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European Economic Forecast

Autumn 2023

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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

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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
NAWRU	Non-Accelerating Wage Rate of Unemployment
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
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
SME	Small and medium-sized enterprise
S&P GSCI	Standard and Poor's Goldman Sachs Commodities Index
TFP	Total factor productivity
TTF	Title Transfer Facility
TLTRO III	Targeted longer-term refinancing operations
VAT	Value-added tax

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
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
UAH	Ukrainian hryvnia
USD	US dollar

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FOREWORD

The European economy has lost momentum, against the background of a high cost of living, weak external demand and monetary tightening. As a result, this Autumn Forecast revises EU GDP growth down compared to its summer projections. After a challenging year, economic activity is, however, expected to modestly recover going forward, as consumption picks up on the back of a still robust labour market, sustained wage growth and continued easing of inflation. Despite tighter monetary policy, investment is projected to continue increasing, supported by overall solid corporate balance sheets and the Recovery and Resilience Facility (RRF).

Inflation is estimated to have dropped to a two-year low in the euro area in October and is set to continue declining over the forecast horizon. While the moderation over the past year was mainly driven by the sharp fall in energy prices, it has now increasingly become broad-based across all main consumption categories, beyond energy. As monetary tightening keeps working its way through the economy, inflation is set to continue declining, though at a more moderate pace, reflecting easing of inflationary pressures in food, manufactured goods and services.

Amid heightened geopolitical uncertainty, the future evolution of energy prices remains a concern. The energy price shock has dented cost competitiveness in the EU, in particular for the more energy-intensive Member States and industries. As energy prices decreased sharply in 2023, the large inflation differentials across Member States have only partly subsided. Together with dispersion in wage growth, price differentials could result in durable competitiveness gaps in some Member States. Moreover, with energy prices and thus input costs continuing to be higher than those of trading partners, closing the gap in productivity growth compared to peers remains crucial to preserve global competitiveness.

This calls for an ambitious policy agenda. In the short-term, durably taming inflation remains a priority. Meanwhile, the ability of the EU and its Member States to strengthen productivity and foster the green transition largely relies on the capacity to sustain innovation and investment. Reforms and investments are instrumental for this, making the full implementation of the RRF and of cohesion policy funds a priority.

Maarten Verwey

Director General
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A MODEST RECOVERY AHEAD AFTER A CHALLENGING YEAR

EXECUTIVE SUMMARY

The EU economy has lost momentum, but a modest rebound in growth is still expected going forward

Following a robust post-pandemic expansion in 2021 and 2022, the EU economy has lost momentum. Real GDP contracted very mildly in the fourth quarter of 2022 and barely grew in the first three quarters of this year. A high cost of living took a heavier toll than expected. On the external side, global trade provided little support. Meanwhile, the response of monetary policy to high inflation is working its way through the economy, and fiscal support is partly being phased out. This Autumn Forecast projects GDP growth in 2023 at 0.6% in both the EU and the euro area. This is 0.2 pps. lower than projected in the summer and an even larger downward revision compared to the Spring Forecast, by 0.4 pps. Going forward, growth is expected to rebound mildly as consumption recovers with rising real wages, investment remains supportive and external demand picks up. EU GDP growth is forecast to improve to 1.3% in 2024, still below potential and a downward revision of 0.1 pps. from summer. It is projected to gain further pace, to 1.7%, in 2025. In the euro area, GDP growth is forecast to be slightly lower, at 1.2% in 2024 and 1.6% in 2025. HICP inflation is estimated to have reached a two-year low in the euro area in October and is projected to continue declining over the forecast horizon. In the EU, headline inflation is set to decrease from 6.5% in 2023 to 3.5% in 2024 and 2.4% in 2025. In the euro area, it is forecast to fall from 5.6% in 2023 to 3.2% in 2024 and 2.2% in 2025.

Table 1:

Overview - the Autumn 2023 Forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Belgium	1.4	1.4	1.5	2.4	4.2	1.9	5.6	5.6	5.4	0.1	-0.3	-0.2	-4.9	-4.9	-5.0
Germany	-0.3	0.8	1.2	6.2	3.1	2.2	3.1	3.2	3.2	6.0	6.5	6.5	-2.2	-1.6	-1.3
Estonia	-2.6	1.9	2.7	9.4	3.5	2.1	7.0	6.9	6.8	0.6	1.1	0.5	-2.9	-2.4	-3.6
Ireland	-0.9	3.0	3.4	5.3	2.7	2.1	4.2	4.2	4.3	9.9	10.6	11.4	0.9	0.6	1.0
Greece	2.4	2.3	2.2	4.3	2.8	2.1	11.4	10.7	9.9	-7.0	-6.1	-5.6	-2.3	-0.9	-0.8
Spain	2.4	1.7	2.0	3.6	3.4	2.1	12.1	11.6	11.1	1.9	1.7	1.5	-4.1	-3.2	-3.4
France	1.0	1.2	1.4	5.8	3.0	2.0	7.2	7.4	7.5	-2.4	-2.4	-2.4	-4.8	-4.4	-4.3
Croatia	2.6	2.5	2.8	8.1	2.4	1.6	6.5	6.2	5.8	2.4	2.5	3.1	-0.1	-1.8	-1.8
Italy	0.7	0.9	1.2	6.1	2.7	2.3	7.6	7.4	7.3	0.8	0.9	1.0	-5.3	-4.4	-4.3
Cyprus	2.2	2.6	2.9	4.1	3.0	2.2	6.4	6.1	5.9	-9.6	-8.8	-7.5	2.3	2.1	2.5
Latvia	-0.2	2.4	3.0	9.6	3.2	1.9	6.8	6.6	6.5	-4.2	-3.2	-2.8	-3.2	-3.1	-3.1
Lithuania	-0.4	2.5	3.4	8.8	2.9	2.5	6.8	6.7	6.5	0.3	0.1	-0.1	-1.6	-2.3	-2.1
Luxembourg	-0.6	1.4	2.0	3.2	3.0	1.8	5.5	5.9	6.0	-1.2	-2.0	-3.0	-1.9	-2.1	-1.0
Malta	4.0	4.0	4.2	5.7	3.3	3.1	2.7	2.7	2.7	4.2	5.7	5.9	-5.1	-4.6	-4.1
Netherlands	0.6	1.1	1.7	4.6	3.7	2.0	3.6	3.9	3.9	9.2	9.2	9.1	-0.5	-1.8	-2.0
Austria	-0.5	1.0	1.3	7.7	4.1	3.0	5.3	5.4	5.3	0.8	0.9	1.2	-2.6	-2.4	-2.2
Portugal	2.2	1.3	1.8	5.5	3.2	2.4	6.5	6.5	6.4	1.6	1.1	0.8	0.8	0.1	0.0
Slovenia	1.3	2.0	2.7	7.5	3.9	2.4	3.6	3.7	3.6	3.7	1.9	1.5	-3.7	-3.3	-2.9
Slovakia	1.3	1.7	2.0	10.8	5.2	3.0	5.7	5.4	5.2	-2.1	-2.9	-3.0	-5.7	-6.5	-6.8
Finland	0.1	0.8	1.5	4.4	1.9	2.0	7.2	7.3	7.0	-0.5	-0.2	0.7	-2.4	-3.2	-3.4
Euro area	0.6	1.2	1.6	5.6	3.2	2.2	6.6	6.6	6.4	2.5	2.6	2.7	-3.2	-2.8	-2.7
Bulgaria	2.0	1.8	2.6	8.8	4.0	2.9	4.2	4.2	4.2	0.7	-0.3	-0.9	-3.0	-3.0	-3.2
Czechia	-0.4	1.4	3.0	12.2	3.2	2.4	2.4	2.5	2.5	-0.3	0.8	0.9	-3.8	-2.4	-1.8
Denmark	1.2	1.4	1.6	3.6	2.4	2.1	4.6	5.2	5.5	10.3	10.0	9.8	2.6	1.8	1.2
Hungary	-0.7	2.4	3.6	17.2	5.2	4.1	4.1	4.2	4.1	0.9	0.1	-0.4	-5.8	-4.3	-3.8
Poland	0.4	2.7	3.2	11.1	6.2	3.8	3.0	2.8	2.7	1.2	1.0	1.1	-5.8	-4.6	-3.9
Romania	2.2	3.1	3.4	9.8	5.9	3.4	5.4	5.2	5.3	-7.3	-7.1	-7.3	-6.3	-5.3	-5.1
Sweden	-0.5	-0.2	1.3	5.7	1.8	2.2	7.6	8.5	8.6	5.3	4.8	4.9	-0.2	-0.7	-0.6
EU	**0.6**	**1.3**	**1.7**	**6.5**	**3.5**	**2.4**	**6.0**	**6.0**	**5.9**	**2.5**	**2.5**	**2.5**	**-3.2**	**-2.8**	**-2.7**
United Kingdom	0.6	0.5	1.3	7.3	3.6	2.5	4.3	4.7	4.6	-2.1	-2.3	-2.4	-3.7	-2.9	-2.9
China	5.2	4.6	4.6	:	:	:	:	:	:	1.9	1.6	1.2	:	:	:
Japan	1.9	0.8	0.6	3.3	2.7	2.2	2.5	2.4	2.4	3.4	2.9	2.4	-6.6	-5.3	-4.1
United States	2.4	1.4	1.8	4.2	3.0	2.2	3.7	4.1	3.9	-2.9	-2.8	-2.8	-8.0	-7.5	-7.4
World	3.1	2.9	3.2	:	:	:	:	:	:	:	:	:	:	:	:

Economic activity so far in 2023 has lacked a solid growth driver

The loss of growth momentum so far this year has been underpinned by the lack of a solid growth driver, with weakness especially in consumption but also on the external side. Private consumption broadly stagnated on aggregate, as nominal wage growth continued to lag behind inflation. The volume of retail sales was still declining on a year-on-year basis up to summer, notably in automotive fuels and food, where prices remain elevated. At the same time, spending on services held up, partly related to the further recovery in tourist arrivals to the EU. However, exports declined, and net trade contributed positively to growth only because the decline in imports outpaced that in exports. Investment - both public and private - also increased only marginally in the first half of the year, though its dynamics were very volatile across Member States. On the output side, gross value added in industry was held back by weak demand and high energy costs. Similarly, high input and financing costs, as well as labour shortages, dragged on construction activity, particularly in housing. With purchasing power constrained by inflation, business activity in contact-intensive services stagnated, following its fast recovery last year. By contrast, IT and business services, which account for almost one fifth of EU gross value added, enjoyed continued expansion.

Tightening financial conditions are becoming a more prominent headwind to the growth outlook

The European Central Bank last hiked its policy interest rates in September, by 25 bps. Reflecting market expectations at the cut-off date of this forecast, the Euribor-3 months futures suggests that, after peaking at 4% in October, euro area short-term nominal interest rates will gradually decrease to 3% by the end of 2025. Most central banks in non-euro area Member States have also maintained their interest rates unchanged since September, while others in some Central and Eastern European countries have recently eased their monetary policy stance. In view of the path for inflation projected in this forecast, short-term real interest rates in the euro area are expected to turn positive towards year-end and increase gradually to 1% by the end of 2025. Nominal long-term rates in the euro area (10-year) increased in recent months, as investors priced in higher-for-longer policy rates. They are expected to stay at around 3.4% over the forecast horizon. In real terms, they are also projected to remain stable at around 0.9%. Meanwhile, bank lending data for the euro area show continued softening of credit flows to the private sector, with net lending flows turning even negative in a number of Member States in recent months. The decline in bank lending is due to tighter supply conditions, including through tightening credit standards for both enterprises and households, and lower demand. Tightening credit standards and lower demand are set to continue weighing on property prices, transactions and construction for a few more quarters (see Special Issue 4.1).

Still, investment is set to be supportive to growth

Total investment spending is set to grow steadily over the forecast horizon. Strong corporate balance sheets provide room for addressing the business transformation and capacity adjustment needed for the transition to energy saving and low-emission production. Easing constraints to production are foreseen to support investment. Infrastructure investment is also set to grow, benefiting from public spending and funding from the Recovery and Resilience Facility (RRF) and cohesion policy funds. Total investment growth in the EU is expected to slow to 1.2% in 2023 and to pick up to 1.5% in 2024 and

2.3% in 2025. Overall, these rates are slower than the average of the 2015-19 period, in particular due to the decline in housing investment.

Consumption is the key growth driver, as real incomes recover

Increasing wages, continued employment growth and further slowing of inflation are expected to lift the purchasing power of households in 2024 and 2025, boosting consumption. At the same time, after increasing this year, the saving rate is expected to remain broadly stable at a level slightly above its pre-pandemic average, hindering a stronger recovery in consumption. The higher level of interest rates increases the opportunity cost of consumption, while elevated uncertainty of consumers keeps the motivation for precautionary savings high. Furthermore, no further boost from any remaining pandemic-induced excess savings is to be expected, as these savings are increasingly allocated to less liquid assets and continue to be held by high income households with a lower propensity to consume.

The strength of the labour market is the main force behind the growth outlook

The EU labour market continued to perform strongly in the first half of 2023, despite the slowdown in economic growth. In the second quarter of this year, activity and employment rates reached their highest level on record, and in September the unemployment rate remained close to its record low. The coexistence of low unemployment and high shares of vacancies and labour shortages points to a still tight labour market. This tightness has been broad-based, and evidence suggests that sectoral or skills mismatches are not the main drivers. Yet, labour shortages continue to be acute in some sectors and occupations – e.g. in healthcare, hospitality, construction, and ICT (see Special Issue 4.2).. Going forward, the labour market is set to remain resilient, but there are signs of some cooling. Employment expectations as reported in the Commission´s business surveys have declined over the course of the year, while remaining well above their long-term average, and some Member States have seen an uptick in unemployment. The pace of job creation has eased in the first half of the year and is expected to remain weak in the second half. Yet as economic activity gradually improves, employment growth is set to continue. Employment growth is forecast at 1.0% in the EU this year, partly thanks to the gains recorded late last year, before easing to 0.4% in both 2024 and 2025. The unemployment rate is expected to remain broadly stable over the forecast horizon. Nominal wage growth is projected to accelerate further this year, before gradually moderating in 2024 and 2025. Importantly, this forecast sees wage growth catching up with a lag and exceeding inflation in those years, finally allowing workers to recoup purchasing power. This is still compatible with inflation coming back to target as labour productivity increases and unit profits decline.

The decline in inflation is expected to continue at a moderate pace

HICP inflation has continued declining sharply from the peak of 10.6% year-on-year recorded in October 2022 in the euro area. In October this year, it is estimated to have reached a two-year low of 2.9%. Inflation in the EU has followed a similar path. The steep decline in consumer energy prices throughout the year has been the key driver, but in recent months, moderation in inflation has been more broad-based, with several measures of underlying inflationary pressures pointing to an easing price momentum. As monetary tightening continues to work its way through the economy, inflation is set to continue declining, though at a more moderate pace, reflecting a broad-based easing of inflationary pressures in food, manufactured goods and services. Prices of services are set to decelerate more gradually than those of other consumption categories, reflecting their inherent inertia and the relatively stronger role of wages. The decline in unit profits, already observed in the first two quarters of 2023, is set to continue in 2024, accommodating the strong, although moderating, growth in labour cost (see Box I.2.2). As to energy prices, the reaction of oil prices, both spot and futures, has remained overall muted following the Hamas attack on Israel and the subsequent conflict in the Middle East. At the cut-off date of this forecast, oil price futures over the forecast horizon were only slightly higher (around 5%) than assumed in summer. The gas futures price curve remains broadly in line with the curve underpinning the Summer Forecast, with gas prices falling very gradually towards EUR 45/MWh by the end of 2025. Thus, the inflationary impulse from energy prices will be somewhat higher than previously expected in 2024 and broadly neutral in 2025.

The external environment remains challenging

External demand has provided little support so far this year as global goods trade continued contracting. Global growth (excluding the EU) is projected to reach 3.5% in 2023, reflecting strength in advanced economies in the first half of the year. It is forecast to inch down to 3.2% in 2024 as the effects of tight monetary policy continue weighing in and the slowdown in China continues. It is then expected to pick up again to 3.5% in 2025, as the recovery in the advanced economies takes hold. The slump in global trade continued over the summer, with global goods imports outside the EU down by 3% y-o-y in the first eight months of 2023, as geopolitical tensions and increased protectionism depressed trade elasticities. Global imports (excluding the EU) are expected to rebound in 2024 relative to the anaemic rate of 2023 and strengthen further in 2025. In line with this, EU exports are projected to pick up pace over the forecast horizon, though the EU is expected to lose market shares. However, as imports also recover in line with economic activity, the contribution of net trade to GDP growth is set to be broadly neutral in the forecast years. Meanwhile, falling energy prices have improved the EU's terms of trade and the resulting rebound of the trade balance of goods pushed the current account balance up. The EU current account surplus is set to improve to 2.5% in 2023 and stabilise at that rate over the forecast horizon.

Restraint in discretionary support helps to improve the fiscal balances

The EU general government deficit is projected to decline slightly further in 2023, to 3.2% of GDP, 0.1 pps. below the previous year. Discretionary fiscal support is estimated to have decreased significantly thanks to the complete phase-out of pandemic-related temporary measures, a reduction in subsidies to private investment and a lower net budgetary impact of energy-related measures. By contrast, the less favourable economic environment and higher interest expenditure are set to provide deficit-increasing impacts to the EU aggregate deficit in 2023. Restraint in discretionary fiscal support is expected to lead to further deficit reductions in 2024 and 2025, to 2.8% of GDP in 2024 and to 2.7% in 2025. Still, higher-for-longer interest rates are set to weigh on the public finances much more than they did in the past, diverting resources from other priorities. The EU fiscal stance is projected to turn contractionary in 2023, by 0.4 % of GDP, and even more in 2024 (by 0.7%), mainly related to the expected phase-out of the energy-related measures. The no-policy-change forecast for 2025 points to a slightly contractionary EU fiscal stance that year. As a result, fiscal policies in 2023-25 are not expected to fuel additional inflationary pressures, but are also not supporting the economy. The EU debt-to-GDP ratio is set to continue to decline to 83%

in 2023 due to inflation, as measured by the GDP deflator, increasing further, while higher interest rates on new debt issuances raise interest expenditure only gradually thanks to the long maturity of public debts in the EU. In 2024 and 2025, the debt ratio is projected to broadly stabilise, remaining above the 2019 level of around 79%.

Downside risks to the economic outlook have increased, while climate-related risks are strongly coming to the fore

Uncertainty and downside risks to the economic outlook have increased in recent months. They are primarily related to the evolution of Russia's protracted war of aggression against Ukraine and the conflict in the Middle East. Energy markets appear most vulnerable, as renewed disruptions to energy supplies could potentially have a significant impact on energy prices, global output and the overall price level (see Box I.3.1). Economic developments in the EU's major trading partners, China in particular, also pose risks (see Box I.2.1). On the domestic side, the transmission of monetary tightening may weigh on economic activity for longer and to a larger degree than projected in this forecast, as the adjustment of firms, households and government finances to the high interest rate environment could prove more challenging. Barring the risks to energy price developments highlighted above, risks to the inflation outlook appear broadly balanced. Finally, mounting risks associated to climate change also weigh on the outlook. Natural hazards like heatwaves, fires, droughts and floods, which have been raging across the continent with increasing frequency and scope, illustrate the dramatic consequences that climate change can have for the environment and the people affected, but also for the economy (see Special Issue 4.3).

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

The EU economy has had to grapple with unprecedented shocks in the past four years… The COVID-19 shock was followed by global supply-side disruptions as demand rebounded vigorously. In 2021, energy prices, most notably of natural gas and electricity, started to increase faster than the demand rebound warranted, amid reduced stocks, curtailed supply from the then major provider, Russia, and exceptionally weak wind and hydropower electricity generation. In February 2022, Russia's war of aggression against Ukraine steepened the surge of gas prices, with ripple effects for electricity prices. Taming the escalation of energy prices required significant adaptation and diversification efforts, which gave impetus to concerted policy action at EU level. Meanwhile, the inflationary pressures from energy prices broadened to the other components of the consumption basket, pushing HICP inflation to two-digit record highs in October 2022. In turn, this prompted a vigorous policy response by the monetary authorities. In the euro area, the ECB increased its policy interest rates at the fastest pace on record, and credit flows to the private sector decelerated significantly, also due to lower demand. Recently, the conflict in the Middle East darkens the geopolitical climate further, with potential significant ramifications for the EU and global economy, mainly through energy markets.

… but stood up well in the face of these shocks. By the end of last year, the volume of EU output was 3.3% higher compared to pre-pandemic levels, thanks to the vigorous rebound in 2021 and 2022. The European economy showed impressive resilience in the face of mounting headwinds, and growth has kept surprising on the upside. Despite the energy shock and ensuing record-high inflation, the slowdown in the second half of last year turned out milder than previously expected and in the fourth quarter EU real GDP declined only marginally.

Economic growth in the EU has lost momentum this year, and more than previously expected. Real GDP barely grew in the first three quarters of 2023, warranting the second downward revision in a row to projected growth for 2023 as a whole, compared to the Spring Forecast. The terms-of-trade improvement that started unfolding in late 2022, thanks to the steep decline in energy prices, was stronger than expected in Spring, yet it has failed to set the EU economy in motion. Other headwinds gathered pace in the meantime, weighing on confidence and activity, and depressing growth in the EU. First, on the external side, the combination of disappointing growth in China and continued geopolitical tensions aggravated the slump in global goods trade that has been lingering on since early 2022. As a result, EU markets for merchandise exports are set to shrink in 2023, marking the first outright contraction since the COVID-19 pandemic and the Great Financial Crisis. Second, energy prices, even if down substantially from their 2022 peaks, moved up since the Summer, and remain significantly above pre-crisis levels. They also compare unfavourably to global EU competitors (notably, the US), and, together with long-standing structural challenges in the EU manufacturing sector (e.g. car industry), they weigh on EU competitiveness. Third, on the domestic side, persistently high inflation and tightening financing conditions appear to have depressed confidence and weighed on consumption (of goods, in particular) and investment (in construction) more than previously expected. Despite the incurred loss in purchasing power, households (those with higher incomes, in particular) are saving a higher share of their income. Again, this is a significant turnaround from the Spring Forecast.

Remaining elements of resilience should help ensure a gradual resumption of growth. The EU labour market continued to perform strongly in the first half of 2023, despite the slowdown in economic growth. Notwithstanding some signs of weakening, it is set to be a driving force of the rebound. Job growth and dynamic wage growth coupled with the ongoing decline in inflation will finally allow workers to recoup losses in purchasing power, paving the way to a stronger consumption growth. Furthermore, despite the tight financing conditions, strong corporate balance sheets provide room for addressing the business transformation and capacity adjustment needed for the transition to energy saving and low-emission production. The full implementation of the reforms and investments under the Recovery and Resilience Facility (RRF) is also set to support the green and digital transitions, as well as infrastructure investment. The improvement in the EU's external environment is also expected to contribute to the rebound. Following the weakness in merchandise trade in recent quarters, demand for European goods should gather pace going forward, as trade elasticities normalise amid eased supply bottlenecks, and fading effects from global monetary tightening.

This forecast has to continue relying on crucial working assumptions. The evolution and economic impact of Russia's war of aggression against Ukraine remains highly uncertain. This forecast therefore continues to rest on the assumption that geopolitical tensions in the region and sanctions against Russia remain in place throughout the forecast horizon. It also assumes that the conflict in the Middle East does not escalate geographically. Moreover, the tighter monetary policy is assumed to lead to an orderly adjustment in financial markets with overall contained effects on corporate bankruptcies and households' repayment capacity (see Box I.1.1.).

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. The assumptions underpinning the Autumn 2023 Forecast are largely unchanged compared to previous editions.

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. At the same time, it is assumed that the conditions for a gradual increase in early reconstruction efforts in Ukraine will be in place as from end-2024/early 2025.

This forecast also assumes that the conflict in the Middle East does not escalate geographically.

People fleeing the war in Ukraine to the EU

It is assumed that the number of active temporary protection registrations will continue to increase in the course of 2023, albeit at a slowing pace. By early 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), resulting in a slightly decreasing total number of active registrations. This results in an assumed annual average of active registrations of about 4.0 million in 2023, 4.1 million in 2024 and 3.9 million in 2025. [1] The assumptions for 2023 and 2024 are somewhat below the ones used in Spring 2023, mainly due to data revisions by Member States that are expected to continue during the forecast horizon. 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, assumptions regarding the labour market integration of people fleeing the war remain broadly unchanged compared to the Autumn 2022 Forecast.

Bankruptcies, financing conditions and financial stability

Monetary and financing conditions are assumed to stay in line with markets' expectations for short and long term rates without producing any disorderly adjustment in financial markets and with overall contained effects on corporate bankruptcies over and above the increase shown by the latest available data for the second quarter of this year and households' repayment capacity. The banking sector is expected to be able to absorb the increase in corporate and household non-performing loans without restricting the flow of credit beyond the magnitude resulting from tightening monetary conditions.

The COVID-19 pandemic

The Autumn 2023 Forecast assumes that the pandemic will not cause any major disruptions in the EU economy over the forecast horizon.

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(1) The number of beneficiaries of temporary protection in the EU reached about 3.8 million by end-2022. See Eurostat's monthly statistics at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Temporary_protection_for_persons_fleeing_Ukraine_-_monthly_statistics.

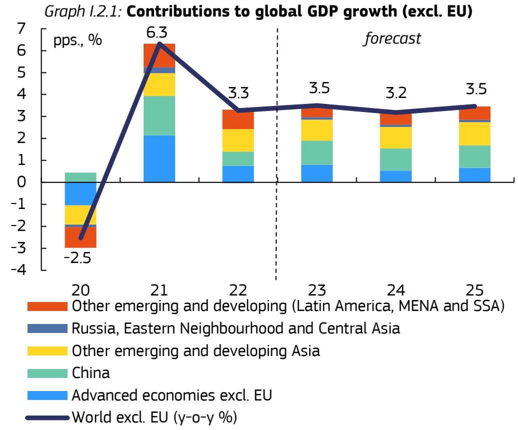
2. ECONOMIC OUTLOOK

2.1. INTERNATIONAL ENVIRONMENT

Global economic activity remained strong in the first half of 2023, despite a deceleration in the second quarter. Global economic growth (excluding the EU) edged down from 1.2% q-o-q in 2023-Q1 to 0.8% q-o-q in 2023-Q2, with much of the slowdown explained by China´s performance (see Graph I.2.1). Advanced economies (excluding the EU) grew by 0.7% in 2023-Q2, the highest quarterly growth rate since the end of 2021, driven by robust expansion in the US and Japan. Emerging market economies (EMEs) other than China saw growth decline marginally from an estimated 1.1% q-o-q in 2023-Q1 to around 1% q-o-q in 2023-Q2, but with strong outturns in India and Türkiye.

Economic growth in advanced economies was stronger than expected in the first half of 2023. In the US, the cycle of steep monetary tightening that started in March 2022 led to a sharp contraction of credit activity and tight financial conditions. Despite this, US economic activity remained robust. Low unemployment and strong wage growth sustained household incomes, fuelling private consumption growth. A sharp increase in non-residential construction investment, possibly on the back of the US government's support and increasing re-shoring trends, drove up gross fixed capital formation. Economic activity also surprised on the upside in Japan, driven by the upturn in automotive exports and sluggish imports. In the UK, output also held up better than expected, with the economy avoiding a recession and showing modest positive growth in 2023-Q1 and Q2.

Graph I.2.1: **Contributions to global GDP growth (excl. EU)**

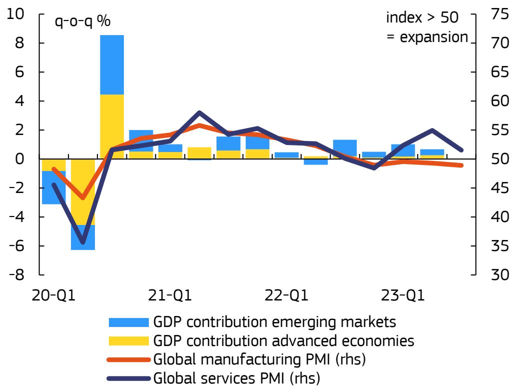


Economic recovery in China weakened after the rapid reopening spurt in the first quarter of the year. After a strong growth of 2.2% q-o-q in the first quarter of 2023, GDP growth slowed significantly to 0.5% in the second, before picking up to 1.3% in the third quarter. Overall, the recovery in private consumption disappointed, as household spending was held back by relatively weak labour market outcomes, especially for youth, and still high precautionary savings, reflecting a need for some households to strengthen their buffers after the impact of the pandemic. Investment growth weakened driven by a decline in private sector investment, especially in real estate, due to poor investor confidence.

Growth remained robust in other EMEs in the first half of 2023. In India, following real GDP growth of 6.7% in 2022, growth remained strong in the first half of 2023, reaching 6.9% compared to the same period in 2022, supported by household consumption, dynamic investment, and strong services activity. Private consumption (especially of services) also underpinned growth in Brazil and Mexico, with additional boosts from a record grain harvest in the case of Brazil, and buoyant corporate investment in Mexico. After a muted outturn in the beginning of the year, growth in South Africa picked up in the second quarter, supported by less frequent power cuts and higher investment. In Russia, a large fiscal stimulus drove growth in the first half of 2023, while in Türkiye a fiscal stimulus and easy monetary policy supported robust growth in domestic demand before the elections. By contrast, growth in emerging Asia moderated, reflecting weak external demand for manufacturing goods, in particular electronics.

The PMIs for the global economy signal some weakening of economic activity in the third quarter. The global manufacturing PMIs for advanced economies edged down from 48.5 in April to 47.4 in September 2023, while for EMEs the manufacturing PMI inched up from 50.5 to 50.9 in the same period of time (see Graph I.2.2). This slight improvement reflects broad-based strength in major EMEs, including a pick-up in China in August and September, as confirmed by the estimated outturn for the third quarter. The services PMIs continued to gradually decline, though remaining above 50 for both advanced economies and EMEs.

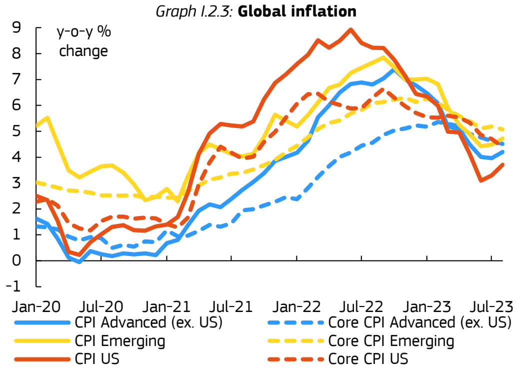
Graph I.2.2: **Growth in global GDP and global PMIs**



Sources: OECD, IMF and national sources for GDP, S&P Global for PMI.

Global headline inflation has been declining but core inflationary pressures remain high. Excluding the US, global headline inflation declined from a peak of 7.4% y-o-y in October 2022 to 4.5% in August 2023[1] on the back of lower commodity prices, easing supply chain bottlenecks and softening global goods demand, amid monetary policy tightening (see Graph I.2.3). Both advanced economies and major EMEs have seen a deceleration of headline inflation in recent months, with CPI inflation in China even turning negative in July 2023. Global inflation excluding food and energy remains elevated, at 4.8% in August 2023, down from the peak of 5.7% in November 2022. This reflects tight labour markets in the advanced economies, as well as persistently high services inflation. Inflation in the US continued to decelerate, though annual CPI inflation excluding energy and food, at 4.1% in September, remains well above the Federal Reserve's (Fed) inflation target of 2%.

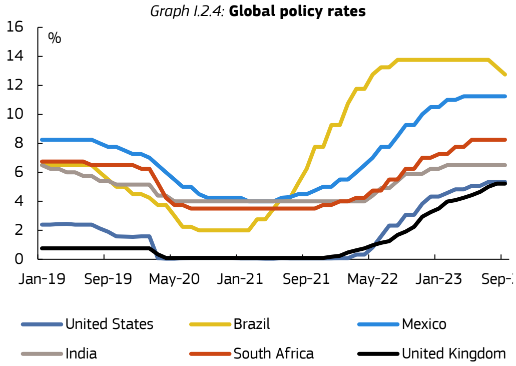
Graph I.2.3: **Global inflation**



Source: Dallas Fed.
Note: Last data point refers to August 2023. Core inflations excludes food and energy.

Global monetary policy rates appear to have peaked but are expected to remain high for longer. In view of tightening credit conditions and signs of cooling in the labour market, the US Fed paused policy rate hikes at its September meeting. (see Graph I.2.4). However, it signalled that the policy rate will remain higher for longer. Central banks in some other advanced economies increased policy rates further in the summer before pausing in September (e.g. UK, Canada), while some EMEs' central banks (e.g. in Latin America) have started to cut them and have hinted at further easing, as inflationary pressures subsided and policy rates are at or near historical highs.

Graph I.2.4: **Global policy rates**



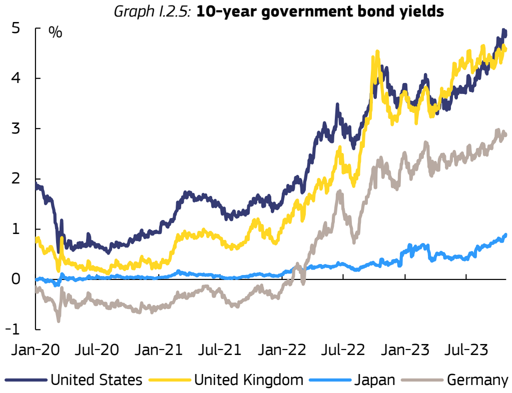
Source: national central banks.

Financial conditions have further tightened after the summer. Treasury yields in the US and other advanced economies increased in recent months, reflecting expectations of an extended period of higher interest rates and reinforcing the upward trend seen in the first half of the year

(1) Federal Reserve Bank of Dallas (2023). "Headline Consumer Price Index Inflation." Database of Global Economic Indicators

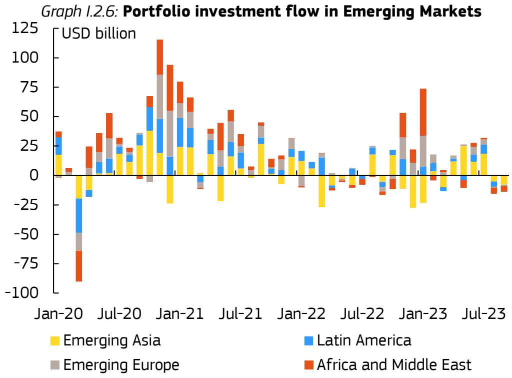
(see Graph I.2.5). Bond yields in EMEs followed this trend, but with somewhat lower spreads vis-à-vis advanced economies. After some recovery in the first half of 2023, portfolio capital inflows into EMEs declined in recent months (see Graph I.2.6). Chinese financial markets have underperformed other emerging markets so far in 2023, as the renminbi has depreciated, and stock market prices have fallen sharply. Capital inflows to China remain subdued.

Graph I.2.5: **10-year government bond yields**



Source: National Central Banks.

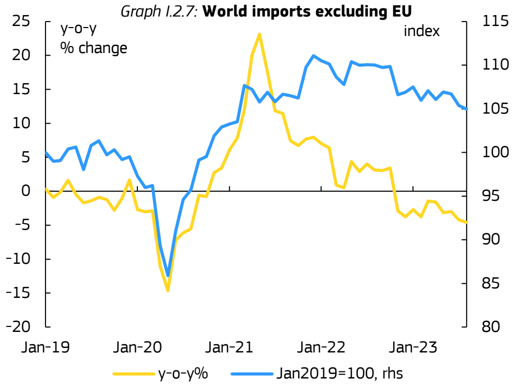
Graph I.2.6: **Portfolio investment flow in Emerging Markets**



Source: IIF.
Note: Last data point refers to September 2023.

Global goods trade continues to contract. Despite relatively robust growth in global GDP in the first two quarters, global merchandise trade volumes continued to weaken up to August, held back by geopolitical tensions, the weakness in Asia, and the effect of trade restrictions. In the first eight months of 2023, global goods imports fell by 3.1% compared to the same period of 2022, with UK, Asia (excluding China) and Latin America leading the slump (see Graph I.2.7). Global trade momentum (3m-o-3m) weakened to -1.1% in August, after -0.5% in July. Latest trade-related indicators point to a possible bottoming-out of trade volumes. New export orders in global PMIs improved slightly in September (48.1), though still remaining in the contractionary territory, while the Kiel trade indicator pointed to a marginal increase in trade volumes (0.2% m-o-m) in September.

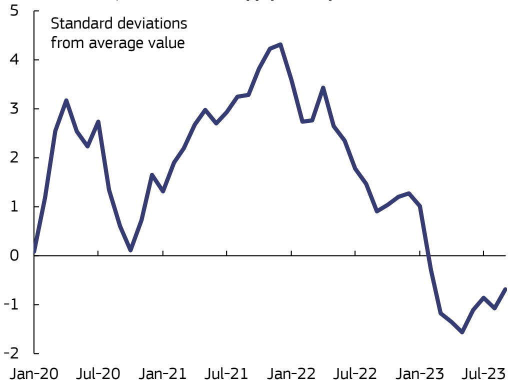
Graph I.2.7: **World imports excluding EU**



Source: CPB.

With supply chain pressures having abated, shipping rates have dropped substantially. The Federal Reserve Supply Chain Pressure Index remains low, but has been normalising, with the September reading at -0.69 standard deviations from the index's historical average (see Graph I.2.8). Port congestion eased, with the share of the global container fleet waiting at major ports decreasing marginally to 7%. Since mid-August, container shipping rates have dropped by 30%, as increasing capacity encounters a relatively low demand at the start of the shipping peak season (see Graph I.2.9).

Graph I.2.8: **Global supply chain pressure index**



Source: New York FED.

Graph I.2.9: **Global freight indices**

Sources: Baltic Exchange and Freightos.

Outlook

The pace of global growth (excluding the EU) is set to hover above 3% over the forecast horizon. After slowing to 3.3% in 2022, real GDP growth (excluding the EU) is projected to edge up to 3.5% in 2023, reflecting the strong outturn in the first half of the year. Growth is forecast to inch down to 3.2% in 2024 as the effects of tight monetary policy continue to weigh in and the slowdown in China continues. Growth is then expected to pick up to 3.5% in 2025, as the recovery in the advanced economies takes hold. Total global growth (including the EU) is projected to remain a bit more muted, decelerating from 3% in 2023 to 2.9% in 2024, before picking up to 3.2% in 2025. These projections remain below the historical average global (including the EU) growth rate of 3.5% over the period 2010-2019. Overall, emerging Asia and China are expected to contribute about 60% of global growth over the forecast horizon. The outlook for global trade in 2023 remains downbeat, with growth in world imports of goods and services (excluding the EU) set to moderate to 1.2%, as the slump in goods trade and geopolitical tensions continue to weigh on global trade elasticity. Trade volume growth is projected to gain strength thanks inter alia to the gradual recovery of trade in Asia, and reach 3.4% in 2024 and 3.7% in 2025.

After still relatively robust growth in 2023, economic activity in the advanced economies is expected to decelerate in 2024. Growth in the US is set to slow for a couple of quarters starting from the end of 2023, as the output gap gradually closes in response to tight financial conditions. A return to near potential growth is expected in the second half of 2024 and in 2025. Accordingly, growth was revised up to 2.4% in 2023, and forecast at 1.4% in 2024 and 1.8% in 2025. Elevated primary deficits, high long-term rates and political fragmentation in Congress increasingly impeding the budgetary process are clouding the US mid-term fiscal outlook. In Japan, the strong recovery in the first half of 2023 is unlikely to last, as elevated inflation is expected to erode private demand while weak global demand, including from China, hampers trade. Real GDP growth is projected to decelerate from 1.9% in 2023 to 0.8% in 2024 and 0.6% in 2025. In the UK, falls in energy prices are now starting to feed through to household bills, but business investment, residential investment and external demand are all expected to remain subdued and prospects for 2024 are muted. Real GDP growth in the UK is set to soften to 0.6% in 2023 and 0.5% in 2024, before rebounding to 1.2% in 2025. Overall, advanced economies (excluding the EU) are expected to see growth at 2.2% in 2023, before slowing to 1.6% in 2024 and edging up to 1.9% in 2025.

Prospects for China have deteriorated. At 5.2% y-o-y, average growth in the first three quarters of 2023 was above the government's target of 5% for 2023. However, domestic demand is weaker than previously expected and China's economy appears to be struggling with widespread low confidence, with both households and private enterprises delaying spending and new investment. External demand is also weakening, leaving only state-owned enterprises (SOEs) and the rest of the public sector to drive growth. Overall, real GDP growth in 2023 is projected to reach 5.2%. As China's slowdown is also grounded in structural factors, growth is expected to gradually converge towards a lower, long-term growth trajectory, with both 2024 and 2025 forecast at

Table I.2.1:

International environment

(Annual percentage change)					Autumn 2023 Forecast			*Spring 2023 Forecast*	
	(a)	2020	2021	2022	2023	2024	2025	*2023*	*2024*
					Real GDP growth				
Japan	3.8	-4.2	2.2	1.0	**1.9**	**0.8**	**0.6**	*1.1*	*1.0*
United Kingdom	2.3	-10.4	8.7	4.3	**0.6**	**0.5**	**1.3**	*-0.2*	*1.0*
United States	15.5	-2.2	5.8	1.9	**2.4**	**1.4**	**1.8**	*1.4*	*1.0*
Emerging and developing Asia	33.7	-1.1	7.2	4.3	**5.2**	**4.9**	**5.0**	*5.2*	*5.1*
- China	18.4	2.2	8.5	3.0	**5.2**	**4.6**	**4.6**	*5.5*	*4.7*
- India	7.3	-6.0	8.9	6.7	**6.6**	**6.1**	**6.5**	*5.6*	*6.6*
Latin America	7.5	-7.3	7.3	4.0	**2.5**	**2.1**	**2.4**	*1.7*	*2.1*
- Brazil	2.3	-3.3	5.0	2.9	**2.8**	**1.6**	**1.8**	*1.0*	*1.3*
MENA	5.9	-3.3	4.2	5.8	**2.3**	**3.3**	**3.5**	*3.2*	*3.5*
CIS	3.9	-2.4	5.5	-0.8	**2.5**	**2.2**	**2.3**	*0.2*	*2.0*
- Russia	2.9	-2.7	5.6	-2.1	**2.0**	**1.6**	**1.6**	*-0.9*	*1.3*
Sub-Saharan Africa	3.3	-2.0	4.3	3.5	**2.2**	**3.5**	**4.0**	*3.2*	*3.3*
Candidate Countries	2.6	0.4	9.6	0.0	**4.1**	**3.5**	**4.1**	*3.1*	*4.3*
World excluding EU	85.1	-2.5	6.3	3.3	**3.5**	**3.2**	**3.5**	*3.1*	*3.3*
World	100.0	-3.0	6.3	3.3	**3.1**	**2.9**	**3.2**	*2.8*	*3.1*
					Trade of goods and services, volumes				
World excluding EU, import		-8.4	11.5	4.3	**1.2**	**3.4**	**3.7**	*1.4*	*3.0*
EU export market growth		-8.5	10.5	7.2	**0.2**	**2.5**	**3.3**	*1.9*	*3.5*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2022.(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.

4.6%. Risks are tilted the downside, related to the downturn of the property sector and high debt imbalances (see Box I.2.1).

Prospects for emerging markets other than China remain rather muted, with slow growth expected in 2023 and only a gradual pick-up projected in 2024 and 2025. In emerging Asia (excluding China) the strength of private consumption and the recovery of services, notably tourism, are helping to underpin growth, despite the negative spillovers from the slowdown in China. At the same time, India is expected to be one of the fastest growing economies among the G20 countries, as the continued strong domestic demand momentum is set to keep growth at above 6% over the forecast horizon. Moderate growth in Latin America is expected to be supported by the reform agenda of Brazil's new administration and by the rekindling of Mexico's investment, buoyed by a trend shift towards de-risking and near-shoring in the US. Growth prospects in South Africa are subdued and depend on the resolution of deep-seated problems in the energy and transport sectors. Prospects for other African countries are clouded by high global financing costs and moderating Chinese demand for commodities. In Russia, labour market shortages hamper output expansion, while accelerating inflation is already resulting in further monetary tightening, limiting the scale of the economic recovery. Finally, in Türkiye the authorities have taken some initial steps to revert to more stability-oriented macroeconomic policies and are reining in the strong growth in domestic demand. This is expected to cool economic activity already in the second half of 2023 and into 2024. Overall, growth in EMEs outside of China is projected to slow from around 4.5% in 2022 to 3.7% in 2023, before picking up to 3.9% in 2024 and 4.1% in 2025.

Box I.2.1: **Spillover effects to the EU from a potential sharp slowdown in China**

China's GDP growth has been on a downward trend for over a decade. Annual average growth has halved from 10.6% during the 2000s to 5.3% since 2018. Notwithstanding a negative impact of the COVID-19 zero-tolerance policy, much of this pronounced slowdown is structural. Lack of progress in rebalancing the economy from investment to consumption has gradually reduced the marginal return of investment. High investment has gone hand in hand with a rapid accumulation of debt. China's debt level is significantly higher than in other countries at similar levels of economic development. In particular local governments, but also the corporate sector, are highly indebted by comparison. At the same time, consumption is held back by the absence of a robust social safety net. China is also facing adverse demographic trends, having the fastest ageing population among all major economies. As a result, growth in China is likely to keep losing strength [1] over the medium-term.

The faltering post-pandemic recovery adds to China's structural woes. The removal of the strict COVID-19 measures last December presaged a quick and robust recovery in 2023-Q1. However, growth has moderated thereafter as households delay spending to rebuild savings buffers and on the back of the ongoing real estate crisis. In a context of falling prices and demand, many firms in the real estate sector are facing severe solvency concerns. Approximately half of the biggest 50 developers have been defaulting payments on their liabilities. The collapse in construction activity has created a major drag on fixed-asset investment and intensified the financial challenges of local governments. Falling house prices also reinforce negative wealth effects on domestic consumption, as households hold more than 70% of their total wealth in real estate.

With a moderate policy response to the slowdown thus far, downside risks to the outlook remain elevated. Against this backdrop, this box examines the exposure of the EU to China's economy and estimates the impact of a possibly sharper slowdown of China's economy than assumed in the baseline of this Autumn Forecast.

Spillover effects for the EU – QUEST simulation

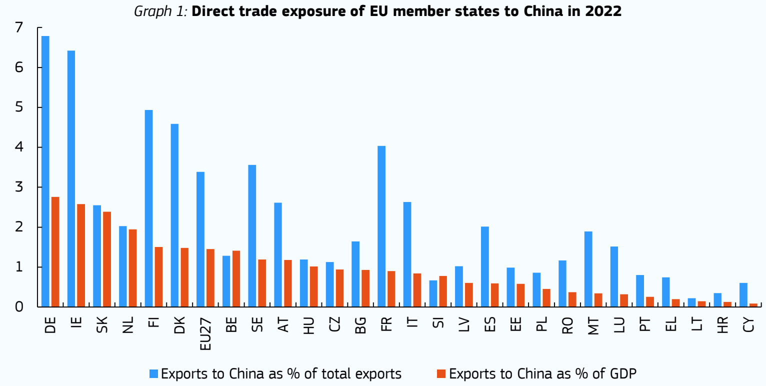
The channels through which slower Chinese growth could affect the EU are complex and inter-linked. First, the two regions are connected via direct trade linkages. As Graph 1 illustrates, China's share in the EU's export basket is limited. There is some variation across Member States, with Germany and Ireland exhibiting the largest trade exposure to China, reaching 6.8% and 6.4% of total exports in 2022. Measuring trade exposure as a share of economic output, exports destined directly to China make up only 1.5% of EU GDP, with Germany and Ireland again displaying the highest shares (2.8% and 2.6%, respectively), followed by Slovakia and Netherlands. Second, the EU and China also have indirect trade linkages through third countries whose import demand from the EU might be influenced by their exposure to Chinese spending. Third, the general equilibrium response of prices and incomes would influence the broader macroeconomy beyond the sectors involved in international trade, including the profitability of EU companies operating in China. Global commodity prices constitute another spillover channel to the world economy. Finally, there might be potential financial contagion effects. Real estate developers are among the most indebted companies in China, with a non-negligible share of internationally issued debt. An aggravation of the property crisis in China could lead to widespread defaults, which could reverberate through the world's financial markets.

[1] Illustrating this trend, the latest IMF medium-term forecasts for China predict a significant deceleration in Chinese GDP growth to 3.4% by 2028.

(Continued on the next page)

Box (continued)

Graph 1: **Direct trade exposure of EU member states to China in 2022**



The potential spillovers to the EU from Chinese growth are estimated with a multi-country version of the Commission's macroeconomic model, QUEST [2]. This is an open-economy DSGE model, featuring both a tradeable and non-tradeable sector, and including four country blocks: the EU as a whole, China, the US and the rest of the world. The simulated alternative growth path for China features a persistent decline in Chinese domestic demand starting in 2024, driven by weaker investment and consumption. [3] The financial contagion effect mentioned above is captured in the model through an exogenous increase in risk aversion that would lead to tighter financial conditions across the globe. [4], [5]

The simulated scenario results in the volume of Chinese GDP 2.6% and 2.3% lower in 2024 and 2025, respectively, than it would be without the above shocks (see Graph 2a). The sharp slowdown in Chinese domestic spending implies a markedly weaker import demand by China, corresponding to lower external demand for China's trading partners, including the EU (see Graph 2c). There are also indirect spillovers to EU exports via weakening import demand in the rest of the world (see Graph 2d), as real incomes in other countries are hit by lower Chinese spending. In addition, these countries would need less EU-produced intermediate inputs for their declining exports to China. In line with these adverse direct and indirect trade effects, aggregate GDP in the EU declines compared to the baseline, but only by a fraction of the Chinese output losses. As lower exports hit real output and incomes in the EU, domestic demand weakens as well, for EU-produced and imported goods alike. These general equilibrium responses of the EU economy make the impact on real output somewhat deeper than the effect of lower exports alone would indicate (see Graph 2b). A potential financial contagion would deepen the growth-moderating impact of the Chinese slowdown. [6] First, tighter financial conditions depress European investment and consumption further. Second, the global nature of financial stress means that demand growth from the EU's other trading partners is hurt as well (beyond the effect of weaker Chinese import demand on these countries), which additionally constrains external demand for Europe. Overall, the spillovers of these combined effects lead to a 0.3% and 0.2% smaller output in the EU in 2024 and 2025, respectively.

The simulated shocks also induce a response of international relative prices. Weaker aggregate demand in China puts downward pressure on prices, both domestically and, to a lesser extent, abroad. As a result, China's terms of trade initially deteriorates. Weaker global price pressures

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(2) For more details on QUEST, see: Burgert, M., W. Roeger, J. Varga, J. in 't Veld and L. Vogel (2020). "A Global Economy Version of QUEST: Simulation Properties." *European Economy Discussion Paper 126*.

(3) As a result, in the first year of the simulation, consumption in China declines by 2.3%, while investment is 10.7% lower than it would be without the shocks.

(4) The financial contagion effects of slower growth in China are not captured endogenously in QUEST, which does not model financial balance sheets and the banking sector in detail. Instead, these channels are illustrated by an exogenous 1 pp. shock to the risk premium on investments in other countries, decaying gradually.

(5) In addition to the endogenous response of various economic variables following these shocks, the simulations assume an endogenous reaction by monetary policy as well, which controls the short-term nominal interest rate in response to deviations of inflation from target.

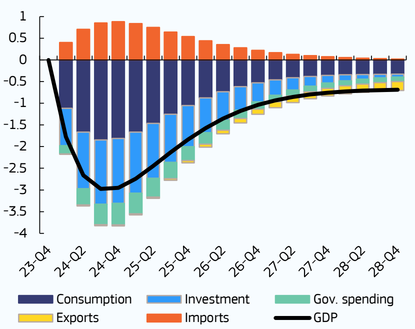
(6) The additional risk premium shock contributes around a third of the GDP effects in the first two years.

(Continued on the next page)

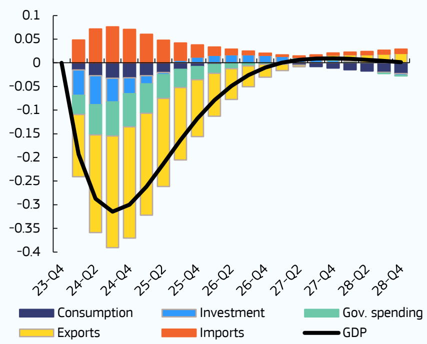
Box (continued)

mean that from the EU's perspective imports become cheaper (e.g. via lower commodity prices), [7] leading to a persistent terms-of-trade gain for Europe [8] and to lower inflation. An even more important disinflationary force comes via weaker aggregate demand lowering price pressures for domestic value added as well. As a result, annual CPI inflation in Europe would be 0.1 pps. lower both in 2024 and 2025 under the simulated scenario.

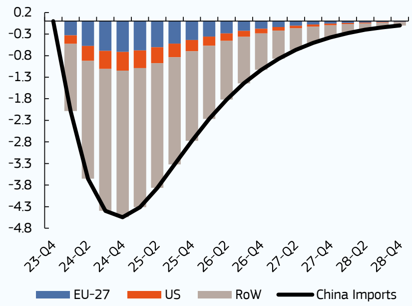
Graph 2a: **Real GDP - China**



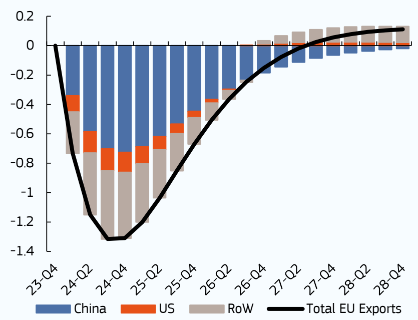
Graph 2b: **Real GDP (level) - EU-27**



Graph 2c: **Imports of China by trade partner**



Graph 2d: **EU exports by trade partner**



Note: The effects of a Chinese slowdown scenario, featuring weaker domestic demand in China as well as increased risk aversion in global financial markets. Black lines depict the impulse responses from QUEST simulations, expressed as percentage deviations from the counterfactual without these shocks. Coloured bars capture contributions by multiple variables to these impulse responses.

Overall, the results suggest that the direct and indirect effects of a sharper-than-expected growth moderation in China on the EU economy would be contained, [9] given the EU's low trade exposure to China. However, the model does not incorporate the full range of potential effects through which a sharp growth moderation in China might affect the EU. For instance, an abrupt economic weakening in China might entail the failure of important companies, potentially disrupting global supply chains in a non-linear way, which is not incorporated in the QUEST simulations. Furthermore, the stylised nature of the potential financial contagion scenario means that its impact is subject to considerable uncertainty. History has shown that, in the event of large sudden financial stress with cascading defaults and bankruptcies, non-linearities could lead to a much more disruptive scenario, especially in the current highly uncertain and tense global environment.

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[7] In the two-sector version of QUEST (featuring tradeable and non-tradeable sectors) only bilateral aggregate import price indices are modelled. They capture the price of a generic tradeable good imported from a particular trading partner. While this is not broken down into separate goods categories, such as commodities or industrial goods, the important commodity price channel is still captured, just at a more aggregate level.

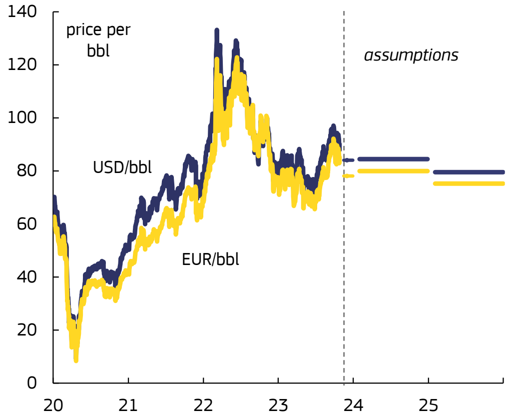
[8] The associated real exchange rate appreciation hurts the competitiveness of European exporters as well as of producers competing with more affordable imports in the domestic market, putting further pressure on the external balance of the EU via expenditure switching.

[9] The QUEST simulation results presented here are broadly in line with recent analyses by other international institutions, see European Central Bank (2023). "ECB Staff Macroeconomic Projections for the Euro Area." September 2023, Box 3, and OECD (2023). "Economic Outlook Interim Report: Confronting Inflation and Low Growth." September 2023, Box 1.

Commodities

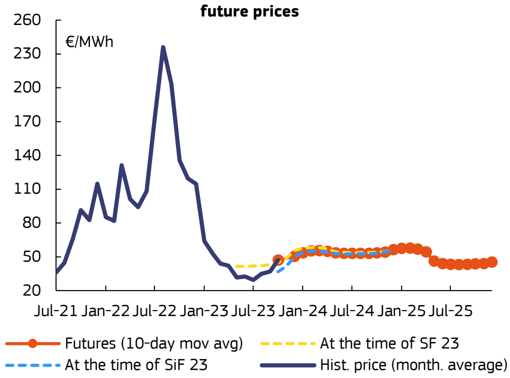
The reaction of oil prices, both spot and futures, remained overall muted following the situation in the Middle East. The Brent oil price rebounded immediately following the terrorist attacks on Israel but it retracted back below USD 90 per barrel at the cut-off date, similar to the level seen in late August. Markets are expected to remain sensitive to signs of a widening conflict in the Middle East. Factors contributing to the price rise over summer included extended supply cuts by Saudi Arabia and Russia, as well as expectations of lower oil production and low levels of oil reserves in the US. Oil price futures over the forecast horizon have moved up slightly higher (around 5%) than assumed in the Summer 2023 interim Forecast.

Graph I.2.10: **Oil price assumptions**



European TTF gas prices increased since August but held stable at around EUR 50/MWh in the second half of October. Following the Hamas attack on Israel on 7 October and news of a hit to the Baltic gas pipeline on 8 October, gas prices moved from around EUR 37 /MWh in early October to EUR 50 /MWh by the cut-off date of this forecast. The gas futures price curve remains broadly in line with the curve underpinning the Summer Forecast, with gas prices falling very gradually towards EUR 45/MWh by the end of 2025. Financial markets are not pricing in a winter spike and this likely reflects the current historically high storage levels, but also worsening sentiment and demand conditions. Around the cut-off date of this forecast, storage levels in Member States were above average seasonal levels. In the EU, on average, they were at an all-time high of 99% of capacity, exceeding the EU gas storage target of 90% set in the Implementing Regulation (EU) 2022/2301 to be achieved ahead of the 1 November deadline. Meanwhile, natural gas demand reduction in the EU so far in 2023 exceeded the 15% reduction target set down in the Regulation (EU) 2023/706, when compared to the same reference period based on the previous 5-year average. Mirroring developments in gas prices, electricity prices in Europe are on average expected to remain stable – with some usual seasonality during winter – and slightly below the Summer interim Forecast assumptions.

Graph I.2.11: **Natural gas price developments and future prices**



Source: ICE

Metal prices have remained stable over the summer, with market signals pointing to a similar picture in 2024 and to some price increases in 2025. So far this year, stable prices have resulted from broadly offsetting developments. Softer demand from China and relatively high world stocks were counterbalanced by announcements of new supply constrains for some metals (e.g. aluminium or copper), and by rising production costs. An expected recovery in global demand for electric vehicles could increase demand for some metals (e.g. nickel or lithium) over the forecast horizon. Following the regional fallout from the terrorist attacks by Hamas on Israel, the price of gold, typically a safe haven metal, increased by around 10% and reached USD 2000/ounce at the cut-off date of this forecast. The price of silver also benefited. Futures prices of metals broadly point to little change in 2024 and some increases in 2025, the latter supported by the expected pick-up of the global economy and by supply developments.

Agricultural commodity prices stabilised in September and market signals point to further price declines over the forecast horizon. Following several months of declines, the FAO Food Price Index moved sideways in September, with declines in several sub-components (such as oils, dairy and meat) offset by some increases in the sugar and cereal price indices. However, the index is still around 28% above its 2020 levels. In addition, news on record harvests for some of the main producers and renewed exports from Russia led wheat prices to fall by about 26% compared to the peak in March 2022. Food prices (based on future prices of nine commodities) are expected to move sideways in 2023-Q4 and the first half of 2024, reflecting anticipated good harvests, broadly balanced by concerns about transport and adverse weather effects (el Niño), before declining somewhat from the second half of 2024 until the end of 2025. Compared to the Summer interim Forecast, food futures are only slightly higher.

2.2. FINANCIAL CONDITIONS IN THE EU

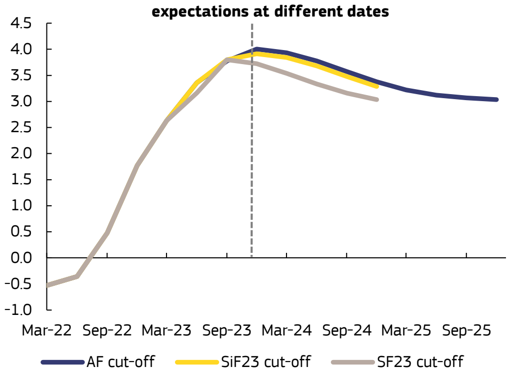
Financial conditions in the EU tightened marginally further since the Summer Forecast. While the ECB's rate setting has come in as expected since summer, long-term interest rates have moved higher as investors priced in higher-for-longer policy rates. At the same time, growth in bank lending volumes has softened further as funding costs for households and corporates have continued to rise. Overall, financial conditions continue to be tight and to constrain economic activity.

Following a 25 bps. policy interest rate hike in September, the European Central Bank kept its policy rates unchanged in October. Since July 2022, the ECB has increased its key policy rates by 450 bps. At the cut-off date of this forecast, the interest rates on the main refinancing operations, marginal lending facility and deposit facility stood at 4.50%, 4.75% and 4.00%, respectively. The ECB Governing Council expects that this level of interest rates will contribute substantially to the timely return of inflation to 2% if maintained for sufficiently long. Furthermore, the size of the Eurosystem's balance sheet has continued to shrink, mainly driven by banks' repayment of TLTRO III loans and by the non-reinvestment of the proceedings from maturing securities purchased under the Asset Purchase Programme. At the same time, the ECB has remained committed to continue reinvesting the principal payments from maturing securities purchased under the Pandemic Emergency Purchase Programme, until at least the end of 2024. The ECB also reaffirmed its commitment to address fragmentation and financial stability risks. The flexibility in the reinvestments of redemptions under the Pandemic Emergency Purchase Programme and the Transmission Protection Instrument is intended to ensure a smooth transmission of monetary policy.

In central and eastern Europe a number of central banks have maintained their interest rates unchanged since the Summer Forecast, while others eased their monetary policy stance. Policy rates have remained at 7% in Czechia and Romania. In Hungary, the central bank decreased its policy rates by 75 bps. in October, with its base rate declining from 13% to 12.25%. In Poland, the central bank cut its reference rate by 75 bps. in September and by 25 bps. in October. By contrast, in Sweden and Denmark central banks have increased their policy rates further by 25 bps., tracking the ECB's September rate hike.

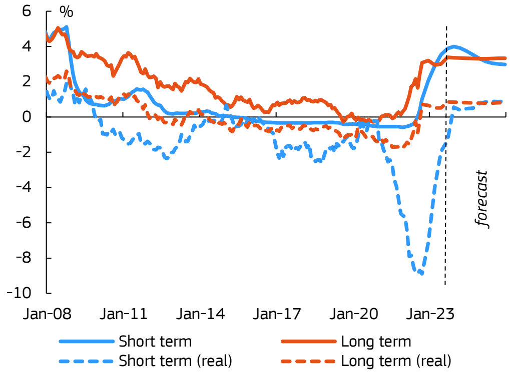
Market expectations now point to ECB policy rates having reached their peak. Reflecting market expectations at the cut-off date of this forecast, Euribor 3-month futures suggest that, after peaking at 4% in October, euro area short-term nominal interest rates will gradually decrease and reach 3% by the end of 2025 (see Graph I.2.12).

Graph I.2.12: **Short-term euro interest rate expectations at different dates**



Source: IHS Markit, Refinitiv, Bloomberg.
Note: 3 months Euribor, expectations based on future contracts.

Graph I.2.13: **Euro area benchmark interest rates**

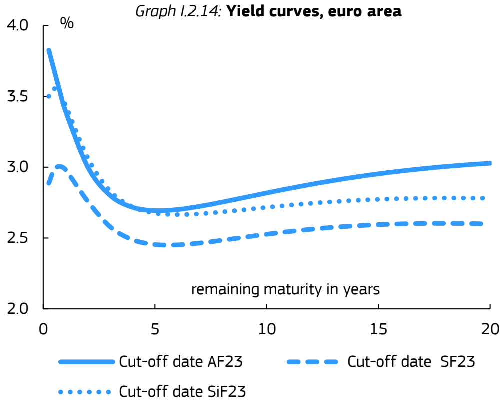


Source: ECB.

Real interest rates in the euro area are set to be positive over the forecast horizon (see Graph I.2.13). In view of the path for inflation projected in this forecast, short-term real interest rates are expected to increase swiftly from their current negative levels to reach around 0.6% by the end of 2023. They are then set to increase very gradually to reach 1% by the end of 2025. Nominal long-term rates in the euro area (10-year) increased in recent months and are expected to stay at around 3.4% over the forecast horizon. With long-term inflation expectations remaining stable over the forecast horizon, long-term real interest rates are also projected to remain stable in the coming months and to stay around 0.9% over the forecast horizon(2).

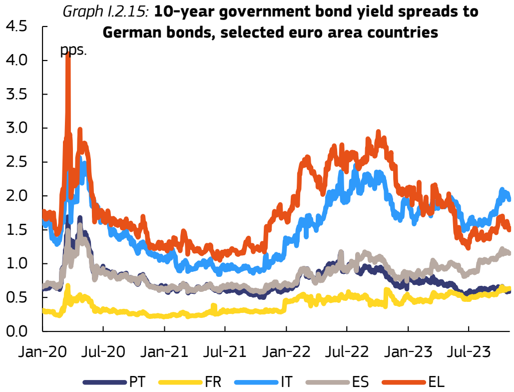
Long-term sovereign bond yields moved up since summer. Investors embraced the narrative of higher-for-longer policy rates needed to tame inflationary pressures, leading to an upward shift in the benchmark yield curve of the euro area (see Graph I.2.14). The 10-year German bund yield moved up to around 2.8% at the end of October, from 2.5% on 1 September. At the same time, euro area sovereign spreads widened marginally but remained overall contained (see Graph I.2.15).

Graph I.2.14: **Yield curves, euro area**



Source: ECB

Graph I.2.15: **10-year government bond yield spreads to German bonds, selected euro area countries**

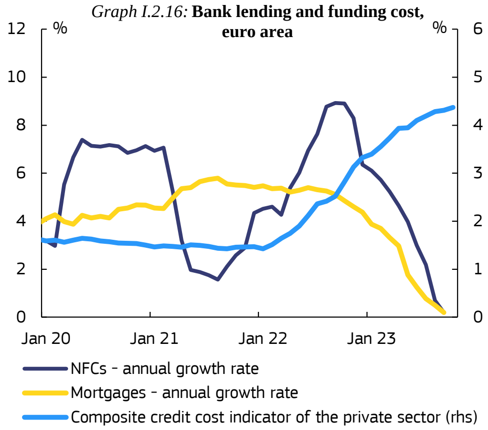


Source: S&P DataInsight

(2) Short-term rates: 3M Euribor and forward short-term rates for the forecast. Real short-term rates are derived from the short-term interest rate minus annual HICP inflation (outturns and as projected in this forecast). Long-term rates: 10Y interest rate swap and forward long-term swap rates for the forecast. Real long-term rates are derived from the long-term rates minus the average future inflation inferred from 10Y inflation swaps.

European equity markets weakened in recent months. The Eurostoxx600 lost more than 5% since early September, under the combined effect of higher interest rates, deteriorated economic prospects and rising geopolitical risks.

Graph I.2.16: **Bank lending and funding cost, euro area**

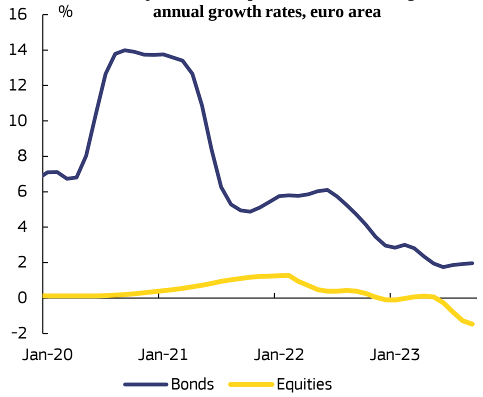


Source: ECB.

Financing costs for firms and households have continued to increase across the euro area, reflecting the tightening of ECB monetary policy. The composite credit cost indicator of the euro area non-financial private sector increased to 4.4% in September. Growth of bank lending to firms and households has continued to slow down at the euro area aggregate level as net lending flows turned negative in a number of Member States in recent months. The latest bank lending data for September confirms further softening of credit to the private sector. The annual growth rate of adjusted loans to the private sector stood at 0.3% in September, down from 0.7% in August and 3.3% in April. Both mortgage and corporate loans decelerated further (see Graph I.2.16). Market funding for corporates also softened, particularly for equity funding, which turned negative mid-2023 (see Graph I.2.17).

The latest ECB bank lending survey for the third quarter of this year is consistent with weakening lending activity. In line with previous survey rounds, the latest results confirm that the decline in bank lending is due to both tighter supply conditions and lower demand. Euro area banks tightened further their credit standards for loans or credit lines to enterprises and households in the third quarter of 2023, although the net percentage of banks reporting a tightening was smaller than in the previous quarter. Banks' heightened risk perceptions and lower risk tolerance continued to have the largest tightening impact. Banks' cost of funds and balance sheet situation also contributed to the tightening of credit standards, mainly owing to banks' lower liquidity position. Demand continued to decline from both firms and households. Euro area firms' net demand for loans decreased strongly, close to all-time lows, and more than banks had anticipated. Rising interest rates and declining fixed investment remained the main drivers of the decrease, though lower financing needs for mergers and acquisitions activity also contributed. For households, higher interest rates, weakening housing market prospects and low consumer confidence all contributed negatively to the demand for loans for house purchase. For the fourth quarter of 2023, euro area banks expect a further net tightening of credit standards for loans to firms but at a reduced pace, while for households credit standards are expected to remain broadly unchanged. Banks also expect a smaller net decrease in demand for loans from firms and households compared with the third quarter.

Graph I.2.17: **Corporate market funding annual growth rates, euro area**



Source: ECB.

EU housing markets continued to cool in 2023, reflecting tight credit conditions. In 2023-Q2, euro area house prices stood 1.7% below their level a year before. This first year-on-year decline since 2014 was led by a reversal of real estate markets in northern European countries, including Germany, Denmark, Sweden, Luxembourg, Finland and the Netherlands. Across the EU, both housing transactions and new building permits were at their lowest level since 2015, with knock-on effects for residential construction prices and order books. In non-euro area countries, the interplay of dynamic nominal income growth with high interest rates has resulted in significant diversity, with several markets in eastern Europe seeing a recovery of house prices. Tightening credit standards and lower demand are set to continue weighing on property prices, transactions and construction for a few more quarters. Thereafter, their impact is expected to give way to a rebound backed by continued structural pressures, mainly linked to low housing supply. The Special Issue 4.1. further reviews the impact of interest rates and structural drivers.

The banking sector is set to withstand deteriorated asset quality. Increased interest rates in a weakening economic environment are adding pressure on firms and households, which could translate into rising insolvencies and higher non-performing loans on banks' balance sheets. Data on bankruptcy declarations in the EU up to the second quarter already points to a rising trend over several quarters, though the level of insolvencies remain moderate. Thanks to robust capital and liquidity positions, EU banks are in a good position to withstand an adverse scenario combining a severe recession with higher interest rates and widening credit spreads, as suggested by the European Banking Authority (EBA) and ECB stress tests.[3]

The euro has slightly weakened in nominal effective terms since the Summer Forecast. The weakness reflects the 2% depreciation of the euro against the US dollar, which was supported by the strength of the US economy. Reversing some of its earlier gains, the euro also depreciated against the Chinese renminbi while the Swedish krona partially recovered from historically low levels against the euro. The euro appreciated against the Czech koruna and against the British pound, broadly reflecting changes in actual or expected monetary conditions in these economies relative to those in the euro area. It also appreciated against the Turkish lira and the Mexican peso.

2.3. ECONOMIC ACTIVITY

The EU economy is stagnating. Following a mild contraction in the fourth quarter of 2022, EU real GDP grew by 0.1% q-o-q in the first quarter of 2023, remained flat in the second and was up by 0.1% in the third, according to the preliminary flash estimate[4] published on 31 October (see Graph I.2.18). This means that the EU economy hardly grew between January and September 2023, thus disappointed relative to the Commission's two previous forecasts. Similarly, in the euro area, after a flat 2022-Q4, real GDP went up by 0.1% and 0.2% in the first and second quarters of 2023, respectively, but contracted by 0.1% in the third quarter. Taking into account revisions to past data and growth up to the third quarter, acquired growth for 2023 stands at 0.4% for the EU and 0.5% for the euro area, 0.1 pps. lower than expected in the summer in both areas and 0.5 and 0.4 pps respectively lower than the spring forecast.

The EU countries outside the euro area contributed positively to EU growth in the third quarter of 2023. Of the euro area countries for which a preliminary flash estimate was published, real GDP increased in France, Spain, Belgium and Latvia, with the latter exiting a technical recession, and stagnated in Italy. In Germany, GDP dropped by 0.1%, but revised past data suggest that the economy just escaped a technical recession. The decline in Ireland was even more pronounced, at 1.8%. Estonia remains in technical recession, and Austria entered one. Excluding these countries, the remainder of the euro area[5] can be inferred to have experienced a decline in GDP of around 0.2% in 2023-Q3. By contrast, real GDP in the non-euro area Member States is estimated to have grown by around 1% q-o-q, after –0.7% in 2023-Q2. With Czechia contracting by 0.3% and Sweden stagnating, this appears to be driven by the countries for which no explicit data is reported[6].

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(3) See the EBA EU-wide stress test: EBA publishes the results of its 2023 EU-wide stress test | European Banking Authority (europa.eu)

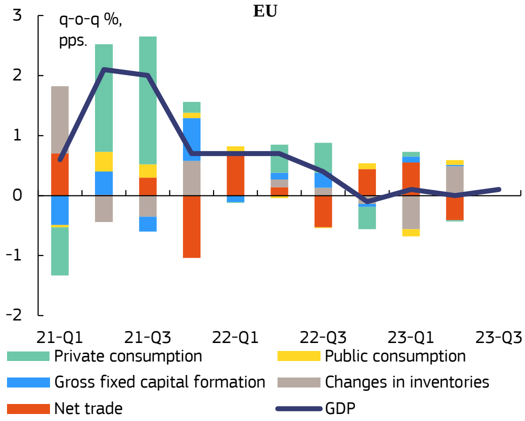
(4) The preliminary flash estimate of GDP growth for the third quarter of 2023 is based on the data of 19 Member States, covering 96% of euro area GDP and 94% of EU GDP.

(5) The Netherlands, Finland, Portugal, Greece, Slovakia, Slovenia, Croatia, Luxembourg, Malta andCyprus.

(6) Poland, Hungary, Denmark, Romania and Bulgaria.

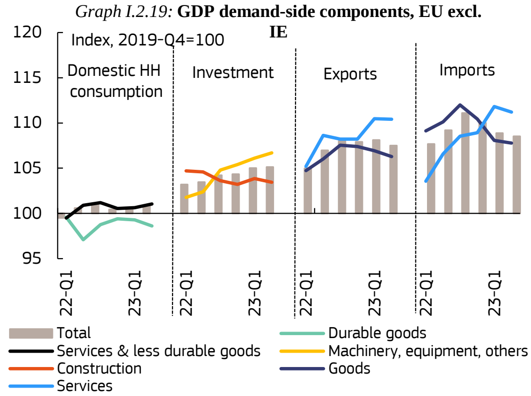
Loss of growth momentum over the first half of the year was underpinned by the lack of a solid growth driver, with weakness both on the external side and especially among consumers. Combining the change over the first two quarters of 2023 and comparing against the levels of the fourth quarter of 2022, investment and consumption - both public and private - increased only marginally. Investment dynamics were very volatile across Member States in the first half of the year, with sharp declines in Ireland and Denmark, and less strongly in Italy, while Spain, the Netherlands and Poland registered strong gains. Still notable, investment in Germany increased by 2.1% over the first half of 2023. Private consumption stagnated on aggregate, showing that high and still increasing consumer prices for most goods and services took a heavier toll than previously expected. Nevertheless, private consumption increased over the first two quarters of 2023 in, among other Member States, Spain, Italy, Greece and Romania, while it was down in the Netherlands, France and Germany. On the external side, exports fell by 0.9% in total over the first two quarters. Mirroring the decline in consumption of durables and in export activity, imports fell by 1.5%. As a result, net exports contributed positively to growth over the first half of the year.

Graph I.2.18: **Real GDP growth and its contributions, EU**



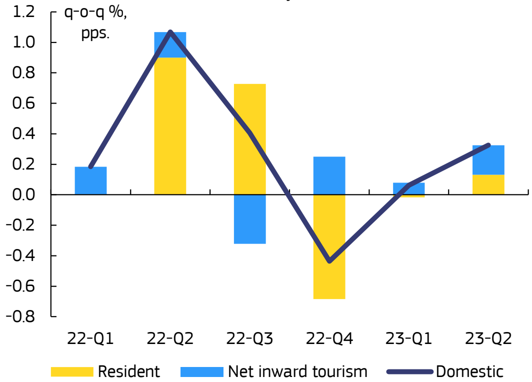
Spending on services and less durable goods helped stabilise consumption in the first half of 2023. Based on available data on consumption within the EU Member States for the first two quarters, consumption of durable goods continued to decline, whereas consumption of services and less durable goods (semi- and non-durables) held up (see Graph I.2.19). The latter seems partly related to the recovery in tourist arrivals to the EU, rather than to resident consumer demand, which remains restrained (see Graph I.2.20). In 2023-Q2, households' purchasing power was boosted by continued job growth and increases in net property income and entrepreneurial income, while real wages declined further. With growth in resident consumer spending remaining subdued, the saving rate in the EU edged up 0.5 pps., to 14.2% of disposable income in the second quarter. This is 2 pps. higher than in 2019, but still well below the highs observed during the acute phase of the pandemic.

Graph I.2.19: **GDP demand-side components, EU excl. IE**



Note: Goods and services data of household consumption are based on expenditures in the EU excluding Ireland made by both residents and non-residents.

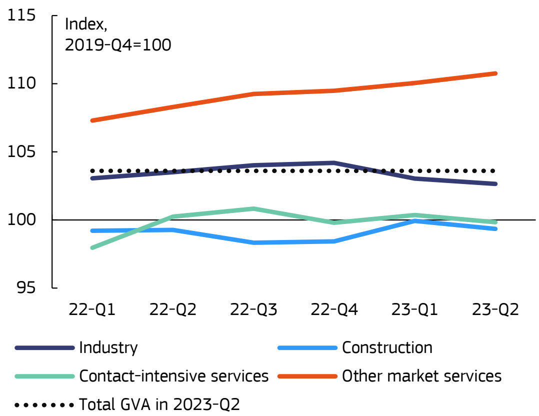
Graph I.2.20: **Consumer spending in the EU and by EU residents**



Activity across sectors is stagnant or depressed, except for business services. Growth of gross value added in industry in the first half of 2023 was held back by weak demand and high energy costs. Similarly, high material and financing costs, as well as labour shortages, put a brake on the expansion of construction activity, in particular in housing. With purchasing power constrained by inflation, business activity in contact-intensive (essentially consumer-oriented) services[(7)] has stagnated for a year now, following its recovery to pre-pandemic levels in mid-2022 (see Graph I.2.21). By contrast, other market services, notably business services, IT and finance, which account for around 23% of total gross value added, enjoyed continued expansion.

Monthly business statistics signal continuing weakness in industry, construction, retail and foreign trade. Industrial production in the EU in July and August 2023 was on average 0.9% lower than in 2023-Q2, especially due to contractions in the production of consumer and investment goods. While manufacturing production levels in energy intensive sectors continued to be depressed, production in non-energy intensive sectors slowed down compared to the second quarter (see Graph I.2.22). Output in construction stabilised (-0.1%), after a decline in the second quarter (-1.4%). The decline in retail trade volumes steepened relative to the second quarter, likely due to elevated retail price inflation, including for food items. New car registrations declined by 10.3% in 2023-Q3 compared to the quarter before, following some increase in the first half of 2023. The decline in foreign trade continued into 2023-Q3, with seasonally and calendar-adjusted extra-EU exports and imports of goods for July and August declining by 1.2% and 4.5%, respectively, relative to the average for Q2.

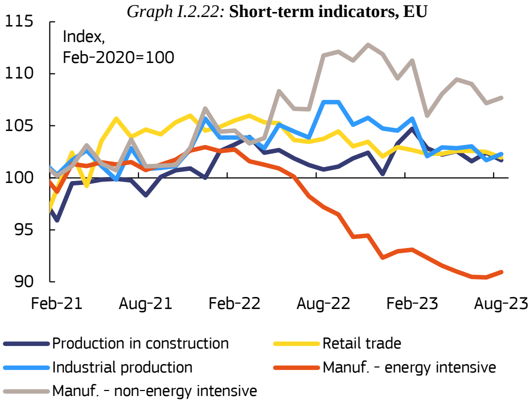
Graph I.2.21: **Gross value added in main sectors, EU**



(7) Contact-intensive sectors include arts, entertainment and recreation, as well as wholesale and retail trade, transport, accommodation and food service activities. These sectors have been particularly affected by containment measures during the pandemic.

Travel and tourism activity improved further in 2023-Q3. Eurostat data on nights spent at tourist accommodations in the EU continued to hover around pre-pandemic levels during the summer months. At the same time, air traffic across Europe recovered further towards pre-pandemic levels.[8] Also, another pickup in passenger traffic compared to the first half of 2023 was registered in July-August, and the number of flights continued to increase strongly in year-on-year terms in the third quarter (+7.1%). This travel activity may, similarly to earlier this year (see Graph I.2.20), indicate higher net inward tourism that supports domestic consumer spending overall, rather than strengthening consumer demand by residents.

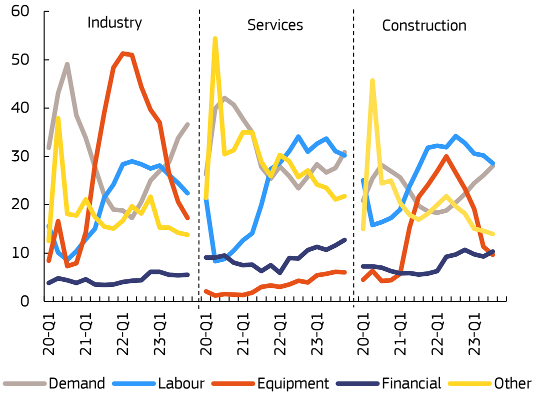
Graph I.2.22: **Short-term indicators, EU**



Note: Energy intensive sectors defined as having energy intensity above the average in manufacturing (NACE 16, 17, 19, 20, 22-24).

Insufficient demand is increasingly considered as the main factor constraining business activity. The share of industry managers pointing to shortages of material and/or equipment as a factor limiting their firm's production decreased further at the start of the 2023-Q4 (to 17.3% in the EU) from the record-high level of early 2022 (see Graph I.2.23). Also, the share of managers indicating labour force shortages decreased in the EU, but remained relatively high, ranging from 22.4% in industry to 30.2% in services. Such shortage remains rather pressing in, among other Member States, Germany, the Netherlands and Poland. The prevalence of financial constraints remains low compared to the other limiting factors, but started to increase in services. Insufficient demand gained further prominence in October (essentially trumping all other constraints), increasing for the sixth quarter in a row to 36.6% in industry and rising sharply in services.

Graph I.2.23: **Factors limiting production, EU**

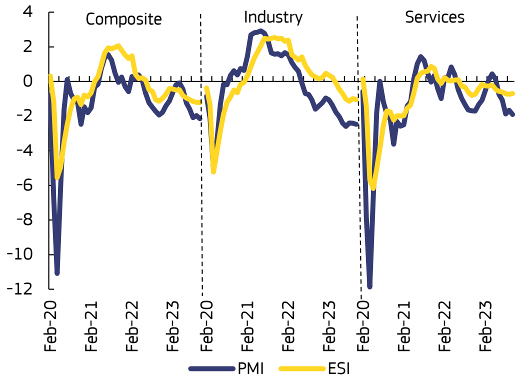


(8) According to Airports Council International Europe and Eurocontrol data.

Table I.2.2:
Composition of growth - EU
(Real annual percentage change)

	2022		2018	2019	2020	2021	2022	Autumn 2023 Forecast 2023	2024	2025
bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption	8,392.0	52.2	1.9	1.5	-7.1	4.6	4.2	**0.4**	**1.3**	**1.6**
Public consumption	3,436.2	21.4	1.2	1.9	1.1	4.1	1.4	**0.4**	**1.2**	**1.1**
Gross fixed capital formation	3,614.9	22.5	3.6	6.5	-5.4	3.8	2.9	**1.2**	**1.5**	**2.3**
Change in stocks as % of GDP	356.1	2.2	1.0	0.7	0.3	1.5	2.2	**0.8**	**0.8**	**0.8**
Exports of goods and services	9,067.2	56.4	3.7	3.4	-8.5	11.0	7.4	**0.4**	**2.2**	**3.2**
Final demand	24,864.2	154.5	2.7	2.7	-6.4	7.1	4.9	**0.2**	**1.6**	**2.2**
Imports of goods and services	8,781.0	54.6	4.2	4.8	-7.9	9.6	8.0	**-0.6**	**2.3**	**3.2**
GDP	16,088.7	100.0	2.1	1.8	-5.6	6.0	3.4	**0.6**	**1.3**	**1.7**
GNI	15,923.6	99.0	2.3	1.8	-6.0	6.8	2.9	**0.4**	**1.3**	**1.6**
p.m. GDP euro area	13,491.3	83.9	1.8	1.6	-6.1	5.9	3.4	**0.6**	**1.2**	**1.6**
			Contribution to change in GDP							
Private consumption			1.0	0.8	-3.8	2.4	2.1	**0.2**	**0.7**	**0.8**
Public consumption			0.2	0.4	0.2	0.9	0.3	**0.1**	**0.3**	**0.2**
Investment			0.7	1.4	-1.2	0.8	0.6	**0.3**	**0.3**	**0.5**
Inventories			0.1	-0.3	-0.4	0.9	0.3	**-0.5**	**0.0**	**0.0**
Exports			1.8	1.7	-4.2	5.1	3.7	**0.2**	**1.2**	**1.7**
Final demand			3.9	4.0	-9.3	10.1	7.1	**0.3**	**2.4**	**3.3**
Imports (minus)			-1.9	-2.2	3.6	-4.1	-3.7	**0.3**	**-1.1**	**-1.6**
Net exports			-0.1	-0.5	-0.5	1.0	0.0	**0.5**	**0.0**	**0.1**

Graph I.2.24: **ESI and PMI, euro area**



Note: Standardised data based on 2000-'07 sample.
Source: S&P Global, European Commission.

Still, survey indicators point to a stabilisation in sentiment. In October, the five-month decline in the Economic Sentiment Indicator (ESI) came to a halt in the EU and was only marginal in the euro area (see Graph I.2.24). Confidence in industry seems to be bottoming out, but it remains the furthest below its long-term average of all surveyed business sectors. The HCOB Eurozone Composite PMI Output Index lost 0.7 points and reached 46.5, a new record low since November 2020, indicating a deepening contraction in activity. The manufacturing PMI (down to 43.1) indicates that the sector is still in a downturn. The services sector has been in contractionary territory since August. Amongst the largest EU economies, overall sentiment is particularly depressed, even if tentatively bottoming out in Germany, while moving sideways in France. More forward-looking, both the manufacturing and services sectors reported falling new orders, suggesting that economic activity in the euro area in 2023-Q4 will remain subdued. On the upside, in the Commission's October quarterly manufacturing survey, managers' export volume expectations recovered somewhat, though remaining below long-term average.

Outlook

GDP growth in the EU is expected to rebound mildly at the end of 2023 and early 2024. Despite the synchronous global monetary tightening and elevated uncertainty, the evolution of export markets is gradually turning more favourable, even if not as dynamic as before the series of shocks that swept through the global economy. Growth in the currently depressed export volumes is set to resume as of late 2023, benefiting from the low level of constraining factors in shipping routes. However, export dynamics are expected to remain relatively subdued (in a historical perspective) and weaker than projected in the spring and summer. The erosion of households' purchasing power is coming to a halt and consumption is expected to remain broadly stable in late 2023, and to resume growing in early 2024 as real incomes improve. Even if restrained by monetary tightening, investment spending is set to grow consistently, driven by equipment and infrastructure in the short term. Thus, GDP growth in the EU is expected at 0.2% in 2023-Q4 and 0.3% in 2024-Q1. Still, GDP growth for 2023 as a whole is projected to attain 0.6% in both the EU and the euro area, 0.2 pps. below the Summer interim Forecast. This deceleration compared to 2022 is also partly related to reduced government support as temporary pandemic-related measures are fully phased out and subsidies to private investment are reduced.

Economic growth is expected to firm up in 2024 and 2025. Private consumption is set to become a key growth driver over the forecast horizon. Further adjustment to supply shocks and easing constraints to production are foreseen to support investment, despite tighter financing conditions. At the same time, the impetus from net trade is set to remain limited, despite the expected recovery in external demand. Annual GDP growth is therefore projected to attain 1.3% in the EU and 1.2% in the euro area in 2024. This is somewhat lower than expected in the summer (1.4% in the EU, 1.3% in the euro area). With inflation and the drag from monetary tightening subsiding, and demand for EU exports rising further, growth is expected to strengthen to 1.7% in the EU and 1.6% in the euro area in 2025.

Consumption is set to be the key growth driver as real wage growth resumes in 2024 and the labour market remains robust. Following 0.4% growth in 2023, real private consumption growth is projected to pick up to 1.3% in 2024 and 1.6% in 2025. Higher wages, continuing employment growth and further slowing of inflation are expected to result in positive real gross disposable income growth in 2024 and 2025. This is set to boost consumption going forward. At the same time, the saving rate is projected to remain broadly stable at a level slightly above its pre-pandemic average. The higher interest rates increase the opportunity cost of consumption and prop up the saving propensity. In addition, the elevated level of uncertainty is set to keep the motivation for precautionary savings high. Going forward, no further boost to consumption from the unwinding of pandemic-induced or recently accumulated savings is to be expected. First, high inflation has significantly eroded the real value of remaining excess savings. Second, any remaining excess or newly acccumulated savings are increasingly allocated to less liquid assets (assets other than currency and deposits) and continue to be concentrated among high income households with a lower propensity to consume.[9]

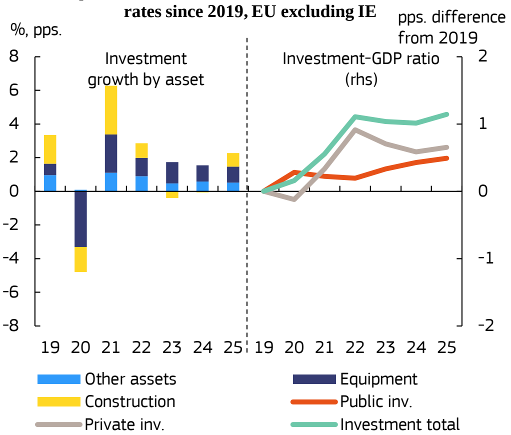
Despite tighter monetary policy, investment spending is projected to continue increasing. In 2022 and the first half of 2023, the disruptions caused by Russia's war of aggression in Ukraine did not avert businesses from investment in machinery and equipment. Strong corporate balance sheets have provided room for addressing business transformation and capacity adjustment needs in the context of the transition to energy saving and lower-emission production, despite tighter financing conditions. Infrastructure investment has also benefited from public spending and not least by RRF and REPowerEU funding. These drivers are expected to maintain the momentum in investment over the forecast horizon (see Graph I.2.25). Housing construction is the sector most affected by tightening monetary policy, as well as by high input costs, (see also Special Issue 4.1.) and it is expected to exert a drag, albeit a diminishing one, on overall investment growth.

[9] See e.g. Battistini, N., V. Di Nino and J. Gareis (2023). "The consumption impulse from pandemic savings – does the composition matter?" *ECB Economic Bulletin, Issue 4/2023.*

Table I.2.3:
Composition of growth - euro area
(Real annual percentage change)

	2022							Autumn 2023 Forecast		
	bn Euro Curr. prices	% GDP	2018	2019	2020	2021	2022	2023	2024	2025
			Real percentage change							
Private consumption	7,062.5	52.3	1.5	1.4	-7.8	4.4	4.3	**0.6**	**1.2**	**1.5**
Public consumption	2,899.2	21.5	1.0	1.8	1.1	4.2	1.6	**0.2**	**1.0**	**0.9**
Gross fixed capital formation	3,019.5	22.4	3.1	6.9	-6.2	3.8	2.6	**1.2**	**1.3**	**2.0**
Change in stocks as % of GDP	262.2	1.9	0.9	0.6	0.3	1.3	1.9	**0.7**	**0.8**	**0.7**
Exports of goods and services	7,435.6	55.1	3.6	3.2	-9.0	11.2	7.2	**0.2**	**2.2**	**3.1**
Final demand	20,679.1	153.3	2.4	2.6	-6.9	6.9	4.8	**0.3**	**1.6**	**2.0**
Imports of goods and services	7,192.1	53.3	3.9	5.0	-8.6	9.0	7.9	**-0.3**	**2.3**	**3.0**
GDP	13,491.3	100.0	1.8	1.6	-6.1	5.9	3.4	**0.6**	**1.2**	**1.6**
GNI	13,530.0	100.3	2.1	1.5	-6.6	6.9	2.7	**0.5**	**1.3**	**1.4**
p.m. GDP EU	16,088.7	119.3	2.1	1.8	-5.6	6.0	3.4	**0.6**	**1.3**	**1.7**
			Contribution to change in GDP							
Private consumption			0.8	0.7	-4.1	2.3	2.2	**0.3**	**0.6**	**0.8**
Public consumption			0.2	0.4	0.2	0.9	0.3	**0.0**	**0.2**	**0.2**
Investment			0.6	1.4	-1.4	0.8	0.6	**0.3**	**0.3**	**0.5**
Inventories			0.1	-0.3	-0.3	0.7	0.3	**-0.3**	**0.0**	**0.0**
Exports			1.7	1.5	-4.4	5.1	3.5	**0.1**	**1.2**	**1.6**
Final demand			3.4	3.8	-10.0	9.8	6.9	**0.5**	**2.3**	**3.0**
Imports (minus)			-1.7	-2.2	3.9	-3.8	-3.6	**0.2**	**-1.1**	**-1.4**
Net exports			0.0	-0.7	-0.5	1.3	-0.1	**0.3**	**0.0**	**0.2**

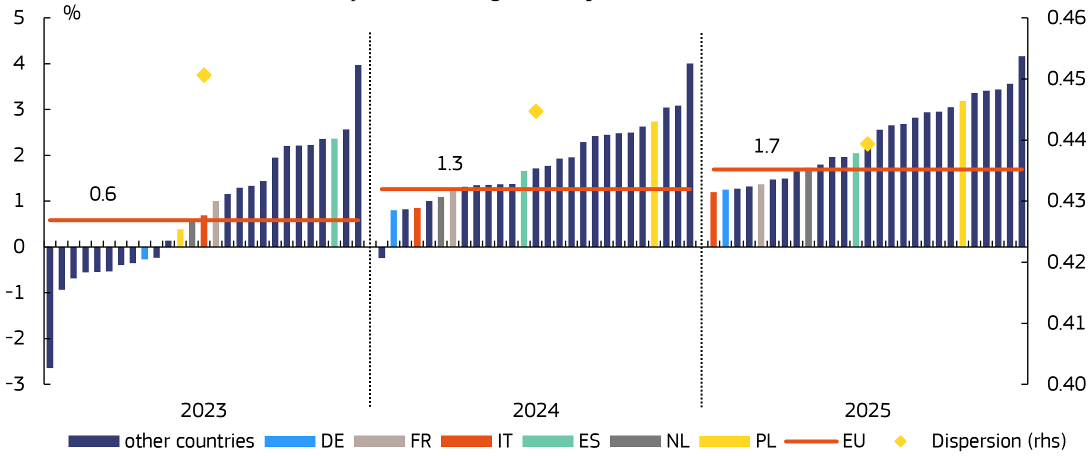
Graph I.2.25: **Investment breakdown and investment rates since 2019, EU excluding IE**



Despite some recovery, the external environment is not contributing much to growth. Global trade growth is expected to rebound in 2024, relative to the anaemic rate of 2023, and to strengthen further in 2025. This will offer improved opportunities for EU exporters (see Statistical Annex Tables 51 and 56), but exports are projected to grow at a moderate pace, weaker than observed on average in 2015-19 (see Statistical Annex Table 45) as well as weaker than the growth of export markets (Table 52), as the global environment is more challenging. This can be inferred by the deterioration in manufacturing sentiment, weak (export) orders and managers' downbeat assessment of export prospects relative to readings at the start of the year. Overall, export growth is set to pick up from 0.4% in 2023 to 2.2% in 2024 and 3.2% in 2025. With final demand forecast to pick up in 2024 and 2025, import growth follows in lockstep. Overall, the contribution of net trade to GDP growth is set to be broadly neutral in the outer forecast years.

Heterogeneity in the growth performance across Member States remains large. The previous forecasts already reported a strong degree of heterogeneity in growth performance across Member States. Over the past year, this disparity was amplified by different degrees of exposure to shocks unleashed by Russia's war of aggression against Ukraine and by the varying strength of transmission of monetary policy tightening. This forecast continues to project considerable differences in growth rates across Member States (see Graph I.2.26), but the spread in performances is set to narrow over the forecast horizon. The difference between the highest and lowest growth rate is 6.6 pps. in 2023, down from 9.9 pps. in 2022. Thereafter, the gap narrows in 2024 (4.3 pps.) and in 2025 (3 pps.). Economic convergence – measured in terms of GDP per capita – was perturbed somewhat by the shocks but is set to continue.

Graph I.2.26: **GDP growth dispersion in 2023-2025**



Note: The bars for all 27 current Member States are ranked by size. Dispersion is expressed as the coefficient of variation calculated as standard deviation on the average of EU GDP per capita at PPP.

2.4. LABOUR MARKET

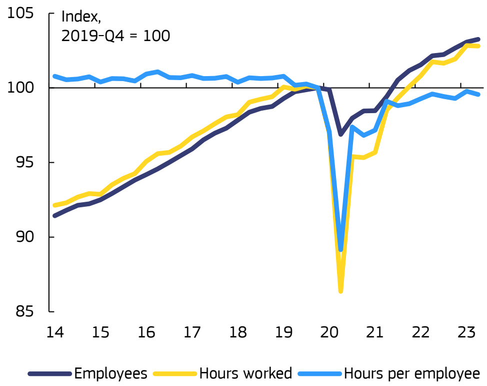
The EU labour market continued to perform strongly in the first half of 2023, despite the slowdown in economic growth. In the second quarter of this year, the unemployment rate stood at a new record low of 6% of the active population, and with 11.9% of the extended labour force the labour market slack indicator(10) reached its lowest level ever. In the same period, the activity and employment rates reached their highest level since the beginning of Eurostat's series in 2009, namely 61.4% and 65.3% of the population (aged 15–74), respectively. Vacancy rates and reported labour shortages remained historically high, even though they have fallen somewhat from their peaks in late 2022. The coexistence of low unemployment and high shares of vacancies and labour shortages points to a still tight labour market, despite the slowdown in economic activity. A reappraisal of the drivers behind the tightness of the EU labour market is discussed in the Special Issue 4.2.

Employment growth in the first half of 2023 was especially strong in the construction sector and in IT-related services. According to national accounts, in the first half of the year headcount employment grew by 0.5% in the EU from its 2022-Q4 level. Job growth was strong in construction, as well as in the real estate sector. Other service activities also reported strong employment gains, notably IT-related services. Contact-intensive service activities saw less buoyant employment growth, with arts and entertainment stagnant. The manufacturing sector experienced sluggish employment growth.

(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.

Growth of hours worked continued to outpace employment growth in 2023. Total hours worked grew more vigorously than headcount employment in the first half of 2023, by 0.8% from the 2022-Q4 level (see Graph I.2.27). In a longer perspective, in the second quarter of 2023, the total number of hours worked was almost 3% higher than the level achieved at the end of 2019. As a result, hours worked per employee continued to increase at the beginning of 2023, but remained below their end-2019 level by 0.4%. The service sector contributed most to the increase in total hours worked in the first half of the year, whereas especially the industrial sector (excluding construction), as well as agriculture, lagged behind.

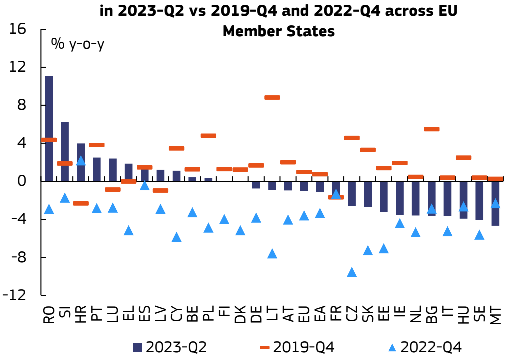
Graph I.2.27: **Employment, EU**



Employment gaps by age, gender and education persisted in 2023. According to quarterly labour force survey data, the gap in employment rates of young persons (15-24) and of older cohorts slightly widened again in the first half of 2023, after having partially recovered since 2020. Employment rates of women continued to increase vigorously[11], narrowing the gender gap to its lowest level on record (since 2009), especially in the 20 to 64 years age group. Since the pandemic, the employment rate of people with low qualifications increased more than that of higher educated people, in particular in the 20-64 age group, contributing to narrowing the educational attainment gap to close to pre-pandemic levels. The employment rate gap between the highly and poorly educated people is more sizeable for women than men.

Nominal wage growth accelerated further this year, with real wage growth still falling but at a decelerating rate. Based on quarterly national accounts, in 2023-Q2 nominal compensation per employee in the EU accelerated further (6.0% y-o-y), mainly due to stronger developments in construction and in some sectors in services, while industry and contact-intensive sectors saw some deceleration. These relatively high nominal growth rates still resulted in purchasing power losses this year, although at a slowing rate as annual inflation decelerated. Real wages were heterogenous across Member States in the first half of 2023. In the second quarter, year-on-year change in real compensation per employee was still negative in 14 Member States and broadly stagnated in Denmark and Finland (see Graph I.2.28). The ECB indicator of negotiated wage growth in the euro area, which is not sensitive to the number of hours worked, increased in the second quarter of 2023 at an annual rate of 4.4%, the same pace as in the previous quarter (the highest reading since the beginning of the series in 1991-Q1). Latest indications from wages of online job postings for the euro area pointed to a slowing wage growth in September, a phenomenon ongoing since spring.[12]

Graph I.2.28: **Real compensation per employee growth in 2023-Q2 vs 2019-Q4 and 2022-Q4 across EU Member States**



Note: Seasonally adjusted data. Compensation per employee is deflated using the private consumption deflator.

Labour markets performed strongly in most Member States. Headcount employment continued to increase in the majority of Member States, while unemployment rates started to

(11) Employment growth since the start of the pandemic was stronger for women than men (see Box 1.1 OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market).

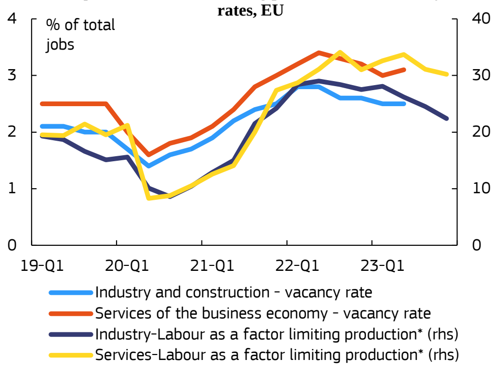
(12) Adrjan, P. and Lydon, R. (2022), "Wage Growth in Europe: Evidence From Job Ads", Economic Letters, Vol. 2022, No. 7, Central Bank of Ireland, November. This indicator reflects the wage offered to new hirings and it is interpreted as a leading indicator for the evolution in the negotiated wage growth.

signal an uptick. In the first half of the year, the highest increases in headcount employment were recorded in Estonia, Ireland and Spain compared to 2022-Q4 levels. Only three Member States (Romania, Lithuania and Slovakia) saw employment decline. Between December 2022 and September 2023, the unemployment rate continued falling in a number of Member States, while it started to increase in half of them. Labour market slack continued to decline in half of the EU Member States in the first half of 2023 compared to the end of 2022, while the other half of countries recorded increases (Luxembourg, Ireland, Estonia and Czechia among others). Dispersion in compensation per employee growth, i.e. the spread between low and high wages, is also wide, reflecting inter alia different inflation dynamics. Wage growth was fastest in some of the Eastern countries (Romania, 20.2%) while it was lowest in Malta (1.5%).

The labour market remains tight, despite some recent cooling. After reaching a record low of 5.9% in May 2023, the EU unemployment rate stabilised at 6.0% of the active population (ages 15-74) in June 2023, and it stood at that level by September, well below pre-pandemic levels. Latest information from surveys points to some cooling of the labour market. In September, the Employment Expectations Indicator in the EU and the euro area declined as compared to June, although remaining above long-term average. Employment plans worsened significantly in industry, but they were also less optimistic among services managers compared to June. The Purchasing Managers' Indices (PMIs) showed similar signs of weakening employment expectations over the summer months. At the beginning of the fourth quarter, employment expectations remained broadly stable in October compared to September for both EU and the euro area, thanks to an improvement of expectations in services as opposed to a worsening in industry. The October HCOB Eurozone PMIs suggested a deterioration of employment for the whole economy for the first time since the beginning of 2021. The worsening affected both sectors, with the manufacturing sector impacted most.

Despite these indications of slowing employment expectations, firms continued to report labour shortages. According to quarterly results from the Commission's survey, the share of both industry and services managers indicating shortage of labour as a factor limiting production decreased further in October but remained at historically high levels. The sectoral breakdown shows that labour shortages remained significantly above historical averages in the manufacture of other transport equipment, fabricated metal products (with the exception of machinery and equipment), and repair and installation of machinery and equipment. On the services side, firms reported increased shortages, above historical averages, in accommodation, and in some professional and administrative activities. Data on job vacancies confirm this picture: the job vacancy rate edged down to 2.7% in the second quarter, still remaining at a high level. The slight drop was driven by declines in industry and construction, while in services it remained stable at 3.0% (see Graph I.2.29).

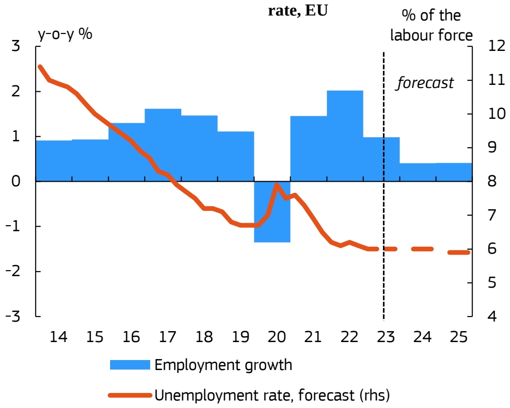
Graph I.2.29: **Labour limiting production and vacancy rates, EU**



Note: * Share of managers indicating shortage of labour force as a factor limiting production.

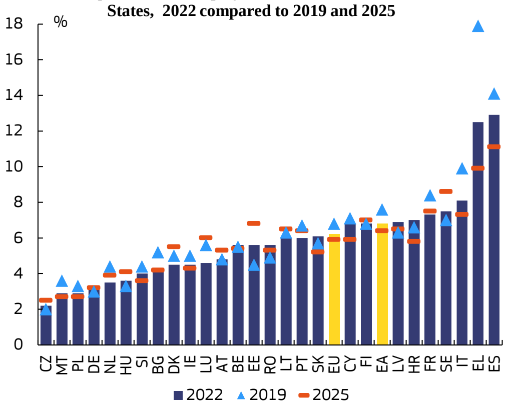
Outlook

Graph I.2.30: **Employment growth and unemployment rate, EU**



Employment growth is forecast at 1.0% in the EU this year, before easing to 0.4% in both 2024 and 2025. Annual employment growth this year is mainly driven by gains made during 2022 but also during the first half of this year, though at a slowing pace. Job creation is projected to remain weak in the second half of 2023, before regaining some momentum as economic activity gradually improves, and stabilising at moderate rates over the forecast horizon (see Graph I.2.30). Mirroring the moderate expansion in employment, total hours worked are set to increase further, continuing to outpace growth of headcount employment. As a result, average hours per worker keep increasing over the forecast horizon, approaching pre-pandemic levels, albeit remaining slightly below. Population ageing and limited inflows of migrants of working age are set to keep growth in the labour force muted.

Graph I.2.31: **Unemployment rates across Member States, 2022 compared to 2019 and 2025**



The divergence in employment growth across Member States is expected to narrow slightly. This year, the difference between the Member States with the highest and lowest employment growth is set to narrow only marginally. At the low end of the scale, Romania is projected to record no or even slightly negative employment growth, while Malta tops the ranking with 3.7% growth. Disparity in employment growth is expected to narrow somewhat by 2025. In a majority of Member States, cumulative growth in employment over the forecast horizon is set to remain below the rates observed in 2022. By contrast, in 10 Member States cumulative employment growth is expected to be higher than in 2022. Employment in all Member States except Latvia, Bulgaria and Romania is projected to stand above or return to its pre-pandemic level.

Unemployment rates are expected to remain broadly stable over the forecast horizon. In the EU, despite the increased labour market participation, the unemployment rate (Eurostat definition) is projected to remain broadly stable at 6.0% in 2023 and in 2024, before edging down to 5.9% in 2025. The unemployment rate in 2025 is still set to remain below the rate recorded in 2019 or even in 2022 in the majority of Member States. Estonia and Sweden are exceptions (see Graph I.2.31).

Labour market integration of people fleeing the war in Ukraine is advancing. By August 2023, there were almost 4.2 million people fleeing the war in Ukraine who benefited from temporary protection in EU Member States.[13] About half of them are hosted by Germany and Poland. Relative to the total population, the share of temporary protection beneficiaries is highest in Czechia, Estonia, Poland and Lithuania. About 60% of beneficiaries were adults of working age (18-64) and about 71% of these were women. Minors (aged below 18) represented about 34% of beneficiaries, while 6% were elderly (65 and older). Developments of the labour market integration of beneficiaries are in line with the rates assumed since the Autumn 2022 Forecast. It is estimated

(13) https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20231006-2

Table I.2.4:

Labour market outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Autumn 2023 Forecast				*Spring 2023 Forecast*			Autumn 2023 Forecast				*Spring 2023 Forecast*		
	2022	2023	2024	2025	2022	2023	2024	2022	2023	2024	2025	2022	2023	2024
Population of working age (15-74)	0.3	**0.5**	**0.3**	**0.2**	*0.2*	*0.2*	*0.1*	0.4	**0.4**	**0.1**	**0.1**	*0.1*	*0.2*	*0.1*
Labour force	1.2	**0.9**	**0.5**	**0.3**	*1.2*	*0.6*	*0.4*	1.1	**0.8**	**0.4**	**0.3**	*1.1*	*0.6*	*0.3*
Employment	2.3	**1.1**	**0.5**	**0.5**	*2.3*	*0.6*	*0.5*	2.0	**1.0**	**0.4**	**0.4**	*2.0*	*0.5*	*0.4*
Employment (change in million)	3.7	**1.9**	**0.8**	**0.8**	*3.7*	*1.0*	*0.8*	4.2	**2.1**	**0.9**	**0.9**	*4.2*	*1.0*	*0.9*
Unemployment (levels in millions)	11.3	**11.0**	**11.0**	**10.9**	*11.3*	*11.4*	*11.2*	13.3	**13.1**	**13.0**	**12.9**	*13.3*	*13.5*	*13.3*
Unemployment rate (% of labour force)	6.8	**6.6**	**6.6**	**6.4**	*6.8*	*6.8*	*6.7*	6.2	**6.0**	**6.0**	**5.9**	*6.2*	*6.2*	*6.1*
Labour productivity, whole economy	1.1	**-0.5**	**0.7**	**1.1**	*1.2*	*0.4*	*1.0*	1.4	**-0.4**	**0.9**	**1.3**	*1.5*	*0.5*	*1.2*
Employment rate (a)	63.9	**64.3**	**64.5**	**64.6**	*63.9*	*64.2*	*64.4*	63.4	**63.8**	**63.9**	**64.1**	*63.5*	*63.7*	*63.9*

(a) Employment as a precentage 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.

that about 33% of working-age adults that are beneficiaries of temporary protection are employed, up from about 26% estimated in the Spring Forecast.

Nominal wage growth is expected to accelerate this year, before gradually moderating over the forecast horizon. Following two years of real purchasing power losses, as wage growth lagged behind inflation, the projected acceleration of nominal wages this year is driven by inflation compensation mechanisms in collective bargaining, and minimum wage increases, as well as a still tight labour market. However, collective agreements appear to factor in the ongoing moderation in domestic demand and inflation. After growing by 4.7% in 2022 (4.1% in the euro area), growth of nominal compensation per employee is expected to reach 5.9% in 2023 (5.5% in the euro area), before moderating to 4.9% in 2024 (4.5% in the euro area) and to 3.9% in 2025 (3.4% in the euro area), remaining high by historical standards. In turn, real compensation per employee in the EU is set to contract further this year, but to a lesser extent than in 2022. However, 16 Member States are projected to see real wage growth resume already this year. In 2024 and 2025, real wages per head are expected to increase (by 1.6% and 1.4%, respectively), although at a moderate pace. Heterogeneity across countries is driven by strong differences in inflation developments, as well as by country-specific labour market features, such as the presence of automatic wage indexation and union coverage of labour contracts. Eleven Member States are forecast to have real wages still below the 2021 levels in 2025. Similarly, in four Member States real wages are projected to remain below the 2019 levels in 2025.

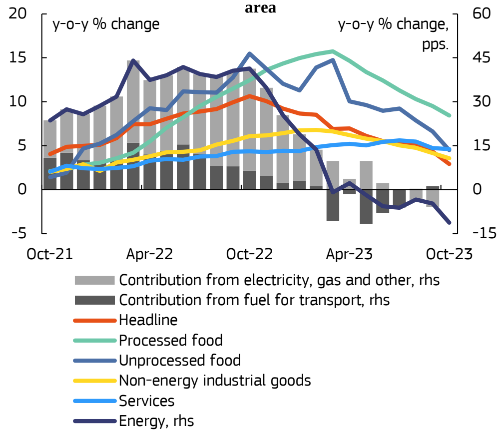
Labour productivity is set to rebound after a decline in 2023. Following growth of 1.1% in 2022, labour productivity per employed person is projected to decline by 0.5% in 2023, before rebounding to 0.9% in 2024 and 1.3% in 2025, which is above the long-term average. Strong wage growth combined with a negative performance in labour productivity are expected to result in a robust pick-up of unit labour costs in 2023. Moderation in growth of nominal compensation per employees and the expected productivity gains are in turn set to contain unit labour costs dynamics in 2024 and 2025.

Labour productivity gains as well as a decline in corporate profit margins are set to allow inflation to return back towards the target. While real wage growth is still expected to be negative this year, the projected wage growth is expected to mitigate losses in real incomes of workers without fuelling inflation pressures in the future. A reduction of the high profits rates recorded in the last years are set to absorb part of the increase in wages. Also, labour productivity growth is set to accommodate a higher wage growth than inflation in 2024 and 2025.

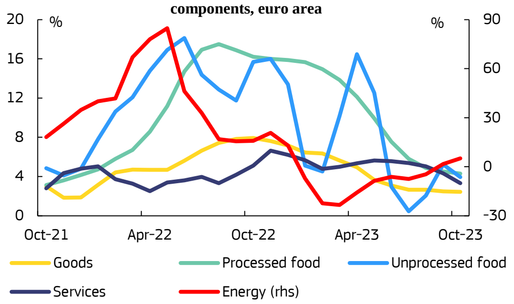
2.5. INFLATION

Headline inflation in the euro area continued its broad-based fall in recent months. It fell from 5.3% y-o-y in July to 2.9% in October[14], the lowest rate since mid-2021. The decline was led by energy and food, but was broad-based across all main consumption categories. Over the summer, the negative contribution of energy to annual headline inflation stalled due to a pick-up in prices of fuel and, to a smaller extent, also of electricity, broadly offsetting large negative base effects from sharp increases in the same period of last year (see Graph I.2.32, I.2.33, and I.2.34). However, energy price deflation is estimated to have dropped sharply in October (-11.1% y-o-y), reflecting a month-on-month fall in prices magnified by an exceptionally large base effect (see Graph I.2.34).

Graph I.2.32: **Headline inflation and components, euro area**

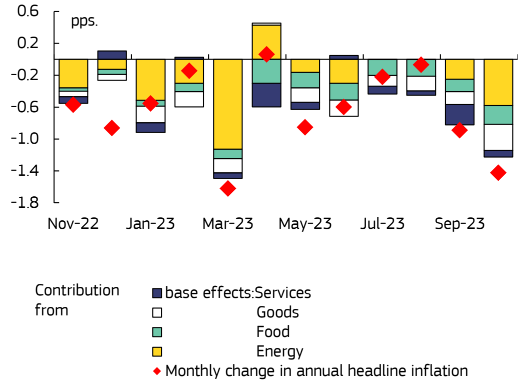


Graph I.2.33: **Annualised momentum of major HICP components, euro area**



Note: Annualised, 3m-on-3m % change of the seasonally adjusted series,adjustment with ARIMA X13 over the sample 01/2013-10/23

Graph I.2.34: **Contribution of base effects to the disinflation in the euro area**



Note: Base effect in month *t* equal to a historical average for m-o-m inflation in that month *minus* actual (m-o-m) inflation in the same month of the previous year, *t-12.*

Annual inflation of food, manufactured goods and services continued to moderate on the back of easing price momentum. Food price inflation declined steadily to 7.5% y-o-y in October, more than 3 pps. down from July. Inflation slowed across all major categories for both processed and unprocessed food (notably dairy, vegetables, sugar), as lower agricultural and energy commodity prices helped moderate the price momentum to a 2-year-low (see Graph I.2.33), adding to significant negative base effects (see Graph I.2.34). Non-energy industrial goods likewise saw their annual price growth moderate to 3.5% y-o-y in October, 1.5 pps. down from July, supported by significant negative base effects. The price momentum of non-energy industrial goods fell in October to its lowest since late 2021 (Graph I.2.33) as producer price deflation deepened[15] amid easing energy and non-energy commodity prices and dissipating supply-side bottlenecks[16]. Inflation of services dropped a full percentage point from its July high (5.6% y-o-y),

(14) Flash estimate

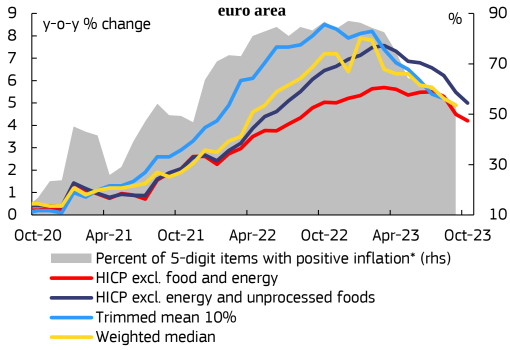
(15) PPI deflation in the euro area deepened to -7.2% y-o-y and -1.4% y-o-y in August for consumer durables and non-durables, respectively.

(16) In the October 2023 BCS, the percentage of managers reporting shortages of material and equipment as factor limiting production in industry fell to its lowest level since January 2021.

down to 4.6% in October, reflecting a broad-based moderation in price momentum. Price pressures eased for contact-intensive and energy-intensive services alike, as energy prices declined, re-opening shocks waned, and tighter financing conditions increasingly weighed on demand.

Underlying price pressures are slowing. The broad-based fall in inflation across all main consumption categories translated into a decline in most measures of underlying inflation. In particular, the three most frequently used exclusion-based measures – namely headline inflation excluding energy, energy and unprocessed food, and energy and all food – dropped by around 1.5 pps. between July and October. Other indicators[17] confirm moderation in underlying price pressures (see Graph I.2.35). Price pressures also continue to narrow, as reflected by the decline in September of the share of HICP items showing positive monthly change to a two-year low.

Graph I.2.35: **Measures of underlying price pressures, euro area**

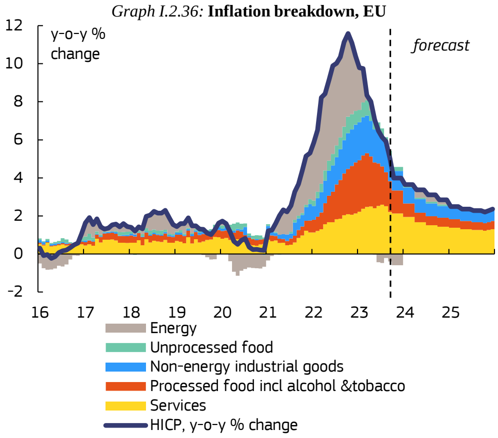


Note: * Percent of 286 COICOP items (5-digit level) that registered positive inflation on average in the last three months (seasonally adjusted over 01/2013-09/2023).

Outlook

Energy is expected to add mildly to headline inflation in 2024. Higher oil spot and futures prices pushed the assumptions on wholesale prices for the energy commodity bundle higher (compared to the Summer interim Forecast), more than offsetting the outlook for lower wholesale gas and electricity prices. Still, over the forecast horizon, oil prices are expected to trend down, while wholesale gas and electricity prices are assumed to be broadly stable amid typical seasonal fluctuation (see Graphs I.2.10 and I.2.11). Expiring price-mitigating policy measures are, however, set to push energy price inflation above zero early next year and to keep it positive over the course of 2024. As a result, energy will cease to be a disinflationary factor and, instead, is expected to add mildly to inflation in 2024, amid positive base effects, while its contribution is projected to be broadly neutral in 2025.

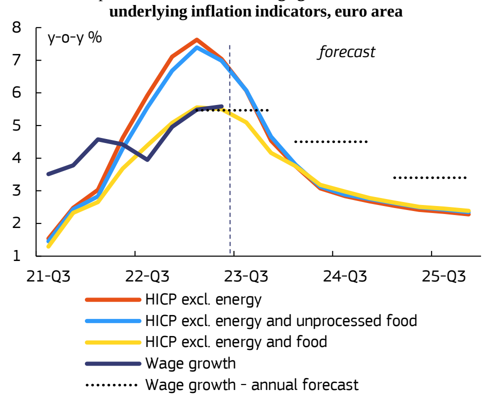
Graph I.2.36: **Inflation breakdown, EU**



(17) Such as trimmed means and medians, the ECB supercore and PCCI indicators (persistent and common component of inflation).

Price pressures in all other consumption categories are set to ease further. Inflation in both processed and unprocessed food is expected to continue declining over the forecast horizon, despite the slight upward shift in energy and food price futures and elevated labour costs along the food supply chain. Food price momentum is set to ease gradually in the forecast horizon, as commodity prices trend down, producer food prices decelerate, and wage growth moderates. Prices of services are projected to decelerate more gradually than those of other consumption categories, reflecting their inherent inertia and the relatively stronger role of wages. The disinflation process is, however, expected to continue as reopening effects in contact-intensive services wane and input price pressures in energy-intensive services normalise, while wage costs decelerate gradually in 2024 and 2025 (see Graph I.2.37). Similarly, non-energy industrial goods inflation is projected to ease further, supported by moderating commodity prices, weakening producer price pressures in Asia (notably China), and normalising supply chains. Finally, negative base effects are expected to amplify the decline in annual inflation rates over the forecast horizon (particularly up to 2025-Q1) in all non-energy components, in particular services (see Graph I.2.34). All in all, HICP inflation excluding energy, energy and unprocessed food and energy and all food, respectively, is thus set to continue slowing in late 2023, and then further decline in 2024 and 2025 to reach around 2⅓% in the euro area and 2½% in the EU in the final quarter of 2025, still some 1-1⅓pps above the long-term average.

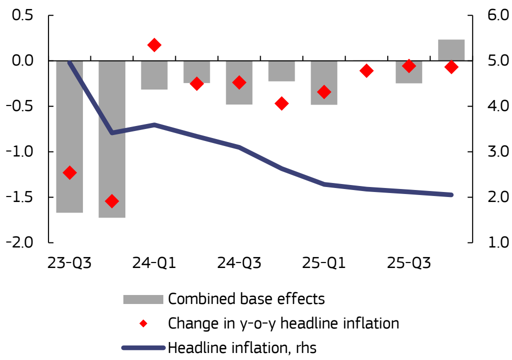
Graph I.2.37: **Outlook for wage growth and selected underlying inflation indicators, euro area**



Note: Wages refer to compensation of employees per employee.

Domestic price pressures are projected to moderate as profit margins absorb higher wages and tighter financing conditions cool demand. Domestic price pressures as measured by the GDP deflator should continue moderating over the forecast horizon (see Table I.2.5), as higher wage growth is expected to be buffered by firms' profits. The decline in unit profits, already observed in the first two quarters of 2023, is set to continue in the second half of the year and in 2024, accommodating the strong, although moderating, growth in labour cost (see Graph I.2.37). Moreover, tightening financing conditions are expected to play an increasingly important role in cooling domestic demand pressures. All in all, growth in the euro area/EU GDP deflator is set to continue moderating from its peak in the first quarter of 2023. It is expected to average 5.9% / 6.1% in 2023, before declining to 3.0% / 3.2% in 2024 and 2.4% / 2.6% in 2025 in the euro area and the EU, respectively.

Graph I.2.38: **Outlook for disinflation in the euro area: impact of base effects**



Note: Base effect in quarter *t* equal to a historical average for q-o-q inflation in that month *minus* actual q-o-q inflation in the same quarter of the previous year, *t-4*.

Headline inflation is expected to fall to slightly above 2% in the second half of 2025. Higher energy prices in recent months and an upward shift in energy and food commodity price futures imply a +0.3 pps. revision to headline inflation in the euro area and the EU for 2024 compared to the Summer interim Forecast. Still, price pressures related to non-energy consumption categories are expected to unwind, broadly in line with the previous forecast and in a context of slightly tighter financing conditions, moderating wage growth and normalising profit shares. This is corroborated (for the near term) by the Commission's October Business and Consumer Surveys

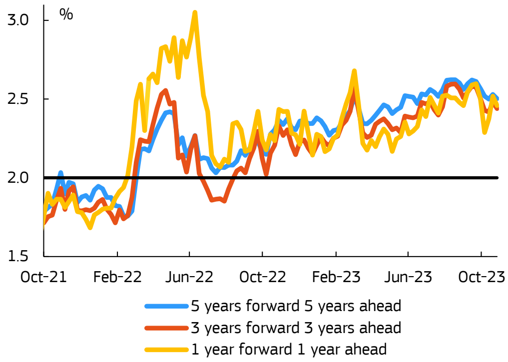
Table I.2.5:
Inflation outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Autumn 2023 Forecast				***Spring 2023 Forecast***			**Autumn 2023 Forecast**				***Spring 2023 Forecast***		
	2022	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**
Private consumption deflator	6.6	**5.8**	**3.0**	**2.2**	*6.9*	*5.5*	*2.6*	7.4	**6.4**	**3.2**	**2.3**	*7.6*	*6.1*	*2.8*
GDP deflator	4.6	**5.9**	**3.0**	**2.4**	*4.6*	*5.7*	*2.7*	5.4	**6.1**	**3.2**	**2.6**	*5.4*	*6.1*	*2.9*
HICP	8.4	**5.6**	**3.2**	**2.2**	*8.4*	*5.8*	*2.8*	9.2	**6.5**	**3.5**	**2.4**	*9.2*	*6.7*	*3.1*
HICP-overall excluding energy	5.2	**6.3**	**3.1**	**2.4**	*5.2*	*6.2*	*3.2*	6.1	**7.2**	**3.5**	**2.7**	*6.1*	*7.1*	*3.6*
HICP-overall excl. energy and unproc. food	4.9	**6.3**	**3.1**	**2.5**	*4.9*	*6.1*	*3.2*	5.8	**7.0**	**3.5**	**2.7**	*5.8*	*6.9*	*3.6*
HICP-overall excl. energy, food, alcohol, tobacco	4.0	**5.1**	**3.2**	**2.5**	*4.0*	*5.2*	*3.4*	4.7	**5.9**	**3.6**	**2.8**	*4.7*	*6.0*	*3.7*
Compensation per employee	4.5	**5.5**	**4.5**	**3.4**	*4.4*	*5.5*	*4.2*	5.0	**5.9**	**4.9**	**3.8**	*5.0*	*5.9*	*4.6*
Unit labour costs	3.4	**6.0**	**3.8**	**2.3**	*3.2*	*5.0*	*3.2*	3.6	**6.4**	**4.0**	**2.4**	*3.5*	*5.4*	*3.3*
Import prices of goods	21.4	**-3.5**	**1.2**	**1.6**	*21.4*	*-0.6*	*1.3*	21.6	**-3.0**	**1.4**	**1.7**	*21.7*	*-0.3*	*1.4*

reporting a further decline in selling price expectations in the euro area/EU – both in retail trade and manufacturing of consumer goods[18], with the latter falling to the lowest since early 2021. All in all, headline inflation in the euro area is set to slow to 3.3% y-o-y in the fourth quarter of 2023, and further down to 2.6% and 2.1% in the final quarters of 2024 and 2025, respectively. In the EU, HICP inflation is projected to fall from 4.0% to 2.8% and 2.2% in the final quarter of 2023, 2024 and 2025, respectively. In annual average terms, headline inflation is expected to decline from 5.6% in 2023 to 3.2% in 2024 and 2.2% in 2025 in the euro area and, respectively, from 6.5% in 2023 to 3.5% and 2.4% in the EU.

Inflation expectations remain broadly anchored. Longer-term inflation expectations of financial market participants (which include different risk premia) and professional forecasters have been continuously drifting upwards since 2022 and now exceed the inflation target. However, market-based measures of inflation expectations at short- and long-term horizons appear to have stabilised over the summer and moderated since then in line with actual and prospective disinflation (see Graph I.2.39).

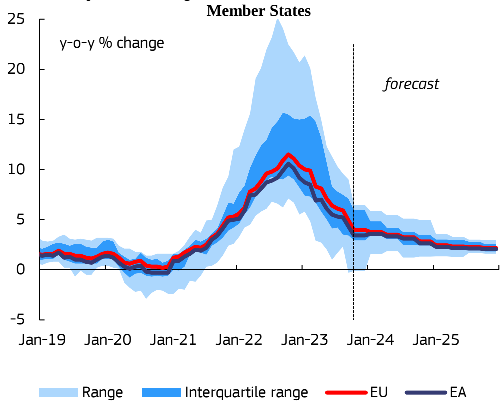
Graph I.2.39: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

Dispersion of inflation within the EU remains elevated, but is set to normalise by 2025. Having peaked in the first quarter of 2023, intra-EU dispersion of annual inflation rates moderated in the second and third quarter of 2023, and is set to continue declining in the forecast horizon. As the impact of the energy shock on headline inflation wanes, the core components of the consumption basket, and services in particular, are set to become the main driver of intra-EU inflation heterogeneity (see Graph I.2.41). Dispersion in the projected core inflation (excl. energy and food) in turn reflects country-specific drivers, including the wide range of expected wage growth (Graph I.2.42) and

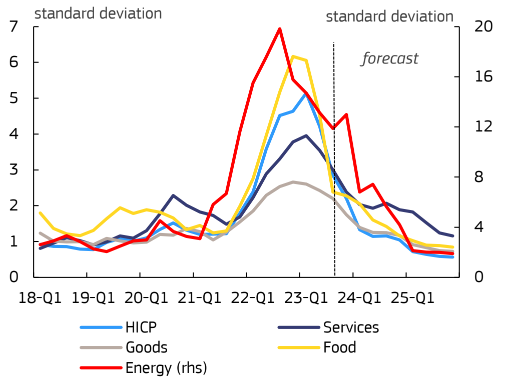
Graph I.2.40: **Range of annual HICP inflation rates in EU Member States**



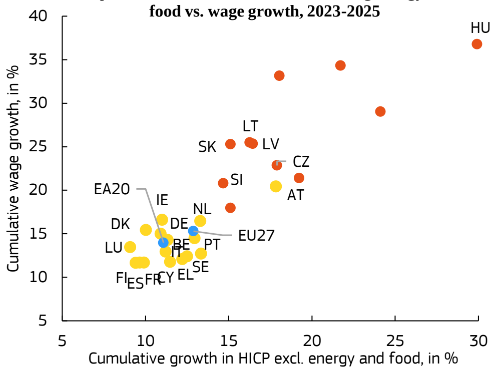
(18) According to Commission's analysis, selling price expectations of manufacturers of consumer goods provide a good indication of future developments in prices of *non-energy industrial goods and processed food*, with the correlation peaking at a lag of six months. *(European Commission (2023). "European Business Cycle Indicators – Selling price expectations and core inflation: insights from the Commission's business surveys. 1st Quarter 2023." Technical Paper 063)*

developments in unit profits. (see Box I.2.2) Both Graph I.2.42 and Box I.2.2 confirm a strong geographical pattern in inflation outcomes, with inflation in Central and Eastern Europe (CEE) visibly higher, amid larger contributions from domestic unit labour cost and unit profits and taxes.

Graph I.2.41: **Intra-EU dispersion of annual inflation rates (quarterly averages)**



Graph I.2.42: **Cumulative HICP excluding energy and food vs. wage growth, 2023-2025**

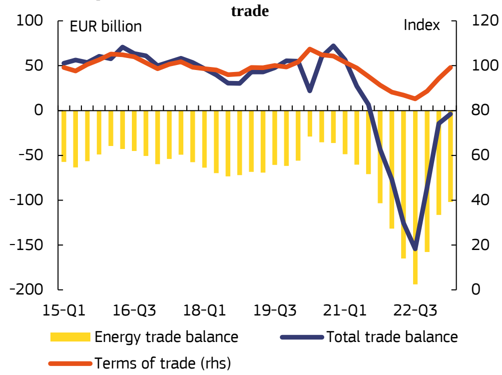


Note: wages refer to compensation of employees (per employee)

2.6. CURRENT ACCOUNT

Falling energy prices have improved the EU's terms of trade. Following their sharp deterioration in 2021 and 2022, on the back of surging import energy prices, the terms of trade for goods in the EU as a whole have been improving strongly since 2022-Q4 (see Graph I.2.43). Falling prices of energy goods have brought import prices for goods down sharply. Export prices also decreased somewhat, albeit at a slower pace than import prices. Terms of trade of goods in the EU are expected to increase by 4% in 2023, after the historic drop of -5.9% in 2022 (see Graph I.2.44). Over the remaining forecast years, terms of trade are expected to continue to increase marginally on the back of broadly stable import and export prices.

Graph I.2.43: **Extra-EU trade balance and terms of trade**



Note: Data is seasonally adjusted. Terms of trade is the ratio of export unit value index to import unit value index.

The rebound of the trade balance of goods pushed the current account balance up. Recovering terms of trade were a driving factor of the improvement of the trade balance of goods

Box I.2.2: **Decomposition of inflation**

Understanding the driving forces of inflation is important to gauge its likely persistence. Energy prices and supply bottlenecks were at the root of the recent inflation surge. However, with accelerating consumer inflation, the importance of home-made inflationary factors increased considerably across the EU (Graph 1). The analysis in this box uses input-output tables to break down inflation into unit labour cost, unit profits, energy and non-energy import prices. In addition, as inflation has substantially increased across the EU, cross-border inflation spillovers are set to increase, owing to the strong economic interlinkages between EU economies. Hence, the analysis also factors in cross-border value-added inflation pass-through. (1)

Energy prices drove the inflation surge in the euro area in 2022, but wages and profits are set to keep inflation elevated this year and next. In 2021, disruptions caused by the pandemic amid reviving demand increased the contribution of external factors to consumer inflation. HICP inflation increased to 2.6% in the euro area and 2.9 % in the EU (Graph 2). For the euro area, energy and non-energy import prices contributed around 1.2 pps. Domestic drivers, however, dominated, with the combined effect of unit profits and wages adding 1.6 pps. In 2022, the impact of the external shocks prevailed, contributing nearly two thirds of the 8.4% inflation rate. At the same time, unit profits increased strongly, capturing almost 2 pps. of the inflation rate, while the contribution from wages remained relatively subdued.

In 2023, inflation is moderating, owing to a fading effect of the external shocks, while the gradual moderation in domestic inflationary factors is expected to bring inflation close to 2% in 2025. The ongoing adjustment of wages, combined with still robust unit profits, explains a large part of the 5.6% euro area inflation rate forecast for 2023. Next year, wages are forecast to continue increasing at a swift pace to partly undo the losses in households' real disposable income, but other drivers are expected to moderate. Unit profit growth, which increased strongly in 2022 and 2023 likely reflected the rapid pass-through of higher input cost into selling prices and the comparatively slower adjustment in wages, is expected to markedly ease. In addition, energy prices are estimated to have a mild deflationary effect, as the lagged effect from falling prices outweighs the inflationary effect stemming from the assumed increase in energy prices. (2) As a result, inflation should fall to just over 3%. In 2025, inflation in the euro area is projected to ease to just over 2%, as both domestic drivers normalise and external drivers remain insignificant. Over the forecast horizon, the impact of cross-border value-added inflation spillovers on consumer inflation is expected to remain modest, capturing only around 0.7 pps of the 11% increase in HICP forecast for the period between 2023 and 2025.

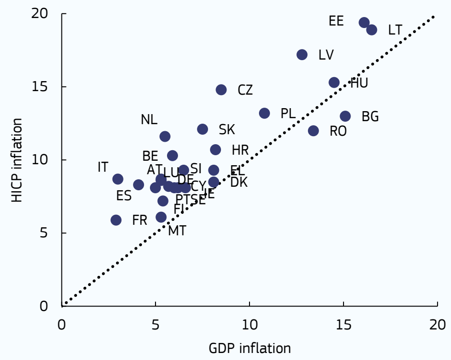
(1) Figaro input-output tables provide the productive structure of each EU economy through which costs are propagated. The price of imported energy bundle is calculated from the Comext database and the external assumptions for energy prices underlying the forecast are used to extrapolate the historical series. Domestic unit labour cost, profits and consumer inflation are taken from Ameco. More details on an earlier version of the model can be found in European Commission (2023). “Inflation Differentials in Europe and Implications for Competitiveness.” *Institutional paper No. 198*, April 2023

(2) The unexplained part – the residual – may partly reflect the impact of the withdrawal of energy policy measures.

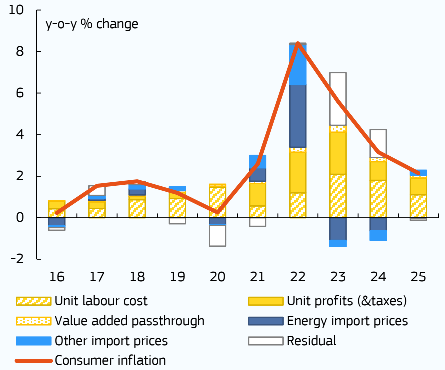
(Continued on the next page)

Box (continued)

Graph 1: **HICP and GDP inflation in 2022, %**

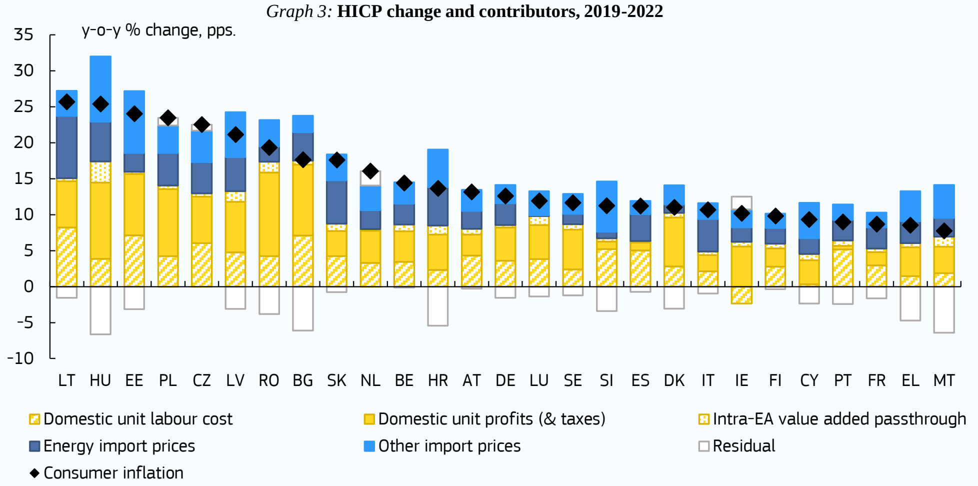


Graph 2: **Consumer inflation, euro area**



The increase in inflation has been uneven across Member States. Almost all Member States saw their inflation rates accelerate in 2021 and soared in 2022. Reflecting the differences in economic structures and policy response, inflation ranged from 5.9% in France to 19.4% in Estonia in 2022. The energy price shock contributed markedly to the acceleration (Graph 3). Among all EU countries, Lithuania experienced the largest energy contribution, nearly 9 pps. in the period between 2019 and 2022. The contribution exceeded 5 pps. in Croatia, Slovakia and Hungary. By contrast, the impact of energy prices is estimated at below 1 pp. in Luxembourg and Slovenia. Non-energy imports were also an important factor in some Member States, particularly in Hungary, Estonia, Latvia, Slovenia and Malta. On average, non-energy imports contributed around one quarter to consumer inflation in the three years up to 2022. However, domestic drivers dominated in most countries, with unit profits being the more important factor in most Member States. The contribution of unit profits was particularly large in Hungary, Romania, Bulgaria, Poland and Estonia. Value-added inflation spillovers were relatively limited. Only a handful of smaller economies are estimated to have experienced inflation spillovers exceeding 1 pp. over the three-year period, namely Hungary, Romania, Slovakia, Croatia, Luxembourg and Malta.

Graph 3: **HICP change and contributors, 2019-2022**



Domestic factors are expected to drive inflation over the forecast horizon. Inflation is projected to gradually decelerate across the EU. However, the cumulative increase in the price level will still be substantial in most Member States (Graph 4). Unlike in the 2019-2022 period, external drivers are projected to have only a benign impact on inflation over the forecast horizon, as energy

(Continued on the next page)

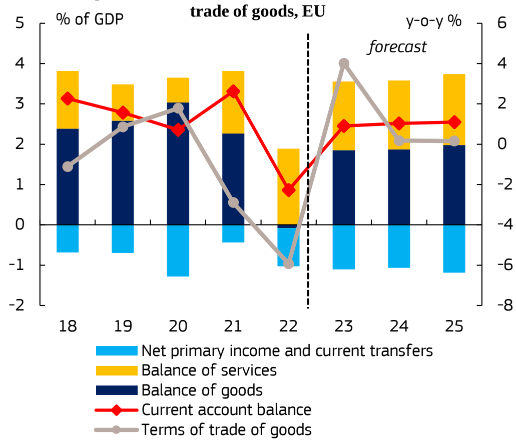
Box (continued)

prices are assumed to stay elevated. Still, their impact will likely be substantial in Lithuania, Latvia, Estonia, Czechia, Croatia, Italy, and Greece, reflecting the strong pass-through of external shocks. Domestic factors are expected to remain strong and even increase in most Member States compared to the 2019-2022 period. Unit profits are set to continue fuelling inflation, though their role is projected to diminish in most countries after 2023. The highest contributions are expected for Hungary, Poland, Romania, Slovakia, Greece and Slovenia. By contrast, the contribution of unit labour costs is forecast to increase in 2023 and to remain high in 2024 in most countries. In 2025, both domestic factors are set to normalise, though they may continue to drag the disinflationary process in some countries. Compared to the 2019-2022 period, value-added inflation spillovers are set to increase, though their contribution to total inflation remains comparatively low. On average, they increase total inflation by about 1.3 pps. cumulatively over the forecast period. In Hungary, Latvia, Croatia and Luxembourg, inflation spillovers are estimated to add more than 2 pps. to total inflation.

Graph 4: **HICP change and contributors, 2022-2025**

since the end of 2022 (Graph I.2.43). In the second quarter of 2023, the EU trade balance of goods registered a markedly reduced deficit of EUR 3.9 billion, as the decline in the value of imports outpaced that of exports (-3.5% and -1.9% respectively, seasonally adjusted). Particularly, the energy trade deficit shrank considerably on the back of lower energy prices over the last three quarters. The improved goods balance was reflected in the uptick in the current account balance, which reached a surplus of EUR 73 billion (1.7% of GDP) in the second quarter of 2023. For 2023 as a whole, the trade balance is expected to reach 1.8% of GDP and to increase to 2% of GDP until 2025.

Graph I.2.44: **Current-account balance and terms of trade of goods, EU**

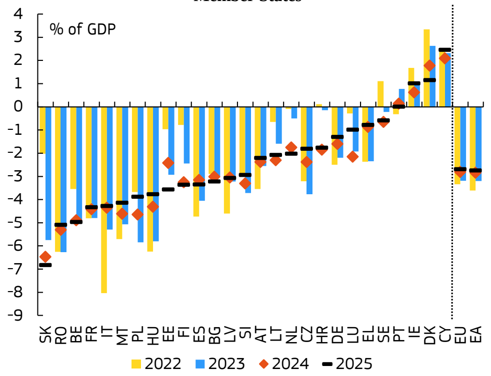


The EU current account surplus is set to improve in 2023 and stabilise over the forecast horizon. The rebound of the goods trade balance is projected to push up the current account balance to 2.5% of GDP in 2023. In 2024 and 2025, the current account balance is expected to remain broadly unchanged (see Graph I.2.44), as the import volumes recover while the terms of trade are set to remain rather constant. However, as global energy prices are assumed to persist at elevated levels, the balance of goods in the EU is expected to remain well below its pre-pandemic %-of-GDP ratio (2015-19) over the forecast horizon, as also the total current account balance. In contrast, the balance of services is assumed to stay well above their pre-crisis ratio. The deficit of primary incomes and current transfers is set to slightly increase over the forecast years. In 2025, the slight increase in the goods and services balance is expected to offset the marginally higher deficit of primary incomes and current transfers.

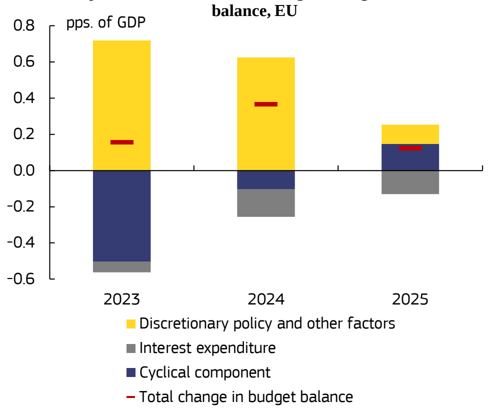
2.7. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

The EU general government deficit is projected to decline slightly in 2023. After reaching the historically high level of 6.7% of GDP in 2020 following the COVID-19 crisis, the EU deficit fell to 3.3% in 2022, despite sizeable measures to mitigate the economic and social impact of high energy prices (1.2% of GDP). [19] It is set to decline slightly in 2023, to 3.2% of GDP (Graph I.2.45). Discretionary fiscal support is estimated to have decreased significantly thanks to the complete phase-out of pandemic-related temporary measures, a reduction in subsidies to private investment [20] and a lower net budgetary impact of energy-related measures (by 0.2 pps., to 1.0% of GDP). By contrast, the less favourable economic environment and higher interest expenditure are set to provide deficit-increasing impacts to the EU aggregate deficit in 2023 (Graph I.2.46).

Graph I.2.45: **Budget balance developments across Member States**



Graph I.2.46: **Drivers of the change of the government balance, EU**



Restraint in discretionary fiscal support is expected to lead to further deficit reductions in 2024 and 2025. The EU aggregate deficit is projected to decline to 2.8% of GDP in 2024. This decline is driven by the sizeable reduction in energy-related measures (by 0.8 pps., to 0.2% of GDP) and lower subsidies to private investment. By contrast, the impact of higher interest expenditures on the deficit is expected to increase further in 2024 due to the higher interest rates (Graph I.2.46). Based on unchanged policies, the EU aggregate deficit is projected to fall marginally further in 2025, to 2.7% of GDP, driven by the complete phase-out of energy support measures.

Deficits remain high in many Member States. In 2023, 12 EU Member States are set to have a deficit greater than 3% of GDP. This number is expected to increase to 13 in 2025 (Graph I.2.45), based on the customary no-policy-change assumption, when all Member States but Cyprus and

(19) Measures to mitigate the impact of high energy prices, which mainly consist of reductions in indirect taxes, subsidies on energy products or production, as well as price caps, are estimated according to the following criteria: (1) measures credibly announced and specified in sufficient detail; (2) strict and consistent definition of an energy measure; (3) measures with an impact on the government budget balance (for more details see 'Box 2.2. Fiscal policy measures to mitigate the impact of high energy prices' in European Commission (2023). *The 2023 Stability & Convergence Programmes - An Overview, with an Assessment of the Euro Area Fiscal Stance*. Institutional Paper 253).

(20) These investment subsidies had a higher budgetary cost in the EU of 0.3% of GDP 2021, increasing by further 0.4 pps. in 2022, mainly due to measures to accelerate the green transition (e.g. the so-called *Superbonus 110%* in Italy) and to deal with the fallouts in the energy sector following Russia's war of aggression against Ukraine (e.g. Uniper bailout in Germany). They are expected to be phased out in 2023-24.

Table I.2.6:

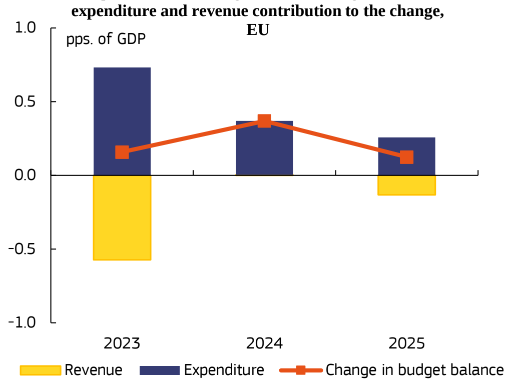
General Government budgetary position - euro area and EU

(% of GDP)	Euro area							EU						
	Autumn 2023 Forecast				*Spring 2023 Forecast*			Autumn 2023 Forecast				*Spring 2023 Forecast*		
	2022	2023	2024	2025	2022	2023	2024	2022	2023	2024	2025	2022	2023	2024
Total receipts (1)	46.9	**46.2**	**46.2**	**46.0**	*47.1*	*46.4*	*46.3*	46.3	**45.7**	**45.7**	**45.6**	*46.5*	*45.9*	*45.7*
Total expenditure (2)	50.5	**49.4**	**49.0**	**48.8**	*50.7*	*49.6*	*48.8*	49.6	**48.9**	**48.5**	**48.3**	*49.8*	*49.0*	*48.1*
Actual balance (3) = (1)-(2)	-3.6	**-3.2**	**-2.8**	**-2.7**	*-3.6*	*-3.2*	*-2.4*	-3.3	**-3.2**	**-2.8**	**-2.7**	*-3.4*	*-3.1*	*-2.4*
Interest expenditure (4)	1.7	**1.7**	**1.9**	**2.0**	*1.7*	*1.7*	*1.8*	1.6	**1.7**	**1.8**	**2.0**	*1.6*	*1.7*	*1.8*
Primary balance (5) = (3)+(4)	-1.9	**-1.5**	**-1.0**	**-0.7**	*-1.9*	*-1.4*	*-0.6*	-1.7	**-1.5**	**-1.0**	**-0.7**	*-1.8*	*-1.4*	*-0.7*
Gross debt	92.5	**90.4**	**89.7**	**89.5**	*93.1*	*90.8*	*89.9*	84.8	**83.1**	**82.7**	**82.5**	*85.3*	*83.4*	*82.6*

Ireland are projected to still have a headline budgetary position worse than in 2019, i.e. before the COVID-19 pandemic.[21]

Expenditure and revenue ratios are projected to fall on aggregate in the EU (Graph I.2.47). After sizeable revenue windfalls in 2020-22,[22] also as a result of high inflation, revenues are set to grow less than nominal GDP in 2023, mainly due to the expected reversal of those windfalls. As a result, the EU revenue-to-GDP ratio is projected to decline significantly in 2023 (by 0.6 pps.). In 2024-25, revenues are expected to grow broadly in line with nominal GDP. The decreasing discretionary fiscal support compared to 2022 is set to result in a sharp decline of the EU expenditure-to-GDP ratio in 2023 and a gradual reduction in the following years (by 1.4 pps. overall), despite higher interest expenditure.

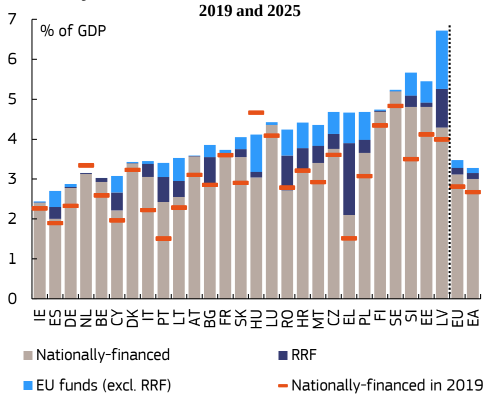
Graph I.2.47: **General government budget balance - expenditure and revenue contribution to the change, EU**



Rising public investment is set to improve the quality of expenditure by 2025. The EU aggregate public investment ratio is expected to rise to 3.5% of GDP in 2025, up from 3.0% in 2019. Around half of the increase in public investment between 2019 and 2025 is related to investment financed by the EU budget, particularly by the RRF,[23] while national budgets are set to finance the residual part. By the end of the forecast horizon, in most EU countries national budgets are projected to devote more resources to investment than they did prior to the pandemic, with Slovenia, Portugal and Italy expected to record the largest increases (Graph I.2.48). On the contrary, Hungary, and to a lesser extent the Netherlands, are set to reduce their nationally financed investment compared to 2019.

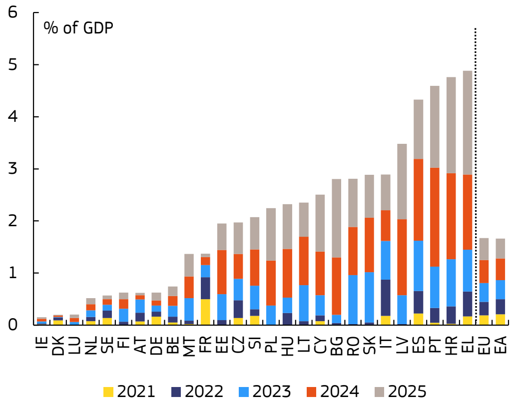
(21) The announcement of 9 November by the German government of an energy support package called the "Strompreispakt" was made after the cut-off date of the forecast (31 October) and is therefore not reflected in the forecast figures.
(22) Revenue windfalls (shortfalls) are estimated through the increase (decrease) in the revenue-to-GDP ratio that is not explained by discretionary measures or transfers from the EU budget.
(23) Differences in EU financed investment between Member States depend on the allocation of Recovery and Resilience Facility grants and other EU funds, as well as on the pace of absorption.

Graph I.2.48: **Public investment across Member States, 2019 and 2025**



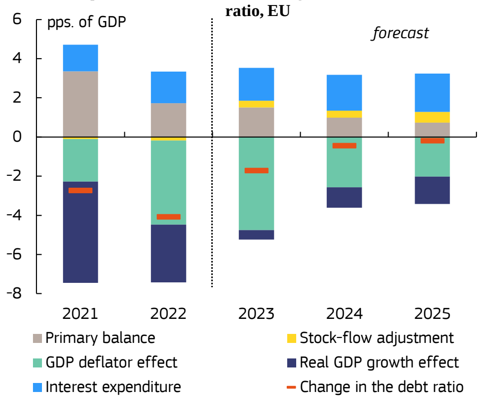
Absorption of RRF grants is expected to increase over the forecast horizon. For the EU as a whole, absorption of RRF grants is set to reach 0.4% of GDP in 2023 (from 0.2% in 2021 and 0.3% in 2022), and to stabilise at that level in 2024-25. Over the 2021-25 period, expenditure financed by RRF grants is expected to be above 3% of GDP in five Member States (Greece, Croatia, Portugal, Spain and Latvia), while it is projected between 2% and 3% of GDP in 13 countries [24] (Graph I.2.49).

Graph I.2.49: **RRF grants absorption, 2021-2025**



High inflation supports the reduction in debt-to-GDP ratios in the short term (Graph I.2.50)**.** After reaching a historically high level close to 92% at the end of 2020, the EU aggregate debt-to-GDP ratio fell significantly, reaching 85% at the end of 2022. [25] This 7 pps. decline was due to the strong post-pandemic economic recovery and high inflation (see real GDP growth and deflator effect in Graph I.2.50), while high primary deficits continued to lift debt levels. [26] The EU debt-to-GDP ratio is set to continue to decline to 83% in 2023 helped by inflation, as measured by the GDP deflator, while higher interest rates on new debt issuances raise interest expenditure only gradually thanks to the long maturity of public debts in the EU. At the same time, subdued real GDP growth hardly contributes to the reduction of the debt ratio in 2023. In 2024-25, the EU aggregate debt-to-GDP ratio is projected to broadly stabilise, remaining above the 2019 level of around 79%. In particular, the interest-growth differential [27] is set to become less favourable because growth of the GDP deflator decelerates, while interest expenditure increases

Graph I.2.50: **Drivers of the change in the debt-to-GDP ratio, EU**



(24) These countries are Malta, France, Estonia, Czechia, Slovenia, Poland, Hungary, Lithuania, Cyprus, Bulgaria, Romania, Slovakia and Italy.

(25) These debt data are not consolidated for intergovernmental loans. See also Box 1.5.1 “Some technical elements behind the forecast”.

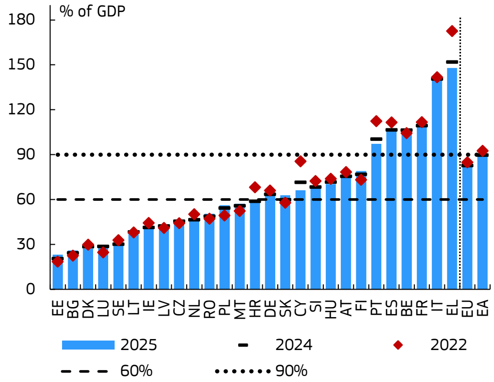
(26) The surge in inflation since mid-2021 provided some temporary relief to public finances, thanks to a sizeable nominal GDP denominator effect and the initial improvement in fiscal balances via revenue windfalls. However, being largely driven by a terms-of-trade shock caused by soaring energy prices, inflation reduced households’ real incomes and increased firms’ input costs, leading to reduced economic growth and prompting governments to implement general support measures for both households and firms (for more details see Part III ‘Impact of inflation on public finances’ in European Commission (2023). *Report on Public finances in EMU*. Institutional Paper 256).

(27) This so-called “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.

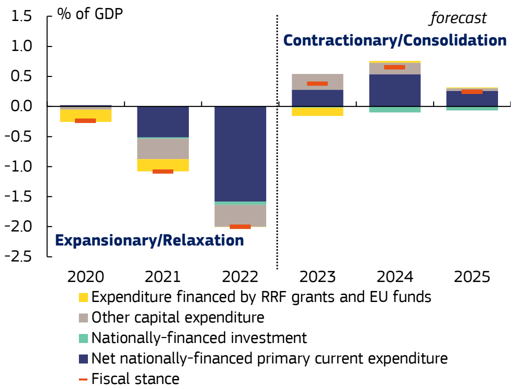
further, and primary deficits continue to weigh on debt developments.[28]

Developments in public debt ratios vary across countries. By the end of 2025, most Member States are projected to have a debt-to-GDP ratio lower than in 2022, with particularly large falls in Greece (25 pps.), Cyprus (19 pps.) and Portugal (15 pps.). However, five Member States (Belgium, Greece, Spain, France, and Italy) are expected to have debt ratios still well above 100% of GDP (Graph I.2.51).

Graph I.2.51: **General government debt developments across Member States**



Graph I.2.52: **Fiscal stance and its components, EU**



The EU fiscal stance is projected to turn contractionary this year (Graph I.2.52). [29] After an overall expansionary fiscal stance estimated at around 3½ % of GDP for 2020-22, the fiscal stance is set to become contractionary in the EU in 2023 (by 0.4 % of GDP). This contractionary stance is mainly driven by some decline in the budgetary cost of measures to mitigate the impact of high energy prices (primary current expenditure net of discretionary revenue measures) and by lower governments' subsidies to private investment (other capital expenditure). At the same time, expenditure financed by RRF grants and other EU funds is expected to increase, providing an expansionary contribution to the 2023 fiscal stance. A more contractionary fiscal stance is projected in the EU in 2024 (by 0.7 % of GDP), mainly related to the expected phase-out of the energy-related measures, as well as to a further decline in governments' subsidies to private investment. Investment financed by national budgets is, however, set to provide a slightly expansionary contribution to the 2024 fiscal stance. The no-policy-change forecast for 2025 points to a slightly contractionary EU fiscal stance that year.

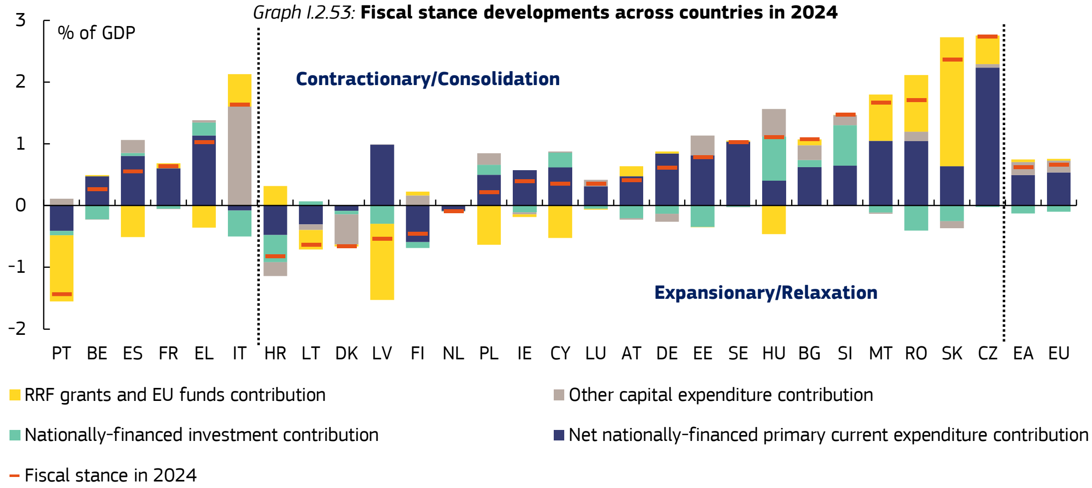
As a result, fiscal policies in 2023-25 are not expected to fuel additional inflationary pressures.

Fiscal stance projections for 2023-24 are very heterogeneous across Member States (Graph I.2.53). The fiscal stance in 2023 is set to range from a contractionary stance of more than 5% of GDP in Hungary to an expansionary stance of more than 6% in Slovakia. Developments in energy-related support are the main drivers of the projected fiscal stances across Member States in 2023. Other capital expenditure is set to provide contractionary contributions of more than 1% of GDP in Hungary, Latvia and Italy in 2023, after the sizeable expansionary contributions recorded

[28] According to the literature, fiscal consolidations undertaken in higher-inflation environments are implemented over a shorter period, but have a larger effect on reducing debt than average consolidations (see for instance IMF (2023). *On the path to Policy Normalization*. Fiscal monitor,. Ch. 1, p. 11. Washington, DC, April).

[29] The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. Since the pandemic, in the Commission's forecast the fiscal stance is measured through the Discretionary Fiscal Effort (see Carnot, N. and F. de Castro. (2015). "The Discretionary Fiscal Effort: an Assessment of Fiscal Policy and its Output Effect." European Economy. Economic Papers 543). It is based on the increase in primary expenditure (net of discretionary revenue measures) relative to the 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 but excludes the temporary emergency measures related to the COVID-19 pandemic, also because part of them can be considered to be of a cyclical nature (e.g. support for short-time work schemes instead of unemployment benefits). The pandemic-related support is assumed to be fully phased out in 2023.

Graph I.2.53: **Fiscal stance developments across countries in 2024**



in 2021-22. Finally, in the majority of Member States, spending financed by RRF grants and other EU funds is projected to provide a further expansionary contribution in 2023.

The majority of the EU countries are set to have a contractionary fiscal stance in 2024. The fiscal stance is projected to range from a contractionary stance of more than 2.5% of GDP in Czechia to an expansionary stance of more than 1.5% in Portugal. Spending financed by RRF grants and other EU funds is expected to provide contractionary or expansionary contributions to the 2024 fiscal stance almost evenly across EU countries. [30] Most Member States expect to see a contractionary contribution of net primary current expenditure financed by the national budgets, driven by the phase-out of energy-related measures. Other capital expenditure is set to provide large contractionary contributions in Italy as subsidies to private investment are phased out.

[30] In 2024, sizeable contractionary contributions from expenditure financed by the EU budget are expected in some Member States that benefit from EU Structural and Investment Funds, as 2023 was the last year to spend funds provided by the 2014-2020 Multiannual Financial Framework (MFF).

3. RISKS

Uncertainty and downside risks to the economic outlook have increased in recent months. They are primarily related to the evolution of Russia's protracted war of aggression against Ukraine and the conflict in the Middle East following the brutal terrorist attacks on Israel by Hamas. Energy markets appear most vulnerable to these shocks. Renewed disruptions to energy supplies could have a significant impact on energy prices, global output and the overall price level (see Box I.3.1).

The transmission of monetary tightening may weigh on economic activity for longer and to a larger degree than projected in this forecast. The adjustment of firms, households and government finances to the high interest rate environment could prove more challenging than expected. A continued marked slowdown of the flow of credit to the private sector may especially dampen investment growth. Households in Member States with predominantly variable mortgage interest rates and with large mortgage loans could further lower consumption. A larger share of highly indebted corporates could go bankrupt, with further consequences on banks' asset quality and their ability to provide credit. The highly leveraged commercial real estate sector appears particularly vulnerable to increasing interest rates, also given the ongoing decline in valuations in several countries. Finally, notwithstanding the long maturity of public debts in the EU, highly indebted countries will face increasing debt servicing costs.

Risks on inflation appear more balanced. Beyond the risks to energy prices highlighted above, inflation could turn out higher if wages rise faster than expected or without being absorbed by the decline in corporate profit shares. In such case, the ECB may need to tighten monetary policy further. This would put additional constraints on economic activity and pose broader macro-financial risks. By contrast, inflation could turn out lower if domestic demand fails to recover over the next quarters amid tight financial conditions. Lower inflation would in turn boost households' purchasing power with positive effects on consumer spending.

Economic developments in the EU's major trading partners also pose risks. Risks on the EU economy are closely related to the outlook for its key trade partners. The risks in China are on the downside, related to the downturn in the property sector and to high debt imbalances (see Box I.2.1). Risks stemming from the US appear more balanced, as the disinflation process has progressed without a major dent in activity. However, should policy interest rates be kept high for longer than currently assumed, tighter financial conditions could weigh more on households and corporates.

Finally, mounting risks associated to climate change also weigh on the outlook. The materialisation of these risks bears severe costs for the EU economy, in terms of losses in natural capital and key infrastructure, including residential housing and production capital, as well as possible disruptions in economic activity. While some of these risks are expected to materialise only gradually, the extreme events like heatwaves, fires, droughts and floods that have been raging across the continent with increasing frequency and scope illustrate the dramatic consequences that climate change can have for the environment, the people affected and the economy (see Special Issue 4.3).

Box I.3.1: **Potential economic repercussions of wider tensions in the Middle East: A stylised model-based scenario**

The conflict in the Middle East following the brutal terrorist attacks on Israel by Hamas add a significant downside risk to the EU's economic outlook. In addition to its devastating toll on human lives, the conflict has significant potential ramifications for the global economy, mainly through energy markets. While, so far, the impact on oil prices has been modest (see Section 1.2), the region is home to major oil producers and crucial shipping routes for oil and liquefied natural gas through the Gulf of Suez. An extension of the conflict or its political ramifications to the wider region that would cause disruptions to these energy supplies would have a powerful impact on energy prices, global output and the overall price level.

The model-based scenario presented in this box sheds light on the potential implications of an escalation of the conflict in the Middle East. The analysis employs the Global Multi-Country (GM) model, a structural macroeconomic model of the euro area. [1] The model setup includes imported energy commodities for production and consumption. It also features shocks to consumer savings decisions and financial market risk premia. This framework thus allows building a stylised scenario for an escalation of the conflict affecting these channels and quantifying its impact on the economy of the euro area.

Building on the forecast baseline, a series of shocks translate the risks into modelling assumptions. Specifically:

i. *Commodity prices*: The scenario assumes that Brent oil prices increase by 30 USD relative to the forecast baseline (around 30% above the baseline [2] for four quarters and decline gradually after that. As a stylised assumption, an equivalent percentage increase is applied to natural gas prices. [3] Quantitatively, these shocks imply large disruptions in global commodity markets. Prices, however, are assumed to stay below those seen in historical episodes of major oil price shocks. [4]

ii. *Uncertainty and confidence*: The scenario also assumes a persistent increase in the investment risk premium by 50 basis points and a one standard deviation shock to households' saving (+0.3 pp.). [5] These assumptions are purely illustrative, though they are informed by model estimations on historical data.

The scenario does not include discretionary fiscal or monetary policy action [6].

The scenario results in a significant decline in economic activity and increased inflation. Graph 1 shows that, taking all channels together, euro area GDP growth in 2024 could be 0.7 pp. lower than in the baseline forecast, according to the model simulations. The economic fallout of the

(1) For more information, see https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-research/macroeconomic-models/global-multi-country-gm-model_en

(2) The corresponding annual average oil price levels (in USD) assumed in the simulations are 92, 114, and 106 USD per barrel in 2023, 2024 and 2025, respectively. The baseline forecast assumptions are reported in Box I.5.1.

(3) The symmetric treatment of oil and gas partly reflects a similar growing exposure of the EU to global energy markets competition, including for supply of Liquified Natural Gas (LNG), following the shift away from Russian pipeline gas supply. Furthermore, the correlation between oil and gas prices is likely to be stronger at times of higher volatility (Halser, Ch., Paraschiv, F., & M. Russo, 2023, Oil-gas price relationships on three continents: Disruptions and equilibria, Journal of Commodity Markets, 31, https://doi.org/10.1016/j.jcomm.2023.100347).

(4) This assumption is broadly in line with the price increase in the medium disruption scenario discussed by the World Bank in its Commodity Markets Outlook -- October 2023 (worldbank.org).

(5) In the model, an increase in the risk premium, due to higher uncertainty, pushes up the cost of borrowing for consumers and firms. Similarly, weaker consumer confidence pushes up households' precautionary savings.

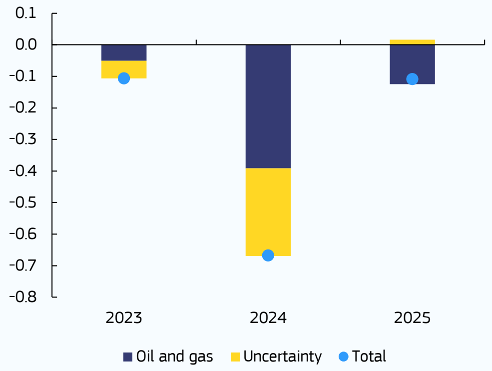
(6) As a technical assumption, all shocks are assumed to start by the end of 2023.

(Continued on the next page)

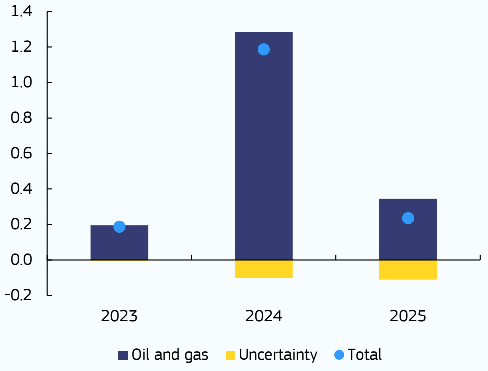
Box (continued)

simulated shocks is persistent and will continue to drag on growth in 2025, though with decreasing vigour. Thus, GDP growth in 2025 would be 0.1 pp. lower than in the baseline forecast. [7]

Graph 1a: **GDP Growth in pp. from baseline, euro area**



Graph 1b: **Inflation in pp. deviation from baseline, euro area**



The oil and gas price shock is the primary driver of the growth impact. According to model estimates, higher prices for energy commodities substantially drag on economic activity, with oil and gas price shocks decreasing 2024 GDP growth by 0.4 pp. Heightened uncertainty, reflected in higher household savings and elevated investment risk premia, add a negative GDP impact of 0.3pp (see Graph 1a).

Higher oil and gas prices are a key risk to the outlook of gradually easing inflation. As shown in Graph 1.b, the model simulation suggests inflation rates of 1.2pp and 0.2pp above baseline in 2024 and 2025, respectively. The supply-side disruptions associated with commodity prices are the central driver behind the spike in inflation, while the demand-side slowdown caused by elevated uncertainty is slightly disinflationary. A tightening of monetary policy, as implied by the model's estimated policy rule, helps to contain the surge in inflation in the simulations.

Some important caveats need to be made. The situation in the Middle East remains highly volatile, and its development could give rise to a range of additional risks. The possible economic impact would depend inter alia on the degree of disruption of production and transport of oil and gas. Therefore, any scenario analysis is subject to exceptional uncertainty, and quantification remains illustrative. Moreover, the modelling does not account for nonlinear effects, which could potentially alter the outcomes and implications of the evolution of the situation.

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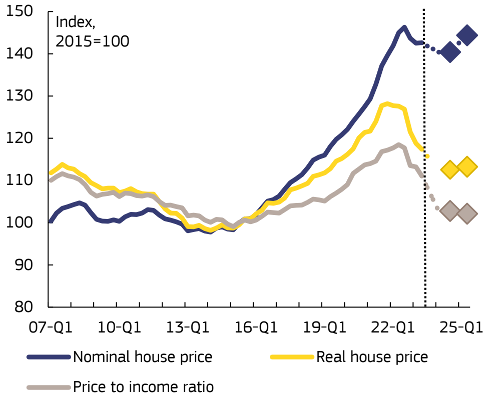
(7) The estimated impact depends on the assumed persistence of the oil price increase. The model-based estimate is broadly in line with the panel VAR evidence that suggests that 10% increase in oil prices reduces EA GDP by 0.16%. See, De Michelis, A., Ferreira, T., & Iacoviello, M. (2020). Oil Prices and Consumption across Countries and U.S. States. International Journal of Central Banking, 16(2), 3-43.

4. SPECIAL ISSUES

4.1. A COOLING HOUSING MARKET AMID MORTGAGE RATE INCREASES

European housing markets have been cooling since mid-2022, alongside the significant slowdown in credit flows. Following their steep rise during the pandemic-induced housing boom, house prices decelerated in 2022. By 2022-Q4, the majority of EU Member States had seen house prices decline, and this trend continued into 2023. In 2023-Q2, the euro-area house price index posted its first year-on-year drop since 2015, of 1.7% compared to 2022-Q2. Based on available evidence, a further slight decline in prices (in y-o-y terms) is expected in the second half of the year. While the real house price index and the price-to-income ratio in the euro area declined even faster than the nominal house price index (see Graph I.4.1),[31] the increase of mortgage rates significantly eroded housing affordability. This section reviews house price drivers and discusses their role in determining future trends.[32]

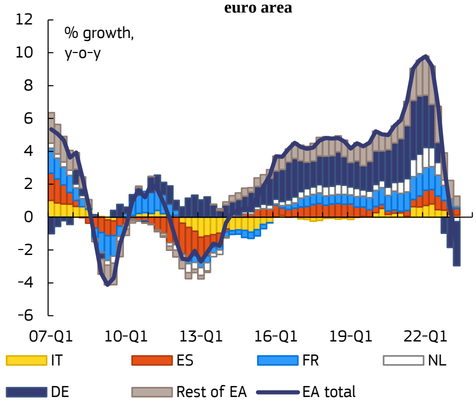
Graph I.4.1: **Euro area house price index**



House prices reverse trend after a decade-long climb

House prices grew robustly across the EU over the last decade, especially during the pandemic. House prices started to increase during the 2010s economic recovery, albeit with notable differences across Member States. Since 2010, prices have doubled in Germany and the Netherlands, while Portugal, Ireland, Czechia, Austria, Luxembourg, Latvia, and Lithuania have seen even stronger price growth. Prices in Estonia and Hungary have even tripled since their trough in the early 2010s. During the pandemic, house prices strongly outpaced income growth in all Member States except Italy.

Graph I.4.2: **Contributions to house price growth in the euro area**



Nominal house prices in the EU and the euro area peaked in mid-2022. As inflation soared last year, a large gap opened up between nominal and real prices, with the latter peaking earlier (see Graph I.4.1).[33] The decline in prices differs across Member States, even within the euro area. The drop of the nominal house price index for the euro area is mainly driven by significant decline of prices in Germany and the Netherlands, as well as in some smaller Member States (see Graph I.4.2).[34] House prices in France and Spain

(31) Real house prices are computed using the consumption deflator and the price-to-income ratio is based on gross disposable household income. Forecasts of annual averages for nominal prices are based on Commission services calculations.

(32) This section focuses on recent housing market dynamics, mainly for the euro-area aggregate. For more details on risks in specific Member States, please see the Commission's forthcoming Alert Mechanism Report.

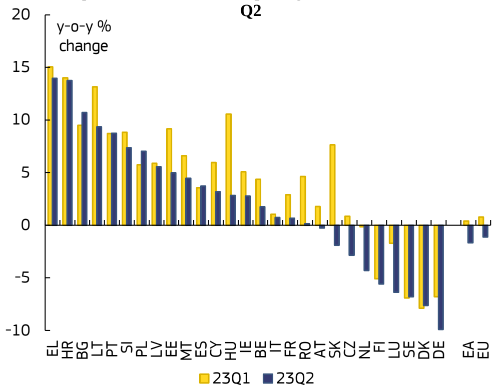
(33) By 2023-Q3, only Greece, Portugal and Cyprus recorded positive year-on-year house price growth in real terms.

(34) Contributions to nominal euro area house price growth follow Eurostat data using weights based on market-value GDP in PPS terms.

appear more stable. The Italian housing market has broadly stagnated since the mid-2010s and has little impact on the euro-area aggregate.

Latest year-on-year growth rates across the EU confirm that cooling continues. House prices are declining further in several Member States where they peaked in 2022-Q2. Besides Germany, this is the case in Czechia, Slovakia, the Netherlands and Luxembourg (see Graph I.4.3). House prices continue declining also in Denmark, Finland and Sweden where a slowdown already started in 2021. In other countries such as Estonia, Lithuania, and Hungary, house prices are still rising in annual terms, but the growth rates are slowing down rapidly. Conversely, steady price growth continues in Bulgaria, Croatia, Greece, Portugal and Slovenia.

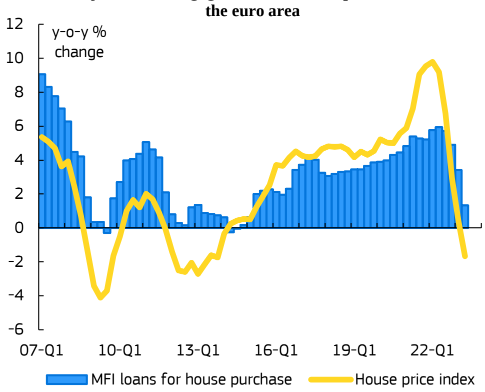
Graph I.4.3: **Nominal house price growth, 2023-Q1 and Q2**



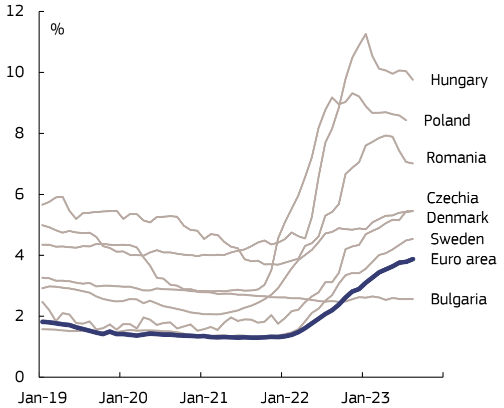
Rising mortgage rates affect house prices, domestic demand and the construction sector

Interest rates and credit markets are the obvious trigger of the price correction, affecting household finances and the construction sector. During the pandemic, mortgage credit flows in the euro area accelerated to levels unseen since the Great Financial Crisis, though lagging behind the surge in house prices. Monetary tightening as from Spring 2022 translated into a rapid increase of mortgage rates, which in turn led to a tightening of bank credit standards. As a result, household credit flows dropped rapidly from their peak in early 2022 (see Graph I.4.4). In several non-euro area countries, mortgage rates increased even more dramatically (see Graph I.4.5). In 2023, credit flows even turned negative in several EU Member States, as mortgage repayments exceed the incurred new loans.

Graph I.4.4: **Mortgage flows and house price index in the euro area**



Graph I.4.5: **Mortgage rates across Member States**



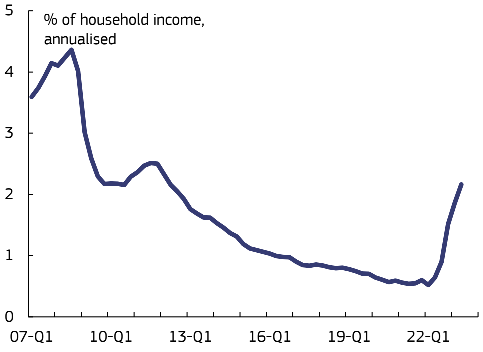
The interest rate increase affects housing markets and real activity through three channels:

1. In countries where floating-rate mortgages are prevalent and household debt is widespread, higher interest rates directly affect households' finances, with the potential to dampen consumption.
2. Financing real estate purchases becomes more challenging for new home buyers, with a direct impact on housing transactions and house prices.

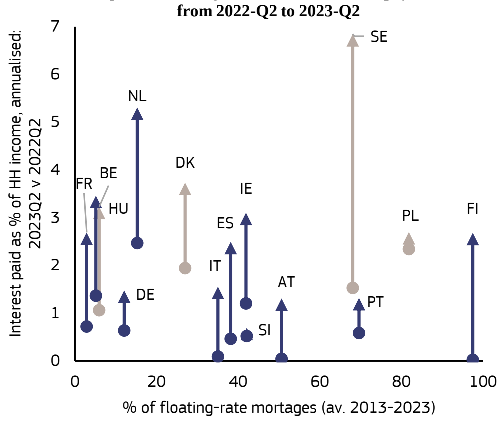
3. Funding new construction or renovation projects becomes more difficult, with negative impact on capital formation and construction activity.

First, the interest rate increase affects home-owners. Euro area quarterly sectoral accounts for the past four quarters report a steep rise in interest payments by households on all household debt (see Graph I.4.6).[35] The impact is particularly notable in countries where mortgage debt is i) widespread, also due to tax incentives, ii) held over very long durations, and iii) predominantly subject to variable-rate adjustments. Among the non-euro area countries, Sweden is a good example for a country that scores high on all of these three dimensions. Consequently, annualized interest payments by Swedish households rose from 1.5% of household incomes in 2022-Q2 to 6.8% in 2023-Q2 - an increase that is larger than in all other Member States where such quarterly data is available.

Graph I.4.6: **Household interest rate payments in the euro area**



Graph I.4.7: **Change in household interest payments from 2022-Q2 to 2023-Q2**



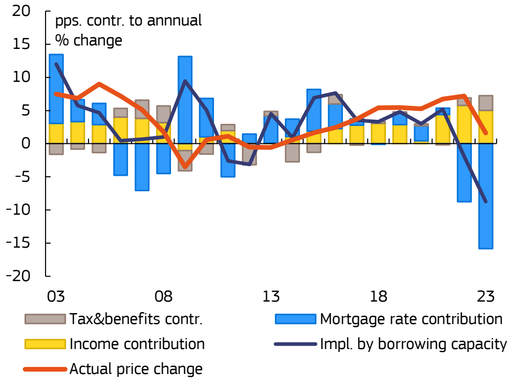
Graph I.4.7 shows that high debt levels and long mortgage maturities both induced a strong increase in the Netherlands and Denmark, but this was likely mitigated by long interest fixation periods that are common in those countries. Despite a prevalence of long-term fixed rates on mortgages, France and Belgium also report significant increases in household interest payments, due to strong new mortgage dynamics in the latter and expansion of other loans in the former. In contrast, increases in interest payments in Germany and Austria have been far more contained so far, amid a general decline of household loans dynamics.[36] The increase of interest spending was negligible in Poland and Portugal despite the prevalence of variable-rate mortgages, due to government interest rate relief measures that put a lid on the increase in interest spending.

Second, the borrowing capacity of new home buyers has been reduced as the interest rate increase has outweighed nominal income increases. The declining price-to-income ratio (see Graph I.4.1) may suggest improved house affordability over recent quarters. However, this indicator disregards that most buyers depend on mortgage financing. Graph I.4.8 represents the real estate price growth a buyer can accommodate when devoting a fixed share of his income to mortgage payments, based on a standard asset pricing model that combines information on mortgage rates and income data with some structural factors of mortgage markets.[37]

(35) Note that housing loans account for almost 90% of household debt in the euro area.
(36) Households in Portugal and Poland seem to have benefited from policy, with temporary interest rate moratoria affecting Polish data and Portuguese mortgage rate increases being delayed by regulatory settings.
(37) For a description of the methodology, see European Commission (2023). "Housing Market Developments: Thematic Note to Support In-Depth Reviews." *European Economy Institutional Paper 197*. The structural factors such as tax regime and common loan-to-value ratio come from the European Commission Joint Research Centre's Housing Taxation data and other information used for calculation of user cost of housing.

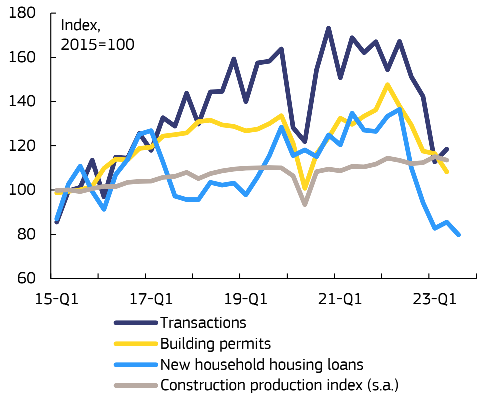
The borrowing capacity of a household increases when incomes rise, interest rates decline and taxes decrease. The graph shows that since the 2010s, the decline in mortgage rates allowed euro area borrowers to pay more for a dwelling every year. Housing affordability was also supported by rising incomes. However, in 2022 and 2023, the increase in interest rates far outweighed incomes growth, leading to a decline in households' borrowing capacity.[38]

Graph I.4.8: **Actual house price growth vs. growth implied by borrowing capacity, euro area**



Despite falling house prices, housing affordability has continued to deteriorate. Graph I.4.8 shows that whereas actual house prices often deviate from the price implied by the borrowing capacity, the increase of mortgage rates appears as a key factor for the recent price declines.[39] However, house prices did not decline as fast as warranted by declining borrowing capacity of new buyers. In all EU Member States but Bulgaria and Croatia, new borrowers cannot afford as many residential square metres as they could in 2019. In Belgium, Germany, Luxembourg, Austria, Portugal and Sweden new borrowers can fund less residential space than ever since 2000. Standard asset pricing suggests a similar dynamic for rental markets. Rising interest rates imply that price-to-rent ratios should decline; with stagnating housing prices, rents should, thus, increase. Also given that consumer inflation often plays a role in rental prices, it is likely that rents rise considerably faster than house prices. Moreover, tighter terms on mortgages are also likely to add demand pressure on urban rental markets. The decline in house prices hence does not provide respite to households in countries with structural housing shortfalls.

Graph I.4.9: **Housing market activity in the euro area**



Third, the housing price reversal is also affecting expectations in the construction sector. Amid deteriorated economic sentiment (see Section 2.3), the issuance of new residential building permits has slowed considerably. While construction activity has held up relatively well so far (see Graph I.4.9), it is expected to decline somewhat, reacting with a lag to the fall in building permits. However, the decline in the construction activity is expected to remain moderate as existing residential supply lags behind structural demand factors such as the i) increasing number of households and demand for living space in metropolitan areas and ii) the need for renovation, notably for energy efficiency as well as for demographic reasons. Combined with an expected plateau for interest rates, this contains the risk for a significant decline in real construction activity. Weaker demand and easing supply chain shortages might induce a drop in construction prices in the short term, which should be beneficial for construction activity.[40]

(38) Taxation changes recently play a minor role. Note that, by design, recurrent property taxes act as a small moderator on interest rate increases due to to a leverage effect.

(39) This model also implies that with stable interest rates going forward, their negative impact on the borrowing capacity should fade in 2024.

(40) Observed developments seem to be consistent with historical patterns (see Vašíček, B. and V. Ždárek (2022). "Links between housing and real economy in the euro area." In Quarterly Report on the Euro Area, Vol. 21?, No. 3?, *Institutional Paper 185*), but some recent shocks are of an unusually large magnitude. Namely, a negative shock to house prices normally induces a quick decline in building permits and mortgage credit, which is commonly also accompanied by tightening of credit conditions with adverse impact on GDP. A negative shock to GDP (and income) has a dampening

Going forward, constraints to the borrowing capacity of households suggest that house prices will remain under pressure over the next quarters before resuming growth. This forecast expects euro area long-term interest rates to stabilise and projects wages to increase further in both 2024 and 2025. The resulting improved borrowing capacity of households is set to allow house prices to broadly stabilise in nominal terms over the next quarters before resuming moderate growth in the outer year of the forecast horizon (see Graph I.4.1). High-frequency house price indicators are supporting this scenario as they suggest that by summer-2023 price levels had bottomed out in Germany, the Netherlands and France.[41]

effect on building permits, induces tightening of credit conditions and dampens housing prices. An inflation shock triggers a gradual decline in economic activity (evidenced by reductions in GDP and building permits) and an increase of mortgage lending rates, leading to tightened credit conditions and, with a certain time lag, to a decrease in house prices.

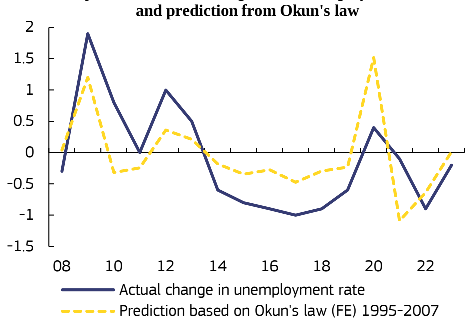
(41) See the CBS statistical index for the Netherlands, as well as the private data provider Europace for Germany and meilleursagents.com for France.

4.2. PERSISTENT LABOUR MARKET TIGHTNESS DURING A SLOWDOWN: A REAPPRAISAL OF DRIVERS

This section explores potential explanations for the persistent labour market tightness despite the ongoing economic slowdown in the EU. While the surge in labour shortages observed in the aftermath of the pandemic is easily interpreted as the result of the sudden reopening of the economy, the persistency of low unemployment and high rates of vacancies and labour shortages calls for a reappraisal of the drivers of labour market tightness in the EU. (42) The analysis first compares actual changes in unemployment to those predicted on the basis of the historical relationship with economic growth. Unemployment dynamics are then decomposed into inflows and outflows and put in relation with economic growth. The analysis focuses on plausible factors driving labour market tightness: growing mismatch, reduced labour supply or increased labour demand. It concludes that the tightening of labour markets is mainly driven by labour demand. Finally, the role played by working hours and demography in contributing to labour shortages going forward is also discussed.

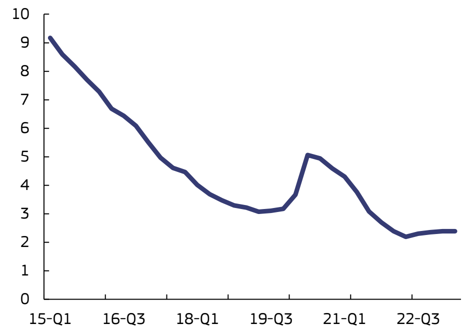
In the post-pandemic recovery, unemployment fell slightly more than what could have been predicted on the basis of economic growth. To capture the magnitude of this surprise, actual changes in the EU unemployment rate are compared with predicted changes based on the estimation of the statistical relationship between unemployment and economic growth in the EU ('Okun's law') over the period 1995-2007. (43) The results suggest that the increase in unemployment in 2020 was much more contained than expected based on the Okun relation (an effect that was reversed in 2021 when GDP recovered), while in 2022 and the first half of 2023 the fall of unemployment was slightly stronger than that implied by Okun's law (see Graph I.4.10). (44)

Graph I.4.10: **Actual change in the unemployment rate and prediction from Okun's law**



Note: Prediction based on the Okun's law relationship for the period 1995-2007 for the panel of 27 EU Member States and the EU aggregate. Data for 2023 are based on the average of the first two quarters of 2023.

Graph I.4.11: **Number of unemployed per vacancy, EU**



Source: Own calculation based on Eurostat (EU Labour Force Survey and Job Vacancy Survey excluding DK, FR, IT and MT (due to data limitations)).

The fall in unemployment has come alongside a surge of job vacancies and reported labour shortages at historically high levels. The post-pandemic recovery is characterised by a much stronger increase in vacancies than previous recoveries. This is reflected in a sharp decline in the number of unemployed per vacancy (from nine in 2015-Q1 to less than three in 2023-Q1) (see Graph I.4.11). Graph I.4.13 below shows that labour shortages eased only marginally, after having

(42) See, e.g., Kiss, A., M.C. Morandini, A. Turrini, and A. Vandeplas (2022). "Slack and Tightness: Making Sense of Post COVID-19 Labour Market Developments in the EU." European Commission (DG ECFIN), *Discussion Paper 178*; European Commission (EC-DG EMPL) (2022). "Labour market and wage developments in Europe." *Annual Review 2022*.,; Arpaia, A. and A. Halasz (2023). "Short- and long-run determinants of labour shortages." *Quarterly Report on the Euro Area* 22 (1).

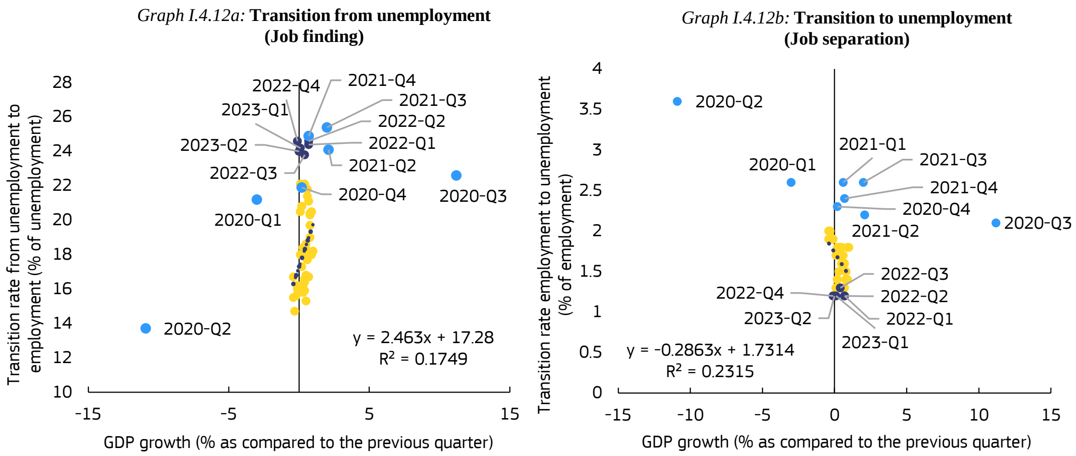
(43) The estimated Okun's law relationship for the EU, based on the period 1995-2007 is dUR = 0.19 – 0.23 * GDP growth. This means that, absent GDP growth, the unemployment rate would be expected to increase by 0.19 pps., reduced by 0.23 pps. for each percentage point of economic growth.

(44) In particular, the change in the EU unemployment rate was -0.9 pps. in 2022 and -0.2 pps. in the first half of 2023 against predictions of -0.6 and 0.0 pps. However, the recent surprises in falling unemployment were smaller than they were over the "job-rich" recovery of 2013-19 when the unemployment rate in the EU fell by about 0.5 pps. more per year than may have been expected based on the historical relationship with economic growth.

reached a peak in 2022-Q3, despite the slowdown in economic activity, while unemployment kept inching down. This indicates that the labour market became increasingly tight, with more firms willing to hire more workers out of a shrinking unemployment pool.

The recent unemployment decline has been supported by both resuming job finding rates and low job separation rates. Both job finding [45] and job separation rates [46] have evolved more favourably than expected given the weak economic growth, especially in the last few quarters (see Graphs I.4.12.a and b). The increase in job finding rates can be easily explained in light of the broad-based recovery in labour demand and falling unemployment. The evolution in the job separation rates is less intuitive. In contrast with initial concerns expressed after the COVID-19 outbreak, job separation rates increased only temporarily in 2020, and then fell to below pre-COVID-19 levels despite the phasing out of job retention schemes and the need for labour force reallocation to address the growing demand for skills linked to the digital and green transitions. [47]

Graph I.4.12.a and b: **Correlation between GDP growth and transitions between unemployment and employment, 2010-Q1 to 2023-Q2, EU**



Note: The relationship between real GDP growth (q-o-q % change) and the transition rates between unemployment and employment (q-o-q) obtained from the panel dimension of the European Labour Force Survey is estimated over the period 2010-Q2 to 2019-Q4.

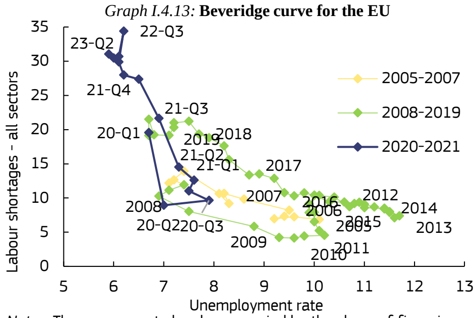
The evidence based on the Beveridge curve suggests that matching efficiency has not deteriorated. Vacancies and unemployment have largely returned to their long-term negatively sloped relationship (the so-called Beveridge curve) after a counter-clockwise movement in the unemployment-vacancy space at the onset of the pandemic (see Graph I.4.13). This suggests that matching efficiency has not deteriorated. Less efficient labour market matching would have rather implied a shift of the Beveridge curve outward and to the right, with more unemployment for a given level of vacancies, as happened after the Great Recession.

The fact that labour shortages have been increasingly reported by business managers across most sectors and occupations provides further evidence that labour market mismatch (sectoral or educational) played a marginal role in driving labour market tightness. [48] After a temporary spike over the pandemic, the sectoral mismatch indicator,

[45] Job finding rates are defined as transition rates from unemployment to employment.
[46] Job separation rates are defined as transition rates from employment to unemployment.
[47] Transition rates from inactivity to employment also increase as compared to the pre-pandemic period.
[48] European Commission (EC-DG EMPL) (2023). "Employment and Social Developments in Europe." *Annual Review 2023.*

measuring the dispersion of reported labour shortages across industry, services and construction, returned to historically low levels by 2022. The macro-economic skills mismatch indicator [49], measuring the relative dispersion of employment rates by educational levels, followed a similar path (see Graph I.4.14). While the labour market tightening has been broad-based, some sectors (such as health care, hospitality, construction, and ICT) and occupations (such as those related to healthcare, software professionals, as well as craft workers in construction and engineering) are more affected by labour shortages than others. These patterns, predating the pandemic, may have structural drivers. [50]

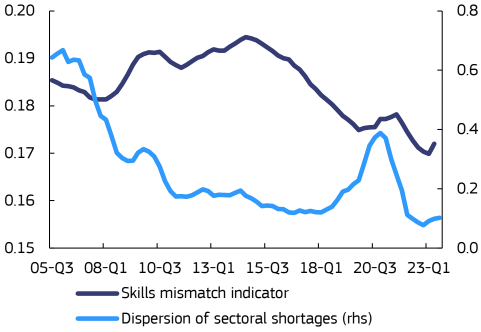
Graph I.4.13: **Beveridge curve for the EU**



Notes: The vacancy rate has been proxied by the share of firms in industry, services and construction indicating that labour is a "factor limiting production" in the European Business and Consumer Survey.

Source: European Commission calculations based on Eurostat (EU Labour Force Survey) and European Business and Consumer Survey.

Graph I.4.14: **Sectoral and skills mismatches, EU**



Note: Both series were smoothed.
Source: European Commission calculations based on Eurostat (EU Labour Force Survey) and European Business and Consumer Survey.

The post-pandemic tightening of the labour market seems associated with growing labour demand rather than falling labour supply. In the absence of a significant increase in labour market mismatches at the macro-economic level, potential explanations in driving labour market tightness are falling labour supply, growing labour demand, or a combination of both. The drop in participation rates that contributed to labour market tightening in the US did not materialise in the EU. On the contrary, after the COVID-19 crisis, the number of persons active on the labour market swiftly recovered and, in the second quarter of 2023, the EU labour force exceeded its pre-pandemic level by more than 1%. However, growth in labour demand was likely even stronger, as suggested by a proxy consisting of the sum of employed persons and vacancies (see Graph I.4.15). Hence, while studies on the US related the high level of post-COVID-19 labour shortages to supply factors, including demography or reduced participation, evidence for the EU suggests that labour market tightening is mainly related to labour demand outpacing labour supply. [51]

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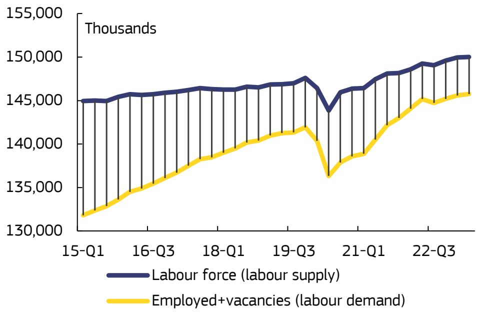
(49) Macroeconomic skills mismatch is measured as the relative dispersion of employment rates by educational levels. The sectoral mismatch indicator measures the coefficient of variation of reported shortages across the three main sectors of industry, services and construction.

(50) See, for an analysis of structural determinants of sectoral labour shortages, European Commission (2022, op. cit.), and Arpaia and Halasz (2023, op. cit.).

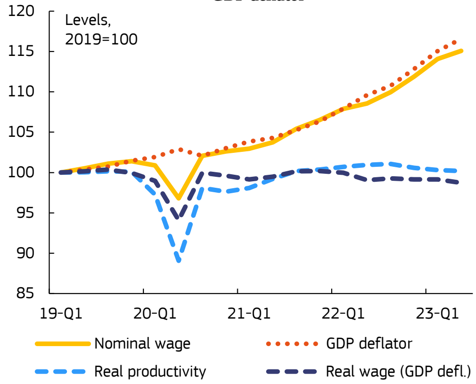
(51) Duval, R. et al. (2022). "Labor Market Tightness in Advanced Economies." IMF *Staff Discussion Note*.

Graph I.4.15: **Labour demand and supply, EU**



Note: Labour supply is proxied by the active population, labour demand by the sum of employed and vacancies.
Source: European Commission based on Eurostat (EU Labour Force Survey and Job Vacancy Survey excluding DK, FR, IT and MT (due to data limitations)).

Graph I.4.16: **Nominal and real compensation based on GDP deflator**



Falling real wages after COVID-19 may have contributed to sustained labour demand. The rebound in labour demand in 2021 was supported by the removal of pandemic containment measures as well as by the reopening of economic activity. However, the reasons behind the persistence of labour demand over 2022 and 2023 are less obvious. A potential driver is the fact that labour became cheaper in real terms over that period. [52] Real wages fell in the aftermath of the inflationary shock which started in 2021, lagging behind productivity growth (see Graph I.4.16). When wage growth since 2019 is adjusted for the GDP deflator (proxying the measure of inflation relevant for firms), the fall in real wages is about 1% as compared to 2019, and the gap between real wage growth and real productivity growth is about 1.5%. Alongside the decline in real wages, profit shares surged in the post-pandemic period to high levels.

Additional factors may have played a role in keeping vacancies at historical high levels despite decelerating economic activity.

- Firms may have become more reluctant to lay off workers. The difficulties experienced by firms when re-hiring workers after extensive layoffs, and the expectation that job retention schemes in case of emerging redundancies could contain the cost of delaying layoffs, may have supported this hesitancy. [53] This phenomenon of "labour hoarding" may be reflected in the fall in separation rates and could be a by-product of the tightening of the labour markets.
- Part of the new vacancies could reflect the medium-term need to restructure the skill portfolio rather than the immediate need of hiring to be able to meet current demand. This interpretation is supported by the observation that in recent years labour shortages increased faster in the Member States where the working-age population is ageing faster (see Graph I.4.17). This suggests that the prospect of facing a larger replacement needs in the coming years may have triggered part of the increase in vacancies already in the present. [54]
- Posting vacancies may have become cheaper (e.g., online posting, online interviews). This may have led some firms to post vacancies in order to have the option to hire high-profile talents among a pool of potential applicants. [55]

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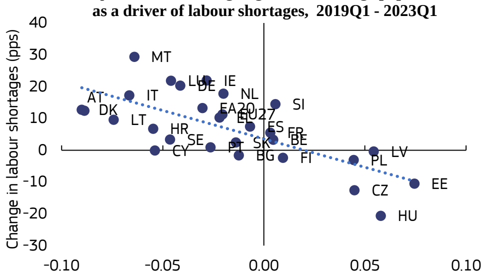
(52) Gourinchas, P.O. (2023). "Global Economy on Track but Not Yet Out of the Woods." *IMF Blog*, July 25.
(53) Acre, O., A. Consolo, A. Dias Da Silva and M. Mohr (2023). "More jobs but fewer hours." *ECB Blog*, June 7.
(54) For further evidence on the link between labour shortages and ageing, see Arpaia and Halasz (2023, op. cit.).
(55) Chen, T.-P. (2023). "Job Listing Abound, but Many Are Fake", *Wall Street Journal*, March 20.

Going forward, the economic slowdown and diminishing corporate profits are likely to contribute to reducing labour market shortages, but structural trends will continue adding to labour market tightness. Although labour markets could remain tight, labour demand is expected to ease when corporate profits start to decrease on the back of projected real wage growth and weak aggregate demand. At first, this is expected to result in fewer job vacancies rather than increased layoffs. This view is also supported by the recent increase in job search intensity in some Member States. [56] However, structural drivers of labour supply, such as the long-term decline in hours worked and the decline in working age population, are expected to continue to contribute to labour market tightness.

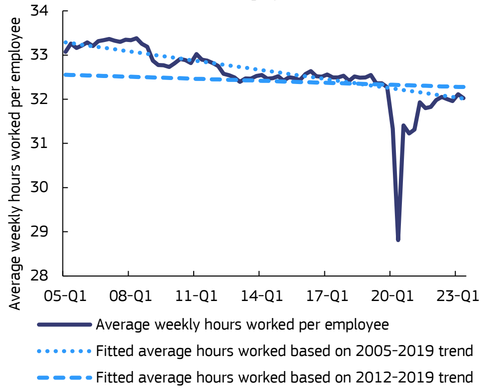
Graph I.4.17: **Faster ageing of the work-age population as a driver of labour shortages, 2019Q1 - 2023Q1**



Note: The young to old ratio is calculated as the share of young workers (15-24) to older workers (55-64). Labour shortages reflect the share of manufacturing firms indicating that labour is a "factor limiting production" from the European Business and Consumer Survey. Changes are considered over the period 2019Q1 and 2023Q1.
Source: European Commission based on Eurostat (EU Labour Force Survey) and DG ECFIN Business and consumer survey.

The long-term declining trend in average hours worked is expected to continue to curb effective labour supply. Despite recent increases, average hours worked remain below their pre-COVID-19 level (-1.4% in 2023-Q1 as compared to 2019-Q1) and below the level that could have been reached based on an extrapolation of the 2012-19 pre-COVID-19 declining trend (-0.8% in 2023-Q1) (see Graph I.4.18). Moreover, it seems that in those Member States where average hours worked per employee decreased most, shortages increased more. This seems to suggest that the decline in hours worked is more driven by the decisions of employees than firms and may have partly contributed to the emergence of shortages. This is also supported by the decline in involuntary part-time employment. Nonetheless, when considering a longer-term trend (2005-2019), the reduction in average working hours occurring post-COVID-19 seems in line with the historical trend. Moreover, just as participation in the labour market has never been so high, so is the total number of hours worked, which in the second quarter of 2023 was almost 3% above the level achieved at the end of 2019. New entrants to the labour market may have a preference to work less hours, but there are no data on hours worked for this group of workers. Overall, reduced working hours may have played a role in driving shortages, but in line with a tendency that was already visible before COVID-19.

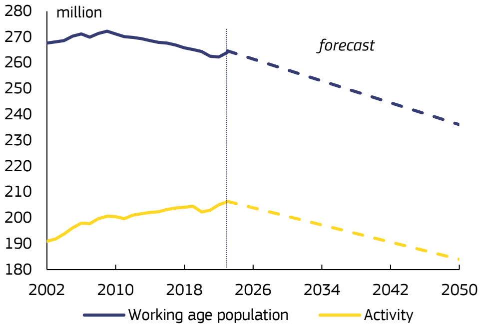
Graph I.4.18: **Average hours worked per week and per employee, EU**



(56) Ghayad, R. (2023). "September 2023 update: Labour markets continue to lose steam, but no signs of an imminent recession yet." *LinkedIn Blog*, September 6.

Up to now the impact of the decline in working age population has been outweighed by a strong increase in labour market participation, but the turning point is close. Assuming that the activity rates of people in various education and population groups remain constant, the active population (20-64) is estimated to have reached a record-high level of 205 million in 2022 and to decline to 201 million in 2030, 192 million in 2040, and 184 million in 2050 (see Graph I.4.19). Population ageing is expected to further reduce the size of the labour force, due to an increasing share of older workers, who have on average a lower labour market participation rate than prime-age workers. Such tendencies would contribute, all other things being equal, to labour shortages by curbing labour supply. Furthermore, population ageing is also expected to affect labour demand and shortages, e.g. through its positive impact on demand for specific labour-intensive activities, such as health, housing and residential care. [57]

Graph I.4.19: **Changes in working age population and active population, EU**



Source: European Commission (2023): "Employment and Social Developments in Europe", Directorate-General for Employment, Social

(57) European Commission (EC-DG EMPL) (2023). "Employment and Social Developments in Europe." *Annual Review 2023.*

4.3. EFFECTS OF EXTREME WEATHER EVENTS ON NATIONAL ACCOUNTS AND THE EUROPEAN ECONOMIC FORECASTS

Last summer was the hottest ever recorded globally and in Europe.[58] Extreme events like heatwaves, fires, droughts and floods have been raging across the continent, and beyond. There is growing scientific consensus that these events can be largely attributed to human-made climate change[59] and that they have been occurring with increasing frequency and scope, with dramatic consequences for the people affected, the environment, and also for the economy.

This box discusses how the economic impact of extreme weather events can be measured and the extent to which it is reflected in national accounts and the European Economic forecasts, which are based on them. To this end, it will be useful to first shortly recapitulate the types of risks climate change entails for national economies. In a second and third step, the economic ramifications of extreme weather events and ways to measure them will be reviewed.

Taxonomy of climate change risk

In categorising the types of climate change risks for the economy, this box follows a widely used taxonomy[60] that distinguishes two broad categories of such risks:

1. *Physical risk:* this category comprises all possible effects of climate change that directly arise from the change in climatic conditions, as opposed to effects precipitated by a changing regulatory and policy framework. Physical risks of climate change can cause both market and non-market losses, with the latter comprising damages to the physical and mental wellbeing of the affected population or to ecosystems and environmental assets, which are not traded on markets and thus are difficult to measure. Given the scope of the box, the focus will be on market losses. Physical risk for the economy is further divided into the following subcategories:

– *Gradual physical risk*: this subcategory covers the economic fallout caused by all long-term changes to climatic conditions, such as the challenges faced by the tourist or agricultural sectors brought about by rising average temperatures.

– *Acute physical risk:* it is about the economic implications of climate change at the tails of the distribution of climate events, i.e. extreme weather events. There are different ways to subdivide acute physical risk. One such classification distinguishes between meteorological, hydrological and climatological events.[61]

2. *Transition risk*: to mitigate physical climate change risks, administrations around the world and especially in Europe are implementing policies aimed at transitioning to a CO2-neutral economy. This ‘green transition’ entails massive shifts in the economic landscape possibly exerting considerable strain on carbon-intensive sectors.

It should be apparent from the above that gradual physical and transition risks are mostly concerned with long-term changes to the economy, while acute physical risks deal with short- and medium-term shocks. Considering the horizon of the European Economic forecasts, acute physical risks are, consequently, most relevant and shall be the focus of this box.[62]

[58] See for example press release by Copernicus from November 8 2023.

[59] See for example: Clarke, B., F. Otto, R. Stuart-Smith and L. Harrington. (2022). “Extreme weather impacts of climate change: an attribution perspective.” *Environmental Research: Climate* 1 (1).

[60] See for example: Batten, S. (2018). “Climate change and the macro-economy: a critical review.” Bank of England *Staff Working Paper 706*.; Gagliardi, N., P. Arevalo and S. Pamies. (2022). “The Fiscal Impact of Extreme Weather and Climate Events: Evidence for EU Countries.” *European Economy Discussion Paper 168*.

[61] An example of meteorological events are storms. Hydrological events include floods or similar, while climatological events encompass heatwaves, cold waves, droughts etc.

[62] This is, however, not to say that gradual physical or transition risks are of no consequence to short-term economic forecasting, like the European Economic forecasts. Their materialisation is also set to gradually feed into the representation of the economy allowed by the macroeconomic variables underpinning such forecasts and will, therefore, inform them. Furthermore, transitional policies with a short- or medium-term effect on, say, energy prices will also be reflected in short term economic forecasts.

Transmission mechanisms of acute physical climate change risk

In general terms, acute physical risks of climate change can have direct and indirect impacts on the economy. All direct destruction of fixed capital, including housing and infrastructure, crops, consumer goods etc. by extreme weather events is considered a direct impact, whereas indirect impacts relate to the economic ramifications of said destruction – both on the supply and demand side.

On the supply-side, the damage caused by an extreme weather event may hamper the production capacity of the affected sectors of the economy. Specific branches of economic activity, such as agriculture, tourism or the production of hydroelectric energy, appear most exposed. On the demand side, reductions in wealth may result in lower consumption and investment. Reduced domestic production may also lead to higher imports. Increased uncertainty surrounding climatic change could cause a drop in demand for residential housing. Ultimately, supply and demand shocks will interact and entail, at least in the short term, disruption to growth and price volatility.

At the same time, the physical damage caused by an extreme weather event will likely entail reconstruction and repair efforts, in the form of increased investment into infrastructure and capital goods, as well as increased public consumption and social transfers.(63) Specific branches of economic activity, such as construction, would face increased demand. Furthermore, the typically narrow geographical scope of the destruction caused by these events might spur growth in other regions with a similar economic fabric as the affected area.

It is difficult to confidently predict the net effect of natural hazards on the growth trajectory of the affected regions or countries. The economy could shift to a lower growth trajectory in case of a significant destruction of resources and productive capital and if reconstruction efforts mobilise resources that could otherwise be utilised for productivity-increasing investments, such as R&D and innovation. However, there could also be a scenario in which possible positive effects outweigh the negative effects – namely, if obsolete capital stock is replaced with more productive assets.(64)

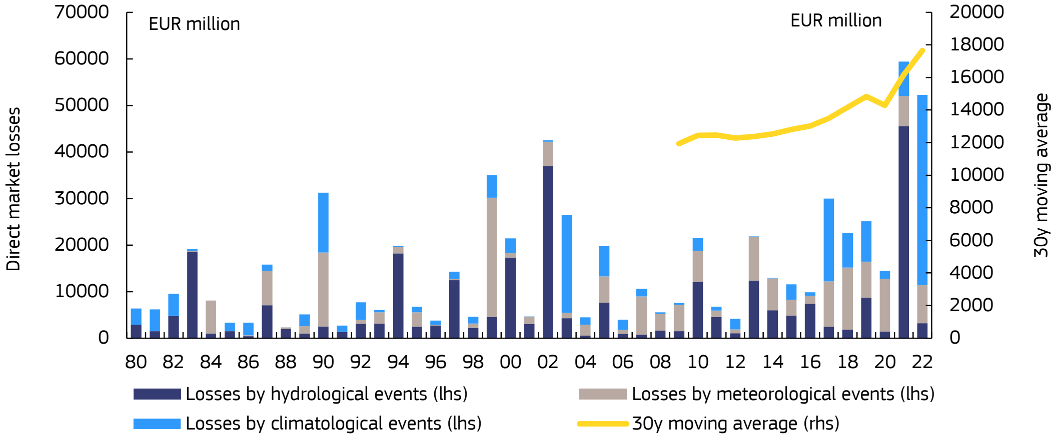
Quantification of both direct and indirect impacts of materialised acute physical climate change risk

Direct impacts of extreme weather events find their way into national accounts in a similar manner as other natural hazards – e.g. earthquakes or volcanic eruptions – or non-natural disasters, such as a war. The destruction of capital will be recorded in the 'other changes in the volume of assets' account, resulting in a reduction of the fixed capital stock. These changes are usually not published by Eurostat or national statistics institutes, though the published capital stock figures should reflect them. However, said fixed capital stock data is released with a considerable time lag of typically two years, since parts of the necessary information, such as insurance records, become available with a substantial lag. Additionally, the data does not inform about the causes of the change in capital stock. Direct losses of non-capital goods, like consumer durables, are also not reflected in national accounts. As to the environmental damage from natural hazards entailing non-market losses, like for instance the loss of the recreational value of a natural park due to a

(63) The fiscal impact of extreme weather events is an important facet of acute physical climate change risks that deserves in-depth analysis but can only be touched upon here in the interest of brevity. For discussion and further information on that see for example: Zenios, S. (2021). "The risks from climate change to sovereign debt in Europe." *Bruegel Policy Contribution Issue No. 16/21*; Radu, D. (2021). "Disaster Risk Financing: Main Concepts and Evidence from EU Member States." *European Economy Discussion Paper 150*.

(64) The relevant literature puts forward three opposing hypotheses on the net effect of natural hazards on the growth trajectory: the 'no recovery' hypothesis, the 'recovery to trend' hypothesis and the 'creative destruction' hypothesis, which maintain that in the medium- to long-term after a catastrophe the growth trajectory will be lower, equal or higher, respectively. Empirical research seems to point to the direction of the 'no recovery' hypothesis (see for example: Batten, S. (2018). "Climate change and the macro-economy: a critical review." Bank of England *Staff Working Paper 706*.; Gagliardi, N., P. Arevalo and S. Pamies. (2022). "The Fiscal Impact of Extreme Weather and Climate Events: Evidence for EU Countries." *European Economy Discussion Paper 168*.).

Graph I.4.20: **Direct market losses from extreme weather events, Eurostat indicator**



Source: European Environment Agency (EEA).

wildfire, there is as of yet no comprehensive data set for the EU.[65] The revision to the System of National Accounts (SNA) in 2025 will not change significantly how natural hazards directly impact national accounts.

While national accounts are not well suited to trace the direct impacts of extreme weather events, the indicator of ‘climate-related economic losses‘, compiled by the European Environment Agency and republished by Eurostat as part of its EU Sustainable Development Goals indicator set, aims at capturing the market losses implied by the materialised acute physical climate change risk, as defined above.[66]

The indicator shows that in the EU, extreme weather events caused direct market losses of EUR 650 billion during the period 1980-2022. Of these market losses, less than 20% were insured.[67] While the data shows an uneven distribution of the losses over time and across countries – 59% of total direct market losses between 1980 and 2022 can be attributed to only 5% of extreme weather events –, certain trends can be observed. Namely, over the last four decades, the average annual market loss increased continuously from EUR 8 billion in the ‘80s, to EUR 13 billion in the ‘90s, EUR 15 billion in the ‘00s and EUR 17 billion in the past decade. The average annual market loss for the first three years of this decade lies at a staggering EUR 42 billion. Looking at the last 10 years, i.e. 2013-2022, the average annual market loss of EUR 26 billion amounts to 0.16% of the 2022 GDP. Additionally, when calculating the 30-year moving averages, one can see a near 3% annual increase over the last 14 years.[68]

The indirect impacts of natural hazards are reflected in national accounts along the lines of the transmission channels delineated above. On the output side, gross value added (GVA) in the affected sectors will likely be dented in the period(s) following the event, but GVA in the sectors involved in reconstruction may increase. On the expenditure side, the indirect impact of extreme weather events could show up in all the demand components of GDP, with the direction of the impact depending on the extent of the indirect negative hit, on the one hand, and on the size and speed of the relief, reconstruction and repair efforts, on the other. Over the typical time horizon of short-term forecasts, extreme weather events could show up as having a positive impact on GDP growth, being dominated by reconstruction investment. This, however, does not imply that the

(65) The UN System of Environmental-Economic Accounting includes an Experimental Ecosystem Accounting framework that targets a broader range of interactions between individual environmental assets and human activities – such as carbon-sink properties or recreational values –, which could be used to capture environmental non-market losses.

(66) The indicator is built upon the CATDAT database from Risklayer GmbH.

(67) In fact, empirical research suggests that insurance coverage is extremely relevant to the severity of the economic fallout following a disaster, both short- and long-term (see for example: Fache Rousová et al. (2021). European Insurance and Occupational Pensions Authority (EIOPA) *Financial Stability Report*.).

(68) The 30-year window for the moving average is chosen in accordance with climate normal period defined by the World Meteorological Organisation, to smooth the substantial short-term volatility of climate related data.

economy will stay on the virtual growth path laid out by the ‘creative destruction’ hypothesis, since negative indirect impacts might continue to materialise in later periods.

These effects are currently for the most part too small to affect aggregate figures in the national accounts but may already be visible within regional accounts. However, a catastrophe of sufficient dimensions to influence aggregate figures in the national accounts will be considered in the forecasts for the affected Member States.

An emblematic example of an extreme weather event influencing national accounts and informing Member States’ forecasts are the August 2002 floods in Austria, Czechia and Germany. The impacts of the catastrophe could likely be seen in both national and regional accounts in multiple metrics, such as GDP, construction investment and agricultural production, for the years 2002, 2003 and 2004. The Autumn 2002 Forecast and the Spring 2003 Forecast did consider the effects of the floods on Austrian and German construction investment as well as on government spending (Czechia was not yet part of the EU at the time).

Conclusion

Natural hazards bear severe costs for the EU economy, both in terms of immediate damage to, e.g. infrastructure, housing and productive capital, and in terms of the resulting disruptions to economic activity.

The system of accounts that underpins the representation of the economy in the European Economic forecasts is not well suited to depict the full economic impact of these events. Estimates of the immediate destruction of capital are reflected in changes in the capital stock, but the data does not disentangle the causes of the change, which may occur for reasons other than climate change. The secondary, indirect impacts of natural hazards do find their way into national accounts, on both the output side – through changes in the gross value added of the affected sectors – and on the expenditure side. All demand components of GDP, both domestic and external, may be impacted, with the direction of the impact depending on the extent of the disruption, on the one hand, and on the size and speed of the relief, reconstruction and repair efforts, on the other. Furthermore, within a country, the balance of the impact of natural hazards as reflected in regional accounts is undetermined, as the disruption in one region may benefit economic activity in other regions. As of yet, the effects of natural hazards are in most cases too small to influence national aggregates. What is more, over the typical time horizon of short-term forecasts, extreme weather events often show up as having a positive impact on GDP growth, being dominated by reconstruction investment (which normally uses public resources and therefore impacts public finances).

Understanding the scope and trends in natural hazards’ impacts is crucial to identify optimal policy choices. To this end, specific methodologies and statistical systems are available and more are being developed. The indicator of ‘climate-related economic losses‘, which is presented in this box, is one example.

5. BOXES

Box I.5.1: Some technical elements behind the forecast

The cut-off date for taking information into account in this European Economic Forecast was 31 October 2023. Ad-hoc assumptions relating to, e.g. the geo-political 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 (see Table 1 in this box and Table 31 in the Statistical Annex). Assumptions for interest rates are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States, are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate (over the 10-day reference period between 12 and 25 October). In cases where no market instrument is available, the spread vis-à-vis the euro area interest rate is taken for both short- and long-term rates.

Commodity prices

Assumptions for Brent oil, TTF-gas and electricity prices are based on futures markets, using the average over the 10-day reference period between 12 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).

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.

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, but it may be significant in the case of some Member States. However, for 2024 and 2025, these rates differ by little more than 0.1 pps., reflecting the fact that for some Member States no quarterly forecasts are produced. Estimations of potential GDP and output gaps are not adjusted for working days. Since the working-day effect is considered temporary, it is not expected to affect the cyclically-adjusted balances.

Table 1:
Technical assumptions

		Autumn 2023 Forecast			Spring 2023 Forecast		
	2022	2023	2024	2025	2022	2023	2024
3-month EURIBOR (percentage per annum)	0.3	**3.4**	**3.7**	**3.1**	**0.3**	**3.3**	**3.3**
10-year government bond yields (percentage per annum) (a)	1.1	**2.5**	**2.8**	**2.8**	**1.1**	**2.4**	**2.4**
USD/EUR exchange rate	1.05	**1.08**	**1.06**	**1.06**	**1.05**	**1.09**	**1.10**
GBP/EUR exchange rate	0.85	**0.87**	**0.87**	**0.87**	**0.85**	**0.88**	**0.88**
RMB/EUR exchange rate	7.08	**7.65**	**7.73**	**7.73**	**7.08**	**7.50**	**7.56**
JPY/EUR exchange rate	137.9	**151.81**	**158.32**	**158.32**	**138.04**	**145.76**	**147.11**
EUR nominal effective exchange rate (annual percentage change) (b)	-4.53	**7.15**	**1.30**	**0.00**	**-4.53**	**5.77**	**0.75**
Natural gas (EUR/Mwh) (c)	131.9	**43.3**	**55.1**	**47.7**	**131.9**	**48.0**	**55.4**
Electricity (EUR/Mwh) (d)	260.3	**106.0**	**133.5**	**121.7**	**260.3**	**130.7**	**161.4**
Oil price (USD per barrel)	100.7	**84.1**	**84.5**	**79.6**	**100.7**	**76.3**	**72.1**
Oil price (EUR per barrel)	95.7	**78.1**	**79.9**	**75.3**	**95.7**	**69.9**	**65.6**

(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.

(Continued on the next page)

Box (continued)

Inclusion of new candidate countries

The European Council decided to grant candidate country status to Moldova and Ukraine in June 2022 and to Bosnia and Herzegovina in December 2022. These countries are now therefore included in the forecast.

The inclusion of the Recovery and Resilience Facility in the forecast

The macroeconomic and budgetary projections in the forecast include the impact of the implementation of the Recovery and Resilience Facility (RRF). The cash disbursement and expenditure profiles incorporated in the forecast are consistent with the expected implementation of milestones and targets as specified in the Plans and relevant Council Implementing Decisions, also taking into account implementation outcomes at the cut-off date of the forecast. The update of the RRF maximum financial contribution of 30 June 2022 is reflected in the forecast, without pre-judging the update and submission of the national plans in line with Article 18(2) of the RRF Regulation. The working assumptions in the forecast do not pre-judge the outcomes of future Commission and Council decisions.

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. Expenditures financed by loans from the RRF are not neutralised and thus affect the government's 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 2022 as published in Eurostat's news release 118/2023 of 23 October 2023.

Eurostat is withdrawing the reservation on the quality of the data reported by France for the year 2022. The French statistical authorities have recorded the capital increase by the State in the public energy company EDF (Électricité de France) as capital transfer expenditure, following Eurostat's bilateral advice. The application of the super-dividend test for the dividends paid by some public corporations to the French State was appropriately reviewed.

The public finance forecast is made under a 'no-policy-change' assumption, that is: in the absence of sufficiently detailed and adopted, or at least credibly announced, fiscal policy measures, the forecast extrapolates past revenue and expenditure trends and relationships in line with past policy orientations. It may include the adoption of working assumptions, in particular to deal with structural breaks. Draft budgets for 2024 and, as appropriate, the following year are taken into account. The temporary emergency measures taken in response to the COVID-19 crisis adopted in 2020, 2021 and 2022 are not treated as one-off and are thus reflected in the estimation of the structural budget balance.

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 for the forecast years are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2022, 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 118/2023 of 23 October 2023 (by 1.6 pps. in the EA20 and by 1.3 pps. in the EU).

PART II

Prospects by individual economy

Euro Area Member States

1. BELGIUM

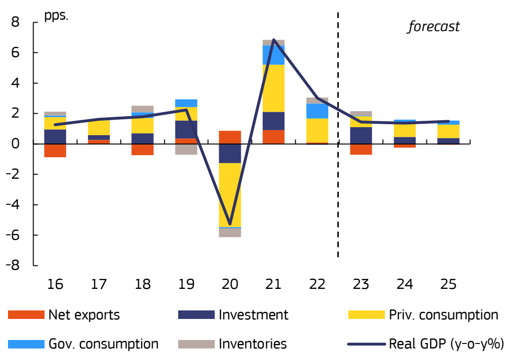
Economic growth in Belgium is expected to remain broadly stable over the forecast horizon, at 1.4% in 2023 and 2024 and 1.5% in 2025. In view of the evolution of energy prices and the mitigating effect of government measures, inflation is projected to reach 2.4% in 2023 and 4.2% in 2024, before declining to 1.9% in 2025. The government deficit is projected to stabilise at 4.9% of GDP in 2023 and 2024, before increasing slightly to 5.0% of GDP in 2025 driven by upward pressures on permanent current spending.

Robust private consumption but weaker exports

Following the slowdown at the end of 2022, economic activity rebounded in the first half of 2023 and real GDP growth reached an estimated 0.5% in the third quarter. However, the economic expansion is expected to be limited in the short term by a subdued external environment.

While exports in 2023 are expected to decline by 0.2% on an annual basis due to weakening demand from trading partners, imports are set to continue to grow as private consumption remains robust, leading to a negative contribution of net exports to GDP growth of 0.7 pps. Exports and imports are set to rebound in 2024 and 2025, in tandem with global trade prospects. The contribution of net exports to GDP growth is forecast to remain slightly negative in 2024 and to be neutral in 2025.

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



Investment recovered strongly in the first half of 2023, due to a rebound in corporate investment. At the same time, tighter financial conditions and strong upward cost pressures related to wage increases are expected to weigh on business investment in the coming quarters. Similarly, residential construction is set to continue to be held back by high financing costs. Public investment, on the other hand, is projected to contribute strongly to GDP growth, thanks to the continued implementation of the RRP and, in the short term, as a result of a likely acceleration in the public investment cycle. Overall, investment is projected to grow by 4.6% in 2023, easing thereafter to 1.8% in 2024 and 1.5% in 2025.

Private consumption is set to remain robust over the forecast horizon, as purchasing power of households is supported by the automatic indexation of wages and social benefits. All in all, real GDP growth is expected to reach 1.4% in 2023, and then to remain broadly stable in 2024 and 2025.

Slowdown in employment

After reaching 2.1% in 2022, employment growth is forecast to slow down to 0.8% in 2023 and to 0.6% in 2024 while the unemployment rate is expected to remain at around 5.6%, before declining to 5.4% in 2025. Following mainly the automatic indexation of wages, compensation of employees per head is set to grow by 7.0% in 2023, 3.6% in 2024 and 3.1% in 2025.

A decline in inflation

After reaching 10.3% in 2022, headline inflation is expected to fall to 2.4% in 2023, reflecting the fast transmission of declining wholesale gas and electricity prices to retail prices, along with the knock-on effect of government measures to limit price increases. Headline inflation is projected to reach 4.2% in 2024, as the effect of these measures gradually dissipates. In 2025, it is forecast at 1.9%. As upward underlying cost pressures recede over the forecast horizon, headline inflation excluding energy and food is set to decline from the still high level of 2023 to gradually return to values close to 2% in 2025.

Government deficit and debt not on a downward path

In 2023, the general government deficit is projected to rise to 4.9%, from 3.5% in 2022. Measures to mitigate the economic and social impact of high energy prices remained significant (at a net budgetary cost of 0.4% of GDP) during the first half of the year, albeit lower compared to 2022, and were combined with temporary measures to support firms' competitiveness. The automatic indexation of public sector wages and social benefits, as well as rising interest payments in 2023, are expected to result in a marked increase of the expenditure-to-GDP ratio. While not sufficient to balance out rising expenditure, revenue growth has been solid, driven by the taxation of excess profits of energy companies, nominal increase in labour income, and resilient corporate profitability despite the slowdown in economic activity.

In 2024, the government deficit is projected to stabilise at 4.9% of GDP. Deficit-reducing factors include the full withdrawal of energy measures, as well as revenue windfalls notably stemming from corporate income tax. However, these are mostly offset by the underlying growth in permanent current expenditure, due to rising ageing costs, and by increasing interest payments. In 2025, the latter factors operating on the expenditure side are set to drive the deficit to 5.0% of GDP.

The general government debt-to-GDP ratio is expected to increase to 106.3% in 2023, from 104.3% in 2022, driven by the primary deficit. It is then forecast to stabilise at 106.4% in 2024, before increasing further to 107.3% in 2025, driven by continued primary deficits and rising interest spending.

Table II.1.1:

Main features of country forecast - BELGIUM

		2022		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		554.0	100.0	1.7	-5.3	6.9	3.0	**1.4**	**1.4**	**1.5**
Private Consumption		280.9	50.7	1.5	-8.2	6.3	3.2	**1.4**	**1.9**	**1.7**
Public Consumption		131.8	23.8	1.1	-0.3	5.2	4.2	**0.2**	**0.8**	**1.1**
Gross fixed capital formation		132.4	23.9	2.8	-5.2	5.0	-0.2	**4.6**	**1.8**	**1.5**
Exports (goods and services)		530.4	95.7	3.2	-6.3	13.9	4.9	**-0.2**	**1.3**	**2.9**
Imports (goods and services)		539.4	97.4	3.4	-7.4	13.0	4.9	**0.5**	**1.5**	**2.9**
GNI (GDP deflator)		561.8	101.4	1.6	-5.2	6.7	3.5	**1.3**	**1.3**	**1.5**
Contribution to GDP growth:	Domestic demand			1.7	-5.5	5.6	2.5	**1.9**	**1.6**	**1.5**
	Inventories			0.1	-0.6	0.4	0.4	**0.3**	**0.0**	**0.0**
	Net exports			-0.1	0.9	0.9	0.1	**-0.7**	**-0.2**	**0.0**
Employment				1.0	0.1	1.9	2.1	**0.8**	**0.6**	**0.8**
Unemployment rate (a)				7.8	5.8	6.3	5.6	**5.6**	**5.6**	**5.4**
Compensation of employees / head				2.1	-1.5	4.4	7.3	**7.0**	**3.6**	**3.1**
Unit labour costs whole economy				1.4	4.0	-0.4	6.3	**6.4**	**2.8**	**2.4**
Saving rate of households (b)				14.8	20.4	17.1	12.9	**13.3**	**13.0**	**12.5**
GDP deflator				1.7	1.6	3.2	5.9	**3.8**	**2.7**	**2.5**
Harmonised index of consumer prices				1.9	0.4	3.2	10.3	**2.4**	**4.2**	**1.9**
Terms of trade goods				-0.2	0.8	-1.8	-5.1	**2.6**	**-0.2**	**0.4**
Trade balance (goods) (c)				0.4	2.2	1.6	-1.4	**0.6**	**0.2**	**0.5**
Current-account balance (c)				1.8	1.1	0.4	-1.1	**0.1**	**-0.3**	**-0.2**
General government balance (c)				-2.3	-8.9	-5.4	-3.5	**-4.9**	**-4.9**	**-5.0**
Structural budget balance (d)				-2.3	-5.6	-4.8	-3.8	**-4.7**	**-4.5**	**-4.6**
General government gross debt (c)				99.7	111.8	108.0	104.3	**106.3**	**106.4**	**107.3**

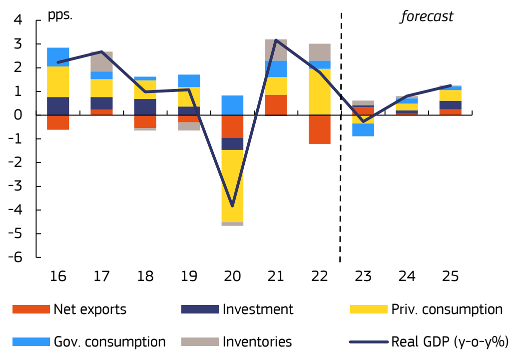
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

2. GERMANY

Economic activity in Germany is expected to decline by 0.3% in 2023. A loss in purchasing power due to high inflation and the tightening of financing conditions are weighing on consumption and investment. Moreover, foreign demand has evolved less favourably than previously assumed, resulting in a worsened trade outlook. However, going forward, domestic demand is set to pick up, driven by a real wage increase. Together with recovering foreign demand, this is expected to support a pick-up in GDP growth to 0.8% in 2024 and 1.2% in 2025. Public finances are entering a path of fiscal consolidation with gradually decreasing government deficits and debt-to-GDP ratios, also supported by less-costly-than-anticipated measures to mitigate the impact of high energy prices.

Economic growth is set to resume gradually

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



The German economy has been facing headwinds throughout 2023. Industrial production continued its decline in the third quarter after an already weak first half of the year. Losses in purchasing power due to high inflation have negatively impacted private consumption. In addition, export volumes decreased as the economic situation in Germany's main trading partners weakened. As a result, economic activity is estimated to have declined by 0.1% in the third quarter. Overall, real GDP is expected to contract by 0.3% in 2023.

As inflation continues to ease and real disposable household income increases, investment and private consumption are expected to recover to their pre-pandemic levels over the forecast horizon. Construction is set to resume growth during the second half of 2024, supported by high housing demand. At the same time, energy costs are expected to remain elevated, preventing a more dynamic recovery, particularly in energy-intensive industries. With demand from Germany's main trading partners stabilising, the contribution from net trade is projected to be broadly neutral in 2024 and mildly positive in 2025. Germany is expected to see an increase in current account surpluses towards 6.5% over the forecast horizon. Overall, growth is forecast to increase to 0.8% in 2024 and to 1.2% in 2025.

A slightly softening labour market

Employment rose by 0.8% in the first eight months of 2023 compared with the same period last year. A record-high 83.9% of the population aged 20-64 is active on the labour market, up from 83.3% a year before. The unemployment rate has been broadly stable at around 3% and is expected to increase only slightly to 3.2% over the forecast horizon. At the same time, the job vacancy rate has been receding, albeit remaining at high levels. Even if softening somewhat, the labour market is expected to remain tight as ageing continues to weigh on labour supply. In the first half of 2023, wages were 6.1% higher than a year before, still resulting in real wage losses. Benefiting from higher wage outcomes, real wage growth is set to have resumed in the second half of 2023 and is expected to continue in 2024 and 2025.

Inflation to ease further

Annual HICP inflation decelerated steadily over the past year to 4.3% in September 2023, down from the 11.6% peak in October 2022. This reduction was mainly driven by the decline in wholesale energy prices and the introduction of energy measures. For 2023 as a whole, HICP inflation is expected to reach 6.2%. Going forward, the deceleration of inflation is projected to continue, albeit less rapidly, with inflation declining to 3.1% in 2024 and 2.2% in 2025. Continued wage growth is likely to temporarily sustain inflation especially in the services sector. At the same time, energy price growth is expected to play a relatively minor role, only contributing positively to overall HICP inflation in 2024 as the VAT-rate on natural gas is raised to its original level.

Public finances on a path of consolidation

In 2023, the general government deficit is projected to decrease to 2.2% of GDP from 2.5% in 2022. This development is supported by the phase-out of COVID-19 pandemic measures, estimated at around 0.8% of GDP in 2022, and by the more-favourable-than-expected development of energy prices. From the dedicated fund (Economic Stabilisation Fund) of EUR 200 bn (4.9% of GDP), only around one quarter is projected to be spent overall to finance the electricity and gas price brakes to support households and companies: the forecast assumes a total net budgetary cost of these measures at around 1.0% of GDP in 2023 and only some negligible remainders until their withdrawal in April 2024.

In 2024, the government deficit is expected to further decrease to 1.6% of GDP. In addition to the phase-out of energy measures, fiscal consolidation is supported by a robust development of government revenue over the forecast horizon. However, government revenue will be negatively impacted by various tax measures, such as the one aimed at reducing the ‘tax bracket creep’ (to counter the fact that inflation pushes taxpayers into higher income tax brackets), tax measures aimed at increasing child allowances and other child support, as well as measures to support companies to enhance growth opportunities. In 2025, the government deficit is projected to further narrow to 1.3% of GDP.

In November 2023, after the cut-off date of this forecast, the German authorities announced a multiannual package of measures to cushion further the impact of high energy prices on industries. Their details and financing remain to be specified. This represents a downside risk to public finances in 2024 and 2025.

Government debt stood at 66.1% of GDP at the end of 2022 and is expected to gradually decrease to 63% over the forecast horizon.

Table II.2.1:

Main features of country forecast - GERMANY

		2022			Annual percentage change					
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		3876.8	100.0	1.4	-3.8	3.2	1.8	**-0.3**	**0.8**	**1.2**
Private Consumption		1979.3	51.1	1.1	-5.9	1.5	3.9	**-0.7**	**0.6**	**0.9**
Public Consumption		850.9	21.9	1.8	4.1	3.1	1.6	**-2.5**	**1.0**	**0.7**
Gross fixed capital formation		856.2	22.1	1.9	-2.4	-0.2	0.1	**0.4**	**0.6**	**1.6**
Exports (goods and services)		1974.2	50.9	4.5	-9.3	9.7	3.3	**-0.6**	**1.7**	**3.0**
Imports (goods and services)		1897.9	49.0	4.5	-8.3	8.9	6.6	**-1.3**	**1.7**	**2.7**
GNI (GDP deflator)		4027.6	103.9	1.7	-4.6	4.2	1.8	**-0.8**	**1.0**	**0.8**
Contribution to GDP growth:	Domestic demand			1.3	-2.7	1.4	2.3	**-0.8**	**0.6**	**1.0**
	Inventories			-0.1	-0.2	0.9	0.7	**0.2**	**0.1**	**0.0**
	Net exports			0.3	-0.9	0.9	-1.2	**0.3**	**0.1**	**0.2**
Employment				0.9	-0.8	0.2	1.4	**0.7**	**0.3**	**0.1**
Unemployment rate (a)				6.1	3.7	3.7	3.1	**3.1**	**3.2**	**3.2**
Compensation of employees / head				2.0	0.4	3.1	3.9	**5.5**	**5.2**	**3.6**
Unit labour costs whole economy				1.5	3.5	0.1	3.4	**6.5**	**4.7**	**2.4**
Saving rate of households (b)				17.4	23.7	22.7	19.9	**19.6**	**19.6**	**19.5**
GDP deflator				1.4	1.9	3.0	5.3	**6.3**	**3.0**	**2.6**
Harmonised index of consumer prices				1.6	0.4	3.2	8.7	**6.2**	**3.1**	**2.2**
Terms of trade goods				0.1	2.8	-4.1	-6.1	**5.7**	**0.6**	**0.5**
Trade balance (goods) (c)				7.1	5.6	5.3	2.8	**5.5**	**5.8**	**6.2**
Current-account balance (c)				6.8	7.2	7.8	4.4	**6.0**	**6.5**	**6.5**
General government balance (c)				-0.6	-4.3	-3.6	-2.5	**-2.2**	**-1.6**	**-1.3**
Structural budget balance (d)				1.1	-2.7	-3.0	-2.4	**-1.7**	**-1.1**	**-1.0**
General government gross debt (c)				70.4	68.8	69.0	66.1	**64.8**	**63.6**	**62.7**

(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

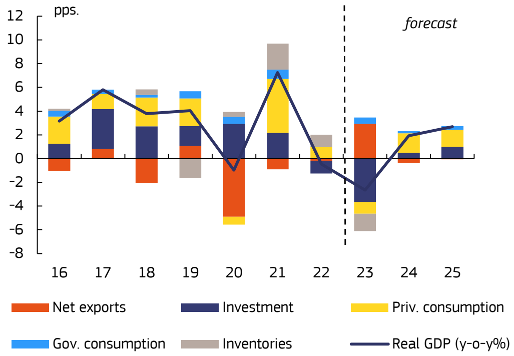
Real GDP growth is expected to contract in 2023 by 2.6%, amid weakness in private consumption, sharply falling investment, downbeat demand from Estonia's main trading partners, and the depletion of accumulated inventories. Growth is projected to turn positive in 2024 and more robustly so in 2025, as real incomes rise, and the trade outlook improves. Despite the planned VAT increase as of 1 January 2024, HICP inflation is projected to keep decelerating and to stand around 2% in 2025. The government deficit is expected to rise to 2.9% of GDP in 2023 and to slightly decrease to 2.4% in 2024, before surging to 3.6% in 2025 on the back of a cut in personal income taxation, while compensatory measures have not yet been specified. Public debt is expected to increase mildly to 23.2% of GDP in 2025.

Real GDP keeps contracting

Estonia's economy continued to contract in the second quarter of 2023, with private consumption, exports and investments declining, while government spending expanded only modestly. The preliminary flash real GDP estimate shows that economy also contracted in the third quarter, while confidence indicators suggest that the weakness also extended into the fourth quarter.

High inflation has taken a toll on consumption. Real wages are now rising on average, but they have not yet caught up with the past price increases, hampering consumers' expectations about the economy and their own financial situation over the coming year. As nominal wages are projected to keep outpacing inflation in the coming quarters, consumption is expected to start increasing, though rather modestly as higher deposit rates offered by banks attract more savings. Consumption is set to recover more strongly as of 2024.

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



Businesses are particularly concerned with a fall in both domestic and external demand. Weak demand in Scandinavian, Baltic and, more recently, German markets led to a decline in goods exports. As a result, private investment has been very weak, a trend that is set to continue. On the positive side, public investment, which was lower than expected in the first half of the year due to long procurement processes, is set to increase and partially offset the fall in private investment. Specific sectors already suffer from more expensive financing, in particular startups, which by their nature do not have accumulated profits to rely on, and the construction sector, for which sharply higher mortgage rates have reduced the demand for residential construction. Higher borrowing costs are likely to weigh on investment in 2024.

Amid these weaknesses and due to the drag from the expected depletion of accumulated inventories, real GDP is set to contract by -2.6% in 2023, despite the countercyclical increase in public spending. A return to positive growth of 1.9% is projected in 2024, as real incomes outpace inflation and external demand gradually improves. Growth is forecast to accelerate further to 2.7% in 2025.

Labour market slowly starts turning

Up to now, the labour market in Estonia has been rather resilient despite the recession. Employment has been held up by labour hording and the use of flexible working regimes, such as shifting from full-time to part-time. However, the unemployment rate has increased lately, reaching 7.6% in August. Going forward, employment growth is projected to fall in construction, manufacturing, and retail sales, as signalled by surveys, though remain growing in services.

Inflation moderates

HICP inflation declined substantially, falling from double-digit numbers in the first five months of the year to below 4% y-o-y in September. Over the third quarter, slower price growth was recorded in all major HICP categories, while energy prices fell compared to a year ago. This reflects waning base effects, lower energy costs and lower food price pressures. Overall, HICP inflation is expected to average 9.4% in 2023. The moderation is set to continue in 2024, although a 2 pps. rise of the VAT rate as of 1 January 2024 will slow this process down. HICP inflation is projected to average 3.5% in 2024, and to further fall to 2.1% in 2025.

Tax rises on the horizon

The general government deficit is expected to increase, from 1% of GDP in 2022 to 2.9% of GDP in 2023, driven by a significant increase in expenditure on public wages (especially teachers and internal security) and pensions, as well as on new permanent spending programmes for defence, education and child benefits. At the same time, economic activity and tax base growth are substantially slowing down.

In 2024, the deficit is projected to decrease to 2.4% of GDP, as revenues are expected to increase by 0.6% of GDP on the back of an increase in the VAT rate and environmental taxation. In contrast, in 2025, the deficit is forecast to increase to 3.6% fuelled by the recently adopted changes to the income tax system as of 2025, permanently reducing revenue by 0.8% of GDP. Additionally, upward expenditure pressures on, for example, military and pension spending (indexed to last years' wage growth and inflation) is also expected. In order to reduce the deficit, the government has announced, although not yet detailed, significant tax increases, including an undefined tax rise set to cover security-related expenditures, potential social taxation changes and a new car tax, as from 2025. At the same time, some expenditure cuts were also announced, but not detailed either. Hence, none of these measures – which, according to the medium-term budgetary strategy, could improve the fiscal balance by about 2% of GDP in 2025 – are accounted for in the current forecast.

Public debt is expected to increase from 18.5% of GDP in 2022 to 23.2% in 2025, while still remaining the lowest ratio in the EU.

Table II.3.1:

Main features of country forecast - ESTONIA

	2022			Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		36.0	100.0	2.9	-1.0	7.2	-0.5	**-2.6**	**1.9**	**2.7**
Private Consumption		18.5	51.4	3.3	-1.3	9.1	2.0	**-1.9**	**3.1**	**2.7**
Public Consumption		7.0	19.5	2.4	3.0	3.8	0.1	**2.7**	**0.8**	**1.5**
Gross fixed capital formation		9.9	27.5	3.7	10.8	7.3	-3.7	**-13.3**	**2.1**	**4.3**
Exports (goods and services)		30.9	85.8	6.6	-5.5	22.1	3.0	**-3.6**	**2.6**	**4.1**
Imports (goods and services)		31.1	86.3	6.1	1.3	23.2	3.2	**-7.0**	**3.2**	**4.4**
GNI (GDP deflator)		35.1	97.5	3.2	-0.4	7.0	-1.3	**-2.4**	**2.0**	**2.7**
Contribution to GDP growth:	Domestic demand			3.5	2.9	7.5	-0.1	**-4.1**	**2.3**	**2.7**
	Inventories			-0.1	0.4	2.2	1.0	**-1.5**	**0.0**	**0.0**
	Net exports			0.1	-4.9	-0.9	-0.2	**2.9**	**-0.4**	**-0.1**
Employment				0.5	-2.7	0.1	4.6	**0.7**	**-1.0**	**0.3**
Unemployment rate (a)				8.2	6.9	6.2	5.6	**7.0**	**6.9**	**6.8**
Compensation of employees / head				7.8	4.5	9.3	8.1	**10.0**	**6.3**	**3.9**
Unit labour costs whole economy				5.2	2.6	2.1	13.6	**13.7**	**3.2**	**1.5**
Saving rate of households (b)				7.0	13.7	7.8	0.1	**3.0**	**3.2**	**4.6**
GDP deflator				4.5	-0.9	6.0	16.1	**9.2**	**4.1**	**2.1**
Harmonised index of consumer prices				3.4	-0.6	4.5	19.4	**9.4**	**3.5**	**2.1**
Terms of trade goods				0.6	1.1	0.6	0.7	**6.1**	**1.1**	**-0.7**
Trade balance (goods) (c)				-7.8	-1.0	-4.0	-7.1	**-4.5**	**-4.3**	**-4.6**
Current-account balance (c)				-2.9	-2.0	-2.7	-3.3	**0.6**	**1.1**	**0.5**
General government balance (c)				0.3	-5.4	-2.5	-1.0	**-2.9**	**-2.4**	**-3.6**
Structural budget balance (d)				-0.4	-4.3	-4.3	-0.6	**-0.7**	**-0.6**	**-2.5**
General government gross debt (c)				7.5	18.6	17.8	18.5	**19.2**	**20.5**	**23.2**

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

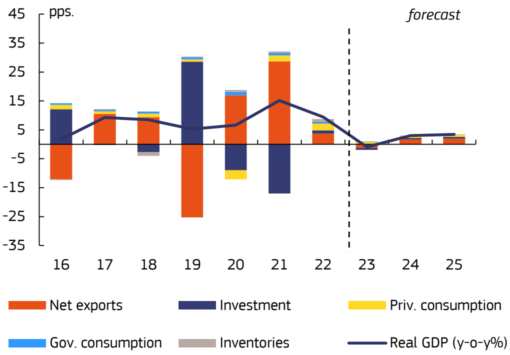
4. IRELAND

Following strong growth in 2022, GDP is expected to decline by 0.9% in 2023 amid developments in multinational-dominated sectors and normalising domestic demand. It is thereafter forecast to pick up to 3.0% in 2024 and 3.4% in 2025. Following its peak of 8.1% in 2022, consumer price inflation is set to moderate throughout 2024 and reach 2.1% in 2025. The government budget surplus is projected to shrink in 2023 and 2024, before rebounding at around 1% of GDP in 2025.

Economic growth showing signs of moderation

Ireland's real GDP growth weakened significantly in the first half of 2023 to a modest 0.1% increase year-on-year, much lower than previously expected. This slowdown was mainly influenced by a few key sectors dominated by mostly export-oriented multinationals. Modified domestic demand, a measure of domestic activity that strips out the effects of multinationals, continued to grow, albeit at a more moderate pace in the context of high inflation that is curbing spending by households and businesses.

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



Private consumption is expected to grow moderately over the coming quarters as tighter financial conditions weigh on household spending. However, a strong labour market and rising real wages are projected to support consumption through 2024 and 2025.

Modified investment, which removes aircraft leasing and R&D intellectual property assets, is set to experience subdued growth in 2023 and 2024. This outlook is due to significant base effects from large investments in previous periods along with a more muted demand outlook and tighter financial conditions. Modified investment is projected to regain some momentum in 2025 as financing conditions improve and the implementation of the National Development Plan continues. Headline investment figures, although challenging to forecast, are set to remain relatively muted in the forecast horizon.

Shifts within certain multinational-dominated sectors along with lower external demand have been weighing on exports. The pharmaceutical sector's growth has slowed after the pandemic-linked boom, and semi-conductors and contract manufacturing sectors have seen decreased exports. By contrast, the ICT sector — which accounts for more than half of Ireland's services exports — maintains robust growth. The export outlook is expected to be negative in 2023 but turn positive in 2024 and 2025, although somewhat less dynamic when compared to previous years. This is supported by recent large-scale investments and a more supportive external environment.

GDP is expected to decline by 0.9% in 2023 and, to thereafter accelerate by 3.0% in 2024 and 3.4% in 2025 on the back of higher external demand. Modified domestic demand, which better reflects underlying domestic economic activity in Ireland, is set to expand by 2.3% in 2023, 1.9% in 2024 and 2.1% in 2025.

Employment at record high

Employment levels remained strong throughout the first half of 2023, with the highest number on record at the end of the second quarter. The increase in employment was supported by an increase in the labour supply, driven by both stronger female participation and inward migration contributing materially to the expanding labour force. High-frequency data indicate some easing in labour demand in recent months. Further employment growth is, however, anticipated in the remainder of 2023 and into 2024 and 2025, albeit at a more moderate pace, reflecting the continued expected growth in the domestic economy.

Inflation projected to ease

For the first nine months of 2023, HICP inflation remained high, reaching 5.0% in September. A delay in the transmission from wholesale to retail prices for gas and electricity has resulted in persistently higher energy prices in Ireland. In addition, other major HICP categories also remained elevated compared to the previous year. Inflation is projected to ease in the final quarter of 2023 as several domestic energy retailers have announced price cuts that take effect in the coming months. Significant base effects and easing commodity prices and supply bottlenecks will also lead to further moderation in food and non-energy industrial goods prices. Wage pressures are expected to intensify, leading to nominal wage growth of 5.0% in 2023 and 5.5% in 2024, reflecting a tight labour market and a catch-up of wages to the sharp drop in real incomes in 2022. Inflation is forecast to reach 5.3% in 2023, 2.7% in 2024 and 2.1% in 2025.

The fiscal outlook remains solid

Ireland's general government budget balance is expected to remain in surplus in 2023, but to decrease to 0.9% of GDP from 1.7% in 2022. This is due to a larger increase in expenditure than revenue. In 2024, the surplus is forecast to shrink further to 0.6% of GDP before rebounding to 1.0% in 2025. Revenue growth in 2024 and 2025 is projected to be supported by resilient, albeit moderating, private consumption. Moreover, the assumed gradual phase-out of VAT discounts is also expected to increase revenues. Expenditure growth is driven by investment plans and considerable social spending in 2024. The forecast accounts for the impact of revenue measures such as tax cuts and an extension to the end of October 2024 of the reduced 9% rate of VAT on energy products; and expenditure measures, such as increases to welfare and pension payments, mortgage interest rate tax relief, and additional payments of energy credits. The cost of measures to mitigate the economic and social impact of high energy prices is projected at 0.4% of GDP in 2023 and 0.2% in 2024. The forecast also assumes these measures will be wound down by 2025.

Thanks to the fiscal surplus and high nominal GDP growth, the general government debt-to-GDP ratio is forecast to decrease from 43.0% in 2023 to 41.4% in 2024, and 40.2% in 2025.

Table II.4.1:

Main features of country forecast - IRELAND

		2022			Annual percentage change					
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		506.3	100.0	4.5	6.6	15.1	9.4	**-0.9**	**3.0**	**3.4**
Private Consumption		124.1	24.5	2.3	-10.8	8.5	9.4	**3.2**	**3.0**	**2.9**
Public Consumption		57.6	11.4	2.1	10.3	6.6	4.5	**1.7**	**0.6**	**0.8**
Gross fixed capital formation		109.5	21.6	10.1	-16.5	-40.4	5.1	**-2.9**	**2.5**	**3.2**
Exports (goods and services)		694.1	137.1	7.7	11.5	15.1	13.9	**-1.5**	**3.5**	**4.1**
Imports (goods and services)		492.0	97.2	8.4	-1.7	-7.5	15.9	**-0.8**	**3.1**	**3.8**
GNI (GDP deflator)		363.5	71.8	3.8	3.6	16.5	3.0	**-0.9**	**3.7**	**4.0**
Contribution to GDP growth:	Domestic demand			4.4	-10.9	-14.0	4.0	**0.4**	**1.4**	**1.5**
	Inventories			0.1	0.6	0.5	1.0	**0.0**	**0.0**	**0.0**
	Net exports			0.6	16.9	28.6	3.7	**-1.3**	**1.7**	**1.9**
Employment				1.3	-2.8	6.0	6.6	**3.4**	**1.4**	**1.3**
Unemployment rate (a)				9.1	5.9	6.2	4.5	**4.2**	**4.2**	**4.3**
Compensation of employees / head				2.4	3.7	2.6	2.7	**5.0**	**5.5**	**5.2**
Unit labour costs whole economy				-0.8	-5.5	-5.5	0.1	**9.6**	**3.8**	**3.0**
Saving rate of households (b)				10.1	25.5	24.3	13.9	**12.7**	**12.1**	**11.8**
GDP deflator				1.2	-1.2	0.5	6.6	**5.1**	**2.6**	**1.9**
Harmonised index of consumer prices				1.0	-0.5	2.4	8.1	**5.3**	**2.7**	**2.1**
Terms of trade goods				-0.5	-2.4	-9.1	-3.5	**3.5**	**0.2**	**0.2**
Trade balance (goods) (c)				25.4	38.0	38.8	40.0	**33.7**	**33.3**	**33.1**
Current-account balance (c)				-2.7	-6.8	14.0	10.8	**9.9**	**10.6**	**11.4**
General government balance (c)				-5.1	-5.0	-1.5	1.7	**0.9**	**0.6**	**1.0**
Structural budget balance (d)				-0.9	-2.0	-3.3	-2.4	**-0.2**	**0.1**	**0.7**
General government gross debt (c)				67.8	58.1	54.4	44.4	**43.0**	**41.4**	**40.2**

(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 grow by 2.4% in 2023, before gradually moderating to 2.2% by 2025. The expansion is supported by the implementation of the Recovery and Resilience Plan (RRP) and a resilient labour market. Headline inflation is projected at 4.3% in 2023 and set to moderate to around 2.1% in 2025, albeit gradually as tightening labour market conditions add to upward pressure on prices. The general government deficit is set to shrink further on the back of muted expenditure growth and higher revenues. Together with solid nominal GDP growth, this is set to support the decline of the high public debt-to-GDP ratio.

Growth set to moderate after post-COVID recovery

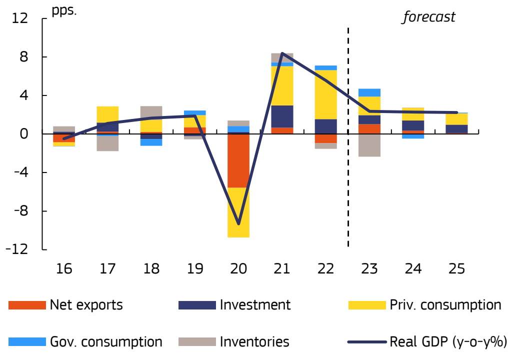
The Greek economy posted solid growth in the first half of 2023, driven primarily by consumption and net exports. Private consumption benefited from pent-up demand, notably in services, while a significant drop in imports prompted a positive contribution of net exports that had been underperforming in recent quarters. Investment activity slowed significantly following a spike in the last quarter of 2022. The impact of the devastating Thessaly floods on overall growth is expected to be limited due to the region's relatively low share in total value added. On the back of increasing domestic demand with the full recovery of tourism, real GDP growth for the remainder of the year is expected to be solid, averaging 2.4% for 2023 as a whole.

With the post-pandemic recovery waning, economic activity is set to decelerate. Still, GDP growth is expected to remain above the long-term growth potential over the forecast horizon, supported by the implementation of the RRP and the gradually improving external environment. Going forward, private consumption growth is set to slow down as pent-up demand phases out, but still to remain solid amid expected wage growth. The implementation of the RRP is shifting from reforms towards investments and is thus set to sustain capital spending, while the loan facility is expected to help sustain corporate credit growth and thus corporate investment by partly mitigating the impact of current tighter financing conditions. Gains in cost competitiveness accumulated over the past decade are likely to benefit export growth once external demand picks up again over the forecast horizon. However, due to the high import content of investment, rising imports are set to slow the adjustment of the external balances. Overall, economic growth is projected at 2.3% and 2.2% in 2024 and 2025, respectively.

A resilient labour market and increasing wage pressures

Employment growth is set to continue, albeit at a slower pace. The unemployment rate is forecast to fall to 9.6% by 2025, its lowest level in over a decade. The labour market has started to show first signs of labour shortages in key sectors (construction, services). With rising nominal wages and the slowdown in inflation, real compensation of employees is expected to turn positive in 2023 following a contraction in 2022.

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



Inflation to decelerate but pressures remain

Headline inflation is expected to average 4.3% in 2023 and to remain above 2% over the forecast horizon. Recent monthly readings point towards an uptick in energy and services inflation (on a seasonally adjusted month-on-month basis), while the food prices are being impacted by the recent floods in the region of Thessaly, a key area for agricultural production. In the longer term, the expected stronger wage growth associated with a tight labour market is set to add upward pressure on prices. Consumer prices are forecast to increase by 2.8% and 2.1% in 2024 and 2025 respectively.

Fiscal balance set to improve

The general government deficit is forecast to remain broadly unchanged in 2023, reaching 2.3% of GDP. Underlying this headline balance is an improvement in the primary balance, which is expected to record a surplus of 1.1% of GDP this year, up from 0.1% in 2022. This improvement is primarily due to the phasing out of the measures to mitigate the (economic and social) impact of high energy prices and better-than-expected tax revenues, particularly from value added tax, and social security contributions. These driving factors were only partially offset by the increased expenditure related to the adverse impact of recent natural disasters. The improvement in the primary balance is broadly offset by higher interest expenditure.

In 2024, the general government deficit is forecast to decrease to 0.9% of GDP. This can be mainly attributed to the phasing out of expenditure measures, such as the extraordinary bonus for pensioners and the social transfer labelled ‘market pass’ which are not expected to be prolonged beyond 2023. Also, the expenditure related to natural disasters during the summer of 2023 is expected to decrease in 2024. This forecast factors in the reform of the public wage grid, the increase of the personal income tax allowance for families with children, and the permanent increase of the overnight tax.

The general government deficit is expected to decrease further to 0.8% of GDP in 2025. despite the gradual reduction of the self-employed fixed tax which is expected to start in 2025, and the planned reduction of social security contributions by 0.5 pps.. The fiscal cost of these measures is projected to be limited to 0.1% of GDP in 2025. Public spending growth is expected to remain overall muted thereby improving the balance.

The public debt-to-GDP ratio is set to decline throughout the forecast horizon, largely driven by the increase in nominal GDP, but also helped by primary surpluses. The ratio is expected to decline to 160.9% in 2023, 151.9% in 2024, and to 147.9% in 2025.

The fiscal outlook is 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 already in 2024 additional revenues compared to the current forecast.

Table II.5.1:

Main features of country forecast - GREECE

		2022		Annual percentage change						
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		206.6	100.0	-0.8	-9.3	8.4	5.6	**2.4**	**2.3**	**2.2**
Private Consumption		141.5	68.5	-0.4	-7.4	5.8	7.4	**2.8**	**1.9**	**1.7**
Public Consumption		41.5	20.1	-0.3	3.0	1.8	2.1	**4.1**	**-2.3**	**0.5**
Gross fixed capital formation		28.3	13.7	-4.9	2.0	19.3	11.7	**6.9**	**7.5**	**5.7**
Exports (goods and services)		101.5	49.1	3.9	-21.5	24.2	6.2	**5.7**	**5.0**	**3.6**
Imports (goods and services)		121.6	58.9	1.4	-7.3	17.9	7.2	**3.0**	**3.8**	**3.0**
GNI (GDP deflator)		204.5	99.0	-0.8	-8.9	8.0	5.3	**2.3**	**2.5**	**2.2**
Contribution to GDP growth:	Domestic demand			-1.1	-4.3	6.8	7.1	**3.7**	**1.9**	**2.1**
	Inventories			-0.2	0.6	0.9	-0.6	**-2.3**	**0.0**	**0.0**
	Net exports			0.5	-5.6	0.6	-1.0	**1.0**	**0.3**	**0.1**
Employment				0.3	-2.6	1.2	2.5	**1.5**	**1.1**	**1.0**
Unemployment rate (a)				17.2	17.6	14.7	12.5	**11.4**	**10.7**	**9.9**
Compensation of employees / head				-0.3	-0.4	3.8	2.8	**4.9**	**4.1**	**2.4**
Unit labour costs whole economy				0.8	7.0	-3.1	-0.2	**4.0**	**2.8**	**1.1**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				0.9	-0.8	1.5	7.8	**5.3**	**2.7**	**2.1**
Harmonised index of consumer prices				1.6	-1.3	0.6	9.3	**4.3**	**2.8**	**2.1**
Terms of trade goods				-0.4	-4.1	0.3	1.7	**0.6**	**0.9**	**0.3**
Trade balance (goods) (c)				-13.4	-11.9	-14.8	-19.2	**-17.0**	**-16.9**	**-16.5**
Current-account balance (c)				-7.1	-8.0	-8.6	-10.6	**-7.0**	**-6.1**	**-5.6**
General government balance (c)				-6.5	-9.7	-7.0	-2.4	**-2.3**	**-0.9**	**-0.8**
Structural budget balance (d)				5.2	-3.0	-4.4	-2.2	**-2.3**	**-1.3**	**-1.7**
General government gross debt (c)				150.0	207.0	195.0	172.6	**160.9**	**151.9**	**147.9**

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

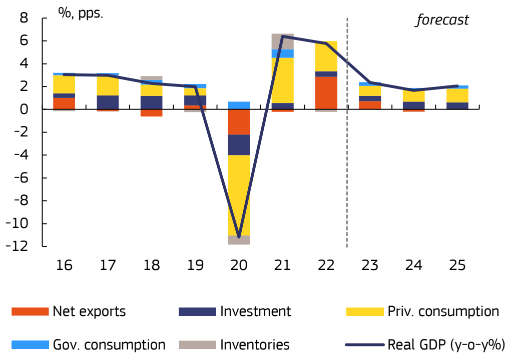
6. SPAIN

Following strong real GDP growth this year of 2.4%, economic activity is expected to slow down in 2024 to 1.7%. Headline inflation is projected to keep moderating over the forecast horizon, although upside risks persist. Based on unchanged policies, the general government deficit is set to remain slightly above 3% of GDP in 2024 despite the phasing out of measures to mitigate the impact of high energy prices. The debt-to-GDP ratio is projected to gradually decrease in 2023, driven by strong nominal GDP growth, and then stabilise at 106.5% in 2024 and 2025.

Economic activity expected to moderate

Real GDP recorded an expansion of 0.6% in the first quarter and 0.4% in the second quarter of 2023, driven by external demand and domestic demand, respectively. Preliminary data for the third quarter point to a slight slowdown (0.3% q-o-q), in line with the deceleration of growth expected in the second half of the year. This is attributable to sluggish dynamics of external demand due to the fading impetus of the tourism sector and the weaker economic situation in Spain's main trading partners. On the domestic front, the expected downturn in real estate activity amid the high interest rate environment is set to negatively weigh on investment growth. In addition, a projected moderation in employment growth is set to limit the dynamism of consumption towards the end of the year, despite some real income gains for households.

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



Overall, economic activity is projected to expand by 2.4% in 2023, benefiting also from a strong carry-over from 2022 and a marked improvement in the terms of trade. Domestic demand is set to be the key driver of growth in 2024, upheld by further real income gains for households and the continued easing of price pressures. In addition, the broadening implementation of the RRP and the accelerating disbursement to final beneficiaries are expected to contribute to sustaining investment, notably in machinery and equipment. As a result, GDP is forecast to expand by 1.7% in 2024, before accelerating slightly to 2.0% in 2025, when the impact of the recently approved RRF loan component would provide further stimulus to growth-enhancing spending.

Downside risks relate to the prolonged impact on demand of the tightening of financial conditions, notably in light of the elevated, albeit declining, level of external, public and private debt. On the other hand, increasing households' purchasing power, as well as the healthy financial situation of households and non-financial corporations thanks to the lower leverage and the liquidity accumulated in recent years, could mitigate the headwinds on consumption and investment.

Labour market resilience and declining unemployment

Sustained job creation and the reduction in the share of temporary employees in the private sector underpin the resilience of the labour market in 2023, despite the slowdown in employment growth observed since the summer. The unemployment rate is set to drop to 12.1% in 2023, and to continue improving over the forecast horizon, to 11.6% and 11.1% in 2024 and 2025, respectively. The pick-up in wages is expected to be moderate and aligned to the thresholds set out in the multi-year agreement signed last May, which should not significantly affect cost-competitiveness.

Headline inflation to decelerate gradually

HICP inflation is expected to reduce to 3.6% in 2023, driven by the continued moderation of the energy component. Underlying price pressures started to show signs of easing only as of the third quarter. As a result, HICP inflation excluding energy and food is set to moderate more gradually over the forecast horizon. A further slowdown of HICP inflation to 3.4% is projected for next year despite the upward pressure exerted by the expected phasing out of government measures implemented in the past years to mitigate the impact of high energy prices. In 2025, HICP inflation is set to average 2.1%.

The declining cost of energy measures drives deficit reduction in 2023 and 2024.

The general government deficit in 2023 is projected to decline, but more gradually than in 2021-2022. After displaying a buoyant growth over several quarters, tax revenues are showing signs of moderation, despite the robustness of personal income tax revenues. The main driver of the projected moderation in 2023 is the lower-than-expected growth of indirect tax revenues, reflecting the deceleration in inflation of imported goods. On the expenditure side, the growing cost of pensions, driven by the indexation to inflation, and intermediate consumption are driving the current expenditure increase. Additionally, the government approved two further packages of measures in May and June (with an expected combined cost of EUR 2.7 billion, or 0.2% of GDP) to mitigate the impact of high energy prices, including, among others, an extension of the VAT reduction for basic food and direct support to the road and maritime transport sectors. In 2023, the estimated net budgetary cost of these measures is expected to decline by 0.6pps. to 0.9% of GDP. All energy-related measures (except the levy on energy companies) are expected to expire by 31 December 2023. Overall, the headline deficit is expected to narrow to 4.1% of GDP in 2023.

The deficit is expected to keep declining in 2024 to 3.2% of GDP, based on unchanged policies, as the budget for next year is yet to be put forward. Savings from the phasing out of energy-related measures are set to be the main driver of the deficit reduction in 2024. The budgetary impact of revenue measures such as the levy on financial institutions or the solidarity wealth tax is expected to expire by the end of 2024. The deficit in 2025 is projected to slightly increase to 3.4%. The debt-to-GDP ratio is projected to continue its declining path in 2023, decreasing to 107.5% and then stabilise in 2024-2025 at 106.5%, as the favourable differential between nominal GDP growth and the cost of servicing debt fades.

Table II.6.1:

Main features of country forecast - SPAIN

		2022		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		1346.4	100.0	1.4	-11.2	6.4	5.8	**2.4**	**1.7**	**2.0**
Private Consumption		766.6	56.9	1.0	-12.3	7.1	4.7	**1.5**	**2.0**	**2.2**
Public Consumption		274.2	20.4	2.2	3.6	3.4	-0.2	**1.6**	**0.4**	**1.4**
Gross fixed capital formation		270.3	20.1	0.1	-9.0	2.8	2.4	**2.4**	**3.4**	**3.0**
Exports (goods and services)		550.3	40.9	3.2	-20.1	13.5	15.2	**1.9**	**2.8**	**3.5**
Imports (goods and services)		534.0	39.7	2.0	-15.0	14.9	7.0	**0.2**	**3.5**	**3.8**
GNI (GDP deflator)		1352.8	100.5	1.4	-11.1	7.0	5.5	**2.3**	**1.6**	**2.1**
Contribution to GDP growth:	Domestic demand			1.0	-8.2	5.3	3.1	**1.7**	**1.9**	**2.1**
	Inventories			0.0	-0.8	1.4	-0.2	**0.0**	**0.0**	**0.0**
	Net exports			0.3	-2.2	-0.2	2.9	**0.7**	**-0.2**	**0.0**
Employment				0.7	-4.2	2.3	2.7	**1.9**	**1.2**	**1.3**
Unemployment rate (a)				16.9	15.5	14.8	12.9	**12.1**	**11.6**	**11.1**
Compensation of employees / head				1.8	1.2	4.5	4.1	**4.8**	**3.9**	**2.5**
Unit labour costs whole economy				1.2	9.2	0.4	1.0	**4.3**	**3.5**	**1.8**
Saving rate of households (b)				7.7	17.5	13.8	7.6	**8.1**	**7.8**	**7.6**
GDP deflator				1.4	1.1	2.7	4.1	**5.3**	**3.4**	**2.0**
Harmonised index of consumer prices				1.8	-0.3	3.0	8.3	**3.6**	**3.4**	**2.1**
Terms of trade goods				-0.2	2.6	1.0	-5.8	**1.9**	**0.3**	**-0.2**
Trade balance (goods) (c)				-4.2	-0.8	-1.9	-4.4	**-4.0**	**-3.9**	**-4.0**
Current-account balance (c)				-2.2	0.6	0.8	0.6	**1.9**	**1.7**	**1.5**
General government balance (c)				-4.6	-10.1	-6.7	-4.7	**-4.1**	**-3.2**	**-3.4**
Structural budget balance (d)				-2.4	-4.0	-4.1	-4.7	**-4.5**	**-3.5**	**-3.7**
General government gross debt (c)				74.2	120.3	116.8	111.6	**107.5**	**106.5**	**106.5**

(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

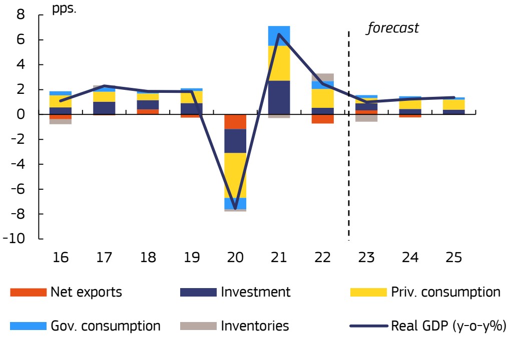
Economic activity is set to grow moderately in 2023, as inflation remains high and tighter financial conditions weigh on growth. GDP growth is expected to slowly increase over the forecast horizon, as private consumption resumes, and inflation progressively decreases. The public deficit is projected to remain at 4.8% of GDP in 2023, before declining to 4.4% in 2024 and 4.3% in 2025. Public debt is set to decline to 109.6% of GDP in 2023, and to pick up again to 110% in 2025, also due to the still high primary deficit.

Economic activity to progressively catch up

Real GDP is expected to grow moderately in 2023, by 1.0% in annual terms with acquired growth standing at 0.9% at the end of the third quarter. In 2022-Q4 and 2023-Q1, net exports drove GDP growth as the manufacturing of transport equipment caught up. Domestic demand remained subdued over this period as high inflation and tighter financial conditions outweighed government support measures and dynamic wages that preserved households' purchasing power. In 2023-Q2 however, domestic demand rebounded and is now the main driver of growth.

In 2024, investment is set to be subdued until the second half of the year due to still restrictive effects of monetary policy. Private consumption is set to drive GDP growth as inflation and the household savings rate are set to decrease closer to historical averages. Net exports are expected to make a negative contribution to GDP growth, as strong domestic demand drives imports up. Overall, real GDP is forecast to grow by 1.2% in 2024.

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



In 2025, the economy is projected to grow by 1.4%, on the back of lower inflation and looser financial conditions. GDP growth is set to be driven by domestic demand as the savings rate is set to decline towards the long-term average. Net exports are projected to have no contribution to GDP growth, since still strong exports growth is expected to be offset by rising imports as private consumption gathers speed. Investment by both households and corporations is projected to progressively recover.

Labour market to soften

The labour market remained dynamic in 2023. The unemployment rate stabilised at 7.2% in the second quarter of 2023 (close to its lowest level since 2008), while the employment rate reached a record high of 68.6%. Employment growth is now set to moderate, as labour hoarding progressively dissipates, the job-creation effect of apprenticeship contracts decreases, hours worked return to 2019 levels, and labour productivity bounces back. Employment growth is expected to stand at +1.2% in 2023, +0.3% in 2024 and +0.3% 2025. The unemployment rate is forecast to increase to 7.4% in 2024, and 7.5% in 2025, after posting 7.2% in 2023.

Inflation to only gradually decrease

After peaking in early 2023, inflation is set to subside over the forecast horizon. The decision by the government to further increase regulated energy prices, that still remain below market prices, in the summer of 2023 has pushed up inflation but is not expected to undermine the current downward trajectory. Headline inflation is projected to decrease only gradually over the forecast horizon, as wage increases feed into core inflation, while the slowdown in consumer food prices occurs with a delay after producer prices have moderated. Inflation is expected to stand at 5.8% in 2023 on average, before easing to 3.0% in 2024 and 2.0% in 2025.

Public debt reduction to come to a halt

In 2023, the general government deficit is expected to remain broadly stable, at 4.8% of GDP. Measures taken in the context of the COVID-19 pandemic will be fully phased out this year. The interest burden on public debt is set to decrease by 0.2 pps., to 1.7% of GDP due to lower yields on inflation-indexed bonds compared to 2022, which more than offset the effect of higher rates on new issues. The net budgetary cost of the measures to mitigate the impact of high energy prices is projected at 0.8% of GDP, after 0.9% in 2022. In turn, the indexation of pensions and social benefits aimed at supporting households' purchasing power continues to exert upward pressure on public spending, while the economic slowdown is set to weigh on tax revenues. In particular, revenues from property transfer and stamp duty taxes, excise duties and corporate income taxes are expected to contract due to, respectively, the decline in dwellings transactions, lower energy consumption, and falling reference corporate profits in 2022. This implies lower than average responsiveness of tax revenues. These projections incorporate the budgetary cost of the investment plan France 2030 (0.1% of GDP).

In 2024, the general government deficit is forecast to decline to 4.4% of GDP. This drop is mainly due to the withdrawal of most energy-related measures, reducing their net budgetary cost to 0.3% of GDP. Interest payments on public debt are projected to rise sharply to around 2.0% of GDP, pushed by higher rates on new issues. In turn, tax revenues are set to regain momentum thanks to the slightly higher economic growth and higher expected responsiveness of tax. Overall, the revenue ratio is projected to remain broadly stable, at 51.7% of GDP, while the expenditure ratio is expected to decrease by almost ½ pps.

Looking ahead to 2025, the general government deficit is forecast to decline only slightly, to 4.3% of GDP. The positive budgetary effect derived from the slightly improved macroeconomic outlook is however set to be largely offset by a further increase in interest expenditure. This forecast still assumes a net budgetary cost of 0.3% of GDP linked to energy-related measures, namely the extension of the decrease in the domestic tax on final electricity consumption (TICFE).

After declining to 109.6% of GDP in 2023, thanks to dynamic nominal GDP growth, public debt is projected to broadly stabilise in 2024 and to pick up again in 2025, to 110% of GDP, driven by persistent primary deficits, rising interest expenditure and lower nominal growth.

Table II.7.1:

Main features of country forecast - FRANCE

		2022			Annual percentage change					
		bn EUR Curr. prices	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		2639.1	100.0	1.3	-7.5	6.4	2.5	**1.0**	**1.2**	**1.4**
Private Consumption		1409.1	53.4	1.3	-6.7	5.3	2.9	**0.8**	**1.4**	**1.5**
Public Consumption		633.6	24.0	1.4	-4.0	6.4	2.6	**1.0**	**1.1**	**0.8**
Gross fixed capital formation		665.0	25.2	1.6	-8.2	11.5	2.2	**2.2**	**1.8**	**1.6**
Exports (goods and services)		915.4	34.7	2.9	-16.8	8.8	7.0	**1.4**	**2.1**	**2.9**
Imports (goods and services)		1017.7	38.6	3.5	-12.8	8.0	8.9	**0.3**	**2.6**	**2.7**
GNI (GDP deflator)		2685.8	101.8	1.4	-8.8	7.9	2.0	**1.2**	**1.3**	**1.4**
Contribution to GDP growth:	Domestic demand			1.4	-6.5	7.1	2.7	**1.2**	**1.5**	**1.4**
	Inventories			0.1	-0.2	-0.3	0.6	**-0.6**	**0.0**	**0.0**
	Net exports			-0.2	-1.2	0.0	-0.7	**0.3**	**-0.2**	**0.0**
Employment				0.5	0.0	2.8	2.6	**1.2**	**0.3**	**0.3**
Unemployment rate (a)				9.2	8.0	7.9	7.3	**7.2**	**7.4**	**7.5**
Compensation of employees / head				2.0	-3.5	4.9	4.9	**5.3**	**3.3**	**2.7**
Unit labour costs whole economy				1.3	4.4	1.3	5.1	**5.5**	**2.3**	**1.6**
Saving rate of households (b)				14.4	20.5	18.6	17.1	**17.7**	**17.1**	**16.7**
GDP deflator				1.2	2.8	1.4	2.9	**5.7**	**2.9**	**2.1**
Harmonised index of consumer prices				1.5	0.5	2.1	5.9	**5.8**	**3.0**	**2.0**
Terms of trade goods				0.2	1.2	-0.8	-5.7	**5.0**	**0.5**	**0.0**
Trade balance (goods) (c)				-1.6	-2.2	-2.8	-5.4	**-3.1**	**-3.0**	**-3.0**
Current-account balance (c)				-0.6	-3.4	-1.5	-4.0	**-2.4**	**-2.4**	**-2.4**
General government balance (c)				-3.9	-9.0	-6.5	-4.8	**-4.8**	**-4.4**	**-4.3**
Structural budget balance (d)				-3.0	-5.1	-5.7	-4.9	**-4.7**	**-4.4**	**-4.5**
General government gross debt (c)				84.6	114.6	112.9	111.8	**109.6**	**109.5**	**110.0**

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

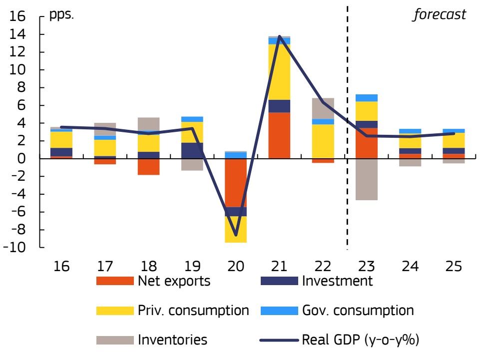
8. CROATIA

Croatia's GDP is expected to grow at a sustained pace, supported by increasing private consumption amid rising real wages, and by investment boosted by EU funds. The labour market is set to tighten further, with employment recording solid growth and the unemployment rate reaching record-low levels. The expected moderation of headline inflation is driven by lower energy and unprocessed food prices, while services inflation is projected to remain more persistent. The general government balance is set to be negatively impacted by large increases of public sector wages and social benefits putting pressure on expenditure.

Household consumption to sustain growth

Croatia's economy expanded strongly in 2022, supported by solid private consumption growth, despite high inflation, and by the build-up of inventories.

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



Real GDP growth is expected to remain solid at 2.6% in 2023 as Croatia takes advantage of its accession to the euro and Schengen areas. This is also thanks to high carry-over from 2022 and despite a weaker momentum in the external environment. Consumer demand is set to remain high amid employment and real wage growth. Both government consumption and investment are projected to contribute positively to growth, with investment largely supported by increased absorption of EU funds. However, a deceleration in inventories' build-up is expected to firmly weigh on domestic demand. Net exports are projected to positively contribute to GDP growth as a decrease in goods imports more than offsets lower goods exports, and amid overall strong tourism demand. The terms-of-trade shock suffered in 2022 is set to partly reverse during the year, leading to a further trade balance improvement.

In 2024, real GDP is expected to grow by 2.5%, mainly driven by domestic demand as headline inflation falls towards 2%. The contribution from net exports is set to decrease substantially but remain positive, supported by increasing demand in the main trading partner economies. Growth in 2025 is forecast to reach 2.8% and remain broad based, also supported by the increased absorption of RRF grants and loans.

The main risk to the economic outlook is a slower-than-expected decline in inflation, which has been more persistent in Croatia than in most of the euro area. Should wage increases intensify, after having already resulted in comparatively higher unit labour costs growth, they could lead to possible wage-inflation spirals. This risk may be exacerbated if wage cost pressures are not absorbed by firm profits, which increased in 2022 and early 2023. Under such scenario, the trade balance could deteriorate amid strong domestic demand growth, while exports cost competitiveness could be endangered.

A tight labour market supports real wage growth

The labour market performed well in 2022, with the unemployment rate falling to 7.0%, the lowest in decades, while the inflow of foreign workers intensified. Strong wage growth amid a tight labour market is expected to generate considerable real income gains in 2023, with the unemployment rate dropping further to 6.5%. The labour force should continue growing despite a slight decline in total population. Employment growth is projected to persist in 2024 and 2025, although at a slower pace, bringing the unemployment rate to new record lows. Upskilling and reskilling measures envisaged in the RRP are intended to help workers transitioning to expanding sectors.

Services inflation more persistent than anticipated

HICP inflation is projected to soften to 8.1% in 2023, and drop to 2.4% in 2024 and 1.6% in 2025 as decreasing energy and unprocessed food prices partly offset persistent, although decelerating, price increases in services and industrial goods. HICP inflation excluding energy and food is expected at a somewhat higher 8.3% in 2023, 3.5% in 2024 and 2.7% in 2025. This forecast incorporates the effect of the assumed phase out of measures to mitigate the impact of high energy prices as of end of March 2024.

The general government balance back to deficit while debt continues declining

In 2022, fiscal revenue grew markedly on account of strong real growth and inflation, helping turn the deficit into a small surplus of 0.1% of GDP. High windfall revenues in 2023, supported by continued strong economic activity and high inflation, are expected to be more than offset by high increases in wages and social benefits. This is set to result in a small general government deficit of 0.1% of GDP in 2023.

In 2024, the deficit is expected to widen to 1.8% of GDP, affected by further upward adjustment of public wages and social benefits beyond inflation and higher nationally-funded investment. Indirect tax revenues are set to remain constant as a share of GDP, while direct taxes and contributions should benefit from positive employment and wage developments despite significant increases in tax exemptions. Measures to mitigate the (economic and social) impact of high energy prices are set by law to stay in place until end of March 2024. The total (net) budgetary cost of energy-related measures is expected to decrease from 1.8% of GDP in 2023 to 0.5% in 2024. Meanwhile, debt servicing costs should remain contained as the interest rate differential on rolling debt is still favourable until the end of the forecast horizon.

The deficit is projected to remain at 1.8% of GDP in 2025 as revenue growth normalises and wage and social benefits remain high, driven by previous years' indexation.

The debt-to-GDP ratio is expected to drop significantly from 68.2% in 2022 to 60.8% in 2023, supported by GDP growth and debt-reducing stock-flow adjustments. Public debt is forecasted to continue decreasing, reaching 58.8% of GDP in 2024 and 58.2% in 2025. This decrease is mainly due to strong GDP growth, while the deficit increases and stock-flow adjustments are projected to reverse.

Table II.8.1:

Main features of country forecast - CROATIA

		2022		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		68.0	100.0	1.5	-8.6	13.8	6.3	**2.6**	**2.5**	**2.8**
Private Consumption		39.9	58.7	1.0	-5.2	10.6	6.7	**3.7**	**2.8**	**2.9**
Public Consumption		14.4	21.2	2.0	3.5	3.0	2.7	**3.8**	**2.4**	**2.0**
Gross fixed capital formation		13.3	19.6	0.9	-5.0	6.6	0.1	**4.2**	**3.4**	**3.4**
Exports (goods and services)		40.2	59.2	3.7	-23.2	32.7	27.0	**-0.4**	**3.2**	**4.2**
Imports (goods and services)		44.4	65.4	2.9	-12.3	17.3	26.5	**-5.6**	**2.2**	**3.2**
GNI (GDP deflator)		67.9	99.8	1.7	-6.6	11.4	6.7	**2.5**	**2.5**	**3.0**
Contribution to GDP growth:	Domestic demand			1.3	-3.2	8.4	4.5	**3.8**	**2.8**	**2.8**
	Inventories			0.1	0.1	0.2	2.4	**-4.7**	**-0.9**	**-0.5**
	Net exports			0.2	-5.4	5.2	-0.5	**3.4**	**0.5**	**0.6**
Employment				0.4	-1.2	1.2	2.3	**2.1**	**1.1**	**1.1**
Unemployment rate (a)				12.3	7.5	7.6	7.0	**6.5**	**6.2**	**5.8**
Compensation of employees / head				1.8	1.2	6.4	11.4	**10.4**	**4.8**	**1.9**
Unit labour costs whole economy				0.7	9.4	-5.4	7.2	**9.9**	**3.4**	**0.2**
Saving rate of households (b)				5.1	11.1	6.9	5.4	**:**	**:**	**:**
GDP deflator				2.1	0.8	1.5	9.5	**9.4**	**3.6**	**2.1**
Harmonised index of consumer prices				1.9	0.0	2.7	10.7	**8.1**	**2.4**	**1.6**
Terms of trade goods				0.3	-3.8	-0.5	-3.3	**0.9**	**0.0**	**0.0**
Trade balance (goods) (c)				-17.4	-17.5	-19.5	-26.6	**-21.6**	**-20.5**	**-20.1**
Current-account balance (c)				-2.5	-1.1	0.8	-2.9	**2.4**	**2.5**	**3.1**
General government balance (c)				-3.5	-7.3	-2.5	0.1	**-0.1**	**-1.8**	**-1.8**
Structural budget balance (d)				-1.3	-3.3	-2.9	-1.1	**-1.0**	**-2.3**	**-2.1**
General government gross debt (c)				61.2	86.8	78.1	68.2	**60.8**	**58.8**	**58.2**

(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 have bottomed out in the third quarter and to pick up in the last quarter of 2023, leading to annual growth of 0.7%. It is set to accelerate to 0.9% in 2024 and 1.2% in 2025, driven by RRF-funded investment. Inflation is forecast to fall to 6.1% this year, 2.7% in 2024 and 2.3% in 2025. The reduction of the government deficit- and debt-to-GDP ratios is projected to come to a halt in 2024-25.

Government-supported investment boosts output growth

Italy's economic recovery came to a halt in the second quarter of 2023. The expansion in capital accumulation, pushed by tax credits for housing renovation in 2021-22, ended abruptly in 2023-Q2 as the credits became significantly less generous. Real GDP contracted by 0.4% q-o-q in the second quarter and is estimated to have stagnated in the third. It is, however, expected to resume growing as from the fourth quarter, leading to a projected annual growth of 0.7% in 2023, mainly thanks to the positive carryover from 2022 and 2023-Q1.

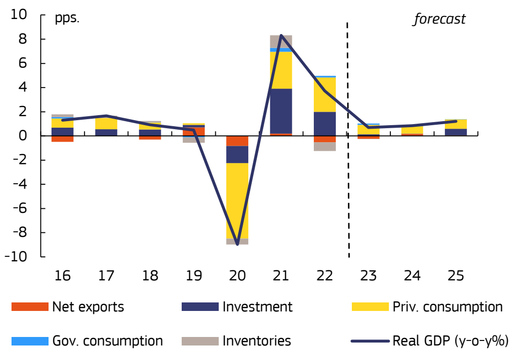
In 2024, private consumption is set to pick up, along with the projected recovery in real disposable incomes due to nominal wages rising faster than consumer prices. With the gradual phasing out of the tax credits weighing heavily on housing investment, gross fixed capital formation is poised to be propped up by the planned rollout of RRF-supported investment in both infrastructure and equipment, notably in digital and green projects. Thanks to mildly expanding global trade, net exports are set to contribute positively to annual GDP growth, which is forecast to reach 0.9%.

In 2025, real GDP is projected to accelerate slightly, on the back of a continued increase in capital spending only partly affected by a further fall in housing investment. Despite the ensuing increase in imports of capital goods, the further expected improvement in trade conditions is set to support exports. Government consumption is projected to add to private domestic demand, as public wage contracts for 2022-24 are set to be renewed, incorporating part of the past three years' inflation. Overall, real GDP is forecast to rise by 1.2% in 2025.

Labour market continues to improve

Headcount employment is set to rise markedly again in 2023 but more slowly in the next two years, while average hours worked are projected to fall marginally from the 2022 post-pandemic peak. The unemployment rate is expected to continue falling over the forecast horizon, also thanks to the projected decline in working-age population and despite still rising participation rates.

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



Disinflation supported by lower energy prices

Robust increases in negotiated wages, driven by the staggered partial recovery of past purchasing power losses, are anticipated over 2024-25. After the rise in 2023, unit labour costs are expected to ease gradually, building on small productivity gains. Steadily falling energy prices are set to push headline inflation down from 6.1% this year to 2.7% in 2024 and 2.3% in 2025, while the inflation rate net of energy and food is forecast to decrease more slowly.

The still high deficit also drives the rise in the government debt ratio in 2024-25

In 2023, the general government deficit is expected to decline to 5.3% of GDP (from 8.0% in 2022), supported by a drop in interest expenditure, linked to the impact of lower inflation on indexed bonds, and by a projected 0.5% annual growth of primary expenditure, lagging behind nominal GDP growth. The reduced budgetary cost of measures to mitigate the impact of high energy prices (1.0% of GDP compared to 2.4% in 2022) and the housing tax credits (1.8% of GDP compared to 2.8% in 2022) is partially offset by higher pension outlays, from the indexation to the inflation recorded in 2022, and by an increase in investment, also related to the implementation of the Recovery and Resilience Plan. Economic growth is expected to drive the growth in current taxes, which are however affected by further cuts to the labour tax wedge for low- and medium-income earners and lower VAT revenues on imported energy.

In 2024, the deficit is forecast to decrease to 4.4% of GDP, following the phase out of energy-related measures and the nil impact of housing tax credits, also due to changes in legislation which led to their statistical reclassification from “payable” until 2023 to “non-payable” tax credits as of 2024. At the same time, this forecast factors in new measures with an overall deficit-increasing impact of around 0.7% of GDP. Further cuts to the labour tax wedge are expected to lead current revenues to rise below nominal GDP growth. Primary expenditure includes the indexation of pensions to the 2023 high inflation, the prolongation and modification of specific early retirement schemes, partly offset by some savings from the spending review (0.1% of GDP), while the continuous mobilisation of RRF funds is set to sustain investment. The cost of servicing the debt is projected to rise to 4.2% of GDP due to higher interest rates for new bond issuances.

The headline deficit is expected to decrease marginally to 4.3% of GDP in 2025. This forecast includes the prolongation to 2025 of the cuts in the labour tax wedge, a further increase in public wages concerning the 2022-24 contractual period and a further rise in interest payments.

The debt ratio is projected to decrease slightly to 139.8% of GDP in 2023, but to increase again to 140.9% by 2025 as the economic growth-interest rate differential becomes less favourable and the primary balance turns marginally positive only in 2025. Also, the stock-flow adjustment is set to be debt-increasing, driven by the delayed impact of “payable” housing tax credits on debt.

Table II.9.1:

Main features of country forecast - ITALY

		2022		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		1946.5	100.0	0.1	-9.0	8.3	3.7	**0.7**	**0.9**	**1.2**
Private Consumption		1160.7	59.6	0.2	-10.4	5.3	5.0	**1.3**	**1.0**	**1.3**
Public Consumption		374.0	19.2	-0.2	0.1	1.5	0.7	**0.6**	**0.4**	**0.1**
Gross fixed capital formation		427.1	21.9	-0.9	-7.9	20.7	9.7	**0.6**	**0.1**	**2.6**
Exports (goods and services)		713.0	36.6	2.3	-13.5	13.9	9.9	**0.5**	**2.5**	**3.3**
Imports (goods and services)		742.5	38.1	1.6	-12.1	15.1	12.4	**1.1**	**2.1**	**3.3**
GNI (GDP deflator)		1964.0	100.9	0.2	-8.5	8.3	3.3	**0.7**	**0.8**	**1.2**
Contribution to GDP growth:	Domestic demand			-0.1	-7.6	7.1	5.0	**1.0**	**0.7**	**1.3**
	Inventories			0.0	-0.5	1.0	-0.7	**0.0**	**0.0**	**0.0**
	Net exports			0.2	-0.8	0.2	-0.5	**-0.2**	**0.2**	**0.0**
Employment				0.3	-2.1	0.9	1.7	**1.1**	**0.3**	**0.3**
Unemployment rate (a)				9.5	9.3	9.5	8.1	**7.6**	**7.4**	**7.3**
Compensation of employees / head				1.4	-4.1	6.3	4.7	**3.8**	**4.3**	**4.4**
Unit labour costs whole economy				1.6	3.1	-0.9	2.7	**4.2**	**3.7**	**3.4**
Saving rate of households (b)				11.9	17.4	15.5	9.8	**8.0**	**8.9**	**9.4**
GDP deflator				1.5	1.6	1.3	3.0	**4.9**	**2.7**	**2.9**
Harmonised index of consumer prices				1.6	-0.1	1.9	8.7	**6.1**	**2.7**	**2.3**
Terms of trade goods				-0.1	4.5	-6.1	-10.2	**8.5**	**0.2**	**0.2**
Trade balance (goods) (c)				1.3	4.1	2.7	-0.9	**1.3**	**1.5**	**1.6**
Current-account balance (c)				0.0	3.9	2.5	-1.5	**0.8**	**0.9**	**1.0**
General government balance (c)				-3.0	-9.6	-8.8	-8.0	**-5.3**	**-4.4**	**-4.3**
Structural budget balance (d)				-1.4	-4.8	-8.5	-9.1	**-6.1**	**-5.1**	**-5.2**
General government gross debt (c)				121.9	154.9	147.1	141.7	**139.8**	**140.6**	**140.9**

(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

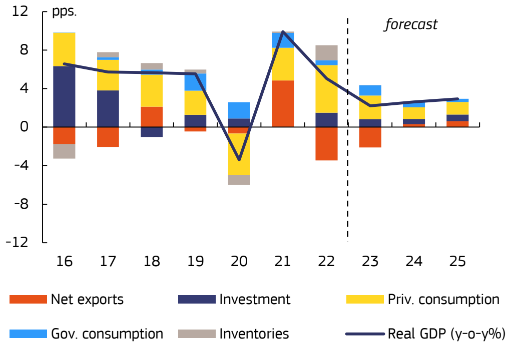
Following robust growth of 5.1% in 2022, economic activity is expected to moderate to 2.2% in 2023, amid continued global economic uncertainty and rising interest rates, but it will gradually pick-up again in 2024 and 2025. Following its peak of 8.1% in 2022, inflation is set to subside as global energy prices have moderated. Supported by dynamic growth, the labour market is performing well. The general government balance is expected to remain in surplus over 2024-2025, while the public debt-to-GPD ratio is set to decrease further to 66.3% by 2025.

Growth slows down in 2023

Real GDP is set to grow by 2.2% in 2023, driven mostly by domestic demand. Private consumption has expanded strongly as a result of continued dynamic growth of employment and wages. The automatic partial indexation of wages has somewhat cushioned the negative impact of elevated prices on consumption. Investment in residential and commercial construction has been supported by the interest-subsidisation scheme for mortgages and a vigorous influx of foreign companies. Tourism fully recovered from the pandemic crisis, as well as from the fall-out of the Russian war of aggression against Ukraine that has, however, negatively affected exports of financial and professional services.

Moderate growth over the forecast horizon

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



Economic activity is forecast to pick up to 2.6% and 2.9% in 2024 and 2025 respectively. Measures taken by the government to curb inflation together with the increased automatic partial wage indexation are expected to continue supporting consumption growth, albeit at a slower pace. Increasing interest rates are set to dampen the demand for residential properties, while foreign investments and the implementation of the Cypriot Recovery and Resilience Plan should boost infrastructure in the green and digital transitions as well as in healthcare, education and tourism. Tourism and other export-oriented services are expected to slow down following dynamic growth in previous years and due to weakened growth momentum in Cyprus' trading partners.

Risks are skewed to the downside, especially given that Cyprus is highly dependent on oil imports and that important sectors such as construction, tourism and trade may be sensitive to higher interest rates.

Labour market is improving

Benefitting from continued strong economic growth, employment, increased by around 1.8% in the first half of 2023 and is set to remain robust as labour-intensive sectors such as tourism and ICT are projected to grow. Consequently, the unemployment rate is expected to decrease to from 6.8% in 2022 to 6.4% in 2023, and further to 5.9% by 2025 (lowest recording in the last 10 years).

Inflation to ease over the forecast horizon

The harmonised index of consumer prices (HICP) is expected to decrease to 4.1% in 2023, following its peak of 8.1% in 2022. It is set to continue decelerating to 3% and 2.2% in 2024 and 2025 respectively, on the back of declining energy prices and support measures adopted by the government. However, HICP excluding energy and unprocessed food prices remains elevated, due to second-round effects of the automatic indexation of wages.

Fiscal position to remain in surplus

The general government balance posted a sizeable surplus of 2.4% of GDP in 2022. In 2023, the surplus is expected to be 2.3% of GDP thanks to buoyant revenues offsetting most of the expenditure increases. VAT revenue was boosted by inflation and strong consumption growth. Revenues from income taxation also grew significantly thanks to increasing wages and improved collection of corporate taxes. On the expenditure side, the withdrawal of COVID-19 support measures contributed further to a positive government balance. At the same time, changes in wage indexation and the reintroduction of some of the previously phased-out measures to mitigate the impact of high energy prices and other new fiscal measures decided in October 2023 are expected to put upward pressure on public expenditure over the forecast horizon.

The budget balance is forecast to remain in surplus at 2.1% of GDP in 2024 and 2.5% in 2025. The negative impact from housing policy measures, such as the government-subsidised mortgage-to-rent scheme and other direct subsidies for vulnerable households, on the budget balance in 2023 is set to continue and strengthen in 2024. The projected gradual phasing out of all the energy-related measures, the assumed ending of the mortgage-to-rent scheme and the increase in social security contributions are expected to contribute positively to the budget balance by 2025.

The debt-to-GDP ratio is set to decline rather strongly. It is projected to reach 66.3% in 2025, down from 85.6% in 2022, on the back of nominal GDP growth and significant primary surpluses, notwithstanding pressures from higher costs of funding.

Country-specific risks to the fiscal outlook are tilted to the downside as possible budget overruns in the ongoing and new government initiatives may reduce projected surpluses.

Table II.10.1:

Main features of country forecast - CYPRUS

		2022		Annual percentage change						
	mio EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		27777.0	100.0	2.4	-3.4	9.9	5.1	**2.2**	**2.6**	**2.9**
Private Consumption		16605.3	59.8	2.6	-6.8	5.6	8.5	**4.1**	**2.0**	**2.2**
Public Consumption		5131.9	18.5	1.8	10.6	7.9	2.7	**5.7**	**3.0**	**1.7**
Gross fixed capital formation		5657.0	20.4	1.9	4.7	-0.1	7.8	**4.1**	**2.7**	**3.5**
Exports (goods and services)		26398.7	95.0	4.4	2.2	21.6	13.6	**-0.8**	**3.0**	**3.6**
Imports (goods and services)		26310.3	94.7	4.4	3.1	15.4	18.3	**1.5**	**2.6**	**2.9**
GNI (GDP deflator)		25689.6	92.5	2.4	-5.0	7.8	6.5	**1.2**	**3.3**	**3.7**
Contribution to GDP growth:	Domestic demand			2.4	-1.7	4.9	6.9	**4.3**	**2.3**	**2.3**
	Inventories			0.1	-1.0	0.2	1.6	**0.0**	**0.0**	**0.0**
	Net exports			-0.1	-0.7	4.9	-3.4	**-2.1**	**0.3**	**0.6**
Employment				1.7	-1.2	3.2	3.0	**1.8**	**1.6**	**1.6**
Unemployment rate (a)				8.8	7.6	7.5	6.8	**6.4**	**6.1**	**5.9**
Compensation of employees / head				1.5	-0.5	4.3	1.1	**5.0**	**4.0**	**2.6**
Unit labour costs whole economy				0.9	1.8	-2.1	-0.9	**4.5**	**3.0**	**1.3**
Saving rate of households (b)				3.9	12.3	13.5	6.5	**3.7**	**3.9**	**4.6**
GDP deflator				1.4	-1.4	2.7	6.1	**5.8**	**3.3**	**2.8**
Harmonised index of consumer prices				1.3	-1.1	2.3	8.1	**4.1**	**3.0**	**2.2**
Terms of trade goods				0.5	-1.4	-1.0	-2.1	**0.2**	**0.0**	**0.0**
Trade balance (goods) (c)				-22.4	-19.1	-17.6	-21.5	**-21.7**	**-21.7**	**-21.8**
Current-account balance (c)				-8.6	-10.0	-6.1	-7.9	**-9.6**	**-8.8**	**-7.5**
General government balance (c)				-2.5	-5.7	-1.9	2.4	**2.3**	**2.1**	**2.5**
Structural budget balance (d)				2.3	-4.0	-3.3	0.6	**1.2**	**2.0**	**1.9**
General government gross debt (c)				78.2	114.9	99.3	85.6	**78.4**	**71.5**	**66.3**

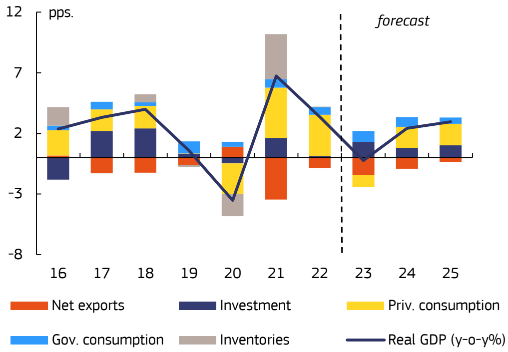
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

11. LATVIA

In 2023, GDP is expected to decrease by 0.2%, hampered by high inflation weighing on private consumption and weak export performance. Growth is forecast to reach 2.4% next year and 3% in 2025 driven by private consumption and public expenditure. Inflation is expected to take some time to moderate, staying close to double-digit levels in 2023. A decline in energy prices and a broad-based slowdown in other price categories are set to bring inflation down to 3.2% in 2024 and 1.9% in 2025. Unemployment is projected to decrease slightly in 2023 and further over the forecast horizon. The government deficit is set to decrease to 3.2% of GDP in 2023 and to remain at 3.1% in 2024 and 2025.

Government consumption and investment set to drive growth in 2023 and 2024

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



Latvia's economy contracted in real terms in the two first quarters of 2023, driven by weaknesses in private consumption and in the export market. Slowing inflation, and the subsequent pick-up in real wage growth, is set to provide a relief to households' purchasing power, starting to slowly boost consumption growth in the second part of the year. After two years of decline, the construction sector experienced a strong rebound (15%) in the first half of 2023, although relatively high prices of materials and interest rates could slow its growth going forward. Additionally, EU-funded investments, including those financed by the RRF, are projected to increase over the forecast horizon. In a context of weak external environment, exports and imports are expected to remain weak in the third quarter and should start to pick up by the end of the year. While growth is set to recover by the second half of the year, annual GDP growth is still expected to contract by 0.2% in 2023 given the negative performance in the first two quarters of the year.

In 2024, growth is forecast to reach 2.4%. A marked slowdown in inflation and an acceleration in real wage growth are set to foster private consumption. A further increase in EU-funded investments is expected to continue boosting real investment. Export growth is projected to rebound as the inflation slowdown elsewhere in the EU boosts foreign demand. In addition, government consumption is set to be strong, in particular to support the public wage bill. In 2025, growth is expected to reach 3% mainly driven by private consumption and exports.

Labour market expected to remain tight

The contraction of the economy is set to slightly loosen up the labour market, as evidenced by recently falling job vacancies. However, the labour market is expected to tighten in 2024 and 2025 on the back of increasing demand, labour shortage and falling supply due to ageing. Nominal wage growth is set to stay strong in 2024 and 2025, supported by labour market tightness and increases in minimum wage and in public wages.

Inflation to gradually slow down

After reaching 17.3% in 2022, fuelled by the energy price surge, HICP inflation has been declining in 2023, posting 3.6% y-o-y in September 2023. Energy price inflation turned negative in the third quarter of 2023 and other price components also slowed down. Services inflation continued to increase until May 2023 and reached 12.1% y-o-y. Overall, inflation in 2023 is expected at 9.6%. By 2024, inflation is expected to slow down to 3.2%, but HICP inflation excluding energy and food is projected to remain at 4.6% as services price growth is set to remain higher than the other components. In 2025, inflation is expected to decrease further to 1.9%.

Deficit to remain elevated in the medium term

In 2023, the general government deficit is projected at 3.2% of GDP, down from 4.6% of GDP in 2022 mainly due to better-than-expected tax collection.

The phasing out of most pandemic-related support measures and the lower than projected fiscal impact of measures to mitigate the impact of high energy prices are set to drive the narrowing of public deficit. The net budgetary cost of energy-related measures is expected at 0.9% of GDP in 2023, compared with 1.5% in 2022. This forecast assumes a full phase out of these measures in 2024. At the same time, wage increases for administration and medical personnel, additional financing for oncology, science and research, as well as a substantial public investment package for defense and internal security are the main expenditure-increasing measures in 2023.

In 2024, the government deficit is projected to decrease slightly to 3.1% of GDP. The impact of the phasing-out of energy-related measures by the end of 2023 will be more than offset by additional expenditure measures foreseen for 2024, including public wage increases (teachers, sectoral ministries and institutions), additional financing to healthcare and education, supplementary payments to pensioners and targeted support for the sharp increase in mortgage interest rates as well as development of technical infrastructure of the external border. The introduction of corporate income tax advance payments from the financial sector, an increase in the rates for a number of excise products 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 remain at 3.1% of GDP as both revenue and expenditure are expected to grow in line with nominal GDP.

The debt-to-GDP ratio is projected to reach 41.7% in 2023, increase to 42.3% in 2024 and 43.2% in 2025 due to positive stock-flow adjustment and nominal GDP growth being lower than debt growth.

Table II.11.1:

Main features of country forecast - LATVIA

	2022			Annual percentage change						
	mio EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	38870.0	100.0	2.7	-3.5	6.7	3.4	-0.2	2.4	3.0
Private Consumption	23198.4	59.7	3.0	-4.3	7.3	6.0	-1.7	2.9	3.0
Public Consumption	7395.7	19.0	1.2	2.1	3.5	2.8	4.7	4.2	2.6
Gross fixed capital formation	8452.6	21.7	2.9	-2.2	7.2	0.6	6.0	3.5	4.5
Exports (goods and services)	27981.1	72.0	6.6	0.4	9.0	10.3	-3.2	1.7	2.9
Imports (goods and services)	29741.8	76.5	5.4	-1.1	15.1	11.1	-1.1	2.9	3.3
GNI (GDP deflator)	38327.2	98.6	2.6	-2.1	4.8	3.8	-0.3	2.5	3.0
Contribution to GDP growth:	Domestic demand		3.3	-2.6	6.5	4.1	1.2	3.3	3.3
	Inventories		-0.1	-1.8	3.7	0.1	0.0	0.0	0.0
	Net exports		-0.3	0.9	-3.5	-0.9	-1.4	-0.9	-0.4
Employment			-0.4	-2.3	-2.6	2.7	0.4	0.2	0.2
Unemployment rate (a)			11.0	8.1	7.6	6.9	6.8	6.6	6.5
Compensation of employees / head			9.5	4.3	8.5	12.2	10.4	7.3	5.8
Unit labour costs whole economy			6.2	5.6	-0.9	11.6	11.2	4.9	2.9
Saving rate of households (b)			4.5	14.6	13.9	9.3	10.7	10.8	10.7
GDP deflator			4.7	2.1	3.8	12.8	7.7	4.5	2.8
Harmonised index of consumer prices			3.8	0.1	3.2	17.2	9.6	3.2	1.9
Terms of trade goods			1.1	2.4	-0.6	0.0	-0.1	0.9	1.2
Trade balance (goods) (c)			-13.7	-5.1	-8.3	-10.5	-10.5	-10.1	-9.8
Current-account balance (c)			-4.8	2.6	-4.2	-4.8	-4.2	-3.2	-2.8
General government balance (c)			-2.3	-4.5	-7.2	-4.6	-3.2	-3.1	-3.1
Structural budget balance (d)			-1.4	-3.1	-7.2	-5.0	-2.7	-2.7	-2.9
General government gross debt (c)			31.7	42.2	44.0	41.0	41.7	42.3	43.2

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

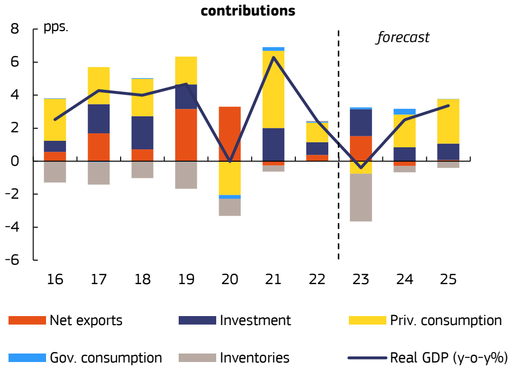
12. LITHUANIA

Lithuania's real GDP is expected to decrease by 0.4% in 2023 due to high inflation weighing on private consumption and weak global demand. In 2024, real GDP is projected to pick up to 2.5%, as input costs and consumer prices subside and investment and private consumption drive growth. HICP inflation is to slow down to 8.8% in 2023 on the back of a strong decline in energy prices, before decelerating further in 2024 and 2025 to below 3%. In 2023 and 2024, the general government deficit is projected to increase to 1.6% and 2.3% of GDP, respectively, mainly due to increases in social spending and public wages. In 2025 it is forecast to decline to 2.1% of GDP.

Economic activity is subdued due to continued geopolitical tensions

On the back of high energy prices, weak global demand and rising interest rates, Lithuania went into recession for two quarters in late 2022 and early 2023. The second quarter of 2023 saw a strong recovery driven mainly by public investments and recovering exports of services. Overall, the economy is expected to contract slightly in 2023 as economic activity is held back by low private consumption, weak exports in particular in chemicals, wood and furniture and the drawing down of inventories. Net exports are projected to contribute positively to growth as import volumes are set to fall faster than exports. Moreover, Lithuania is expected to benefit from a terms of trade improvement.

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



In 2024 and 2025, the economic recovery is projected to kick in slowly, as GDP is expected to grow by 2.5% and 3.4%, respectively. Economic growth will benefit from a pick-up in private consumption, helped by easing price pressures and improved purchasing power of households. While businesses are expected to limit their investments due to higher borrowing costs in 2024, public investment, especially EU-funded investment, is projected to stay high, in particular in military and energy-related construction. With the expected recovery of global demand and thanks to strong trade diversification of both products and trading partners, Lithuania's exports and imports are set to recover to pre-crisis levels, with the trade deficit in goods widening over the forecast horizon. Due to strong exports of services, the overall trade balance is expected to remain positive.

Labour market remains resilient

The labour market remains resilient. In 2022, employment grew by 5% as it absorbed around one third of working age people fleeing the war in Ukraine. In early 2023, despite the economic slowdown, employment has seen two quarters of strong growth. For 2023 overall, employment is forecast to increase slightly, reflecting the expansion of the labour force as it integrates people fleeing Russia's war of aggression against Ukraine. On the back of the economic slowdown, the unemployment rate is set to increase somewhat, from 6% in 2022 to 6.8% in 2023. In 2024 and 2025, as GDP growth picks up, but also due to falling labour supply, the labour market is expected to tighten, leading to a slight decrease of unemployment to 6.7% and 6.5%, respectively.

Inflation on a declining trajectory

HICP inflation surged to 18.9% in 2022, but is expected to moderate to 8.8% in 2023 and below 3% over the forecast horizon. Price growth decelerated in the first three quarters of 2023, thanks to declining prices of energy, food and intensive manufacturing products. Going forward, HICP inflation is set to fall significantly on the back of the expected decline in global energy prices and the gradual easing of pressures on other price components. Inflation excluding energy and food is projected to come down decisively as well, albeit more slowly than headline inflation. Wage growth is expected to remain strong in 2023 and 2024, while decreasing to pre-crisis levels of around 6% in 2025. Increases in public sector wages follow agreements on rises of the minimum wage and education and health sector salaries. Similar private sector wage increases are a sign of economic recovery, but also of labour shortages and skill mismatches. Real wages are expected to grow by 3-5% per year, thus supporting growth in disposable income.

General government deficit set to increase in 2023 and 2024

In 2023, the general government deficit is projected to widen to 1.6% of GDP, mostly due to an increase in expenditure on social benefits, intermediate consumption, public wages, and public investment as well as to lower-than-expected VAT revenue.

In 2024, the deficit is projected to increase further to 2.3% of GDP. The increase is mainly driven by additional spending on social benefits, indexation of pensions, as well as a significant increase in public wages. At the same time, tax and social security contributions revenues (as a percentage of GDP) are expected to increase slightly, mainly due to a number of measures pusging up the excise duties, VAT and other revenue. Deficit developments in 2024 are positively affected by the phasing out of the temporary measures aiming to mitigate the (economic and social) impact of high energy prices. The net budgetary cost of these measures is projected at 0.4% of GDP in 2023 and 0.1% of GDP in 2024.

The deficit is projected to decline slightly to 2.1% of GDP in 2025, as the total general government revenue is set to remain rather stable (as a percentage of GDP), while government expenditure-to-GDP ratio decreases mainly due to a slightly lower investment level and intermediate cosumption.

Following an increase to 37.3% of GDP in 2023, public debt is forecast to increase 38.3% of GDP in 2024 and 39.0% in 2025, driven by high budget deficits and by debt-increasing stock flow adjustments in 2024 and in 2025.

Table II.12.1:

Main features of country forecast - LITHUANIA

		2022			Annual percentage change					
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		67.4	100.0	3.4	0.0	6.3	2.4	**-0.4**	**2.5**	**3.4**
Private Consumption		39.3	58.4	3.6	-3.3	8.1	2.0	**-1.3**	**3.4**	**4.6**
Public Consumption		11.3	16.8	0.6	-1.4	1.2	0.4	**0.7**	**2.0**	**0.0**
Gross fixed capital formation		14.4	21.4	4.8	-0.2	9.4	3.6	**7.6**	**3.8**	**4.4**
Exports (goods and services)		58.5	86.8	7.6	0.2	17.0	12.2	**-4.4**	**3.4**	**7.1**
Imports (goods and services)		59.9	88.9	7.0	-4.3	19.9	12.4	**-6.0**	**3.9**	**7.2**
GNI (GDP deflator)		65.0	96.4	3.3	0.6	5.3	2.7	**0.5**	**3.2**	**3.3**
Contribution to GDP growth:	Domestic demand			3.6	-2.3	6.9	2.0	**1.0**	**3.2**	**3.7**
	Inventories			-0.2	-1.0	-0.4	0.0	**-2.9**	**-0.4**	**-0.4**
	Net exports			0.1	3.3	-0.3	0.4	**1.5**	**-0.3**	**0.1**
Employment				-0.2	-1.6	1.2	5.1	**0.8**	**0.4**	**-0.2**
Unemployment rate (a)				9.7	8.5	7.1	6.0	**6.8**	**6.7**	**6.5**
Compensation of employees / head				7.6	6.6	11.9	11.4	**10.8**	**7.4**	**5.5**
Unit labour costs whole economy				3.9	5.0	6.5	14.2	**12.1**	**5.2**	**1.8**
Saving rate of households (b)				2.7	14.6	10.9	4.8	**7.4**	**9.2**	**8.2**
GDP deflator				3.5	1.9	6.5	16.5	**8.9**	**3.1**	**2.3**
Harmonised index of consumer prices				2.9	1.1	4.6	18.9	**8.8**	**2.9**	**2.5**
Terms of trade goods				0.7	1.8	-6.4	-11.1	**4.9**	**-0.9**	**-1.0**
Trade balance (goods) (c)				-7.3	-0.8	-5.1	-10.9	**-6.1**	**-6.8**	**-7.2**
Current-account balance (c)				-3.2	7.3	1.1	-5.5	**0.3**	**0.1**	**-0.1**
General government balance (c)				-2.2	-6.5	-1.1	-0.7	**-1.6**	**-2.3**	**-2.1**
Structural budget balance (d)				-0.8	-6.4	-1.9	-1.1	**-0.6**	**-1.2**	**-1.3**
General government gross debt (c)				30.9	46.2	43.4	38.1	**37.3**	**38.3**	**39.0**

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

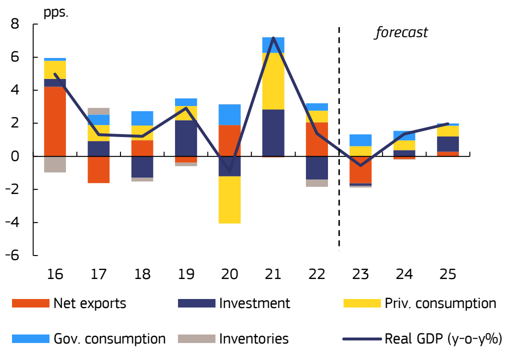
13. LUXEMBOURG

Real GDP growth is projected to fall by 0.6% in 2023, before recovering to 1.4% in 2024 and 2.0% in 2025. The below-average growth in 2023 is mainly due to weak investment linked to tighter financing conditions and to lower net exports, while their rebound explains the improvement in 2024. After reaching a record high in 2022, headline inflation is set to decelerate over the forecast horizon, supported by measures to mitigate the impact of high energy prices. The projected government deficits are expected to drive up the government debt-to-GDP.

Growth expected to remain below pre-pandemic levels up to 2025

After a small rebound in 2023-Q1, real GDP contracted by 0.1% q-o-q in 2023-Q2[69] on the back of a decrease in investment and exports. The weakening of activity in recent quarters was mainly observed in the financial, trade and construction sectors. Domestic demand is underpinned by the growth in private and government consumption, also supported by the introduction of additional government support measures and three wage indexations in 2023. Nevertheless, private consumption growth is projected to decline slightly due to the slowdown in the labour market, which is expected to lead to precautionary savings. Therefore, savings rates are still well above historical levels. At the same time, investment is expected to remain weak due to the uncertain economic outlook in combination with the impact of higher interest rates weighing on bank lending and loan demand, especially for mortgages. A negative contribution from net exports, due to negative export growth, is set to result in a GDP growth of -0.6% in 2023, well below the pre-pandemic trend. In 2024 and 2025, with an expected GDP growth rate of 1.4% and 2.0% respectively, the economy is forecast to recover, mainly driven by domestic demand, supported by private consumption and investment while government consumption levels off, along with a more neutral contribution from net exports.

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



Labour market set to slow down

Mirroring the decline in economic activity in 2023, the labour market is expected to weaken. Employment growth is projected to slow down from 3.4% in 2022 to 1.7% in 2023 and 1.2% in 2024, before starting to recover to 1.5% in 2025. Unemployment dropped to 4.6% in 2022, but is expected to increase to 5.5% in 2023, 5.9% in 2024 and 6.0% in 2025.

Fiscal measures to lower headline inflation

Headline inflation increased to a record high of 8.2% in 2022, mainly driven by energy and food price increases. Energy price inflation is, however, set to moderate over the forecast horizon, amid expected lower energy prices supported by energy measures (*Solidaritéitspak 3.0)*. HICP inflation is, thus, set to drop to 3.2% in 2023, 3.0% in 2024 and further down to 1.8% in 2025. Although wage growth is strong in 2023, the fact that several public services became free will contribute to a less pronounced increase in services prices. Headline inflation excluding energy and food prices is expected to decrease from 4.2% in 2022 to 3.9% in 2023 and this trend is expected to continue in 2024 and 2025, when it would decline to 2.7% and 2.3% respectively.

(69) Luxembourg's national accounts have been subject to substantial revisions, amongst others due to methodological difficulties related to the important role of multinational firms and to the financial services in external trade.

Economic slowdown and cost of fiscal support measures weigh on public finances

In 2023, the government deficit is projected to widen to 1.9% of GDP (from 0.3% in 2022) amid weak economic growth and an increasing impact of measures to mitigate the impact of high energy prices and to support household purchasing power and the income of corporations. Energy-related measures have an estimated impact of 0.9% of GDP, with the other measures attaining 0.6% of GDP. Expenditure is also rising due to three successive automatic wage indexations pushing-up compensation of employees and social transfers. Revenue growth is expected to moderate in 2023, from the high growth rate in 2022, due to the slowdown in economic activity, including in housing and the fund management sector. The temporary 1 pp. VAT rate reduction in 2023 also contributes to this moderation. Nevertheless, revenue continues to benefit from the strong labour market via higher personal income tax and social contributions.

In 2024, the government deficit is projected to increase to 2.1% of GDP mainly as a result of lower growth in revenues on the back of the economic slowdown and revenue measures to support household and corporations. The revenue measures relate to the wage compensation of the third index tranche for corporates that was triggered in September 2023 and that is implemented via a reduction in social security contributions in 2024. In addition, revenues are reduced by the upward adjustment of the personal income tax brackets. Revenues are supported in 2024 by the reversal of the 1 pp. VAT rate reduction in 2023. The net budgetary cost of measures to mitigate the impact of high energy prices (0.4% of GDP) and of the other measures (0.9% of GDP) remains at a high level in 2024. Expenditure growth is projected to slow down due to lower subsidies and a single wage indexation expected for 2024, which moderates the growth of compensation of employees and social transfers. In 2025, the government deficit is forecast to decline to 1.0% of GDP. This is mainly driven by the lower impact of the other measures (0.5% of GDP) and the energy-related measures (0.3% of GDP, gas and electricity price measures are assumed to remain in place until end 2025), and lower growth in compensation of employees. Revenue is projected to recover from the low growth rate in 2024 driven by higher income and wealth taxes.

The general government deficits are projected to drive the debt-to-GDP ratio upwards, from 24.7% in 2022 to 29.3% in 2025.

Table II.13.1:

Main features of country forecast - LUXEMBOURG

	2022			**Annual percentage change**						
	mio EUR	**Curr. prices**	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		77529.0	100.0	2.6	-0.9	7.2	1.4	**-0.6**	**1.4**	**2.0**
Private Consumption		23702.8	30.6	2.3	-8.5	11.4	2.3	**2.0**	**1.9**	**2.1**
Public Consumption		13675.1	17.6	2.8	7.3	5.1	2.6	**4.1**	**3.1**	**0.7**
Gross fixed capital formation		13579.0	17.5	2.8	-6.7	16.9	-7.7	**-0.9**	**2.1**	**5.2**
Exports (goods and services)		163801.9	211.3	4.6	0.6	10.3	-0.6	**-1.3**	**2.7**	**3.2**
Imports (goods and services)		137408.9	177.2	4.9	-0.4	12.4	-1.9	**-0.7**	**3.3**	**3.6**
GNI (GDP deflator)		52223.5	67.4	1.5	1.6	4.5	-0.3	**-0.2**	**2.1**	**2.6**
Contribution to GDP growth:	Domestic demand			1.8	-2.8	7.2	-0.3	**1.2**	**1.5**	**1.7**
	Inventories			0.1	0.0	0.0	-0.4	**-0.1**	**0.0**	**0.0**
	Net exports			0.8	1.9	-0.1	2.1	**-1.6**	**-0.2**	**0.3**
Employment				2.9	1.8	2.9	3.4	**1.7**	**1.2**	**1.5**
Unemployment rate (a)				5.3	6.8	5.3	4.6	**5.5**	**5.9**	**6.0**
Compensation of employees / head				2.7	1.2	5.1	5.8	**5.9**	**4.2**	**2.9**
Unit labour costs whole economy				3.0	3.9	0.9	7.9	**8.3**	**4.0**	**2.4**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.9	4.3	4.6	5.7	**5.0**	**3.8**	**3.1**
Harmonised index of consumer prices				2.1	0.0	3.5	8.2	**3.2**	**3.0**	**1.8**
Terms of trade goods				0.7	1.4	1.5	-7.2	**1.0**	**0.2**	**0.2**
Trade balance (goods) (c)				0.3	3.5	0.0	0.5	**0.1**	**0.6**	**0.4**
Current-account balance (c)				4.2	4.0	1.1	0.3	**-1.2**	**-2.0**	**-3.0**
General government balance (c)				1.3	-3.4	0.6	-0.3	**-1.9**	**-2.1**	**-1.0**
Structural budget balance (d)				2.2	-1.7	0.2	-0.3	**-0.9**	**-0.9**	**0.1**
General government gross debt (c)				16.9	24.6	24.5	24.7	**26.8**	**28.7**	**29.3**

(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

Maltese GDP growth is expected to moderate to 4.0% in 2023 from 6.9% in 2022. Private consumption decelerated slightly due to higher inflation and investment decreased, reflecting a surge in aviation sector investment in 2022. Economic growth is forecast to remain robust at 4.0% in 2024 and 4.2% in 2025. Energy prices in Malta are set to remain unchanged until 2025 due to government measures, but inflation is still projected to reach 5.7% in 2023 and then to moderate to 3.3% in 2024 and 3.1% in 2025. The general government deficit is expected to decrease gradually from 5.7% of GDP in 2022, and to stand at 4.1% in 2025. Public debt is forecast to reach 57% of GDP in 2025.

Growth remains robust

Malta's economic growth is expected to moderate from 6.9% in 2022 to 4.0% in 2023 as the effects of the post-pandemic consumption and investment rebound expire. Despite higher inflation, private consumption already achieved 5.2% growth in the first half of 2023 and no further slowdown is expected as retail sales growth remain positive. The tourism sector continues to rebound strongly, already exceeding the pre-pandemic levels, with further growth prospects in 2024 and 2025. Investment in 2023 is expected to decline by more than 20% due to the exceptional growth of 2022 related to the acquisition of aircrafts. This also drives the corresponding fall of imports. Information from the main industries suggest further rebound in exports. Net exports are set to be the main contributor to GDP growth in 2023, with consumption being the main driver in 2024 and 2025. Real GDP is forecast to continue to grow at 4.0% in 2024, accelerating slightly to 4.2% in 2025.

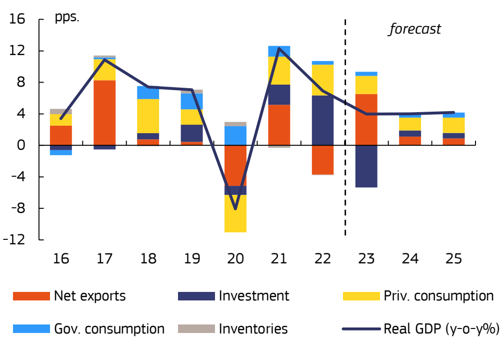
Employment grows strongly

Malta is expected to maintain a high pace of employment and population growth, a key factor driving the outlook for consumption despite the expected weak recovery in real wages. Employment increased by an impressive 6.2% in 2022 and continued to grow very strongly in the first half of 2023. This increase is fuelled by strong labour demand which increased across all sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2024 and 2025 in line with population growth as the country continues to attract foreign workers. Malta's unemployment rate fell to 2.9% in 2022 and is expected to fall further to 2.7% in 2023, 2024 and 2025.

Inflation remains high despite unchanged energy prices

HICP inflation in 2022 reached 6.1%, even though energy prices were fixed at 2020 levels by government intervention. The Maltese authorities confirmed their commitment to limiting energy inflation in 2023, 2024 and 2025. Nonetheless, inflation in 2023 is expected to reach 5.7%, by increasing prices for imported goods, food and services. In 2024, inflation is projected to slow to 3.3% and further to 3.1% in 2025 due to moderating inflationary pressures of food and industrial goods. Recovering wage growth should keep inflation in services sector more persistent.

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



The government deficit is set to remain high, albeit declining

While remaining at high levels, the government deficit is expected to decrease from 5.7% of GDP in 2022 to 5.1% in 2023 and thereafter to 4.6% in 2024 and 4.1% in 2025.

In 2023, the budget deficit decline is primarily driven by the reduction of the net budgetary cost of measures to mitigate the impact of high energy prices, accounting for 1.6% of GDP and down from 2.3% in 2022. Growth in compensation of employees and social benefits slower than nominal GDP growth is also expected to contribute to the deficit reduction.

In 2024, the expected phasing out of the costs related to the national airline is the main factor determining the reduction of the deficit. Social benefits and intermediate consumption expenditures are expected to grow slower than nominal GDP growth, thereby contributing to the reduction of the deficit. Conversely, the net budgetary cost of energy-related measures is projected to increase again, to 2.0% of GDP in 2024. Interest expenditures are also expected to increase.

In 2025, the reduction of the deficit to 4.1 % of GDP is set to be driven by the decline of the net budgetary costs of energy related measures (forecast at 1.0% of GDP in 2025) and intermediate consumption expenditures, but partially offset by an increase in gross fixed capital formation and interest expenditure. The contained growth of social benefits is also expected to contribute to lowering the deficit ratio.

The government debt-to-GDP ratio is set to increase to 53.3% in 2023, to 55.8% in 2024 and to reach 57.2% in 2025 as the primary balance, i.e. the budget balance net of interest expenditure, is set to remain negative despite the high GDP growth rates.

Table II.14.1:

Main features of country forecast - MALTA

		2022		Annual percentage change						
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		17.2	100.0	4.6	-8.1	12.3	6.9	**4.0**	**4.0**	**4.2**
Private Consumption		7.3	42.4	3.0	-10.6	8.3	9.5	**5.4**	**3.8**	**4.5**
Public Consumption		3.2	18.6	3.2	14.9	6.5	2.3	**2.8**	**2.7**	**3.6**
Gross fixed capital formation		4.3	25.3	5.4	-5.8	12.7	31.2	**-21.2**	**4.0**	**3.6**
Exports (goods and services)		28.5	165.3	7.7	-1.8	7.5	6.8	**3.0**	**4.0**	**3.7**
Imports (goods and services)		26.2	152.5	6.9	1.5	5.0	10.1	**-1.1**	**3.7**	**3.5**
GNI (GDP deflator)		15.5	89.9	4.0	-9.3	12.6	7.0	**0.8**	**5.6**	**4.5**
Contribution to GDP growth:	Domestic demand			3.3	-3.5	7.5	10.7	**-2.5**	**2.9**	**3.3**
	Inventories			0.0	0.5	-0.3	-0.1	**0.0**	**0.0**	**0.0**
	Net exports			1.4	-5.1	5.1	-3.7	**6.5**	**1.1**	**0.9**
Employment				3.4	2.8	2.9	6.2	**3.7**	**2.4**	**2.0**
Unemployment rate (a)				5.8	4.4	3.4	2.9	**2.7**	**2.7**	**2.7**
Compensation of employees / head				3.5	-0.8	4.4	3.1	**3.9**	**3.9**	**4.4**
Unit labour costs whole economy				2.2	11.0	-4.4	2.4	**3.6**	**2.3**	**2.3**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.3	1.7	2.0	5.3	**5.0**	**3.1**	**3.0**
Harmonised index of consumer prices				1.9	0.8	0.7	6.1	**5.7**	**3.3**	**3.1**
Terms of trade goods				-0.1	0.8	2.7	2.0	**2.1**	**0.0**	**0.0**
Trade balance (goods) (c)				-17.8	-9.4	-12.8	-20.1	**-14.5**	**-14.2**	**-13.9**
Current-account balance (c)				-0.1	2.5	5.7	0.6	**4.2**	**5.7**	**5.9**
General government balance (c)				-1.6	-9.6	-7.5	-5.7	**-5.1**	**-4.6**	**-4.1**
Structural budget balance (d)				-0.5	-5.3	-6.8	-5.5	**-4.6**	**-4.0**	**-3.6**
General government gross debt (c)				60.5	52.2	54.0	52.3	**53.3**	**55.8**	**57.2**

(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

The Dutch economy is cooling down, driven by decreasing export volumes and a drop in real consumption spending in the first half of 2023. Going forward, the still strong labour market, decreasing inflation rates and increased wage growth are expected to support a mild recovery in domestic demand. Growth is also set to benefit from increased public consumption and investment. However, business investment is projected to remain weak because of tightening financial conditions. Overall, growth is forecast to remain limited in 2023 and to pick up slightly in 2024 and 2025. The government deficit, forecast at 0.5% of GDP in 2023, is expected to widen further over the forecast horizon mainly due to growing expenditure on public investment and social benefits. Government debt is projected to decrease to 46.8% of GDP by 2025.

A slowing but resilient economy

Following strong growth in the post-pandemic years, the Dutch economy has cooled down in the first half of 2023, with two consecutive quarters of negative real GDP growth. Real consumption spending decreased (q-o-q) in both the first (-0.2%) and second quarter (-1.6%) of 2023, as households adjusted to the higher price levels. At the same time, export volumes decreased as the economic outlook in the main trading partners worsened. The widespread slowdown also shows in a sharp decrease in industrial production.

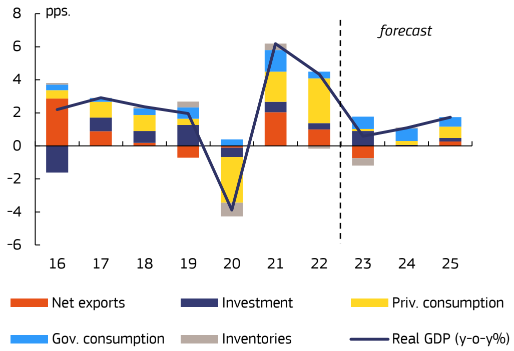
However, the labour market remains strong, with the unemployment rate still at a historically low level and with significant increases in wage growth. The pick up in wage growth is projected to lead to a recovery in real wages and a return to modest private consumption growth towards the end of 2023. Overall, GDP growth in 2023 is expected at 0.6%.

In 2024 and 2025, quarterly growth is forecast to pick up progressively, as a further drop in inflation, coupled with still strong wage growth, are set to support real disposable incomes. With demand from the main trading partners stabilising, the contribution from net trade is projected to improve, moving from negative in 2023, to broadly neutral in 2024 and slightly positive in 2025. Growth is also expected to be supported by increased public consumption and investment. On the downside, tightening financial conditions and persistent labour shortages are set to weigh on business investment growth in the next years. Annual growth is forecast at 1.1% in 2024 and 1.7% in 2025. The current account surplus is forecast to remain sizeable, at around 9% of GDP, over the forecast horizon.

The labour market remains strong

The Dutch labour market continues to be tight, with vacancies exceeding the number of unemployed persons, and several sectors experiencing labour shortages. The unemployment rate picked up marginally to 3.5% in the second quarter of 2023, while remaining historically low. On the back of a slowing economy, the unemployment rate is forecast to increase to 3.9% in 2024 and 2025, yet remaining well below the unemployment rates seen before the pandemic. Fuelled by a tight labour market and surging inflation, nominal wage growth increased considerably and is expected to reach 6.2% in 2023, 5.5% in 2024 and 3.9% in 2025.

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



Inflation set to gradually decrease further

HICP inflation (y-o-y) has come down sharply, thanks to a significant drop in energy prices since the peak in autumn 2022. Headline inflation rates are projected to continue to decrease as energy prices are set to remain stable while inflation in the other price categories is expected to slowly decelerate. Overall, headline inflation is forecast at 4.6% in 2023, 3.7% in 2024 and 2.0% in 2025. HICP inflation excluding energy and food remains elevated as of the third quarter of 2023 but is expected to ease as the impact of the energy price increases on other price categories dissipates and the cooling demand relieves the pressure on prices. With wage growth and the labour market set to remain strong, HICP inflation excluding energy and food is forecast to come down gradually over the forecast horizon.

Government deficit set to increase

In 2023, the general government deficit is expected to increase to 0.5% of GDP, up from 0.1% in 2022. This is largely driven by a package of measures to mitigate the impact of high energy prices on households and companies. The total net budgetary cost of energy-related measures is estimated at 1.0% of GDP in 2023 and 0.0% in 2024. In 2023, higher-than-expected revenue from corporate income tax, as well as lower public investment than initially budgeted, are expected to lead to a lower deficit than projected in the spring forecast.

For 2024, the current caretaker government is planning to introduce a limited set of measures to support the purchasing power of low-income households. The increase in spending due to these measures is partially compensated by additional revenue from taxes on income as the annual income above which the highest income tax rate applies is not fully indexed to inflation. The widening of the deficit to 1.8% of GDP in 2024 is driven by an increased defence budget, and growing expenditure on interest, social benefits, and public investments. However, full implementation of the government's investment plans is expected to be held back by, among other factors, continued labour market tightness.

The government deficit is projected to widen further in 2025 to 2.0% of GDP. The widening of the deficit is mainly driven by higher public investments with respect to 2024, as the impact of the labour market bottlenecks is expected to moderate.

Despite the increase in expenditure, continued high nominal GDP growth is projected to contribute to reducing the government debt-to-GDP ratio, from 50.1% in 2022 to 47.1% in 2023 and 46.6% in 2024. It is projected to increase slightly to 46.8% in 2025.

Table II.15.1:

Main features of country forecast - NETHERLANDS

		2022		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		958.5	100.0	1.5	-3.9	6.2	4.3	**0.6**	**1.1**	**1.7**
Private Consumption		411.1	42.9	0.6	-6.4	4.3	6.6	**0.3**	**0.6**	**1.6**
Public Consumption		240.5	25.1	1.6	1.6	5.0	1.6	**3.0**	**3.0**	**2.2**
Gross fixed capital formation		199.9	20.9	1.9	-2.6	2.9	1.8	**4.3**	**0.3**	**1.0**
Exports (goods and services)		898.7	93.8	4.1	-4.3	8.0	4.5	**0.4**	**1.1**	**1.8**
Imports (goods and services)		795.2	83.0	4.0	-4.8	6.2	3.8	**1.4**	**1.3**	**1.7**
GNI (GDP deflator)		949.6	99.1	1.5	-5.1	11.5	1.7	**0.4**	**1.2**	**1.7**
Contribution to GDP growth:	Domestic demand			1.1	-2.9	3.8	3.5	**1.8**	**1.0**	**1.5**
	Inventories			0.1	-0.8	0.4	-0.2	**-0.5**	**0.1**	**0.0**
	Net exports			0.4	-0.1	2.0	1.0	**-0.7**	**0.0**	**0.3**
Employment				0.9	-0.4	2.0	3.9	**1.5**	**0.5**	**0.3**
Unemployment rate (a)				6.2	4.9	4.2	3.5	**3.6**	**3.9**	**3.9**
Compensation of employees / head				1.9	4.3	2.1	4.0	**6.2**	**5.5**	**3.9**
Unit labour costs whole economy				1.2	8.1	-2.0	3.6	**7.2**	**5.0**	**2.5**
Saving rate of households (b)				14.2	24.9	23.3	19.4	**18.9**	**19.3**	**18.9**
GDP deflator				1.4	1.9	2.9	5.5	**7.3**	**3.7**	**2.3**
Harmonised index of consumer prices				1.5	1.1	2.8	11.6	**4.6**	**3.7**	**2.0**
Terms of trade goods				0.0	1.0	-1.3	-3.1	**2.8**	**0.4**	**-0.2**
Trade balance (goods) (c)				8.7	7.7	8.4	7.7	**8.0**	**7.6**	**7.4**
Current-account balance (c)				6.2	5.1	12.1	9.3	**9.2**	**9.2**	**9.1**
General government balance (c)				-1.5	-3.7	-2.2	-0.1	**-0.5**	**-1.8**	**-2.0**
Structural budget balance (d)				0.1	-1.0	-1.9	-1.1	**-0.5**	**-1.3**	**-1.4**
General government gross debt (c)				56.7	54.7	51.7	50.1	**47.1**	**46.6**	**46.8**

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

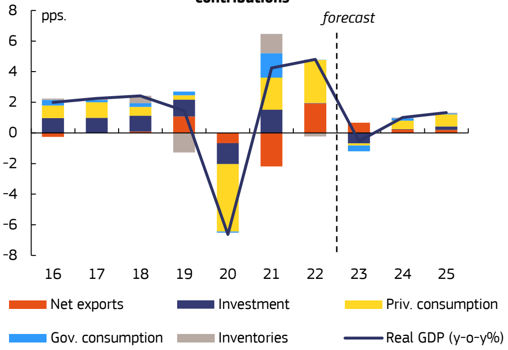
16. AUSTRIA

The Austrian economy is expected to slow down significantly in 2023 on the back of high retail energy prices impacting industry, increasing unit labour costs and sluggish export growth. In 2024 and 2025, growth is projected to pick up slightly mainly due to the recovery of private consumption. HICP inflation is set to remain high in 2023, driven by significant real wage increases, and to moderate in 2024 and 2025. The general government deficit as well as the public debt-to-GDP ratio are forecast to decrease over 2023-2025, supported by nominal growth and a phase-out of temporary support measures.

A marked slowdown in growth in 2023, but a recovery ahead

In the first half of 2023, Austria's economy experienced a strong slowdown that was particularly pronounced in the second quarter (-0.8% q-o-q) and mainly driven by the substantial reduction in investment and exports, as well as by very weak private consumption. In the second half of 2023, growth dynamics continue to be affected by a weak performance of goods exports and private consumption, also in light of still high energy prices. According to the preliminary flash estimate, GDP dropped by 0.6% in the third quarter. Another decline by 0.3% is expected in the fourth quarter. Overall, real GDP is projected to decrease by 0.5% in 2023.

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



High inflation is expected to gradually subside over the forecast horizon and economic activity is set to pick up slightly in 2024 and 2025, with real GDP growth forecast at 1.0% and 1.3% respectively. This dynamic is projected to be underpinned by stronger private consumption growth, as real wage growth resumes. Additionally, a recovery in the export sector is expected. However, weak investment development, especially in the construction sector in light of high interest rates, is set to weigh on economic growth.

Elevated prices linked to energy and wages

Retail energy prices remained high in the first half of 2023, but the gradual pass-through of lower wholesale energy prices to consumers led to a decline in inflation in the third quarter of 2023, which is expected to continue. Going forward, lower energy inflation and decelerating corporate profits due to high unit labour costs are set to lower headline inflation. However, significant real wage increases are projected to lead to substantial increases in the price of services. HICP inflation is expected to reach 7.7% in 2023, before gradually decreasing further to 4.1% in 2024 and 3.0% in 2025. Headline inflation excluding energy and food is projected to stay high over the forecast horizon due to strong wage growth developments.

Sluggish growth impacts the labour market

The labour market performed well in the first half of 2023 and is expected to remain tight and resilient despite economic headwinds. For 2023, employment growth is set to reach 0.6%. Continued employment growth is also expected in 2024 and 2025, mostly thanks to increased participation of women and older workers in the labour force. Going forward, the increase in labour supply is projected to outpace employment growth, causing the unemployment rate to increase slightly from 4.8% in 2022 to 5.3% in 2023, and to 5.4% in 2024 before decreasing again to 5.3% 2025. Nominal compensation of employees per head is expected to increase by 8.3% in 2023, 7.1% in 2024 and 3.9% in 2025, driven by inflation developments and the tight labour market, resulting in increases in real terms over the forecast horizon.

Deficit and debt remain on a downward path

The general government deficit is projected to decrease from 3.5% of GDP in 2022 to 2.6% in 2023. This is expected to be driven by the phase-out of COVID-19 measures and of measures to mitigate the impact of high energy prices, as well as by a dynamic growth in tax revenue and social contributions due to a robust labour market and still high inflation.

The general government deficit is forecast to go down further to 2.4% of GDP in 2024 and to 2.2% in 2025. The total (net) budgetary cost of energy-related measures is projected to decrease from 1.6% of GDP in 2023 to 0.1% of GDP in 2024, before being fully phased out in 2025. However, at the same time the delayed effects of inflation on the expenditure side (salaries, pensions, indexed social benefits), interest expenditure and additional spending under the national fiscal framework in the areas of childcare, housing and climate are expected to increase government spending in 2024. On the revenue side, in 2024 and 2025, revenues are overall projected to grow dynamically, thanks to a pick-up in consumption driven by higher wage agreements and government relief measures addressing the increase of cost of living.

Austria's nominal GDP growth is set to contribute to a continuous downward path of the public debt-to-GDP ratio, which is expected to decrease from 78.4% in 2022 to 76.3% in 2023, and then further to 75.6% in 2024 and 74.8% in 2025.

Table II.16.1:

Main features of country forecast - AUSTRIA

		2022		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		447.2	100.0	1.6	-6.6	4.2	4.8	**-0.5**	**1.0**	**1.3**
Private Consumption		229.0	51.2	1.1	-8.5	4.2	5.7	**-0.3**	**1.1**	**1.5**
Public Consumption		92.1	20.6	1.4	-0.4	7.5	0.0	**-1.9**	**0.8**	**0.3**
Gross fixed capital formation		113.1	25.3	1.7	-5.5	6.1	0.1	**-2.7**	**0.1**	**0.9**
Exports (goods and services)		277.6	62.1	3.7	-10.6	9.1	11.2	**0.6**	**2.6**	**3.2**
Imports (goods and services)		275.5	61.6	3.4	-10.0	14.3	7.9	**-0.5**	**2.3**	**3.0**
GNI (GDP deflator)		446.9	99.9	1.6	-5.4	4.8	3.1	**-1.1**	**0.9**	**1.2**
Contribution to GDP growth:	Domestic demand			1.3	-5.8	5.2	2.9	**-1.2**	**0.8**	**1.1**
	Inventories			0.0	0.0	1.3	-0.2	**0.0**	**0.0**	**0.0**
	Net exports			0.3	-0.7	-2.2	1.9	**0.7**	**0.2**	**0.2**
Employment				1.1	-1.6	2.0	2.6	**0.6**	**0.6**	**0.7**
Unemployment rate (a)				5.5	6.0	6.2	4.8	**5.3**	**5.4**	**5.3**
Compensation of employees / head				2.3	1.7	2.9	4.7	**8.3**	**7.1**	**3.9**
Unit labour costs whole economy				1.8	7.2	0.7	2.6	**9.5**	**6.6**	**3.2**
Saving rate of households (b)				14.4	18.6	16.9	15.2	**14.9**	**16.5**	**15.7**
GDP deflator				1.8	2.7	2.1	5.3	**7.6**	**4.0**	**3.5**
Harmonised index of consumer prices				1.9	1.4	2.8	8.6	**7.7**	**4.1**	**3.0**
Terms of trade goods				-0.3	1.0	-0.7	-5.0	**1.9**	**0.1**	**0.7**
Trade balance (goods) (c)				0.2	1.2	0.0	-1.5	**0.0**	**0.2**	**0.6**
Current-account balance (c)				2.4	3.6	1.8	-0.2	**0.8**	**0.9**	**1.2**
General government balance (c)				-2.2	-8.0	-5.8	-3.5	**-2.6**	**-2.4**	**-2.2**
Structural budget balance (d)				-0.7	-5.0	-4.5	-4.2	**-2.3**	**-2.1**	**-2.1**
General government gross debt (c)				76.1	83.0	82.5	78.4	**76.3**	**75.6**	**74.8**

(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.

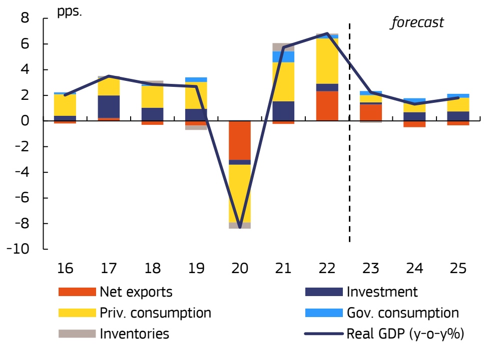
17. PORTUGAL

Economic growth has been slowing down in 2023 while the labour market has remained robust amid record high employment and activity rates. GDP growth is set to gradually recover over the forecast horizon and inflation is projected to moderate further, moving broadly in line with the euro-are average. Portugal's general government balance is forecast to reach a surplus of 0.8% of GDP in 2023, to later narrow over the forecast horizon.

Growth slows down amid subdued domestic and external demand

After a strong start of the year, Portugal's economic growth slowed down from 1.5% (q-o-q) in 2023-Q1 to 0.1% in 2023-Q2. On the side of domestic demand, both private consumption and investment contracted in 2023-Q2 reflecting the increase in interest rates and weak consumer and business sentiments. In the external sector, exports of goods also declined against the backdrop of subdued demand from trading partners, while exports of services continued to expand at a sound pace, helped mainly by tourism. According to the flash estimate, the economy worsened further in 2023-Q3, as GDP contracted by 0.2% (q-o-q). However, private consumption and investment picked up somewhat while the contribution from the external sector turned negative on the accounts of both goods and services. The growth rate in tourism slowed down substantially in the summer but daily flight statistics signal a slight re-acceleration in October.

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



Going forward, the weak external demand as well as increased interest expenses of households and companies are expected to keep economic growth subdued in the near term. However, the rise in households' income along with the projected gradual recovery in global trade volumes and the progress in the implementation of the Recovery and Resilience Plan (RRP) are set to gradually improve the economic performance over the forecast horizon. On an annual basis, GDP growth is forecast at 2.2% in 2023, 1.3% in 2024 and 1.8% in 2025. In the external sector, the strong growth in tourism and the drop in energy prices improved substantially the trade balance until August 2023. The current account is projected to remain in positive territory over the forecast horizon, although imports are set to grow faster than exports in 2024 and 2025 in line with the projected recovery in private consumption and investment.

Employment keeps growing at sound pace

Despite the economic slowdown, employment growth increased from rates close to zero at the beginning of 2023 to 1.3% (y-o-y) in the summer months. The sectoral breakdown for 2023-Q2 shows that employment in tourism, construction and administrative services increased the most relative to a year earlier. Labour activity also improved, helped by a substantial rise in foreign workers. Both employment and activity rates reached record high levels while wages grew faster than inflation. After a temporary rise to 7.0% in January 2023, unemployment moved back on a downward path reaching 6.4% in August. The unemployment rate is projected to flatten over the forecast horizon in light of the subdued near-term growth outlook. In annual average terms, the unemployment rate is forecast at 6.5% in both 2023 and 2024 and at 6.4% in 2025.

Inflation moderates helped by energy prices

Headline inflation decreased for a third quarter in a row to 4.8% (y-o-y) in 2023-Q3 from a peak of 10.2% in 2022-Q4. According to the flash estimate for October, headline inflation slowed down further to 3.3% (y-o-y). Inflation excluding energy and food also followed a downward trend, but at a slower pace, as services prices, particularly for accommodation, were pushed up by the surge in foreign tourist visits and wage hikes. Energy prices continued to decline in annualised terms and the growth in food prices slowed down substantially. The strong wage growth, reported at 7.2% (y-o-y) in 2023-Q2, is projected to keep some pressure on services prices in the short term, but the overall moderation in headline inflation is set to continue. In annual average terms, inflation is projected to slow down from 5.5% in 2023 to 3.2% in 2024 and 2.4% in 2025, broadly in line with the euro-area average.

General government balance projected to turn positive in 2023

Portugal's general government balance is projected to reach a surplus of 0.8% of GDP in 2023, from the deficit of 0.3% of GDP in 2022. The dynamism in government revenue is expected to continue in 2023, supported by a robust labour market, wage increases and the still high inflation. In turn, government expenditure growth is set to be contained, on the back of the complete phase-out of COVID-19 temporary emergency measures and the reduced net budgetary impact of energy support measures, forecast at 1.3% of GDP in 2023, compared with 2.0% in 2022.

The general government balance is projected to narrow to 0.1% of GDP in 2024 and 0.0% in 2025. Government revenue is expected to decelerate, partly driven by fiscal policy measures in direct taxes, and by the projected economic slowdown coupled with a moderation in inflation. Government expenditure is set to expand, with upward pressures on current spending expected to persist, notably on the public wage bill and social transfers. The net budgetary impact of energy measures is expected at approximately 0.7% and 0.6% of GDP, in 2024 and 2025, respectively. A limited increase in interest expenditure is projected over the forecast horizon. Public investment is set to continue expanding, amid the implementation of the RRP. Downside risks to the fiscal outlook are related to, among others, requests for financial rebalancing of public-private partnerships.

Driven by a favourable growth-interest rate differential and primary balance effect, Portugal's public debt-to-GDP is expected to reach 103.4% in 2023, and further contract to 100.3% in 2024 and 97.2% in 2025.

Table II.17.1:

Main features of country forecast - PORTUGAL

		2022			Annual percentage change					
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		242.3	100.0	0.8	-8.3	5.7	6.8	**2.2**	**1.3**	**1.8**
Private Consumption		155.6	64.2	0.9	-7.0	4.7	5.6	**0.9**	**1.1**	**1.7**
Public Consumption		42.6	17.6	0.1	0.3	4.5	1.4	**1.9**	**2.3**	**1.7**
Gross fixed capital formation		48.7	20.1	-0.6	-2.2	8.1	3.0	**0.9**	**3.6**	**3.8**
Exports (goods and services)		120.2	49.6	4.3	-18.6	12.3	17.4	**5.3**	**1.7**	**2.1**
Imports (goods and services)		126.0	52.0	3.3	-11.8	12.2	11.1	**2.5**	**2.8**	**2.8**
GNI (GDP deflator)		239.0	98.6	0.7	-7.3	6.3	6.4	**1.8**	**1.3**	**1.7**
Contribution to GDP growth:	Domestic demand			0.5	-4.9	5.4	4.4	**1.1**	**1.8**	**2.1**
	Inventories			0.1	-0.5	0.6	0.1	**-0.1**	**0.0**	**0.0**
	Net exports			0.2	-3.0	-0.2	2.3	**1.3**	**-0.5**	**-0.3**
Employment				-0.2	-1.8	2.0	1.5	**1.0**	**0.6**	**0.6**
Unemployment rate (a)				11.1	7.0	6.6	6.0	**6.5**	**6.5**	**6.4**
Compensation of employees / head				1.8	1.5	5.1	5.7	**7.0**	**3.7**	**3.2**
Unit labour costs whole economy				0.9	8.7	1.3	0.5	**5.7**	**2.9**	**2.0**
Saving rate of households (b)				8.4	11.9	10.6	6.5	**6.1**	**6.4**	**6.5**
GDP deflator				1.6	2.0	1.9	5.0	**6.8**	**2.9**	**2.3**
Harmonised index of consumer prices				1.5	-0.1	0.9	8.1	**5.5**	**3.2**	**2.4**
Terms of trade goods				0.3	1.6	0.1	-2.9	**2.8**	**-0.1**	**0.0**
Trade balance (goods) (c)				-8.7	-6.5	-7.7	-11.2	**-10.0**	**-10.5**	**-10.9**
Current-account balance (c)				-4.6	-1.2	-1.0	-1.3	**1.6**	**1.1**	**0.8**
General government balance (c)				-5.0	-5.8	-2.9	-0.3	**0.8**	**0.1**	**0.0**
Structural budget balance (d)				-1.5	-1.6	-1.4	-0.9	**0.0**	**-0.1**	**-0.3**
General government gross debt (c)				105.3	134.9	124.5	112.4	**103.4**	**100.3**	**97.2**

(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

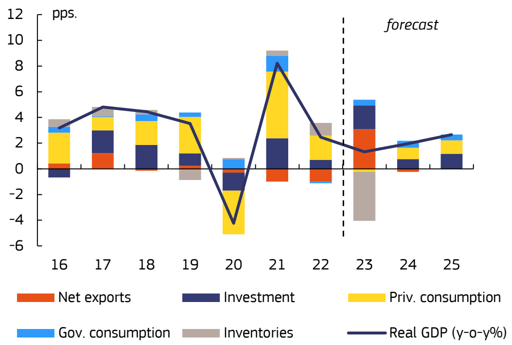
Following a downward revision of the 2022 growth rate to 2.5%, growth is expected to decelerate further to 1.3% in 2023. With inflation easing to 3.9% in 2024, growth is set to pick up thanks to the ongoing strong investment activity and expected gains in real purchasing power. The general government deficit is projected to peak at 3.7% of GDP in 2023 – due to weaker growth and one-off expenditure for reconstruction after the summer floods, as well as measures to mitigate the (economic and social) impact of high energy prices. It is forecast to decrease to 3.3% in 2024 and 2.9% in 2025.

Growth to accelerate over the forecast horizon

In autumn 2023, Slovenia's statistical authority revised the growth in 2022 downward, from 5.4% to 2.5%, leading to significant revisions to domestic demand components. Based on the revised data, GDP grew by 1.3% in the first half of 2023, compared to the same period one year earlier. Private consumption remained rather weak, in contrast to more buoyant investment driven mainly by construction and notwithstanding declining investment in machinery and equipment. Exports increased slightly whereas imports decreased significantly – due to lower demand and the decumulation of inventories. In August, Slovenia suffered from exceptionally heavy flooding that caused major damages (direct damage estimated at around 5% of GDP) to infrastructure and dwellings. This is expected to be among the factors leading to a slight contraction in the third quarter. However, the direct impact on production and services provision appears to have been limited. On the other hand, repairs and reconstruction works will support domestic demand in the next quarters. Overall, growth is forecast to reach 1.3% in 2023.

Over the forecast horizon, GDP growth is expected to accelerate progressively to 2% in 2024 and 2.7% in 2025. Following a pause in 2023, private consumption is projected to resume growth, supported by robust employment and sustained wage growth. As the external demand is set to increase, exports growth is expected to accelerate. With imports growing at a similar pace, the contribution from net exports is projected to remain low. The current account is set to move back to surplus. Investment growth is projected to remain buoyant, driven mainly by construction and, in 2025, also by more machinery and equipment investment growth to ensure productivity increases.

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



The labour market remained tight

Limited availability of workers continued to be the dominant factor in the labour market. Employment is expected to expand by 1.2% in 2023, 0.9% in 2024 and 0.7% in 2025. The unemployment rate is projected to decline further, from 4.0% in 2022 to 3.6% by 2025. After losses in purchasing power in 2022, wage growth is expected to surpass inflation over the 2023 – 25 period.

Inflation slowly decelerating

After reaching 9.3% in 2022, inflation remained high, at 9.9%, in the first quarter of 2023 but has thereafter eased, to 6.3% in the third quarter. Services inflation has remained elevated. In 2023, average inflation is expected to stand at 7.5%, declining to 3.9% in 2024 and to 2.4% in 2025. Inflation excluding energy and food is also projected to fall, albeit somewhat slower, to 2.4% by 2025.

Summer floods have slowed down consolidation of public finances

The general government deficit is projected to widen from 3.0% of GDP in 2022 to 3.7% in 2023. On the expenditure side, capital transfers are forecast to peak in view of planned reconstruction works after the August 2023 floods. Gross fixed capital formation is set to reach 6% of GDP in the final absorption year of the multiannual financial framework 2014-2020. Revenue from taxes on production remains weak due to lower GDP growth and particularly meagre private consumption growth in 2023. Measures to mitigate the economic and social impact of high energy prices, mainly in the form of subsidies, are still assessed at 0.9% of GDP. Expenditure for reconstruction after floods is estimated at 0.9% of GDP in 2023.

The general government deficit is projected to narrow to 3.3% of GDP in 2024. Subsidies are forecast to contract alongside the full withdrawal of measures implemented to mitigate the economic and social impact of high energy prices. The freezing of social transfers, except pensions, and of public sector salary scales are expected to curb growth of current expenditure. A drop in gross fixed capital formation and capital transfers is set to be partially offset by expenditure for post-flood reconstruction projected at 1.6% of GDP in 2024. The revenue forecast incorporates a freeze on thresholds of tax brackets for the personal income tax and the expiry of lower tax and excise duty rates on energy products. These are projected to more than offset a drop in revenue from personal income tax due to a conversion of a part of health contribution from voluntary into mandatory. The general government deficit is projected at 2.9% of GDP in 2025.

The public debt-to-GDP ratio of Slovenia is expected to continue decreasing from 72.3% in 2022 to 69.3% in 2023, 68.4% in 2024 and 67.9% in 2025. This decline can be attributed to changes in the headline deficit and the large increase in nominal GDP.

Projections for 2024 and 2025 are subject to several country-specific risks. An act for reconstruction of flood damages is expected to determine spending needs and additional sources of revenue for 2024 and beyond. In addition, the public sector wage system reform, which is being negotiated with social partners, may also have a material impact on the fiscal projections for 2025.

Table II.18.1:

Main features of country forecast - SLOVENIA

		2022		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		57.0	100.0	2.2	-4.2	8.2	2.5	**1.3**	**2.0**	**2.7**
Private Consumption		30.8	54.0	2.0	-6.5	10.3	3.6	**-0.4**	**1.7**	**2.0**
Public Consumption		11.1	19.5	1.5	4.2	6.1	-0.5	**2.4**	**2.8**	**2.2**
Gross fixed capital formation		12.3	21.6	0.4	-7.2	12.6	3.5	**8.5**	**3.4**	**5.1**
Exports (goods and services)		53.7	94.1	5.9	-8.5	14.5	7.2	**-0.8**	**2.8**	**4.0**
Imports (goods and services)		52.4	91.9	5.0	-9.1	17.8	9.0	**-4.2**	**3.3**	**4.2**
GNI (GDP deflator)		55.9	98.1	2.2	-3.3	7.5	1.7	**1.2**	**1.7**	**2.4**
Contribution to GDP growth:	Domestic demand			1.5	-4.0	8.8	2.5	**2.1**	**2.2**	**2.7**
	Inventories			0.0	0.1	0.4	1.0	**-3.8**	**0.0**	**0.0**
	Net exports			0.8	-0.3	-1.0	-1.0	**3.1**	**-0.2**	**0.0**
Employment				0.7	-0.7	1.3	2.9	**1.2**	**0.9**	**0.7**
Unemployment rate (a)				7.0	5.0	4.8	4.0	**3.6**	**3.7**	**3.6**
Compensation of employees / head				3.5	3.4	8.1	5.0	**9.2**	**5.9**	**4.5**
Unit labour costs whole economy				2.0	7.2	1.1	5.4	**9.0**	**4.8**	**2.5**
Saving rate of households (b)				13.3	22.7	18.7	12.8	**14.1**	**12.7**	**12.6**
GDP deflator				1.8	1.1	2.7	6.5	**8.7**	**3.8**	**2.6**
Harmonised index of consumer prices				2.0	-0.3	2.0	9.3	**7.5**	**3.9**	**2.4**
Terms of trade goods				-0.4	0.8	-2.3	-2.9	**2.3**	**-1.2**	**0.2**
Trade balance (goods) (c)				-0.3	5.0	1.7	-3.8	**0.7**	**-0.8**	**-0.9**
Current-account balance (c)				0.9	7.4	3.5	-0.8	**3.7**	**1.9**	**1.5**
General government balance (c)				-3.2	-7.6	-4.6	-3.0	**-3.7**	**-3.3**	**-2.9**
Structural budget balance (d)				-0.7	-6.4	-6.1	-4.5	**-3.7**	**-2.4**	**-3.2**
General government gross debt (c)				51.1	79.6	74.4	72.3	**69.3**	**68.4**	**67.9**

(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

Slovak GDP is expected to grow by 1.3% in 2023, supported by strong exports and investment and by 1.7% in 2024 as consumption starts to recover from the energy price shock. Investment is set to be driven by EU structural funds, the RRF and government investments. Convergence of household energy prices to market prices is projected to push inflation to 10.8% in 2023 and 5.2% in 2024. New measures, including those aimed at mitigating the impact of high energy prices and new social measures, are set to increase the public deficits in 2023, 2024 and 2025.

Growth dependent on investment with consumption starting to recover

Economic activity in 2023 is set to remain subdued due to weak consumption. Government measures mitigated the impact of rising energy prices for households and businesses in early-2023, avoiding a price shock on real disposable income. However, private consumption is expected to drop in 2023 due to declining real wages. Looking forward, consumption growth is set to recover on the back of growing real incomes and decreasing energy price pressures.

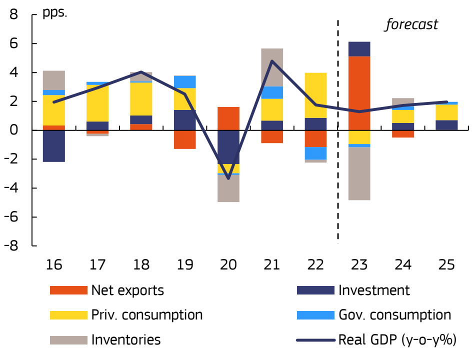
Easing of supply chain bottlenecks and further investments in the automotive sector are expected to lead to an acceleration in exports in the second half of 2023 and a strong drawdown in inventories. International demand for the main export products is set to remain robust in 2024 and 2025, but the increase in imports is expected to be as strong.

Investment in 2023 is set to grow thanks to EU structural funds, the RRF and government investments. Overall, in 2024 and 2025 economic growth in Slovakia is expected to be driven by domestic demand. Real GDP is projected to increase by 1.3% in 2023 and 1.7% in 2024, before resuming stronger growth of 2.0% in 2025.

Labour market remains tight as shortages become more pronounced

The unemployment rate is expected to continue decreasing from 6.1% in 2022 to 5.7% in 2023 and 5.4% in 2024, resulting in a very tight labour market and reflecting a continuing trend of shrinking working-age population. In 2023, growth in nominal wages is set to lag inflation, indicating further losses in purchasing power. Amid more positive economic dynamics, in 2024 and 2025 the compensation of employees is expected to grow faster than inflation, which is resulting in an increase in real wages.

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



Inflation set to start cooling down

In 2023, inflation is expected to remain in double digits at 10.8%, as the impact of high energy prices continues to work through other components, such as food. Being held back by the government intervention, Slovak gas prices for households are still below international market prices and are set to remain broadly stable in 2023. As government measures are expected to be phased out in 2024, energy inflation is projected to rise, especially in the first quarter. At 25%, the annual food prices inflation was very high in the first quarter of 2023, but decreased markedly in the course of the following two quarters, registering 12% in 2023-Q3. Nonetheless, food inflation is expected to remain the main contributor to overall inflation for the year. Furthermore, the tight labour market provides favourable conditions to a more dynamic price growth in the services sector. In 2024 and 2025, headline inflation is forecast at 5.2% and 3.0%, respectively.

Budget deficit to increase throughout the forecast horizon

The general government deficit is expected to increase to 5.7% of GDP in 2023, due to several expenditure measures like the extra increase in pensions or the re-introduction of free lunches for pupils. New measures to mitigate the impact of high energy prices are also contributing to the increase in the deficit ratio in 2023. The net budgetary cost of these energy measures is now projected at 2.1% of GDP in 2023. In 2024 these energy-related measures are expected to be completely phased out.

In 2024, the general government deficit is forecast to increase further to 6.5% of GDP, despite easing inflationary pressures and the withdrawal of energy-related measures. Newly approved social expenditure measures, such as the abolition of the pensioner's care allowance reduction, changes in the assessment of disability pensions and an allowance for people working in social services, are set to significantly increase the budget deficit in 2024. The delayed delivery of military equipment and an increase in defence spending will also contribute to deepening the deficit. Since most of the newly adopted measures are expected to be permanent, the budget deficit is set to remain high, at 6.8% of GDP in 2025.

The government debt-to-GDP ratio is projected to decrease slightly to 56.7% in 2023 before increasing to 59.9% in 2024 and to 62.9% in 2025. The increases are due to high deficits that are only partially offset by strong nominal GDP growth.

Table II.19.1:

Main features of country forecast - SLOVAKIA

		2022		Annual percentage change						
	bn EUR	**Curr. prices**	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		109.6	100.0	3.8	-3.3	4.8	1.8	**1.3**	**1.7**	**2.0**
Private Consumption		67.4	61.5	3.1	-1.1	2.6	5.5	**-1.6**	**1.5**	**1.8**
Public Consumption		22.6	20.6	2.3	-0.6	4.2	-4.2	**-1.1**	**1.2**	**0.9**
Gross fixed capital formation		22.0	20.1	3.6	-10.9	3.5	4.5	**5.0**	**2.5**	**3.3**
Exports (goods and services)		108.9	99.4	7.5	-6.3	10.5	3.0	**-1.2**	**5.7**	**4.3**
Imports (goods and services)		114.9	104.8	6.6	-8.1	11.7	4.2	**-6.0**	**6.3**	**4.2**
GNI (GDP deflator)		107.8	98.4	4.0	-1.8	2.7	3.0	**1.7**	**1.6**	**1.9**
Contribution to GDP growth:	Domestic demand			3.0	-3.1	3.0	3.1	**-0.2**	**1.7**	**1.9**
	Inventories			0.1	-1.9	2.6	-0.2	**-3.7**	**0.6**	**0.0**
	Net exports			0.7	1.6	-0.9	-1.2	**5.1**	**-0.5**	**0.0**
Employment				1.1	-1.9	-0.6	1.8	**0.6**	**0.1**	**0.1**
Unemployment rate (a)				11.9	6.7	6.8	6.1	**5.7**	**5.4**	**5.2**
Compensation of employees / head				5.0	3.9	6.9	6.0	**9.7**	**7.9**	**5.9**
Unit labour costs whole economy				2.3	5.4	1.4	6.0	**8.9**	**6.2**	**4.0**
Saving rate of households (b)				7.6	11.4	10.9	5.3	**6.7**	**7.2**	**7.1**
GDP deflator				1.4	2.4	2.4	7.5	**10.2**	**5.3**	**3.3**
Harmonised index of consumer prices				2.3	2.0	2.8	12.1	**10.8**	**5.2**	**3.0**
Terms of trade goods				-0.8	-0.4	-1.1	-4.4	**-0.2**	**-0.2**	**-0.2**
Trade balance (goods) (c)				0.4	0.9	-0.3	-5.5	**-1.1**	**-1.7**	**-1.8**
Current-account balance (c)				-2.2	-0.1	-3.9	-7.5	**-2.1**	**-2.9**	**-3.0**
General government balance (c)				-3.3	-5.4	-5.2	-2.0	**-5.7**	**-6.5**	**-6.8**
Structural budget balance (d)				-2.0	-4.3	-5.3	-2.2	**-5.6**	**-6.3**	**-6.7**
General government gross debt (c)				43.7	58.9	61.1	57.8	**56.7**	**59.9**	**62.9**

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

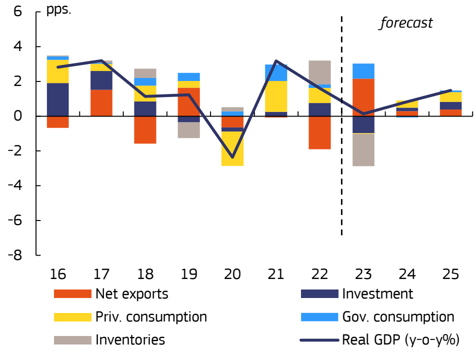
20. FINLAND

After expanding in the first half of 2023, GDP is expected to contract in the second half of the year on the back of higher financing costs and weak private consumption. Real GDP is projected to grow only by 0.1% in 2023 and gradually accelerate to 0.8% in 2024 and 1.5% in 2025. Supported by declining energy price, inflation is set to decelerate to 4.4% in 2023, before falling below 2% in 2024. The general government deficit is forecast to increase to 2.4% of GDP in 2023, to 3.2% in 2024 and to 3.4% in 2025, leading to an increase of the debt-to-GDP ratio to 79.1% by 2025.

Growth expected to resume in 2024

Finland's GDP was unchanged in the first half of 2023 compared to the previous year. Weak confidence and output indicators suggest that real GDP is expected to contract in the second half of 2023. This can be attributed to higher financing costs, weak private consumption, and a decline in manufacturing and construction activity. Gross fixed capital formation, in particular residential construction activity, is projected to fall by 4.1% in 2023. The build-up of inventories in 2022 has been absorbed in 2023, as reflected also in a projected 4.5% decrease in imports in 2023. A decline in imports of goods, especially in the first half of the year, has been partially compensated with the increase in imports of services. At the same time, exports are expected to remain flat in 2023 thus providing a positive contribution from net exports on growth.

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



Overall, GDP growth is projected to grow by a meagre 0.1% in 2023. It is set to pick up in 2024 boosted by a slow recovery of private consumption and investment, particularly targeting the green transition. The construction sector is expected to also resume its growth in the second half of 2024, and fully recover in 2025 as a result of a uptick in private investment and a more supportive financial environment.

The labour market slowly worsening

After a good performance in 2022, employment growth slowed down already in the first half of 2023 mainly due to the decline in construction. The unemployment rate increased above 7% and the number of job vacancies declined, albeit still remaining high compared to historical levels. Unemployment is projected to reach 7.3% in 2024, before edging down to 7% in 2025. Compensation per employee is expected to grow by 5.1% in 2023 and wage growth is forecast to slow down in 2024 and 2025 following the deceleration of the inflation rate and the pickup of employment.

Inflation to decline below 2% in 2024

After reaching 7.2% in 2022, HICP inflation is projected to ease to 4.4% in 2023 on the back of declining energy prices. Combined with a weak economic activity, Finland's increasing energy independence on gas has played a significant role in lowering inflation. On the other side, the continuous rise in service prices will persistently have a negative impact on inflation throughout the forecast horizon. HICP inflation is forecast to fall below 2% in 2024 and maintain the same level in 2025.

Public finances to remain under pressure

The general government deficit is expected to increase to 2.4% of GDP in 2023, due to the slowdown in economic growth and to already planned expenditures, mainly in the field of national defence and border-guard spending.

The general government deficit is forecast to widen further to 3.2% of GDP in 2024, when a decrease in revenue is foreseen as a result of changes in social security contributions. In addition, the deficit is projected to be impacted by additional defence spending, costs from R&D-related measures and investment funding over the forecast horizon, as well as by higher interest expenses and expenditure growth resulting from inflation. These factors will also impact 2025 and the deficit is expected to further increase to 3.4%. Deficit projections also take into account a complete phasing out of COVID-19 emergency measures and of measures to mitigate the economic and social impact of high energy prices (estimated at 0.3% of GDP in 2023) by the end of 2023.

The general government debt-to-GDP ratio is expected to increase to 74.3% in 2023, mainly due to the primary deficit in central government finances, but also in local government and in the wellbeing services counties[70] finances. The general government debt-to-GDP ratio is forecast to continue increasing, reaching 76.9% in 2024 and 79.1% in 2025.

[70] The wellbeing services counties are the units in charge of organizing healthcare, social welfare and rescue services in Finland, following the entry into force, in January 2023, of the healthcare and social services reform.

Table II.20.1:

Main features of country forecast - FINLAND

	2022			Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		268.6	100.0	1.3	-2.4	3.2	1.6	**0.1**	**0.8**	**1.5**
Private Consumption		138.3	51.5	1.7	-3.8	3.5	1.7	**-0.1**	**0.8**	**1.1**
Public Consumption		64.6	24.1	1.0	1.2	3.9	0.8	**3.6**	**-0.3**	**0.4**
Gross fixed capital formation		65.1	24.2	1.4	-1.0	1.0	3.2	**-4.1**	**0.9**	**1.9**
Exports (goods and services)		121.7	45.3	2.8	-7.8	5.8	3.7	**0.0**	**2.3**	**3.6**
Imports (goods and services)		128.1	47.7	3.4	-6.2	6.0	8.5	**-4.5**	**1.6**	**2.6**
GNI (GDP deflator)		270.9	100.8	1.3	-1.3	3.1	0.9	**-0.2**	**1.0**	**2.0**
Contribution to GDP growth:	Domestic demand			1.4	-1.9	3.0	1.8	**-0.2**	**0.5**	**1.1**
	Inventories			0.0	0.2	0.0	1.4	**-1.9**	**0.0**	**0.0**
	Net exports			-0.1	-0.7	-0.1	-1.9	**2.2**	**0.3**	**0.4**
Employment				0.7	-2.0	2.2	2.9	**0.3**	**0.1**	**0.8**
Unemployment rate (a)				8.1	7.7	7.7	6.8	**7.2**	**7.3**	**7.0**
Compensation of employees / head				2.1	0.5	4.2	2.9	**5.1**	**2.7**	**3.5**
Unit labour costs whole economy				1.6	0.9	3.2	4.2	**5.3**	**2.0**	**2.8**
Saving rate of households (b)				7.7	12.6	11.0	8.1	**8.5**	**8.6**	**8.7**
GDP deflator				1.6	1.6	2.2	5.4	**4.8**	**2.2**	**2.3**
Harmonised index of consumer prices				1.5	0.4	2.1	7.2	**4.4**	**1.9**	**2.0**
Terms of trade goods				-0.7	2.3	0.1	-0.6	**-0.6**	**0.0**	**0.2**
Trade balance (goods) (c)				3.4	1.2	0.9	-0.1	**2.4**	**2.5**	**2.8**
Current-account balance (c)				0.7	0.5	0.4	-2.5	**-0.5**	**-0.2**	**0.7**
General government balance (c)				-0.1	-5.6	-2.8	-0.8	**-2.4**	**-3.2**	**-3.4**
Structural budget balance (d)				-1.1	-4.0	-2.4	-0.4	**-1.5**	**-2.2**	**-2.5**
General government gross debt (c)				53.7	74.7	72.5	73.3	**74.3**	**76.9**	**79.1**

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

Non-EA Member States

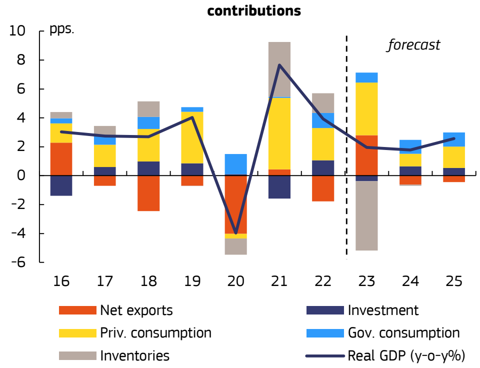
21. BULGARIA

Economic growth is expected to slow down in 2023 and 2024 and then recover in 2025. After strong performance in 2022, exports are set to contract in 2023, due to subdued foreign demand, and rebound thereafter. Imports are also expected to contract sizeably in 2023, after expanding strongly in 2022. Household consumption is projected to temporarily stagnate in late 2023 and early 2024, and then resume a moderate expansion. Inflation is set to decelerate further, albeit at a slower pace. The government deficit is expected to slightly increase in 2023, driven by higher spending on increases in pensions and wages legislated in previous years.

Slower GDP growth ahead

Annual GDP growth declined from 3.8% in 2022 to 2.0 in the first half of 2023. Economic activity in Bulgaria was negatively affected by weak external demand, after buoyant exports in 2022. Private consumption contributed positively to growth in this period, due to the favourable labour market situation. The strong accumulation of inventories in 2021 and the first half of 2022 turned sharply negative in the second half of 2022, and the decline deepened in the first half of 2023. The volume of imported goods and services has also dropped steeply since the beginning of 2023, driven by the contraction in exports and inventories, demand components with high import content.

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



GDP is expected to grow at 2.0% in 2023, on the back of still strong private consumption and contracting imports. Output growth is forecast to slow down to 1.8% in 2024 and then to pick up to 2.6% in 2025. Towards the end of 2023 and the beginning of 2024, household spending is set to stagnate, affected by the projected increase in retail interest rates for households. Thereafter, private consumption is forecast to expand, albeit at a more moderate pace, in line with the projected lower wage increases. Exports are set to rebound by the end of 2023 and grow by 4.0% in 2024 and by 2.6% in 2025, reflecting the recovery in export markets. The base effect of strong exports in 2022, including notably electricity, negatively affects 2023 growth rates and is set to disappear afterwards. Gross fixed capital formation is expected to expand in the next two years, driven by public investment, including RRF funded projects. Inventories are set to contribute little to domestic demand over the forecast horizon. The shift of the source of growth to exports, which are import-intensive, is expected to drive imports upwards.

Risks to the macroeconomic outlook are broadly balanced. On the one hand, a tighter labour market, combined with a slower pass-through of the tightened monetary conditions abroad to the domestic economy, poses a risk to the economy growing above potential. On the other hand, delays in absorbing EU funds and implementing the Bulgarian RRP would bring about more subdued growth prospects.

Gradual easing of wage cost pressures

Overall, the labour market remains tight with an unemployment rate of 4.5% in August 2023, but there are some signs of exhaustion of further employment gains. The unemployment rate has increased by 0.5 pps. since the trough in January 2023, while new hires have dropped by 12% in the first seven months of 2023, compared to a year earlier. After nominal wages increased sharply since mid-2022, to keep pace with accumulated inflation, wage growth moderated in the first half of 2023, as inflation also gradually came down. This trend is expected to continue over the forecast horizon, gradually easing wage cost pressures.

Inflation to decelerate, albeit at a slower pace

Annual HICP inflation declined from 14.3% at the end of 2022 to 6.4% in September 2023 with all components decelerating. The strongest contribution came from energy and food prices, the same components that drove the inflation up in 2022. Over the forecast horizon, inflation is expected to decelerate less sharply, given the diminishing base effects from 2022, the recent increase in international oil prices and the more persistent inflation in services. Annual inflation is set to come down to 8.8% in 2023 and then decelerate further to 4.0% in 2024 and 2.9% in 2025.

Moderately increased general government deficit

After the deficit narrowed to 2.9% of GDP in 2022, it is projected to slightly increase to 3.0% in 2023. The government adopted increases in wages and pensions in previous years and these will have a budgetary cost of around 4% of GDP in 2023. Their impact is mitigated amongst others by compensatory measures increasing tax collection and setting a 100% dividend for SOEs. At the same time, other developments have contributed to contain the deficit such as the partial phasing out of the measures to moderate the impact of high energy prices, while those remaining in 2023 are fully financed by a solidarity contribution from the energy sector. As a result, the total (net) budgetary cost of energy-related measures is forecast at 0.8% of GDP for 2023. Revenue has also benefitted from tax-rich income increases and higher consumption and rising prices.

In 2024, the general government deficit is forecast to remain at 3.0% of GDP. Tax revenue increases are set to slow down in line with the economic outlook, but some positive effect is expected from measures to support collection and from the full phasing out of the energy-related measures. Public investment is expected to remain broadly stable, but the expected impact on the deficit is set to be contained thanks to higher revenue from the EU, in particular the RRF. In 2025, the deficit is projected at 3.2% of GDP, mainly affected by the delivery of military equipment with a total temporary cost close to 0.7% of GDP.

The general government debt-to-GDP ratio is forecast to increase from 22.6% in 2022 to 26.1% by 2025. Risks to the fiscal outlook of Bulgaria are tilted to the downside, as recent permanent increases in wages and pensions remain to be fully compensated beyond 2023.

Table II.21.1:

Main features of country forecast - BULGARIA

		2022		Annual percentage change						
	bn BGN	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		167.8	100.0	3.1	-4.0	7.7	3.9	**2.0**	**1.8**	**2.6**
Private Consumption		97.5	58.1	3.6	-0.6	8.5	3.8	**6.3**	**1.4**	**2.4**
Public Consumption		30.7	18.3	1.5	8.3	0.4	5.5	**3.8**	**5.2**	**5.1**
Gross fixed capital formation		28.6	17.1	3.3	0.6	-8.3	6.5	**-2.2**	**4.0**	**3.3**
Exports (goods and services)		116.1	69.2	7.0	-10.4	11.2	11.6	**-0.8**	**4.0**	**2.6**
Imports (goods and services)		115.8	69.0	6.7	-4.3	10.7	15.0	**-4.9**	**5.2**	**3.4**
GNI (GDP deflator)		162.4	96.8	2.7	-3.2	6.3	5.5	**2.2**	**1.5**	**2.3**
Contribution to GDP growth:	Domestic demand			3.5	1.2	3.4	4.3	**3.9**	**2.5**	**3.0**
	Inventories			0.1	-1.1	3.8	1.4	**-4.8**	**-0.1**	**0.0**
	Net exports			-0.4	-4.0	0.4	-1.8	**2.8**	**-0.6**	**-0.4**
Employment				0.4	-2.3	0.2	-0.3	**0.4**	**0.0**	**0.0**
Unemployment rate (a)				10.0	6.1	5.3	4.3	**4.2**	**4.2**	**4.2**
Compensation of employees / head				8.5	7.2	11.3	14.2	**12.6**	**9.5**	**8.0**
Unit labour costs whole economy				5.6	9.0	3.6	9.5	**10.8**	**7.6**	**5.3**
Saving rate of households (b)				-3.3	:	:	:	**:**	**:**	**:**
GDP deflator				4.5	4.3	7.1	16.2	**8.8**	**4.1**	**2.8**
Harmonised index of consumer prices				3.3	1.2	2.8	13.0	**8.8**	**4.0**	**2.9**
Terms of trade goods				2.0	4.3	0.6	2.1	**-2.2**	**-0.1**	**0.1**
Trade balance (goods) (c)				-11.7	-3.2	-4.1	-5.9	**-4.7**	**-5.3**	**-5.6**
Current-account balance (c)				-4.5	0.0	-1.7	-1.4	**0.7**	**-0.3**	**-0.9**
General government balance (c)				-0.3	-3.8	-4.0	-2.9	**-3.0**	**-3.0**	**-3.2**
Structural budget balance (d)				0.5	-2.3	-4.0	-3.3	**-3.2**	**-3.2**	**-3.6**
General government gross debt (c)				21.2	24.6	23.9	22.6	**23.5**	**24.3**	**26.1**

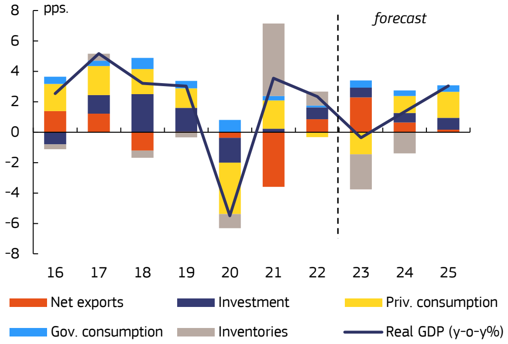
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

22. CZECHIA

Following an estimated stagnation in 2023, economic activity in Czechia is expected to only gradually pick up pace reaching 1.4% in 2024 and 3.0% in 2025. The decline in inflation from 12.2% in 2023 to 3.2% in 2024 is likely to help households gain confidence for increased spending, and triggering also an acceleration in investments in 2025. Conversely, 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 and provide a negative momentum to GDP growth.

Delayed economic recovery

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



Economic growth has been flat in Czechia in the past four quarters as the high inflation and tight financial conditions led to a decline in real household income and an increase in precautionary savings, dampening private consumption. Net exports contributed positively, helped by lower imports of energy and unwinding of high accumulated inventories. For 2023, real GDP is forecast to stagnate, while for 2024 it is expected to grow at 1.4% as consumer confidence and spending improve on the back of declining inflation and growth of real wages. An acceleration to 3.0% is projected in 2025 driven by a further boost of household consumption and a pick-up in investments.

Household consumption has declined for six consecutive quarters before recording a small increase in Q2-2023. The growth is set to gradually pick up in 2024 and 2025 as falling inflation increases real disposable income. In addition, the gradual relaxation of financing conditions and the high saving rate should further support consumption. Conversely, the fiscal consolidation package and expiry of energy measures are projected to provide a contractionary momentum. Investment performance was uneven in the past quarters with positive one-offs in equipment investments but declining construction activity. Investment is set to grow moderately in 2024 as the end of the EU structural funds cycle weighs on, while companies' still high profit margins provide some support. Investment growth is projected to pick up in 2025 as the economic activity increases and financing conditions are expected to gradually improve.

After a slowdown in the past four quarters, recovering external demand should help exports growth in 2024 and 2025. However, weak internal demand and declining energy consumption lead to a drop in imports and boosts net exports in 2023, with the effect fading over 2024 and 2025. Risks remain on the downside considering the high degree of trade openness of the Czech economy and its high energy intensity, which could dampen industrial activity in case of a downturn of global trade or another increase in energy prices.

Labour market to remain robust

The labour market remains resilient and, while the economic slowdown this year is likely to lead to a small increase in the unemployment rate (to 2.4% from 2.2% in 2022), it is forecast to remain broadly stable in 2024 and 2025. Shortages of skilled workers are set to persist. After a temporary decline in real wages in 2022 and 2023, a recovery is expected over 2024 and 2025 when growth in net income should outpace inflation and thus recover some of the lost ground from the high-inflationary period.

Inflation on a downward path

After a peak in headline inflation at 18% in 2023-Q1, the rate has declined significantly driven by lower growth of energy and food prices. Considering also accumulated high base effects, inflation is set to decelerate to 12.2% in 2023, 3.2% in 2024 and 2.4% in 2025. Energy prices are set to see another year-on-year increase in Q4-2023 and Q1-2024 due to the expiry of energy measures. The latter leads also to increases in network fees which offset the decline in electricity and gas commodity prices. On the back of increases in salaries, inflation excluding unprocessed food and energy is expected to decline less than headline inflation but will remain moderate.

Deficit to decline on the back of phasing out of energy-related measures

In 2023, the budget deficit is set to rise to 3.8%. This upswing is driven by expenditures increasing faster than GDP due to the automatic indexation of pensions to inflation, and measures to mitigate the impact of high energy prices. The total (net) budgetary cost of the energy-related measures is estimated at 1.2% of GDP in 2023. In addition, public investment is expected to peak in 2023 due to the completion of projects financed by EU funds in the programming period 2014-2020.

The budget deficit is forecast to drop to 2.4% of GDP in 2024 as measures to mitigate the impact of high energy prices expire, and the government implements a consolidation package which aims to further decrease expenditure and increase revenue. Expenditure is set to decrease as percentage of GDP due to the phasing out of the energy-related measures, including the elimination of the cap on energy prices, and due to reduction of government subsidies to renewable sources of energy. The total (net) budgetary cost of the energy-related measures is projected at 0% of GDP in 2024. Revenues are supported by corporate income taxes on the back of a higher tax rate, as well as higher social security contributions as salary growth is projected to be higher than GDP growth. The deficit is expected to come down in 2025 to 1.8% as GDP growth is forecast to accelerate.

As the remaining structural funds from the previous programming period are still being drawn together with those from the new programming period and RRF funds, public investment is set to grow strongly in 2023 before dropping to a historical average level in 2024.

Public debt is still low compared to the EU average despite its high pace of growth in 2020-2022. The public debt-to-GDP ratio is forecast to rise only slightly from 44.2% in 2022, to 45.5% in 2025, driven by the negative headline balance, being partly offset by nominal GDP growth.

Table II.22.1:

Main features of country forecast - CZECHIA

	2022			Annual percentage change						
	bn CZK	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		6785.9	100.0	2.9	-5.5	3.6	2.4	**-0.4**	**1.4**	**3.0**
Private Consumption		3164.7	46.6	2.3	-7.2	4.1	-0.7	**-3.1**	**2.5**	**3.7**
Public Consumption		1373.6	20.2	1.0	4.2	1.4	0.6	**2.3**	**1.8**	**2.1**
Gross fixed capital formation		1817.5	26.8	2.9	-6.0	0.8	3.0	**2.4**	**2.4**	**2.9**
Exports (goods and services)		5187.8	76.5	7.6	-8.0	6.9	7.2	**2.5**	**2.1**	**4.2**
Imports (goods and services)		5122.0	75.5	6.7	-8.2	13.3	6.3	**-0.5**	**1.3**	**4.3**
GNI (GDP deflator)		6467.7	95.3	2.7	-4.4	4.5	1.7	**0.1**	**1.7**	**3.1**
Contribution to GDP growth:		Domestic demand		2.1	-4.2	2.4	0.6	**-0.3**	**2.1**	**2.9**
		Inventories		0.1	-0.9	4.8	0.9	**-2.3**	**-1.4**	**0.0**
		Net exports		0.7	-0.4	-3.6	0.9	**2.3**	**0.6**	**0.2**
Employment				0.7	-1.7	0.4	1.5	**0.6**	**0.2**	**0.5**
Unemployment rate (a)				5.6	2.6	2.8	2.2	**2.4**	**2.5**	**2.5**
Compensation of employees / head				4.3	3.1	5.0	6.0	**8.3**	**6.8**	**6.3**
Unit labour costs whole economy				2.1	7.3	1.8	5.1	**9.3**	**5.6**	**3.6**
Saving rate of households (b)				12.1	19.2	19.2	16.4	**17.6**	**16.5**	**15.0**
GDP deflator				1.7	4.3	3.3	8.5	**9.5**	**3.6**	**2.7**
Harmonised index of consumer prices				2.0	3.3	3.3	14.8	**12.2**	**3.2**	**2.4**
Terms of trade goods				-0.2	1.8	-0.2	-4.3	**3.0**	**0.1**	**0.0**
Trade balance (goods) (c)				2.4	4.9	1.2	-0.2	**3.8**	**4.0**	**4.0**
Current-account balance (c)				-2.6	0.7	-2.3	-4.7	**-0.3**	**0.8**	**0.9**
General government balance (c)				-1.7	-5.8	-5.1	-3.2	**-3.8**	**-2.4**	**-1.8**
Structural budget balance (d)				-0.1	-4.2	-4.8	-3.1	**-2.9**	**-1.5**	**-1.5**
General government gross debt (c)				34.5	37.7	42.0	44.2	**44.7**	**45.5**	**45.5**

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

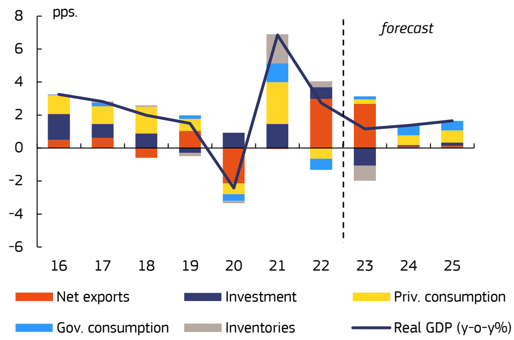
23. DENMARK

Denmark's economy is going through a soft patch as private consumption is subdued after real-wage losses and higher interest rates weighing on investment. With weaker domestic demand, economic growth is currently driven by net exports. Domestic demand is expected to recover somewhat over the forecast horizon, as higher real wages reignite private consumption and headwinds on investment from interest rates and a lack of demand begin to reverse. Government consumption is also set to increase but net exports will contribute less to economic growth. Government finances will remain in surplus but falling over the forecast horizon.

Economic expansion hit by weakened domestic demand

After several years of economic expansion Denmark has entered a period of subdued and narrowly based growth. Weak domestic demand, compounded by a sizeable negative change in inventories, is expected to contribute negatively to growth. In contrast, net exports remain a significant growth factor, leading real GDP to expand by 1.2% this year. A gradual reacceleration of domestic demand and lower net exports are expected to lead to real GDP growth of 1.4% in 2024 and 1.6% in 2025.

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



Private consumption hit by inflation

Throughout 2022 and in 2023 strong inflation in energy, food and commodities led to a marked fall in households' purchasing power and stagnating or falling real private consumption. Consumption has to pick up during 2023 and is set to recover gradually through 2024, as higher nominal wages and lower inflationary pressures are expected to gradually restore households' real incomes. After a sizeable fall in 2022, private consumption is expected to grow by 0.6% in 2023 and to increase by 1.3% in 2024 and 1.6% in 2025.

Investment marked by higher interest rates

Higher interest rates weigh strongly on investment, which is projected to be subdued over the forecast horizon. In addition, sluggish real GDP growth is likely to lead to easing capacity utilisation. Due to a Danish company's purchase of a patent abroad, investments increased significantly in end-2022. As this patent is a one-time purchase and is not indicative of a trend, investment is set to decline in 2023. As regards housing investment, some reacceleration can be expected towards 2025.

Labour market tensions easing

Employment has remained exceptionally high in the first half of 2023. However, over recent months the unemployment rate has started to increase, and the number of new vacancies has fallen from previously very high levels, while the number of firms reporting a lack of workers has also receded, indicating that labour market bottlenecks are gradually easing. Furthermore, in line with the forecast of subdued real GDP growth, the total employment is expected to fall somewhat from the current historic high while the number of unemployed rises slightly. The unemployment rate is projected to increase from 4.6% in 2023 to 5.5% of the labour force in 2025.

Net exports driving growth in 2023

Net exports are the driving force for growth in 2023. Goods exports are set to grow markedly, driven by exceptional pharmaceutical products manufactured both in Denmark and outside of the country. For the latter, only merchanting and processing are accounted in Danish exports, and the impact on the domestic production is limited. Exports of services are projected to see strong growth in 2023, in part linked to transport, notably shipping. For imports, services are set to grow markedly in 2023 and normalise thereafter while goods are expected to grow modestly over the forecast period. The growth contribution for 2023 is projected to reach 2.7% and falling to 0.1% in both 2024 and 2025. Denmark is expected to record sizeable current account surpluses over the forecast horizon, although significantly lower than in 2022.

Inflation falling again

Consumer price inflation has come down significantly over the past year driven mainly by declining energy prices. HICP inflation excluding energy and food stood at 3.6% in September 2023, and is expected to remain elevated in 2024, mainly driven by services. The HICP inflation rate is expected to reach 3.6% this year and slow down further to 2.4% in 2024 and 2.1% in 2025.

Strong government finances

Following a general government budget surplus of 3.3% of GDP in 2022, the surplus in 2023 is expected to fall to 2.6%, as expenditures increase with government consumption and investment as well as defence donations to Ukraine, while revenues grow only marginally.

For 2024, the surplus is set to fall further to 1.8% of GDP, driven in particular by growth in government consumption and public salaries as well as lower revenue due to tax rebates and extraordinary repayments to homeowners of overpaid property tax in connection with the transition to a new property tax system. This development is set to continue in 2025, with the surplus falling to 1.2% of GDP. The net budgetary cost of the measures to mitigate the (economic and social) impact of high energy prices is projected at 0.3% of GDP in 2023. It is assumed that these measures are fully phased out of in 2024.

The debt ratio should fall to 27.2% of GDP towards the end of the forecast horizon on the back of continued government surpluses and denominator effects, countered by sizeable stock-flow adjustment items.

Table II.23.1:

Main features of country forecast - DENMARK

	2022				Annual percentage change					
	bn DKK	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		2831.6	100.0	1.4	-2.4	6.8	2.7	**1.2**	**1.4**	**1.6**
Private Consumption		1224.6	43.2	1.5	-1.4	5.5	-1.4	**0.6**	**1.3**	**1.6**
Public Consumption		616.7	21.8	1.2	-1.7	4.6	-2.8	**0.9**	**2.6**	**2.4**
Gross fixed capital formation		615.6	21.7	1.9	4.3	6.6	3.2	**-4.9**	**0.4**	**1.0**
Exports (goods and services)		1982.5	70.0	3.4	-6.1	7.7	10.8	**7.4**	**2.0**	**1.8**
Imports (goods and services)		1668.3	58.9	4.1	-2.8	8.8	6.5	**4.3**	**2.1**	**1.9**
GNI (GDP deflator)		2925.3	103.3	1.6	-2.0	7.5	2.1	**1.2**	**1.5**	**1.6**
Contribution to GDP growth:	Domestic demand			1.4	-0.1	5.1	-0.6	**-0.6**	**1.3**	**1.5**
	Inventories			0.0	-0.1	1.8	0.4	**-0.9**	**0.0**	**0.0**
	Net exports			-0.1	-2.1	-0.1	3.0	**2.7**	**0.1**	**0.1**
Employment				0.5	-0.8	2.4	3.8	**0.5**	**-0.5**	**-0.3**
Unemployment rate (a)				5.9	5.6	5.1	4.5	**4.6**	**5.2**	**5.5**
Compensation of employees / head				2.4	2.4	3.1	3.1	**3.9**	**5.8**	**5.0**
Unit labour costs whole economy				1.5	4.2	-1.2	4.2	**3.2**	**3.9**	**3.0**
Saving rate of households (b)				7.7	11.6	8.7	12.7	**12.4**	**13.5**	**14.1**
GDP deflator				1.6	2.9	2.9	8.1	**-2.5**	**2.3**	**2.2**
Harmonised index of consumer prices				1.3	0.3	1.9	8.5	**3.6**	**2.4**	**2.1**
Terms of trade goods				0.5	3.1	-4.9	-7.3	**5.4**	**-0.1**	**0.0**
Trade balance (goods) (c)				3.9	5.3	3.7	3.1	**8.3**	**8.1**	**8.2**
Current-account balance (c)				5.9	8.1	9.1	13.4	**10.3**	**10.0**	**9.8**
General government balance (c)				0.9	0.4	4.1	3.3	**2.6**	**1.8**	**1.2**
Structural budget balance (d)				1.1	3.3	4.4	3.4	**3.5**	**2.3**	**1.5**
General government gross debt (c)				38.5	42.3	36.0	29.8	**30.3**	**28.4**	**27.2**

(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

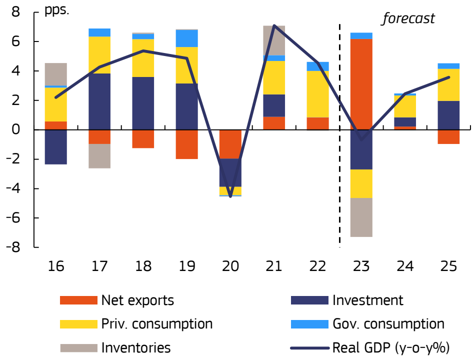
Hungary's economy remained in recession in the first half of 2023 causing a significant slippage in the 2023 budget and a correction of the external balance. Lower commodity prices and easing financing conditions are set to support a gradual recovery in 2024 and 2025. Inflation is receding from high levels, but brisk wage growth is expected to sustain underlying price pressures. The budget deficit is projected to remain elevated beyond 2023, reflecting the impact of lasting revenue-decreasing measures adopted in recent years.

From recession to gradual recovery

Hungary's economy contracted for four consecutive quarters, with real GDP falling by 2.4% y-o-y in 2023-Q2. High inflation, tighter fiscal and monetary policies and sluggish external demand contributed to the downturn. Quarterly GDP growth is estimated to have turned positive in 2023-Q3, thanks to the bounce-back in agricultural production from the severe droughts of 2022, and an uptick in industrial and construction activity.

Real GDP is expected to contract by 0.7% in 2023, but to gradually recover as inflation recedes, allowing the easing of the currently very tight monetary conditions. Real GDP growth is forecast to pick up to 2.4% in 2024, and further to 3.6% in 2025. Consumption is set to be supported by recovering real income growth and the easing of precautionary saving. Construction investment is projected to remain constrained by fiscal consolidation and high interest rates, but large FDI projects in manufacturing are expected to boost machinery investment. As these capacities enter production, they are set to gradually bolster Hungary's export performance.

Graph II.24.1: **Hungary - Real GDP growth and contributions**



The external balance is improving sharply in 2023 owing to lower energy import prices and lower imports due to the economic recession. The current account balance is set to turn from a deficit of -8.2% in 2022 to a surplus of 0.9% in 2023. However, with the projected recovery of domestic demand the current account is forecast to revert to a small deficit by 2025.

Tight labour market with high wage growth

Employment has remained resilient in the first half of 2023, as companies were reluctant to shed workers in an environment of persistent labour shortages. The unemployment rate stood at a modest 4.1% in 2023-Q3, and it is projected to remain broadly flat in the next years. The tight labour market is set to sustain high nominal wage growth, further boosted by an expected double-digit minimum wage hike in 2024.

Inflation to remain elevated

HICP inflation has decreased substantially to 14.6% in 2023-Q3 and is bound to return to single digits in the next months, due to base effects, lower commodity prices and weak consumer demand. However, high wage growth is expected to keep service inflation persistently high. Although the aggregate profitability of the corporate sector appears high, smaller companies are assessed to be more financially stretched, thus they are more likely to pass wage increases on to consumers. The excise duty hike of motor fuels in January 2024 is estimated to add 0.5 pps. to inflation in 2024. The harmonised inflation rate is forecast to decrease from 17.2% in 2023 to 5.2% in 2024 and 4.1% in 2025.

Downside risks to the growth outlook stem from a sudden increase in the country risk premium which might also constrain fiscal policy, and from the high exposure of the economy to a potential spike in energy prices. Upside risks to growth and inflation are related to potential stimulus measures such as larger-than-expected minimum wage hikes.

High budget deficits persist despite improving outlook

The government deficit is projected to remain high at 5.8% of GDP in 2023. The higher-than-expected budget deficit is driven mostly by underperformance of revenue, in particular VAT, reflecting weaker-than-expected economic performance in the first half of the year, and higher spending on interest and pensions due to high interest rates and inflation.

Despite the improving macroeconomic outlook, a lower projected cost of energy measures, expected cuts in capital expenditure, and the postponed recapitalisation of the central bank, the deficit is forecast to remain elevated at 4.3% of GDP in 2024 and 3.8% in 2025. Revenue growth is expected to be hampered by the deficit-increasing impact of the permanent tax cuts since 2019 and the planned phasing out of the sectoral and windfall profit taxes in 2025, with an estimated impact of 0.7% of GDP. Growth of current expenditure is set to be restrained in 2024. High interest expenditure will weigh on the budget in the coming years due to high nominal interest rates and high coupon payments on inflation-indexed retail bonds. Nationally financed public investment is expected to fall substantially over the forecast horizon, while the EU-funded investment projects are set to accelerate. Subsidies to utility companies to cover losses from regulated energy prices are projected to fall, driven by moderating gas import prices. The net budgetary cost of the measures to mitigate the impact of high energy prices, including the windfall profit taxes collected from the energy sector, is projected at 0.8% of GDP in 2024, compared to 1.3% in 2023. Upside risks to the deficit stem from the persistence of high interest rates and inflation, exposure to energy commodity prices, and the subdued level of current expenditure, especially on wages.

Owing to very high inflation, the debt-to-GDP ratio is expected to fall by 4 pps. to 69.9% by end 2023. Debt consolidation is projected to slow down markedly thereafter due to persistently high deficits and slower nominal GDP growth. The debt ratio is set to reach 71.7% of GDP in 2024 and 70.3% in 2025.

Table II.24.1:

Main features of country forecast - HUNGARY

		2022			Annual percentage change					
	bn HUF	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		66075.2	100.0	2.2	-4.5	7.1	4.6	**-0.7**	**2.4**	**3.6**
Private Consumption		33020.8	50.0	1.4	-1.2	4.6	6.5	**-3.9**	**3.0**	**4.4**
Public Consumption		13586.4	20.6	1.5	-0.3	1.8	3.0	**2.0**	**0.7**	**1.8**
Gross fixed capital formation		18622.2	28.2	3.4	-7.1	5.8	0.1	**-9.6**	**2.6**	**8.2**
Exports (goods and services)		60266.0	91.2	7.2	-6.1	8.3	12.6	**0.5**	**3.7**	**5.1**
Imports (goods and services)		63112.2	95.5	6.3	-3.9	7.3	11.6	**-6.0**	**3.6**	**6.6**
GNI (GDP deflator)		64026.3	96.9	2.4	-4.3	6.2	4.6	**-1.7**	**2.3**	**3.6**
Contribution to GDP growth:	Domestic demand			1.8	-2.6	4.2	3.8	**-4.2**	**2.3**	**4.5**
	Inventories			-0.2	0.0	2.0	-0.1	**-2.6**	**0.0**	**0.0**
	Net exports			0.7	-2.0	0.9	0.8	**6.2**	**0.2**	**-1.0**
Employment				0.7	-1.2	1.3	1.5	**0.0**	**0.2**	**0.2**
Unemployment rate (a)				7.3	4.1	4.1	3.6	**4.1**	**4.2**	**4.1**
Compensation of employees / head				4.3	3.1	8.8	15.5	**14.2**	**10.2**	**8.7**
Unit labour costs whole economy				2.8	6.7	2.9	12.1	**14.9**	**7.8**	**5.2**
Saving rate of households (b)				11.8	15.6	17.5	13.4	**15.3**	**15.1**	**14.2**
GDP deflator				3.6	6.4	6.4	14.5	**14.9**	**4.8**	**4.7**
Harmonised index of consumer prices				3.6	3.4	5.2	15.3	**17.2**	**5.2**	**4.1**
Terms of trade goods				-0.3	2.0	-3.7	-6.9	**7.1**	**-1.2**	**0.9**
Trade balance (goods) (c)				0.2	-1.0	-2.9	-9.1	**1.7**	**0.9**	**0.5**
Current-account balance (c)				-2.2	-1.0	-4.1	-8.2	**0.9**	**0.1**	**-0.4**
General government balance (c)				-4.1	-7.6	-7.2	-6.2	**-5.8**	**-4.3**	**-3.8**
Structural budget balance (d)				-3.0	-5.9	-6.8	-6.6	**-4.8**	**-3.5**	**-3.5**
General government gross debt (c)				71.8	79.3	76.7	73.9	**69.9**	**71.7**	**70.3**

(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

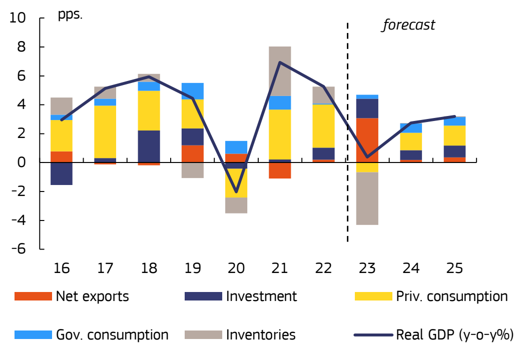
After a slowdown in 2023, economic growth is set to pick up in 2024 and 2025 supported by a rebound in private consumption, continued expansion of investment, and well performing exports. Inflation is set to recede from 2023 onwards, but phasing out of anti-inflation measures and strong wage growth are projected to result in a gradual decline. Public expenditure is forecast to remain high due to planned investments in defence and social spending, slowing down the rebalancing of the general government budget.

Growth to pick up after 2023

The Polish economy remained weak in the first half of 2023 but is set to return to growth in the third quarter and expand by 0.4% over 2023. Growth is depressed by falling private consumption and a negative contribution from inventories. Household spending is held back due to high inflation and low consumer confidence. A strong negative contribution of inventories follows large increases in previous years as supply chains normalise. Net exports contribute positively to growth due to a significant fall in imports, while exports decrease less than expected in the Spring forecast. Economic activity is also supported by buoyant investment, amid continued high profitability of companies and culmination of EU funding in the final year of the programming period.

GDP growth is set to pick up to 2.7% in 2024. Private consumption is expected to be the main driver of growth supported by rising real wages, additional public social support, and fading inflation. Net exports and inventories are projected to have a broadly neutral contribution in 2024. In 2025, economic growth is expected to accelerate to 3.2% supported by continued strong growth of private consumption, expanding investments, including EU-financed ones, and rising exports. The projection is subject to several risks, including a more persistent inflation amid easing of monetary policy, a slower start of EU funded investments from the new programming period, and delays in the implementation of the Recovery and Resilience Plan.

Graph II.25.1: **Poland - Real GDP growth and contributions**



Labour market to remain tight

Employment increased in 2023-H1 despite economic activity decelerating, reflecting the companies' reluctance to lay-off workers. Growth in real wages is set to accelerate fuelled by a large minimum wage increase in 2024 amid a broadly stable unemployment rate close to 3%, a historical low. Employment is projected to continue increasing gradually in 2024 and 2025.

Disinflation to gather pace

HICP inflation reached its peak in 2023-H1 and is set to fall to 11.1% in 2023. In 2024, inflation is expected to decline to 6.2%. The projection assumes the expiration of energy support measures and of the zero VAT rate for some foods at the end of 2023 with impact on energy and food prices in 2024. Strong wage growth is set to keep price pressures elevated in services throughout the forecast horizon. In 2025, inflation is projected at 3.8%, above the central bank target. Monetary policy easing is assumed to contribute to a gradual disinflation trajectory in 2025.

Spending on defence and social measures weighs on public finances

The general government deficit is estimated to increase to 5.8% of GDP in 2023, from 3.7% in 2022. The expenditure includes increased spending on defence, higher salaries in the public sector, health care and extraordinary subsidies to farmers. Social benefits increase mainly due to high indexation of pensions. The estimated net budgetary cost of measures to mitigate the impact of high energy prices moderated due to falling commodity prices (to 0.6% of GDP). The electricity and gas prices freeze schemes are partly funded by levies on windfall profits of energy producers. At the same time, the low economic growth is set to lower the increase of revenues from indirect taxes.

In 2024, the general government deficit is forecast to decrease to 4.6% of GDP, helped by the pickup of revenues amidst the economic recovery. The expiration of most energy-related measures (to 0.4% of GDP) is expected to reduce spending. The other expenditures are set to remain at high level, driven by similar factors as in the previous year, in particular by growing pensions and salaries. The forecast includes an increase in the universal allowances for families with children (the so-called 800+), which is estimated to raise spending by about 0.6% of GDP.

In 2025, the general government deficit is forecast to reduce to 3.9% of GDP thanks to decreasing expenditure, in particular the full withdrawal of energy-related measures.

The high deficits and adjustments related to timing of payment and deliveries of military investments are set to increase the public debt ratio, which is forecast to reach 56.2% of GDP in 2025.

Table II.25.1:

Main features of country forecast - POLAND

	2022		Annual percentage change						
	bn PLN Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	3067.5	100.0	4.1	-2.0	6.9	5.3	**0.4**	**2.7**	**3.2**
Private Consumption	1775.1	57.9	3.6	-3.4	6.1	5.3	**-1.2**	**2.1**	**2.4**
Public Consumption	560.8	18.3	3.0	4.9	5.0	0.3	**1.6**	**3.5**	**3.2**
Gross fixed capital formation	515.6	16.8	5.5	-2.3	1.2	4.9	**8.0**	**3.8**	**4.7**
Exports (goods and services)	1922.9	62.7	6.9	-1.1	12.3	6.7	**-1.5**	**2.6**	**5.0**
Imports (goods and services)	1878.8	61.2	6.6	-2.4	16.1	6.8	**-6.6**	**2.5**	**4.8**
GNI (GDP deflator)	2946.7	96.1	3.9	-1.6	6.1	5.9	**0.4**	**2.3**	**3.2**
Contribution to GDP growth: Domestic demand			3.8	-1.5	4.6	3.9	**1.0**	**2.5**	**2.8**
Inventories			0.1	-1.1	3.4	1.2	**-3.6**	**0.0**	**0.0**
Net exports			0.1	0.6	-1.1	0.2	**3.1**	**0.2**	**0.4**
Employment			1.2	0.0	2.5	0.4	**0.5**	**0.3**	**0.4**
Unemployment rate (a)			9.7	3.2	3.4	2.9	**3.0**	**2.8**	**2.7**
Compensation of employees / head			4.7	5.3	4.7	13.6	**11.2**	**8.8**	**6.7**
Unit labour costs whole economy			1.7	7.5	0.4	8.4	**11.3**	**6.1**	**3.8**
Saving rate of households (b)			4.9	11.3	4.1	-0.8	**1.7**	**2.7**	**4.0**
GDP deflator			2.2	4.3	5.3	10.8	**10.7**	**5.8**	**3.7**
Harmonised index of consumer prices			2.1	3.7	5.2	13.2	**11.1**	**6.2**	**3.8**
Terms of trade goods			0.8	3.2	-2.0	-3.7	**2.0**	**0.7**	**0.0**
Trade balance (goods) (c)			-2.6	1.3	-1.3	-3.7	**0.4**	**0.5**	**0.5**
Current-account balance (c)			-3.5	2.3	-1.3	-2.6	**1.2**	**1.0**	**1.1**
General government balance (c)			-3.6	-6.9	-1.8	-3.7	**-5.8**	**-4.6**	**-3.9**
Structural budget balance (d)			-2.0	-5.8	-2.4	-4.7	**-5.3**	**-4.0**	**-3.5**
General government gross debt (c)			50.2	57.2	53.6	49.3	**50.9**	**54.4**	**56.2**

(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

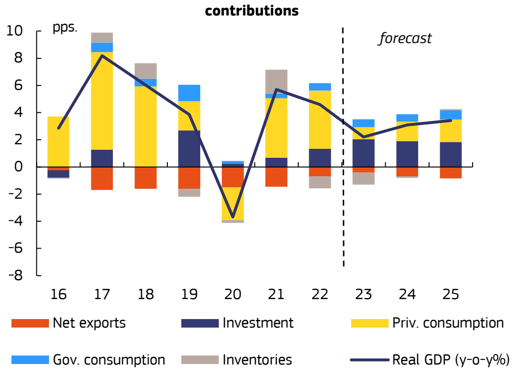
Real GDP growth is set to decelerate to 2.2% in 2023 due to high inflation constraining real disposable incomes, tight financial conditions and lower external demand, before gradually accelerating over the forecast horizon. With sticky core inflation (HICP inflation excluding energy and food), the decline in headline inflation is projected to only pick up in 2024 and 2025. The labour market is expected to remain tight despite weaker growth, keeping wage increases high. The general government deficit is projected at 6.3% of GDP in 2023, before declining to 5.3% in 2024 and 5.1% in 2025, due to fiscal consolidation measures set to be implemented in January 2024. The debt-to-GDP ratio is forecast to reach 50.5% in 2025.

Growth weakness sets in

Over 2023, business sentiment, retail sales and services have lost significant momentum and industrial production has deteriorated further. After buoyant real GDP growth of 4.6% in 2022, growth is expected to decelerate to 2.2% in 2023, as tight financing conditions, relatively slow disinflation and muted growth in trading partners are taking a toll on production output. Robust increases in wages and pensions are supporting private consumption growth, which is expected to stay positive this year, and government consumption is also set to slightly accelerate.

The tightening of monetary policy and financing conditions led to a marked slowdown in private credit growth, with a negative impact on private investment. Nevertheless, EU-funded investment in public infrastructure funded is providing a strong stimulus to growth. Gross fixed capital formation is projected to advance by more than 8% in 2023. The negative contribution from net exports to GDP growth is set to narrow in 2023 and, together with improving terms of trade, is expected to reduce the current account deficit to about 7.3% of GDP, from 9.3% of GDP in 2022.

Graph II.26.1: **Romania - Real GDP growth and contributions**



Real GDP growth is projected to accelerate to 3.1% in 2024 and 3.4% in 2025, supported by solid increases in real disposable income, a diminishing impact from past interest hikes, and resilient public consumption and investment. While private consumption is expected to accelerate, investment will remain the main contributor to GDP growth over the forecast horizon. Driven by robust external financial inflows and a large government deficit, the current account deficit will likely stay above 7% of GDP in 2024 and 2025.

Low unemployment and high wage increases

The labour market continues to be tight, mainly reflecting unfavourable demographic trends. The unemployment rate is projected to decline marginally to around 5.4% in 2023 and remain at a low level over the next two years, despite weaker growth. Nominal wages in both the public and private sectors are expected to grow strongly at a double-digit rate in 2023 and continue at a fast pace also in 2024. Therefore, the increase in real wages is projected to be high this year and next.

Protracted disinflation process

Lower energy prices are forecast to lead to a slow decline in headline HICP inflation, from about 12% on average in 2022, to slightly below 10% in 2023. Yet, core inflation is expected to remain sticky and above headline inflation in 2023, on the back of hikes in food and services prices. Overall, average HICP inflation is set to decelerate faster in 2024 and 2025, and eventually re-enter the central bank inflation target range, but risks are tilted towards a more gradual reduction.

Government deficit is projected to decline only gradually in 2024 and 2025

Romania's general government deficit is forecast to reach 6.3% of GDP in 2023, the same level as in 2022. This is a sizeable upward revision compared to the deficit of 4.7% of GDP projected in the Spring Forecast. The larger-than-expected deficit this year reflects higher-than-expected government spending (in personnel and goods and services, in particular) and slower revenue growth due to weaker 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. The cost of measures to mitigate the impact of high energy prices is estimated at 0.3% of GDP in 2023.

The deficit is forecast to fall to 5.3% of GDP in 2024, due to the implementation of a fiscal consolidation package amounting to about 1.2% of GDP. On the expenditure side, the package includes spending cuts, generated through measures to streamline public administration and tighter eligibility conditions for public servants to benefit from holiday vouchers and food allowances. On the revenue side, new measures are expected to yield additional revenue amounting to 0.9% of GDP. The main measures include an increase in corporate taxation, a partial phasing-out of preferential tax regimes for the construction and agriculture sectors, and the elimination of reduced VAT rates for selected goods and services. The deficit-reducing effect of the fiscal consolidation package is set to be partially offset by robust growth in personnel expenditure. The forecast does not include the potential short-term cost of the pension reform currently being prepared. In 2025, the deficit is projected to record another modest decline, reflecting the full phase out of measures to mitigate the impact of high energy prices and the impact of administrative reforms to contain government personnel expenditure.

The general government debt is expected to increase from 47.2% of GDP in 2022 to 50.5% in 2025, reflecting still high deficits and slower nominal GDP growth in the coming years. Risks to the fiscal outlook are tilted to the downside. Possibly lower GDP growth and upside pressures on public wages could result in higher government deficits.

Table II.26.1:

Main features of country forecast - ROMANIA

		2022		Annual percentage change						
	bn RON	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		1409.8	100.0	4.0	-3.7	5.7	4.6	**2.2**	**3.1**	**3.4**
Private Consumption		893.2	63.4	5.4	-3.9	7.2	6.9	**1.4**	**2.3**	**2.7**
Public Consumption		236.3	16.8	1.8	1.1	1.8	3.1	**3.4**	**3.3**	**4.1**
Gross fixed capital formation		351.6	24.9	5.8	1.1	2.9	5.6	**8.2**	**7.3**	**6.8**
Exports (goods and services)		605.8	43.0	9.9	-9.5	12.6	9.6	**1.3**	**2.6**	**3.6**
Imports (goods and services)		702.7	49.8	11.4	-5.2	14.8	9.9	**2.0**	**3.7**	**5.0**
GNI (GDP deflator)		1366.9	97.0	4.0	-3.8	5.8	3.0	**2.3**	**3.2**	**3.5**
Contribution to GDP growth:	Domestic demand			5.6	-2.0	5.4	6.2	**3.5**	**3.9**	**4.2**
	Inventories			-0.2	-0.2	1.8	-0.9	**-0.9**	**-0.1**	**0.1**
	Net exports			-1.4	-1.5	-1.5	-0.7	**-0.4**	**-0.7**	**-0.8**
Employment				-0.6	-2.1	0.8	1.2	**-0.1**	**0.0**	**0.0**
Unemployment rate (a)				8.0	6.1	5.6	5.6	**5.4**	**5.2**	**5.3**
Compensation of employees / head				10.5	4.0	6.4	6.4	**15.1**	**8.9**	**7.1**
Unit labour costs whole economy				5.6	5.8	1.4	2.9	**12.4**	**5.7**	**3.7**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				7.0	4.1	5.4	13.4	**11.0**	**6.5**	**4.0**
Harmonised index of consumer prices				4.5	2.3	4.1	12.0	**9.8**	**5.9**	**3.4**
Terms of trade goods				2.2	3.3	0.9	-0.7	**2.1**	**0.6**	**0.6**
Trade balance (goods) (c)				-9.2	-8.6	-9.6	-11.3	**-10.1**	**-10.1**	**-10.4**
Current-account balance (c)				-5.4	-6.8	-7.5	-9.3	**-7.3**	**-7.1**	**-7.3**
General government balance (c)				-3.4	-9.3	-7.2	-6.3	**-6.3**	**-5.3**	**-5.1**
Structural budget balance (d)				-2.2	-7.4	-6.2	-5.9	**-5.7**	**-4.8**	**-4.8**
General government gross debt (c)				28.0	46.8	48.5	47.2	**47.9**	**48.9**	**50.5**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Notes: Due to a break in historical employment data in 2021, employment-related variables have been affected (employment, unemployment as well as cyclically-adjusted and structural fiscal indicators).

27. SWEDEN

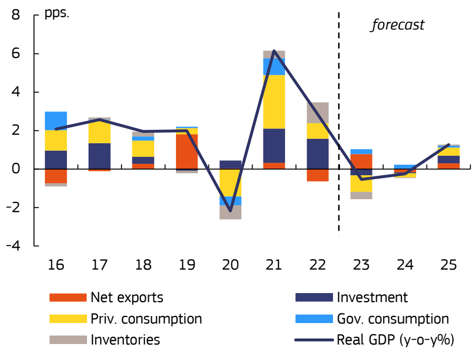
The Swedish economy is projected to contract in 2023, broadly stabilise in 2024 and show moderate growth in 2025. Tightened financial conditions and high energy prices hit the Swedish economy, in particular the household and construction sectors, reflecting high debt and overvalued house prices. A cooling labour market is expected to contribute to a drag on domestic demand. Inflation is expected to fall appreciably in 2024, but to rise back to slightly above 2% in 2025. The general government balance is expected to show a small deficit in 2023, and a somewhat larger deficit in the subsequent two years. The general government debt ratio is set to decline from 32.9% in 2022 to just under 30% of GDP in 2025.

High interest sensitivity shapes muted recovery

The Swedish economy contracted in the 2023, chiefly due to declining private consumption and a slump in housing construction, driven by high inflation, uncertainty and increasing interest rates. Macroeconomic imbalances that were built up over the years had left the Swedish economy vulnerable to a tightening in monetary conditions.

Highly leveraged households were particularly sensitive to higher interest and rising inflation because of the quick changes in interest rates on their accumulated debt, in line with higher policy rates. Relatively tight financial conditions will continue to restrain domestic demand over the forecast horizon. In 2024, private consumption is projected to be held back by uncertainty about income as the labour market is set to cool and net wealth would remain under pressure from the housing market. Support from real disposable income gains on the back of falling inflation is set to support the expected recovery in household consumption in 2025. In all, the cooling in the labour market and muted household income trends are set to limit the strength of the forecast recovery, despite relatively supportive profit developments, mirroring trends in the interest burden, real wages, domestic demand and the terms of trade.

Graph II.27.1: **Sweden - Real GDP growth and contributions**



Housing construction is forecast to decline, reflecting lower valuation of dwellings, constrained borrowing capacity of households and real estate companies, and increasing construction costs. By contrast, healthy corporate balance sheets and innovative projects in manufacturing should support investment in equipment and ICT. Against the backdrop of weak domestic demand and overall strong competitiveness, exports are set to contribute positively to economic growth in 2023, and subsequently moderate in response to sluggish import demand from trading partners before rebounding again in 2025. Risks to the outlook are skewed to the downside, chiefly related to the possibility of a further correction in real estate markets extending the duration and depth of balance sheet adjustments.

A cooling labour market

The Swedish labour market remained resilient in 2023, despite the weakening in economic activity. This reflected reluctance among employers to shed employment against a background of skills mismatches and labour shortages. However, employment growth is expected to stall, reacting to the cyclical downturn with a lag. The unemployment rate is set to increase from 7.6% in 2023 to 8.6% in 2025. Wage agreements have remained moderate while wage drift is foreseen to remain limited. Average real wages are projected to gradually move into positive territory on the back of falling inflation.

Drops and bounces in the inflation rate

The headline HICP inflation rate peaked at the end of 2022 and has declined since in tandem with a drop in energy prices and the fading of supply constraints. The feed-through of import prices and the exchange rate into inflation has been relatively strong, contributing to inflation remaining high in 2023. Slower demand will contribute to lower underlying price pressures. This, together with lower energy prices and base effects, is projected to bring down the headline inflation rate to below 2% in 2024. Increases in service prices, the fading of base effects and higher energy prices are forecast to take inflation somewhat above 2% in 2025, in spite of contained medium-term inflation expectations and productivity growth turning positive towards the end of the forecast period.

General government balance to turn to deficit

After reaching a surplus in 2022, the general government balance is expected to be in slight deficit in 2023. While central government tax revenues remain strong, notably from corporate income tax, there is also higher expenditure on items such as indexed social transfers and pensions.

In 2024, the deficit is set to increase somewhat to 0.7% of GDP, mirroring weakening nominal income trends and the lagged impact of price rises. Rising unemployment is set to weigh on income tax revenue, while automatic stabilisers are set to increase expenditure through social transfers to households. The spending measures of the 2024 annual budget, taken together with the autumn amending budget, are relatively modest. This notwithstanding, government investment continues to grow over the forecast horizon, due in part to the build-up of spending on defence towards the goal of 2% of GDP. A moderate general government deficit is expected also for 2025.

The public debt-to-GDP ratio is set to resume its downward path towards just under 30% in 2025, chiefly due to denominator effects.

Table II.27.1:

Main features of country forecast - SWEDEN

		2022			Annual percentage change					
	bn SEK	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		5979.4	100.0	2.2	-2.2	6.1	2.8	**-0.5**	**-0.2**	**1.3**
Private Consumption		2613.1	43.7	2.3	-3.2	6.3	1.9	**-2.0**	**-0.5**	**1.0**
Public Consumption		1490.8	24.9	1.2	-1.8	3.3	0.0	**1.0**	**0.9**	**0.3**
Gross fixed capital formation		1622.3	27.1	3.0	1.7	7.1	6.2	**-1.2**	**-0.2**	**1.5**
Exports (goods and services)		3157.0	52.8	3.7	-5.5	11.1	7.0	**1.3**	**0.1**	**3.1**
Imports (goods and services)		2981.9	49.9	3.9	-6.0	11.6	9.3	**-0.2**	**0.5**	**2.7**
GNI (GDP deflator)		6206.7	103.8	2.3	-1.6	6.5	2.7	**-0.8**	**-0.3**	**1.3**
Contribution to GDP growth:	Domestic demand			2.1	-1.5	5.4	2.4	**-0.9**	**0.0**	**0.9**
	Inventories			0.0	-0.7	0.4	1.1	**-0.4**	**0.0**	**0.1**
	Net exports			0.1	0.0	0.3	-0.6	**0.8**	**-0.2**	**0.3**
Employment				1.0	-1.3	1.2	2.7	**1.5**	**-0.5**	**0.3**
Unemployment rate (a)				7.4	8.5	8.8	7.5	**7.6**	**8.5**	**8.6**
Compensation of employees / head				3.1	2.5	4.6	2.8	**3.9**	**4.1**	**4.0**
Unit labour costs whole economy				1.9	3.4	-0.3	2.7	**6.0**	**3.8**	**3.0**
Saving rate of households (b)				13.1	19.6	18.1	16.0	**17.1**	**16.7**	**17.0**
GDP deflator				1.7	2.0	2.6	6.0	**6.7**	**2.7**	**2.0**
Harmonised index of consumer prices				1.4	0.7	2.7	8.1	**5.7**	**1.8**	**2.2**
Terms of trade goods				0.0	1.1	0.2	-4.4	**-0.5**	**-0.6**	**0.1**
Trade balance (goods) (c)				4.4	4.0	4.3	3.9	**4.4**	**4.0**	**4.2**
Current-account balance (c)				5.1	6.0	6.8	4.9	**5.3**	**4.8**	**4.9**
General government balance (c)				0.5	-2.8	0.0	1.1	**-0.2**	**-0.7**	**-0.6**
Structural budget balance (d)				0.3	-0.6	0.0	0.5	**0.3**	**0.8**	**0.9**
General government gross debt (c)				41.1	39.9	36.5	32.9	**30.4**	**30.1**	**29.6**

(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

Following strong growth in 2022, Albania's economic growth is expected to moderate to 3.5% in 2023 and 3.1% in 2024 as private consumption decelerates, due to high food prices and moderating employment, while investment growth weakens in response to tightening financing conditions and subdued public investment. In addition, goods exports are projected to weaken, partly due to a loss of price competitiveness from the appreciation of the domestic currency, while services exports from tourism are set to remain strong. Reaccelerating private consumption and investment are expected to raise economic growth to 3.7% in 2025. Public debt reduction is forecast to continue albeit at a slower pace than in previous years.

Economic growth is expected to decelerate in 2023 and 2024….

Real GDP increased by 3.2% y-o-y in 2023-Q2, up from 2.8% in the previous quarter, on the back of strong private investment and consumption, while net exports contributed negatively to GDP growth despite strong tourism. Growth is expected to slow from 4.8% in 2022 to 3.5% in 2023, reflecting base effects and decelerating private consumption amid still high food prices, even though it continues to benefit from growing employment and increasing real wages. Investment is also forecast to decelerate due to tighter financing conditions for business loans while public investment is reduced to create space for public sector wage increases. Despite a tourism season pushing services exports to a new peak, net exports are projected to subtract from GDP growth mainly because of decreasing goods exports, which are affected by the large currency appreciation, base effects and falling external demand for construction materials. Growth of goods imports is also set to drop sharply reflecting base effects, decelerating domestic demand and last year's inventory build-up, but service imports growth is expected to remain strong. Business sentiment continuously improved across sectors since end-2022 but at mid-2023 confidence in the services and construction sectors started to decline.

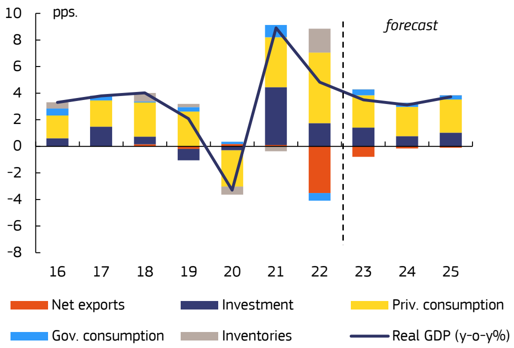
These factors are projected to continue affecting domestic demand in 2024 and to slow GDP growth further to 3.1%. Decelerating employment growth is set to weigh on private consumption while investment growth is projected to decelerate further, to 3.3%, in response to weakening external demand and rising input costs, and despite support from FDI inflows and several ongoing infrastructure projects. Goods export growth is projected to slightly improve as the effect of the currency appreciation softens but to remain weak in 2024 given the outlook for Albania's main trade partners. However, service exports are expected to remain largely unaffected by the slowing economic performance of trade partners, as tourism to Albania remains relatively cheap and the expansion of its touristic offer and infrastructure is increasing its attractiveness. The negative growth contribution of net exports is forecast to decrease in 2024.

… and is projected to pick up in 2025

As prices and financing conditions are projected to stabilise and external demand is set to improve, private consumption, investment and export growth are projected to pick up and lift economic growth to 3.7% in 2025. Moderate employment growth amid continuing mobilisation of inactive parts of the population is expected to gradually decrease the unemployment rate below 10% by 2025.

This outlook is subject to downside risks, mainly related to Albania's high exposure to climate change risks and growing shortages of skilled labour aggravated by emigration and negative population growth.

Graph II.28.1: **Albania - Real GDP growth and contributions**



Monetary policy normalisation likely to continue

Annual inflation has halved in the last 12 months to 4.3% in September 2023, supported by the large currency appreciation amid sizeable foreign inflows from tourism, remittances and foreign direct investment. The Bank of Albania raised the key policy interest rate gradually to 3.25% in November 2023. Slow deceleration of food price inflation in addition to domestic pressures from public wage growth spill-overs are expected to keep the inflation rate around 4.6% in 2023 and above the 3% target in 2024, which calls for a continuation of monetary policy normalisation.

Current account deficit continues to narrow

The current account deficit is set to decrease by about 1.1 pps to record low 4.9 % of GDP in 2023, helped by a 1.6 pps narrowing of the merchandise trade deficit in the wake of improving terms of trade and falling import values, the tourism-driven increase in the services trade surplus, and strong currency appreciation. Remittances and net FDI are set to remain relatively stable in terms of GDP. Moderate import growth and softening of the currency appreciation are expected to slightly widen the current account deficit to about 5.1% of GDP in 2024.

Pace of public debt ratio reduction set to slow

In 2023, revenue growth, the withdrawal of temporary subsidies, lower capital investment and increasing external grants are set to make fiscal room for the first phase of the public wage reform while reducing the fiscal deficit from 3.7% to 2.2% of GDP. A positive primary balance from 2024 in line with the new fiscal rule is likely to be achieved with a projected fiscal deficit of around 2% of GDP. Following a strong fall to 64.6% of GDP in 2022, the pace of reducing the public debt ratio is set to moderate in view of increased interest costs and slowing nominal GDP growth.

Graph II.28.2: **Albania - General government budget balance and gross debt**

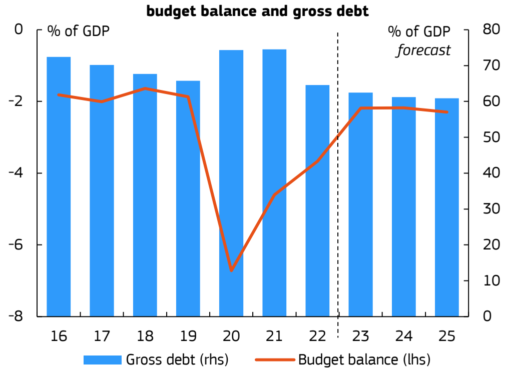


Table II.28.1:
Main features of country forecast - ALBANIA

	2022				Annual percentage change					
	bn ALL	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		2134.5	100.0	3.7	-3.3	8.9	4.8	**3.5**	**3.1**	**3.7**
Private Consumption		1616.9	75.8	3.8	-3.4	4.7	6.9	**3.2**	**2.9**	**3.3**
Public Consumption		217.4	10.2	2.2	1.5	7.8	-4.8	**4.2**	**3.1**	**3.2**
Gross fixed capital formation		510.8	23.9	1.7	-1.4	19.2	7.1	**5.9**	**3.3**	**4.4**
Exports (goods and services)		799.6	37.5	8.4	-27.9	52.0	7.5	**1.7**	**3.3**	**4.8**
Imports (goods and services)		1021.2	47.8	4.5	-19.8	31.5	13.1	**3.0**	**3.1**	**4.1**
GNI (GDP deflator)		2095.0	98.2	3.5	-3.6	9.2	4.3	**3.4**	**3.1**	**3.7**
Contribution to GDP growth:	Domestic demand			4.0	-2.9	9.0	6.5	**4.3**	**3.3**	**3.8**
	Inventories			-0.2	-0.6	-0.4	1.8	**0.0**	**0.0**	**0.0**
	Net exports			0.0	0.2	0.1	-3.5	**-0.8**	**-0.2**	**-0.1**
Employment				2.3	-1.9	-0.3	4.8	**2.4**	**1.8**	**2.0**
Unemployment rate (a)				14.7	12.2	12.0	11.3	**10.5**	**10.2**	**9.9**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.1	0.7	3.5	9.7	**6.2**	**3.1**	**2.8**
Consumer price index				2.3	1.6	2.0	6.7	**4.6**	**3.5**	**2.9**
Terms of trade goods				-1.2	-9.8	1.6	17.3	**-0.9**	**-1.7**	**-0.6**
Trade balance (goods) (c)				-24.2	-22.4	-25.2	-23.7	**-22.1**	**-22.2**	**-22.2**
Current-account balance (c)				-10.3	-8.7	-7.7	-6.0	**-4.9**	**-5.1**	**-4.9**
General government balance (c)				-7.1	-6.7	-4.6	-3.7	**-2.2**	**-2.2**	**-2.3**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				65.4	74.3	74.5	64.6	**62.5**	**61.2**	**60.9**

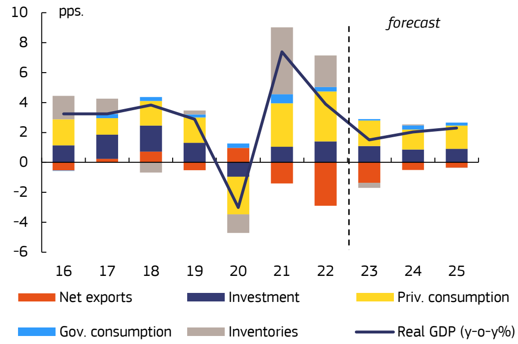
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

29. BOSNIA AND HERZEGOVINA

After a strong post-COVID-19 recovery, economic activity slowed down in the first half of 2023, reflecting weakening external demand and subdued private consumption amid high, albeit decelerating inflation. For the whole year of 2023, GDP growth is set to weaken to around 1½%. In 2024 and 2025, stronger private consumption, supported by lower inflation, as well as strengthening external demand should support a moderate growth acceleration. The fiscal deficit is likely to remain limited, while the debt ratio is forecast to decrease further below the 30% mark.

Economic activity slowed down in the first half of 2023, but is likely to accelerate slightly in 2024 and 2025

Graph II.29.1: **Bosnia and Herzegovina - Real GDP growth and contributions**



Economic growth slowed down from 3.9% in 2022 to 1.4% in the first half of 2023, largely due to weaker external demand and softer private consumption, which was negatively affected by high inflation in the first and second quarter of 2023 (13.3% and 10.2%, respectively). Gross fixed investment registered a 12% increase in the first half of 2023, although largely due to inventories and statistical discrepancies. Exports of goods and services dropped by 3.5% y-o-y, compared to an increase of 16.5% the year before. However, as a result of weaker domestic demand, import growth also stagnated, resulting in the same level of real imports as in the year before. At the same time, inflows of primary and secondary transfers were higher than a year before. This resulted even in a slight reduction in the first half-year's current account deficit to 4.7% of GDP, compared to 4.9% a year before.

During the forecast horizon, domestic demand, in particular private consumption is projected to strengthen and to become the main driver of growth, benefitting from strong wage growth, decelerating inflation and solid employment increases. However, the frequent political stalemates are expected to persist, delaying structural reforms and impeding the business environment. As a result, investment is likely to remain subdued. External demand is also projected to increasingly support economic activity. Overall, GDP growth is set to accelerate in 2024 and 2025, but only at a moderate pace.

Inflation is forecast to continue declining, albeit from a high level

Inflation was on a declining trend in the first half of 2023, starting from a high level of 14.1% y-o-y in January and dropping to 4.1% in September. This brought average inflation during the first nine months of 2023 to 7.6%, compared to 13.3% in the same period a year earlier. The main drivers were rising prices for food and non-alcoholic beverages, as well as prices for housing, electricity and household equipment. During the forecast period, headline inflation is projected to decline further, mainly benefitting from slowing price increases for imported commodities, such as energy. However, recent high gross wage increases, amounting to 14% during the first eight months of 2023, create some upward pressure for headline inflation.

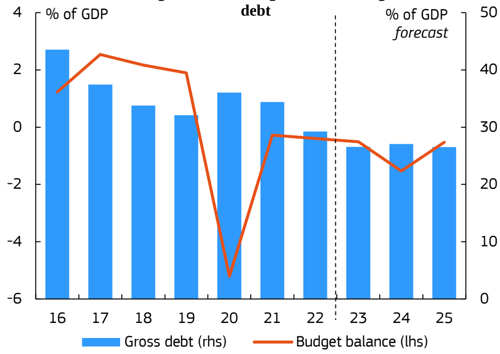
The labour market is set to improve, but persistent emigration results in a shrinking labour force

During the first eight months of 2023, employment was 1.3% higher than a year before, while the LFS unemployment rate dropped to 13.1% in mid-2023, compared to 15.7% a year earlier. The main job-creating sectors were trade and tourism. Anecdotal evidence points to a continued outflow of qualified labour, starting to result in labour shortages in some sectors, such as construction. This could contribute to further wage pressures beyond productivity growth, impeding the country's competitiveness. During the forecast horizon, employment growth is projected to continue. Unemployment is also set to decline further, although a significant share of structural unemployment could limit the extent of this decrease.

Public finance to remain under control

The general government accounts remained close to balance in 2021 and 2022, benefitting from stronger than expected revenue growth, while planned investment spending could not be implemented, mainly due to administrative hurdles and/or political stalemates. This trend is forecast to continue in 2024 and 2025, although upcoming general elections in 2024 are expected to lead to some spending pressures and thus a higher deficit. Moderate deficits should support a continued, gradually declining debt ratio.

Graph II.29.2: **Bosnia and Herzegovina - General government budget balance and gross debt**



Risks are both, on the downside, but also on the upside

This outlook is subject to some downside risks, such as a more persistent inflation, impeding disposable income and consumption, or accelerating emigration. However, growth could also be stronger, in particular in case the recurring political stalemates could be overcome.

Table II.29.1:

Main features of country forecast - BOSNIA AND HERZEGOVINA

		2022		Annual percentage change						
	bn BAM	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		45.6	100.0	2.8	-3.0	7.4	3.9	**1.5**	**2.0**	**2.3**
Private Consumption		31.0	67.9	1.8	-3.5	4.0	4.9	**2.5**	**2.0**	**2.3**
Public Consumption		8.6	19.0	1.3	1.5	2.9	1.5	**0.5**	**1.5**	**1.0**
Gross fixed capital formation		9.8	21.5	4.2	-4.2	4.8	6.6	**5.0**	**4.0**	**4.3**
Exports (goods and services)		21.1	46.2	8.0	-15.8	24.6	23.9	**-1.0**	**4.3**	**5.2**
Imports (goods and services)		27.8	60.9	3.9	-13.4	20.5	24.0	**1.5**	**4.1**	**4.5**
GNI (GDP deflator)		45.0	98.8	:	-3.4	6.4	4.1	**1.5**	**2.0**	**2.3**
Contribution to GDP growth:	Domestic demand			2.8	-3.3	4.6	5.3	**2.9**	**2.5**	**2.7**
	Inventories			0.1	-1.2	4.5	2.1	**-0.3**	**0.1**	**0.0**
	Net exports			0.3	1.0	-1.4	-2.9	**-1.4**	**-0.5**	**-0.4**
Employment				:	-6.9	-1.9	1.0	**1.3**	**1.4**	**1.0**
Unemployment rate (a)				:	:	:	:	**:**	**:**	**:**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	0.1	4.9	12.2	**6.5**	**2.4**	**2.0**
Consumer price index				:	-1.1	2.0	14.0	**6.5**	**3.5**	**3.0**
Terms of trade goods				:	-0.2	8.8	-2.7	**0.0**	**-0.2**	**-0.1**
Trade balance (goods) (c)				-30.0	-18.0	-18.3	-22.1	**-22.1**	**-22.7**	**-23.0**
Current-account balance (c)				-7.4	-3.2	-2.4	-4.6	**-4.5**	**-4.0**	**-3.8**
General government balance (c)				-0.1	-5.2	-0.3	-0.4	**-0.5**	**-1.5**	**-0.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				35.4	36.0	34.4	29.2	**26.5**	**27.0**	**26.5**

(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.

30. MOLDOVA

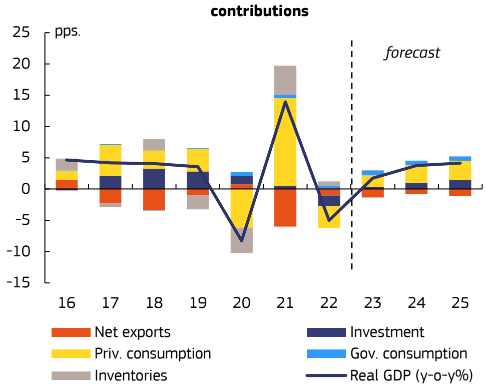
Facing multiple crises and after over a year of economic contraction, the Moldovan economy is expected to return to growth in the second half of the year. Lower inflation, looser monetary policy and stronger agricultural output are set to boost private consumption and investment over the forecast period. Inflation is expected to return to the central bank's target range, while the fiscal deficit is projected to fall slightly.

Economic recovery following contraction in 2022

The Moldovan economy contracted by 5% last year, primarily because of falling private consumption as surging inflation due to higher food and energy prices cut into household incomes. Investment also fell due to the tightening monetary policy and increased uncertainty resulting from the Russian war of aggression against neighbouring Ukraine.

The outlook for real GDP in 2023 has been revised somewhat downward compared to the 2023 Spring Forecast. This reflects the continued contraction in output in the first half of the year (-2.3% y-o-y) as falling real wages continued to weigh on private consumption and agricultural exports suffered as a result of the poor harvest in 2022. The growth outlook for 2023 is nevertheless positive thanks to a projected rebound in private consumption in the second half of the year supported by lower inflation and continued employment growth. Business sentiment improved in the second quarter and points to a mild contribution of investment to the recovery in 2023 before strengthening further in 2024 and 2025 when the effects of monetary easing are felt. Output in manufacturing and construction is set to recover, while the ICT sector should remain a bright spot for growth. Agricultural output is projected to see a partial rebound in 2023 following the severe drought in 2022, which should help export growth. Net exports are nevertheless set to remain a drag on growth as imports also recover over the forecast horizon in line with increasing private consumption.

Graph II.30.1: **Moldova - Real GDP growth and contributions**



Monetary policy easing follows rapid fall in inflation

After its peak at 34.6% y-o-y in October 2022, inflation has sharply decelerated on the back of stabilising food and energy prices, tight monetary policy and base effects at the beginning of 2023. The central bank has cut the policy rate from its peak of 21.5% in August 2022 to 6% in June 2023 where it has remained. Underlying inflation excluding volatile food prices has followed a similar trend. Inflation is projected to return to the central bank's target range of 5% +/- 1.5 percentage points by the end of the forecast horizon as global food and energy prices stabilise. However, risks related to energy import price volatility remain, despite Moldova's recent efforts to reduce its dependence on imports of Russian natural gas.

Labour force grows from a low base

Moldova's low labour force participation rate has grown strongly in the first half of 2023 despite contracting economic activity, partly due to the return of Moldovans previously working in Ukraine and Russia. Refugees from Ukraine now make up about 2.5% of the population and have boosted the labour force by about 1%, but this effect may dissipate in future years. The increase in nominal wages in 2022 was overtaken by skyrocketing inflation, leading to a loss in purchasing power as real wages fell by about 13%. This is set to reverse in the second half of 2023, with real wages continuing to rise in 2024 and 2025 as inflation abates, supported by an increase in the minimum wage and public sector salaries.

Large current account deficit narrows

The trade balance is set to remain deeply negative on account of the weak export base and high prices of energy imports, despite the trade balance in services being buoyed due to the large number of Ukrainian refugees in Moldova. The large and persistent current account deficit is however projected to begin to narrow, as agricultural exports ensuing from the stronger harvest in 2023 are set to boost exports growth in the second half of 2023 and in 2024. Remittances are projected to remain high and stable, while Moldova is expected to continue benefitting from official foreign transfers.

Fiscal deficit remains high but narrowing

The 2023 budget targets a deficit of 6% of GDP, though backloading of expenditure into the second half of the year increases the risk of under-execution, a persistent issue particularly affecting growth-enhancing capital expenditure. The budget deficit is projected to remain high though on a declining path as expenditures are set to grow less dynamically than revenues. Revenue growth is expected to be supported by still high inflation and by the recovery in activity going forward. The expenditure side is projected to be impacted by the reduced spending on measures to mitigate the impact of high energy prices for vulnerable households, in line with easing energy prices. Public debt is therefore set to rise moderately to a still low level of 37.2% of GDP by 2025.

Graph II.30.2: **Moldova - General government budget balance and gross debt**

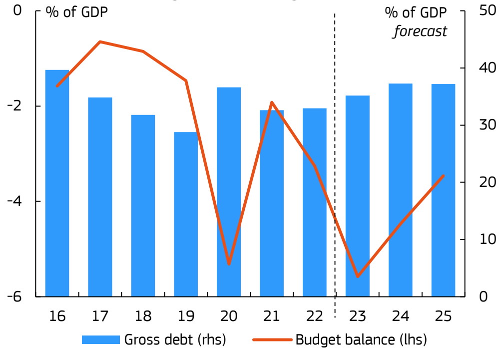


Table II.30.1:

Main features of country forecast - MOLDOVA

	2022				Annual percentage change					
	bn MDL	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		272.6	100.0	:	-8.3	13.9	-5.0	**1.7**	**3.8**	**4.2**
Private Consumption		232.8	85.4	:	-7.2	17.1	-4.3	**2.2**	**3.4**	**3.7**
Public Consumption		48.1	17.6	:	4.4	3.0	3.2	**4.1**	**4.1**	**4.0**
Gross fixed capital formation		62.0	22.7	:	5.6	1.9	-6.8	**1.4**	**4.3**	**6.4**
Exports (goods and services)		111.4	40.9	:	-14.9	17.5	26.7	**-2.1**	**6.5**	**7.9**
Imports (goods and services)		190.8	70.0	:	-9.5	21.2	15.9	**0.7**	**5.0**	**6.4**
GNI (GDP deflator)		273.7	100.4	:	-9.9	12.3	-6.4	**2.2**	**3.9**	**4.4**
Contribution to GDP growth:	Domestic demand				-4.2	15.1	-4.6	**2.9**	**4.5**	**5.2**
	Inventories				-4.9	4.9	0.7	**0.2**	**0.0**	**0.0**
	Net exports				0.8	-6.0	-1.0	**-1.3**	**-0.8**	**-1.1**
Employment				:	-4.4	1.1	2.2	**4.0**	**0.8**	**1.4**
Unemployment rate (a)					3.8	3.2	3.1	**4.0**	**3.8**	**3.5**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	5.6	6.3	18.6	**13.2**	**6.2**	**5.2**
Consumer price index				:	3.8	5.1	28.7	**14.1**	**4.7**	**5.1**
Terms of trade goods				:	25.0	-7.8	-1.6	**2.3**	**1.3**	**1.1**
Trade balance (goods) (c)					-26.8	-30.6	-36.0	**-33.8**	**-33.3**	**-33.1**
Current-account balance (c)					-7.7	-12.6	-16.6	**-13.3**	**-11.7**	**-10.8**
General government balance (c)					-5.3	-1.9	-3.3	**-5.6**	**-4.5**	**-3.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)					36.6	32.6	32.9	**35.2**	**37.3**	**37.2**

(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.

31. MONTENEGRO

Montenegro's economy has continued to grow fast in 2023, driven by private consumption and a good tourism season. A deceleration is projected for 2024-2025 as high inflation and increasing borrowing costs are set to weigh on household consumption and private investment. Weaker external demand is likely to affect tourism. A good fiscal performance in 2023 was supported by high growth of revenue from consumption taxes and one-off items while capital spending remained under-executed. However, the budget deficit is set to widen amid tightening financing conditions and rising interest costs.

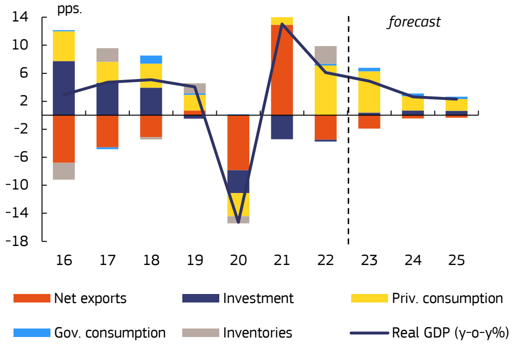
Economic growth remained strong in the first half of 2023

Real GDP expanded by 6.6% y-o-y in the first half of 2023, driven by strong private consumption, as a result of increasing real wages, employment and household borrowing, and a very successful tourism season. The rise in exports of goods and services outpaced the growth in imports and added to real GDP growth. Gross fixed capital formation and government consumption expanded moderately. The main headwinds came from high inflation and political uncertainty.

The political situation remains complex

Snap parliamentary elections took place in June. A new political party, Europe Now, won the most seats and formed a broad coalition government in early November. The political landscape is complex with risks of enacting populist policies. The present forecast doesn't assume any major reforms over the forecast horizon.

Graph II.31.1: **Montenegro - Real GDP growth and contributions**



Deceleration in the coming years

Economic growth is projected to remain strong in 2023, underpinned by private consumption and export of services. In 2024-2025 GDP growth is set to moderate amid headwinds from still elevated inflation, tighter financing conditions, domestic political fragmentation, and weak external demand. These factors are expected to weigh on real disposable income, private consumption, recovery of investment and tourism exports.

The current account deficit is set to narrow in 2023 due to the healthy growth of exports, notwithstanding somewhat lower surpluses of the primary and secondary income balance in line with the slowdown in the EU and lower remittances. The current account deficit is expected to decrease further slightly over 2024-2025 due to lower growth of imports resulting from moderating consumption.

The balance of risks is tilted to the downside due to the subdued growth outlook in the main trading partners, high financing costs and national political uncertainty. Montenegro's narrow export base makes it vulnerable to fluctuations in international demand, and elevated prices might reduce external demand for tourism services in Montenegro.

Montenegro's banking sector has solid capital levels and ample liquidity. However, the rising cost of lending is set to cool down domestic demand for loans over the forecast horizon.

Improving but still high unemployment rates

The rebound of tourism and measures adopted in late 2021, such as abolishing a mandatory health contribution and increasing the non-taxable share of wages, had a positive impact on job creation in 2022, which continued into 2023 with the unemployment rate declining to a record low of 13.5% in the second quarter. However, employment growth is expected to decelerate in 2024-2025, as domestic and external demand weakens.

Inflation set to ease

Inflation started to decelerate in 2023, declining to 7.8% y-o-y in July before bouncing back to 9.1% y-o-y in August due to higher food prices. Large increases in wages and social transfers also generate upward price pressures. Inflation is expected to moderate in 2024-2025, on the back of lower imported inflation and moderating domestic demand.

Narrowing budget deficit in 2023, but risks ahead

In the first eight months, the budget execution performed significantly better than expected in the revised 2023 budget adopted in May, which targeted a deficit of 3% of GDP. The January-August budget outcome was a surplus amounting to 3% of GDP, driven by a combination of lower-than-expected spending, in particular on capital investment, and higher-than-projected revenue, especially from VAT and excise taxes, as well as several one-off measures such as the economic citizenship programme and the EU energy support grant. Going forward, the deficit is projected to widen due to slower revenue growth in line with decelerating consumption and the absence of one-off items. Due to narrowing budget deficit and strong nominal GDP growth, the public debt-to-GDP ratio is set to decline in 2023. Absent any fiscal consolidation strategy, public debt is expected to increase in 2024, but decrease in 2025.

Overall, the balance of risks to the fiscal outlook remains tilted to the downside due to high borrowing costs and upcoming large rollover needs.

Table II.31.1:

Main features of country forecast - MONTENEGRO

		2022		Annual percentage change						
	mio EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		5796.8	100.0	3.3	-15.3	13.0	6.1	**4.9**	**2.7**	**2.3**
Private Consumption		4423.6	76.3	:	-4.6	4.0	9.7	**7.7**	**2.7**	**2.2**
Public Consumption		1034.3	17.8	:	0.8	0.5	1.2	**2.9**	**2.2**	**2.0**
Gross fixed capital formation		1274.5	22.0	:	-11.9	-12.3	-1.1	**1.7**	**3.2**	**3.1**
Exports (goods and services)		3053.8	52.7	:	-47.6	81.9	22.7	**10.7**	**6.8**	**4.5**
Imports (goods and services)		4403.8	76.0	:	-20.1	13.7	21.3	**9.9**	**5.5**	**3.8**
GNI (GDP deflator)		5913.3	102.0	:	-14.9	13.6	6.0	**4.4**	**0.6**	**2.0**
Contribution to GDP growth:	Domestic demand			4.6	-6.4	0.0	7.6	**6.8**	**3.1**	**2.7**
	Inventories			-0.3	-1.0	0.2	2.5	**0.0**	**0.0**	**0.0**
	Net exports			-1.5	-7.8	12.9	-3.5	**-1.9**	**-0.5**	**-0.4**
Employment				:	-10.1	-2.4	17.2	**5.4**	**2.2**	**0.8**
Unemployment rate (a)				18.1	18.3	16.8	15.0	**13.6**	**13.2**	**13.0**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	:	:	:	**:**	**:**	**:**
Consumer price index				2.7	-0.8	2.5	11.9	**9.0**	**5.7**	**3.8**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-43.0	-39.2	-38.7	-46.2	**-46.4**	**-47.1**	**-46.9**
Current-account balance (c)				-14.9	-26.1	-9.2	-13.3	**-12.6**	**-12.3**	**-12.1**
General government balance (c)				-3.0	-11.1	-1.9	-5.2	**-2.3**	**-3.4**	**-3.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				50.5	105.3	82.5	69.5	**61.0**	**63.5**	**61.2**

(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.

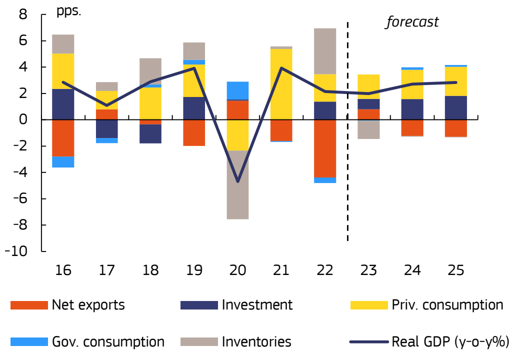
32. NORTH MACEDONIA

After a muted post-pandemic recovery, economic growth has slowed down on account of both weaker external demand and more moderate household consumption. Growth is set to accelerate moderately ahead, with inflation expected to mitigate further, wage growth and remittances to bolster disposable incomes, and a substantial stimulus to the economy from a major public infrastructure project. The fiscal deficit is expected to remain elevated, given new spending commitments and high borrowing costs, restraining the decline of public debt from its post-COVID high.

Domestic demand to drive GDP growth

In the second quarter of 2023, real GDP rose by 1.1% y-o-y, down from 2.1% in the preceding quarter. Household consumption has suffered from the lingering cost-of-living crisis and its growth decelerated for the third consecutive quarter, to 1.6% y-o-y, but remained the main driver of GDP growth. It is expected to firm as disposable incomes strengthen on account of faster real wage growth amid falling inflation. Investment was muted in the first six months of 2023, as private companies dealt with their large inventories built up in 2022. Over the forecast horizon, public investment is set to become an increasingly important driver of capital formation. The government's major public roads project, covering parts of two key transeuropean Road Corridors, is expected to have a substantial impact on aggregate demand given a high domestic input share.

Graph II.32.1: **North Macedonia - Real GDP growth and contributions**



In the first half of 2023, the current account deficit declined markedly from its 2022 high, as the goods trade balance improved on account of decreasing energy prices, and remittances increased. Looking ahead, both import and export growth are set to pick up gradually. Domestic demand is projected to remain the key driver of the expected acceleration in GDP growth over the forecast horizon. The external side is set to contribute positively to growth in 2023, reflecting the improvement in the terms of trade, but to detract from growth in the following two years, as the recovery of domestic demand boosts import growth, and prevails over the positive impact of firming external demand on exports.

Declining unemployment masks shrinking labour force

Low and declining labour market participation, especially for women and young workers, led to a further shrinking of the labour force and a decline in the unemployment rate. During the forecast horizon, employment is expected to continue growing at a moderate pace. While employment growth in manufacturing industries is likely to remain muted at least in 2023, given a large backlog of inventories weighing on current production activity, the services sectors, in particular trade, are likely to account for the bulk of job expansion. The unemployment rate is projected to decline further amid a shrinking labour force.

Inflation projected to subside further

Annual consumer price inflation gradually declined from its peak of 19.8% in October 2022 to 6.6% in September 2023. It is projected to remain high, around 9% on average in 2023, with lingering spillover effects from the recent peaks in energy and food prices on domestic sectors, but to eventually ease to the long-term average of 2% by 2025. The central bank increased the key policy rate further in the first nine months of 2023, yet at a slowing pace, to reach 6.3% in September.

Fiscal space remains tight

Public finances are strained by high borrowing cost and new spending commitments, even though a budget reallocation in September managed to accommodate the additional expenditure without raising the full-year deficit target. The government raised the minimum pension, and agreed to an additional 10% increase in public sector wages as of September, which adds some 0.2% of GDP to projected current expenditure for 2023. Revenue, despite a boost from lingering high inflation, is suffering from subdued domestic demand. However, in addition to revenue-enhancing amendments to the personal, corporate and value-added tax laws, in September the Parliament adopted the one-off solidarity tax which is expected to add an extra 0.6% of GDP to 2023 revenue. Overall, the general government deficit is projected to increase somewhat in 2023 compared to 2022. Assuming that the government implements planned fiscal consolidation measures, including the phasing out of energy subsidies, the fiscal deficit is set to decline gradually in 2024 and 2025, but to remain well above the pre-pandemic level of 2.2% of GDP in 2019. Government debt is projected to hover above 50% of GDP in the medium-term, as primary deficits remain elevated and interest payments are rising.

Risks are mainly on the downside

The growth outlook could be challenged if the major public roads construction project faces significant implementation delays. The fiscal outlook might also deteriorate if this project suffers from serious cost overruns, or if the cost of financing rises faster than projected. Both might also be impacted negatively by political uncertainty in the run-up to the 2024 elections. On the upside, EU accession negotiations may accelerate structural reforms, which would raise the economy's growth potential and bolster fiscal sustainability.

Table II.32.1:

Main features of country forecast - NORTH MACEDONIA

		2022		Annual percentage change						
	bn MKD	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		794.8	100.0	3.3	-4.7	3.9	2.1	**2.0**	**2.7**	**2.8**
Private Consumption		558.1	70.2	3.0	-3.6	8.1	3.1	**2.6**	**3.3**	**3.4**
Public Consumption		115.2	14.5	1.4	9.8	-0.4	-2.6	**-0.5**	**1.4**	**1.1**
Gross fixed capital formation		219.6	27.6	4.8	0.4	0.1	5.8	**2.9**	**5.4**	**5.6**
Exports (goods and services)		595.3	74.9	9.3	-10.9	11.7	13.4	**0.9**	**4.3**	**5.5**
Imports (goods and services)		762.4	95.9	8.4	-10.9	11.9	16.1	**-0.1**	**4.9**	**6.0**
GNI (GDP deflator)		760.1	95.6	3.0	-3.2	2.8	2.2	**1.8**	**2.4**	**2.5**
Contribution to GDP growth:	Domestic demand			3.7	-0.9	5.3	3.1	**2.6**	**4.0**	**4.2**
	Inventories			0.9	-5.2	0.2	3.5	**-1.4**	**-0.1**	**0.0**
	Net exports			-1.1	1.5	-1.6	-4.4	**0.8**	**-1.2**	**-1.3**
Employment				2.4	-0.4	1.1	0.5	**0.9**	**1.4**	**1.6**
Unemployment rate (a)				29.7	16.6	15.4	14.2	**13.8**	**13.7**	**13.5**
Compensation of employees / head				:	3.3	5.7	15.5	**9.6**	**6.4**	**3.3**
Unit labour costs whole economy				:	8.0	2.8	13.7	**8.4**	**5.1**	**2.0**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.7	1.4	3.6	8.0	**14.2**	**8.1**	**8.0**
Consumer price index				1.7	1.2	3.2	14.2	**9.5**	**4.1**	**2.1**
Terms of trade goods				1.0	0.1	-0.3	:	**:**	**:**	**:**
Trade balance (goods) (c)				-21.8	-16.6	-20.0	-27.7	**-22.6**	**-23.2**	**-23.5**
Current-account balance (c)				-2.8	-2.9	-3.1	-5.9	**-3.5**	**-3.6**	**-2.4**
General government balance (c)				-1.7	-8.2	-5.4	-4.5	**-4.8**	**-3.8**	**-3.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				32.8	50.8	52.0	50.9	**51.0**	**51.7**	**51.1**

(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.

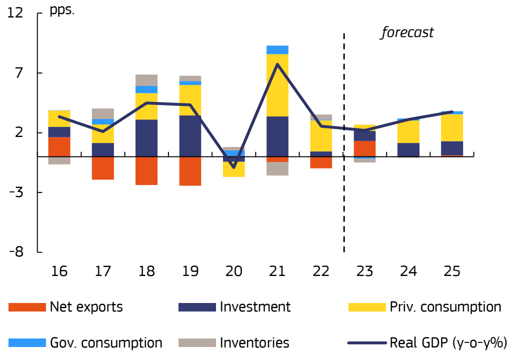
33. SERBIA

Economic growth in Serbia is projected to remain subdued in 2023 and then to pick up in 2024 in 2025, as the impact of lower inflation on real disposable income is set to support private consumption. Helped by high nominal GDP growth and lower capital transfers to state-owned energy utilities, the general government deficit and debt ratios are expected to continue falling gradually in 2024 and 2025.

After subdued growth in 2023, growth to pick up in 2024 helped by lower inflation

Following a substantial deceleration in 2022, the Serbian economy continued to expand at a moderate pace of 1.3% y-o-y only in the first half of 2023, driven by net exports and investments. Short-term indicators suggest that the expansion of economic activity started to accelerate in the summer, which is forecast to translate into higher y-o-y growth in the second half of the year. The economy is expected to grow by 2.2% for 2023 as a whole. The impact of decreasing inflation on real disposable income is projected to foster private consumption growth towards the end of the year. Moreover, stronger net exports and investments will support moderate growth, albeit partially offset by lower inventories and lower government consumption. On the production side, all sectors are set to contribute positively to annual growth, with substantial contributions from agriculture and construction due to base effects from the drought and low construction activity in 2022. Economic growth is projected to accelerate to 3.1% in 2024 and 3.7% in 2025, mostly on the back of accelerating private consumption growth, helped by lower inflation, and a pick-up of investment. After the substantial positive effect in 2023, the contribution of net exports to growth is expected to be broadly neutral in 2024 and 2025, helped by increased export performance supported by recent foreign direct investment in the tradable sector. The economic expansion is, however, forecast to only gradually approach its pre-pandemic rate of somewhat above 4%. After a sharp decrease in 2023, mainly due to much lower energy imports, the current account deficit is set to remain broadly stable in 2024 and 2025.

Graph II.33.1: **Serbia - Real GDP growth and contributions**



Unemployment to resume its downward trend

In line with subdued employment growth, the unemployment rate is expected to remain broadly unchanged in 2023. It is projected to return to a moderately declining path in 2024 and 2025, in line with some pickup in employment growth reflecting the economic recovery.

Inflation to gradually decelerate

After reaching a peak of 16.2% y-o-y in March, inflation has gradually declined to 10.2% y-o-y in September, helped in particular by decreasing pressure from food prices. Inflation is projected to decelerate further in the remainder of 2023 and throughout 2024, partly due to base effects and tighter financing conditions. After a slight increase in 2023, average annual inflation is expected to return to single digits in 2024 and to return within the central bank's target band in 2025.

High uncertainty and substantial downside risks

Given Russia's continuing war of aggression against Ukraine and the intensification of other geopolitical tensions, the growth outlook is subject to a high level of uncertainty with risks tilted to the downside. Moreover, a more persistent inflation than currently projected could weaken the pickup in purchasing power and thereby dampen consumption and real growth. A protracted slowdown in Serbia's main trading partners, particularly in the EU, could dampen net exports compared to the baseline. On the other hand, increased nearshoring of production could have beneficial effects on foreign direct investment and exports.

Deficit and debt levels on a downward path

After falling to 3.2% of GDP in 2022, the general government deficit is expected to decrease further in 2023. Lower-than-planned capital transfers to state-owned enterprises in the energy sector and more revenue from increased excise duties are projected to be mostly offset by discretionary expenditure measures. These include higher subsidies for agriculture, one-off lump-sum payments to pensioners and families with children, an extraordinary pension increase and additional wage rises in education and health. Supported by the economic recovery and a further decrease in energy-related capital transfers, the deficit is forecast to gradually decrease in 2024 and 2025. Following a decline to 55.6% in 2022, mostly as a result of the high nominal GDP growth, the general government debt-to-GDP ratio is projected to also gradually decline further, mainly due to the denominator effect amid a continued robust increase in nominal GDP.

Graph II.33.2: **Serbia- General government budget balance and gross debt**

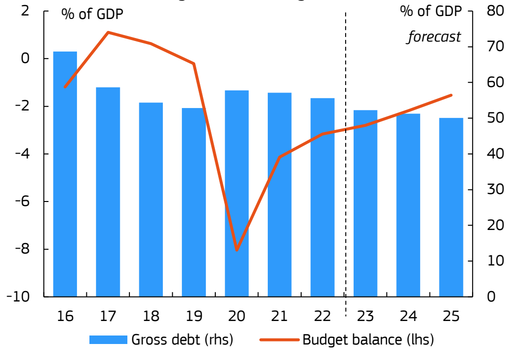


Table II.33.1:

Main features of country forecast - SERBIA

		2022		Annual percentage change						
	bn RSD	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		7097.6	100.0	3.0	-0.9	7.7	2.5	**2.2**	**3.1**	**3.7**
Private Consumption		4845.8	68.3	2.5	-1.9	7.8	4.0	**0.8**	**2.9**	**3.4**
Public Consumption		1148.7	16.2	1.2	2.8	4.1	0.4	**-1.1**	**1.1**	**1.7**
Gross fixed capital formation		1714.5	24.2	5.5	-1.9	15.7	1.9	**3.5**	**4.7**	**4.9**
Exports (goods and services)		4531.2	63.8	8.0	-4.2	20.5	16.6	**3.3**	**6.9**	**7.3**
Imports (goods and services)		5309.8	74.8	6.7	-3.6	18.3	16.1	**1.1**	**6.2**	**6.4**
GNI (GDP deflator)		6695.7	94.3	2.7	1.5	6.8	0.7	**2.4**	**2.9**	**3.4**
Contribution to GDP growth:	Domestic demand			3.3	-1.2	9.3	3.1	**1.2**	**3.2**	**3.7**
	Inventories			0.3	0.3	-1.1	0.4	**-0.3**	**-0.1**	**0.0**
	Net exports			0.8	0.0	-0.5	-1.0	**1.3**	**0.0**	**0.1**
Employment				-0.3	-0.2	2.6	2.3	**0.3**	**0.5**	**0.6**
Unemployment rate (a)				17.9	9.7	11.0	9.4	**9.4**	**9.0**	**8.6**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.2	2.4	5.8	10.4	**13.5**	**5.4**	**3.9**
Consumer price index				6.8	1.6	4.1	11.9	**12.7**	**5.5**	**3.6**
Terms of trade goods				:	1.0	0.1	-3.7	**2.5**	**0.0**	**0.0**
Trade balance (goods) (c)				-14.2	-11.1	-11.3	-15.5	**-11.5**	**-11.7**	**-11.8**
Current-account balance (c)				-7.2	-4.1	-4.3	-6.9	**-3.3**	**-3.5**	**-3.3**
General government balance (c)				-2.6	-8.0	-4.1	-3.2	**-2.8**	**-2.2**	**-1.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				82.1	57.8	57.1	55.6	**52.2**	**51.2**	**50.1**

(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.

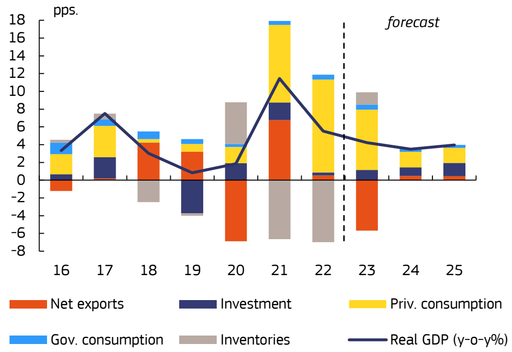
34. TÜRKİYE

Economic activity rebounded strongly in the second quarter as sizeable pre-election stimulus further boosted domestic demand. After the May elections, the authorities have tightened the policy stance when starting to pursue more conventional economic policies. Despite a rebalancing of growth towards net exports, softening domestic demand is projected to still make a positive contribution to economic growth. Inflation is forecast to remain high in the near term and external imbalances to decline only slowly. The budget deficit is expected to increase significantly in 2023 and to remain high next year. Geopolitical risks are acute and policy uncertainty has not dissipated completely, also in view of local elections next year.

Domestic demand driving economic growth in the first half of 2023

Economic activity rebounded strongly in the second quarter as sizeable pre-election stimulus further boosted domestic demand. Household consumption remained the main engine of growth, which was also supported by government consumption and upbeat investment in machinery and equipment. Inventories and import growth increased strongly. As a result of weaker external demand, the decline in Türkiye's exports steepened, leading to a large negative contribution of net exports to GDP growth in the first half of 2023.

Graph II.34.1: **Türkiye - Real GDP growth and contributions**



Tighter fiscal and monetary policy stances to slow down domestic demand and growth

After the May general and presidential elections, the authorities have progressively tightened the monetary policy stance, doubling the policy rate between June and September to 30%. They also signalled a gradual further tightening of monetary conditions and a simplification of the existing micro- and macro-prudential framework. In addition, the government has adopted multiple and sizeable tax increases with a view to reducing the bulging budget deficit and financing earthquake reconstruction expenditure.

High frequency indicators have captured a slowdown in economic sentiment after the elections, with consumer confidence plummeting from a multiyear high to very low levels. The manufacturing PMI has been under 50 since July and weak manufacturing activity brought down industrial production. However, confidence indicators remained relatively upbeat in services, retail trade and the real sector, showing resilience and still robust demand, employment, exports and investment expectations.

Thus, despite an expected further slowdown, domestic demand is projected to preserve its positive contribution to economic growth and to facilitate a 'soft landing', with real GDP growth projected to decline to 3.5-4.0% in the next two years. As external demand recovers, exports are forecast to regain momentum in 2024. Still, the expected rebalancing of growth and the shift to a slightly positive contribution of net exports to growth is seen as mostly driven by the expected sharp moderation in import growth. Tighter financing conditions are set to sap private investments, but earthquake reconstruction efforts are projected to keep total investment up.

The labour market has been relatively upbeat since the beginning of the year, with robust job creation in services and construction, while the unemployment rate fell to its lowest level in nearly a decade. Employment gains are forecast to continue but at a slower pace, with a further decline in the unemployment rate expected in 2025.

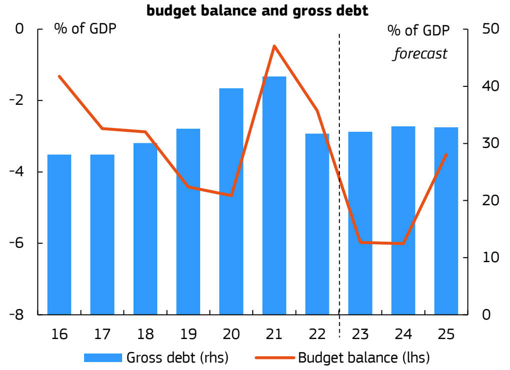
Imbalances abating slowly

Despite the tighter policy stance, inflation is forecast to remain high in the near term due to inflation inertia, high inflation expectations, and the impact of the recent lira depreciation and tax hikes. The gradual correction of excess domestic demand will contribute to the projected moderate inflation reduction and the slow decline of external imbalances.

Backloading fiscal adjustment

The significant pre-election increases in non-discretionary budgetary expenditure and post-earthquake reconstruction spending have been only partially offset by the tax hikes in the summer. Therefore, the 2023 budget deficit is still expected to increase significantly. The deficit is expected to remain large and broadly unchanged in 2024 and to decline only in 2025. Nevertheless, due to the significant snowball effect from high inflation, the government debt-to-GDP ratio is forecast to remain close to its 2022 level, despite the impact of the lira depreciation.

Graph II.34.2: **Türkiye - General government budget balance and gross debt**



Acute geopolitical risks

Geopolitical risks are particularly acute for Türkiye and could derail the forecast scenario via multiple channels. Although domestic policy uncertainty declined, partial policy reversals remain a material risk, also in view of local elections next year. In addition, risks from the unwinding of an overly complex set of regulatory measures are also non-negligible. Tighter global financial conditions continue to be highly relevant in view of Türkiye's reliance on short-term external financing and the still low level of disposable foreign exchange reserves.

Table II.34.1:

Main features of country forecast - TÜRKIYE

		2022		Annual percentage change						
	bn TRY	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		15011.8	100.0	5.3	1.9	11.4	5.5	**4.2**	**3.5**	**4.0**
Private Consumption		8603.0	57.3	4.6	3.2	15.4	18.9	**11.8**	**3.0**	**3.0**
Public Consumption		1749.4	11.7	5.5	2.2	3.0	4.2	**5.0**	**3.0**	**3.0**
Gross fixed capital formation		4377.9	29.2	6.9	7.3	7.2	1.3	**4.0**	**2.8**	**3.6**
Exports (goods and services)		5792.2	38.6	6.3	-14.6	25.1	9.9	**-0.4**	**3.6**	**4.3**
Imports (goods and services)		6392.9	42.6	4.7	6.8	1.7	8.6	**13.0**	**2.0**	**2.6**
GNI (GDP deflator)		14808.8	98.6	5.3	2.2	11.3	5.7	**4.2**	**3.3**	**3.9**
Contribution to GDP growth:	Domestic demand			5.5	4.1	11.2	11.3	**8.5**	**3.1**	**3.5**
	Inventories			-0.4	4.7	-6.6	-7.0	**1.4**	**0.0**	**0.0**
	Net exports			0.5	-6.9	6.8	0.5	**-5.7**	**0.5**	**0.5**
Employment				1.8	-4.5	7.5	6.6	**3.0**	**2.4**	**2.7**
Unemployment rate (a)				10.0	13.2	12.0	10.5	**10.0**	**10.2**	**9.8**
Compensation of employees / head				12.7	14.7	22.4	70.5	**81.6**	**59.6**	**29.1**
Unit labour costs whole economy				9.0	7.5	18.1	72.2	**79.5**	**58.0**	**27.5**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				9.1	14.8	29.0	96.0	**63.7**	**58.6**	**24.3**
Consumer price index				9.4	12.3	19.6	72.3	**55.4**	**53.6**	**22.9**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-1.3	-1.8	-3.6	-9.9	**-8.8**	**-7.1**	**-6.0**
Current-account balance (c)				-4.0	-4.8	-1.6	-5.4	**-4.0**	**-2.9**	**-2.7**
General government balance (c)				-1.9	-4.7	-0.5	-2.3	**-6.0**	**-6.0**	**-3.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				36.6	39.6	41.7	31.7	**32.0**	**33.0**	**32.8**

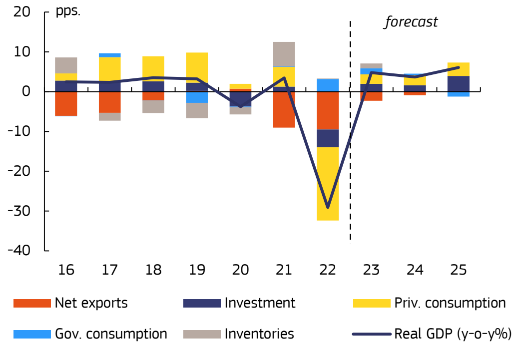
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

35. UKRAINE

Despite the profound challenges posed by Russia's war of aggression, Ukraine's economy has shown remarkable resilience in 2023, thanks to exceptional harvests, government stimulus underpinned by the unwavering support of international partners, as well as to the authorities' commitment to ensure macrofinancial stability. Growth is forecast to reach 3.7% in 2024 and 6.1% in 2025, with private consumption and public investments as key growth drivers. After declining swiftly in 2023, annual inflation is projected to decrease to 7.6% in 2025, supported by an easing of constraints on production and a tight monetary policy. The fiscal deficit is expected to remain elevated in 2024 driven by high defence expenditures. However, higher nominal GDP growth should increase revenues in 2025 and contribute to a narrowing of the deficit. Public debt is forecast to increase steadily throughout the forecast horizon.

Ukraine's economy proves resilient in 2023

Graph II.35.1: **Ukraine - Real GDP growth and contributions**



The Ukrainian economy has surprised on the upside throughout 2023 despite continued disruptions in critical infrastructure and supply chains. This better-than-expected performance underscores the adaptability and resilience of Ukrainian consumers and businesses amidst the challenging war environment, which is reflected in improving confidence indicators. In addition, the continuation of the grain deal until July 2023, the EU's solidarity lanes, and exceptionally good harvests supported economic activity. Helped by the strong inflow of international assistance, a sizeable increase in government spending likely contributed to an expansion of domestic demand, too. All in all, GDP growth is set to reach 4.8% in 2023 – a significant upward revision compared to the Spring Forecast.

The economic outlook hinges upon the evolution of the war

Ukraine's economic outlook largely depends on the course of the war, the inflows of foreign funds and the evolution of exports. Under the assumption that conditions are in place for reconstruction efforts to start from the beginning of 2025, real GDP growth is projected to remain moderate in 2024, at 3.7%, before significantly picking up to 6.1% in 2025. Nevertheless, real GDP is set to remain roughly 20% below pre-war levels at the end of the forecast horizon.

Private consumption will likely become the main growth driver, especially in the short term, as consumers continue to adapt to the war environment and a decrease in inflation provides some support to real incomes. Private investment is expected to remain subdued amid heightened uncertainty, but a surge in public investment to kickstart the reconstruction will likely lead to strong total investment growth, particularly in 2025. On the external side, attacks on transport infrastructure and the phasing out of the grain deal have hindered export growth. However, as supply disruptions ease and Ukraine expands the use of alternative export routes, exports are projected to gradually increase. Despite this, net exports are set to contribute negatively to economic growth due to the surge in domestic demand, which results in higher import growth. The current account is forecast to turn into a deficit in 2023 and worsen throughout the forecast horizon, although capital inflows from abroad will likely soften this decrease given the ongoing grant support and the remittances coming from the large number of displaced people outside Ukraine.

This forecast is subject to very high uncertainty, with risks tilted to the downside. An escalation of the conflict could, apart from causing additional human suffering, add to the already high input costs, supply-chain disruptions and lead to further loss of production capacity. An upside risk is that the conditions for the start of reconstruction efforts come earlier than expected, positively impacting investment and exports.

Mismatches in the labour market to keep the unemployment rate high

The labour market has seen signs of stabilization since the beginning of 2023, amid lower net migration outflows and a partial return of internally displaced persons. Nevertheless, the still high level of displaced people abroad and within Ukraine should continue to put pressure on the labour market and contribute to mismatches across regions and sectors. As a result, despite the projected strengthening of economic growth, the unemployment rate is expected to remain elevated throughout the forecast horizon, although on a decreasing trend. At the same time, regional and sectoral shortages of labour and a projected decline of inflation should lead to some recovery in real wages, particularly in 2025.

Inflation set to decrease largely on account of easing supply bottlenecks

Inflation fell to 7.1% in September 2023, down from 26.6% in December 2022. This was largely driven by falling food prices, following a record harvest thanks to exceptionally good weather. Core inflation also moderated on the back of rapid repairs of the energy infrastructure and a tight – albeit easing – monetary policy. Under the assumption of further easing supply constraints and decelerating global prices, inflation is expected to decline visibly throughout the forecast horizon.

Fiscal deficit to decrease but remain high

After increasing in 2023, the general government deficit is set to remain elevated in 2024 due to, on the expenditure side, high expenditures related to the war effort, and on the revenue side, weak revenue growth coming from a still low GDP increase. In 2025, total expenditure should see some decrease due to lower war-related expenditures, contributing to some narrowing of the fiscal deficit. Public debt is expected to increase to just below 100% of GDP by 2025.

Table II.35.1:

Main features of country forecast - UKRAINE

		2022			Annual percentage change					
		bn UAH Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		5189.6	100.0	:	-3.8	3.4	-29.1	**4.8**	**3.7**	**6.1**
Private Consumption		3404.7	65.6	:	1.7	6.8	-26.7	**3.7**	**4.0**	**5.4**
Public Consumption		1985.6	38.3	:	-0.7	0.8	18.0	**3.9**	**1.0**	**-3.2**
Gross fixed capital formation		597.1	11.5	:	-21.3	9.3	-34.3	**17.0**	**12.0**	**28.0**
Exports (goods and services)		1842.1	35.5	:	-5.8	-8.6	-42.4	**-2.5**	**3.3**	**8.5**
Imports (goods and services)		2715.7	52.3	:	-6.4	14.2	-18.4	**2.7**	**3.8**	**5.5**
GNI (GDP deflator)		5462.3	105.3	:	-2.9	-1.7	-23.2	**2.9**	**2.9**	**5.5**
Contribution to GDP growth:	Domestic demand			2.9	-2.7	6.4	-19.7	**5.9**	**4.6**	**6.1**
	Inventories			-0.7	-1.8	6.1	0.1	**1.2**	**0.0**	**0.0**
	Net exports			-2.2	0.7	-9.1	-9.5	**-2.3**	**-0.9**	**0.0**
Employment				:	-4.0	-2.4	-18.5	**-2.7**	**0.9**	**2.8**
Unemployment rate (a)				8.8	9.5	9.9	18.6	**17.8**	**16.2**	**14.5**
Compensation of employees / head				:	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				:	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				:	-	-	-	**-**	**-**	**-**
GDP deflator				:	10.3	24.8	34.3	**19.4**	**15.6**	**12.1**
Consumer price index				:	2.7	9.4	20.2	**13.5**	**7.7**	**7.6**
Terms of trade goods				:	11.2	23.2	-0.9	**-3.3**	**3.0**	**2.9**
Trade balance (goods) (c)				-7.4	-4.3	-3.3	-12.7	**-14.5**	**-13.5**	**-12.3**
Current-account balance (c)				-2.7	3.3	-1.9	4.1	**-4.3**	**-6.0**	**-6.5**
General government balance (c)				-2.6	-5.2	-3.4	-16.3	**-20.5**	**-19.7**	**-12.0**
Structural budget balance (d)				:	-	-	-	**-**	**-**	**-**
General government gross debt (c)				61.2	60.6	47.7	77.4	**87.0**	**96.2**	**98.3**

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

Other non-EU Countries

36. THE UNITED KINGDOM

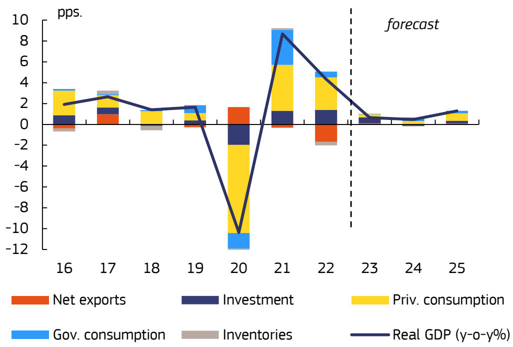
The UK economy is expected to see subdued growth this year and next, as the impact of high interest rates and tighter fiscal policy offsets gains to households from lower energy prices. A modest pick-up is projected into 2025, with growth rising closer to potential, as the drag from the ongoing monetary and fiscal policy tightening fades. Inflation is expected to continue to fall in coming quarters, though remain above the Bank of England's 2% target until 2025.

Soft growth in coming quarters as fiscal and monetary policy bite

The UK economy surprised on the upside in early 2023, growing by 0.3% q-o-q in 2023-Q1 and 0.2% q-o-q in 2023-Q2. The main driver was growth in private consumption, which expanded by 0.7% in 2023-Q1 and 0.4% in 2023-Q2, contributing 0.4pp and 0.2pp to growth respectively. Gross fixed capital formation also rose in both quarters, contributing positively to growth for the first time since the first quarter of 2022.

However, GDP growth is facing headwinds and is expected to be softer in the second half of 2023 and into 2024. Recent PMI data point to weakening activity, with the services PMI at 49.2 and the manufacturing PMI at 45.2 in October. Retail sales volumes fell in September, while consumer confidence retrenched markedly in October. Although the Bank of England paused rate hikes in September, rates are at 5.25%, up from 0.25% in early 2022. Meanwhile, fiscal policy is tightening, with taxes rising and government expenditure projected to fall back further in real terms from pandemic era levels.

Graph II.36.1: **The United Kingdom - Real GDP growth and contributions**



Accordingly, consumption is set to grow only slowly in 2023 and 2024, before picking up in 2025. Households are seeing lower energy prices reducing electricity bills but are also facing a rising tax burden and much tighter credit conditions, and house prices are falling. Some pick-up is expected from mid-2024 as the drag from the current tightening of monetary and fiscal policy eases. While Brexit related uncertainty has dissipated and firms' balance sheets are solid, firms face weak near-term prospects for demand growth, and much higher borrowing costs. Investment is projected to edge down in 2024, then recover only tepidly in 2025. Export and import volumes are both set to fall in 2023, adjusting from anomalous levels in 2022 and to grow only slowly over the rest of the forecast horizon. Overall, GDP in the UK is expected to grow by 0.6% in 2023, 0.5% in 2024, before growing moderately in 2025 by 1.2%, with the protracted weakness reflecting structural impediments to growth such as low public and private investment and skills gaps.

The labour market is softening, but the extent of slack is unclear

The labour market showed rapid employment growth in early 2023 but this has eased in recent months, with employment falling since April, vacancies declining, and the unemployment rate edging up from 3.8% in April to 4.3% in August. However, the extent of slack is unclear due to specific labour market developments and sizeable measurement issues. A rise in long-term illness, a decline in participation, and a pause in international migration in 2020, have slowed growth of the workforce which is almost unchanged from end 2019 levels. The reliability of Labour Force Survey data has however been put in doubt by a sharp fall in response rates, muddying the picture. Unemployment is expected to rise further in 2024 as employment growth remains slow, and then edge down in 2025 as employment growth picks-up.

Inflation to continue to moderate, but with upside risks

Inflation rose to a peak of 11.1% (y-o-y) in October 2022 and has since slowed, at a faltering pace, reaching 6.7% in September 2023. Lower energy prices are set to reduce CPI inflation in coming quarters, but underlying inflation may prove stickier, given the high pace of wage inflation at close to 8%. The Bank of England concluded in early November that recent high wage growth suggested that the unemployment rate consistent with the 2% inflation target had risen to around 4.5%. At the same time, significant uncertainty remains around wage formation processes. Headline inflation is projected to continue easing over the forecast horizon to stand at 2.5% in 2025, still somewhat above the 2% inflation target.

Government deficit expected to fall, though pressures on public finances remain

The public sector deficit is set to narrow through 2023 to 2025, from 3.7% of GDP in 2023 to 2.9% of GDP, due to a combination of tax rises and lower spending. The tax burden is expected to have risen by over 0.5 pps. of GDP during 2023. Government spending plans assume almost no rise in nominal spending in the fiscal years 2023-24 and 2024-25, which will prove challenging given the acute pressures on the public sector, including for higher wages. High bond yields have also significantly pushed up debt interest payments. Government gross debt is projected to edge down slightly over the forecast horizon, from 97.4% of GDP in 2023 to 96.5% in 2024 and 2025.

Risks arise on both demand and supply side, and appear balanced

Persistence in inflation is a major risk factor while uncertainties remain about the extent of slack. On the demand side, private consumption may prove stronger than expected if nominal wages continue to grow at a fast pace, but with a risk of prompting further monetary tightening. Conversely, Investment demand remains low and could pick-up more rapidly than projected in 2024 and 2025 if disinflation occurs in a relatively benign manner and sentiment improves.

Table II.36.1:

Main features of country forecast - UNITED KINGDOM

	2022			Annual percentage change						
bn GBP		Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		2506.2	100.0	1.6	-10.4	8.7	4.3	**0.6**	**0.5**	**1.3**
Private Consumption		1552.4	61.9	1.6	-13.2	7.4	5.2	**0.5**	**0.5**	**1.2**
Public Consumption		525.0	21.0	1.6	-7.9	14.9	2.5	**0.2**	**1.6**	**1.2**
Gross fixed capital formation		459.7	18.3	1.9	-10.8	7.4	7.9	**3.0**	**-0.5**	**1.3**
Exports (goods and services)		833.9	33.3	3.1	-11.5	4.9	8.6	**-1.3**	**0.9**	**1.7**
Imports (goods and services)		901.8	36.0	3.4	-16.0	6.1	14.1	**-1.5**	**1.0**	**1.3**
GNI (GDP deflator)		2518.9	100.5	1.5	-12.2	11.6	4.3	**0.6**	**0.4**	**1.2**
Contribution to GDP growth:	Domestic demand			1.7	-11.9	9.1	5.1	**0.9**	**0.6**	**1.2**
	Inventories			0.0	-0.1	0.2	-0.3	**-0.1**	**0.0**	**0.0**
	Net exports			-0.1	1.7	-0.3	-1.7	**0.1**	**-0.1**	**0.1**
Employment				0.9	-0.9	-0.3	1.0	**-0.2**	**0.1**	**0.6**
Unemployment rate (a)				5.9	4.6	4.5	3.7	**4.3**	**4.7**	**4.6**
Compensation of employees / head				2.9	0.3	4.6	6.1	**6.2**	**4.4**	**2.9**
Unit labour costs whole economy				2.3	11.0	-4.1	2.8	**5.3**	**4.0**	**2.1**
Saving rate of households (b)				8.0	16.7	12.5	8.1	**7.4**	**7.9**	**7.8**
GDP deflator				2.1	5.1	-0.1	5.2	**6.4**	**3.6**	**1.7**
Consumer price index (CPIH) (e)				2.1	1.0	2.5	7.9	**7.3**	**3.6**	**2.5**
Terms of trade goods				0.7	-1.0	-1.5	-1.6	**2.1**	**0.3**	**-0.4**
Trade balance (goods) (c)				-6.3	-6.1	-7.2	-8.8	**-7.2**	**-7.0**	**-7.0**
Current-account balance (c)				-3.5	-2.9	-0.5	-3.1	**-2.1**	**-2.3**	**-2.4**
General government balance (c)				-4.9	-13.0	-7.9	-4.6	**-3.7**	**-2.9**	**-2.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				70.6	105.8	105.3	100.4	**97.4**	**96.5**	**96.5**

(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. (e) CPIH is consumer price index which includes costs of owner-occupied housing

37. THE UNITED STATES

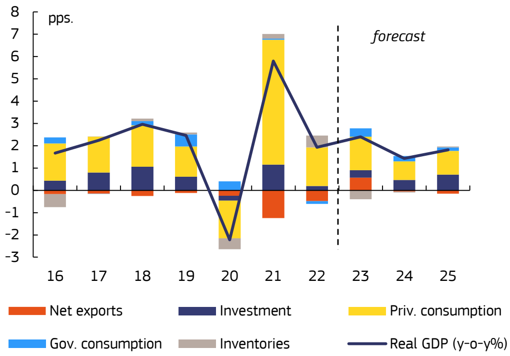
Economic growth in the US has been remarkably robust despite the steep monetary tightening. This reflects healthy household balance sheets, a resilient labour market and government support for investment. After a strong 2023, the pace of economic activity is forecast to slow in 2024, gradually responding to tight financial conditions and high cost of credit, but to rebound in 2025. Disinflation has been gradually progressing and is expected to continue over the forecast horizon. The balance of risks to real activity has improved, but the fiscal outlook is increasingly clouded.

A cyclical slowdown in 2024 to be followed by a return to potential growth in 2025

The US economy continued to expand robustly in 2023, despite the steep tightening of monetary policy since early 2022. A tight labour market with improving employment and participation rates helped sustain solid real income growth, and consumer demand remained solid, despite elevated inflation. While residential investment has contracted as high mortgage rates weighed on housing demand, government industrial policies and support for re-shoring have bolstered non-residential construction investment, especially in the green energy and semiconductor sectors. In view of a buoyant 2023-Q3 outturn, GDP is forecast to increase by 2.4% in 2023, after rising by 1.9% in 2022. With tight credit and financial conditions, and a restrictive monetary policy stance expected to be maintained for most of 2024, output growth is set to slow to 1.4% in 2024, before returning to near-potential of 1.8% in 2025.

Private consumption is expected to grow by around 2.2% in 2023 but then decelerate in 2024 to 1.2%, as the post-COVID pent-up demand fades, a greater share of households have drawn down their savings, consumer credit remains depressed and demand for labour softens. By contrast, total investment is projected to rise by 1.6% in 2023 with growth accelerating to 2.2% in 2024, driven especially by non-residential sector, backed by government policies. A gradual loosening of monetary policy and financial conditions from the second half of 2024 should help private consumption growth to rebound to 1.6% in 2025 and further boost investment by 3.4%. Net exports' contribution to growth is expected to remain broadly neutral in 2024-2025.

Graph II.37.1: **The United States - Real GDP growth and contributions**



Disinflation gradually progresses, despite a relatively tight labour market

The labour market is cooling only gradually with employment continuing to rise, albeit at a slowing rate. The unemployment rate has increased above the post-COVID trough, but at 3.8% in September, remains low. Wage inflation is slowly moderating but remained at a high 4.2% annual in September. Labour demand is forecast to continue to weaken gradually in the coming quarters as growth softens, with the unemployment rate set to increase from 3.7% in 2023 to 4.1% in 2024, before the projected rebound in activity helps to reduce it to 3.9% in 2025.

The Fed increased the federal funds rate range to a 22-year high of 5.25%-5.5% in September 2023 and signalled an intention to keep rates "high for longer". This has led to a surge in yields, with the 10-year yields approaching briefly the 5% mark in October, the highest since 2007. Tight credit and financial conditions have contributed to a contraction in bank lending and an uptick in corporate defaults. Higher household loan delinquency rates and the October resumption of student loan payments, which had remained in forbearance since the pandemic, are expected to weigh on domestic demand in the coming quarters.

Consumer price inflation has been on a steady downward trend since 2022-Q2, despite oil prices recently increasing. Headline inflation is forecast to moderate further in the coming quarters helped by declining housing price inflation, reflecting past house price trends. Inflation in the labour-intensive services sectors may be slower to decline if wage growth remains elevated. Tight monetary conditions and softening labour market, however, are set to pave the way for further disinflation over the forecast horizon. After reaching 4.2% in 2023, consumer price inflation is expected to moderate to 3.0% in 2024 and to 2.2%, close to the Fed target, in 2025.

The fiscal outlook is set to deteriorate

The general government headline deficit fell to 3.8% of GDP in 2022 but is set to reach 8.0% of GDP in 2023, as revenues tumbled (mainly due to lower capital gains tax receipts and dividends paid by the Fed) and interest expenses soared. The deficit is expected to be reduced slightly in 2024-2025, but at 7.5% and 7.4% of GDP, respectively, is projected to remain elevated under the current policies. High deficits and interest expenses have fuelled general government debt, which after having fallen from its 2020 peak, is set to increase from 122.5% of GDP in 2022 to 127.4% of GDP in 2025. A prolonged period of elevated long-term rates and worsening repeated political disagreements about government funding are adding to the risks to the mid-term fiscal outlook.

The balance of risks has improved

Risks to the growth outlook appear more balanced, as the disinflation process has gradually progressed without a major dent in economic activity. Further improvements in the labour participation rate and/or gains in labour productivity would allow the labour market to remain resilient, while reducing the pressure on wages and prices. Continued good financial situation of households, especially at the fragile low-income brackets, could support private consumption. However, more persistent inflation, additional Fed policy interest rate hikes, prolonged tight financial conditions and a high cost of credit could worsen household and corporate balance sheets, depressing demand and weakening employment compared to the current projections. While the banking sector overall remains healthy, banks and nonbanks' balance sheet mismatches persist, especially among some more specialised lenders, and could worsen should financial conditions tighten further.

Table II.37.1:

Main features of country forecast - UNITED STATES

		2022			Annual percentage change					
	bn USD	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		25744.1	100.0	2.0	-2.2	5.8	1.9	**2.4**	**1.4**	**1.8**
Private Consumption		17511.7	68.0	2.1	-2.5	8.4	2.5	**2.2**	**1.2**	**1.6**
Public Consumption		3570.1	13.9	0.8	2.9	0.3	-0.9	**2.7**	**1.7**	**1.1**
Gross fixed capital formation		5476.1	21.3	2.2	-1.0	5.3	0.9	**1.6**	**2.2**	**3.4**
Exports (goods and services)		2995.0	11.6	4.4	-13.1	6.3	7.0	**2.1**	**0.9**	**3.4**
Imports (goods and services)		3966.2	15.4	3.3	-9.0	14.5	8.6	**-2.1**	**1.1**	**3.7**
GNI (GDP deflator)		25926.0	100.7	2.1	-2.5	5.6	1.9	**2.4**	**1.5**	**1.8**
Contribution to GDP growth:	Domestic demand			2.0	-1.5	6.8	1.8	**2.2**	**1.5**	**1.9**
	Inventories			0.0	-0.5	0.2	0.5	**-0.4**	**0.0**	**0.0**
	Net exports			0.0	-0.2	-1.2	-0.5	**0.6**	**-0.1**	**-0.1**
Employment				0.8	-5.8	3.3	3.8	**1.8**	**0.2**	**0.5**
Unemployment rate (a)				6.1	8.1	5.3	3.6	**3.7**	**4.1**	**3.9**
Compensation of employees / head				2.8	7.6	5.0	2.9	**3.9**	**2.9**	**2.6**
Unit labour costs whole economy				1.6	3.7	2.6	4.8	**3.3**	**1.7**	**1.3**
Saving rate of households (b)				11.8	22.1	17.4	11.2	**14.2**	**13.3**	**14.0**
GDP deflator				2.0	1.3	4.6	7.0	**3.7**	**2.6**	**2.1**
Consumer price index				2.1	1.2	4.7	8.0	**4.2**	**3.0**	**2.2**
Terms of trade goods				0.0	-1.3	6.0	4.0	**-0.9**	**0.4**	**0.2**
Trade balance (goods) (c)				-4.8	-4.1	-4.6	-4.7	**-3.9**	**-3.8**	**-3.9**
Current-account balance (c)				-3.3	-2.7	-3.6	-3.8	**-2.9**	**-2.8**	**-2.8**
General government balance (c)				-6.8	-14.7	-11.9	-3.8	**-8.0**	**-7.5**	**-7.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				89.7	130.1	125.5	122.0	**122.5**	**125.0**	**127.4**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
(*) Employment data from the BLS household survey.

38. JAPAN

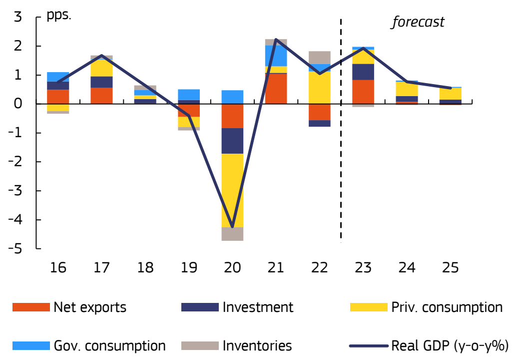
After a very strong first half of 2023, economic activity in Japan is expected to moderate in the remainder of the year amid persistently elevated inflation and soft global demand. Growth is set to decline in 2024 and edge further down towards potential in 2025, reflecting both a cyclical downturn and structural bottlenecks. Headline average annual consumer inflation is set to remain above the central bank target of 2% over the forecast horizon, reflecting rising wage pressure.

Robust growth in the first half of 2023 peters out

Real GDP growth in Japan surprised on the upside, rising by 0.8% quarter-on-quarter and 1.2% quarter-on-quarter in the first and second quarter of 2023, respectively. However, while domestic demand drove growth in the first quarter supported by booming services, growth in the second quarter reflected mainly a strong positive contribution from net exports while both private consumption and investment turned negative on rising costs of living and uncertainty. Lower domestic demand led to declining imports while automotive exports increased.

Economic activity is expected to soften for the remainder of 2023, amid a moderating growth in domestic demand and recovering imports. On the domestic side, a tight labour market and fiscal measures support private consumption growth despite still elevated inflation. Private investment is forecast to rise, backed by investments in new technologies and still accommodative financing conditions, tough elevated uncertainty is projected to limit the scale of the expansion. On the external side, imports are set to increase gradually in the second half of the year, after three quarters of negative growth, while exports are expected to remain subdued as global demand falters. Still, contribution of external trade to growth is forecast to be highly positive reflecting the deep fall in imports in the beginning of the year. Overall, real GDP growth is projected to reach 1.9% in 2023.

Graph II.38.1: **Japan - Real GDP growth and contributions**



Growth prospects are subdued going forward

Going forward, private consumption growth is expected to remain modest as the saving rate remains elevated and the scale of fiscal support gradually declines. A tight labour market and rising inflation expectations are likely to result in a higher nominal wage growth, though its effect on consumption is likely to be tempered by persistently elevated inflation. Private investment growth is likely to be constrained by weak external demand prospects and high uncertainty, despite continued accommodative monetary policy. At the same time, public spending growth is set to remain muted reflecting the limited size of new fiscal measures. Overall, real GDP growth is forecast to moderate to 0.8% in 2024 and to 0.6% in 2025 as the cyclical downturn adds to structural challenges (e.g. a rapidly aging society, declining labour supply, low innovative capacity of the economy) that limit potential growth in Japan.

On the external side, export growth is set to gradually pick up reflecting a positive effect of a weaker currency, the turnaround in the global tech cycle and some increase in global demand. After a robust growth in 2022-2023, on the back of the re-opening of Japan to foreign tourists, services trade, in particular tourism, is likely to moderate within the forecast horizon. Import growth is projected to pick up reflecting a delayed demand from export-oriented manufacturing companies for foreign components. Overall, net exports are set to be broadly neutral to growth over the forecast horizon, while the current account surplus is expected to gradually decline from ca. 3.4% of GDP in 2023 and 2.4% of GDP in 2025, driven by recovering imports.

Risks to the outlook are broadly balanced. On the downside, major risks to growth are related to a more pronounced impact of the slowdown in China on exports and higher and more persistent inflation that would force the Bank of Japan to increase interest rates, clouding the outlook for domestic demand. On the upside, risks include higher fiscal spending that would support consumption and a more robust rise in the number of tourists that would boost exports.

Inflationary pressures persist

After peaking at 4.3% in January 2023, headline inflation subsided to 3% in September 2023 on lower energy prices and special, policy-related factors (e.g. subsidies for gas and electricity). However, core inflation (excluding energy and fresh food) stabilised at around 4.2% in September 2023 reflecting higher pass-through of input costs to goods' prices as the behaviour of Japanese firms (e.g. retailers) seems to have been gradually changing. Going forward, annual headline inflation is expected to increase from 2.5% in 2022 to 3.3% in 2023 reflecting higher utility prices, rising food prices and a depreciating yen pushing up price of imported goods. Annual average inflation is projected to subside very gradually to 2.7% in 2024 and to 2.2% in 2025 as softening domestic demand is partly counterbalanced by rising wage pressures and discontinuation of energy subsidies. Monetary policy is likely to remain accommodative over the forecast horizon. However, the growing divergence between the level of headline interest rates in Japan and globally might result in further yen depreciation and an upward pressure on government bond yields.

Scale of fiscal support is likely to decline

Fiscal deficit is set to amount to around 6.6% of GDP in 2023 reflecting a large package of measures (e.g. electricity, gas and oil subsidies, cash support to families with children) introduced to counterbalance rising costs of living. A new round of fiscal stimulus, which extends the energy subsidies until the end of 2023 and provides support to SMEs, was announced in October 2023, while the government intends to boost military spending over the next 5 years to reach the 2% of GDP target in 2027. Still, the scale of fiscal support is likely to decline within the forecast horizon and the fiscal deficit is expected to fall gradually to 4.1% of GDP in 2025. Public debt is projected to decline from around 258.0% of GDP in 2022 to around 250.4% of GDP in 2025.

Table II.38.1:

Main features of country forecast - JAPAN

		2022		Annual percentage change						
	bn JPY	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		557227.0	100.0	0.7	-4.2	2.2	1.0	**1.9**	**0.8**	**0.6**
Private Consumption		308634.6	55.4	0.5	-4.7	0.4	2.1	**0.9**	**0.9**	**0.7**
Public Consumption		120825.7	21.7	1.3	2.4	3.5	1.2	**0.5**	**0.2**	**0.1**
Gross fixed capital formation		146383.4	26.3	0.2	-3.5	0.2	-0.9	**2.1**	**0.8**	**0.6**
Exports (goods and services)		120233.2	21.6	3.7	-11.6	11.9	5.1	**1.4**	**2.7**	**2.2**
Imports (goods and services)		141481.9	25.4	2.8	-6.8	5.1	8.0	**-2.1**	**2.2**	**2.2**
GNI (GDP deflator)		592279.6	106.3	0.9	-4.5	3.4	2.5	**1.3**	**0.7**	**0.5**
Contribution to GDP growth:	Domestic demand			0.6	-2.9	1.0	1.2	**1.1**	**0.7**	**0.6**
	Inventories			0.0	-0.5	0.2	0.4	**-0.1**	**0.0**	**0.0**
	Net exports			0.2	-0.8	1.0	-0.6	**0.8**	**0.1**	**0.0**
Employment				0.4	-0.5	-0.1	0.2	**-0.1**	**-0.1**	**-0.1**
Unemployment rate (a)				3.9	2.8	2.8	2.6	**2.5**	**2.4**	**2.4**
Compensation of employees / head				0.0	-0.8	2.0	2.3	**3.7**	**3.2**	**2.9**
Unit labour costs whole economy				-0.4	3.0	-0.3	1.4	**1.6**	**2.3**	**2.2**
Saving rate of households (b)				10.3	18.0	15.0	13.9	**14.6**	**14.4**	**13.7**
GDP deflator				-0.3	0.9	-0.2	0.3	**3.6**	**1.9**	**1.6**
Consumer price index				0.3	0.0	-0.2	2.5	**3.3**	**2.7**	**2.2**
Terms of trade goods				-2.2	6.8	-9.1	-13.2	**5.7**	**-2.2**	**-2.0**
Trade balance (goods) (c)				0.7	0.5	0.3	-2.8	**-1.2**	**-1.6**	**-2.0**
Current-account balance (c)				3.0	2.9	3.9	2.1	**3.4**	**2.9**	**2.4**
General government balance (c)				-5.3	-9.1	-6.2	-7.1	**-6.6**	**-5.3**	**-4.1**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				209.1	258.7	255.4	258.0	**252.1**	**251.2**	**250.4**

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

39. CHINA

Following a strong rebound at the beginning of this year, a more pronounced scarring effect from the pandemic materialised. Low confidence among households and private enterprises, amplified by the crisis in the real estate sector, is expected to unwind gradually over the next two years. At the same time, many local governments and state-owned enterprises find themselves financially strained, unable to provide their usual boost to growth through investment spending, while the central authorities focus on maintaining stability. Without implementing a more profound reform agenda, growth is projected to weaken further in 2024 and 2025, undermined by China's structural imbalances, geopolitical uncertainty and weakening demographics, but authorities are likely to support growth 'to the extent needed' to limit the fallout of the slowdown.

Pandemic scarring weakened growth in 2023

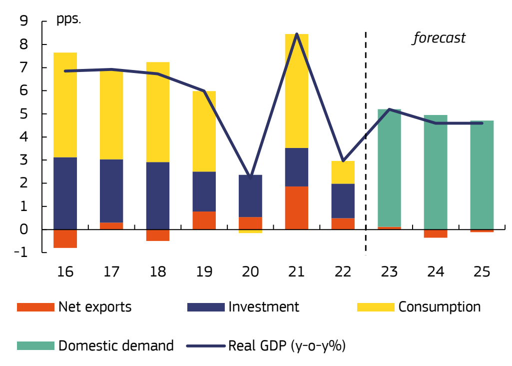
Following the abrupt abandonment of the zero tolerance COVID-19 policy in late 2022, China's economy started recovering rapidly in the first quarter of 2023. GDP exceeded expectations growing by 2.3% q-o-q, driven by recovering private consumption and state-owned enterprise (SOE) investment. However, the rebound was short-lived as pandemic scarring turned out more profound than expected, with households maintaining high precautionary savings. Furthermore, the uncertainty stemming from the ongoing real estate crisis continued to weigh on consumer and investor confidence. Growth weakened in Q2 (0.5% q-o-q), as households, private enterprises, and local governments actively deleveraged, before picking up again in Q3 (1.3% q-o-q).

In 2023, China's economy is set to grow by 5.2%, surpassing the government target of 5%, despite weaker than expected domestic demand and worsening external environment. Household consumption is recovering and is projected to provide the largest contribution to growth as unemployment falls, especially among migrant workers. Still, labour market outcomes remain mixed, as youth unemployment hit an all-time high in June (the series has been discontinued thereafter). Lacklustre construction activity weighs on private sector investment growth (0.6% in the first nine months). Furthermore, local government investment spending, typically directed at infrastructure, remains subdued. Having underpinned growth during the pandemic, the contribution of net exports will likely turn negative in 2023, as import growth recovers.

Structural impediments to growth to become more binding

Growth is set to weaken to 4.6% in 2024 before stabilising in 2025. In both years it is expected to remain well below its pre-pandemic trend. As China's existing growth model based on high investment in real estate and infrastructure, financed by debt, is weakening, new drivers of growth are not sufficiently developed yet.

Graph II.39.1: **China - Real GDP growth and contributions**



Household consumption recovery is projected to continue in 2024 and 2025. The household savings rate is set to gradually decline to its pre-pandemic level. Developments in the real estate market will certainly influence the pace of this adjustment. As real estate accounts for over 70% of total household wealth, movements in price expectations produce a sizeable wealth effect. Household disposable income growth is expected to remain relatively moderate, in line with weaker prospects in the labour market, especially for the youth.

Investment is set to remain subdued in both 2024 and 2025. Some local governments and SOEs are starting to feel harder budget constraints and are accordingly adjusting their business decisions. Without stronger central government intervention, their capacity to boost growth by spending on new investment will be limited. While construction activity is expected to stabilise during the next two years, at a much lower level than before, growth will remain relatively low, in line with weakening fundamentals (e.g., demographics, urbanisation rate). The drop in economic activity during the pandemic left many private companies severely strained financially. Private sector investment is projected to remain subdued while companies repair their balance sheets. However, a positive contribution to investment growth is expected to come from green investments as banks are increasingly being incentivised to boost lending for green projects.

Net exports are not expected to provide a significant contribution to growth over the next two years. Export growth is forecast to remain subdued, as geopolitical considerations and management of trade dependencies become factors weighing on the demand for China's exports. Similarly, structurally weak domestic demand and the policy of pursuing self-sufficiency weighs on import growth. Overall, the current account balance is set to gradually decline to 1% of GDP in 2025 from the pandemic peak of 2.2%.

Authorities are expected to focus on managing risks

The authorities seem less insistent on delivering high growth rates and are focusing on managing existing risks and maintaining macroeconomic but also social stability. The weak fiscal situation at the local government level will limit policy options while the problems in the real estate sector will require more active engagement of the central authorities. So far policy support has largely come in the form of supply side support for businesses. Monetary policy is focusing on providing liquidity while fiscal interventions remain limited and targeted. A conservative fiscal stance is expected to remain in place over the next two years.

High debt is the most pronounced risk to China's economy over the next two years, further amplified by the real estate crisis which could potentially spill over to the financial sector (see also Box I.2.1 on how this process could play out and its relatively limited impact on the EU). At the end of 2023-Q1, total non-financial sector debt stood at 306% of GDP, almost 17 pps. higher than a year ago, and 40 pps. higher than in 2019. Servicing such massive debt, especially of corporates, is becoming increasingly difficult with the projected growth slowdown. Other risks arise from weak investor and consumer confidence, geopolitical uncertainties, and adverse demographics.

Table II.39.1:

Main features of country forecast - CHINA

	2022		Annual percentage change						
bn CNY	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	121020.7	100.0	9.0	2.2	8.5	3.0	**5.2**	**4.6**	**4.6**
Private consumption	44791.0	37.0	-	-	-	-	**-**	**-**	**-**
Public consumption	19372.3	16.0	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation	50795.8	42.0	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	25041.3	20.7	10.5	2.1	17.7	-2.0	**0.5**	**2.1**	**2.3**
Imports (goods and services)	21092.0	17.4	9.7	-1.0	9.3	-5.0	**-0.1**	**4.9**	**3.5**
GNI (GDP deflator)	-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth: Domestic demand			-	-	-	-	**-**	**-**	**-**
Inventories			-	-	-	-	**-**	**-**	**-**
Net exports			-	-	-	-	**-**	**-**	**-**
Employment			-	-	-	-	**-**	**-**	**-**
Unemployment rate (a)			4.1	5.2	5.1	5.5	**-**	**-**	**-**
Compensation of employees/head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Saving rate of households			-	-	-	-	**-**	**-**	**-**
GDP deflator			3.8	0.5	4.5	2.3	**0.1**	**1.4**	**1.4**
Consumer price index (c)			2.7	2.5	0.9	2.0	**-**	**-**	**-**
Terms of trade goods (b)			-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (b)			4.1	3.5	3.2	3.7	**3.5**	**3.3**	**3.0**
Current-account balance (b)			3.8	1.7	2.0	2.2	**1.9**	**1.6**	**1.2**
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.

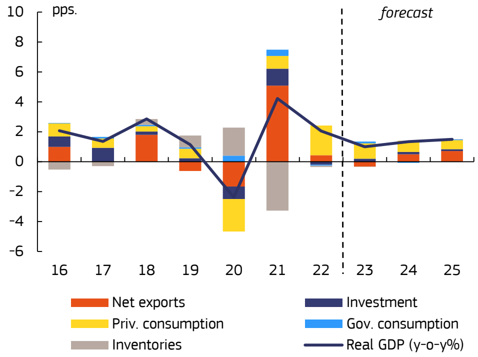
40. EFTA

EFTA countries have so far weathered the currently persistent headwinds well. The economic outlook for most EFTA countries is for moderate growth in 2023 and some acceleration in 2024 and 2025, partly reflecting strengthening external demand. In Iceland, booming tourism is supporting above-average growth. Public finances in EFTA countries are set to remain sound. Due to uncertainties surrounding the global outlook, the risks to the forecast are largely on the downside.

Switzerland

Economic growth remained sluggish in the first half of 2023, in particular due to a weak second quarter, which was also negatively affected by stress to the banking system following the *Crédit Suisse* turbulences. As a result, y-o-y output growth slowed down to 0.5%, compared to 1.5% in the first quarter. When adjusting for sport events, the slowdown was slightly less pronounced, from 1.8% in the first quarter to 1.1% in the second. Key factors behind the slowdown were lower growth of private consumption and investment, reflecting the impact of high inflation on disposable incomes, a deteriorating international environment and increasing interest rates impeding investment. Consumer price increases reached a peak of 3.4% in February, but have come down to 1.7% in September, bringing average inflation to 2.3% in the first 9 months of 2023. The exchange rate against the euro continued to appreciate in the first half of 2023, which helped to contain import-driven inflationary pressures. Tourism performed well so far. The labour market remained resilient.

Graph II.40.1: **Switzerland - Real GDP growth and contributions**



In 2023 as a whole, growth dynamics are likely to decelerate, mainly due to a less supportive international environment and tightening global financial conditions. In 2024 and 2025, output growth is set to accelerate to 1½% and 1¾%, respectively. The main growth driver during the forecast horizon is expected to be private consumption, benefitting from a resilient labour market and moderating inflation. Investment growth is projected to remain subdued, reflecting persistent global uncertainties that are expected to hold back business confidence. Export growth is set to accelerate in 2024, and to strengthen further in 2025. Import growth is projected to remain contained during the forecast horizon, partly reflecting weak investment and moderate consumption growth.

Annual consumer price inflation is forecast to fall to around 2.2% in 2023, mainly thanks to an expected moderation in energy prices and reflecting base effects. Employment growth accelerated to around 2½% during in the first half of 2023, with marked job creations in the areas of health care, trade and tourism. The forecast expects that this strong performance will continue in the second half of the year. However, in 2024 the base effect will contribute to a slight slowdown in employment growth, while in 2025 the moderately stronger output growth will support job creation. Switzerland's general government is expected to realise small surpluses during the forecast horizon, in line with the country's debt brake rule. The gross public debt-to-GDP ratio is set to decline, due to fiscal surpluses and solid output growth.

Besides risks related to the global economic environment, country-specific risks to the outlook mainly stem from the possibility of persistent upward pressure on the Swiss franc.

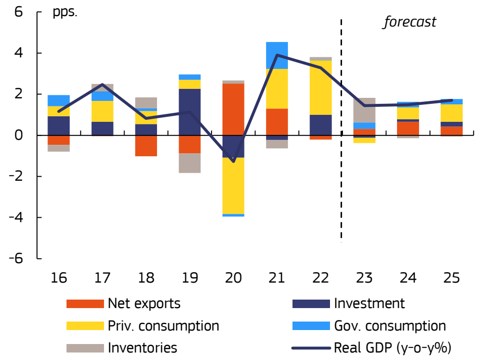
Norway

The Norwegian economy lost steam in the second quarter of 2023, with real GDP growth decelerating markedly to 0.7% year-on-year, compared to 3.3% in the first quarter. The key factor behind the slowdown was the contraction of household consumption due to the impact of high inflation on real disposable incomes as well as depressed consumer confidence. Investment growth further decelerated on a year-on-year basis compared to the preceding quarter, largely affected by the notable decline of housing investment. The external sector posed tailwinds to growth as imports grew at a slower rate than exports, reflecting subdued domestic demand.

Economic growth is projected to moderate further in 2023 compared to 2022. Household consumption is expected to decline due to the inflation-induced drop in real disposable incomes, low consumer sentiment and a slight increase in unemployment. Despite an expected rise in oil-sector investment in line with the initiation of new scheduled projects, higher interest rates and increased uncertainty about the economic outlook are set to curb investment. House prices fell by 1.3% year-on-year in the third quarter of 2023. Residential investment shrank by 13.3% year-on-year in the second quarter of 2023, and it is projected to fall markedly in 2023 due to concurrent headwinds such as higher interest rates and input prices. Net exports are expected to add to growth, also benefitting from still somewhat elevated oil prices.

Output growth is forecast to accelerate marginally in 2024 and 2025 mainly driven by the rebound of private consumption, on the back of higher real disposable incomes. Investment is projected to recover, bolstered by buoyant petroleum-sector investment coupled with the slowdown in the decline of housing investment. On the back of higher external demand, exports are set to grow at a faster pace than imports resulting in net exports adding to growth.

Graph II.40.2: **Norway - Real GDP growth and contributions**



Gradually decelerating global commodity prices supported a moderation of inflation in the second and third quarter of 2023, bringing average inflation in the first nine months of the year to 5.9%, still well above the central bank's target of 2%. On 20 September, the Norges Bank's Executive Board raised the key policy rate by another 25 basis points to 4.25%, after having lifted it by a cumulative 125 bps. in March-August.

To avoid creating any further inflationary pressures, the government's budget proposal for 2024 implies a roughly neutral fiscal effect on the level of economic activity. Policymakers anticipate a structural non-oil fiscal deficit of 10.3% of mainland GDP, with the overall balance remaining firmly in double-digit surplus, and spending of oil revenues equivalent to 2.7% of the sovereign wealth fund's assets.

Domestic risks to the outlook are clearly tilted to the downside. Uncertainties in the property market and sustained increases in households' debt service burden emanating from higher interest rates are likely to constrain domestic demand. A further depreciation of the Krone could fuel inflationary pressures and eat into private consumption. The volatility of energy prices presents both upside and downside risks, while sluggish growth among Norway's main trading partners points to downside risks overall.

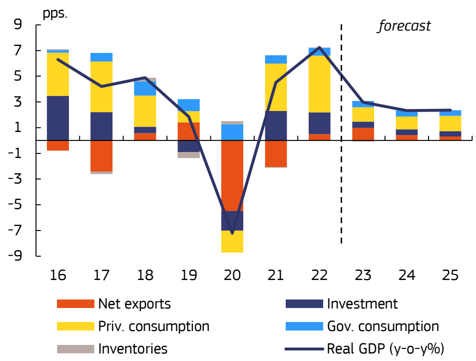
Iceland

Real GDP expanded by 5.8% y-o-y in the first half of 2023 on the back of very strong growth of both, exports and domestic demand. The solid export performance was driven by a large increase in tourist arrivals, while exports of goods remained flat. Private consumption increased rapidly in the first quarter (4.5% y-o-y) supported by a surge in population growth and increasing employment, although it moderated later due to tighter financial conditions.

The outlook is for a slowdown, which has already started in the second half of 2023. High inflation together with tight fiscal and monetary policies are set to restrict private consumption and investment. Weaker external demand is projected to result in a slower growth of services exports.

Economic growth resulted in a tight labour market with the unemployment rate projected to reach 3.4% in 2023. The labour force participation rate stood at 82.3% in August after peaking at a stellar 83.9% in June. Strong demand for labour was met with rapidly increasing inward migration. The labour marked started to show signs of cooling in the third quarter, as the rate of employment declined slightly below 80% in August from a peak of 82% in June. A slower growth of employment is likely to continue in 2024-2025, in line with decelerating GDP growth.

Graph II.40.3: **Iceland - Real GDP growth and contributions**



Strong GDP growth is set to result in higher than planned budget revenues and a substantial reduction of public deficit in 2023. A restrictive fiscal policy is projected to continue, in line with the 2024–2028 medium-term fiscal strategy, aiming to reduce public debt and bring inflation back to the target of 2.5%, while supporting the most vulnerable. Numerical fiscal rules, which were suspended during the pandemic, are set to be reinstated by 2025. The growth of budget revenue should benefit from new taxation of cars and reinstating taxes on hotel accommodation and cruises, which were abandoned during the pandemic. Public spending should moderate on the back of downscaling public investment projects and streamlining public wages and public procurement-related spending.

In response to persistent and widespread domestic price pressures, in August the central bank increased the key interest rate (the rate on seven-day term deposits) to a new record high of 9.25%. In July and August, inflation eased slightly to 7.6% and 7.7% year-on-year respectively but accelerated again to 8.0% y-o-y in September. The key drivers were prices of food and services, including accommodation and restaurants. Inflation is projected to moderate in 2024-2025 due to a stronger Krona, cooling housing market and stabilising commodity (oil, food) prices.

The balance of risks is tilted to the downside. Key risks stem from sluggish growth in main trading partners and the forthcoming wage negotiation round.

Table II.40.1:

Main features of country forecast - EFTA

		Iceland				Norway				Switzerland			
(Annual percentage change)		**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**
GDP		7.2	**3.6**	**2.4**	**2.3**	3.3	**1.4**	**1.5**	**1.7**	2.1	**1.0**	**1.4**	**1.7**
Private Consumption		8.5	**2.4**	**2.1**	**2.2**	6.9	**-0.8**	**1.6**	**2.0**	4.0	**2.0**	**1.5**	**1.2**
Public Consumption		2.2	**2.0**	**1.9**	**1.8**	0.1	**1.7**	**1.3**	**1.2**	-0.5	**1.0**	**-0.5**	**0.5**
Gross fixed capital formation		7.6	**2.2**	**2.0**	**1.9**	4.3	**-0.6**	**0.6**	**1.1**	-0.8	**0.0**	**1.0**	**1.5**
Exports (good and services)		22.3	**8.1**	**3.2**	**3.0**	5.9	**0.7**	**2.8**	**2.9**	5.5	**2.0**	**3.3**	**4.0**
Imports (goods and services)		19.9	**4.9**	**2.4**	**2.3**	9.2	**0.3**	**2.5**	**2.8**	5.9	**2.6**	**3.4**	**3.9**
GNI (GDP deflator)		6.9	**3.6**	**2.4**	**2.3**	3.2	**1.4**	**1.5**	**1.7**	1.6	**2.4**	**1.4**	**1.7**
Contribution to GDP growth:	Domestic demand	6.7	**2.2**	**2.0**	**2.0**	3.7	**-0.1**	**1.0**	**1.2**	1.7	**1.1**	**1.0**	**1.1**
	Inventories	0.0	**-0.1**	**0.0**	**0.0**	0.1	**1.2**	**-0.1**	**-0.1**	-0.1	**0.0**	**0.0**	**0.0**
	Net exports	0.5	**1.5**	**0.4**	**0.3**	-0.2	**0.3**	**0.7**	**0.6**	0.4	**-0.1**	**0.4**	**0.6**
Employment		6.8	**3.0**	**1.7**	**1.4**	3.9	**1.1**	**0.5**	**0.5**	1.5	**2.3**	**1.0**	**1.3**
Unemployment rate (a)		3.8	**3.4**	**3.6**	**3.9**	3.2	**3.6**	**3.8**	**3.8**	4.3	**4.1**	**3.9**	**4.1**
Compensation of employee/head		7.6	**8.3**	**4.6**	**5.2**	4.3	**4.4**	**4.2**	**4.1**	4.0	**0.0**	**1.0**	**1.2**
Unit labour cost whole economy		7.2	**7.7**	**3.9**	**4.3**	4.9	**4.0**	**3.2**	**2.8**	3.4	**1.2**	**0.7**	**0.9**
Saving rate of households (b)		5.9	**6.1**	**5.2**	**5.4**	15.1	**10.3**	**9.8**	**10.5**	:	**:**	**:**	**:**
GDP deflator		8.9	**8.8**	**4.7**	**4.0**	28.1	**-4.2**	**-0.7**	**2.3**	3.0	**2.1**	**2.1**	**2.4**
National index of consumer prices		8.3	**8.7**	**4.9**	**4.3**	5.8	**5.6**	**4.5**	**2.9**	2.8	**2.2**	**1.7**	**2.0**
Terms of trade goods		6.6	**0.0**	**0.1**	**-0.1**	61.1	**-20.6**	**-7.1**	**0.0**	1.5	**0.3**	**0.0**	**-0.1**
Trade balance (goods) (c)		-5.6	**-5.7**	**-5.4**	**-5.5**	28.2	**20.6**	**18.6**	**18.8**	14.7	**14.0**	**14.1**	**14.2**
Current account balance ©		-1.5	**-0.8**	**-1.0**	**-1.2**	28.9	**20.7**	**18.7**	**19.0**	9.2	**9.2**	**9.3**	**9.4**
General government balance (c)		-4.1	**-1.3**	**-1.0**	**-1.0**	26.0	**21.5**	**20.4**	**20.0**	1.2	**0.7**	**0.8**	**1.2**
General government gross debt (c)		68.2	**61.8**	**58.7**	**56.1**	37.4	**36.4**	**35.0**	**32.2**	27.9	**26.3**	**25.0**	**23.0**

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

41. RUSSIAN FEDERATION

Russia's economy is set to rebound in 2023 on the back of stronger-than-earlier expected domestic demand underpinned by fiscal stimulus. Nevertheless, reflecting tight monetary policy, growth is projected to ease again in 2024 due to weakening domestic demand (household spending), production bottlenecks, especially labour shortages, and a deteriorating economy's growth potential. The government budget is expected to remain in a deficit and public debt is forecast to slightly increase.

Domestic demand drives the rebound in 2023

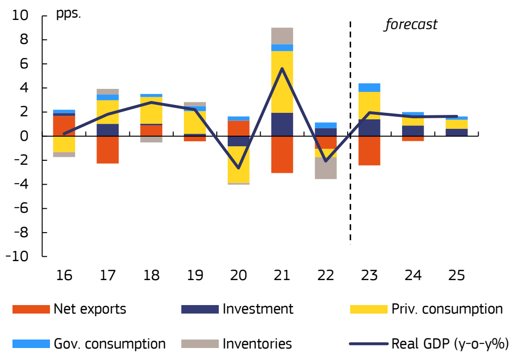
After the 2022 contraction, Russia's economy rebounded strongly in the first half of 2023 amid a significant fiscal stimulus for the war-oriented sectors as the war of aggression against Ukraine continued. The government's social programmes and interest rate subsidies, accompanied by rising real wages on the back of a tight labour market, boosted households' spending. Investment picked up too, supported by increased military production and ongoing efforts to establish new trading routes and supply chains. While Russia stopped publishing trade data, the mirror statistics of Russia's trading partners suggest that exports faltered in the first half of the year, while imports recovered as Russia found ways to circumvent some of the trade sanctions.

Economic activity is expected to cool in the second half of 2023 amid slowing domestic demand growth as the government reins in spending and inflation weighs on households' real income, constraining their purchasing power. Russia succeeded in diverting a large share of its exports, especially commodities, to willing buyers, notably China and India. However, voluntary oil production cuts and difficulties in replacing lost European markets for gas are expected to continue limiting the export recovery in the second half of the year. Overall, real GDP is forecast to grow by 2% in 2023.

War economy is set to lose momentum

Growth in the coming years is expected to continue to be driven by domestic demand but is set to decelerate as capacity bottlenecks kick in. Various surveys suggest that by mid-2023, Russia's capacity utilisation hit historical highs. In addition, companies face labour and skill shortages. The diminishing labour supply due to the pre-war demographic decline has been further aggravated by the war on the back of a partial mobilisation in September 2022 and a large-scale emigration of especially highly skilled people. The unemployment rate fell to a historical low of 3% in July and has remained there since. Although the tight labour market is expected to support wage growth, household consumption is set to decelerate as high interest rates and macroprudential measures are likely to restrain bank lending, which supported household spending in 2023. While public investment projects and further expansion of trading infrastructure towards Asia, are expected to continue, residential construction is projected to slow down amid cooling demand for housing, reflecting tighter monetary policy. The external side is set to contribute negatively given the ongoing dependence of Russia's industries on imports, leading to only a gradual deceleration of imports' growth. The economy's growth is forecast to decline to 1.6% in 2024 and remain broadly unchanged in 2025.

Graph II.41.1: **Russia - Real GDP growth and contributions**



Inflation pressures continue in 2023 before gradually easing

Inflation declined to a three-year low of 2.3% in April, mainly due to base effects, but started accelerating in the following months, fuelled by high wage growth in a tight labour market and the strong recovery of domestic demand (mainly driven by the fiscal expansion). Given the ongoing inflationary pressures and weakening ruble on the back of a shrinking current account surplus, the Central Bank of Russia has hiked its benchmark rate by 750 basis points so far this year to reach 15% in October. Nevertheless, the high (double-digit) growth of producers' prices indicates that inflationary pressures have not yet abated, and consumer inflation is projected to reach 6.0% in 2023. Tight monetary policy and a slowing economy are expected to bring inflation down in the coming years, to 4.6% in 2024 and 4.0% in 2025.

Public finances stabilise, but figures remain in red

After a rapid deterioration at the start of the year, the widening government deficit stabilised in the third quarter, mainly thanks to a slowdown in spending. The revenue downfall due to a plunge in oil and gas prices stopped by September, as strong domestic consumption pulled up non-oil revenues. Nevertheless, the deficit is set to reach 2½% of GDP, exceeding the 2023 target of 2% of GDP, as war-related spending pressures persist. In 2024, defence spending is expected to soar to about 6% of GDP, constituting about one-third of the total budget. Despite this, the budget is set to remain largely under control as the government has proven its ability to address revenue shortfalls through a range of windfall taxes, especially on energy companies. In addition, tax revenues are expected to benefit from rising oil prices, helping the deficit narrow to about 2% of GDP in 2024. Modest GDP growth and conservative fiscal policy are projected to contribute to a further narrowing of the deficit in 2025.

So far, the government has partly covered its financing needs from the National Wealth Fund, which has limited the impact of the latest deficit on public debt. As the government aims to reinstate the temporarily abandoned fiscal rule, which requires saving a part of oil revenues in the Wealth Fund, public debt is set to increase in the coming years, reaching 16% of GDP by 2025.

In the high-uncertainty environment related to war, risks to the growth outlook are tilted to the downside. A faster-than-expected withdrawal of the government's loan support schemes and a stronger pass-through of higher interest rates and other credit growth restricting measures may limit consumption growth. In addition, stronger enforcement of trade sanctions against Russia could limit production in sectors that remain dependent on imports.

Table II.41.1:

Main features of country forecast - RUSSIA

	2022			Annual percentage change						
bn RUB		Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		153435.2	100.0	2.9	-2.7	5.6	-2.1	**2.0**	**1.6**	**1.6**
Private Consumption		74110.5	48.3	4.9	-5.9	9.9	-1.4	**4.7**	**1.5**	**1.5**
Public Consumption		27106.3	17.7	0.9	1.9	2.9	2.8	**4.0**	**2.0**	**1.4**
Gross fixed capital formation		31783.7	20.7	4.3	-4.0	9.1	3.3	**6.8**	**3.8**	**2.5**
Exports (goods and services)		43251.7	28.2	3.7	-4.2	3.3	-13.9	**-3.4**	**1.7**	**2.4**
Imports (goods and services)		23913.2	15.6	5.9	-11.9	19.1	-15.0	**9.4**	**4.6**	**3.0**
GNI (GDP deflator)		150385.5	98.0	2.9	-1.8	5.6	-1.7	**1.9**	**1.6**	**1.7**
Contribution to GDP growth:	Domestic demand			3.6	-3.5	7.5	0.7	**4.4**	**2.0**	**1.6**
	Inventories			-0.1	-0.1	1.4	-1.8	**0.0**	**0.0**	**0.0**
	Net exports			-0.4	1.3	-3.1	-1.1	**-2.4**	**-0.4**	**0.0**
Employment				0.5	-1.9	1.3	0.4	**-0.1**	**0.3**	**0.3**
Unemployment rate (a)				6.2	5.8	4.8	3.9	**3.2**	**3.4**	**3.7**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				10.4	0.9	19.0	15.8	**3.6**	**4.3**	**4.1**
Consumer price index				8.5	3.4	6.7	13.7	**6.0**	**4.6**	**4.0**
Terms of trade goods				1.5	-22.9	35.2	27.1	**-14.7**	**-2.3**	**-1.9**
Trade balance (goods) (c)				10.0	6.2	10.3	13.6	**7.9**	**7.1**	**6.7**
Current-account balance (c)				5.1	2.4	6.7	10.4	**3.9**	**3.1**	**2.7**
General government balance (c)				1.9	-2.8	2.4	-2.2	**-2.5**	**-1.9**	**-1.7**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				12.6	19.2	16.5	14.7	**14.9**	**15.4**	**16.0**

(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.

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Statistical Annex

European Economic Forecast – Autumn 2023

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Prices

Wages, population and labour market

Exchange rates

General Government

Table 1: Gross domestic product, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	1.4	1.5	1.8	-5.3	6.9	3.0	1.4	1.4	1.5	3.2	1.2	1.4
Germany	0.5	2.2	1.7	-3.8	3.2	1.8	-0.3	0.8	1.2	1.8	0.2	1.4
Estonia	0.9	3.5	3.7	-1.0	7.2	-0.5	-2.6	1.9	2.7	-1.3	-0.4	3.1
Ireland	1.2	2.5	9.6	6.6	15.1	9.4	-0.9	3.0	3.4	12.0	5.5	5.0
Greece	0.9	-5.0	0.8	-9.3	8.4	5.6	2.4	2.3	2.2	5.9	2.4	1.9
Spain	1.7	-0.7	2.8	-11.2	6.4	5.8	2.4	1.7	2.0	5.5	1.9	2.0
France	0.8	1.2	1.6	-7.5	6.4	2.5	1.0	1.2	1.4	2.6	0.7	1.4
Croatia	1.7	-0.9	3.1	-8.6	13.8	6.3	2.6	2.5	2.8	6.2	1.6	2.3
Italy	-0.5	-0.5	1.0	-9.0	8.3	3.7	0.7	0.9	1.2	3.7	1.2	1.1
Cyprus	3.2	-1.9	5.4	-3.4	9.9	5.1	2.2	2.6	2.9	5.6	2.3	2.7
Latvia	2.5	1.7	2.8	-3.5	6.7	3.4	-0.2	2.4	3.0	2.8	1.4	2.8
Lithuania	2.4	3.7	3.5	0.0	6.3	2.4	-0.4	2.5	3.4	1.9	0.5	2.7
Luxembourg	2.5	2.4	2.5	-0.9	7.2	1.4	-0.6	1.4	2.0	1.5	1.6	2.4
Malta	2.7	4.6	7.6	-8.1	12.3	6.9	4.0	4.0	4.2	6.9	3.9	4.1
Netherlands	1.5	0.6	2.3	-3.9	6.2	4.3	0.6	1.1	1.7	4.5	1.8	1.2
Austria	1.4	1.2	1.8	-6.6	4.2	4.8	-0.5	1.0	1.3	5.0	0.4	1.6
Portugal	0.4	-0.8	2.6	-8.3	5.7	6.8	2.2	1.3	1.8	6.7	2.4	1.8
Slovakia	5.1	2.8	3.3	-3.3	4.8	1.8	1.3	1.7	2.0	1.7	1.7	2.1
Slovenia	2.4	0.2	3.6	-4.2	8.2	2.5	1.3	2.0	2.7	5.4	1.2	2.2
Finland	0.8	0.6	1.8	-2.4	3.2	1.6	0.1	0.8	1.5	2.1	0.2	1.4
Euro area	0.7	0.8	2.0	-6.1	5.9	3.4	0.6	1.2	1.6	3.5	1.1	1.6
Bulgaria	4.6	1.0	3.2	-4.0	7.7	3.9	2.0	1.8	2.6	3.4	1.5	2.4
Czechia	3.3	1.1	3.9	-5.5	3.6	2.4	-0.4	1.4	3.0	2.5	0.2	2.6
Denmark	0.3	1.2	2.4	-2.4	6.8	2.7	1.2	1.4	1.6	3.8	0.3	1.5
Hungary	0.5	1.5	4.1	-4.5	7.1	4.6	-0.7	2.4	3.6	4.6	0.5	2.8
Poland	4.7	2.8	4.6	-2.0	6.9	5.3	0.4	2.7	3.2	5.1	0.7	2.7
Romania	4.6	1.3	4.8	-3.7	5.7	4.6	2.2	3.1	3.4	4.7	3.2	3.5
Sweden	1.2	2.5	2.6	-2.2	6.1	2.8	-0.5	-0.2	1.3	2.6	-0.5	1.1
EU	0.9	1.0	2.2	-5.6	6.0	3.4	0.6	1.3	1.7	3.5	1.0	1.7
United Kingdom	0.5	2.0	2.0	-10.4	8.7	4.3	0.6	0.5	1.3	4.1	-0.2	1.0
Japan	-0.5	1.5	0.8	-4.2	2.2	1.0	1.9	0.8	0.6	1.0	1.1	1.0
United States	1.1	2.1	2.4	-2.2	5.8	1.9	2.4	1.4	1.8	2.1	1.4	1.0

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2023-25) 31.10.2023

	2023/1	2023/2	2023/3	2023/4	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4
Belgium	0.4	0.3	0.5	0.2	0.3	0.5	0.5	0.4	0.4	0.4	0.3	0.2
Germany	0.0	0.1	-0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3
Estonia	-0.7	-0.2	-0.2	-0.2	0.8	0.9	0.9	0.9	0.5	0.6	0.5	0.5
Ireland	-2.6	0.5	-1.8	:	:	:	:	:	:	:	:	:
Greece	0.0	1.3	:	:	:	:	:	:	:	:	:	:
Spain	0.6	0.4	0.3	0.2	0.4	0.4	0.5	0.6	0.4	0.5	0.6	0.5
France	0.1	0.6	0.1	0.5	0.2	0.2	0.2	0.4	0.4	0.3	0.3	0.3
Croatia	0.9	1.6	0.1	0.9	0.6	0.5	0.5	0.6	0.8	0.9	0.7	0.5
Italy	0.6	-0.4	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Cyprus	1.1	-0.4	:	:	:	:	:	:	:	:	:	:
Latvia	-0.4	-0.3	0.6	0.2	0.8	0.9	0.9	0.9	0.6	0.6	0.6	0.8
Lithuania	-1.9	2.4	-0.1	0.9	0.3	0.3	0.4	0.5	1.0	1.1	1.1	1.1
Luxembourg	0.6	-0.1	1.0	0.5	0.3	0.1	0.1	0.2	0.5	0.9	0.6	1.0
Malta	0.6	1.1	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.4	-0.2	0.0	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Austria	0.1	-0.8	-0.6	-0.3	0.8	0.8	0.6	0.3	0.3	0.3	0.2	0.2
Portugal	1.5	0.0	-0.2	0.2	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Slovakia	0.2	0.5	0.7	0.6	0.4	0.3	0.3	0.4	0.5	0.6	0.7	0.7
Slovenia	0.2	1.1	-0.3	0.1	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.6
Finland	0.3	0.6	-0.3	-0.2	0.3	0.3	0.5	0.5	0.3	0.3	0.3	0.2
Euro area	0.0	0.2	-0.1	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Bulgaria	0.4	0.5	0.3	0.0	0.5	0.5	0.7	0.8	0.6	0.5	0.6	0.6
Czechia	0.1	0.0	-0.3	0.4	0.3	0.5	0.7	0.8	0.8	0.8	0.8	0.8
Denmark	0.8	-0.3	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Hungary	-0.3	-0.2	1.1	0.4	0.5	0.7	0.8	0.9	0.9	0.9	0.8	0.8
Poland	1.3	-1.4	:	:	:	:	:	:	:	:	:	:
Romania	-1.0	1.7	:	:	:	:	:	:	:	:	:	:
Sweden	0.4	-0.9	0.0	-0.5	-0.1	0.2	0.4	0.4	0.3	0.3	0.3	0.3
EU	0.1	0.0	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3
United Kingdom	:	:	:	:	:	:	:	:	:	:	:	:
Japan	0.8	1.2	0.0	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1
United States	0.6	0.5	1.2	0.3	0.2	0.2	0.2	0.3	0.6	0.6	0.5	0.5

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, 2023-25) 31.10.2023

	2023/1	2023/2	2023/3	2023/4	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4
Belgium	1.7	1.3	1.4	1.4	1.2	1.3	1.4	1.6	1.7	1.6	1.4	1.2
Germany	-0.2	0.1	-0.4	0.1	0.4	0.6	1.1	1.4	1.5	1.5	1.3	1.2
Estonia	-3.8	-3.0	-2.5	-1.3	0.2	1.4	2.5	3.6	3.2	2.9	2.5	2.1
Ireland	1.0	-0.7	-4.7	:	:	:	:	:	:	:	:	:
Greece	2.0	2.7	:	:	:	:	:	:	:	:	:	:
Spain	4.1	2.0	1.8	1.6	1.4	1.4	1.7	2.1	2.1	2.1	2.1	2.0
France	1.0	1.1	0.7	1.2	1.4	1.0	1.2	1.1	1.3	1.4	1.5	1.4
Croatia	1.6	2.3	2.9	3.5	3.2	2.1	2.5	2.2	2.5	2.9	3.0	2.9
Italy	2.1	0.3	0.0	0.5	0.2	0.9	1.2	1.3	1.3	1.3	1.3	1.4
Cyprus	3.3	2.3	:	:	:	:	:	:	:	:	:	:
Latvia	-0.4	-0.8	0.6	0.0	1.3	2.5	2.8	3.6	3.4	3.1	2.8	2.6
Lithuania	-2.3	0.7	0.0	1.4	3.6	1.4	1.9	1.5	2.2	3.1	3.8	4.4
Luxembourg	-1.7	-1.7	-0.6	2.0	1.7	1.9	1.0	0.7	0.9	1.7	2.2	3.0
Malta	5.0	3.9	:	:	:	:	:	:	:	:	:	:
Netherlands	2.1	0.0	0.3	-0.4	0.4	1.1	1.5	1.7	1.8	1.8	1.7	1.7
Austria	1.6	-1.1	-1.2	-1.5	-0.8	0.7	1.8	2.5	2.0	1.4	1.1	0.9
Portugal	2.5	2.5	1.9	1.6	0.7	1.0	1.6	1.8	1.7	1.7	1.8	1.9
Slovakia	0.9	1.2	1.6	2.0	2.1	2.0	1.6	1.3	1.5	1.7	2.2	2.5
Slovenia	1.0	1.6	1.7	1.1	1.6	1.2	2.3	2.8	2.9	2.7	2.6	2.5
Finland	0.0	-0.1	0.1	0.5	0.5	0.2	1.0	1.7	1.7	1.6	1.4	1.1
Euro area	1.2	0.5	0.1	0.6	0.7	0.9	1.2	1.4	1.5	1.5	1.5	1.4
Bulgaria	2.5	2.1	1.9	1.3	1.4	1.4	1.8	2.6	2.7	2.7	2.5	2.4
Czechia	-0.4	-0.6	-0.6	0.1	0.4	0.9	1.9	2.3	2.7	3.1	3.2	3.2
Denmark	2.3	0.9	1.3	0.9	0.4	1.2	1.5	1.7	1.7	1.7	1.6	1.6
Hungary	-1.2	-2.3	-0.3	1.0	1.8	2.7	2.4	2.9	3.4	3.7	3.7	3.5
Poland	-1.2	-1.1	:	:	:	:	:	:	:	:	:	:
Romania	1.2	2.6	:	:	:	:	:	:	:	:	:	:
Sweden	0.8	-0.8	-1.3	-1.0	-1.4	-0.4	0.0	0.9	1.3	1.4	1.3	1.2
EU	1.1	0.4	0.1	0.5	0.6	0.8	1.2	1.4	1.5	1.5	1.4	1.4
United Kingdom	:	:	:	:	:	:	:	:	:	:	:	:
Japan	1.6	1.5	1.7	1.7	1.1	0.3	0.5	0.6	0.6	0.5	0.4	0.3
United States	1.0	1.4	1.8	1.5	1.3	1.1	0.5	0.5	0.7	1.0	1.2	1.3

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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.7	0.7	1.3	-5.7	6.4	2.2	**0.8**	**1.0**	**1.2**	*2.4*	*0.6*	*1.0*
Germany	0.7	2.1	1.2	-3.9	3.1	1.1	**-1.1**	**0.6**	**1.1**	*1.1*	*-0.6*	*1.1*
Estonia	1.4	3.8	3.6	-1.3	7.2	-0.6	**-4.5**	**1.8**	**2.3**	*-1.4*	*-2.3*	*3.0*
Ireland	-1.0	2.0	8.4	5.5	14.2	7.4	**-2.7**	**1.7**	**2.3**	*9.9*	*3.8*	*4.1*
Greece	0.6	-4.7	1.1	-9.1	9.0	6.3	**3.1**	**2.7**	**2.6**	*6.5*	*3.0*	*2.3*
Spain	0.1	-0.8	2.5	-11.6	6.5	5.1	**1.6**	**0.9**	**1.2**	*4.8*	*1.3*	*1.2*
France	0.1	0.7	1.2	-7.9	6.1	2.1	**0.7**	**0.9**	**1.0**	*2.2*	*0.4*	*1.1*
Croatia	1.7	-0.6	4.0	-8.1	16.4	7.7	**2.8**	**3.0**	**3.5**	*7.6*	*1.8*	*2.8*
Italy	-1.0	-0.7	1.2	-8.5	8.9	4.1	**0.6**	**0.9**	**1.3**	*4.0*	*1.2*	*1.2*
Cyprus	1.1	-2.9	4.7	-4.5	8.9	3.6	**0.5**	**1.4**	**1.9**	*4.2*	*1.0*	*1.7*
Latvia	3.6	3.2	3.7	-2.9	7.7	3.2	**-0.6**	**2.6**	**3.2**	*2.6*	*1.9*	*3.5*
Lithuania	3.7	5.3	4.5	-0.1	5.8	1.6	**-2.4**	**2.2**	**3.8**	*1.0*	*0.2*	*3.1*
Luxembourg	0.8	0.2	0.3	-2.5	5.6	-0.6	**-2.3**	**-0.2**	**0.4**	*-0.7*	*-0.9*	*0.4*
Malta	2.1	3.5	4.5	-10.1	11.7	4.5	**1.3**	**1.8**	**1.9**	*4.4*	*2.1*	*2.2*
Netherlands	1.2	0.2	1.7	-4.4	5.6	3.3	**-0.4**	**0.5**	**1.1**	*3.5*	*1.0*	*0.5*
Austria	1.0	0.7	1.0	-7.0	3.8	3.6	**-0.8**	**0.8**	**1.1**	*3.8*	*0.1*	*1.4*
Portugal	0.2	-0.5	2.8	-8.4	5.8	6.8	**2.1**	**1.2**	**1.7**	*6.8*	*2.3*	*1.7*
Slovakia	4.9	2.8	3.2	-3.5	5.2	0.9	**0.8**	**1.7**	**2.0**	*0.6*	*1.3*	*2.1*
Slovenia	1.9	0.0	3.4	-4.9	8.0	2.4	**0.9**	**1.7**	**2.6**	*5.3*	*1.0*	*2.0*
Finland	0.4	0.1	1.6	-2.5	3.0	1.3	**-0.2**	**0.7**	**1.2**	*1.8*	*-0.2*	*1.2*
Euro area	0.3	0.6	1.7	-6.2	5.9	3.0	**0.1**	**0.9**	**1.3**	*3.0*	*0.6*	*1.3*
Bulgaria	5.1	1.9	3.9	-3.4	8.5	10.6	**1.5**	**2.4**	**3.4**	*4.2*	*1.0*	*3.0*
Czechia	2.7	1.1	3.6	-5.8	3.6	2.4	**-0.6**	**1.2**	**2.8**	*2.5*	*-0.1*	*2.5*
Denmark	-0.1	0.8	1.8	-2.6	6.4	1.8	**0.7**	**1.0**	**1.2**	*2.9*	*-0.3*	*1.1*
Hungary	0.7	1.8	4.3	-4.3	7.5	4.8	**0.1**	**2.7**	**3.9**	*4.9*	*0.7*	*3.2*
Poland	4.6	2.8	4.6	-1.9	7.5	6.2	**-1.6**	**2.9**	**3.7**	*6.1*	*-1.5*	*3.8*
Romania	5.7	1.8	5.4	-3.2	6.6	5.0	**2.5**	**3.4**	**3.8**	*5.2*	*3.2*	*3.9*
Sweden	0.5	1.6	1.4	-2.9	5.5	2.1	**-1.0**	**-0.7**	**0.8**	*1.9*	*-1.2*	*0.4*
EU	0.6	0.8	2.0	-5.7	6.1	3.3	**0.0**	**1.1**	**1.6**	*3.3*	*0.4*	*1.6*
United Kingdom	-0.2	1.2	1.3	-10.7	8.8	3.2	**0.2**	**0.1**	**0.9**	*3.4*	*-0.6*	*0.6*
Japan	-0.5	1.7	1.0	-4.0	2.4	1.5	**2.5**	**1.3**	**1.1**	*1.5*	*1.6*	*1.5*
United States	0.2	1.3	1.7	-2.6	5.6	1.6	**1.9**	**0.9**	**1.3**	*1.7*	*0.9*	*0.5*

Table 5: Domestic demand, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.8	1.4	2.0	-6.2	6.1	3.0	2.1	1.6	1.5	3.2	1.5	1.5
Germany	0.5	1.6	2.0	-3.1	2.5	3.2	-0.6	0.8	1.1	3.1	-0.4	1.4
Estonia	0.0	4.4	4.1	3.4	9.7	0.9	-5.5	2.3	2.8	1.1	0.4	3.4
Ireland	1.4	1.1	14.4	-10.7	-16.7	8.3	0.6	2.2	2.5	14.5	2.3	2.5
Greece	1.1	-6.4	0.9	-3.7	7.2	6.0	1.2	1.8	2.0	8.2	1.8	1.4
Spain	1.4	-1.9	2.8	-9.2	6.7	2.9	1.7	1.9	2.1	3.1	1.4	2.3
France	1.1	1.2	1.8	-6.6	6.6	3.2	0.6	1.4	1.3	3.2	0.6	1.4
Croatia	1.6	-1.9	3.5	-3.1	8.0	6.6	-0.8	1.9	2.3	6.3	1.6	2.1
Italy	-0.3	-1.4	1.2	-8.4	8.4	4.3	1.0	0.7	1.3	4.3	0.7	0.8
Cyprus	3.9	-3.2	5.8	-2.8	5.0	8.9	4.3	2.3	2.3	9.8	1.7	2.0
Latvia	0.6	1.9	3.2	-4.4	10.3	4.1	1.2	3.2	3.2	4.6	1.1	2.6
Lithuania	1.2	2.8	3.3	-3.5	7.2	2.2	-1.9	2.9	3.4	1.7	0.6	2.7
Luxembourg	1.4	3.9	2.6	-4.0	10.9	-1.0	1.6	2.3	2.5	2.0	1.3	2.3
Malta	1.6	2.2	6.9	-3.6	8.4	12.9	-2.9	3.6	4.0	13.0	1.5	3.7
Netherlands	1.6	-0.5	2.7	-4.2	4.6	3.8	1.5	1.2	1.6	4.0	1.9	1.3
Austria	1.3	0.8	1.7	-6.1	6.7	2.7	-1.2	0.8	1.1	2.1	0.6	1.4
Portugal	0.4	-2.2	2.8	-5.4	5.9	4.4	0.9	1.8	2.1	4.5	1.4	1.9
Slovakia	3.9	1.0	3.8	-5.0	5.8	2.9	-3.6	2.2	1.9	3.3	2.5	1.5
Slovenia	1.8	-1.4	3.5	-4.3	10.1	3.7	-1.8	2.3	2.8	8.0	1.3	2.3
Finland	1.1	1.1	1.7	-1.7	3.0	3.2	-2.0	0.5	1.1	4.9	-1.1	0.8
Euro area	0.8	0.1	2.3	-5.8	4.9	3.5	0.4	1.2	1.5	3.8	0.6	1.5
Bulgaria	5.1	-0.2	3.4	0.1	7.4	5.8	-0.9	2.4	3.0	4.6	1.7	2.2
Czechia	2.2	0.5	3.9	-5.5	7.7	1.5	-2.7	0.7	3.1	2.4	-0.2	2.4
Denmark	0.7	1.1	2.3	-0.3	7.4	-0.3	-1.7	1.4	1.6	1.0	-1.1	1.0
Hungary	-1.4	0.8	4.7	-2.6	6.3	3.7	-6.6	2.4	4.8	3.9	-0.7	2.0
Poland	4.7	2.4	4.2	-2.7	8.5	5.2	-2.7	2.7	3.0	5.1	-0.8	2.3
Romania	6.6	0.4	6.1	-2.1	6.9	5.0	2.5	3.6	4.0	5.2	3.7	3.8
Sweden	1.6	2.7	2.4	-2.3	6.1	3.6	-1.4	-0.1	1.0	3.4	-2.1	0.5
EU	1.0	0.3	2.4	-5.3	5.2	3.5	0.0	1.3	1.7	3.8	0.5	1.5
United Kingdom	0.3	2.4	2.1	-11.9	9.3	4.7	0.8	0.6	1.2	4.3	-0.9	0.6
Japan	-0.7	1.6	0.6	-3.4	1.2	1.6	1.0	0.7	0.6	1.6	1.1	0.8
United States	0.6	2.2	2.6	-1.9	6.8	2.2	1.7	1.4	1.9	2.4	0.7	0.8

Table 6: Final demand, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.5	2.5	2.8	-6.2	9.5	3.9	1.0	1.4	2.2	4.1	1.4	2.0
Germany	1.1	3.0	2.5	-5.1	4.7	3.2	-0.6	1.1	1.7	3.0	0.3	2.0
Estonia	1.3	7.3	3.7	-0.4	14.8	1.9	-4.6	2.5	3.4	2.8	0.6	3.2
Ireland	2.7	3.3	14.4	2.0	3.1	12.2	-0.9	3.1	3.6	14.8	5.3	4.6
Greece	1.0	-4.6	2.0	-8.7	11.1	6.1	2.6	2.8	2.5	7.3	3.3	2.6
Spain	1.2	-0.3	3.1	-12.1	8.3	6.1	1.7	2.2	2.5	6.1	2.2	2.6
France	1.0	1.9	2.1	-9.0	7.1	4.1	0.8	1.6	1.7	4.1	1.5	2.0
Croatia	1.2	-0.4	4.6	-9.8	14.9	13.3	-0.7	2.4	2.9	12.7	2.1	2.7
Italy	-0.5	-0.3	1.6	-9.7	9.7	5.7	0.9	1.2	1.9	5.6	1.1	1.4
Cyprus	2.9	-0.7	6.9	-0.6	12.4	11.2	1.8	2.6	2.9	11.6	2.2	2.8
Latvia	2.0	4.0	3.4	-2.6	9.8	6.5	-0.6	2.6	3.1	6.3	1.6	2.6
Lithuania	2.8	5.3	5.1	-1.8	11.6	6.7	-3.0	3.1	5.0	6.4	1.2	3.7
Luxembourg	2.5	5.2	3.6	-0.6	10.4	-0.7	-0.6	2.6	3.0	0.0	2.3	3.3
Malta	6.5	3.7	9.0	-2.4	7.8	8.8	0.9	3.8	3.8	8.6	2.9	3.3
Netherlands	1.8	1.9	3.5	-4.3	6.2	4.1	0.9	1.2	1.7	4.3	2.9	1.5
Austria	1.4	2.1	2.6	-7.7	7.5	5.7	-0.5	1.5	1.9	5.4	1.0	1.8
Portugal	0.6	-0.2	3.6	-9.4	7.6	8.1	2.3	1.8	2.1	8.0	2.7	2.3
Slovakia	5.0	4.7	4.0	-5.6	7.9	2.9	-2.5	3.9	3.1	2.8	2.9	3.6
Slovenia	2.9	1.3	4.9	-6.3	12.1	5.3	-1.3	2.6	3.4	7.3	2.0	3.1
Finland	1.3	1.2	2.4	-3.4	3.7	3.3	-1.4	1.1	1.8	4.0	-0.3	1.6
Euro area	1.0	1.6	2.9	-6.9	6.9	4.8	0.3	1.6	2.0	4.9	1.5	2.1
Bulgaria	5.1	2.4	4.1	-4.1	8.7	8.0	-0.9	3.0	2.9	6.0	2.1	2.6
Czechia	4.1	3.3	4.2	-6.6	7.3	4.0	-0.4	1.3	3.6	3.8	2.0	3.3
Denmark	1.5	1.8	2.9	-2.5	7.5	4.0	2.3	1.7	1.7	4.0	-0.2	1.2
Hungary	2.5	3.0	5.2	-4.2	7.2	7.7	-3.3	3.0	4.9	7.5	1.3	3.1
Poland	5.3	3.7	5.3	-2.1	9.9	5.8	-2.3	2.7	3.7	5.5	0.4	2.8
Romania	7.2	3.0	6.6	-4.1	8.4	6.3	2.1	3.3	3.9	6.4	3.8	4.1
Sweden	1.4	3.2	3.1	-3.3	7.7	4.7	-0.4	0.0	1.7	4.4	-0.7	1.2
EU	1.3	1.8	3.1	-6.4	7.1	4.9	0.2	1.6	2.2	4.9	1.4	2.2
United Kingdom	0.7	2.6	2.3	-11.8	8.1	5.6	0.3	0.6	1.3	5.6	-1.7	0.5
Japan	-0.6	2.2	0.9	-4.6	2.6	2.1	1.1	1.0	0.9	2.1	1.7	1.2
United States	0.9	2.6	2.5	-3.1	6.8	2.7	1.8	1.4	2.0	2.8	1.0	1.0

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.5	1.5	1.7	-8.2	6.3	3.2	**1.4**	**1.9**	**1.7**	*4.1*	*2.6*	*1.7*
Germany	0.4	1.1	1.8	-5.9	1.5	3.9	**-0.7**	**0.6**	**0.9**	*4.3*	*0.0*	*1.8*
Estonia	2.0	2.7	4.3	-1.3	9.1	2.0	**-1.9**	**3.1**	**2.7**	*2.3*	*0.3*	*4.2*
Ireland	2.9	0.3	3.4	-10.8	8.5	9.4	**3.2**	**3.0**	**2.9**	*6.6*	*4.1*	*3.9*
Greece	2.4	-5.3	1.0	-7.4	5.8	7.4	**2.8**	**1.9**	**1.7**	*7.8*	*1.6*	*1.4*
Spain	1.4	-1.3	2.3	-12.3	7.1	4.7	**1.5**	**2.0**	**2.2**	*4.4*	*0.9*	*2.3*
France	1.6	0.7	1.5	-6.7	5.3	2.9	**0.8**	**1.4**	**1.5**	*2.9*	*0.1*	*1.5*
Croatia	0.9	-1.4	2.8	-5.2	10.6	6.7	**3.7**	**2.8**	**2.9**	*5.1*	*1.2*	*1.8*
Italy	0.2	-1.0	1.2	-10.4	5.3	5.0	**1.3**	**1.0**	**1.3**	*4.6*	*0.1*	*1.2*
Cyprus	3.7	-1.2	4.4	-6.8	5.6	8.5	**4.1**	**2.0**	**2.2**	*7.7*	*1.9*	*2.2*
Latvia	2.4	2.9	2.3	-4.3	7.3	6.0	**-1.7**	**2.9**	**3.0**	*8.1*	*3.0*	*2.8*
Lithuania	3.3	2.4	3.6	-3.3	8.1	2.0	**-1.3**	**3.4**	**4.6**	*0.5*	*0.1*	*3.1*
Luxembourg	2.1	2.2	2.9	-8.5	11.4	2.3	**2.0**	**1.9**	**2.1**	*2.8*	*2.4*	*2.7*
Malta	1.8	2.4	4.9	-10.6	8.3	9.5	**5.4**	**3.8**	**4.5**	*10.1*	*3.8*	*4.0*
Netherlands	0.3	-0.3	1.7	-6.4	4.3	6.6	**0.3**	**0.6**	**1.6**	*6.5*	*2.1*	*1.2*
Austria	1.4	0.6	1.1	-8.5	4.2	5.7	**-0.3**	**1.1**	**1.5**	*4.1*	*1.4*	*2.1*
Portugal	0.9	-1.1	2.5	-7.0	4.7	5.6	**0.9**	**1.1**	**1.7**	*5.8*	*0.5*	*1.5*
Slovakia	5.1	0.0	3.6	-1.1	2.6	5.5	**-1.6**	**1.5**	**1.8**	*5.5*	*0.6*	*0.8*
Slovenia	2.9	-0.6	3.5	-6.5	10.3	3.6	**-0.4**	**1.7**	**2.0**	*8.9*	*1.7*	*1.9*
Finland	1.9	1.3	1.4	-3.8	3.5	1.7	**-0.1**	**0.8**	**1.1**	*2.1*	*0.1*	*1.2*
Euro area	1.0	0.0	1.7	-7.8	4.4	4.3	**0.6**	**1.2**	**1.5**	*4.3*	*0.6*	*1.7*
Bulgaria	5.2	1.1	3.4	-0.6	8.5	3.8	**6.3**	**1.4**	**2.4**	*4.8*	*3.6*	*1.5*
Czechia	2.8	0.6	3.6	-7.2	4.1	-0.7	**-3.1**	**2.5**	**3.7**	*-0.9*	*-2.2*	*3.3*
Denmark	1.1	0.6	2.4	-1.4	5.5	-1.4	**0.6**	**1.3**	**1.6**	*-2.3*	*0.1*	*1.3*
Hungary	-0.6	-0.1	4.7	-1.2	4.6	6.5	**-3.9**	**3.0**	**4.4**	*6.4*	*-0.7*	*2.8*
Poland	4.4	1.9	4.3	-3.4	6.1	5.3	**-1.2**	**2.1**	**2.4**	*3.3*	*-0.1*	*2.7*
Romania	7.3	0.0	7.2	-3.9	7.2	6.9	**1.4**	**2.3**	**2.7**	*5.5*	*3.8*	*3.2*
Sweden	2.3	2.3	2.3	-3.2	6.3	1.9	**-2.0**	**-0.5**	**1.0**	*2.1*	*-1.7*	*1.2*
EU	1.2	0.2	2.0	-7.1	4.6	4.2	**0.4**	**1.3**	**1.6**	*4.0*	*0.5*	*1.8*
United Kingdom	0.6	1.8	2.3	-13.2	7.4	5.2	**0.5**	**0.5**	**1.2**	*5.6*	*-0.5*	*0.4*
Japan	0.2	1.1	0.0	-4.7	0.4	2.1	**0.9**	**0.9**	**0.7**	*2.1*	*1.0*	*0.8*
United States	1.5	1.8	2.6	-2.5	8.4	2.5	**2.2**	**1.2**	**1.6**	*2.7*	*1.8*	*0.5*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.5	0.7	1.0	-0.3	5.2	4.2	**0.2**	**0.8**	**1.1**	*3.2*	*0.7*	*0.7*
Germany	2.1	1.4	2.4	4.1	3.1	1.6	**-2.5**	**1.0**	**0.7**	*1.2*	*-0.3*	*1.4*
Estonia	3.0	1.8	2.4	3.0	3.8	0.1	**2.7**	**0.8**	**1.5**	*-0.3*	*4.3*	*0.7*
Ireland	2.7	-0.9	4.6	10.3	6.6	4.5	**1.7**	**0.6**	**0.8**	*1.6*	*0.3*	*-0.5*
Greece	3.1	-4.7	0.1	3.0	1.8	2.1	**4.1**	**-2.3**	**0.5**	*-1.6*	*-0.2*	*-1.4*
Spain	5.4	-1.1	1.6	3.6	3.4	-0.2	**1.6**	**0.4**	**1.4**	*-0.7*	*1.7*	*0.6*
France	1.6	1.3	1.1	-4.0	6.4	2.6	**1.0**	**1.1**	**0.8**	*2.6*	*1.1*	*0.9*
Croatia	3.8	0.4	1.5	3.5	3.0	2.7	**3.8**	**2.4**	**2.0**	*3.2*	*3.1*	*2.5*
Italy	0.4	-1.0	-0.1	0.1	1.5	0.7	**0.6**	**0.4**	**0.1**	*0.0*	*0.4*	*-1.3*
Cyprus	5.1	-2.5	3.8	10.6	7.9	2.7	**5.7**	**3.0**	**1.7**	*0.1*	*1.7*	*1.6*
Latvia	0.8	-0.2	2.9	2.1	3.5	2.8	**4.7**	**4.2**	**2.6**	*2.8*	*0.9*	*1.3*
Lithuania	1.3	-0.3	0.0	-1.4	1.2	0.4	**0.7**	**2.0**	**0.0**	*0.5*	*0.5*	*0.2*
Luxembourg	2.2	3.1	3.0	7.3	5.1	2.6	**4.1**	**3.1**	**0.7**	*3.8*	*3.7*	*2.3*
Malta	2.5	2.9	4.8	14.9	6.5	2.3	**2.8**	**2.7**	**3.6**	*2.4*	*5.0*	*3.3*
Netherlands	4.1	0.0	1.3	1.6	5.0	1.6	**3.0**	**3.0**	**2.2**	*1.5*	*2.3*	*1.4*
Austria	2.6	0.3	1.2	-0.4	7.5	0.0	**-1.9**	**0.8**	**0.3**	*2.9*	*-0.4*	*0.3*
Portugal	1.2	-2.3	0.9	0.3	4.5	1.4	**1.9**	**2.3**	**1.7**	*1.7*	*2.7*	*1.3*
Slovakia	5.2	0.6	2.6	-0.6	4.2	-4.2	**-1.1**	**1.2**	**0.9**	*-4.3*	*2.9*	*1.3*
Slovenia	3.0	-0.9	2.0	4.2	6.1	-0.5	**2.4**	**2.8**	**2.2**	*0.9*	*0.6*	*1.8*
Finland	1.5	0.2	1.3	1.2	3.9	0.8	**3.6**	**-0.3**	**0.4**	*2.9*	*1.3*	*0.2*
Euro area	2.2	0.3	1.4	1.1	4.2	1.6	**0.2**	**1.0**	**0.9**	*1.3*	*0.7*	*0.7*
Bulgaria	0.2	0.6	3.1	8.3	0.4	5.5	**3.8**	**5.2**	**5.1**	*6.5*	*3.9*	*4.0*
Czechia	1.3	-0.3	2.5	4.2	1.4	0.6	**2.3**	**1.8**	**2.1**	*0.6*	*1.7*	*1.5*
Denmark	2.2	0.7	0.7	-1.7	4.6	-2.8	**0.9**	**2.6**	**2.4**	*-3.5*	*-0.1*	*1.1*
Hungary	0.6	1.4	2.6	-0.3	1.8	3.0	**2.0**	**0.7**	**1.8**	*0.8*	*0.0*	*0.9*
Poland	4.0	1.4	3.4	4.9	5.0	0.3	**1.6**	**3.5**	**3.2**	*-2.0*	*0.5*	*2.7*
Romania	1.7	1.7	2.2	1.1	1.8	3.1	**3.4**	**3.3**	**4.1**	*4.3*	*-0.9*	*3.1*
Sweden	1.2	1.2	1.4	-1.8	3.3	0.0	**1.0**	**0.9**	**0.3**	*0.0*	*0.7*	*0.1*
EU	2.1	0.4	1.5	1.1	4.1	1.4	**0.4**	**1.2**	**1.1**	*1.1*	*0.7*	*0.8*
United Kingdom	1.9	0.8	1.4	-7.9	14.9	2.5	**0.2**	**1.6**	**1.2**	*1.8*	*2.1*	*1.8*
Japan	0.9	1.6	1.3	2.4	3.5	1.2	**0.5**	**0.2**	**0.1**	*1.5*	*0.5*	*0.4*
United States	2.1	-1.4	1.7	2.9	0.3	-0.9	**2.7**	**1.7**	**1.1**	*-0.2*	*1.8*	*0.6*

Table 9: Total investment, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	**2010 - 14**	**2015 - 19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	***2022***	***2023***	***2024***
Belgium	1.9	1.7	3.5	-5.2	5.0	-0.2	**4.6**	**1.8**	**1.5**	*-0.8*	*0.7*	*2.0*
Germany	0.7	2.8	2.6	-2.4	-0.2	0.1	**0.4**	**0.6**	**1.6**	*0.4*	*-0.7*	*2.0*
Estonia	-3.1	8.0	6.3	10.8	7.3	-3.7	**-13.3**	**2.1**	**4.3**	*-10.9*	*1.8*	*4.2*
Ireland	-1.6	2.3	32.9	-16.5	-40.4	5.1	**-2.9**	**2.5**	**3.2**	*25.9*	*1.8*	*2.8*
Greece	-0.5	-15.7	0.8	2.0	19.3	11.7	**6.9**	**7.5**	**5.7**	*11.7*	*7.2*	*6.0*
Spain	-1.2	-4.1	5.0	-9.0	2.8	2.4	**2.4**	**3.4**	**3.0**	*4.6*	*2.2*	*4.2*
France	0.6	0.7	3.1	-8.2	11.5	2.2	**2.2**	**1.8**	**1.6**	*2.2*	*1.2*	*1.7*
Croatia	1.9	-4.8	5.5	-5.0	6.6	0.1	**4.2**	**3.4**	**3.4**	*5.8*	*2.9*	*3.7*
Italy	-1.6	-4.1	2.7	-7.9	20.7	9.7	**0.6**	**0.1**	**2.6**	*9.4*	*2.6*	*1.4*
Cyprus	5.3	-11.4	12.6	4.7	-0.1	7.8	**4.1**	**2.7**	**3.5**	*6.6*	*0.8*	*1.7*
Latvia	-0.1	1.8	2.6	-2.2	7.2	0.6	**6.0**	**3.5**	**4.5**	*0.7*	*1.7*	*4.0*
Lithuania	-0.9	6.5	6.8	-0.2	9.4	3.6	**7.6**	**3.8**	**4.4**	*2.6*	*2.7*	*4.5*
Luxembourg	1.3	5.6	0.9	-6.7	16.9	-7.7	**-0.9**	**2.1**	**5.2**	*-0.5*	*-2.9*	*1.6*
Malta	1.2	3.7	12.3	-5.8	12.7	31.2	**-21.2**	**4.0**	**3.6**	*30.4*	*-5.0*	*3.5*
Netherlands	2.4	-2.5	6.5	-2.6	2.9	1.8	**4.3**	**0.3**	**1.0**	*2.5*	*1.7*	*1.1*
Austria	0.0	1.2	3.9	-5.5	6.1	0.1	**-2.7**	**0.1**	**0.9**	*-0.9*	*0.0*	*1.1*
Portugal	-1.0	-6.9	6.3	-2.2	8.1	3.0	**0.9**	**3.6**	**3.8**	*3.0*	*2.9*	*3.6*
Slovakia	2.7	3.1	4.5	-10.9	3.5	4.5	**5.0**	**2.5**	**3.3**	*5.9*	*9.0*	*3.7*
Slovenia	1.3	-4.9	4.0	-7.2	12.6	3.5	**8.5**	**3.4**	**5.1**	*7.8*	*3.9*	*3.8*
Finland	0.4	-0.2	3.2	-1.0	1.0	3.2	**-4.1**	**0.9**	**1.9**	*5.0*	*-0.1*	*0.4*
Euro area	0.1	-0.6	4.5	-6.2	3.8	2.6	**1.2**	**1.3**	**2.0**	*3.7*	*1.0*	*2.1*
Bulgaria	10.2	-3.6	1.7	0.6	-8.3	6.5	**-2.2**	**4.0**	**3.3**	*-4.3*	*2.2*	*3.3*
Czechia	3.3	-0.2	5.4	-6.0	0.8	3.0	**2.4**	**2.4**	**2.9**	*6.2*	*2.8*	*2.7*
Denmark	0.6	0.8	4.0	4.3	6.6	3.2	**-4.9**	**0.4**	**1.0**	*8.6*	*-3.5*	*-0.3*
Hungary	0.1	1.3	8.0	-7.1	5.8	0.1	**-9.6**	**2.6**	**8.2**	*1.2*	*-2.9*	*1.5*
Poland	9.5	3.2	3.7	-2.3	1.2	4.9	**8.0**	**3.8**	**4.7**	*5.0*	*2.0*	*3.1*
Romania	10.7	1.6	4.6	1.1	2.9	5.6	**8.2**	**7.3**	**6.8**	*8.0*	*7.0*	*8.0*
Sweden	1.7	3.5	3.5	1.7	7.1	6.2	**-1.2**	**-0.2**	**1.5**	*5.2*	*-3.2*	*-0.2*
EU	0.6	-0.2	4.5	-5.4	3.8	2.9	**1.2**	**1.5**	**2.3**	*4.0*	*0.9*	*2.1*
United Kingdom	-1.0	3.3	3.5	-10.8	7.4	7.9	**3.0**	**-0.5**	**1.3**	*8.6*	*-2.1*	*0.2*
Japan	-2.6	2.0	1.2	-3.5	0.2	-0.9	**2.1**	**0.8**	**0.6**	*-1.1*	*1.9*	*1.2*
United States	-1.9	4.5	3.5	-1.0	5.3	0.9	**1.6**	**2.2**	**3.4**	*-0.5*	*-1.1*	*2.5*

Table 10: Investment in construction, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	**2010 - 14**	**2015 - 19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	***2022***	***2023***	***2024***
Belgium	2.9	1.2	2.8	-5.6	3.5	-2.0	**0.6**	**1.1**	**1.6**	*-0.8*	*-0.8*	*1.7*
Germany	-0.7	2.5	1.4	3.9	-2.6	-1.8	**-1.4**	**-0.8**	**1.2**	*-1.7*	*-3.6*	*0.7*
Estonia	-2.2	4.9	7.4	-1.4	8.5	-5.1	**-2.4**	**2.5**	**4.3**	*2.9*	*2.1*	*3.5*
Ireland	-6.2	-6.0	9.0	-10.0	-2.1	2.8	**1.1**	**0.7**	**1.6**	*10.2*	*-1.8*	*2.5*
Greece	-3.4	-20.4	-4.5	3.1	16.7	16.6	**11.8**	**6.3**	**5.6**	*25.7*	*12.0*	*6.3*
Spain	-2.0	-8.0	5.2	-9.2	0.4	2.6	**3.2**	**2.4**	**3.0**	*4.7*	*2.3*	*3.9*
France	0.5	-0.6	2.2	-11.5	13.5	0.1	**-1.4**	**-1.1**	**0.8**	*0.1*	*-0.7*	*0.6*
Croatia	0.7	-6.0	3.2	-4.3	4.5	-1.3	**4.0**	**2.5**	**2.0**	*2.6*	*3.0*	*3.1*
Italy	-2.1	-6.6	0.9	-6.4	29.7	11.4	**-3.2**	**-2.6**	**0.7**	*11.6*	*1.0*	*1.0*
Cyprus	4.2	-13.8	14.1	-2.6	15.2	2.6	**3.5**	**1.2**	**1.6**	*0.9*	*-0.5*	*0.6*
Latvia	2.6	-0.7	-0.1	-3.7	-0.5	-11.1	**12.5**	**6.3**	**6.4**	*-11.1*	*1.0*	*2.6*
Lithuania	0.9	3.5	4.8	0.2	1.5	6.7	**7.2**	**4.1**	**4.6**	*3.4*	*1.1*	*3.5*
Luxembourg	2.6	1.8	2.1	-7.5	11.2	2.0	**-3.8**	**0.2**	**4.1**	*3.0*	*-2.0*	*1.4*
Malta	-3.3	0.7	12.6	-2.9	3.8	-7.6	**-7.5**	**1.4**	**2.4**	*-6.7*	*2.0*	*3.0*
Netherlands	2.0	-5.5	8.0	0.4	3.1	1.9	**0.9**	**-1.8**	**0.7**	*1.9*	*1.2*	*1.3*
Austria	-1.6	-0.3	2.5	-3.6	1.8	-2.0	**-4.4**	**-0.3**	**0.6**	*-1.0*	*-0.9*	*-0.6*
Portugal	-3.5	-10.1	5.6	0.7	7.7	1.3	**0.6**	**2.9**	**3.3**	*0.9*	*2.1*	*2.8*
Slovakia	5.2	-2.4	2.9	4.1	1.3	2.6	**3.6**	**2.3**	**2.3**	*2.6*	*5.9*	*3.6*
Slovenia	1.6	-8.7	1.0	-4.3	7.5	2.2	**24.9**	**6.7**	**4.0**	*10.6*	*6.5*	*4.8*
Finland	-0.3	1.0	3.7	-0.6	-0.8	4.9	**-5.6**	**0.3**	**1.9**	*5.3*	*-2.0*	*-1.2*
Euro area	-0.8	-2.6	2.7	-3.9	6.3	1.6	**-0.8**	**-0.5**	**1.4**	*2.0*	*-0.8*	*1.2*
Bulgaria	17.4	-8.3	-3.0	-0.1	-12.5	10.7	**-4.3**	**4.6**	**3.0**	*-5.1*	*2.5*	*1.9*
Czechia	1.8	-2.7	4.0	-1.8	-2.6	0.0	**-4.1**	**0.7**	**3.9**	*3.9*	*2.1*	*5.4*
Denmark	-2.4	0.2	5.0	5.0	9.7	-3.8	**-3.7**	**-0.5**	**1.1**	*8.2*	*-5.2*	*-3.6*
Hungary	-1.7	-2.1	8.1	-4.2	0.4	1.6	**-17.2**	**-0.1**	**7.7**	*7.4*	*-1.9*	*-1.1*
Poland	10.1	2.5	2.4	-3.3	4.5	2.9	**7.3**	**3.0**	**3.3**	*1.8*	*-2.0*	*1.8*
Romania	12.2	2.9	8.6	11.4	0.8	14.1	**11.3**	**9.3**	**8.1**	*11.1*	*6.3*	*6.8*
Sweden	1.1	2.8	4.4	0.9	2.6	2.8	**-5.7**	**-4.2**	**0.0**	*2.7*	*-9.3*	*-3.8*
EU	-0.3	-2.1	2.9	-3.2	5.8	1.8	**-0.8**	**-0.1**	**1.8**	*2.5*	*-1.0*	*1.2*
United Kingdom	-3.2	2.5	4.3	-15.1	10.4	7.5	**-0.3**	**-1.9**	**1.3**	*7.1*	*-2.1*	*-0.1*
Japan	-5.1	1.4	1.1	-2.6	-2.4	-4.2	**2.2**	**0.9**	**0.6**	*-4.8*	*1.2*	*1.2*
United States	-6.2	1.4	2.6	-0.2	2.2	-6.4	**-0.3**	**2.6**	**3.3**	*-8.5*	*-4.5*	*2.3*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	-0.2	1.3	3.9	-8.1	6.9	0.1	**8.8**	**2.5**	**1.6**	*-0.6*	*2.1*	*2.7*
Germany	1.0	3.7	3.4	-11.1	2.8	4.0	**3.8**	**2.7**	**2.7**	*3.3*	*2.6*	*3.7*
Estonia	-7.2	13.2	3.5	-14.9	17.4	32.6	**-31.2**	**5.0**	**4.9**	*4.2*	*2.0*	*5.3*
Ireland	4.7	8.9	9.7	-30.9	14.2	32.5	**0.2**	**0.1**	**1.2**	*24.3*	*0.0*	*0.8*
Greece	3.7	-12.5	3.3	-2.2	28.6	15.1	**5.2**	**10.1**	**6.9**	*5.1*	*5.2*	*7.2*
Spain	-1.8	0.8	5.3	-12.6	4.4	1.9	**1.0**	**5.3**	**3.6**	*4.0*	*1.8*	*5.3*
France	-1.0	1.8	4.0	-11.4	11.0	0.9	**5.7**	**4.3**	**1.6**	*0.9*	*2.1*	*2.5*
Croatia	3.4	-3.8	8.0	-7.9	5.3	6.2	**5.6**	**5.5**	**5.9**	*12.5*	*2.8*	*4.8*
Italy	-1.9	-2.5	4.5	-13.0	18.2	9.1	**4.5**	**2.5**	**4.9**	*8.6*	*4.4*	*1.7*
Cyprus	7.6	-13.3	10.9	19.8	-41.0	7.5	**17.0**	**10.0**	**12.0**	*4.8*	*5.6*	*6.4*
Latvia	-7.1	6.8	6.1	-2.8	15.8	9.4	**0.8**	**1.1**	**2.5**	*9.0*	*2.0*	*5.5*
Lithuania	-7.7	13.6	9.7	-2.9	24.9	0.3	**10.1**	**1.6**	**4.7**	*1.9*	*6.2*	*5.9*
Luxembourg	-0.5	13.1	-3.6	-4.3	33.9	-26.4	**4.7**	**5.5**	**7.1**	*-8.8*	*-6.7*	*1.9*
Malta	6.2	5.3	8.4	-23.2	34.4	125.1	**:**	**:**	**:**	*123.0*	*:*	*:*
Netherlands	2.5	-0.4	6.1	-11.1	2.0	-0.7	**11.1**	**3.7**	**1.0**	*1.1*	*2.4*	*0.7*
Austria	0.4	1.3	4.7	-8.5	7.9	-0.4	**-2.9**	**-0.9**	**0.4**	*-4.5*	*0.8*	*3.0*
Portugal	1.8	-4.0	8.3	-11.1	12.7	6.4	**2.4**	**5.6**	**4.8**	*6.2*	*4.2*	*4.7*
Slovakia	0.8	8.6	4.5	-24.6	8.9	3.0	**7.2**	**2.8**	**4.7**	*6.6*	*11.8*	*3.8*
Slovenia	-0.8	-1.1	7.2	-12.0	21.8	5.7	**-6.0**	**0.0**	**7.3**	*6.4*	*-0.5*	*3.7*
Finland	1.1	-0.4	4.3	-1.0	2.4	3.0	**-2.2**	**2.3**	**0.6**	*2.8*	*2.5*	*4.1*
Euro area	0.0	1.2	4.4	-11.8	8.3	4.5	**3.8**	**3.0**	**2.7**	*4.0*	*2.5*	*2.9*
Bulgaria	0.8	4.3	4.1	3.3	-3.6	2.3	**0.8**	**2.2**	**3.4**	*-4.4*	*2.3*	*4.3*
Czechia	4.1	2.1	4.1	-11.5	4.7	0.5	**12.8**	**2.9**	**1.8**	*8.3*	*4.1*	*0.5*
Denmark	0.8	1.7	2.0	-1.7	9.3	-5.0	**-1.3**	**-0.1**	**0.1**	*-4.6*	*-1.0*	*4.3*
Hungary	-0.2	5.5	9.0	-9.3	9.1	0.2	**2.2**	**5.5**	**7.9**	*-4.7*	*-3.8*	*3.9*
Poland	8.3	4.5	4.9	-4.7	-3.1	8.6	**10.0**	**4.9**	**6.7**	*10.9*	*6.1*	*5.1*
Romania	10.0	-0.2	-1.7	-10.2	5.9	-6.1	**2.6**	**3.2**	**4.0**	*3.1*	*9.0*	*11.6*
Sweden	2.2	4.7	3.5	-6.3	11.0	8.4	**1.3**	**2.7**	**2.6**	*4.5*	*-0.2*	*1.5*
EU	0.6	1.5	4.3	-10.9	7.7	4.2	**4.0**	**3.0**	**2.9**	*4.0*	*2.5*	*3.1*
United Kingdom	-0.3	5.1	1.7	-9.9	6.6	15.3	**11.1**	**1.5**	**1.4**	*19.5*	*-5.1*	*0.6*
Japan	-1.2	3.7	2.1	-6.1	3.5	0.7	**1.5**	**0.7**	**0.7**	*0.9*	*2.7*	*1.5*
United States	0.1	9.1	2.4	-8.4	5.3	3.7	**0.5**	**1.9**	**3.5**	*3.2*	*-0.2*	*2.1*

Table 12: Public investment (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	2.1	2.4	2.5	2.7	2.7	2.7	**2.9**	**3.2**	**3.0**	*2.7*	*2.9*	*3.1*
Germany	2.1	2.2	2.3	2.7	2.6	2.6	**2.6**	**2.7**	**2.9**	*2.6*	*2.7*	*2.9*
Estonia	5.6	5.3	5.2	5.7	5.6	5.1	**5.2**	**5.4**	**5.4**	*5.2*	*5.0*	*4.8*
Ireland	4.2	2.4	2.0	2.3	2.0	2.0	**2.1**	**2.3**	**2.4**	*2.0*	*2.0*	*2.0*
Greece	5.3	3.2	3.5	3.1	3.6	3.6	**4.0**	**4.0**	**4.7**	*3.5*	*3.9*	*4.6*
Spain	4.6	3.2	2.2	2.6	2.7	2.8	**2.7**	**2.7**	**2.7**	*2.8*	*2.9*	*2.9*
France	4.0	4.0	3.4	3.7	3.6	3.7	**3.9**	**3.9**	**3.7**	*3.7*	*3.7*	*3.8*
Croatia	5.5	3.8	3.4	5.5	4.7	3.8	**4.6**	**4.5**	**4.4**	*3.8*	*4.7*	*4.6*
Italy	3.3	2.7	2.3	2.6	2.9	2.7	**2.8**	**3.3**	**3.4**	*2.7*	*3.1*	*3.5*
Cyprus	3.5	3.1	2.9	2.8	2.6	2.6	**3.1**	**3.7**	**3.1**	*2.6*	*3.0*	*2.8*
Latvia	5.0	5.0	4.7	5.7	5.4	3.9	**5.3**	**6.4**	**6.7**	*3.8*	*5.5*	*6.1*
Lithuania	4.6	4.2	3.3	4.5	3.2	3.2	**3.7**	**3.9**	**3.5**	*3.0*	*3.6*	*3.6*
Luxembourg	4.2	4.0	3.9	4.7	4.1	4.2	**4.5**	**4.6**	**4.4**	*4.1*	*4.3*	*4.3*
Malta	3.4	3.0	3.3	4.2	3.8	3.4	**4.5**	**3.9**	**4.4**	*3.3*	*3.8*	*3.1*
Netherlands	4.0	3.8	3.5	3.7	3.4	3.2	**3.1**	**3.1**	**3.2**	*3.2*	*3.3*	*3.3*
Austria	3.1	3.0	3.1	3.3	3.6	3.4	**3.4**	**3.5**	**3.6**	*3.3*	*3.4*	*3.3*
Portugal	3.7	3.1	1.8	2.3	2.6	2.4	**2.7**	**3.2**	**3.4**	*2.5*	*3.1*	*3.2*
Slovakia	3.6	3.6	4.1	3.4	3.1	3.0	**4.8**	**3.7**	**4.0**	*3.3*	*4.9*	*4.1*
Slovenia	4.5	4.5	3.7	4.1	4.7	5.4	**6.0**	**5.9**	**5.7**	*5.2*	*6.1*	*5.0*
Finland	3.6	4.0	4.1	4.8	4.2	4.1	**4.1**	**4.3**	**4.7**	*4.1*	*4.5*	*4.4*
Euro area	3.4	3.1	2.7	3.0	3.0	3.0	**3.1**	**3.2**	**3.3**	*3.0*	*3.2*	*3.3*
Bulgaria	4.7	4.2	3.6	3.3	2.7	2.3	**3.1**	**2.8**	**3.9**	*3.0*	*3.8*	*3.0*
Czechia	5.3	4.3	4.0	4.8	4.7	4.7	**4.9**	**4.7**	**4.7**	*4.6*	*4.7*	*4.3*
Denmark	3.0	3.6	3.5	3.6	3.2	3.1	**3.4**	**3.4**	**3.4**	*3.1*	*3.3*	*3.2*
Hungary	4.0	4.1	5.2	6.5	6.3	5.4	**4.8**	**4.1**	**4.1**	*5.3*	*5.3*	*5.1*
Poland	4.2	5.1	4.1	4.5	4.1	4.1	**4.5**	**4.6**	**4.7**	*4.0*	*4.1*	*4.2*
Romania	5.3	4.8	3.5	4.6	4.2	4.3	**4.7**	**4.2**	**4.2**	*4.2*	*5.2*	*4.4*
Sweden	4.2	4.4	4.6	5.0	4.7	4.8	**5.0**	**5.1**	**5.2**	*4.9*	*4.9*	*4.8*
EU	3.5	3.2	2.9	3.3	3.2	3.2	**3.3**	**3.4**	**3.5**	*3.2*	*3.4*	*3.4*
United Kingdom	2.6	2.8	2.7	3.1	3.1	3.1	**3.3**	**3.3**	**3.3**	*3.1*	*3.2*	*3.3*
Japan	3.7	3.8	3.7	4.3	4.2	4.2	**4.1**	**3.9**	**3.8**	*4.2*	*4.1*	*3.9*
United States	3.9	3.6	3.2	3.5	3.2	3.1	**3.3**	**3.4**	**3.3**	*3.2*	*3.2*	*3.2*

Table 13: Potential GDP, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.8	1.2	1.4	1.4	1.6	1.9	**1.9**	**1.7**	**1.6**	*1.8*	*1.7*	*1.5*
Germany	1.2	1.2	1.4	0.7	0.7	0.7	**0.8**	**0.8**	**0.8**	*0.5*	*0.6*	*1.1*
Estonia	3.8	1.1	3.3	3.3	2.8	2.4	**1.0**	**1.1**	**1.0**	*2.4*	*1.8*	*1.8*
Ireland	2.6	0.9	11.3	7.1	4.9	5.1	**4.5**	**4.3**	**3.8**	*7.3*	*6.8*	*6.0*
Greece	1.9	-2.3	-1.4	-1.0	-0.4	0.0	**0.7**	**1.5**	**1.6**	*0.4*	*1.0*	*1.5*
Spain	3.0	0.2	0.5	0.3	0.8	1.2	**1.7**	**1.8**	**2.0**	*1.1*	*1.2*	*1.5*
France	1.6	1.0	0.8	0.8	1.1	1.1	**1.2**	**1.2**	**1.1**	*1.1*	*1.1*	*1.1*
Croatia	2.3	-0.2	1.7	2.6	2.7	3.8	**3.9**	**3.5**	**3.1**	*3.2*	*3.4*	*3.0*
Italy	0.4	-0.2	0.0	0.2	-0.1	0.9	**1.0**	**0.8**	**0.9**	*0.9*	*0.8*	*0.9*
Cyprus	3.5	0.2	2.5	3.7	3.6	4.0	**3.8**	**3.5**	**3.2**	*3.5*	*3.2*	*3.0*
Latvia	4.7	-0.2	2.4	2.0	2.8	2.0	**2.1**	**2.1**	**2.2**	*1.7*	*1.9*	*2.1*
Lithuania	5.1	1.3	2.8	4.0	4.1	3.0	**3.5**	**2.8**	**2.3**	*3.5*	*2.9*	*2.6*
Luxembourg	3.2	2.1	2.4	2.2	2.2	2.1	**1.9**	**1.7**	**1.7**	*2.2*	*2.3*	*2.3*
Malta	3.0	3.8	7.2	4.7	3.6	6.0	**4.6**	**4.2**	**4.0**	*5.9*	*4.5*	*4.4*
Netherlands	1.6	0.5	1.6	1.7	1.9	2.2	**2.2**	**2.0**	**1.9**	*2.2*	*1.9*	*1.9*
Austria	1.8	0.9	1.1	0.8	1.1	1.1	**1.1**	**1.1**	**1.1**	*1.4*	*1.4*	*1.4*
Portugal	0.5	-0.6	1.2	1.3	2.1	1.9	**2.0**	**2.1**	**2.0**	*1.8*	*2.0*	*2.1*
Slovakia	5.5	2.7	2.4	1.4	1.6	1.6	**2.2**	**1.8**	**1.8**	*1.9*	*2.5*	*2.1*
Slovenia	3.3	1.0	1.5	2.2	2.4	2.5	**2.9**	**2.9**	**2.8**	*3.1*	*3.0*	*3.1*
Finland	1.8	0.2	1.0	1.0	1.0	1.6	**1.0**	**1.0**	**1.1**	*1.6*	*1.1*	*1.2*
Euro area	1.5	0.7	1.2	0.9	1.0	1.3	**1.4**	**1.4**	**1.3**	*1.3*	*1.3*	*1.5*
Bulgaria	4.9	1.0	2.6	2.2	2.4	2.6	**2.4**	**2.1**	**1.9**	*2.2*	*2.6*	*2.1*
Czechia	3.9	1.2	2.8	1.2	0.2	1.8	**1.5**	**1.5**	**1.6**	*2.1*	*1.5*	*1.6*
Denmark	1.5	1.0	1.9	1.8	2.0	2.3	**1.8**	**1.6**	**1.4**	*2.2*	*1.9*	*1.6*
Hungary	2.1	0.5	3.1	3.4	3.5	3.2	**2.2**	**2.2**	**2.3**	*3.4*	*2.5*	*2.5*
Poland	3.9	3.6	3.6	3.5	3.2	4.6	**3.0**	**2.9**	**2.6**	*3.4*	*3.7*	*3.4*
Romania	5.8	1.3	4.3	3.4	2.7	2.6	**2.9**	**2.9**	**2.9**	*2.9*	*3.3*	*3.2*
Sweden	2.4	1.7	2.2	1.9	2.0	1.8	**1.5**	**1.4**	**1.4**	*1.8*	*1.6*	*1.5*
EU	1.7	0.8	1.4	1.2	1.2	1.5	**1.5**	**1.5**	**1.4**	*1.5*	*1.5*	*1.6*
United Kingdom	1.8	1.1	1.5	0.6	1.1	1.0	**1.3**	**1.3**	**1.3**	*0.9*	*0.8*	*0.8*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	2.0	1.5	2.1	2.2	1.9	1.8	**2.1**	**2.0**	**2.0**	*1.6*	*1.7*	*1.6*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.8	-0.7	0.4	-5.5	-0.6	0.4	**-0.1**	**-0.4**	**-0.5**	*0.5*	*0.0*	*-0.2*
Germany	-0.6	-0.2	0.8	-3.3	-0.9	0.1	**-0.9**	**-1.0**	**-0.6**	*-0.2*	*-0.6*	*-0.3*
Estonia	3.8	-2.6	1.0	-2.4	1.8	-1.1	**-4.6**	**-3.8**	**-2.2**	*-1.9*	*-4.0*	*-2.8*
Ireland	0.2	-1.5	-0.3	-5.7	3.5	7.8	**2.1**	**0.9**	**0.6**	*4.6*	*3.3*	*2.3*
Greece	0.6	-15.0	-10.9	-14.1	-6.5	-1.3	**0.3**	**1.0**	**1.7**	*-1.1*	*0.3*	*0.8*
Spain	1.2	-7.8	-0.9	-9.3	-4.3	0.0	**0.7**	**0.6**	**0.6**	*-1.3*	*-0.6*	*-0.2*
France	0.9	-1.6	0.3	-6.0	-1.1	0.2	**0.0**	**0.0**	**0.3**	*0.2*	*-0.3*	*0.0*
Croatia	3.6	-3.2	0.2	-8.9	0.9	3.4	**2.0**	**1.0**	**0.8**	*3.8*	*1.9*	*1.2*
Italy	1.3	-2.8	-1.4	-8.9	-1.3	1.5	**1.2**	**1.2**	**1.6**	*0.7*	*1.1*	*1.3*
Cyprus	3.8	-4.6	-0.2	-3.2	2.7	3.7	**2.1**	**1.3**	**1.0**	*2.7*	*1.8*	*1.5*
Latvia	3.5	-4.3	2.0	-3.9	-0.3	1.1	**-1.3**	**-1.0**	**-0.3**	*-0.5*	*-1.0*	*-0.3*
Lithuania	2.5	-3.6	2.2	-0.3	1.8	1.2	**-2.6**	**-2.8**	**-1.8**	*-0.5*	*-2.7*	*-2.6*
Luxembourg	0.9	-1.8	-0.5	-3.8	0.8	0.1	**-2.3**	**-2.6**	**-2.4**	*-0.8*	*-1.5*	*-1.4*
Malta	0.0	-0.8	2.8	-9.0	-1.3	-0.4	**-1.0**	**-1.2**	**-1.1**	*-0.6*	*-1.1*	*-1.4*
Netherlands	0.0	-2.1	0.1	-4.4	-0.3	1.7	**0.1**	**-0.8**	**-1.0**	*1.2*	*1.1*	*0.4*
Austria	0.2	-0.7	0.6	-5.3	-2.3	1.2	**-0.4**	**-0.5**	**-0.2**	*1.1*	*0.0*	*0.2*
Portugal	-0.7	-2.8	0.6	-6.7	-3.3	1.3	**1.5**	**0.7**	**0.5**	*1.3*	*1.7*	*1.3*
Slovakia	2.0	-1.8	0.7	-2.8	0.3	0.5	**-0.4**	**-0.5**	**-0.4**	*0.0*	*-0.7*	*-0.7*
Slovenia	4.0	-5.2	-0.1	-2.4	3.2	3.1	**1.5**	**0.6**	**0.5**	*4.3*	*2.6*	*1.6*
Finland	0.9	-1.9	-0.5	-2.8	-0.7	-0.7	**-1.6**	**-1.8**	**-1.5**	*-0.5*	*-1.4*	*-1.1*
Euro area	0.5	-2.4	-0.2	-5.9	-1.3	0.8	**0.0**	**-0.1**	**0.1**	*0.3*	*0.1*	*0.2*
Bulgaria	1.5	-0.1	-0.3	-4.9	0.0	1.3	**0.9**	**0.5**	**1.2**	*1.4*	*0.4*	*0.7*
Czechia	3.1	-1.7	1.3	-4.0	-0.8	-0.3	**-2.1**	**-2.2**	**-0.8**	*-1.1*	*-2.3*	*-1.3*
Denmark	1.9	-3.2	-1.1	-5.0	-0.5	-0.1	**-0.7**	**-0.9**	**-0.6**	*0.3*	*-1.2*	*-1.3*
Hungary	0.9	-3.2	2.3	-3.9	-0.6	0.7	**-2.1**	**-1.9**	**-0.7**	*0.3*	*-1.6*	*-1.2*
Poland	1.2	-0.3	0.7	-2.7	0.8	1.4	**-1.1**	**-1.2**	**-0.7**	*1.9*	*-1.0*	*-1.7*
Romania	4.0	-2.7	0.0	-5.7	-2.9	-1.0	**-1.7**	**-1.5**	**-1.0**	*-1.1*	*-1.2*	*-0.9*
Sweden	0.3	-1.5	0.4	-3.9	0.0	1.1	**-1.0**	**-2.5**	**-2.7**	*0.3*	*-1.8*	*-2.1*
EU	0.6	-2.3	-0.1	-5.6	-1.1	0.8	**-0.1**	**-0.3**	**-0.1**	*0.3*	*-0.1*	*0.0*
United Kingdom	0.1	-2.8	0.8	-9.4	-2.6	0.6	**0.0**	**-0.8**	**-0.8**	*0.4*	*-0.6*	*-0.4*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	0.0	-1.5	0.2	-3.5	0.1	0.3	**0.6**	**0.0**	**-0.1**	*0.7*	*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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.7	1.6	1.7	1.6	3.2	5.9	**3.8**	**2.7**	**2.5**	*5.9*	*3.8*	*2.3*
Germany	1.1	1.4	1.8	1.9	3.0	5.3	**6.3**	**3.0**	**2.6**	*5.5*	*6.1*	*2.4*
Estonia	6.7	3.7	3.0	-0.9	6.0	16.1	**9.2**	**4.1**	**2.1**	*16.6*	*10.3*	*3.6*
Ireland	0.5	0.4	2.9	-1.2	0.5	6.6	**5.1**	**2.6**	**1.9**	*5.3*	*4.6*	*2.5*
Greece	3.2	-0.7	-0.1	-0.8	1.5	7.8	**5.3**	**2.7**	**2.1**	*8.1*	*4.7*	*2.9*
Spain	2.8	0.0	1.0	1.1	2.7	4.1	**5.3**	**3.4**	**2.0**	*4.3*	*4.4*	*2.9*
France	1.8	0.9	0.9	2.8	1.4	2.9	**5.7**	**2.9**	**2.1**	*3.0*	*5.4*	*2.6*
Croatia	3.9	1.0	1.0	0.8	1.5	9.5	**9.4**	**3.6**	**2.1**	*8.2*	*7.5*	*3.2*
Italy	2.1	1.1	1.0	1.6	1.3	3.0	**4.9**	**2.7**	**2.9**	*3.0*	*5.9*	*2.7*
Cyprus	2.8	0.6	0.4	-1.4	2.7	6.1	**5.8**	**3.3**	**2.8**	*6.4*	*5.0*	*2.8*
Latvia	8.7	2.7	2.4	2.1	3.8	12.8	**7.7**	**4.5**	**2.8**	*13.1*	*8.9*	*2.7*
Lithuania	5.6	2.5	2.4	1.9	6.5	16.5	**8.9**	**3.1**	**2.3**	*16.8*	*10.4*	*3.1*
Luxembourg	4.1	3.3	1.2	4.3	4.6	5.7	**5.0**	**3.8**	**3.1**	*6.4*	*5.5*	*3.4*
Malta	2.3	2.2	2.5	1.7	2.0	5.3	**5.0**	**3.1**	**3.0**	*5.2*	*4.2*	*3.1*
Netherlands	1.8	0.8	1.6	1.9	2.9	5.5	**7.3**	**3.7**	**2.3**	*5.3*	*6.1*	*2.6*
Austria	2.1	1.7	1.7	2.7	2.1	5.3	**7.6**	**4.0**	**3.5**	*5.0*	*7.2*	*4.2*
Portugal	2.5	0.6	1.8	2.0	1.9	5.0	**6.8**	**2.9**	**2.3**	*4.4*	*5.8*	*2.3*
Slovakia	1.6	0.8	1.0	2.4	2.4	7.5	**10.2**	**5.3**	**3.3**	*7.5*	*9.8*	*5.7*
Slovenia	3.2	0.5	1.5	1.1	2.7	6.5	**8.7**	**3.8**	**2.6**	*7.2*	*7.3*	*4.3*
Finland	1.9	2.0	1.2	1.6	2.2	5.4	**4.8**	**2.2**	**2.3**	*4.2*	*4.4*	*2.4*
Euro area	1.9	1.0	1.3	1.8	2.2	4.6	**5.9**	**3.0**	**2.4**	*4.6*	*5.7*	*2.7*
Bulgaria	7.3	1.9	4.1	4.3	7.1	16.2	**8.8**	**4.1**	**2.8**	*15.1*	*10.4*	*3.9*
Czechia	1.8	0.8	2.0	4.3	3.3	8.5	**9.5**	**3.6**	**2.7**	*8.6*	*11.3*	*5.5*
Denmark	2.4	1.6	0.7	2.9	2.9	8.1	**-2.5**	**2.3**	**2.2**	*7.6*	*0.2*	*2.1*
Hungary	4.1	2.8	3.5	6.4	6.4	14.5	**14.9**	**4.8**	**4.7**	*15.3*	*13.0*	*3.5*
Poland	3.1	1.5	1.5	4.3	5.3	10.8	**10.7**	**5.8**	**3.7**	*11.3*	*11.8*	*5.8*
Romania	11.6	3.3	4.7	4.1	5.4	13.4	**11.0**	**6.5**	**4.0**	*13.4*	*10.7*	*5.8*
Sweden	2.2	1.1	2.1	2.0	2.6	6.0	**6.7**	**2.7**	**2.0**	*5.7*	*5.7*	*1.6*
EU	2.1	1.1	1.5	2.1	2.5	5.4	**6.1**	**3.2**	**2.6**	*5.4*	*6.1*	*2.9*
United Kingdom	2.7	1.7	1.7	5.1	-0.1	5.2	**6.4**	**3.6**	**1.7**	*5.4*	*5.2*	*1.8*
Japan	-0.8	-0.6	0.6	0.9	-0.2	0.3	**3.6**	**1.9**	**1.6**	*0.2*	*3.4*	*2.5*
United States	2.3	1.8	1.6	1.3	4.6	7.0	**3.7**	**2.6**	**2.1**	*7.0*	*3.7*	*2.4*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	2.1	1.7	1.5	0.9	2.5	9.8	**4.7**	**2.7**	**2.0**	*8.6*	*3.4*	*2.6*
Germany	1.3	1.4	1.1	0.6	3.0	6.7	**6.2**	**2.7**	**2.1**	*6.9*	*5.9*	*2.2*
Estonia	4.7	3.4	2.2	-0.9	4.2	17.0	**11.1**	**3.5**	**2.1**	*16.8*	*9.2*	*2.8*
Ireland	0.3	0.6	1.2	0.7	3.9	7.0	**6.1**	**3.2**	**2.5**	*6.5*	*4.9*	*3.2*
Greece	3.0	-0.1	-0.3	-1.1	1.0	6.4	**3.8**	**2.8**	**2.1**	*7.5*	*4.2*	*2.4*
Spain	2.6	1.5	0.8	0.1	2.3	6.6	**3.6**	**3.4**	**2.1**	*6.8*	*4.0*	*2.5*
France	1.5	1.0	0.8	1.2	1.4	4.1	**6.3**	**3.0**	**2.0**	*5.0*	*5.8*	*2.7*
Croatia	3.6	1.7	0.4	0.6	2.3	11.3	**7.6**	**3.0**	**1.8**	*10.9*	*6.9*	*2.7*
Italy	1.9	1.7	0.6	0.1	1.6	7.2	**5.3**	**2.5**	**2.2**	*7.4*	*5.5*	*2.6*
Cyprus	3.1	1.5	-0.4	-1.0	0.8	6.5	**4.1**	**3.0**	**2.2**	*8.0*	*3.8*	*2.5*
Latvia	8.1	1.7	2.0	-0.1	3.4	14.9	**9.6**	**3.2**	**1.9**	*14.2*	*9.3*	*1.7*
Lithuania	5.6	2.0	1.7	1.2	4.6	18.6	**9.5**	**2.9**	**2.5**	*18.8*	*9.2*	*2.2*
Luxembourg	2.0	1.9	1.4	1.6	1.3	5.4	**3.7**	**3.1**	**1.7**	*5.6*	*3.0*	*2.4*
Malta	2.5	1.8	1.3	1.2	1.2	5.4	**5.4**	**3.5**	**3.0**	*5.4*	*4.5*	*3.0*
Netherlands	1.4	1.6	1.4	1.3	3.1	6.9	**8.7**	**3.8**	**2.3**	*7.4*	*5.5*	*3.0*
Austria	1.9	2.3	1.7	1.2	2.1	7.4	**6.8**	**4.1**	**3.1**	*7.6*	*6.9*	*3.8*
Portugal	2.3	1.3	1.2	0.6	2.0	7.4	**4.5**	**2.8**	**2.4**	*6.3*	*4.3*	*2.6*
Slovakia	2.9	1.9	1.2	2.2	3.3	12.2	**10.1**	**5.5**	**3.5**	*12.2*	*9.8*	*5.0*
Slovenia	3.0	1.3	0.8	-0.5	3.3	10.0	**7.5**	**3.9**	**2.7**	*11.7*	*6.5*	*3.6*
Finland	1.9	2.3	0.8	0.3	1.8	6.1	**4.4**	**1.9**	**2.0**	*5.5*	*4.3*	*1.8*
Euro area	1.8	1.4	0.9	0.6	2.2	6.6	**5.8**	**3.0**	**2.2**	*6.9*	*5.5*	*2.6*
Bulgaria	4.9	1.7	2.6	-0.6	6.0	16.2	**10.7**	**4.0**	**3.0**	*16.6*	*10.5*	*3.8*
Czechia	2.3	1.2	1.6	2.9	2.9	15.0	**10.0**	**4.0**	**2.8**	*16.0*	*11.8*	*4.1*
Denmark	2.0	1.7	0.6	0.4	2.0	7.5	**3.5**	**2.2**	**1.9**	*7.4*	*4.2*	*2.4*
Hungary	4.7	3.1	2.5	3.4	6.3	16.3	**17.2**	**5.2**	**4.1**	*17.1*	*16.4*	*4.0*
Poland	2.5	2.0	0.9	3.5	5.4	14.0	**11.0**	**6.2**	**3.9**	*14.5*	*12.4*	*6.5*
Romania	6.6	4.0	2.7	2.3	4.6	14.2	**9.8**	**5.9**	**3.4**	*14.2*	*9.9*	*4.8*
Sweden	1.6	1.0	1.6	0.8	1.8	6.9	**7.9**	**3.0**	**1.8**	*7.2*	*5.5*	*1.6*
EU	1.9	1.5	1.0	0.8	2.5	7.4	**6.4**	**3.2**	**2.3**	*7.6*	*6.1*	*2.8*
United Kingdom	2.3	2.0	1.3	0.6	2.3	7.8	**7.0**	**3.7**	**2.1**	*7.9*	*6.5*	*1.7*
Japan	-0.5	-0.1	0.4	0.3	0.6	2.8	**3.0**	**2.6**	**2.2**	*2.8*	*2.5*	*1.7*
United States	2.2	1.9	1.3	1.1	4.2	6.5	**3.9**	**2.8**	**2.1**	*6.2*	*3.9*	*2.4*

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	2.2	2.0	1.6	0.4	3.2	10.3	**2.4**	**4.2**	**1.9**	*10.3*	*3.4*	*3.5*
Germany	1.8	1.6	1.2	0.4	3.2	8.7	**6.2**	**3.1**	**2.2**	*8.7*	*6.8*	*2.7*
Estonia	5.2	3.2	2.0	-0.6	4.5	19.4	**9.4**	**3.5**	**2.1**	*19.4*	*9.2*	*2.8*
Ireland	1.8	0.5	0.3	-0.5	2.4	8.1	**5.3**	**2.7**	**2.1**	*8.1*	*4.6*	*2.6*
Greece	3.1	1.3	0.3	-1.3	0.6	9.3	**4.3**	**2.8**	**2.1**	*9.3*	*4.2*	*2.4*
Spain	2.7	1.8	0.7	-0.3	3.0	8.3	**3.6**	**3.4**	**2.1**	*8.3*	*4.0*	*2.7*
France	1.7	1.6	1.0	0.5	2.1	5.9	**5.8**	**3.0**	**2.0**	*5.9*	*5.5*	*2.5*
Croatia	3.4	1.8	0.6	0.0	2.7	10.7	**8.1**	**2.4**	**1.6**	*10.7*	*6.9*	*2.2*
Italy	2.1	1.9	0.7	-0.1	1.9	8.7	**6.1**	**2.7**	**2.3**	*8.7*	*6.1*	*2.9*
Cyprus	2.2	1.9	-0.2	-1.1	2.3	8.1	**4.1**	**3.0**	**2.2**	*8.1*	*3.8*	*2.5*
Latvia	8.4	1.2	1.7	0.1	3.2	17.2	**9.6**	**3.2**	**1.9**	*17.2*	*9.3*	*1.7*
Lithuania	5.5	2.0	1.7	1.1	4.6	18.9	**8.8**	**2.9**	**2.5**	*18.9*	*9.2*	*2.2*
Luxembourg	2.7	2.4	1.2	0.0	3.5	8.2	**3.2**	**3.0**	**1.8**	*8.2*	*3.2*	*2.6*
Malta	2.5	1.9	1.3	0.8	0.7	6.1	**5.7**	**3.3**	**3.1**	*6.1*	*5.4*	*2.8*
Netherlands	1.6	1.8	1.2	1.1	2.8	11.6	**4.6**	**3.7**	**2.0**	*11.6*	*4.9*	*3.3*
Austria	1.9	2.3	1.5	1.4	2.8	8.6	**7.7**	**4.1**	**3.0**	*8.6*	*7.1*	*3.8*
Portugal	1.9	1.6	0.8	-0.1	0.9	8.1	**5.5**	**3.2**	**2.4**	*8.1*	*5.1*	*2.7*
Slovakia	2.8	2.0	1.2	2.0	2.8	12.1	**10.8**	**5.2**	**3.0**	*12.1*	*10.9*	*5.7*
Slovenia	3.0	1.8	0.9	-0.3	2.0	9.3	**7.5**	**3.9**	**2.4**	*9.3*	*7.0*	*3.8*
Finland	1.8	2.3	0.7	0.4	2.1	7.2	**4.4**	**1.9**	**2.0**	*7.2*	*4.8*	*2.1*
Euro area	2.1	1.7	1.0	0.3	2.6	8.4	**5.6**	**3.2**	**2.2**	*8.4*	*5.8*	*2.8*
Bulgaria	7.1	1.5	0.8	1.2	2.8	13.0	**8.8**	**4.0**	**2.9**	*13.0*	*9.4*	*4.2*
Czechia	2.7	1.7	1.6	3.3	3.3	14.8	**12.2**	**3.2**	**2.4**	*14.8*	*11.9*	*3.4*
Denmark	2.0	1.6	0.5	0.3	1.9	8.5	**3.6**	**2.4**	**2.1**	*8.5*	*4.3*	*2.5*
Hungary	5.1	3.2	1.8	3.4	5.2	15.3	**17.2**	**5.2**	**4.1**	*15.3*	*16.4*	*4.0*
Poland	2.8	2.2	0.8	3.7	5.2	13.2	**11.1**	**6.2**	**3.8**	*13.2*	*11.7*	*6.0*
Romania	6.8	4.0	1.5	2.3	4.1	12.0	**9.8**	**5.9**	**3.4**	*12.0*	*9.7*	*4.6*
Sweden	1.9	1.0	1.5	0.7	2.7	8.1	**5.7**	**1.8**	**2.2**	*8.1*	*6.0*	*1.9*
EU	2.3	1.8	1.0	0.7	2.9	9.2	**6.5**	**3.5**	**2.4**	*9.2*	*6.7*	*3.1*
United Kingdom	2.5	2.5	1.6	1.0	2.5	7.9	**7.3**	**3.6**	**2.5**	*7.9*	*6.7*	*2.4*
Japan	0.0	0.4	0.5	0.0	-0.2	2.5	**3.3**	**2.7**	**2.2**	*2.5*	*3.2*	*1.8*
United States	2.6	2.0	1.6	1.2	4.7	8.0	**4.2**	**3.0**	**2.2**	*8.0*	*4.3*	*2.6*

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.6	1.4	1.5	1.4	1.2	4.0	**5.9**	**2.8**	**2.2**	*4.0*	*6.4*	*3.0*
Germany	1.1	1.1	1.4	0.7	2.1	4.0	**5.2**	**2.9**	**2.5**	*4.0*	*5.7*	*4.1*
Estonia	3.6	1.7	1.7	0.0	2.2	10.3	**9.5**	**5.4**	**3.3**	*10.3*	*10.4*	*5.7*
Ireland	0.9	-0.5	0.8	0.5	0.7	4.8	**4.6**	**3.5**	**2.6**	*4.8*	*4.4*	*3.9*
Greece	2.7	-0.2	0.3	-1.2	-1.4	4.5	**5.7**	**3.1**	**2.3**	*4.5*	*5.2*	*2.8*
Spain	2.1	0.8	0.9	0.5	0.5	3.8	**4.3**	**3.1**	**2.1**	*3.8*	*4.1*	*2.5*
France	1.5	1.0	0.7	0.7	1.2	3.4	**4.2**	**2.9**	**2.2**	*3.4*	*4.4*	*2.8*
Croatia	2.7	0.3	0.7	0.4	1.2	7.6	**8.3**	**3.5**	**2.7**	*7.6*	*7.0*	*2.8*
Italy	1.8	1.5	0.6	0.5	0.8	3.3	**4.6**	**3.3**	**2.9**	*3.3*	*4.9*	*3.1*
Cyprus	0.9	0.4	0.0	-0.8	1.1	5.1	**4.2**	**4.1**	**3.4**	*5.1*	*5.2*	*3.8*
Latvia	5.1	-0.5	1.7	1.0	1.5	7.7	**9.0**	**4.6**	**2.2**	*7.7*	*10.1*	*4.2*
Lithuania	2.8	0.4	2.2	3.0	2.8	10.3	**9.5**	**3.3**	**2.7**	*10.3*	*8.4*	*3.2*
Luxembourg	1.9	1.8	1.3	1.2	1.5	4.2	**3.9**	**2.7**	**2.3**	*4.2*	*4.6*	*3.2*
Malta	1.6	1.1	1.2	0.6	0.8	5.8	**5.1**	**3.9**	**3.8**	*5.8*	*5.4*	*3.0*
Netherlands	0.9	1.6	1.0	2.0	1.6	4.8	**6.7**	**3.7**	**2.3**	*4.8*	*6.1*	*3.2*
Austria	1.5	2.0	1.8	2.0	2.2	4.9	**8.0**	**5.3**	**3.6**	*4.9*	*8.0*	*5.3*
Portugal	1.3	0.7	0.8	-0.1	0.0	5.0	**5.7**	**3.7**	**3.0**	*5.0*	*5.0*	*3.3*
Slovakia	1.8	1.4	1.4	2.3	3.2	8.2	**9.6**	**3.0**	**2.0**	*8.2*	*8.7*	*3.2*
Slovenia	2.0	0.2	0.9	0.8	0.3	5.7	**7.4**	**4.3**	**2.4**	*5.7*	*5.7*	*3.3*
Finland	1.0	1.8	0.7	0.5	0.9	3.5	**4.4**	**2.6**	**2.1**	*3.5*	*4.7*	*2.8*
Euro area	1.5	1.1	1.0	0.7	1.4	4.0	**5.1**	**3.2**	**2.5**	*4.0*	*5.2*	*3.4*
Bulgaria	5.1	0.3	0.4	1.2	0.6	7.4	**9.6**	**4.2**	**3.4**	*7.4*	*10.2*	*5.3*
Czechia	1.1	0.4	1.6	3.1	3.3	12.0	**9.5**	**4.4**	**3.1**	*12.0*	*8.3*	*4.1*
Denmark	1.4	0.9	0.7	0.7	0.4	3.9	**5.2**	**2.5**	**2.0**	*3.9*	*6.0*	*3.4*
Hungary	3.4	2.2	1.8	2.8	2.8	10.9	**14.6**	**7.6**	**5.4**	*10.9*	*14.4*	*6.0*
Poland	1.1	1.3	0.7	4.5	4.5	9.8	**11.2**	**6.3**	**5.0**	*9.8*	*11.7*	*7.0*
Romania	5.2	2.9	1.4	2.5	2.6	6.0	**9.1**	**6.6**	**4.6**	*6.0*	*7.8*	*4.9*
Sweden	1.1	0.7	1.2	1.5	1.6	4.6	**6.7**	**3.0**	**2.3**	*4.6*	*5.1*	*2.4*
EU	1.6	1.1	1.0	1.1	1.6	4.7	**5.9**	**3.6**	**2.8**	*4.7*	*6.0*	*3.7*
United Kingdom	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2023-25) 31.10.2023

	2023/1	2023/2	2023/3	2023/4	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4
Belgium	5.9	2.6	1.6	-0.1	3.6	5.4	4.4	3.5	2.3	1.7	1.7	1.7
Germany	8.7	6.9	5.7	3.8	3.6	3.3	3.0	2.4	2.2	2.2	2.1	2.1
Estonia	17.3	11.1	4.8	5.4	5.0	3.3	3.0	3.0	2.6	2.2	1.8	1.6
Ireland	7.5	5.5	4.8	3.3	3.5	2.5	2.5	2.4	2.4	2.2	1.8	1.8
Greece	6.4	3.8	3.1	4.0	3.8	3.0	2.3	2.0	2.0	2.1	2.2	2.2
Spain	5.0	2.8	2.6	4.1	4.1	3.7	3.2	2.8	2.4	2.2	2.0	1.8
France	7.0	6.1	5.5	4.7	4.0	3.2	2.7	2.3	2.1	2.0	2.0	1.9
Croatia	11.6	8.5	8.0	4.6	3.8	2.0	1.9	1.9	1.3	1.8	1.7	1.7
Italy	9.5	7.8	5.8	1.6	2.2	2.8	3.1	2.9	2.4	2.3	2.2	2.2
Cyprus	6.5	3.4	3.3	3.2	3.4	3.3	2.9	2.5	2.4	2.3	2.1	2.1
Latvia	19.5	11.7	5.3	3.4	3.4	3.4	3.3	2.7	2.1	1.9	1.9	1.7
Lithuania	17.0	10.7	5.9	2.9	2.9	3.1	2.8	2.6	2.5	2.5	2.5	2.5
Luxembourg	4.5	1.9	3.0	3.3	4.3	4.2	2.5	1.3	1.4	1.3	1.9	2.4
Malta	7.0	6.3	5.2	4.6	3.7	3.1	3.1	3.3	3.2	3.1	3.0	3.0
Netherlands	7.2	6.3	2.8	2.3	4.9	3.9	3.5	2.5	2.2	1.9	1.9	1.8
Austria	10.6	8.6	6.7	5.0	3.8	3.1	4.9	4.6	3.1	3.1	2.9	2.9
Portugal	8.4	5.7	4.8	3.2	3.8	3.6	2.7	2.6	2.5	2.5	2.4	2.4
Slovakia	15.1	12.5	9.6	6.5	5.8	4.7	5.1	5.0	3.6	3.3	2.8	2.5
Slovenia	9.9	7.9	6.3	5.9	4.8	4.2	3.6	2.8	2.7	2.5	2.4	2.1
Finland	7.5	5.1	3.4	1.7	2.1	2.0	1.9	1.7	1.7	1.9	2.1	2.1
Euro area	8.0	6.2	5.0	3.4	3.6	3.3	3.1	2.6	2.3	2.2	2.1	2.1
Bulgaria	13.4	8.8	7.2	6.1	4.7	4.2	3.8	3.1	3.0	3.0	2.9	2.7
Czechia	18.0	12.6	9.5	9.1	2.9	3.3	3.1	3.5	2.9	2.5	2.2	2.1
Denmark	8.0	3.6	2.0	0.9	1.5	3.0	2.4	2.6	2.4	2.4	2.0	1.7
Hungary	25.9	22.1	14.6	8.4	5.3	5.4	5.0	5.1	4.4	4.2	4.0	3.7
Poland	16.1	12.5	9.2	7.0	7.2	6.2	6.0	5.3	3.9	3.6	3.8	3.7
Romania	13.0	9.8	9.1	7.6	6.9	6.3	5.7	4.8	3.9	3.5	3.2	3.0
Sweden	9.1	6.9	4.8	2.3	2.0	1.8	1.2	2.1	2.2	2.2	2.2	2.2
EU	9.4	7.2	5.7	4.0	3.8	3.5	3.2	2.8	2.4	2.3	2.2	2.2
United Kingdom	9.0	7.7	7.0	5.5	5.0	4.0	3.0	2.5	2.5	2.5	2.5	2.5
Japan	3.6	3.4	3.2	2.8	3.1	2.8	2.6	2.4	2.4	2.4	2.2	1.9
United States	5.8	4.1	3.6	3.6	3.3	3.2	2.9	2.5	2.3	2.2	2.1	2.0

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.1	2.1	0.2	-2.9	9.7	15.3	**0.0**	**2.7**	**1.3**	*17.1*	*1.9*	*1.7*
Germany	0.2	1.1	0.5	-0.7	4.5	12.5	**1.9**	**1.0**	**2.1**	*12.6*	*2.3*	*1.2*
Estonia	3.3	1.6	1.3	-2.0	10.4	23.4	**2.1**	**1.5**	**1.5**	*23.3*	*2.4*	*2.9*
Ireland	-0.2	0.4	0.4	-7.0	-2.3	3.1	**-1.6**	**1.0**	**0.7**	*2.5*	*2.6*	*1.4*
Greece	1.8	0.2	-1.3	-12.8	14.0	32.2	**-6.2**	**2.8**	**1.1**	*36.5*	*5.0*	*3.4*
Spain	1.9	1.6	0.9	-1.4	9.2	18.4	**2.0**	**1.3**	**1.2**	*18.8*	*1.8*	*1.3*
France	0.8	1.2	0.3	-1.3	8.7	13.6	**0.6**	**1.9**	**2.1**	*16.7*	*4.1*	*2.9*
Croatia	2.4	2.3	-0.6	-4.1	6.8	12.2	**1.4**	**2.0**	**2.0**	*12.3*	*6.0*	*3.0*
Italy	1.4	1.6	0.7	-0.6	5.3	12.2	**1.8**	**1.8**	**1.9**	*12.2*	*3.5*	*3.0*
Cyprus	2.8	1.4	0.3	-1.0	2.1	2.6	**-1.0**	**2.7**	**2.2**	*3.0*	*2.8*	*2.0*
Latvia	6.0	4.9	0.9	-0.8	9.7	19.9	**-3.9**	**1.9**	**3.7**	*19.9*	*3.0*	*2.0*
Lithuania	3.0	4.6	-0.3	-4.8	5.9	12.2	**-3.6**	**-1.6**	**3.5**	*12.2*	*5.4*	*2.1*
Luxembourg	3.6	2.4	1.2	-1.2	8.8	14.7	**0.5**	**1.9**	**2.1**	*16.7*	*3.9*	*2.2*
Malta	0.5	-0.2	1.5	0.7	3.7	10.7	**4.7**	**3.0**	**3.0**	*10.3*	*4.2*	*2.9*
Netherlands	0.9	2.1	-0.3	-4.3	10.7	21.0	**-2.3**	**0.9**	**1.6**	*20.6*	*1.4*	*1.4*
Austria	1.1	1.3	0.1	-1.2	6.8	11.0	**1.2**	**1.4**	**2.1**	*9.2*	*1.1*	*0.8*
Portugal	1.0	1.7	-0.2	-2.4	8.3	16.4	**-1.2**	**1.1**	**1.3**	*16.2*	*0.2*	*1.2*
Slovakia	-0.2	0.4	0.1	-2.7	5.4	15.7	**5.8**	**4.0**	**2.5**	*15.7*	*1.0*	*4.0*
Slovenia	1.3	1.1	0.4	-2.0	5.0	17.5	**1.7**	**1.6**	**2.1**	*17.3*	*2.9*	*2.7*
Finland	-0.9	1.4	0.5	-4.9	13.3	23.3	**-5.3**	**0.8**	**2.1**	*23.4*	*0.3*	*0.8*
Euro area	0.8	1.4	0.4	-2.2	6.5	14.1	**0.5**	**1.4**	**1.8**	*14.5*	*2.4*	*1.8*
Bulgaria	8.9	3.3	1.5	-2.0	16.9	26.0	**-4.3**	**2.5**	**3.2**	*24.8*	*2.0*	*3.0*
Czechia	-1.8	1.6	-0.9	1.0	4.8	9.3	**-1.7**	**1.3**	**3.2**	*9.2*	*7.0*	*5.0*
Denmark	2.2	2.2	0.0	-1.5	2.7	10.6	**2.9**	**1.9**	**1.8**	*10.6*	*3.0*	*2.0*
Hungary	0.7	1.8	1.0	4.7	7.7	22.8	**0.8**	**3.0**	**1.2**	*23.0*	*-0.8*	*1.3*
Poland	2.6	2.5	1.7	2.7	10.1	19.8	**3.0**	**2.9**	**2.0**	*20.0*	*6.3*	*1.8*
Romania	7.1	2.5	0.1	0.8	11.2	17.0	**5.0**	**3.8**	**3.8**	*17.0*	*6.2*	*3.6*
Sweden	2.7	-1.1	2.5	-4.2	5.5	18.1	**5.0**	**2.2**	**2.0**	*18.4*	*2.2*	*2.5*
EU	1.0	1.4	0.5	-1.7	6.7	14.6	**0.8**	**1.6**	**1.9**	*14.9*	*2.7*	*1.9*
United Kingdom	3.3	1.6	2.1	-2.7	4.3	17.1	**1.0**	**0.8**	**1.3**	*16.7*	*6.2*	*2.6*
Japan	-2.0	1.2	-1.4	-2.9	7.1	14.5	**1.7**	**0.8**	**0.8**	*14.4*	*6.9*	*3.5*
United States	1.6	2.0	-1.4	-3.9	14.1	11.7	**-3.8**	**0.8**	**0.7**	*11.5*	*0.6*	*2.0*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.3	2.9	-0.4	-3.7	11.7	21.5	**-2.6**	**2.9**	**0.9**	*23.2*	*0.0*	*1.6*
Germany	-0.1	1.7	-0.3	-3.4	9.1	19.8	**-3.6**	**0.4**	**1.5**	*20.0*	*-1.0*	*1.2*
Estonia	2.3	2.3	0.2	-3.1	9.7	22.5	**-3.8**	**0.4**	**2.2**	*22.7*	*0.8*	*2.1*
Ireland	-1.6	1.8	-0.3	-4.7	7.4	6.9	**-4.9**	**0.8**	**0.5**	*6.1*	*1.4*	*1.0*
Greece	2.7	0.3	-0.9	-9.0	13.7	29.9	**-6.7**	**1.9**	**0.8**	*26.3*	*2.1*	*1.5*
Spain	0.9	3.2	0.8	-3.9	8.1	25.7	**0.0**	**1.0**	**1.4**	*25.2*	*0.7*	*0.8*
France	0.5	1.7	-0.4	-2.5	9.5	20.4	**-4.2**	**1.4**	**2.1**	*21.1*	*-1.2*	*2.2*
Croatia	1.9	1.9	0.0	-0.3	7.4	16.1	**0.5**	**2.0**	**2.0**	*16.1*	*3.0*	*2.0*
Italy	1.8	2.4	-0.6	-4.8	12.2	24.9	**-6.1**	**1.6**	**1.6**	*24.8*	*-0.5*	*0.8*
Cyprus	2.9	0.7	-0.2	0.5	3.1	4.8	**-1.2**	**2.7**	**2.2**	*5.2*	*2.1*	*1.7*
Latvia	5.8	4.2	-0.8	-3.1	10.3	19.8	**-3.8**	**1.0**	**2.5**	*19.8*	*1.0*	*2.0*
Lithuania	3.7	4.5	-1.3	-6.5	13.2	26.2	**-8.1**	**-0.7**	**4.5**	*26.2*	*1.0*	*1.5*
Luxembourg	2.2	1.9	1.0	-2.6	7.2	23.7	**-0.5**	**1.7**	**1.9**	*21.5*	*1.7*	*2.0*
Malta	0.0	1.2	0.6	-0.1	0.9	8.5	**2.5**	**3.0**	**3.0**	*7.8*	*3.5*	*2.1*
Netherlands	0.7	2.8	-1.0	-5.2	12.2	24.9	**-5.0**	**0.5**	**1.8**	*24.5*	*-1.8*	*1.1*
Austria	1.2	2.1	0.1	-2.1	7.6	16.8	**-0.7**	**1.3**	**1.4**	*14.3*	*-1.2*	*0.0*
Portugal	0.5	1.6	-0.6	-4.0	8.2	19.9	**-3.9**	**1.2**	**1.3**	*19.8*	*-2.4*	*1.2*
Slovakia	1.0	1.2	0.6	-2.3	6.5	21.1	**6.0**	**4.2**	**2.7**	*21.1*	*-0.3*	*3.3*
Slovenia	1.3	2.4	0.1	-2.8	7.4	21.0	**-0.6**	**2.9**	**1.9**	*20.7*	*0.9*	*1.6*
Finland	0.5	2.3	-0.2	-7.0	13.2	24.1	**-4.8**	**0.8**	**1.9**	*24.1*	*-0.9*	*0.7*
Euro area	0.7	2.1	-0.3	-3.8	9.9	21.4	**-3.5**	**1.2**	**1.6**	*21.4*	*-0.6*	*1.3*
Bulgaria	5.1	3.0	0.0	-6.0	16.2	23.4	**-2.1**	**2.6**	**3.1**	*23.6*	*0.0*	*3.0*
Czechia	-1.1	2.0	-1.0	-0.8	4.9	14.2	**-4.6**	**1.2**	**3.2**	*15.2*	*3.5*	*3.0*
Denmark	0.5	2.1	0.0	-4.4	7.9	19.3	**-2.4**	**2.0**	**1.8**	*22.4*	*-1.5*	*2.2*
Hungary	1.5	2.1	0.7	2.7	11.8	31.9	**-5.9**	**4.3**	**0.3**	*31.7*	*-4.9*	*1.3*
Poland	1.5	2.7	0.8	-0.4	12.3	24.3	**1.0**	**2.2**	**2.0**	*24.4*	*3.1*	*1.2*
Romania	1.5	2.7	0.2	-2.5	10.2	17.9	**2.8**	**3.2**	**3.2**	*17.9*	*2.4*	*3.2*
Sweden	2.4	-1.0	2.2	-5.3	5.2	23.5	**5.5**	**2.8**	**1.9**	*23.6*	*1.0*	*2.5*
EU	0.9	2.1	-0.2	-3.5	9.8	21.6	**-3.0**	**1.4**	**1.7**	*21.7*	*-0.3*	*1.4*
United Kingdom	2.5	1.1	1.4	-1.8	5.9	18.9	**-1.1**	**0.5**	**1.8**	*18.5*	*5.3*	*2.1*
Japan	1.6	5.7	-3.0	-9.1	17.8	31.9	**-3.8**	**3.1**	**2.9**	*31.8*	*2.2*	*-0.1*
United States	2.1	2.3	-2.3	-2.7	7.6	7.4	**-3.0**	**0.4**	**0.5**	*7.8*	*1.6*	*1.7*

Table 21: Terms of trade of goods (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	-0.1	-0.8	0.5	0.8	-1.8	-5.1	**2.6**	**-0.2**	**0.4**	*-5.0*	*2.0*	*0.1*
Germany	0.3	-0.5	0.8	2.8	-4.1	-6.1	**5.7**	**0.6**	**0.5**	*-6.2*	*3.3*	*0.0*
Estonia	1.0	-0.6	1.2	1.1	0.6	0.7	**6.1**	**1.1**	**-0.7**	*0.5*	*1.6*	*0.8*
Ireland	1.4	-1.4	0.6	-2.4	-9.1	-3.5	**3.5**	**0.2**	**0.2**	*-3.4*	*1.2*	*0.4*
Greece	-0.9	-0.1	-0.3	-4.1	0.3	1.7	**0.6**	**0.9**	**0.3**	*8.0*	*2.8*	*1.9*
Spain	0.9	-1.5	0.1	2.6	1.0	-5.8	**1.9**	**0.3**	**-0.2**	*-5.1*	*1.0*	*0.5*
France	0.3	-0.5	0.7	1.2	-0.8	-5.7	**5.0**	**0.5**	**0.0**	*-3.7*	*5.4*	*0.7*
Croatia	0.5	0.5	-0.7	-3.8	-0.5	-3.3	**0.9**	**0.0**	**0.0**	*-3.3*	*2.9*	*1.0*
Italy	-0.5	-0.8	1.3	4.5	-6.1	-10.2	**8.5**	**0.2**	**0.2**	*-10.1*	*4.0*	*2.2*
Cyprus	-0.1	0.7	0.6	-1.4	-1.0	-2.1	**0.2**	**0.0**	**0.0**	*-2.1*	*0.7*	*0.3*
Latvia	0.1	0.7	1.7	2.4	-0.6	0.0	**-0.1**	**0.9**	**1.2**	*0.1*	*2.0*	*0.0*
Lithuania	-0.6	0.1	1.0	1.8	-6.4	-11.1	**4.9**	**-0.9**	**-1.0**	*-11.1*	*4.4*	*0.6*
Luxembourg	1.3	0.6	0.2	1.4	1.5	-7.2	**1.0**	**0.2**	**0.2**	*-4.0*	*2.2*	*0.2*
Malta	0.6	-1.4	0.9	0.8	2.7	2.0	**2.1**	**0.0**	**0.0**	*2.3*	*0.7*	*0.8*
Netherlands	0.2	-0.7	0.8	1.0	-1.3	-3.1	**2.8**	**0.4**	**-0.2**	*-3.1*	*3.3*	*0.3*
Austria	-0.2	-0.8	-0.1	1.0	-0.7	-5.0	**1.9**	**0.1**	**0.7**	*-4.5*	*2.3*	*0.8*
Portugal	0.5	0.1	0.4	1.6	0.1	-2.9	**2.8**	**-0.1**	**0.0**	*-3.0*	*2.7*	*0.0*
Slovakia	-1.2	-0.8	-0.5	-0.4	-1.1	-4.4	**-0.2**	**-0.2**	**-0.2**	*-4.4*	*1.3*	*0.7*
Slovenia	0.0	-1.2	0.3	0.8	-2.3	-2.9	**2.3**	**-1.2**	**0.2**	*-2.8*	*2.0*	*1.1*
Finland	-1.3	-0.9	0.7	2.3	0.1	-0.6	**-0.6**	**0.0**	**0.2**	*-0.6*	*1.2*	*0.1*
Euro area	0.0	-0.7	0.6	1.6	-3.2	-6.3	**4.4**	**0.2**	**0.2**	*-6.0*	*3.0*	*0.4*
Bulgaria	3.7	0.3	1.4	4.3	0.6	2.1	**-2.2**	**-0.1**	**0.1**	*1.0*	*2.0*	*0.0*
Czechia	-0.7	-0.4	0.1	1.8	-0.2	-4.3	**3.0**	**0.1**	**0.0**	*-5.2*	*3.4*	*1.9*
Denmark	1.6	0.1	-0.1	3.1	-4.9	-7.3	**5.4**	**-0.1**	**0.0**	*-9.6*	*4.6*	*-0.2*
Hungary	-0.8	-0.3	0.3	2.0	-3.7	-6.9	**7.1**	**-1.2**	**0.9**	*-6.6*	*4.3*	*0.0*
Poland	1.0	-0.2	0.9	3.2	-2.0	-3.7	**2.0**	**0.7**	**0.0**	*-3.6*	*3.1*	*0.6*
Romania	5.6	-0.1	-0.1	3.3	0.9	-0.7	**2.1**	**0.6**	**0.6**	*-0.7*	*3.7*	*0.4*
Sweden	0.2	-0.1	0.3	1.1	0.2	-4.4	**-0.5**	**-0.6**	**0.1**	*-4.2*	*1.2*	*0.0*
EU	0.1	-0.6	0.6	1.8	-2.9	-5.9	**4.0**	**0.2**	**0.2**	*-5.7*	*2.9*	*0.5*
United Kingdom	0.8	0.5	0.7	-1.0	-1.5	-1.6	**2.1**	**0.3**	**-0.4**	*-1.5*	*0.8*	*0.5*
Japan	-3.6	-4.2	1.7	6.8	-9.1	-13.2	**5.7**	**-2.2**	**-2.0**	*-13.2*	*4.5*	*3.6*
United States	-0.5	-0.2	0.9	-1.3	6.0	4.0	**-0.9**	**0.4**	**0.2**	*3.5*	*-1.0*	*0.3*

Table 22: Total population (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.7	0.8	0.5	0.5	0.4	0.8	**0.7**	**0.4**	**0.3**	*0.9*	*0.7*	*0.3*
Germany	-0.2	0.1	0.5	0.1	0.0	0.7	**0.8**	**0.2**	**0.2**	*0.7*	*0.8*	*0.2*
Estonia	-0.5	-0.3	0.1	0.3	0.1	0.1	**1.9**	**0.1**	**0.4**	*0.1*	*1.9*	*0.1*
Ireland	2.2	0.5	1.2	1.1	0.8	1.9	**1.8**	**1.3**	**1.1**	*1.9*	*1.6*	*0.8*
Greece	0.3	-0.4	-0.3	-0.2	-0.5	-0.7	**-0.7**	**-0.4**	**-0.4**	*-0.6*	*-0.5*	*-0.4*
Spain	1.6	0.0	0.3	0.5	-0.1	0.6	**0.8**	**0.8**	**0.8**	*0.6*	*0.6*	*0.7*
France	0.6	0.5	0.4	0.4	0.3	0.3	**0.3**	**0.3**	**0.3**	*0.4*	*0.4*	*0.3*
Croatia	0.0	-0.3	-0.8	-0.5	-2.2	-1.3	**-0.2**	**-0.5**	**-0.6**	*-1.3*	*-0.2*	*-0.5*
Italy	0.6	0.3	-0.2	-0.5	-0.5	-0.3	**0.0**	**-0.1**	**-0.1**	*-0.3*	*0.0*	*-0.1*
Cyprus	2.1	1.1	0.7	1.1	0.9	1.4	**1.7**	**1.2**	**1.0**	*1.4*	*1.3*	*1.0*
Latvia	-1.1	-1.4	-0.8	-0.6	-0.9	0.2	**0.4**	**-0.2**	**-0.2**	*0.2*	*-0.5*	*-0.7*
Lithuania	-1.3	-1.5	-1.0	0.0	0.5	0.8	**2.1**	**0.3**	**-0.4**	*0.9*	*0.3*	*-0.3*
Luxembourg	1.7	2.2	2.2	1.7	1.5	2.0	**1.8**	**1.6**	**1.6**	*2.2*	*2.5*	*2.0*
Malta	0.6	1.1	3.0	2.2	0.5	2.3	**2.6**	**2.2**	**2.2**	*2.3*	*1.8*	*1.8*
Netherlands	0.3	0.4	0.6	0.6	0.5	1.0	**1.0**	**0.6**	**0.6**	*1.0*	*0.8*	*0.7*
Austria	0.4	0.5	0.8	0.4	0.4	1.1	**0.2**	**0.2**	**0.3**	*1.1*	*0.3*	*0.2*
Portugal	0.2	-0.3	-0.2	0.1	0.0	0.0	**0.1**	**0.1**	**0.1**	*-0.1*	*0.1*	*0.1*
Slovakia	0.1	0.0	0.1	0.1	-0.4	0.9	**0.5**	**0.0**	**0.0**	*1.1*	*0.4*	*0.0*
Slovenia	0.4	0.2	0.3	0.7	0.2	0.1	**0.5**	**0.2**	**0.1**	*0.0*	*0.2*	*0.2*
Finland	0.4	0.5	0.2	0.2	0.2	0.3	**0.4**	**0.2**	**0.2**	*0.3*	*0.4*	*0.2*
Euro area	0.5	0.2	0.3	0.2	0.0	0.4	**0.5**	**0.3**	**0.3**	*0.4*	*0.5*	*0.3*
Bulgaria	-0.5	-1.0	-0.7	-0.6	-0.8	-6.0	**0.4**	**-0.6**	**-0.8**	*-0.8*	*0.6*	*-0.6*
Czechia	0.6	0.1	0.3	0.3	0.0	-0.1	**0.2**	**0.2**	**0.2**	*-0.1*	*0.3*	*0.1*
Denmark	0.4	0.4	0.6	0.2	0.4	0.9	**0.4**	**0.4**	**0.4**	*0.9*	*0.6*	*0.4*
Hungary	-0.2	-0.3	-0.2	-0.2	-0.4	-0.3	**-0.8**	**-0.2**	**-0.3**	*-0.3*	*-0.1*	*-0.4*
Poland	0.2	0.0	-0.1	-0.1	-0.5	-0.9	**2.0**	**-0.1**	**-0.5**	*-0.9*	*2.2*	*-1.1*
Romania	-1.0	-0.4	-0.5	-0.5	-0.9	-0.4	**-0.3**	**-0.3**	**-0.4**	*-0.4*	*-0.1*	*-0.4*
Sweden	0.7	0.8	1.2	0.7	0.6	0.7	**0.5**	**0.5**	**0.5**	*0.7*	*0.7*	*0.7*
EU	0.3	0.1	0.2	0.1	-0.1	0.1	**0.6**	**0.2**	**0.1**	*0.2*	*0.6*	*0.1*
United Kingdom	0.8	0.7	0.7	0.4	-0.1	1.1	**0.4**	**0.4**	**0.4**	*0.7*	*0.4*	*0.4*
Japan	0.0	-0.1	-0.2	-0.3	-0.1	-0.4	**-0.5**	**-0.5**	**-0.5**	*-0.4*	*-0.5*	*-0.5*
United States	0.9	0.8	0.7	0.4	0.2	0.4	**0.5**	**0.5**	**0.5**	*0.4*	*0.5*	*0.5*

Table 23: Total employment in persons (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.2	0.5	1.4	0.1	1.9	2.1	**0.8**	**0.6**	**0.8**	*2.0*	*0.6*	*0.9*
Germany	0.8	0.9	1.2	-0.8	0.2	1.4	**0.7**	**0.3**	**0.1**	*1.3*	*0.6*	*0.2*
Estonia	-0.6	1.0	1.6	-2.7	0.1	4.6	**0.7**	**-1.0**	**0.3**	*4.6*	*0.2*	*0.4*
Ireland	0.8	-0.3	3.2	-2.8	6.0	6.6	**3.4**	**1.4**	**1.3**	*6.6*	*2.4*	*0.9*
Greece	1.0	-1.6	1.3	-2.6	1.2	2.5	**1.5**	**1.1**	**1.0**	*3.8*	*0.8*	*0.7*
Spain	1.1	-1.9	2.5	-4.2	2.3	2.7	**1.9**	**1.2**	**1.3**	*2.8*	*0.8*	*1.1*
France	0.5	0.4	0.8	0.0	2.8	2.6	**1.2**	**0.3**	**0.3**	*2.4*	*0.3*	*0.4*
Croatia	1.7	-2.3	1.9	-1.2	1.2	2.3	**2.1**	**1.1**	**1.1**	*2.3*	*1.0*	*1.2*
Italy	0.5	-0.5	0.9	-2.1	0.9	1.7	**1.1**	**0.3**	**0.3**	*1.7*	*0.5*	*0.1*
Cyprus	2.7	-2.0	4.2	-1.2	3.2	3.0	**1.8**	**1.6**	**1.6**	*2.9*	*1.7*	*1.9*
Latvia	-0.9	-0.6	0.5	-2.3	-2.6	2.7	**0.4**	**0.2**	**0.2**	*2.7*	*0.1*	*1.6*
Lithuania	-1.3	0.1	1.0	-1.6	1.2	5.1	**0.8**	**0.4**	**-0.2**	*5.1*	*-0.6*	*-0.3*
Luxembourg	3.3	2.3	3.2	1.8	2.9	3.4	**1.7**	**1.2**	**1.5**	*3.5*	*2.4*	*2.3*
Malta	1.5	3.6	5.6	2.8	2.9	6.2	**3.7**	**2.4**	**2.0**	*6.0*	*2.3*	*2.3*
Netherlands	1.3	-0.3	2.0	-0.4	2.0	3.9	**1.5**	**0.5**	**0.3**	*4.0*	*1.0*	*0.7*
Austria	1.2	0.9	1.3	-1.6	2.0	2.6	**0.6**	**0.6**	**0.7**	*2.6*	*0.6*	*0.9*
Portugal	-0.5	-1.8	1.9	-1.8	2.0	1.5	**1.0**	**0.6**	**0.6**	*2.0*	*0.5*	*0.6*
Slovakia	1.4	0.2	1.9	-1.9	-0.6	1.8	**0.6**	**0.1**	**0.1**	*1.8*	*0.6*	*0.1*
Slovenia	1.1	-1.1	2.3	-0.7	1.3	2.9	**1.2**	**0.9**	**0.7**	*2.4*	*0.7*	*0.5*
Finland	1.1	0.1	1.1	-2.0	2.2	2.9	**0.3**	**0.1**	**0.8**	*2.5*	*-0.2*	*0.4*
Euro area	0.7	-0.1	1.4	-1.4	1.4	2.3	**1.1**	**0.5**	**0.5**	*2.3*	*0.6*	*0.5*
Bulgaria	2.0	-1.7	0.6	-2.3	0.2	-0.3	**0.4**	**0.0**	**0.0**	*1.3*	*0.3*	*0.3*
Czechia	1.1	0.0	1.2	-1.7	0.4	1.5	**0.6**	**0.2**	**0.5**	*1.7*	*0.7*	*0.6*
Denmark	0.8	-0.4	1.5	-0.8	2.4	3.8	**0.5**	**-0.5**	**-0.3**	*3.9*	*-0.3*	*-0.2*
Hungary	-0.9	1.2	2.3	-1.2	1.3	1.5	**0.0**	**0.2**	**0.2**	*1.7*	*0.0*	*0.5*
Poland	2.8	-0.1	0.8	0.0	2.5	0.4	**0.5**	**0.3**	**0.4**	*0.4*	*0.1*	*0.3*
Romania	-0.4	-0.8	0.0	-2.1	0.8	1.2	**-0.1**	**0.0**	**0.0**	*0.1*	*-0.3*	*0.0*
Sweden	0.6	1.2	1.6	-1.3	1.2	2.7	**1.5**	**-0.5**	**0.3**	*2.7*	*0.2*	*0.3*
EU	0.8	-0.1	1.3	-1.3	1.5	2.0	**1.0**	**0.4**	**0.4**	*2.0*	*0.5*	*0.4*
United Kingdom	0.4	1.1	1.3	-0.9	-0.3	1.0	**-0.2**	**0.1**	**0.6**	*1.0*	*-0.2*	*0.3*
Japan	0.2	-0.1	1.0	-0.5	-0.1	0.2	**-0.1**	**-0.1**	**-0.1**	*0.2*	*-0.1*	*-0.1*
United States	-0.2	1.1	1.5	-5.8	3.3	3.8	**1.8**	**0.2**	**0.5**	*3.7*	*1.0*	*0.1*

Table 24: **Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2005-2025)** 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	7.9	8.1	7.1	5.8	6.3	5.6	**5.6**	**5.6**	**5.4**	*5.6*	*5.8*	*5.7*
Germany	8.5	5.4	3.6	3.7	3.7	3.1	**3.1**	**3.2**	**3.2**	*3.1*	*3.2*	*3.1*
Estonia	7.5	10.9	5.8	6.9	6.2	5.6	**7.0**	**6.9**	**6.8**	*5.6*	*6.2*	*6.1*
Ireland	6.8	14.2	7.2	5.9	6.2	4.5	**4.2**	**4.2**	**4.3**	*4.5*	*4.3*	*4.3*
Greece	9.2	22.0	21.7	17.6	14.7	12.5	**11.4**	**10.7**	**9.9**	*12.5*	*12.2*	*11.8*
Spain	11.0	23.3	17.7	15.5	14.8	12.9	**12.1**	**11.6**	**11.1**	*12.9*	*12.7*	*12.4*
France	8.4	9.8	9.4	8.0	7.9	7.3	**7.2**	**7.4**	**7.5**	*7.3*	*7.4*	*7.5*
Croatia	10.4	15.2	11.1	7.5	7.6	7.0	**6.5**	**6.2**	**5.8**	*7.0*	*6.6*	*6.1*
Italy	7.1	10.6	11.1	9.3	9.5	8.1	**7.6**	**7.4**	**7.3**	*8.1*	*7.8*	*7.7*
Cyprus	4.6	11.6	10.9	7.6	7.5	6.8	**6.4**	**6.1**	**5.9**	*6.8*	*6.9*	*6.4*
Latvia	9.8	14.8	8.4	8.1	7.6	6.9	**6.8**	**6.6**	**6.5**	*6.9*	*6.8*	*6.5*
Lithuania	7.6	13.8	7.3	8.5	7.1	6.0	**6.8**	**6.7**	**6.5**	*6.0*	*6.6*	*6.5*
Luxembourg	4.7	5.2	5.9	6.8	5.3	4.6	**5.5**	**5.9**	**6.0**	*4.6*	*4.8*	*5.0*
Malta	6.6	6.3	4.3	4.4	3.4	2.9	**2.7**	**2.7**	**2.7**	*2.9*	*2.9*	*2.9*
Netherlands	5.7	7.1	6.0	4.9	4.2	3.5	**3.6**	**3.9**	**3.9**	*3.5*	*3.8*	*3.9*
Austria	5.4	5.4	5.7	6.0	6.2	4.8	**5.3**	**5.4**	**5.3**	*4.8*	*4.9*	*5.0*
Portugal	9.6	14.9	9.5	7.0	6.6	6.0	**6.5**	**6.5**	**6.4**	*6.0*	*6.5*	*6.3*
Slovakia	12.5	13.8	8.3	6.7	6.8	6.1	**5.7**	**5.4**	**5.2**	*6.1*	*5.8*	*5.4*
Slovenia	5.5	8.8	6.6	5.0	4.8	4.0	**3.6**	**3.7**	**3.6**	*4.0*	*3.9*	*3.8*
Finland	7.6	8.3	8.3	7.7	7.7	6.8	**7.2**	**7.3**	**7.0**	*6.8*	*7.1*	*6.8*
Euro area	9.7	11.2	9.2	8.0	7.7	6.8	**6.6**	**6.6**	**6.4**	*6.8*	*6.8*	*6.7*
Bulgaria	8.9	12.6	7.5	6.1	5.3	4.3	**4.2**	**4.2**	**4.2**	*4.3*	*4.3*	*4.0*
Czechia	6.3	6.8	3.2	2.6	2.8	2.2	**2.4**	**2.5**	**2.5**	*2.2*	*2.8*	*2.6*
Denmark	4.5	7.5	5.6	5.6	5.1	4.5	**4.6**	**5.2**	**5.5**	*4.5*	*5.0*	*5.1*
Hungary	7.8	9.9	4.5	4.1	4.1	3.6	**4.1**	**4.2**	**4.1**	*3.6*	*4.2*	*4.0*
Poland	11.8	10.0	5.2	3.2	3.4	2.9	**3.0**	**2.8**	**2.7**	*2.9*	*3.3*	*3.2*
Romania	8.2	8.9	6.4	6.1	5.6	5.6	**5.4**	**5.2**	**5.3**	*5.6*	*5.4*	*5.1*
Sweden	7.2	8.2	7.0	8.5	8.8	7.5	**7.6**	**8.5**	**8.6**	*7.5*	*7.7*	*8.2*
EU	8.6	10.8	8.4	7.2	7.1	6.2	**6.0**	**6.0**	**5.9**	*6.2*	*6.2*	*6.1*
United Kingdom	5.8	7.6	4.5	4.6	4.5	3.7	**4.3**	**4.7**	**4.6**	*3.7*	*4.3*	*4.6*
Japan	4.3	4.3	2.8	2.8	2.8	2.6	**2.5**	**2.4**	**2.4**	*2.6*	*2.5*	*2.4*
United States	5.9	8.0	4.4	8.1	5.3	3.6	**3.7**	**4.1**	**3.9**	*3.5*	*4.1*	*4.8*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: **Compensation of employees per head (percentage change on preceding year, 2005-2025)** 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	2.7	2.2	1.3	-1.5	4.4	7.3	**7.0**	**3.6**	**3.1**	*7.2*	*9.0*	*3.4*
Germany	1.0	2.6	2.8	0.4	3.1	3.9	**5.5**	**5.2**	**3.6**	*4.2*	*5.5*	*5.3*
Estonia	11.1	4.6	6.8	4.5	9.3	8.1	**10.0**	**6.3**	**3.9**	*8.3*	*10.3*	*4.8*
Ireland	4.0	-0.3	2.9	3.7	2.6	2.7	**5.0**	**5.5**	**5.2**	*4.2*	*5.6*	*5.8*
Greece	4.6	-4.7	-1.4	-0.4	3.8	2.8	**4.9**	**4.1**	**2.4**	*0.3*	*3.6*	*2.8*
Spain	4.1	0.0	1.3	1.2	4.5	4.1	**4.8**	**3.9**	**2.5**	*2.0*	*4.7*	*3.5*
France	2.6	2.1	1.2	-3.5	4.9	4.9	**5.3**	**3.3**	**2.7**	*5.0*	*5.4*	*3.1*
Croatia	3.6	-0.1	1.1	1.2	6.4	11.4	**10.4**	**4.8**	**1.9**	*7.9*	*7.5*	*3.3*
Italy	2.1	0.6	1.0	-4.1	6.3	4.7	**3.8**	**4.3**	**4.4**	*2.6*	*3.5*	*3.6*
Cyprus	4.3	-0.8	1.0	-0.5	4.3	1.1	**5.0**	**4.0**	**2.6**	*3.8*	*6.3*	*4.0*
Latvia	16.9	3.3	7.7	4.3	8.5	12.2	**10.4**	**7.3**	**5.8**	*9.0*	*10.8*	*5.3*
Lithuania	10.1	4.0	8.0	6.6	11.9	11.4	**10.8**	**7.4**	**5.5**	*10.6*	*10.4*	*6.2*
Luxembourg	3.3	2.4	2.1	1.2	5.1	5.8	**5.9**	**4.2**	**2.9**	*5.4*	*6.9*	*3.4*
Malta	3.4	2.5	4.9	-0.8	4.4	3.1	**3.9**	**3.9**	**4.4**	*2.8*	*5.6*	*3.1*
Netherlands	2.4	1.6	1.4	4.3	2.1	4.0	**6.2**	**5.5**	**3.9**	*3.9*	*5.5*	*4.8*
Austria	2.6	2.0	2.3	1.7	2.9	4.7	**8.3**	**7.1**	**3.9**	*4.6*	*8.3*	*6.6*
Portugal	3.0	-0.3	2.5	1.5	5.1	5.7	**7.0**	**3.7**	**3.2**	*6.1*	*5.7*	*2.9*
Slovakia	6.9	2.9	4.8	3.9	6.9	6.0	**9.7**	**7.9**	**5.9**	*6.0*	*9.7*	*7.4*
Slovenia	5.3	1.2	3.3	3.4	8.1	5.0	**9.2**	**5.9**	**4.5**	*4.3*	*7.7*	*5.3*
Finland	3.2	2.1	0.8	0.5	4.2	2.9	**5.1**	**2.7**	**3.5**	*3.2*	*4.5*	*3.8*
Euro area	2.4	1.7	1.7	-0.3	4.2	4.5	**5.5**	**4.5**	**3.4**	*4.4*	*5.5*	*4.2*
Bulgaria	10.6	7.8	7.7	7.2	11.3	14.2	**12.6**	**9.5**	**8.0**	*18.4*	*13.5*	*9.1*
Czechia	3.9	2.3	5.9	3.1	5.0	6.0	**8.3**	**6.8**	**6.3**	*5.5*	*7.3*	*6.6*
Denmark	3.5	1.9	1.6	2.4	3.1	3.1	**3.9**	**5.8**	**5.0**	*2.9*	*4.9*	*5.3*
Hungary	4.8	1.9	4.9	3.1	8.8	15.5	**14.2**	**10.2**	**8.7**	*15.0*	*14.6*	*8.3*
Poland	4.3	4.5	5.8	5.3	4.7	13.6	**11.2**	**8.8**	**6.7**	*13.2*	*12.7*	*8.3*
Romania	15.0	4.3	11.1	4.0	6.4	6.4	**15.1**	**8.9**	**7.1**	*11.1*	*9.6*	*6.7*
Sweden	3.6	2.6	2.8	2.5	4.6	2.8	**3.9**	**4.1**	**4.0**	*2.8*	*4.0*	*3.7*
EU	2.5	1.8	2.1	0.2	4.3	5.0	**5.9**	**4.9**	**3.8**	*5.0*	*5.9*	*4.6*
United Kingdom	3.5	1.9	2.7	0.3	4.6	6.1	**6.2**	**4.4**	**2.9**	*6.3*	*4.6*	*2.2*
Japan	-1.0	0.0	0.9	-0.8	2.0	2.3	**3.7**	**3.2**	**2.9**	*2.3*	*3.1*	*2.2*
United States	3.1	2.3	2.7	7.6	5.0	2.9	**3.9**	**2.9**	**2.6**	*4.2*	*4.0*	*2.6*

Note: See note 6 on concepts and sources.

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.6	0.5	-0.2	-2.4	1.8	-2.3	**2.2**	**0.8**	**1.1**	*-1.3*	*5.3*	*0.8*
Germany	-0.2	1.2	1.7	-0.2	0.1	-2.6	**-0.6**	**2.5**	**1.5**	*-2.5*	*-0.4*	*3.0*
Estonia	6.1	1.2	4.5	5.4	4.9	-7.6	**-1.0**	**2.6**	**1.8**	*-7.3*	*1.0*	*2.0*
Ireland	3.7	-0.8	1.6	3.0	-1.2	-4.0	**-1.0**	**2.2**	**2.6**	*-2.2*	*0.6*	*2.5*
Greece	1.5	-4.6	-1.0	0.7	2.7	-3.4	**1.1**	**1.3**	**0.3**	*-6.7*	*-0.6*	*0.3*
Spain	1.5	-1.5	0.5	1.2	2.1	-2.3	**1.1**	**0.5**	**0.4**	*-4.5*	*0.7*	*1.0*
France	1.1	1.0	0.4	-4.6	3.5	0.8	**-0.9**	**0.3**	**0.7**	*0.1*	*-0.4*	*0.4*
Croatia	0.0	-1.7	0.7	0.7	4.0	0.1	**2.6**	**1.8**	**0.1**	*-2.7*	*0.6*	*0.5*
Italy	0.2	-1.1	0.4	-4.2	4.7	-2.4	**-1.4**	**1.7**	**2.2**	*-4.5*	*-1.9*	*1.0*
Cyprus	1.2	-2.2	1.4	0.5	3.5	-5.2	**0.9**	**1.0**	**0.4**	*-3.9*	*2.4*	*1.5*
Latvia	8.2	1.6	5.5	4.4	5.0	-2.3	**0.8**	**4.0**	**3.8**	*-4.6*	*1.4*	*3.5*
Lithuania	4.3	2.0	6.2	5.4	6.9	-6.1	**1.2**	**4.4**	**2.9**	*-7.0*	*1.1*	*4.0*
Luxembourg	1.3	0.5	0.7	-0.4	3.8	0.4	**2.1**	**1.0**	**1.1**	*-0.2*	*3.8*	*1.0*
Malta	0.9	0.6	3.6	-2.0	3.1	-2.2	**-1.4**	**0.4**	**1.4**	*-2.4*	*1.0*	*0.1*
Netherlands	0.9	0.0	0.0	3.0	-1.0	-2.7	**-2.3**	**1.7**	**1.6**	*-3.3*	*0.0*	*1.7*
Austria	0.7	-0.3	0.6	0.5	0.7	-2.5	**1.4**	**2.8**	**0.8**	*-2.8*	*1.4*	*2.7*
Portugal	0.7	-1.5	1.3	0.9	3.0	-1.6	**2.4**	**0.9**	**0.8**	*-0.2*	*1.3*	*0.2*
Slovakia	3.9	1.0	3.5	1.7	3.5	-5.6	**-0.4**	**2.3**	**2.3**	*-5.5*	*-0.1*	*2.3*
Slovenia	2.2	-0.1	2.5	4.0	4.6	-4.5	**1.6**	**2.0**	**1.7**	*-6.6*	*1.2*	*1.7*
Finland	1.3	-0.1	0.0	0.2	2.4	-3.0	**0.7**	**0.8**	**1.5**	*-2.2*	*0.2*	*1.9*
Euro area	0.6	0.3	0.8	-1.0	2.0	-2.0	**-0.3**	**1.5**	**1.2**	*-2.3*	*0.0*	*1.6*
Bulgaria	5.4	6.0	4.9	7.8	5.0	-1.7	**1.7**	**5.3**	**4.9**	*1.6*	*2.8*	*5.1*
Czechia	1.6	1.1	4.2	0.2	2.1	-7.8	**-1.6**	**2.7**	**3.4**	*-9.0*	*-4.0*	*2.4*
Denmark	1.5	0.2	1.0	2.1	1.0	-4.0	**0.4**	**3.6**	**3.1**	*-4.1*	*0.6*	*2.8*
Hungary	0.1	-1.2	2.3	-0.2	2.4	-0.7	**-2.6**	**4.8**	**4.4**	*-1.8*	*-1.5*	*4.1*
Poland	1.7	2.4	4.9	1.7	-0.7	-0.3	**0.2**	**2.4**	**2.7**	*-1.1*	*0.3*	*1.7*
Romania	7.9	0.3	8.1	1.6	1.7	-6.9	**4.8**	**2.9**	**3.6**	*-2.8*	*-0.3*	*1.9*
Sweden	2.0	1.6	1.2	1.6	2.7	-3.8	**-3.7**	**1.0**	**2.1**	*-4.0*	*-1.3*	*2.1*
EU	0.6	0.4	1.1	-0.7	1.8	-2.2	**-0.4**	**1.6**	**1.4**	*-2.4*	*-0.2*	*1.7*
United Kingdom	1.1	-0.1	1.5	-0.2	2.2	-1.5	**-0.7**	**0.7**	**0.7**	*-1.5*	*-1.8*	*0.5*
Japan	-0.4	0.2	0.5	-1.2	1.4	-0.5	**0.7**	**0.5**	**0.6**	*-0.5*	*0.6*	*0.5*
United States	0.9	0.5	1.4	6.5	0.8	-3.3	**0.0**	**0.1**	**0.5**	*-1.9*	*0.1*	*0.2*

[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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.2	1.0	0.4	-5.3	4.8	0.9	**0.6**	**0.7**	**0.7**	*1.2*	*0.6*	*0.5*
Germany	-0.3	1.3	0.5	-3.1	3.0	0.4	**-1.0**	**0.5**	**1.2**	*0.5*	*-0.4*	*1.2*
Estonia	1.7	2.5	2.1	1.8	7.1	-4.8	**-3.3**	**3.0**	**2.3**	*-5.6*	*-0.6*	*2.7*
Ireland	0.5	2.8	6.2	9.7	8.6	2.6	**-4.2**	**1.6**	**2.1**	*5.0*	*3.0*	*4.0*
Greece	0.0	-3.5	-0.5	-6.9	7.1	3.0	**0.8**	**1.2**	**1.3**	*2.0*	*1.6*	*1.2*
Spain	0.7	1.2	0.3	-7.3	4.0	3.0	**0.5**	**0.4**	**0.8**	*1.6*	*0.8*	*0.7*
France	0.2	0.8	0.8	-7.5	3.5	-0.2	**-0.2**	**0.9**	**1.0**	*0.2*	*0.4*	*1.0*
Croatia	0.1	1.5	1.2	-7.5	12.4	3.9	**0.5**	**1.4**	**1.7**	*3.8*	*0.6*	*1.1*
Italy	-0.9	0.0	0.1	-7.0	7.4	2.0	**-0.4**	**0.6**	**0.9**	*-0.1*	*0.4*	*0.5*
Cyprus	0.5	0.2	1.2	-2.2	6.5	2.0	**0.5**	**1.0**	**1.3**	*2.7*	*0.6*	*0.8*
Latvia	3.7	2.4	2.3	-1.2	9.5	0.6	**-0.7**	**2.2**	**2.8**	*0.0*	*1.3*	*1.2*
Lithuania	3.8	3.6	2.5	1.6	5.0	-2.5	**-1.2**	**2.1**	**3.6**	*-3.0*	*1.2*	*3.0*
Luxembourg	-0.8	0.1	-0.7	-2.6	4.2	-1.9	**-2.2**	**0.1**	**0.4**	*-1.9*	*-0.8*	*0.1*
Malta	1.1	1.0	1.9	-10.6	9.2	0.7	**0.2**	**1.6**	**2.1**	*0.8*	*1.6*	*1.8*
Netherlands	0.2	0.9	0.3	-3.5	4.1	0.4	**-0.9**	**0.5**	**1.4**	*0.5*	*0.8*	*0.5*
Austria	0.2	0.3	0.6	-5.1	2.2	2.1	**-1.1**	**0.4**	**0.6**	*2.3*	*-0.2*	*0.7*
Portugal	0.9	1.0	0.7	-6.6	3.7	5.2	**1.2**	**0.7**	**1.2**	*4.6*	*1.9*	*1.1*
Slovakia	3.6	2.6	1.4	-1.5	5.4	0.0	**0.7**	**1.6**	**1.8**	*-0.1*	*1.2*	*2.0*
Slovenia	1.3	1.3	1.3	-3.6	6.8	-0.4	**0.2**	**1.0**	**2.0**	*2.9*	*0.5*	*1.7*
Finland	-0.2	0.5	0.7	-0.4	1.0	-1.3	**-0.2**	**0.7**	**0.6**	*-0.4*	*0.4*	*1.0*
Euro area	0.0	0.9	0.6	-4.7	4.4	1.1	**-0.5**	**0.7**	**1.1**	*1.2*	*0.4*	*1.0*
Bulgaria	2.6	2.7	2.6	-1.7	7.5	4.3	**1.6**	**1.8**	**2.6**	*2.1*	*1.2*	*2.1*
Czechia	2.1	1.1	2.6	-3.9	3.2	0.8	**-1.0**	**1.2**	**2.5**	*0.7*	*-0.5*	*2.1*
Denmark	-0.5	1.7	0.9	-1.6	4.4	-1.0	**0.6**	**1.9**	**1.9**	*0.0*	*0.7*	*1.7*
Hungary	1.4	0.3	1.8	-3.4	5.8	3.0	**-0.7**	**2.2**	**3.3**	*2.8*	*0.5*	*2.3*
Poland	1.9	2.9	3.7	-2.0	4.3	4.8	**-0.1**	**2.5**	**2.8**	*4.7*	*0.6*	*2.4*
Romania	5.0	2.2	4.8	-1.7	4.9	3.4	**2.4**	**3.0**	**3.4**	*4.6*	*3.5*	*3.4*
Sweden	0.6	1.2	1.0	-0.8	4.9	0.1	**-2.0**	**0.3**	**1.0**	*-0.1*	*-0.7*	*0.9*
EU	0.1	1.1	0.9	-4.3	4.5	1.4	**-0.4**	**0.9**	**1.3**	*1.5*	*0.5*	*1.2*
United Kingdom	0.1	0.9	0.7	-9.6	9.0	3.3	**0.8**	**0.4**	**0.7**	*3.0*	*0.0*	*0.7*
Japan	-0.7	1.6	-0.1	-3.8	2.3	0.9	**2.0**	**0.9**	**0.7**	*0.9*	*1.2*	*1.1*
United States	1.4	1.0	0.9	3.8	2.4	-1.8	**0.6**	**1.3**	**1.3**	*-1.6*	*0.4*	*0.9*

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	2.5	1.3	0.9	4.0	-0.4	6.3	**6.4**	**2.8**	**2.4**	*5.9*	*8.3*	*2.9*
Germany	1.3	1.2	2.3	3.5	0.1	3.4	**6.5**	**4.7**	**2.4**	*3.7*	*5.9*	*4.1*
Estonia	9.2	2.1	4.6	2.6	2.1	13.6	**13.7**	**3.2**	**1.5**	*14.8*	*11.0*	*2.0*
Ireland	3.5	-3.0	-3.2	-5.5	-5.5	0.1	**9.6**	**3.8**	**3.0**	*-0.8*	*2.4*	*1.8*
Greece	4.6	-1.3	-0.9	7.0	-3.1	-0.2	**4.0**	**2.8**	**1.1**	*-1.7*	*1.9*	*1.5*
Spain	3.4	-1.3	0.9	9.2	0.4	1.0	**4.3**	**3.5**	**1.8**	*0.4*	*3.9*	*2.8*
France	2.3	1.2	0.4	4.4	1.3	5.1	**5.5**	**2.3**	**1.6**	*4.9*	*4.9*	*2.1*
Croatia	3.6	-1.5	-0.1	9.4	-5.4	7.2	**9.9**	**3.4**	**0.2**	*4.0*	*6.9*	*2.2*
Italy	3.0	0.6	0.9	3.1	-0.9	2.7	**4.2**	**3.7**	**3.4**	*2.8*	*3.1*	*3.0*
Cyprus	3.7	-1.0	-0.2	1.8	-2.1	-0.9	**4.5**	**3.0**	**1.3**	*1.0*	*5.6*	*3.2*
Latvia	12.7	0.9	5.2	5.6	-0.9	11.6	**11.2**	**4.9**	**2.9**	*9.0*	*9.4*	*4.1*
Lithuania	6.1	0.3	5.4	5.0	6.5	14.2	**12.1**	**5.2**	**1.8**	*14.0*	*9.1*	*3.1*
Luxembourg	4.1	2.3	2.8	3.9	0.9	7.9	**8.3**	**4.0**	**2.4**	*7.4*	*7.8*	*3.3*
Malta	2.2	1.5	2.9	11.0	-4.4	2.4	**3.6**	**2.3**	**2.3**	*2.1*	*3.9*	*1.3*
Netherlands	2.1	0.7	1.1	8.1	-2.0	3.6	**7.2**	**5.0**	**2.5**	*3.3*	*4.7*	*4.3*
Austria	2.4	1.7	1.8	7.2	0.7	2.6	**9.5**	**6.6**	**3.2**	*2.2*	*8.5*	*5.9*
Portugal	2.1	-1.2	1.8	8.7	1.3	0.5	**5.7**	**2.9**	**2.0**	*1.5*	*3.7*	*1.7*
Slovakia	3.2	0.3	3.4	5.4	1.4	6.0	**8.9**	**6.2**	**4.0**	*6.2*	*8.4*	*5.3*
Slovenia	3.9	-0.1	2.0	7.2	1.1	5.4	**9.0**	**4.8**	**2.5**	*1.4*	*7.2*	*3.6*
Finland	3.4	1.6	0.1	0.9	3.2	4.2	**5.3**	**2.0**	**2.8**	*3.6*	*4.1*	*2.7*
Euro area	2.4	0.7	1.1	4.6	-0.2	3.4	**6.0**	**3.8**	**2.3**	*3.2*	*5.0*	*3.2*
Bulgaria	7.8	4.9	5.0	9.0	3.6	9.5	**10.8**	**7.6**	**5.3**	*16.0*	*12.2*	*6.8*
Czechia	1.7	1.1	3.2	7.3	1.8	5.1	**9.3**	**5.6**	**3.6**	*4.8*	*7.8*	*4.4*
Denmark	4.0	0.2	0.8	4.2	-1.2	4.2	**3.2**	**3.9**	**3.0**	*3.0*	*4.2*	*3.5*
Hungary	3.3	1.5	3.1	6.7	2.9	12.1	**14.9**	**7.8**	**5.2**	*11.9*	*14.0*	*5.8*
Poland	2.3	1.6	2.0	7.5	0.4	8.4	**11.3**	**6.1**	**3.8**	*8.1*	*12.1*	*5.8*
Romania	9.5	2.0	6.1	5.8	1.4	2.9	**12.4**	**5.7**	**3.7**	*6.2*	*5.9*	*3.2*
Sweden	3.0	1.4	1.8	3.4	-0.3	2.7	**6.0**	**3.8**	**3.0**	*2.9*	*4.8*	*2.8*
EU	2.4	0.7	1.2	4.7	-0.1	3.6	**6.4**	**4.0**	**2.4**	*3.5*	*5.4*	*3.3*
United Kingdom	3.4	1.0	2.1	11.0	-4.1	2.8	**5.3**	**4.0**	**2.1**	*3.1*	*4.6*	*1.5*
Japan	-0.3	-1.6	1.0	3.0	-0.3	1.4	**1.6**	**2.3**	**2.2**	*1.4*	*1.9*	*1.1*
United States	1.7	1.3	1.8	3.7	2.6	4.8	**3.3**	**1.7**	**1.3**	*6.0*	*3.6*	*1.6*

[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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.8	-0.3	-0.8	2.4	-3.5	0.4	**2.5**	**0.2**	**-0.1**	*0.0*	*4.3*	*0.5*
Germany	0.2	-0.2	0.5	1.6	-2.8	-1.8	**0.2**	**1.7**	**-0.2**	*-1.7*	*-0.2*	*1.6*
Estonia	2.4	-1.5	1.5	3.6	-3.6	-2.1	**4.1**	**-0.9**	**-0.5**	*-1.5*	*0.6*	*-1.5*
Ireland	3.0	-3.3	-5.9	-4.3	-5.9	-6.1	**4.3**	**1.2**	**1.1**	*-5.8*	*-2.0*	*-0.7*
Greece	1.3	-0.6	-0.8	7.8	-4.5	-7.5	**-1.1**	**0.1**	**-1.0**	*-9.1*	*-2.6*	*-1.3*
Spain	0.7	-1.3	0.0	8.0	-2.2	-3.0	**-0.9**	**0.1**	**-0.2**	*-3.7*	*-0.5*	*-0.1*
France	0.5	0.3	-0.5	1.5	-0.1	2.1	**-0.2**	**-0.5**	**-0.5**	*1.8*	*-0.4*	*-0.5*
Croatia	-0.3	-2.5	-1.1	8.6	-6.8	-2.1	**0.5**	**-0.1**	**-1.9**	*-3.9*	*-0.5*	*-1.0*
Italy	0.9	-0.5	-0.1	1.5	-2.2	-0.3	**-0.7**	**1.0**	**0.6**	*-0.3*	*-2.7*	*0.4*
Cyprus	0.9	-1.6	-0.6	3.2	-4.6	-6.6	**-1.2**	**-0.3**	**-1.4**	*-5.1*	*0.6*	*0.3*
Latvia	3.7	-1.7	2.7	3.4	-4.5	-1.1	**3.3**	**0.4**	**0.1**	*-3.6*	*0.5*	*1.3*
Lithuania	0.5	-2.1	2.9	3.0	0.0	-2.0	**3.0**	**2.0**	**-0.5**	*-2.4*	*-1.2*	*0.0*
Luxembourg	0.0	-1.0	1.5	-0.3	-3.6	2.1	**3.1**	**0.2**	**-0.6**	*0.9*	*2.2*	*-0.1*
Malta	-0.1	-0.7	0.4	9.1	-6.3	-2.7	**-1.3**	**-0.8**	**-0.7**	*-3.0*	*-0.3*	*-1.7*
Netherlands	0.3	-0.1	-0.5	6.1	-4.8	-1.9	**0.0**	**1.2**	**0.2**	*-1.9*	*-1.3*	*1.6*
Austria	0.3	0.0	0.0	4.4	-1.4	-2.6	**1.8**	**2.5**	**-0.3**	*-2.6*	*1.3*	*1.7*
Portugal	-0.4	-1.8	0.0	6.6	-0.6	-4.3	**-1.0**	**0.0**	**-0.3**	*-2.9*	*-2.0*	*-0.6*
Slovakia	1.5	-0.5	2.3	3.0	-0.9	-1.4	**-1.2**	**0.9**	**0.7**	*-1.3*	*-1.3*	*-0.3*
Slovenia	0.8	-0.6	0.5	6.0	-1.5	-1.0	**0.3**	**1.0**	**-0.2**	*-5.5*	*-0.1*	*-0.8*
Finland	1.5	-0.4	-1.1	-0.7	1.0	-1.1	**0.4**	**-0.2**	**0.5**	*-0.6*	*-0.2*	*0.3*
Euro area	0.5	-0.3	-0.2	2.7	-2.4	-1.2	**0.2**	**0.7**	**-0.2**	*-1.4*	*-0.6*	*0.5*
Bulgaria	0.5	3.0	0.8	4.5	-3.3	-5.8	**1.9**	**3.3**	**2.4**	*0.8*	*1.6*	*2.8*
Czechia	0.0	0.3	1.2	2.8	-1.5	-3.2	**-0.2**	**1.9**	**0.9**	*-3.5*	*-3.1*	*-1.0*
Denmark	1.5	-1.4	0.0	1.2	-4.0	-3.6	**5.8**	**1.5**	**0.8**	*-4.3*	*4.0*	*1.4*
Hungary	-0.8	-1.2	-0.4	0.3	-3.3	-2.1	**0.0**	**2.9**	**0.5**	*-2.9*	*0.9*	*2.2*
Poland	-0.8	0.0	0.5	3.1	-4.6	-2.1	**0.6**	**0.3**	**0.1**	*-2.9*	*0.3*	*0.0*
Romania	-1.9	-1.3	1.3	1.6	-3.8	-9.2	**1.3**	**-0.8**	**-0.4**	*-6.3*	*-4.3*	*-2.5*
Sweden	0.8	0.2	-0.3	1.3	-2.8	-3.1	**-0.7**	**1.1**	**0.9**	*-2.7*	*-0.8*	*1.2*
EU	0.4	-0.4	-0.3	2.6	-2.6	-1.7	**0.2**	**0.7**	**-0.1**	*-1.8*	*-0.7*	*0.4*
United Kingdom	0.7	-0.7	0.3	5.6	-4.0	-2.3	**-1.0**	**0.4**	**0.4**	*-2.2*	*-0.5*	*-0.3*
Japan	0.6	-1.0	0.4	2.1	-0.1	1.1	**-1.9**	**0.3**	**0.6**	*1.1*	*-1.5*	*-1.3*
United States	-0.6	-0.5	0.2	2.4	-1.9	-2.1	**-0.4**	**-0.9**	**-0.8**	*-1.0*	*-0.2*	*-0.8*

[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 (2005-2025)** 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Germany	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Estonia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Ireland	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Greece	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Spain	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
France	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Italy	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Cyprus	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Malta	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Austria	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Portugal	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Slovakia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Slovenia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Finland	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Euro area	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Bulgaria	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czechia	27.4434	25.7036	26.3895	26.4551	25.6385	24.5646	**24.0374**	**24.6542**	**24.6542**	*24.5647*	*23.5129*	*23.4208*
Denmark	7.4528	7.4509	7.4523	7.4542	7.4370	7.4396	**7.4517**	**7.4612**	**7.4612**	*7.4396*	*7.4496*	*7.4518*
Hungary	258.9058	289.7524	314.9165	351.2494	358.4616	390.7769	**382.5963**	**384.7310**	**384.7310**	*391.3229*	*378.4623*	*374.9670*
Poland	3.9081	4.1363	4.2727	4.4430	4.5649	4.6853	**4.5580**	**4.4726**	**4.4726**	*4.6898*	*4.6452*	*4.6227*
Romania	3.6805	4.3546	4.5807	4.8383	4.9214	4.9313	**4.9466**	**4.9682**	**4.9682**	*4.9312*	*4.9330*	*4.9373*
Sweden	9.6029	9.0038	9.8599	10.4848	10.1461	10.6270	**11.5139**	**11.6199**	**11.6199**	*10.6314*	*11.2961*	*11.3273*
EU	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United Kingdom	0.7474	0.8384	0.8369	0.8897	0.8595	0.8526	**0.8700**	**0.8684**	**0.8684**	*0.8529*	*0.8829*	*0.8830*
Japan	145.1365	119.5223	126.6649	121.8458	129.8621	137.9179	**151.8103**	**158.3190**	**158.3190**	*138.0384*	*145.7621*	*147.1060*
United States	1.3471	1.3318	1.1293	1.1422	1.1824	1.0519	**1.0767**	**1.0577**	**1.0577**	*1.0531*	*1.0917*	*1.0983*

Table 31: **Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2005-2025)** 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	0.9	-0.3	0.4	1.9	0.5	-1.5	**2.9**	**0.5**	**0.0**	*-1.6*	*2.3*	*0.3*
Germany	1.0	-0.4	0.4	2.4	0.7	-2.4	**3.5**	**0.6**	**0.0**	*-2.4*	*2.8*	*0.3*
Estonia	1.5	0.0	1.6	2.5	0.5	-2.0	**4.2**	**0.9**	**0.0**	*-1.9*	*3.6*	*0.5*
Ireland	1.5	-0.7	-0.3	1.8	0.9	-4.5	**2.8**	**-0.1**	**0.0**	*-4.5*	*2.8*	*0.4*
Greece	1.0	0.3	1.4	3.4	1.5	0.4	**4.8**	**1.3**	**0.0**	*0.7*	*3.3*	*0.4*
Spain	0.9	-0.2	0.6	2.2	0.6	-1.4	**2.9**	**0.6**	**0.0**	*-1.5*	*2.2*	*0.3*
France	0.9	-0.4	0.3	2.1	0.7	-2.0	**3.3**	**0.6**	**0.0**	*-2.2*	*2.6*	*0.3*
Croatia	1.3	-0.6	1.6	0.8	1.3	-0.7	**3.4**	**1.0**	**0.0**	*-0.7*	*2.2*	*0.3*
Italy	0.9	-0.3	0.5	2.3	0.9	-2.0	**3.3**	**0.6**	**0.0**	*-2.0*	*2.6*	*0.3*
Cyprus	1.1	-0.5	0.5	2.8	0.4	-2.7	**5.2**	**1.1**	**0.0**	*-2.3*	*3.7*	*0.5*
Latvia	0.2	0.5	1.9	3.5	0.9	-2.2	**5.6**	**1.6**	**0.0**	*-2.5*	*4.5*	*0.7*
Lithuania	1.5	0.6	2.2	3.8	1.1	-2.5	**5.7**	**1.6**	**0.0**	*-3.0*	*4.6*	*0.7*
Luxembourg	0.8	-0.3	0.3	1.5	0.5	-1.0	**2.2**	**0.5**	**0.0**	*-1.0*	*1.7*	*0.2*
Malta	1.0	-0.5	-0.2	1.7	0.9	-1.4	**3.8**	**0.8**	**0.0**	*-1.4*	*2.6*	*0.4*
Netherlands	0.9	-0.3	0.4	1.8	0.4	-1.3	**2.7**	**0.5**	**0.0**	*-1.4*	*2.2*	*0.2*
Austria	0.7	-0.2	0.4	1.8	0.6	-1.6	**2.2**	**0.4**	**0.0**	*-1.7*	*1.8*	*0.2*
Portugal	0.7	-0.2	0.3	1.7	0.5	-1.3	**2.1**	**0.4**	**0.0**	*-1.3*	*1.7*	*0.2*
Slovakia	6.5	0.0	0.6	1.8	0.4	-0.9	**2.0**	**0.5**	**0.0**	*-1.0*	*1.4*	*0.2*
Slovenia	0.6	0.2	0.8	1.8	0.7	-1.2	**2.3**	**0.6**	**0.0**	*-1.0*	*1.7*	*0.2*
Finland	1.4	-0.3	1.0	2.5	0.6	-2.2	**4.7**	**1.0**	**0.0**	*-2.3*	*3.7*	*0.5*
Euro area	2.1	-0.8	0.8	3.8	1.2	-3.2	**5.6**	**1.0**	**0.0**	*-3.4*	*4.4*	*0.5*
Bulgaria	1.1	0.4	1.6	3.3	1.8	1.0	**4.5**	**1.4**	**0.0**	*1.4*	*3.1*	*0.3*
Czechia	4.6	-0.9	2.1	-1.3	3.9	3.7	**4.6**	**-2.0**	**0.0**	*3.7*	*6.3*	*0.6*
Denmark	1.2	-0.7	0.6	2.5	0.4	-1.9	**3.9**	**0.5**	**0.0**	*-1.9*	*3.3*	*0.3*
Hungary	-1.3	-1.9	-0.4	-5.7	-1.4	-9.1	**4.9**	**0.1**	**0.0**	*-9.2*	*5.2*	*1.2*
Poland	2.3	0.7	0.3	-1.4	-2.4	-3.8	**5.8**	**2.7**	**0.0**	*-3.9*	*3.1*	*0.8*
Romania	0.3	-0.6	-0.4	0.4	-0.6	0.1	**3.1**	**0.5**	**0.0**	*0.0*	*2.1*	*0.1*
Sweden	-2.0	2.8	-2.4	3.7	3.5	-6.5	**-4.2**	**-0.3**	**0.0**	*-6.6*	*-2.8*	*0.1*
EU	2.2	-0.8	0.8	4.1	1.5	-4.6	**7.1**	**1.3**	**0.0**	*-4.6*	*5.6*	*0.7*
United	-4.5	1.5	-1.6	0.8	4.6	-2.1	**1.6**	**0.7**	**0.0**	*-2.2*	*-0.5*	*0.4*
Japan	2.3	-2.7	2.3	2.8	-6.3	-11.6	**-4.6**	**-3.8**	**0.0**	*-11.7*	*-1.2*	*-0.3*
United States	-1.3	0.0	4.6	2.6	-4.0	7.0	**1.0**	**2.4**	**0.0**	*7.3*	*-0.8*	*-0.2*

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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	50.9	55.5	52.6	58.8	54.8	53.2	54.9	55.3	54.8	53.5	55.2	55.2
Germany	45.6	45.5	44.4	50.5	50.9	49.5	48.2	48.1	47.8	49.7	48.3	47.7
Estonia	37.2	38.6	39.3	44.9	41.9	39.8	42.7	42.7	43.1	39.4	41.5	40.3
Ireland	38.1	46.6	26.6	27.2	24.4	21.2	22.1	21.9	21.4	21.4	20.4	19.4
Greece	48.5	55.9	50.1	60.2	57.7	52.9	50.5	47.9	47.3	52.5	49.0	47.2
Spain	40.8	46.7	42.4	51.9	50.0	47.4	46.8	46.7	46.4	47.8	47.6	47.1
France	53.8	56.9	56.2	61.3	59.1	58.3	56.5	56.1	56.0	58.1	57.1	56.6
Croatia	46.2	48.0	45.9	54.0	48.6	44.9	45.5	46.5	46.4	44.8	45.8	46.0
Italy	48.2	50.3	49.0	57.0	56.3	56.1	53.1	51.1	51.2	56.7	52.5	51.0
Cyprus	39.2	43.6	39.0	44.2	41.9	38.8	40.1	41.2	40.6	39.8	40.2	40.6
Latvia	37.8	40.9	38.4	42.5	44.7	40.4	40.8	42.0	42.3	40.2	40.1	39.3
Lithuania	37.4	38.3	34.3	42.7	37.4	36.4	38.1	39.4	39.0	36.5	37.6	37.1
Luxembourg	40.2	41.4	41.4	47.0	42.9	43.9	46.5	46.0	45.0	43.3	44.7	43.5
Malta	41.8	41.1	36.2	45.3	43.0	39.9	39.9	38.8	38.1	40.9	40.7	38.8
Netherlands	44.0	47.1	43.1	47.8	46.0	43.5	43.2	44.1	44.4	44.5	45.7	45.2
Austria	51.0	51.8	49.6	56.8	56.2	53.2	51.4	51.4	51.0	52.7	51.6	50.1
Portugal	46.4	50.5	44.8	49.2	47.5	44.1	42.5	44.4	44.4	44.8	44.5	44.3
Slovakia	39.3	42.1	41.6	44.7	45.3	42.3	47.8	45.4	45.2	42.3	47.7	44.4
Slovenia	46.0	52.3	45.2	51.4	49.5	47.2	47.9	47.6	46.3	45.5	46.3	44.7
Finland	49.1	55.4	54.5	57.2	55.7	53.3	54.5	54.8	54.9	53.4	55.0	55.0
Euro area	47.3	49.9	47.4	53.5	52.2	50.5	49.4	49.0	48.8	50.7	49.6	48.8
Bulgaria	36.9	37.0	36.6	41.5	41.7	41.4	40.6	40.4	41.6	41.3	42.2	42.2
Czechia	41.9	43.4	40.5	47.2	46.5	44.6	45.6	44.0	43.1	44.6	44.3	42.1
Denmark	51.5	56.4	51.6	53.5	49.8	45.0	47.1	47.5	47.6	45.3	46.7	46.8
Hungary	50.0	49.4	47.2	51.4	48.4	48.8	48.1	46.9	45.6	47.8	47.3	46.0
Poland	44.2	44.1	41.6	48.2	44.1	43.9	47.3	47.7	47.0	43.5	46.6	44.8
Romania	36.9	37.0	35.1	41.8	40.0	40.0	39.8	39.2	39.0	39.7	39.2	38.2
Sweden	51.0	50.7	49.5	52.1	49.1	47.6	48.9	48.7	48.4	48.1	48.8	47.5
EU	47.3	49.6	47.1	52.8	51.3	49.6	48.9	48.5	48.3	49.8	49.0	48.1
United Kingdom	42.4	45.0	41.1	52.2	48.0	46.3	46.1	45.3	45.3	46.4	44.5	44.0
Japan	36.0	40.0	38.6	46.1	44.3	45.2	43.1	41.2	39.6	45.2	43.1	40.8
United States	38.8	40.4	37.9	46.7	44.4	38.1	39.0	39.5	39.2	38.4	38.8	39.0

Table 33: Total revenue, general government (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	49.1	51.7	50.9	49.9	49.5	49.6	50.0	50.4	49.9	49.7	50.2	50.5
Germany	44.0	44.6	45.8	46.1	47.3	47.0	46.0	46.5	46.5	47.1	46.0	46.5
Estonia	37.6	39.0	39.1	39.4	39.4	38.8	39.8	40.2	39.6	38.5	38.4	37.6
Ireland	34.9	33.7	26.1	22.2	22.9	22.9	23.0	22.5	22.4	23.0	22.1	21.6
Greece	39.7	46.3	49.5	50.5	50.7	50.5	48.1	47.1	46.6	50.2	47.7	46.5
Spain	38.6	37.8	38.7	41.8	43.3	42.6	42.8	43.5	43.1	43.0	43.5	43.8
France	50.1	51.9	53.1	52.4	52.6	53.5	51.8	51.7	51.7	53.4	52.4	52.3
Croatia	42.9	42.0	45.1	46.7	46.1	45.0	45.3	44.7	44.6	45.2	45.3	44.7
Italy	44.8	47.0	46.8	47.4	47.5	48.0	47.8	46.8	46.9	48.8	48.0	47.3
Cyprus	38.3	37.5	38.8	38.5	40.0	41.2	42.4	43.3	43.0	41.9	42.1	42.7
Latvia	34.8	37.5	37.8	38.0	37.5	35.8	37.6	39.0	39.3	35.8	36.3	36.6
Lithuania	34.6	33.8	34.6	36.2	36.3	35.7	36.5	37.1	36.9	35.8	35.9	35.8
Luxembourg	42.0	42.0	43.4	43.5	43.4	43.6	44.6	43.9	44.0	43.5	43.0	42.0
Malta	38.9	38.6	37.4	35.7	35.6	34.2	34.9	34.2	33.9	35.1	35.6	34.3
Netherlands	42.8	43.3	43.6	44.1	43.7	43.4	42.7	42.3	42.3	44.5	43.6	43.6
Austria	48.3	49.0	49.1	48.8	50.4	49.6	48.9	49.0	48.8	49.5	49.1	48.8
Portugal	41.1	43.0	42.9	43.4	44.6	43.8	43.3	44.6	44.4	44.4	44.4	44.2
Slovakia	35.4	37.6	39.9	39.4	40.2	40.2	42.1	38.9	38.4	40.2	41.6	39.6
Slovenia	44.0	45.0	44.5	43.7	44.9	44.1	44.1	44.3	43.4	42.5	42.6	41.8
Finland	51.8	53.2	53.2	51.6	52.9	52.5	52.1	51.6	51.5	52.6	52.5	52.5
Euro area	44.7	46.0	46.3	46.4	47.0	46.9	46.2	46.2	46.0	47.1	46.4	46.3
Bulgaria	37.1	34.5	37.4	37.7	37.7	38.5	37.6	37.4	38.3	38.5	37.4	37.4
Czechia	39.3	40.5	41.0	41.5	41.4	41.4	41.9	41.6	41.3	41.0	40.7	39.2
Denmark	54.6	54.7	52.6	53.9	53.9	48.3	49.7	49.3	48.8	48.6	49.0	48.1
Hungary	43.8	46.0	45.1	43.9	41.2	42.6	42.3	42.6	41.8	41.6	43.4	41.7
Poland	40.1	39.2	40.1	41.3	42.3	40.2	41.5	43.1	43.1	39.8	41.7	41.1
Romania	32.7	33.0	32.5	32.5	32.9	33.7	33.5	33.9	33.9	33.5	34.4	33.9
Sweden	52.7	49.8	50.2	49.3	49.2	48.7	48.7	48.0	47.8	48.9	47.9	47.0
EU	44.8	45.8	46.1	46.1	46.6	46.3	45.7	45.7	45.6	46.5	45.9	45.7
United Kingdom	38.3	38.4	38.5	39.4	40.3	41.9	42.4	42.3	42.4	41.1	41.3	41.6
Japan	31.2	32.1	35.4	37.0	38.1	38.1	36.5	35.9	35.5	37.2	36.7	36.4
United States	32.3	31.7	32.5	32.0	32.5	34.3	31.0	32.0	31.9	34.4	33.8	33.6

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	-1.8	-3.8	-1.7	-8.9	-5.4	-3.5	**-4.9**	**-4.9**	**-5.0**	*-3.9*	*-5.0*	*-4.7*
Germany	-1.6	-0.9	1.4	-4.3	-3.6	-2.5	**-2.2**	**-1.6**	**-1.3**	*-2.6*	*-2.3*	*-1.2*
Estonia	0.4	0.4	-0.2	-5.4	-2.5	-1.0	**-2.9**	**-2.4**	**-3.6**	*-0.9*	*-3.1*	*-2.7*
Ireland	-3.3	-12.8	-0.5	-5.0	-1.5	1.7	**0.9**	**0.6**	**1.0**	*1.6*	*1.7*	*2.2*
Greece	-8.8	-9.7	-0.6	-9.7	-7.0	-2.4	**-2.3**	**-0.9**	**-0.8**	*-2.3*	*-1.3*	*-0.6*
Spain	-2.1	-8.9	-3.7	-10.1	-6.7	-4.7	**-4.1**	**-3.2**	**-3.4**	*-4.8*	*-4.1*	*-3.3*
France	-3.8	-5.0	-3.1	-9.0	-6.5	-4.8	**-4.8**	**-4.4**	**-4.3**	*-4.7*	*-4.7*	*-4.3*
Croatia	-3.3	-6.1	-0.7	-7.3	-2.5	0.1	**-0.1**	**-1.8**	**-1.8**	*0.4*	*-0.5*	*-1.3*
Italy	-3.3	-3.3	-2.2	-9.6	-8.8	-8.0	**-5.3**	**-4.4**	**-4.3**	*-8.0*	*-4.5*	*-3.7*
Cyprus	-0.9	-6.1	-0.3	-5.7	-1.9	2.4	**2.3**	**2.1**	**2.5**	*2.1*	*1.8*	*2.1*
Latvia	-3.1	-3.4	-0.6	-4.5	-7.2	-4.6	**-3.2**	**-3.1**	**-3.1**	*-4.4*	*-3.8*	*-2.7*
Lithuania	-2.7	-4.4	0.3	-6.5	-1.1	-0.7	**-1.6**	**-2.3**	**-2.1**	*-0.6*	*-1.7*	*-1.4*
Luxembourg	1.8	0.6	2.0	-3.4	0.6	-0.3	**-1.9**	**-2.1**	**-1.0**	*0.2*	*-1.7*	*-1.5*
Malta	-2.9	-2.5	1.2	-9.6	-7.5	-5.7	**-5.1**	**-4.6**	**-4.1**	*-5.8*	*-5.1*	*-4.5*
Netherlands	-1.2	-3.8	0.6	-3.7	-2.2	-0.1	**-0.5**	**-1.8**	**-2.0**	*0.0*	*-2.1*	*-1.7*
Austria	-2.6	-2.8	-0.5	-8.0	-5.8	-3.5	**-2.6**	**-2.4**	**-2.2**	*-3.2*	*-2.4*	*-1.3*
Portugal	-5.4	-7.5	-1.9	-5.8	-2.9	-0.3	**0.8**	**0.1**	**0.0**	*-0.4*	*-0.1*	*-0.1*
Slovakia	-3.8	-4.4	-1.7	-5.4	-5.2	-2.0	**-5.7**	**-6.5**	**-6.8**	*-2.0*	*-6.1*	*-4.8*
Slovenia	-2.0	-7.3	-0.7	-7.6	-4.6	-3.0	**-3.7**	**-3.3**	**-2.9**	*-3.0*	*-3.7*	*-2.9*
Finland	2.7	-2.2	-1.3	-5.6	-2.8	-0.8	**-2.4**	**-3.2**	**-3.4**	*-0.9*	*-2.6*	*-2.6*
Euro area	-2.6	-4.0	-1.1	-7.1	-5.2	-3.6	**-3.2**	**-2.8**	**-2.7**	*-3.6*	*-3.2*	*-2.4*
Bulgaria	0.2	-2.5	0.8	-3.8	-4.0	-2.9	**-3.0**	**-3.0**	**-3.2**	*-2.8*	*-4.8*	*-4.8*
Czechia	-2.6	-2.8	0.6	-5.8	-5.1	-3.2	**-3.8**	**-2.4**	**-1.8**	*-3.6*	*-3.6*	*-3.0*
Denmark	3.1	-1.7	1.0	0.4	4.1	3.3	**2.6**	**1.8**	**1.2**	*3.3*	*2.3*	*1.3*
Hungary	-6.1	-3.5	-2.1	-7.6	-7.2	-6.2	**-5.8**	**-4.3**	**-3.8**	*-6.2*	*-4.0*	*-4.4*
Poland	-4.0	-4.8	-1.5	-6.9	-1.8	-3.7	**-5.8**	**-4.6**	**-3.9**	*-3.7*	*-5.0*	*-3.7*
Romania	-4.1	-4.0	-2.6	-9.3	-7.2	-6.3	**-6.3**	**-5.3**	**-5.1**	*-6.2*	*-4.7*	*-4.4*
Sweden	1.6	-0.9	0.7	-2.8	0.0	1.1	**-0.2**	**-0.7**	**-0.6**	*0.7*	*-0.9*	*-0.5*
EU	-2.5	-3.8	-1.0	-6.7	-4.7	-3.3	**-3.2**	**-2.8**	**-2.7**	*-3.4*	*-3.1*	*-2.4*
United Kingdom	-4.8	-7.1	-3.0	-13.0	-7.9	-4.6	**-3.7**	**-2.9**	**-2.9**	*-5.2*	*-3.2*	*-2.4*
Japan	-4.8	-7.9	-3.2	-9.1	-6.2	-7.1	**-6.6**	**-5.3**	**-4.1**	*-8.0*	*-6.5*	*-4.4*
United States	-6.4	-8.7	-5.4	-14.7	-11.9	-3.8	**-8.0**	**-7.5**	**-7.4**	*-4.0*	*-5.0*	*-5.5*

Table 35: Interest expenditure, general government (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	4.1	3.4	2.4	1.9	1.7	1.5	**1.9**	**2.1**	**2.2**	*1.5*	*1.7*	*2.0*
Germany	2.7	2.1	1.1	0.6	0.6	0.7	**0.8**	**0.9**	**0.9**	*0.7*	*0.8*	*0.9*
Estonia	0.2	0.1	0.0	0.1	0.1	0.1	**0.5**	**0.6**	**0.7**	*0.1*	*0.4*	*0.6*
Ireland	1.3	3.7	2.0	1.0	0.8	0.7	**0.7**	**0.6**	**0.7**	*0.7*	*0.6*	*0.6*
Greece	4.7	5.4	3.3	3.0	2.5	2.5	**3.5**	**3.3**	**3.4**	*2.4*	*3.2*	*3.2*
Spain	1.6	2.9	2.6	2.2	2.1	2.4	**2.4**	**2.5**	**2.5**	*2.4*	*2.5*	*2.4*
France	2.7	2.5	1.7	1.3	1.4	1.9	**1.7**	**2.0**	**2.3**	*1.9*	*2.0*	*2.0*
Croatia	1.8	2.9	2.7	2.0	1.5	1.4	**1.2**	**1.1**	**1.1**	*1.4*	*1.2*	*1.2*
Italy	4.6	4.7	3.8	3.4	3.5	4.3	**3.8**	**4.2**	**4.6**	*4.4*	*4.0*	*4.1*
Cyprus	2.8	2.8	2.5	2.1	1.7	1.5	**1.4**	**1.4**	**1.4**	*1.5*	*1.3*	*1.3*
Latvia	0.7	1.6	0.9	0.6	0.5	0.4	**0.7**	**1.0**	**1.1**	*0.5*	*0.6*	*0.8*
Lithuania	0.8	1.8	1.1	0.7	0.4	0.4	**0.5**	**0.6**	**0.9**	*0.4*	*0.5*	*0.6*
Luxembourg	0.3	0.5	0.4	0.2	0.2	0.2	**0.3**	**0.3**	**0.4**	*0.2*	*0.3*	*0.3*
Malta	3.5	2.9	1.8	1.3	1.1	1.0	**1.1**	**1.3**	**1.4**	*1.0*	*1.2*	*1.5*
Netherlands	2.0	1.7	1.0	0.7	0.5	0.5	**0.7**	**0.7**	**0.8**	*0.5*	*0.7*	*0.7*
Austria	3.1	2.7	1.9	1.3	1.1	0.9	**1.2**	**1.4**	**1.4**	*0.9*	*1.1*	*1.3*
Portugal	2.9	4.4	3.8	2.9	2.4	1.9	**2.0**	**2.2**	**2.3**	*2.0*	*2.2*	*2.7*
Slovakia	1.5	1.7	1.5	1.2	1.1	1.0	**1.0**	**1.2**	**1.3**	*1.0*	*1.1*	*1.2*
Slovenia	1.3	2.3	2.5	1.6	1.2	1.1	**1.3**	**1.3**	**1.4**	*1.1*	*1.2*	*1.3*
Finland	1.4	1.3	1.0	0.7	0.5	0.6	**0.8**	**1.2**	**1.3**	*0.5*	*0.8*	*1.2*
Euro area	2.9	2.8	2.0	1.5	1.5	1.7	**1.7**	**1.9**	**2.0**	*1.7*	*1.7*	*1.8*
Bulgaria	1.1	0.8	0.8	0.5	0.5	0.4	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.6*
Czechia	1.1	1.3	0.8	0.8	0.8	1.1	**1.3**	**1.4**	**1.3**	*1.2*	*1.3*	*1.3*
Denmark	1.8	1.8	1.0	0.6	0.6	0.7	**0.6**	**0.6**	**0.6**	*0.7*	*0.6*	*0.5*
Hungary	4.1	4.2	2.7	2.3	2.3	2.8	**4.4**	**4.4**	**4.2**	*2.8*	*3.9*	*4.3*
Poland	2.3	2.5	1.6	1.3	1.1	1.5	**2.1**	**2.2**	**2.3**	*1.6*	*2.0*	*2.1*
Romania	1.1	2.0	1.2	1.4	1.5	1.5	**1.6**	**1.8**	**1.9**	*1.2*	*1.8*	*1.7*
Sweden	1.6	1.0	0.4	0.3	0.2	0.5	**0.6**	**0.7**	**0.7**	*0.5*	*0.7*	*0.6*
EU	2.8	2.7	1.9	1.4	1.4	1.6	**1.7**	**1.8**	**2.0**	*1.6*	*1.7*	*1.8*
United Kingdom	2.3	3.1	2.6	2.2	2.9	4.5	**3.7**	**3.2**	**3.0**	*4.4*	*4.3*	*4.3*
Japan	1.8	1.9	1.6	1.5	1.4	1.4	**1.4**	**1.4**	**1.4**	*1.4*	*1.4*	*1.4*
United States	4.0	4.1	3.9	3.8	3.6	3.7	**4.0**	**4.2**	**4.4**	*3.8*	*4.1*	*4.4*

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	2.3	-0.4	0.7	-6.9	-3.7	-2.0	-3.1	-2.8	-2.7	-2.4	-3.3	-2.8
Germany	1.1	1.2	2.5	-3.7	-3.0	-1.8	-1.4	-0.7	-0.4	-1.9	-1.5	-0.3
Estonia	0.6	0.5	-0.2	-5.4	-2.4	-0.9	-2.4	-1.9	-2.9	-0.8	-2.7	-2.1
Ireland	-2.0	-9.1	1.5	-4.0	-0.8	2.3	1.6	1.3	1.7	2.2	2.3	2.8
Greece	-4.2	-4.2	2.7	-6.7	-4.5	0.1	1.1	2.5	2.6	0.1	1.9	2.5
Spain	-0.5	-6.0	-1.1	-7.9	-4.6	-2.4	-1.6	-0.6	-0.8	-2.4	-1.6	-0.9
France	-1.1	-2.5	-1.4	-7.7	-5.1	-2.9	-3.1	-2.4	-2.0	-2.8	-2.7	-2.3
Croatia	-1.5	-3.2	2.0	-5.3	-1.0	1.5	1.0	-0.7	-0.6	1.8	0.7	-0.2
Italy	1.3	1.4	1.6	-6.1	-5.3	-3.8	-1.4	-0.2	0.3	-3.6	-0.5	0.5
Cyprus	1.9	-3.3	2.3	-3.6	-0.1	3.9	3.7	3.5	3.9	3.6	3.2	3.4
Latvia	-2.4	-1.8	0.3	-3.8	-6.7	-4.2	-2.5	-2.1	-1.9	-3.9	-3.2	-1.9
Lithuania	-1.9	-2.7	1.4	-5.8	-0.7	-0.3	-1.1	-1.7	-1.2	-0.3	-1.3	-0.7
Luxembourg	2.1	1.1	2.3	-3.2	0.7	-0.1	-1.7	-1.8	-0.6	0.3	-1.5	-1.1
Malta	0.6	0.5	3.0	-8.3	-6.4	-4.8	-4.0	-3.3	-2.7	-4.8	-3.9	-3.1
Netherlands	0.9	-2.1	1.6	-3.0	-1.7	0.4	0.2	-1.0	-1.3	0.6	-1.4	-1.0
Austria	0.5	-0.1	1.3	-6.6	-4.7	-2.6	-1.3	-0.9	-0.8	-2.2	-1.3	-0.1
Portugal	-2.5	-3.2	1.9	-2.9	-0.5	1.6	2.8	2.4	2.3	1.6	2.0	2.6
Slovakia	-2.4	-2.7	-0.2	-4.2	-4.1	-1.0	-4.7	-5.3	-5.5	-1.0	-5.0	-3.6
Slovenia	-0.7	-5.0	1.8	-6.1	-3.4	-1.9	-2.5	-2.0	-1.6	-1.9	-2.5	-1.6
Finland	4.1	-0.9	-0.3	-4.9	-2.3	-0.2	-1.6	-2.0	-2.0	-0.3	-1.7	-1.3
Euro area	0.2	-1.1	0.9	-5.5	-3.8	-1.9	-1.5	-1.0	-0.7	-1.9	-1.4	-0.6
Bulgaria	1.4	-1.7	1.6	-3.3	-3.5	-2.5	-2.5	-2.5	-2.7	-2.3	-4.3	-4.2
Czechia	-1.6	-1.5	1.4	-5.0	-4.3	-2.1	-2.4	-1.0	-0.5	-2.5	-2.3	-1.6
Denmark	4.8	0.1	2.1	0.9	4.6	4.1	3.2	2.4	1.7	4.1	2.9	1.8
Hungary	-2.0	0.8	0.7	-5.2	-4.9	-3.4	-1.4	0.1	0.4	-3.5	-0.1	-0.1
Poland	-1.7	-2.4	0.1	-5.6	-0.7	-2.1	-3.8	-2.4	-1.6	-2.2	-3.0	-1.7
Romania	-3.0	-2.0	-1.3	-7.8	-5.7	-4.8	-4.6	-3.5	-3.2	-5.0	-2.9	-2.7
Sweden	3.3	0.0	1.2	-2.5	0.2	1.6	0.4	0.1	0.2	1.2	-0.2	0.1
EU	0.3	-1.1	0.9	-5.3	-3.4	-1.7	-1.5	-1.0	-0.7	-1.8	-1.4	-0.7
United Kingdom	-2.5	-4.0	-0.4	-10.9	-5.0	-0.1	0.1	0.3	0.1	-0.8	1.1	1.9
Japan	-3.0	-6.0	-1.5	-7.6	-4.8	-5.7	-5.2	-3.9	-2.7	-6.5	-5.0	-3.0
United States	-2.4	-4.6	-1.5	-10.9	-8.3	-0.1	-4.0	-3.2	-2.9	-0.2	-0.9	-1.0

[1] Net lending/borrowing excluding interest expenditure.

Table 37: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	-2.3	-3.4	-1.9	-5.5	-5.0	-3.8	-4.9	-4.6	-4.6	-4.2	-5.0	-4.6
Germany	-1.3	-0.8	1.0	-2.7	-3.1	-2.6	-1.7	-1.1	-1.0	-2.5	-2.0	-1.0
Estonia	-1.5	1.6	-0.7	-4.3	-3.3	-0.4	-0.7	-0.6	-2.5	0.0	-1.2	-1.3
Ireland	-3.5	-12.6	-0.4	-2.0	-3.3	-2.4	-0.2	0.1	0.7	-0.8	-0.1	1.0
Greece	-9.2	-1.9	5.1	-2.3	-3.6	-1.7	-2.5	-1.4	-1.7	-1.7	-1.5	-1.0
Spain	-2.9	-4.3	-3.1	-4.5	-4.2	-4.8	-4.5	-3.5	-3.7	-4.0	-3.7	-3.2
France	-4.3	-4.0	-3.3	-5.2	-5.8	-4.9	-4.8	-4.4	-4.5	-4.8	-4.5	-4.3
Croatia	-4.9	-4.7	-0.8	-3.3	-2.9	-1.4	-1.0	-2.3	-2.1	-1.3	-1.3	-1.9
Italy	-4.1	-1.8	-1.4	-4.7	-8.1	-8.8	-5.9	-5.0	-5.1	-8.3	-5.1	-4.4
Cyprus	-2.8	-3.8	-0.2	-4.0	-3.2	0.6	1.2	1.4	1.9	0.7	0.9	1.3
Latvia	-4.4	-1.8	-1.4	-3.0	-7.1	-5.0	-2.7	-2.7	-2.9	-4.2	-3.5	-2.6
Lithuania	-3.7	-3.0	-0.6	-6.4	-1.9	-1.1	-0.6	-1.2	-1.3	-0.4	-0.6	-0.3
Luxembourg	1.4	1.4	2.2	-1.7	0.2	-0.3	-0.9	-0.9	0.1	0.5	-1.1	-0.8
Malta	-2.9	-2.1	-0.2	-5.3	-6.8	-5.5	-4.6	-4.0	-3.6	-5.5	-4.6	-3.9
Netherlands	-1.2	-2.5	0.5	-1.0	-2.0	-1.1	-0.5	-1.3	-1.4	-0.7	-2.7	-1.9
Austria	-2.8	-2.4	-0.8	-5.0	-4.5	-4.2	-2.3	-2.1	-2.1	-3.8	-2.5	-1.5
Portugal	-5.0	-6.1	-2.2	-2.2	-1.1	-1.0	0.0	-0.3	-0.3	-1.1	-1.1	-0.8
Slovakia	-4.6	-3.8	-1.9	-4.3	-5.3	-2.2	-5.6	-6.3	-6.7	-2.0	-5.8	-4.5
Slovenia	-3.8	-4.9	-0.6	-6.5	-6.1	-4.5	-4.4	-3.6	-3.2	-5.0	-4.9	-3.7
Finland	2.1	-1.1	-1.0	-4.0	-2.4	-0.4	-1.5	-2.2	-2.5	-0.6	-1.8	-1.9
Euro area	-2.9	-2.7	-1.0	-3.8	-4.5	-4.0	-3.2	-2.8	-2.8	-3.8	-3.2	-2.6
Bulgaria	-0.2	-2.4	0.9	-2.3	-4.0	-3.3	-3.2	-3.2	-3.6	-3.2	-5.0	-5.0
Czechia	-3.9	-2.2	0.0	-4.2	-4.8	-3.1	-2.9	-1.5	-1.5	-3.2	-2.7	-2.4
Denmark	2.0	0.2	1.7	3.3	4.4	3.4	3.0	2.3	1.5	3.1	3.0	2.1
Hungary	-6.6	-2.0	-3.1	-5.8	-6.9	-6.6	-4.8	-3.5	-3.5	-6.4	-3.2	-3.8
Poland	-4.7	-4.7	-1.8	-5.6	-2.2	-4.4	-5.3	-4.0	-3.5	-4.7	-4.5	-2.9
Romania	-5.5	-3.1	-2.6	-7.4	-6.2	-5.9	-5.7	-4.8	-4.8	-5.8	-4.3	-4.1
Sweden	1.5	-0.1	0.5	-0.6	0.0	0.5	0.3	0.8	0.9	0.6	0.1	0.7
EU	-2.8	-2.6	-0.9	-3.7	-4.1	-3.8	-3.1	-2.6	-2.7	-3.5	-3.0	-2.4

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 38: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.8	0.0	0.5	-3.5	-3.3	-2.3	**-3.0**	**-2.6**	**-2.4**	*-2.6*	*-3.3*	*-2.7*
Germany	1.4	1.3	2.0	-2.0	-2.5	-1.9	**-0.9**	**-0.2**	**-0.1**	*-1.8*	*-1.2*	*-0.1*
Estonia	-1.3	1.7	-0.7	-4.2	-3.3	-0.4	**-0.2**	**0.0**	**-1.8**	*0.1*	*-0.7*	*-0.7*
Ireland	-2.2	-9.0	1.6	-1.0	-2.6	-1.7	**0.5**	**0.8**	**1.3**	*-0.1*	*0.5*	*1.6*
Greece	-4.5	3.6	8.3	0.7	-1.1	0.8	**1.0**	**1.9**	**1.7**	*0.7*	*1.7*	*2.1*
Spain	-1.2	-1.4	-0.5	-2.3	-2.0	-2.4	**-2.1**	**-1.0**	**-1.2**	*-1.6*	*-1.2*	*-0.8*
France	-1.7	-1.5	-1.6	-4.0	-4.4	-3.0	**-3.1**	**-2.5**	**-2.2**	*-2.9*	*-2.6*	*-2.3*
Croatia	-3.1	-1.8	1.9	-1.4	-1.4	0.0	**0.1**	**-1.2**	**-1.0**	*0.1*	*-0.1*	*-0.7*
Italy	0.5	2.9	2.3	-1.3	-4.6	-4.6	**-2.1**	**-0.9**	**-0.5**	*-4.0*	*-1.1*	*-0.3*
Cyprus	-0.1	-1.0	2.3	-2.0	-1.4	2.0	**2.6**	**2.8**	**3.3**	*2.2*	*2.2*	*2.6*
Latvia	-3.7	-0.2	-0.4	-2.3	-6.6	-4.6	**-2.0**	**-1.7**	**-1.8**	*-3.7*	*-2.9*	*-1.8*
Lithuania	-2.9	-1.2	0.5	-5.7	-1.4	-0.8	**-0.1**	**-0.5**	**-0.4**	*-0.1*	*-0.2*	*0.3*
Luxembourg	1.7	1.9	2.6	-1.4	0.4	-0.2	**-0.6**	**-0.6**	**0.5**	*0.7*	*-0.8*	*-0.5*
Malta	0.6	0.9	1.6	-4.0	-5.7	-4.5	**-3.5**	**-2.7**	**-2.2**	*-4.6*	*-3.4*	*-2.4*
Netherlands	0.8	-0.9	1.5	-0.4	-1.5	-0.6	**0.2**	**-0.5**	**-0.7**	*-0.2*	*-2.0*	*-1.2*
Austria	0.3	0.3	1.0	-3.6	-3.4	-3.3	**-1.1**	**-0.7**	**-0.6**	*-2.9*	*-1.3*	*-0.2*
Portugal	-2.1	-1.7	1.5	0.7	1.3	0.9	**2.0**	**2.0**	**2.1**	*0.9*	*1.1*	*1.9*
Slovakia	-3.1	-2.1	-0.5	-3.1	-4.2	-1.2	**-4.6**	**-5.1**	**-5.3**	*-1.0*	*-4.8*	*-3.3*
Slovenia	-2.5	-2.6	1.9	-4.9	-4.8	-3.3	**-3.2**	**-2.2**	**-1.8**	*-4.0*	*-3.7*	*-2.3*
Finland	3.6	0.2	0.0	-3.2	-1.8	0.2	**-0.7**	**-1.0**	**-1.2**	*0.0*	*-1.0*	*-0.7*
Euro area	-0.1	0.2	1.0	-2.3	-3.1	-2.4	**-1.5**	**-0.9**	**-0.8**	*-2.1*	*-1.5*	*-0.7*
Bulgaria	0.9	-1.7	1.6	-1.8	-3.5	-2.9	**-2.8**	**-2.7**	**-3.1**	*-2.8*	*-4.4*	*-4.4*
Czechia	-2.8	-0.8	0.9	-3.4	-4.0	-1.9	**-1.6**	**-0.1**	**-0.2**	*-2.1*	*-1.4*	*-1.1*
Denmark	3.7	1.9	2.7	3.9	4.9	4.1	**3.6**	**2.9**	**2.1**	*3.9*	*3.6*	*2.6*
Hungary	-2.5	2.2	-0.4	-3.5	-4.7	-3.7	**-0.4**	**1.0**	**0.8**	*-3.6*	*0.6*	*0.5*
Poland	-2.3	-2.3	-0.3	-4.3	-1.1	-2.8	**-3.2**	**-1.8**	**-1.2**	*-3.2*	*-2.5*	*-0.8*
Romania	-4.3	-1.2	-1.3	-6.0	-4.7	-4.4	**-4.1**	**-3.0**	**-2.9**	*-4.6*	*-2.5*	*-2.4*
Sweden	3.1	0.8	0.9	-0.4	0.2	1.0	**0.9**	**1.5**	**1.6**	*1.1*	*0.8*	*1.3*
EU	0.0	0.2	0.9	-2.2	-2.7	-2.1	**-1.4**	**-0.8**	**-0.7**	*-1.9*	*-1.3*	*-0.7*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 39: Structural budget balance, general government[1] (as a percentage of potential GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	:	:	-2.2	-5.6	-4.8	-3.8	**-4.7**	**-4.5**	**-4.6**	*-4.2*	*-4.9*	*-4.5*
Germany	:	:	1.1	-2.7	-3.0	-2.4	**-1.7**	**-1.1**	**-1.0**	*-2.3*	*-2.0*	*-1.0*
Estonia	:	:	-0.6	-4.3	-4.3	-0.6	**-0.7**	**-0.6**	**-2.5**	*-0.2*	*-1.2*	*-1.3*
Ireland	:	:	-0.2	-2.0	-3.3	-2.4	**-0.2**	**0.1**	**0.7**	*-0.8*	*-0.1*	*1.0*
Greece	:	:	5.3	-3.0	-4.4	-2.2	**-2.3**	**-1.3**	**-1.7**	*-2.2*	*-1.5*	*-1.0*
Spain	:	:	-2.8	-4.0	-4.1	-4.7	**-4.5**	**-3.5**	**-3.7**	*-4.0*	*-3.7*	*-3.2*
France	:	:	-3.1	-5.1	-5.7	-4.9	**-4.7**	**-4.4**	**-4.5**	*-4.7*	*-4.4*	*-4.2*
Croatia	:	:	-0.9	-3.3	-2.9	-1.1	**-1.0**	**-2.3**	**-2.1**	*-1.0*	*-1.3*	*-1.9*
Italy	:	:	-1.5	-4.8	-8.5	-9.1	**-6.1**	**-5.1**	**-5.2**	*-8.6*	*-5.3*	*-4.5*
Cyprus	:	:	1.8	-4.0	-3.3	0.6	**1.2**	**2.0**	**1.9**	*0.7*	*0.9*	*1.3*
Latvia	:	:	-1.4	-3.1	-7.2	-5.0	**-2.7**	**-2.7**	**-2.9**	*-4.2*	*-3.5*	*-2.6*
Lithuania	:	:	-0.7	-6.4	-1.9	-1.1	**-0.6**	**-1.2**	**-1.3**	*-0.4*	*-0.6*	*-0.3*
Luxembourg	:	:	2.2	-1.7	0.2	-0.3	**-0.9**	**-0.9**	**0.1**	*0.5*	*-1.1*	*-0.8*
Malta	:	:	-0.1	-5.3	-6.8	-5.5	**-4.6**	**-4.0**	**-3.6**	*-5.5*	*-4.6*	*-3.9*
Netherlands	:	:	0.3	-1.0	-1.9	-1.1	**-0.5**	**-1.3**	**-1.4**	*-0.7*	*-2.7*	*-1.9*
Austria	:	:	-0.8	-5.0	-4.5	-4.2	**-2.3**	**-2.1**	**-2.1**	*-3.8*	*-2.5*	*-1.5*
Portugal	:	:	:	-1.6	-1.4	-0.9	**0.0**	**-0.1**	**-0.3**	*-0.8*	*-0.8*	*-0.8*
Slovakia	:	:	-1.9	-4.3	-5.3	-2.2	**-5.6**	**-6.3**	**-6.7**	*-2.0*	*-5.8*	*-4.5*
Slovenia	:	:	-0.6	-6.4	-6.1	-4.5	**-3.7**	**-2.4**	**-3.2**	*-5.0*	*-4.9*	*-3.7*
Finland	:	:	-1.0	-4.0	-2.4	-0.4	**-1.5**	**-2.2**	**-2.5**	*-0.6*	*-1.8*	*-1.9*
Euro area	:	:	:	-3.7	-4.5	-4.0	**-3.2**	**-2.8**	**-2.8**	*-3.7*	*-3.2*	*-2.5*
Bulgaria	:	:	0.9	-2.3	-4.0	-3.3	**-3.2**	**-3.2**	**-3.6**	*-3.2*	*-5.0*	*-5.0*
Czechia	:	:	0.0	-4.2	-4.8	-3.1	**-2.9**	**-1.5**	**-1.5**	*-3.2*	*-2.7*	*-2.4*
Denmark	:	:	1.4	3.3	4.4	3.4	**3.5**	**2.3**	**1.5**	*3.1*	*3.5*	*2.1*
Hungary	:	:	-3.1	-5.9	-6.8	-6.6	**-4.8**	**-3.5**	**-3.5**	*-6.4*	*-3.2*	*-3.8*
Poland	:	:	-1.8	-5.8	-2.4	-4.7	**-5.3**	**-4.0**	**-3.5**	*-5.0*	*-4.5*	*-2.9*
Romania	:	:	-2.4	-7.4	-6.2	-5.9	**-5.7**	**-4.8**	**-4.8**	*-5.8*	*-4.3*	*-4.1*
Sweden	:	:	0.5	-0.6	0.0	0.5	**0.3**	**0.8**	**0.9**	*0.6*	*0.1*	*0.7*
EU	:	:	:	-3.6	-4.1	-3.7	**-3.1**	**-2.6**	**-2.6**	*-3.5*	*-3.0*	*-2.4*

Table 40: Gross debt, general government (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	93.5	104.2	101.9	111.8	108.0	104.3	**106.3**	**106.4**	**107.3**	*105.1*	*106.0*	*107.3*
Germany	67.5	79.2	65.5	68.8	69.0	66.1	**64.8**	**63.6**	**62.7**	*66.3*	*65.2*	*64.1*
Estonia	5.0	8.7	9.2	18.6	17.8	18.5	**19.2**	**20.5**	**23.2**	*18.4*	*19.5*	*21.3*
Ireland	35.6	108.1	67.7	58.1	54.4	44.4	**43.0**	**41.4**	**40.2**	*44.7*	*40.4*	*38.3*
Greece	110.1	168.6	180.8	207.0	195.0	172.6	**160.9**	**151.9**	**147.9**	*171.3*	*160.2*	*154.4*
Spain	42.0	85.2	101.3	120.3	116.8	111.6	**107.5**	**106.5**	**106.5**	*113.2*	*110.6*	*109.1*
France	69.7	90.4	97.4	114.6	112.9	111.8	**109.6**	**109.5**	**110.0**	*111.6*	*109.6*	*109.5*
Croatia	40.7	70.6	76.6	86.8	78.1	68.2	**60.8**	**58.8**	**58.2**	*68.4*	*63.0*	*61.8*
Italy	108.0	126.6	134.6	154.9	147.1	141.7	**139.8**	**140.6**	**140.9**	*144.4*	*140.4*	*140.3*
Cyprus	55.3	82.9	99.1	114.9	99.3	85.6	**78.4**	**71.5**	**66.3**	*86.5*	*80.4*	*72.5*
Latvia	17.2	43.4	38.0	42.2	44.0	41.0	**41.7**	**42.3**	**43.2**	*40.8*	*39.7*	*40.5*
Lithuania	18.7	38.5	38.2	46.2	43.4	38.1	**37.3**	**38.3**	**39.0**	*38.4*	*37.1*	*36.6*
Luxembourg	10.8	20.5	21.2	24.6	24.5	24.7	**26.8**	**28.7**	**29.3**	*24.6*	*25.9*	*27.0*
Malta	64.9	66.1	48.4	52.2	54.0	52.3	**53.3**	**55.8**	**57.2**	*53.4*	*54.8*	*56.1*
Netherlands	49.9	64.5	56.9	54.7	51.7	50.1	**47.1**	**46.6**	**46.8**	*51.0*	*49.3*	*48.8*
Austria	69.9	82.5	78.2	83.0	82.5	78.4	**76.3**	**75.6**	**74.8**	*78.4*	*75.4*	*72.7*
Portugal	76.4	121.6	125.4	134.9	124.5	112.4	**103.4**	**100.3**	**97.2**	*113.9*	*106.2*	*103.1*
Slovakia	32.3	48.7	50.6	58.9	61.1	57.8	**56.7**	**59.9**	**62.9**	*57.8*	*58.3*	*58.7*
Slovenia	26.3	57.7	74.2	79.6	74.4	72.3	**69.3**	**68.4**	**67.9**	*69.9*	*69.1*	*66.6*
Finland	39.4	56.9	66.4	74.7	72.5	73.3	**74.3**	**76.9**	**79.1**	*73.0*	*73.9*	*76.2*
Euro area	70.8	91.5	90.0	99.1	96.5	92.5	**90.4**	**89.7**	**89.5**	93.1	90.8	89.9
Bulgaria	18.1	18.2	24.5	24.6	23.9	22.6	**23.5**	**24.3**	**26.1**	*22.9*	*25.0*	*28.1*
Czechia	28.8	41.4	34.5	37.7	42.0	44.2	**44.7**	**45.5**	**45.5**	*44.1*	*42.9*	*43.1*
Denmark	34.0	44.4	36.1	42.3	36.0	29.8	**30.3**	**28.4**	**27.2**	*30.1*	*30.1*	*28.8*
Hungary	68.1	78.4	71.4	79.3	76.7	73.9	**69.9**	**71.7**	**70.3**	*73.3*	*70.7*	*71.1*
Poland	47.0	54.5	50.2	57.2	53.6	49.3	**50.9**	**54.4**	**56.2**	*49.1*	*50.5*	*53.0*
Romania	14.9	34.7	36.1	46.8	48.5	47.2	**47.9**	**48.9**	**50.5**	*47.3*	*45.6*	*46.1*
Sweden	41.9	39.6	40.5	39.9	36.5	32.9	**30.4**	**30.1**	**29.6**	*33.0*	*31.4*	*30.7*
EU	67.0	85.5	83.5	91.7	88.9	84.8	**83.1**	**82.7**	**82.5**	*85.3*	*83.4*	*82.6*

Table 41: Gross national saving (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	27.5	24.5	24.9	25.5	25.8	26.0	**24.8**	**24.5**	**24.5**	*24.7*	*24.1*	*23.9*
Germany	26.1	27.0	29.3	29.2	31.0	29.4	**29.6**	**30.1**	**30.2**	*28.9*	*29.6*	*29.4*
Estonia	24.6	26.6	28.0	28.0	28.5	26.3	**23.3**	**23.2**	**23.1**	*29.9*	*28.8*	*29.1*
Ireland	21.6	18.4	33.4	35.8	37.0	35.0	**33.5**	**34.0**	**34.7**	*37.5*	*39.0*	*39.4*
Greece	10.5	8.2	10.2	6.5	9.1	10.6	**11.1**	**12.1**	**12.8**	*9.7*	*12.1*	*13.6*
Spain	20.7	18.8	22.1	21.1	22.4	22.1	**23.7**	**23.6**	**23.6**	*21.6*	*22.9*	*23.2*
France	22.8	21.5	22.8	20.7	23.4	22.5	**23.1**	**23.1**	**23.1**	*23.5*	*24.2*	*24.2*
Croatia	19.3	17.1	23.1	22.1	22.8	23.5	**23.4**	**22.8**	**23.1**	*25.6*	*25.7*	*25.8*
Italy	19.7	17.9	20.4	21.6	24.3	21.2	**21.3**	**21.6**	**22.0**	*20.4*	*21.4*	*22.7*
Cyprus	8.0	12.7	14.4	11.0	13.4	13.5	**11.5**	**12.3**	**13.7**	*11.1*	*12.0*	*11.9*
Latvia	23.4	22.5	23.0	25.0	22.1	21.0	**20.6**	**21.1**	**21.6**	*19.6*	*19.3*	*20.2*
Lithuania	15.9	19.8	19.7	21.9	21.5	21.4	**21.8**	**21.3**	**20.7**	*21.4*	*22.5*	*23.2*
Luxembourg	26.7	21.7	19.7	21.3	20.0	18.1	**16.5**	**16.0**	**15.7**	*23.7*	*24.1*	*24.0*
Malta	17.3	17.3	28.9	24.2	27.1	26.8	**24.6**	**26.1**	**26.5**	*27.7*	*27.8*	*28.0*
Netherlands	25.6	26.5	28.8	26.9	33.6	30.5	**29.9**	**29.4**	**29.2**	*25.8*	*26.9*	*26.9*
Austria	26.8	25.8	26.7	29.2	29.3	27.6	**27.6**	**27.2**	**27.3**	*27.6*	*27.5*	*27.7*
Portugal	12.5	13.8	17.5	17.9	19.6	19.3	**21.3**	**21.0**	**21.1**	*19.2*	*21.2*	*21.3*
Slovakia	22.2	23.0	22.1	19.8	18.2	15.7	**17.9**	**17.8**	**17.7**	*15.8*	*16.6*	*17.8*
Slovenia	26.5	21.6	25.4	27.5	25.2	23.5	**25.0**	**23.5**	**23.7**	*24.0*	*24.4*	*25.0*
Finland	27.8	21.8	22.5	25.1	24.7	24.3	**23.8**	**23.9**	**24.7**	*22.7*	*22.4*	*22.7*
Euro area	22.9	22.3	24.8	24.7	26.8	25.3	**25.5**	**25.7**	**25.8**	24.9	25.7	25.9
Bulgaria	14.9	21.4	23.0	20.4	19.3	22.0	**18.6**	**17.8**	**17.4**	*20.3*	*18.4*	*18.3*
Czechia	26.1	23.3	26.5	26.8	27.9	27.5	**28.8**	**28.5**	**28.4**	*27.6*	*29.2*	*30.2*
Denmark	26.0	26.5	29.7	30.6	33.1	37.2	**33.4**	**33.0**	**32.9**	*37.7*	*35.2*	*34.9*
Hungary	17.7	22.4	26.0	26.3	26.6	25.5	**25.5**	**25.0**	**25.1**	*25.7*	*25.5*	*25.2*
Poland	17.5	17.0	19.5	21.1	20.4	19.8	**20.3**	**19.8**	**20.1**	*20.7*	*20.0*	*20.4*
Romania	18.6	23.2	21.4	17.8	18.9	17.4	**19.7**	**20.6**	**21.5**	*18.0*	*19.0*	*19.7*
Sweden	30.1	28.2	28.5	31.1	32.7	33.4	**32.8**	**32.2**	**32.4**	*32.6*	*32.7*	*32.8*
EU	23.0	22.4	24.8	24.8	26.8	25.5	**25.6**	**25.6**	**25.8**	*25.2*	*25.8*	*26.0*
United Kingdom	14.4	13.0	14.1	14.7	17.5	16.7	**16.4**	**16.0**	**15.8**	*15.8*	*15.3*	*15.7*
Japan	28.8	25.6	28.9	28.2	29.6	29.6	**29.9**	**29.4**	**28.8**	*27.9*	*29.2*	*30.0*
United States	16.7	17.6	19.1	18.5	17.8	18.3	**18.3**	**18.3**	**18.6**	*18.4*	*17.2*	*17.5*

Table 42: Gross saving, private sector (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	26.0	24.6	24.0	31.3	28.2	26.7	26.5	26.0	26.3	25.8	26.0	25.4
Germany	24.6	24.7	24.9	29.9	30.8	27.5	27.7	27.3	27.1	27.0	27.8	26.3
Estonia	18.8	22.2	23.4	27.9	25.8	22.1	21.3	20.7	21.7	25.6	27.3	27.4
Ireland	20.3	23.4	31.5	38.3	36.4	31.2	30.1	30.7	31.0	33.7	35.1	35.0
Greece	15.4	13.0	7.9	10.6	11.8	9.6	9.6	9.4	10.5	8.7	10.1	10.9
Spain	17.8	23.4	23.7	28.3	25.7	24.1	25.5	24.7	24.7	23.6	24.5	24.4
France	21.7	21.5	21.5	24.9	25.6	22.8	23.3	22.9	23.1	23.9	24.3	23.8
Croatia	15.2	17.5	19.9	24.1	21.0	18.8	18.9	19.4	19.6	21.2	21.9	21.9
Italy	18.6	17.8	19.4	26.0	25.6	22.4	21.3	21.9	22.0	21.7	22.0	22.3
Cyprus	5.3	13.2	10.2	13.6	13.1	8.4	6.2	6.7	8.6	6.3	7.1	7.2
Latvia	21.7	21.7	19.9	24.1	24.8	21.2	20.2	20.3	20.6	19.3	19.7	19.1
Lithuania	14.7	21.0	16.6	23.7	19.6	18.8	19.6	19.8	19.5	19.0	20.7	21.0
Luxembourg	19.7	16.2	13.0	18.9	14.1	13.2	12.9	12.6	11.4	18.6	20.6	20.3
Malta	18.0	17.6	24.8	29.9	30.9	29.5	26.1	27.0	26.4	30.3	29.9	29.6
Netherlands	22.8	26.1	25.0	27.1	32.3	27.2	27.2	28.0	27.9	22.2	25.2	24.7
Austria	25.2	24.2	23.5	33.2	31.2	26.3	25.9	25.2	25.0	26.0	25.8	25.0
Portugal	14.3	17.5	16.7	19.8	19.9	16.5	17.8	18.1	18.0	16.4	18.4	18.7
Slovakia	21.8	24.4	20.2	21.5	20.4	14.8	20.4	20.6	20.6	14.9	19.6	19.4
Slovenia	23.5	21.9	22.5	31.0	25.5	21.4	23.1	21.5	21.6	22.0	22.8	23.1
Finland	21.6	20.1	19.9	26.0	23.2	21.1	22.1	23.0	23.4	19.5	20.4	20.9
Euro area	21.4	22.2	22.6	27.6	27.7	24.6	24.7	24.6	24.6	24.2	25.1	24.5
Bulgaria	10.1	20.5	19.0	20.7	21.3	23.3	20.0	19.5	18.6	20.6	20.6	21.2
Czechia	22.6	21.6	22.2	27.4	28.4	26.0	28.3	26.7	26.0	26.6	28.8	29.3
Denmark	20.0	23.8	24.8	26.3	25.7	30.5	27.1	27.5	28.0	31.1	29.0	29.6
Hungary	19.1	22.3	22.3	24.4	26.2	23.6	25.2	24.3	23.9	23.8	23.8	23.6
Poland	17.0	17.5	17.3	23.4	18.1	18.3	20.6	19.3	19.4	19.4	20.7	19.8
Romania	16.8	22.5	20.7	22.7	22.4	19.6	22.1	22.4	23.1	20.2	19.8	20.1
Sweden	24.4	24.8	23.2	28.8	28.0	27.3	28.0	27.6	27.6	26.9	28.5	28.3
EU	21.3	22.2	22.4	27.3	27.2	24.5	24.7	24.5	24.5	24.2	25.0	24.5
United Kingdom	15.6	16.6	13.6	22.7	21.1	17.9	16.6	15.4	15.1	17.2	14.7	14.2
Japan	29.4	29.1	28.5	32.7	31.2	32.0	32.0	30.4	28.8	31.3	31.2	30.1
United States	18.9	22.5	21.5	29.6	26.3	19.5	22.9	22.4	22.5	19.8	18.9	19.7

Table 43: Saving rate of households (2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	17.4	14.4	12.2	20.4	17.1	12.9	13.3	13.0	12.5	12.9	14.0	13.4
Germany	17.2	17.0	18.0	23.7	22.7	19.9	19.6	19.6	19.5	20.0	20.0	19.7
Estonia	3.4	8.3	11.4	13.7	7.8	0.1	3.0	3.2	4.6	5.3	8.1	7.8
Ireland	10.7	10.5	9.3	25.5	24.3	13.9	12.7	12.1	11.8	21.5	19.9	18.0
Greece	5.9	-2.0	-3.6	2.4	3.6	-2.4	-1.6	-1.7	0.0	-3.0	-1.2	0.0
Spain	8.1	8.1	6.8	17.5	13.8	7.6	8.1	7.8	7.6	7.2	7.0	6.6
France	14.5	14.9	14.0	20.5	18.6	17.1	17.7	17.1	16.7	16.1	16.0	15.1
Croatia	3.5	4.3	7.1	11.1	6.9	5.4	:	:	:	1.7	0.4	0.0
Italy	14.0	10.7	10.3	17.4	15.5	9.8	8.0	8.9	9.4	10.0	8.7	9.0
Cyprus	7.1	1.7	2.6	12.3	13.5	6.5	3.7	3.9	4.6	4.8	6.7	7.7
Latvia	6.2	1.2	6.5	14.6	13.9	9.3	10.7	10.8	10.7	5.1	4.5	5.2
Lithuania	1.9	3.5	1.5	14.6	10.9	4.8	7.4	9.2	8.2	3.9	4.0	4.7
Luxembourg	11.3	13.4	13.2	24.2	18.2	17.4	14.7	13.0	6.7	18.7	20.2	17.7
Malta	-13.3	-9.2	6.8	21.2	19.8	15.5	:	:	:	:	:	:
Netherlands	11.2	15.3	16.8	24.9	23.3	19.4	18.9	19.3	18.9	14.9	16.3	16.3
Austria	16.7	13.5	13.0	18.6	16.9	15.2	14.9	16.5	15.7	13.2	13.2	14.5
Portugal	8.8	8.8	6.9	11.9	10.6	6.5	6.1	6.4	6.5	6.1	6.7	6.8
Slovakia	6.8	7.2	9.1	11.4	10.9	5.3	6.7	7.2	7.1	5.2	5.9	6.5
Slovenia	16.0	11.0	12.7	22.7	18.7	12.8	14.1	12.7	12.6	8.6	9.1	11.3
Finland	7.6	8.2	7.2	12.6	11.0	8.1	8.5	8.6	8.7	6.6	6.7	6.8
Euro area	12.9	12.4	12.6	19.6	17.5	13.7	14.5	14.5	14.4	14.3	14.2	13.9
Bulgaria	-7.6	-0.2	-0.2	:	:	:	:	:	:	:	:	:
Czechia	12.4	12.0	12.1	19.2	19.2	16.4	17.6	16.5	15.0	17.0	16.5	15.3
Denmark	5.3	7.2	11.0	11.6	8.7	12.7	12.4	13.5	14.1	14.0	13.5	14.4
Hungary	10.8	11.6	13.3	15.6	17.5	13.4	15.3	15.1	14.2	13.0	12.9	13.4
Poland	4.8	5.0	4.8	11.3	4.1	-0.8	1.7	2.7	4.0	1.4	2.8	2.9
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	9.8	14.9	16.0	19.6	18.1	16.0	17.1	16.7	17.0	16.1	17.3	17.5
EU	12.3	11.9	11.8	18.5	16.4	12.7	13.5	13.5	13.4	13.2	13.1	12.8
United Kingdom	8.4	9.2	6.5	16.7	12.5	8.1	7.4	7.9	7.8	8.5	7.9	9.4
Japan	11.6	9.6	9.5	18.0	15.0	13.9	14.6	14.4	13.7	14.7	14.2	13.9
United States	10.0	12.4	13.2	22.1	17.4	11.2	14.2	13.3	14.0	12.3	11.8	12.0

Table 44: Gross saving, general government (as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.5	-0.1	1.0	-5.8	-2.4	-0.7	**-1.7**	**-1.5**	**-1.7**	*-1.1*	*-1.9*	*-1.4*
Germany	1.5	2.3	4.4	-0.7	0.2	1.9	**1.9**	**2.8**	**3.1**	*1.8*	*1.8*	*3.0*
Estonia	5.8	4.5	4.5	0.1	2.8	4.2	**2.0**	**2.5**	**1.4**	*4.3*	*1.6*	*1.7*
Ireland	1.3	-5.0	1.8	-2.5	0.6	3.8	**3.4**	**3.3**	**3.7**	*3.7*	*3.9*	*4.4*
Greece	-4.9	-4.7	2.3	-4.1	-2.7	0.9	**1.5**	**2.7**	**2.4**	*1.0*	*1.9*	*2.7*
Spain	2.9	-4.6	-1.6	-7.2	-3.3	-2.0	**-1.8**	**-1.2**	**-1.2**	*-2.0*	*-1.6*	*-1.1*
France	1.1	0.0	1.2	-4.2	-2.2	-0.3	**-0.2**	**0.2**	**0.1**	*-0.3*	*-0.1*	*0.4*
Croatia	4.0	-0.4	3.2	-2.0	1.9	4.7	**4.5**	**3.4**	**3.5**	*4.4*	*3.8*	*3.9*
Italy	1.0	0.0	1.0	-4.4	-1.4	-1.2	**-0.1**	**-0.3**	**0.0**	*-1.3*	*-0.5*	*0.4*
Cyprus	2.7	-0.5	4.2	-2.6	0.3	5.1	**5.4**	**5.6**	**5.1**	*4.9*	*4.9*	*4.7*
Latvia	1.7	0.8	3.1	0.9	-2.7	-0.1	**0.4**	**0.9**	**1.0**	*0.4*	*-0.4*	*1.0*
Lithuania	1.2	-1.2	3.1	-1.9	2.0	2.6	**2.2**	**1.6**	**1.2**	*2.5*	*1.9*	*2.2*
Luxembourg	7.0	5.4	6.7	2.4	5.9	4.8	**3.6**	**3.4**	**4.3**	*5.1*	*3.5*	*3.7*
Malta	-0.8	-0.3	4.1	-5.7	-3.7	-2.6	**-1.5**	**-0.9**	**0.1**	*-2.6*	*-2.1*	*-1.5*
Netherlands	2.8	0.3	3.8	-0.2	1.4	3.3	**2.7**	**1.4**	**1.3**	*3.6*	*1.7*	*2.2*
Austria	1.7	1.6	3.2	-4.0	-1.9	1.3	**1.7**	**2.1**	**2.3**	*1.6*	*1.7*	*2.7*
Portugal	-1.9	-3.7	0.9	-1.8	-0.2	2.9	**3.4**	**2.9**	**3.1**	*2.8*	*2.8*	*2.6*
Slovakia	0.4	-1.4	1.9	-1.7	-2.2	0.9	**-2.5**	**-2.9**	**-2.8**	*0.9*	*-3.1*	*-1.7*
Slovenia	3.0	-0.3	2.9	-3.5	-0.3	2.1	**1.9**	**2.0**	**2.1**	*2.0*	*1.7*	*1.9*
Finland	6.2	1.7	2.6	-0.9	1.5	3.3	**1.8**	**0.9**	**1.3**	*3.2*	*2.0*	*1.7*
Euro area	1.5	0.0	2.2	-3.0	-0.9	0.7	**0.8**	**1.1**	**1.2**	*0.7*	*0.7*	*1.4*
Bulgaria	4.8	1.0	4.0	-0.3	-1.9	-1.3	**-1.4**	**-1.7**	**-1.1**	*-0.2*	*-2.2*	*-2.9*
Czechia	3.5	1.7	4.3	-0.6	-0.5	1.5	**0.5**	**1.9**	**2.5**	*1.0*	*0.4*	*0.9*
Denmark	6.0	2.7	4.9	4.3	7.4	6.7	**6.3**	**5.5**	**4.9**	*6.6*	*6.1*	*5.3*
Hungary	-1.4	0.0	3.7	1.8	0.4	2.0	**0.3**	**0.7**	**1.1**	*1.9*	*1.7*	*1.6*
Poland	0.5	-0.4	2.2	-2.4	2.4	1.5	**-0.3**	**0.5**	**0.6**	*1.2*	*-0.7*	*0.6*
Romania	1.8	0.7	0.7	-4.9	-3.5	-2.2	**-2.4**	**-1.7**	**-1.7**	*-2.2*	*-0.8*	*-0.3*
Sweden	5.8	3.4	5.3	2.3	4.6	6.0	**4.9**	**4.6**	**4.8**	*5.7*	*4.2*	*4.5*
EU	1.7	0.2	2.4	-2.5	-0.4	1.0	**0.9**	**1.2**	**1.3**	*1.0*	*0.8*	*1.5*
United Kingdom	-1.2	-3.6	0.4	-8.0	-3.7	-1.2	**-0.2**	**0.6**	**0.7**	*-1.4*	*0.7*	*1.5*
Japan	-0.6	-3.5	0.4	-4.4	-1.6	-2.5	**-2.1**	**-1.0**	**0.0**	*-3.3*	*-2.0*	*-0.1*
United States	-2.2	-4.9	-2.4	-11.1	-8.5	-1.2	**-4.6**	**-4.1**	**-3.9**	*-1.4*	*-1.7*	*-2.2*

Table 45: Exports of goods and services, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.2	4.0	3.8	-6.3	13.9	4.9	**-0.2**	**1.3**	**2.9**	*5.1*	*1.3*	*2.5*
Germany	2.7	6.2	3.5	-9.3	9.7	3.3	**-0.6**	**1.7**	**3.0**	*2.9*	*1.5*	*3.1*
Estonia	3.5	11.3	3.2	-5.5	22.1	3.0	**-3.6**	**2.6**	**4.1**	*5.0*	*0.9*	*2.8*
Ireland	4.2	5.0	14.4	11.5	15.1	13.9	**-1.5**	**3.5**	**4.1**	*15.0*	*6.7*	*5.5*
Greece	0.3	3.5	5.4	-21.5	24.2	6.2	**5.7**	**5.0**	**3.6**	*4.9*	*6.5*	*5.2*
Spain	0.3	5.4	3.8	-20.1	13.5	15.2	**1.9**	**2.8**	**3.5**	*14.4*	*4.1*	*3.3*
France	0.3	4.6	3.4	-16.8	8.8	7.0	**1.4**	**2.1**	**2.9**	*7.0*	*4.4*	*3.8*
Croatia	0.0	3.6	6.9	-23.2	32.7	27.0	**-0.4**	**3.2**	**4.2**	*25.4*	*3.0*	*3.7*
Italy	-1.1	4.4	3.0	-13.5	13.9	9.9	**0.5**	**2.5**	**3.3**	*9.4*	*2.3*	*3.1*
Cyprus	1.0	4.0	8.6	2.2	21.6	13.6	**-0.8**	**3.0**	**3.6**	*13.7*	*2.8*	*3.7*
Latvia	6.2	8.4	3.8	0.4	9.0	10.3	**-3.2**	**1.7**	**2.9**	*9.1*	*2.4*	*2.5*
Lithuania	6.1	9.2	7.5	0.2	17.0	12.2	**-4.4**	**3.4**	**7.1**	*11.9*	*1.9*	*4.8*
Luxembourg	3.1	5.8	3.9	0.6	10.3	-0.6	**-1.3**	**2.7**	**3.2**	*-0.6*	*2.6*	*3.6*
Malta	10.7	4.6	10.2	-1.8	7.5	6.8	**3.0**	**4.0**	**3.7**	*6.4*	*3.6*	*3.0*
Netherlands	2.1	5.0	4.3	-4.3	8.0	4.5	**0.4**	**1.1**	**1.8**	*4.7*	*3.8*	*1.8*
Austria	1.5	4.7	4.0	-10.6	9.1	11.2	**0.6**	**2.6**	**3.2**	*11.1*	*1.5*	*2.5*
Portugal	1.5	6.1	5.4	-18.6	12.3	17.4	**5.3**	**1.7**	**2.1**	*16.7*	*5.4*	*3.2*
Slovakia	6.4	9.3	4.2	-6.3	10.5	3.0	**-1.2**	**5.7**	**4.3**	*2.3*	*3.2*	*6.1*
Slovenia	4.7	5.3	6.5	-8.5	14.5	7.2	**-0.8**	**2.8**	**4.0**	*6.5*	*2.8*	*4.0*
Finland	1.7	1.4	4.2	-7.8	5.8	3.7	**0.0**	**2.3**	**3.6**	*1.7*	*1.6*	*3.6*
Euro area	1.5	5.2	4.4	-9.0	11.2	7.2	**0.2**	**2.2**	**3.1**	*7.0*	*3.1*	*3.3*
Bulgaria	4.9	7.6	5.3	-10.4	11.2	11.6	**-0.8**	**4.0**	**2.6**	*8.3*	*2.6*	*3.2*
Czechia	7.1	7.3	4.5	-8.0	6.9	7.2	**2.5**	**2.1**	**4.2**	*5.7*	*5.1*	*4.4*
Denmark	3.1	3.2	4.1	-6.1	7.7	10.8	**7.4**	**2.0**	**1.8**	*8.6*	*1.1*	*1.4*
Hungary	8.3	5.7	5.6	-6.1	8.3	12.6	**0.5**	**3.7**	**5.1**	*11.8*	*3.5*	*4.5*
Poland	7.1	6.9	7.3	-1.1	12.3	6.7	**-1.5**	**2.6**	**5.0**	*6.2*	*2.3*	*3.6*
Romania	9.6	11.4	7.8	-9.5	12.6	9.6	**1.3**	**2.6**	**3.6**	*9.6*	*4.0*	*4.8*
Sweden	1.0	4.3	4.5	-5.5	11.1	7.0	**1.3**	**0.1**	**3.1**	*6.6*	*2.0*	*2.6*
EU	2.0	5.3	4.6	-8.5	11.0	7.4	**0.4**	**2.2**	**3.2**	*7.1*	*3.0*	*3.3*
United Kingdom	2.2	3.1	3.7	-11.5	4.9	8.6	**-1.3**	**0.9**	**1.7**	*9.9*	*-4.2*	*0.2*
Japan	0.0	6.6	2.7	-11.6	11.9	5.1	**1.4**	**2.7**	**2.2**	*4.9*	*4.3*	*2.8*
United States	4.3	6.1	1.6	-13.1	6.3	7.0	**2.1**	**0.9**	**3.4**	*7.1*	*3.6*	*2.6*

Table 46: Imports of goods and services, volume (percentage change on preceding year, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.8	3.9	4.1	-7.4	13.0	4.9	**0.5**	**1.5**	**2.9**	*4.9*	*1.6*	*2.7*
Germany	2.9	5.3	4.6	-8.3	8.9	6.6	**-1.3**	**1.7**	**2.7**	*6.0*	*0.4*	*3.4*
Estonia	0.7	12.3	3.6	1.3	23.2	3.2	**-7.0**	**3.2**	**4.4**	*5.8*	*1.8*	*3.2*
Ireland	5.2	3.4	18.4	-1.7	-7.5	15.9	**-0.8**	**3.1**	**3.8**	*19.0*	*5.5*	*4.5*
Greece	1.3	-3.2	5.6	-7.3	17.9	7.2	**3.0**	**3.8**	**3.0**	*10.2*	*4.7*	*3.8*
Spain	-0.7	1.2	3.9	-15.0	14.9	7.0	**0.2**	**3.5**	**3.8**	*7.9*	*2.8*	*4.2*
France	1.7	4.4	3.7	-12.8	8.0	8.9	**0.3**	**2.6**	**2.7**	*8.9*	*3.6*	*3.5*
Croatia	0.0	0.7	7.7	-12.3	17.3	26.5	**-5.6**	**2.2**	**3.2**	*25.0*	*2.9*	*3.4*
Italy	-0.4	0.8	3.8	-12.1	15.1	12.4	**1.1**	**2.1**	**3.3**	*11.8*	*0.8*	*2.3*
Cyprus	2.3	1.3	9.2	3.1	15.4	18.3	**1.5**	**2.6**	**2.9**	*18.8*	*2.1*	*2.9*
Latvia	0.6	8.4	4.4	-1.1	15.1	11.1	**-1.1**	**2.9**	**3.3**	*11.7*	*1.5*	*1.8*
Lithuania	3.7	7.9	7.3	-4.3	19.9	12.4	**-6.0**	**3.9**	**7.2**	*12.3*	*2.0*	*4.9*
Luxembourg	2.4	7.4	4.2	-0.4	12.4	-1.9	**-0.7**	**3.3**	**3.6**	*-0.9*	*2.7*	*3.8*
Malta	9.6	3.0	10.0	1.5	5.0	10.1	**-1.1**	**3.7**	**3.5**	*9.7*	*2.2*	*2.7*
Netherlands	2.3	4.0	5.2	-4.8	6.2	3.8	**1.4**	**1.3**	**1.7**	*4.1*	*4.1*	*2.0*
Austria	1.0	4.4	4.0	-10.0	14.3	7.9	**-0.5**	**2.3**	**3.0**	*5.7*	*2.0*	*2.3*
Portugal	1.4	1.4	6.2	-11.8	12.2	11.1	**2.5**	**2.8**	**2.8**	*11.1*	*3.3*	*3.6*
Slovakia	4.9	7.2	4.9	-8.1	11.7	4.2	**-6.0**	**6.3**	**4.2**	*4.0*	*3.9*	*5.2*
Slovenia	3.7	2.9	6.6	-9.1	17.8	9.0	**-4.2**	**3.3**	**4.2**	*9.8*	*2.8*	*4.2*
Finland	2.7	2.5	4.0	-6.2	6.0	8.5	**-4.5**	**1.6**	**2.6**	*7.5*	*-1.3*	*2.2*
Euro area	1.8	3.7	5.2	-8.6	9.0	7.9	**-0.3**	**2.3**	**3.0**	*8.0*	*2.3*	*3.2*
Bulgaria	6.0	4.8	5.6	-4.3	10.7	15.0	**-4.9**	**5.2**	**3.4**	*10.5*	*2.9*	*2.8*
Czechia	5.4	6.7	4.6	-8.2	13.3	6.3	**-0.5**	**1.3**	**4.3**	*5.7*	*4.5*	*4.2*
Denmark	4.4	3.2	4.1	-2.8	8.8	6.5	**4.3**	**2.1**	**1.9**	*4.2*	*-1.0*	*0.6*
Hungary	5.2	5.0	6.5	-3.9	7.3	11.6	**-6.0**	**3.6**	**6.6**	*11.1*	*2.0*	*3.5*
Poland	6.8	5.8	6.8	-2.4	16.1	6.8	**-6.6**	**2.5**	**4.8**	*6.2*	*0.0*	*3.1*
Romania	13.5	7.6	10.7	-5.2	14.8	9.9	**2.0**	**3.7**	**5.0**	*9.9*	*5.1*	*5.5*
Sweden	1.9	5.1	4.2	-6.0	11.6	9.3	**-0.2**	**0.5**	**2.7**	*8.7*	*-1.1*	*1.4*
EU	2.3	4.0	5.3	-7.9	9.6	8.0	**-0.6**	**2.3**	**3.2**	*7.9*	*2.1*	*3.2*
United Kingdom	1.4	4.5	3.6	-16.0	6.1	14.1	**-1.5**	**1.0**	**1.3**	*13.3*	*-7.9*	*-0.9*
Japan	-0.7	6.7	1.5	-6.8	5.1	8.0	**-2.1**	**2.2**	**2.2**	*7.9*	*3.9*	*2.1*
United States	-0.1	5.3	3.3	-9.0	14.5	8.6	**-2.1**	**1.1**	**3.7**	*8.1*	*-1.6*	*0.9*

Table 47: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	1.2	-0.9	0.3	2.2	1.6	-1.4	**0.6**	**0.2**	**0.5**	*-2.2*	*-0.9*	*-1.0*
Germany	6.9	6.9	7.4	5.6	5.3	2.8	**5.5**	**5.8**	**6.2**	*3.0*	*4.7*	*4.6*
Estonia	-12.9	-4.4	-4.0	-1.0	-4.0	-7.1	**-4.5**	**-4.3**	**-4.6**	*-7.4*	*-6.8*	*-6.6*
Ireland	17.7	22.0	37.1	38.0	38.8	40.0	**33.7**	**33.3**	**33.1**	*40.7*	*41.6*	*41.0*
Greece	-16.5	-11.8	-11.5	-11.9	-14.8	-19.2	**-17.0**	**-16.9**	**-16.5**	*-18.8*	*-18.5*	*-18.1*
Spain	-7.4	-2.9	-1.9	-0.8	-1.9	-4.4	**-4.0**	**-3.9**	**-4.0**	*-4.4*	*-4.1*	*-4.1*
France	-1.5	-2.3	-1.4	-2.2	-2.8	-5.4	**-3.1**	**-3.0**	**-3.0**	*-5.1*	*-3.3*	*-3.0*
Croatia	-20.3	-14.2	-17.1	-17.5	-19.5	-26.6	**-21.6**	**-20.5**	**-20.1**	*-25.1*	*-23.5*	*-23.1*
Italy	-0.1	0.9	3.2	4.1	2.7	-0.9	**1.3**	**1.5**	**1.6**	*-1.1*	*0.7*	*1.6*
Cyprus	-25.7	-20.3	-21.1	-19.1	-17.6	-21.5	**-21.7**	**-21.7**	**-21.8**	*-21.8*	*-21.0*	*-20.8*
Latvia	-18.8	-11.8	-8.9	-5.1	-8.3	-10.5	**-10.5**	**-10.1**	**-9.8**	*-11.5*	*-9.7*	*-9.4*
Lithuania	-11.6	-4.2	-5.3	-0.8	-5.1	-10.9	**-6.1**	**-6.8**	**-7.2**	*-11.0*	*-7.9*	*-7.6*
Luxembourg	-4.4	3.8	3.2	3.5	0.0	0.5	**0.1**	**0.6**	**0.4**	*0.8*	*1.4*	*1.4*
Malta	-20.5	-17.4	-15.8	-9.4	-12.8	-20.1	**-14.5**	**-14.2**	**-13.9**	*-20.6*	*-19.5*	*-18.3*
Netherlands	8.3	9.0	9.0	7.7	8.4	7.7	**8.0**	**7.6**	**7.4**	*6.2*	*7.5*	*7.4*
Austria	0.3	-0.4	0.6	1.2	0.0	-1.5	**0.0**	**0.2**	**0.6**	*-0.1*	*0.9*	*1.3*
Portugal	-11.7	-7.2	-6.7	-6.5	-7.7	-11.2	**-10.0**	**-10.5**	**-10.9**	*-11.4*	*-9.9*	*-10.1*
Slovakia	-2.2	2.8	1.3	0.9	-0.3	-5.5	**-1.1**	**-1.7**	**-1.8**	*-5.8*	*-5.1*	*-3.8*
Slovenia	-3.5	0.0	3.4	5.0	1.7	-3.8	**0.7**	**-0.8**	**-0.9**	*-4.3*	*-3.2*	*-2.5*
Finland	7.0	1.6	0.5	1.2	0.9	-0.1	**2.4**	**2.5**	**2.8**	*-0.5*	*0.7*	*1.2*
Euro area	0.8	1.8	3.3	3.3	2.7	0.2	**1.9**	**2.0**	**2.2**	*0.2*	*1.7*	*2.0*
Euro area, adjusted [2]	:	2.1	2.9	2.9	2.2	-0.6	**1.9**	**2.0**	**2.2**	*-0.6*	*1.7*	*2.0*
Bulgaria	-21.9	-7.9	-3.8	-3.2	-4.1	-5.9	**-4.7**	**-5.3**	**-5.6**	*-5.4*	*-4.2*	*-4.0*
Czechia	0.7	3.0	4.5	4.9	1.2	-0.2	**3.8**	**4.0**	**4.0**	*-1.5*	*1.0*	*2.3*
Denmark	2.3	4.6	4.7	5.3	3.7	3.1	**8.3**	**8.1**	**8.2**	*3.3*	*7.1*	*7.4*
Hungary	-1.2	2.2	0.7	-1.0	-2.9	-9.1	**1.7**	**0.9**	**0.5**	*-8.8*	*-3.8*	*-3.2*
Poland	-4.2	-2.5	-1.0	1.3	-1.3	-3.7	**0.4**	**0.5**	**0.5**	*-3.7*	*-0.9*	*-0.5*
Romania	-13.9	-6.0	-6.6	-8.6	-9.6	-11.3	**-10.1**	**-10.1**	**-10.4**	*-11.3*	*-10.0*	*-10.1*
Sweden	5.9	4.0	2.7	4.0	4.3	3.9	**4.4**	**4.0**	**4.2**	*3.4*	*4.8*	*5.4*
EU	0.6	1.6	3.0	3.0	2.3	-0.1	**1.8**	**1.9**	**2.0**	*-0.1*	*1.5*	*1.7*
EU, adjusted [2]	-0.1	1.0	2.4	2.4	1.6	-1.2	**1.8**	**1.9**	**2.0**	*-1.1*	*1.5*	*1.7*
United Kingdom	-5.7	-6.6	-6.7	-6.1	-7.2	-8.8	**-7.2**	**-7.0**	**-7.0**	*-9.3*	*-8.2*	*-8.1*
Japan	1.8	-0.6	0.4	0.5	0.3	-2.8	**-1.2**	**-1.6**	**-2.0**	*-2.8*	*-2.1*	*-1.3*
United States	-5.5	-4.6	-4.2	-4.1	-4.6	-4.7	**-3.9**	**-3.8**	**-3.9**	*-4.8*	*-4.2*	*-4.0*

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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	3.4	1.1	0.4	1.1	0.4	-1.1	**0.1**	**-0.3**	**-0.2**	*-2.9*	*-1.8*	*-1.8*
Germany	5.8	6.7	8.4	7.2	7.8	4.4	**6.0**	**6.5**	**6.5**	*4.0*	*5.8*	*5.6*
Estonia	-8.9	0.4	1.7	-2.0	-2.7	-3.3	**0.6**	**1.1**	**0.5**	*-1.3*	*-0.3*	*0.1*
Ireland	-5.3	-0.6	-2.8	-6.8	14.0	10.8	**9.9**	**10.6**	**11.4**	*8.8*	*11.1*	*11.9*
Greece	-13.1	-5.4	-2.3	-8.0	-8.6	-10.6	**-7.0**	**-6.1**	**-5.6**	*-11.8*	*-9.2*	*-7.8*
Spain	-7.7	-0.5	2.4	0.6	0.8	0.6	**1.9**	**1.7**	**1.5**	*0.6*	*1.6*	*1.5*
France	-0.3	-1.1	-0.6	-3.4	-1.5	-4.0	**-2.4**	**-2.4**	**-2.4**	*-3.1*	*-1.5*	*-1.3*
Croatia	-7.9	-1.4	2.3	-1.1	0.8	-2.9	**2.4**	**2.5**	**3.1**	*-0.2*	*0.7*	*1.1*
Italy	-1.7	-0.7	2.5	3.9	2.5	-1.5	**0.8**	**0.9**	**1.0**	*-1.3*	*0.0*	*1.3*
Cyprus	-16.7	-4.4	-3.7	-10.0	-6.1	-7.9	**-9.6**	**-8.8**	**-7.5**	*-9.1*	*-7.3*	*-6.9*
Latvia	-11.4	-1.9	0.3	2.6	-4.2	-4.8	**-4.2**	**-3.2**	**-2.8**	*-6.1*	*-3.4*	*-2.7*
Lithuania	-9.0	0.0	0.2	7.3	1.1	-5.5	**0.3**	**0.1**	**-0.1**	*-5.3*	*-1.1*	*-0.1*
Luxembourg	7.3	3.0	1.4	4.0	1.1	0.3	**-1.2**	**-2.0**	**-3.0**	*5.7*	*7.2*	*7.4*
Malta	-6.1	-0.5	7.2	2.5	5.7	0.6	**4.2**	**5.7**	**5.9**	*1.6*	*3.8*	*4.1*
Netherlands	4.0	7.4	7.5	5.1	12.1	9.3	**9.2**	**9.2**	**9.1**	*4.4*	*6.0*	*6.1*
Austria	2.9	2.3	1.9	3.6	1.8	-0.2	**0.8**	**0.9**	**1.2**	*0.2*	*0.8*	*1.2*
Portugal	-10.3	-3.3	0.4	-1.2	-1.0	-1.3	**1.6**	**1.1**	**0.8**	*-1.5*	*1.0*	*0.8*
Slovakia	-4.8	0.2	-1.5	-0.1	-3.9	-7.5	**-2.1**	**-2.9**	**-3.0**	*-7.8*	*-6.7*	*-5.3*
Slovenia	-3.1	1.2	5.4	7.4	3.5	-0.8	**3.7**	**1.9**	**1.5**	*-0.5*	*0.9*	*1.7*
Finland	3.2	-1.1	-1.2	0.5	0.4	-2.5	**-0.5**	**-0.2**	**0.7**	*-3.9*	*-1.9*	*-1.2*
Euro area	0.1	1.8	3.4	2.3	3.6	1.0	**2.5**	**2.6**	**2.7**	*0.6*	*2.1*	*2.4*
Euro area, adjusted 2)	:	2.2	2.8	1.8	2.8	-0.6	**2.5**	**2.6**	**2.7**	*-1.0*	*2.1*	*2.4*
Bulgaria	-16.5	0.4	2.9	0.0	-1.7	-1.4	**0.7**	**-0.3**	**-0.9**	*-0.4*	*0.1*	*0.2*
Czechia	-4.0	-3.1	-0.5	0.7	-2.3	-4.7	**-0.3**	**0.8**	**0.9**	*-5.4*	*-2.5*	*-0.7*
Denmark	3.1	7.2	8.0	8.1	9.1	13.4	**10.3**	**10.0**	**9.8**	*13.1*	*10.7*	*10.7*
Hungary	-6.9	0.8	1.3	-1.0	-4.1	-8.2	**0.9**	**0.1**	**-0.4**	*-8.3*	*-3.5*	*-2.8*
Poland	-4.9	-3.9	-1.2	2.3	-1.3	-2.6	**1.2**	**1.0**	**1.1**	*-3.2*	*-1.0*	*0.5*
Romania	-9.8	-3.1	-2.7	-6.8	-7.5	-9.3	**-7.3**	**-7.1**	**-7.3**	*-8.8*	*-7.6*	*-7.4*
Sweden	6.9	5.1	3.3	6.0	6.8	4.9	**5.3**	**4.8**	**4.9**	*4.4*	*5.9*	*6.3*
EU	0.0	1.7	3.1	2.4	3.3	0.9	**2.5**	**2.5**	**2.5**	*0.5*	*2.0*	*2.3*
EU, adjusted 2)	-0.3	1.6	2.8	2.2	2.8	-0.4	**2.5**	**2.5**	**2.5**	*-0.6*	*2.0*	*2.3*
United Kingdom	-3.2	-3.4	-4.1	-2.9	-0.5	-3.1	**-2.1**	**-2.3**	**-2.4**	*-3.8*	*-2.2*	*-1.7*
Japan	3.5	1.7	3.6	2.9	3.9	2.1	**3.4**	**2.9**	**2.4**	*2.1*	*2.6*	*3.4*
United States	-4.8	-2.5	-2.1	-2.7	-3.6	-3.8	**-2.9**	**-2.8**	**-2.8**	*-3.9*	*-3.3*	*-3.0*

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, 2005-2025) 31.10.2023

	5-year averages						Autumn 2023 Forecast			Spring 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2022	2023	2024
Belgium	3.3	1.2	0.5	1.0	0.6	-1.0	**0.2**	**-0.2**	**-0.1**	*-2.8*	*-1.6*	*-1.6*
Germany	5.7	6.6	8.2	6.7	7.5	3.7	**6.0**	**6.4**	**6.4**	*3.4*	*5.2*	*5.1*
Estonia	-7.2	3.4	3.2	-0.1	6.4	-2.9	**0.8**	**1.2**	**0.8**	*-0.2*	*0.6*	*1.0*
Ireland	-5.2	-1.3	-10.1	-10.0	14.8	10.1	**3.2**	**3.3**	**3.3**	*7.2*	*9.4*	*10.0*
Greece	-11.5	-3.3	-0.8	-5.9	-5.8	-8.1	**-4.4**	**-3.3**	**-2.6**	*-9.1*	*-6.4*	*-4.9*
Spain	-7.3	-0.1	2.8	1.1	1.6	1.5	**2.8**	**2.6**	**2.5**	*1.5*	*2.6*	*2.4*
France	-0.2	-1.1	-0.6	-3.3	-1.2	-3.7	**-2.2**	**-2.2**	**-2.1**	*-2.8*	*-1.5*	*-1.1*
Croatia	-7.8	-1.0	3.6	1.0	3.3	-0.3	**5.4**	**4.8**	**5.3**	*2.1*	*3.1*	*3.7*
Italy	-1.6	-0.6	2.5	3.9	2.6	-1.0	**1.4**	**1.0**	**1.2**	*-0.8*	*0.0*	*1.3*
Cyprus	-16.4	-4.0	-3.5	-10.0	-5.7	-7.7	**-9.0**	**-8.2**	**-6.9**	*-8.3*	*-6.5*	*-6.1*
Latvia	-9.8	0.7	2.0	4.3	-2.9	-3.3	**-2.0**	**-1.0**	**-0.5**	*-4.6*	*-1.3*	*-0.5*
Lithuania	-6.8	3.2	1.9	9.0	2.6	-4.0	**1.7**	**1.5**	**1.2**	*-3.9*	*0.2*	*1.3*
Luxembourg	6.3	1.6	-0.1	3.1	0.1	-0.6	**-2.6**	**-4.1**	**-5.3**	*4.9*	*6.5*	*6.7*
Malta	-4.4	1.1	8.3	4.1	6.9	1.6	**5.1**	**6.6**	**6.8**	*2.6*	*4.8*	*5.1*
Netherlands	4.0	6.9	7.3	5.1	12.2	20.3	**9.2**	**9.2**	**9.1**	*4.5*	*6.0*	*6.2*
Austria	2.9	2.3	1.7	3.5	1.8	0.0	**0.9**	**1.0**	**1.3**	*0.2*	*0.8*	*1.2*
Portugal	-9.1	-1.7	1.4	-0.2	0.6	-0.4	**2.6**	**2.1**	**1.7**	*-0.6*	*2.0*	*1.8*
Slovakia	-4.4	1.6	-1.0	0.5	-4.0	-7.9	**-2.5**	**-3.2**	**-3.3**	*-7.9*	*-6.7*	*-5.3*
Slovenia	-2.9	1.7	5.2	6.9	3.8	-1.1	**3.3**	**1.3**	**0.8**	*-0.4*	*1.0*	*1.8*
Finland	3.3	-1.0	-1.1	0.6	0.5	-2.5	**-0.4**	**-0.2**	**0.7**	*-3.8*	*-1.9*	*-1.2*
Euro area	0.2	1.9	3.2	2.2	3.9	1.8	**2.6**	**2.6**	**2.6**	*0.7*	*2.1*	*2.4*
Euro area, adjusted 2)	:	2.3	2.6	1.6	3.0	0.3	**2.6**	**2.6**	**2.6**	*-0.9*	*2.1*	*2.4*
Bulgaria	-16.1	2.0	4.7	1.5	-1.0	-0.5	**2.7**	**2.0**	**1.4**	*0.5*	*2.4*	*2.5*
Czechia	-3.2	-1.4	0.5	1.8	-0.9	-4.1	**0.8**	**1.5**	**1.6**	*-4.0*	*-1.3*	*0.4*
Denmark	3.1	7.2	7.9	8.1	9.2	13.5	**10.4**	**10.1**	**10.0**	*13.3*	*10.9*	*10.9*
Hungary	-5.9	3.6	3.2	1.1	-1.5	-6.1	**2.0**	**1.8**	**1.3**	*-6.2*	*-0.8*	*-0.2*
Poland	-4.1	-2.0	0.4	3.9	-0.4	-2.3	**1.6**	**1.5**	**1.8**	*-2.8*	*-0.5*	*1.1*
Romania	-9.1	-1.6	-0.8	-4.7	-5.4	-6.6	**-4.4**	**-4.2**	**-4.2**	*-6.1*	*-4.7*	*-4.5*
Sweden	6.8	5.0	3.2	6.0	6.8	5.0	**5.3**	**4.8**	**5.0**	*4.5*	*6.0*	*6.4*
EU	0.1	1.9	3.1	2.4	3.6	1.7	**2.6**	**2.6**	**2.7**	*0.7*	*2.1*	*2.5*
EU, adjusted 2)	-0.2	1.8	2.8	2.2	3.1	0.4	**2.6**	**2.6**	**2.7**	*-0.4*	*2.1*	*2.5*
United Kingdom	-3.2	-3.5	-4.3	-3.0	-0.6	-3.2	**-2.2**	**-2.4**	**-2.5**	*-3.9*	*-2.3*	*-1.9*
Japan	3.4	1.6	3.5	2.9	3.8	2.0	**3.3**	**2.9**	**2.3**	*2.0*	*2.5*	*3.3*
United States	-4.9	-2.6	-2.2	-2.7	-3.6	-3.8	**-3.0**	**-2.8**	**-2.8**	*-3.9*	*-3.3*	*-3.1*

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, 2017-2025)** 31.10.2023

							Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2017	2018	2019	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	3.1	-4.2	0.5	5.1	2.2	-6.2	**0.4**	**-2.1**	**-1.3**	*-16.2*	*-10.5*	*-10.6*
Germany	262.7	272.3	291.0	245.5	281.6	171.2	**247.8**	**276.2**	**286.3**	*156.0*	*236.9*	*239.8*
Estonia	0.5	0.2	0.7	-0.5	-0.8	-1.2	**0.2**	**0.4**	**0.2**	*-0.5*	*-0.1*	*0.1*
Ireland	1.6	16.2	-70.6	-25.5	60.7	54.6	**52.4**	**59.3**	**66.9**	*44.3*	*61.7*	*71.0*
Greece	-3.7	-6.3	-4.2	-13.1	-15.6	-21.9	**-15.6**	**-14.3**	**-13.7**	*-24.5*	*-20.5*	*-18.3*
Spain	32.2	22.6	26.2	6.9	9.3	8.2	**27.8**	**26.0**	**24.6**	*7.8*	*23.2*	*22.4*
France	-16.3	-16.1	-17.1	-78.1	-37.0	-105.4	**-66.8**	**-70.8**	**-72.2**	*-81.2*	*-40.7*	*-39.2*
Croatia	1.5	0.7	1.3	-0.6	0.5	-1.9	**1.8**	**2.1**	**2.6**	*-0.1*	*0.5*	*0.9*
Italy	44.3	46.1	58.5	64.5	44.9	-29.5	**16.3**	**18.9**	**21.8**	*-25.0*	*0.9*	*26.8*
Cyprus	-1.0	-0.8	-1.3	-2.2	-1.5	-2.2	**-2.9**	**-2.8**	**-2.5**	*-2.5*	*-2.1*	*-2.1*
Latvia	0.3	0.0	-0.2	0.8	-1.4	-1.9	**-1.8**	**-1.4**	**-1.3**	*-2.4*	*-1.5*	*-1.2*
Lithuania	0.2	0.1	1.7	3.6	0.6	-3.7	**0.2**	**0.1**	**-0.1**	*-3.6*	*-0.8*	*-0.1*
Luxembourg	1.7	2.3	-0.4	2.6	0.8	0.2	**-1.0**	**-1.7**	**-2.7**	*4.4*	*6.1*	*6.6*
Malta	1.3	1.4	1.1	0.3	0.9	0.1	**0.8**	**1.1**	**1.3**	*0.3*	*0.7*	*0.8*
Netherlands	65.8	72.1	56.3	41.0	105.5	88.9	**95.2**	**99.6**	**102.9**	*41.5*	*60.8*	*64.7*
Austria	5.5	4.0	9.9	13.6	7.4	-0.7	**3.8**	**4.3**	**6.3**	*1.0*	*3.6*	*6.2*
Portugal	2.0	0.5	0.3	-2.4	-2.1	-3.2	**4.2**	**3.1**	**2.3**	*-3.5*	*2.6*	*2.2*
Slovakia	-0.8	-0.6	-3.0	0.0	-3.9	-8.3	**-2.6**	**-3.7**	**-4.2**	*-8.6*	*-8.2*	*-7.0*
Slovenia	2.7	2.8	2.9	3.5	1.8	-0.5	**2.3**	**1.2**	**1.1**	*-0.3*	*0.6*	*1.1*
Finland	-1.8	-4.3	-0.7	1.3	1.1	-6.8	**-1.3**	**-0.7**	**2.0**	*-10.3*	*-5.3*	*-3.6*
Euro area	402.0	409.0	352.8	266.1	454.7	129.9	**361.3**	**394.9**	**420.4**	*76.7*	*307.7*	*360.3*
Euro area, adjusted 2)	349.7	323.4	287.2	203.6	349.7	-79.2	**361.3**	**394.9**	**420.4**	*-136.5*	*307.7*	*360.3*
Bulgaria	3.2	0.5	1.1	0.0	-1.2	-1.2	**0.6**	**-0.3**	**-0.9**	*-0.3*	*0.1*	*0.2*
Czechia	1.6	-1.3	-2.1	1.4	-5.5	-12.9	**-0.8**	**2.5**	**2.9**	*-14.9*	*-8.1*	*-2.4*
Denmark	23.6	22.0	26.2	25.2	31.3	50.9	**38.6**	**38.8**	**39.6**	*49.4*	*40.5*	*42.0*
Hungary	2.0	0.0	-1.4	-1.4	-6.2	-13.9	**1.7**	**0.2**	**-1.0**	*-14.1*	*-7.1*	*-6.0*
Poland	-5.4	-9.9	-1.4	12.1	-7.7	-17.0	**9.1**	**8.5**	**9.8**	*-21.0*	*-7.4*	*3.9*
Romania	-5.9	-9.1	-10.3	-14.9	-18.0	-26.7	**-23.7**	**-25.3**	**-27.9**	*-25.1*	*-24.8*	*-26.5*
Sweden	13.6	12.4	25.1	28.8	36.9	27.8	**29.0**	**26.7**	**28.5**	*24.7*	*32.6*	*35.9*
EU	434.6	423.6	390.0	317.4	484.2	136.8	**415.8**	**445.9**	**471.4**	*75.3*	*333.6*	*407.3*
EU, adjusted 2)	396.3	366.3	342.6	293.4	409.4	-61.8	**415.8**	**445.9**	**471.4**	*-97.3*	*333.6*	*407.3*
United Kingdom	-83.0	-95.5	-68.4	-67.9	-12.6	-91.8	**-64.3**	**-73.7**	**-78.0**	*-110.1*	*-64.9*	*-52.7*
Japan	179.8	149.6	157.8	129.4	166.3	84.5	**132.4**	**112.1**	**93.8**	*83.7*	*102.2*	*138.7*
United States	-334.6	-373.6	-400.6	-498.8	-717.0	-937.2	**-739.8**	**-740.4**	**-774.0**	*-944.6*	*-801.6*	*-761.3*

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, 2017-2025)** 31.10.2023

							Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2017	2018	2019	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium	5.3	4.0	2.9	-8.8	9.4	7.3	**0.3**	**2.4**	**3.0**	*7.2*	*1.6*	*2.8*
Germany	5.7	4.3	2.0	-7.9	11.0	6.8	**0.2**	**2.6**	**3.4**	*6.3*	*1.6*	*2.8*
Estonia	6.2	4.6	2.6	-6.8	10.7	7.6	**-0.6**	**2.4**	**3.4**	*7.0*	*0.7*	*2.6*
Ireland	5.3	4.0	1.5	-8.9	10.8	7.0	**0.0**	**2.3**	**3.1**	*7.0*	*0.4*	*2.3*
Greece	6.3	4.0	2.4	-8.7	11.1	8.6	**1.2**	**3.0**	**3.5**	*8.1*	*1.6*	*3.0*
Spain	5.3	3.7	2.3	-9.8	10.3	8.2	**0.9**	**2.4**	**3.1**	*7.8*	*1.3*	*2.8*
France	5.3	3.8	2.4	-8.7	10.6	6.9	**0.6**	**2.6**	**3.3**	*6.8*	*1.2*	*2.8*
Croatia	6.8	4.9	3.1	-8.8	12.6	9.7	**-0.3**	**2.9**	**3.8**	*9.1*	*1.8*	*3.3*
Italy	5.5	3.9	2.1	-8.8	10.6	7.2	**0.4**	**2.6**	**3.3**	*6.8*	*1.6*	*3.0*
Cyprus	7.6	3.9	2.1	-9.7	12.0	2.8	**2.5**	**3.4**	**3.3**	*3.0*	*1.4*	*2.8*
Latvia	7.0	4.5	3.5	-7.0	13.1	6.2	**-0.6**	**2.9**	**4.0**	*6.1*	*1.1*	*3.0*
Lithuania	6.4	4.6	3.2	-7.0	11.3	6.3	**0.5**	**2.7**	**3.5**	*5.2*	*1.3*	*2.9*
Luxembourg	5.0	3.6	2.6	-9.5	9.9	7.9	**0.3**	**2.3**	**2.9**	*7.8*	*0.8*	*2.6*
Malta	5.5	4.1	2.3	-8.7	10.0	7.1	**0.6**	**2.8**	**3.1**	*7.5*	*1.1*	*2.8*
Netherlands	5.1	3.8	5.0	-8.4	9.5	7.7	**0.0**	**2.4**	**3.2**	*7.9*	*1.3*	*3.0*
Austria	5.7	4.3	2.6	-7.9	10.5	7.3	**-0.5**	**2.5**	**3.4**	*6.8*	*1.4*	*3.2*
Portugal	5.2	3.9	2.6	-10.6	10.5	7.7	**0.4**	**2.7**	**3.3**	*7.7*	*1.4*	*3.0*
Slovakia	6.4	4.9	2.9	-7.8	11.1	7.2	**-1.0**	**2.4**	**3.7**	*6.5*	*1.7*	*3.2*
Slovenia	5.7	4.5	2.7	-8.3	11.7	9.4	**-0.1**	**2.8**	**3.6**	*8.8*	*1.9*	*3.2*
Finland	5.8	4.1	2.0	-7.5	11.3	6.2	**0.3**	**2.4**	**3.2**	*5.7*	*1.2*	*2.7*
Euro area b)	5.5	4.0	2.7	-8.5	10.5	7.2	**0.3**	**2.5**	**3.3**	*7.0*	*1.4*	*2.9*
Bulgaria	7.2	4.6	3.0	-7.8	11.8	7.3	**1.4**	**2.9**	**3.7**	*7.2*	*2.3*	*3.5*
Czechia	5.9	4.4	3.0	-8.1	10.5	6.9	**-1.0**	**2.7**	**3.3**	*6.3*	*1.4*	*3.2*
Denmark	5.4	4.1	2.1	-8.3	10.3	7.2	**0.0**	**2.3**	**3.2**	*7.0*	*0.8*	*2.7*
Hungary	6.3	4.7	3.0	-8.2	11.5	7.5	**-0.4**	**2.6**	**3.4**	*6.6*	*1.7*	*3.3*
Poland	5.8	4.2	3.0	-8.5	10.4	6.8	**-0.1**	**2.4**	**3.3**	*6.3*	*1.4*	*3.1*
Romania	6.1	4.1	2.6	-8.5	10.7	8.1	**-0.1**	**2.6**	**3.5**	*7.5*	*1.6*	*3.1*
Sweden	5.1	4.1	2.5	-8.1	9.4	7.4	**0.0**	**2.4**	**3.1**	*6.8*	*0.6*	*2.6*
EU (b)	5.5	4.1	2.7	-8.5	10.5	7.2	**0.2**	**2.5**	**3.3**	*6.9*	*1.4*	*2.9*
United Kingdom	5.1	3.9	3.7	-7.8	9.7	6.5	**0.6**	**2.7**	**3.4**	*7.0*	*2.0*	*2.9*
Japan	6.6	4.9	-0.5	-7.0	12.5	3.6	**0.4**	**3.5**	**3.6**	*3.7*	*1.7*	*3.2*
United States	5.3	4.1	1.2	-8.8	10.8	6.4	**1.5**	**2.8**	**3.3**	*6.6*	*1.9*	*3.2*

(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, 2017-2025)** 31.10.2023

								Autumn 2023 Forecast			*Spring 2023 Forecast*		
		2017	2018	2019	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
Belgium		0.2	-2.8	-0.5	2.8	4.2	-2.2	**-0.5**	**-1.1**	**-0.1**	*-2.0*	*-0.3*	*-0.3*
Germany		-0.8	-2.0	0.3	-1.4	-1.2	-3.3	**-0.8**	**-0.9**	**-0.4**	*-3.4*	*-0.1*	*0.3*
Estonia		-1.3	-1.6	2.4	1.4	10.4	-4.1	**-2.4**	**0.2**	**0.7**	*-1.7*	*0.2*	*0.3*
Ireland		4.0	5.5	9.8	22.9	4.4	7.8	**-2.6**	**1.0**	**0.8**	*8.6*	*6.6*	*2.9*
Greece		2.0	4.9	2.5	-14.5	11.4	-2.3	**4.4**	**1.9**	**0.1**	*-3.2*	*4.9*	*2.2*
Spain		0.2	-1.9	-0.1	-11.5	2.9	7.0	**1.4**	**0.3**	**0.3**	*6.9*	*3.0*	*0.4*
France		-0.9	0.7	-0.8	-8.9	-1.7	0.0	**0.8**	**-0.5**	**-0.4**	*0.1*	*3.1*	*1.0*
Italy		-0.1	-1.7	-0.5	-5.2	3.0	2.7	**0.2**	**-0.1**	**0.0**	*2.5*	*0.8*	*0.1*
Cyprus		3.2	3.2	6.4	13.2	8.6	10.5	**-3.2**	**-0.4**	**0.3**	*10.4*	*1.3*	*0.9*
Latvia		-0.6	-0.1	-2.2	8.1	-3.6	3.9	**-2.4**	**-1.2**	**-1.0**	*3.0*	*1.4*	*-0.4*
Lithuania		6.6	2.1	6.7	7.8	5.1	5.7	**-5.1**	**0.6**	**3.7**	*6.4*	*0.5*	*1.9*
Luxembourg		-5.0	0.0	3.4	11.2	0.3	-7.9	**-1.6**	**0.4**	**0.2**	*-7.9*	*1.8*	*1.0*
Malta		4.6	4.2	7.2	7.5	-2.2	-0.3	**2.4**	**1.2**	**0.5**	*-1.0*	*2.4*	*0.3*
Netherlands		1.3	0.5	-2.9	4.4	-1.3	-3.0	**0.5**	**-1.2**	**-1.3**	*-3.0*	*2.4*	*-1.2*
Austria		-0.8	0.9	1.4	-2.7	-1.1	3.6	**1.1**	**0.0**	**-0.2**	*4.0*	*0.1*	*-0.6*
Portugal		2.9	0.2	1.4	-8.6	1.6	8.7	**4.8**	**-1.0**	**-1.2**	*8.0*	*3.9*	*0.1*
Slovenia		5.1	1.6	1.7	-0.2	2.4	-2.2	**-0.7**	**0.0**	**0.3**	*-2.2*	*0.8*	*0.8*
Slovakia		-2.6	0.3	-2.0	1.6	-0.5	-4.0	**-0.3**	**3.3**	**0.5**	*-4.0*	*1.5*	*2.8*
Finland		2.8	-2.5	4.6	-0.2	-4.9	-2.3	**-0.4**	**-0.1**	**0.3**	*-3.7*	*0.4*	*0.8*
Euro area	**(b)**	0.1	-0.5	0.4	-0.5	0.7	0.1	**-0.2**	**-0.3**	**-0.2**	*0.1*	*1.7*	*0.4*
Bulgaria		-1.3	-2.7	0.9	-2.7	-0.6	4.3	**-1.8**	**1.0**	**-1.1**	*1.0*	*0.4*	*-0.4*
Czechia		1.3	-0.6	-1.5	0.1	-3.3	0.2	**3.5**	**-0.6**	**0.9**	*-0.6*	*3.6*	*1.1*
Denmark		-0.5	-0.6	2.3	2.5	-2.3	2.9	**7.2**	**-0.3**	**-1.3**	*1.1*	*0.8*	*-1.2*
Croatia		0.2	-1.2	3.5	-14.6	16.4	15.6	**-0.3**	**0.3**	**0.4**	*14.8*	*1.2*	*0.4*
Hungary		0.2	0.3	2.4	2.0	-2.8	4.9	**0.7**	**1.0**	**1.6**	*5.1*	*1.8*	*1.2*
Poland		3.0	2.5	2.3	8.0	1.8	0.0	**-1.5**	**0.2**	**1.6**	*0.0*	*0.9*	*0.5*
Romania		1.6	1.1	2.4	-0.9	1.6	1.1	**1.4**	**-0.1**	**0.2**	*1.7*	*2.3*	*1.7*
Sweden		-0.9	0.2	3.5	2.8	1.5	-0.2	**1.4**	**-2.2**	**0.0**	*-0.1*	*1.4*	*0.0*
EU	**(b)**	0.2	-0.3	0.7	0.0	0.5	0.2	**0.2**	**-0.3**	**-0.1**	*0.2*	*1.7*	*0.4*
United Kingdom		1.6	-0.7	-1.6	-4.0	-4.2	1.9	**-1.6**	**-1.8**	**-1.6**	*2.7*	*-6.0*	*-2.6*
Japan		0.0	-1.1	-1.0	-4.8	-0.4	1.5	**0.9**	**-0.8**	**-1.3**	*1.2*	*2.5*	*-0.3*
United States		-1.0	-1.2	-0.7	-4.5	-3.9	0.5	**0.6**	**-1.9**	**0.1**	*0.4*	*1.6*	*-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, 2019-2025)** **31.10.2023**

						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	(a)	2019	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
EU	14.9	1.8	-5.6	6.0	3.4	**0.6**	**1.3**	**1.7**	*3.5*	*1.0*	*1.7*
Euro area	12.0	1.6	-6.1	5.9	3.4	**0.6**	**1.2**	**1.6**	*3.5*	*1.1*	*1.6*
Belgium	0.4	2.2	-5.3	6.9	3.0	**1.4**	**1.4**	**1.5**	*3.2*	*1.2*	*1.4*
Bulgaria	0.1	4.0	-4.0	7.7	3.9	**2.0**	**1.8**	**2.6**	*3.4*	*1.5*	*2.4*
Czechia	0.3	3.0	-5.5	3.6	2.4	**-0.4**	**1.4**	**3.0**	*2.5*	*0.2*	*2.6*
Denmark	0.3	1.5	-2.4	6.8	2.7	**1.2**	**1.4**	**1.6**	*3.8*	*0.3*	*1.5*
Germany	3.3	1.1	-3.8	3.2	1.8	**-0.3**	**0.8**	**1.2**	*1.8*	*0.2*	*1.4*
Estonia	0.0	4.0	-1.0	7.2	-0.5	**-2.6**	**1.9**	**2.7**	*-1.3*	*-0.4*	*3.1*
Ireland	0.4	5.3	6.6	15.1	9.4	**-0.9**	**3.0**	**3.4**	*12.0*	*5.5*	*5.0*
Greece	0.2	1.9	-9.3	8.4	5.6	**2.4**	**2.3**	**2.2**	*5.9*	*2.4*	*1.9*
Spain	1.4	2.0	-11.2	6.4	5.8	**2.4**	**1.7**	**2.0**	*5.5*	*1.9*	*2.0*
France	2.3	1.8	-7.5	6.4	2.5	**1.0**	**1.2**	**1.4**	*2.6*	*0.7*	*1.4*
Croatia	0.1	3.4	-8.6	13.8	6.3	**2.6**	**2.5**	**2.8**	*6.2*	*1.6*	*2.3*
Italy	1.9	0.5	-9.0	8.3	3.7	**0.7**	**0.9**	**1.2**	*3.7*	*1.2*	*1.1*
Cyprus	0.0	5.5	-3.4	9.9	5.1	**2.2**	**2.6**	**2.9**	*5.6*	*2.3*	*2.7*
Latvia	0.0	0.6	-3.5	6.7	3.4	**-0.2**	**2.4**	**3.0**	*2.8*	*1.4*	*2.8*
Lithuania	0.1	4.7	0.0	6.3	2.4	**-0.4**	**2.5**	**3.4**	*1.9*	*0.5*	*2.7*
Luxembourg	0.1	2.9	-0.9	7.2	1.4	**-0.6**	**1.4**	**2.0**	*1.5*	*1.6*	*2.4*
Hungary	0.2	4.9	-4.5	7.1	4.6	**-0.7**	**2.4**	**3.6**	*4.6*	*0.5*	*2.8*
Malta	0.0	7.1	-8.1	12.3	6.9	**4.0**	**4.0**	**4.2**	*6.9*	*3.9*	*4.1*
Netherlands	0.8	2.0	-3.9	6.2	4.3	**0.6**	**1.1**	**1.7**	*4.5*	*1.8*	*1.2*
Austria	0.4	1.5	-6.6	4.2	4.8	**-0.5**	**1.0**	**1.3**	*5.0*	*0.4*	*1.6*
Poland	1.0	4.5	-2.0	6.9	5.3	**0.4**	**2.7**	**3.2**	*5.1*	*0.7*	*2.7*
Portugal	0.3	2.7	-8.3	5.7	6.8	**2.2**	**1.3**	**1.8**	*6.7*	*2.4*	*1.8*
Romania	0.5	3.9	-3.7	5.7	4.6	**2.2**	**3.1**	**3.4**	*4.7*	*3.2*	*3.5*
Slovenia	0.1	3.5	-4.2	8.2	2.5	**1.3**	**2.0**	**2.7**	*5.4*	*1.2*	*2.2*
Slovakia	0.1	2.5	-3.3	4.8	1.8	**1.3**	**1.7**	**2.0**	*1.7*	*1.7*	*2.1*
Finland	0.2	1.2	-2.4	3.2	1.6	**0.1**	**0.8**	**1.5**	*2.1*	*0.2*	*1.4*
Sweden	0.4	2.0	-2.2	6.1	2.8	**-0.5**	**-0.2**	**1.3**	*2.6*	*-0.5*	*1.1*
Candidate Countries	2.6	1.5	0.4	9.6	0.0	**4.1**	**3.5**	**4.1**	*0.0*	*3.1*	*4.3*
- Albania	0.0	2.1	-3.3	8.9	4.8	**3.5**	**3.1**	**3.7**	*4.8*	*2.9*	*3.8*
- Bosnia and Herzegovina	0.0	2.9	-3.0	7.4	3.9	**1.5**	**2.0**	**2.3**	*3.9*	*1.5*	*2.3*
- Moldova	0.0	3.6	-8.3	13.9	-5.0	**1.7**	**3.8**	**4.2**	*-5.9*	*2.8*	*4.1*
- Montenegro	0.0	4.1	-15.3	13.0	6.1	**4.9**	**2.7**	**2.3**	*6.1*	*3.0*	*2.9*
- North Macedonia	0.0	3.9	-4.7	3.9	2.1	**2.0**	**2.7**	**2.8**	*2.1*	*2.0*	*3.1*
- Serbia	0.1	4.3	-0.9	7.7	2.5	**2.2**	**3.1**	**3.7**	*2.3*	*1.9*	*3.0*
- Türkiye	2.0	0.8	1.9	11.4	5.5	**4.2**	**3.5**	**4.0**	*5.6*	*3.5*	*4.0*
- Ukraine	0.3	3.2	-3.8	3.4	-29.1	**4.8**	**3.7**	**6.1**	*-29.1*	*0.6*	*4.0*
Iceland	0.0	1.9	-7.2	4.5	7.2	**3.6**	**2.4**	**2.3**	*6.4*	*2.2*	*2.4*
Norway	0.3	1.1	-1.3	3.9	3.3	**1.4**	**1.5**	**1.7**	*3.3*	*1.7*	*1.9*
Switzerland	0.5	1.1	-2.4	4.2	2.1	**1.0**	**1.4**	**1.7**	*2.1*	*0.8*	*1.5*
Australia	1.0	1.9	-1.9	5.2	3.7	**1.6**	**1.4**	**1.6**	*3.6*	*1.5*	*1.6*
Canada	1.4	1.9	-4.6	4.9	3.7	**1.3**	**1.2**	**1.9**	*3.7*	*1.4*	*1.5*
Japan	3.8	-0.4	-4.2	2.2	1.0	**1.9**	**0.8**	**0.6**	*1.0*	*1.1*	*1.0*
Korea	1.7	2.2	-0.7	4.3	2.6	**1.4**	**2.2**	**2.5**	*2.6*	*1.3*	*2.2*
United Kingdom	2.3	1.6	-10.4	8.7	4.3	**0.6**	**0.5**	**1.3**	*4.1*	*-0.2*	*1.0*
United States	15.5	2.5	-2.2	5.8	1.9	**2.4**	**1.4**	**1.8**	*2.1*	*1.4*	*1.0*
Advanced economies	45.7	1.9	-3.8	5.9	2.5	**1.7**	**1.5**	**1.9**	*2.6*	*1.3*	*1.6*
Emerging and Developing Asia	33.7	5.2	-1.1	7.2	4.3	**5.2**	**4.9**	**5.0**	*4.3*	*5.2*	*5.1*
- China	18.4	6.0	2.2	8.5	3.0	**5.2**	**4.6**	**4.6**	*3.0*	*5.5*	*4.7*
- India	7.3	4.6	-6.0	8.9	6.7	**6.6**	**6.1**	**6.5**	*6.7*	*5.6*	*6.6*
- Indonesia	2.5	5.0	-2.1	3.7	5.3	**5.0**	**5.0**	**5.2**	*5.3*	*5.0*	*5.0*
Easter Neighbourhood and Central Asia	1.0	3.6	-1.7	5.0	3.2	**4.1**	**3.8**	**3.9**	*3.2*	*3.8*	*4.1*
Russia	2.9	2.2	-2.7	5.6	-2.1	**2.0**	**1.6**	**1.6**	*-2.1*	*-0.9*	*1.3*
Latin America	7.5	-0.1	-7.3	7.3	4.0	**2.5**	**2.1**	**2.4**	*3.4*	*1.7*	*2.1*
- Argentina	0.7	-2.0	-9.9	10.7	5.0	**-2.8**	**-0.4**	**2.9**	*5.2*	*-0.8*	*1.7*
- Brazil	2.3	1.2	-3.3	5.0	2.9	**2.8**	**1.6**	**1.8**	*2.9*	*1.0*	*1.3*
- Mexico	1.9	-0.3	-8.7	5.8	3.9	**3.3**	**2.1**	**2.0**	*3.1*	*1.6*	*1.7*
MENA	5.9	1.3	-3.3	4.2	5.8	**2.3**	**3.3**	**3.5**	*5.3*	*3.2*	*3.5*
- Saudi Arabia	1.3	0.8	-4.3	3.9	8.7	**1.0**	**3.8**	**3.9**	*8.7*	*3.4*	*3.1*
Sub-Saharan Africa	3.3	2.6	-2.0	4.3	3.5	**2.2**	**3.5**	**4.0**	*3.4*	*3.2*	*3.3*
- South Africa	0.6	0.3	-6.0	4.7	1.9	**0.7**	**1.3**	**1.5**	*2.0*	*0.5*	*1.0*
Emerging and Developing Economies	54.3	3.6	-2.4	6.6	4.0	**4.2**	**4.1**	**4.3**	*3.9*	*4.1*	*4.2*
World	100.0	2.8	-3.0	6.3	3.3	**3.1**	**2.9**	**3.2**	*3.3*	*2.8*	*3.1*
World excluding EU	85.1	3.0	-2.5	6.3	3.3	**3.5**	**3.2**	**3.5**	*3.2*	*3.1*	*3.3*
World excluding euro area	88.0	3.0	-2.6	6.3	3.3	**3.4**	**3.2**	**3.4**	*3.2*	*3.1*	*3.2*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2022.

Table 54: **World exports of goods and services, volume (percentage change on preceding year, 2019-2025)** 31.10.2023

						Autumn 2023 Forecast			Spring 2023 Forecast		
	(a)	2019	2020	2021	2022	2023	2024	2025	2022	2023	2024
EU (b)	30.5	3.4	-8.5	11.0	7.4	**0.4**	**2.2**	**3.2**	*7.1*	*3.0*	*3.3*
Euro area (20) (b)	25.3	3.2	-9.0	11.2	7.2	**0.2**	**2.2**	**3.1**	*7.0*	*3.1*	*3.3*
Candidate Countries	1.6	5.7	-12.7	18.4	1.4	**-0.2**	**3.9**	**5.1**	*0.9*	*3.1*	*5.7*
- Albania	0.0	2.6	-27.9	52.0	7.5	**1.7**	**3.3**	**4.8**	*7.5*	*3.2*	*4.3*
- Bosnia and Herzegovina	0.0	0.5	-15.8	24.6	23.9	**-1.0**	**4.3**	**5.2**	*23.9*	*4.1*	*3.8*
- Moldova	0.0	8.2	-14.9	17.5	26.5	**-2.1**	**6.5**	**7.9**	*24.9*	*9.8*	*7.9*
- North Macedonia	0.0	8.9	-10.9	11.7	13.4	**0.9**	**4.3**	**5.5**	*13.4*	*4.9*	*5.9*
- Serbia	0.1	7.7	-4.2	20.5	16.6	**3.3**	**6.9**	**7.3**	*17.6*	*6.7*	*7.8*
- Türkiye	1.1	5.3	-14.6	25.1	9.9	**-0.4**	**3.6**	**4.3**	*9.1*	*2.7*	*5.5*
- Ukraine	0.2	7.3	-5.8	-8.6	-42.5	**-2.5**	**3.3**	**8.5**	*-42.4*	*1.5*	*5.3*
Iceland	0.0	-5.3	-31.0	14.6	22.3	**8.1**	**3.2**	**3.0**	*20.6*	*3.7*	*3.5*
Norway	1.0	2.1	-2.3	5.8	5.9	**0.7**	**2.8**	**2.9**	*5.9*	*0.5*	*3.0*
Switzerland	2.0	-0.7	-5.2	12.4	5.5	**2.0**	**3.3**	**4.0**	*4.1*	*1.7*	*3.4*
Australia	1.5	3.2	-9.7	-2.0	3.4	**7.9**	**3.0**	**3.0**	*3.3*	*6.5*	*4.0*
Canada	2.3	2.7	-8.8	1.4	2.8	**4.0**	**1.6**	**2.3**	*3.4*	*3.2*	*2.5*
Japan	3.0	-1.5	-11.6	11.9	5.1	**1.4**	**2.7**	**2.2**	*4.9*	*4.3*	*2.8*
Korea	2.7	0.2	-1.7	11.1	3.4	**-0.2**	**3.8**	**3.4**	*3.3*	*-2.0*	*2.4*
United Kingdom	3.3	2.0	-11.5	4.9	8.6	**-1.3**	**0.9**	**1.7**	*9.9*	*-4.2*	*0.2*
United States	9.7	0.5	-13.1	6.3	7.0	**2.1**	**0.9**	**3.4**	*7.1*	*3.6*	*2.6*
Advanced economies	64.6	1.8	-8.7	10.0	5.2	**1.1**	**2.5**	**3.3**	*6.0*	*2.5*	*3.2*
Emerging and Developing Asia	19.2	0.5	-1.7	17.2	1.3	**1.3**	**3.4**	**3.5**	*1.5*	*2.0*	*3.0*
- China	12.0	1.1	2.1	17.7	-2.0	**0.5**	**2.1**	**2.3**	*-0.7*	*1.1*	*2.3*
- India	2.5	-2.3	-6.6	20.0	9.7	**4.9**	**4.7**	**6.4**	*4.9*	*4.9*	*4.7*
- Indonesia	1.0	-3.6	-8.2	22.2	1.0	**5.6**	**8.5**	**5.7**	*4.1*	*1.0*	*1.0*
Easter Neighbourhood and Central Asia	0.8	4.8	-9.9	2.7	7.6	**11.3**	**6.1**	**5.9**	*7.0*	*7.6*	*5.1*
Russia	2.0	0.7	-4.2	3.3	-13.9	**-3.4**	**1.7**	**2.4**	*-13.9*	*-2.5*	*1.7*
Latin America	5.2	0.8	-9.1	7.8	7.0	**2.6**	**5.3**	**4.6**	*7.3*	*4.0*	*5.1*
- Argentina	0.3	12.2	-12.9	12.6	-5.3	**-7.7**	**6.3**	**5.1**	*5.7*	*0.6*	*3.3*
- Brazil	1.2	-1.7	-1.3	2.3	6.1	**7.0**	**5.0**	**5.0**	*8.2*	*5.6*	*5.0*
- Mexico	2.0	1.2	-7.0	7.2	9.0	**-2.0**	**3.9**	**2.9**	*7.6*	*1.4*	*3.9*
MENA	6.7	-1.6	-10.2	5.3	11.9	**2.4**	**4.2**	**4.6**	*8.4*	*2.0*	*3.2*
- Saudi Arabia	1.4	-3.4	-14.4	5.7	22.2	**1.1**	**6.4**	**7.8**	*19.7*	*5.6*	*6.2*
Sub-Saharan Africa	1.4	2.2	-9.4	-1.2	4.2	**3.1**	**5.5**	**4.9**	*3.6*	*4.3*	*5.0*
- South Africa	0.4	-3.3	-12.0	9.1	7.4	**4.2**	**5.1**	**5.6**	*5.9*	*4.0*	*5.0*
Emerging and developing economies	35.4	0.3	-5.0	12.4	3.2	**1.8**	**3.9**	**4.0**	*2.7*	*2.3*	*3.4*
World	100.0	1.3	-7.5	10.8	4.5	**1.3**	**3.0**	**3.5**	*4.9*	*2.4*	*3.2*
World excluding EU	69.5	0.4	-7.0	10.7	3.2	**1.7**	**3.3**	**3.6**	*3.9*	*2.2*	*3.2*
World excluding euro area	74.7	0.7	-6.9	10.6	3.6	**1.7**	**3.2**	**3.6**	*4.2*	*2.2*	*3.2*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2022.
(b) Intra- and extra-EU trade.

Table 55: Export shares in EU trade (goods only - 2022) 31.10.2023

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	62.1	49.8	2.5	7.7	4.7	1.2	7.6	3.8	1.0	0.9	2.9	2.4	1.3
Euro area	60.4	48.9	2.2	8.4	4.7	1.2	7.9	4.1	1.1	0.8	3.1	2.5	1.4
Belgium	69.9	62.7	1.3	5.5	4.6	1.5	4.1	1.5	0.9	0.5	2.5	1.9	3.1
Bulgaria	65.0	44.2	13.1	2.5	1.8	0.2	2.3	2.0	0.8	0.9	5.8	0.8	0.8
Czechia	79.7	65.3	2.4	2.9	3.7	0.6	3.5	1.7	0.3	0.8	1.4	1.1	0.4
Denmark	56.5	39.7	1.6	10.0	4.1	1.9	11.1	4.6	1.4	0.5	2.5	3.1	0.9
Germany	55.7	39.0	2.4	9.4	4.5	1.3	10.1	6.8	1.2	1.0	2.1	2.7	0.9
Estonia	71.4	54.8	1.8	5.9	2.4	0.9	6.8	1.2	0.4	2.4	2.3	1.6	0.7
Ireland	40.2	37.1	0.5	29.5	8.5	2.2	5.5	6.5	1.8	0.4	1.3	1.6	0.6
Greece	51.6	37.3	11.5	4.2	3.9	1.0	4.5	1.1	1.0	0.3	12.3	1.2	1.5
Spain	62.3	56.2	2.1	5.2	5.6	1.3	5.1	2.2	0.8	0.5	5.8	4.8	1.3
France	54.1	47.5	1.9	8.4	5.5	1.3	9.8	4.8	1.4	0.9	5.1	2.4	1.8
Croatia	68.1	52.0	18.3	3.1	1.2	0.3	2.8	0.5	0.3	1.2	1.8	0.3	0.3
Italy	51.4	42.3	3.4	10.5	4.5	1.5	10.1	3.4	1.3	1.1	5.6	3.2	1.0
Cyprus	39.0	28.7	0.8	2.1	6.0	0.0	9.8	0.7	5.8	0.7	17.4	1.0	7.7
Latvia	67.5	52.5	3.2	3.1	5.5	0.5	4.1	1.4	0.3	5.9	1.9	0.8	2.4
Lithuania	65.4	46.2	4.6	5.8	3.7	0.3	5.8	0.2	0.5	3.8	1.4	0.9	1.7
Luxembourg	77.8	70.1	1.4	3.2	2.7	0.4	5.8	2.0	0.6	0.4	2.0	1.8	0.8
Hungary	75.4	58.5	5.4	4.0	3.3	0.6	3.3	2.3	0.6	0.9	1.2	1.7	0.3
Malta	42.2	35.4	1.7	4.3	4.3	4.7	14.9	6.9	3.3	0.3	11.0	1.9	2.9
Netherlands	74.3	63.9	1.1	4.3	4.7	0.5	5.8	1.9	0.7	0.4	1.6	1.7	1.7
Austria	68.6	53.0	2.0	7.1	2.5	0.9	8.9	3.1	0.8	0.8	1.4	2.0	0.5
Poland	75.6	59.4	4.1	3.2	5.0	0.3	3.7	1.2	0.5	1.2	1.4	1.3	0.7
Portugal	66.1	60.9	1.6	7.0	5.4	0.4	4.7	2.2	0.3	0.3	3.0	2.9	4.2
Romania	68.4	50.7	8.7	3.1	3.7	1.0	3.0	2.1	0.4	0.7	5.2	1.0	0.5
Slovenia	65.5	51.5	7.4	3.1	1.3	0.3	15.9	0.8	0.3	1.5	1.6	0.6	0.3
Slovakia	76.2	43.4	2.9	4.6	4.0	0.3	3.3	4.7	0.1	0.9	1.4	0.8	0.3
Finland	54.8	38.4	1.8	9.4	3.8	2.3	9.2	5.3	1.4	2.6	2.0	3.6	1.3
Sweden	55.2	41.7	1.5	8.9	5.2	1.5	14.0	4.1	1.0	0.7	2.5	2.6	1.0

Table 56: World imports of goods and services, volume (percentage change on preceding year, 2019-2025) 31.10.2023

						Autumn 2023 Forecast			Spring 2023 Forecast		
	(a)	2019	2020	2021	2022	2023	2024	2025	2022	2023	2024
EU (b)	30.4	4.8	-7.9	9.6	8.0	**-0.6**	**2.3**	**3.2**	*7.9*	*2.1*	*3.2*
Euro area (b)	25.2	5.0	-8.6	9.0	7.9	**-0.3**	**2.3**	**3.0**	*8.0*	*2.3*	*3.2*
Candidate Countries	1.9	-0.9	1.1	6.9	5.2	**9.5**	**2.9**	**3.5**	*4.9*	*3.9*	*5.1*
- Albania	0.0	2.3	-19.8	31.5	13.1	**3.0**	**3.1**	**4.1**	*13.1*	*2.6*	*3.8*
- Bosnia and Herzegovina	0.0	1.3	-13.4	20.5	24.0	**1.5**	**4.1**	**4.5**	*24.0*	*2.3*	*4.0*
- Moldova	0.0	6.2	-9.5	21.2	16.1	**0.7**	**5.0**	**6.4**	*15.8*	*7.7*	*6.9*
- North	0.0	10.1	-10.9	11.9	16.1	**-0.1**	**4.9**	**6.0**	*16.1*	*5.8*	*5.1*
- Serbia	0.2	10.7	-3.6	18.3	16.1	**1.1**	**6.2**	**6.4**	*17.8*	*5.3*	*6.2*
- Türkiye	1.3	-5.0	6.8	1.7	8.6	**13.0**	**2.0**	**2.6**	*7.9*	*3.9*	*4.7*
- Ukraine	0.3	5.7	-6.4	14.2	-18.7	**2.7**	**3.8**	**5.5**	*-18.5*	*3.0*	*6.2*
Iceland	0.0	-9.1	-20.6	19.9	19.9	**4.9**	**2.4**	**2.3**	*19.7*	*3.2*	*3.7*
Norway	0.5	5.3	-9.9	1.7	9.2	**0.3**	**2.5**	**2.8**	*9.3*	*0.3*	*3.4*
Switzerland	1.7	0.3	-3.2	5.0	5.9	**2.6**	**3.4**	**3.9**	*5.9*	*2.5*	*2.9*
Australia	1.2	-1.1	-12.8	5.4	12.9	**3.8**	**2.3**	**2.8**	*12.6*	*3.3*	*3.0*
Canada	2.4	0.4	-9.3	7.8	7.6	**-0.5**	**1.7**	**3.3**	*9.7*	*0.4*	*2.5*
Japan	3.6	1.0	-6.8	5.1	8.0	**-2.1**	**2.2**	**2.2**	*7.9*	*3.9*	*2.1*
Korea	2.7	-1.9	-3.1	10.1	3.5	**0.0**	**2.3**	**3.0**	*3.7*	*0.0*	*2.3*
United Kingdom	3.7	2.7	-16.0	6.1	14.1	**-1.5**	**1.0**	**1.3**	*13.3*	*-7.9*	*-0.9*
United States	13.2	1.2	-9.0	14.5	8.6	**-2.1**	**1.1**	**3.7**	*8.1*	*-1.6*	*0.9*
Advanced economies	67.9	2.3	-7.9	10.2	6.9	**-0.4**	**2.3**	**3.2**	*7.7*	*0.9*	*2.5*
Emerging and Developing Asia	18.3	-3.1	-5.4	12.8	0.2	**1.0**	**5.3**	**4.5**	*-1.3*	*3.4*	*4.9*
- China	10.5	-2.9	-1.0	9.3	-5.0	**-0.1**	**4.9**	**3.5**	*-5.3*	*3.2*	*4.9*
- India	3.0	-4.0	-13.9	20.3	10.1	**4.8**	**5.7**	**7.8**	*6.1*	*4.8*	*5.7*
- Indonesia	0.9	-9.7	-15.3	16.2	9.6	**4.0**	**11.4**	**7.7**	*3.0*	*3.6*	*5.0*
Easter Neighbourhood and Central Asia	0.6	9.2	-17.2	-2.9	8.7	**15.1**	**5.8**	**6.0**	*6.9*	*5.7*	*5.9*
Russia	1.1	3.1	-11.9	19.1	-15.0	**9.4**	**4.6**	**3.0**	*-15.0*	*2.8*	*2.9*
Latin America	5.8	-1.2	-12.1	18.4	7.0	**4.5**	**2.0**	**3.3**	*7.5*	*2.3*	*3.8*
- Argentina	0.3	-21.0	-10.4	29.6	12.8	**3.7**	**-4.3**	**1.9**	*17.4*	*-3.0*	*2.9*
- Brazil	1.3	4.5	-8.2	17.4	0.4	**3.7**	**4.3**	**4.2**	*10.6*	*2.7*	*4.8*
- Mexico	2.2	-1.1	-12.0	15.1	8.9	**5.3**	**0.5**	**2.8**	*8.8*	*2.1*	*3.6*
MENA	4.7	-0.8	-14.9	7.9	8.4	**4.2**	**3.6**	**3.6**	*8.6*	*2.1*	*2.6*
- Saudi Arabia	0.9	2.9	-16.2	4.8	11.2	**8.7**	**4.6**	**6.9**	*8.8*	*7.4*	*6.3*
Sub-Saharan Africa	1.5	8.9	-13.4	0.5	8.9	**3.6**	**6.3**	**5.4**	*7.2*	*5.1*	*4.4*
- South Africa	0.4	0.6	-17.6	9.6	14.9	**8.0**	**6.5**	**6.2**	*13.2*	*5.0*	*5.0*
Emerging and Developing Economies	32.1	-1.3	-9.0	12.3	2.4	**2.8**	**4.5**	**4.2**	*1.5*	*3.1*	*4.3*
World	100.0	1.1	-8.2	10.9	5.4	**0.7**	**3.0**	**3.5**	*5.7*	*1.6*	*3.1*
World excluding EU	69.6	-0.5	-8.4	11.5	4.3	**1.2**	**3.4**	**3.7**	*4.8*	*1.4*	*3.0*
World excluding euro area	74.8	-0.2	-8.1	11.5	4.6	**1.0**	**3.3**	**3.7**	*4.9*	*1.4*	*3.0*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2022.
(b) Intra- and extra-EU trade.

Table 57: Import shares in EU trade (goods only - 2022) 31.10.2023

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	58.9	47.4	2.3	4.9	3.1	1.0	7.6	8.2	2.1	2.7	3.2	1.9	1.4
Euro area	57.1	46.4	2.0	5.4	3.4	1.0	7.9	8.2	2.2	2.6	3.6	2.1	1.6
Belgium	59.2	54.1	1.1	6.1	4.9	1.5	8.1	6.1	1.9	1.8	3.1	2.2	1.7
Bulgaria	58.4	41.2	14.6	1.2	0.8	0.4	2.5	5.6	0.9	8.5	1.6	2.0	0.4
Czechia	73.7	57.5	2.0	1.7	1.2	1.0	3.4	11.2	1.7	1.4	0.3	0.4	0.2
Denmark	67.2	47.7	1.4	3.8	2.6	0.4	8.0	8.2	2.3	1.2	0.6	1.6	0.5
Germany	62.3	45.1	2.1	4.6	2.4	1.2	10.4	7.9	2.3	1.8	1.0	1.4	1.0
Estonia	74.0	57.2	1.2	1.2	1.1	0.6	2.9	3.9	0.6	11.0	0.4	0.3	0.7
Ireland	36.6	32.5	0.9	14.2	23.7	2.0	6.5	7.1	1.7	0.4	0.9	1.4	0.4
Greece	43.0	34.4	4.8	3.0	1.0	0.3	3.2	11.1	0.9	7.8	15.6	1.1	0.7
Spain	51.6	45.2	2.7	6.1	2.4	0.6	4.6	8.9	2.3	1.1	7.7	5.5	3.4
France	62.1	55.4	1.4	6.2	3.6	0.7	6.8	5.9	1.7	1.6	4.8	1.1	1.8
Croatia	70.2	52.8	8.9	5.7	0.3	0.2	1.3	4.2	0.4	2.7	1.3	0.4	0.3
Italy	52.1	43.8	3.0	3.9	1.5	0.8	6.2	8.2	1.9	3.7	8.7	1.9	1.6
Cyprus	62.8	56.7	3.2	0.8	3.0	1.5	6.5	8.2	1.1	1.3	2.0	1.2	0.4
Latvia	73.5	58.2	2.2	1.1	1.0	0.1	3.6	3.4	1.2	9.7	0.1	1.2	0.2
Lithuania	62.8	41.4	2.3	6.3	2.7	0.2	6.3	3.7	0.5	8.1	2.9	0.4	0.1
Luxembourg	85.6	80.4	0.6	3.9	1.8	1.9	2.5	1.5	0.6	0.0	0.2	0.2	0.3
Hungary	71.1	54.7	4.4	1.6	0.8	0.9	6.3	7.5	1.7	4.3	0.2	0.4	0.1
Malta	42.9	38.5	3.6	1.6	2.6	1.0	19.6	7.7	1.7	5.7	7.9	2.4	0.3
Netherlands	40.0	33.8	1.1	8.2	5.0	1.4	9.2	14.9	4.1	3.8	2.7	3.7	2.6
Austria	77.4	63.6	2.2	2.1	1.3	0.6	6.4	3.2	1.7	2.7	0.9	0.3	0.1
Poland	64.0	53.7	3.3	3.0	1.6	0.9	4.9	10.0	1.8	4.3	2.8	1.1	0.4
Portugal	70.2	65.2	1.6	2.9	1.2	0.6	3.6	5.2	1.0	0.7	2.3	5.1	3.4
Romania	70.2	48.3	9.7	1.1	0.9	0.3	2.6	5.9	0.8	2.6	1.4	0.6	0.2
Slovenia	53.5	44.0	7.3	0.6	0.4	0.3	18.7	11.1	1.3	1.3	2.2	1.1	0.3
Slovakia	78.1	40.3	2.9	0.5	1.1	0.1	4.4	4.2	1.8	5.5	0.5	0.2	0.1
Finland	64.7	40.5	1.0	2.9	2.0	0.4	9.8	4.8	1.0	9.6	0.3	1.6	0.6
Sweden	65.7	51.4	1.2	3.9	3.7	0.6	13.2	6.4	2.0	0.4	0.5	0.8	0.5

Table 58: World merchandise trade balances (fob-fob, in billions of US dollar, 2018-2025) 31.10.2023

						Autumn 2023 Forecast			*Spring 2023 Forecast*		
	2018	2019	2020	2021	2022	2023	2024	2025	*2022*	*2023*	*2024*
EU	380.7	405.4	466.7	392.0	-13.4	**337.9**	**350.9**	**387.2**	*-16.7*	*278.9*	*338.9*
EU, adjusted 1)	200.5	245.5	285.1	197.5	-174.6	**291.5**	**313.6**	**346.1**	*-170.7*	*234.0*	*281.0*
Euro area	381.8	389.0	431.1	391.3	33.0	**299.5**	**317.3**	**354.7**	*34.6*	*272.7*	*320.8*
Euro area, adjusted 1)	232.6	266.3	291.4	234.5	-77.9	**258.4**	**283.6**	**317.1**	*-80.5*	*228.8*	*266.0*
Candidate Countries 2)	-31.9	-28.1	-39.8	-61.9	-141.9	**-153.5**	**-171.1**	**-186.5**	*-126.1*	*-140.1*	*-158.1*
- Albania	-3.4	-3.5	-3.4	-4.5	-4.5	**-5.1**	**-5.5**	**-5.9**	*-4.5*	*-5.1*	*-5.4*
- Bosnia and Herzegovina	-4.5	-4.6	-3.7	-4.3	-5.4	**-6.0**	**-6.3**	**-6.7**	*-5.4*	*-6.1*	*-6.6*
- Moldova	-3.3	-3.3	-3.1	-4.2	-5.2	**-5.8**	**-6.4**	**-6.9**	*-5.0*	*-5.7*	*-6.3*
- North Macedonia	-2.1	-2.2	-2.1	-2.8	-3.8	**-3.7**	**-4.1**	**-4.6**	*-3.6*	*-4.1*	*-4.3*
- Serbia	-6.0	-6.3	-5.9	-7.1	-9.8	**-8.7**	**-9.5**	**-10.3**	*-9.9*	*-10.5*	*-11.4*
- Türkiye	2.5	8.3	-13.0	-30.0	-90.0	**-95.2**	**-106.9**	**-117.0**	*-74.6*	*-84.1*	*-95.4*
- Ukraine	-12.7	-14.3	-6.8	-6.6	-20.4	**-25.6**	**-28.7**	**-31.2**	*-20.3*	*-21.1*	*-25.3*
Iceland	-1.5	-0.8	-0.6	-1.1	-1.6	**-1.8**	**-1.8**	**-1.9**	*-1.6*	*-1.4*	*-1.7*
Norway	35.1	16.3	-1.0	60.5	163.3	**105.4**	**91.8**	**96.7**	*163.4*	*94.2*	*83.0*
Switzerland	72.3	71.4	63.5	116.3	120.1	**125.4**	**130.8**	**137.4**	*93.5*	*96.5*	*104.3*
Australia	20.8	48.1	40.5	87.5	112.4	**115.8**	**124.3**	**133.4**	*112.6*	*87.1*	*87.9*
Canada	-16.8	-14.2	-30.0	3.7	17.2	**-0.8**	**-3.7**	**-9.8**	*17.3*	*-26.9*	*-33.7*
Japan	10.2	1.4	26.0	16.0	-120.1	**-51.3**	**-63.9**	**-82.4**	*-120.4*	*-93.2*	*-58.1*
Korea	110.1	79.8	80.6	75.7	15.1	**15.2**	**24.6**	**32.5**	*15.1*	*1.4*	*8.3*
United Kingdom	-188.6	-184.9	-163.6	-224.8	-270.5	**-239.6**	**-236.6**	**-246.7**	*-284.7*	*-265.4*	*-271.2*
United States	-889.8	-871.9	-883.5	-1096.4	-1199.2	**-1070.3**	**-1087.4**	**-1145.0**	*-1213.0*	*-1111.6*	*-1097.3*
Advanced economies	-371.1	-347.0	-269.7	-427.5	-1136.4	**-623.4**	**-639.5**	**-670.0**	*-1176.6*	*-930.9*	*-828.5*
Emerging and Developing Asia	199.2	259.9	508.1	461.5	467.9	**449.0**	**417.5**	**368.5**	*462.6*	*426.9*	*375.4*
- China	380.1	393.0	511.1	562.7	668.6	**635.2**	**609.7**	**591.1**	*668.6*	*631.8*	*601.1*
- India	-186.7	-157.7	-95.4	-176.7	-267.2	**-255.9**	**-268.0**	**-294.5**	*-268.5*	*-257.3*	*-269.4*
- Indonesia	-0.2	3.5	28.3	43.8	62.7	**65.4**	**65.1**	**61.7**	*62.7*	*53.1*	*42.2*
Easter Neighbourhood and Central Asia	25.2	16.7	-0.7	25.7	49.6	**30.2**	**30.2**	**30.5**	*50.6*	*40.3*	*40.8*
Russia	195.9	165.8	92.3	189.8	296.6	**147.5**	**126.1**	**127.5**	*296.9*	*183.7*	*181.2*
Latin America	11.0	20.0	72.5	14.0	-32.8	**-27.3**	**14.1**	**40.4**	*17.9*	*37.9*	*52.0*
- Argentina	-0.7	18.2	14.6	18.7	12.4	**2.9**	**13.0**	**17.1**	*12.4*	*14.4*	*15.7*
- Brazil	43.4	26.5	32.4	36.4	44.2	**50.3**	**54.9**	**64.6**	*44.2*	*47.7*	*47.3*
- Mexico	-13.8	5.2	34.2	-10.7	-27.1	**-29.6**	**-16.1**	**-16.4**	*-26.6*	*-26.6*	*-26.5*
MENA	326.8	239.4	76.9	303.6	622.4	**429.2**	**414.7**	**371.0**	*533.9*	*428.7*	*371.8*
- Saudi Arabia	168.7	121.3	47.9	136.5	234.7	**157.9**	**163.4**	**144.6**	*244.3*	*209.1*	*194.2*
Sub-Saharan Africa	27.3	7.1	-1.3	30.7	37.4	**28.9**	**19.0**	**14.2**	*27.9*	*20.7*	*19.0*
- South Africa	1.9	2.5	17.7	30.5	14.0	**9.7**	**7.3**	**7.8**	*21.2*	*15.7*	*14.2*
Emerging and Developing Economies	785.3	708.9	747.8	1025.3	1441.2	**1057.5**	**1021.7**	**952.2**	*1389.8*	*1138.1*	*1040.2*
World	414.3	361.9	478.1	597.8	304.8	**434.1**	**382.2**	**282.2**	*213.3*	*207.2*	*211.7*
World excluding EU	33.6	-43.5	11.4	205.8	318.1	**96.1**	**31.4**	**-105.0**	*230.0*	*-71.7*	*-127.2*
World excluding euro area	32.4	-27.1	47.0	206.5	271.8	**134.5**	**64.9**	**-72.5**	*178.7*	*-65.4*	*-109.2*

1) See note 8 on concepts and sources.

Table 59: World current-account balances (in billions of US dollar, 2018-2025) 31.10.2023

						Autumn 2023 Forecast			Spring 2023 Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2022	2023	2024
EU	500.3	436.6	362.5	572.6	143.9	447.6	471.6	498.6	79.3	364.2	447.3
EU, adjusted [1]	310.2	306.0	256.9	346.2	-58.8	386.1	421.6	445.7	-92.4	305.5	370.9
Euro area	483.0	395.0	304.0	537.6	136.7	389.0	417.6	444.7	80.7	336.0	395.7
Euro area, adjusted [1]	273.8	256.5	178.3	295.8	-75.3	335.5	373.3	397.5	-129.6	281.9	328.0
Candidate Countries	-26.0	-6.4	-36.3	-24.5	-53.1	-59.7	-66.0	-78.2	-55.2	-56.7	-54.2
- Albania	-1.0	-1.2	-1.3	-1.4	-1.1	-1.1	-1.3	-1.3	-1.1	-1.3	-1.4
- Bosnia and Herzegovina	-0.7	-0.5	-0.7	-0.6	-1.1	-1.2	-1.1	-1.1	-1.1	-1.1	-1.3
- Moldova	-1.1	-1.2	-1.1	-2.1	-2.4	-2.3	-2.2	-2.3	-2.3	-2.5	-2.5
- North Macedonia	0.0	-0.4	-0.4	-0.4	-0.8	-0.6	-0.6	-0.5	-0.8	-0.7	-0.7
- Serbia	-2.4	-3.6	-2.2	-2.7	-4.4	-2.5	-2.8	-2.9	-4.4	-4.2	-4.2
- Türkiye	-13.4	5.5	-34.6	-13.0	-49.1	-43.4	-44.2	-52.7	-51.6	-49.3	-42.9
- Ukraine	-6.5	-4.2	5.1	-3.8	6.6	-7.7	-12.7	-16.5	6.9	3.0	-0.3
Iceland	1.1	1.6	0.4	-0.5	-0.4	-0.2	-0.3	-0.4	-0.1	0.1	0.0
Norway	39.4	15.5	4.1	65.9	167.9	105.7	92.6	97.6	168.0	98.2	87.3
Switzerland	30.6	24.7	-0.5	66.3	75.1	82.6	86.2	90.8	59.1	60.9	69.2
Australia	-31.6	6.2	32.5	50.8	19.5	75.2	82.9	91.2	19.8	45.6	45.6
Canada	-41.2	-34.0	-35.4	-5.4	-6.7	-17.1	-22.6	-30.1	-8.0	-45.4	-52.6
Japan	176.6	176.6	147.8	196.6	88.9	142.5	118.5	99.2	88.2	111.6	152.3
Korea	77.5	59.7	75.9	85.2	29.8	17.6	28.4	38.6	29.8	-1.0	7.3
United Kingdom	-112.8	-76.6	-77.5	-14.9	-96.6	-69.2	-77.9	-82.4	-115.9	-70.9	-57.8
United States	-441.2	-448.4	-569.7	-847.8	-985.8	-796.6	-783.2	-818.7	-994.7	-875.2	-836.1
Advanced economies	305.9	295.2	75.1	361.2	-414.7	113.5	133.6	122.4	-524.4	-177.2	31.2
Emerging and Developing Asia	-41.4	102.1	337.7	313.0	309.7	286.6	236.9	156.7	313.2	217.8	189.1
- China	24.1	102.9	248.8	352.9	401.9	340.8	291.6	233.0	401.9	303.5	273.8
- India	-65.6	-29.8	32.7	-33.4	-79.1	-70.8	-73.5	-87.7	-80.3	-72.1	-75.0
- Indonesia	-30.6	-30.3	-4.4	3.5	12.7	13.2	9.4	3.0	13.2	1.2	2.8
Easter Neighbourhood and Central Asia	0.9	-8.0	-12.9	6.6	35.4	1.6	2.4	2.7	34.1	7.8	2.6
Russia	115.8	65.7	35.3	122.2	227.7	73.9	54.6	50.5	227.9	104.2	97.8
Latin America	-143.2	-108.6	-15.0	-100.5	-146.0	-152.1	-115.1	-89.1	-95.0	-78.3	-72.1
- Argentina	-27.1	-3.5	2.7	6.6	-4.3	-14.4	1.6	6.0	-3.8	-2.4	-3.0
- Brazil	-54.8	-68.0	-28.2	-46.4	-53.6	-53.6	-53.2	-46.3	-56.1	-52.1	-57.2
- Mexico	-26.0	-5.7	22.5	-8.3	-18.0	-25.2	-21.1	-22.3	-13.4	-18.2	-21.0
MENA	176.2	88.8	-36.5	164.5	462.2	193.6	187.4	157.9	405.5	231.3	144.1
- Saudi Arabia	72.0	38.2	-22.8	44.3	150.8	63.9	60.7	52.3	163.7	77.3	46.0
Sub-Saharan Africa	-24.8	-45.9	-34.1	-4.4	-19.5	-28.1	-37.5	-45.8	-23.0	-38.3	-46.2
- South Africa	-12.2	-10.2	6.7	15.5	-1.7	-7.8	-9.3	-11.1	-1.9	-7.9	-10.1
Emerging and Developing Economies	83.5	94.0	274.4	501.4	869.5	375.6	328.6	232.8	862.7	444.5	315.3
World	389.4	389.2	349.5	862.6	454.8	489.1	462.2	355.2	338.4	267.4	346.5
World excluding EU	-110.9	-47.4	-13.0	290.0	310.9	41.5	-9.4	-143.3	259.1	-96.8	-100.8
World excluding euro area	-93.6	-5.8	45.5	325.0	318.1	100.2	44.6	-89.4	257.6	-68.6	-49.2

1) See note 8 on concepts and sources. Data of the previous forecast (Autumn 2022) are not fully comparable for the euro area. The euro area consists of 20 countries, while in the previous forecast this variable was aggregated for 19 countries (without Croatia).

Table 60: Crude oil prices, 2018-2025 31.10.2023

							Autumn 2023 Forecast		Spring 2023 Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2022	2023	2024
Annual percentage change (USD)	29.4	-9.3	-35.1	69.3	42.5	-16.6	0.6	-5.9	-32.3	47.5	-3.7
Price per barrel											
- Brent (USD)	71.0	64.3	41.8	70.7	100.7	84.1	84.5	79.6	43.4	63.9	61.6
- Brent (EUR)	60.1	57.5	36.6	59.8	95.8	78.1	79.9	75.3	38.0	53.1	51.2

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, 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.

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.

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 25 Member States (excluding IE, PL and RO), but including unpublished quarterly forecasts for CY, EL, and MT.

11. 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, 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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