firming activity. All in all, annual growth of the GDP deflator is projected to slow sharply in the EU from 6.1% in 2023 to 3.1% in 2024, before moderating further to 2.4% and 2.1% in 2025 and 2026 respectively (see Graph I.2.52).

Table I.2.5: **Inflation outlook - euro area and EU**

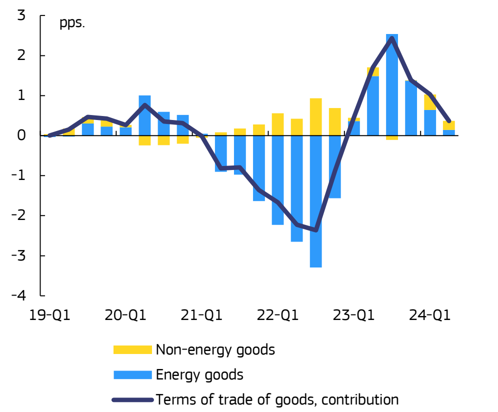
(Annual percentage change)	Euro area							EU						
	Autumn 2024 Forecast				*Spring 2024 Forecast*			Autumn 2024 Forecast				*Spring 2024 Forecast*		
	2023	2024	2025	2026	2023	2024	2025	2023	2024	2025	2026	2023	2024	2025
Private consumption deflator	6.3	**2.5**	**2.2**	**2.1**	*6.0*	*2.4*	*2.0*	6.6	**2.6**	**2.3**	**2.2**	*6.4*	*2.6*	*2.2*
GDP deflator	5.9	**2.9**	**2.2**	**2.0**	*6.0*	*3.1*	*2.1*	6.1	**3.1**	**2.4**	**2.1**	*6.2*	*3.2*	*2.3*
HICP	5.4	**2.4**	**2.1**	**1.9**	*5.4*	*2.5*	*2.1*	6.4	**2.6**	**2.4**	**2.0**	*6.4*	*2.7*	*2.2*
HICP-overall excluding energy	6.3	**2.9**	**2.3**	**2.0**	*6.3*	*2.7*	*2.1*	7.2	**3.1**	**2.6**	**2.2**	*7.2*	*3.0*	*2.2*
HICP-overall excl. energy and unproc. food	6.2	**2.9**	**2.4**	**2.0**	*6.2*	*2.7*	*2.1*	7.0	**3.2**	**2.6**	**2.2**	*7.0*	*3.0*	*2.2*
HICP-overall excl. energy, food, alcohol, tobacco	5.0	**2.9**	**2.4**	**2.0**	*5.0*	*2.7*	*2.1*	5.7	**3.2**	**2.6**	**2.2**	*5.7*	*3.0*	*2.2*
Compensation per employee	5.4	**4.3**	**3.0**	**2.6**	*5.1*	*4.2*	*3.1*	6.1	**4.9**	**3.5**	**3.0**	*5.8*	*4.8*	*3.5*
Unit labour costs	6.4	**4.5**	**2.4**	**1.6**	*6.2*	*4.1*	*2.2*	6.8	**4.8**	**2.5**	**1.8**	*6.6*	*4.3*	*2.3*
Import prices of goods	-4.3	**-1.6**	**1.6**	**1.6**	*-4.9*	*0.4*	*1.8*	-4.0	**-1.7**	**1.6**	**1.6**	*-4.6*	*0.6*	*1.8*

2.6. CURRENT ACCOUNT

The contraction of global goods trade in 2023 and its muted rebound in 2024 reverberated strongly in the EU merchandise balance. After expanding at a pace of 11% and 3% during the post-pandemic rebound of 2021 and 2022, global goods trade contracted sharply in 2023. The EU was particularly affected, with both imports and exports of goods falling in both nominal and real terms. Still the contraction of imports largely outweighed the contraction of exports and - compounding with favourable terms-of-trade effect delivered a sizable improvement in the merchandise trade balance. In 2024, imports of goods are set to continue contracting, mainly reflecting weakness of EU investment. Exports, however, resumed growing, largely in line with the pick-up in export markets. A further improvement in terms of trade is set to lift the merchandise trade surplus by 0.7 pps to 2.9% of GDP in 2024. As imports and exports expand at a similar pace, and improvements of terms of trade come to an end, the merchandise balance is set to broadly stabilise as a ratio to GDP in 2025 and 2026 – some 0.3 pps. below its pre-pandemic average (2015-19).

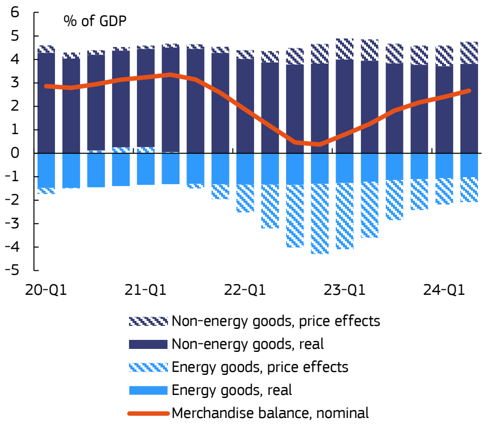
The terms of trade have largely recovered from the adverse energy price shock and their changes are no longer set to play a major role over the forecast horizon. The EU's terms of trade deteriorated markedly in 2021 and then further in 2022, driven primarily by soaring energy import costs, in the aftermath of Russian aggression of Ukraine. The non-energy component of the EU's terms of trade actually contributed stronger to activity growth (see Graph I.2.53) during this turbulent period, as firms succeeded in transferring some of the additional energy-related input costs to foreign customers. This structural adaptation allowed for modest terms-of-trade gains in sectors outside energy, particularly in high-value exports such as automotive and pharmaceutical goods, partially offsetting the deterioration in terms of trade due to energy. The situation began to improve as energy prices receded toward the end of 2022 and continued to decline in 2023 and 2024, with natural gas prices returning closer to pre-crisis levels. This normalisation in energy costs and their contribution to GDP growth provided relief, partially reversing the earlier deterioration in terms-of-trade in 2024. In 2025 and 2026 future contracts suggest that energy prices, in particular of crude oil, should continue to trend downwards implying a benign contribution from energy prices to terms of trade that are projected to remain broadly stable (see Section I.2.1.)

Graph I.2.53: **Terms of trade contribution (goods) to nominal GDP growth, EU**



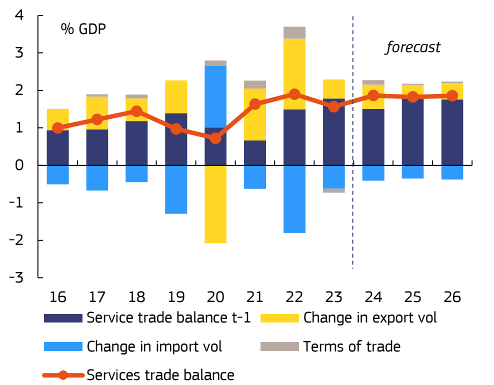
The energy deficit shrunk significantly – mainly driven by falling energy prices, but also diminishing import volumes. The EU's energy deficit has significantly improved in recent years, as falling energy prices—especially in gas—have eased cost pressures. After surging to historical levels in the summer of 2022, gas prices dropped substantially as alternative sources from Norway, the U.S., and liquefied natural gas (LNG) imports replaced previous Russian supplies, with Russian gas dropping to just 18% of total EU imports by mid-2024. These adjustments, along with lower import volumes due to restrained industrial demand and expanded renewable energy capacity, have helped reduce energy imports overall, easing the EU's trade deficit. Contributing to this trend is the EU's substantial progress in renewables, which accounted for roughly 50% of electricity generation by 2024, further reducing fossil fuel dependence and import requirements. Projecting linear trend in volumes and assuming prices will develop as currently expected in futures market, the energy balance is set to further reduce.

Graph I.2.54: **Merchandise balance and price effects, EU**

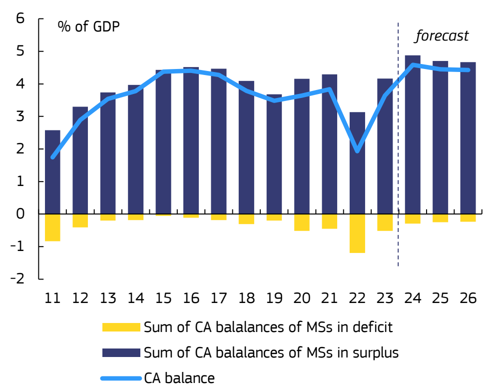


The service balance surplus is set to stabilise at just under 2% of GDP over the forecast horizon. The EU's external balance of services trade has seen steady improvement in recent years, driven primarily by a robust growth in service exports – which exceeded growth in imports of services. Developments in services terms of trade have been less dramatic than in goods, but still posted a steady improvement over the past decade. These trends are set to continue over the forecast horizon. Overall, the services balance is set improve from 1.6% of GDP in 2023 and to remain broadly stable around 1.8% in the forecast years.

Graph I.2.55: **Services balance, EU**



Graph I.2.56: **Current account surplus and deficit across EU Member States**



The sum of current account balance of Member States do not add up to total EU current account balance and shows higher in the graph compared to the forecast data for the EU aggregate. Intra-EU balances are non-zero because of reporting errors.

The EU's current account balance is expected to rise significantly in 2024 before declining slightly in 2025 and 2026. This forecasted pattern is influenced by a mild decrease in the balance of goods and a relatively stable balance in services, suggesting limited volatility in trade-driven components. Meanwhile, net primary income is projected to maintain a modest surplus, primarily from investment income, although the deficit in net transfers due to outflows related to remittances and development cooperation contributions is expected to more than offset the surplus in primary income. A notable aspect of this outlook is the continued compression of current account balance disparities across EU Member States. After peaking in 2022, dispersion among Member States' current accounts is expected to narrow as deficit countries experience a reduction in their current account deficits, while surplus countries see a more pronounced weakening in their surpluses. This convergence highlights an ongoing shift towards a more balanced current account structure across the EU, reflecting adjustments in external demand, investment flows, and intra-EU economic realignment.

The EU's trade performance continued to improve in 2024, though a slight deterioration is anticipated in 2025 and 2026. This growth has been particularly strong in services, where trade expansion reflects the resilience highlighted in the Balance of Payments analyses. Goods trade, although less dynamic, has also shown incremental gains since 2010, underscoring a stable foundation in merchandise exports. Looking ahead, while marginal declines in export performance are expected in 2025 and 2026, the overall EU's international competitiveness remains fundamentally robust. This relative strong export performance aligns with the notion that international competitiveness can improve even in a context of subdued productivity growth. Still, such gains may be constrained over time if productivity gaps widen.

Trade and services balances are set to shift markedly up the current account balance in 2024. Following the solid outcome of the first half of 2024, the trade balance of goods is projected to improve in 2024 overall, on the back of terms of trade improvements. Despite some projected decline over the forecast horizon, it is set to remain high, around 2.5% in 2025 and 2026. In addition, the increase in the services balance which is expected to remain stable over the forecast horizon is projected to further add to the current account balance. With the deficit of net primary income and current transfers broadly stable, the surplus of the current account is expected to increase markedly from 2.6% of GDP in 2023 to 3.6% of GDP in 2024 and to slightly slow to 3.4% in 2025 and 3.3% in 2026 (see Graph I.2.57).

Graph I.2.57: **Current account balance, EU**

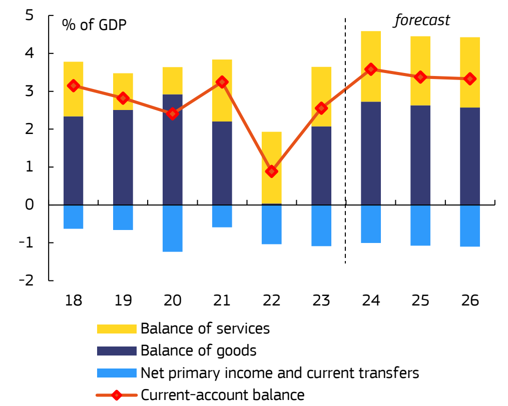


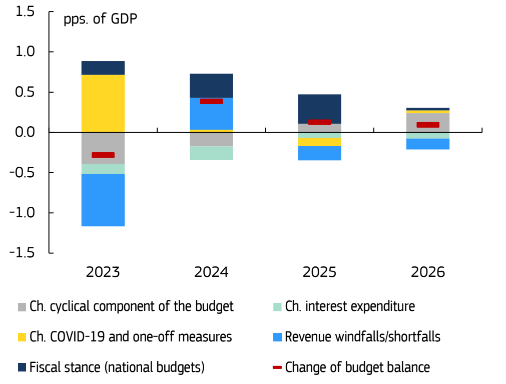
Table I.2.6: **External position - euro area and EU**

	Euro area							EU						
	Autumn 2024 Forecast				*Spring 2024 Forecast*			Autumn 2024 Forecast				*Spring 2024 Forecast*		
	2023	2024	2025	2026	2023	2024	2025	2023	2024	2025	2026	2023	2024	2025
Merchandise trade balance (a)	2.2	**2.9**	**2.9**	**2.8**	*2.3*	*2.5*	*2.5*	2.1	**2.7**	**2.6**	**2.6**	*2.2*	*2.3*	*2.3*
Services trade balance (a)	1.4	**1.8**	**1.7**	**1.8**	*1.3*	*1.3*	*1.3*	1.6	**1.9**	**1.8**	**1.9**	*1.6*	*1.6*	*1.6*
Primary income balance (a)	0.0	**0.1**	**0.1**	**0.0**	*0.3*	*0.3*	*0.3*	-0.1	**0.0**	**-0.1**	**-0.1**	*0.1*	*0.1*	*0.1*
Secondary income balance (a)	-1.0	**-1.0**	**-1.1**	**-1.1**	*-1.0*	*-1.0*	*-1.0*	-1.0	**-1.0**	**-1.0**	**-1.0**	*-1.0*	*-0.9*	*-0.9*
Current-account balance (a)	2.5	**3.8**	**3.6**	**3.6**	*2.9*	*3.2*	*3.2*	2.6	**3.6**	**3.4**	**3.3**	*2.9*	*3.1*	*3.1*
Net lending or net borrowing (a)	2.6	**3.5**	**3.5**	**3.5**	*2.9*	*3.1*	*3.2*	2.7	**3.5**	**3.4**	**3.4**	*3.0*	*3.2*	*3.2*
Terms of trade (b)	4.6	**1.4**	**0.0**	**-0.1**	*5.3*	*0.8*	*0.0*	4.1	**1.2**	**0.1**	**-0.1**	*4.7*	*0.5*	*0.0*

(a) % of GDP, (b) annual percentage change.

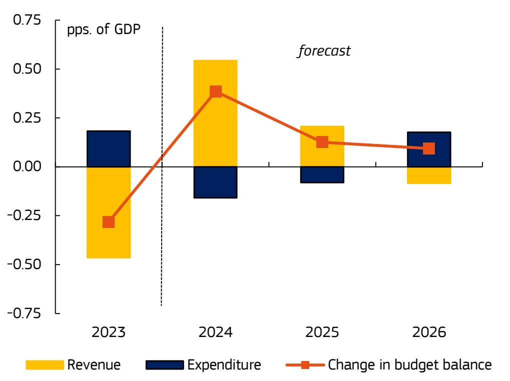
2.7. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

Graph I.2.58: **Drivers of the change in general government balance, EU**



The EU general government deficit is projected to edge down over the forecast horizon. The EU aggregate deficit ratio increased by 0.3 pps. in 2023, to 3.5% of GDP (3.6% in the euro area), despite the phase-out of COVID-19 temporary emergency measures. The increase was driven by weak economic growth - relative to medium-term potential growth - and sizeable revenue shortfalls [18]. The EU aggregate deficit is expected to resume its decline over the forecast horizon, reaching 3.1% of GDP in 2024, 3.0% in 2025 and 2.9% in 2026 (for the euro area 3.0%, 2.9% and 2.8% of GDP respectively). The deficit reduction in 2024 is driven by discretionary restraint across national budgets and revenue windfalls, while still subdued economic activity and higher interest expenditure are both providing deficit-increasing contributions (see Graph I.2.58). In 2025, restrictive fiscal stances in national budgets are set to provide an additional deficit-decreasing contribution, which would however be largely offset by other factors, including some revenue shortfalls. In 2026, the projected further marginal reduction of the EU deficit (based on unchanged policies) would be driven by the expected positive economic momentum.

Graph I.2.59: **Expenditure and revenue contributions to the change of general government balance, EU**

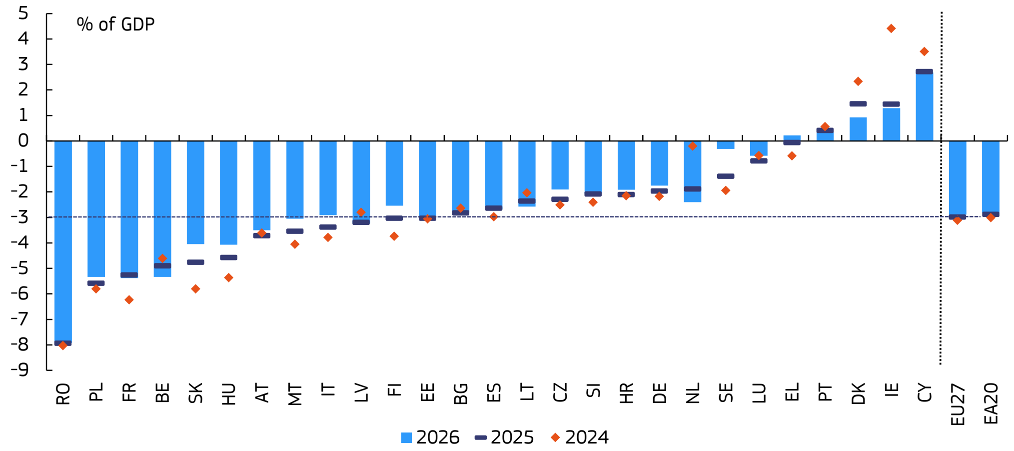


Growth of revenue is set to drive the EU deficit reduction in 2024 (see Graph I.2.59). The EU revenue-to-GDP ratio is expected to increase by 0.5 pps. in 2024, largely due to revenue windfalls. At the same time, the expenditure-to-GDP ratio is projected to rise by 0.2 pps., driven by higher interest expenditure. In 2025, the revenue-to-GDP ratio is set to grow further, also due to higher transfers from the EU budget and discretionary measures. The expenditure ratio is also projected to increase further, on the back of higher RRF-funded spending. Based on unchanged policies, the revenue ratio is set to decline marginally in 2026, driven by some shortfalls, while the projected reduction in the expenditure-to-GDP ratio results from improving cyclical conditions.

Ten EU Member States are expected to have a deficit greater than 3% of GDP in 2024. This number is set to remain stable in 2025, with some variation in country composition (see Graph I.2.60). In 2026, most Member States, with the exception of Cyprus, Ireland, Portugal and Spain, are projected to record budgetary positions still lower than in 2019, just before the pandemic, with nine still showing a deficit exceeding 3%, based on unchanged policies.

(18) Revenue windfalls (shortfalls) are measured by the increase (decrease) in the revenue-to-GDP ratio that is not explained by discretionary measures or transfers from the EU budget. The EU aggregate recorded 0.7% of GDP revenue shortfalls in 2023, partly reversed by the expected 0.4% windfalls in 2024. Further revenue shortfalls are projected in 2025 and 2026, amounting to 0.2% and 0.1% of GDP, respectively.

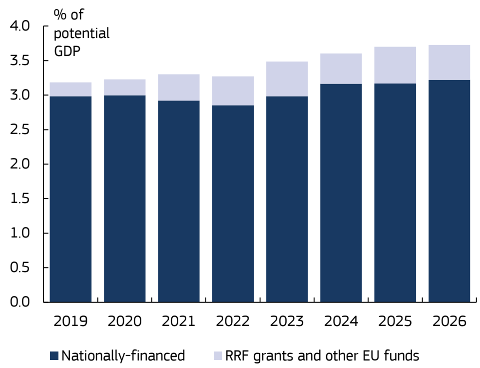
Graph I.2.60: **General government balance developments across Member States**



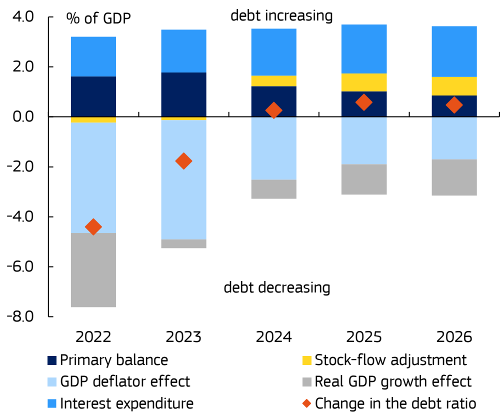
Rising public investment is improving the quality of expenditure in the EU. The shortfall in EU public investment since the euro area sovereign debt crisis (2010-12) was reverted only by 2017, followed by a continuous upward trend during and after the pandemic. The EU aggregate public investment ratio is expected to rise to 3.7% of GDP in 2026, up from 3.2% in 2019. More than half of this increase is related to investment financed by the RRF and other EU funds, while the rest is due to higher spending by national budgets (see Graph I.2.61). In 2025, most EU countries are projected to spend more on investment financed by their national budget than they did prior to the pandemic.

The debt ratio of the EU is projected to increase slightly in 2024-26. After a 9 pps. reduction between 2020 and 2023, to 82.1% (88.9% in the euro area), the EU aggregate debt-to-GDP ratio is projected to increase by more than 1 pp. in 2024-26, reaching 83.4% (90.0% of GDP in 2026 for the euro area). This is driven by a shrinking interest-growth rate differential ('snowball effect') [19] - as debt servicing costs are set to rise slightly while nominal GDP growth is expected to slow down due to falling inflation - while primary deficits continue to weigh on debt dynamics. At the same time, stock-flow adjustments are projected to turn debt-increasing in 2024-26 (see Graph I.2.62).

Graph I.2.61: **Public investment in the EU, 2019-2026**



Graph I.2.62: **Drivers of change in debt-to-GDP ratio, EU**



(19) The "snowball effect" captures the impact of interest expenditure on the annual accumulation of debt, as well as the impact of real GDP growth and inflation (GDP deflator) on the debt ratio.

Box I.2.4: Net expenditure indicator and fiscal stance: a consistent approach to assess fiscal policy

With the reform of the Stability and Growth Pact (SGP) **[1]**, **Member States' fiscal commitments are expressed in terms of country-specific net expenditure paths.** These are meant to ensure that general government debts follow a sustainable path and that general government deficits are maintained below 3% of GDP in the medium term [2]. The new focus on such net expenditure paths is operationalised through a new net expenditure growth indicator. Moreover, for the purposes of assessing the impulse provided by fiscal policy to the economy, the Commission services use a net expenditure-based metric to compute the fiscal stance. Both metrics are described below.

Net expenditure indicator

Net expenditure growth is the single operational indicator used to assess Member States' compliance with Council fiscal recommendations. The net expenditure indicator is based on budgetary items that are (largely) under governments' control, that is total general government expenditure net of: i) interest expenditure; ii) expenditure on Union programmes fully matched by revenue from Union funds (i.e. RRF grants and other EU funds); iii) national expenditure on co-financing of programmes funded by the Union; iv) cyclical elements of unemployment benefit expenditure; v) one-off expenditure. The permanent impact of discretionary revenue measures (i.e. excluding one-off revenue) is considered in the net expenditure growth [3].

Starting from the Autumn 2024 European Economic Forecast, the net expenditure growth indicator is included in the Statistical Annex (Table 39).

Fiscal stance

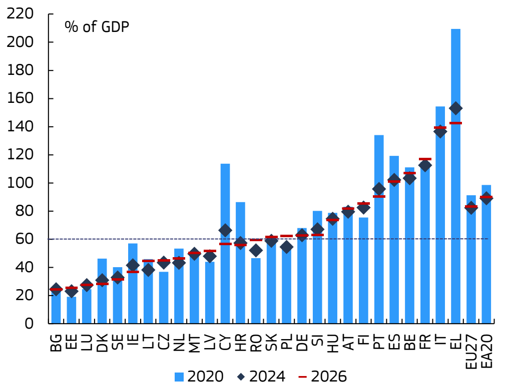
The Commission measures the fiscal stance through the increase of a somewhat broader net expenditure aggregate, relative to medium-term potential GDP growth. In addition to the net expenditure indicator, as defined above, this aggregate also includes the expenditure financed by the EU budget and its national co-financing (i.e., items ii) and iii) above), which also affect economic developments at both the country and the EU level [4]. When this aggregate grows at a rate below (above) nominal medium-term potential GDP growth, it indicates a contractionary (expansionary) fiscal stance.

---

(1) Regulation - 2024/1263 - EN - EUR-Lex ; Regulation - EU - 2024/1264 - EN - EUR-Lex
(2) Here, medium term indicates the 10-year period after a 4-year adjustment period, which may be extended up to 7 years in case of relevant reforms and investments.
(3) See Article 2 Regulation - 2024/1263 - EN - EUR-Lex
(4) For more details on the fiscal stance see: Cepparulo, A., C. McDonnell and V.E. Reitano (2024). "An Assessment of the Euro Area Fiscal Stance." *European Economy Economic Brief 080*, as well as Box I.2.2. of the Spring 2024 European Economic Forecast.

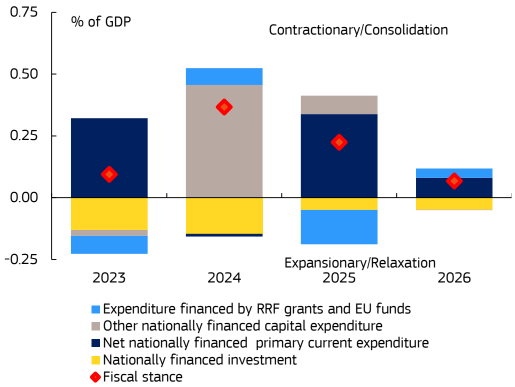
Developments in public debt ratios are forecast to vary across countries. The debt-to-GDP ratio is projected to rise more than 1 pp. in 16 Member States between 2023 and 2026 (see Graph I.2.63), mainly due to large primary deficits. Still, by the end of 2026, the majority of EU countries are projected to have lower debt-to-GDP ratios than in 2020. Particularly large declines compared to 2020 are forecast in Greece (67 pps.), Cyprus (57 pps.) and Portugal (44 pps.), mostly reflecting decreases that already occurred in 2021-23. Five Member States (Belgium, Greece, Spain, France and Italy) are set to have debt ratios still above 100% of GDP at the end of the forecast horizon.

Graph I.2.63: **Debt developments across Member States**



The EU fiscal stance is expected to be broadly neutral in 2025 thanks to the positive impact of the RRF and nationally financed investments. The fiscal stance in 2024 is projected to have been slightly contractionary [20], close to ½% of GDP - after a sizeable expansion (around 3% of GDP) in 2020-23. The contractionary stance this year is driven by the phase-out of large subsidies to support private investment (especially housing renovations in Italy) and somewhat lower expenditure financed by the EU budget (also due to the end of spending from the 2014-2020 Multiannual Financial Framework), whereas public investment financed by national budgets continues to provide an expansionary contribution (see Graph I.2.64). In 2025, the EU fiscal stance is projected to turn broadly neutral (slightly contractionary for the euro area), at just below ¼% of GDP [21], as the restraint in net current expenditure financed by national budgets is partly offset by increasing nationally financed public investment, and by higher spending financed by RRF grants and other EU funds. Based on unchanged policies, the EU fiscal stance is set to remain broadly neutral in 2026, as the measures needed to achieve the net expenditure paths planned in Member States' medium-term fiscal-structural plans are not sufficiently specified for 2026 at this stage. The proper implementation of those plans would imply a slightly contractionary EU fiscal stance in 2026 (by around ¼% of GDP).

Graph I.2.64: **Fiscal stance and its components, EU**



Fiscal stances are projected to be very heterogeneous across countries (see Graph I.2.65)**.** The fiscal stance in 2025 is set to range from a contractionary stance of around 1½% of GDP in France to an expansionary stance of around 1½% in Denmark. In terms of composition, net current expenditure financed by national budgets is expected to provide contractionary contributions in several EU countries, with particularly sizeable restraints (1% of GDP or more) in France, Slovakia, Finland and Estonia. Nationally financed investment is expected to be preserved or to increase in the majority of countries, with particularly large expansions (½% of GDP or more) in Estonia, Romania and Finland. Expenditure financed by RRF grants and other EU funds is set to provide expansionary contributions to the fiscal stance of more than ½% of GDP in Latvia, Hungary, Slovakia, Poland, Greece and Croatia.

(20) The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. It is based on the increase in primary expenditure (net of discretionary revenue measures) relative to 10-year nominal potential output growth. The net expenditure aggregate used to assess the fiscal stance includes expenditure financed by RRF grants and other EU funds. See Box I.2.4 for further details.

(21) The fiscal stance is considered neutral at a value within the -0.25% / +0.25% of GDP range.

Graph I.2.65: **Fiscal stance across Member States, 2025**

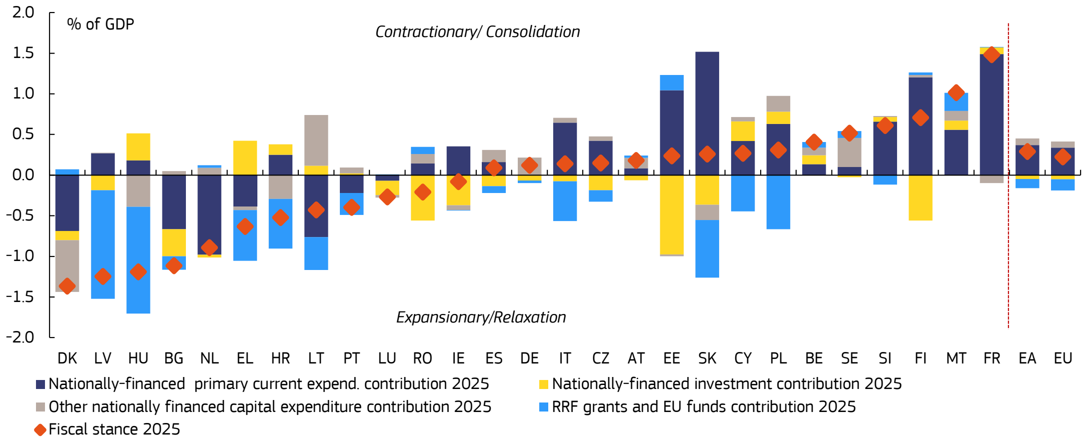


Table I.2.7: **General Government budgetary position - euro area and EU**

(% of GDP)	Euro area							EU						
	Autumn 2024 Forecast				*Spring 2024 Forecast*			Autumn 2024 Forecast				*Spring 2024 Forecast*		
	2023	2024	2025	2026	2023	2024	2025	2023	2024	2025	2026	2023	2024	2025
Total revenue (1)	45.9	**46.5**	**46.7**	**46.6**	*46.4*	*46.6*	*46.8*	45.5	**46.1**	**46.3**	**46.2**	*45.9*	*46.2*	*46.2*
Total expenditure (2)	49.5	**49.5**	**49.6**	**49.4**	*50.0*	*49.6*	*49.6*	49.0	**49.2**	**49.3**	**49.1**	*49.4*	*49.2*	*49.1*
Actual balance (3) = (1)-(2)	-3.6	**-3.0**	**-2.9**	**-2.8**	*-3.6*	*-3.0*	*-2.8*	-3.5	**-3.1**	**-3.0**	**-2.9**	*-3.5*	*-3.0*	*-2.9*
Interest expenditure (4)	1.7	**1.9**	**2.0**	**2.1**	*1.7*	*1.9*	*2.0*	1.7	**1.9**	**2.0**	**2.0**	*1.7*	*1.8*	*1.9*
Primary balance (5) = (3)+(4)	-1.8	**-1.1**	**-0.9**	**-0.7**	*-1.9*	*-1.1*	*-0.9*	-1.8	**-1.2**	**-1.0**	**-0.9**	*-1.8*	*-1.2*	*-0.9*
Change in structural budget balance (a)	0.4	**0.8**	**0.2**	**-0.2**	*0.5*	*0.9*	*0.0*	0.3	**0.6**	**0.2**	**-0.2**	*0.4*	*0.7*	*0.0*
Overall fiscal stance (b)	0.1	**0.5**	**0.3**	**0.1**	*0.1*	*0.8*	*0.0*	0.1	**0.4**	**0.2**	**0.1**	*0.1*	*0.6*	*0.1*
- Fiscal stance - contribution from national net expenditure	0.2	**0.5**	**0.4**	**0.1**	*0.2*	*0.8*	*0.0*	0.2	**0.3**	**0.4**	**0.0**	*0.2*	*0.6*	*0.1*
- Fiscal stance - contribution from the EU	-0.1	**0.1**	**-0.1**	**0.0**	*-0.1*	*0.0*	*0.0*	-0.1	**0.1**	**-0.1**	**0.0**	*-0.1*	*0.0*	*0.0*
Gross debt	88.9	**89.1**	**89.6**	**90.0**	*90.0*	*90.0*	*90.4*	82.1	**82.4**	**83.0**	**83.4**	*82.9*	*82.9*	*83.4*

(a) pps. of potential GDP. (b) The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. A positive figure corresponds to a contractionary stance while a negative figure corresponds to an expansionary stance.

Box I.2.5: **Some technical elements behind the forecast**

The cut-off date for taking information into account in this European Economic Forecast was 31 October 2024. Ad-hoc assumptions relating to, e.g. the geopolitical situation, are detailed in Box I.1.1.

Exchange and interest rates

Nominal exchange rates are kept constant over the forecast horizon at the level recorded during the reference period between 14 and 25 October 2024 (see Table 1 in this box and Table 31 in the Statistical Annex)[1]. All interest rate assumptions are derived from implicit market rates, thus fully reflecting market expectations at the time of the forecast. The assumptions for short-term interest rates for euro area Member States are derived from the average level during the reference period of three-month EURIBOR futures contracts over the forecast horizon. In the absence of future contracts, the assumptions for short-term rates of non-euro area Member States and countries outside EU are derived from the average level over the reference period of the implicit forward three-month OIS (overnight indexed swap) rates, corrected for the average spread over the reference period between the three-month EURIBOR rate and the OIS swap rate with a similar maturity (i.e. three-month). The assumptions for long-term interest rates for the euro area Member States are derived from the average forward sovereign rates over the reference period, when available. Forward sovereign rates are also used, when available, to derive assumptions for long-term interest rates of the other EU Member States as well as of the countries outside EU examined in the forecast[2].

Commodity prices

Assumptions for Brent oil, gas and electricity prices are based on futures markets, using the average over the 10-day reference period between 14 and 25 October.

Trade policies and assumptions

For trade policy, this forecast pencils in only the measures that have been implemented until the cut-off date and includes bans on specific exports and imports (see https://eu-solidarity-ukraine.ec.europa.eu/eu-sanctions-against-russia-following-invasion-ukraine_en).

Table 1: **Technical assumptions**

		Autumn 2024 Forecast			Spring 2024 Forecast		
	2023	2024	2025	2026	2023	2024	2025
3-month EURIBOR (percentage per annum)	3.4	3.5	2.1	2.0	3.4	3.6	2.8
10-year government bond yields (percentage per annum) (a)	2.4	2.3	2.3	2.4	2.4	2.4	2.5
USD/EUR exchange rate	1.08	1.09	1.08	1.08	1.08	1.07	1.07
GBP/EUR exchange rate	0.9	0.8	0.8	0.8	0.9	0.9	0.9
RMB/EUR exchange rate	7.66	7.80	7.72	7.72	7.66	7.74	7.72
JPY/EUR exchange rate	152.0	163.9	163.3	163.3	152.0	163.9	164.8
EUR nominal effective exchange rate (annual percentage change) (b)	7.02	3.22	0.17	0.00	7.02	3.22	0.17
Natural gas (EUR/Mwh) (c)	41.4	33.9	39.8	34.8	41.4	30.9	34.8
Electricity (EUR/Mwh) (d)	102.2	72.2	86.4	81.6	102.2	69.8	87.7
Oil price (USD per barrel)	82.5	80.7	73.1	71.5	82.5	85.4	80.0
Oil price (EUR per barrel)	76.3	74.2	67.4	65.9	76.3	79.7	75.1

(a) 10-year government bond yields for the euro area are the German government bond yields. (b) 42 industrial countries EU-27, TR CH NO US UK CA JP AU MX NZ KO CN HK RU BR. (c) ICE Dutch TTF. (d) GDP - weighted average of electricity prices in DE, FR, IT, ES, NL, BE, AT.

(1) Given the importance of Türkiye as EU trading partner, an exception to the constant nominal-exchange rate assumptions was made for all bilateral exchange rates of the Turkish lira, due to the outlook of persistently high inflation in the country. The nominal exchange rate of the Turkish lira vis-à-vis the EUR is assumed to be 35.63 in 2024 and 37.16 in 2025 and 2026.

(2) When forward sovereign rates are not available, the assumptions are derived from forward swap rates (i.e. Russia and Iceland), corrected in a similar way as for short-term interest rates. For countries where no market instrument is available (i.e. forwards), a fixed spread is added to the relevant interest rate assumptions for the euro area (i.e. the difference between the country short or long term rates and the three-month EURIBOR rate for the short-term rate and the 10-year German sovereign rate for the long-term rate), based on the monthly average of the country short- or long-term benchmark rates.

(Continued on the next page)

Box (continued)

ESA 2010

The forecast is based on the ESA 2010 system of national accounts for all Member States, the EU and the euro area aggregates. The data include the benchmark revisions implemented by the statistical institutes in the European Statistical System and released by Eurostat on 18 October. More details on BM24 and its implications to the forecast are found in Box I.2.2.

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 over the forecast horizon, implying that adjusted and unadjusted annual growth rates differ only marginally (in 2025: little more than 0.1 pps.), though it may be significant in the case of some Member States. Since the working-day effect is considered temporary, it is not incorporated in the estimates of potential GDP and output gaps.

The inclusion of the Recovery and Resilience Facility in the forecast

Transactions related to the RRF in the forecast are recorded in line with Eurostat's 'Guidance note on the statistical recording of the Recovery and Resilience Facility' of 7 October 2021 (https://ec.europa.eu/eurostat/documents/1015035/12618762/GFS-guidance-note-statistical-recording-recovery-resilience-facility.pdf). In particular, this implies that, except for 2020, the budgetary impact of any expenditure or other costs financed with non-repayable financial support ('grants') from the RRF is neutralised in revenue projections by matching transfers received from the EU. Expenditure financed by loans from the RRF are not neutralised and thus affect the government balance, while the loans by the RRF are recorded as Member States' debt towards the EU.

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2023 as published in Eurostat's news release of 22 October 2024 [3]. In this press release, Eurostat expressed a reservation on the quality of data reported by Estonia for 2023. Eurostat is discussing with the Estonian statistical authorities the appropriate time of recording of military expenditure, impacting the deficit by around 0.4% of GDP.
The public finance forecast is made under the 'no-policy-change' assumption, which extrapolates past revenue and expenditure trends and relationships in line with past policy orientations. This may also include the adoption of working assumptions, in particular to deal with structural breaks. The no-policy-change forecast includes all fiscal policy measures that imply a change to past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced. For 2025 in particular, the annual budgets adopted or presented to national parliaments are taken into consideration.
In line with Eurostat's press release, EU and euro area aggregates for general government balance and debt are based exclusively on the Member States' balances and debt. For debt, whereas Eurostat publishes the consolidated figures (corrected for intergovernmental loans, including those made through the European Financial Stability Facility), the projections in the forecast years 2024, 2025 and 2026 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2023, this implies an aggregate debt-to-GDP ratio that is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 22 October 2024 (by 1.5 pps. in the euro area and by 1.3 pps. in the EU).

(3) Euro area government deficit at 3.6% and EU at 3.5% of GDP - Eurostat

3. RISKS

The EU's economic outlook remains highly uncertain, with risks largely tilted to the downside. The EU economy is navigating a highly complex and challenging environment. Russia's protracted war of aggression against Ukraine and the intensified conflict in the Middle East fuel geopolitical risks and continued vulnerability of European energy security. A further increase in protectionist measures by trading partners could weigh on international trade. Uncertainty is also building up on the domestic policy front. Climate change and rapid technological advancements pose additional challenges.

Further trade fragmentation and potential shocks in energy markets pose substantial risks to EU growth. Intensifying economic and trade rivalries may have far-reaching consequences for the EU, given its high degree of economic openness and integration in value chains (see Box I.2.1). In energy markets, the escalation of the conflict in the Middle East is threatening vital shipping routes for oil and liquefied natural gas. Model-based scenarios [22] indicate that a level shift in oil prices by up to USD 20 as from end-2024 could cut EU growth by as much as 0.2 pps. in 2025 and 0.1 pps. in 2026. Still, the inflationary impact of such oil price increase could reach a sizeable 0.6 pps. in 2025 and 0.4 pps. in 2026. Gas markets would also be affected, in a context where European gas prices are still above historical average. These risks could be mitigated by the announced boost to US production of oil and gas, though at high costs for the environment.

Domestic policy uncertainty may weigh on investment and consumption. Political instability and rising polarisation risk undermining policy predictability, with potential negative impacts on business and consumer confidence. Households may maintain precautionary savings at elevated levels, holding back the projected consumption growth. This can lead to a faster easing of price pressures, notably in services, resulting in lower HICP inflation. Businesses could further delay investment decisions, potentially constraining productivity growth and innovation at a time when the EU economy is already struggling with long-standing competitiveness challenges. Econometric analysis suggests that reduced uncertainty could significantly lift growth in the EU (see Special Issue 3).

Structural challenges in the EU manufacturing sector, particularly in automotive, add further downside risks. EU manufacturing continues to face adaptation pressures as it grapples with the lingering effects of the energy shock, rapid technological advancements, shifting consumer preferences, and global competition. In particular, the automotive sector – a large industry in several Member States - is navigating a challenging transition toward electric vehicles, with cascading effects on the whole supply chain. Failure to address these structural shifts could start having a visible impact already within the forecast horizon.

Continued subdued productivity growth could lead businesses to shed workers but also stall the disinflationary process. As productivity growth remains sluggish, EU firms may find it increasingly difficult to sustain rising real wages over the forecast horizon. Depending on their pricing power, they may scale back operations and shed labour, or pass higher unit labour costs onto consumers, slowing the ongoing disinflationary process. Meanwhile, weaker-than-expected wage pressures could imply faster than projected slowing in inflation, notably in services.

The fiscal stance could turn more restrictive than currently assumed, while monetary policy could turn more accommodative than expected. Delays in the implementation of the RRF could limit its propelling impulse. Moreover, the shift toward a more restrictive fiscal stance among Member States with high debt burdens could add further drag to growth, especially in

[22] Using the European Commission's Global Multi-country (GM) model, a structural macro-econometric model of the euro area. For more information see: https://economyfinance.ec.europa.eu/economic-research-and-databases/economic-research/macroeconomic-models/global-multicountry-gm-model_en

2026, as the measures needed to achieve the adjustment path set out in Member States' medium-term fiscal-structural plans will be specified only in late 2025. At the same time, the European Central Bank could consider advancing the timing of policy rate cuts currently expected by markets if faltering economic activity were to raise risks of inflation falling below target.

Finally, the EU is increasingly exposed to environmental risks. The recent floods that have battered parts of southern Spain around the cut-off date of this publication illustrate once again the dramatic consequences that climate change can have on people, their habitat and the economy. Damage to infrastructure in the hit regions can have wider repercussions on the productive fabric beyond their borders, while disruptions to economic activity could rekindle inflationary pressures, in particular on food.

PART II

Part II: Special Issues

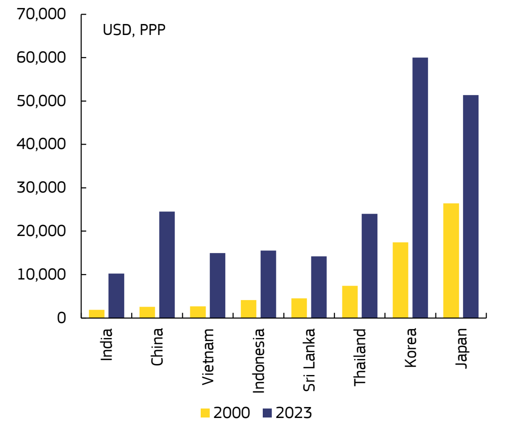
1. INDIA'S ECONOMIC SURGE: FROM REGIONAL TO GLOBAL ECONOMIC PLAYER

India's importance in the global economy and as an economic partner to the EU is growing. Its share in the global economy, measured in purchasing power parity (PPP) terms, rose from 4% in 2000 to around 7.5% by 2023. IMF projections suggest that this share could rise to around 10% in 2030 [23]*. At global level, strong growth in India is projected to partially offset the slowdown in trend growth in China. India's GDP per capita in PPP terms has increased more than fivefold since 2000, to USD 10,233 in 2023, though it remains at only 42% of that of China.*

This special topic presents a snapshot of the Indian economy, highlighting its structural characteristics, recent developments, and the challenges that have so far hindered its deeper integration into the global economy. It also examines policy responses and explores India's economic relationship with the European Union. Starting in spring 2025, the forecast publications will include a specific country chapter on India and a more detailed forecast.

Structural features and challenges

Graph II.1.1: **GDP per capita in India and selected countries**



Source: IMF

India's economic history since independence in 1947 can be divided into two phases. The first phase, from 1947 to 1991, was characterized by a mixed economy model under the so-called "License Raj" system of strict government control and regulation, intended to protect Indian industry, promote self-reliance and ensure regional convergence. This period was characterised by moderate growth, averaging around 3.5% annually. The second phase began with the landmark economic reforms of 1991, triggered by a balance of payments crisis. These reforms ushered in an era of liberalisation, privatisation and globalisation that dismantled many of the restrictive economic policies. This shift led to significantly higher growth rates, averaging 6-7% annually, propelling India to become one of the world's fastest-growing major economies. The post-1991 period has seen the rise of India's IT and services sectors, substantial poverty reduction, and an expanding middle class, though challenges such as income inequality and infrastructure deficits persist. In particular, progress on poverty reduction has been patchy and in 2022 about 12% of Indians still lived on less than USD 2.15 per day.

India's economic growth model stands out for its strong reliance on domestic consumption. The latter accounts for around 70% of its GDP, as the country's young, growing population has fuelled strong growth in internal demand. This consumption-driven growth model distinguishes India from many export-dependent economies, particularly in Asia. While it presents challenges, such as for managing inflation and trade deficits, it positions India favourably in the current global environment, by providing a buffer against external economic shocks and reducing vulnerability to international trade tensions and supply chain disruptions.

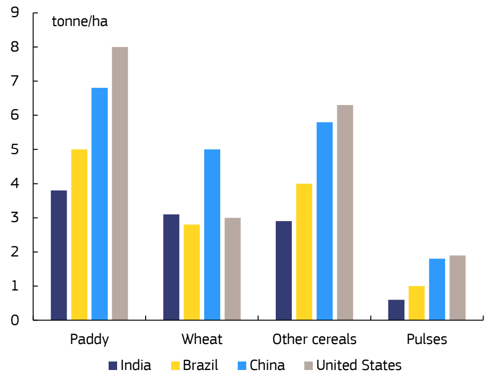
India's economic development has quickly transitioned from a predominantly agrarian economy to one led by services. India's economic development thus presents a potentially unique hybrid development model that combines a strong services sector with an emerging manufacturing base. However, many workers, especially those with limited education or skills, face barriers to securing quality jobs in the service sector and instead rely on self-employment or

[23] Srivastava, D.K. (2022). "Indian economy by 2050: In pursuit to achieve the $30 trillion mark." EY-India

unpaid work, primarily in agriculture, construction and retail. These three sectors account for over half of total employment, and remain characterised by low productivity, limited value added and slow convergence to global productivity standards.

The agriculture and industry sectors exhibit low productivity and competitiveness. The agriculture sector, which still employs nearly half of India's workforce, remains under-productive due to insufficient investment, outdated practices, and heavy dependence on government subsidies and price support schemes. Turning to the industrial sector, its share in GDP has declined almost uninterruptedly from 32.3% in 2011 to 27.6% in 2023, driven by the lagging manufacturing and mining sectors, undermined by poor infrastructure. In contrast to China, which accounted for 28.7% of global manufacturing output in 2021, India's share was only about 3.1%. Furthermore, India lags when it comes to integration in global manufacturing supply chains. Its widespread use of protectionist measures may impede the emergence of a strong manufacturing ecosystem, by limiting foreign direct investment (FDI) and integration into global value chains (GVC). Recently, the government's "Make in India" initiative and Production-Linked Incentive (PLI) schemes are actively promoting industrial growth, particularly in sectors like pharmaceuticals, automotive, and electronics.

Graph II.1.2: **Yields of cereals in India selected economies**



Source: FAO.

India's population dynamics underpin its long-term economic potential. With a population estimated at 1.44 billion, in 2023 India became the world's most populous country, surpassing China. According to UN projections [24](), India's population will continue growing until mid-century to around 1.7 billion, offering a unique demographic dividend to the economy. A young and expanding workforce – if fully harnessed – could drive productivity improvements and growth in domestic consumption for many years, positioning India as a new engine of global economic growth.

At the same time, India faces important structural challenges that may limit its growth potential. Notwithstanding this demographic dividend, India has so far been unable to provide the sort of mass employment achieved in China. Approximately 90% of India's workforce is engaged in informal employment [25], with many workers trapped in low-wage, insecure jobs that lack legal protection and benefits. Furthermore, women's participation in the workforce is exceedingly low, at approximately 26% in 2023, compared to a global average of around 47%. Furthermore, according to IMF estimates, India will need to generate between 145 and 330 million additional jobs by 2050 to meet the demands of its growing population. So far, capital deepening and productivity gains have accounted for the majority of growth, with little contribution from labour. The IMF estimates India's medium-term potential growth at 6.3% [26], reflecting increased capital spending and a more robust labour market. Nevertheless, low overall productivity, a struggling manufacturing sector, a complex business environment, large labour market disparities, and the increasingly adverse effects of climate change may weigh on India's growth potential if left unaddressed.

Climate change is emerging as a significant structural impediment to growth in India, characterised by prolonged periods of extreme temperatures, irregular precipitation and an increase in severe weather events. Over 75% of Indian districts are classified as hotspots

[24] United Nations, Department of Economic and Social Affairs, Population Division (2024). *World Population Prospects 2024: Data Sources. (UN DESA/POP/2024).*

[25] International Labour Organization (ILO) (2019), Informal Employment Trends in the Indian Economy: Persistent informality, but growing positive development, Working Paper No. 254

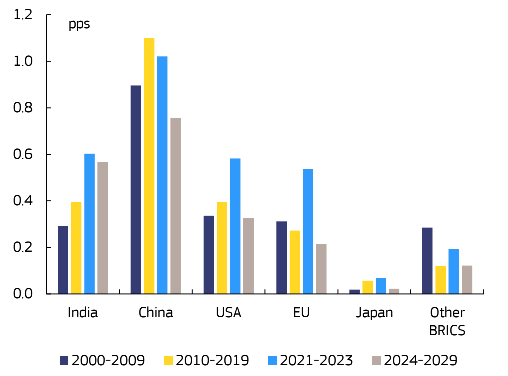
[26] International Monetary Fund (IMF) (2023). *India Article IV consultation*, Washington DC: IMF, December.

for extreme climate events [27] and projections suggest that annual GDP losses due to extreme temperatures could reach 2.5-4.5% by 2030 [28]. As one of the countries most vulnerable to climate change, and the third-largest CO_2 emitter, India is committed to a low-carbon development path and has pledged to reach net zero emissions by 2070. However, significant investment will be required to enhance India's climate resilience. India's Ministry of Finance estimated a financing gap of USD 2.5 trillion (around 67% of India's GDP) to meet India's nationally determined contribution (NDC) commitments by 2030 [29].

Recent economic developments

India emerged from the pandemic crisis as the fastest growing G20 economy. GDP growth averaged 6.5% in the 20 years before the pandemic. The Indian economy shrank by 6.6% during the first wave of COVID-19. The labour market suffered severe disruptions as the unemployment rate spiked, particularly in urban areas where informal workers and migrants were hardest hit, causing a notable increase in poverty levels. However, the economy rebounded quickly, registering an impressive 7.9% average growth rate since 2021. The key driver of India's post-pandemic recovery has been a surge in household consumption, which has grown by 7.8% per annum on average since 2021, boosted by improved labour market conditions, especially among casual workers. Investment grew by almost 12% per annum on average in the same period, supported by strong public investment in infrastructure. At the same time private sector investment has poured into sectors like real estate and manufacturing.

Graph II.1.3: **Contributions to global GDP growth**



Source: IMF.

Inflation was quickly brought under control, thanks to prudent monetary policy. The Indian economy is particularly vulnerable to commodity price inflation. Driven by global food and energy price shocks along with supply chain disruptions, inflation peaked at 6.7% in 2022. The timely and aggressive tightening of monetary policy by the Reserve Bank of India (RBI) anchored inflation expectations and helped guide inflation back within the RBI's tolerance band (2-6%). Inflation fell below the RBI target of 4% in July 2024, opening up potential space for monetary loosening. Monetary policy was also effective at managing depreciation pressures. After depreciating by 9.4% against the US dollar in 2022, the Rupee exchange rate movements moderated, which prompted the IMF to reclassify India's de facto exchange rate regime from "floating" to a "stabilised arrangement". India's foreign exchange reserves stood at more than USD 700 billion in September 2024, covering more than 12 months worth of imports. With the exchange rate more tightly managed, ample reserves should help cushion the impact of external shocks going forward.

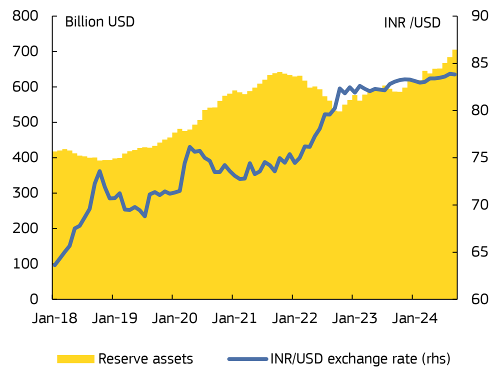
India's fiscal position worsened considerably during the pandemic, but consolidation efforts have been ongoing since. Public debt shot up during the pandemic, from 74.3% of GDP in 2019-Q4, to 89.3% in 2021-Q1. It has since come down to around 83% of GDP. Debt sustainability risks are relatively contained. The bulk of public debt is in the form of rupee-denominated fixed-rate instruments of long maturity, predominantly held by residents. Still, fiscal risks remain present given past instances of fiscal slippages between 2000 and 2020, and India's sensitivity to external shocks. The government budget deficit has come down since the pandemic

(27) Mohanty, Abinash (2020). "Preparing India for Extreme Climate Events: Mapping Hotspots and Response Mechanisms." Council on Energy, Environment and Water.
(28) McKinsey Global Institute (2020), "Will India get too hot to work?" Case study
(29) Government of India, Ministry of Finance (2024), Economic Survey 2023-24. New Delhi, July

and the new FY24 budget foresees further deficit reduction, with the authorities planning to achieve the central government deficit target of 4.5% of GDP by FY26.

India's financial sector has strengthened significantly in recent years, positioning it to support the country's fast-growing economy and rising investment needs. After several years of slow credit growth, during which banks significantly improved their balance sheets, a new credit cycle began in mid-2021. Banks have reduced their non-performing loans (NPLs) from around 11% in 2018 to below 4% in 2023. Meanwhile, the average capital adequacy ratio has increased from below 13% to above 17% in 2023, comfortably above regulatory thresholds of 9% for commercial banks and 12% for publicly owned banks. As the financial sector strengthened its balance sheets, credit growth picked up markedly, from 8% in 2019 to almost 15% in 2025. Still, both household and corporate sector indebtedness remains moderate, at 42.7% and 55.8% of GDP in 2024-Q1 respectively.

Graph II.1.4: **India - monetary developments**



Source: The Reserve Bank of India.

India has been running a current account deficit almost uninterruptedly since 2000. The scale of deficits was mostly in line with fundamentals for a developing country in need of capital, and in most years were largely financed by flows of foreign direct investment. The current account deficit temporarily increased during 2022, to 2.4% of GDP from 1% in 2021, due to the energy price shock worsening India's terms of trade. It has since come down to around 1% in 2023 and 2024-H1. Over the last 10 years, India's national international investment position (NIIP) improved significantly. NIIP stood at -9.5% of GDP in H1 2024, up from -17.5% of GDP in 2014. At around 18.5% of GDP in 2024-H1, India's external debt is low compared to peers. Furthermore, a large share of it is long term, limiting rollover risks.

Policy priorities and opportunities

The Indian government has been implementing a series of reforms to unlock the country's potential. One of the most significant initiatives is labour market reform. In 2020, the central government streamlined labour regulations by passing four major labour codes, with the aim to enhance labour flexibility, reduce regulatory complexity, and improve the conditions for formal employment. However, the implementation of these reforms at state level is lagging.

Investment in infrastructure is a key component of India's development strategy. Public non-defence capital expenditure increased from 3.1% of GDP in FY19/20 to an estimated 4.9% of GDP in FY23/24, with both central and state governments increasing spending on infrastructure. For example, India doubled the number of airports over the past 10 years, and is adding 10 000 km of new roads and 15GW of solar-energy capacity each year [30]. Nevertheless, there are still critical gaps, particularly in transport, energy and logistics, which limit access to markets and dampen growth. The focus on improving physical and digital infrastructure is therefore vital for increasing private sector productivity, to improve market access, and enhance India's global competitiveness.

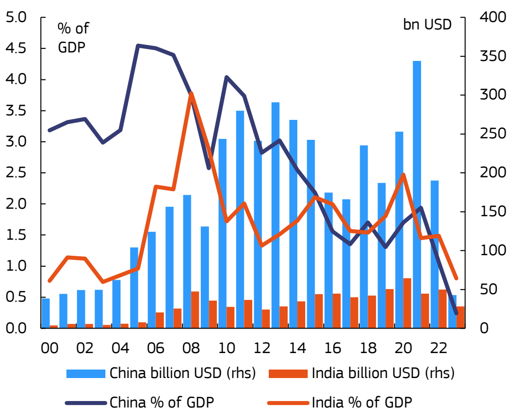
India is also working to promote exports and attract foreign direct investment. With global supply chains shifting due to geopolitical factors, India has an opportunity to benefit from the "friendshoring" trend, which involves relocating production to trusted countries. For example, global companies like Apple, Samsung and Foxconn have lately been expanding investment in new production capacities in India to diversify their supply lines. For the moment, most of their business

(30) "How strong is India's economy?," The Economist, April 2023

in India is known as Final Assembly, Test and Pack (FATP), a low value added, labour-intensive process that assembles components largely imported from China. The government has introduced several initiatives, such as the Production-Linked Incentive (PLI) scheme, designed to attract foreign firms to establish manufacturing capacities in India, but also to incentivise them to go beyond establishing only FATP operations and encourage purchases of inputs in the domestic market. Furthermore, the authorities have recently been pursuing new trade agreements (e.g. with UAE and Australia) to complement existing export promotion policies and help increase bilateral trade and investment.

India's growing digital economy presents another major opportunity. The country is already a global leader in information technology (IT) and business process management (BPM). The IT-BPM sector is projected to account for 10% of India's GDP by 2025 and is highly export-oriented, with around 80% of its total revenue coming from abroad. Aside from price competitiveness, the IT industry in India benefits from a large number of skilled and English-speaking workers and the rapid expansion of digital infrastructure. India now hosts four of the world's top 100 science and technology clusters —Bengaluru, New Delhi, Mumbai, and Chennai [31]. In recent years, India has also become the third largest source of startups globally, producing 118 unicorns with a combined value of over USD 350 billion.

Graph II.1.5: **FDI inflows comparison between India and China**

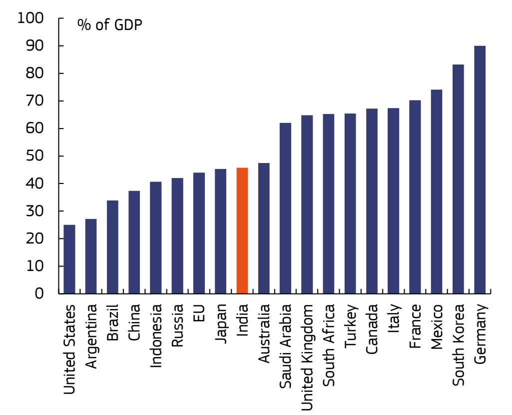


Source: Reserve Bank of India and National Bureau of Statistics of China.

EU-India economic relationship

The European Union (EU) and India share a robust and growing economic relationship. The EU is India's largest trading partner, accounting for €124 billion worth of total trade in goods in 2023 or 12.2% of total Indian trade. India's other major trade partners are USA (10.8% of total trade) and China (10.5%). However, India only accounts for 2% of the EU's external trade and ranks as the 9th major EU trading partner. EU traders and investors continue to face many market access barriers on the Indian side, such as prohibitive import duties, sanitary and phytosanitary restrictions, and a growing number of technical barriers to trade. Despite these impediments, trade in goods between the EU and India has increased by almost 90% in the last decade, while in services it reached €50.8 billion in 2023, up from €30.4 billion in 2020. The EU is also a major source of FDI into India, particularly in the services sector, including telecommunications, financial and business services. The stock of EU's direct investment in India reached EUR 108.3 billion in 2022, up from EUR 82.3 billion in 2019, making the EU a leading foreign investor in India. Yet, this is still below the EU's foreign investment stocks in China (EUR 247.5 billion) or Brazil (EUR 293.4 billion).

Graph II.1.6: **Trade openness**



Source: WB WDI, IMF WEO.

(31) World Intellectual Property Organization (WIPO) (2024). *Global Innovation Index 2024 Unlocking the Promise of Social Entrepreneurship. Geneva: WIPO*

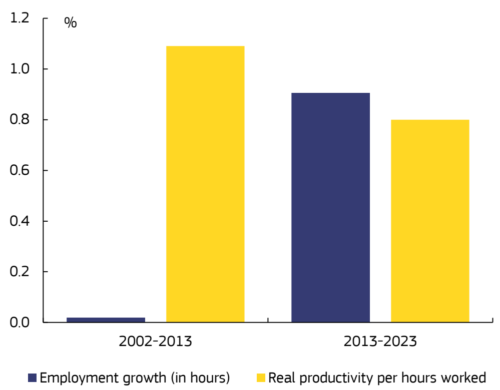
There is substantial potential for further deepening EU-India economic ties. Ongoing negotiations (the 9th round of talks concluded in September 2024 in Delhi) for a Free Trade Agreement (FTA) hold promise for expanded trade in goods and services, as well as enhanced cooperation in key areas such as clean energy, smart cities and sustainable transportation. The FTA could help reduce trade barriers and align regulatory standards, providing opportunities for businesses on both sides to expand their operations. In recent years, the EU and India have also strengthened their cooperation in areas like climate change, sustainable development and the digital economy. As India moves toward a low-carbon development path, there is significant scope for collaboration in renewable energy, electric mobility and energy-efficient infrastructure.

2. PRODUCTIVITY GROWTH IN THE EU: IS THERE A TRADE-OFF WITH EMPLOYMENT GROWTH?

This Special Topic zooms in on the possible trade-off between employment and productivity growth in the EU, focusing on the role of composition effects. The past decade has been characterised by sustained employment growth combined with a mild slowdown in labour productivity growth. The analysis suggests that workforce composition changes have likely not contributed to the productivity slowdown, as the employed population has become progressively more educated and experienced. Likewise, the reallocation of employment across sectors had little impact, positive or negative, on productivity growth. Instead, most of the productivity dynamics appear to be driven by intra-sector dynamics, underscoring the role of sluggish investment amid strong employment growth and restrained wage increases. Additionally, the slowdown can be attributed to weaker total factor productivity growth, stemming from reduced technological diffusion and a decline in innovation performance [32].

In the last decade, strong employment growth has coincided with a further slowdown in productivity growth in the EU. Between 2002 and 2013, employment increased by 0.3% on average every year, while labour productivity (real value added per employee) grew by 0.8% (Graph II.2.1). In terms of hours, employment growth was even more sluggish with almost no change in the total of hours worked between 2002 and 2013 (0.02% on average per year), supporting productivity growth (1.1%). These trends contrast with the more recent developments between 2013 and 2023. In this period, employment grew at an average rate of 1.1%, while productivity growth per employed person slowed down to an average of 0.6% - with much of the slowdown due to the contraction of productivity in 2023. In hourly terms, employment and productivity growth averaged at 0.9% and 0.8%, respectively. Such prima facie aggregate evidence raises the following question: is there a trade-off between employment growth and productivity growth? And to what extent can the higher job-intensity of growth between 2013 and 2023 explain the slowdown in productivity?

Graph II.2.1: **Average employment and productivity growth in 2002-2013 and 2013-2023, EU**



Economic theory suggests that there could be a trade-off on aggregate between increased employment and productivity growth. A supply-driven increase in employment (e.g. linked to increased labour market participation) reduces the capital to labour ratio, driving labour productivity down. If investment responds quickly to changes in employment and the associated increase in the marginal productivity of capital, then the trade-off between labour market participation and productivity will be short-lived. However, if adaptation of capital is slow, then the trade-off effect is more persistent. In addition, employment growth may also contribute to changes in productivity growth insofar as the individual characteristics of new entrants are different from those of incumbent workers. For example, if employment growth is biased towards workers with lower skills than the rest of the employed population, the impact on aggregate productivity will be negative. Finally, sectoral composition effects may also play a role: in case employment growth is biased towards sectors with low productivity (either in levels or growth rates), this may imply a drag on aggregate productivity growth.

[32] For an overview of the key drivers behind the slowdown in productivity growth in the EU, see European Commission (2023). Euro area competitiveness: State of play, challenges and trade-offs for policy, Technical note for the Eurogroup, October.

Empirical evidence confirms that employment and productivity growth on aggregate move in different directions, although the trade-off is often short-lived. Dew-Becker and Gordon (2008) use data on selected EU Member States in the period 1995-2006 to analyse the drivers of productivity growth. [33] Their results suggest that - in addition to weak growth of capital investment - also composition effects in terms of demographics played a role. The negative relationship between employment and productivity growth is confirmed by Marelli and Signorelli (2010), with findings that are in line with previous results by McGuckin and van Ark (2005). [34] Based on aggregate data on 36 OECD countries in the period 1970-2002, they find a negative elasticity of productivity to employment (less than 0.3 depending on the country). The effect is, however, short-lived (less than 5 years), suggesting the importance of capital adjustment. The importance of controlling for other factors is also underlined by Tang (2015). [35] Based on a sample of 24 OECD countries in the period 1970-2009, he finds that although at the aggregate level employment growth is negatively correlated with labour productivity growth, the negative relation disappears after controlling for other factors such as capital intensity, labour quality and industry structure.

Employment growth in the EU in the last decade coincided with an increase in the share of women, older workers and highly educated workers. Graph II.2.2 presents the composition of the cumulative net employment growth by gender, age and education for the periods 2002-2013 (Panel a) and 2013-2023 (Panel b). The contribution of workers with these three characteristics is expressed as a percentage of the cumulative total employment growth. The growing contribution of female employment reflects a long-term trend, but is particularly visible in the period 2002-2013. In that period, which covers the euro area sovereign crisis, more than 7 million women entered employment, whereas male employment contracted by more than 700 000 individuals [36]. In contrast, in the subsequent years (2013-2023) the contribution by gender was more balanced. The effects of the ageing of the working age population are visible in both time periods with especially older workers contributing to employment growth. Nevertheless, while for the period 2002-2013 younger workers appear to have been negatively affected by the crisis period, subsequently their contribution turned positive, but below that of middle-aged and especially older workers. Finally, across both time periods new entrants in employment are more likely to be tertiary educated, whereas the share of those with low educational attainment declined.

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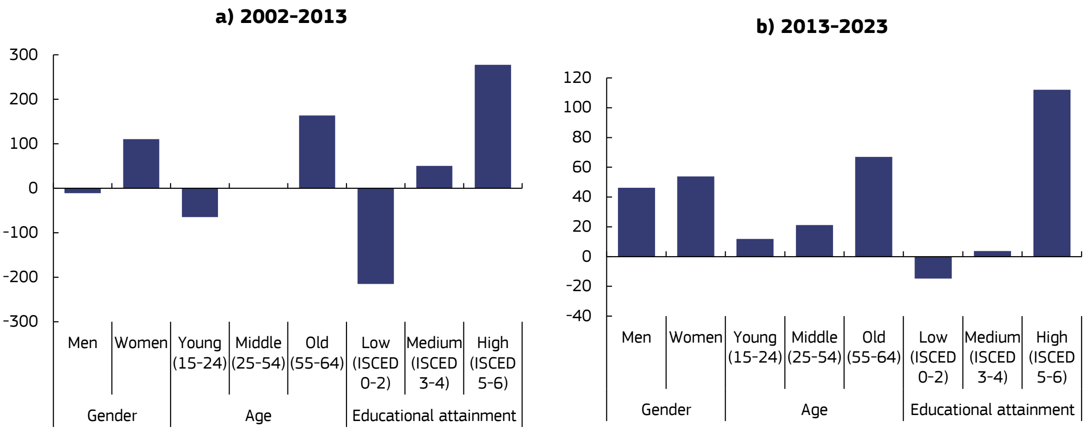
(33) Dew-Becker, I. and R. Gordon (2008). The Role of Labor Market Changes in the Slowdown of European Productivity Growth. *National Bureau of Economic Resaerch (NBER) Working Paper* No. 13840, Cambridge.

(34) Marelli, E. and M. Signorelli (2010). "Employment, productivity and models of growth in the EU," *International Journal of Manpower* 31(7): 732-754; McGuckin, R. and B. van Ark (2005). "Productivity and participation: an international comparison," *Groningen Growth and Development Centre Research Memorandum* 200578, Groningen.

(35) Tang, J. (2015). "Employment and Productivity: Exploring the Trade-off," *International Productivity Monitor, Centre for the Study of Living Standards* 28: 63-80.

(36) This evidence confirms that men are disproportionally affected by job losses in crisis periods (Anderton et al. 2015; Botelho and Neves, 2021). Anderton, R. et al. (2015), "Comparisons and contrasts of the impact of the crisis on euro area labour markets" *ECB Occasional Paper* 159, European Central Bank, Frankfurt; Botelho, V. and P. Neves (2021). "The impact of the COVID-19 crisis on the euro area labour market for men and women" *ECB Economic Bulletin Issue* 4/2021, European Central Bank, Frankfurt.

Graph II.2.2: **Composition of employment growth in the EU27**



Under the assumption that relative wages reflect relative productivities, it is possible to gauge the impact of changes in the composition of the individual characteristics of the workers in employment on productivity (37). The methodology used is based on the logic behind an Oaxaca-Blinder decomposition and consists of two steps. In a first step, for each country a Mincerian wage equation is estimated using individual data from the Structure of Earnings Survey pooled for the years 2002 and 2018 (latest available year) (38). These linear estimations, with the natural logarithm of the average hourly wage as the dependent variable and individual characteristics as independent variables, allow to assess how individual characteristics such as age, gender and educational attainment (39) (40) affect wage levels. In a second step, the coefficients from the pooled regression for 2002 and 2018 are multiplied by the changes in the individual characteristics of employees from the Labour Force Survey between 2002-2013 and 2013-2023 to obtain the compositional effect up to 2023 (41). The bars in Graph II.2.3 represent the average

(37) Note that there may be caveats in relation to this assumption. For example, differences in the bargaining power of both firms and workers may result in deviations of the (individual) wage and the marginal productivity of the worker. Furthermore, it could be argued that this analysis presents only a part of the total impact that changes in the composition of employment may have on productivity, as wage developments concern only employees and not self-employed.

(38) The Member States included in the analysis are Belgium, Bulgaria, Czechia, Estonia, Germany, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Netherlands, Poland, Portugal, Romania, Slovakia, Finland and Sweden. For Germany, data refer to 2006 instead of 2002 due to data availability. The sample includes employees from the following sectors: mining (B), industry (C-E), construction (F) and services (G-N)). Salaried workers in the public sector are excluded due to missing data on public employees in several Member States.

(39) The independent variables included are all categorical variables, with the following categories: 6 categories for age (14-19, 20-29, 30-39, 40-49, 50-59, 60+), 2 categories for gender (men and women) and 3 categories for educational attainment (ISCED 0-2, ISCED 3-4, ISCED 5+).

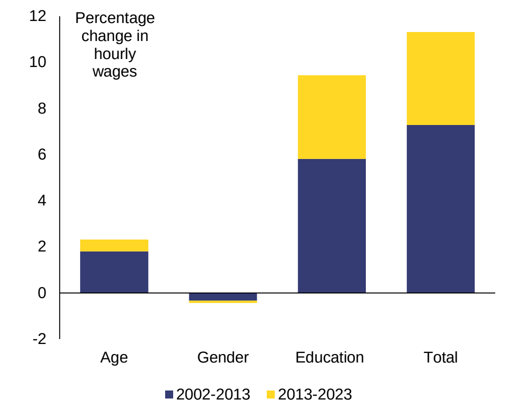
(40) The changes in the share of each covariate obtained from the Labour Force Survey relate to employees from the private and public sector. The underlying assumption is that the the returns associated with the individual characteristics for the private sector, as estimated in the first step, are the same for the public sector. To test the validity of this assumption, the same analysis is performed limiting the second step only to private employees. The results of this robustness check are similar to the baseline results for which both private and public employees are included and are available upon request. In addition, also controlling for the sector of employment or the type of contract does not significantly affect the results.

(41) In an Oaxaca-Binder decomposition the “explained or composition effect” measures the change in the wage growth due to changes in the composition of the workforce in terms of individual characteristics, while keeping the return associated with these characteristics unchanged. In the first step of the analysis, wages in time period T (W_T) are regressed on a number of individual characteristics (X_T) (age, educational and gender) and a time dummy (TD) (($ln(W_T) = X_T\beta^* + TD + \varepsilon_T$). To obtain the composition effect, the coefficients from this regression are then multiplied by the changes in the share of each covariate in the salaried work force obtained from the Labour Force Survey (($\overline{X_T} - \overline{X_{T-1}})\hat{\beta}^*$). The composition effect can be further broken down in the detailed contributions of each predictor or $(\overline{X_{1T}} - \overline{X_{1T-1}})\hat{\beta}_1^* + (\overline{X_{2T}} - \overline{X_{2T-1}})\hat{\beta}_2^* + \cdots$ with $\overline{X_1}$, $\overline{X_2}$,.. the means of the single regressors and $\hat{\beta}_1^*, \hat{\beta}_2^*$, ... the associated coefficients. There may be caveats to this approach. For example, unobserved characteristics of new

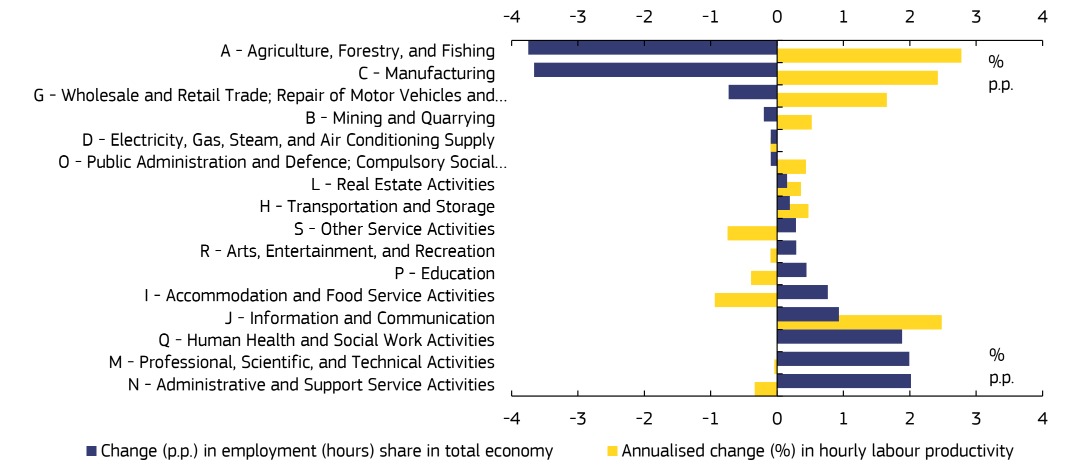
hourly wage growth due to the contribution of the change in each individual characteristic in the periods 2002-2013 and 2013-2023 [42].

Changes in the composition of the workforce in terms of educational attainment and age had the strongest impact on wages and therefore productivity. Unsurprisingly, higher levels of educational attainment in the workforce are significantly and strongly associated with higher wages. The same holds for ageing, which usually comes with increasing levels of experience. On average, over the 21 countries included in the sample (See footnote [38] .) , the higher level of educational attainment induced an increase in average hourly wages of 5.8% and 3.6% in the period 2002-2013 and 2013-2023, respectively. The impact of ageing on average hourly wages is smaller, at 1.8% and 0.5%. Gender appears to have a very mild negative association with wages per se, after taking into account other factors (-0.4% for both periods combined).

Graph II.2.3: **Impact of changes in employment composition on average wage growth in 2002-2013 and 2013-2023, EU27**



Graph II.2.4: **Change in share in total labour input and in real labour productivity in EU27 between 2002 and 2022**



(1) Sectors with employment share below 1% are excluded

The impact of changes in the composition of the work force on wages and therefore productivity is overall positive, though the impact is likely to have been stronger in the first sub-period. This likely reflects the effect of the crisis period that hit the EU labour market in the beginning of the 2010s, displacing vulnerable workers, including young and low-skilled people (Anderton et al. 2015). Overall, the composition of the workforce likely played some positive effect on productivity leading up to 2013, especially in light of a trend towards a growing incidence of aged and skilled workforce, and counter-cyclical composition effects.

In addition to individual characteristics, also sectoral reallocation dynamics may affect productivity developments. Employment growth in the EU since 2002 has been generally stronger in sectors characterised by relatively low labour productivity growth (Graph II.2.4). The

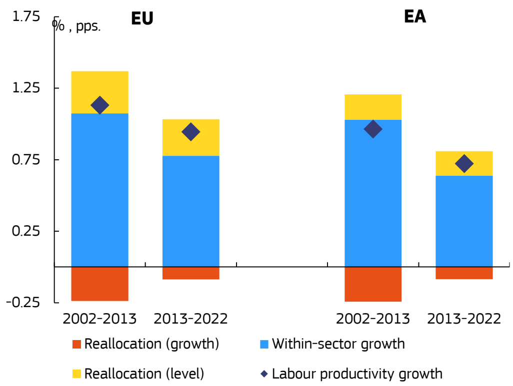
entrants, such as past labour market experience, may bias the results as they may also affect the returns to the individual characteristics (the β^{*}'s), which are based on the stock of workers in 2002 and 2018.

(42) The EU average effect is calculated as the unweighted average of the compositional effects by Member State.

share of EU employment in services, typically exhibiting relatively low productivity growth, rose from about 65% in 2002 to more than 73% in 2022. This is expected in light of the so-called Baumol effect - whereby the potential for labour saving linked to productivity growth is weaker in labour-intensive sectors like services. Overall, sectors where relative employment grew strongly, like Health and Social Work (Q), Professional services (M) and Administrative and support services (N), exhibited particularly low productivity growth, while productivity dynamics are relatively strong in the shrinking agriculture and manufacturing sectors. The ICT services sector is a notable exception since it couples strong productivity growth with an increase in employment.

Aggregate productivity growth is affected by resource allocation between sectors with different productivity levels and productivity growth. Over time, the composition of economic sectors — measured by employment or value-added share — shifts due to structural changes and sector-specific shocks. Since sectors vary in productivity levels and growth rates, these shifts can drive overall productivity trends. To assess how much sectoral reallocation affects aggregate productivity, a shift-share analysis is used, breaking down productivity growth into three components:

Graph II.2.5: **Decomposition of annual aggregate labour productivity growth**



Note: Decomposition performed at NACE 1-digit level.

- The within-industry effect, reflecting productivity growth within each sector, assuming constant sector shares;
- The structural shift effect, capturing productivity growth from changes in sectoral employment shares, with productivity within each sector held constant;
- The structural interaction effect, which combines the effects of productivity growth with changes in employment shares across sectors.

The structural shift effect, typically positive, arises when labour moves from low-productivity to higher-productivity sectors, though its impact tends to be temporary, tapering once resource reallocation stabilises. Meanwhile, the structural interaction effect, often more persistent and negative (as in the Baumol effect), reflects labour shifts into sectors with slower productivity growth. Graph II.2.5 presents the above-described decomposition of aggregate productivity growth for the EU and the euro area (43). Aggregate productivity growth is broken down into (i) a within-sector effect (blue bar); (ii) the structural shift effect (yellow); and (iii) the structural interaction effect (red) (44).

Between 2002 and 2022, cross-sector re-allocations of labour had a marginal impact on total economy productivity growth. Aggregate growth in labour productivity (per hour worked) is primarily driven by intra-sector productivity dynamics (blue bar), which holds for all EU countries. Labour re-allocations between industries with different productivity levels (yellow) tend to have a positive impact on total economy productivity, while the reverse is true for re-allocations between industries with different productivity growth rates (Baumol effect, red). The positive effect of re-

(43) The methodology is developed in Tang, J. and W. Wang (2004). "Sources of aggregate labour productivity growth in Canada and the Unites States" *Canadian Journal of Economics* 37 (2), 421-444. For an application of the Tang and Wang (2004) methodology on EU countries see, e.g., the annual report (2022) of the Belgian National Productivity Board.

(44) This decomposition can be expressed as $g(X) = \sum_i w_{i,t-n} g(X_i) + \sum_i x_{i,t-n} \Delta s_i + \sum_i x_{i,t-n} \Delta s_i g(X_i)$, where $g(X)$ is productivity growth, $w_{i,t-n}$ is a weight that captures the share of sector i in nominal value added at the start (in $t-n$), $x_{i,t-n}$ is productivity of sector i at the start, and Δs_i is the change in the sector's relative size (which is measured as the share of labour adjusted by relative prices). The decomposition was performed for twenty sectors defined at the one-digit level of disaggregation.

allocations between industries with different productivity levels was typically stronger for countries exhibiting transition dynamics like Poland, Romania and Bulgaria, thereby resulting in EU productivity being driven to a stronger extent by these effects than the euro area aggregate.

Over the full period 2002-2022, the positive and negative re-allocation effects roughly cancel out, both amounting to about 1/4th of the aggregate productivity growth rate (average) of 1.3%.There is a reduction in importance of the re-allocation effects over time (both on growth and level), likely linked to the fact that labour reallocations were relatively stronger over the period 2002-2013 compared with 2013-2022, among others in the manufacturing industry.

This suggests that weakening productivity growth is rooted in slow investment growth and faltering total factor productivity. The fact that the slowdown in productivity growth has been driven primarily by intra-sector dynamics points to the role of weakening capital intensity and slower total factor productivity growth. Obstacles to investment growth have compounded with weak incentives for capital-intensive modernisation, in the context of the subdued wage pressures that followed the great financial crisis. Investment in information and communication technology (ICT) and research and development (R&D), in particular, has not kept pace with that of the EU's main competitors. Additionally, TFP growth, the core driver of productivity, has weakened significantly due to slower technological diffusion and declining innovation rates. Empirical evidence has pointed also to the role of weak reallocation of capital and labour across firms within the same sector, which may have constrained the growth potential of high-performing firms and the productivity-enhancing effects of technology.

3. THE COST OF UNCERTAINTY – NEW ESTIMATES

Economic policy uncertainty refers to the risk associated with undefined and unpredictable future policies and regulatory frameworks, which can have an adverse impact on the investment and spending decisions of businesses and households. The Economic Policy Uncertainty index developed by Baker, Bloom and Davis (2016) [45] shows a high level of uncertainty in recent years, likely reflecting the succession of major shocks and structural challenges to which the EU economy has been exposed. Econometric evidence confirms that the heightened economic policy uncertainty weighs on economic activity and, in particular, on investment. A scenario analysis conducted for the euro area suggests that if the current degree of economic policy uncertainty were to revert to pre-pandemic levels, real GDP could be 1.2% higher than in a no-uncertainty-change scenario, by the end of the forecast horizon.

Over the past 15 years, the EU has been hit by a succession of major shocks and faced by several challenges. The global financial crisis, the euro area debt crisis, Brexit, increasing trade tensions, the pandemic, the energy price and inflation surge, and intensifying geopolitical tensions, including two wars in its neighbourhood, have shaken our continent and required tough responses by policymakers and economic agents. Domestic factors have also contributed to a climate of uncertainty, with political shifts or instability in some countries and challenges from fast technological advances and environmental risks.

Uncertainty may lead companies to delay investments and households to defer spending, while raising the cost of borrowing through higher risk premia. Economic decisions are often based on expectations about future outcomes, with firms investing in line with anticipated demand and needs, and households taking spending and saving decisions based on their future income prospects and expectations on the future economic situation in the context where they operate – be it their region, country, or labour market. By hampering the formation of expectations, uncertainty can delay such critical economic decisions, as the "option value of waiting" increases (Dixit and Pindyck, 1994) [46]. Additionally, uncertainty can lead to higher risk premia and, consequently, increased borrowing costs for firms and households alike. This would further constrain domestic demand and economic activity (Christiano et al., 2014) [47].

Measuring economic uncertainty is challenging, but newspaper text-based methods offer valuable insights. As uncertainty is not directly observable, a number of proxies have been used to measure it. These include: the VIX index, based on market volatility; indicators based on forecast errors (Jurado et al., 2015) [48]; and measures of dispersion of economic actors' views on the economic situation and outlook (Bachmann et al., 2013) [49]. The Economic Policy Uncertainty (EPU) index, developed by Baker, Bloom, and Davis (2016), measures policy-related uncertainty by tracking the newspapers' coverage of economic policy-related uncertainty. Like all other uncertainty indicators, the EPU index has some limitations: it mainly focuses on advanced economies, it relies on a predefined set of keywords, and it may miss other drivers of economic uncertainty, such as election cycles or specific trade disputes. Moreover, when comparing country-specific indices (computed through appropriate standardisation and normalisation), differences in language and national or cultural biases in how events are reported by the press may bias the comparison.

The EPU index captures many significant economic shocks impacting the EU and global economies over the past two decades. Graph II.3.1 illustrates the EPU index [50] for the US and

[45] Baker, S.R., N. Bloom, and S.J. Davis. (2016) "Measuring Economic Policy Uncertainty." *The Quarterly Journal of Economics*, Vol. 131, No 4, pp. 1593-1636.

[46] Dixit, A. K., and R. S. Pindyck. (1994) *Investment under Uncertainty*. Princeton University Press.

[47] Christiano, L. J., R. Motto, and M. Rostagno. (2014) "Risk Shocks." *American Economic Review*, vol. 104, no. 1, pp. 27–65.

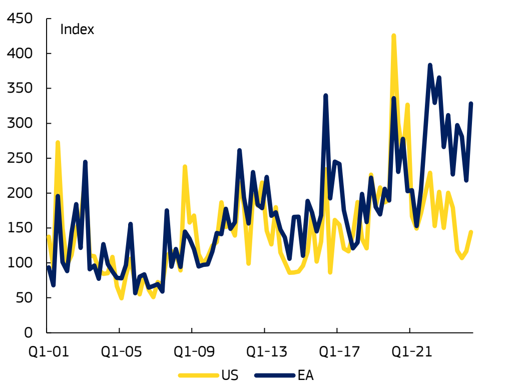
[48] Jurado, K., S. Ludvigson, and S. Ng. (2015) "Measuring Uncertainty." *American Economic Review*, vol. 105, no. 3, pp. 1177–1216.

[49] Bachmann, R., S. Elstner, and E.R. Sims. (2013) "Uncertainty and Economic Activity: Evidence from Business Survey Data." *American Economic Journal: Macroeconomics,* vol. 5, no. 2, pp. 217–49.

[50] Data downloaded from the website: https://www.policyuncertainty.com.

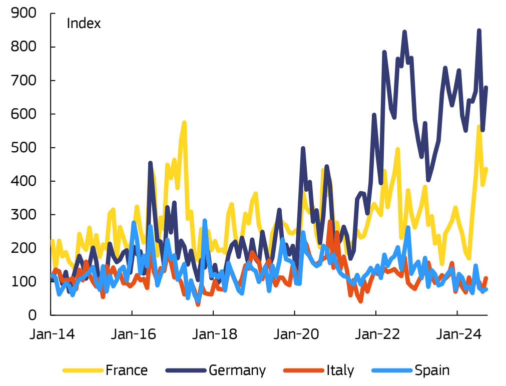
an aggregated euro area index, weighted by each Member State's GDP. The fluctuations in the index shown by the graph can be traced back to a range of key adverse events that have occurred over the observed period, including the dot-com bust, the financial crisis and subsequent euro area debt crisis, as well as the Brexit. The index then surges to unprecedented levels at the onset of the pandemic crisis, before sharply declining in response to the initial pandemic response and vaccine rollouts. It spikes again in the EU following the outbreak of Russia's unprovoked attack on Ukraine, and remains higher than in the US thereafter, as the energy price shock and subsequent inflation surge raised concerns about the course of the needed policy response. In recent months, the index for France and Germany has been very high, likely reflecting high political uncertainty (Graph II.3.2).

Graph II.3.1: **Economic policy uncertainty in the US and in the euro area, 2001Q1-2024Q2**



Source: https://www.policyuncertainty.com

Graph II.3.2: **Economic policy uncertainty in Germany, France, Italy & Spain, 2014m1-2024m9**



Source: https://www.policyuncertainty.com

Model-based analysis confirms that increases in economic policy uncertainty exert substantial drag on economic activity in the euro area. The impact of uncertainty on economic activity is estimated by means of a vector autoregressive (VAR) model that includes the EPU index and a set of monetary, real and nominal variables, as well as oil prices and an economic confidence indicator [51]. The model is applied to the euro area [52] and its four largest economies, namely Germany, France, Italy and Spain. It covers the period from the first quarter of 1995 to the second quarter of 2024 [53].

An average-sized exogenous shock to uncertainty reduces GDP growth by 0.45 pps. over one year (Graph II.3.3)**.** [54]. Across the four countries, the impact ranges from -0.6 pps. in Italy, to -0.3 pps. in France and Spain and -0.2 pps. in Germany. Restricting the estimation to the pre-pandemic period (i.e. up to 2019-Q4), the drag on GDP growth is estimated to be significantly

(51) The VAR model includes the following endogenous variables in quarterly frequency, as per Gieseck, A. and S. Rujin (2020): (1) the EPU index of uncertainty, (2) the EURO STOXX 50 index, (3) the European economic sentiment indicator, (4) the USD/EUR exchange rate, (5) the long-term interest rate, (6) the oil price in EUR/barrel, (7) the GDP deflator, (8) total employment, (9) real private consumption, (10) real investment in equipment, and (11) real GDP. The variables enter in first differences or percentage changes in order to preserve the stability/stationarity in the system. Furthermore, the model includes a linear deterministic trend and intercept dummy variables to capture data spikes due to the Great Financial Crisis (2009-Q1) and the COVID-19 outbreak (2020-Q1, 2020-Q2).

(52) In the case of the euro area, a GDP-weighted average of the EPU indices of Germany, France, Italy and Spain is used to proxy uncertainty. Due to EPU index data availability, the time span of the analysis for the euro area covers the period 2001-Q1 to 2024-Q4.

(53) Due to EPU index data availability, the coverage period for Italy and Spain starts at 1997-Q1 and 2001-Q1,- respectively.

(54) The size of the shock is equal to one standard deviation of the exogenous error process that drives uncertainty according to the VAR model and has been identified using the Cholesky decomposition of the variance-covariance matrix of the VAR residuals. This size corresponds to an immediate increase by around 50 units in the level of the uncertainty index.

lower, at 0.3 pps. in the euro area and around 0.25 pps. in the individual countries. These estimates are broadly in line with Gieseck, A. and S. Rujin (2020) [55], where a similar econometric setup is employed [56], though using a different proxy for uncertainty [57] and - importantly – based on the period up to 2020-Q2. Combining these empirical findings, the impact of uncertainty seems to have strengthened over time, suggesting that potential hysteresis effects related to repeated exposure to episodes of heightened uncertainty might be at play [58]. These effects may foster conservative attitudes to decision-making even after conditions stabilise, resulting in persistently lower levels of investment and spending, and reducing long-term economic dynamism (Bloom, 2009; Arellano *et al*., 2019) [59].

The drag is stronger on investment than on consumption. Investments are measured in this analysis by investments in equipment as a proxy for corporate investment. Over the pre-pandemic period, the cumulative annual impact of an exogenous uncertainty shock is estimated at -0.15 pps. for private consumption, against -1.0 pps. for investment growth. Across all four countries, the impact on consumption growth remains limited and much lower than the impact on investment growth [60].

Furthermore, the sensitivity of consumption and investment to uncertainty has increased compared to the pre-pandemic period. Extending the sample to include the post-pandemic period, the negative impact of uncertainty on euro area consumption and investment growth is larger - at -0.3 pps. and -1.2 pps. respectively. The highest sensitivity is seen in Italy, where the impact reaches -0.4 pps. for consumption and -1.3 pps. for investment. Similar effects are estimated in Spain (-0.4 pps. and -0.9 pps. respectively) and somewhat lower in France (-0.3 pps. and -0.8 pps. respectively). For Germany, the impact of uncertainty appears broadly unchanged compared to the pre-pandemic period, even though the size of the exogenous shock is significantly higher.

(55) Gieseck, A. and S. Rujin. (2020) "The impact of the recent spike in uncertainty on economic activity in the euro area." *ECB Economic Bulletin*, Issue 6/2020.

(56) Giesek and Ruijn (2020) employ Bayesian techniques to estimate higher-order vector autoregression (VAR) models. The present study utilised a more parsimonious approach, employing lower-order VAR models estimated using Ordinary Least Squares (OLS), which were found to be adequate in capturing short-term autocorrelation in the residuals.

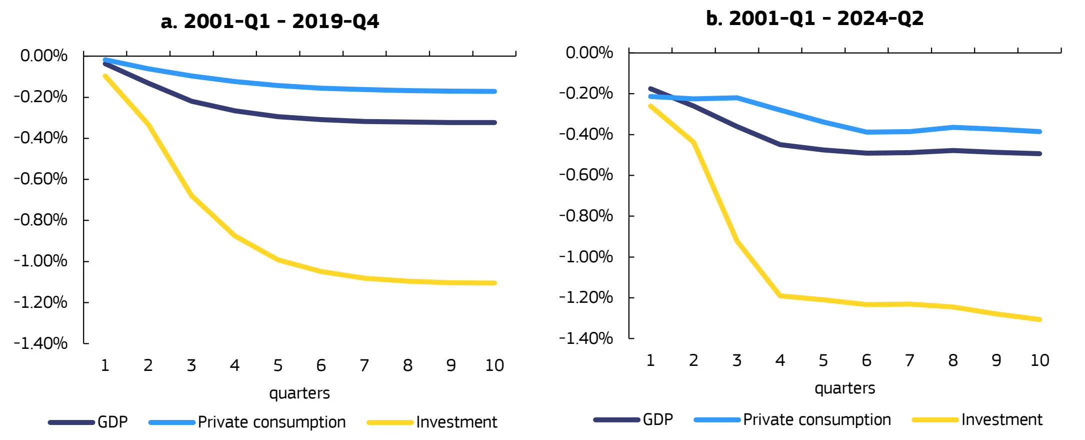
(57) The measure of uncertainty used relies on forecast errors to measure macroeconomic uncertainty (Jurado et al., 2015).

(58) Another explanation for the increasing impact is that uncertainty shocks have become larger in magnitude in the post-pandemic period. However, the empirical analysis used limits the size of this effect: in impulse response analysis, the typical (one standard deviation) size of an exogenous shock in the total sample is only 5% larger than its pre-pandemic levels, a magnitude that falls within the bounds of sampling/estimation uncertainty.

(59) Bloom, N. (2009) "The impact of uncertainty shocks." *Econometrica* 77 (3), 623–685. Arellano, C., Y. Bai, and P.J. Kehoe. (2019),. "Financial frictions and fluctuations in volatility." *J. Polit. Econ.*, 127 (5) (2019), pp. 2049-2103.

(60) The estimated effects are also close to the analysis by Gieseck, A. and S. Rujin (2020) for the euro area, namely -0.2 pps. and -0.7 pps. for consumption and investment growth respectively.

Graph II.3.3: **Cumulative impulse responses to one standard deviation exogenous shock in uncertainty**



The impulse responses are estimated from the VAR model described in footnote ([51]). The exogenous shift in uncertainty is identified using the Cholesky decomposition of the variance-covariance matrix of the VAR residuals. The model is estimated over the period from the first quarter of 2001 to either the fourth quarter of 2020 (pre-pandemic sample) or to the second quarter of 2024 (full sample) using quarterly data.
Source: EPU index (https://www.policyuncertainty.com) and authors' calculations

Scenario analysis indicates that if economic policy uncertainty were to revert to pre-pandemic levels by the end of the forecast horizon, real GDP would be up to 1.2% higher than in a no-uncertainty-change scenario. The analysis [61] considers four different benchmark levels of uncertainty. The first three correspond to the average level of uncertainty in:

– i) the period preceding the Great Financial Crisis (GFC) (2001-Q1 to 2008-Q4);

– ii) the period following the GFC and leading up to the pandemic (2009-Q1 to 2019-Q4), and;

– iii) the post-pandemic period (2020-Q1 to 2024-Q2)II.2.4.

Assuming a gradual return of uncertainty to those benchmarks over the forecast period would result respectively in 1.7%, 1.2% and 0.4% higher GDP levels than projected in the no-uncertainty-change scenario (Graph II.3.3 II.2.4b).

– iv) Under a fourth, opposite scenario, where uncertainty gradually increases by 50% above its post pandemic average by the end of the forecast period, GDP would be 0.6% lower [62].

Lower economic policy uncertainty would lift investment growth more than consumption growth. Focusing on scenario ii), of a return to the pre-pandemic level of uncertainty, the boost in growth would be higher for investments, i.e. 2.8 pps. and lower for consumption, i.e. 1.0 pps. A larger drop in uncertainty, as featured in the 'pre-GFC' scenario i), would lead to larger positive effects in both consumption and investment. Reverting to the 'post-COVID-19' average, would lead to a more moderate, but still sizeable, impact [63]. By contrast, a rise in uncertainty by 50% above

(61) To calculate the scenario impact over the forecast period, a vector vutoregressive model with one exogenous stochastic variable (VARX) is estimated for the period up to 2024-Q2. The variables used are the same as those employed in the impulse response analysis, described in footnote 51, except for the uncertainty indicator, which enters the model as an exogenous variable in first differences. Forecasts from the VARX for the period 2024-Q4 to 2026-Q4 are obtained conditional on the specific linear trajectory of the uncertainty indicator under each scenario. The scenario impact is calculated as the difference from the 'no-change' scenario, where the uncertainty indicator remains at its 2024-Q2 level over the forecast period.

(62) Across countries, the impact on GDP growth from reducing uncertainty ranges from 0.5 pps. (pre-COVID-19 scenario) to 1.9 pps. (pre-GFC scenario) in Germany and from 0.5 pps. (pre-COVID-19 scenario) to 1.6 pp (pre-GFC scenario) for France. The scenario of increasing uncertainty leads to lower GDP by 0.8% in Italy, 0.3% in both Germany and France, and 0.2% in Spain.

(63) Across countries, the acceleration in consumption growth ranges from 0.4 pps. (pre-COVID scenario) to 1.1 pps. (pre-GFC scenario) in France and from 0.05 pps. (pre-COVID scenario) to 0.2 pps. (pre-GFC scenario) in Germany.

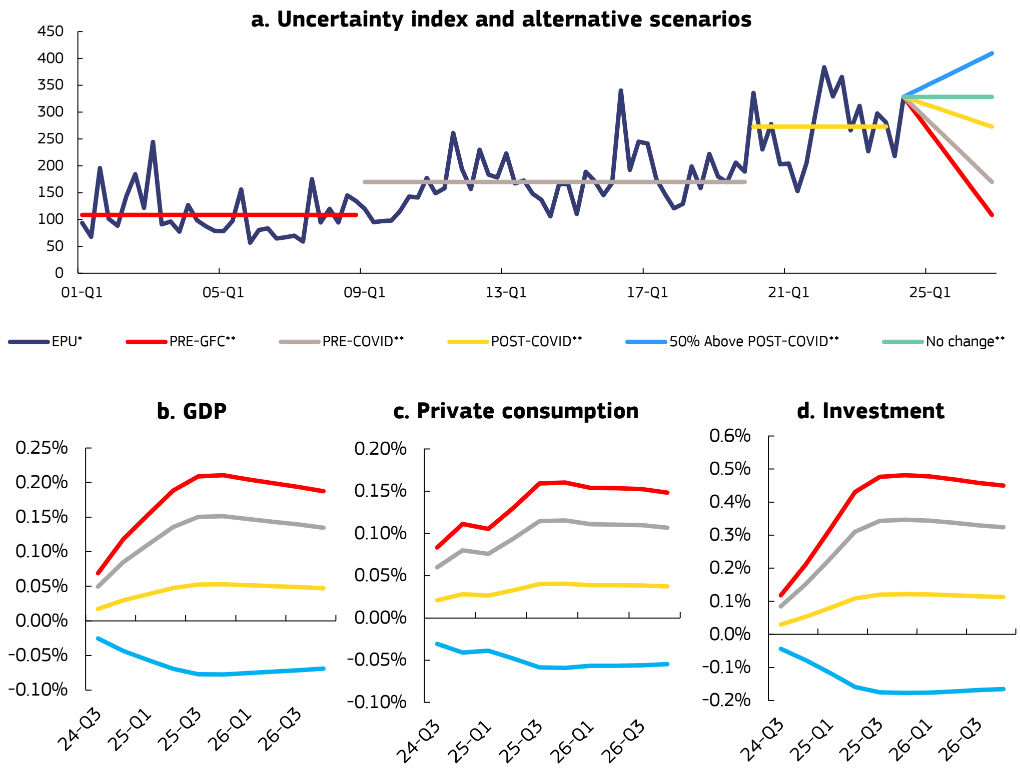
the post-pandemic average would lower consumption and investment [64] levels by 0.5% and 1.4% respectively [65].

Investments gain from 1.7 pps. (pre-COVID scenario) to 6.0 pps. (pre-GFC scenario) higher growth in Germany and from 1.2 pps. (pre-COVID scenario) to 3.6 pps. (pre-GFC scenario) in France.

(64) The strong negative impact of uncertainty on investment is confirmed by a recent study by Kolev and Randall (2024). The study employs a linear probability model and a specification using the investment rate as the dependent variable, combining firm-level survey data from the European Investment Bank's Group Survey on Investment and Investment Finance (EIBIS) with firms' financial information from Moody's Orbis database. The findings suggest that uncertainty has a large negative effect on firm investment, with firms perceiving uncertainty as a major obstacle to investment having a 3 percentage points lower investment rate compared to those that do not view uncertainty as an impediment, and a 4 percentage points higher probability to reduce investment and a 6 percentage points lower probability to increase investment. Results are not directly comparable, as the EIB study analyses the impact of perceived uncertainty by businesses. Still, the study's estimate of the annual impact of the shift in 2022 uncertainty on individual firms' investments (1.0pps) remains consistent with the current impulse response and scenario analysis. Moreover, since uncertainty affects not only investment levels but also the likelihood of investing, the overall macro effect on investments is likely to be large (A. Kolev and T. Randal, 2024, "The effect of uncertainty on investment: Evidence from EU survey data", *EIB Working Paper* 2024/02).

(65) Across countries, the scenario of increase in uncertainty, leads to lower consumption by 0.7% in Italy, 0.3% in Spain, 0.2% in France and 0.03% in Germany by the end of the forecast horizon. Investments also decrease by 2.3% in Italy, 1.0% in Germany, 0.8% in Spain and 0.6% in France over the respective interval.

Graph II.3.4: **Scenarios on uncertainty (a) and corresponding growth impact on GDP (b), private consumption (c) and investments (d)**



(*) GDP-weighted average across EPU indices of Germany, France, Italy and Spain, which is used to approximate uncertainty in the euro area.
(**) Alternative scenarios include the return to the average level of the pre-Great Financial Crisis period (2001Q1-2008Q4, PRE-GFC), the pre-COVID period (2009Q1-2019Q4, PRE-COVID), the post-COVID period (2020Q1-2024Q2) as well as a level 50% higher than the average level of the post-COVID period.
The estimated impacts (b,c,d) are based on forecasting from a VARX model estimated for the euro area, conditional on the scenario trajectories for uncertainty (a). Details on the VARX model and the formulation of the scenarios are provided in footnote [61] .
Source: EPU index (https://www.policyuncertainty.com) and authors' calculations

Overall, this analysis underscores the importance for the economy of a predictable policy environment. Ensuring a predictable policy environment and avoiding costly policy reversals are essential to foster a climate conducive to consumption and especially investment, ultimately enhancing the growth potential.

PART III

Prospects by individual economy

Euro Area Member States

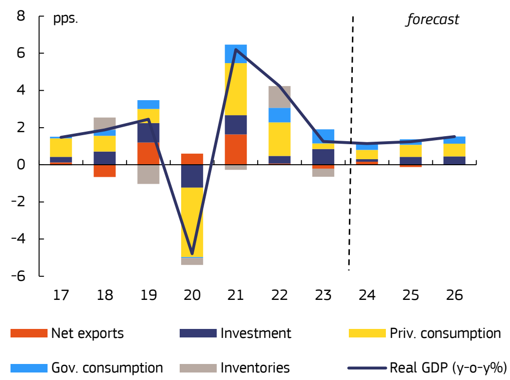
1. BELGIUM

Economic activity is set to slow down in 2024 (1.1% annual growth), before gradually increasing to 1.2% in 2025 and 1.5% in 2026, supported by improving domestic and external demand. The withdrawal of energy support measures is driving inflation up to 4.4% in 2024 but easing inflationary pressures over the forecast horizon are set to bring inflation down to 2.9% in 2025 and 1.9% in 2026. In the absence of additional measures, the government deficit is projected to increase over the forecast horizon due to rising expenditure, mainly related to ageing costs and interest payments. The government debt is also expected to continue its increasing path.

Economic activity to grow moderately

Growth during the first half of 2024 was subdued mainly due to weak domestic demand. Private consumption increased only moderately, due to weakening purchasing power and employment growth. While business investment grew significantly, driven by exceptional transactions, household investment remained constrained. Domestic demand is projected to remain sluggish in the second half of the year. Exports and imports are both set to decrease this year, although the slower decrease of exports results in a positive contribution of net exports to growth.

Graph III.1.1: **Belgium - Real GDP growth and contributions**



Private consumption is projected to rise moderately over the forecast horizon, in line with the modest growth of disposable income. While decreasing, the saving rate is expected to remain high in 2025-26, as indicated by weak consumer confidence indicators. The declining number of building permits points to a further decrease in residential construction in 2025 but improving financing conditions are expected to eventually lead to a slight rebound in 2026. Business investment is set to continue to increase although at a more moderate pace, notably supported by projected lower financing costs and better outlook for the external demand. Overall, investment is projected to grow by 1.8% in 2025, and by 1.9% in 2026, also underpinned by the deployment of the RRP. Exports are set to increase in 2025, driven by the expected improvement of the external environment and of cost competitiveness, mainly deriving from lower wage growth. However, rising imports boosted by private consumption are projected to offset export growth, resulting in a negative contribution of net exports to GDP growth. In 2026, net exports are set to have a zero contribution to growth.

All in all, the GDP growth is forecast at 1.1% in 2024, 1.2% in 2025, and 1.5% in 2026.

Labour market set to remain stable

Employment growth slowed down in the first half of 2024, mainly driven by a decrease in the industrial and retail sectors. It is expected to remain sluggish in the second half of the year, reaching just 0.3% for the year as a whole. Employment is set to increase steadily over the forecast horizon. At the same time, the increase of the retirement age is expected to bolster labour market participation. The unemployment rate is expected to remain broadly stable at around 5.6%. The wage growth, driven by automatic wage indexation, is projected to slow down over the forecast horizon, notably due to projected deceleration of inflation.

Inflation to rebound, before easing gradually

Headline inflation is projected to rise to 4.4% in 2024, mainly reflecting the withdrawal of government measures aimed at mitigating the impact of high energy prices. In addition, the monthly indexation of variable-price electricity and gas contracts result in a more rapid pass-through of wholesale price changes to retail prices. As of 2025, inflation is projected to decrease as slower wage growth is expected to soften services inflation, and as energy and food prices moderate. Overall, inflation is forecast to ease to 2.9% in 2025, and further to 1.9% in 2026.

Government deficit impacted by increasing ageing costs and interest expenditure

In 2024, the government budget deficit is projected to increase to 4.6% of GDP. The savings generated by the phasing-out of the measures to mitigate the impact of high energy prices and to support firm's competitiveness (0.4% of GDP) are expected to be fully offset by a structural rise in expenditure and a slowdown in revenues from indirect taxes. The increase in total expenditure is driven by ageing related costs for pensions and health care, interest expenditure on public debt, and buoyant government investment.

In 2025, the deficit is forecast to increase further to 4.9% of GDP considering that no new major measures have been planned at this stage. Expenditure on ageing-related and other social benefits are set to continue their upward trend. In addition, interest expenditure is projected to increase further, as a result of the higher government debt level and a higher refinancing rate on maturing debt, even though interest rates are expected to fall. These increases are only partly offset by the expected moderation in government investment following the election year. In 2026, the expenditure trend is set to continue and to outpace revenue growth, resulting in a further increase of the deficit to 5.3%. In 2025 and 2026, there is a fiscal risk related to a pending transaction that may result in higher government expenditure.

In 2024, general government debt is projected to increase only moderately, to 103.4% of GDP, mainly due to a debt reducing stock flow adjustment that stems from the lower outstanding balance of short-term state notes. In 2025 and 2026, the debt is projected to increase faster to 107.2% of GDP, driven by the general government deficit.

Table III.1.1: **Main features of country forecast - BELGIUM**

	2023		Annual percentage change						
	bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	596.3	100.0	1.1	6.2	4.2	1.3	**1.1**	**1.2**	**1.5**
Private Consumption	307.6	51.6	1.1	5.6	3.6	0.6	**0.9**	**1.3**	**1.4**
Public Consumption	141.2	23.7	0.9	4.1	3.3	3.2	**1.5**	**1.3**	**1.6**
Gross fixed capital formation	145.8	24.4	1.8	4.3	1.7	3.5	**0.6**	**1.8**	**1.9**
Exports (goods and services)	501.9	84.2	2.4	14.7	5.8	-7.1	**-2.0**	**1.8**	**2.6**
Imports (goods and services)	505.5	84.8	2.7	12.8	5.8	-6.8	**-2.2**	**1.9**	**2.7**
GNI (GDP deflator)	604.4	101.4	1.1	6.6	4.1	1.4	**0.8**	**1.0**	**1.3**
Contribution to GDP growth: Domestic demand			1.2	4.8	3.0	1.9	**1.0**	**1.4**	**1.5**
Inventories			0.0	-0.3	1.2	-0.4	**0.0**	**0.0**	**0.0**
Net exports			-0.1	1.6	0.1	-0.2	**0.2**	**-0.1**	**0.0**
Employment			0.9	1.7	1.9	0.8	**0.3**	**0.5**	**0.6**
Unemployment rate (a)			7.6	6.3	5.6	5.5	**5.6**	**5.7**	**5.6**
Compensation of employees / head			1.9	4.9	7.5	8.0	**3.1**	**2.9**	**2.5**
Unit labour costs whole economy			1.7	0.5	5.1	7.5	**2.3**	**2.1**	**1.5**
Saving rate of households (b)			14.5	16.6	12.7	14.1	**14.0**	**13.7**	**13.6**
GDP deflator			1.7	2.7	6.8	4.5	**2.7**	**2.4**	**2.1**
Harmonised index of consumer prices			1.9	3.2	10.3	2.3	**4.4**	**2.9**	**1.9**
Terms of trade goods			-0.1	-1.7	-5.0	1.0	**1.7**	**0.3**	**0.2**
Trade balance (goods) (c)			0.3	2.1	-0.2	0.5	**2.2**	**2.3**	**2.4**
Current-account balance (c)			1.3	1.9	-1.3	-0.6	**0.4**	**0.3**	**0.3**
General government balance (c)			-2.9	-5.4	-3.6	-4.2	**-4.6**	**-4.9**	**-5.3**
Fiscal stance (c)			:	0.2	-1.3	-0.3	**0.2**	**0.4**	**-0.1**
Structural budget balance (d)			-2.7	-4.5	-4.2	-4.1	**-4.2**	**-4.4**	**-4.9**
General government gross debt (c)			100.5	108.4	102.6	103.1	**103.4**	**105.1**	**107.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

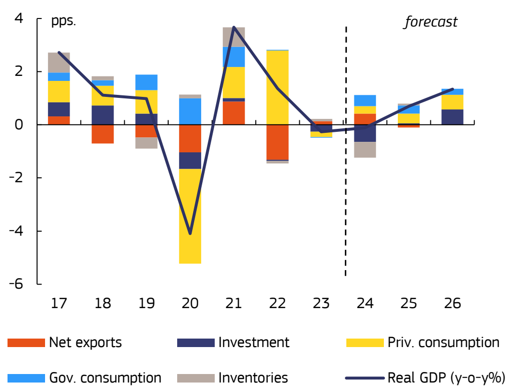
2. GERMANY

Economic activity in Germany is expected to decline by 0.1% in 2024. High uncertainty has been weighing on consumption and investment, and the trade outlook has worsened as global demand for industrial goods weakened. Going forward, domestic demand is set to pick up, driven by increases in real wages. This is expected to support a recovery in GDP growth to 0.7% in 2025 and 1.3% in 2026. The government deficit is projected to decrease and the government debt ratio to stabilise around 63% of GDP.

Economic growth is set to resume gradually

The German economy continues facing headwinds throughout 2024. In the first half of the year, it contracted by 0.2% compared to the first half of the previous year. Weak domestic and foreign demand for manufacturing goods, combined with high uncertainty, impacted investment in equipment. In addition, the construction sector was dragged down by labour shortages and weak domestic demand. Amidst low consumer sentiment, the saving rate increased. Private consumption thus did not support economic growth, despite an increase in real disposable income. Household consumption is however estimated to have rebounded in the third quarter of 2024. Together with a further increase in government consumption, this is estimated to have lifted real GDP by 0.2% compared to the previous quarter. Overall, real GDP is expected to contract by 0.1% in 2024. Following a decline of 0.3% in 2023, this would be the second year in a row with negative growth.

Graph III.2.1: **Germany - Real GDP growth and contributions**



With an expected further easing of inflation, real household income is set to continue to recover. Private consumption is thus expected to continue increasing, albeit at a slow pace. Easing of monetary policy and the associated lower financing costs are projected to support a recovery in investment over the forecast horizon. Construction is set to resume growth in early 2025, underpinned by recovering demand for housing and infrastructure, as already signalled by rebounding orders as well as mortgage loans. In response to the increase in tax incentives for investment in 2025 announced in July 2024, investment in equipment is expected to rebound. Overall, domestic demand is forecast to become again the main driver of economic growth in 2025 and 2026. As energy costs are expected to remain significantly above pre-pandemic levels, they are set to continue weighing on the cost-competitiveness of energy-intensive industries. The contribution to growth from net exports is thus projected to be slightly negative in 2025 and broadly neutral in 2026, despite improvement in demand from Germany's main trading partners. The current account surplus is expected to remain elevated, but still below pre-pandemic levels. Overall, growth is forecast to increase to 0.7% in 2025 and to 1.3% in 2026.

Economic stagnation leaves its mark on the labour market

From January to September 2024, the labour market deteriorated slightly as economic output stagnated. Labour demand weakened and the number of vacancies fell by 23% y-o-y to 1.3 million in 2024-Q2. As employment growth flattened, the unemployment rate increased by 0.5 pps y-o-y to 3.5% by September 2024. The deterioration of the labour market is expected to be contained as economic growth resumes and ageing continues to weigh on labour supply. Nominal wage growth has been decelerating, but as inflation fell more, real compensation increased by 2.3% y-o-y in 2024-Q2. Real wages are projected to continue to increase steadily in the short term.

Inflation to ease further

HICP inflation declined and stood at 2.4% in October 2024, down from a peak of 11.6% in October 2022, primarily due to falling energy prices. For 2024, inflation is projected to average 2.4%. Energy prices are forecast to come down further in 2025 from elevated levels in 2024, pushing overall inflation lower. In 2026, with wholesale energy prices stabilising and the CO2-price adjustments, energy prices are no longer set to drive inflation down. Services inflation - the largest contributor to inflation - is expected to slow down only modestly over the forecast horizon, due to sustained wage growth. Overall, inflation is projected at 2.1% in 2025 and 1.9% in 2026.

Stabilising debt level

In 2024, the general government deficit is projected to decrease to 2.2% of GDP, from 2.6% in 2023. This decline is supported by the phase-out of measures introduced in 2022 to mitigate the impact of high energy prices, notably the price brakes for gas and electricity tariffs, which were estimated at around 1.0% of GDP in 2023. At the same time, more spending is expected to come from the extra-budgetary fund for defence.

In 2025, the government deficit is projected to decrease further to 2.0% of GDP. Stable employment and rising wages, as well as the phase-out of the tax-free bonus to compensate households for the high inflation of the last years, will support revenue from income tax and social contributions. Planned increases in the social contribution rates for healthcare and long-term care will also play a role. These increases in revenue are in a large part expected to be offset by a continuously increasing expenditure, including social and defence spending. In 2026, the government deficit is forecast to decrease to 1.8% of GDP. Overall, the fiscal stance is set to turn broadly neutral in 2025 and 2026, from being contractionary in 2024.

Government debt stood at 62.9% of GDP at the end of 2023 and is expected to remain around 63% over the forecast horizon. This can be explained by several factors, including low economic growth on the back of receding inflation, and extra spending exhausting the borrowing limits of the debt brake. The expected stabilisation of the debt level can also be attributed to the use of the extra-budgetary fund for defence, or to the debt-financed and debt-increasing building up of a capital-based pillar in the pension system.

Table III.2.1: **Main features of country forecast - GERMANY**

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		4185.6	100.0	1.1	3.7	1.4	-0.3	**-0.1**	**0.7**	**1.3**
Private Consumption		2205.6	52.7	0.5	2.3	5.6	-0.4	**0.5**	**0.7**	**1.0**
Public Consumption		905.2	21.6	2.2	3.4	0.1	-0.1	**2.0**	**1.4**	**1.0**
Gross fixed capital formation		899.9	21.5	1.8	0.6	-0.2	-1.2	**-3.0**	**0.3**	**2.7**
Exports (goods and services)		1816.6	43.4	2.8	10.0	3.1	-0.3	**0.0**	**1.4**	**2.6**
Imports (goods and services)		1649.0	39.4	3.1	9.0	7.0	-0.6	**-1.1**	**1.8**	**2.9**
GNI (GDP deflator)		4332.2	103.5	1.2	4.5	1.6	-0.4	**0.1**	**0.7**	**1.3**
Contribution to GDP growth:	Domestic demand			1.1	2.1	2.8	-0.5	**0.1**	**0.7**	**1.3**
	Inventories			0.0	0.7	-0.1	0.1	**-0.6**	**0.1**	**0.0**
	Net exports			0.1	0.9	-1.3	0.1	**0.4**	**-0.1**	**0.0**
Employment				0.8	0.2	1.4	0.7	**0.3**	**0.1**	**0.1**
Unemployment rate (a)				5.7	3.7	3.2	3.1	**3.3**	**3.3**	**3.4**
Compensation of employees / head				2.1	3.2	4.3	5.8	**4.8**	**3.1**	**2.8**
Unit labour costs whole economy				1.8	-0.3	4.3	6.9	**5.3**	**2.5**	**1.6**
Saving rate of households (b)				17.4	21.9	18.9	19.3	**19.5**	**18.9**	**18.1**
GDP deflator				1.4	2.8	6.1	6.1	**2.9**	**2.4**	**2.2**
Harmonised index of consumer prices				1.5	3.2	8.7	6.0	**2.4**	**2.1**	**1.9**
Terms of trade goods				0.3	-3.9	-4.7	5.2	**1.4**	**-0.2**	**-0.4**
Trade balance (goods) (c)				6.7	5.1	3.4	5.6	**6.5**	**6.4**	**6.3**
Current-account balance (c)				6.8	7.0	4.6	6.2	**7.1**	**6.8**	**6.5**
General government balance (c)				-0.7	-3.2	-2.1	-2.6	**-2.2**	**-2.0**	**-1.8**
Fiscal stance (c)				:	0.7	-2.3	0.4	**0.5**	**0.1**	**0.2**
Structural budget balance (d)				0.5	-2.8	-2.0	-2.1	**-1.4**	**-1.3**	**-1.5**
General government gross debt (c)				69.3	68.1	65.0	62.9	**63.0**	**63.2**	**62.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

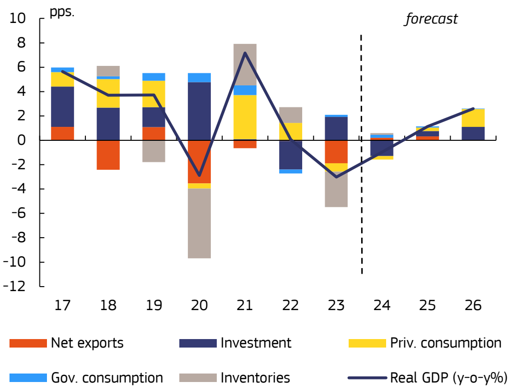
3. ESTONIA

The Estonian economy is set to remain in recession in 2024 amid weak domestic demand. Several tax increases in 2025 will limit private consumption, despite higher wages and lower household debt servicing costs. Exports are recovering slowly and investment is expected to remain subdued due to capacity underutilisation. Real GDP is projected to grow by 1.1% in 2025 before expanding by 2.6% in 2026. HICP inflation is projected at 3.6% in 2025 as tax hikes will raise prices, and 2.4% in 2026. The government deficit is projected at 3.0% of GDP for the forecast horizon, while the debt-to-GDP ratio is expected to reach 25.4% in 2026.

Growth to remain weak in the coming years amid fiscal consolidation

Estonia remains mired in low growth. After eight quarters of contraction, real GDP remained flat in the second quarter of 2024. Exports seem to be slowly picking up, but domestic demand was still weak in the first half of the year and early indicators point to anaemic growth in the third quarter. Weak growth in 2024 and beyond is a result of several factors, including the permanent loss of cheap inputs from Russia, rising wages that diminished Estonian competitiveness, weak growth in the country's main trading partners, and lingering geopolitical concerns. Increased government spending will provide limited support to growth as it shifts more towards military spending.

Graph III.3.1: **Estonia - Real GDP growth and contributions**



Private consumption is expected to be subdued in 2025, as the forthcoming tax hikes over the next two years and the postponement of the rise in the minimum tax-free threshold from 2025 to 2026 will reduce the purchasing power of consumers. This is already weighing on consumer confidence, despite higher wages and falling interest payments. Rising unemployment also curtails spending.

Investment has been falling lately and is set to remain weak as capacity utilisation is low and demand remains tepid, although lower funding costs may facilitate it.

The outlook for Estonian exports is expected to brighten mildly and together with easier monetary policy is set to lift the economy out of recession. After a projected contraction of 1% in 2024, the Estonian economy is forecast to grow by 1.1% in 2025 and by 2.6% in 2026, as private consumption is set to recover driven by restored purchasing power.

The unemployment rate rose to 7.8% in August 2024, and employment expectations are becoming more negative. Employment is projected to contract in 2024 and 2025. However, population ageing is set to limit more pronounced increases in unemployment whose rate is projected to average 7.7% in 2025 and 7.2% in 2026.

Tax hikes will keep inflation from falling

HICP inflation remains high at 3.2% in September 2024. The fall in inflation seen in the second quarter of this year was reversed in the third, as prices of energy and unprocessed food dropped less, while services inflation remains persistently high, driven by healthcare costs, administered prices and wages. Inflation is set to stay on the high side in 2025, as the new budget envisages substantial tax increases. HICP inflation is forecast at 3.6% in 2025 and is projected to decelerate to 2.4% in 2026 as the impact of tax measures gradually dissipates and demand weakens.

Public deficit to persist

The general government deficit is expected to rise to 3.0% of GDP in 2024, from 2.8% in 2023, as the economy continues to be in recession and military-spending needs, stemming from Russia's war of aggression against Ukraine, continue. Public expenditure is set to be driven by both defence spending and investment as well as by further increases in child benefits. This is partially offset by increased revenue, supported by enacted increases to the standard VAT rate and corporate income tax rate (both from 20% to 22%), as well as by the rise of environmental taxes.

In 2025, the deficit is projected to remain at 3.0% of GDP. A set of measures announced by the government are set to contain the deficit. These include the postponement to 2026 of the increase in the tax-free allowance for the personal income tax, an increase in the personal income tax rate from 20% to 22%, rises in excise duties for alcohol, tobacco and energy goods, as well as the introduction of a new emissions-based car tax, and a security surcharge on the VAT standard rate, bringing it to 24%. In contrast, expenditures are projected to increase as a share of GDP, mainly due to increased expenditure in defence and increases in social benefits.

The government deficit is forecast to remain at 3.0% of GDP in 2026. On the revenue side, the impact of the increase in the personal income-tax free threshold will be more than offset by the introduction of the last tranche of the security surcharge, applied to personal income and business profits, plus additional excise duties on alcohol tobacco and gasoline.

Public debt is projected to increase over the forecast horizon, from 20.2% of GDP in 2023 to 25.4% in 2026.

Table III.3.1: **Main features of country forecast - ESTONIA**

		2023			Annual percentage change					
		bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		38.2	100.0	2.4	7.2	0.1	-3.0	**-1.0**	**1.1**	**2.6**
Private Consumption		20.5	53.7	2.8	7.1	2.9	-1.3	**-0.5**	**0.5**	**2.8**
Public Consumption		7.8	20.5	2.5	3.9	-1.5	0.9	**1.2**	**0.4**	**0.2**
Gross fixed capital formation		10.7	27.9	4.4	0.3	-8.1	7.5	**-4.6**	**1.6**	**4.0**
Exports (goods and services)		29.7	77.9	5.3	22.1	5.0	-9.0	**-0.2**	**2.9**	**3.0**
Imports (goods and services)		29.4	77.0	5.1	22.7	5.0	-6.7	**-0.5**	**2.5**	**3.1**
GNI (GDP deflator)		37.0	96.9	2.6	6.3	-0.1	-3.8	**-0.9**	**1.2**	**2.7**
Contribution to GDP growth:	Domestic demand			3.4	4.5	-1.2	1.4	**-1.3**	**0.8**	**2.6**
	Inventories			-0.5	3.4	1.3	-2.9	**0.1**	**0.0**	**0.0**
	Net exports			-0.1	-0.7	-0.1	-1.9	**0.2**	**0.3**	**0.0**
Employment				0.4	0.1	4.6	3.2	**-1.2**	**-0.2**	**0.6**
Unemployment rate (a)				8.0	6.2	5.6	6.4	**7.5**	**7.7**	**7.2**
Compensation of employees / head				7.3	9.3	8.2	8.2	**5.9**	**4.4**	**4.1**
Unit labour costs whole economy				5.2	2.1	13.1	15.1	**5.7**	**3.0**	**2.0**
Saving rate of households (b)				7.2	8.6	2.8	3.1	**6.1**	**5.4**	**5.6**
GDP deflator				4.3	5.4	15.8	8.1	**5.1**	**4.0**	**3.3**
Harmonised index of consumer prices				3.2	4.5	19.4	9.1	**3.6**	**3.6**	**2.4**
Terms of trade goods				0.2	0.6	-0.1	4.2	**0.2**	**0.1**	**0.2**
Trade balance (goods) (c)				-6.8	-4.3	-7.8	-6.0	**-5.7**	**-5.1**	**-4.8**
Current-account balance (c)				-2.4	-3.6	-3.9	-1.7	**-1.5**	**-1.0**	**-0.7**
General government balance (c)				-0.3	-2.6	-1.1	-2.8	**-3.0**	**-3.0**	**-3.0**
Fiscal stance (c)				:	1.8	0.5	-1.3	**0.7**	**0.2**	**-0.6**
Structural budget balance (d)				-1.1	-4.1	-1.4	-1.1	**-0.8**	**-1.2**	**-2.2**
General government gross debt (c)				8.3	18.4	19.1	20.2	**23.2**	**24.2**	**25.5**

(a) Eurostat definition. (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

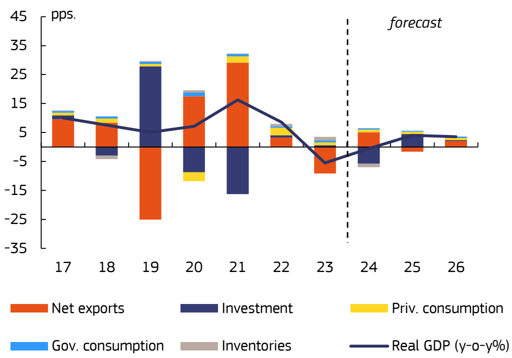
Ireland's GDP is expected to decline by 0.5% in 2024, mainly due to a contraction in the multinational sector in the first half of the year. Economic activity is projected to rebound with growth of 4.0% in 2025 and 3.6% in 2026 supported by a strong labour market, low headline inflation and favourable external environment. Headline inflation is set to remain low over the forecast horizon. Public finances are forecast to normalise after further positive surprises in revenues and strong increases in expenditure.

Economic activity set to contract in 2024 before picking up

After a decline of 5.5% in 2023, Ireland's real GDP contracted further in the first half of 2024, mainly reflecting ongoing volatility in the multinational-dominated sectors. In contrast, modified domestic demand, which better reflects the underlying domestic economic activity in Ireland, increased by 1.9% y-o-y during the same period, supported by a strong labour market. Preliminary GDP estimates indicate that the economy grew in the third quarter of 2024, expanding by 2.0% q-o-q.

The combination of steady employment growth, real wage growth and government-support measures is expected to boost households' real disposable incomes, underpinning continued consumption growth over the forecast horizon.

Graph III.4.1: **Ireland - Real GDP growth and contributions**



Headline investment declined sharply in the first half of 2024, largely due to intellectual property exports in the second quarter of the year. Modified investment, which excludes the volatile intangible and aircraft leasing components, increased marginally during the same period. Looking forward, improving financial conditions and the government's commitment to increasing investment point to a positive outlook for modified investment in 2025 and 2026. Headline investment figures incorporate technical assumptions that intellectual property investment will return to levels similar to those of the past years, though this projection carries considerable uncertainty.

Irish exports rebounded in the first half of 2024, led by a return to growth in pharmaceutical trade and continued strength in service exports, even when excluding intellectual property-related activities. Looking ahead, exports are expected to contribute positively to economic growth, supported by a favourable external environment and continued growth in key sectors such as pharmaceuticals and computer services.

Overall, GDP is expected to decline by 0.5% in 2024 and grow by 4.0% and 3.6% in 2025 and 2026, respectively. Modified domestic demand is set to expand by 2.7% in 2024, 2.8% in 2025 and 3.0% in 2026.

Labour market continues to be tight

Employment remained strong in the first half of 2024, supported by an increase in the labour supply, largely due to high net inward migration and increased female labour market participation. The unemployment rate remained stable at 4.4% in the first half of 2024, and is expected to stay low, averaging 4.4% over the forecast horizon, due to the still tight labour market. Further employment growth is anticipated in the remainder of 2024 and into 2025 and 2026, albeit at a more moderate pace, reflecting the continued expected expansion in the domestic economy.

Inflation expected to remain low

HICP inflation eased significantly in 2024, reaching 0.0% in September, largely driven by lower energy and non-energy industrial goods inflation. It is expected to remain low, with headline inflation forecast to reach 1.4%, in 2024, 1.9% in 2025 and 1.8% in 2026. However, underlying price pressures remained strong and wage growth is expected to keep core inflation elevated. As a result, HICP inflation excluding energy and food is projected to stay above the headline rate.

Public finances are set to remain solid

Ireland’s general government budget is projected to register a surplus of 4.4% of GDP in 2024. A large share (2.7 pps) of it is driven by a one-off in revenue due to the EU Court of Justice’s ruling of 10 September 2024 concerning tax ruling relating to two Apple group companies.

In 2025, the surplus is forecast to recede to 1.4% of GDP as revenue growth is projected to slow down in the absence of one-off revenue such as that seen in 2024. While expenditure growth is set to moderate as from 2024, it is nonetheless expected to remain robust in 2025. Based on the national budget for 2025, strong increases are assumed in public sector pay, investment and social transfers to support living standards and the provision of public goods and services.

In 2026, the budget surplus is projected to be 1.3% of GDP, as revenue is projected to normalise while higher levels of expenditure are expected to become entrenched.

The fiscal stance is set to remain expansionary in 2024, though less than in 2023. It is projected to contract further in 2025 before becoming neutral in 2026.

The general government debt-to-GDP ratio is forecast to decrease from 41.6% in 2024 to 38.3% in 2025, and to 36.8% in 2026. The debt ratio is set to fall more slowly than if the budget surpluses were translated mechanically into debt reduction, also due to transfers to the newly-established Future Ireland Fund and Infrastructure, Climate and Nature Fund, and accrual adjustments.

Table III.4.1: **Main features of country forecast - IRELAND**

		2023		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		510.0	100.0	4.6	16.3	8.6	-5.5	**-0.5**	**4.0**	**3.6**
Private Consumption		142.7	28.0	1.3	8.9	10.8	4.2	**3.0**	**2.8**	**2.6**
Public Consumption		63.3	12.4	2.6	6.6	4.1	5.6	**3.9**	**2.6**	**3.6**
Gross fixed capital formation		118.2	23.2	8.2	-39.4	3.7	2.8	**-24.8**	**25.2**	**1.5**
Exports (goods and services)		688.7	135.1	8.2	14.1	13.5	-5.8	**10.1**	**1.0**	**3.8**
Imports (goods and services)		521.0	102.2	8.2	-8.7	16.0	1.2	**8.4**	**2.8**	**3.1**
GNI (GDP deflator)		388.4	76.2	3.5	13.6	4.0	5.1	**0.0**	**2.9**	**2.9**
Contribution to GDP growth:	Domestic demand			3.4	-13.2	3.8	2.2	**-4.4**	**5.6**	**1.5**
	Inventories			0.2	0.2	0.9	1.3	**-1.2**	**0.0**	**0.0**
	Net exports			1.6	29.1	3.3	-9.1	**5.1**	**-1.6**	**2.1**
Employment				1.0	6.6	6.9	3.5	**2.3**	**1.9**	**1.6**
Unemployment rate (a)				9.2	6.2	4.5	4.3	**4.4**	**4.4**	**4.5**
Compensation of employees / head				2.5	2.9	2.5	6.8	**4.4**	**3.8**	**3.7**
Unit labour costs whole economy				-1.0	-5.7	0.9	16.9	**7.4**	**1.7**	**1.8**
Saving rate of households (b)				13.0	22.5	15.1	13.6	**12.9**	**12.8**	**12.6**
GDP deflator				1.1	1.1	6.8	3.6	**3.3**	**2.1**	**1.7**
Harmonised index of consumer prices				0.8	2.4	8.1	5.2	**1.4**	**1.9**	**1.8**
Terms of trade goods				0.0	-9.1	-3.7	-0.3	**3.6**	**0.2**	**0.0**
Trade balance (goods) (c)				25.9	37.5	39.4	30.6	**30.5**	**28.7**	**27.9**
Current-account balance (c)				-2.8	12.2	8.8	8.1	**13.6**	**9.7**	**9.8**
General government balance (c)				-5.5	-1.4	1.7	1.5	**4.4**	**1.4**	**1.3**
Fiscal stance (c)				:	0.1	-0.1	-0.9	**-0.3**	**-0.1**	**0.0**
Structural budget balance (d)				-1.2	-4.4	-3.7	1.0	**2.9**	**2.1**	**1.5**
General government gross debt (c)				68.6	52.6	43.1	43.3	**41.6**	**38.3**	**36.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

5. GREECE

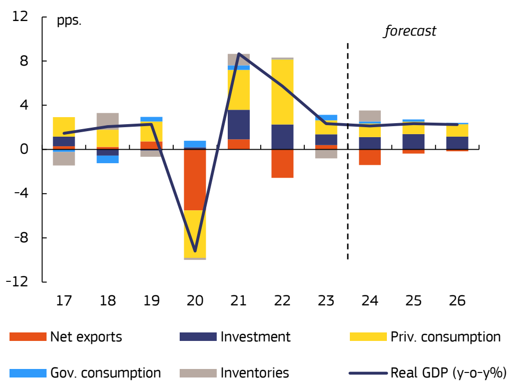
Economic activity is expected to expand by 2.1% in 2024 and to maintain a broadly similar growth in 2025 and 2026, supported by the implementation of the Recovery and Resilience Plan (RRP). Unemployment, now below 10%, is expected to keep declining but more slowly than in the past. Inflation is projected at 3.0% in 2024 and is expected to moderate only gradually to around 1.9% by 2026. The general government deficit is projected to keep decreasing driven by muted expenditure growth. Together with solid nominal GDP growth, this contributes to the steady decline in public debt-to-GDP to close to 140% of GDP by 2026.

Growth to remain robust

The Greek economy posted a solid 2.1% y-o-y growth in the first half of 2024, driven primarily by domestic demand, while net exports were a drag on growth. Following minimum wage hikes, private consumption benefited from the relatively faster wage increase for lower-income households that tend to have a higher propensity to consume. Equipment investment accelerated in parallel with a strong pick-up in corporate credit growth, while a surge in imports accompanied by sluggish export growth prompted a decline in net exports. Thanks to strong domestic demand, real GDP growth is expected to average 2.1% in 2024.

Going forward, private consumption is set to continue expanding at a robust pace supported by steady real income growth. Investment is forecast to accelerate further, peaking at close to 9% in 2025, as the implementation of the RRP increasingly shifts from reforms towards investments and financing conditions improve. The recovery in external demand is set to benefit export growth, further supported by cost competitiveness gains accumulated in the past and structural reforms aiming to ameliorate export performance. Import growth is forecast to remain strong, given the high import content of investment. Overall, GDP growth is set to remain above the long-term growth potential and is projected at 2.3% and 2.2% in 2025 and 2026, respectively.

Graph III.5.1: **Greece - Real GDP growth and contributions**



Structural challenges may limit further labour market improvements

The employment rate increased to 54.9% (persons aged 15-74) in seasonally adjusted terms in the second quarter of 2024 but remains one of the lowest in the EU. The unemployment rate fell to 9.5% in August, albeit still remaining one of the highest in the EU. Vacancy rates increased further in the first half of 2024, especially in construction, tourism and high-skill sectors. Employment growth is set to continue, although at a slower pace as skills mismatches and structural bottlenecks, among others, such as the lack of child- and elderly care solutions, or the tight regulatory framework for part-time employment, limit the increase in labour supply. The unemployment rate is forecast to decline to around 9.0% by 2026, its lowest level in a decade. Real wages per employee are set to rise by 1.1% on average per year over the forecast horizon also supported by a reduction in social security contribution.

Inflation to resume its decline, albeit at a slow pace

Headline inflation averaged 3.1% y-o-y in the third quarter of 2024, about 1 pp. above the euro area average. Disinflation has been constrained by accelerating services prices, the impact of the 2023 floods on food prices and the recent uptick in electricity prices. Inflation is expected to resume its decline in the last quarter of 2024, but wage pressures fuelled by increasing labour shortages and minimum wage increases are set to exert upward pressure on prices looking forward. Headline inflation is projected at 3.0%, 2.4% and 1.9% in 2024, 2025 and 2026, respectively. Inflation excluding energy and food is forecast to remain higher over the forecast horizon, at 3.4%, 2.7% and 2.0% in 2024, 2025 and 2026, respectively.

Public debt ratio expected to shrink amid an improving fiscal balance

The headline deficit is expected to decline from 1.3% of GDP in 2023 to 0.6% of GDP in 2024, reflecting the primary surplus increase from 2.1% of GDP in 2023 to 2.9% this year. This decline is largely due to the muted growth of current expenditure and the growth of income tax revenues.

In 2025, the headline deficit is set to further decline to 0.1% of GDP mostly driven by the decrease in interest expenditure on the back of declining short-term interest rates in 2025. This forecast factors in the better execution of 2024, as well as a set of new fiscal measures announced this year with a net impact of 0.2% of GDP. On the expenditure side, public sector salaries are due to increase in April 2025, to align the base salary in the public sector with the minimum wage in the private sector. On the revenue side, the social security contribution rate is set to be reduced by 1 pp. and an increase of the overnight tax in hotels has been announced. The fiscal stance is projected to be expansionary in 2025, following a contractionary fiscal stance in 2024.

In 2026, the general government balance is expected to turn into a surplus of 0.2% of GDP, amidst favourable macroeconomic developments. This improvement is set to be driven by an increase in tax revenues and social security contributions that offset the increased expenditure on pension benefits and public wages. The fiscal stance is projected to remain expansionary in 2026.

The public debt-to-GDP ratio has been declining over recent years and is projected to reach 153.1% in 2024, before falling further to 146.8% of GDP in 2025 and 142.7% in 2026. The decline is driven by primary surpluses, nominal growth and the lowering of cash buffers in 2024.

The fiscal outlook remains subject to country-specific risks. Downside risks stem from pending legal cases, most notably the litigation cases against the Public Properties Company (ETAD). On the upside, the government's efforts to increase tax compliance through digitalisation may yield higher revenues in 2025.

Table III.5.1: **Main features of country forecast - GREECE**

	2023		Annual percentage change						
	bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	225.2	100.0	-1.5	8.7	5.7	2.3	**2.1**	**2.3**	**2.2**
Private Consumption	154.7	68.7	-0.9	5.1	8.6	1.8	**1.8**	**1.7**	**1.7**
Public Consumption	43.5	19.3	-0.4	1.8	0.1	2.6	**0.9**	**1.1**	**0.7**
Gross fixed capital formation	34.2	15.2	-5.3	21.7	16.4	6.6	**7.4**	**8.9**	**7.1**
Exports (goods and services)	98.4	43.7	1.3	24.4	6.6	1.9	**2.3**	**3.7**	**3.5**
Imports (goods and services)	109.1	48.4	0.3	17.4	11.0	0.9	**5.0**	**4.1**	**3.5**
GNI (GDP deflator)	218.2	96.9	-1.5	9.0	5.1	0.4	**1.9**	**2.7**	**2.5**
Contribution to GDP growth: Domestic demand			-1.5	6.7	8.2	2.7	**2.5**	**2.7**	**2.4**
Inventories			0.0	1.0	0.2	-0.8	**1.0**	**0.0**	**0.0**
Net exports			0.2	0.9	-2.6	0.4	**-1.4**	**-0.4**	**-0.2**
Employment			0.0	5.1	2.4	1.2	**1.1**	**0.9**	**0.8**
Unemployment rate (a)			17.6	14.7	12.5	11.1	**10.4**	**9.8**	**9.2**
Compensation of employees / head			-0.4	1.6	1.8	3.7	**4.1**	**3.2**	**3.0**
Unit labour costs whole economy			1.1	-1.7	-1.4	2.5	**3.1**	**1.7**	**1.5**
Saving rate of households (b)			1.8	4.4	-3.5	-1.9	**-0.2**	**0.5**	**0.2**
GDP deflator			0.7	1.4	6.5	5.9	**3.5**	**2.4**	**2.2**
Harmonised index of consumer prices			1.4	0.6	9.3	4.2	**3.0**	**2.4**	**1.9**
Terms of trade goods			-0.4	-0.4	5.3	3.8	**1.5**	**0.0**	**0.2**
Trade balance (goods) (c)			-13.1	-14.4	-19.0	-14.5	**-14.7**	**-14.8**	**-14.9**
Current-account balance (c)			-7.1	-8.3	-10.8	-8.0	**-7.1**	**-7.5**	**-7.2**
General government balance (c)			-6.6	-6.9	-2.5	-1.3	**-0.6**	**-0.1**	**0.2**
Fiscal stance (c)			:	-3.1	-2.2	0.1	**0.5**	**-0.6**	**-0.5**
Structural budget balance (d)			4.0	-4.6	-2.5	-1.6	**-1.3**	**-1.2**	**-1.1**
General government gross debt (c)			157.4	197.3	177.0	163.9	**153.1**	**146.8**	**142.7**

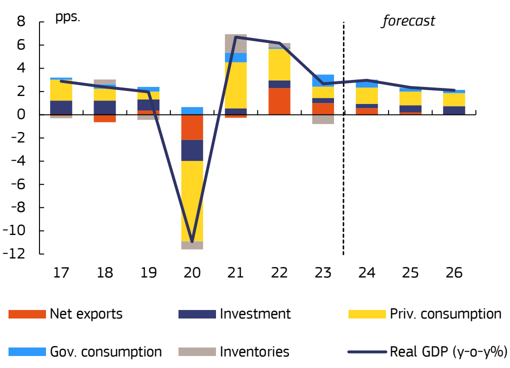
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

6. SPAIN

Economic activity in Spain is set to expand strongly in 2024, by 3.0% before gradually decelerating in 2025, to 2.3% and to 2.1% 2026. Real GDP growth over the forecast horizon is expected to be driven by consumption, sustained by continued labour market resilience, and by the strengthening of investment, notably in 2025 and 2026. Headline inflation is projected to further decline, reaching 2.0% in 2026 as underlying price pressures moderate. The general government deficit is set to reach 3.0% of GDP in 2024, spurred by the phase-out of measures to mitigate the impact of high energy prices, before decreasing further in 2025 and broadly stabilising in 2026, thanks to decelerating primary expenditure in a context of strong tax revenues developments. The debt-to-GDP ratio is set to decline gradually in 2024-25 and then broadly stabilise in 2026 reaching 101.1%.

Economic activity to remain robust

Graph III.6.1: **Spain - Real GDP growth and contributions**



Economic activity maintained momentum in the first half of 2024, underpinned by the strong evolution of consumption and the impetus from tourism activity. The economic expansion is set to continue in the second half of the year, as GDP expanded by 0.8% in the third quarter, upheld by robust consumption growth, despite a marginally negative contribution from net exports.

Real GDP growth is expected at 3.0% overall this year, also reflecting a high carry-over from 2023. The positive evolution of consumer spending is set to be upheld by dynamic job creation and real income gains for households. On the external side, the buoyancy of tourism activity and the export of non-tourism services are set to underpin the positive contribution of net exports to GDP growth in 2024. Economic activity is projected to decelerate to 2.3% in 2025 and to 2.1% in 2026, albeit remaining vigorous over the forecast horizon. Domestic demand is expected to represent the key driver of the economic expansion, sustained by consumption growth and by the projected broad-based pick-up in investment. This would be attributed to the more robust implementation of the Recovery and Resilience Plan (RRP), the healthy financial position of non-financial corporations and the further easing of financing conditions. The recovery of imports growth is set to reduce the contribution of external demand to GDP growth in 2025 and 2026.

Downside risks to the outlook include the lower-than-expected growth of Spain's main trading partners, which could adversely impact the dynamism of activity, particularly for tourism. By contrast, a more rapid decline of the elevated households' savings ratio towards its long term average could provide additional impetus to consumption. At the same time, persistent risk averse behaviour by the private sector could contribute holding investment back over the forecast horizon.

Dynamic labour market and declining unemployment

Th robust performance of the labour market extended into 2024, as the pace of job creation accelerated sharply in the first half of the year and kept some momentum in the third quarter. Employment growth is expected to expand by 2.3% in 2024, supported mainly by continued strong immigration flows. The unemployment rate is projected to decline steadily over the forecast horizon, reaching 10.7% in 2026, down from 11.5% in 2024. Nominal wage growth is set to grow above the inflation rate in 2024, with real income gains moderating in 2025 and 2026.

Inflation to ease further over the forecast horizon

Annual HICP inflation is projected to decline to 2.8% in 2024 driven by the continued deceleration of energy and food inflation. Underlying price pressures eased more gradually, especially in services related to hospitality and transport. Headline inflation is set to slow down in 2025, reaching 2.2%, with the downward trend of underlying components expected to continue in the coming quarters, before easing further to 2.0% in 2026.

Government deficit decreases below 3% of GDP

After reaching 3.5% of GDP in 2023, the general government deficit is expected to keep decreasing in 2024, to 3.0%, as most measures to mitigate the economic and social impact of high energy prices are being phased out. The revenue-to-GDP ratio is expected to rise, partly due to the withdrawal of the reductions of VAT and of the special tax on electricity, as well as the removal of the exemption from the tax on the value of electricity. The phase-out of the fuel rebate drives some savings on the expenditure side. Risks surrounding the projections are related to the extent of nationally-financed expenditure necessary to address the impact of the recent floods in the Valencian Community.

Based on unchanged policies, the government deficit is forecast to decline further in 2025, to 2.6% of GDP, despite somewhat higher interest expenditure. This decline is driven by the slower growth of nationally-financed primary expenditure and positive developments in tax revenue, particularly from direct taxation, boosted by strong nominal GDP growth. In 2026, the general government deficit is projected to slightly increase to 2.7% of GDP as the levies on banks and energy companies are expected to expire.

The statistical revision carried out this autumn reduced Spain’s 2023 general government debt by almost 3 pps. to 105.1% of GDP. The debt-to-GDP ratio is projected to continue narrowing in 2024 to 102.3% thanks to strong nominal GDP growth outpacing the cost of servicing debt. The ratio is set to keep decreasing more gradually in 2025-2026, to around 101.1%, due to the less favourable interest-growth rate differential.

Table III.6.1: **Main features of country forecast - SPAIN**

	2023			Annual percentage change					
bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	1498.3	100.0	0.4	6.7	6.2	2.7	**3.0**	**2.3**	**2.1**
Private Consumption	830.5	55.4	0.0	7.1	4.8	1.8	**2.5**	**2.2**	**2.0**
Public Consumption	294.3	19.6	1.8	3.6	0.6	5.2	**3.4**	**1.6**	**1.5**
Gross fixed capital formation	295.3	19.7	-0.6	2.6	3.3	2.1	**2.0**	**3.2**	**3.7**
Exports (goods and services)	570.3	38.1	1.5	13.4	14.3	2.8	**3.4**	**2.9**	**2.7**
Imports (goods and services)	511.4	34.1	0.3	15.0	7.7	0.3	**2.2**	**2.8**	**3.0**
GNI (GDP deflator)	1491.1	99.5	0.5	7.2	5.9	1.7	**3.8**	**2.4**	**2.1**
Contribution to GDP growth: Domestic demand			0.2	5.3	3.5	2.5	**2.5**	**2.1**	**2.1**
Inventories			0.0	1.6	0.4	-0.8	**0.0**	**0.0**	**0.0**
Net exports			0.3	-0.3	2.3	1.0	**0.6**	**0.2**	**0.0**
Employment			0.2	2.6	3.5	3.0	**2.3**	**2.1**	**2.0**
Unemployment rate (a)			17.2	14.9	13.0	12.2	**11.5**	**11.0**	**10.7**
Compensation of employees / head			1.8	4.8	4.9	5.8	**4.6**	**3.1**	**2.2**
Unit labour costs whole economy			1.5	0.8	2.3	6.2	**4.0**	**2.9**	**2.0**
Saving rate of households (b)			8.7	14.3	9.1	12.0	**12.5**	**11.9**	**11.6**
GDP deflator			1.3	2.6	4.7	6.2	**3.1**	**2.4**	**2.0**
Harmonised index of consumer prices			1.6	3.0	8.3	3.4	**2.8**	**2.2**	**2.0**
Terms of trade goods			0.0	0.7	-5.6	6.8	**1.0**	**0.5**	**0.1**
Trade balance (goods) (c)			-3.8	-1.7	-4.4	-2.3	**-1.9**	**-1.8**	**-1.8**
Current-account balance (c)			-1.7	0.8	0.4	2.7	**4.2**	**4.5**	**4.4**
General government balance (c)			-5.2	-6.7	-4.6	-3.5	**-3.0**	**-2.6**	**-2.7**
Fiscal stance (c)			:	-2.0	-2.2	0.3	**-0.1**	**0.1**	**-0.3**
Structural budget balance (d)			-2.7	-4.3	-4.8	-3.9	**-3.6**	**-3.2**	**-3.1**
General government gross debt (c)			78.5	115.7	109.5	105.1	**102.3**	**101.3**	**101.1**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

7. FRANCE

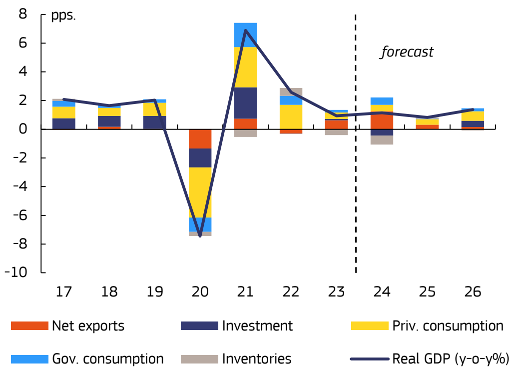
Economic activity in France is set to remain resilient in 2024, supported by public expenditures and foreign trade. GDP growth is forecast to decrease in 2025 (0.8%), dragged by fiscal adjustment but supported by monetary policy easing. Activity is then expected to pick up in 2026 (1.4%), fuelled by lower funding costs and stronger private demand. Inflation is projected to decrease in 2024 and 2025, broadly stabilising at below 2%, favoured by the transmission of lower energy, commodity and food prices to core inflation. The government deficit is forecast to increase further, to 6.2% of GDP in 2024 before declining to 5.3% in 2025 and broadly stabilising in 2026. Public debt is set to increase to some 117% of GDP by 2026, from 109.9% in 2023, as the primary deficit remains sizeable.

Domestic demand to take the lead in 2025-26

Real GDP is expected to grow by 1.1% in 2024 in annual terms. Net exports have been driving GDP growth since 2023-Q4, thanks to the momentum in transport equipment exports. Public consumption and investment are also supporting growth. Private demand remains subdued, against the background of restrictive financial conditions and a high savings rate.

In 2025, a contractionary fiscal stance is set to weigh on real GDP growth, which is expected to decline to 0.8%. Private investment is projected to remain subdued as the transmission of a more accommodative monetary policy occurs with a lag, while economic and policy uncertainty persist. Private consumption is expected to be supported by disinflation and increases in real wages.

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



In 2026, economic activity is projected to gain momentum, bringing real GDP growth to 1.4%, on the back of a lower fiscal adjustment and further declining credit cost. GDP growth is forecast to be driven by private domestic demand, as the saving rate is expected to moderately decline, and private investment is set to be supported by monetary policy easing.

Labour market to soften

The labour market remained dynamic in the first quarter of 2024 but slowed down in the second quarter. The unemployment rate decreased by 0.2 pp to 7.3% in 2024-Q2, close to its lowest level since 2008, while the employment rate reached a record high at 74.7%. Employment growth is set to slow down in 2025 and 2026 (+0.1% and +0.4% respectively, after +0.5% in 2024), as the effect of apprenticeship contracts on employment growth decreases, hours worked return to their 2019 levels and labour productivity bounces back. The unemployment rate is expected to gradually pick up, from 7.4% in 2024 to 7.5% and 7.6% in 2025 and 2026, respectively.

Inflation expected to stabilise below 2%

Inflation decreased gradually in 2024, to reach 1.5% in October, largely thanks to declining energy and food prices, as well as to a strong slowdown in services prices. Inflation is expected to pick up slightly in 2025 from these temporary low levels of September and October, due to base effects and increases in food prices. Growth in energy prices is projected to further moderate in 2025 (+0.8%), amid a decline in electricity prices. Inflation is expected to stand at 2.4% in 2024 on average, before easing to 1.9% in 2025 and to 1.8% in 2026, remaining below ECB target.

Large increase in government deficit in 2024

The general government deficit is expected to increase to 6.2% of GDP in 2024 (from 5.5% in 2023), almost 1 pp. of GDP more than projected in spring. The slippage is due to tax revenues rising well below economic activity and high public expenditure growth, especially of local governments. This is set to be partly offset by the withdrawal of most energy-related measures, which account for 0.2% of GDP, and by expenditure savings of 0.3% of GDP adopted in February affecting public consumption, social benefits, subsidies, current and capital transfers. Finally, interest payments on public debt are expected to increase by around 0.3% of GDP, pushed by higher rates on new issuances.

For 2025, the French government has put forward a sizeable fiscal package in its draft budget to reduce the general government deficit. This forecast factors in revenue-increasing measures amounting to almost EUR 21.6 billion (0.7% of GDP) and expenditure-decreasing measures, mainly on public consumption and social transfers, worth almost EUR 12 billion (0.4% of GDP). As these measures are expected to weigh on growth, they are also set to weigh on cyclical tax revenues in 2025. The revenue ratio is projected to increase by some ¾ points of GDP, while the expenditure ratio is expected to decline only marginally. Interest payments on government debt are set to rise further by 0.3 pps, to 2.5% of GDP. All in all, the general government deficit in 2025 is forecast at 5.3% of GDP.

For 2026, the general government deficit is expected to reach 5.4% of GDP, as some revenue measures to be adopted in 2025 are set to expire. The revenue-to-GDP ratio is thus projected to decline by around ¼ pps, while the expenditure ratio is set to decrease only marginally. Interest payments are expected to keep rising by 0.3 pps.

After declining to 109.9% of GDP in 2023, public debt is estimated to edge up, reaching 112.7% in 2024. Thereafter, public debt is set to keep increasing gradually, to reach 117.1% in 2026. The increase is expected to be mainly driven by high primary deficits and rising interest payments, whereas the debt-reducing effect stemming from nominal growth is projected be more moderate than in recent years.

Table III.7.1: **Main features of country forecast - FRANCE**

		2023			Annual percentage change					
		bn EUR Curr. prices	**% GDP**	**05-20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP		2822.5	100.0	0.7	6.9	2.6	0.9	**1.1**	**0.8**	**1.4**
Private Consumption		1546.8	54.8	0.9	5.3	3.2	0.8	**0.8**	**0.7**	**1.2**
Public Consumption		678.6	24.0	1.1	6.6	2.6	0.7	**2.1**	**0.1**	**0.9**
Gross fixed capital formation		651.8	23.1	0.9	9.7	0.0	0.4	**-1.9**	**0.0**	**2.0**
Exports (goods and services)		967.5	34.3	1.4	11.3	8.2	2.1	**1.8**	**3.0**	**3.5**
Imports (goods and services)		1024.0	36.3	2.3	8.3	8.8	0.3	**-1.7**	**2.0**	**3.0**
GNI (GDP deflator)		2875.2	101.9	0.7	8.1	2.2	0.0	**1.3**	**0.8**	**1.4**
Contribution to GDP growth:	Domestic demand			0.9	6.7	2.3	0.7	**0.5**	**0.4**	**1.3**
	Inventories			0.0	-0.5	0.5	-0.4	**-0.6**	**0.1**	**-0.1**
	Net exports			-0.2	0.7	-0.3	0.6	**1.2**	**0.3**	**0.2**
Employment				0.6	2.6	2.4	1.1	**0.5**	**0.1**	**0.4**
Unemployment rate (a)				9.1	7.9	7.3	7.3	**7.4**	**7.5**	**7.6**
Compensation of employees / head				1.6	5.0	4.8	4.2	**3.0**	**2.3**	**2.0**
Unit labour costs whole economy				1.5	0.8	4.6	4.3	**2.3**	**1.6**	**1.0**
Saving rate of households (b)				14.7	18.7	16.5	16.5	**17.1**	**16.9**	**16.9**
GDP deflator				1.3	1.2	3.2	5.3	**2.2**	**1.6**	**1.7**
Harmonised index of consumer prices				1.4	2.1	5.9	5.7	**2.4**	**1.9**	**1.8**
Terms of trade goods				0.2	-2.3	-3.5	1.5	**-0.6**	**-0.4**	**0.0**
Trade balance (goods) (c)				-1.8	-2.7	-4.9	-2.8	**-2.0**	**-1.9**	**-1.8**
Current-account balance (c)				-0.3	0.0	-1.9	-2.0	**-0.5**	**-0.3**	**-0.3**
General government balance (c)				-4.5	-6.6	-4.7	-5.5	**-6.2**	**-5.3**	**-5.4**
Fiscal stance (c)				:	-2.2	-1.9	0.5	**0.1**	**1.5**	**0.1**
Structural budget balance (d)				-3.3	-5.7	-4.8	-5.4	**-6.1**	**-5.0**	**-5.4**
General government gross debt (c)				88.5	112.7	111.2	109.9	**112.7**	**115.3**	**117.1**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

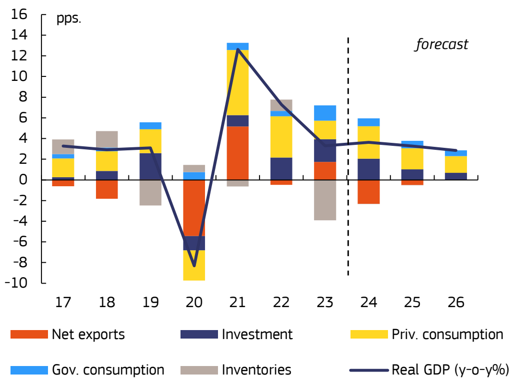
8. CROATIA

Croatia's GDP is projected to grow by a robust 3.6% in 2024, 3.3% in 2025 and 2.9% in 2026, mostly driven by strong household consumption and investment. Employment is expected to continue growing, with the unemployment rate reaching new lows. Inflation is forecast to keep decreasing gradually and to reach 2% in 2026. The general government deficit is expected to widen in 2024 and start narrowing in 2026, while debt is set to decline further in a context of strong GDP growth.

Growth to pick up in 2024 and soften thereafter

Croatia's real GDP growth in 2023 was revised upwards to 3.3%, with significant positive contributions coming from all GDP components except for inventories, which fell markedly.

Graph III.8.1: **Croatia - Real GDP growth and contributions**



In 2024, Croatia's GDP is projected to grow by 3.6%. Growth is expected to be mainly driven by private consumption, boosted by strong real wage and employment growth, and sustained investment. Government consumption is set to rise, mainly due to a comprehensive public sector wage reform that substantially harmonised public salaries across institutions and sectors, but also resulted in a large one-off increase in wages. Investment is expected to remain strong, also supported by a further acceleration in expenditure funded by the RRF, with the absorption of funds under the 2021-27 Multiannual Financial Framework (MFF) expected to pick up towards the end of the forecast period. Exports of goods are forecast to rebound solidly, despite relatively weak demand growth in Croatia's main trading partners' economies. However, exports of services, mainly tourism, are projected to decline in real terms, largely due to persistent significant price increases of touristic services. Overall, the contribution of net exports to growth is expected to turn negative, in a context of strongly expanding domestic demand.

GDP growth is forecast to decelerate to 3.3% in 2025 and to 2.9% in 2026, as consumption growth moderates on the back of slower wage increases. A further pick-up in the absorption of EU funds, both under the RRF and the 2021-27 MFF, is set to underpin continued investment growth, although at a slower pace. Exports of goods are expected to continue expanding in line with external demand, and exports of services should resume growth in real terms as price increases abate. As imports decelerate with domestic demand, the external sector's contribution to growth is set to become neutral towards the end of the forecast period.

Risks to this outlook include higher than expected wage increases coupled with possible supply constraints in tourism, which could add to price pressures and hurt exporters' competitiveness. In addition, potential supply bottlenecks in construction could delay the absorption of EU funds.

A new record-low for unemployment

Employment growth is expected to accelerate to 3.1% in 2024 owing to robust economic activity, driving the unemployment rate down to 5.1%. Labour shortages persist despite increasing inflows of workers from non-EU countries. Overall wage growth started weakening despite strong wage increases in the public sector. Over the forecast horizon, employment growth is projected to decelerate while the unemployment rate continues declining, albeit at a slower pace. As a result, wage growth is forecast to slow down further while remaining solid.

Headline inflation to reach 2% only in 2026

Headline inflation is expected to decline from 8.4% in 2023 to 4% in 2024. A milder deceleration to 3.4% is forecast in 2025, mostly due to projected energy price increases, despite lower services and food inflation. Inflation is expected to reach 2% in 2026. Inflation excluding energy and food is set to decline from 8.8% in 2023 to 4.7% in 2024. It is projected to further decrease to 2.9% in 2025, more swiftly than headline inflation, and to come at 2.2% in 2026.

Declining public debt ratio driven by strong economic growth

In 2024, the general government deficit is expected to increase to 2.1% of GDP, from 0.9% in 2023. This can be attributed to the new public wage act and social assistance measures put pressure on expenditure, with the structural deterioration largely masked by strong revenue growth. Indirect tax revenue is set to expand amid solid nominal GDP growth, while direct taxes are expected to benefit from employment and wage developments.

In 2025, the deficit ratio is forecast to remain at 2.1% of GDP. Revenue is set to continue being supported by nominal GDP growth and planned changes in property and rental income taxation. Both current and capital expenditure are projected to continue increasing. The government extended some of the measures to mitigate the impact of high energy prices until March 2025, with an expected budgetary cost declining from 0.9% of GDP in 2024 to 0.1% in 2025, thus improving the structural balance. The deficit is forecasted to narrow to 1.9% of GDP in 2026, as expenditure (mainly spending on wages and nationally financed investments) grows more slowly than revenue.

Despite the expansionary fiscal stance in 2024, the debt-to-GDP ratio is expected to decrease to 57.3% from 61.8% in 2023, due to robust GDP growth and debt-reducing stock-flow adjustments (mainly due to using cash reserves to repay parts of the maturing debt). The debt ratio is forecast to decrease further to 56 % of GDP in 2025 (driven by the still strong GDP growth) and remain at that level in 2026 despite a contractionary fiscal stance, due to stock-flow adjustments.

Table III.8.1: **Main features of country forecast - CROATIA**

	2023		Annual percentage change						
	bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	78.0	100.0	0.7	12.6	7.3	3.3	**3.6**	**3.3**	**2.9**
Private Consumption	44.7	57.3	0.4	10.7	6.9	3.0	**5.5**	**3.6**	**2.9**
Public Consumption	16.6	21.3	2.0	2.8	2.2	7.1	**3.6**	**3.2**	**2.4**
Gross fixed capital formation	17.5	22.5	0.5	4.8	10.4	10.1	**9.1**	**4.5**	**3.0**
Exports (goods and services)	41.3	52.9	1.6	32.7	27.0	-2.9	**0.2**	**2.9**	**3.1**
Imports (goods and services)	42.7	54.8	1.7	17.3	26.5	-5.3	**4.5**	**3.7**	**3.0**
GNI (GDP deflator)	77.5	99.3	0.8	10.3	7.4	3.4	**4.1**	**3.3**	**2.9**
Contribution to GDP growth: Domestic demand			0.8	8.1	6.7	5.5	**5.9**	**3.8**	**2.9**
Inventories			0.1	-0.6	1.1	-3.9	**0.0**	**0.0**	**0.0**
Net exports			-0.2	5.2	-0.5	1.7	**-2.3**	**-0.5**	**0.0**
Employment			0.1	1.2	2.2	2.2	**3.1**	**2.0**	**1.1**
Unemployment rate (a)			11.9	7.5	6.8	6.1	**5.1**	**4.7**	**4.6**
Compensation of employees / head			1.7	6.1	12.3	15.9	**11.2**	**4.8**	**3.8**
Unit labour costs whole economy			1.1	-4.7	7.0	14.6	**10.6**	**3.5**	**2.0**
Saving rate of households (b)			6.7	8.1	4.7	6.8	**:**	**:**	**:**
GDP deflator			1.9	2.1	8.0	11.7	**6.6**	**3.2**	**2.1**
Harmonised index of consumer prices			1.8	2.7	10.7	8.4	**4.0**	**3.4**	**2.0**
Terms of trade goods			-0.2	-0.5	-3.3	2.0	**0.2**	**0.2**	**0.1**
Trade balance (goods) (c)			-17.2	-19.5	-26.8	-21.8	**-20.4**	**-20.1**	**-19.8**
Current-account balance (c)			-2.4	0.4	-3.4	0.8	**0.4**	**0.5**	**0.6**
General government balance (c)			-3.6	-2.6	0.1	-0.9	**-2.1**	**-2.1**	**-1.9**
Fiscal stance (c)			:	-0.2	-0.3	-2.4	**-1.6**	**-0.5**	**0.2**
Structural budget balance (d)			-1.5	-2.5	-1.1	-2.0	**-3.0**	**-2.8**	**-2.4**
General government gross debt (c)			63.9	78.2	68.5	61.8	**57.3**	**56.0**	**56.0**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

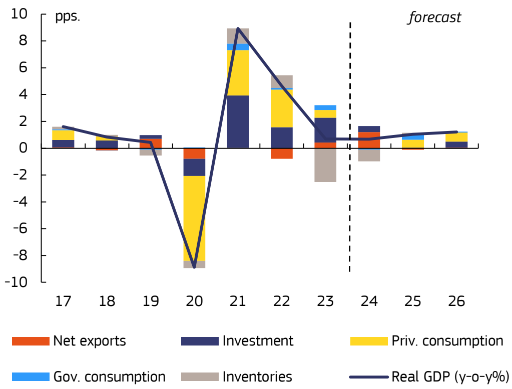
9. ITALY

Real GDP is expected to grow by 0.7% in 2024, supported by investment and falling imports. Economic activity is set to expand by 1% and 1.2% in 2025 and 2026, respectively, as consumption picks up and RRP-related spending accelerates. Inflation is forecast to drop to 1.1% this year, rise to 1.9% in 2025 and fall slightly again in 2026. The phase-out of sizeable housing tax credits and buoyant revenue are expected to push the government deficit significantly down in 2024, to 3.8% of GDP. The deficit is forecast to fall further in 2025 and 2026, to just below 3% of GDP. By contrast, the debt ratio is set to rise over the forecast horizon, reaching 139.3% of GDP in 2026 (from 134.8% in 2023), driven by the lagged impact of the housing renovation tax credits accrued in the deficit until 2023.

Growth stabilises in 2024 and then accelerates, supported by the RRP

Italy's economy is set to expand by 0.7% in 2024. The unwinding of housing renovation tax credits weighs on construction activity, even as infrastructure investment picks up, supported by the RRF. On the back of positive real wage dynamics, within-year growth in household consumption is expected to offset the drag from the negative carry-over from 2023. Net exports are projected to provide a positive contribution to GDP growth, though mainly due to a deep contraction in imports of goods.

Graph III.9.1: **Italy - Real GDP growth and contributions**



In 2025, the implementation of Italy's RRP is expected to accelerate, largely offsetting the contractionary national fiscal stance. Growth of private consumption is forecast to gather momentum, while overall investment is set to decline, driven by falling construction for housing renovations. In 2026, RRF-related spending and easier financing conditions are expected to boost investment, along with continued expansion of consumption. Overall, GDP growth is forecast to rise to 1.0% in 2025 and 1.2% in 2026.

A still tight labour market supports wage increases

Employment is expected to increase by 1.6% this year, after 1.9% in 2023, and to decelerate further in 2025-26. As job opportunities continue to improve, the increase in labour market participation is set to outpace the projected decline in working-age population over the forecast horizon. The unemployment rate is thus set to decrease to 6.2% in 2026, from 7.7% in 2023. Nominal wage growth is estimated to pick up to 4% this year, when most contract renewals will have reflected past price increases, and to moderate gradually thereafter.

The fall of energy prices leads to rapid disinflation

On the back of the continued fall of energy prices until October 2024, headline inflation for the year as a whole is expected to drop to 1.1%. The stabilisation in energy prices assumed for 2025-26 motivates subdued projections for the other HICP components, except services where wages are still expected to exert upward price pressures. Headline inflation is forecast at 1.9% in 2025 and 1.7% in 2026.

Government deficit is set to decrease below 3% of GDP

In 2024, the general government deficit is forecast to drop to 3.8% of GDP, from 7.2% in 2023. This large decline is driven by the phase-out of measures to mitigate the impact of high energy prices (1% of GDP) and of tax credits for housing renovations (around 3½% of GDP). Despite weak nominal GDP growth, buoyant tax revenue, particularly from personal income tax and withholding taxes on financial assets, also contributes to the deficit reduction in 2024. These deficit-reducing effects are only partly counterbalanced by the cuts to the labour tax wedge, the indexation of pensions to the high 2023 inflation and public sector wage increases linked to the renewal of contracts for the 2022-24 period. While the primary balance is expected to turn positive again (at 0.1% of GDP), the increasing cost of servicing debt is set to push interest expenditure up by 0.2 pps., to 3.9% of GDP.

In 2025, the deficit is forecast to further decrease to 3.4% of GDP, with the primary surplus reaching 0.5% of GDP, thanks to moderate primary expenditure and broadly stable interest expenditure. The draft budget includes measures with a deficit-increasing impact of 0.4% of GDP relative to the unchanged legislation scenario used by the national authorities. These include the prolongation of the cut in the tax wedge implemented in 2024, though through a new system of tax deductions (modulated on the basis of the income level), and the confirmation of the streamlined personal income tax structure introduced in 2024. Additional funds are allocated to the renewal of public sector wage contracts for the 2025-27 period, to support households and birth rates, as well as to the health sector and public investments. The extension of some early retirement measures adopted in past years and of targeted tax credits to businesses also weigh on the government balance.

In 2026, the deficit is expected to further decrease to 2.9% of GDP, with the primary surplus attaining 1.1% of GDP on the back of moderate primary expenditure growth. At the same time, interest expenditure is projected to rise to 4% of GDP.

After declining to 134.8% of GDP in 2023, close to its pre-pandemic level, the debt-to-GDP ratio is expected to increase in 2024-26, reaching 139.3% at the end of the period, despite positive and rising primary balances. This projected increase is driven by stock-flow adjustments related to the lagged impact on cash borrowing of the tax credits for housing renovations affecting previous years' deficits, while the interest-growth-rate differential becomes less favourable.

Table III.9.1: **Main features of country forecast - ITALY**

		2023		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2128.0	100.0	-0.6	8.9	4.7	0.7	**0.7**	**1.0**	**1.2**
Private Consumption		1235.2	58.0	-0.6	5.8	5.0	1.0	**0.0**	**1.0**	**1.2**
Public Consumption		382.6	18.0	-0.2	2.3	0.6	1.9	**-0.3**	**2.3**	**0.4**
Gross fixed capital formation		479.0	22.5	-1.4	21.5	7.5	8.5	**2.0**	**0.2**	**2.0**
Exports (goods and services)		717.8	33.7	0.9	14.1	9.8	0.8	**0.3**	**2.3**	**3.0**
Imports (goods and services)		691.8	32.5	0.4	16.0	13.2	-0.4	**-3.4**	**2.9**	**3.1**
GNI (GDP deflator)		2116.9	99.5	-0.5	8.8	4.5	-0.7	**0.4**	**1.1**	**1.3**
Contribution to GDP growth:	Domestic demand			-0.7	7.8	4.5	2.8	**0.4**	**1.0**	**1.2**
	Inventories			0.0	1.1	1.0	-2.5	**-0.9**	**0.1**	**0.0**
	Net exports			0.2	0.0	-0.8	0.4	**1.2**	**-0.1**	**0.0**
Employment				0.2	1.0	1.9	1.9	**1.6**	**0.8**	**0.2**
Unemployment rate (a)				9.6	9.5	8.1	7.7	**6.8**	**6.3**	**6.2**
Compensation of employees / head				0.9	6.8	3.7	3.1	**4.0**	**3.0**	**2.5**
Unit labour costs whole economy				1.6	-1.0	1.0	4.3	**5.0**	**2.7**	**1.5**
Saving rate of households (b)				12.9	15.8	11.6	10.7	**12.5**	**12.0**	**12.0**
GDP deflator				1.5	1.3	3.6	5.8	**1.6**	**1.9**	**1.8**
Harmonised index of consumer prices				1.4	1.9	8.7	5.9	**1.1**	**1.9**	**1.7**
Terms of trade goods				0.2	-6.1	-10.1	11.0	**2.5**	**-0.2**	**0.0**
Trade balance (goods) (c)				1.4	2.5	-1.3	1.6	**2.9**	**2.8**	**2.8**
Current-account balance (c)				0.2	2.1	-1.7	0.0	**1.1**	**1.2**	**1.4**
General government balance (c)				-3.3	-8.9	-8.1	-7.2	**-3.8**	**-3.4**	**-2.9**
Fiscal stance (c)				:	-4.3	-3.0	0.0	**2.9**	**0.1**	**0.4**
Structural budget balance (d)				-1.7	-8.4	-9.3	-8.2	**-4.3**	**-3.8**	**-3.6**
General government gross debt (c)				124.5	145.7	138.3	134.8	**136.6**	**138.2**	**139.3**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

10. CYPRUS

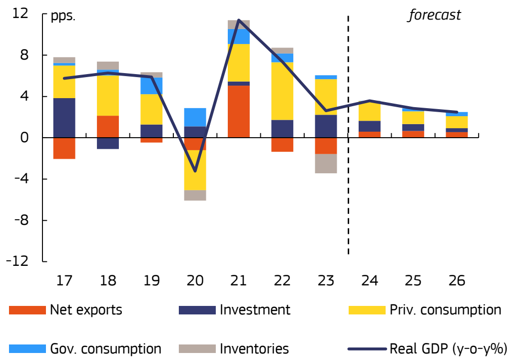
Cyprus' growth is expected to remain robust in 2025 and 2026. Inflation is projected to decelerate and wage growth to stay high, boosting household purchasing power and consumption. The government budget balance is set to remain in surplus, supported by continued strong growth in revenue and moderate increases in expenditure.

Growth momentum to continue

Real GDP growth was resilient in the first half of 2024, expanding by 3.6% y-o-y. This was primarily driven by private consumption, which increased by 4.5%. Investment, excluding the volatile registration of ships and aircraft, grew by 4.8% y-o-y, supported by a positive sentiment in the construction sector. Strong foreign demand for services, particularly in sea transport and tourism, led to a solid export performance. For 2024 as a whole, growth is projected at 3.6%.

This positive momentum is expected to continue, with economic growth forecast at 2.8% in 2025, and 2.5% in 2026. Investment is set to keep benefitting from the funds of the Recovery and Resilience Facility, and easing financial conditions are expected to provide a further stimulus. Export performance is projected to continue to benefit from growing tourist receipts and a dynamic outlook for services, particularly related to ICT. The ongoing recovery in household purchasing power due to an increase in nominal wages and declining inflation, is expected to boost private consumption.

Graph III.10.1: **Cyprus - Real GDP growth and contributions**



HICP inflation is expected to converge to 2.0% over the forecast horizon, reflecting a gradual easing of base effects in particular for food, and declines in domestic energy prices. Services inflation is expected to remain elevated, mainly due to high nominal wage growth and increasing demand especially for tourism.

The current account deficit remains elevated but is projected to decline, to reach 8.2% of GDP in 2026. This declining trend is set to be supported by strong tourism flows and sustained improvements in the trade balance, despite persistently high net outflows of primary income resulting from the repatriation of profits by foreign-owned corporations.

Downside risks to the outlook persist. Ongoing tensions in the Middle East could disrupt supply chains and increase production costs. The tourism sector, a key contributor to the external balance, remains vulnerable to those risks. Additionally, energy prices pose a threat due to Cyprus's high oil dependence and limited integration with the European electricity market.

Solid fundamentals to support employment growth

Employment grew by 2.7% y-o-y in the first half of 2024, reflecting increased hiring in tourism and the public sector. Over the same period, the unemployment rate fell by one pp., reaching 4.9% by the end of the second quarter. This is the lowest level in the last 15 years. Skills mismatches and labour market slack remain limited, partly due to the influx of foreign workers benefiting from the incentives provided under the government's initiative to attract multinational business to set up their base on Cyprus (headquartering). Employment is projected to grow by 1.9% in 2024, with a slight moderation at 1.2% by 2026. The unemployment rate is, projected to decline further and reach 4.5% in 2026.

Positive fiscal outlook

The government surplus is expected to remain solid over the forecast horizon. In 2024, the surplus is projected at 3.5% of GDP in 2024, up from 2% in 2023. The budget balance of 2023 includes the temporary negative impact of 1.1% of GDP from the statistical treatment of some retroactive payment to civil servants' pension fund, which is eliminated in 2024. Further improvements of the 2024 surplus are stemming from revenue growth which is set to outpace the increasing expenditure throughout the year. Improved labour market conditions and higher contribution rates for employers and employees as of January 2024 contribute to increasing budget revenue from social security contributions. Higher receipts from corporate income tax, personal income tax and VAT are also expected to boost tax revenue, which is forecast to increase by around 11% overall. Public wage expenditure is projected to grow by more than 11%, primarily due to inflation indexation and higher social contribution rates for civil servants. Public investment is expected to remain high as RRP projects are maturing and other EU funds of 2021-2027 programming period are gaining speed. Investment financed by national state budget is expected to somewhat decrease.

The budget surplus is forecast to remain but to be lower at 2.7% of GDP in 2025 and 2026, as tax revenue increases are set to moderate in line with incomes and consumption and collection of tax arrears is assumed to flatten. At the same time, ad hoc increases in public wages adopted at the end of 2024 and measures to support housing are expected to be the main drivers of the growing expenditure in 2025.

The government debt-to-GDP ratio was at 73.6% in 2023. This figure was revised down by around 4 pps after the benchmark update of nominal GDP for the period 1995-2023. The revision incorporates statistical and methodological changes that had a level-shift impact on the entire forecast profile The debt-to-GDP ratio is expected to continue declining to 66.4% of GDP in 2024 and to 56.7% in 2026, largely due to primary surpluses and continued strong nominal GDP growth.

Risks to fiscal outlook arise mainly from implementation challenges of some large investment projects, such as the construction of a liquified natural gas terminal, that may burden public budget through called guarantees and other claims. Positive developments may include continued improvements in tax administration and collection of tax arrears.

Table III.10.1: **Main features of country forecast - CYPRUS**

	2023			Annual percentage change					
mio EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	31340.0	100.0	1.9	11.4	7.4	2.6	**3.6**	**2.8**	**2.5**
Private Consumption	18702.7	59.7	1.8	5.9	9.8	6.0	**3.2**	**2.1**	**2.0**
Public Consumption	5816.2	18.6	2.6	7.5	4.6	2.2	**0.1**	**1.5**	**2.1**
Gross fixed capital formation	6659.3	21.2	1.9	1.9	9.0	11.1	**4.9**	**3.2**	**1.8**
Exports (goods and services)	30405.7	97.0	4.3	26.2	23.8	0.1	**7.7**	**3.5**	**2.4**
Imports (goods and services)	30013.7	95.8	4.2	19.6	26.6	1.7	**7.2**	**2.9**	**1.9**
GNI (GDP deflator)	28341.0	90.4	2.5	8.8	8.5	0.8	**2.9**	**3.0**	**2.5**
Contribution to GDP growth:	Domestic demand		2.1	5.5	8.1	6.0	**3.0**	**2.2**	**1.9**
	Inventories		-0.1	0.9	0.6	-1.8	**0.0**	**0.0**	**0.0**
	Net exports		0.0	5.0	-1.4	-1.6	**0.6**	**0.7**	**0.5**
Employment			1.5	2.9	4.0	1.4	**1.9**	**1.3**	**1.2**
Unemployment rate (a)			9.0	7.5	6.8	5.8	**4.9**	**4.7**	**4.5**
Compensation of employees / head			1.5	4.6	7.3	5.0	**4.4**	**3.0**	**2.8**
Unit labour costs whole economy			1.1	-3.4	4.0	3.8	**2.8**	**1.5**	**1.5**
Saving rate of households (b)			6.0	15.0	12.3	9.9	**10.9**	**11.6**	**12.2**
GDP deflator			1.1	3.0	6.7	3.8	**3.5**	**2.3**	**2.2**
Harmonised index of consumer prices			1.1	2.3	8.1	3.9	**2.2**	**2.1**	**2.0**
Terms of trade goods			0.3	0.0	-1.9	1.0	**0.0**	**0.1**	**0.2**
Trade balance (goods) (c)			-22.1	-16.9	-19.6	-23.0	**-22.4**	**-21.8**	**-20.9**
Current-account balance (c)			-8.4	-5.4	-5.4	-9.5	**-9.2**	**-8.4**	**-8.2**
General government balance (c)			-3.2	-1.6	2.6	2.0	**3.5**	**2.7**	**2.7**
Fiscal stance (c)			:	0.1	0.8	-2.4	**1.1**	**0.3**	**1.1**
Structural budget balance (d)			1.7	-2.6	0.2	0.4	**2.2**	**1.8**	**2.1**
General government gross debt (c)			81.2	96.5	81.0	73.6	**66.4**	**61.4**	**56.7**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

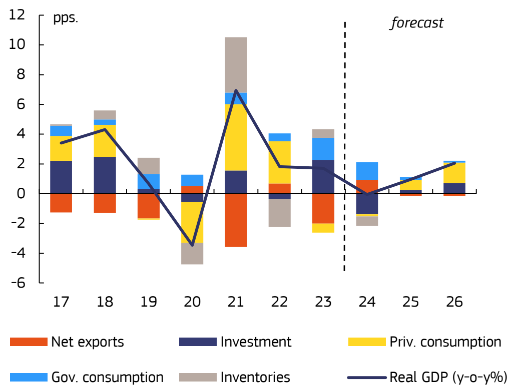
11. LATVIA

Latvia's economy is set to stagnate in 2024. Private consumption has not yet recovered despite pronounced wage growth, whereas public expenditure is set to remain strong, through additional spending on healthcare and research. The economy is forecast to pick up in 2025 and 2026, with GDP growth reaching 1% and 2.1%, respectively. A decline in energy prices and a broad-based slowdown in other price categories are set to bring inflation down to 1.2% in 2024. As energy prices normalise, inflation is expected to reach 2.2% in 2025 and 2026. Unemployment is projected to increase in 2024 and to decrease slightly in 2025 and 2026. The general government deficit is forecast to increase to 3.2% of GDP in 2025 and 2026 driven by weaker growth of tax revenue.

Private consumption and public expenditure set to drive growth in 2024 and 2025

In the context of the 2024 benchmark revision of the national accounts, real GDP growth was revised up to 1.7% in 2023 compared to an initially estimated contraction by 0.3%, supported by a stronger investment growth and public consumption expenditure.

Graph III.11.1: **Latvia - Real GDP growth and contributions**



The first half of 2024 showed a rather weak recovery in private consumption, despite real disposable income growth strengthening. Services exports recovered in the first half of the year, but their growth, as well as goods exports, is still expected to be negative in 2024 due to strong base effects. Public expenditure is set to remain strong, in particular through additional spending on healthcare and research. After solid growth in 2023, investment significantly declined in the first half of this year, especially in the construction sector. As a result, real GDP is forecast to stagnate in 2024. In 2025 and 2026, goods exports are projected to progressively recover, in line with a general improvement in demand from Latvia's main trading partners. The labour market is set to remain tight and maintain solid wage growth, supporting further expansion of real income, which should eventually spill over into private consumption. Investment is expected to recover in 2025 supported by EU fund inflows and easing financial conditions. In 2025, growth is projected to reach 1%, to further pick up to 2.1% in 2026.

Labour market expected to remain tight

The unemployment rate is forecast to reach 6.7% in 2024, to then decrease slightly in 2025 and further in 2026 on the back of increasing labour demand. After having reached 15.7% in 2023, compensation per employee growth is set to stay strong in 2024 at 8.8%, supported by increases in the minimum wage and in public wages, well above productivity growth. Nominal wage growth is set to reach 4% in 2025 and 3.5% in 2026, driven by labour market tightness.

Inflation set to ease rapidly

In the first nine months of 2024, energy prices declined fast and have fuelled a rapid decrease of HICP inflation as expected. Combined with a broad-based slowdown in prices of other HICP items, inflation is set to fall to 1.2% in 2024. As base effects from energy prices fade away, inflation is set to reach 2.2% in 2025 and 2026. Driven by development in wages, services inflation is projected to reach 4.5% in 2024 and decrease gradually to 2.3% by 2026. Headline inflation excluding energy and food is expected to remain above HICP inflation in 2024 and 2025, driven by pressures in services and processed food prices and to converge to a similar level to headline inflation by 2026.

Deficit to increase over forecast horizon

In 2024, the general government deficit is projected at 2.8% of GDP, up from 2.4% of GDP in 2023. The impact of the complete phase-out of energy-related measures by the end of 2023 was more than offset by additional expenditure on public wages, healthcare and education, supplementary payments to pensioners and public investment. Revenue increase from taxes on products is expected to be rather modest in 2024 compared to 2023 mainly due to a decline in energy prices. At the same time, the introduction of corporate income tax advance payments from the financial sector, an increase in the rates for several excise duties and additional dividend payments from state-owned companies are expected to yield a moderate increase in revenue.

In 2025, the government deficit is forecast to increase to 3.2% of GDP. The deficit increase stems from the revenue side, including tax revenue reduction due to the labour tax reform, in particular on taxes on income and wealth, as well as a projected decline of revenue from property income, which was elevated in 2023 and 2024 due to high profitability of state-owned companies in energy and forestry sectors. The revenue from advance payments in the corporate income tax from the financial sector is projected to decrease in line with expected lower profit margins following a decline in interest rates.

In 2026, the government deficit is forecast to remain at 3.2% of GDP, mainly due to the projected revenue decrease from property income, impact from the labour tax reform carried out in 2024 and moderate growth of government consumption expenditure.

The debt-to-GDP ratio reached 45.0% in 2023 and is forecast to increase to 48.1% in 2024, 50.3% in 2025 and 51.6% in 2026 as a result of positive stock-flow adjustment and budget deficits.

Table III.11.1: **Main features of country forecast - LATVIA**

		2023		Annual percentage change						
mio EUR		Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		39072.5	100.0	2.1	6.9	1.8	1.7	**0.0**	**1.0**	**2.1**
Private Consumption		23182.0	59.3	2.1	8.1	5.1	-1.0	**-0.2**	**1.1**	**2.4**
Public Consumption		7976.5	20.4	1.3	3.7	2.4	7.0	**5.8**	**0.9**	**0.5**
Gross fixed capital formation		9717.5	24.9	0.9	6.8	-1.6	9.9	**-5.6**	**1.1**	**3.0**
Exports (goods and services)		26167.2	67.0	5.6	9.1	11.4	-4.7	**-1.8**	**1.6**	**2.4**
Imports (goods and services)		27628.2	70.7	4.0	15.1	9.9	-2.0	**-3.1**	**1.8**	**2.5**
GNI (GDP deflator)		38145.8	97.6	2.3	4.9	1.9	1.1	**0.1**	**0.9**	**2.0**
Contribution to GDP growth:	Domestic demand			2.3	6.8	3.0	3.1	**-0.3**	**1.1**	**2.2**
	Inventories			0.0	3.7	-1.9	0.6	**-0.6**	**0.0**	**0.0**
	Net exports			0.0	-3.6	0.7	-2.0	**0.9**	**-0.2**	**-0.2**
Employment				-0.3	-1.3	0.2	0.1	**-0.3**	**-0.4**	**-0.4**
Unemployment rate (a)				10.8	7.6	6.9	6.5	**6.7**	**6.7**	**6.5**
Compensation of employees / head				8.5	7.6	13.1	15.6	**9.2**	**4.5**	**4.0**
Unit labour costs whole economy				6.0	-0.7	11.3	13.8	**8.9**	**3.1**	**1.5**
Saving rate of households (b)				5.0	10.4	3.1	5.4	**12.8**	**14.9**	**15.0**
GDP deflator				4.3	3.3	9.8	6.4	**2.5**	**2.9**	**2.1**
Harmonised index of consumer prices				3.5	3.2	17.2	9.1	**1.2**	**2.2**	**2.2**
Terms of trade goods				1.1	0.2	-3.3	2.9	**-0.8**	**0.4**	**-0.2**
Trade balance (goods) (c)				-13.2	-8.6	-11.4	-9.3	**-8.9**	**-8.9**	**-9.1**
Current-account balance (c)				-4.0	-4.1	-5.5	-3.9	**-3.2**	**-2.1**	**-2.3**
General government balance (c)				-2.6	-7.2	-4.9	-2.4	**-2.8**	**-3.2**	**-3.2**
Fiscal stance (c)				:	-1.1	-1.7	-1.1	**0.0**	**-1.2**	**-0.1**
Structural budget balance (d)				-1.6	-7.4	-5.0	-2.6	**-2.6**	**-2.8**	**-3.1**
General government gross debt (c)				34.6	45.9	44.4	45.0	**48.1**	**50.3**	**51.6**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

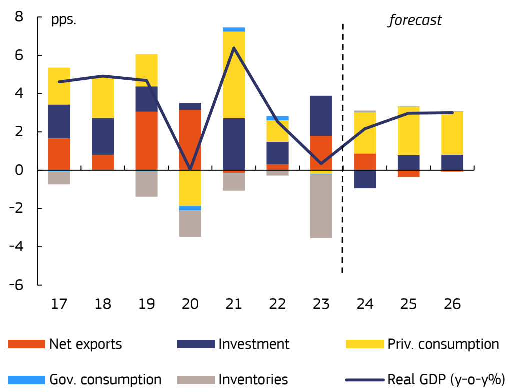
12. LITHUANIA

Lithuania's economy is expected to grow over the forecast horizon, supported by a strong increase in private consumption and buoyant services exports. Real GDP is expected to grow by 2.2% in 2024. In 2025, it is forecast to grow by 3% as investment expansion resumes and consumption remains strong. HICP inflation is forecast to slow down substantially to 0.9% in 2024 following the fast decline in energy and unprocessed food prices, before increasing to 1.7% in 2025 and 1.6% in 2026, given higher services inflation and other components coming back to trend values. The general government deficit is projected to increase gradually from 2.0% in 2024, to 2.4% in 2025, and 2.6% in 2026.

Economic activity recovering rapidly

Following the 2024 benchmark revision of national accounts data, real GDP was found to have grown by 0.3% in 2023, up from the 0.3% decrease that was previously estimated.

Graph III.12.1: **Lithuania - Real GDP growth and contributions**



In 2024, easing inflation and continued growth in nominal wages are supporting private consumption, notwithstanding a growing savings rate. By contrast, investment is projected to decline following its strong growth in 2023, amid trade uncertainty and generally low capacity utilisation. Not only is services trade expected to continue growing from a strong base, but trade in goods is also forecast to recover over the year - albeit more slowly than services - as growth in trading partners in the EU and globally gradually resumes. In 2025 and, to a lesser extent, 2026, private consumption growth is projected to accelerate, in line with continued growth in real wages. At the same time, investment in intangibles, defence and energy are expected to start increasing again in 2025 and continue in 2026 through EU funded investments and supported by monetary policy easing. The pace of growth in exports is likely to continue to depend on the pace of the recovery in the EU, but imports are expected to outpace exports.

Labour market to loosen temporarily with refugee inflows

The continued inflow of persons fleeing the war in Ukraine and entering the labour market is projected to relieve labour demand pressures in 2024. However, as not all new labour market entrants are expected to find a job, the unemployment rate is projected to pick up from 6.9% in 2023 to 7.5% in 2024. In 2025, a slower increase in the numbers of displaced persons entering the country, together with natural population decline, are set to push the unemployment rate back down to 7.0% and 6.9% in 2025 and 2026. Labour market tightness is expected to support wage growth at around 10% annually in 2024, which should gradually decrease over the forecast horizon.

Inflation expected to stabilise at lower levels

HICP inflation is expected to decline substantially to 0.9% in 2024, before increasing to 1.7% in 2025 and 1.6% in 2026. Declining energy and unprocessed food prices in 2024 and a significant slowdown in price growth for the remaining components of HICP are set to continue to bring down both headline inflation and inflation excluding energy and food. However, services inflation is expected to decrease more slowly between 2024 and 2026, due to sustained wage growth. Increased excise duties on petrol, alcohol and cigarettes to support defence funding are also expected to have an impact on inflation, although to a lesser extent.

General government deficit set to increase

In 2024, the general government deficit is forecast to increase significantly to 2.0% of GDP (from 0.7% in 2023), due to projected substantial increases in social spending, interest expenditure and public wages, as well as capital transfers related to the rising national defence needs.

In 2025, the deficit is projected to continue to increase to 2.4% of GDP. The increase is set to be driven by rising general government expenditure (by 0.7 pps. of GDP), while revenue is expected to increase at a slower pace (by 0.3 pps. of GDP). The main contributor to the rising deficit is the increase in expenditure related to the social benefits (pensions included), which is projected to rise by 0.6 pps. of GDP, mainly due to the annual indexation of public pensions as well as a 26% increase in the 'minimum consumption basket', to which many social benefits are associated. An increase in public wages (0.2 pps. of GDP) and interest expenditure (0.1 pps. of GDP) are the two other major contributors to higher expenditure. General government revenue is forecast to increase mainly due to the increase in VAT and excise duties for polluting fuels.

The deficit is expected to increase further to 2.6% of GDP in 2026, mainly due to the continuous indexation of pensions and rising social benefits, as well as increasing interest expenditure, which is projected to reach around 1.1% of GDP in 2026.

In 2024, public debt is expected to increase to 38.3% of GDP. In 2025 and 2026, the debt-to-GDP ratio is projected to increase further, reaching 41.0% and 44.6%, respectively, due to the rising deficit and stock flow adjustments which are needed mostly to compensate the significant deficits in the state budget as the surpluses in the Social Security Fund cannot be used for this purpose.

Table III.12.1: **Main features of country forecast - LITHUANIA**

	2023		Annual percentage change						
	bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	73.8	100.0	3.1	6.4	2.5	0.3	**2.2**	**3.0**	**3.0**
Private Consumption	41.8	56.7	2.5	8.1	2.0	-0.3	**3.8**	**4.5**	**4.0**
Public Consumption	12.9	17.5	0.2	1.2	1.2	-0.2	**0.0**	**0.1**	**0.1**
Gross fixed capital formation	17.5	23.7	3.9	12.6	5.2	9.3	**-4.0**	**3.5**	**3.6**
Exports (goods and services)	56.4	76.5	7.1	16.6	12.4	-3.4	**3.5**	**3.2**	**3.5**
Imports (goods and services)	53.6	72.6	5.6	19.2	12.7	-5.3	**2.5**	**3.9**	**3.8**
GNI (GDP deflator)	71.5	96.9	3.1	5.6	1.9	1.3	**2.4**	**3.0**	**3.1**
Contribution to GDP growth: Domestic demand			2.7	7.4	2.5	1.9	**1.2**	**3.3**	**3.1**
Inventories			-0.1	-0.9	-0.3	-3.3	**0.1**	**0.0**	**0.0**
Net exports			0.7	-0.1	0.3	1.8	**0.9**	**-0.4**	**-0.1**
Employment			-0.2	1.3	4.9	1.4	**1.9**	**0.1**	**-0.3**
Unemployment rate (a)			9.5	7.1	6.0	6.9	**7.5**	**7.0**	**6.9**
Compensation of employees / head			7.3	11.8	11.6	11.9	**7.9**	**6.5**	**5.3**
Unit labour costs whole economy			3.8	6.5	14.2	13.1	**7.7**	**3.5**	**2.0**
Saving rate of households (b)			0.2	10.1	4.7	6.8	**11.1**	**12.2**	**12.3**
GDP deflator			3.3	6.0	16.1	9.0	**3.6**	**3.5**	**2.2**
Harmonised index of consumer prices			2.9	4.6	18.9	8.7	**0.9**	**1.7**	**1.6**
Terms of trade goods			0.3	-6.4	-11.1	5.4	**2.3**	**0.7**	**0.2**
Trade balance (goods) (c)			-6.6	-5.1	-10.9	-6.2	**-5.4**	**-5.4**	**-5.4**
Current-account balance (c)			-2.3	1.4	-6.1	1.1	**2.7**	**2.5**	**2.4**
General government balance (c)			-2.5	-1.1	-0.7	-0.7	**-2.0**	**-2.4**	**-2.6**
Fiscal stance (c)			:	2.4	0.7	0.0	**-1.4**	**-0.4**	**0.2**
Structural budget balance (d)			-1.8	-1.9	-1.2	0.1	**-1.2**	**-1.7**	**-2.2**
General government gross debt (c)			32.7	43.3	38.1	37.3	**38.3**	**41.0**	**44.6**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

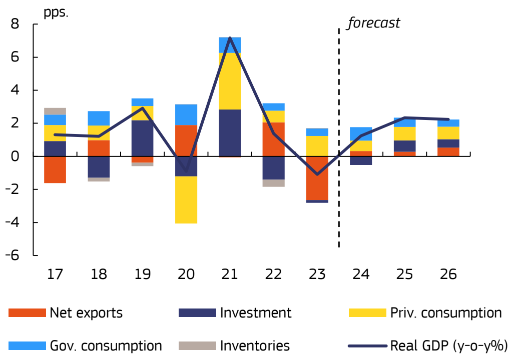
13. LUXEMBOURG

Real GDP growth in Luxembourg is projected to remain modest in 2024, at 1.2%, before picking up to 2.3% in 2025 and 2.2% in 2026. The below-average growth in 2024 is mainly due to weaker investment and net exports amid adverse financing conditions and geopolitical uncertainty. After a deceleration in 2024, headline inflation is set to rebound slightly in 2025 as a result of the phasing out of several energy measures. The general government balance is projected to remain in a small deficit.

Growth to slightly rebound in 2024

After a contraction of 1.1% in 2023, real GDP expanded by 0.7% and 0.6% q-o-q in 2024-Q1 and 2024-Q2 respectively. Growth rebounded thanks to an acceleration in domestic demand and to a positive contribution from net exports, given that exports outperformed imports in the first half of the year.

Graph III.13.1: **Luxembourg - Real GDP growth and contributions**



Private consumption is expected to decelerate in 2024 due to a slowdown in wage growth and to low consumer confidence. Investment is set to suffer from a low level of transactions in the housing market hindered by tighter credit conditions. Nevertheless, a recent pick-up in household loans demand could indicate an imminent recovery. Overall, GDP is projected to grow by 1.2% in 2024 as a whole.

In 2025 and 2026, economic growth is expected to accelerate supported by an expansionary fiscal stance, falling interest rates -which underpin investment-, and the improvement of the external environment. Two expected wage indexations in 2025 should further support private demand, while an improved outlook for the property market is set to contribute to investment in dwellings. Credit to companies is projected to pick up from the current low level, benefiting both from the expected further fall in interest rates and from the realisation of delayed equipment investment projects. On the net exports side, financial services recovery, which started already in 2024, is projected to continue, thanks to a pick-up in investment fund revenue. In 2026, momentum is expected to weaken on the back of a lower domestic demand.

Labour market set to weaken

Following the contraction in GDP in 2023, employment growth is projected to lag activity, thereby slowing down to 0.9% in 2024, before accelerating to 1.6% in 2025 and 1.7% in 2026. The unemployment rate is expected to rise from 5.2% in 2023 to 6.0% in 2024, and to stabilise in 2025 before edging down to 5.8% in 2026 as employment recovers somewhat.

Inflation expected to slightly rebound in 2025

Headline inflation is set to drop to 2.3% in 2024 as a result of decelerating goods prices, primarily of energy, but also of food and industrial goods. It is projected to slightly rebound to 2.4% in 2025 as the acceleration of energy inflation (following the phase-out of most of the energy-related measures) is expected to more than offset the deceleration in food prices. Headline inflation is then forecast to drop to 1.8% in 2026 as inflation of energy turns negative and that of services and foods moderates further. Consequently, HICP inflation excluding energy, food, alcohol and tobacco is expected to decrease to 2.6% in 2024, and to rebound temporarily to 2.7% in 2025 before decreasing to 2.1% in 2026.

General government balance to remain in a small deficit over the forecast horizon

In 2024, the general government deficit is expected to decrease to 0.6% of GDP from 0.7% of GDP in 2023. Expenditure growth is projected to slow down compared to the previous year on the back of a less inflationary environment, in which the automatic indexation of wages and social transfers should not be warranted. The implementation of the provisional twelfths system in the first part of the year is also set to contribute to the expected slow down of expenditure. Revenue growth is projected to remain robust in spite of the impact of measures to support households' purchasing power, the competitiveness of enterprises and the construction sector. The aggregate impact of these measures on revenues is estimated at 0.5% of GDP and includes an upward adjustment of personal income tax brackets following several wage indexations and a reduction in social security contributions for companies.

In 2025, the deficit is projected to increase to 0.8% of GDP, under the impact of a new set of measures to support the economic recovery and households' purchasing power. In spite of the expected rebound in economic activity, revenues from direct taxes are projected to come in at a slower pace than in the previous year, as the government implements measures to support households and companies, including a reduction of the corporate income tax rate. The almost complete phase out of the measures to mitigate the impact of high energy prices contributes to limit expenditure growth in spite of the projected increase in price pressure, which increases expenditure on compensation of public employees and social transfers.

The deficit is set to decline to 0.6% of GDP in 2026, as revenue growth is expected to outpace expenditure growth. The assumed complete phase out of energy-related measures by end of 2025 should contribute to this. Public investment is projected to remain at a high level over the forecast horizon and support the digital and green transition.

The interest rate expenditure is expected to rise due to higher refinancing rates and increasing debt, reaching 0.4% of GDP in 2026. The debt-to-GDP ratio is projected to increase from 25.5% in 2023 to 27.5% in 2026, due to the budget deficits and to social security fund-related stock-flow adjustments.

Table III.13.1: **Main features of country forecast - LUXEMBOURG**

	2023		Annual percentage change						
mio EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	79309.6	100.0	2.3	7.2	1.4	-1.1	**1.2**	**2.3**	**2.2**
Private Consumption	25553.2	32.2	1.7	11.4	2.3	4.0	**2.0**	**2.6**	**2.4**
Public Consumption	15060.7	19.0	3.1	5.1	2.6	2.5	**4.3**	**2.8**	**2.3**
Gross fixed capital formation	14379.8	18.1	2.0	16.9	-7.7	-1.0	**-2.9**	**4.2**	**3.0**
Exports (goods and services)	168557.2	212.5	4.0	10.3	-0.6	-1.4	**1.0**	**4.1**	**3.7**
Imports (goods and services)	144097.7	181.7	4.3	12.4	-1.9	-0.1	**1.0**	**4.6**	**4.1**
GNI (GDP deflator)	51618.1	65.1	0.9	4.5	-0.3	-4.5	**-0.1**	**2.6**	**2.0**
Contribution to GDP growth: Domestic demand			1.5	7.2	-0.3	1.5	**0.9**	**2.1**	**1.7**
Inventories			0.1	0.0	-0.4	0.0	**0.0**	**0.0**	**0.0**
Net exports			0.8	-0.1	2.1	-2.6	**0.3**	**0.3**	**0.5**
Employment			2.9	2.9	3.4	2.2	**0.9**	**1.6**	**1.7**
Unemployment rate (a)			5.4	5.3	4.6	5.2	**6.0**	**6.0**	**5.8**
Compensation of employees / head			2.5	5.1	5.8	7.3	**3.0**	**3.4**	**3.3**
Unit labour costs whole economy			3.1	0.9	7.9	10.9	**2.7**	**2.7**	**2.8**
Saving rate of households (b)			13.5	18.2	18.2	18.1	**17.8**	**17.7**	**17.4**
GDP deflator			3.0	4.6	5.7	3.4	**3.9**	**3.0**	**2.9**
Harmonised index of consumer prices			1.9	3.5	8.2	2.9	**2.3**	**2.4**	**1.8**
Terms of trade goods			0.8	1.5	-7.2	0.8	**-2.6**	**1.6**	**1.6**
Trade balance (goods) (c)			1.0	0.0	0.5	0.9	**-0.1**	**0.0**	**0.5**
Current-account balance (c)			3.9	1.2	0.4	-4.7	**-4.5**	**-4.3**	**-4.0**
General government balance (c)			1.2	1.0	0.2	-0.7	**-0.6**	**-0.8**	**-0.6**
Fiscal stance (c)			:	0.4	-1.5	-2.9	**-0.9**	**-0.3**	**0.0**
Structural budget balance (d)			1.7	0.7	0.1	0.7	**1.1**	**0.7**	**0.8**
General government gross debt (c)			17.9	24.4	24.6	25.5	**27.5**	**27.6**	**27.5**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

14. MALTA

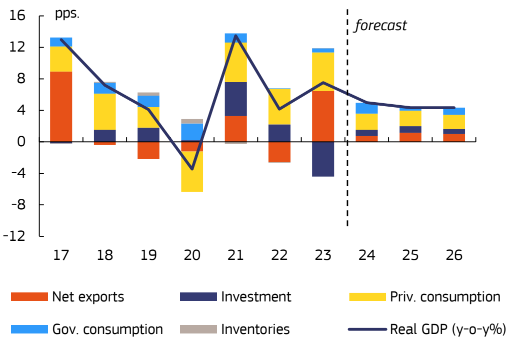
The Maltese economy maintains its growth momentum on the back of strong domestic demand and export performance. Tourism arrivals to Malta continue to grow, while the strong employment and recovering real wages are supporting consumption. After achieving 5.0% GDP growth in 2024, the Maltese economy is set to continue expanding at 4.3% in 2025 and 2026. The government deficit is set to decline to 4.0% of GDP in 2024 and is expected to decrease further in 2025 and 2026, remaining above 3% over the forecast horizon.

Growth is expected to remain strong

Real GDP growth in 2024 is projected to reach 5.0%, 0.4 pps. higher than expected in spring. The main drivers are strong private and public consumption, aided by the positive contribution of net exports. These trends reflect the impact of still growing tourist arrivals and robust immigration flows.

Tourism in Malta already exceeded the pre-pandemic levels in 2023 and continues to grow. Between January and August 2024, the flow of tourists was 21.1% higher than the corresponding period of 2023, matched by a similar overall tourism expenditures growth. Driven by tourism and other services sectors (recreational services, as well as professional, IT and financial services), exports are expected to continue growing faster than imports in 2024, with an overall positive contribution of trade to real GDP growth.

Graph III.14.1: **Malta - Real GDP growth and contributions**



Investment growth is projected to recover after a sharp slowdown in 2023, reaching 4.4% in 2024, 4.5% in 2025, and 3.5% in 2026. The ongoing absorption of the Recovery and Resilience Fund's support provides additional impulse to investments. Overall, real GDP is projected to stay on a robust growth path reaching 4.3% in both 2025 and 2026.

Employment continues on the path of robust growth

Employment is expected to grow by 4.3% in 2024, relying on high immigration flows given the intense labour and skills shortages on the domestic market. Employment growth is set to decelerate but remain strong at 3.1% in 2025 and at 2.8% in 2026. The unemployment rate is expected to stay low at 3.2% in 2024, marginally dropping to 3.0% by 2026. However, high employment growth in low-paid sectors is set to keep nominal wage growth per employee in 2024 and over the forecast horizon modest, growing at a pace slightly above projected inflation.

Inflation declines following the global trend

HICP inflation moderated and is set to average 2.5% in 2024. Energy prices are expected to remain stable also in 2025 and 2026, as Maltese authorities confirmed their commitment to continue their energy subsidies measures. Headline inflation is forecast at 2.2% in 2025 and 2.0% in 2026, with food and services inflation set to be the main contributors of inflation.

The government deficit is set to decline to just above 3% in 2026

In 2024, the general government deficit is set to fall to 4.0% of GDP, from 4.5% in 2023, due mainly to a decrease of subsidies, including measures to mitigate the impact of high energy prices, and the national airline's restructuring costs.

In 2025, the deficit is forecast to further decrease to 3.5% of GDP. In particular, subsidies are expected to further drop as percentage of GDP while the measures to mitigate the impact of high energy prices are expected to remain unchanged in nominal terms. Compensation of employees, social expenditure and public investment are also expected to decline somewhat as a share of GDP. This is projected to be partially compensated by decreasing revenues from personal income taxes, due to a comprehensive reform of income brackets.

Based on unchanged policies, the deficit is set to decline further to 3.1% of GDP in 2026 mainly reflecting a further decrease of subsidies as a share of GDP and the higher growth rate of revenues compared to the growth rate of nominal GDP, as the efforts to improve tax administration start to bring results

In 2023, the debt-to-GDP ratio fell by 2 pps. to 47.4%, despite the high primary deficit, due to strong nominal growth as well as the impact of the benchmark revision. A stock-flow adjustment related to the equity injection in the national airline and a less favourable interest-growth-rate differential are expected to drive the increase of the public debt to 49.8% of GDP in 2024. Smaller primary deficits are forecast to lead to a stabilisation of the debt ratio by 2026, just above 50% of GDP.

Table III.14.1: **Main features of country forecast - MALTA**

		2023		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**05-20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP		20.7	100.0	4.5	13.5	4.1	7.5	**5.0**	**4.3**	**4.3**
Private Consumption		9.5	45.8	2.4	11.9	10.9	11.2	**4.5**	**4.3**	**4.0**
Public Consumption		3.4	16.6	5.2	5.9	0.4	2.9	**8.3**	**2.2**	**5.3**
Gross fixed capital formation		3.8	18.6	5.3	20.5	9.7	-18.2	**4.4**	**4.5**	**3.5**
Exports (goods and services)		25.4	122.8	8.6	-0.4	13.7	4.7	**3.2**	**3.2**	**2.9**
Imports (goods and services)		21.6	104.7	7.9	-3.1	18.5	-0.4	**3.0**	**2.7**	**2.5**
GNI (GDP deflator)		17.9	86.7	3.7	12.2	2.2	8.2	**7.8**	**3.7**	**4.4**
Contribution to GDP growth:	Domestic demand			3.4	10.5	6.8	1.0	**4.3**	**3.2**	**3.4**
	Inventories			0.0	-0.3	-0.1	0.0	**0.0**	**0.0**	**0.0**
	Net exports			1.2	3.3	-2.6	6.5	**0.7**	**1.2**	**1.0**
Employment				3.2	2.8	5.0	6.1	**4.3**	**3.1**	**2.8**
Unemployment rate (a)				5.7	3.8	3.5	3.5	**3.2**	**3.1**	**3.0**
Compensation of employees / head				3.7	5.0	3.9	1.9	**4.3**	**4.1**	**2.7**
Unit labour costs whole economy				2.4	-4.9	4.8	0.6	**3.6**	**2.9**	**1.2**
Saving rate of households (b)				6.4	20.2	13.2	11.4	**:**	**:**	**:**
GDP deflator				2.4	2.4	5.1	5.3	**2.6**	**2.5**	**2.1**
Harmonised index of consumer prices				1.8	0.7	6.1	5.6	**2.5**	**2.2**	**2.0**
Terms of trade goods				0.5	0.2	1.3	0.8	**0.0**	**0.3**	**0.0**
Trade balance (goods) (c)				-16.0	-12.2	-17.5	-11.9	**-11.8**	**-11.4**	**-11.1**
Current-account balance (c)				0.3	3.6	-1.8	4.6	**5.7**	**5.7**	**5.9**
General government balance (c)				-1.8	-7.0	-5.2	-4.5	**-4.0**	**-3.5**	**-3.1**
Fiscal stance (c)				:	-2.8	-0.3	0.7	**0.4**	**1.0**	**0.4**
Structural budget balance (d)				-1.0	-7.0	-4.4	-4.6	**-3.9**	**-3.2**	**-2.6**
General government gross debt (c)				58.3	49.6	49.4	47.4	**49.8**	**50.4**	**50.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

15. THE NETHERLANDS

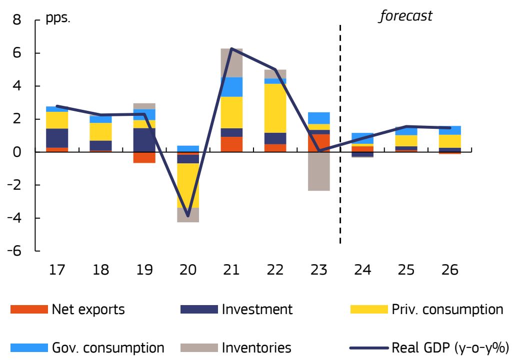
Following economic stagnation in 2023, real GDP growth is projected to pick up to 0.8% in 2024, 1.6% in 2025 and 1.5% in 2026. Inflation has come down substantially while wages are expected to increase by well over 6% in 2024. The resulting improvement in real wages is expected to support private consumption going forward. Investment growth was negative in the second half of 2023 but is set to recover gradually because of easing of financial conditions and positive public investment growth. The government deficit is forecast to increase to 1.9% in 2025 due to tax cuts and the impact of a court ruling on unduly paid taxes. The deficit in 2026 is set to widen further due to expenditure related to a reform of military pensions.

A return to modest growth following a few volatile quarters

Real GDP growth was volatile in the first half of 2024, with the first quarter surprising on the downside (-0.3% q-o-q) and the second quarter on the upside (+1.0% q-o-q). The main driver of this volatility was the contribution from net trade, which fluctuated between strongly negative in the first quarter to strongly positive in the second. Following a contraction in the first half of the year, private consumption in the remainder of 2024 is expected to benefit from strong real wage growth, with contractual wage growth well above 6% and the labour market remaining tight. Business confidence indicators show a modest recovery from the low levels reached at the end of 2023, but industrial production remains weak. Investment activity decreased for three quarters in a row in 2023, with construction being particularly affected by tighter financial conditions and labour shortages. Investment growth is set to pick up modestly in 2024 as financial conditions improve and public investment expands. Overall, GDP growth in 2024 is projected at 0.8%.

In 2025 and 2026, private consumption is expected to pick up further as solid wage growth, falling inflation and tax cuts support households' real disposable incomes. In addition, the outlook for business investment and trade is set to improve on the back of easing financial conditions and an improved external environment. Real GDP is forecast at 1.6% in 2025 and 1.5% in 2026.

Graph III.15.1: **The Netherlands - Real GDP growth and contributions**



The labour market remains strong

The labour market remains strong, with a very low unemployment rate (3.6%) and vacancies outnumbering the unemployed. Nevertheless, employment growth has been slowing down in recent months. Going forward, growth in the labour force is expected to exceed the weak employment growth, this is set to result in a marginal pick up in unemployment from 3.7% in 2024 to 3.8% in 2025 and 3.9% in 2026. Driven by a tight labour market, and given that wages have not yet fully caught up to the price increases of the past years, nominal wage growth is projected to reach 6.4% in 2024. Wage growth is expected to remain elevated but to slowly ease to 4.7% in 2025 and 3.6% in 2026.

Inflation coming down slowly

HICP inflation in the first half of 2024 hovered around 3%, down from an average of 4.2% in 2023. However, services inflation remains high and, together with high processed food inflation, pushed the headline rate up somewhat in the third quarter (3.4%). Strong nominal wage growth and the adjustment of rents to higher price levels drove the increase in services inflation while an increase in excise duties on tobacco led to a surge in processed food price inflation. Going forward, services inflation is projected to peak in the fourth quarter of 2024 before starting to come down gradually in 2025 and 2026. Annual HICP inflation is forecast at 3.2% in 2024, 2.4% in 2025 and 1.9% in 2026.

A lower-than-expected 2024 government deficit set to worsen

In 2024, the budget deficit is expected to be significantly smaller (0.2%) than projected in the Spring Forecast (2.0%) due to higher-than-expected revenue from taxes on income and wealth in the first two quarters of the year. Additionally, expenditure from budgetary funds earmarked for defence, infrastructure and climate are lower than initially planned by the government.

In 2025, the budget deficit is set to increase to 1.9%. In part, this is due to a court ruling requiring the government to return unduly paid taxes on asset returns to taxpayers. This is expected to have an impact on the deficit of almost 0.5 pps. In addition, the government has announced that it will lower the income tax rate in the two lower tax brackets. At the same time, expenditure is set to grow as public investments are expected to increase more strongly than in 2024.

The government balance in 2026 is set to be temporarily affected by a reform of the military pension system that requires a transfer of approximately 0.7% of GDP from the government to a private pension fund. Increases of the VAT rates for cultural activities, accommodation and motor fuels are expected to contribute to a moderate increase in revenue in 2026, although not sufficient to compensate for the increase in spending. The deficit is forecast to reach 2.4%.

Public debt is set to fall to 43.3 of GDP in 2024. However, higher deficits thereafter are expected to increase the debt ratio to 44.3% in 2025 and 45.6% in 2026, still below the euro area average.

Table III.15.1: **Main features of country forecast - THE NETHERLANDS**

	2023				Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		1067.6	100.0	1.2	6.3	5.0	0.1	**0.8**	**1.6**	**1.5**
Private Consumption		471.2	44.1	0.2	4.5	6.9	0.8	**0.4**	**1.6**	**1.8**
Public Consumption		264.1	24.7	1.8	4.7	1.3	2.9	**2.7**	**1.9**	**2.1**
Gross fixed capital formation		214.5	20.1	1.8	2.4	3.4	1.3	**-1.4**	**1.2**	**1.4**
Exports (goods and services)		945.2	88.5	3.6	6.9	4.4	-0.5	**0.0**	**2.3**	**2.5**
Imports (goods and services)		826.0	77.4	3.7	6.5	4.4	-1.8	**-0.5**	**2.5**	**3.1**
GNI (GDP deflator)		1058.7	99.2	1.1	11.0	2.2	0.7	**1.0**	**1.5**	**1.5**
Contribution to GDP growth:	Domestic demand			0.9	3.6	4.0	1.3	**0.5**	**1.4**	**1.6**
	Inventories			0.0	1.7	0.5	-2.3	**0.0**	**0.0**	**0.0**
	Net exports			0.3	0.9	0.5	1.1	**0.4**	**0.1**	**-0.1**
Employment				0.9	1.7	3.9	1.6	**0.9**	**0.4**	**0.4**
Unemployment rate (a)				6.2	4.2	3.5	3.6	**3.7**	**3.8**	**3.9**
Compensation of employees / head				2.0	2.7	3.6	6.3	**6.4**	**4.7**	**3.6**
Unit labour costs whole economy				1.7	-1.6	2.5	7.9	**6.4**	**3.5**	**2.5**
Saving rate of households (b)				13.7	19.1	14.4	14.5	**14.4**	**15.6**	**15.3**
GDP deflator				1.5	2.7	6.2	7.3	**5.0**	**3.0**	**2.3**
Harmonised index of consumer prices				1.5	2.8	11.6	4.1	**3.2**	**2.4**	**1.9**
Terms of trade goods				0.1	-1.2	-4.1	3.6	**2.4**	**0.5**	**0.1**
Trade balance (goods) (c)				8.8	7.3	5.5	8.0	**8.5**	**8.5**	**8.3**
Current-account balance (c)				6.5	10.0	6.6	9.9	**11.1**	**11.1**	**11.0**
General government balance (c)				-1.6	-2.2	0.0	-0.4	**-0.2**	**-1.9**	**-2.4**
Fiscal stance (c)				:	-1.1	0.4	0.6	**0.5**	**-0.9**	**-0.3**
Structural budget balance (d)				0.0	-1.8	-1.2	-1.0	**0.2**	**-0.9**	**-1.7**
General government gross debt (c)				56.3	50.4	48.3	45.1	**43.3**	**44.3**	**46.6**

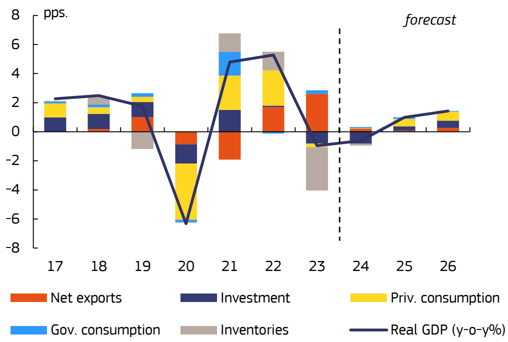
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

16. AUSTRIA

2024 is projected to be the second consecutive year of recession in Austria. Declining investment, lower exports and weak private consumption are holding back economic activity. However, growth is set to resume in 2025. Investment is expected to recover driven by exports to Austria's main trading partners. In addition, private consumption is set to support the recovery as the inflationary shock subsides and consumer confidence is restored. The general government deficit is projected to surpass 3% of GDP in 2024-26, while the public debt-to-GDP ratio is forecast to rise above 80% of GDP.

The recession continues in 2024

Graph III.16.1: **Austria - Real GDP growth and contributions**



Following a period of high inflation, declining real wages and a slump in investment that led GDP to drop by 1% in 2023, the Austrian economy continues to be mired in a recession. In 2024, GDP is expected to decline by 0.6%. Private consumption growth has remained close to zero, despite increasing real wages. High inflation eroded consumer confidence, leading to a significant increase of the saving rate. High interest rates and energy costs continue to weigh on investment, especially in the construction sector and industry. Construction of dwellings has declined by 18% in 2023 and 2024. Weak industrial growth and low corporate investment of main trading partners affect Austria's industry disproportionately, as it is geared towards producing intermediate goods and machinery for export. In addition, increases in unit labour costs above the EU average have led to a deterioration of Austria's price competitiveness, which resulted in lower goods exports.

In 2025 and 2026, GDP growth is expected to pick up to 1% and 1.4% respectively as the factors still weighing on growth fade. Private consumption is set to overcome its prolonged weakness as uncertainties recede. Investments are projected to recover with the pick-up of demand from Austria's main trading partners, the drop in energy costs and easing financing conditions. Moreover, the construction sector is forecast to recover from its deep two-year slump from 2025 aided by monetary easing and by a housing construction stimulus package.

Unemployment is increasing moderately

The prolonged recession in Austria is affecting the labour market, albeit only moderately. The unemployment rate is expected to increase from 5.1% in 2023 to 5.3% in 2024. In 2025, it is set to remain elevated at 5.3%. Following the anticipated economic recovery, it is projected to decrease again in 2026, to 5.1%. The increase in the unemployment rate is mitigated by large cohorts reaching retirement age. However, labour supply is still increasing moderately due to migration and the gradual alignment of women's statutory retirement age with men's, which began this year. Nominal wages are expected to increase by 7.5% in 2024 and 3.8% in 2025, driven by past inflation developments. Therefore, real wages are set to rise further over the forecast horizon.

Inflation is coming down

Headline inflation has decreased significantly from 7.7% in 2023 to 1.8% in September 2024. This was mainly driven by the gradual pass-through of lower wholesale energy prices to consumers and the fading of inflationary pressures on industrial goods and food. Services inflation has been more persistent, reflecting high nominal wage growth in 2024 to compensate for the past inflationary shock. However, in 2025 and 2026, wage growth and services inflation are forecast to decrease. Headline inflation is projected to ease from 2.9% in 2024 to 2.1% in 2025 and 1.7% in 2026.

Additional expenditure drives the general government deficit

The general government deficit is expected to increase from 2.6% of GDP in 2023 to 3.6% in 2024. This can be mainly attributed to the indexation of important expenditure positions (public salaries, pensions, social benefits) to inflation, and to additional spending under the national fiscal framework for childcare, health and long-term care, housing and climate. The increase in the climate bonus, a lump-sum compensation for a recently introduced CO_2 emissions price, also contributes to this development. In addition, measures to mitigate the impact of high energy prices, such as the electricity price brake, have been extended until the end of the year.

In 2025, the general government deficit is forecast to rise to 3.7% of GDP, due to increased spending on pensions and social benefits, before declining to 3.5% in 2026. At the same time, tax revenues are projected to grow more moderately over the forecast horizon due to easing inflation. Austria's expansionary fiscal stance in 2024 is expected to become broadly neutral over the forecast horizon.

The development of the government deficit is projected to drive the debt-to-GDP ratio upwards. The government debt ratio, at 78.6% of GDP in 2023, is expected to increase to above 80% over the forecast horizon.

Table III.16.1: **Main features of country forecast - AUSTRIA**

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		473.2	100.0	1.0	4.8	5.3	-1.0	**-0.6**	**1.0**	**1.4**
Private Consumption		245.9	52.0	0.5	4.8	4.9	-0.5	**0.1**	**1.0**	**1.2**
Public Consumption		98.2	20.7	1.1	7.6	-0.6	1.2	**0.4**	**0.5**	**0.2**
Gross fixed capital formation		117.8	24.9	1.3	6.0	0.4	-3.2	**-3.2**	**1.2**	**2.1**
Exports (goods and services)		281.4	59.5	2.5	9.5	10.0	-0.4	**-2.0**	**2.2**	**2.7**
Imports (goods and services)		271.4	57.3	2.3	14.1	7.1	-4.6	**-2.4**	**2.2**	**2.3**
GNI (GDP deflator)		473.4	100.0	1.1	5.4	4.0	-1.4	**-1.3**	**0.8**	**1.3**
Contribution to GDP growth:	Domestic demand			0.8	5.5	2.4	-0.8	**-0.7**	**0.9**	**1.2**
	Inventories			0.0	1.3	1.3	-3.0	**-0.1**	**0.0**	**0.0**
	Net exports			0.2	-1.9	1.7	2.6	**0.2**	**0.1**	**0.3**
Employment				1.0	2.0	2.6	0.8	**0.2**	**0.5**	**0.6**
Unemployment rate (a)				5.5	6.2	4.8	5.1	**5.3**	**5.3**	**5.0**
Compensation of employees / head				2.2	2.9	4.9	6.8	**7.3**	**3.2**	**2.8**
Unit labour costs whole economy				2.2	0.2	2.2	8.7	**8.2**	**2.7**	**2.0**
Saving rate of households (b)				15.1	17.3	15.0	14.9	**17.1**	**16.4**	**15.6**
GDP deflator				1.9	1.9	4.8	6.6	**4.2**	**2.3**	**1.9**
Harmonised index of consumer prices				1.9	2.8	8.6	7.7	**2.9**	**2.1**	**1.7**
Terms of trade goods				-0.2	-1.3	-6.8	-1.0	**1.3**	**0.2**	**0.1**
Trade balance (goods) (c)				0.2	0.0	-1.9	0.9	**1.6**	**1.7**	**1.9**
Current-account balance (c)				2.4	1.8	-0.8	1.4	**1.7**	**1.5**	**1.5**
General government balance (c)				-2.3	-5.7	-3.3	-2.6	**-3.6**	**-3.7**	**-3.5**
Fiscal stance (c)				:	-1.5	-3.5	0.0	**-0.6**	**0.2**	**0.1**
Structural budget balance (d)				-1.1	-4.6	-4.4	-2.6	**-2.8**	**-3.1**	**-3.2**
General government gross debt (c)				77.7	82.4	78.4	78.6	**79.5**	**80.8**	**81.8**

(a) Eurostat definition. (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.

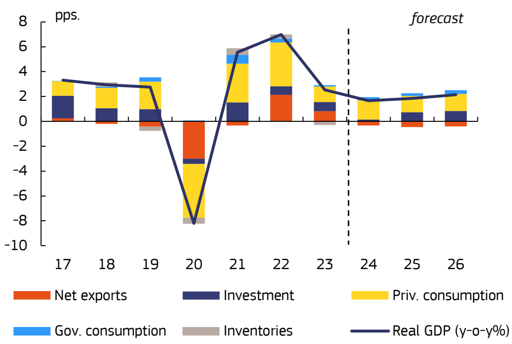
17. PORTUGAL

Economic growth in Portugal is set to gradually pick up over the forecast horizon, supported by private consumption and investment. Headline inflation is projected to continue easing amid moderating employment growth and a marginal drop in unemployment. Portugal's general government surplus is forecast to decrease, with increasing pressures on current expenditure alongside balance-deteriorating revenue fiscal policy measures.

Growth slows down in 2024 but is set to pick up again in 2025 and 2026

Economic growth slowed down in the first half of 2024 in the context of subdued external demand and weak business sentiment. In addition, the end of the cycle for the use of the 2014-2020 EU cohesion funds, allowing spending until end 2023, resulted in substantial deceleration in investment growth at the beginning of the year. However, private consumption accelerated in the second quarter of 2024 on the back of a strong increase in total remuneration of employees. In the external sector, exports and imports rose at similar rates. Across the main business sectors, services and particularly tourism continued to support the economy, despite some moderation. By contrast, manufacturing faced significant difficulties mainly due to weak external demand for goods, while construction was mostly flat. In the third quarter of 2024, the economic sentiment improved, driven primarily by the service sector, but also by less negative expectations in industry. According to Eurostat's flash estimate, GDP rose by 0.2% (q-o-q) in the third quarter of 2024, keeping the same pace as in the previous quarter.

Graph III.17.1: **Portugal - Real GDP growth and contributions**



In full-year terms, growth is forecast to moderate from 2.5% in 2023 to 1.7% in 2024. However, economic activity is projected to rebound to 1.9% in 2025 and 2.1% in 2026, mainly supported by domestic demand. Private consumption is expected to continue benefitting from growth in real wages while the projected acceleration in the implementation of the Recovery and Resilience Plan is set to boost investments. Recent moderation in interest rates is also expected to support both private consumption and investments. In the external sector, foreign tourism is projected to remain an important growth factor, albeit less than in recent years. However, considering the expected rebound in demand for investment goods, imports are forecast to rise faster than exports. Consequently, the current-account surplus is set to narrow in 2025-2026 after a spike in 2024.

Unemployment edges down amid moderating employment growth

Employment growth gradually slowed down to 1.3% (y-o-y) in Q3-2024, according to labour force survey data. Following similar dynamics in the activity rate, unemployment edged down to 6.4% in the same quarter as compared to a year-average of 6.5% in 2023. The working-age population continued to benefit from positive net migration flows while the country's employment rate remained at record high. Employment growth is projected to moderate further over the forecast period, though still allowing for a marginal decline in the unemployment rate. Although job vacancy rates remained low, some sectors, including manufacturing and construction, reported tight hiring conditions and skill shortages. This is set to keep wage pressures elevated.

Inflation drops further despite upward pressure from tourism-related services

Headline inflation decreased from 5.3% in 2023 to 2.3% (y-o-y) in the third quarter of 2024, reflecting a deceleration across all main HICP components. However, the services index remained substantially above the headline rate mainly due to increased prices of accommodation and catering. Energy prices were also pushed up by increased network fees in the electricity sector in the first half of 2024 but dropped again in the third quarter. Non-energy industrial goods and unprocessed food contributed consistently to the slowdown in inflation. However, prices of processed food decoupled from the index of unprocessed food, rising above headline inflation in the third quarter of 2024. Setting aside monthly volatilities, inflation is expected to continue decreasing over the forecast horizon, broadly in line with the projections for the euro area. In light of the expected increase in real wages, inflation excluding energy and food is projected to decline at a slightly slower pace.

Public debt declining at a slower pace, with a shrinking budget surplus

Portugal's general government surplus is expected to decrease to 0.6% of GDP in 2024. Government revenue is set to continue expanding, benefiting from the performance of tax revenues and social contributions amid sustained economic activity, higher households' disposable income, and a resilient labour market. Fiscal policy measures, such as pension lump-sum payments and extraordinary increases in the public wage bill, are weighing on government expenditure. The net budgetary cost of measures to mitigate the impact of high energy prices is estimated at 0.5% of GDP in 2024, compared with 0.8% in 2023.

Portugal's fiscal stance is expected to remain expansionary over the forecast horizon. The general government surplus is forecast to decrease to 0.4% of GDP in 2025 and, based on a no-policy-change assumption, to 0.3% in 2026. In 2025, this is set to be driven by the impact of fiscal policy measures, such as the reduction in corporate income tax rates, the carry-over impact of the revised personal income tax framework, the planned update of the youth personal income tax regime, and discretionary increases in public wages. Public investment is expected to continue to expand, linked to the implementation of the RRP. The net budgetary cost of energy-support measures is projected to decrease to 0.1% GDP in 2025. Risks to the fiscal outlook are on the downside and relate, among others, to ongoing processes for the financial rebalancing of public-private partnerships.

Portugal's public debt-to-GDP ratio is projected to continue declining, albeit at a slower pace. Maintained primary balance surpluses and favourable growth-interest rate differentials are forecast to drive the ratio down from 95.7% in 2024 to 90.5% in 2026.

Table III.17.1: **Main features of country forecast - PORTUGAL**

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		267.4	100.0	0.1	5.6	7.0	2.5	**1.7**	**1.9**	**2.1**
Private Consumption		165.2	61.8	0.2	4.9	5.6	2.0	**2.5**	**2.1**	**2.2**
Public Consumption		44.9	16.8	0.0	3.8	1.7	0.6	**1.5**	**1.3**	**1.7**
Gross fixed capital formation		53.8	20.1	-0.7	7.8	3.3	3.6	**0.8**	**3.7**	**4.2**
Exports (goods and services)		126.6	47.3	2.8	12.0	17.2	3.5	**3.8**	**3.0**	**3.2**
Imports (goods and services)		124.1	46.4	2.0	12.3	11.3	1.7	**4.6**	**4.1**	**4.1**
GNI (GDP deflator)		260.8	97.5	0.1	6.0	6.1	1.8	**1.7**	**1.9**	**2.2**
Contribution to GDP growth:	Domestic demand			0.0	5.4	4.5	2.1	**1.9**	**2.3**	**2.5**
	Inventories			0.0	0.5	0.3	-0.3	**0.0**	**0.0**	**0.0**
	Net exports			0.2	-0.3	2.1	0.8	**-0.3**	**-0.5**	**-0.4**
Employment				-0.2	1.4	3.7	1.0	**1.1**	**0.9**	**0.8**
Unemployment rate (a)				11.1	6.7	6.2	6.5	**6.4**	**6.3**	**6.2**
Compensation of employees / head				1.8	6.1	5.6	8.0	**6.5**	**3.6**	**3.4**
Unit labour costs whole economy				1.5	2.0	2.4	6.5	**5.9**	**2.6**	**2.1**
Saving rate of households (b)				8.5	11.0	7.3	8.0	**9.7**	**10.0**	**9.8**
GDP deflator				1.7	2.0	5.3	6.9	**3.8**	**2.5**	**2.2**
Harmonised index of consumer prices				1.3	0.9	8.1	5.3	**2.6**	**2.1**	**1.9**
Terms of trade goods				0.4	0.1	-2.9	3.1	**1.8**	**0.1**	**0.0**
Trade balance (goods) (c)				-8.4	-7.6	-11.2	-9.8	**-9.3**	**-9.8**	**-10.3**
Current-account balance (c)				-4.1	-0.9	-2.3	0.2	**0.9**	**0.6**	**0.4**
General government balance (c)				-5.0	-2.8	-0.3	1.2	**0.6**	**0.4**	**0.3**
Fiscal stance (c)				:	-0.9	-1.2	0.8	**-1.7**	**-0.4**	**-0.5**
Structural budget balance (d)				-1.5	-1.4	-0.7	1.1	**0.5**	**0.4**	**0.2**
General government gross debt (c)				109.4	123.9	111.2	97.9	**95.7**	**92.9**	**90.5**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

18. SLOVENIA

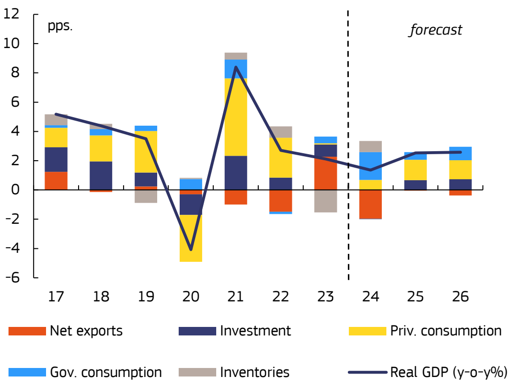
Following an upward revision of the 2023 growth rate to 2.1%, growth has remained modest in the first half of 2024. It is, however, expected to pick up in the second half of the year and to be robust over 2025-26. Labour market is projected to remain tight. Inflation is set to accelerate in 2025 but to fall to around 2% by 2026. The general government deficit is projected to continue to decrease, reaching 2.1% of GDP in 2026. Similarly, the debt-to-GDP ratio is forecast to decrease and reach 63.1% in 2026.

Growth set to accelerate

Slovenia's national statistical office revised GDP growth upwards for 2023, from 1.6% to 2.1%, in the context of the five-yearly benchmark revisions of national accounts and taking into account final annual data. In the first half of 2024, the economy grew by 1.3% compared to the same period a year ago. Private consumption growth, at 1.1%, was impacted by the change to the health insurance contribution system by which private insurance is replaced with an additional mandatory contribution. This was thus offset by higher public consumption, which grew by 9.5%. Investment weakened slightly, driven by lower investment in machinery and non-residential construction. Exports also contracted slightly whereas imports increased, due to the re-stocking of inventories after they had decreased strongly in 2023. Growth is forecast to pick up but remain modest in the second half of 2024, with export demand remaining rather weak and investment growth subdued especially for construction. Consequently, for the year as a whole growth is expected to moderate to 1.4% in 2024.

GDP growth is forecast to accelerate to 2.5% in 2025 and 2.6% in 2026. Private consumption is projected to grow strongly over the forecast horizon, supported by employment growth and rising real wages. Investment is set to accelerate due to the expected deployment of RRF-financed measures and cohesion policy projects Investment in machinery and equipment is also expected to increase due to improving financial conditions and higher exports demand. At the same time, imports are set to pick up, in line with higher consumption and investment. The growth contribution from net exports is expected to remain neutral in 2025 and be negative in 2026.

Graph III.18.1: **Slovenia - Real GDP growth and contributions**



Labour market remains tight

After a strong growth in 2023, employment growth has stagnated in the first half of 2024. Limited availability of workers continued to be the dominant factor in the labour market - as reported by the companies - and wages are continuing to increase. Employment is expected to expand by 0.3% in 2024, and by 0.7% in 2025 and in 2026. The unemployment rate is projected to remain broadly stable at around 3.6%. Against this background, wage growth is set to remain strong over the forecast horizon, also influenced by public sector wage increases expected to take effect as of January 2025.

Inflation to accelerate in 2025

Inflation reached 7.2% in 2023, with a marked deceleration during the year. The moderation in inflation has continued in 2024 and it is forecast to ease to 2.1% for the year as whole. Inflation is expected to accelerate somewhat in 2025 (3.2%), as consumers are set to face higher electricity bills due to the reintroduction of charges that were temporarily suspended during the energy price crisis, and to grid fee increases. Services inflation is projected to remain rather elevated particularly in 2025, driven by the fast growth of wages. In 2026, inflation is forecast to ease again to 2.1%.

Fiscal consolidation expected to continue in 2024 and 2025

The general government deficit is set to decrease to 2.4% of GDP in 2024 mainly due to temporary tax increases aimed at financing reconstruction following the 2023 floods. Such measures include a temporary increase in the corporate income tax rate of 3 pps., as well as a temporary tax on banking assets. Expenditure-to-GDP is expected to increase by 0.2 pps. less than revenue-to-GDP. Social benefits and transfers are projected to rise as a share of GDP, mainly due to the indexation of pensions and increasing health expenditure. Subsidies are forecast to decline.

In 2025, the deficit is projected to narrow to 2.1% of GDP on the back of a new long-term care contribution, to be levied from July 2025, and higher CO_2 emission revenue. The withdrawal of remaining measures to mitigate the impact of high energy prices is also set to decrease public subsidies. Higher long-term care expenditure and the impact of the public sector wage reform are the main measures expected to increase expenditure.

In 2026, the general government deficit is forecast to remain at 2.1% of GDP. The new long-term care contribution is set to bring additional revenue while expenditure for social transfers and compensation of employees is expected to increase due to the long-term care reform and the public sector wage reform. The fiscal stance is projected to be contractionary in 2024 and 2025, before turning expansionary in 2026.

The debt-to-GDP ratio is forecast to decrease gradually from 68.4% in 2023 to 63.1% in 2026 thanks to a debt-decreasing interest-growth-rate differential and to the reduction of cash buffers, while primary deficits are set to continue weighing on debt developments.

Table III.18.1: **Main features of country forecast – SLOVENIA**

		2023			Annual percentage change					
		bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		64.0	100.0	1.7	8.4	2.7	2.1	**1.4**	**2.5**	**2.6**
Private Consumption		33.3	52.1	1.4	10.5	5.3	0.1	**1.3**	**2.7**	**2.5**
Public Consumption		12.3	19.2	1.4	6.2	-0.7	2.4	**9.9**	**2.5**	**4.4**
Gross fixed capital formation		13.6	21.3	-0.3	12.3	4.2	3.9	**-0.1**	**3.2**	**3.5**
Exports (goods and services)		53.2	83.3	4.6	14.5	6.8	-2.0	**0.9**	**3.0**	**3.4**
Imports (goods and services)		49.1	76.8	3.5	17.8	9.2	-4.5	**3.5**	**3.3**	**4.1**
GNI (GDP deflator)		63.4	99.1	1.7	7.6	2.0	2.7	**1.4**	**2.6**	**2.7**
Contribution to GDP growth:	Domestic demand			1.0	8.9	3.4	1.4	**2.6**	**2.6**	**3.0**
	Inventories			-0.1	0.5	0.8	-1.5	**0.8**	**0.0**	**0.0**
	Net exports			0.8	-1.0	-1.5	2.3	**-2.0**	**0.0**	**-0.4**
Employment				0.7	1.3	2.9	1.6	**0.3**	**0.7**	**0.7**
Unemployment rate (a)				6.9	4.8	4.0	3.7	**3.5**	**3.6**	**3.6**
Compensation of employees / head				3.3	8.0	5.0	9.5	**7.1**	**5.6**	**4.5**
Unit labour costs whole economy				2.3	0.9	5.2	9.0	**6.0**	**3.7**	**2.5**
Saving rate of households (b)				13.8	17.6	13.4	14.3	**15.4**	**15.1**	**14.9**
GDP deflator				1.7	2.7	6.5	10.1	**3.0**	**3.7**	**2.8**
Harmonised index of consumer prices				1.8	2.0	9.3	7.2	**2.1**	**3.2**	**2.1**
Terms of trade goods				-0.2	-2.3	-2.9	4.0	**0.7**	**0.1**	**0.1**
Trade balance (goods) (c)				0.3	1.7	-4.3	0.7	**-0.6**	**-0.9**	**-1.2**
Current-account balance (c)				1.7	3.7	-1.1	4.4	**3.0**	**2.9**	**2.6**
General government balance (c)				-3.3	-4.6	-3.0	-2.6	**-2.4**	**-2.1**	**-2.1**
Fiscal stance (c)				:	-2.0	-2.0	1.0	**0.7**	**0.6**	**-0.6**
Structural budget balance (d)				-1.0	-5.7	-4.3	-3.1	**-2.3**	**-2.1**	**-2.7**
General government gross debt (c)				54.9	74.8	72.7	68.4	**67.1**	**64.4**	**63.1**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

19. SLOVAKIA

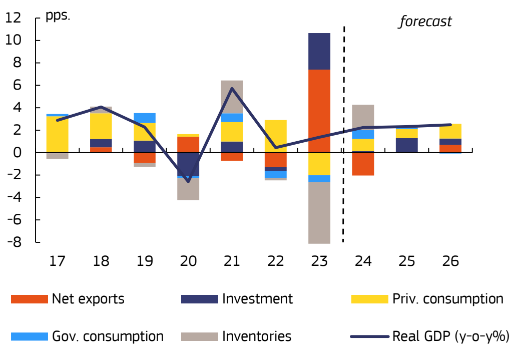
GDP is expected to expand by 2.2% in 2024, supported by strong government consumption and recovering exports. In 2025, as tax increases and government consolidation weigh on domestic demand, it is forecast to only slightly edge up to 2.3%. In 2026, growth is expected to increase to 2.5%. Inflation is projected to moderate to 3.1% this year, before accelerating to 5.1% in 2025 due to the withdrawal of energy subsidies and increased taxes, and to stabilise at 3% in 2026. Amid the tight labour market, real wages are set to pick up. The public deficit is expected to increase to 5.8% of GDP in 2024 before decreasing to 4.7% in 2025, owing to the phase-out of energy-support measures and the consolidation of public finances, and to 4.1% in 2026.

Growth outlook balances export challenges with robust investments

Real GDP is expected to grow by 2.2% in 2024, on the back of an increase in private and public consumption. Slovak exports increased significantly in 2024, albeit at a slower pace than imports. Slovakia is recovering its previously lost market share by also expanding outside of the EU. Exports are expected to accelerate, resulting in a stronger growth of positive net exports in 2026. However, the weaker economic performance of the country's major trading partners is still an important risk.

In 2025, private consumption is set to be negatively affected by the VAT tax increase and the expiration of energy subsidies for households. However, continuing wage increases are expected to provide an extra stimulus for private consumption. Private investment is projected to be robust due to continuing investment in export industries. Public investment is set to be strong, supported by the deployment of EU funds and defence equipment purchases. Net exports are expected to contribute strongly to growth in 2026 as demand in the main export destinations stabilises. Overall, real GDP growth is projected at 2.2% in 2024, 2.3% in 2025 and 2.5% in 2026.

Graph III.19.1: **Slovakia - Real GDP growth and contributions**



Persistent low unemployment supported by robust labour demand

The unemployment rate is expected to continue declining, from 5.5% in 2024 to 5.3% in 2025 and 5.1% in 2026. The labour market remains tight because of strong labour demand and a wave of early retirements. The labour force keeps declining despite an increase in the participation rate of previously inactive workers and arrivals of foreign workers. Starting in 2025, the implementation of higher corporate income taxes and limited public sector wage increases could slow down wage growth. Nevertheless, the compensation of employees is still expected to grow faster than inflation over the forecast horizon, resulting in an increase in real wages.

Inflationary pressures set to rise, as energy price supports come to an end

In 2024, headline inflation eased to 3.1% due to continuing government interventions to limit energy prices for households. However, with these measures set to expire in 2025, energy prices are expected to rise towards market levels. Additionally, the consolidation package, which is set to be implemented in January 2025 includes an increase in VAT rates and thus directly affects consumers. Prices in the services sector are expected to grow dynamically, driven by wage growth. As a result, HICP inflation is forecast to rise to 5.1% in 2025, and to stabilise at 3% in 2026.

Reduction of public deficit driven by fiscal consolidation

The public deficit increased to 5.2% of GDP in 2023, as a result of energy support, permanent increases in public sector wages and social benefits. In 2024, the general government deficit is expected to increase further, to 5.8%, due to the higher compensation of public employees, and higher spending in several social benefits, which are mostly of a permanent nature.

In 2025, the headline deficit is projected to decrease to 4.7% on the back of the consolidation package, which includes higher VAT rates, new taxes on financial transactions and other types of taxes and fees. Expenditure-reducing measures, such as lower spending on the public wage bill, are set to contribute to the consolidation of public finances to a lesser extent. Despite a strong consolidation effort, the deficit is forecast to remain high in 2025 because of a postponed delivery of military expenditures. The delivered military equipment is expected to contribute to the decline of the deficit to 4.1% of GDP in 2026.

After decreasing to 56.1% in 2023, the government debt-to-GDP ratio is projected to increase to 58.9% in 2024, to 59.8% in 2025, and to 61.8% of GDP in 2026. This increase is set to be driven by high deficits over the forecast horizon, which are expected to be only partly offset by the growth of nominal GDP.

Table III.19.1: **Main features of country forecast - SLOVAKIA**

		2023		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		122.9	100.0	3.3	5.7	0.4	1.4	**2.2**	**2.3**	**2.5**
Private Consumption		72.3	58.8	2.9	3.0	5.2	-3.3	**1.8**	**1.4**	**2.3**
Public Consumption		25.0	20.3	2.7	3.7	-2.9	-3.0	**3.8**	**0.4**	**-0.4**
Gross fixed capital formation		27.5	22.3	2.2	5.1	-1.9	16.6	**0.7**	**6.1**	**2.5**
Exports (goods and services)		113.0	91.9	5.8	10.7	2.8	-0.7	**2.0**	**3.8**	**4.0**
Imports (goods and services)		111.1	90.4	4.8	11.7	4.2	-7.7	**4.3**	**3.9**	**3.2**
GNI (GDP deflator)		120.1	97.7	3.5	3.6	0.3	2.2	**1.8**	**2.2**	**2.4**
Contribution to GDP growth:		Domestic demand		2.7	3.5	1.9	0.6	**2.0**	**2.2**	**1.8**
		Inventories		-0.1	2.9	-0.2	-6.6	**2.3**	**0.2**	**0.0**
		Net exports		0.8	-0.7	-1.3	7.4	**-2.0**	**0.0**	**0.7**
Employment				1.0	-0.6	1.8	0.3	**0.2**	**0.1**	**0.1**
Unemployment rate (a)				11.2	6.8	6.1	5.8	**5.5**	**5.3**	**5.1**
Compensation of employees / head				4.8	6.9	6.0	9.8	**6.6**	**5.8**	**5.3**
Unit labour costs whole economy				2.4	0.6	7.4	8.7	**4.5**	**3.5**	**2.8**
Saving rate of households (b)				8.8	11.5	5.8	7.2	**11.3**	**10.6**	**10.8**
GDP deflator				1.2	2.2	7.5	10.1	**4.4**	**3.8**	**2.8**
Harmonised index of consumer prices				2.0	2.8	12.1	11.0	**3.1**	**5.1**	**3.0**
Terms of trade goods				-0.8	-1.1	-4.4	0.5	**1.9**	**-0.7**	**0.0**
Trade balance (goods) (c)				0.1	-1.4	-6.6	0.7	**0.2**	**-0.4**	**0.2**
Current-account balance (c)				-2.8	-4.4	-9.3	-0.1	**-1.3**	**-2.0**	**-1.4**
General government balance (c)				-3.5	-5.1	-1.7	-5.2	**-5.8**	**-4.7**	**-4.1**
Fiscal stance (c)				:	-1.0	0.5	-5.8	**2.5**	**0.3**	**0.9**
Structural budget balance (d)				-2.3	-5.7	-2.0	-5.0	**-5.5**	**-4.5**	**-3.9**
General government gross debt (c)				44.7	60.2	57.7	56.1	**58.9**	**59.8**	**61.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

20. FINLAND

After a recession in 2023 and a slight contraction in 2024, the economy is forecast to rebound by 1.5% and 1.6% in 2025 and 2026 respectively, driven by the recovery of private consumption and investment. Increasing foreign demand is set to support exports of goods and services. HICP inflation is expected to rise due to the increase in the standard VAT rate that entered into force on 1 September 2024. Combined with fiscal consolidation measures, these developments are projected to reduce the deficit to 2.5% by 2026, while the public debt-to-GDP ratio is set to increase to 85.3% of GDP.

Economic recovery on the horizon

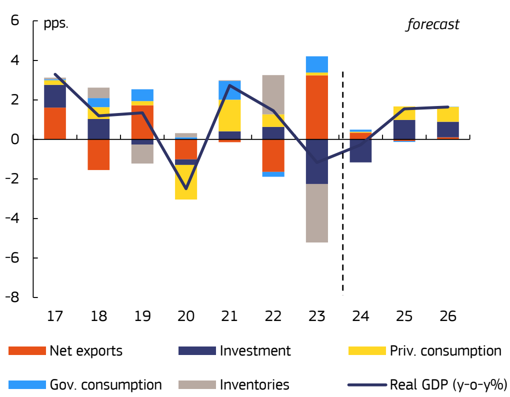
After Finland's economy fell into a recession at the end of 2023, real GDP growth was subdued in the first half of 2024. Construction activity has been the main drag on growth for a prolonged period, in the wake of rising financing costs, with sector sentiment remaining low. Exports of goods declined, registering a sharp drop in the first quarter of 2024 due to several weeks of port strikes. Private consumption stagnated in the first half of 2024, as the unemployment rate increased and some social benefits were cut. On the positive side, government consumption and net exports supported growth more prominently lately. In particular, strong growth in services exports since the beginning of the year and steady investment in equipment suggest that the economy is bottoming out. Together with decreasing borrowing costs, sentiment in industry and the services sector is improving, as is consumer confidence, and this should pave the way for a sustained recovery. Nevertheless, real GDP is projected to slightly contract in 2024, due to a sizeable negative carryover effect.

For 2025 and 2026, real GDP is expected to expand by 1.5% and 1.6% respectively. Growth is set to be driven by domestic demand, even though the government has announced additional fiscal consolidation measures, which will mostly come into force in 2025. Despite the 2024 hike in the standard VAT rate and the reduced or frozen indexation of benefits, higher wage growth is set to support disposable incomes and, thus, private consumption. Decreasing financing costs and a falling supply of new dwellings should give impetus to the recovery of construction investment. Export growth is expected to gain traction as foreign demand gradually recovers.

Labour market to gradually improve

In a context of falling vacancy rate, employment growth slowed to 0.8% in 2023, dragged down by a sizeable decline in the construction sector, while the unemployment rate increased to 7.2%. In 2024, employment is expected to fall by 0.6%, in line with the weakening economic activity, with the decline concentrated in the manufacturing, construction and professional services sectors, while labour shortages persist in other sectors, notably healthcare. With the broader improvement in economic conditions, employment is expected to recover gradually in 2025 and 2026, by 0.6% and 0.8% respectively. The unemployment rate is projected to pick up to 8.2% in 2024, before falling to 7.9% in 2025 and 7.5% in 2026.

Graph III.20.1: **Finland - Real GDP growth and contributions**



Higher inflation due to the VAT hike

Declining energy prices continued to slow down HICP inflation and kept overall price increases below 1% since the beginning of 2024. However, the increase in the standard VAT rate, in force since 1 September 2024, already had a visible impact on the inflation rate in the third quarter.

Mostly due to the higher VAT rate, HICP inflation is forecast to increase from 1% in 2024 to 2% in 2025, before declining to 1.8% in 2026, thanks to the easing of some price pressures.

Consolidation efforts set to reduce deficits

In 2024, the general government deficit is set to increase to 3.7% of GDP, from 3.0% in 2023, driven by considerable increases in government spending and a slowdown in public revenue growth. On the expenditure side, increases in government consumption and social benefits are the main drivers. Higher interest expenditure has been weighing on the general government balance as well. At the same time, public revenue is falling further behind spending due to cuts in social security contributions and a decline in some tax receipts amidst the economic slowdown.

The general government deficit is forecast to decrease to 3.0% of GDP in 2025 as the announced consolidation measures are expected to come into force, while revenue growth is set to get a positive boost from the economic recovery. In April 2024, the government announced a large consolidation package concerning both revenue and expenditure, following a first consolidation package adopted in 2023. The expenditure cuts are scheduled to come into force in 2025 and reach the full envisaged effect in a couple of years. Revenue is projected to increase on the back of the 2024 hike in the standard VAT rate, as well as of higher taxes on income and social contributions. In 2026, the general government deficit is forecast to further decrease to 2.5% of GDP, thanks to recovering public revenue, while expenditure growth is projected to slow down.

Due to persistent deficits, the debt-to-GDP ratio is projected to reach 82.6% in 2024 and is forecast to increase further to 85.3% in 2026.

Table III.20.1: **Main features of country forecast - FINLAND**

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		273.3	100.0	0.8	2.7	1.5	-1.2	**-0.3**	**1.5**	**1.6**
Private Consumption		141.3	51.7	1.0	3.2	1.3	0.3	**0.1**	**1.3**	**1.5**
Public Consumption		70.4	25.8	1.0	3.9	-1.0	3.4	**0.4**	**-0.2**	**0.0**
Gross fixed capital formation		63.3	23.2	1.1	1.7	2.6	-9.0	**-5.0**	**4.5**	**3.4**
Exports (goods and services)		117.0	42.8	1.8	6.0	4.2	0.2	**-0.2**	**3.1**	**2.8**
Imports (goods and services)		116.2	42.5	2.5	6.5	8.4	-6.6	**-1.0**	**3.3**	**2.5**
GNI (GDP deflator)		274.0	100.3	0.9	2.8	0.7	-1.8	**-0.3**	**1.2**	**1.7**
Contribution to GDP growth:	Domestic demand			1.0	3.0	1.0	-1.3	**-1.0**	**1.6**	**1.5**
	Inventories			0.0	0.0	2.0	-3.0	**0.0**	**0.0**	**0.0**
	Net exports			-0.2	-0.1	-1.6	3.2	**0.3**	**-0.1**	**0.1**
Employment				0.5	2.3	3.5	0.8	**-0.6**	**0.6**	**0.8**
Unemployment rate (a)				8.0	7.7	6.8	7.2	**8.2**	**7.9**	**7.5**
Compensation of employees / head				2.0	4.1	2.5	3.5	**0.2**	**2.7**	**2.4**
Unit labour costs whole economy				1.7	3.6	4.6	5.5	**-0.1**	**1.8**	**1.6**
Saving rate of households (b)				9.0	12.5	9.9	10.1	**10.8**	**9.7**	**9.7**
GDP deflator				1.7	2.4	5.4	3.9	**1.4**	**2.1**	**1.9**
Harmonised index of consumer prices				1.5	2.1	7.2	4.3	**1.0**	**2.0**	**1.8**
Terms of trade goods				-0.3	-0.4	-0.1	-2.2	**-0.5**	**-0.3**	**-0.7**
Trade balance (goods) (c)				3.0	0.9	0.0	3.5	**3.0**	**2.9**	**2.8**
Current-account balance (c)				0.3	0.3	-2.2	-0.4	**-0.6**	**-0.9**	**-0.9**
General government balance (c)				-0.6	-2.7	-0.2	-3.0	**-3.7**	**-3.0**	**-2.5**
Fiscal stance (c)				:	0.2	0.2	-1.7	**-0.7**	**0.7**	**0.4**
Structural budget balance (d)				-1.5	-2.4	0.0	-1.5	**-1.9**	**-1.6**	**-1.8**
General government gross debt (c)				55.8	73.2	74.0	77.1	**82.6**	**84.7**	**85.3**

(a) Eurostat definition. (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

21. BULGARIA

GDP growth is forecast to accelerate from 2.4% in 2024 to around 3% in 2025 and 2026, supported by domestic demand and exports. The expansion in income is set to underpin robust private consumption growth. Investments financed by the RRF are expected to bolster gross fixed capital formation, while exports are set to catch-up with the external demand. In 2025, inflation is projected to abate to 2.3%, before accelerating moderately in 2026, due to persistent services inflation. The fiscal deficit is forecast to increase to 2.6% of GDP in 2024 and reach 2.8% in 2025 and 2026, driven by expenditure on pensions and public sector salaries. Government debt is set to increase to 24.5% of GDP by 2026.

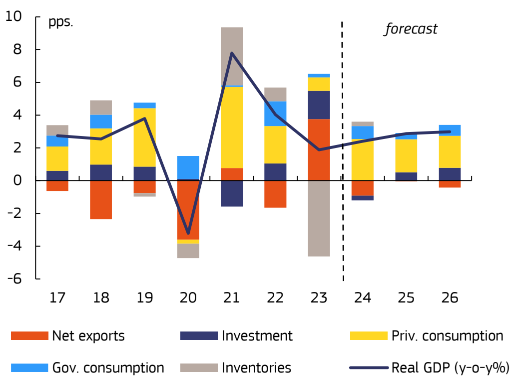
Faster economic growth ahead

Following the energy price shock in 2022 and subdued external demand in 2023, the Bulgarian economy is poised to grow faster, supported by domestic and foreign demand as well as by an expansionary fiscal stance. The first half of 2024 saw private consumption expanding by 4.8% y-o-y on the back of strong wage increases amid a tight labour market and falling consumer price inflation. Bank lending to households intensified in 2024, in the context of strong competition for market shares. The expansion was funded predominantly by higher domestic deposits, while the banks also reduced their net foreign assets. The pace of private consumption expansion is set to moderate in the second half of this year and over the next two years on the back of declining wage growth and higher saving rates. Investment in fixed capital underperformed in the first half of 2024, after a robust expansion in 2023, while inventories accumulation recovered after the strong contraction last year. RRF implementation is expected to support stronger investment activity until 2026. Exports have also rebounded and are set to catch up with external demand during the remainder of 2024 and the following years. Overall, GDP growth is forecast to accelerate from 2.4% in 2024 to around 3% in 2025 and 2026.

Strong wage increases amidst a tight labour market

The unemployment rate remained low amid limited labour shedding in the manufacturing sector, offset by intensive hiring in the public sector and services. The increase in aggregate employment in the first half of 2024 was accompanied by improved participation rates. Wage growth accelerated further, driven by the tight labour market and despite the decline in inflation. Wage growth in the public sector and the minimum wage increase by 19.6% in January 2024 have contributed to the aggregate wage dynamics. Going forward, the labour market is bound to remain tight, while the limited and shrinking pool of unemployed and discouraged population is set to keep employment almost constant. Under these conditions firms are expected to curtail new hiring, limiting wage bidding and gradually decreasing nominal wage growth to the average historical rate of around 8-9%.

Graph IV.21.1: **Bulgaria - Real GDP growth and contributions**



Inflation is set to decline

After decelerating steadily over 2023 and the first four months of 2024, HICP inflation remained broadly constant during the summer months and then dropped from 2.4% in August to 1.5% in September. In the period May-August 2024, the continued fall in inflation for non-energy industrial goods was largely offset by the pronounced seasonal peak in tourism services inflation. The price increase in tourist services was above the usual seasonal pattern and can be explained by the higher hotel occupancy rate and number of tourists, compared to last year. The sharp decline in

September inflation was largely due to reduced fuel prices. In 2025, inflation is set to abate to 2.3%, benefiting from negative energy inflation and low industrial goods inflation, as well as from base effects from the price hikes in tourist services in 2024. Headline inflation in 2026 is expected to edge up, driven by services inflation.

General government deficit no longer on a declining path

Bulgaria's general government deficit is expected to increase to 2.6% of GDP in 2024, up from 2% in 2023. Increases in public pensions and salaries approved in 2022 continue to have an impact in 2024. The developments on the expenditure side outweigh increasing revenue from social security contributions and direct taxes, which benefit from favourable employment dynamics. The 100% dividend on state-owned enterprises remains in place and efforts to increase revenue collection include tighter control of goods with high fiscal risk as of 2024.

For 2025, the deficit is projected to slightly increase to 2.8% of GDP. Expenditure on public pensions and salaries is set to continue to increase, but at a slower pace, especially for pensions. Public investment is expected to pick up, compared to 2024, also driven by progress in the implementation of the RRP and by the accrual of military spending recorded upon delivery. On the revenue side, social security contributions are set to increase faster than other revenues, in line with expected wage developments, while a decrease is projected in revenue from corporations.

The deficit is forecast to stay at 2.8% of GDP in 2026. Public investment is expected to remain stable, on the back of an accelerated implementation of the RRP. Revenue is set to grow commensurate to the economic developments, broadly offsetting the additional expenditure.

The general government debt-to-GDP ratio is forecast to decrease from 24.5% in 2024 to 23.1% in 2025, and to go back up to 24.5% in 2026, where the fluctuation is largely explained by the stock-flow adjustment in 2025.

Table IV.21.1: **Main features of country forecast - BULGARIA**

		2023		Annual percentage change						
	bn BGN	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		185.2	100.0	2.5	7.8	4.0	1.9	**2.4**	**2.9**	**3.0**
Private Consumption		106.9	57.7	3.0	8.5	3.9	1.4	**4.4**	**3.4**	**3.3**
Public Consumption		34.1	18.4	1.7	0.5	8.0	1.1	**4.3**	**1.9**	**3.3**
Gross fixed capital formation		34.6	18.7	2.5	-8.3	6.5	10.2	**-1.5**	**3.0**	**4.5**
Exports (goods and services)		114.6	61.9	4.9	11.6	12.1	0.0	**0.5**	**3.0**	**2.9**
Imports (goods and services)		107.0	57.8	4.8	10.7	15.3	-5.5	**2.2**	**3.2**	**3.8**
GNI (GDP deflator)		176.4	95.2	2.2	6.5	3.4	2.5	**4.0**	**2.7**	**3.0**
Contribution to GDP growth:	Domestic demand			2.9	3.5	4.8	2.8	**3.1**	**2.9**	**3.4**
	Inventories			0.0	3.5	0.8	-4.6	**0.3**	**0.0**	**0.0**
	Net exports			-0.4	0.8	-1.6	3.8	**-0.9**	**0.0**	**-0.4**
Employment				0.0	0.1	1.1	1.1	**0.5**	**0.1**	**0.1**
Unemployment rate (a)				9.5	5.2	4.2	4.3	**4.3**	**4.0**	**3.8**
Compensation of employees / head				8.6	11.3	14.2	13.4	**13.7**	**10.9**	**8.4**
Unit labour costs whole economy				5.9	3.3	10.9	12.5	**11.5**	**7.9**	**5.3**
Saving rate of households (b)				-3.0	:	:	:	**:**	**:**	**:**
GDP deflator				4.4	7.0	15.9	8.0	**4.8**	**2.3**	**2.8**
Harmonised index of consumer prices				2.9	2.8	13.0	8.6	**2.5**	**2.3**	**2.9**
Terms of trade goods				2.0	0.3	2.4	-2.4	**-1.5**	**-1.0**	**-1.0**
Trade balance (goods) (c)				-10.7	-4.0	-5.9	-4.1	**-5.9**	**-6.4**	**-7.2**
Current-account balance (c)				-4.1	-1.1	-2.6	0.9	**0.3**	**-0.2**	**-1.2**
General government balance (c)				-0.7	-3.9	-2.9	-2.0	**-2.6**	**-2.8**	**-2.8**
Fiscal stance (c)				:	-1.1	-1.3	1.4	**-0.4**	**-1.1**	**-0.5**
Structural budget balance (d)				0.1	-4.0	-3.4	-2.3	**-2.7**	**-2.9**	**-3.0**
General government gross debt (c)				20.5	23.8	22.5	22.9	**24.5**	**23.1**	**24.5**

(a) Eurostat definition. (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.

22. CZECHIA

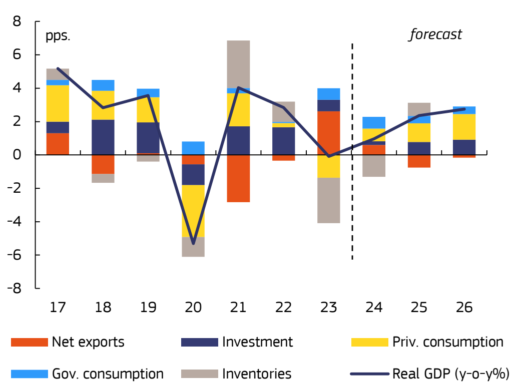
Czechia's economy is set to resume growth in 2024, with real GDP estimated to grow at 1.0%. It is forecast to accelerate to 2.4% in 2025 and 2.7% in 2026. As inflation recedes, the growth in real wages should help household consumption re-emerge as the main driver of economic activity. However, the pace of growth is expected to remain restrained, reflecting consumers' still cautionary behaviour. Headline inflation is projected at 2.7% in 2024, 2.4% in 2025 and 2.0% in 2026, with services contributing the most. The phase-out of measures to mitigate the impact of high energy prices and the government's public finance consolidation package are set to lead to a decline in the budget deficit to 2.5% in 2024, 2.3% in 2025 and 1.9% in 2026.

Economic activity set to recover at a slow pace

Czechia's real GDP is expected to grow 1.0% in 2024 as both domestic and external demand show only modest signs of recovery. GDP growth is set to accelerate in 2025 and 2026 driven by households' consumption and investment activity while net exports contribute negatively.

Household consumption used to be one of the primary drivers of GDP growth before the COVID-19 pandemic. However, the erosion of purchasing power due to high inflation in 2022-23 and the shifts in saving behaviours have weighed on consumption which remains below 2019 levels. Household demand is projected to recover going forward but only gradually. Consumer confidence is still affected by perceived risks of economic and income growth uncertainty. Saving rates have been lately more skewed towards higher income households who have a lower propensity to consume considering also the still elevated interest rates environment. Additionally, lower income households could still be maintaining precautionary savings, weighing on the pace of consumption growth.

Graph IV.22.1: **Czechia - Real GDP growth and contributions**



Investments reached historical highs as a share of GDP. After a slowdown in 2024, investment growth is forecast to remain high in 2025 and 2026, driven by increased absorption of EU funds, a recovery in the residential construction and foreign direct investments. Exports growth is slow, in line with the subdued economic activity of Czechia's trading partners. The automotive industry is expected to remain a main contributor to exports, though services (IT, transport) are growing fast even if they remain limited in size. Driven by household consumption and investments, imports are also set to accelerate, leading to a negative net exports contribution to growth. Risks remain to the downside as the Czech economy, with its high energy intensity and trade openness, remains vulnerable to potential shocks in energy prices and to sluggish exports growth.

Labour market remains tight

Despite the recovery in economic activity, the unemployment rate is expected to marginally increase from 2.6% in 2024-Q2 to 2.7% in 2026. While the level of unemployment remains one of the lowest in the EU, the pressures on the labour market are expected to diminish slightly. Wage growth is expected at 6.2% in 2024 and 6.5% in 2025, before slowing to 5.6% in 2026.

Inflation on a downward path

After two years of double-digit inflation, HICP headline inflation is expected to slow down to 2.7% in 2024, 2.4% in 2025 and 2.0% in 2026. Energy is set to contribute negatively to inflation in 2025 as wholesale prices are declining and network tariff growth is expected to be subdued.

Processed and unprocessed food prices temporarily gained pace in the last months, despite the cut in VAT at the beginning of 2024. Going forward, services inflation is set to be the HICP item with the highest growth at 4.8% in 2025 and 3.6% in 2026, driven by wages growth. HICP inflation excluding energy, food, alcohol and tobacco is projected above headline inflation at 4.2% in 2024 and 3.0% in 2025. The forecast assumes that the relatively high companies' margins absorb some of the growth in salaries, but risks remain to the upside.

Consolidation of public finances slows down

In 2024, the budget deficit is set to drop to 2.5%, from 3.8% in 2023. This reduction is driven by the expiration of measures to mitigate the impact of high energy prices, a reduction of government subsidies to renewable energy sources, and further decrease of expenditure and increase of revenue in the context of the government consolidation package. The measures to mitigate the impact of high energy prices are projected to be phased out in 2024.

The budget deficit is forecast to further decline to 2.3% of GDP in 2025, turning the fiscal stance from contractionary to neutral. Revenue will be supported by social security contributions and personal income taxes as salaries are projected to grow more than GDP. Expenditure is set to continue decreasing as a percentage of GDP, albeit at a slower pace. While the growth of social benefits will decelerate due to reduced indexation of pensions, compensation of government employees is expected to rise in line with nominal wage increases.

The deficit is expected to come down to 1.9% in 2026. The revenue-to-GDP ratio is projected to decrease, mainly because of the phase-out of the tax on the windfall profits of energy and financial companies. The expenditure-to-GDP ratio is set to decline, as spending on social benefits grows slower than GDP. Overall, this implies a slightly contractionary fiscal stance for 2026.

As the RRF funds are being drawn together with those from the current programming period of structural funds, public investment is set to grow strongly in 2025 before dropping to a long-term average level in 2026. Public debt is set to remain low compared to the EU average. The public debt-to-GDP ratio is forecast to rise from 42.4% in 2023, to 44.8% in 2026, driven by the negative headline balance, being partly offset by nominal GDP growth.

Table IV.22.1: **Main features of country forecast - CZECHIA**

		2023		Annual percentage change						
bn CZK		Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		7618.6	100.0	2.2	4.0	2.8	-0.1	**1.0**	**2.4**	**2.7**
Private Consumption		3599.2	47.2	1.8	4.2	0.5	-2.8	**1.6**	**2.4**	**3.2**
Public Consumption		1506.2	19.8	1.3	1.5	0.4	3.5	**3.5**	**2.2**	**2.2**
Gross fixed capital formation		2079.9	27.3	2.1	6.7	6.3	2.5	**0.8**	**2.9**	**3.5**
Exports (goods and services)		5254.8	69.0	5.3	8.2	5.1	2.7	**1.1**	**2.4**	**3.0**
Imports (goods and services)		4874.3	64.0	4.6	13.7	5.9	-0.9	**0.2**	**3.8**	**3.5**
GNI (GDP deflator)		7510.4	98.6	2.2	6.5	1.6	2.7	**1.2**	**2.4**	**2.8**
Contribution to GDP growth:	Domestic demand			1.7	4.0	2.0	0.0	**1.7**	**2.3**	**2.9**
	Inventories			-0.1	2.8	1.2	-2.7	**-1.3**	**0.8**	**0.0**
	Net exports			0.6	-2.8	-0.3	2.6	**0.6**	**-0.8**	**-0.2**
Employment				0.5	1.0	1.0	1.0	**0.5**	**0.4**	**0.2**
Unemployment rate (a)				5.3	2.8	2.2	2.6	**2.6**	**2.7**	**2.7**
Compensation of employees / head				4.1	6.2	6.9	6.7	**6.2**	**6.5**	**5.6**
Unit labour costs whole economy				2.4	3.1	5.0	7.9	**5.7**	**4.4**	**3.0**
Saving rate of households (b)				12.4	19.6	18.2	19.4	**18.8**	**18.7**	**18.1**
GDP deflator				1.8	4.0	8.7	8.2	**4.0**	**2.4**	**2.4**
Harmonised index of consumer prices				2.1	3.3	14.8	12.0	**2.7**	**2.4**	**2.0**
Terms of trade goods				-0.2	-0.1	-4.2	3.3	**1.2**	**-0.2**	**0.2**
Trade balance (goods) (c)				2.8	1.7	-0.3	3.9	**5.1**	**4.3**	**4.1**
Current-account balance (c)				-2.3	-0.5	-4.3	2.6	**4.3**	**3.3**	**3.2**
General government balance (c)				-1.9	-5.0	-3.1	-3.8	**-2.5**	**-2.3**	**-1.9**
Fiscal stance (c)				:	-1.4	-0.1	0.7	**2.3**	**0.1**	**0.0**
Structural budget balance (d)				-0.7	-4.7	-3.4	-3.2	**-1.7**	**-1.8**	**-1.7**
General government gross debt (c)				34.8	40.7	42.5	42.4	**43.4**	**44.4**	**44.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

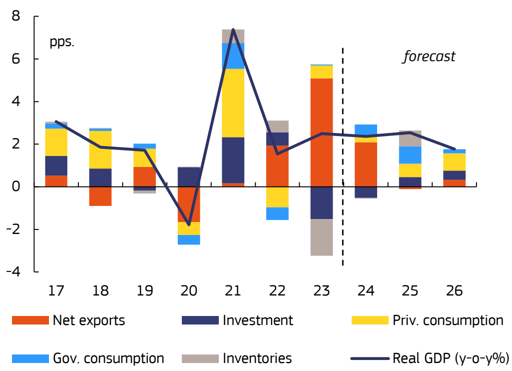
23. DENMARK

In 2024, GDP is expected to expand by 2.4%, thereby continuing the sound growth of recent years, with net exports as the main driver. Over 2025 and 2026 growth is projected to moderate while the main driver switches from net exports to domestic demand. The recovery in real wages is foreseen to benefit private consumption while investment is expected to be supported by lower interest rates and high-capacity utilisation. Employment is projected to grow marginally while the unemployment rate could stabilise at present levels. Public finances continue to be characterised by sizeable, albeit declining, general government surpluses projected over the entire forecast horizon.

Continued robust economic activity

After negative growth in the first quarter of 2024, economic activity rebounded in the second quarter. Industrial output indicators suggest that the expansion is set to be maintained in the second half of 2024. In 2025 and 2026 the contribution from net exports to growth is expected to moderate while domestic demand takes over as the main growth driver, underpinned by lower interest rates and subdued inflation. Overall, real GDP is forecast to grow by 2.4% in 2024 and 2.5% in 2025 before moderating to a rate of 1.8% in 2026.

Graph IV.23.1: **Denmark - Real GDP growth and contributions**



Exports are expected to remain robust, with pharmaceuticals and sea freight as important drivers. With the gradual reopening of gas extraction from the North Sea, Denmark is also projected to become again a net exporter of natural gas from 2025. Imports are projected to grow modestly, and broadly in step with the expansion in investment and exports. The current account balance surplus is expected to remain high over the forecast horizon with a surplus of around 10% of GDP.

Private consumption decreased in the first half of 2024 but is expected to slowly recover in the second half of the year before gaining additional momentum in 2025 and 2026 supported by rising real household disposable incomes. As consumption is expected to grow less than disposable income, the saving rate of households is set to increase and remain at a high level, with households remaining cautious about their economic situation.

Business investments are set to remain subdued in 2024 due to elevated interest rates. However, investment is projected to gain momentum in 2025 and 2026 as interest rates are projected to decline. The expected pick-up in house prices and lower interest rates are also set to support a rebound in housing investments.

Risks to Denmark's growth outlook remain broadly balanced. The increased importance of the pharmaceutical sector makes headline figures sensitive to potential major swings in production and demand in this sector. In addition, any large changes in sea freight rates, as witnessed recently, could materially affect the current account.

The pressure eases on the labour market

Employment is expected to grow by 0.8% in 2024 and to continue expanding, albeit more modestly, over 2025 and 2026. The lower employment growth should contribute to alleviating labour market pressures, helped by the influx of workers from abroad. The past quarters have seen sizeable wage increases, in part linked to the outcome of the 2023 collective wage bargaining, which partly compensated earners for the previous inflation-induced real wage losses. In

2025 private labour market collective wage agreements are expected to be negotiated anew. The unemployment rate is set to increase from 5.1% in 2023 to 5.8% in 2024 and to stabilise at that level in 2025 and 2026 [66].

Inflation well below 2%

During 2024, the recorded monthly HICP inflation rate was significantly lower than the euro area average, mainly due to a faster pass-through of falling energy prices. Services inflation remains higher than the headline inflation but has also come down markedly through 2024. In 2024, inflation is expected to reach 1.3% on average before rising to 1.9% in 2025 and 1.7% the following year, based on the expectation of lower energy and food prices and less upward pressure on wages.

Strong government finances

2024 should see a government surplus of 2.3% of GDP, as expenditures are modest due to low unemployment, while revenues benefit from strong income growth. The fiscal stance remains expansionary. Looking ahead to 2025 the surplus is expected to decrease to 1.5% of GDP, in part reflecting the personal income tax reform as well as higher government consumption, including military expenditures.

The government surplus is forecast to decrease to 0.9% in 2026, mostly driven by the effects of an ageing population.

Government surpluses and denominator effects, although partly countered by stock-flow items, are expected to reduce gross debt to 31.0% of GDP in 2024, 29.3% in 2025 and 28.3% in 2026. The 2024 benchmark revision of national accounts figures implied an upward level shift by 4 pps. of the gross debt share of GDP, as a credit institution was reassigned to be included in the general government sector.

(66) A data break in 2023 implies a level shift of the labour force survey unemployment rate of close to 1 percentage point, so the unemployment rates before and after 2023 are not fully comparable.

Table IV.23.1: **Main features of country forecast - DENMARK**

	2023			Annual percentage change						
bn DKK	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	2804.7	100.0	1.1	7.4	1.5	2.5	**2.4**	**2.5**	**1.8**
Private Consumption	1299.5	46.3	1.3	6.8	-2.1	1.4	**0.7**	**1.4**	**1.8**
Public Consumption	636.4	22.7	1.1	4.9	-2.5	0.2	**2.3**	**3.5**	**0.8**
Gross fixed capital formation	633.1	22.6	1.9	9.8	2.8	-6.6	**-2.3**	**2.1**	**2.0**
Exports (goods and services)	1906.1	68.0	2.8	8.8	7.2	10.4	**4.7**	**2.0**	**2.5**
Imports (goods and services)	1677.5	59.8	3.5	9.5	4.4	3.7	**1.8**	**2.4**	**2.3**
GNI (GDP deflator)	2884.5	102.8	1.3	8.1	0.8	2.2	**2.2**	**2.4**	**1.7**
Contribution to GDP growth: Domestic demand			1.3	6.6	-0.9	-0.9	**0.3**	**1.9**	**1.4**
Inventories			0.0	0.6	0.6	-1.7	**0.0**	**0.7**	**0.0**
Net exports			-0.2	0.2	1.9	5.1	**2.1**	**-0.1**	**0.3**
Employment			0.5	2.3	4.0	1.3	**0.8**	**0.3**	**0.3**
Unemployment rate (a)			5.9	5.1	4.5	5.1	**5.8**	**5.8**	**5.8**
Compensation of employees / head			2.3	3.1	2.6	3.1	**4.1**	**4.1**	**3.4**
Unit labour costs whole economy			1.8	-1.8	5.0	1.9	**2.6**	**1.8**	**2.0**
Saving rate of households (b)			5.9	5.8	9.7	9.7	**11.4**	**11.8**	**11.9**
GDP deflator			1.7	2.8	9.1	-3.8	**1.6**	**2.2**	**1.9**
Harmonised index of consumer prices			1.3	1.9	8.5	3.4	**1.3**	**1.9**	**1.7**
Terms of trade goods			0.8	-4.7	-7.7	1.7	**-0.6**	**0.6**	**-0.4**
Trade balance (goods) (c)			3.9	3.3	2.8	7.4	**9.1**	**9.0**	**8.9**
Current-account balance (c)			5.8	8.7	11.7	9.8	**10.6**	**10.1**	**9.8**
General government balance (c)			1.0	4.1	3.4	3.3	**2.3**	**1.5**	**0.9**
Fiscal stance (c)			:	2.6	1.1	-2.0	**-0.7**	**-1.4**	**-0.6**
Structural budget balance (d)			1.6	4.1	4.1	4.1	**3.4**	**1.5**	**0.9**
General government gross debt (c)			38.6	40.5	34.1	33.6	**31.0**	**29.3**	**28.3**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

24. HUNGARY

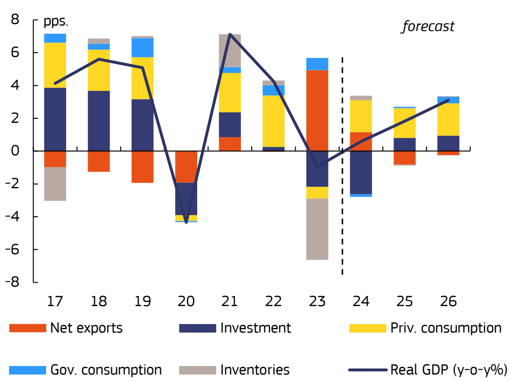
Economic growth is forecast to increase from 0.6% in 2024 to 3.1% in 2026. Consumption is set to be the main growth driver with exports and investment expanding more gradually due to moderate growth at trade partners. Headline inflation receded significantly in 2024 but inflationary pressures remained elevated owing to increasing demand, a 15% minimum wage increase in December 2023 and currency depreciation. The general government deficit is projected to remain high in 2024, but is set to decrease gradually thereafter. The debt-to-GDP ratio is forecast to increase this year and diminish slightly by end-2026.

Gradual recovery amid remaining weaknesses

Real GDP is expected to grow by 0.6% in 2024. Consumption has grown steadily thanks to a resilient labour market combined with high wage increases and monetary policy accommodation. At the same time, investment remains sluggish due to the postponement of public investments and a deterioration in business sentiment. Subdued demand from Hungary's trading partners, and especially for machinery and transport equipment, has also hampered exports.

GDP growth is forecast to increase to 1.8% in 2025 and 3.1% in 2026. Consumption is expected to remain the key growth driver, supported by strong real income growth. The saving rate of households is also set to gradually decline from its current high level. Although rising demand is projected to drive investments, uncertainties particularly around the outlook for the automotive industry are expected to weigh on investment levels. Exports are forecast to increase gradually driven by improving demand and large foreign direct investment projects in manufacturing. However, the projected recovery of domestic demand is set to boost imports and reduce the current account surplus in 2025.

Graph IV.24.1: **Hungary - real GDP growth and contributions**



Risks to the outlook include a prolonged weakness of demand in the automotive sector and a deterioration in terms of trade, which could weigh on growth and the current account balance over the forecast horizon. At the same time, expansionary fiscal policies and continued wage pressures could maintain inflationary pressures and weaken competitiveness.

Labour market expected to remain tight overall

The unemployment rate increased to 4.5% in Q2-2024, and the number of job vacancies fell. The economic recovery is expected to increase labour demand, and the unemployment rate is projected to decline over the forecast horizon. While the labour market is set to tighten gradually, nominal wage growth in 2025 and 2026 is projected to ease from a high level as the impact of past minimum wage increases are fades.

Inflation to decrease gradually

HICP inflation fell from 17.0% in 2023 to 3.0% in September 2024, as the impact of earlier energy and food price increases and supply chain bottlenecks eased. However, HICP inflation excluding energy and food remained elevated at 5.6% during the same period. Pricing of certain services was affected by the high inflation in previous years. This, together with strong wage growth, increasing consumer demand, and currency depreciation, has been fuelling domestic price pressures in 2024. Underlying inflation is set to decelerate gradually, in line with lower commodity prices and wage growth. HICP inflation is forecast to decrease from 3.8% in 2024 to 3.6% in 2025 and to 3.2% in 2026.

Elevated, but decreasing budget deficit

The budget deficit is projected to decrease from 6.7% of GDP in 2023 to 5.4% of GDP in 2024. This is driven mostly by lower subsidies to utility companies to cover their losses from regulated energy prices, postponements in public investments, and a moderate rebound in tax revenue. The net budgetary cost of measures to mitigate the impact of high energy prices, after deducting the windfall profit taxes collected from the energy sector, is estimated to fall from 1.6% of GDP in 2023 to 0.9% in 2024. Labour tax revenue is set to grow on the back of robust wage growth, while taxes on production are projected to increase, mainly due to the increasing tax burden on the financial sector. Capital expenditure is projected to decrease significantly in 2024 as a result of already announced postponements in public investment spending and a low absorption of EU funds.

The deficit is projected to diminish further to 4.6% of GDP in 2025 and 4.1% in 2026. The fiscal stance is projected to be expansionary at -1.2% in 2025 and -0.3% in 2026. Primary expenditure growth is set to remain subdued, as subsidies will continue to decline, while interest expenditure is forecast to decrease due to lower coupons on inflation-linked bonds. Capital expenditure is projected to increase gradually from a low level in 2024. The phasing out of sectoral and windfall profit taxes, in line with their sunset clauses, is estimated to reduce revenue by some 0.6 pps. of GDP in 2025. The fiscal outlook is surrounded by uncertainties stemming from subdued growth prospects in the medium term, and government's spending decisions at the end of 2024 and in 2025. This forecast does not incorporate in full the announced tax measures for 2025 fiscal year due to lack of sufficient detail at the forecast cut-off date.

The debt-to-GDP ratio is projected to reach 74.5% of GDP in 2024, driven by a high budget deficit and financing of the purchase of the Budapest airport, and to remain at 74.5% in 2025. It is then forecast to decrease to 73.8% in 2026, supported by the continued high nominal GDP growth.

Table IV.24.1: **Main features of country forecast – HUNGARY**

	2023			Annual percentage change						
bn HUF		Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		75086.6	100.0	1.7	7.1	4.3	-0.9	**0.6**	**1.8**	**3.1**
Private Consumption		37192.3	49.5	1.3	4.9	6.5	-1.4	**3.9**	**3.6**	**3.9**
Public Consumption		15386.3	20.5	1.4	1.6	3.1	3.7	**-0.8**	**0.4**	**1.9**
Gross fixed capital formation		19512.1	26.0	2.4	5.7	0.9	-7.8	**-10.1**	**3.4**	**3.9**
Exports (goods and services)		60958.3	81.2	5.7	8.3	10.7	1.5	**-1.9**	**2.5**	**5.2**
Imports (goods and services)		57224.8	76.2	5.0	7.4	10.7	-3.8	**-3.5**	**3.9**	**6.0**
GNI (GDP deflator)		72868.1	97.0	1.9	6.3	4.5	-1.2	**0.1**	**1.9**	**3.3**
Contribution to GDP growth:	Domestic demand			1.5	4.3	4.0	-2.1	**-0.9**	**2.7**	**3.3**
	Inventories			-0.4	2.0	0.3	-3.7	**0.3**	**0.0**	**0.0**
	Net exports			0.6	0.8	0.0	4.9	**1.2**	**-0.8**	**-0.3**
Employment				0.7	1.4	1.6	0.2	**0.2**	**0.2**	**0.3**
Unemployment rate (a)				7.2	4.1	3.6	4.1	**4.5**	**4.3**	**4.1**
Compensation of employees / head				4.0	8.3	17.2	14.4	**12.9**	**7.8**	**7.1**
Unit labour costs whole economy				3.0	2.5	14.2	15.7	**12.5**	**6.0**	**4.3**
Saving rate of households (b)				12.7	18.7	16.5	19.0	**21.1**	**17.8**	**16.1**
GDP deflator				3.7	6.3	14.2	14.6	**7.2**	**4.1**	**3.3**
Harmonised index of consumer prices				3.4	5.2	15.3	17.0	**3.8**	**3.6**	**3.2**
Terms of trade goods				-0.1	-3.7	-6.9	6.3	**0.5**	**0.0**	**0.2**
Trade balance (goods) (c)				0.4	-2.9	-9.2	0.0	**1.2**	**0.3**	**0.3**
Current-account balance (c)				-1.5	-3.9	-8.4	0.9	**2.1**	**1.2**	**1.0**
General government balance (c)				-4.1	-7.1	-6.2	-6.7	**-5.4**	**-4.6**	**-4.1**
Fiscal stance (c)				:	-2.7	-1.3	4.1	**2.5**	**-1.2**	**-0.3**
Structural budget balance (d)				-3.4	-7.3	-7.2	-6.4	**-4.7**	**-4.1**	**-4.2**
General government gross debt (c)				73.0	76.2	73.8	73.4	**74.5**	**74.5**	**73.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

25. POLAND

After rebounding in 2024, Poland's economy is set to expand at a faster rate in 2025. Growth is forecast to be supported by strong private consumption and investment, while net exports are expected to weigh on the economy. Growth is projected to slow down in 2026. Inflation eased in 2024 but is forecast to pick up temporarily in 2025 due to the unfreezing of energy prices. Following a high general government deficit in 2024, gradual fiscal consolidation is expected over the forecast horizon.

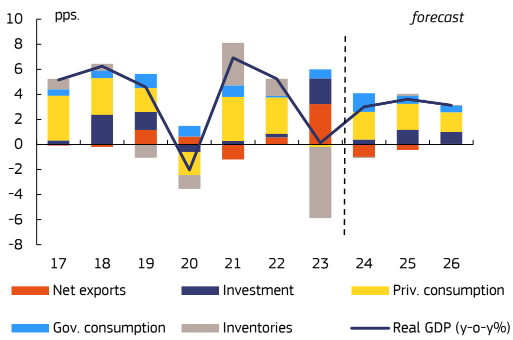
Growth to rebound in 2024 and 2025

The Polish economy rebounded sharply in 2024. Real GDP is expected to pick up from 0.1% in 2023 to 3.0% this year, slightly higher than what had been projected in the Spring Forecast. Private consumption is set to be the main growth driver, supported by rapidly rising wages, increased government spending on support to families, improved consumer sentiment, and receding inflationary pressures. The positive contribution of public consumption is projected to increase while the contribution of investment is expected to fall due to weaker private investment. Net exports are set to contribute negatively to growth, as rising domestic demand is expected to fuel imports amid subdued exports.

In 2025, real GDP is forecast to increase by 3.6%. Private consumption is set to remain the key driver of growth alongside investment, including EU-funded public investment and investment related to reconstruction following the September 2024 floods. The negative contribution from net exports is expected to narrow on account of a rebound in exports as economic growth in key trading partners picks up.

In 2026, growth is projected to moderate to 3.1% as private and public consumption, as well as investment growth, slow down. Risks to the outlook relate mainly to delays in the implementation of public investment.

Graph IV.25.1: **Poland - Real GDP growth and contribution**



Labour market to soften

Employment decreased in the first half of 2024 following the weak economic growth in 2023 and is projected to fall by 0.3% for the year as a whole. In 2025 and 2026, it is expected to increase only moderately as the labour force stagnates amid shrinking population of working age. The employment rate of displaced persons from Ukraine is forecast to continue rising over the forecast horizon contributing positively to employment growth. The unemployment rate is set to rise slightly to 2.9% in 2024 and decline in 2025 and 2026. Growth in nominal wages is expected to remain strong and reach 11.4% in 2024 slowing to 5.9% in 2025 and to 5.5% in 2026 reflecting rising labour demand and a historically low unemployment rate in 2026.

Price pressures to ease further

HICP inflation decreased to around 3% in the first half of 2024, rebounded to around 4% in 2024-Q3 and is expected to reach 3.8% on average in 2024. Headline inflation is set to increase temporarily to 4.7% in 2025 due to the unfreezing of energy prices and hikes in excise duties. HICP inflation excluding energy and unprocessed food is projected to reach 4.3% in 2024 and to decline slowly in 2025 and 2026 as disinflation in services proceeds only gradually amid a tight labour market. HICP inflation is forecast to decline to 3.0% in 2026 despite elevated services and food prices growth.

Gradual fiscal consolidation

The general government deficit is projected to increase to 5.8% of GDP in 2024, driven by increased spending on defence (estimated to reach 2.6% of GDP), salary increases in the public sector and new family benefits. Measures to mitigate the social and economic impact of high energy prices, which have been extended until the end of the year, also contribute to the deficit. At the same time, tax revenue, in particular from VAT and corporate income tax, was lower than expected in the first three quarters of the year.

Based on measures included in the 2025 draft budget, the deficit is expected to decrease to 5.6% of GDP in 2025 on the back of a cyclical upturn and of the phase-out of energy-support measures. Expenditure on defence is set to rise further to 2.8% of GDP, according to the government's multiannual plan to increase defence capability. Tax revenue is expected to increase, among other factors due to the adopted scheme for excise duty rate hikes on tobacco and alcohol products. Rising nominal wages are set to support the growth of personal income tax revenue.

In 2026, pending on the implementation of announced expenditure consolidation measures, the deficit is forecast to decrease to 5.3% of GDP. The growth of general government revenue is expected to slow down, reflecting slower economic growth, while some already adopted revenue-increasing measures are set to take effect in 2026.

The public debt-to-GDP ratio is projected to increase steadily, from 49.7% in 2023 to 62.4% in 2026. The growth of debt is driven by the high deficits and high stock-flow adjustments related to the timing of defence investments.

Table IV.25.1: **Main features of country forecast - POLAND**

	2023			Annual percentage change						
bn PLN	Curr. prices	% GDP		05-20	2021	2022	2023	2024	2025	2026
GDP	3401.6	100.0		3.7	6.9	5.3	0.1	**3.0**	**3.6**	**3.1**
Private Consumption	1963.6	57.7		3.1	6.2	5.2	-0.3	**3.8**	**3.6**	**2.7**
Public Consumption	646.1	19.0		3.0	5.0	0.6	4.0	**7.8**	**3.1**	**2.7**
Gross fixed capital formation	603.6	17.7		4.9	1.5	1.7	12.6	**2.3**	**6.7**	**5.3**
Exports (goods and services)	1976.8	58.1		6.6	12.3	7.4	3.7	**0.9**	**2.4**	**3.0**
Imports (goods and services)	1780.9	52.4		5.9	16.3	6.8	-1.5	**2.8**	**3.6**	**3.1**
GNI (GDP deflator)	3265.6	96.0		3.6	6.1	5.9	0.0	**3.1**	**3.8**	**3.3**
Contribution to GDP growth:			Domestic demand	3.5	4.7	3.3	2.6	**4.1**	**3.9**	**3.0**
			Inventories	0.0	3.4	1.4	-5.7	**-0.1**	**0.2**	**0.0**
			Net exports	0.2	-1.2	0.6	3.2	**-1.0**	**-0.4**	**0.1**
Employment				1.3	2.9	1.1	-0.1	**-0.3**	**0.2**	**0.1**
Unemployment rate (a)				8.7	3.4	2.9	2.8	**2.9**	**2.8**	**2.7**
Compensation of employees / head				4.6	4.7	12.3	13.4	**11.4**	**5.9**	**5.5**
Unit labour costs whole economy				2.2	0.8	7.9	13.1	**7.9**	**2.4**	**2.4**
Saving rate of households (b)				5.2	4.1	-0.8	2.8	**4.2**	**4.1**	**4.0**
GDP deflator				2.2	5.3	10.7	9.5	**3.9**	**4.6**	**3.0**
Harmonised index of consumer prices				2.1	5.2	13.2	10.9	**3.8**	**4.7**	**3.0**
Terms of trade goods				0.7	-2.0	-3.7	1.7	**-0.9**	**0.4**	**-0.4**
Trade balance (goods) (c)				-2.3	-1.3	-3.3	0.6	**-0.2**	**-0.4**	**-0.6**
Current-account balance (c)				-3.0	-1.3	-2.6	1.7	**0.6**	**0.4**	**0.3**
General government balance (c)				-3.7	-1.7	-3.4	-5.3	**-5.8**	**-5.6**	**-5.3**
Fiscal stance (c)				:	1.1	-3.1	-1.0	**-1.8**	**0.3**	**0.3**
Structural budget balance (d)				-2.4	-2.3	-4.5	-4.7	**-5.3**	**-5.4**	**-5.3**
General government gross debt (c)				50.7	53.0	48.8	49.7	**54.7**	**58.9**	**62.4**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

26. ROMANIA

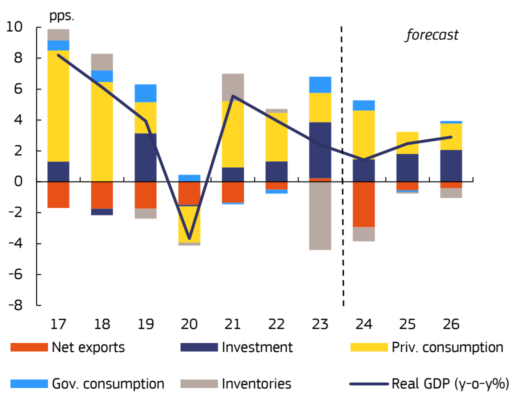
In 2024, real GDP growth is expected to decelerate markedly to 1.4%. Buoyant private consumption supported domestic demand and imports, while export growth remained subdued. A gradual recovery in external demand, easing of financial conditions and resilient private consumption and investment are set to accelerate growth above 2% in 2025 and in 2026. Headline inflation is projected to decelerate slightly, but to remain above 5% in 2024, as underlying price pressures are still high due to the continued increase in disposable income. Strong labour demand is set to further reduce unemployment. Romania's general government deficit is forecast to reach 8% of GDP in 2024, much higher than in 2023. It is expected to stay broadly at that level in 2025 and 2026, assuming no change in current policies. The debt-to-GDP ratio is projected to increase to close to 60% in 2026.

Strong domestic demand pushes up imports

Over 2024, industrial production, residential construction, IT and transport services lost significant growth momentum due to sluggish external demand from Romania's main trading partners, a rapid increase in wages and high energy prices. At the same time, retail sales grew strongly as real disposable incomes increased at a fast pace. Nevertheless, buoyant private consumption was largely offset by the high negative contribution to GDP growth from net exports, while private investment growth was moderated by the uncertainty surrounding the expected fiscal consolidation measures. As a result, real GDP growth is forecast to slow to 1.4% in 2024 from 2.4% in 2023.

A gradual pick-up in external demand and exports, a further easing of financial conditions, resilient private consumption and an acceleration of private investment are forecast to lift real GDP growth to 2.5% in 2025 and 2.9% in 2026. EU-funded investment in public infrastructure is set to strongly support growth. Despite favourable terms of trade, the high negative contribution from net exports to GDP growth in 2024 is projected to widen the current account deficit to around 8% of GDP, from 7% of GDP in 2023. A recovery in exports and moderation of imports, supported by decelerating wage growth and competitiveness gains from on-going investments and structural reforms, are expected to somewhat reduce the current account deficit over the remaining forecast horizon.

Graph IV.26.1: **Romania - Real GDP growth and contributions**



Low unemployment and moderation of wage increases

Labour market pressures have eased, mainly reflecting slowing economic activity and a growing inflow of foreign workers. Yet, labour demand remains resilient, and the unemployment rate is expected to decline marginally over the forecast horizon. Nominal wages in both the public and private sector continued growing strongly at a double-digit rate in 2024. Yet, wage moderation is assumed to take hold in 2025 and 2026 given the already high increases in the minimum wage, lower inflation and abating labour market tightness.

Disinflation set to continue

A marked deceleration of energy and food prices is set to lead to a decline in headline HICP inflation, from close to 10% on average in 2023, to around 5.5% in 2024. Nevertheless, underlying price pressures remain elevated, due to strong domestic demand on the back of increases in wages and pensions and still high increases of services prices. Average HICP inflation is forecast to decelerate further and eventually fall within the central bank inflation target range of 2.5% ±1 percentage point, but only towards the end of 2026.

Government deficit projected to stay high in 2025 and 2026, under current policies

Romania's general government deficit is forecast to reach 8% of GDP in 2024, much higher than in 2023 (6.5% of GDP). The higher-than-expected deficit reflects very fast growth in government spending, mostly due to large increases in public sector wages, expenditure in goods and services and social transfers, including pensions. It also reflects slightly slower revenue growth due to weaker-than-expected economic activity. Public investment as a share of GDP is expected to rise significantly, reflecting ambitious targets for both nationally and EU-funded investment projects.

In 2025 and 2026, the deficit is forecast to stay high. In 2025, the short-term cost of the pension reform and a further increase in interest payments (2.2% of GDP in 2026, vs 1.4% of GDP in 2022) are projected to keep the growth in government expenditure at a high level. Revenue growth should remain robust, in line with developments in economic activity. Importantly, the forecast does not include any impact from potential deficit-reducing measures on the revenue or the expenditure side included in the medium-term fiscal and structural plan that Romania submitted to the Commission on 25 October. These measures are not sufficiently specified at this stage. However, they have the potential to significantly lower the government deficit relative to this forecast, if properly designed and implemented in the context of the budget for 2025.

General government debt is expected to increase from 48.9% of GDP in 2023 to almost 60% in 2026, reflecting high deficits and slower nominal GDP growth in the coming years.

Table IV.26.1: **Main features of country forecast - ROMANIA**

		2023		Annual percentage change						
	bn RON	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		1604.6	100.0	3.1	5.5	4.0	2.4	**1.4**	**2.5**	**2.9**
Private Consumption		992.8	61.9	4.3	7.0	5.1	3.0	**5.1**	**2.3**	**2.8**
Public Consumption		275.0	17.1	2.0	-0.6	-1.4	6.3	**3.8**	**-0.6**	**0.9**
Gross fixed capital formation		432.9	27.0	5.2	4.0	5.4	14.5	**5.4**	**6.7**	**7.4**
Exports (goods and services)		628.2	39.2	8.3	12.6	9.3	-0.8	**-2.0**	**2.2**	**2.4**
Imports (goods and services)		705.0	43.9	9.6	14.6	9.3	-1.1	**4.9**	**3.2**	**3.1**
GNI (GDP deflator)		1559.0	97.2	3.3	4.8	2.7	2.7	**1.2**	**2.7**	**3.1**
Contribution to GDP growth:	Domestic demand			4.7	5.1	4.2	6.6	**5.3**	**3.1**	**3.9**
	Inventories			-0.3	1.8	0.3	-4.4	**-0.9**	**-0.1**	**-0.6**
	Net exports			-1.2	-1.3	-0.5	0.2	**-2.9**	**-0.5**	**-0.4**
Employment				-0.5	0.8	0.7	-1.5	**1.5**	**0.5**	**0.7**
Unemployment rate (a)				7.7	5.6	5.6	5.6	**5.5**	**5.5**	**5.4**
Compensation of employees / head				9.7	6.4	13.7	18.1	**12.8**	**9.9**	**8.9**
Unit labour costs whole economy				5.8	1.6	10.2	13.6	**12.9**	**7.8**	**6.6**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.4	5.6	12.1	12.8	**9.0**	**5.9**	**5.3**
Harmonised index of consumer prices				4.0	4.1	12.0	9.7	**5.5**	**3.9**	**3.6**
Terms of trade goods				1.8	0.9	-1.4	1.3	**3.7**	**2.2**	**2.0**
Trade balance (goods) (c)				-8.8	-9.5	-11.4	-8.9	**-9.1**	**-8.5**	**-7.9**
Current-account balance (c)				-4.5	-7.3	-9.6	-7.3	**-8.3**	**-7.6**	**-6.9**
General government balance (c)				-3.9	-7.1	-6.4	-6.5	**-8.0**	**-7.9**	**-7.9**
Fiscal stance (c)				:	0.4	-0.6	0.6	**-1.1**	**-0.2**	**-0.7**
Structural budget balance (d)				-2.9	-6.3	-6.2	-6.2	**-7.4**	**-7.4**	**-7.6**
General government gross debt (c)				29.7	48.3	47.9	48.9	**52.2**	**56.1**	**59.7**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

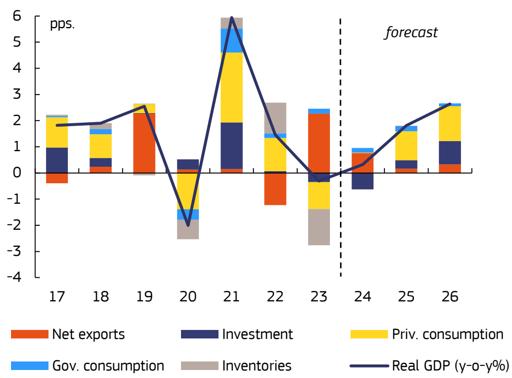
27. SWEDEN

After weak economic growth in 2024, the Swedish economy is projected to recover in 2025 and to maintain its momentum in 2026. Easing financial conditions and falling inflation are set to increase real income and domestic demand. Inflation is expected to bottom out in 2025 and remain just below 2% in 2026. The labour market is set to respond with a lag, improving slowly from 2025. Public finances are projected to improve over the forecast period in line with the expected recovery, with the general government deficit reaching near balance in 2026. The gross debt to GDP ratio is set to remain relatively stable.

Domestic demand recovers

The Swedish economy has shown a lacklustre performance over the past ten quarters, chiefly on account of stagnating domestic demand, while exports were holding up. Both households and businesses experienced rising interest burdens and high price increases weighing on expenditure and investment. The waning of the inflation shock that had eroded real wages, the expected easing of financial conditions and lower interest rates alleviating debt service burdens coupled with supportive fiscal policy are all set to reignite domestic demand growth from end-2024. Consumption is forecast to gather pace in 2025 and remain strong in 2026 on the back of a falling saving rate, low inflation and a gradual recovery in the labour market. Gross fixed capital formation is set to return to solid growth from 2025 in response to easier financial conditions supporting also a modest recovery in housing construction. Government is forecast to continue to contribute to domestic demand in 2024 and 2025 via government investment adding to increases in real government consumption. By contrast, foreign demand is projected to contribute less to economic growth over the forecast horizon. This reflects an expected recovery in domestic demand boosting imports, implying that the growth contribution from external trade is set to be relatively modest in 2025 and 2026.

Graph IV.27.1: **Sweden - Real GDP growth and contributions**



Overall, real GDP is set to grow by 0.3% in 2024, 1.8% in 2025 and 2.6% in 2026. Risks to the outlook are to the downside, mirroring uncertainty over the resilience of the labour market and the extent to which the expected fall in the savings ratio materialises.

Labour market to bottom out

The labour market had been relatively resilient to weak economic growth which in part reflects a shift in domestic demand to labour-intensive services, such as health and ICT services as well as restaurants and hotels. However, the usual lag with which labour market developments follow the broader economy implies that employment growth is set to gain traction in the course of 2025, with the unemployment rate dropping below 8% only in 2026. Wage settlements are expected to remain moderate in the wake of falling inflation.

Inflation to drop markedly and remain moderate

In 2024 HICP inflation is set to fall sharply to 1.9% on average, from nearly 6% in 2023, with all inflation subcategories, except services, decelerating sharply. This reflects the combined effect of the fading impact of supply bottlenecks, a sizable negative output gap coupled with a further fall in energy prices and a recovery of the effective exchange rate since mid-2023. This momentum is expected reduce inflation to 1.5% in 2025 before higher energy prices are forecast to drive inflation slightly up to 1.8% in 2026, despite a partial offset from slowing services inflation.

Public finances turning from deficit towards balance

In the context of weak growth and increasing unemployment, the general government balance is set to decrease further to -1.9% of GDP in 2024. As the economy recovers in 2025, the balance is set to improve to -1.4% of GDP. Among the main drivers of the deficits in 2024 and 2025 are continued significant spending on defence and assistance to Ukraine, as well as an exceptional capital injection to the central bank. The general government balance is set to turn to close to balance in 2026, as tax revenue continues to pick up.

The general government gross debt ratio is projected to continue to fall, to 32.8% of GDP in 2024, 32.7% in 2025 and 31.7% in 2026.

Table IV.27.1: **Main features of country forecast - SWEDEN**

		2023			Annual percentage change					
	bn SEK	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		6206.5	100.0	1.7	5.9	1.5	-0.3	**0.3**	**1.8**	**2.6**
Private Consumption		2783.1	44.8	2.0	6.0	2.8	-2.3	**0.0**	**2.5**	**3.0**
Public Consumption		1625.0	26.2	1.1	3.4	0.7	0.7	**0.7**	**0.7**	**0.4**
Gross fixed capital formation		1553.5	25.0	2.7	7.3	0.3	-1.4	**-2.5**	**1.3**	**3.7**
Exports (goods and services)		3424.2	55.2	2.7	11.9	6.2	3.2	**1.7**	**1.9**	**2.8**
Imports (goods and services)		3177.4	51.2	3.2	12.8	9.7	-1.1	**0.3**	**1.7**	**2.4**
GNI (GDP deflator)		6441.8	103.8	1.9	6.5	1.7	-0.8	**0.2**	**1.6**	**2.7**
Contribution to GDP growth:	Domestic demand			1.8	5.4	1.5	-1.2	**-0.4**	**1.6**	**2.3**
	Inventories			0.0	0.4	1.2	-1.4	**0.0**	**0.0**	**0.0**
	Net exports			-0.1	0.1	-1.2	2.3	**0.8**	**0.2**	**0.3**
Employment				1.0	1.3	3.5	1.2	**-0.4**	**0.5**	**0.8**
Unemployment rate (a)				7.5	8.9	7.5	7.7	**8.5**	**8.4**	**7.8**
Compensation of employees / head				3.0	4.9	2.1	5.4	**4.6**	**3.2**	**3.1**
Unit labour costs whole economy				2.2	0.2	4.2	6.9	**3.8**	**1.9**	**1.2**
Saving rate of households (b)				13.4	17.4	14.7	17.8	**18.4**	**17.9**	**16.0**
GDP deflator				1.9	2.7	5.8	6.1	**2.3**	**1.4**	**1.3**
Harmonised index of consumer prices				1.4	2.7	8.1	5.9	**1.9**	**1.5**	**1.8**
Terms of trade goods				0.3	0.1	-4.5	0.7	**-0.4**	**0.1**	**-0.2**
Trade balance (goods) (c)				4.3	4.6	3.7	5.4	**5.6**	**5.8**	**5.9**
Current-account balance (c)				4.7	6.6	4.5	6.2	**6.6**	**6.4**	**6.5**
General government balance (c)				0.2	-0.1	1.0	-0.6	**-1.9**	**-1.4**	**-0.3**
Fiscal stance (c)				:	-0.2	0.4	0.0	**-1.0**	**0.5**	**0.5**
Structural budget balance (d)				0.0	-0.4	0.9	0.2	**-0.7**	**-0.3**	**0.1**
General government gross debt (c)				40.8	36.7	33.6	31.5	**32.8**	**32.7**	**31.7**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

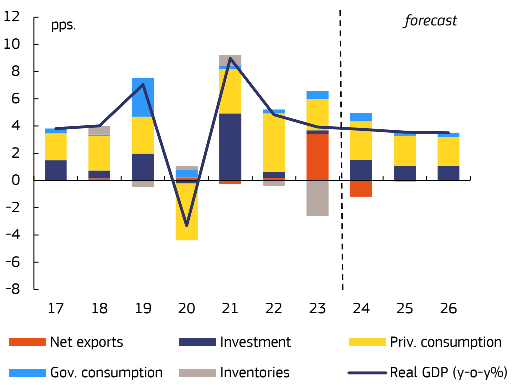
Candidate Countries

28. ALBANIA

Economic growth continued to be strong in 2024 driven by private consumption and a good tourism season. After four years of high growth rates, GDP growth is expected to moderate to 3.6% in 2025 and 3.5% in 2026 as household and public consumption slow down. After a rapid decline in 2024, inflation is expected to gradually return to the 3% central bank's target next year. The fiscal deficit is set to slightly widen before falling to 2% of GDP in 2026. The public debt-to-GDP ratio is forecast to decrease only gradually, driven by nominal GDP growth.

Economic activity remained solid in the first half of 2024, but it is likely to decelerate slightly in 2025 and 2026

Graph V.28.1: **Albania - Real GDP growth and contributions**



Following a 3.9% expansion in 2023, the Albanian economy continued the strong growth trend in the first half of 2024, with real GDP growth picking up to 4.1% y-o-y in 2024-Q2. Private consumption witnessed high growth (4.4% in the first quarter, followed by 6% in the second one), supported by increasing real wages, strong credit growth and accommodating financial conditions. Investment grew faster than in 2023, and it is expected to accelerate in the second half of the year due to increased public capital spending. The boom in tourism pushed up services exports, while goods exports continued to contract due to lower demand from the euro area, declines in raw material prices in international markets and the strengthening of the lek's exchange rate. Overall, GDP growth in 2024 is forecast at 3.8% with household consumption as the main growth driver. In contrast to the previous year, net exports are expected to contribute negatively to GDP growth due to weaker exports and a solid growth of imports. The current account deficit is projected to rise as the trade deficit of goods widens, while remittances are expected to remain relatively stable as a percentage of GDP.

For 2025-2026 GDP growth is forecast at 3.6% and 3.5% respectively, moderating somewhat compared to previous years, but remaining robust. Slower employment growth is set to weigh on private consumption while public consumption growth is projected to slow down following significant increases in public wages over 2023-2024 on the back of the public wage reform. On the external side, services exports are expected to continue expanding, but the growth in tourist arrivals is set to soften, following double-digit growth rates in previous years. Goods exports are projected to recover after bottoming out in 2024.

This outlook is subject to downside risks, linked to exchange rate volatility, increasing shortages of skilled labour aggravated by emigration, and a possible resurfacing of inflationary pressures.

Employment gains set to moderate

Employment increased in 2023 and is expected to further grow over 2024-2026, albeit at a more moderate pace. The unemployment rate is expected to decline further. Despite improvements in the labour market, emigration remains an issue. The preliminary results of the 2023 Population and Housing Census, published in June this year, showed that Albania's population fell from 2.8 million in 2011 to 2.4 million in 2023 (a 14% decline), shrinking the working age population.

Rapid fall in inflation in 2024 followed by a pick-up

Inflation has more than halved in the last 12 months to 1.9% in September 2024. In July 2024, the Bank of Albania decreased the policy rate from 3.25% to 3% and maintained it unchanged since then. The steep fall in inflation was driven by the fast reduction of imported inflation due to the strong exchange rate coupled with lower inflation in Albania's trading partners. At the same time, domestic inflationary pressures remain fuelled by high demand for goods and services and the relatively fast growth of wages and production costs. Average annual inflation is projected to be below the 3% target in 2024, increase slightly above it in 2025 and then remain stable close to the central bank's target.

Fiscal deficit is set to widen before narrowing in 2026

Albania's fiscal position improved in 2023, with the general government deficit decreasing to 1.3% of GDP. In the first nine months of 2024, revenues increased by about 10% y-o-y, in line with the budget plan. Meanwhile, public expenditure, mainly capital spending, was under-executed. As a result, the budget balance was in surplus over January-September. Nevertheless, for 2024 as a whole, the budget balance is forecast to reach a deficit of 2.3% of GDP on the back of higher spending on public wages, social insurance and interest costs, and an acceleration of public investment in the remainder of the year. In 2025, the budget deficit is expected to remain at a similar level before declining slightly to 2% of GDP in 2026. The primary balance is projected to remain in surplus, in line with the national fiscal rule. The government debt-to-GDP ratio fell below 60% in 2023, supported by a positive primary balance and a favourable snowball effect. The decline in the debt ratio also reflects an upward revision of nominal GDP. The debt ratio is projected to decline in 2024-2026 at a more moderate pace, driven by nominal GDP growth.

Graph V.28.2: **Albania - General government budget balance and gross debt**

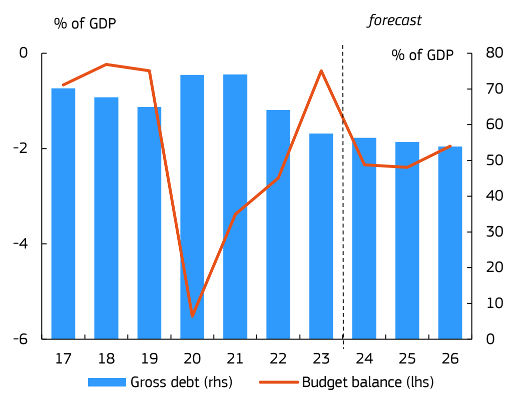


Table V.28.1: **Main features of country forecast - ALBANIA**

		2023			Annual percentage change					
	bn ALL	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2369.9	100.0	3.5	9.0	4.8	3.9	**3.8**	**3.6**	**3.5**
Private Consumption		1650.4	69.6	3.2	4.4	6.1	3.2	**4.0**	**3.2**	**3.1**
Public Consumption		285.5	12.0	3.5	1.4	2.3	4.9	**5.0**	**2.8**	**2.4**
Gross fixed capital formation		570.0	24.0	1.7	19.6	1.6	1.0	**6.3**	**4.3**	**4.0**
Exports (goods and services)		916.3	38.7	5.0	52.1	17.0	9.5	**4.0**	**5.2**	**4.9**
Imports (goods and services)		1038.7	43.8	2.4	32.5	11.5	0.2	**6.3**	**4.7**	**4.2**
GNI (GDP deflator)		2341.3	98.8	:	9.2	4.4	4.5	**3.2**	**3.2**	**3.5**
Contribution to GDP growth:		Domestic demand		3.3	8.4	5.0	3.1	**4.9**	**3.6**	**3.4**
		Inventories		-0.1	0.8	-0.4	-2.6	**0.0**	**0.0**	**0.0**
		Net exports		0.1	-0.3	0.2	3.4	**-1.2**	**-0.1**	**0.1**
Employment				:	0.1	4.0	1.5	**1.3**	**1.0**	**0.9**
Unemployment rate (a)				14.7	12.2	11.5	11.1	**10.5**	**10.2**	**10.0**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	3.4	9.9	6.1	**2.7**	**3.1**	**2.6**
Consumer price index				34.0	2.0	6.7	4.8	**2.3**	**3.2**	**3.1**
Terms of trade goods				:	1.8	1.6	8.3	**-4.0**	**-1.1**	**-0.2**
Trade balance (goods) (c)				-24.2	-25.1	-23.5	-20.7	**-21.7**	**-21.6**	**-22.0**
Current-account balance (c)				-10.2	-7.7	-5.9	-0.9	**-3.1**	**-3.2**	**-3.2**
General government balance (c)				6.7	-3.4	-2.6	-0.4	**-2.3**	**-2.4**	**-2.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				64.2	74.1	64.1	57.5	**56.3**	**55.1**	**53.9**

(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.

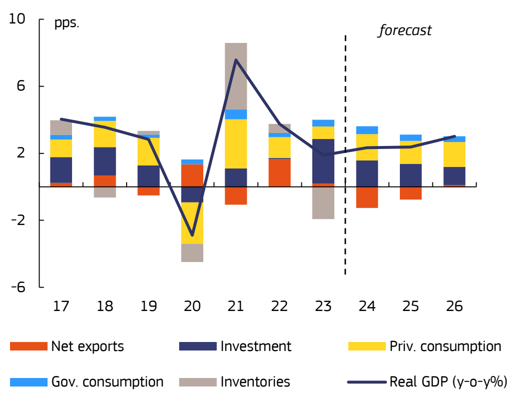
29. BOSNIA AND HERZEGOVINA

Economic activity picked up in the first half of 2024, supported by solid private consumption and higher revenues from tourism. Lower imported inflation helped to contain domestic price pressures, but a continued rise in wages might create some upward pressures. GDP growth is set to accelerate moderately, primarily benefiting from private consumption growth and strengthening external demand. However, the damage from the October floods will impede stronger growth in 2024 and 2025. The government deficit is expected to remain contained, despite recent recent increases in public spending for transfers and substantial costs of flood damage repair. The country's public debt-to-GDP ratio is forecast to increase slightly.

Economic activity is set to moderately accelerate over the forecast period

Economic growth picked up from 1.9% in 2023 to 2.4% y-o-y in the first half of 2024, largely thanks to solid private consumption, which benefited from strong real wage growth, in turn pushed by declining inflation and high nominal wage increases. Tourism also performed well, with revenues increasing by 8.5% in the first half of 2024. However, commodity exports were lower than a year before, reflecting weak demand in key export markets. while import growth accelerated, probably in response to increased private consumption. Net financial inflows in the form of primary and secondary transfers remained stable in the first half of 2024, at some 10% of GDP. In early October, heavy rainfalls triggered widespread floods and landslides, causing numerous deaths and damaging houses, production facilities and infrastructure. This is expected to result in a markedly lower output generation in the fourth quarter, dampening the overall economic rebound in 2024 and in particular in 2025.

Graph V.29.1: **Bosnia and Herzegovina - Real GDP growth and contributions**



Over the forecast period, domestic demand, in is expected to gain further momentum. In particular private consumption is projected to benefit from recent strong wage growth and the expected decelerating inflation. Public and private investment are likely to remain moderate as persistent political stalemates are set to continue delaying structural reforms and impeding the business environment. The need to repair flood-damaged infrastructure will lead to some stronger investment spending in late 2024 and during 2025. External demand is projected to benefit from an improving global economy. Overall, GDP growth is expected to accelerate only moderately during 2024 and 2025, while in 2026, expected stronger external demand and the recovery from the flood damages will allow stronger output growth.

Inflation is expected to decline further

Inflation continued to fall during 2024, reaching 0.8% in September and 1.7% on average during the first nine months of 2024, compared to 7.6% in the same period a year before. This inflation moderation has been broad-based across most sub-categories. Going forward, headline inflation is projected to remain moderate over the forecast horizon, as price increases for imports, in particular energy, are expected to abate. However, growth in real wages, after nearly 6% y-o-y in the first half of 2024, is projected to remain high, reflecting labour shortages in certain areas due to persistent outmigration of qualified labour. This might create some upward pressure for headline inflation.

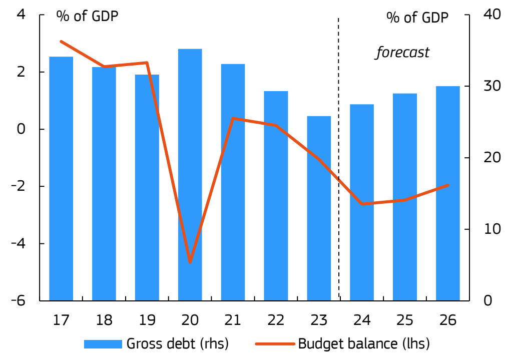
The labour market faces bottlenecks due to high emigration and shrinking labour supply

Registered employment growth slowed down from 1.4% in 2023 to 0.4% y-o-y in the first eight months of 2024. At the same time, the LFS unemployment rate remained at slightly above 13%. Trade and tourism continued to be sectors with the largest employment gains. There are indications of a continued outflow of qualified labour, resulting in labour shortages in some sectors, such as construction and health. This is likely to contribute to further wage pressures above productivity growth, with a negative impact on competitiveness.

Public finances face additional spending pressures

The general government registered a near-balanced fiscal position in 2022 and 2023, benefitting from stronger than expected revenue growth, while the implementation of planned investment was hampered by administrative hurdles and political stalemates. In 2024, the authorities adopted significant permanent spending increases (e.g. on wages and pensions), which are set to increase the fiscal deficit in 2024 and beyond. Furthermore, the cost for repairing flood damages will create additional spending pressures, both in 2024 and 2025, impeding the reduction in the public-debt ratio.

Graph V.29.2: **Bosnia and Herzegovina - General government budget and gross debt**



Risks are on the downside and on the upside

A renewed increase in political tensions could result in further delays in important structural reforms. However, growth could also turn out to be stronger, in particular if political cooperation improves or if external demand rebounds stronger than anticipated.

Table V.29.1: **Main features of country forecast - BOSNIA AND HERZEGOVINA**

		2023		Annual percentage change						
	bn BAM	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		50.9	100.0	:	7.6	3.7	1.9	**2.3**	**2.4**	**3.0**
Private Consumption		34.1	67.0	:	4.2	1.9	1.1	**2.3**	**2.0**	**2.2**
Public Consumption		9.5	18.7	:	2.9	1.3	2.1	**2.5**	**2.0**	**1.8**
Gross fixed capital formation		11.5	22.6	:	5.1	0.3	12.1	**7.0**	**6.0**	**4.8**
Exports (goods and services)		21.9	43.1	:	25.4	11.8	-1.2	**0.0**	**3.3**	**3.4**
Imports (goods and services)		27.8	54.6	:	20.6	6.2	-1.3	**2.3**	**4.0**	**2.5**
GNI (GDP deflator)		50.6	99.4	:	6.8	3.7	2.7	**2.3**	**2.4**	**3.0**
Contribution to GDP growth:	Domestic demand			1.0	4.5	1.6	3.6	**:**	**:**	**:**
	Inventories			-0.1	4.0	0.5	-1.9	**:**	**:**	**:**
	Net exports			0.6	-1.1	1.6	0.2	**-1.3**	**-0.8**	**0.1**
Employment				:	-1.9	1.0	1.4	**0.5**	**0.6**	**1.1**
Unemployment rate (a)				:	17.4	15.4	13.3	**13.2**	**13.0**	**12.5**
Compensation of employees / head				:	4.0	13.0	11.3	**9.6**	**3.2**	**3.3**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	4.8	9.5	9.6	**1.5**	**0.9**	**1.0**
Consumer price index				:	2.0	14.0	6.1	**2.0**	**1.8**	**2.0**
Terms of trade goods				:	8.8	-4.7	-0.7	**0.0**	**-0.1**	**-0.1**
Trade balance (goods) (c)				-26.4	-17.9	-22.3	-20.1	**-21.1**	**-21.7**	**-21.5**
Current-account balance (c)				-6.0	-1.4	-4.4	-2.3	**-2.8**	**-3.5**	**-3.6**
General government balance (c)				-0.7	0.4	0.1	-1.1	**-2.6**	**-2.5**	**-2.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				35.3	33.1	29.3	25.8	**27.5**	**29.0**	**30.0**

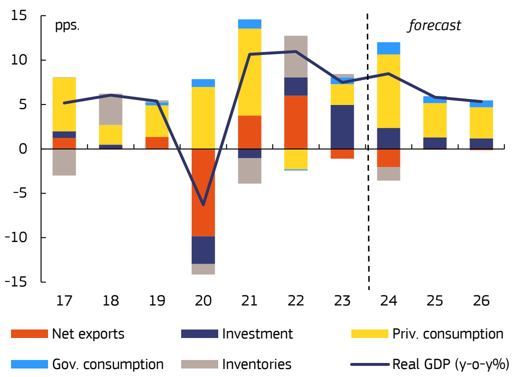
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

30. GEORGIA

The growth momentum of Georgia's economy is expected to remain strong, with GDP growth projected at 8.5% in 2024 and set to decelerate, but to still remain robust in 2025-26. Growth is expected to be driven by domestic demand, especially by very dynamic private and public consumption. Robust economic activity is set to support an improvement in the labour market, but unemployment is expected to remain high. Inflation has been subdued in 2024, but it is set to pick up temporarily in 2025, driven by high demand, before returning to the central bank's target. The general government deficit is expected to remain limited over the forecast horizon, close to 2% of GDP, while the public debt-to-GDP ratio is forecast to decline gradually. The current account deficit is projected to narrow.

Strong economic growth, driven by consumption

Graph V.30.1: **Georgia - Real GDP growth and contributions**



Following robust GDP growth of 7.5% in 2023, Georgia's economic activity accelerated further in the first half of 2024, by 9% y-o-y. Private consumption was the main growth driver, stimulated by rising wages, employment growth and accelerated consumer loans supported by looser monetary policy. The strong growth was also partially due to a statistical reclassification of expenditures of Russian migrants from exports of services into domestic consumption. Investment also increased in the same period, supported by higher business lending, good financial results of enterprises and strong public investment. The contribution of net exports of goods and services was negative as, despite growing revenues from tourism and other services, imports grew stronger fuelled by rising domestic demand. On the supply side, the value added increased most in services, especially in tourism, education, trade, construction and transport.

Growth is projected to reach 8.5% in 2024 and then to decelerate gradually but remain robust in 2025-26. Private consumption is set to remain the main growth driving factor, although its dynamics will slow down with decelerating wages growth, slower loan dynamics and rising inflation. The contribution of net exports to growth is projected to be broadly neutral in 2025 and 2026, as growing services exports are likely to compensate the expected increase in imports. The forecast is subject to a high degree of uncertainty regarding the domestic political scene and the EU integration path, which could impact business and consumer confidence.

Labour market situation improves, but remains challenging

Supported by the steady economic expansion and enhanced activity of public employment services, the situation on the labour market has ameliorated. The unemployment rate decreased by 3 pps. over the last 12 months to 13.7% in the second quarter of 2024 and is projected to continue falling in 2025 and 2026. Employment went up by 4.5% in the same period and is set to grow further, although more moderately. Wage growth has slowed down from the 20% increase (in nominal terms) recorded in 2023 to a still strong 12% in the first half of 2024 and is expected to decrease further, but to remain much higher than productivity growth.

Inflation to pick up temporarily before stabilising around the central bank's target

Following a temporary pick-up in 2022 and a gradual decrease to 2.5% in 2023, consumer price inflation slowed further this year thanks to prudent monetary policy of the central bank, rising competition in many sectors and some one-off effects. Inflation is expected to be slightly above

1% on average in 2024 and to gradually pick up and temporarily exceed the central bank's 3% target in 2025 due to high domestic demand, base effects and a pass-through effect of this year's limited depreciation of the lari. As these factors are expected to gradually fade in the course of next year, inflation is then set to return to the target level.

Narrowing current account deficit, mainly due to dynamic exports of services

The current account deficit is expected to slightly narrow down in 2024. After a decline in the first months of this year, goods exports from Georgia have recovered due to increasing external demand for metallurgical products and re-exported cars. Imports are on the rise due to high domestic demand for both consumer and investment goods, leading to a higher merchandise trade deficit than in 2023. This is compensated by a continuous increase in revenues from services, notably tourism, transport and ICT, and by a reduced primary income deficit thanks to lower outflow of investment incomes. In 2025 and 2026 the current account deficit is expected to gradually decrease further as exports, especially of services, together with rising remittances from the EU and US are projected to grow faster than imports.

Limited fiscal deficit, with public debt on a downward path

General government revenue in the first eight months of 2024 was 17% higher than in the same period of last year. It was boosted by economic expansion, fast rising wages stimulating personal income tax revenues, as well as by discretionary measures such as increases in gambling fees and a tax reform in the banking sector. Current expenditure increased by 16% in the same period, mainly due to strong increase in public sector salaries and interest expenditure, while capital expenditure rose by 21%. The consolidated general government deficit is projected at 2.3% of GDP in 2024, very similar to 2023, but depends on possible budgetary amendments in the last two months of the year. The deficit-to-GDP ratio in 2025 and 2026 is expected to stand close to 2% as revenue is expected to expand slightly faster than expenditure, and no new discretionary fiscal measures are foreseen so far. The general government debt amounted to 39.4% of GDP in June 2024, similar to its level at the end of 2023, and is expected to slowly decline over the forecast horizon.

Table V.30.1: **Main features of country forecast - GEORGIA**

	2023			Annual percentage change					
bn GEL	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	80.2	100.0	:	10.6	11.0	7.5	**8.5**	**5.8**	**5.3**
Private Consumption	55.3	68.9	:	12.3	-2.8	3.2	**12.0**	**5.5**	**5.0**
Public Consumption	10.2	12.7	:	7.1	-0.8	6.1	**11.0**	**6.0**	**6.0**
Gross fixed capital formation	17.2	21.5	:	-4.8	9.9	25.0	**11.0**	**6.0**	**5.5**
Exports (goods and services)	39.6	49.4	:	23.5	37.4	8.2	**6.9**	**6.9**	**5.4**
Imports (goods and services)	45.7	56.9	:	8.8	16.9	8.6	**9.6**	**6.2**	**5.0**
GNI (GDP deflator)	74.0	92.2	:	8.3	11.1	6.8	**9.8**	**6.5**	**5.9**
Contribution to GDP growth: Domestic demand			4.3	8.8	-0.5	6.9	**12.0**	**5.9**	**5.5**
Inventories			0.1	-2.9	4.7	0.4	**-1.5**	**0.0**	**0.0**
Net exports			-1.2	3.8	6.0	-1.1	**-2.1**	**-0.1**	**-0.1**
Employment			-2.1	-2.0	5.4	4.0	**5.0**	**2.0**	**2.0**
Unemployment rate (a)			20.9	20.6	17.3	16.4	**13.7**	**12.9**	**12.1**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	10.2	8.1	2.5	**2.5**	**3.5**	**3.0**
Consumer price index			5.0	9.6	11.9	2.5	**1.2**	**3.2**	**3.0**
Terms of trade goods			:	-2.5	0.4	-4.8	**2.5**	**0.0**	**0.0**
Trade balance (goods) (c)			-22.8	-20.0	-20.2	-18.7	**-19.0**	**-19.2**	**-19.3**
Current-account balance (c)			-11.7	-12.2	-4.7	-5.6	**-4.4**	**-3.9**	**-3.7**
General government balance (c)			-2.0	-5.9	-2.2	-1.9	**-2.3**	**-2.0**	**-2.0**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			36.2	49.1	39.2	39.2	**38.1**	**36.8**	**36.0**

(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.

31. MOLDOVA

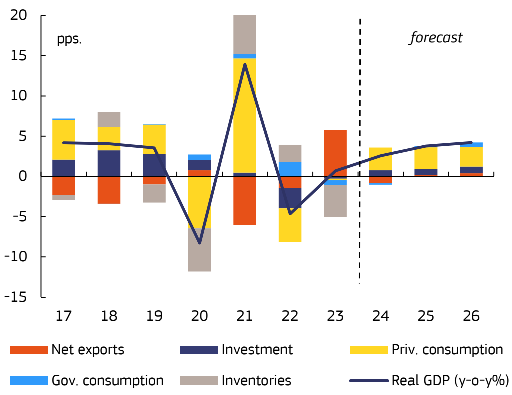
The economic recovery from the impact of a series of shocks related to Russia's war of aggression against Ukraine, energy price rises and a severe drought has continued in 2024 and is expected to strengthen over the forecast horizon. Inflation is projected to remain within the central bank's target range following a period of rapid disinflation, boosting real wages and pensions, while looser monetary policy and expanding labour market participation is expected to continue to support private consumption and investment over the forecast period. The fiscal deficit is projected to narrow more steeply in 2025, with fiscal consolidation expected to continue into 2026 and public debt to stabilise around 36% of GDP. Downside risks remain elevated in the short-term, in particular linked to the effects of a potential disruption of gas transit through Ukraine.

Economic recovery is set to strengthen…

The economic recovery which gradually started in 2023 continued in the first half of 2024. Private consumption continued to recover together with real wages and pensions as the effects of last year's price shock faded. Looser monetary policy enabled by disinflation has also supported consumer lending and especially investment.

Real GDP growth is set to gain pace over the forecast period on the back of stronger domestic demand. Continued robust employment growth and higher real incomes are set to continue boosting private consumption in 2025 and 2026, though the supportive effect of recent labour market reforms designed to encourage women's labour market participation may begin to taper off. Investment growth is expected to benefit from increased bank lending, in particular through mortgage loans, as well as improved business sentiment. Public investment is also expected to increase in 2025 and 2026 albeit more moderately.

Graph V.31.1: **Moldova - Real GDP growth and contributions**



Net exports have remained a drag on growth in 2024 but are expected to make a slight positive contribution in 2025 and 2026. Exports have declined as a result of weaker growth in key trading partners and falling re-exports to Ukraine; this adjustment to pre-2022 levels is likely to have now reached its end. Growing services exports, including from the expanding ICT sector, are projected to offset weaker agricultural exports in 2025 due to the summer drought this year. Imports have remained more stable as a result of stronger private consumption and are set to continue to grow due to the recovery in domestic demand over the forecast horizon.

…as real incomes recover

Real wages continued growing strongly in the first half of 2024 on the back of the quick disinflation and are expected to grow more moderately over the forecast horizon, boosted by increases in salaries for public sector workers and labour shortages in certain sectors. Pension indexation is also set to support household incomes. Both employment and labour force participation continued rising in the first half of 2024 from low levels, in particular due to women joining the labour force as a result of supportive policy regarding child benefits and flexible working. Further employment growth is expected over the forecast horizon as economic growth strengthens, though the large gains seen in 2023 and 2024 may not be repeated.

Inflation to remain steady following rapid disinflation

Inflation continued to fall in early 2024, reaching a trough of 3.3% y-o-y in May, just below the central bank's target range of 5% +/- 1.5 pps. on the back of falling global food and energy prices and the previous tightening of monetary policy. The central bank paused its monetary easing cycle that began at the end of 2022 with a final rate cut in May to 3.6%, where it has remained since. Inflation is projected to remain within the target range over the forecast period, rising slightly towards the end of 2024 and into 2025 on the back of increased administrative prices for healthcare and fuel tariffs. However, risks related to Moldova's energy security and thus import price volatility remain elevated, despite the country's recent efforts to reduce its dependence on imports of Russian natural gas.

Large current-account deficit narrows

The trade deficit is set to remain very wide on account of the country's weak export base and reliance on energy imports. Still, it is projected to continue to narrow over the forecast horizon due to stronger exports, in particular of services led by the ICT sector. Remittances are projected to remain high though on a steady downward trend despite continued out-migration. Steady inflows of foreign financing will continue to support Moldova's external financing needs. Going forward, the current account deficit is expected to decrease to levels last seen before the energy crisis in 2021.

Fiscal deficit to remain high but narrowing

The general government deficit is expected to narrow to 4.5% of GDP in 2024, as measures to mitigate the impact of high energy prices on households are phased out. Salary increases for some public sector workers and a new tax break to support investment by SMEs (0.4% of GDP) are likely to reduce the size of the fiscal adjustment. Improvements are expected in public investment execution over the forecast horizon especially thanks to an ongoing reform. Expenditure is projected to fall more quickly as a share of GDP than revenue, leading to a further narrowing of the government deficit in 2025 and 2026. Public debt is expected to grow slightly in 2024 before broadly stabilising at a low level in 2025 thanks to a falling primary balance, lower interest payments and the recovery in real growth. The forecast does not factor in the Growth Plan proposed by the Commission on 10 October.

Table V.31.1: **Main features of country forecast - MOLDOVA**

		2023			Annual percentage change					
	bn MDL	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		300.5	100.0	:	13.9	-4.6	0.7	**2.6**	**3.8**	**4.2**
Private Consumption		256.2	85.3	:	17.2	-5.0	-0.2	**3.3**	**3.2**	**3.0**
Public Consumption		54.2	18.1	:	3.0	10.7	-3.3	**-1.0**	**1.0**	**3.3**
Gross fixed capital formation		59.0	19.6	:	1.9	-10.5	-1.3	**3.9**	**4.0**	**4.4**
Exports (goods and services)		106.8	35.5	:	17.5	29.7	5.1	**0.5**	**6.0**	**7.0**
Imports (goods and services)		179.0	59.6	:	21.2	18.2	-5.1	**1.7**	**3.4**	**3.8**
GNI (GDP deflator)		305.3	101.6	:	12.2	-6.4	1.9	**2.2**	**3.7**	**4.1**
Contribution to GDP growth:	Domestic demand			2.1	13.5	-5.2	-1.0	**3.4**	**3.6**	**3.8**
	Inventories			-0.7	5.4	2.1	-4.0	**0.0**	**0.0**	**0.0**
	Net exports			-0.3	-6.0	-1.4	5.8	**-0.8**	**0.2**	**0.4**
Employment				:	1.1	2.2	2.8	**1.5**	**1.4**	**1.4**
Unemployment rate (a)				4.2	3.2	3.1	4.6	**4.3**	**4.0**	**3.8**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	6.4	18.9	8.7	**7.6**	**6.5**	**6.1**
Consumer price index				7.0	5.1	28.7	13.4	**4.7**	**4.8**	**5.0**
Terms of trade goods				:	2.6	-3.2	-9.1	**5.0**	**2.6**	**1.4**
Trade balance (goods) (c)				-28.1	-30.6	-35.9	-29.5	**-27.4**	**-25.2**	**-23.5**
Current-account balance (c)				-4.0	-9.7	-16.6	-11.5	**-10.4**	**-9.0**	**-8.0**
General government balance (c)				-2.0	-1.9	-3.2	-5.2	**-4.5**	**-3.4**	**-3.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				34.4	33.6	35.0	35.7	**36.8**	**36.5**	**35.7**

(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.

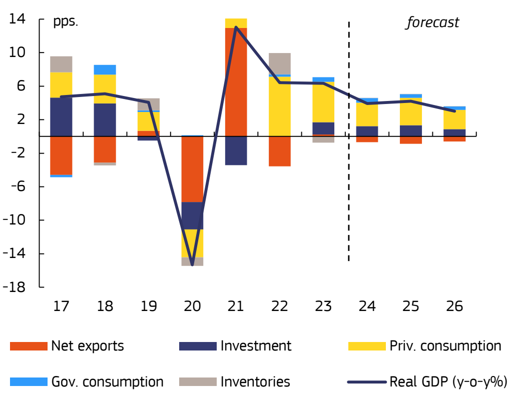
32. MONTENEGRO

Montenegro's economic growth continued but moderated in the first half of 2024, driven by private consumption and recovering investment. The recently adopted Europe Now 2 programme aims to increase disposable incomes by raising the minimum wage and cutting pension contributions. These measures are set to support GDP growth in 2025, but also to contribute to higher inflation. Good fiscal performance in 2024 was supported by strong revenue growth but the new policy measures, which weaken budget revenue and raise spending, are set to result in a significant widening of budget deficits in 2025-2026. Going forward increasing public debt and high refinancing needs pose fiscal risks.

New policy measures and accelerating growth

Real GDP growth for 2023 was revised upwards to 6.3% y-o-y from the previous quarterly estimate of 6%. Economic growth moderated to 3.6% y-o-y in the first half of 2024, driven by the recovery of investment (9.6% y-o-y) and strong private consumption (8.2% y-o-y), supported by increases in minimum pensions, wages and employment. Due to the poor performance of electricity exports and a weak first quarter for tourism, real exports contracted by 10.7% y-o-y, while import growth remained subdued (2.1% y-o-y), resulting in a negative contribution of net exports to GDP growth. Government consumption expanded moderately.

Graph V.32.1: **Montenegro - Real GDP growth and contributions**



In September, the National Assembly adopted the Fiscal Strategy and the Europe Now 2 Programme. As of October, the implementation of Europe Now 2 Programme resulted in two major changes: (1) a significant increase in minimum wages to an average of EUR 700 from the current EUR 450 and (2) changes in pension contributions. Employee contributions to the Pension and Disability Insurance Fund were reduced from 15% to 10%, while employer contributions (5.5%) were abolished. The programme also aims to accelerate investment in infrastructure projects. Economic growth is projected to accelerate in 2025 as newly adopted policy measures are likely to provide a boost for private consumption and investment. This impact is expected to moderate in 2026. Export growth in 2025-2026 is likely to be supported by the continued growth of tourism. Import growth is projected to increase in 2025-2026 in line with domestic demand. The current account deficit widened in 2024 due to a poor performance of merchandise exports, while the surpluses of primary and secondary income balances declined, in line with the slowdown in the EU and lower remittances. The current account deficit is set to hover around the same level over 2025-2026 due to solid performance of the tourism sector while an opposite effect is expected from the growth of imports in line with strong domestic demand.

Further decreasing unemployment rates

Employment gains across all sectors continued into 2024. The unemployment rate declined to a record low of 11.5% in the second quarter of 2024. Employment growth is expected to accelerate in 2025 due to reduced pension contributions. This effect is likely to weaken in 2026 as increasing wages could dampen the creation of new jobs in the services sector.

Inflation set to increase

Inflation was on a declining trend throughout 2024 with the monthly reading declining to 2% y-o-y in August. In 2025 consumer prices are projected to grow on the back of substantial increase in wages and social transfers. Inflation growth is expected to moderate in 2026, under the assumption of no policy change.

The risks to the outlook are balanced. A key downside risk is related to higher than assumed inflation which would erode the positive impact of the new policy measures on real disposable income and thus household consumption. Moreover, Montenegro's narrow export base makes it vulnerable to fluctuations in international demand, and higher wages might erode the competitiveness of the country's tourism exports. A positive risk relates to faster than assumed implementation of investment projects and Montenegro's participation in the EU Reform and Growth Facility which would support investment and productivity.

Good fiscal performance in 2024, but deteriorating outlook ahead

In January-August the 2024 budget performed better than expected and recorded a surplus, estimated at 1.3% of GDP, driven by strong growth in public revenue. The higher-than-projected revenue growth was supported by strong performance of VAT and excise revenues, as well as higher income from corporate and personal taxes. Going forward, the general government deficit is projected to widen, due to the significant increase in minimum wages, the regular indexation of pensions and lower revenue on the back of halving pension contributions. Absent strong compensatory measures, public debt is projected to increase in 2024, due to new debt issuance which is needed to accumulate reserves and prepare for the forthcoming large Eurobond repayment in 2025. Overall, the balance of risks to the fiscal outlook are tilted to the downside due to structural budget changes, which weaken the revenue base and raise mandatory spending, and the rollover risk of public debt.

Graph V.32.2: **Montenegro - General government budget balance and gross debt**

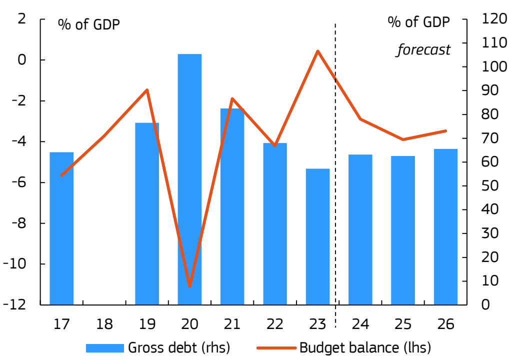


Table V.32.1: **Main features of country forecast - MONTENEGRO**

	2023				Annual percentage change					
	mio EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		6963.6	100.0	2.0	13.0	6.4	6.3	**3.9**	**4.2**	**3.0**
Private Consumption		5093.1	73.1	:	4.0	9.7	6.5	**3.8**	**4.5**	**3.2**
Public Consumption		1246.8	17.9	:	0.5	1.5	3.1	**3.1**	**2.6**	**2.5**
Gross fixed capital formation		1366.8	19.6	:	-12.3	0.1	6.9	**6.2**	**6.6**	**4.1**
Exports (goods and services)		3478.4	50.0	:	81.9	22.7	9.0	**3.4**	**4.2**	**4.3**
Imports (goods and services)		4776.4	68.6	:	13.7	21.3	5.9	**3.6**	**4.4**	**4.0**
GNI (GDP deflator)		7031.0	101.0	:	13.6	6.3	5.3	**3.3**	**4.0**	**3.0**
Contribution to GDP growth:	Domestic demand			3.8	0.0	7.4	6.8	**4.6**	**5.1**	**3.6**
	Inventories			-0.3	0.2	2.6	-0.7	**0.0**	**0.0**	**0.0**
	Net exports			-2.0	12.9	-3.6	0.2	**-0.7**	**-0.9**	**-0.6**
Employment				:	-2.4	17.3	10.5	**2.9**	**3.5**	**2.6**
Unemployment rate (a)				18.1	16.8	15.0	13.4	**11.5**	**10.8**	**10.5**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	:	:	:	**:**	**:**	**:**
Consumer price index				2.4	2.4	13.0	8.6	**3.8**	**4.1**	**3.5**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-43.6	-38.7	-45.1	-42.9	**-42.4**	**-41.6**	**-40.7**
Current-account balance (c)				-15.9	-9.2	-12.9	-11.2	**-12.5**	**-12.4**	**-12.1**
General government balance (c)				-3.5	-1.9	-4.2	0.4	**-2.9**	**-3.9**	**-3.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				53.2	82.5	68.0	57.3	**63.2**	**62.5**	**65.5**

(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.

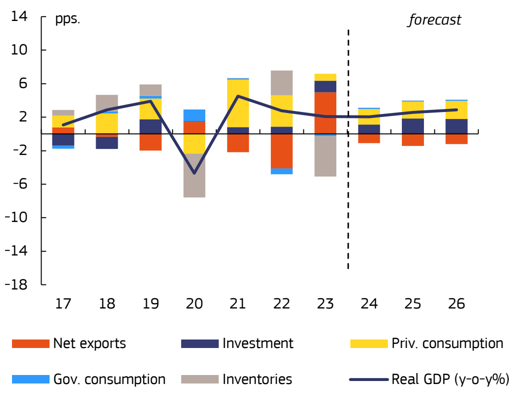
33. NORTH MACEDONIA

In the first half of the year, annual GDP growth was limited by low external demand. Headline inflation continued to slow down, with core inflation also showing signs of abating. The current account moved back into deficit, as the merchandise balance worsened and remittances declined. Growth is projected to accelerate moderately, driven by private consumption and investment. While public revenue performed strongly, spending overruns are likely to result in a much higher 2024 fiscal deficit than earlier projected. Fiscal consolidation is likely protracted, with the deficit expected to decline to 3% only by 2027. In 2025 and 2026, financing needs are particularly high.

Delayed investment to become important growth driver

Domestic demand remained weak in the first half of 2024, with household consumption growth slowing down from 2023 levels, while the positive contribution from investment largely reflected base effects. Output increased by 1.8% y-o-y on average in the first half of the year, largely on account of a steep drop in imports, overcompensating for the simultaneous decline in exports. Following a surplus in 2023, the current account moved back into deficit in the first half of 2024, as the merchandise trade balance deteriorated and remittances declined.

Graph V.33.1: **North Macedonia - Real GDP growth and contributions**



The implementation of a major public road project, covering parts of Trans-European Corridors 8 and 10d, faces delays. Therefore, its projected contribution to economic growth, which stems from a high domestic input share, is likely to materialise only in 2025 and 2026. Private investment is expected to strengthen. Household consumption is likely to pick up again, mainly due to fast rising wages and pensions, and the decline in inflation. Net exports are not expected to contribute significantly to growth over the forecast period, against the background of a muted economic recovery in major export markets, in particular Germany, and increasing imports to feed the projected rise in investment. Overall, GDP growth is set to accelerate moderately. The recent turnaround in the current account is projected to deepen as the merchandise trade balance deteriorates further and remittances recover only slowly, in line with the slow growth pickup in major source countries. Offsetting these negative forces on the current account is the projected increase in the services surplus, stemming from tourism and IT services.

Inflation abating

Annual consumer price inflation continued to decline from its peak of 19.8% in October 2022 to an average of 3.3% in the first nine months of 2024. Headline inflation exluding energy and food, however, remains persistently high, though there are signs of abatement, such as in sectors where energy prices drive cost, such as transport. As a result, inflation is projected to return to close to 2% on average in 2025. After having kept its key policy rate unchanged at 6.3% since September 2023, the central bank cut the rate by 0.25bps each in September and in October 2024.

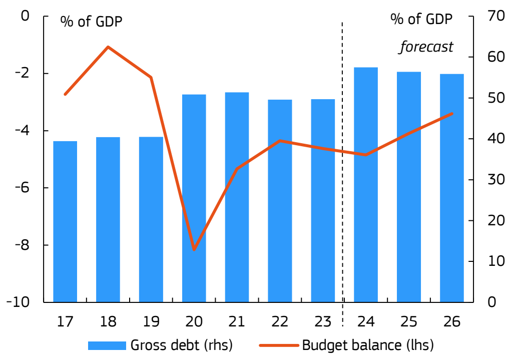
High emigration and low labour market participation obstruct employment and fuel wage growth

Employment dropped slightly in 2023 and in the first half of 2024, while the outflow of labour became more pronounced, especially for young workers. After declining in 2023, labour force participation picked up only marginally in the first half of 2024 and remains at a low level. Average gross nominal wages rose by 14.8% y-o-y in the first eight months of 2024. While employers are faced with a shortage of labour and with higher wages, and structural problems such as low participation rates persist, employment growth is unlikely to pick up notably.

Budget balance to improve, while risks are mounting

Public revenue rose markedly in the first half of the year, partly reflecting the tax base-broadening legal changes which had entered into force in October 2023 and in January 2024. However, in the revised budget the new government raised the planned fiscal deficit from 3.4% to 4.9% of GDP to accommodate earlier unbudgeted spending commitments, mainly on public wages, a new ad-hoc increase in pensions implemented in September 2024, and lower than expected GDP growth. With a much higher than previously projected 2024 deficit, fiscal consolidation plans have been delayed, and the deficit is projected to drop to 3% (as required by the fiscal rule) only by 2027. Financing needs are elevated over the forecast period, in particular given refinancing for the repayment of two large Eurobonds in 2025 and 2026.

Graph V.33.2: **North Macedonia - General government budget balance and gross debt**



Risks are mainly on the downside

The strengthening of domestic demand could decline if household disposable income is hit by a slower recovery of remittances or by pressures on inflation and on employment due to high wage growth. The contribution of investment to growth may be protracted in case of further delays in the Road Corridor 8/10d project or of slowing progress in the management of public investment. On the other hand, faster integration with the EU, underpinned by structural reforms, as foreseen by the EU's Growth Plan, could boost exports and productivity.

Table V.33.1: **Main features of country forecast - NORTH MACEDONIA**

		2023			Annual percentage change					
	bn MKD	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		897.7	100.0	2.7	4.5	2.8	2.1	**2.0**	**2.6**	**2.9**
Private Consumption		614.7	68.5	2.3	8.6	5.5	1.2	**2.7**	**2.9**	**3.2**
Public Consumption		134.0	14.9	2.1	0.9	-4.3	-1.8	**1.1**	**0.6**	**0.9**
Gross fixed capital formation		222.1	24.7	4.4	3.8	3.7	5.7	**4.5**	**7.6**	**6.7**
Exports (goods and services)		608.8	67.8	7.4	14.3	10.6	-0.6	**2.6**	**3.0**	**3.1**
Imports (goods and services)		725.8	80.9	6.3	14.8	13.6	-5.8	**3.5**	**4.3**	**4.1**
GNI (GDP deflator)		852.1	94.9	:	4.2	2.5	1.3	**1.6**	**2.4**	**3.4**
Contribution to GDP growth:	Domestic demand			3.1	6.6	3.9	1.9	**3.1**	**4.0**	**4.1**
	Inventories			0.3	0.1	3.0	-4.8	**0.0**	**0.0**	**0.0**
	Net exports			-0.8	-2.2	-4.1	5.0	**-1.1**	**-1.4**	**-1.2**
Employment				:	2.5	-6.2	8.1	**1.0**	**1.1**	**0.3**
Unemployment rate (a)				26.1	15.8	14.5	13.2	**13.0**	**12.1**	**11.8**
Compensation of employees / head				:	4.3	18.8	:	**:**	**:**	**:**
Unit labour costs whole economy				:	2.2	8.4	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	4.3	8.9	7.8	**3.1**	**4.2**	**4.5**
Consumer price index				1.8	3.2	14.2	9.4	**3.4**	**2.2**	**2.1**
Terms of trade goods				:	-0.8	-0.7	:	**:**	**:**	**:**
Trade balance (goods) (c)				-21.4	-20.0	-26.3	-18.1	**-19.2**	**-19.7**	**-20.1**
Current-account balance (c)				-3.1	-2.8	-6.1	0.4	**-2.5**	**-2.3**	**-2.3**
General government balance (c)				-2.5	-5.3	-4.4	-4.6	**-4.8**	**-4.1**	**-3.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				33.8	51.4	49.6	49.7	**57.5**	**56.4**	**55.8**

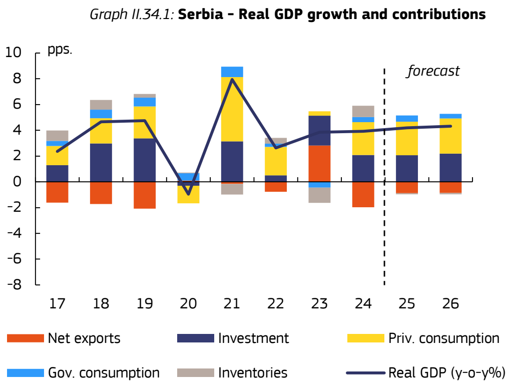
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

34. SERBIA

Serbia's strong economic growth has continued in recent quarters and is projected to maintain this momentum in the coming years. A robust labour market and further rises in real incomes are expected to continue driving private consumption, while strong foreign direct investment inflows and public investments support investment growth. However, this trend contributes to an increase in imports, surpassing exports. The general government deficit is forecast to stay at around 3% in 2024-2026, with public debt projected to edge down to around 48% of GDP by 2026.

GDP growth driven by domestic demand

Graph V.34.1: **Serbia - Real GDP growth and contributions**



After reaching 3.8% in 2023, GDP growth remained robust in Q1 and Q2 2024, increasing to 4.6% and 4.0% y-o-y respectively. It was boosted by domestic demand, notably investment and private consumption, which in turn pushed up imports by 8.5% in 2024-H1, surpassing the 4.4% growth in exports. Short-term indicators from Q3 suggest that a similar growth pattern persists, albeit with lower momentum. Domestic demand is expected to remain strong, supported by a robust labour market, consumer confidence, and rising real wages. With the September supplementary budget and revised medium-term fiscal plans, the government has further increased public investment plans for 2024 and beyond. However, the sudden surge in investment is likely to be relatively import-heavy, with even construction services often imported, attenuating its impact on GDP. At the same time, exports are hindered by the ongoing weak external demand. Unfavourable weather for agriculture in 2024 is also expected to have a slight negative impact on GDP in the second half of the year. Overall, GDP growth is forecast to reach 3.9% in 2024.

Domestic-demand-driven growth is forecast to extend into 2025 and 2026. This is likely to be further supported by a resumption in credit growth as banks have started to loosen their credit standards in the course of 2024 and the demand for corporate and household loans has likewise picked up. Exports are still projected to be negatively affected by low external demand, which is expected to improve only gradually over 2025 and 2026. However, due to the continuous inflow of foreign direct investment into manufacturing and the buildup of production capacity in previous years, Serbia is projected to continue gaining export market shares. Service exports are expected to outperform goods, driven by the thriving ICT, business services, and tourism sectors. On the other hand, import growth is forecasted to accelerate more than exports, propelled by strong consumption and robust investment. Overall, GDP growth is expected to accelerate slightly to 4.2% in 2025 and 4.3% in 2026. The current account deficit, which reached a low of 2.6% of GDP in 2023, is projected to increase to around 5% of GDP in 2025 and 2026, reflecting the rise in imports. Risks to growth appear balanced. The relatively weak growth outlook in Serbia's main trading partners poses downside risks. Also, a more persistent inflation than currently projected could weaken the pickup in purchasing power and thereby dampen consumption. However, the investments needed for the specialised EXPO 2027 and the 'Leap into the Future 2027' programme could boost domestic demand further than currently expected, but also lead to unforeseen public expenditure rises.

Rapid wage growth expected to moderate in step with easing inflation

The labour market has continued to perform strongly over the first half of 2024. For the year as a whole, employment growth is expected to reach 0.8% and unemployment to edge down from 9.4%

in 2023 to 8.7% in 2024. Rapid wage growth, at around 14% in 2024, is expected to moderate to around 7% by 2026 as inflationary pressures ease. Real wage growth is likely to remain significantly positive, driven by labour shortages in many sectors. In 2025 and 2026, the previous trend of marginally decreasing unemployment and growing employment is set to continue. Despite the projected decline in the total population, labour market participation rates have been increasing from low levels, enabling continuous employment growth.

Inflation back to target range

Consumer price inflation bottomed out at 3.8% in June 2024, before slightly increasing to around 4.3% in July-September. Upward pressure on prices was observed in restaurants, housing, alcohol/tobacco, and some services, while food and transport exerted downward pressure. The average inflation for the year is forecast to be 4.7%, reflecting higher inflation in the first half of the year. Inflation is expected to remain within the central bank's target band of 3% ±1.5 pps. in 2025 and 2026, forecast to reach 3.7% and 3.5% respectively. The slowdown is attributed to the slower pace of imported inflation and the decrease in inflation expectations. Consequently, the National Bank of Serbia (NBS) reduced the reference interest rate in three steps in June, July, and September by 25 basis points each, bringing it down to 5.75%.

Fiscal deficits driven by ambitious public spending plans

After the general government deficit reached 2.1% of GDP in 2023, it is expected to widen to 2.9% in 2024. While revenues benefit from booming domestic demand and a strong labour market, the higher deficit is explained by a supplementary budget for 2024, which allocated significant additional funds to defence (expansion of military service and purchase of new fighter planes) and investment (EXPO 2027/Leap into Future 2027 investment agenda). In agreement with the IMF, Serbia has weakened in October 2024 its medium-term fiscal ceiling to a deficit of 3%, valid until 2027 to accommodate the planned public investments ahead. The current forecast projects a deficit of 3% in 2026 and 2027, which would keep the debt ratio on a slightly declining trend to 48% of GDP in 2026, compared to 48.4% of GDP in 2023. However, there are some downside risks to this fiscal projection as the ambitious investment plans are under tight time constraints (to be completed before 2027) and therefore at a higher risk of cost overruns.

Table V.34.1: **Main features of country forecast - SERBIA**

		2023			Annual percentage change					
	bn RSD	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		8817.8	100.0	2.1	7.9	2.6	3.8	**3.9**	**4.2**	**4.3**
Private Consumption		5520.0	62.6	1.5	7.7	3.5	0.5	**4.1**	**4.2**	**4.4**
Public Consumption		1510.2	17.1	0.9	4.2	1.3	-2.4	**2.3**	**3.2**	**2.4**
Gross fixed capital formation		2061.0	23.4	4.4	14.7	2.2	9.7	**8.9**	**8.3**	**8.5**
Exports (goods and services)		4856.4	55.1	7.0	20.4	17.0	2.7	**4.2**	**4.6**	**4.9**
Imports (goods and services)		5239.4	59.4	4.7	17.7	16.2	-1.6	**7.2**	**5.7**	**5.9**
GNI (GDP deflator)		8325.4	94.4	2.0	7.1	1.6	2.9	**3.9**	**4.2**	**4.3**
Contribution to GDP growth:	Domestic demand			2.2	8.9	3.0	2.2	**5.0**	**5.2**	**5.3**
	Inventories			-0.1	-0.8	0.5	-1.2	**0.9**	**-0.1**	**-0.1**
	Net exports			0.1	-0.2	-0.8	2.8	**-2.0**	**-0.9**	**-0.9**
Employment				:	-4.8	2.3	0.8	**0.8**	**0.5**	**0.5**
Unemployment rate (a)				17.2	11.1	9.5	9.4	**8.7**	**8.3**	**8.0**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.2	5.7	10.5	13.8	**4.5**	**4.2**	**4.2**
Consumer price index				34.1	4.1	12.0	12.4	**4.7**	**3.7**	**3.5**
Terms of trade goods				0.7	0.2	-4.1	2.8	**1.2**	**0.2**	**0.2**
Trade balance (goods) (c)				-12.4	-10.2	-14.2	-8.5	**-9.0**	**-9.4**	**-9.9**
Current-account balance (c)				-6.7	-4.3	-6.5	-2.4	**-5.1**	**-5.4**	**-5.0**
General government balance (c)				-2.8	-3.9	-3.0	-2.1	**-2.9**	**-3.0**	**-3.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				71.5	54.5	52.9	48.4	**48.5**	**48.2**	**48.0**

(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.

35. TÜRKIYE

Following moderation of economic activity in the second quarter, the tight policy stance is set to continue weighing on domestic demand. Inflation turned a corner and has been falling since May 2024. Disinflation is projected to continue amid easing inflation expectations. As earthquake-related expenditure is set to decline, the government deficit is forecast to decrease and government debt to remain moderate over the forecast horizon.

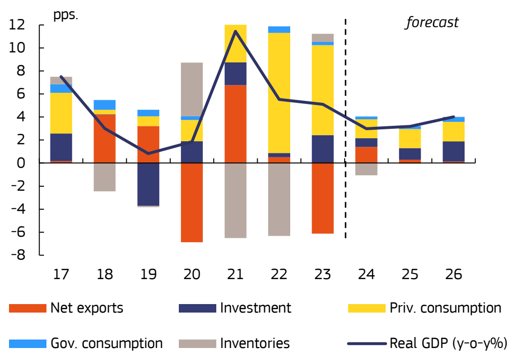
Domestic demand has moderated further

Real GDP growth for 2023 was revised up from 4.5% to 5.1%, on higher domestic demand. A tight economic policy stance contributed to moderation of economic activity in the second quarter of 2024, when GDP growth slowed to 0.1% q-o-q. Net exports were the main driver of growth, while the contribution of domestic demand fell to its lowest level in years. High frequency indicators point to continued moderation of economic activity in the third quarter. Economic confidence declined, although it remained relatively upbeat in the services sector. Industrial production weakened further and the manufacturing PMI, which has been in contractionary territory and on a downward trend since April, fell again in September. Trade sales also lost momentum, despite a relatively strong labour market.

'Soft landing' remains the baseline scenario

The tight policy stance is forecast to dampen domestic demand next year as well. Household consumption is expected to be curbed by slower employment growth and the return to a single annual minimum wage indexation. In a high-interest rate environment, fixed investments are forecast to go through a soft patch in the near term, despite continuing earthquake reconstruction works, and to accelerate only by the end of 2025, as macroeconomic stabilisation firms up. Public consumption, which is constrained by the policy imperative of curbing inflation and maintaining a tight fiscal stance, is expected to follow largely the same pattern. The relatively weak domestic demand is projected to weigh on import growth, which is forecast to remain below the growth of exports over the whole period. Overall, 'soft-landing', with growth moderating and inflation declining, remains the baseline scenario for the economy.

Graph V.35.1: **Türkiye - Real GDP growth and contributions**



The strong labour market performance in the last years has led to a decline in unemployment to single digit levels. However, there remains a large underlying slack on the market, as confirmed by persistently high levels of labour underutilisation. This, coupled with lagged effects of lower economic activity, is likely to limit employment creation and push unemployment up next year.

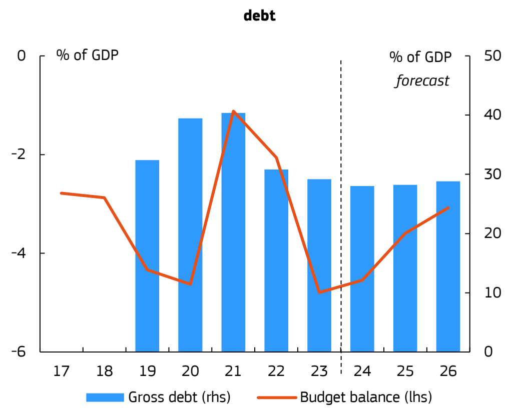
Disinflation and economic rebalancing to continue amidst high uncertainty

In the wake of weaker domestic demand, lower energy prices and subdued imports of non-monetary gold (serving as a hedge in times of economic instability), the current account deficit declined rapidly last year. As the underlying factors remain broadly unchanged, it is expected to remain largely stable in the near term.

Although it was still very high in September, annual inflation turned a corner and has been falling since May 2024. However, most of the decline was driven by large base effects, while the monthly inflation rate remained elevated. Service inflation remained sticky, and it even increased in the third quarter, pointing to persistent inflationary pressures. In light of this, a sustainable disinflation to single digit levels is projected to take several years, accompanied by a gradual reduction of inflation expectations.

Although the Turkish economy has navigated the very high geopolitical risks and uncertainty relatively well so far, these risks have increased recently and remain a major factor that could disrupt policymaking and economic activity. Managing the economic policy normalisation and economic rebalancing is set to remain challenging in the forecast horizon.

Graph V.35.2: **Türkiye - General government budget balance and gross debt**



Restoring fiscal space and keeping debt levels moderate

The authorities have revised their 2024 central government budget deficit target from 6.4% to 4.9% of GDP. The revision was largely driven by a better-than-expected outcome in 2023, mainly because of underspending on earthquake reconstruction. This expenditure is planned to remain sizeable (more than 2% of GDP) and to affect the budgetary outturn this year as well. The government deficit is forecast to decrease in the next two years because of declining earthquake-related expenditure and government's efforts to rationalise expenditure, close tax loopholes, and improve revenue collection. In recent years, very high inflation helped to reduce the level of government indebtedness. In view of the forecast decline of the government deficit and much lower nominal GDP growth, the government debt ratio is forecast to remain largely unchanged in the medium term.

Table V.35.1: **Main features of country forecast – TÜRKIYE**

	2023		Annual percentage change						
bn TRY	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	26545.7	100.0	4.8	11.4	5.5	5.1	**3.0**	**3.2**	**4.0**
Private Consumption	15763.6	59.4	4.3	15.4	18.9	13.6	**2.7**	**2.9**	**3.0**
Public Consumption	3476.9	13.1	5.2	3.0	4.2	2.4	**1.9**	**2.2**	**3.3**
Gross fixed capital formation	8456.6	31.9	5.6	7.2	1.3	8.4	**2.5**	**3.2**	**5.3**
Exports (goods and services)	8472.3	31.9	4.5	25.1	9.9	-2.8	**2.0**	**3.2**	**5.1**
Imports (goods and services)	9121.3	34.4	3.9	1.7	8.6	11.8	**-2.2**	**2.3**	**4.7**
GNI (GDP deflator)	26217.9	98.8	:	11.4	5.9	4.8	**4.0**	**3.2**	**4.0**
Contribution to GDP growth:	Domestic demand		4.9	11.2	11.3	10.5	**2.6**	**2.9**	**3.9**
	Inventories		0.2	-6.5	-6.3	0.7	**-1.1**	**0.0**	**0.0**
	Net exports		0.0	6.8	0.5	-6.1	**1.4**	**0.3**	**0.1**
Employment			:	7.5	6.6	2.9	**3.4**	**1.5**	**2.7**
Unemployment rate (a)			10.4	12.0	10.5	9.4	**9.3**	**9.9**	**9.8**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	29.0	96.0	68.2	**62.3**	**31.6**	**19.2**
Consumer price index			9.6	19.6	72.3	53.9	**59.8**	**30.8**	**17.8**
Terms of trade goods			:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)			-6.4	-3.6	-9.9	-7.8	**-4.9**	**-4.8**	**-4.7**
Current-account balance (c)			-4.0	-0.8	-5.0	-3.6	**-1.3**	**-1.6**	**-1.5**
General government balance (c)			-2.1	-1.1	-2.1	-4.8	**-4.5**	**-3.6**	**-3.1**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			35.9	40.4	30.8	29.2	**28.0**	**28.2**	**28.8**

(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.

36. UKRAINE

Despite ongoing and intensified attacks against critical infrastructure, Ukraine's economy remains remarkably resilient so far. Supported by restored export capacity, high defence spending and recovering household demand, growth is expected to reach 3.5% in 2024, before easing to 2.8% in 2025. In view of the intensified hostilities, reconstruction is now projected to gain momentum in 2026 only. Inflation is forecast to rise to 9.2% in 2025, driven by surging energy costs and wage growth, but should ease in 2026 as supply-side pressures diminish. Persistent spending pressures are expected to keep the public deficit elevated throughout the forecast horizon.

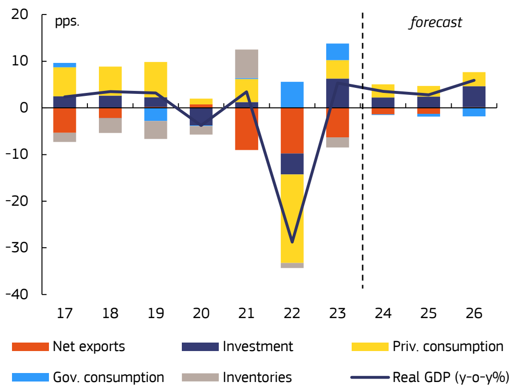
Economic growth proved resilient in 2024 despite ongoing attacks…

Ukraine's economy has continued to show resilience in 2024 despite the extremely challenging conditions posed by Russia's intensified war of aggression, with widespread destruction of energy infrastructure and labour shortages weighing on economic activity. Real GDP rose by 5.0% y-o-y in the first half of 2024, driven by robust export performance supported by the stabilisation of Black Sea export routes, easing inflation, and increased investments. Consequently, while real GDP growth is expected to slow compared to 2023, it is forecast to remain relatively strong at 3.5% in 2024.

…but the continuation of the war is set to hinder economic growth in 2025

Going forward, this forecast rests on the assumption that the conditions for a gradual increase in early reconstruction efforts will be in place later than previously assumed, starting from early 2026 onwards. As a result, real GDP growth is projected to decelerate further in 2025, as input constraints – including labour shortages, export capacity limits, and energy deficits – place increasing pressure on economic activity following the rebound seen in 2024. On the domestic demand side, private consumption is set to remain moderately upbeat, bolstered by wage increases. Meanwhile, uncertainty is likely to continue constraining investment activity, though this should be partly offset by investments in defence and reconstruction. On the external side, export growth potential is set to be gradually exhausted as infrastructure nears full capacity, limiting further gains. Coupled with significant import demand for reconstruction and defence, the trade balance is thus projected to broadly contribute negatively to growth over the forecast horizon. Overall, real GDP growth is expected to slow to 2.8% in 2025 before reaching 5.9% in 2026 once the conditions for a gradual increase in reconstruction efforts are in place and confidence improves.

Graph V.36.1: **Ukraine - Real GDP growth and contributions**



This forecast is subject to extremely high uncertainty, with risks largely tilted to the downside. A further escalation of the conflict could lead to higher input costs, additional loss of production capacity, and a further increase in the number of displaced persons. On the upside, faster-than-expected infrastructure repairs and additional energy generation capacity could alleviate supply-side constraints and support higher growth.

War-related disruptions in the labour market to keep the unemployment rate high

The unemployment rate is projected to continue its downward trend, driven by rising employment and the ongoing economic recovery. However, further improvements are expected to be hindered by significant labour and skill mismatches stemming from the large number of displaced individuals and ongoing conscription. At the same time, persistent labour shortages are expected to exert upward pressure on wages throughout the forecast horizon.

Inflation set to increase following a marked drop in 2023 and 2024

Inflation declined significantly throughout 2023 and into the first half of 2024, reaching 3.2% in April 2024. This was driven by lower logistical costs, an oversupply of agricultural products in the domestic market due to a strong harvest, and the stabilisation of the FX market alongside anchored expectations. However, from June 2024 onwards, inflation began to accelerate again, partly due to surging electricity costs from infrastructure attacks, and strong wage growth resulting from labour shortages. While these inflationary pressures are expected to persist in the near term, they are projected to gradually subside from 2025 as energy price caps and investments in energy generation are likely to ease supply-side disruptions. Consequently, inflation is forecast to rise to 9.2% in 2025 before decelerating to 7.0% in 2026.

Public deficit to remain high amid sizeable war-related expenditure needs

The general government deficit is expected to decline slightly but remain elevated in 2024. Tax revenues are projected to be supported by the economic recovery and revenue-enhancing measures including the windfall tax on banks and the reinstatement of pre-war fuel taxes. However, these increases will only partially compensate for the sustained defence expenditure needs, allowing the deficit to narrow only modestly to 18.6% of GDP in 2024, down from 19.6% in 2023. In 2025, revenue growth will benefit from the rise in military duty on private incomes from 1.5% to 5.0% and the reintroduction of the one-off 50% windfall tax on bank profits earned in 2024. Despite these measures, continued pressures from elevated military expenditures, partially offset by some expenditure-control measures, are set to keep the public deficit broadly unchanged in 2025. By 2026, stronger economic activity is expected to further boost tax revenues, while a shift in spending towards rehabilitation investments is likely to help to substantially reduce the fiscal deficit. Public debt is projected to continue rising but at a slower pace, against the backdrop of a shrinking deficit and stronger growth towards the end of the forecast horizon.

Table V.36.1: **Main features of country forecast - UKRAINE**

	2023		Annual percentage change						
bn UAH	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	6537.8	100.0	:	3.4	-28.8	5.3	**3.5**	**2.8**	**5.9**
Private Consumption	4191.5	64.1	:	6.8	-27.5	6.1	**4.4**	**3.7**	**5.0**
Public Consumption	2725.2	41.7	:	0.8	31.4	9.0	**-0.3**	**-1.5**	**-4.5**
Gross fixed capital formation	1104.7	16.9	:	9.3	-33.9	52.9	**13.2**	**12.1**	**19.7**
Exports (goods and services)	1868.9	28.6	:	-8.6	-42.0	-5.4	**7.7**	**5.5**	**10.7**
Imports (goods and services)	3237.0	49.5	:	14.2	-17.4	8.5	**7.3**	**5.8**	**5.8**
GNI (GDP deflator)	6720.6	102.8	:	-1.7	-22.7	2.8	**3.0**	**2.5**	**5.7**
Contribution to GDP growth: Domestic demand			2.3	6.4	-17.9	13.8	**4.9**	**4.1**	**5.7**
Inventories			-0.8	6.1	-1.1	-2.2	**0.0**	**0.0**	**0.0**
Net exports			-1.8	-9.1	-9.8	-6.3	**-1.4**	**-1.3**	**0.2**
Employment			:	-1.9	-31.7	-1.6	**2.8**	**3.8**	**6.6**
Unemployment rate (a)			8.9	9.9	24.3	19.2	**14.8**	**13.1**	**11.6**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	24.8	34.9	18.5	**11.9**	**10.3**	**7.6**
Consumer price index			12.3	9.4	20.2	12.8	**5.7**	**9.2**	**7.0**
Terms of trade goods			:	25.7	0.4	-3.0	**0.6**	**-1.4**	**1.9**
Trade balance (goods) (c)			-7.5	-3.3	-9.0	-16.3	**-16.7**	**-17.9**	**-16.4**
Current-account balance (c)			-2.1	-1.9	4.9	-5.1	**-8.7**	**-14.6**	**-13.4**
General government balance (c)			-2.8	-3.3	-15.3	-19.6	**-18.6**	**-19.1**	**-9.8**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			45.3	48.9	77.7	84.4	**95.0**	**106.2**	**107.1**

(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

37. THE UNITED KINGDOM

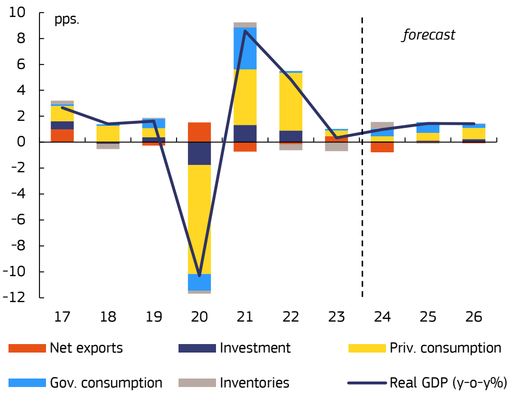
The UK economy grew faster than expected in the first half of 2024, recovering from the shallow technical recession in late 2023. Growth is however set to slow down in the second half of the year as underlying momentum remains soft, with both private consumption and investment still weak. Fiscal policy is expected to continue to gradually tighten, but a further loosening of monetary policy should support a recovery in domestic demand in 2025 and 2026. GDP growth is projected to gradually edge up over the forecast horizon, with trade and investment set to show only modest improvements.

Growth to edge down later in 2024 after a buoyant start to the year

The UK economy surprised on the upside in the first quarter of 2024, growing by 0.7% q-o-q driven by a rebound in private consumption, which had fallen in the second half of 2023 as the UK fell into a shallow recession. Private investment also saw some improvement in early 2024. However, these green shoots faded somewhat in the second quarter of 2024, with consumption and private investment slowing again and growth coming in at 0.5% q-o-q. Several high frequency indicators have worsened in recent months, with both services and manufacturing PMIs edging down, though remaining in positive territory. Consumer confidence has also slipped somewhat in the last 2-3 months, after improving steadily earlier in the year. The monthly GDP estimates for July saw zero growth m-o-m, and 0.2% growth for August, also suggesting a softer third quarter.

The Bank of England cut the main policy rate by 25 bps to 5% in August, after remaining on pause since August 2023. With inflation currently close to target, real interest rates remain elevated, and markets anticipate further cuts in the near term. On the fiscal side, the new government's budget presented on 31st October foresees higher taxes and current spending, by around 1% of GDP in 2025 and 2026, together with some increase in public investment, and higher planned borrowing. However, the overall fiscal stance is still projected to tighten in 2025 and 2026.

Graph VI.37.1: **The United Kingdom - Real GDP growth and contributions**



Overall, GDP growth is expected to be 1% in 2024, rising to 1.4% in 2025 and 2026. The household saving ratio has risen in 2024 but is projected to stabilise and edge down slightly in 2025 and further in 2026 as interest rates fall, and post-election uncertainty fades. Private consumption is expected to grow by around 1% in 2025 and 1.4% in 2026. Investment is also projected to pick up a little in 2025 and 2026, with lower interest rates providing some support, particularly for residential investment. Import and exports are forecast to pick up only very modestly in 2025 and 2026. Goods trade remains weak, with the UK still facing some drag from post-Brexit supply chain reconfiguration, while the real exchange rate has also appreciated in 2024. Net trade is not expected to be a strong driver of growth.

The labour market has loosened, but the extent of slack remains hard to assess

The UK labour market has shown some moderate signs of loosening in recent months, with vacancies continuing to fall, and now posting at pre-pandemic levels. Nominal wage growth has moderated, though it remained close to 5% in the three months to August. Employment, as measured by the Labour Force Survey (LFS), has started to grow again in recent months, and the unemployment rate, after rising to 4.4% in April and May, fell back to 4% in August. However, data from the LFS has been impaired by a steep decline in response rates. Alternative metrics (such as the KPMG/REC report on jobs) suggest a contraction in employment, while the Bank of England's own estimates point to a rise in underlying unemployment in recent months. Survey data (e.g.

DMP) and the Bank's Agent intelligence reports suggest wage settlements are due to fall in coming months, while inflation expectations also remain well anchored. With GDP growth expected to be tepid in coming quarters, labour market slack is expected to rise, and nominal wage growth to slow gradually over the forecast horizon.

Inflation has fallen back significantly, though services inflation is slowing more gradually

The headline CPI inflation rate targeted by the Bank of England fell from 4% at the turn of the year to just 1.7% in August 2024, largely reflecting a combination of lower energy and goods prices. The UK's core inflation rate has also fallen, from 5% at the start of 2024 to 3.2% in August. However, services inflation fell less quickly and was just below 5% in August. With demand growth remaining sluggish, services inflation is expected to subside further in coming months. UK CPI inflation is expected to rise back above 2% in coming months as base effects from lower energy prices works through. It is then projected to return to close to target in the second half of 2025.

Public finances to improve only slowly, as taxes and spending both rise

The new UK government's budget presented on 31st October foresees a sizeable increase in public current and investment spending relative to the previous government's plans, by around 2% of GDP in 2026, paid for by a significant rise in taxation and an increase in borrowing. As a consequence, total public expenditure is now projected to decline only slightly as a share of GDP in 2025 and 2026, while total receipts as a share of GDP are set to rise in 2025 and 2026. The general government deficit is projected to narrow only slowly, remaining at around 4% in 2026, and overall general government debt is projected to continue to rise over the forecast horizon.

Risks are broadly balanced

The outlook for consumption is a key risk factor. The current projections assume some modest decline in the saving ratio in 2025 and 2026, but there are both upside and downside risks to this projection. There are also important risks around the outlook for inflation and nominal wage growth, given the difficulties in assessing labour market outcomes and extent of slack.

Table VI.37.1: **Main features of country forecast - UNITED KINGDOM**

		2023		Annual percentage change						
	bn GBP	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2720.0	100.0	0.7	8.6	4.8	0.3	**1.0**	**1.4**	**1.4**
Private Consumption		1709.9	62.9	0.6	7.2	7.4	0.7	**0.6**	**0.9**	**1.4**
Public Consumption		558.4	20.5	0.8	14.3	0.6	0.6	**2.9**	**3.9**	**1.5**
Gross fixed capital formation		477.8	17.6	1.1	7.6	5.1	-0.1	**0.4**	**0.3**	**1.4**
Exports (goods and services)		861.2	31.7	2.0	3.2	12.6	-2.2	**-1.6**	**0.9**	**1.3**
Imports (goods and services)		876.3	32.2	1.9	5.8	13.0	-3.4	**0.9**	**0.6**	**1.5**
GNI (GDP deflator)		2701.7	99.3	0.5	11.6	4.8	-0.9	**1.1**	**1.5**	**1.5**
Contribution to GDP growth:	Domestic demand			0.8	8.8	5.5	0.5	**1.0**	**1.5**	**1.4**
	Inventories			0.0	0.4	-0.5	-0.7	**0.5**	**-0.1**	**0.0**
	Net exports			0.0	-0.7	-0.2	0.5	**-0.8**	**0.1**	**-0.1**
Employment				0.8	-0.1	1.3	0.7	**0.1**	**0.6**	**0.6**
Unemployment rate (a)				5.9	4.6	3.9	4.0	**4.3**	**4.2**	**4.2**
Compensation of employees / head				2.5	4.6	6.1	7.2	**4.6**	**2.9**	**2.0**
Unit labour costs whole economy				2.6	-3.8	2.6	7.6	**3.7**	**2.0**	**1.1**
Saving rate of households (b)				8.6	12.5	8.1	7.3	**7.5**	**7.3**	**6.7**
GDP deflator				2.2	0.1	5.4	7.3	**2.7**	**2.0**	**1.8**
Consumer price index (CPIH) (e)				2.1	2.5	7.9	6.8	**3.1**	**2.4**	**2.0**
Terms of trade goods				0.6	0.1	-2.3	1.1	**1.8**	**-0.6**	**0.0**
Trade balance (goods) (c)				-6.3	-7.1	-8.2	-6.9	**-7.1**	**-7.0**	**-7.0**
Current-account balance (c)				-3.5	-0.4	-2.1	-2.0	**-2.3**	**-2.3**	**-2.3**
General government balance (c)				-5.5	-7.8	-4.6	-5.7	**-5.1**	**-4.4**	**-3.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				74.8	105.1	99.6	100.0	**101.6**	**102.6**	**103.2**

(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. (e) CPIH is consumer price index which includes costs of owner-occupied housing

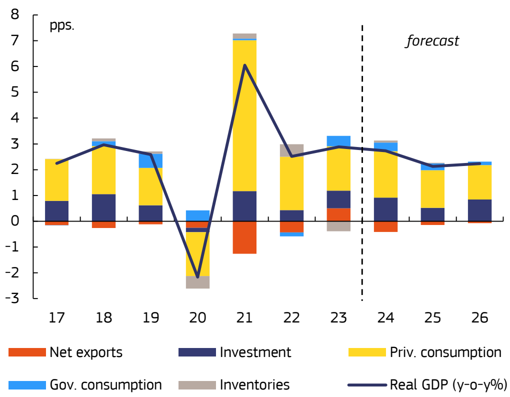
38. THE UNITED STATES

Rapid GDP growth in 2024 was driven largely by strong domestic demand. However, the growth momentum is expected to moderate, as the labour market cools, and fiscal policy becomes somewhat less loose. Meanwhile, inflation has fallen and is getting closer to the target, allowing the Fed to implement the first rate cut since the COVID-19 pandemic. Risks to the growth outlook are balanced, but uncertainty is elevated, especially over the policies of the new administration following the November presidential elections.

Robust economic growth is expected to moderate

The US economy expanded by 0.7%, q-o-q in 2024-Q2, followed by another 0.7% q-o-q expansion in 2024-Q3, according to preliminary estimates. Private consumption was the main engine of growth in both Q2 and Q3, while government spending and private investment also contributed positively to GDP growth in both quarters. Strong domestic demand boosted imports, with the trade and current account deficits remaining large, despite robust exports growth. With the momentum extending into the fourth quarter, annual real GDP growth is forecast to reach 2.7% in 2024, before moderating to a still strong 2.1% in 2025, as the labour market cools and with the fiscal deficit expected to decrease marginally. Both consumption and capital formation growth rates are projected to remain solid. GDP growth is expected to edge up to 2.2% in 2026, supported by the pass-through from looser monetary policy and stronger growth in residential construction.

Graph VI.38.1: **The United States - Real GDP growth and contributions**



Consumption is set to moderate on the back of a cooler labour market

The growth in the labour force has remained strong, fuelled by substantial immigration inflows. The new vacancies and hiring rates have moderated significantly over the course of the last 12 months and the unemployment rate increased to 4.2% in 2024-Q3, from 3.7% a year earlier. However, unemployment remains historically low, while prime age (25-64) labour force participation and employment rates have remained above their pre-pandemic levels. As labour demand is set to moderate further, the unemployment rate is forecast to increase to 4.4% in 2025, before edging down to 4.3% in 2026. Solid employment and nominal wage growth are set to support household consumption going forward, but real wage growth is projected to gradually moderate from this year's expected 1.5%, to 1.1% in 2026.

Inflation on the way towards the Fed's target

Consumer Price Index (CPI) inflation has continued easing in 2024-Q2 and 2024-Q3, with the headline rate falling to 2.4%, y-o-y in September 2024, its lowest level since February 2021. Goods inflation has been negative (y-o-y) since the beginning of 2024. While services inflation remained elevated, it is expected to continue moderating, on the back of less buoyant demand and falling housing costs. The headline consumer inflation rate is expected to fall from 2.9% this year to 2.0% in 2025, effectively reaching the official target, and allowing the Fed to continue the rate cut cycle initiated in September 2024.

The general government deficit is forecast to remain elevated

The general government deficit is expected to remain high in 2024, at 7.8% of GDP. While an increase of interest rates post-pandemic has contributed to fiscal imbalances, the large primary deficit (projected at 3.0% of GDP in 2024, the same as the previous year) suggests that US fiscal policy remains relatively loose despite continued strong economic growth. The general government deficit is projected to remain elevated over the forecast horizon, edging down to 7.4% and 6.9% of GDP in 2025 and 2026, respectively. This reflects the absence of current policy measures aimed at reducing expenditures or raising revenue. The projection, moreover, assumes that most of the individual tax rate reductions introduced in the Tax Cuts and Jobs Act (TCJA) of 2017 will be reversed at the end of 2025, in line with the current legislation. However, there are early signs that the new administration might opt for extending some of the reductions or making them permanent which, if not offset with other policies, would further deteriorate the US fiscal position. Even under the assumption that the TCJA tax provisions are allowed to expire, the general government debt is set to keep increasing, from 122.7% of GDP in 2023 to 127.6% of GDP in 2026.

Risks are balanced but uncertainty is high

The risks to the growth outlook appear balanced. On the upside, a still healthy labour market, robust household balance sheets and increasing financial wealth of households could provide an additional boost to private consumption. On the other hand, inflation could prove more persistent than anticipated, or the ongoing cooling of the labour market could deepen, weighing on household incomes and balance sheets. Besides the macroeconomic risks, future policies of the new administration constitute a major source of uncertainty for the medium-term outlook, as reflected in the currently elevated levels of policy uncertainty indices. The fiscal outlook is a particular source of uncertainty. Looser than assumed fiscal policy could boost short-term demand, while adding to inflationary pressures. In the medium-term, it could further fuel debt sustainability concerns, adding to challenges related to increased health and aging-related spending.

Table VI.38.1: **Main features of country forecast - UNITED STATES**

	2023			Annual percentage change						
bn USD	Curr. prices	% GDP		05-20	2021	2022	2023	2024	2025	2026
GDP	27720.7	100.0		1.6	6.1	2.5	2.9	**2.7**	**2.1**	**2.2**
Private Consumption	18822.8	67.9		1.7	8.8	3.0	2.5	**2.7**	**2.1**	**2.0**
Public Consumption	3724.0	13.4		0.9	0.4	-1.1	2.9	**2.4**	**1.9**	**1.0**
Gross fixed capital formation	5929.6	21.4		1.8	5.4	2.0	3.2	**4.3**	**2.4**	**3.9**
Exports (goods and services)	3052.5	11.0		2.8	6.5	7.5	2.8	**3.3**	**2.9**	**3.1**
Imports (goods and services)	3849.8	13.9		2.0	14.7	8.6	-1.2	**5.6**	**3.3**	**2.9**
GNI (GDP deflator)	27820.8	100.4		1.7	5.7	2.4	2.7	**2.7**	**2.3**	**2.2**
Contribution to GDP growth:	Domestic demand			1.7	7.1	2.3	2.8	**3.0**	**2.2**	**2.3**
	Inventories			0.0	0.2	0.5	-0.4	**0.1**	**0.0**	**0.0**
	Net exports			0.0	-1.3	-0.4	0.5	**-0.4**	**-0.1**	**-0.1**
Employment				0.4	3.3	3.8	1.7	**0.2**	**0.3**	**0.8**
Unemployment rate (a)				6.2	5.3	3.6	3.6	**4.1**	**4.4**	**4.3**
Compensation of employees / head				3.0	5.1	2.8	3.6	**4.4**	**3.4**	**3.1**
Unit labour costs whole economy				1.7	2.4	4.1	2.4	**1.9**	**1.6**	**1.6**
Saving rate of households (b)				11.6	16.9	9.8	13.1	**12.4**	**12.6**	**12.6**
GDP deflator				1.9	4.6	7.1	3.6	**2.4**	**2.1**	**2.0**
Consumer price index				2.0	4.7	8.0	4.1	**2.9**	**2.0**	**2.0**
Terms of trade goods				0.0	6.0	3.8	-1.1	**-0.6**	**0.2**	**0.2**
Trade balance (goods) (c)				-4.7	-4.6	-4.6	-3.9	**-4.1**	**-4.1**	**-4.1**
Current-account balance (c)				-3.1	-3.7	-3.9	-3.3	**-3.5**	**-3.3**	**-3.2**
General government balance (c)				-7.4	-11.5	-4.2	-7.3	**-7.8**	**-7.4**	**-6.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				93.9	125.1	120.8	122.7	**124.1**	**126.2**	**127.7**

(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.
(*) Employment data from the BLS household survey.

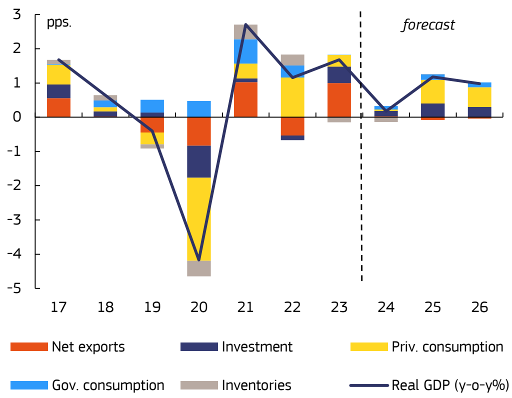
39. JAPAN

Economic activity in Japan is expected to remain sluggish in 2024, reflecting weak domestic demand in the first half of the year. Growth is forecast to accelerate in 2025 and 2026 as strong wage growth supports a rebound in private consumption. Headline consumer inflation is projected to decline below the central bank target of 2% in 2025 and remain muted thereafter.

After subdued growth in 2024, economic activity expected to pick up steam in 2025-2026

After expanding by 1.9% in 2023, amid contracting imports and relatively robust domestic demand, economic activity in Japan surprised on the downside in the first half of 2024. Real GDP growth contracted by 0.6% q-o-q in the first quarter due to declining private consumption and exports. However, growth picked up in the second quarter to +0.7% q-o-q as private demand recovered, reflecting a tight labour market, rising wages and robust tourism revenues.

Graph VI.39.1: **Japan - Real GDP growth and contributions**



Economic activity is projected to keep growing moderately in the second half of 2024, driven by recovering domestic demand, though growth of external trade is forecast to remain muted. On the domestic side, rising real wages and a tight labour market are set to support a marginal increase in private consumption. On the external side, both exports and imports are expected to remain broadly flat, reflecting temporary problems with car production in the beginning of the year and the impact of high prices on imports. Overall, real GDP growth is forecast to reach 0.2% in 2024.

Economic activity is set to increase by 1.2% in 2025 and 0.9% in 2026 as private consumption growth accelerates, driven by rising real wages, gradual household dissaving and low unemployment. Private investment growth is forecast to pick up amid persistent negative real interest rates, improving private demand prospects and rising investment in labour saving technologies. Public spending growth is expected to be subdued, reflecting the limited size of new fiscal measures. On the external side, export growth is projected to accelerate as external demand for goods strengthens, and the yen remains weak. Import growth is forecast to rise as well, supported by robust demand for foreign components. Overall, net exports are set to be broadly neutral to growth in 2025-2026, with the current account surplus projected to remain stable at around 4.5% of GDP over the forecast horizon.

Risks to the outlook are broadly balanced. On the downside, more persistent domestic wage pressures might compel the Bank of Japan to tighten monetary policy more than expected, undermining the rebound in domestic demand. On the upside, stronger recovery of regional tourist inflows and additional fiscal expenditure could provide a further boost to growth.

Wage growth accelerates temporarily

While the situation in the labour market has eased somewhat, labour shortages are still prevalent in the economy. This reflects rapid aging of the population and limited, albeit recently increasing, immigration inflows. Going forward, the unemployment rate is expected to fall marginally from 2.6% in 2023 to 2.4% in 2026, and acute shortages in some sectors (e.g. retail, transport) are expected to persist. Recent changes to migration policies might somewhat alleviate these constraints. At the same time, labour-management pay negotiations in spring 2024 led firms to deliver the biggest wage hike in three decades, as labour unions pushed for higher wages to counterbalance the impact of rising costs of living on workers. As a result, annual compensation of employees is expected to accelerate from 2.8% in 2023 to 3.8% in 2024, before moderating to around 2.5% in subsequent years amid easing inflationary pressures.

Inflation declines gradually

Headline consumer price inflation subsided to 2.5% in September 2024 reflecting the impact of a new round of utility subsidies while headline inflation excluding energy and fresh food declined to 2.1% in September, as services price inflation kept slowing. Going forward, headline inflation is expected to continue a gradual decrease from an average of 2.5% in 2024 to below 2% in 2025 and 2026, though elevated wage pressures and continued yen weakness limit the scale of the decline. Given the easing inflationary pressures, monetary policy is likely to remain broadly accommodative going forward, with limited further interest rate hikes, unless yen depreciation and wage pressures turn out to be more persistent than expected.

Deficit remains elevated

The general government deficit reached 5.4% of GDP in 2023, reflecting a large package of spending measures to counterbalance rising costs of living. It is expected to increase to 6.1% of GDP in 2024 due to rising military spending, additional child support, temporary cuts to income and residential taxes, payouts to low-income households and an extension of subsidies to curb gasoline and utility bills. The deficit is forecast to decline gradually to 5.4% of GDP in 2025 and 4.9% of GDP in 2026, as energy subsidies are phased out and fiscal revenues increase. Public debt is projected to remain broadly stable at around 250% of GDP over the forecast horizon.

Table VI.39.1: **Main features of country forecast - JAPAN**

		2023			Annual percentage change					
	bn JPY	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		592848.2	100.0	0.3	2.7	1.2	1.7	**0.2**	**1.2**	**1.0**
Private Consumption		322346.1	54.4	0.1	0.8	2.2	0.6	**0.1**	**1.3**	**1.1**
Public Consumption		122907.3	20.7	1.3	3.4	1.7	0.0	**0.5**	**0.8**	**0.7**
Gross fixed capital formation		154077.8	26.0	-0.1	0.4	-0.5	1.8	**0.6**	**1.5**	**1.1**
Exports (goods and services)		129044.2	21.8	2.1	11.9	5.5	3.0	**0.2**	**2.5**	**2.2**
Imports (goods and services)		137942.0	23.3	1.8	5.2	8.2	-1.4	**0.0**	**2.7**	**2.2**
GNI (GDP deflator)		627177.2	105.8	0.4	3.8	2.5	1.3	**0.3**	**1.4**	**1.2**
Contribution to GDP growth:	Domestic demand			0.3	1.2	1.4	0.8	**0.3**	**1.3**	**1.0**
	Inventories			0.0	0.4	0.3	-0.1	**-0.1**	**0.0**	**0.0**
	Net exports			0.1	1.0	-0.5	1.0	**0.0**	**-0.1**	**0.0**
Employment				0.3	-0.1	0.2	0.4	**0.2**	**0.1**	**0.1**
Unemployment rate (a)				3.7	2.8	2.6	2.6	**2.6**	**2.5**	**2.5**
Compensation of employees / head				-0.1	2.0	1.9	2.8	**3.9**	**2.4**	**2.4**
Unit labour costs whole economy				-0.1	-0.8	0.9	1.5	**3.9**	**1.3**	**1.5**
Saving rate of households (b)				10.7	14.5	11.8	12.7	**14.6**	**13.7**	**13.1**
GDP deflator				-0.2	-0.2	0.4	3.8	**2.8**	**1.6**	**1.3**
Consumer price index				0.3	-0.2	2.5	3.3	**2.5**	**1.9**	**1.6**
Terms of trade goods				-1.5	-9.1	-13.3	6.5	**2.5**	**0.0**	**-0.4**
Trade balance (goods) (c)				0.5	0.3	-2.8	-1.1	**-0.8**	**-0.9**	**-1.0**
Current-account balance (c)				2.9	3.9	1.9	3.9	**4.4**	**4.5**	**4.7**
General government balance (c)				-5.5	-6.2	-4.2	-5.4	**-6.1**	**-5.4**	**-4.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				214.6	253.7	256.3	249.7	**249.8**	**249.5**	**249.9**

(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.

40. CHINA

China's economic outlook for 2024 shows signs of strain as weak domestic confidence, slow wage growth, and the ongoing real estate crisis continue to dampen growth. Recent policy measures, including a significant support package on both the monetary and fiscal side, have improved market sentiment, though their full impact remains uncertain. Looking ahead, growth should continue to weaken weighed down by structural challenges. However, stronger policy support could boost growth prospects over the short term.

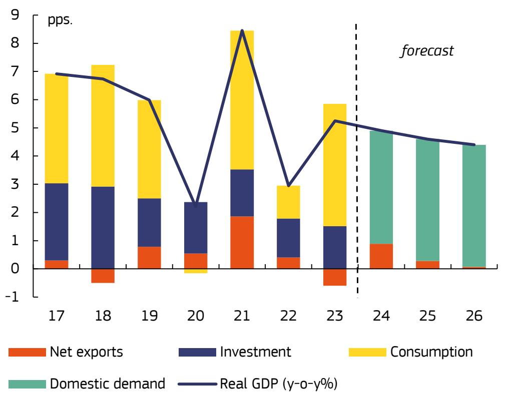
Weak confidence and real estate struggles continue

China's economic performance in 2024 has been hampered by structural issues and weak domestic confidence. After a strong first quarter with 5.3% y-o-y GDP growth, the economy slowed to 4.7% in Q2 and 4.6% in Q3. Consumer confidence remains fragile due to a weak labour market, slow wage growth, and ongoing real estate struggles. Real household spending, which grew 9% in 2023, slowed to 5.4% in the first nine months of 2024, while wage growth fell below pre-pandemic levels. Fixed asset investment rose only modestly, driven by state-owned enterprises (SOEs), as private investment stagnated. Real estate investment fell nearly 10%, weighing on growth, while manufacturing investment rose 9.5%, supported by industrial policies. Net exports provided some relief, with exports up 13.5% y-o-y, though imports grew just 2.9%, reflecting weak domestic demand and import substitution. Overall, growth is expected to reach 4.9% in 2024, in line with the government target of 'around 5%'.

Structural headwinds and weakening drivers of growth

China's economic growth is projected to slow to 4.6% in 2025 and 4.4% in 2026, staying well below pre-pandemic levels. The traditional growth model, driven by debt-fuelled investment in real estate and infrastructure, is faltering. Efforts to revive growth are being undermined by weak consumer confidence, slow wage growth, and rising local government debt. Meanwhile, new growth drivers, such as household consumption and industrial upgrading have not developed enough to compensate for the decline in traditional sectors.

Graph VI.40.1: **China - Real GDP growth and contributions**



Household consumption growth is expected to remain sluggish in 2025 and 2026, with consumer confidence unusually low. Slowing wage growth and labour market uncertainty are delaying the return of household savings to the lower pre-pandemic levels. Disposable income growth is projected to stay below pre-pandemic trends, particularly for younger workers facing weaker job prospects. Additionally, ongoing real estate price corrections, seen since early 2024, could further erode consumer confidence and heighten deflationary pressures.

Investment growth is expected to stay subdued in 2025 and 2026 as local governments and SOEs face tighter budget constraints, compounded by revenue shortfalls from declining land sales. Stricter project approval processes prioritizing future cash flow potential limit the scope for traditional fiscal stimulus through public investment. Bank lending growth is also slowing as banks become more risk-averse, with mounting unrecognised risks despite low official non-performing loans. However, the recent plan to boost capital in China's largest banks should stabilise credit supply in the short term. The ongoing real estate slump is expected to continue dampening investment, as construction starts have contracted more sharply than ongoing activity.

Despite strong growth in 2024, net exports are not expected to significantly contribute to growth over the next two years. Export growth is projected to slow due to geopolitical tensions and efforts to manage trade dependencies, which are curbing demand for Chinese goods. The focus on self-sufficiency and weak domestic demand is likely to continue to limit import growth. As a result, the current account surplus is forecast to remain steady at around 1% of GDP in 2025 and 2026.

Risks to the outlook remain balanced amid policy shifts

Recent policy efforts underscore growing concerns about weak domestic demand and signal a more flexible approach toward the real estate sector. In September and October, authorities introduced the most ambitious support package since the pandemic, aimed at revitalising the sector and lifting market sentiment. Markets reacted positively, although the full details of the measures remain unclear. Nevertheless, the package has the potential to boost GDP growth over the next two years, depending on the scale and pace of its implementation. One of the key features is the refinancing of mortgage loans, which could save households up to RMB 150 billion annually (0.1% of GDP), providing a short-term lift to consumption. The government also seems to be relaxing the strict 2020 'Three Red Lines' policy, which could improve financing access for viable real estate developers and restore buyer confidence. However, the strained fiscal positions of local governments may limit the scope for further policy action. While improvements to the fiscal framework—intended to enhance debt management and reduce local governments' reliance on real estate revenue—have been announced, similar promises in the past have seen little effective implementation.

Stronger and more efficient policy support could present an upside risk to the outlook. However, downside risks persist, driven by intensifying deflationary pressures and vulnerabilities in the banking sector. While both headline and the core consumer price inflation remain slightly above 0%, the GDP deflator, along with producer and export prices, has been declining for over a year. More recently, real estate price declines have accelerated. Weakening overall demand is intensifying competition, eroding profit margins and increasing the number of loss-making enterprises. Despite the recent policy support announcements, banks are grappling with historically low interest margins, constraining profitability at a time when capital buffers need to be reinforced. Smaller regional banks are at even greater risk, with low provisioning and ongoing restructuring efforts.

Table VI.40.1: **Main features of country forecast - CHINA**

	2023				Annual percentage change					
	bn CNY	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		126058.2	100.0	8.5	8.5	3.0	5.2	**4.9**	**4.6**	**4.4**
Private consumption		49324.7	39.1	-	-	-	-	-	-	-
Public consumption		20811.3	16.5	-	-	-	-	-	-	-
Gross fixed capital formation		52111.2	41.3	-	-	-	-	-	-	-
Exports (goods and services)		24794.6	19.7	8.7	18.5	-0.2	1.8	**8.4**	**4.2**	**2.9**
Imports (goods and services)		22109.9	17.5	8.0	10.5	-2.1	6.2	**3.3**	**3.0**	**3.0**
GNI (GDP deflator)		-	-	-	-	-	-	-	-	-
Contribution to GDP growth:		Domestic demand		-	-	-	-	-	-	-
		Inventories		-	-	-	-	-	-	-
		Net exports		-	-	-	-	-	-	-
Employment				-	-	-	-	-	-	-
Unemployment rate (a)				4.3	5.1	5.5	5.1	-	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs whole economy				-	-	-	-	-	-	-
Saving rate of households				-	-	-	-	-	-	-
GDP deflator				3.4	4.5	1.8	-0.6	**-0.7**	**-0.1**	**0.0**
Consumer price index (c)				2.6	0.9	2.0	0.2	-	-	-
Terms of trade goods (b)				-	-	-	-	-	-	-
Trade balance (goods) (b)				4.1	3.2	3.7	3.3	**3.2**	**3.0**	**2.8**
Current-account balance (b)				3.7	2.0	2.5	1.4	**1.2**	**1.1**	**1.1**
General government balance (b)				-	-	-	-	-	-	-
Structural budget balance				-	-	-	-	-	-	-
General government gross debt (b)				-	-	-	-	-	-	-

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

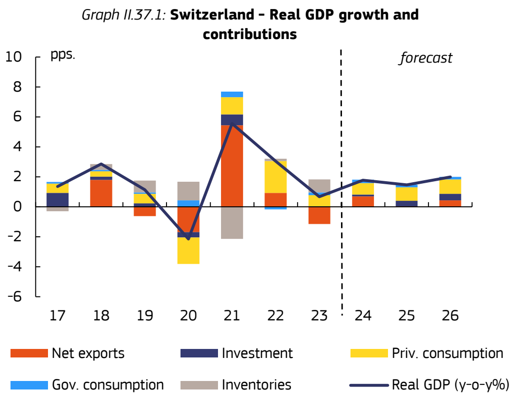
41. EFTA

The subdued international environment also affected the EFTA economies. The outlook for these countries is for moderate economic growth in 2024 and some acceleration in 2025 and 2026, reflecting strengthening external demand and improving consumer confidence. Inflation is expected to decline, supporting domestic demand. Public finances are expected to remain sound.

Switzerland

Economic growth remained stable in recent quarters, with GDP growth staying at 1.2% in the first half of 2024, a similar rate as for the full year of 2023. Private consumption largely compensated lacklustre external demand, benefiting from a resilient labour market and declining inflation and thus largely compensated lacklustre external demand. Consumer price inflation decreased to 1.2% in the first three quarters of 2024, from 2.1% in 2023. The exchange rate continued to appreciate during the first half of 2024, which in the past quarters helped to contain import-driven inflationary pressures. The inclusion of international sport events as service exports of organisations located in Switzerland, like the International Olympic Committee, adds about 0.4 percentage points to output growth in 2024 and 2026.

Graph VI.41.1: **Switzerland - Real GDP growth and contributions**



Private consumption is expected to remain the primary driver of growth during the forecast period, fuelled by a robust labour market and rising real wages in the context of moderate inflation. Investment growth is projected to be negatively impacted by global uncertainties in 2024, while in 2025 and 2026 investment is set to strengthen slightly. Slow economic growth in key European and Asian export markets is set to limit export growth in 2024, with some strengthening projected for 2025 and 2026.

Inflation is expected to decline in 2024, supported by decreasing international price pressures and moderate domestic demand. These trends are set to continue in 2025 and 2026. Employment growth is forecast to remain subdued during the forecast period. Unemployment rates are projected to continue declining, albeit at a moderate rate, as additional labour demand is likely to be also met by migrant workers from neighbouring countries. The general government balance is projected to record slight surpluses in 2024-2026, in line with the national fiscal rule. The public debt-to-GDP ratio is set to continue declining, reflecting the expected budget surpluses and solid nominal output growth.

Country-specific risks to the outlook stem from the possibility of a further exchange rate appreciation, due to the currency's 'safe haven' status at times of international turbulences.

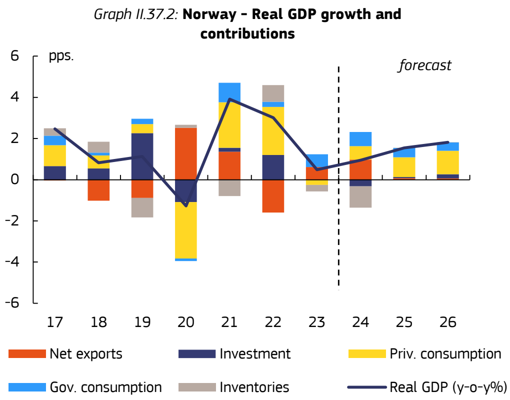
Norway

Economic activity recovered in 2024-Q2, with real GDP expanding by 4.2% y-o-y, compared to a contraction of nearly 1% in the preceding quarter. The rebound was largely driven by a recovery in private consumption, supported by higher real disposable income and recovering consumer confidence. Investment fell, largely affected by the notable decline in housing investment, albeit at a much slower pace on a year-on-year basis than in the first quarter. The external sector posed tailwinds to growth as exports grew faster than imports, reflecting higher external demand and improving price competitiveness partly due to currency depreciation. Despite this depreciation, lower global commodity prices contributed to a further moderation of inflation in the second and third quarter of 2024, bringing average annual inflation in the first nine months of the year to

3.4%, still well above the central bank's target of 2%. On 18 September, the Norges Bank's Executive Board decided to keep the policy rate unchanged at 4.5%, after having lifted it by a cumulative 175 bps. since March 2023.

Economic growth is projected to strengthen in 2024 compared to 2023. Private consumption is expected to recover on the back of higher real wages and employment, and improved consumer sentiment. Despite the continued rise in oil-sector investment in line with the delivery of scheduled projects, higher interest rates and uncertainty about the economic outlook are set to curb investment. Residential investment is projected to fall markedly in 2024 due to concurrent headwinds from higher mortgage rates and input prices. Net exports are expected to add to growth on the back of higher external demand.

Graph VI.41.2: **Norway - Real GDP growth and contributions**



Output growth is forecast to strengthen slightly in 2025 and 2026, mainly driven by a further pick-up in private consumption growth, on the back of households' increased purchasing power. Investment is projected to recover due to the rebound of housing and business investment. Imports are set to grow at a faster pace than exports, reflecting increased domestic demand. Nevertheless, external trade is expected to add to growth.

The economy is set to receive more support from government spending in 2025 as the government's budget proposal for 2025 implies a slightly expansionary fiscal stance. The structural non-oil fiscal deficit is expected to increase to 10.9% of mainland GDP, with the overall balance remaining firmly in double-digit surplus, and spending of oil revenues equivalent to 2.5% of the sovereign wealth fund's assets.

Domestic risks to the outlook are tilted to the downside. A further depreciation of the currency could fuel inflationary pressures and set back private consumption. Uncertainties in the property market and sustained increases in households' debt service burden emanating from still elevated interest rates could constrain domestic demand. Regarding the external environment, the volatility of energy prices presents both upside and downside risks, while a deterioration in growth prospects of Norway's main trading partners would weigh materially on growth.

Iceland

Following strong economic growth in 2023, real GDP contracted mildly in the first half of 2024. This was driven by weak private consumption and subdued growth of exports. High inflation throughout 2022-2023 depressed real disposable income and dampened private consumption, while rising interest rates fostered savings and weighed on capital investment. Export growth faced headwinds from weak external demand, low fish quotas and a lacklustre tourism season due to volcanic eruptions. The Central Bank of Iceland has tightened monetary policy significantly since 2022 and raised the key interest rate (on seven-day term deposits) to 9.25% by August 2023. Inflation started to taper off in the course of 2024, declining to 5.4% in September. The central bank undertook a first cut of the key interest rate to 9.0% in October.

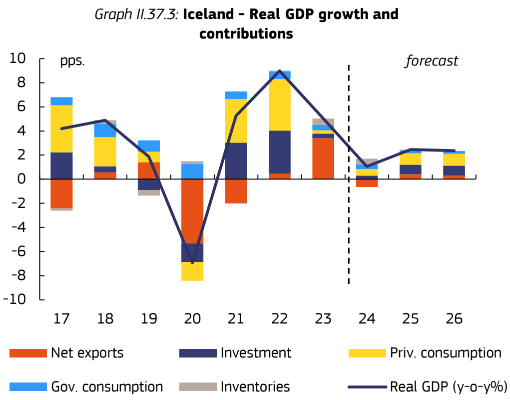
The outlook is for a gradual recovery, on the back of a more accommodative monetary policy and improving external demand. Monetary easing is set to continue gradually in 2025 and give some impetus to private consumption and investment. Strengthening external demand and the expansion of innovation-based sectors, such as pharmaceuticals, biotechnologies, and the commercialisation of climate capture and storage technologies, are projected to support export growth.

The unemployment rate declined to 3.6% in 2023, but it is projected to increase slightly in 2024 and stay at around 4% in the next two years. Slower employment growth over the forecast years is expected to lead to lower inflows of migrants into the labour force. The share of foreign workers in the labour force peaked at 22.9% in 2023, with their majority employed in the construction, tourism, and fishing sectors.

Inflation is projected to moderate further in 2025-2026, due to a modest increase in import prices and slower growth of unit labour cost. The growth of housing costs is also forecast to moderate.

The original 2024 budget targeted a government deficit of 1.1% of GDP while the 2025-2029 medium-term fiscal strategy has revised it to 1.8% of GDP, reflecting additional temporary spending needs related to the volcanic eruptions, and a structural increase in social spending stemming from the recently concluded wage bargaining round. The reinstating of numerical fiscal rules was postponed to 2026. A tight fiscal stance is expected for the forecast years, with the aim of reducing public debt and supporting disinflation. Growth of budget revenue is set to benefit from new taxation of cars and multinational corporations, and increased aquacultural duties.

Graph VI.41.3: **Iceland - Real GDP growth and contributions**



Risks to the outlook are broadly balanced. A downside risk to GDP growth stems from a slower-than-anticipated recovery in domestic demand, given still very high interest rates. An upside risk is related to recent positive developments in the pharmaceutical and biotechnology sectors, which could support a stronger export recovery. Snap elections in late 2024 could result in additional fiscal spending and renew inflationary pressures.

Table VI.41.1: **Main features of country forecast - EFTA**

		Iceland				Norway				Switzerland			
(Annual percentage change)		**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
GDP		5.0	**1.1**	**2.5**	**2.4**	0.5	**1.0**	**1.5**	**1.8**	0.7	**1.8**	**1.5**	**2.0**
Private Consumption		0.5	**1.1**	**1.9**	**2.0**	-0.8	**1.7**	**2.5**	**3.0**	1.5	**1.5**	**1.8**	**1.9**
Public Consumption		1.8	**1.6**	**0.9**	**0.9**	3.4	**3.1**	**2.0**	**1.8**	1.7	**2.0**	**1.5**	**1.3**
Gross fixed capital formation		1.6	**1.2**	**3.2**	**3.4**	0.0	**-1.4**	**0.3**	**0.9**	0.1	**0.5**	**1.5**	**1.7**
Exports (good and services)		6.3	**1.2**	**3.9**	**3.8**	1.4	**2.9**	**1.9**	**2.4**	0.7	**3.0**	**2.0**	**3.2**
Imports (goods and services)		-1.1	**2.7**	**2.9**	**3.1**	0.7	**1.3**	**2.6**	**3.4**	2.7	**2.4**	**2.3**	**3.1**
GNI (GDP deflator)		7.8	**1.0**	**2.5**	**2.4**	2.5	**1.9**	**1.5**	**1.8**	0.3	**4.3**	**1.5**	**2.0**
Contribution to GDP growth:	Domestic demand	1.1	**1.2**	**2.0**	**2.1**	0.4	**1.0**	**1.5**	**1.7**	1.0	**1.1**	**1.4**	**1.6**
	Inventories	0.5	**0.5**	**0.1**	**0.0**	-0.3	**-1.0**	**0.0**	**0.0**	0.9	**0.0**	**0.0**	**0.0**
	Net exports	3.4	**-0.6**	**0.4**	**0.3**	0.6	**1.0**	**0.1**	**0.1**	-1.1	**0.7**	**0.0**	**0.4**
Employment		4.3	**1.0**	**1.1**	**1.4**	1.3	**0.6**	**0.8**	**0.6** ·	2.2	**1.0**	**1.1**	**1.1**
Unemployment rate (a)		3.5	**4.2**	**3.9**	**3.9**	3.6	**3.9**	**4.0**	**3.8**	4.0	**3.8**	**3.6**	**3.5**
Compensation of employee/head		7.3	**2.4**	**1.1**	**1.2**	6.5	**5.2**	**4.6**	**4.4**	1.2	**1.5**	**1.2**	**2.2**
Unit labour cost whole economy		6.5	**2.4**	**-0.2**	**0.2**	7.4	**4.8**	**3.8**	**3.1**	2.8	**0.8**	**0.9**	**1.3**
Saving rate of households (b)		:	:	:	:	:	:	:	:	:	:	:	:
GDP deflator		5.7	**5.9**	**3.7**	**3.6**	-10.6	**2.1**	**2.7**	**2.9**	0.9	**0.6**	**0.5**	**1.2**
National index of consumer prices		8.7	**6.0**	**3.9**	**3.6**	5.5	**3.4**	**3.0**	**2.6**	2.1	**1.1**	**0.8**	**1.3**
Terms of trade goods		-11.6	**-0.3**	**0.0**	**-0.1**	-34.3	**-0.1**	**-0.1**	**0.0**	-1.6	**0.1**	**0.0**	**-0.1**
Trade balance (goods) (c)		-6.6	**-7.1**	**-7.4**	**-7.5**	15.9	**16.5**	**16.4**	**16.2**	14.0	**13.3**	**13.7**	**13.9**
Current account balance (c)		1.1	**-2.4**	**-2.0**	**-2.7**	16.4	**17.5**	**17.5**	**17.4**	5.7	**7.7**	**7.3**	**7.5**
General government balance (c)		-2.0	**-2.1**	**-0.7**	**-0.5**	16.5	**15.5**	**13.9**	**14.0**	0.8	**0.5**	**0.3**	**0.5**
General government gross debt (c)		64.2	**62.0**	**59.0**	**56.0**	44.3	**41.6**	**39.6**	**37.4**	24.7	**23.5**	**23.0**	**22.0**

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

42. RUSSIAN FEDERATION

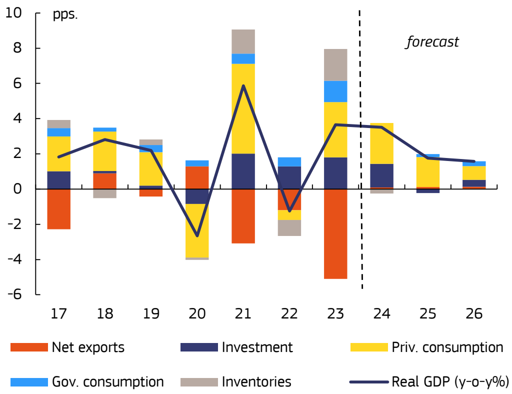
Following unexpectedly strong GDP growth in the first half of 2024, economic activity is projected to slow down during the rest of the year and decelerate further in 2025 and 2026. Inflation increased throughout most of 2024 but is expected to start trending downward amid persistently tight monetary policy. Recently adopted tax hikes are set to support non-energy revenues, helping to contain budget deficits despite elevated war-related expenditure. Consequently, public debt is projected to increase only modestly by the end of the forecast horizon.

Tentative signs of a slowdown after a period of strong growth

The strong expansion of the Russian economy from the end of 2023 continued into the first half of 2024, driven by robust private consumption and investment. Private consumption growth was supported by increasing real wages, which peaked at 12.6% y-o-y in March amid a tight labour market. In addition, household spending was boosted by government transfers to soldiers and their families. Private investment, supported by government-subsidised loans, increased as demand for domestic goods picked up, following the exit of foreign firms. An additional boost to investment came from the state-financed expansion of the war-related sectors, including transportation or machinery.

Although most of short-term indicators point to resilient economic activity in the third quarter of 2024, first signs of a slowdown have been emerging, suggesting a cooling of the Russian economy in the second half of the year. Industrial production decelerated over the summer, and the composite PMI index, which measures business confidence, entered contractionary territory in September 2024, weighed down by waning confidence in the manufacturing sector. Similarly, consumer confidence edged down in the third quarter of 2024 for the first time since the end of 2022, and retail sales growth has been softening in recent months.

Graph VI.42.1: **Russia - Real GDP growth and contributions**



Going forward, private consumption growth is forecast to remain strong over the forecast horizon, although decelerating somewhat as real wage growth slows down and the government curbs its loan subsidies. While public investment is projected to stay elevated due to war-related spending, high interest rates, the discontinuation of most subsidised mortgage programmes and capacity constraints are expected to weigh on private investment activity. Investment growth is thus projected to decelerate in 2024 and even contract in 2025, before rebounding in 2026.

On the external side, exports are expected to stagnate in 2024, while imports contract slightly, due to a noticeable impact of sanctions. Trade volumes are set to rebound in 2025, with imports recovering more strongly on the back of sustained private demand. In 2026, trade is expected to continue its expansion, although it will be somewhat throttled. Net exports are projected to make only a modest contribution to GDP growth over the forecast horizon.

Overall, GDP growth is projected to decelerate slightly to 3.5% in 2024, supported by the strong performance in the first half of the year, before cooling further to 1.8% in 2025 and 1.6% in 2026.

Risks to the outlook are broadly balanced. On the upside, a smaller-than-expected deceleration in real wage growth and a less pronounced impact of the tight monetary policy on investment activity could cushion the slowdown in GDP growth. On the downside, new sanctions and stricter enforcement could further limit exports and acquisition of imported technology.

First disinflationary signs following a year of high interest rates

Fuelled by fiscal spending and soaring wages amid a tight labour market, inflation has accelerated since the beginning of 2024, peaking at 9.1% in July. In response, the Russian Central Bank (CBR) raised its benchmark rate by 500 basis points since July in three consecutive hikes to 21% in October. Going forward, headline inflation is set to moderate, with first signs of deceleration appearing in September, when inflation stood at 8.6%. Overall, inflation is projected to reach 8.1% in 2024 as a whole, before declining to 5.7% in 2025 and further to 4.5% in 2026, close to the CBR's target of 4%. The gradual decline in inflation is set to be driven by slowing real wage growth, weakened consumer lending due to tight monetary policy and stricter macroprudential regulations.

Surging revenues keep war-driven deficits contained

Despite soaring government spending driven by the war of aggression against Ukraine, the federal budget recorded a small surplus in the first nine months of 2024. This was due to a 33% surge in revenue compared to the same period of 2023, reflecting both higher energy-related receipts from elevated global oil prices, and strong non-energy revenue from robust economic activity. Nevertheless, the budget is projected to turn to a deficit of 1.8% of GDP in 2024, as war-related expenditure continues to soar. The 2025 budget plan assumes a further increase in 'defence' spending of about 25%, bringing it to 6.2% of GDP, while other major spending categories are expected to increase only modestly. On the revenue side, a projected decline in energy revenue is forecast to be offset by recently adopted tax hikes, including an increase in the corporate income tax from 20% to 25%, and the introduction of a more progressive personal income tax. Overall, the deficit is projected to narrow modestly to 1½% of GDP in 2025. In 2026, the deficit is expected to widen to 2½ % of GDP as the economy slows down, reducing revenue, while war-related expenses continue to strain government spending.

Despite the reinstatement of the temporarily abandoned fiscal rule, which requires a part of oil revenues to be saved in the National Wealth Fund rather than used for deficit financing, the public debt-to-GDP ratio is projected to increase modestly from 19¾% in 2024 to about 22¼% in 2026.

Table VI.42.1: **Main features of country forecast - RUSSIA**

	2023			Annual percentage change						
bn RUB	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	172148.3	100.0	2.3	5.9	-1.2	3.6	**3.5**	**1.8**	**1.6**
Private Consumption	85734.4	49.8	3.8	9.9	-1.1	6.5	**4.7**	**3.4**	**1.5**
Public Consumption	31801.1	18.5	0.9	2.9	3.0	7.0	**0.0**	**1.0**	**1.5**
Gross fixed capital formation	37635.9	21.9	3.3	9.3	6.7	8.8	**6.2**	**-1.0**	**1.8**
Exports (goods and services)	39737.0	23.1	2.7	3.2	-13.8	-15.5	**0.0**	**3.5**	**2.5**
Imports (goods and services)	32270.1	18.7	3.7	19.1	-14.3	5.0	**-0.5**	**3.7**	**2.3**
GNI (GDP deflator)	169852.5	98.7	2.3	5.9	-1.0	4.4	**3.8**	**1.9**	**1.7**
Contribution to GDP growth: Domestic demand			2.9	7.6	1.2	6.4	**3.7**	**1.6**	**1.4**
Inventories			-0.1	1.4	-0.9	1.8	**-0.2**	**0.0**	**0.0**
Net exports			-0.2	-3.1	-1.2	-5.1	**0.1**	**0.1**	**0.1**
Employment			0.3	1.3	0.4	-0.1	**0.3**	**0.1**	**0.1**
Unemployment rate (a)			6.1	4.8	3.9	3.2	**2.6**	**2.7**	**3.0**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			9.2	19.1	15.7	7.0	**8.5**	**6.0**	**4.7**
Consumer price index			8.0	6.7	13.7	5.9	**8.1**	**5.7**	**4.5**
Terms of trade goods			-1.1	36.6	29.5	-18.5	**0.5**	**-2.8**	**0.0**
Trade balance (goods) (c)			9.6	10.4	13.8	6.0	**5.8**	**5.3**	**5.4**
Current-account balance (c)			4.6	6.8	10.5	2.5	**2.8**	**2.5**	**2.8**
General government balance (c)			1.4	0.8	-1.4	-2.3	**-1.8**	**-1.5**	**-2.4**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			12.5	16.4	18.5	19.5	**19.7**	**20.2**	**22.1**

(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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Statistical Annex

European Economic Forecast – Autumn 2024

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Table 1: Gross domestic product, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	1.5	1.1	0.4	6.2	4.2	1.3	**1.1**	**1.2**	**1.5**	*1.4*	*1.3*	*1.4*
Germany	1.2	1.7	0.6	3.7	1.4	-0.3	**-0.1**	**0.7**	**1.3**	*-0.3*	*0.1*	*1.0*
Estonia	-0.4	3.6	2.6	7.2	0.1	-3.0	**-1.0**	**1.1**	**2.6**	*-3.0*	*-0.5*	*3.1*
Ireland	0.4	7.1	6.2	16.3	8.6	-5.5	**-0.5**	**4.0**	**3.6**	*-3.2*	*1.2*	*3.6*
Greece	-0.1	-4.1	-0.8	8.7	5.7	2.3	**2.1**	**2.3**	**2.2**	*2.0*	*2.2*	*2.3*
Spain	0.9	0.1	-0.3	6.7	6.2	2.7	**3.0**	**2.3**	**2.1**	*2.5*	*2.1*	*1.9*
France	0.9	1.1	-0.2	6.9	2.6	0.9	**1.1**	**0.8**	**1.4**	*0.7*	*0.7*	*1.3*
Croatia	0.7	-0.2	0.8	12.6	7.3	3.3	**3.6**	**3.3**	**2.9**	*3.1*	*3.3*	*2.9*
Italy	-0.3	-0.7	-1.0	8.9	4.7	0.7	**0.7**	**1.0**	**1.2**	*0.9*	*0.9*	*1.1*
Cyprus	2.7	-1.7	4.2	11.4	7.4	2.6	**3.6**	**2.8**	**2.5**	*2.5*	*2.8*	*2.9*
Latvia	-0.5	3.6	1.5	6.9	1.8	1.7	**0.0**	**1.0**	**2.1**	*-0.3*	*1.7*	*2.6*
Lithuania	0.9	4.3	3.4	6.4	2.5	0.3	**2.2**	**3.0**	**3.0**	*-0.3*	*2.0*	*2.9*
Luxembourg	2.8	2.1	1.9	7.2	1.4	-1.1	**1.2**	**2.3**	**2.2**	*-1.1*	*1.4*	*2.3*
Malta	3.3	5.7	4.8	13.5	4.1	7.5	**5.0**	**4.3**	**4.3**	*5.6*	*4.6*	*4.3*
Netherlands	1.4	0.9	1.1	6.3	5.0	0.1	**0.8**	**1.6**	**1.5**	*0.1*	*0.8*	*1.5*
Austria	1.3	1.1	0.4	4.8	5.3	-1.0	**-0.6**	**1.0**	**1.4**	*-0.8*	*0.3*	*1.6*
Portugal	0.6	-0.9	0.5	5.6	7.0	2.5	**1.7**	**1.9**	**2.1**	*2.3*	*1.7*	*1.9*
Slovakia	5.1	2.5	1.7	5.7	0.4	1.4	**2.2**	**2.3**	**2.5**	*1.6*	*2.2*	*2.9*
Slovenia	1.8	0.4	2.3	8.4	2.7	2.1	**1.4**	**2.5**	**2.6**	*1.6*	*2.3*	*2.6*
Finland	0.9	0.0	1.2	2.7	1.5	-1.2	**-0.3**	**1.5**	**1.6**	*-1.0*	*0.0*	*1.4*
Euro area	0.8	0.8	0.3	6.3	3.5	0.4	**0.8**	**1.3**	**1.6**	*0.4*	*0.8*	*1.4*
Bulgaria	3.5	1.3	1.7	7.8	4.0	1.9	**2.4**	**2.9**	**3.0**	*1.8*	*1.9*	*2.9*
Czechia	2.4	1.6	1.7	4.0	2.8	-0.1	**1.0**	**2.4**	**2.7**	*-0.3*	*1.2*	*2.8*
Denmark	0.2	1.2	1.6	7.4	1.5	2.5	**2.4**	**2.5**	**1.8**	*1.9*	*2.6*	*1.4*
Hungary	-0.1	2.1	2.5	7.1	4.3	-0.9	**0.6**	**1.8**	**3.1**	*-0.9*	*2.4*	*3.5*
Poland	4.6	3.1	3.4	6.9	5.3	0.1	**3.0**	**3.6**	**3.1**	*0.2*	*2.8*	*3.4*
Romania	2.8	2.8	3.4	5.5	4.0	2.4	**1.4**	**2.5**	**2.9**	*2.1*	*3.3*	*3.1*
Sweden	1.6	2.1	1.3	5.9	1.5	-0.3	**0.3**	**1.8**	**2.6**	*-0.2*	*0.2*	*2.1*
EU	1.0	1.0	0.6	6.3	3.5	0.4	**0.9**	**1.5**	**1.8**	*0.4*	*1.0*	*1.6*
United Kingdom	0.4	2.0	-0.7	8.6	4.8	0.3	**1.0**	**1.4**	**1.4**	*0.1*	*0.5*	*1.4*
Japan	0.0	1.0	-0.3	2.7	1.2	1.7	**0.2**	**1.2**	**1.0**	*1.9*	*0.8*	*0.8*
United States	1.0	2.1	1.4	6.1	2.5	2.9	**2.7**	**2.1**	**2.2**	*2.5*	*2.4*	*2.1*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2024-26) 31.10.2024

	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4
Belgium	0.3	0.3	0.2	0.1	0.2	0.4	0.5	0.5	0.4	0.3	0.2	0.2
Germany	0.2	-0.3	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Estonia	-0.3	0.0	-0.1	0.0	0.3	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Ireland	0.6	-1.0	2.0	: :	:	:	:	:	:	:	:	:
Greece	0.8	1.1	:	:	:	:	:	:	:	:	:	:
Spain	0.9	0.8	0.8	0.6	0.5	0.6	0.5	0.6	0.5	0.5	0.5	0.5
France	0.2	0.2	0.4	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4
Croatia	0.5	1.0	0.5	1.0	0.8	0.8	0.8	0.8	0.7	0.6	0.6	0.6
Italy	0.3	0.2	0.0	0.3	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.1
Cyprus	1.6	0.0	:	:	:	:	:	:	:	:	:	:
Latvia	-0.1	-0.3	-0.4	0.5	0.4	0.4	0.5	0.4	0.5	0.5	0.6	0.6
Lithuania	1.1	0.3	1.1	1.0	0.7	0.6	0.6	0.6	0.8	0.8	0.8	0.8
Luxembourg	0.7	0.6	0.6	0.7	0.5	0.6	0.5	0.4	0.5	0.6	0.8	1.0
Malta	2.2	0.4	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.3	1.0	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Austria	0.2	0.0	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.3	0.3
Portugal	0.6	0.2	0.2	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Slovakia	0.8	0.4	0.3	0.4	0.5	0.8	0.8	0.8	0.5	0.5	0.6	0.6
Slovenia	-0.2	0.2	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Finland	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Euro area	0.3	0.2	0.4	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Bulgaria	0.5	0.6	1.1	1.0	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.8
Czechia	0.4	0.4	0.3	0.5	0.5	0.7	0.8	0.7	0.7	0.6	0.6	0.5
Denmark	-0.8	1.1	1.0	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Hungary	0.4	-0.2	-0.7	0.6	0.6	0.7	0.8	0.8	0.8	0.7	0.7	0.7
Poland	0.8	1.5	:	:	:	:	:	:	:	:	:	:
Romania	-0.4	0.3	:	:	:	:	:	:	:	:	:	:
Sweden	0.7	-0.3	-0.1	0.4	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
EU	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3
United Kingdom	0.7	0.5	0.3	0.3	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.4
Japan	-0.6	0.7	0.9	0.5	0.1	0.0	0.1	0.3	0.3	0.4	0.3	0.3
United States	0.4	0.7	0.7	0.5	0.5	0.4	0.5	0.6	0.6	0.6	0.6	0.6

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2024-26) 31.10.2024

	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4
Belgium	0.8	0.9	1.0	0.9	0.8	1.0	1.4	1.8	1.9	1.7	1.4	1.1
Germany	-0.1	-0.2	-0.2	0.3	0.3	0.9	1.0	1.2	1.2	1.1	1.1	0.9
Estonia	-1.4	-1.3	-0.8	-0.4	0.2	0.8	1.5	2.1	2.5	2.5	2.6	2.7
Ireland	-4.1	-4.1	-0.2	:	:	:	:	:	:	:	:	:
Greece	2.1	2.3	:	:	:	:	:	:	:	:	:	:
Spain	2.6	3.2	3.4	3.3	2.8	2.5	2.1	2.1	2.1	2.1	2.2	2.1
France	1.5	1.0	1.3	1.0	0.9	1.0	0.9	1.0	1.1	1.3	1.5	1.6
Croatia	4.2	3.2	4.0	3.1	3.3	3.1	3.4	3.2	3.1	2.9	2.8	2.6
Italy	0.3	0.6	0.4	0.7	0.8	1.0	1.5	1.5	1.4	1.2	0.9	0.7
Cyprus	3.8	3.4	:	:	:	:	:	:	:	:	:	:
Latvia	0.1	-0.2	-1.4	-0.4	0.2	1.0	1.9	1.8	1.9	2.0	2.1	2.2
Lithuania	2.7	1.5	2.3	3.6	3.1	3.4	2.9	2.5	2.7	2.9	3.2	3.3
Luxembourg	-0.2	0.3	2.1	2.8	2.6	2.5	2.3	2.0	1.9	2.0	2.2	2.8
Malta	6.5	4.2	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.7	0.6	1.2	1.3	2.0	1.3	1.4	1.5	1.5	1.5	1.5	1.4
Austria	-1.5	-1.2	-0.1	0.7	0.8	1.2	1.4	1.4	1.6	1.4	1.3	1.2
Portugal	1.4	1.6	1.9	1.5	1.4	1.8	2.1	2.2	2.2	2.1	2.1	2.1
Slovakia	2.8	2.3	2.0	1.8	1.6	2.0	2.6	3.0	2.9	2.6	2.3	2.2
Slovenia	1.8	0.8	1.5	1.4	2.2	2.6	2.5	2.5	2.5	2.6	2.6	2.6
Finland	-1.3	-1.4	0.3	1.3	1.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Euro area	0.5	0.6	0.9	1.0	1.0	1.2	1.3	1.4	1.4	1.4	1.4	1.3
Bulgaria	1.9	2.1	2.7	3.2	3.2	3.3	2.8	2.4	2.6	2.8	3.1	3.3
Czechia	0.4	0.6	1.3	1.6	1.8	2.1	2.6	2.8	3.0	2.9	2.7	2.5
Denmark	2.1	3.4	3.1	1.8	3.1	2.4	1.9	2.0	1.9	1.8	1.7	1.7
Hungary	1.6	1.3	-0.7	0.1	0.3	1.3	2.8	3.0	3.2	3.2	3.1	3.0
Poland	1.8	4.0	:	:	:	:	:	:	:	:	:	:
Romania	2.0	0.9	:	:	:	:	:	:	:	:	:	:
Sweden	0.5	0.5	0.0	0.6	0.5	1.5	2.4	2.7	2.7	2.7	2.7	2.7
EU	0.6	0.8	0.9	1.0	1.1	1.3	1.4	1.5	1.6	1.5	1.5	1.4
United Kingdom	0.3	0.7	1.2	1.8	1.5	1.4	1.4	1.5	1.5	1.5	1.3	1.4
Japan	-1.0	-0.9	1.1	1.5	2.2	1.5	0.6	0.4	0.6	1.0	1.1	1.2
United States	2.9	3.0	2.7	2.3	2.4	2.1	1.9	2.0	2.1	2.2	2.3	2.3

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 4: Gross domestic product per capita (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	0.7	0.4	-0.1	5.8	3.4	0.5	0.7	0.9	1.2	0.7	0.9	1.0
Germany	1.5	1.3	0.2	3.6	0.6	-1.1	-0.4	0.5	1.2	-1.2	-0.2	0.7
Estonia	0.0	3.9	2.4	7.1	-0.1	-5.4	-1.0	1.1	2.6	-5.4	-1.1	3.3
Ireland	-1.4	6.5	4.7	14.9	6.4	-7.2	-2.3	2.8	2.6	-6.5	-0.3	2.5
Greece	-0.3	-3.6	-0.6	9.2	6.4	2.6	2.6	2.7	2.6	2.5	2.6	2.6
Spain	-0.4	0.2	-0.7	6.7	5.2	1.4	1.8	1.4	1.3	1.6	1.2	1.1
France	0.4	0.6	-0.6	6.5	2.3	0.6	0.8	0.5	1.0	0.4	0.4	0.9
Croatia	0.8	0.3	2.1	13.4	7.4	2.7	3.5	3.4	3.0	3.1	3.6	3.3
Italy	-0.9	-0.8	-0.8	9.5	4.9	0.7	0.7	1.2	1.5	1.0	1.0	1.2
Cyprus	0.4	-2.0	3.1	10.4	5.9	1.0	2.2	1.8	1.5	0.9	1.4	1.6
Latvia	0.8	4.9	2.3	7.9	1.7	2.0	1.0	1.7	2.9	0.0	1.7	2.6
Lithuania	2.3	5.6	4.1	6.5	1.7	-1.1	1.7	3.5	3.7	-1.7	1.8	3.5
Luxembourg	1.0	-0.2	-0.2	5.5	-0.8	-2.9	-0.4	0.5	0.5	-2.9	-0.5	0.6
Malta	2.7	4.2	1.8	12.8	1.4	3.3	1.4	1.8	2.3	2.4	1.9	1.7
Netherlands	1.0	0.5	0.6	5.7	4.0	-0.9	0.3	1.0	1.0	-0.9	0.1	0.9
Austria	1.0	0.4	-0.3	4.4	4.1	-1.8	-0.9	0.7	1.2	-1.7	0.0	1.5
Portugal	0.5	-0.5	0.5	5.3	6.4	1.5	0.8	1.4	1.9	2.1	1.6	1.8
Slovakia	5.0	2.6	1.5	6.1	0.1	1.4	2.0	2.6	2.7	0.8	2.1	2.8
Slovenia	1.4	0.3	2.0	8.1	2.6	1.6	1.1	2.3	2.4	1.0	2.0	2.4
Finland	0.5	-0.5	1.0	2.5	1.2	-1.5	-0.9	1.1	1.5	-1.6	-0.3	1.2
Euro area	0.4	0.6	0.1	6.3	3.0	-0.2	0.4	1.0	1.4	-0.2	0.5	1.1
Bulgaria	4.0	2.9	3.1	8.5	4.7	2.2	2.9	3.2	3.6	2.2	2.5	3.9
Czechia	1.9	1.6	1.7	4.0	0.4	-1.2	0.7	2.2	2.5	-0.5	1.0	2.6
Denmark	-0.3	0.7	1.1	6.9	0.6	1.8	1.9	2.1	1.3	1.2	2.1	1.0
Hungary	0.0	2.5	2.8	7.6	4.5	-0.8	0.8	2.1	3.4	0.1	2.6	3.8
Poland	4.7	3.2	3.8	7.5	3.0	0.5	3.1	3.7	3.2	0.5	2.9	3.9
Romania	3.9	3.2	4.0	6.4	4.4	2.3	1.4	2.6	3.0	2.1	3.7	3.5
Sweden	0.9	1.2	0.2	5.3	0.5	-1.1	0.2	1.6	2.5	-0.7	-0.1	1.8
EU	0.7	0.9	0.4	6.4	2.8	-0.1	0.6	1.3	1.6	0.0	0.8	1.5
United Kingdom	-0.3	1.2	-1.2	8.2	3.9	-0.8	0.3	0.7	0.7	-0.7	0.1	1.0
Japan	-0.1	1.2	-0.1	2.8	1.6	2.3	0.7	1.7	0.5	2.6	1.3	1.3
United States	0.1	1.3	0.8	5.9	2.1	2.4	1.9	1.3	1.4	2.0	1.3	1.2

Table 5: **Domestic demand, volume (percentage change on preceding year, 2006-2026)** **31.10.2024**

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	**2011 - 15**	**2016 - 20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	***2023***	***2024***	***2025***
Belgium	1.7	1.3	0.4	4.6	4.3	1.4	**1.0**	**1.4**	**1.5**	*1.9*	*1.4*	*1.4*
Germany	1.0	1.3	1.1	3.0	2.8	-0.4	**-0.6**	**0.8**	**1.4**	*-0.9*	*0.3*	*1.0*
Estonia	-1.3	4.9	3.5	7.8	0.1	-1.5	**-1.2**	**0.8**	**2.6**	*-2.9*	*0.8*	*2.8*
Ireland	-1.3	5.2	8.4	-16.4	8.0	6.0	**-8.5**	**9.1**	**2.3**	*4.4*	*1.7*	*2.3*
Greece	-0.3	-5.0	0.3	7.2	7.7	1.8	**3.4**	**2.6**	**2.3**	*1.3*	*2.1*	*2.2*
Spain	0.2	-0.9	0.1	7.0	3.9	1.7	**2.5**	**2.3**	**2.2**	*1.7*	*2.1*	*1.9*
France	1.2	1.1	0.1	6.0	2.8	0.3	**-0.1**	**0.5**	**1.2**	*0.1*	*0.6*	*1.3*
Croatia	-0.2	-0.5	2.4	7.0	7.6	1.5	**5.8**	**3.7**	**2.8**	*1.3*	*3.7*	*2.7*
Italy	-0.2	-1.5	-1.0	9.2	5.6	0.3	**-0.5**	**1.2**	**1.2**	*0.6*	*0.4*	*1.2*
Cyprus	4.1	-3.5	4.9	6.3	9.2	4.3	**3.0**	**2.2**	**2.0**	*8.7*	*2.8*	*2.5*
Latvia	-2.3	3.5	2.2	10.7	1.1	3.5	**-1.0**	**1.1**	**2.2**	*1.8*	*2.1*	*2.6*
Lithuania	-0.2	4.2	1.5	7.2	2.3	-1.4	**1.4**	**3.5**	**3.2**	*-1.8*	*3.0*	*3.7*
Luxembourg	2.6	2.8	1.3	10.9	-1.0	2.3	**1.3**	**3.0**	**2.5**	*2.3*	*2.2*	*2.5*
Malta	1.6	4.6	4.2	12.1	8.1	1.2	**5.2**	**3.9**	**4.1**	*-1.9*	*4.1*	*3.8*
Netherlands	1.3	1.0	0.6	6.0	5.0	-1.1	**0.6**	**1.6**	**1.8**	*0.8*	*0.9*	*1.7*
Austria	1.0	0.9	0.3	7.0	3.7	-3.8	**-0.9**	**0.9**	**1.2**	*-1.7*	*0.2*	*1.7*
Portugal	0.5	-2.2	1.2	5.8	4.7	1.7	**2.0**	**2.3**	**2.5**	*1.4*	*2.3*	*2.1*
Slovakia	3.6	1.3	1.5	6.5	1.7	-5.7	**4.3**	**2.4**	**1.8**	*-4.7*	*3.1*	*2.8*
Slovenia	1.3	-1.0	2.3	10.3	4.5	-0.2	**3.5**	**2.7**	**3.1**	*-1.2*	*4.3*	*2.5*
Finland	0.9	0.6	1.0	3.0	3.0	-4.2	**-1.0**	**1.6**	**1.5**	*-3.0*	*0.2*	*1.5*
Euro area	0.7	0.4	0.6	5.1	3.8	0.1	**0.0**	**1.4**	**1.5**	*0.2*	*0.8*	*1.4*
Bulgaria	2.6	0.9	2.9	7.2	5.8	-1.9	**3.5**	**3.0**	**3.5**	*-1.2*	*2.9*	*3.5*
Czechia	1.9	1.1	1.6	7.3	3.3	-2.7	**0.4**	**3.3**	**3.1**	*-3.0*	*0.1*	*3.3*
Denmark	0.2	1.5	1.9	7.7	-0.4	-2.9	**0.3**	**2.9**	**1.6**	*-2.8*	*1.0*	*1.8*
Hungary	-1.9	1.3	3.9	6.4	4.3	-5.6	**-0.6**	**2.8**	**3.5**	*-5.6*	*2.7*	*4.6*
Poland	5.0	2.5	3.0	8.6	4.8	-3.1	**4.2**	**4.2**	**3.2**	*-3.2*	*3.6*	*3.8*
Romania	4.1	2.1	4.7	6.6	4.2	2.0	**4.2**	**2.9**	**3.1**	*2.0*	*4.2*	*3.6*
Sweden	2.2	2.4	1.0	6.0	2.8	-2.6	**-0.5**	**1.7**	**2.4**	*-2.5*	*0.0*	*1.9*
EU	0.9	0.6	0.8	5.4	3.7	-0.3	**0.3**	**1.6**	**1.8**	*-0.2*	*1.0*	*1.7*
United Kingdom	0.3	2.2	-0.9	9.3	5.0	-0.1	**1.5**	**1.3**	**1.4**	*0.0*	*0.7*	*1.4*
Japan	-0.5	1.3	-0.3	1.7	1.7	0.7	**0.2**	**1.2**	**1.0**	*0.9*	*0.4*	*0.7*
United States	0.5	2.2	1.6	7.1	2.7	2.3	**3.0**	**2.2**	**2.2**	*1.9*	*2.5*	*2.1*

Table 6: **Final demand, volume (percentage change on preceding year, 2006-2026)** **31.10.2024**

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	**2011 - 15**	**2016 - 20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	***2023***	***2024***	***2025***
Belgium	1.9	1.9	1.1	9.1	5.0	-2.7	**-0.4**	**1.6**	**2.0**	*-0.6*	*0.4*	*2.1*
Germany	1.8	2.1	0.8	5.0	2.9	-0.4	**-0.4**	**1.0**	**1.8**	*-1.3*	*-0.1*	*1.5*
Estonia	0.9	5.5	3.1	13.6	2.3	-5.0	**-0.8**	**1.7**	**2.8**	*-4.7*	*-0.4*	*3.6*
Ireland	1.4	9.1	8.9	2.8	11.8	-2.3	**4.0**	**3.4**	**3.3**	*-2.0*	*2.2*	*4.2*
Greece	-0.1	-3.3	0.1	11.1	7.4	1.8	**3.1**	**2.9**	**2.7**	*2.1*	*2.7*	*2.7*
Spain	0.5	0.3	-0.3	8.5	6.6	2.0	**2.8**	**2.5**	**2.3**	*1.9*	*1.9*	*2.1*
France	1.2	1.7	-0.2	7.2	4.1	0.8	**0.4**	**1.1**	**1.8**	*0.4*	*1.0*	*1.8*
Croatia	0.0	0.8	1.5	14.1	13.9	-0.1	**3.9**	**3.4**	**2.9**	*-0.2*	*3.3*	*2.9*
Italy	-0.1	-0.6	-0.9	10.3	6.6	0.4	**-0.3**	**1.5**	**1.6**	*0.5*	*0.9*	*1.7*
Cyprus	3.3	-0.7	5.9	15.1	16.3	2.2	**5.3**	**2.9**	**2.2**	*3.7*	*3.0*	*2.9*
Latvia	-0.3	4.5	2.4	10.1	5.1	0.0	**-1.3**	**1.3**	**2.2**	*-1.4*	*1.2*	*2.8*
Lithuania	1.7	5.2	3.8	11.3	6.9	-2.3	**2.3**	**3.4**	**3.3**	*-2.5*	*2.7*	*4.2*
Luxembourg	3.4	4.2	2.6	10.4	-0.7	-0.5	**1.1**	**3.8**	**3.4**	*-0.5*	*2.6*	*3.1*
Malta	4.2	7.1	7.5	4.4	11.4	3.3	**4.0**	**3.5**	**3.4**	*5.0*	*4.2*	*3.8*
Netherlands	1.9	2.9	1.5	6.4	4.7	-0.8	**0.3**	**1.9**	**2.1**	*-0.3*	*0.4*	*2.0*
Austria	1.6	1.6	0.6	7.9	6.0	-2.5	**-1.3**	**1.4**	**1.7**	*-1.1*	*0.6*	*2.0*
Portugal	1.1	-0.2	0.9	7.4	8.3	2.3	**2.6**	**2.5**	**2.7**	*2.3*	*2.4*	*2.3*
Slovakia	5.2	3.9	1.6	8.4	2.2	-3.3	**3.2**	**3.1**	**2.8**	*-3.1*	*3.7*	*3.4*
Slovenia	2.5	1.3	2.9	12.2	5.5	-1.0	**2.3**	**2.9**	**3.2**	*-1.6*	*3.3*	*3.1*
Finland	1.2	0.5	1.4	3.8	3.4	-2.8	**-0.7**	**2.1**	**1.9**	*-2.6*	*0.4*	*1.7*
Euro area	1.2	1.5	0.8	7.1	5.0	-0.2	**0.5**	**1.6**	**2.0**	*-0.3*	*0.9*	*2.0*
Bulgaria	3.4	3.0	2.5	8.8	8.2	-1.1	**2.3**	**3.0**	**3.3**	*-1.5*	*2.4*	*3.4*
Czechia	3.7	3.0	1.5	7.7	4.1	-0.4	**0.7**	**2.9**	**3.0**	*-0.5*	*1.2*	*3.4*
Denmark	0.8	2.1	1.9	8.1	2.5	3.0	**2.2**	**2.5**	**1.9**	*4.4*	*4.8*	*1.8*
Hungary	2.3	3.1	3.4	7.2	7.1	-2.3	**-1.2**	**2.7**	**4.3**	*-2.5*	*2.9*	*5.0*
Poland	5.7	3.5	3.9	9.9	5.8	-0.5	**3.0**	**3.6**	**3.1**	*-0.6*	*2.9*	*3.7*
Romania	5.5	3.9	4.8	8.2	5.6	1.2	**2.5**	**2.7**	**3.0**	*1.0*	*3.6*	*3.5*
Sweden	2.1	2.7	1.5	7.9	3.9	-0.6	**0.3**	**1.8**	**2.6**	*-0.4*	*0.6*	*2.3*
EU	1.4	1.7	1.0	7.3	5.0	-0.2	**0.7**	**1.8**	**2.2**	*-0.2*	*1.1*	*2.2*
United Kingdom	0.7	2.4	-0.7	8.0	6.7	-0.6	**0.8**	**1.2**	**1.4**	*-0.1*	*0.4*	*1.4*
Japan	-0.1	1.5	-0.3	3.0	2.3	1.1	**0.2**	**1.5**	**1.2**	*1.3*	*0.9*	*1.1*
United States	1.0	2.3	1.3	7.0	3.2	2.4	**3.1**	**2.3**	**2.3**	*2.0*	*2.5*	*2.2*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	2.1	1.2	-0.2	5.6	3.6	0.6	**0.9**	**1.3**	**1.4**	*1.4*	*1.7*	*1.5*
Germany	0.5	1.1	0.0	2.3	5.6	-0.4	**0.5**	**0.7**	**1.0**	*-0.7*	*0.6*	*0.9*
Estonia	-0.1	4.5	2.9	7.1	2.9	-1.3	**-0.5**	**0.5**	**2.8**	*-1.3*	*1.6*	*2.8*
Ireland	1.5	0.6	0.8	8.9	10.8	4.2	**3.0**	**2.8**	**2.6**	*3.1*	*2.3*	*3.1*
Greece	0.2	-4.1	0.3	5.1	8.6	1.8	**1.8**	**1.7**	**1.7**	*1.8*	*1.7*	*1.6*
Spain	0.7	-0.8	-0.9	7.1	4.8	1.8	**2.5**	**2.2**	**2.0**	*1.8*	*2.1*	*1.9*
France	1.7	0.7	-0.2	5.3	3.2	0.8	**0.8**	**0.7**	**1.2**	*0.6*	*1.2*	*1.4*
Croatia	-0.3	-1.0	1.7	10.7	6.9	3.0	**5.5**	**3.6**	**2.9**	*3.0*	*4.3*	*2.7*
Italy	0.2	-0.7	-1.7	5.8	5.0	1.0	**0.0**	**1.0**	**1.2**	*1.2*	*0.2*	*1.4*
Cyprus	3.9	-1.6	2.8	5.9	9.8	6.0	**3.2**	**2.1**	**2.0**	*4.2*	*2.2*	*1.9*
Latvia	0.5	3.2	1.0	8.1	5.1	-1.0	**-0.2**	**1.1**	**2.4**	*-1.3*	*1.7*	*2.0*
Lithuania	0.2	3.8	2.0	8.1	2.0	-0.3	**3.8**	**4.5**	**4.0**	*-1.0*	*3.2*	*4.5*
Luxembourg	2.9	2.2	0.5	11.4	2.3	4.0	**2.0**	**2.6**	**2.4**	*4.0*	*2.9*	*2.4*
Malta	1.6	3.0	2.6	11.9	10.9	11.2	**4.5**	**4.3**	**4.0**	*7.7*	*4.3*	*4.0*
Netherlands	0.1	0.4	0.1	4.5	6.9	0.8	**0.4**	**1.6**	**1.8**	*0.4*	*1.6*	*1.7*
Austria	1.3	0.5	-0.5	4.8	4.9	-0.5	**0.1**	**1.0**	**1.2**	*-0.3*	*1.3*	*2.0*
Portugal	1.0	-1.3	0.6	4.9	5.6	2.0	**2.5**	**2.1**	**2.2**	*1.7*	*1.8*	*1.9*
Slovakia	4.5	0.6	3.4	3.0	5.2	-3.3	**1.8**	**1.4**	**2.3**	*-3.2*	*0.8*	*1.8*
Slovenia	2.8	-0.5	1.8	10.5	5.3	0.1	**1.3**	**2.7**	**2.5**	*1.3*	*1.5*	*2.2*
Finland	1.7	0.9	0.1	3.2	1.3	0.3	**0.1**	**1.3**	**1.5**	*0.4*	*0.5*	*1.4*
Euro area	0.8	0.2	-0.3	4.7	4.9	0.6	**0.9**	**1.2**	**1.4**	*0.5*	*1.1*	*1.5*
Bulgaria	4.2	1.2	2.7	8.5	3.9	1.4	**4.4**	**3.4**	**3.3**	*5.4*	*2.7*	*2.9*
Czechia	2.4	1.1	1.6	4.2	0.5	-2.8	**1.6**	**2.4**	**3.2**	*-3.1*	*2.3*	*3.7*
Denmark	0.5	0.8	2.0	6.8	-2.1	1.4	**0.7**	**1.4**	**1.8**	*1.0*	*2.1*	*1.5*
Hungary	-1.3	1.1	3.9	4.9	6.5	-1.4	**3.9**	**3.6**	**3.9**	*-2.0*	*4.0*	*4.1*
Poland	4.8	2.1	2.9	6.2	5.2	-0.3	**3.8**	**3.6**	**2.7**	*-1.0*	*3.0*	*3.5*
Romania	3.9	2.2	5.3	7.0	5.1	3.0	**5.1**	**2.3**	**2.8**	*2.8*	*3.6*	*3.4*
Sweden	2.4	2.4	0.9	6.0	2.8	-2.3	**0.0**	**2.5**	**3.0**	*-2.5*	*0.5*	*2.5*
EU	1.0	0.4	0.0	4.9	4.7	0.5	**1.2**	**1.4**	**1.6**	*0.4*	*1.3*	*1.7*
United Kingdom	0.5	1.9	-1.1	7.2	7.4	0.7	**0.6**	**0.9**	**1.4**	*0.3*	*0.4*	*1.5*
Japan	0.4	0.6	-0.9	0.8	2.2	0.6	**0.1**	**1.3**	**1.1**	*0.6*	*0.1*	*0.7*
United States	1.2	2.1	1.4	8.8	3.0	2.5	**2.7**	**2.1**	**2.0**	*2.2*	*2.4*	*1.9*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	1.5	0.7	0.7	4.1	3.3	3.2	**1.5**	**1.3**	**1.6**	*1.6*	*0.8*	*1.1*
Germany	2.3	1.7	2.9	3.4	0.1	-0.1	**2.0**	**1.4**	**1.0**	*-1.5*	*1.5*	*1.2*
Estonia	2.2	2.6	2.6	3.9	-1.5	0.9	**1.2**	**0.4**	**0.2**	*0.9*	*2.0*	*1.5*
Ireland	0.9	0.6	6.2	6.6	4.1	5.6	**3.9**	**2.6**	**3.6**	*1.9*	*1.1*	*0.8*
Greece	1.5	-3.5	0.2	1.8	0.1	2.6	**0.9**	**1.1**	**0.7**	*1.7*	*0.4*	*0.0*
Spain	3.7	-0.9	1.9	3.6	0.6	5.2	**3.4**	**1.6**	**1.5**	*3.8*	*1.8*	*1.3*
France	1.7	1.4	0.1	6.6	2.6	0.7	**2.1**	**0.1**	**0.9**	*0.5*	*0.9*	*0.8*
Croatia	3.0	0.5	2.2	2.8	2.2	7.1	**3.6**	**3.2**	**2.4**	*6.6*	*3.1*	*2.6*
Italy	0.2	-1.3	0.3	2.3	0.6	1.9	**-0.3**	**2.3**	**0.4**	*1.2*	*0.5*	*0.8*
Cyprus	4.7	-2.3	5.4	7.5	4.6	2.2	**0.1**	**1.5**	**2.1**	*1.6*	*2.5*	*1.4*
Latvia	-1.3	1.9	3.5	3.7	2.4	7.0	**5.8**	**0.9**	**0.5**	*7.0*	*2.6*	*3.3*
Lithuania	0.0	0.4	-0.3	1.2	1.2	-0.2	**0.0**	**0.1**	**0.1**	*0.2*	*0.7*	*-0.4*
Luxembourg	2.4	2.7	4.1	5.1	2.6	2.5	**4.3**	**2.8**	**2.3**	*2.5*	*3.0*	*2.1*
Malta	2.8	5.7	8.5	5.9	0.4	2.9	**8.3**	**2.2**	**5.3**	*3.3*	*3.0*	*2.7*
Netherlands	4.0	-0.2	1.8	4.7	1.3	2.9	**2.7**	**1.9**	**2.1**	*3.0*	*2.6*	*2.0*
Austria	2.1	0.4	0.7	7.6	-0.6	1.2	**0.4**	**0.5**	**0.2**	*-0.4*	*0.1*	*0.5*
Portugal	0.4	-1.9	0.8	3.8	1.7	0.6	**1.5**	**1.3**	**1.7**	*1.0*	*2.1*	*1.2*
Slovakia	4.7	1.2	1.4	3.7	-2.9	-3.0	**3.8**	**0.4**	**-0.4**	*-0.6*	*3.4*	*1.0*
Slovenia	2.4	-0.6	2.3	6.2	-0.7	2.4	**9.9**	**2.5**	**4.4**	*2.4*	*6.9*	*2.0*
Finland	1.1	0.5	1.2	3.9	-1.0	3.4	**0.4**	**-0.2**	**0.0**	*4.5*	*0.0*	*-0.7*
Euro area	1.9	0.5	1.5	4.3	1.1	1.6	**1.9**	**1.2**	**1.1**	*0.7*	*1.3*	*1.1*
Bulgaria	0.5	0.6	4.4	0.5	8.0	1.1	**4.3**	**1.9**	**3.3**	*-0.4*	*3.5*	*5.0*
Czechia	1.2	-0.1	2.9	1.5	0.4	3.5	**3.5**	**2.2**	**2.2**	*3.5*	*1.8*	*2.2*
Denmark	2.3	0.9	0.1	4.9	-2.5	0.2	**2.3**	**3.5**	**0.8**	*0.0*	*1.7*	*2.4*
Hungary	0.2	1.8	2.2	1.6	3.1	3.7	**-0.8**	**0.4**	**1.9**	*1.2*	*0.8*	*1.5*
Poland	3.8	1.3	3.9	5.0	0.6	4.0	**7.8**	**3.1**	**2.7**	*2.8*	*5.7*	*2.3*
Romania	-0.1	1.5	3.7	-0.6	-1.4	6.3	**3.8**	**-0.6**	**0.9**	*6.0*	*6.8*	*1.6*
Sweden	1.4	1.4	0.6	3.4	0.7	0.7	**0.7**	**0.7**	**0.4**	*1.5*	*1.7*	*0.5*
EU	1.9	0.5	1.5	4.2	1.0	1.7	**2.1**	**1.3**	**1.2**	*0.9*	*1.6*	*1.2*
United Kingdom	1.4	1.1	-0.2	14.3	0.6	0.6	**2.9**	**3.9**	**1.5**	*0.5*	*3.9*	*1.9*
Japan	1.1	1.7	1.4	3.4	1.7	0.0	**0.5**	**0.8**	**0.7**	*0.9*	*0.6*	*0.5*
United States	1.9	-1.1	2.0	0.4	-1.1	2.9	**2.4**	**1.9**	**1.0**	*2.7*	*1.8*	*1.5*

Table 9: Total investment, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.7	2.5	1.5	4.3	1.7	3.5	**0.6**	**1.8**	**1.9**	*3.6*	*1.5*	*1.5*
Germany	1.6	2.2	1.8	0.6	-0.2	-1.2	**-3.0**	**0.3**	**2.7**	*-0.7*	*-1.0*	*1.0*
Estonia	-6.3	7.7	10.6	0.3	-8.1	7.5	**-4.6**	**1.6**	**4.0**	*-3.4*	*-1.7*	*4.0*
Ireland	-7.7	15.6	17.1	-39.4	3.7	2.8	**-24.8**	**25.2**	**1.5**	*2.9*	*1.5*	*2.4*
Greece	-3.6	-11.6	1.2	21.7	16.4	6.6	**7.4**	**8.9**	**7.1**	*4.0*	*6.7*	*8.4*
Spain	-3.4	-1.8	2.1	2.6	3.3	2.1	**2.0**	**3.2**	**3.7**	*0.8*	*1.9*	*2.9*
France	0.6	0.3	1.6	9.7	0.0	0.4	**-1.9**	**0.0**	**2.0**	*0.8*	*-0.5*	*1.1*
Croatia	-1.9	-0.7	3.2	4.8	10.4	10.1	**9.1**	**4.5**	**3.0**	*4.2*	*3.1*	*3.4*
Italy	-2.0	-3.8	0.9	21.5	7.5	8.5	**2.0**	**0.2**	**2.0**	*4.7*	*1.3*	*0.7*
Cyprus	3.7	-11.4	14.2	1.9	9.0	11.1	**4.9**	**3.2**	**1.8**	*19.5*	*3.6*	*5.1*
Latvia	-9.2	6.0	2.8	6.8	-1.6	9.9	**-5.6**	**1.1**	**3.0**	*8.2*	*2.8*	*3.5*
Lithuania	-2.7	7.3	5.9	12.6	5.2	9.3	**-4.0**	**3.5**	**3.6**	*10.6*	*3.8*	*4.4*
Luxembourg	2.4	3.7	1.2	16.9	-7.7	-1.0	**-2.9**	**4.2**	**3.0**	*-1.0*	*0.1*	*3.3*
Malta	3.4	9.0	2.3	20.5	9.7	-18.2	**4.4**	**4.5**	**3.5**	*-22.2*	*4.5*	*4.5*
Netherlands	0.2	4.2	0.8	2.4	3.4	1.3	**-1.4**	**1.2**	**1.4**	*1.8*	*-2.1*	*1.2*
Austria	-0.5	2.1	2.3	6.0	0.4	-3.2	**-3.2**	**1.2**	**2.1**	*-2.4*	*-2.2*	*2.3*
Portugal	-1.2	-5.5	4.6	7.8	3.3	3.6	**0.8**	**3.7**	**4.2**	*2.5*	*3.9*	*3.7*
Slovakia	1.2	5.0	-2.3	5.1	-1.9	16.6	**0.7**	**6.1**	**2.5**	*10.6*	*1.1*	*7.0*
Slovenia	-2.4	-2.0	2.7	12.3	4.2	3.9	**-0.1**	**3.2**	**3.5**	*9.5*	*3.8*	*3.4*
Finland	0.7	-0.9	3.2	1.7	2.6	-9.0	**-5.0**	**4.5**	**3.4**	*-4.2*	*0.2*	*4.0*
Euro area	-0.6	0.4	2.3	3.7	2.0	1.6	**-1.9**	**1.8**	**2.5**	*1.2*	*0.1*	*1.6*
Bulgaria	1.1	0.8	1.3	-8.3	6.5	10.2	**-1.5**	**3.0**	**4.5**	*3.3*	*3.5*	*3.0*
Czechia	2.0	1.3	2.4	6.7	6.3	2.5	**0.8**	**2.9**	**3.5**	*4.0*	*3.0*	*2.4*
Denmark	-1.9	3.1	3.9	9.8	2.8	-6.6	**-2.3**	**2.1**	**2.0**	*-5.0*	*-1.9*	*1.8*
Hungary	-2.6	4.4	5.5	5.7	0.9	-7.8	**-10.1**	**3.4**	**3.9**	*-7.4*	*1.6*	*8.2*
Poland	6.7	5.3	2.3	1.5	1.7	12.6	**2.3**	**6.7**	**5.3**	*13.1*	*3.5*	*6.0*
Romania	7.7	3.6	3.0	4.0	5.4	14.5	**5.4**	**6.7**	**7.4**	*14.4*	*6.8*	*6.1*
Sweden	2.2	3.4	2.4	7.3	0.3	-1.4	**-2.5**	**1.3**	**3.7**	*-1.5*	*-1.4*	*2.1*
EU	-0.2	0.9	2.4	4.0	2.1	1.8	**-1.6**	**2.1**	**2.8**	*1.5*	*0.3*	*2.0*
United Kingdom	-0.9	3.8	0.0	7.6	5.1	-0.1	**0.4**	**0.3**	**1.4**	*2.2*	*-2.2*	*0.5*
Japan	-3.4	2.7	0.0	0.4	-0.5	1.8	**0.6**	**1.5**	**1.1**	*2.1*	*1.0*	*1.1*
United States	-2.7	4.8	2.6	5.4	2.0	3.2	**4.3**	**2.4**	**3.9**	*2.1*	*3.8*	*3.2*

Table 10: Investment in construction, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	1.4	1.7	1.2	2.8	-1.1	2.7	**-0.6**	**0.4**	**0.6**	*-0.3*	*-0.1*	*1.3*
Germany	0.6	1.6	2.5	-3.1	-3.9	-3.4	**-3.5**	**-0.9**	**2.2**	*-2.7*	*-1.3*	*0.6*
Estonia	-8.4	7.0	7.3	5.8	-0.5	6.4	**2.0**	**3.4**	**4.0**	*6.5*	*1.3*	*4.3*
Ireland	-14.7	2.0	5.0	3.7	2.9	-0.9	**-1.6**	**4.1**	**3.6**	*-1.1*	*0.3*	*2.0*
Greece	-6.0	-16.8	-3.2	22.0	22.7	15.6	**1.3**	**4.2**	**2.3**	*13.6*	*8.5*	*8.1*
Spain	-5.3	-5.1	3.3	0.5	2.2	3.0	**2.6**	**2.9**	**3.5**	*2.3*	*1.6*	*2.6*
France	0.0	-0.6	1.0	11.6	-2.6	-2.9	**-2.4**	**0.5**	**5.0**	*-2.5*	*-3.1*	*0.5*
Croatia	-1.8	-3.0	0.6	3.8	5.4	13.1	**10.6**	**4.4**	**3.6**	*3.8*	*2.3*	*2.6*
Italy	-3.2	-6.0	-0.2	32.5	9.1	14.5	**3.5**	**-3.8**	**2.0**	*3.1*	*-2.0*	*-5.9*
Cyprus	1.2	-14.6	16.1	17.0	4.2	5.1	**5.5**	**2.9**	**2.0**	*4.9*	*21.6*	*5.7*
Latvia	-8.7	7.4	-0.2	-2.7	-3.0	19.1	**-5.7**	**1.3**	**2.7**	*18.9*	*5.3*	*5.3*
Lithuania	-2.7	5.4	4.6	2.5	8.8	11.2	**0.0**	**3.3**	**2.9**	*10.6*	*4.4*	*4.3*
Luxembourg	2.2	2.3	1.5	11.2	2.0	-4.7	**-3.5**	**2.8**	**3.0**	*-4.7*	*-2.8*	*4.1*
Malta	-2.1	7.7	5.4	5.9	-26.0	-2.1	**2.5**	**3.9**	**3.9**	*-9.9*	*2.5*	*3.9*
Netherlands	-1.4	-0.8	5.9	3.0	1.6	-0.1	**-3.6**	**0.6**	**1.3**	*0.0*	*-2.7*	*1.0*
Austria	-2.2	0.6	1.7	4.1	-1.3	-9.3	**-4.9**	**2.2**	**2.3**	*-5.9*	*-2.5*	*2.0*
Portugal	-3.4	-8.2	4.7	6.6	0.9	1.3	**0.0**	**2.4**	**2.8**	*-0.4*	*2.5*	*2.8*
Slovakia	1.0	3.9	-1.6	3.7	4.6	5.0	**-5.0**	**5.7**	**4.8**	*3.8*	*1.4*	*5.5*
Slovenia	-3.6	-5.2	0.9	7.1	3.5	11.9	**-0.7**	**4.0**	**4.6**	*23.7*	*4.2*	*4.6*
Finland	1.4	-1.0	3.0	-1.2	1.6	-14.3	**-8.0**	**5.4**	**3.9**	*-8.2*	*-1.4*	*4.2*
Euro area	-1.9	-1.7	2.1	6.2	0.0	0.5	**-1.3**	**0.1**	**2.9**	*-0.8*	*-1.3*	*0.4*
Bulgaria	8.1	-4.4	-2.2	-12.5	10.7	2.5	**-3.1**	**3.5**	**3.6**	*-1.5*	*3.5*	*5.0*
Czechia	0.4	-0.8	2.5	2.6	1.1	2.0	**0.7**	**3.5**	**4.4**	*-2.6*	*3.1*	*1.4*
Denmark	-5.6	4.2	4.5	10.2	-0.5	-4.5	**-2.2**	**2.5**	**2.0**	*-3.6*	*-0.6*	*1.1*
Hungary	-5.3	2.0	5.9	0.5	1.4	-9.0	**-10.1**	**4.3**	**4.5**	*-13.2*	*-0.1*	*8.3*
Poland	7.4	3.6	2.0	3.7	1.0	9.2	**-4.9**	**6.9**	**6.8**	*10.1*	*3.1*	*5.4*
Romania	12.1	5.1	6.6	2.3	9.5	9.8	**6.3**	**8.1**	**8.8**	*19.8*	*7.4*	*8.7*
Sweden	1.7	3.4	2.9	1.9	-0.4	-5.7	**-5.6**	**0.5**	**2.4**	*-5.6*	*-1.5*	*2.8*
EU	-1.5	-1.1	2.3	5.8	0.3	0.6	**-1.5**	**0.8**	**3.3**	*-0.5*	*-0.8*	*1.1*
United Kingdom	-3.2	3.7	-0.2	10.3	3.3	-5.2	**0.8**	**-0.1**	**1.5**	*-1.2*	*-2.5*	*0.1*
Japan	-5.4	2.3	0.5	-1.2	-4.5	1.5	**-0.4**	**1.6**	**1.2**	*2.0*	*0.4*	*1.1*
United States	-8.4	3.9	1.7	2.5	-4.6	0.9	**5.0**	**1.4**	**4.1**	*0.9*	*5.6*	*2.3*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	-1.8	1.9	1.4	5.5	2.6	8.8	**0.8**	**3.6**	**3.8**	*4.2*	*2.7*	*1.7*
Germany	1.9	2.7	0.3	3.5	4.5	-0.8	**-6.2**	**0.9**	**3.7**	*3.0*	*-1.7*	*1.6*
Estonia	-6.0	8.4	4.5	11.8	0.5	11.6	**-15.0**	**-1.2**	**4.5**	*-21.9*	*-6.6*	*2.9*
Ireland	-1.7	9.3	2.5	14.6	24.4	0.1	**0.7**	**1.2**	**1.5**	*-4.2*	*-0.7*	*1.0*
Greece	0.0	-7.5	2.4	23.8	16.1	1.7	**10.6**	**12.5**	**11.7**	*-2.4*	*6.9*	*11.1*
Spain	-2.4	2.0	0.3	3.3	2.9	1.1	**1.1**	**4.2**	**4.6**	*-1.6*	*2.0*	*4.0*
France	0.4	0.7	0.9	8.3	-1.4	3.4	**-5.8**	**-5.0**	**-6.5**	*4.2*	*1.2*	*1.2*
Croatia	-3.5	2.4	5.7	8.8	15.3	10.5	**9.5**	**5.8**	**2.9**	*9.0*	*4.8*	*5.1*
Italy	-1.3	-2.9	1.5	17.4	4.7	2.0	**-1.1**	**6.4**	**2.6**	*6.4*	*5.3*	*8.1*
Cyprus	8.9	:	13.9	-34.5	-11.6	100.9	**-1.5**	**3.1**	**1.0**	*114.4*	*-25.4*	*4.0*
Latvia	-12.3	4.5	6.8	21.8	-2.1	1.4	**-6.5**	**0.5**	**3.5**	*-0.3*	*0.3*	*0.9*
Lithuania	-6.4	11.9	7.3	31.3	0.9	9.2	**-11.5**	**4.1**	**5.1**	*14.0*	*2.0*	*4.7*
Luxembourg	1.9	6.6	-1.2	33.9	-26.4	3.4	**-5.5**	**6.6**	**1.7**	*3.4*	*4.8*	*-0.8*
Malta	8.9	12.2	-7.9	55.0	60.6	-45.7	**:**	**:**	**:**	*-46.1*	*:*	*:*
Netherlands	1.3	3.5	2.2	1.5	7.0	3.0	**0.4**	**2.5**	**1.1**	*5.8*	*-3.7*	*1.4*
Austria	-0.4	2.6	2.1	9.2	-0.2	4.4	**-6.1**	**-2.6**	**0.0**	*-1.7*	*-6.7*	*0.2*
Portugal	1.9	-2.5	3.7	13.3	7.4	9.0	**1.7**	**7.0**	**7.3**	*7.5*	*6.6*	*5.3*
Slovakia	-0.9	8.2	-4.5	8.9	-14.3	40.3	**9.6**	**6.9**	**0.3**	*21.5*	*0.8*	*8.7*
Slovenia	-3.7	2.1	3.9	21.9	5.2	-0.5	**-0.9**	**2.4**	**3.4**	*-3.7*	*0.5*	*2.2*
Finland	-1.8	3.0	3.9	5.8	3.4	0.2	**0.0**	**3.2**	**2.8**	*4.1*	*3.3*	*3.9*
Euro area	0.0	1.2	1.1	8.0	3.7	2.2	**-2.9**	**1.8**	**1.8**	*3.3*	*0.5*	*3.1*
Bulgaria	-8.3	8.8	2.8	-3.6	2.3	16.3	**-1.0**	**3.0**	**5.5**	*7.0*	*3.5*	*0.6*
Czechia	4.1	2.8	-0.3	11.6	12.3	3.6	**-0.1**	**1.3**	**3.0**	*16.2*	*1.7*	*2.4*
Denmark	-1.5	4.0	-0.2	14.9	-6.1	-9.7	**-2.3**	**1.3**	**3.6**	*-4.8*	*-4.4*	*3.4*
Hungary	-0.8	6.7	6.5	9.1	2.1	-10.5	**-10.5**	**2.5**	**3.3**	*0.7*	*3.7*	*7.8*
Poland	5.2	7.9	1.6	-3.3	2.0	19.5	**10.3**	**6.5**	**3.9**	*20.2*	*4.0*	*7.1*
Romania	2.2	2.8	-3.6	6.6	-5.4	26.0	**3.0**	**4.7**	**5.6**	*8.8*	*6.3*	*2.4*
Sweden	2.9	4.0	0.9	7.6	-0.7	3.8	**-2.8**	**1.1**	**5.7**	*2.0*	*-0.1*	*1.7*
EU	0.3	1.8	1.0	7.6	3.3	3.0	**-2.2**	**2.1**	**2.2**	*4.2*	*0.8*	*3.3*
United Kingdom	0.1	5.1	-1.6	6.2	16.0	10.7	**0.1**	**-0.1**	**1.2**	*10.7*	*-4.0*	*0.6*
Japan	-2.7	4.0	0.0	1.1	-0.1	1.5	**0.7**	**1.6**	**1.0**	*1.4*	*1.9*	*1.2*
United States	1.3	6.3	0.1	5.2	3.4	3.6	**3.8**	**4.6**	**4.1**	*0.2*	*1.0*	*3.8*

Table 12: Public investment (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	2.1	2.4	2.6	2.8	2.7	2.8	**3.1**	**2.9**	**2.9**	*2.9*	*3.1*	*2.9*
Germany	2.4	2.4	2.7	2.9	2.8	2.8	**3.0**	**3.0**	**3.0**	*2.7*	*2.8*	*2.9*
Estonia	5.7	5.4	5.3	5.8	5.4	6.6	**7.3**	**8.1**	**8.5**	*6.3*	*7.0*	*6.9*
Ireland	4.2	2.1	2.1	2.0	2.0	2.3	**2.5**	**2.9**	**3.0**	*2.3*	*2.6*	*2.7*
Greece	5.2	3.2	3.4	3.6	3.7	3.9	**4.9**	**4.5**	**3.9**	*3.9*	*4.4*	*4.3*
Spain	4.7	2.8	2.2	2.7	2.7	3.0	**3.0**	**3.1**	**3.2**	*3.0*	*3.1*	*3.1*
France	4.6	4.4	4.0	4.1	4.2	4.3	**4.3**	**4.2**	**4.1**	*4.3*	*4.3*	*4.2*
Croatia	5.2	3.7	3.8	4.8	4.0	5.6	**5.7**	**5.9**	**5.8**	*5.4*	*5.5*	*5.6*
Italy	3.2	2.5	2.3	2.8	2.6	3.2	**3.5**	**3.8**	**3.7**	*3.2*	*3.2*	*3.5*
Cyprus	4.0	3.0	3.1	2.7	2.4	3.1	**2.9**	**2.9**	**2.7**	*3.5*	*3.6*	*3.7*
Latvia	5.5	5.1	5.1	5.6	4.5	5.6	**5.3**	**6.2**	**6.1**	*4.2*	*5.5*	*6.1*
Lithuania	4.9	4.1	3.5	3.2	3.2	4.2	**3.9**	**4.1**	**3.7**	*4.2*	*4.4*	*4.0*
Luxembourg	4.0	3.8	4.1	4.1	4.2	4.7	**4.7**	**4.9**	**4.7**	*4.7*	*4.6*	*4.9*
Malta	3.0	3.3	3.0	3.7	3.2	3.5	**4.1**	**3.8**	**3.8**	*3.5*	*3.7*	*3.9*
Netherlands	4.1	3.8	3.4	3.4	3.2	3.1	**3.1**	**3.1**	**3.2**	*3.1*	*3.2*	*3.2*
Austria	3.2	3.0	3.1	3.6	3.5	3.7	**3.7**	**3.8**	**3.8**	*3.5*	*3.5*	*3.4*
Portugal	3.9	2.5	1.9	2.6	2.4	2.6	**3.1**	**3.2**	**3.5**	*2.5*	*3.1*	*3.4*
Slovakia	3.7	4.2	3.5	3.0	3.1	3.6	**3.7**	**4.6**	**4.2**	*4.7*	*4.1*	*4.5*
Slovenia	4.8	4.5	3.6	4.7	5.5	5.2	**5.2**	**5.1**	**5.1**	*5.3*	*5.8*	*5.4*
Finland	3.6	4.0	4.4	4.2	4.1	4.0	**4.3**	**4.8**	**4.6**	*4.0*	*4.2*	*4.7*
Euro area	3.6	3.1	2.9	3.2	3.1	3.3	**3.5**	**3.5**	**3.5**	*3.3*	*3.4*	*3.5*
Bulgaria	4.9	4.5	2.9	2.7	2.3	3.8	**3.3**	**3.6**	**3.4**	*3.5*	*2.5*	*3.5*
Czechia	5.1	4.3	3.9	4.6	4.5	4.9	**4.7**	**4.9**	**4.6**	*5.0*	*4.9*	*4.9*
Denmark	3.1	3.6	3.5	3.2	3.0	3.1	**3.2**	**3.3**	**3.3**	*3.2*	*3.3*	*3.3*
Hungary	3.9	4.6	5.2	6.2	5.3	5.1	**4.4**	**4.8**	**5.0**	*5.1*	*4.6*	*4.7*
Poland	4.7	4.9	4.1	4.1	3.8	5.1	**5.0**	**5.0**	**5.2**	*5.0*	*5.1*	*5.4*
Romania	5.8	4.8	3.3	4.1	4.4	5.4	**5.7**	**6.1**	**6.6**	*5.3*	*5.2*	*4.8*
Sweden	4.3	4.6	5.0	5.0	5.1	5.2	**5.4**	**5.4**	**5.6**	*5.0*	*5.2*	*5.3*
EU	3.7	3.3	3.1	3.4	3.3	3.5	**3.7**	**3.8**	**3.8**	*3.5*	*3.6*	*3.7*
United Kingdom	3.0	2.7	2.8	3.1	3.1	3.2	**3.3**	**3.2**	**3.3**	*3.3*	*3.3*	*3.1*
Japan	3.7	3.8	3.9	4.2	3.9	3.7	**3.6**	**3.6**	**3.5**	*3.7*	*3.6*	*3.6*
United States	4.0	3.5	3.4	3.3	3.4	3.4	**3.5**	**3.5**	**3.4**	*3.4*	*3.5*	*3.5*

Table 13: Potential GDP, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	1.7	1.1	1.5	1.7	2.0	2.0	**1.7**	**1.6**	**1.4**	*1.9*	*1.6*	*1.5*
Germany	1.1	1.5	1.2	0.6	0.7	0.8	**0.6**	**0.5**	**0.5**	*0.8*	*0.6*	*0.6*
Estonia	2.4	1.8	3.3	2.5	0.9	0.8	**0.1**	**0.2**	**0.3**	*1.3*	*0.7*	*1.0*
Ireland	1.5	5.2	8.4	4.4	4.1	3.3	**2.6**	**2.9**	**2.7**	*4.3*	*3.6*	*3.3*
Greece	1.3	-2.4	-1.0	-0.6	0.3	0.7	**1.2**	**1.8**	**2.0**	*0.6*	*1.2*	*1.6*
Spain	2.5	0.0	0.6	0.9	1.8	2.3	**2.4**	**2.4**	**2.3**	*1.9*	*1.9*	*2.0*
France	1.6	1.0	0.8	1.2	1.1	1.2	**1.2**	**1.1**	**1.0**	*1.1*	*1.1*	*1.0*
Croatia	1.7	0.2	1.8	3.3	3.5	4.4	**4.2**	**3.6**	**3.3**	*4.1*	*3.6*	*3.2*
Italy	0.3	-0.3	0.2	0.0	1.3	1.1	**1.3**	**1.1**	**0.9**	*1.1*	*1.0*	*1.1*
Cyprus	3.3	-0.4	3.8	4.5	4.2	4.4	**4.0**	**3.6**	**3.2**	*4.1*	*3.7*	*3.5*
Latvia	2.7	0.9	2.5	2.7	1.4	1.6	**1.0**	**1.4**	**1.5**	*1.9*	*1.9*	*2.1*
Lithuania	3.9	1.9	3.5	4.1	3.6	3.3	**2.4**	**2.5**	**2.1**	*2.8*	*2.5*	*2.3*
Luxembourg	2.8	2.2	2.4	2.3	2.0	2.1	**1.9**	**1.9**	**1.9**	*1.8*	*1.9*	*1.8*
Malta	3.1	5.2	7.1	4.7	6.1	5.6	**5.4**	**4.7**	**4.6**	*5.1*	*4.9*	*4.9*
Netherlands	1.5	0.8	1.8	2.0	2.1	2.2	**1.9**	**1.7**	**1.5**	*2.1*	*1.8*	*1.7*
Austria	1.4	1.0	1.3	1.2	1.2	1.0	**0.7**	**0.7**	**0.8**	*1.0*	*0.8*	*0.8*
Portugal	0.3	-0.6	1.4	2.0	2.4	2.5	**2.3**	**2.1**	**1.9**	*2.1*	*2.2*	*2.2*
Slovakia	4.9	2.7	2.1	1.6	1.3	2.8	**2.3**	**2.3**	**2.2**	*2.8*	*2.3*	*2.4*
Slovenia	2.9	0.9	1.9	2.5	2.4	2.6	**2.5**	**2.5**	**2.5**	*3.0*	*2.9*	*2.9*
Finland	1.3	0.2	1.0	0.7	1.3	1.1	**0.5**	**0.7**	**0.5**	*1.1*	*0.6*	*0.6*
Euro area	1.3	0.8	1.2	1.0	1.3	1.4	**1.3**	**1.2**	**1.2**	*1.4*	*1.3*	*1.2*
Bulgaria	3.8	1.4	2.4	2.7	2.6	2.7	**3.2**	**2.8**	**2.4**	*2.3*	*2.7*	*2.1*
Czechia	3.3	1.5	2.4	0.8	1.4	2.1	**1.6**	**1.6**	**1.8**	*2.0*	*1.5*	*1.5*
Denmark	1.4	1.0	2.0	2.5	2.7	2.5	**2.1**	**1.9**	**1.7**	*2.2*	*1.8*	*1.5*
Hungary	1.4	0.9	3.2	3.2	2.7	1.9	**1.4**	**1.5**	**1.7**	*2.1*	*2.2*	*2.5*
Poland	4.0	3.6	3.7	3.4	4.3	3.0	**2.8**	**2.9**	**2.8**	*3.1*	*2.8*	*2.8*
Romania	4.8	1.8	4.4	2.1	2.0	2.9	**2.3**	**2.2**	**2.3**	*2.9*	*2.8*	*2.7*
Sweden	2.1	1.7	2.1	1.9	1.7	1.4	**1.2**	**1.4**	**1.4**	*1.7*	*1.4*	*1.5*
EU	1.5	0.9	1.4	1.2	1.5	1.6	**1.4**	**1.4**	**1.3**	*1.5*	*1.4*	*1.4*
United Kingdom	1.5	1.2	1.3	0.9	1.3	1.3	**1.4**	**1.4**	**1.4**	*1.2*	*1.1*	*1.1*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	1.7	1.6	2.3	2.3	2.2	2.4	**2.6**	**2.6**	**2.5**	*2.1*	*2.3*	*2.2*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.7	-0.5	-1.0	-1.2	1.0	0.2	**-0.4**	**-0.7**	**-0.6**	*0.0*	*-0.4*	*-0.5*
Germany	-0.5	0.0	0.2	-0.5	0.2	-0.9	**-1.6**	**-1.3**	**-0.6**	*-0.8*	*-1.2*	*-0.8*
Estonia	0.3	-0.4	1.1	1.1	0.3	-3.6	**-4.7**	**-3.8**	**-1.6**	*-4.4*	*-5.6*	*-3.5*
Ireland	-1.0	0.3	-2.3	5.7	10.3	0.8	**-2.3**	**-1.2**	**-0.4**	*1.2*	*-1.1*	*-0.8*
Greece	-0.6	-16.3	-10.7	-6.0	-0.9	0.7	**1.7**	**2.3**	**2.5**	*0.3*	*1.2*	*2.0*
Spain	-0.4	-7.7	-1.5	-3.8	0.4	0.7	**1.3**	**1.2**	**1.0**	*0.8*	*1.0*	*0.9*
France	0.3	-1.4	-1.0	-1.2	0.2	-0.1	**-0.1**	**-0.3**	**0.0**	*-0.1*	*-0.4*	*-0.2*
Croatia	3.2	-3.9	-1.0	-0.1	3.5	2.5	**1.9**	**1.6**	**1.2**	*2.5*	*2.2*	*1.8*
Italy	0.7	-3.6	-2.8	-1.6	1.7	1.3	**0.7**	**0.7**	**1.0**	*1.1*	*1.0*	*1.0*
Cyprus	2.9	-6.0	-0.3	1.8	4.9	3.1	**2.6**	**1.9**	**1.2**	*2.6*	*1.6*	*0.9*
Latvia	0.4	-1.8	0.9	0.0	0.4	0.5	**-0.6**	**-1.0**	**-0.5**	*-0.9*	*-1.1*	*-0.6*
Lithuania	-0.1	-1.8	2.1	2.0	0.9	-2.0	**-2.2**	**-1.8**	**-0.9**	*-2.2*	*-2.7*	*-2.1*
Luxembourg	1.0	-1.8	-0.9	0.7	0.1	-3.0	**-3.7**	**-3.2**	**-2.9**	*-2.7*	*-3.1*	*-2.6*
Malta	0.1	-0.3	0.4	0.1	-1.8	0.0	**-0.4**	**-0.7**	**-1.0**	*0.0*	*-0.3*	*-0.9*
Netherlands	-0.1	-2.0	-0.5	-0.5	2.3	0.2	**-0.9**	**-1.0**	**-1.1**	*0.0*	*-1.1*	*-1.3*
Austria	0.1	-0.6	-0.4	-2.0	2.0	0.0	**-1.4**	**-1.1**	**-0.5**	*-0.5*	*-1.0*	*-0.3*
Portugal	-0.5	-3.1	-0.3	-3.3	1.0	1.0	**0.3**	**0.0**	**0.3**	*1.4*	*0.9*	*0.6*
Slovakia	2.3	-1.9	0.1	1.6	0.8	-0.7	**-0.8**	**-0.7**	**-0.4**	*-0.6*	*-0.7*	*-0.3*
Slovenia	3.0	-6.0	-0.2	2.4	2.7	2.3	**1.1**	**1.2**	**1.3**	*1.6*	*1.1*	*0.9*
Finland	0.7	-2.1	-0.3	-0.4	-0.3	-2.5	**-3.2**	**-2.4**	**-1.3**	*-2.2*	*-2.8*	*-2.1*
Euro area	0.0	-2.4	-1.1	-1.1	1.1	0.0	**-0.5**	**-0.4**	**0.0**	*0.0*	*-0.4*	*-0.2*
Bulgaria	1.3	-0.5	-0.9	0.3	1.7	0.9	**0.2**	**0.3**	**0.8**	*1.0*	*0.2*	*1.0*
Czechia	2.7	-2.1	0.9	-0.7	0.7	-1.5	**-2.1**	**-1.3**	**-0.4**	*-1.9*	*-2.2*	*-0.9*
Denmark	0.6	-3.0	-1.5	0.0	-1.1	-1.1	**-0.8**	**-0.1**	**0.0**	*-0.8*	*0.1*	*0.0*
Hungary	-1.4	-2.7	1.6	0.8	2.3	-0.6	**-1.4**	**-1.1**	**0.3**	*-1.4*	*-1.2*	*-0.2*
Poland	1.7	-0.8	0.3	0.7	1.6	-1.2	**-1.0**	**-0.4**	**0.0**	*-1.1*	*-1.2*	*-0.6*
Romania	1.9	-1.7	-1.0	-2.6	-0.7	-1.2	**-2.0**	**-1.7**	**-1.1**	*-2.0*	*-1.4*	*-1.0*
Sweden	-0.1	-1.1	-0.4	0.4	0.2	-1.5	**-2.3**	**-1.9**	**-0.7**	*-1.3*	*-2.5*	*-1.9*
EU	0.2	-2.3	-1.0	-0.9	1.0	-0.1	**-0.6**	**-0.5**	**-0.1**	*-0.2*	*-0.5*	*-0.3*
United Kingdom	-1.0	-2.0	-1.1	-2.6	0.8	-0.1	**-0.5**	**-0.4**	**-0.5**	*-0.3*	*-0.9*	*-0.7*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	-0.7	-0.9	-0.6	-0.3	0.0	0.4	**0.5**	**0.1**	**-0.2**	*0.3*	*0.4*	*0.2*

[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, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	1.7	1.6	1.8	2.7	6.8	4.5	2.7	2.4	2.1	4.1	2.5	2.1
Germany	1.2	1.6	1.7	2.8	6.1	6.1	2.9	2.4	2.2	6.6	3.6	2.1
Estonia	5.8	3.6	3.1	5.4	15.8	8.1	5.1	4.0	3.3	7.9	3.8	2.3
Ireland	-0.7	2.9	0.8	1.1	6.8	3.6	3.3	2.1	1.7	3.0	2.6	1.9
Greece	2.9	-0.7	-0.1	1.4	6.5	5.9	3.5	2.4	2.2	4.5	3.0	2.2
Spain	2.1	0.1	1.1	2.6	4.7	6.2	3.1	2.4	2.0	5.9	3.3	2.3
France	1.6	0.9	1.3	1.2	3.2	5.3	2.2	1.6	1.7	5.5	2.8	2.0
Croatia	3.5	0.8	1.2	2.1	8.0	11.7	6.6	3.2	2.1	8.5	5.5	2.2
Italy	1.9	1.2	1.1	1.3	3.6	5.8	1.6	1.9	1.8	5.3	2.2	1.8
Cyprus	2.8	0.0	0.3	3.0	6.7	3.8	3.5	2.3	2.2	4.7	3.7	2.4
Latvia	6.8	2.3	2.7	3.3	9.8	6.4	2.5	2.9	2.1	5.4	4.2	2.5
Lithuania	4.7	1.9	2.6	6.0	16.1	9.0	3.6	3.5	2.2	7.1	2.2	1.9
Luxembourg	4.1	2.8	1.7	4.6	5.7	3.4	3.9	3.0	2.9	3.4	4.0	2.5
Malta	2.6	2.5	2.1	2.4	5.1	5.3	2.6	2.5	2.1	5.3	3.6	2.5
Netherlands	1.6	0.8	2.0	2.7	6.2	7.3	5.0	3.0	2.3	7.8	3.7	2.3
Austria	1.8	2.0	1.7	1.9	4.8	6.6	4.2	2.3	1.9	7.6	4.1	2.6
Portugal	1.9	0.9	1.8	2.0	5.3	6.9	3.8	2.5	2.2	7.1	2.6	2.1
Slovakia	1.3	0.6	1.5	2.2	7.5	10.1	4.4	3.8	2.8	10.1	4.6	3.2
Slovenia	2.6	0.9	1.6	2.7	6.5	10.1	3.0	3.7	2.8	8.9	3.3	3.0
Finland	1.8	2.3	1.2	2.4	5.4	3.9	1.4	2.1	1.9	4.8	1.8	2.1
Euro area	1.6	1.2	1.4	2.1	5.1	5.9	2.9	2.2	2.0	6.0	3.1	2.1
Bulgaria	6.1	2.3	4.4	7.0	15.9	8.0	4.8	2.3	2.8	7.5	3.3	2.5
Czechia	1.7	1.3	2.9	4.0	8.7	8.2	4.0	2.4	2.4	8.6	2.6	2.5
Denmark	2.5	1.1	1.2	2.8	9.1	-3.8	1.6	2.2	1.9	-3.5	2.2	2.5
Hungary	4.1	2.8	4.3	6.3	14.2	14.6	7.2	4.1	3.3	14.7	5.3	3.8
Poland	3.0	1.5	2.1	5.3	10.7	9.5	3.9	4.6	3.0	10.7	4.5	4.2
Romania	10.4	2.8	4.9	5.6	12.1	12.8	9.0	5.9	5.3	12.2	7.3	5.3
Sweden	2.3	1.4	2.1	2.7	5.8	6.1	2.3	1.4	1.3	5.6	2.6	1.3
EU	1.9	1.2	1.6	2.4	5.8	6.1	3.1	2.4	2.1	6.2	3.2	2.3
United Kingdom	2.4	1.6	2.6	0.1	5.4	7.3	2.7	2.0	1.8	7.1	1.7	1.5
Japan	-1.0	0.2	0.4	-0.2	0.4	3.8	2.8	1.6	1.3	3.8	2.3	1.7
United States	1.9	1.8	1.7	4.6	7.1	3.6	2.4	2.1	2.0	3.6	2.5	1.8

Table 16: Price deflator of private consumption (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	1.9	1.5	1.6	2.7	10.2	6.0	2.2	2.1	1.8	5.4	2.4	1.9
Germany	1.3	1.3	1.2	2.9	6.8	6.7	2.7	2.6	2.6	6.3	2.1	2.0
Estonia	4.8	2.7	2.2	4.1	17.5	8.8	3.1	3.6	2.5	9.1	3.4	2.1
Ireland	-0.2	1.2	0.9	2.8	7.5	8.6	3.8	2.2	1.9	6.6	2.9	2.3
Greece	2.9	-0.3	-0.3	1.0	5.8	4.6	2.7	2.4	2.3	4.6	2.7	2.0
Spain	2.3	1.1	0.9	2.2	6.5	5.4	2.8	2.2	1.9	4.2	3.1	2.3
France	1.3	0.8	0.9	1.4	4.8	7.0	2.5	1.6	1.8	6.3	2.6	2.0
Croatia	3.3	1.3	0.6	2.6	10.6	8.7	2.7	2.4	2.0	8.0	3.4	2.2
Italy	1.9	1.4	0.9	1.5	6.8	5.1	1.1	1.7	1.6	5.2	1.5	1.8
Cyprus	3.0	0.4	-0.1	0.2	6.2	3.6	2.2	1.9	1.7	3.2	2.5	1.8
Latvia	6.3	1.5	1.9	2.6	13.8	9.0	1.2	2.2	2.2	8.0	1.6	2.0
Lithuania	5.4	1.5	2.2	4.6	18.6	9.0	0.9	1.7	1.6	8.6	1.9	1.8
Luxembourg	1.7	1.6	1.5	1.3	5.4	3.6	2.2	2.7	2.0	3.6	2.8	2.5
Malta	2.4	1.6	1.2	1.1	5.3	6.1	3.0	2.2	2.0	5.7	3.0	2.2
Netherlands	1.5	1.4	1.8	4.4	7.5	6.9	3.3	2.5	2.1	9.0	3.0	2.1
Austria	1.7	2.1	1.6	2.1	7.7	8.4	3.4	2.5	2.0	8.2	3.6	2.8
Portugal	1.9	1.1	1.1	2.0	7.3	4.4	2.7	2.2	2.1	5.1	2.3	2.0
Slovakia	2.6	1.6	1.4	3.2	11.8	10.3	2.8	4.3	2.6	10.3	3.1	3.5
Slovenia	2.7	0.9	0.8	3.4	9.9	7.5	2.1	3.3	2.1	7.3	2.8	2.4
Finland	2.0	2.1	0.8	2.3	6.2	4.6	1.2	2.0	1.8	4.4	1.7	1.9
Euro area	1.7	1.2	1.1	2.3	6.7	6.3	2.5	2.2	2.1	6.0	2.4	2.0
Bulgaria	3.9	1.8	2.0	6.0	16.0	8.1	5.0	2.0	3.0	6.9	3.0	2.7
Czechia	2.5	1.1	2.6	4.2	14.3	8.2	3.0	2.6	2.2	9.3	3.0	2.4
Denmark	2.2	1.2	0.5	2.0	7.1	2.9	1.8	2.0	1.7	3.1	2.0	1.9
Hungary	4.6	2.3	3.0	6.1	15.2	15.0	4.2	3.6	3.2	15.3	4.1	3.7
Poland	2.7	1.5	1.6	5.6	14.1	9.3	3.8	4.6	2.9	10.8	4.5	4.2
Romania	7.1	2.4	3.0	4.6	13.9	9.8	5.3	4.6	4.3	9.8	6.8	4.7
Sweden	1.6	0.9	1.6	2.2	6.7	6.4	2.4	1.4	1.6	6.3	2.7	1.0
EU	1.8	1.2	1.2	2.5	7.5	6.6	2.6	2.3	2.2	6.4	2.6	2.2
United Kingdom	2.1	1.7	1.4	2.5	8.1	6.7	2.3	2.1	1.9	6.9	2.3	1.8
Japan	-0.7	0.3	0.3	0.6	2.9	3.0	2.5	1.8	1.6	3.0	2.8	2.4
United States	2.0	1.6	1.5	4.1	6.6	3.8	2.5	2.0	2.0	3.7	2.6	1.9

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	2.2	1.7	1.6	3.2	10.3	2.3	4.4	2.9	1.9	2.3	4.0	2.3
Germany	1.6	1.5	1.1	3.2	8.7	6.0	2.4	2.1	1.9	6.0	2.4	2.0
Estonia	4.9	2.6	1.9	4.5	19.4	9.1	3.6	3.6	2.4	9.1	3.4	2.1
Ireland	1.1	0.8	0.2	2.4	8.1	5.2	1.4	1.9	1.8	5.2	1.9	1.8
Greece	3.3	0.2	0.2	0.6	9.3	4.2	3.0	2.4	1.9	4.2	2.8	2.1
Spain	2.5	1.2	0.8	3.0	8.3	3.4	2.8	2.2	2.0	3.4	3.1	2.3
France	1.7	1.2	1.1	2.1	5.9	5.7	2.4	1.9	1.8	5.7	2.5	2.0
Croatia	3.0	1.6	0.6	2.7	10.7	8.4	4.0	3.4	2.0	8.4	3.5	2.2
Italy	2.0	1.6	0.6	1.9	8.7	5.9	1.1	1.9	1.7	5.9	1.6	1.9
Cyprus	2.3	1.0	-0.1	2.3	8.1	3.9	2.2	2.1	2.0	3.9	2.4	2.1
Latvia	6.8	1.5	1.7	3.2	17.2	9.1	1.2	2.2	2.2	9.1	1.6	2.0
Lithuania	5.2	1.6	2.0	4.6	18.9	8.7	0.9	1.7	1.6	8.7	1.9	1.8
Luxembourg	2.5	1.8	1.2	3.5	8.2	2.9	2.3	2.4	1.8	2.9	2.3	2.0
Malta	2.4	1.7	1.2	0.7	6.1	5.6	2.5	2.2	2.0	5.6	2.8	2.3
Netherlands	1.5	1.7	1.4	2.8	11.6	4.1	3.2	2.4	1.9	4.1	2.5	2.0
Austria	1.8	2.1	1.6	2.8	8.6	7.7	2.9	2.1	1.7	7.7	3.6	2.8
Portugal	1.7	1.4	0.7	0.9	8.1	5.3	2.6	2.1	1.9	5.3	2.3	1.9
Slovakia	2.3	1.8	1.6	2.8	12.1	11.0	3.1	5.1	3.0	11.0	3.1	3.6
Slovenia	3.0	1.3	1.0	2.0	9.3	7.2	2.1	3.2	2.1	7.2	2.8	2.4
Finland	2.0	2.0	0.8	2.1	7.2	4.3	1.0	2.0	1.8	4.3	1.4	2.1
Euro area	1.9	1.4	1.0	2.6	8.4	5.4	2.4	2.1	1.9	5.4	2.5	2.1
Bulgaria	6.5	0.7	1.2	2.8	13.0	8.6	2.5	2.3	2.9	8.6	3.1	2.6
Czechia	2.6	1.6	2.2	3.3	14.8	12.0	2.7	2.4	2.0	12.0	2.5	2.2
Denmark	2.1	1.2	0.6	1.9	8.5	3.4	1.3	1.9	1.7	3.4	2.0	1.9
Hungary	5.3	2.3	2.5	5.2	15.3	17.0	3.8	3.6	3.2	17.0	4.1	3.7
Poland	2.9	1.6	1.7	5.2	13.2	10.9	3.8	4.7	3.0	10.9	4.3	4.2
Romania	6.2	2.7	2.1	4.1	12.0	9.7	5.5	3.9	3.6	9.7	5.9	4.0
Sweden	2.1	0.7	1.5	2.7	8.1	5.9	1.9	1.5	1.8	5.9	2.0	1.8
EU	2.2	1.5	1.1	2.9	9.2	6.4	2.6	2.4	2.0	6.4	2.7	2.2
United Kingdom	2.6	2.1	1.7	2.5	7.9	6.8	3.1	2.4	2.0	6.8	2.4	2.0
Japan	-0.1	0.7	0.4	-0.2	2.5	3.3	2.5	1.9	1.6	3.3	2.8	2.2
United States	2.2	1.7	1.8	4.7	8.0	4.1	2.9	2.0	2.0	4.1	2.9	2.4

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	1.6	1.6	1.5	1.3	4.0	6.0	3.3	2.4	2.0	6.0	3.1	2.0
Germany	1.2	1.3	1.1	2.2	3.9	5.1	3.2	2.7	2.1	5.1	2.7	1.8
Estonia	3.4	1.9	1.5	2.8	10.3	8.7	4.8	4.5	3.0	8.7	4.3	3.2
Ireland	0.6	0.6	0.4	1.7	4.6	4.4	2.3	2.2	2.0	4.4	2.8	2.1
Greece	2.7	-0.7	0.2	-1.1	4.6	5.3	3.4	2.7	2.0	5.3	3.1	2.2
Spain	1.9	0.8	0.9	0.6	3.8	4.1	2.9	2.3	2.0	4.1	3.2	2.3
France	1.4	1.0	0.7	1.3	3.4	4.0	2.3	2.2	2.1	4.0	2.2	2.0
Croatia	2.5	0.6	0.7	1.3	7.6	8.8	4.7	2.9	2.2	8.8	3.8	2.8
Italy	1.8	1.3	0.6	0.8	3.3	4.5	2.3	2.0	1.8	4.5	2.3	2.0
Cyprus	1.3	0.4	0.0	1.3	5.0	3.8	2.6	2.5	2.4	3.8	2.8	2.5
Latvia	3.9	0.6	1.6	1.9	7.6	8.4	3.7	2.7	2.2	8.4	3.3	2.4
Lithuania	2.5	1.3	2.2	3.4	10.5	9.6	3.3	2.3	2.1	9.6	3.9	2.6
Luxembourg	2.0	1.9	1.3	1.5	4.2	3.9	2.6	2.7	2.1	3.9	2.3	2.0
Malta	1.4	1.3	1.1	0.7	5.8	4.9	2.1	1.9	1.8	4.9	2.3	2.3
Netherlands	1.1	1.6	1.2	1.8	4.8	6.4	3.3	2.8	2.1	6.4	2.6	2.1
Austria	1.6	2.1	1.8	2.3	5.1	7.3	3.9	2.3	1.8	7.3	4.2	3.0
Portugal	1.3	0.8	0.6	0.2	5.0	5.4	2.6	2.3	2.2	5.4	2.8	2.5
Slovakia	1.7	1.5	1.7	3.3	8.2	9.5	4.2	4.2	2.9	9.5	3.7	3.3
Slovenia	1.8	0.4	1.0	0.9	5.9	6.7	2.9	3.2	2.8	6.7	3.9	2.5
Finland	1.6	1.6	0.6	1.2	3.6	4.1	2.2	2.6	2.1	4.1	2.2	2.5
Euro area	1.5	1.2	0.9	1.5	4.0	5.0	2.9	2.4	2.0	5.0	2.7	2.1
Bulgaria	5.5	-0.1	0.7	1.4	7.6	8.9	2.9	2.4	3.0	8.9	3.2	2.6
Czechia	1.4	0.6	2.0	3.6	12.0	9.3	4.2	3.0	2.3	9.3	4.1	2.8
Denmark	1.5	1.1	0.6	0.7	4.3	4.6	1.4	1.7	1.6	4.6	2.1	2.1
Hungary	3.5	2.1	2.0	3.5	10.7	14.0	6.0	4.0	3.4	14.0	6.1	4.5
Poland	1.5	1.1	1.5	4.8	9.8	9.3	4.0	3.4	3.2	9.3	4.4	3.7
Romania	4.8	2.6	1.6	2.6	6.0	9.7	8.3	4.7	4.1	9.7	8.3	4.7
Sweden	1.4	0.6	1.3	1.8	4.8	6.6	3.1	1.8	1.4	6.6	3.0	2.0
EU	1.6	1.2	1.0	1.8	4.7	5.7	3.2	2.6	2.2	5.7	3.0	2.2
United Kingdom	1.8	1.9	1.8	:	:	:	:	:	:	:	:	:
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	:	:	:	:	:	:	:	:	:	:	:	:

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2024-26) 31.10.2024

	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4
Belgium	3.0	5.1	4.7	4.7	4.0	3.1	2.5	1.9	1.9	1.9	1.8	1.8
Germany	2.7	2.6	2.2	2.4	2.2	2.0	2.1	1.9	2.0	1.9	2.0	1.9
Estonia	4.5	3.0	3.4	3.4	3.3	3.3	4.0	3.7	2.8	2.7	2.1	2.0
Ireland	2.2	1.7	0.9	0.6	1.8	1.8	2.0	2.0	1.9	1.7	1.7	1.7
Greece	3.2	2.7	3.1	2.8	2.7	2.9	2.1	1.9	1.9	1.9	1.9	1.9
Spain	3.2	3.6	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	1.9	1.8
France	3.0	2.5	2.1	2.0	1.8	2.0	1.9	1.9	1.8	1.8	1.8	1.8
Croatia	4.8	4.2	3.1	3.8	3.8	3.8	3.1	2.9	2.7	2.0	1.7	1.7
Italy	1.0	0.9	1.2	1.5	1.8	2.0	1.9	1.8	1.7	1.7	1.7	1.6
Cyprus	2.0	2.7	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Latvia	0.9	0.9	1.1	2.0	1.8	2.1	2.4	2.4	2.2	2.1	2.2	2.1
Lithuania	0.9	0.8	0.8	1.3	1.5	1.7	1.8	1.9	1.7	1.7	1.6	1.6
Luxembourg	3.1	3.0	1.7	1.5	2.5	2.7	2.5	2.0	1.8	1.8	1.8	1.7
Malta	3.1	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.0	2.0	1.9	1.9
Netherlands	3.0	2.9	3.4	3.6	3.1	2.4	2.1	2.0	2.0	1.9	1.9	1.9
Austria	4.1	3.3	2.4	2.0	2.2	2.2	2.1	1.9	1.6	1.7	1.7	1.8
Portugal	2.5	3.1	2.3	2.3	2.2	2.1	2.0	2.0	1.9	1.9	1.8	1.8
Slovakia	3.6	2.5	3.1	3.4	5.1	5.3	5.1	4.7	3.1	3.0	3.0	2.9
Slovenia	3.4	2.4	1.1	1.8	4.7	3.0	2.7	2.5	2.3	2.2	2.0	2.0
Finland	0.9	0.5	0.9	1.6	2.1	2.1	1.9	1.9	1.8	1.8	1.8	1.8
Euro area	2.6	2.5	2.2	2.2	2.2	2.2	2.1	2.0	1.9	1.9	1.9	1.8
Bulgaria	3.5	2.7	2.2	1.6	1.6	2.2	2.4	2.9	3.0	2.9	2.8	2.8
Czechia	2.4	2.7	2.6	3.2	2.9	2.3	2.0	2.2	2.1	2.1	1.8	1.8
Denmark	0.8	1.5	1.2	1.8	1.7	2.3	1.7	1.8	1.6	1.7	1.6	1.7
Hungary	3.6	3.7	3.5	4.3	4.2	3.7	3.5	3.2	3.2	3.1	3.1	3.2
Poland	3.6	2.9	4.1	4.5	5.7	5.2	4.2	3.9	2.7	3.0	3.1	3.0
Romania	7.1	5.8	5.3	4.0	4.1	4.0	3.9	3.6	3.7	3.7	3.6	3.3
Sweden	2.8	2.1	1.4	1.1	1.3	1.4	1.7	1.7	1.8	1.8	1.8	1.8
EU	2.8	2.6	2.4	2.5	2.6	2.5	2.3	2.2	2.1	2.1	2.1	2.0
United Kingdom	3.9	2.9	2.9	2.6	2.4	2.3	2.4	2.4	2.2	2.0	2.0	2.0
Japan	2.5	2.7	2.8	2.1	2.5	1.9	1.5	1.7	1.7	1.6	1.6	1.4
United States	3.2	3.2	2.6	2.5	2.0	1.8	2.0	2.0	2.0	2.0	2.0	2.0

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	1.2	0.4	0.4	8.9	13.5	-0.6	**0.8**	**1.5**	**1.8**	*-2.8*	*1.8*	*1.8*
Germany	0.6	0.8	0.2	4.7	12.7	1.5	**0.2**	**1.3**	**1.4**	*1.5*	*1.7*	*2.3*
Estonia	3.6	0.3	0.9	10.4	23.9	1.2	**0.3**	**1.3**	**2.1**	*1.1*	*1.2*	*1.8*
Ireland	0.0	1.6	-3.0	-2.3	3.1	0.0	**1.4**	**1.2**	**1.0**	*-0.7*	*0.2*	*0.7*
Greece	2.7	-0.9	-1.4	14.5	32.0	-8.7	**0.4**	**0.4**	**2.1**	*-9.8*	*2.6*	*1.6*
Spain	1.9	0.9	0.5	9.0	18.3	0.7	**1.7**	**1.5**	**1.2**	*0.0*	*1.7*	*1.3*
France	0.9	0.9	-0.1	6.4	17.9	-2.4	**-3.6**	**1.2**	**1.5**	*0.0*	*-0.3*	*2.3*
Croatia	2.7	1.4	-1.0	6.8	12.2	2.9	**-0.4**	**1.5**	**1.9**	*2.9*	*1.1*	*1.6*
Italy	1.5	1.0	0.7	5.3	12.4	1.9	**-0.1**	**2.0**	**1.7**	*1.9*	*0.8*	*1.6*
Cyprus	2.6	1.2	0.0	2.6	2.6	1.9	**0.6**	**1.9**	**1.5**	*13.4*	*0.9*	*1.0*
Latvia	5.6	3.3	1.6	9.7	17.6	-4.9	**-0.6**	**2.0**	**2.0**	*-4.9*	*1.0*	*2.0*
Lithuania	3.3	0.8	0.0	6.4	12.2	-3.0	**1.6**	**2.0**	**2.0**	*-3.0*	*1.2*	*1.9*
Luxembourg	3.6	1.5	0.9	8.8	14.7	-0.5	**-2.5**	**2.3**	**3.3**	*-0.5*	*0.3*	*1.2*
Malta	1.8	1.7	1.0	1.0	7.7	4.9	**2.8**	**2.6**	**2.1**	*3.9*	*2.8*	*3.3*
Netherlands	1.3	0.4	-0.6	11.4	23.9	-3.1	**-0.2**	**2.8**	**1.3**	*-2.8*	*1.0*	*1.6*
Austria	1.3	0.4	0.0	6.7	12.1	-0.1	**0.7**	**1.5**	**1.4**	*0.3*	*1.0*	*0.9*
Portugal	1.5	0.2	-0.1	8.3	17.0	-0.8	**-0.8**	**1.9**	**1.6**	*-1.6*	*1.1*	*1.3*
Slovakia	0.1	-0.5	-0.2	5.4	15.8	4.1	**-2.1**	**3.5**	**3.1**	*4.1*	*4.0*	*3.0*
Slovenia	1.1	0.5	0.1	5.0	17.5	0.5	**-0.6**	**1.1**	**1.0**	*-0.6*	*1.1*	*1.6*
Finland	-0.2	0.1	-0.2	12.9	23.3	-7.1	**-0.5**	**1.0**	**1.2**	*-7.1*	*0.5*	*2.1*
Euro area	1.0	0.8	-0.1	6.4	15.0	-0.3	**-0.2**	**1.6**	**1.5**	*-0.1*	*1.2*	*1.8*
Bulgaria	9.1	0.7	1.5	16.8	26.1	-5.9	**-1.5**	**1.3**	**1.8**	*-4.3*	*0.0*	*2.3*
Czechia	-1.5	1.5	-0.4	4.9	9.5	-0.6	**4.2**	**2.8**	**2.9**	*-1.5*	*3.2*	*3.4*
Denmark	2.3	1.2	0.1	1.7	12.8	-0.7	**-0.9**	**1.9**	**1.2**	*-2.1*	*0.5*	*1.5*
Hungary	1.2	1.4	2.0	7.7	22.8	-0.1	**1.1**	**2.8**	**2.0**	*-0.4*	*3.2*	*2.0*
Poland	3.4	2.8	1.9	10.1	19.7	-4.7	**-6.9**	**1.4**	**1.4**	*-4.5*	*-1.9*	*2.0*
Romania	8.4	0.9	0.3	11.2	17.0	2.1	**1.7**	**3.5**	**3.8**	*2.1*	*3.9*	*4.0*
Sweden	2.0	-0.7	1.4	5.3	18.4	5.0	**-1.2**	**1.1**	**1.4**	*4.2*	*1.3*	*2.1*
EU	1.2	0.8	0.1	6.5	15.4	-0.4	**-0.5**	**1.7**	**1.6**	*-0.3*	*1.1*	*1.9*
United Kingdom	3.8	-0.8	2.9	4.8	17.1	0.5	**1.1**	**1.3**	**0.9**	*0.5*	*1.0*	*1.3*
Japan	-2.6	1.7	-2.1	7.1	14.5	3.9	**7.5**	**1.4**	**0.4**	*3.9*	*4.1*	*0.8*
United States	1.8	-0.4	-0.7	14.1	11.6	-4.3	**-0.2**	**1.1**	**0.8**	*-4.1*	*0.3*	*1.4*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	1.7	0.4	0.2	10.8	19.5	-1.6	**-0.9**	**1.2**	**1.6**	*-3.9*	*1.4*	*1.6*
Germany	0.5	0.1	-0.5	8.9	18.2	-3.5	**-1.3**	**1.5**	**1.8**	*-3.9*	*1.4*	*2.3*
Estonia	3.1	0.9	0.2	9.7	24.0	-2.9	**0.1**	**1.2**	**1.9**	*-2.9*	*0.7*	*2.3*
Ireland	1.1	-0.2	-1.6	7.4	7.0	0.3	**-2.1**	**1.0**	**1.0**	*0.4*	*-0.2*	*0.7*
Greece	3.2	-1.7	-0.1	15.0	25.3	-12.0	**-1.1**	**0.4**	**2.0**	*-13.1*	*2.5*	*1.4*
Spain	1.7	1.5	0.2	8.2	25.3	-5.7	**0.7**	**1.0**	**1.1**	*-6.9*	*0.8*	*0.9*
France	0.9	0.0	-0.3	8.8	22.2	-3.8	**-3.0**	**1.6**	**1.5**	*-4.8*	*-1.5*	*2.2*
Croatia	1.8	1.3	0.2	7.4	16.1	0.8	**-0.6**	**1.3**	**1.8**	*0.8*	*1.3*	*2.0*
Italy	2.2	0.2	-0.6	12.2	25.1	-8.2	**-2.5**	**2.2**	**1.7**	*-8.1*	*-0.8*	*1.6*
Cyprus	2.3	-0.4	0.6	2.6	4.6	0.9	**0.6**	**1.8**	**1.3**	*-5.1*	*1.9*	*2.0*
Latvia	5.0	2.3	-0.9	9.5	21.6	-7.5	**0.2**	**1.6**	**2.2**	*-7.5*	*0.5*	*2.0*
Lithuania	4.1	0.5	-0.8	13.7	26.2	-8.1	**-0.7**	**1.3**	**1.8**	*-8.1*	*0.9*	*1.9*
Luxembourg	2.3	0.8	0.5	7.2	23.7	-1.2	**0.1**	**0.7**	**1.7**	*-1.2*	*1.2*	*1.2*
Malta	1.5	1.3	0.2	0.8	6.3	4.1	**2.8**	**2.2**	**2.2**	*3.1*	*3.0*	*1.8*
Netherlands	1.7	0.2	-1.1	12.8	29.1	-6.4	**-2.5**	**2.2**	**1.2**	*-6.1*	*-0.4*	*1.4*
Austria	1.7	0.5	0.2	8.1	20.3	0.9	**-0.6**	**1.3**	**1.3**	*-2.1*	*0.3*	*0.7*
Portugal	0.9	-0.5	-0.4	8.2	20.5	-3.9	**-2.6**	**1.8**	**1.6**	*-4.4*	*1.2*	*1.3*
Slovakia	1.4	0.2	0.4	6.5	21.1	3.7	**-3.9**	**4.2**	**3.1**	*3.7*	*3.2*	*3.3*
Slovenia	1.6	0.4	-0.1	7.4	21.0	-3.3	**-1.3**	**1.0**	**0.9**	*-3.1*	*0.9*	*1.5*
Finland	0.8	-0.5	-0.4	13.3	23.4	-5.0	**0.0**	**1.3**	**1.9**	*-5.8*	*0.8*	*1.7*
Euro area	1.3	0.3	-0.4	9.8	21.8	-4.3	**-1.6**	**1.6**	**1.6**	*-4.9*	*0.4*	*1.8*
Bulgaria	4.8	0.7	-0.7	16.4	23.2	-3.6	**0.0**	**2.3**	**2.8**	*-3.2*	*1.0*	*2.0*
Czechia	-0.7	1.3	-0.8	5.0	14.3	-3.8	**3.0**	**3.0**	**2.7**	*-4.0*	*3.9*	*3.3*
Denmark	1.1	0.7	-0.3	6.7	22.1	-2.4	**-0.3**	**1.3**	**1.6**	*-5.2*	*1.1*	*1.2*
Hungary	1.6	1.5	1.4	11.9	31.8	-6.1	**0.5**	**2.8**	**1.8**	*-6.5*	*3.8*	*2.0*
Poland	2.8	2.0	1.0	12.3	24.3	-6.3	**-6.1**	**1.0**	**1.9**	*-6.7*	*-1.5*	*2.0*
Romania	3.7	0.9	0.0	10.2	18.7	0.7	**-1.9**	**1.3**	**1.8**	*0.7*	*2.8*	*2.6*
Sweden	1.3	-1.1	1.0	5.1	24.0	4.3	**-0.9**	**1.0**	**1.6**	*4.4*	*1.5*	*2.3*
EU	1.4	0.4	-0.2	9.7	21.9	-4.0	**-1.7**	**1.6**	**1.6**	*-4.6*	*0.6*	*1.8*
United Kingdom	2.8	-1.1	2.4	4.7	19.9	-0.6	**-0.7**	**1.9**	**0.9**	*-1.2*	*0.6*	*1.8*
Japan	0.8	2.5	-3.0	17.8	32.1	-2.4	**4.9**	**1.5**	**0.8**	*-2.4*	*4.9*	*2.9*
United States	2.1	-1.0	-0.9	7.6	7.5	-3.2	**0.5**	**0.9**	**0.6**	*-3.0*	*0.7*	*1.6*

Table 21: Terms of trade of goods (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	-0.5	0.0	0.1	-1.7	-5.0	1.0	**1.7**	**0.3**	**0.2**	*1.2*	*0.4*	*0.2*
Germany	0.1	0.7	0.7	-3.9	-4.7	5.2	**1.4**	**-0.2**	**-0.4**	*5.6*	*0.3*	*-0.1*
Estonia	0.4	-0.6	0.6	0.6	-0.1	4.2	**0.2**	**0.1**	**0.2**	*4.2*	*0.5*	*-0.5*
Ireland	-1.1	1.8	-1.4	-9.1	-3.7	-0.3	**3.6**	**0.2**	**0.0**	*-1.1*	*0.4*	*0.0*
Greece	-0.5	0.8	-1.3	-0.4	5.3	3.8	**1.5**	**0.0**	**0.2**	*3.7*	*0.1*	*0.2*
Spain	0.2	-0.6	0.3	0.7	-5.6	6.8	**1.0**	**0.5**	**0.1**	*7.5*	*0.9*	*0.4*
France	0.1	0.9	0.1	-2.3	-3.5	1.5	**-0.6**	**-0.4**	**0.0**	*5.0*	*1.2*	*0.1*
Croatia	0.9	0.0	-1.2	-0.5	-3.3	2.0	**0.2**	**0.2**	**0.1**	*2.0*	*-0.2*	*-0.4*
Italy	-0.7	0.9	1.3	-6.1	-10.1	11.0	**2.5**	**-0.2**	**0.0**	*10.9*	*1.7*	*0.0*
Cyprus	0.3	1.6	-0.6	0.0	-1.9	1.0	**0.0**	**0.1**	**0.2**	*19.5*	*-1.0*	*-1.0*
Latvia	0.6	0.9	2.6	0.2	-3.3	2.9	**-0.8**	**0.4**	**-0.2**	*2.9*	*0.5*	*0.0*
Lithuania	-0.8	0.3	0.9	-6.4	-11.1	5.4	**2.3**	**0.7**	**0.2**	*5.4*	*0.3*	*0.0*
Luxembourg	1.3	0.7	0.5	1.5	-7.2	0.8	**-2.6**	**1.6**	**1.6**	*0.8*	*-0.9*	*0.0*
Malta	0.3	0.4	0.8	0.2	1.3	0.8	**0.0**	**0.3**	**0.0**	*0.8*	*-0.2*	*1.5*
Netherlands	-0.4	0.2	0.5	-1.2	-4.1	3.6	**2.4**	**0.5**	**0.1**	*3.6*	*1.4*	*0.2*
Austria	-0.4	0.0	-0.2	-1.3	-6.8	-1.0	**1.3**	**0.2**	**0.1**	*2.4*	*0.7*	*0.2*
Portugal	0.6	0.8	0.2	0.1	-2.9	3.1	**1.8**	**0.1**	**0.0**	*2.9*	*-0.1*	*0.0*
Slovakia	-1.4	-0.7	-0.6	-1.1	-4.4	0.5	**1.9**	**-0.7**	**0.0**	*0.5*	*0.8*	*-0.3*
Slovenia	-0.5	0.1	0.2	-2.3	-2.9	4.0	**0.7**	**0.1**	**0.1**	*2.6*	*0.2*	*0.1*
Finland	-1.0	0.6	0.2	-0.4	-0.1	-2.2	**-0.5**	**-0.3**	**-0.7**	*-1.3*	*-0.3*	*0.4*
Euro area	-0.3	0.5	0.3	-3.2	-5.8	4.6	**1.4**	**0.0**	**-0.1**	*5.3*	*0.8*	*0.0*
Bulgaria	4.1	-0.1	2.2	0.3	2.4	-2.4	**-1.5**	**-1.0**	**-1.0**	*-1.1*	*-1.0*	*0.3*
Czechia	-0.7	0.2	0.4	-0.1	-4.2	3.3	**1.2**	**-0.2**	**0.2**	*2.5*	*-0.7*	*0.1*
Denmark	1.2	0.5	0.4	-4.7	-7.7	1.7	**-0.6**	**0.6**	**-0.4**	*3.2*	*-0.6*	*0.3*
Hungary	-0.4	-0.1	0.5	-3.7	-6.9	6.3	**0.5**	**0.0**	**0.2**	*6.5*	*-0.6*	*0.0*
Poland	0.5	0.8	0.9	-2.0	-3.7	1.7	**-0.9**	**0.4**	**-0.4**	*2.3*	*-0.4*	*0.0*
Romania	4.5	0.0	0.4	0.9	-1.4	1.3	**3.7**	**2.2**	**2.0**	*1.3*	*1.1*	*1.4*
Sweden	0.7	0.4	0.4	0.1	-4.5	0.7	**-0.4**	**0.1**	**-0.2**	*-0.1*	*-0.2*	*-0.2*
EU	-0.2	0.5	0.3	-2.9	-5.6	4.1	**1.2**	**0.1**	**-0.1**	*4.7*	*0.5*	*0.0*
United Kingdom	1.0	0.4	0.5	0.1	-2.3	1.1	**1.8**	**-0.6**	**0.0**	*1.7*	*0.4*	*-0.4*
Japan	-3.5	-0.8	1.0	-9.1	-13.3	6.5	**2.5**	**0.0**	**-0.4**	*6.5*	*-0.8*	*-2.0*
United States	-0.2	0.6	0.1	6.0	3.8	-1.1	**-0.6**	**0.2**	**0.2**	*-1.1*	*-0.4*	*-0.2*

Table 22: Total population (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	0.8	0.7	0.5	0.4	0.8	0.8	0.4	0.3	0.3	0.7	0.4	0.3
Germany	-0.3	0.3	0.4	0.0	0.7	0.9	0.3	0.2	0.2	0.9	0.3	0.3
Estonia	-0.4	-0.3	0.2	0.1	0.1	2.6	0.0	0.0	0.0	2.6	0.6	-0.2
Ireland	1.9	0.6	1.4	1.1	2.1	1.8	1.8	1.2	1.0	3.5	1.5	1.1
Greece	0.2	-0.5	-0.2	-0.5	-0.6	-0.3	-0.5	-0.4	-0.3	-0.4	-0.4	-0.3
Spain	1.3	-0.1	0.4	0.0	0.9	1.3	1.2	1.0	0.8	0.9	0.9	0.8
France	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3
Croatia	-0.1	-0.4	-1.3	-0.7	-0.1	0.6	0.1	-0.1	-0.1	-0.1	-0.3	-0.4
Italy	0.6	0.1	-0.3	-0.5	-0.2	0.0	0.0	-0.2	-0.3	0.0	-0.1	-0.1
Cyprus	2.3	0.4	1.1	0.9	1.4	1.6	1.3	1.0	1.0	1.6	1.4	1.2
Latvia	-1.3	-1.2	-0.8	-0.8	0.1	-0.2	-1.1	-0.7	-0.8	-0.2	0.0	0.0
Lithuania	-1.4	-1.2	-0.7	-0.1	0.8	1.4	0.4	-0.5	-0.7	1.4	0.2	-0.6
Luxembourg	1.7	2.3	2.1	1.6	2.2	1.9	1.7	1.8	1.7	1.9	2.0	1.7
Malta	0.5	1.4	3.0	0.5	2.7	4.1	3.5	2.5	2.0	3.1	2.6	2.5
Netherlands	0.4	0.4	0.6	0.5	1.0	1.0	0.6	0.5	0.4	1.0	0.7	0.6
Austria	0.3	0.6	0.7	0.4	1.1	0.9	0.3	0.2	0.2	0.9	0.3	0.1
Portugal	0.1	-0.4	0.0	0.2	0.6	1.0	0.9	0.4	0.2	0.2	0.1	0.1
Slovakia	0.2	0.0	0.1	-0.4	0.3	0.0	0.2	-0.2	-0.3	0.7	0.1	0.1
Slovenia	0.5	0.1	0.4	0.2	0.1	0.5	0.2	0.2	0.2	0.6	0.3	0.2
Finland	0.4	0.4	0.2	0.2	0.3	0.4	0.7	0.5	0.1	0.5	0.4	0.2
Euro area	0.4	0.2	0.2	0.0	0.5	0.6	0.4	0.3	0.2	0.6	0.4	0.3
Bulgaria	-0.5	-1.5	-1.3	-0.7	-0.6	-0.3	-0.4	-0.4	-0.6	-0.3	-0.6	-1.0
Czechia	0.5	0.0	0.0	0.0	2.5	1.1	0.3	0.2	0.2	0.2	0.2	0.2
Denmark	0.5	0.5	0.5	0.4	0.9	0.7	0.5	0.4	0.5	0.7	0.5	0.4
Hungary	-0.2	-0.4	-0.3	-0.4	-0.3	-0.1	-0.2	-0.3	-0.3	-1.0	-0.2	-0.3
Poland	-0.1	0.0	-0.4	-0.5	2.2	-0.4	-0.1	-0.1	-0.1	-0.3	-0.1	-0.5
Romania	-1.0	-0.4	-0.5	-0.8	-0.5	0.1	0.0	-0.1	-0.1	0.0	-0.4	-0.3
Sweden	0.8	0.9	1.1	0.6	0.9	0.8	0.1	0.2	0.1	0.5	0.3	0.3
EU	0.3	0.1	0.1	0.0	0.6	0.5	0.3	0.2	0.2	0.4	0.3	0.2
United Kingdom	0.8	0.7	0.5	0.4	0.9	1.1	0.7	0.7	0.7	0.8	0.4	0.4
Japan	0.0	-0.1	-0.2	-0.1	-0.4	-0.6	-0.5	-0.5	0.5	-0.6	-0.5	-0.5
United States	0.9	0.8	0.6	0.2	0.4	0.5	0.8	0.8	0.8	0.5	1.0	0.8

Table 23: Total employment in persons (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	1.0	0.5	1.1	1.7	1.9	0.8	0.3	0.5	0.6	0.8	0.4	0.6
Germany	0.9	1.0	0.8	0.2	1.4	0.7	0.3	0.1	0.1	0.7	0.4	0.2
Estonia	-2.1	2.6	0.5	0.1	4.6	3.2	-1.2	-0.2	0.6	3.2	-0.5	0.7
Ireland	-1.0	1.3	2.1	6.6	6.9	3.5	2.3	1.9	1.6	5.4	1.6	1.5
Greece	0.2	-1.6	1.4	5.1	2.4	1.2	1.1	0.9	0.8	1.0	0.9	0.7
Spain	-0.1	-1.0	1.0	2.6	3.5	3.0	2.3	2.1	2.0	3.2	2.1	1.3
France	0.4	0.4	0.8	2.6	2.4	1.1	0.5	0.1	0.4	1.1	0.2	0.3
Croatia	0.7	-1.3	0.6	1.2	2.2	2.2	3.1	2.0	1.1	2.7	2.0	1.3
Italy	0.2	-0.2	0.4	1.0	1.9	1.9	1.6	0.8	0.2	1.8	0.8	0.4
Cyprus	2.1	-1.9	4.1	2.9	4.0	1.4	1.9	1.3	1.2	1.5	1.4	1.4
Latvia	-2.5	1.1	0.6	-1.3	0.2	0.1	-0.3	-0.4	-0.4	0.1	0.3	0.3
Lithuania	-2.5	1.5	0.4	1.3	4.9	1.4	1.9	0.1	-0.3	1.5	0.2	-0.2
Luxembourg	3.2	2.5	3.1	2.9	3.4	2.2	0.9	1.6	1.7	2.2	1.4	1.9
Malta	1.4	3.4	5.3	2.8	5.0	6.1	4.3	3.1	2.8	6.5	4.1	4.0
Netherlands	1.0	0.0	1.7	1.7	3.9	1.6	0.9	0.4	0.4	1.5	0.6	0.3
Austria	1.1	0.9	0.8	2.0	2.6	0.8	0.2	0.5	0.6	0.9	0.4	0.7
Portugal	-0.7	-1.2	1.3	1.4	3.7	1.0	1.1	0.9	0.8	0.9	1.0	0.9
Slovakia	0.8	0.9	1.2	-0.6	1.8	0.3	0.2	0.1	0.1	0.3	0.2	0.1
Slovenia	0.7	-0.4	1.9	1.3	2.9	1.6	0.3	0.7	0.7	1.2	0.6	0.6
Finland	0.6	0.2	0.6	2.3	3.5	0.8	-0.6	0.6	0.8	0.5	-0.1	0.1
Euro area	0.4	0.2	0.9	1.6	2.4	1.4	0.9	0.6	0.6	1.4	0.7	0.5
Bulgaria	0.7	-0.9	-0.2	0.1	1.1	1.1	0.5	0.1	0.1	1.0	-0.4	0.1
Czechia	0.6	0.5	0.2	1.0	1.0	1.0	0.5	0.4	0.2	0.8	0.2	0.1
Denmark	0.1	0.3	1.0	2.3	4.0	1.3	0.8	0.3	0.3	1.5	-0.2	-0.3
Hungary	-0.9	1.8	1.4	1.4	1.6	0.2	0.2	0.2	0.3	0.2	0.1	0.7
Poland	1.8	0.8	1.1	2.9	1.1	-0.1	-0.3	0.2	0.1	0.1	0.0	0.1
Romania	-0.9	-0.5	-0.1	0.8	0.7	-1.5	1.5	0.5	0.7	-0.9	0.6	0.3
Sweden	0.7	1.4	1.1	1.3	3.5	1.2	-0.4	0.5	0.8	1.4	-0.4	0.5
EU	0.4	0.3	0.9	1.6	2.2	1.1	0.8	0.6	0.5	1.2	0.6	0.4
United Kingdom	0.3	1.4	0.8	-0.1	1.3	0.7	0.1	0.6	0.6	0.7	-0.1	0.6
Japan	0.0	0.0	0.8	-0.1	0.2	0.4	0.2	0.1	0.1	0.4	0.2	0.1
United States	-0.6	1.6	0.0	3.3	3.8	1.7	0.2	0.3	0.8	1.7	1.1	0.6

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	7.9	8.2	6.5	6.3	5.6	5.5	**5.6**	**5.7**	**5.6**	*5.5*	*5.6*	*5.4*
Germany	7.7	4.9	3.5	3.7	3.2	3.1	**3.3**	**3.3**	**3.4**	*3.1*	*3.1*	*3.1*
Estonia	9.2	8.9	5.9	6.2	5.6	6.4	**7.5**	**7.7**	**7.2**	*6.4*	*7.4*	*6.9*
Ireland	8.8	13.3	6.4	6.2	4.5	4.3	**4.4**	**4.4**	**4.5**	*4.3*	*4.4*	*4.4*
Greece	9.7	24.5	20.2	14.7	12.5	11.1	**10.4**	**9.8**	**9.2**	*11.1*	*10.3*	*9.7*
Spain	13.2	23.8	16.3	14.9	13.0	12.2	**11.5**	**11.0**	**10.7**	*12.2*	*11.6*	*11.1*
France	8.5	10.0	9.0	7.9	7.3	7.3	**7.4**	**7.5**	**7.6**	*7.3*	*7.7*	*7.8*
Croatia	10.1	16.1	9.4	7.5	6.8	6.1	**5.1**	**4.7**	**4.6**	*6.1*	*5.8*	*5.6*
Italy	7.3	11.3	10.6	9.5	8.1	7.7	**6.8**	**6.3**	**6.2**	*7.7*	*7.5*	*7.3*
Cyprus	4.8	13.4	9.4	7.5	6.8	5.8	**4.9**	**4.7**	**4.5**	*6.1*	*5.6*	*5.4*
Latvia	11.7	12.8	8.0	7.6	6.9	6.5	**6.7**	**6.7**	**6.5**	*6.5*	*6.5*	*6.3*
Lithuania	9.5	12.1	7.2	7.1	6.0	6.9	**7.5**	**7.0**	**6.9**	*6.9*	*7.0*	*6.9*
Luxembourg	4.7	5.7	6.0	5.3	4.6	5.2	**6.0**	**6.0**	**5.8**	*5.2*	*5.8*	*5.7*
Malta	6.6	6.0	4.3	3.8	3.5	3.5	**3.2**	**3.1**	**3.0**	*3.1*	*3.0*	*2.9*
Netherlands	5.5	7.5	5.4	4.2	3.5	3.6	**3.7**	**3.8**	**3.9**	*3.6*	*3.9*	*4.0*
Austria	5.3	5.6	5.7	6.2	4.8	5.1	**5.3**	**5.3**	**5.0**	*5.1*	*5.3*	*5.1*
Portugal	10.3	15.0	8.3	6.7	6.2	6.5	**6.4**	**6.3**	**6.2**	*6.5*	*6.5*	*6.4*
Slovakia	12.1	13.2	7.3	6.8	6.1	5.8	**5.5**	**5.3**	**5.1**	*5.8*	*5.4*	*5.2*
Slovenia	5.7	9.2	5.8	4.8	4.0	3.7	**3.5**	**3.6**	**3.6**	*3.7*	*3.7*	*3.6*
Finland	7.6	8.5	7.9	7.7	6.8	7.2	**8.2**	**7.9**	**7.5**	*7.2*	*7.4*	*7.2*
Euro area	10.0	11.3	8.6	7.8	6.8	6.6	**6.5**	**6.3**	**6.3**	*6.6*	*6.6*	*6.5*
Bulgaria	8.8	12.4	6.7	5.2	4.2	4.3	**4.3**	**4.0**	**3.8**	*4.3*	*4.3*	*4.0*
Czechia	6.2	6.4	2.7	2.8	2.2	2.6	**2.6**	**2.7**	**2.7**	*2.6*	*2.8*	*2.9*
Denmark	5.1	7.2	5.5	5.1	4.5	5.1	**5.8**	**5.8**	**5.8**	*5.1*	*5.6*	*6.0*
Hungary	8.5	9.1	4.0	4.1	3.6	4.1	**4.5**	**4.3**	**4.1**	*4.1*	*4.5*	*4.0*
Poland	10.1	9.6	4.3	3.4	2.9	2.8	**2.9**	**2.8**	**2.7**	*2.8*	*3.0*	*2.9*
Romania	8.2	8.8	5.9	5.6	5.6	5.6	**5.5**	**5.5**	**5.4**	*5.6*	*5.5*	*5.5*
Sweden	7.4	7.9	7.2	8.9	7.5	7.7	**8.5**	**8.4**	**7.8**	*7.7*	*8.4*	*8.2*
EU	8.7	10.8	7.8	7.1	6.2	6.1	**6.1**	**5.9**	**5.9**	*6.1*	*6.1*	*6.0*
United Kingdom	6.4	7.1	4.4	4.6	3.9	4.0	**4.3**	**4.2**	**4.2**	*4.0*	*4.4*	*4.4*
Japan	4.4	4.0	2.7	2.8	2.6	2.6	**2.6**	**2.5**	**2.5**	*2.6*	*2.5*	*2.5*
United States	6.8	7.2	5.0	5.3	3.6	3.6	**4.1**	**4.4**	**4.3**	*3.6*	*3.9*	*4.0*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	2.7	2.0	1.1	4.9	7.5	8.0	**3.1**	**2.9**	**2.5**	*7.7*	*3.5*	*2.6*
Germany	1.5	2.7	2.4	3.2	4.3	5.8	**4.8**	**3.1**	**2.8**	*5.8*	*4.9*	*3.6*
Estonia	9.4	4.8	7.0	9.3	8.2	8.2	**5.9**	**4.4**	**4.1**	*7.6*	*5.5*	*3.8*
Ireland	2.4	1.5	3.0	2.9	2.5	6.8	**4.4**	**3.8**	**3.7**	*2.7*	*4.4*	*4.1*
Greece	2.8	-4.1	-1.4	1.6	1.8	3.7	**4.1**	**3.2**	**3.0**	*5.5*	*4.3*	*2.7*
Spain	3.9	0.0	1.3	4.8	4.9	5.8	**4.6**	**3.1**	**2.2**	*5.4*	*4.0*	*2.9*
France	2.5	1.9	0.2	5.0	4.8	4.2	**3.0**	**2.3**	**2.0**	*4.1*	*3.0*	*2.4*
Croatia	3.0	-0.3	1.7	6.1	12.3	15.9	**11.2**	**4.8**	**3.8**	*11.3*	*9.4*	*4.7*
Italy	2.0	0.4	-0.1	6.8	3.7	3.1	**4.0**	**3.0**	**2.5**	*2.4*	*3.8*	*2.9*
Cyprus	3.2	-1.3	1.7	4.6	7.3	5.0	**4.4**	**3.0**	**2.8**	*5.6*	*3.9*	*1.5*
Latvia	10.1	6.3	6.0	7.6	13.1	15.6	**9.2**	**4.5**	**4.0**	*12.6*	*5.7*	*4.7*
Lithuania	7.2	5.2	8.2	11.8	11.6	11.9	**7.9**	**6.5**	**5.3**	*10.2*	*8.2*	*6.8*
Luxembourg	2.9	2.4	2.0	5.1	5.8	7.3	**3.0**	**3.4**	**3.3**	*7.3*	*3.6*	*2.9*
Malta	3.7	3.6	4.0	5.0	3.9	1.9	**4.3**	**4.1**	**2.7**	*1.5*	*2.7*	*3.2*
Netherlands	2.3	1.5	2.4	2.7	3.6	6.3	**6.4**	**4.7**	**3.6**	*6.2*	*5.9*	*3.8*
Austria	2.4	2.1	2.3	2.9	4.9	6.8	**7.3**	**3.2**	**2.8**	*7.7*	*7.1*	*3.2*
Portugal	2.6	-0.7	3.0	6.1	5.6	8.0	**6.5**	**3.6**	**3.4**	*8.1*	*3.3*	*2.8*
Slovakia	6.4	2.5	4.8	6.9	6.0	9.8	**6.6**	**5.8**	**5.3**	*10.4*	*7.8*	*6.4*
Slovenia	4.9	0.7	3.9	8.0	5.0	9.5	**7.1**	**5.6**	**4.5**	*11.8*	*6.1*	*4.4*
Finland	3.1	1.9	0.8	4.1	2.5	3.5	**0.2**	**2.7**	**2.4**	*3.4*	*2.6*	*3.5*
Euro area	2.4	1.6	1.4	4.3	4.5	5.4	**4.3**	**3.0**	**2.6**	*5.1*	*4.2*	*3.1*
Bulgaria	10.7	6.9	8.0	11.3	14.2	13.4	**13.7**	**10.9**	**8.4**	*13.3*	*10.4*	*9.4*
Czechia	3.9	2.1	6.5	6.2	6.9	6.7	**6.2**	**6.5**	**5.6**	*7.0*	*7.3*	*6.9*
Denmark	3.4	1.6	1.8	3.1	2.6	3.1	**4.1**	**4.1**	**3.4**	*2.8*	*5.3*	*4.7*
Hungary	3.5	1.9	5.7	8.3	17.2	14.4	**12.9**	**7.8**	**7.1**	*14.0*	*11.7*	*7.7*
Poland	5.8	3.0	5.7	4.7	12.3	13.4	**11.4**	**5.9**	**5.5**	*13.4*	*10.1*	*7.1*
Romania	10.9	3.5	11.6	6.4	13.7	18.1	**12.8**	**9.9**	**8.9**	*18.2*	*11.5*	*6.9*
Sweden	3.5	2.6	2.7	4.9	2.1	5.4	**4.6**	**3.2**	**3.1**	*4.1*	*4.1*	*3.0*
EU	2.6	1.7	1.8	4.5	5.1	6.1	**4.9**	**3.5**	**3.0**	*5.8*	*4.8*	*3.5*
United Kingdom	3.1	1.6	2.5	4.6	6.1	7.2	**4.6**	**2.9**	**2.0**	*6.5*	*3.5*	*2.2*
Japan	-1.4	0.4	0.6	2.0	1.9	2.8	**3.9**	**2.4**	**2.4**	*3.2*	*3.2*	*2.4*
United States	2.9	2.3	3.7	5.1	2.8	3.6	**4.4**	**3.4**	**3.1**	*4.0*	*2.9*	*2.6*

Note: See note 6 on concepts and sources.

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.7	0.5	-0.5	2.2	-2.5	1.9	**0.9**	**0.9**	**0.7**	*2.1*	*1.0*	*0.7*
Germany	0.1	1.4	1.1	0.3	-2.3	-0.8	**2.0**	**0.5**	**0.2**	*-0.6*	*2.8*	*1.6*
Estonia	4.5	2.0	4.6	4.9	-7.9	-0.5	**2.7**	**0.7**	**1.6**	*-1.4*	*2.1*	*1.6*
Ireland	2.6	0.4	2.0	0.0	-4.7	-1.7	**0.6**	**1.6**	**1.8**	*-3.7*	*1.4*	*1.8*
Greece	-0.1	-3.8	-1.1	0.6	-3.8	-0.9	**1.5**	**0.8**	**0.7**	*0.9*	*1.5*	*0.6*
Spain	1.6	-1.0	0.5	2.5	-1.5	0.4	**1.7**	**0.9**	**0.2**	*1.2*	*0.8*	*0.6*
France	1.2	1.0	-0.7	3.6	0.0	-2.6	**0.5**	**0.6**	**0.1**	*-2.0*	*0.4*	*0.4*
Croatia	-0.3	-1.6	1.2	3.3	1.6	6.6	**8.2**	**2.3**	**1.7**	*3.1*	*5.8*	*2.5*
Italy	0.2	-1.0	-0.9	5.2	-2.9	-1.9	**2.8**	**1.2**	**0.9**	*-2.7*	*2.3*	*1.0*
Cyprus	0.2	-1.7	1.8	4.4	1.0	1.3	**2.2**	**1.0**	**1.0**	*2.4*	*1.4*	*-0.3*
Latvia	3.6	4.7	3.9	4.8	-0.6	6.0	**7.9**	**2.3**	**1.8**	*4.3*	*4.0*	*2.6*
Lithuania	1.8	3.6	5.9	6.8	-5.8	2.7	**7.0**	**4.7**	**3.7**	*1.5*	*6.2*	*4.9*
Luxembourg	1.1	0.7	0.4	3.8	0.4	3.6	**0.8**	**0.7**	**1.3**	*3.6*	*0.7*	*0.4*
Malta	1.3	1.9	2.8	3.8	-1.3	-4.0	**1.3**	**1.8**	**0.7**	*-3.9*	*-0.3*	*0.9*
Netherlands	0.7	0.1	0.6	-1.6	-3.6	-0.6	**3.0**	**2.1**	**1.5**	*-2.5*	*2.8*	*1.7*
Austria	0.6	0.0	0.6	0.8	-2.7	-1.4	**3.8**	**0.7**	**0.8**	*-0.4*	*3.3*	*0.4*
Portugal	0.6	-1.8	1.8	4.0	-1.6	3.5	**3.7**	**1.4**	**1.2**	*2.9*	*1.0*	*0.8*
Slovakia	3.7	0.9	3.3	3.6	-5.2	-0.4	**3.7**	**1.4**	**2.6**	*0.1*	*4.5*	*2.8*
Slovenia	2.1	-0.2	3.0	4.4	-4.5	1.9	**4.9**	**2.2**	**2.3**	*4.2*	*3.2*	*2.0*
Finland	1.1	-0.2	0.1	1.8	-3.5	-1.0	**-1.0**	**0.7**	**0.6**	*-1.0*	*0.9*	*1.6*
Euro area	0.7	0.4	0.3	2.0	-2.1	-0.9	**1.8**	**0.9**	**0.5**	*-0.8*	*1.8*	*1.1*
Bulgaria	6.5	5.1	5.9	5.0	-1.6	4.9	**8.2**	**8.7**	**5.2**	*5.9*	*7.2*	*6.5*
Czechia	1.4	1.0	3.8	1.9	-6.5	-1.3	**3.1**	**3.8**	**3.3**	*-2.0*	*4.2*	*4.4*
Denmark	1.3	0.4	1.3	1.0	-4.2	0.2	**2.3**	**2.0**	**1.7**	*-0.3*	*3.2*	*2.7*
Hungary	-1.0	-0.4	2.7	2.1	1.8	-0.5	**8.3**	**4.0**	**3.8**	*-1.1*	*7.3*	*3.9*
Poland	3.0	1.5	4.0	-0.8	-1.6	3.8	**7.4**	**1.2**	**2.6**	*2.3*	*5.3*	*2.8*
Romania	3.6	1.1	8.4	1.7	-0.2	7.6	**7.2**	**5.0**	**4.4**	*7.7*	*4.4*	*2.1*
Sweden	1.8	1.7	1.1	2.6	-4.3	-0.9	**2.1**	**1.8**	**1.5**	*-2.1*	*1.4*	*2.0*
EU	0.8	0.4	0.6	1.9	-2.2	-0.5	**2.2**	**1.1**	**0.8**	*-0.6*	*2.1*	*1.3*
United Kingdom	1.0	-0.1	1.0	2.1	-1.9	0.5	**2.2**	**0.8**	**0.0**	*-0.3*	*1.2*	*0.4*
Japan	-0.7	0.2	0.3	1.4	-1.0	-0.2	**1.3**	**0.6**	**0.8**	*0.2*	*0.4*	*0.0*
United States	0.9	0.8	2.1	0.9	-3.5	-0.2	**1.9**	**1.4**	**1.1**	*0.3*	*0.3*	*0.6*

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

Note: See note 6 on concepts and sources.

Table 27: Labour productivity (real GDP per occupied person) (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.4	0.6	-0.7	4.4	2.3	0.5	**0.8**	**0.8**	**1.0**	*0.6*	*0.8*	*0.8*
Germany	0.3	0.7	-0.3	3.5	0.0	-1.0	**-0.5**	**0.5**	**1.2**	*-1.0*	*-0.2*	*0.8*
Estonia	1.8	1.0	2.1	7.0	-4.3	-6.0	**0.2**	**1.3**	**2.0**	*-6.0*	*0.0*	*2.4*
Ireland	1.5	5.7	4.0	9.1	1.6	-8.7	**-2.8**	**2.1**	**1.9**	*-8.2*	*-0.3*	*2.1*
Greece	-0.3	-2.4	-2.1	3.4	3.2	1.1	**1.0**	**1.4**	**1.4**	*1.0*	*1.2*	*1.6*
Spain	1.1	1.1	-1.3	4.0	2.6	-0.3	**0.6**	**0.2**	**0.1**	*-0.7*	*0.0*	*0.6*
France	0.5	0.7	-1.0	4.2	0.2	-0.1	**0.6**	**0.7**	**1.0**	*-0.4*	*0.5*	*0.9*
Croatia	0.0	1.2	0.2	11.3	5.0	1.0	**0.5**	**1.3**	**1.7**	*0.4*	*1.3*	*1.5*
Italy	-0.6	-0.4	-1.5	7.9	2.7	-1.1	**-0.9**	**0.2**	**1.0**	*-0.9*	*0.2*	*0.7*
Cyprus	0.6	0.2	0.1	8.2	3.2	1.2	**1.6**	**1.5**	**1.2**	*1.0*	*1.4*	*1.4*
Latvia	2.3	2.6	0.9	8.3	1.6	1.6	**0.3**	**1.4**	**2.5**	*-0.3*	*1.4*	*2.4*
Lithuania	3.6	2.8	3.0	5.0	-2.3	-1.1	**0.3**	**2.9**	**3.3**	*-1.8*	*1.8*	*3.2*
Luxembourg	-0.4	-0.3	-1.2	4.2	-1.9	-3.2	**0.3**	**0.7**	**0.5**	*-3.3*	*0.0*	*0.4*
Malta	1.9	2.2	-0.4	10.4	-0.8	1.3	**0.7**	**1.2**	**1.5**	*-0.9*	*0.4*	*0.3*
Netherlands	0.4	0.9	-0.5	4.5	1.1	-1.5	**0.0**	**1.2**	**1.1**	*-1.4*	*0.1*	*1.2*
Austria	0.2	0.1	-0.4	2.7	2.6	-1.8	**-0.8**	**0.4**	**0.8**	*-1.7*	*-0.1*	*0.9*
Portugal	1.3	0.3	-0.8	4.1	3.1	1.5	**0.6**	**0.9**	**1.3**	*1.4*	*0.7*	*0.9*
Slovakia	4.3	1.6	0.5	6.3	-1.3	1.1	**2.1**	**2.2**	**2.4**	*1.3*	*2.0*	*2.8*
Slovenia	1.1	0.8	0.4	7.0	-0.2	0.5	**1.1**	**1.8**	**1.9**	*0.4*	*1.7*	*2.1*
Finland	0.3	-0.2	0.6	0.4	-2.0	-1.9	**0.3**	**0.9**	**0.9**	*-1.6*	*0.1*	*1.3*
Euro area	0.4	0.6	-0.6	4.7	1.1	-1.0	**-0.2**	**0.6**	**1.0**	*-1.0*	*0.1*	*0.9*
Bulgaria	2.9	2.2	2.0	7.7	3.0	0.8	**1.9**	**2.8**	**2.9**	*0.9*	*2.4*	*2.8*
Czechia	1.9	1.1	1.5	3.0	1.8	-1.1	**0.5**	**1.9**	**2.5**	*-1.1*	*1.0*	*2.7*
Denmark	0.1	0.9	0.6	5.0	-2.4	1.1	**1.5**	**2.3**	**1.4**	*0.4*	*2.8*	*1.7*
Hungary	0.7	0.3	1.1	5.6	2.6	-1.1	**0.3**	**1.7**	**2.7**	*-1.1*	*2.3*	*2.8*
Poland	2.8	2.4	2.3	3.9	4.1	0.2	**3.3**	**3.4**	**3.1**	*0.0*	*2.8*	*3.3*
Romania	3.8	3.3	3.5	4.8	3.2	4.0	**0.0**	**1.9**	**2.2**	*3.0*	*2.7*	*2.8*
Sweden	1.0	0.7	0.2	4.6	-2.0	-1.5	**0.8**	**1.3**	**1.9**	*-1.6*	*0.5*	*1.6*
EU	0.6	0.8	-0.3	4.7	1.2	-0.7	**0.1**	**0.9**	**1.3**	*-0.7*	*0.5*	*1.2*
United Kingdom	0.2	0.6	-1.4	8.7	3.5	-0.4	**0.8**	**0.9**	**0.8**	*-0.6*	*0.5*	*0.8*
Japan	-0.1	1.1	-1.1	2.8	1.0	1.3	**0.0**	**1.1**	**0.9**	*1.6*	*0.6*	*0.7*
United States	1.6	0.5	1.5	2.6	-1.2	1.1	**2.5**	**1.8**	**1.5**	*0.8*	*1.3*	*1.5*

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	2.2	1.4	1.8	0.5	5.1	7.5	**2.3**	**2.1**	**1.5**	*7.1*	*2.6*	*1.8*
Germany	1.2	2.0	2.6	-0.3	4.3	6.9	**5.3**	**2.5**	**1.6**	*6.9*	*5.2*	*2.7*
Estonia	7.5	3.7	4.8	2.1	13.1	15.1	**5.7**	**3.0**	**2.0**	*14.5*	*5.5*	*1.4*
Ireland	0.8	-4.0	-1.0	-5.7	0.9	16.9	**7.4**	**1.7**	**1.8**	*11.8*	*4.8*	*2.0*
Greece	3.1	-1.7	0.8	-1.7	-1.4	2.5	**3.1**	**1.7**	**1.5**	*4.5*	*3.0*	*1.0*
Spain	2.8	-1.1	2.6	0.8	2.3	6.2	**4.0**	**2.9**	**2.0**	*6.1*	*3.9*	*2.3*
France	1.9	1.2	1.2	0.8	4.6	4.3	**2.3**	**1.6**	**1.0**	*4.5*	*2.5*	*1.4*
Croatia	3.0	-1.5	1.6	-4.7	7.0	14.6	**10.6**	**3.5**	**2.0**	*10.9*	*8.0*	*3.1*
Italy	2.6	0.8	1.4	-1.0	1.0	4.3	**5.0**	**2.7**	**1.5**	*3.3*	*3.6*	*2.2*
Cyprus	2.6	-1.5	1.6	-3.4	4.0	3.8	**2.8**	**1.5**	**1.5**	*4.6*	*2.5*	*0.1*
Latvia	7.6	3.6	5.1	-0.7	11.3	13.8	**8.9**	**3.1**	**1.5**	*13.0*	*4.2*	*2.3*
Lithuania	3.5	2.4	5.0	6.5	14.2	13.1	**7.7**	**3.5**	**2.0**	*12.2*	*6.3*	*3.6*
Luxembourg	3.2	2.7	3.2	0.9	7.9	10.9	**2.7**	**2.7**	**2.8**	*11.0*	*3.5*	*2.5*
Malta	1.8	1.4	4.5	-4.9	4.8	0.6	**3.6**	**2.9**	**1.2**	*2.4*	*2.2*	*2.9*
Netherlands	1.9	0.6	3.0	-1.6	2.5	7.9	**6.4**	**3.5**	**2.5**	*7.8*	*5.7*	*2.6*
Austria	2.2	2.0	2.7	0.2	2.2	8.7	**8.2**	**2.7**	**2.0**	*9.7*	*7.2*	*2.3*
Portugal	1.3	-1.0	3.8	2.0	2.4	6.5	**5.9**	**2.6**	**2.1**	*6.6*	*2.6*	*1.8*
Slovakia	2.0	0.9	4.2	0.6	7.4	8.7	**4.5**	**3.5**	**2.8**	*8.9*	*5.7*	*3.5*
Slovenia	3.7	-0.1	3.4	0.9	5.2	9.0	**6.0**	**3.7**	**2.5**	*11.4*	*4.3*	*2.3*
Finland	2.8	2.1	0.2	3.6	4.6	5.5	**-0.1**	**1.8**	**1.6**	*5.0*	*2.5*	*2.2*
Euro area	2.0	1.0	2.0	-0.3	3.4	6.4	**4.5**	**2.4**	**1.6**	*6.2*	*4.1*	*2.2*
Bulgaria	7.6	4.6	5.9	3.3	10.9	12.5	**11.5**	**7.9**	**5.3**	*12.3*	*7.9*	*6.4*
Czechia	2.0	0.9	4.9	3.1	5.0	7.9	**5.7**	**4.4**	**3.0**	*8.2*	*6.3*	*4.1*
Denmark	3.3	0.6	1.2	-1.8	5.0	1.9	**2.6**	**1.8**	**2.0**	*2.4*	*2.4*	*2.9*
Hungary	2.7	1.6	4.6	2.5	14.2	15.7	**12.5**	**6.0**	**4.3**	*15.2*	*9.2*	*4.8*
Poland	2.9	0.6	3.3	0.8	7.9	13.1	**7.9**	**2.4**	**2.4**	*13.3*	*7.0*	*3.6*
Romania	6.8	0.2	7.8	1.6	10.2	13.6	**12.9**	**7.8**	**6.6**	*14.7*	*8.6*	*4.0*
Sweden	2.5	1.9	2.5	0.2	4.2	6.9	**3.8**	**1.9**	**1.2**	*5.8*	*3.6*	*1.3*
EU	2.1	0.9	2.1	-0.2	3.8	6.8	**4.8**	**2.5**	**1.8**	*6.6*	*4.3*	*2.3*
United Kingdom	3.0	1.0	3.9	-3.8	2.6	7.6	**3.7**	**2.0**	**1.1**	*7.2*	*2.9*	*1.4*
Japan	-1.3	-0.6	1.8	-0.8	0.9	1.5	**3.9**	**1.3**	**1.5**	*1.6*	*2.6*	*1.6*
United States	1.2	1.8	2.1	2.4	4.1	2.4	**1.9**	**1.6**	**1.6**	*3.2*	*1.7*	*1.1*

[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.

Table 29: Real unit labour costs [1] (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.5	-0.2	0.0	-2.2	-1.6	2.8	**-0.4**	**-0.3**	**-0.6**	*2.9*	*0.1*	*-0.3*
Germany	0.0	0.3	0.9	-3.0	-1.7	0.7	**2.3**	**0.2**	**-0.6**	*0.2*	*1.5*	*0.6*
Estonia	1.6	0.1	1.6	-3.1	-2.3	6.6	**0.5**	**-1.0**	**-1.3**	*6.1*	*1.6*	*-0.9*
Ireland	1.6	-6.7	-1.7	-6.7	-5.5	12.9	**4.0**	**-0.4**	**0.1**	*8.6*	*2.1*	*0.1*
Greece	0.2	-1.1	0.9	-3.1	-7.4	-3.2	**-0.3**	**-0.7**	**-0.6**	*0.0*	*0.0*	*-1.2*
Spain	0.7	-1.2	1.5	-1.7	-2.3	0.0	**0.9**	**0.4**	**0.1**	*0.2*	*0.6*	*-0.1*
France	0.4	0.3	-0.1	-0.4	1.4	-0.9	**0.1**	**-0.1**	**-0.7**	*-0.9*	*-0.3*	*-0.6*
Croatia	-0.5	-2.2	0.4	-6.6	-1.0	2.6	**3.7**	**0.3**	**0.0**	*2.2*	*2.4*	*1.0*
Italy	0.7	-0.4	0.3	-2.3	-2.4	-1.5	**3.3**	**0.8**	**-0.3**	*-1.8*	*1.4*	*0.4*
Cyprus	-0.2	-1.6	1.3	-6.2	-2.6	0.0	**-0.7**	**-0.9**	**-0.7**	*-0.1*	*-1.2*	*-2.2*
Latvia	0.8	1.3	2.3	-3.9	1.3	6.9	**6.2**	**0.2**	**-0.6**	*7.2*	*0.0*	*-0.2*
Lithuania	-1.1	0.5	2.4	0.4	-1.6	3.7	**3.9**	**0.1**	**-0.2**	*4.8*	*3.9*	*1.7*
Luxembourg	-0.8	-0.1	1.5	-3.6	2.1	7.2	**-1.2**	**-0.2**	**0.0**	*7.3*	*-0.4*	*0.0*
Malta	-0.7	-1.1	2.3	-7.2	-0.3	-4.5	**1.0**	**0.4**	**-0.8**	*-2.7*	*-1.4*	*0.3*
Netherlands	0.3	-0.2	1.0	-4.3	-3.4	0.5	**1.3**	**0.4**	**0.2**	*0.0*	*1.9*	*0.3*
Austria	0.4	0.0	0.9	-1.7	-2.4	1.9	**3.8**	**0.4**	**0.1**	*1.9*	*2.9*	*-0.3*
Portugal	-0.7	-1.8	1.9	0.0	-2.8	-0.4	**2.1**	**0.1**	**-0.1**	*-0.5*	*0.0*	*-0.3*
Slovakia	0.7	0.2	2.6	-1.6	-0.1	-1.3	**0.0**	**-0.3**	**0.0**	*-1.1*	*1.0*	*0.4*
Slovenia	1.1	-1.0	1.8	-1.7	-1.2	-1.0	**2.9**	**0.0**	**-0.3**	*2.3*	*0.9*	*-0.6*
Finland	1.0	-0.1	-1.0	1.2	-0.8	1.6	**-1.5**	**-0.3**	**-0.4**	*0.2*	*0.7*	*0.1*
Euro area	0.3	-0.2	0.6	-2.4	-1.6	0.5	**1.6**	**0.1**	**-0.4**	*0.2*	*1.0*	*0.1*
Bulgaria	1.5	2.2	1.4	-3.4	-4.3	4.2	**6.4**	**5.4**	**2.5**	*4.5*	*4.4*	*3.8*
Czechia	0.3	-0.4	2.0	-0.9	-3.4	-0.2	**1.6**	**2.0**	**0.6**	*-0.3*	*3.6*	*1.5*
Denmark	0.8	-0.4	0.1	-4.5	-3.7	6.0	**1.0**	**-0.4**	**0.1**	*6.0*	*0.2*	*0.4*
Hungary	-1.3	-1.2	0.3	-3.5	0.0	1.0	**5.0**	**1.9**	**1.0**	*0.4*	*3.7*	*0.9*
Poland	-0.1	-0.8	1.3	-4.3	-2.5	3.2	**3.8**	**-2.2**	**-0.5**	*2.3*	*2.4*	*-0.5*
Romania	-3.2	-2.5	2.7	-3.8	-1.7	0.7	**3.5**	**1.8**	**1.2**	*2.3*	*1.2*	*-1.2*
Sweden	0.2	0.5	0.4	-2.4	-1.5	0.7	**1.4**	**0.4**	**-0.1**	*0.2*	*0.9*	*0.0*
EU	0.2	-0.3	0.5	-2.6	-1.8	0.6	**1.7**	**0.1**	**-0.4**	*0.4*	*1.1*	*0.0*
United Kingdom	0.6	-0.6	1.3	-3.8	-2.7	0.3	**1.0**	**0.0**	**-0.7**	*0.1*	*1.2*	*-0.1*
Japan	-0.3	-0.8	1.4	-0.6	0.5	-2.2	**1.1**	**-0.3**	**0.2**	*-2.0*	*0.3*	*0.0*
United States	-0.6	0.0	0.4	-2.1	-2.8	-1.1	**-0.5**	**-0.5**	**-0.4**	*-0.4*	*-0.8*	*-0.7*

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

Note: See note 6 on concepts and sources.

Table 30: Nominal bilateral exchange rates against ecu/euro (2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	2.0	2.0	2.0	2.0	2.0	2.0	**2.0**	**2.0**	**2.0**	*2.0*	*2.0*	*2.0*
Czechia	26.5	26.1	26.2	25.6	24.6	24.0	**25.1**	**25.3**	**25.3**	*24.0*	*25.2*	*25.3*
Denmark	7.5	7.5	7.5	7.4	7.4	7.5	**7.5**	**7.5**	**7.5**	*7.5*	*7.5*	*7.5*
Hungary	264.4	296.7	322.9	358.5	390.8	381.9	**393.7**	**401.3**	**401.3**	*381.9*	*392.3*	*393.7*
Poland	3.9	4.2	4.3	4.6	4.7	4.5	**4.3**	**4.3**	**4.3**	*4.5*	*4.3*	*4.3*
Romania	3.8	4.4	4.7	4.9	4.9	4.9	**5.0**	**5.0**	**5.0**	*4.9*	*5.0*	*5.0*
Sweden	9.7	9.0	10.1	10.1	10.6	11.5	**11.4**	**11.4**	**11.4**	*11.5*	*11.5*	*11.6*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.8	0.8	0.9	0.9	0.9	0.9	**0.8**	**0.8**	**0.8**	*0.9*	*0.9*	*0.9*
Japan	140.7	123.1	124.2	129.9	137.9	152.0	**163.9**	**163.3**	**163.3**	*152.0*	*163.9*	*164.8*
United States	1.4	1.3	1.1	1.2	1.1	1.1	**1.1**	**1.1**	**1.1**	*1.1*	*1.1*	*1.1*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.4	-0.3	1.4	0.5	-1.6	2.9	**1.2**	**0.1**	**0.0**	*2.9*	*1.1*	*0.6*
Germany	0.4	-0.4	1.6	0.7	-2.5	3.4	**1.4**	**0.1**	**0.0**	*3.4*	*1.2*	*0.7*
Estonia	0.7	1.3	1.5	0.5	-2.3	4.2	**1.3**	**0.4**	**0.0**	*4.1*	*1.3*	*0.7*
Ireland	0.9	-1.3	1.3	0.9	-4.6	3.0	**0.9**	**-0.1**	**0.0**	*3.0*	*0.3*	*0.2*
Greece	0.7	0.7	2.4	1.5	0.3	5.0	**2.8**	**0.4**	**0.0**	*4.9*	*3.1*	*2.0*
Spain	0.5	-0.2	1.5	0.6	-1.5	3.0	**1.4**	**0.2**	**0.0**	*3.0*	*1.3*	*0.8*
France	0.4	-0.5	1.5	0.7	-2.1	3.3	**1.4**	**0.1**	**0.0**	*3.3*	*1.2*	*0.7*
Croatia	0.7	0.0	1.7	1.3	-0.9	3.7	**1.9**	**0.4**	**0.0**	*3.6*	*2.1*	*1.3*
Italy	0.4	-0.2	1.6	1.0	-2.1	3.3	**1.6**	**0.2**	**0.0**	*3.3*	*1.4*	*0.9*
Cyprus	0.4	-0.6	1.9	0.4	-2.8	5.4	**2.2**	**0.2**	**0.0**	*5.3*	*2.1*	*1.1*
Latvia	0.4	2.0	1.8	1.0	-2.8	4.7	**1.5**	**0.4**	**0.0**	*4.6*	*1.6*	*0.8*
Lithuania	0.9	2.4	1.9	1.2	-3.1	4.5	**1.5**	**0.4**	**0.0**	*4.4*	*1.6*	*0.9*
Luxembourg	0.4	-0.2	1.0	0.5	-1.1	2.3	**1.0**	**0.2**	**0.0**	*2.2*	*0.9*	*0.6*
Malta	0.2	-0.6	1.2	0.9	-1.5	4.0	**1.8**	**0.1**	**0.0**	*4.0*	*1.7*	*0.7*
Netherlands	0.5	-0.3	1.3	0.4	-1.4	2.7	**1.0**	**0.1**	**0.0**	*2.7*	*0.9*	*0.6*
Austria	0.3	0.0	1.1	0.6	-1.7	2.2	**1.0**	**0.1**	**0.0**	*2.2*	*0.9*	*0.5*
Portugal	0.3	-0.3	1.2	0.5	-1.3	2.4	**1.1**	**0.2**	**0.0**	*2.4*	*0.9*	*0.6*
Slovakia	5.5	0.3	1.1	0.5	-1.0	2.0	**0.9**	**0.2**	**0.0**	*2.0*	*0.9*	*0.5*
Slovenia	0.4	0.7	1.1	0.7	-1.3	2.1	**0.9**	**0.1**	**0.0**	*2.1*	*1.0*	*0.6*
Finland	0.5	0.5	1.6	0.6	-2.4	4.2	**1.4**	**0.2**	**0.0**	*4.1*	*1.2*	*0.6*
Euro area	1.0	-0.6	2.7	1.2	-3.4	5.5	**2.3**	**0.2**	**0.0**	*5.5*	*2.1*	*1.3*
Bulgaria	0.8	0.8	2.4	1.8	0.8	4.8	**2.8**	**0.4**	**0.0**	*4.8*	*3.2*	*2.1*
Czechia	3.8	-1.3	1.8	3.8	3.5	4.7	**-3.7**	**-0.3**	**0.0**	*4.6*	*-4.0*	*0.4*
Denmark	0.5	-0.3	1.6	0.4	-2.0	3.9	**1.1**	**0.2**	**0.0**	*3.8*	*0.9*	*0.5*
Hungary	-1.6	-2.0	-1.3	-1.4	-9.1	4.9	**-1.9**	**-1.7**	**0.0**	*5.0*	*-1.5*	*0.4*
Poland	1.0	-0.5	0.1	-2.4	-4.0	6.1	**6.8**	**0.0**	**0.0**	*6.0*	*6.6*	*0.7*
Romania	-2.2	-0.4	-0.1	-0.6	0.0	3.1	**1.3**	**0.3**	**0.0**	*3.1*	*1.5*	*1.3*
Sweden	0.0	0.4	-0.7	3.5	-6.6	-3.8	**1.9**	**0.3**	**0.0**	*-3.9*	*0.5*	*-0.2*
EU	1.1	-0.8	3.0	1.6	-4.8	7.0	**3.2**	**0.2**	**0.0**	*7.0*	*2.9*	*1.7*
United	-4.3	2.8	-2.6	4.6	-2.2	1.9	**4.5**	**1.8**	**0.0**	*1.9*	*3.0*	*0.7*
Japan	4.0	-4.9	4.0	-6.3	-11.7	-4.6	**-5.8**	**0.3**	**0.0**	*-4.6*	*-6.4*	*-0.4*
United States	-1.4	3.8	2.0	-4.0	7.0	0.4	**1.9**	**1.5**	**0.0**	*0.5*	*1.7*	*0.9*

1) 42 countries: EU-27, TR, CH, NO, US, UK, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 32: Total expenditure, general government (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	51.3	55.3	53.7	54.9	52.2	53.3	53.8	53.8	54.0	54.6	55.1	55.0
Germany	45.9	44.9	46.1	50.7	49.0	48.4	48.9	49.1	48.9	48.6	48.3	48.5
Estonia	38.7	38.4	40.1	42.1	40.0	43.3	44.8	46.3	46.5	43.5	45.7	44.7
Ireland	44.5	38.7	25.6	23.6	20.6	22.7	24.0	24.2	24.2	22.9	23.4	23.2
Greece	50.6	56.6	50.9	56.7	52.9	49.5	48.7	47.5	47.6	50.5	49.6	48.6
Spain	42.2	46.0	43.6	49.5	46.4	45.4	45.4	45.4	45.5	46.4	46.6	46.5
France	55.5	57.9	57.7	59.5	58.4	57.0	57.5	57.4	57.3	57.3	57.2	57.0
Croatia	46.9	48.0	47.0	48.1	44.9	46.6	47.6	48.4	48.4	47.4	48.3	49.1
Italy	48.6	50.3	50.3	56.0	54.9	53.8	50.7	51.1	50.6	55.2	51.5	51.7
Cyprus	42.3	48.2	41.7	42.6	37.9	41.9	40.2	40.4	39.8	40.2	40.4	40.3
Latvia	41.7	40.9	40.6	46.5	44.2	44.0	46.2	47.8	47.7	41.0	43.2	43.9
Lithuania	39.1	36.5	35.7	37.3	36.2	37.4	39.6	40.3	40.4	38.2	40.3	40.7
Luxembourg	39.9	41.1	42.8	42.8	43.8	47.9	48.7	48.8	48.6	48.1	48.3	48.7
Malta	41.4	40.1	35.9	39.5	37.8	36.3	36.9	35.7	35.6	38.4	37.9	37.3
Netherlands	45.8	47.0	43.8	45.9	43.2	43.2	43.4	44.5	45.0	43.5	44.7	45.1
Austria	51.8	51.8	51.2	56.0	53.0	52.7	54.3	54.4	54.1	52.1	52.9	52.6
Portugal	47.5	49.8	45.0	47.3	43.9	42.4	42.9	42.9	43.0	42.3	43.4	43.5
Slovakia	39.0	41.6	41.1	44.9	43.0	48.5	47.2	48.2	47.4	47.9	47.5	46.6
Slovenia	47.0	51.8	46.2	49.9	47.7	46.5	47.7	47.4	47.8	46.7	48.0	47.9
Finland	50.1	56.0	53.9	55.1	52.6	55.7	57.1	56.9	56.2	55.6	56.4	56.1
Euro area	48.4	49.7	48.6	52.0	50.0	49.5	49.5	49.6	49.4	50.0	49.6	49.6
Bulgaria	36.8	37.9	36.9	41.5	41.2	38.8	40.5	41.3	41.6	39.8	39.9	41.6
Czechia	42.1	42.7	40.9	45.0	43.0	43.9	43.3	43.0	42.2	45.4	44.6	44.1
Denmark	52.5	55.9	51.4	49.4	44.9	46.8	47.9	48.3	48.8	47.2	47.5	48.2
Hungary	49.9	49.8	47.2	48.1	48.7	49.5	48.0	47.5	47.2	49.1	48.3	46.9
Poland	44.4	42.9	42.5	43.6	43.3	47.0	49.6	49.5	49.5	46.7	49.4	48.5
Romania	38.0	36.2	36.0	39.7	40.4	40.3	42.9	43.4	43.4	40.2	41.1	41.3
Sweden	50.9	51.2	50.8	49.9	48.9	49.5	50.8	49.9	48.8	48.0	49.0	48.0
EU	48.2	49.3	48.1	51.1	49.2	49.0	49.2	49.3	49.1	49.4	49.2	49.1
United Kingdom	43.7	44.1	43.1	47.9	46.1	46.5	46.6	46.7	46.6	47.2	46.8	46.3
Japan	36.9	39.9	40.0	44.0	43.2	42.6	42.9	42.3	42.0	42.7	42.8	42.4
United States	40.0	39.3	39.8	44.6	38.8	39.1	39.9	39.8	39.6	39.5	40.4	39.9

Table 33: Total revenue, general government (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	49.2	51.8	50.6	49.5	48.6	49.1	49.2	48.9	48.7	50.1	50.7	50.3
Germany	44.0	45.1	46.4	47.5	46.9	45.8	46.8	47.2	47.2	46.1	46.7	47.4
Estonia	38.7	38.7	38.7	39.5	38.9	40.4	41.7	43.2	43.5	40.1	42.2	40.4
Ireland	34.5	31.9	24.5	22.2	22.2	24.2	28.4	25.7	25.5	24.5	24.7	24.3
Greece	40.6	48.0	49.5	49.8	50.4	48.2	48.1	47.4	47.8	48.9	48.5	47.8
Spain	37.9	38.0	39.0	42.8	41.8	41.9	42.4	42.8	42.9	42.8	43.7	43.7
France	50.7	53.1	53.5	52.9	53.7	51.6	51.3	52.1	51.9	51.9	51.9	52.0
Croatia	42.9	42.6	45.5	45.5	45.0	45.8	45.4	46.3	46.4	46.7	45.6	46.5
Italy	45.2	47.3	46.7	47.2	46.8	46.6	46.9	47.7	47.7	47.8	47.1	47.0
Cyprus	40.7	40.9	40.7	41.0	40.6	43.9	43.8	43.2	42.5	43.3	43.3	43.2
Latvia	36.8	38.8	39.4	39.3	39.4	41.6	43.4	44.6	44.4	38.7	40.4	41.0
Lithuania	35.1	33.7	34.7	36.2	35.5	36.7	37.6	37.9	37.8	37.4	38.5	38.5
Luxembourg	41.7	42.0	44.0	43.8	44.0	47.2	48.1	48.0	48.0	46.8	46.6	46.8
Malta	38.6	38.0	35.6	32.5	32.5	31.8	32.9	32.1	32.5	33.4	33.5	33.4
Netherlands	43.6	44.0	44.0	43.7	43.3	42.8	43.2	42.6	42.6	43.1	42.7	42.9
Austria	48.7	50.0	49.3	50.3	49.7	50.1	50.7	50.7	50.6	49.5	49.8	49.7
Portugal	41.0	43.6	42.8	44.5	43.6	43.6	43.5	43.4	43.3	43.5	43.8	44.0
Slovakia	34.2	38.1	38.9	39.8	41.3	43.3	41.4	43.4	43.3	43.0	41.6	41.3
Slovenia	44.2	45.9	44.6	45.3	44.6	43.9	45.3	45.4	45.7	44.2	45.2	45.7
Finland	51.8	53.8	52.0	52.5	52.5	52.8	53.4	53.9	53.7	52.9	53.0	53.3
Euro area	44.9	46.5	46.5	46.9	46.5	45.9	46.5	46.7	46.6	46.4	46.6	46.8
Bulgaria	36.0	35.8	37.3	37.5	38.3	36.8	37.8	38.5	38.8	37.9	37.2	38.6
Czechia	39.2	40.6	40.4	40.1	39.9	40.1	40.7	40.7	40.3	41.7	42.3	42.2
Denmark	54.2	54.8	52.9	53.5	48.3	50.1	50.2	49.7	49.7	50.3	50.0	49.6
Hungary	44.5	46.8	44.1	41.0	42.5	42.8	42.6	43.0	43.2	42.4	42.9	42.4
Poland	39.7	39.1	40.1	41.8	39.8	41.8	43.8	44.0	44.1	41.6	44.0	43.9
Romania	32.6	33.6	31.8	32.6	34.0	33.7	34.8	35.4	35.4	33.6	34.2	34.3
Sweden	52.2	50.1	50.8	49.8	49.9	48.8	48.8	48.5	48.5	47.4	47.6	47.1
EU	44.9	46.3	46.2	46.5	46.0	45.5	46.1	46.3	46.2	45.9	46.2	46.2
United Kingdom	38.4	38.3	38.8	40.5	41.7	41.0	41.5	42.3	42.7	41.3	42.1	42.2
Japan	31.1	33.1	35.7	37.9	39.0	37.3	36.8	36.9	37.1	37.3	36.8	37.0
United States	31.9	32.2	32.3	33.2	34.6	31.8	32.1	32.4	32.7	31.1	32.8	32.1

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	-2.1	-3.5	-3.1	-5.4	-3.6	-4.2	-4.6	-4.9	-5.3	-4.4	-4.4	-4.7
Germany	-1.9	0.2	0.3	-3.2	-2.1	-2.6	-2.2	-2.0	-1.8	-2.5	-1.6	-1.2
Estonia	-0.1	0.2	-1.3	-2.6	-1.1	-2.8	-3.0	-3.0	-3.0	-3.4	-3.4	-4.3
Ireland	-10.0	-6.7	-1.1	-1.4	1.7	1.5	4.4	1.4	1.3	1.7	1.3	1.2
Greece	-10.0	-8.6	-1.4	-6.9	-2.5	-1.3	-0.6	-0.1	0.2	-1.6	-1.2	-0.8
Spain	-4.3	-8.0	-4.6	-6.7	-4.6	-3.5	-3.0	-2.6	-2.7	-3.6	-3.0	-2.8
France	-4.7	-4.8	-4.2	-6.6	-4.7	-5.5	-6.2	-5.3	-5.4	-5.5	-5.3	-5.0
Croatia	-4.0	-5.4	-1.5	-2.6	0.1	-0.9	-2.1	-2.1	-1.9	-0.7	-2.6	-2.6
Italy	-3.3	-2.9	-3.6	-8.9	-8.1	-7.2	-3.8	-3.4	-2.9	-7.4	-4.4	-4.7
Cyprus	-1.6	-7.3	-1.1	-1.6	2.6	2.0	3.5	2.7	2.7	3.1	2.9	2.9
Latvia	-4.8	-2.1	-1.2	-7.2	-4.9	-2.4	-2.8	-3.2	-3.2	-2.2	-2.8	-2.9
Lithuania	-4.0	-2.9	-1.0	-1.1	-0.7	-0.7	-2.0	-2.4	-2.6	-0.8	-1.8	-2.2
Luxembourg	1.8	0.9	1.2	1.0	0.2	-0.7	-0.6	-0.8	-0.6	-1.3	-1.7	-1.9
Malta	-2.8	-2.2	-0.3	-7.0	-5.2	-4.5	-4.0	-3.5	-3.1	-4.9	-4.3	-3.9
Netherlands	-2.1	-3.0	0.2	-2.2	0.0	-0.4	-0.2	-1.9	-2.4	-0.3	-2.0	-2.1
Austria	-3.1	-1.8	-1.9	-5.7	-3.3	-2.6	-3.6	-3.7	-3.5	-2.7	-3.1	-2.9
Portugal	-6.4	-6.2	-2.2	-2.8	-0.3	1.2	0.6	0.4	0.3	1.2	0.4	0.5
Slovakia	-4.8	-3.5	-2.2	-5.1	-1.7	-5.2	-5.8	-4.7	-4.1	-4.9	-5.9	-5.4
Slovenia	-2.8	-5.9	-1.6	-4.6	-3.0	-2.6	-2.4	-2.1	-2.1	-2.5	-2.8	-2.2
Finland	1.6	-2.2	-1.9	-2.7	-0.2	-3.0	-3.7	-3.0	-2.5	-2.7	-3.4	-2.8
Euro area	-3.4	-3.2	-2.1	-5.1	-3.5	-3.6	-3.0	-2.9	-2.8	-3.6	-3.0	-2.8
Bulgaria	-0.8	-2.1	0.4	-3.9	-2.9	-2.0	-2.6	-2.8	-2.8	-1.9	-2.8	-2.9
Czechia	-2.9	-2.1	-0.5	-5.0	-3.1	-3.8	-2.5	-2.3	-1.9	-3.7	-2.4	-1.9
Denmark	1.8	-1.1	1.5	4.1	3.4	3.3	2.3	1.5	0.9	3.1	2.4	1.4
Hungary	-5.5	-3.0	-3.2	-7.1	-6.2	-6.7	-5.4	-4.6	-4.1	-6.7	-5.4	-4.5
Poland	-4.7	-3.9	-2.3	-1.7	-3.4	-5.3	-5.8	-5.6	-5.3	-5.1	-5.4	-4.6
Romania	-5.4	-2.7	-4.3	-7.1	-6.4	-6.5	-8.0	-7.9	-7.9	-6.6	-6.9	-7.0
Sweden	1.3	-1.1	0.0	-0.1	1.0	-0.6	-1.9	-1.4	-0.3	-0.6	-1.4	-0.9
EU	-3.2	-3.0	-2.0	-4.6	-3.2	-3.5	-3.1	-3.0	-2.9	-3.5	-3.0	-2.9
United Kingdom	-6.1	-6.2	-4.7	-7.8	-4.6	-5.7	-5.1	-4.4	-3.9	-5.9	-4.8	-4.1
Japan	-5.8	-6.8	-4.3	-6.2	-4.2	-5.4	-6.1	-5.4	-4.9	-5.4	-6.0	-5.4
United States	-8.0	-7.2	-7.5	-11.5	-4.2	-7.3	-7.8	-7.4	-6.9	-8.4	-7.5	-7.8

Table 35: Interest expenditure, general government (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	4.0	3.4	2.3	1.7	1.6	2.0	2.2	2.3	2.4	2.0	2.2	2.2
Germany	2.6	1.9	0.9	0.6	0.7	0.9	1.0	1.1	1.1	0.9	0.9	1.0
Estonia	0.2	0.1	0.0	0.1	0.1	0.4	0.7	0.7	0.7	0.3	0.5	0.6
Ireland	1.6	3.6	1.6	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7
Greece	5.0	5.0	3.1	2.5	2.5	3.4	3.5	2.9	3.0	3.5	3.4	3.2
Spain	1.7	3.1	2.4	2.1	2.3	2.4	2.5	2.5	2.6	2.5	2.5	2.6
France	2.7	2.4	1.7	1.4	1.9	1.9	2.2	2.5	2.8	1.7	2.0	2.3
Croatia	1.9	3.1	2.4	1.5	1.4	1.7	1.5	1.5	1.5	1.7	1.6	1.6
Italy	4.5	4.6	3.6	3.4	4.1	3.7	3.9	3.9	4.0	3.8	4.0	4.1
Cyprus	2.5	3.0	2.3	1.7	1.3	1.3	1.2	1.1	1.0	1.4	1.4	1.3
Latvia	1.0	1.6	0.9	0.5	0.5	0.7	1.1	1.3	1.4	0.6	1.0	1.2
Lithuania	1.0	1.8	1.0	0.5	0.3	0.6	0.8	0.9	1.1	0.6	0.7	0.9
Luxembourg	0.3	0.5	0.3	0.1	0.2	0.3	0.3	0.3	0.4	0.3	0.4	0.4
Malta	3.3	2.7	1.5	1.0	0.9	1.0	1.2	1.3	1.4	1.1	1.3	1.3
Netherlands	2.1	1.6	0.9	0.5	0.6	0.7	0.8	0.8	0.8	0.6	0.7	0.7
Austria	3.1	2.6	1.7	1.1	1.0	1.2	1.5	1.5	1.5	1.2	1.4	1.4
Portugal	3.0	4.6	3.4	2.4	1.9	2.1	2.1	2.1	2.1	2.2	2.2	2.2
Slovakia	1.4	1.8	1.4	1.1	1.0	1.2	1.4	1.5	1.6	1.2	1.3	1.5
Slovenia	1.4	2.6	2.2	1.2	1.1	1.2	1.4	1.4	1.4	1.2	1.4	1.4
Finland	1.4	1.4	0.9	0.5	0.6	1.2	1.3	1.5	1.6	1.1	1.2	1.5
Euro area	2.9	2.8	1.8	1.4	1.7	1.7	1.9	2.0	2.1	1.7	1.9	2.0
Bulgaria	0.9	0.8	0.7	0.5	0.4	0.5	0.6	0.6	0.5	0.4	0.5	0.5
Czechia	1.1	1.3	0.8	0.7	1.1	1.3	1.4	1.3	1.3	1.3	1.4	1.5
Denmark	1.6	1.5	0.8	0.5	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4
Hungary	4.1	4.1	2.5	2.2	2.8	4.7	4.9	4.0	4.0	4.7	4.9	4.1
Poland	2.3	2.3	1.5	1.1	1.5	2.1	2.3	2.6	2.6	2.1	2.2	2.4
Romania	1.2	1.8	1.1	1.3	1.4	1.9	2.0	2.1	2.2	2.0	2.0	2.0
Sweden	1.5	0.9	0.4	0.2	0.5	0.7	0.7	0.6	0.5	0.7	0.7	0.7
EU	2.7	2.6	1.7	1.4	1.6	1.7	1.9	2.0	2.0	1.7	1.8	1.9
United Kingdom	2.5	3.0	2.5	2.9	4.4	3.3	2.9	2.9	2.9	3.4	3.0	2.6
Japan	1.9	1.9	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
United States	4.1	4.0	3.9	3.6	3.7	4.3	4.7	4.8	4.7	4.5	4.6	4.6

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	1.9	-0.2	-0.8	-3.7	-2.0	-2.2	**-2.4**	**-2.6**	**-2.9**	*-2.4*	*-2.3*	*-2.4*
Germany	0.7	2.1	1.2	-2.6	-1.4	-1.7	**-1.1**	**-0.9**	**-0.7**	*-1.6*	*-0.6*	*-0.2*
Estonia	0.1	0.3	-1.3	-2.5	-1.0	-2.5	**-2.4**	**-2.4**	**-2.3**	*-3.0*	*-3.0*	*-3.7*
Ireland	-8.4	-3.1	0.5	-0.7	2.3	2.2	**5.1**	**2.0**	**1.8**	*2.3*	*1.9*	*1.8*
Greece	-5.0	-3.6	1.7	-4.5	0.0	2.1	**2.9**	**2.9**	**3.2**	*1.9*	*2.3*	*2.4*
Spain	-2.6	-4.9	-2.1	-4.5	-2.3	-1.1	**-0.5**	**-0.1**	**-0.1**	*-1.2*	*-0.5*	*-0.2*
France	-2.1	-2.4	-2.5	-5.2	-2.8	-3.6	**-4.1**	**-2.7**	**-2.5**	*-3.8*	*-3.3*	*-2.7*
Croatia	-2.1	-2.3	0.9	-1.0	1.5	0.8	**-0.6**	**-0.6**	**-0.5**	*1.0*	*-1.0*	*-1.0*
Italy	1.2	1.7	0.0	-5.4	-4.0	-3.5	**0.1**	**0.5**	**1.1**	*-3.6*	*-0.5*	*-0.5*
Cyprus	1.0	-4.2	1.3	0.1	4.0	3.3	**4.7**	**3.8**	**3.7**	*4.5*	*4.3*	*4.2*
Latvia	-3.9	-0.5	-0.3	-6.7	-4.3	-1.7	**-1.7**	**-1.9**	**-1.8**	*-1.6*	*-1.8*	*-1.8*
Lithuania	-3.0	-1.1	0.0	-0.7	-0.4	-0.1	**-1.3**	**-1.4**	**-1.4**	*-0.2*	*-1.1*	*-1.3*
Luxembourg	2.1	1.4	1.5	1.2	0.3	-0.4	**-0.2**	**-0.4**	**-0.2**	*-0.9*	*-1.3*	*-1.5*
Malta	0.6	0.6	1.2	-6.0	-4.3	-3.5	**-2.8**	**-2.2**	**-1.7**	*-3.8*	*-3.1*	*-2.6*
Netherlands	-0.1	-1.4	1.2	-1.7	0.6	0.3	**0.6**	**-1.1**	**-1.6**	*0.3*	*-1.3*	*-1.4*
Austria	0.0	0.8	-0.3	-4.6	-2.4	-1.4	**-2.1**	**-2.2**	**-2.0**	*-1.5*	*-1.7*	*-1.4*
Portugal	-3.5	-1.6	1.2	-0.5	1.6	3.3	**2.6**	**2.5**	**2.5**	*3.4*	*2.6*	*2.7*
Slovakia	-3.4	-1.7	-0.8	-4.0	-0.6	-4.0	**-4.4**	**-3.3**	**-2.5**	*-3.7*	*-4.5*	*-3.9*
Slovenia	-1.5	-3.3	0.6	-3.4	-1.9	-1.3	**-1.0**	**-0.7**	**-0.7**	*-1.2*	*-1.4*	*-0.8*
Finland	3.1	-0.8	-1.0	-2.1	0.4	-1.8	**-2.5**	**-1.5**	**-1.0**	*-1.6*	*-2.2*	*-1.4*
Euro area	-0.6	-0.4	-0.3	-3.7	-1.8	-1.8	**-1.1**	**-0.9**	**-0.7**	*-1.9*	*-1.1*	*-0.9*
Bulgaria	0.1	-1.3	1.1	-3.4	-2.5	-1.5	**-2.0**	**-2.2**	**-2.3**	*-1.4*	*-2.3*	*-2.4*
Czechia	-1.8	-0.9	0.3	-4.2	-2.0	-2.5	**-1.1**	**-0.9**	**-0.6**	*-2.3*	*-1.0*	*-0.4*
Denmark	3.4	0.4	2.3	4.6	4.2	4.0	**3.0**	**2.0**	**1.5**	*3.7*	*2.9*	*1.8*
Hungary	-1.4	1.1	-0.6	-4.9	-3.4	-2.0	**-0.4**	**-0.6**	**-0.1**	*-2.0*	*-0.5*	*-0.4*
Poland	-2.4	-1.6	-0.9	-0.7	-1.9	-3.2	**-3.5**	**-3.0**	**-2.8**	*-3.0*	*-3.2*	*-2.2*
Romania	-4.2	-0.9	-3.1	-5.8	-5.0	-4.6	**-6.0**	**-5.8**	**-5.8**	*-4.6*	*-4.9*	*-5.0*
Sweden	2.8	-0.2	0.4	0.1	1.5	0.1	**-1.3**	**-0.8**	**0.2**	*0.1*	*-0.7*	*-0.2*
EU	-0.5	-0.4	-0.3	-3.3	-1.6	-1.8	**-1.2**	**-1.0**	**-0.9**	*-1.8*	*-1.2*	*-0.9*
United Kingdom	-3.6	-3.2	-2.2	-4.9	-0.2	-2.4	**-2.2**	**-1.5**	**-1.0**	*-2.5*	*-1.8*	*-1.5*
Japan	-3.9	-4.9	-2.7	-4.7	-2.8	-4.0	**-4.7**	**-4.1**	**-3.5**	*-4.0*	*-4.7*	*-4.0*
United States	-4.0	-3.1	-3.6	-7.9	-0.5	-3.0	**-3.0**	**-2.6**	**-2.2**	*-4.0*	*-2.9*	*-3.2*

[1] Net lending/borrowing excluding interest expenditure.

Table 37: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	1.5	0.2	-0.2	-3.0	-2.6	-2.3	**-2.2**	**-2.2**	**-2.6**	*-2.4*	*-2.0*	*-2.1*
Germany	1.0	2.1	1.0	-2.3	-1.5	-1.3	**-0.3**	**-0.2**	**-0.4**	*-1.2*	*0.0*	*0.2*
Estonia	-0.1	0.5	-1.8	-3.0	-1.1	-0.8	**-0.1**	**-0.5**	**-1.5**	*-0.9*	*-0.3*	*-2.0*
Ireland	-8.5	-3.3	1.7	-3.7	-3.1	1.7	**6.2**	**2.7**	**2.0**	*1.7*	*2.5*	*2.3*
Greece	-4.7	4.9	7.3	-1.3	0.5	1.7	**2.0**	**1.7**	**1.9**	*1.7*	*1.6*	*1.4*
Spain	-2.4	-0.3	-1.2	-2.3	-2.5	-1.6	**-1.2**	**-0.8**	**-0.7**	*-1.6*	*-1.0*	*-0.7*
France	-2.3	-1.5	-1.9	-4.4	-2.9	-3.6	**-4.0**	**-2.5**	**-2.6**	*-3.7*	*-3.0*	*-2.6*
Croatia	-3.5	-0.6	1.3	-1.0	-0.1	-0.3	**-1.5**	**-1.3**	**-1.0**	*-0.1*	*-2.0*	*-1.8*
Italy	0.8	3.6	1.5	-4.6	-4.9	-4.2	**-0.2**	**0.2**	**0.6**	*-4.2*	*-1.0*	*-1.1*
Cyprus	-0.5	-1.3	1.4	-0.8	1.5	1.7	**3.4**	**2.8**	**3.1**	*3.2*	*3.5*	*3.7*
Latvia	-4.0	0.2	-0.6	-6.7	-4.5	-1.8	**-1.5**	**-1.6**	**-1.6**	*-1.3*	*-1.4*	*-1.5*
Lithuania	-3.0	-0.4	-0.9	-1.5	-0.7	0.7	**-0.4**	**-0.7**	**-1.1**	*0.7*	*0.0*	*-0.5*
Luxembourg	1.7	2.2	1.9	0.9	0.3	1.0	**1.5**	**1.1**	**1.1**	*0.3*	*0.1*	*-0.3*
Malta	0.5	0.7	1.0	-6.0	-3.5	-3.5	**-2.7**	**-1.8**	**-1.2**	*-3.8*	*-2.9*	*-2.1*
Netherlands	0.0	-0.2	1.5	-1.3	-0.8	0.2	**1.1**	**-0.5**	**-0.9**	*0.3*	*-0.6*	*-0.7*
Austria	0.0	1.2	-0.1	-3.5	-3.5	-1.4	**-1.3**	**-1.6**	**-1.7**	*-1.2*	*-1.1*	*-1.3*
Portugal	-3.2	0.1	1.3	1.3	1.0	2.7	**2.4**	**2.5**	**2.3**	*2.6*	*2.1*	*2.4*
Slovakia	-4.3	-1.0	-0.9	-4.6	-0.9	-3.8	**-4.1**	**-3.0**	**-2.3**	*-3.5*	*-4.3*	*-3.8*
Slovenia	-2.9	-0.5	0.6	-4.5	-3.2	-2.4	**-1.6**	**-1.3**	**-1.3**	*-2.0*	*-1.9*	*-1.2*
Finland	2.7	0.4	-0.9	-1.9	0.5	-0.4	**-0.6**	**-0.1**	**-0.2**	*-0.2*	*-0.5*	*-0.1*
Euro area	-0.6	0.9	0.3	-3.0	-2.4	-1.9	**-0.8**	**-0.7**	**-0.7**	*-1.9*	*-0.9*	*-0.8*
Bulgaria	-0.3	-1.2	1.4	-3.5	-3.0	-1.8	**-2.1**	**-2.3**	**-2.5**	*-1.7*	*-2.3*	*-2.7*
Czechia	-2.8	0.0	-0.1	-4.0	-2.2	-1.9	**-0.3**	**-0.4**	**-0.4**	*-1.6*	*-0.1*	*-0.1*
Denmark	3.0	2.2	3.1	4.6	4.8	4.6	**3.4**	**2.1**	**1.5**	*4.1*	*2.9*	*1.8*
Hungary	-0.8	2.4	-1.4	-5.2	-4.4	-1.7	**0.2**	**-0.1**	**-0.2**	*-1.3*	*0.0*	*-0.2*
Poland	-3.3	-1.2	-1.0	-1.0	-2.7	-2.6	**-3.0**	**-2.8**	**-2.8**	*-2.5*	*-2.6*	*-1.9*
Romania	-4.8	-0.4	-2.8	-5.0	-4.8	-4.3	**-5.4**	**-5.2**	**-5.4**	*-4.0*	*-4.4*	*-4.7*
Sweden	2.8	0.4	0.6	-0.1	1.4	0.9	**0.0**	**0.2**	**0.6**	*0.8*	*0.7*	*0.9*
EU	-0.6	0.8	0.3	-2.7	-2.2	-1.7	**-0.9**	**-0.8**	**-0.8**	*-1.7*	*-0.9*	*-0.8*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 38: Structural budget balance, general government[1] (as a percentage of potential GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	:	:	-2.7	-4.5	-4.2	-4.1	**-4.2**	**-4.4**	**-4.9**	*-4.2*	*-4.0*	*-4.3*
Germany	:	:	0.2	-2.8	-2.0	-2.1	**-1.4**	**-1.3**	**-1.5**	*-2.1*	*-0.9*	*-0.7*
Estonia	:	:	-1.9	-4.1	-1.4	-1.1	**-0.8**	**-1.2**	**-2.2**	*-1.3*	*-0.7*	*-2.6*
Ireland	:	:	0.1	-4.4	-3.7	1.0	**2.9**	**2.1**	**1.5**	*1.0*	*1.8*	*1.6*
Greece	:	:	3.8	-4.6	-2.5	-1.6	**-1.3**	**-1.2**	**-1.1**	*-1.5*	*-1.7*	*-1.8*
Spain	:	:	-3.4	-4.3	-4.8	-3.9	**-3.6**	**-3.2**	**-3.1**	*-4.1*	*-3.4*	*-3.3*
France	:	:	-3.3	-5.7	-4.8	-5.4	**-6.1**	**-5.0**	**-5.4**	*-5.4*	*-5.0*	*-4.9*
Croatia	:	:	-1.1	-2.5	-1.1	-2.0	**-3.0**	**-2.8**	**-2.4**	*-1.8*	*-3.6*	*-3.4*
Italy	:	:	-2.1	-8.4	-9.3	-8.2	**-4.3**	**-3.8**	**-3.6**	*-8.3*	*-5.0*	*-5.3*
Cyprus	:	:	0.9	-2.6	0.2	0.4	**2.2**	**1.8**	**2.1**	*1.8*	*2.1*	*2.4*
Latvia	:	:	-1.6	-7.4	-5.0	-2.6	**-2.6**	**-2.8**	**-3.1**	*-1.9*	*-2.4*	*-2.7*
Lithuania	:	:	-1.9	-1.9	-1.2	0.1	**-1.2**	**-1.7**	**-2.2**	*0.1*	*-0.8*	*-1.4*
Luxembourg	:	:	1.6	0.7	0.1	0.7	**1.1**	**0.7**	**0.8**	*0.0*	*-0.3*	*-0.7*
Malta	:	:	-0.5	-7.0	-4.4	-4.6	**-3.9**	**-3.2**	**-2.6**	*-4.9*	*-4.2*	*-3.5*
Netherlands	:	:	0.4	-1.8	-1.2	-1.0	**0.2**	**-0.9**	**-1.7**	*-0.8*	*-1.3*	*-1.4*
Austria	:	:	-1.7	-4.6	-4.4	-2.6	**-2.8**	**-3.1**	**-3.2**	*-2.4*	*-2.5*	*-2.7*
Portugal	:	:	:	-1.4	-0.7	1.1	**0.5**	**0.4**	**0.2**	*0.9*	*0.0*	*0.2*
Slovakia	:	:	-2.2	-5.7	-2.0	-5.0	**-5.5**	**-4.5**	**-3.9**	*-4.7*	*-5.6*	*-5.3*
Slovenia	:	:	-1.4	-5.7	-4.3	-3.1	**-2.3**	**-2.1**	**-2.7**	*-2.8*	*-2.7*	*-2.2*
Finland	:	:	-1.8	-2.4	0.0	-1.5	**-1.9**	**-1.6**	**-1.8**	*-1.4*	*-1.8*	*-1.6*
Euro area	:	:	:	-4.5	-4.0	-3.6	**-2.8**	**-2.6**	**-2.8**	*-3.6*	*-2.7*	*-2.7*
Bulgaria	:	:	0.7	-4.0	-3.4	-2.3	**-2.7**	**-2.9**	**-3.0**	*-2.2*	*-2.8*	*-3.2*
Czechia	:	:	-0.8	-4.7	-3.4	-3.2	**-1.7**	**-1.8**	**-1.7**	*-2.9*	*-1.5*	*-1.5*
Denmark	:	:	2.4	4.1	4.1	4.1	**3.4**	**1.5**	**0.9**	*3.6*	*2.4*	*1.4*
Hungary	:	:	-4.0	-7.3	-7.2	-6.4	**-4.7**	**-4.1**	**-4.2**	*-6.0*	*-4.9*	*-4.4*
Poland	:	:	-2.6	-2.3	-4.5	-4.7	**-5.3**	**-5.4**	**-5.3**	*-4.5*	*-4.8*	*-4.3*
Romania	:	:	-3.8	-6.3	-6.2	-6.2	**-7.4**	**-7.4**	**-7.6**	*-6.0*	*-6.4*	*-6.7*
Sweden	:	:	0.2	-0.4	0.9	0.2	**-0.7**	**-0.3**	**0.1**	*0.1*	*0.0*	*0.2*
EU	:	:	:	-4.1	-3.7	-3.5	**-2.8**	**-2.7**	**-2.8**	*-3.5*	*-2.7*	*-2.7*

Table 39: Net expenditure growth (in percent, 2024-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	:	:	:	:	:	:	**3.7**	**3.5**	**4.1**	:	:	:
Germany	:	:	:	:	:	:	**2.6**	**2.7**	**2.5**	:	:	:
Estonia	:	:	:	:	:	:	**5.1**	**5.1**	**5.6**	:	:	:
Ireland	:	:	:	:	:	:	**9.2**	**6.6**	**5.6**	:	:	:
Greece	:	:	:	:	:	:	**1.8**	**3.1**	**2.8**	:	:	:
Spain	:	:	:	:	:	:	**4.4**	**3.8**	**4.2**	:	:	:
France	:	:	:	:	:	:	**3.2**	**-0.1**	**2.7**	:	:	:
Croatia	:	:	:	:	:	:	**17.0**	**6.2**	**4.4**	:	:	:
Italy	:	:	:	:	:	:	**-2.3**	**1.3**	**1.9**	:	:	:
Cyprus	:	:	:	:	:	:	**3.9**	**4.2**	**3.0**	:	:	:
Latvia	:	:	:	:	:	:	**3.8**	**4.1**	**4.4**	:	:	:
Lithuania	:	:	:	:	:	:	**10.5**	**6.6**	**5.6**	:	:	:
Luxembourg	:	:	:	:	:	:	**7.8**	**5.7**	**4.9**	:	:	:
Malta	:	:	:	:	:	:	**6.3**	**5.7**	**5.5**	:	:	:
Netherlands	:	:	:	:	:	:	**5.9**	**7.1**	**5.0**	:	:	:
Austria	:	:	:	:	:	:	**6.7**	**3.0**	**2.6**	:	:	:
Portugal	:	:	:	:	:	:	**10.3**	**4.7**	**4.1**	:	:	:
Slovakia	:	:	:	:	:	:	**5.6**	**3.5**	**1.9**	:	:	:
Slovenia	:	:	:	:	:	:	**5.2**	**4.7**	**6.6**	:	:	:
Finland	:	:	:	:	:	:	**3.1**	**1.7**	**2.1**	:	:	:
Euro area	:	:	:	:	:	:	**3.0**	**2.5**	**3.0**	:	:	:
Bulgaria	:	:	:	:	:	:	**7.9**	**7.6**	**5.4**	:	:	:
Czechia	:	:	:	:	:	:	**0.6**	**3.1**	**4.0**	:	:	:
Denmark	:	:	:	:	:	:	**5.1**	**7.5**	**5.0**	:	:	:
Hungary	:	:	:	:	:	:	**3.6**	**5.7**	**5.2**	:	:	:
Poland	:	:	:	:	:	:	**11.8**	**5.5**	**6.6**	:	:	:
Romania	:	:	:	:	:	:	**16.1**	**9.1**	**9.3**	:	:	:
Sweden	:	:	:	:	:	:	**6.2**	**2.2**	**2.0**	:	:	:
EU	:	:	:	:	:	:	**3.9**	**2.9**	**3.3**	:	:	:

Table 40: Gross debt, general government (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	94.4	104.8	103.3	108.4	102.6	103.1	**103.4**	**105.1**	**107.2**	*105.2*	*105.0*	*106.6*
Germany	69.1	75.6	63.8	68.1	65.0	62.9	**63.0**	**63.2**	**62.8**	*63.6*	*62.9*	*62.2*
Estonia	5.4	9.3	10.8	18.4	19.1	20.2	**23.2**	**24.2**	**25.5**	*19.6*	*21.4*	*24.6*
Ireland	47.6	104.2	62.5	52.6	43.1	43.3	**41.6**	**38.3**	**36.8**	*43.7*	*42.5*	*41.3*
Greece	119.4	175.7	186.6	197.3	177.0	163.9	**153.1**	**146.8**	**142.7**	*161.9*	*153.9*	*149.3*
Spain	45.5	93.2	103.9	115.7	109.5	105.1	**102.3**	**101.3**	**101.1**	*107.7*	*105.5*	*104.8*
France	74.2	93.6	101.7	112.7	111.2	109.9	**112.7**	**115.3**	**117.1**	*110.6*	*112.4*	*113.8*
Croatia	43.8	75.5	77.1	78.2	68.5	61.8	**57.3**	**56.0**	**56.0**	*63.0*	*59.5*	*59.1*
Italy	110.1	129.2	137.9	145.7	138.3	134.8	**136.6**	**138.2**	**139.3**	*137.3*	*138.6*	*141.7*
Cyprus	53.9	93.2	100.0	96.5	81.0	73.6	**66.4**	**61.4**	**56.7**	*77.3*	*70.6*	*65.4*
Latvia	25.1	42.8	40.5	45.9	44.4	45.0	**48.1**	**50.3**	**51.6**	*43.6*	*44.5*	*46.3*
Lithuania	22.5	39.9	38.7	43.3	38.1	37.3	**38.3**	**41.0**	**44.6**	*38.3*	*38.9*	*41.6*
Luxembourg	13.1	20.9	21.8	24.4	24.6	25.5	**27.5**	**27.6**	**27.5**	*25.7*	*27.1*	*28.5*
Malta	63.8	63.0	45.6	49.6	49.4	47.4	**49.8**	**50.4**	**50.2**	*50.4*	*52.0*	*52.6*
Netherlands	51.5	65.0	53.9	50.4	48.3	45.1	**43.3**	**44.3**	**46.6**	*46.5*	*47.1*	*48.4*
Austria	73.2	83.5	78.2	82.4	78.4	78.6	**79.5**	**80.8**	**81.8**	*77.8*	*77.7*	*77.8*
Portugal	82.0	127.7	126.0	123.9	111.2	97.9	**95.7**	**92.9**	**90.5**	*99.1*	*95.6*	*91.5*
Slovakia	33.5	50.9	51.8	60.2	57.7	56.1	**58.9**	**59.8**	**61.8**	*56.0*	*58.5*	*59.9*
Slovenia	28.9	67.2	74.2	74.8	72.7	68.4	**67.1**	**64.4**	**63.1**	*69.2*	*68.1*	*66.4*
Finland	41.0	60.8	68.2	73.2	74.0	77.1	**82.6**	**84.7**	**85.3**	*75.8*	*80.5*	*82.4*
Euro area	73.7	92.6	90.5	95.7	91.2	88.9	**89.1**	**89.6**	**90.0**	90.0	90.0	90.4
Bulgaria	15.8	20.3	24.2	23.8	22.5	22.9	**24.5**	**23.1**	**24.5**	*23.1*	*24.8*	*24.6*
Czechia	30.6	41.7	33.6	40.7	42.5	42.4	**43.4**	**44.4**	**44.8**	*44.0*	*45.2*	*45.5*
Denmark	34.9	43.8	37.5	40.5	34.1	33.6	**31.0**	**29.3**	**28.3**	*29.3*	*26.5*	*25.1*
Hungary	72.0	77.7	71.8	76.2	73.8	73.4	**74.5**	**74.5**	**73.8**	*73.5*	*74.3*	*73.8*
Poland	48.3	53.6	50.9	53.0	48.8	49.7	**54.7**	**58.9**	**62.4**	*49.6*	*53.7*	*57.7*
Romania	17.5	36.5	37.8	48.3	47.9	48.9	**52.2**	**56.1**	**59.7**	*48.8*	*50.9*	*53.9*
Sweden	39.9	41.0	40.0	36.7	33.6	31.5	**32.8**	**32.7**	**31.7**	*31.2*	*32.0*	*31.3*
EU	69.5	86.4	84.0	88.3	83.9	82.1	**82.4**	**83.0**	**83.4**	*82.9*	*82.9*	*83.4*

Table 41: Gross national saving (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	26.8	24.0	24.4	26.3	25.6	24.7	**24.6**	**24.4**	**24.4**	*25.3*	*24.6*	*24.3*
Germany	25.6	27.2	29.0	29.5	27.7	27.9	**27.3**	**26.8**	**26.7**	*30.5*	*30.9*	*30.8*
Estonia	24.3	27.0	27.6	27.5	25.8	23.3	**23.5**	**24.0**	**24.8**	*23.6*	*22.1*	*22.4*
Ireland	19.7	22.3	34.2	35.2	32.3	34.8	**33.6**	**33.3**	**33.1**	*37.0*	*36.2*	*36.2*
Greece	10.4	8.5	8.5	9.2	9.2	8.7	**10.2**	**10.5**	**11.5**	*11.0*	*12.0*	*13.1*
Spain	20.2	19.5	22.3	22.6	23.0	23.7	**25.1**	**25.5**	**25.7**	*22.8*	*23.0*	*23.1*
France	22.3	21.3	21.8	23.5	22.3	21.1	**21.1**	**21.3**	**21.3**	*23.0*	*23.1*	*23.1*
Croatia	19.2	18.1	23.0	22.2	22.6	24.0	**23.7**	**23.9**	**24.0**	*23.2*	*22.3*	*22.4*
Italy	19.4	18.2	21.0	24.1	23.0	22.7	**23.1**	**23.0**	**23.4**	*21.2*	*22.1*	*22.0*
Cyprus	8.9	12.3	13.7	14.5	15.6	11.0	**11.4**	**11.9**	**11.5**	*9.8*	*11.2*	*11.9*
Latvia	24.1	23.6	23.9	21.7	18.8	20.1	**18.9**	**20.0**	**20.1**	*19.3*	*20.7*	*21.0*
Lithuania	16.2	20.6	22.0	23.3	22.0	23.0	**23.2**	**23.0**	**23.0**	*20.3*	*19.5*	*18.7*
Luxembourg	23.9	21.7	20.4	20.0	18.1	13.3	**12.2**	**12.3**	**12.6**	*14.7*	*14.3*	*14.8*
Malta	16.0	19.8	28.1	27.6	23.4	24.2	**25.2**	**25.1**	**25.2**	*23.7*	*22.9*	*23.3*
Netherlands	26.3	26.8	28.1	32.2	29.5	29.8	**30.5**	**30.4**	**30.3**	*30.2*	*29.5*	*29.4*
Austria	27.0	25.9	27.5	29.5	28.2	26.6	**25.6**	**25.2**	**25.3**	*26.8*	*25.9*	*25.6*
Portugal	11.9	14.9	18.4	20.0	19.1	20.7	**20.8**	**20.8**	**20.8**	*20.9*	*20.7*	*20.9*
Slovakia	22.0	23.4	21.0	18.4	13.9	19.2	**19.4**	**19.6**	**20.3**	*18.9*	*18.7*	*19.1*
Slovenia	25.8	22.3	26.9	25.6	23.3	26.7	**25.4**	**25.2**	**25.2**	*24.4*	*23.6*	*23.7*
Finland	26.9	21.2	23.8	25.1	25.0	21.8	**21.1**	**21.3**	**21.8**	*21.3*	*21.0*	*22.1*
Euro area	22.6	22.6	24.7	26.3	24.9	24.8	**24.8**	**24.7**	**24.8**	25.7	25.9	25.8
Bulgaria	16.0	21.4	22.7	19.6	20.1	20.6	**19.9**	**18.8**	**17.9**	*18.5*	*19.7*	*19.2*
Czechia	24.8	23.5	25.2	27.6	26.8	30.6	**30.4**	**30.2**	**30.1**	*30.3*	*29.2*	*28.8*
Denmark	25.5	26.9	29.2	32.3	36.4	32.7	**32.5**	**32.6**	**32.4**	*32.9*	*32.8*	*32.5*
Hungary	18.6	23.6	26.6	27.1	26.1	25.9	**25.6**	**24.9**	**25.1**	*25.6*	*25.5*	*25.1*
Poland	17.0	17.1	18.8	19.3	18.7	19.2	**17.9**	**18.1**	**18.5**	*20.1*	*19.3*	*19.6*
Romania	21.9	23.6	19.7	19.0	17.4	18.5	**16.8**	**18.4**	**19.5**	*19.0*	*18.5*	*19.2*
Sweden	29.4	26.8	27.9	31.9	31.4	31.2	**30.8**	**30.5**	**30.9**	*33.5*	*32.5*	*32.8*
EU	22.6	22.7	24.6	26.2	25.1	24.9	**24.7**	**24.7**	**24.8**	*25.8*	*25.8*	*25.8*
United Kingdom	13.8	12.9	14.4	17.6	15.8	15.2	**15.2**	**14.9**	**14.9**	*15.4*	*14.3*	*14.1*
Japan	28.1	26.0	28.9	29.7	28.7	30.4	**30.9**	**31.0**	**31.0**	*29.9*	*30.1*	*30.0*
United States	16.1	18.4	18.8	17.6	18.3	17.4	**18.3**	**18.5**	**18.8**	*16.5*	*18.2*	*18.4*

Table 42: Gross saving, private sector (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	26.0	24.0	24.7	28.8	26.4	25.8	**25.7**	**26.0**	**26.4**	*26.6*	*25.7*	*25.9*
Germany	24.1	24.1	25.5	28.9	25.5	26.3	**25.1**	**24.6**	**24.3**	*28.5*	*28.2*	*27.7*
Estonia	19.2	22.3	24.1	24.8	21.6	20.2	**20.1**	**19.8**	**20.2**	*20.9*	*18.8*	*20.5*
Ireland	20.8	25.8	33.0	34.6	28.5	30.8	**29.2**	**28.9**	**28.8**	*32.8*	*32.1*	*32.2*
Greece	16.5	11.7	7.0	11.9	8.3	6.0	**6.3**	**6.6**	**7.5**	*8.2*	*9.3*	*10.2*
Spain	19.3	23.8	24.7	25.9	24.9	24.8	**25.6**	**25.7**	**26.0**	*24.1*	*23.5*	*23.5*
France	21.6	20.8	21.0	25.2	22.1	21.8	**22.3**	**21.5**	**21.6**	*23.7*	*23.4*	*23.4*
Croatia	16.0	18.4	20.4	20.3	17.6	19.9	**20.4**	**20.4**	**20.4**	*19.1*	*19.9*	*19.9*
Italy	18.5	17.9	21.1	25.7	23.9	22.0	**21.8**	**21.3**	**21.4**	*20.6*	*21.8*	*21.7*
Cyprus	5.9	12.2	10.3	13.9	10.8	5.2	**5.1**	**6.6**	**6.6**	*3.6*	*5.3*	*6.1*
Latvia	23.5	21.6	20.8	24.0	18.2	16.8	**17.6**	**18.9**	**18.9**	*17.8*	*20.0*	*20.4*
Lithuania	16.3	20.3	19.6	21.3	19.3	19.5	**20.8**	**21.6**	**21.8**	*16.9*	*17.2*	*17.4*
Luxembourg	17.0	16.2	14.2	13.7	12.8	8.0	**6.7**	**6.9**	**7.1**	*10.1*	*10.2*	*10.6*
Malta	16.7	19.8	25.4	31.0	25.7	24.8	**24.8**	**24.4**	**24.2**	*24.5*	*22.8*	*22.6*
Netherlands	24.2	26.0	24.6	30.8	25.9	26.7	**27.6**	**28.9**	**29.1**	*27.0*	*27.9*	*28.1*
Austria	25.7	23.7	25.8	31.1	26.7	24.8	**24.6**	**24.4**	**24.3**	*25.0*	*24.5*	*24.2*
Portugal	14.4	17.7	17.8	20.3	16.4	16.7	**17.2**	**17.4**	**17.6**	*16.8*	*17.4*	*17.4*
Slovakia	22.8	23.6	19.9	20.5	12.7	21.1	**22.7**	**21.1**	**21.6**	*20.4*	*21.2*	*21.2*
Slovenia	23.5	22.3	24.8	25.8	21.1	24.3	**22.4**	**22.3**	**22.3**	*21.8*	*20.6*	*20.6*
Finland	21.8	19.5	21.5	23.4	21.1	20.7	**20.8**	**19.7**	**19.9**	*20.0*	*20.4*	*20.3*
Euro area	21.6	22.0	23.3	27.0	23.9	23.9	**23.7**	**23.4**	**23.5**	24.7	24.7	24.6
Bulgaria	12.4	20.1	19.0	21.5	21.4	19.9	**20.2**	**19.1**	**18.5**	*17.9*	*20.5*	*19.4*
Czechia	22.1	21.2	21.6	28.1	25.3	29.9	**28.6**	**28.0**	**27.7**	*29.3*	*27.1*	*26.2*
Denmark	20.6	23.3	24.0	24.9	29.5	25.4	**26.1**	**27.1**	**27.3**	*25.8*	*26.3*	*27.0*
Hungary	19.6	22.6	23.3	26.7	24.2	26.4	**25.6**	**24.1**	**23.7**	*25.9*	*25.4*	*24.3*
Poland	17.0	17.0	17.4	17.1	17.7	18.7	**18.0**	**18.4**	**18.1**	*19.9*	*19.3*	*18.6*
Romania	21.1	21.9	20.7	22.7	19.9	21.0	**20.9**	**22.3**	**23.2**	*21.8*	*21.3*	*22.7*
Sweden	23.9	23.4	22.9	27.2	25.2	26.5	**26.8**	**26.3**	**25.4**	*29.1*	*28.7*	*28.3*
EU	21.4	21.9	23.0	26.5	23.8	23.8	**23.6**	**23.4**	**23.4**	*24.7*	*24.6*	*24.4*
United Kingdom	16.1	15.8	15.3	21.2	17.1	15.4	**14.7**	**13.7**	**13.1**	*15.6*	*13.4*	*12.7*
Japan	29.6	28.6	29.3	31.2	28.8	31.8	**33.2**	**32.7**	**32.3**	*31.4*	*32.3*	*31.7*
United States	19.8	22.1	23.1	25.6	19.5	20.7	**21.9**	**21.8**	**21.6**	*21.0*	*22.2*	*22.6*

Table 43: Saving rate of households (2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	17.1	13.2	12.9	16.6	12.7	14.1	**14.0**	**13.7**	**13.6**	*14.5*	*13.8*	*13.5*
Germany	16.8	16.7	18.7	21.9	18.9	19.3	**19.5**	**18.9**	**18.1**	*20.3*	*21.1*	*20.7*
Estonia	6.0	7.5	9.9	8.6	2.8	3.1	**6.1**	**5.4**	**5.6**	*3.6*	*4.6*	*5.7*
Ireland	11.4	12.5	15.8	22.5	15.1	13.6	**12.9**	**12.8**	**12.6**	*11.4*	*11.7*	*11.9*
Greece	9.2	-2.1	-2.9	4.4	-3.5	-1.9	-0.2	0.5	0.2	*-2.7*	*-1.5*	*-1.3*
Spain	8.6	8.2	9.3	14.3	9.1	12.0	**12.5**	**11.9**	**11.6**	*11.7*	*11.3*	*10.9*
France	14.8	14.4	15.0	18.7	16.5	16.5	**17.1**	**16.9**	**16.9**	*17.5*	*17.1*	*16.5*
Croatia	5.0	5.9	9.3	8.1	4.7	6.8	:	:	:	*:*	*:*	*:*
Italy	14.6	11.3	12.2	15.8	11.6	10.7	**12.5**	**12.0**	**12.0**	*8.2*	*9.8*	*9.7*
Cyprus	7.9	3.4	5.9	15.0	12.3	9.9	**10.9**	**11.6**	**12.2**	*3.1*	*4.2*	*4.7*
Latvia	7.0	0.4	7.9	10.4	3.1	5.4	**12.8**	**14.9**	**15.0**	*5.9*	*9.3*	*9.6*
Lithuania	0.1	-0.8	1.7	10.1	4.7	6.8	11.1	12.2	12.3	6.5	9.9	11.1
Luxembourg	11.4	13.8	15.7	18.2	18.2	18.1	17.8	17.7	17.4	18.8	17.8	17.2
Malta	2.4	4.0	14.0	20.2	13.2	11.4	:	:	:	*:*	*:*	*:*
Netherlands	11.7	14.0	16.1	19.1	14.4	14.5	**14.4**	**15.6**	**15.3**	*19.5*	*19.2*	*19.2*
Austria	17.1	13.5	14.4	17.3	15.0	14.9	**17.1**	**16.4**	**15.6**	*14.9*	*15.9*	*14.9*
Portugal	8.7	8.4	8.0	11.0	7.3	8.0	**9.7**	**10.0**	**9.8**	*6.3*	*6.5*	*6.6*
Slovakia	8.6	8.4	9.7	11.5	5.8	7.2	**11.3**	**10.6**	**10.8**	*6.7*	*7.9*	*7.1*
Slovenia	15.1	10.8	14.9	17.6	13.4	14.3	**15.4**	**15.1**	**14.9**	*13.8*	*13.4*	*12.3*
Finland	8.3	8.8	10.2	12.5	9.9	10.1	**10.8**	**9.7**	**9.7**	*7.7*	*7.7*	*7.4*
Euro area	13.1	12.2	13.9	17.2	13.6	14.1	**15.5**	**15.2**	**14.8**	14.4	15.5	15.1
Bulgaria	-5.5	-0.3	0.2	:	:	:	:	:	:	*:*	*:*	*:*
Czechia	13.2	11.5	12.7	19.6	18.2	19.4	**18.8**	**18.7**	**18.1**	*18.2*	*17.6*	*15.8*
Denmark	4.4	5.2	9.0	5.8	9.7	9.7	11.4	11.8	11.9	*12.5*	*12.4*	*12.6*
Hungary	10.8	12.5	14.8	18.7	16.5	19.0	**21.1**	**17.8**	**16.1**	*19.9*	*17.5*	*15.1*
Poland	5.0	4.6	6.1	4.1	-0.8	2.8	**4.2**	**4.1**	**4.0**	*2.9*	*3.0*	*2.8*
Romania	:	:	:	:	:	:	:	:	:	*:*	*:*	*:*
Sweden	10.6	15.0	16.1	17.4	14.7	17.8	**18.4**	**17.9**	**16.0**	*17.1*	*17.3*	*16.3*
EU	12.4	11.6	13.0	16.1	12.6	13.2	**14.8**	**14.4**	**14.0**	*13.5*	*14.4*	*13.9*
United Kingdom	9.5	8.8	7.9	12.5	8.1	7.3	**7.5**	**7.3**	**6.7**	9.7	9.5	8.9
Japan	11.7	9.0	11.4	14.5	11.8	12.7	**14.6**	**13.7**	**13.1**	*13.6*	*14.5*	*13.3*
United States	10.1	11.7	13.7	16.9	9.8	13.1	**12.4**	**12.6**	**12.6**	*12.1*	*10.3*	*10.2*

Table 44: Gross saving, general government (as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.9	0.0	-0.3	-2.4	-0.7	-1.0	**-1.1**	**-1.6**	**-2.0**	*-1.3*	*-1.1*	*-1.6*
Germany	1.6	3.1	3.5	0.6	2.2	1.5	**2.2**	**2.2**	**2.3**	*2.0*	*2.7*	*3.1*
Estonia	5.1	4.7	3.5	2.7	4.3	3.1	**3.3**	**4.2**	**4.6**	*2.8*	*3.3*	*1.9*
Ireland	-1.0	-3.4	1.1	0.6	3.8	4.0	**4.4**	**4.5**	**4.3**	*4.2*	*4.1*	*4.1*
Greece	-6.1	-3.2	1.6	-2.7	0.9	2.7	**3.9**	**3.9**	**4.0**	*2.8*	*2.7*	*3.0*
Spain	0.8	-4.3	-2.4	-3.3	-1.9	-1.1	**-0.6**	**-0.3**	**-0.3**	*-1.3*	*-0.5*	*-0.4*
France	0.8	0.5	0.8	-1.7	0.2	-0.6	**-1.2**	**-0.2**	**-0.3**	*-0.7*	*-0.4*	*-0.3*
Croatia	3.2	-0.3	2.6	1.9	5.0	4.2	**3.3**	**3.5**	**3.6**	*4.1*	*2.5*	*2.4*
Italy	0.9	0.3	-0.1	-1.6	-0.9	0.8	**1.3**	**1.7**	**2.0**	*0.6*	*0.4*	*0.3*
Cyprus	3.0	0.1	3.4	0.6	4.8	5.8	**6.3**	**5.3**	**4.9**	*6.1*	*5.9*	*5.7*
Latvia	0.6	2.1	3.1	-2.3	0.5	3.3	**1.3**	**1.2**	**1.2**	*1.5*	*0.8*	*0.6*
Lithuania	-0.1	0.4	2.4	2.0	2.7	3.5	**2.4**	**1.4**	**1.1**	*3.4*	*2.3*	*1.3*
Luxembourg	6.9	5.5	6.3	6.3	5.4	5.3	**5.4**	**5.4**	**5.5**	*4.6*	*4.1*	*4.2*
Malta	-0.7	0.1	2.6	-3.4	-2.3	-0.6	**0.4**	**0.7**	**0.9**	*-0.8*	*0.1*	*0.6*
Netherlands	2.0	0.8	3.5	1.3	3.5	3.1	**2.9**	**1.5**	**1.2**	*3.2*	*1.6*	*1.3*
Austria	1.3	2.2	1.8	-1.7	1.5	1.8	**0.9**	**0.8**	**0.9**	*1.8*	*1.4*	*1.4*
Portugal	-2.5	-2.9	0.7	-0.3	2.7	4.0	**3.7**	**3.4**	**3.3**	*4.1*	*3.3*	*3.4*
Slovakia	-0.8	-0.2	1.1	-2.1	1.2	-1.9	**-3.4**	**-1.5**	**-1.3**	*-1.5*	*-2.5*	*-2.0*
Slovenia	2.2	0.0	2.0	-0.3	2.2	2.4	**3.0**	**2.9**	**2.8**	*2.6*	*3.0*	*3.1*
Finland	5.2	1.8	2.2	1.7	3.8	1.1	**0.3**	**1.6**	**1.9**	*1.4*	*0.7*	*1.8*
Euro area	1.0	0.6	1.4	-0.7	1.0	0.9	**1.1**	**1.3**	**1.3**	*1.0*	*1.2*	*1.3*
Bulgaria	3.7	1.3	3.6	-1.9	-1.3	0.7	**-0.4**	**-0.3**	**-0.6**	*0.6*	*-0.8*	*-0.2*
Czechia	2.7	2.3	3.5	-0.5	1.5	0.7	**1.8**	**2.2**	**2.3**	*1.0*	*2.1*	*2.6*
Denmark	5.0	3.6	5.2	7.4	6.8	7.3	**6.4**	**5.6**	**5.1**	*7.2*	*6.5*	*5.5*
Hungary	-1.1	1.0	3.3	0.4	1.9	-0.5	**-0.1**	**0.8**	**1.3**	*-0.3*	*0.1*	*0.7*
Poland	0.0	0.1	1.4	2.1	1.0	0.4	**-0.1**	**-0.3**	**0.4**	*0.2*	*0.1*	*0.9*
Romania	0.8	1.7	-1.0	-3.7	-2.5	-2.6	**-4.1**	**-3.9**	**-3.6**	*-2.7*	*-2.8*	*-3.4*
Sweden	5.5	3.4	5.0	4.7	6.2	4.7	**3.9**	**4.1**	**5.5**	*4.4*	*3.8*	*4.5*
EU	1.2	0.8	1.6	-0.3	1.3	1.1	**1.1**	**1.3**	**1.4**	*1.1*	*1.2*	*1.4*
United Kingdom	-2.2	-2.8	-0.9	-3.6	-1.3	-0.2	**0.4**	**1.2**	**1.8**	*-0.2*	*0.9*	*1.4*
Japan	-1.5	-2.6	-0.4	-1.5	-0.1	-1.5	**-2.3**	**-1.7**	**-1.2**	*-1.5*	*-2.3*	*-1.7*
United States	-3.7	-3.6	-4.3	-8.0	-1.2	-3.4	**-3.6**	**-3.3**	**-2.8**	*-4.5*	*-4.0*	*-4.3*

Table 45: Exports of goods and services, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	2.1	2.7	1.9	14.7	5.8	-7.1	**-2.0**	**1.8**	**2.6**	*-3.3*	*-0.7*	*3.0*
Germany	3.8	4.0	0.1	10.0	3.1	-0.3	**0.0**	**1.4**	**2.6**	*-2.2*	*-1.0*	*2.7*
Estonia	4.3	6.2	2.6	22.1	5.0	-9.0	**-0.2**	**2.9**	**3.0**	*-6.9*	*-2.0*	*4.7*
Ireland	4.3	11.9	9.2	14.1	13.5	-5.8	**10.1**	**1.0**	**3.8**	*-4.8*	*2.5*	*5.2*
Greece	0.8	3.5	-0.6	24.4	6.6	1.9	**2.3**	**3.7**	**3.5**	*3.7*	*4.2*	*4.0*
Spain	1.7	4.4	-1.6	13.4	14.3	2.8	**3.4**	**2.9**	**2.7**	*2.3*	*1.6*	*2.4*
France	1.2	3.8	-1.2	11.3	8.2	2.1	**1.8**	**3.0**	**3.5**	*1.2*	*2.4*	*3.3*
Croatia	0.6	4.1	-0.5	32.7	27.0	-2.9	**0.2**	**2.9**	**3.1**	*-2.9*	*2.6*	*3.1*
Italy	0.4	2.7	-0.8	14.1	9.8	0.8	**0.3**	**2.3**	**3.0**	*0.2*	*2.4*	*3.1*
Cyprus	1.7	4.5	7.1	26.2	23.8	0.1	**7.7**	**3.5**	**2.4**	*-1.5*	*3.2*	*3.3*
Latvia	4.4	6.4	2.7	9.1	11.4	-4.7	**-1.8**	**1.6**	**2.4**	*-5.9*	*-0.4*	*3.1*
Lithuania	5.5	6.5	7.0	16.6	12.4	-3.4	**3.5**	**3.2**	**3.5**	*-3.3*	*2.2*	*4.8*
Luxembourg	3.9	4.8	3.0	10.3	-0.6	-1.4	**1.0**	**4.1**	**3.7**	*-1.4*	*2.7*	*3.3*
Malta	7.7	9.6	10.0	-0.4	13.7	4.7	**3.2**	**3.2**	**2.9**	*8.7*	*4.3*	*3.8*
Netherlands	2.9	5.2	2.5	6.9	4.4	-0.5	**0.0**	**2.3**	**2.5**	*-1.3*	*-0.1*	*2.4*
Austria	2.8	2.8	1.1	9.5	10.0	-0.4	**-2.0**	**2.2**	**2.7**	*-0.2*	*1.2*	*2.4*
Portugal	3.2	5.5	0.1	12.0	17.2	3.5	**3.8**	**3.0**	**3.2**	*4.1*	*2.8*	*2.5*
Slovakia	7.4	6.9	1.7	10.7	2.8	-0.7	**2.0**	**3.8**	**4.0**	*-1.4*	*4.3*	*4.0*
Slovenia	4.5	4.3	3.7	14.5	6.8	-2.0	**0.9**	**3.0**	**3.4**	*-2.0*	*2.3*	*3.8*
Finland	1.6	0.4	2.5	6.0	4.2	0.2	**-0.2**	**3.1**	**2.8**	*-1.7*	*0.9*	*2.1*
Euro area	2.5	4.3	1.2	11.4	7.3	-0.7	**1.5**	**2.2**	**3.0**	*-1.1*	*0.9*	*3.1*
Bulgaria	5.3	6.7	1.9	11.6	12.1	0.0	**0.5**	**3.0**	**2.9**	*-1.9*	*1.5*	*3.2*
Czechia	6.5	5.6	1.4	8.2	5.1	2.7	**1.1**	**2.4**	**3.0**	*2.8*	*2.8*	*3.7*
Denmark	2.1	3.2	1.9	8.8	7.2	10.4	**4.7**	**2.0**	**2.5**	*13.4*	*9.8*	*1.8*
Hungary	8.0	5.0	2.8	8.3	10.7	1.5	**-1.9**	**2.5**	**5.2**	*0.9*	*3.0*	*5.3*
Poland	7.5	5.8	5.7	12.3	7.4	3.7	**0.9**	**2.4**	**3.0**	*3.4*	*1.7*	*3.5*
Romania	10.9	9.2	4.7	12.6	9.3	-0.8	**-2.0**	**2.2**	**2.4**	*-1.4*	*1.8*	*3.2*
Sweden	1.7	3.2	2.4	11.9	6.2	3.2	**1.7**	**1.9**	**2.8**	*3.3*	*1.8*	*2.9*
EU	2.9	4.4	1.5	11.3	7.3	0.1	**1.4**	**2.2**	**3.0**	*-0.2*	*1.4*	*3.1*
United Kingdom	2.0	2.5	0.3	3.2	12.6	-2.2	**-1.6**	**0.9**	**1.3**	*-0.5*	*-0.6*	*1.3*
Japan	3.1	2.6	-0.4	11.9	5.5	3.0	**0.2**	**2.5**	**2.2**	*3.0*	*3.4*	*2.6*
United States	5.4	3.6	-1.2	6.5	7.5	2.8	**3.3**	**2.9**	**3.1**	*2.6*	*2.0*	*2.7*

Table 46: Imports of goods and services, volume (percentage change on preceding year, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	2.5	2.9	1.9	12.8	5.8	-6.8	**-2.2**	**1.9**	**2.7**	*-2.6*	*-0.5*	*3.0*
Germany	3.8	3.3	1.5	9.0	7.0	-0.6	**-1.1**	**1.8**	**2.9**	*-3.4*	*-0.8*	*2.8*
Estonia	1.5	7.5	4.1	22.7	5.0	-6.7	**-0.5**	**2.5**	**3.1**	*-5.2*	*-0.2*	*4.4*
Ireland	2.8	10.0	11.2	-8.7	16.0	1.2	**8.4**	**2.8**	**3.1**	*0.4*	*3.0*	*4.6*
Greece	-0.3	-1.0	2.5	17.4	11.0	0.9	**5.0**	**4.1**	**3.5**	*2.1*	*3.8*	*3.6*
Spain	-0.8	0.9	-0.4	15.0	7.7	0.3	**2.2**	**2.8**	**3.0**	*0.3*	*1.3*	*2.4*
France	2.2	3.8	0.0	8.3	8.8	0.3	**-1.7**	**2.0**	**3.0**	*-0.4*	*1.8*	*3.2*
Croatia	-1.6	3.2	3.0	17.3	26.5	-5.3	**4.5**	**3.7**	**3.0**	*-5.3*	*3.4*	*2.9*
Italy	1.2	-0.3	-0.4	16.0	13.2	-0.4	**-3.4**	**2.9**	**3.1**	*-0.5*	*0.9*	*3.7*
Cyprus	4.2	0.8	8.2	19.6	26.6	1.7	**7.2**	**2.9**	**1.9**	*5.1*	*3.2*	*2.9*
Latvia	-0.2	6.0	3.9	15.1	9.9	-2.0	**-3.1**	**1.8**	**2.5**	*-2.8*	*0.4*	*3.1*
Lithuania	3.2	6.4	4.5	19.2	12.7	-5.3	**2.5**	**3.9**	**3.8**	*-4.9*	*3.5*	*5.9*
Luxembourg	4.0	5.7	3.0	12.4	-1.9	-0.1	**1.0**	**4.6**	**4.1**	*-0.1*	*3.2*	*3.6*
Malta	5.3	8.7	10.1	-3.1	18.5	-0.4	**3.0**	**2.7**	**2.5**	*4.6*	*4.0*	*3.4*
Netherlands	2.8	5.9	2.0	6.5	4.4	-1.8	**-0.5**	**2.5**	**3.1**	*-0.8*	*-0.1*	*2.8*
Austria	2.2	2.8	1.2	14.1	7.1	-4.6	**-2.4**	**2.2**	**2.3**	*-1.8*	*1.0*	*2.7*
Portugal	2.5	1.4	2.1	12.3	11.3	1.7	**4.6**	**4.1**	**4.1**	*2.2*	*4.1*	*3.2*
Slovakia	5.4	5.5	1.5	11.7	4.2	-7.7	**4.3**	**3.9**	**3.2**	*-7.6*	*5.3*	*4.0*
Slovenia	3.6	2.5	3.7	17.8	9.2	-4.5	**3.5**	**3.3**	**4.1**	*-5.1*	*4.6*	*3.6*
Finland	1.7	1.7	2.3	6.5	8.4	-6.6	**-1.0**	**3.3**	**2.5**	*-7.1*	*1.2*	*2.5*
Euro area	2.3	3.3	1.9	9.0	8.3	-1.3	**0.0**	**2.5**	**3.0**	*-1.6*	*0.9*	*3.2*
Bulgaria	3.1	5.8	3.7	10.7	15.3	-5.5	**2.2**	**3.2**	**3.8**	*-6.3*	*3.2*	*4.3*
Czechia	5.8	5.1	1.3	13.7	5.9	-0.9	**0.2**	**3.8**	**3.5**	*-0.7*	*1.3*	*4.4*
Denmark	2.3	4.1	2.6	9.5	4.4	3.7	**1.8**	**2.4**	**2.3**	*8.6*	*8.6*	*2.4*
Hungary	5.5	4.2	4.5	7.4	10.7	-3.8	**-3.5**	**3.9**	**6.0**	*-4.3*	*3.5*	*6.9*
Poland	8.4	4.1	5.1	16.3	6.8	-1.5	**2.8**	**3.6**	**3.1**	*-2.0*	*3.0*	*4.2*
Romania	12.3	6.7	7.9	14.6	9.3	-1.1	**4.9**	**3.2**	**3.1**	*-1.4*	*4.2*	*4.3*
Sweden	3.2	4.0	1.9	12.8	9.7	-1.1	**0.3**	**1.7**	**2.4**	*-0.9*	*1.6*	*2.5*
EU	2.8	3.5	2.2	9.6	8.3	-1.2	**0.2**	**2.6**	**3.0**	*-1.4*	*1.3*	*3.3*
United Kingdom	1.8	3.7	-0.9	5.8	13.0	-3.4	**0.9**	**0.6**	**1.5**	*-1.5*	*-0.2*	*1.4*
Japan	0.3	4.6	0.0	5.2	8.2	-1.4	**0.0**	**2.7**	**2.2**	*-1.3*	*1.4*	*2.0*
United States	1.1	3.8	0.3	14.7	8.6	-1.2	**5.6**	**3.3**	**2.9**	*-1.7*	*3.2*	*2.9*

Table 47: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2006-2026) 31.10.2024

	5-year averages						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium	0.7	-0.9	0.6	2.1	-0.2	0.5	**2.2**	**2.3**	**2.4**	*0.0*	*0.6*	*0.7*
Germany	6.5	7.1	6.6	5.1	3.4	5.6	**6.5**	**6.4**	**6.3**	*5.6*	*5.8*	*5.8*
Estonia	-10.7	-4.8	-3.6	-4.3	-7.8	-6.0	**-5.7**	**-5.1**	**-4.8**	*-6.3*	*-7.5*	*-7.6*
Ireland	18.8	25.1	35.1	37.5	39.4	30.6	**30.5**	**28.7**	**27.9**	*32.0*	*29.9*	*30.4*
Greece	-15.9	-11.2	-11.6	-14.4	-19.0	-14.5	**-14.7**	**-14.8**	**-14.9**	*-14.8*	*-15.1*	*-15.1*
Spain	-6.7	-2.4	-1.6	-1.7	-4.4	-2.3	**-1.9**	**-1.8**	**-1.8**	*-2.2*	*-2.1*	*-2.0*
France	-1.8	-2.1	-1.7	-2.7	-4.9	-2.8	**-2.0**	**-1.9**	**-1.8**	*-2.9*	*-2.4*	*-2.4*
Croatia	-18.8	-14.7	-17.5	-19.5	-26.8	-21.8	**-20.4**	**-20.1**	**-19.8**	*-22.2*	*-21.5*	*-21.3*
Italy	-0.4	1.7	3.2	2.5	-1.3	1.6	**2.9**	**2.8**	**2.8**	*2.0*	*2.9*	*2.8*
Cyprus	-25.9	-19.1	-21.1	-16.9	-19.6	-23.0	**-22.4**	**-21.8**	**-20.9**	*-23.9*	*-22.7*	*-22.8*
Latvia	-17.5	-12.3	-8.2	-8.6	-11.4	-9.3	**-8.9**	**-8.9**	**-9.1**	*-9.3*	*-8.8*	*-8.8*
Lithuania	-10.4	-4.3	-4.3	-5.1	-10.9	-6.2	**-5.4**	**-5.4**	**-5.4**	*-6.7*	*-6.9*	*-7.6*
Luxembourg	-2.0	3.8	3.6	0.0	0.5	0.9	**-0.1**	**0.0**	**0.5**	*0.9*	*0.9*	*0.7*
Malta	-19.3	-16.6	-11.6	-12.2	-17.5	-11.9	**-11.8**	**-11.4**	**-11.1**	*-13.2*	*-13.0*	*-12.4*
Netherlands	8.0	9.4	9.0	7.3	5.5	8.0	**8.5**	**8.5**	**8.3**	*8.6*	*8.9*	*8.8*
Austria	0.2	-0.3	0.7	0.0	-1.9	0.9	**1.6**	**1.7**	**1.9**	*1.0*	*1.4*	*1.4*
Portugal	-11.6	-6.1	-6.9	-7.6	-11.2	-9.8	**-9.3**	**-9.8**	**-10.3**	*-9.6*	*-10.2*	*-10.5*
Slovakia	-1.4	2.9	-0.1	-1.4	-6.6	0.7	**0.2**	**-0.4**	**0.2**	*1.0*	*0.9*	*0.6*
Slovenia	-3.1	1.2	3.6	1.7	-4.3	0.7	**-0.6**	**-0.9**	**-1.2**	*0.7*	*-0.9*	*-0.7*
Finland	6.4	1.0	0.6	0.9	0.0	3.5	**3.0**	**2.9**	**2.8**	*2.9*	*2.5*	*2.5*
Euro area	0.7	2.3	3.1	2.6	0.4	2.2	**2.9**	**2.9**	**2.8**	*2.3*	*2.5*	*2.5*
Euro area, adjusted [2]	:	2.4	2.8	2.3	-0.3	1.8	**2.5**	**2.5**	**2.4**	*1.7*	*2.0*	*2.0*
Bulgaria	-19.1	-7.2	-3.3	-4.0	-5.9	-4.1	**-5.9**	**-6.4**	**-7.2**	*-3.9*	*-5.1*	*-5.4*
Czechia	0.8	3.6	4.6	1.7	-0.3	3.9	**5.1**	**4.3**	**4.1**	*3.9*	*4.3*	*4.0*
Denmark	2.6	4.6	4.7	3.3	2.8	7.4	**9.1**	**9.0**	**8.9**	*7.7*	*7.7*	*7.6*
Hungary	-0.3	2.4	-0.3	-2.9	-9.2	0.0	**1.2**	**0.3**	**0.3**	*0.1*	*-0.5*	*-1.5*
Poland	-4.4	-1.9	-0.6	-1.3	-3.3	0.6	**-0.2**	**-0.4**	**-0.6**	*1.0*	*-0.1*	*-0.4*
Romania	-12.6	-5.5	-7.3	-9.5	-11.4	-8.9	**-9.1**	**-8.5**	**-7.9**	*-8.9*	*-9.0*	*-8.8*
Sweden	5.7	3.6	3.0	4.6	3.7	5.4	**5.6**	**5.8**	**5.9**	*5.0*	*5.5*	*5.6*
EU	0.6	2.1	2.8	2.2	0.0	2.1	**2.7**	**2.6**	**2.6**	*2.2*	*2.3*	*2.3*
EU, adjusted [2]	-0.1	1.5	2.4	1.8	-0.8	1.5	**2.2**	**2.1**	**2.1**	*1.4*	*1.6*	*1.6*
United Kingdom	-5.9	-6.7	-6.6	-7.1	-8.2	-6.9	**-7.1**	**-7.0**	**-7.0**	*-6.9*	*-6.7*	*-6.8*
Japan	1.8	-1.0	0.5	0.3	-2.8	-1.1	**-0.8**	**-0.9**	**-1.0**	*-1.1*	*-1.3*	*-1.6*
United States	-5.2	-4.5	-4.2	-4.6	-4.6	-3.9	**-4.1**	**-4.1**	**-4.1**	*-3.9*	*-4.0*	*-4.1*

1) See note 7 on concepts and sources.
2) See note 8 on concepts and sources.

Table 48: **Current-account balance[1] (as a percentage of GDP, 2006-2026)** 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	3.0	0.5	-0.2	1.9	-1.3	-0.6	**0.4**	**0.3**	**0.3**	*0.0*	*-0.4*	*-0.5*
Germany	5.8	7.1	8.0	7.0	4.6	6.2	**7.1**	**6.8**	**6.5**	*6.9*	*7.0*	*7.0*
Estonia	-6.8	0.3	0.7	-3.6	-3.9	-1.7	**-1.5**	**-1.0**	**-0.7**	*-1.9*	*-2.5*	*-2.4*
Ireland	-4.8	1.2	-4.7	12.2	8.8	8.1	**13.6**	**9.7**	**9.8**	*9.9*	*9.1*	*9.5*
Greece	-12.6	-4.0	-4.1	-8.3	-10.8	-8.0	**-7.1**	**-7.5**	**-7.2**	*-5.8*	*-5.2*	*-4.8*
Spain	-6.9	0.7	2.1	0.8	0.4	2.7	**4.2**	**4.5**	**4.4**	*2.5*	*2.8*	*2.8*
France	0.0	-0.5	-0.6	0.0	-1.9	-2.0	**-0.5**	**-0.3**	**-0.3**	*-2.2*	*-1.4*	*-1.4*
Croatia	-6.9	-0.5	1.2	0.4	-3.4	0.8	**0.4**	**0.5**	**0.6**	*1.2*	*1.1*	*1.0*
Italy	-2.1	0.2	2.9	2.1	-1.7	0.0	**1.1**	**1.2**	**1.4**	*0.3*	*1.5*	*1.5*
Cyprus	-15.8	-2.4	-5.6	-5.4	-5.4	-9.5	**-9.2**	**-8.4**	**-8.2**	*-12.1*	*-11.2*	*-10.8*
Latvia	-9.3	-2.3	1.1	-4.1	-5.5	-3.9	**-3.2**	**-2.1**	**-2.3**	*-3.6*	*-2.8*	*-2.6*
Lithuania	-7.5	-0.5	2.2	1.4	-6.1	1.1	**2.7**	**2.5**	**2.4**	*0.6*	*0.3*	*-0.3*
Luxembourg	5.2	2.9	2.5	1.2	0.4	-4.7	**-4.5**	**-4.3**	**-4.0**	*-3.3*	*-3.4*	*-3.2*
Malta	-5.7	1.2	7.2	3.6	-1.8	4.6	**5.7**	**5.7**	**5.9**	*4.2*	*3.4*	*3.6*
Netherlands	4.9	7.4	7.4	10.0	6.6	9.9	**11.1**	**11.1**	**11.0**	*10.1*	*10.2*	*10.2*
Austria	3.2	2.0	2.2	1.8	-0.8	1.4	**1.7**	**1.5**	**1.5**	*1.7*	*1.9*	*1.7*
Portugal	-10.4	-1.2	0.4	-0.9	-2.3	0.2	**0.9**	**0.6**	**0.4**	*1.3*	*0.8*	*0.6*
Slovakia	-4.9	-0.3	-2.3	-4.4	-9.3	-0.1	**-1.3**	**-2.0**	**-1.4**	*-0.7*	*-2.0*	*-2.5*
Slovenia	-2.9	2.3	6.5	3.7	-1.1	4.4	**3.0**	**2.9**	**2.6**	*3.6*	*1.4*	*1.4*
Finland	2.8	-1.6	-0.8	0.3	-2.2	-0.4	**-0.6**	**-0.9**	**-0.9**	*-1.4*	*-1.6*	*-0.8*
Euro area	0.3	2.5	3.3	3.6	1.1	2.5	**3.8**	**3.6**	**3.6**	*2.9*	*3.2*	*3.2*
Euro area, adjusted 2)	:	2.3	2.6	2.6	0.0	1.7	**3.0**	**2.8**	**2.8**	*1.7*	*2.0*	*2.1*
Bulgaria	-14.4	0.7	2.8	-1.1	-2.6	0.9	**0.3**	**-0.2**	**-1.2**	*-0.4*	*0.3*	*-0.3*
Czechia	-4.5	-2.3	-0.2	-0.5	-4.3	2.6	**4.3**	**3.3**	**3.2**	*1.4*	*1.9*	*1.4*
Denmark	3.5	7.2	7.1	8.7	11.7	9.8	**10.6**	**10.1**	**9.8**	*10.9*	*11.7*	*11.3*
Hungary	-5.1	1.3	0.9	-3.9	-8.4	0.9	**2.1**	**1.2**	**1.0**	*0.3*	*0.0*	*-1.4*
Poland	-5.4	-3.0	-0.4	-1.3	-2.6	1.7	**0.6**	**0.4**	**0.3**	*2.0*	*1.2*	*1.0*
Romania	-7.3	-2.5	-4.1	-7.3	-9.6	-7.3	**-8.3**	**-7.6**	**-6.9**	*-6.7*	*-7.0*	*-6.6*
Sweden	6.7	4.0	3.2	6.6	4.5	6.2	**6.6**	**6.4**	**6.5**	*6.7*	*6.6*	*6.7*
EU	0.1	2.3	3.0	3.2	0.9	2.6	**3.6**	**3.4**	**3.3**	*2.9*	*3.1*	*3.1*
EU, adjusted 2)	-0.2	2.0	2.8	2.8	0.2	1.9	**3.0**	**2.8**	**2.8**	*1.9*	*2.2*	*2.2*
United Kingdom	-3.3	-3.9	-3.7	-0.4	-2.1	-2.0	**-2.3**	**-2.3**	**-2.3**	*-3.3*	*-3.3*	*-3.4*
Japan	3.6	1.5	3.6	3.9	1.9	3.9	**4.4**	**4.5**	**4.7**	*3.8*	*4.0*	*3.9*
United States	-4.3	-2.4	-2.2	-3.7	-3.9	-3.3	**-3.5**	**-3.3**	**-3.2**	*-3.0*	*-3.1*	*-3.2*

1) See note 7 on concepts and sources. 2) See note 8 on concepts and sources.

Table 49: **Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2006-2026)** 31.10.2024

	5-year averages						Autumn 2024 Forecast			Spring 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	2.9	0.6	-0.1	2.1	-1.2	-0.4	**0.6**	**0.5**	**0.4**	*0.2*	*-0.2*	*-0.3*
Germany	5.7	6.9	7.7	6.7	3.9	5.3	**6.3**	**5.9**	**5.7**	*6.0*	*6.2*	*6.2*
Estonia	-4.5	2.9	2.0	5.4	-3.5	-0.5	**-0.2**	**0.4**	**0.8**	*-1.7*	*-2.4*	*-2.2*
Ireland	-4.7	0.4	-12.4	12.5	8.6	6.4	**7.2**	**7.0**	**6.6**	*8.0*	*6.9*	*6.8*
Greece	-10.8	-1.8	-2.6	-5.6	-8.3	-5.7	**-5.3**	**-4.8**	**-4.1**	*-3.6*	*-2.9*	*-1.8*
Spain	-6.5	1.2	2.5	1.6	1.3	3.7	**5.3**	**5.6**	**5.6**	*3.5*	*3.7*	*3.8*
France	0.0	-0.6	-0.7	0.4	-1.6	-1.7	**-0.2**	**-0.2**	**-0.2**	*-2.0*	*-1.2*	*-1.2*
Croatia	-6.7	-0.1	2.8	2.9	-0.9	3.6	**2.7**	**3.4**	**3.4**	*4.1*	*3.4*	*3.5*
Italy	-2.1	0.3	2.9	2.2	-1.2	0.7	**1.0**	**1.1**	**1.3**	*1.1*	*1.8*	*1.9*
Cyprus	-15.6	-2.0	-5.4	-5.1	-5.3	-9.6	**-8.9**	**-8.1**	**-7.9**	*-11.5*	*-10.6*	*-10.2*
Latvia	-7.5	0.5	2.6	-2.7	-4.7	-2.0	**-1.4**	**0.2**	**0.0**	*-2.6*	*-0.3*	*0.6*
Lithuania	-4.7	2.5	3.7	2.9	-4.6	2.7	**4.3**	**4.2**	**4.2**	*2.0*	*1.8*	*1.4*
Luxembourg	3.6	2.0	0.9	0.1	-0.6	-5.8	**-5.6**	**-5.5**	**-5.2**	*-4.7*	*-5.6*	*-5.6*
Malta	-4.2	3.0	8.5	5.1	-0.6	6.0	**6.7**	**6.7**	**6.9**	*5.8*	*4.3*	*4.5*
Netherlands	4.8	6.0	7.0	10.1	17.2	9.6	**10.9**	**10.9**	**10.9**	*10.1*	*10.2*	*10.2*
Austria	3.1	1.9	2.0	1.9	-0.8	1.9	**2.1**	**1.9**	**1.9**	*1.8*	*2.0*	*1.8*
Portugal	-9.2	0.4	1.4	0.8	-1.3	1.6	**2.4**	**2.1**	**1.8**	*2.6*	*2.1*	*1.9*
Slovakia	-4.0	1.2	-2.1	-4.5	-9.7	-0.3	**-1.5**	**-2.3**	**-1.7**	*-0.1*	*-1.4*	*-1.9*
Slovenia	-2.5	2.9	5.9	4.1	-1.4	4.4	**2.8**	**2.7**	**2.4**	*3.2*	*0.9*	*0.7*
Finland	2.9	-1.5	-0.7	0.4	-2.2	-0.5	**-0.7**	**-1.1**	**-1.0**	*-1.6*	*-1.6*	*-0.8*
Euro area	0.4	2.5	3.0	3.8	1.9	2.6	**3.5**	**3.5**	**3.5**	*2.9*	*3.1*	*3.2*
Euro area, adjusted 2)	:	2.3	2.3	2.8	0.9	1.8	**2.7**	**2.7**	**2.7**	*1.7*	*2.0*	*2.1*
Bulgaria	-13.9	2.7	4.2	-0.4	-1.7	2.4	**1.0**	**1.6**	**0.6**	*1.2*	*1.0*	*1.5*
Czechia	-3.2	-0.4	0.5	1.1	-3.7	3.5	**5.3**	**4.4**	**4.1**	*2.4*	*2.7*	*2.4*
Denmark	3.5	7.2	7.1	8.7	11.7	9.5	**10.2**	**9.6**	**9.3**	*10.7*	*11.4*	*11.0*
Hungary	-3.9	4.7	2.2	-1.5	-6.5	1.8	**2.7**	**2.1**	**2.1**	*0.4*	*1.8*	*0.5*
Poland	-4.3	-1.0	0.9	-0.4	-2.3	2.1	**1.1**	**1.1**	**1.1**	*2.4*	*1.9*	*1.8*
Romania	-6.8	-0.5	-2.3	-5.5	-7.5	-5.0	**-6.0**	**-5.1**	**-4.3**	*-3.8*	*-4.0*	*-3.5*
Sweden	6.5	3.9	3.2	6.6	4.6	6.1	**6.5**	**6.3**	**6.5**	*6.7*	*6.6*	*6.7*
EU	0.3	2.5	2.9	3.6	1.7	2.7	**3.5**	**3.4**	**3.4**	*3.0*	*3.2*	*3.2*
EU, adjusted 2)	0.0	2.2	2.6	3.1	1.0	2.1	**2.9**	**2.8**	**2.8**	*2.1*	*2.3*	*2.3*
United Kingdom	-3.3	-4.0	-3.9	-0.5	-2.2	-2.2	**-2.6**	**-2.5**	**-2.5**	*-3.5*	*-3.6*	*-3.6*
Japan	3.5	1.5	3.5	3.8	1.9	3.9	**4.4**	**4.5**	**4.7**	*3.8*	*4.0*	*3.8*
United States	-4.3	-2.5	-2.2	-3.7	-3.9	-3.3	**-3.6**	**-3.4**	**-3.3**	*-3.1*	*-3.1*	*-3.2*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 50: **Current-account balance[1] (in billions of euro, 2018-2026)** 31.10.2024

							Autumn 2024 Forecast			Spring 2024 Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	-6.7	0.6	4.3	9.4	-7.4	-3.8	**2.6**	**1.9**	**1.7**	*0.0*	*-2.3*	*-3.0*
Germany	294.5	282.0	220.0	258.2	183.2	259.2	**306.1**	**299.9**	**297.7**	*284.5*	*300.8*	*309.5*
Estonia	0.1	0.6	-0.7	-1.1	-1.4	-0.7	**-0.6**	**-0.4**	**-0.3**	*-0.7*	*-1.0*	*-1.0*
Ireland	14.4	-75.4	-27.0	54.6	45.6	41.3	**71.5**	**53.8**	**57.5**	*49.7*	*47.8*	*52.4*
Greece	-7.4	-5.0	-13.8	-15.2	-22.4	-18.0	**-16.9**	**-18.8**	**-18.8**	*-12.7*	*-12.1*	*-11.6*
Spain	22.8	26.7	8.9	9.6	4.8	39.8	**66.5**	**74.2**	**76.0**	*37.1*	*42.8*	*45.5*
France	-16.8	10.4	-44.4	1.2	-51.0	-56.7	**-14.4**	**-8.9**	**-8.0**	*-60.8*	*-41.5*	*-43.2*
Croatia	0.4	1.2	-0.8	0.2	-2.3	0.6	**0.3**	**0.5**	**0.6**	*0.9*	*0.9*	*0.9*
Italy	44.5	57.0	62.8	38.7	-34.9	-0.4	**24.9**	**26.9**	**32.8**	*6.3*	*31.8*	*32.4*
Cyprus	-0.8	-1.3	-2.2	-1.4	-1.6	-3.0	**-3.1**	**-3.0**	**-3.0**	*-3.6*	*-3.6*	*-3.6*
Latvia	-0.1	-0.1	0.9	-1.3	-2.0	-1.5	**-1.3**	**-0.9**	**-1.0**	*-1.5*	*-1.2*	*-1.2*
Lithuania	0.2	1.8	3.6	0.8	-4.1	0.8	**2.1**	**2.1**	**2.1**	*0.4*	*0.2*	*-0.2*
Luxembourg	2.4	-0.3	2.6	0.8	0.3	-3.7	**-3.7**	**-3.8**	**-3.7**	*-2.6*	*-2.9*	*-2.8*
Malta	1.4	1.1	0.6	0.6	-0.3	1.0	**1.3**	**1.3**	**1.5**	*0.8*	*0.7*	*0.8*
Netherlands	70.8	56.8	45.6	89.3	65.7	105.2	**125.1**	**131.6**	**135.4**	*104.3*	*110.3*	*114.2*
Austria	3.7	9.8	13.3	7.4	-3.4	6.8	**8.2**	**7.5**	**7.6**	*7.9*	*9.3*	*8.6*
Portugal	0.9	0.9	-1.9	-2.0	-5.5	0.6	**2.6**	**1.9**	**1.2**	*3.5*	*2.3*	*1.8*
Slovakia	-1.6	-3.4	-0.6	-4.5	-10.2	-0.1	**-1.7**	**-2.8**	**-2.1**	*-0.8*	*-2.7*	*-3.4*
Slovenia	3.0	3.1	3.6	1.9	-0.6	2.8	**2.0**	**2.1**	**2.0**	*2.2*	*1.0*	*1.0*
Finland	-3.7	-0.3	1.0	0.8	-5.8	-1.1	**-1.7**	**-2.6**	**-2.5**	*-4.0*	*-4.5*	*-2.5*
Euro area	421.9	366.3	275.7	448.2	146.6	369.1	**569.7**	**562.4**	**576.7**	*410.8*	*476.3*	*494.8*
Euro area, adjusted [2)]	323.4	287.2	209.8	326.7	1.7	248.4	**449.1**	**441.7**	**456.0**	*239.8*	*305.2*	*323.7*
Bulgaria	0.4	1.0	0.3	-0.8	-2.2	0.8	**0.3**	**-0.2**	**-1.4**	*-0.3*	*0.3*	*-0.3*
Czechia	-1.0	-1.8	1.0	-1.2	-12.3	8.2	**13.7**	**11.1**	**11.2**	*4.4*	*5.6*	*4.6*
Denmark	19.0	23.0	22.6	30.0	44.6	37.0	**41.3**	**41.2**	**41.6**	*40.9*	*45.8*	*46.0*
Hungary	0.0	-1.1	-1.1	-6.0	-14.3	1.8	**4.4**	**2.5**	**2.3**	*0.6*	*0.0*	*-3.2*
Poland	-9.9	-1.4	12.1	-7.7	-17.0	12.5	**5.5**	**4.0**	**3.4**	*15.1*	*10.5*	*9.2*
Romania	-9.7	-11.3	-11.3	-17.6	-27.0	-23.6	**-29.6**	**-29.3**	**-29.0**	*-21.6*	*-24.9*	*-25.7*
Sweden	8.7	23.6	27.1	35.8	24.8	33.4	**36.6**	**36.6**	**39.2**	*36.8*	*37.0*	*38.6*
EU	429.5	398.2	326.4	480.5	143.1	439.2	**641.9**	**628.3**	**644.0**	*486.6*	*550.5*	*564.0*
EU, adjusted [2)]	383.3	344.3	302.5	407.6	33.3	333.0	**535.7**	**522.1**	**537.7**	*329.2*	*393.1*	*406.5*
United Kingdom	-95.5	-68.4	-69.4	-11.6	-62.3	-61.3	**-78.0**	**-80.2**	**-83.7**	*-101.8*	*-106.7*	*-111.2*
Japan	149.6	157.8	131.2	165.4	77.7	152.3	**163.7**	**173.7**	**183.8**	*147.4*	*148.9*	*147.0*
United States	-373.6	-399.5	-501.6	-743.7	-970.6	-847.0	**-946.0**	**-932.1**	**-946.9**	*-768.8*	*-832.3*	*-886.1*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 51: **Export markets (a) (percentage change on preceding year, 2018-2026)** 31.10.2024

							Autumn 2024 Forecast			Spring 2024 Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2023	2024	2025
Belgium	4.1	3.2	-8.6	9.5	7.7	-0.3	**0.6**	**2.6**	**3.1**	*-0.5*	*1.5*	*3.2*
Germany	4.2	2.0	-8.3	11.1	7.3	-0.2	**1.4**	**2.9**	**3.1**	*0.2*	*2.4*	*3.4*
Estonia	4.8	2.9	-6.7	10.8	7.7	-1.1	**0.7**	**2.9**	**3.0**	*-1.0*	*2.1*	*3.3*
Ireland	4.1	1.4	-9.0	10.9	7.1	-0.6	**1.7**	**2.7**	**3.0**	*-0.6*	*2.0*	*3.1*
Greece	4.0	2.2	-8.9	11.3	9.5	0.5	**1.8**	**3.1**	**3.4**	*0.4*	*2.4*	*3.6*
Spain	3.7	2.3	-9.6	10.4	8.6	0.2	**0.9**	**2.7**	**3.2**	*0.2*	*1.9*	*3.2*
France	3.8	2.5	-8.8	10.6	7.5	-0.2	**1.4**	**2.8**	**3.1**	*-0.1*	*1.9*	*3.3*
Croatia	5.0	3.1	-8.8	12.6	8.6	-1.1	**0.9**	**3.0**	**3.4**	*-1.4*	*2.3*	*3.8*
Italy	4.0	2.3	-8.7	10.6	7.6	0.2	**1.6**	**2.8**	**3.1**	*0.0*	*2.1*	*3.3*
Cyprus	4.0	3.2	-9.1	11.4	5.3	0.9	**2.1**	**3.3**	**3.3**	*2.0*	*3.4*	*3.8*
Latvia	4.7	3.9	-7.0	12.7	6.7	-0.6	**1.4**	**3.1**	**3.2**	*-0.1*	*2.6*	*3.9*
Lithuania	4.7	3.3	-7.3	11.1	6.6	0.7	**0.9**	**2.9**	**3.1**	*0.5*	*2.2*	*3.6*
Luxembourg	3.8	2.2	-9.6	10.2	8.2	-0.9	**0.2**	**2.3**	**2.9**	*-1.0*	*1.1*	*3.0*
Malta	4.2	2.6	-8.1	9.6	7.7	0.1	**1.5**	**2.9**	**3.3**	*0.0*	*2.0*	*3.3*
Netherlands	3.9	3.0	-8.8	10.2	7.9	-0.9	**0.6**	**2.5**	**3.0**	*-1.0*	*1.3*	*3.2*
Austria	4.5	2.9	-8.0	10.6	7.6	-0.5	**0.8**	**2.7**	**3.2**	*-1.1*	*1.7*	*3.5*
Portugal	3.8	2.4	-10.6	10.5	8.0	-0.1	**1.2**	**2.6**	**3.1**	*-0.2*	*1.6*	*3.0*
Slovakia	4.9	2.8	-8.0	11.3	7.3	-0.4	**0.5**	**2.8**	**3.3**	*-1.0*	*1.8*	*3.7*
Slovenia	4.2	2.5	-7.8	11.3	9.0	-0.4	**1.1**	**2.9**	**3.2**	*-0.4*	*2.2*	*3.7*
Finland	4.3	2.2	-7.7	11.2	7.2	-0.1	**1.4**	**2.7**	**3.0**	*0.0*	*2.1*	*3.2*
Euro area b)	4.1	2.4	-8.6	10.7	7.6	-0.3	**1.2**	**2.7**	**3.1**	*-0.2*	*1.9*	*3.3*
Bulgaria	4.6	2.8	-7.8	11.6	7.8	0.6	**1.6**	**3.0**	**3.4**	*0.5*	*2.4*	*3.7*
Czechia	4.7	3.1	-7.9	10.6	7.3	-1.0	**0.6**	**2.6**	**3.1**	*-1.6*	*1.6*	*3.4*
Denmark	4.3	2.2	-8.3	10.6	7.6	-0.3	**1.5**	**2.7**	**3.1**	*-0.6*	*1.9*	*3.2*
Hungary	4.8	2.9	-8.2	11.5	7.6	-0.8	**1.0**	**2.7**	**3.1**	*-1.2*	*1.8*	*3.4*
Poland	4.4	3.1	-8.4	10.4	7.1	-0.3	**0.6**	**2.6**	**3.1**	*-0.7*	*1.5*	*3.4*
Romania	4.2	2.5	-8.5	10.7	8.4	-0.3	**0.4**	**2.8**	**3.3**	*-0.7*	*1.8*	*3.5*
Sweden	4.2	2.5	-8.3	9.7	7.7	-0.4	**1.2**	**2.7**	**3.0**	*-0.1*	*2.3*	*3.1*
EU (b)	4.1	2.5	-8.6	10.6	7.6	-0.3	**1.1**	**2.7**	**3.1**	*-0.3*	*1.9*	*3.3*
United Kingdom	3.7	4.1	-7.7	9.6	7.3	0.2	**2.5**	**3.0**	**3.2**	*0.0*	*2.4*	*3.4*
Japan	4.8	-0.2	-8.6	12.2	5.1	0.5	**3.3**	**3.2**	**3.3**	*-0.3*	*3.3*	*3.4*
United States	3.9	2.3	-9.0	10.1	7.2	1.0	**2.0**	**2.7**	**3.0**	*1.1*	*2.3*	*3.3*

(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 52: **Export performance (a) (percentage change on preceding year, 2018-2026)** **31.10.2024**

								Autumn 2024 Forecast			*Spring 2024 Forecast*		
		2018	2019	2020	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
Belgium		-2.5	-0.2	3.0	4.8	-1.8	-6.7	**-2.6**	**-0.8**	**-0.5**	*-2.8*	*-2.2*	*-0.2*
Germany		-1.7	-0.1	-1.3	-1.0	-4.0	-0.2	**-1.4**	**-1.5**	**-0.5**	*-2.4*	*-3.3*	*-0.6*
Estonia		-1.8	2.1	2.7	10.2	-2.3	-7.5	**-0.8**	**0.1**	**0.0**	*-5.3*	*-3.8*	*1.4*
Ireland		1.3	8.7	25.3	3.4	7.4	-6.9	**6.7**	**-1.4**	**0.8**	*-5.6*	*0.0*	*2.1*
Greece		5.1	2.6	-14.3	11.3	-2.7	1.3	**0.5**	**0.5**	**0.1**	*3.3*	*1.7*	*0.4*
Spain		-2.0	0.0	-11.7	2.7	5.8	3.1	**2.8**	**0.2**	**-0.5**	*2.7*	*-0.1*	*-0.9*
France		0.0	-0.4	-8.5	0.7	0.5	2.3	**0.4**	**0.2**	**0.4**	*1.3*	*0.5*	*0.0*
Italy		-1.8	-1.0	-5.6	3.2	2.2	0.8	**-1.2**	**-0.5**	**-0.2**	*0.3*	*0.3*	*-0.1*
Cyprus		3.1	5.3	11.7	13.3	17.5	-0.9	**5.5**	**0.2**	**-0.9**	*-3.5*	*-0.1*	*-0.5*
Latvia		-0.3	-4.3	7.1	-3.2	4.6	-4.0	**-3.2**	**-1.4**	**-0.8**	*-5.8*	*-2.9*	*-0.8*
Lithuania		2.1	6.6	7.9	4.9	5.6	-4.5	**2.1**	**0.3**	**0.4**	*-4.3*	*-0.1*	*1.2*
Luxembourg		-0.2	3.7	11.2	0.0	-8.2	-0.5	**0.9**	**1.7**	**0.8**	*-0.4*	*1.5*	*0.3*
Malta		8.6	4.4	15.3	-9.1	5.6	4.5	**1.6**	**0.3**	**-0.4**	*8.7*	*2.2*	*0.5*
Netherlands		1.0	-0.3	5.5	-3.0	-3.3	0.4	**-0.6**	**-0.2**	**-0.5**	*-0.3*	*-1.5*	*-0.8*
Austria		0.6	1.1	-2.6	-0.9	2.2	0.1	**-2.8**	**-0.4**	**-0.5**	*1.0*	*-0.4*	*-1.0*
Portugal		0.5	1.6	-8.3	1.3	8.1	3.4	**2.6**	**0.3**	**0.1**	*4.2*	*1.1*	*-0.5*
Slovenia		1.8	1.9	-0.7	2.8	-2.2	-1.6	**-0.2**	**0.2**	**0.2**	*-1.6*	*0.1*	*0.0*
Slovakia		0.6	-1.4	1.9	-0.5	-4.3	-0.3	**1.5**	**1.0**	**0.7**	*-0.4*	*2.4*	*0.3*
Finland		-2.5	4.6	-0.9	-4.6	-2.7	0.0	**-1.4**	**0.4**	**-0.2**	*-2.1*	*-1.1*	*-1.1*
Euro area	**(b)**	-0.7	0.7	-0.1	0.8	-0.2	-0.6	**0.2**	**-0.5**	**-0.1**	*-1.0*	*-1.0*	*-0.2*
Bulgaria		-2.7	1.1	-1.8	-0.2	4.2	-0.2	**-0.9**	**0.0**	**-0.4**	*-1.9*	*-0.8*	*-0.5*
Czechia		-1.1	-1.7	-0.6	-2.2	-2.0	3.7	**0.4**	**-0.3**	**-0.2**	*4.4*	*1.1*	*0.3*
Denmark		-0.8	2.1	2.2	-1.5	-0.6	9.7	**3.2**	**-0.7**	**-0.6**	*13.5*	*7.7*	*-1.3*
Croatia		-1.4	3.5	-14.6	16.5	16.8	-2.1	**-0.5**	**-0.1**	**-0.2**	*-1.8*	*0.3*	*-0.6*
Hungary		0.2	2.5	2.0	-2.8	3.1	2.4	**-2.7**	**-0.2**	**2.1**	*2.1*	*1.2*	*1.9*
Poland		2.3	2.2	8.0	1.8	0.3	3.9	**0.3**	**-0.2**	**-0.1**	*4.0*	*0.2*	*0.1*
Romania		1.0	2.4	-0.9	1.6	0.6	-0.4	**-2.4**	**-0.6**	**-0.8**	*-0.7*	*0.1*	*-0.2*
Sweden		0.2	4.4	2.9	2.1	-1.3	3.8	**0.6**	**-0.8**	**-0.2**	*3.6*	*-0.5*	*-0.2*
EU	**(b)**	-0.5	0.9	0.4	0.7	-0.1	0.3	**0.2**	**-0.5**	**-0.1**	*0.0*	*-0.6*	*-0.2*
United Kingdom		-0.5	-2.0	-4.4	-5.8	4.9	-1.9	**-3.8**	**-2.1**	**-1.9**	*-0.3*	*-3.0*	*-2.1*
Japan		-1.0	-1.3	-3.2	-0.2	0.4	2.3	**-3.0**	**-0.7**	**-1.1**	*3.2*	*0.1*	*-0.8*
United States		-1.0	-1.7	-4.4	-3.2	0.3	1.8	**1.2**	**0.2**	**0.1**	*1.5*	*-0.2*	*-0.6*

(a) Index for exports of goods and services divided by an index for growth of markets.
(b) Intra- and extra-EU trade.

Table 53: **World GDP, volume (percentage change on preceding year, 2020-2026)** **31.10.2024**

						Autumn 2024 Forecast			Spring 2024 Forecast		
	(a)	2020	2021	2022	2023	2024	2025	2026	2023	2024	2025
EU	14.7	-5.6	6.3	3.5	0.4	**0.9**	**1.5**	**1.8**	*0.4*	*1.0*	*1.6*
Euro area	11.9	-6.0	6.3	3.5	0.4	**0.8**	**1.3**	**1.6**	*0.4*	*0.8*	*1.4*
Belgium	0.5	-4.8	6.2	4.2	1.3	**1.1**	**1.2**	**1.5**	*1.4*	*1.3*	*1.4*
Bulgaria	0.1	-3.2	7.8	4.0	1.9	**2.4**	**2.9**	**3.0**	*1.8*	*1.9*	*2.9*
Czechia	0.3	-5.3	4.0	2.8	-0.1	**1.0**	**2.4**	**2.7**	*-0.3*	*1.2*	*2.8*
Denmark	0.3	-1.8	7.4	1.5	2.5	**2.4**	**2.5**	**1.8**	*1.9*	*2.6*	*1.4*
Germany	3.2	-4.1	3.7	1.4	-0.3	**-0.1**	**0.7**	**1.3**	*-0.3*	*0.1*	*1.0*
Estonia	0.0	-2.9	7.2	0.1	-3.0	**-1.0**	**1.1**	**2.6**	*-3.0*	*-0.5*	*3.1*
Ireland	0.4	7.2	16.3	8.6	-5.5	**-0.5**	**4.0**	**3.6**	*-3.2*	*1.2*	*3.6*
Greece	0.2	-9.2	8.7	5.7	2.3	**2.1**	**2.3**	**2.2**	*2.0*	*2.2*	*2.3*
Spain	1.4	-10.9	6.7	6.2	2.7	**3.0**	**2.3**	**2.1**	*2.5*	*2.1*	*1.9*
France	2.3	-7.4	6.9	2.6	0.9	**1.1**	**0.8**	**1.4**	*0.7*	*0.7*	*1.3*
Croatia	0.1	-8.3	12.6	7.3	3.3	**3.6**	**3.3**	**2.9**	*3.1*	*3.3*	*2.9*
Italy	1.9	-8.9	8.9	4.7	0.7	**0.7**	**1.0**	**1.2**	*0.9*	*0.9*	*1.1*
Cyprus	0.0	-3.2	11.4	7.4	2.6	**3.6**	**2.8**	**2.5**	*2.5*	*2.8*	*2.9*
Latvia	0.0	-3.5	6.9	1.8	1.7	**0.0**	**1.0**	**2.1**	*-0.3*	*1.7*	*2.6*
Lithuania	0.1	0.0	6.4	2.5	0.3	**2.2**	**3.0**	**3.0**	*-0.3*	*2.0*	*2.9*
Luxembourg	0.1	-0.9	7.2	1.4	-1.1	**1.2**	**2.3**	**2.2**	*-1.1*	*1.4*	*2.3*
Hungary	0.2	-4.3	7.1	4.3	-0.9	**0.6**	**1.8**	**3.1**	*-0.9*	*2.4*	*3.5*
Malta	0.0	-3.5	13.5	4.1	7.5	**5.0**	**4.3**	**4.3**	*5.6*	*4.6*	*4.3*
Netherlands	0.8	-3.9	6.3	5.0	0.1	**0.8**	**1.6**	**1.5**	*0.1*	*0.8*	*1.5*
Austria	0.4	-6.3	4.8	5.3	-1.0	**-0.6**	**1.0**	**1.4**	*-0.8*	*0.3*	*1.6*
Poland	1.0	-2.0	6.9	5.3	0.1	**3.0**	**3.6**	**3.1**	*0.2*	*2.8*	*3.4*
Portugal	0.3	-8.2	5.6	7.0	2.5	**1.7**	**1.9**	**2.1**	*2.3*	*1.7*	*1.9*
Romania	0.5	-3.7	5.5	4.0	2.4	**1.4**	**2.5**	**2.9**	*2.1*	*3.3*	*3.1*
Slovenia	0.1	-4.1	8.4	2.7	2.1	**1.4**	**2.5**	**2.6**	*1.6*	*2.3*	*2.6*
Slovakia	0.1	-2.6	5.7	0.4	1.4	**2.2**	**2.3**	**2.5**	*1.6*	*2.2*	*2.9*
Finland	0.2	-2.5	2.7	1.5	-1.2	**-0.3**	**1.5**	**1.6**	*-1.0*	*0.0*	*1.4*
Sweden	0.4	-2.0	5.9	1.5	-0.3	**0.3**	**1.8**	**2.6**	*-0.2*	*0.2*	*2.1*
Candidate Countries (b)	2.4	0.2	9.6	-1.4	4.9	**3.2**	**3.2**	**4.3**	*4.4*	*3.4*	*4.0*
- Albania	0.0	-3.3	9.0	4.8	3.9	**3.8**	**3.6**	**3.5**	*3.4*	*3.3*	*3.5*
- Bosnia and Herzegovina	0.0	-2.9	7.6	3.7	1.9	**2.3**	**2.4**	**3.0**	*1.6*	*2.3*	*2.8*
- Georgia	0.1	-6.3	10.6	11.0	7.5	**8.5**	**5.8**	**5.3**	*7.5*	*6.0*	*5.2*
- Moldova	0.0	-8.3	13.9	-4.6	0.7	**2.6**	**3.8**	**4.2**	*0.7*	*2.9*	*3.7*
- Montenegro	0.0	-15.3	13.0	6.4	6.3	**3.9**	**4.2**	**3.0**	*6.0*	*3.4*	*3.0*
- North Macedonia	0.0	-4.7	4.5	2.8	2.1	**2.0**	**2.6**	**2.9**	*1.0*	*2.9*	*3.0*
- Serbia	0.1	-1.0	7.9	2.6	3.8	**3.9**	**4.2**	**4.3**	*2.5*	*3.5*	*4.3*
- Türkiye	1.8	1.9	11.4	5.5	5.1	**3.0**	**3.2**	**4.0**	*4.5*	*3.5*	*3.8*
- Ukraine	0.3	-3.8	3.4	-28.8	5.3	**3.5**	**2.8**	**5.9**	*5.3*	*2.9*	*5.9*
Iceland	0.0	-6.9	5.3	9.0	5.0	**1.1**	**2.5**	**2.4**	*4.1*	*1.8*	*2.3*
Norway	0.3	-1.3	3.9	3.0	0.5	**1.0**	**1.5**	**1.8**	*0.5*	*0.8*	*1.4*
Switzerland	0.4	-2.1	5.6	3.0	0.7	**1.8**	**1.5**	**2.0**	*1.3*	*1.5*	*1.8*
Australia	1.0	-2.1	5.5	3.9	2.0	**1.4**	**2.0**	**2.2**	*2.0*	*1.4*	*2.2*
Canada	1.4	-5.0	5.3	3.8	1.2	**1.2**	**2.0**	**2.1**	*1.1*	*1.2*	*2.0*
Japan	3.5	-4.2	2.7	1.2	1.7	**0.2**	**1.2**	**1.0**	*1.9*	*0.8*	*0.8*
Korea	1.7	-0.7	4.6	2.7	1.4	**2.3**	**2.1**	**2.5**	*1.4*	*2.4*	*2.5*
United Kingdom	2.2	-10.3	8.6	4.8	0.3	**1.0**	**1.4**	**1.4**	*0.1*	*0.5*	*1.4*
United States	15.0	-2.2	6.1	2.5	2.9	**2.7**	**2.1**	**2.2**	*2.5*	*2.4*	*2.1*
Advanced economies	44.5	-3.8	6.2	2.8	1.8	**1.8**	**1.9**	**2.1**	*1.7*	*1.8*	*2.0*
Emerging and Developing Asia	34.4	-1.0	7.4	4.3	5.4	**5.3**	**5.1**	**5.0**	*5.4*	*5.2*	*5.1*
- China	18.7	2.2	8.5	3.0	5.2	**4.9**	**4.6**	**4.4**	*5.2*	*4.8*	*4.6*
- India	7.9	-5.9	9.4	6.5	7.7	**7.2**	**6.9**	**6.7**	*7.7*	*7.0*	*6.9*
- Indonesia	2.4	-2.1	3.7	5.3	5.0	**5.0**	**5.2**	**5.1**	*5.0*	*5.0*	*5.2*
Eastern Neighbourhood and Central Asia	1.1	-1.7	4.5	3.4	4.6	**4.1**	**4.1**	**3.5**	*4.5*	*3.8*	*4.1*
Russia	3.5	-2.7	5.9	-1.2	3.6	**3.5**	**1.8**	**1.6**	*3.6*	*2.9*	*1.7*
Latin America	7.4	-7.1	7.3	4.0	2.1	**1.8**	**2.4**	**2.6**	*2.4*	*2.1*	*2.5*
- Argentina	0.7	-9.9	10.4	5.3	-1.6	**-3.5**	**3.8**	**2.9**	*-1.6*	*-2.7*	*3.0*
- Brazil	2.4	-3.3	4.8	3.0	2.9	**3.1**	**2.3**	**2.4**	*2.9*	*2.0*	*2.1*
- Mexico	1.7	-8.4	6.0	3.7	3.2	**1.4**	**1.4**	**2.2**	*3.2*	*2.3*	*1.9*
MENA	5.6	-2.8	4.7	5.9	2.1	**2.3**	**3.7**	**3.5**	*2.0*	*2.8*	*4.0*
- Saudi Arabia	1.1	-3.6	5.1	7.5	-0.8	**1.4**	**4.5**	**4.0**	*-0.8*	*2.7*	*5.5*
Sub-Saharan Africa	3.3	-2.0	4.3	3.7	2.8	**2.9**	**4.1**	**4.5**	*2.2*	*3.3*	*3.9*
- South Africa	0.5	-6.2	5.0	1.9	0.7	**1.1**	**1.6**	**1.7**	*0.6*	*1.0*	*1.3*
Emerging and Developing Economies	55.3	-2.3	6.7	4.0	4.4	**4.3**	**4.4**	**4.3**	*4.3*	*4.3*	*4.4*
World	100.0	-2.9	6.5	3.4	3.2	**3.2**	**3.3**	**3.3**	*3.1*	*3.2*	*3.3*
World excluding EU	85.1	-2.5	6.5	3.4	3.7	**3.5**	**3.6**	**3.6**	*3.6*	*3.5*	*3.6*
World excluding euro area	87.9	-2.5	6.5	3.4	3.6	**3.5**	**3.6**	**3.6**	*3.5*	*3.4*	*3.6*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2023.

(b) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 54: World exports of goods and services, volume (percentage change on preceding year, 2020-2026) 31.10.2024

						Autumn 2024 Forecast			Spring 2024 Forecast		
	(a)	2020	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
EU (b)	31.8	-8.2	11.3	7.3	0.1	**1.4**	**2.2**	**3.0**	*-0.2*	*1.4*	*3.1*
Euro area (20) (b)	26.3	-8.8	11.4	7.3	-0.7	**1.5**	**2.2**	**3.0**	*-1.1*	*0.9*	*3.1*
Candidate Countries (c)	1.7	-13.3	18.6	2.0	-2.0	**2.9**	**3.8**	**5.6**	*-1.9*	*3.7*	*5.3*
- Albania	0.0	-27.7	52.1	17.0	9.5	**4.0**	**5.2**	**4.9**	*10.1*	*4.4*	*4.9*
- Bosnia and Herzegovina	0.0	-14.8	25.4	11.8	-1.2	**0.0**	**3.3**	**3.4**	*-3.2*	*3.0*	*4.1*
- Georgia	0.0	-37.6	23.5	37.4	8.2	**6.9**	**6.9**	**5.4**	*8.2*	*6.4*	*5.9*
- Moldova	0.0	-14.9	17.5	29.7	5.1	**0.5**	**6.0**	**7.0**	*5.1*	*6.7*	*7.4*
- Montenegro	0.0	-47.6	81.9	22.7	9.0	**3.4**	**4.2**	**4.3**	*8.6*	*6.1*	*5.9*
- North Macedonia	0.0	-10.9	14.3	10.6	-0.6	**2.6**	**3.0**	**3.1**	*-0.1*	*5.9*	*8.6*
- Serbia	0.1	-4.6	20.4	17.0	2.7	**4.2**	**4.6**	**4.9**	*2.4*	*5.2*	*6.8*
- Türkiye	1.2	-14.6	25.1	9.9	-2.8	**2.0**	**3.2**	**5.1**	*-2.7*	*2.9*	*4.3*
- Ukraine	0.2	-5.8	-8.6	-42.0	-5.4	**7.7**	**5.5**	**10.7**	*-5.4*	*6.0*	*9.1*
Iceland	0.0	-30.7	14.8	22.1	6.3	**1.2**	**3.9**	**3.8**	*4.8*	*3.2*	*2.9*
Norway	0.8	-2.3	6.1	4.5	1.4	**2.9**	**1.9**	**2.4**	*1.4*	*3.0*	*2.5*
Switzerland	2.2	-5.2	13.7	6.1	0.7	**3.0**	**2.0**	**3.2**	*4.4*	*2.6*	*3.5*
Australia	1.5	-9.6	-2.4	2.6	6.7	**2.0**	**3.6**	**2.6**	*6.9*	*3.0*	*4.0*
Canada	2.4	-9.0	2.7	3.2	5.4	**1.1**	**1.2**	**1.2**	*5.6*	*2.6*	*2.7*
Japan	3.0	-11.6	11.9	5.5	3.0	**0.2**	**2.5**	**2.2**	*3.0*	*3.4*	*2.6*
Korea	2.5	-1.7	10.8	3.9	3.6	**6.6**	**1.8**	**3.4**	*2.5*	*3.8*	*3.4*
United Kingdom	3.5	-11.8	3.2	12.6	-2.2	**-1.6**	**0.9**	**1.3**	*-0.5*	*-0.6*	*1.3*
United States	10.1	-13.1	6.5	7.5	2.8	**3.3**	**2.9**	**3.1**	*2.6*	*2.0*	*2.7*
Advanced economies	66.2	-8.7	10.0	5.8	0.8	**2.0**	**2.4**	**2.9**	*0.9*	*2.0*	*3.1*
Emerging and Developing Asia	18.7	-5.0	17.7	2.4	1.2	**6.5**	**4.3**	**3.6**	*0.2*	*3.5*	*3.8*
- China	11.6	-3.2	18.5	-0.2	1.8	**8.4**	**4.2**	**2.9**	*-0.3*	*3.0*	*2.8*
- India	2.5	-6.5	19.7	9.7	0.4	**5.4**	**6.0**	**6.2**	*3.6*	*5.7*	*6.8*
- Indonesia	1.0	-9.4	21.5	1.0	4.2	**0.6**	**4.0**	**6.0**	*1.0*	*3.9*	*5.7*
Easter Neighbourhood and Central Asia	0.8	-9.8	2.5	7.7	11.8	**5.2**	**6.2**	**4.1**	*10.5*	*6.0*	*6.0*
Russia	1.5	-4.2	3.2	-13.8	-15.5	**0.0**	**3.5**	**2.5**	*-8.9*	*4.5*	*3.0*
Latin America	5.4	-9.4	7.7	7.5	-1.3	**2.7**	**3.6**	**3.4**	*0.3*	*4.6*	*4.6*
- Argentina	0.3	-12.8	12.6	-1.8	-14.4	**18.9**	**3.7**	**4.3**	*-6.7*	*10.0*	*5.1*
- Brazil	1.3	-1.3	2.3	6.1	9.5	**4.2**	**4.1**	**4.1**	*7.5*	*4.4*	*4.1*
- Mexico	2.1	-7.0	7.2	8.7	-7.3	**-0.7**	**3.2**	**2.8**	*-6.9*	*1.7*	*3.3*
MENA	6.0	-10.1	5.6	12.4	2.1	**1.3**	**6.2**	**5.4**	*2.3*	*4.3*	*4.8*
- Saudi Arabia	1.2	-14.5	5.7	24.1	-0.1	**0.7**	**10.6**	**9.1**	*1.4*	*6.5*	*7.8*
Sub-Saharan Africa	1.4	-10.4	-0.5	4.8	0.2	**3.8**	**5.0**	**6.4**	*1.6*	*5.0*	*4.7*
- South Africa	0.4	-12.0	9.7	6.8	3.7	**2.3**	**3.7**	**3.9**	*4.2*	*4.3*	*4.6*
Emerging and developing economies	33.8	-6.9	12.7	3.9	0.3	**4.5**	**4.6**	**4.0**	*0.4*	*4.0*	*4.2*
World	100.0	-8.1	10.9	5.2	0.6	**2.9**	**3.1**	**3.3**	*0.7*	*2.7*	*3.5*
World excluding EU	68.2	-8.1	10.6	4.1	0.8	**3.5**	**3.5**	**3.4**	*1.1*	*3.3*	*3.6*
World excluding euro area	73.7	-7.9	10.6	4.4	1.0	**3.4**	**3.4**	**3.4**	*1.3*	*3.3*	*3.6*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2023.
(b) Intra- and extra-EU trade.
(c) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 55: Shares of main trading partners in goods export of EU and Member States (2023) 31.10.2024

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.3	49.0	2.9	7.8	5.3	1.0	7.5	3.7	1.0	0.6	3.1	2.5	1.2
Euro area	59.3	47.8	2.6	8.5	5.6	1.1	7.9	4.0	1.1	0.6	3.2	2.6	1.3
Belgium	69.7	61.7	1.5	5.3	6.2	0.8	4.3	1.5	0.7	0.4	2.6	2.3	2.6
Bulgaria	64.3	45.1	13.6	2.8	1.6	0.2	3.2	2.8	0.8	0.9	5.7	0.7	0.6
Czechia	80.2	65.3	3.1	2.7	3.1	0.5	3.5	1.6	0.4	0.5	1.5	1.1	0.4
Denmark	57.7	38.4	1.6	8.4	5.2	1.6	10.9	4.2	1.5	0.3	2.5	3.4	0.8
Germany	55.0	38.6	2.8	9.7	5.2	1.3	9.6	6.2	1.3	0.7	2.4	2.9	0.9
Estonia	73.7	56.2	2.4	3.3	2.1	0.8	7.6	1.6	0.5	2.1	1.1	1.2	0.6
Ireland	39.6	36.4	0.6	28.2	9.9	2.1	5.6	5.5	2.1	0.3	1.6	2.0	0.5
Greece	52.3	39.2	10.9	3.9	3.8	1.0	4.0	1.1	1.4	0.3	12.7	1.4	1.3
Spain	62.4	55.9	2.8	5.3	5.9	1.0	5.1	2.1	0.8	0.4	5.6	5.1	1.3
France	53.6	46.9	2.4	7.9	6.7	1.3	9.8	4.9	1.4	0.6	4.8	2.4	1.8
Croatia	67.2	53.2	16.9	3.2	1.6	0.3	2.9	0.5	0.6	1.2	1.9	0.6	1.5
Italy	50.6	41.6	3.7	10.9	4.3	1.5	10.4	3.6	1.2	0.9	5.7	3.4	1.1
Cyprus	31.0	24.1	0.9	2.0	5.3	0.0	5.2	0.6	7.4	0.3	27.4	8.9	5.2
Latvia	66.0	50.6	3.8	2.7	4.8	0.3	4.1	1.1	0.4	6.0	1.2	0.7	4.1
Lithuania	63.3	44.6	5.1	5.1	4.0	0.3	5.3	0.4	0.6	3.3	2.3	1.1	2.2
Luxembourg	76.0	68.9	1.8	3.2	3.4	0.4	6.4	1.3	0.5	0.2	2.1	1.9	0.9
Hungary	75.7	58.5	5.1	4.9	2.8	0.7	3.2	2.0	0.5	0.7	1.3	1.7	0.3
Malta	39.7	34.5	1.1	3.1	2.7	3.3	14.9	5.8	1.0	0.2	4.3	2.3	20.3
Netherlands	71.3	60.9	1.2	4.7	6.8	0.5	5.6	2.4	0.6	0.3	1.8	1.7	1.4
Austria	68.3	53.5	2.2	7.6	2.6	0.9	8.5	2.9	0.8	0.6	1.6	2.1	0.6
Poland	74.9	59.5	4.7	3.4	4.9	0.3	3.6	1.1	0.4	0.9	1.6	1.4	0.8
Portugal	65.8	60.4	1.9	7.2	4.8	0.6	5.2	2.2	0.3	0.2	3.8	2.7	3.9
Romania	68.7	52.5	9.1	3.1	3.8	1.1	3.1	1.8	0.7	0.5	5.0	1.1	0.4
Slovenia	59.8	45.9	6.2	3.5	1.2	0.4	22.7	0.7	0.4	1.2	1.6	0.6	0.2
Slovakia	74.7	44.1	3.5	5.7	3.3	0.4	3.4	4.4	0.1	0.6	1.9	1.0	0.3
Finland	55.6	38.7	2.2	9.8	3.4	1.7	9.7	5.2	1.4	1.6	2.2	2.9	1.3
Sweden	55.8	42.6	1.8	9.0	5.1	1.2	13.2	4.2	0.9	0.6	2.7	2.6	1.0

Table 56: **World imports of goods and services, volume (percentage change on preceding year, 2020-2026)** **31.10.2024**

						Autumn 2024 Forecast			*Spring 2024 Forecast*		
	(a)	2020	2021	2022	2023	2024	2025	2026	*2023*	*2024*	*2025*
EU (b)	30.5	-7.6	9.6	8.3	-1.2	**0.2**	**2.6**	**3.0**	*-1.4*	*1.3*	*3.3*
Euro area (b)	25.2	-8.2	9.0	8.3	-1.3	**0.0**	**2.5**	**3.0**	*-1.6*	*0.9*	*3.2*
Candidate Countries (c)	2.0	0.6	7.0	5.1	8.9	**0.9**	**3.4**	**4.9**	*8.9*	*2.8*	*3.7*
- Albania	0.0	-19.8	32.5	11.5	0.2	**6.3**	**4.7**	**4.2**	*1.3*	*3.8*	*4.0*
- Bosnia and Herzegovina	0.1	-13.4	20.6	6.2	-1.3	**2.3**	**4.0**	**2.5**	*-2.5*	*2.6*	*3.6*
- Georgia	0.1	-16.6	8.8	16.9	8.6	**9.6**	**6.2**	**5.0**	*8.6*	*7.0*	*5.0*
- Moldova	0.0	-9.5	21.2	18.2	-5.1	**1.7**	**3.4**	**3.8**	*-5.1*	*4.0*	*4.1*
- Montenegro	0.0	-20.1	13.7	21.3	5.9	**3.5**	**4.4**	**4.0**	*5.2*	*5.0*	*4.5*
- North Macedonia	0.0	-10.9	14.8	13.6	-5.8	**3.5**	**4.3**	**4.1**	*-5.8*	*5.6*	*8.6*
- Serbia	0.2	-4.0	17.7	16.2	-1.6	**7.2**	**5.7**	**5.9**	*-1.1*	*6.2*	*7.6*
- Türkiye	1.3	6.8	1.7	8.6	11.8	**-2.2**	**2.3**	**4.7**	*11.7*	*1.7*	*2.5*
- Ukraine	0.3	-6.4	14.2	-17.4	8.5	**7.3**	**5.8**	**5.8**	*8.5*	*3.8*	*5.5*
Iceland	0.0	-20.6	19.9	20.0	-1.1	**2.7**	**2.9**	**3.1**	*-1.4*	*2.7*	*3.0*
Norway	0.5	-9.9	1.8	12.5	0.7	**1.3**	**2.6**	**3.4**	*0.7*	*1.8*	*2.8*
Switzerland	1.9	-3.2	5.8	5.8	2.7	**2.4**	**2.3**	**3.1**	*5.8*	*3.3*	*4.3*
Australia	1.3	-11.8	4.8	13.5	6.4	**4.8**	**2.2**	**3.0**	*3.2*	*1.0*	*3.9*
Canada	2.5	-9.4	8.1	7.6	0.9	**0.6**	**1.1**	**1.1**	*1.0*	*1.3*	*2.9*
Japan	3.3	-6.8	5.2	8.2	-1.4	**0.0**	**2.7**	**2.2**	*-1.3*	*1.4*	*2.0*
Korea	2.6	-3.3	10.2	4.2	3.5	**2.5**	**2.8**	**2.4**	*-0.3*	*2.8*	*3.0*
United Kingdom	3.7	-15.9	5.8	13.0	-3.4	**0.9**	**0.6**	**1.5**	*-1.5*	*-0.2*	*1.4*
United States	13.1	-9.0	14.7	8.6	-1.2	**5.6**	**3.3**	**2.9**	*-1.7*	*3.2*	*2.9*
Advanced economies	67.4	-7.9	10.1	7.3	-0.7	**1.9**	**2.6**	**2.9**	*-1.2*	*2.0*	*3.1*
Emerging and Developing Asia	18.1	-8.8	13.4	1.9	2.4	**3.9**	**4.0**	**3.9**	*2.5*	*4.9*	*4.3*
- China	10.6	-6.7	10.5	-2.1	6.2	**3.3**	**3.0**	**3.0**	*3.0*	*4.6*	*3.3*
- India	2.9	-13.7	19.4	9.9	-1.2	**7.1**	**7.6**	**6.2**	*6.7*	*7.3*	*7.8*
- Indonesia	0.9	-14.9	15.2	8.8	-3.3	**4.8**	**5.4**	**6.1**	*1.5*	*3.7*	*7.7*
Eastern Neighbourhood and Central Asia	0.8	-16.9	-3.0	8.8	23.4	**5.6**	**5.0**	**3.8**	*14.0*	*5.8*	*6.0*
Russia	1.3	-11.9	19.1	-14.3	5.0	**-0.5**	**3.7**	**2.3**	*12.5*	*8.0*	*5.2*
Latin America	5.6	-12.3	18.3	6.9	0.9	**1.3**	**3.3**	**3.3**	*2.6*	*1.5*	*3.0*
- Argentina	0.3	-10.3	29.7	11.6	-2.5	**-15.3**	**6.7**	**4.1**	*2.2*	*-8.9*	*2.6*
- Brazil	1.1	-8.5	16.7	0.4	0.2	**1.4**	**2.6**	**2.5**	*-3.7*	*1.3*	*2.5*
- Mexico	2.3	-12.0	15.1	8.3	5.0	**2.6**	**2.1**	**2.8**	*5.7*	*1.4*	*2.8*
MENA	5.3	-15.2	7.5	11.1	6.0	**3.0**	**4.1**	**4.0**	*3.1*	*3.3*	*3.6*
- Saudi Arabia	1.0	-16.1	5.3	10.4	15.8	**5.2**	**8.2**	**5.6**	*8.7*	*4.6*	*7.0*
Sub-Saharan Africa	1.5	-11.9	-0.3	9.1	-3.1	**4.1**	**5.8**	**6.5**	*2.2*	*4.5*	*5.8*
- South Africa	0.4	-17.6	9.6	15.0	3.9	**2.8**	**4.3**	**4.6**	*6.7*	*5.0*	*6.2*
Emerging and Developing Economies	32.6	-10.9	12.5	3.8	3.0	**3.2**	**4.0**	**3.9**	*3.2*	*4.1*	*4.1*
World	100.0	-8.8	10.8	6.1	0.5	**2.3**	**3.1**	**3.2**	*0.2*	*2.7*	*3.4*
World excluding EU	69.5	-9.3	11.4	5.2	1.3	**3.2**	**3.3**	**3.3**	*0.9*	*3.3*	*3.5*
World excluding euro area	74.8	-9.1	11.5	5.4	1.1	**3.1**	**3.3**	**3.3**	*0.8*	*3.3*	*3.5*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2023.

(b) Intra- and extra-EU trade.

(c) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 57: **Shares of main trading partners in goods imports of EU and member states (2023)** **31.10.2024**

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.7	49.2	2.4	5.2	3.0	1.1	7.0	7.5	2.0	1.5	3.0	1.8	1.3
Euro area	60.1	48.2	2.1	5.8	3.3	1.1	7.1	7.5	2.1	1.5	3.4	2.0	1.5
Belgium	62.5	56.3	1.1	7.1	3.9	1.6	6.8	6.1	1.7	1.0	2.4	1.9	1.6
Bulgaria	62.4	43.3	13.8	1.0	0.9	0.3	2.7	5.2	1.0	5.9	1.6	2.0	0.6
Czechia	74.8	57.8	2.2	1.9	1.3	1.1	3.4	9.9	1.6	1.2	0.3	0.4	0.2
Denmark	65.8	46.8	1.3	4.3	2.4	0.5	12.2	6.4	1.9	0.9	0.4	1.8	0.3
Germany	65.6	45.9	2.2	5.2	2.5	1.3	8.2	6.8	2.2	0.8	1.4	1.4	0.9
Estonia	77.9	59.0	1.2	1.3	1.2	0.6	2.7	3.6	0.6	7.8	0.4	0.4	0.6
Ireland	39.9	35.7	0.7	14.6	23.1	1.4	7.1	5.2	1.6	0.2	0.8	1.3	0.4
Greece	47.9	38.5	5.5	1.9	1.4	0.4	3.5	11.1	0.9	4.1	13.1	1.6	0.9
Spain	56.1	48.9	2.8	5.5	2.5	0.8	3.9	8.5	2.4	0.7	6.3	4.9	2.8
France	65.2	57.5	1.5	5.8	3.5	0.8	6.0	5.5	1.5	0.8	4.7	1.1	1.6
Croatia	73.7	58.1	8.4	2.5	0.4	0.2	1.6	4.4	0.5	1.9	0.9	0.7	1.5
Italy	56.2	46.9	3.0	4.3	1.7	0.9	6.3	7.4	1.9	1.8	7.5	1.7	1.4
Cyprus	60.9	55.0	2.7	1.2	7.1	4.1	4.6	6.4	1.4	0.4	2.7	2.2	0.3
Latvia	73.4	56.6	2.4	2.2	1.3	0.1	4.0	3.4	1.4	7.3	0.3	1.1	0.5
Lithuania	67.3	45.7	2.4	6.1	1.9	0.2	6.1	3.9	0.6	5.7	3.3	0.4	0.2
Luxembourg	85.2	80.7	0.9	5.2	1.6	1.7	2.5	1.2	0.5	0.0	0.3	0.2	0.3
Hungary	72.0	55.2	3.8	1.8	1.0	1.2	7.2	7.2	1.4	2.7	0.3	0.4	0.1
Malta	42.5	40.5	5.1	2.3	3.1	1.0	11.9	7.4	1.0	5.2	15.5	1.8	0.2
Netherlands	41.8	35.2	1.1	9.8	4.3	1.6	9.1	13.6	3.9	2.3	2.4	3.8	2.8
Austria	77.8	63.9	2.2	2.5	1.0	0.7	6.8	2.8	1.6	1.8	1.1	0.3	0.1
Poland	66.5	54.4	3.0	2.8	1.7	0.9	6.2	9.1	1.6	2.3	2.9	1.2	0.4
Portugal	73.6	68.3	1.5	2.1	1.3	0.5	3.7	5.0	1.0	0.5	2.2	4.1	2.6
Romania	71.2	50.7	9.5	1.0	1.0	0.4	2.5	5.6	0.7	1.0	2.1	0.6	0.2
Slovenia	49.7	40.9	7.5	0.5	0.4	0.3	22.7	12.1	0.8	0.2	1.9	0.9	0.2
Slovakia	80.4	42.8	2.6	0.5	1.2	0.1	4.4	4.0	1.6	4.0	0.5	0.1	0.0
Finland	67.4	42.6	1.0	3.5	1.9	0.5	10.3	4.2	0.9	7.1	0.4	1.8	0.2
Sweden	68.7	54.0	1.2	4.0	3.2	0.8	11.9	5.2	1.6	0.2	0.7	0.9	0.7

Table 58: World merchandise trade balances (fob-fob, in billions of US dollar, 2019-2026) 31.10.2024

						Autumn 2024 Forecast			Spring 2024 Forecast		
	2019	2020	2021	2022	2023	2024	2025	2026	2023	2024	2025
EU	396.5	452.5	385.6	5.8	386.0	530.5	530.4	539.8	399.0	439.7	451.1
EU, adjusted[1]	266.2	304.3	226.8	-119.6	246.3	365.5	367.0	375.0	216.9	257.5	270.7
Euro area	379.8	415.3	383.4	52.8	341.1	480.1	485.2	494.9	352.6	402.4	419.3
Euro area, adjusted[1]	266.3	299.5	246.1	-43.5	237.4	352.2	358.0	366.2	227.4	275.6	293.6
Candidate Countries [2]	-57.1	-67.4	-64.9	-140.7	-149.8	-136.3	-163.7	-186.5	-149.6	-147.3	-143.9
- Albania	-3.5	-3.4	-4.5	-4.5	-4.9	-5.9	-6.4	-6.9	-4.9	-5.4	-5.7
- Bosnia and Herzegovina	-4.6	-3.7	-4.3	-5.5	-5.7	-6.2	-6.6	-6.8	-6.0	-6.2	-6.5
- Georgia	-3.8	-3.1	-3.8	-5.0	-5.7	-6.3	-6.9	-7.5	-5.7	-6.5	-7.1
- Moldova	-3.3	-3.1	-4.2	-5.2	-4.9	-5.1	-5.2	-5.3	-4.9	-5.2	-5.5
- Montenegro	-2.3	-1.9	-2.3	-2.8	-3.2	-3.5	-3.7	-3.9	-3.1	-3.3	-3.5
- North Macedonia	-2.2	-2.1	-2.8	-3.7	-2.8	-3.2	-3.5	-3.9	-2.8	-3.1	-3.6
- Serbia	-6.3	-5.8	-6.7	-9.5	-6.9	-8.0	-9.1	-10.3	-6.7	-6.6	-7.3
- Türkiye	-16.7	-37.6	-29.7	-89.9	-86.5	-66.5	-85.0	-103.0	-86.6	-82.1	-73.6
- Ukraine	-14.3	-6.8	-6.6	-14.7	-29.1	-31.6	-37.3	-38.8	-28.8	-28.8	-31.1
- Iceland	-0.8	-0.6	-1.0	-1.5	-2.1	-2.4	-2.7	-2.8	-2.1	-2.2	-2.4
- Norway	16.3	-1.0	72.4	169.5	77.0	81.5	82.8	85.7	77.0	80.2	82.9
- Switzerland	71.4	63.5	116.1	120.7	124.8	124.4	132.7	139.6	132.2	134.5	136.6
Australia	47.6	39.7	85.9	111.5	83.1	81.5	84.4	84.1	83.1	84.4	84.7
Canada	-14.2	-30.3	1.9	15.5	-1.5	7.0	8.4	9.2	-1.4	8.2	3.9
Japan	1.4	26.0	16.0	-118.3	-46.2	-31.1	-37.7	-42.7	-47.2	-51.4	-66.1
Korea	79.8	80.6	75.7	15.6	34.1	69.8	62.9	71.9	34.1	60.6	72.6
United	-184.9	-164.3	-223.1	-254.8	-233.3	-255.7	-265.5	-272.6	-232.1	-230.0	-240.4
United States	-871.9	-883.4	-1092.4	-1191.9	-1074.2	-1201.5	-1254.0	-1296.0	-1080.5	-1152.9	-1211.0
Advanced economies	-380.0	-309.4	-419.1	-1063.1	-576.3	-491.1	-565.8	-614.3	-560.8	-535.3	-575.0
Emerging and Developing Asia	259.8	508.0	461.1	471.2	417.0	372.9	342.9	328.5	401.7	258.4	226.3
- China	393.0	511.1	562.7	665.0	593.9	581.5	577.5	572.0	593.9	486.1	494.3
- India	-157.7	-95.4	-176.7	-267.2	-245.5	-261.1	-282.0	-291.7	-245.4	-280.6	-317.9
- Indonesia	3.5	28.3	43.8	62.7	46.2	37.8	37.7	41.9	46.3	51.7	49.1
Eastern Neighbourhood and Central Asia	16.8	-0.7	25.8	50.9	7.7	8.8	9.2	9.0	16.2	20.9	13.7
Russia	165.8	92.3	192.6	309.2	121.5	121.6	114.9	124.9	121.5	120.6	124.5
Latin America	22.8	75.9	20.7	-23.5	42.2	46.6	34.9	24.0	14.1	48.5	64.7
- Argentina	18.2	14.6	18.7	12.4	-2.9	19.1	17.5	17.5	-2.9	12.0	14.2
- Brazil	29.6	35.7	42.3	51.5	92.3	85.8	86.5	85.1	80.6	89.1	88.3
- Mexico	5.2	34.2	-10.7	-27.1	-5.5	-13.7	-13.8	-14.5	-5.5	-7.0	-4.2
MENA	235.9	73.9	290.2	528.6	298.1	225.3	206.3	183.6	409.6	380.9	373.1
- Saudi Arabia	121.3	47.9	136.5	235.3	126.9	105.9	108.5	100.1	129.5	120.9	123.2
Sub-Saharan Africa	5.7	-3.5	34.4	30.9	16.8	12.0	6.3	1.8	8.0	5.7	0.8
- South Africa	2.5	17.7	30.7	13.9	5.6	3.8	2.1	0.1	7.2	5.4	3.5
Emerging and Developing Economies	706.9	746.0	1024.8	1367.3	903.4	787.2	714.4	672.0	971.2	835.0	803.1
World	-69.6	-15.9	220.1	298.5	-58.9	-234.5	-381.8	-482.1	410.4	299.7	228.0
World excluding EU	-69.6	-15.9	220.1	298.5	-58.9	-234.5	-381.8	-482.1	11.4	-140.0	-223.1
World excluding euro area	-52.9	21.3	222.4	251.5	-14.0	-184.0	-336.5	-437.2	57.8	-102.7	-191.3

1) See note 8 on concepts and sources.

2) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 59: World current-account balances (in billions of US dollar, 2019-2026) 31.10.2024

						Autumn 2024 Forecast			Spring 2024 Forecast		
	2019	2020	2021	2022	2023	2024	2025	2026	2023	2024	2025
EU	445.7	372.9	568.2	150.5	474.9	697.8	681.7	698.7	526.2	589.9	601.3
EU, adjusted [1]	307.5	264.8	344.7	31.6	308.0	492.8	481.2	495.6	304.5	366.9	381.3
Euro area	410.0	314.9	529.9	154.2	399.0	619.3	610.2	625.6	444.2	510.3	527.6
Euro area, adjusted [1]	256.5	183.7	276.3	1.7	229.7	413.1	407.1	420.3	221.8	284.8	303.6
Candidate Countries[2]	-1.7	-34.5	-19.3	-49.4	-56.7	-45.6	-69.8	-76.7	-61.5	-53.3	-50.5
- Albania	-1.2	-1.3	-1.4	-1.1	-0.2	-0.9	-1.0	-1.0	-0.2	-0.3	-0.3
- Bosnia and Herzegovina	-0.5	-0.6	-0.3	-1.1	-0.6	-0.8	-1.0	-1.1	-0.8	-0.8	-0.7
- Georgia	-1.2	-2.3	-2.3	-1.2	-1.7	-1.4	-1.4	-1.4	-1.3	-1.6	-1.8
- Moldova	-0.9	-0.6	-1.3	-2.4	-1.9	-1.9	-1.9	-1.8	-2.0	-1.9	-1.8
- Montenegro	-0.8	-1.2	-0.5	-0.8	-0.8	-1.0	-1.1	-1.2	-0.8	-0.9	-0.9
- North Macedonia	-0.4	-0.4	-0.4	-0.8	0.1	-0.4	-0.4	-0.4	0.1	-0.2	-0.2
- Serbia	-3.6	-2.2	-2.9	-4.4	-2.0	-4.5	-5.2	-5.3	-2.0	-2.9	-3.1
- Türkiye	11.1	-31.0	-6.4	-45.6	-40.4	-18.2	-27.5	-32.6	-45.4	-32.1	-24.7
- Ukraine	-4.2	5.1	-3.8	7.9	-9.1	-16.4	-30.4	-31.8	-9.2	-12.7	-16.9
Iceland	1.6	0.4	-0.5	-0.6	0.4	-0.8	-0.7	-1.0	-0.9	-1.0	-1.2
Norway	15.5	4.1	66.8	175.3	79.7	86.5	88.3	92.1	77.3	81.9	84.8
Switzerland	24.7	-0.5	49.9	71.2	51.2	72.1	70.8	75.5	67.9	66.9	64.9
Australia	4.9	31.0	48.4	14.1	4.2	-5.7	4.4	1.1	21.3	34.9	35.2
Canada	-34.0	-33.3	0.3	-7.6	-15.6	-3.9	-5.2	-6.4	-13.3	-1.4	-5.2
Japan	176.6	149.9	195.6	81.7	164.7	177.9	188.4	199.4	159.4	159.6	156.7
Korea	59.7	75.9	85.2	25.8	35.5	60.6	54.5	61.6	35.5	47.4	63.0
United Kingdom	-76.6	-79.2	-13.7	-65.5	-66.3	-84.8	-87.0	-90.8	-110.1	-114.4	-118.6
United States	-447.3	-572.9	-879.4	-1020.9	-915.9	-1028.4	-1011.3	-1027.4	-831.2	-891.8	-944.8
Advanced economies	312.4	91.7	334.5	-420.7	-22.4	141.5	146.9	158.0	93.4	125.5	107.5
Emerging and Developing Asia	101.1	337.5	309.3	355.1	247.3	200.2	186.6	156.6	234.9	206.6	191.2
- China	102.9	248.8	352.9	443.4	253.0	212.6	212.2	212.3	253.0	230.7	235.7
- India	-29.9	32.6	-33.5	-79.1	-32.0	-41.1	-47.2	-51.0	-32.3	-57.2	-72.1
- Indonesia	-30.3	-4.4	3.5	13.2	-2.1	-12.5	-15.3	-13.2	-1.6	2.9	-2.6
Easter Neighbourhood and Central Asia	-8.1	-12.8	6.3	31.7	-12.7	-7.7	-7.6	-5.9	-8.4	-6.0	-4.2
Russia	65.7	35.3	124.9	235.8	50.1	59.7	54.9	64.2	50.2	52.5	53.5
Latin America	-103.3	-7.2	-89.2	-128.8	-69.8	-68.6	-82.2	-91.7	-123.2	-80.5	-71.3
- Argentina	-3.5	2.7	6.6	-4.1	-21.0	4.7	3.3	2.9	-21.5	4.8	4.3
- Brazil	-65.0	-24.9	-40.4	-40.9	-21.7	-38.3	-40.2	-45.3	-28.6	-18.4	-23.4
- Mexico	-3.9	26.9	-4.5	-17.6	-5.5	-13.6	-15.6	-17.3	-5.7	-15.0	-15.1
MENA	89.2	-39.3	167.8	444.8	230.4	130.0	92.6	94.9	341.3	291.8	287.9
- Saudi Arabia	38.5	-25.5	41.7	151.5	34.1	6.6	-19.2	-22.1	170.1	130.8	139.6
Sub-Saharan Africa	-44.8	-31.1	-3.4	-23.0	-27.8	-28.2	-39.9	-55.0	-37.8	-40.8	-55.7
- South Africa	-10.2	6.8	15.7	-1.9	-6.1	-7.3	-8.9	-10.8	-6.2	-7.7	-9.5
Emerging and Developing Economies	99.7	282.3	515.7	915.5	417.5	285.5	204.5	163.1	457.0	423.6	401.4
World	411.0	373.0	851.1	497.2	380.7	427.0	351.4	321.1	550.4	549.1	508.9
World excluding EU	-33.7	1.1	282.1	344.3	-79.8	-270.8	-330.3	-377.6	24.2	-40.8	-92.5
World excluding euro area	2.1	59.0	320.3	340.6	-3.9	-192.3	-258.8	-304.5	106.2	38.8	-18.7

1) See note 8 on concepts and sources.
2) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 60: Crude oil prices, 2019-2026 31.10.2024

						Autumn 2024 Forecast			Spring 2024 Forecast	
	2019	2020	2021	2022	2023	2024	2025	2026	2024	2025
Annual percentage change (USD)	-9.3	-35.1	69.3	42.5	-18.1	-2.2	-9.4	-2.2	3.5	-6.3
Price per barrel										
- Brent (USD)	64.3	41.8	70.7	100.7	82.5	80.7	73.1	71.5	85.4	80.0
- Brent (EUR)	57.5	36.6	59.8	95.8	76.3	74.2	67.4	65.9	79.7	75.1

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 2023 are based on outturns as far as available at the cut-off date of this forecast. Data for 2024 and 2025 are forecasts. The source for all tables is the European Commission, unless otherwise stated. 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. In order to avoid population census induced breaks in series and/or to treat Ukrainian refugees under temporary protection consistently across Member States, historical data for the population of working age of BG, CZ, DE, EL, FI, SE, PL and SK differ from published demographics data.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17a and 18, the data are based on the national index for the United Kingdom, 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 25-29 are based on numbers of persons. For the EU and EA as well as for countries for which employment was previously reported in full-time equivalents (ES, FR, NL, IT and US), these tables are now based on employment in persons, limiting the comparability to figures published before Autumn 2023. Historic employment data for 2022 is based on the aggregation of updated Member States data from Eurostat. However, this differs temporarily from the EU aggregate data published by Eurostat.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 48, 50, and 59 (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 47 - 50 and 58-59 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 2022.

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. Quarterly EU and euro-area GDP growth rates are aggregated using estimates for 24 Member States (excluding IE, PL and RO), but including unpublished quarterly forecasts for EL, CY and MT.

11 Net expenditure growth, table 39. See Box I.2.5

12 Geographical zones are defined as follows :

Euro area :

EA20 (BE, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

European Union :

EU (EA20, BG, CZ, DK, HU, PL, RO, and SE).

Candidate countries :

Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine

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, Lybia, 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.

Eastern Neighbourhood and Central Asia:

Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan.

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