European Commission

ISSN 2443-8014 (online)

European Economic Forecast

Spring 2024

INSTITUTIONAL PAPER 286 | MAY 2024

EUROPEAN ECONOMY

Economic and Financial Affairs

European Economy Institutional Papers are important reports analysing the economic situation and economic developments prepared by the European Commission's Directorate-General for Economic and Financial Affairs, which serve to underpin economic policy-making by the European Commission, the Council of the European Union and the European Parliament.

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Luxembourg: Publications Office of the European Union, 2024

PDF ISBN 978-92-68-13839-7 ISSN 2443-8014 doi:10.2765/219276 KC-BC-24-013-EN-N

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European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Spring 2024

EUROPEAN ECONOMY

Institutional Paper 286

ABBREVIATIONS

Countries and regions

EU	European Union
EA	Euro area
BE	Belgium
BG	Bulgaria
CZ	Czechia
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
BA	Bosnia and Herzegovina
BR	Brazil
CH	Switzerland
CN	China
IN	India
IS	Iceland
JP	Japan
MD	Moldova
NO	Norway
MX	Mexico
UA	Ukraine
UK	United Kingdom
US	United States of America
AE	Advanced economy
CEE	Central and Eastern European
EFTA	European Free Trade Association
EME	Emerging markets economy
EMU	Economic and Monetary Union
MENA	Middle East and North Africa
ROW	Rest of the World

Economic variables and institutions

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

Other abbreviations

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

Graphs/Tables/Units

bbl	Barrel
bcm	Billion cubic meters
bn	Billion
bp. /bps.	Basis point / points
euro/MWh	Euro per megawatt hour
GW	Giga Watt
lhs	Left hand scale
mn	Million
pp. / pps.	Percentage point / points
pt. / pts.	Point / points

Q	Quarter
q-o-q%	Quarter-on-quarter percentage change
rhs	Right hand scale
tr	Trillion
y-o-y%	Year-on-year percentage change

Currencies

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

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FOREWORD

Despite two ongoing wars in our neighbourhood and increasing geopolitical tensions, the EU economy managed to stage a comeback in the first quarter of the year and the conditions for gradual acceleration of economic activity this year and next remain in place. With continued deceleration of inflation and labour market strength, consumption is emerging as a key driver for the economic expansion. Easing of credit conditions and further deployment of NGEU will support a recovery of investment activity, though more gradually than previously expected. Finally, an improved outlook for global merchandise trade should support EU's external demand for goods, in turn helping to lift the prospects of the weakened manufacturing sector.

The Member States budgetary positions remain burdened by the legacy of the COVID-19 pandemic and the energy crisis. On aggregate in the EU, the government deficit is projected to inch lower, following the withdrawal of almost all energy support measures, but the public debt ratio increases slightly next year, and from a high level. This points to a need for fiscal consolidation. The reformed EU economic governance framework will allow steering the consolidation process, with focus on strengthening Member States' debt sustainability, while promoting growth-enhancing reforms and investment. By providing Member States with greater leeway in setting their own fiscal adjustment paths, complemented by reform and investment plans, the new framework also strengthens national ownership to deliver on their commitments.

Maarten Verwey

Director General
Economic and Financial Affairs

A GRADUAL EXPANSION AMID HIGH GEOPOLITICAL RISKS

EXECUTIVE SUMMARY

A stronger-than-expected growth in the first quarter and the ongoing decline of inflation...

The EU economy staged a comeback at the start of the year, following a prolonged period of stagnation. Though the growth rate of 0.3% estimated for the first quarter of 2024 is still below estimated potential, it exceeded expectations. Activity in the euro area expanded at the same pace, marking the end of the mild recession experienced in the second half of last year. Meanwhile, inflation across the EU cooled further in the first quarter.

...set the scene for a gradual economic expansion, with inflation on track towards target.

This Spring Forecast projects GDP growth in 2024 at 1.0% in the EU and 0.8% in the euro area. This is a slight uptick from the Winter 2024 interim Forecast for the EU, but unchanged for the euro area. EU GDP growth is forecast to improve to 1.6% in 2025, a downward revision of 0.1 pps. from winter. In the euro area, GDP growth in 2025 is projected to be slightly lower, at 1.4% - also marginally revised down. Importantly, almost all Member States are expected to return to growth in 2024. With economic expansion in the southern rim of the EU still outpacing growth in north and western Europe, economic convergence within the EU is set to progress further. On the 20th anniversary of the enlargement of the EU towards the east and the south, it is notable that, after almost stalling last year, economic convergence is also set to resume for the newer Member States. It is expected to continue at a sustained pace throughout the forecast horizon and beyond (see Special Issue 4.3.). HICP inflation is projected to continue declining over the forecast horizon. In the EU, it is now expected to decrease from 6.4% in 2023 to 2.7% in 2024 and 2.2% in 2025. In the euro area, it is forecast to fall from 5.4% in 2023 to 2.5% in 2024 and 2.1% in 2025. This is a downward revision compared to winter for both the EU and the euro area – especially for this year.

Table 1:

Overview - the Spring 2024 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	1.3	1.4	2.3	4.0	2.3	5.5	5.6	5.4	0.0	-0.4	-0.5	-4.4	-4.4	-4.7
Germany	-0.3	0.1	1.0	6.0	2.4	2.0	3.1	3.1	3.1	6.9	7.0	7.0	-2.5	-1.6	-1.2
Estonia	-3.0	-0.5	3.1	9.1	3.4	2.1	6.4	7.4	6.9	-1.9	-2.5	-2.4	-3.4	-3.4	-4.3
Ireland	-3.2	1.2	3.6	5.2	1.9	1.8	4.3	4.4	4.4	9.9	9.1	9.5	1.7	1.3	1.2
Greece	2.0	2.2	2.3	4.2	2.8	2.1	11.1	10.3	9.7	-5.8	-5.2	-4.8	-1.6	-1.2	-0.8
Spain	2.5	2.1	1.9	3.4	3.1	2.3	12.2	11.6	11.1	2.5	2.8	2.8	-3.6	-3.0	-2.8
France	0.7	0.7	1.3	5.7	2.5	2.0	7.3	7.7	7.8	-2.2	-1.4	-1.4	-5.5	-5.3	-5.0
Croatia	3.1	3.3	2.9	8.4	3.5	2.2	6.1	5.8	5.6	1.2	1.1	1.0	-0.7	-2.6	-2.6
Italy	0.9	0.9	1.1	5.9	1.6	1.9	7.7	7.5	7.3	0.3	1.5	1.5	-7.4	-4.4	-4.7
Cyprus	2.5	2.8	2.9	3.9	2.4	2.1	6.1	5.6	5.4	-12.1	-11.2	-10.8	3.1	2.9	2.9
Latvia	-0.3	1.7	2.6	9.1	1.6	2.0	6.5	6.5	6.3	-3.6	-2.8	-2.6	-2.2	-2.8	-2.9
Lithuania	-0.3	2.0	2.9	8.7	1.9	1.8	6.9	7.0	6.9	0.6	0.3	-0.3	-0.8	-1.8	-2.2
Luxembourg	-1.1	1.4	2.3	2.9	2.3	2.0	5.2	5.8	5.7	-3.3	-3.4	-3.2	-1.3	-1.7	-1.9
Malta	5.6	4.6	4.3	5.6	2.8	2.3	3.1	3.0	2.9	4.2	3.4	3.6	-4.9	-4.3	-3.9
Netherlands	0.1	0.8	1.5	4.1	2.5	2.0	3.6	3.9	4.0	10.1	10.2	10.2	-0.3	-2.0	-2.1
Austria	-0.8	0.3	1.6	7.7	3.6	2.8	5.1	5.3	5.1	1.7	1.9	1.7	-2.7	-3.1	-2.9
Portugal	2.3	1.7	1.9	5.3	2.3	1.9	6.5	6.5	6.4	1.3	0.8	0.6	1.2	0.4	0.5
Slovenia	1.6	2.3	2.6	7.2	2.8	2.4	3.7	3.7	3.6	3.6	1.4	1.4	-2.5	-2.8	-2.2
Slovakia	1.6	2.2	2.9	11.0	3.1	3.6	5.8	5.4	5.2	-0.7	-2.0	-2.5	-4.9	-5.9	-5.4
Finland	-1.0	0.0	1.4	4.3	1.4	2.1	7.2	7.4	7.2	-1.4	-1.6	-0.8	-2.7	-3.4	-2.8
Euro area	0.4	0.8	1.4	5.4	2.5	2.1	6.6	6.6	6.5	2.9	3.2	3.2	-3.6	-3.0	-2.8
Bulgaria	1.8	1.9	2.9	8.6	3.1	2.6	4.3	4.3	4.0	-0.4	0.3	-0.3	-1.9	-2.8	-2.9
Czechia	-0.3	1.2	2.8	12.0	2.5	2.2	2.6	2.8	2.9	1.4	1.9	1.4	-3.7	-2.4	-1.9
Denmark	1.9	2.6	1.4	3.4	2.0	1.9	5.1	5.6	6.0	10.9	11.7	11.3	3.1	2.4	1.4
Hungary	-0.9	2.4	3.5	17.0	4.1	3.7	4.1	4.5	4.0	0.3	0.0	-1.4	-6.7	-5.4	-4.5
Poland	0.2	2.8	3.4	10.9	4.3	4.2	2.8	3.0	2.9	2.0	1.2	1.0	-5.1	-5.4	-4.6
Romania	2.1	3.3	3.1	9.7	5.9	4.0	5.6	5.5	5.5	-6.7	-7.0	-6.6	-6.6	-6.9	-7.0
Sweden	-0.2	0.2	2.1	5.9	2.0	1.8	7.7	8.4	8.2	6.7	6.6	6.7	-0.6	-1.4	-0.9
EU	**0.4**	**1.0**	**1.6**	**6.4**	**2.7**	**2.2**	**6.1**	**6.1**	**6.0**	**2.9**	**3.1**	**3.1**	**-3.5**	**-3.0**	**-2.9**

Throughout 2023, economic activity broadly stagnated, facilitating the disinflationary process.

Economic activity broadly stagnated in 2023. Private consumption only grew by 0.4%. Despite robust employment and wage growth, labour incomes barely outpaced inflation. Moreover, households put aside a larger share of their disposable incomes than in 2022, as high interest rates kept the opportunity cost of consumption elevated, while high uncertainty, the erosion of the real value of wealth by inflation and the fall in real estate prices sustained precautionary savings. Investment grew by 1.5% in 2023, but largely driven by a sizeable carry-over from 2022. Especially towards the end of the year, weakness in investment was widespread across Member States and asset types, with a pronounced downsizing of the interest-rate-sensitive construction sector. External demand did not provide much support either, weighed down by a sharp slowdown in global merchandise trade. Still, with domestic demand stagnating, imports contracted more than exports, lifting the contribution of net external demand to real GDP growth to a sizable 0.7 pps. Last, but not least, the negative drag of an unusually strong inventory cycle detracted almost 1 pp. from domestic demand, and explains most of the over-estimation of real GDP growth in 2023 in previous forecasts. Meanwhile, HICP inflation has continued declining. From a peak of 10.6% in October 2022, inflation in the euro area is estimated to have reached 2.4% in April 2024. Inflation in the EU followed a similar path, with the March reading (April was still missing at the cut-off date of this forecast) coming in at 2.6%. Rapid fall in retail energy prices throughout 2023 was the main driver of the inflation decline, but underlying inflationary pressures started easing too in the second half of 2023, amidst the weak growth momentum.

Credit conditions are still expected to improve over the forecast horizon, though monetary authorities are now expected to tread more cautiously.

Expectations for imminent and decisive rate cuts across the world have been pared back in recent weeks, as underlying inflationary pressures - especially in the US – have proved more persistent than previously expected. In the euro area, where the European Central Bank last hiked its policy interest rates in September 2023, markets now expect a more gradual pace of policy rate cuts than in winter. Euribor-3 months futures suggest that euro area short-term nominal interest rates will decrease from 4% to 3.2% by the end of the year and to 2.6% by the end of 2025. Outside the euro area, central banks in some central and eastern European countries, as well as Sweden (after the cut-off date) have already embarked on a cycle of monetary policy easing.

But investment appetite is faltering, dragged down by a negative construction cycle.

Although retail interest rates have already started to come down, bank lending has so far failed to rebound, due to some further tightening of credit standards, but especially lower corporate demand for loans. However, as interest rates keep falling, the conditions for a gradual expansion of investment activity remain in place and are even bolstered by the robust financial deleveraging in preceding quarters. With prolonged weakness in the manufacturing sector leaving many plants operating below normal capacity utilisation rates, equipment investment is expected to expand only marginally this year (see Box I.2.1), before accelerating in 2025. Non-residential construction investment is expected to remain resilient, largely reflecting government infrastructure spending with RRF support. By contrast, housing investment is projected to continue contracting this as continued fall in house prices and a still large build-up of inventories weigh on supply. The downsize of residential construction is set to continue in 2025, but the aggregate outlook masks significant variation across countries.

While record-high employment and sustained wage growth…

Despite largely stagnant output, the EU economy created more than two million jobs in 2023, thanks to broad-based employment growth across the EU. According to the Labour Force Survey, the employment rate of people aged 20-64 in the EU hit the new record high of 75.5% in the last quarter of 2023. Notwithstanding evidence of cooling demand, the labour market remains tight. In March the EU unemployment rate stood at its record low of 6.0%, and other measures of labour market slack remain near record-low levels. Furthermore, the unemployment rate continued falling in Member States recording the highest rates, resulting in continued decline of dispersion across countries. This strong labour market performance reflects favourable developments in both labour demand and labour supply, also due to migration. Going forward, the impulse of these positive drivers is set to abate, and employment growth is expected to be more subdued. Over the forecast horizon, however, the EU economy is still expected to generate another 2.5 million jobs, while the unemployment rate should hover around the current record-low rates. Nominal compensation per employee expanded by 5.8% in 2023 in the EU, with a gradual deceleration in the second half of the year. It is projected to decelerate further throughout the forecast horizon, alleviating underlying inflationary pressures. Importantly, growth in real wages – which started towards the end of last year – is set to continue throughout the forecast horizon. By 2025, average real wages are set to fully recover their 2021 levels, though this is not the case for all Member States.

… drive a gradual acceleration in private consumption.

Continued wage and employment growth will sustain growth in disposable income in 2024. A further uptick in the saving rate to 14.4% however limits the expansion of private consumption to 1.3% - still well below trend growth. In 2025, real disposable income is set to accelerate further, while the decline in interest rates reduces incentives to save. This is set to deliver a more sustained consumption growth, at 1.7% in the EU.

A resilient global economy and a rebound in trade lifts EU external demand.

Despite facing headwinds from persistent inflation and restrictive monetary policies, growth outside of the EU remained resilient throughout 2023. However, it failed to spur demand for EU exports. Factors such as the post-pandemic rotation of consumer demand from goods to services, inventory depletion in advanced economies, and tightened monetary conditions impacting trade-intensive capital goods together contributed to a significant downturn in global merchandise trade. In this lacklustre trade environment, the EU as a whole managed to gain export market shares, though some Member States continued to register important losses. Looking forward, global growth (excluding the EU) is set to remain at close to 3.5% over the forecast horizon. For the world as a whole, growth is projected to edge up from 3.1% in 2023 to 3.2% in 2024 and 3.3% in 2025. This is a marginally upward revision compared to the Winter Forecast. The growth outlook for the US looks better than previously expected, mainly on account of the strong end-of-2023 performance. The persistence of inflationary pressures, nevertheless, suggests that the drag of tight monetary conditions is set to continue in the short term. Notwithstanding structural impediments (see Special Issue 4.2.), a strong rebound in China's economic activity in the first quarter lifts its near-term outlook. Merchandise trade is set to rebound, as trade elasticity converges towards the "new normal" of around 1, below historical average. The improved outlook for global merchandise trade should support EU's external demand for goods, in turn helping to lift the prospects of the weakened manufacturing sector. EU exports of goods and services are expected to expand by 1.4% this year and to attain 3.1% in 2025, amidst some losses in market shares. Imports are also set to rebound, implying a neutral or only marginally positive contribution to EU growth of net external demand in the two forecast years. With favourable movements in terms of trade, the current account balance of the EU is expected to rise back to 3.1% of GDP in both years, in line with pre-pandemic average, though with a larger contribution of export of services.

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

HICP inflation in the euro area is set to decrease from 5.4% in 2023 to 2.5% in 2024, while in the EU it is expected to decrease from 6.4% to 2.7%. Already by the end of last year, the disinflationary impulse of energy prices had largely died out. As recent increases in energy commodity prices – especially crude oil – are transmitted to consumers, energy inflation is set to turn positive again, but only marginally. Food and non-energy industrial goods have now become the primary disinflation drivers and are expected to continue detracting from inflation over the forecast horizon, reflecting receding pipeline pressures. Service prices, in contrast, have so far contributed very little to the disinflation process, reflecting still elevated wage pressures. However, relatively weak economic momentum and decelerating wage growth should allow services inflation to ease over the forecast horizon. All in all, core inflation (excluding energy and food) is expected to decline over the forecast horizon at broadly the same pace as headline inflation, remaining just slightly above. After narrowing significantly since mid-2023, dispersion of inflation within the EU is set to decline further by 2025, reflecting country-specific drivers of core inflation, including the expected wage growth, developments in productivity and unit profits. These dynamics are largely mirrored by the GDP deflator – a measure of the evolution of domestic price pressures. Growth in the deflator is set to slow down from 6% in 2023 to 3.3% in 2024 and 2.2% in 2025, as still high but abating wage growth is offset by a return to productivity growth and a reduction in profit margins.

The aggregate EU general government deficit is set to resume falling in 2024.

After a sizeable reduction in 2022, the EU government deficit in 2023 increased marginally from 3.4% to 3.5% of GDP, as the deterioration economic conditions and increased interest expenditure outweighed the reduced cost of discretionary policy. The EU government deficit is nevertheless projected to resume declining in 2024 (to 3.0%) and 2025 (to 2.9%), driven by the almost complete phase-out of energy-related measures, lower subsidies on private investment as well as the gradual improvement in economic activity. As in 2023, eleven Member States are projected to record a general government deficit exceeding 3% of GDP in 2024, dropping to nine in 2025. The EU fiscal stance turned neutral in 2023, after significant expansion in the 2020-22 period. It is set to be contractionary in 2024 and to turn broadly neutral in 2025. This forecast incorporates all budgetary policies that have been adopted or credibly announced and sufficiently detailed (see Box 1.2.3.). Amid higher costs of servicing debt and lower nominal GDP growth, the debt-to-GDP ratio is set to stabilise this year, at 82.9% in the EU before edging up by around 0.4pps. in 2025. By the end of 2025, in most Member States the debt-to-GDP ratios are projected to be lower than in 2020 but to remain above 60% of GDP in 12 countries.

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

Risks originating from outside the EU have increased in recent months amid two ongoing wars in our neighbourhood and mounting geopolitical tensions. Global trade and energy markets appear particularly vulnerable. Moreover, persistence of inflation in the US may further delay rate cuts in the US, but also beyond, resulting in somewhat tighter global financial conditions. On the domestic front, EU Central Banks may also postpone rate cuts until the decline in services inflation firms. In addition, the need to reduce budget deficits and put debt ratios back on a declining path may require some Member States to pursue a more restrictive fiscal stance than currently projected for 2025, weighing on economic growth. At the same time, a decline in saving propensity could spur consumption growth, while residential construction investment could recover faster. Risks associated to climate change and the degradation of natural capital increasingly weigh on the outlook. The EU is particularly affected, as Europe is the continent experiencing the fastest increase in temperature.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

EU growth disappointed last year, and the slowdown in inflation beat expectations. When undertaking a new forecast, it is important to look back at how the economy was expected to unfold in previous forecasts, how it actually unfolded, and what those forecasts had not anticipated. At the time of the 2023 Spring Forecast, the EU economy was expected to grow by 1% in 2023. Though modest – especially by comparison with the US – this projection relied on the resilience demonstrated by the EU economy in the post-pandemic period. Faced with an energy shock that can be likened to the oil crises of the early 1970s, the EU economy held up remarkably well in 2022, thanks to significant adaptation and diversification efforts by the private sector and concerted policy action at national and EU level. From the onset, however, 2023 was expected to be a challenging year. Already in the second half of 2022, energy prices started to fall, but inflationary pressures began to expand their reach to all other components of the consumption basket, continuing to erode the purchasing power of households and prompting a forceful tightening by monetary authorities that continued until September 2023 with a last hike in policy interest rates. The deflationary efforts of EU Central Banks were accompanied by further withdrawal of fiscal support. In the end, the economy expanded by a mere 0.4% - below expectations. At the same time, the slowdown in headline inflation was sharper than expected. The Spring 2023 Forecast had projected HICP inflation in the euro area to be down to 4.2% by the last quarter of 2023. Data show that it came down to 2.7% instead.

With hindsight, previous growth forecasts underestimated the adverse implications of the inflationary shock and the ensuing forceful monetary tightening, but also the drag of an exceptional inventory cycle. Drawing lessons from those past forecast errors is not straightforward. Looking at consumption, the outturn for 2023 was not far off expectations at the time of the Spring 2023 Forecast. However, while real disposable incomes even increased somewhat above expectations, on the back of relatively robust employment growth, savings also surprised on the upside. Similarly, investment growth – if anything – came in stronger than expected. Yet, the downturn in the interest-rate-sensitive construction sector was more severe than expected for most Member States. Overall, the stagnation of last year likely reflected a stronger than previously expected drag from the high inflation and high interest rate environment. Yet, the factor that explains most of the under-estimation of real GDP growth in 2023 are inventories. The slowdown in the pace of accumulation of inventories had clearly not been anticipated in spring last year. Successive larger-than-usual statistical revisions caused by the pandemic and the energy shock still reverberate through economic statistics and caution against over-interpreting national account figures for inventories, that often contain a large statistical residual component. Still, a high degree of synchronicity across Member States in the pace of accumulation of inventories suggests the presence of common driving forces, largely intertwined with pandemic-induced shifts in the composition of demand, the sudden surge and following abatement of production bottlenecks and overall increase in energy storages.

Despite the challenging external environment, the narrative supporting an outlook of gradual economic expansion remains largely valid. The EU labour market performed strongly in 2023 on the back of favourable demand and supply conditions. Notwithstanding signs of weakening, continued job and wage growth coupled with the ongoing decline in inflation are set to support the consumption-driven rebound that was already expected in the previous forecast rounds. High financing costs are set to continue having a strong impact on corporate investment and especially residential construction. As the grip of tight monetary policy eases, however, the conditions for a gradual expansion of investment activity remain intact, and are even bolstered by the robust financial deleveraging of households and corporates in preceding quarters. Continued implementation of the reforms and investments under the Recovery and Resilience Facility (RRF) is also set to support public infrastructure and more in general investment to facilitate the green and digital transitions. Finally, as trade elasticities normalise, demand for European goods should gather pace going forward, while the inventory cycle is unlikely to continue to significantly detract from economic activity. Against the background of overall supportive macroeconomic conditions, the need to bring down still elevated general government deficits and debts may have an adverse impact on growth. However, by only taking into account, as customary, policy measures that have already been adopted or credibly announced and specified, the European Economic Forecasts are not designed to incorporate this potential impact, especially for the outer year.

The final stretch toward the inflation target can no longer rely on retrenchment in energy prices. Towards the end of 2023, energy prices were falling at an annual rate of almost 10% - more than double the pace expected in spring. At the same time, positive spill-overs from energy deflation to other components, but also weaker than expected aggregate demand dynamics, resulted in a sharper than expected slowdown in underlying inflationary pressures towards the end of last year. By now energy prices have stopped detracting from inflation, and the positive spillovers from energy deflation are subsiding. The last mile of the disinflationary process is set to be slower and more challenging. It mainly hinges upon service prices and therefore largely rests on the outlook for wages and productivity.

This forecast continues 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 despite Iran's attack on Israel and Israel's response the conflict in the Middle East does not escalate geographically (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.

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.

Impact of Middle East crisis

This forecast assumes that the conflict in the Middle East does not escalate geographically. It also assumes that trade disruptions in the Red Sea will persist over the forecast horizon, however, extending lead times should not morph into stagflationary supply bottlenecks that would hamper production and add additional pressures on prices.

People fleeing the war in Ukraine to the EU

The number of beneficiaries of temporary protection in the EU reached about 4.3 million by end 2023, and remained roughly constant in the first two months of 2024 [(1)]. It is assumed that the number of active temporary protection registrations will stay broadly stable over 2024 before decreasing to 3.9 million by the end of 2025. Over 2024, new registrations are expected to be counterbalanced by attrition of previous registrations (i.e. data revisions by Member States reflecting people who returned to Ukraine, moved on to another country, or attained another status in their country of residence). This results in the projection of an annual average of people seeking protection of about 4.3 million in 2024 and 4.1 million in 2025, slightly above the assumptions used in the Autumn 2023 and Winter 2024 Forecasts. 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.

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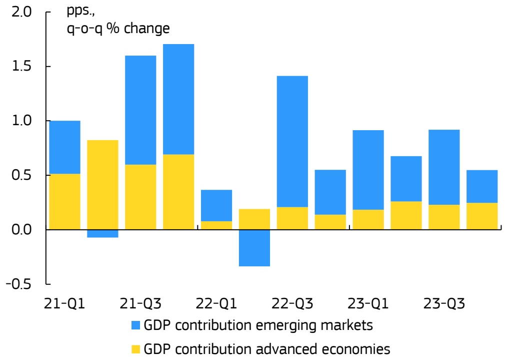
(1) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Temporary_protection_for_persons_fleeing_Ukraine_-_monthly_statistics.

2. OUTLOOK

2.1. THE EU'S EXTERNAL ENVIRONMENT

The global economy held up better than expected in 2023. Global growth in 2023 was around 3.1%, only marginally slower than in 2022 (3.3%), despite the headwinds from tighter monetary conditions and a pronounced slowdown in global goods trade. Growth in the US, China and Japan accelerated. Some emerging markets other than China also held up surprisingly well, notably India. In aggregate, these developments offset the growth slowdown seen in 2023 in the EU and in the UK.

Graph I.2.1: **Global GDP growth**

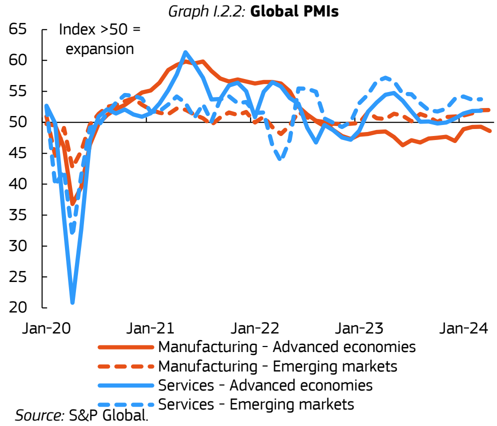


Sources: OECD, IMF and national sources.

Still, growth momentum slowed at the end of 2023. The global growth rate is estimated to have fallen from around 0.9% q-o-q in 2023-Q3 to 0.6% in 2023-Q4, largely due to slower growth in some emerging economies, including China and some Latin American economies (Argentina, Chile, Mexico). Growth in the advanced economies held steady at around 0.5% q-o-q in 2023-Q4, though with some shifts in composition (see Graph I.2.1).

Economic expansion picked-up steam in the first quarter. The PMIs for the first quarter of 2024 improved across the board, though with manufacturing still underperforming services (see Graph I.2.2). The global composite PMI rose to 52.3 in March (compared to 51 in December 2023), with the global manufacturing PMI rising to 50.6 (49 in December) and that for services rising to 52.5 (51.6 in December). The PMIs for advanced economies remain weaker than for emerging economies. For manufacturing, PMIs in advanced economies were at 49.3 in March, though with the US in expansionary territory at 51.9, while emerging economies were at 52. For services, both advanced and emerging economies moved further in expansionary territory in March, at 51.9 for advanced economies and 53.8 for emerging economies. Of the limited hard data available for the first quarter, the Chinese economy grew above expectations, whereas the US came in somewhat weaker than anticipated.

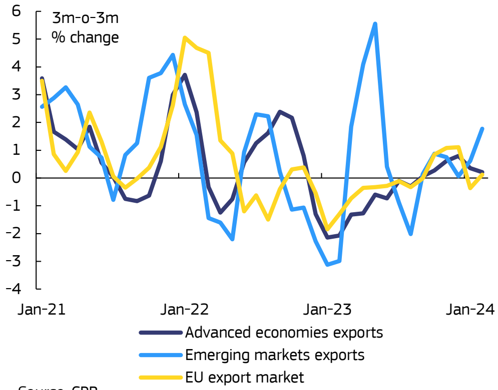
Graph I.2.2: **Global PMIs**



Source: S&P Global.

Global trade was particularly weak for most of 2023, though services trade continued to recover throughout the year. Goods trade was held back by a confluence of factors, including the post-pandemic pullback of demand for manufactures, the running down of high inventories in advanced economies, and tighter monetary conditions weighing on investment goods spending. Moreover, trade restrictions in 2023 remained at higher levels than the pre-pandemic average [1]. Global merchandise trade volumes are estimated to have fallen by 1.7% in 2023, after growing by 3.3% in 2022 (average of export and import growth rates). This was largely due to the weak performance among advanced economies, where goods trade fell by 2.7% (see Graph I.2.3). In emerging markets, goods trade grew by only 0.3%. By contrast, global services trade (including the EU) increased by 3.3% last year, after a rise of 15% in 2022. Travel and tourism were the main drivers, but these remain below pre-pandemic levels, with the shortfall concentrated in China and other Asian economies. Overall, global trade growth in goods and services (excluding the EU) slowed to 1% in 2023, after 4.4% in 2022.

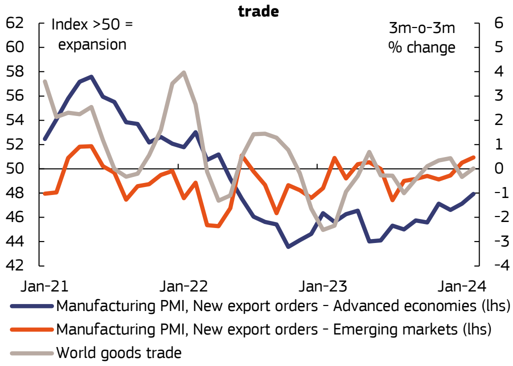
Graph I.2.3: **Global goods exports**



Source: CPB.

Momentum in global trade improved towards the end of 2023 and in early 2024. CPB data shows goods trade volumes growing by 0.4% q-o-q in 2023-Q4, after several quarters of negative growth. There were improvements both for advanced (0.4%) and emerging economies (0.8%). In February, the momentum (3m-on-3m growth) improved relative to January, particularly for emerging economies and the US. The S&P PMI's Global Manufacturing new export orders index has improved, though it remained in contractionary territory in March (see Graph I.2.4). There was some variation across regions and countries: new exports were stronger for the US (50.5), China (51.6) and emerging markets in general (51.4), and weaker for the EU (45.9).

Graph I.2.4: **Global manufacturing PMIs and goods trade**

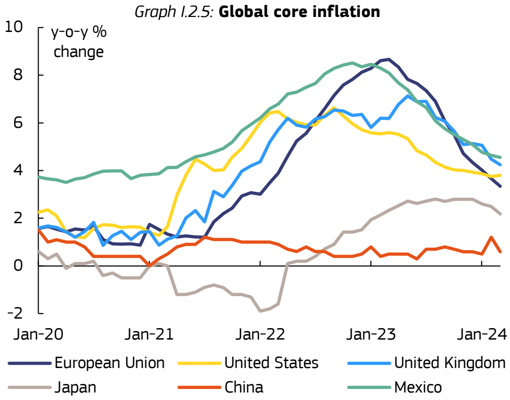


Sources: S&P Global (PMIs) and CPB (trade).

Escalating tensions in the Middle East continue to lead to diversion of trade, though with so far only limited impact on supply chains. The attacks in the Red Sea by Houthi rebels since last October have led to diversion of cargos via the Cape of Good Hope and pushed up shipping rates (prices). The number of ships going through the Red Sea in mid-March 2024 was around half of the end-2023 level, while the number going around the Cape of Good Hope tripled. This led to a fall in the number of ships docking at northern European ports by around 25% in December and January compared to the weekly average for 2023, but by mid-February this gap had reduced to 15%. Similarly, shipping rates rose in early-2024 to almost double their average 2023 level, but fell back by around 20% from mid-February to mid-April and remain well below the peaks of late 2021, with sufficient surplus shipping capacity to absorb the challenges from re-routing. The US Global Supply Chain Pressure Index rose in early 2024, but eased back in March, and remains below its long run historical mean.

(1) See for example, www.globaltradealert.org

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



Source: National statistical offices.

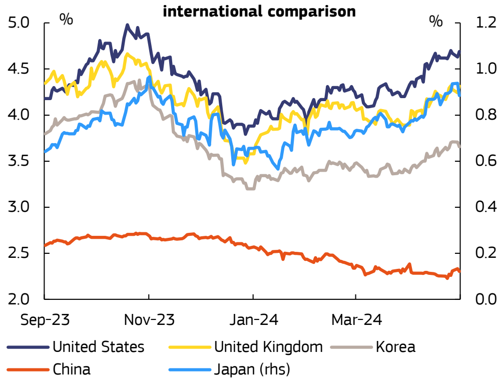
Global inflation fell steadily throughout 2023, but the disinflation process has slowed in recent months. In the US, following the strong disinflation in the second half of 2023, inflation started to rise again in February, driven by energy and services prices, and in March headline CPI inflation was at 3.5%, 0.4 pps. up since January. Core inflation (headline inflation excluding energy and food prices) was at 3.8%, falling only 0.1 pp. since December 2023. Headline inflation in the other advanced economies (e.g. Canada, UK, Japan) also fell back during 2023, and some saw a further easing in early 2024, while core inflation also continued to fall (see Graph I.2.5). In emerging markets, headline inflation also fell in 2023, but at a slower pace, and largely moved sideways in early 2024. Core inflation is showing signs of persistence, edging up from 4.8% in December 2023 to 4.9% in February [2].

With ongoing robust activity and slower disinflation in the US, markets expect Federal Reserve (FED) policy rates to stay high for longer. The US FED's Summary of Economic Projections ('dot plot') presented at the March meeting indicated three rate cuts for 2024. However, with the strong activity indicators in early 2024, acceleration of headline inflation in February and March, and core inflation measures holding steady, markets reassessed prospects of rate cuts and now expect interest rates to stay high for longer. As a result, Treasury yields were above 4.6% in end-April, up from around 3.9% at the end of 2023, though below the 5% yields seen last October. Central banks in both the UK and Canada have remained on hold since the summer of last year, with markets expecting cuts later in 2024, though the timing is expected to be data dependent. Some emerging market economies have started to cut rates, notably in Latin America (e.g. Brazil, Mexico), but in some cases rates have edged up further (e.g. Türkiye, Indonesia).

Long maturity sovereign bond yields have risen also in many advanced and emerging economies since the start of 2024, though they broadly remain below levels at the time of the Autumn 2023 Forecast (see Graph I.2.6)**.** In March, the Bank of Japan ended its negative interest rate policy and abolished its yield curve control - which capped term interest rates at around zero - and led to an increase in the 10-year government bond yield. Nonetheless, the yen continued to decline against the US dollar, breaching the 150 yen per US dollar threshold in March. Higher US yields and the expectation of policy rates staying high for longer in the US have supported a stronger US dollar, putting pressure on the currencies and bond yields in the emerging market economies – including larger economies like Brazil, Mexico and Turkey – and potentially delaying future policy interest rates cuts (see Graph I.2.7).

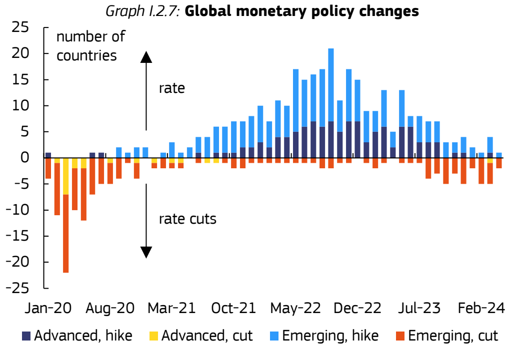
(2) Inflation data for emerging markets aggregated by the US Federal Reserve Bank of Dallas.

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



Sources: National central banks.

Graph I.2.7: **Global monetary policy changes**



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

The US growth outlook for 2024 is more upbeat than expected in autumn and winter, but growth is still expected to slow towards potential in 2025. The US economy grew by 0.4% in 2024-Q1, a much slower pace than in the last two quarters of 2023. This pace of growth is expected to be maintained in the coming quarters. The expansion of the labour force, thanks to high net immigration (estimated to have contributed 1% to population growth in 2023 by the US' Congressional Budget Office) and increased participation rate, is set to allow the US to accommodate high labour demand in 2024 without adding price pressures. Household consumption is projected to remain robust, underpinned by the strong labour market, but its growth rate should decrease from last year's elevated levels. After contracting last year, residential construction and equipment investment have been recovering and are set to contribute positively to real GDP growth this year. The impulse from fiscal policy is expected to be neutral or slightly contractionary this year compared to 2023, with a smaller, but still sizeable, general government deficit. The annual GDP growth rate is forecast to reach 2.4% in 2024, though with a very high statistical carry-over from 2023 (of around 1.4%), and to moderate to a still sturdy 2.1% in 2025.

For the other advanced economies (excluding the EU), growth is forecast to soften slightly in 2024 compared to 2023, and then remain steady in 2025. Growth in Japan is expected to slow down this year after an unusually robust 2023 (1.9%), which reflected one-off factors, including strong growth in inbound tourism. Japan is expected to grow at 0.8% in both 2024 and 2025. The UK grew by just 0.1% in 2023, with a weak fourth quarter and downward revisions to earlier quarters. Growth is set to remain moderate at 0.5% in 2024 as the fiscal stance tightens further, but to pick up momentum into 2025 to around 1.4%. Overall, advanced economies (ex-EU) are projected to grow by 2.1% in 2024 and 2025 – compared to 2.2% in 2023.

China's economy is expected to slow down in 2024 and 2025. Domestic demand in China remains weak as low consumer and investor confidence continues to weigh on household and private corporate spending. High debt levels are negatively influencing business decisions by State Owned Enterprises, while also limiting the capacity for counter-cyclical intervention by local governments. Producer and export price inflation remains in negative territory, while domestic consumer inflation is hovering around 0%. China has set an official growth target of "around 5%" for 2024, which seems achievable, given the relatively strong outturn in the first quarter and despite limited policy support. Overall, growth in China is expected to moderate from 5.2% in 2023 to 4.8% in 2024 and further to 4.6% in 2025. Beyond the short term, the Chinese economy is saddled by daunting structural challenges that dampen its long-term growth potential (see Special Issue 4.2.).

For emerging economies other than China, growth is expected to continue at a similar pace in 2024, and then to slightly pick up in 2025. Growth for emerging economies other than China is projected to edge up from 3.9% in 2023 to 4% in 2024, and to then rise to 4.3% in 2025. The Indian economy expanded at a robust rate in 2023, and it is expected to remain the

Table I.2.1:

International environment

(Annual percentage change)					Spring 2024 Forecast			*Autumn 2023 Forecast*		
	(a)	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
					Real GDP growth					
Japan	3.7	-4.1	2.6	1.0	**1.9**	**0.8**	**0.8**	*1.9*	*0.8*	*0.6*
United Kingdom	2.2	-10.4	8.7	4.3	**0.1**	**0.5**	**1.4**	*0.6*	*0.5*	*1.3*
United States	15.6	-2.2	5.8	1.9	**2.5**	**2.4**	**2.1**	*2.4*	*1.4*	*1.8*
Emerging and developing Asia	34.2	-1.1	7.3	4.3	**5.4**	**5.2**	**5.1**	*5.2*	*4.9*	*5.0*
- China	18.7	2.2	8.5	3.0	**5.2**	**4.8**	**4.6**	*5.2*	*4.6*	*4.6*
- India	7.6	-5.9	9.4	6.5	**7.7**	**7.0**	**6.9**	*6.6*	*6.1*	*6.5*
Latin America	7.4	-7.3	7.3	4.1	**2.4**	**2.1**	**2.5**	*2.5*	*2.1*	*2.4*
- Brazil	2.3	-3.3	4.8	3.0	**2.9**	**2.0**	**2.1**	*2.8*	*1.6*	*1.8*
MENA	5.8	-3.0	4.5	5.8	**2.0**	**2.8**	**4.0**	*2.3*	*3.3*	*3.5*
Eastern Neighbourhood and Central	1.0	-1.6	4.7	3.4	**4.5**	**3.8**	**4.1**	*4.1*	*3.8*	*3.9*
Russia	2.9	-2.7	5.9	-1.2	**3.6**	**2.9**	**1.7**	*2.0*	*1.6*	*1.6*
Sub-Saharan Africa	3.3	-2.0	4.3	3.6	**2.2**	**3.3**	**3.9**	*2.2*	*3.5*	*4.0*
Candidate Countries	2.6	0.3	9.6	0.3	**4.4**	**3.4**	**4.0**	*4.1*	*3.5*	*4.1*
World excluding EU	85.3	-2.5	6.4	3.3	**3.6**	**3.5**	**3.6**	*3.5*	*3.2*	*3.5*
World	100.0	-3.0	6.4	3.4	**3.1**	**3.2**	**3.3**	*3.1*	*2.9*	*3.2*
					Trade of goods and services, volumes					
World excluding EU		-8.5	11.1	4.3	**1.0**	**3.3**	**3.6**	*1.4*	*3.3*	*3.7*
World		-8.4	10.9	5.4	**0.5**	**2.7**	**3.4**	*1.0*	*3.0*	*3.5*
					Trade of goods, volumes					
World excluding EU		-4.5	11.6	2.0	**0.5**	**3.3**	**3.5**	*0.8*	*3.4*	*3.7*
World		-5.0	11.5	3.0	**-0.3**	**2.6**	**3.5**	*0.2*	*3.0*	*3.5*
					Trade of services, volumes					
World excluding EU		-22.1	9.6	15.4	**3.1**	**3.4**	**3.6**	*4.0*	*3.3*	*3.6*
World		-18.9	9.2	15.0	**3.4**	**3.1**	**3.4**	*3.8*	*3.0*	*3.5*

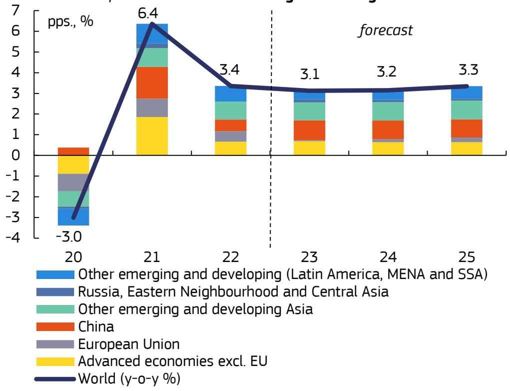
(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2023.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

fastest growing emerging economy, with growth projected at 7% in 2024 and 6.9% in 2025. The outlook for MENA countries and Sub-Saharan Africa is for a slight pick-up. The MENA region is expected to benefit from robust expansion of the non-oil sector, but risks are elevated given its proximity to Gaza. Growth in Sub-Saharan Africa is constrained by enduring weaknesses in some of its major economies (South Africa, Nigeria), and persistently high inflation, which delays a general loosening of the monetary policy stance. In Latin America, growth is expected to decline from 2.4% in 2023 to 2.1% in 2024, before picking back up to 2.5% in 2025. Following the exceptional grain harvest in 2023, economic activity in Brazil is set to slow down in 2024 and hold steady in 2025, though consumption should be supported by the ongoing easing of the monetary policy stance. Argentina is expected to see an outright contraction in 2024 due to efforts at fiscal consolidation, with some recovery in 2025. After a surprisingly buoyant 2023, driven by the war-related government spending surge, the Russian economy is forecast to gradually slow in 2024 and 2025, to 2.9% and 1.7% respectively, with tight monetary policy progressively weighing on domestic demand. Economic growth in Türkiye is projected to decelerate from 4.5% in 2023 to 3.5% in 2024 and 3.8% in 2025. Growth in domestic demand is forecast to decline to a more sustainable level due to the ongoing policy normalisation, including the substantia monetary tightening.

In sum, global growth (excluding the EU) is set to remain at close to 3.5% over the forecast horizon, a little stronger than previously expected. The outlook for 2024 has improved for the US and some emerging economies, notably China and India. Global growth (ex-EU) is expected to be 3.5% in 2024 and 3.6% in 2025. For the global economy as a whole, including the EU, growth is projected to edge up from 3.1% in 2023 to 3.2% in 2024 and 3.3% in 2025 (see Graph I.2.8).

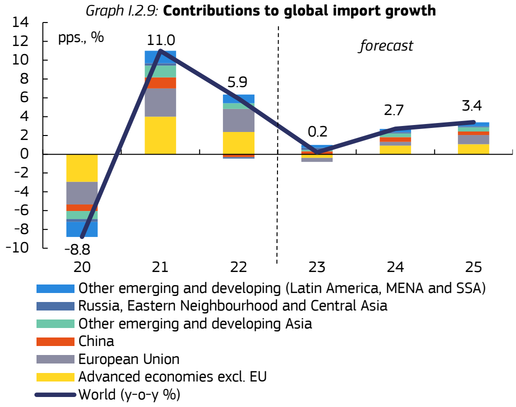
Global trade growth is expected to recover in 2024 and 2025. Most of the factors that pulled down goods trade last year are expected to unwind over the course of 2024 and 2025, as the rotation of demand back to services ends and monetary conditions gradually ease. There is also increasing evidence of an upturn in the ICT cycle in Asia, which should boost trade within the region. Services trade is expected to continue to recover in 2024, with travel and tourism projected to converge to pre-pandemic levels. Overall, global trade growth is set to normalise in 2024 and 2025, with an elasticity to GDP of around 1, which is still relatively weak and held back by trade restrictions and fragmentation (see Graph I.2.9).

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



Crude oil prices have risen steadily since the start of 2024, but futures curves still indicate a decline over 2024 and 2025. Escalating hostilities in the Middle East have caused price volatility in the oil market, while stronger-than-expected growth in both China and the US in early-2024 pushed up oil demand expectations. Brent crude prices have increased by around 17% since the beginning of the year, hovering around 87 USD/bbl at end-April. According to futures, prices are expected to average around USD 88/bbl in 2024-Q2, followed by a gradual decrease to USD 78/bbl at the end of the forecast horizon. Compared to the assumptions underpinning the Winter 2024 interim Forecast, Brent oil futures at the cut-off date of this forecast were higher, by 9% in 2024 and 7% in 2025 (see Graph I.2.10).

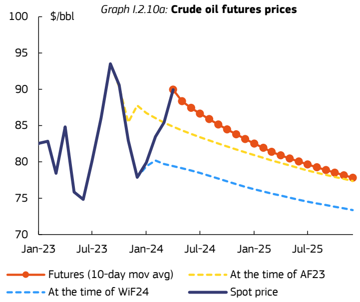
Graph I.2.9: **Contributions to global import growth**



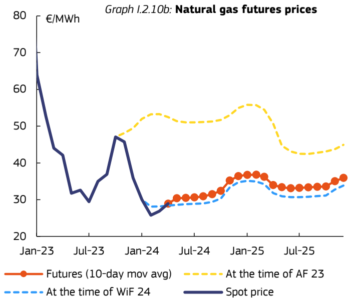
Natural gas and electricity prices (and respective futures curves) signal a gradual increase in 2025. In the first quarter of 2024, wholesale gas prices continued to trend downwards, and faster than assumed in winter, by around 4%. The price decline is due to several factors, including robust inventories of natural gas for the season, new sources of LNG supply, the relatively warm winter season, weak economic activity and lower gas demand in line with the EU's demand-reduction targets and Member States' policies. Electricity prices also fell and in 2024-Q1 they stood 12% lower compared to the winter assumptions. Looking forward, the futures curves point to a slight uptick in TTF gas prices, averaging EUR 31/MWh and EUR 35/MWh in 2024 and 2025, respectively. Averaged European future electricity prices picked up more strongly, by 25% in 2025 compared to 2024, which is 10% higher compared to winter. Gas is set to remain the marginal price-setter in the determination of wholesale electricity prices in the near future, even if its energy generation share is decreasing [3]. In April, the EU's energy regulators' agency (ACER) forecasted that EU LNG demand will reach its peak in 2024 and that gas consumption in the EU will continue declining due to a significant increase in solar and wind generation, electrification of the energy system and the achievement of the EU's ambitious decarbonisation goals [4]. The renewables share in the electricity generation mix is estimated to have reached 49% in April 2024, up from 43% in 2023.

(3) https://publications.jrc.ec.europa.eu/repository/handle/JRC134300
(4) https://www.acer.europa.eu/monitoring/MMR/LNG_market_developments_2024

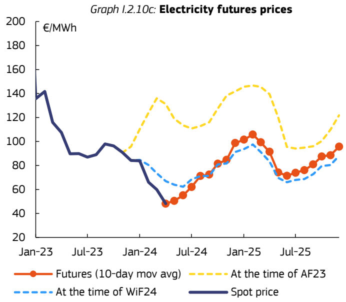
Graph I.2.10a: **Crude oil futures prices**



Graph I.2.10b: **Natural gas futures prices**



Graph I.2.10c: **Electricity futures prices**



Food and metal prices are expected to rise in the very short term, before decreasing gradually over 2024 and 2025. Global food prices edged up in March (+1.1%), with increases for vegetable oils, meat and dairy due to both lower-than-expected supply and robust demand from key markets. However, the overall trend over the past year has been downwards, with the FAO Food Price Index nearly 8% lower in March than a year ago. The global climate phenomenon known as *El Niño* has contributed to disruptions of non-staple crops, such as cocoa and coffee, causing the food futures curve to shift up in recent months. The futures now point to a further uptick of food prices in 2024-Q2, followed by a gradual decline over the forecast horizon. Both industrial and precious metals' prices edged up in the last months, influenced by growth outturns in China and the US. Moreover, prices may partly reflect potential supply disruptions owed to newly imposed sanctions by the US and the UK on Russian aluminium, copper and nickel.

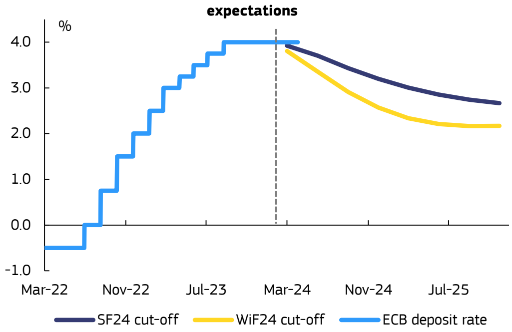
2.2. FINANCIAL CONDITIONS IN THE EU

The European Central Bank (ECB) has kept its policy rates unchanged. At its latest meeting on 11 April, the ECB Governing Council decided to keep its three key policy rates unchanged, while acknowledging the continued fall in inflation and underlying inflationary pressures, as well as the appropriate strength of monetary policy transmission. It indicated that if inflation continues to converge towards the 2% target in a sustained manner, a reduction in the level of monetary policy restriction would be appropriate. However, the ECB Governing Council did not commit to a particular interest path and reiterated that its future policy decisions will remain data-dependent. Since the start of the year, the Eurosystem's balance sheet has continued to downsize, mainly driven by banks' repayment of TLTRO III loans and, to a lesser extent, by the non-reinvestment of the proceedings of maturing securities purchased under the Asset Purchase Programme. The ECB has continued to reinvest the principal payments from maturing securities purchased under the Pandemic Emergency Purchase Programme, but confirmed that it would start reducing the portfolio by EUR 7.5 bn per month on average in the second half of 2024 and stop reinvestments at the end of 2024.

Outside the euro area, some central banks have started to ease their monetary policy stance. In Romania and Poland, central banks have left their policy rates unchanged, at 7% and 5.75% respectively. Monetary authorities in Denmark have also left rates unchanged, at levels much closer to ECB policy rates. In contrast, Sweden's central bank cut its main interest rate by 0.25 pps. to 3.75% on 8 May 2024 (after the cut-off date of this forecast), supporting the view that central banks in the EU react independently from other major global central banks. In the case of Sweden, the economy is weak while inflation approaches the target. Over the past few months, central banks in Hungary and Czechia also lowered their policy rates significantly (i.e. by 250 bps. and 100 bps., respectively).

Markets now expect a more gradual pace of policy rate cuts by the ECB than in the winter. The Euribor-3 months futures now suggest that euro area short-term nominal interest rates will decrease to 3.2% by the end of the year – with a first cut likely to take place in June - and decrease further to 2.6% by the end of 2025 (see Graph I.2.11). They are set to average 3.6% in 2024 and 2.8% in 2025 (respectively 40 bps. and 60 bps. higher that at the time of the Winter 2024 interim Forecast). This reassessment by markets is due to the still incomplete deflationary process in the euro area, notably in services, and evidence of greater-than-expected persistence of inflation in the US.

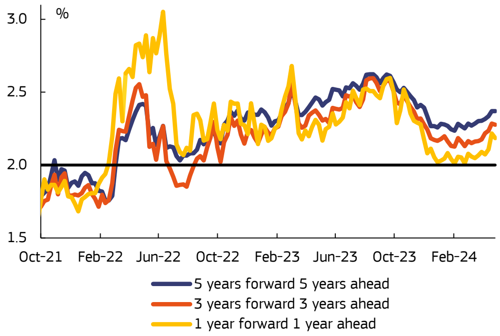
Graph I.2.11: **Short-term euro interest rate expectations**



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

Inflation expectations have edged upwards but are still close to the ECB inflation target. Indicators of financial market's inflation outlook edged up in April, following a period of relative stability in February-March. These indicators contain a considerable element of inflation risk premia, which shows inflation uncertainty perceived by financial markets. The upward move also affected other major economies, possibly signalling a rise in global inflation uncertainty. In the euro area, inflation-linked swaps reached levels around 2.2-2.3%, still close to the inflation target of the ECB (see Graph I.2.12).

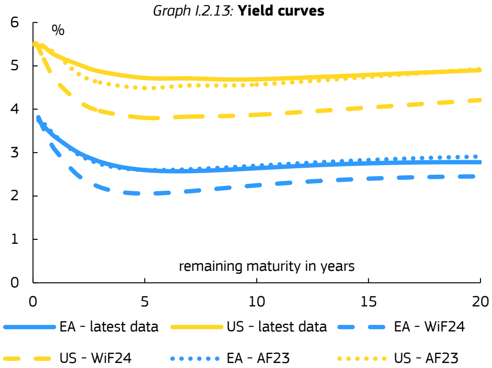
Graph I.2.12: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

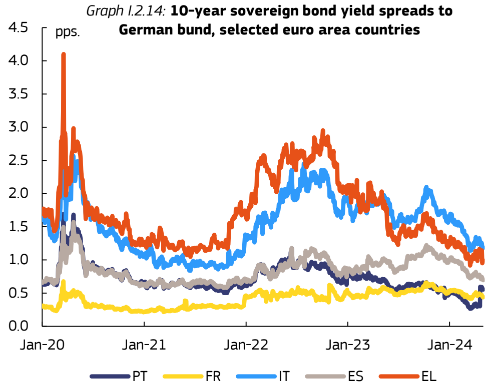
The euro area sovereign bond markets adjusted to a more cautious expected monetary loosening and higher inflation expectations while spreads compressed further. The German 10-year bund yield – i.e the euro area benchmark- increased by approx. 30 bps. since 30 January, to reach 2.55% on 30 April, while the increases at shorter maturities were stronger (see Graph I.2.13). Positively, euro area spreads narrowed further over the last three months in both sovereign and corporate segments, suggesting improved investor sentiment towards euro area bond markets (see Graph I.2.14). Over the forecast horizon, nominal long-term benchmark euro area rates are expected to remain stable at levels close to 2.5%, 20 bps. higher compared to the Winter Forecast.

Graph I.2.13: **Yield curves**



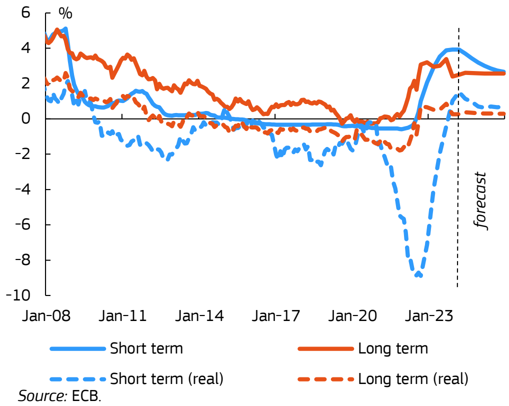
Sources: ECB, US Department of Treasury.

Graph I.2.14: **10-year sovereign bond yield spreads to German bund, selected euro area countries**



Real euro area interest rates are somewhat higher in the short term, but remain low in the long term. In view of the lower projected path for inflation this year, short-term real interest rates edged up further but are set to decrease from their current peak value of 1.5% to 0.6% by the end of this year and to remain stable in 2025 (see Graph I.2.15). With long-term inflation expectations rising in parallel with the nominal expected rates over the forecast horizon (approx. +20 bps.), long-term real interest rates are projected to stay broadly unchanged at levels around 0.2% over the forecast horizon [5].

Graph I.2.15: **Euro area benchmark interest rates**

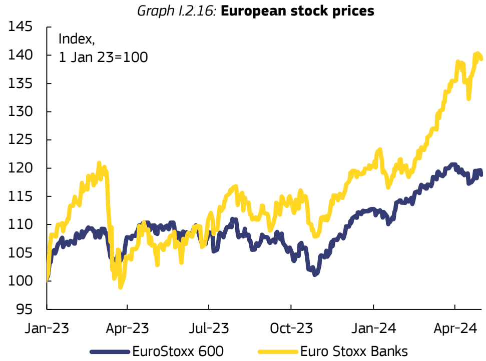


Source: ECB.

The euro has slightly appreciated in nominal effective terms since the Winter interim Forecast despite its recent depreciation against the US dollar. Developments in the euro dollar bilateral exchange rate have mainly reflected expectations regarding the respective outlook for monetary policy in the euro area and in the US. Recent inflation developments have renewed expectations of higher-for-longer interest rates in the US, thus supporting the US dollar against the euro. Similarly, the euro depreciated against the Polish zloty. These depreciations were more than offset by the euro's appreciation against a broad basket of currencies. Strong risk appetite has provided support to the euro against the Japanese yen, despite the Bank of Japan ending its negative interest rate policy, as well as against the Swiss franc, which also weakened as the Swiss National Bank cut its policy rate in March. The euro has also strengthened against the Turkish lira and against the currencies of some EU Member States (Czechia, Hungary and Sweden) amid sizeable interest rate cuts in some countries.

Equity markets continue to rally. Investors' optimism is also noticeable on equity markets as the Eurostoxx600 appreciated by around 4% over the last three months. The main drivers of this positive trend are investors' expectations for an economic rebound in the EU, and still lower funding costs expected. This optimism benefited particularly European banks' equities, which rose by around 15% over the period, overperforming the aggregate index (see Graph I.2.16).

Graph I.2.16: **European stock prices**



Source: STOXX, Ltd.

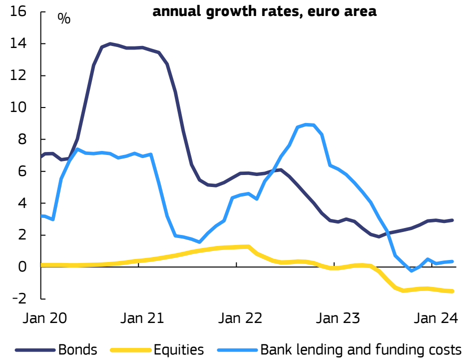
The banking sector continues to demonstrate high levels of profitability with robust solvency, liquidity and asset quality metrics. Data on bankruptcy declarations in the EU until the end of 2023 point to a rising trend ever since the low point was reached during the pandemic. They currently fluctuate at pre-COVID average levels. Asset quality stands at historically sound levels and non-performing loans continue to be low (latest data on 2023-Q4). Asset quality is expected to deteriorate somewhat as the drag of high interest rates continues to feed through to – at least until recently – a broadly stagnating economy. EU banks are in a good position to withstand an expected moderate deterioration of asset quality and even an adverse scenario

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

combining a severe recession with higher interest rates, as suggested by the European Banking Authority and ECB stress tests. Still credit risk continues to weigh on credit flows.

Bank lending activity remains weak. Reflecting expectations of monetary policy easing, financing costs for firms and households have already decreased slightly while remaining close to historically elevated levels. The composite credit cost indicator for the euro area non-financial private sector stood at 4.2% in February, slightly below its 4.5% peak, reached in October 2023. Meanwhile, the annual growth rate of adjusted bank loans to the private sector in the euro area picked up slightly since the start of the year, but remains very weak. In nominal terms, it stood at 0.8% in March, up from 0.4% in January. Market-based funding for corporates has also been sluggish since the start of the year despite narrowing spreads and rising equity valuations (see Graph I.2.17). The overall debt level of the private sector continues to contract in real terms as the nominal increase in debt remained much below the nominal increase in disposable income or GDP, a situation referred to as passive deleveraging. Household debt declined from 94% of gross disposable income in 2019 to 84% in 2023, while corporate overall debt liabilities fell to 72% of GDP in 2023. This was considerably lower than the 78% of GDP in 2022, and lower than any level observed during the past decade.

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

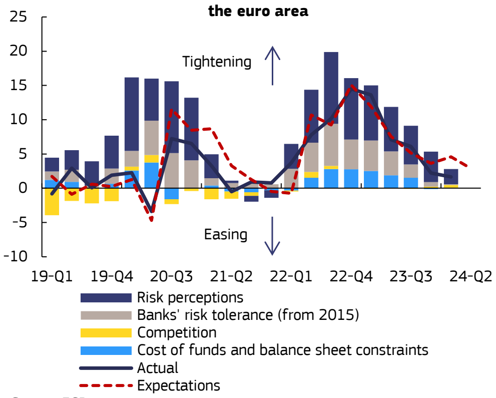


Source: ECB.

The latest ECB bank lending survey for the first quarter of 2024 points to insufficient demand by firms. According to euro area banks, net demand for loans by firms continued to decline substantially in the first quarter of 2024, contrasting with previous banks' expectations of a slight increase (see Graph I.2.19). High interest rates and declining fixed investment remained the main drivers of the decrease, notably in France and Italy. Demand for housing loans by households also declined, but only marginally and much less than in the previous quarters. Demand for consumer credit and other lending to households remained broadly unchanged. Turning to supply conditions, euro area banks reported a further slight net tightening of credit standards for loans to corporations, mainly driven by Germany. Banks' risk perceptions were the main driver of the net tightening (see Graph I.2.18). Consistent with robust solvency, liquidity and asset quality metrics of the banking sector, cost of funds and balance sheet constraints had a broadly neutral impact. Regarding households, credit standards tightened further for consumer loans but eased moderately for mortgages, thanks to easing conditions in France. Competition and banks' risk tolerance were the main factors driving the net easing of credit standards on housing loans. For the second quarter of 2024, euro area banks expect a further moderate net tightening for loans to firms and broadly unchanged conditions for loans to households. Banks also expect a further net decrease in demand for loans by firms, though more moderate than in the first quarter, and an increase in demand by households.

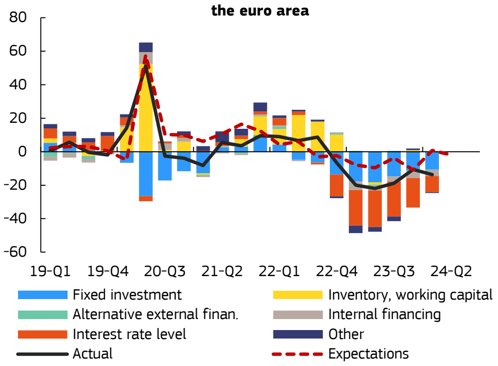
EU housing markets moderated in 2023, amid regional variations, but real estate prices are expected to increase again soon. In 2023-Q4, euro area house prices stood 1.2% below their level a year before, while prices in the EU stood 0.2% above. Housing price changes in 2023 averaged -1.1% in the euro area and -0.3% in the EU. The most significant declines were recorded in Germany, Sweden, Luxembourg and Finland. On the contrary, Croatia, Bulgaria, Lithuania, Poland, Portugal and Slovenia recorded growth rates above 6%. Across the EU, both housing transactions and new building permits were close to the lowest in the last decade, even in countries recording house price increases. Building permits seem to have recently started to recover. Tight credit standards and low demand are set to continue weighing on housing transactions and construction for a few more quarters. Thereafter, some recovery of demand is expected amid positive prospects for income growth and lower interest rates. The interaction between these developments and structurally low housing supply is expected to support house prices going forward.

Graph I.2.18: **Changes in supply for loans to firms in the euro area**



Source: ECB.

Graph I.2.19: **Changes in demand for loans to firms in the euro area**



Source: ECB.

Overall, financial conditions in the EU remained relatively tight, but the expected easing of monetary conditions is set to gradually revive credit flows. The euro area yield curve for the best rated sovereigns shifted upwards, while at the same time, spreads on both sovereign and corporate bond markets narrowed and equity valuations continued to increase. These developments suggest heterogenous evolutions in financial conditions across market segments and credit worthiness. Looking forward at the second half of this year and in 2025, credit to both corporates and households are expected to recover gradually as lower policy rates, coupled with an economic rebound and lower indebtedness after years of deleveraging, should support both demand and supply for credit.

2.3. ECONOMIC ACTIVITY

The first quarter of this year witnessed a stronger-than-expected and broad-based return to growth… GDP edged up by 0.3% in both the EU and the euro area in the first quarter of 2024 (see Graph I.2.20). The expansion was broad-based across Member States: of all countries reporting a preliminary flash estimate on 30 April [6], only Sweden posted a marginal decline (-0.1%), thus remaining in recession. Ireland rebounded by 1.1% after pronounced quarterly declines throughout 2023. Spain, Portugal, Hungary, Lithuania, Latvia grew by between 0.7% and 0.8%, and Czechia by 0.5%. Growth was just around or below the estimated average in the remaining reporting countries, including Germany, France, Italy and Belgium. The rest of the euro area can be inferred to have grown slightly less, while the rest of the Member States outside the euro area - somewhat more than the average. According to preliminary information from national sources growth was driven by expanding consumption (Czechia, Spain, France, Austria) and exports (Germany, Spain, France, Portugal). Investment was up in Germany, Spain and France, but it was partially offset by a further weakening of the inventories build-up. In contrast, investment was down in Belgium (construction), Austria and Portugal.

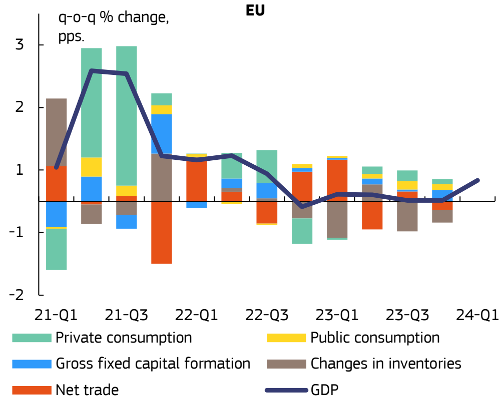
…marking the end of a prolonged period of economic stagnation. In 2023-Q4, the volume of real GDP was just 0.2% above its level in 2022-Q2 in the EU and less than 0.1% above in the euro area. In 2023 as a whole, GDP grew by 0.4%, dragged down by slowing inventory accumulation. At the same time, support from domestic demand was weak while net foreign trade contributed positively owing more to a strong contraction of imports than to an increase in exports as a sharp slowdown in global merchandise trade weighed on external demand for the EU.

After declining in late 2022, private consumption grew by just 0.4% in 2023. Despite robust employment and wage growth, labour incomes barely outpaced inflation last year. Moreover, contrary to expectations of a gradual normalisation in saving behaviour, households put

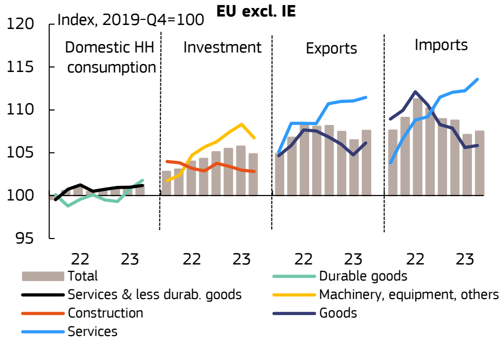
(6) BE, CZ, DE, IE, ES, FR, IT, LV, LT, HU, AT, PT, SE. Data from another five Member States, bringing the coverage of the release to 95% of euro area GDP and 94% of EU GDP, has also been taken into account., but not published.

aside a larger share of their disposable incomes than in 2022. At 13.5%, the saving rate in the EU remained well above pre-COVID readings. Several reasons may have pushed up households' propensity to save, including the need to alleviate or contain their debt repayment burdens, precautionary motives, and higher returns on financial assets. Still, private consumption returned to timid growth as of 2023-Q2, and in the second half of 2023 expenditure on durable goods [7] exceeded the pre-pandemic level again after the post-pandemic moderation (see Graph I.2.21). According to the European Commission's Consumer Business Survey (BCS), appetite for major purchases has been returning, though still subdued.

Graph I.2.20: **Real GDP growth and its contributions, EU**



Graph I.2.21: **GDP demand-side components, EU excl. IE**

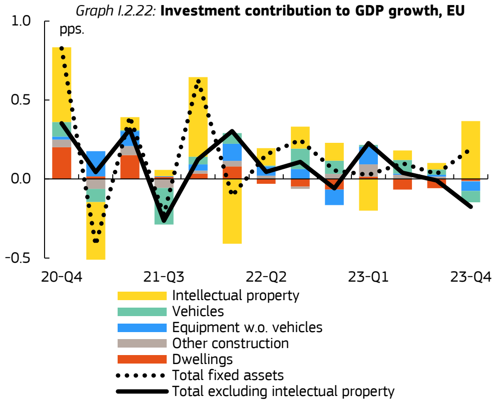


Note: Goods and services data of household consumption are based on expenditures in the EU excluding Ireland made by both residents and non-residents.

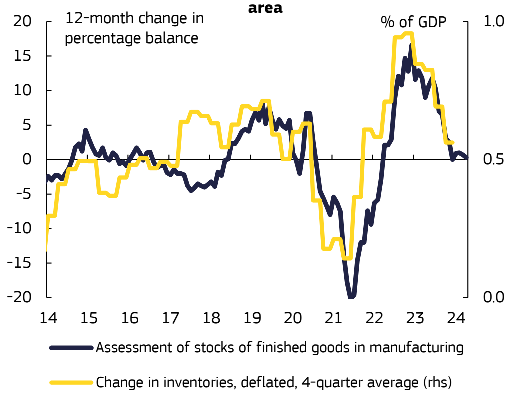
Investment growth slowed in 2023. Investment increased by 1.5% in 2023, further reducing speed from 3.5% and 2.7% in the two preceding years of post-pandemic recovery, and significantly weaker than the pre-pandemic growth averaging 4.5% over 2015-19. Average EU growth masks underperformance for eleven Member States, including Germany, France, Spain, the Netherlands, Belgium and Greece, relative to the Autumn Forecast. This is compensated by large upside surprises for Italy, Poland and several other smaller Member States. Furthermore, much of the investment growth recorded for 2023 was to a large extent due to a high statistical carry-over from 2022. In the fourth quarter, investment in *intellectual property products (IPP)* in Ireland and the continued policy boost to construction in Italy propped up aggregate investment growth, to 1% in the euro area. Excluding these two economies from the EU aggregate, investment was down 1.5% on the previous quarter, with decreases across all asset types, including a continuing downsizing of the interest-rate-sensitive investment in residential construction, in particular in the larger northern countries, including Germany and France. This suggests that the drag of tight financial conditions had been underestimated in previous forecasts. Investment in transport equipment declined for the first time in nine quarters. Investment in other equipment was largely flat throughout the year, constrained by a broad-based deterioration in sentiment and declining capacity utilisation. Investment in non-residential construction posted widespread robust growth for the year as a whole, though quarterly momentum slowed throughout the year.

(7) The share of consumer durables in overall consumer spending is typically no more than 10%.

Graph I.2.22: **Investment contribution to GDP growth, EU**



Graph I.2.23: **Evolution of inventories in the euro area**

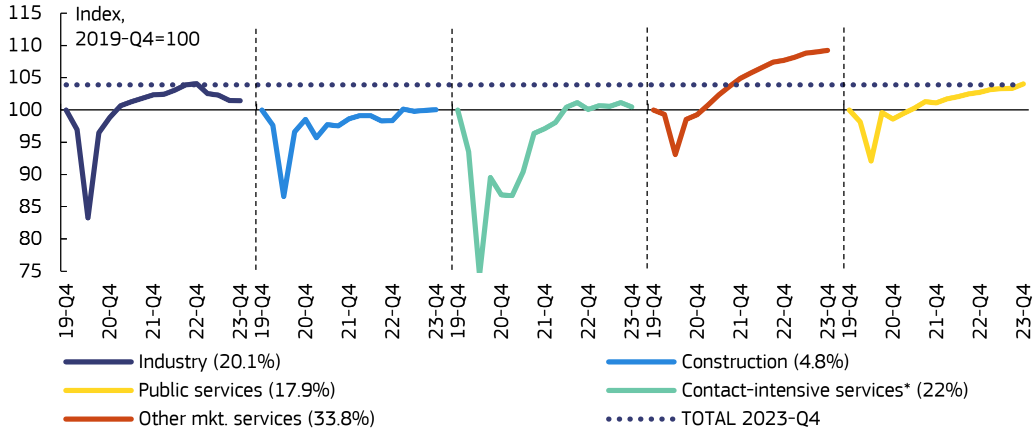


Accumulation of inventories slowed down and significantly detracted from growth. A high degree of synchronicity across Member States in the pace of accumulation of inventories suggests the presence of common driving forces, largely intertwined with pandemic-induced shifts in the composition of demand for goods and services and difficult-to-fathom price effects. The strong post-pandemic recovery initially led to supply bottlenecks and hoarding of intermediate inputs, but it was followed by a sharp slowdown in activity, e.g. in manufacturing. The associated deceleration in the build-up of inventories (by as much as 0.3 pps. of GDP) had not been anticipated in the Autumn Forecast. Indications from survey data suggest that the negative drag from the inventory cycle may be bottoming out. Still, preliminary and incomplete data from some Member States suggest that inventories kept dragging also in 2024-Q1.

Public consumption was also supportive of growth throughout the year. Public consumption surprised on the upside on aggregate. This was partly due to revised data for the first half of 2023, but mostly to unexpectedly strong growth in 2023-Q3 and Q4. (e.g. Spain, Poland, Germany and Italy).

The performance of exports was constrained by weak external demand. The exports rebound in 2023-Q4 was too small to compensate for their weak performance in previous quarters. The evolution of external demand proved less favourable than projected last autumn, though growth outside of the EU remained resilient throughout 2023 (see Section 2.1). Global trade in services held up, and supported EU exports, but not sufficiently to offset the decline in goods exports. In this lacklustre trade environment, EU exports still gained market shares, as the negative performance of the euro area, i.a Germany, was fully compensated by gains of some Member States outside the euro area. As import demand turned out weak too, the net effect on growth of the external balance of goods and services was positive in 2023, at 0.7 pps..

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



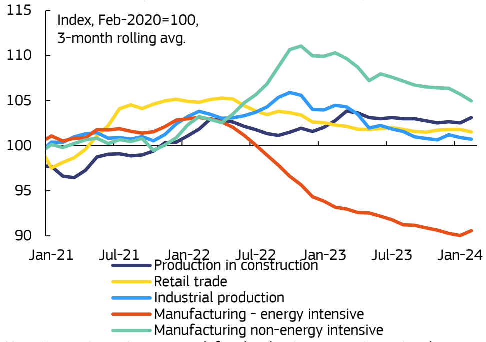
Note: % of GVA in latest four quarters in brackets.
*Wholesale and retail, transport, accommodation, food services; arts, entertrainment, recreation.

The decline in value added in industry since late 2022 paused at the turn of the year. Still, evidence from hard data of an imminent rebound remains scarce. Weakness in the energy-intensive intermediate goods sectors (including bulk chemistry and metallurgy) continues to weigh on the performance of the manufacturing sector. However, less energy-intensive industries have also suffered under weak demand. Flagship machine and equipment industries (automobiles, electronics, electrical and other equipment) have seen output decline throughout 2023 and into 2024. Industries that showed timid signs of a rebound in 2023 are consumer non-durables, pharmaceuticals and power generation, but they are signs of a relapse at the start of the year. Manufacturing of other transport equipment (non-automotive) has been slowly, but consistently, recovering from a deep slump in the wake of the COVID-19 pandemic. It recently regained the pre-pandemic level of output and continued expanding into 2024.

Production in construction was resilient but was held back by weak housing investment. Construction activity largely stagnated throughout most of 2023. Nevertheless, both production and value added increased by 1.3% (calendar adjusted) on the year before. This contrasts with the overall decline of investment in construction works, in particular housing (see Graph I.2.26). The dynamics of production and value added, on the one hand, and investment, on the other, can deviate in the short term. A factor behind this could be the role of intermediaries between construction companies and acquirers of real estate/construction works. Another factor is the fluctuations in the stock of uncompleted/unsold properties, for which data is not exhaustive. Nevertheless, even though the short-term business statistics and national accounts data on production and final use of construction are not directly comparable, they reveal that construction is hit by weakening demand for residential housing, but is held up by infrastructure works, supported by the Recovery and Resilience Facility. At the start of the year, production in the infrastructure segment continued on an upward trend, while housing and specialised activities (e.g. site preparation, finishing trades) seem to have rebounded, although sentiment remains subdued.

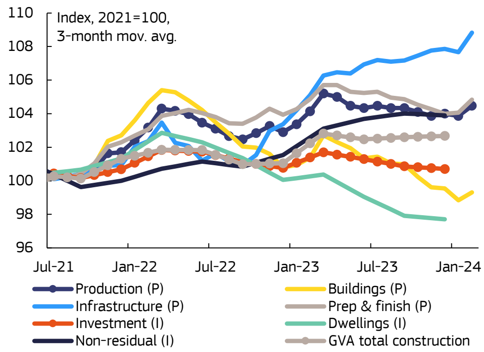
The service sector compensated for the decline in industry. Buoyant business services made up for the sluggishness in contact-intensive distribution services (trade, transport) and consumer services, which slumped in late 2023. Overall, activity in market services was up by 1.4% in 2023. Public services continued to expand at a moderate pace throughout the year. Altogether, this outweighed the decline in industry and helped total value-added grow by 0.8% in 2023.

Graph I.2.25: **Short-term indicators, EU**



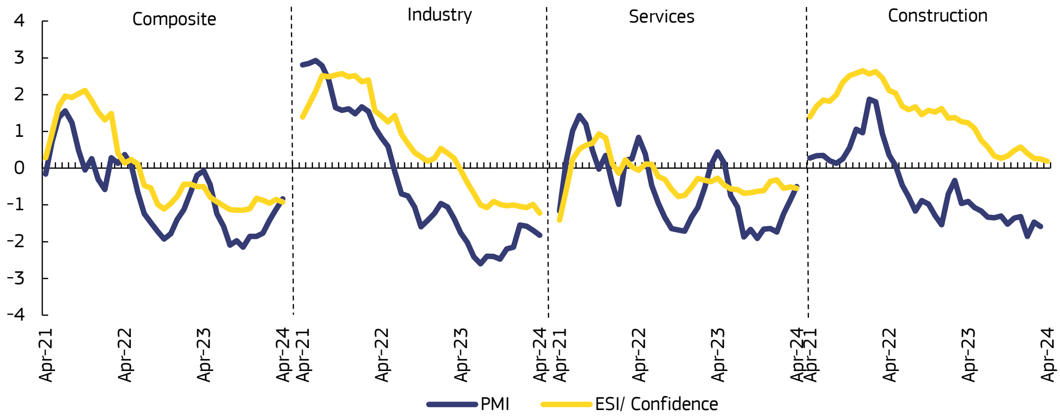
Note: Energy intensive sectors defined as having energy intensity above the average in manufacturing (NACE 16, 17, 19, 20, 22-24).

Graph I.2.26: **Activity indicators in construction**



Note: (P) production, (I) investment.

Graph I.2.27: **ESI/ Confidence and PMI, euro area**



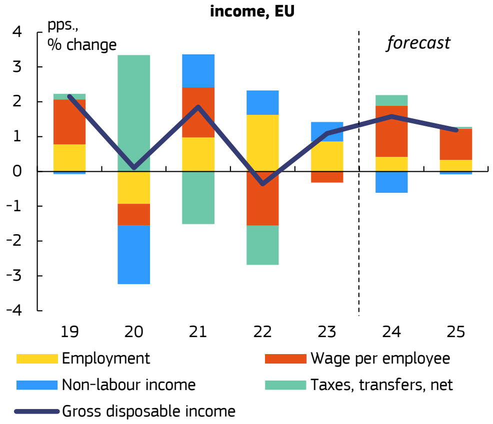
Source: S&P Global, European Commission.
Note: Standardised data based on 2000-'07 sample.

Going forward, consumption is set to remain a key growth driver, helped by rising real incomes. The resumption of real wage growth and further, even if modest, increases in employment are projected to support further rises in households' real disposable income this year and next (see Graph I.2.28). Recent survey results from the European Commission's Consumer Survey show continued improvement in consumers' confidence in the EU, though from a level well below the long-term average, as well as a steady decline in consumers' uncertainty about their own financial situation. This is set to support, in the near term, private consumption, which makes up 52% of EU GDP. Continued real wage and employment growth are expected to sustain growth in real disposable incomes. At the same time, survey results show continued increase in consumers' savings intentions from the trough recorded in the second half of 2022 to levels well above their long-term average. Still-high real interest rates uphold the opportunity cost of consumption, while consumers' markedly below-average expectations about the general economic situation may keep their motivation for precautionary savings high at a time when the real value of wealth is still eroded by inflation and – as regards housing – adverse valuation effects. As a result, in 2024, the saving rate is projected to tick up further, by 0.9 pps. to 14.4% in the EU (and by 1.1 pps. to 15.5 % in the euro area). With consumer confidence still short of the long-term average, motives to save more are likely to persist [8] even if appetite to place major purchases is reviving. This is set to limit the expansion of private consumption to 1.3%, still well below the average of 2014-19. In 2025, however, another slight increase in disposable income should combine with the easing of the saving rate to 13.3% in the EU and 15.1% in the euro area, as

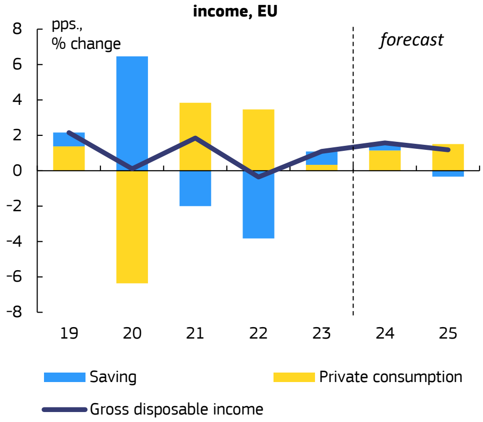
[8] As described in the box "Household savings and wealth in the euro area: implications for private consumption" in the WiF24, the still high savings rate appears to be rather related to a need/wish to replenish financial buffers as well as to the improved ability to do so. These two factors have not faded yet.

nominal and real interest rates start to fall, delivering a more sustained impulse to consumption growth, which is set to accelerate to 1.7% in the EU and 1.5% in the euro area.

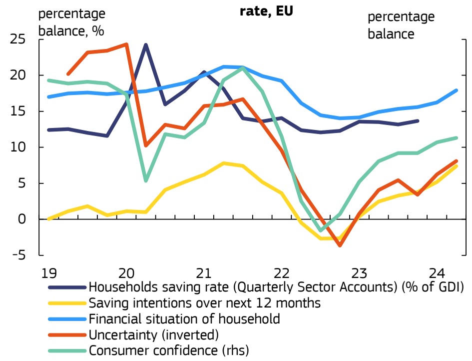
Graph I.2.28a: **Real household gross disposable income, EU**



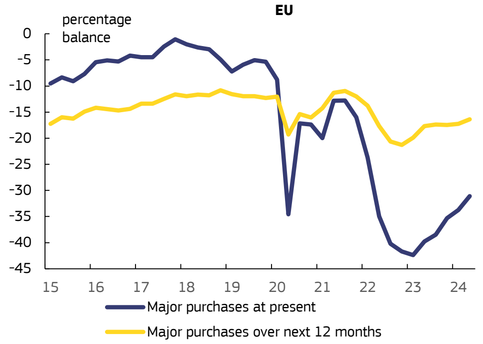
Graph I.2.28b: **Use of real gross disposable income, EU**



Graph I.2.29: **Consumers' assessments and actual saving rate, EU**



Graph I.2.30: **Consumer attitude towards major purchases, EU**



Investment is expected to pick up more gradually, especially held back by ongoing downsizing in residential construction. Housing investment is projected to continue contracting this and next year, as the continued fall in house prices and a still large build-up of inventories weigh on supply, while still tight credit conditions dampen demand. The aggregate outlook, nevertheless, masks important regional variations. Residential investment is holding up in southern and central eastern Europe, but is downsizing in Italy, France, Germany and especially the Nordic countries. In 2025 it is expected to rebound or even continue growing at varying rates in all Member States, but it is set to keep downsizing in Italy. Non-residential construction investment, in contrast, is expected to remain resilient, expanding by 2.2% in 2024 and 3.5% in 2025 – largely reflecting government infrastructure spending with support from the Recovery and Resilience Facility. Regarding business investment, leading indicators like new orders, including for export, seem to be rebounding, but this has not yet translated in a tangible boost of business sentiment. Moreover, in contrast to improving consumer sentiment, business survey data give little ground for expecting a pronounced rebound in business investment in the short run. In construction and in capital goods manufacturing, the trends in confidence are still downward, and the new round of the investment survey at the end of April suggest a slowdown in business investment this year (see Box I.2.1). Prolonged weakness in the manufacturing sector has left many plants operating below normal capacity, softening the outlook for equipment investment and depressing loan demand, as indicated by recent readings of the Bank Lending Survey. Still, equipment investment is expected to expand marginally this year and accelerate in 2025, benefiting from the comfortable equity situation of corporations and addressing technological transformation needs.

Table I.2.2:

Composition of growth - EU

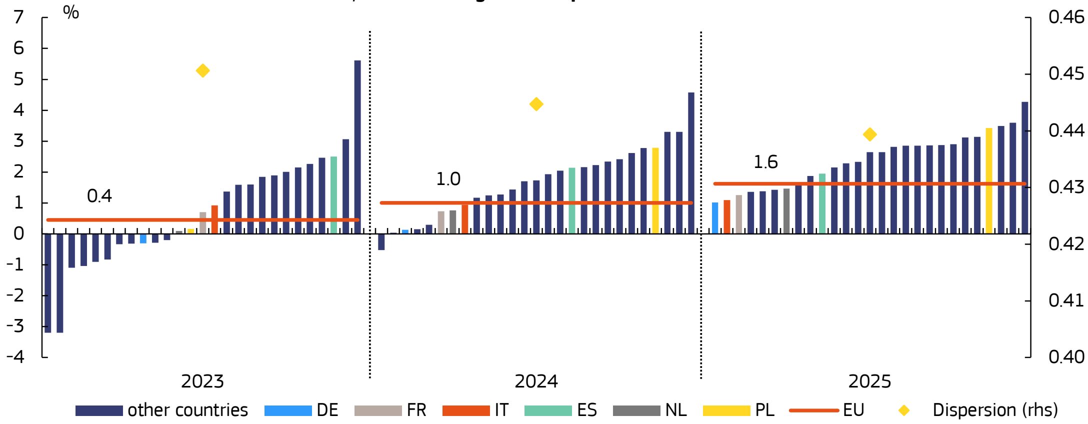
(Real annual percentage change)

	2023		2018	2019	2020	2021	2022	Spring 2024 Forecast 2023	2024	2025
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	8,971.6	52.2	1.9	1.5	-7.1	4.6	4.1	**0.4**	**1.3**	**1.7**
Public consumption	3,624.4	21.1	1.2	1.9	1.1	4.1	1.3	**0.9**	**1.6**	**1.2**
Gross fixed capital formation	3,825.0	22.3	3.6	6.5	-5.2	3.5	2.7	**1.5**	**0.3**	**2.0**
Change in stocks as % of GDP	116.1	0.7	1.0	0.7	0.3	1.5	2.3	**0.7**	**0.8**	**0.8**
Exports of goods and services	9,053.6	52.7	3.7	3.4	-8.5	11.3	7.4	**-0.2**	**1.4**	**3.1**
Final demand	25,590.6	149.0	2.7	2.7	-6.3	7.1	4.9	**-0.2**	**1.1**	**2.2**
Imports of goods and services	8,417.4	49.0	4.2	4.8	-7.9	9.7	8.0	**-1.4**	**1.3**	**3.3**
GDP	17,175.4	100.0	2.1	1.8	-5.6	6.0	3.5	**0.4**	**1.0**	**1.6**
GNI	16,985.5	98.9	2.3	1.8	-6.0	6.7	3.0	**0.4**	**1.0**	**1.6**
p.m. GDP euro area	14,375.8	83.7	1.8	1.6	-6.1	5.9	3.4	**0.4**	**0.8**	**1.4**
			Contribution to change in GDP							
Private consumption			1.0	0.8	-3.8	2.4	2.1	**0.2**	**0.7**	**0.9**
Public consumption			0.2	0.4	0.2	0.9	0.3	**0.2**	**0.3**	**0.3**
Investment			0.7	1.4	-1.1	0.8	0.6	**0.3**	**0.1**	**0.4**
Inventories			0.1	-0.3	-0.4	0.8	0.5	**-0.9**	**-0.1**	**0.0**
Exports			1.8	1.7	-4.2	5.2	3.7	**-0.1**	**0.7**	**1.6**
Final demand			3.9	4.0	-9.2	10.2	7.2	**-0.3**	**1.7**	**3.2**
Imports (minus)			-1.9	-2.2	3.6	-4.2	-3.7	**0.8**	**-0.7**	**-1.6**
Net exports			-0.1	-0.5	-0.6	1.1	0.0	**0.6**	**0.1**	**0.0**

The improved outlook for global trade should support EU's external demand for goods. Export growth resumed in late 2023 and firms' export expectations are finally on the mend, although still subdued. Benefitting from a rebound in global merchandise trade, EU exports of goods and services are expected to expand moderately (1.4%) this year and more vigorously (3.4%) in 2025, helping manufacturing back to growth, though less than projected in earlier forecasts. With export growth still trailing behind global demand, EU exports are set to incur losses in market share. The contribution of net trade is set to be neutral to marginally positive, with import growth revised down in view of less buoyant export and investment growth.

All in all, this forecast projects a slow but stable expansion of economic activity over the forecast horizon. Real GDP growth in 2024 is projected at 1.0% in the EU 0.8% and in the euro area. This is slightly up from the Winter 2024 interim Forecast for the EU and unchanged for the euro area. EU GDP growth is forecast to improve to 1.6% in 2025, a slight downward revision of 0.1 pps. from winter. In the euro area, GDP growth in 2025 is projected to be slightly lower, at 1.4% - also marginally revised down from the Winter interim Forecast. Importantly, virtually all Member States are expected to return to growth in 2024, with only Estonia (-0.5%) projected to contract in 2024. Germany (0.1%), Austria (0.3%) and Finland (0.0%) are set to broadly stagnate; France (0.7%), Italy (0.9%) and the Netherlands (0.8%) are expected to grow just below average, while Spain (2.1%) and Poland (2.9%) are projected to grow robustly. Malta (4.6%), Romania (3.3%), Croatia (3.3%) and Denmark (2.6%) are the countries with the strongest growth projections for the current year. In 2025, all Member States are expected to grow by more than 1%, with growth being weakest in Germany (1.0%). and France and Italy are projected to grow below average, while Poland (3.4%) and many of the smaller Member States are set to grow by close to or above 3%. With economic expansion in the southern rim of the EU still outpacing growth in north and western Europe, economic convergence older EU is expected to progress further. After almost stalling in 2023, economic convergence of Member States from central and eastern Europe is also set to resume after almost stalling last year (see Special Issue 4.3.).

Graph I.2.31: **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.

Growth is projected to be slightly above potential in the second half of 2024 and in 2025. The economic stagnation of 2023 implied a low starting point for this year. It also caused the output gap to relapse into negative territory, to -0.5% of potential output for the EU and -0.4% for the euro area. At a cruising speed of around 0.4% quarter-on-quarter (1.6% annualised) from 2024-Q3 on and over the rest of the forecast horizon, real GDP growth is set to slightly exceed potential, estimated at 1.4% for this year and next for the EU (1.3% and 1.2% respectively for the euro area), based on the projected evolution of demographics, employment and investment. This would narrow the output gap to -0.3% for the EU and -0.2% for the euro area.

Table I.2.3:

Composition of growth - euro area

(Real annual percentage change)

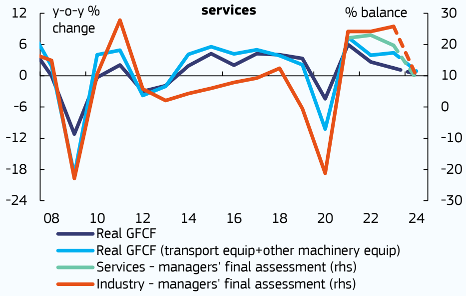
	2023		2018	2019	2020	2021	2022	Spring 2024 Forecast 2023	2024	2025
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	7,535.4	52.4	1.5	1.4	-7.7	4.4	4.2	**0.5**	**1.1**	**1.5**
Public consumption	3,038.4	21.1	1.0	1.8	1.1	4.2	1.6	**0.7**	**1.3**	**1.1**
Gross fixed capital formation	3,176.8	22.1	3.1	6.9	-5.9	3.5	2.5	**1.2**	**0.1**	**1.6**
Change in stocks as % of GDP	109.0	0.8	0.9	0.6	0.3	1.3	2.0	**0.8**	**0.9**	**0.9**
Exports of goods and services	7,389.3	51.4	3.6	3.2	-9.1	11.5	7.2	**-1.1**	**0.9**	**3.1**
Final demand	21,248.8	147.8	2.4	2.6	-6.8	6.9	4.8	**-0.3**	**0.9**	**2.0**
Imports of goods and services	6,874.9	47.8	3.9	5.0	-8.5	9.2	7.9	**-1.6**	**0.9**	**3.2**
GDP	14,375.8	100.0	1.8	1.6	-6.1	5.9	3.4	**0.4**	**0.8**	**1.4**
GNI	14,417.9	100.3	2.1	1.5	-6.6	6.8	2.8	**0.4**	**0.9**	**1.4**
p.m. GDP EU	17,175.4	119.5	2.1	1.8	-5.6	6.0	3.5	**0.4**	**1.0**	**1.6**
			Contribution to change in GDP							
Private consumption			0.8	0.7	-4.1	2.3	2.1	**0.3**	**0.6**	**0.8**
Public consumption			0.2	0.4	0.2	0.9	0.3	**0.2**	**0.3**	**0.2**
Investment			0.6	1.4	-1.3	0.8	0.5	**0.3**	**0.0**	**0.3**
Inventories			0.1	-0.3	-0.3	0.6	0.4	**-0.5**	**0.0**	**0.1**
Exports			1.7	1.5	-4.4	5.2	3.6	**-0.6**	**0.5**	**1.6**
Final demand			3.4	3.8	-9.9	9.8	7.0	**-0.4**	**1.3**	**2.9**
Imports (minus)			-1.7	-2.2	3.8	-3.9	-3.6	**0.8**	**-0.4**	**-1.5**
Net exports			0.0	-0.7	-0.6	1.4	0.0	**0.2**	**0.1**	**0.1**

Box I.2.1: **Survey on investment – March/April 2024**

Set-up of the bi-annual investment survey

A key question shaping this forecast concerns the dynamics of investment going forward. Investment growth, including private business investment, gradually came to a halt towards the end of 2023. The assessments of managers in manufacturing and services of investment in their firm can help inform the forecast for business investment. Twice a year – in spring and autumn – the Commission business surveys for the manufacturing and services sectors include questions on investment [(1)]. In spring, managers are asked about the change in investment in the year preceding the survey (t-1) and planned changes for the ongoing year (t), each time compared to investment in the preceding year. Managers are asked about overall investment and investment for different assets, namely 'Machinery and equipment', 'Land, building and infrastructure' and 'Intangibles (R&D, software, data, intellectual property, vocational training, etc.)'.

Graph 1: **Real investment growth in EU industry and services**



Note: The data refer to the EU excluding Ireland. The dotted lines are forecast. All survey-based assessments are expressed as percentage balances.

Investment in 2023 and plans for 2024

Managers' assessments of developments in their firm's investment are a good leading indicator for (equipment) investment. Graph 1 provides an overview of the assessments by managers in industry and services of the investment realised in year t-1 in their firm (i.e., the final assessment), expressed as balances [(2)], based on the March/April surveys of the years from 2008 to 2023. For 2024, the Graph shows managers' investment plans for this year. The assessments co-move well with the investment outcomes as measured by total Gross Fixed Capital Formation and investment in (transport and machinery) equipment in National Accounts.

The results of the spring 2024 survey suggest a slowdown in business investment this year. In both the industry and services sectors, the outlook for investment in 2024 remains positive but the balance of views predicting an increase is markedly lower than for 2023. In industry, for 2024, the balance of views predicting an increase in investments stood at 10%, markedly down compared to managers' final assessment for the year 2023 (net balance of 26%). For services, the final assessment for 2023 was a net balance of 20%, which decreased to 9% for the outlook on 2024.

The expected slowdown is broad-based across asset types. The balances decreased for all investment assets (see Graphs 2a and 2b). The decline was significant for investment in 'Machinery and equipment', for which the balance more than halved from relatively high values in the two preceding years. In services, the balance decreased significantly also for investments in 'intangibles'. Finally, in both industry and services, the percentage of managers indicating an increase in investments in 'land, buildings and infrastructure' is almost equal to those indicating a decrease (i.e., the percentage balance is close to zero).

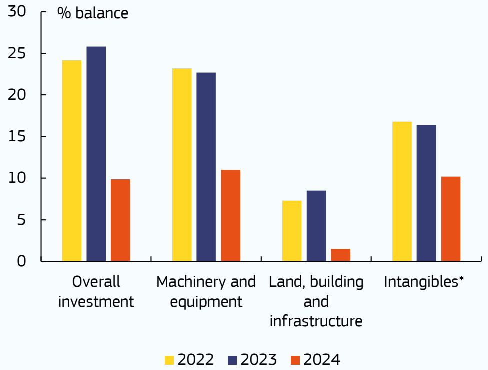
(1) For the services sector, these questions were included for the first time in the autumn 2021 survey.

(2) The survey asks managers whether their company's investment will (+) 'increase', (=) 'remain the same', or (–) 'decrease', compared to the previous year. The balance is the difference between the percentage of positive (+) and negative (-) answers.

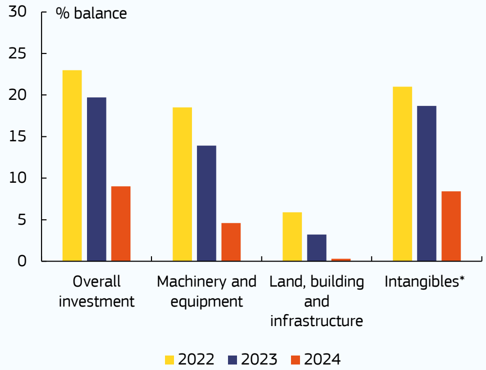
(Continued on the next page)

Box (continued)

Graph 2a: **Managers' assessment of their investments by assets - Industry**



Graph 2b: **Managers' assessment of their investments by assets - Services**



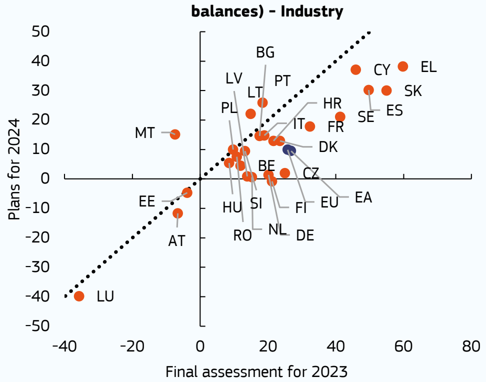
(*) Investment in Intangible include R&D, software, data, intellectual property, vocational training, etc.

EU Member States results

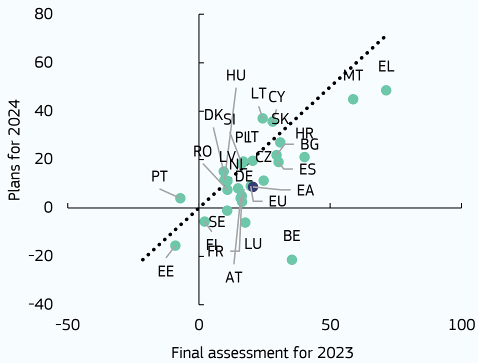
Managers in almost all Member States reported their investment increased in 2023. In both industry and services, the balance of managers reporting an increase rather than a decrease in their company's investment in 2023 compared to 2022 is positive in all Member States except EE, LU, MT and AT for industry and EE and PT for services.

A slowdown in investment is expected in 2024 in most countries. In industry, investment is set to grow further in 2024 in almost all EU Member States, with the balance being positive in most countries (see Graph 3). Investment growth is, however, expected to slow down in 2024 compared to 2023 in most EU Member States (i.e. all observations below the 45° line in Graph 3). Further reduction in investment in 2024 is expected in EE, LU and AT. Managers in FI reported an increase in their investment in 2023 but expect a marginal decrease in 2024. Also in services, managers expect their investment to increase further in 2024 in a large majority of EU Member States, but the momentum is generally decreasing. Investment growth is expected to slow down in 2024 compared to 2023 in more than two-thirds of the countries. Moreover, a reduction in investment in 2024 is anticipated in BE, EE, LU, FI, and, to a lesser extent, SE.

Graph 3a: **Managers' investment assessment for the year 2023 and expectations for the year 2024 (% balances) - Industry**



Graph 3b: **Managers' investment assessment for the year 2023 and expectations for the year 2024 (% balances) - Services**



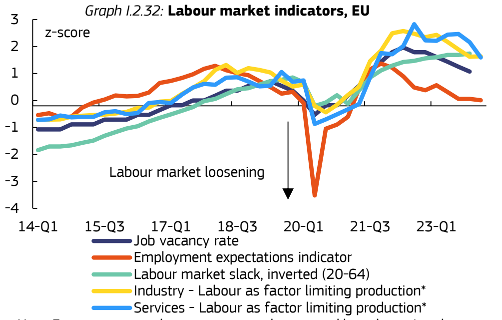
2.4. LABOUR MARKET

Despite broad stagnation in output, the EU economy created jobs for more than 2 million people in 2023. Following two years of expansion, headcount employment in the EU and the euro area continued to increase in 2023, but at a more moderate pace. In the year as a whole, employment grew by 1.2%, compared to 2.3% in 2022. This strong performance reflects favourable developments of both labour demand and supply. According to the Labour Force Survey, both employment and activity rates of people aged 20-64 hit new records in 2023, at 75.3% and 80%, respectively.

EU employment growth remained concentrated in services and to a lesser extent in the construction sector. According to national accounts, the services sector created 600 000 jobs in 2023, mostly in the private sector, whereas 100 000 workers joined the construction sector. By contrast, job growth was rather weak in industry, and notably in manufacturing, with the headcount still falling short of its 2019 level. As a result, the share of manufacturing workers in total employment decreased compared to 2019, and so did the share of workers in contact-intensive services. Meanwhile, some other segments of the services sector gained weight, particularly in the professional, scientific and technical activities.

Employment growth was broad-based across the EU. In 2023 as a whole, headcount employment continued to increase in all Member States, with the exception of Romania. Compared to 2022, the highest increases were recorded in Malta, Ireland, Estonia and Spain. Employment growth was feeble in Hungary, Latvia, Poland and Slovakia. However, overall, the pace of employment growth eased in the majority of Member States in 2023. Only Bulgaria, Malta, Spain and Croatia displayed stronger employment growth than in 2022, and in Italy headcounts grew at the same pace as the year before. Compared to a year earlier, the unemployment rate continued falling in twelve Member States, while it increased in as many countries and remained unchanged in three. According to monthly data, in the first quarter of 2024 the unemployment rate slightly increased in Germany, France, the Netherlands and Poland, albeit from a very low level, while it decreased in Italy and Spain, from relatively high rates. As a result, dispersion in unemployment across countries continued declining. Labour market slack decreased in more than half of the Member States in 2023. Czechia, Estonia, and Denmark, among others, exhibited the biggest increases compared to 2022, as opposed to Greece, Italy and Cyprus, where the largest decreases were observed.

Graph I.2.32: **Labour market indicators, EU**



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

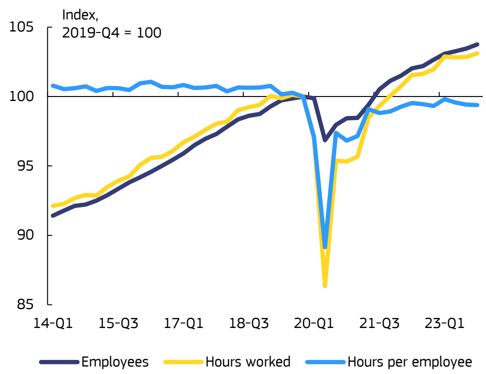
The labour market remains tight, despite some cooling. In 2023, the broader measure of labour market slack, which includes other groups with an unmet need for employment besides the unemployed [9], stood at 11.3% of the extended labour force aged 20-64, a new historical low., The EU unemployment rate also recorded its record low of 6.1% (from 6.2% in 2022) and latest monthly data show a stabilisation in this figure. Moreover, widespread labour shortages and high job vacancy rates are evidence of still tight labour markets, despite the economic slowdown (see Graph I.2.32). According to quarterly results from the Commission's business surveys, the share of both industry and services managers indicating shortage of labour force as a factor limiting their firm's production remained stable in April, at still historically high levels (at 23% and 28% respectively). The strength of labour demand is easing, even though very gradually, dissipating some imbalances between demand and supply in the labour market. In 2023, 2.7% of

(9) Labour market slack refers to all unmet needs for employment. This comprises the unemployed, underemployed part-time workers, and those available for work but not seeking a job, as well as those actively seeking for a job but not available to take up work.

jobs were vacant in the total economy, edging slightly down compared to 2022. Though receding, this rate is still historically high and higher than in 2019. It is particularly elevated in the services sector. The unemployed to vacancies ratio, an inverted measure of labour market tightness, increased gradually in the course of 2023, but remains well below the historical average. Among the large Member States, and relative to pre-pandemic levels, the labour market appears tightest in Germany and the Netherlands. By contrast, the labour market in Poland, Romania and Czechia seems less tight than in 2019-Q4. A tight labour market can motivate employers to hoard labour and adjust its utilisation over the cycle, rather than adjusting the workforce.

In April 2024, 10.4% of firms in the EU expected a simultaneous decrease in output and increased or unchanged employment. This suggests that employers are under-utilising their workforce – i.e. are hoarding labour - to a slightly larger extent than compared to the long-term average or pre-COVID levels. In general, countries with tighter labour markets (measured by the standardised ratio of vacancies to unemployed persons) compared to pre-pandemic levels also record an increase in the labour hoarding indicator over the same period. In Germany, the extent of labour hoarding in both industry and services is clearly above past historical averages (but below the spike in labour hoarding recorded during the pandemic).

Graph I.2.33: **Employment, EU**



Average hours worked continued on a downward trend in the EU. The total number of hours worked grew in the fourth quarter of last year, after a halt in the previous two quarters. (see Graph I.2.33) However, as employment growth continued to outpace growth in hours worked, the number of hours worked per employee kept decreasing. Average hours worked have been on a declining trend over the past two decades, and the decline accelerated also during previous recessions. Recent analysis points to the predominantly structural nature of the decline across European countries, which may reflect changes in work attitudes and the effect of the introduction of more efficient and productive technologies, including the acceleration of digitalisation. In this context, it's probable that firms' demand for labour adapted to workers' desire for shorter working time. The contraction in average hours worked (i.e. the intensive margin) was therefore likely compensated by new hires of employees (i.e. the extensive margin).

Immigration contributed significantly to labour supply. Like other advanced economies, some EU Member States, especially those experiencing tight labour markets, have benefited from large migration inflows, as well as by a high degree of labour market integration of migrant workers, which helped lower labour and skills shortages [10]. Accordingly, employment rates in the EU reached record highs in 2023-Q3 not only for native workers (71.2%, ages 15-64), but also for EU mobile workers (75.8%), as well as for workers from third countries (65.1%). In Germany, the increase in employment subject to social insurance contributions in 2023 is estimated to have been driven nearly exclusively by non-native workers [11]. In Spain, job creation was also buoyed by foreign workers in recent quarters, contributing to easing labour shortages in some sectors such as hospitality and construction [12]. Finally, the successful labour market integration of people fleeing

(10) OECD (2023). International Migration Outlook 2023. Paris: OECD, October.

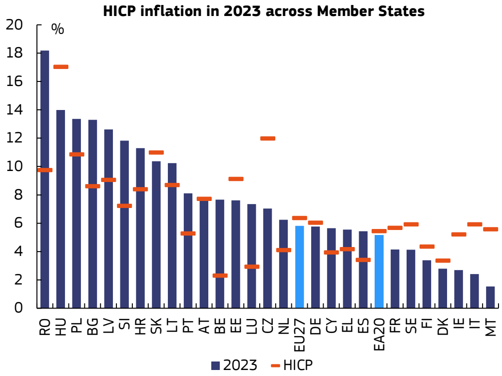
(11) Federal Employment Agency (2024). "The German labour market in 2023: Weak economy affects development on the labour market. " *Reports: The Labour Market in Brief*, p.9, January 2024.
According to the report, the number of foreign workers increased by 341,000 or 7% to 5.33 million over 2023. Workers from the European Economic Area represented about 20% of the increase, while other "notable contributions to growth came also from the countries of the EU eastward enlargement (+74,000), the countries of asylum (+45,000), the eastern European third countries (+67,000, including Ukraine: +53,000) and the Western Balkans (+43,000)".

(12) Banco de España (2024). "Quarterly report and macroeconomic projections for the Spanish economy. March 2024." *Economic Bulletin 2024/Q1*, March 2024. According to the report, in 2023, social security registrations of foreign national workers increased by 9.5%, as compared with 1.7% for Spanish nationals.

the war in Ukraine benefited the labour markets in some central and eastern European Member States (e.g. Czechia, Estonia, Lithuania, Poland, Slovakia) that are affected by negative demographic trends (see also Special Topic 4.3). In the past, these countries were not recipients of significant labour migration. By the end of 2023, there were almost 4.3 million people fleeing the war in Ukraine who benefited from temporary protection in EU Member States. It is estimated that about 30% of them were employed.

Labour supply was also lifted by the rising participation of women and older workers. According to quarterly labour force survey data, employment rates among women have been steadily increasing in the aftermath of the pandemic, by 1.8 pps. between 2019-Q4 and 2023-Q4 (as compared to an increase of 1.2 pps. between 2019-Q4 and 2015-Q4). As a result, by 2023-Q4 the employment gender gap, defined as the difference between the employment rates of men and women of working age (20-64 years), fell below 10 pps., its lowest level on record (since 2009). This development owes predominantly to increased participation of women in the labour market, by almost 2 pps. compared to 2019-Q4. Significant variation in gender employment gaps across EU Member States however remains. In 2023, Romania, Italy and Greece still recorded gaps above 19 pps. Besides women, older cohorts – i.e. people aged 55-64 - contributed significantly to the increase in activity in recent years. A number of factors may have driven the increase in labour supply. On the one hand, by facilitating work-life balance the diffusion of telework likely lowered the non-monetary costs of labour supply. On the other hand, the high cost of living might have contributed to lowering the reservation wage of segments of the inactive population still in working age. This is also consistent with the observation that labour market flows from inactivity, rather than from unemployment, have dominated in recent years, boosting employment and activity growth.

Graph I.2.34: **Compensation per employee growth and HICP inflation in 2023 across Member States**



Wage growth started to decelerate at the end of last year, but finally turned positive in real terms. EU compensation per employee increased by 5.3% y-o-y in 2023-Q4 (4.6% y-o-y in the euro area), decelerating from 5.6% in the preceding quarter (5.1% y-o-y in the euro area). The deceleration was observed in industry and most segments of the services sector, with the exception of contact-intensive services, information and communication, and real estate activities [13]. Wage growth in the construction sector also continued to accelerate. In annual terms, growth in compensation per employee increased to 5.8% on average in 2023, from 4.8% in 2022. Dispersion in compensation per employee growth is wide, with an increasing spread between the highest and lowest y-o-y growth rate compared to 2022 (see Graph I.2.34). Wage growth continued to be fastest in some of the eastern countries (Romania, Bulgaria, Hungary and Poland), while it was lowest in Malta, Italy and Ireland. The annual growth rate of negotiated wages in the euro area slowed slightly in the fourth quarter of 2023 to 4.5% y-o-y, from 4.7% in the previous quarter, which was the highest reading in the series. On average, growth in negotiated wages rose to 4.5%, significantly lower than actual wage growth. Forward-looking trackers by the ECB [14], based on collective agreements concluded by the end of 2023, suggest that negotiated wage growth is likely to remain elevated over the first part of 2024. According to the Indeed monthly tracker [15], wage growth in job postings (i.e. for newly hired workers) was at 3.8% y-o-y in the euro area on average in 2024-Q1, following a growth rate above 4% in 2023. In real terms, EU

[13] Specifically, in NACE terms, the exceptions are: GHI - Wholesale and retail trade, transport, accommodation and food service activities; J -Information and communication; and L - Real estate activities.

[14] Górnicka, L. and G. Koester. (2024)."A forward-looking tracker of negotiated wages in the euro area: Eurosystem wage tracker experts." *ECB Occasional Paper Series* No. 338.

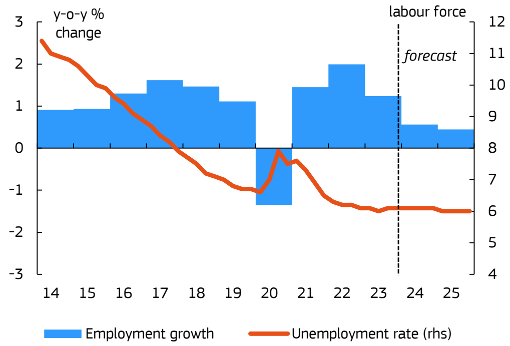
[15] Adrjan, P. and Lydon, R. (2022). Wage Growth in Europe: Evidence From Job Ads. Central Bank of Ireland Economic Letter, (7).

wages growth turned positive in the final part of last year for the first time after seven quarters of losses.

Going forward, slowing employment expectations continue to herald an easing in the EU labour market. Latest evidence from the Commission business surveys points to some cooling of the labour market. In April, the Employment Expectations Indicator in the EU and the euro area declined as compared to its reading at the end of last year, though it remained above long-term average. Managers' employment plans worsened in industry and in retail, but improved in the construction sector and remained broadly unchanged in services. On the consumers side, unemployment expectations worsened somewhat. The Purchasing Manager's Indexes (PMIs) also signals falling employment in industry, still in negative territory. By contrast, employment assessment improved in services, driving the overall composite indicator into expansionary territory.

Employment growth is forecast at 0.6% in the EU in 2024, before easing further to 0.4% in 2025. Annual employment growth this year is driven also by gains made during 2023 (i.e. a positive carry-over effect), with a slowing pace in the course of the year (see Graph I.2.35). Job creation is projected to stabilise at more moderate rates in 2025. As growth in total hours worked continues outpacing growth of headcount employment, average hours per worker keep increasing over the forecast horizon towards pre-pandemic levels, albeit remaining slightly below.

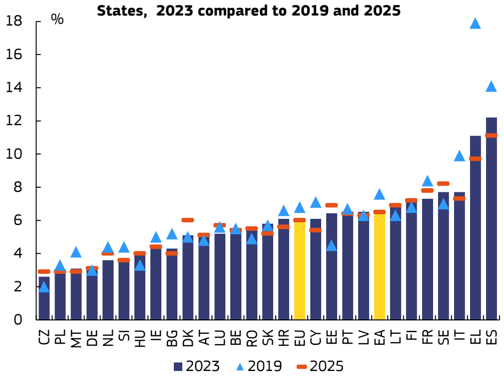
Graph I.2.35: **Employment growth and unemployment rate, EU**



Divergence in employment growth across Member States is expected to narrow slightly. The difference between the Member States with the highest and lowest employment growth is set to narrow only marginally at the end of the forecast horizon. Malta tops the ranking with around 4% growth in both 2024 and 2025. At the low end of the scale, five countries are expected to register negative employment growth this year and two countries next year. In a majority of Member States, cumulative growth in employment over the forecast horizon is set to soften with respect to the rates observed in 2022. Only in five Member States cumulative employment growth is projected to be higher than in 2022.

Unemployment rates are expected to remain broadly stable over the forecast horizon. In the EU, despite increased labour market participation, the unemployment rate (Eurostat definition) is projected to remain broadly stable at 6.1% in 2024, before edging slightly down to 6.0% in 2025 (see Graph I.2.36). However, in 2025, seven Member States are still expected to record a significantly higher unemployment rate than in 2019.

Graph I.2.36: **Unemployment rates across Member States, 2023 compared to 2019 and 2025**



Nominal wage growth is set to moderate this year and the next. Consistent with the ongoing disinflation, after peaking at 5.8% in 2023 (5.1% in the euro area), growth of nominal compensation per employee is expected to moderate, reaching 4.8% in 2024 (4.2% in the euro area), before declining to 3.5% in 2025 (3.1% in the euro area). In turn, real compensation per employee in the EU is set to recover from the contraction seen last year and grow by almost 3.5% in 2024 and 2025. Eleven Member States are forecast to have real wages still below the 2021 levels in 2025. Only in four Member States real wages are projected to remain below the 2019 levels in 2025.

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

(Annual percentage change)	Euro area							EU						
	Spring 2024 Forecast				*Autumn 2023 Forecast*			Spring 2024 Forecast				*Autumn 2023 Forecast*		
	2022	2023	2024	2025	2023	2024	2025	2022	2023	2024	2025	2023	2024	2025
Population of working age (15-74)	0.5	**0.7**	**0.4**	**0.3**	*0.5*	*0.3*	*0.2*	0.5	**0.5**	**0.2**	**0.2**	*0.4*	*0.1*	*0.1*
Labour force	1.2	**1.2**	**0.7**	**0.4**	*0.9*	*0.5*	*0.3*	1.3	**1.0**	**0.6**	**0.3**	*0.8*	*0.4*	*0.3*
Employment	2.3	**1.4**	**0.7**	**0.5**	*1.1*	*0.5*	*0.5*	2.3	**1.2**	**0.6**	**0.4**	*1.0*	*0.4*	*0.4*
Employment (change in million)	3.7	**2.4**	**1.2**	**0.9**	*1.9*	*0.8*	*0.8*	4.8	**2.6**	**1.2**	**1.0**	*2.1*	*0.9*	*0.9*
Unemployment (levels in millions)	11.4	**11.2**	**11.2**	**11.0**	*11.0*	*11.0*	*10.9*	13.3	**13.2**	**13.3**	**13.1**	*13.1*	*13.0*	*12.9*
Unemployment rate (% of labour force)	6.8	**6.6**	**6.6**	**6.5**	*6.6*	*6.6*	*6.4*	6.2	**6.1**	**6.1**	**6.0**	*6.0*	*6.0*	*5.9*
Labour productivity, whole economy	1.1	**-1.0**	**0.1**	**0.9**	*-0.5*	*0.7*	*1.1*	1.2	**-0.7**	**0.5**	**1.2**	*-0.4*	*0.9*	*1.3*
Employment rate (a)	63.8	**64.3**	**64.5**	**64.7**	*64.3*	*64.5*	*64.6*	63.5	**63.9**	**64.1**	**64.3**	*63.8*	*63.9*	*64.1*

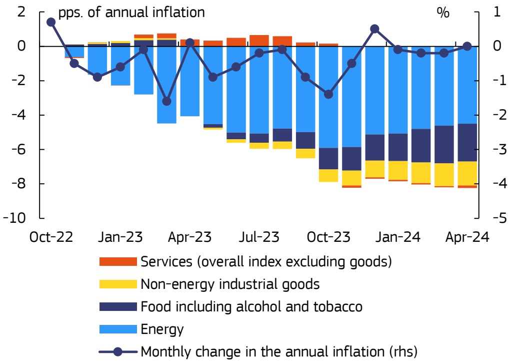
(a) Employment as a precentage of population of working age. Definition according to structural indicators. See also note 6 in the Statistical Annex. For the EU and EA, this table now also displays employment in persons, limiting the comparability to figures published before Spring 2023.

Labour productivity is set to remain weak this year, before gaining some momentum next year. Following the deterioration observed in 2023, labour productivity per employed person is projected to increase by 0.5% in 2024 (0.1% in the euro area), before gaining strength to 1.2% in 2025 (0.9% in the euro area), which is above the long-term average. The weakness in labour productivity has been intensified by the increase in labour supply. Moderation in growth of nominal compensation per employee and the expected productivity gains are in turn set to contain unit labour costs dynamics in 2024 and 2025. These are expected to abate to 2.3% (2.2% in the euro area) at the end of the forecast horizon.

2.5. INFLATION

Inflation continued to moderate in the EU and the euro area in the first months of the year. Annual HICP headline inflation declined to 2.6% in the EU in March, from 3.4 in December 2023. According to the flash estimate, inflation in the euro area remained at 2.4% in April, unchanged from March, and 0.5 pps. down compared to last December (see Graph I.2.41).

Graph I.2.37: **Cumulative contribution to annual headline inflation since October 2022, euro area**

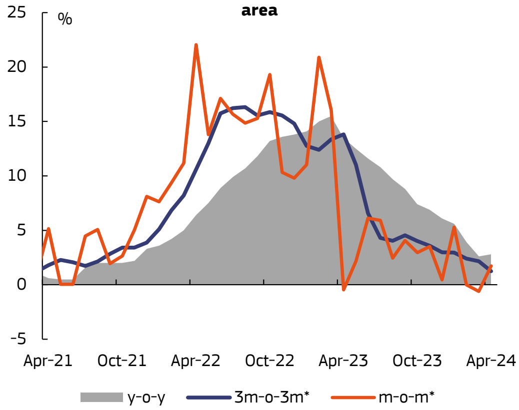


Food and non-energy industrial goods have become the primary disinflation drivers. Industrial goods have been driving the disinflation process in the euro area for 12 months now (see Graph I.2.37). Annual inflation of non-energy industrial goods decelerated to 0.9% in April, 1 pp. down from January. This was led by durables, that saw annual inflation fall to 0% y-o-y in March, the weakest rate since 2020, and broadly in line with the pre-pandemic average. While negative base effects played a role, recent disinflation in non-energy industrial goods recently owes principally to a weak price momentum [16] (see Graph I.2.38). This, in turn, reflects receding pipeline pressures, visible i.a. in the continued deceleration in producer prices in sectors producing non-food consumer goods [17]. It also provides evidence for the absence of a tangible pass-through from shipping disruptions in the Red Sea to consumer prices, amid relatively weak economic momentum and overcapacity in the transport industry. Food prices also contributed to disinflation, with a growth rate in April roughly half the rate recorded in January. The decline in annual food price inflation, broad-based across food categories [18], reflects weakening price

[16] Measured by the rolling 3-month-on-3-month percentage changes.
[17] Producer prices in non-food consumer goods in the euro area continued to decelerate in the first quarter, with annual price growth down from 2.4% in December to 0.9% in March, the lowest rate since late 2020.
[18] With the exception of oils and fats.

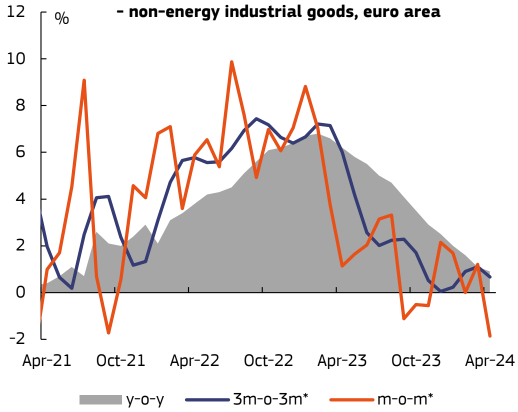
momentum in both processed and unprocessed food (even if the latter remained subject to significant month-on-month volatility). Weaker price pressures reflect the waning impact of past commodity price shocks amplified by the continued fall in key agricultural commodity prices since mid-2022 (e.g. wheat and corn), and the overall deflationary environment in the food industry [19]. Jointly, food and non-energy industrial goods subtracted a full percentage point from headline inflation in the euro area between January and April 2024.

Graph I.2.38a: **Inflationary pressures - food, euro area**



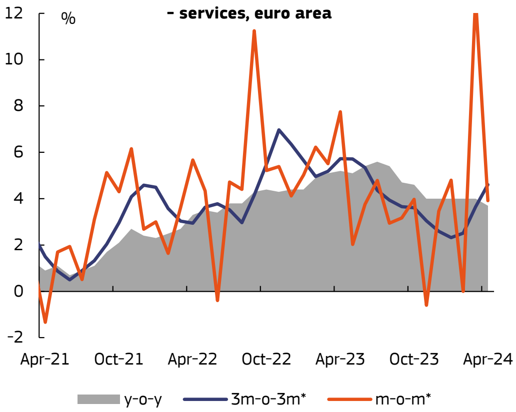
Note: * seasonally and working-day adjusted, annualised

Graph I.2.38b: **Inflationary pressures - non-energy industrial goods, euro area**



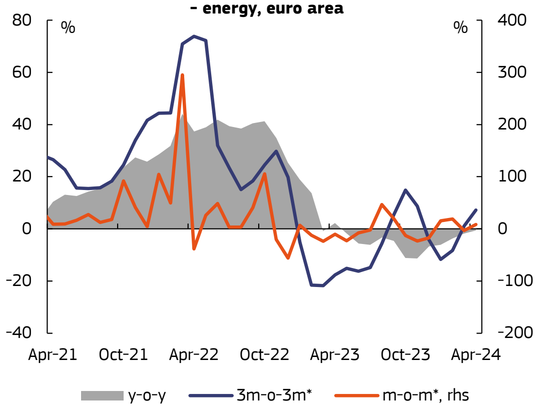
Note: * seasonally and working-day adjusted, annualised

Graph I.2.38c: **Inflationary pressures - services, euro area**



Note: * seasonally and working-day adjusted, annualised

Graph I.2.38d: **Inflationary pressures - energy, euro area**



Note: * seasonally and working-day adjusted, annualised

Energy inflation, in contrast, ceased to be a disinflationary force. Annual energy inflation in the euro area has remained negative since spring 2023, therefore continuing to detract from headline inflation. However, its deflationary impulse progressively narrowed and since November 2023, it has instead been pushing headline inflation up again on a monthly basis (see Graph I.2.37). Price momentum of the energy component strengthened in the four months to April (see Graph I.2.38d), driven by rising prices of fuel for transport, but also by a pick-up in consumer gas and electricity prices due to administrative price adjustments and expiring policy measures.

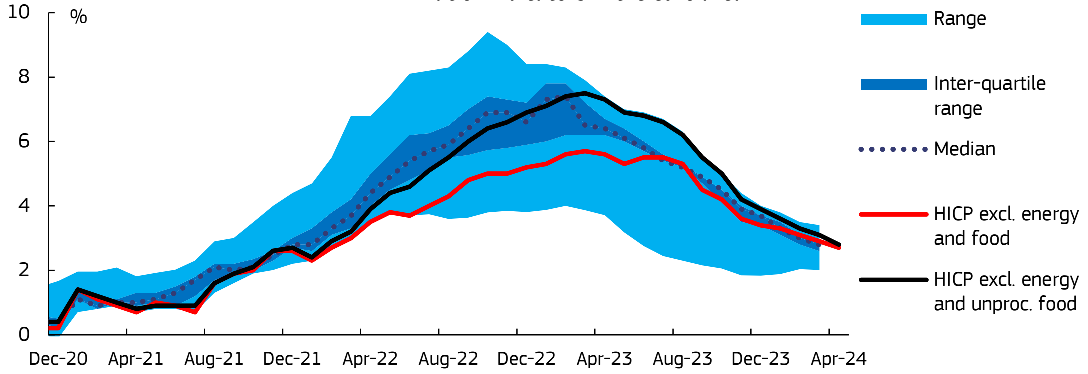
Services have, so far, contributed very little to the disinflation process. Recent stability in services inflation, and its modest decline in April in the euro area, is a result of firming price

[19] Producer prices in food manufacturing in the euro area decelerated from 1.3% y-o-y in December to -1.3% y-o-y in March, the lowest since 2016.

momentum (see Graph I.2.38c) offset by strong negative base effects [20]. Price momentum picked up steadily in the three months to April, indicating strengthening price pressures [21].

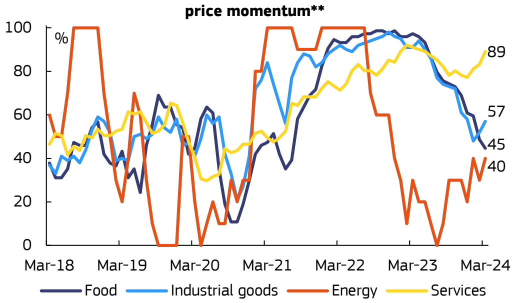
Underlying inflationary pressures continued to weaken through April. Despite the inertia in services inflation and some price volatility in other components, underlying price pressures continued to moderate in the first four months of the year. This is reflected in a steady downward trend of the median and (inter-quartile) range of 20 key underlying inflation indicators until March (see Graph I.2.39). Available exclusion-based measures suggest that this trend continued in April in the euro area, with HICP excl. energy and food, and HICP excl. energy and unprocessed food down to 2.7% y-o-y and 2.8% y-o-y, respectively, some half-a-percentage point lower compared to January.

Graph I.2.39: **HICP excluding energy and food, and a range for 20 alternative underlying inflation indicators in the euro area**



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

Graph I.2.40: **Share of HICP items* with elevated price momentum****



Note: *Share of individual COICOP items (5 to 3-digit) comprising each broad component (101 in services, 100 in industrial goods, 74 in food and 10 in energy). ** exceeding average momentum in the pre-pandemic period 2017-2019, based on seasonally adjusted series.

Price pressures narrowed markedly for goods, but remain broad-based in services. While aggregate price changes provide a good measure of the average strength of inflationary pressures, they do not indicate how widespread these pressures are. To shed light on the "breadth" of inflationary pressures in the euro area, Graph I.2.40 presents for each component a share of individual HICP items with a price momentum exceeding the pre-pandemic average. While elevated price pressures in non-energy goods (food and industrial goods) have narrowed remarkably from its late-2022 peak, elevated momentum in services remains broad-based, and continued to widen in the first quarter of 2024. In March, some 90% of individual services making up the services component of the HICP basket showed a price momentum above their pre-pandemic average. This compares with 57% for industrial goods, 45% for food and 40% for energy. A closer look inside the services component reveals the broad-based character of price pressures within five services subgroups [22], each

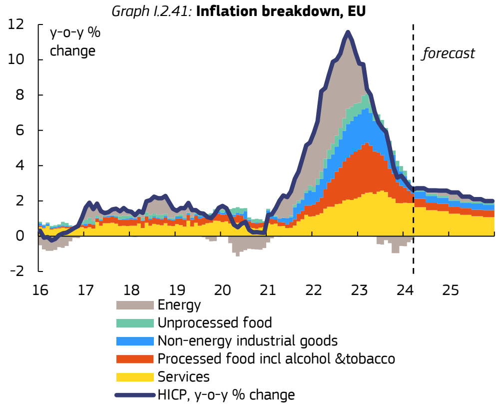
[20] Services prices in the euro area rose by an exceptionally strong 0.4-0.6% m-o-m from January to April 2023 (seasonally and calendar adjusted).

[21] The momentum is based on the ECB seasonally and calendar adjusted series, which corrects for the Easter-timing effect.

[22] The five subgroups are: (i) communication, (ii) housing, (iii) recreation and personal care, including package holidays & accommodation, (iv) transport and (v) miscellaneous.

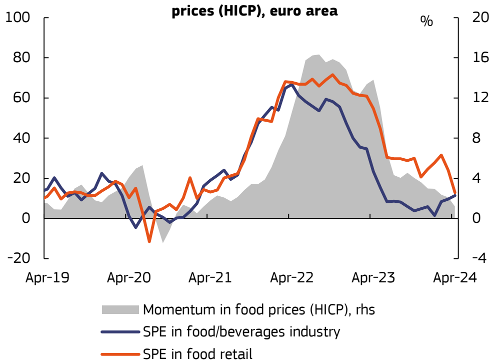
displaying shares of elevated momentum above 80%, led by housing and recreation and personal care.

Graph I.2.41: **Inflation breakdown, EU**

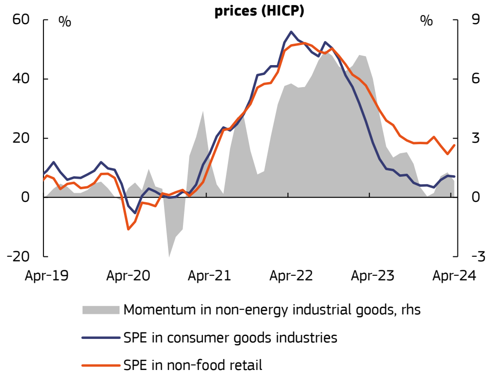


The recent increase in energy commodity prices is set to pass through to retail energy inflation, while food inflation is projected to ease further. Compared to the assumptions underpinning the Winter Forecast, futures pricing for crude oil and TTF gas is now higher in both forecast years, while it is lower for wholesale electricity in 2024, but higher in 2025 (see Section 2.1. and Box I.5.1). Taking account of the different strength and timing of the pass-through - immediate for oil and delayed for gas and electricity -, energy inflation is expected to pick up visibly in the near term, turning positive in the second quarter of 2024 (for the first time since 2023-Q1) and remaining above the winter projections over the forecast horizon, particularly in 2025 [23]. Food inflation is expected to continue easing in 2024, driven by steady deceleration in processed food, as pipeline pressures recede. Annual inflation of food (both processed and unprocessed) is projected to settle just above 2% in 2025, broadly in line with historical averages. Compared to the Winter Forecast, the outlook for food inflation is slightly lower in 2024, and broadly unchanged in 2025. Recent BCS selling price expectations by managers corroborate the prospects of weak and easing price pressures in food in the near term, both from the production and retail side (see Graph I.2.42).

Graph I.2.42: **Selling price expectations in food industry and retail vs annualised momentum in consumer food prices (HICP), euro area**



Graph I.2.43: **Selling price expectations in food industry and retail vs. annualised momentum in industrial goods prices (HICP)**



Core inflation is revised down on the back of weaker pressures in goods. Inflation of non-energy industrial goods is now expected lower than in the Winter interim Forecast, largely due to a milder-than-feared impact of Red-Sea disruptions on goods prices. Inflation of industrial goods is expected to moderate further over the forecast horizon as pipeline pressures in consumer goods recede in an environment of normalising supply bottlenecks, including in transport, and of persistent deflation in e.g. Chinese producer prices. The near-term outlook of weak or easing price pressures in industrial goods is also confirmed by managers' selling price expectations in the relevant sectors in recent months. By contrast, services inflation is expected to display some inertia, reflecting the still elevated wage pressures. The strong price momentum in the first four months of the year should weigh on the pace of disinflation in the near term. However, a relatively weak economic momentum and decelerating wage growth should allow services inflation in the euro area to ease to around 2.5% by end-2025, 1.5 pps. below its reading in the first quarter of

[23] Upward revisions to 2024 annual energy inflation are to some extent offset by lower-than-expected outturns from February to April 2024.

Table I.2.5:

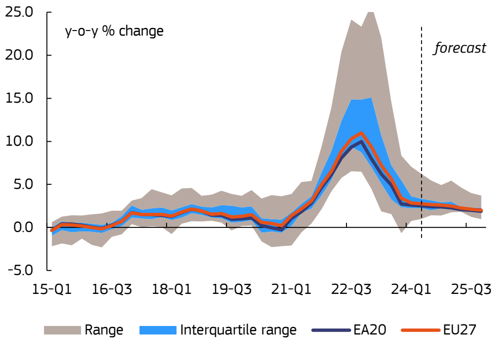
Inflation outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2024 Forecast				*Autumn 2023 Forecast*			Spring 2024 Forecast				*Autumn 2023 Forecast*		
	2022	2023	2024	2025	2023	2024	2025	2022	2023	2024	2025	2023	2024	2025
Private consumption deflator	6.8	**6.0**	**2.4**	**2.0**	*5.8*	*3.0*	*2.2*	7.5	**6.4**	**2.6**	**2.2**	*6.4*	*3.2*	*2.3*
GDP deflator	4.7	**6.0**	**3.1**	**2.1**	*5.9*	*3.0*	*2.4*	5.4	**6.2**	**3.2**	**2.3**	*6.1*	*3.2*	*2.6*
HICP	8.4	**5.4**	**2.5**	**2.1**	*5.6*	*3.2*	*2.2*	9.2	**6.4**	**2.7**	**2.2**	*6.5*	*3.5*	*2.4*
HICP-overall excluding energy	5.2	**6.3**	**2.7**	**2.1**	*6.3*	*3.1*	*2.4*	6.1	**7.2**	**3.0**	**2.2**	*7.2*	*3.5*	*2.7*
HICP-overall excl. energy and unproc. food	4.9	**6.2**	**2.7**	**2.1**	*6.3*	*3.1*	*2.5*	5.8	**7.0**	**3.0**	**2.2**	*7.0*	*3.5*	*2.7*
HICP-overall excl. energy, food, alcohol, tobacco	4.0	**5.0**	**2.7**	**2.1**	*5.1*	*3.2*	*2.5*	4.7	**5.7**	**3.0**	**2.2**	*5.9*	*3.6*	*2.8*
Compensation per employee	4.5	**5.1**	**4.2**	**3.1**	*5.5*	*4.5*	*3.4*	4.8	**5.8**	**4.8**	**3.5**	*5.9*	*4.9*	*3.8*
Unit labour costs	3.3	**6.2**	**4.1**	**2.2**	*6.0*	*3.8*	*2.3*	3.6	**6.6**	**4.3**	**2.3**	*6.4*	*4.0*	*2.4*
Import prices of goods	21.6	**-4.9**	**0.4**	**1.8**	*-3.5*	*1.2*	*1.6*	21.7	**-4.6**	**0.6**	**1.8**	*-3.0*	*1.4*	*1.7*

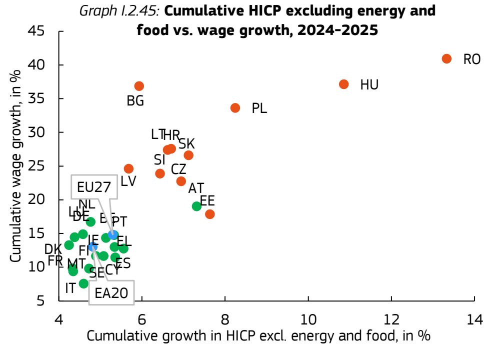
2024 and slightly below the winter projection, but still markedly above the historical average. All in all, core inflation (excluding energy and food) in the euro area is revised down by around 0.3 pps. in both years compared to the Winter interim Forecast. The downward revisions are somewhat larger in the EU.

All in all, HICP inflation is set for a faster fall than projected in winter in both 2024 and 2025. Starting the year at lower-than-expected rate, the quarterly inflation profile is expected for continued declining over the forecast horizon, as moderating inflation of non-energy components outweighs the uptick in energy inflation (see Graph I.2.41). The expiry of energy policy measures and continued presence of non-negligible base effects may trigger some month-to-month volatility in annual inflation, particularly in 2024, but without interrupting the downward trend. Headline inflation in the euro area is thus expected to decline from 2.6% in the first quarter of 2024 to 2.4% in the fourth quarter, and to continue easing in 2025 to reach the 2% ECB target in the second half of 2025. In annual terms, inflation is set to moderate from 5.4% in 2023 to 2.5% in 2024 and 2.1% in 2025 (0.2 and 0.1 pps. below the Winter interim Forecast, respectively). In the EU, inflation is projected to fall from 6.4% in 2023 to 2.7% in 2024 and 2.2% in 2025 (0.3 pps. below the Winter interim Forecast in both years).

Graph I.2.44: **Range of annual HICP inflation rates in EU Member States**



Graph I.2.45: **Cumulative HICP excluding energy and food vs. wage growth, 2024-2025**



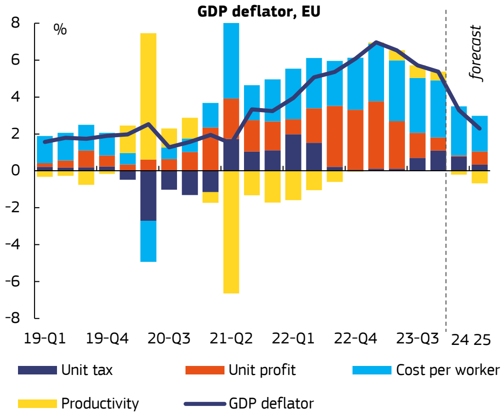
Note: Wages refer to compensation of employees (per employee). Red dots - CEE countries, green dots - other Member States

After narrowing significantly since mid-2023, dispersion of inflation within the EU is expected to fall to historical averages by 2025. Having peaked in the first quarter of 2023, intra-EU dispersion [24] of annual inflation rates has since declined significantly and is set to continue moderating over the forecast horizon, close to historical averages. As the impact of the energy shock and the associated base effects wane over the course of 2024, intra-EU inflation heterogeneity should be driven mainly by the core components of the consumption basket, and services in particular (see Graph I.2.43). Dispersion in projected core inflation (excl. energy and food) in turn reflects country-specific drivers, including the wide range of expected wage growth, developments in productivity and unit profits. Graph I.2.44 confirms a strong geographical pattern

(24) Measured by the standard deviation of 27 Member State inflations rates.

in inflation outcomes, with inflation in Member States from central and eastern Europe still visibly higher, amid larger contributions from domestic unit labour cost and unit profits and taxes.

Graph I.2.46: **Decomposition of the annual growth in GDP deflator, EU**



The slowdown in domestic price pressures this year rests on moderating unit profits. Domestic price pressures, as measured by the EU GDP deflator [25], are projected to continue moderating, with elevated wage costs absorbed by profits and rebounding productivity. Annual growth of the GDP deflator continued to slow down in the EU (euro area) from the peak of 6.9% (6.3%) in the first quarter of 2023, reaching 6.2% (6.0%) for 2023 as a whole. It is set to continue moderating to 3.3% and 2.2%in 2024 and 2025, respectively, in the EU (3.0% and 2.1% in the euro area). After the historic peak in 2023-Q1, unit profit growth decelerated over the course of 2023, and is projected to continue slowing down in 2024, thus absorbing the still elevated labour costs. As wage growth moderates and productivity growth picks up, unit profit growth is expected to recover slightly in 2025, also in the context of firming activity and demand.

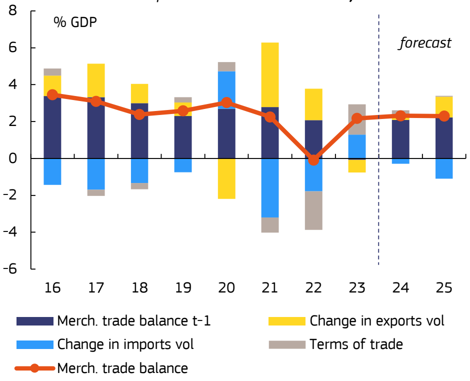
2.6. CURRENT ACCOUNT

In 2023, the volume of imports of goods in the EU contracted more than that of goods exports from the EU. Imports of goods contracted by 3.4% in annual terms, while exports of goods fell by 1.6%. These developments were heavily affected by the slump in global trade recorded in 2023 (see Section 2.1.). Even if global demand for goods contracted, the EU gained export market shares, more than offsetting the losses incurred in the previous three years. This positive development largely owes to the export boom in some non-euro area countries – notably Denmark and Poland, and to a lesser extend Czechia and Sweden. Developments within the euro area were mixed, but the negative drag of continued market losses in Germany dominated the aggregate, leading to losses in euro area market shares.

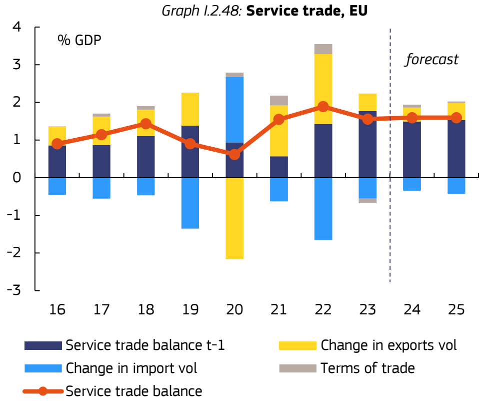
Favourable terms-of-trade developments also contributed to an increase in the merchandise trade balance. Adding to the positive contribution of net export volumes to growth, a strong improvement in terms of trade for goods delivered a sizeable increase in the merchandise trade balance (see Graph I.2.47). The rapid fall in the import prices of energy and non-energy commodities largely offset a marginal increase in EU export prices. After the sharp contraction of 2022 (-0.1% of GDP), the merchandise trade balance thus jumped to 2.2% of GDP – still well below pre-pandemic average (2015-2019).

[25] The GDP deflator closely follows the dynamics of core HICP. Moreover, it can be decomposed into contributions from labour, productivity, profits and taxes.

Graph I.2.47: **Merchandise trade, EU**



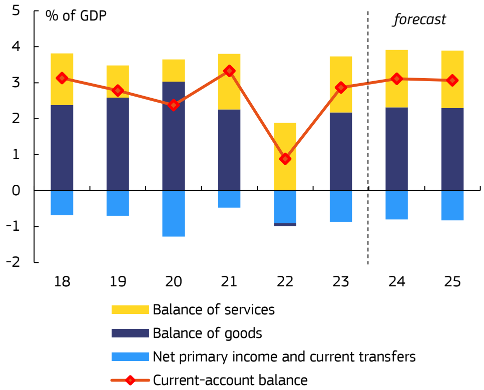
Graph I.2.48: **Service trade, EU**



In 2023, the service trade surplus shrunk marginally on the back of rising import volumes and mildly adverse terms-of-trade effects. Global services trade held up in 2023, partly still benefiting from post-pandemic rebound dynamics in the tourism sector. Imports of services in the EU increased by 4.4% - well above exports of services, which progressed by only 3.2%. The terms of trade for services also deteriorated somewhat, thus translating into a reduction of the service trade balance, which edged down from a record-high surplus of 1.9% of GDP in 2022 to 1.6% of GDP in 2023, thus remaining well-above the historical average (see Graph I.2.48).

The overall balance of current transactions with the rest of the world is projected to stabilise at around 3.1% of GDP, with contributions from merchandise and service balances also broadly stabilising. Following sharp swings related to the pandemic, the post-pandemic rebound and more recently the energy crisis, the merchandise and service trade surplus are both set to stabilise over the forecast horizon, at around 2.3% and 1.6% of GDP respectively, in both 2024 and 2025. Exports volumes in both goods and services are projected to expand over the forecast horizon, but broadly in line with imports. Moreover, with a broad stabilisation of commodity prices – and especially gas – the positive terms of trade effects are set to fade out, while remaining marginally positive in 2024. The negative balance of primary income and transfers is also projected to remain relatively stable – continuing to detract around 0.8% of GDP from the balance of current transactions. Overall, the current account is expected to edge up from 2.9% of GDP in 2023 to 3.1% of GDP in 2024 and 2025 (see Graph I.2.49).

Graph I.2.49: **Current-account balance, EU**



High frequency data from BOP statistics point to a somewhat stronger improvement of the trade balance in the short term. The EU's trade surplus increased due to sharply falling imports and slightly increasing exports – especially goods – in the first two months of 2024 (in current prices). This pushed the overall trade balance up by some 0.2% of GDP already. Whereas short-term developments suggest that there might be upside risks to the forecast of the trade balance, imports will likely catch up with a lag to the improved economic momentum.

Table I.2.6:

External position - euro area and EU

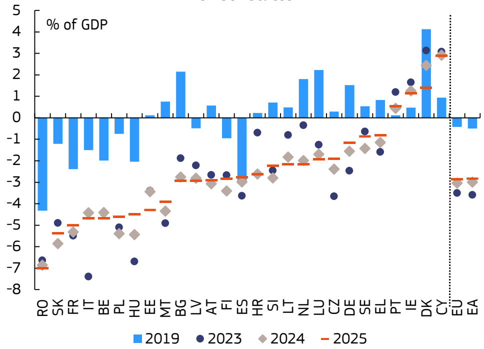
	Euro area							EU						
		Spring 2024 Forecast			*Autumn 2023 Forecast*				Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2022	2023	2024	2025	2023	2024	2025	2022	2023	2024	2025	2023	2024	2025
Merchandise trade balance (a)	0.2	**2.3**	**2.5**	**2.5**	*1.9*	*2.0*	*2.2*	-0.1	**2.2**	**2.3**	**2.3**	*1.8*	*1.9*	*2.0*
Services trade balance (a)	1.6	**1.3**	**1.3**	**1.3**	*1.6*	*1.6*	*1.6*	1.9	**1.6**	**1.6**	**1.6**	*1.7*	*1.7*	*1.8*
Primary income balance (a)	0.3	**0.3**	**0.3**	**0.3**	*0.1*	*0.2*	*0.1*	0.2	**0.1**	**0.1**	**0.1**	*-0.1*	*0.0*	*-0.2*
Secondary income balance (a)	-1.1	**-1.0**	**-1.0**	**-1.0**	*-1.1*	*-1.1*	*-1.1*	-1.1	**-1.0**	**-0.9**	**-0.9**	*-1.0*	*-1.0*	*-1.0*
Current-account balance (a)	1.0	**2.9**	**3.2**	**3.2**	*2.5*	*2.6*	*2.7*	0.9	**2.9**	**3.1**	**3.1**	*2.5*	*2.5*	*2.5*
Net lending or net borrowing (a)	1.8	**2.9**	**3.1**	**3.2**	*2.6*	*2.6*	*2.6*	-1.1	**-1.0**	**-0.9**	**-0.9**	*-1.0*	*-1.0*	*-1.0*
Terms of trade (b)	-6.2	**5.3**	**0.8**	**0.0**	*4.4*	*0.2*	*0.2*	0.9	**2.9**	**3.1**	**3.1**	*2.5*	*2.5*	*2.5*

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

2.7. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

The fall in the EU government deficit came to a halt in 2023 as economic activity weakened. After a sizeable reduction in 2021 and 2022, the general government deficit of the EU aggregate increased marginally to 3.5% of GDP in 2023 (see Graph I.2.50). This small deterioration was the result of subdued economic activity, which had a negative impact on the increase in taxes and social benefits (see change in cyclical component in Graph I.2.51), as well as revenue "shortfalls" [26]. Higher interest expenditure on the back of a tighter monetary policy stance also played a role. These factors outweighed the reduced cost of discretionary policy, which was driven by the complete phase-out of pandemic-related measures [27] and a lower net budgetary cost of measures to mitigate the economic and social impact of high energy prices (by 0.3 pps., to 0.9% of GDP) [28].

Graph I.2.50: **Budget balance developments across Member States**

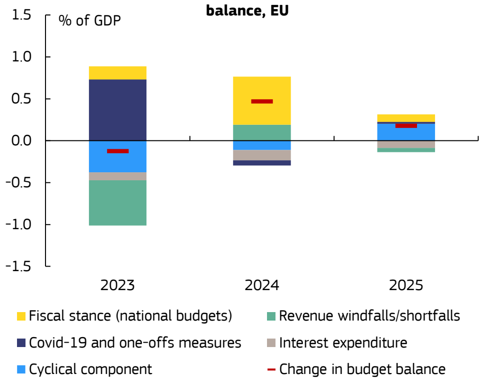


(26) Revenue windfalls (shortfalls) are estimated through the increase (decrease) in the revenue-to-GDP ratio that is not explained by discretionary measures or transfers from the EU budget.

(27) In the EU, the budgetary cost of COVID-19 temporary emergency measures is estimated to have fallen from 3.3% of GDP in both 2020 and 2021 to 0.7% in 2022. These pandemic-related measures were phased out in 2023.

(28) Measures to mitigate the impact of high energy prices are defined as: (1) measures that have a direct impact on the marginal cost of energy consumption for households and/or firms ('price measures'); (2a) measures that provide temporary income support to households; (2b) measures that provide compensation to firms (other than price measures) in energy-intensive industries (both 'income measures'); and (3) revenues from new taxes or levies on the windfall profits of energy companies (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).

Graph I.2.51: **Drivers of change of the government balance, EU**



The EU government deficit is projected to resume declining in 2024 and 2025. The general government deficit of the EU aggregate is projected to fall to 3.0% of GDP in 2024 (see Graph I.2.50). This decline is driven by a restrictive discretionary fiscal policy, which is mainly related to the sizeable reduction in energy-related measures (to 0.2% of GDP) as well as lower subsidies to private investment [29]. The change in the cyclical component of the budget is still expected to increase the deficit, but less so than in 2023, and the effect of rising interest expenditure is set to remain in place. Based on unchanged policies (see Box 1.2.3), the EU deficit is projected to fall marginally in 2025, to 2.9% of GDP, driven by the almost complete phase-out of energy-related measures and a positive contribution from economic activity.

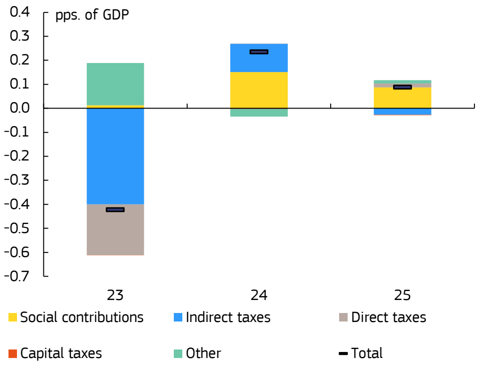
Eleven Member States reported a deficit higher than 3% of GDP in 2023 and most budgetary positions in 2025 are expected to be higher than in 2019. The number of Member States with a general government deficit exceeding 3% of GDP is projected to remain stable in 2024 - with a somewhat different country composition - and to drop to nine in 2025, based on unchanged policies (see Graph I.2.50). With the notable exception of Ireland, Spain, Cyprus and Portugal, Member States are projected to have a higher budgetary position in 2025 than before the pandemic, in 2019 (see Graph I.2.50).

The revenue-to-GDP ratio for the EU is expected to recover in 2024 after the fall recorded in 2023, while the expenditure ratio is set to continue declining. Inflation and energy-support measures have driven recent fluctuations in the revenue ratio in the EU. After sizeable revenue windfalls in 2020-22 [30] - also due to high inflation - revenue grew less than nominal GDP in 2023, mainly due to the reversal of some of those windfalls driven by the impact of falling energy prices on indirect taxes. As a result, the EU revenue-to-GDP ratio declined significantly in 2023 (see Graph I.2.52). It is projected to recover in 2024 and 2025 as the tax revenue and social contributions components increase, linked to the strong labour market performance and wage increases. On the expenditure side, after the decline in 2023 (see Graph I.2.53) driven by the complete phase-out of pandemic-related measures, the EU expenditure-to-GDP ratio is projected to further decrease in 2024-25, mainly because of falling current subsidies and capital transfers. These declines are expected to be partially compensated by increasing spending on social payments and compensation of employees, which adjust to private sector wages and recover (some) of the purchasing power that was lost in 2022-23. Interest expenditure is set to continue increasing gradually.

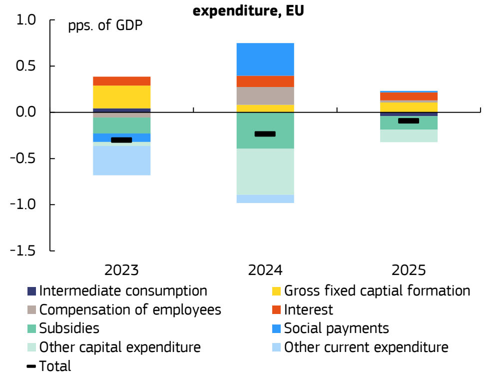
(29) The cost of these subsidies for national budgets in the EU increased by around 0.8% of GDP in 2023 compared to 2020, mainly due to measures related to housing renovation (e.g. the so-called Superbonus 110% in Italy). These costs are set to reduce by around 0.5% of GDP in 2024.

(30) 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.

Graph I.2.52: **Contributions to the change in revenue, EU**



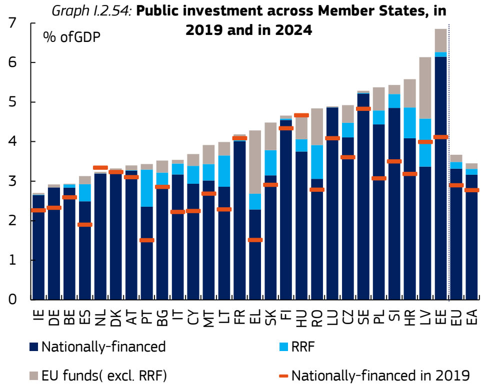
Graph I.2.53: **Contributions to the change in expenditure, EU**



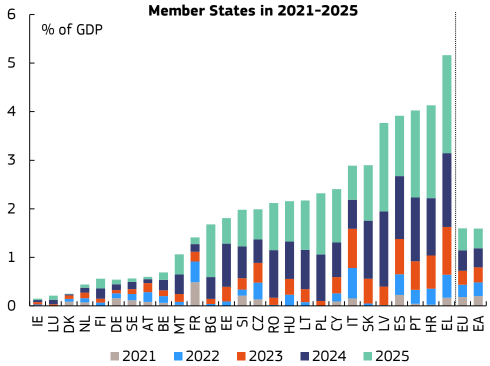
Public investment is expected to remain at high levels over the forecast horizon. Starting from 3.1% of GDP in 2019, the EU public investment ratio rose to 3.5% of GDP in 2023 and is projected to increase further to 3.7% in 2025 (see Graph I.2.54). The increase between 2019 and 2025 is related to investment financed by both the EU budget - particularly by the RRF – and national budgets [(31)]. By the end of the forecast horizon, 23 EU countries are projected to spend more on nationally financed public investment than they did prior to the pandemic.

Expenditure financed by RRF grants is set to accelerate over the forecast horizon. Over the 2020-25 period, expenditure financed by RRF grants in the EU is expected to be around 1.6% of GDP (see Graph I.2.55). In the EU, it increased to 0.3% of GDP in 2023 (from 0.2% in 2021) and is set to rise further in 2024 and 2025, to 0.4% of GDP and 0.5% of GDP, respectively. By 2025, expenditure financed by RRF grants is expected to be above 3% of GDP in five Member States (Latvia, Spain, Portugal, Croatia and Greece), while it is projected between 2% and 3% of GDP in eight countries (Czechia, Romania, Hungary, Lithuania, Poland, Cyprus, Italy and Slovakia) and above 1% in five countries (Malta, France, Bulgaria, Estonia and Slovenia).

Graph I.2.54: **Public investment across Member States, in 2019 and in 2024**



Graph I.2.55: **Expenditure financed by RRF grants across Member States in 2021-2025**



(31) Differences in investment financed by the EU budget among Member States depend on the allocation of Recovery and Resilience Facility grants and other EU funds, as well as on the degree of absorption.

Table I.2.7:

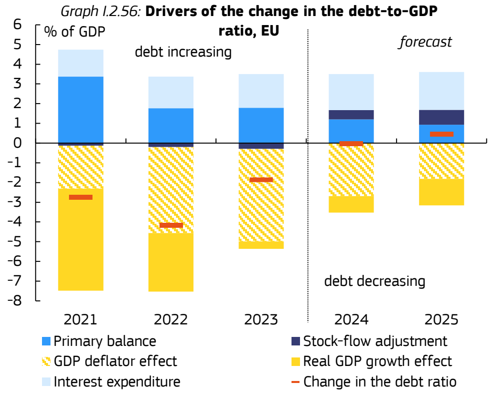
General Government budgetary position - euro area and EU

(% of GDP)	Euro area							EU						
		Spring 2024 Forecast			*Autumn 2023 Forecast*				Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2022	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
Total receipts (1)	47.0	**46.4**	**46.6**	**46.8**	*46.2*	*46.2*	*46.0*	46.3	**45.9**	**46.2**	**46.2**	*45.7*	*45.7*	*45.6*
Total expenditure (2)	50.6	**50.0**	**49.6**	**49.6**	*49.4*	*49.0*	*48.8*	49.7	**49.4**	**49.2**	**49.1**	*48.9*	*48.5*	*48.3*
Actual balance (3) = (1)-(2)	-3.7	**-3.6**	**-3.0**	**-2.8**	*-3.2*	*-2.8*	*-2.7*	-3.4	**-3.5**	**-3.0**	**-2.9**	*-3.2*	*-2.8*	*-2.7*
Interest expenditure (4)	1.7	**1.7**	**1.9**	**2.0**	*1.7*	*1.9*	*2.0*	1.6	**1.7**	**1.8**	**1.9**	*1.7*	*1.8*	*2.0*
Primary balance (5) = (3)+(4)	-2.0	**-1.9**	**-1.1**	**-0.9**	*-1.5*	*-1.0*	*-0.7*	-1.8	**-1.8**	**-1.2**	**-0.9**	*-1.5*	*-1.0*	*-0.7*
Gross debt	92.4	**90.0**	**90.0**	**90.4**	*90.4*	*89.7*	*89.5*	84.8	**82.9**	**82.9**	**83.4**	*83.1*	*82.7*	*82.5*
Fiscal stance (a)	-2.3	**0.1**	**0.8**	**0.0**	*0.5*	*0.6*	*0.2*	-2.0	**0.1**	**0.6**	**0.1**	*0.4*	*0.7*	*0.3*

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

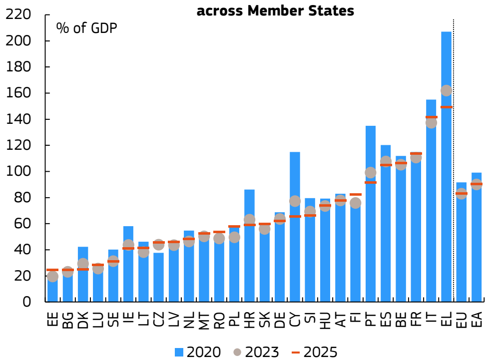
The debt-to-GDP ratio of the EU is projected to stabilise in 2024 and slightly increase in 2025. At the end of 2023, the EU public debt-to-GDP ratio stood at 83% (90% in the euro area), around 9 pps. lower than the 92% peak recorded at the end of 2020 (99% in the euro area). However, it remains around 4 pps. above the pre-COVID-19 level. This sizeable decline - despite the large primary deficits - was driven by strong nominal GDP growth that outweighed the debt-increasing effect of higher interest rates on public debt, related first to the strong economic recovery in 2021-22 and then to high inflation in 2022-23 (see Graph I.2.56). The debt ratio is projected to stabilise in both the EU and the euro area in 2024 and to slightly increase in 2025, as the aforementioned interest-growth-rate differential becomes less favourable - due to the higher cost of servicing debts and lower nominal GDP growth – and the stock-flow adjustment [32] becomes debt-increasing. Primary deficits (i.e. excluding interest expenditure), though smaller, are set to continue weighing on debt developments in 2024-25.

Graph I.2.56: **Drivers of the change in the debt-to-GDP ratio, EU**



Developments in public debt ratios vary across countries. By the end of 2025, in most Member States the debt-to-GDP ratios are projected to be lower than in 2020. The largest falls are expected in Greece, Cyprus, Portugal and Croatia. 12 Member States are set to have debt ratios greater than 60% of GDP by the end of the forecast horizon; in five of them (Belgium, Greece, Spain, France and Italy) the debt-to-GDP ratio is expected to remain greater than 100% of GDP (see Graph I.2.57).

Graph I.2.57: **General government debt developments across Member States**

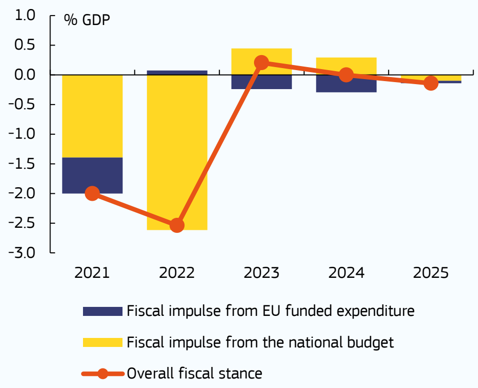


(32) The stock-flow adjustment explains the difference between the change in government debt and the government deficit/surplus for a given period. Conceptually, the stock-flow adjustment can be broken down into the following categories: net acquisition of financial assets, debt adjustment effects and statistical discrepancies.

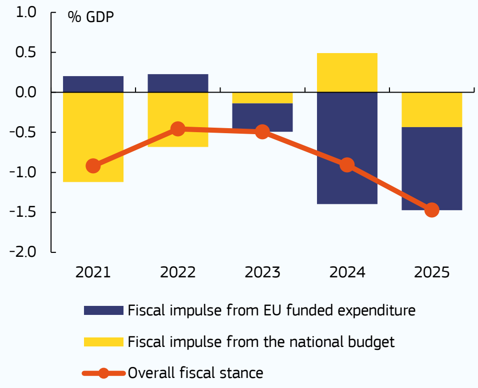
Box I.2.2: Fiscal stance: gauging the impact of fiscal policy on aggregate demand

The increasing role of EU funds – especially in the aftermath of Next Generation EU – calls for a new measurement of the fiscal stance that takes into account the EU budget. The overall fiscal stance measures the extent to which fiscal policies drive economic growth by supporting aggregate demand in the short run. Traditionally, this has been proxied by the change in the structural balance. The problem with this approach is that it does not take into account the fiscal impulse coming from transfers that leave the general government balance unaffected, but that potentially can have a sizeable effect on aggregate demand. In the EU the economic impulse from fiscal policies does not only come from national budgets and respective deficit, but also from the EU budget given the important role of EU funds, including the RRF and European Structural and Investment Funds. EU funds can reinforce, dampen or even reverse the fiscal impulse from the national budget – a fact often overlooked by some commentators. To measure the overall fiscal stance, both components should therefore be taken into account. Graphs 1a and 1b provide some illustrative examples for Spain and Latvia, showing how the fiscal impulse from the EU budget can significantly affect the overall fiscal stance in some Member States. In Spain, in 2023 and 2024, the expansionary impulse from EU-funded expenditure offset part of the contractionary impulse from the national budget. In Latvia, in 2023, the expansionary impulse from EU-funded expenditure was larger than the impulse from the national budget, and in 2024, it more than offsets the contractionary impulse from the national budget. For details on the composition of the fiscal stance for all EU Member States see Section 2.7.

Graph 1a: **Fiscal stance in Spain**



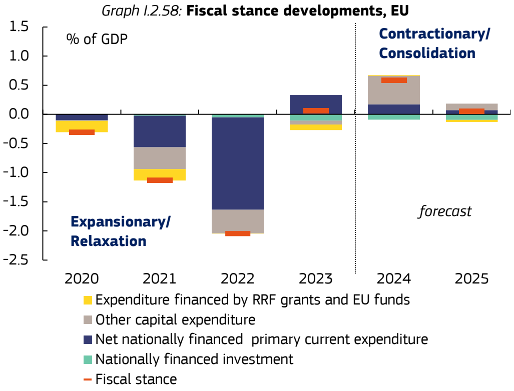
Graph 1b: **Fiscal stance in Latvia**



Note: Negative figures indicate an expansionary impulse, positive numbers indicate a contractionary impulse.

After significant expansion, the EU fiscal stance turned neutral in 2023 and is set to be contractionary in 2024. After an overall expansion estimated at around 3½% of GDP for 2020-22 [33], the EU fiscal stance became neutral [34] in 2023 (see Graph I.2.58). This neutral stance was the result of some decline in the budgetary cost of the energy-related measures - implying a contractionary contribution from net primary current expenditure [35] -, which was offset by the expansionary contribution provided by nationally financed investment, expenditure financed by RRF grants and other EU funds, and other capital expenditure. A contractionary EU fiscal stance - slightly above ½% of GDP - is projected for 2024, mainly driven by the expected decline in governments' subsidies to private investment (other capital expenditure) and the almost complete phase-out of energy-related measures. For 2025, the no-policy-change forecast points to a neutral EU fiscal stance. However, the need to reduce budget deficits and put debt ratios back on a declining path could lead to a more restrictive fiscal stance in 2025 than currently projected.

Graph I.2.58: **Fiscal stance developments, EU**



Although heterogenous, fiscal stance estimates for 2024 point towards more contractionary policies in many Member States. In 2024, the fiscal stance is set to range from contractionary by more than 3% of GDP in Italy, to expansionary by around 2% of GDP in Poland (see Graph I.2.59). The divergent fiscal stances across Member States are also linked to developments in measures to mitigate the impact of high energy prices, where the phase-out pace varies. The contributions to the overall fiscal stance also differ strongly between Member States. Expenditure financed by RRF grants and other EU funds is expected to provide a neutral or expansionary contribution to the fiscal stance in most countries. However, in seven Member States, most of which benefited from sizeable inflows of EU Structural and Investment Funds in 2023 [36], it is set to be contractionary. The contribution of net primary current expenditure financed by the national budgets is evenly distributed between positive and negative across Member States. The largest contractionary contributions are expected in France, Malta and Czechia, driven by the phase-out of energy-support measures. In the majority of countries, nationally financed investment is set to be preserved or expanded in 2024. Other capital expenditure is projected to provide a large contractionary contribution in Italy (more than 3% of GDP), as subsidies to private investment are phased out.

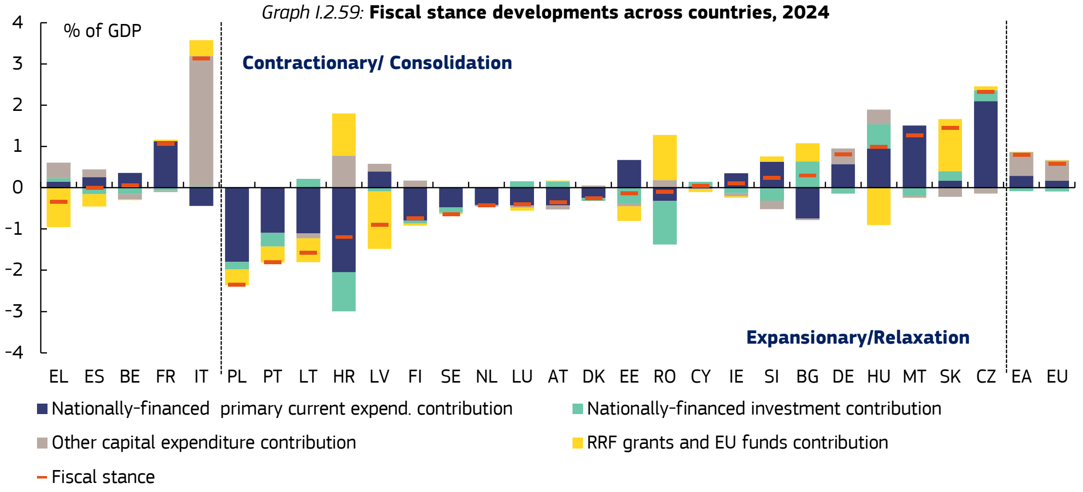
(33) The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy, see also Box 1.2.2. It is based on the increase in primary expenditure (net of discretionary revenue measures) relative to the 10-year nominal potential output growth. The net expenditure aggregate 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). These pandemic-related measures were phased out in 2023. See https://economy-finance.ec.europa.eu/publications/2021-stability-convergence-programmes-overview-assessment-euro-area-fiscal-stance_en, page 22.

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

(35) Current expenditure net of i) interest expenditure; ii) discretionary revenue measures; iii) current expenditure on programmes of the Union fully matched by revenue from Union funds; iv) cyclical elements of unemployment benefit expenditure; and v) one-offs and other temporary measures.

(36) 2023 was the last year to spend funds provided by the 2014-20 Multiannual Financial Framework (MFF).

Graph I.2.59: **Fiscal stance developments across countries, 2024**



Box I.2.3: **A forecast that is tailored to, and evolves with, the needs of macroeconomic surveillance**

Independent economic and budgetary forecasts are an anchor of good policy-making and effective macroeconomic surveillance. The Commission's European Economic Forecasts are independently prepared by Commission staff, and have been the starting point for policy procedures for many years. Economic forecasts aim at providing a diagnosis of economic developments in each of the Member States and in the European Union.

The Commission's European Economic Forecasts will continue to underpin the reformed macroeconomic governance in the EU. After constructive negotiations among the co-legislators and the Commission, the new economic governance framework for the European Union has recently entered into force [(1)]. The objectives of the reformed framework are public debt sustainability, and sustainable and inclusive growth through reforms and investments. The new framework enhances national ownership, and has a greater medium-term focus, combined with a more effective and coherent enforcement. Against this background, this box describes some new features related to the new economic governance framework, recalls some well-established characteristics of the Commission's forecasts, and comments on other recent developments.

Commission's budgetary forecasts at the centre of fiscal surveillance

Under the new governance, Member States' fiscal commitments will be operationalised through net expenditure paths. A central novelty of the reformed framework is that Member States will submit by this autumn their first medium-term fiscal-structural plans. In these plans, Member States commit to expenditure paths, i.e. to nominal growth rates of *net nationally financed primary expenditure* that bring their debt onto a sustainable path [(2)]. Net nationally financed primary expenditure (or simply 'net primary expenditure') is government expenditure excluding interest expenditure and expenditure matched by revenue from EU funds, and net of the fiscal impact of revenue measures [(3)].

This Spring Forecast provides essential input for Member States' new medium-term plans. As the initial step for the preparation of their plans, the Commission provides to Member States with deficit or debt ratios above the thresholds of 3% and 60% of GDP reference expenditure trajectories. These trajectories, which are based on the debt sustainability situation in each country, are then considered by the Members States for the formulation of their medium-term plans. The fiscal requirement from the reference trajectory is driven by the expected potential growth and the initial position in terms of structural primary balance – both have been and will continue to be estimated by the Commission in the context of its macroeconomic forecasts – as well as by expected developments

(1) The legal acts that reformed the economic governance and entered into force on 30 April 2024 are (a) Regulation (EU) 2024/1263 of the Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance; (b) Council Regulation (EU) 2024/1264 (which amended Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure), and (c) Council Directive (EU) 2024/1265 (which amended Directive 2011/85/EU on requirements for budgetary frameworks of the Member States).

(2) The path also ensures compliance with a number of numerical safeguards, e.g. to ensure a minimum annual decrease in the debt-to-GDP ratio for Member States where the debt-to-GPD ratio exceeds 60%, or to ensure a resilience margin in structural terms of 1.5% of GDP compared to the 3%-of-GDP reference value.

(3) Expenditure matched by revenue from EU funds (such as investments financed with grants from the Recovery and Resilience Facility) are excluded because such expenditure has no impact on the general government deficit or the debt sustainability. Discretionary revenue measures (such as tax cuts or increases) are taken into account as these may reinforce or offset the fiscal adjustment from expenditure increases. The indicator further excludes the cyclical component of unemployment benefits, as well as the impact of one-off measures (revenue as well as expenditure) in view of their transient impact on government finances, as well as national expenditure on co-financing of programmes funded by the Union.

(Continued on the next page)

Box (continued)

in the implicit interest rates on the government debt and the expected demographic-related costs [4]. Experience shows that, among these variables the structural primary balance for the ongoing year is of crucial relevance. This means that, although the structural (primary) balance will lose the relevance that it had under the previous set of rules in the in-year monitoring of fiscal policy, it will remain central as a starting point to define the Member States' fiscal commitments.

From now on, net primary expenditure will be the cornerstone of the new surveillance framework. The Commission will project developments for each of the components of net primary expenditure. As from the next forecast, projections for the net primary expenditure growth will be added to the usual tables and fiscal variables, which already include government deficit, debt, cyclically-adjusted deficit and structural (primary) balance.

Interpretation of the Commission's budgetary forecasts

The Commission's forecasts will continue to be based on the no-policy-change assumption. The Commission's forecasts assume a continuation of existing budgetary policies [5]. This is commonly referred to as the *no-policy-change assumption*. This means that the forecast does not incorporate a reaction function for the general government, or fiscal closure rule, even in cases where such a reaction is very likely (e.g. for countries with binding policy targets, even when these are constitutionally mandated, or in case of measures on which a political consensus is building, but which have not yet lead to a government decision). Also, the forecast does not make assumptions on policy choices still to be taken. For example, a government may announce its intentions to correct an excessive deficit or to better control net expenditure, and while this intention may be fully credible, it will only be reflected in the Commission forecast after the government has decided which revenue or expenditure measures it will concretely take to achieve this policy action. In the context of the new framework based on expenditure paths, the Commission forecasts will serve to identify the size of the additional policy action that is necessary to abide by the net expenditure growth rate each Member State has committed to in their medium-term plans.

A good and useful budgetary forecast is the one that leads to actions that will ultimately refute the forecast. The main objective of producing a budgetary forecast is to identify gaps between current policies and fiscal objectives. In other words, it provides information on the size of policy action needed to achieve the budgetary targets. This is used to guide the Commission's assessment of Member State's national budgets and to inform policy action. If the budgetary forecast triggers a policy response from the Member State to close the gap between forecast and target, the forecast fulfils its main purpose. Thus, paradoxically a good and useful budgetary forecast is the one that leads to actions that will ultimately refute the forecast, given that its projections will no longer stand when corrective actions are taken. For this reason, criticism noting that the Commission forecast systematically overestimates fiscal deficits in countries that traditionally adopt large corrective measures during the fiscal year may be misguided.

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(4) On the latter, the Commission has regularly published in cooperation with the Economic Policy Committee the Ageing Report: the last edition (April 2024) was been published in the European Economy-Institutional Papers, 279. The Ageing Report includes comprehensive long-term budgetary projections until 2070 based on the latest population projections by Eurostat. It provides insights into the timing of population ageing, its economic implications and on how ageing-related costs might develop in the future, considering the latest information and legislated reforms.

(5) In practice including the measures that have been credibly announced and sufficiently detailed at the cut-off date of the forecast.

3. RISKS

The forecast remains surrounded by high uncertainty, with risks originating from the EU's external environment skewed towards adverse outcomes. Risks originating from outside the EU have increased in recent months, amid two ongoing wars in our neighbourhood and mounting geopolitical tensions. Global policy uncertainty is also high, in view of the unprecedented share of the global population going to the polls this year, including in India, the US and the EU. In this context, global trade and energy markets appear particularly vulnerable.

Global trade could settle on a lower expansion path than projected. This forecast projects the elasticity of merchandise trade to GDP growth to settle on a 'new normal' of around one. This is substantially lower than in the decade preceding the pandemic. Still, this scenario may prove benign in light of growing trade restrictions across jurisdictions and intensification of trade disputes between the EU's major trade partners. The EU economy would be negatively affected from these trade frictions, given its high degree of openness. The risks of being directly drawn into trade conflicts have increased.

A renewed energy shock – this time on oil – would downgrade the EU growth outlook and reignite inflationary pressures. So far, the impact of the conflict in the Middle East on oil prices has been modest. However, the region is home to major oil producers and crucial shipping routes for oil and liquefied natural gas through the Gulf of Suez and even more the straits of Hormuz. A model-based scenario based on the Global Multi-Country (GM) (37) model suggest that disruptions to oil supplies would have a powerful impact on energy prices, global output and the overall price level. Specifically, a 30% increase in oil prices would result in a loss in GDP growth by 0.2 pps. in 2024 and 0.14 pps. in 2025 and increase inflation by 0.7 pps. in 2024 and 0.6 pps. in 2025 (38).

Persistent high inflation in the US would result in a tightening of global financial conditions. Markets have recently scaled down their expectations about FED rate cuts, on evidence of persistent inflation in the US. Further above-expectations inflation prints could delay monetary policy easing. In turn, high-for-longer interest rates in the US may constrain monetary policy action in emerging markets and to a lesser extent advanced economies, on account of the central role of dollar financing. The resulting tighter global financial conditions would weigh on global investment and demand for goods.

Domestic demand could surprise on the upside. While the forecast indicates a stabilisation of household savings at a relatively high level, a continued improvement in consumer confidence could enable a faster normalisation of saving behaviour, creating room for higher consumption growth. Additionally, a faster recovery in housing prices might spur an earlier rebound in investment in residential construction. A higher growth momentum, at the same time, could revive subsiding inflationary pressures, unless counterbalanced by higher-than-expected labour productivity growth.

The fiscal and monetary policy stance could turn more restrictive than currently projected, with adverse effects on growth. The last mile of the disinflationary process may be more challenging in the EU as well, namely if unit labour cost growth does not decelerate as expected. This could force the monetary authorities to ease monetary conditions at a slower pace than currently expected by markets. Similarly, the need to put debt ratios onto a sustainable path

(37) The section utilizes input from model-based scenarios using the European Commission's Global Multi-country (GM) model, a structural macroeconometric model of the euro area. For more information see: https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-research/macroeconomic-models/global-multi-country-gm-model_en

(38) These results factor in a monetary policy reaction under a standard Taylor rule. Under the assumption of no change in monetary policy, the inflation increase is slightly larger (by 0.12 pps. each year) but the drag on GDP growth is negligible.

may require some Member States to put in place a more restrictive fiscal stance than currently projected for 2025.

Finally, risks associated to climate change and the degradation of natural capital also increasingly weigh on the outlook. Climate change and the over-exploitation of our natural resources can have dramatic consequences for our economies, and beyond. While some of these effects are expected to materialise only gradually, the increasingly frequent occurrence of extreme weather events, like heatwaves, fires, droughts and floods, already shows that they come with high economic costs. The EU is particularly affected, as Europe is the continent experiencing the fastest increase in temperature.

4. SPECIAL ISSUES

4.1. TAKING INTO ACCOUNT THE KEY ROLE OF NATURAL CAPITAL FOR ECONOMIC ACTIVITY

Introduction

Natural resources are a recurrent topic in the European Economic Forecasts, mostly given that temporary scarcities of mineral resources (oil, gas) or agricultural commodities [39] affect the near-term outlook on prices and production. Concerns have been voiced that demand for critical minerals may outpace supply in the medium-term [40]. In this special topic, we take a broader view of the interaction between the economy and nature. The overuse of natural resources — such as energy, forests, water and land - in economic activities may lead to a degree of depletion of natural resources and degradation of ecosystems that threatens key inputs upon which economies depend. This is already happening - the emission of greenhouse gases persistently beyond the natural absorption capacity of ecosystems has now caused an increase in the frequency of natural disasters, which further weakens ecosystems' capacity to provide critical services. Recognizing this interaction between economic activity and nature is crucial for fostering sustainable economic growth.

Although the classical economist considered land as a production factor, and the concept of 'natural capital' has been employed in environmental economics for decades, standard contemporary macroeconomic models continue to abstract from the interactions between natural assets and the economy, and they are only partly captured by traditional measures of economic output [41]. Against the background of increasing environmental concerns, efforts have been stepped up to better measure the contribution of the environment to the economy and the impact of the economy on the environment. While in the past, macroeconomic modellers and macroeconomists advising policymakers have generally shown limited interest in natural capital accounting, this is changing rapidly. Recent policy initiatives and discussions on the economic importance of natural capital have been undertaken by the OECD (2021), the World Bank (2021), the Coalition of Finance Ministers for Climate Action (2022), monetary policy makers (e.g. Boldrini et al 2023) and the White House (2023) [42].

Building on the Autumn 2023 Forecast special issue on the impact of extreme weather events on national accounts and the European Economic Forecasts, this special topic is part of a series of analytical contributions that look into the sustainability of economic output from different angles, with a view to broadening the scope of European Economic Forecasts and the economic surveillance they underpin. After laying out the interactions between natural capital and the

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(39) For instance, the possible impact of El Nino conditions on crops was discussed in the 2023 Summer and Autumn forecasts.

(40) International Energy Agency (IEA) (2023). *Critical Minerals Market Review 2023*, Paris, IEA, December.

(41) See for example Dasgupta, P. (2021). The Economics of Biodiversity: The Dasgupta Review. London, HM Treasury. World Bank (2021). The Changing Wealth of Nations 2021: Managing Assets for the Future. Washington, DC, World Bank Group.

(42) Organisation for Economic Cooperation and Development (OECD) (2021). "Biodiversity, natural capital and the economy: A policy guide for finance, economic and environment ministers", *OECD Environment Policy Papers*, No. 26, Paris, OECD Publishing. Johnson, J., G. Ruta, U. Baldos, R. Cervigni, S. Chonabayashi, E. Corong, O. Gavryliuk, J. Gerber, T. Hertel, C. Nootenboom and S. Polasky (2021). *The Economic Case for Nature, A global Earth-economy model to assess development policy pathways.* Washington D.C., World Bank Group,. Power, S., N. Dunz and O. Gavryliuk (2022). *An Overview of Nature-Related Risks and Potential Policy Actions for Ministries of Finance: Bending The Curve of Nature Loss*. Coalition of Finance Ministers for Climate Action, Washington, D.C. Boldrini, S, A Ceglar, C Lelli, L Parisi and I Heemskerk (2023). "Living in a world of disappearing nature: physical risk and the implications for financial stability", *ECB Occasional Paper* 333. The White House (2023). "Accounting for Ecosystem Services in Benefit-Cost Analysis". Online briefing.

economy, the analysis focuses on the measurement of these interactions and discusses modelling approaches to depict them [43].

The interactions between natural capital and the economy

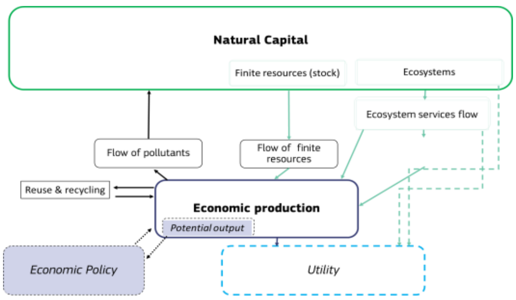
The United Nations (2020) [44] defines natural capital as: "[..] the stocks of environmental assets (including natural resources, ecosystems and a stable climate) that generate flows of goods and services into the economy."

Natural assets can be classified as *finite resources* and *ecosystems* (cf. Dasgupta 2021). Finite resources, including minerals, fossil fuels, and metals, are non-renewable. They are exploited by extractive industries and used as inputs to various industrial processes, including energy production and infrastructure development. Ecosystems, in contrast, encompass diverse biological communities and their physical environment, such as forests, wetlands, oceans, and grasslands, which provide a vast array of vital ecosystem services. They enable the regeneration of renewable resources (e.g. crops, animal feed, fish and timber) and contribute directly to economic production with the provision of clean air, water and soil fertility. Ecosystems also provide climate regulation and mitigate natural hazards such as landslides, flooding, or wildfires. Finally, beyond providing goods and services that can be valued economically, ecosystems crucially support life and contribute to human well-being, for example through the availability of breathable air and other health benefits, as well as benefits of non-economic value (e.g. the aesthetic value of an unspoiled landscape).

Natural capital interacts with the economy in various ways (see for example Bastien-Olvera and Moore 2021 [45] and Graph I.4.2). Essentially, as economic activity crucially relies on natural capital, it leads to the depletion of finite resources and generates material residuals that enter the environment as waste or polluting emissions. For example, deforestation to make way for agriculture or urban development can contribute to climate change. Over-fishing damages marine ecosystems and biodiversity. Restoration and preventive efforts – like reforestation, erosion control and limitations to carbon pollution – can to some extent limit or prevent the costs of economic activity on natural capital.

Quantifying the interaction between natural capital and the economy

Graph I.4.1: **Feedback loops between natural capital and economic production**



Quantifying the interaction between natural capital and economic activity is key in order to design optimal policies that reconcile economic growth with environmental sustainability. To this purpose, the United Nations developed the System of integrated Environmental and Economic Accounts (SEEA) [46] which enables countries to combine economic and environmental data using a common set of concepts, definitions, classifications and accounting rules. The aim of this framework is to provide a more comprehensive view of the interrelations between the economy and the environment, and the stocks and evolution of environmental assets. The EU contributed significantly to this endeavour through the Knowledge Innovation Project on Integrated Natural

[43] See also Döhring, B., A. Hristov, A. Thum-Thysen, and C. Carvello (2023). "Reflections on the Role of Natural Capital for Economic Activity", *European Economy-Discussion Papers* 180, Brussels, EC, February.

[44] United Nations (2020). *Natural Capital Accounting For Sustainable Macroeconomic Strategies,* New York, Department of Economic and Social Affairs.

[45] Bastien-Olvera, B and F Moore (2021). "Use and non-use value of nature and the social cost of carbon", *Nature Sustainability* 4: 101-108.

[46] United Nations (2014). System of Environmental-Economic Accounting 2012 — Central Framework. New York. United Nations (2021). System of Environmental-Economic Accounting — Ecosystem Accounting. New York.

Capital Accounting (INCA), jointly undertaken by the European Commission and the European Environment Agency (see Vysna et al 2021; Bagstad et al 2021 (47).

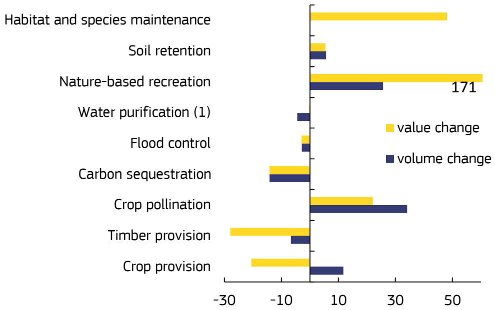
Based on the SEEA accounting principles, Eurostat's "Environmental Economic Accounts" (EEA) organise environmental data from many domains using the same concepts and terminology as the national accounts, in both physical terms - to record flows of materials from, to and within the economy - and monetary terms - to record, e.g. environmental taxes and subsidies. To date, only part of the SEEA is implemented, and work remains in progress, in particular accounting for ecosystem services.

Focussing on inputs to economic activity and services to humans, the SEEA does not reflect all the intrinsic values of natural capital as it so far only covers a subset of nature's assets. Whereas resources traded in markets are covered by the system of national accounts, many ecosystem services do not have a market price and remain thus invisible in standard metrics of economic production (e.g. the pollination of orchards or carbon storage in forests and wetlands). Outside the boundaries of the national accounts techniques have been developed in the SEEA and EEA to measure the quantity and quality of ecosystems and the flow of ecosystem services they produce. For the monetary valuation, the SEEA and EEA use methods that are as close as possible to those in use in the national accounts (48).

Using the INCA data on ecosystems, Graph I.4.2 illustrates that the contribution of a number of ecosystem services to the EU economy has been on a downward trend over the past two decades. These include most of those ecosystem services that are a direct input to economic activity or those whose absence constitutes a risk to economic activity. Although the surface of agricultural land in the EU has decreased, and the forest surface increased somewhat, the value of both crop and timber provisioning services has dropped sharply in real terms. The volume and value of carbon sequestration and flood control have also decreased, while the strongest increase in value concerns recreation services (which do not include tourism) and habitat & species maintenance.

Another valuable approach to measure the sustainability of economic development is provided by the World Bank in their "Changing Wealth of Nations" report. The corresponding database covers a large set of countries across the globe and uses concepts that are fully compatible with national accounts. It allows exploring a nation's wealth, taking into account not only what is made by people (produced capital) but also the wealth embedded in people themselves (human capital), and – importantly - the wealth offered by nature (natural capital). As such, this wealth accounting system stresses that natural and human forms of capital are intrinsically linked and deserve joint consideration with a view to promoting sustainable prosperity.

Graph I.4.2: **Ecosystem services in the EU (change 2018 compared to 2000 in %)**



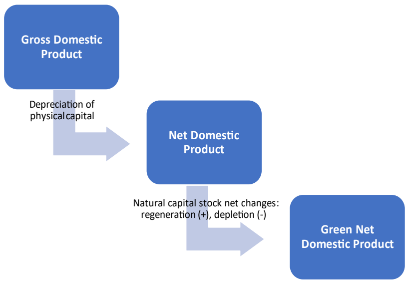
Source: European Commission INCA and AMECO, own calculations.
Notes: Water purification change since 2006. No volume data for habitat and species maintenance. Values in constant (2000) euros.

(47) Vysna, V., J. Maes, J.E. Petersen, A. La Notte, S. Vallecillo, N. Aizpurua, E. Ivits and A. Teller (2021). Accounting for ecosystems and their services in the European Union (INCA). Final report from phase II of the INCA project aiming to develop a pilot for an integrated system of ecosystem accounts for the EU. Statistical report. Luxembourg, Publications office of the European Union. Bagstad, K., J. Carter Ingram, C. Shapiro, A. La Notte, J. Maes, S. Vallecillo, F. Casey, P. Glynn, M. Heris, J. Johnson, C. Lauer, J. Matuszak, K. Oleson, S. Posner, C. Rhodes and B. Voigt (2021). "Lessons learned from development of natural capital accounts in the United States and European Union", Ecosystem Services 52: 101359.

(48) adapted market prices, replacement cost and avoided damage for, e.g. the indirect use value of pollination, soil retention and flood control; effective carbon prices compiled by the OECD as well as willingness to pay for the non-use value of carbon sequestration and habitat/species maintenance respectively.

Data on the stocks of natural capital such as the World Bank's can be used to assess sustainability by observing the development of natural assets alongside the dynamics of economic output. A further step is to link them formally in an extended concept of net domestic product (Graph I.4.3). Green net domestic product is derived from GDP by taking into account the depreciation of fixed capital (net domestic product) as well as the changes in the stock of natural capital due to depletion, destruction and regeneration (cf. Barbier 2019 and for a -partial- implementation the dataset by Skare et al. 2021) [49].

Graph I.4.3: **Green net domestic product**



Source: Adapted from Barbier (2019)

Main avenues for modelling the contribution of natural capital to the economy

The increasing relevance of the interactions between natural capital and economic activity for policy making as well as the development of new integrated environmental economic accounts are spurring initiatives to incorporate the environmental dimension in economic models. The focus here will be on efforts to integrate natural capital into tools for macroeconomic surveillance, in particular the models used for the estimation and projection of potential output [50].

There are different possibilities for modelling the role of natural capital in economic output or wellbeing. The modelling approaches developed so far differ in terms of granularity, coverage of different types of natural assets and representation of the feedback loop between economic activity and natural capital.

At a high level of detail, ecological models that describe one or several ecosystem services in their geographical context are linked to highly disaggregated economic models through input-output relationships (see for example La Notte et al 2020 [51]. Some, such as Johnson et al 2023 [52], have an explicit feedback loop covering the economic pressures on nature and the impact of natural asset degradation on the economy.

In the climate-economic literature, it is standard to model the feedback loop involving greenhouse gas emissions from economic activity and the economic damages resulting from increasing temperatures at a high level of aggregation in integrated assessment models (IAMs). Only few authors have attempted to broaden the scope of climate IAMs to cover also natural capital, e.g. Bastien-Olvera and Moore (2021) [53]. Their model highlights the impact on the economy both directly from climate change and via the damage that rising temperatures causes to natural capital.

Simpler aggregate models employ a macroeconomic production function augmented with natural capital. This approach could be integrated with existing methodologies for production function-

[49] Barbier, E B (2019). "The concept of natural capital", *Oxford Review of Economic Policy* 35(1): 14-36. Skare, M.; D. Tomic, D. and S. Stjepanovic (2021), *Greening' the GDP: A New International Database on Green GDP 1970-2019*, Mendeley Data, V1, doi: 10.17632/24vbg29y48.1.

[50] See the overview of a workshop organised jointly by the Commission (DG ECFIN and Joint Research Centre) and the Economic Policy Committee's Output Gap Working Group: Croitorov, O., B. Döhring, C. Maier, K. Mc Morrow, and A. Thum-Thysen (2024). "The models used to inform policy are lacking natural capital", *VoxEU column*, CEPR, January.

[51] La Notte, A., A. Marques, D. Pisani et al. (2020). Linking accounts for ecosystem services and benefits to the economy through bridging (LISBETH) – Natural capital accounts and economic models – Interaction and applications, Publications Office of the European Union, 2020.

[52] Johnson, J A, U Lantz Baldos, E Corong, T Hertel, S Polasky, R Cervigni, T Roxburgh, G Ruta, C Salemi and S Thakrar (2023). "Investing in nature can improve equity and economic returns.", *Proceedings of the National Academy of Sciences of the United States of America* 120(27) e2220401120.

[53] Bastien-Olvera, B and F Moore (2021). "Use and non-use value of nature and the social cost of carbon", *Nature Sustainability* 4: 101-108.

based potential output estimation (as for example Havik et al 2014) [54] and used to underpin macroeconomic surveillance. Climate change, and more in general the degradation of natural capital, can affect all the drivers of potential output: fixed capital, labour and total factor productivity (TFP) (Parker 2023 [55]. It has already been shown that TFP is incorrectly specified in a production function that does not explicitly include natural capital (Cárdenas Rodriguez et al 2023; Thia et al 2024 [56]. Dasgupta (2021) specifies an extended production function in which the flow of resources and the flow of ecosystem services are made explicit.

$$Y = AS^{\beta}K^{a}H^{b}R^{1-a-b}$$

where Y, K and H denote production, produced physical capital and labour, respectively, with their corresponding elasticities *a* and *b*. *R* denotes natural resource flows, *S* the natural capital stock and S^{β} ecosystem services. *A* denotes total factor productivity. A production function specified in this way is used and elaborated further in Bastien-Olvera et al (2024) [57].

This simple production function framework could be extended firstly by exploring the effects of limited substitutability of natural capital by other assets. Such an extension would build on a wide literature that highlights the difficulty of making economic production sustainable when some inputs are essential, i.e. hard to substitute, [58] and more recent work that shows that substitution possibilities can evolve over time [59].

A second extension would be to also specify the evolution of the stock of natural capital – a key element to capture regeneration and depletion of natural capital assets and to provide insights on the sustainability of the production process. This would be a step towards a more complete coverage of the feedback loop between the economy and natural capital, and thereby rejoining the IAM modelling strand.

Conclusion (The use case)

Assessing the environmental sustainability of economic activity would help broaden the scope of the GDP-centred measure of economic prosperity and help policy makers design optimal policies. As the depletion and degradation of natural capital will affect future economic possibilities, it will become increasingly important to reflect this in the tools that are used to project potential output over the medium term, and that underpin macroeconomic surveillance.

However, the available data do not yet cover the full range relevant for aggregated macroeconomic assessments; they are incomplete, and modelling is challenging even in simplified frameworks. It is unlikely that a single model will prove sufficient, and it is much more probable that a suite of tools will evolve for handling different policy questions.

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[54] Havik, K., K. Mc Morrow, F. Orlandi, C. Planas, R. Raciborski, W. Roeger, A. Rossi, A. Thum-Thysen and V. Vandermeulen (2014). "The Production Function Methodology for Calculating Potential Growth Rates & Output Gaps", *European Economy Economic Papers* 535.

[55] Parker, M (2023). "How climate change affects potential output", *ECB Economic Bulletin* 6/2023.

[56] Cárdenas Rodríguez, M, F Mante, I Haščič and A Rojas Lleras (2023). "Environmentally adjusted multifactor productivity: Accounting for renewable natural resources and ecosystem services", *OECD Green Growth Papers* No. 2023-01. Thia, J.P., X. Kong and J. Su (2024). "Do unpriced natural and ecosystem capital affect economic output? Growth regression analyses", *Sustainable Development* 2024, 1-18.

[57] Bastien-Olvera, B.A., M.N. Conte, X. Dong, X. et al. (2024). "Unequal climate impacts on global values of natural capital", *Nature* 625, 722–727.

[58] This link between sustainability and substitution was already stressed by Dasgupta, P. and G. Heal (1974). "The Optimal Depletion of Exhaustible Resources", *The Review of Economic Studies*, Vol. 41, Symposium on the Economics of Exhaustible Resources, 3-28.

[59] Acemoglu, D. P. Aghion, L. Bursztyn and D. Hemous (2012). "The Environment and Directed Technical Change", *American Economic Review* 102(1), 131–166. Hassler, J., P. Krusell and C. Olovsson (2021). "Directed Technical Change as a Response to Natural Resource Scarcity", *Journal of Political Economy* 129(11), 3039-3072.

Already today, data collected by Eurostat and the World Bank allow to juxtapose the evolution of economic output and the evolution of natural capital, or to calculate an approximation of green net domestic product. Policymakers should take into account these already available insights; this would foster a much-needed awareness of the sustainability of economic production.

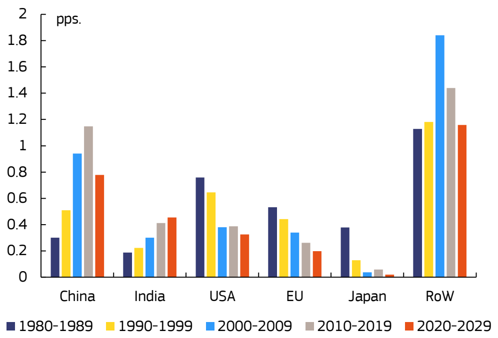
4.2. CHINA'S IMPRESSIVE RISE AND ITS STRUCTURAL SLOWDOWN AHEAD: IMPLICATIONS FOR THE GLOBAL ECONOMY AND THE EU

The impressive rise of China's economy has shaped the global economy over the past four decades. The EU's economy has benefited in many ways and its exposure to China has grown steadily over time. With the prospect of China embarking on a structurally slower path of economic expansion, this special chapter examines the evolution of China's economy over time, takes a look at recent policy actions in China and discusses the implications for the global economy and the EU.

The rise of China and its impact on the world

China's ascent into the global economic arena marked the start of an era of prosperity for the country. China's impressive evolution started in the late 1970s with the "reform and opening up" agenda launched by Deng Xiaoping. Starting from a low level of development, its impact on the global economy was initially minor (Graph I.4.4). Since joining the World Trade Organization (WTO) in 2001, China's economy has increased in size tenfold, with profound impacts, both domestically and globally. According to the World Bank classifications, China became a lower middle-income country in 2001 and transformed into an upper middle-income country within just ten years, in 2010. In 2022, China's GNI per capita stood less than 8% below the threshold for being considered a high-income country [60]. This impressive economic performance has been accompanied by a steep reduction in poverty, with more than 800 million people being lifted out of extreme poverty, [61] swelling China's middle class. Still, an estimated 17.2 % of China's population still lived below the World Bank's poverty line for upper middle-income countries (USD 6.85 per day) in 2023.

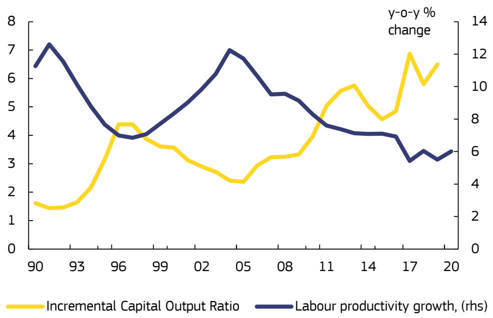
Graph I.4.4: **Contribution to global growth**



Source: IMF WEO, April 2024.

Two periods can be distinguished in China's economic development since 2001. Between 2001 and 2008, China's growth averaged around 11% annually, supported by both domestic and external demand. In this period, China rapidly integrated into global supply chains and became a global manufacturing powerhouse, benefiting from rapid urbanisation, abundance of cheap labour, and strong labour productivity growth. Its current account surplus peaked in 2007 at almost 10% of GDP. As external demand dropped in the aftermath of the Global Financial Crisis, China increasingly turned to infrastructure investment to drive growth. Authorities unleashed an unprecedented infrastructure building agenda and

Graph I.4.5: **Productivity indicators**



Source: National Bureau of Statistics, ECFIN calculations.

(60) For the 2024 fiscal year, the World Bank defines lower middle-income economies as those with a GNI per capita (calculated using the World Bank Atlas method) between USD 1,136 and USD 4,465; upper-middle-income economies are those with a GNI per capita between USD 4,466 and USD 13,845; high-income economies are those with a GNI per capita of USD 13,846 or more.

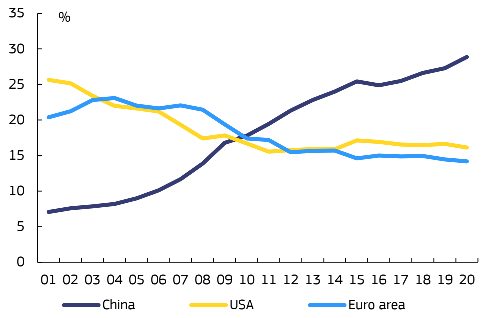
(61) World Bank (2022). "Four decades of poverty reduction in China: Drivers, insights for the world, and the way ahead." Washington DC: Development Research Center of the State Council, the People's Republic of China.

supported a rapid expansion of the real estate sector. The increasing reliance on capital formation has been accompanied by decreasing return on investment, accumulation of debt imbalances, and slowing productivity growth (see Graph I.4.5). Between 2009 and 2023, real GDP growth averaged 7%, with a clear, persistent downward trend.

Supported by foreign direct investment (FDI) and domestic industrial policy, China's manufacturing sector became progressively more sophisticated. According to the Economic Complexity Index, [62] China's economy went from ranking 52nd in the world in 2002 to 24th in 2022. In the early 2000s, two thirds of the value added in Chinese exports of finished goods came from imports, while today most of the value added is produced domestically. Furthermore, while the depiction of China as an assembly hub may have been warranted in the early 2000s, this no longer holds, as the share of exports of goods involving processing and assembling imported goods fell from 47.6% in 2009 to 20.7% in 2023. The reasons for these changes are grounded in China's gradual industrial upgrading as well as its deliberate policy of accelerating import substitution ('Made in China 2025' policy launched in 2015) and its massive industrial policy spending. China's spending on manufactured imports for domestic uses fell from 9% of GDP in 2004 to below 5% today. The increased self-sufficiency of Chinese export-oriented manufacturing proved beneficial during the pandemic, as it limited the disruptions from supply chain shocks, allowing the economy to adjust quickly to the rising demand for consumer goods from advanced economies.

China's rise has had a profound impact on global trade and production. In 2001, China accounted for just below 4% of global GDP but this share increased to 17% by 2023 [63]. Over the same period, China contributed on average 27% of total global growth. It also became the world's largest exporter, accounting for 17.6% of global goods exports in 2022. Manufacturing accounts for around 28% of gross value added in China, above the share in the Republic of Korea, at 26%, and significantly above that of Japan (19%) or Germany (15%). Furthermore, due to the size of China's economy, the global reach of its manufacturing sector is unique. According to the 2020 OECD Trade in Value Added (TiVA) data, China accounted for the highest shares by far in global gross manufacturing production and global manufacturing value added – at 35% and 29%, respectively. In fact, China produces more manufacturing output than the next 10 countries in the ranking combined. China's ascent as the global manufacturing powerhouse is even more impressive considering that in 2001, China accounted for only around 9% of global gross manufacturing, and 7% of manufacturing value added. In contrast, the US and the euro area accounted for 23.5% and 21% respectively of gross global manufacturing output in 2001, but their shares dropped to around 12% and 13% by 2020.

Graph I.4.6: **Share of global manufacturing value added**



Source: OECD TiVA 2023 Edition.

The rise of China has had a significant impact on the manufacturing sector in advanced economies. Over time, advanced economies came to exhibit significantly higher dependencies on China. By contrast, China started decreasing its reliance on foreign suppliers around the Global Financial Crisis. While already benefiting from the asymmetric tariff system negotiated during its WTO accession, China has also been using market access restrictions and subsidies to help its (often state owned) companies achieve scale with little foreign competition [64]. By operating in a vast protected domestic market supported by state subsidies, but at the same time being able to export to open markets, these companies quickly captured sizeable global market shares in some sectors (e.g.,

(62) The Economic Complexity Index was developed by Cesar A. Hidalgo, from the MIT Media Lab and Ricardo Hausmann, from Harvard University's Kennedy School of Government. It is a holistic measure of the productive capabilities of large economic systems, usually cities, regions, or countries.

(63) Shares are calculated from nominal USD GDP figures, IMF WEO data

(64) SWD(2024)91

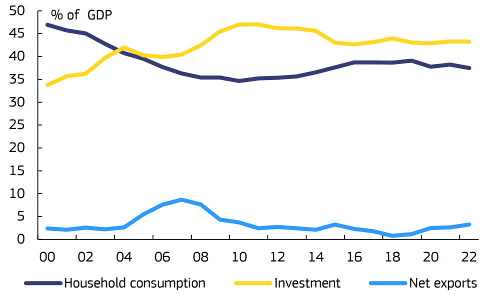
solar panels). However, due to the scale of its domestic production, a cyclical weakening of domestic demand in China can create shifts in supply towards exports that have the potential to undermine trade and production patterns for specific sectors elsewhere. For example, estimates show that steel production capacity in China is around 1.1 billion metric tons per year (around 47% of global production) [65]. Most of this still goes towards domestic consumption, e.g. real estate and infrastructure construction. However, since the start of the real estate crisis in the second half of 2020, steel exports increased by more than two thirds, raising concerns also in emerging economies with a significant steel sector, e.g. in Brazil.

The EU's direct trade and investment exposure to China has grown over the past two decades. Since 2000, EU imports from China have been increasing almost three times faster than imports from the rest of the world. Their composition also changed, with electronics and pharmaceutical products replacing lower value-added consumer goods. Moreover, China is now the main source of the EU's strategic product dependencies, having been identified as the main origin of 64 out of 204 products in sensitive industrial ecosystems [66] and providing more than half of the total import value of these products. At the same time, the importance of China as an EU export market more than tripled in the past two decades (from 3% to 10% of extra-EU goods exports). China is an especially important destination for the EU's automotive (e.g. 18% of total revenue of Volkswagen comes from China) and integrated circuits manufacturing sectors (35% of total extra EU exports go to China). On the other hand, exposure to China through the investment channel remains- more limited. At the end of 2022, the cumulative stock of EU investment into China was estimated at around EUR 160 billion [67], comparable to the EU's annual direct investment in the US. Reflecting a deteriorating investment environment and high policy uncertainty, many EU companies established in China have lately been delaying new investment, while also considering alternative locations for future investments, in particular in ASEAN countries [68]. Chinese investment in the EU has also been on a multi-year decline. Still, there is a noticeable shift away from investment by state-owned enterprises (SOEs) and M&A transactions, towards more private and greenfield investment. Furthermore, Chinese FDI in the EU has recently been gearing towards investments in the mobility sector, supporting Chinese battery and electric vehicles (EV) makers' global expansion [69].

(65) Latest Developments in Steelmaking Capacity 2024, OECD (2024)
(66) Arjona R., W. Connell, C. Herghelegiu. (2023). "An enhanced methodology to monitor the EU's strategic dependencies and vulnerabilities", Single Market Economy Papers
(67) Kratz A., N. Barkin, and L. Dudle. (2022).: "The Chosen Few: A Fresh Look at European FDI in China", Rhodium Group.
(68) European Union Chamber of Commerce in China (2023): Business Confidence Survey.
(69) Recently announced Chinese investments in the EU include large battery plants by Chinese leaders such as CATL or Svolt but also more upstream production facilities of battery components and materials such as cathodes, separator films etc.

What are the underlying drivers of China's structural economic slowdown?

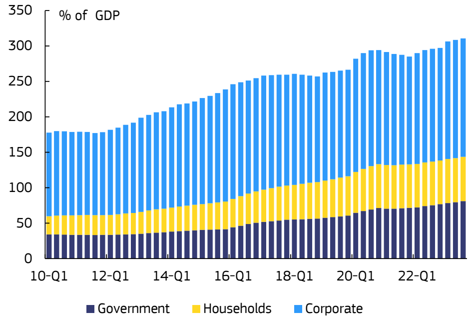
Graph I.4.7: **China - Consumption, investment and exports**



Source: National Bureau of Statistics.

China's current growth model is running out of steam. A growth model based on subsidised investment and export-oriented manufacturing, that indirectly depresses household consumption, largely resembles the approach taken by Japan and South Korea in their initial stages of development. However, the scale of China's reliance on investment is unprecedented, even among countries that pursued similar growth models and share geographical, demographic, and cultural similarities [70]. While China accounts for around 17% of global GDP, it represents only 13% of global consumption and 32% of global investment. The share of investment in the economy averaged 38% of GDP between 1990 and 2008 and rose to 44.5% on average thereafter (see Graph I.4.7). Slowing overall economic growth, low productivity growth and demographic pressures are increasing the urgency to rebalance the economy towards consumption.

Graph I.4.8: **China - Credit to non-financial sectors**



Source: The Bank for International Settlements.

The investment surge has been financed by one of the most rapid debt accumulations in history that is now weighing on business decisions by corporates and local governments. According to the Bank for International Settlements data, between 2001 and 2008 total debt in China stabilised at around 137% of GDP. It has since risen to 310% of GDP in 2023-Q3 (see Graph I.4.8). Within this aggregate, corporate indebtedness remains particularly high (167% of GDP in 2023-Q3). Such an accumulation of debt has created a significant debt overhang for both the public and corporate sectors, where the servicing of existing debt obligations consumes a substantial portion of cash flows, increasing financial stability risks.

Ample policy support directed at China's real estate sector since the Global Financial Crisis (GFC) enabled unsustainable growth in the sector. The real estate sector in China benefited from strong demand due to rapid urbanisation. Furthermore, due to financial repression in China, for most Chinese real estate is the only asset available for investment. Being important for delivering on ambitious growth targets, the sector enjoyed abundant access to debt financing by the state-owned banking sector. Furthermore, local governments came to increasingly support new real estate projects, as a significant share of their revenue came from land sales to developers. All this contributed to a ballooning of the sector and a significant misallocation of resources. Estimates show that, at its peak, the real estate sector accounted for between 25% and 30% of China's GDP At the same time, around 20% of the total real estate stock was estimated to remain vacant [71], suggesting problems of overbuilding in some areas. Furthermore, speculative investment fuelled a real estate bubble, further worsening housing affordability. The bubble finally burst in the second half of 2021, following the regulatory crack down on high leverage in the sector.

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(70) For instance, Japan's investment rate peaked at 40.7% of GDP in 1973, when its GNI per capita stood at around USD 3600. Investment in South Korea peaked at 39% of GDP in 1991 and somewhat later on its developmental path, when its GNI per capita stood at around USD 7500. In both cases investment rates came down as the country became richer, eventually stabilising at around 25% and 30% in Japan and South Korea respectively. In 2022, investment accounted for around for 42% of China's GDP and its GNI stood at USD 12 850.

(71) Rogoff K., and Y. Yang. (2020)., "Peak China Housing.", NBER Working Paper Series.

In parallel, several factors continue to weaken household consumption and the prospects for domestic demand to support growth. Household consumption accounts for a relatively small share of GDP (37.5% in 2022), in a context of very high household precautionary saving, high income and wealth inequality and policies that directly or indirectly transfer income away from households and towards enterprises and the state. Scarring effects from the COVID-19 pandemic gave new impetus to this trend, with the household savings rate increasing further from 32.4% in 2019 to 34.6% at the end of 2023. Overall, domestic demand is being undermined as households and private firms exhibit poor confidence, opting instead to deleverage and (re)build savings buffers after enduring a prolonged pandemic shock.

Demographic headwinds have important implications for the medium-term growth outlook. In 2022, China recorded the first population decline since the Great Famine in 1961. The drop was repeated in 2023. According to the World Bank projections, by 2035, 30% of the population in China will be aged 60 or above, compared to approximately 20% in 2022. This rapid ageing reflects low and declining fertility rates, affected by the one-child policy (in place from 1979 to 2015), and increasingly longer life expectancies. Demographic ageing has two important implications: first, the working-age population peaked in 2011 in China at 900 million, decreased thereafter and is projected to fall to around 700 million by 2050. Second, the old-age dependency ratio is projected to increase significantly in the coming decades (to above 50% in 2050), placing strains on social welfare systems and healthcare services.

High inequality in China presents a profound socio-economic challenge. Growth in China has been accompanied by a surge in income and wealth disparities, threatening social cohesion and economic stability. While wealth and income inequality levels in China used to be lower than in Europe in the 1970s, they are now approaching US levels. The bottom 50% in China earns about 15% of total income, compared to 12% in the US and 22% in France. Furthermore, the wealth share of the top 10% in China stood at 67% in 2015, close to the 72% in the US, and much higher than the 50% in France [72]. Different Gini coefficient estimates show persistently high (and potentially) increasing inequality [73]. High overall growth rates over the past 20 years generated enough new jobs to help cushion the effects of the high-income inequality. However, a more pronounced structural growth slowdown may add to the fragility in the social system. Rising youth unemployment points to the already limited opportunities for the young. The official Chinese data series was discontinued in June 2023 upon reaching its highest ever level at 21.3%. Moreover, inequality of access to education and other services, exacerbated by a household registration system that constrains citizens' access to social services (limiting access to services to their place of origin, which may be far from their place of employment), weigh on overall economic growth and labour productivity.

Rising tensions with major trading partners over trade and technology raise doubts about the ability of the external sector to underpin growth. Since 2018, the US and China have been mired in a trade confrontation that led to several rounds of retaliatory tariffs. While the conflict found a truce when both sides signed the "*Phase One Deal*" in January 2020, tensions have continued, affecting trade, technology, and investment. In parallel, the EU has adopted a multi-faceted strategy towards China that aims to achieve a more balanced and reciprocal trade and investment relationship, but also to derisk its dependencies, especially in strategically important industries. More recently, as China is channelling its sectoral overcapacity via exports, some emerging economies (e.g., Brazil, Vietnam) are resorting to trade defence mechanisms. Overall, an international context increasingly characterised by trade fragmentation and the potential reconfiguration of supply chains compromises the ability of the external sector to systematically contribute to China's growth.

[72] Piketty T., L. Yang, and G. Zucman (2019). "Capital Accumulation, Private Property, and Rising Inequality in China, 1978–2015". American Economic Review.

[73] E.g. estimates by the National Bureau of Statistics and the Center for Strategic and International Studies

The government's policy response

The 2017 Communist Party Congress signalled a change in policy regime, tolerating lower growth targets in exchange for addressing broader political objectives. Overall, the shift in policy was grounded in two considerations. First, increasing concerns over financial contagion risks stemming from the high indebtedness of local government units and corporates, especially in real estate. Second, the awareness that China's upgrade to middle-income status required a change in growth drivers to avoid the middle-income trap and ensure a transition from capital broadening towards "*high quality*" growth, more grounded on innovation and higher value-added creation, greater inclusiveness, and environmental sustainability. The renewed importance of inclusive growth is also in line with the principle of "*common prosperity*". In practice this meant a need to curb an unrestrained housing market, which had created problems of housing affordability, aggravated income inequality and contributed to dampening birth rates.

During the summer of 2020, regulators enacted by far the most aggressive policies to restrict leverage in the economy and reshape the property sector. The main element was the so-called "*three red lines*" (74) policy, which severely limited the ability of developers to raise new debt. These rules proved problematic for many overindebted firms in the sector, as exemplified by the collapse in 2021 of Evergrande, the second-largest developer in China. Contagion from Evergrande´s financial woes spread quickly through the sector, with weaker firms facing a sharp rise in yields and worsening access to finance. In addition, mortgage boycotts emerged in the first half of 2022 as a direct consequence of households having deployed their savings for large down-payments on projects that developers with payment difficulties had not managed to complete. Overall, the context delivered a sharp deterioration of buyer confidence, triggering a collapse in housing transactions (75) and putting additional pressure on the already cash strapped developers.

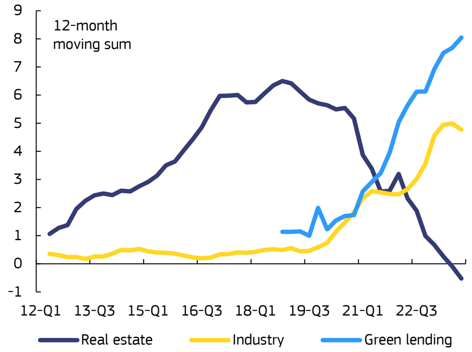
However, the new policy approach also signalled a turn towards a more closed and more state-dominated economy in which private entrepreneurship could be further constrained. In 2021, Beijing took a series of regulatory actions that increased the state influence over the economy and shook the private sector confidence. Examples are the anti-monopoly guidelines for internet platform companies (February), the banning of crypto assets mining and trading (May, September), or the forced conversion of tutoring firms to non-profit entities (July). These also reflect a shift in policy emphasis towards security and domestic stability and less towards pursuing growth at all costs. This, along with the three years of COVID-19 economic disruptions, and the harsh and sometimes arbitrary pandemic containment policy, sent business confidence to historical lows. Capital flows reflected the change in investor perception of China as both net FDI and portfolio flows turned negative in 2021. Furthermore, in 2023-Q3 inflows of FDI turned negative for the first time ever, indicating that foreign firms operating in China are not only declining to reinvest their earnings but are also selling their existing investments in China and repatriating the funds.

(74) Developers' financial soundness is evaluated against three criteria: (1) having a liability-to-asset ratio of less than 70%, (2) a net debt to equity ratio of less than 100%, (3) and a cash-to-short-term debt ratio of at least 1. If a firm fails them, regulators can place limits on the firm's allowed annual debt growth.

(75) The Chinese Academy of Social Science estimated the annual potential demand for real estate space at 1 billion square meters (m2). At its peak, the sector sold around 1.7 billion m2. Since the real estate bubble burst in the second half of 2021, sales have come down to around 1 billion m2 with little signs of stabilising. However, construction starts in the last 12 months have fallen below 0.7 billion m2, significantly below potential.

Timid attempts to rebalance the economy towards consumption have been unsuccessful. The current dominant thought among the authorities holds fundamental objections to "Western style" consumption-driven growth, seeing it at odds with the goal of making China a world-leading industrial and technological powerhouse. Consequently, while the Chinese authorities often refer to demand side support, in practice policy focuses on factor input subsidies, or tax breaks to companies. These measures have been yielding diminishing returns for years and are not addressing the current needs of the economy. Increasing the share of household consumption in GDP would require implementation of policies that support stronger wage growth, development of a stronger and more broad-based social security safety net, reforms of the labour market and the Hukou [76] household registration system and decreasing the role of the inefficient SOEs in the economy. However, recent government measures have reinforced some of the existing challenges, particularly as regards the presence of SOEs and government intervention in the economy.

Graph I.4.9: **New bank lending by sector**



Source: People's Bank of China.

Instead, the authorities are trying to offset the drop in real estate investment, by supporting investment in infrastructure and manufacturing capacities. Local governments have traditionally resorted to infrastructure building to boost demand and deliver on preset growth targets. In addition, authorities have been increasing support to the manufacturing sector through a wide range of supply side policies, including increased investment support. In particular, the China 2025 industrial strategy launched in 2015, and the Dual Circulation strategy adopted in 2020 set out a massive support programme to China's manufacturing sector, with the explicit objective of fostering exports, reducing import dependencies, and increasing self-sufficiency. High tech manufacturing and industries important for the green transition have been the prime beneficiaries of the new industrial policy (see Graph I.4.9). Overall, the current industrial support effort is already causing evident overcapacities and overproduction at sectoral levels.

What potential consequences might this slowdown have on the global economy and on the EU?

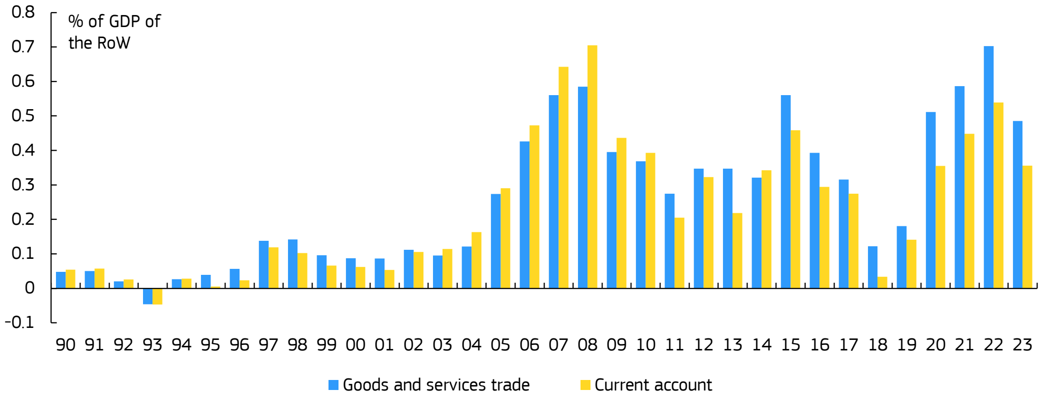
A structural slowdown in China will have implications for the global economy. Given the size of China's economy and having been the largest driver of global growth for decades, a continued growth slowdown in China would result in a structural downward shift in global growth. Commodity markets, global trade, supply chain patterns and financial markets could all be profoundly affected. China is the largest importer of raw materials and energy in the world and its demand remains an important predictor of global commodity prices. Developing countries relying on commodity exports to China could face lower export proceeds and greater economic uncertainty. Countries integrated in Chinese-led supply chains (e.g. ASEAN) could follow, especially if geopolitical tensions and decoupling/derisking pressures continue. The developed world would be mostly affected through the trade channel. Still, after years of self-reliance promoting industrial policy in China, the direct effects on global export demand for finished goods would be moderate.

With consumption systematically depressed, maintaining the current growth model in China could lead to more profound global trade and production disturbances. The Chinese current account and goods trade surplus may have peaked in 2007 at 9.9% and 8.5% of GDP, respectively, but compared to the rest of the global economy Chinese imbalances have been persistently high and have increased since the pandemic. As Graph I.4.10 illustrates, China's trade

(76) Hukou is a system of household registration used in China. It determines where residents can access credit, government jobs, education, subsidised housing, welfare, and other social services.

surplus stood at an all-time high of 0.7% of Rest of the World GDP in 2022 [77]. The current scale of the Chinese economy, therefore, leaves external demand increasingly unable to offset weakness in domestic demand. In addition, the recent policy boost to the manufacturing sector will likely increase the pressure to export an even larger share of new output.

Graph I.4.10: **China's external imbalances**



Source: National Bureau of Statistics of China, IMF.

Along with the export push, China is limiting investment and business opportunities for foreign firms operating in or exporting to China. A survey conducted by the European Chamber of Commerce in China identified the lack of meaningful SOE reform, increasing political risk for businesses operating in China, and uncertainty derived from shifting supply chain strategies, where China's central position is likely to be challenged as important factors limiting new investment in China [78]. Furthermore, the procurement market in China is becoming more closed. In some sensitive sectors, foreign owned companies are increasingly being excluded from tenders even when producing entirely within in China (e.g., medical equipment manufacturing). The new policy focus on domestic security is also undermining the position of foreign-owned companies operating in China. For example, the restrictiveness of new laws on data sharing has prevented normal business operations between international companies and their subsidiaries in China. Most large foreign-owned companies are already changing their business model by introducing separate supply chains: "China for China" and "Separate from China". However, the increasing burden of doing business in China is weighing more heavily on foreign SMEs that may not have the resources to establish separate operations.

The structural slowdown in China combined with the current growth model will likely continue to pose challenges for the EU economy. China is the EU's second largest goods trade partner and the largest supplier, but the relationship is becoming more unbalanced. The bilateral goods trade relationship has been traditionally characterised by a persistent EU deficit, but it has drastically increased in recent years [79]. The EU's reliance on China as a supplier increased markedly as the EU's total imports from China grew by almost 42% since 2019. The increase of imports from China moved beyond traditional sectors (electronics, consumption goods) to include those where the EU used to have a clear competitive edge (e.g. chemicals, automotive), as well as the strategically-important sectors related to the green and digital transition. At the same time, exports to China grew much more moderately, around 12%. Overall, the EU remains one of the most open economies in the world, but asymmetries in market access and trade

[77] In 2022, the current account surplus as a share of Rest of the World (RoW) GDP was 0.5%, the highest since 2008. The current account and trade surplus expressed as % of RoW GDP illustrate the size of China's trade imbalance in relation to the economic size of its trading partners.

[78] EU Chamber of Commerce in China (2023). Business Confidence Survey 2023.

[79] EU-China goods increased from EUR 150 billion on average in the five years before the pandemic, to almost EUR 400 billion in 2022. They stood at EUR 292 billion in 2023. The price effect can explain deficit reduction in 2023, as the trade in volumes remains equally one sided.

openness between the EU and China are becoming more evident. China's current growth model, its recent policy focus, and rising sectoral overcapacities could further exacerbate the already imbalanced trade relationship and increase EU's industrial dependencies on China.

4.3. CONVERGENCE OF NEW MEMBER STATES ON THE 20TH ANNIVERSARY OF THE 2004 ENLARGEMENT

Twenty years ago, on 1 May 2004, 10 new countries joined the EU. This fifth enlargement of the EU was the biggest ever in terms of number of acceding countries and population. It was also a very challenging one given the large income difference between the "old" Member States, excluding the UK (henceforth referred to EU14), and the "new" Member States (henceforth referred to as NMS10). This enlargement was also special in that it brought together countries with very diverse economic, social and political backgrounds – ranging from three former Soviet republics (Estonia, Latvia and Lithuania), four former satellites of the USSR (Poland, the Czech Republic, Hungary and Slovakia), a former Yugoslav republic (Slovenia) and two Mediterranean islands (Cyprus and Malta). Their institutional structures, including legal systems, governance practices and economic frameworks, varied within the group, but also differed significantly from those of the EU14, which can be characterised as western European democracies with market economies.

This special topic takes stock of the achievements of the economic convergence process by the new Member States and assesses the prospects of further convergence ahead. The driving force behind the fifth EU enlargement was the desire to ensure peace, stability and economic prosperity in a re-unified Europe. This special topic focuses on the latter by examining the extent to which enlargement has succeeded in raising the living standards of the citizens of the new Member States to those of the old members. The analysis is based on estimates of potential output to understand the path and structural drivers of the convergence process. Using the official Commission's projections of potential output 10 years ahead (EUCAM) it also sheds light on the prospects of convergence in the next decade. In particular, the dynamics of convergence are analysed over four intuitive sub-periods: (1) the accession period covering 1997-2008, (2) the intra-crisis period covering 2009-2019, (3) the post-pandemic period covering 2020-2023 and (4) the decade ahead 2024-2033 [80].

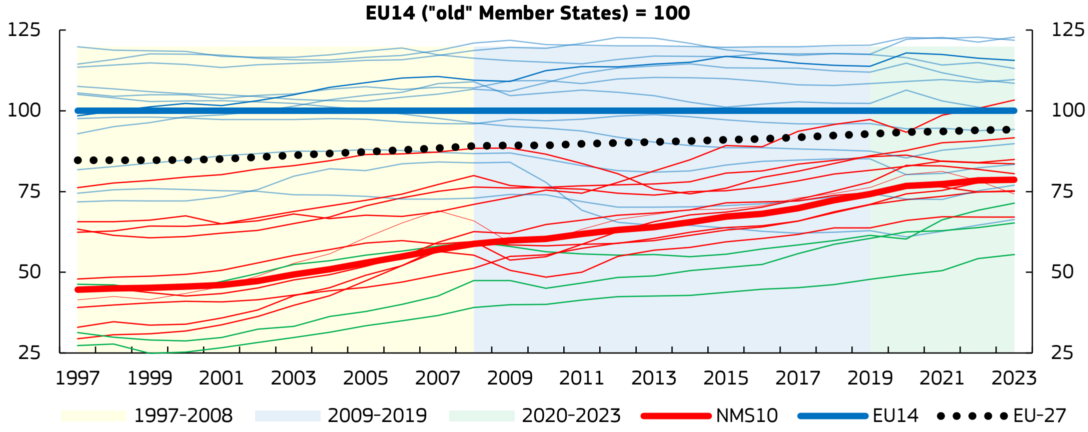
Evidence of income convergence

Since the beginning of the accession process, the catch-up in real incomes by the acceding Member States has been impressive. While the paths of individual countries have differed, average income per capita in the 2004 enlargement group has been catching up steadily, year after year, towards the average level of "old" Member States (see Graph I.4.11). The enlargement process, formally launched in 1997 [81], allowed the then-candidate countries to already benefit from access to the EU market and financial assistance for developing their economies, institutions and infrastructure. Expressed in purchasing power standards (PPS), GDP per capita of the NMS10 increased from 45% of the EU14 in 1997 to 51% in 2004, at the time of accession, and continued edging up to reach 79% in 2023. Importantly, the convergence process has been uninterrupted and resilient to the major crises that hit the EU in the past 20 years: the Great Financial Crisis, the sovereign debt crisis, the COVID-19 pandemic and the energy crisis. The *pace of convergence*, measured by the speed with which the average income per capita (PPS adjusted) in new Member States approaches the average of the old Member States, has been relatively stable over the past three decades. It averaged 1.3 pps. per year in the accession period, 1.4 pps. in the intra-crisis period, before slowing slightly to 1.1 pps. in the post-pandemic period. However, in the first half of the intra-crisis period the robust pace of convergence must be assessed against the outright contraction in per-capita income in EU14, battered by the Great Financial and sovereign debt crises.

[80] This division is also supported by econometric evidence, based on the statistically optimal time location of breaks in the intercept and/or slope coefficients in regressions of growth on past levels of income per capita. For the type of tests used see Bai, J. and P. Perron. (1998). "Estimating and Testing Linear Models with Multiple Structural Changes," Econometrica, 66, 47–78.

[81] The enlargement process was launched by the Luxembourg European Council of 12 and 13 December 1997.

Graph I.4.11: **Convergence in real GDP per capita in PPS**
EU14 ("old" Member States) = 100



Note: Convergence paths of inidividual countries in blue (EU14), red (NMS10), green (BG, RO, HR), LU and IE not shown due to outlier values, but included in EU14 and EU27 aggregates, GDP at 2015 reference levels.

There is a vast body of empirical studies examining the convergence process in the EU. It is beyond the scope of this special topic to provide an extensive literature review, but many of these studies have shown the importance of structural and institutional characteristics in driving the economic convergence of individual Member States. Beyond quantifying the contribution of traditional drivers of economic growth, such as capital and labour inputs, they have highlighted the positive role of factors generally associated with higher productivity growth, including improvements in education, investment in R&D and foreign direct investment. Institutional features related for example to the regulatory environment, enforcement of contracts and administrative capacity have also been shown to affect the pace of convergence [82]. The benefit of this approach is that it identifies structural drivers that affect productivity and hence growth dynamics. In contrast, these analyses are not designed to assess the prospects of convergence, to the extent that they do not attempt to foresee how the relevant structural characteristics evolve over time.

This analysis looks at the shrinking income gap between old and new Member States through the lens of potential output. By doing so, this special topic takes a broader, macroeconomic perspective of the process of convergence. Focusing on potential growth also allows filtering out short-term cyclical variations and the impact of other short-term shocks. Potential growth can also be decomposed into the (measurable) contributions from labour and capital and (residual) total factor productivity (TFP). Moreover, by relying on demographic and, more generally, labour market projections and by estimating a law of motion for capital deepening, it allows to formulate plausible projections of the process of economic convergence. A main drawback of this approach is that since total factor productivity is obtained as a residual of the production function, it is silent about the underlying drivers of productive efficiency – i.e. the main source of long-term growth. In this sense, some of the above-mentioned studies can usefully complement the analysis carried out in what follows.

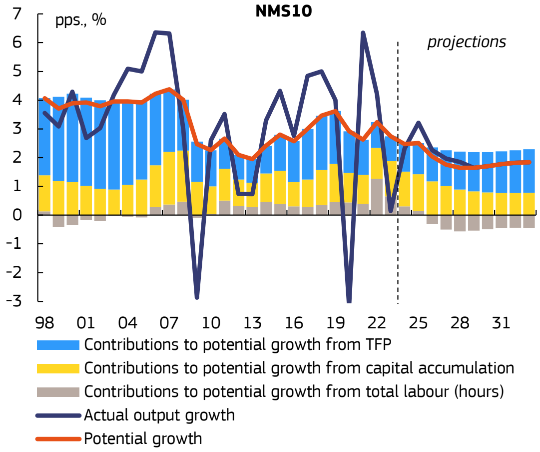
This analysis relies on DG ECFIN's official estimates of potential output. There are several approaches to estimate potential output. Given its centrality in multilateral fiscal surveillance, the EU's estimates are subject to a high degree of scrutiny. The methodology is not only scientifically robust, but also fully transparent and well-codified in the so-called Commonly Agreed Methodology (EUCAM). EUCAM is an economics-based methodology - i.e. a Solow growth model with a Cobb-Douglas production function that assumes constant returns to scale to labour and capital; a factor price elasticity equal to one; and factor elasticities equal to their factor shares. The methodology also sets out assumptions underpinning the extrapolation of labour, capital and TFP contributions over the period T+10. Specifically, demographic dynamics are based on Eurostat official

[82] For recent empirical evidence and literature review, see, for example, Licchetta M. and G. Matozzi. (2023),, "Convergence in GDP per Capita in the Euro Area and the EU at the Time of COVID-19." Intereconomics 58.

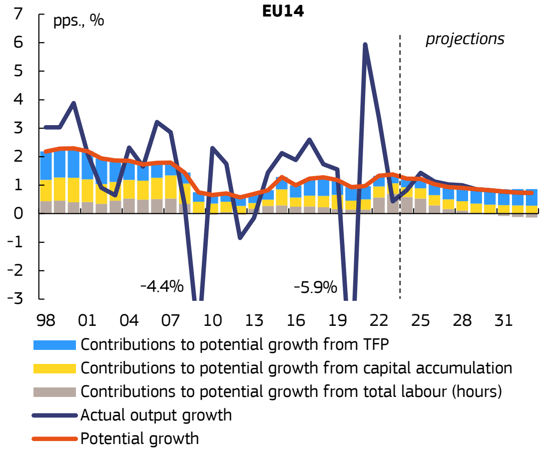
projections. The projection of the hours worked per employed person is based on the smoothing of the autoregressive-based estimates of the actual series and rules about its stabilisation in the medium and long term. For the trend participation rates, a smoothed autoregressive process is also applied, followed by a convergence rule to the participation rates of the Ageing Working Group's (AWG's) Cohort Simulation Model. The projection for the NAWRU is characterized by the application of a Kalman filter in the short term, and by the later convergence to estimated country specific NAWRU anchors in the medium term. The law of motion of capital accumulation is based on autoregressive estimation of investment on capital intensity and the application of either investment or capital rules. The procyclical nature of the TFP residual is explicitly recognised by modelling it as a function of a cyclical and trend component. The latter is used to project TFP growth in the future [83].

Since accession, new Member States have featured significantly higher potential output growth than old Member States. Looking back, potential growth in the NMS10 averaged around 4% in the accession period, but slowed down to below 3% in the intra-crisis period and the post-pandemic periods, to then ease further to around 2% in the decade ahead (see Graph I.4.12). This is still roughly double the potential growth in EU14 in all periods, which drove convergence in income levels over each of the 4 periods (see Graph I.4.12.c).

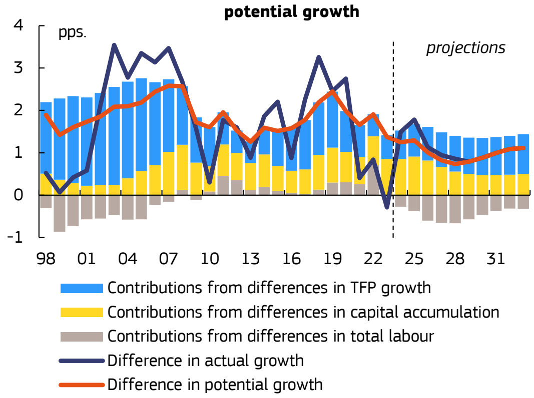
Graph I.4.12.a: **Contributions to potential growth in NMS10**



Graph I.4.12.b: **Contributions to potential growth in EU14**



Graph I.4.12.c: **Drivers of convergence in NMS10 potential growth**



Note: Stacked bars refer to differences in respective contributions to potential growth in NMS10 and EU14.

[83] For more information, see EUCAM.

Total factor productivity accounts for the largest share of the potential growth differential, but its contribution has been uneven over the past two decades. The slowdown in potential growth by the NMS10 during the intra-crisis period was due to the halving of the contribution from TFP growth, which broadly reflected the fallout from the global financial and sovereign debt crisis. The recovery over the course of the intra-crisis period in both NMS10 and EU14 was again interrupted by the pandemic. The projection of TFP growth over the coming 10 years suggests a mild upward trend, particularly in the latter part of the forecast period. Despite these fluctuations, contributions from TFP in NMS10 have remained markedly (2-3 times) above those in EU14, thus continuing to be a steady source of convergence in potential GDP (see Graph I.4.12.c).

Capital deepening has also been a powerful driver of convergence. The contributions from capital fluctuated somewhat over the entire period and do not show a steady trend, with the exception of an increase in the run-up to the Global Financial Crisis and a subsequent correction, as well as a mild decline projected in the decade ahead. In levels, the contribution from capital deepening to potential growth in NMS10 has remained roughly double of that in EU14. This confirms that capital inflows, including from "old" to "new" Member States, have contributed to driving convergence in potential GDP in all four periods.

The contribution from labour, in contrast, has generally been more negative in New Member States… Following relative stabilisation of the contribution from TFP after the global financial crisis, movements in potential growth reflect primarily the contributions from labour. Notably, the sharp slowdown in potential growth in both EU14 and NMS10 projected in the decade ahead owes largely to the decline in contributions from labour. This is particularly true for NMS10, where, in a sharp turnaround from the strong positive role played in the 2022-24 period, labour is set to detract from potential growth as from 2026. In EU14 the contribution from labour follows a similar path, but less pronounced, with contributions moderating from strongly positive (2022-26) to neutral (2029-30), before turning negative as from 2031. While the figures for the 2020-23 period (and 2022 in particular) are affected by the inflow of persons fleeing the war in Ukraine – a phenomenon that is more pronounced in the NMS10 - the decline in the contribution from labour is also well visible if compared to prior periods, particularly vis-à-vis the intra-crisis period. Consequently, generally lower contributions from labour in NMS10 as compared to EU14 make labour a factor of *divergence* rather than convergence during most of the period under investigation, including in the decade ahead (see Graph I.4.12.c).

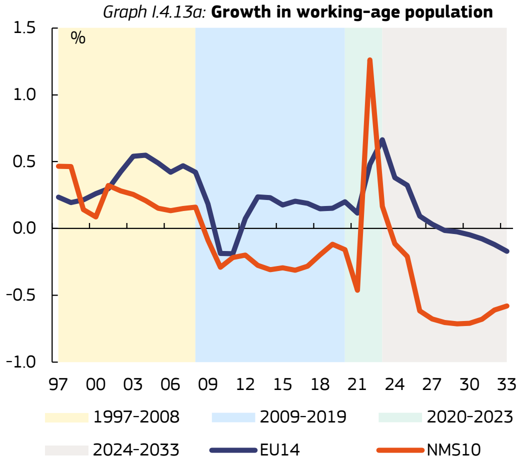
… driven by worsening dynamics in working-age population due to both adverse natural population trends and migration. The progressive deterioration in the contribution from labour in EU14 and NMS10 has been driven by negative dynamics in working-age population (Graph I.4.13). These, in turn, reflect a combination of demographic trends and net migration – unique for both country groups. In EU14, the working-age population grew by a robust 0.4% in the accession period, benefiting, amongst other things, from intra-EU migration as restrictions on the free movement of workers were first lifted by Ireland and Sweden (as well as by the UK [84], and subsequently by other EU14 Member States. It then slowed sharply to around 0.1% in the intra-crisis period, and is projected to fall to 0% over 2027-30 and -0.1% on average in 2031-33, also reflecting the progressive ageing of the population. Working-age population trends look considerably worse in NMS10, with growth in working-age population well below that of EU14 for most of the past 3 decades. This primarily reflects significantly more adverse demographic trends, including negative population growth, present in most NMS10 already well before the accession [85] (see Graph I.4.13.b). In the decade following the enlargement, this was exacerbated by the large migration outflows of workers to Western Europe – a mirror image of improvements in EU14 Member States. The trend has been deteriorating since, under the impact of the ageing of

[84] The UK (not part of the EU14 aggregate) along with Ireland, benefited from the largest inflows.

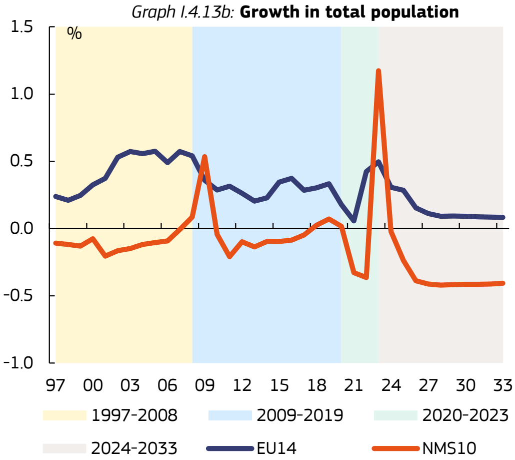
[85] Total population had contracted at a rate of 0.1% per annum already in the decade of 1990s, and the trend continued in the accession period, to deteriorate progressively in subsequent periods, notwithstanding a short-lived rebound in 2009 (likely due to a partial return of workers from western Europe after the GFC) and 2022 (due to the inflow of persons fleeing the war in Ukraine).

population, notwithstanding a one-off surge in 2022-23 [86] due to the inflow of persons fleeing the war in Ukraine. Growth in working-age population is projected to continue deteriorating, reaching -0.7% over 2027-3031 and improving only marginally thereafter.

Graph I.4.13a: **Growth in working-age population**



Graph I.4.13b: **Growth in total population**



Intra-EU flows of labour and capital over the last two decades reflect productive reallocation of both inputs. While the outflow of workers from NMS10 to EU14 amplified adverse demographic trends in the former group, it also reflected a natural process of reallocation of a scarce resource to more productive uses. Similarly, in a healthy sign of resources moving across the EU in pursuit of higher returns, capital inflows from the "old" to the "new" Member States accelerated capital deepening in the latter and contributed steadily to closing income gaps. Overall, the free movement of workers and capital retains a key role to play in realising the full benefits of an integrated economic area like the EU.

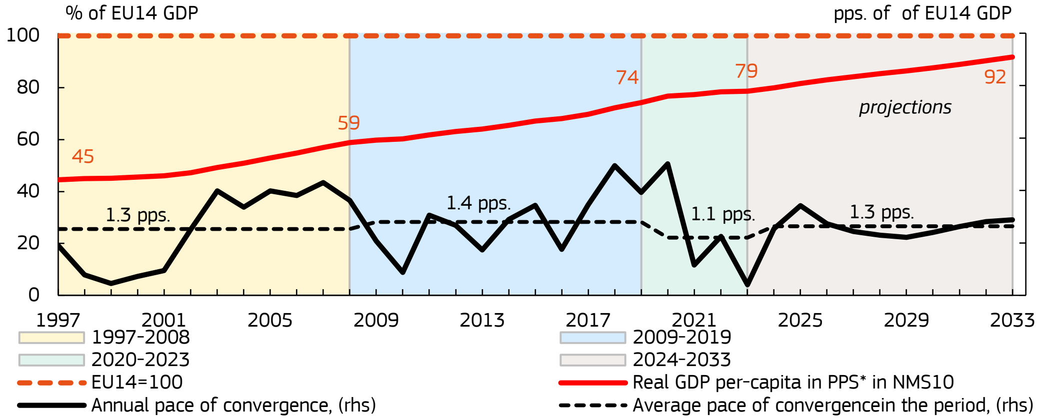
Convergence prospects

TFP and capital accumulation are set to drive further convergence in the next 10 years. Despite the negative contributions from labour, the rebound in TFP together with persistently higher contributions from capital accumulation (see Graph I.4.12.a) should ensure growth differentials in favour of NMS10 over the next decade (see Graph I.4.12.c). With GDP growth in NMS10 exceeding that in EU14 by around 1 pp. in the decade ahead (see Graph I.4.12.c), the process of convergence is set to continue. The more *negative* demographic outlook in the NMS10 (see Graph I.4.13.b) actually *improves* convergence prospects in per-capita terms, widening slightly the per-capita growth gap in favour of NMS10 [87]. The resulting pace of convergence in the projection period (1.3 pps. per annum) thus matches that in the accession period. This allows the NMS10 to narrow the income gap with EU14 by a further 13 pps., with NMS10 real GDP per-capita rising from 79%, compared to that in EU14, in 2023 to 92% in 2033 (see Graph I.4.14). Looking ahead, if growth differentials are extrapolated beyond 2033 (the T+10 horizon of the EUCAM projections), it would take the NMS10 another 6 years to close the gap completely.

(86) Population statistics in the recent period (2022-23) may suffer from different timing and scope of inclusion of persons from Ukraine fleeing the war in official population statistics across Member States. The resulting dynamics of total and working-age population and ensuing difference between the two country groups thus has to be treated with caution.

(87) Convergence in the projection period estimated using Spring Forecast GDP growth for 2024-25, and EUCAM-projections-based per-capita growth gaps over 2026-33.

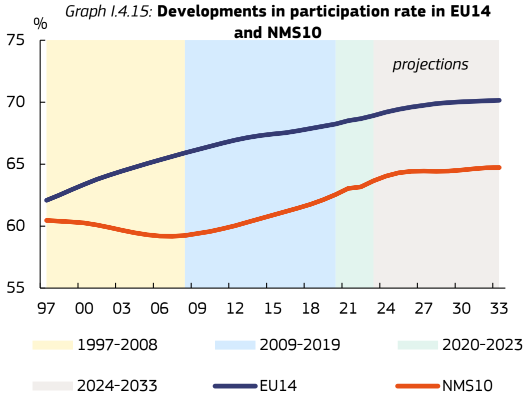
Graph I.4.14: **Convergence in real per-capita incomes of NMS10**



Note: Projections of convergence based on population-growth-adjusted real-potential-GDP growth differentials from EUCAM; 2015 references levels; *PPS until 2025, exchange rates based on Spring Forecast assumptions thereafter. Pace of convergence defined as the change in the index of real GDP per capita in NMS10 (EU14=100).

Convergence prospects are surrounded by risks largely related to the outlook for demographics and TFP growth. These benign prospects of a progressive narrowing and eventual closing of the income gap crucially depend on the rebound in the TFP growth and the containment of adverse labour supply trends. Needless to say, risks around these 10-year-ahead projections from both these factors are substantial. Moreover, they could reinforce one another if a shrinking and ageing population acts as a drag on TFP. Addressing these two challenges will require policies that foster investment, innovation and institutional capacity, as well as labour market policies aimed at closing the gap in the participation between NMS10 and EU14 (see Graph I.4.15). This can be done by addressing generally lower participation of women, promoting active ageing, or retaining and harnessing talents [88].

Graph I.4.15: **Developments in participation rate in EU14 and NMS10**



Note: Participation rate is in % of 15-74 working age population.

(88) See European Commission's new platform and working groups to tackle demographic challenges across the Union.

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 30 April 2024. 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 between 12 and 25 April (see Table 1 in this box and Table 31 in the Statistical Annex) [(1)]. All interest rate assumptions are derived from implicit market rates, thus fully reflecting market expectations at the time of the forecast. The assumptions for short-term interest rates for euro area Member States are derived from the average level during the reference period of three-month EURIBOR futures contracts over the forecast horizon. In the absence of future contracts, the assumptions for short-term rates of non-euro area Member States and countries outside EU are derived from the average level over the reference period of the implicit forward three-month OIS (overnight indexed swap) rates, corrected for the average spread over the reference period between the three-month EURIBOR rate and the OIS swap rate with a similar maturity (i.e. three-month). The assumptions for long-term interest rates for the euro area Member States are derived from the average forward sovereign rates over the reference period, when available. Forward sovereign rates are also used, when available, to derive assumptions for long-term interest rates of the other EU Member States as well as of the countries outside EU examined in the forecast [(2)].

Commodity prices

Assumptions for Brent oil, gas and electricity prices are based on futures markets, using the average over the 10-day reference period between 12 and 25 April.

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).

Inclusion of new candidate countries

Following its application for EU membership in spring 2022, the European Council granted Georgia candidate country status in December 2023. This country is now included in the forecast with its own country chapter.

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 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-

(1) Given the importance of Türkiye as EU trading partner, an exception to the constant nominal-exchange rate assumptions was made for all bilateral exchange rates of the Turkish lira, due to the outlook of persistently high inflation in the country. The nominal exchange rate of the Turkish lira vis-à-vis the EUR is assumed to be 39.35 in 2024 and 59.96 in 2025.

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

(Continued on the next page)

Box (continued)

Table 1:
Technical assumptions

		Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2022	2023	2024	2025	2023	2024	2025
3-month EURIBOR (percentage per annum)	0.3	3.4	3.6	2.8	3.4	3.7	3.1
10-year government bond yields (percentage per annum) (a)	1.1	2.4	2.4	2.5	2.5	2.8	2.8
USD/EUR exchange rate	1.05	1.08	1.07	1.07	1.08	1.06	1.06
GBP/EUR exchange rate	0.9	0.9	0.9	0.9	0.9	0.9	0.9
RMB/EUR exchange rate	7.08	7.66	7.74	7.72	7.65	7.73	7.73
JPY/EUR exchange rate	137.9	152.0	163.9	164.8	151.8	158.3	158.3
EUR nominal effective exchange rate (annual percentage change) (b)	-4.68	6.98	2.91	1.66	6.98	2.91	1.66
Natural gas (EUR/Mwh) (c)	131.9	41.4	30.9	34.8	43.3	55.1	47.7
Electricity (EUR/Mwh) (d)	260.1	102.2	69.8	87.7	106.0	133.5	121.7
Oil price (USD per barrel)	100.7	82.5	85.4	80.0	84.1	84.5	79.6
Oil price (EUR per barrel)	95.7	76.3	79.7	75.1	78.1	79.9	75.3

(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.

recording-recovery-resilience-facility.pdf). In particular, this implies that, except for 2020, the budgetary impact of any expenditure or other costs financed with non-repayable financial support ('grants') from the RRF is neutralised in revenue projections by matching transfers received from the EU. Expenditure financed by loans from the RRF are not neutralised and thus affect the government balance, while the loans by the RRF are recorded as Member States' debt towards the EU.

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2023 as published in Eurostat's news release of 22 April 2024 [3].

The public finance forecast is made under the 'no-policy-change' assumption, which extrapolates past revenue and expenditure trends and relationships in line with past policy orientations. This may also include the adoption of working assumptions, in particular to deal with structural breaks. The no-policy-change forecast includes all fiscal policy measures that imply a change to past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced. For 2024 in particular, the annual budgets adopted or presented to national parliaments are taken into consideration. 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 in the forecast years 2024 and 2025 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2023, this implies an aggregate debt-to-GDP ratio that is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 22 April 2024 (by 1.4 pps. in the euro area and by 1.2 pps. in the EU).

(3) https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-22042024-AP

PART II

Prospects by individual economy

Euro Area Member States

1. BELGIUM

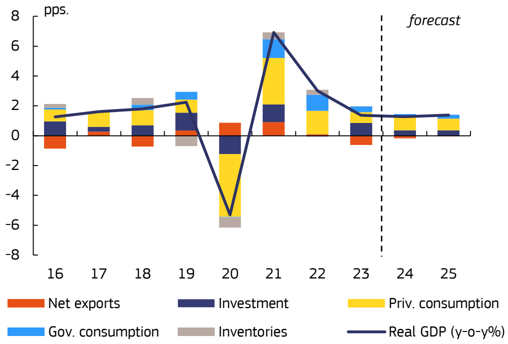
Economic growth in Belgium is expected to remain broadly stable over the forecast horizon, at 1.3% in 2024 and 1.4% in 2025. The phase-out of government measures to limit price increases is set to push inflation up to 4.0% in 2024, before it falls to 2.3% in 2025. The government deficit is projected to stabilise at 4.4% of GDP in 2024, before increasing to 4.7% of GDP in 2025 driven by upward pressures on permanent current spending. Government debt is expected to remain stable at 105 % of GDP in 2024, and to increase to 107% of GDP in 2025.

A resilient economy

Economic activity expanded by 1.4% in 2023 thanks to robust private consumption and a rebound in corporate investment. Real GDP is expected to continue to grow at similar pace in 2024 and in 2025. In the first quarter of this year, real GDP growth reached 0.3%.

Private consumption is set to remain strong over the forecast horizon, as consumers purchasing power is supported by the automatic indexation of wages and social benefits. The high saving rate in 2023 is projected to decrease over the forecast horizon.

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



Throughout 2024, residential construction is set to continue to be held back by high financing costs. In contrast, adjustment to the energy transition and the implementation of the Recovery and Resilience Plan are set to support gross fixed capital formation. Public investment is also projected to accelerate in the run-up to the 2024 elections. Overall, investment is forecast to grow by 1.5% in 2024 and 2025.

Exports declined by 3.3% in 2023, notably due to weakening demand from trading partners. In 2024, exports are projected to further drop due to carry-over effects. However, the improving external environment is expected to result in a return to a robust positive yearly growth rate in 2025. Imports are also set to decline in 2024, but strong domestic demand and the loss of competitiveness are set to lead to a negative contribution of net exports to GDP growth of 0.2 pps. The contribution of net exports to GDP growth is forecast to be neutral in 2025, following the recovery of exports.

All in all, real GDP growth is expected to reach 1.3% in 2024, and 1.4% in 2025.

Slowdown in employment

After attaining 0.8% in 2023, employment growth is forecast to slow down to 0.4% in 2024 and 0.6% in 2025 while the unemployment rate is expected to remain broadly stable in the forecast horizon at 5.6% in 2024 and 5.4% in 2025. Driven mostly by the automatic indexation of wages, compensation of employees per head is set to grow by 3.5% in 2024 and 2.6% in 2025.

A rebound in inflation

Inflation fell to 2.3% 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 mitigate the impact of high energy prices. The phase-out of these measures is set to push headline inflation to 4.0% in 2024. In 2025, it is expected to drop again to 2.3%. As upward underlying cost pressures recede over the forecast horizon, headline inflation excluding energy and food is set to decline in 2024 to gradually return to values close to 2% in 2025.

Government deficit to deteriorate further despite withdrawal of crisis measures

In 2023, the government budget deficit reached 4.4% of GDP, driven by the automatic indexation of public sector wages and social benefits, ageing costs, and rising interest payments. This increase in deficit occurred despite the complete phasing-out of COVID-19 emergency temporary measures, estimated to have amounted to 0.5% of GDP in 2022. Furthermore, the net budgetary cost of the measures to mitigate the impact of high energy prices is estimated to have declined to 0.4% of GDP in 2023, compared with 0.8% in 2022.

In 2024, the government budget deficit is projected to stabilise at 4.4% of GDP. The savings generated by the full phasing-out of the measures to mitigate the impact of high energy prices and to support firm's competitiveness in 2024 is expected to be offset by structurally rising current expenditure (ageing related fiscal costs in particular), and by higher interest payments on public debt. In 2025, based on unchanged policies, rising fiscal costs stemming from demographic ageing and higher interest payments are projected to result in an increase of the government budget deficit to 4.7% of GDP.

Government debt reached 105.2% of GDP in 2023. It is projected to remain broadly stable in 2024, due to a debt reducing stock flow adjustment related to an excess of cash in end-2023 following the issuance of short-term state notes. In 2025, debt is expected to rise to 106.7% of GDP driven by the high budget deficit. The projected steady increase in interest payments and the normalisation of nominal economic growth is set to make the interest rate - economic growth differential less favourable than in previous years.

Table II.1.1:

Main features of country forecast - BELGIUM

		2023			Annual percentage change						
		bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP			584.7	100.0	1.7	-5.3	6.9	3.0	**1.4**	**1.3**	**1.4**
Private Consumption			300.3	51.4	1.5	-8.2	6.3	3.2	**1.4**	**1.7**	**1.5**
Public Consumption			141.8	24.2	1.1	-0.1	5.2	4.5	**1.6**	**0.8**	**1.1**
Gross fixed capital formation			143.8	24.6	2.8	-5.1	4.9	-0.2	**3.6**	**1.5**	**1.5**
Exports (goods and services)			506.8	86.7	3.2	-6.3	13.9	4.9	**-3.3**	**-0.7**	**3.0**
Imports (goods and services)			512.3	87.6	3.4	-7.4	13.0	4.9	**-2.6**	**-0.5**	**3.0**
GNI (GDP deflator)			597.1	102.1	1.6	-5.2	7.0	3.5	**1.9**	**0.9**	**1.1**
Contribution to GDP growth:	Domestic demand				1.7	-5.5	5.6	2.6	**2.0**	**1.4**	**1.4**
	Inventories				0.1	-0.7	0.5	0.3	**0.0**	**0.0**	**0.0**
	Net exports				-0.1	0.9	0.9	0.1	**-0.6**	**-0.2**	**0.0**
Employment					1.0	0.1	1.9	2.1	**0.8**	**0.4**	**0.6**
Unemployment rate (a)					7.8	5.8	6.3	5.6	**5.5**	**5.6**	**5.4**
Compensation of employees / head					2.1	-1.5	4.4	7.3	**7.7**	**3.5**	**2.6**
Unit labour costs whole economy					1.4	4.0	-0.5	6.3	**7.1**	**2.6**	**1.8**
Saving rate of households (b)					14.8	20.4	17.1	12.9	**14.5**	**13.8**	**13.5**
GDP deflator					1.7	1.6	3.2	5.9	**4.1**	**2.5**	**2.1**
Harmonised index of consumer prices					1.9	0.4	3.2	10.3	**2.3**	**4.0**	**2.3**
Terms of trade goods					-0.2	0.8	-1.8	-5.1	**1.2**	**0.4**	**0.2**
Trade balance (goods) (c)					0.4	2.2	1.6	-1.4	**0.0**	**0.6**	**0.7**
Current-account balance (c)					1.8	1.4	1.3	-1.0	**0.0**	**-0.4**	**-0.5**
General government balance (c)					-2.3	-9.0	-5.4	-3.6	**-4.4**	**-4.4**	**-4.7**
Structural budget balance (d)					-2.3	-5.6	-4.8	-3.9	**-4.2**	**-4.0**	**-4.3**
General government gross debt (c)					99.7	111.9	107.9	104.3	**105.2**	**105.0**	**106.6**

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

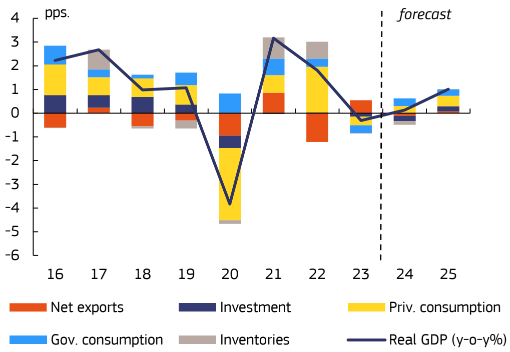
2. GERMANY

Following a recession in 2023, economic activity in Germany is expected to stagnate in 2024. Domestic demand is set to pick up slowly in 2024 and 2025, as real wage growth resumes. However, investment is projected to remain well below pre-pandemic levels, constrained by continued high financing costs. Exports are forecast to remain sluggish in 2024 and slowly recover in 2025. Driven by domestic demand, GDP growth is expected to increase moderately in 2025. Fiscal consolidation continues with the government deficit and the debt-to-GDP ratio gradually decreasing, benefitting from the phase-out of energy support measures.

Stagnation followed by a sluggish recovery

The German economy went through a recession in 2023 when real GDP declined by 0.2% (according to the latest GDP release by the German Federal Statistical Office). Despite continued headwinds, it recovered slightly at the start of 2024, with economic activity expected at 0.2% q-o-q in the first quarter of 2024. Purchasing power recovered significantly during the previous year but private consumption remained sluggish during 2023. Investment is still expected to contribute negatively to economic growth in 2024. At the same time, weak foreign demand for capital and intermediate goods is affecting German exports. Overall, real GDP growth is forecast to increase by 0.1% in 2024.

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



With an expected further easing of inflation, real household income is set to continue to recover. Combined with improved consumer sentiment, private consumption is projected to return to pre-pandemic levels in 2025. After a strong decline in investment activity during the previous years, recovery in investment growth is expected in 2025, also thanks to the assumed improvement of financing conditions. At the same time, the persistently high housing demand is expected to support a recovery in construction as from the second half of 2024. Trade is not projected to support growth in 2024 and it is set to have only a minor positive contribution in 2025. The main reasons behind this are a loss of competitiveness in some (mainly energy intensive) sectors. Overall, real GDP growth is forecast to recover moderately to 1.0% in 2025.

Labour market to remain stable

In 2023, a record-high 83.6% of the population aged 20-64 was active on the labour market, up from 83.3% a year before. The resilience of the labour market is also reflected in the unemployment rate, which is expected to remain broadly stable at around 3.0% over the forecast horizon. The job vacancy rate has been somewhat receding given the softening of economic activity, but it remains at high levels, and the acceleration of ageing will continue to weigh on labour supply and tightness of the labour market. In 2023, real wages turned a corner and grew significantly, after several quarters of real wage losses. Real wages are set to continue their recovery in 2024 and 2025, in a context of higher nominal wage outcomes and lower inflation.

Inflation to ease further

Inflation has decelerated steadily since October 2022 on the back of the decline in wholesale energy prices and the introduction of measures to mitigate the impact of high energy prices. However, the phase-out of these measures and higher fuel costs are expected to contribute positively to overall inflation in 2024 and 2025. The decrease in inflation is also set to be slowed down by continued wage growth, which is expected to sustain price pressures in services. Overall, inflation is projected to ease to 2.4% in 2024 and 2.0% in 2025, down from 6.0% in 2023.

Public finances on a path of consolidation

In 2023, the general government deficit remained at 2.5% of GDP. The gas and electricity price brakes replaced a variety of earlier energy-related measures, while the increase in the long-term care contribution rate helped to compensate income tax cuts due to tax bracket adjustments and increases in tax allowances for children.

With the “debt brake” back in force as from 2024, the spending possibilities of the government will be more limited in the years to come.

In 2024, the government deficit is expected to decrease to 1.6% of GDP, as a result of the phase-out of measures to mitigate the impact of high energy prices dropping from 1.2% of GDP in 2023 to 0.1% of GDP, and of a robust development of government revenue. Solid tax revenue and strongly increasing social contributions, due to rising salaries and social contribution rates, are expected to more than outweigh income tax reductions and the increase in child allowances.

In 2025, based on unchanged policies, the general government deficit is projected to further decrease to 1.2% of GDP. On the revenue side, social contributions are set to benefit from the phase-out of the inflation compensation bonus that allowed employers to pay a tax-free and social contribution-free bonus of up to EUR 3.000 in total during the period end 2022 to end 2024. On the expenditure side, robust growth is set to continue as pension payments and public sector wages are projected to increase noticeably.

The government debt level dropped to 63.6% of GDP in 2023. It is expected to slowly decrease over the forecast horizon, to 62.9% and 62.2% in 2024 and 2025 respectively, due to inflation and the reduced debt increasing impact of primary deficits. The introduction in 2024 of a capital-based element to the pension system will increase the gross debt ratio by around 0.3 pps. every year going forward, without impacting the government deficit, as the yearly contributions to this investment fund constitute financial transactions.

Table II.2.1:

Main features of country forecast - GERMANY

		2023			Annual percentage change					
		bn EUR Curr. prices	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		4121.2	100.0	1.4	-3.8	3.2	1.8	**-0.3**	**0.1**	**1.0**
Private Consumption		2089.7	50.7	1.1	-5.9	1.5	3.9	**-0.7**	**0.6**	**0.9**
Public Consumption		888.5	21.6	1.8	4.1	3.1	1.6	**-1.5**	**1.5**	**1.2**
Gross fixed capital formation		904.2	21.9	1.9	-2.4	-0.2	0.1	**-0.7**	**-1.0**	**1.0**
Exports (goods and services)		1942.5	47.1	4.5	-9.3	9.7	3.3	**-2.2**	**-1.0**	**2.7**
Imports (goods and services)		1771.0	43.0	4.5	-8.3	8.9	6.6	**-3.4**	**-0.8**	**2.8**
GNI (GDP deflator)		4286.2	104.0	1.7	-4.6	4.2	1.8	**-0.2**	**0.3**	**1.0**
Contribution to GDP growth:	Domestic demand			1.3	-2.7	1.4	2.3	**-0.8**	**0.4**	**0.9**
	Inventories			-0.1	-0.2	0.9	0.7	**0.0**	**-0.2**	**0.0**
	Net exports			0.3	-0.9	0.9	-1.2	**0.6**	**-0.1**	**0.1**
Employment				0.9	-0.8	0.2	1.4	**0.7**	**0.4**	**0.2**
Unemployment rate (a)				6.1	3.7	3.7	3.1	**3.1**	**3.1**	**3.1**
Compensation of employees / head				2.0	0.4	3.1	3.9	**5.8**	**4.9**	**3.6**
Unit labour costs whole economy				1.5	3.5	0.1	3.4	**6.9**	**5.2**	**2.7**
Saving rate of households (b)				17.4	23.7	22.7	19.9	**20.3**	**21.1**	**20.7**
GDP deflator				1.4	1.9	3.0	5.3	**6.6**	**3.6**	**2.1**
Harmonised index of consumer prices				1.6	0.4	3.2	8.7	**6.0**	**2.4**	**2.0**
Terms of trade goods				0.1	2.8	-4.1	-6.1	**5.6**	**0.3**	**-0.1**
Trade balance (goods) (c)				7.1	5.6	5.3	2.8	**5.6**	**5.8**	**5.8**
Current-account balance (c)				6.8	7.2	7.8	4.4	**6.9**	**7.0**	**7.0**
General government balance (c)				-0.6	-4.3	-3.6	-2.5	**-2.5**	**-1.6**	**-1.2**
Structural budget balance (d)				1.1	-2.7	-3.1	-2.4	**-2.1**	**-0.9**	**-0.7**
General government gross debt (c)				70.4	68.8	69.0	66.1	**63.6**	**62.9**	**62.2**

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

3. ESTONIA

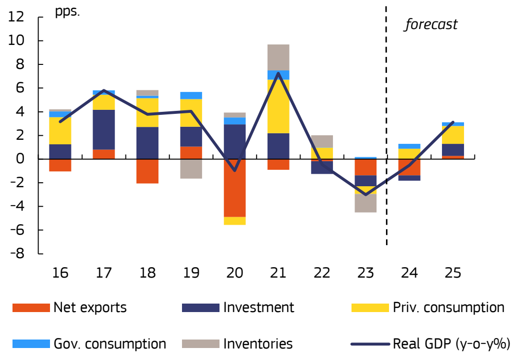
The Estonian economy is expected to remain in recession in 2024 amid weak export prospects and falling investment. Private consumption is projected to recover gradually supported by rising real wages and an expected fall in debt servicing cost. Real GDP is expected to rebound in 2025 thanks to stronger external growth and rising real income. Inflation is set to moderate to 3.4% in 2024 and further to 2.1% in 2025. The government deficit is projected at 3.4% of GDP in 2024, further increasing to 4.3% in 2025, contributing to the increase in the debt-to-GDP ratio to 24.6% in 2025.

Weakness persists

Estonia's real GDP contracted by 3% in 2023 in a broad-based manner, revealing a protracted recession. Exports fell sharply on account of the low demand from the Nordic countries and other trading partners. Firms operated at low capacity and hence held back on their investment. Private consumption contracted as higher interest rates incentivised savings and households' purchasing power was still recovering from the real wage hit by rapidly rising prices over the last years.

In 2024, sentiment indicators of all main business sectors remained weak through April, reflecting a sluggish beginning of the year. Meanwhile consumer sentiment became less negative. Private consumption is set to benefit from continuous real wage growth and the expected lower interest rates, which would decrease mortgage payments (most of which have variable interest rates in Estonia), freeing funds for consumption and making saving less appealing. The anticipated stronger growth in Estonia's trading partners together with stronger private consumption is expected to gradually lift the Estonian economy, particularly in 2025.

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



Investment heavily depends on recovery of foreign and domestic demand. Currently it is mostly driven by public projects. The latest investment survey shows that most private companies intend to further reduce their investments in 2024. Private investment is expected to pick up in 2025, amid broader economic recovery and lower financing costs. Meanwhile, fiscal policy is set to keep providing support to growth. The Estonian economy is projected to contract by -0.5% in 2024 and grow by 3.1%, in 2025.

The long recession is gradually seeping into the labour market. The unemployment rate rose to 7.7% in March. Labour hoarding, skill shortages and population aging are nevertheless set to keep unemployment relatively low, projected at 7.4% in 2024 and 6.9% in 2025.

Inflation jumps on VAT hike but projected to decline

The 2 pps VAT rate increase in the beginning of 2024 pushed HICP inflation to 5% in January, though it later resumed its downward trajectory. The energy price component remained positive over the last two quarters, which is reportedly linked to the use of the capped electricity universal coverage price in the Estonian HICP index calculation. The inflation of prices for industrial goods and food has decelerated, in line with the global trend, and is projected to continue the slowdown. However, services inflation increased on the back of higher domestic wages and is expected to remain elevated. HICP inflation is projected to decline to 3.4% in 2024 and to 2.1% in 2025.

Public finances face a considerable downturn

The general government deficit increased markedly from 0.9% of GDP in 2022 to 3.4% in 2023. The contraction in economic activity and the weakened tax-base growth led to an increase in revenues of just 1.3% of GDP compared to an increase of 3.8% in expenditure. This increase was due to higher public wage spending and pensions coupled with further new permanent spending programmes for defence, education and child benefits. These effects outweighed the reduction of the budgetary cost of measures to mitigate the impact of high energy prices from 0.6% in GDP to 0.2% in 2023.

The deficit is forecast to remain at 3.4% of GDP in 2024, as revenue grows stronger, increasing by 2.1% of GDP on the back of the extra revenue generated by tax measures, such as the increase of the VAT standard rate from 20% to 22% and of the corporate income tax rate also to 22% as well as the rise of environmental taxes, all amounting to 0.9% of GDP. The complete phasing out of energy support measures is expected to be more than offset by further defence spending and defence investments as well as further increases in child benefits, projected to cost around 0.7% of GDP.

In 2025, based on unchanged policies, the deficit is forecast to increase considerably, to 4.3% of GDP on the back of a 1.35% of GDP net decrease in personal income taxes. The cost of this increase in the basic non-taxable income is expected to more than offset the foreseen increase in the basic tax rate from 20% to 22%, amounting to just 0.4% of GDP. In order to reduce the deficit, the government has announced a significant consolidation package (including expenditure cuts as well as a tax to cover security-related expenditures, a new car tax, and a sugar-sweetened beverage tax), which is however not yet included in this forecast as it is not yet specified in sufficient detail.

Public debt is expected to increase from 19.6% of GDP in 2023 to 24.6% in 2025, still the lowest in the EU. Such increase will be on the back of increases in the primary deficit and in interest expenditure.

Table II.3.1:

Main features of country forecast - ESTONIA

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		37.7	100.0	2.9	-1.0	7.2	-0.5	**-3.0**	**-0.5**	**3.1**
Private Consumption		20.0	53.0	3.3	-1.3	9.1	2.0	**-1.3**	**1.6**	**2.8**
Public Consumption		7.9	20.9	2.4	3.0	3.8	0.1	**0.9**	**2.0**	**1.5**
Gross fixed capital formation		10.0	26.6	3.7	10.8	7.3	-3.7	**-3.4**	**-1.7**	**4.0**
Exports (goods and services)		29.5	78.4	6.6	-5.5	22.1	3.0	**-6.9**	**-2.0**	**4.7**
Imports (goods and services)		29.3	77.8	6.1	1.3	23.2	3.2	**-5.2**	**-0.2**	**4.4**
GNI (GDP deflator)		36.9	97.8	3.2	-0.4	7.0	-1.3	**-2.7**	**-0.5**	**3.2**
Contribution to GDP growth:	Domestic demand			3.5	2.9	7.5	-0.1	**-1.4**	**0.8**	**2.8**
	Inventories			-0.1	0.4	2.2	1.0	**-1.6**	**0.0**	**0.0**
	Net exports			0.1	-4.9	-0.9	-0.2	**-1.4**	**-1.4**	**0.3**
Employment				0.5	-2.7	0.1	4.6	**3.2**	**-0.5**	**0.7**
Unemployment rate (a)				8.2	6.9	6.2	5.6	**6.4**	**7.4**	**6.9**
Compensation of employees / head				7.8	4.5	9.3	8.1	**7.6**	**5.5**	**3.8**
Unit labour costs whole economy				5.2	2.6	2.1	13.6	**14.5**	**5.5**	**1.4**
Saving rate of households (b)				7.0	13.7	7.8	0.1	**3.6**	**4.6**	**5.7**
GDP deflator				4.5	-0.9	6.0	16.1	**7.9**	**3.8**	**2.3**
Harmonised index of consumer prices				3.4	-0.6	4.5	19.4	**9.1**	**3.4**	**2.1**
Terms of trade goods				0.6	1.1	0.6	0.7	**4.2**	**0.5**	**-0.5**
Trade balance (goods) (c)				-7.8	-1.0	-4.0	-7.1	**-6.3**	**-7.5**	**-7.6**
Current-account balance (c)				-2.9	-2.0	-2.7	-3.3	**-1.9**	**-2.5**	**-2.4**
General government balance (c)				0.3	-5.4	-2.5	-1.0	**-3.4**	**-3.4**	**-4.3**
Structural budget balance (d)				-0.4	-4.2	-4.4	-1.1	**-1.3**	**-0.7**	**-2.6**
General government gross debt (c)				7.5	18.6	17.8	18.5	**19.6**	**21.4**	**24.6**

(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

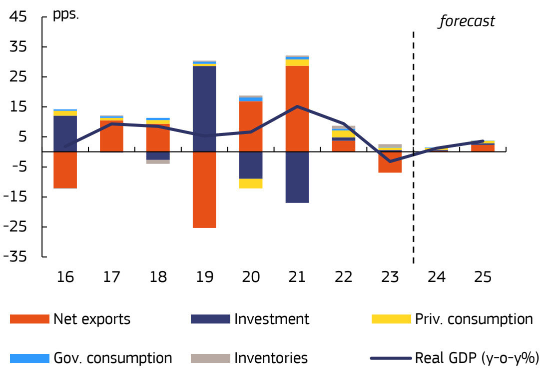
Ireland's economy is expected to rebound and grow by 1.2% in 2024 and 3.6% in 2025 supported by an improvement in global trade, falling inflation and a strong labour market. Headline inflation is set to continue easing to 1.9% in 2024 and 1.8% in 2025. The budget surplus is projected to decrease marginally in 2024 and 2025.

Economic activity set to pick up

Following periods of strong growth, Ireland's real GDP weakened significantly in 2023, declining by 3.2%. This contraction was primarily driven by the weak performance of specific multinational-dominated sectors. Modified domestic demand, which better reflects the underlying domestic economic activity in Ireland, grew marginally by 0.5%, impacted by elevated inflation and tight financial conditions. The preliminary GDP estimate shows that the economy started to recover in the first quarter of 2024, expanding by 1.1% q-o-q.

Consumer sentiment and retail sales data indicate a modest pick-up in consumer demand in the first months of 2024. Easing inflation, a robust labour market and a recovery in real incomes are expected to support private consumption growth over the forecast horizon.

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



Modified investment, which removes the volatile aircraft leasing and R&D intellectual property components, declined in 2023 mainly due to a technical base effect after the completion of strong one-off investments in recent years. While modified investment remains high by historical standards, the uncertain economic outlook and tight financing conditions are expected to weigh on investment growth in 2024. An assumed improvement of financial conditions and the continued implementation of the National Development Plan point to a more positive investment outlook in 2025.

Exports are set to rebound over the forecast horizon, after a decline in 2023 due to weak external demand and sector-and-product specific factors. Pharmaceutical exports slowed down after the surge during the pandemic, and semiconductor exports also declined. Additionally, a fall in contract manufacturing - i.e. goods produced outside of Ireland on behalf of Irish resident firms - contributed to the downturn last year. Exports are set to grow in 2024 in line with global trade prospects, albeit still being held back by the negative carry-over from 2023, and to make a more significant positive contribution to growth in 2025.

Overall, GDP is expected to grow by 1.2% in 2024 and by 3.6% in 2025. Modified domestic demand is set to expand by 1.7% in 2024 and by 2.4% in 2025.

Labour market to remain tight

The labour market remains strong, but shows signs of moderation. Vacancy rates have been gradually decreasing, although they are still above their long-term average, indicating a softening of excess labour demand. The unemployment rate remained stable, at 4.4% in the first quarter of 2024, and is expected to stay low, averaging 4.4% in 2024 and 2025, due to the still tight labour market. Employment growth is set to continue over the forecast horizon, albeit at a slower pace, reflecting the continued expected growth in the domestic economy. With rising nominal wages and a slowdown in inflation, real wage growth is expected to turn positive in 2024 and continue growing in 2025.

Inflation projected to ease

Inflation has been easing rapidly in recent months, averaging 2.2% in the first quarter of 2024, mainly reflecting the transmission of lower wholesale energy prices to retail prices. Going forward, the deceleration of inflation is projected to continue, albeit less rapidly, with headline inflation forecast to reach 1.9% in 2024 and 1.8% in 2025. However, underlying price pressures remain strong and continued wage growth is expected to sustain services inflation. As a result, HICP inflation excluding energy and food is set to moderate more gradually over the forecast horizon.

Budget surplus to decline

Ireland's general government budget registered a surplus of 1.7% of GDP in 2023, in line with the outturn of 2022. Buoyant revenue growth matched increases in public sector pay and investment.

In 2024, the surplus is forecast to decline to 1.3%. Revenue growth is projected to moderate driven by a general softening of the domestic economy. Expenditure growth is set to remain brisk as the spending drivers of 2023 persist. Measures to mitigate the economic and social impact of high energy prices are expected to decrease from 0.4% of GDP in 2023 to 0.1% of GDP in 2024.

In 2025, based on unchanged policies, revenue and expenditure growth rates are projected to revert to their long-term trend, with a broadly neutral impact on the budget surplus estimated at 1.2%.

The general government debt-to-GDP ratio is forecast to decrease from 43.7% in 2023 to 42.5% in 2024, and 41.3% in 2025. The debt ratio is projected to fall more slowly than implied by the budget surpluses due to sizeable stock-flow adjustments, resulting from a number of specificities in the Irish treasury management strategy.

Table II.4.1:

Main features of country forecast - IRELAND

	2023			Annual percentage change					
	bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	504.6	100.0	4.5	6.6	15.1	9.4	**-3.2**	**1.2**	**3.6**
Private Consumption	136.5	27.0	2.3	-10.8	8.5	9.4	**3.1**	**2.3**	**3.1**
Public Consumption	62.1	12.3	2.1	10.3	6.6	4.5	**1.9**	**1.1**	**0.8**
Gross fixed capital formation	117.9	23.4	10.1	-16.5	-40.4	5.1	**2.9**	**1.5**	**2.4**
Exports (goods and services)	676.9	134.1	7.7	11.5	15.1	13.9	**-4.8**	**2.5**	**5.2**
Imports (goods and services)	507.7	100.6	8.4	-1.7	-7.5	15.9	**0.4**	**3.0**	**4.6**
GNI (GDP deflator)	389.6	77.2	3.8	3.9	13.6	5.3	**4.1**	**1.1**	**3.2**
Contribution to GDP growth: Domestic demand			4.4	-10.9	-14.0	4.0	**1.6**	**1.1**	**1.5**
Inventories			0.1	0.6	0.5	1.0	**1.0**	**0.0**	**0.0**
Net exports			0.6	16.9	28.6	3.7	**-6.9**	**0.4**	**2.3**
Employment			1.3	-2.8	6.0	6.6	**5.4**	**1.6**	**1.5**
Unemployment rate (a)			9.1	5.9	6.2	4.5	**4.3**	**4.4**	**4.4**
Compensation of employees / head			2.4	3.7	2.6	2.7	**2.7**	**4.4**	**4.1**
Unit labour costs whole economy			-0.8	-5.5	-5.5	0.1	**11.8**	**4.8**	**2.0**
Saving rate of households (b)			10.1	23.9	19.8	12.4	**11.4**	**11.7**	**11.9**
GDP deflator			1.2	-1.2	0.5	6.6	**3.0**	**2.6**	**1.9**
Harmonised index of consumer prices			1.0	-0.5	2.4	8.1	**5.2**	**1.9**	**1.8**
Terms of trade goods			-0.5	-2.4	-9.1	-3.5	**-1.1**	**0.4**	**0.0**
Trade balance (goods) (c)			25.4	38.0	38.8	40.0	**32.0**	**29.9**	**30.4**
Current-account balance (c)			-2.7	-6.5	13.7	10.8	**9.9**	**9.1**	**9.5**
General government balance (c)			-5.1	-5.0	-1.5	1.7	**1.7**	**1.3**	**1.2**
Structural budget balance (d)			-1.1	-2.3	-3.9	-3.0	**1.0**	**1.8**	**1.6**
General government gross debt (c)			67.8	58.1	54.4	44.4	**43.7**	**42.5**	**41.3**

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

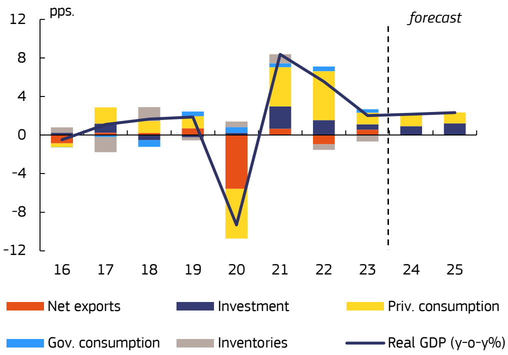
5. GREECE

Following a reduced, but still solid economic performance in 2023, GDP growth is expected to pick up slightly in 2024 and 2025, supported by export, investments, and private consumption. Headline inflation is set to moderate and fall to 2.1% by 2025. The general government deficit is expected to shrink further thanks to muted expenditure growth, and the public debt ratio is set to remain on a downward path.

Economic activity to gradually pick up pace thanks to stronger investment

Following a very strong post pandemic recovery, in 2023, real GDP growth was still high at 2%. It remains well above Greece's long-term growth potential and the euro area average. Economic activity was driven by private consumption, that benefitted from rising real disposable incomes, by investment in construction, and by net exports, while inventories were a drag on growth.

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



With pent-up demand largely exhausted, private consumption is now mainly supported by rising real income and it is set to increase at a slightly lower rate in 2024. The projected gradual easing of financing conditions and the accelerated implementation of RRP-related projects are forecast to stimulate gross fixed capital formation, which is expected to pick up from 4.0% in 2023 to 6.7% in 2024. The gradual rebound in external demand is also expected to support export growth, compounded by higher export market shares following competitiveness gains. However, the accelerating growth in investment, which has a significant import content, is set to induce higher import demand. Thus, net exports are likely to be growth-neutral and the current account deficit is projected to narrow only moderately over the forecast horizon. Overall, GDP is expected to grow by 2.2% in 2024.

In 2025, economic growth is projected at 2.3%. Investment is expected to gain further momentum, and become a key contributor to output growth, while household spending is likely to be further supported by a rise in real income.

Labour market segmentation set to slow employment growth

In 2023, the labour market continued to strengthen on the back of solid economic activity, with the unemployment rate falling by 1.4 pps. to 11.1%. Despite still high unemployment, vacancy rates are rising, pointing to increasing labour market shortages in some sectors. Employment is projected to rise further, but the increase is likely to be constrained by labour market segmentation, especially due to skill mismatches, and by a low activity rate. Nominal compensation per employees is expected to grow at a less dynamic pace but to remain solid, exceeding the inflation, as a result of the recent minimum wage increase, a public sector wage hike and a tightening labour market.

Inflation easing gradually amid persistent prices for food and services

Despite energy prices falling further, the disinflation process came to a temporary halt in mid-2023 due to persistently high food inflation, which was exacerbated by the impact of floods and sticky services prices. HICP inflation averaged 4.2% in 2023 and stood at 3.4% in March 2024, i.e. 1 pp. above the euro area average. Price pressures are set to ease only gradually in the near term due to persistent food inflation and solid wage growth. Consumer prices are expected to increase by 2.8% in 2024 and 2.1% in 2025. Inflation excluding energy and food is set to remain slightly higher, at 3.1% and 2.2% in 2024 and 2025 respectively.

Deficit and debt decline on the back of spending restraint and rising revenues

The general government deficit declined from 2.5% of GDP in 2022 to 1.6% in 2023, primarily driven by the phaseout of the measures implemented to mitigate the impact of high energy prices.

The general government budget deficit is forecast to decline further to 1.2% of GDP in 2024. This is mainly the result of muted growth of current expenditure. The forecast takes into account the revenue-increasing reform of the self-employed taxation, which on the one hand includes a 50% reduction of the fixed levy on self-employed, and, on the other hand applies a minimum income for self-employed as a floor for the assessment of income tax obligations. Almost all energy-support measures to have been phased out: only some minor measures remain in place after 2023, which were made permanent, with a budgetary cost of around 0.1% of GDP.

The general government deficit is expected to decrease further to 0.8% of GDP in 2025 based on unchanged policies. This drop is set to be underpinned by the muted growth of the public wage bill. By contrast, the expected 0.5 pps. reduction of the social security contribution rates and the complete elimination of the fixed levy on the self-employed are set to reduce revenue growth.

The public debt-to-GDP ratio declined to 161.9% in 2023 driven both by the increase in nominal GDP and the surplus of the primary balance. The ratio is expected to fall further to 153.9% of GDP in 2024 and 149.3% in 2025, helped by increasing primary surpluses, nominal growth and stock-flow adjustments related amongst others to the considerable proceeds from the Egnatia and Attiki Odos road concessions.

The fiscal outlook remains subject to risks. Downside risks stem from pending legal cases, most notably the litigation cases against the Public Properties Company (ETAD). Also, with the increasing minimum wage, wage pressures are building up in the public sector. On the upside, revenues could turn out higher than currently forecast due to the measures that aim to improve tax compliance.

Table II.5.1:

Main features of country forecast - GREECE

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		220.3	100.0	-0.8	-9.3	8.4	5.6	**2.0**	**2.2**	**2.3**
Private Consumption		150.7	68.4	-0.4	-7.4	5.8	7.4	**1.8**	**1.7**	**1.6**
Public Consumption		43.4	19.7	-0.3	3.0	1.8	2.1	**1.7**	**0.4**	**0.0**
Gross fixed capital formation		30.6	13.9	-4.9	2.0	19.3	11.7	**4.0**	**6.7**	**8.4**
Exports (goods and services)		98.8	44.9	3.9	-21.5	24.2	6.2	**3.7**	**4.2**	**4.0**
Imports (goods and services)		109.7	49.8	1.4	-7.3	17.9	7.2	**2.1**	**3.8**	**3.6**
GNI (GDP deflator)		216.9	98.4	-0.8	-8.9	8.0	5.3	**1.5**	**2.6**	**2.5**
Contribution to GDP growth:	Domestic demand			-1.1	-4.3	6.8	7.1	**2.1**	**2.2**	**2.3**
	Inventories			-0.2	0.6	0.9	-0.6	**-0.7**	**0.0**	**0.0**
	Net exports			0.5	-5.6	0.6	-1.0	**0.6**	**0.0**	**0.0**
Employment				0.3	-2.6	1.2	2.5	**1.0**	**0.9**	**0.7**
Unemployment rate (a)				17.2	17.6	14.7	12.5	**11.1**	**10.3**	**9.7**
Compensation of employees / head				-0.3	-0.4	3.8	2.8	**5.5**	**4.3**	**2.7**
Unit labour costs whole economy				0.8	7.0	-3.1	-0.2	**4.5**	**3.0**	**1.0**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				0.9	-0.8	1.5	7.8	**4.5**	**3.0**	**2.2**
Harmonised index of consumer prices				1.6	-1.3	0.6	9.3	**4.2**	**2.8**	**2.1**
Terms of trade goods				-0.4	-4.1	0.3	1.7	**3.7**	**0.1**	**0.2**
Trade balance (goods) (c)				-13.4	-11.9	-14.8	-19.2	**-14.8**	**-15.1**	**-15.1**
Current-account balance (c)				-7.1	-8.0	-8.6	-10.6	**-5.8**	**-5.2**	**-4.8**
General government balance (c)				-6.5	-9.8	-7.0	-2.5	**-1.6**	**-1.2**	**-0.8**
Structural budget balance (d)				5.2	-3.1	-4.6	-2.5	**-1.5**	**-1.7**	**-1.8**
General government gross debt (c)				150.0	207.0	195.0	172.7	**161.9**	**153.9**	**149.3**

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

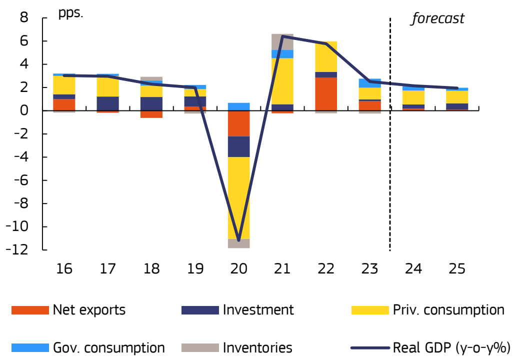
6. SPAIN

Economic activity in Spain is expected to grow at 2.1% in 2024 and 1.9% in 2025 driven by domestic demand and sustained by continued labour market resilience. The implementation of the Recovery and Resilience Plan (RRP) is set to underpin investment growth over the forecast horizon. Headline inflation is projected to maintain its downward trend as underlying price pressures moderate. The general government deficit is set to keep decreasing, spurred by the favourable revenue developments and the phase-out of energy-related measures. The debt-to-GDP ratio is set to gradually decline further in 2025 to 104.8%, from 105.5% in 2024.

Economic activity to remain robust

The Spanish economy posted growth of 2.5% in 2023. The strong outturn was underpinned by robust labour market developments which sustained private consumption, as well as by the contribution from net exports and public consumption. Amid the high interest rates environment and general uncertainty, overall investment growth was subdued, particularly in the second half of the year. This was notably the case for equipment and machinery as well as residential construction.

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



In the first quarter of 2024, real GDP recorded a quarterly growth of 0.7%, largely driven by the contribution from external demand. Economic activity is forecast to expand by 2.1% overall this year, with domestic demand set to be the main growth driver. Private consumption is expected to be supported by continued job creation and the gradual reduction of the household savings rate. Investment growth is projected to improve in 2024 underpinned by the acceleration in the implementation of the RRP and the expected easing of financing conditions, benefitting also from the healthy financial position of non-financial corporations. The weak economic situation in Spain's main trading partners would limit the dynamism of overall exports and the contribution to growth from external demand, despite the expected positive developments of tourism activity and the export of non-tourism services throughout the year. Real GDP growth is projected to slightly decelerate in 2025 to 1.9%.

Downside surprises in the evolution of economic activity in Spain's main trading partners could adversely impact the outlook for activity, affecting external demand and private investment. Moreover, in view of the impact of recent years' interest rate hikes, a persistent precautionary behaviour from the private sector with a preference for further deleveraging poses downside risks to investment growth. On the other hand, a gradual normalisation of non-financial corporations' investment level and of the still elevated households' savings ratio over the forecast horizon have the potential to provide additional impetuous to domestic demand.

Strong labour market and declining unemployment

The 2023 positive performance of the labour market continued into 2024. Job creation increased sharply in the first two quarters of the year, before moderating slightly in the second half. In annual terms, employment expanded by 3.2%, supported by continued strong migration flows. The unemployment rate fell to 12.1% last year and is projected to continue to decline further, although remaining at an elevated level, reaching 11.6% in 2024 and 11.1% in 2025. Following the strong recovery of real household purchasing power last year, nominal wage growth is expected to moderate in 2024 and 2025, but to remain marginally above inflation.

Headline and underlying inflation decelerate further over the forecast horizon

Headline inflation declined to 3.4% on average in 2023, favoured by the sustained slow-down in energy prices. It is projected to further decelerate this year, reaching 3.1%, with the continued easing of price pressure from non-energy and food components. At the same time, the phasing out of most government measures to mitigate the impact of high energy prices is expected to exert upward pressure on inflation. Headline inflation is forecast to decrease further to 2.3% in 2025.

Government deficit to decrease with the phase-out of energy measures

The general government deficit continued to decrease in 2023 (to 3.6% of GDP from 4.7% in 2022), driven by the declining cost of measures to mitigate the impact of high energy prices and by favourable macroeconomic developments boosting revenues. The 11% growth in taxes on income and wealth, which reflects the strong increase of corporate profits and a robust labour market, drove the reduction of the deficit on the revenue side. On the expenditure side, savings from the most targeted energy-related measures (whose budgetary cost decreased by 0.6 pps. to 0.9% of GDP) were the main contributor to the deficit decline.

In 2024, the government deficit is set to keep decreasing to 3.0%, as energy-related measures are almost entirely phased out (by 0.7 pps. to 0.2% of GDP). Most measures of direct support for companies have already been unwound and the VAT cuts on electricity and gas as well as the reduction of the special tax on electricity are being gradually phased out. The positive direct taxation developments, underpinned by continued job creation and higher salaries and pensions, are set to continue and will be accompanied by the recovery of indirect tax revenues, benefiting from the end of energy-related tax cuts.

The government deficit is expected to decrease more moderately in 2025, based on unchanged policies, to 2.8%. Savings from the phase out of the remaining measures to mitigate energy prices (0.3 pps.) are set to contribute to the deficit reduction, mitigated by somewhat higher expenditure on intermediate consumption, interest and social benefits other than in kind.

The debt-to-GDP ratio declined markedly by 3.9 pps. in 2023, to 107.7%, thanks to strong nominal GDP growth and the reduction in the primary deficit. The ratio is projected to keep decreasing, but more gradually, to 105.5% in 2024 and 104.8% in 2025 due to the less favourable interest-growth differential, while the primary deficit is set to weigh less on debt developments.

Table II.6.1:

Main features of country forecast - SPAIN

		2023		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		1461.9	100.0	1.4	-11.2	6.4	5.8	**2.5**	**2.1**	**1.9**
Private Consumption		813.1	55.6	1.0	-12.3	7.1	4.7	**1.8**	**2.1**	**1.9**
Public Consumption		291.6	19.9	2.2	3.6	3.4	-0.2	**3.8**	**1.8**	**1.3**
Gross fixed capital formation		281.9	19.3	0.1	-9.0	2.8	2.4	**0.8**	**1.9**	**2.9**
Exports (goods and services)		569.5	39.0	3.2	-20.1	13.5	15.2	**2.3**	**1.6**	**2.4**
Imports (goods and services)		509.2	34.8	2.0	-15.0	14.9	7.0	**0.3**	**1.3**	**2.4**
GNI (GDP deflator)		1451.3	99.3	1.4	-11.1	7.0	5.5	**1.3**	**2.1**	**1.9**
Contribution to GDP growth:	Domestic demand			1.0	-8.2	5.3	3.1	**1.9**	**1.9**	**1.9**
	Inventories			0.0	-0.8	1.4	-0.2	**-0.3**	**0.0**	**0.0**
	Net exports			0.3	-2.2	-0.2	2.9	**0.8**	**0.2**	**0.1**
Employment				0.7	-4.2	2.3	2.7	**3.2**	**2.1**	**1.3**
Unemployment rate (a)				16.9	15.5	14.9	13.0	**12.2**	**11.6**	**11.1**
Compensation of employees / head				1.8	1.2	4.5	4.1	**5.4**	**4.0**	**2.9**
Unit labour costs whole economy				1.2	9.2	0.4	1.0	**6.1**	**3.9**	**2.3**
Saving rate of households (b)				7.7	17.5	13.8	7.6	**11.7**	**11.3**	**10.9**
GDP deflator				1.4	1.1	2.7	4.1	**5.9**	**3.3**	**2.3**
Harmonised index of consumer prices				1.8	-0.3	3.0	8.3	**3.4**	**3.1**	**2.3**
Terms of trade goods				-0.2	2.6	1.0	-5.8	**7.5**	**0.9**	**0.4**
Trade balance (goods) (c)				-4.2	-0.8	-1.9	-4.4	**-2.2**	**-2.1**	**-2.0**
Current-account balance (c)				-2.2	0.6	0.8	0.6	**2.5**	**2.8**	**2.8**
General government balance (c)				-4.6	-10.1	-6.7	-4.7	**-3.6**	**-3.0**	**-2.8**
Structural budget balance (d)				-2.5	-4.2	-4.3	-4.8	**-4.1**	**-3.4**	**-3.3**
General government gross debt (c)				74.2	120.3	116.8	111.6	**107.7**	**105.5**	**104.8**

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

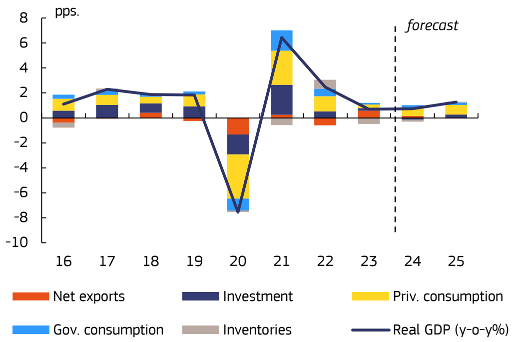
7. FRANCE

Economic activity in France is set to remain subdued in 2024 (0.7% annual growth) after a significant slowdown in the second half of 2023 but is forecast to gain momentum in 2025 (1.3%). Inflation is projected to decrease progressively over the forecast horizon (to 2.5% in 2024 and 2.0% in 2025, after 5.7% in 2023), favoured by the decrease of energy and commodity prices. The public deficit is forecast to fall to 5.3% of GDP in 2024 and to 5.0% in 2025. Public debt is set to increase to almost 114% of GDP by 2025.

Subdued investment set to weigh on growth

In 2024, activity is projected to remain subdued over the first half of the year, with growth in the first quarter estimated at 0.2%. However, the moderation of inflation and the easing of financial conditions expected in the second half of the year are projected to allow for a progressive recovery. Private consumption is expected to be the main driver for growth, as real wages bounce back while investment from both households and corporations is set to slow down. Net exports are set to have a slightly positive contribution to growth as exports gather momentum, notably in transport equipment. The deficit-reducing measures announced by the government for which sufficient detail has been disclosed have been taken into account in this forecast and are also set to weigh on economic growth. Overall, real GDP is forecast to grow by 0.7% in 2024.

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



In 2025, the economy is projected to keep gaining momentum on the back of looser financial conditions and lower inflation, with GDP expected to grow by 1.3%. This recovery is set to be driven by domestic demand, given the household purchasing power preserved over the previous years, growing real wages, and a still favourable labour market. Net exports are set to have a zero contribution to growth with strong exports growth offset by rising imports as household consumption increases. Investment from both households and corporations is projected to recover progressively. The government has announced significant expenditure savings, but these have not been taken into account in this forecast as insufficient details have been disclosed so far. Once specified and integrated, they could impact projected growth.

Labour market set to stabilise

The labour market remained dynamic in 2023. The unemployment rate reached 7.1% in 2023-Q1, its lowest level since 2008-Q1, while the employment rate reached a record high. The moderate rebound in unemployment throughout 2023 was mostly due to a very dynamic active population. Employment growth is set to slow down in 2024 and 2025 (+0.2% and +0.3% respectively, after +1.1% in 2023), as the effect of apprenticeship contracts on employment growth decreases, hours worked return to their 2019 levels and labour productivity bounces back. The unemployment rate is expected to increase to 7.7% in 2024 and 7.8% in 2025, as a strong growth of active population is expected, resulting mainly from the pension reform of 2023..

Inflation expected to decrease significantly

After peaking at 7.0% in the first quarter of 2023, HICP inflation decreased gradually to reach 4.2% in the fourth quarter, largely thanks to declining energy and commodity prices. It fell further to 3.0% in 2024-Q1, as the slowdown in consumer prices became widespread, notably given the pass-through of energy and commodity prices to industrial goods. The downward trend in inflation is expected to continue, albeit at a slower pace given that wage increases are still set to feed services inflation. Thus, inflation is expected to average 2.5% in 2024, before slowing down to 2.0% in 2025.

Debt to trend up again on the back of high deficits

The general government deficit rose to 5.5% of GDP in 2023, mainly due to sluggish tax revenues on the back of lacklustre growth and declining inflation. On the other hand, the interest burden on public debt declined by 0.2 pps., to 1.7% of GDP, as lower yields on inflation-indexed bonds compared to 2022 outweighed the effect of higher rates on new issues. Energy-related measures amounted to 0.9% of GDP.

For 2024, the deficit is set to decline to 5.3% of GDP. The subdued economic activity is expected to keep weighing on tax revenues, although these are expected to be more responsive to economic activity after the sizeable revenue shortfalls in 2023. By contrast, the introduction of the exceptional tax on energy producers and financial profits is estimated to increase revenue by 0.1 pps. of GDP. Thus, the revenue-to-GDP ratio would remain broadly stable, at around 52%. In turn, the expenditure-to-GDP ratio is set to decline by 0.5 pps. This drop would be mainly due to the withdrawal of most energy-related measures to 0.2% of GDP, and to 0.3% of GDP expenditure savings adopted in February affecting public consumption, social benefits, subsidies, current and capital transfers. However, these deficit-reducing effects are expected to be partly offset by the projected brisk increase in interest payments on public debt to around 2.0% of GDP, pushed by higher rates on new issues.

For 2025, based on unchanged policies, the general government deficit is expected to decline to 5.0% of GDP. While the revenue ratio is expected to increase only marginally, the expenditure ratio is projected to decline by ½ pps., mainly due to the expected growth rebound. This forecast assumes the phase-out of energy-related measures. In turn, interest payments on government debt are projected to rise further by 0.3 pps, to 2.3% of GDP.

After declining to 110.6% of GDP in 2023, public debt is estimated to trend up again, reaching around 112.5% in 2024 and almost 114% by 2025. The upward trend is expected to be mainly driven by high primary deficits and rising interest payments, whereas the debt-reducing effect stemming from nominal growth is projected be more moderate than in recent years.

Table II.7.1:

Main features of country forecast - FRANCE

	2023		Annual percentage change						
bn EUR	**Curr. prices**	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP	2803.1	100.0	1.3	-7.5	6.4	2.5	**0.7**	**0.7**	**1.3**
Private Consumption	1506.0	53.7	1.3	-6.6	5.1	2.3	**0.6**	**1.2**	**1.4**
Public Consumption	652.7	23.3	1.4	-4.1	6.6	2.5	**0.5**	**0.9**	**0.8**
Gross fixed capital formation	695.1	24.8	1.6	-6.8	10.3	2.2	**0.8**	**-0.5**	**1.1**
Exports (goods and services)	916.0	32.7	2.9	-16.9	11.0	7.1	**1.2**	**2.4**	**3.3**
Imports (goods and services)	978.2	34.9	3.5	-12.3	9.4	8.6	**-0.4**	**1.8**	**3.2**
GNI (GDP deflator)	2855.3	101.9	1.4	-8.8	7.9	2.0	**0.8**	**0.9**	**1.3**
Contribution to GDP growth: Domestic demand			1.4	-6.1	6.8	2.3	**0.6**	**0.7**	**1.2**
Inventories			0.1	-0.1	-0.6	0.7	**-0.5**	**-0.2**	**0.1**
Net exports			-0.2	-1.3	0.2	-0.6	**0.6**	**0.2**	**0.0**
Employment			0.5	0.0	2.8	2.6	**1.1**	**0.2**	**0.3**
Unemployment rate (a)			9.2	8.0	7.9	7.3	**7.3**	**7.7**	**7.8**
Compensation of employees / head			2.0	-3.5	4.9	4.9	**4.1**	**3.0**	**2.4**
Unit labour costs whole economy			1.3	4.4	1.3	5.1	**4.5**	**2.5**	**1.4**
Saving rate of households (b)			14.4	20.5	18.6	17.1	**17.5**	**17.1**	**16.5**
GDP deflator			1.2	2.8	1.4	2.9	**5.5**	**2.8**	**2.0**
Harmonised index of consumer prices			1.5	0.5	2.1	5.9	**5.7**	**2.5**	**2.0**
Terms of trade goods			0.2	1.3	-1.7	-4.8	**5.0**	**1.2**	**0.1**
Trade balance (goods) (c)			-1.6	-2.2	-2.8	-5.4	**-2.9**	**-2.4**	**-2.4**
Current-account balance (c)			-0.6	-3.4	-1.5	-4.0	**-2.2**	**-1.4**	**-1.4**
General government balance (c)			-4.2	-8.9	-6.6	-4.8	**-5.5**	**-5.3**	**-5.0**
Structural budget balance (d)			-3.1	-5.1	-5.9	-4.9	**-5.4**	**-5.0**	**-4.9**
General government gross debt (c)			85.4	114.9	113.0	111.9	**110.6**	**112.4**	**113.8**

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

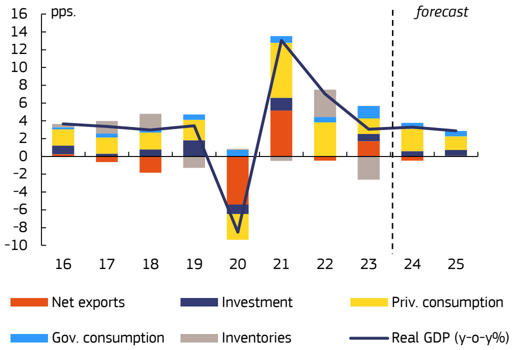
8. CROATIA

Croatia's GDP is forecast to grow by 3.3% in 2024 and 2.9% in 2025, largely driven by strong household consumption. The labour market is expected to remain tight, with employment continuing to grow and the unemployment rate reaching new lows. Inflation is projected to continue its gradual decline over the forecast horizon. The general government debt is set to decline despite higher deficits.

Growth to pick up in 2024 amid increasing household consumption

Croatia's real GDP grew by 3.1% in 2023 as a result of increasing household and government consumption, higher investment activity and a positive evolution of net exports. Private consumption was supported by significant real wages increases in the context of a tight labour market. Investment growth was underpinned by the rising absorption of EU funds, both under the Multiannual Financial Framework (MFF) and the Recovery and Resilience Facility (RRF). The decline of goods exports was more than offset by the growth of services exports and lower imports.

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



In 2024, Croatia's GDP is expected to grow by 3.3%, also benefiting from the strong dynamism at the end of 2023. The main growth impulse should come from private consumption, boosted by continued real wage and employment growth, and stronger credit activity. Government consumption is projected to rise, mainly due to a comprehensive public sector wage reform that substantially aligned, but also increased, wage outlays. Investment growth is forecast to decelerate, also due to an expected temporary slowdown in the absorption of EU funds, with large disbursements under the 2014-20 MFF ending in 2023 (the final year of the cycle) and with the absorption of funds under the 2021-27 MFF accelerating only gradually. Increasing external demand is set to spur a progressive recovery in exports of goods, as exports of services, mainly tourism, continue growing at a slower pace. Due to higher growth of imports amid robust domestic demand, the contribution of net exports to growth is expected to turn mildly negative.

GDP growth is forecast to decelerate in 2025 to 2.9% as consumption growth momentum moderates on the back of slower private and public wage increases. At the same time, a pick-up in the absorption of EU funds, including from the 2021-27 MFF, and easing financing conditions should result in a moderate acceleration of investment activity. Goods exports are expected to strengthen further as demand from the main trading partners increases. However, supply constraints during the peak tourism season and possibly emerging price competitiveness losses are expected to slightly slow down the expansion of services exports. As imports decelerate with domestic demand, the external sector's contribution to growth is set to turn marginally positive.

Risks to this outlook include further substantial wage increases that could foster stronger-than-anticipated private consumption growth, especially in 2024, but also trigger price pressures that would hurt exporters' competitiveness, especially in 2025. Potential absorption capacity constraints could lead to a slowdown of EU funds intake, adversely affecting investment growth.

Labour market remains tight despite inflow of foreign workers

Strong economic activity and labour demand drove employment growth to 2.7% and the unemployment rate down to 6.1% in 2023. The tight labour market pushed up wages, which grew considerably also in real terms. Significant inflows of workers from non-EU countries contributed to easing labour supply shortages. Employment growth is projected to stay strong, although decelerating over the forecast horizon, with the unemployment rate reaching new lows and continued pressure on real wages.

Services inflation remains persistent

Headline inflation declined from 10.7% in 2022 to 8.4% in 2023, while inflation excluding energy and food increased from 7.6% to 8.8%. Headline inflation is expected to decelerate to 3.5% in 2024 and 2.2% in 2025, mainly due to the deceleration of processed food and non-energy industrial goods prices. Prices of services, driven by wage increases and strong consumer demand, including from foreign tourists, remain the most persistent inflation component. Inflation excluding energy and food is expected to remain above headline, at 3.8% in 2024 and 2.8% in 2025.

Declining public debt despite higher deficits

In 2023, the general government deficit increased to 0.7% of GDP. Revenue grew noticeably on account of high inflation, a good tourist season and strong wage growth in both public and private sectors. At the same time, expenditure increased significantly driven by wages, social assistance, interest expenditure and investments.

In 2024, the general government deficit is expected to increase to 2.6% of GDP, as the new public wage act and social assistance measures put further pressure on expenditure. Indirect tax revenue is set to grow amid solid nominal GDP growth and a good tourist season, while direct taxes are set to benefit from employment and wage developments despite the revenue-decreasing tax reform introduced in January. The government extended some of the energy-related measures until September 2024, with an expected budgetary cost of 0.6% of GDP in 2024 after 1.9% in 2023.

In 2025 the deficit is set to remain at 2.6% of GDP, as revenue is supported less by inflation while current and capital expenditure increase despite the complete phasing-out of energy measures.

In spite of the widening deficit, the debt-to-GDP ratio is expected to decrease from 63% in 2023 to 59.5% in 2024, due to robust GDP growth and debt-reducing stock-flow adjustments to take account of financial transactions. The latter includes the partial use of deposit reserves to repay part of the debt in 2024 (after higher deposits were recorded in 2023 due to some prefinancing of future debt repayments) and the accounting transactions following the delivery of military jets that were paid in previous years. In 2025, the debt ratio is forecast to decrease less strongly to 59.1% of GDP as nominal GDP growth slows down and the stock-flow adjustment is reduced.

Table II.8.1:

Main features of country forecast - CROATIA

		2023		Annual percentage change						
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		76.5	100.0	1.5	-8.5	13.0	7.0	**3.1**	**3.3**	**2.9**
Private Consumption		44.4	58.0	1.0	-5.2	10.6	6.7	**3.0**	**4.3**	**2.7**
Public Consumption		16.7	21.8	2.0	3.5	3.1	2.7	**6.6**	**3.1**	**2.6**
Gross fixed capital formation		14.8	19.4	0.9	-5.0	6.6	0.1	**4.2**	**3.1**	**3.4**
Exports (goods and services)		41.3	54.0	3.7	-23.2	32.7	27.0	**-2.9**	**2.6**	**3.1**
Imports (goods and services)		42.7	55.9	2.9	-12.3	17.3	26.5	**-5.3**	**3.4**	**2.9**
GNI (GDP deflator)		76.5	100.1	1.7	-6.6	10.7	7.4	**3.4**	**3.3**	**2.8**
Contribution to GDP growth:	Domestic demand			1.2	-3.2	8.4	4.4	**4.0**	**3.8**	**2.8**
	Inventories			0.1	0.1	-0.5	3.1	**-2.6**	**0.0**	**0.0**
	Net exports			0.2	-5.4	5.2	-0.5	**1.7**	**-0.5**	**0.1**
Employment				0.4	-1.2	1.2	2.3	**2.7**	**2.0**	**1.3**
Unemployment rate (a)				12.3	7.5	7.6	7.0	**6.1**	**5.8**	**5.6**
Compensation of employees / head				1.8	1.2	6.4	11.4	**11.3**	**9.4**	**4.7**
Unit labour costs whole economy				0.7	9.3	-4.8	6.5	**10.9**	**8.0**	**3.1**
Saving rate of households (b)				5.1	11.1	6.9	5.4	**:**	**:**	**:**
GDP deflator				2.1	0.8	2.1	8.6	**8.5**	**5.5**	**2.2**
Harmonised index of consumer prices				1.9	0.0	2.7	10.7	**8.4**	**3.5**	**2.2**
Terms of trade goods				0.3	-3.8	-0.5	-3.3	**2.0**	**-0.2**	**-0.4**
Trade balance (goods) (c)				-17.4	-17.4	-19.3	-26.5	**-22.2**	**-21.5**	**-21.3**
Current-account balance (c)				-2.5	-1.1	0.8	-2.8	**1.2**	**1.1**	**1.0**
General government balance (c)				-3.5	-7.2	-2.5	0.1	**-0.7**	**-2.6**	**-2.6**
Structural budget balance (d)				-1.1	-3.3	-2.7	-1.2	**-1.8**	**-3.6**	**-3.4**
General government gross debt (c)				61.0	86.1	77.5	67.8	**63.0**	**59.5**	**59.1**

(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

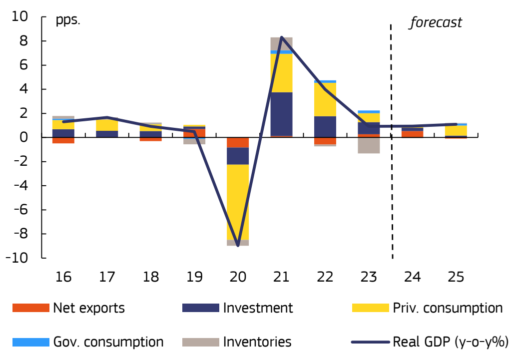
Economic growth slowed to 0.9% in 2023 and is forecast at 0.9% in 2024 and 1.1% in 2025, as government-supported residential investment is replaced by RRF-backed capital spending. The fall in energy prices is expected to lead inflation to bottom out at 1.6% this year, before increasing slightly to 1.9% in 2025. The government deficit is projected to drop in 2024, as the sizeable support to housing renovation is discontinued, and to increase again in 2025, based on unchanged policies. The public debt-to-GDP ratio is set to rise in 2024-2025 due to a less favourable interest-growth differential and the lagged effect of the housing renovation incentives.

Domestic demand props up growth

In 2023, real GDP grew by 0.9%, driven by a vigorous expansion in capital spending. This took the form of sizeable tax credits for the energy-efficient renovation of residential buildings, which continued to display their effects until the end of the year. Consumption expenditure by both households and the government rose by 1.2%. Net exports provided a positive contribution to growth, as exports of goods fell slightly less than imports, while trade in services kept increasing at a healthy pace.

In 2024, economic activity is set to expand at the same rate as in the previous year (0.9%). Government incentives to housing investment are projected to unwind, while investment in infrastructure and equipment picks up gradually. Despite the recovery in real disposable incomes, households are set to increase savings, taking advantage of higher interest rates. Annual household consumption is thus expected to remain subdued, also given the drag from the final quarter of 2023. Net exports are projected to provide a positive contribution to GDP growth.

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



In 2025, private consumption is set to keep benefiting from positive real wage dynamics. Faster implementation of RRF-backed projects is expected to offset the housing investment shortfall. This is set to boost import demand and result in a small negative net export contribution. Overall, GDP growth is forecast to accelerate slightly to 1.1%.

Labour demand cools as real wages increase

Total employment rose in 2023 by 1.8%, at the same brisk pace as in the previous year, also because self-employment increased again, helped by a more favourable tax regime. This is expected to have a temporary effect, resulting in a decrease in the number of self-employed people as from this year. In spite of an increase in participation, the unemployment rate fell in 2023 and is expected to continue declining over the forecast horizon to 7.3% in 2025. At the same time, nominal wage growth is set to exceed inflation, as contracts in private services and public administration are eventually renewed, incorporating part of the past price increases.

Energy price fall leads to rapid disinflation

The sharp decrease in energy prices throughout 2023 and early 2024 is expected to abate in the second quarter. A reduction in producer prices has eased pressure across most components of inflation, proving more persistent in labour-intensive services. Thanks to base effects, annual inflation bottomed out below 1% at the beginning of this year and is projected to pick up moderately going forward, reaching a 1.6% annual rate in 2024 and 1.9% in 2025.

High borrowing requirements weigh on public debt

In 2023, the general government deficit fell to 7.4% of GDP, from 8.6% in 2022. This was underpinned by a decrease in both the primary deficit – also thanks to the reduced budgetary cost of measures mitigating the impact of high energy prices (-1.4 pps. of GDP to 1.0% of GDP) – and interest expenditure, owing to the lower impact of inflation-linked securities. Current taxes rose more than nominal GDP, mainly driven by income taxes and by the return to ordinary levels of taxation on fuels and electricity. Primary expenditure growth was boosted by the partial indexation of social benefits to 2022 inflation, a sharp increase in public investment – financed by EU and national funds – and surging investment grants, as the housing tax credits were recorded in this expenditure item.

The deficit is forecast to drop to 4.4% of GDP in 2024, benefiting from the complete phase-out of energy-related measures and from legislative changes to housing tax credits leading to a smaller impact on the deficit. Current revenue is expected to rise along nominal GDP growth, as further cuts to the labour tax wedge are balanced by stronger wage dynamics. Primary current expenditure growth is driven by the indexation of pensions to the still high 2023 inflation and the public wages' 2022-2024 renewal, partly compensated by some savings from the spending review (0.1% of GDP). Higher interest rates on new bond issuances are projected to push interest payments to 4.0% of GDP.

The deficit is expected to increase marginally to 4.7% of GDP in 2025, based on unchanged policies, on the back of a slowdown of current revenue and a further increase in interest expenditure. The continuous mobilisation of RRF funds is set to sustain public investment.

The debt-to-GDP ratio fell by 3.2 pps. to 137.3% in 2023, as the high primary deficit was offset by both a favourable interest-growth differential and a debt-decreasing stock-flow adjustment. Going forward, the stock-flow adjustment is expected to play a major role in debt developments, as tax credits for housing renovation, which had already been recorded on an accrual basis in the deficit, start being fully reflected in the cash flow. Together with a less favourable interest-growth-rate differential, it is set to lead to an increase in the debt ratio to 141.7% of GDP by 2025. A primary deficit, though smaller, is set to continue to weigh on debt developments over the forecast horizon.

Table II.9.1:

Main features of country forecast - ITALY

		2023		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		2085.4	100.0	0.1	-9.0	8.3	4.0	**0.9**	**0.9**	**1.1**
Private Consumption		1241.9	59.6	0.2	-10.4	5.5	4.9	**1.2**	**0.2**	**1.4**
Public Consumption		378.5	18.1	-0.2	0.1	1.4	1.0	**1.2**	**0.5**	**0.8**
Gross fixed capital formation		441.4	21.2	-0.9	-7.9	20.3	8.6	**4.7**	**1.3**	**0.7**
Exports (goods and services)		731.0	35.1	2.3	-13.5	14.1	10.2	**0.2**	**2.4**	**3.1**
Imports (goods and services)		702.2	33.7	1.6	-12.1	15.6	12.9	**-0.5**	**0.9**	**3.7**
GNI (GDP deflator)		2081.7	99.8	0.2	-8.5	8.3	3.6	**-0.2**	**1.0**	**1.2**
Contribution to GDP growth:	Domestic demand			-0.1	-7.6	7.1	4.7	**2.0**	**0.5**	**1.1**
	Inventories			0.0	-0.5	1.1	-0.2	**-1.3**	**-0.1**	**0.0**
	Net exports			0.2	-0.8	0.1	-0.6	**0.3**	**0.5**	**-0.1**
Employment				0.3	-2.1	0.9	1.8	**1.8**	**0.8**	**0.4**
Unemployment rate (a)				9.5	9.3	9.5	8.1	**7.7**	**7.5**	**7.3**
Compensation of employees / head				1.4	-4.1	6.3	4.8	**2.4**	**3.8**	**2.9**
Unit labour costs whole economy				1.6	3.1	-0.9	2.5	**3.3**	**3.6**	**2.2**
Saving rate of households (b)				11.9	17.4	15.3	9.7	**8.2**	**9.8**	**9.7**
GDP deflator				1.5	1.6	1.3	3.6	**5.3**	**2.2**	**1.8**
Harmonised index of consumer prices				1.6	-0.1	1.9	8.7	**5.9**	**1.6**	**1.9**
Terms of trade goods				-0.1	4.5	-6.1	-10.1	**10.9**	**1.7**	**0.0**
Trade balance (goods) (c)				1.3	4.1	2.7	-1.0	**2.0**	**2.9**	**2.8**
Current-account balance (c)				0.0	3.9	2.4	-1.6	**0.3**	**1.5**	**1.5**
General government balance (c)				-3.0	-9.4	-8.7	-8.6	**-7.4**	**-4.4**	**-4.7**
Structural budget balance (d)				-1.4	-4.6	-8.4	-9.6	**-8.3**	**-5.0**	**-5.3**
General government gross debt (c)				122.0	155.0	147.1	140.5	**137.3**	**138.6**	**141.7**

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

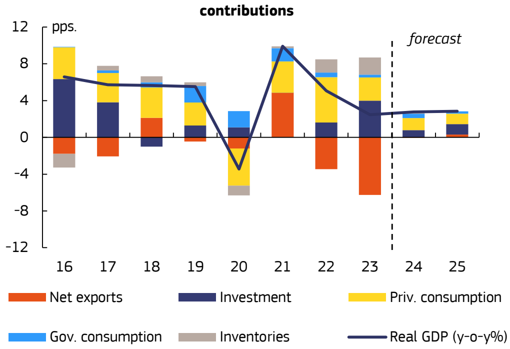
10. CYPRUS

Economic activity in Cyprus is expected to grow robustly in 2024 on the back of persistently strong domestic demand and improving exports. Inflation is continuing its downward trend towards the 2% target as energy and food prices moderate. The labour market remains resilient. The government budget is set to remain in surplus with public debt decreasing at a fast pace.

Strengthening of economic growth

Real GDP growth moderated to 2.5% in 2023. It was driven by domestic demand, in particular consumption, on the back of increasing employment and disposable incomes in an environment of decreasing inflation. Net exports had a big negative impact (-6 pps.) on growth, mainly because exports of financial and professional services dropped significantly due to geopolitical tensions, while imports rose sharply on account of increased consumption and investment. A large increase in ship registration also affected last year's figures.

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



Economic growth is projected to strengthen to 2.8% in 2024 and to 2.9% in 2025. Domestic demand is set to continue driving growth, fuelled by the anticipated surge in investment from both existing and upcoming major construction projects. This investment boost will complement the already positive contributions from household and government consumption. Public investment which has already picked up significantly since 2023 is expected to continue growing strongly partly financed by RRF and other EU funds. Exports of tourism and non-tourism services are set to perform well. Imports are also increasing, driven by both investment and consumption needs and by the large import component of most of the exports. However, the combined contribution of net exports to growth is expected to be just below zero in 2024 and 0.3 pps. in 2025.

The current account deficit increased to its historic high of 12.1% of GDP in 2023 and is expected to decline but remain elevated at 11.2% of GDP in 2024 and 10.8% in 2025. Cyprus's reliance on energy imports, alongside imports of consumption and investment goods, contributed to the widening of the trade deficit in an environment of high energy prices. Moreover, the repatriation of profits by foreign-owned companies, including banks, is impacting primary income outflows, further widening the current account deficit.

Increasing employment

In 2023, employment increased by 1.4% and the unemployment rate decreased to 6.1%, down from 6.8% in 2022. Employment is set to continue increasing at a relatively stable pace of around 1.4% annually over the forecast horizon. Unemployment is forecast to remain on its downward trajectory reaching 5.6% in 2024 and 5.4% in 2025. The reinforcement of the labour force by foreign workers is expected to continue as domestic labour shortages persist.

Inflation on a downward path

HICP inflation is expected to decrease from 3.9% in 2023 to 2.4% in 2024 and continue decelerating to 2.1% in 2025. The decrease is set to be driven mainly by the fall in energy and food prices. Domestic price pressures (particularly services inflation) remain elevated in part owing to continued wage growth.

Sustained budgetary surpluses

The general government surplus increased further to 3.1% of GDP in 2023 (from 2.7% in 2022). Double-digit revenue growth from tax-rich drivers like consumption and rising wages, outpaced robust expenditure growth fuelled by increased public wages and social spending. However, measures to mitigate the impact of high energy prices slightly dampened the budget balance, with a net budgetary cost of about 0.4% of GDP in 2023.

In 2024, the budget is expected to remain in a surplus of 2.9% of GDP. Public wage expenditure is projected to grow by almost 8% mainly on account of inflation indexation. Public capital spending is also temporarily affected by the mortgage-to-rent scheme for vulnerable households managed by the state-owned asset management company (KEDIPES). A positive driver of the 2024 budget surplus is the planned complete phasing-out of the remaining energy-related measures by the summer. The revenue from social security contributions is also projected to continue increasing strongly as the rates of employers and employees' contributions were raised as of January 2024.

The budget surplus is forecast to remain at 2.9% of GDP in 2025 based on unchanged policies, mainly thanks to the carry-over effect of the phasing out of measures to mitigate the impact of high energy prices.

The general government debt-to-GDP ratio is expected to drop significantly over the forecast horizon from 77.3% in 2023 to 65.4% in 2025 mainly thanks to primary surpluses combined with continued strong nominal GDP growth.

Table II.10.1:

Main features of country forecast - CYPRUS

	2023			Annual percentage change						
mio EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025	
GDP	29807.2	100.0	2.4	-3.4	9.9	5.1	**2.5**	**2.8**	**2.9**
Private Consumption	17861.1	59.9	2.6	-6.4	5.6	8.6	**4.2**	**2.2**	**1.9**
Public Consumption	5708.0	19.1	1.8	11.0	7.5	2.7	**1.6**	**2.5**	**1.4**
Gross fixed capital formation	6578.0	22.1	1.9	5.7	0.0	8.3	**19.5**	**3.6**	**5.1**
Exports (goods and services)	26633.7	89.4	4.4	1.6	21.6	13.6	**-1.5**	**3.2**	**3.3**
Imports (goods and services)	26907.3	90.3	4.4	3.2	15.4	18.3	**5.1**	**3.2**	**2.9**
GNI (GDP deflator)	26666.5	89.5	2.4	-5.0	7.8	6.5	**-0.9**	**3.4**	**2.5**
Contribution to GDP growth:	Domestic demand		2.4	-1.2	4.9	7.1	**6.8**	**2.6**	**2.5**
	Inventories		0.1	-1.0	0.2	1.4	**1.9**	**0.2**	**0.0**
	Net exports		-0.1	-1.2	4.9	-3.4	**-6.3**	**0.0**	**0.3**
Employment			1.7	-1.2	3.2	3.0	**1.5**	**1.4**	**1.4**
Unemployment rate (a)			8.8	7.6	7.5	6.8	**6.1**	**5.6**	**5.4**
Compensation of employees / head			1.5	-0.5	4.3	1.1	**5.6**	**3.9**	**1.5**
Unit labour costs whole economy			0.9	1.9	-2.1	-0.9	**4.6**	**2.5**	**0.1**
Saving rate of households (b)			3.9	12.3	13.5	6.5	**3.1**	**4.2**	**4.7**
GDP deflator			1.4	-1.3	2.7	6.1	**4.7**	**3.7**	**2.4**
Harmonised index of consumer prices			1.3	-1.1	2.3	8.1	**3.9**	**2.4**	**2.1**
Terms of trade goods			0.5	-1.9	-0.9	-2.1	**19.5**	**-1.0**	**-1.0**
Trade balance (goods) (c)			-22.4	-19.1	-17.6	-21.5	**-23.9**	**-22.7**	**-22.8**
Current-account balance (c)			-8.6	-10.0	-6.1	-7.9	**-12.1**	**-11.2**	**-10.8**
General government balance (c)			-2.5	-5.7	-1.8	2.7	**3.1**	**2.9**	**2.9**
Structural budget balance (d)			2.3	-4.0	-3.2	0.6	**1.8**	**2.1**	**2.4**
General government gross debt (c)			78.2	114.9	99.3	85.6	**77.3**	**70.6**	**65.4**

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

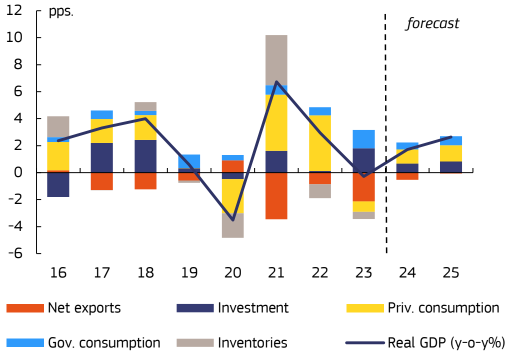
11. LATVIA

After a 0.3% contraction in 2023, GDP growth is forecast to rebound to 1.7% in 2024. Private consumption is set to recover, supported by strong wage growth, whereas public expenditure is expected to remain strong, through additional financing for healthcare and research. The economy is forecast to pick up further in 2025, with GDP growth reaching 2.6%. A decline in energy prices and a broad-based slowdown in other price categories are set to bring inflation down to 1.6% in 2024 and 2.0% in 2025. Unemployment is projected to remain stable in 2024 and to decrease slightly in 2025. The general government deficit is forecast to increase to 2.8% of GDP in 2024 and to 2.9% in 2025.

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

In 2023, real GDP contracted by 0.3% due to weak private consumption and exports, whereas investment and public consumption expenditure showed strong growth. The labour market remained strong in 2023, with above-inflation wage growth of 12.6% supporting real disposable incomes.

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



Growth is expected to pick up in 2024 as real disposable income growth accelerates and households' purchasing power strengthens. Public expenditure is set to remain strong, in particular through additional financing for healthcare and research. Additionally, EU-funded investments, including those financed by the RRF, are projected to pick up in 2024. Goods exports and imports are expected to slowly recover in 2024. However, services exports are not expected to recover before 2025 as the impact of loss of transport services export to Russia will be felt throughout 2024. In 2025, growth is forecast to pick up to 2.6% driven by domestic demand. The tight labour market is set to drive solid wage growth, supporting further expansion of real private consumption as inflation declines. Investments are expected to remain particularly strong, supported by EU-fund inflows and easing financial conditions. Export growth is projected to recover, in line with a general improvement in demand from main trading partners.

Labour market expected to loosen further

The labour market slightly loosened up in the last quarter of 2023 due to the temporary contraction of the economy in the second and third quarters of the year. The unemployment rate increased slightly, and the number of job vacancies fell. However, the labour market is expected to slightly tighten in 2024 and 2025 on the back of increasing demand and labour shortages caused by falling supply due to ageing. After reaching 12.6% in 2023, 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 set to ease rapidly

A decline in energy prices fuelled a rapid decrease of HICP inflation, as from the second half of 2023. The annual inflation fell to0.9%in the first quarter of 2024. Combined with a broad-based slowdown in other price categories, inflation is set to reach 1.6% in 2024 and 2.0% in 2025. Inflation excluding unprocessed food and energy is expected to remain above headline inflation, driven by services and processed food prices.

Deficit to slightly increase over forecast horizon

In 2023, the general government deficit stood at 2.2% of GDP, down from 4.6% in 2022. The decline in deficit was driven by better-than-expected revenue, the phasing-out of most pandemic-related support measures, and the lower fiscal cost of measures put in place to mitigate the impact of high energy prices (which dropped by 0.6 pps. to 1.0% of GDP). At the same time, wage increases for administration and medical personnel, additional financing for oncology, science and research, as well as public investment for defence and internal security drove expenditure growth upwards.

In 2024, the government deficit is projected to increase to 2.8% of GDP. The impact of the complete phasing-out of energy-related measures by the end of 2023 will be more than offset by additional expenditure on public wage increases for teachers and administration, healthcare and education, as well as supplementary payments to pensioners. Development of technical infrastructure on the country's border will contribute to an increase in public investment expenditure. The introduction of corporate income tax advance payments from the financial sector, an increase in the rates for several 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 increase slightly to 2.9% of GDP, based on unchanged policies. While both revenue and expenditure are expected to grow somewhat above nominal GDP, expenditure growth is set to slightly surpass revenue growth mainly due to the strong upward trend of EU-funded investment and the related national co-financing of EU projects.

The debt-to-GDP ratio reached 43.6% in 2023 and is forecast to increase to 44.5% in 2024 and 46.3% in 2025 due to positive stock-flow adjustment and budget deficits.

Table II.11.1:

Main features of country forecast - LATVIA

		2023			Annual percentage change					
	mio EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		40348.1	100.0	2.7	-3.5	6.7	3.0	**-0.3**	**1.7**	**2.6**
Private Consumption		24668.3	61.1	3.0	-4.3	7.3	7.2	**-1.3**	**1.7**	**2.0**
Public Consumption		7957.2	19.7	1.2	2.1	3.5	2.8	**7.0**	**2.6**	**3.3**
Gross fixed capital formation		9730.0	24.1	2.9	-2.2	7.2	0.6	**8.2**	**2.8**	**3.5**
Exports (goods and services)		25846.8	64.1	6.6	0.4	9.0	10.3	**-5.9**	**-0.4**	**3.1**
Imports (goods and services)		27400.6	67.9	5.4	-1.1	15.1	11.1	**-2.8**	**0.4**	**3.1**
GNI (GDP deflator)		39841.5	98.7	2.6	-2.1	4.8	3.3	**0.0**	**1.8**	**2.7**
Contribution to GDP growth:	Domestic demand			3.3	-2.6	6.5	4.8	**2.4**	**2.2**	**2.7**
	Inventories			-0.1	-1.8	3.7	-1.0	**-0.5**	**0.0**	**0.0**
	Net exports			-0.3	0.9	-3.5	-0.9	**-2.1**	**-0.5**	**-0.1**
Employment				-0.4	-2.3	-2.6	2.7	**0.1**	**0.3**	**0.3**
Unemployment rate (a)				11.0	8.1	7.6	6.9	**6.5**	**6.5**	**6.3**
Compensation of employees / head				9.5	4.3	8.5	12.2	**12.6**	**5.7**	**4.7**
Unit labour costs whole economy				6.2	5.6	-0.9	12.0	**13.0**	**4.2**	**2.3**
Saving rate of households (b)				4.4	14.0	10.7	3.5	**5.9**	**9.3**	**9.6**
GDP deflator				4.7	2.1	3.8	11.8	**5.4**	**4.2**	**2.5**
Harmonised index of consumer prices				3.8	0.1	3.2	17.2	**9.1**	**1.6**	**2.0**
Terms of trade goods				1.1	2.4	-0.6	0.0	**2.9**	**0.5**	**0.0**
Trade balance (goods) (c)				-13.7	-5.1	-8.3	-10.7	**-9.3**	**-8.8**	**-8.8**
Current-account balance (c)				-4.8	2.9	-3.9	-4.8	**-3.6**	**-2.8**	**-2.6**
General government balance (c)				-2.3	-4.4	-7.2	-4.6	**-2.2**	**-2.8**	**-2.9**
Structural budget balance (d)				-1.3	-3.0	-7.3	-5.1	**-1.9**	**-2.4**	**-2.7**
General government gross debt (c)				31.7	42.7	44.4	41.8	**43.6**	**44.5**	**46.3**

(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

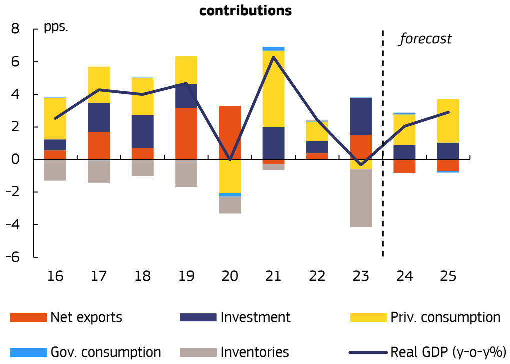
Lithuania's real GDP is expected to grow by 2% in 2024, supported by a strong increase in private consumption, continued investment growth and a gradual improvement in trade. In 2025, real GDP is projected to grow faster, by 2.9%, as the EU and euro area economy picks up speed and trade resumes more vigorously. HICP inflation is forecast to slow down substantially to 1.9% in 2024 following the fast decline in energy prices, before stabilising at 1.8% in 2025 as services inflation eases. In 2024, the general government deficit is projected to increase to 1.8% of GDP, mainly due to increases in social spending, public wages, and current transfers paid by the government. In 2025, it is forecast to further increase to 2.2%.

Economic activity set to improve gradually

Amid high inflation, trade disruptions and dampened confidence, real GDP contracted in 2023. This was driven by a decrease in private consumption for two quarters and falling real exports in goods throughout the year. Weak external demand, low real wage growth given high inflation, and an increase in savings further contributed to the weak GDP performance. At the same time, exports in services remained strong, and investment grew fast, keeping the contraction for the year to only -0.3%. Overall, the economy is set to resume growth in 2024 pushed by a pick-up in consumption and a gradual improvement in EU and global growth.

In 2024, easing inflation and continued growth in nominal wages are set to support private consumption as real incomes improve. Investment is projected to continue growing albeit at a slower pace than in 2023, through EU-funded investments in public infrastructure, investments in intangibles and investments in defence and energy. Trade in goods is expected to improve gradually throughout the year as growth resumes in trading partners in the EU and globally. In 2025, the same factors are set to improve growth further to 2.9%, though private consumption growth could be limited by uneven wage growth across sectors, and already high savings could signal differentiation across income brackets. The pace of growth of exports will depend on the pace of the recovery in the EU and globally.

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



Labour market to loosen temporarily

Some signs of cooling in the labour market emerged in 2023 and are set to continue in 2024, with a slight pick-up in the unemployment rate to 7% and the continued inflow of people fleeing Ukraine and participating in the labour market. In 2025, however, an expected decrease in the numbers of displaced persons remaining in Lithuania and natural population decline are set to reverse the labour market loosening. The unemployment rate is forecast to rise from 6.9% in 2023 to 7.0% in 2024, and to decrease back to 6.9% in 2025 as the working-age population decreases. Labour market tightness is expected to drive wage growth to around 7-8% annually over the forecast horizon.

Inflation expected to stabilise at lower levels

HICP inflation moderated to 8.7% in 2023 and is expected to decline substantially to 1.9% and 1.8% in 2024 and 2025. Declining energy prices and a significant slowdown in price growth for the remaining components of HICP will continue to bring down both headline inflation and inflation excluding energy and food. However, services inflation is expected to decrease more slowly as wage growth continues, albeit with a gradual slowing over 2024 and 2025.

General government deficit set to increase

In 2023, the general government deficit increased slightly to 0.8% of GDP due to increases in social spending, growth in public investments and rising public wages. Expenditure on measures to mitigate the impact of high energy prices was partially phased out, saving 0.9 pp. of GDP (expenditure decreased from 1.2% of GDP in 2022 to 0.3% and less than 0.1% in 2023 and 2024, respectively). Even though total expenditure grew significantly (1.9 pps. of GDP) in comparison to 2022, it was partly matched by growing revenue from better collection of the labour taxes, as well as the temporary bank solidarity contribution.

In 2024, the deficit is projected to increase to 1.8% of GDP. The increase is set to be driven by rising general government expenditure (by 2.1 pps. of GDP), while revenue is expected to increase at a slower pace (by 1.1 pps. of GDP). A 2022 reform of the pension indexation rules is the main contributor to the increase in social spending, which is projected to rise by 0.9 pps. of GDP. An increase in public wages (0.4 pps. of GDP), current transfers paid by the government (0.4 pps. of GDP), and higher interest expenditure (0.1 pps. of GDP) are the three other major contributors to higher expenditure. The increase in current transfers expenditure is mainly associated with a higher number of transfers intended for currently indeterminate purposes which might be later reclassified. General government revenue is forecast to increase mainly due to social contributions, which are rising in line with increasing salaries, and to an increase in VAT and excise duties revenue (thanks to the "green package" adopted in 2023, which raised excise duties for polluting fuels, and the phasing out of the temporary VAT relief for restaurants and catering services).

Based on unchanged policies, the deficit is projected to increase further to 2.2% of GDP in 2025, mainly due to rising social spending. A 26% increase in the 'minimum consumption basket', to which many social benefits are indexed to, is forecast to increase social spending by 0.6 pps. of GDP.

In 2024, public debt is expected to increase to 38.9% of GDP. In 2025, the debt-to-GDP ratio is projected to further increase to 41.6% due to the increasing deficit and stock flow adjustments.

Table II.12.1:

Main features of country forecast - LITHUANIA

		2023			Annual percentage change					
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		72.0	100.0	3.4	0.0	6.3	2.4	**-0.3**	**2.0**	**2.9**
Private Consumption		42.3	58.8	3.6	-3.3	8.1	2.0	**-1.0**	**3.2**	**4.5**
Public Consumption		12.7	17.7	0.6	-1.4	1.2	0.4	**0.2**	**0.7**	**-0.4**
Gross fixed capital formation		16.8	23.3	4.8	-0.2	9.4	3.6	**10.6**	**3.8**	**4.4**
Exports (goods and services)		56.5	78.5	7.6	0.2	17.0	12.2	**-3.3**	**2.2**	**4.8**
Imports (goods and services)		53.7	74.7	7.0	-4.3	19.9	12.4	**-4.9**	**3.5**	**5.9**
GNI (GDP deflator)		69.6	96.6	3.3	0.6	5.3	2.7	**-0.1**	**2.4**	**2.9**
Contribution to GDP growth:	Domestic demand			3.6	-2.3	6.9	2.0	**1.7**	**2.9**	**3.6**
	Inventories			-0.2	-1.0	-0.4	0.0	**-3.5**	**0.0**	**0.0**
	Net exports			0.1	3.3	-0.3	0.4	**1.5**	**-0.8**	**-0.7**
Employment				-0.2	-1.6	1.2	5.1	**1.5**	**0.2**	**-0.2**
Unemployment rate (a)				9.7	8.5	7.1	6.0	**6.9**	**7.0**	**6.9**
Compensation of employees / head				7.6	6.6	11.9	11.4	**10.2**	**8.2**	**6.8**
Unit labour costs whole economy				3.9	5.0	6.5	14.2	**12.2**	**6.3**	**3.6**
Saving rate of households (b)				2.7	14.6	10.9	4.8	**6.5**	**9.9**	**11.1**
GDP deflator				3.5	1.9	6.5	16.6	**7.1**	**2.2**	**1.9**
Harmonised index of consumer prices				2.9	1.1	4.6	18.9	**8.7**	**1.9**	**1.8**
Terms of trade goods				0.7	1.8	-6.4	-11.1	**5.4**	**0.3**	**0.0**
Trade balance (goods) (c)				-7.3	-0.8	-5.1	-10.9	**-6.7**	**-6.9**	**-7.6**
Current-account balance (c)				-3.2	7.3	1.1	-5.5	**0.6**	**0.3**	**-0.3**
General government balance (c)				-2.2	-6.5	-1.1	-0.6	**-0.8**	**-1.8**	**-2.2**
Structural budget balance (d)				-0.8	-6.5	-2.0	-1.1	**0.1**	**-0.8**	**-1.4**
General government gross debt (c)				30.9	46.2	43.4	38.1	**38.3**	**38.9**	**41.6**

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

13. LUXEMBOURG

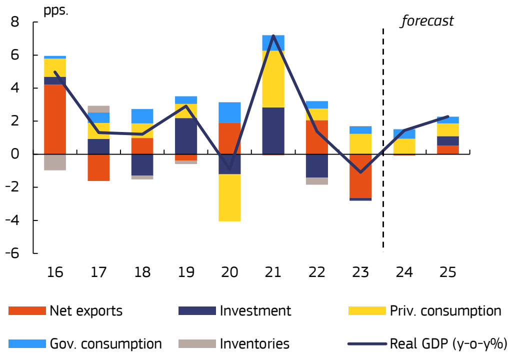
Real GDP growth in Luxembourg is projected to remain low in 2024, at 1.4%, before recovering to 2.3% in 2025. The below-average growth in 2024 is mainly due to weaker net exports and investment amid adverse financing conditions and geopolitical uncertainty. Headline inflation is set to decelerate over the forecast horizon, mainly as a result of the deceleration of food prices and moderating wage growth. The forecasted budget deficits are projected to increase the general government debt-to-GDP ratio, although it is still set to remain at a low level.

Growth projected to slightly rebound in 2024

Real GDP contracted by 1.1% in 2023 mainly due to a drag from net exports and contraction in investment. The weakening of the activity was mainly observed in the financial and construction sectors with an important drop in gross value added, explained notably by high interest rates, high level of real estate prices and supply constraints.

Private consumption accelerated strongly in 2023 in a context of multiple wage indexations and a temporary VAT reduction. It is projected to continue expanding in 2024 supported by fiscal measures, disinflation, excess savings, and improved confidence. Domestic demand is also underpinned by the growth in government consumption due to higher compensation of employees and intermediate consumption. On the other hand, investment is expected to recover only timidly in 2024 as interest rates are set to remain high during the first half of the year and residential investment is still declining. Furthermore, a drop in export of services linked to investment funds and the lower volume of transactions in the financial sector would imply a negative contribution from net exports resulting in a GDP growth of 1.4% in 2024 for the year as a whole. In 2025 interest rates are expected to fall and the economic activity in the euro area and EU's external environment to improve. Real GDP is projected to accelerate further, to 2.3% mainly supported by a recovery in investment and a positive contribution from net exports while private consumption is expected to normalise.

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



Labour market set to loosen

Following the slowdown in growth, the labour market weakened in 2023 and is expected to remain subdued in 2024 despite a pick-up in activity. The deceleration in employment this year is set to mirror the projected decline in real estate and construction activity, before recovering in 2025. In a context of declining labour productivity in 2023, employment growth decreased only moderately to 2.2%, but is set to decline to 1.4% in 2024 before recovering to 1.9% in 2025, still below the historical trend. Unemployment is expected to increase to 5.9% in 2024 and remain broadly stable at 5.8% in 2025, following both stronger growth and a slight deceleration in labour force.

Inflation expected to decrease

Headline inflation decreased to 2.9% in 2023, as a result of a drop in energy and goods prices. It is set to drop to 2.3% in 2024 and 2.0% in 2025 due to the deceleration of prices of industrial goods, food and services. Consecutively, HICP inflation excluding energy, food, alcohol and tobacco is forecast to decrease from 3.9% in 2023 to 2.5% in 2024 and 2.2% in 2025, reflecting slowing services inflation and industrial goods prices.

General government deficits projected over the forecast horizon

In 2023, the government budget deficit increased to 1.3% of GDP. The deficit was driven by a general increase in spending of 12.2%, while government revenue also grew at a high rate of 10.1% supported by strong growth in corporate income tax. The total budgetary cost of measures to mitigate the impact of high energy prices amounted to 0.9% of GDP in 2023.

In 2024, the deficit is projected to increase to 1.7% of GDP, due to a stronger slowdown in revenue growth compared to expenditure growth. The revenue-reducing measures consist of the upward adjustment of personal income tax brackets following several wage indexations, a compensation of companies for the third indexation tranche in 2023 via a reduction of social security contributions in 2024, and of measures to support the construction and housing sector. These revenue-reducing measures are partly offset by the reversal of the 2023 VAT-rate reduction and the phasing out of the *crédit d'impôt conjuncture*. The aggregate revenue impact amounts to 0.6% of GDP. The total budgetary cost of energy-support measures is expected to be 0.5% of GDP in 2024. Expenditure growth is driven by the automatic indexation, which raises expenditure on compensation of public employees and social transfers.

Based on unchanged policies, the deficit is set to rise to 1.9% of GDP in 2025, as expenditure growth is expected to slightly outweigh revenue growth. Energy-related measures are assumed to remain in place until the end of the year, with a projected net budgetary cost of 0.3%. On the revenue side, social contributions will recover following the phasing out of the measure compensation companies for the third indexation tranche in 2024, but the planned reduction of the corporate income tax rate in 2025 will have revenue-reducing impact. Expenditure growth on compensation of public employees, social transfers and capital transfers is expected to remain high, while on subsidies it is projected to fall due to the lower costs of energy-related measures. The interest rate expenditure is forecast to rise due to higher refinancing rates and increasing debt, reaching 0.4% of GDP.

The debt-to-GDP ratio is projected to increase from 25.7% in 2023 to 27.1% in 2024 and 28.5% in 2025, due to the budget deficits and to social security fund-related stock-flow adjustments.

Table II.13.1:

Main features of country forecast - LUXEMBOURG

	2023			Annual percentage change						
mio EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	79309.6	100.0	2.6	-0.9	7.2	1.4	**-1.1**	**1.4**	**2.3**
Private Consumption	25553.2	32.2	2.3	-8.5	11.4	2.3	**4.0**	**2.9**	**2.4**
Public Consumption	15060.7	19.0	2.8	7.3	5.1	2.6	**2.5**	**3.0**	**2.1**
Gross fixed capital formation	14379.8	18.1	2.8	-6.7	16.9	-7.7	**-1.0**	**0.1**	**3.3**
Exports (goods and services)	168557.2	212.5	4.6	0.6	10.3	-0.6	**-1.4**	**2.7**	**3.3**
Imports (goods and services)	144097.7	181.7	4.9	-0.4	12.4	-1.9	**-0.1**	**3.2**	**3.6**
GNI (GDP deflator)	53189.4	67.1	1.5	1.6	4.5	-0.3	**-1.5**	**1.8**	**3.6**
Contribution to GDP growth:	Domestic demand		1.8	-2.8	7.2	-0.3	**1.5**	**1.5**	**1.8**
	Inventories		0.1	0.0	0.0	-0.4	**0.0**	**0.0**	**0.0**
	Net exports		0.8	1.9	-0.1	2.1	**-2.6**	**-0.1**	**0.5**
Employment			2.9	1.8	2.9	3.4	**2.2**	**1.4**	**1.9**
Unemployment rate (a)			5.3	6.8	5.3	4.6	**5.2**	**5.8**	**5.7**
Compensation of employees / head			2.7	1.2	5.1	5.8	**7.3**	**3.6**	**2.9**
Unit labour costs whole economy			3.0	3.9	0.9	7.9	**11.0**	**3.5**	**2.5**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			2.9	4.3	4.6	5.7	**3.4**	**4.0**	**2.5**
Harmonised index of consumer prices			2.1	0.0	3.5	8.2	**2.9**	**2.3**	**2.0**
Terms of trade goods			0.7	1.4	1.5	-7.2	**0.8**	**-0.9**	**0.0**
Trade balance (goods) (c)			0.3	3.5	0.0	0.5	**0.9**	**0.9**	**0.7**
Current-account balance (c)			4.2	4.0	1.1	0.3	**-3.3**	**-3.4**	**-3.2**
General government balance (c)			1.3	-3.4	0.5	-0.3	**-1.3**	**-1.7**	**-1.9**
Structural budget balance (d)			2.1	-1.7	0.2	-0.4	**0.0**	**-0.3**	**-0.7**
General government gross debt (c)			16.9	24.6	24.5	24.7	**25.7**	**27.1**	**28.5**

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

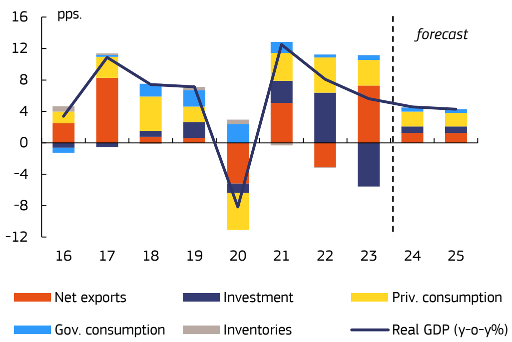
14. MALTA

The Maltese economy continues to grow robustly driven by strong exports and domestic demand. Tourism flows bounced back to well above pre-pandemic levels and the strong inflow of workers is boosting domestic demand. After reaching 5.6% GDP growth in 2023, the Maltese economy is expected to achieve a growth rate of 4.6% in 2024 and 4.3% in 2025. The government deficit stood at 4.9% of GDP in 2023, and it is expected to only gradually decrease in 2024 and 2025. Thanks to robust nominal GDP growth, the public debt-to-GDP ratio is forecast to increase only slightly despite the still high primary deficit.

Growth remains robust

In 2023, real GDP growth reached 5.6%, 1.6 pps. higher than projected in autumn. Both private consumption and exports came much stronger than expected, resulting from significantly higher immigration and tourism flows. Besides exceptionally strong immigration, Malta's economy continues to benefit from a low pass-through of monetary policy to retail interest rates and from government measures that have kept energy prices stable at 2020 levels.

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



Tourism reached pre-pandemic levels in 2023. The number of tourist arrivals increased by more than 26% in the first two months of 2024, although tourism expenditure grew at a slightly slower pace. Strong growth is also forecast in exports of electronics and entertainment, professional and financial services.

Construction investment is expected to stabilise and recover moderately after a sharp fall in 2023, growing at 2.5% in 2024 and 3.9% in 2025. The increase of private consumption and activity in the service sector is expected to lead to higher imports of goods and services. Overall, the forecast for GDP growth was revised upward to 4.6% in 2024 and 4.3% in 2025.

Strong labour demand drives migration while real wage growth remains sluggish

With employment growth at 6.5% in 2023, Malta's labour market exceeded expectations. Employment growth is set to remain strong at 4% also in 2024 and 2025 as the country continues to attract foreign workers. Labour and skills shortages are still mentioned as the main limiting factors for the Maltese economy.

The unemployment rate was revised upwards from 2.9% to 3.5% in 2022 due to an updated demographic survey. In 2023, the unemployment rate fell to 3.1% and it is expected to drop marginally to 3% and 2.9% in 2024 and 2025. Nominal wages were, however, still growing at relatively weak rates in 2023 as employment expanded in the low wage sectors, resulting in negative real wage growth per head.

Inflation declines broadly in line

HICP inflation in 2023 reached 5.6% despite the government intervention to keep energy prices at 2020 levels. The Maltese authorities confirmed their commitment to limiting energy inflation in 2024 and 2025. Inflation in Malta slowed down in the first quarter of 2024 mainly due to lower services inflation. Headline inflation is forecast at 2.8% in 2024 and 2.3% in 2025, with food prices set to remain the fastest growing component.

The government deficit remains high

In 2023, the general government deficit fell to 4.9% of GDP, from 5.5% in 2022, due mainly to the decrease of subsidies, including measures to mitigate the impact of high energy prices, and of the national airline's restructuring costs.

In 2024, the deficit is forecast to further decrease to 4.3% of GDP. A contained growth of intermediate consumption expenditure and of the public wage bill are the main factors determining the reduction of the deficit. The phasing out of the national airline's restructuring costs is also expected to contribute to the deficit reduction. This is projected to be partially compensated by the increase in the net budgetary cost of measures to mitigate the impact of high energy prices to 2.0% of GDP in 2024, from 1.7% in 2023, related to the expansion of targeted income support and to the evolution of oil prices to which gas import prices are linked.

Based on unchanged policies, the deficit is set to decline further to 3.9% of GDP in 2025 mainly reflecting the expected reduction of measures to mitigate the impact of high energy prices (to 1% of GDP) driven by the reduction of targeted income support and the drop of oil prices.

In 2023, the debt-to-GDP ratio fell by 1.2 pps. to 50.4% due to strong nominal growth and despite the high primary deficit. A positive stock-flow adjustment related to the equity injection in the national airline is expected to drive the increase of the public debt to 52% of GDP in 2024. For 2025, a smaller primary deficit and a favourable interest growth differential will lead to a smaller increase of public debt to 52.6 % of GDP.

Table II.14.1:

Main features of country forecast - MALTA

		2023			Annual percentage change					
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		19.4	100.0	4.6	-8.2	12.5	8.1	**5.6**	**4.6**	**4.3**
Private Consumption		8.4	43.4	3.0	-10.7	8.2	10.9	**7.7**	**4.3**	**4.0**
Public Consumption		3.4	17.7	3.2	14.8	6.8	1.9	**3.3**	**3.0**	**2.7**
Gross fixed capital formation		3.6	18.5	5.3	-6.0	14.2	31.4	**-22.2**	**4.5**	**4.5**
Exports (goods and services)		32.3	166.7	7.7	-1.8	7.6	8.6	**8.7**	**4.3**	**3.8**
Imports (goods and services)		28.5	147.3	6.9	1.5	5.1	11.7	**4.6**	**4.0**	**3.4**
GNI (GDP deflator)		16.7	86.4	4.0	-9.4	12.8	8.3	**1.3**	**3.0**	**4.3**
Contribution to GDP growth:	Domestic demand			3.3	-3.5	7.7	11.3	**-1.7**	**3.2**	**3.0**
	Inventories			0.0	0.5	-0.3	-0.1	**0.0**	**0.1**	**0.0**
	Net exports			1.4	-5.2	5.1	-3.1	**7.3**	**1.3**	**1.3**
Employment				3.4	2.8	2.9	6.0	**6.5**	**4.1**	**4.0**
Unemployment rate (a)				5.9	4.9	3.8	3.5	**3.1**	**3.0**	**2.9**
Compensation of employees / head				3.5	-1.7	4.1	3.1	**1.5**	**2.7**	**3.2**
Unit labour costs whole economy				2.2	10.1	-4.8	1.1	**2.4**	**2.2**	**2.9**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.3	1.7	2.0	5.3	**5.3**	**3.6**	**2.5**
Harmonised index of consumer prices				1.9	0.8	0.7	6.1	**5.6**	**2.8**	**2.3**
Terms of trade goods				-0.1	0.8	2.8	1.9	**0.8**	**-0.2**	**1.5**
Trade balance (goods) (c)				-17.8	-9.4	-12.8	-19.8	**-13.2**	**-13.0**	**-12.4**
Current-account balance (c)				-0.1	2.5	5.7	0.6	**4.2**	**3.4**	**3.6**
General government balance (c)				-1.6	-9.4	-7.6	-5.5	**-4.9**	**-4.3**	**-3.9**
Structural budget balance (d)				-0.4	-4.9	-6.7	-5.3	**-4.9**	**-4.2**	**-3.5**
General government gross debt (c)				60.5	52.2	53.9	51.6	**50.4**	**52.0**	**52.6**

(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

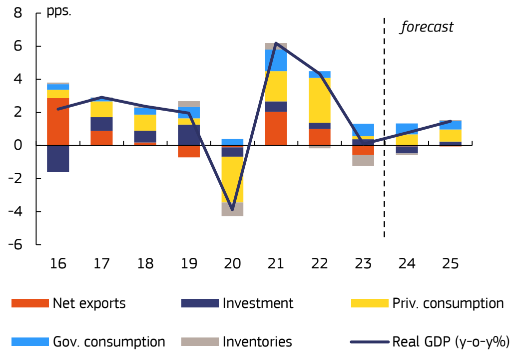
The Dutch economy slowed down considerably in 2023 as inflation weighed on private consumption and the weak external environment held back exports. In 2024, growth is forecast to pick up to 0.8%. This is driven by an increase in real wage growth supporting private consumption and an expansion in government consumption and public investment. However, business investment is expected to remain weak. Growth is projected to pick up further in 2025, to 1.5%, on the back of solid private consumption growth and an improved outlook for business investment and trade. The government deficit is expected to increase over the forecast horizon and reach 2.1% of GDP in 2025. Government debt is projected to remain roughly stable and reach 46.8% of GDP in 2025.

Economic activity picking up after slowdown

The Dutch economy slowed down markedly in 2023, with GDP growth reaching just 0.1%. Real GDP contracted over the first three quarters of the year before returning to modest growth in the fourth quarter. High inflation rates eroded households' disposable incomes, affecting private consumption spending. At the same time, a slowdown in economic activity in the Netherlands' main trading partners resulted in a decrease in export volumes. Investment proved to be volatile, with a robust first half of the year, followed by negative growth in the second as businesses cut back on their investments.

In 2024, a recovery in real wages is set to support private consumption. Growth is also expected to benefit from an increase in public investment related to the green transition and defence, among others. However, business investment is projected to remain weak due to persisting labour shortages and tight financial conditions. Net trade is set to have a minor negative impact on GDP growth in 2024. Overall, real GDP is forecast to grow by 0.8%.

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



In 2025, growth is expected to pick up further to 1.5% as solid wage growth and falling inflation continue to support households' real disposable incomes. In addition, the outlook for business investment and trade is set to improve on the back of easing financial conditions and a stronger external environment.

The labour market remains tight

The labour market remains tight overall but shows signs of easing. While the number of outstanding vacancies is decreasing, it continues to exceed the number of unemployed. Employment growth is also decelerating and the unemployment rate is forecast to gradually pick up to 3.9% in 2024 and 4.0% in 2025. On the back of a tight labour market and surging inflation, nominal wage growth increased substantially to 6.2% in 2023. Wage growth is forecast to remain high in 2024, at 5.9%, before easing to 3.8% in 2025.

Inflation continues to decelerate

HICP inflation came down significantly during 2023, from 7.2% in the first quarter to 0.4% in the fourth quarter. The exceptionally low inflation in the fourth quarter can mainly be attributed to a strong decrease in energy prices. At the beginning of 2024, headline inflation bounced back to around 3% due to a less favourable year-on-year comparison for energy prices. However, it is set to decelerate as the lower energy prices are passed through to other price categories. Inflation excluding energy and food is expected to come down more gradually as services inflation remains more elevated and is supported by strong wage growth. Annual HICP inflation is forecast at 2.5% in 2024 and 2.0% in 2025.

Government deficit to increase in 2024 and remain broadly stable in 2025

In 2023, the government deficit rose to 0.3% of GDP. Windfalls from dividend tax revenue due to anticipation effects as well as underspending on public investment projects have contributed to the low deficit. Budgetary costs for measures to mitigate the impact of high energy prices amounted to 1.0% of GDP in 2023.

In 2024, the government deficit is projected to increase to 2.0% of GDP. On the revenue side, a shortfall in dividend tax revenue amounting to some 0.5% of GDP is expected, reversing the previous year's windfall. The total budgetary cost of measures to mitigate the impact of high energy prices is set to fall to 0.1% of GDP. The only measures remaining in 2024 are reduced excise duties on gasoline and diesel, which are expected to be phased out in 2025. Expenditure on social benefits is projected to increase in 2024 due to the measures taken to improve the purchasing power of low-income households, with a budgetary impact of around 0.2% of GDP. Moreover, commitments to increase military and financial aid to Ukraine are expected to have a budgetary impact of around 0.3% of GDP.

Based on unchanged policies, the government deficit is forecast to increase slightly to 2.1% of GDP in 2025, mainly due to an expected further increase in public investments. Growth in corporate tax revenue is set to normalise at lower rates than those recorded in past years.

Following 46.5% in 2023, the government debt-to-GDP ratio is projected to increase to 47.1% in 2024 and 48.4% in 2025.

Table II.15.1:

Main features of country forecast - NETHERLANDS

		2023		Annual percentage change						
	bn EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		1034.1	100.0	1.5	-3.9	6.2	4.3	**0.1**	**0.8**	**1.5**
Private Consumption		449.9	43.5	0.6	-6.4	4.3	6.6	**0.4**	**1.6**	**1.7**
Public Consumption		261.6	25.3	1.6	1.6	5.0	1.6	**3.0**	**2.6**	**2.0**
Gross fixed capital formation		211.9	20.5	1.9	-2.6	2.9	1.8	**1.8**	**-2.1**	**1.2**
Exports (goods and services)		878.6	85.0	4.1	-4.3	8.0	4.5	**-1.3**	**-0.1**	**2.4**
Imports (goods and services)		763.7	73.9	4.0	-4.8	6.2	3.8	**-0.8**	**-0.1**	**2.8**
GNI (GDP deflator)		1027.0	99.3	1.5	-5.1	11.5	1.7	**0.3**	**0.9**	**1.5**
Contribution to GDP growth:	Domestic demand			1.1	-2.9	3.8	3.5	**1.3**	**0.9**	**1.5**
	Inventories			0.1	-0.8	0.4	-0.2	**-0.7**	**-0.1**	**0.0**
	Net exports			0.4	-0.1	2.0	1.0	**-0.6**	**-0.1**	**-0.1**
Employment				0.9	-0.4	2.0	3.9	**1.5**	**0.6**	**0.3**
Unemployment rate (a)				6.2	4.9	4.2	3.5	**3.6**	**3.9**	**4.0**
Compensation of employees / head				1.9	4.3	2.1	4.0	**6.2**	**5.9**	**3.8**
Unit labour costs whole economy				1.2	8.1	-2.0	3.6	**7.8**	**5.7**	**2.6**
Saving rate of households (b)				14.2	24.9	23.3	19.4	**19.5**	**19.2**	**19.2**
GDP deflator				1.4	1.9	2.9	5.5	**7.8**	**3.7**	**2.3**
Harmonised index of consumer prices				1.5	1.1	2.8	11.6	**4.1**	**2.5**	**2.0**
Terms of trade goods				0.0	1.0	-1.3	-3.1	**3.6**	**1.4**	**0.2**
Trade balance (goods) (c)				8.7	7.7	8.4	7.7	**8.6**	**8.9**	**8.8**
Current-account balance (c)				6.2	5.1	12.1	9.3	**10.1**	**10.2**	**10.2**
General government balance (c)				-1.5	-3.7	-2.2	-0.1	**-0.3**	**-2.0**	**-2.1**
Structural budget balance (d)				0.1	-1.0	-1.9	-1.1	**-0.8**	**-1.3**	**-1.4**
General government gross debt (c)				56.7	54.7	51.7	50.1	**46.5**	**47.1**	**48.4**

(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

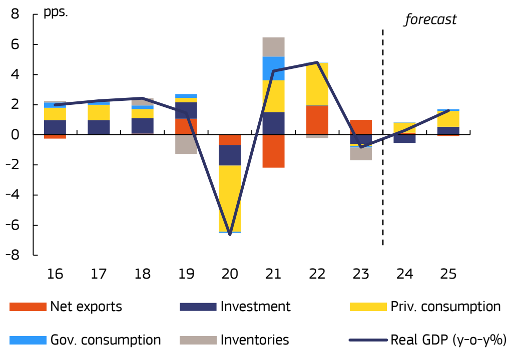
In 2024, the Austrian economy is set to grow only modestly, held back by weak industrial performance and a struggling construction sector, but supported by private consumption and increasing real wages. Growth is projected to pick up speed in 2025, mainly due to the expected improvement in economic activity of Austria's main trading partners and to a recovery of industry and construction. Inflation is set to continue on a downward path, although it is expected to remain elevated over the forecast horizon. The general government deficit is projected to hover around 3% of GDP in 2024 and 2025 while the public debt-to-GDP ratio is expected to remain roughly constant at 78%.

Limited growth in 2024

After a recession in 2023, with GDP dropping by 0.8% due to high inflation, declining real wages and a slump in investment, the Austrian economy is expected to recover only slowly. In the first quarter of 2024, economic activity grew modestly by 0.2% q-o-q supported by private consumption but weighed down by declining investments.

Overall, GDP is expected to grow by 0.3% in 2024. Private consumption is projected to pick up from last years' slump on the back of real wage increases at the beginning of the year following collective bargaining agreements. The high interest rate environment is impacting the construction sector, especially weighing on the construction of single-family homes. The weakness of Austria's main trading partners, persistently high energy costs and increasing unit labour costs constitute a drag on industrial production. This is reflected in weak growth of goods exports.

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



However, towards the end of 2024 and more so in 2025, the pressures weighing on investment and exports are expected to fade with interest rates and energy prices projected to decline and external demand set to recover. The recently adopted construction package is expected to support the stabilisation of the construction sector. In 2025, GDP growth is forecast to increase to 1.6%.

Inflation has come down but remains above 2%

Headline inflation has decreased significantly from 11.6% in January 2023 to 4.2% in March 2024. This was driven by the gradual pass-through of lower wholesale energy prices to consumers. Going forward, energy disinflation and lower inflationary pressures on industrial goods and food are set to further lower headline inflation. However, services inflation remains elevated due to high nominal wage increases. Headline inflation is forecast to gradually ease to 3.6% in 2024 and 2.8% in 2025.

A resilient labour market

Despite economic headwinds, the labour market has remained remarkably resilient. The unemployment rate has increased far less than in previous bouts of economic downturn or slow growth, thanks to persistently high vacancy rates and a shrinking working-age population. In 2023, the unemployment rate increased only moderately. In 2024, it is expected to slightly increase from 5.1% to 5.3% as a result of still sluggish growth and the weakness of the construction sector. In 2025, the unemployment rate is set to decline to 5.1% on the back of the continued economic recovery. Nominal wages are expected to increase by 7.1% in 2024 and 3.2% in 2025, driven by past inflation developments and the tight labour market. Therefore, real wages are projected to rise further over the forecast horizon.

Additional expenditure drives the general government deficit

The general government deficit declined to 2.7% of GDP in 2023, mainly due to the inflation-induced rise in revenue and strong nominal economic growth.

In 2024, the general government deficit it is expected to increase to 3.1% of GDP. This increase is set to be fuelled by the delayed effects of inflation on expenditure (salaries, pensions, indexed social benefits), by additional spending under the national fiscal framework in the areas of childcare, housing and climate and by the recently adopted housing and construction package. In addition, several energy-related support measures, such as the electricity price brake, have been extended until the end of 2024. On the revenue side, important tax sources, such as VAT, personal income taxes, and corporate profit taxes, as well as social contributions, are projected to grow more moderately compared to 2023 due to easing inflation.

In 2025, the general government deficit is expected to decrease to 2.9% of GDP based on unchanged policies, largely reflecting a more moderate increase in salaries, pensions and other social benefits due to decreasing inflation and the phase-out of measures to mitigate the impact of high energy prices. These measures are projected to account for a net budgetary cost of 0.1% of GDP in 2025, compared with 0.4% in 2024 and 1.4% in 2023.

The government debt ratio, at 77.8% of GDP in 2023, is expected to remain broadly stable over the forecast horizon (77.7% in 2024 and 77.8% in 2025) as the impact from higher deficits is compensated by nominal GDP growth with a broadly stable interest expenditure as % of GDP in 2024 and 2025.

Table II.16.1:

Main features of country forecast - AUSTRIA

		2023		Annual percentage change						
bn EUR		Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		477.2	100.0	1.6	-6.6	4.2	4.8	**-0.8**	**0.3**	**1.6**
Private Consumption		247.0	51.8	1.1	-8.5	4.2	5.7	**-0.3**	**1.3**	**2.0**
Public Consumption		96.8	20.3	1.4	-0.4	7.5	0.0	**-0.4**	**0.1**	**0.5**
Gross fixed capital formation		116.7	24.4	1.7	-5.5	6.1	0.1	**-2.4**	**-2.2**	**2.3**
Exports (goods and services)		283.9	59.5	3.7	-10.6	9.1	11.2	**-0.2**	**1.2**	**2.4**
Imports (goods and services)		270.3	56.6	3.4	-10.0	14.3	7.9	**-1.8**	**1.0**	**2.7**
GNI (GDP deflator)		474.4	99.4	1.6	-5.4	4.8	3.1	**-1.4**	**0.1**	**1.5**
Contribution to GDP growth:	Domestic demand			1.3	-5.8	5.2	2.9	**-0.8**	**0.1**	**1.7**
	Inventories			0.0	0.0	1.3	-0.2	**-0.9**	**0.0**	**0.0**
	Net exports			0.3	-0.7	-2.2	1.9	**1.0**	**0.1**	**-0.1**
Employment				1.1	-1.6	2.0	2.6	**0.9**	**0.4**	**0.7**
Unemployment rate (a)				5.5	6.0	6.2	4.8	**5.1**	**5.3**	**5.1**
Compensation of employees / head				2.3	1.7	2.9	4.7	**7.7**	**7.1**	**3.2**
Unit labour costs whole economy				1.8	7.2	0.7	2.6	**9.7**	**7.2**	**2.3**
Saving rate of households (b)				14.4	18.6	16.9	15.2	**14.9**	**15.9**	**14.9**
GDP deflator				1.8	2.7	2.1	5.3	**7.6**	**4.1**	**2.6**
Harmonised index of consumer prices				1.9	1.4	2.8	8.6	**7.7**	**3.6**	**2.8**
Terms of trade goods				-0.3	1.0	-0.7	-5.0	**2.4**	**0.7**	**0.2**
Trade balance (goods) (c)				0.2	1.2	0.0	-1.5	**1.0**	**1.4**	**1.4**
Current-account balance (c)				2.4	3.6	1.8	-0.2	**1.7**	**1.9**	**1.7**
General government balance (c)				-2.2	-8.0	-5.8	-3.3	**-2.7**	**-3.1**	**-2.9**
Structural budget balance (d)				-0.7	-5.0	-4.5	-4.1	**-2.4**	**-2.5**	**-2.7**
General government gross debt (c)				76.1	82.9	82.5	78.4	**77.8**	**77.7**	**77.8**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

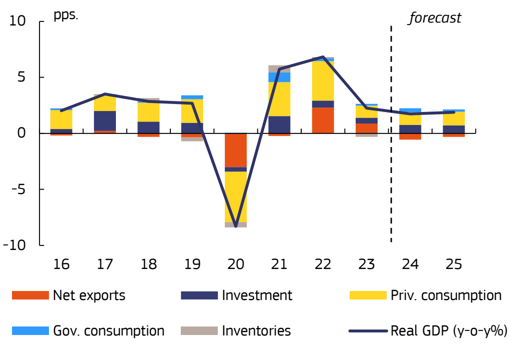
17. PORTUGAL

Economic growth in Portugal is set to further moderate in 2024 before picking up again in 2025, pushed by private consumption and investment. Headline inflation is projected to continue receding over the forecast horizon amid a steady increase in employment and a relatively stable unemployment rate. Portugal's general government balance recorded a surplus in 2023. It is projected to decrease in 2024 and 2025, albeit remaining in positive territory.

Domestic demand is turning into the main growth driver

Economic growth slowed down to 2.3% in 2023, reflecting a broad-based deceleration across all main GDP components. The main slowdown took place in the second and third quarters of 2023, followed by a rebound in the final quarter of the year. Both private consumption and investment increased substantially in the final quarter of the year, helped by the stabilisation in interest rates. Net exports contributed positively to GDP growth for the year as a whole, mainly due to the strong performance in tourism. However, imports started outpacing exports in the second half of the year, in line with the rebound in domestic demand. According to Eurostat's flash estimate, GDP rose by 0.7% (q-o-q) in the first quarter of 2024, supported by private consumption and exports. Growth in tourism slowed down substantially in January 2024 but high-frequency indicators pointed to an acceleration in February and March.

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



Taking into account the recent surge in households' income and the stabilisation in interest rates, economic growth is projected to move towards a more domestic-driven model over the forecast horizon. In full-year terms, growth is expected to moderate to 1.7% in 2024 and to rebound to 1.9% in 2025. Investment is projected to grow at a strong pace, helped by the implementation of the Recovery and Resilience Plan as well as by the recent improvement in economic sentiment. In the external sector, imports are set to outpace exports as investment, and to a lesser extent private consumption, are set to increase import demand. Foreign tourism is projected to remain an important growth factor albeit at a slower pace than in the last two years. Overall, Portugal's current-account balance is set to decrease but to remain in positive territory in 2024 and 2025.

Labour supply and employment continue to rise at strong pace, helped by migration

The unemployment rate increased from 6.2% in 2022 to 6.5% in 2023 amid strong growth in both labour supply and employment. According to the labour force survey, employment growth remained robust also in the first months of 2024 but unemployment edged up slightly along with rising labour supply. Data shows a substantial increase in the working-age population in early 2024, which is explained by positive migration flows. Unemployment is expected to decline somewhat over the coming months as job creation is set to gradually absorb the increase in labour supply. In full-year terms, unemployment is projected at 6.5% in 2024 and 6.4% in 2025. As some sectors of the economy continue to experience tight hiring conditions, wages are set to grow somewhat faster than inflation, supported also by sound profit margins in the corporate sector.

Commodity prices continue to support disinflation

Headline inflation decreased from 8.1% in 2022 to 5.3% in 2023, reflecting a substantial deceleration in prices of energy and other commodities. In quarterly terms, inflation reached 2.4% (y-o-y) in the last quarter of 2023 but edged up to 2.5% in the first quarter of 2024, mainly due to base effects in energy prices. However, services inflation moderated at a much slower pace to 5.0% (y-o-y) in the first quarter of 2024, pushed by strong wage growth and demand pressures from tourism-related activities. The projected increase in real wages and employment is set to keep some pressure on prices, leading to a much slower adjustment in services inflation. All in all, inflation is forecast to continue easing to 2.3% in 2024 and 1.9% in 2025.

General government balance to remain in surplus

Portugal's general government balance improved to a surplus of 1.2% of GDP in 2023. Government revenue benefited from the outstanding performance of tax revenue and social contributions underpinned by dynamic economic activity, high inflation and a robust labour market. Government expenditure growth was comparatively muted, thanks to the complete phase-out of COVID-19 temporary emergency measures and the reduced net budgetary impact of measures to mitigate the impact of high energy prices. The net budgetary cost of the latter is estimated at 0.9% of GDP in 2023, compared with 2.0% in 2022.

The general government surplus is forecast to narrow to 0.4% of GDP in 2024 and to remain broadly stable in 2025, based on unchanged policies. This would come on the back of the projected economic slowdown and the moderation in inflation, as well as of balance-reducing fiscal policy measures, notably the reform of the personal income tax included in the 2024 State Budget and the discretionary increases in public wages and pensions. Public investment is expected to further expand linked to the implementation of the Recovery and Resilience Plan and other EU-funded programmes. Interest expenditure is set to mildly increase amidst tighter financing conditions. The net budgetary cost of energy-support measures is projected to decrease to 0.6% and 0.5% of GDP in 2024 and 2025, respectively. Risks to the fiscal outlook are on the downside and relate, among others, to ongoing processes for financial rebalancing of public-private partnerships.

After reducing by approximately 13 pps. in 2023 to 99.1%, Portugal's public debt-to-GDP ratio is set to continue to steadily decline but at a slower pace. The projected primary balance surpluses and the favourable growth-interest rate differential are forecast to drive the ratio down to 95.6% in 2024 and 91.5% in 2025.

Table II.17.1:

Main features of country forecast - PORTUGAL

	2023			Annual percentage change						
	bn EUR	**Curr. prices**	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		265.5	100.0	0.8	-8.3	5.7	6.8	**2.3**	**1.7**	**1.9**
Private Consumption		166.2	62.6	0.9	-7.0	4.7	5.6	**1.7**	**1.8**	**1.9**
Public Consumption		45.1	17.0	0.1	0.3	4.5	1.4	**1.0**	**2.1**	**1.2**
Gross fixed capital formation		51.5	19.4	-0.6	-2.2	8.1	3.0	**2.5**	**3.9**	**3.7**
Exports (goods and services)		126.0	47.4	4.3	-18.6	12.3	17.4	**4.1**	**2.8**	**2.5**
Imports (goods and services)		123.7	46.6	3.3	-11.8	12.2	11.1	**2.2**	**4.1**	**3.2**
GNI (GDP deflator)		260.6	98.1	0.7	-7.3	6.3	6.4	**1.8**	**1.7**	**1.9**
Contribution to GDP growth:	Domestic demand			0.5	-4.9	5.4	4.4	**1.8**	**2.2**	**2.1**
	Inventories			0.1	-0.5	0.6	0.1	**-0.3**	**0.0**	**0.0**
	Net exports			0.2	-3.0	-0.2	2.3	**0.9**	**-0.6**	**-0.3**
Employment				-0.2	-1.8	2.0	1.5	**0.9**	**1.0**	**0.9**
Unemployment rate (a)				11.1	7.0	6.7	6.2	**6.5**	**6.5**	**6.4**
Compensation of employees / head				1.8	1.5	5.1	5.7	**8.1**	**3.3**	**2.8**
Unit labour costs whole economy				0.9	8.7	1.3	0.5	**6.6**	**2.6**	**1.8**
Saving rate of households (b)				8.4	11.9	10.6	6.3	**6.3**	**6.5**	**6.6**
GDP deflator				1.6	2.0	1.9	5.0	**7.1**	**2.6**	**2.1**
Harmonised index of consumer prices				1.5	-0.1	0.9	8.1	**5.3**	**2.3**	**1.9**
Terms of trade goods				0.3	1.6	0.1	-2.9	**2.9**	**-0.1**	**0.0**
Trade balance (goods) (c)				-8.7	-6.5	-7.7	-11.2	**-9.6**	**-10.2**	**-10.5**
Current-account balance (c)				-4.6	-1.2	-1.0	-1.3	**1.3**	**0.8**	**0.6**
General government balance (c)				-5.0	-5.8	-2.9	-0.3	**1.2**	**0.4**	**0.5**
Structural budget balance (d)				-1.5	-1.5	-1.4	-0.9	**0.9**	**0.0**	**0.2**
General government gross debt (c)				105.3	134.9	124.5	112.4	**99.1**	**95.6**	**91.5**

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

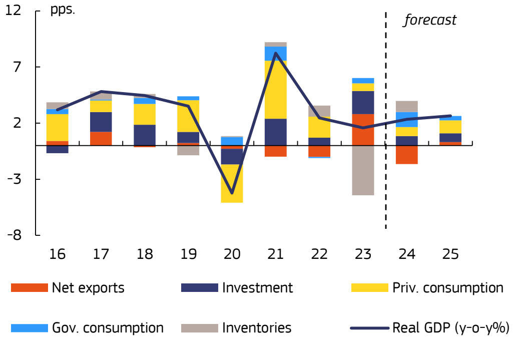
18. SLOVENIA

With strong growth in the final quarter of the year, Slovenia's GDP expanded by 1.6% in 2023 and is forecast to accelerate to 2.3% in 2024 and to 2.6% in 2025. Inflation is expected to continue to decrease gradually over the forecast horizon. Employment is projected to continue to grow and the unemployment rate to remain low. The general government deficit is forecast to slightly increase to 2.8% in 2024 before declining to 2.2% in 2025, after having reached 2.5% in 2023. The debt-to-GDP ratio is projected to decrease from 69.2% in 2023 to 68.1% in 2024 and 66.4% in 2025.

Growth to accelerate over the forecast horizon

GDP grew by 1.6% in 2023 with domestic demand proving resilient, in particular construction investment which increased by almost 25%. Imports fell much faster than exports, leading to a strong growth contribution from net exports that was offset by a very strong negative contribution from the change in inventories. After worsening for two years, terms of trade improved and the current account balance recorded a sizeable surplus in 2023. Employment continued to grow at a strong pace and real wages also increased. In August, devastating floods impacted many Slovenian regions, causing significant damage to property and infrastructure. In the final quarter of the year, growth accelerated, partly due to the start of reconstruction.

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



GDP growth is forecast to accelerate to 2.3% in 2024 and to 2.6% in 2025. Private consumption is projected to continue to grow in 2024-25, supported by employment growth and rising wages. Slovenia has introduced compulsory health contribution to replace private insurance, which is expected to lower private consumption and boost public consumption. Public investment is set to remain strong due to the expected deployment of RRF-financed measures, reconstruction works after floods and private investment, including into machinery and equipment. In 2024, exports are projected to increase in line with demand in the export markets. At the same time, imports are expected to increase, also to replenish the inventories, leading to a negative growth contribution from net exports. In 2025, contribution from net exports is projected to turn positive again. GDP growth is forecast to accelerate to 2.3% in 2024 and to 2.6% in 2025.

Labour market remains tight

Employment growth remained strong and the unemployment rate decreased to 3.7% in 2023. Employment is expected to continue to increase by 0.6% in both 2024 and 2025, driven by an inflow of foreign workers. The unemployment rate is set to remain stable at around the 3.6%. After a strong growth of some 11.8% in 2023 – and with demand for labour remaining robust – wages are forecast to increase by 6.1% in 2024 and by 4.4% in 2024.

Inflation to continue decelerating steadily

Inflation reached 7.2% in 2023, with a marked deceleration during the year. In the first quarter of 2024, inflation eased to 3.4% and a further fall is projected throughout the year. Inflation is forecast to average 2.8% in 2024 and 2.4% in 2025. Inflation excluding energy and food is expected to remain somewhat higher, as energy has an important role in the decline of headline inflation.

Public finances broadly stable

The general government deficit declined to 2.5% of GDP in 2023, in spite of the measures implemented to mitigate the impact of high energy prices, which increased by 0.4 pps. of GDP and accounted for 1.4% of GDP, and of expenditure for reconstruction after the floods, amounting to 0.4% of GDP. These increases were more than offset by a drop in social benefits by 1.0 pp. of GDP.

In 2024, the deficit is projected to increase to 2.8% of GDP. Expenditure is forecast to increase by 1.3 pps. of GDP owing to the indexation of social benefits, including pensions and higher spending on health. Public investment is set to increase by 0.5 pps. of GDP to 5.8%. This includes higher nationally financed expenditure for the reconstruction after the floods, projected at 0.7% of GDP. This increase in expenditure is partly offset by a decline in subsidies by 0.6 pps. of GDP, driven by an almost complete withdrawal of expenditure measures to mitigate the impact of high energy prices. Revenue is forecast to increase by 0.9 pps. of GDP, in particular due to the complete withdrawal of revenue-decreasing measures to mitigate the impact of high energy prices (lower VAT rates, excise duties, CO2 duty), and a temporary increase in corporate income tax rate by 3 pps. Overall, the net budgetary cost of energy related measures is set to decrease to 0.1% of GDP.

The deficit is set to decline to 2.2% of GDP in 2025 based on unchanged policies. A new long-term care contribution, to be levied as from July 2025, is projected to increase social contributions by around 0.4 pps. of GDP. Gradually lower expenditure for post-floods reconstruction will impact public investment, which is projected to decline by 0.4 pps. to 5.4% of GDP.

Projections for 2024, and especially for 2025, are subject to several country-specific risks. Investment, including to address flood damages, depends on planning and maturity of projects.

The debt-to-GDP ratio is forecast to decrease from 69.2% in 2023 to 68.1% in 2024 and 66.4% in 2025 due to the changes in the headline deficit and the increase in nominal GDP.

Table II.18.1:

Main features of country forecast - SLOVENIA

		2023			Annual percentage change					
		bn EUR Curr. prices	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		63.1	100.0	2.2	-4.2	8.2	2.5	**1.6**	**2.3**	**2.6**
Private Consumption		33.5	53.0	2.0	-6.5	10.3	3.6	**1.3**	**1.5**	**2.2**
Public Consumption		12.3	19.5	1.5	4.2	6.1	-0.5	**2.4**	**6.9**	**2.0**
Gross fixed capital formation		14.2	22.5	0.4	-7.2	12.6	3.5	**9.5**	**3.8**	**3.4**
Exports (goods and services)		53.0	84.0	5.9	-8.5	14.5	7.2	**-2.0**	**2.3**	**3.8**
Imports (goods and services)		48.8	77.3	5.0	-9.1	17.8	9.0	**-5.1**	**4.6**	**3.6**
GNI (GDP deflator)		61.8	98.0	2.2	-3.3	7.5	1.7	**1.5**	**1.9**	**2.4**
Contribution to GDP growth:	Domestic demand			1.5	-4.0	8.8	2.5	**3.2**	**3.0**	**2.3**
	Inventories			0.0	0.1	0.4	1.0	**-4.4**	**1.0**	**0.0**
	Net exports			0.8	-0.3	-1.0	-1.0	**2.8**	**-1.6**	**0.3**
Employment				0.7	-0.7	1.3	2.9	**1.2**	**0.6**	**0.6**
Unemployment rate (a)				7.0	5.0	4.8	4.0	**3.7**	**3.7**	**3.6**
Compensation of employees / head				3.5	3.4	8.1	5.0	**11.8**	**6.1**	**4.4**
Unit labour costs whole economy				2.0	7.2	1.1	5.4	**11.4**	**4.3**	**2.3**
Saving rate of households (b)				13.3	22.7	18.7	13.2	**13.8**	**13.4**	**12.3**
GDP deflator				1.8	1.1	2.7	6.5	**8.9**	**3.3**	**3.0**
Harmonised index of consumer prices				2.0	-0.3	2.0	9.3	**7.2**	**2.8**	**2.4**
Terms of trade goods				-0.4	0.8	-2.3	-2.9	**2.6**	**0.2**	**0.1**
Trade balance (goods) (c)				-0.3	5.0	1.7	-3.8	**0.7**	**-0.9**	**-0.7**
Current-account balance (c)				0.9	7.4	3.5	-0.8	**3.6**	**1.4**	**1.4**
General government balance (c)				-3.2	-7.6	-4.6	-3.0	**-2.5**	**-2.8**	**-2.2**
Structural budget balance (d)				-0.6	-6.3	-5.9	-4.4	**-2.8**	**-2.7**	**-2.2**
General government gross debt (c)				51.1	79.6	74.4	72.5	**69.2**	**68.1**	**66.4**

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

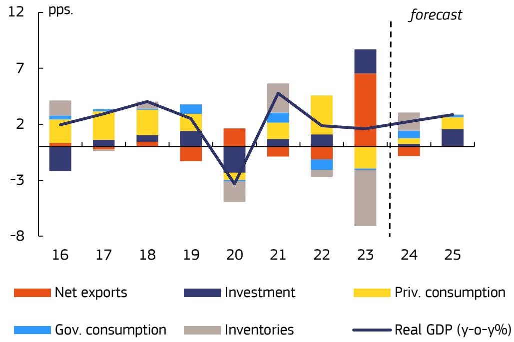
19. SLOVAKIA

Slovak GDP is forecast to expand by 2.2% in 2024, on the back of growth in private and public consumption. In 2025 the GDP growth is forecast to reach 2.9% supported by domestic demand. Inflation is projected to decelerate strongly to 3.1% this year, but to pick up to 3.6% in 2025 amid the expected convergence of energy prices to market levels. Amid tight labour market, real wages are set to increase. Public deficit is expected to increase to 5.9% of GDP in 2024 before decreasing slightly to 5.4% in 2025 as energy-support measures are assumed to wind down.

Growth outlook is driven primarily by consumption and investment

Real GDP grew by 1.6% in 2023, primarily reflecting the decline in private and public consumption. The weaker economic performance of the country's major trade partners resulted in a decline of exports and some deterioration in Slovakia's market share. A simultaneous large fall in imports resulted in an overall positive contribution from net exports, but this was more than offset by the negative contribution of the strong drawdown in inventories.

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



Looking forward, economic activity is expected to accelerate in 2024 as private and public consumption resume growth and exports rebound strongly due to firming external demand. Government support measures are expected to continue limiting the impact of high energy prices for households and businesses in 2024. Furthermore, the projected real wage increases should provide an extra stimulus for private consumption. However, investment growth is set be limited in 2024, following a notable jump by 10.6% in 2023 as Slovakia intensified its use of EU funds by the end of the year. In 2025 investment is expected to pick up pace to a great extent driven by absorption of EU structural funds and the RRF. Overall, real GDP growth is projected at 2.2% in 2024 and 2.9% in 2025.

Demand for labour is set to remain robust amid a tight labour market

The unemployment rate is expected to continue declining from 5.8% in 2023 to 5.4% in 2024 and 5.2% in 2025, keeping the labour market tight. The main driving force behind decreasing unemployment is the decline in the working-age population, while labour demand remains robust. In 2023, nominal wages growth lagged behind the inflation rate. However, in 2024 and 2025 the compensation of employees is expected to grow markedly faster than inflation, resulting in an increase in real wages.

Inflationary pressures ease, but continue to be pronounced

In 2023 headline inflation remained high at 11% due to elevated inflation of energy and food prices. Inflation declined strongly by the end of the year and continued easing at the beginning of 2024. The government interventions to limit energy prices for households are set to continue throughout the year, contributing to a relatively subdued inflation of 3.1% in 2024. Food price inflation is expected to stabilise, benefiting from a deceleration in input prices. As government measures are projected to be phased out in 2025, energy prices are set to rise towards market prices, keeping energy inflation high and contributing to a relative increase in HICP to 3.6% next year. Compared to other components, prices in the services sector are expected to grow more dynamically driven by robust wage growth.

Budget deficit to peak in 2024

The public deficit increased to 4.9% of GDP in 2023, as a result of energy support, permanent increases in public sector wages and social benefits.

In 2024, the general government deficit is projected to increase further to 5.9%, driven by expenditure measures adopted in 2023. These include a higher compensation of public employees, a family package including a tax bonus, the introduction of a parental bonus under the pension reform together with a full 13th pension payment, and other expenditure-increasing measures. The net budgetary cost of measures to mitigate the impact of high energy prices is set to decline to 0.4% of GDP, compared to 2.1% in 2023. This is expected to be partly offset by new revenue-increasing measures such as the increase in the share of social contributions towards the first (public) pension pillar, a special levy on banks' profits, an increase in medical levies for employers, and an increase in the property tax rate in municipalities.

Given that most of the expenditure measures are of permanent nature, in absence of consolidating measures, the general government deficit is set to remain at a high rate of 5.4% of GDP also in 2025, based on unchanged policies. The deficit decreases in 2024 due to revenue-increasing measures, such as introduced levy on bank profits or increased medical contributions for employers by 1%. The Commission currently assumes a full phasing out of energy support measures in 2025. The deficits in 2024 and 2025 are also driven by postponed delivery of military equipment.

After decreasing to 56.0% in 2023, the government debt-to-GDP ratio is projected to increase to 58.5% in 2024 and to 59.9% in 2025. This increase is driven by high deficits in 2024 and 2025, partly offset by a strong growth of nominal GDP.

Table II.19.1:

Main features of country forecast - SLOVAKIA

		2023		Annual percentage change						
		bn EUR Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		122.8	100.0	3.8	-3.3	4.8	1.9	**1.6**	**2.2**	**2.9**
Private Consumption		72.4	58.9	3.1	-1.1	2.6	6.1	**-3.2**	**0.8**	**1.8**
Public Consumption		24.7	20.1	2.3	-0.6	4.2	-4.5	**-0.6**	**3.4**	**1.0**
Gross fixed capital formation		27.0	22.0	3.6	-10.9	3.5	5.7	**10.6**	**1.1**	**7.0**
Exports (goods and services)		112.3	91.4	7.5	-6.3	10.5	3.0	**-1.4**	**4.3**	**4.0**
Imports (goods and services)		110.7	90.1	6.6	-8.1	11.7	4.3	**-7.6**	**5.3**	**4.0**
GNI (GDP deflator)		119.6	97.4	4.0	-1.8	2.6	3.2	**0.6**	**1.1**	**2.6**
Contribution to GDP growth:	Domestic demand			3.0	-3.1	3.0	3.6	**0.1**	**1.4**	**2.8**
	Inventories			0.1	-1.9	2.6	-0.6	**-5.0**	**1.6**	**0.0**
	Net exports			0.7	1.6	-0.9	-1.1	**6.5**	**-0.8**	**0.1**
Employment				1.1	-1.9	-0.6	1.8	**0.3**	**0.2**	**0.1**
Unemployment rate (a)				11.9	6.7	6.8	6.1	**5.8**	**5.4**	**5.2**
Compensation of employees / head				5.0	3.9	6.9	5.5	**10.4**	**7.8**	**6.4**
Unit labour costs whole economy				2.3	5.4	1.4	5.4	**8.9**	**5.7**	**3.5**
Saving rate of households (b)				7.6	11.4	11.0	5.9	**6.7**	**7.9**	**7.1**
GDP deflator				1.4	2.4	2.4	7.5	**10.1**	**4.6**	**3.2**
Harmonised index of consumer prices				2.3	2.0	2.8	12.1	**11.0**	**3.1**	**3.6**
Terms of trade goods				-0.8	-0.4	-1.1	-4.4	**0.5**	**0.8**	**-0.3**
Trade balance (goods) (c)				0.4	0.9	-0.3	-5.4	**1.0**	**0.9**	**0.6**
Current-account balance (c)				-2.2	-0.1	-4.0	-7.3	**-0.7**	**-2.0**	**-2.5**
General government balance (c)				-3.3	-5.3	-5.2	-1.7	**-4.9**	**-5.9**	**-5.4**
Structural budget balance (d)				-2.0	-4.3	-5.3	-1.9	**-4.7**	**-5.6**	**-5.3**
General government gross debt (c)				43.7	58.8	61.1	57.7	**56.0**	**58.5**	**59.9**

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

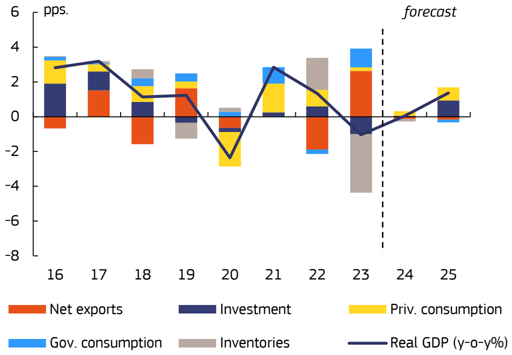
20. FINLAND

Finland's economy fell into a recession in 2023. The recovery is expected to be gradual and to be driven by recovering domestic and external demand. HICP inflation is projected to decline to 1.4% in 2024, and the announced VAT hike is set to push it close to 2% in 2025. The planned consolidation efforts are expected to bring the general government deficit to below 3% by 2025, with public debt slightly exceeding 82% of GDP.

The Finnish economy to emerge slowly from recession

In 2023, Finland's real GDP contracted by 1%, as increases in prices and interest rates weighed on consumption and, particularly, on investment, amid weakening sentiment. Inventories also had a large negative contribution. The drop in investment was mainly driven by the construction sector, which has been affected for some time now by slowing housing demand and higher input costs. Government consumption supported domestic demand, given a significant rise in social and healthcare-related spending and wages. In addition, exports fell due to softening external demand. As imports dropped even more sharply, net exports made a positive contribution to growth.

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



With domestic and external demand set to recover gradually over the forecast horizon, real GDP growth is expected to be close to 0% in 2024 and to increase by 1.4% in 2025. Slightly improving consumer sentiment, wage growth exceeding inflation and cuts in labour taxation are set to strengthen purchasing power and support household spending in 2024. However, the new package of consolidation measures, consisting of tax increases and expenditure cuts, coming into force mainly in 2025, is expected to hold back a recovery in private consumption. Public consumption is forecast to slow down sharply in 2024 and contract in 2025. Investment and exports have been hampered by the temporary closure of ports and factories due to broad-based strikes earlier this year. Nonetheless, both are expected to slowly pick up on the back of easing financing conditions, better demand prospects for Finnish companies and an improving external environment.

Staff shortages set to keep labour market tight

As the economy contracted in 2023, employment started declining and the unemployment rate increased to 7.2%. However, given broad-based labour shortages due to a shrinking working-age population, the worsening in the labour market was relatively contained. Jobs growth is set to stagnate this year before picking up again in 2025 in line with accelerating economic activity, while the unemployment rate is projected to average 7.2% in 2025.

VAT hike set to maintain price pressures

HICP inflation averaged 4.3% in 2023 but declined considerably at the end of the year on account of falling energy prices. It is expected to, however, accelerate again in the second half of 2024, due to the planned increase in the standard VAT rate in September 2024. Overall, growth of consumer prices is forecast to decelerate to 1.4% in 2024. As the effect stemming from the increase in indirect taxes will continue into 2025, inflation is projected to increase to 2.1% in 2025.

A challenging path towards sound public finances

In 2023, the general government deficit rose to 2.7% of GDP. Amid a contracting economy, tax revenues declined, while government expenditure increased by 8% driven by a rise in public wages, interest expenditure and social spending, notably in relation to the newly set-up wellbeing services counties. Net budgetary costs related to measures to mitigate the impact of high energy prices in 2023 amounted to approximately 0.2% of GDP and was fully phased out that year.

For 2024, the projected deficit is set to increase to 3.4% of GDP as expenditure growth is forecast to exceed the projected increase in revenue. The latter is partially due to a sizeable cut in social security contributions that entered into force in 2024 and amounts to 0.5% of GDP. At the same time, spending on social benefits, wages and interest payments are to continue growing.

General government deficit is forecast to decline to 2.8% of GDP in 2025 as the economic recovery is set to support public revenue, while spending is projected to be contained due to consolidation efforts. In view of the deteriorating fiscal situation, a large consolidation package was announced in April 2024, estimated at approximately EUR 2.8 billion or 1% of GDP, and almost equally divided between tax hikes and spending cuts. The main announced revenue measure is an increase in the standard rate for VAT from 24.5% to 25.5%, which is set to enter into force in September 2024. Other tax increases and the elimination of several tax deductions as well as the spending cuts are expected to become effective in 2025.

In 2023, the general government debt-to-GDP ratio increased to 75.8%. The debt-to-GDP ratio is set to increase further to 80.5% in 2024 and 82.4% in 2025 due to persistent deficits and substantial stock-flow adjustments. This increase is, however, expected to be softened by the announced consolidation measures.

Table II.20.1:

Main features of country forecast - FINLAND

		2023			Annual percentage change					
	bn EUR	**Curr. prices**	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		277.6	100.0	1.3	-2.4	2.8	1.3	**-1.0**	**0.0**	**1.4**
Private Consumption		145.7	52.5	1.7	-3.8	3.2	1.8	**0.4**	**0.5**	**1.4**
Public Consumption		69.9	25.2	1.0	1.2	3.9	-1.0	**4.5**	**0.0**	**-0.7**
Gross fixed capital formation		64.8	23.4	1.4	-1.0	1.0	2.5	**-4.2**	**0.2**	**4.0**
Exports (goods and services)		113.7	41.0	2.8	-7.8	6.2	3.6	**-1.7**	**0.9**	**2.1**
Imports (goods and services)		114.9	41.4	3.4	-6.2	6.1	8.4	**-7.1**	**1.2**	**2.5**
GNI (GDP deflator)		277.1	99.8	1.3	-1.3	2.8	0.7	**-2.1**	**0.1**	**2.0**
Contribution to GDP growth:	Domestic demand			1.4	-1.9	2.8	1.3	**0.3**	**0.3**	**1.5**
	Inventories			0.0	0.2	0.0	1.8	**-3.4**	**-0.1**	**0.0**
	Net exports			-0.1	-0.7	0.0	-1.9	**2.6**	**-0.1**	**-0.2**
Employment				0.7	-2.0	2.2	3.5	**0.5**	**-0.1**	**0.1**
Unemployment rate (a)				8.1	7.7	7.7	6.8	**7.2**	**7.4**	**7.2**
Compensation of employees / head				2.1	0.5	4.2	2.5	**3.4**	**2.6**	**3.5**
Unit labour costs whole economy				1.6	0.9	3.6	4.6	**5.0**	**2.5**	**2.2**
Saving rate of households (b)				7.7	12.6	10.8	7.4	**7.7**	**7.7**	**7.4**
GDP deflator				1.6	1.6	2.4	5.4	**4.8**	**1.8**	**2.1**
Harmonised index of consumer prices				1.5	0.4	2.1	7.2	**4.3**	**1.4**	**2.1**
Terms of trade goods				-0.7	2.3	-0.4	-0.7	**-1.3**	**-0.3**	**0.4**
Trade balance (goods) (c)				3.4	1.2	0.9	-0.1	**2.9**	**2.5**	**2.5**
Current-account balance (c)				0.7	0.5	0.4	-2.4	**-1.4**	**-1.6**	**-0.8**
General government balance (c)				-0.1	-5.6	-2.8	-0.4	**-2.7**	**-3.4**	**-2.8**
Structural budget balance (d)				-1.1	-4.2	-2.7	-0.3	**-1.4**	**-1.8**	**-1.6**
General government gross debt (c)				53.7	74.7	72.6	73.5	**75.8**	**80.5**	**82.4**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

Non-EA Member States

21. BULGARIA

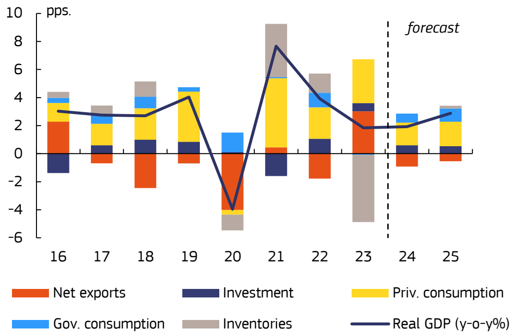
GDP in Bulgaria is projected to grow by 1.9% in 2024 and 2.9% in 2025. Although private consumption growth is expected to moderate, domestic demand is set to remain the main growth driver. Exports are expected to expand robustly after 2024-Q1 in line with the recovery of external demand and imports are projected to rebound, led by domestic demand. The budget deficit is projected to reach 2.8% and 2.9% in 2024 and 2025, driven by expenditure on pensions and wages. General government debt is set to increase to 24.6% of GDP by 2025.

A gradual pick up of economic growth

Real GDP growth declined to 1.8% in 2023 mainly due to contracting exports and reduced accumulation of inventories. Private consumption grew strongly in the first half of the year and then slowed down, accompanied by a downward trend in confidence indicators in trade and services. At the same time, in 2023 household deposits increased by more than consumer credit, indicating higher propensity to save. Investment expanded, driven by purchases of new equipment. Imports of goods dropped sharply, due to the high import content of exports and inventories.

GDP growth is forecast at 1.9% in 2024 and 2.9% in 2025. Short-term indicators suggest that at the beginning of 2024 exports continued to contract and private consumption growth decelerated. Beyond 2024-Q1, exports are projected to rebound, driven by the recovery of external demand. Consumption growth is assumed to recover in the remainder of 2024 and in 2025, supported by the expected still favourable labour market situation, while private saving rates continue to increase. Investment is expected to continue to expand over the forecast horizon, supporting production capacity. Imports are set to rebound, in view of the normalised inventory accumulation and the import component of investment and consumption.

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



Wage moderation amidst a tight labour market

The labour market remains tight, as employment losses in the manufacturing sector are more than offset by employment gains in private and public services. After 2023-Q1 wage growth in key sectors, such as manufacturing and construction, as well as in trade, transport and accommodation services slowed down, as firms have striven to maintain cost competitiveness. Looking forward, wage growth is expected to settle at around 10%, close to the long-term average, as inflation pressures subside. In the context of a shrinking working age population and a tight labour market, new hires, including in the public sector, are set to draw on new entrants into the labour market and on those already employed.

Inflation to decline in line with external prices and domestic developments

HICP inflation continued to decelerate, averaging 8.6% in 2023 and falling to 3.1% y-o-y in March 2024. Energy and food prices had the largest contribution to the broad-based disinflation developments. The lower inflation outlook is supported by price expectations anchored by the projected aggregate wage moderation and by contained increases in import prices. The downward trend in external prices is expected to curb inflation of energy and non-energy industrial goods prices. The decision to reduce co-payments for certain medicines in late March also brings down the inflation rate for non-energy industrial goods. Services sector inflation is set to remain relatively strong, driven by increasing nominal wages in the sector and the expiration of the reduced VAT measure for restaurant and catering services.

General government deficit set to remain close to 3%

The deficit for 2023 was recorded at 1.9% of GDP, a marked decrease from the 2.9% of the previous year. This was in part due to the late adoption of the 2023 budget, which limited the spending capacity compared to the initially planned budget with an impact on intermediate consumption. It can additionally be attributed to the normalisation of energy prices contributing to a sharp decrease in subsidies (down by 46.7% from 2022). A positive impact also came from the introduction of a 100% dividend on state owned enterprises, with an estimated budgetary impact of 0.6% of GDP and from a package of measures to increase revenue collection, including in the area of fiscal control of goods with high fiscal risk, with an additional impact of 0.3% of GDP.

For 2024, the deficit is projected at 2.8% of GDP. In line with policy changes legislated in 2022, expenditure on pensions and wages is set to increase over the forecast horizon. Revenue increases only partly compensate the additional expenditure. Notably, revenue is expected to benefit from the discontinuation of a reduced VAT rate for several goods and services and from the introduction of a domestic top-up tax on multinationals. Projected increases in imports in 2024 would further increase revenues from indirect taxation. Deficit in 2024 is also affected by the expected complete phase-out of measures to mitigate the impact of high energy prices, estimated at 0.8% of GDP.

After a peak in 2023 due to the completion of projects financed by the European Structural and Investment Funds 2014-2020, public investment is set to decrease in 2024. Starting from a low level in 2023, some positive contribution is expected from the implementation of RRP investments, despite the severe delays.

In 2025, the deficit is forecast at 2.9% of GDP based on unchanged policies. Following changes in key income policy parameters such as minimum wage and insurable income thresholds, a somewhat steeper increase is expected in social contributions. Revenue is also supported by a generally positive macroeconomic outlook and in particular by favourable labour market developments. RRP implementation is set to increase moderately from the 2024 level and a positive impact on public investment is also expected from the accrual of military spending recorded upon delivery.

The general government debt-to-GDP ratio is forecast to increase from 23.1% in 2023 to 24.6% by 2025. Risks to the fiscal outlook of Bulgaria are still tilted to the downside, as permanent increases in wages and pensions are not fully compensated by structural measures that go beyond 2025.

Table II.21.1:

Main features of country forecast - BULGARIA

		2023			Annual percentage change					
	bn BGN	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		183.7	100.0	3.1	-4.0	7.7	3.9	**1.8**	**1.9**	**2.9**
Private Consumption		109.9	59.8	3.6	-0.6	8.5	3.8	**5.4**	**2.7**	**2.9**
Public Consumption		33.4	18.2	1.5	8.3	0.4	5.5	**-0.4**	**3.5**	**5.0**
Gross fixed capital formation		31.8	17.3	3.3	0.6	-8.3	6.5	**3.3**	**3.5**	**3.0**
Exports (goods and services)		111.9	60.9	7.0	-10.4	11.2	11.6	**-1.9**	**1.5**	**3.2**
Imports (goods and services)		106.1	57.7	6.7	-4.3	10.7	15.0	**-6.3**	**3.2**	**4.3**
GNI (GDP deflator)		174.6	95.0	2.7	-3.2	6.3	5.5	**0.0**	**3.8**	**2.7**
Contribution to GDP growth:	Domestic demand			3.5	1.2	3.4	4.3	**3.6**	**2.9**	**3.2**
	Inventories			0.1	-1.1	3.8	1.4	**-4.8**	**0.0**	**0.2**
	Net exports			-0.4	-4.0	0.4	-1.8	**3.0**	**-0.9**	**-0.5**
Employment				0.4	-2.3	0.2	-0.3	**1.0**	**-0.4**	**0.1**
Unemployment rate (a)				10.0	6.1	5.3	4.2	**4.3**	**4.3**	**4.0**
Compensation of employees / head				8.5	7.2	11.3	14.2	**13.3**	**10.4**	**9.4**
Unit labour costs whole economy				5.6	9.0	3.6	9.5	**12.3**	**7.9**	**6.4**
Saving rate of households (b)				-3.3	:	:	:	**:**	**:**	**:**
GDP deflator				4.5	4.3	7.1	16.2	**7.5**	**3.3**	**2.5**
Harmonised index of consumer prices				3.3	1.2	2.8	13.0	**8.6**	**3.1**	**2.6**
Terms of trade goods				2.0	4.3	0.6	2.1	**-1.1**	**-1.0**	**0.3**
Trade balance (goods) (c)				-11.7	-3.2	-4.1	-5.9	**-3.9**	**-5.1**	**-5.4**
Current-account balance (c)				-4.5	0.0	-1.7	-1.4	**-0.4**	**0.3**	**-0.3**
General government balance (c)				-0.3	-3.8	-3.9	-2.9	**-1.9**	**-2.8**	**-2.9**
Structural budget balance (d)				0.5	-2.3	-3.9	-3.3	**-2.2**	**-2.8**	**-3.2**
General government gross debt (c)				21.2	24.6	23.9	22.6	**23.1**	**24.8**	**24.6**

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

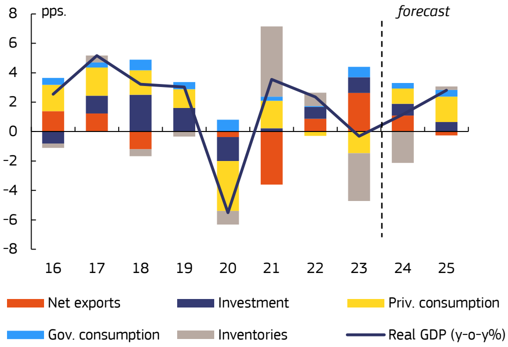
22. CZECHIA

Following a 0.3% contraction in 2023, real GDP in Czechia is forecast to grow by 1.2% in 2024 and 2.8% in 2025 as declining inflation helps restore purchasing power. A broad-based moderation in goods and energy inflation and high base effects are expected to bring headline inflation down to 2.5% in 2024 and 2.2% in 2025. The phase-out of measures to mitigate the impact of high energy prices and the government's public finance consolidation package are set to lead to a decline in the budget deficit to 2.4% in 2024 and to 1.9% in 2025.

Signs of growth are emerging

Czechia's real GDP declined by 0.3% in 2023, as high inflation eroded households' purchasing power and led to a contraction in private consumption. Investments reported a strong growth, boosted by equipment investments, but overall domestic demand declined as inventories were wound down. Exports grew, driven by machinery and transport equipment, while imports declined due to reduced domestic demand (including for energy) and the inventories cycle. Resumption of positive quarterly growth as from the last quarter of 2023 and the improving consumer confidence indicator from 2024-Q1 are expected to drive activity in the course of the year, with GDP growth forecast to rebound to 1.2% in 2024 and 2.8% in 2025.

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



After two years of decline in household consumption, a turnaround is expected in 2024. As inflation dropped significantly, real wages and purchasing power are again growing. Supported also by high accumulated savings, household consumption is set to re-emerge as the main GDP driver in 2024 and 2025. On the back of a public finance consolidation package, government consumption growth is forecast to slow down. Similarly, public investments and equipment investments are expected to grow less strongly, as they were exceptionally high in 2023, the last year when a drawdown of EU funds from the 2014-20 programming period was possible. Still, the easing of financing conditions and an increase in EU funds inflow should support construction investments going forward. The central bank started the easing cycle in December 2023, with the key rate gradually cut from 7% to 5.75% in March 2024 and a further relaxation is expected.

Exports are forecast to increase further, as supply chain bottlenecks have eased and demand from main trading partners recovers albeit at a relatively modest pace. Additionally, as from 2025, as domestic demand increases and the inventories destocking cycle ends, imports are likely to grow faster than exports, creating a drag on economic growth. Risks to this forecast include a rebound in energy prices that can impact the energy intensive industry or a slower growth in demand from trading partners considering the high degree of openness of the Czech industry.

Labour market still under pressure

In 2023, the unemployment rate increased slightly to 2.6% due to weak economic activity. A further pick-up to 2.8% is expected in 2024. This is still one of the lowest levels in the EU and the labour market is set to remain tight in the years ahead, adding to pressures on wages. Shortages of skilled workers persist and population ageing adds additional pressure, limiting potential growth.

Inflation decline confirmed

Headline inflation slowed down from 12.0% on average in 2023 to 2.4% in 2024-Q1. Energy contributed positively to inflation in the first quarter as government measures to mitigate the effects of high energy prices expired and led to an increase in network fees, more than offsetting the decline in wholesale prices. Meanwhile, processed and unprocessed food prices had a negative contribution to inflation, as wholesale agricultural prices decreased, and food VAT was lowered. While the impact of the commodity price shock on inflation has gradually waned, wage growth is expected to become the main driver of inflationary pressures. Headline inflation is thus forecast to decline to 2.5% in 2024 and 2.2% in 2025 and HICP inflation excluding energy, food, alcohol and tobacco is projected to be above headline inflation at 4.1% in 2024 and 2.8% in 2025.

Deficit to drop but to remain persistent

Czechia's general government deficit increased to 3.7% of GDP in 2023, on account of higher expenditure – on social transfers due to the automatic indexation of pensions to inflation, and on measures to mitigate the impact of high energy prices – outpacing the increase in revenue due to corporate income taxes windfall. The total net budgetary cost of energy-related measures is estimated at 1.1% of GDP in 2023. In addition, public investment growth peaked last year due to the completion of projects financed by EU structural funds.

The budget deficit is forecast to drop markedly, to 2.4% of GDP in 2024, on the back of the expiration of measures to mitigate the impact of high energy prices, and of the implementation of a government consolidation package that further decreases expenditure and increases revenue. Expenditure is set to drop as a percentage of GDP as energy-related measures, including the elimination of the cap on energy prices, are phased out and as government subsidies to renewable energy sources are reduced. The energy-related measures are projected to be phased out completely in 2024. Revenues are set to be supported by higher social security contributions on account of higher contribution rates, and taxes on production and imports. Based on unchanged policies, the deficit is expected to decrease to 1.9% in 2025, as revenue is set to grow faster than expenditure, GDP growth is forecast to accelerate supporting tax income, and social contributions rates continue to increase in 2025.

Public debt is still low compared to the EU average. The public debt-to-GDP ratio is forecast to rise from 44.0% in 2023 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

		2023			Annual percentage change					
	bn CZK	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		7344.4	100.0	2.9	-5.5	3.6	2.4	**-0.3**	**1.2**	**2.8**
Private Consumption		3351.6	45.6	2.3	-7.2	4.1	-0.6	**-3.1**	**2.3**	**3.7**
Public Consumption		1497.7	20.4	1.0	4.2	1.4	0.3	**3.5**	**1.8**	**2.2**
Gross fixed capital formation		1979.8	27.0	2.9	-6.0	0.8	3.0	**4.0**	**3.0**	**2.4**
Exports (goods and services)		5288.8	72.0	7.6	-8.0	6.9	7.2	**2.8**	**2.8**	**3.7**
Imports (goods and services)		4914.4	66.9	6.7	-8.2	13.3	6.3	**-0.7**	**1.3**	**4.4**
GNI (GDP deflator)		7149.9	97.4	2.7	-4.4	4.5	1.9	**1.7**	**1.0**	**2.7**
Contribution to GDP growth:		Domestic demand		2.1	-4.2	2.4	0.6	**0.3**	**2.2**	**2.8**
		Inventories		0.1	-0.9	4.8	0.9	**-3.3**	**-2.1**	**0.2**
		Net exports		0.7	-0.4	-3.6	0.9	**2.6**	**1.1**	**-0.3**
Employment				0.7	-1.7	0.4	1.5	**0.8**	**0.2**	**0.1**
Unemployment rate (a)				5.6	2.6	2.8	2.2	**2.6**	**2.8**	**2.9**
Compensation of employees / head				4.3	3.1	5.0	6.0	**7.0**	**7.3**	**6.9**
Unit labour costs whole economy				2.1	7.3	1.8	5.1	**8.2**	**6.3**	**4.1**
Saving rate of households (b)				12.1	19.2	19.2	16.3	**18.2**	**17.6**	**15.8**
GDP deflator				1.7	4.3	3.3	8.5	**8.6**	**2.6**	**2.5**
Harmonised index of consumer prices				2.0	3.3	3.3	14.8	**12.0**	**2.5**	**2.2**
Terms of trade goods				-0.2	1.8	-0.2	-4.3	**2.5**	**-0.7**	**0.1**
Trade balance (goods) (c)				2.4	4.9	1.2	-0.2	**3.9**	**4.3**	**4.0**
Current-account balance (c)				-2.6	0.7	-2.3	-4.5	**1.4**	**1.9**	**1.4**
General government balance (c)				-1.7	-5.8	-5.1	-3.2	**-3.7**	**-2.4**	**-1.9**
Structural budget balance (d)				-0.2	-4.3	-4.8	-3.3	**-2.9**	**-1.5**	**-1.5**
General government gross debt (c)				34.5	37.7	42.0	44.2	**44.0**	**45.2**	**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

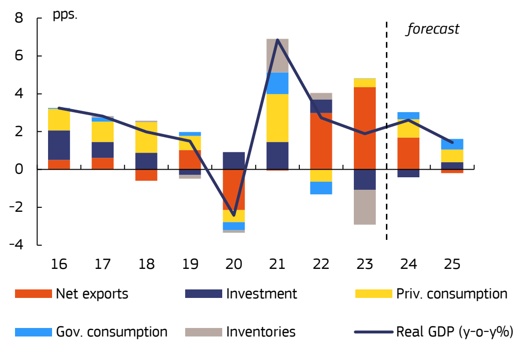
The Danish economy is expected to grow at close to its potential over the forecast horizon, driven by industrial production in combination with much higher North Sea energy extraction. The pharmaceutical sector is set to continue contributing significantly to the expansion in 2024 and beyond, with exports constituting a large part of demand. Employment is projected to fall marginally from present levels, implying a modest rise in the unemployment rate by 2025. Public finances are proving resilient, with continued sizeable, albeit declining, general government surpluses projected for both 2024 and 2025.

Economic expansion driven by industrial production and exports

The Danish economy enjoys strong industrial production expansion, driven in large part by the pharmaceutical sector. Expansion in this sector was particularly strong in late 2023, implying that the economy entered 2024 with a strong carry-over supporting solid growth for the year as a whole. The positive growth outlook is set to continue in 2025, when lower interest rates and stable inflation are projected to underpin growth and employment. Overall, real GDP is forecast to grow by 2.6% in 2024 before easing to a rate of 1.4% in 2025.

Net exports are expected to again constitute a major growth driver in 2024. Growth in exports of goods is set to be underpinned by a further expansion of industrial, notably pharmaceutical, production and the reopening of gas extraction from the North Sea as from March 2024, making Denmark a net exporter of natural gas. Services exports in values should benefit from recent increases in sea freight rates. Imports are projected to grow modestly, in line with the expansion in domestic demand. Processing and merchanting are increasingly important elements in the foreign trade pattern and imply production outside Denmark' borders.

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



Private consumption is expected to contribute to the continued expansion of economic activity in 2024 and 2025 as high nominal wage increases and markedly lower inflation help households to recoup earlier real wage losses. A continued strong labour market, the repayment of overpaid housing tax for 2011-20 following new housing valuations and a forthcoming tax reform should also support consumption.

Business investments are set to remain subdued in 2024, held back by high interest rates and lower production capacity utilisation. However, investment is projected to gain momentum in 2025, in line with lower interest rates and renewed growth in some of Denmark's main export markets. The expected pick-up in house prices is also set to support a rebound in housing investments.

The country-specific risks to the growth outlook are fairly balanced. The increased importance of the pharmaceutical sector makes the economy sensitive to potential major swings in production and demand in this sector. In addition, any large changes in sea freight rates, as witnessed over the past years, could significantly impact the foreign trade balance and the balance of payments.

Labour market bottlenecks easing

The economic expansion over the past years has brought employment to new record levels. Much of the increased demand for labour has been met by the influx of migrant workers and higher average retirement ages. The unemployment rate remains low but has been increasing slowly since mid-2022. High frequency data, including the job vacancy rate, indicate that bottlenecks are easing. The projected economic expansion in 2024 and 2025 is not expected to be as job intensive as the post-pandemic recovery. Collective wage bargaining in 2023, in combination with significantly lower inflation, is set to lead to the recuperation of lost real wage levels for households over the forecast horizon. In early-2025, new rounds of collective bargaining in the private sector are expected to result in slower wage growth. As employment falls slightly the unemployment rate is set to increase from 4.9% in 2023 to 5.6% in 2024 and 6.1% in 2025.

Inflation stabilising close to 2%

In early 2024, monthly HICP inflation rates stood below 1%, significantly lower than the euro area average, mainly due to the marked falls in energy prices. Danish inflation is expected to increase slightly throughout the year to post 2.0% in 2024, before stabilising at an annual average of 1.9% in 2025. Lower food prices are set to contribute to these low inflation rates, while services inflation could remain elevated, reflecting increases in wage costs.

Strong government finances

In 2023, the government recorded a surplus of 3.1% of GDP reflecting strong tax revenue as well as lower-than-expected government consumption below expected levels. Most measures to mitigate the impact of high energy prices were scaled back, as expected, by mid-2023.

More subdued economic activity outside the pharmaceutical and energy sectors in 2024 is expected to imply higher social transfers and slightly lower tax revenue. In addition, higher public consumption and investment, notably military expenditure, are projected to reduce the general government surplus, which is expected to fall to 2.4% of GDP. Tax revenue is expected to benefit from stronger pension yield tax revenue, reflecting lower interest rates. The net budgetary impact of energy-related measures is estimated at around 0.1% of GDP, down from 0.5% in 2023. Based on unchanged policies, the government surplus is forecast to fall to 1.4% in 2025, mostly driven by automatic stabilisers. Energy support measures are expected to remain close to 0.1% of GDP.

Government surpluses and significant denominator effects only partly countered by stock-flow effects are expected to bring the gross debt level to 26.5% of GDP in 2024 and to 25.1% in 2025.

Table II.23.1:

Main features of country forecast - DENMARK

		2023			Annual percentage change					
	bn DKK	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		2784.8	100.0	1.4	-2.4	6.8	2.7	**1.9**	**2.6**	**1.4**
Private Consumption		1275.2	45.8	1.5	-1.4	5.5	-1.4	**1.0**	**2.1**	**1.5**
Public Consumption		630.5	22.6	1.2	-1.7	4.6	-2.8	**0.0**	**1.7**	**2.4**
Gross fixed capital formation		605.9	21.8	1.9	4.3	6.6	3.2	**-5.0**	**-1.9**	**1.8**
Exports (goods and services)		1921.8	69.0	3.4	-6.1	7.7	10.8	**13.4**	**9.8**	**1.8**
Imports (goods and services)		1655.4	59.4	4.1	-2.8	8.8	6.5	**8.6**	**8.6**	**2.4**
GNI (GDP deflator)		2854.7	102.5	1.6	-2.0	7.5	2.1	**1.1**	**2.5**	**1.3**
Contribution to GDP growth:	Domestic demand			1.4	-0.1	5.1	-0.6	**-0.6**	**0.9**	**1.6**
	Inventories			0.0	-0.1	1.8	0.4	**-1.8**	**0.0**	**0.0**
	Net exports			-0.1	-2.1	-0.1	3.0	**4.3**	**1.7**	**-0.2**
Employment				0.5	-0.8	2.4	3.8	**1.5**	**-0.2**	**-0.3**
Unemployment rate (a)				5.9	5.6	5.1	4.5	**5.1**	**5.6**	**6.0**
Compensation of employees / head				2.4	2.4	3.1	3.1	**2.8**	**5.3**	**4.7**
Unit labour costs whole economy				1.5	4.2	-1.2	4.2	**2.4**	**2.4**	**2.9**
Saving rate of households (b)				7.7	11.6	8.7	12.7	**12.5**	**12.4**	**12.6**
GDP deflator				1.6	2.9	2.9	8.1	**-3.5**	**2.2**	**2.5**
Harmonised index of consumer prices				1.3	0.3	1.9	8.5	**3.4**	**2.0**	**1.9**
Terms of trade goods				0.5	3.1	-4.9	-7.3	**3.2**	**-0.6**	**0.3**
Trade balance (goods) (c)				3.9	5.3	3.7	3.1	**7.7**	**7.7**	**7.6**
Current-account balance (c)				5.9	8.1	9.1	13.4	**10.9**	**11.7**	**11.3**
General government balance (c)				0.9	0.3	4.1	3.3	**3.1**	**2.4**	**1.4**
Structural budget balance (d)				1.1	3.3	4.6	3.6	**3.6**	**2.4**	**1.4**
General government gross debt (c)				38.5	42.3	36.0	29.8	**29.3**	**26.5**	**25.1**

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

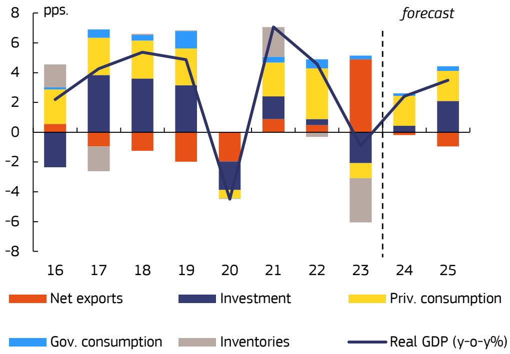
24. HUNGARY

Hungary's GDP contracted in 2023 in a context of high inflation and interest rates and weaker external demand. A gradual recovery is expected over the forecast horizon as households' purchasing power rises and financing conditions ease. Inflation has fallen from very high levels, but the recovery of consumption and strong nominal wage growth are set to limit its further decrease. After a large deterioration in 2023, the general government deficit is projected to remain elevated. The debt-to-GDP ratio is set to increase slightly this year.

From recession to gradual recovery

Hungary's real GDP contracted by 0.9% in 2023 as domestic demand adjusted to higher energy prices and financing costs, and exports faced were held back by a weakening global demand. Output fell in most sectors with the notable exception of agriculture, where the recovery from the severe droughts in 2022 contributed 2.1 pps. to annual GDP growth in 2023. Economic activity began to recover in 2024-Q1, with GDP rising by an estimated 0.8% quarter-on-quarter.

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



GDP growth is forecast to reach 2.4% in 2024 and 3.5% in 2025. Consumption is set to be lifted by strong real income growth, supported by the resilient labour market and above-inflation hikes of pensions and minimum wages in 2024. The high saving rate is expected to gradually decrease as the financial buffers of households, previously eroded by high inflation, are being restored. Investment is set to be held back in 2024 by fiscal consolidation efforts and an overcapacity of commercial real estate. It is projected to rebound in 2025, driven by rising capacity utilisation, large FDI-financed projects, and government support schemes for the purchase and renovation of dwellings. Exports are set to be bolstered by the recovery of global demand and the ongoing FDI projects. However, rising domestic demand is expected to boost imports and revert the current account balance from a small surplus in 2023 to a deficit of 1.4% of GDP by 2025.

Real wages set to grow fast

In the face of declining output in 2023, companies mainly reduced working hours instead of laying off employees, but the unemployment rate still rose to 4.6% in 2024-Q1. The labour market remained tight overall, although this was somewhat eased by rising participation and an inflow of foreign workers. As the economic recovery gathers speed, working hours and eventually employment are set to rise, reducing the unemployment rate to 4.0% by 2025. Against a background of rising labour demand, real wages are projected to rise dynamically in 2024 and 2025. Nominal wage growth is set to ease in 2025, once the impact of the 15% minimum wage hike in December 2023 wears off.

Inflation to slowly decrease further

HICP inflation fell from its peak of 25.9% in 2023-Q1 to 3.6% in 2024-Q1, as the impact of earlier energy and food price increases faded, and consumer demand dropped. However, HICP excluding energy, food, alcohol and tobacco remained elevated at 6.1% in 2024-Q1. High wage growth, stronger consumer demand, and backward-looking price setting in certain sectors, are maintaining inflationary pressures in 2024. These are expected to ease only gradually in 2025. Excise duty hikes and a higher retail tax also contribute to inflation in 2024. Overall, HICP inflation is projected to ease from 17.0% in 2023 to 4.1% in 2024 and 3.7% in 2025.

The economic outlook is surrounded by significant uncertainty. Fiscal consolidation efforts could weigh on GDP growth but they might also result in higher inflation. At the same time, a faster-than-expected rebound of private consumption or further large minimum wage increases could raise both GDP growth and inflation.

The budget deficit is set to remain elevated

The budget deficit rose to 6.7% of GDP in 2023, up from 6.2% in 2022. The large budget slippage can be attributed to the underperformance of revenue, reflecting weaker-than-expected economic performance, and to expenditure overruns, in particular on interest, pensions and public wages.

In 2024, the deficit is forecast to decrease to 5.4% of GDP, driven by the recovering economy and by lower projected subsidies to utility companies to cover their losses from regulated energy prices. The net budgetary cost of measures to mitigate the impact of high energy prices, including the windfall profit taxes collected from the energy sector, is estimated to fall from 1.6% of GDP in 2023 to 0.9% in 2024 and 0.4% in 2025. Labour tax revenue is set to grow rapidly on the back of robust wage growth. At the same time, property income is projected to fall in 2024 in line with lower interest rates and lower projected dividends of state-owned enterprises. Primary current expenditure is expected to grow slightly below nominal GDP, while interest expenditure is forecast to increase. Capital expenditure is projected to remain subdued in line with some announced postponements in nationally financed public investments.

In 2025, the deficit is projected to narrow to 4.5% of GDP based on unchanged policies, supported by the further improving macroeconomic outlook. The planned phasing out of the sectoral and windfall profit taxes in 2025 is estimated to lower revenue by 0.5 pps. of GDP. Expenditure growth is set to be contained in 2025, as subsidies will continue to decline and the interest expenditure is forecast to decrease due to lower coupons on inflation-linked bonds.

The debt-to-GDP ratio fell slightly to 73.5% in 2023. The strong debt-decreasing impact of high inflation was offset by the high interest expenditure, negative primary balance and borrowing by the national development bank to finance its lending schemes. Debt is projected to rise to 74.3% of GDP in 2024, driven by lower nominal GDP growth and a high budget deficit, before falling again to 73.8% in 2025.

Table II.24.1:

Main features of country forecast - HUNGARY

	2023			Annual percentage change						
	bn HUF	**Curr. prices**	**% GDP**	**04-19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP		74992.0	100.0	2.2	-4.5	7.1	4.6	**-0.9**	**2.4**	**3.5**
Private Consumption		37128.6	49.5	1.4	-1.2	4.6	7.1	**-2.0**	**4.0**	**4.1**
Public Consumption		15022.5	20.0	1.5	-0.1	1.8	2.9	**1.2**	**0.8**	**1.5**
Gross fixed capital formation		19758.7	26.3	3.4	-7.1	5.7	1.4	**-7.4**	**1.6**	**8.2**
Exports (goods and services)		60896.7	81.2	7.2	-6.1	8.3	11.4	**0.9**	**3.0**	**5.3**
Imports (goods and services)		57063.0	76.1	6.3	-3.9	7.3	10.8	**-4.3**	**3.5**	**6.9**
GNI (GDP deflator)		72383.3	96.5	2.4	-4.2	6.2	4.9	**-1.5**	**2.2**	**3.1**
Contribution to GDP growth:	Domestic demand			1.8	-2.5	4.2	4.4	**-2.8**	**2.6**	**4.4**
	Inventories			-0.2	0.0	2.0	-0.3	**-3.0**	**0.0**	**0.0**
	Net exports			0.7	-2.0	0.9	0.5	**4.9**	**-0.2**	**-0.9**
Employment				0.7	-1.2	1.2	1.6	**0.2**	**0.1**	**0.7**
Unemployment rate (a)				7.3	4.1	4.1	3.6	**4.1**	**4.5**	**4.0**
Compensation of employees / head				4.3	3.1	8.2	17.0	**14.0**	**11.7**	**7.7**
Unit labour costs whole economy				2.8	6.6	2.3	13.7	**15.2**	**9.2**	**4.8**
Saving rate of households (b)				11.8	15.5	17.1	14.7	**19.9**	**17.5**	**15.1**
GDP deflator				3.6	6.4	6.4	14.2	**14.7**	**5.3**	**3.8**
Harmonised index of consumer prices				3.6	3.4	5.2	15.3	**17.0**	**4.1**	**3.7**
Terms of trade goods				-0.3	2.0	-3.7	-6.8	**6.5**	**-0.6**	**0.0**
Trade balance (goods) (c)				0.2	-1.0	-2.9	-9.1	**0.1**	**-0.5**	**-1.5**
Current-account balance (c)				-2.2	-1.0	-4.1	-8.3	**0.3**	**0.0**	**-1.4**
General government balance (c)				-4.1	-7.6	-7.2	-6.2	**-6.7**	**-5.4**	**-4.5**
Structural budget balance (d)				-2.9	-6.1	-7.1	-7.0	**-6.0**	**-4.9**	**-4.4**
General government gross debt (c)				71.8	79.3	76.7	74.1	**73.5**	**74.3**	**73.8**

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

25. POLAND

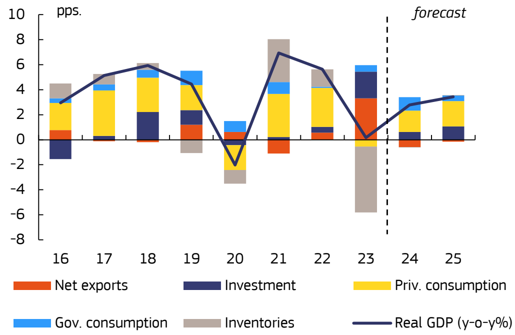
After a sharp slowdown in 2023, economic growth is expected to rebound in 2024 supported by strong private, as well as public, consumption, while the trade balance is expected to hold back growth. Investment is set to contribute positively to growth in 2024, less than in 2023, but to accelerate in 2025. Inflation is projected to ease in 2024 and 2025 albeit price pressures are set to remain elevated in the context of rising domestic demand, increasing labour costs, and gradual unfreezing of energy prices. Investments in defence and social spending are delaying fiscal consolidation.

Growth to rebound in 2024 and 2025

The Polish economy slowed rapidly in 2023. Net exports contributed positively to growth as imports fell while exports increased. Investment in equipment and non-residential construction accelerated amid culmination of EU funding from the 2014-20 programming period, while residential investment continued to shrink. Private consumption contracted in the context of persistently elevated inflation, an increase in the saving rate, and weak consumer sentiment. The change in inventories had a large negative contribution to growth.

Real GDP growth is projected to rebound to 2.8% in 2024. Private consumption is expected to be the main growth driver, supported by rapidly rising wages, additional government social support boosting disposable income, improved consumer sentiment, and receding inflationary pressures. The positive contribution of public consumption is set to increase in 2024. Investment is forecast to support growth, but less than in 2023, the final year when EU funding from the 2014-20 programming period could be spent. Net exports are projected to contribute negatively, as rising domestic demand is expected to fuel imports amid subdued exports.

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



In 2025, real GDP is forecast to increase by 3.4%. Private consumption is set to remain the key driver of growth amid accelerating EU-funded investment while growth of public consumption slows. The negative contribution from net exports is expected to shrink.

Risks to the outlook relate mainly to further delays in the implementation of EU-funded investment and a higher saving rate of households.

Labour market to remain resilient

The economic slowdown in 2023 had a limited impact on the tight labour market. Unemployment was broadly unchanged in 2023 as employers reduced working hours but were mostly reluctant to lay-off workers. The unemployment rate is set to rise marginally in 2024, but remain at a historical low of close to 3% amid negative demographic trends. Employment is projected to stagnate in 2024 and 2025. Wages are expected to continue growing at a fast pace, fuelled by a 20% minimum wage increase in 2024, a large salary increase in the public sector, and a historically-low unemployment rate. Real wages are set to increase significantly in both 2024 and 2025.

Price pressures to ease but to remain elevated

After reaching 10.9% in 2023, headline inflation is forecast to significantly ease to 4.3% in 2024 and 4.2% in 2025. Inflation excluding energy and food is set to remain above 4% in 2024 as disinflation in services proceeds only very gradually amid large wage increases. Compared to the Winter Forecast, the projected inflation has been revised down for 2024 and 2025 and reflects lower inflation in 2024-Q1 and more gradual unfreezing of energy prices in 2024-H2. The Winter Forecast assumed a discontinuation of the measures to mitigate the impact of high energy prices in July 2024.

Defence and social expenditure driving deficit and debt

In 2023, the general government deficit amounted to 5.1% of GDP. The economic slowdown contributed to the deterioration of headline balance through cyclical factors. In addition, the increasing spending on defence (2.7% of GDP), measures to mitigate the impact of high energy prices (0.6% of GDP) and the budgetary cost of hosting persons fleeing Ukraine (0.3% of GDP), combined with the adverse impact of the 2022 personal income tax reform, contributed to the increase in the deficit.

The general government deficit is expected to increase to 5.4% of GDP in 2024. Spending on defence is set to further expand. The net budgetary cost of energy-support measures is projected at 0.5% of GDP, reflecting the extension of most of the support schemes with limited revenues from levies on the windfall profits of energy companies. The government also decided to increase the '500+' universal allowance for families with children, now called ‘800+’, and to raise salaries of teachers by 30% and of public sector officials by 20%.

Based on unchanged policies, the deficit is forecast to decrease to 4.6% of GDP in 2025, on the back of a cyclical upturn and phase out of energy-support measures. Investment in defence is expected to continue to grow, reflecting the incoming deliveries of earlier purchased military equipment.

The public debt amounted to 49.6% of GDP in 2023. It is projected to increase to 53.7% of GDP in 2024 and reach 57.7% of GDP in 2025. The growth of public debt is driven by the high deficits and stock-flow adjustments related to timing of defence investments.

Table II.25.1:

Main features of country forecast - POLAND

		2023		Annual percentage change						
	bn PLN	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		3410.1	100.0	4.1	-2.0	6.9	5.6	**0.2**	**2.8**	**3.4**
Private Consumption		1951.5	57.2	3.6	-3.4	6.1	5.5	**-1.0**	**3.0**	**3.5**
Public Consumption		635.1	18.6	3.0	4.9	5.0	0.5	**2.8**	**5.7**	**2.3**
Gross fixed capital formation		605.7	17.8	5.5	-2.3	1.2	2.7	**13.1**	**3.5**	**6.0**
Exports (goods and services)		1971.5	57.8	6.9	-1.1	12.3	7.4	**3.4**	**1.7**	**3.5**
Imports (goods and services)		1763.8	51.7	6.6	-2.4	16.1	6.8	**-2.0**	**3.0**	**4.2**
GNI (GDP deflator)		3274.1	96.0	3.9	-1.6	6.1	6.3	**0.1**	**2.8**	**3.6**
Contribution to GDP growth:	Domestic demand			3.8	-1.5	4.6	3.7	**2.1**	**3.4**	**3.5**
	Inventories			0.1	-1.1	3.4	1.4	**-5.3**	**0.0**	**0.0**
	Net exports			0.1	0.6	-1.1	0.6	**3.3**	**-0.6**	**-0.1**
Employment				1.2	0.0	2.5	3.9	**0.1**	**0.0**	**0.1**
Unemployment rate (a)				9.7	3.2	3.4	2.9	**2.8**	**3.0**	**2.9**
Compensation of employees / head				4.7	5.3	4.7	9.1	**13.4**	**10.1**	**7.1**
Unit labour costs whole economy				1.7	7.5	0.4	7.3	**13.3**	**7.0**	**3.6**
Saving rate of households (b)				4.9	11.3	4.1	-0.8	**2.9**	**3.0**	**2.8**
GDP deflator				2.2	4.3	5.3	10.6	**10.7**	**4.5**	**4.2**
Harmonised index of consumer prices				2.1	3.7	5.2	13.2	**10.9**	**4.3**	**4.2**
Terms of trade goods				0.8	3.2	-2.0	-3.7	**2.3**	**-0.4**	**0.0**
Trade balance (goods) (c)				-2.6	1.3	-1.3	-3.4	**1.0**	**-0.1**	**-0.4**
Current-account balance (c)				-3.5	2.3	-1.3	-2.6	**2.0**	**1.2**	**1.0**
General government balance (c)				-3.6	-6.9	-1.8	-3.4	**-5.1**	**-5.4**	**-4.6**
Structural budget balance (d)				-1.9	-5.8	-2.4	-4.6	**-4.5**	**-4.8**	**-4.3**
General government gross debt (c)				50.2	57.2	53.6	49.2	**49.6**	**53.7**	**57.7**

(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

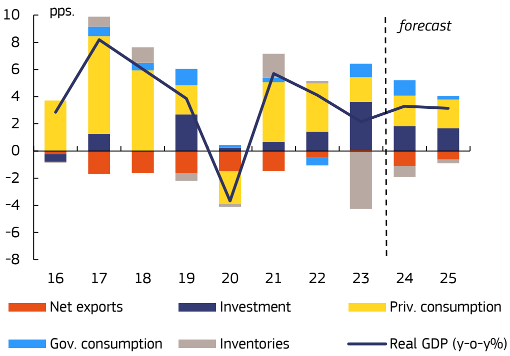
Real GDP growth in Romania is set to pick up above 3% over the forecast horizon, thanks to accelerating private consumption supported by higher real disposable incomes. Financial conditions are expected to ease and public investment to remain robust, but external demand from main EU trading partners is set to be weak in 2024. Inflation is projected to continue declining, but only gradually, and unemployment is expected to remain broadly unchanged. The general government deficit is set to increase to about 7% of GDP in 2024 and 2025, due to strong growth in expenditure. The debt-to-GDP ratio is forecast to reach 54% in 2025.

Strong domestic demand pushes up growth

Economic activity rebounded at the beginning of 2024, following relatively muted real GDP growth of 2.1% in 2023. Private consumption picked up strongly due to increases in pensions and public sector wages. New orders in manufacturing are picking up and business sentiment remains favourable. For the entire 2024, lower inflation, rising real disposable incomes and easing financial conditions are set to support private consumption further. Public consumption remains strong and EU-funded investment in public infrastructure is forecast to continue at a brisk pace. Yet, residential constructions remain depressed, and growth in gross fixed capital formation is projected to slow significantly from 2023 levels. Weak growth prospects in main EU trading partners weigh on exports, while imports are accelerating, leading to a negative contribution of net exports to GDP growth and to a small widening of the current account deficit. Overall, real GDP growth is projected to accelerate to 3.3% in 2024.

The expected further easing of monetary and financing conditions in 2025 should support private consumption despite slowing growth of real disposable incomes. At the same time, uncertainty regarding the path and composition of fiscal consolidation measures may dent business sentiment and private investment. Overall, real GDP is forecast to grow at around 3.1%. More muted domestic demand and a pick-up in exports should reduce the negative contribution of net exports to GDP growth and the current account deficit below 7% of GDP.

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



High wage increases continue in 2024

The labour market remains tight, but employment declined in 2023 and tensions are easing. This year and next, employment growth is set to turn positive, while the unemployment rate is projected to decline marginally to around 5.5%. Nominal wages are forecast to decelerate in the private sector, barring new high increases in the minimum wage. Public sector wages are expected to grow strongly at a double-digit rate in 2024, before slowing markedly in 2025.

Drawn-out disinflation

After a bump in inflation in early 2024 due to increases in some indirect taxes, the disinflation trend is projected to resume in 2024 and 2025, but on a slightly higher path. Significant increases in wages and pensions put upward pressure on prices and keep the already sticky core inflation at levels well above headline inflation. Average HICP inflation is projected to decline from 9.7% in 2023 to 5.9% in 2024 and 4% in 2025, but risks are tilted towards a more gradual reduction.

The government deficit is projected to remain high over the forecast horizon

Romania's general government deficit reached 6.6% of GDP in 2023, up from 6.3% in 2022, as government spending continued increasing at a fast pace.

In 2024, the deficit is forecast to increase to 6.9% of GDP. As in 2023, fast growth in current government expenditure is projected to be the main driver behind the higher deficit. Public wages are expected to accelerate strongly this year, reflecting recent discretionary increases in education and health, as well as in the order and defence sectors. The recalculation of pensions in the context of the pension reform will start having a cost already in 2024. Public investment as a share of GDP is expected to remain broadly stable at the high level reached in 2023, due to fast growing capital spending at local level and deployment of RRF funds. Government revenue growth is projected to outpace nominal GDP growth, reflecting a "tax rich" growth composition, efforts to improve tax collection through digitalisation of the tax system, and the impact of revenue increasing measures adopted in the autumn 2023 that will boost government revenue by around 1% of GDP.

In 2025, the deficit is forecast to remain stable at 7% of GDP, based on unchanged policies. The short-term cost of the pension reform is expected to contribute to the higher deficit. However, some moderation in capital spending is likely and growth in current expenditure excluding pensions is expected to slow down. The 2025 deficit forecast does not include the potential additional revenue stemming from the reform of the tax regime of microenterprises and the broad tax reform, which are part of the RRP but are not yet specified in sufficient detail.

General government debt is projected to increase to about 51% of GDP in 2024 and 54% in 2025. Risks to the fiscal outlook are tilted towards higher deficits, especially in 2024 when additional pre-election spending could further increase expenditure.

Table II.26.1:

Main features of country forecast - ROMANIA

	2023		Annual percentage change						
bn RON	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	1605.6	100.0	4.0	-3.7	5.7	4.1	**2.1**	**3.3**	**3.1**
Private Consumption	998.8	62.2	5.4	-3.9	7.2	5.8	**2.8**	**3.6**	**3.4**
Public Consumption	271.7	16.9	1.8	1.1	1.8	-3.3	**6.0**	**6.8**	**1.6**
Gross fixed capital formation	431.5	26.9	5.8	1.1	2.9	5.9	**14.4**	**6.8**	**6.1**
Exports (goods and services)	628.2	39.1	9.9	-9.5	12.6	9.7	**-1.4**	**1.8**	**3.2**
Imports (goods and services)	705.0	43.9	11.4	-5.2	14.8	9.5	**-1.4**	**4.2**	**4.3**
GNI (GDP deflator)	1567.0	97.6	4.0	-3.8	5.8	2.9	**2.5**	**3.2**	**3.3**
Contribution to GDP growth:	Domestic demand		5.6	-2.0	5.4	4.4	**6.4**	**5.2**	**4.1**
	Inventories		-0.2	-0.2	1.8	0.2	**-4.3**	**-0.8**	**-0.3**
	Net exports		-1.4	-1.5	-1.5	-0.5	**0.1**	**-1.1**	**-0.6**
Employment			-0.6	-2.1	0.8	0.1	**-0.9**	**0.6**	**0.3**
Unemployment rate (a)			8.0	6.1	5.6	5.6	**5.6**	**5.5**	**5.5**
Compensation of employees / head			10.5	4.0	6.4	13.3	**18.2**	**11.5**	**6.9**
Unit labour costs whole economy			5.6	5.8	1.4	8.9	**14.7**	**8.6**	**4.0**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			7.0	4.1	5.4	13.2	**12.2**	**7.3**	**5.3**
Harmonised index of consumer prices			4.5	2.3	4.1	12.0	**9.7**	**5.9**	**4.0**
Terms of trade goods			2.2	3.3	0.9	-0.7	**1.3**	**1.1**	**1.4**
Trade balance (goods) (c)			-9.2	-8.6	-9.6	-11.3	**-8.9**	**-9.0**	**-8.8**
Current-account balance (c)			-5.4	-6.8	-7.5	-8.8	**-6.7**	**-7.0**	**-6.6**
General government balance (c)			-3.4	-9.3	-7.2	-6.3	**-6.6**	**-6.9**	**-7.0**
Structural budget balance (d)			-2.2	-7.5	-6.3	-5.9	**-6.0**	**-6.4**	**-6.7**
General government gross debt (c)			27.9	46.7	48.5	47.5	**48.8**	**50.9**	**53.9**

(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

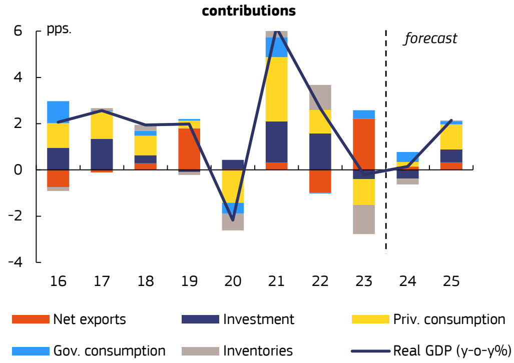
The Swedish economy is projected to recover in 2024 with the expansion gathering pace in 2025. Domestic demand is driving the turnaround, thanks to continued disinflation, easier financing conditions, and still strong external competitiveness supporting exports. Inflation is expected to fall to just below 2% in 2025. The labour market is set to improve only in 2025. Public finances are projected to weaken further in 2024, but the deficit is expected to decrease somewhat in 2025. The general government gross debt ratio is set to rise slightly in 2024, albeit from a comparatively low level and is expected to resume its long-standing downward trend in 2025, reaching just above 31% of GDP.

Contraction in economic activity followed by a subdued recovery

The Swedish economy contracted slightly in 2023 on the back of tightening monetary conditions. This notwithstanding, the labour market showed resilience while the financial position of corporates outside commercial estate remained strong. Lower inflation and easing financial conditions are set to support a cyclical recovery over the forecast horizon. Substantial payouts of tax rebates to households notably related to interest deductibility of mortgage loans in April 2024 could support a nascent recovery in consumer spending. As from the second half of the year, lower debt service costs coupled with lower inflation should support real disposable income and household consumption. The expected recovery in household consumption is set to gather pace in 2025 when the labour market is projected to improve. Housing construction is expected to stabilise only towards the end of the forecast horizon, whereas non-residential construction is set to remain resilient, partly on account of defence spending. Other business investment, on the other hand, is projected to remain lacklustre, mirroring low capacity utilisation rates in the wake of the recession and the delayed effect of lower financing costs. Relatively weak demand from abroad is set to dampen the growth of Swedish exports in 2024. In 2025, however, exports are projected to contribute positively to economic growth.

Overall, real GDP is set to grow by 0.2% in 2024, and to pick up to just above 2% in 2025. Risks to the outlook appear broadly balanced. Export competitiveness and strong corporate balance sheets could lift growth more than expected. Downside risks relate to uncertainty weighing on the spending plans of economic agents and possible stickiness of underlying inflation.

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



The labour market shows resilience but is set to slow down

The Swedish labour market is expected to respond to economic activity with a lag. Employment growth is projected to fall slightly in 2024 but to pick up again from the second half of the year in the wake of the projected recovery. The unemployment rate is set to increase from 7.7% in 2023 to somewhat above 8% in 2024 before falling back in 2025. Wage agreements – extending to the spring of 2025 - have remained moderate, while wage drift is expected to remain limited. Average real wages decreased markedly in 2023 but are set to rise over the forecast horizon on the back of falling inflation.

Inflation to drop markedly

HICP inflation declined sharply throughout 2023, mainly on account of lower prices for energy and raw materials. Base effects for energy prices led to a rise in headline inflation at the beginning of 2024, but disinflation is set to continue over the forecast horizon. It should be driven by policy-induced falls in fuel prices, the absence of labour cost pressures given moderate wage agreements, downward adjustments of firms' pricing plans against the background of weak domestic demand, and the fading impact of supply shocks. The profile for inflation is further affected by the delayed effect of past swings in the effective exchange rate. In the period of rising inflation, the pass-through is estimated to have been particularly high, but it is expected to normalise over the forecast period. Overall, HICP inflation is expected to average 2% in 2024 and 1.8% in 2025 with consumer price inflation excluding energy, food, alcohol and tobacco projected to reach 2% in 2025.

Public finances weakening

The general government balance recorded a slight deficit of 0.6% of GDP in 2023 chiefly on account of revenue growth slowing on the back of sluggish domestic demand.

In 2024, given the usual delayed response to an economic slowdown, the deficit is projected to increase somewhat to 1.4% of GDP. The main drivers are weakening growth in tax revenue and increased expenditure on social transfers to households, in particular on index-linked pensions in the regional and municipal subsector. The last measures to mitigate the impact of high energy prices, representing less than 0.1% of GDP, are being phased out in 2024. This notwithstanding, energy taxes on petrol have been reduced, adding up to a fiscal cost of 0.1% of GDP in 2023 and 0.2% annually in 2024 and 2025. Interest costs are estimated to broadly stabilise in 2024 and come down somewhat in 2025. Government investment is expected to remain strong over the forecast horizon, notably mirroring outlays on defence and correctional facilities.

With the economy strengthening in 2025, the deficit is be expected to slightly decrease, to just below 1% of GDP based on unchanged policies.

The general government gross debt ratio is projected to rise somewhat to 32% of GDP in 2024, before falling slightly in 2025.

Table II.27.1:

Main features of country forecast - SWEDEN

		2023			Annual percentage change					
	bn SEK	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		6294.7	100.0	2.2	-2.2	6.1	2.7	**-0.2**	**0.2**	**2.1**
Private Consumption		2716.9	43.2	2.3	-3.2	6.3	2.3	**-2.5**	**0.5**	**2.5**
Public Consumption		1616.7	25.7	1.2	-1.8	3.3	-0.1	**1.5**	**1.7**	**0.5**
Gross fixed capital formation		1678.5	26.7	3.0	1.7	7.1	6.2	**-1.5**	**-1.4**	**2.1**
Exports (goods and services)		3398.0	54.0	3.7	-5.5	11.1	6.5	**3.3**	**1.8**	**2.9**
Imports (goods and services)		3121.2	49.6	3.9	-6.0	11.6	9.6	**-0.9**	**1.6**	**2.5**
GNI (GDP deflator)		6544.5	104.0	2.3	-1.6	6.7	3.1	**-0.8**	**0.1**	**2.2**
Contribution to GDP growth:	Domestic demand			2.1	-1.5	5.4	2.6	**-1.1**	**0.3**	**1.8**
	Inventories			0.0	-0.7	0.4	1.1	**-1.3**	**-0.3**	**0.0**
	Net exports			0.1	0.0	0.3	-1.0	**2.2**	**0.1**	**0.3**
Employment				1.0	-1.3	1.2	2.7	**1.4**	**-0.4**	**0.5**
Unemployment rate (a)				7.4	8.5	8.9	7.5	**7.7**	**8.4**	**8.2**
Compensation of employees / head				3.1	2.5	4.6	2.8	**4.1**	**4.1**	**3.0**
Unit labour costs whole economy				1.9	3.4	-0.3	2.8	**5.8**	**3.6**	**1.3**
Saving rate of households (b)				13.1	19.6	18.1	15.7	**17.1**	**17.3**	**16.3**
GDP deflator				1.7	2.0	2.6	6.0	**5.6**	**2.6**	**1.3**
Harmonised index of consumer prices				1.4	0.7	2.7	8.1	**5.9**	**2.0**	**1.8**
Terms of trade goods				0.0	1.1	0.2	-4.5	**-0.1**	**-0.2**	**-0.2**
Trade balance (goods) (c)				4.4	4.0	4.3	3.6	**5.0**	**5.5**	**5.6**
Current-account balance (c)				5.1	6.0	7.1	5.5	**6.7**	**6.6**	**6.7**
General government balance (c)				0.5	-2.8	0.0	1.2	**-0.6**	**-1.4**	**-0.9**
Structural budget balance (d)				0.3	-0.6	0.1	0.9	**0.1**	**0.0**	**0.2**
General government gross debt (c)				41.2	40.2	36.7	33.2	**31.2**	**32.0**	**31.3**

(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

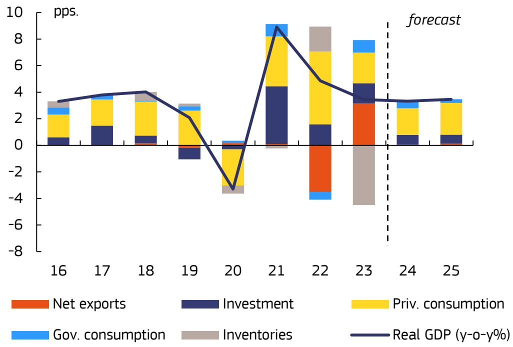
Following robust growth in 2023, the Albanian economy is set to expand at similar rates in 2024 and 2025. The strong growth momentum is underpinned by a boom in the tourism sector, increasing investments and higher wages. Decelerating import prices and the continuing appreciation of the domestic currency are expected to bring the inflation rate to the 3% central bank target this year. Following an expected widening of the budget deficit in 2024, the fiscal position is set to improve with the deficit-to-GDP ratio falling to 2% in 2025. The public debt-to-GDP ratio is forecast to decrease only gradually.

Growth remains robust

The Albanian economy grew by 3.4% in 2023 driven by strong domestic demand and an exceptional performance of the tourism sector, which reached new heights. Public consumption was supported by sizeable wage increases due to the public sector wage reform. Private consumption growth decelerated in the second half of the year, with the annual growth rate reaching 3%. Investment witnessed a significant increase, spurred by private investments including high inflows of foreign direct investment. The boom in tourism pushed up services exports, while goods exports contracted on the back of lower demand from the euro area, declines in raw materials prices in international markets and the strengthening of the lek's exchange rate. Import growth was subdued, leading to a positive growth contribution of net trade.

GDP growth in 2024 is forecast at 3.3%, close to the 2023 performance. Household spending is expected to benefit from higher wages and moderating inflation. However, employment growth is set to slow down, slightly reducing household consumption growth. Despite softer private consumption and moderating investment growth, domestic demand is set to remain the key growth driver. Public consumption growth is set to slow down compared to the previous year, but remains elevated on the back of the second phase of the public wage reform (which foresees wage increases in July).

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



On the external side, services exports are expected to remain unaffected by sluggish growth in the euro area, as Albania is becoming an increasingly popular and cost competitive tourist destination. Nevertheless, the subdued economic performance of main trading partners, coupled with the continued impact of the strong lek on external competitiveness, is expected to lead to weak growth in goods exports. Overall, the growth contribution of net exports is expected to be slightly positive. In 2025, economic growth is forecast to pick-up slightly to 3.5% as the growth prospects of Albania's main trading partners improve and employment registers further growth amid a continuing mobilisation of inactive parts of the population.

This outlook is subject to downside risks, mainly related to the vulnerability of the dominant rainfall-dependent hydroelectric production to weather conditions, a possible resurfacing of inflationary pressures, exchange rate volatility and increasing shortages of skilled labour aggravated by emigration.

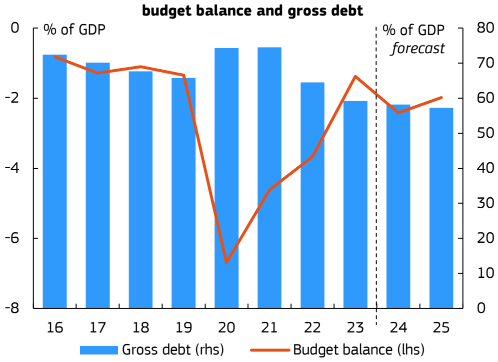
Inflation is set to reach central bank target

Following its peak of 8.3% in October 2022, inflation came down in 2023 and fell to 2.3% in March 2024. Inflation declined on the back of falling energy and food prices in international markets and thanks to the strengthening exchange rate and the tighter monetary policy stance. The Bank of Albania raised the policy rate in two steps by a cumulative 50 bps. to 3.25% in 2023. In March 2024, the Bank of Albania maintained the base interest rate unchanged. Average annual inflation is projected to decelerate to 3% in 2024, reaching the central bank's target, and then remain stable.

Fiscal deficit is set to widen before declining next year

Albania's fiscal position improved in 2023, but the budget deficit-to-GDP ratio is set to widen to 2.4% in 2024 on the back of higher spending on public wages, social insurance and interest costs. However, the primary balance is expected to remain in surplus, in line with the fiscal rule. In 2025, a lower expenditure-to-GDP ratio is projected to lower the budget deficit to 2% of GDP and further increase the primary surplus.

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



The government debt-to-GDP ratio fell more than expected in 2023, to below 60%, reflecting a positive primary balance and a favourable snowball effect. It is projected to continue its downward path in 2024 and 2025, but at a more moderate pace.

Fiscal risks stem from public guarantees and lending to state-owned enterprises such as hydroelectricity providers, and from public sector arrears.

Table II.28.1:

Main features of country forecast - ALBANIA

		2023			Annual percentage change					
	bn ALL	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		2312.6	100.0	3.7	-3.3	8.9	4.9	**3.4**	**3.3**	**3.5**
Private Consumption		1745.4	75.5	3.8	-3.4	4.7	7.1	**3.0**	**2.7**	**3.2**
Public Consumption		256.3	11.1	2.2	1.5	7.8	-4.7	**9.2**	**5.0**	**2.4**
Gross fixed capital formation		563.2	24.4	1.7	-1.4	19.2	6.5	**6.4**	**3.0**	**2.8**
Exports (goods and services)		916.3	39.6	8.4	-27.9	52.0	7.5	**10.1**	**4.4**	**4.9**
Imports (goods and services)		1038.7	44.9	4.5	-19.8	31.5	13.1	**1.3**	**3.8**	**4.0**
GNI (GDP deflator)		2284.0	98.8	:	-3.6	9.2	4.5	**4.0**	**3.2**	**3.3**
Contribution to GDP growth:	Domestic demand			3.4	-2.9	9.0	6.5	**4.8**	**3.3**	**3.4**
	Inventories			-0.1	-0.6	-0.2	1.9	**-4.5**	**0.0**	**0.0**
	Net exports			0.1	0.2	0.1	-3.5	**3.2**	**0.1**	**0.1**
Employment				:	-1.8	0.1	4.0	**1.4**	**1.0**	**1.2**
Unemployment rate (a)				15.0	12.3	12.2	11.5	**11.2**	**10.9**	**10.4**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	0.7	3.5	9.9	**4.6**	**3.3**	**3.3**
Consumer price index				33.9	1.6	2.0	6.7	**4.8**	**3.0**	**3.0**
Terms of trade goods				:	-9.8	1.6	17.3	**3.7**	**-0.6**	**-1.1**
Trade balance (goods) (c)				-24.4	-22.4	-25.2	-23.7	**-21.3**	**-20.8**	**-20.6**
Current-account balance (c)				1844.7	-8.7	-7.7	-5.9	**-0.9**	**-1.1**	**-1.2**
General government balance (c)				3.4	-6.7	-4.6	-3.7	**-1.4**	**-2.4**	**-2.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				65.4	74.3	74.5	64.5	**59.2**	**58.2**	**57.2**

(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.

29. BOSNIA AND HERZEGOVINA

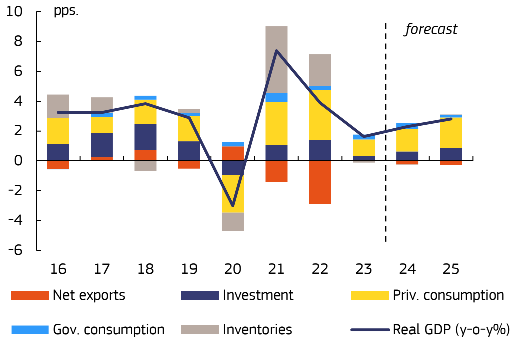
Economic activity decelerated in 2023, due to weaker external demand and subdued private consumption amid high, albeit decelerating inflation. In 2024 and 2025, solid private consumption, supported by lower inflation, as well as strengthening external demand should support a moderate growth acceleration. The fiscal deficit is expected to remain limited, while the debt ratio is forecast to decrease further below the 30% mark.

Economic activity slowed in 2023, but is set to accelerate in 2024 and 2025

Economic growth decelerated from 3.9% in 2022 to around 1.6% in 2023, largely reflecting weaker external demand and softer private consumption, which was negatively affected by high inflation. Gross capital formation rose by 1.2% only, while the exports of goods and services dropped by 3.2% y-o-y, compared to an increase of 12.0% the year before. However, as a result of weaker domestic demand, imports also declined by 2.4%. At the same time, inflows of primary and secondary transfers were higher than a year before. This resulted in a reduction in the current account deficit from 4.3% of GDP in 2022 to 2.8% in 2023.

During the forecast period, 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, investment is expected to remain subdued, as a result of the frequent political stalemates, which are expected to persist, delaying structural reforms and impeding the business environment. External demand is projected to benefit from an improving global economy, which is expected to increasingly support economic activity. Overall, GDP growth is likely to accelerate in 2024 and 2025, but only at a moderate pace.

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



Inflation is expected to decline further

Inflation fell during 2023 and early 2024, starting from a high level of 14.1% y-o-y in January 2023 and dropping to 2.1% in February 2024. This brought average inflation in 2023 to 6.1%, compared to 14.0% in 2022. The main drivers were higher 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 continue to decline, mainly benefitting from slowing price increases for imported commodities, such as energy. However, recent high gross wage growth, at 14% in 2023, might create some upward pressure for headline inflation.

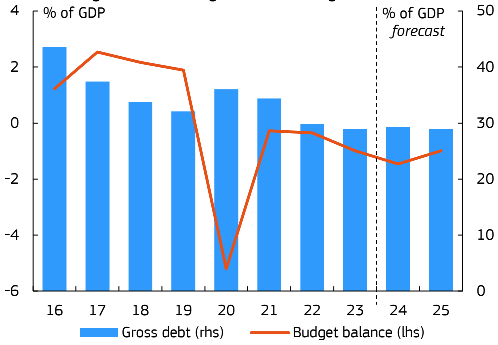
The labour market has been heating up amid high emigration and a shrinking labour supply

During 2023, employment was 1.4% higher than a year before, while the LFS unemployment rate dropped to 13.2% in 2023, compared to 15.4% 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 finances to remain under control

The general government accounts remained close to balance in 2022 and 2023, benefitting from stronger than expected revenue growth, while planned investment spending could not be implemented, mainly due to administrative hurdles and political stalemates. This trend is forecast to continue in 2024 and 2025. However, upcoming general elections in the autumn of 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 and on the upside

This outlook is subject to some downside risks, such as a further increase in political tensions, which could result in more delays with taking important decisions, such as complying with the conditions for starting negotiations for EU accession. However, growth could also be stronger, in particular in case the current political tensions could be overcome.

Table II.29.1:
Main features of country forecast - BOSNIA AND HERZEGOVINA

	2023		Annual percentage change						
bn BAM	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	48.7	100.0	2.8	-3.0	7.4	3.9	**1.6**	**2.3**	**2.8**
Private Consumption	33.3	68.5	1.8	-3.5	4.0	4.9	**1.6**	**2.2**	**3.0**
Public Consumption	9.3	19.1	1.3	1.5	2.9	1.5	**1.7**	**2.0**	**1.0**
Gross fixed capital formation	10.2	20.9	4.2	-4.2	4.8	6.6	**1.2**	**3.0**	**4.0**
Exports (goods and services)	21.3	43.8	8.0	-15.8	24.6	23.9	**-3.2**	**3.0**	**4.1**
Imports (goods and services)	28.4	58.4	3.9	-13.4	20.5	24.0	**-2.5**	**2.6**	**3.6**
GNI (GDP deflator)	48.5	99.7	:	-3.4	6.6	4.0	**2.6**	**4.0**	**2.8**
Contribution to GDP growth: Domestic demand			2.8	-3.3	4.6	5.3	**1.7**	**2.5**	**3.1**
Inventories			0.1	-1.2	4.5	2.1	**-0.1**	**0.0**	**0.0**
Net exports			0.3	1.0	-1.4	-2.9	**0.1**	**-0.2**	**-0.3**
Employment			:	-6.9	-1.9	1.0	**0.7**	**1.5**	**1.6**
Unemployment rate (a)			:	:	17.4	15.4	**13.2**	**12.8**	**12.2**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	0.1	4.9	12.2	**5.0**	**1.9**	**1.7**
Consumer price index			:	-1.1	2.0	14.0	**6.1**	**2.2**	**2.0**
Terms of trade goods			:	-0.2	8.8	-2.7	**-0.3**	**-0.1**	**-0.1**
Trade balance (goods) (c)			-30.0	-18.0	-18.3	-22.1	**-22.4**	**-22.3**	**-22.3**
Current-account balance (c)			-7.4	-2.8	-1.8	-4.3	**-2.8**	**-2.8**	**-2.5**
General government balance (c)			-0.1	-5.2	-0.3	-0.4	**-1.0**	**-1.5**	**-1.0**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			35.4	36.0	34.4	29.8	**29.0**	**29.3**	**29.0**

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

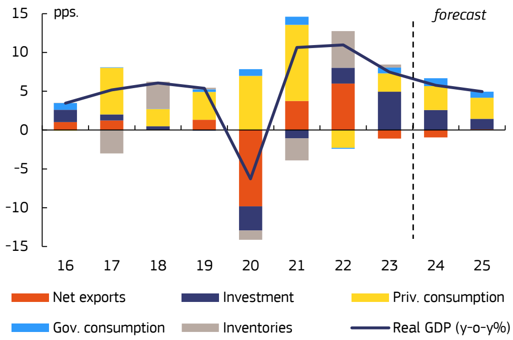
30. GEORGIA

Following the strong performance in 2021-2023, growth is forecast to remain robust at around 6% in 2024 and 5% in 2025, driven by private and public consumption and investment. Inflation is expected to remain well below the central bank's 3% target for most of this year and return to the target in 2025. The current account deficit is projected to widen to around 5% of GDP due to higher demand for imported goods, while the fiscal deficit is expected to further decrease.

Economic growth to remain robust

In 2023, Georgia's GDP growth was strong at 7.5%, although it slowed down from the two-digit expansion recorded in 2021 and 2022. Investment and consumption (both private and government) were the main growth drivers last year. They were stimulated by improved business confidence, rising wages and falling inflation, as well as by the impetus provided by the spending and the creation of new businesses by migrants from Russia. The contribution of net exports turned negative in 2023 as, despite growing revenues from tourism, lower external demand, especially for metallurgical products, weighed on growth of exports, while imports increased slightly faster than exports. On the supply side, the value added in services and construction increased significantly, driven by high domestic demand, while it declined in manufacturing.

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



Growth is projected to remain robust at 6% in 2024 and over 5% in 2025. Private consumption is set to be the main growth driver thanks to strongly increasing real wages, continuous employment growth and rising loan volumes supported by lower interest rates. Likewise, following the buoyant performance in 2023, investment growth should remain solid, in particular in 2024, supported by demand for lending, good financial results of enterprises in the previous year and strong public investment. The contribution of net exports to growth is expected to remain negative in 2024. The forecast is subject to a high degree of uncertainty linked to the geopolitical situation in the region affecting trade and the large tourism sector, but also to a risk of escalation of already high polarisation of the domestic political scene, which may have an adverse impact on business and consumer confidence.

Labour market improves, but remains challenging

Supported by the steady economic expansion, the situation on the labour market is projected to gradually improve, albeit at a slower pace and from a weak base. The unemployment rate decreased in 2023 by 0.9 pps to 16.4% and is projected to continue falling. Employment went up by 4% in 2023 and is set to grow more moderately until 2025. Wage growth is expected to slow down from the 20% increase (in nominal terms) recorded in 2023 but to remain higher than productivity growth.

Inflation to stabilise around the 3% target

Consumer price inflation fell from 9.8% in December 2022 to 0.5% in March 2024. This can be attributed to several factors such as falling global commodity prices (especially for energy and food) and the impact of the appreciation of the Georgian lari in 2022 and its gradual passthrough to prices. The central bank started to gradually loosen its tight monetary policy stance in May 2023, lowering the policy rate five times by 275 basis points in total, to 8.25% in March 2024.

Inflation is expected to gradually pick up and stabilise at around the 3% target from the second half of 2024. Price pressures stemming from services, partly related to wage growth, are set to push inflation up, while the dampening impact of imported inflation is gradually fading.

Current account deficit to widen

The current account deficit is expected to widen from the 4.3% of GDP recorded in 2023, mainly due to high domestic demand for imported goods, while export growth is restricted by the narrow export base and weak external demand for many items exported from the country, especially for metallurgical products. The deteriorating trade balance of goods is likely to be only partially compensated by a further increase in revenues from tourism, stimulated by investment in this sector and rising number of international flights. The inflow of remittances will slowly decrease, mainly due to the fact that the number of Russian migrants in Georgia (mostly working remotely for foreign companies) is diminishing.

Limited fiscal deficit, with public debt on a downward path

The general government deficit in 2023 turned out to be significantly lower than the 3% of GDP planned in the budget law, which reflected stronger tax revenue growth thanks to the higher-than-projected economic growth and one-off factors linked to increases in fees charged by general government entities. The budget deficit is expected to remain limited in coming years. Revenue is projected to increase substantially in 2024 thanks to the continuous economic growth and discretionary measures, such as increases in gambling fees and a tax reform in the banking sector. Expenditure is also set to rise due to an indexation of public sector wages, increased spending on education, social expenditure and other areas. The general government debt remained at the end of 2023 at the same level of 39% of GDP as a year before and is expected to decrease slightly over the forecast horizon.

Table II.30.1:

Main features of country forecast - GEORGIA

	2023			Annual percentage change						
	bn GEL	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		80.2	100.0	:	-6.3	10.6	11.0	**7.5**	**6.0**	**5.2**
Private Consumption		55.3	68.9	:	10.1	12.3	-2.8	**3.2**	**5.0**	**4.5**
Public Consumption		10.2	12.7	:	6.6	7.1	-0.8	**6.1**	**8.0**	**5.0**
Gross fixed capital formation		17.2	21.5	:	-13.1	-4.8	9.9	**25.0**	**11.0**	**6.0**
Exports (goods and services)		39.6	49.4	:	-37.6	23.5	37.4	**8.2**	**6.4**	**5.9**
Imports (goods and services)		45.7	56.9	:	-16.6	8.8	16.9	**8.6**	**7.0**	**5.0**
GNI (GDP deflator)		74.9	93.4	:	-6.6	8.3	11.0	**8.3**	**6.9**	**5.7**
Contribution to GDP growth:		Domestic demand		4.3	4.2	8.8	-0.5	**6.9**	**:**	**:**
		Inventories		0.3	-1.2	-2.9	4.7	**0.4**	**:**	**:**
		Net exports		-0.3	-9.8	3.8	6.0	**-1.1**	**-0.8**	**0.1**
Employment				-2.0	-4.2	-2.0	5.4	**4.0**	**2.0**	**1.0**
Unemployment rate (a)				20.7	18.5	20.6	17.3	**16.4**	**15.8**	**15.5**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	6.8	10.2	8.1	**2.5**	**2.0**	**3.0**
Consumer price index				5.0	5.2	9.6	11.9	**2.5**	**2.2**	**3.0**
Terms of trade goods				:	5.7	-2.5	0.4	**-4.8**	**-1.0**	**0.0**
Trade balance (goods) (c)				-23.1	-19.8	-20.0	-20.2	**-18.7**	**-20.2**	**-20.1**
Current-account balance (c)				-11.4	-14.2	-12.2	-4.7	**-4.3**	**-5.0**	**-5.2**
General government balance (c)				-1.3	-8.9	-5.9	-2.2	**-1.9**	**-2.0**	**-2.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				33.9	59.6	49.1	39.2	**39.2**	**38.5**	**38.1**

(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.

31. MOLDOVA

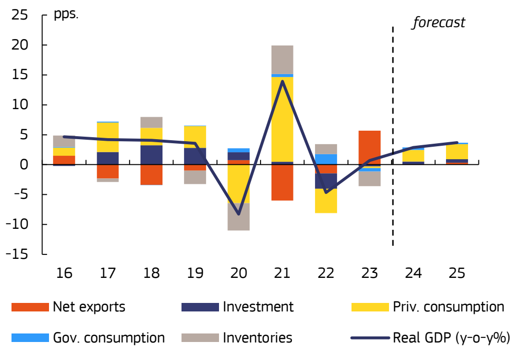
Following a year and a half of economic contraction triggered by both the Russian war of aggression against Ukraine and a severe drought, Moldova's nascent economic recovery began in the second half of 2023 and is expected to strengthen in 2024 and 2025. With inflation expected to remain within the central bank's target range, rising real wages and pensions and looser monetary policy are set to boost private consumption and investment over the forecast period, amidst strong headwinds linked to geopolitical factors. The fiscal deficit-to-GDP ratio is projected to fall slightly and public debt to broadly stabilise at around 40% of GDP.

Economic recovery is set to continue…

The Moldovan economy gradually entered a recovery phase in the second half of 2023. Real GDP growth of 0.7% for the year as a whole was primarily the result of strong net exports as imports remained subdued especially in the first half of the year. Private consumption and investment began to recover in the second half of the year as inflation continued to decline, enabling monetary policy to ease.

The economic recovery is expected to gain pace in 2024 and 2025, though the outlook for real GDP has been slightly less than expected in the Autumn 2023 Economic Forecast reflecting the lingering effect of the inflation shock on household incomes in 2022 and 2023. Continued employment growth and higher incomes through rising real wages and pensions are set to continue boosting private consumption in 2024 and 2025. Investment growth is expected to be supported by looser monetary policy. Nevertheless, subdued business sentiment and lower planned public investment is likely to moderate investment growth in 2024. Investment is expected to grow more strongly in 2025 with a sharp increase in planned public investment.

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



Growing services exports, including from the ICT sector, and the strong harvest in 2023 are set to support net exports in 2024. With imports set to rebound due to the recovery in domestic demand, net exports should have a neutral contribution to growth in 2024 and a slightly positive one in 2025.

…enabled by lower inflation

Inflation fell sharply in 2023, returning to the central bank's target range of 5% +/- 1.5 pps. in October on the back of falling global food and energy prices and the previous tightening of monetary policy. The central bank continued its monetary easing cycle that began at the end of 2022 with a series of rate cuts in 2023 and the latest in March 2024 to 3.75%. Inflation is projected to remain within the target range over the forecast period, though is expected to rise slightly towards the end of 2024 and into 2025 on the back of increased administrative prices for healthcare and fuel tariffs. However, risks related to Moldova's energy security and thus import price volatility remain, despite the country's recent efforts to reduce its dependence on imports of Russian natural gas.

Real wages are expected to recover, alongside increased employment

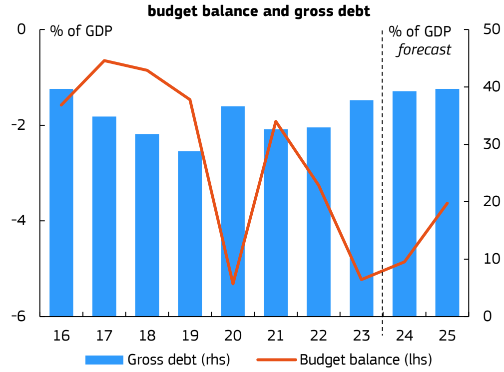
Real wages began growing in the second quarter of 2023 and are expected to continue growing moderately over the forecast horizon, boosted by a 25% increase in the minimum wage that took effect at the start of 2024 and increases in salaries for certain public sector workers. Pension indexation is also set to support household incomes. Both employment and the low labour force participation rate rose in 2023 despite contracting economic activity, in particular due to women joining the labour force. Further employment growth is expected as the economic recovery takes hold.

Large current-account deficit narrows

The trade deficit is set to remain very wide on account of the country's weak export base and reliance on energy imports. Still, it is projected to narrow in 2024 and 2025 thanks to lower energy import prices and stronger exports, in particular of services led by the ICT sector. The positive impact on the balance of services due to the large number of Ukrainian refugees in Moldova should fade as this consumption begins to be counted as domestic demand in the national accounts. Remittances are projected to remain high though lower than before the start of Russia's full-scale invasion of Ukraine, as many Moldovans returned from working in Ukraine or Russia.

Fiscal deficit to remain high but narrowing

Graph II.31.2: **Moldova - General government budget balance and gross debt**



Last year ended with a fiscal deficit-to-GDP ratio of 5.2%, lower than the planned 6.0%. This was primarily a result of spending under-execution, despite improved public investment execution compared to the previous year. The deficit-to-GDP ratio is expected to narrow slightly to 4.9%, as measures to mitigate the impact of high energy prices on households are phased out. Salary increases for some public sector workers and a new tax break to support investment by SMEs will reduce the size of the fiscal adjustment. Improvements are expected in public investment execution in 2024 and especially in 2025 thanks to an ongoing reform. Expenditure is projected to fall more quickly as a share of GDP than revenue, leading to a further narrowing of the fiscal deficit in 2025. Public debt is expected to grow slightly in 2024 before stabilising in 2025 thanks to a falling primary balance, lower interest payments and the recovery in real growth.

Table II.31.1:

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	-4.6	**0.7**	**2.9**	**3.7**
Private Consumption		232.8	85.4	:	-7.6	17.2	-5.0	**-0.3**	**2.3**	**3.0**
Public Consumption		48.1	17.6	:	4.4	3.0	10.7	**-3.3**	**2.3**	**1.4**
Gross fixed capital formation		62.0	22.7	:	5.6	1.9	-10.5	**-1.3**	**2.5**	**3.0**
Exports (goods and services)		111.4	40.9	:	-14.9	17.5	29.7	**5.1**	**6.7**	**7.4**
Imports (goods and services)		190.8	70.0	:	-9.5	21.2	18.2	**-5.1**	**4.0**	**4.1**
GNI (GDP deflator)		273.7	100.4	:	-9.9	12.3	-6.1	**1.5**	**3.1**	**4.0**
Contribution to GDP growth:		Domestic demand		3.1	-4.5	15.2	-4.9	**-1.1**	**2.9**	**3.4**
		Inventories		0.2	-4.6	4.8	1.7	**-2.5**	**0.0**	**0.0**
		Net exports		-0.5	0.8	-6.0	-1.5	**5.7**	**0.0**	**0.3**
Employment				:	-4.4	1.1	2.2	**2.8**	**1.5**	**1.4**
Unemployment rate (a)				:	3.8	3.2	3.1	**4.6**	**4.3**	**4.0**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	5.6	6.3	18.2	**8.6**	**6.5**	**5.0**
Consumer price index				:	3.8	5.1	28.7	**13.4**	**4.7**	**4.7**
Terms of trade goods				:	25.4	-8.2	-7.0	**-11.5**	**2.9**	**0.1**
Trade balance (goods) (c)				-28.3	-26.7	-30.7	-34.7	**-29.9**	**-28.1**	**-27.5**
Current-account balance (c)				-3.0	-7.7	-12.6	-16.6	**-12.0**	**-10.1**	**-9.1**
General government balance (c)				-1.1	-5.3	-1.9	-3.3	**-5.2**	**-4.9**	**-3.6**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				33.8	36.6	33.7	35.3	**37.7**	**39.2**	**39.7**

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

32. MONTENEGRO

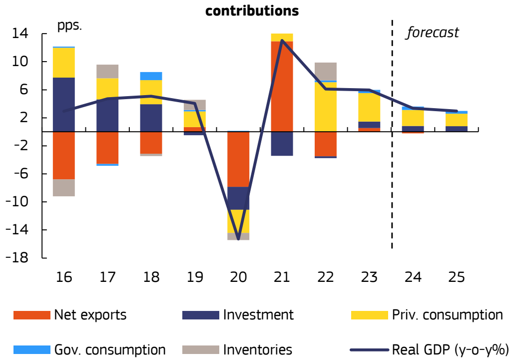
Montenegro's economy recorded high GDP growth in 2023, driven by very strong private consumption and a good tourism season. Output growth is projected to moderate in 2024-2025, as household consumption decelerates. Subdued external demand is likely to affect tourism growth. A good fiscal performance in 2023 was supported by high growth of revenue from consumption taxes and one-off items while capital spending remained under-executed. Going forward, the budget deficit is set to widen and the public debt-to-GDP ratio is forecast to increase.

Following strong economic growth in 2023, some deceleration ahead

Based on quarterly data, real GDP growth is estimated at 6% in 2023. This was driven by a successful tourism season and strong private consumption growth on the back of a large inflow of foreign nationals, higher wages and pensions, rising employment and household borrowing. The increase in exports of goods and services outpaced the growth of imports. The overall contribution of net exports to GDP growth was positive. Gross fixed capital formation and government consumption expanded moderately.

The current account deficit as a percentage of GDP narrowed to 10.9% in 2023 due to the strong growth of service exports. The surpluses of primary and secondary income declined, in line with the slowdown in the EU and lower remittances. The current account deficit is set to narrow slightly over 2024-2025 due to the solid performance of the tourism sector and the lower growth of imports resulting from moderating consumption.

Graph II.32.1: **Montenegro - Real GDP growth and contributions**



The balance of risks is tilted to the downside due to high financing costs and political risks. A positive risk relates to Montenegro's participation in the EU's Growth Plan for the Western Balkans which would support capital expenditure investment and productivity. The expected growth of investment in 2024 is likely to support credit activity, in particular for the corporate sector.

Decreasing but still high unemployment

A strong tourism season and labour market measures adopted in late 2021 continued to exert a positive impact on job creation in 2023. The unemployment rate declined to a record low of 13.4%. However, employment growth is expected to decelerate in 2024-2025, in line with slower output growth, and the rate of unemployment is set to decline only slightly.

Inflation set to ease

Inflation eased throughout 2023 and remained relatively stable in the first quarter of 2024. In 2024, consumer prices are projected to increase at a slower pace than in 2023 due to lower import prices, while some positive impact is expected from domestic factors such as a large increase in the minimum pension since January and ongoing increases in wages and social transfers. Inflation is expected to moderate further in 2025.

Good fiscal performance in 2023, but risks ahead

The 2023 budget performed much better than expected. It recorded a surplus as a percentage of GDP estimated at 0.6%, driven by strong growth in public revenue and an under-execution of capital spending. The higher-than-projected revenue growth was supported by strong performance of VAT and excise income, as well as several one-off measures such as the economic citizenship program, the termination of a hedging arrangement and the EU energy support grant. Going forward, the general government deficit is projected to widen due to a significant increase in mandatory spending from 2024 onwards and slower revenue growth in line with decelerating consumption and the absence of one-off items. Due to the good fiscal performance and strong nominal GDP growth, the public debt-to-GDP ratio declined by almost 10 pps. in 2023 to 58.2%. Absent fiscal consolidation measures, the public debt-to-GDP ratio is projected to increase in 2024-2025 as nominal GDP and inflation are set to slow down while debt servicing costs rise. Public debt rollover needs will be significant in the upcoming years.

Graph II.32.2: **Montenegro - General government budget balance and gross debt**

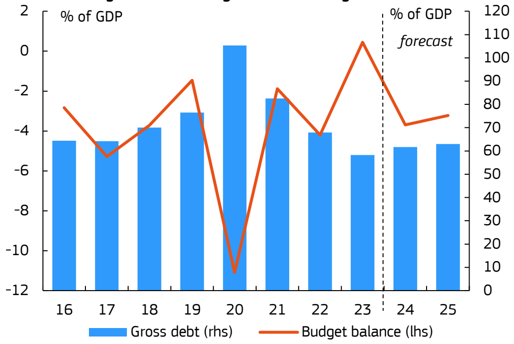


Table II.32.1:

Main features of country forecast - MONTENEGRO

		2023			Annual percentage change					
	mio EUR	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		7160.2	100.0	3.3	-15.3	13.0	6.1	**6.0**	**3.4**	**3.0**
Private Consumption		5076.4	70.9	:	-4.6	4.1	9.7	**5.4**	**3.2**	**2.5**
Public Consumption		1240.6	17.3	:	0.8	0.5	1.2	**2.6**	**2.8**	**2.4**
Gross fixed capital formation		1448.4	20.2	:	-11.9	-12.3	-1.1	**4.4**	**4.2**	**3.7**
Exports (goods and services)		3596.2	50.2	:	-47.6	81.9	22.7	**8.6**	**6.1**	**5.9**
Imports (goods and services)		4709.2	65.8	:	-20.1	13.7	21.3	**5.2**	**5.0**	**4.5**
GNI (GDP deflator)		7227.6	100.9	:	-14.9	13.6	6.0	**4.9**	**-1.2**	**2.6**
Contribution to GDP growth:	Domestic demand			4.6	-6.4	0.0	7.1	**5.5**	**3.6**	**2.9**
	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	**0.5**	**-0.2**	**0.0**
Employment				:	-10.1	-2.4	17.3	**10.5**	**1.4**	**1.2**
Unemployment rate (a)				18.1	18.3	16.8	15.0	**13.4**	**11.8**	**11.7**
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	**8.9**	**4.8**	**4.3**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-43.0	-39.2	-38.7	-45.1	**-40.4**	**-40.1**	**-39.6**
Current-account balance (c)				-14.9	-26.1	-9.2	-12.9	**-10.9**	**-10.3**	**-9.7**
General government balance (c)				-2.9	-11.1	-1.9	-4.2	**0.4**	**-3.7**	**-3.2**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				50.5	105.3	82.5	68.0	**58.2**	**61.7**	**62.9**

(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.

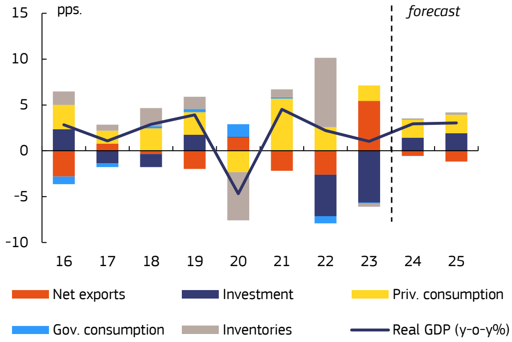
33. NORTH MACEDONIA

Annual GDP growth dropped to 1% in 2023, reflecting a sharp decline in domestic investment and weak external demand. Headline inflation declined substantially on the back of lower global energy prices. Growth is projected to accelerate mainly on account of strengthening domestic demand, in particular by a significant increase in public investment. The fiscal deficit widened in 2023. However, it is projected to decline gradually thanks to the impact of recently adopted tax base broadening measures and a cut in energy subsidies, and in spite of new spending commitments related to public sector wages.

Domestic demand to take over as growth driver

Economic growth slowed to 1% in 2023, from 2.2% in 2022. This slowdown was driven by net exports. Nonetheless, private consumption benefited from a steep rebound in real wages from July 2023 and strong inflows of remittances. Investment dropped sharply, in annual terms, mainly due to companies continuing to draw down their inventories. The current account balance posted a surplus in 2023 as the goods trade balance improved on account of decreasing energy prices.

Graph II.33.1: **North Macedonia - Real GDP growth and contributions**



Looking ahead, public investment is set to become an increasingly important driver of growth in 2024. The implementation of the government's major public roads project, covering parts of the so-called Corridor 8 and 10d, is expected to start in early summer and have a high domestic input share. Both, import and export growth are expected to pick up gradually. The recent improvement in the current account is projected to turn around, as the goods trade deficit is likely to widen again with strengthening domestic demand. Rising interest expenditure outflows are likely to contribute to a higher primary income deficit, which is expected to be offset by a rise in the services surplus thanks to the positive outlook for tourism and IT. Private consumption is projected to remain the key driver of the expected pick-up in GDP growth over the forecast horizon

Inflation projected to ease further

Supported by tighter monetary policy, annual consumer price inflation gradually declined from its peak of 19.8% in October 2022 to 3% in February 2024. Core inflation also eased substantially, with the spillover effects from high energy and food prices on other sectors petering out. Inflation is projected to ease further, and to return to around 2% on average in 2025. The central bank has kept its key policy rate unchanged at 6.3% since September 2023.

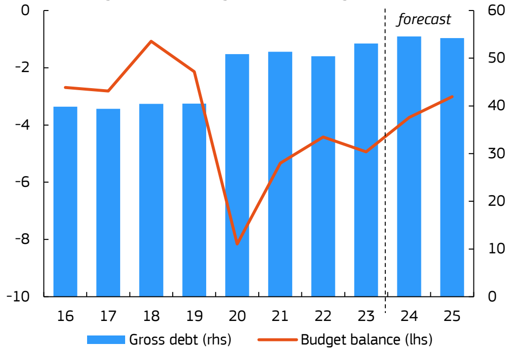
Structural problems burden the labour market

The labour market lost momentum towards the end of 2023, with employment stagnating in the fourth quarter. Labour market participation, already low, dropped further in 2023. The labour force continued to shrink, in particular concerning young workers. The outlook for the forecast period is more muted than in recent years, as employers will have to accommodate higher wages while already faced with a shortage of qualified labour supply.

Budget balance to improve, while risks are mounting

The 2023 budget deficit, at 4.9% of GDP, was above the government's target and higher than in 2022. This was mainly a result of weaker-than-projected GDP growth and in spite of revenue-enhancing tax policy changes and the reduction in electricity subsidies. Capital expenditure increased by some 52% compared to 2022 thanks to a high implementation of budget allocations (97%). In 2024, revenues are expected to be boosted by the full-year effect of tax policy measures adopted in 2023. Reforms to lower electricity and agricultural subsidies are projected to reign in current expenditure, while capital expenditure is budgeted to rise by 3.8% over the 2023 outcome. The fiscal deficit is projected to decline gradually to 3% of GDP in 2025, in line with the new fiscal rules. However, a collective agreement for the public sector entered into force in September 2023, providing for a 10% wage increase, and linking public sector wages to the domestic average wage. This adds to fiscal risks from the indexation of pensions, given dependence on both price and nominal wage developments. Further risks to the budget stem from a potential rebound in energy prices, which would again drive up mandatory spending on electricity subsidies. The government debt-to-GDP ratio is projected to hover above 50%, with higher borrowing costs acting as a debt-increasing factor. The public debt-to-GDP ratio, which includes the debt of state-owned enterprises, is expected to rise above 60% in 2024, mainly as a result of financing requirements for public energy and road investments carried out by these enterprises.

Graph II.33.2: **North Macedonia - General government budget balance and gross debt**



Risks are mainly on the downside

The growth outlook could be challenged if the major public investment project, Road Corridor 8 and 10d, continues to face significant implementation delays. The fiscal outlook might deteriorate if this project suffers from serious cost overruns; or, given the public sector's large borrowing needs in view of infrastructure financing and the 2025 Eurobond repayment, if the cost of financing rises faster than projected.

Table II.33.1:

Main features of country forecast - NORTH MACEDONIA

	2023			Annual percentage change						
	bn MKD	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		840.6	100.0	3.3	-4.7	4.5	2.2	**1.0**	**2.9**	**3.0**
Private Consumption		612.6	72.9	3.0	-3.6	8.6	3.8	**2.4**	**2.7**	**2.9**
Public Consumption		141.1	16.8	1.4	9.8	0.9	-5.0	**-0.6**	**-0.2**	**0.0**
Gross fixed capital formation		146.1	17.4	4.8	0.4	0.1	-19.2	**-27.0**	**8.2**	**9.6**
Exports (goods and services)		611.9	72.8	9.3	-10.9	14.3	11.4	**-0.1**	**5.9**	**8.6**
Imports (goods and services)		725.6	86.3	8.4	-10.9	14.8	12.4	**-5.8**	**5.6**	**8.6**
GNI (GDP deflator)		794.5	94.5	3.0	-3.2	3.7	1.9	**-0.1**	**2.6**	**2.3**
Contribution to GDP growth:	Domestic demand			3.7	-0.9	5.8	-2.7	**-4.0**	**3.3**	**4.0**
	Inventories			0.7	-5.3	0.8	7.6	**-0.4**	**0.1**	**0.2**
	Net exports			-1.1	1.5	-2.2	-2.6	**5.4**	**-0.5**	**-1.2**
Employment				2.4	-0.4	-12.8	-0.2	**-0.5**	**0.8**	**0.8**
Unemployment rate (a)				29.7	16.9	15.4	14.4	**13.1**	**12.9**	**12.8**
Compensation of employees / head				:	2.5	27.0	17.5	**10.4**	**6.2**	**4.1**
Unit labour costs whole economy				:	7.2	6.1	14.7	**8.7**	**3.9**	**1.8**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.7	1.4	4.3	7.7	**3.6**	**5.6**	**5.5**
Consumer price index				1.7	1.2	3.2	14.2	**9.4**	**3.0**	**1.9**
Terms of trade goods				1.0	0.1	-0.9	:	:	:	:
Trade balance (goods) (c)				-21.8	-16.6	-20.0	-27.4	**-18.9**	**-19.7**	**-20.6**
Current-account balance (c)				-2.8	-2.9	-2.8	-6.1	**0.7**	**-1.0**	**-1.1**
General government balance (c)				-1.7	-8.2	-5.3	-4.4	**-4.9**	**-3.7**	**-3.0**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				32.3	50.8	51.4	50.4	**53.1**	**54.6**	**54.2**

(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.

34. SERBIA

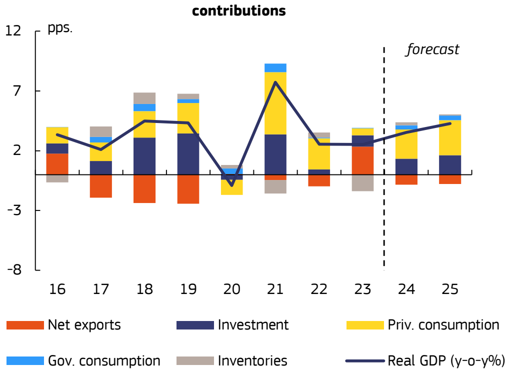
Economic growth in Serbia has picked up over recent quarters and is forecast to gradually strengthen in the next years, reaching 4.3% in 2025. It is expected to be driven by private consumption, due to rising real incomes, and exports, benefiting from expanding manufacturing capacities thanks to strong foreign direct investment (FDI) inflows. The general government deficit-to-GDP ratio is expected to continue decreasing to 1.5% and the debt-to-GDP ratio is set to fall to below 50% by 2025.

The acceleration of GDP growth is set to continue

GDP growth picked up speed over the second half of 2023, accelerating from 1.5% year-on-year (y-o-y) in the first half of the year to 3½% in the third and fourth quarters, with the annual growth rate reaching 2.5%. Growth was driven by net exports. Exports grew moderately while imports declined, reflecting a lower need for importing energy as domestic capacity was restored after a supply disruption in 2022. Private consumption was helped by decelerating inflation and strong wage growth. Investment was boosted by strong FDI inflows into manufacturing sectors. Short-term indicators suggest that the expansion of both private consumption and manufacturing continued strongly in early 2024. As a one-off factor, the regular maintenance of a large oil refinery is set to suppress industrial growth over the period of March to April 2024, but the negative impact on annual GDP is estimated to be marginal. Overall, the same growth drivers are forecast to extend into 2024 and 2025, with growth accelerating to 3.5% in 2024 and 4.3% in 2025. The boost to real disposable income from decreasing inflation is projected to spur private consumption further. Exports are projected to perform strongly, given the persistent inflow of FDI into manufacturing and strong service exports (information and communication technology, business services and tourism). Import growth is also set to accelerate, reflecting stronger consumption and investment. Therefore, the current account deficit as a percentage of GDP, which came down to 2.6% of GDP in 2023, is set to once again increase to almost 4% in 2024 and 2025.

In spite of the high external uncertainty, risks to growth appear balanced. Recent years have proven the relative resilience of Serbia's economy to external shocks. Still, a more persistent inflation than currently projected could weaken the pickup in purchasing power and thereby dampen consumption and real growth. As a country-specific risk, investments needed for the specialised EXPO 2027 exhibition and the 'Leap into the Future 2027' programme could not yet be fully accounted into the current forecast as many of the outlays are not yet credibly planned and announced. Additional public investment could lead to higher GDP growth, but also to unforeseen public expenditure rises.

Graph II.34.1: **Serbia - Real GDP growth and contributions**



Unemployment at a structural limit

Employment grew strongly in 2023, also boosted by a substantial increase in immigration from Russia. At the same time, unemployment declined slowly to about 9% of the working age population, and appears to have reached a structural limit. In 2024 and 2025, the trend of growing employment and marginally decreasing unemployment is set to continue. In parallel, nominal wage growth has continued to soar in both the public and private sector at about 15% y-o-y over the first months of 2024. Wage growth is expected to slow down gradually in response to lower inflation pressures.

Inflation to gradually decelerate

Consumer price inflation was on a declining trend in the second half of the year, but still averaged 12.1% in 2023. Inflation was driven especially by increases in food prices. Large increases in electricity and gas tariffs (24% and 33% respectively), also gave a one-off push to inflation in 2023. There are no such extraordinary tariff rises planned for the coming years. By March 2024, the inflation rate had declined to 5%, helped by decreasing pressures from food prices. Core inflation has reached a similar level. Inflation is expected to return within the central bank's target band (3% ±1.5 pps.) in mid-2024, reacting to the effects of past monetary tightening, the slower pace of imported inflation and the decrease in inflation expectations. Inflation is projected to decelerate further to slightly above 3% in 2025, in line with the assumed easing of global price pressures and decelerating wage growth.

Fiscal deficit projected to reach 1.5% by 2025

In 2023, revenue growth outperformed projections and fiscal support to state-owned energy utilities was lower than planned. Despite a usual late-year supplementary budget spending some of the over-performance on pensions, transfers and public sector wages, the general government deficit as a percentage of GDP fell by one pp. to 2.2%, which is better than expected. The deficit is forecast to reach the government's fiscal targets of 2.2% in 2024 and 1.5% in 2025, as tax revenue is set to benefit from the pick-up in economic activity and a strong labour market, while energy-related expenditure is projected to decrease. This would bring the debt-to-GDP ratio down to around 50% in 2025, from 52.3% in 2023. An upside risk to this fiscal projection would be further positive surprises in tax base growth. On the other hand, the government typically spends excess revenue towards the end of the year via a supplementary budget. Also, the details of announced ambitious investment plans are still uncertain.

Table II.34.1:

Main features of country forecast - SERBIA

		2023		Annual percentage change						
	bn RSD	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		8150.5	100.0	3.0	-0.9	7.7	2.5	**2.5**	**3.5**	**4.3**
Private Consumption		5483.0	67.3	2.5	-1.9	7.8	4.0	**0.8**	**3.6**	**4.3**
Public Consumption		1292.5	15.9	1.2	2.8	4.1	0.4	**0.3**	**2.1**	**2.6**
Gross fixed capital formation		1850.4	22.7	5.5	-1.9	15.7	1.9	**3.9**	**5.9**	**7.0**
Exports (goods and services)		4880.8	59.9	8.0	-4.2	20.5	16.6	**2.4**	**5.2**	**6.8**
Imports (goods and services)		5247.9	64.4	6.7	-3.6	18.3	16.1	**-1.1**	**6.2**	**7.6**
GNI (GDP deflator)		7662.4	94.0	2.7	1.5	6.8	1.4	**1.4**	**3.5**	**4.3**
Contribution to GDP growth:		Domestic demand		3.3	-1.2	9.3	3.1	**1.6**	**4.1**	**4.9**
		Inventories		0.3	0.3	-1.1	0.4	**-1.4**	**0.3**	**0.1**
		Net exports		-0.5	0.0	-0.5	-1.0	**2.3**	**-0.8**	**-0.8**
Employment				:	-0.2	2.6	1.8	**1.7**	**0.5**	**0.5**
Unemployment rate (a)				17.8	9.0	11.1	9.5	**9.5**	**9.3**	**9.1**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.2	2.4	5.8	10.4	**12.0**	**4.4**	**3.4**
Consumer price index				34.0	1.6	4.1	12.0	**12.4**	**4.7**	**3.2**
Terms of trade goods				0.5	2.1	0.4	-3.9	**4.2**	**2.1**	**0.4**
Trade balance (goods) (c)				-13.8	-10.7	-10.7	-14.9	**-8.9**	**-8.2**	**-8.5**
Current-account balance (c)				-7.4	-4.1	-4.5	-6.9	**-2.6**	**-3.6**	**-3.6**
General government balance (c)				-2.6	-8.0	-4.1	-3.2	**-2.2**	**-2.2**	**-1.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				82.1	60.0	57.1	55.6	**52.3**	**51.4**	**49.9**

(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.

35. TÜRKIYE

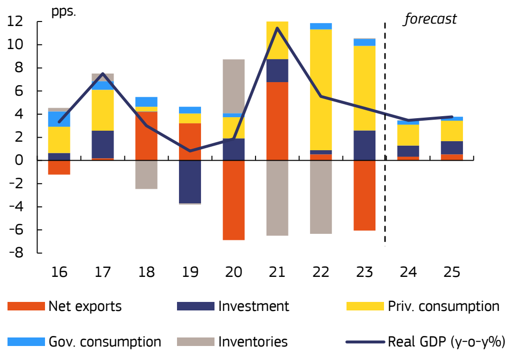
Domestic demand is subsiding slowly, with a still upbeat economic activity in the first quarter of 2024. The significantly tighter monetary and fiscal stance is forecast to bring a more pronounced reduction in domestic demand and further moderation of economic growth, enabling a gradual decline of imbalances, including inflation. Domestic policy uncertainty declined significantly, but managing the rebalancing of the economy is likely to remain challenging. Earthquake reconstruction and policy normalisation costs are expected to continue weighing on the budget, but the deficit is forecast to decline and government debt to remain moderate.

Domestic demand subsiding slowly

In the last quarter of 2023, economic growth remained robust at 1.0% quarter on quarter, despite a slowdown in domestic demand. Annual GDP growth was still buoyant at 4.5% despite a significant deceleration of household consumption growth, to single digits for the first time in two years. High frequency indicators point to a still upbeat economic activity in the first quarter of 2024. Economic confidence has improved since the beginning of the year, industrial production rebounded, increasing strongly in February, and the manufacturing Purchasing Managers Index increased to 49.8 in the first quarter, skirting the threshold indicating expansion.

Economic rebalancing is expected to accelerate in the second half of the year

Graph II.35.1: **Türkiye - Real GDP growth and contributions**



The ongoing policy normalisation, with a significantly tighter monetary and fiscal stance since mid-2023, is expected to continue and to lead to a more pronounced reduction in domestic demand before the end of the year. Household consumption growth, in particular, is expected to decelerate rapidly as the labour market cools down, the effect of the wage hike at the end of 2023 tapers off, and consumers lower their inflation expectations. The strong moderation of household consumption growth is seen as the main driver of economic rebalancing. Public consumption growth is also set to be more subdued following the recently announced restraint on spending, excluding expenditure related to earthquake recovery activities. Reconstruction works are expected to contribute to continued investment growth in an otherwise restrictive environment.

In view of the outlook for more subdued economic activity, and after three years of very strong performance, employment growth is expected to subside and the unemployment rate to increase in 2024.

'Soft landing' and a gradual unwinding of imbalances

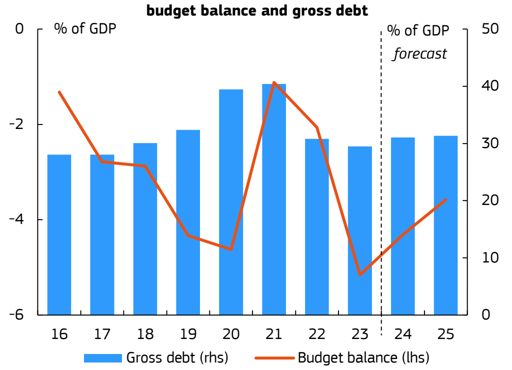
The forecast envisages a 'soft landing', with lower real GDP growth and a gradual unwinding of imbalances. The contribution of net exports to growth is forecast to turn slightly positive in the next two years, as the recovery in exports consolidates and import growth moderates. The current account deficit narrowed in 2023 because of improved terms of trade and reduced non-monetary gold imports, reflecting improved confidence. It is expected to fall further in the next two years, approaching levels that could allow the sustainable rebuilding of foreign exchange reserves by the central bank.

Decisive policy action has brought some results, but inflation remains very high. It is expected to peak at around 70% year on year in May 2024, and inflation expectations are still elevated. The disinflation process is expected to take time, going beyond the forecast horizon, and maintaining a tight monetary policy stance remains key to firmly consolidating the disinflation process and anchoring inflation expectations.

Living with uncertainty

Geopolitical and external risks and uncertainty have been very high for many years. Although the Turkish economy has navigated them relatively well so far, they remain an ever-present factor that could disrupt policy making and economic developments. Domestic policy uncertainty declined significantly, but managing the normalisation of economic policies and the continuing gradual adjustment of domestic demand is likely to remain challenging.

Graph II.35.2: **Türkiye - General government budget balance and gross debt**



Earthquake recovery and policy normalisation costs to weigh on the budget

The central government budget deficit-to-GDP ratio is estimated to have increased to 5.2% in 2023 because of large earthquake-related costs and an increase in pre-election spending last year. The underlying fiscal stance was also clouded by the cost of policy normalisation, manifested by the high loss recorded by the central bank in 2023 which is not yet officially impacting on budgetary accounts. The relatively strong revenue performance last year is expected to continue in 2024 and, together with the expected under-execution of expenditure, to bring the budget deficit-to-GDP ratio below the target of 6.4%. However, as earthquake recovery efforts extend into 2025, the budget deficit is forecast to remain elevated. In view of that, the government debt-to-GDP ratio is expected to slowly increase, but to remain moderate in the next two years.

Table II.35.1:

Main features of country forecast - TÜRKIYE

		2023		Annual percentage change						
	bn TRY	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		26276.3	100.0	5.3	1.9	11.4	5.5	**4.5**	**3.5**	**3.8**
Private Consumption		15608.7	59.4	4.6	3.2	15.4	18.9	**12.8**	**3.0**	**3.0**
Public Consumption		3577.9	13.6	5.5	2.2	3.0	4.2	**5.2**	**2.5**	**2.5**
Gross fixed capital formation		8506.1	32.4	6.9	7.3	7.2	1.3	**8.9**	**3.0**	**3.1**
Exports (goods and services)		8479.1	32.3	6.3	-14.6	25.1	9.9	**-2.7**	**2.9**	**4.3**
Imports (goods and services)		9116.3	34.7	4.7	6.8	1.7	8.6	**11.7**	**1.7**	**2.5**
GNI (GDP deflator)		25819.2	98.3	5.3	2.2	11.3	5.6	**4.1**	**3.8**	**4.1**
Contribution to GDP growth:	Domestic demand			5.5	4.1	11.2	11.3	**10.5**	**3.1**	**3.3**
	Inventories			-0.4	4.7	-6.5	-6.3	**0.1**	**0.0**	**0.0**
	Net exports			0.5	-6.9	6.8	0.5	**-6.0**	**0.3**	**0.5**
Employment				1.8	-4.5	7.5	6.6	**2.9**	**1.8**	**2.0**
Unemployment rate (a)				10.0	13.2	12.0	10.6	**9.5**	**10.2**	**10.2**
Compensation of employees / head				12.2	12.4	22.4	70.5	**110.0**	**64.0**	**41.3**
Unit labour costs whole economy				8.5	5.4	18.1	72.2	**106.7**	**61.4**	**38.8**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				9.1	14.8	29.0	96.0	**67.5**	**58.7**	**36.5**
Consumer price index				9.4	12.3	19.6	72.3	**53.9**	**57.4**	**31.5**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-1.3	-1.8	-3.6	-9.9	**-7.9**	**-7.0**	**-6.2**
Current-account balance (c)				-4.0	-4.8	-1.6	-5.4	**-4.1**	**-2.7**	**-2.1**
General government balance (c)				-1.8	-4.6	-1.1	-2.1	**-5.2**	**-4.3**	**-3.6**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				36.6	39.4	40.4	30.8	**29.5**	**31.1**	**31.3**

(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.

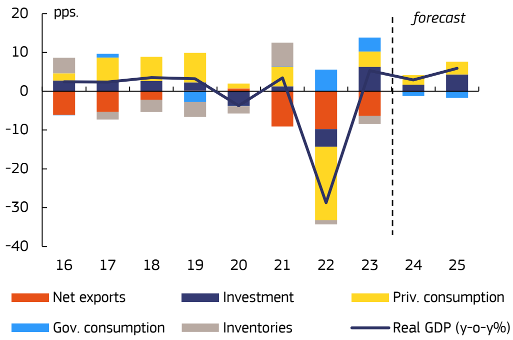
36. UKRAINE

Ukraine's economy continues to grapple with the impact of Russia's war of aggression. After showing strong resilience in 2023, growth is set to decelerate in 2024 due to weaker sentiment, the renewed destruction of energy infrastructure by Russian attacks, and labour shortages. However, under the technical assumption that conditions for a gradual increase in early reconstruction efforts will be in place from early 2025, GDP growth should then gather pace. Increasing labour costs, supply disruptions, and a recovery in domestic demand are expected to keep inflation high in 2024 and 2025. Sizeable revenue measures introduced by the government are expected to only moderately ease the fiscal deficit in 2024, which is forecast to remain elevated due to large war-related expenditures.

Economic growth proved resilient in 2023 but is expected to decelerate in 2024

Despite continued Russian attacks, the Ukrainian economy grew by 5.3% in 2023. This strong performance was underpinned by a robust agricultural output, supportive fiscal policy bolstered by international aid inflows, as well as the gradual adaptation of consumers and businesses to wartime conditions.

Graph II.36.1: **Ukraine - Real GDP growth and contributions**



Real GDP growth is projected to decelerate significantly in 2024. The war will continue to dampen sentiment and hinder productive capacities, including in the energy sector, where early estimates suggest that between 30-40% of energy generating capacity was destroyed in early 2024. The ongoing conscription of individuals, coupled with the sustained displacement of persons fleeing the war both internally and abroad, will likely continue to generate labour shortages and have repercussions for economic output.

Looking at the demand components of growth, private consumption is set to decelerate due to dampened sentiment but become the main driver in 2024, supported by declining inflation, robust wage growth reflecting acute labour shortages, and a decrease in the unemployment rate. Investment is set to continue benefitting from spending both in defence and the construction sector, although heightened uncertainty will keep restraining overall private investment growth. On the external side, the revival of the Black Sea transport route will likely bolster exports, resulting in a gradual improvement in the negative contribution of net exports to GDP growth. However, the trade balance should remain in negative territory, given the large import needs for recovery, reconstruction and defence.

Under the assumption that conditions for a gradual increase in early reconstruction efforts will be in place from early 2025, growth is forecast to pick up in 2025 following a boost in confidence and large reconstruction investments. As a result, after decelerating to a projected 2.9% in 2024, real GDP growth is expected to gather pace and reach 5.9% in 2025.

This forecast is of course subject to particularly high uncertainty, with risks largely tilted to the downside. An escalation of the conflict could, apart from causing additional human suffering, add to the already high input costs and lead to further loss of production capacity. An increase in the number of people fleeing the war could also exacerbate labour market pressures and weigh on domestic demand.

War-related disruptions in the labour market to keep the unemployment rate high

The labour market has seen some signs of stabilisation since 2023, amid lower net migration outflows and a partial return of internally displaced persons. However, the still high number of displaced persons, both abroad and within Ukraine, is set to continue labour market disruptions and contribute to mismatches across regions and sectors. This will act to keep the unemployment rate high throughout the forecast horizon. At the same time, the decline of inflation should lead to a sizeable recovery in real wage growth, both in the private and public sectors.

Inflation set to increase gradually following a marked drop in 2023 and early 2024

Inflation has recorded a large and steady decline since 2023, reaching 3.2% in March 2024, down from 21.3% in March 2023. This large drop was mainly driven by declining food prices, which were pushed down by an oversupply of agricultural products in the domestic market in view of the strong harvest and disruptions to the export routes. As this factor gradually fades, inflation is expected to increase, also driven by disruptions in energy supply, increasing labour costs, and a recovery in domestic demand. Consequently, after decreasing to 5.5% in 2024, inflation is expected to pick up to 7.8% in 2025.

Public deficit to remain high but to gradually decrease

The general government deficit increased to 19.7% in 2023. This was driven by a large increase in defence expenditure, which accounted for roughly 40% of total expenditure. In 2024, spending in non-defence categories has been tightly constrained, reflecting the priority of the war effort. This is expected to result in total expenditure falling as a percentage of GDP. Total revenue is set to benefit from measures such as the tax on extraordinary profits in the banking sector (1% of GDP) and the expiration of the tax reduction on fuel and tobacco (1.6% of GDP), as well as the continued recovery in nominal GDP. Consequently, the fiscal deficit is expected to narrow to 17.7% in 2024. In 2025, the projected strengthening in economic activity should propel tax revenues, while the expenditure side should reflect the reallocation of expenditure towards rehabilitation investments leading to a narrowing of the fiscal deficit. Public debt is projected to increase further given the large financing needs and the increased use of domestic financing at elevated rates, albeit at a slowing pace and remaining below the threshold of 100% of GDP.

Table II.36.1:

Main features of country forecast - UKRAINE

		2023			Annual percentage change					
	bn UAH	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		6537.8	100.0	:	-3.8	3.4	-28.8	**5.3**	**2.9**	**5.9**
Private Consumption		4191.5	64.1	:	1.7	6.8	-27.5	**6.1**	**3.9**	**5.3**
Public Consumption		2725.2	41.7	:	-0.7	0.8	31.4	**9.0**	**-2.6**	**-4.3**
Gross fixed capital formation		1104.7	16.9	:	-21.3	9.3	-33.9	**52.9**	**9.8**	**23.5**
Exports (goods and services)		1868.9	28.6	:	-5.8	-8.6	-42.0	**-5.4**	**6.0**	**9.1**
Imports (goods and services)		3237.0	49.5	:	-6.4	14.2	-17.4	**8.5**	**3.8**	**5.5**
GNI (GDP deflator)		6739.4	103.1	:	-2.9	-1.7	-22.7	**3.1**	**2.2**	**5.4**
Contribution to GDP growth:		Domestic demand		2.9	-2.7	6.4	-17.9	**13.8**	**3.1**	**5.9**
		Inventories		-0.7	-1.8	6.1	-1.1	**-2.2**	**0.0**	**0.0**
		Net exports		-2.1	0.7	-9.1	-9.8	**-6.3**	**-0.2**	**0.0**
Employment				:	-4.0	-1.9	-31.5	**-1.6**	**3.9**	**8.5**
Unemployment rate (a)				8.8	9.5	9.9	24.3	**19.2**	**15.5**	**14.1**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	10.3	24.8	34.9	**18.5**	**15.8**	**7.5**
Consumer price index				12.7	2.7	9.4	20.2	**12.8**	**5.5**	**7.8**
Terms of trade goods				:	11.1	23.2	0.4	**-3.0**	**3.0**	**2.9**
Trade balance (goods) (c)				-7.1	-4.3	-3.3	-9.5	**-16.1**	**-14.5**	**-13.9**
Current-account balance (c)				-2.7	3.3	-1.9	4.9	**-5.1**	**-6.4**	**-7.5**
General government balance (c)				-2.6	-5.4	-3.3	-15.3	**-19.7**	**-17.7**	**-8.7**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				43.0	60.5	48.9	77.7	**84.4**	**94.4**	**97.8**

(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.

Other non-EU Countries

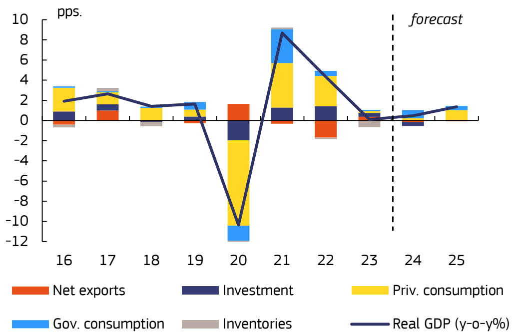
37. THE UNITED KINGDOM

The UK economy grew marginally in 2023, under the impact of tighter fiscal and monetary policy and with weak consumer confidence constraining demand. The outlook for 2024 is a little brighter, with inflation continuing to fall back, and momentum is expected to pick-up into 2025 as monetary policy eases and the pace of fiscal consolidation slows. At the same time, investment is set to remain weak, and trade to show only modest improvement. Risks to the growth outlook are broadly balanced.

A modest pick-up in 2024, gaining some momentum into 2025

The UK economy weakened further in the second half of 2023 as it contracted by 0.3% q-o-q in the fourth quarter of 2023, more than the 0.1% decline in the third quarter. Overall GDP grew by just 0.1% in 2023. Household incomes in 2023 were boosted by lower energy prices, offset to some extent by a withdrawal of temporary fiscal support measures and a higher tax burden, and grew by over 1%. Consumption was muted by a rise in the savings ratio and grew by just 0.3%. Gross fixed capital formation rose 2%, despite a steep fall in residential investment, with tax changes on depreciation likely having pulled some private investment forward, while public investment grew by over 5%. A large fall in inventories contributed negatively to growth. Goods imports and exports both contracted sharply in 2023, while trade in services grew strongly. In aggregate, a larger decline in imports in 2023 led to a small positive contribution from net exports to growth.

Graph II.37.1: **The United Kingdom - Real GDP growth and contributions**



UK economic data improved in early 2024, with the services PMI moving well into expansionary territory, though the manufacturing PMI still indicates contraction. Monthly GDP data suggest a modest expansion in 2024Q1. Consumer confidence has improved over the past six months, though from very low levels. Household consumption is expected to remain sluggish in 2024, with slow employment growth and some tightening in fiscal policy, picking up gradually into 2025 as the pace of fiscal consolidation slows and monetary policy eases. Public consumption is projected to grow strongly in 2024 and then to moderate somewhat in 2025. Investment is expected to contract in 2024 given the ongoing weakness in manufacturing and a fall in public investment, and to remain subdued in 2025, with a further fall in public investment and residential investment remaining weak. The slowdown in goods trade seen in 2023, when volumes contracted by around 8%, is expected to bottom out, while the rapid growth in services trade seen in 2023 is expected to level off in 2024 and resume a modest pace in 2025. Overall, trade volumes are expected to contract marginally in 2024 and then recover a little in 2025. In total, UK GDP is forecast to expand by 0.5% in 2024 and by 1.4% in 2025.

The labour market has loosened, but the extent of slack remains hard to assess.

Labour market indicators have softened in recent months - by February 2024 vacancies had fallen to 30% below the peaks reached in early 2022 – though remaining well above pre-pandemic levels. Employment growth was negative over the 3 months to February 2024, while the unemployment rate rose from 3.8% in December 2023 to 4.2% in February. Growth in average weekly earnings has also moderated, though remained high at 6.2% in February. High levels of immigration, largely from non-EU countries, have added to the labour force and eased pressures for wage growth. Nevertheless, the high pace of recent immigration, falling Labour Force Survey response rates, and the impact of the pandemic on levels of long-term illness, have made the extent of labour market slack hard to assess. A small rise in employment is projected for 2024, but with a rise in labour force implying a limited further increase in the unemployment rate, which is set to stabilize in 2025 as growth in demand and employment picks up.

Inflation has fallen back significantly, though services inflation is slowing more gradually

Headline inflation has fallen sharply over the past year from 10.1% in March 2023 to 3.2% in March 2024, driven largely by falling goods and food inflation and lower energy prices. Core inflation (i.e. excluding energy and food) has fallen more gradually and was at 4.2% in March, and services inflation at 6%. Base effects for energy are expected to push headline inflation lower in the coming months, which may in turn allow for further moderation in nominal wage growth, and a reduction in underlying inflationary pressures. However, the high pace of services inflation is projected to subside only gradually, potentially with some stickiness in core inflation ahead.

Deficit expected to fall, though pressures on public finances remain

The public sector deficit is set to narrow in 2024 and 2025 due to a combination of tax rises in the fiscal year 2024/5 of around 0.5pp of GDP, and a fall of around 0.5pp in overall spending in both 2024/5 and 2025/6. The March 2024 budget implies real terms cuts to public expenditure in 2024/25 and almost no rise in 2025/26, while public investment is set to fall in real terms over the forecast horizon. Due to acute pressures on public services, including high NHS waiting lists post-pandemic, meeting these projected spending plans is expected to prove challenging. Overall debt is forecast to rise from around 101% of GDP in 2023 to 105% in 2025.

Risks appear balanced

On the upside, there is scope for a fall-back in the savings rate and faster consumption growth. The household saving rate remains well above pre-pandemic levels and moved up further in 2023, possibly due to higher precautionary savings. Improving consumer sentiment, a falling saving rate and faster consumption growth could in turn lead to faster investment growth than projected. At the same time, stronger domestic demand could lead to weaker deflationary pressures – and given the still-high pace of services inflation and uncertainty over the extent of labour market slack, some persistence in inflation remains a risk.

Table II.37.1:

Main features of country forecast - UNITED KINGDOM

	2023			Annual percentage change					
bn GBP	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	2687.2	100.0	1.6	-10.4	8.7	4.3	**0.1**	**0.5**	**1.4**
Private Consumption	1661.3	61.8	1.6	-13.2	7.4	5.0	**0.3**	**0.4**	**1.5**
Public Consumption	557.1	20.7	1.6	-7.9	14.9	2.3	**0.5**	**3.9**	**1.9**
Gross fixed capital formation	490.9	18.3	1.9	-10.8	7.4	8.0	**2.2**	**-2.2**	**0.5**
Exports (goods and services)	864.5	32.2	3.1	-11.5	4.9	9.0	**-0.5**	**-0.6**	**1.3**
Imports (goods and services)	897.9	33.4	3.4	-16.0	6.1	14.6	**-1.5**	**-0.2**	**1.4**
GNI (GDP deflator)	2652.3	98.7	1.5	-12.2	11.6	4.3	**-1.7**	**0.6**	**1.5**
Contribution to GDP growth:	Domestic demand		1.7	-11.9	9.1	4.9	**0.7**	**0.6**	**1.5**
	Inventories		0.0	-0.1	0.2	-0.1	**-0.7**	**0.0**	**0.0**
	Net exports		-0.1	1.7	-0.3	-1.7	**0.4**	**-0.1**	**-0.1**
Employment			0.9	-0.9	-0.1	1.3	**0.7**	**-0.1**	**0.6**
Unemployment rate (a)			5.9	4.7	4.6	3.9	**4.0**	**4.4**	**4.4**
Compensation of employees / head			2.9	0.3	4.6	5.9	**6.5**	**3.5**	**2.2**
Unit labour costs whole economy			2.3	10.9	-3.9	2.9	**7.2**	**2.9**	**1.4**
Saving rate of households (b)			8.0	16.7	12.5	8.1	**9.7**	**9.5**	**8.9**
GDP deflator			2.1	5.1	-0.1	5.1	**7.1**	**1.7**	**1.5**
Consumer price index (CPIH) (e)			2.1	1.0	2.5	7.9	**6.8**	**2.4**	**2.0**
Terms of trade goods			0.7	-1.0	-1.5	-1.5	**1.7**	**0.4**	**-0.4**
Trade balance (goods) (c)			-6.3	-6.1	-7.2	-8.7	**-6.9**	**-6.7**	**-6.8**
Current-account balance (c)			-3.5	-2.9	-0.5	-3.1	**-3.3**	**-3.3**	**-3.4**
General government balance (c)			-4.9	-13.0	-7.9	-4.6	**-5.9**	**-4.8**	**-4.1**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			70.6	105.8	105.3	100.4	**101.3**	**103.9**	**105.1**

(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. (e) CPIH is consumer price index which includes costs of owner-occupied housing

38. THE UNITED STATES

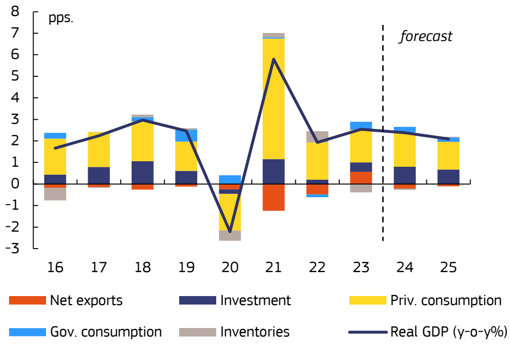
US economic growth held up well last year and is forecast to remain robust in 2024 before moderating in 2025 due to slower household consumption. The gradual disinflation process is set to continue, albeit at a slower pace. Risks to the growth outlook are balanced, though with heightened uncertainty stemming also from the upcoming presidential election.

Robust economic growth is expected to continue

The US economy grew by 2.5% in 2023. After expanding by 0.8% q-o-q in 2023-Q4, US economic growth slowed down to 0.4% q-o-q in 2024-Q1 with still robust domestic demand components. The annual real GDP growth is forecast to reach 2.4% in 2024, partly due to the high starting position (carry-over of 1.4 pps. from last year). Moderating inflation should allow the FED to start easing monetary policy in the second half of this year, helping the economy to maintain momentum. As household consumption is projected to gradually moderate with pandemic-related savings being depleted, real GDP growth is forecast to ease to 2.1% in 2025.

Household consumption set to moderate as excess savings dissipate…

Graph II.38.1: **The United States - Real GDP growth and contributions**



The labour force expanded more rapidly in 2023 than previously estimated. This was mainly due to a surge in immigration but also to increased participation rates, partly explaining the strong economic performance. Surging labour supply was absorbed by an equally strong labour demand thus the unemployment rate remained at a historically low level of 3.6% in 2023. As labour demand is set to moderate ahead, the unemployment rate is forecast to increase to 3.9% in 2024 and to 4% in 2025. Private consumption received additional boost last year from the significant reduction of the savings accumulated during the pandemic. However, these “excess” household savings have now been largely depleted. Solid real wages and job gains are set to support household consumption going forward, but the growth rate is expected to moderate from last year’s elevated levels and reach 2.4% in 2024 and 1.9% in 2025.

…while investment growth broadens

Investment growth in 2023 was mainly driven by non-residential construction investment boosted by US industrial policy subsidies. However, investment drivers are set to broaden over the forecast horizon. After contracting last year, residential investment is projected to rebound on account of the housing shortage related to the strong population growth and of the expected improving mortgage credit conditions. Improving manufacturing sentiment and last year’s surge in non-residential construction investment are set to pave the way for a pick-up in equipment investment. Overall investment growth is forecast to expand by 3.8% in 2024 and by 3.2% in 2025.

Slower ‘last mile’ disinflation ahead

Having fallen substantially last year, consumer price inflation is on the rise again. The annual CPI rate increased from 3.1% in January to 3.5% in March. In particular, services inflation and housing inflation appear stickier than previously anticipated. Nevertheless, as wage growth is expected to moderate and housing (shelter) inflation to follow the decrease of housing rents last year, the disinflation process is set to continue, albeit at a slower pace. After reaching 4.1% in 2023, consumer price inflation is forecast to moderate to 2.9% this year and further ease to 2.4% in 2025.

The general government deficit is forecast to remain elevated

The general government deficit widened substantially from 4% of GDP in 2022 to an estimated 8.4% of GDP in 2023 partly due to higher interest payments. Despite the strong economic growth, the general government deficit is projected to remain elevated over the forecast horizon mainly because of a further rise in debt service and increased health and demography related spending. The fiscal deficit is expected to narrow to 7.5% of GDP in 2024 on account of higher payroll and income taxes (backed by strong performance of the financial markets last year), and hover around this level in 2025. The general government debt is set to increase further from historically high levels of 124% of GDP in 2023 to above 127% of GDP in 2025 driven by the high fiscal deficit.

Risks are balanced though with heightened uncertainties

The outlook is surrounded by risks, where the strong labour market outlook, robust household balance sheets and increasing financial wealth of the households could provide additional boost to private consumption. On the downside, inflation could prove more persistent than anticipated, leading to monetary policy remaining tight for longer. The forthcoming presidential election in November is a major source of uncertainty for the 2025 outlook as substantial policy changes could take place in several major areas impacting the economic outlook.

Table II.38.1:

Main features of country forecast - UNITED STATES

		2023		Annual percentage change						
	bn USD	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		27360.9	100.0	2.0	-2.2	5.8	1.9	**2.5**	**2.4**	**2.1**
Private Consumption		18570.6	67.9	2.1	-2.5	8.4	2.5	**2.2**	**2.4**	**1.9**
Public Consumption		3752.6	13.7	0.8	2.9	0.3	-0.9	**2.7**	**1.8**	**1.5**
Gross fixed capital formation		5782.8	21.1	2.2	-1.0	5.3	0.9	**2.1**	**3.8**	**3.2**
Exports (goods and services)		3027.2	11.1	4.4	-13.1	6.3	7.0	**2.6**	**2.0**	**2.7**
Imports (goods and services)		3825.9	14.0	3.3	-9.0	14.5	8.6	**-1.7**	**3.2**	**2.9**
GNI (GDP deflator)		27525.1	100.6	2.1	-2.5	5.6	1.9	**2.4**	**2.3**	**2.1**
Contribution to GDP growth:	Domestic demand			2.0	-1.5	6.8	1.8	**2.3**	**2.6**	**2.2**
	Inventories			0.0	-0.5	0.2	0.5	**-0.4**	**-0.1**	**0.0**
	Net exports			0.0	-0.2	-1.2	-0.5	**0.6**	**-0.2**	**-0.1**
Employment				0.8	-5.8	3.3	3.8	**1.7**	**1.1**	**0.6**
Unemployment rate (a)				6.1	8.1	5.3	3.6	**3.6**	**3.9**	**4.0**
Compensation of employees / head				2.8	7.6	5.0	2.9	**4.0**	**2.9**	**2.6**
Unit labour costs whole economy				1.6	3.7	2.6	4.8	**3.2**	**1.7**	**1.1**
Saving rate of households (b)				11.8	22.1	17.4	11.5	**12.1**	**10.3**	**10.2**
GDP deflator				2.0	1.3	4.6	7.0	**3.6**	**2.5**	**1.8**
Consumer price index				2.1	1.2	4.7	8.0	**4.1**	**2.9**	**2.4**
Terms of trade goods				0.0	-1.3	6.0	4.0	**-1.1**	**-0.4**	**-0.2**
Trade balance (goods) (c)				-4.8	-4.1	-4.6	-4.7	**-3.9**	**-4.0**	**-4.1**
Current-account balance (c)				-3.3	-2.7	-3.6	-3.8	**-3.0**	**-3.1**	**-3.2**
General government balance (c)				-6.8	-14.8	-11.5	-4.2	**-8.4**	**-7.5**	**-7.8**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				89.7	130.1	125.5	122.0	**124.3**	**125.1**	**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.

39. JAPAN

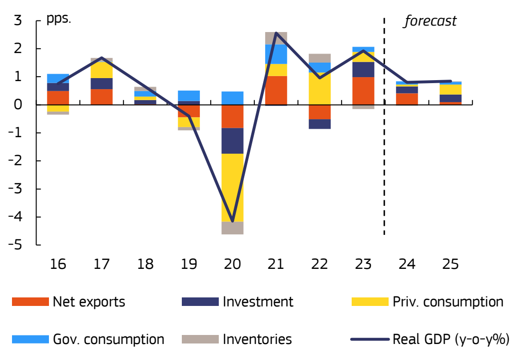
Following solid growth in 2023, economic activity in Japan is expected to soften to below 1% in 2024 amid weak private consumption growth. Real GDP growth is set to remain at the same level in 2025 as net exports' contribution is slowing down while domestic demand strengthens. Headline consumer inflation is expected to decline towards the central bank target of 2% over the forecast horizon.

Economic activity is likely to slow down in 2024 after a strong outturn in 2023

After a strong first half of 2023 with quarterly growth averaging 1% q-o-q, economic activity in Japan surprised on the downside in the second half of the year. Real GDP contracted by 0.8% q-o-q and increased by 0.1% q-o-q in the third and fourth quarter of 2023, respectively. This decline was driven by shrinking private demand, reflecting high inflation and elevated business and consumer uncertainty. At the same time, rising tourism revenues supported growth. Overall, GDP growth reached 1.9% in 2023.

Going forward, economic activity is expected to decelerate in 2024, amid subdued growth in domestic demand and a moderate recovery in exports. On the domestic side, the still high inflation is set to impinge on private consumption growth, despite a relatively tight labour market and rising wages. Private investment growth is projected to decelerate amid persistent uncertainty, despite accommodative financing conditions. On the external side, imports are set to increase moderately, after shrinking in 2023, while exports' growth is expected to pick up pace as global demand rises. This should result in a slightly positive contribution of external trade to growth, with real GDP growth forecast to reach 0.8% in 2024.

Graph II.39.1: **Japan - Real GDP growth and contributions**



Growth prospects are subdued in 2025 as well

Private consumption growth is expected to pick up gradually in 2025, driven by rising real wages and low unemployment. However, the moderating dissaving of households and limited scale of fiscal support are likely to constrain the rebound. Private investment growth rate is expected to remain moderate, hindered by rising labour costs and the somewhat less accommodative monetary policy. At the same time, public spending growth is set to remain muted reflecting the limited size of new fiscal measures. On the external side, export growth is forecast to moderate due to an expected slower increase in tourist inflows and a stabilising currency. Import growth is projected to continue rising reflecting delayed demand from export-oriented manufacturing companies for foreign components. Overall, net exports are set to be broadly neutral to growth in 2025, with the current account surplus projected to remain stable at around 4% of GDP over the forecast horizon. Real GDP growth is expected to remain at 0.8% in 2025 as the slightly stronger domestic demand growth compensates for the weaker contribution of external trade.

Risks to the outlook are broadly balanced. On the upside, additional fiscal measures might boost domestic demand, while a further rise in tourist numbers, notably from China, might support stronger export growth. On the downside, a more pronounced slowdown in China might hamper export growth, while a more persistent domestic wage pressure might sustain inflationary pressure for longer, leading the Bank of Japan to additional hikes in interest rates thereby clouding the outlook for domestic demand.

Inflationary pressures are expected to subside gradually

After peaking at 4.3% in January 2023, headline inflation gradually subsided to 2.7% in March 2024 due to lower energy prices and gradual disinflation in durable goods. However, headline inflation excluding energy and fresh food remains elevated (at around 2.9% in March 2024), reflecting higher pass-through of input costs to goods' prices, the impact of yen depreciation and rising labour costs. Going forward, headline inflation is expected to gradually decrease from 3.3% on average in 2023 to 2.2% in 2025 on weak domestic demand, only partly counterbalanced by rising wage pressures and continued yen weakness.

With headline inflation still hovering above the 2% target and taking into account recent announcement of significant wage hikes as well as a weakened yen, the Bank of Japan (BOJ) tightened monetary policy in March 2024. It abolished its negative interest rate policy, effectively hiking interest rates in Japan for the first time in 17 years, ended the yield curve control (YCC) programme and finished purchases of exchange traded funds (ETFs) and real-estate investment trusts (J-REITs). However, monetary policy is likely to remain broadly accommodative going forward, as further interest rate hikes are projected to be rather limited given the decelerating inflation and subdued growth outlook, unless the yen depreciation and wage pressure turn out to be more persistent than expected.

Additional fiscal spending keeps deficit at elevated level

The general government deficit is set to have reached around 5.4% of GDP in 2023 reflecting a large package of measures introduced to counterbalance rising costs of living and a slippage in fiscal revenues. The general government deficit is expected to increase further to 6% of GDP in 2024, reflecting rising military spending, additional child support and the November 2023 fiscal stimulus package, which includes temporary cuts to income and residential taxes, payouts to low-income households and an extension of subsidies to curb gasoline and utility bills. The deficit is projected to decline somewhat to 5.4% of GDP in 2025 as the energy subsidies are discontinued and revenues rise marginally. Public debt is forecast to decline gradually from around 257% of GDP in 2022 to around 248% of GDP in 2025.

Table II.39.1:

Main features of country forecast - JAPAN

		2023		Annual percentage change						
	bn JPY	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		591881.2	100.0	0.7	-4.1	2.6	1.0	**1.9**	**0.8**	**0.8**
Private Consumption		322410.8	54.5	0.5	-4.4	0.8	2.2	**0.6**	**0.1**	**0.7**
Public Consumption		123888.8	20.9	1.3	2.4	3.4	1.7	**0.9**	**0.6**	**0.5**
Gross fixed capital formation		152419.3	25.8	0.2	-3.6	-0.1	-1.4	**2.1**	**1.0**	**1.1**
Exports (goods and services)		128660.0	21.7	3.7	-11.6	11.9	5.3	**3.0**	**3.4**	**2.6**
Imports (goods and services)		137921.3	23.3	2.8	-6.8	5.1	7.9	**-1.3**	**1.4**	**2.0**
GNI (GDP deflator)		625824.7	105.7	0.9	-4.4	3.7	2.2	**1.6**	**0.8**	**1.1**
Contribution to GDP growth:	Domestic demand			0.6	-2.9	1.1	1.2	**1.1**	**0.4**	**0.7**
	Inventories			0.0	-0.5	0.4	0.3	**-0.1**	**0.0**	**0.0**
	Net exports			0.2	-0.8	1.0	-0.5	**1.0**	**0.4**	**0.1**
Employment				0.4	-0.5	-0.1	0.2	**0.4**	**0.2**	**0.1**
Unemployment rate (a)				3.9	2.8	2.8	2.6	**2.6**	**2.5**	**2.5**
Compensation of employees / head				0.0	-0.8	2.0	1.9	**3.2**	**3.2**	**2.4**
Unit labour costs whole economy				-0.4	2.9	-0.7	1.1	**1.6**	**2.6**	**1.6**
Saving rate of households (b)				10.3	18.0	15.0	11.8	**13.6**	**14.5**	**13.3**
GDP deflator				-0.3	0.9	-0.2	0.3	**3.8**	**2.3**	**1.7**
Consumer price index				0.3	0.0	-0.2	2.5	**3.3**	**2.8**	**2.2**
Terms of trade goods				-2.2	6.8	-9.1	-13.3	**6.5**	**-0.8**	**-2.0**
Trade balance (goods) (c)				0.7	0.5	0.3	-2.8	**-1.1**	**-1.3**	**-1.6**
Current-account balance (c)				3.0	3.0	3.9	1.9	**3.8**	**4.0**	**3.9**
General government balance (c)				-5.3	-9.1	-6.2	-4.1	**-5.4**	**-6.0**	**-5.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				209.1	258.4	253.9	257.2	**249.8**	**248.7**	**248.4**

(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.

40. CHINA

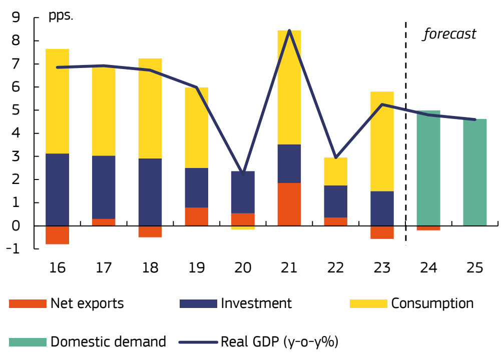
China's economy remains burdened by both cyclical and structural factors. The impact of the pandemic, tighter government control of the economy, and the crisis in the real-estate sector continue to undermine consumer, business, and investor confidence. Investment is enjoying the traditional strong policy support. Aside from boosting infrastructure investment, the authorities are supporting a massive increase in manufacturing capacity investment to offset the drop in construction activity. Fiscal policy is expected to continue focusing on supporting especially infrastructure investment. However, burdened by the already high and rising debt imbalances and decreasing returns on investment, its contribution to growth is set to weaken. Monetary policy remains constrained by a stubbornly low credit demand and an already high interest rate differential. Growth is expected to gradually slow in 2024 and 2025.

Growth surprises in the second half of 2023 and early 2024

The Chinese economy rebounded in 2023, following weak growth in 2022, on the back of the post-COVID-19 reopening and a limited fiscal impulse in the second half of the year. Annual GDP growth reached 5.2%, above the government target of 5%, driven by recovering consumption and investments by both SOEs and local governments. Still, a prolonged scarring effect from the pandemic together with the ongoing real estate crisis continued to weigh on domestic demand. High policy uncertainty and worsening economic outlook held back consumer and private business confidence. The household's spending rate increased but remained below its pre-pandemic level. Furthermore, worsening external environment and higher imports turned the growth contribution of net exports negative in 2023.

Real GDP growth exceeded expectations in the first quarter of 2024 and reached 5.3% y-o-y (1.6% q-o-q), on the back of stronger-than-expected consumption. Nonetheless, retail sales increased by only 4.7% y-o-y in the first quarter, despite the 6.2% growth in household incomes. Investment growth remained weak, underpinned by a relatively limited fiscal impulse from local government bonds issued in the fourth quarter of 2023. Net exports contribution turned positive on the back of stronger real export growth and subdued real imports.

Graph II.40.1: **China - Real GDP growth and contributions**



Difficult growth going forward

Growth in 2024 is expected to be driven both by domestic demand and net exports. Consumption is projected to provide the largest contribution to growth, supported by stable income growth, which however remains significantly lower than in the pre-pandemic period. Labour market conditions are slowly improving although youth unemployment remains high. Despite some improvements, the household saving rate remains around 2 pps. above its pre-pandemic level. Its reduction is expected to only be gradual over the coming years as households continue to rebuild and strengthen their buffers to offset a high uncertainty and negative wealth effects surrounding the ongoing real estate crisis.

Investment is expected to remain subdued in both 2024 and 2025. Private sector investment is projected to continue stagnating under the weight of the real estate crisis. The volume of real estate under construction contracted only 12% since the peak in early 2022. At the same time, new construction starts contracted more than 60% with no signs of stabilising. Real estate sector is thus expected to continue weighing on investment growth over the forecast horizon. Private investment in other sectors is showing more dynamism, supported by policy initiatives to boost, in particular, high-end and green manufacturing. However, the less efficient SOEs are expected to be the main beneficiaries of this policy support and to thus drive manufacturing investment growth. Furthermore, policy insistence on new investment in sectors that are already exhibiting structural overcapacities and falling capacity utilisation is projected to lead to falling returns and rising corporate debt burden. Infrastructure investment is expected to remain strong, benefiting from the continuous fiscal support.

Net exports are forecast to provide a neutral contribution to growth in both 2024 and 2025. Notwithstanding the strong policy support for manufacturing, weakening external demand and rising geopolitical and trade tensions are expected to continue burdening Chinese exports. At the same time, import growth is set to remain subdued due to relatively sluggish domestic demand and the strong policy push for import substitution and self-sustainability. The current account balance is expected to narrow only marginally over the next two years, to 1.3% of GDP in 2024 and 1.2% of GDP in 2024. Overall, economic growth in 2024 is expected at 4.8%, broadly in line with the government target of ‘around 5%’. A further slowdown is expected in 2025, to 4.6%, as the ongoing real estate crisis and high uncertainty continue to weigh on economic activity.

Policy support to remain constrained

The National People’s Congress in March left the official growth target for 2024 unchanged at “around 5%”. However, growth in 2023 benefited from a large positive base effect due to the weak 2022 that has now dissipated making the new growth target more ‘ambitious’. The announced government spending and borrowing plans do not foresee a major fiscal impulse in 2024, however, as both the general government deficit target and the local government special purpose bond quota remain broadly unchanged. Weak credit demand has rendered recent monetary policy loosening ineffective, while both the large interest rate differential between China and the US and the persistent pressure on the renminbi exchange rate constrain further policy action.

Short term downside risks to China’s growth stem from the ongoing real estate crisis and the volatile external environment. Consumer and investor confidence remains weak while mounting global trade restrictions directed at China may undermine its still sizeable trade surplus. Over the medium term, China’s structural imbalances are forecast to continue weighing on growth. High debt burden, weak productivity growth, falling return on investment and the weak demographics are all weighing on China’s potential growth and increasing the urgency to rebalance the growth model away from state led investment and towards private sector and consumption.

Table II.40.1:

Main features of country forecast - CHINA

	2022			Annual percentage change						
	bn CNY	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP		120472.4	100.0	9.0	2.2	8.5	3.0	**5.2**	**4.8**	**4.6**
Private consumption		45046.8	37.4	-	-	-	-	**-**	**-**	**-**
Public consumption		19336.0	16.1	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation		50483.5	41.9	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		25041.3	20.8	10.5	-3.2	18.5	-0.2	**-0.3**	**3.0**	**2.8**
Imports (goods and services)		21092.0	17.5	9.6	-6.7	10.5	-2.6	**3.0**	**4.6**	**3.3**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:		Domestic demand		-	-	-	-	**-**	**-**	**-**
		Inventories		-	-	-	-	**-**	**-**	**-**
		Net exports		-	-	-	-	**-**	**-**	**-**
Employment				-	-	-	-	**-**	**-**	**-**
Unemployment rate (a)				4.3	5.2	5.1	5.5	**5.2**	**-**	**-**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Saving rate of households				-	-	-	-	**-**	**-**	**-**
GDP deflator				3.8	0.5	4.5	1.8	**-0.6**	**-2.0**	**0.3**
Consumer price index (c)				2.7	2.5	0.9	2.0	**0.2**	**-**	**-**
Terms of trade goods (b)				-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (b)				4.1	3.5	3.2	3.7	**3.3**	**2.7**	**2.6**
Current-account balance (b)				3.8	1.7	2.0	2.5	**1.4**	**1.3**	**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.

41. EFTA

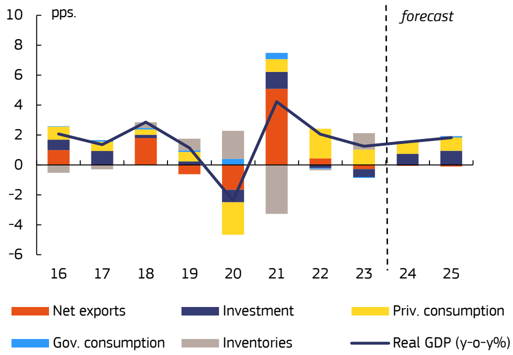
The slowdown in foreign demand and high international prices took their toll also on the EFTA economies. The outlook for the three EFTA countries is for moderate economic growth in 2024 and some acceleration in 2025, reflecting subdued, but strengthening external demand and declining inflation. Public finances are set to remain sound.

Switzerland

Economic growth decelerated during 2023, mainly due to weaker external demand, which had a negative bearing on manufacturing output. Furthermore, persistent geopolitical uncertainties had a negative impact on consumer sentiment, slowing down private consumption growth. Overall, GDP growth decelerated to 1.3%, compared to 2.5% in 2022. Consumer price inflation decelerated to 2.1% in 2023, compared to 2.8% in 2022. Tourism continued to recover. Despite weaker real disposable income growth, private consumption remained solid, among others reflecting a resilient labour market. The exchange rate against the euro continued to appreciate in 2023, and helped to contain import-driven inflationary pressures. The economic impact of the bank run on *Crédit Suisse* in early 2023 and its merger with *UBS*, the country's largest bank, has remained limited.

In 2024, growth dynamics are likely to remain subdued, to a large extent due to still weak support from main trading partners. The main growth driver during the forecast period is expected to be private consumption, benefitting from a resilient labour market and moderating inflation. Investment growth is projected to be negatively affected by reflecting persistent global uncertainties, in particular still in 2024. Export growth is set to remain weak in 2024, reflecting weaker expected growth in important European and Asian export markets and to strengthen only during 2025. Import growth is projected to remain contained in 2024.

Graph II.41.1: **Switzerland - Real GDP growth and contributions**



Annual consumer price inflation is forecast to decelerate further in 2024, mainly thanks to declining international price pressures, but also reflecting base effects from the previous year. Employment growth is expected to moderate in 2024, but to accelerate slightly in 2025, benefiting from the slight pick-up in economic growth. However, it is projected to be too modest to bring unemployment rates to pre-pandemic levels within the forecast horizon, in particular as increased labour demand is often met by migrant workers from neighbouring countries. Switzerland's general government budget balance is expected to register slight surpluses in 2024 and 2025, in line with the country's fiscal rule. The public debt-to-GDP ratio is set to continue declining, reflecting expected budget surpluses and solid nominal output growth.

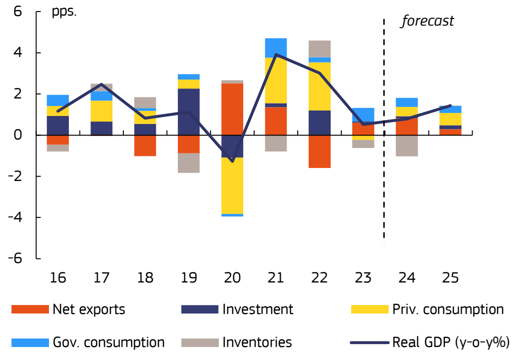
Country-specific risks to the outlook stem from the possibility of more persistently high domestic inflationary expectations, but also the possibility of an exchange rate appreciation, as a result of the currency's 'safe haven' status at times of international turbulences.

Norway

The Norwegian economy lost steam in 2023, with real GDP growth decelerating markedly to 0.5%, from 3.0% in 2022. The key factor behind the slowdown was the slight decrease in private consumption due to the inflation-induced drop in real disposable incomes, negative consumer confidence as well as a slight increase in unemployment. Investment growth decelerated notably compared to 2022, largely on the back of the significant decline in housing investment. The external sector contributed positively to growth as imports grew at a slower rate than exports, reflecting subdued domestic demand.

Economic growth is projected to pick-up marginally in 2024. Private consumption is expected to recover on the back of higher real wages and improved consumer sentiment. Despite the continued rise in oil-sector investment, in line with the delivery of scheduled projects, overall investment growth is expected to be sluggish, affected by higher interest rates and persistently high uncertainty about the economic outlook. House prices fell by 0.5% in 2023, compared to an increase of 5.2% in 2022, while they rose by 1.2% y-o-y in the first quarter of 2024. Residential investment shrank markedly by 15.6% in 2023, and it is projected to continue falling in 2024 due to concurrent headwinds such as higher interest rates and input prices. Net exports are expected to add to growth on the back of higher external demand.

Graph II.41.2: **Norway - Real GDP growth and contributions**



Economic growth is forecast to accelerate slightly in 2025, mainly driven by a further pick-up in private consumption growth, on the back of higher real disposable incomes. Investment is projected to accelerate marginally, supported by the recovery of housing investment. Imports are set to grow at a marginally faster pace than exports, reflecting increased domestic demand. Nevertheless, the external trade is expected to add to growth.

Despite lower global commodity prices, the Krone's depreciation contributed to keeping inflation elevated at 5.5% in 2023 (compared to 5.8% in 2022), thus well above the central bank's target of 2%. On 21 March, the Norges Bank's Executive Board decided to keep the policy rate unchanged at 4.5%, after having lifted it by a cumulative 175 bps. since March 2023.

To avoid creating any further inflationary pressures, the government's budget proposal for 2024 implies a roughly neutral fiscal stance. The structural non-oil fiscal deficit is expected to increase to 10.3% of mainland GDP, with the overall balance remaining firmly in double-digit surplus, and spending of oil revenues equivalent to 2.6% of the sovereign wealth fund's assets.

Domestic risks to the outlook are clearly tilted to the downside. A further depreciation of the Krone could fuel inflationary pressures and eat into private consumption. Uncertainties in the property market and sustained increases in households' debt service burden emanating from higher interest rates could limit domestic demand. Regarding the external environment, the volatility of energy prices presents both upside and downside risks, while a deterioration in growth prospects of Norway's main trading partners would weigh materially on growth.

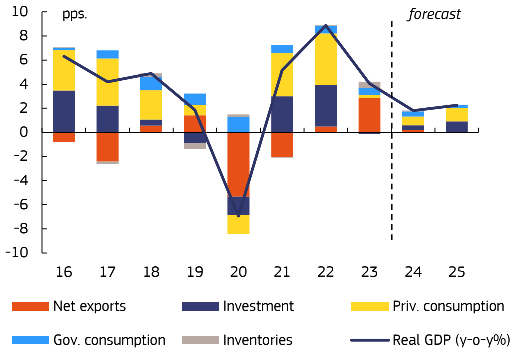
Iceland

Real GDP expanded by 4.1% in 2023 on the back of exports and public consumption. The solid export performance was driven by a large increase of tourist arrivals, while exports of goods recorded a slight contraction. Contracting imports resulted in a positive contribution of net exports to GDP growth. Following a strong start into the year, private consumption contracted in the second half of 2023 due to tight financial conditions, resulting in a subdued growth of 0.5% in annual terms. The decline in gross fixed capital formation was driven by a drop in housing investment.

The outlook is for a slowdown in 2024, which has already started in the second half of 2023. Moderating but still high inflation together with tight fiscal and monetary policies are set to weigh on private consumption and investment. A mild recovery is expected for 2025. The recent volcanic eruptions and the only gradually recovering external demand are projected to result in slower growth of service exports in 2024. Already high number of visitors, arriving to Iceland after the pandemic, and the government's intention to diversify away from tourism are likely to lead to further decelerating growth of service exports in 2025.

The increase in economic activity in 2023 resulted in strong labour demand that was met with rapidly increasing migration flows and led to a decline in the unemployment rate to 3.5% in 2023. In 2024-2025, it is projected to increase mildly, in line with slower GDP growth.

In response to persistent and widespread domestic price pressures, the Central Bank of Iceland (CBI) increased the key interest rate (the rate on seven-day term deposits) in August 2023 to 9.25%. Inflation eased from 8% year-on-year in November to 6% in April 2024. Going forward, inflation is projected to moderate in 2024-2025 due to tight monetary policy, a stronger ISK and sluggish domestic demand, while the upward price pressure is expected from the rebounding housing market and wage increases.



Graph II.41.3: **Iceland - Real GDP growth and contributions**

Supported by strong GDP growth, the budget deficit declined to 2.0% of GDP in 2023. The forecast assumes further decline in the budget deficit and public debt-to-GDP ratio, in line with announced fiscal strategy. The tight fiscal stance, which was confirmed in the 2024–2028 medium-term fiscal strategy, is set to continue with the aim of reducing public debt and achieving a balanced budget while bringing inflation back to the target of 2.5%. The 2024 budget targets a deficit of 1.1% of GDP. Growth of budget revenue should benefit from a new taxation of cars and reinstating taxes on hotel accommodation and cruises, which were abandoned during the pandemic. Public spending is set to focus on investments in healthcare, education and development of rental apartments, in particular supporting the population which was affected by volcanic eruptions.

The balance of risks is tilted to the downside. Key risks stem from uncertainty of further volcanic eruptions and larger than expected wage increases, which could fuel a wage-price spiral.

Table II.41.1:

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		8.9	**4.1**	**1.8**	**2.3**	3.0	**0.5**	**0.8**	**1.4**	2.1	**1.3**	**1.5**	**1.8**
Private Consumption		8.3	**0.5**	**1.5**	**2.2**	6.2	**-0.7**	**1.2**	**1.6**	4.0	**2.0**	**1.5**	**1.7**
Public Consumption		2.3	**2.2**	**1.7**	**1.0**	1.1	**3.6**	**2.0**	**1.6**	-0.5	**-0.5**	**0.4**	**0.8**
Gross fixed capital formation		15.1	**-0.6**	**1.5**	**3.8**	5.2	**0.3**	**0.4**	**0.8**	-0.8	**-2.0**	**2.9**	**3.5**
Exports (good and services)		22.3	**4.8**	**3.2**	**2.9**	4.5	**1.4**	**3.0**	**2.5**	5.5	**4.4**	**2.6**	**3.5**
Imports (goods and services)		20.0	**-1.4**	**2.7**	**3.0**	12.5	**0.7**	**1.8**	**2.8**	5.9	**5.8**	**3.3**	**4.3**
GNI (GDP deflator)		7.5	**4.1**	**1.8**	**2.3**	3.8	**2.7**	**0.8**	**1.4**	1.6	**1.2**	**1.5**	**1.8**
Contribution to GDP growth:	Domestic demand	8.4	**0.7**	**1.5**	**2.3**	3.8	**0.5**	**1.0**	**1.1**	1.7	**0.4**	**1.6**	**1.9**
	Inventories	0.0	**0.5**	**0.1**	**0.0**	0.8	**-0.4**	**-1.0**	**0.0**	-0.1	**1.1**	**0.0**	**0.0**
	Net exports	0.5	**2.9**	**0.2**	**0.0**	-1.6	**0.6**	**0.8**	**0.3**	0.4	**-0.3**	**-0.1**	**-0.1**
Employment		7.1	**4.9**	**1.0**	**1.1**	3.9	**1.3**	**0.2**	**0.4** ·	1.5	**2.3**	**1.0**	**1.4**
Unemployment rate (a)		3.8	**3.5**	**4.2**	**4.5**	3.2	**3.6**	**3.9**	**4.0**	4.3	**4.0**	**4.1**	**4.1**
Compensation of employee/head		9.0	**6.7**	**6.4**	**4.9**	4.2	**6.4**	**4.2**	**4.1**	4.0	**0.7**	**1.2**	**0.9**
Unit labour cost whole economy		7.2	**7.6**	**5.5**	**3.6**	5.1	**7.2**	**3.6**	**3.0**	3.4	**1.8**	**0.7**	**0.4**
Saving rate of households (b)		9.0	**8.8**	**8.6**	**8.7**	24.6	**22.8**	**23.7**	**24.7**	:	**:**	**:**	**:**
GDP deflator		8.9	**5.9**	**5.4**	**3.5**	28.2	**-10.6**	**2.3**	**2.3**	3.0	**0.5**	**2.1**	**2.1**
National index of consumer prices		8.3	**8.7**	**5.5**	**3.7**	5.8	**5.5**	**3.7**	**2.6**	2.8	**2.1**	**1.7**	**1.5**
Terms of trade goods		6.6	**-11.7**	**0.1**	**-0.1**	53.6	**-34.3**	**0.0**	**0.0**	1.5	**-0.7**	**-0.1**	**-0.1**
Trade balance (goods) (c)		-5.2	**-6.8**	**-6.6**	**-7.1**	28.5	**15.9**	**16.5**	**16.6**	14.7	**14.9**	**14.7**	**14.5**
Current account balance ©		-1.9	**-2.8**	**-3.1**	**-3.6**	29.5	**15.9**	**16.8**	**17.0**	9.2	**7.7**	**7.3**	**6.9**
General government balance (c)		-4.0	**-2.0**	**-1.1**	**-0.9**	25.6	**16.3**	**15.0**	**13.5**	1.2	**1.1**	**1.2**	**1.4**
General government gross debt (c)		67.4	**59.3**	**56.3**	**54.1**	36.5	**44.3**	**42.0**	**40.5**	27.9	**26.2**	**24.0**	**22.0**

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

42. RUSSIAN FEDERATION

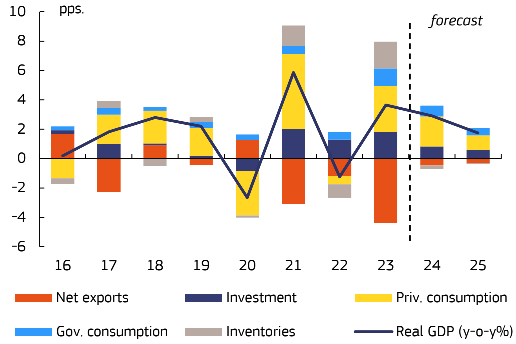
After a surprisingly strong rebound in 2023, economic growth in Russia is projected to ease in 2024 and 2025, as tight monetary policy gradually weighs on economic activity. Inflation is expected to show persistence, amid sustained fiscal spending and tight labour market pushing up wages. Additional revenue measures are set to help financing war expenditure and keep public finances in check overall, with general government debt projected to remain below 21½% of GDP in 2025.

High real wages and government spending set to continue supporting growth

Russian real GDP expanded by 3.6% in 2023, after having contracted by 1.2% in the previous year. The rebound was mainly driven by private consumption, supported by increased real wages in the context of a tight labour market and improved consumer confidence. Government expenditure also propped up private consumption, through increased payments and transfers to soldiers and their families, in addition to boosting public investment and consumption necessary for the ongoing war of aggression in Ukraine. Private investment picked up too in response to the steady growth in domestic demand for Russian products resulting from the departure of many foreign companies from Russia and the need to create a new transport and logistics infrastructure towards the East. In addition, government-supported measures aimed at substituting earlier imported goods and expanding the military-industrial sector played an important role.

The Russian economy started 2024 on a strong footing. High frequency indicators such as industrial production and business sentiment improved further in the initial months of the year. Retail sales and consumer confidence also increased, with the latter reaching its highest level since 2014. The labour market remained tight and is set to continue that way, as declining net inward migration and increased labour demand from the military sector are expected to persist as long as the war of aggression in Ukraine continues. Consequently, private consumption is forecast to expand this year on the back of the strong real wage growth, although at a slower pace than in 2023. Public consumption and investment are expected to continue to grow driven by war and diversion of trade routes towards Asia. The combination of these factors is projected to drive investment in 2024 before it weakens somewhat in 2025 as the impact of tight monetary conditions settle in.

Graph II.42.1: **Russia - Real GDP growth and contributions**



Over the forecast horizon a limited pick up in exports is projected, as the feasibility of export partner substitution varies by sector. Among the goods facing export substitution challenges is the major item natural gas, which faces currently inadequate pipeline and LNG infrastructure for the reorientation of its export. The re-routing of other exports, such as crude oil, oil products and metals, can be facilitated with less frictions. On the back of sustained household consumption, a relatively strong growth of imports is expected. The contribution of net exports to GDP growth is hence projected to remain negative in 2024 and 2025.

Overall, GDP growth is expected to slow over the forecast horizon to 2.9% in 2024 and 1.7% in 2025.

The risks to Russia's growth outlook are tilted on the downside. Additional sanctions and their stricter enforcement could limit Russia's exports and stymie production in import-dependent domestic sectors. Furthermore, a new wave of mobilisation could further exacerbate labour shortages contributing to protracted high inflation and thus tight monetary policy.

Inflation pressures to persist despite tight monetary policy

Inflation has been back on the rise since summer 2023, fuelled by high real wage growth and a weakening ruble. It averaged 5.9% for the year. In reaction to these developments the Central Bank of Russia hiked its benchmark policy rate by 850 basis points to 16% by December. Despite this effort, inflation remained elevated in the first months of 2024, exceeding 7%, well above the official inflation target of 4%. Given continued wage pressures amid a tight labour market, and ongoing war-driven government spending, inflation is projected to moderate only gradually over the forecast horizon, to reach 6.6% in 2024 and 4.5% in 2025.

Strong revenue continues supporting war-driven spending

The budget deficit widened to 2¼% of GDP in 2023, from 1½% in 2022 on the back of increased spending, mainly related to the war, outpacing revenue growth. The higher revenue was driven by increased tax receipts, reflecting booming household consumption and companies' profitability amid strong economic activity, which more than compensated the fall in oil and gas revenues. As the war of aggression against Ukraine is set to continue, thereby pushing up spending, the government balance is expected to remain in deficit, given that defence and national security outlays alone constitute some 40% of the federal budget. Nevertheless, the deficit is projected to decline to 1¾% of GDP in 2024 as the government boosts revenues via measures such as the application of a price floor mechanism when calculating oil taxes to curb the impact of rising discounts on Russian oil to Brent. With sustained economic growth in 2025, the deficit is expected to narrow to 1½% of GDP. A planned hike in income taxes has not yet been adopted by the government and hence constitutes a downward risk to the budget deficit projection.

A fiscal rule, suspended in the aftermath of the invasion and resumed in 2024, is set to limit the government's ability to finance the deficit from the National Wealth Fund as done in 2022 and 2023. Nevertheless, the increase in public debt is projected to be relatively limited, with the debt-to-GDP ratio edging up from 19½% in 2023 to 21½% in 2025.

Table II.42.1:

Main features of country forecast - RUSSIA

	2023			Annual percentage change					
bn RUB	Curr. prices	% GDP	04-19	2020	2021	2022	2023	2024	2025
GDP	172148.3	100.0	2.9	-2.7	5.9	-1.2	**3.6**	**2.9**	**1.7**
Private Consumption	85734.4	49.8	4.9	-5.9	9.9	-1.1	**6.5**	**4.1**	**1.9**
Public Consumption	31801.1	18.5	0.9	1.9	2.9	3.0	**7.0**	**4.0**	**2.8**
Gross fixed capital formation	37635.9	21.9	4.3	-4.0	9.3	6.7	**8.8**	**3.8**	**2.8**
Exports (goods and services)	39737.0	23.1	3.7	-4.2	3.2	-13.8	**-8.9**	**4.5**	**3.0**
Imports (goods and services)	32270.1	18.7	5.9	-11.9	19.1	-14.3	**12.5**	**8.0**	**5.2**
GNI (GDP deflator)	169845.2	98.7	2.9	-1.8	5.9	-1.0	**4.4**	**3.1**	**1.9**
Contribution to GDP growth:	Domestic demand		3.6	-3.5	7.6	1.2	**6.4**	**3.6**	**2.1**
	Inventories		-0.1	-0.1	1.4	-0.9	**1.8**	**-0.2**	**0.0**
	Net exports		-0.4	1.3	-3.1	-1.2	**-4.4**	**-0.5**	**-0.3**
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**	**3.0**	**3.2**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			10.4	0.9	19.1	15.7	**7.0**	**6.0**	**4.6**
Consumer price index			8.5	3.4	6.7	13.7	**5.9**	**6.6**	**4.5**
Terms of trade goods			1.5	-22.9	36.6	29.5	**-19.0**	**1.9**	**0.6**
Trade balance (goods) (c)			10.0	6.2	10.4	13.8	**6.0**	**6.0**	**5.8**
Current-account balance (c)			5.1	2.4	6.8	10.5	**2.5**	**2.6**	**2.5**
General government balance (c)			1.9	-2.8	0.8	-1.4	**-2.3**	**-1.8**	**-1.5**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			12.6	19.2	16.4	18.5	**19.5**	**20.2**	**21.4**

(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.

ACKNOWLEDGEMENTS

This report was prepared in the Directorate-General for Economic and Financial Affairs under the direction of Maarten Verwey – Director-General and Reinhard Felke – Director "Policy coordination, economic forecasts and communication".

Executive responsibilities were attached to Laura Bardone – Head of Unit "Economic situation, forecasts, business and consumer surveys", Kristian Orsini – Deputy Head of Unit "Economic situation, forecasts, business and consumer surveys", and the forecast coordinators – Reuben Borg and Alexandru Zeana.

The Executive Summary was prepared by Kristian Orsini. In the section on "Economic outlook for the euro area and the EU", Chapter 1 was prepared by Kristian Orsini. Chapter 2 "Economic outlook" was prepared under the responsibility of Laura Bardone and coordinated by Kristian Orsini. This chapter benefited from contributions by Christos Axioglou, Reuben Borg, Lucian Briciu, Christian Buelens, Alessandra Cepparulo, Guillaume Cousin, Christian Gayer, Susanne Hoffmann, Aron Kiss, Anna Chiara Küffel, Vito Ernesto Reitano, Cristina Tinti, Tsvetan Tsalinski, Rupert Willis, Przemysław Woźniak, Tomasz Zdrodowski and Alexandru Zeana. Chapter 3 "Risks" was prepared by Christos Axioglou, Olga Croitorov, Adrian Ifrim, Beatrice Pataracchia, Philipp Pfeiffer, Marco Ratto, Josselin Roman, and Jan Teresiński. In Chapter 4 "Special issues", Special issue 1 "Taking into account the key role of natural capital for economic activity" was prepared by Björn Döhring and Anna Thum-Thysen, Special issue 2 "China's impressive rise and its structural slowdown ahead: Implications for the global economy and the EU" was prepared by Ivan Kušen and Jose Ramon Perea, Special issue 3 "Convergence of New Member States on the 20th anniversary of the 2004 enlargement" was prepared by Christos Axioglou, Kristian Orsini and Przemysław Woźniak. The Box 1.2.1 "Survey on investment – March/April 2024" was prepared by Roberta Friz and Fiona Morice. The Box 1.2.2 "Fiscal stance: gauging the impact of fiscal policy on aggregate demand" and Box 1.2.3 "A forecast that is tailored to, and evolves with, the needs of macroeconomic surveillance" were prepared by Gerrit Bethuyne and João Nogueira Martins.

The sections on "Member States" were prepared under the supervision of Jakob Friis, Isabel Grilo, and Luc Tholoniat, Directors for the "Economies of the Member States". These sections benefited from contributions by Ronald Albers, Lucian Albulescu, Aurelija Anciūtė, Judit Antal, Martin Åström, Antonino Barbera Mazzola, Paolo Battaglia, Barbara Bernardi, Adrian Bodea, Joël Boulanger, Paul Brans, Francisco de Castro Fernández, Polona Cigoj, Eglė Čeponytė, Alessandro Cisotta, Fanny Dellinger, Živilė Didžiokaitė, Manfredi Danielis, Miriam Franzelin, Carmine Gabriele, Hélène Gaston, Oscar Gómez Lacalle, Leyre Gómez-Oliveros Duran, Peter Harvan, András Hudecz, Zuzanna Iskierka, Dirk Kamps, Leena Kerkelä, Szabolcs Klubuk, Daniel Kosicki, Mitja Košmrl, Radoslav Krastev, Jens Larsen, Anna Laudwein, Felix Lödl, Ivan Lozev, Simone Macchi, Nikolas Mayer, Natalie Lubenets, Ruslan Lukach, Janis Malzubris, Dorin Mantescu, Robert Markiewicz, Benedetta Martinelli, Pascual Martinez Lamata, Jakub Mazur, Fabrizio Melcarne, Laurent Moulin, Balázs Pálvölgyi, Mona Papadakou, Angeliki Paritsi, Gábor Márk Pellényi, Martin Pazicky, Arian Perić, Irene Pophaides, Paulina Rogowska, Johannes Schuffels, Ana Seco Justo, Suada Sela, Roberto Sigismondo, Alexandre Simcic, Peeter Soidla, Gilles Thirion, Susanna Ulinski, Daniel Vâlcu, Milda Valentinaitė, Michael Vedsø, Alberto Vidan Bermudez, Martina von Terzi, Goran Vukšić, Kai-Young Weißschädel, Kristina Xuereb, Christos Zavos, Ingars Zustrups and Pieterjan van der Zwan.

The sections on "Candidate Countries" and "Other non-EU countries" were prepared under the supervision of Annika Eriksgaard, Director of the "International economic and financial relations, global governance". These sections, and forecasts for all other non-EU economies, benefited from contributions by Piotr Bogumił, Bernhard Böhm, Samir Chouman, Norbert Gaál, Dalia Grigonytė, Renata Hrůzová, Plamen Kaloyanchev, Ivan Kušen, Vincent Löwe, Andreea Maerean, Mart Maiväli, Alexandros Mouzakitis, Moisés Orellana, José Ramón Perea, Bettina Kromen, Milan Lisicky, Jerzy

Pieńkowski, Sam Weinberg, Hugo Ferradans Ramonde, Michele Levi Minzi, Rafał Raciborski, Uwe Stamm, Barbara Stearns-Bläsing, Vladimír Solanič, András Tari and Rupert Willis.

Support in editing the report by Clara Gonzalez Zunzarren, Enda Mcnamara and Lorenzo Rosati, and for its communication and publication by Nicolas Carpentiers, Manuel De La Red Carino, Robert Gangl, Olivier Glorieux, Tamas Nagy, Sarka Novotna, Yasmina Quertinmont, Susanne Krenzer and Clara Gonzalez Zunzarren under the responsibility of Matthieu Hebert, is gratefully acknowledged.

Follow-up calculations were performed by Pedro Arevalo, Francesca D'Auria, Olga Croitorov, Kieran Mc Morrow and Anna Thum-Thysen under the responsibility of Björn Döhring. Forecast assumptions were prepared by Paloma Cortés, Grzegorz Janowicz and Giulia Maravalli. Statistical support for the production of the forecast was provided by Antonio Fuso, Daniel Grenouilleau, Anna Chiara Küffel, Ingo Kuhnert, Cédric Viguie and Tomasz Zdrodowski. Further statistical and layout assistance was provided by Szabolcs Klubuk, Johann Korner, Gianluca Papa, Jacek Szelożyński and Christos Zavos.

Valuable comments and suggestions by Laura Bardone, Gerrit Bethuyne, Reuben Borg, Stefan Ciobanu, Angela D'Elia, Björn Döhring, María José Doval Tedin, Patrick D'Souza, Miroslav Florian, Christine Frayne, Christian Gayer, Gabriele Giudice, Joern Griesse, Valeska Gronert, Martin Hallet, Renata Hruzova, Aron Kiss, Zenon Kontolemis, Bettina Kromen, Robert Kuenzel, Paul Kutos, Júlia Lendvai, Milan Lisicky, Maarten Masselink, Gilles Mourre, João Nogueira Martins, Moisés Orellana, Kristian Orsini, Lucia Piana, Dino Pinelli, Eric Ruscher, Matteo Salto, Marie-Luise Schmitz, Dominique Simonis, Monika Sherwood, Michael Sket, Uwe Stamm, Michael Stierle, Andras Tari, Michael Thiel, Alessandro Turrini, Anneleen Vandeplas, Valerie Vandermeulen, Charlotte Van Hooydonk, Milan Výškrabka, Florian Wöhlbier, Javier Yaniz Igal and Stefan Zeugner are gratefully acknowledged.

Secretarial support for the finalisation of this report was provided by Maria Symeonidou.

Comments on the report would be gratefully received and should be sent to:
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Statistical Annex

European Economic Forecast – Spring 2024

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World economy

Table 1: Gross domestic product, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.4	1.5	1.8	-5.3	6.9	3.0	**1.4**	**1.3**	**1.4**	*1.4*	*1.4*	*1.5*
Germany	0.5	2.2	1.7	-3.8	3.2	1.8	**-0.3**	**0.1**	**1.0**	*-0.3*	*0.8*	*1.2*
Estonia	0.9	3.5	3.7	-1.0	7.2	-0.5	**-3.0**	**-0.5**	**3.1**	*-2.6*	*1.9*	*2.7*
Ireland	1.2	2.5	9.6	6.6	15.1	9.4	**-3.2**	**1.2**	**3.6**	*-0.9*	*3.0*	*3.4*
Greece	0.9	-5.0	0.8	-9.3	8.4	5.6	**2.0**	**2.2**	**2.3**	*2.4*	*2.3*	*2.2*
Spain	1.7	-0.7	2.8	-11.2	6.4	5.8	**2.5**	**2.1**	**1.9**	*2.4*	*1.7*	*2.0*
France	0.8	1.2	1.6	-7.5	6.4	2.5	**0.7**	**0.7**	**1.3**	*1.0*	*1.2*	*1.4*
Croatia	1.7	-0.8	3.2	-8.5	13.0	7.0	**3.1**	**3.3**	**2.9**	*2.6*	*2.5*	*2.8*
Italy	-0.5	-0.5	1.0	-9.0	8.3	4.0	**0.9**	**0.9**	**1.1**	*0.7*	*0.9*	*1.2*
Cyprus	3.2	-1.9	5.4	-3.4	9.9	5.1	**2.5**	**2.8**	**2.9**	*2.2*	*2.6*	*2.9*
Latvia	2.5	1.7	2.8	-3.5	6.7	3.0	**-0.3**	**1.7**	**2.6**	*-0.2*	*2.4*	*3.0*
Lithuania	2.4	3.7	3.5	0.0	6.3	2.4	**-0.3**	**2.0**	**2.9**	*-0.4*	*2.5*	*3.4*
Luxembourg	2.5	2.4	2.5	-0.9	7.2	1.4	**-1.1**	**1.4**	**2.3**	*-0.6*	*1.4*	*2.0*
Malta	2.7	4.6	7.6	-8.2	12.5	8.1	**5.6**	**4.6**	**4.3**	*4.0*	*4.0*	*4.2*
Netherlands	1.5	0.6	2.3	-3.9	6.2	4.3	**0.1**	**0.8**	**1.5**	*0.6*	*1.1*	*1.7*
Austria	1.4	1.2	1.8	-6.6	4.2	4.8	**-0.8**	**0.3**	**1.6**	*-0.5*	*1.0*	*1.3*
Portugal	0.4	-0.8	2.6	-8.3	5.7	6.8	**2.3**	**1.7**	**1.9**	*2.2*	*1.3*	*1.8*
Slovakia	5.1	2.8	3.3	-3.3	4.8	1.9	**1.6**	**2.2**	**2.9**	*1.3*	*1.7*	*2.0*
Slovenia	2.4	0.2	3.6	-4.2	8.2	2.5	**1.6**	**2.3**	**2.6**	*1.3*	*2.0*	*2.7*
Finland	0.8	0.6	1.8	-2.4	2.8	1.3	**-1.0**	**0.0**	**1.4**	*0.1*	*0.8*	*1.5*
Euro area	0.7	0.8	2.0	-6.1	5.9	3.4	**0.4**	**0.8**	**1.4**	*0.6*	*1.2*	*1.6*
Bulgaria	4.6	1.0	3.2	-4.0	7.7	3.9	**1.8**	**1.9**	**2.9**	*2.0*	*1.8*	*2.6*
Czechia	3.3	1.1	3.9	-5.5	3.6	2.4	**-0.3**	**1.2**	**2.8**	*-0.4*	*1.4*	*3.0*
Denmark	0.3	1.2	2.4	-2.4	6.8	2.7	**1.9**	**2.6**	**1.4**	*1.2*	*1.4*	*1.6*
Hungary	0.5	1.5	4.1	-4.5	7.1	4.6	**-0.9**	**2.4**	**3.5**	*-0.7*	*2.4*	*3.6*
Poland	4.7	2.8	4.6	-2.0	6.9	5.6	**0.2**	**2.8**	**3.4**	*0.4*	*2.7*	*3.2*
Romania	4.6	1.3	4.8	-3.7	5.7	4.1	**2.1**	**3.3**	**3.1**	*2.2*	*3.1*	*3.4*
Sweden	1.2	2.5	2.6	-2.2	6.1	2.7	**-0.2**	**0.2**	**2.1**	*-0.5*	*-0.2*	*1.3*
EU	0.9	1.0	2.2	-5.6	6.0	3.5	**0.4**	**1.0**	**1.6**	*0.6*	*1.3*	*1.7*
United Kingdom	0.5	2.0	2.0	-10.4	8.7	4.3	**0.1**	**0.5**	**1.4**	*0.6*	*0.5*	*1.3*
Japan	-0.5	1.5	0.8	-4.1	2.6	1.0	**1.9**	**0.8**	**0.8**	*1.9*	*0.8*	*0.6*
United States	1.1	2.1	2.4	-2.2	5.8	1.9	**2.5**	**2.4**	**2.1**	*2.4*	*1.4*	*1.8*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2023-25) 30.04.2024

	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	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.3
Germany	0.3	-0.1	0.1	-0.5	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Estonia	-0.7	-0.3	-0.8	-0.7	-0.5	0.4	0.7	1.0	0.8	0.8	0.8	0.8
Ireland	-3.4	-0.1	-2.5	-3.4	1.1	:	:	:	:	:	:	:
Greece	0.0	1.1	-0.1	0.2	:	:	:	:	:	:	:	:
Spain	0.4	0.5	0.5	0.7	0.7	0.4	0.4	0.4	0.5	0.5	0.6	0.4
France	0.0	0.6	0.1	0.1	0.2	0.1	0.2	0.3	0.4	0.3	0.3	0.3
Croatia	1.6	1.5	-0.7	2.0	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.7
Italy	0.4	-0.2	0.4	0.1	0.3	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Cyprus	0.8	-0.4	1.3	0.6	:	:	:	:	:	:	:	:
Latvia	-0.1	-0.4	-0.1	0.4	0.8	0.7	0.7	0.7	0.5	0.6	0.6	0.6
Lithuania	-1.9	2.4	-0.1	-0.2	0.8	0.5	0.5	0.6	0.7	0.9	0.9	1.0
Luxembourg	0.6	0.2	-1.4	0.0	0.8	0.9	1.0	0.7	0.4	0.4	0.4	0.5
Malta	0.9	0.8	2.3	0.3	:	:	:	:	:	:	:	:
Netherlands	-0.5	-0.4	-0.2	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Austria	0.1	-1.3	-0.3	0.0	0.2	0.3	0.4	0.5	0.4	0.4	0.4	0.4
Portugal	1.5	0.1	-0.2	0.7	0.7	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Slovakia	0.3	0.7	0.5	0.5	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.7
Slovenia	0.3	1.1	0.0	1.1	0.3	0.5	0.6	0.6	0.6	0.7	0.7	0.7
Finland	-0.2	0.5	-1.1	-0.8	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Euro area	0.0	0.1	-0.1	-0.1	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Bulgaria	0.4	0.4	0.4	0.5	0.2	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Czechia	0.3	0.3	-0.8	0.4	0.5	0.4	0.5	0.6	0.7	0.8	0.8	1.0
Denmark	1.3	-0.8	0.4	2.6	0.2	0.3	0.4	0.4	0.3	0.4	0.4	0.4
Hungary	-0.4	0.0	0.9	0.0	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.8
Poland	0.8	-0.2	1.1	0.0	:	:	:	:	:	:	:	:
Romania	-0.8	1.4	1.0	-0.5	:	:	:	:	:	:	:	:
Sweden	1.0	-0.8	-0.2	-0.2	-0.1	0.3	0.5	0.5	0.5	0.6	0.6	0.6
EU	0.1	0.1	0.0	0.0	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
United Kingdom	0.2	0.0	-0.1	-0.3	0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.3
Japan	1.0	1.0	-0.8	0.1	0.5	0.4	0.2	0.2	0.3	0.2	0.2	0.1
United States	0.6	0.5	1.2	0.8	0.4	0.4	0.4	0.4	0.6	0.6	0.6	0.6

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2023-25) — 30.04.2024

	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	1.6	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.3	1.4	1.4	1.4
Germany	0.1	0.1	-0.1	-0.2	-0.2	0.0	0.1	0.8	0.9	1.0	1.2	1.3
Estonia	-3.9	-3.0	-3.1	-2.5	-2.2	-1.5	-0.1	1.6	2.9	3.3	3.3	3.1
Ireland	2.4	-0.4	-5.7	-9.1	-4.9	:	:	:	:	:	:	:
Greece	2.0	2.7	2.1	1.2	:	:	:	:	:	:	:	:
Spain	4.0	2.0	1.9	2.1	2.4	2.2	2.1	1.8	1.6	1.8	2.1	2.2
France	0.8	1.1	0.7	0.8	1.1	0.6	0.6	0.8	1.0	1.2	1.4	1.4
Croatia	2.8	3.3	1.8	4.4	3.5	2.7	4.1	2.8	2.8	2.8	2.9	3.0
Italy	2.2	0.6	0.6	0.7	0.6	1.0	0.9	1.1	1.0	1.1	1.3	1.5
Cyprus	3.1	2.1	2.4	2.2	:	:	:	:	:	:	:	:
Latvia	0.2	-0.3	0.2	-0.1	0.7	1.8	2.5	2.8	2.6	2.5	2.5	2.4
Lithuania	-2.1	0.8	0.1	0.1	2.9	1.0	1.6	2.4	2.3	2.7	3.1	3.5
Luxembourg	-1.3	-0.5	-2.1	-0.6	-0.4	0.4	2.7	3.4	3.1	2.5	1.9	1.7
Malta	6.3	4.9	7.0	4.3	:	:	:	:	:	:	:	:
Netherlands	2.0	-0.1	-0.5	-0.7	0.1	0.7	1.3	1.2	1.3	1.4	1.6	1.6
Austria	1.8	-1.5	-1.7	-1.4	-1.4	0.2	0.9	1.4	1.6	1.7	1.7	1.5
Portugal	2.5	2.6	1.9	2.1	1.3	1.5	2.1	1.9	1.7	1.9	1.9	2.0
Slovakia	0.9	1.6	1.8	2.1	2.2	2.1	2.3	2.5	2.8	3.0	2.9	2.8
Slovenia	1.2	1.8	1.9	2.6	2.6	2.0	2.6	2.2	2.5	2.6	2.7	2.8
Finland	-0.6	-0.5	-1.4	-1.6	-1.1	-1.3	0.3	1.5	1.6	1.6	1.5	1.4
Euro area	1.3	0.6	0.1	0.1	0.4	0.7	0.9	1.2	1.2	1.4	1.5	1.6
Bulgaria	2.4	2.0	1.8	1.6	1.5	1.9	2.2	2.4	2.9	2.8	2.8	2.8
Czechia	-0.2	-0.1	-0.6	0.2	0.4	0.6	1.8	2.0	2.3	2.6	3.0	3.3
Denmark	2.8	0.7	0.6	3.5	2.4	3.5	3.5	1.2	1.3	1.4	1.4	1.5
Hungary	-1.1	-2.2	-0.1	0.6	1.7	2.5	2.3	3.2	3.3	3.5	3.6	3.5
Poland	-1.1	-0.5	0.2	1.7	:	:	:	:	:	:	:	:
Romania	1.0	2.8	3.6	1.1	:	:	:	:	:	:	:	:
Sweden	1.5	-0.2	-1.0	-0.2	-1.2	-0.2	0.5	1.2	1.9	2.2	2.3	2.3
EU	1.2	0.6	0.1	0.2	0.5	0.8	1.0	1.2	1.3	1.5	1.6	1.7
United Kingdom	0.3	0.2	0.2	-0.2	-0.2	0.2	0.6	1.3	1.4	1.4	1.4	1.3
Japan	2.4	2.3	1.6	1.3	0.8	0.1	1.1	1.2	1.0	0.8	0.8	0.8
United States	1.7	2.4	2.9	3.1	3.0	2.9	2.1	1.6	1.8	2.0	2.2	2.3

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 4: Gross domestic product per capita (percentage change on preceding year, 2005-2025) — 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	0.7	0.7	1.3	-5.7	6.5	2.2	0.7	0.9	1.0	0.8	1.0	1.2
Germany	0.7	2.1	1.2	-3.9	3.1	1.1	-1.2	-0.2	0.7	-1.1	0.6	1.1
Estonia	1.4	3.8	3.6	-1.3	7.2	-0.6	-5.4	-1.1	3.3	-4.5	1.8	2.3
Ireland	-1.0	2.0	8.4	5.5	14.2	7.4	-6.5	-0.3	2.5	-2.7	1.7	2.3
Greece	0.6	-4.7	1.1	-9.1	9.0	6.2	2.5	2.6	2.6	3.1	2.7	2.6
Spain	0.1	-0.8	2.5	-11.6	6.3	4.8	1.6	1.2	1.1	1.6	0.9	1.2
France	0.1	0.7	1.2	-7.9	6.1	2.1	0.4	0.4	0.9	0.7	0.9	1.0
Croatia	1.8	-0.5	4.0	-8.1	15.6	8.4	3.1	3.6	3.3	2.8	3.0	3.5
Italy	-1.0	-0.7	1.2	-8.5	8.9	4.2	1.0	1.0	1.2	0.6	0.9	1.3
Cyprus	1.1	-2.9	4.7	-4.5	8.9	3.6	0.9	1.4	1.6	0.5	1.4	1.9
Latvia	3.6	3.2	3.7	-2.9	7.7	2.8	0.0	1.7	2.6	-0.6	2.6	3.2
Lithuania	3.7	5.3	4.5	-0.1	5.8	1.6	-1.7	1.8	3.5	-2.4	2.2	3.8
Luxembourg	0.8	0.1	0.4	-2.4	5.5	-0.8	-2.9	-0.5	0.6	-2.3	-0.2	0.4
Malta	2.1	3.6	4.4	-10.1	11.9	5.3	2.4	1.9	1.7	1.3	1.8	1.9
Netherlands	1.2	0.2	1.7	-4.4	5.6	3.3	-0.9	0.1	0.9	-0.4	0.5	1.1
Austria	1.0	0.7	1.0	-7.0	3.8	3.6	-1.7	0.0	1.5	-0.8	0.8	1.1
Portugal	0.2	-0.5	2.8	-8.4	5.8	6.8	2.1	1.6	1.8	2.1	1.2	1.7
Slovakia	4.9	2.8	3.2	-3.5	5.2	1.0	0.8	2.1	2.8	0.8	1.7	2.0
Slovenia	1.9	0.0	3.4	-4.9	8.0	2.4	1.0	2.0	2.4	0.9	1.7	2.6
Finland	0.4	0.1	1.6	-2.5	2.6	1.1	-1.6	-0.3	1.2	-0.2	0.7	1.2
Euro area	0.3	0.6	1.7	-6.2	5.9	2.9	-0.2	0.5	1.1	0.1	0.9	1.3
Bulgaria	5.1	1.9	3.9	-3.4	8.5	10.6	2.2	2.5	3.9	1.5	2.4	3.4
Czechia	2.7	1.1	3.6	-5.8	3.6	2.4	-0.5	1.0	2.6	-0.6	1.2	2.8
Denmark	-0.1	0.8	1.8	-2.6	6.4	1.8	1.2	2.1	1.0	0.7	1.0	1.2
Hungary	0.7	1.8	4.3	-4.3	7.5	4.9	0.1	2.6	3.8	0.1	2.7	3.9
Poland	4.6	2.8	4.6	-1.9	7.5	6.6	0.5	2.9	3.9	-1.6	2.9	3.7
Romania	5.7	1.8	5.4	-3.2	6.6	4.5	2.1	3.7	3.5	2.5	3.4	3.8
Sweden	0.5	1.6	1.4	-2.9	5.5	2.0	-0.7	-0.1	1.8	-1.0	-0.7	0.8
EU	0.6	0.8	2.0	-5.7	6.1	3.3	0.0	0.8	1.5	0.0	1.1	1.6
United Kingdom	-0.2	1.2	1.3	-10.7	8.8	3.2	-0.7	0.1	1.0	0.2	0.1	0.9
Japan	-0.5	1.7	1.0	-3.7	2.7	1.4	2.6	1.3	1.3	2.5	1.3	1.1
United States	0.2	1.3	1.7	-2.6	5.6	1.6	2.0	1.3	1.2	1.9	0.9	1.3

Table 5: Domestic demand, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.7	1.4	2.0	-6.2	6.1	3.0	**1.9**	**1.4**	**1.4**	*2.1*	*1.6*	*1.5*
Germany	0.5	1.6	2.0	-3.1	2.5	3.2	**-0.9**	**0.3**	**1.0**	*-0.6*	*0.8*	*1.1*
Estonia	0.0	4.4	4.1	3.4	9.7	0.9	**-2.9**	**0.8**	**2.8**	*-5.5*	*2.3*	*2.8*
Ireland	1.4	1.1	14.4	-10.7	-16.7	8.3	**4.4**	**1.7**	**2.3**	*0.6*	*2.2*	*2.5*
Greece	1.1	-6.4	0.9	-3.7	7.2	6.0	**1.3**	**2.1**	**2.2**	*1.2*	*1.8*	*2.0*
Spain	1.4	-1.9	2.8	-9.2	6.7	2.9	**1.7**	**2.1**	**1.9**	*1.7*	*1.9*	*2.1*
France	1.1	1.2	1.8	-6.2	6.1	3.0	**0.1**	**0.6**	**1.3**	*0.6*	*1.4*	*1.3*
Croatia	1.6	-1.8	3.6	-3.1	7.4	7.3	**1.3**	**3.7**	**2.7**	*-0.8*	*1.9*	*2.3*
Italy	-0.3	-1.4	1.2	-8.4	8.5	4.7	**0.6**	**0.4**	**1.2**	*1.0*	*0.7*	*1.3*
Cyprus	3.9	-3.2	5.8	-2.3	5.0	8.9	**8.7**	**2.8**	**2.5**	*4.3*	*2.3*	*2.3*
Latvia	0.6	1.9	3.2	-4.4	10.3	3.7	**1.8**	**2.1**	**2.6**	*1.2*	*3.2*	*3.2*
Lithuania	1.2	2.8	3.3	-3.5	7.2	2.2	**-1.8**	**3.0**	**3.7**	*-1.9*	*2.9*	*3.4*
Luxembourg	1.4	3.9	2.6	-4.0	10.9	-1.0	**2.3**	**2.2**	**2.5**	*1.6*	*2.3*	*2.5*
Malta	1.6	2.2	6.9	-3.7	8.7	13.6	**-1.9**	**4.1**	**3.8**	*-2.9*	*3.6*	*4.0*
Netherlands	1.6	-0.5	2.7	-4.2	4.6	3.8	**0.8**	**0.9**	**1.7**	*1.5*	*1.2*	*1.6*
Austria	1.3	0.8	1.7	-6.1	6.7	2.7	**-1.7**	**0.2**	**1.7**	*-1.2*	*0.8*	*1.1*
Portugal	0.4	-2.2	2.8	-5.4	5.9	4.4	**1.4**	**2.3**	**2.1**	*0.9*	*1.8*	*2.1*
Slovakia	3.9	1.0	3.8	-5.0	5.7	3.0	**-4.7**	**3.1**	**2.8**	*-3.6*	*2.2*	*1.9*
Slovenia	1.8	-1.4	3.5	-4.3	10.1	3.7	**-1.2**	**4.3**	**2.5**	*-1.8*	*2.3*	*2.8*
Finland	1.1	1.1	1.7	-1.7	2.8	3.1	**-3.0**	**0.2**	**1.5**	*-2.0*	*0.5*	*1.1*
Euro area	0.8	0.1	2.3	-5.7	4.8	3.5	**0.2**	**0.8**	**1.4**	*0.4*	*1.2*	*1.5*
Bulgaria	5.1	-0.2	3.4	0.1	7.4	5.8	**-1.2**	**2.9**	**3.5**	*-0.9*	*2.4*	*3.0*
Czechia	2.2	0.5	3.9	-5.5	7.7	1.5	**-3.0**	**0.1**	**3.3**	*-2.7*	*0.7*	*3.1*
Denmark	0.7	1.1	2.3	-0.3	7.4	-0.3	**-2.8**	**1.0**	**1.8**	*-1.7*	*1.4*	*1.6*
Hungary	-1.4	0.8	4.7	-2.6	6.3	4.1	**-5.6**	**2.7**	**4.6**	*-6.6*	*2.4*	*4.8*
Poland	4.7	2.4	4.2	-2.7	8.5	5.2	**-3.2**	**3.6**	**3.8**	*-2.7*	*2.7*	*3.0*
Romania	6.6	0.4	6.1	-2.1	6.9	4.3	**2.0**	**4.2**	**3.6**	*2.5*	*3.6*	*4.0*
Sweden	1.6	2.7	2.4	-2.3	6.1	3.8	**-2.5**	**0.0**	**1.9**	*-1.4*	*-0.1*	*1.0*
EU	1.0	0.3	2.4	-5.2	5.1	3.5	**-0.2**	**1.0**	**1.7**	*0.0*	*1.3*	*1.7*
United Kingdom	0.3	2.4	2.1	-11.9	9.3	4.8	**0.0**	**0.7**	**1.4**	*0.8*	*0.6*	*1.2*
Japan	-0.7	1.6	0.6	-3.3	1.5	1.5	**0.9**	**0.4**	**0.7**	*1.0*	*0.7*	*0.6*
United States	0.6	2.2	2.6	-1.9	6.8	2.2	**1.9**	**2.5**	**2.1**	*1.7*	*1.4*	*1.9*

Table 6: Final demand, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.5	2.5	2.8	-6.2	9.6	3.9	**-0.6**	**0.4**	**2.1**	*1.0*	*1.4*	*2.2*
Germany	1.1	3.0	2.5	-5.1	4.7	3.2	**-1.3**	**-0.1**	**1.5**	*-0.6*	*1.1*	*1.7*
Estonia	1.3	7.3	3.7	-0.4	14.8	1.9	**-4.7**	**-0.4**	**3.6**	*-4.6*	*2.5*	*3.4*
Ireland	2.7	3.3	14.4	2.0	3.1	12.2	**-2.0**	**2.2**	**4.2**	*-0.9*	*3.1*	*3.6*
Greece	1.0	-4.6	2.0	-8.7	11.1	6.1	**2.1**	**2.7**	**2.7**	*2.6*	*2.8*	*2.5*
Spain	1.2	-0.3	3.1	-12.1	8.3	6.1	**1.9**	**1.9**	**2.1**	*1.7*	*2.2*	*2.5*
France	1.0	1.9	2.1	-8.7	7.1	3.9	**0.4**	**1.0**	**1.8**	*0.8*	*1.6*	*1.7*
Croatia	1.2	-0.4	4.6	-9.8	14.4	13.7	**-0.2**	**3.3**	**2.9**	*-0.7*	*2.4*	*2.9*
Italy	-0.5	-0.3	1.6	-9.7	9.8	6.0	**0.5**	**0.9**	**1.7**	*0.9*	*1.2*	*1.9*
Cyprus	2.9	-0.7	6.9	-0.6	12.4	11.2	**3.7**	**3.0**	**2.9**	*1.8*	*2.6*	*2.9*
Latvia	2.0	4.0	3.4	-2.6	9.8	6.2	**-1.4**	**1.2**	**2.8**	*-0.6*	*2.6*	*3.1*
Lithuania	2.8	5.3	5.1	-1.8	11.6	6.7	**-2.5**	**2.7**	**4.2**	*-3.0*	*3.1*	*5.0*
Luxembourg	2.5	5.2	3.6	-0.6	10.4	-0.7	**-0.5**	**2.6**	**3.1**	*-0.6*	*2.6*	*3.0*
Malta	6.5	3.7	9.0	-2.4	7.9	10.2	**5.0**	**4.2**	**3.8**	*0.9*	*3.8*	*3.8*
Netherlands	1.8	1.9	3.5	-4.3	6.2	4.1	**-0.3**	**0.4**	**2.0**	*0.9*	*1.2*	*1.7*
Austria	1.4	2.1	2.6	-7.7	7.5	5.7	**-1.1**	**0.6**	**2.0**	*-0.5*	*1.5*	*1.9*
Portugal	0.6	-0.2	3.6	-9.4	7.6	8.1	**2.3**	**2.4**	**2.3**	*2.3*	*1.8*	*2.1*
Slovakia	5.0	4.7	4.0	-5.6	7.9	3.0	**-3.1**	**3.7**	**3.4**	*-2.5*	*3.9*	*3.1*
Slovenia	2.9	1.3	4.9	-6.3	12.1	5.3	**-1.6**	**3.3**	**3.1**	*-1.3*	*2.6*	*3.4*
Finland	1.3	1.2	2.4	-3.4	3.7	3.3	**-2.6**	**0.4**	**1.7**	*-1.4*	*1.1*	*1.8*
Euro area	1.0	1.6	2.9	-6.8	6.9	4.8	**-0.3**	**0.9**	**2.0**	*0.3*	*1.6*	*2.0*
Bulgaria	5.1	2.4	4.1	-4.1	8.7	8.0	**-1.5**	**2.4**	**3.4**	*-0.9*	*3.0*	*2.9*
Czechia	4.1	3.3	4.2	-6.6	7.3	4.0	**-0.5**	**1.2**	**3.4**	*-0.4*	*1.3*	*3.6*
Denmark	1.5	1.8	2.9	-2.5	7.5	4.0	**4.4**	**4.8**	**1.8**	*2.3*	*1.7*	*1.7*
Hungary	2.5	3.0	5.2	-4.2	7.2	7.3	**-2.5**	**2.9**	**5.0**	*-3.3*	*3.0*	*4.9*
Poland	5.3	3.7	5.3	-2.1	9.9	6.0	**-0.6**	**2.9**	**3.7**	*-2.3*	*2.7*	*3.7*
Romania	7.2	3.0	6.6	-4.1	8.4	5.8	**1.0**	**3.6**	**3.5**	*2.1*	*3.3*	*3.9*
Sweden	1.4	3.2	3.1	-3.3	7.7	4.7	**-0.4**	**0.6**	**2.3**	*-0.4*	*0.0*	*1.7*
EU	1.3	1.8	3.1	-6.3	7.1	4.9	**-0.2**	**1.1**	**2.2**	*0.2*	*1.6*	*2.2*
United Kingdom	0.7	2.6	2.3	-11.8	8.1	5.8	**-0.1**	**0.4**	**1.4**	*0.3*	*0.6*	*1.3*
Japan	-0.6	2.2	0.9	-4.5	2.9	2.0	**1.3**	**0.9**	**1.1**	*1.1*	*1.0*	*0.9*
United States	0.9	2.6	2.5	-3.1	6.8	2.7	**2.0**	**2.5**	**2.2**	*1.8*	*1.4*	*2.0*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.5	1.5	1.7	-8.2	6.3	3.2	**1.4**	**1.7**	**1.5**	*1.4*	*1.9*	*1.7*
Germany	0.4	1.1	1.8	-5.9	1.5	3.9	**-0.7**	**0.6**	**0.9**	*-0.7*	*0.6*	*0.9*
Estonia	2.0	2.7	4.3	-1.3	9.1	2.0	**-1.3**	**1.6**	**2.8**	*-1.9*	*3.1*	*2.7*
Ireland	2.9	0.3	3.4	-10.8	8.5	9.4	**3.1**	**2.3**	**3.1**	*3.2*	*2.9*	*2.9*
Greece	2.4	-5.3	1.0	-7.4	5.8	7.4	**1.8**	**1.7**	**1.6**	*2.8*	*1.9*	*1.7*
Spain	1.4	-1.3	2.3	-12.3	7.1	4.7	**1.8**	**2.1**	**1.9**	*1.5*	*2.0*	*2.2*
France	1.6	0.7	1.5	-6.6	5.1	2.3	**0.6**	**1.2**	**1.4**	*0.8*	*1.4*	*1.5*
Croatia	0.9	-1.4	2.8	-5.2	10.6	6.7	**3.0**	**4.3**	**2.7**	*3.7*	*2.8*	*2.9*
Italy	0.2	-1.0	1.2	-10.4	5.5	4.9	**1.2**	**0.2**	**1.4**	*1.3*	*1.0*	*1.3*
Cyprus	3.7	-1.2	4.4	-6.4	5.6	8.6	**4.2**	**2.2**	**1.9**	*4.1*	*2.0*	*2.2*
Latvia	2.4	2.9	2.3	-4.3	7.3	7.2	**-1.3**	**1.7**	**2.0**	*-1.7*	*2.9*	*3.0*
Lithuania	3.3	2.4	3.6	-3.3	8.1	2.0	**-1.0**	**3.2**	**4.5**	*-1.3*	*3.4*	*4.6*
Luxembourg	2.1	2.2	2.9	-8.5	11.4	2.3	**4.0**	**2.9**	**2.4**	*2.0*	*1.9*	*2.1*
Malta	1.8	2.4	4.9	-10.7	8.2	10.9	**7.7**	**4.3**	**4.0**	*5.4*	*3.8*	*4.5*
Netherlands	0.3	-0.3	1.7	-6.4	4.3	6.6	**0.4**	**1.6**	**1.7**	*0.3*	*0.6*	*1.6*
Austria	1.4	0.6	1.1	-8.5	4.2	5.7	**-0.3**	**1.3**	**2.0**	*-0.3*	*1.1*	*1.5*
Portugal	0.9	-1.1	2.5	-7.0	4.7	5.6	**1.7**	**1.8**	**1.9**	*0.9*	*1.1*	*1.7*
Slovakia	5.1	0.0	3.6	-1.1	2.6	6.1	**-3.2**	**0.8**	**1.8**	*-1.6*	*1.5*	*1.8*
Slovenia	2.9	-0.6	3.5	-6.5	10.3	3.6	**1.3**	**1.5**	**2.2**	*-0.4*	*1.7*	*2.0*
Finland	1.9	1.3	1.4	-3.8	3.2	1.8	**0.4**	**0.5**	**1.4**	*-0.1*	*0.8*	*1.1*
Euro area	1.0	0.0	1.7	-7.7	4.4	4.2	**0.5**	**1.1**	**1.5**	*0.6*	*1.2*	*1.5*
Bulgaria	5.2	1.1	3.4	-0.6	8.5	3.8	**5.4**	**2.7**	**2.9**	*6.3*	*1.4*	*2.4*
Czechia	2.8	0.6	3.6	-7.2	4.1	-0.6	**-3.1**	**2.3**	**3.7**	*-3.1*	*2.5*	*3.7*
Denmark	1.1	0.6	2.4	-1.4	5.5	-1.4	**1.0**	**2.1**	**1.5**	*0.6*	*1.3*	*1.6*
Hungary	-0.6	-0.1	4.7	-1.2	4.6	7.1	**-2.0**	**4.0**	**4.1**	*-3.9*	*3.0*	*4.4*
Poland	4.4	1.9	4.3	-3.4	6.1	5.5	**-1.0**	**3.0**	**3.5**	*-1.2*	*2.1*	*2.4*
Romania	7.3	0.0	7.2	-3.9	7.2	5.8	**2.8**	**3.6**	**3.4**	*1.4*	*2.3*	*2.7*
Sweden	2.3	2.3	2.3	-3.2	6.3	2.3	**-2.5**	**0.5**	**2.5**	*-2.0*	*-0.5*	*1.0*
EU	1.2	0.2	2.0	-7.1	4.6	4.1	**0.4**	**1.3**	**1.7**	*0.4*	*1.3*	*1.6*
United Kingdom	0.6	1.8	2.3	-13.2	7.4	5.0	**0.3**	**0.4**	**1.5**	*0.5*	*0.5*	*1.2*
Japan	0.2	1.1	0.0	-4.4	0.8	2.2	**0.6**	**0.1**	**0.7**	*0.9*	*0.9*	*0.7*
United States	1.5	1.8	2.6	-2.5	8.4	2.5	**2.2**	**2.4**	**1.9**	*2.2*	*1.2*	*1.6*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.5	0.7	1.0	-0.1	5.2	4.5	**1.6**	**0.8**	**1.1**	*0.2*	*0.8*	*1.1*
Germany	2.1	1.4	2.4	4.1	3.1	1.6	**-1.5**	**1.5**	**1.2**	*-2.5*	*1.0*	*0.7*
Estonia	3.0	1.8	2.4	3.0	3.8	0.1	**0.9**	**2.0**	**1.5**	*2.7*	*0.8*	*1.5*
Ireland	2.7	-0.9	4.6	10.3	6.6	4.5	**1.9**	**1.1**	**0.8**	*1.7*	*0.6*	*0.8*
Greece	3.1	-4.7	0.1	3.0	1.8	2.1	**1.7**	**0.4**	**0.0**	*4.1*	*-2.3*	*0.5*
Spain	5.4	-1.1	1.6	3.6	3.4	-0.2	**3.8**	**1.8**	**1.3**	*1.6*	*0.4*	*1.4*
France	1.6	1.3	1.1	-4.1	6.6	2.5	**0.5**	**0.9**	**0.8**	*1.0*	*1.1*	*0.8*
Croatia	3.8	0.4	1.5	3.5	3.1	2.7	**6.6**	**3.1**	**2.6**	*3.8*	*2.4*	*2.0*
Italy	0.4	-1.0	-0.1	0.1	1.4	1.0	**1.2**	**0.5**	**0.8**	*0.6*	*0.4*	*0.1*
Cyprus	5.1	-2.5	3.8	11.0	7.5	2.7	**1.6**	**2.5**	**1.4**	*5.7*	*3.0*	*1.7*
Latvia	0.8	-0.2	2.9	2.1	3.5	2.8	**7.0**	**2.6**	**3.3**	*4.7*	*4.2*	*2.6*
Lithuania	1.3	-0.3	0.0	-1.4	1.2	0.4	**0.2**	**0.7**	**-0.4**	*0.7*	*2.0*	*0.0*
Luxembourg	2.2	3.1	3.0	7.3	5.1	2.6	**2.5**	**3.0**	**2.1**	*4.1*	*3.1*	*0.7*
Malta	2.5	2.9	4.8	14.8	6.8	1.9	**3.3**	**3.0**	**2.7**	*2.8*	*2.7*	*3.6*
Netherlands	4.1	0.0	1.3	1.6	5.0	1.6	**3.0**	**2.6**	**2.0**	*3.0*	*3.0*	*2.2*
Austria	2.6	0.3	1.2	-0.4	7.5	0.0	**-0.4**	**0.1**	**0.5**	*-1.9*	*0.8*	*0.3*
Portugal	1.2	-2.3	0.9	0.3	4.5	1.4	**1.0**	**2.1**	**1.2**	*1.9*	*2.3*	*1.7*
Slovakia	5.2	0.6	2.6	-0.6	4.2	-4.5	**-0.6**	**3.4**	**1.0**	*-1.1*	*1.2*	*0.9*
Slovenia	3.0	-0.9	2.0	4.2	6.1	-0.5	**2.4**	**6.9**	**2.0**	*2.4*	*2.8*	*2.2*
Finland	1.5	0.2	1.3	1.2	3.9	-1.0	**4.5**	**0.0**	**-0.7**	*3.6*	*-0.3*	*0.4*
Euro area	2.2	0.3	1.4	1.1	4.2	1.6	**0.7**	**1.3**	**1.1**	*0.2*	*1.0*	*0.9*
Bulgaria	0.2	0.6	3.1	8.3	0.4	5.5	**-0.4**	**3.5**	**5.0**	*3.8*	*5.2*	*5.1*
Czechia	1.3	-0.3	2.5	4.2	1.4	0.3	**3.5**	**1.8**	**2.2**	*2.3*	*1.8*	*2.1*
Denmark	2.2	0.7	0.7	-1.7	4.6	-2.8	**0.0**	**1.7**	**2.4**	*0.9*	*2.6*	*2.4*
Hungary	0.6	1.4	2.6	-0.1	1.8	2.9	**1.2**	**0.8**	**1.5**	*2.0*	*0.7*	*1.8*
Poland	4.0	1.4	3.4	4.9	5.0	0.5	**2.8**	**5.7**	**2.3**	*1.6*	*3.5*	*3.2*
Romania	1.7	1.7	2.2	1.1	1.8	-3.3	**6.0**	**6.8**	**1.6**	*3.4*	*3.3*	*4.1*
Sweden	1.2	1.2	1.4	-1.8	3.3	-0.1	**1.5**	**1.7**	**0.5**	*1.0*	*0.9*	*0.3*
EU	2.1	0.4	1.5	1.1	4.1	1.3	**0.9**	**1.6**	**1.2**	*0.4*	*1.2*	*1.1*
United Kingdom	1.9	0.8	1.4	-7.9	14.9	2.3	**0.5**	**3.9**	**1.9**	*0.2*	*1.6*	*1.2*
Japan	0.9	1.6	1.3	2.4	3.4	1.7	**0.9**	**0.6**	**0.5**	*0.5*	*0.2*	*0.1*
United States	2.1	-1.4	1.7	2.9	0.3	-0.9	**2.7**	**1.8**	**1.5**	*2.7*	*1.7*	*1.1*

Table 9: Total investment, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.9	1.7	3.5	-5.1	4.9	-0.2	**3.6**	**1.5**	**1.5**	*4.6*	*1.8*	*1.5*
Germany	0.7	2.8	2.6	-2.4	-0.2	0.1	**-0.7**	**-1.0**	**1.0**	*0.4*	*0.6*	*1.6*
Estonia	-3.1	8.0	6.3	10.8	7.3	-3.7	**-3.4**	**-1.7**	**4.0**	*-13.3*	*2.1*	*4.3*
Ireland	-1.6	2.3	32.9	-16.5	-40.4	5.1	**2.9**	**1.5**	**2.4**	*-2.9*	*2.5*	*3.2*
Greece	-0.5	-15.7	0.8	2.0	19.3	11.7	**4.0**	**6.7**	**8.4**	*6.9*	*7.5*	*5.7*
Spain	-1.2	-4.1	5.0	-9.0	2.8	2.4	**0.8**	**1.9**	**2.9**	*2.4*	*3.4*	*3.0*
France	0.6	0.7	3.1	-6.8	10.3	2.2	**0.8**	**-0.5**	**1.1**	*2.2*	*1.8*	*1.6*
Croatia	1.9	-4.8	5.5	-5.0	6.6	0.1	**4.2**	**3.1**	**3.4**	*4.2*	*3.4*	*3.4*
Italy	-1.6	-4.1	2.7	-7.9	20.3	8.6	**4.7**	**1.3**	**0.7**	*0.6*	*0.1*	*2.6*
Cyprus	5.3	-11.4	12.6	5.7	0.0	8.3	**19.5**	**3.6**	**5.1**	*4.1*	*2.7*	*3.5*
Latvia	-0.1	1.8	2.6	-2.2	7.2	0.6	**8.2**	**2.8**	**3.5**	*6.0*	*3.5*	*4.5*
Lithuania	-0.9	6.5	6.8	-0.2	9.4	3.6	**10.6**	**3.8**	**4.4**	*7.6*	*3.8*	*4.4*
Luxembourg	1.3	5.6	0.9	-6.7	16.9	-7.7	**-1.0**	**0.1**	**3.3**	*-0.9*	*2.1*	*5.2*
Malta	1.2	3.7	12.1	-6.0	14.2	31.4	**-22.2**	**4.5**	**4.5**	*-21.2*	*4.0*	*3.6*
Netherlands	2.4	-2.5	6.5	-2.6	2.9	1.8	**1.8**	**-2.1**	**1.2**	*4.3*	*0.3*	*1.0*
Austria	0.0	1.2	3.9	-5.5	6.1	0.1	**-2.4**	**-2.2**	**2.3**	*-2.7*	*0.1*	*0.9*
Portugal	-1.0	-6.9	6.3	-2.2	8.1	3.0	**2.5**	**3.9**	**3.7**	*0.9*	*3.6*	*3.8*
Slovakia	2.7	3.1	4.5	-10.9	3.5	5.7	**10.6**	**1.1**	**7.0**	*5.0*	*2.5*	*3.3*
Slovenia	1.3	-4.9	4.0	-7.2	12.6	3.5	**9.5**	**3.8**	**3.4**	*8.5*	*3.4*	*5.1*
Finland	0.4	-0.2	3.2	-1.0	1.0	2.5	**-4.2**	**0.2**	**4.0**	*-4.1*	*0.9*	*1.9*
Euro area	0.1	-0.6	4.5	-5.9	3.5	2.5	**1.2**	**0.1**	**1.6**	*1.2*	*1.3*	*2.0*
Bulgaria	10.2	-3.6	1.7	0.6	-8.3	6.5	**3.3**	**3.5**	**3.0**	*-2.2*	*4.0*	*3.3*
Czechia	3.3	-0.2	5.4	-6.0	0.8	3.0	**4.0**	**3.0**	**2.4**	*2.4*	*2.4*	*2.9*
Denmark	0.6	0.8	4.0	4.3	6.6	3.2	**-5.0**	**-1.9**	**1.8**	*-4.9*	*0.4*	*1.0*
Hungary	0.1	1.3	8.0	-7.1	5.7	1.4	**-7.4**	**1.6**	**8.2**	*-9.6*	*2.6*	*8.2*
Poland	9.5	3.2	3.7	-2.3	1.2	2.7	**13.1**	**3.5**	**6.0**	*8.0*	*3.8*	*4.7*
Romania	10.7	1.6	4.6	1.1	2.9	5.9	**14.4**	**6.8**	**6.1**	*8.2*	*7.3*	*6.8*
Sweden	1.7	3.5	3.5	1.7	7.1	6.2	**-1.5**	**-1.4**	**2.1**	*-1.2*	*-0.2*	*1.5*
EU	0.6	-0.2	4.5	-5.2	3.5	2.7	**1.5**	**0.3**	**2.0**	*1.2*	*1.5*	*2.3*
United Kingdom	-1.0	3.3	3.5	-10.8	7.4	8.0	**2.2**	**-2.2**	**0.5**	*3.0*	*-0.5*	*1.3*
Japan	-2.6	2.0	1.2	-3.6	-0.1	-1.4	**2.1**	**1.0**	**1.1**	*2.1*	*0.8*	*0.6*
United States	-1.9	4.5	3.5	-1.0	5.3	0.9	**2.1**	**3.8**	**3.2**	*1.6*	*2.2*	*3.4*

Table 10: Investment in construction, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.9	1.2	2.8	-5.5	3.5	-2.1	**-0.3**	**-0.1**	**1.3**	*0.6*	*1.1*	*1.6*
Germany	-0.7	2.5	1.4	3.9	-2.6	-1.8	**-2.7**	**-1.3**	**0.6**	*-1.4*	*-0.8*	*1.2*
Estonia	-2.2	4.9	7.4	-1.4	8.5	-5.1	**6.5**	**1.3**	**4.3**	*-2.4*	*2.5*	*4.3*
Ireland	-6.2	-6.0	9.0	-10.0	-2.1	2.8	**-1.1**	**0.3**	**2.0**	*1.1*	*0.7*	*1.6*
Greece	-3.4	-20.4	-4.5	3.1	16.7	16.6	**13.6**	**8.5**	**8.1**	*11.8*	*6.3*	*5.6*
Spain	-2.0	-8.0	5.2	-9.2	0.4	2.6	**2.3**	**1.6**	**2.6**	*3.2*	*2.4*	*3.0*
France	0.5	-0.6	2.2	-9.0	11.8	-0.7	**-2.5**	**-3.1**	**0.5**	*-1.4*	*-1.1*	*0.8*
Croatia	0.7	-6.0	3.2	-4.3	4.5	-1.3	**3.8**	**2.3**	**2.6**	*4.0*	*2.5*	*2.0*
Italy	-2.1	-6.6	0.9	-6.4	28.5	11.8	**3.1**	**-2.0**	**-5.9**	*-3.2*	*-2.6*	*0.7*
Cyprus	4.2	-13.8	14.1	0.2	15.6	1.5	**4.9**	**21.6**	**5.7**	*3.5*	*1.2*	*1.6*
Latvia	2.6	-0.7	-0.1	-3.7	-0.5	-11.1	**18.9**	**5.3**	**5.3**	*12.5*	*6.3*	*6.4*
Lithuania	0.9	3.5	4.8	0.2	1.5	6.7	**10.6**	**4.4**	**4.3**	*7.2*	*4.1*	*4.6*
Luxembourg	2.6	1.8	2.1	-7.5	11.2	2.0	**-4.7**	**-2.8**	**4.1**	*-3.8*	*0.2*	*4.1*
Malta	-3.3	0.7	12.1	-3.3	6.7	-7.4	**-9.9**	**2.5**	**3.9**	*-7.5*	*1.4*	*2.4*
Netherlands	2.0	-5.5	8.0	0.4	3.1	1.9	**0.0**	**-2.7**	**1.0**	*0.9*	*-1.8*	*0.7*
Austria	-1.6	-0.3	2.5	-3.6	1.8	-2.0	**-5.9**	**-2.5**	**2.0**	*-4.4*	*-0.3*	*0.6*
Portugal	-3.5	-10.1	5.6	0.7	7.7	1.3	**-0.4**	**2.5**	**2.8**	*0.6*	*2.9*	*3.3*
Slovakia	5.2	-2.4	2.9	4.1	1.3	6.1	**3.8**	**1.4**	**5.5**	*3.6*	*2.3*	*2.3*
Slovenia	1.6	-8.7	1.0	-4.3	7.5	2.2	**23.7**	**4.2**	**4.6**	*24.9*	*6.7*	*4.0*
Finland	-0.3	1.0	3.7	-0.6	-1.1	2.4	**-8.2**	**-1.4**	**4.2**	*-5.6*	*0.3*	*1.9*
Euro area	-0.8	-2.6	2.7	-3.3	5.8	1.3	**-0.8**	**-1.3**	**0.4**	*-0.8*	*-0.5*	*1.4*
Bulgaria	17.4	-8.3	-3.0	-0.1	-12.5	10.7	**-1.5**	**3.5**	**5.0**	*-4.3*	*4.6*	*3.0*
Czechia	1.8	-2.7	4.0	-1.8	-2.6	0.2	**-2.6**	**3.1**	**1.4**	*-4.1*	*0.7*	*3.9*
Denmark	-2.4	0.2	5.0	5.0	9.7	-3.8	**-3.6**	**-0.6**	**1.1**	*-3.7*	*-0.5*	*1.1*
Hungary	-1.7	-2.1	8.1	-4.1	0.3	2.0	**-13.2**	**-0.1**	**8.3**	*-17.2*	*-0.1*	*7.7*
Poland	10.1	2.5	2.4	-3.3	4.5	3.7	**10.1**	**3.1**	**5.4**	*7.3*	*3.0*	*3.3*
Romania	12.2	2.9	8.6	11.4	0.8	-6.9	**19.8**	**7.4**	**8.7**	*11.3*	*9.3*	*8.1*
Sweden	1.1	2.8	4.4	0.9	2.6	2.5	**-5.6**	**-1.5**	**2.8**	*-5.7*	*-4.2*	*0.0*
EU	-0.3	-2.1	2.9	-2.7	5.4	1.2	**-0.5**	**-0.8**	**1.1**	*-0.8*	*-0.1*	*1.8*
United Kingdom	-3.2	2.5	4.3	-15.1	10.4	7.4	**-1.2**	**-2.5**	**0.1**	*-0.3*	*-1.9*	*1.3*
Japan	-5.1	1.4	1.1	-2.3	-1.2	-4.5	**2.0**	**0.4**	**1.1**	*2.2*	*0.9*	*0.6*
United States	-6.2	1.4	2.6	-0.2	2.2	-6.4	**0.9**	**5.6**	**2.3**	*-0.3*	*2.6*	*3.3*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	-0.2	1.3	3.9	-8.0	6.8	0.0	**4.2**	**2.7**	**1.7**	*8.8*	*2.5*	*1.6*
Germany	1.0	3.7	3.4	-11.1	2.8	4.0	**3.0**	**-1.7**	**1.6**	*3.8*	*2.7*	*2.7*
Estonia	-7.2	13.2	3.5	-15.0	17.4	32.6	**-21.9**	**-6.6**	**2.9**	*-31.2*	*5.0*	*4.9*
Ireland	4.7	8.9	9.7	-30.9	14.2	32.5	**-4.2**	**-0.7**	**1.0**	*0.2*	*0.1*	*1.2*
Greece	3.7	-12.5	3.3	-2.2	28.6	15.1	**-2.4**	**6.9**	**11.1**	*5.2*	*10.1*	*6.9*
Spain	-1.8	0.8	5.3	-12.6	4.4	1.9	**-1.6**	**2.0**	**4.0**	*1.0*	*5.3*	*3.6*
France	-1.0	1.8	4.0	-10.4	9.4	3.2	**4.2**	**1.2**	**1.2**	*5.7*	*4.3*	*1.6*
Croatia	3.4	-3.8	8.0	-7.9	5.3	6.2	**9.0**	**4.8**	**5.1**	*5.6*	*5.5*	*5.9*
Italy	-1.9	-2.5	4.5	-13.0	18.4	6.9	**6.4**	**5.3**	**8.1**	*4.5*	*2.5*	*4.9*
Cyprus	7.6	-13.3	10.9	17.5	-40.3	14.8	**114.4**	**-25.4**	**4.0**	*17.0*	*10.0*	*12.0*
Latvia	-7.1	6.8	6.1	-2.8	15.8	9.4	**-0.3**	**0.3**	**0.9**	*0.8*	*1.1*	*2.5*
Lithuania	-7.7	13.6	9.7	-2.9	24.9	0.3	**14.0**	**2.0**	**4.7**	*10.1*	*1.6*	*4.7*
Luxembourg	-0.5	13.1	-3.6	-4.3	33.9	-26.4	**3.4**	**4.8**	**-0.8**	*4.7*	*5.5*	*7.1*
Malta	6.2	5.3	8.1	-23.4	34.4	126.9	**-46.1**	**:**	**:**	*:*	*:*	*:*
Netherlands	2.5	-0.4	6.1	-11.1	2.0	-0.7	**5.8**	**-3.7**	**1.4**	*11.1*	*3.7*	*1.0*
Austria	0.4	1.3	4.7	-8.5	7.9	-0.4	**-1.7**	**-6.7**	**0.2**	*-2.9*	*-0.9*	*0.4*
Portugal	1.8	-4.0	8.3	-11.1	12.7	6.4	**7.5**	**6.6**	**5.3**	*2.4*	*5.6*	*4.8*
Slovakia	0.8	8.6	4.5	-24.6	8.9	4.0	**21.5**	**0.8**	**8.7**	*7.2*	*2.8*	*4.7*
Slovenia	-0.8	-1.1	7.2	-12.0	21.8	5.7	**-3.7**	**0.5**	**2.2**	*-6.0*	*0.0*	*7.3*
Finland	1.1	-0.4	4.3	-1.0	3.0	1.5	**4.1**	**3.3**	**3.9**	*-2.2*	*2.3*	*0.6*
Euro area	0.0	1.2	4.4	-11.6	8.1	4.5	**3.3**	**0.5**	**3.1**	*3.8*	*3.0*	*2.7*
Bulgaria	0.8	4.3	4.1	3.3	-3.6	2.3	**7.0**	**3.5**	**0.6**	*0.8*	*2.2*	*3.4*
Czechia	4.1	2.1	4.1	-11.5	4.7	0.4	**16.2**	**1.7**	**2.4**	*12.8*	*2.9*	*1.8*
Denmark	0.8	1.7	2.0	-1.7	9.3	-5.0	**-4.8**	**-4.4**	**3.4**	*-1.3*	*-0.1*	*0.1*
Hungary	-0.2	5.5	9.0	-9.3	9.1	2.2	**0.7**	**3.7**	**7.8**	*2.2*	*5.5*	*7.9*
Poland	8.3	4.5	4.9	-4.7	-3.1	0.8	**20.2**	**4.0**	**7.1**	*10.0*	*4.9*	*6.7*
Romania	10.0	-0.2	-1.7	-10.2	5.9	26.4	**8.8**	**6.3**	**2.4**	*2.6*	*3.2*	*4.0*
Sweden	2.2	4.7	3.5	-6.3	11.0	8.3	**2.0**	**-0.1**	**1.7**	*1.3*	*2.7*	*2.6*
EU	0.6	1.5	4.3	-10.8	7.5	4.6	**4.2**	**0.8**	**3.3**	*4.0*	*3.0*	*2.9*
United Kingdom	-0.3	5.1	1.7	-9.9	6.6	15.5	**10.7**	**-4.0**	**0.6**	*11.1*	*1.5*	*1.4*
Japan	-1.2	3.7	2.1	-6.5	1.1	-0.1	**1.4**	**1.9**	**1.2**	*1.5*	*0.7*	*0.7*
United States	0.1	9.1	2.4	-8.4	5.3	3.7	**0.2**	**1.0**	**3.8**	*0.5*	*1.9*	*3.5*

Table 12: Public investment (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.1	2.4	2.5	2.8	2.8	2.7	**2.9**	**3.1**	**2.9**	*2.9*	*3.2*	*3.0*
Germany	2.1	2.2	2.3	2.7	2.6	2.6	**2.7**	**2.8**	**2.9**	*2.6*	*2.7*	*2.9*
Estonia	5.6	5.3	5.2	5.7	5.6	5.1	**6.3**	**7.0**	**6.9**	*5.2*	*5.4*	*5.4*
Ireland	4.2	2.4	2.0	2.4	2.1	2.1	**2.3**	**2.6**	**2.7**	*2.1*	*2.3*	*2.4*
Greece	5.3	3.2	3.5	3.1	3.6	3.7	**3.9**	**4.4**	**4.3**	*4.0*	*4.0*	*4.7*
Spain	4.6	3.2	2.2	2.6	2.7	2.8	**3.0**	**3.1**	**3.1**	*2.7*	*2.7*	*2.7*
France	4.5	4.5	3.9	4.2	4.1	4.2	**4.3**	**4.3**	**4.2**	*3.9*	*3.9*	*3.7*
Croatia	5.5	3.8	3.4	5.5	4.6	3.7	**5.4**	**5.5**	**5.6**	*4.6*	*4.5*	*4.4*
Italy	3.3	2.7	2.3	2.6	2.9	2.7	**3.2**	**3.2**	**3.5**	*2.8*	*3.3*	*3.4*
Cyprus	3.5	3.1	2.9	2.8	2.6	2.6	**3.5**	**3.6**	**3.7**	*3.1*	*3.7*	*3.1*
Latvia	5.0	5.0	4.7	5.7	5.4	3.9	**4.2**	**5.5**	**6.1**	*5.3*	*6.4*	*6.7*
Lithuania	4.6	4.2	3.3	4.5	3.2	3.2	**4.2**	**4.4**	**4.0**	*3.7*	*3.9*	*3.5*
Luxembourg	4.2	4.0	3.9	4.7	4.1	4.2	**4.7**	**4.6**	**4.9**	*4.5*	*4.6*	*4.4*
Malta	3.4	3.0	3.2	3.9	3.9	3.4	**3.5**	**3.7**	**3.9**	*4.5*	*3.9*	*4.4*
Netherlands	4.0	3.8	3.5	3.7	3.4	3.2	**3.1**	**3.2**	**3.2**	*3.1*	*3.1*	*3.2*
Austria	3.1	3.0	3.1	3.3	3.6	3.4	**3.5**	**3.5**	**3.4**	*3.4*	*3.5*	*3.6*
Portugal	3.7	3.1	1.8	2.3	2.6	2.4	**2.5**	**3.1**	**3.4**	*2.7*	*3.2*	*3.4*
Slovakia	3.6	3.6	4.1	3.4	3.1	3.1	**4.7**	**4.1**	**4.5**	*4.8*	*3.7*	*4.0*
Slovenia	4.5	4.5	3.7	4.1	4.7	5.4	**5.3**	**5.8**	**5.4**	*6.0*	*5.9*	*5.7*
Finland	3.6	4.0	4.1	4.8	4.2	4.2	**4.0**	**4.2**	**4.7**	*4.1*	*4.3*	*4.7*
Euro area	3.5	3.2	2.8	3.1	3.1	3.1	**3.3**	**3.4**	**3.5**	*3.1*	*3.2*	*3.3*
Bulgaria	4.7	4.2	3.6	3.3	2.7	2.3	**3.5**	**2.5**	**3.5**	*3.1*	*2.8*	*3.9*
Czechia	5.3	4.3	4.0	4.8	4.7	4.7	**5.0**	**4.9**	**4.9**	*4.9*	*4.7*	*4.7*
Denmark	3.0	3.6	3.5	3.6	3.2	3.1	**3.2**	**3.3**	**3.3**	*3.4*	*3.4*	*3.4*
Hungary	4.0	4.1	5.2	6.5	6.3	5.4	**5.1**	**4.6**	**4.7**	*4.8*	*4.1*	*4.1*
Poland	4.2	5.1	4.1	4.5	4.1	3.8	**5.0**	**5.1**	**5.4**	*4.5*	*4.6*	*4.7*
Romania	5.3	4.8	3.5	4.6	4.2	4.4	**5.3**	**5.2**	**4.8**	*4.7*	*4.2*	*4.2*
Sweden	4.2	4.4	4.6	5.0	4.7	4.8	**5.0**	**5.2**	**5.3**	*5.0*	*5.1*	*5.2*
EU	3.6	3.3	3.0	3.4	3.3	3.2	**3.5**	**3.6**	**3.7**	*3.3*	*3.4*	*3.5*
United Kingdom	2.6	2.8	2.7	3.1	3.1	3.1	**3.3**	**3.3**	**3.1**	*3.3*	*3.3*	*3.3*
Japan	3.7	3.8	3.7	4.3	4.2	3.9	**3.7**	**3.6**	**3.6**	*4.1*	*3.9*	*3.8*
United States	3.9	3.6	3.3	3.6	3.3	3.5	**3.4**	**3.5**	**3.5**	*3.3*	*3.4*	*3.3*

Table 13: Potential GDP, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.8	1.2	1.4	1.4	1.6	1.8	**1.9**	**1.6**	**1.5**	*1.9*	*1.7*	*1.6*
Germany	1.2	1.2	1.4	0.7	0.6	0.7	**0.8**	**0.6**	**0.6**	*0.8*	*0.8*	*0.8*
Estonia	3.9	1.1	3.3	3.3	2.7	1.5	**1.3**	**0.7**	**1.0**	*1.0*	*1.1*	*1.0*
Ireland	2.7	0.8	11.3	6.8	4.3	5.0	**4.3**	**3.6**	**3.3**	*4.5*	*4.3*	*3.8*
Greece	1.9	-2.2	-1.4	-1.1	-0.6	0.2	**0.6**	**1.2**	**1.6**	*0.7*	*1.5*	*1.6*
Spain	3.0	0.2	0.5	0.1	0.6	1.5	**1.9**	**1.9**	**2.0**	*1.7*	*1.8*	*2.0*
France	1.6	1.0	0.8	0.7	1.1	1.1	**1.1**	**1.1**	**1.0**	*1.2*	*1.2*	*1.1*
Croatia	2.3	-0.1	1.7	2.6	2.6	3.7	**4.1**	**3.6**	**3.2**	*3.9*	*3.5*	*3.1*
Italy	0.4	-0.2	0.0	0.3	0.0	1.2	**1.1**	**1.0**	**1.1**	*1.0*	*0.8*	*0.9*
Cyprus	3.5	0.2	2.5	3.7	3.6	3.4	**4.1**	**3.7**	**3.5**	*3.8*	*3.5*	*3.2*
Latvia	4.7	-0.2	2.5	1.9	2.7	1.5	**1.9**	**1.9**	**2.1**	*2.1*	*2.1*	*2.2*
Lithuania	5.1	1.3	2.8	3.9	4.1	3.6	**2.8**	**2.5**	**2.3**	*3.5*	*2.8*	*2.3*
Luxembourg	3.2	2.1	2.4	2.2	2.3	2.0	**1.8**	**1.9**	**1.8**	*1.9*	*1.7*	*1.7*
Malta	3.0	3.8	7.2	4.8	3.9	6.7	**5.1**	**4.9**	**4.9**	*4.6*	*4.2*	*4.0*
Netherlands	1.6	0.5	1.6	1.7	1.8	1.9	**2.1**	**1.8**	**1.7**	*2.2*	*2.0*	*1.9*
Austria	1.8	0.9	1.1	0.8	1.0	1.1	**1.0**	**0.8**	**0.8**	*1.1*	*1.1*	*1.1*
Portugal	0.5	-0.6	1.3	1.3	2.1	1.9	**2.1**	**2.2**	**2.2**	*2.0*	*2.1*	*2.0*
Slovakia	5.5	2.7	2.4	1.4	1.5	1.7	**2.8**	**2.3**	**2.4**	*2.2*	*1.8*	*1.8*
Slovenia	3.3	1.0	1.5	2.2	2.4	2.4	**3.0**	**2.9**	**2.9**	*2.9*	*2.9*	*2.8*
Finland	1.8	0.2	1.0	0.7	0.7	1.2	**1.1**	**0.6**	**0.6**	*1.0*	*1.0*	*1.1*
Euro area	1.5	0.7	1.2	0.9	0.9	1.3	**1.4**	**1.2**	**1.2**	*1.4*	*1.4*	*1.3*
Bulgaria	5.0	1.0	2.5	2.2	2.4	2.5	**2.3**	**2.7**	**2.1**	*2.4*	*2.1*	*1.9*
Czechia	3.8	1.4	2.5	1.7	0.5	1.1	**2.0**	**1.5**	**1.5**	*1.5*	*1.5*	*1.6*
Denmark	1.5	1.0	1.9	1.9	2.3	2.4	**2.2**	**1.8**	**1.5**	*1.8*	*1.6*	*1.4*
Hungary	2.2	0.5	2.9	3.2	3.3	3.1	**2.1**	**2.2**	**2.5**	*2.2*	*2.2*	*2.3*
Poland	3.9	3.6	3.6	3.5	3.2	4.4	**3.1**	**2.8**	**2.8**	*3.0*	*2.9*	*2.6*
Romania	5.9	1.3	4.3	3.3	2.5	2.6	**2.9**	**2.8**	**2.7**	*2.9*	*2.9*	*2.9*
Sweden	2.3	1.7	2.3	2.0	2.1	1.9	**1.7**	**1.4**	**1.5**	*1.5*	*1.4*	*1.4*
EU	1.7	0.8	1.4	1.1	1.1	1.5	**1.5**	**1.4**	**1.4**	*1.5*	*1.5*	*1.4*
United Kingdom	1.8	1.1	1.5	0.6	1.1	1.0	**1.2**	**1.1**	**1.1**	*1.3*	*1.3*	*1.3*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	2.0	1.5	2.1	2.3	2.1	2.0	**2.1**	**2.3**	**2.2**	*2.1*	*2.0*	*2.0*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	0.8	-0.7	0.4	-5.6	-0.7	0.5	**0.0**	**-0.4**	**-0.5**	*-0.1*	*-0.4*	*-0.5*
Germany	-0.6	-0.2	0.8	-3.3	-0.8	0.3	**-0.8**	**-1.2**	**-0.8**	*-0.9*	*-1.0*	*-0.6*
Estonia	3.7	-2.6	1.0	-2.4	1.9	-0.1	**-4.4**	**-5.6**	**-3.5**	*-4.6*	*-3.8*	*-2.2*
Ireland	0.1	-1.4	-0.1	-5.2	4.6	9.1	**1.2**	**-1.1**	**-0.8**	*2.1*	*0.9*	*0.6*
Greece	0.6	-15.0	-10.9	-14.0	-6.2	-1.1	**0.3**	**1.2**	**2.0**	*0.3*	*1.0*	*1.7*
Spain	1.1	-7.8	-0.8	-9.1	-3.9	0.2	**0.8**	**1.0**	**0.9**	*0.7*	*0.6*	*0.6*
France	0.9	-1.6	0.3	-6.0	-1.0	0.3	**-0.1**	**-0.4**	**-0.2**	*0.0*	*0.0*	*0.3*
Croatia	3.6	-3.6	-0.2	-8.9	0.4	3.6	**2.5**	**2.2**	**1.8**	*2.0*	*1.0*	*0.8*
Italy	1.3	-2.9	-1.4	-9.0	-1.4	1.3	**1.1**	**1.0**	**1.0**	*1.2*	*1.2*	*1.6*
Cyprus	3.7	-4.6	-0.3	-3.4	2.5	4.2	**2.6**	**1.6**	**0.9**	*2.1*	*1.3*	*1.0*
Latvia	3.5	-4.3	1.9	-3.9	-0.1	1.3	**-0.9**	**-1.1**	**-0.6**	*-1.3*	*-1.0*	*-0.3*
Lithuania	2.5	-3.6	2.3	-0.1	2.0	0.9	**-2.2**	**-2.7**	**-2.1**	*-2.6*	*-2.8*	*-1.8*
Luxembourg	1.0	-1.8	-0.5	-3.8	0.8	0.2	**-2.7**	**-3.1**	**-2.6**	*-2.3*	*-2.6*	*-2.4*
Malta	-0.1	-0.9	2.7	-9.4	-1.8	-0.5	**0.0**	**-0.3**	**-0.9**	*-1.0*	*-1.2*	*-1.1*
Netherlands	0.0	-2.1	0.1	-4.4	-0.3	2.0	**0.0**	**-1.1**	**-1.3**	*0.1*	*-0.8*	*-1.0*
Austria	0.2	-0.7	0.5	-5.3	-2.2	1.4	**-0.5**	**-1.0**	**-0.3**	*-0.4*	*-0.5*	*-0.2*
Portugal	-0.7	-2.8	0.6	-6.7	-3.4	1.3	**1.4**	**0.9**	**0.6**	*1.5*	*0.7*	*0.5*
Slovakia	2.0	-1.8	0.6	-2.7	0.4	0.6	**-0.6**	**-0.7**	**-0.3**	*-0.4*	*-0.5*	*-0.4*
Slovenia	4.0	-5.2	-0.2	-2.6	2.9	3.0	**1.6**	**1.1**	**0.9**	*1.5*	*0.6*	*0.5*
Finland	1.0	-2.0	-0.4	-2.3	-0.3	-0.1	**-2.2**	**-2.8**	**-2.1**	*-1.6*	*-1.8*	*-1.5*
Euro area	0.5	-2.4	-0.2	-5.8	-1.1	0.9	**0.0**	**-0.4**	**-0.2**	*0.0*	*-0.1*	*0.1*
Bulgaria	1.6	-0.3	-0.3	-4.9	0.0	1.4	**1.0**	**0.2**	**1.0**	*0.9*	*0.5*	*1.2*
Czechia	3.5	-2.3	1.8	-3.8	-0.9	0.4	**-1.9**	**-2.2**	**-0.9**	*-2.1*	*-2.2*	*-0.8*
Denmark	1.8	-3.2	-1.1	-5.1	-0.9	-0.5	**-0.8**	**0.1**	**0.0**	*-0.7*	*-0.9*	*-0.6*
Hungary	0.4	-3.6	2.2	-3.4	0.1	1.6	**-1.4**	**-1.2**	**-0.2**	*-2.1*	*-1.9*	*-0.7*
Poland	1.3	-0.4	0.6	-2.8	0.7	1.8	**-1.1**	**-1.2**	**-0.6**	*-1.1*	*-1.2*	*-0.7*
Romania	4.0	-2.7	0.0	-5.6	-2.7	-1.3	**-2.0**	**-1.4**	**-1.0**	*-1.7*	*-1.5*	*-1.0*
Sweden	0.3	-1.4	0.4	-4.0	-0.2	0.6	**-1.3**	**-2.5**	**-1.9**	*-1.0*	*-2.5*	*-2.7*
EU	0.6	-2.3	-0.1	-5.6	-1.0	0.9	**-0.2**	**-0.5**	**-0.3**	*-0.1*	*-0.3*	*-0.1*
United Kingdom	0.0	-2.7	0.8	-9.3	-2.5	0.8	**-0.3**	**-0.9**	**-0.7**	*0.0*	*-0.8*	*-0.8*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	-0.1	-1.5	0.2	-3.6	-0.1	-0.1	**0.3**	**0.4**	**0.2**	*0.6*	*0.0*	*-0.1*

[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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.7	1.6	1.7	1.6	3.2	5.9	**4.1**	**2.5**	**2.1**	*3.8*	*2.7*	*2.5*
Germany	1.1	1.4	1.8	1.9	3.0	5.3	**6.6**	**3.6**	**2.1**	*6.3*	*3.0*	*2.6*
Estonia	6.7	3.7	3.0	-0.9	6.0	16.1	**7.9**	**3.8**	**2.3**	*9.2*	*4.1*	*2.1*
Ireland	0.5	0.4	2.9	-1.2	0.5	6.6	**3.0**	**2.6**	**1.9**	*5.1*	*2.6*	*1.9*
Greece	3.2	-0.7	-0.1	-0.8	1.5	7.8	**4.5**	**3.0**	**2.2**	*5.3*	*2.7*	*2.1*
Spain	2.8	0.0	1.0	1.1	2.7	4.1	**5.9**	**3.3**	**2.3**	*5.3*	*3.4*	*2.0*
France	1.8	0.9	0.9	2.8	1.4	2.9	**5.5**	**2.8**	**2.0**	*5.7*	*2.9*	*2.1*
Croatia	3.9	1.0	1.1	0.8	2.1	8.6	**8.5**	**5.5**	**2.2**	*9.4*	*3.6*	*2.1*
Italy	2.1	1.1	1.0	1.6	1.3	3.6	**5.3**	**2.2**	**1.8**	*4.9*	*2.7*	*2.9*
Cyprus	2.8	0.6	0.4	-1.3	2.7	6.1	**4.7**	**3.7**	**2.4**	*5.8*	*3.3*	*2.8*
Latvia	8.7	2.7	2.4	2.1	3.8	11.8	**5.4**	**4.2**	**2.5**	*7.7*	*4.5*	*2.8*
Lithuania	5.6	2.5	2.4	1.9	6.5	16.6	**7.1**	**2.2**	**1.9**	*8.9*	*3.1*	*2.3*
Luxembourg	4.1	3.3	1.2	4.3	4.6	5.7	**3.4**	**4.0**	**2.5**	*5.0*	*3.8*	*3.1*
Malta	2.3	2.2	2.5	1.7	2.0	5.3	**5.3**	**3.6**	**2.5**	*5.0*	*3.1*	*3.0*
Netherlands	1.8	0.8	1.6	1.9	2.9	5.5	**7.8**	**3.7**	**2.3**	*7.3*	*3.7*	*2.3*
Austria	2.1	1.7	1.7	2.7	2.1	5.3	**7.6**	**4.1**	**2.6**	*7.6*	*4.0*	*3.5*
Portugal	2.5	0.6	1.8	2.0	1.9	5.0	**7.1**	**2.6**	**2.1**	*6.8*	*2.9*	*2.3*
Slovakia	1.6	0.8	1.0	2.4	2.4	7.5	**10.1**	**4.6**	**3.2**	*10.2*	*5.3*	*3.3*
Slovenia	3.2	0.5	1.5	1.1	2.7	6.5	**8.9**	**3.3**	**3.0**	*8.7*	*3.8*	*2.6*
Finland	1.9	2.0	1.2	1.6	2.4	5.4	**4.8**	**1.8**	**2.1**	*4.8*	*2.2*	*2.3*
Euro area	1.9	1.0	1.3	1.8	2.2	4.7	**6.0**	**3.1**	**2.1**	*5.9*	*3.0*	*2.4*
Bulgaria	7.3	1.9	4.1	4.3	7.1	16.2	**7.5**	**3.3**	**2.5**	*8.8*	*4.1*	*2.8*
Czechia	1.8	0.8	2.0	4.3	3.3	8.5	**8.6**	**2.6**	**2.5**	*9.5*	*3.6*	*2.7*
Denmark	2.4	1.6	0.7	2.9	2.9	8.1	**-3.5**	**2.2**	**2.5**	*-2.5*	*2.3*	*2.2*
Hungary	4.1	2.8	3.5	6.4	6.4	14.2	**14.7**	**5.3**	**3.8**	*14.9*	*4.8*	*4.7*
Poland	3.1	1.5	1.5	4.3	5.3	10.6	**10.7**	**4.5**	**4.2**	*10.7*	*5.8*	*3.7*
Romania	11.6	3.3	4.7	4.1	5.4	13.2	**12.2**	**7.3**	**5.3**	*11.0*	*6.5*	*4.0*
Sweden	2.2	1.1	2.1	2.0	2.6	6.0	**5.6**	**2.6**	**1.3**	*6.7*	*2.7*	*2.0*
EU	2.1	1.1	1.5	2.1	2.5	5.4	**6.2**	**3.2**	**2.3**	*6.1*	*3.2*	*2.6*
United Kingdom	2.7	1.7	1.7	5.1	-0.1	5.1	**7.1**	**1.7**	**1.5**	*6.4*	*3.6*	*1.7*
Japan	-0.8	-0.6	0.6	0.9	-0.2	0.3	**3.8**	**2.3**	**1.7**	*3.6*	*1.9*	*1.6*
United States	2.3	1.8	1.6	1.3	4.6	7.0	**3.6**	**2.5**	**1.8**	*3.7*	*2.6*	*2.1*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.1	1.7	1.5	0.9	2.5	9.8	**5.4**	**2.4**	**1.9**	*4.7*	*2.7*	*2.0*
Germany	1.3	1.4	1.1	0.6	3.0	6.7	**6.3**	**2.1**	**2.0**	*6.2*	*2.7*	*2.1*
Estonia	4.7	3.4	2.2	-0.9	4.2	17.0	**9.1**	**3.4**	**2.1**	*11.1*	*3.5*	*2.1*
Ireland	0.3	0.6	1.2	0.7	3.9	7.0	**6.6**	**2.9**	**2.3**	*6.1*	*3.2*	*2.5*
Greece	3.0	-0.1	-0.3	-1.1	1.0	6.4	**4.6**	**2.7**	**2.0**	*3.8*	*2.8*	*2.1*
Spain	2.6	1.5	0.8	0.1	2.3	6.6	**4.2**	**3.1**	**2.3**	*3.6*	*3.4*	*2.1*
France	1.5	1.0	0.8	1.0	1.5	4.7	**6.3**	**2.6**	**2.0**	*6.3*	*3.0*	*2.0*
Croatia	3.6	1.7	0.4	0.6	2.3	11.3	**8.0**	**3.4**	**2.2**	*7.6*	*3.0*	*1.8*
Italy	1.9	1.7	0.6	0.1	1.6	7.6	**5.2**	**1.5**	**1.8**	*5.3*	*2.5*	*2.2*
Cyprus	3.1	1.5	-0.4	-1.4	0.8	6.5	**3.2**	**2.5**	**1.8**	*4.1*	*3.0*	*2.2*
Latvia	8.1	1.7	2.0	-0.1	3.4	13.3	**8.0**	**1.6**	**2.0**	*9.6*	*3.2*	*1.9*
Lithuania	5.6	2.0	1.7	1.2	4.6	18.6	**8.6**	**1.9**	**1.8**	*9.5*	*2.9*	*2.5*
Luxembourg	2.0	1.9	1.4	1.6	1.3	5.4	**3.6**	**2.8**	**2.5**	*3.7*	*3.1*	*1.7*
Malta	2.5	1.8	1.3	1.2	1.2	5.4	**5.7**	**3.0**	**2.2**	*5.4*	*3.5*	*3.0*
Netherlands	1.4	1.6	1.4	1.3	3.1	6.9	**9.0**	**3.0**	**2.1**	*8.7*	*3.8*	*2.3*
Austria	1.9	2.3	1.7	1.2	2.1	7.4	**8.2**	**3.6**	**2.8**	*6.8*	*4.1*	*3.1*
Portugal	2.3	1.3	1.2	0.6	2.0	7.4	**5.1**	**2.3**	**2.0**	*4.5*	*2.8*	*2.4*
Slovakia	2.9	1.9	1.2	2.2	3.3	12.2	**10.3**	**3.1**	**3.5**	*10.1*	*5.5*	*3.5*
Slovenia	3.0	1.3	0.8	-0.5	3.3	10.0	**7.3**	**2.8**	**2.4**	*7.5*	*3.9*	*2.7*
Finland	1.9	2.3	0.8	0.3	2.2	6.2	**4.4**	**1.7**	**1.9**	*4.4*	*1.9*	*2.0*
Euro area	1.8	1.4	0.9	0.6	2.3	6.8	**6.0**	**2.4**	**2.0**	*5.8*	*3.0*	*2.2*
Bulgaria	4.9	1.7	2.6	-0.6	6.0	16.2	**6.9**	**3.0**	**2.7**	*10.7*	*4.0*	*3.0*
Czechia	2.3	1.2	1.6	2.9	2.9	15.0	**9.3**	**3.0**	**2.4**	*10.0*	*4.0*	*2.8*
Denmark	2.0	1.7	0.6	0.4	2.0	7.5	**3.1**	**2.0**	**1.9**	*3.5*	*2.2*	*1.9*
Hungary	4.7	3.1	2.5	3.4	6.3	15.2	**15.3**	**4.1**	**3.7**	*17.2*	*5.2*	*4.1*
Poland	2.5	2.0	0.9	3.5	5.4	14.0	**10.8**	**4.5**	**4.2**	*11.0*	*6.2*	*3.9*
Romania	6.6	4.0	2.7	2.3	4.6	14.5	**9.8**	**6.8**	**4.7**	*9.8*	*5.9*	*3.4*
Sweden	1.6	1.0	1.6	0.8	1.8	6.8	**6.3**	**2.7**	**1.0**	*7.9*	*3.0*	*1.8*
EU	1.9	1.5	1.0	0.8	2.5	7.5	**6.4**	**2.6**	**2.2**	*6.4*	*3.2*	*2.3*
United Kingdom	2.3	2.0	1.3	0.6	2.3	7.8	**6.9**	**2.3**	**1.8**	*7.0*	*3.7*	*2.1*
Japan	-0.5	-0.1	0.4	0.3	0.6	2.9	**3.0**	**2.8**	**2.4**	*3.0*	*2.6*	*2.2*
United States	2.2	1.9	1.3	1.1	4.2	6.5	**3.7**	**2.6**	**1.9**	*3.9*	*2.8*	*2.1*

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.2	2.0	1.6	0.4	3.2	10.3	**2.3**	**4.0**	**2.3**	*2.4*	*4.2*	*1.9*
Germany	1.8	1.6	1.2	0.4	3.2	8.7	**6.0**	**2.4**	**2.0**	*6.2*	*3.1*	*2.2*
Estonia	5.2	3.2	2.0	-0.6	4.5	19.4	**9.1**	**3.4**	**2.1**	*9.4*	*3.5*	*2.1*
Ireland	1.8	0.5	0.3	-0.5	2.4	8.1	**5.2**	**1.9**	**1.8**	*5.3*	*2.7*	*2.1*
Greece	3.1	1.3	0.3	-1.3	0.6	9.3	**4.2**	**2.8**	**2.1**	*4.3*	*2.8*	*2.1*
Spain	2.7	1.8	0.7	-0.3	3.0	8.3	**3.4**	**3.1**	**2.3**	*3.6*	*3.4*	*2.1*
France	1.7	1.6	1.0	0.5	2.1	5.9	**5.7**	**2.5**	**2.0**	*5.8*	*3.0*	*2.0*
Croatia	3.4	1.8	0.6	0.0	2.7	10.7	**8.4**	**3.5**	**2.2**	*8.1*	*2.4*	*1.6*
Italy	2.1	1.9	0.7	-0.1	1.9	8.7	**5.9**	**1.6**	**1.9**	*6.1*	*2.7*	*2.3*
Cyprus	2.2	1.9	-0.2	-1.1	2.3	8.1	**3.9**	**2.4**	**2.1**	*4.1*	*3.0*	*2.2*
Latvia	8.4	1.2	1.7	0.1	3.2	17.2	**9.1**	**1.6**	**2.0**	*9.6*	*3.2*	*1.9*
Lithuania	5.5	2.0	1.7	1.1	4.6	18.9	**8.7**	**1.9**	**1.8**	*8.8*	*2.9*	*2.5*
Luxembourg	2.7	2.4	1.2	0.0	3.5	8.2	**2.9**	**2.3**	**2.0**	*3.2*	*3.0*	*1.8*
Malta	2.5	1.9	1.3	0.8	0.7	6.1	**5.6**	**2.8**	**2.3**	*5.7*	*3.3*	*3.1*
Netherlands	1.6	1.8	1.2	1.1	2.8	11.6	**4.1**	**2.5**	**2.0**	*4.6*	*3.7*	*2.0*
Austria	1.9	2.3	1.5	1.4	2.8	8.6	**7.7**	**3.6**	**2.8**	*7.7*	*4.1*	*3.0*
Portugal	1.9	1.6	0.8	-0.1	0.9	8.1	**5.3**	**2.3**	**1.9**	*5.5*	*3.2*	*2.4*
Slovakia	2.8	2.0	1.2	2.0	2.8	12.1	**11.0**	**3.1**	**3.6**	*10.8*	*5.2*	*3.0*
Slovenia	3.0	1.8	0.9	-0.3	2.0	9.3	**7.2**	**2.8**	**2.4**	*7.5*	*3.9*	*2.4*
Finland	1.8	2.3	0.7	0.4	2.1	7.2	**4.3**	**1.4**	**2.1**	*4.4*	*1.9*	*2.0*
Euro area	2.1	1.7	1.0	0.3	2.6	8.4	**5.4**	**2.5**	**2.1**	*5.6*	*3.2*	*2.2*
Bulgaria	7.1	1.5	0.8	1.2	2.8	13.0	**8.6**	**3.1**	**2.6**	*8.8*	*4.0*	*2.9*
Czechia	2.7	1.7	1.6	3.3	3.3	14.8	**12.0**	**2.5**	**2.2**	*12.2*	*3.2*	*2.4*
Denmark	2.0	1.6	0.5	0.3	1.9	8.5	**3.4**	**2.0**	**1.9**	*3.6*	*2.4*	*2.1*
Hungary	5.1	3.2	1.8	3.4	5.2	15.3	**17.0**	**4.1**	**3.7**	*17.2*	*5.2*	*4.1*
Poland	2.8	2.2	0.8	3.7	5.2	13.2	**10.9**	**4.3**	**4.2**	*11.1*	*6.2*	*3.8*
Romania	6.8	4.0	1.5	2.3	4.1	12.0	**9.7**	**5.9**	**4.0**	*9.8*	*5.9*	*3.4*
Sweden	1.9	1.0	1.5	0.7	2.7	8.1	**5.9**	**2.0**	**1.8**	*5.7*	*1.8*	*2.2*
EU	2.3	1.8	1.0	0.7	2.9	9.2	**6.4**	**2.7**	**2.2**	*6.5*	*3.5*	*2.4*
United Kingdom	2.5	2.5	1.6	1.0	2.5	7.9	**6.8**	**2.4**	**2.0**	*7.3*	*3.6*	*2.5*
Japan	0.0	0.4	0.5	0.0	-0.2	2.5	**3.3**	**2.8**	**2.2**	*3.3*	*2.7*	*2.2*
United States	2.6	2.0	1.6	1.2	4.7	8.0	**4.1**	**2.9**	**2.4**	*4.2*	*3.0*	*2.2*

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.6	1.5	1.5	1.4	1.3	4.0	**6.0**	**3.1**	**2.0**	*5.9*	*2.8*	*2.2*
Germany	1.2	1.1	1.4	0.7	2.2	3.9	**5.1**	**2.7**	**1.8**	*5.2*	*2.9*	*2.5*
Estonia	3.7	1.7	1.7	0.0	2.8	10.3	**8.7**	**4.3**	**3.2**	*9.5*	*5.4*	*3.3*
Ireland	1.4	-0.2	0.7	-0.1	1.7	4.6	**4.4**	**2.8**	**2.1**	*4.6*	*3.5*	*2.6*
Greece	2.8	-0.1	0.3	-1.2	-1.1	4.6	**5.3**	**3.1**	**2.2**	*5.7*	*3.1*	*2.3*
Spain	2.2	0.9	0.9	0.5	0.6	3.8	**4.1**	**3.2**	**2.3**	*4.3*	*3.1*	*2.1*
France	1.5	1.1	0.7	0.6	1.3	3.4	**4.0**	**2.2**	**2.0**	*4.2*	*2.9*	*2.2*
Croatia	2.7	0.6	0.8	0.4	1.3	7.6	**8.8**	**3.8**	**2.8**	*8.3*	*3.5*	*2.7*
Italy	1.8	1.5	0.6	0.5	0.8	3.3	**4.5**	**2.3**	**2.0**	*4.6*	*3.3*	*2.9*
Cyprus	1.4	0.6	0.0	-0.8	1.3	5.0	**3.8**	**2.8**	**2.5**	*4.2*	*4.1*	*3.4*
Latvia	5.7	-0.5	1.7	0.9	1.9	7.6	**8.4**	**3.3**	**2.4**	*9.0*	*4.6*	*2.2*
Lithuania	3.2	0.4	2.1	2.6	3.4	10.5	**9.6**	**3.9**	**2.6**	*9.5*	*3.3*	*2.7*
Luxembourg	2.0	1.8	1.3	1.2	1.5	4.2	**3.9**	**2.3**	**2.0**	*3.9*	*2.7*	*2.3*
Malta	1.7	1.2	1.2	0.6	0.7	5.8	**4.9**	**2.3**	**2.3**	*5.1*	*3.9*	*3.8*
Netherlands	1.1	1.6	1.0	1.9	1.8	4.8	**6.4**	**2.6**	**2.1**	*6.7*	*3.7*	*2.3*
Austria	1.6	2.0	1.8	2.0	2.3	5.1	**7.3**	**4.2**	**3.0**	*8.0*	*5.3*	*3.6*
Portugal	1.6	0.8	0.8	-0.2	0.2	5.0	**5.4**	**2.8**	**2.5**	*5.7*	*3.7*	*3.0*
Slovakia	2.2	1.4	1.4	2.4	3.3	8.2	**9.5**	**3.7**	**3.3**	*9.6*	*3.0*	*2.0*
Slovenia	2.2	0.3	0.9	0.8	0.9	5.9	**6.7**	**3.9**	**2.5**	*7.4*	*4.3*	*2.4*
Finland	1.3	1.8	0.7	0.5	1.2	3.6	**4.1**	**2.2**	**2.5**	*4.4*	*2.6*	*2.1*
Euro area	1.6	1.2	1.0	0.7	1.5	4.0	**5.0**	**2.7**	**2.1**	*5.1*	*3.2*	*2.5*
Bulgaria	6.3	0.3	0.4	1.2	1.4	7.6	**8.9**	**3.2**	**2.6**	*9.6*	*4.2*	*3.4*
Czechia	1.6	0.4	1.6	3.1	3.6	12.0	**9.3**	**4.1**	**2.8**	*9.5*	*4.4*	*3.1*
Denmark	1.5	1.1	0.7	0.7	0.7	4.3	**4.6**	**2.1**	**2.1**	*5.2*	*2.5*	*2.0*
Hungary	3.6	2.4	1.8	2.8	3.5	10.7	**14.0**	**6.1**	**4.5**	*14.6*	*7.6*	*5.4*
Poland	1.5	1.3	0.7	4.3	4.8	9.8	**9.3**	**4.4**	**3.7**	*11.2*	*6.3*	*5.0*
Romania	5.5	3.0	1.4	2.5	2.6	6.0	**9.7**	**8.3**	**4.7**	*9.1*	*6.6*	*4.6*
Sweden	1.2	0.7	1.2	1.4	1.8	4.8	**6.6**	**3.0**	**2.0**	*6.7*	*3.0*	*2.3*
EU	1.7	1.2	1.0	1.1	1.8	4.7	**5.7**	**3.0**	**2.2**	*5.9*	*3.6*	*2.8*
United Kingdom	1.5	2.3	1.7	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2023-25) 30.04.2024

	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	-0.6	3.0	5.1	4.2	3.8	2.9	2.2	2.1	2.0
Germany	8.7	6.9	5.7	3.0	2.7	2.5	2.2	2.3	2.1	1.9	2.0	1.9
Estonia	17.3	11.1	4.8	4.5	4.5	3.3	3.1	2.7	2.6	2.2	1.9	1.8
Ireland	7.5	5.5	4.8	3.1	2.2	1.6	1.5	2.2	3.0	2.0	1.2	1.0
Greece	6.4	3.8	3.1	3.5	3.2	3.1	2.6	2.4	2.2	2.1	2.0	2.0
Spain	5.0	2.8	2.6	3.3	3.2	3.2	3.1	3.0	2.8	2.4	2.1	1.9
France	7.0	6.1	5.5	4.2	3.0	2.4	2.4	2.2	2.2	2.0	2.0	1.9
Croatia	11.6	8.5	8.0	5.9	4.8	4.3	2.7	2.4	2.4	2.1	2.2	2.1
Italy	9.5	7.8	5.8	1.0	1.0	1.4	1.9	2.0	2.0	2.0	1.8	1.7
Cyprus	6.5	3.4	3.3	2.6	2.0	2.5	2.5	2.6	2.2	2.2	2.1	2.0
Latvia	19.5	11.7	5.3	1.4	0.9	1.8	1.8	2.0	2.0	2.0	2.0	2.1
Lithuania	17.0	10.7	5.9	2.3	0.9	1.7	2.5	2.4	1.9	1.9	1.8	1.8
Luxembourg	4.5	1.9	3.0	2.4	3.1	2.6	1.5	2.1	2.0	1.9	2.0	1.9
Malta	7.0	6.3	5.2	3.9	3.1	2.8	2.7	2.7	2.5	2.3	2.3	2.3
Netherlands	7.2	6.3	2.8	0.4	3.0	2.6	2.3	2.2	2.1	2.0	2.0	2.0
Austria	10.6	8.6	6.7	5.1	4.1	3.6	3.8	2.9	3.0	2.8	2.6	2.6
Portugal	8.4	5.7	4.8	2.4	2.5	2.4	2.2	2.1	2.0	1.9	1.8	1.8
Slovakia	15.1	12.5	9.6	7.1	3.6	3.0	3.0	2.8	3.6	3.6	3.6	3.7
Slovenia	9.9	7.9	6.3	5.0	3.4	2.8	2.5	2.5	2.8	2.4	2.2	2.1
Finland	7.5	5.1	3.4	1.5	0.9	1.0	1.6	2.2	2.2	2.1	1.9	1.9
Euro area	8.0	6.2	5.0	2.7	2.6	2.5	2.4	2.4	2.3	2.1	2.0	1.9
Bulgaria	13.4	8.8	7.2	5.5	3.5	3.1	3.2	2.7	3.0	2.9	2.4	2.3
Czechia	18.0	12.6	9.5	8.4	2.4	2.4	2.1	3.0	2.4	2.2	2.1	2.2
Denmark	8.0	3.6	2.0	0.1	0.8	2.2	2.0	2.9	2.4	2.3	1.5	1.2
Hungary	25.9	22.1	14.6	7.6	3.6	4.2	3.9	4.5	4.5	3.6	3.3	3.3
Poland	16.1	12.5	9.2	6.3	3.6	4.0	5.0	4.7	5.4	4.6	3.6	3.4
Romania	13.0	9.8	9.1	7.4	7.1	6.2	5.5	4.9	4.3	4.1	4.0	3.7
Sweden	9.1	6.9	4.8	3.0	2.8	2.2	1.4	1.4	1.8	1.8	1.7	1.8
EU	9.4	7.2	5.7	3.4	2.8	2.8	2.7	2.6	2.5	2.2	2.1	2.0
United Kingdom	9.0	7.7	6.4	4.4	3.3	2.0	2.1	2.1	2.0	2.0	2.0	2.0
Japan	3.6	3.4	3.1	2.9	3.2	2.9	2.8	2.4	2.4	2.4	2.2	1.9
United States	5.7	4.0	3.6	3.2	3.2	3.1	2.7	2.7	2.5	2.4	2.4	2.2

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.1	2.1	0.2	-2.9	9.7	15.3	**-2.8**	**1.8**	**1.8**	*0.0*	*2.7*	*1.3*
Germany	0.2	1.1	0.5	-0.7	4.5	12.5	**1.5**	**1.7**	**2.3**	*1.9*	*1.0*	*2.1*
Estonia	3.3	1.6	1.3	-2.0	10.4	23.4	**1.1**	**1.2**	**1.8**	*2.1*	*1.5*	*1.5*
Ireland	-0.2	0.4	0.4	-7.0	-2.3	3.1	**-0.7**	**0.2**	**0.7**	*-1.6*	*1.0*	*0.7*
Greece	1.8	0.2	-1.3	-12.8	14.0	32.2	**-9.8**	**2.6**	**1.6**	*-6.2*	*2.8*	*1.1*
Spain	1.9	1.6	0.9	-1.4	9.2	18.4	**0.0**	**1.7**	**1.3**	*2.0*	*1.3*	*1.2*
France	0.8	1.2	0.3	-1.5	6.2	15.9	**0.0**	**-0.3**	**2.3**	*0.6*	*1.9*	*2.1*
Croatia	2.4	2.3	-0.6	-4.1	6.8	12.2	**2.9**	**1.1**	**1.6**	*1.4*	*2.0*	*2.0*
Italy	1.4	1.6	0.7	-0.6	5.3	12.2	**1.9**	**0.8**	**1.6**	*1.8*	*1.8*	*1.9*
Cyprus	2.8	1.4	0.3	-1.1	2.1	2.6	**13.4**	**0.9**	**1.0**	*-1.0*	*2.7*	*2.2*
Latvia	6.0	4.9	0.9	-0.8	9.7	19.9	**-4.9**	**1.0**	**2.0**	*-3.9*	*1.9*	*3.7*
Lithuania	3.0	4.6	-0.3	-4.8	5.9	12.2	**-3.0**	**1.2**	**1.9**	*-3.6*	*-1.6*	*3.5*
Luxembourg	3.6	2.4	1.2	-1.2	8.8	14.7	**-0.5**	**0.3**	**1.2**	*0.5*	*1.9*	*2.1*
Malta	0.5	-0.2	1.6	0.7	3.6	10.6	**3.9**	**2.8**	**3.3**	*4.7*	*3.0*	*3.0*
Netherlands	0.9	2.1	-0.3	-4.3	10.7	21.0	**-2.8**	**1.0**	**1.6**	*-2.3*	*0.9*	*1.6*
Austria	1.1	1.3	0.1	-1.2	6.8	11.0	**0.3**	**1.0**	**0.9**	*1.2*	*1.4*	*2.1*
Portugal	1.0	1.7	-0.2	-2.4	8.3	16.4	**-1.6**	**1.1**	**1.3**	*-1.2*	*1.1*	*1.3*
Slovakia	-0.2	0.4	0.1	-2.7	5.4	15.7	**4.1**	**4.0**	**3.0**	*5.8*	*4.0*	*2.5*
Slovenia	1.3	1.1	0.4	-2.0	5.0	17.5	**-0.6**	**1.1**	**1.6**	*1.7*	*1.6*	*2.1*
Finland	-0.9	1.4	0.5	-4.9	12.9	23.2	**-7.1**	**0.5**	**2.1**	*-5.3*	*0.8*	*2.1*
Euro area	0.8	1.4	0.4	-2.2	6.2	14.3	**-0.1**	**1.2**	**1.8**	*0.5*	*1.4*	*1.8*
Bulgaria	8.9	3.3	1.5	-2.0	16.9	26.0	**-4.3**	**0.0**	**2.3**	*-4.3*	*2.5*	*3.2*
Czechia	-1.8	1.6	-0.9	1.0	4.8	9.3	**-1.5**	**3.2**	**3.4**	*-1.7*	*1.3*	*3.2*
Denmark	2.2	2.2	0.0	-1.5	2.7	10.6	**-2.1**	**0.5**	**1.5**	*2.9*	*1.9*	*1.8*
Hungary	0.7	1.8	1.0	4.7	7.7	22.8	**-0.4**	**3.2**	**2.0**	*0.8*	*3.0*	*1.2*
Poland	2.6	2.5	1.7	2.7	10.1	19.7	**-4.5**	**-1.9**	**2.0**	*3.0*	*2.9*	*2.0*
Romania	7.1	2.5	0.1	0.8	11.2	17.0	**2.1**	**3.9**	**4.0**	*5.0*	*3.8*	*3.8*
Sweden	2.7	-1.1	2.5	-4.2	5.5	18.2	**4.2**	**1.3**	**2.1**	*5.0*	*2.2*	*2.0*
EU	1.0	1.4	0.5	-1.7	6.4	14.8	**-0.3**	**1.1**	**1.9**	*0.8*	*1.6*	*1.9*
United Kingdom	3.3	1.6	2.1	-2.7	4.3	17.1	**0.5**	**1.0**	**1.3**	*1.0*	*0.8*	*1.3*
Japan	-2.0	1.2	-1.4	-2.9	7.1	14.5	**3.9**	**4.1**	**0.8**	*1.7*	*0.8*	*0.8*
United States	1.6	2.0	-1.4	-3.9	14.1	11.7	**-4.1**	**0.3**	**1.4**	*-3.8*	*0.8*	*0.7*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.3	2.9	-0.4	-3.7	11.7	21.5	**-3.9**	**1.4**	**1.6**	*-2.6*	*2.9*	*0.9*
Germany	-0.1	1.7	-0.3	-3.4	9.1	19.8	**-3.9**	**1.4**	**2.3**	*-3.6*	*0.4*	*1.5*
Estonia	2.3	2.3	0.2	-3.1	9.7	22.5	**-2.9**	**0.7**	**2.3**	*-3.8*	*0.4*	*2.2*
Ireland	-1.6	1.8	-0.3	-4.7	7.4	6.9	**0.4**	**-0.2**	**0.7**	*-4.9*	*0.8*	*0.5*
Greece	2.7	0.3	-0.9	-9.0	13.7	29.9	**-13.1**	**2.5**	**1.4**	*-6.7*	*1.9*	*0.8*
Spain	0.9	3.2	0.8	-3.9	8.1	25.7	**-6.9**	**0.8**	**0.9**	*0.0*	*1.0*	*1.4*
France	0.5	1.7	-0.4	-2.7	8.1	21.7	**-4.8**	**-1.5**	**2.2**	*-4.2*	*1.4*	*2.1*
Croatia	1.9	1.9	0.0	-0.3	7.4	16.1	**0.8**	**1.3**	**2.0**	*0.5*	*2.0*	*2.0*
Italy	1.8	2.4	-0.6	-4.8	12.2	24.9	**-8.1**	**-0.8**	**1.6**	*-6.1*	*1.6*	*1.6*
Cyprus	2.9	0.7	-0.2	0.8	3.1	4.8	**-5.1**	**1.9**	**2.0**	*-1.2*	*2.7*	*2.2*
Latvia	5.8	4.2	-0.8	-3.1	10.3	19.8	**-7.5**	**0.5**	**2.0**	*-3.8*	*1.0*	*2.5*
Lithuania	3.7	4.5	-1.3	-6.5	13.2	26.2	**-8.1**	**0.9**	**1.9**	*-8.1*	*-0.7*	*4.5*
Luxembourg	2.2	1.9	1.0	-2.6	7.2	23.7	**-1.2**	**1.2**	**1.2**	*-0.5*	*1.7*	*1.9*
Malta	0.0	1.2	0.6	-0.1	0.8	8.5	**3.1**	**3.0**	**1.8**	*2.5*	*3.0*	*3.0*
Netherlands	0.7	2.8	-1.0	-5.2	12.2	24.9	**-6.1**	**-0.4**	**1.4**	*-5.0*	*0.5*	*1.8*
Austria	1.2	2.1	0.1	-2.1	7.6	16.8	**-2.1**	**0.3**	**0.7**	*-0.7*	*1.3*	*1.4*
Portugal	0.5	1.6	-0.6	-4.0	8.2	19.9	**-4.4**	**1.2**	**1.3**	*-3.9*	*1.2*	*1.3*
Slovakia	1.0	1.2	0.6	-2.3	6.5	21.1	**3.7**	**3.2**	**3.3**	*6.0*	*4.2*	*2.7*
Slovenia	1.3	2.4	0.1	-2.8	7.4	21.0	**-3.1**	**0.9**	**1.5**	*-0.6*	*2.9*	*1.9*
Finland	0.5	2.3	-0.2	-7.0	13.3	24.1	**-5.8**	**0.8**	**1.7**	*-4.8*	*0.8*	*1.9*
Euro area	0.7	2.1	-0.3	-3.8	9.7	21.6	**-4.9**	**0.4**	**1.8**	*-3.5*	*1.2*	*1.6*
Bulgaria	5.1	3.0	0.0	-6.0	16.2	23.4	**-3.2**	**1.0**	**2.0**	*-2.1*	*2.6*	*3.1*
Czechia	-1.1	2.0	-1.0	-0.8	4.9	14.2	**-4.0**	**3.9**	**3.3**	*-4.6*	*1.2*	*3.2*
Denmark	0.5	2.1	0.0	-4.4	7.9	19.3	**-5.2**	**1.1**	**1.2**	*-2.4*	*2.0*	*1.8*
Hungary	1.5	2.1	0.7	2.7	11.8	31.8	**-6.5**	**3.8**	**2.0**	*-5.9*	*4.3*	*0.3*
Poland	1.5	2.7	0.8	-0.4	12.3	24.3	**-6.7**	**-1.5**	**2.0**	*1.0*	*2.2*	*2.0*
Romania	1.5	2.7	0.2	-2.5	10.2	17.9	**0.7**	**2.8**	**2.6**	*2.8*	*3.2*	*3.2*
Sweden	2.4	-1.0	2.2	-5.3	5.2	23.7	**4.4**	**1.5**	**2.3**	*5.5*	*2.8*	*1.9*
EU	0.9	2.1	-0.2	-3.5	9.6	21.7	**-4.6**	**0.6**	**1.8**	*-3.0*	*1.4*	*1.7*
United Kingdom	2.5	1.1	1.4	-1.8	5.9	18.9	**-1.2**	**0.6**	**1.8**	*-1.1*	*0.5*	*1.8*
Japan	1.6	5.7	-3.0	-9.1	17.8	32.1	**-2.4**	**4.9**	**2.9**	*-3.8*	*3.1*	*2.9*
United States	2.1	2.3	-2.3	-2.7	7.6	7.4	**-3.0**	**0.7**	**1.6**	*-3.0*	*0.4*	*0.5*

Table 21: Terms of trade of goods (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	-0.1	-0.8	0.5	0.8	-1.8	-5.1	**1.2**	**0.4**	**0.2**	*2.6*	*-0.2*	*0.4*
Germany	0.3	-0.5	0.8	2.8	-4.1	-6.1	**5.6**	**0.3**	**-0.1**	*5.7*	*0.6*	*0.5*
Estonia	1.0	-0.6	1.2	1.1	0.6	0.7	**4.2**	**0.5**	**-0.5**	*6.1*	*1.1*	*-0.7*
Ireland	1.4	-1.4	0.6	-2.4	-9.1	-3.5	**-1.1**	**0.4**	**0.0**	*3.5*	*0.2*	*0.2*
Greece	-0.9	-0.1	-0.3	-4.1	0.3	1.7	**3.7**	**0.1**	**0.2**	*0.6*	*0.9*	*0.3*
Spain	0.9	-1.5	0.1	2.6	1.0	-5.8	**7.5**	**0.9**	**0.4**	*1.9*	*0.3*	*-0.2*
France	0.3	-0.5	0.7	1.3	-1.7	-4.8	**5.0**	**1.2**	**0.1**	*5.0*	*0.5*	*0.0*
Croatia	0.5	0.5	-0.7	-3.8	-0.5	-3.3	**2.0**	**-0.2**	**-0.4**	*0.9*	*0.0*	*0.0*
Italy	-0.5	-0.8	1.3	4.5	-6.1	-10.1	**10.9**	**1.7**	**0.0**	*8.5*	*0.2*	*0.2*
Cyprus	-0.1	0.7	0.6	-1.9	-0.9	-2.1	**19.5**	**-1.0**	**-1.0**	*0.2*	*0.0*	*0.0*
Latvia	0.1	0.7	1.7	2.4	-0.6	0.0	**2.9**	**0.5**	**0.0**	*-0.1*	*0.9*	*1.2*
Lithuania	-0.6	0.1	1.0	1.8	-6.4	-11.1	**5.4**	**0.3**	**0.0**	*4.9*	*-0.9*	*-1.0*
Luxembourg	1.3	0.6	0.2	1.4	1.5	-7.2	**0.8**	**-0.9**	**0.0**	*1.0*	*0.2*	*0.2*
Malta	0.6	-1.4	0.9	0.8	2.8	1.9	**0.8**	**-0.2**	**1.5**	*2.1*	*0.0*	*0.0*
Netherlands	0.2	-0.7	0.8	1.0	-1.3	-3.1	**3.6**	**1.4**	**0.2**	*2.8*	*0.4*	*-0.2*
Austria	-0.2	-0.8	-0.1	1.0	-0.7	-5.0	**2.4**	**0.7**	**0.2**	*1.9*	*0.1*	*0.7*
Portugal	0.5	0.1	0.4	1.6	0.1	-2.9	**2.9**	**-0.1**	**0.0**	*2.8*	*-0.1*	*0.0*
Slovakia	-1.2	-0.8	-0.5	-0.4	-1.1	-4.4	**0.5**	**0.8**	**-0.3**	*-0.2*	*-0.2*	*-0.2*
Slovenia	0.0	-1.2	0.3	0.8	-2.3	-2.9	**2.6**	**0.2**	**0.1**	*2.3*	*-1.2*	*0.2*
Finland	-1.3	-0.9	0.7	2.3	-0.4	-0.7	**-1.3**	**-0.3**	**0.4**	*-0.6*	*0.0*	*0.2*
Euro area	0.0	-0.7	0.6	1.6	-3.2	-6.2	**5.3**	**0.8**	**0.0**	*4.4*	*0.2*	*0.2*
Bulgaria	3.7	0.3	1.4	4.3	0.6	2.1	**-1.1**	**-1.0**	**0.3**	*-2.2*	*-0.1*	*0.1*
Czechia	-0.7	-0.4	0.1	1.8	-0.2	-4.3	**2.5**	**-0.7**	**0.1**	*3.0*	*0.1*	*0.0*
Denmark	1.6	0.1	-0.1	3.1	-4.9	-7.3	**3.2**	**-0.6**	**0.3**	*5.4*	*-0.1*	*0.0*
Hungary	-0.8	-0.3	0.3	2.0	-3.7	-6.8	**6.5**	**-0.6**	**0.0**	*7.1*	*-1.2*	*0.9*
Poland	1.0	-0.2	0.9	3.2	-2.0	-3.7	**2.3**	**-0.4**	**0.0**	*2.0*	*0.7*	*0.0*
Romania	5.6	-0.1	-0.1	3.3	0.9	-0.7	**1.3**	**1.1**	**1.4**	*2.1*	*0.6*	*0.6*
Sweden	0.2	-0.1	0.3	1.1	0.2	-4.5	**-0.1**	**-0.2**	**-0.2**	*-0.5*	*-0.6*	*0.1*
EU	0.1	-0.6	0.6	1.8	-3.0	-5.9	**4.7**	**0.5**	**0.0**	*4.0*	*0.2*	*0.2*
United Kingdom	0.8	0.5	0.7	-1.0	-1.5	-1.5	**1.7**	**0.4**	**-0.4**	*2.1*	*0.3*	*-0.4*
Japan	-3.6	-4.2	1.7	6.8	-9.1	-13.3	**6.5**	**-0.8**	**-2.0**	*5.7*	*-2.2*	*-2.0*
United States	-0.5	-0.2	0.9	-1.3	6.0	4.0	**-1.1**	**-0.4**	**-0.2**	*-0.9*	*0.4*	*0.2*

Table 22: Total population (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	0.7	0.8	0.5	0.4	0.4	0.8	**0.7**	**0.4**	**0.3**	*0.7*	*0.4*	*0.3*
Germany	-0.2	0.1	0.5	0.1	0.0	0.7	**0.9**	**0.3**	**0.3**	*0.8*	*0.2*	*0.2*
Estonia	-0.5	-0.3	0.1	0.3	0.1	0.1	**2.6**	**0.6**	**-0.2**	*1.9*	*0.1*	*0.4*
Ireland	2.2	0.5	1.2	1.1	0.8	1.9	**3.5**	**1.5**	**1.1**	*1.8*	*1.3*	*1.1*
Greece	0.3	-0.4	-0.3	-0.2	-0.5	-0.6	**-0.4**	**-0.4**	**-0.3**	*-0.7*	*-0.4*	*-0.4*
Spain	1.6	0.0	0.3	0.5	0.1	0.9	**0.9**	**0.9**	**0.8**	*0.8*	*0.8*	*0.8*
France	0.6	0.5	0.4	0.4	0.3	0.3	**0.4**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Croatia	0.0	-0.3	-0.8	-0.5	-2.2	-1.3	**-0.1**	**-0.3**	**-0.4**	*-0.2*	*-0.5*	*-0.6*
Italy	0.6	0.3	-0.2	-0.5	-0.5	-0.2	**0.0**	**-0.1**	**-0.1**	*0.0*	*-0.1*	*-0.1*
Cyprus	2.1	1.1	0.7	1.1	0.9	1.4	**1.6**	**1.4**	**1.2**	*1.7*	*1.2*	*1.0*
Latvia	-1.1	-1.4	-0.8	-0.6	-0.9	0.2	**-0.2**	**0.0**	**0.0**	*0.4*	*-0.2*	*-0.2*
Lithuania	-1.3	-1.5	-1.0	0.0	0.5	0.8	**1.4**	**0.2**	**-0.6**	*2.1*	*0.3*	*-0.4*
Luxembourg	1.7	2.3	2.2	1.5	1.6	2.2	**1.9**	**2.0**	**1.7**	*1.8*	*1.6*	*1.6*
Malta	0.6	1.0	3.1	2.1	0.5	2.7	**3.1**	**2.6**	**2.5**	*2.6*	*2.2*	*2.2*
Netherlands	0.3	0.4	0.6	0.6	0.5	1.0	**1.0**	**0.7**	**0.6**	*1.0*	*0.6*	*0.6*
Austria	0.4	0.5	0.8	0.4	0.4	1.1	**0.9**	**0.3**	**0.1**	*0.2*	*0.2*	*0.3*
Portugal	0.2	-0.3	-0.2	0.1	0.0	0.0	**0.2**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Slovakia	0.1	0.0	0.1	0.1	-0.4	0.9	**0.7**	**0.1**	**0.1**	*0.5*	*0.0*	*0.0*
Slovenia	0.4	0.2	0.3	0.7	0.2	0.0	**0.6**	**0.3**	**0.2**	*0.5*	*0.2*	*0.1*
Finland	0.4	0.5	0.2	0.2	0.2	0.3	**0.5**	**0.4**	**0.2**	*0.4*	*0.2*	*0.2*
Euro area	0.5	0.2	0.3	0.2	0.0	0.5	**0.6**	**0.4**	**0.3**	*0.5*	*0.3*	*0.3*
Bulgaria	-0.5	-1.0	-0.7	-0.6	-0.8	-6.0	**-0.3**	**-0.6**	**-1.0**	*0.4*	*-0.6*	*-0.8*
Czechia	0.6	0.1	0.3	0.3	0.0	-0.1	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Denmark	0.4	0.4	0.6	0.2	0.4	0.9	**0.7**	**0.5**	**0.4**	*0.4*	*0.4*	*0.4*
Hungary	-0.2	-0.3	-0.2	-0.2	-0.4	-0.3	**-1.0**	**-0.2**	**-0.3**	*-0.8*	*-0.2*	*-0.3*
Poland	0.2	0.0	-0.1	-0.1	-0.5	-0.9	**-0.3**	**-0.1**	**-0.5**	*2.0*	*-0.1*	*-0.5*
Romania	-1.0	-0.4	-0.5	-0.5	-0.9	-0.4	**0.0**	**-0.4**	**-0.3**	*-0.3*	*-0.3*	*-0.4*
Sweden	0.7	0.8	1.2	0.7	0.6	0.7	**0.5**	**0.3**	**0.3**	*0.5*	*0.5*	*0.5*
EU	0.3	0.1	0.2	0.1	-0.1	0.2	**0.4**	**0.3**	**0.2**	*0.6*	*0.2*	*0.1*
United Kingdom	0.8	0.7	0.7	0.4	-0.1	1.1	**0.8**	**0.4**	**0.4**	*0.4*	*0.4*	*0.4*
Japan	0.0	-0.1	-0.1	-0.4	-0.1	-0.4	**-0.6**	**-0.5**	**-0.5**	*-0.5*	*-0.5*	*-0.5*
United States	0.9	0.8	0.7	0.4	0.2	0.4	**0.5**	**1.0**	**0.8**	*0.5*	*0.5*	*0.5*

Table 23: Total employment in persons (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.2	0.5	1.4	0.1	1.9	2.1	**0.8**	**0.4**	**0.6**	*0.8*	*0.6*	*0.8*
Germany	0.8	0.9	1.2	-0.8	0.2	1.4	**0.7**	**0.4**	**0.2**	*0.7*	*0.3*	*0.1*
Estonia	-0.6	1.0	1.6	-2.7	0.1	4.6	**3.2**	**-0.5**	**0.7**	*0.7*	*-1.0*	*0.3*
Ireland	0.8	-0.3	3.2	-2.8	6.0	6.6	**5.4**	**1.6**	**1.5**	*3.4*	*1.4*	*1.3*
Greece	1.0	-1.6	1.3	-2.6	1.2	2.5	**1.0**	**0.9**	**0.7**	*1.5*	*1.1*	*1.0*
Spain	1.1	-1.9	2.5	-4.2	2.3	2.7	**3.2**	**2.1**	**1.3**	*1.9*	*1.2*	*1.3*
France	0.5	0.4	0.8	0.0	2.8	2.6	**1.1**	**0.2**	**0.3**	*1.2*	*0.3*	*0.3*
Croatia	1.7	-2.3	1.9	-1.2	1.2	2.3	**2.7**	**2.0**	**1.3**	*2.1*	*1.1*	*1.1*
Italy	0.5	-0.5	0.9	-2.1	0.9	1.8	**1.8**	**0.8**	**0.4**	*1.1*	*0.3*	*0.3*
Cyprus	2.7	-2.0	4.2	-1.2	3.2	3.0	**1.5**	**1.4**	**1.4**	*1.8*	*1.6*	*1.6*
Latvia	-0.9	-0.6	0.5	-2.3	-2.6	2.7	**0.1**	**0.3**	**0.3**	*0.4*	*0.2*	*0.2*
Lithuania	-1.3	0.1	1.0	-1.6	1.2	5.1	**1.5**	**0.2**	**-0.2**	*0.8*	*0.4*	*-0.2*
Luxembourg	3.3	2.3	3.2	1.8	2.9	3.4	**2.2**	**1.4**	**1.9**	*1.7*	*1.2*	*1.5*
Malta	1.5	3.6	5.6	2.8	2.9	6.0	**6.5**	**4.1**	**4.0**	*3.7*	*2.4*	*2.0*
Netherlands	1.3	-0.3	2.0	-0.4	2.0	3.9	**1.5**	**0.6**	**0.3**	*1.5*	*0.5*	*0.3*
Austria	1.2	0.9	1.3	-1.6	2.0	2.6	**0.9**	**0.4**	**0.7**	*0.6*	*0.6*	*0.7*
Portugal	-0.5	-1.8	1.9	-1.8	2.0	1.5	**0.9**	**1.0**	**0.9**	*1.0*	*0.6*	*0.6*
Slovakia	1.4	0.2	1.9	-1.9	-0.6	1.8	**0.3**	**0.2**	**0.1**	*0.6*	*0.1*	*0.1*
Slovenia	1.1	-1.1	2.3	-0.7	1.3	2.9	**1.2**	**0.6**	**0.6**	*1.2*	*0.9*	*0.7*
Finland	1.1	0.1	1.1	-2.0	2.2	3.5	**0.5**	**-0.1**	**0.1**	*0.3*	*0.1*	*0.8*
Euro area	0.7	-0.1	1.4	-1.4	1.4	2.3	**1.4**	**0.7**	**0.5**	*1.1*	*0.5*	*0.5*
Bulgaria	2.0	-1.7	0.6	-2.3	0.2	-0.3	**1.0**	**-0.4**	**0.1**	*0.4*	*0.0*	*0.0*
Czechia	1.1	0.0	1.2	-1.7	0.4	1.5	**0.8**	**0.2**	**0.1**	*0.6*	*0.2*	*0.5*
Denmark	0.8	-0.4	1.5	-0.8	2.4	3.8	**1.5**	**-0.2**	**-0.3**	*0.5*	*-0.5*	*-0.3*
Hungary	-0.9	1.2	2.3	-1.2	1.2	1.6	**0.2**	**0.1**	**0.7**	*0.0*	*0.2*	*0.2*
Poland	2.8	-0.1	0.8	0.0	2.5	3.9	**0.1**	**0.0**	**0.1**	*0.5*	*0.3*	*0.4*
Romania	-0.4	-0.8	0.0	-2.1	0.8	0.1	**-0.9**	**0.6**	**0.3**	*-0.1*	*0.0*	*0.0*
Sweden	0.6	1.2	1.6	-1.3	1.2	2.7	**1.4**	**-0.4**	**0.5**	*1.5*	*-0.5*	*0.3*
EU	0.8	-0.1	1.3	-1.3	1.5	2.3	**1.2**	**0.6**	**0.4**	*1.0*	*0.4*	*0.4*
United Kingdom	0.4	1.1	1.3	-0.9	-0.1	1.3	**0.7**	**-0.1**	**0.6**	*-0.2*	*0.1*	*0.6*
Japan	0.2	-0.1	1.0	-0.5	-0.1	0.2	**0.4**	**0.2**	**0.1**	*-0.1*	*-0.1*	*-0.1*
United States	-0.2	1.1	1.5	-5.8	3.3	3.8	**1.7**	**1.1**	**0.6**	*1.8*	*0.2*	*0.5*

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	7.9	8.1	7.1	5.8	6.3	5.6	**5.5**	**5.6**	**5.4**	*5.6*	*5.6*	*5.4*
Germany	8.5	5.4	3.6	3.7	3.7	3.1	**3.1**	**3.1**	**3.1**	*3.1*	*3.2*	*3.2*
Estonia	7.5	10.9	5.8	6.9	6.2	5.6	**6.4**	**7.4**	**6.9**	*7.0*	*6.9*	*6.8*
Ireland	6.8	14.2	7.2	5.9	6.2	4.5	**4.3**	**4.4**	**4.4**	*4.2*	*4.2*	*4.3*
Greece	9.2	22.0	21.7	17.6	14.7	12.5	**11.1**	**10.3**	**9.7**	*11.4*	*10.7*	*9.9*
Spain	11.0	23.3	17.7	15.5	14.9	13.0	**12.2**	**11.6**	**11.1**	*12.1*	*11.6*	*11.1*
France	8.4	9.8	9.4	8.0	7.9	7.3	**7.3**	**7.7**	**7.8**	*7.2*	*7.4*	*7.5*
Croatia	10.4	15.2	11.1	7.5	7.6	7.0	**6.1**	**5.8**	**5.6**	*6.5*	*6.2*	*5.8*
Italy	7.1	10.6	11.1	9.3	9.5	8.1	**7.7**	**7.5**	**7.3**	*7.6*	*7.4*	*7.3*
Cyprus	4.6	11.6	10.9	7.6	7.5	6.8	**6.1**	**5.6**	**5.4**	*6.4*	*6.1*	*5.9*
Latvia	9.8	14.8	8.4	8.1	7.6	6.9	**6.5**	**6.5**	**6.3**	*6.8*	*6.6*	*6.5*
Lithuania	7.6	13.8	7.3	8.5	7.1	6.0	**6.9**	**7.0**	**6.9**	*6.8*	*6.7*	*6.5*
Luxembourg	4.7	5.2	5.9	6.8	5.3	4.6	**5.2**	**5.8**	**5.7**	*5.5*	*5.9*	*6.0*
Malta	6.6	6.3	4.4	4.9	3.8	3.5	**3.1**	**3.0**	**2.9**	*2.7*	*2.7*	*2.7*
Netherlands	5.7	7.1	6.0	4.9	4.2	3.5	**3.6**	**3.9**	**4.0**	*3.6*	*3.9*	*3.9*
Austria	5.4	5.4	5.7	6.0	6.2	4.8	**5.1**	**5.3**	**5.1**	*5.3*	*5.4*	*5.3*
Portugal	9.6	14.9	9.5	7.0	6.7	6.2	**6.5**	**6.5**	**6.4**	*6.5*	*6.5*	*6.4*
Slovakia	12.5	13.8	8.3	6.7	6.8	6.1	**5.8**	**5.4**	**5.2**	*5.7*	*5.4*	*5.2*
Slovenia	5.5	8.8	6.6	5.0	4.8	4.0	**3.7**	**3.7**	**3.6**	*3.6*	*3.7*	*3.6*
Finland	7.6	8.3	8.3	7.7	7.7	6.8	**7.2**	**7.4**	**7.2**	*7.2*	*7.3*	*7.0*
Euro area	9.7	11.2	9.2	8.0	7.8	6.8	**6.6**	**6.6**	**6.5**	*6.6*	*6.6*	*6.4*
Bulgaria	8.9	12.6	7.5	6.1	5.3	4.2	**4.3**	**4.3**	**4.0**	*4.2*	*4.2*	*4.2*
Czechia	6.3	6.8	3.2	2.6	2.8	2.2	**2.6**	**2.8**	**2.9**	*2.4*	*2.5*	*2.5*
Denmark	4.5	7.5	5.6	5.6	5.1	4.5	**5.1**	**5.6**	**6.0**	*4.6*	*5.2*	*5.5*
Hungary	7.8	9.9	4.5	4.1	4.1	3.6	**4.1**	**4.5**	**4.0**	*4.1*	*4.2*	*4.1*
Poland	11.8	10.0	5.2	3.2	3.4	2.9	**2.8**	**3.0**	**2.9**	*3.0*	*2.8*	*2.7*
Romania	8.2	8.9	6.4	6.1	5.6	5.6	**5.6**	**5.5**	**5.5**	*5.4*	*5.2*	*5.3*
Sweden	7.2	8.2	7.0	8.5	8.9	7.5	**7.7**	**8.4**	**8.2**	*7.6*	*8.5*	*8.6*
EU	8.6	10.8	8.4	7.2	7.1	6.2	**6.1**	**6.1**	**6.0**	*6.0*	*6.0*	*5.9*
United Kingdom	5.8	7.6	4.6	4.7	4.6	3.9	**4.0**	**4.4**	**4.4**	*4.3*	*4.7*	*4.6*
Japan	4.3	4.3	2.8	2.8	2.8	2.6	**2.6**	**2.5**	**2.5**	*2.5*	*2.4*	*2.4*
United States	5.9	8.0	4.4	8.1	5.3	3.6	**3.6**	**3.9**	**4.0**	*3.7*	*4.1*	*3.9*

[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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.7	2.2	1.3	-1.5	4.4	7.3	**7.7**	**3.5**	**2.6**	*7.0*	*3.6*	*3.1*
Germany	1.0	2.6	2.8	0.4	3.1	3.9	**5.8**	**4.9**	**3.6**	*5.5*	*5.2*	*3.6*
Estonia	11.1	4.6	6.8	4.5	9.3	8.1	**7.6**	**5.5**	**3.8**	*10.0*	*6.3*	*3.9*
Ireland	4.0	-0.3	2.9	3.7	2.6	2.7	**2.7**	**4.4**	**4.1**	*5.0*	*5.5*	*5.2*
Greece	4.6	-4.7	-1.4	-0.4	3.8	2.8	**5.5**	**4.3**	**2.7**	*4.9*	*4.1*	*2.4*
Spain	4.1	0.0	1.3	1.2	4.5	4.1	**5.4**	**4.0**	**2.9**	*4.8*	*3.9*	*2.5*
France	2.6	2.1	1.2	-3.5	4.9	4.9	**4.1**	**3.0**	**2.4**	*5.3*	*3.3*	*2.7*
Croatia	3.6	-0.1	1.1	1.2	6.4	11.4	**11.3**	**9.4**	**4.7**	*10.4*	*4.8*	*1.9*
Italy	2.1	0.6	1.0	-4.1	6.3	4.8	**2.4**	**3.8**	**2.9**	*3.8*	*4.3*	*4.4*
Cyprus	4.3	-0.8	1.0	-0.5	4.3	1.1	**5.6**	**3.9**	**1.5**	*5.0*	*4.0*	*2.6*
Latvia	16.9	3.3	7.7	4.3	8.5	12.2	**12.6**	**5.7**	**4.7**	*10.4*	*7.3*	*5.8*
Lithuania	10.1	4.0	8.0	6.6	11.9	11.4	**10.2**	**8.2**	**6.8**	*10.8*	*7.4*	*5.5*
Luxembourg	3.3	2.4	2.1	1.2	5.1	5.8	**7.3**	**3.6**	**2.9**	*5.9*	*4.2*	*2.9*
Malta	3.4	2.5	4.9	-1.7	4.1	3.1	**1.5**	**2.7**	**3.2**	*3.9*	*3.9*	*4.4*
Netherlands	2.4	1.6	1.4	4.3	2.1	4.0	**6.2**	**5.9**	**3.8**	*6.2*	*5.5*	*3.9*
Austria	2.6	2.0	2.3	1.7	2.9	4.7	**7.7**	**7.1**	**3.2**	*8.3*	*7.1*	*3.9*
Portugal	3.0	-0.3	2.5	1.5	5.1	5.7	**8.1**	**3.3**	**2.8**	*7.0*	*3.7*	*3.2*
Slovakia	6.9	2.9	4.8	3.9	6.9	5.5	**10.4**	**7.8**	**6.4**	*9.7*	*7.9*	*5.9*
Slovenia	5.3	1.2	3.3	3.4	8.1	5.0	**11.8**	**6.1**	**4.4**	*9.2*	*5.9*	*4.5*
Finland	3.2	2.1	0.8	0.5	4.2	2.5	**3.4**	**2.6**	**3.5**	*5.1*	*2.7*	*3.5*
Euro area	2.4	1.7	1.7	-0.3	4.2	4.5	**5.1**	**4.2**	**3.1**	*5.5*	*4.5*	*3.4*
Bulgaria	10.6	7.8	7.7	7.2	11.3	14.2	**13.3**	**10.4**	**9.4**	*12.6*	*9.5*	*8.0*
Czechia	3.9	2.3	5.9	3.1	5.0	6.0	**7.0**	**7.3**	**6.9**	*8.3*	*6.8*	*6.3*
Denmark	3.5	1.9	1.6	2.4	3.1	3.1	**2.8**	**5.3**	**4.7**	*3.9*	*5.8*	*5.0*
Hungary	4.8	1.9	4.9	3.1	8.2	17.0	**14.0**	**11.7**	**7.7**	*14.2*	*10.2*	*8.7*
Poland	4.3	4.5	5.8	5.3	4.7	9.1	**13.4**	**10.1**	**7.1**	*11.2*	*8.8*	*6.7*
Romania	15.0	4.3	11.1	4.0	6.4	13.3	**18.2**	**11.5**	**6.9**	*15.1*	*8.9*	*7.1*
Sweden	3.6	2.6	2.8	2.5	4.6	2.8	**4.1**	**4.1**	**3.0**	*3.9*	*4.1*	*4.0*
EU	2.5	1.8	2.1	0.2	4.3	4.8	**5.8**	**4.8**	**3.5**	*5.9*	*4.9*	*3.8*
United Kingdom	3.5	1.9	2.7	0.3	4.6	5.9	**6.5**	**3.5**	**2.2**	*6.2*	*4.4*	*2.9*
Japan	-1.0	0.0	0.9	-0.8	2.0	1.9	**3.2**	**3.2**	**2.4**	*3.7*	*3.2*	*2.9*
United States	3.1	2.3	2.7	7.6	5.0	2.9	**4.0**	**2.9**	**2.6**	*3.9*	*2.9*	*2.6*

Note: See note 6 on concepts and sources.

Table 26: **Real compensation of employees per head [1] (percentage change on preceding year, 2005-2025)** 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	0.6	0.5	-0.2	-2.4	1.8	-2.3	**2.1**	**1.0**	**0.7**	*2.2*	*0.8*	*1.1*
Germany	-0.2	1.2	1.7	-0.2	0.1	-2.6	**-0.6**	**2.8**	**1.6**	*-0.6*	*2.5*	*1.5*
Estonia	6.1	1.2	4.5	5.4	4.9	-7.6	**-1.4**	**2.1**	**1.6**	*-1.0*	*2.6*	*1.8*
Ireland	3.7	-0.8	1.6	3.0	-1.2	-4.0	**-3.7**	**1.4**	**1.8**	*-1.0*	*2.2*	*2.6*
Greece	1.5	-4.6	-1.0	0.7	2.7	-3.4	**0.9**	**1.5**	**0.6**	*1.1*	*1.3*	*0.3*
Spain	1.5	-1.5	0.5	1.2	2.1	-2.3	**1.2**	**0.8**	**0.6**	*1.1*	*0.5*	*0.4*
France	1.1	1.0	0.4	-4.5	3.3	0.2	**-2.0**	**0.4**	**0.4**	*-0.9*	*0.3*	*0.7*
Croatia	0.0	-1.7	0.7	0.7	4.0	0.1	**3.1**	**5.8**	**2.5**	*2.6*	*1.8*	*0.1*
Italy	0.2	-1.1	0.4	-4.2	4.7	-2.7	**-2.7**	**2.3**	**1.0**	*-1.4*	*1.7*	*2.2*
Cyprus	1.2	-2.2	1.4	1.0	3.5	-5.1	**2.4**	**1.4**	**-0.3**	*0.9*	*1.0*	*0.4*
Latvia	8.2	1.6	5.5	4.4	5.0	-1.0	**4.3**	**4.0**	**2.6**	*0.8*	*4.0*	*3.8*
Lithuania	4.3	2.0	6.2	5.4	6.9	-6.1	**1.5**	**6.2**	**4.9**	*1.2*	*4.4*	*2.9*
Luxembourg	1.3	0.5	0.7	-0.4	3.8	0.4	**3.6**	**0.7**	**0.4**	*2.1*	*1.0*	*1.1*
Malta	0.9	0.6	3.6	-2.9	2.9	-2.2	**-3.9**	**-0.3**	**0.9**	*-1.4*	*0.4*	*1.4*
Netherlands	0.9	0.0	0.0	3.0	-1.0	-2.7	**-2.5**	**2.8**	**1.7**	*-2.3*	*1.7*	*1.6*
Austria	0.7	-0.3	0.6	0.5	0.7	-2.5	**-0.4**	**3.3**	**0.4**	*1.4*	*2.8*	*0.8*
Portugal	0.7	-1.5	1.3	0.9	3.0	-1.6	**2.9**	**1.0**	**0.8**	*2.4*	*0.9*	*0.8*
Slovakia	3.9	1.0	3.5	1.7	3.5	-5.9	**0.1**	**4.5**	**2.8**	*-0.4*	*2.3*	*2.3*
Slovenia	2.2	-0.1	2.5	4.0	4.6	-4.5	**4.2**	**3.2**	**2.0**	*1.6*	*2.0*	*1.7*
Finland	1.3	-0.1	0.0	0.2	2.0	-3.5	**-1.0**	**0.9**	**1.6**	*0.7*	*0.8*	*1.5*
Euro area	0.6	0.3	0.8	-0.9	1.9	-2.1	**-0.8**	**1.8**	**1.1**	*-0.3*	*1.5*	*1.2*
Bulgaria	5.4	6.0	4.9	7.8	5.0	-1.7	**5.9**	**7.2**	**6.5**	*1.7*	*5.3*	*4.9*
Czechia	1.6	1.1	4.2	0.2	2.1	-7.8	**-2.0**	**4.2**	**4.4**	*-1.6*	*2.7*	*3.4*
Denmark	1.5	0.2	1.0	2.1	1.0	-4.0	**-0.3**	**3.2**	**2.7**	*0.4*	*3.6*	*3.1*
Hungary	0.1	-1.2	2.3	-0.2	1.8	1.6	**-1.1**	**7.3**	**3.9**	*-2.6*	*4.8*	*4.4*
Poland	1.7	2.4	4.9	1.7	-0.7	-4.3	**2.3**	**5.3**	**2.8**	*0.2*	*2.4*	*2.7*
Romania	7.9	0.3	8.1	1.6	1.7	-1.0	**7.7**	**4.4**	**2.1**	*4.8*	*2.9*	*3.6*
Sweden	2.0	1.6	1.2	1.6	2.7	-3.8	**-2.1**	**1.4**	**2.0**	*-3.7*	*1.0*	*2.1*
EU	0.6	0.4	1.1	-0.6	1.8	-2.5	**-0.6**	**2.1**	**1.3**	*-0.4*	*1.6*	*1.4*
United Kingdom	1.1	-0.1	1.4	-0.3	2.2	-1.8	**-0.3**	**1.2**	**0.4**	*-0.7*	*0.7*	*0.7*
Japan	-0.4	0.2	0.5	-1.2	1.4	-1.0	**0.2**	**0.4**	**0.0**	*0.7*	*0.5*	*0.6*
United States	0.9	0.5	1.4	6.5	0.8	-3.3	**0.3**	**0.3**	**0.6**	*0.0*	*0.1*	*0.5*

[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)** 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	0.2	1.0	0.4	-5.4	4.9	0.9	**0.6**	**0.8**	**0.8**	*0.6*	*0.7*	*0.7*
Germany	-0.3	1.3	0.5	-3.1	3.0	0.4	**-1.0**	**-0.2**	**0.8**	*-1.0*	*0.5*	*1.2*
Estonia	1.7	2.5	2.1	1.8	7.1	-4.8	**-6.0**	**0.0**	**2.4**	*-3.3*	*3.0*	*2.3*
Ireland	0.5	2.8	6.2	9.7	8.6	2.6	**-8.2**	**-0.3**	**2.1**	*-4.2*	*1.6*	*2.1*
Greece	0.0	-3.5	-0.5	-6.9	7.1	3.0	**1.0**	**1.2**	**1.6**	*0.8*	*1.2*	*1.3*
Spain	0.7	1.2	0.3	-7.3	4.0	3.0	**-0.7**	**0.0**	**0.6**	*0.5*	*0.4*	*0.8*
France	0.2	0.8	0.8	-7.5	3.5	-0.2	**-0.4**	**0.5**	**0.9**	*-0.2*	*0.9*	*1.0*
Croatia	0.1	1.5	1.3	-7.4	11.7	4.6	**0.4**	**1.3**	**1.5**	*0.5*	*1.4*	*1.7*
Italy	-0.9	0.0	0.1	-7.0	7.4	2.2	**-0.9**	**0.2**	**0.7**	*-0.4*	*0.6*	*0.9*
Cyprus	0.5	0.2	1.2	-2.3	6.5	2.0	**1.0**	**1.4**	**1.4**	*0.5*	*1.0*	*1.3*
Latvia	3.7	2.4	2.3	-1.2	9.5	0.2	**-0.3**	**1.4**	**2.4**	*-0.7*	*2.2*	*2.8*
Lithuania	3.8	3.6	2.5	1.6	5.0	-2.5	**-1.8**	**1.8**	**3.2**	*-1.2*	*2.1*	*3.6*
Luxembourg	-0.8	0.1	-0.7	-2.6	4.2	-1.9	**-3.3**	**0.0**	**0.4**	*-2.2*	*0.1*	*0.4*
Malta	1.1	1.0	1.9	-10.7	9.4	1.9	**-0.9**	**0.4**	**0.3**	*0.2*	*1.6*	*2.1*
Netherlands	0.2	0.9	0.3	-3.5	4.1	0.4	**-1.4**	**0.1**	**1.2**	*-0.9*	*0.5*	*1.4*
Austria	0.2	0.3	0.6	-5.1	2.2	2.1	**-1.7**	**-0.1**	**0.9**	*-1.1*	*0.4*	*0.6*
Portugal	0.9	1.0	0.7	-6.6	3.7	5.2	**1.4**	**0.7**	**0.9**	*1.2*	*0.7*	*1.2*
Slovakia	3.6	2.6	1.4	-1.5	5.4	0.1	**1.3**	**2.0**	**2.8**	*0.7*	*1.6*	*1.8*
Slovenia	1.3	1.3	1.3	-3.6	6.8	-0.4	**0.4**	**1.7**	**2.1**	*0.2*	*1.0*	*2.0*
Finland	-0.2	0.5	0.7	-0.4	0.6	-2.1	**-1.6**	**0.1**	**1.3**	*-0.2*	*0.7*	*0.6*
Euro area	0.0	0.9	0.6	-4.7	4.4	1.1	**-1.0**	**0.1**	**0.9**	*-0.5*	*0.7*	*1.1*
Bulgaria	2.6	2.7	2.6	-1.7	7.5	4.3	**0.9**	**2.4**	**2.8**	*1.6*	*1.8*	*2.6*
Czechia	2.1	1.1	2.6	-3.9	3.2	0.8	**-1.1**	**1.0**	**2.7**	*-1.0*	*1.2*	*2.5*
Denmark	-0.5	1.7	0.9	-1.6	4.4	-1.0	**0.4**	**2.8**	**1.7**	*0.6*	*1.9*	*1.9*
Hungary	1.4	0.3	1.8	-3.3	5.8	3.0	**-1.1**	**2.3**	**2.8**	*-0.7*	*2.2*	*3.3*
Poland	1.9	2.9	3.7	-2.0	4.3	1.7	**0.0**	**2.8**	**3.3**	*-0.1*	*2.5*	*2.8*
Romania	5.0	2.2	4.8	-1.7	4.9	4.0	**3.0**	**2.7**	**2.8**	*2.4*	*3.0*	*3.4*
Sweden	0.6	1.2	1.0	-0.8	4.9	-0.1	**-1.6**	**0.5**	**1.6**	*-2.0*	*0.3*	*1.0*
EU	0.1	1.1	0.9	-4.3	4.5	1.2	**-0.7**	**0.5**	**1.2**	*-0.4*	*0.9*	*1.3*
United Kingdom	0.1	0.9	0.7	-9.6	8.8	3.0	**-0.6**	**0.5**	**0.8**	*0.8*	*0.4*	*0.7*
Japan	-0.7	1.6	-0.1	-3.7	2.6	0.8	**1.6**	**0.6**	**0.7**	*2.0*	*0.9*	*0.7*
United States	1.4	1.0	0.9	3.8	2.4	-1.8	**0.8**	**1.3**	**1.5**	*0.6*	*1.3*	*1.3*

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.5	1.3	0.9	4.0	-0.5	6.3	**7.1**	**2.6**	**1.8**	*6.4*	*2.8*	*2.4*
Germany	1.3	1.2	2.3	3.5	0.1	3.4	**6.9**	**5.2**	**2.7**	*6.5*	*4.7*	*2.4*
Estonia	9.2	2.1	4.6	2.6	2.1	13.6	**14.5**	**5.5**	**1.4**	*13.7*	*3.2*	*1.5*
Ireland	3.5	-3.0	-3.2	-5.5	-5.5	0.1	**11.8**	**4.8**	**2.0**	*9.6*	*3.8*	*3.0*
Greece	4.6	-1.3	-0.9	7.0	-3.1	-0.2	**4.5**	**3.0**	**1.0**	*4.0*	*2.8*	*1.1*
Spain	3.4	-1.3	0.9	9.2	0.4	1.0	**6.1**	**3.9**	**2.3**	*4.3*	*3.5*	*1.8*
France	2.3	1.2	0.4	4.4	1.3	5.1	**4.5**	**2.5**	**1.4**	*5.5*	*2.3*	*1.6*
Croatia	3.6	-1.6	-0.2	9.3	-4.8	6.5	**10.9**	**8.0**	**3.1**	*9.9*	*3.4*	*0.2*
Italy	3.0	0.6	0.9	3.1	-0.9	2.5	**3.3**	**3.6**	**2.2**	*4.2*	*3.7*	*3.4*
Cyprus	3.7	-1.0	-0.2	1.9	-2.1	-0.9	**4.6**	**2.5**	**0.1**	*4.5*	*3.0*	*1.3*
Latvia	12.7	0.9	5.2	5.6	-0.9	12.0	**13.0**	**4.2**	**2.3**	*11.2*	*4.9*	*2.9*
Lithuania	6.1	0.3	5.4	5.0	6.5	14.2	**12.2**	**6.3**	**3.6**	*12.1*	*5.2*	*1.8*
Luxembourg	4.1	2.3	2.8	3.9	0.9	7.9	**11.0**	**3.5**	**2.5**	*8.3*	*4.0*	*2.4*
Malta	2.2	1.5	2.9	10.1	-4.8	1.1	**2.4**	**2.2**	**2.9**	*3.6*	*2.3*	*2.3*
Netherlands	2.1	0.7	1.1	8.1	-2.0	3.6	**7.8**	**5.7**	**2.6**	*7.2*	*5.0*	*2.5*
Austria	2.4	1.7	1.8	7.2	0.7	2.6	**9.7**	**7.2**	**2.3**	*9.5*	*6.6*	*3.2*
Portugal	2.1	-1.2	1.8	8.7	1.3	0.5	**6.6**	**2.6**	**1.8**	*5.7*	*2.9*	*2.0*
Slovakia	3.2	0.3	3.4	5.4	1.4	5.4	**8.9**	**5.7**	**3.5**	*8.9*	*6.2*	*4.0*
Slovenia	3.9	-0.1	2.0	7.2	1.1	5.4	**11.4**	**4.3**	**2.3**	*9.0*	*4.8*	*2.5*
Finland	3.4	1.6	0.1	0.9	3.6	4.6	**5.0**	**2.5**	**2.2**	*5.3*	*2.0*	*2.8*
Euro area	2.4	0.7	1.1	4.6	-0.2	3.3	**6.2**	**4.1**	**2.2**	*6.0*	*3.8*	*2.3*
Bulgaria	7.8	4.9	5.0	9.0	3.6	9.5	**12.3**	**7.9**	**6.4**	*10.8*	*7.6*	*5.3*
Czechia	1.7	1.1	3.2	7.3	1.8	5.1	**8.2**	**6.3**	**4.1**	*9.3*	*5.6*	*3.6*
Denmark	4.0	0.2	0.8	4.2	-1.2	4.2	**2.4**	**2.4**	**2.9**	*3.2*	*3.9*	*3.0*
Hungary	3.3	1.5	3.1	6.6	2.3	13.7	**15.2**	**9.2**	**4.8**	*14.9*	*7.8*	*5.2*
Poland	2.3	1.6	2.0	7.5	0.4	7.3	**13.3**	**7.0**	**3.6**	*11.3*	*6.1*	*3.8*
Romania	9.5	2.0	6.1	5.8	1.4	8.9	**14.7**	**8.6**	**4.0**	*12.4*	*5.7*	*3.7*
Sweden	3.0	1.4	1.8	3.4	-0.3	2.8	**5.8**	**3.6**	**1.3**	*6.0*	*3.8*	*3.0*
EU	2.4	0.7	1.2	4.7	-0.1	3.6	**6.6**	**4.3**	**2.3**	*6.4*	*4.0*	*2.4*
United Kingdom	3.4	1.0	2.0	10.9	-3.9	2.9	**7.2**	**2.9**	**1.4**	*5.3*	*4.0*	*2.1*
Japan	-0.3	-1.6	1.0	2.9	-0.7	1.1	**1.6**	**2.6**	**1.6**	*1.6*	*2.3*	*2.2*
United States	1.7	1.3	1.8	3.7	2.6	4.8	**3.2**	**1.7**	**1.1**	*3.3*	*1.7*	*1.3*

[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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	0.8	-0.3	-0.8	2.4	-3.6	0.4	**2.9**	**0.1**	**-0.3**	*2.5*	*0.2*	*-0.1*
Germany	0.2	-0.2	0.5	1.6	-2.8	-1.8	**0.2**	**1.5**	**0.6**	*0.2*	*1.7*	*-0.2*
Estonia	2.4	-1.5	1.5	3.6	-3.6	-2.1	**6.1**	**1.6**	**-0.9**	*4.1*	*-0.9*	*-0.5*
Ireland	3.0	-3.3	-5.9	-4.3	-5.9	-6.1	**8.6**	**2.1**	**0.1**	*4.3*	*1.2*	*1.1*
Greece	1.3	-0.6	-0.8	7.8	-4.5	-7.5	**0.0**	**0.0**	**-1.2**	*-1.1*	*0.1*	*-1.0*
Spain	0.7	-1.3	0.0	8.0	-2.2	-3.0	**0.2**	**0.6**	**-0.1**	*-0.9*	*0.1*	*-0.2*
France	0.5	0.3	-0.5	1.5	-0.1	2.1	**-0.9**	**-0.3**	**-0.6**	*-0.2*	*-0.5*	*-0.5*
Croatia	-0.3	-2.5	-1.2	8.4	-6.7	-1.9	**2.2**	**2.4**	**1.0**	*0.5*	*-0.1*	*-1.9*
Italy	0.9	-0.5	-0.1	1.5	-2.2	-1.0	**-1.8**	**1.4**	**0.4**	*-0.7*	*1.0*	*0.6*
Cyprus	0.9	-1.6	-0.6	3.2	-4.6	-6.6	**-0.1**	**-1.2**	**-2.2**	*-1.2*	*-0.3*	*-1.4*
Latvia	3.7	-1.7	2.7	3.4	-4.5	0.2	**7.2**	**0.0**	**-0.2**	*3.3*	*0.4*	*0.1*
Lithuania	0.5	-2.1	2.9	3.0	0.0	-2.0	**4.8**	**3.9**	**1.7**	*3.0*	*2.0*	*-0.5*
Luxembourg	0.0	-1.0	1.5	-0.3	-3.6	2.1	**7.3**	**-0.4**	**0.0**	*3.1*	*0.2*	*-0.6*
Malta	-0.1	-0.7	0.4	8.2	-6.7	-3.9	**-2.7**	**-1.4**	**0.3**	*-1.3*	*-0.8*	*-0.7*
Netherlands	0.3	-0.1	-0.5	6.1	-4.8	-1.9	**0.0**	**1.9**	**0.3**	*0.0*	*1.2*	*0.2*
Austria	0.3	0.0	0.0	4.4	-1.4	-2.6	**1.9**	**2.9**	**-0.3**	*1.8*	*2.5*	*-0.3*
Portugal	-0.4	-1.8	0.0	6.6	-0.6	-4.3	**-0.5**	**0.0**	**-0.3**	*-1.0*	*0.0*	*-0.3*
Slovakia	1.5	-0.5	2.3	3.0	-0.9	-1.9	**-1.1**	**1.0**	**0.4**	*-1.2*	*0.9*	*0.7*
Slovenia	0.8	-0.6	0.5	6.0	-1.5	-1.0	**2.3**	**0.9**	**-0.6**	*0.3*	*1.0*	*-0.2*
Finland	1.5	-0.4	-1.1	-0.7	1.2	-0.7	**0.2**	**0.7**	**0.1**	*0.4*	*-0.2*	*0.5*
Euro area	0.5	-0.3	-0.2	2.7	-2.4	-1.3	**0.2**	**1.0**	**0.1**	*0.2*	*0.7*	*-0.2*
Bulgaria	0.5	3.0	0.8	4.5	-3.3	-5.8	**4.5**	**4.4**	**3.8**	*1.9*	*3.3*	*2.4*
Czechia	0.0	0.3	1.2	2.8	-1.5	-3.2	**-0.3**	**3.6**	**1.5**	*-0.2*	*1.9*	*0.9*
Denmark	1.5	-1.4	0.0	1.2	-4.0	-3.6	**6.0**	**0.2**	**0.4**	*5.8*	*1.5*	*0.8*
Hungary	-0.8	-1.2	-0.4	0.2	-3.9	-0.5	**0.4**	**3.7**	**0.9**	*0.0*	*2.9*	*0.5*
Poland	-0.8	0.0	0.5	3.1	-4.6	-3.0	**2.3**	**2.4**	**-0.5**	*0.6*	*0.3*	*0.1*
Romania	-1.9	-1.3	1.3	1.6	-3.8	-3.8	**2.3**	**1.2**	**-1.2**	*1.3*	*-0.8*	*-0.4*
Sweden	0.8	0.2	-0.3	1.3	-2.8	-3.0	**0.2**	**0.9**	**0.0**	*-0.7*	*1.1*	*0.9*
EU	0.4	-0.4	-0.3	2.6	-2.6	-1.7	**0.4**	**1.1**	**0.0**	*0.2*	*0.7*	*-0.1*
United Kingdom	0.7	-0.7	0.3	5.6	-3.8	-2.2	**0.1**	**1.2**	**-0.1**	*-1.0*	*0.4*	*0.4*
Japan	0.6	-1.0	0.4	2.0	-0.5	0.7	**-2.0**	**0.3**	**0.0**	*-1.9*	*0.3*	*0.6*
United States	-0.6	-0.5	0.2	2.4	-1.9	-2.1	**-0.4**	**-0.8**	**-0.7**	*-0.4*	*-0.9*	*-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)** 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	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	**24.0043**	**25.2128**	**25.2545**	*24.0374*	*24.6542*	*24.6542*
Denmark	7.4528	7.4509	7.4523	7.4542	7.4370	7.4396	**7.4509**	**7.4594**	**7.4605**	*7.4517*	*7.4612*	*7.4612*
Hungary	258.9058	289.7524	314.9165	351.2494	358.4616	390.7769	**381.8527**	**392.2510**	**393.6600**	*382.5963*	*384.7310*	*384.7310*
Poland	3.9081	4.1363	4.2727	4.4430	4.5649	4.6853	**4.5420**	**4.3201**	**4.3174**	*4.5580*	*4.4726*	*4.4726*
Romania	3.6805	4.3546	4.5807	4.8383	4.9214	4.9313	**4.9467**	**4.9747**	**4.9754**	*4.9466*	*4.9682*	*4.9682*
Sweden	9.6029	9.0038	9.8599	10.4848	10.1461	10.6270	**11.4788**	**11.5343**	**11.6210**	*11.5139*	*11.6199*	*11.6199*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.7474	0.8384	0.8369	0.8897	0.8595	0.8526	**0.8698**	**0.8567**	**0.8569**	*0.8700*	*0.8684*	*0.8684*
Japan	145.1365	119.5223	126.6649	121.8458	129.8621	137.9179	**151.9903**	**163.8847**	**164.7860**	*151.8103*	*158.3190*	*158.3190*
United States	1.3471	1.3318	1.1293	1.1422	1.1824	1.0519	**1.0813**	**1.0715**	**1.0663**	*1.0767*	*1.0577*	*1.0577*

Table 31: **Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2005-2025)** 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	0.9	-0.3	0.4	1.9	0.5	-1.5	**2.9**	**1.1**	**0.6**	*2.9*	*0.5*	*0.0*
Germany	1.0	-0.4	0.4	2.4	0.7	-2.4	**3.4**	**1.2**	**0.7**	*3.5*	*0.6*	*0.0*
Estonia	1.5	0.0	1.6	2.5	0.5	-2.1	**4.1**	**1.3**	**0.7**	*4.2*	*0.9*	*0.0*
Ireland	1.5	-0.7	-0.3	1.8	0.9	-4.5	**3.0**	**0.3**	**0.2**	*2.8*	*-0.1*	*0.0*
Greece	1.0	0.3	1.4	3.4	1.5	0.4	**4.9**	**3.1**	**2.0**	*4.8*	*1.3*	*0.0*
Spain	0.9	-0.2	0.6	2.2	0.6	-1.4	**3.0**	**1.3**	**0.8**	*2.9*	*0.6*	*0.0*
France	0.9	-0.4	0.3	2.1	0.7	-2.0	**3.3**	**1.2**	**0.7**	*3.3*	*0.6*	*0.0*
Croatia	1.2	-0.6	1.6	0.8	1.3	-0.8	**3.6**	**2.1**	**1.3**	*3.4*	*1.0*	*0.0*
Italy	0.9	-0.3	0.5	2.3	0.9	-2.0	**3.3**	**1.4**	**0.9**	*3.3*	*0.6*	*0.0*
Cyprus	1.1	-0.5	0.5	2.8	0.4	-2.7	**5.3**	**2.1**	**1.1**	*5.2*	*1.1*	*0.0*
Latvia	0.2	0.5	1.9	3.5	0.9	-2.4	**4.6**	**1.6**	**0.8**	*5.6*	*1.6*	*0.0*
Lithuania	1.5	0.6	2.2	3.8	1.1	-2.8	**4.4**	**1.6**	**0.9**	*5.7*	*1.6*	*0.0*
Luxembourg	0.8	-0.3	0.3	1.5	0.5	-1.1	**2.2**	**0.9**	**0.6**	*2.2*	*0.5*	*0.0*
Malta	1.0	-0.5	-0.2	1.7	0.9	-1.5	**4.0**	**1.7**	**0.7**	*3.8*	*0.8*	*0.0*
Netherlands	0.9	-0.3	0.4	1.8	0.4	-1.4	**2.7**	**0.9**	**0.6**	*2.7*	*0.5*	*0.0*
Austria	0.7	-0.2	0.4	1.8	0.6	-1.7	**2.2**	**0.9**	**0.5**	*2.2*	*0.4*	*0.0*
Portugal	0.7	-0.2	0.3	1.7	0.5	-1.3	**2.4**	**0.9**	**0.6**	*2.1*	*0.4*	*0.0*
Slovakia	6.5	0.0	0.6	1.8	0.4	-1.0	**2.0**	**0.9**	**0.5**	*2.0*	*0.5*	*0.0*
Slovenia	0.6	0.2	0.8	1.8	0.7	-1.3	**2.1**	**1.0**	**0.6**	*2.3*	*0.6*	*0.0*
Finland	1.4	-0.3	1.0	2.5	0.6	-2.3	**4.1**	**1.2**	**0.6**	*4.7*	*1.0*	*0.0*
Euro area	2.1	-0.8	0.8	3.8	1.2	-3.3	**5.5**	**2.1**	**1.3**	*5.6*	*1.0*	*0.0*
Bulgaria	1.1	0.4	1.6	3.3	1.8	0.9	**4.8**	**3.2**	**2.1**	*4.5*	*1.4*	*0.0*
Czechia	4.6	-0.9	2.1	-1.3	3.9	3.6	**4.6**	**-4.0**	**0.4**	*4.6*	*-2.0*	*0.0*
Denmark	1.2	-0.7	0.6	2.5	0.4	-2.0	**3.8**	**0.9**	**0.5**	*3.9*	*0.5*	*0.0*
Hungary	-1.3	-1.9	-0.4	-5.7	-1.4	-9.2	**5.0**	**-1.5**	**0.4**	*4.9*	*0.1*	*0.0*
Poland	2.3	0.7	0.3	-1.4	-2.4	-3.9	**6.0**	**6.6**	**0.7**	*5.8*	*2.7*	*0.0*
Romania	0.3	-0.6	-0.4	0.4	-0.6	0.0	**3.1**	**1.5**	**1.3**	*3.1*	*0.5*	*0.0*
Sweden	-2.0	2.8	-2.4	3.7	3.5	-6.6	**-3.9**	**0.5**	**-0.2**	*-4.2*	*-0.3*	*0.0*
EU	2.2	-0.8	0.8	4.1	1.5	-4.7	**7.0**	**2.9**	**1.7**	*7.1*	*1.3*	*0.0*
United	-4.5	1.5	-1.6	0.8	4.6	-2.2	**1.9**	**3.0**	**0.7**	*1.6*	*0.7*	*0.0*
Japan	2.3	-2.7	2.3	2.8	-6.3	-11.7	**-4.6**	**-6.4**	**-0.4**	*-4.6*	*-3.8*	*0.0*
United States	-1.3	0.0	4.6	2.6	-4.0	7.0	**0.5**	**1.7**	**0.9**	*1.0*	*2.4*	*0.0*

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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	50.9	55.5	52.6	58.9	54.9	53.3	54.6	55.1	55.0	54.9	55.3	54.8
Germany	45.6	45.5	44.4	50.5	50.9	49.5	48.6	48.3	48.5	48.2	48.1	47.8
Estonia	37.2	38.6	39.3	44.9	41.9	39.8	43.5	45.7	44.7	42.7	42.7	43.1
Ireland	38.1	46.6	26.6	27.2	24.4	21.2	22.9	23.4	23.2	22.1	21.9	21.4
Greece	48.5	55.9	50.1	60.2	57.7	53.1	50.5	49.6	48.6	50.5	47.9	47.3
Spain	40.8	46.7	42.4	51.9	50.0	47.4	46.4	46.6	46.5	46.8	46.7	46.4
France	54.7	58.0	56.8	61.7	59.6	58.8	57.3	57.2	57.0	56.5	56.1	56.0
Croatia	46.2	47.9	45.4	53.3	47.7	44.4	47.4	48.3	49.1	45.5	46.5	46.4
Italy	48.2	50.3	49.0	56.8	56.3	56.3	55.2	51.5	51.7	53.1	51.1	51.2
Cyprus	39.2	43.6	39.0	44.2	41.9	38.8	40.2	40.4	40.3	40.1	41.2	40.6
Latvia	37.8	40.9	38.4	42.4	44.7	40.9	41.0	43.2	43.9	40.8	42.0	42.3
Lithuania	37.4	38.3	34.3	42.7	37.4	36.3	38.2	40.3	40.7	38.1	39.4	39.0
Luxembourg	40.2	41.4	41.4	47.0	42.8	43.9	48.1	48.3	48.7	46.5	46.0	45.0
Malta	41.8	41.1	36.1	45.1	42.8	39.4	38.4	37.9	37.3	39.9	38.8	38.1
Netherlands	44.0	47.1	43.1	47.8	46.0	43.5	43.5	44.7	45.1	43.2	44.1	44.4
Austria	51.0	51.8	49.6	56.8	56.2	53.0	52.1	52.9	52.6	51.4	51.4	51.0
Portugal	46.4	50.5	44.8	49.2	47.5	44.1	42.3	43.4	43.5	42.5	44.4	44.4
Slovakia	39.3	42.1	41.6	44.7	45.3	42.4	47.9	47.5	46.6	47.8	45.4	45.2
Slovenia	46.0	52.3	45.2	51.4	49.5	47.2	46.7	48.0	47.9	47.9	47.6	46.3
Finland	49.1	55.4	54.5	57.2	55.8	53.4	55.6	56.4	56.1	54.5	54.8	54.9
Euro area	47.5	50.2	47.5	53.5	52.3	50.6	50.0	49.6	49.6	49.4	49.0	48.8
Bulgaria	36.9	37.0	36.6	41.5	41.6	41.4	39.8	39.9	41.6	40.6	40.4	41.6
Czechia	41.9	43.4	40.5	47.2	46.5	44.6	45.4	44.6	44.1	45.6	44.0	43.1
Denmark	51.5	56.4	51.6	53.5	49.8	45.0	47.2	47.5	48.2	47.1	47.5	47.6
Hungary	50.0	49.4	47.2	51.4	48.4	48.9	49.1	48.3	46.9	48.1	46.9	45.6
Poland	44.2	44.1	41.6	48.2	44.1	43.6	46.7	49.4	48.5	47.3	47.7	47.0
Romania	36.9	37.0	35.1	41.8	40.0	40.0	40.2	41.1	41.3	39.8	39.2	39.0
Sweden	51.0	50.7	49.5	52.1	49.2	47.6	48.0	49.0	48.0	48.9	48.7	48.4
EU	47.4	49.8	47.2	52.9	51.4	49.7	49.4	49.2	49.1	48.9	48.5	48.3
United Kingdom	42.4	45.0	41.1	52.2	48.0	46.3	47.2	46.8	46.3	46.1	45.3	45.3
Japan	36.0	40.0	38.6	46.0	44.1	43.3	42.7	42.8	42.4	43.1	41.2	39.6
United States	38.8	40.4	37.9	47.1	44.8	39.2	39.5	40.4	39.9	39.0	39.5	39.2

Table 33: Total revenue, general government (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	49.1	51.7	50.9	49.9	49.5	49.7	50.1	50.7	50.3	50.0	50.4	49.9
Germany	44.0	44.6	45.8	46.1	47.3	47.0	46.1	46.7	47.4	46.0	46.5	46.5
Estonia	37.6	39.0	39.1	39.4	39.4	38.8	40.1	42.2	40.4	39.8	40.2	39.6
Ireland	34.9	33.7	26.1	22.2	22.9	22.9	24.5	24.7	24.3	23.0	22.5	22.4
Greece	39.7	46.3	49.5	50.4	50.7	50.6	48.9	48.5	47.8	48.1	47.1	46.6
Spain	38.6	37.8	38.7	41.8	43.3	42.6	42.8	43.7	43.7	42.8	43.5	43.1
France	50.7	52.5	53.6	52.8	53.0	54.0	51.9	51.9	52.0	51.8	51.7	51.7
Croatia	42.9	41.8	44.7	46.0	45.2	44.5	46.7	45.6	46.5	45.3	44.7	44.6
Italy	44.8	47.0	46.8	47.4	47.5	47.7	47.8	47.1	47.0	47.8	46.8	46.9
Cyprus	38.3	37.5	38.8	38.6	40.1	41.5	43.3	43.3	43.2	42.4	43.3	43.0
Latvia	34.8	37.5	37.8	38.0	37.5	36.3	38.7	40.4	41.0	37.6	39.0	39.3
Lithuania	34.6	33.8	34.6	36.2	36.3	35.7	37.4	38.5	38.5	36.5	37.1	36.9
Luxembourg	42.0	42.0	43.4	43.5	43.4	43.5	46.8	46.6	46.8	44.6	43.9	44.0
Malta	38.9	38.6	37.4	35.7	35.1	33.9	33.4	33.5	33.4	34.9	34.2	33.9
Netherlands	42.8	43.3	43.6	44.1	43.7	43.4	43.1	42.7	42.9	42.7	42.3	42.3
Austria	48.3	49.0	49.1	48.8	50.4	49.7	49.5	49.8	49.7	48.9	49.0	48.8
Portugal	41.1	43.0	42.9	43.4	44.6	43.8	43.5	43.8	44.0	43.3	44.6	44.4
Slovakia	35.4	37.6	39.9	39.4	40.2	40.7	43.0	41.6	41.3	42.1	38.9	38.4
Slovenia	44.0	45.0	44.5	43.7	44.9	44.2	44.2	45.2	45.7	44.1	44.3	43.4
Finland	51.8	53.2	53.2	51.6	53.0	53.0	52.9	53.0	53.3	52.1	51.6	51.5
Euro area	44.8	46.1	46.5	46.5	47.1	47.0	46.4	46.6	46.8	46.2	46.2	46.0
Bulgaria	37.1	34.5	37.4	37.7	37.7	38.5	37.9	37.2	38.6	37.6	37.4	38.3
Czechia	39.3	40.5	41.0	41.5	41.4	41.4	41.7	42.3	42.2	41.9	41.6	41.3
Denmark	54.6	54.7	52.6	53.9	53.9	48.3	50.3	50.0	49.6	49.7	49.3	48.8
Hungary	43.8	46.0	45.1	43.8	41.2	42.7	42.4	42.9	42.4	42.3	42.6	41.8
Poland	40.1	39.2	40.1	41.3	42.3	40.2	41.6	44.0	43.9	41.5	43.1	43.1
Romania	32.7	33.0	32.5	32.5	32.9	33.7	33.6	34.2	34.3	33.5	33.9	33.9
Sweden	52.7	49.8	50.2	49.3	49.2	48.8	47.4	47.6	47.1	48.7	48.0	47.8
EU	44.9	45.9	46.2	46.2	46.7	46.3	45.9	46.2	46.2	45.7	45.7	45.6
United Kingdom	38.3	38.3	38.5	39.4	40.5	42.0	41.3	42.1	42.2	42.4	42.3	42.4
Japan	31.2	32.1	35.4	37.0	37.9	39.1	37.3	36.8	37.0	36.5	35.9	35.5
United States	32.3	31.7	32.5	32.3	33.3	35.0	31.1	32.8	32.1	31.0	32.0	31.9

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	-1.8	-3.8	-1.7	-9.0	-5.4	-3.6	**-4.4**	**-4.4**	**-4.7**	*-4.9*	*-4.9*	*-5.0*
Germany	-1.6	-0.9	1.4	-4.3	-3.6	-2.5	**-2.5**	**-1.6**	**-1.2**	*-2.2*	*-1.6*	*-1.3*
Estonia	0.4	0.4	-0.2	-5.4	-2.5	-1.0	**-3.4**	**-3.4**	**-4.3**	*-2.9*	*-2.4*	*-3.6*
Ireland	-3.3	-12.8	-0.5	-5.0	-1.5	1.7	**1.7**	**1.3**	**1.2**	*0.9*	*0.6*	*1.0*
Greece	-8.8	-9.7	-0.6	-9.8	-7.0	-2.5	**-1.6**	**-1.2**	**-0.8**	*-2.3*	*-0.9*	*-0.8*
Spain	-2.1	-8.9	-3.7	-10.1	-6.7	-4.7	**-3.6**	**-3.0**	**-2.8**	*-4.1*	*-3.2*	*-3.4*
France	-4.0	-5.4	-3.1	-8.9	-6.6	-4.8	**-5.5**	**-5.3**	**-5.0**	*-4.8*	*-4.4*	*-4.3*
Croatia	-3.3	-6.1	-0.7	-7.2	-2.5	0.1	**-0.7**	**-2.6**	**-2.6**	*-0.1*	*-1.8*	*-1.8*
Italy	-3.3	-3.3	-2.2	-9.4	-8.7	-8.6	**-7.4**	**-4.4**	**-4.7**	*-5.3*	*-4.4*	*-4.3*
Cyprus	-0.9	-6.1	-0.3	-5.7	-1.8	2.7	**3.1**	**2.9**	**2.9**	*2.3*	*2.1*	*2.5*
Latvia	-3.1	-3.4	-0.6	-4.4	-7.2	-4.6	**-2.2**	**-2.8**	**-2.9**	*-3.2*	*-3.1*	*-3.1*
Lithuania	-2.7	-4.4	0.3	-6.5	-1.1	-0.6	**-0.8**	**-1.8**	**-2.2**	*-1.6*	*-2.3*	*-2.1*
Luxembourg	1.8	0.6	2.0	-3.4	0.5	-0.3	**-1.3**	**-1.7**	**-1.9**	*-1.9*	*-2.1*	*-1.0*
Malta	-2.9	-2.5	1.3	-9.4	-7.6	-5.5	**-4.9**	**-4.3**	**-3.9**	*-5.1*	*-4.6*	*-4.1*
Netherlands	-1.2	-3.8	0.6	-3.7	-2.2	-0.1	**-0.3**	**-2.0**	**-2.1**	*-0.5*	*-1.8*	*-2.0*
Austria	-2.6	-2.8	-0.5	-8.0	-5.8	-3.3	**-2.7**	**-3.1**	**-2.9**	*-2.6*	*-2.4*	*-2.2*
Portugal	-5.4	-7.5	-1.9	-5.8	-2.9	-0.3	**1.2**	**0.4**	**0.5**	*0.8*	*0.1*	*0.0*
Slovakia	-3.8	-4.4	-1.7	-5.3	-5.2	-1.7	**-4.9**	**-5.9**	**-5.4**	*-5.7*	*-6.5*	*-6.8*
Slovenia	-2.0	-7.3	-0.7	-7.6	-4.6	-3.0	**-2.5**	**-2.8**	**-2.2**	*-3.7*	*-3.3*	*-2.9*
Finland	2.7	-2.2	-1.3	-5.6	-2.8	-0.4	**-2.7**	**-3.4**	**-2.8**	*-2.4*	*-3.2*	*-3.4*
Euro area	-2.7	-4.1	-1.1	-7.0	-5.2	-3.7	**-3.6**	**-3.0**	**-2.8**	*-3.2*	*-2.8*	*-2.7*
Bulgaria	0.2	-2.5	0.8	-3.8	-3.9	-2.9	**-1.9**	**-2.8**	**-2.9**	*-3.0*	*-3.0*	*-3.2*
Czechia	-2.6	-2.8	0.6	-5.8	-5.1	-3.2	**-3.7**	**-2.4**	**-1.9**	*-3.8*	*-2.4*	*-1.8*
Denmark	3.1	-1.7	1.0	0.3	4.1	3.3	**3.1**	**2.4**	**1.4**	*2.6*	*1.8*	*1.2*
Hungary	-6.1	-3.5	-2.1	-7.6	-7.2	-6.2	**-6.7**	**-5.4**	**-4.5**	*-5.8*	*-4.3*	*-3.8*
Poland	-4.0	-4.8	-1.5	-6.9	-1.8	-3.4	**-5.1**	**-5.4**	**-4.6**	*-5.8*	*-4.6*	*-3.9*
Romania	-4.1	-4.0	-2.6	-9.3	-7.2	-6.3	**-6.6**	**-6.9**	**-7.0**	*-6.3*	*-5.3*	*-5.1*
Sweden	1.6	-0.9	0.7	-2.8	0.0	1.2	**-0.6**	**-1.4**	**-0.9**	*-0.2*	*-0.7*	*-0.6*
EU	-2.5	-3.9	-1.0	-6.7	-4.7	-3.4	**-3.5**	**-3.0**	**-2.9**	*-3.2*	*-2.8*	*-2.7*
United Kingdom	-4.8	-7.1	-3.0	-13.0	-7.9	-4.6	**-5.9**	**-4.8**	**-4.1**	*-3.7*	*-2.9*	*-2.9*
Japan	-4.8	-7.9	-3.2	-9.1	-6.2	-4.1	**-5.4**	**-6.0**	**-5.4**	*-6.6*	*-5.3*	*-4.1*
United States	-6.5	-8.7	-5.4	-14.8	-11.5	-4.2	**-8.4**	**-7.5**	**-7.8**	*-8.0*	*-7.5*	*-7.4*

Table 35: Interest expenditure, general government (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	4.1	3.4	2.4	2.0	1.7	1.6	**2.0**	**2.2**	**2.2**	*1.9*	*2.1*	*2.2*
Germany	2.7	2.1	1.1	0.6	0.6	0.7	**0.9**	**0.9**	**1.0**	*0.8*	*0.9*	*0.9*
Estonia	0.2	0.1	0.0	0.1	0.1	0.1	**0.3**	**0.5**	**0.6**	*0.5*	*0.6*	*0.7*
Ireland	1.3	3.7	2.0	1.0	0.8	0.7	**0.7**	**0.7**	**0.7**	*0.7*	*0.6*	*0.7*
Greece	4.7	5.4	3.3	3.0	2.5	2.5	**3.5**	**3.4**	**3.2**	*3.5*	*3.3*	*3.4*
Spain	1.6	2.9	2.6	2.2	2.1	2.4	**2.5**	**2.5**	**2.6**	*2.4*	*2.5*	*2.5*
France	2.7	2.5	1.8	1.3	1.4	1.9	**1.7**	**2.0**	**2.3**	*1.7*	*2.0*	*2.3*
Croatia	1.8	2.9	2.7	2.0	1.5	1.4	**1.7**	**1.6**	**1.6**	*1.2*	*1.1*	*1.1*
Italy	4.6	4.7	3.8	3.4	3.5	4.2	**3.8**	**4.0**	**4.1**	*3.8*	*4.2*	*4.6*
Cyprus	2.8	2.8	2.5	2.1	1.7	1.5	**1.4**	**1.4**	**1.3**	*1.4*	*1.4*	*1.4*
Latvia	0.7	1.6	0.9	0.6	0.5	0.4	**0.6**	**1.0**	**1.2**	*0.7*	*1.0*	*1.1*
Lithuania	0.8	1.8	1.1	0.7	0.4	0.4	**0.6**	**0.7**	**0.9**	*0.5*	*0.6*	*0.9*
Luxembourg	0.3	0.5	0.4	0.2	0.2	0.2	**0.3**	**0.4**	**0.4**	*0.3*	*0.3*	*0.4*
Malta	3.5	2.9	1.8	1.3	1.1	0.9	**1.1**	**1.3**	**1.3**	*1.1*	*1.3*	*1.4*
Netherlands	2.0	1.7	1.0	0.7	0.5	0.5	**0.6**	**0.7**	**0.7**	*0.7*	*0.7*	*0.8*
Austria	3.1	2.7	1.9	1.3	1.1	0.9	**1.2**	**1.4**	**1.4**	*1.2*	*1.4*	*1.4*
Portugal	2.9	4.4	3.8	2.9	2.4	1.9	**2.2**	**2.2**	**2.2**	*2.0*	*2.2*	*2.3*
Slovakia	1.5	1.7	1.5	1.2	1.1	1.0	**1.2**	**1.3**	**1.5**	*1.0*	*1.2*	*1.3*
Slovenia	1.3	2.3	2.5	1.6	1.2	1.1	**1.2**	**1.4**	**1.4**	*1.3*	*1.3*	*1.4*
Finland	1.4	1.3	1.0	0.7	0.5	0.6	**1.1**	**1.2**	**1.5**	*0.8*	*1.2*	*1.3*
Euro area	2.9	2.8	2.0	1.5	1.5	1.7	**1.7**	**1.9**	**2.0**	*1.7*	*1.9*	*2.0*
Bulgaria	1.1	0.8	0.8	0.5	0.5	0.4	**0.4**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Czechia	1.1	1.3	0.8	0.8	0.8	1.1	**1.3**	**1.4**	**1.5**	*1.3*	*1.4*	*1.3*
Denmark	1.8	1.8	1.0	0.6	0.6	0.7	**0.5**	**0.5**	**0.4**	*0.6*	*0.6*	*0.6*
Hungary	4.1	4.2	2.7	2.3	2.3	2.8	**4.7**	**4.9**	**4.1**	*4.4*	*4.4*	*4.2*
Poland	2.3	2.5	1.6	1.3	1.1	1.5	**2.1**	**2.2**	**2.4**	*2.1*	*2.2*	*2.3*
Romania	1.1	2.0	1.2	1.4	1.5	1.5	**2.0**	**2.0**	**2.0**	*1.6*	*1.8*	*1.9*
Sweden	1.6	1.0	0.4	0.3	0.2	0.5	**0.7**	**0.7**	**0.7**	*0.6*	*0.7*	*0.7*
EU	2.8	2.7	1.9	1.4	1.4	1.6	**1.7**	**1.8**	**1.9**	*1.7*	*1.8*	*2.0*
United Kingdom	2.3	3.1	2.6	2.2	2.9	4.5	**3.4**	**3.0**	**2.6**	*3.7*	*3.2*	*3.0*
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	**4.5**	**4.6**	**4.6**	*4.0*	*4.2*	*4.4*

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	2.3	-0.4	0.7	-7.0	-3.7	-2.0	**-2.4**	**-2.3**	**-2.4**	*-3.1*	*-2.8*	*-2.7*
Germany	1.1	1.2	2.5	-3.7	-3.0	-1.8	**-1.6**	**-0.6**	**-0.2**	*-1.4*	*-0.7*	*-0.4*
Estonia	0.6	0.5	-0.2	-5.4	-2.4	-0.9	**-3.0**	**-3.0**	**-3.7**	*-2.4*	*-1.9*	*-2.9*
Ireland	-2.0	-9.1	1.5	-4.0	-0.8	2.4	**2.3**	**1.9**	**1.8**	*1.6*	*1.3*	*1.7*
Greece	-4.2	-4.2	2.6	-6.8	-4.5	0.0	**1.9**	**2.3**	**2.4**	*1.1*	*2.5*	*2.6*
Spain	-0.5	-6.0	-1.1	-7.9	-4.6	-2.4	**-1.2**	**-0.5**	**-0.2**	*-1.6*	*-0.6*	*-0.8*
France	-1.3	-2.9	-1.3	-7.7	-5.2	-2.8	**-3.8**	**-3.3**	**-2.7**	*-3.1*	*-2.4*	*-2.0*
Croatia	-1.5	-3.2	2.0	-5.3	-1.0	1.5	**1.0**	**-1.0**	**-1.0**	*1.0*	*-0.7*	*-0.6*
Italy	1.3	1.4	1.6	-5.9	-5.2	-4.3	**-3.6**	**-0.5**	**-0.5**	*-1.4*	*-0.2*	*0.3*
Cyprus	1.9	-3.3	2.3	-3.6	-0.1	4.2	**4.5**	**4.3**	**4.2**	*3.7*	*3.5*	*3.9*
Latvia	-2.4	-1.8	0.3	-3.7	-6.7	-4.2	**-1.6**	**-1.8**	**-1.8**	*-2.5*	*-2.1*	*-1.9*
Lithuania	-1.9	-2.7	1.4	-5.8	-0.7	-0.2	**-0.2**	**-1.1**	**-1.3**	*-1.1*	*-1.7*	*-1.2*
Luxembourg	2.1	1.1	2.3	-3.2	0.7	-0.2	**-0.9**	**-1.3**	**-1.5**	*-1.7*	*-1.8*	*-0.6*
Malta	0.6	0.5	3.0	-8.1	-6.5	-4.6	**-3.8**	**-3.1**	**-2.6**	*-4.0*	*-3.3*	*-2.7*
Netherlands	0.9	-2.1	1.6	-3.0	-1.7	0.4	**0.3**	**-1.3**	**-1.4**	*0.2*	*-1.0*	*-1.3*
Austria	0.5	-0.1	1.3	-6.6	-4.7	-2.3	**-1.5**	**-1.7**	**-1.4**	*-1.3*	*-0.9*	*-0.8*
Portugal	-2.5	-3.2	1.9	-2.9	-0.5	1.6	**3.4**	**2.6**	**2.7**	*2.8*	*2.4*	*2.3*
Slovakia	-2.4	-2.7	-0.2	-4.2	-4.1	-0.6	**-3.7**	**-4.5**	**-3.9**	*-4.7*	*-5.3*	*-5.5*
Slovenia	-0.7	-5.0	1.8	-6.1	-3.3	-1.9	**-1.2**	**-1.4**	**-0.8**	*-2.5*	*-2.0*	*-1.6*
Finland	4.1	-0.9	-0.3	-4.9	-2.3	0.2	**-1.6**	**-2.2**	**-1.4**	*-1.6*	*-2.0*	*-2.0*
Euro area	0.2	-1.2	0.9	-5.5	-3.8	-2.0	**-1.9**	**-1.1**	**-0.9**	*-1.5*	*-1.0*	*-0.7*
Bulgaria	1.4	-1.7	1.6	-3.3	-3.5	-2.5	**-1.4**	**-2.3**	**-2.4**	*-2.5*	*-2.5*	*-2.7*
Czechia	-1.6	-1.5	1.4	-5.0	-4.4	-2.0	**-2.3**	**-1.0**	**-0.4**	*-2.4*	*-1.0*	*-0.5*
Denmark	4.8	0.1	2.1	0.9	4.6	4.1	**3.7**	**2.9**	**1.8**	*3.2*	*2.4*	*1.7*
Hungary	-2.0	0.8	0.7	-5.2	-4.9	-3.4	**-2.0**	**-0.5**	**-0.4**	*-1.4*	*0.1*	*0.4*
Poland	-1.7	-2.4	0.1	-5.6	-0.7	-1.9	**-3.0**	**-3.2**	**-2.2**	*-3.8*	*-2.4*	*-1.6*
Romania	-3.0	-2.0	-1.3	-7.9	-5.7	-4.8	**-4.6**	**-4.9**	**-5.0**	*-4.6*	*-3.5*	*-3.2*
Sweden	3.3	0.0	1.2	-2.6	0.2	1.7	**0.1**	**-0.7**	**-0.2**	*0.4*	*0.1*	*0.2*
EU	0.3	-1.2	0.9	-5.3	-3.4	-1.8	**-1.8**	**-1.2**	**-0.9**	*-1.5*	*-1.0*	*-0.7*
United Kingdom	-2.5	-4.0	-0.4	-10.9	-5.0	-0.1	**-2.5**	**-1.8**	**-1.5**	*0.1*	*0.3*	*0.1*
Japan	-3.0	-6.0	-1.5	-7.6	-4.7	-2.7	**-4.0**	**-4.7**	**-4.0**	*-5.2*	*-3.9*	*-2.7*
United States	-2.4	-4.6	-1.6	-11.0	-7.9	-0.5	**-4.0**	**-2.9**	**-3.2**	*-4.0*	*-3.2*	*-2.9*

[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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	-2.3	-3.4	-1.9	-5.5	-5.0	-3.9	**-4.4**	**-4.2**	**-4.4**	*-4.9*	*-4.6*	*-4.6*
Germany	-1.3	-0.8	1.0	-2.7	-3.2	-2.6	**-2.1**	**-0.9**	**-0.7**	*-1.7*	*-1.1*	*-1.0*
Estonia	-1.4	1.6	-0.7	-4.2	-3.4	-0.9	**-1.3**	**-0.7**	**-2.6**	*-0.7*	*-0.6*	*-2.5*
Ireland	-3.4	-12.7	-0.5	-2.3	-3.9	-3.0	**1.0**	**1.8**	**1.6**	*-0.2*	*0.1*	*0.7*
Greece	-9.2	-1.9	5.1	-2.5	-3.8	-1.9	**-1.7**	**-1.8**	**-1.8**	*-2.5*	*-1.4*	*-1.7*
Spain	-2.9	-4.2	-3.2	-4.7	-4.4	-4.8	**-4.1**	**-3.6**	**-3.3**	*-4.5*	*-3.5*	*-3.7*
France	-4.6	-4.4	-3.3	-5.2	-6.0	-5.0	**-5.4**	**-5.0**	**-4.9**	*-4.8*	*-4.4*	*-4.5*
Croatia	-4.9	-4.5	-0.7	-3.3	-2.7	-1.5	**-1.8**	**-3.6**	**-3.4**	*-1.0*	*-2.3*	*-2.1*
Italy	-4.0	-1.8	-1.5	-4.5	-8.0	-9.3	**-8.0**	**-5.0**	**-5.2**	*-5.9*	*-5.0*	*-5.1*
Cyprus	-2.8	-3.8	-0.2	-4.0	-3.1	0.6	**1.8**	**2.1**	**2.4**	*1.2*	*1.4*	*1.9*
Latvia	-4.4	-1.8	-1.3	-2.9	-7.1	-5.1	**-1.9**	**-2.4**	**-2.7**	*-2.7*	*-2.7*	*-2.9*
Lithuania	-3.7	-3.0	-0.6	-6.5	-2.0	-1.0	**0.1**	**-0.8**	**-1.3**	*-0.6*	*-1.2*	*-1.3*
Luxembourg	1.4	1.4	2.2	-1.7	0.2	-0.4	**0.0**	**-0.3**	**-0.7**	*-0.9*	*-0.9*	*0.1*
Malta	-2.9	-2.0	-0.1	-4.9	-6.7	-5.3	**-4.9**	**-4.2**	**-3.5**	*-4.6*	*-4.0*	*-3.6*
Netherlands	-1.2	-2.5	0.5	-1.0	-2.0	-1.3	**-0.3**	**-1.3**	**-1.4**	*-0.5*	*-1.3*	*-1.4*
Austria	-2.8	-2.4	-0.8	-5.0	-4.5	-4.1	**-2.4**	**-2.5**	**-2.7**	*-2.3*	*-2.1*	*-2.1*
Portugal	-5.0	-6.1	-2.2	-2.2	-1.0	-1.0	**0.5**	**0.0**	**0.2**	*0.0*	*-0.3*	*-0.3*
Slovakia	-4.6	-3.8	-1.9	-4.3	-5.3	-1.9	**-4.7**	**-5.6**	**-5.3**	*-5.6*	*-6.3*	*-6.7*
Slovenia	-3.8	-4.9	-0.6	-6.4	-5.9	-4.4	**-3.2**	**-3.3**	**-2.6**	*-4.4*	*-3.6*	*-3.2*
Finland	2.1	-1.1	-1.1	-4.2	-2.7	-0.3	**-1.4**	**-1.8**	**-1.6**	*-1.5*	*-2.2*	*-2.5*
Euro area	-3.0	-2.7	-1.0	-3.8	-4.6	-4.2	**-3.6**	**-2.8**	**-2.7**	*-3.2*	*-2.8*	*-2.8*
Bulgaria	-0.2	-2.4	0.9	-2.3	-3.9	-3.3	**-2.2**	**-2.8**	**-3.2**	*-3.2*	*-3.2*	*-3.6*
Czechia	-4.0	-1.9	-0.2	-4.3	-4.8	-3.3	**-2.9**	**-1.5**	**-1.5**	*-2.9*	*-1.5*	*-1.5*
Denmark	2.0	0.2	1.7	3.3	4.6	3.6	**3.6**	**2.4**	**1.4**	*3.0*	*2.3*	*1.5*
Hungary	-6.4	-1.8	-3.1	-6.0	-7.2	-7.0	**-6.0**	**-4.9**	**-4.4**	*-4.8*	*-3.5*	*-3.5*
Poland	-4.7	-4.7	-1.8	-5.5	-2.2	-4.3	**-4.5**	**-4.8**	**-4.3**	*-5.3*	*-4.0*	*-3.5*
Romania	-5.5	-3.1	-2.6	-7.5	-6.3	-5.9	**-6.0**	**-6.4**	**-6.7**	*-5.7*	*-4.8*	*-4.8*
Sweden	1.5	-0.1	0.5	-0.6	0.1	0.9	**0.1**	**0.0**	**0.2**	*0.3*	*0.8*	*0.9*
EU	-2.8	-2.6	-1.0	-3.7	-4.2	-3.9	**-3.4**	**-2.8**	**-2.7**	*-3.1*	*-2.6*	*-2.7*

[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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.8	0.0	0.5	-3.5	-3.3	-2.3	**-2.4**	**-2.0**	**-2.1**	*-3.0*	*-2.6*	*-2.4*
Germany	1.4	1.3	2.1	-2.0	-2.6	-2.0	**-1.2**	**0.0**	**0.2**	*-0.9*	*-0.2*	*-0.1*
Estonia	-1.3	1.7	-0.7	-4.2	-3.3	-0.9	**-0.9**	**-0.3**	**-2.0**	*-0.2*	*0.0*	*-1.8*
Ireland	-2.1	-9.0	1.5	-1.3	-3.2	-2.4	**1.7**	**2.5**	**2.3**	*0.5*	*0.8*	*1.3*
Greece	-4.5	3.6	8.3	0.5	-1.3	0.6	**1.7**	**1.6**	**1.4**	*1.0*	*1.9*	*1.7*
Spain	-1.2	-1.4	-0.6	-2.4	-2.3	-2.5	**-1.6**	**-1.0**	**-0.7**	*-2.1*	*-1.0*	*-1.2*
France	-1.9	-1.9	-1.5	-3.9	-4.6	-3.1	**-3.7**	**-3.0**	**-2.6**	*-3.1*	*-2.5*	*-2.2*
Croatia	-3.1	-1.6	2.0	-1.3	-1.2	-0.1	**-0.1**	**-2.0**	**-1.8**	*0.1*	*-1.2*	*-1.0*
Italy	0.6	2.9	2.3	-1.1	-4.5	-5.1	**-4.2**	**-1.0**	**-1.1**	*-2.1*	*-0.9*	*-0.5*
Cyprus	0.0	-1.0	2.4	-1.9	-1.4	2.1	**3.2**	**3.5**	**3.7**	*2.6*	*2.8*	*3.3*
Latvia	-3.7	-0.2	-0.4	-2.2	-6.7	-4.7	**-1.3**	**-1.4**	**-1.5**	*-2.0*	*-1.7*	*-1.8*
Lithuania	-2.9	-1.2	0.5	-5.8	-1.5	-0.6	**0.7**	**0.0**	**-0.5**	*-0.1*	*-0.5*	*-0.4*
Luxembourg	1.7	1.9	2.6	-1.4	0.3	-0.3	**0.3**	**0.1**	**-0.3**	*-0.6*	*-0.6*	*0.5*
Malta	0.6	0.9	1.7	-3.6	-5.7	-4.4	**-3.8**	**-2.9**	**-2.1**	*-3.5*	*-2.7*	*-2.2*
Netherlands	0.9	-0.9	1.5	-0.4	-1.5	-0.8	**0.3**	**-0.6**	**-0.7**	*0.2*	*-0.5*	*-0.7*
Austria	0.3	0.3	1.0	-3.6	-3.4	-3.1	**-1.2**	**-1.1**	**-1.3**	*-1.1*	*-0.7*	*-0.6*
Portugal	-2.1	-1.7	1.5	0.7	1.4	0.9	**2.6**	**2.1**	**2.4**	*2.0*	*2.0*	*2.1*
Slovakia	-3.1	-2.1	-0.4	-3.1	-4.2	-0.9	**-3.5**	**-4.3**	**-3.8**	*-4.6*	*-5.1*	*-5.3*
Slovenia	-2.5	-2.6	1.9	-4.8	-4.7	-3.3	**-2.0**	**-1.9**	**-1.2**	*-3.2*	*-2.2*	*-1.8*
Finland	3.6	0.2	0.0	-3.5	-2.1	0.3	**-0.2**	**-0.5**	**-0.1**	*-0.7*	*-1.0*	*-1.2*
Euro area	-0.1	0.1	1.0	-2.3	-3.2	-2.5	**-1.9**	**-0.9**	**-0.8**	*-1.5*	*-0.9*	*-0.8*
Bulgaria	0.9	-1.6	1.6	-1.8	-3.5	-2.9	**-1.7**	**-2.3**	**-2.7**	*-2.8*	*-2.7*	*-3.1*
Czechia	-2.9	-0.6	0.7	-3.5	-4.0	-2.2	**-1.6**	**-0.1**	**-0.1**	*-1.6*	*-0.1*	*-0.2*
Denmark	3.8	2.0	2.7	3.9	5.1	4.4	**4.1**	**2.9**	**1.8**	*3.6*	*2.9*	*2.1*
Hungary	-2.3	2.4	-0.3	-3.7	-5.0	-4.1	**-1.3**	**0.0**	**-0.2**	*-0.4*	*1.0*	*0.8*
Poland	-2.4	-2.2	-0.2	-4.2	-1.1	-2.8	**-2.5**	**-2.6**	**-1.9**	*-3.2*	*-1.8*	*-1.2*
Romania	-4.3	-1.2	-1.3	-6.1	-4.8	-4.4	**-4.0**	**-4.4**	**-4.7**	*-4.1*	*-3.0*	*-2.9*
Sweden	3.1	0.8	0.9	-0.3	0.3	1.4	**0.8**	**0.7**	**0.9**	*0.9*	*1.5*	*1.6*
EU	-0.1	0.1	0.9	-2.2	-2.8	-2.3	**-1.7**	**-0.9**	**-0.8**	*-1.4*	*-0.8*	*-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) 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	:	:	-2.1	-5.6	-4.8	-3.9	**-4.2**	**-4.0**	**-4.3**	*-4.7*	*-4.5*	*-4.6*
Germany	:	:	1.1	-2.7	-3.1	-2.4	**-2.1**	**-0.9**	**-0.7**	*-1.7*	*-1.1*	*-1.0*
Estonia	:	:	-0.7	-4.2	-4.4	-1.1	**-1.3**	**-0.7**	**-2.6**	*-0.7*	*-0.6*	*-2.5*
Ireland	:	:	-0.3	-2.3	-3.9	-3.0	**1.0**	**1.8**	**1.6**	*-0.2*	*0.1*	*0.7*
Greece	:	:	5.3	-3.1	-4.6	-2.5	**-1.5**	**-1.7**	**-1.8**	*-2.3*	*-1.3*	*-1.7*
Spain	:	:	-2.9	-4.2	-4.3	-4.8	**-4.1**	**-3.4**	**-3.3**	*-4.5*	*-3.5*	*-3.7*
France	:	:	-3.1	-5.1	-5.9	-4.9	**-5.4**	**-5.0**	**-4.9**	*-4.7*	*-4.4*	*-4.5*
Croatia	:	:	-0.7	-3.3	-2.7	-1.2	**-1.8**	**-3.6**	**-3.4**	*-1.0*	*-2.3*	*-2.1*
Italy	:	:	-1.5	-4.6	-8.4	-9.6	**-8.3**	**-5.0**	**-5.3**	*-6.1*	*-5.1*	*-5.2*
Cyprus	:	:	1.9	-4.0	-3.2	0.6	**1.8**	**2.1**	**2.4**	*1.2*	*2.0*	*1.9*
Latvia	:	:	-1.4	-3.0	-7.3	-5.1	**-1.9**	**-2.4**	**-2.7**	*-2.7*	*-2.7*	*-2.9*
Lithuania	:	:	-0.7	-6.5	-2.0	-1.1	**0.1**	**-0.8**	**-1.4**	*-0.6*	*-1.2*	*-1.3*
Luxembourg	:	:	2.2	-1.7	0.2	-0.4	**0.0**	**-0.3**	**-0.7**	*-0.9*	*-0.9*	*0.1*
Malta	:	:	0.0	-4.9	-6.7	-5.3	**-4.9**	**-4.2**	**-3.5**	*-4.6*	*-4.0*	*-3.6*
Netherlands	:	:	0.3	-1.0	-1.9	-1.1	**-0.8**	**-1.3**	**-1.4**	*-0.5*	*-1.3*	*-1.4*
Austria	:	:	-0.8	-5.0	-4.5	-4.1	**-2.4**	**-2.5**	**-2.7**	*-2.3*	*-2.1*	*-2.1*
Portugal	:	:	:	-1.5	-1.4	-0.9	**0.9**	**0.0**	**0.2**	*0.0*	*-0.1*	*-0.3*
Slovakia	:	:	-1.9	-4.3	-5.3	-1.9	**-4.7**	**-5.6**	**-5.3**	*-5.6*	*-6.3*	*-6.7*
Slovenia	:	:	-0.5	-6.3	-5.9	-4.4	**-2.8**	**-2.7**	**-2.2**	*-3.7*	*-2.4*	*-3.2*
Finland	:	:	-1.1	-4.2	-2.7	-0.3	**-1.4**	**-1.8**	**-1.6**	*-1.5*	*-2.2*	*-2.5*
Euro area	:	:	:	-3.7	-4.6	-4.1	**-3.6**	**-2.7**	**-2.7**	-3.2	-2.8	-2.8
Bulgaria	:	:	0.9	-2.3	-3.9	-3.3	**-2.2**	**-2.8**	**-3.2**	-3.2	-3.2	-3.6
Czechia	:	:	-0.1	-4.3	-4.8	-3.3	**-2.9**	**-1.5**	**-1.5**	*-2.9*	*-1.5*	*-1.5*
Denmark	:	:	1.4	3.3	4.6	3.6	**3.6**	**2.4**	**1.4**	*3.5*	*2.3*	*1.5*
Hungary	:	:	-3.1	-6.1	-7.1	-7.0	**-6.0**	**-4.9**	**-4.4**	*-4.8*	*-3.5*	*-3.5*
Poland	:	:	-1.8	-5.8	-2.4	-4.6	**-4.5**	**-4.8**	**-4.3**	-5.3	*-4.0*	*-3.5*
Romania	:	:	-2.4	-7.5	-6.3	-5.9	**-6.0**	**-6.4**	**-6.7**	*-5.7*	*-4.8*	*-4.8*
Sweden	:	:	0.5	-0.6	0.1	0.9	**0.1**	**0.0**	**0.2**	0.3	*0.8*	*0.9*
EU	:	:	:	-3.6	-4.2	-3.8	**-3.5**	**-2.7**	**-2.7**	*-3.1*	*-2.6*	*-2.6*

Table 40: Gross debt, general government (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	93.5	104.2	102.0	111.9	107.9	104.3	**105.2**	**105.0**	**106.6**	*106.3*	*106.4*	*107.3*
Germany	67.5	79.2	65.5	68.8	69.0	66.1	**63.6**	**62.9**	**62.2**	*64.8*	*63.6*	*62.7*
Estonia	5.0	8.7	9.2	18.6	17.8	18.5	**19.6**	**21.4**	**24.6**	*19.2*	*20.5*	*23.2*
Ireland	35.6	108.1	67.7	58.1	54.4	44.4	**43.7**	**42.5**	**41.3**	*43.0*	*41.4*	*40.2*
Greece	110.1	168.6	180.8	207.0	195.0	172.7	**161.9**	**153.9**	**149.3**	*160.9*	*151.9*	*147.9*
Spain	42.0	85.2	101.3	120.3	116.8	111.6	**107.7**	**105.5**	**104.8**	*107.5*	*106.5*	*106.5*
France	70.5	91.6	97.9	114.9	113.0	111.9	**110.6**	**112.4**	**113.8**	*109.6*	*109.5*	*110.0*
Croatia	40.7	70.5	76.2	86.1	77.5	67.8	**63.0**	**59.5**	**59.1**	*60.8*	*58.8*	*58.2*
Italy	108.0	126.7	134.6	155.0	147.1	140.5	**137.3**	**138.6**	**141.7**	*139.8*	*140.6*	*140.9*
Cyprus	55.3	82.9	99.1	114.9	99.3	85.6	**77.3**	**70.6**	**65.4**	*78.4*	*71.5*	*66.3*
Latvia	17.2	43.4	38.0	42.7	44.4	41.8	**43.6**	**44.5**	**46.3**	*41.7*	*42.3*	*43.2*
Lithuania	18.7	38.5	38.2	46.2	43.4	38.1	**38.3**	**38.9**	**41.6**	*37.3*	*38.3*	*39.0*
Luxembourg	10.8	20.5	21.2	24.6	24.5	24.7	**25.7**	**27.1**	**28.5**	*26.8*	*28.7*	*29.3*
Malta	64.9	66.1	48.4	52.2	53.9	51.6	**50.4**	**52.0**	**52.6**	*53.3*	*55.8*	*57.2*
Netherlands	49.9	64.6	56.9	54.7	51.7	50.1	**46.5**	**47.1**	**48.4**	*47.1*	*46.6*	*46.8*
Austria	69.9	82.5	78.2	82.9	82.5	78.4	**77.8**	**77.7**	**77.8**	*76.3*	*75.6*	*74.8*
Portugal	76.4	121.6	125.4	134.9	124.5	112.4	**99.1**	**95.6**	**91.5**	*103.4*	*100.3*	*97.2*
Slovakia	32.3	48.7	50.6	58.8	61.1	57.7	**56.0**	**58.5**	**59.9**	*56.7*	*59.9*	*62.9*
Slovenia	26.3	57.7	74.2	79.6	74.4	72.5	**69.2**	**68.1**	**66.4**	*69.3*	*68.4*	*67.9*
Finland	39.4	56.9	66.4	74.7	72.6	73.5	**75.8**	**80.5**	**82.4**	*74.3*	*76.9*	*79.1*
Euro area	71.0	91.8	90.1	99.2	96.6	92.4	**90.0**	**90.0**	**90.4**	*90.4*	*89.7*	*89.5*
Bulgaria	18.1	18.2	24.5	24.6	23.9	22.6	**23.1**	**24.8**	**24.6**	*23.5*	*24.3*	*26.1*
Czechia	28.8	41.4	34.5	37.7	42.0	44.2	**44.0**	**45.2**	**45.5**	*44.7*	*45.5*	*45.5*
Denmark	34.0	44.4	36.1	42.3	36.0	29.8	**29.3**	**26.5**	**25.1**	*30.3*	*28.4*	*27.2*
Hungary	68.1	78.4	71.4	79.3	76.7	74.1	**73.5**	**74.3**	**73.8**	*69.9*	*71.7*	*70.3*
Poland	47.0	54.5	50.2	57.2	53.6	49.2	**49.6**	**53.7**	**57.7**	*50.9*	*54.4*	*56.2*
Romania	14.9	34.7	36.1	46.7	48.5	47.5	**48.8**	**50.9**	**53.9**	*47.9*	*48.9*	*50.5*
Sweden	41.9	39.6	40.5	40.2	36.7	33.2	**31.2**	**32.0**	**31.3**	*30.4*	*30.1*	*29.6*
EU	67.2	85.7	83.6	91.7	89.0	84.8	**82.9**	**82.9**	**83.4**	*83.1*	*82.7*	*82.5*

Table 41: Gross national saving (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	27.5	24.5	24.9	25.6	27.0	26.0	**25.3**	**24.6**	**24.3**	*24.8*	*24.5*	*24.5*
Germany	26.1	27.0	29.3	29.2	31.0	29.4	**30.5**	**30.9**	**30.8**	*29.6*	*30.1*	*30.2*
Estonia	24.6	26.6	28.0	28.0	28.5	26.3	**23.6**	**22.1**	**22.4**	*23.3*	*23.2*	*23.1*
Ireland	21.6	18.4	33.5	36.7	37.1	35.0	**37.0**	**36.2**	**36.2**	*33.5*	*34.0*	*34.7*
Greece	10.5	8.2	10.2	6.5	9.1	10.6	**11.0**	**12.0**	**13.1**	*11.1*	*12.1*	*12.8*
Spain	20.7	18.8	22.1	21.1	22.4	22.1	**22.8**	**23.0**	**23.1**	*23.7*	*23.6*	*23.6*
France	22.8	21.5	22.8	20.7	23.4	22.5	**23.0**	**23.1**	**23.1**	*23.1*	*23.1*	*23.1*
Croatia	19.3	17.1	23.0	21.9	22.7	23.3	**23.2**	**22.3**	**22.4**	*23.4*	*22.8*	*23.1*
Italy	19.7	17.9	20.4	21.6	24.1	21.5	**21.2**	**22.1**	**22.0**	*21.3*	*21.6*	*22.0*
Cyprus	8.0	12.7	14.4	11.0	13.4	13.4	**9.8**	**11.2**	**11.9**	*11.5*	*12.3*	*13.7*
Latvia	23.4	22.5	22.9	24.3	21.1	21.5	**19.3**	**20.7**	**21.0**	*20.6*	*21.1*	*21.6*
Lithuania	15.9	19.8	19.7	21.9	21.5	21.4	**20.3**	**19.5**	**18.7**	*21.8*	*21.3*	*20.7*
Luxembourg	26.7	21.7	19.7	21.3	20.0	18.1	**14.7**	**14.3**	**14.8**	*16.5*	*16.0*	*15.7*
Malta	17.3	17.3	28.8	24.0	26.9	25.3	**23.7**	**22.9**	**23.3**	*24.6*	*26.1*	*26.5*
Netherlands	25.6	26.5	28.8	26.9	33.6	30.5	**30.2**	**29.5**	**29.4**	*29.9*	*29.4*	*29.2*
Austria	26.8	25.8	26.7	29.2	29.3	27.6	**26.8**	**25.9**	**25.6**	*27.6*	*27.2*	*27.3*
Portugal	12.5	13.8	17.5	17.9	19.6	19.3	**20.9**	**20.7**	**20.9**	*21.3*	*21.0*	*21.1*
Slovakia	22.2	23.0	22.1	19.8	18.1	15.7	**18.9**	**18.7**	**19.1**	*17.9*	*17.8*	*17.7*
Slovenia	26.5	21.6	25.4	27.5	25.2	23.5	**24.4**	**23.6**	**23.7**	*25.0*	*23.5*	*23.7*
Finland	27.8	21.8	22.5	25.1	24.5	24.0	**21.3**	**21.0**	**22.1**	*23.8*	*23.9*	*24.7*
Euro area	22.9	22.3	24.8	24.7	26.8	25.4	**25.7**	**25.9**	**25.8**	*25.5*	*25.7*	*25.8*
Bulgaria	14.9	21.4	23.0	20.4	19.3	22.0	**18.5**	**19.7**	**19.2**	*18.6*	*17.8*	*17.4*
Czechia	26.1	23.3	26.5	26.8	27.9	27.6	**30.3**	**29.2**	**28.8**	*28.8*	*28.5*	*28.4*
Denmark	26.0	26.5	29.7	30.6	33.1	37.2	**32.9**	**32.8**	**32.5**	*33.4*	*33.0*	*32.9*
Hungary	17.7	22.4	26.0	26.3	26.6	25.7	**25.6**	**25.5**	**25.1**	*25.5*	*25.0*	*25.1*
Poland	17.5	17.0	19.5	21.1	20.4	19.6	**20.1**	**19.3**	**19.6**	*20.3*	*19.8*	*20.1*
Romania	18.6	23.2	21.4	17.8	18.9	18.2	**19.0**	**18.5**	**19.2**	*19.7*	*20.6*	*21.5*
Sweden	30.1	28.2	28.5	31.1	32.9	34.0	**33.5**	**32.5**	**32.8**	*32.8*	*32.2*	*32.4*
EU	23.0	22.4	24.8	24.8	26.8	25.6	**25.8**	**25.8**	**25.8**	*25.6*	*25.6*	*25.8*
United Kingdom	14.4	13.0	14.1	14.7	17.5	16.7	**15.4**	**14.3**	**14.1**	*16.4*	*16.0*	*15.8*
Japan	28.8	25.6	28.9	28.2	29.6	28.5	**29.9**	**30.1**	**30.0**	*29.9*	*29.4*	*28.8*
United States	16.7	17.6	19.1	18.5	17.8	18.3	**16.5**	**18.2**	**18.4**	*18.3*	*18.3*	*18.6*

Table 42: Gross saving, private sector (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	26.0	24.6	24.0	31.6	29.4	26.8	26.6	25.7	25.9	26.5	26.0	26.3
Germany	24.6	24.7	24.9	29.9	30.8	27.5	28.5	28.2	27.7	27.7	27.3	27.1
Estonia	18.8	22.2	23.4	27.9	25.8	22.1	20.9	18.8	20.5	21.3	20.7	21.7
Ireland	20.3	23.4	31.6	39.2	36.5	31.1	32.8	32.1	32.2	30.1	30.7	31.0
Greece	15.4	13.0	7.9	10.6	11.8	9.6	8.2	9.3	10.2	9.6	9.4	10.5
Spain	17.8	23.4	23.7	28.3	25.7	24.1	24.1	23.5	23.5	25.5	24.7	24.7
France	21.4	21.4	21.0	24.3	25.1	22.3	23.7	23.4	23.4	23.3	22.9	23.1
Croatia	15.2	17.5	19.8	23.9	20.9	18.7	19.1	19.9	19.9	18.9	19.4	19.6
Italy	18.6	17.8	19.4	26.0	25.5	22.6	20.6	21.8	21.7	21.3	21.9	22.0
Cyprus	5.3	13.2	10.2	13.6	13.1	8.3	3.6	5.3	6.1	6.2	6.7	8.6
Latvia	21.7	21.7	19.8	23.4	23.7	21.6	17.8	20.0	20.4	20.2	20.3	20.6
Lithuania	14.7	21.0	16.6	23.7	19.6	18.7	16.9	17.2	17.4	19.6	19.8	19.5
Luxembourg	19.7	16.2	13.0	18.9	14.2	13.2	10.1	10.2	10.6	12.9	12.6	11.4
Malta	18.0	17.6	24.7	29.7	30.7	27.9	24.5	22.8	22.6	26.1	27.0	26.4
Netherlands	22.8	26.1	25.0	27.1	32.3	27.2	27.0	27.9	28.1	27.2	28.0	27.9
Austria	25.2	24.2	23.5	33.2	31.2	26.1	25.0	24.5	24.2	25.9	25.2	25.0
Portugal	14.3	17.5	16.7	19.8	19.9	16.5	16.8	17.4	17.4	17.8	18.1	18.0
Slovakia	21.8	24.4	20.2	21.5	20.3	14.3	20.4	21.2	21.2	20.4	20.6	20.6
Slovenia	23.5	21.9	22.5	31.0	25.5	21.4	21.8	20.6	20.6	23.1	21.5	21.6
Finland	21.6	20.1	19.9	26.0	23.0	20.4	20.0	20.4	20.3	22.1	23.0	23.4
Euro area	21.4	22.2	22.5	27.6	27.7	24.5	24.7	24.7	24.6	24.7	24.6	24.6
Bulgaria	10.1	20.5	19.0	20.7	21.2	23.3	17.9	20.5	19.4	20.0	19.5	18.6
Czechia	22.6	21.6	22.2	27.4	28.4	26.1	29.3	27.1	26.2	28.3	26.7	26.0
Denmark	20.0	23.8	24.8	26.3	25.7	30.5	25.8	26.3	27.0	27.1	27.5	28.0
Hungary	19.1	22.3	22.3	24.4	26.2	23.7	25.9	25.4	24.3	25.2	24.3	23.9
Poland	17.0	17.5	17.3	23.4	18.1	18.4	19.9	19.3	18.6	20.6	19.3	19.4
Romania	16.8	22.5	20.7	22.7	22.4	20.7	21.8	21.3	22.7	22.1	22.4	23.1
Sweden	24.4	24.8	23.2	28.8	28.3	27.9	29.1	28.7	28.3	28.0	27.6	27.6
EU	21.2	22.2	22.4	27.3	27.1	24.5	24.7	24.6	24.4	24.7	24.5	24.5
United Kingdom	15.6	16.6	13.6	22.7	21.1	18.0	15.6	13.4	12.7	16.6	15.4	15.1
Japan	29.4	29.1	28.5	32.6	31.2	28.5	31.4	32.3	31.7	32.0	30.4	28.8
United States	18.9	22.5	21.5	29.6	25.8	19.5	21.0	22.2	22.6	22.9	22.4	22.5

Table 43: Saving rate of households (2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	17.4	14.4	12.2	20.4	17.1	12.9	14.5	13.8	13.5	13.3	13.0	12.5
Germany	17.2	17.0	18.0	23.7	22.7	19.9	20.3	21.1	20.7	19.6	19.6	19.5
Estonia	3.4	8.3	11.4	13.7	7.8	0.1	3.6	4.6	5.7	3.0	3.2	4.6
Ireland	10.7	10.5	9.2	23.9	19.8	12.4	11.4	11.7	11.9	12.7	12.1	11.8
Greece	5.9	-2.0	-3.6	2.4	3.6	-3.1	-2.7	-1.5	-1.3	-1.6	-1.7	0.0
Spain	8.1	8.1	6.8	17.5	13.8	7.6	11.7	11.3	10.9	8.1	7.8	7.6
France	14.5	14.9	14.0	20.5	18.6	17.1	17.5	17.1	16.5	17.7	17.1	16.7
Croatia	3.5	4.3	7.1	11.1	6.9	5.4	:	:	:	:	:	:
Italy	14.0	10.7	10.3	17.4	15.3	9.7	8.2	9.8	9.7	8.0	8.9	9.4
Cyprus	7.1	1.7	2.6	12.3	13.5	6.5	3.1	4.2	4.7	3.7	3.9	4.6
Latvia	6.2	1.2	6.1	14.0	10.7	3.5	5.9	9.3	9.6	10.7	10.8	10.7
Lithuania	1.9	3.5	1.5	14.6	10.9	4.8	6.5	9.9	11.1	7.4	9.2	8.2
Luxembourg	11.3	13.4	13.2	24.2	18.2	17.3	18.8	17.8	17.2	14.7	13.0	6.7
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	19.5	19.2	19.2	18.9	19.3	18.9
Austria	16.7	13.5	13.0	18.6	16.9	15.2	14.9	15.9	14.9	14.9	16.5	15.7
Portugal	8.8	8.8	6.9	11.9	10.6	6.3	6.3	6.5	6.6	6.1	6.4	6.5
Slovakia	6.8	7.2	9.1	11.4	11.0	5.9	6.7	7.9	7.1	6.7	7.2	7.1
Slovenia	16.0	11.0	12.7	22.7	18.7	13.2	13.8	13.4	12.3	14.1	12.7	12.6
Finland	7.6	8.2	7.2	12.6	10.8	7.4	7.7	7.7	7.4	8.5	8.6	8.7
Euro area	13.0	12.5	12.6	19.5	17.5	13.7	14.4	15.5	15.1	14.5	14.5	14.4
Bulgaria	-7.6	-0.2	-0.2	:	:	:	:	:	:	:	:	:
Czechia	12.4	12.0	12.1	19.2	19.2	16.3	18.2	17.6	15.8	17.6	16.5	15.0
Denmark	5.3	7.2	11.0	11.6	8.7	12.7	12.5	12.4	12.6	12.4	13.5	14.1
Hungary	10.8	11.6	13.3	15.5	17.1	14.7	19.9	17.5	15.1	15.3	15.1	14.2
Poland	4.8	5.0	4.8	11.3	4.1	-0.8	2.9	3.0	2.8	1.7	2.7	4.0
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	9.8	14.9	16.0	19.6	18.1	15.7	17.1	17.3	16.3	17.1	16.7	17.0
EU	12.3	12.0	11.8	18.4	16.4	12.7	13.5	14.4	13.9	13.5	13.5	13.4
United Kingdom	8.4	9.2	6.5	16.7	12.5	8.1	9.7	9.5	8.9	7.4	7.9	7.8
Japan	11.6	9.6	9.5	18.0	15.0	11.8	13.6	14.5	13.3	14.6	14.4	13.7
United States	10.0	12.4	13.2	22.1	17.4	11.5	12.1	10.3	10.2	14.2	13.3	14.0

Table 44: Gross saving, general government (as a percentage of GDP, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	1.5	-0.1	1.0	-6.0	-2.4	-0.7	-1.3	-1.1	-1.6	-1.7	-1.5	-1.7
Germany	1.5	2.3	4.4	-0.7	0.2	1.9	2.0	2.7	3.1	1.9	2.8	3.1
Estonia	5.8	4.5	4.5	0.1	2.8	4.2	2.8	3.3	1.9	2.0	2.5	1.4
Ireland	1.3	-5.0	1.8	-2.5	0.6	3.9	4.2	4.1	4.1	3.4	3.3	3.7
Greece	-4.9	-4.7	2.3	-4.1	-2.7	0.9	2.8	2.7	3.0	1.5	2.7	2.4
Spain	2.9	-4.6	-1.6	-7.2	-3.3	-2.0	-1.3	-0.5	-0.4	-1.8	-1.2	-1.2
France	1.4	0.1	1.7	-3.6	-1.7	0.2	-0.7	-0.4	-0.3	-0.2	0.2	0.1
Croatia	4.0	-0.4	3.1	-2.0	1.8	4.7	4.1	2.5	2.4	4.5	3.4	3.5
Italy	1.0	0.0	1.0	-4.4	-1.4	-1.2	0.6	0.4	0.3	-0.1	-0.3	0.0
Cyprus	2.7	-0.5	4.2	-2.6	0.3	5.1	6.1	5.9	5.7	5.4	5.6	5.1
Latvia	1.7	0.8	3.1	0.9	-2.6	-0.1	1.5	0.8	0.6	0.4	0.9	1.0
Lithuania	1.2	-1.2	3.1	-1.9	2.0	2.6	3.4	2.3	1.3	2.2	1.6	1.2
Luxembourg	7.0	5.4	6.7	2.5	5.8	4.8	4.6	4.1	4.2	3.6	3.4	4.3
Malta	-0.8	-0.3	4.1	-5.7	-3.7	-2.5	-0.8	0.1	0.6	-1.5	-0.9	0.1
Netherlands	2.8	0.3	3.8	-0.2	1.4	3.3	3.2	1.6	1.3	2.7	1.4	1.3
Austria	1.7	1.6	3.2	-4.0	-1.8	1.5	1.8	1.4	1.4	1.7	2.1	2.3
Portugal	-1.9	-3.7	0.9	-1.8	-0.2	2.9	4.1	3.3	3.4	3.4	2.9	3.1
Slovakia	0.4	-1.4	1.9	-1.7	-2.2	1.4	-1.5	-2.5	-2.0	-2.5	-2.9	-2.8
Slovenia	3.0	-0.3	2.9	-3.5	-0.3	2.1	2.6	3.0	3.1	1.9	2.0	2.1
Finland	6.2	1.7	2.6	-0.9	1.5	3.6	1.4	0.7	1.8	1.8	0.9	1.3
Euro area	1.5	0.0	2.3	-2.9	-0.8	0.8	1.0	1.2	1.3	0.8	1.1	1.2
Bulgaria	4.8	1.0	4.0	-0.3	-1.9	-1.3	0.6	-0.8	-0.2	-1.4	-1.7	-1.1
Czechia	3.5	1.7	4.3	-0.6	-0.5	1.5	1.0	2.1	2.6	0.5	1.9	2.5
Denmark	6.0	2.7	4.9	4.3	7.4	6.7	7.2	6.5	5.5	6.3	5.5	4.9
Hungary	-1.4	0.0	3.7	1.8	0.4	2.0	-0.3	0.1	0.7	0.3	0.7	1.1
Poland	0.5	-0.4	2.2	-2.4	2.4	1.2	0.2	0.1	0.9	-0.3	0.5	0.6
Romania	1.8	0.7	0.7	-4.9	-3.5	-2.4	-2.7	-2.8	-3.4	-2.4	-1.7	-1.7
Sweden	5.8	3.4	5.3	2.3	4.6	6.1	4.4	3.8	4.5	4.9	4.6	4.8
EU	1.8	0.2	2.5	-2.4	-0.4	1.1	1.1	1.2	1.4	0.9	1.2	1.3
United Kingdom	-1.2	-3.6	0.4	-8.0	-3.7	-1.2	-0.2	0.9	1.4	-0.2	0.6	0.7
Japan	-0.6	-3.5	0.4	-4.4	-1.6	0.0	-1.5	-2.3	-1.7	-2.1	-1.0	0.0
United States	-2.3	-4.9	-2.4	-11.1	-8.0	-1.2	-4.5	-4.0	-4.3	-4.6	-4.1	-3.9

Table 45: Exports of goods and services, volume (percentage change on preceding year, 2005-2025) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	1.2	4.0	3.8	-6.3	13.9	4.9	-3.3	-0.7	3.0	-0.2	1.3	2.9
Germany	2.7	6.2	3.5	-9.3	9.7	3.3	-2.2	-1.0	2.7	-0.6	1.7	3.0
Estonia	3.5	11.3	3.2	-5.5	22.1	3.0	-6.9	-2.0	4.7	-3.6	2.6	4.1
Ireland	4.2	5.0	14.4	11.5	15.1	13.9	-4.8	2.5	5.2	-1.5	3.5	4.1
Greece	0.3	3.5	5.4	-21.5	24.2	6.2	3.7	4.2	4.0	5.7	5.0	3.6
Spain	0.3	5.4	3.8	-20.1	13.5	15.2	2.3	1.6	2.4	1.9	2.8	3.5
France	0.3	4.6	3.4	-16.9	11.0	7.1	1.2	2.4	3.3	1.4	2.1	2.9
Croatia	0.0	3.6	6.9	-23.2	32.7	27.0	-2.9	2.6	3.1	-0.4	3.2	4.2
Italy	-1.1	4.4	3.0	-13.5	14.1	10.2	0.2	2.4	3.1	0.5	2.5	3.3
Cyprus	1.0	4.0	8.6	1.6	21.6	13.6	-1.5	3.2	3.3	-0.8	3.0	3.6
Latvia	6.2	8.4	3.8	0.4	9.0	10.3	-5.9	-0.4	3.1	-3.2	1.7	2.9
Lithuania	6.1	9.2	7.5	0.2	17.0	12.2	-3.3	2.2	4.8	-4.4	3.4	7.1
Luxembourg	3.1	5.8	3.9	0.6	10.3	-0.6	-1.4	2.7	3.3	-1.3	2.7	3.2
Malta	10.7	4.6	10.2	-1.8	7.6	8.6	8.7	4.3	3.8	3.0	4.0	3.7
Netherlands	2.1	5.0	4.3	-4.3	8.0	4.5	-1.3	-0.1	2.4	0.4	1.1	1.8
Austria	1.5	4.7	4.0	-10.6	9.1	11.2	-0.2	1.2	2.4	0.6	2.6	3.2
Portugal	1.5	6.1	5.4	-18.6	12.3	17.4	4.1	2.8	2.5	5.3	1.7	2.1
Slovakia	6.4	9.3	4.2	-6.3	10.5	3.0	-1.4	4.3	4.0	-1.2	5.7	4.3
Slovenia	4.7	5.3	6.5	-8.5	14.5	7.2	-2.0	2.3	3.8	-0.8	2.8	4.0
Finland	1.7	1.4	4.2	-7.8	6.2	3.6	-1.7	0.9	2.1	0.0	2.3	3.6
Euro area	1.5	5.2	4.4	-9.1	11.5	7.2	-1.1	0.9	3.1	0.2	2.2	3.1
Bulgaria	4.9	7.6	5.3	-10.4	11.2	11.6	-1.9	1.5	3.2	-0.8	4.0	2.6
Czechia	7.1	7.3	4.5	-8.0	6.9	7.2	2.8	2.8	3.7	2.5	2.1	4.2
Denmark	3.1	3.2	4.1	-6.1	7.7	10.8	13.4	9.8	1.8	7.4	2.0	1.8
Hungary	8.3	5.7	5.6	-6.1	8.3	11.4	0.9	3.0	5.3	0.5	3.7	5.1
Poland	7.1	6.9	7.3	-1.1	12.3	7.4	3.4	1.7	3.5	-1.5	2.6	5.0
Romania	9.6	11.4	7.8	-9.5	12.6	9.7	-1.4	1.8	3.2	1.3	2.6	3.6
Sweden	1.0	4.3	4.5	-5.5	11.1	6.5	3.3	1.8	2.9	1.3	0.1	3.1
EU	2.0	5.3	4.6	-8.5	11.3	7.4	-0.2	1.4	3.1	0.4	2.2	3.2
United Kingdom	2.2	3.1	3.7	-11.5	4.9	9.0	-0.5	-0.6	1.3	-1.3	0.9	1.7
Japan	0.0	6.6	2.7	-11.6	11.9	5.3	3.0	3.4	2.6	1.4	2.7	2.2
United States	4.3	6.1	1.6	-13.1	6.3	7.0	2.6	2.0	2.7	2.1	0.9	3.4

Table 46: Imports of goods and services, volume (percentage change on preceding year, 2005-2025) — 30.04.2024

	5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium	1.8	3.9	4.1	-7.4	13.0	4.9	**-2.6**	**-0.5**	**3.0**	*0.5*	*1.5*	*2.9*
Germany	2.9	5.3	4.6	-8.3	8.9	6.6	**-3.4**	**-0.8**	**2.8**	*-1.3*	*1.7*	*2.7*
Estonia	0.7	12.3	3.6	1.3	23.2	3.2	**-5.2**	**-0.2**	**4.4**	*-7.0*	*3.2*	*4.4*
Ireland	5.2	3.4	18.4	-1.7	-7.5	15.9	**0.4**	**3.0**	**4.6**	*-0.8*	*3.1*	*3.8*
Greece	1.3	-3.2	5.6	-7.3	17.9	7.2	**2.1**	**3.8**	**3.6**	*3.0*	*3.8*	*3.0*
Spain	-0.7	1.2	3.9	-15.0	14.9	7.0	**0.3**	**1.3**	**2.4**	*0.2*	*3.5*	*3.8*
France	1.7	4.4	3.7	-12.3	9.4	8.6	**-0.4**	**1.8**	**3.2**	*0.3*	*2.6*	*2.7*
Croatia	0.0	0.7	7.7	-12.3	17.3	26.5	**-5.3**	**3.4**	**2.9**	*-5.6*	*2.2*	*3.2*
Italy	-0.4	0.8	3.8	-12.1	15.6	12.9	**-0.5**	**0.9**	**3.7**	*1.1*	*2.1*	*3.3*
Cyprus	2.3	1.3	9.2	3.2	15.4	18.3	**5.1**	**3.2**	**2.9**	*1.5*	*2.6*	*2.9*
Latvia	0.6	8.4	4.4	-1.1	15.1	11.1	**-2.8**	**0.4**	**3.1**	*-1.1*	*2.9*	*3.3*
Lithuania	3.7	7.9	7.3	-4.3	19.9	12.4	**-4.9**	**3.5**	**5.9**	*-6.0*	*3.9*	*7.2*
Luxembourg	2.4	7.4	4.2	-0.4	12.4	-1.9	**-0.1**	**3.2**	**3.6**	*-0.7*	*3.3*	*3.6*
Malta	9.6	3.0	9.9	1.5	5.1	11.7	**4.6**	**4.0**	**3.4**	*-1.1*	*3.7*	*3.5*
Netherlands	2.3	4.0	5.2	-4.8	6.2	3.8	**-0.8**	**-0.1**	**2.8**	*1.4*	*1.3*	*1.7*
Austria	1.0	4.4	4.0	-10.0	14.3	7.9	**-1.8**	**1.0**	**2.7**	*-0.5*	*2.3*	*3.0*
Portugal	1.4	1.4	6.2	-11.8	12.2	11.1	**2.2**	**4.1**	**3.2**	*2.5*	*2.8*	*2.8*
Slovakia	4.9	7.2	4.9	-8.1	11.7	4.3	**-7.6**	**5.3**	**4.0**	*-6.0*	*6.3*	*4.2*
Slovenia	3.7	2.9	6.6	-9.1	17.8	9.0	**-5.1**	**4.6**	**3.6**	*-4.2*	*3.3*	*4.2*
Finland	2.7	2.5	4.0	-6.2	6.1	8.4	**-7.1**	**1.2**	**2.5**	*-4.5*	*1.6*	*2.6*
Euro area	1.8	3.7	5.2	-8.5	9.2	7.9	**-1.6**	**0.9**	**3.2**	*-0.3*	*2.3*	*3.0*
Bulgaria	6.0	4.8	5.6	-4.3	10.7	15.0	**-6.3**	**3.2**	**4.3**	*-4.9*	*5.2*	*3.4*
Czechia	5.4	6.7	4.6	-8.2	13.3	6.3	**-0.7**	**1.3**	**4.4**	*-0.5*	*1.3*	*4.3*
Denmark	4.4	3.2	4.1	-2.8	8.8	6.5	**8.6**	**8.6**	**2.4**	*4.3*	*2.1*	*1.9*
Hungary	5.2	5.0	6.5	-3.9	7.3	10.8	**-4.3**	**3.5**	**6.9**	*-6.0*	*3.6*	*6.6*
Poland	6.8	5.8	6.8	-2.4	16.1	6.8	**-2.0**	**3.0**	**4.2**	*-6.6*	*2.5*	*4.8*
Romania	13.5	7.6	10.7	-5.2	14.8	9.5	**-1.4**	**4.2**	**4.3**	*2.0*	*3.7*	*5.0*
Sweden	1.9	5.1	4.2	-6.0	11.6	9.6	**-0.9**	**1.6**	**2.5**	*-0.2*	*0.5*	*2.7*
EU	2.3	4.0	5.3	-7.9	9.7	8.0	**-1.4**	**1.3**	**3.3**	*-0.6*	*2.3*	*3.2*
United Kingdom	1.4	4.5	3.6	-16.0	6.1	14.6	**-1.5**	**-0.2**	**1.4**	*-1.5*	*1.0*	*1.3*
Japan	-0.7	6.7	1.5	-6.8	5.1	7.9	**-1.3**	**1.4**	**2.0**	*-2.1*	*2.2*	*2.2*
United States	-0.1	5.3	3.3	-9.0	14.5	8.6	**-1.7**	**3.2**	**2.9**	*-2.1*	*1.1*	*3.7*

Table 47: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2005-2025) — 30.04.2024

		5-year averages						Spring 2024 Forecast			*Autumn 2023 Forecast*		
		2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Belgium		1.2	-0.9	0.3	2.2	1.6	-1.4	**0.0**	**0.6**	**0.7**	*0.6*	*0.2*	*0.5*
Germany		6.9	6.9	7.4	5.6	5.3	2.8	**5.6**	**5.8**	**5.8**	*5.5*	*5.8*	*6.2*
Estonia		-12.9	-4.4	-4.0	-1.0	-4.0	-7.1	**-6.3**	**-7.5**	**-7.6**	*-4.5*	*-4.3*	*-4.6*
Ireland		17.7	22.0	37.1	38.0	38.8	40.0	**32.0**	**29.9**	**30.4**	*33.7*	*33.3*	*33.1*
Greece		-16.5	-11.8	-11.5	-11.9	-14.8	-19.2	**-14.8**	**-15.1**	**-15.1**	*-17.0*	*-16.9*	*-16.5*
Spain		-7.4	-2.9	-1.9	-0.8	-1.9	-4.4	**-2.2**	**-2.1**	**-2.0**	*-4.0*	*-3.9*	*-4.0*
France		-1.5	-2.3	-1.4	-2.2	-2.8	-5.4	**-2.9**	**-2.4**	**-2.4**	*-3.1*	*-3.0*	*-3.0*
Croatia		-20.3	-14.2	-17.1	-17.4	-19.3	-26.5	**-22.2**	**-21.5**	**-21.3**	*-21.6*	*-20.5*	*-20.1*
Italy		-0.1	0.9	3.2	4.1	2.7	-1.0	**2.0**	**2.9**	**2.8**	*1.3*	*1.5*	*1.6*
Cyprus		-25.7	-20.3	-21.1	-19.1	-17.6	-21.5	**-23.9**	**-22.7**	**-22.8**	*-21.7*	*-21.7*	*-21.8*
Latvia		-18.8	-11.8	-8.9	-5.1	-8.3	-10.7	**-9.3**	**-8.8**	**-8.8**	*-10.5*	*-10.1*	*-9.8*
Lithuania		-11.6	-4.2	-5.3	-0.8	-5.1	-10.9	**-6.7**	**-6.9**	**-7.6**	*-6.1*	*-6.8*	*-7.2*
Luxembourg		-4.4	3.8	3.2	3.5	0.0	0.5	**0.9**	**0.9**	**0.7**	*0.1*	*0.6*	*0.4*
Malta		-20.5	-17.4	-15.8	-9.4	-12.8	-19.8	**-13.2**	**-13.0**	**-12.4**	*-14.5*	*-14.2*	*-13.9*
Netherlands		8.3	9.0	9.0	7.7	8.4	7.7	**8.6**	**8.9**	**8.8**	*8.0*	*7.6*	*7.4*
Austria		0.3	-0.4	0.6	1.2	0.0	-1.5	**1.0**	**1.4**	**1.4**	*0.0*	*0.2*	*0.6*
Portugal		-11.7	-7.2	-6.7	-6.5	-7.7	-11.2	**-9.6**	**-10.2**	**-10.5**	*-10.0*	*-10.5*	*-10.9*
Slovakia		-2.2	2.8	1.3	0.9	-0.3	-5.4	**1.0**	**0.9**	**0.6**	*-1.1*	*-1.7*	*-1.8*
Slovenia		-3.5	0.0	3.4	5.0	1.7	-3.8	**0.7**	**-0.9**	**-0.7**	*0.7*	*-0.8*	*-0.9*
Finland		7.0	1.6	0.5	1.2	0.9	-0.1	**2.9**	**2.5**	**2.5**	*2.4*	*2.5*	*0.0*
Euro area		0.8	1.8	3.3	3.3	2.6	0.2	**2.3**	**2.5**	**2.5**	*1.9*	*2.0*	*2.2*
Euro area, adjusted	2)	:	2.1	2.9	2.8	2.2	-0.6	**1.7**	**2.0**	**2.0**	*1.1*	*1.2*	*1.4*
Bulgaria		-21.9	-7.9	-3.8	-3.2	-4.1	-5.9	**-3.9**	**-5.1**	**-5.4**	*-4.7*	*-5.3*	*-5.6*
Czechia		0.7	3.0	4.5	4.9	1.2	-0.2	**3.9**	**4.3**	**4.0**	*3.8*	*4.0*	*4.0*
Denmark		2.3	4.6	4.7	5.3	3.7	3.1	**7.7**	**7.7**	**7.6**	*8.3*	*8.1*	*8.2*
Hungary		-1.2	2.2	0.7	-1.0	-2.9	-9.1	**0.1**	**-0.5**	**-1.5**	*1.7*	*0.9*	*0.5*
Poland		-4.2	-2.5	-1.0	1.3	-1.3	-3.4	**1.0**	**-0.1**	**-0.4**	*0.4*	*0.5*	*0.5*
Romania		-13.9	-6.0	-6.6	-8.6	-9.6	-11.3	**-8.9**	**-9.0**	**-8.8**	*-10.1*	*-10.1*	*-10.4*
Sweden		5.9	4.0	2.7	4.0	4.3	3.6	**5.0**	**5.5**	**5.6**	*4.4*	*4.0*	*4.2*
EU		0.6	1.6	3.0	3.0	2.3	-0.1	**2.2**	**2.3**	**2.3**	*1.8*	*1.9*	*2.0*
EU, adjusted	2)	-0.1	1.0	2.4	2.4	1.6	-1.1	**1.4**	**1.6**	**1.6**	*0.8*	*0.9*	*1.1*
United Kingdom		-5.7	-6.6	-6.7	-6.1	-7.2	-8.7	**-6.9**	**-6.7**	**-6.8**	*-7.2*	*-7.0*	*-7.0*
Japan		1.8	-0.6	0.4	0.5	0.3	-2.8	**-1.1**	**-1.3**	**-1.6**	*-1.2*	*-1.6*	*-2.0*
United States		-5.5	-4.6	-4.2	-4.1	-4.6	-4.7	**-3.9**	**-4.0**	**-4.1**	*-3.9*	*-3.8*	*-3.9*

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) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	3.4	1.1	0.4	1.4	1.3	-1.0	**0.0**	**-0.4**	**-0.5**	*0.1*	*-0.3*	*-0.2*
Germany	5.8	6.7	8.4	7.2	7.8	4.4	**6.9**	**7.0**	**7.0**	*6.0*	*6.5*	*6.5*
Estonia	-8.9	0.4	1.7	-2.0	-2.7	-3.3	**-1.9**	**-2.5**	**-2.4**	*0.6*	*1.1*	*0.5*
Ireland	-5.3	-0.6	-2.8	-6.5	13.7	10.8	**9.9**	**9.1**	**9.5**	*9.9*	*10.6*	*11.4*
Greece	-13.1	-5.4	-2.3	-8.0	-8.6	-10.6	**-5.8**	**-5.2**	**-4.8**	*-7.0*	*-6.1*	*-5.6*
Spain	-7.7	-0.5	2.4	0.6	0.8	0.6	**2.5**	**2.8**	**2.8**	*1.9*	*1.7*	*1.5*
France	-0.3	-1.1	-0.6	-3.4	-1.5	-4.0	**-2.2**	**-1.4**	**-1.4**	*-2.4*	*-2.4*	*-2.4*
Croatia	-7.9	-1.4	2.3	-1.1	0.8	-2.8	**1.2**	**1.1**	**1.0**	*2.4*	*2.5*	*3.1*
Italy	-1.7	-0.7	2.5	3.9	2.4	-1.6	**0.3**	**1.5**	**1.5**	*0.8*	*0.9*	*1.0*
Cyprus	-16.7	-4.4	-3.7	-10.0	-6.1	-7.9	**-12.1**	**-11.2**	**-10.8**	*-9.6*	*-8.8*	*-7.5*
Latvia	-11.4	-1.9	0.3	2.9	-3.9	-4.8	**-3.6**	**-2.8**	**-2.6**	*-4.2*	*-3.2*	*-2.8*
Lithuania	-9.0	0.0	0.2	7.3	1.1	-5.5	**0.6**	**0.3**	**-0.3**	*0.3*	*0.1*	*-0.1*
Luxembourg	7.3	3.0	1.4	4.0	1.1	0.3	**-3.3**	**-3.4**	**-3.2**	*-1.2*	*-2.0*	*-3.0*
Malta	-6.1	-0.5	7.2	2.5	5.7	0.6	**4.2**	**3.4**	**3.6**	*4.2*	*5.7*	*5.9*
Netherlands	4.0	7.4	7.5	5.1	12.1	9.3	**10.1**	**10.2**	**10.2**	*9.2*	*9.2*	*9.1*
Austria	2.9	2.3	1.9	3.6	1.8	-0.2	**1.7**	**1.9**	**1.7**	*0.8*	*0.9*	*1.2*
Portugal	-10.3	-3.3	0.4	-1.2	-1.0	-1.3	**1.3**	**0.8**	**0.6**	*1.6*	*1.1*	*0.8*
Slovakia	-4.8	0.2	-1.5	-0.1	-4.0	-7.3	**-0.7**	**-2.0**	**-2.5**	*-2.1*	*-2.9*	*-3.0*
Slovenia	-3.1	1.2	5.4	7.4	3.5	-0.8	**3.6**	**1.4**	**1.4**	*3.7*	*1.9*	*1.5*
Finland	3.2	-1.1	-1.2	0.5	0.4	-2.4	**-1.4**	**-1.6**	**-0.8**	*-0.5*	*-0.2*	*0.7*
Euro area	0.1	1.8	3.4	2.3	3.7	1.0	**2.9**	**3.2**	**3.2**	*2.5*	*2.6*	*2.7*
Euro area, adjusted [2]	:	2.2	2.8	1.7	2.7	-0.6	**1.7**	**2.0**	**2.1**	*1.1*	*1.2*	*1.4*
Bulgaria	-16.5	0.4	2.9	0.0	-1.7	-1.4	**-0.4**	**0.3**	**-0.3**	*0.7*	*-0.3*	*-0.9*
Czechia	-4.0	-3.1	-0.5	0.7	-2.3	-4.5	**1.4**	**1.9**	**1.4**	*-0.3*	*0.8*	*0.9*
Denmark	3.1	7.2	8.0	8.1	9.1	13.4	**10.9**	**11.7**	**11.3**	*10.3*	*10.0*	*9.8*
Hungary	-6.9	0.8	1.3	-1.0	-4.1	-8.3	**0.3**	**0.0**	**-1.4**	*0.9*	*0.1*	*-0.4*
Poland	-4.9	-3.9	-1.2	2.3	-1.3	-2.6	**2.0**	**1.2**	**1.0**	*1.2*	*1.0*	*1.1*
Romania	-9.8	-3.1	-2.7	-6.8	-7.5	-8.8	**-6.7**	**-7.0**	**-6.6**	*-7.3*	*-7.1*	*-7.3*
Sweden	6.9	5.1	3.3	6.0	7.1	5.5	**6.7**	**6.6**	**6.7**	*5.3*	*4.8*	*4.9*
EU	0.0	1.7	3.1	2.4	3.3	0.9	**2.9**	**3.1**	**3.1**	*2.5*	*2.5*	*2.5*
EU, adjusted [2]	-0.3	1.6	2.8	2.1	2.7	-0.4	**1.9**	**2.2**	**2.2**	*1.3*	*1.4*	*1.5*
United Kingdom	-3.2	-3.4	-4.1	-2.9	-0.5	-3.1	**-3.3**	**-3.3**	**-3.4**	*-2.1*	*-2.3*	*-2.4*
Japan	3.5	1.7	3.6	3.0	3.9	1.9	**3.8**	**4.0**	**3.9**	*3.4*	*2.9*	*2.4*
United States	-4.8	-2.5	-2.1	-2.7	-3.6	-3.8	**-3.0**	**-3.1**	**-3.2**	*-2.9*	*-2.8*	*-2.8*

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) 30.04.2024

	5-year averages						Spring 2024 Forecast			Autumn 2023 Forecast		
	2005 - 09	2010 - 14	2015 - 19	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium	3.3	1.2	0.5	1.4	1.5	-0.8	**0.2**	**-0.2**	**-0.3**	*0.2*	*-0.2*	*-0.1*
Germany	5.7	6.6	8.2	6.7	7.5	3.7	**6.0**	**6.2**	**6.2**	*6.0*	*6.4*	*6.4*
Estonia	-7.2	3.4	3.2	-0.1	6.4	-2.9	**-1.7**	**-2.4**	**-2.2**	*0.8*	*1.2*	*0.8*
Ireland	-5.2	-1.3	-10.1	-9.7	14.0	10.6	**8.0**	**6.9**	**6.8**	*3.2*	*3.3*	*3.3*
Greece	-11.5	-3.3	-0.8	-5.9	-5.8	-8.1	**-3.6**	**-2.9**	**-1.8**	*-4.4*	*-3.3*	*-2.6*
Spain	-7.3	-0.1	2.8	1.1	1.6	1.5	**3.5**	**3.7**	**3.8**	*2.8*	*2.6*	*2.5*
France	-0.2	-1.1	-0.6	-3.3	-1.2	-3.7	**-2.0**	**-1.2**	**-1.2**	*-2.2*	*-2.2*	*-2.1*
Croatia	-7.8	-1.0	3.6	1.0	3.3	-0.3	**4.1**	**3.4**	**3.5**	*5.4*	*4.8*	*5.3*
Italy	-1.6	-0.6	2.5	3.9	2.5	-1.1	**1.1**	**1.8**	**1.9**	*1.4*	*1.0*	*1.2*
Cyprus	-16.4	-4.0	-3.5	-10.0	-5.7	-7.7	**-11.5**	**-10.6**	**-10.2**	*-9.0*	*-8.2*	*-6.9*
Latvia	-9.8	0.7	1.9	4.6	-2.6	-4.1	**-2.6**	**-0.3**	**0.6**	*-2.0*	*-1.0*	*-0.5*
Lithuania	-6.8	3.2	1.9	9.0	2.6	-4.0	**2.0**	**1.8**	**1.4**	*1.7*	*1.5*	*1.2*
Luxembourg	6.3	1.6	-0.1	3.1	0.1	-0.6	**-4.7**	**-5.6**	**-5.6**	*-2.6*	*-4.1*	*-5.3*
Malta	-4.4	1.1	8.3	4.1	6.9	1.5	**5.8**	**4.3**	**4.5**	*5.1*	*6.6*	*6.8*
Netherlands	4.0	6.9	7.3	5.1	12.2	20.3	**10.1**	**10.2**	**10.2**	*9.2*	*9.2*	*9.1*
Austria	2.9	2.3	1.7	3.5	1.8	0.0	**1.8**	**2.0**	**1.8**	*0.9*	*1.0*	*1.3*
Portugal	-9.1	-1.7	1.4	-0.2	0.6	-0.4	**2.6**	**2.1**	**1.9**	*2.6*	*2.1*	*1.7*
Slovakia	-4.4	1.6	-1.0	0.5	-4.1	-7.7	**-0.1**	**-1.4**	**-1.9**	*-2.5*	*-3.2*	*-3.3*
Slovenia	-2.9	1.7	5.2	6.9	3.8	-1.1	**3.2**	**0.9**	**0.7**	*3.3*	*1.3*	*0.8*
Finland	3.3	-1.0	-1.1	0.6	0.5	-2.4	**-1.6**	**-1.6**	**-0.8**	*-0.4*	*-0.2*	*0.7*
Euro area	0.2	1.9	3.2	2.2	3.9	1.8	**2.9**	**3.1**	**3.2**	*2.6*	*2.6*	*2.6*
Euro area, adjusted [2]	:	2.3	2.6	1.5	2.9	0.3	**1.7**	**2.0**	**2.1**	*1.1*	*1.2*	*1.3*
Bulgaria	-16.1	2.0	4.7	1.5	-1.0	-0.5	**1.2**	**1.0**	**1.5**	*2.7*	*2.0*	*1.4*
Czechia	-3.2	-1.4	0.5	1.8	-0.9	-4.0	**2.4**	**2.7**	**2.4**	*0.8*	*1.5*	*1.6*
Denmark	3.1	7.2	7.9	8.1	9.2	13.5	**10.7**	**11.4**	**11.0**	*10.4*	*10.1*	*10.0*
Hungary	-5.9	3.6	3.2	1.1	-1.5	-6.4	**0.4**	**1.8**	**0.5**	*2.0*	*1.8*	*1.3*
Poland	-4.1	-2.0	0.4	3.9	-0.4	-2.3	**2.4**	**1.9**	**1.8**	*1.6*	*1.5*	*1.8*
Romania	-9.1	-1.6	-0.8	-4.7	-5.4	-6.1	**-3.8**	**-4.0**	**-3.5**	*-4.4*	*-4.2*	*-4.2*
Sweden	6.8	5.0	3.2	6.0	7.1	5.6	**6.7**	**6.6**	**6.7**	*5.3*	*4.8*	*5.0*
EU	0.1	1.9	3.1	2.4	3.6	1.7	**3.0**	**3.2**	**3.2**	*2.6*	*2.6*	*2.7*
EU, adjusted [2]	-0.2	1.8	2.8	2.1	3.0	0.5	**2.1**	**2.3**	**2.3**	*1.4*	*1.5*	*1.6*
United Kingdom	-3.2	-3.5	-4.3	-3.0	-0.6	-3.2	**-3.5**	**-3.6**	**-3.6**	*-2.2*	*-2.4*	*-2.5*
Japan	3.4	1.6	3.5	2.9	3.8	1.9	**3.8**	**4.0**	**3.8**	*3.3*	*2.9*	*2.3*
United States	-4.9	-2.6	-2.2	-2.7	-3.6	-3.8	**-3.1**	**-3.1**	**-3.2**	*-3.0*	*-2.8*	*-2.8*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 50: **Current-account balance¹ (in billions of euro, 2017-2025)** **30.04.2024**

	2017	2018	2019	2020	2021	2022	Spring 2024 Forecast 2023	2024	2025	*Autumn 2023 Forecast* 2023	2024	2025
Belgium	3.1	-4.2	0.4	6.5	6.6	-5.6	**0.0**	**-2.3**	**-3.0**	*0.4*	*-2.1*	*-1.3*
Germany	262.7	272.3	291.0	245.5	281.6	171.2	**284.5**	**300.8**	**309.5**	*247.8*	*276.2*	*286.3*
Estonia	0.5	0.2	0.7	-0.5	-0.8	-1.2	**-0.7**	**-1.0**	**-1.0**	*0.2*	*0.4*	*0.2*
Ireland	1.6	16.2	-70.6	-24.5	59.5	54.6	**49.7**	**47.8**	**52.4**	*52.4*	*59.3*	*66.9*
Greece	-3.7	-6.3	-4.2	-13.1	-15.6	-21.9	**-12.7**	**-12.1**	**-11.6**	*-15.6*	*-14.3*	*-13.7*
Spain	32.2	22.6	26.2	6.9	9.3	8.2	**37.1**	**42.8**	**45.5**	*27.8*	*26.0*	*24.6*
France	-16.3	-16.1	-17.1	-78.1	-37.0	-105.4	**-60.8**	**-41.5**	**-43.2**	*-66.8*	*-70.8*	*-72.2*
Croatia	1.5	0.7	1.3	-0.6	0.5	-1.9	**0.9**	**0.9**	**0.9**	*1.8*	*2.1*	*2.6*
Italy	44.3	46.1	58.5	64.5	43.6	-31.9	**6.3**	**31.8**	**32.4**	*16.3*	*18.9*	*21.8*
Cyprus	-1.0	-0.8	-1.3	-2.2	-1.5	-2.2	**-3.6**	**-3.6**	**-3.6**	*-2.9*	*-2.8*	*-2.5*
Latvia	0.3	-0.1	-0.2	0.9	-1.3	-1.8	**-1.5**	**-1.2**	**-1.2**	*-1.8*	*-1.4*	*-1.3*
Lithuania	0.2	0.1	1.7	3.6	0.6	-3.7	**0.4**	**0.2**	**-0.2**	*0.2*	*0.1*	*-0.1*
Luxembourg	1.7	2.3	-0.4	2.6	0.8	0.2	**-2.6**	**-2.9**	**-2.8**	*-1.0*	*-1.7*	*-2.7*
Malta	1.3	1.4	1.1	0.3	0.9	0.1	**0.8**	**0.7**	**0.8**	*0.8*	*1.1*	*1.3*
Netherlands	65.8	72.1	56.3	41.0	105.5	88.9	**104.3**	**110.3**	**114.2**	*95.2*	*99.6*	*102.9*
Austria	5.5	4.0	9.9	13.6	7.4	-0.7	**7.9**	**9.3**	**8.6**	*3.8*	*4.3*	*6.3*
Portugal	2.0	0.5	0.3	-2.4	-2.1	-3.2	**3.5**	**2.3**	**1.8**	*4.2*	*3.1*	*2.3*
Slovakia	-0.8	-0.6	-3.0	0.0	-4.1	-8.0	**-0.8**	**-2.7**	**-3.4**	*-2.6*	*-3.7*	*-4.2*
Slovenia	2.7	2.8	2.9	3.5	1.8	-0.5	**2.2**	**1.0**	**1.0**	*2.3*	*1.2*	*1.1*
Finland	-1.8	-4.3	-0.7	1.3	1.1	-6.5	**-4.0**	**-4.5**	**-2.5**	*-1.3*	*-0.7*	*2.0*
Euro area	402.0	409.0	352.8	268.7	456.7	128.7	**410.8**	**476.3**	**494.8**	*361.3*	*394.9*	*420.4*
Euro area, adjusted 2)	349.7	323.4	287.2	192.3	338.2	-79.0	**239.8**	**305.2**	**323.7**	*152.2*	*185.8*	*211.3*
Bulgaria	3.2	0.5	1.1	0.0	-1.2	-1.2	**-0.3**	**0.3**	**-0.3**	*0.6*	*-0.3*	*-0.9*
Czechia	1.6	-1.3	-2.1	1.4	-5.5	-12.5	**4.4**	**5.6**	**4.6**	*-0.8*	*2.5*	*2.9*
Denmark	23.6	22.0	26.2	25.2	31.3	50.9	**40.9**	**45.8**	**46.0**	*38.6*	*38.8*	*39.6*
Hungary	2.0	0.0	-1.4	-1.3	-6.2	-14.0	**0.6**	**0.0**	**-3.2**	*1.7*	*0.2*	*-1.0*
Poland	-5.4	-9.9	-1.4	12.1	-7.7	-17.0	**15.1**	**10.5**	**9.2**	*9.1*	*8.5*	*9.8*
Romania	-5.9	-9.1	-10.3	-14.9	-18.0	-25.1	**-21.6**	**-24.9**	**-25.7**	*-23.7*	*-25.3*	*-27.9*
Sweden	13.6	12.4	25.1	28.7	38.3	31.2	**36.8**	**37.0**	**38.6**	*29.0*	*26.7*	*28.5*
EU	434.6	423.6	390.0	319.8	487.7	140.9	**486.6**	**550.5**	**564.0**	*415.8*	*445.9*	*471.4*
EU, adjusted 2)	396.3	366.3	340.9	281.3	402.0	-56.1	**329.2**	**393.1**	**406.5**	*217.1*	*247.2*	*272.7*
United Kingdom	-83.0	-95.5	-68.4	-67.9	-12.6	-90.6	**-101.8**	**-106.7**	**-111.2**	*-64.3*	*-73.7*	*-78.0*
Japan	179.8	149.6	157.8	131.2	165.4	77.7	**147.4**	**148.9**	**147.0**	*132.4*	*112.1*	*93.8*
United States	-334.6	-373.6	-400.6	-498.8	-717.0	-937.2	**-768.8**	**-832.3**	**-886.1**	*-739.8*	*-740.4*	*-774.0*

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)** **30.04.2024**

	2017	2018	2019	2020	2021	2022	Spring 2024 Forecast 2023	2024	2025	*Autumn 2023 Forecast* 2023	2024	2025
Belgium	5.3	4.0	3.1	-8.7	9.5	7.3	**-0.5**	**1.5**	**3.2**	*0.3*	*2.4*	*3.0*
Germany	5.6	4.3	2.1	-8.2	11.2	7.0	**0.2**	**2.4**	**3.4**	*0.2*	*2.6*	*3.4*
Estonia	6.2	4.6	2.8	-6.9	10.8	7.8	**-1.0**	**2.1**	**3.3**	*-0.6*	*2.4*	*3.4*
Ireland	5.3	4.0	1.4	-9.0	10.9	6.9	**-0.6**	**2.0**	**3.1**	*0.0*	*2.3*	*3.1*
Greece	6.2	4.0	2.4	-8.7	11.0	8.9	**0.4**	**2.4**	**3.6**	*1.2*	*3.0*	*3.5*
Spain	5.2	3.7	2.4	-9.7	10.6	8.3	**0.2**	**1.9**	**3.2**	*0.9*	*2.4*	*3.1*
France	5.4	3.8	2.5	-8.9	10.7	7.1	**-0.1**	**1.9**	**3.3**	*0.6*	*2.6*	*3.3*
Croatia	6.8	4.9	3.2	-8.7	12.7	9.6	**-1.4**	**2.3**	**3.8**	*-0.3*	*2.9*	*3.8*
Italy	5.5	3.9	2.3	-8.8	10.8	7.3	**0.0**	**2.1**	**3.3**	*0.4*	*2.6*	*3.3*
Cyprus	6.9	4.1	3.4	-8.9	11.5	4.5	**2.0**	**3.4**	**3.8**	*2.5*	*3.4*	*3.3*
Latvia	7.0	4.5	3.7	-6.9	13.1	6.3	**-0.1**	**2.6**	**3.9**	*-0.6*	*2.9*	*4.0*
Lithuania	6.4	4.6	3.3	-7.0	11.4	6.4	**0.5**	**2.2**	**3.6**	*0.5*	*2.7*	*3.5*
Luxembourg	5.0	3.7	2.4	-9.6	10.3	8.1	**-1.0**	**1.1**	**3.0**	*0.3*	*2.3*	*2.9*
Malta	5.7	4.1	2.3	-8.0	10.0	7.2	**0.0**	**2.0**	**3.3**	*0.6*	*2.8*	*3.1*
Netherlands	5.3	3.8	3.2	-8.7	10.5	7.5	**-1.0**	**1.3**	**3.2**	*0.0*	*2.4*	*3.2*
Austria	5.7	4.3	2.8	-8.1	10.6	7.4	**-1.1**	**1.7**	**3.5**	*-0.5*	*2.5*	*3.4*
Portugal	5.2	3.8	2.6	-10.6	10.6	7.7	**-0.2**	**1.6**	**3.0**	*0.4*	*2.7*	*3.3*
Slovakia	6.3	4.8	3.0	-8.0	11.2	7.2	**-1.0**	**1.8**	**3.7**	*-1.0*	*2.4*	*3.7*
Slovenia	5.7	4.4	2.8	-8.3	11.7	9.5	**-0.4**	**2.2**	**3.7**	*-0.1*	*2.8*	*3.6*
Finland	5.7	4.1	2.2	-7.7	11.3	6.8	**0.0**	**2.1**	**3.2**	*0.3*	*2.4*	*3.2*
Euro area b)	5.5	4.0	2.5	-8.7	10.7	7.3	**-0.2**	**1.9**	**3.3**	*0.3*	*2.5*	*3.3*
Bulgaria	7.1	4.5	3.1	-7.8	11.7	7.4	**0.5**	**2.4**	**3.7**	*1.4*	*2.9*	*3.7*
Czechia	5.8	4.4	3.1	-8.1	10.6	7.0	**-1.6**	**1.6**	**3.4**	*-1.0*	*2.7*	*3.3*
Denmark	5.4	4.1	2.2	-8.4	10.4	7.4	**-0.6**	**1.9**	**3.2**	*0.0*	*2.3*	*3.2*
Hungary	6.2	4.7	3.0	-8.3	11.5	7.6	**-1.2**	**1.8**	**3.4**	*-0.4*	*2.6*	*3.4*
Poland	5.8	4.2	3.1	-8.4	10.4	6.9	**-0.7**	**1.5**	**3.4**	*-0.1*	*2.4*	*3.3*
Romania	6.0	4.1	2.7	-8.5	10.8	8.3	**-0.7**	**1.8**	**3.5**	*-0.1*	*2.6*	*3.5*
Sweden	5.1	4.1	2.6	-8.2	9.6	7.8	**-0.1**	**2.3**	**3.1**	*0.0*	*2.4*	*3.1*
EU (b)	5.5	4.1	2.5	-8.6	10.7	7.3	**-0.3**	**1.9**	**3.3**	*0.2*	*2.5*	*3.3*
United Kingdom	5.0	3.9	4.1	-7.8	9.7	6.7	**0.0**	**2.4**	**3.4**	*0.6*	*2.7*	*3.4*
Japan	6.3	4.9	-0.1	-8.1	12.6	4.3	**-0.3**	**3.3**	**3.4**	*0.4*	*3.5*	*3.6*
United States	5.1	4.1	2.3	-9.0	10.4	6.9	**1.1**	**2.3**	**3.3**	*1.5*	*2.8*	*3.3*

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

(b) Intra- and extra-EU trade.

Table 52: **Export performance (a) (percentage change on preceding year, 2017-2025)** **30.04.2024**

								Spring 2024 Forecast			Autumn 2023 Forecast		
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2023	2024	2025
Belgium		0.2	-2.8	-0.7	2.7	4.0	-2.2	**-2.8**	**-2.2**	**-0.2**	*-0.5*	*-1.1*	*-0.1*
Germany		-0.7	-2.0	0.1	-1.1	-1.4	-3.6	**-2.4**	**-3.3**	**-0.6**	*-0.8*	*-0.9*	*-0.4*
Estonia		-1.3	-1.6	2.2	1.5	10.4	-4.3	**-5.3**	**-3.8**	**1.4**	*-2.4*	*0.2*	*0.7*
Ireland		3.9	5.5	9.9	23.0	4.2	8.0	**-5.6**	**0.0**	**2.1**	*-2.6*	*1.0*	*0.8*
Greece		2.1	4.9	2.5	-14.5	11.4	-2.5	**3.3**	**1.7**	**0.4**	*4.4*	*1.9*	*0.1*
Spain		0.3	-1.9	-0.1	-11.6	2.6	6.9	**2.7**	**-0.1**	**-0.9**	*1.4*	*0.3*	*0.3*
France		-0.9	0.7	-0.8	-8.8	0.3	-0.2	**1.3**	**0.5**	**0.0**	*0.8*	*-0.5*	*-0.4*
Italy		0.0	-1.7	-0.7	-5.2	3.0	2.9	**0.3**	**0.3**	**-0.1**	*0.2*	*-0.1*	*0.0*
Cyprus		3.9	3.0	5.1	11.6	9.0	8.8	**-3.5**	**-0.1**	**-0.5**	*-3.2*	*-0.4*	*0.3*
Latvia		-0.6	-0.1	-2.3	8.0	-3.6	3.8	**-5.8**	**-2.9**	**-0.8**	*-2.4*	*-1.2*	*-1.0*
Lithuania		6.6	2.1	6.6	7.8	5.1	5.5	**-4.3**	**-0.1**	**1.2**	*-5.1*	*0.6*	*3.7*
Luxembourg		-5.0	0.0	3.6	11.3	-0.1	-8.1	**-0.4**	**1.5**	**0.3**	*-1.6*	*0.4*	*0.2*
Malta		4.4	4.2	7.2	6.7	-2.2	1.2	**8.7**	**2.2**	**0.5**	*2.4*	*1.2*	*0.5*
Netherlands		1.2	0.5	-1.1	4.9	-2.1	-2.8	**-0.3**	**-1.5**	**-0.8**	*0.5*	*-1.2*	*-1.3*
Austria		-0.8	0.8	1.2	-2.6	-1.2	3.5	**1.0**	**-0.4**	**-1.0**	*1.1*	*0.0*	*-0.2*
Portugal		2.9	0.3	1.5	-8.6	1.5	8.7	**4.2**	**1.1**	**-0.5**	*4.8*	*-1.0*	*-1.2*
Slovenia		5.1	1.6	1.7	-0.2	2.4	-2.2	**-1.6**	**0.1**	**0.0**	*-0.7*	*0.0*	*0.3*
Slovakia		-2.5	0.3	-2.1	1.9	-0.6	-4.0	**-0.4**	**2.4**	**0.3**	*-0.3*	*3.3*	*0.5*
Finland		3.0	-2.5	4.4	-0.1	-4.6	-2.9	**-2.1**	**-1.1**	**-1.1**	*-0.4*	*-0.1*	*0.3*
Euro area	(b)	0.1	-0.5	0.6	-0.4	0.7	0.0	**-1.0**	**-1.0**	**-0.2**	*-0.2*	*-0.3*	*-0.2*
Bulgaria		-1.2	-2.6	0.9	-2.7	-0.6	4.2	**-1.9**	**-0.8**	**-0.5**	*-1.8*	*1.0*	*-1.1*
Czechia		1.3	-0.6	-1.5	0.2	-3.3	0.1	**4.4**	**1.1**	**0.3**	*3.5*	*-0.6*	*0.9*
Denmark		-0.5	-0.7	2.2	2.6	-2.4	2.8	**13.5**	**7.7**	**-1.3**	*7.2*	*-0.3*	*-1.3*
Croatia		0.2	-1.2	3.5	-14.7	16.3	15.7	**-1.8**	**0.3**	**-0.6**	*-0.3*	*0.3*	*0.4*
Hungary		0.2	0.3	2.4	2.1	-2.9	3.8	**2.1**	**1.2**	**1.9**	*0.7*	*1.0*	*1.6*
Poland		3.1	2.5	2.2	8.0	1.7	0.6	**4.0**	**0.2**	**0.1**	*-1.5*	*0.2*	*1.6*
Romania		1.7	1.1	2.3	-0.9	1.6	1.0	**-0.7**	**0.1**	**-0.2**	*1.4*	*-0.1*	*0.2*
Sweden		-0.9	0.1	3.4	2.9	1.4	-1.1	**3.6**	**-0.5**	**-0.2**	*1.4*	*-2.2*	*0.0*
EU	(b)	0.2	-0.3	0.8	0.2	0.5	0.2	**0.0**	**-0.6**	**-0.2**	*0.2*	*-0.3*	*-0.1*
United Kingdom		1.7	-0.7	-2.0	-4.0	-4.2	2.1	**-0.3**	**-3.0**	**-2.1**	*-1.6*	*-1.8*	*-1.6*
Japan		0.3	-1.1	-1.3	-3.7	-0.5	0.9	**3.2**	**0.1**	**-0.8**	*0.9*	*-0.8*	*-1.3*
United States		-0.8	-1.2	-1.8	-4.3	-3.6	0.0	**1.5**	**-0.2**	**-0.6**	*0.6*	*-1.9*	*0.1*

(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) 30.04.2024

						Spring 2024 Forecast			Autumn 2023 Forecast		
	(a)	2019	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
EU	14.8	1.8	-5.6	6.0	3.5	**0.4**	**1.0**	**1.6**	*0.6*	*1.3*	*1.7*
Euro area	12.0	1.6	-6.1	5.9	3.4	**0.4**	**0.8**	**1.4**	*0.6*	*1.2*	*1.6*
Belgium	0.4	2.2	-5.3	6.9	3.0	**1.4**	**1.3**	**1.4**	*1.4*	*1.4*	*1.5*
Bulgaria	0.1	4.0	-4.0	7.7	3.9	**1.8**	**1.9**	**2.9**	*2.0*	*1.8*	*2.6*
Czechia	0.3	3.0	-5.5	3.6	2.4	**-0.3**	**1.2**	**2.8**	*-0.4*	*1.4*	*3.0*
Denmark	0.3	1.5	-2.4	6.8	2.7	**1.9**	**2.6**	**1.4**	*1.2*	*1.4*	*1.6*
Germany	3.3	1.1	-3.8	3.2	1.8	**-0.3**	**0.1**	**1.0**	*-0.3*	*0.8*	*1.2*
Estonia	0.0	4.0	-1.0	7.2	-0.5	**-3.0**	**-0.5**	**3.1**	*-2.6*	*1.9*	*2.7*
Ireland	0.4	5.3	6.6	15.1	9.4	**-3.2**	**1.2**	**3.6**	*-0.9*	*3.0*	*3.4*
Greece	0.2	1.9	-9.3	8.4	5.6	**2.0**	**2.2**	**2.3**	*2.4*	*2.3*	*2.2*
Spain	1.4	2.0	-11.2	6.4	5.8	**2.5**	**2.1**	**1.9**	*2.4*	*1.7*	*2.0*
France	2.2	1.8	-7.5	6.4	2.5	**0.7**	**0.7**	**1.3**	*1.0*	*1.2*	*1.4*
Croatia	0.1	3.4	-8.5	13.0	7.0	**3.1**	**3.3**	**2.9**	*2.6*	*2.5*	*2.8*
Italy	1.9	0.5	-9.0	8.3	4.0	**0.9**	**0.9**	**1.1**	*0.7*	*0.9*	*1.2*
Cyprus	0.0	5.5	-3.4	9.9	5.1	**2.5**	**2.8**	**2.9**	*2.2*	*2.6*	*2.9*
Latvia	0.0	0.6	-3.5	6.7	3.0	**-0.3**	**1.7**	**2.6**	*-0.2*	*2.4*	*3.0*
Lithuania	0.1	4.7	0.0	6.3	2.4	**-0.3**	**2.0**	**2.9**	*-0.4*	*2.5*	*3.4*
Luxembourg	0.1	2.9	-0.9	7.2	1.4	**-1.1**	**1.4**	**2.3**	*-0.6*	*1.4*	*2.0*
Hungary	0.2	4.9	-4.5	7.1	4.6	**-0.9**	**2.4**	**3.5**	*-0.7*	*2.4*	*3.6*
Malta	0.0	7.1	-8.2	12.5	8.1	**5.6**	**4.6**	**4.3**	*4.0*	*4.0*	*4.2*
Netherlands	0.8	2.0	-3.9	6.2	4.3	**0.1**	**0.8**	**1.5**	*0.6*	*1.1*	*1.7*
Austria	0.4	1.5	-6.6	4.2	4.8	**-0.8**	**0.3**	**1.6**	*-0.5*	*1.0*	*1.3*
Poland	1.0	4.5	-2.0	6.9	5.6	**0.2**	**2.8**	**3.4**	*0.4*	*2.7*	*3.2*
Portugal	0.3	2.7	-8.3	5.7	6.8	**2.3**	**1.7**	**1.9**	*2.2*	*1.3*	*1.8*
Romania	0.4	3.9	-3.7	5.7	4.1	**2.1**	**3.3**	**3.1**	*2.2*	*3.1*	*3.4*
Slovenia	0.1	3.5	-4.2	8.2	2.5	**1.6**	**2.3**	**2.6**	*1.3*	*2.0*	*2.7*
Slovakia	0.1	2.5	-3.3	4.8	1.9	**1.6**	**2.2**	**2.9**	*1.3*	*1.7*	*2.0*
Finland	0.2	1.2	-2.4	2.8	1.3	**-1.0**	**0.0**	**1.4**	*0.1*	*0.8*	*1.5*
Sweden	0.4	2.0	-2.2	6.1	2.7	**-0.2**	**0.2**	**2.1**	*-0.5*	*-0.2*	*1.3*
Candidate Countries (b)	2.6	1.6	0.3	9.6	0.3	**4.4**	**3.4**	**4.0**	*4.1*	*3.5*	*4.1*
- Albania	0.0	2.1	-3.3	8.9	4.9	**3.4**	**3.3**	**3.5**	*3.5*	*3.1*	*3.7*
- Bosnia and Herzegovina	0.0	2.9	-3.0	7.4	3.9	**1.6**	**2.3**	**2.8**	*1.5*	*2.0*	*2.3*
- Georgia	0.0	5.4	-6.3	10.6	11.0	**7.5**	**6.0**	**5.2**	*6.5*	*5.0*	*5.0*
- Moldova	0.0	3.6	-8.3	13.9	-4.6	**0.7**	**2.9**	**3.7**	*1.7*	*3.8*	*4.2*
- Montenegro	0.0	4.1	-15.3	13.0	6.1	**6.0**	**3.4**	**3.0**	*4.9*	*2.7*	*2.3*
- North Macedonia	0.0	3.9	-4.7	4.5	2.2	**1.0**	**2.9**	**3.0**	*2.0*	*2.7*	*2.8*
- Serbia	0.1	4.3	-0.9	7.7	2.5	**2.5**	**3.5**	**4.3**	*2.2*	*3.1*	*3.7*
- Türkiye	2.0	0.8	1.9	11.4	5.5	**4.5**	**3.5**	**3.8**	*4.2*	*3.5*	*4.0*
- Ukraine	0.3	3.2	-3.8	3.4	-28.8	**5.3**	**2.9**	**5.9**	*4.8*	*3.7*	*6.1*
Iceland	0.0	1.9	-6.9	5.1	8.9	**4.1**	**1.8**	**2.3**	*3.6*	*2.4*	*2.3*
Norway	0.3	1.1	-1.3	3.9	3.0	**0.5**	**0.8**	**1.4**	*1.4*	*1.5*	*1.7*
Switzerland	0.5	1.1	-2.4	4.2	2.1	**1.3**	**1.5**	**1.8**	*1.0*	*1.4*	*1.7*
Australia	1.0	1.8	-2.2	5.5	3.9	**2.0**	**1.4**	**2.2**	*1.6*	*1.4*	*1.6*
Canada	1.4	1.9	-5.0	5.3	3.8	**1.1**	**1.2**	**2.0**	*1.3*	*1.2*	*1.9*
Japan	3.7	-0.4	-4.1	2.6	1.0	**1.9**	**0.8**	**0.8**	*1.9*	*0.8*	*0.6*
Korea	1.7	2.2	-0.7	4.3	2.6	**1.4**	**2.4**	**2.5**	*1.4*	*2.2*	*2.5*
United Kingdom	2.3	1.6	-10.4	8.7	4.3	**0.1**	**0.5**	**1.4**	*0.6*	*0.5*	*1.3*
United States	15.6	2.5	-2.2	5.8	1.9	**2.5**	**2.4**	**2.1**	*2.4*	*1.4*	*1.8*
Advanced economies	45.8	1.9	-3.8	5.9	2.6	**1.7**	**1.8**	**2.0**	*1.7*	*1.5*	*1.9*
Emerging and Developing Asia	33.6	5.2	-1.1	7.3	4.3	**5.4**	**5.2**	**5.1**	*5.2*	*4.9*	*5.0*
- China	18.4	6.0	2.2	8.5	3.0	**5.2**	**4.8**	**4.6**	*5.2*	*4.6*	*4.6*
- India	7.3	4.6	-5.9	9.4	6.5	**7.7**	**7.0**	**6.9**	*6.6*	*6.1*	*6.5*
- Indonesia	2.5	5.0	-2.1	3.7	5.3	**5.0**	**5.0**	**5.2**	*5.0*	*5.0*	*5.2*
Eastern Neighbourhood and Central Asia	1.0	3.6	-1.6	4.7	3.4	**4.5**	**3.8**	**4.1**	*4.1*	*3.8*	*3.9*
Russia	2.9	2.2	-2.7	5.9	-1.2	**3.6**	**2.9**	**1.7**	*2.0*	*1.6*	*1.6*
Latin America	7.4	-0.1	-7.3	7.3	4.1	**2.4**	**2.1**	**2.5**	*2.5*	*2.1*	*2.4*
- Argentina	0.7	-2.0	-9.9	10.7	5.0	**-1.6**	**-2.7**	**3.0**	*-2.8*	*-0.4*	*2.9*
- Brazil	2.3	1.2	-3.3	4.8	3.0	**2.9**	**2.0**	**2.1**	*2.8*	*1.6*	*1.8*
- Mexico	1.9	-0.3	-8.6	5.7	3.9	**3.2**	**2.3**	**1.9**	*3.3*	*2.1*	*2.0*
MENA	5.9	1.4	-3.0	4.5	5.8	**2.0**	**2.8**	**4.0**	*2.3*	*3.3*	*3.5*
- Saudi Arabia	1.3	1.1	-3.6	5.1	7.5	**-0.8**	**2.7**	**5.5**	*1.0*	*3.8*	*3.9*
Sub-Saharan Africa	3.3	2.6	-2.0	4.3	3.6	**2.2**	**3.3**	**3.9**	*2.2*	*3.5*	*4.0*
- South Africa	0.6	0.3	-6.0	4.7	1.9	**0.6**	**1.0**	**1.3**	*0.7*	*1.3*	*1.5*
Emerging and Developing Economies	54.2	3.7	-2.3	6.7	4.0	**4.3**	**4.3**	**4.4**	*4.2*	*4.1*	*4.3*
World	100.0	2.8	-3.0	6.4	3.4	**3.1**	**3.2**	**3.3**	*3.1*	*2.9*	*3.2*
World excluding EU	85.1	3.0	-2.5	6.4	3.3	**3.6**	**3.5**	**3.6**	*3.5*	*3.2*	*3.5*
World excluding euro area	87.9	3.0	-2.5	6.4	3.3	**3.5**	**3.4**	**3.6**	*3.4*	*3.2*	*3.4*

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

(b) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 54: World exports of goods and services, volume (percentage change on preceding year, 2019-2025) 30.04.2024

						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	(a)	2019	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
EU (b)	30.4	3.4	-8.5	11.3	7.4	**-0.2**	**1.4**	**3.1**	*0.4*	*2.2*	*3.2*
Euro area (20) (b)	25.3	3.2	-9.1	11.5	7.2	**-1.1**	**0.9**	**3.1**	*0.2*	*2.2*	*3.1*
Candidate Countries (c)	1.6	5.9	-13.3	18.5	2.1	**-1.9**	**3.7**	**5.3**	*-0.2*	*3.9*	*5.1*
- Albania	0.0	2.6	-27.9	52.0	7.5	**10.1**	**4.4**	**4.9**	*1.7*	*3.3*	*4.8*
- Bosnia and Herzegovina	0.0	0.5	-15.8	24.6	23.9	**-3.2**	**3.0**	**4.1**	*-1.0*	*4.3*	*5.2*
- Georgia	0.0	10.9	-37.6	23.5	37.4	**8.2**	**6.4**	**5.9**	*14.1*	*6.5*	*7.0*
- Moldova	0.0	8.2	-14.9	17.5	29.7	**5.1**	**6.7**	**7.4**	*-2.1*	*6.5*	*7.9*
- Montenegro	0.0	5.8	-47.6	81.9	22.7	**8.6**	**6.1**	**5.9**	*10.7*	*6.8*	*4.5*
- North Macedonia	0.0	8.9	-10.9	14.3	11.4	**-0.1**	**5.9**	**8.6**	*0.9*	*4.3*	*5.5*
- Serbia	0.1	7.7	-4.2	20.5	16.6	**2.4**	**5.2**	**6.8**	*3.3*	*6.9*	*7.3*
- Türkiye	1.1	5.3	-14.6	25.1	9.9	**-2.7**	**2.9**	**4.3**	*-0.4*	*3.6*	*4.3*
- Ukraine	0.2	7.3	-5.8	-8.6	-42.0	**-5.4**	**6.0**	**9.1**	*-2.5*	*3.3*	*8.5*
Iceland	0.0	-5.3	-30.7	14.6	22.3	**4.8**	**3.2**	**2.9**	*8.1*	*3.2*	*3.0*
Norway	1.1	2.1	-2.3	6.1	4.5	**1.4**	**3.0**	**2.5**	*0.7*	*2.8*	*2.9*
Switzerland	2.0	-0.7	-5.2	12.4	5.5	**4.4**	**2.6**	**3.5**	*2.0*	*3.3*	*4.0*
Australia	1.5	3.2	-9.9	-2.2	2.5	**6.9**	**3.0**	**4.0**	*7.9*	*3.0*	*3.0*
Canada	2.4	2.3	-9.0	2.7	3.2	**5.6**	**2.6**	**2.7**	*4.0*	*1.6*	*2.3*
Japan	3.0	-1.5	-11.6	11.9	5.3	**3.0**	**3.4**	**2.6**	*1.4*	*2.7*	*2.2*
Korea	2.7	0.2	-1.7	11.1	3.4	**2.5**	**3.8**	**3.4**	*-0.2*	*3.8*	*3.4*
United Kingdom	3.3	2.0	-11.5	4.9	9.0	**-0.5**	**-0.6**	**1.3**	*-1.3*	*0.9*	*1.7*
United States	9.7	0.5	-13.1	6.3	7.0	**2.6**	**2.0**	**2.7**	*2.1*	*0.9*	*3.4*
Advanced economies	64.7	1.8	-8.7	10.1	5.4	**0.9**	**2.0**	**3.1**	*1.1*	*2.5*	*3.3*
Emerging and Developing Asia	19.2	1.0	-4.9	17.7	2.4	**0.2**	**3.5**	**3.8**	*1.3*	*3.4*	*3.5*
- China	12.0	2.0	-3.2	18.5	-0.2	**-0.3**	**3.0**	**2.8**	*0.5*	*2.1*	*2.3*
- India	2.5	-2.1	-6.5	19.7	9.8	**3.6**	**5.7**	**6.8**	*4.9*	*4.7*	*6.4*
- Indonesia	1.0	-3.5	-8.1	21.7	-0.7	**1.0**	**3.9**	**5.7**	*5.6*	*8.5*	*5.7*
Easter Neighbourhood and Central Asia	0.8	4.7	-9.7	2.0	8.2	**10.5**	**6.0**	**6.0**	*11.3*	*6.1*	*5.9*
Russia	2.0	0.7	-4.2	3.2	-13.8	**-8.9**	**4.5**	**3.0**	*-3.4*	*1.7*	*2.4*
Latin America	5.2	0.7	-9.2	7.7	7.0	**0.3**	**4.6**	**4.6**	*2.6*	*5.3*	*4.6*
- Argentina	0.3	12.2	-12.9	12.6	-5.3	**-6.7**	**10.0**	**5.1**	*-7.7*	*6.3*	*5.1*
- Brazil	1.2	-1.7	-1.3	2.3	6.1	**7.5**	**4.4**	**4.1**	*7.0*	*5.0*	*5.0*
- Mexico	2.0	1.2	-7.0	7.2	8.7	**-6.9**	**1.7**	**3.3**	*-2.0*	*3.9*	*2.9*
MENA	6.7	-1.5	-10.0	5.1	12.3	**2.3**	**4.3**	**4.8**	*2.4*	*4.2*	*4.6*
- Saudi Arabia	1.4	-3.4	-14.5	5.7	24.1	**1.4**	**6.5**	**7.8**	*1.1*	*6.4*	*7.8*
Sub-Saharan Africa	1.4	1.4	-10.4	-1.3	5.2	**1.6**	**5.0**	**4.7**	*3.1*	*5.5*	*4.9*
- South Africa	0.4	-3.3	-12.0	9.1	7.4	**4.2**	**4.3**	**4.6**	*4.2*	*5.1*	*5.6*
Emerging and developing economies	35.3	0.6	-6.8	12.6	3.9	**0.4**	**4.0**	**4.2**	*1.8*	*3.9*	*4.0*
World	100.0	1.4	-8.1	10.9	4.9	**0.7**	**2.7**	**3.5**	*1.3*	*3.0*	*3.5*
World excluding EU	69.6	0.5	-7.9	10.7	3.8	**1.1**	**3.3**	**3.6**	*1.7*	*3.3*	*3.6*
World excluding euro area	74.7	0.7	-7.7	10.7	4.1	**1.3**	**3.3**	**3.6**	*1.7*	*3.2*	*3.6*

(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.
(c) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 55: Export shares in EU trade (goods only - 2022) 30.04.2024

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	62.1	49.8	2.6	7.7	4.7	1.2	7.6	3.8	1.0	0.9	3.0	2.4	1.3
Euro area	60.4	48.9	2.3	8.4	4.7	1.2	7.9	4.1	1.1	0.9	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	2.6	1.9	3.2
Bulgaria	65.3	44.3	13.6	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	2.5	2.8	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	0.6	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	71.2	54.7	1.9	5.9	2.4	0.9	6.8	1.2	0.4	2.4	2.5	1.6	0.8
Ireland	40.1	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	51.7	37.4	11.9	4.2	3.9	1.0	4.5	1.1	1.0	0.4	12.1	1.2	1.5
Spain	62.4	56.3	2.2	5.2	5.6	1.3	5.1	2.2	0.8	0.5	5.9	4.8	1.3
France	54.1	47.5	2.0	8.4	5.5	1.3	9.8	4.8	1.4	0.9	5.1	2.4	1.7
Croatia	68.0	51.9	18.4	3.1	1.2	0.3	2.8	0.5	0.3	1.3	1.9	0.3	0.3
Italy	51.5	42.4	3.5	10.5	4.5	1.5	10.1	3.4	1.3	1.1	5.7	3.2	1.0
Cyprus	39.2	28.8	1.0	2.1	6.0	0.0	9.8	0.7	5.8	0.7	17.6	1.0	7.7
Latvia	67.3	52.3	3.4	3.1	5.4	0.5	4.1	1.4	0.3	5.9	2.2	0.8	2.4
Lithuania	65.2	46.1	4.7	5.7	3.7	0.3	5.7	0.2	0.5	3.8	1.7	0.9	1.7
Luxembourg	78.2	70.5	1.4	3.2	2.7	0.4	5.9	2.0	0.6	0.4	1.5	1.8	0.8
Hungary	75.3	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	44.4	37.2	2.0	4.5	4.5	4.9	15.5	7.2	3.3	0.3	7.2	2.0	2.9
Netherlands	74.5	64.0	1.1	4.3	4.7	0.5	5.8	1.9	0.7	0.4	1.6	1.8	1.6
Austria	68.6	53.0	2.0	7.1	2.5	0.9	8.9	3.1	0.8	0.9	1.4	2.0	0.5
Poland	75.5	59.3	4.2	3.2	5.0	0.3	3.7	1.2	0.5	1.3	1.5	1.3	0.7
Portugal	65.4	60.2	1.6	6.9	5.3	0.4	4.6	2.2	0.3	0.3	3.0	2.8	4.1
Romania	68.3	50.7	9.0	3.1	3.7	0.9	3.0	2.1	0.4	0.7	5.3	1.0	0.5
Slovenia	65.5	51.5	7.5	3.1	1.3	0.3	15.9	0.8	0.3	1.5	1.6	0.6	0.3
Slovakia	76.1	43.3	2.9	4.6	4.0	0.3	3.3	4.7	0.1	0.9	1.4	0.8	0.3
Finland	54.7	38.4	1.9	9.4	3.8	2.3	9.2	5.3	1.4	2.7	2.1	3.6	1.2
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)** 30.04.2024

						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	(a)	2019	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
EU (b)	30.4	4.8	-7.9	9.7	8.0	**-1.4**	**1.3**	**3.3**	*-0.6*	*2.3*	*3.2*
Euro area (b)	25.3	5.0	-8.5	9.2	7.9	**-1.6**	**0.9**	**3.2**	*-0.3*	*2.3*	*3.0*
Candidate Countries (c)	2.0	-0.6	0.6	7.1	5.6	**8.9**	**2.8**	**3.7**	*9.5*	*2.9*	*3.5*
- Albania	0.0	2.3	-19.8	31.5	13.1	**1.3**	**3.8**	**4.0**	*3.0*	*3.1*	*4.1*
- Bosnia and Herzegovina	0.0	1.3	-13.4	20.5	24.0	**-2.5**	**2.6**	**3.6**	*1.5*	*4.1*	*4.5*
- Georgia	0.1	6.8	-16.6	8.8	16.9	**8.6**	**7.0**	**5.0**	*9.9*	*5.0*	*5.8*
- Moldova	0.0	6.2	-9.5	21.2	18.2	**-5.1**	**4.0**	**4.1**	*0.7*	*5.0*	*6.4*
- Montenegro	0.0	2.7	-20.1	13.7	21.3	**5.2**	**5.0**	**4.5**	*9.9*	*5.5*	*3.8*
- North Macedonia	0.0	10.1	-10.9	14.8	12.4	**-5.8**	**5.6**	**8.6**	*-0.1*	*4.9*	*6.0*
- Serbia	0.2	10.7	-3.6	18.3	16.1	**-1.1**	**6.2**	**7.6**	*1.1*	*6.2*	*6.4*
- Türkiye	1.3	-5.0	6.8	1.7	8.6	**11.7**	**1.7**	**2.5**	*13.0*	*2.0*	*2.6*
- Ukraine	0.3	5.7	-6.4	14.2	-17.4	**8.5**	**3.8**	**5.5**	*2.7*	*3.8*	*5.5*
Iceland	0.0	-9.1	-20.6	19.9	20.0	**-1.4**	**2.7**	**3.0**	*4.9*	*2.4*	*2.3*
Norway	0.5	5.3	-9.9	1.8	12.5	**0.7**	**1.8**	**2.8**	*0.3*	*2.5*	*2.8*
Switzerland	1.7	0.3	-3.2	5.0	5.9	**5.8**	**3.3**	**4.3**	*2.6*	*3.4*	*3.9*
Australia	1.2	-0.7	-12.0	4.8	12.8	**3.2**	**1.0**	**3.9**	*3.8*	*2.3*	*2.8*
Canada	2.4	-0.1	-9.4	8.1	7.6	**1.0**	**1.3**	**2.9**	*-0.5*	*1.7*	*3.3*
Japan	3.6	1.0	-6.8	5.1	7.9	**-1.3**	**1.4**	**2.0**	*-2.1*	*2.2*	*2.2*
Korea	2.7	-1.9	-3.1	10.1	3.5	**-0.3**	**2.8**	**3.0**	*0.0*	*2.3*	*3.0*
United Kingdom	3.7	2.7	-16.0	6.1	14.6	**-1.5**	**-0.2**	**1.4**	*-1.5*	*1.0*	*1.3*
United States	13.2	1.2	-9.0	14.5	8.6	**-1.7**	**3.2**	**2.9**	*-2.1*	*1.1*	*3.7*
Advanced economies	68.0	2.2	-7.8	10.2	7.1	**-1.2**	**2.0**	**3.1**	*-0.4*	*2.3*	*3.2*
Emerging and Developing Asia	18.3	-2.4	-8.8	13.4	1.6	**2.5**	**4.9**	**4.3**	*1.0*	*5.3*	*4.5*
- China	10.5	-1.7	-6.7	10.5	-2.6	**3.0**	**4.6**	**3.3**	*-0.1*	*4.9*	*3.5*
- India	3.0	-3.7	-13.7	19.4	10.0	**6.7**	**7.3**	**7.8**	*4.8*	*5.7*	*7.8*
- Indonesia	0.9	-9.7	-14.9	15.2	8.9	**1.5**	**3.7**	**7.7**	*4.0*	*11.4*	*7.7*
Eastern Neighbourhood and Central Asia	0.6	9.3	-17.0	-2.9	9.1	**14.0**	**5.8**	**6.0**	*15.1*	*5.8*	*6.0*
Russia	1.1	3.1	-11.9	19.1	-14.3	**12.5**	**8.0**	**5.2**	*9.4*	*4.6*	*3.0*
Latin America	5.8	-1.3	-12.2	18.4	7.1	**2.6**	**1.5**	**3.0**	*4.5*	*2.0*	*3.3*
- Argentina	0.3	-21.0	-10.4	29.6	12.8	**2.2**	**-8.9**	**2.6**	*3.7*	*-4.3*	*1.9*
- Brazil	1.3	4.5	-8.2	17.4	0.4	**-3.7**	**1.3**	**2.5**	*3.7*	*4.3*	*4.2*
- Mexico	2.2	-1.1	-12.0	15.1	8.3	**5.7**	**1.4**	**2.8**	*5.3*	*0.5*	*2.8*
MENA	4.7	-0.5	-15.1	7.8	9.0	**3.1**	**3.3**	**3.6**	*4.2*	*3.6*	*3.6*
- Saudi Arabia	0.9	3.3	-16.1	5.3	10.5	**8.7**	**4.6**	**7.0**	*8.7*	*4.6*	*6.9*
Sub-Saharan Africa	1.5	9.3	-12.5	0.1	7.9	**2.2**	**4.5**	**5.8**	*3.6*	*6.3*	*5.4*
- South Africa	0.4	0.6	-17.6	9.6	14.9	**6.7**	**5.0**	**6.2**	*8.0*	*6.5*	*6.2*
Emerging and Developing Economies	32.0	-0.9	-10.9	12.6	3.3	**3.2**	**4.1**	**4.1**	*2.8*	*4.5*	*4.2*
World	100.0	1.2	-8.8	11.0	5.9	**0.2**	**2.7**	**3.4**	*0.7*	*3.0*	*3.5*
World excluding EU	69.6	-0.3	-9.2	11.5	4.9	**0.9**	**3.3**	**3.5**	*1.2*	*3.4*	*3.7*
World excluding euro area	74.7	0.0	-8.9	11.6	5.2	**0.8**	**3.3**	**3.5**	*1.0*	*3.3*	*3.7*

(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.
(c) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 57: Import shares in EU trade (goods only - 2022) 30.04.2024

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	58.8	47.3	2.3	4.9	3.1	1.0	7.6	8.2	2.1	2.8	3.2	1.9	1.4
Euro area	57.0	46.3	2.0	5.4	3.4	1.0	7.9	8.2	2.2	2.8	3.6	2.1	1.6
Belgium	59.1	54.0	1.1	6.1	4.9	1.5	8.1	6.1	1.9	1.9	3.1	2.2	1.7
Bulgaria	58.1	41.1	15.4	1.2	0.8	0.4	2.5	5.6	0.9	8.8	1.6	2.0	0.4
Czechia	73.0	57.0	2.0	1.7	1.2	1.0	3.4	11.2	1.6	1.4	0.3	0.4	0.2
Denmark	67.2	47.6	1.4	3.8	2.6	0.4	8.0	8.2	2.3	1.3	0.6	1.6	0.5
Germany	62.3	45.0	2.1	4.6	2.4	1.2	10.4	7.9	2.3	1.9	1.0	1.4	1.0
Estonia	73.3	56.7	1.2	1.2	1.1	0.6	2.9	3.9	0.6	11.9	0.4	0.3	0.6
Ireland	36.6	32.5	0.9	14.2	23.8	2.0	6.5	7.1	1.7	0.4	0.9	1.4	0.5
Greece	42.9	34.4	4.8	3.1	1.0	0.3	3.2	11.1	0.9	8.2	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	1.2	7.7	5.5	3.4
France	62.1	55.4	1.4	6.3	3.6	0.7	6.8	5.9	1.7	1.7	4.7	1.1	1.8
Croatia	70.1	52.8	8.9	5.5	0.3	0.2	1.3	4.2	0.4	2.9	1.3	0.4	0.3
Italy	52.0	43.7	3.0	3.9	1.5	0.8	6.1	8.1	1.9	3.9	8.7	1.9	1.6
Cyprus	62.8	56.7	3.3	0.8	3.0	1.5	6.5	8.2	1.1	1.4	2.0	1.2	0.4
Latvia	72.7	57.7	2.2	1.1	1.0	0.1	3.6	3.4	1.1	10.5	0.1	1.2	0.2
Lithuania	62.2	41.0	2.4	6.3	2.7	0.2	6.2	3.6	0.5	8.7	2.9	0.4	0.1
Luxembourg	85.6	80.4	0.6	3.8	1.8	1.9	2.5	1.5	0.6	0.0	0.2	0.2	0.3
Hungary	71.1	54.6	4.3	1.6	0.8	0.9	6.3	7.5	1.7	4.3	0.2	0.4	0.1
Malta	42.6	38.2	3.6	1.6	2.6	1.0	19.5	7.7	1.7	6.4	7.8	2.4	0.2
Netherlands	39.9	33.8	1.1	8.2	5.0	1.4	9.2	14.9	4.1	4.1	2.7	3.7	2.6
Austria	77.3	63.4	2.2	2.1	1.3	0.6	6.4	3.2	1.7	2.8	0.9	0.3	0.1
Poland	63.9	53.5	3.3	3.0	1.6	0.9	4.9	9.9	1.8	4.6	2.8	1.1	0.4
Portugal	69.8	64.8	1.6	2.9	1.2	0.6	3.6	5.2	1.0	0.8	2.4	5.1	3.4
Romania	70.1	48.2	9.7	1.1	0.9	0.3	2.6	5.9	0.8	2.7	1.4	0.6	0.2
Slovenia	53.5	43.9	7.3	0.6	0.4	0.3	18.7	11.1	1.3	1.3	2.2	1.1	0.3
Slovakia	77.8	40.2	2.8	0.5	1.1	0.1	4.4	4.2	1.8	5.8	0.5	0.2	0.1
Finland	64.1	40.2	1.0	2.9	2.0	0.4	9.8	4.8	1.0	10.4	0.4	1.6	0.7
Sweden	65.7	51.3	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) 30.04.2024

						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2018	2019	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
EU	380.7	405.4	466.7	390.4	-14.0	**399.0**	**439.7**	**451.1**	*337.9*	*350.9*	*387.2*
EU, adjusted[1)]	200.5	245.5	279.0	199.0	-172.4	**216.9**	**257.5**	**270.7**	*132.7*	*152.0*	*184.4*
Euro area	381.8	389.0	431.1	389.7	31.6	**352.6**	**402.4**	**419.3**	*299.5*	*317.3*	*354.7*
Euro area, adjusted[1)]	232.6	266.3	284.4	236.2	-72.2	**227.4**	**275.6**	**293.6**	*153.2*	*176.6*	*210.0*
Candidate Countries [2)]	-35.6	-31.8	-42.7	-65.3	-141.3	**-149.6**	**-147.3**	**-143.9**	*-153.5*	*-171.1*	*-186.5*
- Albania	-3.4	-3.5	-3.4	-4.5	-4.5	**-4.9**	**-5.4**	**-5.7**	*-5.1*	*-5.5*	*-5.9*
- Bosnia and Herzegovina	-4.5	-4.6	-3.7	-4.3	-5.4	**-6.0**	**-6.2**	**-6.5**	*-6.0*	*-6.3*	*-6.7*
- Georgia	-4.1	-3.8	-3.1	-3.8	-5.0	**-5.7**	**-6.5**	**-7.1**	*-6.3*	*-6.6*	*-7.1*
- Moldova	-3.3	-3.3	-3.1	-4.2	-5.0	**-4.9**	**-5.2**	**-5.5**	*-5.8*	*-6.4*	*-6.9*
- Montenegro	-2.4	-2.3	-1.9	-2.3	-2.8	**-3.1**	**-3.3**	**-3.5**	*-3.4*	*-3.7*	*-3.9*
- North Macedonia	-2.1	-2.2	-2.1	-2.8	-3.8	**-2.8**	**-3.1**	**-3.6**	*-3.7*	*-4.1*	*-4.6*
- Serbia	-5.6	-6.3	-5.7	-6.7	-9.5	**-6.7**	**-6.6**	**-7.3**	*-8.7*	*-9.5*	*-10.3*
- Türkiye	2.5	8.3	-13.0	-30.0	-90.0	**-86.6**	**-82.1**	**-73.6**	*-95.2*	*-106.9*	*-117.0*
- Ukraine	-12.8	-14.2	-6.8	-6.6	-15.3	**-28.8**	**-28.8**	**-31.1**	*-25.6*	*-28.7*	*-31.2*
- Iceland	-1.5	-0.8	-0.6	-1.1	-1.5	**-2.1**	**-2.2**	**-2.4**	*-1.8*	*-1.8*	*-1.9*
- Norway	35.1	16.3	-1.0	72.4	169.5	**77.0**	**80.2**	**82.9**	*105.4*	*91.8*	*96.7*
- Switzerland	72.3	71.4	63.5	116.3	120.1	**132.2**	**134.5**	**136.6**	*125.4*	*130.8*	*137.4*
Australia	21.0	47.6	39.7	85.9	111.5	**83.1**	**84.4**	**84.7**	*115.8*	*124.3*	*133.4*
Canada	-16.8	-14.2	-30.3	1.9	15.5	**-1.4**	**8.2**	**3.9**	*-0.8*	*-3.7*	*-9.8*
Japan	10.2	1.4	26.0	16.0	-120.1	**-47.2**	**-51.4**	**-66.1**	*-51.3*	*-63.9*	*-82.4*
Korea	110.1	79.8	80.6	75.7	15.6	**34.1**	**60.6**	**72.6**	*15.2*	*24.6*	*32.5*
United	-188.6	-184.9	-163.6	-224.8	-267.8	**-232.1**	**-230.0**	**-240.4**	*-239.6*	*-236.6*	*-246.7*
United States	-889.8	-871.9	-883.5	-1096.4	-1199.2	**-1080.5**	**-1152.9**	**-1211.0**	*-1070.3*	*-1087.4*	*-1145.0*
Advanced economies	-367.8	-345.8	-269.7	-420.2	-1106.1	**-560.8**	**-535.3**	**-575.0**	*-623.4*	*-639.5*	*-670.0*
Emerging and Developing Asia	199.2	259.8	508.0	461.5	467.2	**401.7**	**258.4**	**226.3**	*449.0*	*417.5*	*368.5*
- China	380.1	393.0	511.1	562.7	665.0	**593.9**	**486.1**	**494.3**	*635.2*	*609.7*	*591.1*
- India	-186.7	-157.7	-95.4	-176.7	-267.2	**-245.4**	**-280.6**	**-317.9**	*-255.9*	*-268.0*	*-294.5*
- Indonesia	-0.2	3.5	28.3	43.8	62.7	**46.3**	**51.7**	**49.1**	*65.4*	*65.1*	*61.7*
Eastern Neighbourhood and Central Asia	25.2	16.7	-0.7	25.7	50.1	**16.2**	**20.9**	**13.7**	*30.2*	*30.2*	*30.5*
Russia	195.9	165.8	92.3	192.6	309.2	**121.5**	**120.6**	**124.5**	*147.5*	*126.1*	*127.5*
Latin America	11.0	19.9	72.6	14.3	-34.5	**14.1**	**48.5**	**64.7**	*-27.3*	*14.1*	*40.4*
- Argentina	-0.7	18.2	14.6	18.7	12.4	**-2.9**	**12.0**	**14.2**	*2.9*	*13.0*	*17.1*
- Brazil	43.4	26.5	32.4	36.4	44.2	**80.6**	**89.1**	**88.3**	*50.3*	*54.9*	*64.6*
- Mexico	-13.8	5.2	34.2	-10.7	-27.1	**-5.5**	**-7.0**	**-4.2**	*-29.6*	*-16.1*	*-16.4*
MENA	323.7	236.1	74.0	290.8	619.7	**409.6**	**380.9**	**373.1**	*429.2*	*414.7*	*371.0*
- Saudi Arabia	168.7	121.3	47.9	136.5	235.3	**129.5**	**120.9**	**123.2**	*157.9*	*163.4*	*144.6*
Sub-Saharan Africa	27.3	7.3	-1.2	30.7	34.9	**8.0**	**5.7**	**0.8**	*28.9*	*19.0*	*14.2*
- South Africa	1.9	2.5	17.7	30.5	14.0	**7.2**	**5.4**	**3.5**	*9.7*	*7.3*	*7.8*
Emerging and Developing Economies	782.1	705.6	745.0	1015.6	1446.5	**971.2**	**835.0**	**803.1**	*1057.5*	*1021.7*	*952.2*
World	414.4	359.9	475.2	595.4	340.5	**410.4**	**299.7**	**228.0**	*434.1*	*382.2*	*282.2*
World excluding EU	33.7	-45.5	8.6	205.0	354.5	**11.4**	**-140.0**	**-223.1**	*96.1*	*31.4*	*-105.0*
World excluding euro area	32.5	-29.1	44.1	205.8	308.9	**57.8**	**-102.7**	**-191.3**	*134.5*	*64.9*	*-72.5*

1) See note 8 on concepts and sources.

2) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 59: World current-account balances (in billions of US dollar, 2018-2025) 30.04.2024

						Spring 2024 Forecast			*Autumn 2023 Forecast*		
	2018	2019	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
EU	500.3	436.5	365.3	576.7	148.2	**526.2**	**589.9**	**601.3**	*447.6*	*471.6*	*498.6*
EU, adjusted [1]	310.2	304.5	246.3	340.0	-53.4	**304.5**	**366.9**	**381.3**	*201.6*	*233.7*	*257.8*
Euro area	483.0	395.0	306.9	540.0	135.4	**444.2**	**510.3**	**527.6**	*389.0*	*417.6*	*444.7*
Euro area, adjusted [1]	273.8	256.5	168.4	286.0	-75.1	**221.8**	**284.8**	**303.6**	*141.3*	*175.6*	*199.8*
Candidate Countries[2]	-27.1	-7.3	-38.0	-26.4	-52.7	**-61.5**	**-53.3**	**-50.5**	*-59.7*	*-66.0*	*-78.2*
- Albania	-1.0	-1.2	-1.3	-1.4	-1.1	**-0.2**	**-0.3**	**-0.3**	*-1.1*	*-1.3*	*-1.3*
- Bosnia and Herzegovina	-0.7	-0.5	-0.6	-0.4	-1.1	**-0.8**	**-0.8**	**-0.7**	*-1.2*	*-1.1*	*-1.1*
- Georgia	-1.4	-1.2	-2.3	-2.3	-1.2	**-1.3**	**-1.6**	**-1.8**	*-1.1*	*-1.3*	*-1.6*
- Moldova	-0.8	-1.0	-0.6	-1.7	-2.0	**-2.0**	**-1.9**	**-1.8**	*-2.3*	*-2.2*	*-2.3*
- Montenegro	-0.9	-0.8	-1.2	-0.5	-0.8	**-0.8**	**-0.9**	**-0.9**	*-0.9*	*-1.0*	*-1.0*
- North Macedonia	0.0	-0.4	-0.4	-0.4	-0.8	**0.1**	**-0.2**	**-0.2**	*-0.6*	*-0.6*	*-0.5*
- Serbia	-2.4	-3.6	-2.2	-2.9	-4.4	**-2.0**	**-2.9**	**-3.1**	*-2.5*	*-2.8*	*-2.9*
- Türkiye	-13.4	5.5	-34.6	-13.0	-49.3	**-45.4**	**-32.1**	**-24.7**	*-43.4*	*-44.2*	*-52.7*
- Ukraine	-6.5	-4.2	5.1	-3.8	7.9	**-9.2**	**-12.7**	**-16.9**	*-7.7*	*-12.7*	*-16.5*
Iceland	1.1	1.6	0.4	-0.5	-0.6	**-0.9**	**-1.0**	**-1.2**	*-0.2*	*-0.3*	*-0.4*
Norway	39.4	15.5	4.1	66.8	175.3	**77.3**	**81.9**	**84.8**	*105.7*	*92.6*	*97.6*
Switzerland	30.6	24.7	-0.5	66.3	75.1	**67.9**	**66.9**	**64.9**	*82.6*	*86.2*	*90.8*
Australia	-31.8	4.9	31.2	48.6	17.7	**21.3**	**34.9**	**35.2**	*75.2*	*82.9*	*91.2*
Canada	-41.2	-34.0	-33.3	0.3	-7.6	**-13.3**	**-1.4**	**-5.2**	*-17.1*	*-22.6*	*-30.1*
Japan	176.6	176.6	149.9	195.6	81.7	**159.4**	**159.6**	**156.7**	*142.5*	*118.5*	*99.2*
Korea	77.5	59.7	75.9	85.2	25.8	**35.5**	**47.4**	**63.0**	*17.6*	*28.4*	*38.6*
United Kingdom	-112.8	-76.6	-77.5	-14.9	-95.3	**-110.1**	**-114.4**	**-118.6**	*-69.2*	*-77.9*	*-82.4*
United States	-441.2	-448.4	-569.7	-847.8	-985.8	**-831.2**	**-891.8**	**-944.8**	*-796.6*	*-783.2*	*-818.7*
Advanced economies	308.2	296.6	85.8	383.6	-412.1	**93.4**	**125.5**	**107.5**	*113.5*	*133.6*	*122.4*
Emerging and Developing Asia	-40.4	101.4	337.5	309.8	353.5	**234.9**	**206.6**	**191.2**	*286.6*	*236.9*	*156.7*
- China	24.1	102.9	248.8	352.9	443.4	**253.0**	**230.7**	**235.7**	*340.8*	*291.6*	*233.0*
- India	-65.7	-29.9	32.6	-33.5	-79.1	**-32.3**	**-57.2**	**-72.1**	*-70.8*	*-73.5*	*-87.7*
- Indonesia	-30.6	-30.3	-4.4	3.5	13.2	**-1.6**	**2.9**	**-2.6**	*13.2*	*9.4*	*3.0*
Easter Neighbourhood and Central Asia	1.4	-8.1	-12.7	6.3	34.6	**-8.4**	**-6.0**	**-4.2**	*1.6*	*2.4*	*2.7*
Russia	115.8	65.7	35.3	124.9	235.8	**50.2**	**52.5**	**53.5**	*73.9*	*54.6*	*50.5*
Latin America	-143.1	-106.9	-10.7	-96.8	-142.1	**-123.2**	**-80.5**	**-71.3**	*-152.1*	*-115.1*	*-89.1*
- Argentina	-27.1	-3.5	2.7	6.6	-4.3	**-21.5**	**4.8**	**4.3**	*-14.4*	*1.6*	*6.0*
- Brazil	-54.8	-68.0	-28.2	-46.4	-48.3	**-28.6**	**-18.4**	**-23.4**	*-53.6*	*-53.2*	*-46.3*
- Mexico	-25.9	-3.9	26.9	-4.5	-17.7	**-5.7**	**-15.0**	**-15.1**	*-25.2*	*-21.1*	*-22.3*
MENA	177.3	89.2	-39.2	168.9	437.3	**341.3**	**291.8**	**287.9**	*193.6*	*187.4*	*157.9*
- Saudi Arabia	73.0	38.5	-25.5	41.7	151.5	**170.1**	**130.8**	**139.6**	*63.9*	*60.7*	*52.3*
Sub-Saharan Africa	-21.3	-44.8	-32.3	-4.0	-21.9	**-37.8**	**-40.8**	**-55.7**	*-28.1*	*-37.5*	*-45.8*
- South Africa	-12.2	-10.2	6.7	15.5	-1.7	**-6.2**	**-7.7**	**-9.5**	*-7.8*	*-9.3*	*-11.1*
Emerging and Developing Economies	89.6	96.4	277.7	509.2	897.2	**457.0**	**423.6**	**401.4**	*375.6*	*328.6*	*232.8*
World	397.8	393.0	363.5	892.7	485.1	**550.4**	**549.1**	**508.9**	*489.1*	*462.2*	*355.2*
World excluding EU	-102.5	-43.5	-1.8	316.1	336.9	**24.2**	**-40.8**	**-92.5**	*41.5*	*-9.4*	*-143.3*
World excluding euro area	-85.2	-2.0	56.7	352.7	349.7	**106.2**	**38.8**	**-18.7**	*100.2*	*44.6*	*-89.4*

1) See note 8 on concepts and sources.

2) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 60: Crude oil prices, 2018-2025 30.04.2024

							Spring 2024 Forecast		*Autumn 2023 Forecast*		
	2018	2019	2020	2021	2022	2023	2024	2025	*2023*	*2024*	*2025*
Annual percentage change (USD)	29.4	-9.3	-35.1	69.3	42.5	-18.1	**3.5**	**-6.3**	*-16.6*	*0.6*	*-5.9*
Price per barrel											
- Brent (USD)	71.0	64.3	41.8	70.7	100.7	82.5	**85.4**	**80.0**	*84.1*	*84.5*	*79.6*
- Brent (EUR)	60.1	57.5	36.6	59.8	95.8	76.3	**79.7**	**75.1**	*78.1*	*79.9*	*75.3*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2023 are based on outturns as far as available at the cut-off date of this forecast. Data for 2024 and 2025 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounts (ESA 2010). US national accounts are based on SNA 2008, whilst the Japanese accounts use SNA 1993. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States. In order to avoid population census induced breaks in series and/or to treat Ukrainian refugees under temporary protection consistently across Member States, historical data for the population of working age of PL, FI, SE, BG, CZ, SK, PT, HU, EL and HR differ from published demographics data.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17a and 18, the data are based on the national index for the United Kingdom, USA and Japan.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 25-29 are based on numbers of persons. For the EU and EA as well as for countries for which employment was previously reported in full-time equivalents (ES, FR, NL, IT and US), these tables are now based on employment in persons, limiting the comparability to figures published before Autumn 2023. Historic employment data for 2022 is based on the aggregation of updated Member States data from Eurostat. However, this differs temporarily from the EU aggregate data published by Eurostat.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 48, 50, and 59 (Balance of Payments). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 47 - 50 and 58-59 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2022.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility).

10. Quarterly EU and euro-area GDP growth rates are aggregated using estimates for 24 Member States (excluding IE, PL and RO), but including unpublished quarterly forecasts for 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, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine

Advanced economies :

EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

Emerging and developing Asia:

All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :

All countries in that region.

MENA (Middle East and Northern Africa) :

Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Lybia, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :

All countries in that region except the African MENA countries.

Eastern Neighbourhood and Central Asia:

Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan.

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