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European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Autumn 2021

EUROPEAN ECONOMY

Institutional Paper 160

ABBREVIATIONS

Countries and regions

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

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

Economic variables and institutions

ACEA	European Automobile Manufacturers' Association
CPI	Consumer price index
ECB	European Central Bank
ELB	Effective lower bound
ESI	Economic Sentiment Indicator
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund

OECD	Organisation for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
PMI	Purchasing Managers' Index
PPP	Purchasing power parity

Other abbreviations

APP	Asset Purchase Programme
BCS	Joint Harmonised EU Programme of Business and Consumer Surveys
COVID-19	Coronavirus disease 2019
EU-SILC	European Union Statistics on Income and Living Conditions
FIGARO	Full international and global accounts for research in input-output analysis
GM	European Commission's Global Multi-country model
HEM	Hypothetical extraction method
NACE	Statistical classification of economic activities in the European Community
NGEU	Next Generation EU
NLG	Natural Liquefied Gas
PEPP	Pandemic Emergency Purchase Programme
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SME	Small and medium-sized enterprise
SURE	European instrument for temporary Support to mitigate Unemployment Risks in an Emergency
TLTRO III	Targeted longer-term refinancing operations
VAT	Value-added tax

Graphs/Tables/Units

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

Currencies

EUR	Euro
ECU	European currency unit
BGN	Bulgarian lev
CNY	Chinese yuan, Renminbi
CZK	Czech koruna
DKK	Danish krone
GBP	Pound sterling
HUF	Hungarian forint
HRK	Croatian kuna
ISK	Icelandic krona
MKD	Macedonian denar
NOK	Norwegian krone

PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen
RMB	Renminbi
TRY	Turkish lira
USD	US dollar

CONTENTS

Executive Summary 1

PART I: Economic outlook for EA and EU 5

1. Setting the scene 7
1.1. The EU economy in autumn 2021 7
1.2. Key questions for the outlook 7

2. Economic outlook 11
2.1. International environment 11
2.2. Financial conditions 14
2.3. The growth outlook 17
2.4. Labour market 27
2.5. Inflation 30
2.6. Current account 33
2.7. Public finances and policy stance 34

3. Risks 39

4. Special issues 41
4.1. Supply side bottlenecks 41
4.2. Energy prices 49
4.3. Labour market: slack or tight? 52
4.4. Housing market 57

5. Boxes 61

PART II: Prospects by individual economy 63

Euro Area Member States 65
1. Belgium 66
2. Germany 68
3. Estonia 70
4. Ireland 72
5. Greece 74
6. Spain 76
7. France 78
8. Italy 80
9. Cyprus 82
10. Latvia 84
11. Lithuania 86
12. Luxembourg 88
13. Malta 90
14. The Netherlands 92
15. Austria 94
16. Portugal 96
17. Slovenia 98
18. Slovakia 100
19. Finland 102

Non-EA Member States 105
20. Bulgaria 106
21. Czechia 108
22. Denmark 110
23. Croatia 112
24. Hungary 114
25. Poland 116
26. Romania 118
27. Sweden 120
Candidate Countries 123
28. Albania 124
29. Montenegro 126
30. North Macedonia 128
31. Serbia 130
32. Turkey 132
Other non-EU Countries 135
33. The United Kingdom 136
34. The United States 138
35. Japan 140
36. China 142
37. EFTA 144
38. Russian Federation 147
Statistical Annex 151

LIST OF TABLES

1. Overview - the autumn 2021 forecast 1
I.2.1. International environment 12
I.2.2. Composition of growth - EU 18
I.2.3. Composition of growth - euro area 20
I.2.4. Labour market outlook - euro area and EU 28
I.2.5. Inflation outlook - euro area and EU 32
I.2.6. General Government budgetary position - euro area and EU 36
I.4.1. Results from model simulation: deviations from Spring forecast 2021, euro area 51

LIST OF GRAPHS

I.2.1. Growth in global GDP and global PMIs 11
I.2.2. Contributions to global non-EU GDP growth 12
I.2.3. World excluding EU, import volumes 13
I.2.4. Oil price assumptions 13
I.2.5. World Commodity indices 13
I.2.6. Central bank policy rate changes, G20 countries 14
I.2.7. Drivers of financial conditions 15
I.2.8. Benchmark 10-year government bond yields and implied inflation expectations 16

I.2.9.	Stock market performance	16
I.2.10.	Euro area interest rates	16
I.2.11.	GDP demand-side components, EU	17
I.2.12.	Gross value added in main sectors, EU	18
I.2.13.	Composite credit cost indicators	18
I.2.14.	Factors limiting production, EU	19
I.2.15.	ESI and PMI, euro area	21
I.2.16.	Google mobility report, EU	21
I.2.17.	Vaccination and death rates, EU	21
I.2.18.	Real GDP growth path, EU	24
I.2.19.	Real gross disposable income and components, EU	25
I.2.20.	Investment breakdown and investment rates since 2019, EU excluding IE	26
I.2.21.	Exports and external demand breakdown	26
I.2.22.	GDP levels compared to 2019-Q4	27
I.2.23.	Dispersion of GDP per capita at PPP, EU	27
I.2.24.	Headcount employment in the EU	28
I.2.25.	Employment change by sector in the EU	28
I.2.26.	Unemployment rates	29
I.2.27.	Inflation breakdown, EU	30
I.2.28.	Breakdown of HICP inflation, euro area	31
I.2.29.	Inflation expectations derived from implied forward inflation-linked swap rates	33
I.2.30.	Current-account balance, EU	34
I.2.31.	Budget balance in EU countries: 2021-2023	34
I.2.32.	General government balance change: breakdown of the drivers	35
I.2.33.	Public investment in the EU, in 2019 and in 2022	35
I.2.34.	Growth of nationally-financed current expenditure in excess of medium-term potential growth	36
I.2.35.	General Government debt developments	36
I.2.36.	Fiscal stance in the EU and the euro area	36
I.4.1.	Quarterly real GDP and import volume growth rates in advanced economies	41
I.4.2.	Spot rates for container shipping	42
I.4.3.	Global semiconductor sales	42
I.4.4.	Gap between ordering a chip and delivery	43
I.4.5.	Metal prices	44
I.4.6.	Factors limiting production in EU industry	44
I.4.7.	Pervasiveness of supply-side shortages in the EU in October 2021	45
I.4.8.	Shortages vs. change in industrial output	45
I.4.9.	Heatmap of shortages in manufacturing based on the October 2021 BCS	45
I.4.10.	Shortages vs. selling price expectations October 2021 BCS	46
I.4.11.	Severity of shortages vs. annual HICP inflation	46
I.4.12.	Simulated reduction in value added due to a 10% fall in intermediate consumption of sectors most severely affected by shortages	47
I.4.13.	Spot and futures for natural gas and electricity	49
I.4.14.	Labour market slack, EU	52
I.4.15.	Beveridge curve, EU	53
I.4.16.	Employment and gross value added evolution	54

I.4.17. Vacancies and unemployment, change between 2019-Q4 and 2021-Q2 54
I.4.18. Vacancies and unemployment rate, 2021-Q2 54
I.4.19. Labour shortages in industry 55
I.4.20. Labour shortages in services 55
I.4.21. Labour shortages in construction 55
I.4.22. House prices' growth before and during the pandemic 57
I.4.23. EU Building permits 57
I.4.24. Overvaluation metrics 2020 58
I.4.25. Bank loan flows to households & NPISH 59

LIST OF BOXES

I.2.1. New survey-based measures of economic uncertainty 22
I.5.1. Some technical elements behind the forecast 61

FOREWORD

As vaccination campaigns progressed and restrictions started to be lifted, the EU economy rebounded vigorously in spring and continued riding the re-opening wave over the summer. Labour market conditions improved markedly in the second quarter, with the creation of about 1.5 million jobs and a swift rebound in hours worked, as many workers exited job retention schemes. In the third quarter, output and unemployment in the EU as a whole were virtually back to their pre-crisis levels, although the pace of recovery is uneven across countries. Thanks to the strong and well-coordinated EU crisis response, the damage to the EU economy appears considerably less than feared at the outset of the COVID-19 pandemic.

However, the revival of demand – in the EU, but also in most advanced economies – has been so strong that supply is struggling to keep up. Logistics logjams, strained supply chains and shortages of raw materials and intermediate inputs like microchips weigh on production and delivery times. Surging energy prices, most notably for natural gas and electricity, are also constraining growth and fuelling inflationary pressures. Labour supply shortages are emerging, at least in some sectors, as another important factor limiting production.

These growth impediments and the current elevated price pressures are carefully analysed in this edition of the forecast. They are to a large extent linked to the post-pandemic adjustment and can be expected to be mostly transitory – though stronger and longer-lasting than previously expected. The EU economy is thus projected to keep expanding and inflation to gradually decline. As the propelling forces of the re-opening fade out, on the one hand, and supply bottlenecks loosen and energy prices abate, on the other, growth will be supported by an improving labour market, favourable financing conditions and the full deployment of the Recovery and Resilience Facility (RRF). As a result, real GDP in the EU is expected to converge to the steady growth path the economy was set to follow before the pandemic by early 2023.

The level of uncertainty however is still high. The recent surge in COVID-19 cases across Europe came as a stark reminder that COVID-19 has not been defeated yet, and that further increases in vaccination rates – in and outside the EU – are crucial for a sustained recovery.

Maarten Verwey

Director General
Economic and Financial Affairs

FROM RECOVERY TO EXPANSION, AMID HEADWINDS

EXECUTIVE SUMMARY

Spring brought a positive growth surprise…

The EU economy is rebounding from the pandemic recession faster than expected. Households responded to the improving epidemiological situation and the gradual relaxation of containment measures with a spending spree that propelled EU private consumption growth to 3.3% q-o-q (3.5% in the euro area) in the second quarter of 2021. The rebound of economic activity was broad-based, with all components of domestic demand contributing positively to the 2.0% q-o-q rebound in GDP (2.1% in the euro area).

…and in summer the EU economy regained its pre-pandemic output level.

Economic indicators suggest that growth continued unabated in the summer, also underpinned by a revival of intra-EU travel that benefited in particular EU touristic regions. The projected growth rate of 2.1% for the third quarter – corroborated by Eurostat's preliminary flash estimate released after the cut-off date – allowed the EU as a whole to virtually close the gap with its pre-pandemic output level and move from recovery into expansion.

New headwinds to the economic outlook are mounting…

The supply side of the economy struggles to keep pace with the abrupt swings in the level and composition of global demand. This affects several key industries, including global logistics and the production of raw materials and microprocessors. Sporadic localised pandemic-related lockdowns together with emerging labour shortages add to the disruptions.

Table 1:

Overview - the autumn 2021 forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Belgium	6.0	2.6	1.9	2.7	2.3	1.6	6.2	6.3	5.8	0.8	0.3	0.0	-7.8	-5.1	-4.9
Germany	2.7	4.6	1.7	3.1	2.2	1.7	3.6	3.4	3.2	6.7	6.8	6.9	-6.5	-2.5	-0.5
Estonia	9.0	3.7	3.5	4.0	3.9	2.1	6.8	5.7	5.2	-1.1	0.2	0.5	-3.1	-2.5	-2.2
Ireland	14.6	5.1	4.1	2.3	3.1	1.5	7.5	6.8	6.2	15.4	14.4	14.6	-3.2	-1.7	-0.3
Greece	7.1	5.2	3.6	0.1	1.0	0.4	15.3	15.0	14.5	-6.3	-4.0	-2.8	-9.9	-3.9	-1.1
Spain	4.6	5.5	4.4	2.8	2.1	0.7	15.2	14.3	13.9	0.3	0.8	1.0	-8.1	-5.2	-4.2
France	6.5	3.8	2.3	1.9	2.1	1.4	8.0	8.0	7.9	-2.4	-2.2	-1.0	-8.1	-5.3	-3.5
Italy	6.2	4.3	2.3	1.8	2.1	1.4	9.8	9.3	9.2	3.5	2.7	2.7	-9.4	-5.8	-4.3
Cyprus	5.4	4.2	3.5	1.9	1.7	1.2	7.5	7.1	6.6	-9.1	-7.3	-5.7	-4.9	-1.4	-0.9
Latvia	4.7	5.0	4.0	3.1	3.6	0.8	7.3	6.9	6.6	1.1	-0.2	-1.1	-9.5	-4.2	-2.0
Lithuania	5.0	3.6	3.4	3.8	3.1	2.0	7.1	6.3	6.0	2.6	1.9	1.2	-4.1	-3.1	-1.1
Luxembourg	5.8	3.7	2.7	3.2	2.2	1.8	6.1	5.8	5.7	5.5	5.2	5.2	-0.2	0.2	0.3
Malta	5.0	6.2	4.8	1.1	1.6	1.5	4.0	3.8	3.7	0.4	1.8	1.9	-11.1	-5.8	-4.7
Netherlands	4.0	3.3	1.6	2.1	2.2	1.5	3.5	3.6	3.6	8.4	9.0	8.9	-5.3	-2.1	-1.0
Austria	4.4	4.9	1.9	2.7	2.5	2.0	5.0	4.6	4.5	-0.1	-0.2	-0.5	-5.9	-2.3	-1.3
Portugal	4.5	5.3	2.4	0.8	1.7	1.2	6.7	6.5	6.4	-0.9	-0.4	-0.4	-4.5	-3.4	-2.8
Slovenia	6.4	4.2	3.5	1.7	2.1	1.7	4.6	4.5	4.4	5.4	4.8	4.8	-7.2	-5.2	-4.4
Slovakia	3.8	5.3	4.3	2.8	4.3	2.2	6.8	6.4	5.6	-1.7	-1.0	-1.1	-7.3	-4.2	-3.2
Finland	3.4	2.8	2.0	1.8	1.9	1.9	7.7	6.9	6.5	1.2	1.2	1.5	-3.8	-2.4	-1.1
Euro area	**5.0**	**4.3**	**2.4**	**2.4**	**2.2**	**1.4**	**7.9**	**7.5**	**7.3**	**3.1**	**3.2**	**3.4**	**-7.1**	**-3.9**	**-2.4**
Bulgaria	3.8	4.1	3.5	2.4	2.9	1.8	5.1	4.6	4.4	0.4	1.2	2.7	-3.6	-2.8	-2.1
Czechia	3.0	4.4	3.2	3.3	3.4	2.3	2.7	2.6	2.4	-1.2	-2.5	-1.7	-7.0	-4.3	-3.9
Denmark	4.3	2.7	2.4	1.7	1.9	1.6	4.8	4.5	4.3	7.4	7.3	7.1	-0.9	1.3	1.4
Croatia	8.1	5.6	3.4	2.2	2.0	1.5	6.7	6.2	5.8	0.8	0.8	0.3	-4.1	-2.9	-2.1
Hungary	7.4	5.4	3.2	5.1	4.8	3.4	4.1	3.1	2.9	-1.1	-2.4	-1.9	-7.5	-5.7	-3.8
Poland	4.9	5.2	4.4	5.0	5.2	2.6	3.3	3.1	3.0	2.6	2.6	2.9	-3.3	-1.8	-2.1
Romania	7.0	5.1	5.2	4.0	4.0	2.8	5.0	4.8	4.5	-6.5	-6.3	-6.1	-8.0	-6.9	-6.3
Sweden	3.9	3.5	1.7	2.4	1.9	1.1	8.2	7.1	6.7	5.1	4.8	5.0	-0.9	0.3	0.9
EU	**5.0**	**4.3**	**2.5**	**2.6**	**2.5**	**1.6**	**7.1**	**6.7**	**6.5**	**3.0**	**3.0**	**3.2**	**-6.6**	**-3.6**	**-2.3**
United Kingdom	6.9	4.8	1.7	2.4	3.2	2.2	4.9	4.7	4.4	-2.8	-3.0	-3.4	-10.1	-5.5	-4.5
China	7.9	5.3	5.3	:	:	:	:	:	:	2.1	1.6	1.1	:	:	:
Japan	2.4	2.3	1.1	-0.5	0.2	0.4	2.8	2.6	2.4	3.5	3.4	3.3	-9.1	-5.0	-3.9
United States	5.8	4.5	2.4	4.3	3.3	2.2	5.5	4.2	4.0	-3.6	-3.6	-3.5	-11.4	-7.9	-6.8
World	5.7	4.5	3.5	:	:	:	:	:	:	:	:	:	:	:	:

…and surging energy prices weigh on consumption and investment.

Surging energy prices, most notably for natural gas and electricity, are also expected to dampen the growth momentum in the short term. After falling sharply in 2020, energy prices have increased at a tumultuous pace over the last month and are now above pre-pandemic levels. High wholesale energy prices are making their way to retail prices for households and producers, though at a varying degree and pace across countries, with potential knock on effects on consumption and business investment.

Growth in the EU is expected at 5%, 4.3% and 2.5% in 2021, 2022 and 2023, respectively.

Despite these headwinds, the EU is projected to keep expanding over the remainder of the year, achieving a growth rate of 5.0% for 2021 as a whole (as in the euro area), 0.2 pps. higher than expected in the previous forecast in the summer. In 2022, the propelling forces of the re-opening are set to fade out, while supply bottlenecks loosen and energy prices abate. Growth is expected to be supported by an improving labour market, still high savings, favourable financing conditions and the full deployment of the Recovery and Resilience Facility (RRF). Economic activity in the EU is thus projected to expand by a solid 4.3% (same as in the euro area) in 2022, before decelerating to 2.5% (2.4% in the euro area) in 2023. Importantly, although the pace of growth is projected to remain uneven across countries and sectors, the EU is set to return onto its path of economic convergence. By early 2023, moreover, real GDP is expected to converge to the steady growth path that the economy was set to follow before the pandemic.

Labour market conditions are improving…

Labour market conditions also improved markedly in the second quarter, with the creation of about 1.5 million jobs and a swift rebound in hours worked, also as many workers exited job retention schemes. Yet, employment in the EU remained shy of its pre-pandemic level, and the amount of labour market slack had not yet been fully re-absorbed, on account of a still high number of unemployed people and inactive people who are available to work but not actively seeking.

…and pockets of labour shortages are emerging.

Since then, however, unemployment has declined further. At 6.8% of the labour force, the EU unemployment rate in August stood just above the rate recorded at the end of 2019. Data released after the cut-off date of the forecast reveal that it declined slightly further in September. What is more, pockets of labour market shortages are emerging, particularly in sectors where activity is surging most.

The labour market completes its recovery in 2022.

As the economy expands, the labour market is forecast to complete its recovery next year. An estimated 3.4 million jobs are projected to be created in 2022 and 2023, bringing the unemployment rate in the EU down to 6.5% in 2023. RRF-financed investments and accompanying structural reforms are expected to push productivity growth to a strong pace of 2.9% next year and 1.6% in 2023.

EU current account surplus is expected to rise as the pandemic shock wanes.

The EU current account surplus is projected to increase over the forecast horizon, from 2.7% in 2020 to 3.2% in 2023, above the pre-pandemic level of 3.0%. This largely reflects the waning of the disruptions generated by the COVID-19 shock. In particular, the current account balance is expected to be driven higher by the rise in the services trade surplus, mainly on the back of the recovery in international tourism. The merchandise trade surplus is set to decline over 2021-2022, also due to a high energy bill. In 2023, positive terms of trade developments and an improving export performance will raise the goods trade balance. Additionally, the narrowing of the joint deficit of

current income and transfers adds to the projected widening of the current account surplus over the forecast horizon.

Global economy to expand robustly amid rising divergences.

Following a collapse by 2.9% in 2020, the global economy (excl. EU) is projected to recover by a strong 5.8% in 2021, amid a rebound in goods trade and the reopening of domestic services. Global real GDP growth is forecast to moderate to 4.5% and 3.7% in 2022 and 2023, respectively, as the cyclical recovery gradually peters out and supportive macroeconomic policies are scaled back in many countries. This aggregate picture, however, masks a differentiated picture both between and across advanced and emerging market economies, also reflecting differences in the pace of vaccination rollout. In China, economic activity is set to slow down amid an excessively leveraged corporate sector, weaker infrastructure investments and a tightening of the regulatory framework.

Inflation in the euro area is set to peak in the fourth quarter of this year…

Following several years of low inflation, the strong resumption of economic activity has been accompanied by a pick-up in inflationary pressures, which exceeded expectations. Annual HICP inflation in the euro area hit a ten-year high of 3.4% in September, and Eurostat's flash estimate for October, released after the cut-off date of the forecast, stood even higher, at 4.1%. This swift increase reflects to a large extent strong base effects, as factors that dragged down prices during the pandemic in 2020 are ceasing to play a role this year. In recent months, increases in energy prices well above the pre-pandemic levels have fuelled new inflationary pressures and price increases have become broad-based, also under the impact of supply disruptions. As a result, core inflation (headline inflation excluding energy and unprocessed food) reached 1.9% in September (flash estimate of 2.1% in October), the highest rate since 2012. Inflation in the euro area is set to peak at 3.7% in the last quarter of the year and continue recording high prints in the first half of 2022.

…and decline over the course of 2022 before stabilising in 2023.

Being to a large extent linked to the post-pandemic re-opening and ensuing economic adjustment, the current elevated price pressures are still expected to be largely transitory. After reaching 2.4% in 2021, inflation in the euro area is forecast to decline to 2.2% in 2022 and 1.4% in 2023, as energy prices are set to gradually level out as from the second half of next year and the imbalances between supply and demand solve. In the EU, inflation is expected to be a notch higher, at 2.6% in 2021, 2.5% in 2022 and 1.6% in 2023.

Large government deficits declining in 2022 and 2023.

The EU aggregate general government deficit is forecast to narrow only marginally in 2021, to 6.6% of GDP, on the back of the still high level of support provided to households and firms. As the economy moves from recovery to expansion, the unwinding of the emergency support measures and the rebound in revenues are forecast to roughly halve the aggregate budget deficit to around 3.6 % of GDP in 2022, and to reduce it further to 2.3% in 2023. However, nationally-financed current expenditure is expected to increase in 2022, signalling that governments have increased expenditure over and above the temporary emergency support deployed to tackle the COVID-19 crisis. After reaching around 92% in the EU (99% in the euro area), the aggregate debt-to-GDP ratio is projected to broadly stabilise this year, and start declining in 2022, reaching 89% of GDP in 2023 (97% in the euro area).

The recent surge in COVID-19 infections tilts the balance of risks to the downside...

Although the impact of the pandemic on economic activity has weakened considerably, COVID-19 has not yet been defeated and the recovery is heavily dependent on its evolution, both within and outside the EU. The recent surge of cases in many countries may lead to the reintroduction of restrictions with impact on economic activity. In the EU, this risk is particularly relevant in Member States with relatively low vaccination rates.

…and uncertainty and risks surrounding the forecast remain high.

As suggested by the new Commission's survey-based measure, in September uncertainty was significantly lower than the peak achieved during the first wave of infections, but remained above pre-pandemic levels. Besides the risks around the evolution of the pandemic, economic risks also relate to the potential protracted impact of the current supply constraints and bottlenecks. The main upside risk to the growth outlook is related to potential strong efficiency gains and durable productivity advances triggered by the pandemic-induced structural changes. Investments fostered by the RRF and the accompanying structural reforms will be instrumental in this respect. Inflation may turn out higher than forecast if supply constraints are more persistent and above-productivity wage increases are passed on to consumer prices.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

1.1. THE EU ECONOMY IN AUTUMN 2021

The EU is enjoying a strong economic recovery…

The EU economy is rebounding vigorously from the pandemic recession. As vaccination campaigns progressed and restrictions started to be gradually lifted, economic growth resumed in spring. At almost 14% in annual terms, the rate of GDP growth recorded in the EU in the second quarter of 2021 is the highest reading in the history of the time series – exactly as high as the unprecedented GDP downfall in the same period last year, during the first wave of the pandemic. On a quarter-on-quarter basis, economic growth in the second quarter was also very strong, and exceeded expectations.

As the EU economy continues to benefit from the reopening momentum in the second half of the year, output was in the third quarter just a notch below its pre-pandemic level. For all Member States, pre-pandemic output levels are within reach, though the recovery is set to remain uneven across countries and sectors.

…propelled by strong demand…

The main growth drivers are set to be on the domestic demand side. An improving labour market situation should continue supporting consumer confidence, and reduce household preferences for savings, which should contribute to sustaining consumer spending. In addition, investment is expected to benefit from strong demand and favourable financing conditions.

Accommodative monetary and fiscal policies throughout the forecast years, and the impulse from NGEU/RRF, are expected to further support the expansionary phase.

…but facing headwinds on the supply side.

While the conditions for a continuation of strong demand growth are met, new headwinds to the economic outlook have emerged on the supply side. Bottlenecks and disruptions in global supply have been increasingly weighing on activity in the EU, in particular in its highly integrated manufacturing sector. These include shortages of raw materials and intermediary components, notably semiconductors. In addition, firms have been increasingly reporting that labour shortages constrain production, although to a varying extent across Member States and sectors. Moreover, a sharp increase in energy prices, particularly for natural gas, has added to the list of headwinds to the economic outlook. In addition to weighing on economic activity, supply chain disruptions and bottlenecks, as well as surging energy prices, are exacerbating the price pressures that were already generated by strong demand.

1.2. KEY QUESTIONS FOR THE OUTLOOK

Each forecast comes with new topics that deserve attention as they have the potential to make the difference from the previous forecast round. Often the topics are not entirely new, but new developments and data releases shed new light onto them. This applies to the pandemic, which despite rising vaccination rates, has not been defeated yet and its evolution – both within and outside the EU – remains a key issue for this forecast. The assessment of the strength of demand going forward remains a challenge.

As the EU economy moves from recovery into expansion, new questions are also coming to the fore. Recent developments shift the focus of attention to the supply side, with questions on the extent and duration of bottlenecks and labour market shortages, and on surging energy and non-energy commodity prices. The impact of these new headwinds is set to vary significantly across countries, sectors, and socio-economic groups.

How will the health situation impact on economic activity?

The COVID-19 pandemic remains a global health threat. In the EU, the vaccination campaigns are delivering tangible results and have significantly limited the impact of the Delta variant. Until October, the number of infections and especially the numbers of severe cases and deaths had come down significantly since spring, though with differences across countries. As a result, the average stringency of government-mandated restrictions in the EU was in mid-October at its

lowest since autumn last year and the Google mobility index was virtually back to the levels recorded before the crisis. Overall, increasing vaccination rates and adaptation of firms and households to living with the remaining restrictions have lowered the impact of the pandemic on economic activity. The assumption in this forecast is that the pandemic will not cause any major economic disruptions in the EU throughout the forecast years.

Outside the EU, however, the health situation remains highly differentiated, with vaccination progress representing a fault line along which the speed of the global recovery splits into two groups of countries. With low vaccination rates, most emerging economies remain vulnerable to lockdowns. At the same time, China is pursuing a zero-COVID policy that continues to prompt localised interruptions in economic activity. Disruptions, especially in the Asia-Pacific region, matter for the EU economy through its international production linkages.

How will supply-side disruptions affect output and prices?

The consequences of the COVID-19 pandemic on global logistics and supply chains are beginning to show. Unusually for the EU economy, the surge in demand is not met by sufficient supply in several sectors, especially in the production of durable and investment goods.

As the pandemic containment strategy shifted demand away from services towards goods, demand for maritime freight shipments (where spare capacity was already low at the outset of the pandemic) increased. At the same time, availability of alternative air freight services collapsed on account of travel bans. Port congestion and pandemic-related closures only compounded these problems, pushing freight costs to historic highs.

Raw materials are also in high demand. The metal market is under strain, reflecting global logistics constraints, cost increases, lockdowns in major resource countries, and metals' crucial role as inputs in a number of highly demanded products, e.g. in the electronic industry. Reports from construction companies indicate that dwindling supplies of key building materials such as roof tiles, cement and timber are weighing on construction activity, with prices and price expectations increasing sharply for several materials. This is partly driven by production slowdowns due to lockdown periods across the globe, but also by a surge in construction activity, compounded by the shipping issues mentioned above. As NGEU investment plans start being implemented, the demand for construction materials could further increase.

The accelerated digitalisation of the economy, induced by the pandemic, triggered an unprecedented surge in demand for computers and electronic products, for which demand had already increased due to important technological advancements, including 5G technology. In particular, the shift to working from home coupled with shifts in consumption patterns has triggered an unprecedented surge in demand for chip-intensive durable goods. Already before the pandemic, semiconductor producers were working at almost full capacity and, due to the long and complex process needed to expand production capacity, the supply of semiconductors is less elastic than needed to meet surging demand. A global semiconductor shortage is adversely affecting a large variety of industries, from carmakers to consumer electronics and home appliances.

It remains uncertain how quickly bottlenecks will be resolved, and the time needed for supply to fully adjust to demand is expected to vary across sectors. Moderation of demand, and its rebalancing over goods and services in advanced economies can be expected to provide some relief, but capacity constraints can hold back the response of supply to demand.

How will the EU cope with high energy prices?

Recent weeks have seen rapid increases in wholesale prices, most notably of natural gas and electricity, but also of oil and more recently coal. The factors that have contributed to the outstanding surge in gas prices in Europe include strong demand as the economies reopened, reduced stocks after a cold winter, limited supply from Russia and exceptionally weak wind- and hydropower-generated electricity, and to a lesser extent the impact of rising carbon emission prices. Importantly, high natural gas prices have ripple effects on electricity markets, pushing prices of electricity up (see special issue on energy prices and bottlenecks in this document).

Higher wholesale energy costs are set to make their way to retail prices for households and producers, though at a varying degree and pace across countries. This will weigh on households' purchasing power and producers' profit margins, with potential knock on effects on consumption and business investment. While a temporary spike in energy prices might have a limited impact on the economic outlook, a longer lasting period of elevated prices would have more substantial effects on economic activity.

Is there labour market slack, tightness, or both?

The COVID-19 crisis generated considerable labour market slack across the EU, mostly visible in the collapse of hours worked, but also in the decline in employment and activity. While employment growth is gradually resuming as the economy recovers, in the second quarter the number of employed people in the EU remained about 1% below its pre-pandemic level. Yet, the Commission's business surveys show that pockets of labour shortages are emerging not only in Member States that have been less affected by the pandemic, but – in some sectors – also in countries having recorded larger employment losses (see special issue in this document).

Labour shortages may be related to mismatch between labour demand and supply in sectors where activity is surging most. They could also result from skills mismatches stemming from the transformations induced by the pandemic (digitalisation). This can be explained by both a slow adjustment process following the severe crisis and by structural changes triggered by the pandemic. The longer it lasts, the higher the risk of wage pressures feeding into inflation and dampening demand.

Will transitory price pressures become more persistent?

After years of very low inflation, a string of high inflation readings has led many observers to re-assess the nature of current inflationary pressures. While the narrative of strong, though temporary upward price pressures remains broadly unchanged, uncertainty on their size and duration has increased.

Bottlenecks combine with strong base effects and demand pressures to push prices up. Examples of strong price swings are seen for oil, but also for services that have been reactivated only recently after being subject to restrictions. In both cases, after falling last year, prices have continued rising. The temporary changes in indirect taxes (e.g. the VAT cut in Germany) or the postponement of summer sales (e.g. in France and Italy) implemented in 2020 have created similar base effects. Longer delivery times and scarcity of some inputs in a context of sustained demand are nevertheless broadening price pressures across the inflation baskets.

If the labour market tightens further, temporary price shocks will eventually translate into wage pressures, as employees will seek to compensate the losses in their purchasing power. Whereas wage growth has been subdued so far, the emerging pressures on the labour market may increase further.

The recent pick-up in inflation has given more prominence to scenarios under which inflation could remain high for longer. Climate change (e.g. effects on available agricultural land and food production) and mitigation policies (e.g. taxes on carbon emissions) are set to affect relative prices and therefore matter for inflation both in the short and longer term. Extreme weather phenomena are already having an impact on food production and prices. In addition, globalisation and cross-border fragmentation of production – which may have curbed inflation in past years – may be decelerating or even reversing. This may come with higher costs and prices.

How strong will domestic demand be after the re-opening phase?

As the current 'reopening wave' fades and the economy moves towards some type of 'new normalcy', the pace of economic growth will mainly depend on the strength that domestic demand will be able to achieve.

Private consumption is expected to remain the key driver of the rebound, even after the initial re-opening spending spree. Households should have the financial capacity to keep up spending, reflecting inter alia the improvements in the labour market. The reduction of record-high savings from the lockdown periods is also set to sustain demand over the medium term. Survey data point to only small declines in consumers' intentions to save. This suggests room for a slow but steady decline in savings and saving rates, with positive impulses to

private consumption throughout the forecast horizon. Significant increases in the value of financial and real assets and dissipating uncertainty may also imprint an acceleration in the normalisation of saving attitudes. Still, the concentration of excess savings and financial/real assets in the upper part of the income distribution might temper the impact on consumption (see the analysis in the Spring Forecast).

Business investment is expected to expand in the context of strong demand and favourable financing conditions. The acceleration of digitalisation triggered by the pandemic and new environment requirements may also lead to higher investment by firms, also supported by the NGEU/RRF. At the same time, high corporate debt levels accumulated during the crisis are a possible headwind. However, the risk of a significant surge in insolvencies could be smaller than initially thought, thanks to the policy support put in place to protect companies (e.g. direct liquidity relief, government loan guarantees, and debt moratoria).

Construction investment, both public and private, is set to expand, benefitting in the near term from the NGEU/RRF. Strong private housing demand is pushing up housing prices with negative impact on housing affordability. Residential construction investment, however, is set to continue being restrained by a number of supply and regulatory constraints (see the Special Issue on housing markets in Chapter 4).

Different patterns of heterogeneity have come to the fore.

As a common shock, the pandemic affected all European citizens, but its economic impact has not been uniform across countries, sectors, and socio-economic groups. In previous forecasts, differences in the pandemic impact on health and economic activity and structures, and in policy responses were identified as key elements to explain differences. For example, the share of high-contact services and the size of countries' tourism sectors (and the impact of international travel bans) had been related to the depth of downturns in output and employment. Now, the expected variety of answers to some of the questions raised above suggests that new reasons for cross-country differences in the pace of achieving pre-crisis levels and trend growth have come to the fore.

Supply-side disruptions matter most for regions and countries that have either a high degree of openness (trade exposure) or a relatively large manufacturing sector, in particular large gross value added in the car industry.

Structural and regulatory differences across Member States make the link between wholesale and retail energy prices highly country-specific.

Labour market slack that co-exists with tightness in some sectors hints at differences in the employment rebound across sectors and economies, but also for people with different educational attainment, age and/or by gender. In particular, young people have been disproportionally affected compared to older workers. Due to the correlation of education, age and gender with labour incomes, the pandemic could have increased differences across social groups, for example in terms of income inequality.

In taking into account differences in the pandemic impact across and within countries, the NGEU/RRF is set to play an important role. Its aim of particularly supporting the most severely affected Member States has also a bearing on social, economic and territorial cohesion. It should supplement national efforts targeted at those most affected by the pandemic, which remains important to prevent scarring.

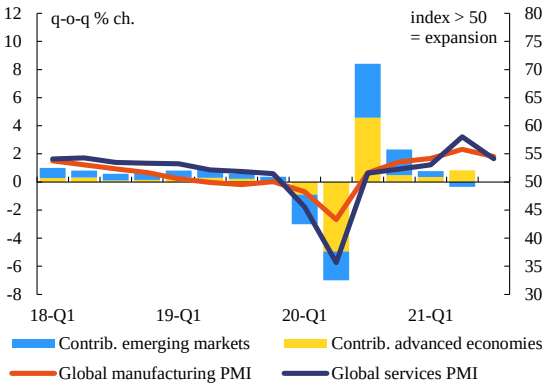
2. ECONOMIC OUTLOOK

2.1. INTERNATIONAL ENVIRONMENT

The global recovery entered a softer patch in the summer

Advanced economies picked up momentum in the second quarter of 2021 as contact-intensive service activities resumed. This contrasts with the recovery in emerging market economies – bar China –, which took a hit amid renewed virus outbreaks. Over the summer, global economic activity seems to have softened. Services activity was held back where COVID-19 infections rose (e.g. US, UK) or where vaccination rates remain low (notably Asia). The strong rebound in manufacturing and goods trade also lost momentum as pandemic-related output losses have largely been recovered. At the same time, supply-side disruptions intensified, as evidenced by a lengthening of supply delivery times, dampening manufacturing activity, notably in advanced economies. This was reflected in global PMIs that declined during the summer, while remaining in expansionary territory (see Graph I.2.1).

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



Sources: OECD, IMF and national sources for GDP, JPMorgan/IHS Markit for PMI

...and is set to continue amid widened divergences

After falling by 2.9% in 2020, global GDP (excluding the EU) is forecast to grow at 5.8% in 2021, virtually unchanged from 5.9% forecast in the spring. This aggregate picture, however, masks a highly differentiated picture both between and across advanced and emerging market economies. The outlook is stronger for some countries (e.g. Australia, Canada, UK commodity exporters among EMEs) but weaker for others (e.g. US, Japan, emerging Asia excluding China). In 2022, global GDP growth is expected at 4.5%, before slowing to 3.7% in 2023 as the rebound from the pandemic gradually fades and supportive macroeconomic policies are scaled back.

Overall, global output is expected to reach pre-pandemic levels in 2021, driven by the strong rebound in the US and China. Other countries, notably most EMEs, are likely to reach pre-crisis output levels only in 2022 or later, reflecting slower vaccination rollout and crisis-related drags to investments and productivity.

The growth outlook for advanced economies remains robust at 5.4% in 2021, reflecting the reopening of service activities and sustained policy support. However, the rebound in some cases will be less pronounced and will spread into 2022, with real GDP growth expected to reach 3.9% in that year. In 2023, real GDP growth is set to slow further to 2.4% as the impact of the pandemic fades and global output growth nears potential.

The US economy grew at a steady rate over the first two quarters of 2021 as vaccines were quickly rolled out and new fiscal measures were adopted. However, economic activity softened over the summer as the epidemiological situation worsened and significant supply side disruptions in some sectors (e.g. vehicles) weighed on activity. The US economy is now expected to grow by 5.8% in 2021, with part of the recovery postponed to late 2021 and early next year. Growth is forecast at 4.5% in 2022 and 2.4% in 2023. In the UK, GDP growth for 2021 is now expected at 6.9%, with growth in the second quarter surprising on the upside amid rapid vaccine roll-out. Growth is projected to slow to 4.8% in 2022, amid supply disruptions and high inflation, and to 1.7% in 2023. In Japan, real GDP is forecast to increase by 2.4% in 2021 amid new virus outbreaks and the extension of containment measures that delayed the full reopening of the economy. Growth is set to edge down to 2.3% in 2022 and 1.1% in 2023 as the economy moves towards potential.

Table I.2.1:

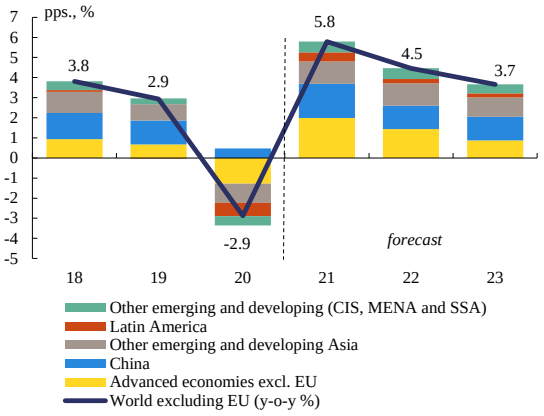
International environment

(Annual percentage change)					Autumn 2021 forecast			Spring 2021 forecast		
	(a)	2018	2019	2020	2021	2022	2023	2020	2021	2022
					Real GDP growth					
Japan	4.0	0.6	0.3	-4.8	**2.4**	**2.3**	**1.1**	*-4.8*	*3.1*	*2.5*
United Kingdom	2.2	1.7	1.7	-9.7	**6.9**	**4.8**	**1.7**	*-9.8*	*5.0*	*5.3*
United States	15.8	2.9	2.3	-3.4	**5.8**	**4.5**	**2.4**	*-3.5*	*6.3*	*3.8*
Emerging and developing Asia	33.1	6.3	5.3	-1.2	**7.2**	**5.8**	**5.3**	*-1.2*	*7.8*	*5.6*
- China	18.3	6.7	6.0	2.3	**7.9**	**5.3**	**5.3**	*2.3*	*7.9*	*5.4*
- India	6.8	7.3	4.8	-7.0	**9.0**	**7.8**	**6.0**	*-6.9*	*10.5*	*6.5*
Latin America	7.3	1.0	-0.3	-7.3	**5.2**	**2.5**	**2.3**	*-7.0*	*4.1*	*2.4*
- Brazil	2.4	1.8	1.4	-4.1	**4.9**	**2.1**	**2.3**	*-4.1*	*3.4*	*1.8*
MENA	5.6	1.9	0.6	-3.8	**3.1**	**3.5**	**2.9**	*-3.4*	*3.3*	*2.8*
CIS	4.6	3.2	2.7	-2.9	**4.2**	**3.0**	**2.6**	*-3.0*	*3.2*	*2.8*
- Russia	3.1	2.8	2.0	-3.0	**3.9**	**2.6**	**2.2**	*-3.0*	*2.7*	*2.3*
Sub-Saharan Africa	3.4	2.9	2.6	-2.0	**3.1**	**3.3**	**3.4**	*-2.4*	*2.7*	*3.0*
Candidate Countries	2.1	3.1	1.1	1.3	**8.6**	**4.1**	**4.0**	*1.3*	*5.2*	*4.3*
World excluding EU	84.9	3.8	2.9	-2.9	**5.8**	**4.5**	**3.7**	*-2.9*	*5.9*	*4.2*
					Trade of goods and services, volumes					
World excluding EU, import		4.2	-0.8	-8.9	**9.3**	**6.1**	**4.5**	*-9.3*	*9.0*	*5.7*
EU export market growth		4.0	2.4	-8.8	**8.9**	**6.8**	**4.7**	*-10.4*	*5.8*	*4.4*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2020.(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.

Emerging market economies are projected to grow by 6% in 2021 and 4.8% in 2022 before slowing to 4.4% in 2023. In China, real GDP growth in 2021 is forecast at 7.9%, despite the expected slowdown in the second half of 2021 due to declining productivity growth, an excessively leveraged corporate sector, geopolitical tensions and the de-emphasising of short-term growth as the primary policy objective. Growth should moderate markedly in 2022 and 2023, only gradually falling back towards its pre-pandemic trend (around 5¼%). After contracting in the second quarter of 2021 due to an COVID-19 outbreak, the Indian economy should rebound in the second half as domestic demand recovers towards pre-crisis levels and supported by a strong export performance.

Graph I.2.2: **Contributions to global non-EU GDP growth**



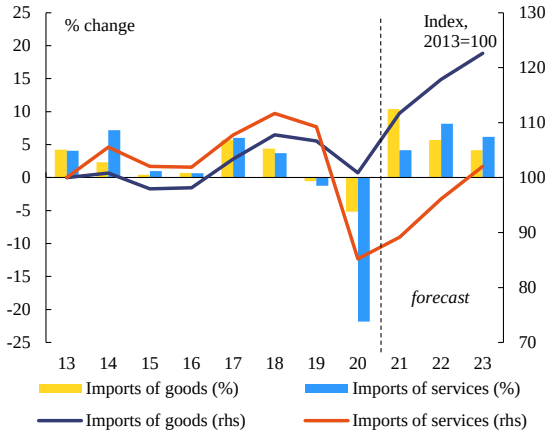
The growth outlook in emerging Asia (excluding China and India) for 2021 has weakened as the spread of the Delta variant throughout Southeast Asia has led to new mobility restrictions.

At the same time, commodity exporters in MENA, Latin America, Sub-Saharan Africa and Russia are expected to benefit from strong demand for and rising prices of many energy and non-energy commodities. Robust demand for goods in the advanced economies is set to fuel growth in several export oriented EMEs (e.g. Turkey).

Strong rebound in global trade driven by goods

After reaching pre-pandemic levels in the last quarter of 2020, global trade in goods continued to grow faster than expected in the first half of 2021, with consumer demand for goods holding up as pandemic restrictions limited the scope for spending on services. Recent data suggest a slow-down in merchandise trade growth, hampered by transport and supply-chain disruptions and a re-orientation of spending towards services. In addition, shipping costs surged on the back of strong demand and pandemic-related closures of factories, ports and labour shortages (see Special Issue 1 in Chapter 4).

Graph I.2.3: **World excluding EU, import volumes**



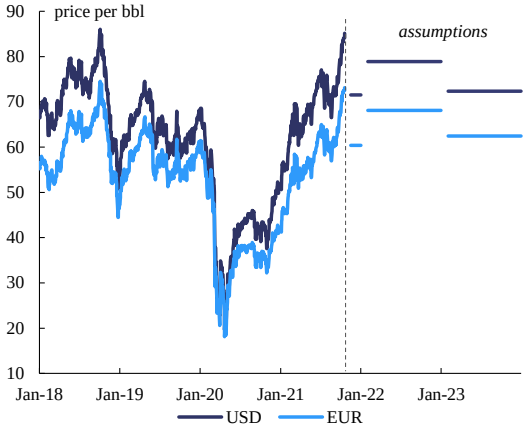
Global trade in services is still below pre-pandemic levels, in particular due to travel services remaining depressed. An increase in global vaccination rates and a reduction in travel restrictions are set to support global service trade growth, which is, however, not expected to reach annual pre-pandemic levels over the forecast horizon. Overall, growth of global imports of goods and services (excluding EU) is forecast to grow by 9.3% in 2021, 6.1% in 2022 and 4.5% in 2023.

Energy markets running hot…

The Brent oil price fully recovered from its April trough of around 20 USD/bbl to above 80 USD/bbl in October 2021, approaching its highest level in seven years. As oil prices surged, OPEC+ [(1)] resisted pressure to further increase production, having already decided in August 2021 to phase out previously agreed production cuts by late 2022 through adding 400 000 bpd to output in incremental steps of every month. The oil price increase reflects also reduced production of US shale oil as producers cut investments in past years.

Futures markets expect oil prices to peak in the fourth quarter of 2021, and to gradually decline thereafter. On average, oil prices are expected to increase from 71.6 USD/bbl in 2021 to 78.9 USD/bbl in 2022, to decline to 72.3 USD/bbl in 2023. Gas prices in Asia and Europe surged since the summer and are expected to remain at high levels until spring 2022, before partially reverting towards pre-pandemic levels (see Section 2.5 and Special Issue 2 in Chapter 4)

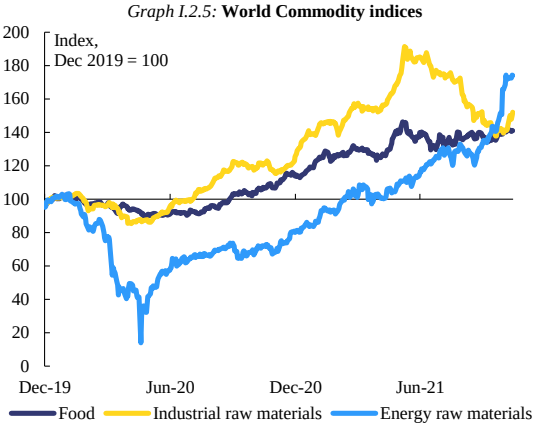
Graph I.2.4: **Oil price assumptions**



…and prices for other commodities are also rising.

Following the robust economic recovery in China, metal prices peaked in May 2021. They have retreated somewhat recently, though remaining at elevated levels. Looking ahead, some moderation appears likely as growth in China slows and global demand shifts from goods to services. At the same time, the accelerating energy transition and booming demand for electric vehicles is likely to increase the demand and prices for some metals further (e.g. copper, lithium). Food prices retreated in the summer after reaching multi-year-highs in May, but rose again in August reflecting adverse weather conditions affecting harvests. Going forward, food price growth is likely to moderate as supply continues to increase in line with recent trends but low inventories and strong demand risk pushing up prices again in case of bad harvests.

Graph I.2.5: **World Commodity indices**



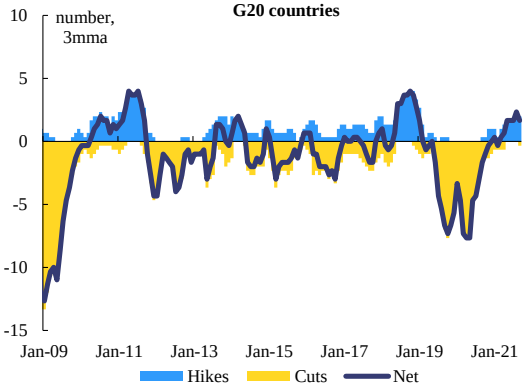
Source: Hamburg Institute of International Economics (HWWI)

(1) OPEC+ was set up by OPEC members and (originally) 11 non-OPEC countries (most important being Russia) in late 2016, in order to impact prices with production quotas.

Global inflationary pressures have increased

Global inflation has recently accelerated, reflecting a confluence of supply and demand side factors. Consumer prices have increased strongly in the US and in some other advanced economies (e.g. UK, Canada), reflecting the impact of rising energy prices, global supply chain disruptions, reopening of the service sector and monetary and fiscal stimulus.

Graph I.2.6: **Central bank policy rate changes, G20 countries**



Note: Central banks from G20 economies. A positive number corresponds to a rate hike.

The rise in inflation in EMEs is more differentiated. Economies of emerging Asia have experienced a more limited inflation surge. At the same time, inflationary pressures in other EMEs have increased, resulting in monetary policy tightening in some countries (e.g. Latin America, Russia), which have been recently joined by some advanced economies (e.g. Norway, New Zealand). Going forward, global inflation is still forecast to abate gradually in 2022.

2.2. FINANCIAL CONDITIONS

Global financial conditions remained overall supportive as the global economy recovered and the liquidity provided by major central banks remained abundant. However, rising uncertainty over the growth and inflation outlook generated some market volatility and reinforced regional disparities.

Global financial conditions continued to be overall supportive

US long-term (10 year) bond yields fell back unexpectedly in July and August to around 1.3%, reflecting fears about the spread of the Delta variant and persistent supply chain bottlenecks. They have since edged back up to around 1.6%, only marginally below levels seen immediately before the pandemic, pricing-in a faster-than-expected tapering of asset purchases by the US Federal Reserve. Most foreign currency EMEs bond yields have followed US yields, with rising local currency bond yields, reflecting tighter monetary policy and increasing local currency issuance.

Equity markets, both in advanced and emerging market economies, have recently been quite volatile due to investors' uncertainty around the Federal Reserve's tapering strategy, rising uncertainty around the global growth outlook and inflationary pressures, as well as due to increasing risks in Chinese credit markets (e.g. Evergrande). Capital inflows into EMEs have moderated since February, reflecting weakening growth in emerging Asia and subdued prospects for long-term growth in EMEs in general. Going forward, heightened volatility in global financial markets is likely to persist, reflecting concerns about inflation and growth, financial stress in China and vulnerabilities in EMEs.

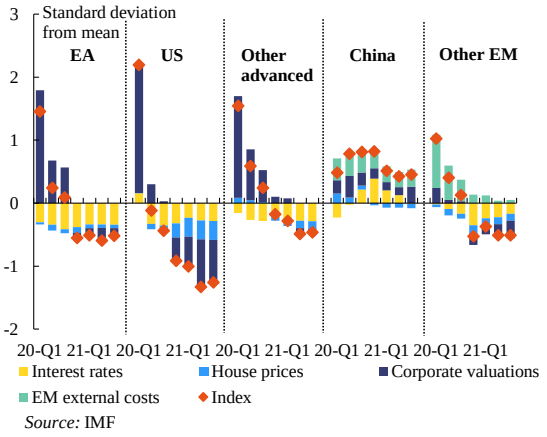
In the EU, financial markets have remained overall resilient over the last couple of months. Investors' concerns regarding the evolution of the pandemic, persistent supply chain bottlenecks, a growing global energy crunch, and accelerating inflation have been offset by strong corporate earnings reports, still exceptional monetary policy support and positive growth surprises.

Overall, financial conditions remained very supportive at the global level. A comparison across regions suggests that financial conditions eased most in the US, thanks to valuations effects on corporates and housing. In contrast, lower interest rates are the most important driver of easing financial conditions in the euro area (see Graph I.2.7).

The euro has depreciated by about 1.5% in nominal effective terms since the beginning of July, reflecting more accommodative monetary conditions in the euro area compared to other major currencies. Rising economic risks added downward pressure on the euro against other safe-haven currencies such as the US dollar and the Swiss franc. The euro also depreciated against other currencies of major trading partners, such as the Russian ruble and the Chinese renminbi, which continued to be supported by a strong export

performance. The depreciation of the euro in nominal effective terms masks however some strengthening against the currencies of some EU Member States (e.g. the Hungarian forint and the Polish zloty) and against the currencies of some other emerging countries (e.g. the Brazilian real and the Turkish lira) that have experienced significant increases in inflation in recent months.

Graph I.2.7: **Drivers of financial conditions**



Source: IMF

Monetary policy in the EU remained supportive…

The ECB has maintained an accommodative monetary policy stance in recent months in order to preserve favourable financing conditions for the real economy. In July, the ECB revised its forward guidance on policy rates in light of its new monetary policy strategy adopted the same month. [2] The revised forward guidance indicates in particular that the ECB will keep its main interest rates at their present level or lower until it sees inflation reaching 2% well ahead of the end of its projection horizon and judges that developments in underlying inflation are consistent with inflation stabilising at 2% over the medium term.

In September, the ECB left its main monetary policy instruments unchanged but the Governing Council judged that favourable financing conditions could be maintained with a moderately lower pace of net asset purchases under the pandemic emergency purchase programme (PEPP) than during the previous two quarters. [3] The ECB confirmed that it would continue its asset purchases under the PEPP until at least the end of March 2022. [4] Net purchases under the asset purchase programme (APP) will also continue at a monthly pace of €20 billion. Refinancing operations, notably the third series of the targeted longer-term refinancing operations (TLTRO III), will continue to provide liquidity to euro area banks to support the flow of credit to households and firms. The ECB confirmed these policies at its latest meeting on 28 October. [5]

Elsewhere in the EU, a number of central banks (i.e. Poland, Hungary, Czechia and Romania) started to raise their policy rates in response to strong inflationary pressures and mounting risks of above target inflation. By contrast, the Swedish and Danish central banks continued to maintain an accommodative monetary policy stance.

…keeping long term bond yields low…

The German Bund yield curve flattened over summer but steepened again over the last couple of months, with the 10-year yield at around -0.12% at the end October. In particular, longer-term yields declined in the summer, driven by supply constraints on the economic outlook, but also by sustained asset purchases by the ECB combined with relatively limited new issuance over summer. Since the end of August, however, benchmark nominal yields have faced upward pressure on the back of higher market-implied measures of inflation expectations. EA sovereign bond spreads remained broadly unchanged over the summer while non-EA spreads (PL, CZ, HU and RO) widened amid mounting inflation risks, and changes in their monetary policy stance. As market-implied inflation expectations for the EA have moved up since July, in particular for the short term horizon (2 years), real sovereign bond yields hit new all-time lows (see Graph I.2.8).

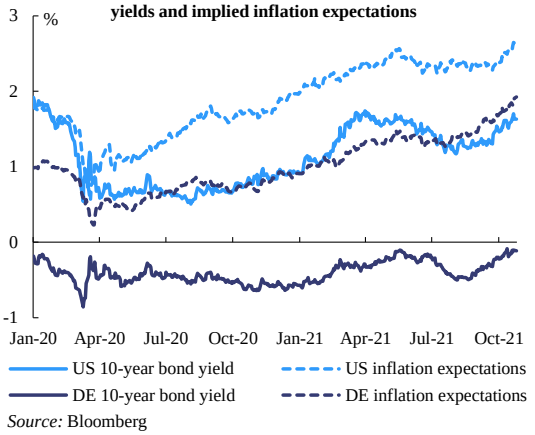
[2] The key element of the new monetary policy strategy is the adoption of a symmetric inflation target of 2% over the medium term. The ECB also committed to forceful or persistent monetary policy measures when the economy is close to the lower bound in order to avoid that persistent negative deviations from the inflation target become entrenched.

[3] The monthly pace of net asset purchases under the PEPP averaged €62bn in Q1, €80bn in Q2 and €76bn in Q3.

[4] The PEPP has a total envelope of €1.85 trillion of which €1.41 trillion had been spent by the end of September 2021.

[5] The meeting took place after the cut-off date and was thus not considered in this forecast. However, the ECB announced no policy changes and is therefore fully aligned with the forecast assumptions.

Graph I.2.8: **Benchmark 10-year government bond yields and implied inflation expectations**



Source: Bloomberg

Corporate bond spreads of investment grade issuers moved sideways at very low levels, but widened for higher-risk issuers. Still, the overall low level of yields encouraged corporations to increase their issuance after the summer. As a result, issuance in the high-yield sector has already exceeded the total for 2020.

All in all, the pricing of credit and liquidity risk remains at very low levels, implying favourable funding conditions for both the private and public sector.

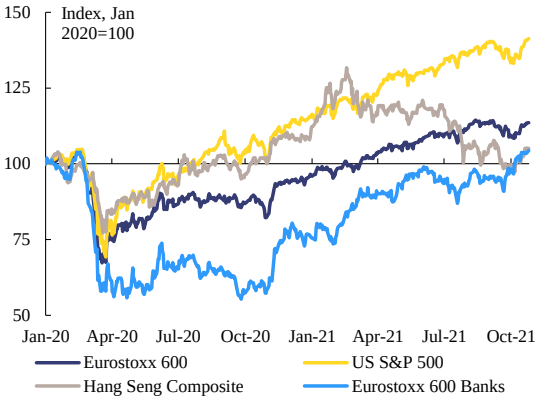
…amidst high valuations in the EU stock markets

EU stock market prices have fluctuated over the last couple of months. Market losses in July and September were motivated by concerns over the impact on the economic outlook of the pandemic, persistent supply disruptions and higher energy prices. Concerns about economic and financial stability risks in China and a possible earlier-than-expected tapering in the US added to investors' concerns. In August and October, equity markets moved upwards, mainly supported by strong corporate earnings' results and the continued search for yield in an environment of negative real yields on safe assets (see Graph I.2.9).

Financing conditions are set to remain supportive

The high and rising volume of banks' excess reserves combined with the ECB's new forward guidance on policy rates are expected to keep short-term money market rates at very low levels over the forecast horizon. Market-implied short-term nominal rates are indicative of broadly unchanged short-term nominal rates at -0.5% until the end of 2021, followed by a gradual increase in 2022 and 2023, though remaining in negative territory (see Graph I.2.10).

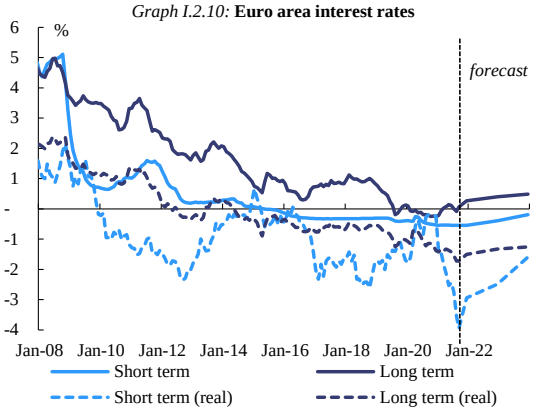
Graph I.2.9: **Stock market performance**



Source: Bloomberg

In view of the forecast path of inflation, real short-term interest rates are expected to increase over the forecast horizon from historically very low levels. [6] Nominal long-term rates in the euro area are projected to increase only gradually over the forecast horizon. As markets anticipate a stabilisation of long-term inflation expectations over the forecast horizon, real long-term rates are set to increase in line with nominal long-term rates.

Graph I.2.10: **Euro area interest rates**



Source: Bloomberg, ECB

[6] Short-term rate: 3M Euribor; Long-term rate: 10Y interest rate swap. To derive real interest rates, the short-term forward rate is deflated by the inflation projections in this Forecast. Real long-term rates are derived from the forward swap rates deflated by their respective forward inflation swaps (i.e. 1Y 10Y and 2Y 10Y forward inflation swap rates).

2.3. THE GROWTH OUTLOOK

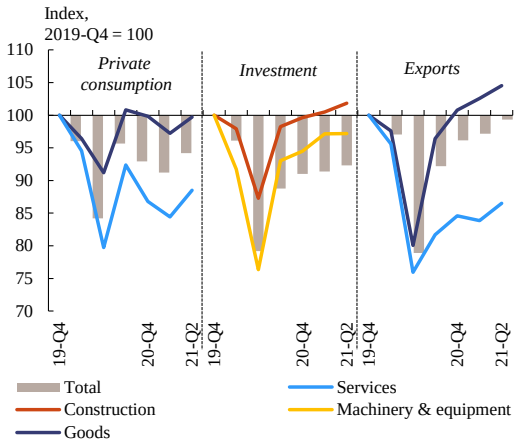
Spring brought a positive growth surprise

In the second quarter of 2021, the European economy returned to a recovery path, fuelled by the improving health situation, progress of vaccination, the gradual easing of containment measures, and possibly better adaptation of firms and households to existing restrictions. [7]

GDP in the EU rebounded by 2.0% compared to the first quarter (2.1% in the euro area). This outcome more than offset the contraction in the two previous quarters and exceeded expectations of most forecasts, [8] including the Commission Summer Interim Forecast. The latter projected a 1.3% quarter-on-quarter growth in both the EU and the euro area. At almost 14% in annual terms, the rate of GDP growth was also the highest reading in the history of the time series and as high as the GDP downfall in the same period last year. Data revisions for growth in 2020 also imply a slightly higher statistical carry-over effect into 2021 (at 2.3% instead of the previously estimated 2.2%). Overall, the reported real GDP growth up the second quarter of 2021 narrows to 2.3% (2.7% in the euro area) the gap to the pre-pandemic output level in the fourth quarter of 2019.

Real GDP increased in all countries except for Bulgaria, Croatia, Luxembourg and Malta. Looking at the demand composition, the easing of restrictions since mid-May unleashed a vigorous spending spree by consumers (see Graph I.2.11). In the EU, private consumption increased by 3.3% (quarter-on-quarter), reflecting a surge in the purchase of services (4.8%, compared to 2.5% for overall goods) and a substantial decline in the savings rate. Investment spending expanded more modestly, by 1.0%, posting a fourth consecutive quarter of expansion. After a slight contraction in the first quarter, government consumption increased by 1.2%. On the external side, the contribution of net trade was broadly neutral (-0.1 pps.), with the pick-up in exports (2.2% after 1.0%) largely compensating for an increase in imports (2.7% after 1.0%). [9] The rundown of inventories acted as a growth drag.

Graph I.2.11: **GDP demand-side components, EU**



While private consumption still stood about 5¾% lower than before the crisis (fourth quarter of 2019), the gap of investment spending (excluding Ireland [10]) closed. Dragged down by shortfalls in services (around -14%), overall export volumes remained 1% below their pre-crisis level. The only component posting an overall increase was government consumption (about 4%).

Contact-intensive sectors benefited strongly from the easing of health-related restrictions in the second quarter (see Graph I.2.12), rebounding by 4.1% (quarter-on-quarter), but value added in those sectors remained 10½% below the pre-pandemic level (2019-Q4). [11] Industry and construction, which were already threading around pre-crisis levels, also contributed positively to growth, albeit to a lesser extent.

(7) The stringency of restrictions as measured by the Oxford Stringency Index for the EU (GDP-weighted average), stood at 74 in 2021-Q1 and dropped to 66 in Q2 and 53 in Q3, which is close to the 51 observed in 2020-Q3.

(8) In 16 out of 23 Member States for which the Commission's quarterly forecasts are available.

(9) EU export volumes rose on the back of a strengthening of both exports of goods (from 1.8% to 1.9% quarter-on-quarter) and services (3.1% after -0.9% quarter-on-quarter), which benefited most from the loosening of restrictions. This quarterly increase is the result of a strong carry-over effect from the month of March 2021. Monthly international trade data on euro area export volumes, however, shows that exports fell each month during the second quarter, hit by disruptions to manufacturing supply chains (e.g. shortage of inputs, shipping freight restrictions).

(10) To look through the short-term volatility induced by activities of multinational firms in Ireland, data from the country is excluded in the analysis of investment.

(11) Contact-intensive sectors include: arts, entertainment and recreation as well as wholesale and retail trade, transport, accommodation and food service activities. These are sectors with non-teleworkable occupations, reliant on teamwork or face-to-face customer interaction, which have been particularly affected by containment measures.

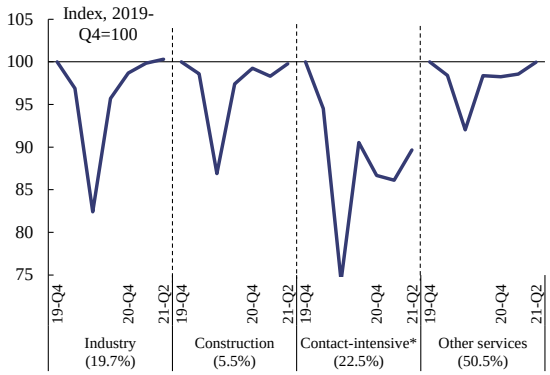
Table I.2.2:

Composition of growth - EU

(Real annual percentage change)

	2020			2016	2017	2018	2019	2020	Autumn 2021 forecast 2021	2022	2023
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		6,974.1	51.6	2.2	2.1	1.8	1.6	-7.3	**3.5**	**5.5**	**2.3**
Public consumption		3,046.1	22.6	2.0	1.1	1.2	2.0	1.3	**3.4**	**0.8**	**0.8**
Gross fixed capital formation		2,965.8	22.0	3.3	4.1	3.4	6.4	-6.3	**5.5**	**4.8**	**4.1**
Change in stocks as % of GDP		17.9	0.1	0.5	0.8	1.0	0.8	0.1	**0.6**	**0.5**	**0.5**
Exports of goods and services		6,305.1	46.7	3.5	5.8	3.8	3.0	-8.5	**9.7**	**7.2**	**5.3**
Final demand		19,308.6	142.9	2.8	3.7	2.7	2.7	-6.6	**6.1**	**5.2**	**3.4**
Imports of goods and services		5,796.1	42.9	4.5	5.6	4.2	4.6	-8.3	**8.6**	**7.1**	**5.2**
GDP		13,507.9	100.0	2.0	2.8	2.1	1.8	-5.9	**5.0**	**4.3**	**2.5**
GNI		13,418.5	99.3	2.2	2.9	2.3	1.7	-6.1	**5.1**	**4.3**	**2.5**
p.m. GDP euro area		11,400.4	84.4	1.9	2.6	1.8	1.6	-6.4	**5.0**	**4.3**	**2.4**
				Contribution to change in GDP							
Private consumption				1.2	1.2	1.0	0.8	-3.9	**1.8**	**2.8**	**1.2**
Public consumption				0.4	0.2	0.2	0.4	0.3	**0.8**	**0.2**	**0.2**
Investment				0.7	0.8	0.7	1.4	-1.4	**1.2**	**1.1**	**0.9**
Inventories				0.0	0.3	0.1	-0.2	-0.5	**0.4**	**0.0**	**0.0**
Exports				1.6	2.7	1.8	1.5	-4.2	**4.5**	**3.6**	**2.7**
Final demand				4.0	5.2	3.9	3.9	-9.7	**8.7**	**7.6**	**5.0**
Imports (minus)				-1.9	-2.4	-1.8	-2.1	3.8	**-3.7**	**-3.3**	**-2.5**
Net exports				-0.3	0.3	0.0	-0.6	-0.4	**0.8**	**0.3**	**0.2**

Graph I.2.12: **Gross value added in main sectors, EU**

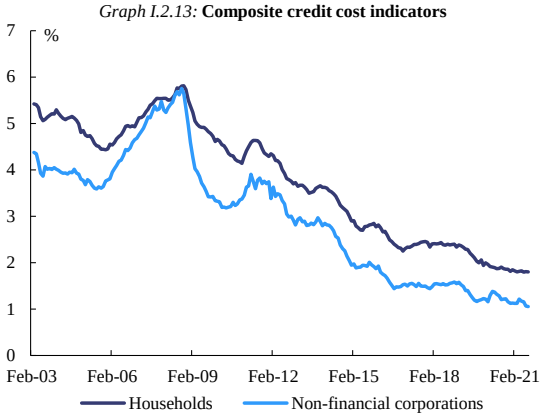


Note: *Wholesale and retail, transport, accommodation, food services; arts, entertainment, recreation. Share in total GVA in brackets.

Financing conditions have remained very favourable

Financing conditions remained favourable over the summer for both bank lending and market funding. Borrowing costs for non-financial corporations, as measured by the composite credit cost indicator [12], remained below their pre-pandemic levels and even declined slightly in recent months (Graph I.2.13). The composite credit cost indicator for households remained almost unchanged in recent months, at historically low levels.

Graph I.2.13: **Composite credit cost indicators**



Source: ECB, Bloomberg

The annual growth rate of bank loans to households (i.e. adjusted for loan sales, securitisation and notional cash pooling) increased to 4.2% in August, compared to 4.0% in June. By contrast, the annual growth rate of adjusted loans to non-financial corporations moderated to 1.5% in August, from 1.8% in June. The latest data for September, released after the cut-off date of this forecast, confirms the trends reported over the last couple of months. Bank loans increased by 4.1% year-on-year for households and 2.1% for non-financial corporations. Meanwhile, corporate debt and equity issuance picked up.

(12) The composite credit cost indicator is calculated as a weighted average of interest rates on different types of bank loans and corporate bonds (in case of non-financial corporations).

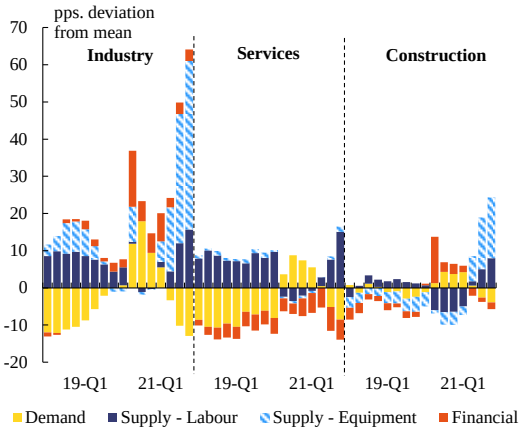
The ECB's bank lending survey of June reports a pick-up in demand for borrowing, both by corporates and households, amid broadly unchanged credit standards in the second quarter. Banks anticipated credit demand from businesses to accelerate further over the third quarter, as high levels of capacity utilisation and strong order books in many industries prompt companies to invest. The survey suggests demand growth for housing loans will decelerate somewhat over the next quarter. Bank lending rates remained close to their historical lows. October's Bank Lending Survey for the third quarter came in after the forecasts' cut-off date but the results are broadly in line with the previous edition. Banks reported increased credit demand in the third quarter for both firms and households. Meanwhile, credit standards remained broadly unchanged for corporations but tightened for households, suggesting a more cautious attitude by euro area banks towards housing loans. This may be due to housing prices deemed overvalued in many EU countries, after having constantly risen since 2013, while price-to-income ratios have increased (see Special Issue 4 'Housing Market' in Chapter 4)

Recent data signal robust growth in the third quarter…

In August, *industrial production* in the EU erased the gains recorded in July, bringing its average back to where it was in Q2. The sharpest declines were recorded in sectors that are particularly vulnerable to supply-side disruptions. In particular, the manufacturing of auto vehicles was down for the fifth month in a row to situate itself more than 40% below the pre-pandemic level. Still, its level stood close to the one recorded in January 2020.

Manufacturing activity is being held back by reported delays in input delivery. [13] According to the Commission's business surveys, October saw the estimated rate of *capacity utilisation* in the EU industry sector edge down for the first quarter after five quarterly increases in a row. At 81.6%, it remains above its long-term average (80.6%) and pre-crisis level (80.9%). Capacity utilisation in services increased further in October by 1.0 percentage point (to 89.2%) compared to July. While slightly above long-term average, it remains 1¼ percentage points below its level before the outbreak of COVID-19.

Graph I.2.14: **Factors limiting production, EU**



The same surveys also point to unprecedented shares of managers in industry (49.4%) and construction (20.9%) identifying *shortages of material and/or equipmen*t as a factor limiting their business activity (see Graph I.2.14). [14] Also, the share of managers quoting *shortage of labour* force as a factor limiting business has risen to all-time highs in industry (23.3%), construction (29.0%) and services (25.4%) (see Special Issue 1 in Chapter 4). At the same time, perceptions of insufficient demand decreased across all sectors.

Supply chain disruptions, particularly due to semiconductor shortages, are weighing heavily on the automotive sector. This is not only visible in output, but also in weak *new car sales*. According to the ACEA's figures (non-seasonally adjusted), new car registrations in the euro area were down to their lowest for any September since the series began in 1989. When compared with the first nine months of 2019, new car registrations were in 2021 down by around one quarter. The ECB's seasonally adjusted series also hinted at a weak performance in the third quarter, with car registrations down 7% (quarter-on-quarter), after a more moderate decline of 0.5% in 2021-Q2. The significant gap between new car orders and output highlights that weak sales are more the result of supply constraints than of weak demand. Eventually however, delivery delays may also

[13] Recent research confirms that supply bottlenecks have negatively affected goods export growth, with the estimated cumulated shortfall for goods exports amounting to about 6.7% for the euro area and 2.3% globally since the start of the year. See Frohm, E., Gunnella, V., Mancini, M., and T. Schuler (2021). 'The impact of supply bottlenecks on trade'. ECB *Economic Bulletin* 6, September.

[14] The manufacture of rubber and plastic products; computer, electronic and optical products; electrical equipment; and motor vehicles emerge as the most affected sectors.

Table I.2.3:

Composition of growth - euro area

(Real annual percentage change)

	2020			2016	2017	2018	2019	2020	Autumn 2021 forecast 2021	2022	2023
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		5,902.0	51.8	2.0	1.8	1.5	1.3	-7.9	**3.2**	**5.5**	**2.2**
Public consumption		2,573.5	22.6	1.9	1.1	1.1	1.8	1.3	**3.6**	**0.9**	**0.8**
Gross fixed capital formation		2,494.9	21.9	4.0	3.9	3.1	6.7	-7.0	**5.2**	**4.4**	**3.9**
Change in stocks as % of GDP		10.7	0.1	0.4	0.7	0.9	0.7	0.1	**0.5**	**0.5**	**0.4**
Exports of goods and services		5,173.4	45.4	3.0	5.6	3.6	2.7	-9.1	**9.7**	**7.3**	**5.2**
Final demand		16,154.4	141.7	2.6	3.4	2.4	2.5	-7.2	**6.0**	**5.2**	**3.2**
Imports of goods and services		4,749.4	41.7	4.3	5.2	3.8	4.7	-9.1	**8.2**	**7.2**	**5.1**
GDP		11,400.4	100.0	1.9	2.6	1.8	1.6	-6.4	**5.0**	**4.3**	**2.4**
GNI		11,434.1	100.3	2.1	2.7	2.1	1.4	-6.7	**5.1**	**4.3**	**2.4**
p.m. GDP EU		13,507.9	118.5	2.0	2.8	2.1	1.8	-5.9	**5.0**	**4.3**	**2.5**
				Contribution to change in GDP							
Private consumption				1.1	1.0	0.8	0.7	-4.2	**1.7**	**2.8**	**1.1**
Public consumption				0.4	0.2	0.2	0.4	0.3	**0.8**	**0.2**	**0.2**
Investment				0.8	0.8	0.6	1.4	-1.6	**1.1**	**1.0**	**0.9**
Inventories				0.0	0.3	0.1	-0.2	-0.5	**0.4**	**0.0**	**0.0**
Exports				1.4	2.6	1.7	1.3	-4.4	**4.4**	**3.5**	**2.6**
Final demand				3.7	4.8	3.4	3.6	-10.4	**8.4**	**7.5**	**4.8**
Imports (minus)				-1.8	-2.1	-1.6	-2.1	4.1	**-3.4**	**-3.2**	**-2.4**
Net exports				-0.4	0.4	0.1	-0.8	-0.3	**1.0**	**0.3**	**0.3**

deter car buyers from ordering, thus reducing demand.

The headwinds faced by the manufacturing sector are expected to have persisted in September, as shown by the weak outturns from German *truck mileage* data, a high frequency indicator seen as a reliable proxy of industrial activity in the country, and are also reflected in a fall of exports according to the Kiel Institute's *Trade Indicator*.

Production in construction dropped further below its pre-crisis levels as supply-side constraints hit the sector. After a marginal increase in July (0.1% month-on-month), construction volumes declined by 1.8% in August. However, consumers' intentions to purchase or build a home within the next 12 months, or to perform home improvements, are at their highest since the early 2000's, and construction firms' assessments of their overall order books in September were broadly back to pre-pandemic levels. This is likely to ensure that the current weakness is only temporary.

In August, *retail trade* volumes moved up only marginally after a strong fall in July. This drop had more than reversed growth reported in June, so that the level of retail trade remained close to the second quarter average. However, sales remained around 3½% above pre-crisis levels.

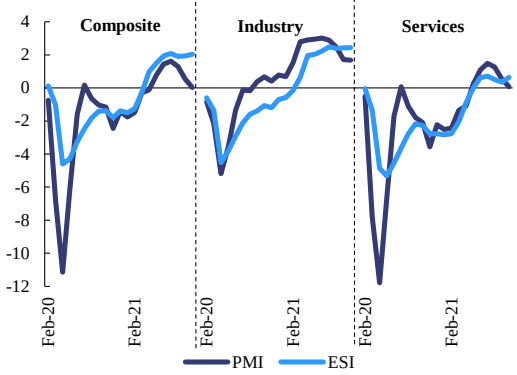
With the level of restrictions in the EU at its lowest in one year, the revival of *tourism* is set to have significantly supported growth in the summer, especially in EU economies that typically register large inflows of foreign EU tourists. Overall nights spent in the EU in July 2021 exceeded July 2020 data by 15%, but remained 30% lower than in July 2019. High-frequency data suggest somewhat higher growth in August and September. Traffic statistics of big airports in Europe seem to corroborate this suggestion. (15)

For the economy as a whole, survey data point to some softening of the pace of growth in the summer (see Graph I.2.15). While Markit's *Composite Output PMI* for the euro area rose in the third quarter to its highest average since 2006-Q2, it fell in both August and September. Moderation was recorded for both the *manufacturing output* and *services activity* indices, which nevertheless remained in expansionary territory. The Commission's *Economic Sentiment Indicator* remained stable in the EU in September, at 116.6, well above its long term average. After peaking in July at exceptionally high levels on

(15) EU flights in July and August 2021 were 52% higher than in the period Jul-Aug 2020, but still 32% below the equivalent 2019 outturns. For an assessment of travel receipts see Le Gallo, F. and K. Schmitt (2021). 'Summer 2021: France's international trade in travel picks up'. Banque de France *Eco Notepad* 231, October.

account of the reopening momentum, industrial, retail and services' confidence have retreated somewhat.

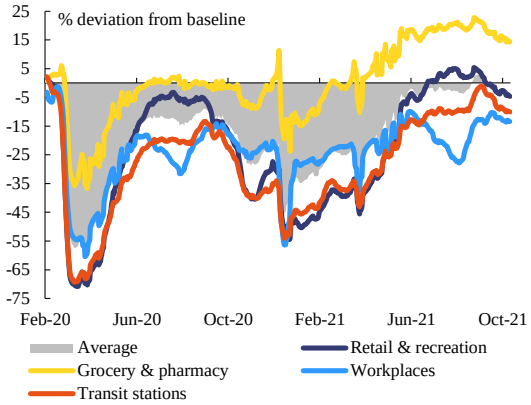
Graph I.2.15: **ESI and PMI, euro area**



Source: IHS Markit, Europeam Commission.
Note: Standardised data based on 2000-'07 sample.

Consumer confidence remained upbeat throughout the summer. The Commission's *consumer confidence indicator* picked up in the third quarter compared to the second, when sentiment was already improving but from very low levels. However, consumers' intentions to make major purchases over the next 12 months retrenched from recent highs, plateauing at above-average levels.

Graph I.2.16: **Google mobility report, EU**

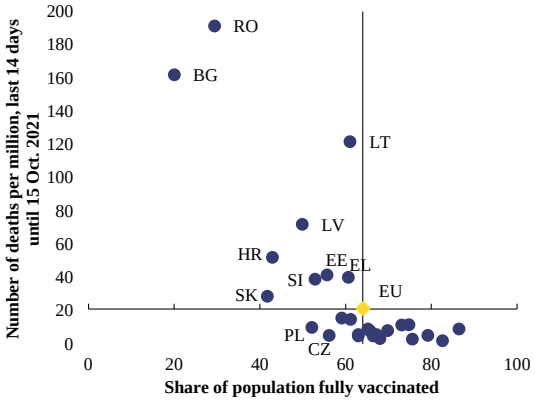


Source: Google

…and while some pandemic clouds reappeared…

Since the beginning of August, the epidemiological situation in the EU improved significantly with the number of new COVID-19 infections decreasing slowly but constantly. However, this trend reversed starting in October, with the incidence of infections over the last 14 days until 15 October in the EU rising from about 150 per 100 000 inhabitants to about 250 in mid-October, the highest level since mid-May. Developments across countries are highly heterogeneous, with the strongest increases reported in countries with below EU-average vaccination rates. While hospitalisations and deaths associated with COVID-19 infections are slowly rising, for now they remain below the levels observed in previous waves in most countries and the EU as a whole. However, in countries with a low vaccination rate, the link between incidences, hospitalisations as well as deaths remains strong (see Graph I.2.17).

Graph I.2.17: **Vaccination and death rates, EU**



Source: Our World in Data

According to the European Centre for Disease Prevention and Control's Weekly COVID-19 country overview (from 21 October), case notification rates, death rates, hospital and ICU admissions are all forecast to increase until mid-November. Increasing case notification rates and an overall epidemiological situation of high or very high concern are concentrated in countries in the eastern part of the EU, especially where vaccination uptake is relatively low. Additionally, while case notification rates are currently highest among age groups under 50 years old, they have started to increase again among older age groups.

…the outlook for the last quarter of the year remains positive.

Markit's *flash composite PMI* for October signals a loss of growth momentum in the euro area, with its reading coming out at 54.3, still in expansionary territory but at its lowest since April. The euro area manufacturing output PMI fell to a 16-month low (of 53.2), while the services activity index hit its lowest level in half a year (of 54.7). A softening of mobility levels (as measured by the *Google mobility index*) in October, from the September highs to below pre-crisis levels, particularly for retail and recreation activities (see Graph I.2.16),

Box I.2.1: **New survey-based measures of economic uncertainty**

Starting with the Great Financial Crisis of 2007-2009 and reinforced by the ongoing COVID-19 crisis, the concept of economic 'uncertainty' has received increased attention from economic analysts and policy makers. Given its dampening effect on firms' investment and hiring decisions, as well as consumer spending, [1] it is a key variable for explaining and forecasting economic growth.

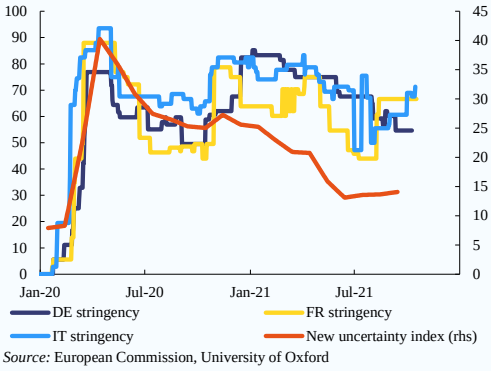
As uncertainty is not directly observable, economists have so far resorted to different proxies to measure it, the most popular ones including measures of dispersion of economic agents' views on the economic outlook, [2] indicators based on forecast errors, and indicators tracking uncertainty by text mining news articles in the press (e.g. the World Uncertainty Index or the Economic Policy Uncertainty Index). [3]

The European Commission has enriched the toolbox available to policy makers for monitoring economic uncertainty by embedding a new, direct measure of uncertainty in its Joint Harmonised EU Programme of Business and Consumer Surveys (BCS) on a regular monthly basis, starting from May 2021. Data for previous months is available for some Member States and sectors from a testing phase, allowing for the calculation of an EU uncertainty index as from April 2019.

The new survey question asks managers and consumers to indicate how difficult it is to make predictions about their business situation or household finances, respectively. Enquiring the deviation of possible economic outcomes around a central expectation, this new measure of uncertainty is conceptually different from the existing composite indicators of 'sentiment' and 'confidence' which are derived from survey results, and which aim to capture the central expectation itself.

Preliminary results show that the new uncertainty measure evolved broadly in line with the stringency of the government-mandated restrictions to activity put in place to contain the spread of the COVID pandemic (see Graph 1). It peaked at the height of the first wave of the pandemic, when unprecedented lockdown measures were enacted.

Graph 1: **EU uncertainty and Oxford stringency indices**



Source: European Commission, University of Oxford

The second wave of the pandemic in autumn/winter 2020 created a smaller increase in uncertainty than the first one, as the containment measures enacted were no longer unprecedented, and managers and consumers had gained some "experience" living with them. What is more, the breakthrough development of vaccines in late 2020 and the prospect of mass vaccination campaigns served to anchor managers' and consumers' expectations about the outlook.

In spite of its gradual decrease over the last 1½ years, uncertainty remained, in September, above pre-pandemic levels. This seems plausible, taking into account that the pandemic health threat is still lingering, on the continent but also beyond, especially where vaccination rates have remained low so far. Moreover, the long-term impact of the pandemic crisis on the economy is still difficult to gauge.

(Continued on the next page)

[1] See e.g. the discussion in Bloom, N., Bond, S., and Van Reenen, J. (2007), "Uncertainty and investment dynamics", Review of Economic Studies, Vol. 74, No 2, pp. 391-415; Meinen P., Roehe O. (2017): "On measuring uncertainty and its impact on investment: cross-country evidence from the Euro area", Eur Econ Rev 92, pp. 161–179, Bloom, N. (2009), "The Impact of Uncertainty Shocks", Econometrica, 77(3), pp. 623-685; Gieseck, A. and Largent, Y. (2016), "The Impact of Macroeconomic Uncertainty on Activity in the Euro Area", Review of Economics, vol. 67, no. 1, pp. 25-52; Ghirelli, C., Gil, M., Pérez, J.J. et al. (2021), "Measuring economic and economic policy uncertainty and their macroeconomic effects: the case of Spain", Empirical Economics 60, pp. 869–892.

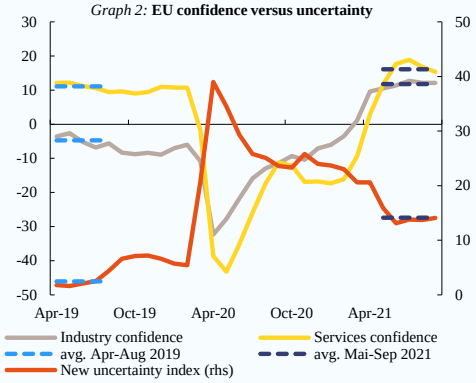
[2] Bachmann, R., Elstner, S., and Sims, E. R. (2013) "Uncertainty and economic activity: evidence from business survey data", American Economic Journal: Macroeconomics, 5, 217–49.

[3] Baker, S. R., Bloom, N., and Davis, S. J. (2016), "Measuring economic policy uncertainty. The Quarterly Journal of Economics", 131(4): pp. 1593–1636.

Box (continued)

Since 2019, uncertainty has been negatively correlated to developments in 'confidence' (see Graph 2). Thus, rising uncertainty has generally coincided with negative developments in confidence/the economy. However, the new survey-based measure of uncertainty is more than a simple mirror image of the existing indicators of confidence. This can be illustrated by the fact that by summer 2021, confidence in all surveyed business sectors had strongly rebounded to levels significantly above those in spring/summer 2019. [4] By contrast, uncertainty in summer 2021 remained well above its level two years ago.

Graph 2: **EU confidence versus uncertainty**



The sectoral breakdown of the new indicator points to intuitive cross-sector and cross-branch differences: services and retail trade experienced stronger increases and more protracted uncertainty than industry, and uncertainty in consumer-facing services has been dissipating at a much slower pace than in activities fit for 'home-officing', such as computer programming, consultancy and related activities.

From a conceptual point of view, the new survey-based indicator has the advantage that it is based on answers of firms and consumers about the foreseeability of future economic developments, and is thus a genuine and direct measure of perceived uncertainty. A comparison with a selection of existing measures of uncertainty in European Commission (2021) [5] suggests that the new indicator follows broadly the same trend but is less volatile and identifies changes in economic uncertainty at an early stage.

The new measure has the additional advantage that it can provide for a breakdown of business uncertainty by sectors and branches, or, for consumers, by socio-economic groups. It will be key in monitoring the vulnerability of the EU economies to future economic shocks.

[4] Average confidence in the EU in the period April-August 2019 was -4.7 in industry and 11.1 in services. In May-September 2021 it was up to 11.8 and 16.1, respectively.

[5] European Commission, European Business Cycle Indicators, 3rd quarter 2021, Special topic: New survey-based measures of economic uncertainty.

confirms moderation of activity in the fourth quarter.

However, *economic sentiment*, as reported in the Commission business and consumer surveys, remains upbeat. According to the flash estimate, consumer confidence dropped in October, but only moderately so, leaving it well above its pre-crisis level. By contrast, economic sentiment by business managers improved slightly in October, driven by improving confidence in services, construction and, to a lesser extent, retail trade. Confidence remained virtually unchanged in industry. Unlike the PMI indicators, which focus on activity in the month preceding the survey, the Commission indicators of economic sentiment are largely forward looking. They reflect, inter alia, expected demand, based on assessments of order books and the scarcity of stocks, which are currently at record high levels.

Overall, recent data (as well as Eurostat's preliminary flash estimate released after the cut-off date) is still consistent with another quarter of solid GDP growth in the third quarter. The fine print is set to come in lower than previously anticipated, at 2.1% in quarterly terms, as the strong growth in the second quarter would have advanced some of the rebound that was expected in the summer. Moreover, disruptions in the flow of raw material and intermediary goods and firms struggling to fill vacancies in several sectors seem to have started dampening production.

The EU economy is set to be virtually back to its pre-pandemic output level (2019-Q4) in the third quarter of this year – one quarter earlier than previously expected. It will then move onto an expansionary path in the fourth quarter, as activity in contact-intensive service sectors recovers further.

All in all, GDP growth in the EU is expected to jump by 5.0% in 2021 (the same in the euro area). Compared to the Commission's Summer Forecast (7 July 2021) of 4.5% for 2021, the stronger outlook for 2021 is driven by a larger carry-over effect from 2020 and by the stronger than expected growth in the second quarter. The implementation of the RRF has started to play an important role in the recovery, with an absorption at EU level estimated at close to 0.4% of EU GDP this year (around 15% of the total allocation).

Domestic and external tailwinds drive the expansion further into 2022 and 2023

Despite further moderation in economic growth, the economy is set to continue 'riding the reopening wave' for several quarters ahead. Consumer and business sentiment is set to remain at high levels while dissipating uncertainty and an improving labour market are assumed to support further moderation in the accumulation of household savings. Tourism is projected to benefit from a resurgence in bookings for non-business travel inside the EU during the winter vacations. Growth is expected to continue to be led by consumer spending, as consumers more confidently engage in contact-intensive activities and household purchasing power is supported by resilient disposable incomes. Investment is set to benefit from strong demand growth, favourable financing conditions, dissipating uncertainty and an increasing contribution from the NGEU/RRF. Inventory rebuilding and the need for technology upgrading should also be another important driver of demand.

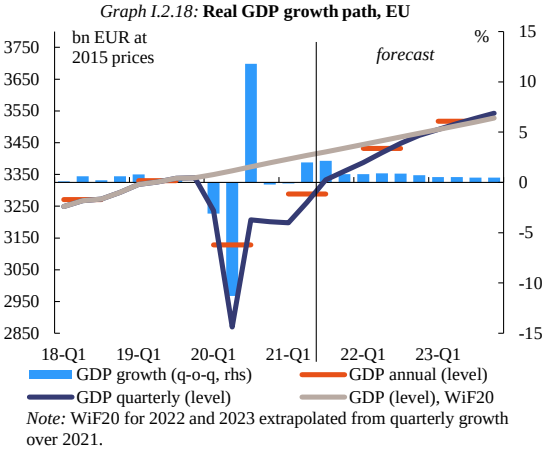
The absorption of RRF grants at EU level is estimated at above 0.5% of GDP in both 2022 and 2023. That makes a total absorption of around 1.5% of GDP over the period 2020-2023, corresponding to almost 65% of the total RRF financing. Among the large Member States, the forecast for France and Spain assumes a frontloaded absorption of grants (close to 90% of their total RRF grant allocation) while Germany and Italy would spend around 70% and 55%, respectively, of their RRF grant allocation by 2023. In terms of composition of expenditure, the highest allocation of the EU's RRF funding by 2023 goes to capital transfers (44%), predominantly supporting private investment, followed by general government investment (32%) while the remainder would finance current expenditure and other costs.

GDP growth in the EU is now forecast to reach 4.3% in 2022. Compared to the previous Commission forecast, the outlook is thus for moderately slower growth. The deceleration of growth in the second part of this year lowers the positive carry-over to next year, with a dampening effect on the 2022 annual growth rate.

Growth should moderate further in 2023 to 2.5%, in a movement towards 'normalcy' in terms of economic growth, as the push from the reopening wave should wane by the end of next year. However, the multi-year impact of the RRF has the potential to keep growth more dynamic than in the pre-pandemic period. With vaccination progressing everywhere, disruptions to economic activity outside the EU should diminish, thus removing one of the headwinds to growth.

In early 2023, real GDP in the EU is expected to converge to the level expected before the pandemic hit, based on an extrapolation of the trend in the Winter 2020 Interim Forecast (see Graph I.2.18). This means that the strong policy response not only allowed a relatively swift closure of the gap to the pre-pandemic level, but also w.r.t. the output level in a counterfactual scenario without pandemic shock.

Graph I.2.18: **Real GDP growth path, EU**



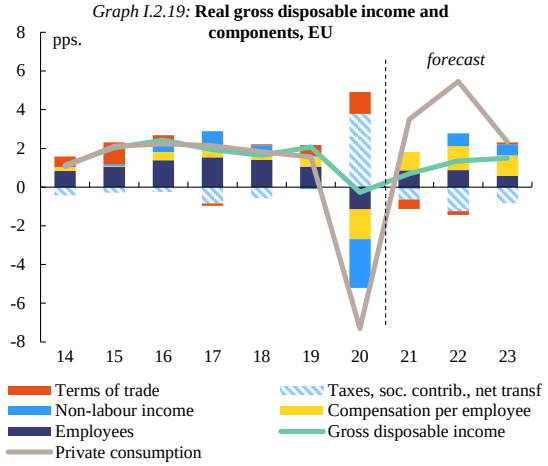
Note: WiF20 for 2022 and 2023 extrapolated from quarterly growth over 2021.

Consumers' spending keeps growth in high gear…

Households' purchasing power is projected to recover strongly in 2021, after the mild losses recorded during the pandemic crisis. The impulse to disposable incomes will be provided by surging labour income (see Section 2.4). By contrast, as income support measures start being withdrawn, net transfers and taxes are projected to contribute

negatively to disposable income growth (see Graph I.2.19).

Graph I.2.19: **Real gross disposable income and components, EU**



After a surge in the households' saving rate in the EU last year, to an historical high of 18.9%, the wedge between private consumption and disposable income growth is expected to narrow. Commission surveys show that consumers are still reporting relatively high levels of current and expected (over the next 12 months) *savings*, suggesting that precautionary motives will still be weighing on spending decisions for some time. However, as precautionary saving motives gradually abate, the household saving rate in the EU is forecast to decline to 17.3% in 2021 and to 13.9% in 2022. In 2023 the normalisation towards the pre-crisis rate is expected to remain incomplete (at 13.1% compared to 12.5% in 2019).

Going forward, domestic demand, in particular private consumption, will remain at the helm of the economic expansion. Even as pent-up demand is exhausted with the reopening of spending opportunities, the resumption of employment growth, as well as fading uncertainty about job and income prospects, together with the large stock of accumulated savings, offer enough fuel for a sustained strengthening of consumer spending. [16] Positive wealth effects from the recorded significant increases in the value of financial and real assets may also imprint an acceleration in the normalisation of savings. Still, the concentration of excess savings and financial/real assets in the upper part of the income distribution might restrain this acceleration. Also, a major increase in spending on durable consumer goods appears unlikely, as consumption of these has already recovered swiftly.

Overall, following a contraction of 7.3% in 2020, private consumption in the EU is forecast to grow by 3.5% this year, and then by 5.5% in 2022. Growth in 2023 is forecast at 2.3%.

…and public and private investment is set to increase…

A favourable outlook for demand, both internal and external, recovering profitability and increasing capacity utilisation rates are set to continue to propel investment spending. Corporate investment should also continue to benefit from favourable financing conditions. Public investment is also expected to pick up, also thanks to projects implemented in the context of NGEU/RRF that will be rolled out with increasing intensity towards the end of the forecast horizon. The acceleration of digitalisation triggered by the pandemic and new requirements in the context of environmental policy (e.g. transition to a low carbon economy) may also lead to higher investment by firms. Inventory rebuilding could additionally be another important driver of demand. At the same time, firms' weaker financial positions (e.g. debt burdens) left by the crisis and a possible increase in corporate insolvencies will dampen corporate investment. [17]

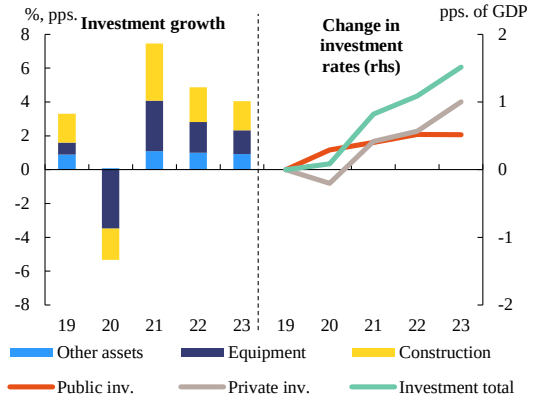
Households are expected to devote some of their accumulated savings to housing projects. The strength of the housing market and residential investment is already showing up in strong house price dynamics. In combination with favourable financing conditions and the impulse from NGEU/RRF, the conditions are in place for construction investment to grow strongly in the coming years. After reaching its pre-pandemic levels in the first quarter of this year, construction investment is forecast to grow by 7.0% in 2021, before losing speed. Still, growth of construction

[16] Households' gross savings in 2020 were about EUR 530bn higher than in 2019, equivalent to about 6% of households' disposable income in the EU. Between 2020 and 2023, households' 'extra' savings (compared to a scenario where the average saving rate between 2017-19 would be kept unchanged) in the EU are estimated to amount to 1.3 trillion €, or about 9% of GDP.

[17] The uneven high level of gross and net indebtedness across countries, sectors and firm size could limit the strength of economic growth over the medium term and increase the risk of a rise in firm defaults. See Bondt, G., Gieseck, A., Nicoletti, G., and M. Tujula (2021). 'Non-financial corporate health during the pandemic'. ECB *Economic Bulletin* 6, September.

investment is expected to remain buoyant at rates of 4.3% in 2022 and 3.6% in 2023.

Graph I.2.20: **Investment breakdown and investment rates since 2019, EU excluding IE**



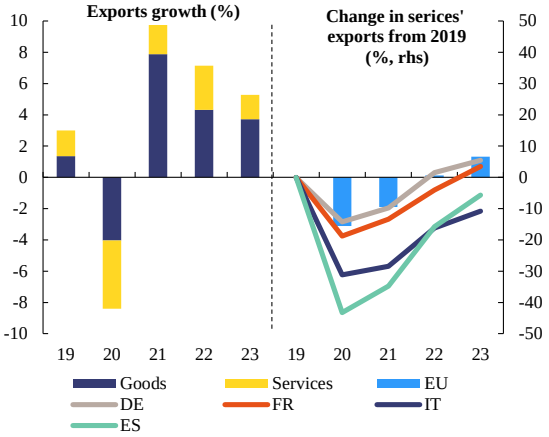
All in all, after falling by 5.3% in 2020, investment in the EU (excluding Ireland) is forecast to grow by 7.5% this year and by 4.9% in 2022 and 4.1% in 2023 (see Graph I.2.20), with both public and private investment rising. In particular, the EU's public investment-to-GDP ratio is projected to be at 3.5% of GDP in 2022 and 2023 from 3% in 2019, back to its highest values since 2010.

…with external demand adding a further boost.

As highlighted in Section 1.3, robust growth among the EU's major trading partners, as well as in global trade, is projected to fuel a strong recovery in exports this year and provide for strong momentum in the coming years. The (lagged) effects of the depreciation of the euro's exchange rate provide further traction. As highlighted in previous forecasts, the recovery of exports of hospitality and transportation services is projected to occur with a delay, displaying its most forceful growth rates in 2022, rather than in 2021, when cross-border restrictions to the movement of people from outside the EU are still playing a role.

All in all, exports of goods and services in the EU are forecast to grow by 9.7% this year. Growth is forecast to ease only slightly to 7.2% in 2022 and 5.3% in 2023. Exports of goods are forecast to grow 10.6% this year and 5.8% the next, while services exports are anticipated to grow by 7.2% this year and 11.2% in 2022. As a result, while goods exports are projected to move above pre-crisis levels already in 2021, exports of services are seen lagging (see Graph I.2.21). The next three years are also forecast to see export growth exceeding that of the EU's export markets.

Graph I.2.21: **Exports and external demand breakdown**



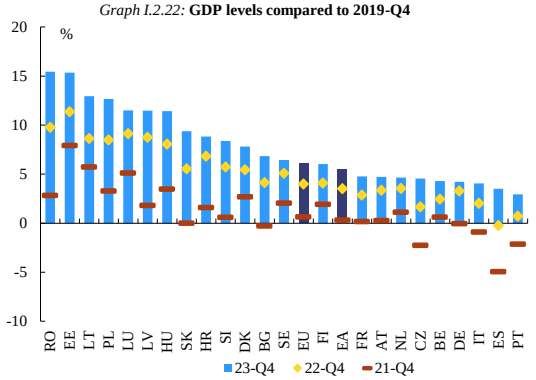
Imports growth is forecast to outpace that of final demand, with the consumption and investment-led recovery biased towards goods with a high import content. As a result, the decline in import penetration, as well as trade openness experienced in 2020, is expected to be fully reversed. [18]

The recovery remains uneven across countries and sectors, but less than feared

Most Member States are forecast to close the distance to their pre-crisis output levels by the end of 2021, with only a few countries closing it next year. Among the largest Member States, Poland returned to pre-crisis levels of output in 2021-Q2, the Netherlands is projected to have done so in 2021-Q3, France is forecast to reach it in 2021-Q4. Germany is set to follow in 2022-Q1, Italy in 2022-Q2 and Spain in 2023-Q1 (see Graph I.2.22). Beyond the recovery, the expansion will also progress at different speeds. With the EU economy converging to its pre-crisis growth path in 2023, 17 Member States are estimated to see their output gaps close that same year.

[18] Exports and imports as a share of GDP.

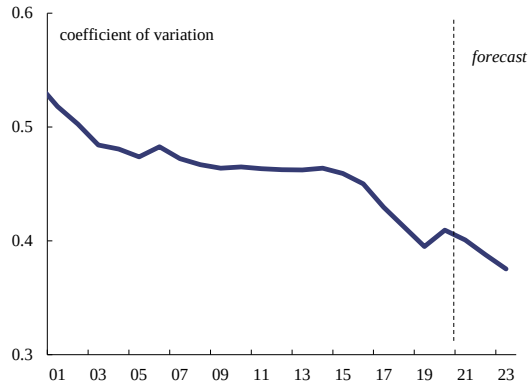
Graph I.2.22: **GDP levels compared to 2019-Q4**



Note: No GDP quarterly forecasts are reported for CY, EL, IE and MT.

The COVID-19 crisis triggered increased disparity in GDP per capita across the EU, interrupting the converging trend that took hold in 2014. The convergence process is expected to resume, also thanks to the support the RRF, which takes the level of economic development into account (see Graph I.2.23).

Graph I.2.23: **Dispersion of GDP per capita at PPP, EU**



2.4. LABOUR MARKET

Labour market conditions in the EU improved markedly in the second quarter of 2021 and are likely to have improved further in the third. Both headcount employment and hours worked increased. At the same time, the number of workers benefiting from job retention schemes fell and the unemployment rate decreased further. However, the recovery progressed unevenly across sectors and Member States alike. The crisis continues affecting particularly the young and those with lower educational attainment.

The labour market recovery remains incomplete…

With the relaxation of restrictions on contact-intensive activities during the second quarter of 2021, labour demand increased markedly. Not only did the EU economy create about 1.5 million new jobs, but the notable acceleration in economic activity also saw many workers exiting job retention schemes. As a result, headcount employment rose by 0.7% compared to the first quarter, while total hours worked increased by 2.4%, translating into an increase in average hours worked per worker of 1.6%.

The recovery remained incomplete, however. In the second quarter this year, total headcount employment in the EU was 1% shy of its pre-pandemic level (see Graph I.2.24). The gap with pre-pandemic average hours worked also remained open, at around 1.8% in the EU, as many workers continued benefitting from job retention schemes. [19] In addition, the labour force remained 0.9% smaller relative to their levels before the crisis. [20]

Still, the unemployment rate in the EU decreased by 0.3 pps. in the second quarter compared to the first. The unemployment rate continued declining during the summer months and, at 6.8% in the EU in August, it was near the rates recorded at the end of 2019. This is even more impressive if we consider that over the second quarter net inflows into activity reached about 1.2 million people.

Compensation per employee, which continues to be affected by job retention schemes, increased by 8.3% in both the EU and the euro area in the second quarter this year compared to the same period of last year. Over the same period, the index of negotiated wages [21] in the euro area – a metric that is unaffected by policy measures – grew by 1.7%.

[19] In July 2021, workers benefiting from job retention schemes accounted for 2.7% of the labour force, according to the ECB (Economic Bulletin, Issue 6, 2021).

[20] Both, the unemployment rate and labour force data are based on the Labour Force Survey, which contain a break in the series in 2021-Q1 due to a methodological change occurred with the entry into force of Regulation (EU) 2019/1700.

[21] European Central Bank, SDW

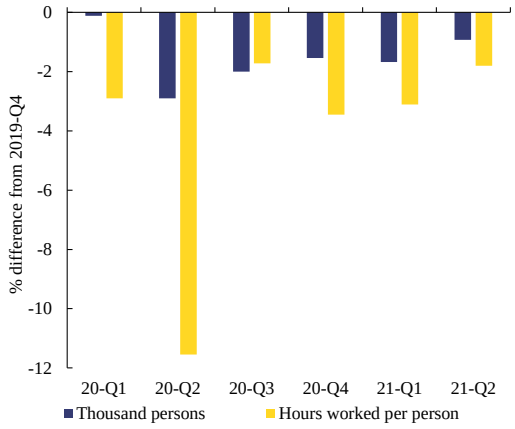
Table I.2.4:

Labour market outlook - euro area and EU

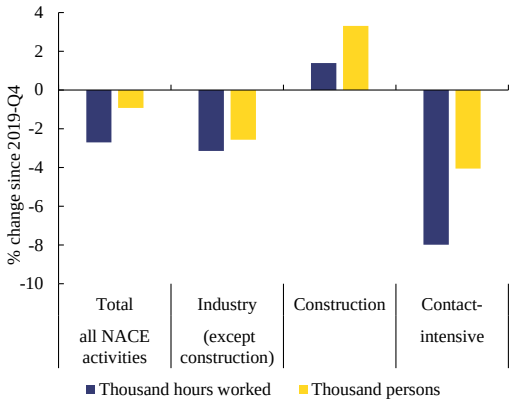
(Annual percentage change)	Euro area							EU						
	Autumn 2021 forecast				*Spring 2021 forecast*			Autumn 2021 forecast				*Spring 2021 forecast*		
	2020	2021	2022	2023	2020	2021	2022	2020	2021	2022	2023	2020	2021	2022
Population of working age (15-64)	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.1*	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.0*
Labour force	-1.2	**0.8**	**0.7**	**0.5**	*-1.3*	*0.6*	*0.5*	-1.0	**0.8**	**0.6**	**0.4**	*-1.1*	*0.6*	*0.5*
Employment	-1.5	**0.8**	**1.0**	**0.7**	*-1.6*	*0.0*	*1.2*	-1.4	**0.8**	**1.0**	**0.6**	*-1.5*	*0.0*	*1.0*
Employment (change in million)	-2.5	**1.3**	**1.7**	**1.1**	*-2.6*	*0.0*	*1.8*	-3.0	**1.7**	**2.0**	**1.4**	*-3.1*	*0.1*	*2.2*
Unemployment (levels in millions)	12.8	**12.9**	**12.3**	**12.1**	*12.7*	*13.8*	*12.9*	15.0	**15.1**	**14.4**	**14.0**	*15.0*	*16.2*	*15.1*
Unemployment rate (% of labour force)	7.9	**7.9**	**7.5**	**7.3**	*7.8*	*8.4*	*7.8*	7.1	**7.1**	**6.7**	**6.5**	*7.1*	*7.6*	*7.0*
Labour productivity, whole economy	-3.5	**3.0**	**2.7**	**1.4**	*-3.7*	*3.0*	*3.0*	-3.6	**3.3**	**2.9**	**1.6**	*-3.7*	*3.2*	*3.2*
Employment rate (a)	61.8	**62.2**	**62.7**	**63.0**	*61.7*	*61.5*	*62.2*	61.4	**61.8**	**62.4**	**62.8**	*61.3*	*61.2*	*61.9*

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

Graph I.2.24: **Headcount employment in the EU**



Graph I.2.25: **Employment change by sector in the EU**



… and uneven across sectors…

While the contact-intensive sectors benefitted most from the reopening, in the second quarter, employment in these sectors was more than 4% below its pre-pandemic level, while the gap in terms of hours was more than 8% (see Graph I.2.25). Headcount employment and hours worked in industry also remained short of their pre-pandemic levels, by 2.5% and 3%, respectively. Still, the rebound in economic activity in this sector pushed labour utilisation in terms of hours worked per employee to just 0.6% below its pre-pandemic level. Employment in the construction sector, which has been resilient during the crisis, recorded further gains in the second quarter, in terms of both headcount and, to a lesser extent, hours worked. Hours worked per employee did not reach pre-pandemic levels by the second quarter, however.

… and socio-economic groups, …

Throughout the crisis, support policies put in place at both the national and EU levels to protect jobs and incomes have played a crucial role in mitigating the impact of the pandemic on household incomes. The impact of the crisis on socio-economic groups has been uneven, however, throughout the crisis, potentially leading to widening income inequalities. Young workers and those with lower educational attainment bore the brunt of the job losses at the height of the recession in 2020 and remained affected more than other groups until the second quarter of this year. While employment among young people rebounded somewhat, the number of employed workers with lower than secondary educational attainment was still decreasing. The Commission's consumer survey shows that the perceived financial situation of young respondents improved markedly during the summer months. Employment levels of women and men in the EU have not been impacted differently.

…amid emerging signs of tightness.

The labour market slack [22] accumulated since the outbreak of the pandemic declined markedly but was not yet fully re-absorbed in the second quarter of 2021. It fell to 14.5% in the second quarter after peaking at 15.5% in the first.

Evidence on the remaining labour market slack contrasts with emerging evidence of some labour market tightening. Vacancy rates picked up in all main sectors, on aggregate matching their pre-pandemic levels in the EU in the second quarter. Moreover, an increasing share of businesses signalled that labour was becoming a factor limiting their production, reaching record high levels in industry in the last quarter of 2021 (see Graph I.2.14 and Special Issue 3 in Chapter 4).

The labour market is forecast to complete the recovery and move into expansion

With economic activity forecast to grow, labour market conditions are expected to continue improving. Employment gains in the near future are set to be broad-based across sectors. The Employment Expectations Index of the Commission's surveys continued increasing during the third quarter, with all surveyed sectors contributing positively. This is confirmed by the October reading of the Composite PMI Employment Index, which signalled improving prospects for euro area labour markets. In addition, consumers' unemployment expectations markedly receded in the third quarter, according to the Commission's survey.

The strong economic expansion this year is expected to raise hours worked more than headcount employment, as workers leave job retention schemes gradually. Still, headcount employment, which is forecast to increase by 0.8% in the EU this year, is expected to grow in most Member States. Exceptions are Italy, where employment is forecast to adjust further down, and Germany and Bulgaria, where employment levels are forecast to stagnate.

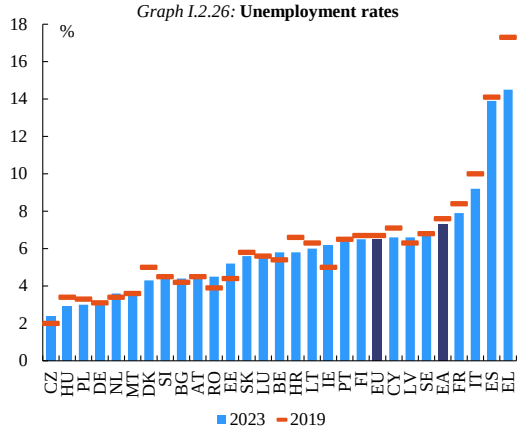
[22] According to Eurostat's definition, labour market slack is the sum of unemployed persons, underemployed part-time workers, persons seeking work but not immediately available and persons available to work but not seeking, expressed as a percentage of the extended labour force, which adds up the aforementioned sum and the employed persons. The presented figure covers an age class from 15 to 74 years.

Next year, employment growth is forecast to increase to 1% in the EU, bringing headcount employment above its pre-pandemic level. All Member States are expected to see employment rise. In 2023, employment growth in the EU is projected to ease to 0.6%, with the number of employed exceeding levels seen in 2019 in all Member States except in Bulgaria, Czechia, Estonia, Italy, Latvia and Lithuania.

The EU unemployment rate is forecast to stay at 7.1% this year, as strong inflows from inactivity are set to mitigate the impact of buoyant labour demand on the unemployment rate. Still, most Member States are projected to see the unemployment rate decline this year.

Even though inflows from inactivity are expected to continue next year, job creation is forecast to help further reduce unemployment rates in most Member States. The unemployment rate is projected to decline to 6.7% in the EU in 2022 and to fall further to 6.5% in 2023. However, eleven Member States are forecast to see their unemployment rates remain above pre-pandemic levels (see Graph I.2.26).

Graph I.2.26: **Unemployment rates**



Compensation of employees per head is forecast to increase from 2.9% this year to 3.3% next year before easing to 2.8% in 2023. Following a benign gain in 2020, these rates are above those seen before the crisis. Real compensation per employee, however, is projected to increase at rates similar to those seen before the crisis. After growing by 0.5% this year, growth of real compensation per employee is projected to pick up to 1% next year and 1.2% in 2023. At the same time, labour productivity is expected to grow swiftly over the forecast horizon, fully recovering next year and moving into expansion in 2023. Unit labour costs are set to decrease by 0.3% in the EU this year, as

Table I.2.5:

Inflation outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Autumn 2021 forecast				*Spring 2021 forecast*			Autumn 2021 forecast				*Spring 2021 forecast*		
	2020	2021	2022	2023	2020	2021	2022	2020	2021	2022	2023	2020	2021	2022
Private consumption deflator	0.5	**2.2**	**2.0**	**1.5**	*0.5*	*1.6*	*1.3*	0.7	**2.4**	**2.3**	**1.6**	*0.7*	*1.8*	*1.5*
GDP deflator	1.6	**1.6**	**1.9**	**1.5**	*1.5*	*1.2*	*1.4*	1.9	**1.9**	**2.1**	**1.7**	*1.8*	*1.4*	*1.5*
HICP	0.3	**2.4**	**2.2**	**1.4**	*0.3*	*1.7*	*1.3*	0.7	**2.6**	**2.5**	**1.6**	*0.7*	*1.9*	*1.5*
Compensation per employee	0.6	**2.6**	**2.9**	**2.4**	*0.6*	*2.2*	*2.4*	0.8	**2.9**	**3.3**	**2.8**	*0.9*	*2.5*	*2.7*
Unit labour costs	4.3	**-0.4**	**0.2**	**1.0**	*4.4*	*-0.7*	*-0.6*	4.5	**-0.3**	**0.4**	**1.2**	*4.7*	*-0.7*	*-0.5*
Import prices of goods	-3.8	**7.0**	**3.7**	**1.1**	*-3.8*	*3.0*	*1.1*	-3.4	**6.9**	**3.7**	**1.2**	*-3.4*	*2.8*	*1.3*

labour productivity growth is expected to outpace growth in compensation per employee. Unit labour costs are forecast to increase by 0.4% and 1.2% next year and in 2023, respectively, as growth of compensation outpaces labour productivity gains.

2.5. INFLATION

Following several years of low inflation, the strong resumption of economic activity in the EU has been accompanied by a swift pick-up in inflation. While an increase was expected, recent inflation prints have repeatedly exceeded expectations.

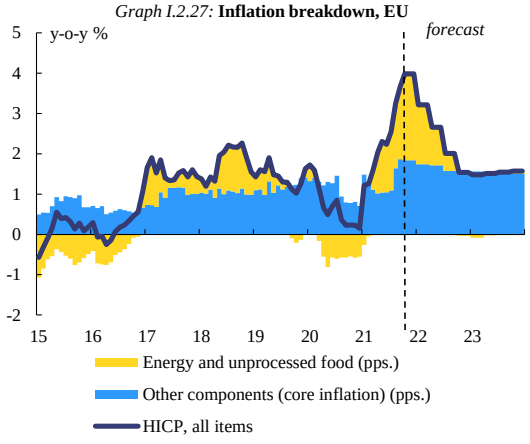
Annual HICP inflation in the euro area hit a ten-year high of 3.4% in September. It rose from a negative -0.3% on average in the last quarter of 2020, to 1.8% and 2.8% in the second and third quarters of 2021, respectively. The third quarter reading therefore came in higher than the 2.4% projected in the summer forecast. Some EU countries both within and outside the euro area recorded very strong upticks, with September inflation rates reaching highs of 6.4% in Estonia and Lithuania, and 5.5% and 5.6% in Hungary and Poland, respectively.

Swings in energy prices have been strongly influencing the profile of headline inflation since the outset of the pandemic. Throughout most of 2020, energy prices have pulled the inflation rate down. They have been pushing it back up during the second quarter of 2021. In September 2021 alone, energy inflation topped 17.6% y-o-y, the highest on record since 1997, while the October reading – which came in after the cut-off date for this forecast – marked a new record at almost 24%.

The strong increases in the energy component of the HICP are largely linked to the increase in energy commodity prices, most notably of natural gas and electricity, but also of oil and, more recently, coal (see Chapter 4). Compared to pre-pandemic levels, the natural gas price in Europe surged dramatically. It started to tick gradually higher in the summer of last year and has accelerated markedly since August this year. Oil prices also increased, but not to the same extent: Brent oil hovered just above 80 US dollars per barrel in October, almost double that of October last year, and from around 60 pre-pandemic.

Whereas increases in energy prices largely dominated the dynamics of headline inflation, annual price increases have become broad-based in recent months, with non-energy industrial goods (2.1%, y-o-y), food (2.0%, y-o-y) and services (1.7%, y-o-y) adding 0.6 pps., 0.4 pps and 0.7 pps. to the euro area September headline figure, respectively. Core inflation (headline inflation excluding energy and unprocessed food) thus increased to 1.9% in September, the highest rate since 2012.

Graph I.2.27: **Inflation breakdown, EU**



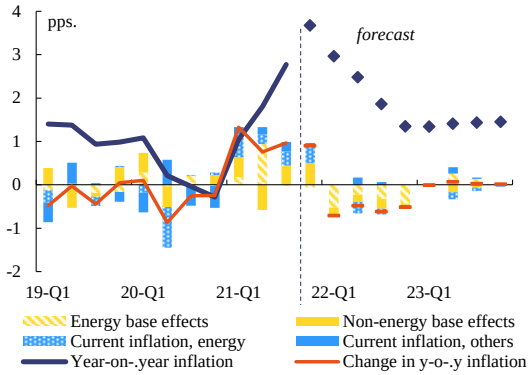
Base effects are playing a prominent role in 2021

The strong pick-up in inflation since early 2021 is to some extent a mechanical response to the fading out of the deflationary forces that pushed inflation down during the early stages of the pandemic. At the current juncture, however, prices are not just

reverting to their long-term trend, but are registering increases that go beyond that trend.

When interpreting changes in annual inflation rates, it is important to distinguish variations that reflect price developments in the current year – i.e. 'current inflationary developments' - from those related to price volatility registered in the same period of the previous year, i.e. the so-called "base effects". Graph I.2.28 shows a decomposition of quarterly inflation developments into base effects and other inflation developments – both broken down into their energy and non-energy component (the latter being an aggregate of processed food, unprocessed food, non-energy industrial goods and services). Such decomposition generally relies on an assumption of a "normal" rate of inflation for each category of goods and services, which in this case is the average rate of inflation for the respective category since 1996. (23)

Graph I.2.28: **Breakdown of HICP inflation, euro area**



Note: Calculated as the difference between the change in the quarterly y-o-y inflation rate and the combined base effects.

As explained before, the exceptional fall in energy prices registered at the outset of the pandemic generated large base effects in the second quarter of this year. Cumulatively, these explain around one third of the increase of inflation in the first three quarters of this year, or roughly 1.1 pps of the 3.1 pps change in average inflation registered between 2020-Q4 (-0.3%) and 2021-Q3 (2.8%).

Base effects related to non-energy prices played a smaller, but non-negligible role. They reflect a catch-up in prices after the disinflationary forces in place in 2020 in several contact-intensive services, as well as policy-induced factors like temporary changes in taxes and/or administered prices and time shifts in the season sales. Namely, the temporary VAT reduction enacted in Germany in the third and fourth quarter of 2020, to help businesses and consumers during the COVID-19 crisis, significantly contributed to subdued inflation towards the end of last year for the euro area as a whole. The reinstatement of the standard VAT rate at the end of 2020 started pushing the annual inflation rate up through base effects in the first of July 2021 – even if the increase in prices between June and July was relatively subdued. The same happened for several goods and services recording abnormally low price increases or outright price contractions in the third quarter of last year. All in all, these base effects increased the inflation rate of the third quarter of this year by another 0.3 pps., with an additional push set to come in the fourth quarter, when the reversal of the temporary reduction of the VAT will have fully played out.

Cumulatively, base effects are estimated to explain about half of the increase of inflation registered in the first three quarters of this year. Conditional upon a stabilisation of energy commodities, the current extreme rates of inflation of the energy component are likely to be transitory, as they reflect to a large extent the post-pandemic readjustment.

But new inflationary pressures are emerging …

New inflation developments over the year coming on top of aforementioned base effects explain the residual part of the change in inflation. Overall, new energy inflationary developments added another 1.1 pps to the change in inflation between January and September 2021. In other words, energy alone explained more than 2/3 of the increase in inflation in the first three quarters, half of which was due to energy base effects and another half to additional energy inflationary pressures. Over the same period, the contribution from new inflationary developments in services

(23) Base effects are calculated as the contribution to the change in the year-on-year inflation rate in a given quarter that stems from a deviation of the quarter-on-quarter rate of change in the base quarter from its norm. Current inflation developments are calculated as deviations from the norm occurring in the current quarter. In this case, the norm is defined as the long-term average annual inflation rate for each broad categories of inflation since 1996. In mathematical terms, if we indicate the annual quarterly inflation rate in the t^{th} quarter with the letter π_t and the price level in the same quarter with the letter p_t, we have: $\pi_t - \pi_{t-1} = [(\ln(p_t) - \ln(p_{t-1}) - \overline{\pi_t}) - (\ln(p_{t-4}) - \ln(p_{t-5}) - \overline{\pi_t})] * 100$, where $\overline{\pi_t}$ denotes the average rate of quarterly inflation (norm) in quarter *t*, and the term $(\ln(p_{t-4}) - \ln(p_{t-5}) - \overline{\pi_t})$ defines economic base effects in quarter t while $(\ln(p_t) - \ln(p_{t-1}) - \overline{\pi_t})$ defines current inflationary developments.

and non-energy goods stood at a more modest 0.6 pps.

… with pipeline pressures are running high

Strong rises in producer prices, as well as the surge in selling price expectations reported by business managers in Commission surveys, signal that pipeline price pressures are building up, reflecting e.g. the shortage of material/equipment, increasing capacity utilisation and orders (see Section 2.3).

Industrial producer price inflation on the domestic market increased steeply this year and reached 13.4% year-on-year in September, a historical peak for this series (starting in 1996). Clearly, energy prices contributed the most to this increase, but the non-energy component also stood at a historical high. Concomitantly, industrial import prices progressed to a growth rate of 15.2% y-o-y in September, driven most notably by energy imports (81%) but also intermediate goods (17.6%).

Selling price expectations in all business sectors surveyed by the European Commission (i.e. industry, services, retail trade and construction) continued their steep increase observed since the beginning of the year and reached new all-time highs in October.

Inflation expected to decline over the course of 2022 before stabilising in 2023.

According to the technical assumption underpinning this forecast, oil prices are set to come down gradually from a high expected to be reached in 2021-Q4. By contrast, according to futures contracts, wholesale gas and electricity prices are expected to stay high until spring, before abating but remaining above pre-crisis levels.

Notwithstanding large variation across countries in the pace and size of the transmission to households' retail electricity and gas prices, increasing energy prices are set to add further price pressures in the fourth quarter of this year, adding 0.4 pps to the headline inflation rate attained in 2021-Q3.

This is expected to be compounded by continued positive base effects mainly related to non-energy goods and services (including as a result of the above-mentioned reinstatement of the standard VAT rate in Germany), which should add a further additional 0.5 pps to inflation in the fourth quarter. Altogether, the inflation rate is expected to increase from 2.8% in 2021-Q3 to 3.7% in 2021-Q4.

In 2022 and to a lesser extent in 2023, the energy component of the HICP is set to continue to dominate headline inflation dynamics. As of the second quarter of 2022, however, the forces that have pushed inflation up in the second half of this year, are set to revert, leading to negative (inflation-reducing) base effects. Between the last quarter of 2021 (3.7%) and the last quarter of 2022 (1.3%), inflation is set to decrease by some 2.3 pps in the EA – with around 1.5 pps explained by negative energy base effects. Base effects related to non-energy goods and services are expected to detract another 0.6 pps from inflation. By 2023, base effects related to pandemic deflationary pressures first and energy reflationary pressure later are expected to have fully played out, and no new significant inflationary pressures are expected. The annual inflation rate for the EA in 2023 is projected to maintain a broadly flat quarterly profile at around 1.4% - largely corresponding to the forecast core inflation. On a yearly basis, inflation in the euro area is therefore set to peak at 2.4% this year and then decrease to 2.2% in 2022 and 1.4% in 2023.

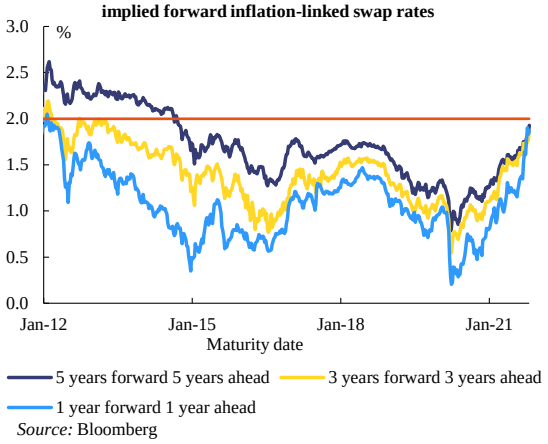
This inflation forecast reflects a limited reaction of wages to current inflation. Nominal compensation per employee in 2022 and 2023 in the EA is expected to exceed the headline inflation rate, marking an increase in real compensation growth, following the slowdown in 2020 and 2021. However wage growth is set to remain subdued, reflecting residual slack on the labour market.

The inflation dynamics in the EU aggregate are forecast to broadly mirror the developments described above for the EA – especially as concerns the role of energy prices. Somewhat stronger wage growth in non-euro area economies coupled with more pronounced increases in energy prices (also due to an unfavourable energy mix in some countries) is expected to push inflation in the EU slightly above the rates projected for the euro area. HICP inflation in the EU is forecast to rise to 2.6% in 2021 and decline to 2.5% and 1.6% in 2022 and 2023, respectively.

Market inflation expectations increase but remain anchored below 2%

Market-based medium and longer-term inflation expectations increased further since summer but overall they remained below current readings, still suggesting that markets interpret the current elevated inflation rates as largely transitory. The longer-term (5y-5y) expectations reversed the declines of the past ten years and stood at 1.9% by the cut-off date of this forecast. The mean market forecast for euro area inflation calculated by Consensus Economics stood in October at 2.3% in 2021 and 2% in 2022, up from 1.9% and 1.4% in July.

Graph I.2.29: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

2.6. CURRENT ACCOUNT

After unusual fluctuations, the return towards some type of 'economic normalcy' is set to push the EU current account and its sub-accounts closer to the underlying trends observed before the pandemic.

The EU current account surplus is projected to increase markedly over the forecast horizon...

Between 2020 and 2023, the current account surplus in the EU is forecast to expand much faster than nominal GDP. As a percentage of GDP, it is forecast to rise from 2.7% to 3.2%, which is closely linked to the fading away of the multiple disruptions generated by the COVID-19 shock.

...as pandemic-related effects that have held back service and merchandise trade diminish...

Up to this year, the services account was affected by the lower surplus in travel, as due to travel bans many international visitors were unable to visit EU destinations. With tourism recovering, the services account is set to exhibit higher surpluses in the forecast years (from 0.7% of GDP in 2020 to 1.5% of GDP in 2023).

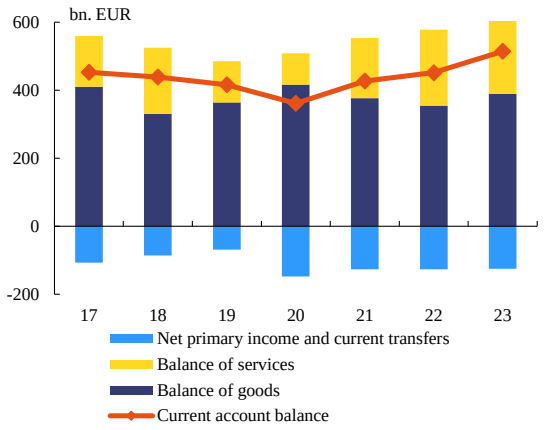
The fall in global demand after the pandemic outbreak also affected negatively EU goods exports. Imports, however, fell by an even higher rate. Moreover, import prices also fell last year, especially for crude oil, contributing to a higher surplus in the goods account. Amid rising import prices for intermediate goods and commodities, including prices for crude oil and natural gas, nominal imports are projected to grow stronger than exports this year and next, which lowers the goods account surpluses in both years. The surplus in the merchandise trade balance is expected to stand in the three forecast years close to 2½% of GDP, which is lower than the surplus in 2020 (3.1% of GDP) but close to the levels registered in the years before the pandemic.

After the outbreak of the pandemic, the EU's surplus on primary income declined substantially, mainly on account of lower earnings from EU investment abroad. As the ongoing global recovery is expected to raise global earnings, the net primary surplus is set to increase. The deficit in the balance of primary income and current transfers is projected to decline slightly in the forecast years (from -1.2% of GDP in 2020 to -1.0% in 2023). All in all, the current account balance is set to show widening surpluses between 2020 and 2023 (see Graph I.2.30).

These developments in the EU current account balance mirror the dynamics of aggregate saving and investment. Although investment in the EU fell last year, gross national saving fell to an even larger extent, concealing heterogeneous changes in the net lending position of households, non-financial corporations and the public sector. While savings of private households went up (by about 50% in 2020), and savings of non-financial corporations remained almost unchanged, the general government deficit increased significantly from a historical low reached before the pandemic (see Section 2.7). Going forward, gross national saving as a percentage of GDP is expected to

increase further each year until 2023, as household savings decline only slowly and the general government deficit falls due to the phasing out of pandemic support measures and the operation of the automatic stabilisers.

Graph I.2.30: **Current-account balance, EU**



…but with heterogeneous impact on Member States' current account balances.

The pandemic shock will continue to have a heterogeneous impact on Member States' current account balances. Throughout the forecast years, some large creditor countries, such as Germany and the Netherlands, are expected to maintain sizable surpluses, reflecting high corporate and household savings and investment that is growing more slowly than in the rest of the EU.

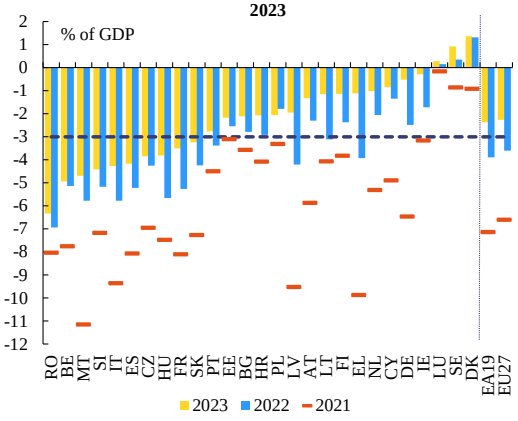
Several of last year's surplus countries are expected to see their current account balances as a percentage of GDP to increase over the forecast horizon, most notably the Netherlands and Luxembourg, whereas several of last year's deficit countries are set to see their deficits narrow (e.g. Greece, France, Cyprus, and Portugal) or disappear (e.g. Estonia, Ireland, Bulgaria, Croatia). By contrast, surpluses are expected to be smaller than in 2020 in Germany, Italy, and Slovenia and Denmark or turn into deficits in Latvia, Austria and Czechia.

2.7. PUBLIC FINANCES AND POLICY STANCE

Improved growth prospects point to lower 2021 public deficits than expected in spring…

In 2020, the sharp economic downturn and forceful fiscal policy response [24] led to an unprecedented increase in headline deficit and debt ratios in the EU and euro area. In particular, the EU aggregate general government deficit increased from a historically low of around 0.5% of GDP in 2019 to around 7% in 2020. As the EU economy is recovering faster than previously expected, the deficit (Graph I.2.31) is now forecast to narrow marginally in 2021, instead of increasing further as was expected in spring and notwithstanding continued discretionary fiscal measures to shelter households, workers and firms from the impact of the COVID-19 (Graph I.2.32).

Graph I.2.31: **Budget balance in EU countries: 2021-2023**



…and large deficit declines in 2022 and 2023

The aggregate budget deficit in the EU is forecast to halve to around 3.5% of GDP in 2022, and decrease to 2.2% in 2023. The unwinding of the emergency support measures and the operation of the automatic stabilisers, as the economic recovery continues, are set to support the improvement in the budget balance (see Graph I.2.32).

[24] The swift activation at the EU level of the 'general escape clause' of the Stability and Growth Pact in March 2020 allowed Member States to undertake measures to deal adequately with the crisis, while departing from the budgetary requirements that would normally apply under the European fiscal framework. See also https://ec.europa.eu/info/sites/info/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf

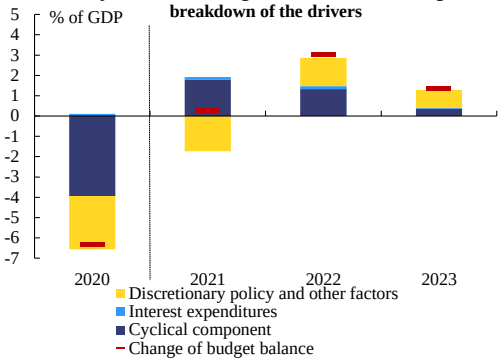
Table I.2.6:

General Government budgetary position - euro area and EU

(% of GDP)	Euro area							EU						
	Autumn 2021 forecast				*Spring 2021 forecast*			Autumn 2021 forecast				*Spring 2021 forecast*		
	2020	2021	2022	2023	2020	2021	2022	2020	2021	2022	2023	2020	2021	2022
Total receipts (1)	46.6	**46.1**	**45.5**	**45.5**	*46.8*	*46.2*	*45.8*	46.3	**45.8**	**45.2**	**45.1**	*46.5*	*45.9*	*45.5*
Total expenditure (2)	53.8	**53.2**	**49.4**	**47.9**	*54.1*	*54.2*	*49.6*	53.1	**52.4**	**48.8**	**47.4**	*53.4*	*53.4*	*49.1*
Actual balance (3) = (1)-(2)	-7.2	**-7.1**	**-3.9**	**-2.4**	*-7.2*	*-8.0*	*-3.8*	-6.9	**-6.6**	**-3.6**	**-2.3**	*-6.9*	*-7.5*	*-3.7*
Interest expenditure (4)	1.5	**1.4**	**1.2**	**1.2**	*1.5*	*1.4*	*1.3*	1.4	**1.3**	**1.2**	**1.1**	*1.4*	*1.3*	*1.2*
Primary balance (5) = (3)+(4)	-5.7	**-5.7**	**-2.7**	**-1.2**	*-5.7*	*-6.6*	*-2.6*	-5.5	**-5.3**	**-2.4**	**-1.1**	*-5.5*	*-6.1*	*-2.4*
Cyclically-adjusted budget balance (a)	-3.8	**-5.7**	**-3.9**	**-2.8**	*-3.7*	*-6.2*	*-3.6*	-3.7	**-5.2**	**-3.5**	**-2.6**	*-3.7*	*-5.8*	*-3.5*
Cyclically-adjusted primary balance (a)	-2.2	**-4.3**	**-2.6**	**-1.6**	*-2.2*	*-4.8*	*-2.4*	-2.2	**-3.9**	**-2.4**	**-1.4**	*-2.3*	*-4.4*	*-2.2*
Structural budget balance (a)	-3.6	**-5.7**	**-3.9**	**-2.8**	*-3.6*	*-6.2*	*-3.7*	-3.6	**-5.3**	**-3.5**	**-2.6**	*-3.6*	*-5.8*	*-3.4*
Change in structural budget balance (a)	-2.4	**-2.1**	**1.9**	**1.1**	*-2.5*	*-2.6*	*2.6*	-2.4	**-1.8**	**1.8**	**1.0**	*-2.5*	*-2.2*	*2.4*
Gross debt	99.3	**100.0**	**97.9**	**97.0**	*100.0*	*102.4*	*100.8*	91.8	**92.1**	**90.0**	**89.1**	*92.4*	*94.4*	*92.9*

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

Graph I.2.32: **General government balance change: breakdown of the drivers**



Notes: Given the high uncertainty surrounding potential growth estimates at this juncture, the automatic stabilisers' impact is subject to larger revisions than usual.

In most Member States, the deficit is projected to still exceed 3% of GDP in 2021. The only exceptions are Denmark, Luxembourg and Sweden, with deficits around or below 1% of GDP. Several Member States are set to show very high deficits, with Malta expected to run the highest deficit (11.1% of GDP). By the end of the forecast horizon, under a no policy change assumption, ten countries are still forecast to have a deficit above 3% of GDP (Belgium, Czechia, Spain, France, Italy, Hungary, Malta, Romania, Slovenia and Slovakia).

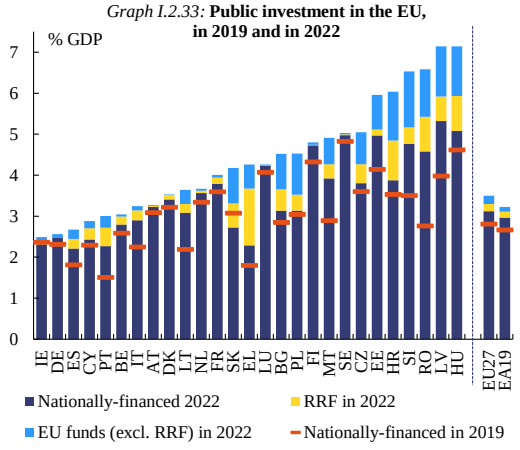
Changes in the expenditure ratio drive deficit developments

In 2022 and 2023, improvements in the general government balance are set to be driven predominantly by the reduction in the expenditure-to-GDP ratio, as a result of the expected phasing out of the emergency measures in the numerator and growth above potential in the denominator. The expenditure-to-GDP ratio is expected to sharply decline in 2022 (around 4 pps.) and in 2023 (1.5 pp.), after the record high level of above 53% of GDP recorded in the EU in 2020. The revenue-to-GDP ratio is projected to decline slightly between 2021 and 2023. In this forecast round, expenditure and revenue projections fully incorporate the RRF.

The RRF will support public investment and the quality of public finances...

The EU aggregate public investment-to-GDP ratio is projected to increase from 3% of GDP in 2019 to 3.5% in 2023. A large part of this increase is related to investment financed by the EU, especially the RRF. At the same time, almost all Member States are expected to spend more on public investment than they did before the pandemic (Graph I.2.33). Differences in EU-financed investment between Member States depend on the allocation of RRF grants and other EU funds, as well as the degree of absorption.

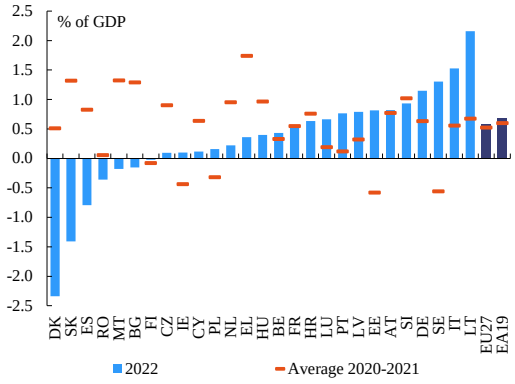
Graph I.2.33: **Public investment in the EU, in 2019 and in 2022**



…but net current public expenditure is also set to increase

In several Member States, the projected increase in nationally financed current expenditure - net of discretionary revenues and excluding emergency temporary measures - is projected to have exceeded the medium-term potential GDP growth rate in 2020 and 2021, with an average impact on the EU aggregate of around 0.5% of GDP (Graph I.2.34). A further increase in nationally financed current expenditure is expected in 2022, with an impact of around 0.6% of GDP on the EU aggregate. This suggests an increasing weight of permanent current expenditure, over and above the temporary emergency support deployed to tackle the COVID-19 crisis.

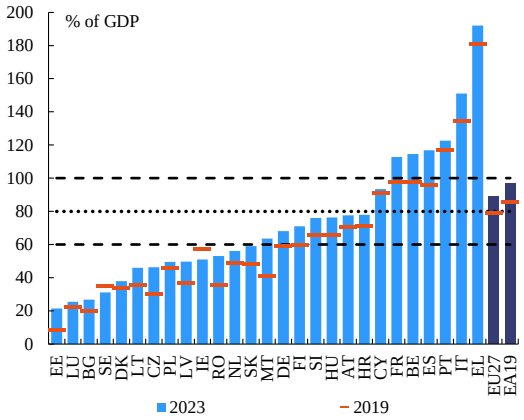
Graph I.2.34: **Growth of nationally-financed current expenditure in excess of medium-term potential growth**



The debt ratio is set to peak in 2021

In 2020, the aggregate debt-to-GDP ratio of the EU rose by over 13 pps., reaching around 92% (100% in the euro area) (Graph I.2.35). More than half of the Member States recorded a debt above 60% of GDP, with Greece standing out with a debt above 200%. In 2021, the debt-to-GDP ratios are projected to start declining in around half of Member States, and continue decreasing in almost all EU countries thereafter. At the end of 2023, the debt ratio is expected to remain above 100% of GDP in six Member States (Belgium, Greece, Spain, France, Italy, and Portugal), up from three Member States at the end of 2019.

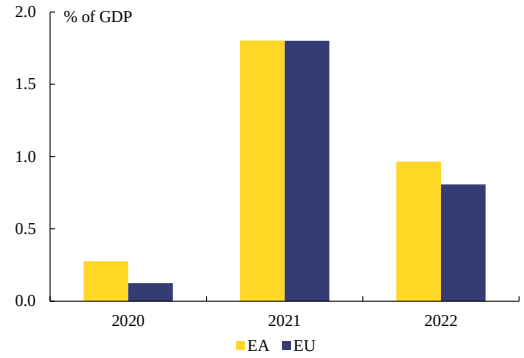
Graph I.2.35: **General Government debt developments**



The EU fiscal stance in 2021 and in 2022 will continue to be supportive…

The fiscal stance, excluding temporary emergency measures but including support from the EU budget [25], is projected to remain expansionary between 2020 and 2022 for both the EU and the euro area.

Graph I.2.36: **Fiscal stance in the EU and the euro area**



Note: corrected for emergency temporary measures

In 2020, the fiscal stance is estimated to have been expansionary at around ¼% of GDP. In 2021, the fiscal expansion is projected to be sizable, above 1¾% of GDP. Nationally-financed current expenditure is expected to provide an expansionary contribution around 1% of GDP. Other positive

[25] The assessment of the euro area fiscal stance needs to take into account the unprecedented fiscal support provided at EU level through NGEU and especially its RRF. Expenditure financed by RRF grants does not, however, show up in the conventional indicators of fiscal surveillance. In other words, in the presence of NGEU, the business-as-usual indicator of the fiscal stance underestimates the fiscal impulse provided to aggregate demand. In order to present the full picture, the EU and euro area fiscal stance needs to include support from the EU budget.

contributions will come from public investment and other capital spending financed by the national and the EU budgets. A further fiscal expansion close to 1% of GDP is forecast for 2022.

…reinforced by the accommodative monetary policy

The mutually-reinforcing benefits of fiscal and monetary policies have limited the economic damage of the pandemic. Monetary policy conducted during the crisis has helped easing financing conditions and preserving financial stability, hence contributing to a more effective transmission of fiscal policy to the economy. At the same time, the transmission of the accommodative monetary policy stance has been facilitated by a supportive fiscal stance. These benefits are set to continue in 2021 and 2022 given ECB's forward guidance and the support to aggregate demand provided by both national budgets and the Recovery and Resilience Facility. The strong complementarity between fiscal and monetary policies remains essential for the recovery to maintain traction in the near term.

3. RISKS

Uncertainty and risks surrounding the growth outlook remain high, and in a context of deteriorating epidemiological situation, the balance of risks has tilted to the downside.

COVID-19 has not yet been defeated and the recovery is heavily dependent on its evolution, both within and outside the EU. Economic risks also relate to the potential protracted impact of the current supply constraints and bottlenecks. The main upside risk to the growth outlook is related to potential efficiency gains and durable productivity advances triggered by the pandemic-induced structural changes.

Inflation may turn out higher than forecast, if supply constraints are more persistent and cost and wage pressures are passed on to consumer prices more strongly than assumed.

The main unknown remains on the epidemiological front…

Since spring, fast progress in vaccination in the EU and some adaptation of firms and households to the remaining restrictions have significantly weakened the relationship between the epidemiological situation and economic outcomes. However, the persisting health risk posed by the pandemic could still hold back the recovery. The recent surge of cases in many countries may lead to the reintroduction of restrictions with impact on economic activity. In the EU, this risk is particularly relevant in Member States with relatively low vaccination rates. In other words, the assumption underlying this forecast that the pandemic will not cause any major economic disruptions in the EU over the forecast horizon may prove too benign. Outside the EU, the risk of new waves of the pandemic is even greater, as large parts of the population in emerging markets are still waiting for their first vaccine dose.

…and new headwinds to the EU's growth momentum may strengthen

Global supply bottlenecks may persist for longer than assumed in this forecast, while new COVID-19 outbreaks (both in the EU and abroad), structural impediments or geopolitical tensions may exacerbate material and labour shortages and push energy commodity prices further up, or hinder their normalisation. This would further hamper activity in the affected markets and sectors, weigh on sentiment and increase production costs. Persisting cost pressures would eventually weigh on business investment and/or consumption if passed on to consumer prices.

Further risks from the external side come from the ongoing debt crisis in China's real estate sector, which primarily risks undermining the growth outlook in China, but with potential spill-overs to the rest of the world.

Extreme weather events related to climate change and the deterioration of the environment may be occurring at a frequency and scope that takes on macroeconomic relevance.

Domestic demand could be more vigorous than projected …

The strength of demand could still surprise on the upside, as it has done in the past two quarters. This could be the case if households replace more of their savings with consumption. Furthermore, the investments fostered by the RRF could generate a stronger impulse to activity through e.g. stronger cross-sector and cross-country spillovers. Decarbonisation along with broader pandemic-induced structural shifts favouring the digital transformation, could also lead to a faster reallocation of resources, spurring durable efficiency gains and productivity advances and resilience.

…while longer-than-expected supply-side disruptions could keep inflation at high levels

Inflation may turn out higher than expected if cost pressures resulting from supply-side disruptions persist and are eventually passed on from producer to consumer prices, especially in the context of still buoyant demand. Similarly, prices of energy could rise further, or remain at elevated levels for longer than currently assumed. This could push retail prices for both producers and consumers up more strongly and durably than projected, weighing on domestic demand (business investment or household consumption). Finally, high inflation may generate second-round effects through above-productivity wage increases.

Global inflationary pressures risk bringing forward central banks tightening cycle.

The recent acceleration of global inflation and inflationary pressures is already forcing central banks in some advanced and emerging economies to tighten monetary policy. In view of the strong increase of consumer prices in the US, the Federal Reserve may follow suit with a faster-than-expected tightening of its monetary policy. This would increase pressures on EMEs exchange rates and financing conditions, notably among heavily-indebted EMEs with large foreign currency exposure, resulting in reduced policy support and dampening growth.

At the same time, a less buoyant and synchronous recovery could help alleviate some of the current bottlenecks, including in transport and commodity markets, and ease the elevated price pressures, laying the ground for a more harmonious and longer global expansion phase.

4. SPECIAL ISSUES

4.1. SUPPLY SIDE BOTTLENECKS

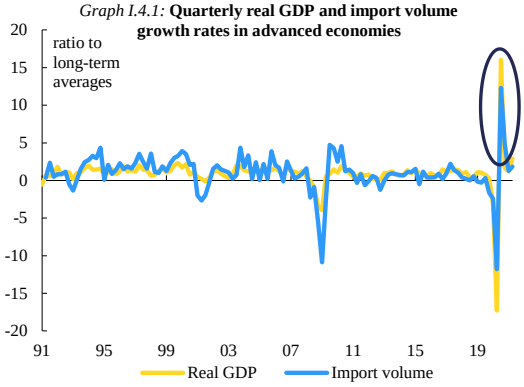
The exceptionally brisk rebound in global demand in the second half of 2020, met a supply weakened by the restrictions put in place to contain the spread of the pandemic. This affected several key industries, including the global logistic sector, the production of raw materials and microprocessors. A series of natural disasters and persistent localised pandemic-related lockdowns as well as emerging labour shortages in various sectors and regions continued to add new disruptions throughout the second half of 2020 and in 2021.

Consequently, various bottlenecks emerged at a global level starting in the second half of 2020, affecting the smooth operation of global supply chains, adding to economy-wide price pressures and increasingly weighing on sentiment and growth into 2021. The most important such bottlenecks include (i) logistic disruptions in the transport sector, mainly container shipping, that struggled to cater for the surge in merchandise trade in the post-lockdown reopening; (ii) microprocessors, a highly cyclical industry faced with a surge in orders amid a capacity trough; and (iii) a host of commodities, such as metals, wood, energy (natural gas) and others, where a combination of soaring demand and supply disruptions lifted prices to or close to all-time highs. This note sheds light on the three types of bottlenecks, and then explores the cross-sectional data in the Business and Consumer Survey (BCS) to investigate the impact on material shortages on the EU economy. The potential for cross-sectoral and cross-country spillovers are then investigated by means of the latest EU input-output tables.

The post-pandemic spike in demand for goods plays a central role

Bottlenecks in transport, semiconductors and commodities largely reflect the exceptionally fast pace of the global rebound, unprecedented in modern history. This is particularly true of advanced economies, for which, as a whole, growth accelerated to 9.3% quarter-on-quarter in the third quarter of 2020), beating historical averages no less than 16 times (see Graph I.4.1). Reflecting this strong rebound, amplified by marked shifts in consumer preferences [26] and amid restrictions targeting contact-intensive services, global demand for goods skyrocketed in the summer of 2020. Accordingly, advanced economies' imports accelerated shot up by a near-13-fold of the historical average in 2020-Q3, dwarfing the rebound from the Great Financial Crisis (see Graph I.4.1). It will come as little surprise, then, that this spike in demand for goods quickly hit capacity limits in various markets and sectors, from transport to rare metals. Given the still buoyant global activity, these backlogs continue to drag on, and in some cases, to exacerbate over the course of 2021, often aggravated by idiosyncratic capacity disruptions in individual markets.

Graph I.4.1: **Quarterly real GDP and import volume growth rates in advanced economies**



Source: Own calculations based on data from CPB (import) and OECD, IMF and national sources (GDP)

Transport

The surge in merchandise trade in the 2nd half of 2020 and the first half of 2021 far above pre-pandemic levels compounded with a shortage of shipping containers. This was because of an earlier drop in demand, but also because the capacity that had been left idle during the initial trade downturn could only be re-activated gradually. In addition, waiting times at ports increased due to high import volumes, containment measures at port facilities and labour shortages. In such a context of stretched supply, events such as the container ship grounding in the Suez canal in March 2021 further added to the backlogs. The rising surplus in

[26] including motivated e.g. by the lockdowns and teleworking towards home electronics, household appliances, furniture and broader home improvement goods.

Chinese trade with advanced economies additionally complicated the normal functioning of transport chains as containers had to be shipped back empty to Asia to be available for further exports. Moreover, the reduction in passenger flights during the pandemic reduced air freight capacity, increasing pressure on maritime transport. As a consequence, shipping transit times lengthened [27], and transport costs surged during the past year, attaining, at the cut-off date of this forecast, a spot price up to five times higher than before the pandemic (see Graph I.4.2).

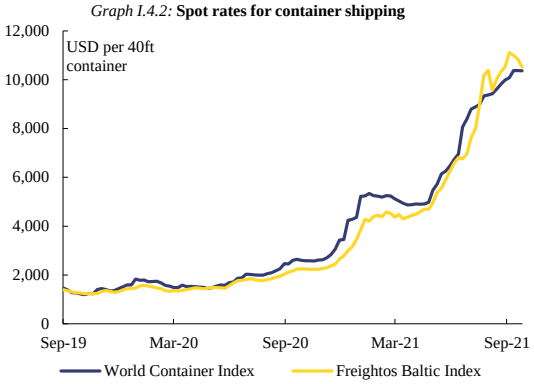
While there are indications that the stress on global transport logistics is going to ease, developments are highly dependent on the evolution of the pandemic. Having reached pre-pandemic levels already in late 2020, global trade in goods has started losing momentum, reducing demand for goods transports. Moreover, the re-pivoting of consumption towards services is likely to contribute to a further softening in demand for maritime transport services. Likewise, global air passenger numbers are gradually increasing, expanding belly capacity for air freight. Going forward, fewer pandemic-related restrictions, organisational adjustments in ports and supply chains, as well as a large projected increase in new-built ships in 2023 [28] should further help alleviating the capacity constraints. Some global transport indicators, such as the Freightos Baltic Index, have recently indicated a levelling out of container shipping transport costs in September and October. Prices are thus expected to ease into 2022. However, they are likely to remain higher than their very low pre-pandemic levels, in view of the ongoing consolidation of the shipping market [29] and higher expected energy costs.

[27] https://www.freightos.com/freight-resources/transit-time-calculator/#:~:text=Freight%20shipping%20transit%20time%20is%20impacted%20by%20factors,Shipping%20Transit%20Time%20%26%20Sea%20Freight%20Transit%20Times

[28] https://www.bimco.org/news/market_analysis/2021/20210826-container_ship_orders_due_for_delivery

[29] https://www.ti-insight.com/briefs/consolidation-in-the-container-shipping-market/

Graph I.4.2: **Spot rates for container shipping**

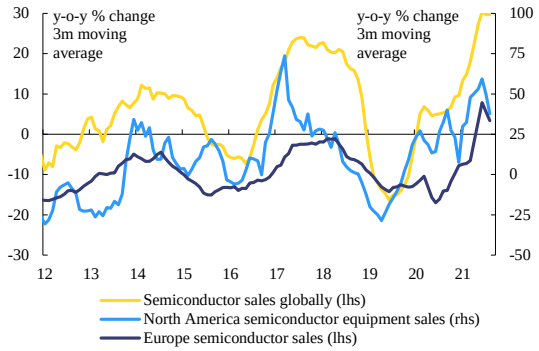


Sources: Bloomberg, Freightos.

Semiconductors

The shift to remote working during the pandemic increased the demand for electronic equipment (work-related as well as for home appliances), further pushing up the demand for semiconductors, already growing strongly on the back of roll-out of new technologies (e.g. 5G, Internet of Things). At the same time, because of the faltering demand for cars during the pandemic, the automotive producers cut their semiconductor orders in 2020. As producers of semiconductors redirected production capacities to booming sectors, the automotive sector was left with reduced access to microprocessors when demand for cars picked up at the end of 2020. [30] Semiconductor shortages were also exacerbated by corporations building up higher inventory levels [31] amid fears of increased scarcity ahead.

Graph I.4.3: **Global semiconductor sales**



Source: Macrobond.
Note: Nominal values in USD

Just like in the case of containers, the surge in demand for semiconductors also came on top of an

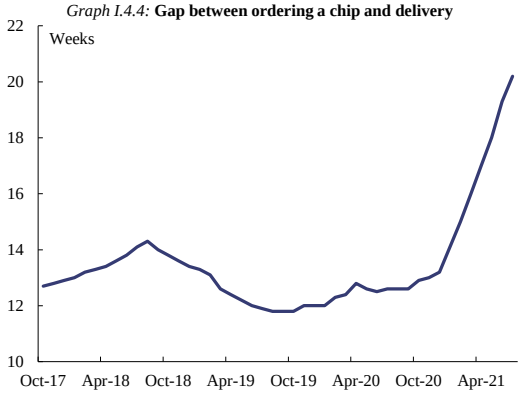
[30] https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/coping-with-the-auto-semiconductor-shortage-strategies-for-success

[31] https://spectrum.ieee.org/chip-shortage

already inadequate supply. The semiconductor industry is highly cyclical, and the last major oversupply of semiconductors (mainly linked to memory chips) led to falling prices and weaker investments in 2019, in turn limiting spare production capacity during the crisis. Furthermore, US restrictions introduced in 2018 and 2019 on exports of chip software and chip manufacturing equipment have weakened production of advanced chips in China.[32] During the pandemic crisis, virus containment measures disrupted production in other major chip manufacturing hubs (e.g Korea, Taiwan) and major chip packaging and testing sites (e.g. Malaysia, Vietnam), which were further exacerbated by other adverse events (e.g. a fire in Renesas factory in Japan, drought in Taiwan, winter storm in Texas). As a result of the imbalance between supply and demand, chip delivery times nearly doubled in 2021 (see Graph I.4.4).

Industry experts expect that semiconductor bottlenecks will persist at least until the end of next year[33], though their intensity is likely to gradually decrease. For instance, IHS Markit estimates that supply will catch up with car industry demand in late 2022 while shortfalls of some advanced-function chips will persist into 2023.[34] This is corroborated by recent announcements of expanded production capacities[35] likely to become available only in 2023, given huge costs (reaching around USD 20 bn for large fabrication plants) and long time needed to bring them online (at least 2 years). A survey by the German Chambers of Industry and Commerce confirms the expectation of protracted shortages. According to it, a majority of the around 3,000 surveyed companies expects shortages to last into next year and only around a fifth see the situation improving before the end of 2021. [36]

Graph I.4.4: **Gap between ordering a chip and delivery**



Sources: Bloomberg, Susquehanna Financial Group

Commodities - Metals

High investment in IT equipment and construction combined with robust industrial output spurred demand for base metals and iron ore. Iron ore prices surged through the summer 2021 on booming construction and industrial output in China, but declined sharply as prospects for these sectors weakened. For base metals, since reaching a trough in April 2020, prices have soared. Copper prices retreated somewhat after May 2021 but recovered in October 2021. Prices of other base metals, e.g., aluminium and nickel, have mostly continued their upward trend until October 2021, reaching their highest levels since 2011. This reflects the scarcity of these metals but also their crucial role as input in a number of products (e.g. in electronics). In addition, for aluminium in particular, the surge in prices cannot be dissociated from the increase in energy prices. As China is a big producer of high-emitting aluminium, newly introduced emission cut targets there have also contributed to lower production. [37]

[32] Asian Development Outlook 2021 Update (September 2021), Box 1.1.2: Developing Asia's electronics and automobile exporters at risk from the shortage of semiconductor chips

[33] More and more industry insiders join Intel CEO, Pat Gelsinger, who sees the global semiconductor shortage potentially stretching into 2023: https://www.cnbc.com/2021/10/03/semiconductor-chip-shortage-could-extend-through-2022-marvell-ceo.html

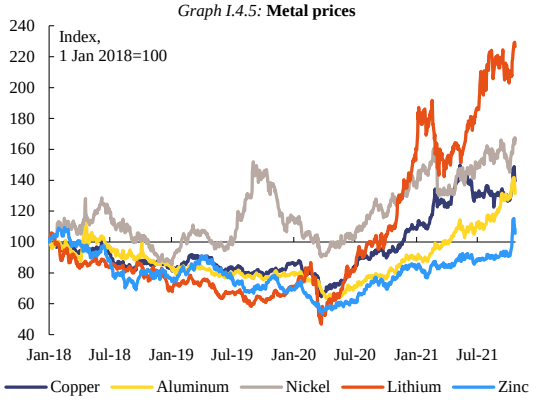
[34] https://www.wsj.com/articles/auto-car-makers-industry-semiconductor-chip-shortage-covid-19-taiwan-vietnam-11632329226

[35] https://www.bloomberg.com/news/articles/2021-04-01/tsmc-to-invest-100-billion-over-three-years-to-grow-capacity

[36] See DIHK (2021), 'Engpässe treffen die deutsche Wirtschaft in ganzer Breite', 19 August.

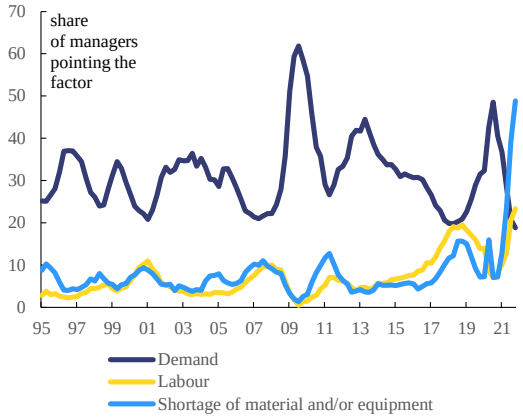
[37] Aluminium production is very energy intensive and contributes 4% of China´s carbon emissions. Nikkei Asia, Alumium prices hit 13-year high amid power shortage in China, 22 September 2021

Graph I.4.5: **Metal prices**



Sources: LME, Nyse Arca and China Iron and Steel Association.

Graph I.4.6: **Factors limiting production in EU industry**



As China accounts for roughly half of global demand for base metals, changes in Chinese demand have a large impact on metal prices. However, energy costs and the green transition add to price pressures: high energy prices make the production of, e.g. aluminium, more expensive; caps on smelting capacity for environmental reasons limit production of base metals; in some cases, e.g. for nickel production in Brazil, environmental regulations temporarily halted mining.

Limited production capacity after years of under-investment and strong demand are likely to keep base metal prices relatively elevated in the near term. Further ahead, the outlook is for a gradual moderation. On the demand side, industrial production and construction in China, both major base metal consumers, are losing steam and are thus expected to lower demand pressures. Furthermore, easing of pandemic restrictions in South-America, where important production sites are located, is set to increase supply. Also, some recent investments in South America should additionally increase production. Therefore, supply is likely to increase in the next few quarters. Over the medium term, the energy transition will continue to add to demand for metals like copper, nickel and lithium, needed for electric vehicles. The more electric vehicles replace conventional cars, the more the demand for these metals is set to rise, causing prices e.g. for copper likely to rise in the medium-term.

Impact on the European economy

According to the EU Business and Consumer Surveys (BCS), shortages of materials and/or equipment rapidly grew in importance in the course of 2021, replacing demand shortfall as the most important factor limiting production in industry (see Graph I.4.6) and coming second in construction (behind labour shortage).

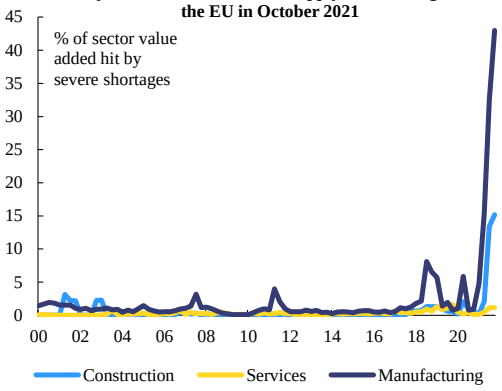
In terms of value added, severe shortages [38] concerned in October 2021 roughly 43% [39] of the EU manufacturing sector and 15% of the construction sector, up from less than 1% in October 2020 (Graph I.4.7). Shortages were considerably less reported in services [40] with only around 1% of EU-wide value added affected in October, up from around 0.1% in October 2020.

[38] *Severe shortages* are defined as occurring in sectors where the share of managers indicating that "shortage of material and/or equipment" is a factor limiting production, exceeds historical averages for that sector and country by at least two standard deviations. The approach is similar to that taken by Kataryniuk I., A. del Rio and C. Santchez Carretero (2021). 'Euro area manufacturing bottlenecks' *Quarterly report on the Spanish economy*), but differs with respect to certain parameters (number of standard deviations and country and sector specific reference historical averages)

[39] The sum of value added of sectors severely affected by shortages across 27 Member States (total value added x share of respondents pointing to the shortage as a factor limiting production)

[40] For services the question refers to space and/or equipment and *not* material

Graph I.4.7: **Pervasiveness of supply-side shortages in the EU in October 2021**



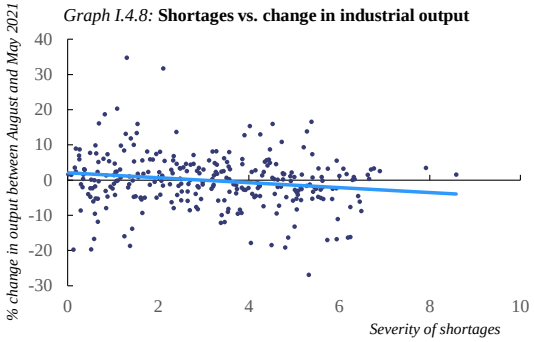
Note: The sum of value added of sectors subject to severe shortages across Member States weighed by the % of positive responses.

Graph I.4.9 provides a disaggregated picture of the reported shortages in manufacturing across Member States and sectors. The colour of each country-sector pair cell corresponds to the severity of perceived shortages, with blue and green indicating no significant shortages, orange indicating mild shortages while red – extreme shortages. Sectors and countries have been sorted according to the average severity of shortages. Among the sectors most affected are the manufacture of electrical equipment, motor vehicles, computer, machinery and equipment, metal products, rubber and plastics, chemicals, furniture and paper products. The group of Member States most affected by shortages include countries from the EU's industrial core: Germany, Italy, Denmark, the Netherlands, Austria and Poland.

Constrained sectors report declines in output…

A visual inspection of the scatter plot (Graph I.4.8) suggests that manufacturing sectors affected by severe shortages appear to be, on average, reporting weaker output dynamics since May. [41] A regression analysis performed with country-sector panel data with above-average shortages [42] indicates the presence of a strong *negative* relationship between shortages and output performance. [43] This means that sectors most heavily affected by shortages were also most likely to report outright declines in output in the three months to August.

Graph I.4.8: **Shortages vs. change in industrial output**



Notes: Dots correspond to country-sector pairs. Only dots corresponding to positive values of *shortages* shown in the plot. *Severity of shortages* proxied by the percent of positive responses in October (to the BCS question on the shortage of material/equipment), standardised with respective historical averages/standard deviations

…and signal increases in selling prices that may already show up in consumer inflation.

The persisting and aggravating supply-side bottlenecks are likely to lead producers to raise selling prices. This relationship is well discernible in the October BCS results that indeed suggest a positive link between the severity of shortages and selling price expectations (standardised values plotted in Graph I.4.10). Panel regressions show that the relationship becomes stronger at high levels of shortages, as confirmed by the statistical significance of the squared *Severity of shortages* term. [44]

[41] Given that the October BCS survey reflects data collected in October, the corresponding change in output (industrial output, by NACE2 subsectors) was calculated over the most recent available 3-month period (May to August 2021). However, the relationship was generally robust to changes in the base month ranging from January to May 2021.

[42] Those where percent of positive responses to the question on material and/or equipment shortages in the October BCS exceeded respective country-sector historical averages (2000-2021).

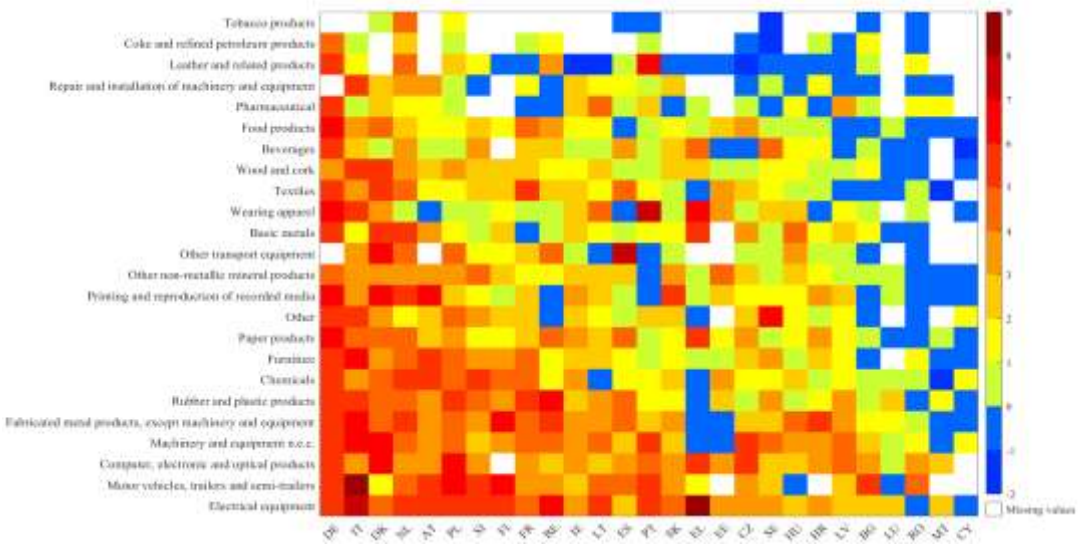
[43] A linear regression with country-sector panel data model was estimated for the relationship between industrial production (IPij) and the shortage indicator (S_{ij}), where i refers to one of 24 NACE rev.2 manufacturing subsectors and j refers to one of the 27 EU Member States. The model specification, which allows for both sector (s_{ij}) and country (c_{ij}) specific effects, is:

$IP_{ij}=a_0+a_1\times S_{ij}+s_{ij}+c_{ij}+u_{ij}$,

where u_{ij} stands for the disturbance term. The coefficient a_1 remains negative and its statistical significance varies across alternative specifications, including dummy variables (to account possible breakpoints in the relationship), a 'production catch-up effect' variable and country or sector-specific fixed effects. Across these specifications, the R-square ranges from 0.01 (Pooled Least Squares) to 0.12 (Cross-sector fixed effect and one break in the relationship).

[44] A linear regression with country-sector panel data was estimated for the relationship between the BCS selling price expectation $PEXP_{ij}$ and the shortage indicator S_{ij}, where i and j index sector (24 NACE rev.2 manufacturing subsectors) and country (27 Member States), respectively. Variables have been standardised for each country-sector pair. The base model specification, which allows for both

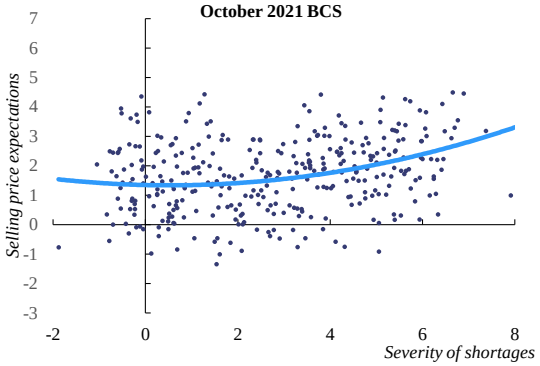
Graph I.4.9: **Heatmap of shortages in manufacturing based on the October 2021 BCS**



Notes: Colour corresponds to the severity of shortages as proxied by the number of standard deviations by which the % of positive responses (to the BCS question on shortages in October 2021) exceeds respective historical averages.

Finding evidence for the impact of supply shortages on consumer prices is much more complex. Shortages of materials or equipment and rising costs of raw materials are just a few of the many factors influencing consumer prices. Wages, commercial rents, delivery transport costs and retail mark-ups also matter. Moreover, investigating the link between the severity of shortages and HICP inflation is complicated by the different classifications used to compile the two datasets. [45] Nevertheless, an attempt was made to map some of the HICP categories with those NACE sectors where severe shortages are reported. Graph I.4.11 presents three of them: cars, furniture, and home appliances. While by no means representative and sufficient as a proof of a causal relationship, these graphs nevertheless suggest a clear link, at EU level, between aggravating shortages and recent spikes in inflation of selected consumer durables. [46]

Graph I.4.10: **Shortages vs. selling price expectations October 2021 BCS**



Note: Dots correspond to country-sector pairs; standardised values *Severity of shortages* defined in the preceding graph

Supply shortages have the potential to reverberate through the European economy

Given the dense interlinkages between sectors and countries in the EU manufacturing process, supply shortages have ripple effects throughout the economy, far beyond the perimeter of the sector first hit. The analysis of these effects was performed with the Eurostat's FIGARO [47] input-output database for the year 2019, applying the

sector s_{ij} and country c_{ij} specific effects as well as some form of nonlinearity, captured by the squared term S^2_{ij} was estimated as follows:

$PEXP_{ij}=a_0+a_1\times S_{ij}+a_2\times S^2_{ij}+s_{ij}+c_{ij}+u_{ij}$

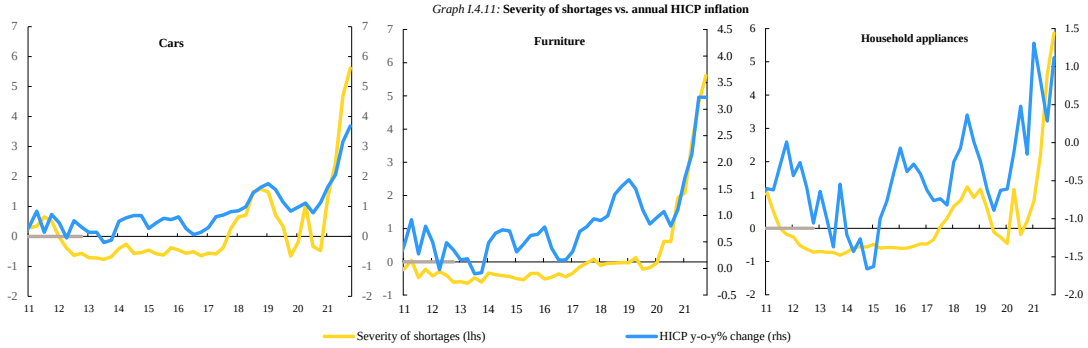
where u_{ij} stands for the disturbance term. Regressions confirm that the alpha2 coefficient of the squared term is positive and statistically significant.

(45) BCS data are available at NACE Rev. 2 division level, while HICP inflation is available according to the purpose of consumption (COICOP).

(46) Similarly close link was visually confirmed for several other HICP durables, including *Other transport equipment* and *Audio-Visual, Photographic & Information Processing Equipment*

(47) EU-inter country Supply, Use and Input-Output tables, estimated jointly by Eurostat and the JRC. A detailed description can be found in: Remond-Tiedrez, I., and Rueda-Cantuche, J. M. (Eds.). (2019). 'EU inter-country Supply, Use and Input–Output tables — Full international and global accounts for research in input-output analysis (FIGARO)'. European Union, Publications Office of the European Union in Luxembourg.

Graph I.4.11: **Severity of shortages vs. annual HICP inflation**



partial hypothetical extraction method.[48] This method allows for the estimation of spillovers across sectors and countries following a supply shortage. For illustration purposes, a supply shortage shock modelled as a 10% fall of intermediate inputs (either domestically produced or imported) was applied to 10 sectors previously identified as most affected by shortages. [49]

The simulations show that this shock entails a decline in EU value added of 1.5%, with a highly differentiated impact across Member States. Countries reporting the highest loss in value added, exceeding 2%, include Slovakia, Czechia, Slovenia, Poland and Germany. Importantly, cross-border spillover effects explain broadly one-fifth of the value added loss, highlighting the importance of intra-EU linkages in magnifying the shock.

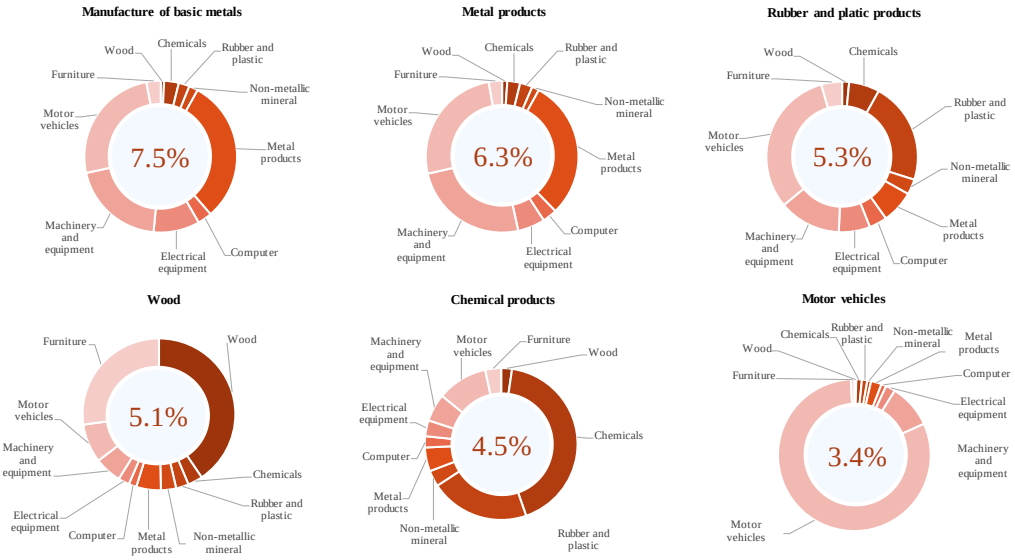
Graph I.4.12 offers additional insights into sectoral composition of the spillovers effects. The shock to intermediate consumption in the 10 affected sectors would lead to a loss of value added of 7.5% in the manufacture of basic metals, mainly due to lower orders placed in the sector of metal products, machinery and equipment and motor vehicles. Similar effects can be observed in the sector of fabricated metal products, which suffers an estimated loss of 6.3%. Importantly, value added losses in the affected sectors come largely from order cuts outside of their own sectors. The exception is the manufacture of motor vehicles, which contributes significantly to losses in other sectors, but reports a loss of 3.4% mainly due to cuts within its own sector. [50]

[48] The hypothetical extraction method (HEM), widely used to measure inter-industry interconnectedness, consists of estimating the impact of a hypothetical (full or partial) loss of interlinkages of a particular sector (or a set of industries) with the remaining sectors of the economy. Dietzenbacher, E., van Burken, B. and Y. Kondo (2019). 'Hypothetical extractions from a global perspective'. *Economic Systems Research*, 31(4), 505-519

[49] Wood, Chemicals, Rubber and plastic, Non-metallic mineral, Metal Products, Computer, Electrical equipment, Machinery, Motor vehicles and Furniture.

[50] This sector also includes for motor vehicles the manufacture of bodies (coachwork); parts and accessories; electrical and electronic equipment; and other parts and accessories not elsewhere included.

Graph I.4.12: **Simulated reduction in value added due to a 10% fall in intermediate consumption of sectors most severely affected by shortages**



4.2. ENERGY PRICES

Recent months have seen rapid increases in wholesale prices, most notably of natural gas and electricity, but also of oil and more recently coal. While the increases are expected to be relatively short-lived, they are set to have a material impact on households and companies. Rising energy prices are already translating into substantial increases in retail energy prices for producers and consumers, though at a varying degree and pace across Member States.

This feature analyses recent developments in European energy prices, their drivers and their potential impact on the economic and inflation outlook through the lens of the European Commission's Global Multi-country model.

European energy markets: recent developments and outlook

The pandemic-induced collapse in economic activity led energy prices to fall sharply in spring of 2020. By the cut-off date of this forecast, the forceful economic rebound that followed the shutdowns had progressively pushed oil prices by around a third above their pre-pandemic levels. Global natural gas prices have also progressively recovered after the downward pressures in spring 2020, but over the past few months, they have recorded unprecedented increases.

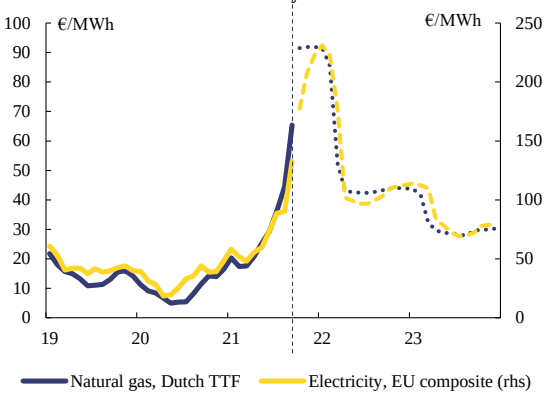
Because natural gas is difficult to transport, its price is generally set in regional hubs. Hub prices tend to reflect not only global movements in energy commodities, but also region-specific structural factors and idiosyncratic shocks. In Europe, the wholesale price of gas has increased more than in other regional hubs (for example the US), due to reduced stocks after a cold winter, limited supply from Russia and exceptionally weak wind- and hydropower production. Supplies of shippable Liquefied Natural Gas (LNG) have also been tight, amidst rising demand from Asia. Finally, the impact of rising carbon emission prices also played a role.

The price of natural gas went from just above 7 euro/MWh in April 2020 to around 90 euro/MWh by the cut-off date. The futures market as of the cut-off date suggests that European gas wholesale prices are set to remain elevated by the end of the year, and will return to around 50 euro/MWh by early spring.

Higher gas prices are spilling over to wholesale electricity prices. Wholesale electricity prices went from just below 20 euro/MWh in April 2020 to around 150 by the cut-off date, and are expected to come down to around half of that by early spring 2022. The link between gas and electricity prices is a consequence of the interplay of available technologies and current market structure. The EU electricity market is based on a marginal pricing and pay-as-clear model, where the market wholesale price normally reflects the cost of the last unit of energy bought via an auction mechanism where gas is a predominant input. Though rapidly expanding across Europe, supply of energy from renewable sources is highly volatile, since it depends on climatic conditions. Furthermore, it cannot be easily stored and nuclear energy (and to a certain extent coal) cannot accommodate short-term fluctuations in demand. The more flexible but also more expensive gas is thus best placed to adjust production to clear the market. This implies that gas power plants have become price setters in wholesale markets.

Over the years, this market structure has generated many savings benefits to EU firms and consumers and is supporting the transition towards carbon neutrality. There is general consensus that the marginal pricing model provides the most efficient allocation of production on liberalised electricity markets and the best suited to foster effective electricity trading across Member States on the wholesale market.

Graph I.4.13: **Spot and futures for natural gas and electricity**



Source: Macrobond

A model-based assessment of the recent increases in prices of energy commodities

Futures markets expect oil prices to peak in the first quarter of 2022, and to gradually decline thereafter before stabilising in 2023. On average, oil prices are expected to increase from 71.6 USD/bbl in 2021 to 78.9 USD/bbl in 2022, and decline to 72.3 USD/bbl in 2023. Gas prices in Europe are expected to remain at high levels until spring 2022, before partially reverting towards pre-pandemic levels. As expected, electricity wholesale prices are projected to follow the same dynamics (see Graph I.4.13).

Whereas the increase in energy commodity prices is expected to be temporary, it is set to have a material impact on output and prices. The impact on the euro area is assessed using the European Commission's Global Multi-country model. [(51)]

The analysis proceeds in two steps. First, a composite energy price index is constructed for current and expected prices, based on information from spot and futures markets for a broad range of energy commodities (oil, coal, gas and electricity). To provide a baseline against which the impact is compared, the same index is constructed for the market prices in 2021-22 expected at the time of the Spring 2021 forecast. The difference between both indices corresponds to the simulated price shock. Overall, in the model, the shock's magnitude implies an increase in import prices of energy commodities of 33% in 2021 and 18% in 2022, compared to the Spring forecast.

In the second step, the new price path is fed into the model as an exogenous adverse supply shock. In explaining the model's transmission mechanism, it is important to keep in mind the following features. Because of adjustment frictions and the limited substitutability of energy commodities as intermediate inputs, the model predicts demand for energy commodities to adjust sluggishly. Rising energy costs would thus lead to rising production costs, which are directly and indirectly passed on to final consumers via increased retail prices, though only partly. Lower expected profits reduce business investment, while higher inflation weighs on the disposable income of households, dampening consumption demand.

Importantly, the modelling approach assumes that monetary policy will keep nominal interest rates constant in response to the shock. [(52)] This assumption differs from the 'standard' approaches in which (sustained) higher inflation triggers an endogenous monetary tightening. [(53)] In particular, higher inflation weighs on the real disposable income of households, which dampens consumption demand, while lower expected profits reduce business investment.

Table I.4.1 shows that rising commodity prices are likely to drag GDP growth and increase consumer prices significantly compared to what was expected in Spring 2021. [(54)] Rising energy prices alone imply that 2021 consumer price inflation in the euro area could be around 0.9 pps. higher than expected in Spring. The impact in 2022 is slightly larger (1ppt.) in light of the persistent energy price inflation and the adjustment frictions described above. Furthermore, the simulated energy price shock reduces real GDP growth by around 0.3 pps and 0.5 pps. in 2021 and 2022, respectively, compared to the Spring forecast baseline. This cumulates to a real GDP loss in the euro area of 0.8 pps. over 2021-22. The trade balance of the euro area deteriorates by 0.4 pps. in 2021 and 0.5 pps. in 2022 compared to the Spring 2021 forecast in light of the higher commodity import bill.

(51) The European Commission's Global Multi-country model (GM) is an estimated structural model jointly developed by DG ECFIN and the JRC. A detailed description of the GM model can be found in: Albonico, A., L. Calès, R. Cardani, O. Croitorov, F. Di Dio, F. Ferroni, M. Giovannini, S. Hohberger, B. Pataracchia, F. Pericoli, P. Pfeiffer, R. Raciborski, M. Ratto, W. Roeger and L. Vogel (2019). 'The Global Multi-Country Model (GM): an Estimated DSGE Model for the Euro Area Countries'. ECFIN Discussion Paper No. 102. European Commission. For a GM-based analysis of commodity prices and global macroeconomic conditions, see also M. Giovannini., S. Hohberger, R. Kollmann, M. Ratto, W. Roeger and L. Vogel (2019). 'U.S. and Euro Area External Adjustment: The Role of Commodity Prices and Emerging Market Shocks.' Journal of International Money and Finance, vol.94, pp.183-205.

(52) Put differently, the negative supply shock and the associated inflation pressure are not big enough to move target interest rates away from the effective lower bound.

(53) On the macroeconomic transmission of commodity price shocks at the effective lower bound, see also Bodenstein, M., Guerrieri, L. and Gust, C.., 2013. 'Oil shocks and the zero bound on nominal interest rates,' Journal of International Money and Finance, vol. 32(C), 941-967.

(54) All variables are expressed in deviation from the Spring forecast 2021.

Table I.4.1:

Results from model simulation: deviations from Spring forecast 2021, euro area

	2021	2022
Commodity price inflation (annual)	32.5	18.3
Commodity imports (volume)	-5.8	-10.9
Trade-balance-to-GDP ratio	-0.4	-0.5
Real investment growth	-1.9	-3.4
Real consumption growth	-0.3	-0.4
HICP inflation (annual)	0.9	1.0
Real GDP growth	-0.3	-0.5

Notes: Results are expressed as percentage points; except commodity imports, which are expressed in percentage deviation from the Spring 2021 forecast.

As explained above, an important caveat in these simulations is that the increase in the prices of energy commodities is assumed to be fully exogenous. If energy prices had instead been modelled as a consequence of stronger global demand, this would have partially offset the reduction in euro area output growth through higher export demand. (55)

Furthermore, the model does not take into account government measures intervened to shelter households and producers from the unexpected surge in energy prices.

(55) See also Kilian, L. 2009. 'Not All Oil Price Shocks Are Alike: Disentangling Demand and Supply Shocks in the Crude Oil Market.' American Economic Review, 99 (3): 1053-69.

4.3. LABOUR MARKET: SLACK OR TIGHT?

Although labour markets have not yet fully recovered, reports of labour shortages are starting to emerge. In the second quarter of this year, total employment in the EU remained about 2 million persons, or 1%, below its pre-crisis level. At the same time, fresher data on job vacancy rates in the EU reached and increased above pre-pandemic levels in some countries. As labour demand is expected to continue growing in line with economic activity, signs of tightening so early in the recovery could weigh on the current expansionary cycle.

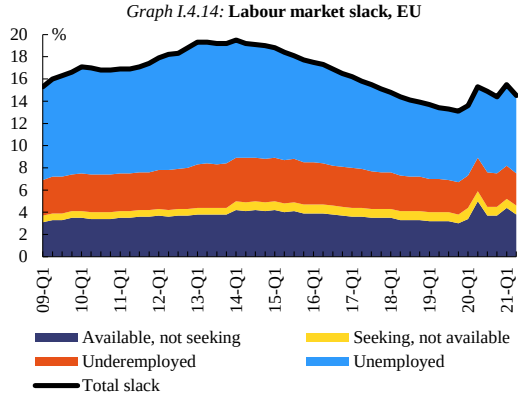
This Special Issue looks at the available evidence to assess the amount of slack in the labour market, and its potential implications for growth and inflation.

Labour market slack remained above pre-pandemic levels…

While hours worked contracted to a similar extent as value added during the crisis, the impact on headcount employment, though significant, was mild in comparison, partly due to the widespread use of job retention schemes that kept many employees attached to their jobs. As a result, the increase in unemployment remained significantly below what could be expected based on the historical relationship between GDP and unemployment ('Okun's law'). [56] At the same time, there was a significant increase in the number of people available to work but not seeking a job. [57] This can also partly explain why activity rates dropped, in contrast with the aftermath of the 2008 financial crisis. Eurostat's labour market slack indicator stood at 14.5% of the extended labour force in the EU in the second quarter of this year, down from its peak at around 16% in the previous quarter, but still above the pre-pandemic level of about 13% (see Graph I.4.14). [58]

In particular, the number of persons available to work but not seeking and unemployed remained relatively high. Developments in both groups have broadly followed the evolution of the pandemic: both saw an uptick in in the first quarter of this year after improvements at the end of 2020. [59] In the second quarter, a large number of persons that were available to work but not seeking in the first quarter returned to the labour force reducing the slack by 0.6 pps.. The decrease in the unemployment rate detracted another -0.2 pps. from the slack rate. Many workers who became jobless during the pandemic returned to work as the health situation improved. In particular, about 10.5 million people returned to the labour force from inactivity, 6 million of them as employed. On the other hand, nearly 9 million people left the labour force, more than 5 million were previously employed.

Graph I.4.14: **Labour market slack, EU**



Note: Seasonally adjusted data, reflects age group 15-74, and are expressed as % of the extended labour force.

Monthly unemployment figures show that the improvements of the labour market continued in the third quarter. In particular, the unemployment rate, at 6.8% in the EU in August, decreased by 0.5 pps. as compared to the second quarter average and was only marginally above its pre-pandemic level.

[56] European Commission (2020): Labour market and wage developments in Europe: Annual Review 2020. DG Employment, Social Affairs, and Inclusion. Available online at https://ec.europa.eu/social/main.jsp?langId=en&catId=791&furtherNews=yes&newsId=9873

[57] These people count as inactive according to the ILO definition.

[58] Eurostat's labour market slack indicator allows provides a broader definition of labour underutilisation than the unemployment rate. Besides the unemployed, it also includes the underemployed (persons in part-time jobs that would like to work more hours) and two categories of inactive individuals: those that are available for work but not seeking a job and those seeking a job but not available to work. The size of these groups is expressed as a percentage of the "extended labour force", which comprises the unemployed, the employed and the two categories of inactive individuals referred to above.

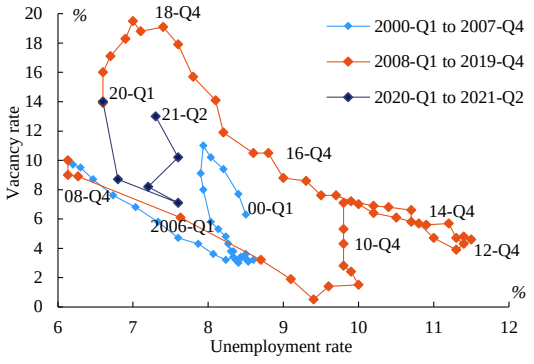
[59] A methodological change in labour market statistics is likely to have contributed to the uptick in the first quarter as some workers absent from their jobs for some time were counted as non-employed.

… amid rising labour demand, but no evidence of a deterioration of labour market matching…

The Beveridge curve, a negative empirical relation between vacancy and unemployment rates, provides an indication of the efficiency of matching of labour supply and demand. [60] Negative shocks to labour demand lead to a reduction in the number of vacancies and a higher unemployment rate. However, while vacancies generally react fast, it takes longer for unemployment to adjust. This is particularly evident during the COVID-19 recession (see Graph I.4.15). [61]

In the aftermath of the 2008 financial crisis, the Beveridge curve showed a clear 'outward shift', highlighting increased mismatch between supply and demand. Such pattern is not seen this time, as latest observations are still below the Beveridge curve observed between 2013 and 2018 (see Graph I.4.15). In the second quarter of 2021, vacancy rates, as well as indicators of labour shortages (at least in industry), were close to their pre-pandemic levels, but still below the peaks observed at similar levels of unemployment in 2018. Thus, there is not yet evidence that the efficiency of labour market matching has deteriorated as compared to the previous business cycle.

Graph I.4.15: **Beveridge curve, EU**



Note: To cover a long period, the share of manufacturing firms indicating labour as a factor limiting production proxied the vacancy rate.

[60] An upward shift in the Beveridge curve suggests a worsening of job matching efficiency.

[61] Vacancies in Graph I.4.2 are approximated by the share of managers reporting labour shortages as a factor limiting production in the manufacturing sector from the EU Business and Consumer Survey (see note to Graph I.4.2).

…or wage pressures so far.

Furthermore, the index of negotiated wages does not indicate mounting pressures in the labour market. Data on negotiated wages [62] provide more accurate information on underlying wage developments during the pandemic. In contrast to other indicators, it is not biased by developments in hours worked and policy measures. [63] In the second quarter of this year, negotiated wages in the euro area grew at a rate below 2%, more moderately than in the period before the COVID-19 recession, at comparable rates of unemployment. The fact that there were no apparent wage pressures in the data by 2021-Q2 can be explained by the fact that wage setting tends to react with a lag to changing labour market conditions due to the staggered nature of wage contracts. In addition, the pandemic crisis may also have led to a reduction in the number of wage agreements being concluded, which may have kept some contractual wages unchanged.

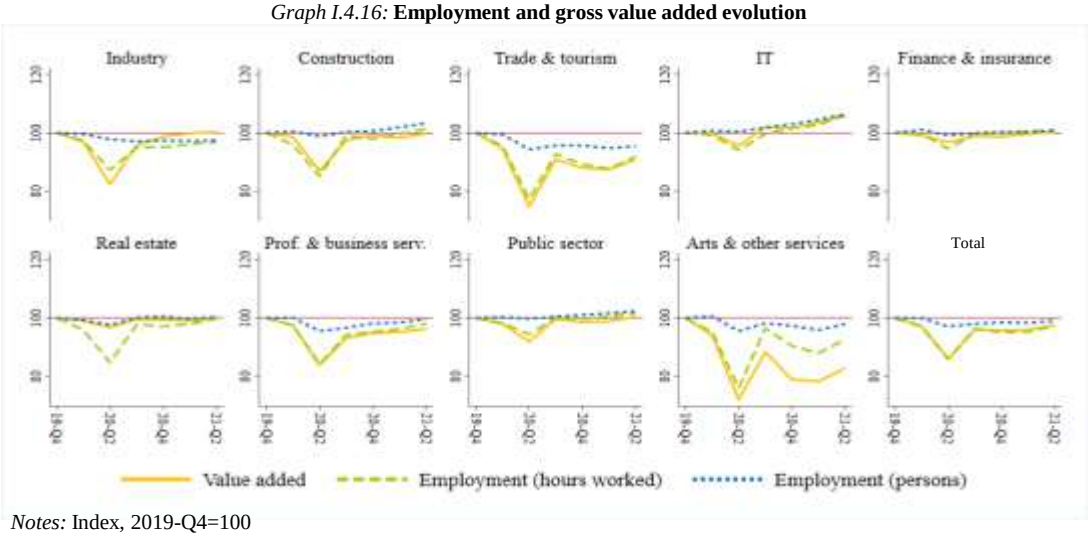
Labour market conditions vary greatly across countries

With labour market slack ranging from under 5% of the extended labour force in the Czech Republic to over 25% in Spain in the second quarter, labour market conditions vary greatly across EU countries. Unemployment was higher than before the pandemic in most of the countries (see Graph I.4.16). However, vacancy rates returned to or surpassed pre-pandemic levels in a majority of countries. In particular, they were at pre-pandemic levels in four countries with increased unemployment in 2021-Q2 (ES, IE, HR, PT) while in ten countries both unemployment and vacancy rates in 2021-Q2 were higher than before the pandemic (AT, BE, CY, FI, IT, LT, NL, PL, SI, SE).

[62] SDW, European Central Bank

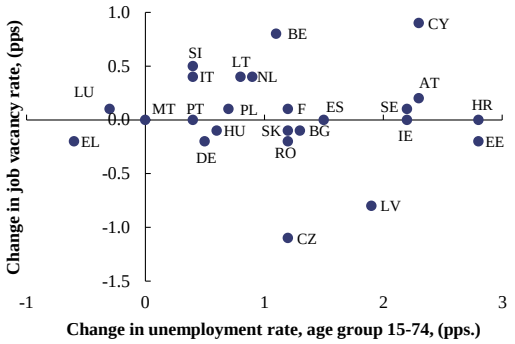
[63] The index of negotiated wages has also some caveats, including methodology harmonisation and coverage across countries.

Graph I.4.16: **Employment and gross value added evolution**



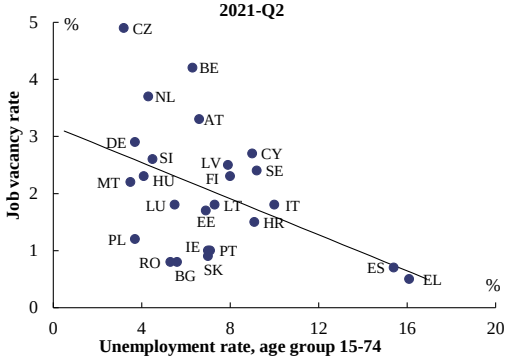
Notes: Index, 2019-Q4=100

Graph I.4.17: **Vacancies and unemployment, change between 2019-Q4 and 2021-Q2**



Notes: Vacancy rates cover sectors NACE B-S. Seasonally adjusted data. No data are for FR, DK. For IE, the vacancy rate for 21-Q1 was used.

Graph I.4.18: **Vacancies and unemployment rate, 2021-Q2**



Note: Vacancy rates cover sectors NACE B-S. Seasonally adjusted data. No vacancy data are avaialble for FR and DK.

There is also a negative relationship between unemployment (slack) and vacancy rates (see Graph I.4.17). Based on these indicators, labour markets in countries such as Czechia and the Netherlands appear tight (with low unemployment and a high vacancy rate), [64] while labour markets in countries such as Greece and Spain seem slack (with high unemployment and a low vacancy rate).

[64] Labour market slack appears somewhat larger in the Netherlands on account of the comparatively large share of "underemployed", part-time workers who would like to work more hours.

COVID-19 has had differentiated impact on employment across sectors

The COVID-19 crisis has had diverse impacts across sectors. By the second quarter of 2021, employment had recovered in the IT sector, the public sector, finance and real estate, and for construction and professional and business services. It remained subdued in trade and tourism (NACE sectors G-I, -4%) and arts and entertainment and other service activities (NACE sectors R-U, -3%), and it is also somewhat below pre-pandemic levels in industry (see Graph I.4.16).

Sectoral developments show clear heterogeneity across countries. Industrial employment has returned to previous levels (or remained stable) in more than half of the Member States. At the same time, in some countries, both industrial production and employment remain below pre-pandemic levels (BG, CZ, DE, ES, FR, RO). In contrast to industry, there are only a few Member States in

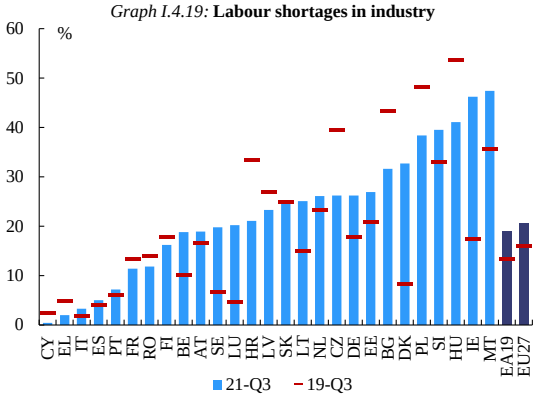
which output or employment have fully recovered in trade and hospitality. Output in trade, transport, food and accommodation services remains below pre-pandemic levels in almost all Member States. A full recovery in services employment can be observed only in a few Member States (including Lithuania, Romania and Slovakia).

Indicators of labour market shortages also vary considerably across sectors

Reported labour shortages in the Commission surveys also reveal pronounced sectoral differences. Labour market shortages reported by employers have increased in particular in industry in recent months, and are in the EU average above the pre-pandemic level, while this is not the case in services (see Graphs I.4.19, I.4.20 and I.4.21). After an initial drop in the first half of 2020, reported shortages started to rise again in 2020-Q4 and have shown dynamic increases in almost all countries in the third quarter of 2021 after more modest increases in the previous quarter.[65] In industry, the proportion of firms reporting that labour is a factor constraining their production was higher in 2021-Q3 than before the pandemic in about half of the Member States as well as in the EU average. At the same time, reported shortages in industry were below their pre-pandemic level in some Central and Eastern European Member States (including BG, CZ, HR, HU, PL), most of which had a high level of reported shortages pre-pandemic. By contrast, reported labour shortages in services in the third quarter 2021 were below pre-pandemic levels in most countries as well as the EU average. Higher labour shortages were recorded in Belgium, Denmark, Ireland and Malta. Finally, in construction, labour shortages have by now returned to their pre-pandemic level in the EU and the euro area.

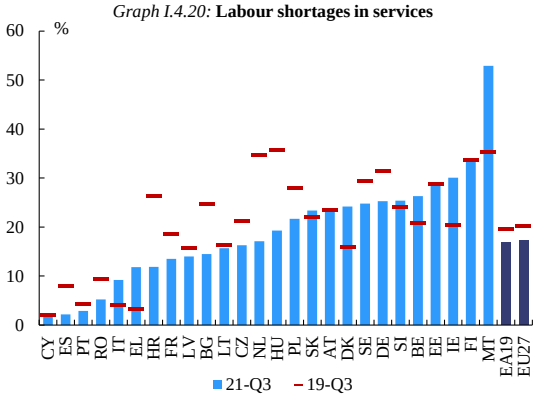
[65] As reported shortages are a survey-based indicator, it is available earlier than labour market statistics.

Graph I.4.19: **Labour shortages in industry**



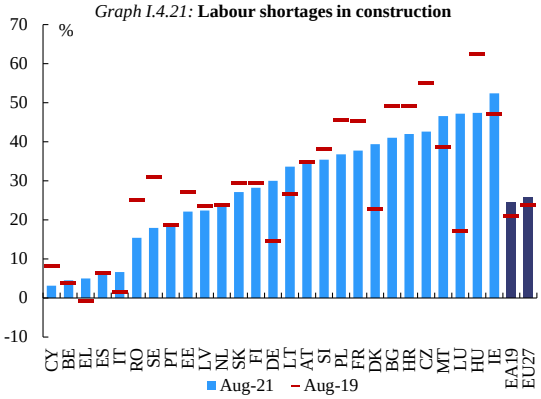
Notes: The data show the proportion of firms reporting that labour is a factor limiting their production.

Graph I.4.20: **Labour shortages in services**



Notes: The data show the proportion of firms reporting that labour is a factor limiting their production.

Graph I.4.21: **Labour shortages in construction**



Notes: The data show the proportion of firms reporting that labour is a factor limiting their production.

Sectoral mismatches could be on the rise

By the second quarter of 2021, long-term unemployment significantly increased among people previously working in sectors most affected by containment measures. Some of the workers laid off in hospitality and other affected activities may return to employment as their sectors reopen. Other sectors such as corporate travel may not

return to pre-crisis activity rates, but workers are likely to find work in growing service sectors demanding similar skills profiles. In a third group of activities, for instance in manufacturing, the pandemic may have reinforced and accelerated structural shifts away from routine-intensive jobs. While employment losses in manufacturing were much more muted in this crisis than after 2008, some of the job losses in routine-intensive occupations may prove persistent, based on the experience of previous recessions.

Conclusions and outlook

There are a number of possible explanations for the apparent coexistence of labour market slack and growing labour shortages.

- First, vacancy rates typically respond faster than unemployment rates over the business cycle, as filling open positions takes time.

- Second, while containment measures and policy support have helped to weather the health and economic crisis, they may have also temporarily reduced the incentives to search for a job, resulting in higher vacancy rates.

- Third, with restrictions easing and economic activity strongly rebounding, labour demand is swiftly growing while the labour force is less reactive than usual. In particular, health risk concerns may keep some people from returning to work, while labour mobility, both within countries and across borders, may have been hampered.

- Fourth, structural labour market mismatch might be on the rise, linked to the sectoral reallocation of labour and an acceleration of changes in the relative skills demand triggered by the COVID-19 shock. The assessment of this hypothesis will require tracking the future evolution of Beveridge curves and other mismatch indicators.

Developments in labour market slack and shortages will also depend on the strength of the recovery and the future course of policy support. New data and information on the labour market will help assess the relative importance of these explanations.

In the near term, managers expect labour demand to continue growing, according to the Commission's Employment Expectations Index. Also, the Indeed job posting indicator [(66)] shows an increasing trend throughout the third quarter and at the beginning of the fourth for Germany and France albeit at slowing growth rates. As economic conditions are promptly improving, it is reasonable to expect the remaining pandemic-induced slack to be re-absorbed into the labour market as suggested by the developments in the second quarter.

Policy support continues to affect labour markets. An estimated 2.7% of the euro area workforce benefited from short-time work schemes in July 2021, against an average of 6.2% in the first five months of the year. [(67)] These figures indicate that the upper bound of possible job losses associated with the future withdrawal of job retention schemes remains sizeable but is shrinking over time. As the gradual exit of these workers from short-time work schemes is expected to continue in a context of strong economic growth, the number of possible layoffs is expected to be moderate. This view is supported by the experience of the recent period: despite the ongoing withdrawal of short-time work schemes over recent months, the latest monthly unemployment data show a declining trend in joblessness in most EU Member States.

(66) Daily job posting data from the Indeed platform provides a timely indicator of labour demand, though the representativeness of the sample is likely to be skewed towards white-collar jobs.

(67) ECB, Economic Bulletin, Issue 6, 2021

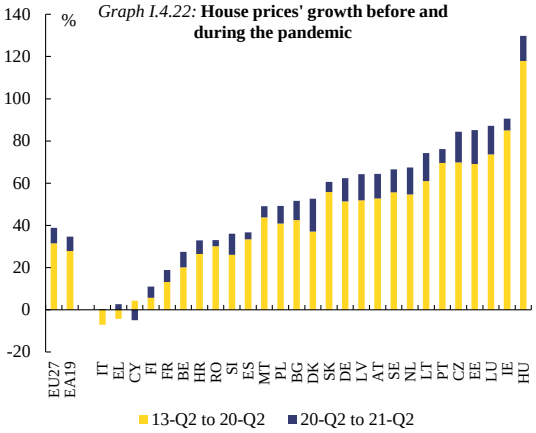
4.4. HOUSING MARKET

Housing prices in the European Union continued their dynamic upward trend despite the deep recession caused by the COVID-19 shock. This special topic looks at the EU housing price increases since 2013, identifies some of its key drivers and sheds some light on the macroeconomic and social implications for the economy going forward. While prices look overvalued in many countries, significant price corrections are unlikely due to strong demand and constrained supply. What's more, a possible downturn in prices would have limited impact on financial stability and economic activity because of the moderate credit cycle and subdued construction activity during this cycle. However, housing affordability has deteriorated with macroeconomic implications such as the need for higher savings and a lower share of income devoted to consumption.

EU house prices have been trending up since 2013, and grew at their fastest pace in the second quarter of this year. Following the resumption of economic growth in 2013, house prices have been rising in most Member States. By 2021-Q2, house prices in the EU were around 38% higher compared with the same quarter in 2013 (see Graph I.4.22). This represents an average annual rate of growth of 4%. Among large EU Member States, German prices in 2021Q2 were 62% above their mid-2013 values, compared to 40% for Poland, 37% for Spain, and 18% for France. By contrast, over this 8-year period, prices decreased in Italy (-7%), and remained broadly stable in Greece and Cyprus. This year has seen a marked acceleration in prices. In 2021Q2, EU aggregate residential property prices grew by 7.3% year-on-year. This means that of the total increase in prices that occurred since 2013, nearly a fifth has taken place in the last 12 months alone.

The recent price increase was broad-based across Member States, and exceeded the previous trend growth in most of them. Over the past year, prices have increased in all countries except Cyprus, and have accelerated relative to the post 2013 trend in twenty of them. Eleven Member States reported year-on-year growth exceeding 10%. The largest increases were observed in Estonia, Denmark, Luxembourg, Czechia, Lithuania and the Netherlands (see Graph I.4.22).

Graph I.4.22: **House prices' growth before and during the pandemic**

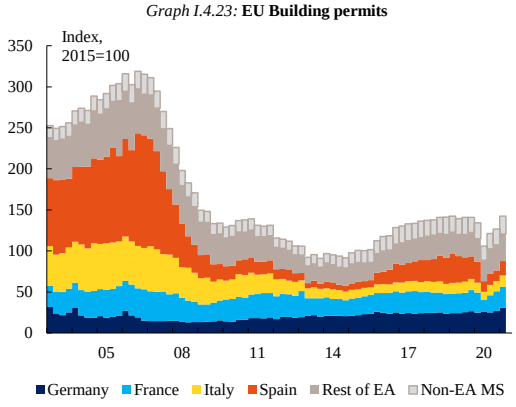


Drivers of house price growth

The recent growth of house prices has been driven by a variety of factors fuelling demand and constraining supply. Although housing markets differ strongly across Member States, supply-side constraints have been present across the board. With sustained demand backed by economic growth, historically high household savings and low interest rates, the result has been an upward trend in house prices.

Limited construction activity has been acting as a brake on the supply of housing for a number of years. Member States currently have stricter zoning and building regulations than in previous decades. Furthermore, building permits have remained at low levels in recent years (see Graph I.4.23).

Graph I.4.23: **EU Building permits**



The pandemic may have exacerbated supply constraints, but overcoming these will take more than just the recovery. While lockdowns exacerbated the supply-side constraints temporarily, there is little perspective at present for

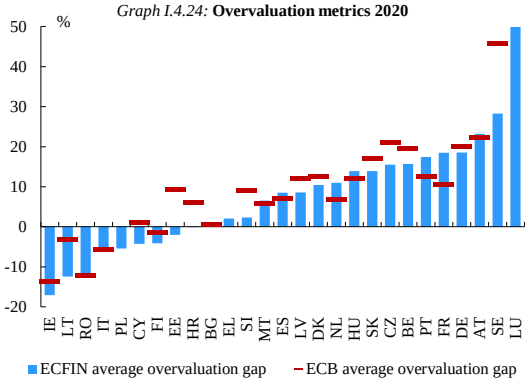
the pre-existing constraints to materially ease. Building permits typically take time to react to the increase in house prices, and while there has been a recovery of permits in recent months, residential investment will need time to materialise.

Demand for housing has been sustained in recent years, and continued during the pandemic. In several EU countries, favourable funding conditions and growing household disposable incomes have been supporting demand for residential space, particularly in urban and suburban areas, even before the pandemic. During the pandemic, a resilient labour market, income support measures and curtailed spending opportunities pushed up the stock of savings, part of which households are likely to devote to residential investment. These accumulated savings and demand for increasing living space to accommodate new working habits such as teleworking should continue to support housing demand.

House prices in perspective

House prices currently seem overvalued in around half of EU countries. House prices can be compared to their fundamental drivers in order to gauge whether they are at a plausible level. These fundamental drivers commonly include population, income, interest rates and housing investment, all of which are found to affect house prices in the EU. Estimating the long-term relationship among these indicators allows for estimating an 'equilibrium level' of house prices, to which the actual level can be compared to. This approach is accompanied by a comparison of price-to-income and price-to-rent ratios to their long-term averages. The results of this analysis suggest that house prices are currently overvalued in around half of EU countries (see Graph I.4.24). [68]

Graph I.4.24: **Overvaluation metrics 2020**



Source: ECB, own calculations

Despite the high and increasing price level, there do not seem to be substantial risks to macro-financial stability. Though a house price correction triggered by a rise in interest rates cannot be ruled out, the price adjustments are likely to be muted in view of the strong fundamentals behind demand and existing supply side restrictions to the housing stock. The existence of biting supply-side constraints therefore mitigates the risks for aggregate financial stability as EU house prices are unlikely to quickly decline below current levels[69].

House price dynamics also poses limited risk to economic activity. As the house price surges in recent years added little to economic activity by way of residential investment, a downturn in housing prices, should it materialise, would also have limited spillovers to economic activity. Therefore, even in case of a house price correction, the macroeconomic implications would likely be more limited than those observed in the aftermath of the global financial crisis. At the time, the correction in house prices proved extremely damaging to economic activity, particularly in those countries where the bust in prices trigged an important re-allocation of resources away from a bloated construction sector.

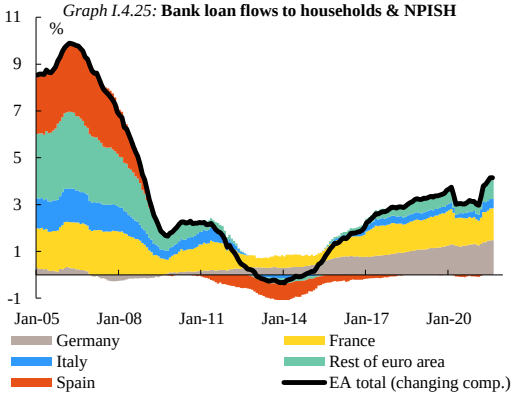
Moreover, since 2013, mortgage credit has been more subdued than in previous phases of rapid price increase. House prices have increased faster than mortgage credit which can be related to low household residential investment in new dwellings which typically relies more on credit than the purchase of existing dwellings. In addition, the introduction of macro-prudential tools has constrained the amount of credit households can

[68] The over/under valuation gap is computed as the average of three benchmarks: (i) price-to-income deviation with respect to its long-term average; (ii) price-to-rent deviation from its long-term average; (iii) deviation from regressions-based benchmarks taking into account demand and supply economic fundamentals. None of these methodologies is perfect, but they provide an overview of recent house price developments compared with the past.

[69] This does not rule out financial stability concerns in particular areas or Member States that are subject to particularly fast credit growth.

access. All that led to a more limited and less risky exposure of EU banks to the housing markets since 2013. In 2021, mortgage credit growth has accelerated, but still lags behind house price growth. In the euro area, the increase has mainly been driven by Germany and France (see Graph I.4.25 below).

Graph I.4.25: **Bank loan flows to households & NPISH**



Note: Flows over last 12 month as % of EA loan stock
Source: ECB

The house price dynamics since 2013 differ from the property booms of the 2000s. The sustained and synchronized house price increases over the past eight years may recall the price surges recorded in several Member States before 2008. However, in contrast to the situation today, in the early 2000s, house price increases were accompanied by rapid credit expansion and substantial residential over-investment. This was particularly the case for some countries such as Spain and Ireland, which accounted for the bulk of household mortgage credit and where sharp corrections in the housing markets spilled over to the real economy. In contrast, over the recent years credit growth remained moderate and residential investment fell short of demand. These differences moderate the macroeconomic stability risks going forward.

Housing affordability and its economic implications

Housing affordability is for now the main issue emerging from the recent acceleration in house prices. Recent home-buyers, who acquired mortgages at a time of high prices, may be faced with debt repayment risks, particularly in the event of a reversal in interest rates. Worsening housing affordability has significant macroeconomic and distributional implications such as hampering consumption, and hitting low-income groups especially hard. At the same time, home owners are enjoying positive wealth effects although evidence suggest a limited positive impact on consumption.

Rising price-to-income ratios across the EU render home-buying difficult. Between 2013 and 2021-Q2, growth of house prices exceeded growth of household income in 21 Member States and by more than 20 percentage points in 11 Member States. The largest increase was observed in Luxembourg (+57%) where a household needs roughly 14 years of income to purchase a 100m^2 dwelling. In Ireland, Austria, Portugal, Hungary, Germany, the Netherlands, and Sweden, price growth since 2013 exceeded cumulated household income growth by more than 30%. [70] These figures relate national average house prices to average income growth, and it is important to note that price-to-income ratios increase faster for certain population groups or cities within a country.

Rising house prices imply that home buyers will have to take out larger mortgages for longer periods of time, although at present the increase in monthly payments for households is mostly neutralised by declining interest rates. Furthermore, high prices entail a larger required equity portion to purchase a home, resulting in difficulties for lower income/wealth households to secure a mortgage. While the share of EU household income spent on housing costs remained broadly stable, on average, at ca. 20% during the first decade of this century, [71] new homeowners, especially those with low income, are likely to have to cope with a much higher share. The alternative of relying on the rental market is often complicated by the inefficiency and/or limited availability of rental properties in many Member States, where house ownership is the norm. The impact of rising house prices is thus likely salient for poor households who cannot secure a mortgage. [72]

[70] Note that price data expressed in years of income is tentative for the following countries, and might be revised substantially: IE, LU, FI, EL, CY. Data is not available for SK, CZ, RO.

[71] Data source: Eurostat EU-SILC. The definition of housing cost in this case includes the payment of interest, but not the repayment of borrowed capital.

[72] Data source: Eurostat EU-SILC. Note that among Member States, only LU has recorded a strong increase in housing expenditure during 2015-2020. Moreover, EU-SILC survey data suggests that 4% of euro-area home owners with a mortgage were overburdened by their housing cost in 2019, down from 8% in 2010. In contrast, 24% of renters were exposed to housing cost overburden in 2019, up from 22%

Worsening housing affordability has also macroeconomic implications. Besides the distributional implications, households having to devote an increasing share of their income to housing costs will need to adjust their consumption patterns. Insofar as these households are younger and resource constrained, they are more likely to have higher propensity to consume, adding economic significance to their actions. Finally, housing affordability and more in general income and generational inequality represent a potential threat to social cohesion.

in 2010. The housing cost overburden rate is the percentage of the population living in households where the total housing costs represent more than 40 % of disposable income, 'net' of housing allowances.

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 25 October 2021.

Exchange and interest rates

The forecast builds on the technical assumption of fixed nominal exchange rates for all currencies (see Table 1).

Assumptions for interest rates are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States, are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro area interest rate is taken for both short- and long-term rates.

Commodity prices

Assumptions for Brent oil prices are based on futures markets, using the average over the 10-day reference period between 7 and 19 October.

Trade policies and assumptions

Also for trade policy, this forecast pencils in only the measures that have been implemented until the cut-off date. There have been no major changes regarding trade policies as compared to the summer interim forecast.

ESA 2010

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

Calendar effects on GDP growth and output gaps

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

The working-day effect in the EU and the euro area is estimated to be limited in 2021, 2022 and 2023 implying that adjusted and unadjusted annual growth rates differ only marginally (by up to ±0.1 pps.), but it may be significant in the case of some member states.

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

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). Unless mentioned otherwise, the forecast includes the measures incorporated in the Recovery and Resilience Plans as submitted to the Commission. The cash disbursement and expenditure profiles implicit in the forecast are consistent with the time profile of milestones and targets as specified in the Plans (and - if adopted - the relevant Council Implementing Decisions).

In all cases where the RRP was not yet endorsed by a Council Implementing Decision, the incorporation of the RRP in the forecast rests on the working assumption of a positive assessment by the Commission and future endorsement by a

Table 1:
Technical assumptions

		Autumn 2021 forecast			Spring 2021 forecast		
	2020	2021	2022	2023	2020	2021	2022
3-month EURIBOR (percentage per annum)	-0.4	**-0.5**	**-0.5**	**-0.3**	*-0.4*	*-0.5*	*-0.5*
10-year government bond yields (percentage per annum) (a)	-0.5	**-0.3**	**-0.1**	**0.1**	*-0.5*	*-0.3*	*-0.1*
USD/EUR exchange rate	1.14	**1.19**	**1.16**	**1.16**	*1.14*	*1.20*	*1.20*
GBP/EUR exchange rate	0.89	**0.86**	**0.85**	**0.85**	*0.89*	*0.87*	*0.87*
RMB/EUR exchange rate	7.87	**7.67**	**7.46**	**7.46**	*7.87*	*7.82*	*7.82*
JPY/EUR exchange rate	121.8	**129.99**	**130.54**	**130.54**	*121.81*	*129.70*	*130.31*
EUR nominal effective exchange rate (annual percentage change) (b)	3.94	**1.30**	**-1.30**	**0.00**	*3.94*	*2.28*	*0.13*
Oil price (USD per barrel)	43.4	**71.6**	**78.9**	**72.3**	*43.4*	*63.9*	*61.6*
Oil price (EUR per barrel)	38.0	**60.4**	**68.1**	**62.5**	*38.0*	*53.1*	*51.2*

(a) 10-year government bond yields for the euro area are the German government bond yields.
(b) 42 industrial countries EU-27, TR CH NR US UK CA JP AU MX NZ KO CN HK RU BR.

(Continued on the next page)

Box (continued)

Council Implementing Decision. The inclusion of transfers from the EU in revenue projections and the time profiles of cash disbursements included in the forecast is based on the assumption of a timely completion of milestones and targets. 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. In particular, this implies that, except for 2020, the budgetary impact any expenditure or other costs financed with non-reimbursable transfers ('grants') from the RRF is neutralised in revenue projections by matching transfers received from the EU (in 2020, expenditure and other costs retroactively financed by RRF grants are offset by transfers from the EU in the year of adoption of the Council Implementing Decision). Expenditures financed by loans from the RRF increase the deficit, while the actual 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 2020 as published in Eurostat's news release 119/2021 of 21 October 2021.

Eurostat is withdrawing the reservation on the quality of the data reported by Luxembourg for the year 2020. The Luxembourgish statistical authorities have provided the missing information on the tax revenue deferred in the context of the COVID-19 pandemic.

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 caused by the COVID-19 pandemic. 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 2022, draft budgets are taken into consideration. The short-term emergency measures taken in response to COVID-19 crisis adopted in 2020 and 2021 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 2021, 2022 and 2023 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2020, 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 119/2021 of 21 October 2021 (by 2.0 pps. in the EA and by 1.7 pps. in the EU).

PART II

Prospects by individual economy

Euro Area Member States

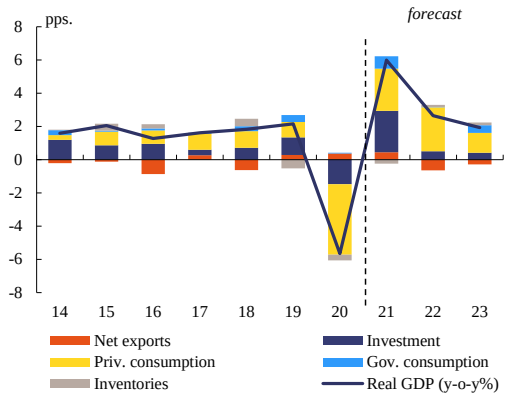
1. BELGIUM

Economic growth in Belgium is set to experience a strong rebound in 2021 after a historic plunge in 2020 following the onset of the COVID-19 crisis. After a successful vaccination campaign and the easing of restrictions, private consumption is projected to gradually recover in 2021. Investment growth is set to continue, supported also by the implementation of the Recovery and Resilience Facility. Inflation is expected to rise markedly in 2021 on the back of higher energy prices. The general government deficit is projected to improve gradually in 2021 and 2022 and to remain at a high level in 2023.

A broad-based recovery in 2021 following a historic recession in 2020

Economic growth is set to rebound in 2021 after a historic drop of -5.7% in 2020 caused by the COVID-19 crisis. A successful vaccination campaign has allowed the gradual lifting of restrictions. Consequently, households were able to return increasingly to their pre-pandemic consumption pattern, especially in the second and third quarters. Investment recovered quickly and already surpassed its pre-crisis level at the beginning of the year. Exports and imports recovered to their pre-crisis level in the second quarter of 2021 thanks to the strength of the external environment. The contribution of net exports to GDP growth is projected to be positive in 2021.

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



After growing by 1.2% in the first quarter and 1.7% in the second quarter, real GDP is forecast to expand by 1.8% in the third quarter, when it would reach its pre-crisis level. GDP is projected to continue growing at a more moderate pace afterwards. All in all, real GDP growth is projected to reach 6.0% in annual terms in 2021.

The recovery of private consumption is expected to continue in 2022 and to a lesser extent in 2023. Strong business confidence, favourable financing conditions, and the implementation of the Recovery and Resilience Facility should continue to support investment, despite possible solvency and liquidity concerns in the corporate sector.

In line with the recovery in domestic demand, exports and tourism, imports are expected to increase relatively more than exports, leading to a negative contribution of net exports to GDP growth in 2022 and in 2023. Overall, real GDP is expected to grow by 2.6% and 1.9%, in 2022 and 2023, respectively.

Stable unemployment

Policy support measures put in place during the crisis to shelter jobs and firms have kept corporate bankruptcies at low levels and have supported employment in 2020 and 2021. The unemployment rate is forecast to remain broadly stable at 6.3% in 2022, before improving to 5.8% in 2023, in line with economic growth. The expiry of some support measures and a possible increase in the level of bankruptcies represents a risk for growth and employment.

Inflation on the rise

Headline inflation is forecast to rebound from 0.4% in 2020 to 2.7% in 2021, due to higher energy prices. Wholesale gas and electricity prices have risen very sharply in recent weeks, and will lead to a gradual increase in consumption prices. Prices are set to stay high at the beginning of 2022 and trigger faster indexation of wages, which would lead to 2.3% inflation in 2022. After this temporary tension on prices, inflation is expected to slow down to 1.6% in 2023.

Government deficit to stabilise in 2022-2023, but at a high level

The general government headline deficit is projected to decrease to 7.8% of GDP in 2021 and 5.1% in 2022, broadly stabilising at 4.9% in 2023. This improvement is driven by the progressive phasing-out of crisis measures and by higher revenue, which are set to rise above pre-crisis levels in nominal terms in 2021, and to continue increasing thereafter, in line with the economic recovery.

In 2021, public finances continued to be affected by crisis-related measures, including the cost of health measures, various regional schemes to compensate businesses for reduced turnover, and temporary unemployment schemes. The budgetary impact of these measures has decreased considerably in the second part of 2021, notably due to a significantly lower take-up of temporary unemployment schemes.

Despite the expected phasing-out of most crisis-related measures by the end of 2021, public expenditure is projected to decrease only slightly in nominal terms in 2022 and to increase again in 2023. This partly reflects the growth in non-crisis social expenditure, which is projected to accelerate in 2022-2023 because of higher spending on health and pensions due to population ageing. The increase in minimum pensions and a permanent rise of wages in the health-sector are projected to weigh further on expenditure in 2022-2023. Two successive automatic indexations (due to rising consumer prices) are expected to drive up public wages and social benefit spending in 2022.

Public expenditure in 2022-2023 is further driven by one-off emergency and reconstruction expenditures triggered by the floods in July 2021, for an estimated 1/4% of GDP both in 2021 and 2022. It also accounts for RRF-financed expenditure, additional public investment plans at federal and regional levels in 2021-2023, and recent measures to reduce the cost of energy bills that were adopted in response to the rising energy prices for an expected amount of 0.1% of GDP in 2022.

The rebound in GDP growth and the decline in the government deficit are expected to stabilise the debt-to-GDP ratio at around 113% in 2021 and 2022, before it increases again to 115% in 2023 due to a persistent government deficit.

Table II.1.1:

Main features of country forecast - BELGIUM

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		456.9	100.0	1.6	1.8	2.1	-5.7	**6.0**	**2.6**	**1.9**
Private Consumption		227.0	49.7	1.4	1.9	1.8	-8.2	**5.1**	**5.3**	**2.4**
Public Consumption		113.1	24.8	1.2	1.3	1.7	0.2	**3.0**	**0.1**	**2.0**
Gross fixed capital formation		109.3	23.9	2.0	3.0	4.5	-6.2	**10.5**	**2.0**	**1.6**
of which: equipment		33.8	7.4	1.1	1.8	3.1	-5.4	**10.3**	**2.1**	**2.1**
Exports (goods and services)		365.6	80.0	3.3	0.6	2.0	-5.5	**9.9**	**3.7**	**2.7**
Imports (goods and services)		359.2	78.6	3.4	1.4	1.6	-5.9	**9.5**	**4.5**	**3.1**
GNI (GDP deflator)		461.7	101.1	1.5	1.8	2.2	-5.6	**5.9**	**2.6**	**1.9**
Contribution to GDP growth:	Domestic demand			1.4	2.0	2.4	-5.7	**5.8**	**3.2**	**2.1**
	Inventories			0.1	0.4	-0.5	-0.3	**-0.2**	**0.1**	**0.2**
	Net exports			0.0	-0.6	0.3	0.4	**0.4**	**-0.6**	**-0.3**
Employment				0.8	1.5	1.6	0.0	**0.9**	**0.4**	**1.2**
Unemployment rate (a)				7.9	6.0	5.4	5.6	**6.2**	**6.3**	**5.8**
Compensation of employees / head				2.2	1.8	2.0	-1.5	**3.6**	**5.1**	**2.0**
Unit labour costs whole economy				1.4	1.5	1.5	4.4	**-1.4**	**2.9**	**1.2**
Real unit labour cost				-0.3	0.0	-0.3	3.1	**-3.3**	**0.6**	**-0.4**
Saving rate of households (b)				15.5	11.6	12.4	20.2	**17.1**	**12.7**	**12.2**
GDP deflator				1.7	1.5	1.8	1.3	**2.0**	**2.3**	**1.6**
Harmonised index of consumer prices				1.9	2.3	1.2	0.4	**2.7**	**2.3**	**1.6**
Terms of trade goods				-0.2	-1.0	0.9	0.7	**-0.6**	**0.2**	**0.1**
Trade balance (goods) (c)				1.0	-0.4	0.6	1.0	**0.9**	**0.8**	**0.8**
Current-account balance (c)				2.7	-0.8	0.1	0.8	**0.8**	**0.3**	**0.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.6	-0.7	0.3	0.8	**0.8**	**0.3**	**0.0**
General government balance (c)				-2.2	-0.8	-1.9	-9.1	**-7.8**	**-5.1**	**-4.9**
Cyclically-adjusted budget balance (d)				-2.2	-1.4	-2.8	-5.7	**-7.0**	**-5.0**	**-4.9**
Structural budget balance (d)				-2.4	-1.9	-3.0	-5.8	**-6.9**	**-4.9**	**-4.9**
General government gross debt (c)				100.3	99.9	97.7	112.8	**112.7**	**113.1**	**114.6**

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

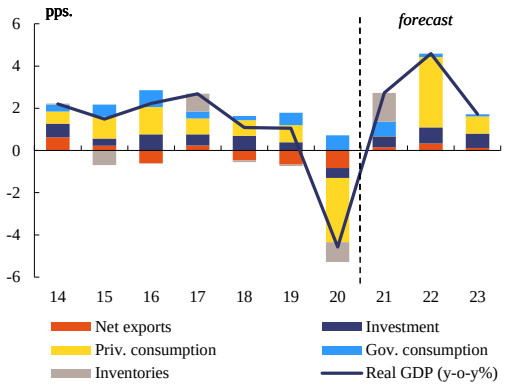
2. GERMANY

Easing of containment measures has spurred spending on services in recent months; however, supply bottlenecks are slowing down manufacturing and putting a lid on the rebound of exports and investment. Shortage of materials is also likely to add to inflation pressures over upcoming months, together with base effects and higher energy prices. Still, the economy and the labour market are well set to recover. The fiscal deficit is projected to narrow in 2022 and 2023, as policy support is withdrawn and the economy moves from recovery into expansion.

A mild rebound as restrictions ease

After declining by 2% quarter-on-quarter in Q1-2021, real GDP bounced back by 1.6% in Q2-2021. With the gradual relaxation of containment measures, private consumption partly recouped the losses of the winter months. Investment and export growth were, however, restrained by shortages of raw materials and intermediate goods, in particular semiconductors for auto- and equipment builders, lumber for the construction sector.

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



Lingering bottlenecks delay recovery

In Q3-2021, growth in services is expected to have benefited from rising vaccination rates and further easing of restrictions. Improvements in the accessibility of contact-intensive services are assumed to continue driving the recovery in consumption. On the other hand, despite strong demand, manufacturing and construction are still struggling with supply shortages, and exports and investment are likely to remain depressed for a few more months. Surveys suggest that supply bottlenecks in manufacturing could persist, while those in construction seem to be easing. Both sectors have significant order backlogs and their unwinding - subject to the easing of bottlenecks - is expected to translate to brisk export, investment and consumption growth in the course of 2022. Investment will also be supported by the implementation of the Recovery and Resilience Plan.

Overall, real GDP is projected to rebound by 2.7% in 2021. In 2022, the level of activity is forecast to be 4.6% higher than the year before, as all final demand components regain pre-crisis levels. In 2023, GDP is expected to grow by 1.7%, assuming a normalisation of supply and demand dynamics.

Employment on the mend

At 44.8 million in Q1-2021, employment was still 1.2% below the level of Q4-2019. After peaking at 4.1% in late 2020, the unemployment rate declined to 3.6% by August 2021. The number of employees on short-time work is estimated to have dropped to 610,000 in September, after having risen to 3.3 million in February 2021 (just over half of the peak reached in April 2020). Hiring expectations and the percentage of businesses reporting labour shortages are currently close to or higher than the pre-crisis level. This sets the stage for a resumption of employment and wage growth. While recent wage settlements in industry and construction have proved moderate so far, actual wages will also be driven by the return to normal work intensity as activity across sectors recovers.

With aggregate household disposable income remaining relatively stable and consumption limited by restrictions, the gross household saving rate increased to just above 23% in 2020 and is expected to remain there in 2021. On top of growing earnings, accumulated savings are expected to support the recovery in spending as supply shortages dissipate even if inflation runs higher than the subdued rate observed since 2013 (1.1% on average). The saving rate is expected to come down but not go below its pre-pandemic level of 18.4% as the spending affected by the restrictions can only be made up for to a limited extent.

Germany's current account surplus is set to narrow this year (to below 7% of GDP), due to the soft patch in exports in the second half, the resumption of foreign travel and more expensive imports. Over 2022-23, the surplus is expected to edge up again as pent-up export demand unravels, before resuming its trend of a gradual decline.

Inflation to increase temporarily

In 2021, the reinstatement of regular VAT rates, increased carbon taxes and rising commodity and energy prices, reinforced by strong demand are forecast to push inflation to 3.1% from just 0.3% a year before. Lingering supply bottlenecks and elevated energy prices are expected to keep inflation above 2% in 2022. Even if tightening, the labour market is not expected to generate significant additional price pressures. In 2023 inflation is then expected to slow to below 2%.

Deficit reaching a peak in 2021

With the bulk of the public support measures to counter the COVID-19 pandemic being paid out this year the government headline deficit is expected to peak at 6.5% of GDP. The phasing out of measures towards the end of this year is set to noticeably reduce the deficit thereafter to 2.5% in 2022 and 0.5% in 2023.

The extension of pandemic support measures comprises mostly subsidies to companies, prolongation of the short-time work scheme and increased healthcare spending for vaccination and testing. The reduction in government tax revenues due to the partial abolishment of the solidarity levy and increase in child allowances and other tax reliefs is to some extent compensated by the phasing in of a levy on CO2 emissions that will gradually increase over the coming years.

The bulk of COVID-19 measures of this year will only lead to a slight increase of the debt ratio to a peak above 71% of GDP in 2021. In line with the decreasing deficit in 2022 and 2023, the debt ratio is set to decline to 69% and 68% of GDP respectively. With the ending of the pandemic support measures at the end of this year, Germany can be expected to return to the debt reduction path seen before the outbreak of the pandemic.

Table II.2.1:

Main features of country forecast - GERMANY

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		3367.6	100.0	1.3	1.1	1.1	-4.6	**2.7**	**4.6**	**1.7**
Private Consumption		1708.0	50.7	0.8	1.4	1.6	-5.9	**0.0**	**6.7**	**1.6**
Public Consumption		754.6	22.4	1.7	1.0	3.0	3.5	**3.0**	**0.7**	**0.5**
Gross fixed capital formation		735.9	21.9	1.1	3.4	1.8	-2.2	**2.4**	**3.5**	**3.1**
of which: equipment		216.9	6.4	1.8	4.4	1.0	-11.2	**5.4**	**5.6**	**4.7**
Exports (goods and services)		1462.1	43.4	4.6	2.3	1.1	-9.3	**7.8**	**7.9**	**5.4**
Imports (goods and services)		1269.3	37.7	4.2	3.9	2.9	-8.6	**8.6**	**8.1**	**5.8**
GNI (GDP deflator)		3461.3	102.8	1.5	1.9	1.1	-5.0	**2.9**	**4.5**	**1.7**
Contribution to GDP growth:	Domestic demand			1.0	1.6	1.8	-2.8	**1.2**	**4.3**	**1.6**
	Inventories			-0.1	-0.1	-0.1	-0.9	**1.4**	**0.0**	**0.0**
	Net exports			0.4	-0.5	-0.7	-0.8	**0.2**	**0.3**	**0.1**
Employment				0.7	1.4	0.9	-0.8	**0.0**	**0.9**	**0.4**
Unemployment rate (a)				7.3	3.4	3.1	3.8	**3.6**	**3.4**	**3.2**
Compensation of employees / head				1.8	2.9	3.4	0.4	**3.1**	**3.3**	**2.9**
Unit labour costs whole economy				1.2	3.2	3.2	4.3	**0.4**	**-0.3**	**1.6**
Real unit labour cost				-0.1	1.2	1.2	2.7	**-2.2**	**-2.7**	**-0.2**
Saving rate of households (b)				17.1	18.7	18.4	23.3	**23.4**	**19.3**	**18.8**
GDP deflator				1.3	2.0	2.1	1.6	**2.6**	**2.4**	**1.8**
Harmonised index of consumer prices				1.5	1.9	1.4	0.4	**3.1**	**2.2**	**1.7**
Terms of trade goods				0.4	-1.0	1.1	2.9	**-3.2**	**-0.7**	**0.2**
Trade balance (goods) (c)				7.0	6.7	6.2	5.6	**5.1**	**5.3**	**5.6**
Current-account balance (c)				6.0	8.1	7.6	7.1	**6.7**	**6.8**	**6.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.9	7.9	7.5	6.7	**6.3**	**6.4**	**6.5**
General government balance (c)				-1.3	1.9	1.5	-4.3	**-6.5**	**-2.5**	**-0.5**
Cyclically-adjusted budget balance (d)				-1.1	1.3	0.9	-2.1	**-5.0**	**-2.6**	**-0.8**
Structural budget balance (d)				1.0	1.4	0.9	-2.1	**-5.0**	**-2.6**	**-0.8**
General government gross debt (c)				70.5	61.3	58.9	68.7	**71.4**	**69.2**	**68.1**

(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

Following a moderate contraction in 2020, Estonia's GDP is forecast to increase by 9% in real terms in 2021, driven by private demand, government stimulus and buoyant exports. Growth is expected to remain strong in 2022-23 supported by a recovery in employment, sustained wage growth and dynamic foreign demand. Inflation is set to surge this year, fuelled by the transitory increases in imported energy prices gradually passing through to other goods and services. The government deficit is projected to narrow to 2.2% of GDP in 2023, with public debt remaining the lowest in the EU.

Growth rebounds strongly

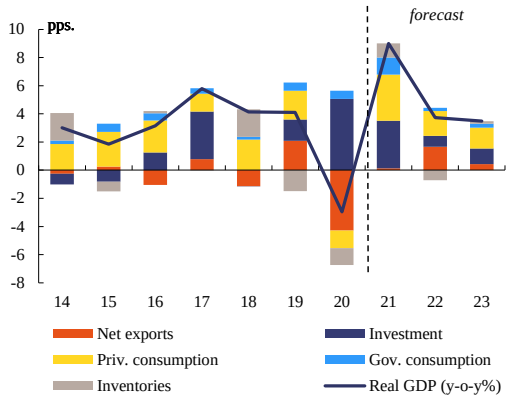
After dropping by 3% in 2020, real GDP is forecast to grow by 9% this year, driven by private consumption and investment. Output returned to its pre-crisis level in the first quarter of 2021. The expected sizeable increase in household consumption is driven by several factors: the removal of COVID-19 restrictions, some persisting fiscal support measures and the early withdrawal of assets from the second pillar of the pension system for a net amount of around 4% of GDP, about half of which are expected to lift consumption. Investment was pushed up in late 2020 and early 2021 by a single large foreign investment in intangible assets, likely to be one-off. Gross fixed capital formation is set to continue expanding at a vigorous pace this year.

Going forward, economic activity is forecast to return to more moderate, although still solid, growth rates of 3.7% in 2022 and 3.5% in 2023, with positive contributions in particular from private consumption and, in 2022, from net exports. Household consumption is expected to continue rising in 2022-23, thanks to brighter employment prospects and sustained wage increases. Investment growth is predicted to slow down in 2022 and pick up again in 2023, with faster rises in investment in equipment and non-residential construction, supported by the inflow of EU funds.

Stimulated by the swell in domestic demand, imports are forecast to rise substantially this year, compounding the escalation in energy prices. This is set to weigh on the trade balance, despite some projected gains in export shares, mainly of services. The rate of increase of both exports and imports is projected to remain robust in 2022-23, albeit going down to single-digit figures, on the back of a higher anticipated foreign demand for the goods and services that Estonia increasingly exports, particularly in the ICT sector.

Any possible further restrictions in Estonia or neighbouring countries linked to the COVID-19 pandemic represent a negative risk to short-term economic growth.

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



Imported inflation spreads to domestic sectors

Consumer price growth accelerated into the third quarter of 2021 and is estimated to remain elevated for the following three quarters. Annual HICP inflation is forecast at 4.0% this year, 3.9% in 2022, and 2.1% in 2023. The recent energy price hikes and global supply bottlenecks are bound to raise manufacturing, transport and delivery costs, affecting price developments in a significant portion of the economy, fading away only gradually. By 2023, labour shortages, notably for skilled labour, are expected to translate into wage pressures in various domestic sectors, pushing core inflation up.

Steady wage rise accompanies employment recovery

Labour losses that occurred at the beginning of the COVID-19 crisis started being reabsorbed in the last quarter of 2020. This early recovery stopped in the face of renewed restrictions, albeit mitigated by a new short-term unemployment benefit scheme, supported by the EU, launched in March 2021.

Employment is forecast to remain broadly stable throughout 2021 and expand gradually in 2022-23. The unemployment rate is estimated to remain at 6.8% this year and drop steadily afterwards, to 5.2% in 2023. Wage dynamics have been largely unaffected by the crisis, with repeated increases in 2020 and 2021, particularly in the government sector. Wage growth is expected to pick up in 2021 and accelerate thereafter, as the labour market becomes tighter. Combining the employment and wage projections, compensations per employee are set to soften until 2022 and then speed up in 2023. As a result, unit labour costs are forecast to start rising again next year, albeit at a moderate pace.

Narrowing government deficit

The general government deficit peaked at 5.6% of GDP last year. In 2021, it is projected to narrow to 3.1% of GDP, thanks to the economic recovery boosting tax receipts and the income tax revenue from the second pillar pension withdrawals, which amounts to about 1 percentage point of GDP. In addition, COVID-19 related worker- and business-support schemes in 2021 were taken up to a smaller degree than anticipated. At the same time, some spending increases introduced in 2020 and 2021 (pension increases, wages and investments) are of a more permanent nature and will remain in the expenditure base.

Following the expected better fiscal outcome this year, the 2022 budget foresees some new expenditure increases, principally for higher public wages, healthcare and additional investments. With the tax base continuing to recover and the remaining COVID-19 support measures due to expire, the deficit is projected to decrease to 2.5% of GDP in 2022 and 2.2% in 2023. The forecast also incorporates expenditures financed by RRF grants, which are set to gradually increase from 0.3% of GDP in 2021 to 0.8% of GDP in 2023.

Public debt is forecast to increase from 19% of GDP in 2020 to 21½% in 2023, still the lowest ratio in the EU. The government's large precautionary financing of 2020 is estimated to be only partially offset this year, when the debt ratio is estimated to fall slightly, also thanks to the strong nominal GDP growth. However, persistent budget deficits, less vigorous growth and some further asset accumulation are expected to drive the debt ratio up again in 2022 and 2023.

Table II.3.1:

Main features of country forecast - ESTONIA

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		26.8	100.0	3.3	4.1	4.1	-3.0	**9.0**	**3.7**	**3.5**
Private Consumption		13.4	49.8	3.9	4.3	4.1	-2.5	**6.6**	**3.6**	**3.0**
Public Consumption		5.7	21.3	2.6	1.0	3.0	3.0	**5.7**	**1.1**	**1.3**
Gross fixed capital formation		8.2	30.7	5.1	0.0	6.1	19.9	**11.0**	**2.5**	**3.6**
of which: equipment		2.2	8.0	4.3	15.1	-4.9	-3.5	**6.7**	**5.0**	**4.6**
Exports (goods and services)		19.1	71.2	6.9	3.9	6.5	-5.0	**11.3**	**7.6**	**4.5**
Imports (goods and services)		19.0	70.7	7.1	5.7	3.8	0.9	**11.1**	**5.3**	**4.0**
GNI (GDP deflator)		26.4	98.5	3.5	4.5	3.8	-2.0	**9.2**	**3.7**	**3.3**
Contribution to GDP growth:	Domestic demand			4.4	2.4	4.1	4.4	**7.9**	**2.8**	**2.9**
	Inventories			0.0	2.0	-1.5	-1.2	**1.0**	**-0.7**	**0.2**
	Net exports			-0.5	-1.1	2.1	-4.3	**0.1**	**1.7**	**0.4**
Employment				0.5	0.9	1.3	-2.7	**0.2**	**1.4**	**0.6**
Unemployment rate (a)				8.9	5.4	4.4	6.8	**6.8**	**5.7**	**5.2**
Compensation of employees / head				8.0	8.6	8.4	5.3	**4.6**	**3.7**	**4.6**
Unit labour costs whole economy				5.1	5.2	5.5	5.5	**-3.9**	**1.4**	**1.7**
Real unit labour cost				0.6	1.2	2.2	5.8	**-6.6**	**-1.6**	**-0.8**
Saving rate of households (b)				5.1	12.3	12.7	15.6	**8.9**	**8.3**	**8.2**
GDP deflator				4.5	4.0	3.2	-0.3	**2.9**	**3.0**	**2.4**
Harmonised index of consumer prices				3.4	3.4	2.3	-0.6	**4.0**	**3.9**	**2.1**
Terms of trade goods				0.7	0.0	-0.7	1.1	**-1.1**	**-0.4**	**0.2**
Trade balance (goods) (c)				-9.5	-4.7	-3.4	-0.6	**-1.0**	**-0.4**	**0.0**
Current-account balance (c)				-4.6	0.8	2.0	-0.8	**-1.1**	**0.2**	**0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.7	2.2	3.7	1.3	**0.4**	**1.6**	**1.8**
General government balance (c)				0.5	-0.6	0.1	-5.6	**-3.1**	**-2.5**	**-2.2**
Cyclically-adjusted budget balance (d)				0.3	-1.5	-0.7	-3.1	**-2.7**	**-2.2**	**-1.8**
Structural budget balance (d)				0.0	-1.5	-0.7	-3.1	**-3.7**	**-2.3**	**-1.8**
General government gross debt (c)				7.1	8.2	8.6	19.0	**18.4**	**20.4**	**21.4**

(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.

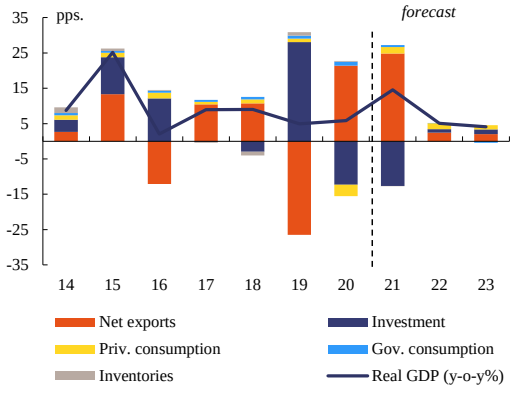
4. IRELAND

GDP is expected to grow very strongly this year, driven by the activities of multinational companies and supported by a domestic recovery. Private consumption is rebounding as households' saving patterns normalise, while domestic investment — particularly in construction — is expected to register robust growth over the forecast horizon. Inflation has picked up and is projected to increase further in 2022. The fiscal outlook is set to improve from 2021 onwards, with the headline deficit ratio reaching 0.3% in 2023.

Multinational companies' exports and a domestic recovery spur growth

Ireland's real GDP grew very fast in the first half of 2021, led by exports of multinational corporations, but also increasingly supported by the recovery in domestic demand. Private consumption is rebounding, having nearly reached pre-pandemic levels in the second quarter of 2021, while construction activity is also resuming strongly. Leading indicators for the second half of the year point to a continuation of the domestic recovery, with consumer spending increasing and business sentiment for both manufacturing and services indicating a considerable revival of activity. Very high vaccination rates allowed the government to further ease COVID-19 restrictions in late October. This is likely to spur private consumption, particularly of contact-intensive services. Multinationals' exports are expected to continue performing well in the second half of the year, while exports of indigenous companies are also picking up strongly.

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



The very high household saving rates driven up by curtailed spending opportunities and precautionary motives are set to normalise over the forecast horizon as pent-up demand — particularly for services — is released. This will provide support to private consumption, which is forecast to grow by 7.4% in 2021 and 6.7% in 2022 before moderating to 4.8% in 2023. Surveys suggest that part of these savings will be channelled into the housing market, for new investment and renovation. Construction activity has already regained ground but shows further scope to grow in view of excess demand for housing in Ireland. Furthermore, the government intends to significantly expand the pool of affordable housing, adding to the need for new construction. Other domestic investment is set to benefit from lower uncertainty, and supportive economic and financial conditions.

While investment activities of multinational companies remain volatile, they are assumed to follow a much more subdued trend compared to their surge in previous years, which will also lower imports in 2021. Meanwhile exports are expected to remain strong, with multinational corporations' export sales being lifted by past investments, including into new production capacities for pharmaceuticals. Equally, domestic exporters are benefitting from an improving external environment.

Overall, Ireland's economy is projected to grow by 14.6% in 2021, 5.1% in 2022 and 4.1% in 2023. Modified domestic demand, which better reflects underlying domestic economic activity, has returned to pre-pandemic levels in the second quarter of 2021. It is expected to expand by 7.3% this year, 5.3% in 2022 and 3.2% in 2023.

Higher inflation, albeit transitory

HICP inflation increased in summer, driven by rapidly rising energy prices, recovering demand and cost pressures from supply bottlenecks. While energy was by far the largest driver, services inflation has also picked up amidst re-opening and simultaneous hiring in the sector. These drivers are expected to persist well into 2022, thereby temporarily accelerating inflation, before price pressures gradually dissipate in 2023. HICP is

projected at 2.3% in 2021, 3.1% in 2022 and 1.5% in 2023.

Labour market recovers

The Irish labour market still benefits from public support, though the schemes are being gradually wound down via tightened eligibility and reduced payment rates. The reopening of the labour-intensive services sector helped to reignite employment, with October's ending of most pandemic restrictions providing another boost. Employment expectations are positive overall. However, the unemployment rate remains above pre-crisis levels and is expected to decline moderately over the forecast horizon. This reflects the uneven impact of the pandemic on different sectors, with some sectors now needing less employees and others running into capacity constraints due to the lack of workers with the right skills and a reduced net inflow of foreign workers.

Deficit starts decreasing as of 2021

Ireland's general government deficit is forecast to decrease to 3.2% of GDP in 2021 from 4.9% in 2020. Revenue growth is expected to be broad-based amidst a positive surprise in corporate income tax receipts as of September 2021. On the expenditure side, an undershoot in government investment in 2021 is projected to also contribute to a lower deficit. A positive denominator effect from strong nominal GDP growth also supports the reduction in the deficit ratio.

In 2022, the deficit is forecast to further decrease to 1.7% of GDP as the effect of pandemic response measures fades. According to Budget 2022, income support measures have been extended until April 2022. An almost-balanced budget is expected by 2023, at 0.3% of GDP, under the assumption that support measures to fight the pandemic are withdrawn as planned.

The general government debt-to-GDP ratio is projected to decrease to 55.6% in 2021, 52.3% in 2022 and 51.1% in 2023. Risks to the fiscal outlook include the actual impact of upcoming changes in international corporate taxation.

Table II.4.1:

Main features of country forecast - IRELAND

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		372.9	100.0	4.2	9.0	4.9	5.9	**14.6**	**5.1**	**4.1**
Private Consumption		93.4	25.1	2.3	3.7	3.2	-11.1	**7.4**	**6.7**	**4.8**
Public Consumption		47.2	12.6	2.1	5.3	6.8	9.4	**4.2**	**0.0**	**-3.9**
Gross fixed capital formation		147.9	39.7	6.9	-8.9	99.5	-22.9	**-31.8**	**4.1**	**5.4**
of which: equipment		17.8	4.8	7.7	19.1	-5.8	-28.3	**15.2**	**10.3**	**7.4**
Exports (goods and services)		488.9	131.1	6.6	11.5	10.4	9.5	**15.2**	**5.9**	**5.1**
Imports (goods and services)		405.8	108.8	6.0	3.3	41.7	-7.4	**-4.5**	**5.8**	**5.0**
GNI (GDP deflator)		283.4	76.0	3.8	8.0	3.2	4.0	**15.5**	**3.8**	**4.1**
Contribution to GDP growth:	Domestic demand			3.1	-1.1	29.9	-14.4	**-10.3**	**2.6**	**2.1**
	Inventories			0.2	-1.1	1.0	0.2	**0.0**	**0.0**	**0.0**
	Net exports			1.7	10.7	-26.5	21.4	**24.8**	**2.5**	**2.0**
Employment				1.3	3.2	2.9	-1.5	**3.0**	**1.7**	**1.7**
Unemployment rate (a)				9.0	5.8	5.0	5.7	**7.5**	**6.8**	**6.2**
Compensation of employees / head				2.5	2.5	3.4	2.4	**4.2**	**5.0**	**6.1**
Unit labour costs whole economy				-0.4	-3.0	1.4	-4.7	**-6.3**	**1.6**	**3.7**
Real unit labour cost				-1.8	-3.7	-2.8	-3.5	**-6.1**	**-0.4**	**2.2**
Saving rate of households (b)				10.0	11.6	12.2	25.2	**18.5**	**14.6**	**13.9**
GDP deflator				1.4	0.7	4.2	-1.2	**-0.2**	**2.0**	**1.4**
Harmonised index of consumer prices				1.4	0.7	0.9	-0.5	**2.3**	**3.1**	**1.5**
Terms of trade goods				-0.1	-6.4	4.9	-1.8	**-1.6**	**-0.5**	**-0.1**
Trade balance (goods) (c)				24.3	33.6	33.1	38.9	**40.0**	**39.8**	**39.6**
Current-account balance (c)				-1.8	6.0	-11.3	-2.8	**15.4**	**14.4**	**14.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.6	-9.9	-21.2	-6.9	**11.1**	**9.9**	**9.9**
General government balance (c)				-5.2	0.1	0.5	-4.9	**-3.2**	**-1.7**	**-0.3**
Cyclically-adjusted budget balance (d)				-5.2	0.0	2.3	-2.4	**-4.7**	**-3.1**	**-1.2**
Structural budget balance (d)				-3.0	0.0	2.3	-2.4	**-4.7**	**-3.1**	**-1.2**
General government gross debt (c)				64.1	63.1	57.2	58.4	**55.6**	**52.3**	**51.1**

(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

The recovery of the Greek economy is gaining traction, primarily driven by domestic demand and the better-than-expected tourist season. The impact of the pandemic is expected to gradually soften, while the accommodative fiscal and monetary policy, coupled with the strong boost from the Recovery and Resilience Plan, are set to sustain the momentum going forward. Emergency support measures are being adapted to the evolving needs of the economy, and expected to be largely phased out by the end of 2021, supporting the reduction of the general government deficit.

Recovery gains momentum in 2021

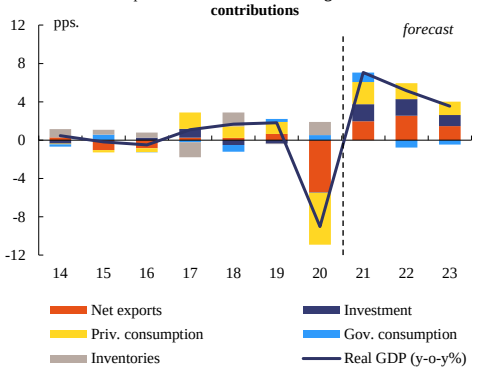
Greece's economy rebounded strongly in the second quarter of 2021, by 3.4% compared with the previous quarter. Real GDP reached its pre-pandemic level in the second quarter of 2021. The recovery was driven by domestic demand, in particular investment, and by the accumulation of inventories, while the ongoing fiscal stimulus provided a crucial role in supporting the economy. The authorities continue to provide targeted and temporary support to the economy, notably towards sustaining employment. The unemployment rate decreased over the summer, also supported by more hirings in tourism sector.

Recovery and Resilience Plan and external sector to bolster recovery

While part of the high growth that is forecast for 2021 reflects the depth of the recession in 2020, the improving sanitary situation, in terms of both vaccination rates, and total number of severe cases, has allowed for an easing of containment measures. This is expected to continue enabling the realisation of deferred purchases, further contributing to private consumption growth, especially in 2022. The economic activity in the second half of 2021 is also expected to be supported by the launch of the implementation of projects presented in Greece's RRF. Overall, GDP is forecast to rebound by 7.1% in 2021, and to grow by 5.2% and 3.6% in 2022 and 2023, respectively. Growth in 2022 and 2023 is expected to be driven by public and private investment, as the roll-out of projects under the Recovery and Resilience Plan is expected to sustain momentum. The forecast assumes a cumulative amount of 3.6% of 2019 GDP for expenditures financed by RRF grants over the forecast horizon.

In terms of the external sector, the reopening of tourism earlier in May, later supported by the lifting of mobility restrictions across the EU during the summer, has managed to buttress exports in services. Along with the market share gains for Greek goods' exports, the external sector is expected to continue providing support to growth going forward.

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



Job support measures are expected to continue assisting employment in vulnerable sectors, while the recovery of the economy is set to accelerate job creation. The unemployment rate is forecast to go down to 15.3% in 2021 and continue its decline to 15.0% and 14.5% in 2022 and 2023 respectively.

Despite the current hike in energy prices, overall inflation is likely to remain only mildly positive in 2021, largely on account of the weak demand during the first half of the year. Inflation is expected to peak in 2022, reaching 1.0%, also driven by the projected strengthening of the demand for services. As the transitory effects of the energy prices peter out, inflation is forecast to ease to 0.4% in 2023.

The forecast remains subject to risks, particularly in relation to the uncertain development of the pandemic, and its potential repercussions in the tourism sector, or the possible cliff effects from the large amount of emergency support measures extended to the private sector. This also concerns the pace at which the employment support schemes are phased out. External geopolitical factors remain a source of uncertainty.

General government deficit to narrow by 2023

Greece's general government deficit is expected at 9.9% of GDP in 2021 due to the budgetary implications of the economic downturn and the cost of the measures adopted to address the coronavirus outbreak. The budgetary impact of the measures is expected to reach 6.5% of GDP in 2021 and most of them are expected to phase out by the end of the year. The cost of the relief and support measures taken in response to the extensive forest fires in August contributes further to the deficit. The government also announced measures to counteract the impact of the soaring energy prices, which will be fully matched with increased revenues of the emissions trading system account earmarked to energy-related spending.

The general government deficit is expected to decrease to 3.9% of GDP in 2022. The improvement is driven mainly by the economic rebound and is reinforced by the phasing out of most of the emergency measures. The fiscal impact of the support measures adopted in 2021 that have been prolonged to 2022 is 1.5% of GDP, namely: lower social security contributions, suspension of the social solidarity tax in the private sector, extension of the recruitment subsidy programme and reduced VAT rates for transport, beverages and cinema tickets until mid-2022. The forecast takes into account the additional package of tax relief measures announced by the government with an expected annual cost of around 0.1% of GDP. The decision of the government to frontload part of the deliveries of the defence-spending programme from the period 2023-2025 to 2022 has also a balance deteriorating impact of 0.1% of GDP in 2022. The economic recovery and the expiry of the emergency measures are expected to further reduce the headline deficit to 1.1% of GDP in 2023. Public debt is expected to decrease to 203% of GDP in 2021 and decline further to around 197% in 2023, supported by the economic recovery.

Fiscal risks remain substantial. The possible activation of state guarantees issued as part of the support measures could lead to increased fiscal costs. The litigation cases against the Public Real Estate Company and the pending ruling of the Council of State on the retroactive compensation for cuts in the supplementary pensions and seasonal bonuses pose additional risks. Further risks relate to the statistical classification of recent or planned financial policy arrangements, including the sale and lease-back scheme for properties owned by vulnerable debtors.

Table II.5.1:

Main features of country forecast - GREECE

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		165.3	100.0	-0.4	1.7	1.8	-9.0	**7.1**	**5.2**	**3.6**
Private Consumption		115.5	69.8	-0.1	1.7	1.8	-7.9	**3.3**	**2.5**	**2.1**
Public Consumption		37.6	22.8	0.1	-3.5	1.7	2.6	**4.4**	**-3.5**	**-2.2**
Gross fixed capital formation		19.3	11.7	-3.7	-4.3	-3.3	-0.3	**15.3**	**13.4**	**8.2**
of which: equipment		8.5	5.2	-1.4	-0.4	3.0	-4.8	**22.4**	**16.3**	**8.9**
Exports (goods and services)		52.9	32.0	2.5	9.1	4.9	-21.5	**16.2**	**15.0**	**9.2**
Imports (goods and services)		65.5	39.6	0.9	8.1	3.1	-7.6	**8.1**	**6.9**	**5.2**
GNI (GDP deflator)		164.6	99.6	-0.5	1.1	2.0	-8.6	**7.1**	**5.0**	**3.4**
Contribution to GDP growth:		Domestic demand		-0.5	0.0	1.2	-4.9	**5.1**	**2.6**	**2.1**
		Inventories		-0.1	1.4	0.0	1.4	**0.0**	**0.0**	**0.0**
		Net exports		0.3	0.2	0.6	-5.5	**2.0**	**2.6**	**1.5**
Employment				0.2	4.6	0.9	-1.2	**1.1**	**1.1**	**1.0**
Unemployment rate (a)				15.9	19.3	17.3	16.3	**15.3**	**15.0**	**14.5**
Compensation of employees / head				1.1	-3.8	0.6	-0.7	**0.0**	**0.6**	**1.5**
Unit labour costs whole economy				1.6	-1.0	-0.3	7.8	**-5.6**	**-3.3**	**-1.0**
Real unit labour cost				0.3	-0.8	-0.5	8.7	**-5.6**	**-4.2**	**-1.4**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				1.3	-0.2	0.2	-0.8	**-0.1**	**0.9**	**0.4**
Harmonised index of consumer prices				2.0	0.8	0.5	-1.3	**0.1**	**1.0**	**0.4**
Terms of trade goods				-0.3	-1.2	-1.4	-4.1	**-1.8**	**-1.0**	**-1.0**
Trade balance (goods) (c)				-13.8	-12.6	-13.0	-11.8	**-12.7**	**-13.4**	**-14.2**
Current-account balance (c)				-7.9	-3.5	-2.4	-7.9	**-6.3**	**-4.0**	**-2.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-6.2	-2.3	-1.1	-5.8	**-4.1**	**-1.7**	**-0.4**
General government balance (c)				-7.5	0.9	1.1	-10.1	**-9.9**	**-3.9**	**-1.1**
Cyclically-adjusted budget balance (d)				-4.9	4.0	2.8	-4.5	**-7.4**	**-3.6**	**-1.9**
Structural budget balance (d)				4.3	4.6	1.7	-5.1	**-7.9**	**-3.5**	**-1.9**
General government gross debt (c)				140.0	186.4	180.7	206.3	**202.9**	**196.9**	**192.1**

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

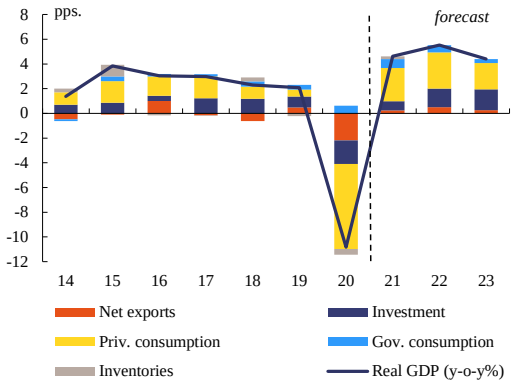
6. SPAIN

After recording the deepest contraction in the EU in 2020, the economic recovery is gaining traction in Spain. The implementation of the Recovery and Resilience Plan will sustain the economic momentum over the forecast horizon and spur public and private investment. The labour market has shown remarkable resilience compared to previous crises and the unemployment rate is expected to fall below its pre-crisis level by 2023. Inflation has risen in 2021 and is projected to remain high until mid-2022. The general government deficit is set to improve to 5.2% in 2022 and 4.2% in 2023 due to a good revenue performance and the supportive macroeconomic scenario.

Recovery is gaining traction in the second half of 2021

The containment measures still in force dragged down economic activity in the first half of 2021, with a moderate GDP contraction in the first quarter (-0.6%) followed by a softer-than-expected rebound in the second quarter (1.1%). Since the lifting of the state of emergency in mid-May, backed by the success of the vaccination campaign, the Spanish economy has entered into a steady recovery. The service sector, including leisure and tourism-related activities, is finally supporting the recovery. Job creation has accelerated in recent months and confidence indicators remain very high for both manufacturing and services. In this context, real GDP is set to speed up in the second half of the year and achieve an annual growth rate of 4.6% in 2021, with private consumption as its main driver.

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



The RRP will boost economic growth over the forecast horizon

Following the rebound in the second half of 2021, the Spanish economy is set to continue to grow in 2022 and close the gap with its pre-pandemic level of GDP by 2023-Q1. Private consumption growth is projected to remain strong with the impulse of savings accumulated during the pandemic and the recovery of employment. Meanwhile, the implementation of the Recovery and Resilience Plan (RRP) will gain traction, thereby spurring public and private investment. The forecast incorporates expenditures financed by RRF grants for a cumulative amount of 5.0% of 2019 GDP over the forecast horizon. The external sector is also expected to contribute positively to GDP growth throughout the forecast horizon, thanks to the gradual normalisation of international tourism. Economic activity is forecast to continue to expand in 2023, still under the impulse of the RRP-financed expenditure and reforms, although quarterly growth rates are set to moderate as the output gap turns positive.

Overall, real GDP is projected to grow by 5.5% in 2022 and by 4.4% in 2023. While uncertainty has decreased significantly thanks to the control of the health situation at national level, there are still several risks to the outlook. The persistence or resurgence of the pandemic in other countries could weigh on economic growth, notably by delaying a full recovery in the tourism sector. Supply-side bottlenecks and energy and transport prices could delay the recovery in the short-term, while labour market mismatches could affect the implementation of green and digital investments connected to the RRP. By contrast, the implementation of the RRP could lead to more powerful crowding-in effects and a stronger impact of key reforms on potential growth.

Inflation to remain high in the short term

Headline inflation reached 2% in April and 4% in September, due to the surge of gas and electricity prices. These are expected to remain at record levels until 2022-Q2, despite some measures adopted by the government to contain them, including reduced VAT rates. In addition, pensions' indexation will put some upward pressure on core inflation. However, the remaining

large slack in the Spanish labour market should help to contain wages and limit second round effects. As a result, current inflationary pressures are expected to start to fade in the second half of 2022. Overall, HICP inflation is forecast to reach 2.8% in 2021, moderate to 2.1% in 2022 and abate to 0.7% in 2023 due to strong (negative) base effects in energy prices. In turn, core inflation is projected to increase from 0.6% in 2021 to 1.5% in 2022 and ease to 1.3% in 2023.

The labour market is recovering fast, upheld by policy measures

Short-term work schemes (so-called 'ERTEs') remarkably mitigated job destruction during the initial stages of the COVID-19 crisis and have paved the way for a quick recovery of the labour market. Both the number of workers and the unemployment rate have roughly recovered to their pre-pandemic levels, although around 200 000 employees remain subject to ERTEs (1% of total employment). The Spanish government plans to replace the current extraordinary scheme with a new one of structural nature, with a greater focus on reskilling and up-skilling of workers. The unemployment rate is expected to decline throughout the forecast horizon, from 15.2% in 2021 to 13.9% in 2023.

Government deficit decreasing but still high

The COVID-19 pandemic and the necessary measures taken by the government to overcome the crisis caused an exceptional deterioration in Spain's public finances. The general government deficit reached 11% of GDP in 2020 and the gross debt-to-GDP ratio rose by almost 25pps. With economic growth resuming in 2021-Q2, the government deficit started to decrease thanks in particular to higher income tax and VAT revenues. The phasing out of several measures introduced to contain the impact of the pandemic and the solid performance from the revenue side are set to reduce the deficit to 8.1% of GDP in 2021. The debt, marginally increasing to at 120.6% of GDP in 2021, is expected to gradually come down from 2022. A supportive macroeconomic scenario, partly due to the implementation of the RRP, and the action of automatic stabilisers are set to help the debt-to-GDP ratio decrease to 118.2% and keep improving the general government balance, with the deficit at 5.2% in 2022. Sustained economic growth in 2023 and the containment of total current expenditure will be the main drivers of further public deficit reduction, to 4.2%, and of the debt ratio to 116.9%.

Table II.6.1:

Main features of country forecast - SPAIN

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		1121.9	100.0	1.4	2.3	2.1	-10.8	**4.6**	**5.5**	**4.4**
Private Consumption		628.0	56.0	1.1	1.7	1.0	-12.0	**4.8**	**5.2**	**3.8**
Public Consumption		245.3	21.9	2.5	2.3	2.0	3.3	**3.3**	**2.7**	**1.5**
Gross fixed capital formation		227.6	20.3	0.1	6.3	4.5	-9.5	**3.7**	**7.4**	**8.1**
of which: equipment		67.0	6.0	1.3	4.7	3.2	-12.9	**15.0**	**8.0**	**7.5**
Exports (goods and services)		343.6	30.6	3.3	1.7	2.5	-20.1	**12.1**	**10.4**	**7.1**
Imports (goods and services)		327.0	29.1	2.2	3.9	1.2	-15.2	**11.9**	**9.2**	**6.6**
GNI (GDP deflator)		1128.5	100.6	1.5	2.4	2.2	-10.5	**4.2**	**5.5**	**4.4**
Contribution to GDP growth:	Domestic demand			1.2	2.6	1.8	-8.2	**4.2**	**5.0**	**4.1**
	Inventories			0.0	0.3	-0.2	-0.5	**0.2**	**0.0**	**0.0**
	Net exports			0.3	-0.6	0.5	-2.2	**0.2**	**0.5**	**0.3**
Employment				0.4	2.5	2.3	-7.6	**4.5**	**2.8**	**2.3**
Unemployment rate (a)				16.5	15.3	14.1	15.5	**15.2**	**14.3**	**13.9**
Compensation of employees / head				2.3	1.2	2.8	1.3	**-0.3**	**2.1**	**1.7**
Unit labour costs whole economy				1.2	1.4	3.0	5.0	**-0.4**	**-0.5**	**-0.4**
Real unit labour cost				-0.5	0.2	1.6	3.8	**-1.9**	**-2.0**	**-1.3**
Saving rate of households (b)				8.2	5.6	8.3	15.0	**11.7**	**8.3**	**6.1**
GDP deflator				1.7	1.2	1.3	1.1	**1.5**	**1.6**	**0.9**
Harmonised index of consumer prices				2.1	1.7	0.8	-0.3	**2.8**	**2.1**	**0.7**
Terms of trade goods				0.0	-0.7	-0.5	2.8	**-0.9**	**-0.1**	**-0.1**
Trade balance (goods) (c)				-4.6	-2.4	-2.2	-0.8	**-1.5**	**-2.2**	**-2.5**
Current-account balance (c)				-2.9	1.9	2.1	0.8	**0.3**	**0.8**	**1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.4	2.4	2.4	1.2	**1.5**	**2.3**	**2.6**
General government balance (c)				-4.2	-2.5	-2.9	-11.0	**-8.1**	**-5.2**	**-4.2**
Cyclically-adjusted budget balance (d)				-3.2	-3.3	-4.3	-5.7	**-4.7**	**-4.1**	**-4.6**
Structural budget balance (d)				-2.2	-3.0	-4.1	-4.5	**-4.7**	**-4.1**	**-4.6**
General government gross debt (c)				66.5	97.5	95.5	120.0	**120.6**	**118.2**	**116.9**

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

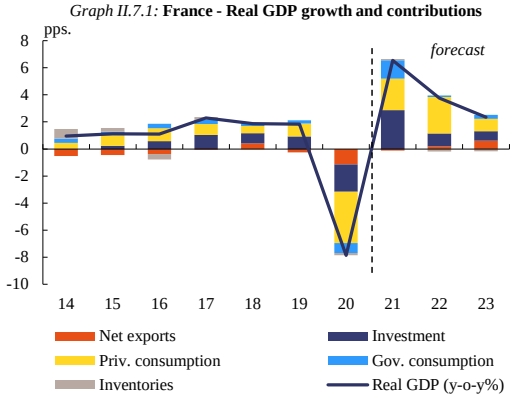
7. FRANCE

Economic activity is projected to gain momentum in 2021, following a strong rebound in the third quarter of the year as restrictions were largely eased, and to reach its pre-crisis level by the end of 2021. Despite high input prices and disruptions in the global supply chains assumed to last until mid-2022, growth is expected to remain solid in 2022 and 2023. The sharp rise in consumer prices, mainly due to higher energy prices, is set to persist over the coming quarters but to moderate in 2023. The general government deficit is forecast to fall to 5.3% and 3.5% of GDP in 2022 and 2023, respectively, while public debt is set to start declining already in 2021.

Economic recovery after a historic recession

Following a historic drop in 2020 (-7.9%), real GDP is set to rebound strongly by 6.5% in 2021, and by 3.8% in 2022 and 2.3% in 2023.

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



In the third quarter of this year, activity is expected to have benefited from the easing of restrictions (after a lockdown in April) following a successful vaccination campaign. The growth momentum is then projected to moderate until mid-2022, suffering from the rise in input prices and global supply chain disruptions (real GDP being nonetheless forecast to reach its pre-crisis level by the end of 2021). Activity is forecast to accelerate in the second half of 2022, thanks to the deceleration in inflation, the improvement of international trade and the recovery of tourism. GDP is then projected to return progressively to historic growth trends in 2023.

The rebound is set to involve all demand components with the resilience of household purchasing power expected to be central to the recovery. Private consumption is projected to have rebounded sharply in the third quarter as the most severe restrictions weighing on the service sector were eased. With consumption patterns normalising, the saving rate, which rose to 21.0% in 2020, is projected to decrease in 2021 and come back to its pre-crisis level in 2022 and 2023.

Investment recovered more quickly than consumption and exceeded its pre-crisis level already by mid-2021. It is set to continue growing, supported by the global rebound of demand. Public and private investment are also expected to benefit from favourable financing conditions and from the *'France Relance'* plan over the forecast horizon.

After the sharp decrease in 2020, net exports are projected to recover with a delay and more slowly than the other GDP components. Net exports are expected to contribute positively to growth next year, mainly thanks to a rebound in tourism next summer, and to accelerate in 2023. However, the external trade cumulative contribution to growth is projected to remain negative by -0.4 ppt over the 2019-2023 period.

Unemployment rate to decrease slightly

The labour market rebounded strongly mid-2021 and total payroll employment exceeded its pre-crisis level by the middle of the year. Total hours worked remained below pre-crisis levels, but are set to increase further in 2022 as the labour market strengthens on the back of job creation. The unemployment rate is projected to stabilise in 2022 at 8.0% before slightly diminishing in 2023, which should limit wage increases.

Inflation is set to remain high in 2022

Inflation is set to surge towards the end of 2021, particularly due to high raw materials and energy prices. The significant increase in energy prices is expected to slow down gradually but will be passed onto industrial goods in the beginning of 2022. Inflation is projected to reach 2.1% in 2022 and slow down to 1.4% in 2023 thanks to a decrease in energy prices.

Public debt expected to decline as of 2021

The general government deficit is set to narrow to 8.1% of GDP in 2021 from 9.1% in 2020. This is mainly due to the improvement of the macroeconomic situation and the dynamism of tax revenues, including those linked to the housing market. These were offset in part by the extension of some emergency measures, such as the partial activity scheme and direct subsidies via the solidarity fund, as well as those recovery measures included in the French recovery plan *France Relance* but not financed by the e Recovery and Resilience Facility (RRF) and the subsidies to assuage the rise in energy prices. The RRF is expected to partly finance recovery expenditure measures worth €16.5 billion (0.7% of GDP). The revenue-to-GDP ratio is set to dwindle by around ½ pp., due to the permanent cut in production taxes under *France Relance*, and low corporate profits in 2020. Moreover, by cushioning the shock on government revenues in 2020, income support schemes are set to lead to a lower-than-one elasticity of some tax revenues in 2021. In turn, the expenditure ratio is expected to shrink by 1½ pps., to 60.1%. A downward risk to these projections, presented by the possibility of public guarantees being called, appears limited.

The general government deficit is set to decrease to 5.3% of GDP in 2022, mainly due to the unwinding of most emergency measures and to lower recovery measures under *France Relance* than in 2021. This forecast incorporates RRF financing worth 0.4% of GDP and an annual estimate of the budgetary impact of the investment plan France 2030 of 0.1% of GDP as of 2022. The revenue ratio is expected to further narrow, by ¾ pp. of GDP, due to the withdrawal of the housing tax, the cut of the corporate income tax rate, the reduction in electricity taxes and lower RRF grants. In turn, the expenditure ratio is set to decline by 3¾ pps.

For 2023, the government deficit is set to narrow further to 3.5% of GDP. While the revenue ratio is expected to increase only slightly mainly due to the unwinding of the cut in electricity taxes, the expenditure ratio is projected to decline by 1½ pps. Public debt is forecast to display a downward trend over the whole forecast horizon. From 115% of GDP in 2020, it is set to decline to 114.6% already in 2021 due to the dynamic growth and relatively high inflation. Public debt is then expected to fall to 113.7% in 2022 and to around 113% in 2023.

Table II.7.1:

Main features of country forecast - FRANCE

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		2302.9	100.0	1.2	1.9	1.8	-7.9	**6.5**	**3.8**	**2.3**
Private Consumption		1223.7	53.1	1.4	1.0	1.8	-7.1	**4.4**	**5.1**	**1.7**
Public Consumption		577.3	25.1	1.5	0.8	1.0	-3.2	**5.4**	**0.4**	**1.2**
Gross fixed capital formation		528.8	23.0	1.2	3.3	4.0	-8.6	**12.5**	**3.9**	**2.8**
of which: equipment		114.6	5.0	1.1	2.6	3.0	-10.6	**11.3**	**2.8**	**2.4**
Exports (goods and services)		641.9	27.9	2.6	4.5	1.6	-15.8	**8.4**	**8.7**	**7.5**
Imports (goods and services)		688.4	29.9	3.3	3.1	2.3	-11.9	**8.2**	**7.4**	**5.1**
GNI (GDP deflator)		2339.2	101.6	1.2	1.8	1.7	-8.3	**6.8**	**4.0**	**2.6**
Contribution to GDP growth:	Domestic demand			1.4	1.5	2.1	-6.5	**6.5**	**3.7**	**1.9**
	Inventories			0.0	0.0	0.0	-0.2	**0.1**	**-0.2**	**-0.2**
	Net exports			-0.2	0.4	-0.3	-1.1	**-0.1**	**0.2**	**0.6**
Employment				0.4	1.0	1.3	-0.9	**1.4**	**0.6**	**0.5**
Unemployment rate (a)				9.1	9.0	8.4	8.0	**8.0**	**8.0**	**7.9**
Compensation of employees / head				2.3	1.7	-0.2	-3.0	**4.3**	**3.1**	**2.3**
Unit labour costs whole economy				1.5	0.8	-0.7	4.3	**-0.7**	**0.0**	**0.4**
Real unit labour cost				0.2	-0.2	-2.0	1.8	**-1.5**	**-1.3**	**-1.0**
Saving rate of households (b)				14.5	14.1	14.6	21.0	**18.6**	**15.2**	**14.8**
GDP deflator				1.3	1.0	1.3	2.5	**0.8**	**1.4**	**1.4**
Harmonised index of consumer prices				1.5	2.1	1.3	0.5	**1.9**	**2.1**	**1.4**
Terms of trade goods				0.3	-1.5	1.3	1.1	**-1.5**	**-0.9**	**0.6**
Trade balance (goods) (c)				-1.4	-1.7	-1.4	-2.1	**-2.9**	**-2.7**	**-1.9**
Current-account balance (c)				-0.3	-0.9	-0.8	-2.6	**-2.4**	**-2.2**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.3	-0.8	-0.8	-2.5	**-2.0**	**-1.7**	**-0.6**
General government balance (c)				-4.1	-2.3	-3.1	-9.1	**-8.1**	**-5.3**	**-3.5**
Cyclically-adjusted budget balance (d)				-3.9	-2.8	-4.2	-4.7	**-6.8**	**-5.3**	**-4.0**
Structural budget balance (d)				-2.7	-2.8	-3.3	-4.6	**-6.7**	**-5.2**	**-3.9**
General government gross debt (c)				80.2	97.8	97.5	115.0	**114.6**	**113.7**	**112.9**

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

8. ITALY

Following the rebound in the first half of 2021, real GDP is set to continue expanding, albeit encountering some headwinds in the near term. Domestic demand, notably buoyant investment spending, is expected to underpin growth. Government deficit and debt are projected to decline as a share of GDP thanks to the economic recovery. Commodity price pressures are set to push inflation above 2% next year.

Economy set to bounce back strongly in 2021 amid signs of emerging headwinds

The retreat of COVID-19 in spring, notably helped by rising vaccination rates, and the associated gradual lifting of most business and mobility restrictions since May have allowed Italy's economy to make significant headway. With the driving force of GDP growth shifting from construction and manufacturing to services, consumer services led the rebound in the second quarter of this year. The economy is estimated to have continued on its expansion path in Q3-2021, while rising input prices and supply disruptions facing manufacturing firms are likely to weigh on the short-term outlook. However, the Italian economy is expected to embark on a stable and sustained expansion path next year, thanks to easing supply shortages, national budgetary support and in particular unfolding Recovery and Resilience Facility (RRF)-financed investment.

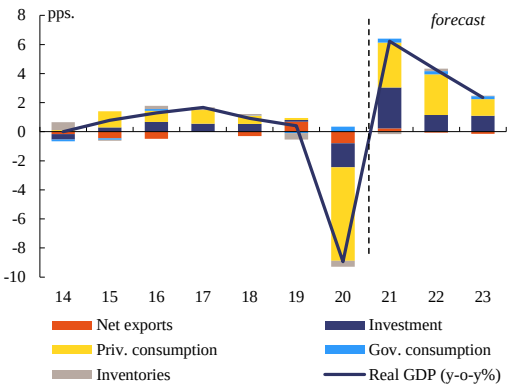
Real GDP is projected to rebound by 6.2% this year, before growth moderates to 4.3% in 2022 and the economy returns to pre-crisis output levels by mid next year. In 2023, economic activity is set to expand by 2.3%, a growth rate still sizeably above the long-term average, while the output gap is set to turn positive. The outlook remains subject to pandemic-related downside risks, including the potential entrenchment of flagging labour force participation.

Domestic demand remains main growth pillar

After the strong 2021 rebound following the lifting of containment measures, private consumption growth is forecast to moderate over the forecast horizon. Moderate wage and employment growth is set to support consumer spending, which is expected to be partly dented by rising inflation weighing on real disposable incomes. The concentration of accumulated savings among higher-income households with a lower propensity to consume is likely to restrain a more sustained rebound in private consumption. The household saving rate is projected to decrease over the next two years towards its long-run average.

Investment spending is set to rise strongly, thanks to an improved demand outlook, favourable financing conditions and RRF support. Exports, especially of goods, are forecast to regain some market shares in 2021 and to grow in line with world trade thereafter. Services exports are likely to be affected by the more gradual recovery in tourist flows, which are not assumed to regain pre-crisis levels prior to 2023.

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



Skill mismatch set to slow job growth

The end of pandemic-relief measures such as the general dismissal ban and the wide-ranging access to job retention schemes for workers in the manufacturing and construction sector at the end of June, has not so far led to substantial job losses. However, employment growth is expected to lag behind output growth, as labour shortages in specific sectors, partly related to skill mismatch, is set to hamper job growth despite labour market slack. The unemployment rate is set to fall to 9.2% by 2023, amid a gradual rise in labour supply.

Rising commodity prices fuel inflation

The repercussions of soaring energy prices are set to keep HICP inflation above 2% throughout most

of 2022. Subsequently, negative base effects due to abating price pressures on energy markets are partly offset by a gradual pick-up in wage growth. HICP inflation is projected to slow to 1.4% in 2023. By contrast, core inflation is forecast to rise gradually over the forecast horizon.

Public finances recuperate with the economic recovery

After widening to 9.6% of GDP in 2020, the government headline deficit is expected to marginally decrease to 9.4% of GDP in 2021. Following the measures included in the 2021 budget, with a deficit-increasing impact of around 1.4% of GDP in 2021, several additional fiscal packages were adopted this year, overall amounting to around 4% of GDP. Main measures include the prolongation of emergency job retention schemes, financial support to the corporate sector, as well as compensations for the increase in energy prices. The rebound in economic activity is expected to have boosted government revenues, broadly compensating the spending increase related to the policy measures.

The general government deficit is projected to decline to 5.8% of GDP in 2022, driven by the economic recovery and the gradual phasing out of government's emergency fiscal measures. At the same time, new measures announced in the 2022 draft budgetary plan are expected to weigh on the government deficit. Overall, they amount to 1.2% of GDP and include resources for a reduction of personal income taxes, renewed tax incentives for business investment, public contributions compensating for the increase of energy bills. Additional funds are allocated to healthcare, including for the purchase of COVID-19 vaccines, and for public investments. The measures include also an increase of the coverage of short-term work schemes, increased flexibility for early retirement, and additional resources for the reform of the citizenship income. In 2023, the government deficit is forecast to narrow to 4.3% of GDP. The government primary balance is projected to remain negative over 2021-2023, while interest expenditure is set to steadily decline as a share of GDP in light of favourable financing conditions. The forecast also incorporates expenditures financed by RRF grants, set to gradually increase from 0.3% of GDP in 2021 to 1% of GDP in 2023.

The government debt-to-GDP ratio is set to decline from 155.6% in 2020 to 151.0% in 2023, thanks to the economic recovery and a favourable stock-flow adjustment.

Table II.8.1:

Main features of country forecast - ITALY

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		1653.6	100.0	0.0	0.9	0.4	-8.9	**6.2**	**4.3**	**2.3**
Private Consumption		956.4	57.8	0.2	0.9	0.2	-10.7	**5.3**	**4.8**	**2.0**
Public Consumption		345.4	20.9	0.0	0.1	-0.5	1.9	**1.3**	**1.2**	**1.0**
Gross fixed capital formation		293.8	17.8	-0.9	3.1	0.7	-9.2	**15.8**	**5.9**	**5.6**
of which: equipment		105.1	6.4	-0.1	4.5	-0.9	-15.1	**15.8**	**5.4**	**5.2**
Exports (goods and services)		485.9	29.4	1.8	2.1	1.6	-14.0	**12.8**	**7.5**	**5.1**
Imports (goods and services)		424.9	25.7	1.5	3.4	-0.6	-12.9	**13.7**	**8.5**	**5.9**
GNI (GDP deflator)		1673.9	101.2	0.1	1.5	0.2	-8.6	**6.2**	**4.2**	**2.3**
Contribution to GDP growth:	Domestic demand			-0.1	1.1	0.2	-7.7	**6.2**	**4.2**	**2.4**
	Inventories			0.0	0.1	-0.4	-0.4	**-0.2**	**0.2**	**0.0**
	Net exports			0.1	-0.3	0.7	-0.8	**0.2**	**-0.1**	**-0.1**
Employment				0.0	0.8	0.1	-10.3	**5.9**	**4.0**	**2.0**
Unemployment rate (a)				9.3	10.6	10.0	9.2	**9.8**	**9.3**	**9.2**
Compensation of employees / head				2.0	2.0	1.8	2.8	**0.7**	**1.5**	**1.1**
Unit labour costs whole economy				2.0	1.8	1.5	1.3	**0.3**	**1.2**	**0.8**
Real unit labour cost				0.2	0.8	0.6	0.1	**-0.8**	**-0.2**	**-0.6**
Saving rate of households (b)				12.5	10.1	10.0	17.4	**15.2**	**11.4**	**10.1**
GDP deflator				1.8	1.1	0.9	1.2	**1.1**	**1.5**	**1.4**
Harmonised index of consumer prices				1.8	1.2	0.6	-0.1	**1.8**	**2.1**	**1.4**
Terms of trade goods				0.0	-1.2	1.5	4.6	**-3.2**	**-2.0**	**0.5**
Trade balance (goods) (c)				1.0	2.6	3.4	4.1	**3.7**	**2.6**	**2.5**
Current-account balance (c)				-0.4	2.5	3.2	3.8	**3.5**	**2.7**	**2.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.4	2.5	3.1	3.7	**3.4**	**2.7**	**2.7**
General government balance (c)				-3.1	-2.2	-1.5	-9.6	**-9.4**	**-5.8**	**-4.3**
Cyclically-adjusted budget balance (d)				-2.8	-2.3	-1.9	-4.9	**-7.6**	**-5.6**	**-4.7**
Structural budget balance (d)				-1.2	-2.4	-2.0	-5.0	**-8.0**	**-5.9**	**-4.9**
General government gross debt (c)				118.4	134.4	134.3	155.6	**154.4**	**151.4**	**151.0**

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

9. CYPRUS

Economic activity recovered strongly in the first half of 2021. Domestic demand, helped by fiscal stimulus, has been the main driver of growth so far. After a historic fall, the tourism sector is bouncing back, although it is still significantly below the pre-pandemic level. The economy is expected to continue showing a robust growth performance over the forecast horizon. Public finances, negatively affected by the crisis in 2021, are set to improve significantly in the following years.

Strong GDP rebound in 2021

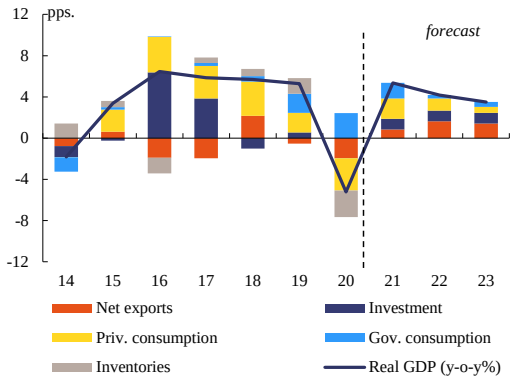
Following a severe recession of 5.2% in 2020, real GDP increased by 5.1% in the first half of 2021 compared to the same period in 2020, with domestic demand as the main driver. Private consumption increased by 2% in the first half of the year, on the back of increased employment. Government consumption increased significantly, by 15.1%, as a result of the support measures aimed at alleviating the crisis. Investment also rebounded, underpinned by buoyant construction activity in housing and infrastructure projects in the tourism, energy and education sectors. External demand for goods and services increased by 3.1%, while external demand for services increased by 8.2%. With respect to the latter, the successful vaccination campaign in Cyprus and the rest of the EU prompted a relaxation of travel restrictions at the beginning of the summer. This in turn led to a relatively good performance of the tourism sector. Revenues from tourism more than doubled in January-July 2021 compared to the same period of 2020, but remain at around 35% of the 2019-levels. For 2021 as a whole, GDP growth is forecast to reach 5.4%, as economic sentiment has improved considerably and prospects for the tourism sector are positive. Real GDP is set to reach its pre-pandemic level in the fourth quarter of 2021.

Growth is set to continue

In 2022 and 2023, private consumption is set to continue expanding due to pent-up demand and the positive employment prospects. At the same time, government consumption is expected to decelerate significantly, as the support measures are being phased out. In 2022, real investment is expected to exceed the 2019-level, boosted by the Recovery and Resilience Plan (RRP). The forecast also incorporates expenditures financed by RRF grants, which are set to gradually increase from 0.2% of GDP in 2021 to 0.8% of GDP in 2023. External demand for tourism is forecast to recover gradually and to reach its 2019-level by the end of 2023. Overall, real GDP is projected to increase by 4.2% in 2022 and 3.5% in 2023.

Uncertainty and downside risks to the growth outlook remain, mainly related to the pandemic, which makes the tourism sector particularly vulnerable.

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



Positive prospects for the labour market

The unemployment rate increased to 8.5% in the first half of 2021 from 7.1% on average in 2019. The broad utilisation of the employment support measures has helped to contain further increase in unemployment. After the reopening of the economy, only targeted support measures for the tourism sector and for SMEs that have recorded significant losses in activity remain in place. Going forward, employment is expected to increase on the back of the economic expansion and the implementation of the RRP, which is also expected to facilitate reallocation of the labour force through re- and upskilling. In 2021, the unemployment rate is forecast to decrease to 7.5% and even further in 2022 and 2023, to 7.1% and 6.6% respectively.

Inflation turns positive

Headline inflation is forecast to increase in 2021 to 1.9%, up from -1.1% in 2019, driven by higher prices for energy, services and non-energy

industrial goods. Inflation is expected to slightly decelerate in 2022 to 1.7% and to subside to 1.2% in 2023 mainly due to the expected normalisation of energy prices.

Government deficit and public debt to decline

The general government deficit is expected to decrease to 4.9% in 2021. Government expenditure is forecast to grow by 7.4% in 2021. This is mainly driven by the increased social payments related to the roll-out of the second phase of the National Health System (NHS) reform. In addition, three supplementary budgets have been approved in the second half of the year, which include among others the extension of COVID-19 measures, such as support schemes related to the health sector, wage subsidisation and liquidity support to businesses. These effects are projected to be more than offset by a revenue growth of 9.6% in 2021, mainly on the back of higher revenue from taxes driven by the economic recovery, and increased social contributions resulting from higher contribution rates in the context of NHS. The deficit is forecast to decline to 1.4% of GDP in 2022 and 0.9% in 2023, helped by the continuing economic expansion and the withdrawal of COVID-19 measures. In particular, government revenue is expected to continue to increase by 4.5% in 2022 and 3.7% in 2023.

The realisation of contingent liabilities, the fiscal sustainability of the NHS, as well as the fiscal impact of the envisaged expansion of KEDIPES, the state-owned asset management company, represent the main risks to the fiscal outlook.

After reaching a peak of 115.3% of GDP in 2020, public debt is set to decrease to 104.1% of GDP this year on the back of high nominal GDP growth and of the use of cash reserves accumulated in the previous year. The debt-to-GDP ratio is projected to decline further to 97.6% and 93.4% in 2022 and 2023, respectively.

Table II.9.1:

Main features of country forecast - CYPRUS

	2020			Annual percentage change					
	mio EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		21548.4	100.0	2.1	5.7	5.3	-5.2	**5.4**	**4.2**	**3.5**
Private Consumption		13725.1	63.7	2.4	5.1	3.0	-5.0	**3.1**	**1.9**	**1.0**
Public Consumption		4303.8	20.0	1.6	3.6	12.7	15.0	**7.6**	**1.6**	**2.4**
Gross fixed capital formation		4308.3	20.0	2.6	-4.9	2.9	0.0	**5.2**	**4.9**	**4.8**
of which: equipment		1204.8	5.6	4.6	-37.1	-15.4	15.4	**4.6**	**6.3**	**7.0**
Exports (goods and services)		16382.2	76.0	3.0	7.3	7.5	-5.1	**6.2**	**7.4**	**6.8**
Imports (goods and services)		16927.8	78.6	3.5	4.3	8.3	-2.5	**4.9**	**5.1**	**4.9**
GNI (GDP deflator)		20267.1	94.1	2.3	5.0	4.1	-6.5	**6.4**	**4.7**	**3.7**
Contribution to GDP growth:	Domestic demand			2.5	2.9	4.3	-0.7	**4.5**	**2.6**	**2.1**
	Inventories			0.1	0.7	1.5	-2.6	**0.0**	**0.0**	**0.0**
	Net exports			-0.4	2.2	-0.5	-1.9	**0.8**	**1.6**	**1.4**
Employment				1.5	5.3	3.8	-0.6	**1.2**	**2.2**	**2.3**
Unemployment rate (a)				8.3	8.4	7.1	7.6	**7.5**	**7.1**	**6.6**
Compensation of employees / head				1.9	1.5	4.4	-3.1	**2.5**	**2.7**	**2.4**
Unit labour costs whole economy				1.3	1.1	2.9	1.6	**-1.6**	**0.8**	**1.2**
Real unit labour cost				-0.2	0.1	1.8	2.9	**-3.9**	**-0.8**	**0.2**
Saving rate of households (b)				3.5	3.3	5.7	8.0	**7.1**	**6.8**	**8.1**
GDP deflator				1.6	1.0	1.1	-1.2	**2.4**	**1.6**	**1.0**
Harmonised index of consumer prices				1.7	0.8	0.5	-1.1	**1.9**	**1.7**	**1.2**
Terms of trade goods				0.6	-1.4	-0.3	-0.8	**0.0**	**0.0**	**0.0**
Trade balance (goods) (c)				-22.9	-21.0	-20.1	-19.3	**-20.9**	**-22.4**	**-24.0**
Current-account balance (c)				-8.5	-3.9	-5.7	-10.1	**-9.1**	**-7.3**	**-5.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-8.1	-3.3	-5.6	-10.0	**-9.1**	**-7.2**	**-5.6**
General government balance (c)				-3.0	-3.5	1.3	-5.7	**-4.9**	**-1.4**	**-0.9**
Cyclically-adjusted budget balance (d)				-2.8	-5.3	-1.6	-4.4	**-4.7**	**-1.8**	**-1.5**
Structural budget balance (d)				2.5	2.5	-0.3	-4.4	**-4.8**	**-1.8**	**-1.5**
General government gross debt (c)				74.0	98.4	91.1	115.3	**104.1**	**97.6**	**93.4**

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

10. LATVIA

Latvia's economy is set to rebound strongly in 2021 thanks to sizeable government support measures and solid export performance. Following a temporary slowdown toward the end of 2021, GDP is forecast to return to strong growth in the second quarter of 2022 as the unwinding of excess savings drive up private consumption and a pick-up in EU fund inflows boosts investments. Inflation is set to rise due to a significant increase in energy prices. The labour market is expected to improve in line with economic activity, with the unemployment rate approaching pre-crisis lows by the end of 2023. The government deficit is projected to exceed 9% of GDP in 2021 and to decrease to around 2% by 2023.

Rising infection rate will temporarily slow the recovery in 2021

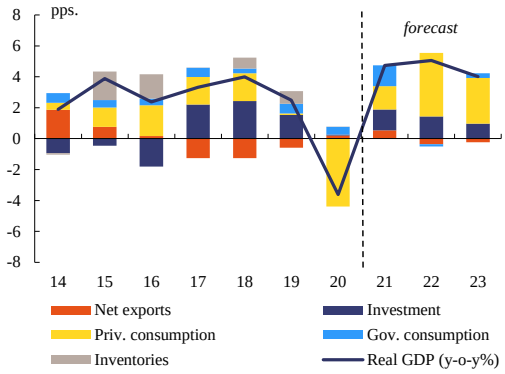
Real GDP is forecast to grow by 4.7% in 2021 driven mainly by exports and investment. The first half of the year saw strong growth in goods exports and investments. At the same time consumption held up well due to sizeable government support measures, which compensated for households' loss of income during the COVID-19 crisis. A gradual easing of last winter's pandemic-related restrictions supported growth up to the third quarter of 2021. However, rapidly rising infection rates prompted a tightening of containment measures in October and this is set to slow the economy in the final quarter of 2021 and in the beginning of 2022.

Rapid growth ahead remains contingent on vaccination success

Provided that vaccination progresses as planned, the economic recovery should resume in full swing by mid-2022. Private consumption and services exports are expected to be the main growth drivers as they still have some way to go before they reach their pre-pandemic levels. Investment is forecast to continue its solid march thanks to a pick-up in inflows of EU funds. Growth in goods exports is expected to continue benefitting from the EU recovery, although it is set to slow compared to 2021. Overall, real GDP growth for 2022 is forecast at 5.0%. In 2023, growth is projected to slow to 4.0%.

Private consumption will take over as the main growth driver supported by strong wage growth and extra savings accumulated over the past years. Export growth will continue benefitting from solid growth in the EU with services exports set to provide a particular boost once travel returns to a new normal. Investment growth will continue benefitting from still increasing EU fund inflows, while phasing out of nationally-financed investment aimed at supporting the post-pandemic recovery will mean that, overall, growth rates are expected to slow.

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



Risks to the forecast are tilted to the downside. In the short term, the recently announced containment measures may prove to be insufficient to curb the rapid growth in infections, leading to a further tightening of restrictions. In the medium term, failure to improve vaccination coverage swiftly may lead to prolonging of containment measures and delay the resumption of a rapid economic recovery.

Labour market set to tighten in the medium run

At around 8%, the unemployment rate held steady in the first half of 2021 thanks to the short-time work schemes and wage subsidies (financially supported by SURE). However, the pick-up in investment activity in the second half of the year is expected to provide an impetus to labour demand, lowering the unemployment rate further to 7.3% in 2021. In 2022 and 2023, rapid growth in the services sectors is set to add to the demand coming from investment, lowering the unemployment rate to 6.6% in 2023, close to its pre-crisis low. At the same time, the tightening of the labour market is set to support rapid wage growth.

Inflation expected to pick-up considerably

Consumer price inflation is set to reach 3.1% in 2021, driven by rapid energy price increases. The spike in energy prices in the second half of 2021 is set to carry over to next year, translating into 3.6% growth in the HICP in 2022. In 2023, inflation is forecast to slow to around 1% as energy prices reverse.

Fiscal support continues in 2022

In 2021, the government deficit is projected to reach 9.5% of GDP, mostly as a result of sizeable support measures of close to 5% of GDP. The first round of support measures was adopted in late 2020 and most of them expired by June 2021. The second round of support measures was adopted in October 2021 in response to the re-introduction of pandemic restrictions. The measures included income support to the households and businesses most severely affected by restrictions, a step-up in public investment, as well as an increase in spending in the healthcare sector.

In 2022, the deficit is projected to decrease to 4.2% of GDP. While the bulk of the temporary support introduced in 2020 and 2021 is set to end, the 2022 budget includes additional measures amounting to around 2% of GDP. The main measures for 2022 are an increase in non-taxable income tax allowance and increases in wages to healthcare and social workers as well as teachers. The budget also contains a sizeable investment package aimed at supporting the economic recovery. In 2023, the budget is forecast to reach balance under the no-policy-change scenario thanks to solid growth in tax revenue and the expiry of the support measures adopted for 2022.

The forecast also incorporates expenditures financed by RRF grants, which are set to gradually increase from 0.1% of GDP in 2021 to 0.8% of GDP in 2023. The total EU fund inflows are expected to peak in 2023 at 3.3% of GDP.

The government debt-to-GDP ratio is expected to reach 48.2% in 2021 and to increase further to 50.7% in 2022 before declining in 2023.

Table II.10.1:

Main features of country forecast - LATVIA

	2020			Annual percentage change					
	mio EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		29511.0	100.0	3.4	4.0	2.5	-3.6	**4.7**	**5.0**	**4.0**
Private Consumption		16597.0	56.2	3.7	3.0	0.2	-7.6	**2.7**	**7.5**	**5.2**
Public Consumption		5970.7	20.2	1.4	1.7	3.4	2.6	**6.6**	**-0.6**	**1.5**
Gross fixed capital formation		7217.0	24.5	2.5	11.8	6.9	0.2	**5.5**	**5.8**	**3.8**
of which: equipment		2680.3	9.1	2.2	3.9	14.5	-2.0	**6.9**	**4.3**	**4.4**
Exports (goods and services)		17803.2	60.3	6.8	4.5	2.1	-2.2	**6.6**	**4.9**	**3.8**
Imports (goods and services)		17457.2	59.2	5.7	6.4	3.0	-2.5	**5.8**	**5.5**	**4.1**
GNI (GDP deflator)		29503.6	100.0	3.3	2.6	2.6	-2.2	**3.6**	**4.9**	**3.9**
Contribution to GDP growth:	Domestic demand			3.7	4.5	2.3	-3.8	**4.2**	**5.4**	**4.2**
	Inventories			0.3	0.7	0.8	0.0	**0.0**	**0.0**	**0.0**
	Net exports			-0.4	-1.3	-0.6	0.2	**0.5**	**-0.4**	**-0.2**
Employment				-0.4	1.5	-0.1	-2.3	**1.2**	**0.5**	**0.3**
Unemployment rate (a)				11.6	7.4	6.3	8.1	**7.3**	**6.9**	**6.6**
Compensation of employees / head				9.5	8.1	7.8	5.5	**7.1**	**5.0**	**6.7**
Unit labour costs whole economy				5.6	5.4	5.1	6.9	**3.4**	**0.4**	**2.9**
Real unit labour cost				0.7	1.5	2.5	7.0	**-0.1**	**-2.4**	**0.8**
Saving rate of households (b)				3.6	6.8	8.9	17.0	**20.9**	**14.8**	**14.7**
GDP deflator				4.8	3.9	2.6	-0.1	**3.5**	**2.9**	**2.0**
Harmonised index of consumer prices				3.8	2.6	2.7	0.1	**3.1**	**3.6**	**0.8**
Terms of trade goods				0.9	1.6	0.9	3.2	**-1.8**	**-1.9**	**-1.4**
Trade balance (goods) (c)				-15.0	-8.6	-8.6	-5.0	**-5.8**	**-7.3**	**-8.5**
Current-account balance (c)				-5.8	-0.2	-0.7	2.9	**1.1**	**-0.2**	**-1.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.0	1.6	0.8	4.7	**3.2**	**2.5**	**1.9**
General government balance (c)				-2.5	-0.8	-0.6	-4.5	**-9.5**	**-4.2**	**-2.0**
Cyclically-adjusted budget balance (d)				-2.5	-2.0	-1.4	-3.0	**-8.6**	**-4.0**	**-2.1**
Structural budget balance (d)				-1.3	-2.0	-1.4	-3.1	**-8.6**	**-4.0**	**-2.1**
General government gross debt (c)				28.8	37.1	36.7	43.2	**48.2**	**50.7**	**49.8**

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

11. LITHUANIA

Lithuania's economy is returning to its pre-pandemic growth path in 2021. Despite a still elevated unemployment rate, strong economic growth is resulting in rising shortages in the labour market with an impact on wage developments. In 2021, higher than-expected tax revenues are leading to a smaller general government deficit than anticipated in spring. Going forward, while growth is set to moderate, the economy is projected to continue to be supported by the good financial position of businesses, accumulated household savings, and rising household income.

Strong growth this year

Real GDP is forecast to grow by 5.0% in 2021, following a mild contraction of just 0.1% in 2020. Lithuania's economy expanded rapidly in the first half of 2021, largely driven by an increase in exports, with an exceptionally strong performance of exports of pharmaceutical products related to COVID-19. Exports are forecast to continue contributing strongly to growth over the rest of the year. Domestic demand-driven activities picked up considerably, as pandemic containment measures were eased towards the middle of the year. A rise in households' disposable income during the pandemic went hand in hand with only gradual decline in the household saving ratio, thus providing scope for further sizeable increases in private consumption over the forecast horizon.

Investment, especially in machinery, transport and other equipment, performed strongly the first half of 2021 and is expected to keep rising over coming years, stimulated by domestic and external demand. Housing investment is also staying on a growth track amid higher activity in the real estate market.

Continued but weaker growth ahead

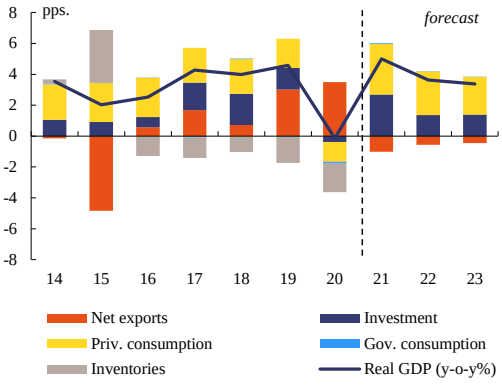
Economic growth is forecast to be supported by the good financial health of businesses, accumulated household savings and rising household income, though it might be constrained by re-emerging labour shortages and supply bottlenecks. Exports are set to contribute less to real GDP growth in 2022 and 2023, due to a slower rise of external demand and geopolitical tensions. Overall, Lithuania's real GDP is projected to increase by 3.6% in 2022 and 3.4% in 2023. A possible worsening of the COVID-19 situation remains a downside risk as it could lead to new containment measures.

Re-emerging shortages in the labour market

The stronger economic activity is resulting in rising shortages in the labour market in 2021. Lack of workers, reported already before the pandemic crisis, is re-emerging, with a rising share of companies encountering difficulties to sustain growth due to a shortage of labour resources. The unemployment rate is expected to decrease from 8.5% in 2020 to 6.0% in 2023.

Shortages in the labour market have an impact on wage developments. Wages, which at the onset of the crisis contracted in the private sector, are returning to a path of elevated growth, outpacing the increase in labour productivity. The growth of wages is set to remain sizeable over the forecast period, though the pace is expected to weaken.

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



Inflation driven by external factors

In 2021, inflation in Lithuania is expected to pick up. Increasing prices of energy and non-energy industrial goods, both influenced by developments in external markets, are pushing up inflation. In addition, services inflation, which has a closer link to domestic economic developments, is starting to pick up. Overall, inflation is projected to reach 3.8% in 2021, before moderating to 3.1% in 2022 and 2.0% in 2023. The expected moderation of

inflation over the forecast horizon reflects the assumed gradual resolution of the bottlenecks in the goods markets and the temporary nature of recent energy price rises.

Narrowing general government deficit

Higher than previously expected tax revenues, driven by the strong economic expansion, along with some expenditure savings, are forecast to bring the general government deficit down to 4.1% of GDP in 2021. Total spending on various measures to mitigate the consequences of the COVID-19 pandemic, mainly subsidies, benefits and additional spending for healthcare, are set to amount to 2.8% of GDP in 2021.

In 2022, the general government deficit is forecast to narrow further to 3.1% of GDP as the COVID-19 related support is expected to abate. As in 2021, additional funds have been allocated for healthcare and salary bonuses for medical staff dealing with COVID-19 patients. Announced amendments to the pension system and expected increases in benefits and salaries in the public sector are set to increase government spending, while there are no significant measures planned to raise tax revenues. For 2023, the general government deficit is set to stand just above 1% of GDP. The forecast also incorporates expenditures financed by RRF grants, for a cumulative amount of 2.0% of 2019 GDP over the forecast horizon.

Lower than initially anticipated projections of general government deficit levels in 2021 and 2022 are consistent with a downward trend of the debt-to-GDP ratio. In 2021, it is set to stand at 45.3%. At the beginning of 2022, Lithuania is scheduled to redeem a sizeable amount of government bonds for which cash reserves have been accumulated already in 2021. Therefore, the debt-to-GDP ratio is projected to fall to 44.1% in 2022 and to subsequently increase to 46.0% in 2023, mainly due to the need to balance cash flows and prepare for a bond redemption scheduled in 2024.

Table II.11.1:

Main features of country forecast - LITHUANIA

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		49.5	100.0	3.9	4.0	4.6	-0.1	**5.0**	**3.6**	**3.4**
Private Consumption		29.1	58.7	4.2	3.6	3.1	-2.1	**5.6**	**4.8**	**4.1**
Public Consumption		9.2	18.5	0.9	0.2	-0.3	-0.4	**0.2**	**0.1**	**0.0**
Gross fixed capital formation		10.4	21.1	5.3	10.0	6.6	-1.8	**12.8**	**6.0**	**6.1**
of which: equipment		3.2	6.6	6.8	8.0	3.5	-5.5	**13.5**	**5.2**	**6.2**
Exports (goods and services)		36.4	73.5	8.3	6.8	9.9	0.4	**11.8**	**5.3**	**4.4**
Imports (goods and services)		31.8	64.2	8.0	6.0	6.1	-4.4	**15.1**	**6.4**	**5.3**
GNI (GDP deflator)		48.1	97.1	3.8	4.5	4.2	0.5	**4.7**	**3.7**	**3.2**
Contribution to GDP growth:	Domestic demand			4.3	4.3	3.2	-1.7	**6.0**	**4.2**	**3.8**
	Inventories			0.1	-1.0	-1.7	-1.9	**0.0**	**0.0**	**0.0**
	Net exports			-0.2	0.7	3.0	3.5	**-1.0**	**-0.6**	**-0.5**
Employment				0.1	1.4	0.6	-1.6	**0.6**	**0.5**	**0.0**
Unemployment rate (a)				10.5	6.2	6.3	8.5	**7.1**	**6.3**	**6.0**
Compensation of employees / head				7.4	7.9	10.6	7.3	**9.3**	**6.7**	**5.5**
Unit labour costs whole economy				3.4	5.2	6.3	5.7	**4.7**	**3.4**	**2.1**
Real unit labour cost				0.3	1.6	3.6	4.2	**0.4**	**0.8**	**0.1**
Saving rate of households (b)				2.8	0.1	3.5	12.2	**9.0**	**7.6**	**6.3**
GDP deflator				3.0	3.5	2.7	1.5	**4.3**	**2.6**	**2.0**
Harmonised index of consumer prices				2.6	2.5	2.2	1.1	**3.8**	**3.1**	**2.0**
Terms of trade goods				0.6	-1.0	1.3	1.5	**-4.6**	**-0.1**	**0.0**
Trade balance (goods) (c)				-7.9	-6.3	-4.8	-0.8	**-4.1**	**-5.1**	**-6.2**
Current-account balance (c)				-4.2	0.3	3.5	7.3	**2.6**	**1.9**	**1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.1	1.8	5.2	9.1	**4.2**	**3.5**	**2.8**
General government balance (c)				-2.5	0.5	0.5	-7.2	**-4.1**	**-3.1**	**-1.1**
Cyclically-adjusted budget balance (d)				-2.4	-0.7	-0.8	-6.7	**-4.0**	**-2.8**	**-0.6**
Structural budget balance (d)				-0.7	-0.7	-0.9	-6.8	**-4.0**	**-2.8**	**-0.6**
General government gross debt (c)				29.3	33.7	35.9	46.6	**45.3**	**44.1**	**46.0**

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

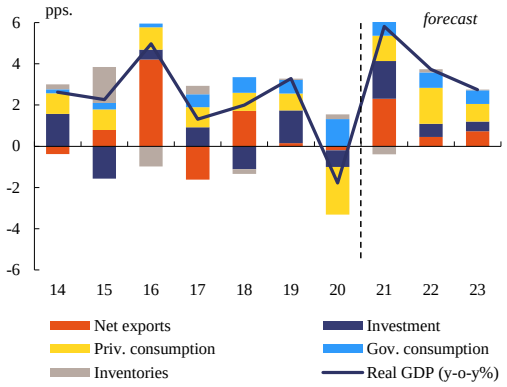
12. LUXEMBOURG

Economic growth in Luxembourg is set to rebound strongly in 2021. The easing of restrictions after a successful vaccination campaign is expected to allow GDP to grow strongly this year, supported by private consumption and investment, as well as by the strong performance of the external sector. The economy is projected to continue a steady growth path in 2022 and 2023, leading to a decrease in unemployment. The general government balance is forecast to improve gradually.

A strong recovery in 2021 following a limited contraction in 2020

Real GDP growth is expected to increase strongly in 2021, after only a limited drop of 1.8% in 2020 caused by the COVID-19 crisis. The relative resilience of the Luxembourg economy in 2020 was due to several factors: government support measures to businesses and households, a strong performance in the information and communication and transport sectors, and the country's large financial sector, which was less affected by the crisis than contact-based services. As such, real GDP already returned to its pre-crisis level before the end of 2020.

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



Social-distancing measures still in place in the first half of this year curbed private consumption, particularly for service sectors whose activities relied on close contacts with clients, like restaurants and leisure activities. A successful vaccination campaign kept under control the number of hospital cases and allowed the gradual lifting of restrictions over the course of 2021. Support measures have protected household incomes from economic distress and have even allowed a strong increase in the saving rate. Consumer sentiment, meanwhile, showed a strong recovery. This is in line with an observed increase in employment, mirrored by a drop in unemployment during 2021. With improved confidence level of consumers, the easing of restrictions is expected to increase private consumption.

Furthermore, with good financing conditions and improved business sentiment, investments are set to rebound strongly in 2021 after the decline in 2020. Public consumption is also forecast to increase in 2021. Improvements in the economic outlook for Luxembourg's commercial partners bode well for export growth. Furthermore, due to Luxembourg's reliance on the financial sector, the positive performance of stock market indexes in the first half of the year is positive for growth. Real GDP growth is forecast to reach 5.8% in 2021. In the following years, economic activity is expected to return gradually to historic trends with 3.7% of real GDP growth in 2022 and 2.7% in 2023. However, the introduction of new international taxation rules may pose a risk to the outlook for Luxembourg's economy.

Lower unemployment ahead

The government's short-term work scheme has supported employment levels and unemployment decreased so far in 2021. With strong real GDP growth in 2022 and 2023, unemployment is expected to continue its decline from 6.1% in 2021, to 5.8% and 5.7% in 2022 and 2023, respectively. Bankruptcy and unemployment levels are not projected to be affected by the gradual withdrawal of support measures, but this still represents a downside risk to the outlook.

Inflation on the rise

Headline inflation is set to rebound from 0% in 2020 to 3.2% in 2021, due to higher energy prices and the implementation of a carbon tax. It is subsequently expected to moderate to 2.2% in 2022 and 1.8% in 2023, as some energy price base effects fade out. Core inflation is projected to increase from 1.4% in 2021 and to get closer to headline inflation in 2022 and 2023.

Strong revenues pave the way to an improved government balance

In 2021, the general government balance is expected to improve to a deficit of 0.2% of GDP from a deficit of 3.5% in 2020. In line with the recovery of the economy, revenues are expected to sharply expand, in nominal terms, to situate around 9% above their 2019 level. Strong personal income taxes are expected to post a large increase, also due to the lack of automatic adjustment of tax brackets to inflation. Corporate taxes are also expected to grow after the large drop recorded in 2020, but still to remain below their 2019 level. Excise duties are expected to increase compared to the previous year, however due to the introduction of a carbon tax at beginning of 2021, which has reduced the price differential for fuel with the neighbouring countries, they will remain below their 2019 level.

Expenditure is projected to show a moderate increase in 2021, in spite of being inflated by the cost associated with the different measures to combat the pandemic and to relaunch the economy. As in the previous year, a strong increase in the number of public employees is pushing up the government wage bill. Public investment is projected to remain high on the back of sizeable transport infrastructure projects and of support for the green and digital transition. Nevertheless, public investment will decline compared to the previous year, when it included additional expenditures related to health and crisis management and the purchase of a military plane.

In 2022, the general government balance is expected to turn to a surplus of 0.2% of GDP. Revenues should continue to expand even if at a more moderate pace. The complete phase out of crisis-related measures should contain expenditure growth in spite of the upward pressure from the triggering of the automatic indexation mechanism, to which around half of government expenditure is linked. The government balance is then forecast to further improve to a surplus of 0.3% of GDP in 2023. This forecast includes the impact of Recovery and Resilience Facility-financed expenditure.

Public debt is expected to increase from 24.8% of GDP in 2020 to 25.9% in 2021 and to decrease to 25.6% and to 25.4% in 2022 and 2023 respectively.

Table II.12.1:

Main features of country forecast - LUXEMBOURG

	2020			Annual percentage change					
	mio EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		64221.1	100.0	2.7	2.0	3.3	-1.8	**5.8**	**3.7**	**2.7**
Private Consumption		19705.9	30.7	2.5	2.7	2.5	-6.9	**4.0**	**5.8**	**2.8**
Public Consumption		11771.4	18.3	2.7	4.7	3.9	7.7	**4.6**	**4.1**	**3.7**
Gross fixed capital formation		10788.6	16.8	2.6	-6.2	9.8	-4.6	**10.9**	**3.6**	**2.7**
of which: equipment		3295.6	5.1	3.8	-22.5	15.1	-5.1	**10.9**	**3.6**	**2.7**
Exports (goods and services)		131454.7	204.7	4.1	3.6	5.8	1.3	**10.4**	**3.9**	**3.0**
Imports (goods and services)		110206.2	171.6	4.4	3.2	6.9	1.6	**11.0**	**4.4**	**3.2**
GNI (GDP deflator)		45354.7	70.6	1.3	0.9	-3.4	4.8	**7.9**	**4.3**	**2.9**
Contribution to GDP growth:	Domestic demand			1.8	0.5	3.1	-1.8	**3.9**	**3.1**	**2.0**
	Inventories			0.1	-0.2	0.1	0.2	**-0.4**	**0.2**	**0.0**
	Net exports			0.8	1.7	0.2	-0.2	**2.3**	**0.4**	**0.7**
Employment				2.8	3.6	3.5	1.9	**2.9**	**3.4**	**3.2**
Unemployment rate (a)				5.0	5.6	5.6	6.8	**6.1**	**5.8**	**5.7**
Compensation of employees / head				2.7	2.8	1.9	0.4	**1.4**	**2.6**	**1.9**
Unit labour costs whole economy				2.7	4.5	2.1	4.1	**-1.4**	**2.2**	**2.4**
Real unit labour cost				-0.2	2.7	1.5	-0.2	**-3.6**	**0.0**	**0.2**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.9	1.7	0.6	4.3	**2.3**	**2.2**	**2.2**
Harmonised index of consumer prices				2.2	2.0	1.6	0.0	**3.2**	**2.2**	**1.8**
Terms of trade goods				0.8	-0.7	-0.2	3.6	**-0.7**	**0.2**	**0.0**
Trade balance (goods) (c)				-1.1	3.5	3.3	4.1	**4.4**	**3.7**	**3.5**
Current-account balance (c)				4.7	3.0	-2.4	3.7	**5.5**	**5.2**	**5.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				3.7	1.8	-3.3	2.8	**4.7**	**4.4**	**4.5**
General government balance (c)				1.1	3.0	2.3	-3.5	**-0.2**	**0.2**	**0.3**
Cyclically-adjusted budget balance (d)				1.3	3.3	2.4	-1.5	**0.6**	**0.5**	**0.7**
Structural budget balance (d)				1.8	3.3	2.4	-1.5	**0.6**	**0.5**	**0.7**
General government gross debt (c)				15.1	20.8	22.3	24.8	**25.9**	**25.6**	**25.4**

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

13. MALTA

Malta's economy is set to see a robust recovery in 2021 and to continue on a stable growth path in 2022 and 2023. Growth is expected to be driven by a recovery in domestic demand with the contribution of net export turning positive in 2022 and 2023. Given the supportive fiscal policy stance, the general government deficit is projected to widen further in 2021 before decreasing in the next two years following robust economic growth and a winding-down of fiscal support measures.

Malta is on a path of robust recovery

After a deep fall in GDP in 2020 due to the pressure of COVID-19 pandemic related restrictions and to the drop in international tourism, the Maltese economy is set to return on a robust growth path.

In 2021, real GDP growth is forecast to reach 5.0%, mainly driven by domestic consumption and investment. Tourism is set to gain some ground, but to remain well below the 2019 level. Robust government expenditure continues to support the economy, including via public investment. In the coming years, following the unfolding recovery in the world economy, the growth contributions of net exports and investment are projected to grow. Growth is set to peak at 6.2% in 2022 when the contribution of net exports is to become positive, counting on further relaxation of international travel requirements and a strong recovery in tourism. The economy is projected to reach the pre-crisis level in the second half of 2022. Further on, growth is forecast to decrease to a still robust 4.8% in 2023.

With both exports and imports growing, the current account balance is expected to remain positive and increasing towards 2022 and 2023. Potential consequences of the June 2021 decision of the Financial Action Task Force (an inter-governmental body against money laundering) to add Malta to the list of jurisdictions under increased monitoring represent a limited downside risk.

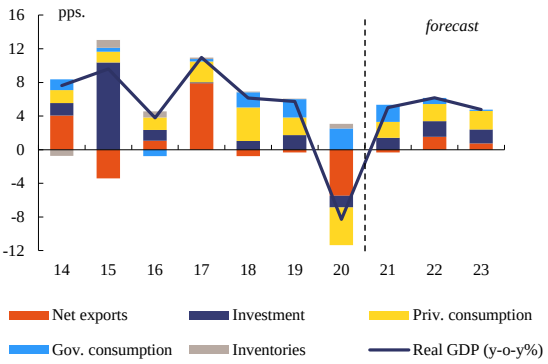
The labour market further improves and labour shortages emerge

The impact of the crisis on the labour market was successfully countered by public support measures. Employment grew by 2.7% in 2020, as the wage support scheme also fostered regularisation in the labour market. Employment is expected to continue to increase over the forecast horizon, although at a slower pace. The growth in employment is most prominent in the public sector, professional services, and construction. This positive labour market dynamics have already led to labour shortages being reported by firms in the above and other sectors. However, shortages are expected to relax gradually as of 2022, with improving cross-border mobility. Malta's unemployment rate is set to gradually decrease over the forecast horizon, from 4.3% in 2020 to 3.7% in 2023.

Inflation is expected to pick up moderately

HICP inflation is expected to reach 1.1% in 2021, still being moderate and reflecting only to a limited extent the recent increase in international energy prices, given that large part of the country's energy purchases, such as natural gas for electricity generation, are governed by medium-term contracts. In 2022, inflation is set to rise to 1.6% driven by growing domestic demand, demand for tourism services and delayed effects of increased energy prices that will start to materialise in the second half of the year. As the pace of economic growth persists into 2023, inflation is set to remain broadly stable at about 1.5%.

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



Increase in government deficit is set to gradually correct

The government deficit is expected to increase to over 11% of GDP in 2021. The increase in public expenditure related to pandemic-related stimulus measures is the main factor contributing to this increase in the deficit. In 2021 Malta maintained and extended a number of important measures, such as the wage support scheme, a voucher scheme to support the hospitality and retail sectors, utility and rent subsidies for businesses, and healthcare-related expenditures. After a decline in 2020, the tax revenues are set to increase again in 2021. On the back of the economic recovery, the corporate tax revenues improved. Supported by government measures and the relatively good performance of the labour market, revenue from social contributions continued to increase.

As the economy continues to grow and economic support measures are wound down, the deficit is projected to decline to 5.8% of GDP in 2022 and 4.7% in 2023. As a result of ongoing primary deficits, the government debt-to-GDP ratio is forecast to increase to 61.4% in 2021 and reach 63.6% in 2023. The forecast also incorporates expenditures financed by RRF grants for a cumulative amount of 1.2% of 2019 GDP over the forecast horizon.

Table II.13.1:

Main features of country forecast - MALTA

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		13.1	100.0	4.2	6.1	5.7	-8.3	**5.0**	**6.2**	**4.8**
Private Consumption		5.8	44.1	2.3	8.8	4.6	-10.0	**4.3**	**4.6**	**5.1**
Public Consumption		2.7	21.0	2.0	12.4	14.2	15.1	**9.6**	**3.4**	**0.7**
Gross fixed capital formation		2.8	21.7	5.8	4.7	8.2	-6.5	**6.5**	**8.5**	**7.5**
of which: equipment		0.6	4.8	7.5	-6.9	1.0	-21.3	:	:	:
Exports (goods and services)		18.6	142.7	6.6	-0.1	5.8	-6.3	**5.2**	**6.4**	**4.1**
Imports (goods and services)		17.1	131.0	5.8	0.4	6.8	-2.7	**5.9**	**5.8**	**3.9**
GNI (GDP deflator)		11.9	91.1	3.5	9.3	5.6	-9.8	**4.5**	**7.0**	**4.8**
Contribution to GDP growth:	Domestic demand			3.0	6.8	6.0	-3.4	**5.3**	**4.6**	**4.0**
	Inventories			0.1	0.1	0.1	0.6	**0.0**	**0.0**	**0.0**
	Net exports			1.2	-0.8	-0.3	-5.5	**-0.3**	**1.5**	**0.7**
Employment				2.6	6.0	5.7	2.7	**2.4**	**2.5**	**2.5**
Unemployment rate (a)				6.3	3.7	3.6	4.3	**4.0**	**3.8**	**3.7**
Compensation of employees / head				3.5	3.6	3.6	-0.3	**2.9**	**1.9**	**1.9**
Unit labour costs whole economy				1.9	3.5	3.5	11.7	**0.4**	**-1.6**	**-0.3**
Real unit labour cost				-0.4	1.2	1.1	10.2	**-1.3**	**-3.4**	**-1.8**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.3	2.2	2.4	1.3	**1.8**	**1.8**	**1.5**
Harmonised index of consumer prices				2.0	1.7	1.5	0.8	**1.1**	**1.6**	**1.5**
Terms of trade goods				-0.1	4.0	0.0	0.9	**0.0**	**0.0**	**0.0**
Trade balance (goods) (c)				-17.2	-11.7	-11.9	-11.1	**-11.7**	**-11.8**	**-11.7**
Current-account balance (c)				-1.3	10.7	7.7	1.6	**0.4**	**1.8**	**1.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.1	11.6	8.4	2.2	**1.4**	**2.8**	**2.9**
General government balance (c)				-2.6	1.9	0.5	-9.7	**-11.1**	**-5.8**	**-4.7**
Cyclically-adjusted budget balance (d)				-2.7	-0.6	-2.2	-6.9	**-9.1**	**-5.0**	**-4.4**
Structural budget balance (d)				-0.8	-0.6	-2.2	-6.9	**-9.1**	**-5.0**	**-4.3**
General government gross debt (c)				63.3	43.6	40.7	53.4	**61.4**	**62.4**	**63.6**

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

14. THE NETHERLANDS

The Dutch economy rebounded strongly in the second quarter of 2021. Economic activity surged on the back of the gradual opening up of the economy, a robust recovery in consumer demand and a favourable external environment. With the lifting of most containment measures, the recovery is expected to continue in the second half of the year. Economic activity is forecast to surpass pre-pandemic levels in the third quarter. The government deficit is projected to increase further in 2021, due to an increase in COVID-19 related expenditure, and to gradually decrease in 2022 and 2023.

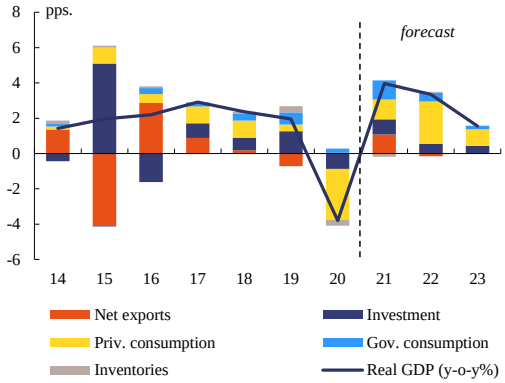
A swift recovery

Containment measures dampened economic activity at the start of 2021, with real GDP contracting by 0.8% in the first quarter. The gradual reopening of the economy, in the wake of an improving health situation and increasing vaccination rates, resulted in a strong rebound in the second quarter with growth of 3.8% q-o-q. This puts real GDP on track to reach the pre-pandemic level in the third quarter. Growth is expected to continue in the second half of the year, albeit at a more moderate pace, leading to an annual real GDP growth forecast of 4.0% in 2021. The phasing out of government support measures as of 1 October is not expected to have a major effect on the overall outlook.

The economic recovery in 2021 is forecast to be broad-based, with private consumption, investment, government consumption and net exports all contributing to growth. Following a strong second quarter, private consumption is expected to converge to pre-pandemic levels in the second half of the year, also thanks to the lifting of the remaining containment measures. Investment activity recovered strongly in late 2020 and early 2021 on the back of a vibrant housing market and strong manufacturing sector. Though supply bottlenecks are expected to slow down investment over the course of 2021, the annual investment growth rate is forecast to be high due to strong carry-over effects. Finally, net trade is also forecast to contribute substantially to GDP growth in 2021, with especially strong exports of goods while imports (especially of services) lag behind.

Economic growth is projected to remain robust in 2022 with a strong contribution from private consumption. Government consumption growth is expected to moderate following a decrease in COVID-19-related expenditure on medical equipment and testing, while the contribution from external demand is set to turn broadly neutral. In 2023, growth is forecast to moderate to 1.6%, reflecting the absence of further catch-up effects.

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



A tight labour market

With support measures still in place for a large part of the year and economic activity rebounding, the unemployment rate is expected to decrease to 3.5% in 2021. Evidence of a tight labour market has started to emerge, with the number of vacancies surpassing the number of unemployed and several sectors experiencing labour shortages. The phasing out of support measures is set to increase unemployment through a projected uptick in bankruptcies (which are currently at historically low levels). In addition, labour supply is projected to increase in 2022 as those who temporarily left the labour force due to the pandemic are set to return to it. Given the tight labour market and the strong economic recovery however, the increase in the unemployment rate is expected to remain limited at 3.6% in 2022. The unemployment rate is forecast to remain stable in 2023.

Inflationary pressures from increasing gas prices

HICP inflation is forecast to increase from 1.1% in 2020 to around 2.1% in 2021 and to 2.2% in 2022, before decreasing again to 1.5% in 2023. The

increase in inflation in 2021 and 2022 is mainly driven by oil and gas price increases while the temporary surge in demand due to the economic rebound and, to a limited degree, higher intermediate input prices also play a role. Given the strong dependency on natural gas in the Netherlands, the gas price increase is expected to have a large impact on households, though this is partly offset by mitigating measures taken by the government. The impact on inflation is forecast to be strongest in 2022, as the next update of flexible energy contracts is expected in January 2022.

Government deficit narrows on the back of economic recovery

The general government balance is forecast to reach a deficit of 5.3% of GDP in 2021 due to elevated expenditures on healthcare, related to COVID-19 and a catch up in normal healthcare, and large expenditure on support measures to protect employment and maintain household purchasing power in the first half of 2021. At the end of 2021, with the exception of support for highly affected sectors, most emergency measures expired. Revenues are expected to increase due to the strong economic recovery, but it is unlikely to fully offset the increase in expenditures.

The government deficit is forecast to narrow to 2.1% in 2022 and 1.0% in 2023, as revenues increase in line with the projected recovery. For 2022, the Dutch caretaker government is planning to increase expenditure on climate measures, the fight against crime and the supply of houses. In addition, the government has decided to lower employers' contributions, to increase the tax-free income share for minimum-income households, single earners and families and to reduce the property owner tax. Government debt is projected to decrease from 57.5% of GDP in 2021 to 56.8% in 2022 and 56.1% in 2023. In the absence of sufficiently detailed information about the national Recovery and Resilience Plan at the time of the cut-off date, this forecast assumes a linear integration of Recovery and Resilience Facility-financed expenditure as from 2022.

Table II.14.1:

Main features of country forecast - NETHERLANDS

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		800.1	100.0	1.3	2.4	2.0	-3.8	**4.0**	**3.3**	**1.6**
Private Consumption		335.2	41.9	0.4	2.2	0.9	-6.6	**2.7**	**5.8**	**2.2**
Public Consumption		207.6	26.0	1.8	1.7	2.8	1.0	**4.2**	**1.9**	**0.8**
Gross fixed capital formation		170.4	21.3	1.0	3.6	6.2	-4.1	**4.0**	**2.6**	**2.0**
of which: equipment		42.8	5.4	1.6	0.7	7.9	-12.1	**4.3**	**2.9**	**1.4**
Exports (goods and services)		622.9	77.9	3.8	4.3	2.0	-4.8	**6.9**	**5.2**	**2.9**
Imports (goods and services)		539.6	67.4	3.6	4.7	3.2	-5.5	**6.4**	**6.2**	**3.3**
GNI (GDP deflator)		786.2	98.3	1.3	2.8	1.2	-5.9	**5.0**	**4.0**	**1.6**
Contribution to GDP growth:	Domestic demand			0.8	2.1	2.3	-3.5	**3.1**	**3.4**	**1.6**
	Inventories			0.0	0.1	0.3	-0.3	**-0.2**	**0.1**	**0.0**
	Net exports			0.4	0.2	-0.7	0.0	**1.1**	**-0.2**	**0.0**
Employment				0.4	2.6	2.0	-0.5	**0.9**	**1.1**	**0.3**
Unemployment rate (a)				5.2	3.8	3.4	3.8	**3.5**	**3.6**	**3.6**
Compensation of employees / head				2.2	1.8	2.9	4.7	**2.3**	**2.6**	**2.8**
Unit labour costs whole economy				1.4	2.1	2.9	8.3	**-0.8**	**0.3**	**1.5**
Real unit labour cost				0.0	-0.3	-0.1	5.9	**-3.1**	**-1.3**	**0.0**
Saving rate of households (b)				13.4	16.3	17.7	24.0	**22.4**	**18.7**	**17.7**
GDP deflator				1.4	2.4	3.0	2.3	**2.4**	**1.7**	**1.5**
Harmonised index of consumer prices				1.6	1.6	2.7	1.1	**2.1**	**2.2**	**1.5**
Terms of trade goods				0.1	-0.2	0.9	1.5	**-1.1**	**-0.2**	**0.2**
Trade balance (goods) (c)				8.6	9.3	7.4	8.1	**8.6**	**7.9**	**7.7**
Current-account balance (c)				7.3	10.8	9.4	7.0	**8.4**	**9.0**	**8.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				7.1	10.8	9.3	6.9	**8.4**	**8.9**	**8.9**
General government balance (c)				-2.0	1.4	1.7	-4.2	**-5.3**	**-2.1**	**-1.0**
Cyclically-adjusted budget balance (d)				-1.3	0.7	0.9	-1.9	**-4.5**	**-2.4**	**-1.5**
Structural budget balance (d)				-0.3	0.7	0.7	-1.9	**-4.4**	**-2.4**	**-1.5**
General government gross debt (c)				56.5	52.4	48.5	54.3	**57.5**	**56.8**	**56.1**

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

15. AUSTRIA

The COVID-19 pandemic and related containment measures led to a strong economic contraction in 2020. In 2021, economic activity started to recover on the back of strong pent-up demand. The economic expansion is expected to accelerate in 2022 and continue in 2023. Despite significant tax relief, the general government deficit is set to decrease in 2022 with the gradual phase out of support measures.

A strong rebound in 2021

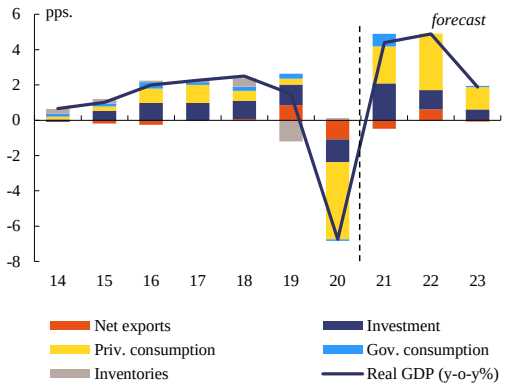
After the phasing out of containment measures and the rollout of vaccinations, Austria's economy registered a strong rebound. Following a 0.5% quarter-on-quarter drop in the first quarter of this year, GDP increased by 4.0% in the second quarter. With a continued but decreasing growth momentum in the second half of the year, real GDP growth in 2021 is expected to increase to 4.4%, following the sharp contraction of 6.7% in 2020. The economic rebound in 2021 is driven by pent-up private consumption and considerable increases in investment, notably equipment. Economic sentiment indicators suggest that this will continue in the second half of the year.

The easing of travel restrictions led to a recovery in the economically important tourism sector. Overnight stays in August surpassed the record level from 2019, following a surge in German, Dutch and domestic tourism. After a very strong first half year of 2021, the Austrian export industry is expected to face headwinds from supply bottlenecks. The level of GDP is expected to return to pre-crisis levels at the end of 2021.

Continued expansion in 2022 and 2023

The economic expansion is expected to accelerate in the 2022 and to continue in 2023. It is set to be mainly driven by domestic demand. Both pent-up demand and the unleashing of precautionary savings are expected to boost private consumption over the forecast horizon, further supported by the eco-social tax reform and the implementation of the Austrian RRP. Business investment is also projected to support the expansion, offsetting a period of relatively low investments prior to the pandemic. Winter tourism is forecast to recover gradually, but remain below pre-crisis levels, due to ongoing pandemic concerns. Overall, real GDP is expected to grow by 4.9% in 2022 and 1.9% in 2023. Downside risks to the projections are linked to the possibility of a lower-than-expected expansion in the tourism sector and prolonged supply bottlenecks, as well as to pandemic developments in light of the relatively low vaccination rates in Austria.

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



Labour markets weathered the crisis well

Despite the depth of the recession, the unemployment rate increased by only 0.9 pps. to 5.4% in 2020. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market. The unemployment rate is forecast to drop to 5.0% in 2021 and to stabilise at pre-crisis levels from 2022 onwards. After dropping by 1.6% in 2020, employment is expected to grow again over the forecast horizon, in line with the projected economic expansion. This should also be reflected in a strong rebound in the number of hours worked in 2021, as workers gradually return to full-time work, as well as in a decrease of the inactive population.

Energy prices drive inflation

Rising oil and gas prices drive the noticeable increase of the HICP over the course of the year. Energy inflation is expected to remain high over the coming quarters, but to normalise as from the second quarter of 2022 a base effects fade. A further increase in inflation is set to be triggered by the gradual phasing in of the CO2 price related to the eco-social tax reform. Overall, after reaching

1.4% in 2020, HICP inflation is expected to peak at 2.7% in 2021 before gradually decreasing to 2.5% in 2022 and 2.0% in 2023.

Deficit and debt on a downward path

Austria's public finances are set to improve significantly over the forecast horizon on the back of a strong economic recovery. Nevertheless, at -5.9% of GDP in 2021, the government budget balance is expected to remain largely determined by the fiscal measures taken to mitigate the socio-economic consequences of the pandemic and related recession. The 'COVID-19 crisis management fund' set up in March 2020 continues to finance temporary support measures such as fixed cost subsidies as well as various measures to compensate for losses or shortfalls in sales during the various lockdown periods. Additionally, short-time work schemes, tax deferrals, reduced advance payments and public guarantees for loans are still in place to preserve employment and help companies avoid liquidity constraints. Most of these measures will end in 2021. Overall, revenues are expected to grow by 7.1%, while expenditures are expected to increase further by 2.4%. The headline deficit is forecast to fall well below the 3% threshold over the forecast horizon. The deficit is projected to decline to 2.3% of GDP in 2022 and to narrow further to 1.3% of GDP in 2023. In addition to the economic stimulus package adopted in June 2020 and the Austrian RRP, the just-adopted eco-social tax reform is set to provide a significant tax relief for households and businesses as of 2022.

Despite the still considerably negative headline balance in 2021, the public debt ratio is expected to decrease to 82.9% of GDP thanks to the economic recovery and. In 2022, the reduction of the debt-to-GDP ratio is projected to accelerate due to robust nominal growth and further reduction in the headline budget deficit. The public debt ratio is expected to decline to 79.4% of GDP in 2022 and to 77.6% in 2023.

Table II.15.1:

Main features of country forecast - AUSTRIA

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		379.3	100.0	1.5	2.5	1.5	-6.7	**4.4**	**4.9**	**1.9**
Private Consumption		190.1	50.1	1.2	1.1	0.7	-8.5	**4.2**	**6.3**	**2.4**
Public Consumption		80.4	21.2	1.3	1.2	1.5	-0.5	**3.4**	**-0.1**	**0.4**
Gross fixed capital formation		95.8	25.2	1.2	4.4	4.8	-5.2	**8.3**	**4.2**	**2.3**
of which: equipment		29.5	7.8	1.6	1.3	4.3	-8.7	**13.4**	**6.1**	**1.1**
Exports (goods and services)		195.1	51.4	3.5	5.1	3.4	-10.8	**8.4**	**9.0**	**5.4**
Imports (goods and services)		184.2	48.6	3.2	5.3	2.0	-9.4	**9.9**	**8.1**	**5.7**
GNI (GDP deflator)		378.9	99.9	1.5	2.5	2.1	-6.5	**4.0**	**4.8**	**1.7**
Contribution to GDP growth:		Domestic demand		1.2	1.8	1.8	-5.8	**4.9**	**4.3**	**2.0**
		Inventories		0.1	0.5	-1.2	0.1	**0.0**	**0.0**	**0.0**
		Net exports		0.2	0.1	0.9	-1.1	**-0.5**	**0.6**	**-0.1**
Employment				1.0	1.7	1.1	-1.6	**1.7**	**1.9**	**0.6**
Unemployment rate (a)				5.1	4.9	4.5	5.4	**5.0**	**4.6**	**4.5**
Compensation of employees / head				2.2	2.9	2.8	1.7	**2.1**	**2.3**	**3.1**
Unit labour costs whole economy				1.7	2.1	2.5	7.3	**-0.5**	**-0.7**	**1.8**
Real unit labour cost				-0.1	0.3	0.8	4.8	**-2.3**	**-2.9**	**-0.3**
Saving rate of households (b)				14.6	13.1	13.9	19.7	**14.7**	**12.2**	**12.0**
GDP deflator				1.8	1.8	1.6	2.3	**1.8**	**2.2**	**2.1**
Harmonised index of consumer prices				1.9	2.1	1.5	1.4	**2.7**	**2.5**	**2.0**
Terms of trade goods				-0.1	-0.6	-0.9	1.2	**-2.1**	**-0.9**	**-0.2**
Trade balance (goods) (c)				0.1	0.3	1.0	0.8	**0.2**	**-0.2**	**-0.2**
Current-account balance (c)				2.4	1.0	2.2	1.9	**-0.1**	**-0.2**	**-0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.3	0.4	2.2	1.8	**-0.2**	**-0.3**	**-0.6**
General government balance (c)				-2.4	0.2	0.6	-8.3	**-5.9**	**-2.3**	**-1.3**
Cyclically-adjusted budget balance (d)				-2.2	-0.8	-0.5	-5.0	**-4.2**	**-2.5**	**-1.7**
Structural budget balance (d)				-0.7	-0.8	-0.5	-5.0	**-4.2**	**-2.5**	**-1.7**
General government gross debt (c)				75.4	74.0	70.6	83.2	**82.9**	**79.4**	**77.6**

(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.

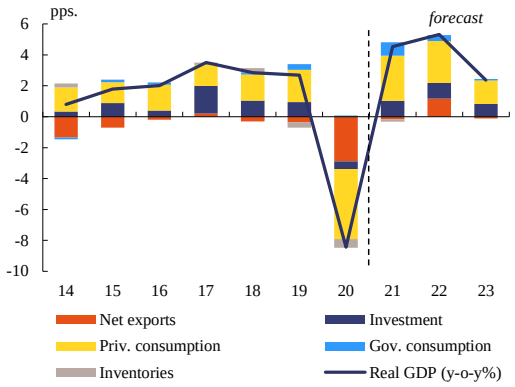
16. PORTUGAL

Portugal's economy is rebounding strongly, helped by a resurgence in demand and employment. The growth outlook remains favourable despite challenges related to global supply chains and uncertainty in foreign tourism. Public finances benefit from the recovery, amid a wind-down of fiscal support and revived momentum in public investment, helped by the financing from the RRF.

GDP rebounds helped by pent-up demand

Portugal's economy rebounded by 4.5% (quarter-on-quarter) in 2021-Q2, as the gradual relaxation of pandemic-related restrictions pushed up consumer demand. Sales of durable goods rose substantially against the backdrop of accumulated savings and pent-up demand. In the following months, retail trade with goods moderated but the service sector continued to increase at a strong pace. Domestic tourism performed particularly well, reaching historical highs in the summer. Foreign tourism also started to recover, but it remained significantly below its pre-pandemic level. Meanwhile, bottlenecks in global supply chains affected negatively the local automotive industry and, to a lesser extent construction.

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



As most of the COVID-19-related restrictions have been lifted since October, the economy is projected to continue its recovery and to reach its pre-pandemic level around the middle of 2022. In full-year terms, GDP growth is projected at 4.5% in 2021, 5.3% in 2022, and 2.4% in 2023. The growth is backed by the ongoing implementation of the Recovery and Resilience Plan. The hospitality sector is also set to support economic growth, although specific services related to foreign tourism are likely to remain below pre-pandemic levels until the end of the forecast period. The industrial sector is set to remain affected by supply constraints in the near term but to gradually pick up over the forecast horizon. In the external sector, the current-account balance is projected to improve somewhat over the forecast horizon, helped by the projected recovery in exports of services. However, the deficit in trade of goods is expected to rise against the backdrop of increased consumer demand and imports of investment goods.

The balance of risks appears slightly to the downside due to the large size of foreign tourism, where uncertainty remains high. Portugal's high vaccination rate reduces domestic risks related to the pandemic. At the same time, uncertainties related to the adoption of a budget for 2022 represent an additional risk factor.

Employment recovers to pre-pandemic level

After moving sideways until May 2021, labour market indicators started to improve along with the recovery in economic activity. As of August 2021, all labour indicators apart from hours worked reached pre-pandemic levels. Unemployment dropped to 6.4%, compared to 8.2% a year earlier, and to 6.5% in 2019, when tourism was at its peak. Employment and labour force participation rates performed equally well, reaching historical highs in the summer months. With the phasing-out of job retention schemes, labour indicators are set to improve at a much slower pace than GDP, with a gradual recovery in labour productivity. Therefore, the unemployment rate is projected to decline only marginally from 6.7% in 2021 to 6.4% in 2023.

Consumer price inflation (HICP) picked up from -0.1% (year-on-year) in 2021-Q2, to 1.2% in 2021-Q3. Apart from the steep acceleration in energy prices, industrial goods and base effects in tourism-related services contributed to the overall increase. Inflation is expected to rise further in the winter months in the context of higher energy prices, while services are set to turn into a major driver afterwards, including substantial base effects in the accommodation and airline services in 2022. In full-year terms, inflation is forecast to increase from 0.8% in 2021 to 1.7% in 2022, and to moderate to 1.2% in 2023.

Public finances to benefit from the recovery

The general government deficit is expected to narrow to 4.5% of GDP in 2021, down from 5.8% of GDP in 2020. In 2021, government revenue is set to rebound, with tax revenue being propelled by the projected economic recovery. The intake of EU funds is expected to be sizeable, including under REACT-EU (about ¾% of GDP). One-off revenue linked to the reimbursement of the pre-paid margin on the financial assistance loan by the European Financial Stability Facility (0.5% of GDP) should also contribute to roll back the deficit. However, these developments are set to be partly offset by continued growth in government expenditure in response to the crisis, on the back of spending on subsidies and social benefits, and the expansion of the public wage bill. Current spending is also expected to be compounded by pre-pandemic structural upward pressures. Fiscal support measures – mainly subsidies to firms and social transfers to households, namely linked to short-time work and furlough schemes, as well as health-related measures – are set to remain active in 2021. Their overall direct budgetary cost reached about 2.5% of GDP in August 2021, and it is set to increase further until the end of the year.

As the economic recovery takes hold, the budgetary outlook is expected to continue to improve. Based on the Draft Budgetary Plan of 15 October 2021, which constituted the relevant budgetary plan at the forecast cut-off date, the general government deficit is projected to ease to 3.4% in 2022, and to further decline to 2.8% of GDP in 2023. The phasing-out of crisis mitigation measures and growing tax revenue are set to drive the deficit reduction. Portugal's track record of low public investment is projected to be reversed over the forecast horizon, prompted by the new projects foreseen in the RRP. The forecast incorporates expenditure financed by RRF grants, which are set to gradually increase from 0.3% of GDP in 2021, to 1.5% of GDP in 2023. The forecast is surrounded by uncertainty linked to the adoption of a budget for 2022. Risks remain tilted to the downside, owing to the build-up of contingent liabilities from crisis-related public guarantees – whose calling may exceed current expectations – thereby adding to pre-pandemic vulnerabilities.

After its peak at 135.2% in 2020, the general government debt-to-GDP ratio is set to decline to 128.1% in 2021, driven by a favourable growth-interest rate differential and a debt-reducing stock-flow adjustment. It is projected to moderate further to 123.9% in 2022, and to 122.7% in 2023.

Table II.16.1:

Main features of country forecast - PORTUGAL

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		200.1	100.0	0.4	2.8	2.7	-8.4	**4.5**	**5.3**	**2.4**
Private Consumption		128.5	64.2	0.6	2.6	3.3	-7.1	**4.6**	**4.2**	**2.4**
Public Consumption		38.3	19.1	0.2	0.6	2.1	0.4	**4.5**	**2.0**	**0.5**
Gross fixed capital formation		38.2	19.1	-2.0	6.2	5.4	-2.7	**5.4**	**5.2**	**4.3**
of which: equipment		10.3	5.2	0.4	8.9	1.8	-12.0	**7.7**	**9.2**	**5.8**
Exports (goods and services)		74.1	37.0	4.3	4.1	4.1	-18.6	**11.1**	**9.5**	**4.0**
Imports (goods and services)		78.3	39.1	2.6	5.0	4.9	-12.1	**10.9**	**6.2**	**4.1**
GNI (GDP deflator)		196.9	98.4	0.4	2.7	2.5	-7.5	**5.0**	**4.7**	**2.4**
Contribution to GDP growth:	Domestic demand			0.0	2.8	3.4	-5.0	**4.8**	**4.1**	**2.4**
	Inventories			0.0	0.3	-0.3	-0.6	**-0.1**	**0.0**	**0.0**
	Net exports			0.4	-0.3	-0.4	-2.9	**-0.2**	**1.2**	**-0.1**
Employment				-0.4	2.3	0.8	-1.9	**1.8**	**0.8**	**0.5**
Unemployment rate (a)				10.1	7.1	6.5	6.9	**6.7**	**6.5**	**6.4**
Compensation of employees / head				1.7	3.9	4.8	2.0	**2.2**	**3.0**	**3.0**
Unit labour costs whole economy				0.9	3.4	2.8	9.3	**-0.5**	**-1.4**	**1.1**
Real unit labour cost				-1.0	1.5	1.1	7.2	**-1.6**	**-3.1**	**-0.3**
Saving rate of households (b)				9.1	6.8	7.2	12.8	**9.0**	**7.8**	**8.0**
GDP deflator				1.9	1.8	1.7	1.9	**1.0**	**1.8**	**1.4**
Harmonised index of consumer prices				1.8	1.2	0.3	-0.1	**0.8**	**1.7**	**1.2**
Terms of trade goods				0.3	-0.8	0.4	1.6	**-0.3**	**0.0**	**0.0**
Trade balance (goods) (c)				-9.0	-7.8	-7.8	-6.4	**-7.5**	**-7.8**	**-8.1**
Current-account balance (c)				-5.6	0.3	0.1	-1.2	**-0.9**	**-0.4**	**-0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.2	1.2	1.0	-0.1	**0.3**	**1.0**	**1.2**
General government balance (c)				-5.6	-0.3	0.1	-5.8	**-4.5**	**-3.4**	**-2.8**
Cyclically-adjusted budget balance (d)				-5.0	-1.8	-2.0	-2.6	**-2.7**	**-3.4**	**-3.1**
Structural budget balance (d)				-1.8	-1.1	-1.4	-1.9	**-3.0**	**-3.2**	**-3.1**
General government gross debt (c)				98.1	121.5	116.6	135.2	**128.1**	**123.9**	**122.7**

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

17. SLOVENIA

Slovenia's economy expanded rapidly in the first half of 2021 compared to the same period in 2020. The economy is expected to return to its 2019 level already in the third quarter of 2021 and to continue growing at strong pace in 2022-23, driven by consumption and investment. High current expenditure is projected to hinder a stronger improvement in public finances.

Robust recovery

Based on revised data, GDP contraction in 2020 turned out to be smaller than expected at -4.2%. With the removal of most restrictions, Slovenia's economy grew by 8.9% in the first half of 2021 compared to the same period in 2020. The recovery of exports was accompanied by a faster recovery of imports, leading to a negative contribution of net exports to growth.

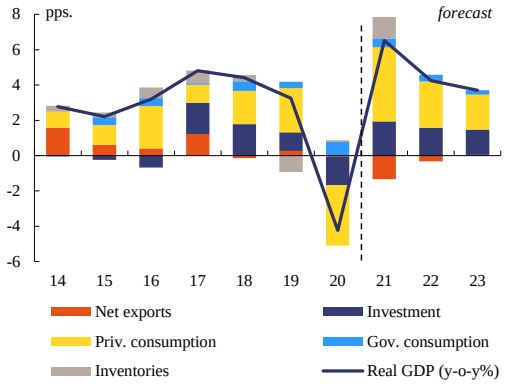
In the third quarter of 2021, a wide range of indicators such as confidence, employment growth and public revenue, freight traffic and electricity consumption indicate continued growth. Services consumption was boosted by the continued use of the publically-financed tourism vouchers over the summer. However, Slovenia remains a country with a relatively low vaccination rate and currently registers a high incidence of new COVID-19 cases. Many services are accessible only to the tested, vaccinated or recovered customers. Additionally, the global supply chain problems are affecting the Slovenian economy. Price increases and availability of materials appear to be the factors already limiting construction output. The recovery in the second half of the year is therefore expected to be slower than in the first half. Overall, the economy is forecast to grow by 6.4% in 2021 and the GDP is expected to surpass the 2019 level.

Continued growth over 2022 and 2023

The economy is expected to continue growing strongly also in 2022-23, by 4.2% and 3.5% respectively. Private consumption growth is projected to be strong in both years with healthy growth in disposable income and the household saving rate returning close to its pre-crisis level in 2023. Public consumption growth is forecast to be moderate after registering high levels over the 2020–21 period, but public investments are expected to grow rapidly in 2022 thanks to the availability of significant structural funds and RRF financing. Private investment growth is expected to be strong in construction as well as in machinery and equipment. Growth is projected to be driven both by the backlog created during the crisis as well as by the need to increase labour productivity. Net exports are expected to contribute negatively to growth in 2022 as rising exports are being outpaced by buoyant imports growth. Net exports are set to turn neutral in 2023.

A faster implementation of public investment projects is a positive risk to the forecast, while pandemic-related uncertainties continue to weigh on the negative risks.

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



Labour market tightening

Thanks to the support measures enacted by the government over 2020-21, the negative effects of the COVID-19 crisis on employment were relatively contained and with the recovery gathering momentum, labour market conditions are tightening; a 0.6% fall in employment in 2020 is expected to be followed by 1.1% growth in 2021 and 1.3% growth in 2022. Unemployment is projected to decline, reaching 4.4% by 2023 while hours worked are set to grow over the forecast horizon. Labour shortages are therefore poised to become a limiting factor to the economic growth over the forecast horizon.

Consumer prices fell by 0.3% in 2020 and continued to fall over the first months of 2021. Inflation accelerated significantly in the third quarter and annual inflation is projected to reach

1.7% in 2021. The acceleration of inflation is expected to continue in 2022, reaching 2.1% before easing in 2023.

Public finances to improve slowly despite high current expenditure

The general government deficit is forecast to decrease from 7.7% of GDP in 2020 to 7.2% in 2021, mainly due to the rebound in economic activity and the expiration of some measures adopted to mitigate the economic and social impact of the COVID-19 pandemic.

In 2022, the general government deficit is expected to decline further to 5.2% of GDP. On the revenue side, indirect taxes are projected to remain the main contributor in 2022, while current taxes on income and wealth are forecast to decrease by some 2.5% as a result of the tax reform adopted by the government. As most of the measures to mitigate the impact of the COVID-19 crisis are phased out this year, current expenditure in 2022 is projected to decline by 2.4%. However, it is set to still remain higher than in 2020 in nominal terms. Despite past under-execution compared to the budgets, investment is still expected to grow strongly, at a similar pace as in 2021.

In 2023, the general government deficit is forecast to decrease to 4.4% of GDP. Revenues from taxes and social security contributions are expected to grow strongly on the back of strong labour market and continued expansion in domestic demand. On the expenditure side, compensation of employees, social transfers and to a lesser extent intermediate consumption are forecast to be the main drivers of current expenditure growth. Investment projections have been revised downwards due to lower expected absorption rate of EU funds in the beginning of the new 2021-2027 programming period. The forecast also incorporates expenditures financed by RRF grants, which is set to gradually increase from 0.3% of GDP in 2021 to 0.6% of GDP in 2023.

Over the forecast horizon, the debt-to-GDP ratio is expected to be mainly driven by the changes in the headline deficit, the gradual reduction of the precautionary cash buffers and the denominator effect from higher nominal GDP. Thus, the debt-to-GDP ratio is projected to decrease form 79.8% in 2020 to 76.0% in 2023.

Table II.17.1:

Main features of country forecast - SLOVENIA

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		46.9	100.0	2.1	4.4	3.3	-4.2	**6.4**	**4.2**	**3.5**
Private Consumption		23.6	50.2	1.8	3.6	4.8	-6.6	**8.4**	**5.1**	**3.5**
Public Consumption		9.6	20.6	1.5	3.0	2.0	4.2	**2.4**	**1.9**	**1.5**
Gross fixed capital formation		8.9	18.9	-0.2	9.7	5.5	-8.2	**10.3**	**8.0**	**7.0**
of which: equipment		3.3	7.1	1.9	10.4	2.0	-14.0	**20.2**	**7.7**	**4.8**
Exports (goods and services)		36.5	77.9	6.0	6.2	4.5	-8.7	**11.9**	**7.6**	**6.1**
Imports (goods and services)		32.2	68.7	5.0	7.1	4.7	-9.6	**15.5**	**8.9**	**6.7**
GNI (GDP deflator)		46.6	99.2	2.0	4.8	3.2	-3.5	**6.3**	**4.3**	**3.7**
Contribution to GDP growth:	Domestic demand			1.3	4.2	3.9	-4.3	**6.6**	**4.6**	**3.5**
	Inventories			0.1	0.4	-0.9	0.1	**1.2**	**0.0**	**0.0**
	Net exports			0.8	-0.1	0.3	-0.1	**-1.4**	**-0.4**	**0.0**
Employment				0.5	3.2	2.5	-0.6	**1.1**	**1.3**	**1.4**
Unemployment rate (a)				7.2	5.1	4.5	5.0	**4.6**	**4.5**	**4.4**
Compensation of employees / head				4.0	3.9	5.0	3.5	**3.4**	**1.2**	**3.6**
Unit labour costs whole economy				2.3	2.7	4.2	7.4	**-1.8**	**-1.6**	**1.6**
Real unit labour cost				-0.1	0.6	1.9	6.1	**-3.3**	**-3.4**	**-0.1**
Saving rate of households (b)				13.5	13.7	13.7	22.6	**18.7**	**14.4**	**14.1**
GDP deflator				2.4	2.1	2.2	1.2	**1.5**	**1.8**	**1.7**
Harmonised index of consumer prices				2.6	1.9	1.7	-0.3	**1.7**	**2.1**	**1.7**
Terms of trade goods				-0.2	-0.1	0.4	0.8	**-0.7**	**-0.3**	**0.0**
Trade balance (goods) (c)				-0.9	2.8	2.7	5.0	**2.8**	**1.7**	**1.2**
Current-account balance (c)				0.1	6.1	6.1	7.6	**5.4**	**4.8**	**4.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.2	5.7	5.8	7.1	**5.0**	**4.4**	**4.4**
General government balance (c)				-3.6	0.7	0.4	-7.7	**-7.2**	**-5.2**	**-4.4**
Cyclically-adjusted budget balance (d)				-3.4	-0.7	-1.3	-6.5	**-7.6**	**-6.2**	**-5.5**
Structural budget balance (d)				-3.3	-0.7	-1.3	-6.4	**-7.6**	**-6.2**	**-5.5**
General government gross debt (c)				46.0	70.3	65.6	79.8	**77.7**	**76.4**	**76.0**

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

18. SLOVAKIA

Slovakia's economy is recovering from the 2020 recession. However, intensifying supply-chain disruptions and resurging COVID-19 infections are expected to slow the recovery in the short term, before growth accelerates again from 2022 onwards, also boosted by Recovery and Resilience Facility-financed public investments. Inflation is forecast to rise sharply in 2021 and 2022 due to the combination of supply side bottlenecks and robust demand, but slow down thereafter. While fiscal policy is expected to remain supportive in 2021, declining budget deficits are forecast in the following years. In addition to economic growth and low interest rates, this also helps contain the public debt-to-GDP ratio.

Recovery to slow down temporarily

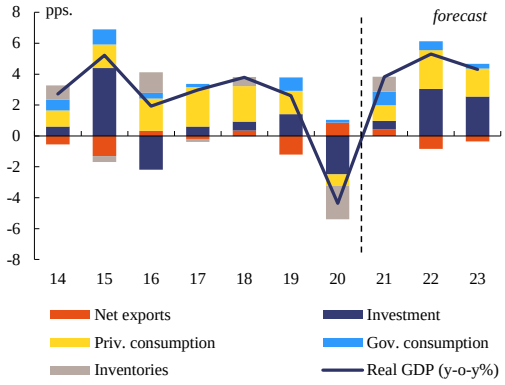
After a robust 2% q-o-q rebound in real GDP amid easing pandemic-related restrictions in the second quarter of 2021, economic growth in Slovakia is expected to moderate in the remainder of this year. Intensifying supply chain disruptions and resurging COVID-19 infections are assumed to weigh on economic activity, bringing annual GDP growth to 3.8% in 2021. The Slovak economy is forecast to reach its pre-pandemic output level by the end of 2021 and to continue expanding at an annual rate of 5.3% in 2022 and 4.3% in 2023, closing its output gap.

The easing of COVID-19 containment measures supported domestic demand in the second quarter. With more spending opportunities, private consumption bounced back sharply, which led to a fall in forced savings. Private investment also rebounded significantly. However, due to a rather low vaccination rate, domestic spending is expected to suffer somewhat from a new pandemic wave. After this temporary disruption, domestic demand is forecast to resume its robust expansion in the coming years, as spending by households and corporations catches up to its pre-crisis path. A boost to public investment from Next Generation EU funds is expected from 2022 onwards.

Supply-chain disruptions hurt trade

Despite being largely shielded from domestic pandemic-related restrictions, and benefiting from robust foreign demand, Slovakia's industry-heavy export sector has been adversely affected by severe supply-chain disruptions. Global semiconductor shortages are assumed to persist throughout 2022, and to constrain Slovakia's automotive industry, resulting in markedly lower export levels during that period. Due to a large share of imported intermediate inputs, weaker exports should also go along with lower import growth. On balance, net exports are forecast to contribute positively to GDP growth in 2021 and negatively thereafter, as domestic spending gains speed and boosts imports.

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



Labour market to recover from 2022

The impact of the crisis on the labour market has been mostly reflected in declining hours worked, as public job retention schemes have shielded employment. As the recovery gathers pace and fiscal support measures are withdrawn, hours worked are set to increase first, followed by an increase in new vacancy postings only afterwards. Despite aggregate labour market indicators still being weaker than prior to the pandemic, certain sectors already face labour shortages, while skill mismatches reduce readily available labour supply, thereby contributing to a tightening market.

On average, employment is projected to increase by 0.3% in 2021, while the unemployment rate at 6.8% is expected to stay slightly higher than in 2020. Further improvement is forecast as from 2022, with employment growing by around 1% annually, and the unemployment rate falling to 5.6% in 2023. Wage growth is expected to gather pace as labour market slack diminishes, productivity rebounds, and inflation increases.

Inflation to rise amid supply bottlenecks

Inflationary pressures have intensified recently, driven mainly by rising commodity prices and strong services inflation, as rebounding aggregate demand faces supply-side bottlenecks. Strong price dynamics are forecast to persist in 2021, leading to an annual HICP inflation rate of 2.8%. As regulated energy prices are expected to rise at the beginning of 2022, quarterly inflation is assumed to decelerate only thereafter, bringing average annual inflation to 4.3% in 2022. Well-anchored inflation expectations should prevent temporary price pressures from becoming permanent, and allow inflation to slow to 2.2% in 2023.

Fiscal support to weaken as from 2022

The general government deficit is projected to widen from 5.5% in 2020 to 7.3% of GDP in 2021, driven by temporary pandemic-related support measures, including short-time work schemes, health spending and support to selected sectors, as well as by permanent measures. Nevertheless, the expected deficit is significantly lower than in the adopted 2021 budget, due to higher tax revenues resulting from the economic rebound (mainly VAT and corporate income tax). Capital expenditures and expenditures on goods and services are also set to be lower than originally projected. However, social transfers, subsidies, investments and expenditure on goods and services are assumed to grow fast in 2021.

In 2022, the government budget deficit is expected to narrow to 4.2% of GDP, as economic growth gains pace and most temporary support measures are phased out. The deficit is projected to further decline in 2023, to 3.2% of GDP. While tax revenues should grow broadly in line with GDP, expenditures are expected to shift away from pandemic-related emergency measures towards public investment aimed at facilitating the green and digital transformation. The drawdown of EU funds from the current programming period is assumed to peak in 2023. The forecast also incorporates expenditures financed by RRF grants, for a cumulative amount of 1.9% of 2019 GDP over the forecast horizon.

The government debt-to-GDP ratio is projected to edge up to 61.8% in 2021, before gradually declining to 59.1% by 2023, helped by moderating primary budget deficits as well as by strong nominal GDP growth and persistently low interest rates.

Table II.18.1:

Main features of country forecast - SLOVAKIA

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		92.1	100.0	4.0	3.8	2.6	-4.4	**3.8**	**5.3**	**4.3**
Private Consumption		53.6	58.3	3.1	4.1	2.7	-1.3	**1.7**	**4.3**	**3.2**
Public Consumption		19.8	21.5	2.5	-0.1	4.6	0.9	**4.1**	**2.7**	**1.4**
Gross fixed capital formation		18.1	19.6	2.7	2.8	6.7	-11.6	**2.8**	**15.7**	**12.1**
of which: equipment		6.8	7.4	3.6	1.9	13.9	-26.9	**5.4**	**23.3**	**16.5**
Exports (goods and services)		78.7	85.4	8.8	5.1	0.8	-7.3	**11.7**	**6.5**	**5.9**
Imports (goods and services)		77.8	84.5	7.0	4.8	2.1	-8.2	**11.3**	**7.4**	**6.3**
GNI (GDP deflator)		91.0	98.9	3.9	4.3	2.2	-3.8	**3.6**	**5.8**	**4.5**
Contribution to GDP growth:	Domestic demand			2.9	2.9	3.8	-3.0	**2.4**	**6.1**	**4.7**
	Inventories			0.0	0.6	0.0	-2.2	**1.0**	**0.0**	**0.0**
	Net exports			1.2	0.3	-1.2	0.9	**0.4**	**-0.8**	**-0.4**
Employment				1.0	2.0	1.0	-1.9	**0.3**	**1.2**	**1.0**
Unemployment rate (a)				13.5	6.5	5.8	6.7	**6.8**	**6.4**	**5.6**
Compensation of employees / head				5.3	6.0	6.8	3.6	**5.0**	**5.9**	**5.4**
Unit labour costs whole economy				2.2	4.2	5.2	6.3	**1.5**	**1.8**	**2.0**
Real unit labour cost				0.5	2.1	2.6	3.8	**0.1**	**-2.8**	**-0.2**
Saving rate of households (b)				7.3	10.3	9.8	10.9	**12.2**	**9.5**	**10.1**
GDP deflator				1.7	2.0	2.5	2.4	**1.4**	**4.7**	**2.2**
Harmonised index of consumer prices				2.7	2.5	2.8	2.0	**2.8**	**4.3**	**2.2**
Terms of trade goods				-0.7	-0.9	-0.3	-0.5	**-1.7**	**1.6**	**0.1**
Trade balance (goods) (c)				-0.4	1.1	-0.5	0.1	**-0.5**	**-0.5**	**-0.4**
Current-account balance (c)				-2.7	-0.3	-2.0	-0.8	**-1.7**	**-1.0**	**-1.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.1	-0.3	-2.0	-0.8	**-1.5**	**-0.2**	**1.5**
General government balance (c)				-3.8	-1.0	-1.3	-5.5	**-7.3**	**-4.2**	**-3.2**
Cyclically-adjusted budget balance (d)				-3.7	-1.8	-2.2	-4.1	**-6.5**	**-4.3**	**-3.6**
Structural budget balance (d)				-2.2	-1.8	-2.2	-4.1	**-6.5**	**-4.3**	**-3.6**
General government gross debt (c)				43.2	49.6	48.1	59.7	**61.8**	**60.0**	**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.

19. FINLAND

Thanks to a strong GDP rebound in the second quarter of this year and a relatively mild economic contraction last year, economic activity has already reached the pre-crisis level in mid-2021. Economic growth is expected to continue over the forecast horizon, driven by private consumption and investment, favourably impacting the labour market. Public finances are also improving on the back of the ongoing recovery.

Recovery already in 2021

Finland's economy grew strongly (2.2% quarter-on-quarter) in the second quarter of 2021, after a weak first quarter. All demand components contributed to the result, with private consumption clearly leading the pack. This is expected to continue, albeit at a slower pace, with GDP surpassing its 2019-level by the third quarter of this year. Early high-frequency indicators point to improved consumer and business outlook for the second half of the year. The vaccination rate is relatively high, providing another reassurance for economic activity. Following a contraction of 2.9% in 2020, annual GDP is forecast to grow by 3.4% in 2021. While the economy has recovered overall, the worst-hit sectors still need time to recover fully, relying heavily on further normalisation in the external environment.

Domestic demand to drive solid growth ahead

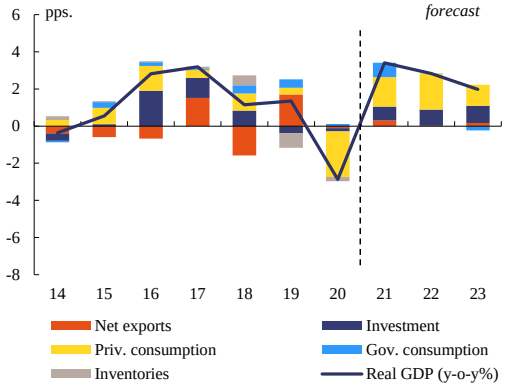
GDP is forecast to grow by 2.8% in 2022 when the growth momentum is expected to take full effect, with a normalisation of the services sector. In 2023 the economic cycle is projected to normalise towards the long-term potential GDP growth rate (1.2 - 1.4%), with an estimated 2.0% growth.

Domestic demand is set to drive GDP growth in the medium term. Private consumption is forecast to dominate, as consumers readjust their consumption patterns and employment and wages grow. In addition, the accumulated savings during the crisis and favourable financing conditions should further support private consumption. On the other hand, public consumption, while strong during the peak of the crisis and also in 2021, is expected to stabilise and to subsequently gradually decline, as the need for the extra spending dissipates and economy grows.

Investment growth is forecast to gather pace on the back of strengthening business confidence, rekindled interest in the residential property, low interest rates and buoyant demand. This is set to be further strengthened by public investment plans, which will be partly financed by the Recovery and Resilience Facility (RRF), especially in the area of the green transition. Exports are forecast to grow in line with the global recovery, maintaining Finland's export market share.

The risks to the outlook are balanced. On the downside, apart from lingering pandemic risks, possible supply bottlenecks and a possible strong acceleration in prices could hamper private consumption and hence growth prospects. On the upside, growth could be even stronger if consumers markedly decrease their accumulated savings.

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



Rising employment and the return of inflation

Employment is expected to continue growing towards pre-pandemic levels, with crisis-hit sectors expected to catch up substantially during 2022. Wages are expected to rise moderately in 2022 and 2023.

Consumer prices are rising strongly in 2021 primarily because of a strong upswing in energy prices. This factor is expected to fade away in 2022, but the recovery in the services' sector, general demand pressures and tightening labour market are set to keep inflation over the forecast horizon higher than in recent years.

The deficit gradually returns to the pre-crisis trend

In 2021, the general government deficit is forecast to narrow to 3¾% of GDP on the back of the strong economic rebound and the reduction of COVID-19 support measures. The strong recovery of output, employment and domestic demand is expected to boost tax and social contribution revenues, while fewer lay-offs will ease the burden of social expenditure. Fiscal measures related to the pandemic are projected to amount to 1¾% of GDP, consisting mainly of temporary health-related expenditure and support measures for companies.

In 2022, economic growth, recovery on the labour market and the planned termination of the pandemic-related measures are expected to lead to a further improvement in public finances. The general government deficit is projected to decline to close to 2½% of GDP. This trend is forecast to continue also in 2023. The planned withdrawal of temporary fiscal measures stemming from the government's original programme adopted in 2019 it set to help improve the balance in 2023 by about ½% of GDP. In 2023, the General Government deficit is forecast to shrink to 1% of GDP, close to the pre-pandemic level. The RRF-financed expenditure is projected to support the economic growth in 2022 and 2023 with capital investments and spending on human capital.

The public debt ratio, which increased some 10 pps. during the pandemic, is expected to stabilise. It is forecast to reach 71% of GDP in 2021 and remain at this level through 2023.

Table II.19.1:

Main features of country forecast - FINLAND

	2020			Annual percentage change					
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		236.2	100.0	1.3	1.1	1.3	-2.9	**3.4**	**2.8**	**2.0**
Private Consumption		120.7	51.1	1.9	1.7	0.7	-4.7	**3.1**	**3.8**	**2.2**
Public Consumption		57.7	24.4	1.0	2.0	2.0	0.5	**3.2**	**0.0**	**-1.0**
Gross fixed capital formation		57.1	24.2	1.2	3.6	-1.6	-0.7	**3.1**	**3.6**	**3.8**
of which: equipment		12.0	5.1	1.8	-1.7	-4.9	-0.6	**9.2**	**7.0**	**8.5**
Exports (goods and services)		85.5	36.2	2.5	1.5	6.8	-6.8	**8.1**	**6.6**	**4.7**
Imports (goods and services)		84.7	35.8	3.4	5.7	2.3	-6.5	**7.3**	**6.6**	**4.4**
GNI (GDP deflator)		240.2	101.7	1.3	1.5	1.4	-1.7	**3.5**	**2.9**	**2.1**
Contribution to GDP growth:	Domestic demand			1.5	2.2	0.4	-2.5	**3.1**	**2.8**	**1.8**
	Inventories			0.1	0.5	-0.8	-0.2	**0.0**	**0.0**	**0.0**
	Net exports			-0.2	-1.6	1.7	-0.1	**0.3**	**0.0**	**0.2**
Employment				0.6	2.5	1.8	-2.1	**2.0**	**1.5**	**0.7**
Unemployment rate (a)				8.3	7.4	6.7	7.8	**7.7**	**6.9**	**6.5**
Compensation of employees / head				2.2	1.3	1.3	0.8	**1.9**	**2.6**	**2.8**
Unit labour costs whole economy				1.4	2.6	1.7	1.6	**0.5**	**1.2**	**1.5**
Real unit labour cost				0.0	0.6	0.2	0.3	**-1.4**	**-0.8**	**-0.8**
Saving rate of households (b)				7.8	7.2	8.7	12.8	**9.7**	**7.9**	**7.0**
GDP deflator				1.5	2.0	1.5	1.3	**1.9**	**2.0**	**2.3**
Harmonised index of consumer prices				1.6	1.2	1.1	0.4	**1.8**	**1.9**	**1.9**
Terms of trade goods				-0.7	0.8	-0.9	1.4	**-0.2**	**-0.1**	**0.1**
Trade balance (goods) (c)				4.6	0.1	1.0	1.2	**1.8**	**2.0**	**2.2**
Current-account balance (c)				1.6	-1.8	-0.3	0.8	**1.2**	**1.2**	**1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				1.7	-1.8	-0.2	0.9	**1.3**	**1.3**	**1.6**
General government balance (c)				0.4	-0.9	-0.9	-5.5	**-3.8**	**-2.4**	**-1.1**
Cyclically-adjusted budget balance (d)				0.8	-1.1	-1.1	-3.3	**-2.8**	**-2.0**	**-1.1**
Structural budget balance (d)				-1.0	-1.0	-1.2	-3.3	**-2.8**	**-2.0**	**-1.1**
General government gross debt (c)				47.8	59.8	59.5	69.5	**71.2**	**71.2**	**71.0**

(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

20. BULGARIA

In the first half of 2021, the economic recovery in Bulgaria was held back by high economic uncertainty and containment measures. Investment and services exports remained supressed, while domestic consumption and goods exports contributed positively to aggregate demand. These two factors, combined with the implementation of the Recovery and Resilience Plan, are set to boost economic growth in the next two years. The fiscal stimulus remains strong in 2021. As of 2022, the budget deficit is expected to narrow. Low vaccination rates and high energy prices present short-term challenges to the recovery.

Recovery postponed

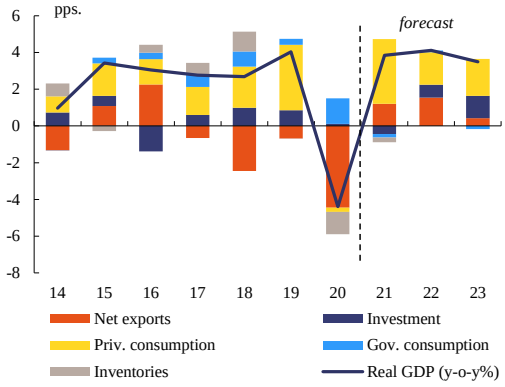
After the swift rebound in the third quarter of last year, real GDP remained roughly unchanged until mid-2021. Investment activity continued to stagnate in the first half of the year, constrained by still high uncertainty. Services exports regained some ground but remained well below full capacity. The short-term indicators point to some 40% fewer foreign tourist arrivals during the peak July-August season. Although the accommodation industry partially compensated for the shortfall in foreign demand by attracting domestic visitors, both the number of beds available and the occupancy rate were well below normal levels.

On the positive side, private consumption remained robust, underpinned by the expansion of disposable income. Exports of goods recovered swiftly, benefitting from the pick-up in external demand. Following the supportive fiscal policy of 2020, government consumption continued to contribute to aggregate demand in the first half of 2021.

In response to the rise in coronavirus cases, the COVID-19 certificate was introduced for visitors and workers in public places as of 21 October 2021. Given the low vaccination rates in the country, these restrictions are set to weigh on private consumption for several months, until smooth operation of the new regime and higher vaccination rates are achieved. Overall, real GDP is forecast to grow by 3.8% in the current year.

In 2022, GDP growth is forecast to accelerate to 4.1% and remain strong at 3.5% in 2023. The forecast incorporates expenditures financed by RRF grants, for a cumulative amount of 4.3% of 2019 GDP over the forecast horizon. Recent hikes in energy and food prices are set to erode the purchasing power of low-income households. However, increases in social transfers and pensions in the current and next year should offset the effect of higher prices on households' budgets. The expansion of consumer demand is set to continue on the back of a tight labour market, high consumer confidence and strong lending activity. Goods exports are forecast to grow in parallel with external demand, while services exports are projected to recover more gradually.

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



The risks to the forecast are tilted to the downside. The new introduction of the COVID-19 certificate may prove insufficient to contain infection rates and adjustment to the new normal may take longer. In addition, the impact of higher energy prices on headline inflation and consequently on private consumption may be stronger than expected.

Labour market set to tighten gradually

After an initial surge at the onset of the COVID-19 pandemic, the seasonally adjusted unemployment rate has stabilised at around 5.5% since June 2020. In parallel, the labour market participation rate has dropped on average by around 1 ppt since the beginning of the crisis. The government's job retention schemes have played a significant role in minimising job losses by allowing a temporary transition towards short-time work schemes. In the next two years, the favourable economic outlook is set to tighten the labour market, with

unemployment rates gradually declining to 4.6% in 2022 and 4.4% in 2023. At the same time, the transition back to full-time work and a projected increase in activity rates are forecast to partially alleviate the pressure on the labour market and on wages. Nevertheless, growth of wages is expected to remain strong at 9% in 2022 and 7.9% in 2023.

Headline inflation to accelerate

HICP inflation accelerated sharply in the second and third quarters of 2021 on account of higher prices of energy and unprocessed food. The seasonal price increases in tourism services have been less pronounced, which helped contain overall services inflation. Annual inflation is set to accelerate to 2.4% in 2021 and 2.9% in 2022 on the back of high energy prices and their second-round effects. Inflation is then forecast to decelerate to 1.8% in 2023 as these effects are expected to dissipate.

Fiscal stimulus remained strong

The general government deficit is projected at 3.6% of GDP in 2021. The improvement from the previous year's deficit of 4% of GDP is mainly due to statistical corrections in 2020 general government accounts. The fiscal stimulus has remained robust in 2021, as the government extended the emergency support to households, businesses and the health sector, and put in place new measures to support vulnerable groups. However, a recovery in tax revenues is set to offsets the impact on the deficit of still strong expenditure growth. The deficit is forecast to decrease in 2022 as most of the emergency measures are set to discontinue and larger receipts from the EU, including the RRF, are planned to finance most of the forecast increase in public investment. General government debt is expected to be around 26.7% of GDP in 2021 and remain around that level thereafter.

Table II.20.1:

Main features of country forecast - BULGARIA

	2020			Annual percentage change					
	bn BGN	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		120.0	100.0	3.4	2.7	4.0	-4.4	**3.8**	**4.1**	**3.5**
Private Consumption		70.4	58.7	3.8	3.7	6.0	-0.4	**6.0**	**3.0**	**3.4**
Public Consumption		23.4	19.5	1.6	5.3	2.0	8.3	**-1.0**	**0.5**	**-0.9**
Gross fixed capital formation		23.0	19.2	4.0	5.4	4.5	0.6	**-2.3**	**4.0**	**6.9**
of which: equipment		10.4	8.7	3.1	8.8	15.1	3.3	**-8.6**	**2.7**	**7.7**
Exports (goods and services)		66.4	55.3	7.6	1.7	4.0	-12.1	**10.0**	**8.0**	**5.4**
Imports (goods and services)		64.6	53.9	7.3	5.8	5.2	-5.4	**8.0**	**5.9**	**5.0**
GNI (GDP deflator)		115.8	96.6	3.5	-3.5	4.6	-3.6	**3.9**	**3.5**	**3.4**
Contribution to GDP growth:	Domestic demand			3.8	4.1	4.7	1.3	**2.9**	**2.6**	**3.1**
	Inventories			0.0	1.1	0.0	-1.2	**-0.3**	**0.0**	**0.0**
	Net exports			-0.4	-2.4	-0.7	-4.4	**1.2**	**1.5**	**0.4**
Employment				0.6	-0.1	0.3	-2.3	**0.0**	**0.9**	**0.6**
Unemployment rate (a)				10.2	5.2	4.2	5.1	**5.1**	**4.6**	**4.4**
Compensation of employees / head				8.1	9.7	6.9	7.2	**9.7**	**9.0**	**7.9**
Unit labour costs whole economy				5.2	6.7	3.1	9.5	**5.7**	**5.6**	**4.9**
Real unit labour cost				0.9	2.4	-2.0	5.1	**1.8**	**0.9**	**1.3**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				4.2	4.2	5.2	4.2	**3.9**	**4.6**	**3.5**
Harmonised index of consumer prices				3.4	2.6	2.5	1.2	**2.4**	**2.9**	**1.8**
Terms of trade goods				1.6	0.7	1.9	4.3	**1.3**	**-1.9**	**1.0**
Trade balance (goods) (c)				-13.2	-4.8	-4.7	-3.2	**-3.4**	**-3.4**	**-2.8**
Current-account balance (c)				-5.2	1.0	1.9	-0.6	**0.4**	**1.2**	**2.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.1	2.0	3.3	0.9	**2.4**	**3.7**	**5.0**
General government balance (c)				-0.6	1.7	2.1	-4.0	**-3.6**	**-2.8**	**-2.1**
Cyclically-adjusted budget balance (d)				-0.7	1.5	1.3	-2.9	**-3.1**	**-2.8**	**-2.5**
Structural budget balance (d)				-0.3	1.5	1.3	-2.9	**-3.1**	**-2.8**	**-2.5**
General government gross debt (c)				24.5	22.1	20.0	24.7	**26.7**	**26.7**	**26.8**

(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.

21. CZECHIA

While recovering from the 2020 recession, the negative impact of supply-chain disruptions pose headwinds for the Czech economy in 2021. Economic activity is forecast to accelerate in early 2022, driven by both domestic and foreign demand, including public investment supported by the Recovery and Resilience Facility. Inflation is projected to rise in 2021 and 2022 due to the combination of rising energy prices, supply-side bottlenecks and robust demand, but to slow thereafter. While the government budget deficit is set to start decreasing in 2022, permanent measures are expected to keep the deficit above pre-pandemic levels. The government debt-to-GDP ratio remains low but is expected to increase.

After the 1% quarter-on-quarter rebound in real GDP amid easing pandemic-related restrictions in the second quarter of 2021, economic growth in Czechia is expected to moderate in the remainder of this year. While domestic demand is forecast to remain strong accompanied by surging imports, supply chain disruptions are set to weigh on production and exports, bringing annual GDP growth to 3% in 2021. Economic growth is projected to increase to 4.4% in 2022, before returning close to average growth at 3.2% in 2023. Therewith, the Czech economy is set to reach its pre-pandemic output level in 2022-Q3.

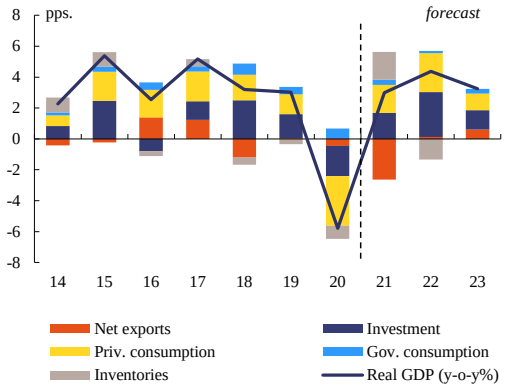
Supported by increasing real disposable income, private consumption bounced back sharply in 2021-Q2 and is expected to remain one of the main growth drivers also for the rest of the year. While the savings rate is set to remain high in 2021, it is projected to start declining in 2022, given stable economic conditions and more spending opportunities. Private investment also rebounded significantly and is expected to remain strong over the forecast horizon, stimulated by external demand and favourable financing conditions.

A boost to public investment by the EU funds is forecast from 2022 onwards. Government consumption is projected to grow at a sustained pace in 2021, fuelled by pandemic-related spending and an increase in the public sector employment bill. In 2022, the growth of government consumption is set to slow as pandemic-related expenditure is phased-out.

Trade impacted by supply-chain challenges

Net exports are forecast to contribute negatively to growth in 2021 due to the intensifying supply chain disruptions. With this factor expected to diminish in the course of 2022, net exports are expected to restart its contribution to economic growth in 2023. After being initially depleted during the pandemic, inventories are also projected to contribute significantly to GDP growth in 2021.

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



Labour market to remain robust

The unemployment rate is expected to remain low. With its tight labour market and a low share of temporary contracts, Czechia's labour market was in a good position to absorb the impact of the crisis. The unemployment rate is set to increase only slightly this year, to 2.7%. The accelerating economic growth is expected to improve labour market conditions over the forecast horizon, with the unemployment rate decreasing to 2.6% in 2022 and 2.4% in 2023.

Inflation expected to rise

Inflationary pressures have intensified recently, driven by rising production input prices and increased consumer demand. Annual HICP growth is thus expected to increase to 3.3% in 2021. In response to mounting risks of above target inflation the Czech National Bank recently raised the policy rates. As regulated energy prices are set to be raised at the beginning of 2022, inflation is expected to peak at 3.4% in 2022. Well-anchored inflation expectations are projected to prevent temporary price pressures from becoming

permanent, allowing inflation to slow to 2.3% in 2023.

Fiscal consolidation to start in 2022

The budget deficit is set to widen further in 2021 to 7.0% of GDP, compared to 5.6% in 2020. This is driven by higher expenditure triggered by the extensive fiscal stimulus including the support measures to counter the COVID-19 pandemic, a reduction in personal income taxes, and further increases in pensions and public wages. The expected recovery of private consumption and the higher growth in salaries in 2021 leads to increases in indirect taxes and social security contributions, which are, however, not fully offsetting higher government expenses.

The government deficit is set to decline to 4.3% of GDP in 2022. The COVID-19 support measures started to be withdrawn in the second half of 2021 and are not expected to impact public finances in 2022 anymore. However, some permanent measures taken during the pandemic (e.g. the cut in personal income taxes) will continue to affect budget revenues. Accelerating inflation and higher salaries will also put pressure on government expenses (pension indexation linked to salaries and inflation, higher intermediate consumption or compensation of state employees), but will also support growth of revenues. This trend is set to continue in 2023 when revenues growth is forecast only slightly higher than the growth in expenditures. The headline general budget deficit is expected to decrease further to 3.9%, but still staying well above the levels before the start of the pandemic. The composition of expenditures is projected to shift towards investments. With the support from the Recovery and Resilience Facility (RRF) and other EU funds, public fixed capital formation is set to surpass 5% of GDP for the first time in the last 10 years. The forecast also incorporates expenditures financed by RRF grants, for a cumulative amount of 1.7% of 2019 GDP over the forecast horizon.

While public debt is still low compared to other EU Member States, the expected pace of its growth in 2020-2023 is above the EU average. The public debt-to-GDP ratio, which stood at 37.7% in 2020, is forecast to rise to 44.3% in 2022 and 46.3% in 2023, driven by the negative headline balance, being only partly offset by nominal GDP growth.

Table II.21.1:

Main features of country forecast - CZECHIA

	2020			Annual percentage change					
	bn CZK	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		5694.6	100.0	2.8	3.2	3.0	-5.8	**3.0**	**4.4**	**3.2**
Private Consumption		2595.7	45.6	2.5	3.5	2.7	-6.8	**4.0**	**5.5**	**2.3**
Public Consumption		1232.4	21.6	1.5	3.8	2.5	3.4	**1.5**	**0.7**	**1.5**
Gross fixed capital formation		1494.6	26.2	2.2	10.0	5.9	-7.2	**6.4**	**10.7**	**4.3**
of which: equipment		545.5	9.6	2.9	8.9	2.6	-13.7	**8.5**	**12.5**	**0.0**
Exports (goods and services)		4042.5	71.0	7.9	3.7	1.5	-6.9	**8.4**	**4.5**	**5.9**
Imports (goods and services)		3653.5	64.2	7.2	5.8	1.5	-6.9	**13.4**	**4.6**	**5.4**
GNI (GDP deflator)		5496.1	96.5	2.6	3.4	2.4	-3.2	**2.2**	**3.7**	**3.2**
Contribution to GDP growth:	Domestic demand			2.1	4.9	3.3	-4.5	**3.8**	**5.6**	**2.6**
	Inventories			0.1	-0.5	-0.3	-0.9	**1.8**	**-1.3**	**0.0**
	Net exports			0.7	-1.2	0.0	-0.5	**-2.6**	**0.1**	**0.6**
Employment				0.6	1.3	0.2	-1.7	**0.5**	**0.5**	**0.4**
Unemployment rate (a)				6.3	2.2	2.0	2.6	**2.7**	**2.6**	**2.4**
Compensation of employees / head				4.3	8.1	7.2	3.2	**6.0**	**6.9**	**4.9**
Unit labour costs whole economy				2.0	6.1	4.3	7.7	**3.4**	**2.9**	**2.0**
Real unit labour cost				0.5	3.5	0.4	3.2	**-0.5**	**-0.1**	**-0.4**
Saving rate of households (b)				11.9	12.2	13.1	21.0	**20.1**	**16.8**	**16.8**
GDP deflator				1.5	2.6	3.9	4.4	**3.9**	**3.1**	**2.5**
Harmonised index of consumer prices				1.8	2.0	2.6	3.3	**3.3**	**3.4**	**2.3**
Terms of trade goods				-0.1	-0.2	0.4	2.0	**0.5**	**-0.8**	**0.6**
Trade balance (goods) (c)				1.2	3.7	4.1	5.0	**2.5**	**1.4**	**2.1**
Current-account balance (c)				-3.1	-0.6	-0.9	2.2	**-1.2**	**-2.5**	**-1.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.1	0.2	-0.4	3.5	**0.0**	**-0.4**	**0.4**
General government balance (c)				-2.6	0.9	0.3	-5.6	**-7.0**	**-4.3**	**-3.9**
Cyclically-adjusted budget balance (d)				-2.8	0.0	-0.8	-3.8	**-5.7**	**-3.8**	**-3.8**
Structural budget balance (d)				0.1	0.0	-0.8	-3.8	**-5.7**	**-3.8**	**-3.8**
General government gross debt (c)				34.0	32.1	30.0	37.7	**42.4**	**44.3**	**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.

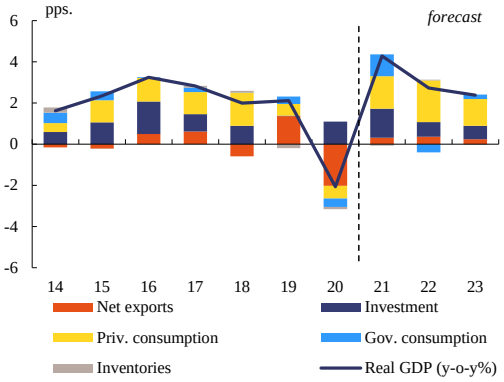
22. DENMARK

A broad-based expansion is projected over the forecast horizon. Output and employment have already exceeded pre-pandemic levels and are expected to make further gains, notwithstanding ongoing supply chain disruptions. The fiscal deficit is likely to remain modest this year before turning into surplus as from 2022.

Ongoing expansion faces supply side disruptions

Denmark's economy proved relatively resilient to the pandemic-related challenges, contracting by just 2.1% in 2020. The economy has been expanding at a strong pace following the lifting of most pandemic-related restrictions and the achievement of high vaccination rates. Denmark's GDP, as well as its employment rate, already exceeded pre-pandemic levels in Q2-2021. Conditions are in place for a continued expansion as households release their pent-up demand and companies relaunch deferred investment projects, though these face ongoing supply chain disruptions. Overall, real GDP is forecast to grow by 4.3% in 2021, and the expansion is set to continue at a rate of around 2.7% in 2022 and 2.4% in 2023.

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



Booming consumption

Strong economic growth observed since the second quarter of 2021 has largely been driven by an increase in private consumption. This partly reflects deferred spending, but households' disposable income has also been strengthened by extraordinary cash transfers, equating to almost 1.8% of GDP. Private consumption is projected to remain the main driver of economic growth over the forecast horizon. Government consumption is expected to increase sharply at a rate of 4.3% in 2021 due to pandemic-related measures. With the phasing-out of these measures, government consumption is set to contract in 2022 followed by a moderate increase in 2023.

Construction investment moderating from high levels

Construction investment has been the main driver of investment growth so far; dwelling investment is forecast to expand by almost 14% in 2021. While construction investment is set to lose momentum in the coming two years, machinery and equipment investment is expected to gradually recover over the forecast horizon, albeit slowed in the near term by ongoing supply chain disruptions. Overall, gross fixed capital formation growth is projected at 6.3% in 2021 before moderating to 3.1% in 2022 and 2.8% in 2023. Investment supported by the Recovery and Resilience Facility is set to bolster growth in the medium term while also contributing to higher potential growth in the long term.

Services trade catching up from 2022

Exports of goods have been supported by the global manufacturing upswing and have thus contributed significantly to the expansion. By contrast, services exports are still struggling but are expected to catch up from 2022. Imports of goods have also increased significantly in view of high investment levels and strong private consumption. Net external trade is set to contribute negatively to real GDP growth over the forecast horizon. Following a surplus of 8.1% of GDP in 2020, the current account balance is expected to moderate to around 7% of GDP in 2023.

Labour market bottlenecks

The strong economic rebound has led to a significant upturn in the labour market. The sharp increase in employment has caused recruitment difficulties in several sectors. Labour shortages are especially pronounced in services industries (such as tourism, culture and restaurants) that were

subject to severe restrictions, though the construction and the manufacturing sectors are facing similar difficulties. Labour market pressures are projected to ease somewhat due to the growing labour force driven by a rise in the number of workers from other EU Member States and the gradual increase in the retirement age over the next years. The scaling down of pandemic-related jobs (such as testing or vaccination) is also to free up further workers. The unemployment rate is set to decline from 5.6% in 2021 to 4.3% in 2023.

Inflation accelerating

Consumer prices have accelerated sharply in 2021, fuelled mainly by higher energy prices and increases in tobacco excise taxes. While the HICP rose by 2.4% y-o-y in September 2021, core inflation remained at 1.4%. The expansion in domestic demand is set to contribute to higher consumer prices over the forecast period, including higher core inflation. HICP is expected to grow by 1.7% annually in 2021, 1.9% in 2022 and 1.6% in 2023.

Strong government finances

In 2021, the government deficit is forecast to reach 0.9% of GDP, helped by the phasing-out of emergency measures. Strong revenue growth linked to the pick-up of economic activity in the second half of the year should also contribute to reduce the deficit. The general government budget balance is expected to turn positive as from 2022, underpinned by favourable expenditure and revenue developments owing to the continued expansion. This is partly driven by an expected contraction in both government expenditure and public investment. The government surplus is expected to reach 1.4% of GDP in 2022 and 1.5% of GDP in 2023.

After a marked increase in the government debt ratio in 2020 that reflected one-off effects related to pandemic emergency measures and the decline in GDP, the debt burden is expected to resume a gradually declining path as from 2021. The gross debt ratio is forecast to fall to around 38% of GDP by 2023, down from above 42% of GDP in 2020. The fall in the gross debt ratio does not fully reflect the marked improvement in the general government budget balance due to structural and positive stock-flow items, notably government financing of social housing.

Table II.22.1:

Main features of country forecast - DENMARK

	2020			Annual percentage change					
	bn DKK	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		2329.6	100.0	1.2	2.0	2.1	-2.1	**4.3**	**2.7**	**2.4**
Private Consumption		1070.7	46.0	1.4	3.5	1.2	-1.3	**3.4**	**4.4**	**2.8**
Public Consumption		574.5	24.7	1.3	0.0	1.5	-1.7	**4.3**	**-1.6**	**0.9**
Gross fixed capital formation		521.0	22.4	1.7	4.2	0.1	5.1	**6.3**	**3.1**	**2.8**
of which: equipment		123.9	5.3	1.9	1.9	-4.6	-6.5	**6.7**	**3.9**	**3.4**
Exports (goods and services)		1278.5	54.9	3.1	3.4	5.0	-7.0	**7.9**	**6.6**	**4.4**
Imports (goods and services)		1128.2	48.4	3.9	5.1	3.0	-4.1	**8.4**	**6.7**	**4.4**
GNI (GDP deflator)		2408.2	103.4	1.4	2.6	2.2	-1.6	**4.2**	**2.7**	**2.3**
Contribution to GDP growth:	Domestic demand			1.3	2.5	1.0	0.1	**4.1**	**2.3**	**2.2**
	Inventories			0.0	0.1	-0.2	-0.1	**-0.1**	**0.0**	**0.0**
	Net exports			-0.1	-0.6	1.4	-2.0	**0.3**	**0.4**	**0.2**
Employment				0.3	1.5	1.4	-0.7	**1.7**	**1.3**	**1.0**
Unemployment rate (a)				5.9	5.1	5.0	5.6	**4.8**	**4.5**	**4.3**
Compensation of employees / head				2.6	1.6	1.9	2.3	**1.7**	**2.2**	**2.7**
Unit labour costs whole economy				1.7	1.1	1.2	3.8	**-0.9**	**0.7**	**1.3**
Real unit labour cost				0.0	0.4	0.4	1.1	**-1.8**	**-0.9**	**-0.2**
Saving rate of households (b)				7.5	11.2	9.5	11.6	**11.4**	**9.2**	**9.2**
GDP deflator				1.7	0.7	0.7	2.6	**1.0**	**1.6**	**1.5**
Harmonised index of consumer prices				1.5	0.7	0.7	0.3	**1.7**	**1.9**	**1.6**
Terms of trade goods				0.8	-1.6	-0.1	1.5	**-2.6**	**-0.9**	**-0.3**
Trade balance (goods) (c)				4.0	3.6	5.3	5.3	**4.5**	**4.4**	**4.4**
Current-account balance (c)				5.3	7.3	8.8	8.1	**7.4**	**7.3**	**7.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.3	7.3	8.8	8.1	**7.4**	**7.2**	**7.0**
General government balance (c)				0.6	0.8	4.1	-0.2	**-0.9**	**1.3**	**1.4**
Cyclically-adjusted budget balance (d)				0.9	1.1	4.2	2.3	**0.4**	**2.3**	**2.2**
Structural budget balance (d)				0.3	1.1	4.2	2.8	**-2.0**	**3.3**	**1.9**
General government gross debt (c)				40.2	34.0	33.6	42.1	**41.0**	**38.8**	**38.0**

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

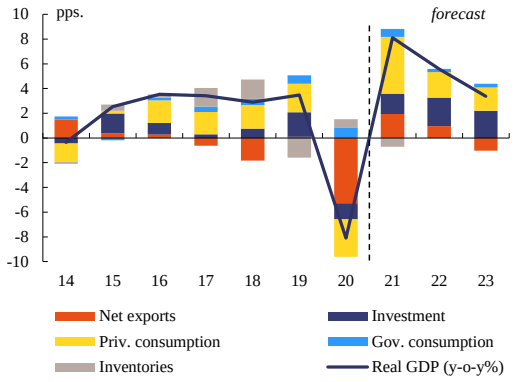
23. CROATIA

The recovery of Croatia's economy continued in 2021, mostly supported by strong private consumption and a better-than-expected performance of the tourism sector. Favourable economic developments spilled over to the labour market, which experienced strong employment dynamics. With the general government deficit also improving after the deterioration in 2020, the debt is set to steadily decline. Although the outlook is favourable, several risks could weigh on the growth trajectory.

Strong rebound in the first half of 2021

In the first half of 2021, Croatia's economy continued to rebound strongly from the significant drop in output recorded in 2020. The recovery was mostly driven by strong household consumption growth, although other components also provided support. Short-term indicators point to a continuation of positive developments in the rest of the year, with tourism and goods exports showing notably strong performances.

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



Favourable outlook, but risks persist

Domestic demand should be the main engine of growth throughout the forecast period. Household consumption growth is expected to remain robust, supported by favourable labour market developments, high accumulated savings, and growth in consumer loans. Government consumption should also remain supportive of the expansion although its contribution to growth is expected to decline. Investment is expected to accelerate, supported by the Recovery and Resilience Facility (RRF), the previous and current Multiannual Financial Frameworks and the Solidarity fund disbursements to support post-earthquake reconstruction. In particular, the RRF total absorption in the period 2020-2023 is expected to stand at 5.2% of 2019 GDP. With time, these funds are likely to crowd-in additional private investments, which should also continue to be supported by favourable financing conditions. Moreover, the reforms set to be implemented under the Recovery and Resilience Plan (RRP) are bound to sustain business confidence.

As for the external sector, goods exports should rise in line with the improving economic conditions in Croatia's main trading partners. After surprising positively in 2021, tourism-dominated services exports should remain on a solid growth path throughout the forecast horizon. The main supportive factors should be favourable economic conditions in main origin markets and the gradual normalisation of travel. Despite the expected solid performance of goods exports, the merchandise trade balance is expected to gradually deteriorate due to the pronounced import dependence of final demand, while the current account balance should record mild surpluses.

Overall, real GDP is forecast to grow by 8.1% in 2021, followed by 5.6% and 3.4% growth in 2022 and 2023. Consequently, the volume of GDP should reach its 2019 level during 2022. Key downside risks stem from Croatia's relatively low vaccination rates, which could lead to stricter containment measures, and continued delays of the earthquake-related reconstruction. On the upside, potential entry into the Schengen area and euro adoption towards the end of the forecast period could benefit investment and trade.

Dynamic labour market

After reaching 7.5% in 2020, the unemployment rate is expected to gradually decline throughout the forecasting period. Employment is expected to reach its pre-crisis level already in 2021, as administrative data points to strong performance in the first seven months of this year. In the forecast horizon, labour market dynamics are expected to be driven by the overall expansion of economic activity, the expected acceleration of the investment cycle and RRF-sponsored active labour market policies.

Inflation is expected to pick-up

HICP inflation is expected to accelerate, reaching 2.2% in 2021, followed by a gradual stabilisation. Key factors behind this surge in prices are rising energy and food prices, triggered by global and European-specific factors. Although these are deemed transitory, risks of more persistent inflation are still present.

Public finances on the adjustment path

In 2021, the general government deficit is set to narrow to 4.1% of GDP from 7.4% in 2020, thanks largely to the strong economic recovery and the gradual phasing out of support measures. Value-added tax revenues are forecast to record strong growth amidst rising household and tourist consumption. Overall revenues are expected to continue increasing consistently with nominal GDP in 2022 and 2023. However, revenue aggregates will evolve differently.

Against particularly stronger value-added tax revenues and social contributions growth, personal income tax and corporate income tax revenue growth will remain subdued as a result of personal income tax rate cuts taking effect in 2021 and companies offsetting taxable profits by carrying forward the losses incurred during the pandemic. Value-added tax and social contribution revenues are set to reach pre-pandemic levels in 2021, while income tax revenues should fully recover in 2023.

Expenditures are forecast to grow at 4.5% per year in the period 2021-2023 on average, as growth in gross fixed capital formation (supported by RRF funding) outweighs the expenditure-reducing effects of the phasing out of emergency subsidies to firms aimed at preservation of jobs introduced during the pandemic. In spite of substantial new accumulated debt during the crisis, interest expenditure is projected to decrease over the forecast horizon as maturing debt is refinanced at lower rates. The government deficit is expected to be slightly below 3% of GDP in 2022 and narrow to a ratio marginally above 2% in 2023.

After increasing by more than 16 pps. in 2020 the public debt-to-GDP ratio is set to decrease from 87.3% of GDP in 2020 to 77.9% in 2023. Debt dynamics will be affected by solid GDP and revenue growth, the phasing out of COVID-19 related measures and debt-reducing stock flow adjustments as well as other transactions recorded below the line.

Table II.23.1:

Main features of country forecast - CROATIA

	2020			Annual percentage change					
	bn HRK	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		378.3	100.0	1.8	2.9	3.5	-8.1	**8.1**	**5.6**	**3.4**
Private Consumption		222.8	58.9	1.4	3.3	4.1	-5.3	**7.8**	**3.5**	**3.3**
Public Consumption		90.6	24.0	2.0	2.4	3.3	4.1	**2.7**	**1.1**	**1.4**
Gross fixed capital formation		84.4	22.3	1.9	3.8	9.8	-6.1	**7.4**	**10.5**	**9.5**
of which: equipment		0.0	:	:	:	:	:	:	:	:
Exports (goods and services)		159.0	42.0	3.8	3.7	6.8	-22.7	**22.1**	**15.0**	**9.0**
Imports (goods and services)		184.6	48.8	3.8	7.5	6.5	-12.3	**15.1**	**11.9**	**10.3**
GNI (GDP deflator)		386.3	102.1	1.9	2.8	4.0	-6.0	**6.4**	**4.2**	**3.6**
Contribution to GDP growth:	Domestic demand			1.8	3.2	5.0	-3.5	**6.9**	**4.6**	**4.4**
	Inventories			0.3	1.6	-1.6	0.7	**-0.7**	**0.0**	**0.0**
	Net exports			-0.3	-1.8	0.1	-5.3	**1.9**	**1.0**	**-1.0**
Employment				0.3	2.6	3.1	-1.2	**1.6**	**1.3**	**1.2**
Unemployment rate (a)				13.2	8.5	6.6	7.5	**6.7**	**6.2**	**5.8**
Compensation of employees / head				2.6	3.9	0.4	2.1	**2.0**	**3.3**	**2.4**
Unit labour costs whole economy				1.1	3.6	0.0	9.8	**-4.2**	**-0.9**	**0.2**
Real unit labour cost				-1.2	1.5	-1.9	10.0	**-6.4**	**-2.9**	**-1.6**
Saving rate of households (b)				7.2	9.9	9.5	13.4	:	:	:
GDP deflator				2.3	2.0	1.9	-0.1	**2.4**	**2.1**	**1.9**
Harmonised index of consumer prices				2.1	1.6	0.8	0.0	**2.2**	**2.0**	**1.5**
Terms of trade goods				0.4	-0.5	0.3	-3.8	**-0.2**	**0.2**	**0.1**
Trade balance (goods) (c)				-17.9	-18.3	-18.8	-17.3	**-18.8**	**-20.9**	**-23.1**
Current-account balance (c)				-3.6	1.9	2.8	-0.9	**0.8**	**0.8**	**0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.1	3.2	4.5	1.3	**4.3**	**5.3**	**4.8**
General government balance (c)				-4.1	0.2	0.3	-7.4	**-4.1**	**-2.9**	**-2.1**
Cyclically-adjusted budget balance (d)				-4.1	-1.0	-1.3	-4.7	**-3.5**	**-3.4**	**-2.7**
Structural budget balance (d)				-1.7	-1.0	-1.3	-4.7	**-3.5**	**-3.4**	**-2.7**
General government gross debt (c)				57.0	73.3	71.1	87.3	**82.3**	**79.2**	**77.9**

(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

Policy stimulus is set to sustain Hungary's economic expansion despite headwinds from global supply chain disruptions. Economic growth is set to remain dynamic in 2022 but slow down in 2023 as policy support is gradually withdrawn. Rising commodity prices and wage pressures contribute to persistently high inflation. Despite a strong rebound in output, the government deficit and debt are projected to decline only gradually.

Fiscal stimulus offsets external headwinds

Hungary's economy continued to grow robustly, with GDP recovering to the pre-pandemic level in the second quarter of 2021, despite temporary restrictions on certain services to contain the pandemic. While the services sector bounced back in the summer, global supply chain disruptions are set to dampen GDP growth in the second half of the year. Annual GDP is projected to grow by 7.4% in 2021 following a 4.7% contraction in 2020. Economic growth is set to remain strong at 5.4% in 2022, boosted by continuing fiscal stimulus. Growth is expected to slow to 3.2% in 2023 as output returns close to its potential and policy support is gradually withdrawn.

Household consumption is forecast to benefit from robust income gains, government support measures and buoyant consumer confidence. Stimulus measures aimed at boosting consumption in 2022 include a one-time income tax refund to families with children, an income tax cut for workers under age 25, the re-introduction of the 13th monthly pension and administrative wage increases.

Investment is set to remain buoyant owing to the improving economic outlook and to significant policy support through grants and favourable financing conditions. Public investment is also expected to grow markedly in 2021-22. Capital accumulation is set to slow down in 2023 after public investment peaks and some support schemes (i.e. the pre-natal loan and the home renovation subsidy) are phased out.

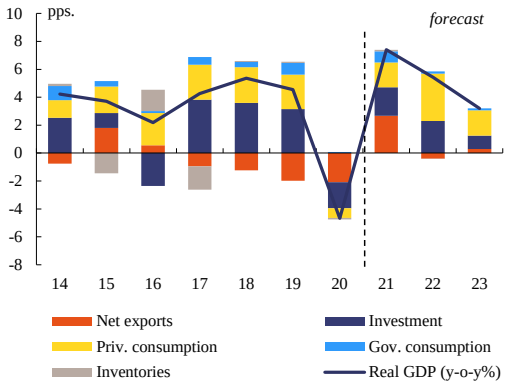
The Hungarian economy is strongly integrated into global value chains, making exports sensitive to supply disruptions. As material shortages are expected to abate from 2022, exports are projected to remain dynamic despite slowing global demand. At the same time, strong domestic demand is forecast to fuel imports, while higher global energy prices are set to worsen Hungary's terms of trade. The current account is thus forecast to deteriorate in 2022, before improving again in 2023.

Uncertainty regarding consumer behaviour creates symmetric risks to the outlook. Fiscal stimulus may boost consumption even more than assumed, but at the same time, higher than expected inflation might impair households' purchasing power.

Wage pressure is building up

Employment reached its pre-pandemic level in the summer of 2021 and job creation is set to continue as the economy grows. Unemployment is forecast to fall to historic low levels. Wage growth is set to remain robust amid emerging signs of labour shortages. A 20% minimum wage hike and sizeable salary increases in the public sector are projected to add to wage pressures in 2022.

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



Rising production costs keep inflation high

HICP inflation is set to peak at 6.7% in Q4 2021, on the back of price hikes after the reopening of the economy, global increases in goods and commodity prices and the pass-through of earlier currency depreciation. Regulated prices for residential energy partially shield households from commodity price increases. Still, firms are expected to pass their higher energy and wage costs on to consumers, boosting non-energy inflation. After averaging 5.1% in 2021, inflation is forecast at 4.8% in 2022 and 3.4% in 2023.

Fiscal expansion in 2021 and 2022

In 2021, despite a strong rebound in economic activity, the general government deficit is forecast to remain high, reaching 7.5% of GDP. Over the course of the year, stronger-than-expected revenue growth was matched by new expansionary measures. The budgetary impact of the planned refund of income tax to families, which will take place in early 2022, is of more than 1% of GDP, but will have a deficit-increasing impact in 2021 in line with accrual recording. Other discretionary measures in 2021 include, among others, a subsidised loan programme for SMEs, a temporary reduction in the local business tax, support for home buying and renovation and a reduced VAT rate on newly built houses. Public investment is also set to accelerate markedly.

In 2022, the deficit remains at 5.7% of GDP despite strong economic GDP growth. The additional fiscal space generated by a robust growth in revenues is set to be utilised for new expansionary measures addressed to various social groups. Those include, among others, a full re-introduction of the 13th monthly pension, the abolition of the vocational training contribution, an additional 2.5 pps. cut to employers' social contributions, a service benefit for military and law enforcement employees brought forward to 2022, and a reduction in personal income tax for employees under the age of 25.

The headline deficit in 2023 is set to decrease to 3.8% of GDP against the background of continued expansion and gradual reduction in discretionary spending. Revenue growth is expected to remain robust, while spending in some of the categories, such as public investments, capital transfers and purchases of goods and services, is projected to slowly revert to the pre-crisis path.

Over the forecast horizon, the debt-to-GDP ratio is projected to decrease from 80.1% of GDP in 2020 to 76.4% in 2023. Although the high gross financing need is set to decrease and the low maturity of debt has risen, these remain challenges in the medium term.

In absence of a Council Implementing Decision approving Hungary's RRP, this forecast builds on the technical assumptions laid out in Box I.5.1 and includes expenditures financed by RRF grants envisaged in the plan, which are set to increase from 0.7% of GDP in 2021 to 1.1% in 2023.

Table II.24.1:

Main features of country forecast - HUNGARY

	2020			Annual percentage change					
	bn HUF	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		47988.5	100.0	2.1	5.4	4.6	-4.7	**7.4**	**5.4**	**3.2**
Private Consumption		23846.8	49.7	1.7	5.1	5.0	-1.4	**3.6**	**7.1**	**3.7**
Public Consumption		10132.5	21.1	1.7	1.8	4.2	0.4	**3.7**	**0.8**	**0.7**
Gross fixed capital formation		12857.0	26.8	2.2	16.3	12.8	-6.9	**7.6**	**8.4**	**3.4**
of which: equipment		4842.2	10.1	3.9	12.9	12.4	-9.0	**8.9**	**7.4**	**6.0**
Exports (goods and services)		38141.2	79.5	7.3	5.0	5.4	-5.9	**10.9**	**9.5**	**8.8**
Imports (goods and services)		37324.6	77.8	6.5	7.0	8.2	-3.5	**7.7**	**10.3**	**8.6**
GNI (GDP deflator)		46698.7	97.3	2.2	5.5	6.0	-4.7	**6.9**	**5.3**	**3.1**
Contribution to GDP growth:		Domestic demand		1.8	6.5	6.5	-2.5	**4.6**	**5.9**	**2.9**
		Inventories		-0.3	0.1	0.1	-0.1	**0.1**	**0.0**	**0.0**
		Net exports		0.6	-1.2	-2.0	-2.1	**2.7**	**-0.4**	**0.3**
Employment				0.6	2.3	1.1	-1.0	**3.0**	**2.0**	**0.8**
Unemployment rate (a)				7.8	3.7	3.4	4.3	**4.1**	**3.1**	**2.9**
Compensation of employees / head				4.8	6.4	6.9	1.9	**7.7**	**9.4**	**6.4**
Unit labour costs whole economy				3.3	3.3	3.4	5.9	**3.2**	**5.8**	**4.0**
Real unit labour cost				-0.5	-1.4	-1.3	0.0	**-1.4**	**1.2**	**0.3**
Saving rate of households (b)				10.8	15.1	14.9	15.1	**17.9**	**14.6**	**14.1**
GDP deflator				3.8	4.8	4.8	5.9	**4.7**	**4.5**	**3.7**
Harmonised index of consumer prices				3.8	2.9	3.4	3.4	**5.1**	**4.8**	**3.4**
Terms of trade goods				-0.3	-1.0	0.5	2.0	**-1.9**	**-0.9**	**0.5**
Trade balance (goods) (c)				-0.1	-1.7	-2.5	-1.0	**-0.7**	**-2.2**	**-2.2**
Current-account balance (c)				-3.1	0.0	-0.8	-1.6	**-1.1**	**-2.4**	**-1.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.6	2.2	1.0	0.1	**0.6**	**0.2**	**0.7**
General government balance (c)				-4.8	-2.1	-2.1	-8.0	**-7.5**	**-5.7**	**-3.8**
Cyclically-adjusted budget balance (d)				-4.7	-3.6	-3.7	-5.8	**-6.8**	**-5.7**	**-3.6**
Structural budget balance (d)				-2.6	-3.6	-3.5	-5.8	**-6.8**	**-5.7**	**-3.6**
General government gross debt (c)				70.5	69.1	65.5	80.1	**79.2**	**77.2**	**76.4**

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

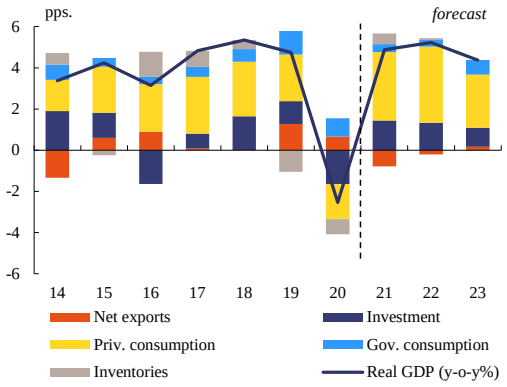
25. POLAND

The Polish economy rebounded strongly in the first half of 2021, reaching pre-pandemic levels of GDP in the second quarter of the year. Economic growth is expected to remain dynamic despite supply disruptions and soaring commodity prices, mainly driven by declining household savings and upbeat investment growth. Inflation is set to be elevated in 2021 and 2022 due to rising energy prices and unit labour costs, but will likely moderate in 2023. The general government deficit and the debt-to-GDP ratio are set to decrease over the forecast horizon.

GDP back to pre-pandemic levels

The Polish economy recovered strongly in the first half of 2021. Real GDP reached its pre-crisis levels in the second quarter of 2021, driven by the gradual easing of COVID-19 restrictions and increased confidence of businesses and consumers. Although supply disruptions and soaring commodity prices are creating headwinds for industry in the second half of the year, a strong performance of the labour market and increased spending opportunities for consumers should keep boosting economic activity, leaving real GDP growth at 4.9% in 2021.

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



Strong growth to continue in 2022 and 2023

Economic growth is expected to remain strong in 2022 and 2023. Increasing household incomes, a gradual fall of the savings rate, and policy support resulting from changes in the personal income tax will likely propel private consumption growth in 2022 and, to a lesser extent, in 2023. Investment growth is also set to remain dynamic on the back of a favourable financial position of companies, firms' need to increase capacity, and low borrowing costs, which are also expected to support the recovery in the construction sector. On the external side, exports will likely benefit from the recovery of Poland's main trading partners. Nevertheless, the trade balance is expected to contribute negatively to growth in 2021 and 2022 given the strong increase in domestic demand, which is set to boost imports. All in all, real GDP growth is projected to reach 5.2% in 2022 and to decelerate to 4.4% in 2023.

Wage growth fuelled by labour shortages

The labour market has proved resilient to the crisis, with employment levels surpassing pre-crisis peaks in the second quarter of 2021. Job creation is set to continue as the economy grows, but emerging labour shortages will likely act as a significant drag on employment growth. Consequently, the unemployment rate is expected to increase to 3.3% in 2021 and to fall only slightly to 3.0% in 2023. Wage growth is projected to continue gathering pace driven by the drying-out of labour supply and a minimum wage hike in 2022.

HICP inflation to increase in 2021 and 2022

Rising commodity prices, booming demand and supply-side bottlenecks have contributed to a steady and strong rise in HICP inflation in recent months, which reached 5.6% in September. Strong price dynamics are forecast to persist in the remainder of 2021 and 2022, mainly as a result of an increase in energy prices and unit labour costs, which are set to put upward pressure on service price inflation. Furthermore, food prices are expected to increase partly driven by rising energy prices that are passed through to input prices for agricultural production. Some of these inflationary pressures prompted the central bank to tighten monetary policy, including by raising the policy rate. HICP inflation is thus expected to reach 5.0% in 2021 and to accelerate to 5.2% in 2022. Inflation expectations are however assumed to remain broadly contained, thus preventing temporary price pressures from becoming permanent and allowing inflation to slow to 2.6% in 2023.

Risks

The economic outlook remains uncertain and risks are broadly tilted to the downside. A stronger-than-expected rise in inflation stemming from supply constraints and labour shortages could weigh on purchasing power and private consumption growth. A sudden surge in COVID-19 cases, especially given Poland's relatively low vaccination rate, could also hinder the recovery.

Economic recovery to reduce the deficit

The general government headline deficit is set to decline to 3.3% of GDP in 2021. The revenue – mostly from taxes and social contributions – is expected to increase strongly. This is driven by the economic recovery, the favourable labour market developments and cyclical factors. New taxes, in particular the so-called power fee, sugar tax and retail tax, are expected to further increase revenue from indirect taxes. On the expenditure side, whereas the cost of measures to contain the impact of the pandemic is expected to be significantly lower than in 2020, this effect is set to be partly offset by some new expenditure items. This concerns mostly a one-off additional pension payment, the so-called 14th pension benefit, which is estimated to increase the 2021 headline deficit by nearly 0.5% of GDP.

In 2022, the phase-out of anti-pandemic measures will further reduce the deficit. At the same time, while revenue from indirect taxes is set to increase substantially, driven by the macroeconomic environment and increases in some taxes, the growth of revenue from direct taxes is expected to be negatively impacted by several changes to the personal income taxation. Overall, in 2022 the deficit is set to fall to 1.8% of GDP.

In 2023 the deficit is set to reach 2.1% of GDP. The general government debt-to-GDP ratio is forecast to decline from 57.4% of GDP in 2020 to 49.5% of GDP over the forecast horizon.

In the absence of a Council Implementing Decision approving Poland's Recovery and Resilience Plan, this forecast builds on the technical assumptions laid out in Box I.5.1 and includes RRF-financed expenditure envisaged in the plan. The forecast also incorporates expenditures financed by RRF grants, for a cumulative amount of 1.9% of 2019-GDP over the forecast horizon.

Table II.25.1:

Main features of country forecast - POLAND

	2020			Annual percentage change					
	bn PLN	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		2326.7	100.0	3.8	5.4	4.7	-2.5	**4.9**	**5.2**	**4.4**
Private Consumption		1320.6	56.8	3.3	4.5	3.9	-2.9	**5.9**	**6.5**	**4.5**
Public Consumption		446.7	19.2	2.7	3.5	6.5	4.9	**2.0**	**1.7**	**3.9**
Gross fixed capital formation		386.3	16.6	4.0	9.4	6.1	-9.0	**8.7**	**7.8**	**5.3**
of which: equipment		150.2	6.5	4.8	8.0	3.2	-12.2	**17.2**	**10.2**	**5.4**
Exports (goods and services)		1307.2	56.2	7.6	6.9	5.2	0.1	**11.6**	**6.9**	**6.2**
Imports (goods and services)		1149.2	49.4	6.9	7.4	3.0	-1.2	**14.8**	**7.9**	**6.5**
GNI (GDP deflator)		2242.3	96.4	3.5	5.4	4.8	-2.1	**5.4**	**5.8**	**4.4**
Contribution to GDP growth:		Domestic demand		3.4	4.9	4.5	-2.5	**5.2**	**5.4**	**4.2**
		Inventories		0.2	0.4	-1.0	-0.7	**0.5**	**0.1**	**0.0**
		Net exports		0.2	0.0	1.3	0.7	**-0.8**	**-0.2**	**0.2**
Employment				0.9	0.5	0.0	-0.1	**0.3**	**0.1**	**0.0**
Unemployment rate (a)				11.4	3.9	3.3	3.2	**3.3**	**3.1**	**3.0**
Compensation of employees / head				3.9	8.1	7.3	3.7	**7.1**	**8.3**	**6.7**
Unit labour costs whole economy				0.9	3.2	2.4	6.3	**2.5**	**3.0**	**2.2**
Real unit labour cost				-1.2	1.9	-0.7	2.1	**-2.1**	**-2.2**	**-0.5**
Saving rate of households (b)				4.8	1.6	2.9	8.8	**5.7**	**4.3**	**3.9**
GDP deflator				2.1	1.2	3.2	4.1	**4.7**	**5.4**	**2.7**
Harmonised index of consumer prices				2.0	1.2	2.1	3.7	**5.0**	**5.2**	**2.6**
Terms of trade goods				0.6	-1.2	1.5	3.0	**0.1**	**0.3**	**0.6**
Trade balance (goods) (c)				-2.7	-1.2	0.3	2.4	**1.3**	**0.7**	**0.8**
Current-account balance (c)				-3.3	-1.0	0.8	3.4	**2.6**	**2.6**	**2.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.3	0.1	2.1	4.6	**4.0**	**4.1**	**4.6**
General government balance (c)				-4.2	-0.2	-0.7	-7.1	**-3.3**	**-1.8**	**-2.1**
Cyclically-adjusted budget balance (d)				-3.9	-1.4	-2.4	-5.9	**-2.7**	**-1.8**	**-2.4**
Structural budget balance (d)				-2.1	-1.4	-2.4	-6.2	**-2.9**	**-2.1**	**-2.4**
General government gross debt (c)				49.6	48.8	45.6	57.4	**54.7**	**51.0**	**49.5**

(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

After a strong rebound in the first half of 2021, Romania's GDP is set to surpass its pre-pandemic levels before the end of the year. Going forward, growth is expected to remain robust at around 5%, with domestic consumption and the Recovery and Resilience Facility supported investments as the main drivers. Unemployment is projected to fall below 5% over the coming years. However, risks to the forecast remain due to a wave of new COVID-19 infections. The general government deficit is forecast to decline gradually, reaching around 6.3% of GDP in 2023, whereas the debt-to-GDP ratio is set to increase further to 53.2%.

Robust demand offset past losses

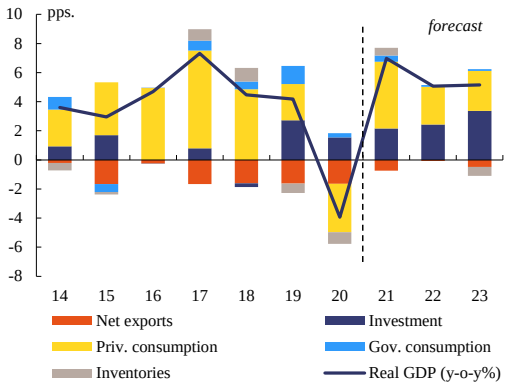
Following a decline in real GDP of 3.9% in 2020, Romania's economy has started a strong recovery driven mainly by domestic demand. Until autumn 2021 the lifting of pandemic-related restrictions across all sectors released pent-up demand in particular in food service, hotel industry, leisure, and culture. In addition, construction activity was robust and investment, in particular in digital equipment was strong. While sentiment in retail and services remained strong in Q3-2021 despite a resurgent infection wave, recently introduced mobility restrictions are set to dent consumption somewhat, in addition to the loss in households purchasing power due to energy price hikes.

Imports are expected to rise in line with domestic demand. Export growth is set to be less dynamic due to supply-side bottlenecks, especially in the automotive industry. Thus, the external side is set to reduce GDP growth and the current account deficit should increase to 6.5% this year. Overall, Romania's economy is expected to grow by 7% in 2021, surpassing its pre-pandemic level.

Strong growth ahead

Real GDP is forecast to increase by 5.1% in 2022 and 5.2% in 2023. Whereas the effect of pent-up demand on private consumption is expected to fade out, growth is set to remain positive thanks to growing employment, falling inflation and robust wage growth. The forecast also incorporates expenditures financed by RRF grants, which are set to gradually increase from 0.1% of GDP in 2021 to 1.1% of GDP in 2023. The implementation of Romania's Recovery and Resilience Plan (RRP) is set to support investment in the public and private sector. Exports are forecast to benefit from a normalisation of global supply conditions while import growth is expected to remain robust due to the high import content of domestic demand, in particular in investment goods. Overall, the contribution of net exports to growth over the forecast horizon is set to remain negative, and the current account deficit is expected to reach 6.3% next year.[73]

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



Risks to the growth forecast are mainly on the downside. Firstly, the low vaccination rate combined with further restrictions to mobility could dampen consumption over the next months. Secondly, the formation of a new government could delay the implementation of the RRP, lowering investments.

Unemployment set to gradually fall

Policy measures helped contain the rise in the unemployment rate which is projected to reach 5% by the end of 2021 on the back of strong economic growth and increased demand for staff in healthcare, information technology and communications, and courier services. In 2022 and 2023, the unemployment rate is expected to decline in line with economic activity. Nominal wage growth is projected to be stable over the forecast horizon and below the double-digit rates

(73) Figures are based on the Commission services' calculations using the latest published available data.

seen in the pre-crisis period, while the rise in unit labour cost is set to moderate.

Inflationary pressures

HICP inflation increased year-on-year to 4.3% in the third quarter, largely on account of the sharp increase in gas, energy, and oil prices, but also due to higher food prices. Average annual HICP is projected to to reach 4% by the end of 2021, mainly as a result of the higher electricity and fuel prices and is expected to stay at the same level in 2022. As the price shocks are expected to gradually phase out over the forecast horizon, the HICP is set to reach 2.9% in 2023.

High public deficit on a mild downward trend

Romania's general government deficit is forecast to decrease to around 8% of GDP in 2021, from 9.4% in 2020. While the strong economic recovery supported government revenues throughout the year, these gains were offset by expenditures slippages, mainly related to the COVID-19 crisis measures. Recently adopted measures to dampen the energy prices shock are expected to cost in total about 0.2% of GDP over 2021 and 2022.

The deficit is forecast to fall to around 6.9% of GDP in 2022 before reaching 6.3% in 2023. This improvement is mainly due to automatic stabilisers as the economy is growing rapidly, the expiry of some of the emergency health and labour market measures, and the projected lower purchases of (health) goods and services. Pension expenditure for 2022 is set to grow at a slower pace than nominal GDP, while capital expenditure is expected to grow at a sustained pace due to the implementation of the RRP. Revenues for 2022 and 2023 are projected to improve thanks to economic growth and as the effects of the tax administration reform on tax collection contained in the RRP start materialising.

The general government debt is expected to rise to 49.3% of GDP in 2021, 51.8% in 2022 and 53.2% in 2023, mainly due to high primary deficits.

Risks to the fiscal forecast are broadly balanced. While in the short-term the risk of a delayed 2022 budget, and the risk of more waves of infection and further restraining measures loom, in the medium-term, the tax administration reform in the RRP could have a larger-than-expected positive impact on tax collection.

Table II.26.1:

Main features of country forecast - ROMANIA

	2020			Annual percentage change					
	bn RON	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		1055.5	100.0	4.0	4.5	4.2	-3.9	**7.0**	**5.1**	**5.2**
Private Consumption		645.0	61.1	5.8	7.7	3.9	-5.3	**7.5**	**4.2**	**4.5**
Public Consumption		199.0	18.9	0.2	3.3	7.3	1.7	**2.3**	**0.7**	**0.7**
Gross fixed capital formation		259.2	24.6	5.8	-1.1	12.9	6.8	**8.8**	**9.5**	**12.5**
of which: equipment		85.1	8.1	3.2	11.6	5.3	1.9	**9.2**	**7.8**	**17.4**
Exports (goods and services)		393.3	37.3	10.8	5.3	5.4	-9.7	**9.6**	**7.1**	**5.8**
Imports (goods and services)		440.4	41.7	12.2	8.6	8.6	-5.1	**10.3**	**6.3**	**6.1**
GNI (GDP deflator)		1042.4	98.8	3.9	4.0	4.7	-3.8	**7.3**	**5.4**	**5.5**
Contribution to GDP growth:	Domestic demand			5.7	5.1	6.5	-1.5	**7.2**	**5.1**	**6.2**
	Inventories			-0.3	1.0	-0.6	-0.8	**0.5**	**0.0**	**-0.6**
	Net exports			-1.3	-1.6	-1.6	-1.6	**-0.7**	**-0.1**	**-0.5**
Employment				-1.3	0.1	0.1	-1.8	**1.1**	**0.6**	**0.5**
Unemployment rate (a)				6.9	4.2	3.9	5.0	**5.0**	**4.8**	**4.5**
Compensation of employees / head				11.7	12.9	10.9	7.0	**6.8**	**7.5**	**9.9**
Unit labour costs whole economy				6.0	8.2	6.6	9.3	**0.9**	**2.9**	**5.1**
Real unit labour cost				-2.7	1.9	-0.2	5.4	**-2.9**	**-1.4**	**0.9**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				8.9	6.2	6.8	3.8	**3.9**	**4.4**	**4.1**
Harmonised index of consumer prices				6.3	4.1	3.9	2.3	**4.0**	**4.0**	**2.8**
Terms of trade goods				2.1	0.6	2.1	3.4	**-1.9**	**-0.5**	**0.5**
Trade balance (goods) (c)				-9.8	-7.5	-8.0	-8.8	**-9.8**	**-10.0**	**-9.8**
Current-account balance (c)				-5.5	-4.4	-5.3	-5.5	**-6.5**	**-6.3**	**-6.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.2	-3.2	-3.8	-3.8	**-4.9**	**-4.7**	**-4.4**
General government balance (c)				-3.1	-2.9	-4.4	-9.4	**-8.0**	**-6.9**	**-6.3**
Cyclically-adjusted budget balance (d)				-3.4	-3.5	-4.9	-7.5	**-7.1**	**-6.4**	**-6.1**
Structural budget balance (d)				-1.5	-3.2	-4.8	-7.5	**-7.1**	**-6.4**	**-6.1**
General government gross debt (c)				26.8	34.7	35.3	47.4	**49.3**	**51.8**	**53.2**

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

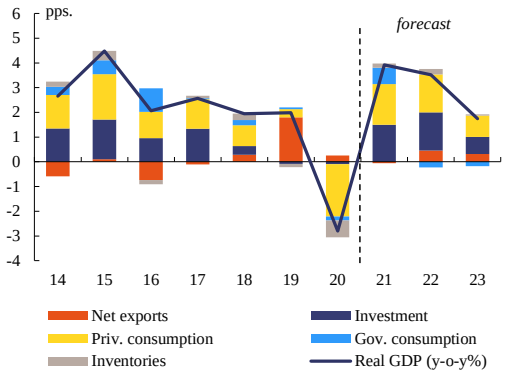
27. SWEDEN

Despite supply chain disruptions, economic growth in Sweden is set to remain strong in the second half of 2021, driven by private consumption and investment. Growth rates are projected to remain relatively high in 2022 before moderating in 2023 as the impulses from the recovery fade. Inflation is forecast to peak in 2021 at 2½% largely due to increases in energy prices before gradually moving back to around 1½% in 2023. Unemployment is set to fall to just below 7% by 2023. The general government balance is expected to turn into a surplus after 2021, with the public debt-to-GDP ratio falling to around 31% of GDP in 2023.

Recovery to gather pace despite short-term supply disruptions

Sweden's real GDP expanded in the first half of 2021, mainly driven by strong gains in private consumption and investment. Sweden returned to the pre-crisis output level in the second quarter of 2021. Growth is expected to stay strong in the second half of the year, buoyed by domestic demand. Demand picked up for contact-related services such as restaurant and hotel services with the lifting of restrictions facilitated by the progress in vaccination. Supply chain disruptions and related temporary plant closures are set to hold back manufacturing production and prevent the rapid replenishment of inventories, while the pick-up in inflation dampens gains in disposable income.

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



Real GDP growth is poised to moderate somewhat yet maintain a healthy pace in 2022, as supply constraints are overcome and private consumption continues to expand vigorously over the forecast period, supported by employment gains, gains in financial wealth, and a decline in the savings ratio to compensate for the involuntary savings accrued in 2020. In 2021, government consumption is forecast to be still boosted by the combination of crisis-related expenditure and the recovery of output volumes in health care that were negatively affected by the crisis. With the expiration of fiscal support measures in 2022, government consumption is no longer to contribute to real GDP growth.

Exports are projected to continue to expand at a healthy pace in 2022 and 2023 in line with the global economic expansion. Fixed capital formation is set to remain strong over the forecast period, spurred by major multi-year investment projects, including in steel and battery production, and favourable financing conditions. Overall, real GDP is forecast to grow by around 4% in 2021 and around 3½% in 2022, and then fall back to just under 2% in 2023. Risks to the forecast are skewed to the downside, reflecting higher inflation and the risk of longer-lasting supply problems.

Labour market gains momentum

Although a data break in the Labour Force Statistics (due to changes in the survey set-up), cloud the picture, a range of indicators show that employment growth has been strong in the first part of 2021. In addition, companies' recruitment plans indicate a continuation of hiring. With a relatively strong rebound in employment, the unemployment rate is set to decrease from around 8½% in 2021 to close to 7% in 2022, with a modest further fall in 2023. However, long-term unemployment data point at a heightened risk of persistent unemployment for those with weak links to the labour market.

Energy prices drive up headline inflation

HICP inflation is expected to stay at a relatively elevated rate towards the end of 2021, mainly due to higher energy prices, in particular for electricity. This partly mirrors trends in European electricity wholesale markets and was reinforced by weather-related factors such as low water levels in the basins supplying Swedish hydro-electricity plants

as well as unusually low generation of wind power. Increases in freight rates and in the prices of non-energy commodities and internationally traded food products should largely be absorbed in margins but are expected to have some limited upward effect on inflation. Inflation is set to moderate in 2022 and 2023 as the rise in energy prices is forecast to end. There are no signs of a significant increase in wage pressures given the moderate central multi-year wage agreements. HICP inflation is expected to average around 2½% in 2021 and decrease to just above 1% on average in 2023.

Modest 2022 expenditure increases as public finances strengthen

COVID-19 measures are largely being phased out during the autumn of 2021. Thus, the general government balance is set to improve in 2022, despite foreseen expenditure increases. The budget balance is expected to turn from a deficit of around 1% of GDP in 2020 to a surplus of 0.3% of GDP in 2022.

The general government 2022 budget proposal includes measures amounting to around 1.5% of GDP. The draft budget contains measures to strengthen social benefits (notably during sickness leave), increased grants to local governments and regions (to cover pandemic-related costs), strengthened active labour market policies (focused on the young and the long-term unemployed), and measures to strengthen law enforcement.

In addition, it includes significant spending on green and digital items financed by grants from the Recovery and Resilience Facility, amounting to 0.2% of GDP. On the revenue side, the draft budget entails a generalised income tax cut as well as targeted reductions for people on sickness and disability benefits. Nevertheless, tax receipts are expected to be relatively strong, in line with economic growth. The general government balance is forecast to improve appreciably to reach a surplus of close to 1% of GDP in 2023.

As of 2021, the public debt-to-GDP ratio is set to resume its downward path and fall to just above 31% of GDP in 2023. This expected decrease reflects the combination of sizeable nominal GDP growth, the emergence of a budget surplus in 2022 and 2023, and the stepwise debt-reducing repayment of a Riksbank loan for foreign currency reserves over 2021-2023, equivalent to around 3½% of GDP.

Table II.27.1:

Main features of country forecast - SWEDEN

	2020			Annual percentage change					
	bn SEK	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		4983.4	100.0	2.3	2.0	2.0	-2.8	**3.9**	**3.5**	**1.7**
Private Consumption		2186.6	43.9	2.4	1.8	0.7	-4.7	**3.7**	**3.5**	**2.0**
Public Consumption		1331.9	26.7	1.3	0.8	0.3	-0.6	**2.5**	**-0.9**	**-0.7**
Gross fixed capital formation		1234.5	24.8	3.0	1.4	-0.3	-0.4	**6.1**	**6.1**	**2.6**
of which: equipment		337.3	6.8	3.4	0.3	1.1	-9.0	**10.0**	**10.0**	**2.5**
Exports (goods and services)		2221.4	44.6	3.5	4.2	6.0	-4.6	**6.4**	**4.7**	**3.6**
Imports (goods and services)		1991.2	40.0	3.7	3.8	2.1	-5.7	**7.3**	**4.1**	**3.2**
GNI (GDP deflator)		5139.0	103.1	2.4	2.1	3.0	-2.6	**3.9**	**3.4**	**1.7**
Contribution to GDP growth:	Domestic demand			2.2	1.4	0.3	-2.4	**3.8**	**2.8**	**1.4**
	Inventories			0.0	0.3	-0.1	-0.7	**0.2**	**0.2**	**0.0**
	Net exports			0.1	0.3	1.8	0.3	**-0.1**	**0.5**	**0.3**
Employment				0.8	1.6	0.6	-1.3	**0.4**	**1.7**	**1.0**
Unemployment rate (a)				7.1	6.4	6.8	8.3	**8.2**	**7.1**	**6.7**
Compensation of employees / head				3.1	3.8	3.0	2.5	**2.2**	**2.5**	**2.5**
Unit labour costs whole economy				1.7	3.5	1.5	4.1	**-1.2**	**0.6**	**1.7**
Real unit labour cost				0.0	1.1	-1.0	2.6	**-3.2**	**-0.7**	**0.1**
Saving rate of households (b)				11.9	16.2	18.0	19.6	**16.7**	**15.4**	**15.5**
GDP deflator				1.6	2.4	2.5	1.5	**2.1**	**1.4**	**1.6**
Harmonised index of consumer prices				1.4	2.0	1.7	0.7	**2.4**	**1.9**	**1.1**
Terms of trade goods				-0.1	-1.0	1.1	0.8	**-1.4**	**-1.9**	**-0.1**
Trade balance (goods) (c)				4.9	2.5	3.9	4.8	**3.9**	**3.3**	**3.2**
Current-account balance (c)				5.3	2.5	5.2	5.6	**5.1**	**4.8**	**5.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.2	2.6	5.2	5.7	**5.2**	**4.8**	**5.1**
General government balance (c)				0.2	0.8	0.6	-2.8	**-0.9**	**0.3**	**0.9**
Cyclically-adjusted budget balance (d)				0.4	0.6	0.4	-0.5	**0.2**	**0.6**	**1.3**
Structural budget balance (d)				0.2	0.6	0.4	-0.5	**0.2**	**0.6**	**1.3**
General government gross debt (c)				42.6	38.9	34.9	39.7	**37.3**	**34.2**	**31.2**

(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

A faster-than-expected economic recovery is driven by a strong rebound of tourism from neighbouring countries, as well as high investment growth and a recovery of private consumption. These factors are set to boost growth to close to 7% in 2021. An expected full recovery of tourism and manufacturing to pre-crisis levels is forecast to keep growth at 3.7% in 2022 and 3.6% in 2023. Fiscal policy remains very expansionary in 2021 and despite solid recovery of revenue growth, government finances will only significantly improve in 2023.

Strong recovery follows the 2020 contraction

The Albanian economy contracted by 4% in 2020 due to the impact of the COVID-19 pandemic on tourism, services and manufacturing. The moderate recovery, which began in the fourth quarter of 2020, accelerated to a strong rebound in the first half of 2021. The spring forecast for economic growth in 2021 is revised from 4.1% to 6.9%, as most expenditure categories are recovering to their 2019 levels earlier than expected, investment and external demand being the key drivers.

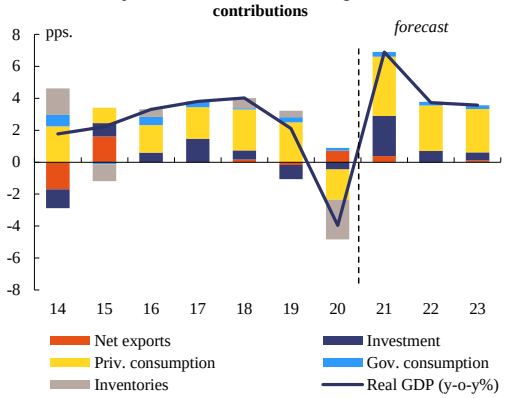
High public investment and a stable and liquid financial sector support the recovery of investment. While goods exports, mainly electricity and construction material, have already more than recovered the ground lost last year, tourism exports, despite growing inbound tourism from neighbouring countries, still remain below their pre-crisis level. Private consumption is also recovering earlier than expected, supported by growing employment and increasing wages. While overall imports, in particular goods in relation to the high investment, are also growing strongly, service imports remain subdued due to travel restrictions limiting outbound tourism. This is projected to lead to a growth contribution of net exports in 2021.

On the production side, growth recovered across all sectors, led by construction and industry, but also services rebounded strongly, in particular trade and hospitality services, although not yet returning to 2019 levels.

Economic growth to normalise in 2022 and 2023

Following the early recovery of most expenditure categories in 2021, economic activity is expected to normalise gradually in 2022 and 2023. The growth of private and public consumption as well as investment is projected to moderate in 2022. From 2022, public investment is set to be gradually scaled back, while private investment growth is expected to accelerate, supported by strengthening foreign investment. This will also support services exports and manufacturing to exceed pre-crisis levels and a strong recovery of services imports, which is projected to result in a slightly negative contribution of net export. Overall, growth is forecast to slow to 3.7% in 2022 and further to 3.6% in 2023. Supported by the recovery, moderate employment growth is expected to gradually reduce the unemployment rate to just above 10% by 2023.

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



This outlook is subject to downside risks related to the relatively low COVID-19 vaccination rate in Albania and to the impact of a potentially long-lasting energy price hike. A substantial increase of fossil fuel prices could affect Albania negatively mainly via higher prices for electricity imports. Given that Albania produces all its electricity from hydropower, this could be underscored in case of insufficient rainfall.

Rebounding service trade surplus to narrow the current account deficit

Increasing goods exports are projected to lower the merchandise trade deficit only slightly in 2021 because of high investment related imports. However, an increasing service trade surplus and rebounding remittances are expected to narrow the current account deficit to 7.7% of GDP in 2021. In 2022 and 2023, normalising remittances inflows and trade balances are projected to narrow the current account deficit gradually to 7.1% of GDP.

Monetary policy is set to remain accommodative over the forecast horizon

With its record low policy rate of 0.5%, unchanged since March 2020, the central bank continues to support the economy in 2021. Adding to the strong, but partly transitional price increases for food and transport, more persistent upward pressure from wage growth is forecast to drive the inflation rate towards the central bank's 3% inflation target in 2023, when the very accommodative monetary policy stance is expected to begin a gradual normalisation.

Delayed improvement of Government finances

In 2021, continuing high public expenditure for investment is forecast to keep the fiscal deficit elevated, at 5.9% despite the strong recovery of revenue. As post-earthquake reconstruction comes to an end, public investment is set to decrease in 2022. However, the planned public wage increase coupled with an Eurobond issuance are projected to slow the reduction of fiscal deficit and debt-to-GDP ratio to 3.5% and 73.9%, respectively, in 2023.

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

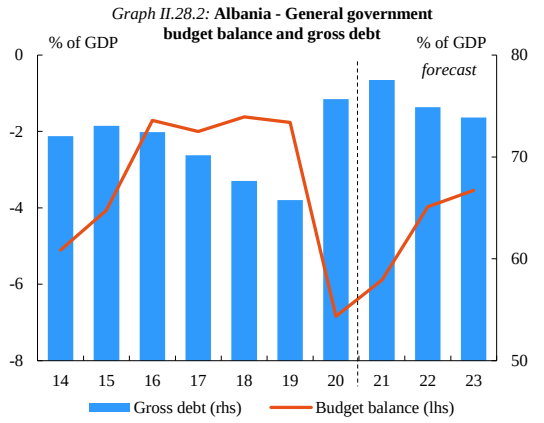


Table II.28.1:

Main features of country forecast - ALBANIA

	2020			Annual percentage change					
	bn ALL	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		1617.5	100.0	4.0	4.0	2.1	-4.0	**6.9**	**3.7**	**3.6**
Private Consumption		1340.5	82.9	4.4	3.2	3.2	-2.4	**4.5**	**3.5**	**3.3**
Public Consumption		195.3	12.1	2.3	0.7	2.9	1.6	**2.5**	**2.1**	**1.9**
Gross fixed capital formation		371.8	23.0	2.6	2.3	-3.7	-2.0	**10.9**	**3.0**	**2.1**
of which: equipment		:	:	:	:	:	:	:	:	:
Exports (goods and services)		373.8	23.1	8.9	4.0	2.7	-25.5	**26.2**	**9.5**	**5.2**
Imports (goods and services)		612.4	37.9	5.1	2.4	2.3	-19.3	**15.0**	**6.4**	**3.3**
GNI (GDP deflator)		1590.1	98.3	3.8	3.6	0.9	-4.3	**7.2**	**4.3**	**4.1**
Contribution to GDP growth:	Domestic demand			4.8	3.2	1.9	-2.2	**6.5**	**3.8**	**3.4**
	Inventories			-0.5	0.6	0.4	-2.5	**0.0**	**0.0**	**0.0**
	Net exports			-0.3	0.2	-0.2	0.7	**0.4**	**0.0**	**0.1**
Employment				:	2.1	2.4	-1.9	**1.7**	**1.7**	**1.6**
Unemployment rate (a)				16.5	12.8	12.0	12.2	**11.8**	**11.0**	**10.3**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Real unit labour cost				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.5	1.5	1.2	-0.4	**1.3**	**1.5**	**1.2**
Consumer price index				2.6	2.0	1.4	1.6	**2.2**	**2.8**	**2.7**
Terms of trade goods				-1.3	4.0	-2.8	-5.7	**0.1**	**0.2**	**0.6**
Trade balance (goods) (c)				-24.5	-22.3	-22.8	-22.8	**-22.7**	**-22.6**	**-22.6**
Current-account balance (c)				-10.9	-6.8	-7.9	-8.7	**-7.7**	**-7.3**	**-7.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				:	:	:	:	:	:	:
General government balance (c)				-7.5	-1.6	-1.8	-6.8	**-5.9**	**-4.0**	**-3.5**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				64.5	67.7	65.8	75.7	**77.6**	**74.9**	**73.9**

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

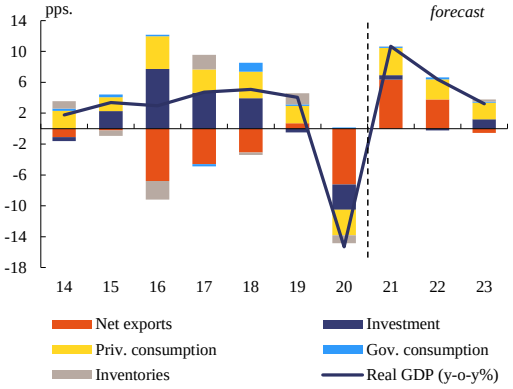
29. MONTENEGRO

The strong rebound of the economy in 2021 is driven by a quicker than expected resumption of tourism, boosting a surge of private consumption. Supported by further growth of tourism, the economy is expected to recover its pre-pandemic level in 2022, but the labour market will likely require some more time to leave the crisis fully behind. Public finances are forecast to improve in the medium term as the economy recovers and debt-financed highway works are concluded. A new investment cycle is set to commence in late 2022, broadening the current account deficit.

A strong rebound of the economy in 2021

Following a deep recession in 2020, the improvement of the epidemiological situation and the opening of borders, both in Montenegro and in tourism originating countries, contributed to a strong rebound of the economy in the second and third quarters of 2021. The recovery is being driven by a surge in private consumption and exports, in particular of tourism and transport services. On the other hand, government consumption growth eased as the economic support measures are being gradually phased out. Investment came back into positive territory in 2021, after declining in the previous two years. However, capital formation growth is set to remain weak after the works on the Bar-Boljare highway conclude towards the end of 2021 or early 2022.

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



Post-pandemic growth path

The forecast baseline scenario assumes a gradual normalisation of the sanitary situation and a full recovery of tourism to pre-pandemic levels in 2022, which is projected to underpin a still high rate of economic growth next year. Considering fiscal space constraints the forecast projects only some modest increase in government consumption, in particular on spending on the health sector. Public and private companies have announced important investments in renewable energy projects, totalling around 20% of GDP. However, a precise timeline for their implementation is not known yet. Thus, a decline in capital formation is foreseen for 2022, reflecting a base effect following the completion of the highway works. Later on, some mature windmill farm projects and the preliminary deployment of the 5G telecommunication network could be expected to start in 2023. Meanwhile, exports, in particular of services, are expected to continue their rebound in 2022, before their growth eases in 2023 due to base effects. Import growth is set to be slower, in particular in 2022 as the end of the highway works reduces demand for construction material. This trend for imports is forecast to start reversing in 2023 with the stronger implementation of new green and digital investment projects.

Outlook risks

There is an upside risk for stronger private consumption and thus economic growth in case the government's plans for reducing the tax wedge on salaries and increasing the minimum wage and pensions materialise in 2022. Given the very strong dependence of the Montenegrin economy on tourism, the key downside risk facing the economy relates to a resurgence of the pandemic and a reintroduction of travel restrictions.

A delayed recovery in labour activity

The strong growth of the economy during the summer tourist season has not been reflected in a comparable improvement of the labour market situation especially in terms of employment growth. One reason for this is the short-term and seasonal aspect of the employment offer, with 88% of job vacancies in the first nine months of 2021 related to temporary jobs. The contraction of investment in 2022 following the end of the highway works will also remove an important source of job creation. However, the recovery of investment and sustained growth activity in 2023

is set to bring the unemployment rate back to its pre-pandemic level.

Domestic inflation on the rise

The rise of global energy and commodity prices in 2021 is set to increase inflation in the first half of 2022, before base effects fade out in 2023. However, Montenegro could be confronted with more persistent price pressures due to a possible increase in households' disposable income resulting from a planned two-digit reduction of the tax wedge in early 2022. Moreover, the recently endorsed increase of the minimum wage by the social council would generate some second-round inflationary effects also in 2022, due to its knock-on effects on pensions and public sector salaries.

A more sustainable path for public finances

The economic recovery improved Montenegro's fiscal performance. Thus, in the first eight months of 2021, the central government deficit fell to 1.2% of GDP (compared to 7.4% of GDP in the same period a year before). Taking into account these improvements, the 2021 deficit is forecast to fall below the 3% of GDP target of the budget plan.

The forecast projects the budget to be close to balance in 2022, and to register a small surplus in 2023 on the assumption that no further large debt-financed public investment projects start during the forecast period. Overall, the improvement of the primary balance, combined with the use of government deposits to repay maturing bonds would lead to a significant decline in the public debt ratio over the forecast period. The government announced for 2022 the introduction of progressive taxation of corporate and personal income, and a hike in the tax on dividends to compensate for the reduction of the tax wedge on salaries by eliminating health contributions. A major risk will be for the authorities to reach a new fiscal strategy well calibrated to avoid revenue shortfalls feeding into higher deficits.

Table II.29.1:

Main features of country forecast - MONTENEGRO

	2020			Annual percentage change					
	mio EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		4185.6	100.0	3.0	5.1	4.1	-15.3	**10.7**	**6.4**	**3.2**
Private Consumption		3399.7	81.2	:	4.6	3.1	-4.6	**4.4**	**3.4**	**2.9**
Public Consumption		946.0	22.6	:	6.3	1.0	0.8	**0.8**	**1.3**	**0.7**
Gross fixed capital formation		1166.1	27.9	:	14.7	-1.7	-11.9	**2.0**	**-1.0**	**4.9**
of which: equipment		:	:	:	:	:	:	:	:	:
Exports (goods and services)		1088.1	26.0	:	7.0	5.8	-46.2	**58.4**	**18.7**	**4.3**
Imports (goods and services)		2553.6	61.0	:	9.2	2.7	-20.1	**14.5**	**5.0**	**3.7**
GNI (GDP deflator)		4253.5	101.6	:	4.2	3.2	-14.2	**9.9**	**6.6**	**3.2**
Contribution to GDP growth:	Domestic demand			4.5	8.5	1.9	-6.4	**4.3**	**2.6**	**3.5**
	Inventories			-0.4	-0.3	1.5	-1.0	**0.0**	**0.0**	**0.3**
	Net exports			-1.2	-3.1	0.7	-7.2	**6.3**	**3.8**	**-0.6**
Employment				:	3.2	2.6	-10.1	**3.5**	**2.3**	**2.5**
Unemployment rate (a)				18.6	15.5	15.4	18.3	**19.3**	**18.5**	**17.2**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Real unit labour cost				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	:	:	:	:	:	:
Consumer price index				3.0	2.9	0.5	-0.8	**3.3**	**2.5**	**1.5**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-45.0	-43.9	-41.7	-39.2	**-41.0**	**-36.5**	**-37.6**
Current-account balance (c)				-22.1	-17.0	-15.0	-26.0	**-17.8**	**-15.8**	**-16.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				:	:	:	:	:	:	:
General government balance (c)				-3.0	-3.9	-1.9	-11.1	**-3.4**	**-0.5**	**0.2**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				49.1	70.1	74.9	103.5	**87.3**	**77.8**	**71.7**

(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.

30. NORTH MACEDONIA

North Macedonia's economic recovery is making good progress, as both, domestic and foreign demand are strengthening. The upswing is expected to gradually solidify in 2022 and 2023, based on a further firming of private consumption and foreign demand. Real GDP growth is projected to average 3.9% in the period 2021 to 2023. The recovery in public finances is likely to be more protracted than anticipated earlier. Financing needs for the government's ambitious new public investment plans, and continued implementation of anti-crisis measures are likely to entail sustained high fiscal deficit levels.

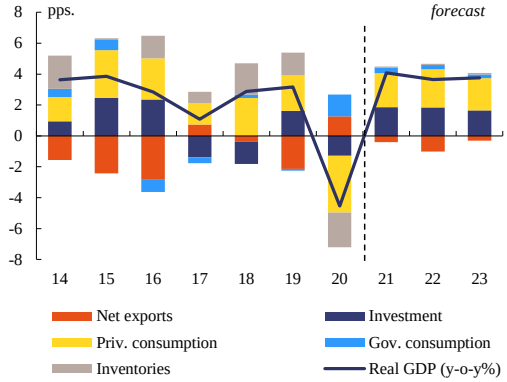
The economic recovery has begun in 2021

After a major economic recession in 2020, real output increased by 5.2% y-o-y in the first half of 2021. A buoyant second quarter followed onto a contraction in the first three months, both largely the result of base effects. Private consumption, rose markedly in the second quarter. Inflows from remittances were some 38% higher year-on-year, bolstering household's disposable incomes. Investment was slightly above its level of one year earlier, but remained below the outturn of the second half of 2020. Both, exports, benefitting from the recovery of foreign demand, and imports, driven by firming domestic demand, surged. High frequency data for Q3, when base effects were less significant, point to a slight deceleration in annual growth over the summer.

Firming domestic and external demand likely to lead upswing onto firm ground

The recovery of domestic demand is expected to become more entrenched over the forecast horizon. Annual growth in household spending is expected to accelerate further in 2022 and to remain robust in 2023. With remittances recovering and some remaining government support to employment and wages at least throughout 2022, annual growth in household spending is expected to accelerate further in 2022 and to remain robust in 2023. Private consumption is likely to be the main driver of domestic demand. With the ongoing restoration of global supply chains and recovery of demand from the German automotive sector, export growth is expected to accelerate sharply. However, net exports are expected to detract from growth over the forecast horizon, as a result of strong import growth, reflecting rising domestic demand and import-dependent export production. Yet, the negative contribution from net exports would gradually diminish, leading to a more balanced growth composition. The deficit in merchandise trade is expected to narrow, largely as a result of a decrease in energy imports, as energy prices are expected to drop, driving the projected improvement in the current account balance.

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



Employment growth to accelerate

In line with the economic recovery, more workers were employed in the second quarter than in the first three months of the year. The labour force also increased slightly, but was well below its 2020 level. However, the number of young workers declined, compared to Q1-21, leading to a rise in the unemployment rate for this age group. Employment growth is expected to pick up over the forecast horizon, given the firming recovery and continued government support to employers.

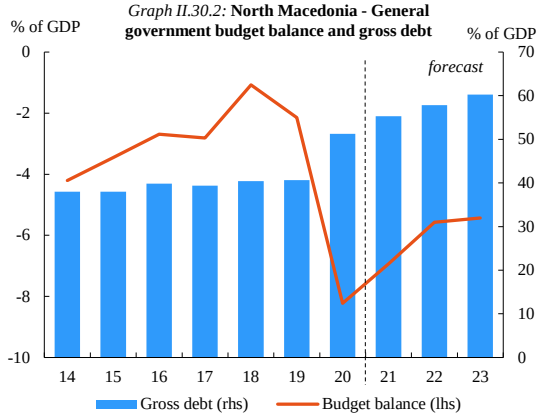
Price pressures set to moderate

Inflation picked up gradually in 2021. Pressures arose mainly from the supply side, given rising global prices for energy and food, and global supply chain disruptions, in particular in the automotive industry. While global price pressures are set to abate over the forecast horizon, firming domestic demand is expected to maintain some price pressure on individual sectors, but overall inflation dynamics are projected to slow down.

Fiscal consolidation expected to be protracted

Tax revenue has recovered since the last quarter of 2020, as containment measures were gradually lifted and companies paid deferred income tax liabilities. Still, the government revised the budget in June 2021, and raised the target for the fiscal deficit to 6.5% of GDP, up from the original 4.9%. Capital expenditure was increased by 24%, compared to the original budget (or doubled compared to the 2020 outturn).

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



The government plans to reduce the central government fiscal deficit to 3.5% by 2023, but consolidation measures are unclear, in particular in light of the government's plan to substantially raise, in 2021-2025, public investment, in part financed from the budget. However, full realisation of this plan is unlikely, given the government's track record of under-executing capital expenditure and only small progress towards improving public investment management. The continued implementation of measures from the six anti-crisis packages is likely to drive the fiscal deficit up. Sustained high deficits make debt stabilisation elusive over the forecast horizon. General government debt is projected to rise further at least until 2023, yet to remain below 60% of GDP.

Risks to the forecast are on the downside

The positive growth outlook could be challenged if the pace of vaccination slows down or further containment measures are required. A prolonged disruption of supply chains could impact negatively on expectations for exports, in particular. To bolster fiscal sustainability, the government will need to carefully calibrate the gradual withdrawal of fiscal crisis support and the implementation of its ambitious investment agenda. The fiscal scenario assumes swift implementation of improvements in fiscal governance and in public investment management.

Table II.30.1:

Main features of country forecast - NORTH MACEDONIA

	2020			Annual percentage change					
	bn MKD	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		664.0	100.0	3.1	2.9	3.2	-4.5	**4.0**	**3.9**	**3.7**
Private Consumption		440.7	66.4	3.4	3.7	3.5	-5.6	**4.8**	**3.9**	**3.3**
Public Consumption		111.5	16.8	-0.9	1.5	-0.8	10.1	**2.2**	**0.6**	**0.7**
Gross fixed capital formation		120.0	18.1	4.4	-6.4	8.0	-6.1	**8.0**	**11.2**	**9.9**
of which: equipment		:	:	:	:	:	:	:	:	:
Exports (goods and services)		386.0	58.1	7.6	12.8	7.2	-10.9	**12.9**	**11.5**	**9.9**
Imports (goods and services)		470.9	70.9	7.2	10.7	8.9	-10.5	**12.0**	**10.6**	**8.9**
GNI (GDP deflator)		638.8	96.2	2.8	2.7	2.7	-3.5	**3.1**	**3.5**	**3.0**
Contribution to GDP growth:	Domestic demand			3.5	1.2	3.8	-3.5	**5.0**	**4.7**	**4.1**
	Inventories			0.9	2.0	1.5	-2.3	**0.0**	**0.0**	**0.0**
	Net exports			-1.1	-0.4	-2.1	1.3	**-1.0**	**-0.8**	**-0.3**
Employment				1.8	2.5	5.0	-0.3	**1.1**	**2.6**	**2.5**
Unemployment rate (a)				31.6	20.7	17.3	16.4	**15.7**	**15.1**	**14.6**
Compensation of employees / head				2.6	5.2	7.8	7.6	**5.7**	**3.1**	**2.7**
Unit labour costs whole economy				1.3	4.8	9.7	12.4	**2.8**	**1.8**	**1.5**
Real unit labour cost				-1.3	0.9	8.5	11.4	**0.9**	**0.4**	**0.5**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.6	3.9	1.1	0.9	**1.9**	**1.4**	**1.0**
Consumer price index				1.7	1.4	0.8	1.2	**3.3**	**2.1**	**1.8**
Terms of trade goods				0.9	2.2	-0.2	-0.8	**1.7**	**2.1**	**1.4**
Trade balance (goods) (c)				-22.4	-16.2	-17.5	-16.8	**-17.2**	**-17.0**	**-16.7**
Current-account balance (c)				-3.4	-0.1	-3.3	-3.4	**-3.6**	**-2.6**	**-2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				:	:	:	:	:	:	:
General government balance (c)				-1.5	-1.1	-2.1	-8.2	**-6.1**	**-4.9**	**-4.3**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				32.6	40.4	40.7	51.2	**54.5**	**56.3**	**58.1**

(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. SERBIA

The Serbian economy is projected to rebound strongly in 2021 to above its pre-crisis level, mainly driven by private consumption and investment. Inflation is set to record a sharp temporary increase in 2021 but expected to slow down as of spring 2022. Supported by the recovery in revenue and the phasing-out of fiscal support measures, the general government deficit is expected to decrease to below 5% of GDP in 2021 and to record further gradual reductions in 2022 and 2023. The debt-to-GDP ratio is set to stabilise in 2021 and to gradually decrease thereafter.

Strong recovery after 2020 contraction

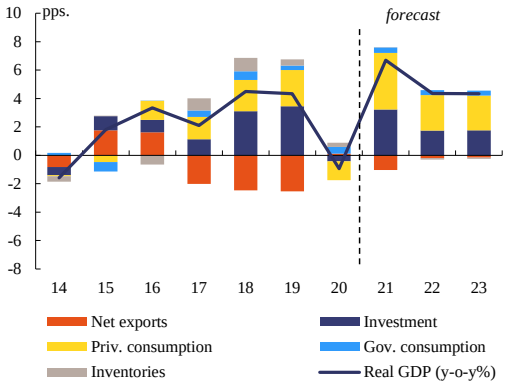
Following a relatively mild contraction by 0.9% in 2020, the Serbian economy returned to positive year-on-year growth of 1.7% in the first quarter of 2021, before base effects helped it accelerate to 13.7% in the second quarter. The rebound in the first half of the year was the result of strong increases in private consumption and investment that were only partially offset by lower government consumption and a negative contribution of net exports. Short-term indicators suggest that the expansion of economic activity, while slightly decelerating, has continued over the summer. Thus, industrial production grew by 1.7% year-on-year in July and 0.1% year-on-year in August while real retail turnover increased by 11.1% and 7.7% year-on-year, respectively.

Strong 2021 rebound before return to pre-crisis growth path

The full-year expansion of the economy is expected to reach 6.7% in 2021, mostly driven by increases in private consumption, gross fixed capital formation and public consumption that are expected to be only slightly offset by a negative contribution of net exports to growth. On the production side, a strong rebound in the services sector and buoyant construction supported by large infrastructure projects are set to particularly contribute to strong annual growth.

After largely exceeding its pre-crisis output level in 2021, the economy is set to return to its pre-crisis rate of expansion of somewhat above 4% in 2022 and 2023. Growth is projected to be mostly driven by private consumption and investment and a more positive contribution of net exports due to the recovery in the EU and increased export capacity supported by foreign direct investment in the tradable sector. The current account deficit, after increasing temporarily in 2021, particularly due to strong investment, is expected to slightly narrow in 2022 and 2023.

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



Short-term inflationary pressures

Inflation is set to accelerate strongly in 2021, mostly reflecting the sharp rebound of oil prices from their 2020 level and a hike in food prices. Inflation is projected to decelerate as of spring 2022 as base effects from lower price levels in early 2021 are set to subside, leading average annual inflation to stabilise in 2022 and to decline in 2023. Following a decrease in 2020, driven by falling labour market participation, the unemployment rate is expected to temporarily record a slight increase in 2021 as the pace of return of discouraged workers to the labour market is projected to initially exceed the growth of employment.

Outlook still subject to high uncertainty

The growth outlook is subject to a relatively high level of uncertainty while risks appear to be balanced. On one hand, relatively low vaccination rates could lead to a protracted impact of the pandemic thereby dampening consumer confidence and private consumption in the short term. A stronger or more durable hike of inflation, maintaining or exceeding the September 2021 level for a prolonged period particularly due to continued pressure from unprocessed food and energy prices, could weaken purchasing power and

thereby become a drag on real growth. A protracted impact of supply-side bottlenecks, particularly in the EU, could dampen net exports as compared to the baseline. On the other hand, increased nearshoring of production could have beneficial effects on foreign direct investment and exports. Faster-than-expected implementation of public infrastructure projects and of reforms of state-owned enterprises could also drive up medium-term growth prospects.

Deficit and debt levels to resume downward path

After reaching 8.0% of GDP in 2020, mostly as a result of a large package of crisis-mitigating discretionary fiscal support measures, the general government deficit is projected to decrease to below 5% of GDP in 2021. The decrease is set to mostly reflect strong revenue performance thanks to the vigorous economic recovery and deferred tax payments. It is also driven by a reduction of the overall expenditure on crisis support measures, notwithstanding a substantial new package of support adopted in April (including wage subsidies open to all enterprises, one-off payments to citizens and specific support to the most affected sectors) and despite substantial further increases in capital spending.

In line with the expiry of one-off government support measures and lower capital spending, the deficit is forecast to drop to around 3% of GDP in 2022 and to further decline in 2023. Following an increase by 5 pps in 2020 to 57.8%, the debt-to-GDP ratio is projected to stabilise at around 58% in 2021 before resuming a gradual decline in 2022 and 2023 in line with lower public deficits and high nominal GDP growth.

Graph II.31.2: **Serbia- General government budget balance and gross debt**

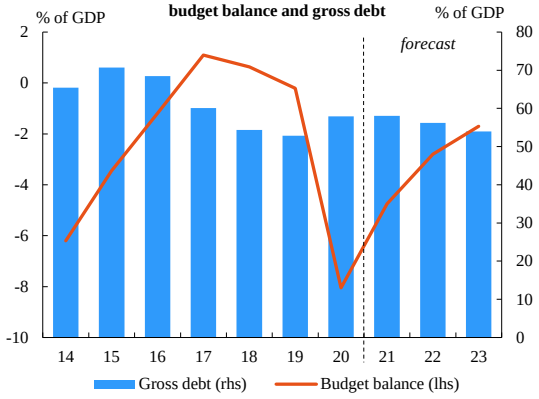


Table II.31.1:

Main features of country forecast - SERBIA

	2020			Annual percentage change						
	bn RSD	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		5502.2	100.0	3.1	4.5	4.3	-0.9	**6.7**	**4.3**	**4.3**
Private Consumption		3664.5	66.6	2.8	3.1	3.7	-1.9	**6.0**	**3.8**	**3.7**
Public Consumption		962.2	17.5	1.7	3.7	1.9	2.8	**2.2**	**2.0**	**2.1**
Gross fixed capital formation		1180.1	21.4	6.4	17.5	17.2	-1.9	**15.1**	**7.5**	**7.3**
of which: equipment		:	:	:	:	:	:	:	:	:
Exports (goods and services)		2654.2	48.2	9.8	7.5	7.6	-4.1	**14.5**	**9.8**	**8.5**
Imports (goods and services)		3110.0	56.5	8.0	10.8	10.7	-3.6	**14.1**	**8.9**	**7.6**
GNI (GDP deflator)		5334.7	97.0	2.7	6.0	4.2	1.5	**6.0**	**4.3**	**4.3**
Contribution to GDP growth:	Domestic demand			3.7	5.9	6.3	-1.3	**7.6**	**4.6**	**4.5**
	Inventories			0.1	0.9	0.4	0.3	**0.0**	**-0.1**	**-0.1**
	Net exports			1.4	-2.4	-2.5	0.1	**-1.0**	**-0.2**	**-0.1**
Employment				-0.7	1.4	2.5	-0.2	**2.0**	**1.1**	**1.0**
Unemployment rate (a)				18.1	12.7	10.4	9.0	**10.7**	**10.0**	**9.2**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Real unit labour cost				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				7.9	2.0	2.4	2.4	**4.8**	**4.1**	**3.0**
Consumer price index				8.3	2.0	1.7	1.6	**3.6**	**3.6**	**2.6**
Terms of trade goods				:	-1.3	3.1	1.0	**1.0**	**0.0**	**0.0**
Trade balance (goods) (c)				-14.6	-11.9	-12.2	-11.1	**-11.0**	**-11.0**	**-11.1**
Current-account balance (c)				-8.1	-4.8	-6.9	-4.1	**-4.4**	**-4.3**	**-4.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-8.5	-4.9	-7.1	:	:	:	:
General government balance (c)				-3.0	0.6	-0.2	-8.0	**-4.9**	**-2.7**	**-1.6**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				52.0	54.4	52.8	57.8	**58.1**	**56.3**	**54.1**

(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.

32. TURKEY

Following a stronger than expected economic rebound in the first half of the year, high frequency indicators point to a subsiding but still robust growth momentum in the third quarter. Growth is forecast to moderate in the next two years, with positive contributions from all domestic demand components except inventories. The foreseen recovery of the travel and tourism sectors is set to further boost exports and contribute to the narrowing of external imbalances. Expansionary monetary policy and global price pressures are expected to keep inflation persistently high. The fiscal position is likely to improve, but the perceived lack of monetary policy credibility and geopolitical tensions could derail the recovery.

An upbeat recovery

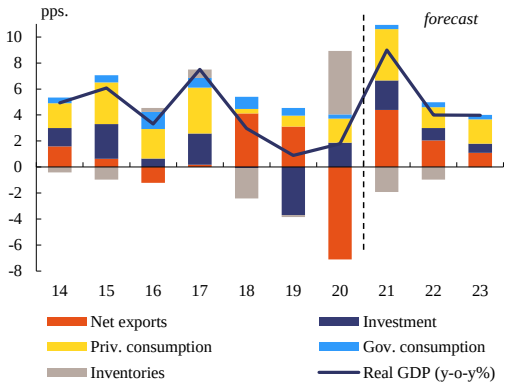
Economic growth was much stronger than expected in the first half of the year, with large contributions from both domestic and external demand. Tightened restrictions in the wake of another surge in COVID-19 infections in April and May did not affect the economy as much as during previous waves. Household consumption was particularly buoyant, while the sustained expansion of machinery and equipment investment boosted capital formation. Despite global supply bottlenecks, exports of goods have reached record high levels, supported by the ongoing recovery of the main trading partners and improved price competitiveness. A weaker lira, meanwhile, suppressed imports of goods and services.

High frequency indicators point to a subsiding but still robust growth momentum in the third quarter. Although positive base effects have started to fade away and production growth decelerated across some sectors, overall industrial performance remained solid. Manufacturing PMIs were firmly in the expansion zone, while real sector confidence improved across most of its sub-components. Furthermore, the index of economic confidence surpassed the threshold of 100 for the first time in three years. Only consumer confidence tanked in the third quarter as rising inflation sapped households' purchasing power.

Growth moderating amidst elevated inflation

Following a strong rebound in 2021, economic growth is forecast to moderate. Private consumption growth in particular is expected to decelerate markedly as pent-up demand dissipates, and elevated inflation eats up disposable income, despite rising employment. Growth of investment demand is forecast to weaken as well in view of the higher long-term financing costs and country risk premium. However, Turkey is poised to benefit from the shortening of global supply chains, as some companies move production closer to the EU market, and investment to meet increased environmental standards. The positive public consumption growth is likely to be sustained, while the crisis-related support measures are progressively withdrawn. The unwinding of inventories that had been built-up in the crisis is expected to spill over into next year and to be the only demand component to subtract from growth. Previous price competitiveness gains – the real effective exchange rate is still way below its pre-crisis level – are likely to boost exports further and to keep a lid on import growth. As pandemic-related restrictions are lifted, the expected recovery of the travel and tourism sectors is set to further boost export prospects and contribute to the narrowing of external imbalances. The labour market recovery is forecast to firm up, but institutional weaknesses and expansionary monetary policy, coupled with global price pressures, are expected to be the main factors that will keep inflation elevated over the medium term.

Graph II.32.1: **Turkey - Real GDP growth and contributions**

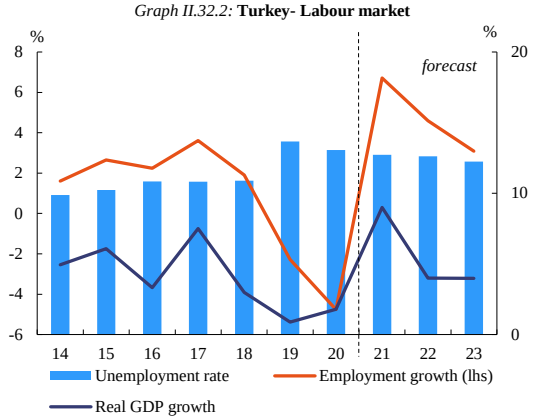


Persistent risks and uncertainty

The forecast balanced growth path is subject to significant risks. Domestically, the biggest threat comes from the perceived lack of monetary policy credibility and challenges to central bank

independence. Frequent dismissals at the helm of the bank and persistent pressure to loosen monetary policy could fuel even more exchange rate volatility and dollarisation, further increase inflation expectations, keeping uncertainty and the country risk premium high. Although geopolitical risks have abated somewhat recently, they are still elevated and weigh heavily on the country risk premium.

Graph II.32.2: **Turkey- Labour market**



A solid fiscal performance but scars remain

The rather limited fiscal reaction to the pandemic resulted in a muted expansion of the budget deficit during the crisis. Tight control over primary expenditure came at the cost of reduced public investment, which remained far below its level a few years ago. Nonetheless, government debt and interest payments went up markedly in 2020, affected by the large depreciation of the lira. As economic activity rebounded in 2021, revenue growth improved the budgetary performance further. Thus, the revised government target of a 3.5% of GDP budget deficit seems achievable.

In the next two years, the budget deficit is expected to decrease marginally. Risks, however, loom large in view of sizeable contingent liabilities and the political cycle.. Government debt-to-GDP ratio is forecast to remain broadly stable, despite a primary balance of close to zero or in surplus, and a strong nominal GDP growth. Elevated interest payments and valuation effects would remain major debt-increasing factors.

Table II.32.1:

Main features of country forecast - TURKEY

	2020			Annual percentage change					
	bn TRY	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		5047.9	100.0	5.8	3.0	0.9	1.8	**9.0**	**4.0**	**4.0**
Private Consumption		2864.0	56.7	5.3	0.6	1.5	3.2	**7.0**	**3.0**	**3.5**
Public Consumption		766.0	15.2	5.2	6.5	4.1	2.2	**2.1**	**2.7**	**2.8**
Gross fixed capital formation		1382.1	27.4	10.1	-0.2	-12.4	7.2	**8.3**	**3.4**	**2.4**
of which: equipment		:	:	:	:	:	:	:	:	:
Exports (goods and services)		1446.7	28.7	5.9	8.8	4.6	-14.8	**18.8**	**10.4**	**9.7**
Imports (goods and services)		1639.0	32.5	8.1	-6.2	-5.4	7.6	**3.1**	**4.5**	**7.0**
GNI (GDP deflator)		4992.7	98.9	5.9	1.7	1.5	2.7	**7.9**	**3.7**	**4.0**
Contribution to GDP growth:	Domestic demand			6.6	1.2	-2.2	4.0	**6.5**	**2.9**	**2.9**
	Inventories			0.0	-2.3	-0.2	4.9	**-1.9**	**-1.0**	**0.0**
	Net exports			-0.7	4.1	3.1	-7.1	**4.4**	**2.0**	**1.1**
Employment				:	1.9	-2.3	-4.8	**6.7**	**4.6**	**3.1**
Unemployment rate (a)				9.9	10.9	13.7	13.1	**12.7**	**12.6**	**12.2**
Compensation of employees / head				:	17.0	22.7	15.0	**17.9**	**24.1**	**23.3**
Unit labour costs whole economy				:	15.8	18.9	7.6	**15.4**	**24.8**	**22.2**
Real unit labour cost				:	-0.6	4.4	-6.2	**-4.0**	**5.6**	**4.5**
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				10.8	16.5	13.9	14.8	**20.2**	**18.3**	**17.0**
Consumer price index				11.2	16.3	15.2	12.3	**17.8**	**17.7**	**15.4**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-6.4	-5.5	-3.0	-6.3	**-5.2**	**-5.5**	**-5.5**
Current-account balance (c)				-4.0	-2.7	0.7	-4.9	**-2.7**	**-2.2**	**-1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				:	:	:	:	:	:	:
General government balance (c)				-0.8	-2.8	-4.4	-4.7	**-3.6**	**-3.5**	**-3.1**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				41.2	30.4	32.6	39.7	**39.1**	**38.9**	**38.7**

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

Other non-EU Countries

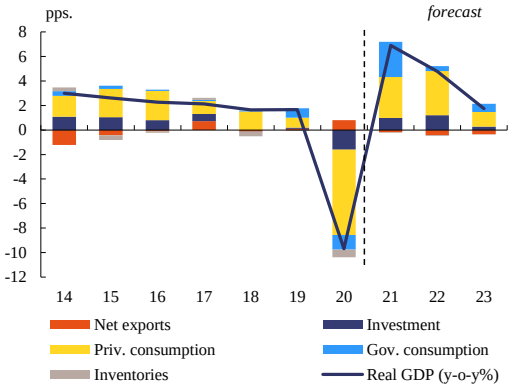
33. THE UNITED KINGDOM

After falling in the first quarter of 2021 due a pandemic-related lockdown, UK GDP rebounded quickly in the second quarter as the economy reopened. Growth is projected to slow over the next quarters due to supply shortages, higher unemployment and an increase in inflation. These effects are expected to ease over the forecast horizon, while the UK's departure from the EU is expected to continue to weigh on trade and growth. Real UK GDP is set to reach pre-pandemic levels by the second quarter of 2022.

Mixed picture for 2021

After falling by 9.7% in 2020, UK GDP further declined by 1.4% in the first quarter of 2021, due to a pandemic-related lockdown. As the restrictions were gradually eased, GDP rebounded quickly and grew by 5.5% in the second quarter of 2021, driven by private and public consumption.

Graph II.33.1: **The United Kingdom - Real GDP growth and contributions**



GDP growth is expected to slow down significantly over the second half of 2021. Shortages in labour supply and other inputs has slowed the rebound of the economy over the summer and autumn, and are set to persist in coming quarters. The end of the furlough scheme in September is projected to temporarily increase unemployment, with skills mismatches expected to prevent a smooth return of furloughed workers into the labour market in some cases. While no further lockdowns are assumed over the forecast period, relatively high case rates are expected to still weigh on confidence over the next few quarters. In addition, high inflation is set to negatively affect household spending. Overall, GDP in 2021 is forecast to grow by 6.9%.

Annual growth to slow down in 2022 and 2023

Private consumption is set to slow over the forecast period as fiscal support is scaled back and taxes and the National Insurance rate are set to rise. While slowing down as compared to 2021, government consumption is still projected to contribute positively to growth over 2022 and 2023. Business investment is forecast to increase strongly in 2022, as uncertainty related to the pandemic dissipates and businesses invest accumulated savings. The positive impact of the 'super-deduction', which allows businesses to offset 130% of eligible investment spending, is assumed to last until the end of the first quarter of 2023, when the deduction is set to expire and business investment is projected to turn negative. In addition, the increase in corporation tax planned for April 2023 will weigh on investment.

With imports growing quicker than exports, net exports are projected to be a drag on growth over the forecast horizon. Following the change in trading arrangements due to the UK leaving the European Union, both exports and import levels are projected to grow only slowly over the forecast period. Overall, GDP is expected to increase by 4.8% in 2022 and by 1.7% in 2023. It is set to reach pre-pandemic levels by the second quarter of 2022.

Risks to the forecast are tilted to the downside, with a possibility that supply constraints could prove longer lasting.

Unemployment set to rise before falling again

The furlough scheme, which supported employees and self-employed since the start of the pandemic, ran out in the end of September 2021. As there were still more than 1 million people supported by the scheme in August 2021 and not all are expected to return to their jobs, unemployment is forecast to rise in the last quarter of 2021. The unemployment rate in 2021 is projected to increase to 4.9% from 4.5% in 2020, before falling to 4.7% in 2022 and 4.4% in 2023.

Inflation to increase rapidly in 2022

Consumer price inflation is forecast to increase at the end of 2021 and the beginning of 2022. This is due in particular to the increase in energy and electricity prices and the resulting increases in the Ofgem (regulated) price caps, as well as an increase in core goods prices. However, inflation is expected to fall back again in the second half of 2022 and 2023 as energy prices are expected to fall and supply pressures to ease. Overall, prices are expected to increase by 2.4% in 2021, by 3.2% in 2022 and by 2.2% in 2023.

Debt to rise despite falling deficit

The UK government supported the economy during the pandemic with fiscal measures of about 19% of GDP, including income support for employees and self-employed workers, support for businesses and increases in departmental spending, including health. While slightly lower than the 2020 peak of 12.9%, the general government deficit is still expected to be close to 10% in 2021, as government support remains high. As the economy recovers and the fiscal support is scaled back, the general government balance is projected to improve to -5.5% in 2022 and -4.5% in 2023.

The general government debt-to-GDP ratio increased to above 100% in 2020 as a consequence of the additional fiscal measures and the fall in GDP. Over the forecast horizon, it is projected to rise further, from 103.0% in 2021 to 104.9% in 2023.

The government published a 3-year spending review on 27 October 2021, alongside the Budget and new fiscal rules. As this came after the cut-off date of this forecast, it was not included in the projections.

The Bank of England lowered its official Bank Rate to 0.1% in March 2020 and increased the total target stock of asset purchases to GBP 895 billion by November 2020 to support the economy during the pandemic. After its August 2021 meeting, the Monetary Policy Committee announced that some modest tightening of monetary policy over the forecast period was likely necessary to meet the inflation target sustainably in the medium term. Given recent and further projected increases in inflation, a hike in Bank Rate seems likely in the coming months.

Table II.33.1:

Main features of country forecast - UNITED KINGDOM

	2020			Annual percentage change						
	bn GBP	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		2156.1	100.0	1.7	1.7	1.7	-9.7	**6.9**	**4.8**	**1.7**
Private Consumption		1313.3	60.9	1.8	2.4	1.3	-10.8	**5.5**	**5.9**	**1.9**
Public Consumption		480.4	22.3	1.8	0.4	4.2	-6.3	**12.9**	**1.8**	**3.2**
Gross fixed capital formation		369.6	17.1	2.0	-0.1	0.5	-9.1	**5.7**	**7.2**	**1.6**
of which: equipment		72.9	3.4	1.7	-7.7	-1.8	-15.4	**1.7**	**6.6**	**1.1**
Exports (goods and services)		601.0	27.9	2.9	2.8	3.4	-14.7	**0.5**	**7.3**	**1.0**
Imports (goods and services)		596.7	27.7	3.2	3.1	2.9	-16.8	**1.2**	**8.9**	**2.2**
GNI (GDP deflator)		2124.1	98.5	1.6	1.5	2.5	-10.5	**7.1**	**5.0**	**1.7**
Contribution to GDP growth:	Domestic demand			1.9	1.6	1.7	-9.8	**7.2**	**5.2**	**2.1**
	Inventories			0.0	-0.4	-0.1	-0.6	**0.0**	**0.0**	**0.0**
	Net exports			-0.2	-0.1	0.1	0.8	**-0.2**	**-0.4**	**-0.4**
Employment				0.9	1.2	1.1	-0.5	**0.0**	**0.9**	**1.0**
Unemployment rate (a)				6.0	4.1	3.8	4.5	**4.9**	**4.7**	**4.4**
Compensation of employees / head				2.9	2.5	4.2	1.9	**2.8**	**3.0**	**2.0**
Unit labour costs whole economy				2.1	2.1	3.6	12.3	**-3.8**	**-0.9**	**1.2**
Real unit labour cost				0.0	0.1	1.5	6.1	**-4.5**	**-1.2**	**-0.5**
Saving rate of households (b)				8.1	4.8	4.6	13.4	**10.6**	**6.9**	**6.3**
GDP deflator				2.1	2.0	2.0	5.9	**0.7**	**0.4**	**1.7**
Consumer price index (CPIH) (e)				2.1	2.3	1.7	1.0	**2.4**	**3.2**	**2.2**
Terms of trade goods				0.7	0.8	1.1	-2.4	**-1.0**	**0.0**	**0.0**
Trade balance (goods) (c)				-5.9	-6.5	-6.1	-6.0	**-6.1**	**-6.5**	**-6.7**
Current-account balance (c)				-3.4	-3.9	-2.7	-2.6	**-2.8**	**-3.0**	**-3.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.4	-4.0	-2.7	-2.7	**-2.9**	**-3.1**	**-3.5**
General government balance (c)				-4.9	-2.2	-2.4	-12.9	**-10.1**	**-5.5**	**-4.5**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				62.7	84.5	83.8	102.3	**103.0**	**103.9**	**104.9**

(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. (e) CPIH is consumer price index which includes costs of owner-occupied housing

34. THE UNITED STATES

The US recovered rapidly in late 2020 and early 2021, reaching pre-pandemic GDP levels in Q2-2021. The pace of growth has moderated as supply side bottlenecks have restricted activity, vaccination rates have slowed sharply, and COVID-19 cases surged over the summer. Inflation has also picked up, reflecting base effects, rising energy prices and temporary supply constraints. The US output gap is expected to close in the first half of 2022, with inflation gradually moderating as supply side disruptions ease.

A rapid recovery from the 2020 contraction, but momentum has now slowed

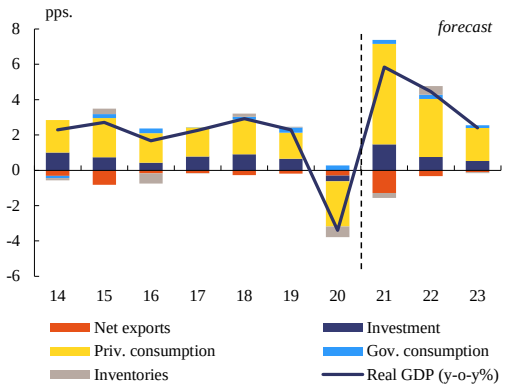
The US output contraction in 2020 was less severe than other large advanced economies at 3.5%. Activity saw a sharp rebound in the second half of 2020, underpinned by highly accommodative monetary policy and a series of large fiscal packages and executive orders that provided additional COVID-19 relief. At the end of 2020 US output was only 2.4% below its pre-pandemic level. Growth remained solid in both Q1 and Q2 of 2021 as private consumption grew strongly, boosted by an additional large fiscal package in March 2021, the American Rescue Plan. The pre-pandemic level of output was reached in Q2. Momentum has subsequently slowed, with the percentage of population vaccinated plateauing, investment tailing off, and the recovery in the labour market stalling somewhat over the summer.

Growth expected to slow gradually, with the output gap closing in early 2022

GDP is expected to grow by 5.8% in 2021. This is slower than previously expected, as supply side bottlenecks and the pandemic situation in the US have remained a significant drag on activity. High frequency indicators saw a clear softening over the summer, and COVID-19 infection rates picked up very steeply from early July. Vaccination rates have slowed sharply, with less than 60% of the population fully vaccinated by end September. New case numbers peaked in mid-September and have since trended downwards, but remain elevated and substantially higher than in other advanced economies. This has slowed the recovery in the service sector, while also likely limiting the willingness of some workers to return to employment, affecting the supply of labour and constraining the expansion

Private consumption and investment are projected to be the main growth drivers throughout the rest of 2021 and into 2022 as pandemic-related uncertainty recedes and households reduce their cushion of excess savings from earlier fiscal packages. The gradual withdrawal of fiscal support from past stimulus packages and relatively high inflation rates will however act as a drag on incomes and expenditure, while supply side bottlenecks are expected to gradually fade in 2022. Growth is forecast to slow to 4.5% in 2022, with the US closing the output gap in Q1-2022, and then 2.4% in 2023.

Graph II.34.1: **The United States - Real GDP growth and contributions**



Volumes of imports are projected to grow at close to 15%, reflecting the quick recovery in domestic demand and large base effects from 2020. Exports of goods are also set to grow sharply, but service exports are lagging noticeably, partly due to travel restrictions. Net exports will exert a significant negative impact on GDP in 2021 of 1.3pp. This drag is expected to fall sharply in 2022 as goods imports slow and services trade gradually normalises. The current account deficit widened in 2020 and 2021 in absolute terms and as a percentage of GDP, but is projected to remain steady in terms of GDP over the forecast horizon.

Inflationary pressures have added to the complicated dynamics

Headline CPI inflation dropped to 1.2% in 2020 as the pandemic took hold, but rose sharply in 2021

to reach around 5% in Q2 and Q3, influenced by strong base effects, high energy prices, and supply constraints. Both the CPI and PCE inflation are expected to remain elevated in coming months, and then moderate into 2022 as supply chain constraints recede, with headline PCE falling back towards the 2% target in 2023. Although there are signs of wage pressure in some market segments, labour market slack remains significant, particularly in the service sectors. Jobs growth has slowed sharply in recent months, though average working hours have increased somewhat, suggesting that temporary demand/supply mismatches are playing a key role. The unemployment rate is set to fall to around 4% in late 2022 and remain at around that level in 2023 as the economy returns to trend growth.

Policy remains supportive, but is set to gradually tighten

The Fed's new monetary policy framework allows for some temporary overshoot of the 2% PCE inflation target, and the target Fed funds rate remains at 0.25%, though the September FOMC meeting indicated tapering of asset purchases is likely to begin soon. Although recent high inflation prints have pushed nominal long yields to almost pre-pandemic levels, real interest rates remain unusually low. On the fiscal front, the general government deficit-to-GDP ratio is set to fall from 16% of GDP in 2020 to around 11% in 2021 and then to around 7% in 2023. Some additional spending from the new Infrastructure bill has been factored in for 2022 and 2023. After a steep increase of about 20 pps of GDP in 2020, general government debt is set to reach 132% of GDP in 2021 and then fall slightly in 2022 and 2023.

Both downside and upside risks remain

On the downside, higher inflationary pressures could erode consumer purchasing power, while also entailing a further tightening of financing conditions if data surprises lead markets to push nominal yields significantly higher. Uncertainties also exist in both directions as regards the pace of labour market adjustment and resolution of supply side disruptions. On the upside, the adoption of further fiscal measures is a strong possibility, which could imply some boost to growth in 2022 and 2023, while a faster-than-assumed release of private savings could also accelerate consumption growth in both 2022 and 2023.

Table II.34.1:

Main features of country forecast - UNITED STATES

	2020			Annual percentage change					
	bn USD	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		20893.7	100.0	2.0	2.9	2.3	-3.4	**5.8**	**4.5**	**2.4**
Private Consumption		14047.6	67.2	2.2	2.9	2.2	-3.8	**8.5**	**4.8**	**2.7**
Public Consumption		3078.0	14.7	0.8	1.2	2.0	2.0	**1.5**	**1.7**	**1.1**
Gross fixed capital formation		4478.9	21.4	1.9	4.4	3.1	-1.6	**6.8**	**3.5**	**2.5**
of which: equipment		1292.0	6.2	3.6	6.3	3.7	-7.0	**12.9**	**4.7**	**2.6**
Exports (goods and services)		2123.4	10.2	4.1	2.8	-0.1	-13.6	**6.1**	**7.7**	**3.8**
Imports (goods and services)		2774.6	13.3	3.5	4.1	1.2	-8.9	**14.3**	**7.8**	**3.5**
GNI (GDP deflator)		21116.1	101.1	2.0	2.8	2.1	-3.6	**5.8**	**4.5**	**2.4**
Contribution to GDP growth:	Domestic demand			2.0	3.0	2.4	-2.6	**7.4**	**4.3**	**2.6**
	Inventories			0.0	0.2	0.0	-0.6	**-0.3**	**0.5**	**-0.1**
	Net exports			-0.1	-0.3	-0.2	-0.3	**-1.3**	**-0.3**	**-0.1**
Employment				0.6	1.7	1.2	-5.8	**3.1**	**3.0**	**1.2**
Unemployment rate (a)				6.3	3.9	3.7	8.1	**5.5**	**4.2**	**4.0**
Compensation of employees / head				2.9	3.2	3.0	7.4	**3.1**	**3.8**	**3.6**
Unit labour costs whole economy				1.5	2.0	1.9	4.8	**0.4**	**2.3**	**2.3**
Real unit labour cost				-0.4	-0.4	0.1	3.6	**-3.1**	**-0.3**	**0.2**
Saving rate of households (b)				11.6	13.4	13.1	23.2	**17.6**	**14.2**	**13.5**
GDP deflator				1.9	2.4	1.8	1.2	**3.6**	**2.6**	**2.1**
Consumer price index				2.1	2.4	1.8	1.2	**4.3**	**3.3**	**2.2**
Terms of trade goods				-0.2	0.8	0.6	-1.2	**5.2**	**0.8**	**0.4**
Trade balance (goods) (c)				-4.9	-4.3	-4.1	-4.3	**-4.9**	**-5.0**	**-5.0**
Current-account balance (c)				-3.6	-2.1	-2.2	-2.8	**-3.6**	**-3.6**	**-3.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.6	-2.2	-2.3	-2.8	**-3.6**	**-3.6**	**-3.5**
General government balance (c)				-6.7	-6.2	-6.6	-15.8	**-11.4**	**-7.9**	**-6.8**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				84.9	107.0	108.5	127.0	**129.3**	**128.6**	**129.8**

(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.
(*) Employment data from the BLS household survey.

35. JAPAN

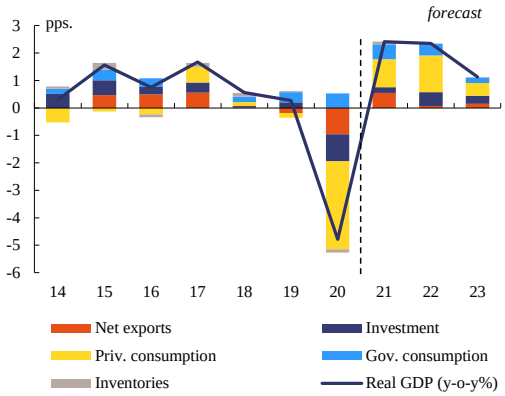
After subdued growth for most of 2021 amid continued spread of COVID-19 and the re-imposition of containment measures, economic activity is set to recover in the last quarter of the year as the economy reopens. Going forward, real GDP growth is likely to moderate again as the rebound from the pandemic gradually fades and supportive fiscal policy is scaled back.

Economic activity softened as containment measures were extended

After a robust end of 2020, real GDP in Japan fell by 1.1% quarter-on-quarter in the first quarter of 2021 and expanded moderately by 0.5% quarter-on-quarter in the second quarter, as the spread of COVID-19 intensified amid the late start of the vaccination campaign and emerging supply side bottlenecks. The negative growth effects of containment measures were tempered by sustained fiscal support and recovering global demand.

The persistent high number of COVID-19 cases and an extension of containment measures is set to have dampened consumption growth in the third quarter of 2021, as evidenced by weak retail sales and consumer surveys over the summer. In addition, industrial production and exports declined sharply in August, particularly in sectors where it was difficult to procure parts due to the impact of the Delta variant. Investment demand is expected to have remained strong, driven by robust demand for ICT.

Graph II.35.1: **Japan - Real GDP growth and contributions**



Strong end of 2021 amid reopening of services

Economic activity is forecast to boom in the last quarter of 2021 as mobility is set to recover rapidly reflecting a falling number of COVID-19 infections and the reopening of the services sector, boosting private consumption. At the same time, growth in industrial production and exports is projected to slow down further amid continued supply chain disruptions, especially impacting car manufacturers, and moderating global demand. Overall, real GDP is forecast to grow by 2.4% in 2021, reflecting high carry-over from the previous year, substantial fiscal support and recovering exports.

Growth remains robust in 2022

On the domestic side, private consumption is set to remain robust at the beginning of 2022, as services' reopening progresses and the labour market situation improves. Moreover, households are expected to release pent-up spending out of accumulated savings. However, the pace of consumption growth is likely to decelerate steadily during 2022 and into 2023, after the initial boost from services reopening fades away and fiscal support dwindles. Private investment is projected to remain strong due to accommodative funding conditions, rising private demand and increasing investment in digitalisation and automation. At the same time, public spending growth is forecast to be gradually curtailed in the absence of additional fiscal stimuli.

On the external side, growth in goods exports is forecast to moderate reflecting persisting supply side disruptions and the gradual slowing down of external demand growth. However, a relaxation of travel restrictions might support a modest rebound in services' trade. At the same time, import growth is projected to moderate after a strong cyclical rebound in 2021. Overall, net exports are set to contribute slightly positively to growth in 2022 with real GDP projected to increase by 2.3%.

Output growth returns close to potential in 2023

The pace of real GDP growth is expected to decelerate to 1.1% in 2023, as the cyclical forces that supported the post-COVID-19 recovery dissipate. The 2023 growth rate remains somewhat above potential growth, as the economy still catches up and is only likely to reach pre-pandemic

level in 2023. However, medium-term growth prospects remain subdued reflecting long-term bottlenecks to growth (weak productivity, ageing population with high propensity to save, low digitalisation of the economy) and limited space to extend further accommodative fiscal and monetary policies.

Fiscal support dwindling while monetary policy remains constrained

Sizable direct fiscal support (16% of GDP in 2020-2021), which sustained consumption and investments during the crisis, is being scaled back. Going forward, fiscal support is set to be limited, as the authorities announced reining in deficits and reiterating the objective of reaching a primary surplus in the long term (even though detailed fiscal plans of the new government are not yet known). Overall, the headline deficit is projected to fall from around 11% of GDP in 2020 to 9% of GDP in 2021, pushing public debt to a record 257% of GDP in 2021. The deficit is expected to shrink thereafter, in the absence of additional stimuli, to around 5% of GDP in 2022 and 4% of GDP in 2023.

During the crisis, the Bank of Japan provided ample liquidity to stabilise the markets, sustain lending to corporates and support the economy. However, going forward, space for additional monetary policy support might be constrained given the negative interest rates and sizable direct involvement of the Bank of Japan in the domestic asset markets. At the same time, annual consumer inflation rate is expected to turn negative in 2021, reflecting the impact of the pandemic and of one-off price reductions and subsidies. Inflation is set to inch up gradually over the forecast horizon but to remain below the Bank of Japan target of 2% for the foreseeable future.

Risks are skewed to the downside

Risks remain tilted to the downside, including the risk of more persistent supply side disruptions crippling the manufacturing sector and a stronger currency, amid global flight to safety, undermining exports and investment. On the upside, additional fiscal support to consumers might result in a swifter recovery of economic activity.

Table II.35.1:

Main features of country forecast - JAPAN

	2020			Annual percentage change					
	bn JPY	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		539313.5	100.0	0.8	0.6	0.3	-4.8	**2.4**	**2.3**	**1.1**
Private Consumption		288651.1	53.5	0.6	0.3	-0.3	-5.9	**1.9**	**2.5**	**0.9**
Public Consumption		113765.5	21.1	1.3	1.0	1.9	2.7	**2.6**	**2.0**	**1.0**
Gross fixed capital formation		129164.8	23.9	-0.2	0.2	0.9	-4.1	**0.9**	**2.1**	**1.2**
of which: equipment		45718.1	8.5	1.2	3.1	0.5	0.0	**0.0**	**0.0**	**0.0**
Exports (goods and services)		81809.5	15.2	4.7	3.8	-1.4	-12.3	**12.6**	**5.2**	**3.2**
Imports (goods and services)		87366.6	16.2	2.8	3.8	-0.4	-6.8	**8.4**	**4.8**	**2.4**
GNI (GDP deflator)		564856.0	104.7	0.9	0.6	0.2	-3.7	**1.7**	**2.3**	**1.1**
Contribution to GDP growth:	Domestic demand			0.5	0.4	0.4	-3.6	**1.8**	**2.3**	**1.0**
	Inventories			0.0	0.1	0.0	-0.1	**0.1**	**0.0**	**0.0**
	Net exports			0.3	0.0	-0.2	-1.0	**0.6**	**0.1**	**0.2**
Employment				0.1	1.8	0.9	-2.0	**0.6**	**0.6**	**0.6**
Unemployment rate (a)				4.2	2.4	2.3	3.0	**2.8**	**2.6**	**2.4**
Compensation of employees / head				-0.4	1.4	0.8	1.1	**1.4**	**1.4**	**1.4**
Unit labour costs whole economy				-1.1	2.6	1.5	4.0	**-0.4**	**-0.3**	**0.9**
Real unit labour cost				-0.5	2.6	0.8	3.1	**0.1**	**-0.6**	**0.6**
Saving rate of households (b)				9.9	10.5	10.2	17.2	**14.8**	**9.9**	**8.3**
GDP deflator				-0.6	0.0	0.6	0.9	**-0.5**	**0.3**	**0.2**
Consumer price index				0.1	1.0	0.5	0.0	**-0.5**	**0.2**	**0.4**
Terms of trade goods				-2.1	-5.0	0.9	0.0	**2.5**	**-0.5**	**-0.8**
Trade balance (goods) (c)				1.0	0.2	0.1	-0.6	**0.4**	**0.4**	**0.4**
Current-account balance (c)				2.9	3.5	3.7	3.3	**3.5**	**3.4**	**3.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.8	3.5	3.6	3.2	**3.4**	**3.3**	**3.3**
General government balance (c)				-5.9	-2.5	-2.9	-10.9	**-9.1**	**-5.0**	**-3.9**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				199.4	232.5	234.9	254.0	**256.9**	**254.0**	**253.3**

(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. CHINA

China's economy seems to be slowing, burdened by sluggish private consumption, weaker credit growth and ongoing turmoil in the property sector. In the forecast horizon, China's economy is expected to slowly adjust away from the growth model based on debt-fuelled brick and mortar investment. Policy priorities are changing from maintaining pre-set high levels of growth at all cost to managing China's lengthy list of economic and social imbalances. Short run risks arise in the domestic property, energy and transport sectors, while geopolitical tensions are expected to dominate over the medium term.

Growth slowing down in the second half of 2021

Following record growth in Q1-2021 of 18.3% year on year, the economy grew by 7.9% in the second quarter of the year and more modestly by 4.9% in Q3, reflecting very strong base effects. In the first nine months of 2021, GDP growth was primarily driven by recovering consumption, but has also been supported by investment and net exports. However all three components showed weakening momentum as the year went on. Economic uncertainty due to local outbreaks of COVID-19, followed by strict lockdown measures, and recent electricity shortages are undermining consumer confidence and weighing on households' propensity to spend.

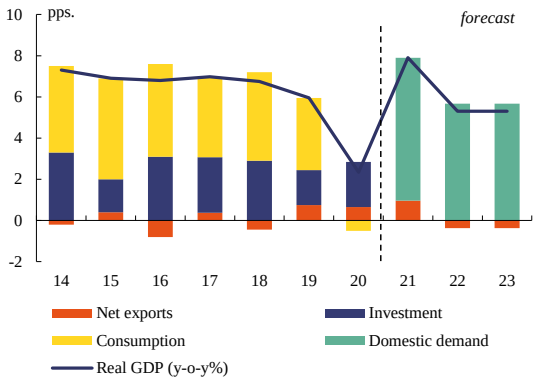
Investment is slowing down as local governments rein in new borrowing for investment purposes, and the real estate sector struggles under tighter financing conditions. Transport and electricity supply bottlenecks, and rising input prices are starting to undermine export performance. While the economy is set to continue losing momentum in the fourth quarter, annual GDP growth is still expected to reach a solid 7.9% in 2021, on the back of an exceptionally strong carry-over effect.

Towards the pre-pandemic growth trend

Growth is expected to moderate to 5.3% in 2022 and 2023, in line with its pre pandemic trend, weighed down by declining productivity growth, an excessively leveraged corporate sector, geopolitical tensions and the increasing policy prioritisation of longer-term economic and social objectives over short-term growth. Household consumption is set to receive support from rising incomes while high vaccination rates should help contain new virus outbursts, despite lower reported efficacy of Chinese vaccines.

Investment growth is projected to remain subdued as both real estate and infrastructure investment start to face strong headwinds. Recent turmoil in the property sector demonstrates the unsustainability of the prevalent business model, based on high leverage and quick turnover. Furthermore, housing demand is likely to moderate, subdued by demographic changes, tighter mortgage financing conditions and exuberant housing prices in higher tier cities. A slowdown in the property sector will impact local government capacity to maintain high infrastructure investment, as property sales account for around one third of their revenue. On the other hand, strategic industries (e.g., semiconductors) will likely benefit from strong government investment support, while access to finance could ease for the previously crowded out, more productive, private investment.

Graph II.36.1: **China - Real GDP growth and contributions**



Export growth is forecast to moderate in 2022 and 2023 as global consumption patterns shift back from goods to services. At the same time, imports are set to receive support from domestic demand. Overall, the current account surplus is expected to remain sizeable but decline gradually throughout 2022-2023.

Policy focus remains on managing imbalances

China's policy focus recently shifted towards tighter managing of corporate indebtedness, in

particular in the property sector, delivering on ambitious climate change targets, stricter regulation of the internet economy, and addressing high wealth disparities in the country. These measures are set to weigh on growth in the short term but could help facilitate rebalancing the economy.

To maintain stability and avoid sharp reversals, monetary authorities will look to maintain ample liquidity in the economy but without backtracking from the stated objectives to maintain credit growth in line with that of the nominal GDP. Fiscal spending will likely remain subdued as local governments face tighter financing conditions.

Multiple downside risks

US-China diplomatic tensions remain a key downside risk for China. The January 2022 deadline of the Phase I trade agreement could lead to an intensification of the trade dispute if the planned round of bilateral talks fails. In all, uncertainty over the future trade and technology relationship is likely to weigh on growth in China over the medium term.

Tighter financing conditions faced by the property sector are contributing to increasing distress in sector's firms with weak liquidity and excessive leverage. If poorly managed, debt defaults and restructurings in the property sector would reverberate through the broader economy, particularly the Chinese banking sector, where small banks tend to have a disproportionally large exposure to property markets.

China's commitment to a "zero-COVID-19" policy could weigh on regional growth. New virus outbreaks would trigger strict social distancing and quarantine measures that could distort further manufacturing supply chains and delay the full resumption of service activities. Furthermore, China is facing both supply and demand-related constraints in electricity markets, largely derived from tight coal supplies, rigid end user power prices and policy pressure to reduce emissions. The resulting shortages in electricity could weigh further on industrial activity, most notably on power-intensive sectors (e.g., steel, chemicals) but extending over a broader range of manufacturing industries.

Table II.36.1:

Main features of country forecast - CHINA

	2020			Annual percentage change					
	bn CNY	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		101598.6	100.0	9.4	6.7	6.0	2.3	**7.9**	**5.3**	**5.3**
Private consumption		38717.6	38.1	-	-	-	-	-	-	-
Public consumption		16981.0	16.7	-	-	-	-	-	-	-
Gross fixed capital formation		43568.3	42.9	-	-	-	-	-	-	-
of which: equipment		-	-	-	-	-	-	-	-	-
Exports (goods and services)		19731.7	19.4	13.8	4.0	0.4	2.2	**13.6**	**2.3**	**3.3**
Imports (goods and services)		17078.7	16.8	12.8	7.3	-3.7	-1.4	**9.1**	**5.3**	**6.3**
GNI (GDP deflator)		-	-	-	-	-	-	-	-	-
Contribution to GDP growth:	Domestic demand			-	-	-	-	-	-	-
	Inventories			-	-	-	-	-	-	-
	Net exports			-	-	-	-	-	-	-
Employment				-	-	-	-	-	-	-
Unemployment rate (a)				4.1	3.8	3.6	4.2	-	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs whole economy				-	-	-	-	-	-	-
Real unit labour costs				-	-	-	-	-	-	-
Saving rate of households				-	-	-	-	-	-	-
GDP deflator				3.7	3.5	1.3	0.6	**3.7**	**2.8**	**2.6**
Consumer price index (c)				2.4	2.1	2.9	2.5	-	-	-
Terms of trade goods (b)				-	-	-	-	-	-	-
Trade balance (goods) (b)				4.4	2.7	2.8	3.5	**3.3**	**2.8**	**2.5**
Current-account balance (b)				4.0	0.2	0.7	1.9	**2.1**	**1.6**	**1.1**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)				-	-	-	-	-	-	-
General government balance (b)				-	-	-	-	-	-	-
Cyclically-adjusted budget balance				-	-	-	-	-	-	-
Structural budget balance				-	-	-	-	-	-	-
General government gross debt (b)				-	-	-	-	-	-	-

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

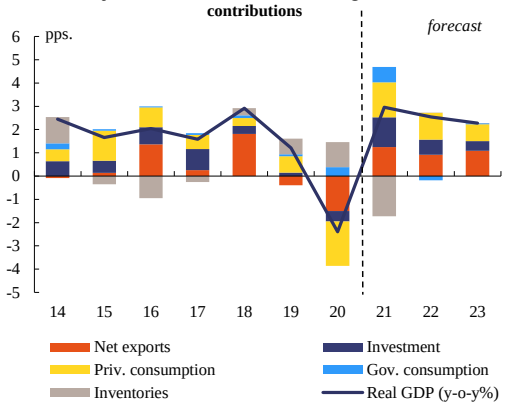
37. EFTA

All three EFTA countries are recovering from the COVID-19 crisis, which had hit their economies to different extents, largely reflecting the relative importance of tourism and the size of the fiscal response. The outlook is for a continued recovery during 2021-2023, benefitting from pent-up domestic and external demand and fiscal support measures. The solid output growth will help to bring public finances back towards more sustainable levels. However, significant uncertainties remain.

Switzerland

The Swiss economy weathered the COVID-19 crisis relatively well so far, with an output decline of just 2.4% in 2020. The key drags on growth were private consumption, dropping by 3.7% year-on-year, lower equipment investment (-4.5%) and lower exports (-6.0%). Nevertheless, exports performed better than expected initially, partly thanks to a solid performance of chemical and pharmaceutical products. Unemployment rose, in particular in tourism and construction. However, thanks to short-time working schemes, the crisis' overall impact on employment remained muted, with an increase in the unemployment rate from 4.4% in 2019 to 4.8% in 2020. The government adopted fiscal support measures amounting in total to about 5¼% of GDP for 2020 and 2021, and announced to spend more, if necessary.

Graph II.37.1: **Switzerland - Real GDP growth and contributions**



The outlook is based on a supportive international environment, although supply bottlenecks and a resurgence of COVID-19 infections during the winter season could push the rebound further back into 2022. During the forecast period, the main driver of growth is expected to be domestic demand, in particular private consumption, benefitting from pent-up demand, as well as investment. Export growth is projected to recover in 2021 from the COVID-19 trade shock and to remain relatively strong in 2022 and 2023, reflecting solid external demand. However, due to strong import growth resulting from catching-up consumption and investment, the growth contribution of net exports is forecast to still remain subdued in 2022 and 2023. Overall, output is forecast to grow by nearly 3% in 2021 and to slow down to 2½% and 2¼% in 2022 and 2023, respectively.

In view of the muted labour market deterioration in 2020, reflecting governmental support measures, also the post-pandemic pick-up of employment will remain subdued, increasing by only about ¼% in 2021 and slightly higher employment growth of about 1% in 2022 and 2023. As a result of low employment growth, the unemployment rate is expected to increase to around 5% in 2021, but to decline in the following years, benefitting from the overall economic recovery. Consumer price inflation is forecast to slightly accelerate during 2022 and 2023, reflecting higher international price increases, in particular energy but also commodities.

The fiscal costs of fighting the pandemic and its economic implications will still be felt in the coming years, impeding the country's plans to achieve fiscal surpluses still during the forecast period. Nevertheless, thanks to low deficits and solid economic growth, gross debt ratios as likely to return to nearly pre-pandemic levels by 2023.

Country-specific risks to the outlook are largely on both sides, related to key trading partners, such as Germany, the USA and the United Kingdom, where the recovery could be faster or slower than expected. There is also a risk related to the Swiss franc's safe-haven status, which could lead to a rapid appreciation, eroding the country's price competitiveness.

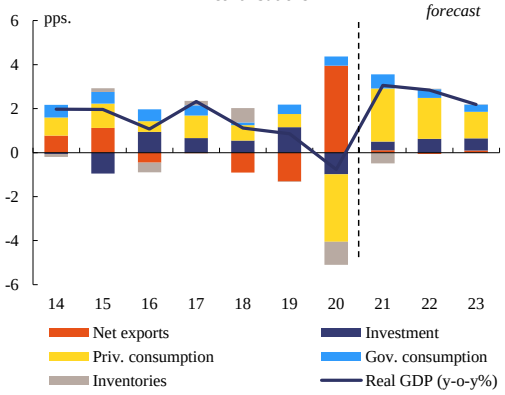
Norway

The acceleration of vaccinations, lower infection rates and the gradual easing of COVID-19-related restrictions prompted a sharp rise in economic

activity in the second quarter of 2021 when real GDP expanded by 6.1% year-on-year, compared to a 1.4% contraction in the preceding quarter. The recovery was largely driven by base effects as well as by a strong rebound in private consumption supported by the increase in employment and the return of consumer sentiment to positive territory. Investment fell, albeit at a much slower pace on a year-on-year basis compared to the first quarter. The external sector posed headwinds to growth as imports grew at a faster rate than exports, reflecting pent-up domestic demand.

Through summer, viral infections and hospital admissions increased as the Delta variant continued to spread but they were considerably lower than in the previous waves of the pandemic. A high vaccination rate has reduced the need for the re-imposition of some restrictions and the upswing in economic activity is expected to continue in the months ahead. Increased consumer confidence coupled with an improving labour market is set to boost household consumption while investment should recover on the back of the gradual lifting of uncertainty among investors. Net exports will add to growth as merchandise exports are set to increase at a faster pace than imports, benefitting from higher oil and gas prices. House price inflation accelerated to 12.5% year-on-year in the second quarter up from 11% in the first three months while it moderated through the summer. For the same period, residential investment rose by 6.2% year-on-year from 2.5% in the first quarter and it is expected to increase further in the near term, bolstered by high house prices and the still low interest rates.

Graph II.37.2: **Norway - Real GDP growth and contributions**



Economic expansion is set to continue in 2022, mainly driven by buoyant household consumption and investment.

Overall, the economy is forecast to grow by 3.1% in 2021, before slowing to 2.8% in 2022 and 2.2% in 2023.

Inflation continued its upward trend in August (3.4% year-on-year) triggering Norges Bank's Executive Board decision on 22 September to raise the key policy rate from the historic low of 0.0% to 0.25%, after slashing it from 1.5% with three successive cuts of 150 basis points in total in 2020.

The economy will receive less support from government spending in 2022 mainly due to the unwinding of the extensive and temporary extraordinary COVID-19 measures introduced in 2020. The fiscal policy anticipates a fiscal impulse of -2.6% of mainland GDP, resulting in a structural non-oil deficit of 9.5% of mainland GDP and spending of oil revenues equivalent to 2.6% of the sovereign wealth fund's assets (Government Pension Fund Global).

Domestic risks to the outlook primarily stem from the uncertainties in the property market and the historically high household debt levels leaving households vulnerable in the event of a steep fall in house prices or interest rates rises. Sustained increases in the debt burden indicate that financial imbalances have accumulated raising concerns over financial stability, which are however mitigated by the significant capital and liquidity buffers held by Norwegian banks. 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 caused by new virus variants would weigh materially on growth.

Iceland

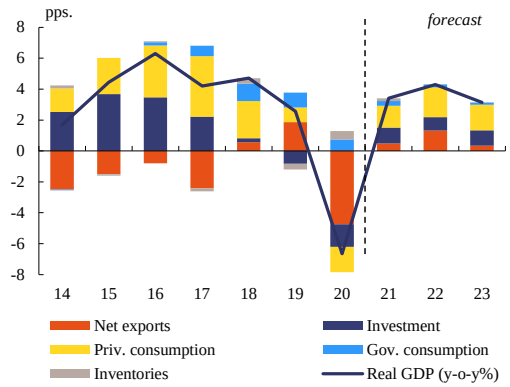
Following a soft contraction in early 2021, Iceland's economy has gained momentum in the second quarter (7.3% year-on-year). Growth was driven by robust private consumption, recovering investment and public spending. Recovery of exports was supported by a rising number of tourist arrivals and a successful fishing season. The increase in gross fixed capital formation in 2021 has been mainly driven by public investment.

The outlook is for a mild recovery in 2021, which is likely to accelerate in 2022. Higher private consumption, investment and growing exports, on the back of increasing number of tourists and a positive outlook for marine products and

aluminium, are set to be the key drivers of growth. The projected increase in investment will be supported by business and housing investment.

Recovery in tourism helped to reduce the elevated unemployment rate (peaking at 8.6% in January) to 2.8% in September. In the second quarter the labour force participation rate reached the pre-pandemic level of 80% while underemployment rate stood at 3.1%. In line with the strengthening recovery, employment is set to continue increasing, while the rate of unemployment should fall further.

Graph II.37.3: **Iceland - Real GDP growth and contributions**



The 2021 budget allows fiscal stimulus to support the economy, by using strong automatic stabilisers and targeted pandemic-related measures such as tax reductions, part-time unemployment benefits, closure subsidies, government guaranteed loans to companies and increased public investment. In 2022, the budget deficit should moderate, as most of the targeted measures will expire by the end of 2021 and government revenue is likely to recover in line with strengthening economic activity. Further fiscal consolidation is projected for 2023.

Monetary policy has been eased in response to the pandemic. In the course of 2020, the Central Bank of Iceland (CBI) cut the key interest rate (the rate on seven-day term deposits) to a record low of 0.75%, reduced reserve requirements and engaged in purchasing government bonds in the secondary market. The ISK depreciated sharply having an inflationary effect, in particular through housing and import prices, throughout 2021, bringing the CPI to over 4% since January, well above the CBI target of 2.5%. In subsequent steps the CBI raised the interest rate to 1.5% in October which, together with slightly appreciating ISK, should dampen inflationary pressures in 2022.

The balance of risks is tilted to the downside. Key risks stem from the external environment and uncertain outlook for Iceland's main exports, in particular tourism. Domestic risk relates to a possible overheating in the housing market.

Table II.37.1:

Main features of country forecast - EFTA

	Iceland				Norway				Switzerland			
(Annual percentage change)	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
GDP	-6.6	3.4	4.3	3.1	-0.8	3.1	2.8	2.2	-2.4	3.0	2.5	2.3
Private Consumption	-3.3	2.8	3.8	3.2	-6.9	5.5	4.2	2.7	-3.7	3.0	2.3	1.4
Public Consumption	3.1	1.1	0.7	0.6	1.7	2.4	1.5	1.3	3.5	5.5	-1.5	0.4
Gross fixed capital formation	-6.8	4.7	3.9	4.5	-3.8	1.5	2.4	2.1	-1.8	5.0	2.5	1.5
of which: equipment	-6.1	:	:	:	-7.5	2.1	2.5	2.8	-4.5	1.1	0.6	0.7
Exports (good and services)	-30.5	10.2	15.9	7.9	-0.5	5.5	4.8	3.1	-6.0	6.5	5.7	5.0
Imports (goods and services)	-22.0	8.6	12.1	7.2	-11.9	5.1	5.1	2.9	-4.5	5.3	5.0	4.0
GNI (GDP deflator)	-6.1	3.4	4.3	3.1	0.7	2.9	2.8	2.2	-2.4	4.7	2.5	2.3
Contribution to GDP growth: Domestic demand	-2.3	2.7	3.0	2.8	-3.7	3.4	2.9	2.1	-2.0	3.4	1.6	1.2
Inventories	0.5	0.2	0.0	0.0	-1.0	-0.5	0.0	0.0	1.1	-1.7	0.0	0.0
Net exports	-4.8	0.5	1.3	0.3	4.0	0.1	-0.1	0.1	-1.5	1.2	0.9	1.1
Employment	-4.7	1.4	2.2	1.4	-1.3	0.5	1.2	0.8	-0.5	0.3	1.1	1.1
Unemployment rate (a)	5.5	6.1	5.1	4.1	4.4	4.1	3.9	3.8	4.8	5.0	4.6	2.9
Compensation of employee/head	3.3	2.3	5.7	4.5	1.4	3.0	3.1	3.0	-0.8	0.4	0.4	1.3
Unit labour cost whole economy	5.5	0.2	3.5	2.7	0.9	0.5	1.4	1.6	1.2	-2.3	-1.0	0.2
Real unit labour cost	2.0	-3.5	0.2	0.2	4.6	-2.8	-1.2	-0.8	1.7	-3.1	-2.0	-1.0
Saving rate of households (b)	8.1	7.3	7.9	7.8	21.0	19.7	19.3	19.2	:	:	:	:
GDP deflator	3.4	3.9	3.3	2.5	-3.6	3.4	2.7	2.4	-0.5	0.8	1.0	1.2
National index of consumer prices	2.8	4.2	3.6	2.8	1.3	3.1	2.4	2.0	-0.7	0.5	1.0	1.2
Terms of trade goods	-0.8	-0.2	-0.1	-0.1	-21.5	3.3	1.7	0.4	-2.9	-0.3	-0.1	-0.1
Trade balance (goods) (c)	-3.1	-2.9	-2.8	-3.4	-0.9	0.0	0.3	0.4	8.1	8.6	8.5	8.9
Current account balance ©	1.1	1.4	2.7	2.9	2.0	3.5	3.7	3.8	2.2	5.2	5.8	6.6
Net lending (+) or borrowing (-) vis-a-vis ROW	1.0	1.4	2.6	2.9	1.9	3.4	3.7	3.8	2.2	3.9	4.6	5.3
General government balance (c)	-8.6	-10.1	-6.5	-4.0	-3.0	-0.2	1.3	2.1	-2.8	-1.0	-0.3	0.0
General government gross debt ©	58.5	65.6	67.5	66.9	46.9	43.9	42.8	41.3	27.9	27.9	27.2	26.3

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

38. RUSSIAN FEDERATION

Despite a low vaccination rate and a high mortality from COVID-19 in the autumn of 2021, real GDP in Russia has by now surpassed the pre-pandemic level. Going forward, growth is likely to benefit from a decisive improvement of its terms-of-trade and rising fiscal revenues, which provide room for additional transfers and spending, pushing consumption up.

Swift recovery from the crisis already in 2021

In 2021, in a mirror image of 2020, consumption is set to recover strongly and imports are forecast to bounce back. Public transfers, rising real wages and spending out of savings accumulated in 2020 are expected to drive private consumption up, which however is projected to remain below 2019 levels. Public consumption is likely to continue growing as well, though rising oil and gas revenues are not expected to lift public spending this year as they are forecast to further increase fiscal buffers. Imports are projected to grow relatively strongly in 2021, as a slightly stronger rouble and much better terms-of-trade raise their affordability, but will likely remain significantly below 2019 levels. Relatively strong non-oil exports limited the export decline in 2020. They will continue to grow in 2021, while the OPEC+ agreement still implies lower oil exports in 2021. Investment is expected to bounce back only moderately in 2021, reflecting long-standing weaknesses in the business climate, some reprioritisation of national infrastructure projects resulting in further delays and some restraint regarding new investment in fossil fuel projects given the long-term muted price outlook.

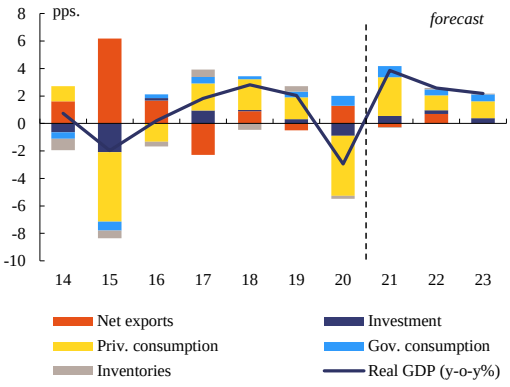
The recovery is likely to lose steam going forward

The purely compensatory element of the bounce-back is likely to evaporate by late 2021. While exports are set to benefit from the phasing out of the OPEC+ production cut over 2022, imports of goods are expected to grow more moderately as purchasing power is likely to be negatively affected by elevated inflation and investment is set to grow only slowly. Services imports are forecast to grow more strongly benefitting from less COVID-19 related restrictions affecting outbound tourism. As inflation is high and food price inflation is approaching double-digit levels, household purchasing power is expected to be negatively affected, dampening the outlook for consumption. Over the forecast horizon, household income is projected to be hit by higher personal income taxes. Higher income tax rates introduced in late 2020 and strong nominal wage rises conspire to increase the tax burden of households.

The outlook for capital expenditure remains moderate as the business sentiment continues to be negatively affected by the unfriendly investment environment including property rights issues. It is possible that public investments will rise somewhat due to high commodity prices and rising fiscal revenues. However, volatile commodity prices, the uncertain long-term outlook for fossil fuels and lack of access to credit among SMEs, in particular in service sectors, hamper the outlook for private investments.

For 2023, catch-up consumption and increased public spending are expected to be less relevant as a growth driver. Instead, the underlying lack of dynamism and the limited growth potential are expected to be again a more decisive factor limiting growth.

Graph II.38.1: **Russia - Real GDP growth and contributions**



Monetary policy has become more restrictive

Following a decline by a cumulative 500 basis points to 4.25% in July 2020 amid contained inflation, headline interest rates were raised by 325 basis points in incremental steps from March to October 2021 as inflationary pressures intensified. In September 2021, inflation hit 7.4% y-o-y and is forecast to reach an average 6.2% in 2021, before

receding to 4.8% in 2022, still above the central bank's 4% target. Notably, food inflation has skyrocketed, reflecting a rapid transmission of global food prices into domestic prices. Overall, monetary policy might be tightened further if global inflationary pressures persist and rising food price inflation undermines real disposable incomes, especially in the informal sector.

Fiscal policy continues to focus on stability.

The fiscal deficit is expected to improve significantly from 5.4% in 2020 to 0.7% in 2021, as growth in non-oil revenues is projected to significantly exceed expenditure growth. Going forward, the budget is expected to be roughly balanced in 2022 and 2023, respectively, on the back of higher non-oil revenues, notably dividends, while spending is set to grow only moderately. Oil and gas windfall profits are expected to continue filling fiscal buffers outside the budget, which have already increased to 12% of GDP in Q3-2021, particularly if changes to the fiscal rule proposed by the president are accepted. The public debt to GDP ratio, which was seen to worsen significantly in 2020, is now expected to stabilise below 20% over the forecast horizon, making Russia stand out among emerging markets and reducing vulnerabilities.

Risks appear balanced

Upside risks come from commodity prices and its potential effects on investment, income, sentiment and consumption. In addition, should the political situation require it, fiscal buffers could be used to stimulate the economy. Downside risks exist around the low vaccination rate and associated risks for the health system and the workforce. A taste of the risks involved was on display in late October, when an 11-day lockdown for Moscow and a week-long holiday for Russia were introduced, as daily death-numbers spiralled. Solvency risks for SMEs, inflationary pressures souring sentiment and structural issues around property rights are additional downside risks.

Table II.38.1:

Main features of country forecast - RUSSIA

	2020			Annual percentage change					
	bn RUB	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP		106967.5	100.0	3.4	2.8	2.0	-3.0	**3.9**	**2.6**	**2.2**
Private Consumption		52914.2	49.5	5.4	4.2	3.1	-8.5	**5.7**	**2.2**	**2.5**
Public Consumption		22148.6	20.7	1.0	1.3	2.4	4.0	**3.9**	**2.2**	**2.5**
Gross fixed capital formation		23272.5	21.8	5.2	0.4	1.6	-4.3	**2.5**	**1.3**	**1.8**
of which: equipment		0.0	:	:	:	:	:	:	:	:
Exports (goods and services)		27301.5	25.5	4.7	5.6	0.7	-4.3	**4.9**	**5.8**	**3.0**
Imports (goods and services)		21992.4	20.6	7.5	2.7	3.4	-12.0	**7.3**	**4.4**	**4.0**
GNI (GDP deflator)		104404.7	97.6	3.3	3.0	1.3	-2.2	**3.8**	**2.8**	**2.3**
Contribution to GDP growth:	Domestic demand			4.1	2.5	2.3	-4.5	**4.2**	**1.8**	**2.1**
	Inventories			-0.2	-0.5	0.4	-0.2	**0.0**	**0.1**	**0.1**
	Net exports			-0.4	0.9	-0.5	1.3	**-0.3**	**0.7**	**0.0**
Employment				0.7	0.3	-0.8	-1.9	**1.5**	**0.7**	**0.3**
Unemployment rate (a)				6.6	4.8	4.6	5.8	**5.3**	**5.2**	**5.1**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Real unit labour cost				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				11.4	10.0	3.1	0.9	**8.6**	**4.3**	**3.7**
Consumer price index				9.9	2.9	4.5	3.4	**6.2**	**4.8**	**4.0**
Terms of trade goods				1.3	17.5	-5.7	-22.7	**13.6**	**-0.5**	**-0.5**
Trade balance (goods) (c)				10.3	11.8	9.8	6.1	**8.5**	**8.9**	**8.7**
Current-account balance (c)				5.4	7.0	3.9	2.2	**4.4**	**4.8**	**4.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				4.9	6.9	3.8	2.2	**4.3**	**4.8**	**4.7**
General government balance (c)				1.5	3.2	2.0	-5.4	**-0.7**	**-0.4**	**-0.5**
Cyclically-adjusted budget balance (d)				:	:	:	:	:	:	:
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				15.0	13.6	13.8	19.9	**17.6**	**16.0**	**14.9**

(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.

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Statistical Annex

European Economic Forecast – Autumn 2021

Contents

Output : GDP and its components

1. Gross domestic product 154
2. Profiles (q-o-q) of quarterly GDP 154
3. Profiles (y-o-y) of quarterly GDP 155
4. GDP per capita 155
5. Final domestic demand 156
6. Final demand 156
7. Private consumption expenditure 157
8. Government consumption expenditure 157
9. Total investment 158
10. Investment in construction 158
11. Investment in equipment 159
12. Public investment 159
13. Potential GDP 160
14. Output gap relative to potential GDP 160

Prices

15. Deflator of GDP 161
16. Deflator of private consumption 161
17. Harmonised consumer prices index 162
18. Harmonised consumer prices quarterly profiles 162
19. Deflator of exports of goods 163
20. Deflator of imports of goods 163
21. Terms of trade of goods 164

Wages, population and labour market

22. Total population 164
23. Total employment in persons 165
24. Total employment in full-time equivalents (ES, FR, IT, NL, EA and EU) 165
25. Unemployment rate 166
26. Compensation of employees per head 166
27. Real compensation of employees per head 167
28. Labour productivity 167
29. Unit labour costs, whole economy 168
30. Real unit labour costs 168

Exchange rates

31. Nominal bilateral exchange rates 169
32. Nominal effective exchange rates 169

General Government

33. Total expenditure 170

34. Total revenue 170
35. Net lending (+) or net borrowing (-) 171
36. Interest expenditure 171
37. Primary balance 172
38. Cyclically-adjusted net lending (+) or net borrowing (-) 172
39. Cyclically-adjusted primary balance 173
40. Structural budget balance 173
41. Gross debt 174

Saving

42. Gross national saving 174
43. Gross saving of the private sector 175
44. Saving rate of households 175
45. Gross saving of general government 176

Trade and international payments

46. Exports of goods and services 176
47. Imports of goods and services 177
48. Merchandise trade balance (% of GDP) 177
49. Current-account balance (% of GDP) 178
50. Net lending (+) or net borrowing (-) 178
51. Current-account balance (bn EUR) 179
52. Export markets (goods and services) 179
53. Export performance (goods and services) 180

World economy

54. World GDP 181
55. World exports of goods and services 182
56. Export shares (goods) in EU trade 182
57. World imports of goods and services 183
58. Import shares (goods) in EU trade 183
59. World merchandise trade balances (bn USD) 184
60. World current-account balances (bn USD) 185
61. Crude oil prices 185

Table 1: Gross domestic product, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.6	0.7	1.4	1.8	2.1	-5.7	**6.0**	**2.6**	**1.9**	*-6.3*	*4.5*	*3.7*
Germany	1.6	0.7	1.8	1.1	1.1	-4.6	**2.7**	**4.6**	**1.7**	*-4.9*	*3.4*	*4.1*
Estonia	8.2	-1.7	3.0	4.1	4.1	-3.0	**9.0**	**3.7**	**3.5**	*-2.9*	*2.8*	*5.0*
Ireland	5.2	-1.4	8.9	9.0	4.9	5.9	**14.6**	**5.1**	**4.1**	*3.4*	*4.6*	*5.0*
Greece	4.1	-5.5	-0.3	1.7	1.8	-9.0	**7.1**	**5.2**	**3.6**	*-8.2*	*4.1*	*6.0*
Spain	3.5	-1.3	1.9	2.3	2.1	-10.8	**4.6**	**5.5**	**4.4**	*-10.8*	*5.9*	*6.8*
France	2.0	0.4	1.2	1.9	1.8	-7.9	**6.5**	**3.8**	**2.3**	*-8.1*	*5.7*	*4.2*
Italy	1.1	-1.4	0.4	0.9	0.4	-8.9	**6.2**	**4.3**	**2.3**	*-8.9*	*4.2*	*4.4*
Cyprus	4.5	0.1	1.3	5.7	5.3	-5.2	**5.4**	**4.2**	**3.5**	*-5.1*	*3.1*	*3.8*
Latvia	9.9	-2.7	2.7	4.0	2.5	-3.6	**4.7**	**5.0**	**4.0**	*-3.6*	*3.5*	*6.0*
Lithuania	8.7	-0.4	3.2	4.0	4.6	-0.1	**5.0**	**3.6**	**3.4**	*-0.9*	*2.9*	*3.9*
Luxembourg	4.7	0.6	2.9	2.0	3.3	-1.8	**5.8**	**3.7**	**2.7**	*-1.3*	*4.5*	*3.3*
Malta	3.0	2.5	7.5	6.1	5.7	-8.3	**5.0**	**6.2**	**4.8**	*-7.0*	*4.6*	*6.1*
Netherlands	2.3	0.0	1.7	2.4	2.0	-3.8	**4.0**	**3.3**	**1.6**	*-3.7*	*2.3*	*3.6*
Austria	2.6	0.6	1.2	2.5	1.5	-6.7	**4.4**	**4.9**	**1.9**	*-6.6*	*3.4*	*4.3*
Portugal	1.1	-1.4	1.4	2.8	2.7	-8.4	**4.5**	**5.3**	**2.4**	*-7.6*	*3.9*	*5.1*
Slovenia	4.8	-1.0	2.4	4.4	3.3	-4.2	**6.4**	**4.2**	**3.5**	*-5.5*	*4.9*	*5.1*
Slovakia	7.3	2.0	2.7	3.8	2.6	-4.4	**3.8**	**5.3**	**4.3**	*-4.8*	*4.8*	*5.2*
Finland	3.6	-0.7	1.0	1.1	1.3	-2.9	**3.4**	**2.8**	**2.0**	*-2.8*	*2.7*	*2.8*
Euro area	2.2	-0.3	1.5	1.8	1.6	-6.4	**5.0**	**4.3**	**2.4**	*-6.6*	*4.3*	*4.4*
Bulgaria	6.4	1.4	1.9	2.7	4.0	-4.4	**3.8**	**4.1**	**3.5**	*-4.2*	*3.5*	*4.7*
Czechia	5.5	0.2	3.0	3.2	3.0	-5.8	**3.0**	**4.4**	**3.2**	*-5.6*	*3.4*	*4.4*
Denmark	2.0	-0.4	2.2	2.0	2.1	-2.1	**4.3**	**2.7**	**2.4**	*-2.7*	*2.9*	*3.5*
Croatia	4.8	-1.8	1.7	2.9	3.5	-8.1	**8.1**	**5.6**	**3.4**	*-8.0*	*5.0*	*6.1*
Hungary	3.5	-0.8	3.2	5.4	4.6	-4.7	**7.4**	**5.4**	**3.2**	*-5.0*	*5.0*	*5.5*
Poland	5.0	3.4	3.3	5.4	4.7	-2.5	**4.9**	**5.2**	**4.4**	*-2.7*	*4.0*	*5.4*
Romania	6.5	0.6	4.5	4.5	4.2	-3.9	**7.0**	**5.1**	**5.2**	*-3.9*	*5.1*	*4.9*
Sweden	3.5	0.7	2.6	2.0	2.0	-2.8	**3.9**	**3.5**	**1.7**	*-2.8*	*4.4*	*3.3*
EU	2.4	-0.1	1.7	2.1	1.8	-5.9	**5.0**	**4.3**	**2.5**	*-6.1*	*4.2*	*4.4*
United Kingdom	2.6	0.1	2.4	1.7	1.7	-9.7	**6.9**	**4.8**	**1.7**	*-9.8*	*5.0*	*5.3*
Japan	1.7	-0.3	1.3	0.6	0.3	-4.8	**2.4**	**2.3**	**1.1**	*-4.8*	*3.1*	*2.5*
United States	3.0	0.8	2.2	2.9	2.3	-3.4	**5.8**	**4.5**	**2.4**	*-3.5*	*6.3*	*3.8*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2021-23) 25.10.2021

	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4	2023/1	2023/2	2023/3	2023/4
Belgium	1.2	1.7	1.8	0.3	0.3	0.5	0.5	0.5	0.5	0.4	0.5	0.4
Germany	-2.0	1.6	1.9	1.3	1.0	1.0	0.9	0.5	0.2	0.2	0.2	0.2
Estonia	3.9	4.3	0.9	0.3	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9
Ireland	8.7	6.3	:	:	:	:	:	:	:	:	:	:
Greece	4.5	3.4	:	:	:	:	:	:	:	:	:	:
Spain	-0.6	1.1	2.5	1.3	1.1	1.2	1.3	1.3	1.1	0.9	0.9	0.8
France	0.0	1.1	2.8	0.6	0.5	0.5	0.8	0.7	0.5	0.5	0.4	0.3
Italy	0.2	2.7	2.4	0.6	0.7	0.8	0.8	0.7	0.5	0.5	0.5	0.5
Cyprus	1.6	1.7	:	:	:	:	:	:	:	:	:	:
Latvia	0.5	2.6	1.0	-0.5	0.6	2.7	2.4	1.0	0.6	0.6	0.6	0.6
Lithuania	2.1	2.0	0.7	0.9	0.6	0.7	0.7	0.7	0.9	1.0	1.0	1.0
Luxembourg	3.2	-0.5	0.8	0.6	0.9	1.0	1.0	0.9	0.5	0.5	0.5	0.5
Malta	1.9	-0.5	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.8	3.8	0.8	0.6	0.6	0.6	0.6	0.5	0.3	0.3	0.2	0.2
Austria	-0.5	4.0	2.6	0.6	0.5	1.5	0.7	0.4	0.4	0.4	0.3	0.3
Portugal	-3.3	4.5	2.7	1.1	0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.5
Slovenia	1.5	1.9	0.6	0.2	1.3	1.3	1.2	1.2	0.7	0.6	0.6	0.5
Slovakia	-1.4	2.0	1.5	0.7	1.2	1.7	1.3	1.2	0.9	0.9	0.9	0.8
Finland	0.1	2.2	1.0	0.4	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.4
Euro area	-0.3	2.1	2.3	0.8	0.8	0.9	0.9	0.7	0.5	0.5	0.5	0.4
Bulgaria	-0.1	-0.3	4.3	-0.2	0.7	1.2	1.2	1.2	0.6	0.6	0.6	0.7
Czechia	-0.4	1.0	1.9	0.9	1.2	1.0	0.9	0.9	0.8	0.7	0.6	0.6
Denmark	-0.4	2.8	0.6	0.2	0.7	0.7	0.6	0.6	0.6	0.6	0.5	0.5
Croatia	5.4	-0.2	1.5	2.1	1.1	1.2	1.3	1.4	0.9	0.3	0.3	0.3
Hungary	1.6	2.9	1.3	1.3	1.6	1.0	0.9	0.9	0.6	0.7	0.8	0.9
Poland	1.4	1.6	1.8	1.0	1.1	1.5	1.3	1.2	1.1	1.0	0.9	0.9
Romania	2.6	1.9	0.5	0.1	2.0	1.7	0.4	2.4	0.5	1.7	0.4	2.4
Sweden	0.8	0.9	1.2	1.0	0.9	0.8	0.6	0.6	0.3	0.3	0.3	0.3
EU	-0.1	2.0	2.1	0.8	0.8	0.9	0.9	0.7	0.5	0.5	0.5	0.5
United Kingdom	-1.4	5.5	1.4	1.0	0.8	0.8	0.9	0.9	0.3	0.2	0.1	0.1
Japan	-1.1	0.5	0.4	1.2	0.6	0.4	0.4	0.3	0.3	0.3	0.2	0.2
United States	1.5	1.6	1.1	1.2	1.1	1.1	0.7	0.7	0.5	0.5	0.5	0.5

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2021-23) **25.10.2021**

	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4	2023/1	2023/2	2023/3	2023/4
Belgium	0.0	15.1	4.7	5.2	4.2	3.0	1.7	1.8	2.0	2.0	1.9	1.8
Germany	-3.1	9.4	2.3	2.9	6.0	5.3	4.2	3.4	2.6	1.9	1.2	0.9
Estonia	3.4	13.9	12.1	9.6	6.4	2.8	2.7	3.2	3.3	3.4	3.5	3.6
Ireland	10.6	21.1	:	:	:	:	:	:	:	:	:	:
Greece	-2.3	16.2	:	:	:	:	:	:	:	:	:	:
Spain	-4.2	17.5	3.1	4.2	6.0	6.2	5.0	5.0	5.0	4.7	4.2	3.8
France	1.5	18.7	2.9	4.7	5.2	4.6	2.6	2.7	2.7	2.6	2.2	1.9
Italy	-0.8	17.2	3.6	6.1	6.7	4.7	2.9	3.0	2.7	2.5	2.2	2.0
Cyprus	-2.1	13.3	:	:	:	:	:	:	:	:	:	:
Latvia	-0.2	10.5	5.8	3.7	3.7	3.8	5.2	6.8	6.8	4.7	2.9	2.5
Lithuania	0.8	8.9	6.8	5.9	4.3	3.0	3.0	2.8	3.1	3.3	3.7	4.0
Luxembourg	5.2	11.8	4.5	4.2	1.9	3.4	3.6	3.8	3.4	3.0	2.5	2.2
Malta	-1.6	13.2	:	:	:	:	:	:	:	:	:	:
Netherlands	-2.3	10.7	3.8	4.4	5.9	2.7	2.4	2.4	2.1	1.7	1.4	1.0
Austria	-4.2	12.6	4.1	6.8	7.8	5.2	3.2	3.1	2.9	1.8	1.4	1.3
Portugal	-5.7	16.2	4.2	5.1	9.6	5.7	3.5	2.9	2.6	2.4	2.2	2.2
Slovenia	2.8	15.7	3.8	4.3	4.0	3.4	4.1	5.1	4.5	3.8	3.2	2.5
Slovakia	0.3	10.2	2.6	2.7	5.5	5.2	5.0	5.6	5.2	4.4	4.0	3.6
Finland	-1.2	7.8	4.0	3.7	4.2	2.5	2.0	2.1	2.0	2.0	2.0	1.8
Euro area	-1.2	14.2	3.7	5.0	6.1	4.8	3.4	3.2	2.9	2.5	2.1	1.9
Bulgaria	-0.3	7.0	3.8	3.8	4.5	6.1	2.9	4.5	4.4	3.8	3.2	2.6
Czechia	-2.5	8.1	3.1	3.3	4.9	4.9	3.9	4.0	3.6	3.4	3.1	2.8
Denmark	-0.1	9.8	3.9	3.2	4.4	2.2	2.3	2.7	2.6	2.4	2.3	2.2
Croatia	-1.0	16.1	11.3	9.1	4.6	6.1	5.8	5.2	4.9	4.0	3.0	1.9
Hungary	-1.7	17.6	7.9	7.3	7.2	5.3	4.9	4.4	3.5	3.2	3.1	3.1
Poland	-1.1	10.8	4.5	5.9	5.6	5.4	4.8	5.1	5.1	4.5	4.1	3.8
Romania	-0.3	14.4	9.5	5.2	4.7	4.5	4.3	6.8	5.2	5.2	5.2	5.2
Sweden	-0.2	9.5	3.1	4.0	4.1	4.0	3.4	3.0	2.4	1.9	1.5	1.2
EU	-1.2	13.7	3.9	4.9	5.9	4.8	3.5	3.4	3.1	2.7	2.3	2.0
United Kingdom	-6.0	22.1	6.7	6.5	8.8	3.9	3.4	3.4	2.8	2.2	1.4	0.6
Japan	-0.7	7.0	2.3	0.9	2.3	2.2	2.2	1.4	1.1	1.0	0.9	0.8
United States	0.8	8.0	3.5	3.5	3.2	2.9	2.6	2.2	1.8	1.5	1.3	1.2

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, 2003-2023) **25.10.2021**

	5-year averages						Autumn 2021 forecast			*Spring 2021 forecast*		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	*2020*	*2021*	*2022*
Belgium	2.1	-0.2	0.9	1.4	1.6	-5.9	**5.6**	**2.2**	**1.5**	*-6.7*	*4.3*	*3.2*
Germany	1.7	0.8	1.3	0.8	0.8	-4.6	**2.7**	**4.5**	**1.6**	*-5.0*	*3.3*	*3.9*
Estonia	8.9	-1.4	3.2	3.9	3.6	-3.3	**9.0**	**3.8**	**3.6**	*-3.2*	*2.9*	*5.1*
Ireland	2.8	-2.3	8.0	7.7	3.5	4.7	**13.4**	**3.9**	**2.9**	*2.3*	*3.5*	*3.9*
Greece	3.8	-5.5	0.2	1.9	1.9	-9.0	**7.4**	**5.5**	**3.9**	*-8.1*	*5.1*	*6.7*
Spain	1.7	-2.0	2.0	1.9	1.3	-11.3	**4.0**	**4.8**	**3.6**	*-11.3*	*5.4*	*6.2*
France	1.3	-0.2	0.8	1.4	1.5	-8.1	**6.3**	**3.5**	**2.1**	*-8.4*	*5.4*	*3.9*
Italy	0.5	-1.9	0.4	1.1	0.7	-8.5	**6.3**	**4.3**	**2.4**	*-8.4*	*4.3*	*4.5*
Cyprus	2.8	-2.3	1.4	4.4	3.9	-6.3	**4.2**	**3.0**	**2.3**	*-6.0*	*2.0*	*2.6*
Latvia	10.9	-1.2	3.7	4.8	3.2	-3.0	**5.3**	**5.6**	**4.5**	*-3.0*	*4.0*	*6.6*
Lithuania	10.1	1.1	4.3	5.0	4.9	-0.2	**5.2**	**4.3**	**4.0**	*-0.9*	*3.1*	*4.6*
Luxembourg	3.1	-1.4	0.5	0.0	1.2	-3.3	**3.8**	**1.7**	**0.8**	*-2.8*	*2.5*	*1.3*
Malta	2.4	1.9	5.1	2.5	1.6	-10.3	**2.3**	**3.5**	**2.1**	*-9.0*	*1.9*	*3.4*
Netherlands	2.0	-0.4	1.2	1.8	1.3	-4.3	**3.6**	**2.8**	**1.0**	*-4.3*	*1.9*	*3.1*
Austria	2.1	0.3	0.3	2.0	1.0	-7.1	**4.0**	**4.4**	**1.4**	*-7.0*	*3.0*	*3.8*
Portugal	0.9	-1.3	1.8	3.0	2.7	-8.5	**4.5**	**5.2**	**2.3**	*-7.8*	*3.9*	*5.0*
Slovenia	4.5	-1.3	2.3	4.1	2.4	-4.9	**6.2**	**3.9**	**3.3**	*-6.2*	*4.6*	*4.9*
Slovakia	7.3	2.0	2.6	3.6	2.5	-4.5	**3.7**	**5.2**	**4.2**	*-4.9*	*4.7*	*5.1*
Finland	3.3	-1.1	0.7	1.0	1.2	-3.0	**3.4**	**2.8**	**1.9**	*-2.9*	*2.6*	*2.6*
Euro area	1.6	-0.6	1.3	1.6	1.3	-6.5	**4.8**	**4.1**	**2.1**	*-6.7*	*4.1*	*4.2*
Bulgaria	7.0	2.4	2.6	3.4	4.8	-3.8	**4.5**	**4.7**	**4.1**	*-3.6*	*4.2*	*5.3*
Czechia	5.2	-0.1	2.9	2.8	2.6	-6.1	**2.8**	**4.2**	**3.0**	*-5.9*	*3.3*	*4.4*
Denmark	1.7	-0.9	1.6	1.5	1.7	-2.3	**3.9**	**2.4**	**2.0**	*-3.0*	*2.5*	*3.1*
Croatia	4.7	-1.6	2.4	3.9	4.1	-7.7	**8.7**	**6.1**	**3.9**	*-7.6*	*5.2*	*6.2*
Hungary	3.7	-0.6	3.5	5.5	4.6	-4.5	**7.6**	**5.6**	**3.4**	*-4.7*	*5.2*	*5.7*
Poland	5.1	3.1	3.4	5.4	4.8	-2.5	**5.0**	**5.4**	**4.6**	*-2.6*	*4.2*	*5.6*
Romania	7.3	1.4	5.0	5.1	4.7	-3.4	**7.8**	**5.7**	**5.8**	*-3.6*	*5.9*	*5.5*
Sweden	3.0	-0.1	1.5	0.8	1.0	-3.5	**3.6**	**3.2**	**1.4**	*-3.5*	*4.0*	*2.9*
EU	2.0	-0.3	1.6	1.9	1.6	-6.0	**4.9**	**4.2**	**2.4**	*-6.2*	*4.1*	*4.3*
United Kingdom	1.9	-0.7	1.6	1.0	1.1	-10.1	**6.6**	**4.5**	**1.4**	*-10.2*	*4.6*	*4.9*
Japan	1.6	-0.3	1.4	0.8	0.5	-4.4	**2.6**	**2.6**	**1.1**	*-4.6*	*3.3*	*2.7*
United States	2.0	0.0	1.5	2.4	1.8	-3.9	**5.3**	**3.9**	**1.9**	*-4.0*	*5.6*	*3.1*

Table 5: Domestic demand, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.6	1.1	1.5	2.5	1.9	-6.1	**5.6**	**3.3**	**2.2**	-6.0	4.7	4.0
Germany	0.9	0.6	2.0	1.7	1.8	-4.0	**2.7**	**4.5**	**1.7**	-4.2	2.0	5.1
Estonia	10.5	-3.1	3.2	4.5	2.7	3.3	**8.8**	**2.0**	**3.0**	2.4	-1.0	5.1
Ireland	6.0	-2.8	8.5	-2.8	43.5	-14.8	**-13.1**	**4.3**	**3.4**	-17.9	4.9	6.4
Greece	4.6	-7.0	-0.4	1.4	1.1	-3.5	**4.7**	**2.5**	**2.0**	-2.4	3.4	3.4
Spain	4.5	-3.1	1.7	3.0	1.7	-8.9	**4.4**	**5.1**	**4.2**	-9.1	6.2	6.3
France	2.4	0.3	1.5	1.4	2.1	-6.7	**6.5**	**3.5**	**1.7**	-6.6	5.1	3.4
Italy	1.1	-2.0	0.4	1.3	-0.3	-8.4	**6.2**	**4.5**	**2.5**	-8.4	4.3	4.6
Cyprus	5.9	-0.6	1.5	3.5	5.9	-3.3	**4.4**	**2.5**	**2.1**	0.7	2.2	2.0
Latvia	12.7	-5.2	2.2	5.2	3.0	-3.8	**4.2**	**5.4**	**4.2**	-3.9	5.7	5.9
Lithuania	10.9	-3.3	3.5	3.4	1.6	-3.8	**6.6**	**4.4**	**4.0**	-5.0	3.6	4.6
Luxembourg	2.8	2.6	2.7	0.4	4.7	-2.3	**5.3**	**5.0**	**3.0**	-4.3	5.5	4.5
Malta	4.4	1.0	5.3	8.4	7.3	-3.3	**6.0**	**5.2**	**4.5**	-1.3	5.8	4.8
Netherlands	2.1	-0.8	1.5	2.4	3.0	-4.3	**3.2**	**3.9**	**1.7**	-3.7	1.9	4.0
Austria	2.3	0.6	1.3	2.4	0.6	-5.8	**5.0**	**4.3**	**2.0**	-6.3	3.6	3.8
Portugal	1.1	-2.7	1.6	3.2	3.1	-5.6	**4.6**	**4.0**	**2.4**	-4.6	3.8	4.0
Slovenia	5.0	-2.5	1.6	5.0	3.3	-4.6	**8.6**	**4.9**	**3.8**	-6.5	4.5	5.5
Slovakia	5.4	-0.1	3.0	3.5	3.9	-5.2	**3.4**	**6.1**	**4.7**	-5.5	3.6	5.5
Finland	3.6	0.2	1.1	2.7	-0.4	-2.7	**3.1**	**2.8**	**1.8**	-2.7	3.0	2.3
Euro area	2.2	-0.8	1.6	1.8	2.4	-6.2	**4.2**	**4.2**	**2.2**	-6.3	3.8	4.5
Bulgaria	9.7	-0.8	1.1	5.4	4.8	0.1	**2.7**	**2.7**	**3.2**	-1.0	2.9	3.3
Czechia	4.4	-0.7	2.8	4.8	3.2	-5.7	**6.0**	**4.4**	**2.7**	-5.7	3.0	4.6
Denmark	3.1	-0.8	2.2	2.8	0.8	0.0	**4.2**	**2.5**	**2.3**	-0.7	2.9	3.1
Croatia	5.3	-2.9	1.5	4.8	3.4	-2.8	**5.8**	**4.4**	**4.3**	-2.3	3.4	4.4
Hungary	2.7	-2.5	3.3	7.1	6.8	-2.7	**4.8**	**6.0**	**2.9**	-3.0	4.0	5.0
Poland	5.5	2.5	3.0	5.6	3.6	-3.4	**6.1**	**5.8**	**4.4**	-3.7	3.9	5.6
Romania	11.2	-0.8	4.4	5.9	5.6	-2.2	**7.4**	**4.9**	**5.3**	-2.1	5.9	5.6
Sweden	3.2	0.9	3.1	1.7	0.2	-3.2	**4.2**	**3.2**	**1.5**	-3.0	3.9	2.9
EU	2.5	-0.6	1.8	2.1	2.5	-5.7	**4.3**	**4.2**	**2.4**	-5.8	3.8	4.5
United Kingdom	2.7	0.0	2.8	1.2	1.6	-10.3	**7.2**	**5.2**	**2.1**	-10.5	7.2	5.3
Japan	1.0	-0.1	1.0	0.5	0.5	-3.8	**1.8**	**2.3**	**1.0**	-3.8	2.4	2.6
United States	3.0	0.4	2.3	3.1	2.4	-3.1	**6.9**	**4.7**	**2.4**	-3.3	6.8	4.0

Table 6: Final demand, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	3.6	0.9	2.7	1.6	1.9	-5.8	**7.5**	**3.5**	**2.5**	-5.4	5.2	4.0
Germany	2.9	1.1	2.5	1.9	1.6	-5.7	**4.3**	**5.6**	**2.9**	-5.9	4.7	5.0
Estonia	11.7	0.4	3.0	4.2	4.4	-0.3	**9.8**	**4.3**	**3.7**	-1.0	1.7	5.3
Ireland	5.5	-0.5	11.4	5.9	22.5	-0.9	**4.6**	**5.4**	**4.5**	-3.6	6.2	5.4
Greece	5.0	-6.1	0.8	3.4	2.2	-8.6	**7.4**	**5.7**	**4.1**	-7.8	4.7	6.2
Spain	4.5	-2.2	2.5	2.7	1.9	-11.9	**6.3**	**6.4**	**5.0**	-12.0	7.2	7.9
France	2.6	0.5	1.9	2.2	2.0	-8.8	**6.9**	**4.6**	**3.0**	-8.9	6.1	4.8
Italy	1.8	-1.7	1.0	1.5	0.2	-9.8	**7.8**	**5.2**	**3.2**	-9.7	5.7	5.4
Cyprus	4.5	0.0	3.5	5.1	6.6	-4.1	**5.2**	**4.6**	**4.1**	-4.7	3.4	4.2
Latvia	12.6	-2.4	2.9	4.9	2.7	-3.2	**5.1**	**5.2**	**4.1**	-3.5	6.0	6.0
Lithuania	10.8	0.5	4.2	4.8	5.2	-1.9	**9.0**	**4.8**	**4.2**	-2.7	4.9	5.2
Luxembourg	5.7	1.9	4.1	2.8	5.5	0.4	**9.1**	**4.2**	**3.0**	0.9	3.5	2.4
Malta	5.2	4.7	6.0	2.9	6.3	-5.2	**5.5**	**5.9**	**4.3**	-5.4	5.4	5.4
Netherlands	3.6	0.4	2.9	3.4	2.5	-4.5	**4.9**	**4.6**	**2.3**	-4.0	4.0	4.6
Austria	3.6	0.8	1.8	3.4	1.6	-7.6	**6.2**	**6.0**	**3.2**	-7.8	5.0	5.1
Portugal	2.0	-1.7	2.9	3.5	3.4	-9.6	**6.3**	**5.6**	**2.9**	-8.9	5.5	5.3
Slovenia	7.2	-1.3	3.6	5.6	3.9	-6.5	**10.1**	**6.2**	**4.9**	-7.6	6.9	6.4
Slovakia	10.4	1.8	4.0	4.3	2.4	-6.2	**7.3**	**6.3**	**5.3**	-6.5	7.6	5.4
Finland	4.5	-0.3	1.4	2.4	1.6	-3.9	**4.4**	**3.9**	**2.7**	-3.8	3.6	3.6
Euro area	3.2	-0.2	2.5	2.4	2.5	-7.2	**6.0**	**5.2**	**3.2**	-7.3	5.4	5.2
Bulgaria	10.6	0.4	3.2	3.9	4.5	-4.8	**5.3**	**4.8**	**4.1**	-5.1	4.4	5.2
Czechia	8.5	1.3	3.9	4.3	2.4	-6.2	**7.1**	**4.5**	**4.1**	-5.8	5.4	5.3
Denmark	3.6	-0.1	2.6	3.0	2.4	-2.7	**5.6**	**4.1**	**3.1**	-3.4	3.8	4.2
Croatia	5.5	-2.6	3.1	4.4	4.5	-9.5	**10.4**	**7.7**	**5.8**	-10.0	7.0	6.8
Hungary	7.3	-0.4	4.7	6.1	6.2	-4.1	**7.5**	**7.6**	**5.6**	-4.7	6.8	6.8
Poland	6.8	3.2	4.6	6.1	4.2	-2.1	**8.2**	**6.2**	**5.1**	-2.4	5.7	6.1
Romania	11.5	0.8	6.4	5.8	5.5	-4.3	**8.0**	**5.5**	**5.5**	-4.3	6.9	6.5
Sweden	4.4	0.8	3.1	2.5	2.0	-3.7	**4.9**	**3.7**	**2.2**	-3.7	5.1	3.4
EU	3.5	0.0	2.7	2.7	2.7	-6.6	**6.1**	**5.2**	**3.4**	-6.8	5.4	5.2
United Kingdom	3.1	0.2	2.7	2.0	2.0	-11.3	**5.7**	**5.6**	**1.9**	-11.7	5.9	5.4
Japan	2.0	-0.2	1.5	1.0	0.2	-5.1	**3.3**	**2.8**	**1.3**	-5.1	3.6	2.8
United States	3.4	0.8	2.3	3.1	2.1	-4.2	**6.8**	**5.0**	**2.6**	-4.3	7.0	4.4

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	1.4	1.5	1.5	1.9	1.8	-8.2	**5.1**	**5.3**	**2.4**	-8.7	4.6	6.3
Germany	0.6	0.9	1.4	1.4	1.6	-5.9	**0.0**	**6.7**	**1.6**	-6.1	0.1	7.3
Estonia	9.8	-2.7	3.8	4.3	4.1	-2.5	**6.6**	**3.6**	**3.0**	-2.3	4.3	5.8
Ireland	5.3	-1.4	2.6	3.7	3.2	-11.1	**7.4**	**6.7**	**4.8**	-9.0	5.5	8.6
Greece	3.6	-4.3	-0.4	1.7	1.8	-7.9	**3.3**	**2.5**	**2.1**	-5.2	2.5	3.3
Spain	3.6	-2.0	1.5	1.7	1.0	-12.0	**4.8**	**5.2**	**3.8**	-12.1	6.4	5.8
France	2.1	0.6	1.2	1.0	1.8	-7.1	**4.4**	**5.1**	**1.7**	-7.2	3.4	5.6
Italy	1.1	-1.1	0.5	0.9	0.2	-10.7	**5.3**	**4.8**	**2.0**	-10.7	3.1	4.9
Cyprus	5.8	0.4	1.1	5.1	3.0	-5.0	**3.1**	**1.9**	**1.0**	-3.9	1.1	2.3
Latvia	11.6	-3.6	3.1	3.0	0.2	-7.6	**2.7**	**7.5**	**5.2**	-10.0	6.5	8.9
Lithuania	11.1	-2.2	3.9	3.6	3.1	-2.1	**5.6**	**4.8**	**4.1**	-2.0	3.1	3.8
Luxembourg	1.9	2.4	2.6	2.7	2.5	-6.9	**4.0**	**5.8**	**2.8**	-6.9	6.5	4.3
Malta	3.3	1.3	3.2	8.8	4.6	-10.0	**4.3**	**4.6**	**5.1**	-7.6	4.4	5.8
Netherlands	0.6	-0.4	0.9	2.2	0.9	-6.6	**2.7**	**5.8**	**2.2**	-6.4	1.1	6.5
Austria	1.9	0.9	0.8	1.1	0.7	-8.5	**4.2**	**6.3**	**2.4**	-9.6	3.0	5.3
Portugal	1.6	-1.6	1.6	2.6	3.3	-7.1	**4.6**	**4.2**	**2.4**	-5.9	4.0	3.8
Slovenia	3.2	0.9	1.2	3.6	4.8	-6.6	**8.4**	**5.1**	**3.5**	-9.7	4.4	5.6
Slovakia	5.3	1.2	2.4	4.1	2.7	-1.3	**1.7**	**4.3**	**3.2**	-1.0	0.8	5.2
Finland	3.7	1.0	1.0	1.7	0.7	-4.7	**3.1**	**3.8**	**2.2**	-4.9	3.4	3.6
Euro area	1.7	-0.2	1.2	1.5	1.3	-7.9	**3.2**	**5.5**	**2.2**	-8.0	2.7	6.0
Bulgaria	8.6	1.4	1.0	3.7	6.0	-0.4	**6.0**	**3.0**	**3.4**	0.2	1.9	3.6
Czechia	3.9	0.6	2.8	3.5	2.7	-6.8	**4.0**	**5.5**	**2.3**	-5.2	1.5	4.3
Denmark	2.9	-0.3	1.6	3.5	1.2	-1.3	**3.4**	**4.4**	**2.8**	-1.9	3.1	3.9
Croatia	4.0	-1.8	0.5	3.3	4.1	-5.3	**7.8**	**3.5**	**3.3**	-6.2	4.9	3.4
Hungary	3.1	-2.2	3.1	5.1	5.0	-1.4	**3.6**	**7.1**	**3.7**	-2.3	3.7	6.0
Poland	3.6	3.2	3.0	4.5	3.9	-2.9	**5.9**	**6.5**	**4.5**	-3.1	4.2	5.9
Romania	11.9	-0.1	5.8	7.7	3.9	-5.3	**7.5**	**4.2**	**4.5**	-5.2	6.1	5.9
Sweden	2.9	1.7	2.7	1.8	0.7	-4.7	**3.7**	**3.5**	**2.0**	-4.7	3.8	5.5
EU	2.0	0.0	1.4	1.8	1.6	-7.3	**3.5**	**5.5**	**2.3**	-7.4	2.8	5.9
United Kingdom	2.4	0.1	2.8	2.4	1.3	-10.8	**5.5**	**5.9**	**1.9**	-10.9	6.4	5.9
Japan	1.0	0.3	0.4	0.3	-0.3	-5.9	**1.9**	**2.5**	**0.9**	-5.9	2.2	3.5
United States	3.2	0.8	2.5	2.9	2.2	-3.8	**8.5**	**4.8**	**2.7**	-3.9	7.4	4.5

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	1.5	1.3	0.5	1.3	1.7	0.2	**3.0**	**0.1**	**2.0**	0.6	4.1	0.4
Germany	0.7	2.1	2.3	1.0	3.0	3.5	**3.0**	**0.7**	**0.5**	3.3	3.6	1.0
Estonia	4.0	1.2	2.3	1.0	3.0	3.0	**5.7**	**1.1**	**1.3**	3.6	2.1	0.1
Ireland	4.1	-1.4	2.8	5.3	6.8	9.4	**4.2**	**0.0**	**-3.9**	6.6	2.3	2.0
Greece	4.7	-3.3	-1.3	-3.5	1.7	2.6	**4.4**	**-3.5**	**-2.2**	2.7	2.2	-2.3
Spain	5.5	1.4	0.2	2.3	2.0	3.3	**3.3**	**2.7**	**1.5**	3.8	2.7	1.9
France	1.7	1.5	1.3	0.8	1.0	-3.2	**5.4**	**0.4**	**1.2**	-3.0	6.0	-0.3
Italy	0.5	-0.4	-0.3	0.1	-0.5	1.9	**1.3**	**1.2**	**1.0**	1.6	2.9	0.1
Cyprus	3.7	2.4	-1.8	3.6	12.7	15.0	**7.6**	**1.6**	**2.4**	13.1	4.0	-1.6
Latvia	3.9	-2.7	2.7	1.7	3.4	2.6	**6.6**	**-0.6**	**1.5**	2.6	4.8	-3.6
Lithuania	3.0	-0.7	0.2	0.2	-0.3	-0.4	**0.2**	**0.1**	**0.0**	0.6	0.1	-0.5
Luxembourg	1.8	3.6	2.4	4.7	3.9	7.7	**4.6**	**4.1**	**3.7**	6.9	2.7	4.2
Malta	1.3	3.3	1.3	12.4	14.2	15.1	**9.6**	**3.4**	**0.7**	16.1	6.2	-2.2
Netherlands	3.0	1.4	0.6	1.7	2.8	1.0	**4.2**	**1.9**	**0.8**	0.6	2.7	1.3
Austria	1.9	1.2	1.0	1.2	1.5	-0.5	**3.4**	**-0.1**	**0.4**	1.6	3.3	1.1
Portugal	1.5	-1.1	-0.2	0.6	2.1	0.4	**4.5**	**2.0**	**0.5**	0.4	2.0	1.7
Slovenia	2.8	0.9	0.6	3.0	2.0	4.2	**2.4**	**1.9**	**1.5**	1.8	2.4	1.1
Slovakia	2.9	1.9	2.7	-0.1	4.6	0.9	**4.1**	**2.7**	**1.4**	0.3	2.5	-0.2
Finland	1.4	0.7	0.6	2.0	2.0	0.5	**3.2**	**0.0**	**-1.0**	2.3	3.2	-1.3
Euro area	1.8	1.1	1.1	1.1	1.8	1.3	**3.6**	**0.9**	**0.8**	1.3	3.8	0.6
Bulgaria	3.6	-0.3	1.8	5.3	2.0	8.3	**-1.0**	**0.5**	**-0.9**	7.5	1.3	0.0
Czechia	1.3	-0.1	1.9	3.8	2.5	3.4	**1.5**	**0.7**	**1.5**	3.5	2.8	1.4
Denmark	1.3	1.6	0.9	0.0	1.5	-1.7	**4.3**	**-1.6**	**0.9**	-0.1	1.6	0.4
Croatia	3.9	0.3	0.9	2.4	3.3	4.1	**2.7**	**1.1**	**1.4**	3.4	2.5	1.5
Hungary	1.1	0.5	2.7	1.8	4.2	0.4	**3.7**	**0.8**	**0.7**	-1.0	5.0	-1.6
Poland	3.9	1.7	2.7	3.5	6.5	4.9	**2.0**	**1.7**	**3.9**	4.4	3.3	3.3
Romania	-1.1	1.2	1.0	3.3	7.3	1.7	**2.3**	**0.7**	**0.7**	2.0	3.5	2.4
Sweden	0.5	1.4	1.8	0.8	0.3	-0.6	**2.5**	**-0.9**	**-0.7**	-0.5	5.0	-1.9
EU	1.8	1.1	1.2	1.2	2.0	1.3	**3.4**	**0.8**	**0.8**	1.3	3.7	0.6
United Kingdom	3.0	1.1	0.8	0.4	4.2	-6.3	**12.9**	**1.8**	**3.2**	-6.5	11.9	1.4
Japan	1.1	1.5	1.2	1.0	1.9	2.7	**2.6**	**2.0**	**1.0**	2.7	4.1	1.3
United States	1.4	0.4	0.1	1.2	2.0	2.0	**1.5**	**1.7**	**1.1**	0.3	1.6	1.9

Table 9: Total investment, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	4.7	0.2	2.4	3.0	4.5	-6.2	10.5	2.0	1.6	-6.9	6.0	2.8
Germany	1.9	0.7	2.0	3.4	1.8	-2.2	2.4	3.5	3.1	-3.1	3.2	3.9
Estonia	14.2	-4.1	2.7	0.0	6.1	19.9	11.0	2.5	3.6	18.4	-11.4	7.9
Ireland	8.2	-6.3	20.6	-8.9	99.5	-22.9	-31.8	4.1	5.4	-32.3	6.5	6.6
Greece	7.6	-17.7	0.1	-4.3	-3.3	-0.3	15.3	13.4	8.2	-0.6	12.9	15.1
Spain	5.8	-8.5	2.8	6.3	4.5	-9.5	3.7	7.4	8.1	-11.4	9.6	12.7
France	3.5	-0.9	1.5	3.3	4.0	-8.6	12.5	3.9	2.8	-10.2	11.0	3.1
Italy	1.3	-4.9	0.0	3.1	0.7	-9.2	15.8	5.9	5.6	-9.1	9.9	8.4
Cyprus	8.3	-8.1	6.8	-4.9	2.9	0.0	5.2	4.9	4.8	-2.0	3.8	4.8
Latvia	19.2	-6.9	-1.6	11.8	6.9	0.2	5.5	5.8	3.8	0.2	4.3	7.1
Lithuania	16.6	-6.8	6.2	10.0	6.6	-1.8	12.8	6.0	6.1	-0.2	6.2	9.1
Luxembourg	3.9	2.8	1.7	-6.2	9.8	-4.6	10.9	3.6	2.7	-8.8	7.0	5.0
Malta	11.0	-1.3	13.3	4.7	8.2	-6.5	6.5	8.5	7.5	-4.5	8.5	10.1
Netherlands	4.5	-4.1	3.7	3.6	6.2	-4.1	4.0	2.6	2.0	-3.6	2.7	2.3
Austria	2.2	-0.2	2.4	4.4	4.8	-5.2	8.3	4.2	2.3	-4.9	4.8	3.3
Portugal	-1.0	-7.7	3.4	6.2	5.4	-2.7	5.4	5.2	4.3	-1.9	4.6	6.9
Slovenia	7.4	-8.9	1.6	9.7	5.5	-8.2	10.3	8.0	7.0	-4.1	7.2	9.5
Slovakia	6.8	-1.5	3.4	2.8	6.7	-11.6	2.8	15.7	12.1	-12.0	8.6	12.5
Finland	4.4	-1.3	1.4	3.6	-1.6	-0.7	3.1	3.6	3.8	-3.1	2.1	3.4
Euro area	3.4	-2.9	2.3	3.1	6.7	-7.0	5.2	4.4	3.9	-8.2	6.7	5.3
Bulgaria	15.8	-4.2	0.6	5.4	4.5	0.6	-2.3	4.0	6.9	-5.1	3.4	6.1
Czechia	6.2	-1.9	2.4	10.0	5.9	-7.2	6.4	10.7	4.3	-8.1	3.6	7.9
Denmark	5.0	-3.6	4.6	4.2	0.1	5.1	6.3	3.1	2.8	2.1	3.4	4.2
Croatia	7.8	-5.8	2.6	3.8	9.8	-6.1	7.4	10.5	9.5	-2.9	7.3	10.2
Hungary	3.6	-4.4	6.7	16.3	12.8	-6.9	7.6	8.4	3.4	-7.3	3.8	8.4
Poland	10.0	2.5	2.0	9.4	6.1	-9.0	8.7	7.8	5.3	-9.6	3.7	7.2
Romania	20.8	-3.7	1.6	-1.1	12.9	6.8	8.8	9.5	12.5	6.8	5.8	7.4
Sweden	6.0	-0.5	4.6	1.4	-0.3	-0.4	6.1	6.1	2.6	0.6	2.0	3.6
EU	3.9	-2.7	2.5	3.4	6.4	-6.3	5.5	4.8	4.1	-7.4	6.2	5.4
United Kingdom	3.3	-2.3	4.9	-0.1	0.5	-9.1	5.7	7.2	1.6	-8.8	3.8	8.3
Japan	0.2	-2.1	2.3	0.2	0.9	-4.1	0.9	2.1	1.2	-4.1	1.2	1.8
United States	3.6	-0.9	3.7	4.4	3.1	-1.6	6.8	3.5	2.5	-0.8	8.2	3.8

Table 10: Investment in construction, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	5.0	1.5	1.1	3.9	4.3	-6.4	10.5	1.8	1.3	-7.0	6.5	2.7
Germany	-1.1	1.4	0.8	2.6	1.1	2.5	1.4	2.4	2.2	1.9	0.0	3.0
Estonia	14.4	-5.4	3.4	-9.6	12.8	-3.6	2.1	3.9	5.9	3.5	5.0	7.1
Ireland	7.0	-18.3	10.3	10.6	5.6	-5.5	9.9	7.6	6.9	-9.1	3.2	8.2
Greece	6.6	-18.2	-6.5	-11.0	-15.0	3.7	14.6	16.2	10.5	10.7	20.6	22.6
Spain	5.1	-11.3	0.8	9.5	7.1	-9.6	-2.7	7.6	9.0	-14.0	8.4	11.8
France	4.0	-2.1	0.3	3.0	4.4	-12.0	15.1	3.3	2.0	-13.2	13.5	3.3
Italy	1.4	-6.1	-3.1	2.0	2.5	-6.7	21.4	6.2	5.0	-6.3	11.3	8.9
Cyprus	12.3	-10.2	-1.7	25.6	15.0	-5.7	6.6	5.2	4.7	-8.2	2.6	3.1
Latvia	18.9	-6.4	-3.1	17.8	1.2	1.5	4.8	7.3	3.4	1.5	5.5	9.7
Lithuania	15.9	-8.4	3.8	10.8	9.8	-0.8	12.0	6.8	6.0	-0.4	4.2	4.2
Luxembourg	2.5	0.1	2.8	1.1	9.1	-7.6	10.9	3.6	2.7	-4.2	6.1	6.4
Malta	3.9	-4.4	12.5	9.0	12.6	-3.2	7.0	10.1	9.5	0.4	9.9	10.0
Netherlands	2.4	-5.8	4.4	7.0	5.4	-1.4	3.0	2.7	2.7	-1.9	-2.3	1.6
Austria	1.4	-1.6	0.4	5.6	4.0	-3.7	6.0	2.9	2.7	-3.3	4.2	2.5
Portugal	-3.4	-9.4	-0.1	4.7	7.5	1.3	4.3	3.3	3.3	4.6	4.3	3.3
Slovenia	5.9	-11.8	-1.4	9.9	9.1	-4.9	2.6	9.7	9.9	0.1	8.7	9.7
Slovakia	9.2	-5.3	2.1	2.5	-2.2	4.5	0.4	12.5	10.8	-5.4	8.2	9.2
Finland	5.0	-1.1	1.7	4.7	-1.4	-0.4	1.5	2.7	2.4	-1.5	1.8	2.7
Euro area	2.6	-4.3	0.4	3.9	3.3	-4.6	7.4	3.9	3.5	-5.5	5.8	4.8
Bulgaria	17.9	0.1	-2.8	0.8	-5.9	-0.1	-3.7	5.0	7.3	-6.7	4.7	7.3
Czechia	4.8	-3.1	0.7	8.3	5.1	-2.4	5.8	10.4	6.4	-3.3	3.8	8.9
Denmark	4.9	-5.8	4.4	3.4	2.1	10.4	10.0	2.9	2.3	7.6	3.6	3.9
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	0.2	-6.8	5.7	20.7	13.8	-4.3	7.1	9.2	2.4	7.1	-1.6	8.0
Poland	8.6	4.5	-1.0	10.9	7.5	-8.5	0.1	5.9	4.6	-9.1	-1.6	6.9
Romania	22.8	-3.4	6.2	-8.5	12.7	11.1	8.4	10.4	10.4	15.4	5.9	9.3
Sweden	6.4	-2.4	6.1	1.9	0.0	-0.4	2.8	4.4	2.3	-0.2	-0.7	2.1
EU	3.0	-4.0	0.8	4.1	3.6	-3.9	7.0	4.3	3.6	-4.6	5.1	5.0
United Kingdom	3.1	-3.5	5.6	1.7	1.5	-10.4	9.5	7.6	2.5	-11.6	3.8	10.2
Japan	-3.7	-2.8	2.6	-1.7	1.2	0.0	:	:	:	0.0	0.0	0.0
United States	0.6	-5.5	3.7	1.1	0.8	-0.8	1.4	1.7	2.3	3.2	7.0	3.8

Table 11: Investment in equipment, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	4.5	-3.2	3.4	1.8	3.1	-5.4	10.3	2.1	2.1	-6.2	5.0	3.0
Germany	5.9	-1.0	2.7	4.4	1.0	-11.2	5.4	5.6	4.7	-12.1	9.0	6.0
Estonia	13.8	-4.2	0.3	15.1	-4.9	-3.5	6.7	5.0	4.6	-16.3	11.6	9.4
Ireland	13.9	1.5	9.2	19.1	-5.8	-28.3	15.2	10.3	7.4	-25.2	2.2	8.1
Greece	9.5	-21.4	9.7	-0.4	3.0	-4.8	22.4	16.3	8.9	-7.1	13.4	14.6
Spain	7.0	-7.3	5.6	4.7	3.2	-12.9	15.0	8.0	7.5	-13.0	12.2	15.0
France	2.7	-1.0	2.5	2.6	3.0	-10.6	11.3	2.8	2.4	-13.6	10.7	3.3
Italy	1.9	-5.3	2.7	4.5	-0.9	-15.1	15.8	5.4	5.2	-15.2	12.4	8.8
Cyprus	0.8	-6.1	17.4	-37.1	-15.4	15.4	4.6	6.3	7.0	15.6	7.9	10.0
Latvia	22.4	-9.3	-0.5	3.9	14.5	-2.0	6.9	4.3	4.4	-2.2	2.8	3.5
Lithuania	18.1	-7.0	9.9	8.0	3.5	-5.5	13.5	5.2	6.2	-5.1	7.9	9.8
Luxembourg	7.0	6.7	0.1	-22.5	15.1	-5.1	10.9	3.6	2.7	-12.6	9.0	1.9
Malta	27.8	-0.1	13.2	-6.9	1.0	-21.3	:	:	:	-25.0	:	:
Netherlands	3.8	-0.3	2.8	0.7	7.9	-12.1	4.3	2.9	1.4	-8.9	12.7	0.7
Austria	2.6	-0.6	4.1	1.3	4.3	-8.7	13.4	6.1	1.1	-11.1	6.4	4.3
Portugal	3.2	-9.6	10.6	8.9	1.8	-12.0	7.7	9.2	5.8	-12.0	4.9	15.4
Slovenia	10.3	-8.3	5.4	10.4	2.0	-14.0	20.2	7.7	4.8	-11.1	7.0	11.5
Slovakia	3.6	4.1	3.4	1.9	13.9	-26.9	5.4	23.3	16.5	-19.2	9.6	16.5
Finland	4.0	-0.6	3.8	-1.7	-4.9	-0.6	9.2	7.0	8.5	-9.1	3.4	6.5
Euro area	4.7	-3.0	3.5	3.8	1.8	-12.0	10.1	5.4	4.5	-12.8	9.7	6.7
Bulgaria	14.8	-9.6	2.5	8.8	15.1	3.3	-8.6	2.7	7.7	-3.7	4.7	3.7
Czechia	7.6	-1.5	3.0	8.9	2.6	-13.7	8.5	12.5	0.0	-15.0	3.2	7.2
Denmark	5.8	-5.0	5.8	1.9	-4.6	-6.5	6.7	3.9	3.4	-7.0	4.1	6.1
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	7.0	-2.7	8.5	12.9	12.4	-9.0	8.9	7.4	6.0	-23.6	12.7	8.9
Poland	12.0	-0.4	5.5	8.0	3.2	-12.2	17.2	10.2	5.4	-11.8	11.1	8.4
Romania	19.7	-4.0	-5.1	11.6	5.3	1.9	9.2	7.8	17.4	-4.2	6.7	5.9
Sweden	7.9	1.0	2.9	0.3	1.1	-9.0	10.0	10.0	2.5	-6.4	5.8	5.2
EU	5.4	-2.8	3.4	4.2	2.0	-11.4	10.1	6.1	4.6	-12.4	9.3	6.8
United Kingdom	3.4	-3.9	4.9	-7.7	-1.8	-15.4	1.7	6.6	1.1	-11.5	5.7	9.7
Japan	5.1	-1.9	2.4	3.1	0.5	0.0	:	:	:	0.0	0.0	0.0
United States	7.3	2.4	2.7	6.3	3.7	-7.0	12.9	4.7	2.6	-4.1	12.0	3.8

Table 12: Public investment (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.0	2.3	2.4	2.6	2.6	2.7	2.9	3.0	3.1	2.8	3.0	2.9
Germany	2.0	2.3	2.2	2.4	2.4	2.6	2.6	2.6	2.6	2.7	2.8	2.8
Estonia	5.1	5.7	5.2	5.3	5.0	5.8	5.9	6.0	6.0	5.7	6.3	6.2
Ireland	3.8	3.4	2.0	2.1	2.4	2.4	2.2	2.5	2.8	2.7	2.9	3.0
Greece	5.3	4.0	3.8	3.2	2.5	3.1	3.1	4.3	4.1	3.0	4.9	5.8
Spain	4.3	4.2	2.2	2.2	2.1	2.6	2.7	2.7	2.6	2.5	2.5	2.4
France	4.0	4.1	3.6	3.4	3.7	3.7	4.0	4.0	4.0	3.8	3.9	3.9
Italy	3.2	3.1	2.3	2.1	2.3	2.6	2.8	3.2	3.2	2.7	2.9	3.2
Cyprus	3.6	3.7	2.3	4.9	2.5	2.8	2.9	2.9	3.0	2.9	3.5	3.5
Latvia	4.2	5.2	4.5	5.6	5.1	5.7	6.1	7.1	6.1	5.7	6.2	6.1
Lithuania	4.0	4.7	3.4	3.2	3.1	4.1	3.5	3.6	3.5	4.1	3.9	3.9
Luxembourg	4.6	4.1	3.8	3.9	4.1	4.8	4.3	4.3	4.3	5.0	4.3	4.2
Malta	4.1	2.7	3.1	3.2	3.8	4.5	4.7	4.9	4.8	4.5	5.6	5.3
Netherlands	3.9	4.1	3.5	3.4	3.4	3.6	3.6	3.7	3.7	3.4	3.9	3.7
Austria	2.7	3.2	3.0	3.1	3.1	3.3	3.3	3.3	3.2	3.4	3.6	3.5
Portugal	3.9	3.8	1.9	1.8	1.8	2.2	2.5	3.0	3.5	2.2	2.5	3.2
Slovenia	4.1	4.6	4.1	3.7	3.8	4.1	5.2	6.5	6.1	4.2	5.8	5.8
Slovakia	3.3	3.6	4.1	3.7	3.6	3.5	3.6	4.2	5.7	3.5	3.8	3.7
Finland	3.6	3.8	4.1	4.3	4.4	4.9	4.9	4.8	4.5	4.6	4.6	4.3
Euro area	3.2	3.3	2.7	2.7	2.8	3.0	3.1	3.2	3.2	3.1	3.3	3.3
Bulgaria	3.9	4.4	4.2	3.1	3.3	3.8	3.9	4.5	4.8	4.5	4.2	4.2
Czechia	5.6	5.0	3.9	4.1	4.4	4.9	4.8	5.1	5.1	4.9	5.2	5.3
Denmark	2.8	3.3	3.7	3.4	3.2	3.6	3.6	3.5	3.5	3.6	3.7	3.7
Croatia	6.3	4.7	3.4	3.5	4.3	5.6	5.5	6.0	6.3	5.6	6.3	7.4
Hungary	4.2	3.4	4.8	5.8	6.2	6.4	6.5	7.1	6.6	6.4	6.4	6.6
Poland	3.4	5.2	4.1	4.7	4.3	4.5	4.5	4.5	4.4	4.4	4.7	4.9
Romania	4.1	5.7	4.0	2.7	3.5	4.6	5.5	6.6	7.1	4.6	5.0	5.2
Sweden	4.1	4.4	4.4	4.9	4.9	5.1	5.0	5.0	5.0	5.1	5.0	5.0
EU	3.3	3.5	2.9	2.9	3.0	3.3	3.4	3.5	3.5	3.3	3.5	3.5
United Kingdom	2.2	3.0	2.6	2.6	2.8	3.0	3.3	3.4	3.4	3.1	3.5	3.5
Japan	3.8	3.7	3.8	3.7	3.9	4.2	4.2	4.1	4.1	4.2	4.3	4.2
United States	3.8	3.9	3.2	3.2	3.3	3.6	3.3	3.3	3.3	3.6	3.4	3.4

Table 13: Potential GDP, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.1	1.4	1.2	1.4	1.5	1.2	**1.4**	**1.6**	**1.8**	*1.1*	*1.1*	*1.4*
Germany	1.3	1.0	1.6	1.3	1.2	1.0	**1.2**	**1.3**	**1.4**	*0.9*	*1.1*	*1.3*
Estonia	6.1	0.5	2.6	4.0	4.3	4.0	**4.3**	**3.6**	**3.4**	*4.2*	*3.1*	*3.2*
Ireland	4.7	-0.2	8.0	10.7	9.0	7.5	**5.9**	**5.4**	**5.1**	*4.3*	*4.3*	*4.3*
Greece	3.3	-1.0	-2.1	-1.5	-1.1	-1.3	**0.2**	**1.0**	**1.3**	*-0.9*	*-0.2*	*0.7*
Spain	3.6	1.1	0.2	0.8	1.1	0.2	**1.0**	**1.6**	**1.8**	*0.1*	*1.0*	*1.5*
France	1.8	1.2	0.9	0.9	0.9	0.8	**1.2**	**1.5**	**1.6**	*0.7*	*1.0*	*1.3*
Italy	0.8	-0.2	-0.1	0.2	-0.1	0.3	**0.3**	**1.1**	**1.3**	*0.3*	*0.0*	*0.9*
Cyprus	3.6	2.1	0.2	3.1	3.3	2.8	**3.0**	**3.0**	**3.0**	*2.0*	*2.1*	*2.2*
Latvia	7.2	-0.3	2.0	2.9	3.4	2.7	**3.1**	**3.1**	**2.9**	*2.6*	*2.9*	*3.0*
Lithuania	6.2	1.7	2.1	3.5	4.5	4.3	**4.0**	**4.3**	**3.9**	*4.3*	*4.1*	*3.6*
Luxembourg	3.9	2.2	2.4	2.3	2.8	2.5	**2.9**	**2.8**	**2.9**	*2.6*	*2.8*	*2.8*
Malta	2.7	3.1	5.9	6.1	5.4	2.8	**3.1**	**3.4**	**3.8**	*2.8*	*3.3*	*3.5*
Netherlands	1.8	0.9	1.0	1.6	1.8	1.4	**1.4**	**1.4**	**1.3**	*1.3*	*1.1*	*1.2*
Austria	2.2	1.0	1.1	1.2	1.2	1.0	**1.3**	**1.5**	**1.6**	*0.9*	*1.0*	*1.1*
Portugal	1.0	-0.2	0.3	1.5	1.5	1.2	**1.6**	**1.8**	**1.8**	*1.3*	*1.5*	*1.8*
Slovenia	3.3	1.8	1.0	2.0	2.6	2.0	**2.6**	**3.0**	**3.3**	*2.4*	*2.9*	*3.3*
Slovakia	5.5	3.6	2.1	2.3	2.5	1.6	**2.1**	**3.0**	**3.4**	*1.5*	*2.1*	*2.9*
Finland	2.7	0.5	0.6	1.5	1.5	1.1	**1.4**	**1.6**	**1.5**	*1.2*	*1.4*	*1.4*
Euro area	1.8	0.8	1.0	1.3	1.2	1.0	**1.3**	**1.6**	**1.7**	*0.8*	*1.1*	*1.4*
Bulgaria	5.4	2.0	1.9	2.2	2.3	1.6	**1.9**	**2.2**	**2.3**	*1.8*	*2.1*	*2.3*
Czechia	4.2	1.8	2.3	2.7	2.5	1.4	**1.6**	**2.2**	**2.3**	*1.6*	*1.8*	*2.2*
Denmark	1.5	1.1	1.6	2.0	1.8	2.0	**2.3**	**2.2**	**2.2**	*2.1*	*2.2*	*2.2*
Croatia	3.3	0.1	0.7	1.9	2.6	1.4	**2.9**	**3.1**	**3.0**	*1.1*	*2.4*	*2.6*
Hungary	3.4	0.4	1.9	3.9	4.4	3.7	**3.7**	**3.9**	**3.7**	*3.3*	*3.2*	*3.5*
Poland	3.8	4.0	3.1	3.6	3.8	3.2	**3.6**	**3.8**	**3.7**	*2.9*	*3.2*	*3.4*
Romania	5.7	2.5	3.4	4.1	4.4	3.4	**3.9**	**3.9**	**4.1**	*3.2*	*3.2*	*3.3*
Sweden	2.8	1.7	2.1	2.2	2.1	1.8	**1.5**	**2.0**	**2.0**	*1.9*	*2.0*	*2.1*
EU	2.0	1.0	1.2	1.5	1.5	1.2	**1.5**	**1.8**	**1.9**	*1.0*	*1.3*	*1.6*
United Kingdom	2.3	1.1	1.5	1.3	1.2	0.8	**1.1**	**1.5**	**1.6**	*0.7*	*0.9*	*1.3*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	2.5	1.3	1.8	1.9	2.0	2.3	**2.1**	**2.3**	**2.3**	*1.9*	*2.2*	*2.1*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	0.7	-0.5	-0.2	0.9	1.5	-5.4	**-1.2**	**-0.2**	**0.0**	*-6.3*	*-3.1*	*-0.9*
Germany	-0.6	-0.7	0.2	1.3	1.2	-4.4	**-2.9**	**0.2**	**0.5**	*-4.8*	*-2.7*	*0.0*
Estonia	5.2	-4.0	0.0	1.9	1.6	-5.2	**-0.9**	**-0.8**	**-0.7**	*-4.3*	*-4.5*	*-2.8*
Ireland	1.1	-2.9	1.8	0.4	-3.4	-4.8	**3.0**	**2.7**	**1.8**	*-0.8*	*-0.5*	*0.1*
Greece	3.3	-6.4	-12.6	-5.8	-3.1	-10.7	**-4.7**	**-0.7**	**1.5**	*-10.8*	*-6.9*	*-2.1*
Spain	3.2	-4.3	-4.9	1.4	2.4	-8.9	**-5.6**	**-1.9**	**0.6**	*-9.3*	*-5.0*	*0.0*
France	1.6	-1.1	-1.4	0.9	1.8	-7.0	**-2.1**	**0.1**	**0.8**	*-7.1*	*-2.7*	*0.1*
Italy	1.7	-1.2	-3.0	0.2	0.7	-8.6	**-3.2**	**-0.2**	**0.8**	*-8.6*	*-4.8*	*-1.4*
Cyprus	3.5	0.4	-5.0	3.7	5.7	-2.6	**-0.3**	**0.8**	**1.3**	*-1.9*	*-0.9*	*0.7*
Latvia	4.8	-5.1	0.8	3.2	2.3	-3.9	**-2.4**	**-0.6**	**0.5**	*-3.6*	*-3.0*	*-0.2*
Lithuania	3.8	-4.4	0.7	3.1	3.2	-1.2	**-0.3**	**-0.8**	**-1.3**	*-1.8*	*-2.9*	*-2.6*
Luxembourg	0.9	-1.6	-1.0	-0.8	-0.3	-4.5	**-1.7**	**-0.8**	**-1.0**	*-4.7*	*-3.2*	*-2.7*
Malta	-0.3	-1.2	2.0	5.2	5.5	-5.9	**-4.2**	**-1.7**	**-0.7**	*-5.6*	*-4.5*	*-2.1*
Netherlands	-0.9	-1.2	-1.5	1.2	1.4	-3.8	**-1.4**	**0.6**	**0.8**	*-3.7*	*-2.5*	*-0.2*
Austria	-0.1	-0.4	-0.7	1.7	2.0	-5.8	**-2.9**	**0.3**	**0.6**	*-5.5*	*-3.2*	*-0.2*
Portugal	-0.3	-1.2	-2.0	2.7	3.9	-6.1	**-3.3**	**0.0**	**0.5**	*-5.6*	*-3.3*	*-0.2*
Slovenia	3.7	-1.1	-3.9	3.1	3.8	-2.6	**1.0**	**2.1**	**2.3**	*-3.4*	*-1.6*	*0.0*
Slovakia	1.0	-0.2	-1.2	2.1	2.2	-3.8	**-2.1**	**0.1**	**0.9**	*-3.9*	*-1.4*	*0.8*
Finland	0.7	-1.0	-1.8	0.4	0.3	-3.7	**-1.8**	**-0.6**	**-0.1**	*-3.6*	*-2.3*	*-1.0*
Euro area	0.9	-1.5	-1.7	0.9	1.3	-6.2	**-2.7**	**0.0**	**0.7**	*-6.3*	*-3.3*	*-0.3*
Bulgaria	1.3	0.7	-0.8	0.8	2.6	-3.5	**-1.7**	**0.2**	**1.4**	*-3.2*	*-1.9*	*0.4*
Czechia	2.9	-0.1	-0.8	2.4	2.9	-4.4	**-3.1**	**-1.1**	**-0.2**	*-4.4*	*-2.9*	*-0.7*
Denmark	2.7	-2.3	-2.2	-0.5	-0.2	-4.1	**-2.2**	**-1.7**	**-1.5**	*-4.1*	*-3.3*	*-2.1*
Croatia	3.0	-0.4	-1.9	2.7	3.6	-6.0	**-1.3**	**1.1**	**1.4**	*-5.5*	*-3.1*	*0.1*
Hungary	2.5	-3.2	-0.2	3.4	3.5	-4.9	**-1.5**	**0.0**	**-0.4**	*-3.9*	*-2.3*	*-0.4*
Poland	-1.0	1.3	-1.1	2.4	3.3	-2.5	**-1.3**	**0.0**	**0.7**	*-2.0*	*-1.2*	*0.7*
Romania	4.1	-0.8	-1.0	1.7	1.6	-5.6	**-2.8**	**-1.7**	**-0.7**	*-5.3*	*-3.6*	*-2.1*
Sweden	1.1	-1.6	-0.5	0.4	0.2	-4.3	**-2.0**	**-0.5**	**-0.7**	*-4.8*	*-2.5*	*-1.4*
EU	1.0	-1.4	-1.6	1.0	1.3	-5.8	**-2.5**	**-0.1**	**0.5**	*-5.9*	*-3.1*	*-0.4*
United Kingdom	1.3	-3.1	-0.3	1.5	2.0	-8.6	**-3.3**	**-0.2**	**-0.1**	*-8.9*	*-5.1*	*-1.4*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	0.8	-2.1	-0.2	1.3	1.6	-4.1	**-0.6**	**1.5**	**1.7**	*-3.8*	*0.1*	*1.8*

[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, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.0	1.6	1.5	1.5	1.8	1.3	2.0	2.3	1.6	1.1	1.6	1.5
Germany	1.0	1.2	1.7	2.0	2.1	1.6	2.6	2.4	1.8	1.6	1.6	1.5
Estonia	7.1	3.5	2.7	4.0	3.2	-0.3	2.9	3.0	2.4	-0.4	1.8	2.3
Ireland	2.4	-0.9	2.0	0.7	4.2	-1.2	-0.2	2.0	1.4	-0.5	1.5	1.2
Greece	3.1	1.5	-0.9	-0.2	0.2	-0.8	-0.1	0.9	0.4	-1.5	-0.3	0.7
Spain	3.9	0.5	0.5	1.2	1.3	1.1	1.5	1.6	0.9	1.1	1.0	1.1
France	2.0	1.1	0.7	1.0	1.3	2.5	0.8	1.4	1.4	2.2	0.5	1.1
Italy	2.5	1.5	1.0	1.1	0.9	1.2	1.1	1.5	1.4	1.2	0.8	1.2
Cyprus	3.5	2.0	-0.5	1.0	1.1	-1.2	2.4	1.6	1.0	-1.5	1.4	1.2
Latvia	11.0	2.1	1.5	3.9	2.6	-0.1	3.5	2.9	2.0	0.1	2.2	2.1
Lithuania	4.8	3.3	1.6	3.5	2.7	1.5	4.3	2.6	2.0	1.1	2.0	2.1
Luxembourg	3.7	3.8	1.7	1.7	0.6	4.3	2.3	2.2	2.2	2.3	2.2	2.5
Malta	2.1	2.3	2.5	2.2	2.4	1.3	1.8	1.8	1.5	1.4	1.6	2.0
Netherlands	2.0	1.0	0.8	2.4	3.0	2.3	2.4	1.7	1.5	2.4	1.9	1.7
Austria	1.9	1.7	1.8	1.8	1.6	2.3	1.8	2.2	2.1	1.1	1.3	1.7
Portugal	3.1	0.6	1.6	1.8	1.7	1.9	1.0	1.8	1.4	2.4	1.4	1.5
Slovenia	3.4	1.7	1.1	2.1	2.2	1.2	1.5	1.8	1.7	1.3	1.2	1.3
Slovakia	3.5	1.0	0.2	2.0	2.5	2.4	1.4	4.7	2.2	2.4	1.5	2.3
Finland	1.1	2.1	1.3	2.0	1.5	1.3	1.9	2.0	2.3	1.7	1.7	1.7
Euro area	2.1	1.2	1.1	1.5	1.7	1.6	1.6	1.9	1.5	1.5	1.2	1.4
Bulgaria	6.4	4.0	2.5	4.2	5.2	4.2	3.9	4.6	3.5	3.3	5.0	3.0
Czechia	1.9	0.9	1.5	2.6	3.9	4.4	3.9	3.1	2.5	4.2	2.0	2.1
Denmark	2.2	2.2	0.8	0.7	0.7	2.6	1.0	1.6	1.5	2.3	1.4	1.6
Croatia	3.8	2.5	0.4	2.0	1.9	-0.1	2.4	2.1	1.9	0.4	1.7	1.7
Hungary	4.4	3.3	2.9	4.8	4.8	5.9	4.7	4.5	3.7	5.7	3.7	3.7
Poland	2.7	3.0	0.8	1.2	3.2	4.1	4.7	5.4	2.7	4.1	2.8	2.5
Romania	15.3	6.1	3.1	6.2	6.8	3.8	3.9	4.4	4.1	3.8	3.2	2.7
Sweden	1.5	1.7	1.7	2.4	2.5	1.5	2.1	1.4	1.6	1.4	1.6	1.8
EU	2.2	1.4	1.2	1.6	1.9	1.9	1.9	2.1	1.7	1.8	1.4	1.5
United Kingdom	2.8	2.0	1.6	2.0	2.0	5.9	0.7	0.4	1.7	5.6	0.8	-0.4
Japan	-1.1	-1.1	0.8	0.0	0.6	0.9	-0.5	0.3	0.2	0.9	-0.9	0.6
United States	2.7	1.5	1.5	2.4	1.8	1.2	3.6	2.6	2.1	1.2	2.3	2.0

Table 16: Price deflator of private consumption (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.5	1.8	1.2	2.0	1.4	0.6	2.1	2.3	1.7	0.7	1.8	1.5
Germany	1.4	1.4	1.0	1.5	1.3	0.6	3.1	2.1	1.7	0.7	2.3	1.4
Estonia	4.5	3.9	1.7	3.7	2.5	-0.8	3.7	3.9	2.4	-0.7	1.8	2.4
Ireland	2.5	-0.9	0.8	2.0	2.0	0.5	3.6	3.1	1.5	0.2	0.9	1.3
Greece	3.1	1.8	-1.2	0.1	0.0	-1.0	0.1	1.0	0.4	-1.3	-0.2	0.6
Spain	3.4	1.8	0.5	1.4	1.0	0.0	1.9	1.2	1.0	0.2	1.0	1.2
France	2.0	1.1	0.4	1.7	0.8	0.8	1.5	1.9	1.4	0.6	1.4	1.2
Italy	2.5	1.9	0.5	1.0	0.6	-0.3	1.8	2.1	1.4	-0.2	1.3	1.1
Cyprus	2.9	2.6	-0.9	1.3	1.1	-0.9	1.9	1.7	1.2	-0.9	1.7	1.1
Latvia	8.6	3.2	1.1	3.0	3.0	0.7	3.1	3.8	2.3	0.8	1.8	2.1
Lithuania	2.2	4.8	0.9	2.6	2.1	0.8	3.8	3.1	2.0	0.8	1.9	1.9
Luxembourg	2.5	1.8	1.2	1.9	1.7	0.7	2.1	1.9	1.7	1.0	1.7	1.7
Malta	2.1	2.6	1.1	0.8	1.9	1.2	1.6	2.1	1.6	1.2	1.6	2.1
Netherlands	2.1	1.1	1.0	2.2	2.6	1.5	2.2	2.2	1.5	1.4	1.6	1.4
Austria	2.1	1.9	1.8	2.1	1.8	1.4	2.9	3.1	2.2	1.1	1.6	1.6
Portugal	3.3	1.2	0.9	1.6	0.8	0.7	1.2	1.8	1.4	0.9	1.2	1.6
Slovenia	3.4	2.3	0.5	2.0	1.3	-0.5	1.7	2.1	1.7	-0.6	1.1	1.7
Slovakia	4.8	2.6	0.4	2.3	2.7	2.2	2.8	4.0	2.0	2.2	1.5	1.9
Finland	1.1	2.6	1.1	1.3	1.0	0.5	1.8	1.9	1.9	0.4	1.2	1.2
Euro area	2.2	1.5	0.7	1.5	1.1	0.5	2.2	2.0	1.5	0.5	1.6	1.3
Bulgaria	4.3	3.0	1.7	2.4	2.0	-0.6	2.2	6.1	2.2	0.5	2.1	2.6
Czechia	1.9	2.0	0.9	2.5	2.8	2.8	3.4	4.0	1.9	2.8	2.6	2.7
Denmark	1.6	2.3	0.6	0.6	0.8	0.5	1.7	1.8	1.6	0.3	1.3	1.5
Croatia	2.8	3.1	0.2	1.4	1.1	0.3	2.1	1.9	1.4	0.2	1.6	1.3
Hungary	4.7	4.5	1.6	3.3	4.6	3.0	5.1	4.8	3.4	3.2	4.0	3.2
Poland	2.2	3.5	0.2	1.7	2.4	3.2	4.2	5.2	2.2	3.3	3.7	3.1
Romania	9.4	5.7	1.7	3.8	5.4	2.4	4.2	4.2	3.0	2.4	3.1	2.9
Sweden	1.1	1.6	1.1	2.5	2.1	1.1	2.5	2.0	1.2	1.1	1.5	1.3
EU	2.2	1.7	0.7	1.6	1.4	0.7	2.4	2.3	1.6	0.7	1.8	1.5
United Kingdom	2.2	2.2	1.2	2.0	1.3	1.6	1.7	2.4	2.0	1.6	1.7	2.4
Japan	-0.6	-0.8	0.5	0.7	0.5	0.4	-0.4	0.4	0.4	0.4	0.4	0.8
United States	2.6	1.8	1.2	2.1	1.5	1.2	3.3	2.5	2.0	1.2	2.0	2.0

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.0	2.6	1.3	2.3	1.2	0.4	**2.7**	**2.3**	**1.6**	*0.4*	*1.8*	*1.5*
Germany	1.8	1.8	1.0	1.9	1.4	0.4	**3.1**	**2.2**	**1.7**	*0.4*	*2.4*	*1.4*
Estonia	3.9	4.6	1.6	3.4	2.3	-0.6	**4.0**	**3.9**	**2.1**	*-0.6*	*1.6*	*2.2*
Ireland	2.8	0.6	0.2	0.7	0.9	-0.5	**2.3**	**3.1**	**1.5**	*-0.5*	*0.9*	*1.3*
Greece	3.3	2.9	-0.4	0.8	0.5	-1.3	**0.1**	**1.0**	**0.4**	*-1.3*	*-0.2*	*0.6*
Spain	3.2	2.3	0.5	1.7	0.8	-0.3	**2.8**	**2.1**	**0.7**	*-0.3*	*1.4*	*1.1*
France	2.0	1.9	0.6	2.1	1.3	0.5	**1.9**	**2.1**	**1.4**	*0.5*	*1.4*	*1.1*
Italy	2.3	2.4	0.6	1.2	0.6	-0.1	**1.8**	**2.1**	**1.4**	*-0.1*	*1.3*	*1.1*
Cyprus	2.5	2.7	-0.4	0.8	0.5	-1.1	**1.9**	**1.7**	**1.2**	*-1.1*	*1.7*	*1.1*
Latvia	6.5	4.8	0.8	2.6	2.7	0.1	**3.1**	**3.6**	**0.8**	*0.1*	*1.7*	*2.0*
Lithuania	2.5	4.7	1.0	2.5	2.2	1.1	**3.8**	**3.1**	**2.0**	*1.1*	*1.9*	*1.9*
Luxembourg	3.0	2.7	0.9	2.0	1.6	0.0	**3.2**	**2.2**	**1.8**	*0.0*	*2.1*	*1.6*
Malta	2.1	2.9	1.0	1.7	1.5	0.8	**1.1**	**1.6**	**1.5**	*0.8*	*1.2*	*1.5*
Netherlands	1.7	1.9	0.9	1.6	2.7	1.1	**2.1**	**2.2**	**1.5**	*1.1*	*1.6*	*1.4*
Austria	1.9	2.3	1.5	2.1	1.5	1.4	**2.7**	**2.5**	**2.0**	*1.4*	*1.8*	*1.6*
Portugal	2.7	1.9	0.6	1.2	0.3	-0.1	**0.8**	**1.7**	**1.2**	*-0.1*	*0.9*	*1.1*
Slovenia	3.6	2.7	0.6	1.9	1.7	-0.3	**1.7**	**2.1**	**1.7**	*-0.3*	*0.8*	*1.7*
Slovakia	5.0	2.7	0.4	2.5	2.8	2.0	**2.8**	**4.3**	**2.2**	*2.0*	*1.5*	*1.9*
Finland	1.0	2.7	0.9	1.2	1.1	0.4	**1.8**	**1.9**	**1.9**	*0.4*	*1.2*	*1.2*
Euro area	2.2	2.1	0.7	1.8	1.2	0.3	**2.4**	**2.2**	**1.4**	*0.3*	*1.7*	*1.3*
Bulgaria	5.9	4.6	-0.5	2.6	2.5	1.2	**2.4**	**2.9**	**1.8**	*1.2*	*1.6*	*2.0*
Czechia	1.8	2.8	1.0	2.0	2.6	3.3	**3.3**	**3.4**	**2.3**	*3.3*	*2.4*	*2.2*
Denmark	1.6	2.4	0.4	0.7	0.7	0.3	**1.7**	**1.9**	**1.6**	*0.3*	*1.3*	*1.3*
Croatia	2.7	2.9	0.6	1.6	0.8	0.0	**2.2**	**2.0**	**1.5**	*0.0*	*1.3*	*1.3*
Hungary	5.4	4.9	0.9	2.9	3.4	3.4	**5.1**	**4.8**	**3.4**	*3.4*	*4.0*	*3.2*
Poland	2.1	3.7	0.3	1.2	2.1	3.7	**5.0**	**5.2**	**2.6**	*3.7*	*3.5*	*2.9*
Romania	9.5	5.8	0.8	4.1	3.9	2.3	**4.0**	**4.0**	**2.8**	*2.3*	*2.9*	*2.7*
Sweden	1.5	1.9	0.9	2.0	1.7	0.7	**2.4**	**1.9**	**1.1**	*0.7*	*1.8*	*1.1*
EU	2.4	2.4	0.7	1.8	1.4	0.7	**2.6**	**2.5**	**1.6**	*0.7*	*1.9*	*1.5*
United Kingdom	1.9	2.9	1.5	2.3	1.7	1.0	**2.4**	**3.2**	**2.2**	*0.9*	*1.6*	*1.8*
Japan	0.0	-0.2	0.8	1.0	0.5	0.0	**-0.5**	**0.2**	**0.4**	*0.0*	*0.3*	*0.9*
United States	2.9	2.1	1.3	2.4	1.8	1.2	**4.3**	**3.3**	**2.2**	*1.2*	*2.2*	*2.0*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2021-23) 25.10.2021

	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4	2023/1	2023/2	2023/3	2023/4
Belgium	0.8	2.4	3.3	4.3	4.0	2.8	1.6	0.8	0.8	1.6	1.9	2.0
Germany	1.7	2.2	3.5	4.7	3.0	2.5	1.8	1.7	1.7	1.7	1.7	1.7
Estonia	0.6	2.8	5.4	7.2	6.1	4.8	3.1	1.9	2.0	2.1	2.1	2.0
Ireland	-0.1	1.5	3.0	4.8	4.4	3.7	3.0	1.2	1.4	1.5	1.5	1.6
Greece	-2.1	-0.6	1.3	1.9	1.9	1.2	0.8	0.3	0.4	0.4	0.3	0.6
Spain	0.5	2.3	3.4	5.1	3.9	2.5	1.6	0.4	0.6	0.8	0.8	0.8
France	1.0	1.8	2.2	2.7	2.4	2.4	2.0	1.6	1.4	1.4	1.4	1.4
Italy	0.7	1.2	2.1	3.2	2.9	2.4	2.0	1.0	1.2	1.3	1.4	1.5
Cyprus	-0.5	1.6	3.2	3.3	2.3	2.1	1.5	1.1	1.2	1.2	1.2	1.3
Latvia	-0.1	2.3	3.7	6.3	6.1	4.3	3.1	1.0	0.1	1.0	1.0	1.0
Lithuania	0.7	3.2	5.2	6.2	4.6	3.8	2.4	1.9	2.0	2.0	2.0	2.0
Luxembourg	1.0	3.6	3.6	4.6	3.6	2.5	1.7	1.1	1.2	1.9	2.2	2.1
Malta	0.1	0.1	0.5	2.3	1.8	1.7	1.6	1.5	1.5	1.5	1.5	1.5
Netherlands	1.8	1.8	2.4	2.7	2.9	2.5	1.6	1.8	1.3	1.3	1.6	1.6
Austria	1.5	2.6	3.1	3.4	3.2	2.8	2.2	1.7	2.3	2.1	1.7	1.7
Portugal	0.2	-0.1	1.2	1.8	1.9	1.9	1.6	1.3	1.3	1.2	1.2	1.1
Slovenia	-0.6	2.1	2.3	3.0	2.5	2.4	1.9	1.7	1.7	1.7	1.6	1.7
Slovakia	1.0	2.1	3.4	4.5	5.7	5.0	3.9	2.8	2.1	2.2	2.2	2.2
Finland	1.1	2.1	1.9	2.0	2.2	2.0	1.7	1.8	1.9	1.9	1.9	1.9
Euro area	1.1	1.8	2.8	3.7	3.0	2.5	1.9	1.4	1.4	1.4	1.4	1.5
Bulgaria	0.2	2.2	2.9	4.1	4.2	3.5	2.4	1.8	1.5	1.7	1.9	2.0
Czechia	2.2	2.8	3.3	4.9	4.2	3.8	3.2	2.6	2.5	2.5	2.3	2.1
Denmark	0.6	1.7	2.0	2.6	2.2	2.0	1.7	1.5	1.6	1.6	1.6	1.6
Croatia	0.7	2.2	3.1	2.8	2.4	2.1	1.7	1.7	1.5	1.5	1.6	1.5
Hungary	3.3	5.3	5.0	6.7	6.1	5.2	4.4	3.5	3.4	3.4	3.3	3.3
Poland	3.9	4.6	5.1	6.2	6.3	6.1	4.9	3.7	2.6	2.3	2.6	2.9
Romania	2.3	3.1	4.3	6.4	5.3	3.8	3.6	3.5	3.0	2.9	2.7	2.7
Sweden	1.9	2.3	2.5	3.0	2.6	2.1	1.7	1.3	1.0	1.1	1.1	1.2
EU	1.4	2.2	3.1	3.9	3.2	2.7	2.1	1.5	1.5	1.5	1.6	1.6
United Kingdom	0.9	2.1	2.8	4.0	3.9	4.0	2.9	2.2	2.4	2.1	2.1	2.1
Japan	-0.5	-0.7	-0.6	0.0	-0.2	0.4	0.4	0.4	0.4	0.4	0.5	0.6
United States	1.9	4.8	5.3	5.4	5.0	3.5	2.4	2.3	2.2	2.2	2.2	2.2

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	1.8	2.1	-1.0	3.0	0.5	-2.2	**7.2**	**1.2**	**1.1**	-3.1	3.0	1.5
Germany	0.3	1.1	0.0	0.9	0.4	-0.7	**4.2**	**5.1**	**1.4**	-0.7	1.7	0.8
Estonia	3.2	2.6	-0.2	2.4	-0.4	-2.0	**4.6**	**3.2**	**1.9**	-2.0	0.7	1.4
Ireland	-1.0	0.5	0.1	-3.8	2.1	-7.0	**-0.8**	**2.1**	**1.3**	-6.5	0.9	1.3
Greece	2.1	1.2	-3.3	5.8	-0.5	-12.8	**6.0**	**2.5**	**2.2**	-13.1	6.0	2.0
Spain	2.2	2.0	-0.3	2.1	0.1	-1.2	**7.0**	**2.5**	**1.5**	-1.0	1.3	1.1
France	0.8	1.1	-0.3	0.7	1.1	-1.5	**4.4**	**2.9**	**1.0**	-1.7	2.7	0.8
Italy	1.4	1.7	0.0	2.0	0.6	-0.5	**3.8**	**1.6**	**2.2**	-0.5	1.6	1.5
Cyprus	3.2	1.8	0.8	0.6	0.7	-1.2	**4.7**	**2.7**	**1.6**	0.5	1.7	1.5
Latvia	11.0	4.3	0.4	3.2	-0.2	-1.1	**8.0**	**4.0**	**2.0**	-1.1	1.3	1.9
Lithuania	5.2	4.5	-2.0	3.7	-0.1	-5.0	**3.6**	**2.1**	**1.1**	-5.0	2.5	1.0
Luxembourg	4.5	3.2	0.5	2.6	-0.4	-0.2	**5.0**	**1.2**	**1.0**	-4.1	4.0	2.1
Malta	1.1	0.0	-0.6	3.1	1.1	-0.4	**3.5**	**2.5**	**2.0**	-0.7	1.0	1.0
Netherlands	1.5	2.1	-1.4	2.1	-0.2	-3.7	**7.1**	**1.0**	**0.3**	-3.7	1.2	1.6
Austria	1.4	1.4	-0.4	1.8	-1.0	-1.2	**2.4**	**1.4**	**1.4**	-0.9	0.3	1.1
Portugal	1.4	1.6	-1.3	2.2	-0.3	-2.5	**4.3**	**2.3**	**1.3**	-2.2	1.1	1.2
Slovenia	2.4	1.2	-0.3	2.7	-0.6	-2.0	**3.9**	**3.6**	**1.9**	-2.0	0.7	1.5
Slovakia	1.6	0.6	-1.3	1.6	-0.3	-2.7	**4.9**	**6.7**	**1.5**	-2.7	0.5	1.0
Finland	0.3	0.3	-1.0	5.0	-0.9	-5.8	**5.7**	**3.5**	**1.8**	-6.1	1.4	1.6
Euro area	1.0	1.4	-0.4	1.3	0.4	-2.0	**4.6**	**3.0**	**1.3**	-2.1	1.7	1.1
Bulgaria	12.0	3.8	-0.6	2.8	1.7	-2.0	**16.0**	**4.0**	**3.0**	-1.7	3.0	3.0
Czechia	-0.2	-0.4	0.0	-0.7	1.0	1.0	**3.6**	**1.7**	**1.6**	0.4	-1.6	0.5
Denmark	2.2	2.5	-0.6	1.1	-0.2	-1.5	**2.3**	**2.6**	**1.3**	-1.5	1.2	1.5
Croatia	3.4	3.1	-1.6	0.7	0.5	-4.1	**3.2**	**1.9**	**1.4**	-4.1	1.5	1.3
Hungary	-0.2	2.2	0.2	2.9	1.7	4.7	**4.5**	**1.0**	**1.0**	4.8	3.5	1.0
Poland	3.4	4.6	0.8	1.6	3.2	2.6	**8.9**	**5.4**	**2.7**	2.0	2.5	2.5
Romania	9.3	8.4	-2.8	5.4	2.2	1.2	**5.0**	**3.5**	**2.5**	1.2	2.8	1.7
Sweden	0.8	0.2	0.5	5.6	3.4	-4.6	**3.0**	**1.4**	**1.6**	-4.5	0.8	1.8
EU	1.1	1.6	-0.3	1.5	0.7	-1.6	**4.7**	**3.0**	**1.4**	-1.7	1.7	1.2
United Kingdom	1.4	5.1	0.2	3.6	2.0	-3.2	**0.5**	**2.5**	**1.5**	-3.3	0.5	1.0
Japan	0.2	-4.5	1.7	0.8	-3.8	-5.0	**8.0**	**1.5**	**0.0**	-5.0	3.0	2.0
United States	2.9	1.9	-2.1	3.6	-1.6	-4.0	**12.6**	**3.4**	**2.0**	-4.3	2.5	2.0

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.3	3.0	-1.7	4.0	-0.4	-2.9	**7.8**	**1.0**	**0.9**	-3.3	3.2	1.5
Germany	0.6	1.4	-1.4	1.9	-0.6	-3.5	**7.7**	**5.9**	**1.2**	-3.4	3.9	0.8
Estonia	1.5	3.2	-0.8	2.4	0.2	-3.1	**5.8**	**3.6**	**1.7**	-3.1	1.0	1.5
Ireland	0.5	0.3	0.1	2.7	-2.7	-5.3	**0.8**	**2.6**	**1.4**	-2.9	1.7	1.8
Greece	2.5	2.7	-4.0	7.2	0.9	-9.0	**7.9**	**3.5**	**3.2**	-10.5	7.0	2.9
Spain	2.0	3.0	-0.6	2.9	0.6	-3.9	**8.0**	**2.6**	**1.6**	-2.7	1.6	1.3
France	1.1	1.7	-1.7	2.3	-0.1	-2.6	**5.9**	**3.9**	**0.3**	-3.1	4.1	0.7
Italy	2.8	2.9	-2.2	3.2	-0.9	-4.9	**7.2**	**3.7**	**1.7**	-5.0	3.0	1.4
Cyprus	2.7	2.2	-1.5	2.1	1.0	-0.4	**4.7**	**2.7**	**1.6**	-1.9	1.7	1.5
Latvia	8.4	4.7	-1.0	1.6	-1.1	-4.2	**10.0**	**6.0**	**3.5**	-4.2	2.1	1.8
Lithuania	3.8	4.8	-3.0	4.7	-1.4	-6.4	**8.5**	**2.2**	**1.1**	-6.4	4.0	1.8
Luxembourg	3.3	2.8	-0.4	3.4	-0.2	-3.6	**5.7**	**1.0**	**1.0**	-3.7	4.0	2.2
Malta	0.7	1.2	-1.0	-0.9	1.1	-1.3	**3.5**	**2.5**	**2.0**	-1.0	0.5	0.8
Netherlands	1.4	2.8	-2.1	2.2	-1.1	-5.1	**8.3**	**1.2**	**0.1**	-5.3	1.5	1.5
Austria	1.7	2.2	-0.8	2.3	-0.1	-2.3	**4.6**	**2.4**	**1.7**	-2.1	1.1	0.9
Portugal	1.6	1.7	-2.3	2.9	-0.7	-4.0	**4.6**	**2.3**	**1.3**	-4.3	2.0	1.0
Slovenia	3.1	2.4	-1.0	2.8	-1.0	-2.8	**4.6**	**3.9**	**1.9**	-3.1	0.2	1.8
Slovakia	2.1	2.0	-1.0	2.5	0.1	-2.3	**6.7**	**5.1**	**1.4**	-2.3	0.4	1.0
Finland	2.9	1.3	-2.0	4.1	0.0	-7.0	**5.9**	**3.6**	**1.7**	-7.3	1.6	1.4
Euro area	1.6	2.2	-1.6	2.6	-0.5	-3.8	**7.0**	**3.7**	**1.1**	-3.8	3.0	1.1
Bulgaria	6.8	3.5	-1.5	2.2	-0.1	-6.0	**14.5**	**6.0**	**2.0**	-5.9	3.8	2.4
Czechia	0.3	0.5	-0.7	-0.6	0.6	-1.0	**3.1**	**2.5**	**1.0**	-1.3	-0.9	1.0
Denmark	1.0	2.3	-1.3	2.8	-0.1	-2.9	**5.0**	**3.5**	**1.6**	-3.2	1.1	1.3
Croatia	1.6	2.5	-0.5	1.1	0.2	-0.3	**3.4**	**1.7**	**1.3**	-0.3	2.0	1.3
Hungary	0.8	2.8	-0.5	4.0	1.2	2.7	**6.5**	**1.9**	**0.5**	2.8	4.6	1.0
Poland	2.6	5.1	-0.8	2.9	1.7	-0.4	**8.8**	**5.1**	**2.0**	-0.6	3.5	3.6
Romania	2.6	8.5	-2.4	4.8	0.2	-2.2	**7.0**	**4.0**	**2.0**	-2.2	2.7	2.0
Sweden	1.4	0.2	-0.1	6.7	2.3	-5.3	**4.5**	**3.4**	**1.7**	-5.2	0.9	1.3
EU	1.5	2.3	-1.5	2.7	-0.2	-3.4	**6.9**	**3.7**	**1.2**	-3.4	2.8	1.3
United Kingdom	0.5	4.4	-0.2	2.8	0.9	-0.9	**1.5**	**2.5**	**1.5**	-0.8	0.5	1.0
Japan	5.9	-1.3	-0.4	6.1	-4.7	-5.0	**5.4**	**2.0**	**0.8**	-5.0	4.0	1.5
United States	4.1	2.3	-3.0	2.8	-2.1	-2.8	**7.0**	**2.6**	**1.6**	-2.7	1.8	2.0

Table 21: Terms of trade of goods (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	-0.6	-0.9	0.7	-1.0	0.9	0.7	**-0.6**	**0.2**	**0.1**	*0.2*	*-0.2*	*0.0*
Germany	-0.3	-0.4	1.4	-1.0	1.1	2.9	**-3.2**	**-0.7**	**0.2**	*2.9*	*-2.2*	*0.1*
Estonia	1.6	-0.6	0.7	0.0	-0.7	1.1	**-1.1**	**-0.4**	**0.2**	*1.1*	*-0.3*	*-0.1*
Ireland	-1.6	0.2	0.0	-6.4	4.9	-1.8	**-1.6**	**-0.5**	**-0.1**	*-3.7*	*-0.8*	*-0.5*
Greece	-0.3	-1.5	0.8	-1.2	-1.4	-4.1	**-1.8**	**-1.0**	**-1.0**	*-2.8*	*-0.9*	*-0.9*
Spain	0.3	-1.0	0.3	-0.7	-0.5	2.8	**-0.9**	**-0.1**	**-0.1**	*1.7*	*-0.3*	*-0.2*
France	-0.3	-0.6	1.4	-1.5	1.3	1.1	**-1.5**	**-0.9**	**0.6**	*1.4*	*-1.4*	*0.1*
Italy	-1.4	-1.1	2.3	-1.2	1.5	4.6	**-3.2**	**-2.0**	**0.5**	*4.7*	*-1.3*	*0.0*
Cyprus	0.5	-0.4	2.3	-1.4	-0.3	-0.8	**0.0**	**0.0**	**0.0**	*2.4*	*0.0*	*0.0*
Latvia	2.4	-0.4	1.4	1.6	0.9	3.2	**-1.8**	**-1.9**	**-1.4**	*3.2*	*-0.8*	*0.1*
Lithuania	1.4	-0.4	1.0	-1.0	1.3	1.5	**-4.6**	**-0.1**	**0.0**	*1.5*	*-1.4*	*-0.8*
Luxembourg	1.1	0.4	0.9	-0.7	-0.2	3.6	**-0.7**	**0.2**	**0.0**	*-0.4*	*0.0*	*-0.1*
Malta	0.4	-1.2	0.3	4.0	0.0	0.9	**0.0**	**0.0**	**0.0**	*0.3*	*0.5*	*0.2*
Netherlands	0.1	-0.7	0.7	-0.2	0.9	1.5	**-1.1**	**-0.2**	**0.2**	*1.7*	*-0.3*	*0.1*
Austria	-0.3	-0.8	0.4	-0.6	-0.9	1.2	**-2.1**	**-0.9**	**-0.2**	*1.3*	*-0.8*	*0.2*
Portugal	-0.2	0.0	1.0	-0.8	0.4	1.6	**-0.3**	**0.0**	**0.0**	*2.1*	*-0.9*	*0.2*
Slovenia	-0.7	-1.1	0.6	-0.1	0.4	0.8	**-0.7**	**-0.3**	**0.0**	*1.2*	*0.5*	*-0.3*
Slovakia	-0.5	-1.3	-0.3	-0.9	-0.3	-0.5	**-1.7**	**1.6**	**0.1**	*-0.5*	*0.1*	*0.0*
Finland	-2.5	-1.0	1.1	0.8	-0.9	1.4	**-0.2**	**-0.1**	**0.1**	*1.2*	*-0.1*	*0.2*
Euro area	-0.6	-0.7	1.2	-1.3	0.9	1.8	**-2.3**	**-0.6**	**0.2**	*1.7*	*-1.2*	*0.0*
Bulgaria	4.9	0.3	0.9	0.7	1.9	4.3	**1.3**	**-1.9**	**1.0**	*4.4*	*-0.8*	*0.6*
Czechia	-0.5	-0.9	0.7	-0.2	0.4	2.0	**0.5**	**-0.8**	**0.6**	*1.7*	*-0.7*	*-0.5*
Denmark	1.2	0.3	0.8	-1.6	-0.1	1.5	**-2.6**	**-0.9**	**-0.3**	*1.7*	*0.1*	*0.2*
Croatia	1.8	0.6	-1.1	-0.5	0.3	-3.8	**-0.2**	**0.2**	**0.1**	*-3.8*	*-0.5*	*0.0*
Hungary	-1.0	-0.6	0.7	-1.0	0.5	2.0	**-1.9**	**-0.9**	**0.5**	*1.9*	*-1.1*	*0.0*
Poland	0.8	-0.4	1.6	-1.2	1.5	3.0	**0.1**	**0.3**	**0.6**	*2.6*	*-1.0*	*-1.1*
Romania	6.6	-0.1	-0.3	0.6	2.1	3.4	**-1.9**	**-0.5**	**0.5**	*3.4*	*0.1*	*-0.3*
Sweden	-0.5	0.0	0.6	-1.0	1.1	0.8	**-1.4**	**-1.9**	**-0.1**	*0.8*	*-0.1*	*0.5*
EU	-0.4	-0.7	1.1	-1.2	0.9	1.8	**-2.0**	**-0.6**	**0.2**	*1.8*	*-1.1*	*0.0*
United Kingdom	0.9	0.6	0.3	0.8	1.1	-2.4	**-1.0**	**0.0**	**0.0**	*-2.6*	*0.0*	*0.0*
Japan	-5.4	-3.3	2.1	-5.0	0.9	0.0	**2.5**	**-0.5**	**-0.8**	*0.0*	*-1.0*	*0.5*
United States	-1.1	-0.4	1.0	0.8	0.6	-1.2	**5.2**	**0.8**	**0.4**	*-1.6*	*0.6*	*0.0*

Table 22: Total population (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	0.6	0.9	0.5	0.5	0.5	0.3	**0.4**	**0.4**	**0.4**	*0.4*	*0.2*	*0.4*
Germany	-0.1	-0.1	0.5	0.3	0.2	0.1	**0.0**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Estonia	-0.6	-0.3	-0.1	0.3	0.4	0.3	**0.0**	**-0.1**	**-0.1**	*0.3*	*0.0*	*-0.1*
Ireland	2.3	0.9	0.9	1.2	1.4	1.1	**1.1**	**1.1**	**1.2**	*1.1*	*1.1*	*1.0*
Greece	0.3	0.0	-0.5	-0.2	-0.1	0.0	**-0.3**	**-0.3**	**-0.4**	*-0.1*	*-0.9*	*-0.7*
Spain	1.8	0.7	-0.1	0.4	0.8	0.5	**0.6**	**0.7**	**0.8**	*0.5*	*0.5*	*0.5*
France	0.7	0.5	0.4	0.4	0.3	0.3	**0.3**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Italy	0.6	0.5	-0.1	-0.2	-0.2	-0.5	**0.0**	**-0.1**	**-0.1**	*-0.5*	*0.0*	*-0.1*
Cyprus	1.6	2.4	-0.1	1.2	1.4	1.1	**1.1**	**1.1**	**1.1**	*1.0*	*1.1*	*1.1*
Latvia	-1.0	-1.6	-0.9	-0.8	-0.7	-0.6	**-0.5**	**-0.5**	**-0.5**	*-0.6*	*-0.5*	*-0.5*
Lithuania	-1.3	-1.6	-1.1	-0.9	-0.3	0.0	**-0.2**	**-0.6**	**-0.6**	*0.0*	*-0.2*	*-0.6*
Luxembourg	1.5	2.0	2.4	2.0	2.1	1.5	**2.0**	**2.0**	**2.0**	*1.5*	*2.0*	*2.0*
Malta	0.5	0.6	2.2	3.6	4.0	2.2	**2.6**	**2.6**	**2.6**	*2.2*	*2.6*	*2.6*
Netherlands	0.3	0.5	0.4	0.6	0.7	0.6	**0.4**	**0.5**	**0.5**	*0.6*	*0.4*	*0.5*
Austria	0.5	0.3	0.9	0.5	0.5	0.4	**0.4**	**0.4**	**0.4**	*0.5*	*0.4*	*0.4*
Portugal	0.2	-0.1	-0.4	-0.2	0.0	0.1	**0.1**	**0.1**	**0.1**	*0.2*	*0.1*	*0.1*
Slovenia	0.2	0.4	0.1	0.3	0.8	0.7	**0.2**	**0.2**	**0.2**	*0.7*	*0.2*	*0.2*
Slovakia	0.1	0.0	0.1	0.1	0.1	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Finland	0.3	0.5	0.3	0.1	0.1	0.2	**0.1**	**0.1**	**0.1**	*0.2*	*0.1*	*0.1*
Euro area	0.5	0.3	0.2	0.2	0.3	0.1	**0.2**	**0.2**	**0.2**	*0.1*	*0.2*	*0.2*
Bulgaria	-0.5	-0.9	-0.6	-0.7	-0.7	-0.6	**-0.6**	**-0.6**	**-0.6**	*-0.6*	*-0.6*	*-0.6*
Czechia	0.2	0.4	0.2	0.3	0.4	0.3	**0.2**	**0.2**	**0.2**	*0.3*	*0.1*	*0.0*
Denmark	0.3	0.5	0.6	0.5	0.4	0.2	**0.3**	**0.4**	**0.4**	*0.2*	*0.4*	*0.4*
Croatia	0.0	-0.2	-0.7	-0.9	-0.6	-0.4	**-0.5**	**-0.5**	**-0.5**	*-0.4*	*-0.2*	*-0.1*
Hungary	-0.2	-0.3	-0.3	-0.1	0.0	-0.2	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*	*-0.2*
Poland	-0.1	0.2	-0.1	0.0	-0.1	-0.1	**-0.1**	**-0.1**	**-0.2**	*-0.1*	*-0.1*	*-0.2*
Romania	-0.7	-0.8	-0.5	-0.6	-0.5	-0.6	**-0.8**	**-0.6**	**-0.6**	*-0.2*	*-0.8*	*-0.6*
Sweden	0.5	0.8	1.1	1.2	1.0	0.7	**0.3**	**0.3**	**0.3**	*0.7*	*0.4*	*0.4*
EU	0.4	0.2	0.2	0.2	0.2	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
United Kingdom	0.6	0.8	0.7	0.6	0.5	0.4	**0.3**	**0.3**	**0.3**	*0.4*	*0.4*	*0.4*
Japan	0.1	-0.1	-0.1	-0.2	-0.2	-0.4	**-0.2**	**-0.2**	**0.0**	*-0.2*	*-0.2*	*-0.2*
United States	0.9	0.8	0.7	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.7*	*0.7*

Table 23: Total employment in persons (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	1.0	0.8	0.8	1.5	1.6	0.0	**0.9**	**0.4**	**1.2**	0.0	-0.6	0.8
Germany	0.3	0.9	1.0	1.4	0.9	-0.8	**0.0**	**0.9**	**0.4**	-1.1	-0.2	0.9
Estonia	1.8	-1.4	1.6	0.9	1.3	-2.7	**0.2**	**1.4**	**0.6**	-2.7	-0.8	1.7
Ireland	3.8	-3.0	3.2	3.2	2.9	-1.5	**3.0**	**1.7**	**1.7**	-1.5	-3.5	5.0
Greece	1.6	-2.0	0.6	4.6	0.9	-1.2	**1.1**	**1.1**	**1.0**	-1.3	0.4	0.7
Spain	3.7	-2.9	1.2	2.2	2.8	-4.1	**2.3**	**1.7**	**1.4**	-4.2	0.2	2.0
France	0.7	0.1	0.5	1.0	1.2	-0.9	**1.4**	**0.6**	**0.5**	-1.1	0.3	1.2
Italy	1.2	-0.4	0.3	0.9	0.5	-2.1	**-0.3**	**1.0**	**0.7**	-2.1	-0.3	0.9
Cyprus	3.5	0.2	0.8	5.3	3.8	-0.6	**1.2**	**2.2**	**2.3**	-0.6	0.6	1.0
Latvia	2.3	-3.8	0.4	1.5	-0.1	-2.3	**1.2**	**0.5**	**0.3**	-2.3	0.1	1.8
Lithuania	0.7	-2.4	1.3	1.4	0.6	-1.6	**0.6**	**0.5**	**0.0**	-1.5	0.4	0.8
Luxembourg	3.1	2.6	2.7	3.6	3.5	1.9	**2.9**	**3.4**	**3.2**	2.0	1.9	2.0
Malta	1.0	2.0	5.4	6.0	5.7	2.7	**2.4**	**2.5**	**2.5**	2.6	1.1	1.9
Netherlands	0.8	0.2	0.7	2.7	2.0	-0.5	**0.9**	**1.1**	**0.3**	-0.6	-0.2	0.2
Austria	1.2	0.9	1.0	1.7	1.1	-1.6	**1.7**	**1.9**	**0.6**	-1.7	1.2	1.3
Portugal	-0.3	-2.0	1.0	2.3	0.8	-1.9	**1.8**	**0.8**	**0.5**	-1.7	1.0	1.2
Slovenia	0.9	-0.8	1.1	3.2	2.5	-0.6	**1.1**	**1.3**	**1.4**	-1.0	0.9	2.0
Slovakia	1.3	0.3	1.4	2.0	1.0	-1.9	**0.3**	**1.2**	**1.0**	-1.9	-0.6	0.8
Finland	1.3	0.3	0.0	2.5	1.8	-2.1	**2.0**	**1.5**	**0.7**	-1.5	0.9	1.1
Euro area	1.2	-0.4	0.8	1.6	1.3	-1.5	**0.8**	**1.0**	**0.7**	-1.6	0.0	1.2
Bulgaria	3.0	-1.6	0.5	-0.1	0.3	-2.3	**0.0**	**0.9**	**0.6**	-2.3	0.6	1.3
Czechia	0.9	-0.1	1.1	1.3	0.2	-1.7	**0.5**	**0.5**	**0.4**	-1.5	-1.5	0.3
Denmark	0.9	-1.0	1.1	1.5	1.4	-0.7	**1.7**	**1.3**	**1.0**	-0.7	0.6	0.9
Croatia	2.0	-2.0	0.8	2.6	3.1	-1.2	**1.6**	**1.3**	**1.2**	-1.2	0.6	1.4
Hungary	0.0	-0.7	2.7	2.3	1.1	-1.0	**3.0**	**2.0**	**0.8**	-2.2	1.2	1.3
Poland	2.0	0.4	1.1	0.5	0.0	-0.1	**0.3**	**0.1**	**0.0**	0.1	0.0	0.2
Romania	-0.2	-1.8	0.0	0.1	0.1	-1.8	**1.1**	**0.6**	**0.5**	-1.8	0.2	0.7
Sweden	0.6	0.5	1.6	1.6	0.6	-1.3	**0.4**	**1.7**	**1.0**	-1.3	0.5	1.3
EU	1.1	-0.4	0.9	1.5	1.1	-1.4	**0.8**	**1.0**	**0.6**	-1.5	0.0	1.0
United Kingdom	1.0	0.2	1.5	1.2	1.1	-0.5	**0.0**	**0.9**	**1.0**	-0.3	-0.9	0.1
Japan	0.6	-0.5	0.6	1.8	0.9	-2.0	**0.6**	**0.6**	**0.6**	-2.0	0.6	0.6
United States	1.0	-0.6	1.6	1.7	1.2	-5.8	**3.1**	**3.0**	**1.2**	-6.2	4.3	3.2

Note: For the countries publishing also employment in full-time equivalents (see note 6) as well as the EU and EA aggregates, this table now also displays employment in persons, limiting the comparability to figures published in previous forecasts.

Table 24: Total employment in full-time equivalents (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Spain	3.0	-3.4	1.3	2.5	2.3	-7.6	**4.5**	**2.8**	**2.3**	-7.5	4.5	2.0
France	0.8	0.0	0.5	1.0	1.3	-0.9	**1.4**	**0.6**	**0.5**	-1.0	0.1	1.2
Italy	0.8	-1.0	0.1	0.8	0.1	-10.3	**5.9**	**4.0**	**2.0**	-10.3	5.4	2.2
Netherlands	0.7	0.0	0.8	2.6	2.0	-0.5	**0.9**	**1.1**	**0.3**	-0.6	-0.2	0.2
Euro area	0.9	-0.6	0.8	1.6	1.2	-2.9	**2.0**	**1.6**	**1.0**	-3.0	1.3	1.4
EU	0.8	-0.6	0.8	1.5	1.0	-2.5	**1.7**	**1.4**	**0.9**	-2.5	1.0	1.2

Table 25: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	8.2	7.6	8.1	6.0	5.4	5.6	6.2	6.3	5.8	5.6	6.7	6.5
Germany	10.2	6.7	4.5	3.4	3.1	3.8	3.6	3.4	3.2	3.8	4.1	3.4
Estonia	7.8	11.6	7.0	5.4	4.4	6.8	6.8	5.7	5.2	6.8	7.9	6.3
Ireland	4.8	13.0	10.2	5.8	5.0	5.7	7.5	6.8	6.2	5.7	10.7	8.1
Greece	9.6	14.5	24.8	19.3	17.3	16.3	15.3	15.0	14.5	16.3	16.3	16.1
Spain	9.7	19.1	21.9	15.3	14.1	15.5	15.2	14.3	13.9	15.5	15.7	14.4
France	8.6	9.0	10.1	9.0	8.4	8.0	8.0	8.0	7.9	8.0	9.1	8.7
Italy	7.5	8.4	11.9	10.6	10.0	9.2	9.8	9.3	9.2	9.2	10.2	9.9
Cyprus	4.6	7.0	14.2	8.4	7.1	7.6	7.5	7.1	6.6	7.6	7.5	7.2
Latvia	9.3	15.2	10.2	7.4	6.3	8.1	7.3	6.9	6.6	8.1	8.2	6.9
Lithuania	8.4	13.2	9.3	6.2	6.3	8.5	7.1	6.3	6.0	8.5	8.3	7.1
Luxembourg	4.4	4.9	6.1	5.6	5.6	6.8	6.1	5.8	5.7	6.8	7.4	7.3
Malta	7.0	6.5	5.2	3.7	3.6	4.3	4.0	3.8	3.7	4.3	4.3	3.8
Netherlands	4.7	4.8	6.5	3.8	3.4	3.8	3.5	3.6	3.6	3.8	4.3	4.4
Austria	5.1	4.7	5.6	4.9	4.5	5.4	5.0	4.6	4.5	5.4	5.0	4.8
Portugal	7.3	11.4	12.7	7.1	6.5	6.9	6.7	6.5	6.4	6.9	6.8	6.5
Slovenia	6.1	6.9	8.7	5.1	4.5	5.0	4.6	4.5	4.4	5.0	5.0	4.8
Slovakia	15.3	12.7	11.3	6.5	5.8	6.7	6.8	6.4	5.6	6.7	7.4	6.6
Finland	8.2	7.7	8.7	7.4	6.7	7.8	7.7	6.9	6.5	7.8	7.6	7.2
Euro area	8.6	9.8	10.7	8.2	7.6	7.9	7.9	7.5	7.3	7.8	8.4	7.8
Bulgaria	10.4	9.3	9.5	5.2	4.2	5.1	5.1	4.6	4.4	5.1	4.8	3.9
Czechia	7.3	6.4	5.0	2.2	2.0	2.6	2.7	2.6	2.4	2.6	3.8	3.5
Denmark	4.7	6.7	6.5	5.1	5.0	5.6	4.8	4.5	4.3	5.6	5.5	5.2
Croatia	12.4	11.8	15.0	8.5	6.6	7.5	6.7	6.2	5.8	7.5	7.2	6.6
Hungary	6.8	10.2	6.8	3.7	3.4	4.3	4.1	3.1	2.9	4.3	4.3	3.8
Poland	16.0	9.0	7.6	3.9	3.3	3.2	3.3	3.1	3.0	3.2	3.5	3.3
Romania	7.2	6.7	6.3	4.2	3.9	5.0	5.0	4.8	4.5	5.0	5.2	4.8
Sweden	6.6	7.8	7.4	6.4	6.8	8.3	8.2	7.1	6.7	8.3	8.2	7.5
EU	9.1	9.4	9.9	7.3	6.7	7.1	7.1	6.7	6.5	7.1	7.6	7.0
United Kingdom	5.1	7.5	5.7	4.1	3.8	4.5	4.9	4.7	4.4	4.4	5.6	5.9
Japan	4.5	4.6	3.4	2.4	2.3	3.0	2.8	2.6	2.4	3.0	2.9	2.6
United States	5.2	8.3	5.6	3.9	3.7	8.1	5.5	4.2	4.0	8.1	4.6	3.4

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 26: Compensation of employees per head (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.5	2.5	1.2	1.8	2.0	-1.5	3.6	5.1	2.0	-1.8	2.7	3.4
Germany	0.9	2.2	2.5	2.9	3.4	0.4	3.1	3.3	2.9	0.5	2.8	2.9
Estonia	14.8	3.3	5.8	8.6	8.4	5.3	4.6	3.7	4.6	2.5	3.5	3.5
Ireland	5.4	0.4	1.4	2.5	3.4	2.4	4.2	5.0	6.1	1.6	2.0	1.8
Greece	5.6	-0.9	-3.2	-3.8	0.6	-0.7	0.0	0.6	1.5	0.0	1.3	2.0
Spain	3.7	2.6	0.5	1.2	2.8	1.3	-0.3	2.1	1.7	1.4	0.5	2.0
France	2.9	2.4	1.5	1.7	-0.2	-3.0	4.3	3.1	2.3	-2.7	4.2	2.8
Italy	3.2	2.0	0.6	2.0	1.8	2.8	0.7	1.5	1.1	2.6	0.5	1.9
Cyprus	4.5	2.7	-2.0	1.5	4.4	-3.1	2.5	2.7	2.4	-3.2	1.6	1.8
Latvia	21.8	1.5	7.3	8.1	7.8	5.5	7.1	5.0	6.7	5.3	3.9	4.3
Lithuania	13.9	2.6	6.3	7.9	10.6	7.3	9.3	6.7	5.5	8.2	6.0	4.6
Luxembourg	3.5	2.2	2.1	2.8	1.9	0.4	1.4	2.6	1.9	-0.7	2.4	2.2
Malta	3.7	3.3	3.4	3.6	3.6	-0.3	2.9	1.9	1.9	0.1	2.5	3.0
Netherlands	2.6	2.5	1.1	1.8	2.9	4.7	2.3	2.6	2.8	4.9	1.5	0.9
Austria	2.4	2.2	2.0	2.9	2.8	1.7	2.1	2.3	3.1	0.2	0.7	1.8
Portugal	3.3	0.4	1.1	3.9	4.8	2.0	2.2	3.0	3.0	2.9	2.8	2.8
Slovenia	6.6	2.7	1.9	3.9	5.0	3.5	3.4	1.2	3.6	2.3	2.0	1.4
Slovakia	8.3	3.8	3.1	6.0	6.8	3.6	5.0	5.9	5.4	3.3	4.0	4.7
Finland	3.1	2.9	0.7	1.3	1.3	0.8	1.9	2.6	2.8	-0.1	2.1	2.0
Euro area	2.5	2.3	1.4	2.1	2.2	0.6	2.6	2.9	2.4	0.6	2.2	2.4
Bulgaria	7.7	9.8	7.2	9.7	6.9	7.2	9.7	9.0	7.9	5.9	5.0	5.2
Czechia	6.3	2.5	3.4	8.1	7.2	3.2	6.0	6.9	4.9	2.9	0.9	2.8
Denmark	3.5	2.6	1.6	1.6	1.9	2.3	1.7	2.2	2.7	1.6	1.6	2.0
Croatia	5.4	2.0	-1.0	3.9	0.4	2.1	2.0	3.3	2.4	2.1	1.4	0.9
Hungary	8.4	2.5	2.4	6.4	6.9	1.9	7.7	9.4	6.4	4.9	6.9	6.3
Poland	2.7	5.8	3.3	8.1	7.3	3.7	7.1	8.3	6.7	4.6	5.9	6.0
Romania	18.0	7.9	8.5	12.9	10.9	7.0	6.8	7.5	9.9	7.3	5.8	6.1
Sweden	3.9	3.0	2.3	3.8	3.0	2.5	2.2	2.5	2.5	2.3	2.2	2.5
EU	2.6	2.5	1.6	2.7	2.7	0.8	2.9	3.3	2.8	0.9	2.5	2.7
United Kingdom	5.3	1.5	2.3	2.5	4.2	1.9	2.8	3.0	2.0	1.7	0.9	2.8
Japan	-0.4	-1.1	0.7	1.4	0.8	1.1	1.4	1.4	1.4	1.1	1.4	1.4
United States	4.1	2.4	2.2	3.2	3.0	7.4	3.1	3.8	3.6	7.0	0.7	2.7

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 27: Real compensation of employees per head [1] (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	0.1	0.7	0.0	-0.2	0.6	-2.1	**1.5**	**2.8**	**0.3**	-2.5	0.9	1.9
Germany	-0.5	0.8	1.5	1.4	2.0	-0.3	**0.0**	**1.2**	**1.2**	-0.2	0.4	1.5
Estonia	9.9	-0.6	4.0	4.7	5.7	6.1	**0.9**	**-0.2**	**2.2**	3.2	1.7	1.1
Ireland	2.8	1.3	0.6	0.6	1.3	1.9	**0.6**	**1.9**	**4.5**	1.4	1.1	0.5
Greece	2.4	-2.6	-2.0	-3.9	0.6	0.3	**-0.1**	**-0.4**	**1.1**	1.3	1.5	1.3
Spain	0.3	0.8	-0.1	-0.3	1.7	1.3	**-2.1**	**0.9**	**0.7**	1.2	-0.5	0.8
France	0.9	1.3	1.0	0.0	-1.0	-3.7	**2.7**	**1.1**	**0.8**	-3.2	2.7	1.5
Italy	0.7	0.1	0.0	1.1	1.2	3.1	**-1.2**	**-0.5**	**-0.2**	2.9	-0.8	0.8
Cyprus	1.6	0.1	-1.1	0.2	3.3	-2.2	**0.5**	**1.0**	**1.2**	-2.3	-0.1	0.7
Latvia	12.1	-1.6	6.1	4.9	4.6	4.7	**3.9**	**1.1**	**4.3**	4.5	2.1	2.2
Lithuania	11.5	-2.1	5.4	5.2	8.3	6.4	**5.3**	**3.5**	**3.5**	7.3	4.0	2.7
Luxembourg	0.9	0.4	0.9	0.9	0.3	-0.3	**-0.7**	**0.7**	**0.2**	-1.7	0.6	0.5
Malta	1.6	0.6	2.3	2.8	1.7	-1.5	**1.3**	**-0.2**	**0.2**	-1.2	0.9	0.9
Netherlands	0.5	1.3	0.1	-0.3	0.3	3.1	**0.1**	**0.4**	**1.3**	3.5	-0.1	-0.5
Austria	0.3	0.2	0.2	0.9	1.0	0.3	**-0.7**	**-0.8**	**0.9**	-0.9	-0.9	0.2
Portugal	-0.1	-0.8	0.2	2.3	3.9	1.3	**1.0**	**1.1**	**1.6**	1.9	1.6	1.1
Slovenia	3.1	0.4	1.4	1.9	3.6	4.1	**1.6**	**-0.9**	**1.9**	2.9	0.8	-0.3
Slovakia	3.3	1.2	2.7	3.6	4.0	1.4	**2.1**	**1.8**	**3.3**	1.1	2.5	2.7
Finland	1.9	0.3	-0.4	0.0	0.3	0.2	**0.1**	**0.6**	**0.9**	-0.5	0.9	0.8
Euro area	0.3	0.8	0.7	0.6	1.1	0.1	**0.4**	**0.8**	**0.9**	0.2	0.6	1.1
Bulgaria	3.2	6.6	5.5	7.1	4.8	7.8	**7.4**	**2.8**	**5.5**	5.4	2.9	2.6
Czechia	4.4	0.5	2.5	5.4	4.3	0.4	**2.5**	**2.8**	**2.9**	0.1	-1.6	0.1
Denmark	1.8	0.3	1.0	1.0	1.2	1.9	**0.0**	**0.4**	**1.1**	1.2	0.3	0.5
Croatia	2.5	-1.0	-1.2	2.4	-0.7	1.8	**-0.1**	**1.3**	**1.0**	1.9	-0.2	-0.4
Hungary	3.6	-1.9	0.9	3.0	2.3	-1.1	**2.4**	**4.4**	**2.9**	1.6	2.8	3.0
Poland	0.5	2.2	3.1	6.3	4.8	0.5	**2.8**	**3.0**	**4.4**	1.3	2.1	2.8
Romania	7.9	2.1	6.6	8.8	5.2	4.5	**2.4**	**3.1**	**6.6**	4.8	2.7	3.2
Sweden	2.8	1.4	1.2	1.3	0.8	1.4	**-0.3**	**0.4**	**1.3**	1.2	0.7	1.2
EU	0.4	0.8	0.8	1.1	1.3	0.1	**0.5**	**1.0**	**1.2**	0.2	0.7	1.2
United Kingdom	3.0	-0.7	1.1	0.5	2.8	0.2	**1.1**	**0.6**	**0.0**	0.1	-0.8	0.3
Japan	0.2	-0.3	0.2	0.7	0.3	0.7	**1.8**	**1.0**	**1.0**	0.7	1.0	0.6
United States	1.5	0.7	1.0	1.1	1.5	6.2	**-0.2**	**1.2**	**1.5**	5.7	-1.2	0.7

[1] Deflated by the price deflator of private consumption.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 28: Labour productivity (real GDP per occupied person) (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	1.6	-0.1	0.6	0.3	0.5	-5.6	**5.0**	**2.2**	**0.8**	-6.3	5.1	2.9
Germany	1.3	-0.2	0.8	-0.3	0.1	-3.8	**2.7**	**3.6**	**1.3**	-3.9	3.6	3.1
Estonia	6.3	-0.1	1.5	3.2	2.8	-0.3	**8.8**	**2.3**	**2.9**	-0.2	3.7	3.3
Ireland	1.3	1.7	5.5	5.7	2.0	7.5	**11.2**	**3.3**	**2.4**	5.0	8.4	0.0
Greece	2.4	-3.6	-0.9	-2.8	0.9	-7.9	**5.9**	**4.0**	**2.6**	-7.0	3.7	5.2
Spain	0.4	2.2	0.7	-0.2	-0.2	-3.5	**0.1**	**2.7**	**2.1**	-3.6	1.3	4.7
France	1.2	0.4	0.7	0.9	0.5	-7.0	**5.1**	**3.1**	**1.8**	-7.2	5.6	2.9
Italy	0.4	-0.4	0.3	0.2	0.3	1.5	**0.3**	**0.3**	**0.4**	1.6	-1.1	2.1
Cyprus	0.9	-0.1	0.6	0.3	1.4	-4.7	**4.1**	**1.9**	**1.2**	-4.6	2.5	2.8
Latvia	7.4	1.3	2.3	2.5	2.6	-1.3	**3.5**	**4.6**	**3.7**	-1.3	3.4	4.1
Lithuania	7.9	2.0	1.9	2.6	4.0	1.5	**4.3**	**3.2**	**3.3**	0.6	2.4	3.1
Luxembourg	1.6	-2.0	0.2	-1.6	-0.2	-3.6	**2.9**	**0.4**	**-0.4**	-3.2	2.5	1.3
Malta	2.0	0.5	2.0	0.1	0.0	-10.7	**2.5**	**3.5**	**2.2**	-9.4	3.5	4.2
Netherlands	1.6	0.0	0.8	-0.3	0.0	-3.3	**3.1**	**2.2**	**1.3**	-3.2	2.5	3.3
Austria	1.4	-0.3	0.2	0.8	0.3	-5.2	**2.6**	**3.0**	**1.2**	-5.0	2.2	2.9
Portugal	1.5	0.6	0.5	0.5	1.9	-6.7	**2.7**	**4.5**	**1.9**	-5.9	2.9	3.9
Slovenia	3.8	-0.2	1.3	1.2	0.8	-3.7	**5.3**	**2.9**	**2.1**	-4.6	3.9	3.0
Slovakia	5.9	1.7	1.2	1.8	1.5	-2.5	**3.5**	**4.0**	**3.3**	-2.9	5.4	4.4
Finland	2.3	-1.0	1.0	-1.3	-0.4	-0.8	**1.4**	**1.3**	**1.3**	-1.3	1.8	1.6
Euro area	1.2	0.3	0.7	0.2	0.4	-3.5	**3.0**	**2.7**	**1.4**	-3.7	3.0	3.0
Bulgaria	3.4	3.1	1.4	2.8	3.7	-2.1	**3.8**	**3.2**	**2.8**	-1.9	2.9	3.3
Czechia	4.5	0.4	1.9	1.8	2.8	-4.2	**2.5**	**3.8**	**2.8**	-4.2	4.9	4.1
Denmark	1.1	0.6	1.1	0.5	0.8	-1.4	**2.6**	**1.5**	**1.4**	-2.0	2.3	2.6
Croatia	2.7	0.2	1.0	0.3	0.4	-7.0	**6.5**	**4.2**	**2.1**	-6.9	4.4	4.6
Hungary	3.5	-0.1	0.5	3.0	3.4	-3.7	**4.3**	**3.4**	**2.4**	-2.8	3.7	4.1
Poland	3.0	2.9	2.2	4.8	4.8	-2.4	**4.5**	**5.1**	**4.4**	-2.8	4.0	5.2
Romania	6.7	2.5	4.5	4.4	4.1	-2.2	**5.8**	**4.4**	**4.6**	-2.1	4.9	4.1
Sweden	2.9	0.2	0.9	0.3	1.4	-1.5	**3.5**	**1.8**	**0.8**	-1.5	3.9	2.0
EU	1.6	0.5	0.9	0.6	0.8	-3.6	**3.3**	**2.9**	**1.6**	-3.7	3.2	3.2
United Kingdom	1.5	-0.1	0.8	0.5	0.6	-9.3	**6.9**	**3.9**	**0.7**	-9.5	5.9	5.2
Japan	1.1	0.2	0.7	-1.2	-0.6	-2.8	**1.8**	**1.7**	**0.5**	-2.8	2.5	1.9
United States	2.0	1.4	0.6	1.2	1.0	2.5	**2.7**	**1.4**	**1.2**	2.9	2.0	0.6

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 29: Unit labour costs, whole economy [1] (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	0.9	2.6	0.6	1.5	1.5	4.4	-1.4	2.9	1.2	4.7	-2.3	0.5
Germany	-0.4	2.3	1.7	3.2	3.2	4.3	0.4	-0.3	1.6	4.5	-0.8	-0.2
Estonia	7.9	3.4	4.3	5.2	5.5	5.5	-3.9	1.4	1.7	2.7	-0.1	0.3
Ireland	4.1	-1.4	-3.9	-3.0	1.4	-4.7	-6.3	1.6	3.7	-3.2	-5.9	1.8
Greece	3.1	2.8	-2.3	-1.0	-0.3	7.8	-5.6	-3.3	-1.0	7.6	-2.3	-3.0
Spain	3.2	0.4	-0.2	1.4	3.0	5.0	-0.4	-0.5	-0.4	5.2	-0.8	-2.6
France	1.6	2.0	0.7	0.8	-0.7	4.3	-0.7	0.0	0.4	4.8	-1.4	-0.2
Italy	2.8	2.4	0.3	1.8	1.5	1.3	0.3	1.2	0.8	1.0	1.7	-0.2
Cyprus	3.6	2.8	-2.6	1.1	2.9	1.6	-1.6	0.8	1.2	1.5	-0.9	-1.0
Latvia	13.4	0.2	4.9	5.4	5.1	6.9	3.4	0.4	2.9	6.7	0.5	0.2
Lithuania	5.6	0.6	4.3	5.2	6.3	5.7	4.7	3.4	2.1	7.5	3.5	1.5
Luxembourg	1.9	4.3	1.9	4.5	2.1	4.1	-1.4	2.2	2.4	2.6	-0.2	0.9
Malta	1.8	2.7	1.3	3.5	3.5	11.7	0.4	-1.6	-0.3	10.4	-1.0	-1.1
Netherlands	1.0	2.4	0.3	2.1	2.9	8.3	-0.8	0.3	1.5	8.4	-1.0	-2.3
Austria	1.0	2.5	1.8	2.1	2.5	7.3	-0.5	-0.7	1.8	5.5	-1.5	-1.1
Portugal	1.8	-0.2	0.6	3.4	2.8	9.3	-0.5	-1.4	1.1	9.3	-0.1	-1.0
Slovenia	2.7	2.9	0.6	2.7	4.2	7.4	-1.8	-1.6	1.6	7.2	-1.8	-1.6
Slovakia	2.2	2.1	1.9	4.2	5.2	6.3	1.5	1.8	2.0	6.4	-1.3	0.3
Finland	0.8	3.9	-0.3	2.6	1.7	1.6	0.5	1.2	1.5	1.2	0.3	0.4
Euro area	1.5	2.0	0.7	1.9	1.9	4.3	-0.4	0.2	1.0	4.4	-0.7	-0.6
Bulgaria	4.1	6.5	5.8	6.7	3.1	9.5	5.7	5.6	4.9	7.9	2.0	1.8
Czechia	1.7	2.1	1.4	6.1	4.3	7.7	3.4	2.9	2.0	7.4	-3.8	-1.3
Denmark	2.3	2.0	0.5	1.1	1.2	3.8	-0.9	0.7	1.3	3.7	-0.7	-0.6
Croatia	2.6	1.9	-2.0	3.6	0.0	9.8	-4.2	-0.9	0.2	9.7	-2.9	-3.5
Hungary	4.8	2.6	2.0	3.3	3.4	5.9	3.2	5.8	4.0	7.9	3.0	2.1
Poland	-0.3	2.8	1.0	3.2	2.4	6.3	2.5	3.0	2.2	7.5	1.8	0.7
Romania	10.6	5.2	3.8	8.2	6.6	9.3	0.9	2.9	5.1	9.6	0.9	1.9
Sweden	1.0	2.8	1.4	3.5	1.5	4.1	-1.2	0.6	1.7	3.9	-1.6	0.5
EU	1.5	2.1	0.8	2.2	2.0	4.5	-0.3	0.4	1.2	4.7	-0.7	-0.5
United Kingdom	3.7	1.6	1.4	2.1	3.6	12.3	-3.8	-0.9	1.2	12.4	-4.7	-2.4
Japan	-1.4	-1.3	0.0	2.6	1.5	4.0	-0.4	-0.3	0.9	4.0	-1.0	-0.5
United States	2.1	1.0	1.6	2.0	1.9	4.8	0.4	2.3	2.3	4.0	-1.2	2.1

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Real unit labour costs [1] (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	-1.1	0.9	-0.9	0.0	-0.3	3.1	-3.3	0.6	-0.4	3.6	-3.8	-1.0
Germany	-1.4	1.1	0.0	1.2	1.2	2.7	-2.2	-2.7	-0.2	2.9	-2.4	-1.7
Estonia	0.8	-0.1	1.5	1.2	2.2	5.8	-6.6	-1.6	-0.8	3.2	-1.9	-2.0
Ireland	1.6	-0.5	-5.8	-3.7	-2.8	-3.5	-6.1	-0.4	2.2	-2.8	-7.3	0.6
Greece	0.0	1.3	-1.4	-0.8	-0.5	8.7	-5.6	-4.2	-1.4	9.2	-2.0	-3.8
Spain	-0.6	-0.1	-0.7	0.2	1.6	3.8	-1.9	-2.0	-1.3	4.1	-1.8	-3.6
France	-0.4	0.9	0.0	-0.2	-2.0	1.8	-1.5	-1.3	-1.0	2.5	-1.8	-1.2
Italy	0.3	0.8	-0.6	0.8	0.6	0.1	-0.8	-0.2	-0.6	-0.2	0.8	-1.4
Cyprus	0.1	0.7	-2.1	0.1	1.8	2.9	-3.9	-0.8	0.2	3.0	-2.3	-2.2
Latvia	2.1	-1.8	3.3	1.5	2.5	7.0	-0.1	-2.4	0.8	6.7	-1.7	-1.9
Lithuania	0.8	-2.7	2.7	1.6	3.6	4.2	0.4	0.8	0.1	6.3	1.5	-0.6
Luxembourg	-1.7	0.5	0.3	2.7	1.5	-0.2	-3.6	0.0	0.2	0.3	-2.3	-1.5
Malta	-0.3	0.4	-1.2	1.2	1.1	10.2	-1.3	-3.4	-1.8	8.9	-2.5	-3.0
Netherlands	-1.0	1.4	-0.5	-0.3	-0.1	5.9	-3.1	-1.3	0.0	5.8	-2.9	-4.0
Austria	-1.0	0.8	0.0	0.3	0.8	4.8	-2.3	-2.9	-0.3	4.3	-2.8	-2.7
Portugal	-1.3	-0.8	-1.0	1.5	1.1	7.2	-1.6	-3.1	-0.3	6.8	-1.5	-2.5
Slovenia	-0.7	1.2	-0.5	0.6	1.9	6.1	-3.3	-3.4	-0.1	5.9	-3.0	-2.8
Slovakia	-1.3	1.0	1.7	2.1	2.6	3.8	0.1	-2.8	-0.2	3.9	-2.8	-2.0
Finland	-0.3	1.7	-1.6	0.6	0.2	0.3	-1.4	-0.8	-0.8	-0.4	-1.4	-1.3
Euro area	-0.8	0.8	-0.4	0.4	0.1	2.7	-2.0	-1.6	-0.5	2.9	-1.9	-1.9
Bulgaria	-2.1	2.5	3.2	2.4	-2.0	5.1	1.8	0.9	1.3	4.5	-2.9	-1.1
Czechia	-0.2	1.2	-0.1	3.5	0.4	3.2	-0.5	-0.1	-0.4	3.1	-5.7	-3.3
Denmark	0.1	-0.2	-0.3	0.4	0.4	1.1	-1.8	-0.9	-0.2	1.3	-2.1	-2.2
Croatia	-1.2	-0.6	-2.4	1.5	-1.9	10.0	-6.4	-2.9	-1.6	9.3	-4.5	-5.1
Hungary	0.3	-0.6	-0.9	-1.4	-1.3	0.0	-1.4	1.2	0.3	2.1	-0.7	-1.5
Poland	-2.9	-0.2	0.2	1.9	-0.7	2.1	-2.1	-2.2	-0.5	3.3	-1.0	-1.8
Romania	-4.1	-0.8	0.7	1.9	-0.2	5.4	-2.9	-1.4	0.9	5.6	-2.2	-0.8
Sweden	-0.5	1.0	-0.3	1.1	-1.0	2.6	-3.2	-0.7	0.1	2.5	-3.2	-1.3
EU	-1.2	0.6	-0.5	0.4	-0.1	2.7	-2.2	-1.6	-0.5	2.9	-2.0	-1.9
United Kingdom	0.8	-0.4	-0.2	0.1	1.5	6.1	-4.5	-1.2	-0.5	6.4	-5.5	-2.0
Japan	-0.3	-0.1	-0.8	2.6	0.8	3.1	0.1	-0.6	0.6	3.1	-0.2	-1.1
United States	-0.6	-0.5	0.1	-0.4	0.1	3.6	-3.1	-0.3	0.2	2.7	-3.4	0.1

[1] Nominal unit labour costs divided by GDP price deflator.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 31: Nominal bilateral exchange rates against ecu/euro (2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1.9539	1.9558	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czechia	29.9139	25.2793	26.8296	25.6470	25.6705	26.4551	**25.6512**	**25.3959**	**25.3959**	*26.4551*	*25.9383*	*25.8906*
Denmark	7.4464	7.4488	7.4511	7.4532	7.4661	7.4542	**7.4377**	**7.4402**	**7.4402**	*7.4542*	*7.4367*	*7.4365*
Croatia	7.4257	7.3627	7.5647	7.4182	7.4180	7.5384	**7.5274**	**7.5128**	**7.5128**	*7.5384*	*7.5695*	*7.5684*
Hungary	253.7460	274.9693	307.2067	318.8897	325.2967	351.2494	**357.3237**	**359.5550**	**359.5550**	*351.2494*	*361.3937*	*361.5340*
Poland	4.1254	4.0276	4.2372	4.2615	4.2976	4.4430	**4.5565**	**4.5818**	**4.5818**	*4.4430*	*4.5539*	*4.5556*
Romania	3.6573	4.1663	4.4735	4.6540	4.7453	4.8383	**4.9210**	**4.9483**	**4.9483**	*4.8383*	*4.9140*	*4.9256*
Sweden	9.2070	9.4992	9.2410	10.2583	10.5891	10.4848	**10.1397**	**10.0977**	**10.0977**	*10.4848*	*10.1307*	*10.1293*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.6841	0.8448	0.8155	0.8847	0.8778	0.8897	**0.8598**	**0.8480**	**0.8480**	*0.8897*	*0.8684*	*0.8670*
Japan	141.6677	121.8282	130.1375	130.3959	122.0058	121.8458	**129.9894**	**130.5430**	**130.5430**	*121.8458*	*129.6960*	*130.3070*
United States	1.2490	1.3736	1.2005	1.1810	1.1195	1.1422	**1.1865**	**1.1577**	**1.1577**	*1.1422*	*1.2028*	*1.2030*

Table 32: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	1.4	-0.2	0.5	1.9	-0.6	1.2	**0.6**	**-0.3**	**0.0**	*1.2*	*0.8*	*0.0*
Germany	1.8	-0.5	0.6	2.5	-1.0	1.6	**1.1**	**-0.5**	**0.0**	*1.6*	*1.4*	*0.1*
Estonia	1.1	-0.3	0.8	2.2	0.1	1.3	**0.1**	**-0.3**	**0.0**	*1.3*	*0.2*	*0.0*
Ireland	2.5	-0.3	0.0	2.5	-2.0	1.3	**1.1**	**-1.0**	**0.0**	*1.3*	*1.7*	*0.0*
Greece	1.3	0.2	1.4	3.8	0.1	2.7	**2.1**	**0.1**	**0.0**	*2.7*	*2.1*	*0.2*
Spain	1.3	-0.1	0.6	2.2	-0.6	1.5	**0.9**	**-0.3**	**0.0**	*1.5*	*1.0*	*0.1*
France	1.7	-0.4	0.6	2.3	-1.0	1.4	**1.0**	**-0.4**	**0.0**	*1.4*	*1.2*	*0.1*
Italy	1.7	-0.4	0.6	2.6	-0.9	1.6	**1.2**	**-0.4**	**0.0**	*1.6*	*1.5*	*0.1*
Cyprus	1.2	0.0	0.5	2.8	-0.6	2.0	**0.8**	**-0.4**	**0.0**	*2.0*	*0.9*	*0.1*
Latvia	-2.8	0.1	0.7	2.0	0.1	1.5	**0.5**	**-0.2**	**0.0**	*1.5*	*0.6*	*0.1*
Lithuania	1.3	0.0	0.7	2.1	-0.1	1.6	**0.7**	**-0.2**	**0.0**	*1.6*	*0.8*	*0.1*
Luxembourg	0.8	0.0	0.5	1.3	-0.4	0.9	**0.4**	**-0.2**	**0.0**	*0.9*	*0.6*	*0.0*
Malta	1.7	-0.8	0.3	2.1	-1.2	1.1	**1.2**	**-0.3**	**0.0**	*1.1*	*1.4*	*0.1*
Netherlands	1.1	-0.1	0.5	1.7	-0.5	1.2	**0.5**	**-0.3**	**0.0**	*1.2*	*0.7*	*0.0*
Austria	1.0	-0.3	0.4	1.7	-0.6	1.2	**0.7**	**-0.3**	**0.0**	*1.2*	*1.0*	*0.0*
Portugal	1.1	-0.1	0.4	1.5	-0.5	1.0	**0.5**	**-0.3**	**0.0**	*1.0*	*0.7*	*0.0*
Slovenia	-0.6	0.1	0.5	1.3	-0.1	1.2	**0.6**	**-0.1**	**0.0**	*1.2*	*0.8*	*0.1*
Slovakia	5.3	2.6	0.5	1.2	-0.1	1.3	**0.5**	**-0.2**	**0.0**	*1.3*	*0.7*	*0.0*
Finland	1.7	-0.6	0.9	2.5	-0.6	1.4	**0.6**	**-0.4**	**0.0**	*1.4*	*0.8*	*0.0*
Euro area	1.7	-0.3	0.6	2.3	-0.9	1.5	**0.9**	**-0.4**	**0.0**	*1.0*	*-2.7*	*0.1*
Bulgaria	1.2	0.6	1.3	3.9	0.6	2.9	**2.2**	**0.3**	**0.0**	*2.9*	*2.1*	*0.2*
Czechia	2.7	2.2	-0.4	4.1	-0.2	-1.9	**3.8**	**0.9**	**0.0**	*-1.9*	*2.7*	*0.2*
Denmark	1.4	-0.5	0.9	2.2	-0.7	1.6	**0.4**	**-0.6**	**0.0**	*1.6*	*0.6*	*0.0*
Croatia	1.0	-0.6	0.8	2.5	-0.2	-0.2	**1.1**	**0.1**	**0.0**	*-0.2*	*0.7*	*0.1*
Hungary	0.0	-2.6	-0.8	-1.6	-2.1	-6.3	**-1.1**	**-0.7**	**0.0**	*-6.3*	*-2.1*	*0.0*
Poland	1.3	-1.6	0.3	1.4	-1.0	-2.2	**-2.2**	**-0.8**	**0.0**	*-2.2*	*-2.0*	*0.0*
Romania	0.1	-5.3	0.4	0.2	-1.9	-0.3	**-0.7**	**-0.6**	**0.0**	*-0.3*	*-0.5*	*-0.1*
Sweden	1.7	0.9	-1.2	-4.2	-3.7	2.8	**3.7**	**-0.2**	**0.0**	*2.8*	*4.0*	*0.0*
EU	1.6	-0.4	0.5	2.0	-1.0	1.2	**1.0**	**-0.4**	**0.0**	*1.5*	*-2.0*	*0.2*
United Kingdom	0.3	-4.1	-1.1	2.0	-0.4	0.2	**5.1**	**0.9**	**0.0**	*0.2*	*4.3*	*0.3*
Japan	-2.6	8.5	-3.8	0.6	4.6	2.0	**-5.4**	**-1.5**	**0.0**	*2.0*	*-4.7*	*-0.5*
United States	-4.7	-0.4	5.3	-1.1	3.3	1.3	**-3.9**	**1.9**	**0.0**	*1.3*	*-4.9*	*-0.1*

[1] 42 countries: EU-27, TR, CH, NO, US, UK, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 33: Total expenditure, general government (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	49.9	54.2	54.1	52.2	51.8	59.2	**56.7**	**54.2**	**53.8**	*60.0*	*57.6*	*54.7*
Germany	46.1	46.1	44.4	44.3	45.0	50.8	**52.3**	**47.4**	**46.0**	*51.1*	*53.5*	*48.3*
Estonia	34.0	40.4	38.9	39.4	39.4	45.9	**43.5**	**42.6**	**42.1**	*45.1*	*46.7*	*42.8*
Ireland	33.5	48.6	32.3	25.3	24.2	27.4	**25.0**	**22.9**	**21.4**	*28.4*	*28.0*	*25.7*
Greece	46.4	53.9	53.2	48.5	47.9	59.8	**57.9**	**50.8**	**48.3**	*60.7*	*59.2*	*52.2*
Spain	38.7	45.7	43.7	41.7	42.1	52.4	**50.9**	**47.2**	**44.9**	*52.3*	*49.2*	*46.2*
France	53.0	56.1	56.9	55.6	55.4	61.6	**60.1**	**56.4**	**54.7**	*62.1*	*60.6*	*56.2*
Italy	47.2	49.7	50.0	48.4	48.5	57.1	**56.2**	**52.7**	**51.0**	*57.3*	*58.7*	*52.6*
Cyprus	38.9	41.3	41.4	42.7	38.4	45.1	**44.9**	**40.9**	**40.0**	*46.3*	*47.4*	*43.8*
Latvia	34.9	42.1	38.4	39.3	38.2	43.1	**47.6**	**43.0**	**40.6**	*43.6*	*46.9*	*41.7*
Lithuania	34.3	40.8	34.6	34.0	34.8	42.9	**41.1**	**40.9**	**39.1**	*43.5*	*44.2*	*42.4*
Luxembourg	41.4	41.2	40.7	42.1	42.9	47.2	**44.6**	**44.1**	**44.1**	*47.8*	*44.0*	*43.3*
Malta	42.5	41.5	38.0	35.7	35.9	45.9	**47.2**	**42.4**	**41.3**	*46.6*	*48.7*	*42.4*
Netherlands	43.1	46.5	44.6	42.2	42.0	48.0	**48.2**	**45.0**	**43.7**	*48.1*	*48.4*	*43.9*
Austria	51.2	51.8	50.9	48.7	48.6	57.1	**55.0**	**50.8**	**50.0**	*57.9*	*56.0*	*51.3*
Portugal	45.6	49.3	48.0	43.2	42.5	49.3	**49.1**	**46.6**	**45.6**	*48.4*	*48.2*	*45.8*
Slovenia	45.8	49.0	50.0	43.5	43.3	51.3	**50.9**	**48.7**	**47.3**	*52.0*	*51.5*	*47.7*
Slovakia	38.6	41.3	42.8	39.8	40.7	45.6	**47.6**	**43.9**	**44.6**	*48.0*	*48.2*	*45.7*
Finland	48.4	53.0	56.0	53.3	53.2	57.3	**56.9**	**54.3**	**52.9**	*56.7*	*56.3*	*53.6*
Euro area	46.7	49.6	48.5	46.9	46.9	53.8	**53.2**	**49.4**	**47.9**	*54.1*	*54.2*	*49.6*
Bulgaria	36.9	36.1	38.2	36.9	35.5	41.8	**42.2**	**41.8**	**41.4**	*42.9*	*41.6*	*40.2*
Czechia	43.1	43.3	41.2	40.6	41.1	47.2	**47.3**	**44.5**	**43.9**	*47.5*	*47.9*	*44.7*
Denmark	51.5	55.6	53.7	50.5	49.5	53.4	**52.2**	**48.6**	**47.3**	*54.0*	*53.3*	*50.4*
Croatia	47.3	48.1	47.4	45.5	46.0	54.5	**51.2**	**49.7**	**49.5**	*55.4*	*54.2*	*53.0*
Hungary	49.7	49.2	48.8	46.1	45.7	51.6	**48.5**	**48.1**	**46.4**	*51.6*	*49.1*	*46.5*
Poland	44.1	44.5	41.9	41.5	41.8	48.7	**45.1**	**42.9**	**42.5**	*48.7*	*46.0*	*43.3*
Romania	35.0	38.8	35.0	34.9	36.3	42.3	**41.3**	**40.5**	**39.9**	*42.4*	*41.1*	*40.3*
Sweden	51.8	50.7	50.1	49.8	49.1	52.5	**51.0**	**49.4**	**48.8**	*52.9*	*53.1*	*50.6*
EU	46.8	49.3	48.1	46.5	46.5	53.1	**52.4**	**48.8**	**47.4**	*53.4*	*53.4*	*49.1*
United Kingdom	40.5	46.2	42.1	40.5	40.6	51.4	**47.0**	**42.1**	**41.2**	*51.6*	*49.8*	*43.6*
Japan	34.7	39.2	39.2	38.3	38.5	46.0	**43.5**	**41.8**	**41.0**	*46.0*	*43.7*	*41.1*
United States	37.0	41.6	38.3	38.0	38.3	48.1	**44.2**	**41.4**	**40.3**	*48.2*	*47.5*	*38.5*

Table 34: Total revenue, general government (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	49.0	50.4	51.8	51.4	49.9	50.1	**49.0**	**49.1**	**48.8**	*50.6*	*49.9*	*49.8*
Germany	43.8	44.4	45.2	46.2	46.5	46.5	**45.8**	**45.0**	**45.5**	*46.9*	*46.0*	*45.7*
Estonia	36.2	39.7	38.9	38.9	39.6	40.3	**40.4**	**40.1**	**39.9**	*40.2*	*41.1*	*39.5*
Ireland	34.8	33.6	29.7	25.5	24.7	22.4	**21.8**	**21.2**	**21.1**	*23.4*	*23.0*	*22.9*
Greece	39.3	42.7	48.8	49.5	49.0	49.7	**48.0**	**46.8**	**47.1**	*51.0*	*49.2*	*49.0*
Spain	39.6	36.5	38.6	39.2	39.2	41.5	**42.8**	**42.0**	**40.7**	*41.3*	*41.7*	*41.0*
France	49.8	50.7	53.2	53.4	52.3	52.6	**51.9**	**51.1**	**51.2**	*52.9*	*52.1*	*51.5*
Italy	44.0	46.0	47.4	46.2	47.0	47.5	**46.8**	**47.0**	**46.8**	*47.8*	*47.0*	*46.9*
Cyprus	37.0	37.2	38.8	39.2	39.7	39.4	**40.0**	**39.5**	**39.2**	*40.6*	*42.3*	*41.8*
Latvia	34.1	36.4	37.5	38.5	37.6	38.6	**38.1**	**38.7**	**38.6**	*39.1*	*39.6*	*39.7*
Lithuania	33.5	34.6	34.0	34.5	35.2	35.7	**37.1**	**37.8**	**38.0**	*36.1*	*36.0*	*36.4*
Luxembourg	42.4	42.0	42.1	45.1	45.1	43.6	**44.4**	**44.3**	**44.4**	*43.7*	*43.6*	*43.1*
Malta	38.3	38.3	38.0	37.5	36.4	36.2	**36.0**	**36.7**	**36.6**	*36.5*	*36.9*	*37.0*
Netherlands	42.0	42.7	43.4	43.7	43.7	43.9	**42.9**	**42.9**	**42.7**	*43.9*	*43.4*	*42.1*
Austria	48.6	48.6	49.3	48.9	49.2	48.7	**49.1**	**48.5**	**48.7**	*49.0*	*48.4*	*48.4*
Portugal	40.6	41.5	43.7	42.9	42.6	43.5	**44.6**	**43.2**	**42.9**	*42.8*	*43.5*	*42.4*
Slovenia	44.4	44.3	45.0	44.2	43.8	43.6	**43.7**	**43.5**	**42.9**	*43.6*	*43.0*	*43.0*
Slovakia	35.9	35.9	40.4	38.8	39.3	40.1	**40.3**	**39.6**	**41.3**	*41.8*	*41.8*	*41.6*
Finland	51.7	52.2	53.9	52.5	52.3	51.9	**53.1**	**51.9**	**51.8**	*51.2*	*51.7*	*51.5*
Euro area	44.5	45.1	46.5	46.4	46.3	46.6	**46.1**	**45.5**	**45.5**	*46.8*	*46.2*	*45.8*
Bulgaria	38.1	34.2	37.0	38.7	37.6	37.8	**38.6**	**39.0**	**39.3**	*39.5*	*38.4*	*38.3*
Czechia	40.1	39.7	40.8	41.5	41.4	41.6	**40.4**	**40.2**	**40.1**	*41.3*	*39.4*	*39.3*
Denmark	54.8	54.0	53.8	51.3	53.6	53.3	**51.3**	**49.9**	**48.6**	*52.8*	*51.2*	*49.0*
Croatia	43.7	42.4	44.4	45.7	46.3	47.2	**47.2**	**46.8**	**47.4**	*48.0*	*49.6*	*49.8*
Hungary	42.5	45.1	46.5	44.0	43.6	43.6	**41.0**	**42.4**	**42.6**	*43.5*	*42.4*	*42.0*
Poland	40.1	39.0	39.1	41.3	41.0	41.5	**41.8**	**41.1**	**40.4**	*41.7*	*41.8*	*41.0*
Romania	33.3	32.7	33.1	32.0	31.9	32.9	**33.2**	**33.5**	**33.5**	*33.1*	*33.0*	*33.2*
Sweden	53.0	50.6	50.0	50.7	49.7	49.7	**50.1**	**49.8**	**49.7**	*49.9*	*49.8*	*50.1*
EU	44.8	45.0	46.3	46.1	46.0	46.3	**45.8**	**45.2**	**45.1**	*46.5*	*45.9*	*45.5*
United Kingdom	37.6	38.2	37.9	38.3	38.2	38.5	**36.9**	**36.6**	**36.7**	*39.3*	*38.0*	*38.1*
Japan	30.3	31.1	34.5	35.8	35.6	35.2	**34.4**	**36.8**	**37.1**	*32.8*	*34.2*	*37.0*
United States	32.2	31.0	33.3	31.7	31.6	32.4	**32.7**	**33.5**	**33.5**	*32.1*	*31.5*	*31.6*

Table 35: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	-0.9	-3.9	-2.3	-0.8	-1.9	-9.1	**-7.8**	**-5.1**	**-4.9**	-9.4	-7.6	-4.9
Germany	-2.4	-1.7	0.8	1.9	1.5	-4.3	**-6.5**	**-2.5**	**-0.5**	-4.2	-7.5	-2.5
Estonia	2.2	-0.8	0.0	-0.6	0.1	-5.6	**-3.1**	**-2.5**	**-2.2**	-4.9	-5.6	-3.3
Ireland	1.3	-15.0	-2.6	0.1	0.5	-4.9	**-3.2**	**-1.7**	**-0.3**	-5.0	-5.0	-2.9
Greece	-7.1	-11.2	-4.4	0.9	1.1	-10.1	**-9.9**	**-3.9**	**-1.1**	-9.7	-10.0	-3.2
Spain	1.0	-9.2	-5.1	-2.5	-2.9	-11.0	**-8.1**	**-5.2**	**-4.2**	-11.0	-7.6	-5.2
France	-3.2	-5.5	-3.6	-2.3	-3.1	-9.1	**-8.1**	**-5.3**	**-3.5**	-9.2	-8.5	-4.7
Italy	-3.1	-3.7	-2.6	-2.2	-1.5	-9.6	**-9.4**	**-5.8**	**-4.3**	-9.5	-11.7	-5.8
Cyprus	-1.9	-4.1	-2.6	-3.5	1.3	-5.7	**-4.9**	**-1.4**	**-0.9**	-5.7	-5.1	-2.0
Latvia	-0.9	-5.6	-1.0	-0.8	-0.6	-4.5	**-9.5**	**-4.2**	**-2.0**	-4.5	-7.3	-2.0
Lithuania	-0.8	-6.2	-0.6	0.5	0.5	-7.2	**-4.1**	**-3.1**	**-1.1**	-7.4	-8.2	-6.0
Luxembourg	1.0	0.8	1.4	3.0	2.3	-3.5	**-0.2**	**0.2**	**0.3**	-4.1	-0.3	-0.1
Malta	-4.1	-3.2	-0.1	1.9	0.5	-9.7	**-11.1**	**-5.8**	**-4.7**	-10.1	-11.8	-5.5
Netherlands	-1.1	-3.8	-1.2	1.4	1.7	-4.2	**-5.3**	**-2.1**	**-1.0**	-4.3	-5.0	-1.8
Austria	-2.6	-3.2	-1.6	0.2	0.6	-8.3	**-5.9**	**-2.3**	**-1.3**	-8.9	-7.6	-3.0
Portugal	-5.0	-7.8	-4.4	-0.3	0.1	-5.8	**-4.5**	**-3.4**	**-2.8**	-5.7	-4.7	-3.4
Slovenia	-1.4	-4.7	-5.0	0.7	0.4	-7.7	**-7.2**	**-5.2**	**-4.4**	-8.4	-8.5	-4.7
Slovakia	-2.8	-5.4	-2.4	-1.0	-1.3	-5.5	**-7.3**	**-4.2**	**-3.2**	-6.2	-6.5	-4.1
Finland	3.3	-0.8	-2.1	-0.9	-0.9	-5.5	**-3.8**	**-2.4**	**-1.1**	-5.4	-4.6	-2.1
Euro area	-2.1	-4.5	-2.0	-0.4	-0.6	-7.2	**-7.1**	**-3.9**	**-2.4**	-7.2	-8.0	-3.8
Bulgaria	1.2	-1.8	-1.2	1.7	2.1	-4.0	**-3.6**	**-2.8**	**-2.1**	-3.4	-3.2	-1.9
Czechia	-3.0	-3.6	-0.4	0.9	0.3	-5.6	**-7.0**	**-4.3**	**-3.9**	-6.2	-8.5	-5.4
Denmark	3.4	-1.6	0.1	0.8	4.1	-0.2	**-0.9**	**1.3**	**1.4**	-1.1	-2.1	-1.4
Croatia	-3.7	-5.7	-2.9	0.2	0.3	-7.4	**-4.1**	**-2.9**	**-2.1**	-7.4	-4.6	-3.2
Hungary	-7.2	-4.1	-2.3	-2.1	-2.1	-8.0	**-7.5**	**-5.7**	**-3.8**	-8.1	-6.8	-4.5
Poland	-4.1	-5.4	-2.9	-0.2	-0.7	-7.1	**-3.3**	**-1.8**	**-2.1**	-7.0	-4.3	-2.3
Romania	-1.6	-6.1	-1.8	-2.9	-4.4	-9.4	**-8.0**	**-6.9**	**-6.3**	-9.2	-8.0	-7.1
Sweden	1.3	-0.1	-0.1	0.8	0.6	-2.8	**-0.9**	**0.3**	**0.9**	-3.1	-3.3	-0.5
EU	-2.0	-4.3	-1.9	-0.4	-0.5	-6.9	**-6.6**	**-3.6**	**-2.3**	-6.9	-7.5	-3.7
United Kingdom	-2.9	-8.1	-4.2	-2.2	-2.4	-12.9	**-10.1**	**-5.5**	**-4.5**	-12.3	-11.8	-5.4
Japan	-4.7	-8.0	-4.7	-2.5	-2.9	-10.9	**-9.1**	**-5.0**	**-3.9**	-13.2	-9.5	-4.1
United States	-4.8	-10.6	-5.1	-6.2	-6.6	-15.8	**-11.4**	**-7.9**	**-6.8**	-16.1	-16.0	-6.8

Table 36: Interest expenditure, general government (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	4.6	3.7	2.9	2.1	2.0	1.9	**1.7**	**1.4**	**1.3**	2.0	1.7	1.4
Germany	2.8	2.5	1.4	0.9	0.8	0.6	**0.5**	**0.5**	**0.4**	0.7	0.6	0.5
Estonia	0.2	0.1	0.1	0.0	0.0	0.0	**0.0**	**0.1**	**0.1**	0.0	0.0	0.1
Ireland	1.1	2.7	3.0	1.6	1.3	1.0	**0.8**	**0.7**	**0.7**	1.0	0.9	0.9
Greece	4.7	5.8	3.6	3.4	3.0	3.0	**2.6**	**2.5**	**2.4**	3.0	2.7	2.6
Spain	1.8	2.1	3.0	2.4	2.3	2.2	**2.2**	**2.1**	**2.0**	2.2	2.1	2.0
France	2.7	2.7	2.0	1.7	1.4	1.3	**1.2**	**1.1**	**1.0**	1.3	1.2	1.1
Italy	4.6	4.7	4.2	3.6	3.4	3.5	**3.4**	**2.9**	**2.8**	3.5	3.3	2.9
Cyprus	3.0	2.5	2.9	2.4	2.2	2.1	**1.9**	**1.6**	**1.3**	2.2	2.1	1.8
Latvia	0.6	1.5	1.2	0.7	0.7	0.7	**0.7**	**0.6**	**0.6**	0.7	0.6	0.6
Lithuania	0.9	1.5	1.5	0.9	0.9	0.7	**0.4**	**0.3**	**0.3**	0.7	0.5	0.3
Luxembourg	0.2	0.4	0.4	0.4	0.3	0.2	**0.1**	**0.1**	**0.1**	0.2	0.2	0.2
Malta	3.6	3.1	2.3	1.5	1.3	1.3	**1.1**	**1.1**	**1.1**	1.3	1.4	1.4
Netherlands	2.2	1.9	1.3	0.9	0.8	0.7	**0.5**	**0.4**	**0.3**	0.7	0.5	0.4
Austria	3.1	2.9	2.3	1.6	1.4	1.3	**1.1**	**0.9**	**0.9**	1.3	1.2	1.1
Portugal	2.7	3.6	4.4	3.4	3.0	2.9	**2.6**	**2.3**	**2.2**	2.9	2.6	2.4
Slovenia	1.5	1.6	2.9	2.0	1.7	1.6	**1.4**	**1.3**	**1.2**	1.6	1.5	1.3
Slovakia	1.9	1.5	1.8	1.4	1.2	1.2	**1.2**	**1.1**	**1.1**	1.2	1.2	1.1
Finland	1.6	1.4	1.2	0.9	0.8	0.7	**0.5**	**0.4**	**0.3**	0.7	0.5	0.4
Euro area	3.0	2.9	2.4	1.8	1.6	1.5	**1.4**	**1.2**	**1.2**	1.5	1.4	1.3
Bulgaria	1.6	0.8	0.8	0.7	0.6	0.5	**0.6**	**0.6**	**0.6**	0.6	0.6	0.6
Czechia	1.1	1.2	1.1	0.7	0.7	0.8	**0.7**	**0.7**	**0.7**	0.8	0.8	0.7
Denmark	2.1	1.8	1.4	0.8	0.7	0.5	**0.7**	**0.5**	**0.6**	0.5	0.6	0.5
Croatia	1.7	2.4	3.1	2.3	2.2	2.0	**1.7**	**1.5**	**1.4**	2.0	1.8	1.6
Hungary	4.1	4.3	3.5	2.3	2.2	2.3	**2.3**	**2.3**	**2.3**	2.4	2.4	2.4
Poland	2.5	2.5	1.9	1.4	1.4	1.3	**1.1**	**1.0**	**1.0**	1.3	1.2	1.1
Romania	1.2	1.4	1.6	1.1	1.2	1.4	**1.7**	**1.8**	**1.9**	1.4	1.8	1.9
Sweden	1.8	1.3	0.6	0.5	0.4	0.3	**0.1**	**0.1**	**0.2**	0.3	0.2	0.3
EU	2.9	2.8	2.2	1.7	1.5	1.4	**1.3**	**1.2**	**1.1**	1.4	1.3	1.2
United Kingdom	2.2	2.7	2.7	2.6	2.3	2.0	**1.8**	**1.7**	**1.7**	1.9	1.7	1.6
Japan	2.0	1.9	1.8	1.5	1.5	1.6	**1.5**	**1.4**	**1.4**	1.6	1.5	1.4
United States	4.0	4.2	3.9	3.9	4.1	3.9	**3.3**	**3.2**	**3.1**	4.0	3.6	3.4

Table 37: Primary balance, general government [1] (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	3.7	-0.2	0.6	1.3	0.1	-7.1	**-6.1**	**-3.7**	**-3.6**	*-7.4*	*-5.9*	*-3.5*
Germany	0.4	0.8	2.2	2.8	2.3	-3.7	**-5.9**	**-2.0**	**-0.1**	*-3.5*	*-7.0*	*-2.0*
Estonia	2.4	-0.6	0.1	-0.5	0.1	-5.6	**-3.1**	**-2.5**	**-2.1**	*-4.9*	*-5.5*	*-3.2*
Ireland	2.3	-12.3	0.4	1.8	1.8	-3.9	**-2.4**	**-1.0**	**0.4**	*-4.0*	*-4.1*	*-2.0*
Greece	-2.4	-5.4	-0.8	4.3	4.1	-7.1	**-7.3**	**-1.4**	**1.3**	*-6.7*	*-7.3*	*-0.6*
Spain	2.8	-7.0	-2.1	-0.1	-0.6	-8.7	**-5.9**	**-3.1**	**-2.1**	*-8.7*	*-5.5*	*-3.2*
France	-0.5	-2.8	-1.6	-0.6	-1.6	-7.8	**-6.9**	**-4.2**	**-2.5**	*-7.9*	*-7.3*	*-3.6*
Italy	1.5	1.0	1.6	1.5	1.8	-6.1	**-5.9**	**-2.9**	**-1.4**	*-6.0*	*-8.4*	*-2.8*
Cyprus	1.1	-1.7	0.3	-1.1	3.5	-3.6	**-3.0**	**0.2**	**0.4**	*-3.5*	*-3.0*	*-0.2*
Latvia	-0.3	-4.1	0.2	-0.1	0.1	-3.8	**-8.9**	**-3.6**	**-1.4**	*-3.9*	*-6.7*	*-1.4*
Lithuania	0.0	-4.7	0.9	1.4	1.3	-6.5	**-3.7**	**-2.9**	**-0.9**	*-6.7*	*-7.7*	*-5.7*
Luxembourg	1.2	1.2	1.8	3.3	2.6	-3.3	**0.0**	**0.3**	**0.4**	*-3.9*	*-0.2*	*0.1*
Malta	-0.5	0.0	2.3	3.4	1.8	-8.4	**-10.0**	**-4.7**	**-3.6**	*-8.8*	*-10.4*	*-4.1*
Netherlands	1.1	-1.9	0.1	2.3	2.5	-3.5	**-4.8**	**-1.7**	**-0.7**	*-3.6*	*-4.5*	*-1.3*
Austria	0.5	-0.3	0.7	1.8	2.0	-7.0	**-4.7**	**-1.4**	**-0.4**	*-7.5*	*-6.3*	*-1.9*
Portugal	-2.3	-4.1	0.1	3.0	3.1	-2.9	**-1.9**	**-1.1**	**-0.5**	*-2.8*	*-2.1*	*-1.0*
Slovenia	0.1	-3.1	-2.1	2.8	2.1	-6.1	**-5.8**	**-3.9**	**-3.2**	*-6.8*	*-7.0*	*-3.4*
Slovakia	-0.9	-3.9	-0.7	0.3	-0.1	-4.3	**-6.1**	**-3.1**	**-2.1**	*-4.9*	*-5.3*	*-3.0*
Finland	4.9	0.6	-0.9	0.0	-0.1	-4.8	**-3.3**	**-2.0**	**-0.8**	*-4.8*	*-4.1*	*-1.7*
Euro area	0.8	-1.6	0.4	1.4	1.0	-5.7	**-5.7**	**-2.7**	**-1.2**	*-5.7*	*-6.6*	*-2.6*
Bulgaria	2.8	-1.1	-0.4	2.4	2.7	-3.5	**-3.0**	**-2.2**	**-1.5**	*-2.9*	*-2.6*	*-1.3*
Czechia	-2.0	-2.4	0.7	1.7	1.0	-4.8	**-6.2**	**-3.5**	**-3.1**	*-5.4*	*-7.8*	*-4.6*
Denmark	5.5	0.2	1.4	1.6	4.8	0.4	**-0.2**	**1.8**	**1.9**	*-0.6*	*-1.5*	*-0.9*
Croatia	-2.0	-3.3	0.2	2.5	2.5	-5.4	**-2.4**	**-1.4**	**-0.7**	*-5.4*	*-2.8*	*-1.6*
Hungary	-3.1	0.2	1.2	0.2	0.1	-5.6	**-5.1**	**-3.3**	**-1.5**	*-5.7*	*-4.3*	*-2.1*
Poland	-1.5	-2.9	-1.0	1.2	0.6	-5.8	**-2.2**	**-0.8**	**-1.1**	*-5.7*	*-3.1*	*-1.2*
Romania	-0.5	-4.7	-0.3	-1.8	-3.2	-7.9	**-6.4**	**-5.1**	**-4.4**	*-7.8*	*-6.3*	*-5.2*
Sweden	3.1	1.2	0.5	1.3	1.0	-2.5	**-0.8**	**0.5**	**1.1**	*-2.8*	*-3.0*	*-0.3*
EU	0.9	-1.6	0.4	1.3	1.0	-5.5	**-5.3**	**-2.4**	**-1.1**	*-5.5*	*-6.1*	*-2.4*
United Kingdom	-0.8	-5.3	-1.5	0.3	-0.2	-10.9	**-8.3**	**-3.8**	**-2.8**	*-10.4*	*-10.1*	*-3.9*
Japan	-2.7	-6.1	-2.9	-0.9	-1.4	-9.3	**-7.6**	**-3.6**	**-2.6**	*-11.6*	*-8.0*	*-2.7*
United States	-0.8	-6.4	-1.2	-2.3	-2.6	-11.9	**-8.1**	**-4.7**	**-3.6**	*-12.1*	*-12.4*	*-3.4*

[1] Net lending/borrowing excluding interest expenditure.

Table 38: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	-1.3	-3.6	-2.2	-1.4	-2.8	-5.7	**-7.0**	**-5.0**	**-4.9**	*-5.5*	*-5.7*	*-4.4*
Germany	-2.1	-1.3	0.7	1.3	0.9	-2.1	**-5.0**	**-2.6**	**-0.8**	*-1.8*	*-6.2*	*-2.5*
Estonia	-0.4	1.1	0.0	-1.5	-0.7	-3.1	**-2.7**	**-2.2**	**-1.8**	*-2.8*	*-3.4*	*-1.9*
Ireland	0.7	-14.0	-3.6	0.0	2.3	-2.4	**-4.7**	**-3.1**	**-1.2**	*-4.6*	*-4.7*	*-2.9*
Greece	-8.8	-8.0	2.1	4.0	2.8	-4.5	**-7.4**	**-3.6**	**-1.9**	*-4.1*	*-6.4*	*-2.1*
Spain	-1.0	-6.6	-2.2	-3.3	-4.3	-5.7	**-4.7**	**-4.1**	**-4.6**	*-5.4*	*-4.6*	*-5.2*
France	-4.2	-4.8	-2.8	-2.8	-4.2	-4.7	**-6.8**	**-5.3**	**-4.0**	*-4.8*	*-6.8*	*-4.8*
Italy	-4.1	-3.0	-1.0	-2.3	-1.9	-4.9	**-7.6**	**-5.6**	**-4.7**	*-4.8*	*-9.1*	*-5.0*
Cyprus	-3.7	-4.4	-0.1	-5.3	-1.6	-4.4	**-4.7**	**-1.8**	**-1.5**	*-4.7*	*-4.6*	*-2.4*
Latvia	-2.7	-3.7	-1.3	-2.0	-1.4	-3.0	**-8.6**	**-4.0**	**-2.1**	*-3.2*	*-6.2*	*-1.9*
Lithuania	-2.3	-4.5	-0.9	-0.7	-0.8	-6.7	**-4.0**	**-2.8**	**-0.6**	*-6.7*	*-7.0*	*-5.0*
Luxembourg	0.6	1.5	1.8	3.3	2.4	-1.5	**0.6**	**0.5**	**0.7**	*-1.9*	*1.1*	*1.1*
Malta	-4.0	-2.6	-1.0	-0.6	-2.2	-6.9	**-9.1**	**-5.0**	**-4.4**	*-7.4*	*-9.7*	*-4.5*
Netherlands	-0.6	-3.0	-0.3	0.7	0.9	-1.9	**-4.5**	**-2.4**	**-1.5**	*-2.0*	*-3.5*	*-1.7*
Austria	-2.5	-3.0	-1.2	-0.8	-0.5	-5.0	**-4.2**	**-2.5**	**-1.7**	*-5.7*	*-5.7*	*-2.9*
Portugal	-4.8	-7.1	-3.3	-1.8	-2.0	-2.6	**-2.7**	**-3.4**	**-3.1**	*-2.7*	*-2.9*	*-3.3*
Slovenia	-3.1	-4.2	-3.2	-0.7	-1.3	-6.5	**-7.6**	**-6.2**	**-5.5**	*-6.8*	*-7.7*	*-4.7*
Slovakia	-3.2	-5.3	-2.0	-1.8	-2.2	-4.1	**-6.5**	**-4.3**	**-3.6**	*-4.7*	*-6.0*	*-4.4*
Finland	2.9	-0.2	-1.0	-1.1	-1.1	-3.3	**-2.8**	**-2.0**	**-1.1**	*-3.4*	*-3.3*	*-1.5*
Euro area	-2.7	-3.7	-1.0	-1.0	-1.4	-3.8	**-5.7**	**-3.9**	**-2.8**	*-3.7*	*-6.2*	*-3.6*
Bulgaria	0.8	-2.1	-1.0	1.5	1.3	-2.9	**-3.1**	**-2.8**	**-2.5**	*-2.5*	*-2.6*	*-2.0*
Czechia	-4.2	-3.6	-0.1	0.0	-0.8	-3.8	**-5.7**	**-3.8**	**-3.8**	*-4.4*	*-7.4*	*-5.1*
Denmark	1.8	-0.2	1.3	1.1	4.2	2.3	**0.4**	**2.3**	**2.2**	*1.2*	*-0.1*	*-0.2*
Croatia	-5.0	-5.6	-2.1	-1.0	-1.3	-4.7	**-3.5**	**-3.4**	**-2.7**	*-5.0*	*-3.2*	*-3.3*
Hungary	-8.3	-2.7	-2.2	-3.6	-3.7	-5.8	**-6.8**	**-5.7**	**-3.6**	*-6.3*	*-5.7*	*-4.3*
Poland	-3.6	-6.1	-2.3	-1.4	-2.4	-5.9	**-2.7**	**-1.8**	**-2.4**	*-5.9*	*-3.7*	*-2.7*
Romania	-3.0	-5.9	-1.5	-3.5	-4.9	-7.5	**-7.1**	**-6.4**	**-6.1**	*-7.5*	*-6.9*	*-6.4*
Sweden	0.6	0.8	0.2	0.6	0.4	-0.5	**0.2**	**0.6**	**1.3**	*-0.4*	*-1.9*	*0.2*
EU	-2.6	-3.6	-1.0	-0.9	-1.3	-3.7	**-5.2**	**-3.5**	**-2.6**	*-3.7*	*-5.8*	*-3.5*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 39: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	3.2	0.1	0.7	0.7	-0.9	-3.8	**-5.3**	**-3.6**	**-3.6**	-3.5	-4.0	-2.9
Germany	0.7	1.2	2.1	2.2	1.7	-1.5	**-4.5**	**-2.1**	**-0.4**	-1.1	-5.6	-2.0
Estonia	-0.2	1.3	0.1	-1.4	-0.6	-3.0	**-2.6**	**-2.1**	**-1.8**	-2.8	-3.3	-1.8
Ireland	1.7	-11.3	-0.5	1.6	3.6	-1.4	**-4.0**	**-2.4**	**-0.5**	-3.6	-3.8	-2.0
Greece	-4.2	-2.2	5.7	7.4	5.8	-1.5	**-4.9**	**-1.0**	**0.5**	-1.1	-3.6	0.5
Spain	0.9	-4.5	0.9	-0.9	-2.0	-3.4	**-2.5**	**-2.0**	**-2.5**	-3.1	-2.5	-3.2
France	-1.5	-2.1	-0.7	-1.1	-2.7	-3.4	**-5.6**	**-4.2**	**-3.0**	-3.5	-5.6	-3.7
Italy	0.6	1.7	3.3	1.4	1.4	-1.4	**-4.2**	**-2.8**	**-1.9**	-1.4	-5.8	-2.0
Cyprus	-0.7	-1.9	2.8	-3.0	0.6	-2.3	**-2.8**	**-0.2**	**-0.2**	-2.6	-2.5	-0.5
Latvia	-2.1	-2.2	-0.1	-1.3	-0.8	-2.3	**-7.9**	**-3.4**	**-1.6**	-2.5	-5.5	-1.3
Lithuania	-1.5	-3.0	0.6	0.2	0.1	-6.1	**-3.6**	**-2.5**	**-0.4**	-6.0	-6.5	-4.6
Luxembourg	0.8	2.0	2.2	3.7	2.7	-1.3	**0.8**	**0.7**	**0.8**	-1.7	1.3	1.3
Malta	-0.4	0.5	1.3	0.9	-0.9	-5.6	**-8.0**	**-3.9**	**-3.3**	-6.1	-8.2	-3.1
Netherlands	1.6	-1.2	1.0	1.6	1.6	-1.2	**-4.0**	**-2.0**	**-1.2**	-1.3	-2.9	-1.2
Austria	0.6	-0.1	1.0	0.8	0.9	-3.7	**-3.1**	**-1.5**	**-0.8**	-4.4	-4.5	-1.8
Portugal	-2.1	-3.5	1.1	1.6	1.0	0.3	**-0.1**	**-1.1**	**-0.8**	0.2	-0.3	-0.9
Slovenia	-1.6	-2.6	-0.3	1.3	0.4	-4.9	**-6.2**	**-4.9**	**-4.3**	-5.2	-6.2	-3.4
Slovakia	-1.3	-3.8	-0.2	-0.5	-0.9	-2.9	**-5.3**	**-3.2**	**-2.5**	-3.4	-4.8	-3.3
Finland	4.5	1.2	0.2	-0.2	-0.3	-2.7	**-2.3**	**-1.7**	**-0.7**	-2.7	-2.7	-1.1
Euro area	0.3	-0.8	1.3	0.9	0.2	-2.2	**-4.3**	**-2.6**	**-1.6**	-2.2	-4.8	-2.4
Bulgaria	2.4	-1.3	-0.1	2.1	1.9	-2.4	**-2.5**	**-2.2**	**-1.9**	-1.9	-2.0	-1.4
Czechia	-3.1	-2.3	1.0	0.7	-0.1	-3.1	**-5.0**	**-3.1**	**-3.1**	-3.7	-6.6	-4.3
Denmark	3.9	1.6	2.7	1.9	4.9	2.8	**1.1**	**2.8**	**2.8**	1.8	0.5	0.3
Croatia	-3.3	-3.2	1.0	1.3	0.9	-2.7	**-1.8**	**-1.9**	**-1.3**	-3.0	-1.4	-1.7
Hungary	-4.3	1.6	1.3	-1.3	-1.5	-3.4	**-4.5**	**-3.3**	**-1.3**	-4.0	-3.3	-1.9
Poland	-1.1	-3.6	-0.4	0.0	-1.0	-4.6	**-1.5**	**-0.8**	**-1.4**	-4.7	-2.5	-1.5
Romania	-1.8	-4.5	0.0	-2.3	-3.8	-6.1	**-5.5**	**-4.6**	**-4.2**	-6.1	-5.1	-4.5
Sweden	2.5	2.1	0.8	1.1	0.8	-0.2	**0.3**	**0.8**	**1.5**	-0.1	-1.6	0.5
EU	0.3	-0.8	1.2	0.8	0.2	-2.2	**-3.9**	**-2.4**	**-1.4**	-2.3	-4.4	-2.2

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Structural budget balance, general government[1] (as a percentage of potential GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	:	:	:	-1.9	-3.0	-5.8	**-6.9**	**-4.9**	**-4.9**	-5.6	-5.8	-4.4
Germany	:	:	:	1.4	0.9	-2.1	**-5.0**	**-2.6**	**-0.8**	-1.8	-6.2	-2.5
Estonia	:	:	:	-1.5	-0.7	-3.1	**-3.7**	**-2.3**	**-1.8**	-2.8	-4.2	-2.1
Ireland	:	:	:	0.0	2.3	-2.4	**-4.7**	**-3.1**	**-1.2**	-4.6	-4.7	-2.9
Greece	:	:	:	4.6	1.7	-5.1	**-7.9**	**-3.5**	**-1.9**	-4.7	-6.6	-2.2
Spain	:	:	:	-3.0	-4.1	-4.5	**-4.7**	**-4.1**	**-4.6**	-4.2	-4.9	-5.2
France	:	:	:	-2.8	-3.3	-4.6	**-6.7**	**-5.2**	**-3.9**	-4.7	-6.7	-4.7
Italy	:	:	:	-2.4	-2.0	-5.0	**-8.0**	**-5.9**	**-4.9**	-4.9	-9.3	-5.1
Cyprus	:	:	:	2.5	-0.3	-4.4	**-4.8**	**-1.8**	**-1.5**	-4.7	-4.7	-2.4
Latvia	:	:	:	-2.0	-1.4	-3.1	**-8.6**	**-4.0**	**-2.1**	-3.3	-6.2	-1.9
Lithuania	:	:	:	-0.7	-0.9	-6.8	**-4.0**	**-2.8**	**-0.6**	-6.7	-7.0	-5.0
Luxembourg	:	:	:	3.3	2.4	-1.5	**0.6**	**0.5**	**0.7**	-1.9	1.1	1.1
Malta	:	:	:	-0.6	-2.2	-6.9	**-9.1**	**-5.0**	**-4.3**	-7.5	-9.7	-4.5
Netherlands	:	:	:	0.7	0.7	-1.9	**-4.4**	**-2.4**	**-1.5**	-2.0	-3.4	-1.7
Austria	:	:	:	-0.8	-0.5	-5.0	**-4.2**	**-2.5**	**-1.7**	-5.7	-5.8	-2.9
Portugal	:	:	:	-1.1	-1.4	-1.9	**-3.0**	**-3.2**	**-3.1**	-2.0	-3.2	-3.2
Slovenia	:	:	:	-0.7	-1.3	-6.4	**-7.6**	**-6.2**	**-5.5**	-6.7	-7.7	-4.7
Slovakia	:	:	:	-1.8	-2.2	-4.1	**-6.5**	**-4.3**	**-3.6**	-4.7	-6.0	-4.4
Finland	:	:	:	-1.0	-1.2	-3.3	**-2.8**	**-2.0**	**-1.1**	-3.4	-3.3	-1.5
Euro area	:	:	:	-0.9	-1.2	-3.6	**-5.7**	**-3.9**	**-2.8**	-3.6	-6.2	-3.7
Bulgaria	:	:	:	1.5	1.3	-2.9	**-3.1**	**-2.8**	**-2.5**	-2.5	-2.6	-2.0
Czechia	:	:	:	0.0	-0.8	-3.8	**-5.7**	**-3.8**	**-3.8**	-4.4	-7.5	-5.1
Denmark	:	:	:	1.1	4.2	2.8	**-2.0**	**3.3**	**1.9**	0.5	0.1	0.4
Croatia	:	:	:	-1.0	-1.3	-4.7	**-3.5**	**-3.4**	**-2.7**	-5.0	-3.2	-3.3
Hungary	:	:	:	-3.6	-3.5	-5.8	**-6.8**	**-5.7**	**-3.6**	-6.3	-5.7	-4.3
Poland	:	:	:	-1.4	-2.4	-6.2	**-2.9**	**-2.1**	**-2.4**	-6.2	-3.9	-2.9
Romania	:	:	:	-3.2	-4.8	-7.5	**-7.1**	**-6.4**	**-6.1**	-7.5	-6.9	-6.4
Sweden	:	:	:	0.6	0.4	-0.5	**0.2**	**0.6**	**1.3**	-0.4	-1.9	0.2
EU	:	:	:	-0.8	-1.1	-3.6	**-5.3**	**-3.5**	**-2.6**	-3.6	-5.8	-3.4

Table 41: Gross debt, general government (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	94.6	100.4	104.9	99.9	97.7	112.8	112.7	113.1	114.6	114.1	115.3	115.5
Germany	65.3	76.4	72.1	61.3	58.9	68.7	71.4	69.2	68.1	69.8	73.1	72.2
Estonia	4.8	6.9	10.0	8.2	8.6	19.0	18.4	20.4	21.4	18.2	21.3	24.0
Ireland	26.3	84.1	88.6	63.1	57.2	58.4	55.6	52.3	51.1	59.5	61.4	59.7
Greece	103.7	144.2	179.1	186.4	180.7	206.3	202.9	196.9	192.1	205.6	208.8	201.5
Spain	42.1	61.9	98.7	97.5	95.5	120.0	120.6	118.2	116.9	120.0	119.6	116.9
France	65.4	83.1	96.0	97.8	97.5	115.0	114.6	113.7	112.9	115.7	117.4	116.4
Italy	105.6	117.6	134.4	134.4	134.3	155.6	154.4	151.4	151.0	155.8	159.8	156.6
Cyprus	61.1	60.5	103.2	98.4	91.1	115.3	104.1	97.6	93.4	118.2	112.2	106.6
Latvia	11.8	38.1	39.7	37.1	36.7	43.2	48.2	50.7	49.8	43.5	47.3	46.4
Lithuania	18.0	31.1	40.1	33.7	35.9	46.6	45.3	44.1	46.0	47.3	51.9	54.1
Luxembourg	7.9	17.7	21.4	20.8	22.3	24.8	25.9	25.6	25.4	24.9	27.0	26.8
Malta	67.2	65.7	57.1	43.6	40.7	53.4	61.4	62.4	63.6	54.3	64.7	65.5
Netherlands	47.6	59.7	63.8	52.4	48.5	54.3	57.5	56.8	56.1	54.5	58.0	56.8
Austria	66.4	79.1	82.3	74.0	70.6	83.2	82.9	79.4	77.6	83.9	87.2	85.0
Portugal	69.9	101.4	130.6	121.5	116.6	135.2	128.1	123.9	122.7	133.6	127.2	122.3
Slovenia	25.8	38.9	77.1	70.3	65.6	79.8	77.7	76.4	76.0	80.8	79.0	76.7
Slovakia	36.3	40.2	52.9	49.6	48.1	59.7	61.8	60.0	59.1	60.6	59.5	59.0
Finland	39.5	44.6	60.8	59.8	59.5	69.5	71.2	71.2	71.0	69.2	71.0	70.1
Euro area	68.7	83.4	93.0	87.5	85.5	99.3	100.0	97.9	97.0	100.0	102.4	100.8
Bulgaria	28.6	14.7	24.8	22.1	20.0	24.7	26.7	26.7	26.8	25.0	24.5	24.0
Czechia	27.8	36.4	39.4	32.1	30.0	37.7	42.4	44.3	46.3	38.1	44.3	47.1
Denmark	37.3	41.4	40.2	34.0	33.6	42.1	41.0	38.8	38.0	42.2	40.2	38.8
Croatia	38.9	55.5	80.7	73.3	71.1	87.3	82.3	79.2	77.9	88.7	85.6	82.9
Hungary	61.5	77.6	75.3	69.1	65.5	80.1	79.2	77.2	76.4	80.4	78.6	77.1
Poland	46.0	51.8	52.7	48.8	45.6	57.4	54.7	51.0	49.5	57.5	57.1	55.1
Romania	16.3	27.0	37.4	34.7	35.3	47.4	49.3	51.8	53.2	47.3	49.7	52.7
Sweden	45.8	38.2	42.4	38.9	34.9	39.7	37.3	34.2	31.2	39.9	40.8	39.4
EU	65.5	78.1	86.5	81.0	78.8	91.8	92.1	90.0	89.1	92.4	94.4	92.9

Table 42: Gross national saving (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	27.9	25.2	24.8	24.6	25.1	25.1	25.9	25.1	24.9	24.9	24.8	24.3
Germany	25.0	26.5	28.1	30.0	29.8	28.2	29.4	29.5	29.9	27.6	28.7	27.9
Estonia	24.3	25.0	27.5	28.8	28.5	27.7	29.1	29.4	29.9	27.9	26.2	26.9
Ireland	25.2	15.8	28.9	35.5	35.0	37.2	39.6	38.5	39.1	35.9	36.1	36.2
Greece	14.2	7.0	10.4	9.6	10.2	7.1	9.7	13.0	15.0	5.7	7.0	10.5
Spain	22.3	18.8	20.8	22.4	23.0	21.5	21.3	22.3	23.4	21.1	21.1	22.5
France	23.0	21.8	21.9	22.9	23.1	21.2	23.1	23.3	24.4	22.0	22.9	23.1
Italy	20.6	17.8	19.2	21.1	21.4	21.3	22.6	22.4	23.5	21.0	21.5	22.5
Cyprus	6.8	14.5	12.6	15.4	14.6	8.8	11.0	13.2	14.8	8.3	9.0	11.2
Latvia	21.2	24.4	22.7	23.1	22.6	25.2	23.9	23.7	23.6	25.8	22.6	23.0
Lithuania	16.1	16.8	20.2	20.6	21.0	20.8	19.8	18.3	18.6	19.7	18.8	19.5
Luxembourg	28.5	21.4	21.3	20.1	16.0	21.6	23.7	23.4	23.3	22.1	23.9	24.7
Malta	18.9	16.0	25.3	32.6	29.1	24.0	23.6	25.3	25.8	22.1	22.1	24.6
Netherlands	27.3	27.6	28.9	31.8	31.4	28.7	30.0	30.4	30.4	29.1	29.6	29.9
Austria	26.5	26.3	26.1	26.8	27.8	27.7	27.0	26.7	26.5	27.6	27.6	27.9
Portugal	14.4	12.1	16.3	18.5	18.6	17.5	18.1	18.8	19.3	18.1	18.5	19.4
Slovenia	26.8	22.2	23.8	27.4	26.8	27.6	27.2	27.2	27.9	26.0	25.3	25.2
Slovakia	22.4	21.4	22.9	22.8	21.5	18.5	18.4	20.7	22.3	17.4	19.9	20.8
Finland	28.7	24.0	21.3	23.4	23.9	25.0	25.3	25.5	26.2	24.8	24.4	25.1
Euro area	23.3	22.1	23.8	25.5	25.6	24.6	25.7	25.9	26.6	24.4	25.0	25.2
Bulgaria	14.4	19.7	22.7	22.2	22.9	19.7	18.9	19.6	21.6	23.0	25.5	27.1
Czechia	26.3	23.6	25.5	26.6	26.7	28.2	27.3	26.6	27.5	24.5	24.8	25.5
Denmark	26.0	25.1	29.0	29.9	30.8	31.1	30.6	31.0	31.1	31.0	31.3	31.9
Croatia	20.4	18.4	21.8	25.0	25.6	23.0	23.7	24.7	25.5	24.6	22.5	24.7
Hungary	16.6	20.0	25.0	26.8	27.6	25.9	27.7	26.6	26.9	27.4	27.1	28.2
Poland	16.5	17.3	19.3	19.8	20.6	20.6	21.2	21.7	22.1	20.3	19.8	19.5
Romania	16.2	22.2	23.4	18.3	18.4	19.0	19.5	21.1	22.9	19.5	20.5	21.5
Sweden	29.4	29.0	27.6	28.6	30.3	30.4	30.6	31.2	31.7	29.9	30.1	30.7
EU	23.3	22.2	23.9	25.4	25.6	24.7	25.7	25.9	26.6	24.5	25.1	25.3
United Kingdom	15.4	12.9	12.7	14.1	15.2	14.0	13.7	14.1	13.7	13.2	11.3	12.4
Japan	29.7	26.3	27.6	29.3	29.7	29.8	29.1	29.0	29.0	29.0	28.6	28.2
United States	17.9	15.7	19.5	19.6	19.4	19.2	17.5	17.7	17.8	18.1	18.3	18.2

Table 43: Gross saving, private sector (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	25.6	25.5	24.2	22.7	24.3	31.1	30.3	26.9	26.6	31.1	29.3	26.2
Germany	24.3	24.7	24.4	24.9	25.1	28.9	32.1	28.4	27.0	28.1	31.8	26.3
Estonia	17.3	21.1	22.7	24.6	24.1	27.6	26.8	26.2	26.5	27.2	25.6	24.0
Ireland	20.6	21.4	29.2	32.9	32.0	39.6	40.1	37.4	36.3	37.9	38.1	36.2
Greece	16.8	14.3	9.8	6.0	6.7	11.3	15.2	13.6	12.7	9.7	12.7	10.5
Spain	16.7	22.7	23.8	22.8	23.8	28.8	26.5	25.2	25.4	28.5	26.2	25.2
France	21.6	22.2	21.0	21.1	21.9	25.6	26.3	23.5	23.3	26.4	26.6	23.1
Italy	19.7	17.8	18.7	20.2	19.7	25.8	26.2	23.4	23.4	25.3	25.9	23.6
Cyprus	5.5	14.4	10.4	9.8	9.4	11.5	12.8	11.6	12.5	10.9	10.5	9.5
Latvia	17.6	25.2	20.2	19.2	19.5	24.4	28.8	23.2	22.2	25.2	25.4	21.2
Lithuania	13.2	19.1	18.1	17.2	18.0	23.6	20.2	17.9	16.5	22.9	23.1	21.9
Luxembourg	21.9	15.6	15.5	12.3	8.8	19.2	18.4	17.9	17.7	20.0	19.1	20.0
Malta	19.8	17.1	23.0	27.7	25.5	29.6	30.4	26.9	26.6	28.1	28.5	26.1
Netherlands	24.6	27.0	26.8	27.2	26.6	29.5	31.9	29.0	28.0	30.2	30.5	28.0
Austria	24.5	25.1	23.6	23.1	23.6	31.9	28.9	24.7	23.6	32.3	30.7	26.7
Portugal	15.8	16.1	17.3	16.3	16.0	19.4	19.7	18.4	18.5	20.0	20.3	19.5
Slovenia	23.4	21.9	22.6	23.0	22.7	31.2	29.7	27.3	27.2	30.4	28.5	24.7
Slovakia	21.2	23.2	21.9	20.4	19.4	20.4	22.7	22.2	22.8	19.7	23.2	22.4
Finland	21.9	21.0	19.4	20.2	20.6	25.9	24.1	23.4	23.2	26.0	24.4	23.3
Euro area	21.6	22.3	22.4	22.7	23.0	27.7	28.7	25.9	25.2	27.5	28.4	25.0
Bulgaria	8.9	18.1	20.3	17.2	17.1	19.6	19.4	18.9	19.8	21.6	24.9	25.5
Czechia	22.1	22.0	22.2	21.7	22.1	28.6	29.1	26.5	27.0	25.4	27.9	26.7
Denmark	20.0	22.8	24.6	25.2	23.6	27.1	27.7	26.0	26.0	27.4	28.6	28.6
Croatia	16.1	17.6	20.1	20.0	19.9	24.0	22.0	21.9	22.3	25.6	20.8	21.8
Hungary	18.5	20.7	22.5	22.6	23.4	24.2	27.8	24.9	23.9	25.4	26.7	25.6
Poland	16.8	17.8	18.4	16.1	17.7	23.1	19.8	19.3	20.1	22.6	19.8	17.6
Romania	12.5	22.5	21.8	18.3	19.4	24.2	23.0	23.1	23.5	24.6	24.4	24.5
Sweden	24.1	24.8	23.4	22.9	24.9	28.1	26.6	26.0	26.0	27.7	28.3	26.2
EU	21.4	22.2	22.3	22.4	22.8	27.4	28.1	25.5	25.0	27.2	27.9	24.9
United Kingdom	15.5	16.9	13.8	12.9	14.0	22.0	18.7	14.5	13.1	21.5	18.7	13.5
Japan	30.3	29.8	28.6	27.9	28.5	36.1	33.7	29.6	28.5	37.6	33.5	27.8
United States	18.8	21.9	21.6	22.6	22.7	31.3	25.6	22.4	21.3	30.5	30.8	21.6

Table 44: Saving rate of households (2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	16.8	16.3	12.7	11.6	12.4	20.2	17.1	12.7	12.2	21.7	16.7	12.1
Germany	16.9	17.2	17.4	18.7	18.4	23.3	23.4	19.3	18.8	23.5	24.4	18.9
Estonia	-2.1	9.2	9.9	12.3	12.7	15.6	8.9	8.3	8.2	16.0	13.5	10.8
Ireland	8.9	12.4	9.2	11.6	12.2	25.2	18.5	14.6	13.9	23.8	15.5	12.6
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	8.3	9.0	6.9	5.6	8.3	15.0	11.7	8.3	6.1	14.8	11.1	7.3
France	14.1	15.3	13.8	14.1	14.6	21.0	18.6	15.2	14.8	21.1	18.4	14.6
Italy	14.5	11.7	10.7	10.1	10.0	17.4	15.2	11.4	10.1	17.5	13.1	10.8
Cyprus	6.1	5.4	-0.2	3.3	5.7	8.0	7.1	6.8	8.1	3.8	3.3	2.1
Latvia	1.8	6.7	2.8	6.8	8.9	17.0	20.9	14.8	14.7	16.5	15.1	9.2
Lithuania	3.1	4.0	1.1	0.1	3.5	12.2	9.0	7.6	6.3	11.9	9.3	5.6
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	10.3	14.1	16.4	16.3	17.7	24.0	22.4	18.7	17.7	23.3	22.6	17.8
Austria	15.8	15.2	12.8	13.1	13.9	19.7	14.7	12.2	12.0	19.0	16.3	14.1
Portugal	9.9	9.3	7.3	6.8	7.2	12.8	9.0	7.8	8.0	12.8	9.3	7.7
Slovenia	15.8	12.4	11.8	13.7	13.7	22.6	18.7	14.4	14.1	25.7	20.5	12.9
Slovakia	6.7	7.5	7.6	10.3	9.8	10.9	12.2	9.5	10.1	10.9	12.1	9.6
Finland	7.5	8.6	7.2	7.2	8.7	12.8	9.7	7.9	7.0	13.3	9.8	8.3
Euro area	13.1	12.9	12.3	12.5	12.9	19.7	18.1	14.5	13.7	20.1	18.1	14.0
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Czechia	11.7	12.2	11.8	12.2	13.1	21.0	20.1	16.8	16.8	18.8	18.2	15.6
Denmark	6.0	7.1	9.3	11.2	9.5	11.6	11.4	9.2	9.2	11.9	11.0	9.7
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	10.3	10.6	12.2	15.1	14.9	15.1	17.9	14.6	14.1	14.3	14.0	12.2
Poland	6.2	3.6	3.3	1.6	2.9	8.8	5.7	4.3	3.9	8.7	6.7	3.1
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	7.7	13.2	15.6	16.2	18.0	19.6	16.7	15.4	15.5	20.1	20.4	17.9
EU	12.7	12.9	12.0	11.8	12.5	18.9	17.3	13.9	13.1	19.4	17.5	13.6
United Kingdom	7.4	9.6	7.3	4.8	4.6	13.4	10.6	6.9	6.3	15.7	10.6	5.8
Japan	10.7	10.4	8.2	10.5	10.2	17.2	14.8	9.9	8.3	17.2	13.7	7.0
United States	10.1	12.3	12.6	13.4	13.1	23.2	17.6	14.2	13.5	24.4	22.1	16.0

Table 45: Gross saving, general government (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	2.3	-0.2	0.6	1.8	0.8	-6.0	-4.4	-1.7	-1.7	-6.3	-4.5	-1.9
Germany	0.7	1.7	3.7	5.1	4.7	-0.7	-2.6	1.1	2.8	-0.5	-3.2	1.6
Estonia	7.0	3.9	4.8	4.2	4.4	0.1	2.3	3.2	3.3	0.7	0.7	2.8
Ireland	4.6	-5.6	-0.3	2.6	3.0	-2.4	-0.6	1.1	2.8	-2.0	-2.0	0.1
Greece	-2.6	-7.3	0.6	3.6	3.5	-4.2	-5.5	-0.6	2.3	-4.0	-5.7	0.0
Spain	5.5	-3.9	-3.0	-0.4	-0.9	-7.3	-5.2	-2.9	-2.0	-7.4	-5.1	-2.7
France	1.4	-0.4	0.9	1.8	1.2	-4.3	-3.2	-0.2	1.2	-4.4	-3.7	0.0
Italy	0.9	0.1	0.6	0.9	1.7	-4.5	-3.6	-1.0	0.0	-4.3	-4.4	-1.1
Cyprus	1.4	0.1	2.3	5.6	5.2	-2.8	-1.9	1.7	2.3	-2.6	-1.5	1.7
Latvia	3.6	-0.8	2.5	3.9	3.1	0.8	-4.9	0.5	1.4	0.6	-2.9	1.8
Lithuania	2.9	-2.3	2.1	3.4	3.0	-2.8	-0.3	0.4	2.1	-3.2	-4.3	-2.4
Luxembourg	6.6	5.9	5.8	7.8	7.2	2.4	5.3	5.5	5.6	2.1	4.8	4.7
Malta	-0.9	-1.1	2.3	4.9	3.6	-5.6	-6.7	-1.6	-0.8	-6.0	-6.4	-1.5
Netherlands	2.6	0.5	2.2	4.5	4.9	-0.8	-1.9	1.4	2.5	-1.0	-1.0	1.9
Austria	2.0	1.2	2.6	3.7	4.2	-4.2	-1.9	2.0	3.0	-4.7	-3.1	1.2
Portugal	-1.4	-4.0	-1.0	2.2	2.6	-1.8	-1.6	0.4	0.8	-2.0	-1.8	-0.1
Slovenia	3.3	0.3	1.2	4.4	4.1	-3.6	-2.5	0.0	0.6	-4.4	-3.1	0.5
Slovakia	1.2	-1.8	1.0	2.4	2.1	-1.9	-4.2	-1.5	-0.6	-2.3	-3.3	-1.6
Finland	6.8	3.0	1.9	3.2	3.2	-0.9	1.2	2.1	3.0	-1.2	0.0	1.8
Euro area	1.8	-0.2	1.4	2.8	2.6	-3.1	-3.0	0.0	1.3	-3.1	-3.4	0.2
Bulgaria	5.5	1.6	2.4	4.9	5.8	0.1	-0.5	0.6	1.8	1.4	0.6	1.6
Czechia	4.2	1.6	3.3	4.9	4.6	-0.4	-1.8	0.1	0.5	-1.0	-3.1	-1.2
Denmark	6.0	2.3	4.4	4.6	7.2	4.0	2.9	5.0	5.0	3.6	2.8	3.3
Croatia	4.3	0.8	1.7	5.0	5.7	-1.0	1.8	2.8	3.3	-1.0	1.7	2.8
Hungary	-1.9	-0.6	2.4	4.2	4.3	1.7	-0.1	1.7	3.0	1.9	0.4	2.6
Poland	-0.2	-0.5	0.9	3.7	2.8	-2.5	1.4	2.5	2.0	-2.3	0.0	1.9
Romania	3.8	-0.3	1.6	0.0	-1.1	-5.2	-3.5	-2.0	-0.7	-5.1	-3.9	-3.0
Sweden	5.3	4.2	4.2	5.7	5.4	2.3	4.0	5.2	5.7	2.2	1.8	4.5
EU	2.0	0.0	1.6	3.0	2.9	-2.6	-2.3	0.4	1.6	-2.6	-2.9	0.4
United Kingdom	0.0	-4.0	-1.0	1.2	1.2	-8.0	-5.0	-0.4	0.6	-8.3	-7.5	-1.1
Japan	-0.6	-3.5	-0.9	1.3	1.3	-6.3	-4.6	-0.6	0.4	-8.6	-4.9	0.4
United States	-0.9	-6.2	-2.1	-3.0	-3.3	-12.2	-8.1	-4.6	-3.5	-12.4	-12.5	-3.4

Table 46: Exports of goods and services, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	4.9	0.8	4.2	0.6	2.0	-5.5	9.9	3.7	2.7	-4.6	5.9	3.9
Germany	8.2	2.2	3.7	2.3	1.1	-9.3	7.8	7.9	5.4	-9.4	10.4	4.8
Estonia	13.8	5.4	2.7	3.9	6.5	-5.0	11.3	7.6	4.5	-5.5	5.5	5.7
Ireland	5.0	1.8	13.5	11.5	10.4	9.5	15.2	5.9	5.1	6.2	6.8	4.9
Greece	7.2	-1.9	4.6	9.1	4.9	-21.5	16.2	15.0	9.2	-21.7	9.1	14.8
Spain	4.4	1.0	4.8	1.7	2.5	-20.1	12.1	10.4	7.1	-20.2	10.4	12.8
France	3.4	1.2	3.2	4.5	1.6	-15.8	8.4	8.7	7.5	-16.0	10.0	9.6
Italy	4.5	-0.9	2.9	2.1	1.6	-14.0	12.8	7.5	5.1	-13.8	10.4	7.9
Cyprus	2.2	1.4	6.9	7.3	7.5	-5.1	6.2	7.4	6.8	-12.4	5.3	7.6
Latvia	12.3	4.5	4.0	4.5	2.1	-2.2	6.6	4.9	3.8	-2.7	6.5	6.1
Lithuania	10.3	7.3	5.1	6.8	9.9	0.4	11.8	5.3	4.4	0.0	6.5	6.0
Luxembourg	7.2	1.6	4.6	3.6	5.8	1.3	10.4	3.9	3.0	2.5	3.0	1.8
Malta	5.8	7.4	6.3	-0.1	5.8	-6.3	5.2	6.4	4.1	-7.8	5.2	5.7
Netherlands	5.6	2.0	4.5	4.3	2.0	-4.8	6.9	5.2	2.9	-4.3	6.4	5.2
Austria	6.2	1.2	2.9	5.1	3.4	-10.8	8.4	9.0	5.4	-10.4	7.5	7.2
Portugal	5.5	1.5	6.1	4.1	4.1	-18.6	11.1	9.5	4.0	-18.6	10.3	8.9
Slovenia	11.0	0.6	6.2	6.2	4.5	-8.7	11.9	7.6	6.1	-8.7	9.5	7.5
Slovakia	18.1	4.1	5.0	5.1	0.8	-7.3	11.7	6.5	5.9	-7.5	12.2	5.3
Finland	6.6	-1.6	2.3	1.5	6.8	-6.8	8.1	6.6	4.7	-6.6	5.1	7.0
Euro area	5.9	1.4	4.3	3.6	2.7	-9.1	9.7	7.3	5.2	-9.3	8.7	6.5
Bulgaria	13.2	2.9	6.7	1.7	4.0	-12.1	10.0	8.0	5.4	-11.3	7.0	8.3
Czechia	16.2	4.2	5.3	3.7	1.5	-6.9	8.4	4.5	5.9	-5.9	8.5	6.2
Denmark	4.6	1.0	3.4	3.4	5.0	-7.0	7.9	6.6	4.4	-7.7	5.4	6.1
Croatia	6.3	-1.7	6.8	3.7	6.8	-22.7	22.1	15.0	9.0	-25.0	16.3	12.2
Hungary	14.4	2.1	6.2	5.0	5.4	-5.9	10.9	9.5	8.8	-6.8	10.3	8.8
Poland	10.8	5.0	7.8	6.9	5.2	0.1	11.6	6.9	6.2	-0.2	8.8	6.9
Romania	12.8	7.0	11.4	5.3	5.4	-9.7	9.6	7.1	5.8	-9.7	9.8	8.7
Sweden	7.0	0.8	3.1	4.2	6.0	-4.6	6.4	4.7	3.6	-5.2	7.8	4.4
EU	6.4	1.6	4.5	3.8	3.0	-8.5	9.7	7.2	5.3	-8.7	8.7	6.5
United Kingdom	5.0	1.0	2.9	2.8	3.4	-14.7	0.5	7.3	1.0	-15.8	0.9	5.8
Japan	10.0	-0.6	4.3	3.8	-1.4	-12.3	12.6	5.2	3.2	-12.3	10.7	4.1
United States	7.3	4.1	2.3	2.8	-0.1	-13.6	6.1	7.7	3.8	-13.0	9.1	7.7

Table 47: Imports of goods and services, volume (percentage change on preceding year, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	5.0	1.3	4.3	1.4	1.6	-5.9	**9.5**	**4.5**	**3.1**	-4.3	6.1	4.3
Germany	7.3	2.3	4.4	3.9	2.9	-8.6	**8.6**	**8.1**	**5.8**	-8.5	7.9	7.2
Estonia	16.1	2.0	2.8	5.7	3.8	0.9	**11.1**	**5.3**	**4.0**	0.7	0.0	5.9
Ireland	6.0	-0.5	13.1	3.3	41.7	-7.4	**-4.5**	**5.8**	**5.0**	-11.3	7.7	5.8
Greece	8.2	-7.8	4.0	8.1	3.1	-7.6	**8.1**	**6.9**	**5.2**	-6.8	6.3	6.8
Spain	7.8	-5.2	4.2	3.9	1.2	-15.2	**11.9**	**9.2**	**6.6**	-15.8	11.7	11.7
France	4.9	1.2	4.1	3.1	2.3	-11.9	**8.2**	**7.4**	**5.1**	-11.1	7.6	6.6
Italy	4.4	-2.9	3.4	3.4	-0.6	-12.9	**13.7**	**8.5**	**5.9**	-12.6	11.5	8.7
Cyprus	4.6	-0.1	6.9	4.3	8.3	-2.5	**4.9**	**5.1**	**4.9**	-4.2	3.7	4.8
Latvia	17.7	-2.2	3.3	6.4	3.0	-2.5	**5.8**	**5.5**	**4.1**	-3.3	10.2	6.0
Lithuania	14.5	2.1	5.6	6.0	6.1	-4.4	**15.1**	**6.4**	**5.3**	-5.3	7.9	7.1
Luxembourg	6.5	2.9	4.9	3.2	6.9	1.6	**11.0**	**4.4**	**3.2**	2.1	3.0	1.9
Malta	7.0	6.3	4.9	0.4	6.8	-2.7	**5.9**	**5.8**	**3.9**	-4.1	6.0	4.8
Netherlands	5.8	1.1	4.7	4.7	3.2	-5.5	**6.4**	**6.2**	**3.3**	-4.3	6.5	6.0
Austria	5.7	1.3	3.2	5.3	2.0	-9.4	**9.9**	**8.1**	**5.7**	-10.2	8.2	6.6
Portugal	4.5	-2.6	6.7	5.0	4.9	-12.1	**10.9**	**6.2**	**4.1**	-12.0	9.5	6.0
Slovenia	11.4	-1.6	5.5	7.1	4.7	-9.6	**15.5**	**8.9**	**6.7**	-10.2	9.8	8.3
Slovakia	14.8	1.6	5.5	4.8	2.1	-8.2	**11.3**	**7.4**	**6.3**	-8.3	10.9	5.6
Finland	7.5	0.5	2.2	5.7	2.3	-6.5	**7.3**	**6.6**	**4.4**	-6.6	5.9	5.8
Euro area	6.3	0.1	4.7	3.8	4.7	-9.1	**8.2**	**7.2**	**5.1**	-9.0	8.0	6.9
Bulgaria	18.8	-1.1	5.3	5.8	5.2	-5.4	**8.0**	**5.9**	**5.0**	-6.6	6.0	6.1
Czechia	14.2	2.9	5.1	5.8	1.5	-6.9	**13.4**	**4.6**	**5.4**	-6.1	8.4	6.6
Denmark	7.3	0.5	3.5	5.1	3.0	-4.1	**8.4**	**6.7**	**4.4**	-4.8	5.6	5.8
Croatia	7.3	-4.3	6.2	7.5	6.5	-12.3	**15.1**	**11.9**	**10.3**	-13.8	11.0	8.2
Hungary	12.9	0.1	6.5	7.0	8.2	-3.5	**7.7**	**10.3**	**8.6**	-4.4	9.2	8.4
Poland	11.5	2.8	7.3	7.4	3.0	-1.2	**14.8**	**7.9**	**6.5**	-1.9	9.2	7.3
Romania	26.0	1.3	10.9	8.6	8.6	-5.1	**10.3**	**6.3**	**6.1**	-5.1	11.4	10.1
Sweden	6.6	1.2	4.3	3.8	2.1	-5.7	**7.3**	**4.1**	**3.2**	-5.8	6.8	3.7
EU	6.9	0.3	4.8	4.2	4.6	-8.3	**8.6**	**7.1**	**5.2**	-8.3	8.1	6.8
United Kingdom	4.9	0.5	3.8	3.1	2.9	-16.8	**1.2**	**8.9**	**2.2**	-17.8	7.7	6.2
Japan	4.9	1.1	2.7	3.8	-0.4	-6.8	**8.4**	**4.8**	**2.4**	-6.8	6.2	4.4
United States	6.3	0.8	3.5	4.1	1.2	-8.9	**14.3**	**7.8**	**3.5**	-9.3	13.5	7.2

Table 48: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	3.0	-0.9	0.0	-0.4	0.6	1.0	**0.9**	**0.8**	**0.8**	0.4	0.7	0.3
Germany	6.9	6.6	7.7	6.7	6.2	5.6	**5.1**	**5.3**	**5.6**	5.8	6.4	6.0
Estonia	-16.6	-5.9	-4.3	-4.7	-3.4	-0.6	**-1.0**	**-0.4**	**0.0**	-0.6	-0.8	-1.3
Ireland	18.6	22.0	31.9	33.6	33.1	38.9	**40.0**	**39.8**	**39.6**	37.9	38.6	37.3
Greece	-16.3	-13.9	-10.9	-12.6	-13.0	-11.8	**-12.7**	**-13.4**	**-14.2**	-11.6	-13.0	-13.9
Spain	-7.4	-4.6	-1.7	-2.4	-2.2	-0.8	**-1.5**	**-2.2**	**-2.5**	-0.8	-1.5	-2.3
France	-0.7	-2.3	-1.5	-1.7	-1.4	-2.1	**-2.9**	**-2.7**	**-1.9**	-2.2	-2.2	-1.4
Italy	0.1	-0.2	3.1	2.6	3.4	4.1	**3.7**	**2.6**	**2.5**	4.0	3.8	3.4
Cyprus	-24.6	-23.3	-20.2	-21.0	-20.1	-19.3	**-20.9**	**-22.4**	**-24.0**	-20.0	-20.8	-21.3
Latvia	-21.9	-12.3	-10.1	-8.6	-8.6	-5.0	**-5.8**	**-7.3**	**-8.5**	-5.0	-6.9	-7.2
Lithuania	-12.4	-6.5	-4.2	-6.3	-4.8	-0.8	**-4.1**	**-5.1**	**-6.2**	-0.6	-1.9	-3.1
Luxembourg	-6.8	1.2	3.7	3.5	3.3	4.1	**4.4**	**3.7**	**3.5**	-3.3	-3.0	-2.9
Malta	-17.5	-19.6	-16.7	-11.7	-11.9	-11.1	**-11.7**	**-11.8**	**-11.7**	-11.2	-11.6	-11.4
Netherlands	8.2	8.3	9.6	9.3	7.4	8.1	**8.6**	**7.9**	**7.7**	8.7	9.0	8.7
Austria	0.3	-0.4	0.3	0.3	1.0	0.8	**0.2**	**-0.2**	**-0.2**	1.4	0.8	0.8
Portugal	-10.9	-9.9	-5.8	-7.8	-7.8	-6.4	**-7.5**	**-7.8**	**-8.1**	-6.2	-7.1	-7.2
Slovenia	-3.5	-2.1	3.0	2.8	2.7	5.0	**2.8**	**1.7**	**1.2**	5.5	5.8	4.6
Slovakia	-3.3	0.9	3.0	1.1	-0.5	0.1	**-0.5**	**-0.5**	**-0.4**	0.0	0.8	0.4
Finland	8.3	3.7	0.7	0.1	1.0	1.2	**1.8**	**2.0**	**2.2**	1.4	1.2	1.8
Euro area	1.3	1.1	3.3	2.9	2.9	3.4	**3.0**	**2.8**	**2.9**	3.4	3.4	3.2
Euro area, adjusted[2]	0.5	0.5	2.8	2.5	2.6	3.0	**3.0**	**2.8**	**2.9**	3.0	3.4	3.2
Bulgaria	-21.9	-12.5	-4.6	-4.8	-4.7	-3.2	**-3.4**	**-3.4**	**-2.8**	-3.0	-2.1	-2.2
Czechia	-1.2	1.6	4.7	3.7	4.1	5.0	**2.5**	**1.4**	**2.1**	5.0	4.8	4.2
Denmark	3.1	3.9	4.7	3.6	5.3	5.3	**4.5**	**4.4**	**4.4**	5.0	5.1	5.3
Croatia	-21.3	-16.0	-15.8	-18.3	-18.8	-17.3	**-18.8**	**-20.9**	**-23.1**	-17.3	-18.8	-19.1
Hungary	-3.4	1.5	2.4	-1.7	-2.5	-1.0	**-0.7**	**-2.2**	**-2.2**	-0.6	-1.1	-1.4
Poland	-3.6	-3.8	-0.3	-1.2	0.3	2.4	**1.3**	**0.7**	**0.8**	2.4	1.9	1.1
Romania	-15.1	-8.9	-5.3	-7.5	-8.0	-8.8	**-9.8**	**-10.0**	**-9.8**	-8.8	-9.3	-9.8
Sweden	6.7	4.7	2.8	2.5	3.9	4.8	**3.9**	**3.3**	**3.2**	4.4	4.7	5.0
EU	1.1	0.9	3.0	2.4	2.6	3.1	**2.6**	**2.3**	**2.5**	3.1	3.1	2.9
EU, adjusted[2]	0.3	0.2	2.3	1.8	2.0	2.5	**2.6**	**2.3**	**2.5**	2.5	3.1	2.9
United Kingdom	-5.2	-6.1	-6.8	-6.5	-6.1	-6.0	**-6.1**	**-6.5**	**-6.7**	-5.4	-6.6	-6.3
Japan	2.4	0.6	-0.4	0.2	0.1	-0.6	**0.4**	**0.4**	**0.4**	-0.6	-0.3	-0.3
United States	-5.7	-4.7	-4.3	-4.3	-4.1	-4.3	**-4.9**	**-5.0**	**-5.0**	-4.3	-4.7	-4.9

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 49: Current-account balance[1] (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	4.7	1.4	1.2	-0.8	0.1	0.8	0.8	0.3	0.0	0.1	-0.1	-0.5
Germany	4.7	6.2	7.9	8.1	7.6	7.1	6.7	6.8	6.9	7.2	7.8	6.9
Estonia	-12.7	-1.0	1.2	0.8	2.0	-0.8	-1.1	0.2	0.5	-1.0	1.9	1.7
Ireland	-3.0	-3.4	0.7	6.0	-11.3	-2.8	15.4	14.4	14.6	4.6	4.5	4.2
Greece	-11.4	-10.4	-1.8	-3.5	-2.4	-7.9	-6.3	-4.0	-2.8	-7.8	-7.6	-5.3
Spain	-7.0	-3.9	2.3	1.9	2.1	0.8	0.3	0.8	1.0	0.7	-0.1	0.3
France	0.4	-0.8	-0.8	-0.9	-0.8	-2.6	-2.4	-2.2	-1.0	-2.0	-1.7	-1.2
Italy	-1.0	-2.2	1.9	2.5	3.2	3.8	3.5	2.7	2.7	3.5	2.9	3.1
Cyprus	-15.8	-7.7	-3.0	-3.9	-5.7	-10.1	-9.1	-7.3	-5.7	-11.8	-11.0	-8.9
Latvia	-14.7	-1.9	-0.4	-0.2	-0.7	2.9	1.1	-0.2	-1.1	3.0	-0.4	-0.4
Lithuania	-9.6	-3.3	0.4	0.3	3.5	7.3	2.6	1.9	1.2	7.6	6.0	5.8
Luxembourg	8.0	2.9	2.7	3.0	-2.4	3.7	5.5	5.2	5.2	6.5	7.9	8.6
Malta	-5.5	-3.8	4.6	10.7	7.7	1.6	0.4	1.8	1.9	-1.3	-1.9	0.1
Netherlands	6.1	7.2	9.0	10.8	9.4	7.0	8.4	9.0	8.9	7.8	8.1	8.6
Austria	2.3	2.8	2.1	1.0	2.2	1.9	-0.1	-0.2	-0.5	2.7	2.2	2.7
Portugal	-8.9	-7.8	0.5	0.3	0.1	-1.2	-0.9	-0.4	-0.4	-1.1	-0.8	-0.4
Slovenia	-2.7	-1.7	4.5	6.1	6.1	7.6	5.4	4.8	4.8	5.4	4.3	3.3
Slovakia	-5.4	-2.3	0.4	-0.3	-2.0	-0.8	-1.7	-1.0	-1.1	-1.5	-0.3	-0.4
Finland	4.4	0.5	-1.4	-1.8	-0.3	0.8	1.2	1.2	1.5	0.3	0.0	0.5
Euro area	0.5	0.8	3.3	3.6	3.1	2.6	3.1	3.2	3.4	3.0	3.1	3.1
Euro area, adjusted[2]	0.2	-0.4	2.7	2.9	2.3	2.0	3.1	3.2	3.4	2.2	3.1	3.1
Bulgaria	-12.8	-6.1	2.9	1.0	1.9	-0.6	0.4	1.2	2.7	4.1	6.0	7.5
Czechia	-4.1	-4.2	-0.8	-0.6	-0.9	2.2	-1.2	-2.5	-1.7	0.1	-0.3	-0.8
Denmark	3.1	5.2	8.1	7.3	8.8	8.1	7.4	7.3	7.1	7.8	8.0	8.4
Croatia	-7.4	-4.5	1.6	1.9	2.8	-0.9	0.8	0.8	0.3	-1.1	-2.0	-0.7
Hungary	-9.2	-1.6	2.2	0.0	-0.8	-1.6	-1.1	-2.4	-1.9	-0.3	-0.6	-0.5
Poland	-4.6	-4.8	-0.7	-1.0	0.8	3.4	2.6	2.6	2.9	3.1	2.8	2.1
Romania	-9.6	-6.3	-1.1	-4.4	-5.3	-5.5	-6.5	-6.3	-6.1	-5.0	-4.9	-4.6
Sweden	6.6	6.0	3.4	2.5	5.2	5.6	5.1	4.8	5.0	5.4	6.0	6.7
EU	0.4	0.7	3.2	3.2	3.0	2.7	3.0	3.0	3.2	3.0	3.1	3.1
EU, adjusted[2]	0.0	0.4	2.8	2.9	2.4	2.4	3.0	3.0	3.2	2.6	3.1	3.1
United Kingdom	-2.4	-3.1	-4.8	-3.9	-2.7	-2.6	-2.8	-3.0	-3.4	-3.5	-5.0	-4.8
Japan	3.7	2.5	2.6	3.5	3.7	3.3	3.5	3.4	3.3	2.6	3.3	3.2
United States	-5.3	-3.2	-2.1	-2.1	-2.2	-2.8	-3.6	-3.6	-3.5	-2.9	-3.4	-3.4

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 50: Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2003-2023) 25.10.2021

	5-year averages						Autumn 2021 forecast			Spring 2021 forecast		
	2003 - 07	2008 - 12	2013 - 17	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	4.6	1.4	1.2	-0.7	0.3	0.8	0.8	0.3	0.0	0.2	0.0	-0.4
Germany	4.7	6.1	7.7	7.9	7.5	6.7	6.3	6.4	6.5	6.9	7.4	6.6
Estonia	-11.6	2.1	2.8	2.2	3.7	1.3	0.4	1.6	1.8	0.3	3.2	2.9
Ireland	-2.8	-3.3	-2.3	-9.9	-21.2	-6.9	11.1	9.9	9.9	-0.3	2.0	3.9
Greece	-9.8	-8.7	0.1	-2.3	-1.1	-5.8	-4.1	-1.7	-0.4	-6.2	-5.9	-3.5
Spain	-6.3	-3.5	2.8	2.4	2.4	1.2	1.5	2.3	2.6	1.1	0.4	0.7
France	0.3	-0.9	-0.8	-0.8	-0.8	-2.5	-2.0	-1.7	-0.6	-2.2	-1.1	-0.6
Italy	-0.9	-2.2	2.0	2.5	3.1	3.7	3.4	2.7	2.7	3.5	2.9	3.1
Cyprus	-15.3	-7.4	-2.7	-3.3	-5.6	-10.0	-9.1	-7.2	-5.6	-11.6	-10.9	-8.8
Latvia	-13.5	0.3	1.7	1.6	0.8	4.7	3.2	2.5	1.9	4.7	1.6	2.3
Lithuania	-8.5	0.0	2.7	1.8	5.2	9.1	4.2	3.5	2.8	9.7	8.2	8.2
Luxembourg	7.1	1.5	1.8	1.8	-3.3	2.8	4.7	4.4	4.5	5.8	7.3	8.0
Malta	-3.7	-2.5	6.0	11.6	8.4	2.2	1.4	2.8	2.9	-0.7	-0.9	1.1
Netherlands	6.2	6.6	8.7	10.8	9.3	6.9	8.4	8.9	8.9	7.8	8.1	8.6
Austria	2.2	2.7	1.9	0.4	2.2	1.8	-0.2	-0.3	-0.6	2.6	2.1	2.6
Portugal	-7.4	-6.4	1.7	1.2	1.0	-0.1	0.3	1.0	1.2	0.1	0.5	1.1
Slovenia	-2.9	-1.1	4.5	5.7	5.8	7.1	5.0	4.4	4.4	5.0	4.0	2.9
Slovakia	-5.3	-1.1	1.2	-0.3	-2.0	-0.8	-1.5	-0.2	1.5	-1.6	-0.4	-0.6
Finland	4.5	0.6	-1.3	-1.8	-0.2	0.9	1.3	1.3	1.6	0.4	0.1	0.6
Euro area	0.7	0.9	3.3	3.2	2.8	2.5	3.1	3.2	3.5	2.8	3.1	3.2
Euro area, adjusted[2]	0.3	-0.3	2.7	2.5	2.0	1.8	3.1	3.2	3.5	2.0	3.1	3.2
Bulgaria	-12.6	-4.9	4.9	2.0	3.3	0.9	2.4	3.7	5.0	6.0	6.8	8.0
Czechia	-4.0	-2.7	0.8	0.2	-0.4	3.5	0.0	-0.4	0.4	0.8	0.3	-0.2
Denmark	3.2	5.2	8.0	7.3	8.8	8.1	7.4	7.2	7.0	7.8	8.0	8.4
Croatia	-7.3	-4.3	2.4	3.2	4.5	1.3	4.3	5.3	4.8	1.5	0.5	2.8
Hungary	-8.8	0.3	4.8	2.2	1.0	0.1	0.6	0.2	0.7	1.8	1.5	1.8
Poland	-4.2	-3.4	0.8	0.1	2.1	4.6	4.0	4.1	4.6	4.8	5.0	4.9
Romania	-8.9	-5.4	1.3	-3.2	-3.8	-3.8	-4.9	-4.7	-4.4	-3.4	-3.2	-3.0
Sweden	6.4	5.9	3.3	2.6	5.2	5.7	5.2	4.8	5.1	5.4	6.0	6.7
EU	0.5	0.8	3.3	3.0	2.8	2.7	3.1	3.2	3.5	3.0	3.3	3.4
EU, adjusted[2]	0.2	0.5	3.0	2.6	2.3	2.4	3.1	3.2	3.5	2.6	3.3	3.4
United Kingdom	-2.5	-3.1	-4.9	-4.0	-2.7	-2.7	-2.9	-3.1	-3.5	-3.6	-5.0	-4.9
Japan	3.7	2.4	2.5	3.5	3.6	3.2	3.4	3.3	3.3	2.6	3.2	3.2
United States	-5.4	-3.2	-2.2	-2.2	-2.3	-2.8	-3.6	-3.6	-3.5	-3.0	-3.4	-3.4

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 51: Current-account balance[1] (in billions of euro, 2015-2023) 25.10.2021

							Autumn 2021 forecast			Spring 2021 forecast		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	5.8	2.4	3.1	-3.8	0.6	3.8	**4.1**	**1.4**	**0.1**	*0.4*	*-0.7*	*-2.5*
Germany	261.9	272.1	262.7	271.6	265.1	238.3	**238.2**	**257.3**	**270.9**	*240.6*	*271.6*	*254.4*
Estonia	0.4	0.3	0.5	0.2	0.6	-0.2	**-0.3**	**0.1**	**0.2**	*-0.3*	*0.6*	*0.5*
Ireland	11.6	-11.4	1.5	19.6	-40.4	-10.4	**65.4**	**65.8**	**70.4**	*16.9*	*17.4*	*17.2*
Greece	-2.6	-3.9	-3.7	-6.3	-4.4	-13.0	**-11.1**	**-7.5**	**-5.5**	*-12.9*	*-13.1*	*-9.8*
Spain	21.8	35.4	32.2	22.6	26.2	9.3	**4.0**	**10.6**	**14.1**	*7.4*	*-0.7*	*3.6*
France	-10.9	-13.5	-16.3	-20.1	-19.8	-59.2	**-59.3**	**-56.5**	**-27.4**	*-46.5*	*-40.8*	*-29.5*
Italy	23.5	44.0	44.3	44.7	57.8	62.1	**61.4**	**51.1**	**53.0**	*58.3*	*50.9*	*57.7*
Cyprus	-0.1	-0.8	-1.0	-0.9	-1.3	-2.2	**-2.1**	**-1.8**	**-1.5**	*-2.4*	*-2.4*	*-2.0*
Latvia	-0.1	0.4	0.3	-0.1	-0.2	0.8	**0.4**	**-0.1**	**-0.4**	*0.9*	*-0.1*	*-0.2*
Lithuania	-0.9	-0.4	0.2	0.1	1.7	3.6	**1.4**	**1.1**	**0.7**	*3.7*	*3.1*	*3.2*
Luxembourg	-0.5	1.0	1.7	1.8	-1.5	2.3	**3.8**	**3.8**	**4.0**	*4.2*	*5.4*	*6.2*
Malta	0.3	0.4	1.3	1.4	1.1	0.2	**0.0**	**0.3**	**0.3**	*-0.2*	*-0.3*	*0.0*
Netherlands	43.5	57.1	79.9	83.9	76.2	55.8	**71.9**	**80.2**	**82.4**	*62.3*	*67.5*	*75.9*
Austria	6.4	10.2	5.5	4.0	8.7	7.2	**-0.5**	**-0.9**	**-2.4**	*10.1*	*8.7*	*11.3*
Portugal	0.0	1.2	2.0	0.5	0.3	-2.4	**-2.0**	**-0.8**	**-1.0**	*-2.1*	*-1.7*	*-0.8*
Slovenia	1.5	2.0	2.7	2.8	3.0	3.6	**2.7**	**2.6**	**2.7**	*2.5*	*2.1*	*1.7*
Slovakia	-0.5	-1.7	-0.7	-0.3	-1.9	-0.8	**-1.6**	**-1.1**	**-1.3**	*-1.4*	*-0.3*	*-0.5*
Finland	-1.7	-4.3	-1.8	-4.3	-0.8	2.0	**3.0**	**3.2**	**4.0**	*0.7*	*0.1*	*1.4*
Euro area	359.2	390.5	414.5	417.7	371.0	300.8	**379.5**	**408.9**	**463.5**	*342.1*	*367.3*	*387.7*
Euro area, adjusted[2]	284.0	329.7	356.0	341.0	277.3	222.7	**379.5**	**408.9**	**463.5**	*250.4*	*367.3*	*387.7*
Bulgaria	0.3	2.6	3.2	0.5	1.1	-0.4	**0.3**	**0.9**	**2.1**	*2.5*	*3.9*	*5.3*
Czechia	-2.8	-0.4	1.6	-1.3	-2.1	4.8	**-2.8**	**-6.4**	**-4.7**	*0.3*	*-0.6*	*-1.9*
Denmark	22.5	22.0	23.6	22.0	27.4	25.4	**24.4**	**25.0**	**25.3**	*24.3*	*26.0*	*28.7*
Croatia	1.5	1.1	1.7	1.0	1.6	-0.4	**0.5**	**0.5**	**0.2**	*-0.5*	*-1.1*	*-0.4*
Hungary	2.1	4.9	2.0	0.0	-1.2	-2.2	**-1.6**	**-3.9**	**-3.3**	*-0.4*	*-0.9*	*-0.7*
Poland	-0.6	-1.2	-1.4	-4.8	4.4	17.6	**14.8**	**16.2**	**19.3**	*16.1*	*15.3*	*12.5*
Romania	-0.5	-2.0	-5.9	-9.1	-11.8	-11.9	**-15.5**	**-16.3**	**-17.2**	*-10.9*	*-11.3*	*-11.6*
Sweden	14.0	11.2	13.5	12.0	24.7	26.8	**26.7**	**26.4**	**28.7**	*25.5*	*31.1*	*36.3*
EU	395.6	428.4	452.7	438.0	415.0	360.5	**426.4**	**451.2**	**513.8**	*398.9*	*429.7*	*455.9*
EU, adjusted[2]	347.5	402.5	399.6	385.7	340.9	323.3	**426.4**	**451.2**	**513.8**	*349.1*	*429.7*	*455.9*
United Kingdom	-137.7	-131.1	-86.9	-95.3	-68.5	-62.8	**-75.6**	**-87.1**	**-99.8**	*-83.1*	*-127.7*	*-130.8*
Japan	123.0	178.0	179.8	148.8	168.2	145.5	**147.6**	**146.0**	**144.5**	*117.2*	*139.4*	*139.4*
United States	-382.8	-364.7	-330.1	-372.8	-428.6	-514.0	**-691.1**	**-763.1**	**-771.9**	*-536.9*	*-643.6*	*-680.1*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 52: Export markets (a) (percentage change on preceding year, 2015-2023) 25.10.2021

							Autumn 2021 forecast			Spring 2021 forecast		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2020	2021	2022
Belgium	6.3	2.5	5.3	4.0	2.9	-9.1	**8.3**	**7.0**	**4.6**	*-9.9*	*5.4*	*4.2*
Germany	4.6	2.9	5.8	4.3	1.8	-8.3	**9.3**	**6.7**	**4.7**	*-10.3*	*6.0*	*4.3*
Estonia	2.7	3.3	6.4	4.5	2.7	-7.4	**8.5**	**6.3**	**4.5**	*-10.2*	*5.9*	*4.6*
Ireland	4.2	2.2	5.3	4.0	1.2	-8.7	**9.4**	**6.7**	**4.3**	*-11.6*	*5.7*	*3.9*
Greece	3.4	2.4	6.1	3.9	1.7	-9.6	**8.6**	**6.7**	**4.9**	*-12.4*	*5.8*	*5.1*
Spain	4.9	2.7	5.3	3.7	2.3	-9.9	**8.4**	**6.8**	**4.6**	*-11.0*	*5.6*	*4.1*
France	4.3	2.8	5.4	3.9	1.9	-9.2	**8.8**	**6.7**	**4.6**	*-11.0*	*5.8*	*4.4*
Italy	3.8	2.7	5.6	3.9	1.8	-9.1	**8.9**	**6.8**	**4.7**	*-10.4*	*6.1*	*4.3*
Cyprus	-4.8	0.5	9.2	3.9	2.5	-9.9	**8.2**	**6.0**	**4.4**	*-14.5*	*5.3*	*4.5*
Latvia	1.8	2.9	6.9	4.4	3.4	-7.4	**9.3**	**6.3**	**4.5**	*-10.4*	*5.8*	*4.8*
Lithuania	1.4	2.8	6.6	4.4	3.4	-8.1	**8.7**	**6.4**	**4.6**	*-10.8*	*5.8*	*4.6*
Luxembourg	5.0	3.3	5.2	3.9	2.3	-8.5	**8.9**	**6.7**	**4.8**	*-13.4*	*5.2*	*4.6*
Malta	10.8	7.0	4.0	3.4	11.1	-9.1	**5.5**	**6.5**	**4.7**	*-13.3*	*6.0*	*5.4*
Netherlands	5.2	3.8	5.2	3.8	3.3	-9.0	**8.4**	**6.8**	**4.7**	*-10.3*	*5.7*	*4.4*
Austria	4.9	3.6	5.6	4.2	2.4	-8.4	**9.2**	**7.2**	**5.2**	*-9.7*	*6.2*	*4.6*
Portugal	4.9	2.1	5.3	3.9	2.6	-10.5	**9.0**	**7.2**	**5.0**	*-12.4*	*5.9*	*4.6*
Slovenia	5.1	4.0	6.3	4.7	2.9	-8.6	**10.0**	**7.6**	**5.8**	*-10.1*	*7.5*	*4.8*
Slovakia	4.8	3.9	6.2	4.7	2.8	-7.9	**9.6**	**7.1**	**5.4**	*-8.7*	*6.2*	*4.7*
Finland	3.2	2.7	5.9	4.1	2.0	-8.0	**8.6**	**6.4**	**4.5**	*-9.7*	*5.7*	*4.2*
Euro area (b)	4.6	2.9	5.5	4.0	2.3	-8.8	**8.9**	**6.8**	**4.7**	*-10.6*	*5.8*	*4.3*
Bulgaria	4.1	4.0	6.9	4.3	2.6	-7.9	**9.0**	**6.8**	**5.3**	*-9.8*	*6.4*	*5.4*
Czechia	5.0	3.8	5.9	4.3	2.8	-8.4	**9.1**	**7.4**	**5.3**	*-8.7*	*5.9*	*4.5*
Denmark	4.1	2.5	5.3	4.0	1.8	-8.8	**8.5**	**6.5**	**4.5**	*-10.7*	*5.6*	*4.3*
Croatia	6.5	4.4	5.9	4.4	4.3	-8.7	**9.0**	**7.3**	**5.1**	*-11.3*	*5.7*	*4.8*
Hungary	5.1	4.0	6.2	4.6	2.8	-8.4	**9.5**	**7.1**	**5.2**	*-9.5*	*6.4*	*4.7*
Poland	4.4	3.4	5.8	4.2	3.0	-8.9	**8.8**	**7.0**	**5.0**	*-9.5*	*5.8*	*4.5*
Romania	4.7	3.1	5.9	4.0	2.4	-8.7	**9.3**	**7.2**	**5.2**	*-10.1*	*5.9*	*4.8*
Sweden	5.7	3.5	5.1	4.0	3.7	-8.1	**8.2**	**6.6**	**4.5**	*-10.2*	*5.4*	*4.3*
EU (b)	4.7	3.0	5.6	4.0	2.4	-8.8	**8.9**	**6.8**	**4.7**	*-10.4*	*5.8*	*4.4*
United Kingdom	5.0	2.4	5.1	3.9	3.0	-8.8	**8.8**	**6.5**	**4.5**	*-11.9*	*5.8*	*4.4*
Japan	2.2	2.1	6.7	5.0	-0.8	-7.5	**10.0**	**6.3**	**4.8**	*-9.8*	*6.7*	*4.5*
United States	3.1	1.4	5.4	4.2	1.4	-9.7	**8.1**	**6.1**	**4.5**	*-11.3*	*6.4*	*4.8*

(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 53: Export performance (a) (percentage change on preceding year, 2015-2023) **25.10.2021**

							Autumn 2021 forecast			*Spring 2021 forecast*		
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	***2020***	***2021***	***2022***
Belgium	-2.4	3.6	0.2	-3.2	-0.9	4.0	**1.5**	**-3.0**	**-1.8**	*1.4*	*-0.4*	*-1.1*
Germany	0.8	-0.4	-0.9	-1.9	-0.7	-1.1	**-1.3**	**1.1**	**0.7**	*0.7*	*0.2*	*-0.2*
Estonia	-4.1	1.5	-1.5	-0.6	3.7	2.7	**2.5**	**1.2**	**0.0**	*-0.2*	*1.4*	*0.8*
Ireland	34.2	2.3	4.0	7.2	8.6	20.7	**5.8**	**-0.9**	**0.6**	*13.8*	*-3.7*	*-0.4*
Greece	1.4	-2.8	2.2	5.0	3.1	-13.7	**6.7**	**7.4**	**4.0**	*-10.5*	*4.7*	*4.7*
Spain	-0.6	2.6	0.2	-1.9	0.1	-11.4	**3.4**	**3.6**	**2.5**	*-12.4*	*8.4*	*3.4*
France	0.3	-0.9	-0.9	0.6	-0.3	-7.3	**-0.4**	**1.9**	**2.8**	*-7.5*	*0.7*	*2.2*
Italy	0.4	-0.8	-0.1	-1.7	-0.2	-5.4	**3.6**	**0.7**	**0.3**	*-7.1*	*4.0*	*1.5*
Cyprus	14.4	6.5	1.8	3.3	4.8	5.3	**-1.9**	**1.4**	**2.3**	*-3.8*	*1.8*	*3.4*
Latvia	1.2	1.0	-0.5	0.0	-1.2	5.8	**-2.5**	**-1.4**	**-0.6**	*3.2*	*-1.5*	*-0.8*
Lithuania	1.0	2.1	6.5	2.3	6.4	9.3	**2.9**	**-1.1**	**-0.2**	*6.7*	*1.0*	*0.1*
Luxembourg	0.2	2.0	-5.2	-0.3	3.4	10.6	**1.4**	**-2.6**	**-1.7**	*11.7*	*-3.0*	*-2.6*
Malta	4.3	-5.0	6.5	-3.4	-4.8	3.0	**-0.3**	**-0.1**	**-0.5**	*3.3*	*-3.5*	*1.8*
Netherlands	2.1	-2.0	1.2	0.5	-1.3	4.6	**-1.3**	**-1.5**	**-1.8**	*4.1*	*-3.5*	*-1.1*
Austria	-1.8	-0.6	-0.7	0.9	0.9	-2.5	**-0.6**	**1.7**	**0.2**	*-2.0*	*-0.7*	*-0.8*
Portugal	1.3	2.3	2.9	0.2	1.4	-8.8	**1.8**	**2.0**	**-1.0**	*-9.8*	*3.5*	*0.7*
Slovenia	-0.3	2.1	4.5	1.4	1.6	0.0	**1.7**	**0.0**	**0.3**	*-3.3*	*0.1*	*0.5*
Slovakia	1.7	1.1	-2.4	0.4	-2.0	0.8	**2.1**	**-0.7**	**0.5**	*-3.0*	*2.3*	*-0.3*
Finland	-2.6	1.2	2.7	-2.5	4.7	1.3	**-0.4**	**0.2**	**0.2**	*-3.0*	*-0.1*	*-0.3*
Euro area (b)	2.0	0.1	0.1	-0.4	0.4	-0.2	**0.8**	**0.4**	**0.5**	*-1.0*	*0.3*	*0.3*
Bulgaria	2.3	4.4	-1.0	-2.4	1.4	-4.4	**0.8**	**1.1**	**0.1**	*-3.9*	*-1.4*	*2.7*
Czechia	1.0	0.5	1.2	-0.6	-1.3	1.7	**-0.7**	**-2.7**	**0.6**	*-2.6*	*1.3*	*1.0*
Denmark	-0.5	1.6	-0.4	-0.6	3.1	2.1	**-0.4**	**0.1**	**-0.1**	*0.2*	*0.2*	*-0.3*
Croatia	3.7	2.5	1.0	-0.7	2.3	-14.2	**11.3**	**6.6**	**3.5**	*-20.5*	*23.4*	*1.4*
Hungary	2.2	-0.2	0.3	0.4	2.6	2.4	**1.2**	**2.3**	**3.4**	*1.1*	*1.9*	*3.1*
Poland	3.5	5.7	3.6	2.7	2.1	9.8	**2.6**	**-0.1**	**1.2**	*0.6*	*-0.5*	*0.3*
Romania	-0.2	12.8	1.8	1.2	2.6	-0.9	**0.4**	**-0.2**	**0.5**	*-3.4*	*0.7*	*2.7*
Sweden	0.2	-1.0	-0.9	0.2	2.3	3.7	**-1.7**	**-1.7**	**-0.9**	*3.2*	*-0.8*	*0.2*
EU (b)	1.8	0.5	0.2	-0.2	0.6	0.4	**0.8**	**0.3**	**0.5**	*-0.9*	*0.4*	*0.4*
United Kingdom	-1.2	0.9	0.5	-1.0	0.3	-6.4	**-7.6**	**0.7**	**-3.4**	*2.3*	*-6.1*	*-3.8*
Japan	1.0	-0.4	-0.1	-1.2	-0.7	-4.6	**2.4**	**-1.0**	**-1.5**	*-3.4*	*-0.8*	*-2.0*
United States	-2.8	-0.9	-1.2	-1.2	-1.4	-3.8	**-1.8**	**1.5**	**-0.7**	*-2.9*	*0.7*	*-1.1*

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 54: World GDP, volume (percentage change on preceding year, 2017-2023) 25.10.2021

						Autumn 2021 forecast			Spring 2021 forecast		
	(a)	2017	2018	2019	2020	2021	2022	2023	2020	2021	2022
EU	15.0	2.8	2.1	1.8	-5.9	**5.0**	**4.3**	**2.5**	-6.1	4.2	4.4
Euro area	12.1	2.6	1.8	1.6	-6.4	**5.0**	**4.3**	**2.4**	-6.6	4.3	4.4
Belgium	0.4	1.6	1.8	2.1	-5.7	**6.0**	**2.6**	**1.9**	-6.3	4.5	3.7
Bulgaria	0.1	2.8	2.7	4.0	-4.4	**3.8**	**4.1**	**3.5**	-4.2	3.5	4.7
Czechia	0.3	5.2	3.2	3.0	-5.8	**3.0**	**4.4**	**3.2**	-5.6	3.4	4.4
Denmark	0.3	2.8	2.0	2.1	-2.1	**4.3**	**2.7**	**2.4**	-2.7	2.9	3.5
Germany	3.4	2.7	1.1	1.1	-4.6	**2.7**	**4.6**	**1.7**	-4.9	3.4	4.1
Estonia	0.0	5.8	4.1	4.1	-3.0	**9.0**	**3.7**	**3.5**	-2.9	2.8	5.0
Ireland	0.4	8.9	9.0	4.9	5.9	**14.6**	**5.1**	**4.1**	3.4	4.6	5.0
Greece	0.2	1.1	1.7	1.8	-9.0	**7.1**	**5.2**	**3.6**	-8.2	4.1	6.0
Spain	1.4	3.0	2.3	2.1	-10.8	**4.6**	**5.5**	**4.4**	-10.8	5.9	6.8
France	2.3	2.3	1.9	1.8	-7.9	**6.5**	**3.8**	**2.3**	-8.1	5.7	4.2
Croatia	0.1	3.4	2.9	3.5	-8.1	**8.1**	**5.6**	**3.4**	-8.0	5.0	6.1
Italy	1.9	1.7	0.9	0.4	-8.9	**6.2**	**4.3**	**2.3**	-8.9	4.2	4.4
Cyprus	0.0	5.9	5.7	5.3	-5.2	**5.4**	**4.2**	**3.5**	-5.1	3.1	3.8
Latvia	0.0	3.3	4.0	2.5	-3.6	**4.7**	**5.0**	**4.0**	-3.6	3.5	6.0
Lithuania	0.1	4.3	4.0	4.6	-0.1	**5.0**	**3.6**	**3.4**	-0.9	2.9	3.9
Luxembourg	0.1	1.3	2.0	3.3	-1.8	**5.8**	**3.7**	**2.7**	-1.3	4.5	3.3
Hungary	0.2	4.3	5.4	4.6	-4.7	**7.4**	**5.4**	**3.2**	-5.0	5.0	5.5
Malta	0.0	11.0	6.1	5.7	-8.3	**5.0**	**6.2**	**4.8**	-7.0	4.6	6.1
Netherlands	0.8	2.9	2.4	2.0	-3.8	**4.0**	**3.3**	**1.6**	-3.7	2.3	3.6
Austria	0.4	2.3	2.5	1.5	-6.7	**4.4**	**4.9**	**1.9**	-6.6	3.4	4.3
Poland	1.0	4.8	5.4	4.7	-2.5	**4.9**	**5.2**	**4.4**	-2.7	4.0	5.4
Portugal	0.3	3.5	2.8	2.7	-8.4	**4.5**	**5.3**	**2.4**	-7.6	3.9	5.1
Romania	0.4	7.3	4.5	4.2	-3.9	**7.0**	**5.1**	**5.2**	-3.9	5.1	4.9
Slovenia	0.1	4.8	4.4	3.3	-4.2	**6.4**	**4.2**	**3.5**	-5.5	4.9	5.1
Slovakia	0.1	3.0	3.8	2.6	-4.4	**3.8**	**5.3**	**4.3**	-4.8	4.8	5.2
Finland	0.2	3.2	1.1	1.3	-2.9	**3.4**	**2.8**	**2.0**	-2.8	2.7	2.8
Sweden	0.4	2.6	2.0	2.0	-2.8	**3.9**	**3.5**	**1.7**	-2.8	4.4	3.3
Candidate Countries	2.1	6.9	3.1	1.1	1.3	**8.6**	**4.1**	**4.0**	1.3	5.2	4.3
- Albania	0.0	3.8	4.0	2.1	-4.0	**6.9**	**3.7**	**3.6**	-3.3	4.0	4.3
- Montenegro	0.0	4.7	5.1	4.1	-15.3	**10.7**	**6.4**	**3.2**	-15.2	7.1	6.5
- North Macedonia	0.0	1.1	2.9	3.2	-4.5	**4.0**	**3.9**	**3.7**	-4.5	3.7	3.8
- Serbia	0.1	2.1	4.5	4.3	-0.9	**6.7**	**4.3**	**4.3**	-1.0	5.3	4.0
- Turkey	1.9	7.5	3.0	0.9	1.8	**9.0**	**4.0**	**4.0**	1.8	5.2	4.2
Potential Candidates	0.1	3.8	3.3	3.5	-4.7	**4.3**	**2.8**	**2.6**	-4.3	2.7	3.5
Iceland	0.0	4.2	4.7	2.6	-6.6	**3.4**	**4.3**	**3.1**	-6.6	3.4	3.9
Norway	0.3	2.3	1.1	0.9	-0.8	**3.1**	**2.8**	**2.2**	-0.8	2.7	2.2
Switzerland	0.5	1.6	2.9	1.2	-2.4	**3.0**	**2.5**	**2.3**	-2.9	2.7	2.5
Australia	1.0	2.4	2.9	1.9	-2.5	**4.5**	**3.0**	**2.5**	-2.5	4.0	3.0
Canada	1.4	3.0	2.4	1.9	-5.3	**4.8**	**3.4**	**2.5**	-5.4	4.0	3.0
Japan	4.0	1.7	0.6	0.3	-4.8	**2.4**	**2.3**	**1.1**	-4.8	3.1	2.5
Korea	1.8	3.2	2.9	2.2	-0.9	**4.3**	**3.5**	**2.7**	-1.0	4.5	3.3
United Kingdom	2.2	2.1	1.7	1.7	-9.7	**6.9**	**4.8**	**1.7**	-9.8	5.0	5.3
United States	15.8	2.3	2.9	2.3	-3.4	**5.8**	**4.5**	**2.4**	-3.5	6.3	3.8
Advanced economies	46.0	2.8	2.4	1.9	-4.4	**5.3**	**4.1**	**2.5**	-4.5	5.0	3.9
Emerging and developing Asia	33.1	6.3	6.3	5.3	-1.2	**7.2**	**5.8**	**5.3**	-1.2	7.8	5.6
- China	18.3	7.0	6.7	6.0	2.3	**7.9**	**5.3**	**5.3**	2.3	7.9	5.4
- India	6.8	6.1	7.3	4.8	-7.0	**9.0**	**7.8**	**6.0**	-6.9	10.5	6.5
- Indonesia	2.5	5.1	5.2	5.0	-2.1	**4.0**	**5.0**	**5.5**	-2.1	5.8	5.2
CIS	4.6	2.3	3.2	2.7	-2.9	**4.2**	**3.0**	**2.6**	-3.0	3.2	2.8
- Russia	3.1	1.8	2.8	2.0	-3.0	**3.9**	**2.6**	**2.2**	-3.0	2.7	2.3
- Other CIS	1.5	3.4	3.9	4.0	-2.7	**4.6**	**3.8**	**3.5**	-3.0	4.0	3.8
Latin America	7.3	1.2	1.0	-0.3	-7.3	**5.2**	**2.5**	**2.3**	-7.0	4.1	2.4
- Argentina	0.7	2.8	-2.6	-2.0	-9.9	**7.2**	**2.5**	**2.5**	-9.9	5.7	2.4
- Brazil	2.4	1.3	1.8	1.4	-4.1	**4.9**	**2.1**	**2.3**	-4.1	3.4	1.8
- Mexico	1.8	2.1	2.2	-0.2	-8.3	**5.9**	**2.5**	**2.4**	-8.2	4.6	2.4
MENA	5.6	2.2	1.9	0.6	-3.8	**3.1**	**3.5**	**2.9**	-3.4	3.3	2.8
- Saudi Arabia	1.2	-0.7	2.4	0.3	-4.1	**2.7**	**3.7**	**2.3**	-4.1	2.2	2.0
Sub-Saharan Africa	3.4	2.7	2.9	2.6	-2.0	**3.1**	**3.3**	**3.4**	-2.4	2.7	3.0
- South Africa	0.6	1.2	1.5	0.1	-6.4	**3.9**	**2.2**	**1.8**	-7.0	3.2	2.0
Emerging and developing economies	53.9	4.5	4.6	3.6	-2.5	**6.0**	**4.8**	**4.4**	-2.5	6.2	4.5
World	100.0	3.7	3.6	2.8	-3.4	**5.7**	**4.5**	**3.5**	-3.4	5.6	4.3
World excluding EU	84.9	3.8	3.8	2.9	-2.9	**5.8**	**4.5**	**3.7**	-2.9	5.9	4.2
World excluding euro area	87.8	3.8	3.8	3.0	-2.9	**5.8**	**4.5**	**3.7**	-2.9	5.8	4.2

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2020.

Table 55: World exports of goods and services, volume (percentage change on preceding year, 2017-2023) 25.10.2021

						Autumn 2021 forecast			*Spring 2021 forecast*		
	(a)	2017	2018	2019	2020	2021	2022	2023	*2020*	*2021*	*2022*
EU (b)	32.5	5.8	3.8	3.0	-8.5	**9.7**	**7.2**	**5.3**	*-8.7*	*8.7*	*6.5*
Euro area (b)	26.9	5.6	3.6	2.7	-9.1	**9.7**	**7.3**	**5.2**	*-9.3*	*8.7*	*6.5*
Candidate Countries	1.1	11.9	8.7	4.9	-14.2	**18.5**	**10.4**	**9.5**	*-14.9*	*14.4*	*9.8*
- Albania	0.0	13.2	4.0	2.7	-25.5	**26.2**	**9.5**	**5.2**	*-25.7*	*12.2*	*18.7*
- Montenegro	0.0	1.8	7.0	5.8	-46.2	**58.4**	**18.7**	**4.3**	*-48.9*	*31.1*	*21.0*
- North Macedonia	0.0	8.3	12.8	7.2	-10.9	**12.9**	**11.5**	**9.9**	*-10.9*	*12.3*	*10.9*
- Serbia	0.1	8.2	7.5	7.6	-4.1	**14.5**	**9.8**	**8.5**	*-5.8*	*12.1*	*9.2*
- Turkey	0.9	12.4	8.8	4.6	-14.8	**18.8**	**10.4**	**9.7**	*-15.4*	*14.7*	*9.6*
Iceland	0.0	5.1	1.7	-4.6	-30.5	**10.2**	**15.9**	**7.9**	*-30.5*	*10.3*	*13.5*
Norway	0.5	1.7	-1.2	0.5	-0.5	**5.5**	**4.8**	**3.1**	*-0.9*	*6.0*	*3.2*
Switzerland	2.1	-0.3	3.3	-0.8	-6.0	**6.5**	**5.7**	**5.0**	*-6.4*	*7.5*	*6.0*
Australia	1.4	3.5	5.1	3.4	-10.1	**8.0**	**5.7**	**4.7**	*-12.0*	*7.3*	*3.9*
Canada	2.2	1.4	3.7	1.3	-10.1	**3.0**	**7.7**	**4.6**	*-10.4*	*7.3*	*5.2*
Japan	3.5	6.6	3.8	-1.4	-12.3	**12.6**	**5.2**	**3.2**	*-12.3*	*10.7*	*4.1*
Korea	2.8	2.5	4.0	0.2	-1.8	**9.6**	**6.3**	**4.7**	*-2.6*	*11.3*	*3.2*
United Kingdom	3.5	5.7	2.8	3.4	-14.7	**0.5**	**7.3**	**1.0**	*-15.8*	*0.9*	*5.8*
United States	9.7	4.1	2.8	-0.1	-13.6	**6.1**	**7.7**	**3.8**	*-13.0*	*9.1*	*7.7*
Advanced economies	66.7	5.1	3.7	1.5	-9.1	**8.6**	**6.9**	**4.7**	*-9.5*	*8.4*	*6.1*
Emerging and developing Asia	19.3	8.9	4.5	0.0	-1.5	**11.6**	**3.6**	**4.1**	*-4.1*	*9.2*	*4.9*
- China	12.4	7.9	4.0	0.4	2.2	**13.6**	**2.3**	**3.3**	*-0.2*	*9.1*	*4.0*
- India	2.2	9.9	4.7	-1.9	-5.9	**6.9**	**4.9**	**4.5**	*-9.5*	*7.3*	*6.4*
- Indonesia	0.8	12.6	6.2	-6.8	-3.3	**11.0**	**6.2**	**5.0**	*-10.3*	*12.8*	*6.0*
CIS	2.7	5.2	5.6	2.1	-5.4	**6.5**	**5.1**	**3.5**	*-7.0*	*6.5*	*5.4*
- Russia	1.7	5.0	5.6	0.7	-4.3	**4.9**	**5.8**	**3.0**	*-4.3*	*6.3*	*5.8*
- Other CIS	0.9	5.7	5.7	5.0	-7.7	**9.5**	**3.9**	**4.4**	*-12.3*	*6.8*	*4.8*
Latin America	5.0	3.5	1.2	-1.4	-10.6	**8.4**	**5.0**	**3.6**	*-8.0*	*8.9*	*5.1*
- Argentina	0.3	-0.1	-0.3	12.2	-13.1	**6.7**	**7.6**	**4.9**	*-17.7*	*10.8*	*9.9*
- Brazil	1.1	5.4	3.5	-1.6	-1.2	**9.0**	**4.5**	**3.0**	*-1.8*	*6.1*	*4.3*
- Mexico	2.0	4.2	6.0	1.5	-7.3	**8.7**	**5.7**	**4.1**	*-7.1*	*11.4*	*5.4*
MENA	5.1	5.1	3.6	-3.1	-17.8	**9.5**	**6.0**	**4.7**	*-11.1*	*3.6*	*5.7*
- Saudi Arabia	0.8	-0.4	8.8	-3.4	-13.5	**0.6**	**8.3**	**4.2**	*-11.1*	*2.5*	*8.1*
Sub-Saharan Africa	1.3	1.8	1.8	1.0	-9.4	**8.8**	**5.7**	**4.8**	*-8.3*	*6.9*	*5.3*
- South Africa	0.4	-0.3	2.8	-3.4	-12.0	**11.2**	**4.1**	**3.2**	*-10.2*	*7.2*	*4.2*
Emerging and developing economies	33.3	6.8	3.9	-0.5	-6.4	**10.3**	**4.4**	**4.1**	*-6.4*	*8.0*	*5.1*
World	100.0	5.7	3.8	0.8	-8.2	**9.1**	**6.1**	**4.5**	*-8.5*	*8.3*	*5.8*
World excluding EU	67.5	5.6	3.7	-0.2	-8.1	**8.9**	**5.6**	**4.1**	*-8.4*	*8.1*	*5.4*
World excluding euro area	73.1	5.7	3.8	0.2	-7.9	**8.9**	**5.6**	**4.2**	*-8.2*	*8.1*	*5.5*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2020.

(b) Intra- and extra-EU trade.

Table 56: Export shares in EU trade (goods only - 2019) 25.10.2021

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	59.8	47.3	1.7	7.8	5.6	1.3	13.6	4.6	2.0	2.4	3.4	2.2	1.2
Euro area	57.8	46.0	1.6	8.4	5.8	1.4	14.2	5.0	2.1	2.2	3.6	2.4	1.3
Belgium	68.0	60.3	1.2	5.7	7.2	0.9	12.1	2.0	2.7	1.1	2.6	1.5	2.2
Bulgaria	66.0	48.0	10.9	2.4	2.2	0.4	5.2	3.6	1.6	4.1	3.9	0.8	1.2
Czechia	79.0	64.6	1.6	2.6	3.9	0.6	7.5	2.0	0.7	3.0	1.6	1.0	0.6
Denmark	53.6	37.2	1.2	10.4	6.5	2.2	17.5	5.3	2.1	1.5	2.7	2.6	0.9
Germany	53.2	37.0	1.8	8.9	5.4	1.7	15.2	8.0	2.4	2.5	2.8	2.6	1.0
Estonia	69.5	51.3	1.2	6.6	1.9	0.7	9.8	1.7	0.9	6.0	1.8	1.3	0.5
Ireland	37.6	34.1	0.5	30.5	8.5	2.7	15.8	6.7	1.6	0.7	1.7	1.5	0.7
Greece	53.1	39.5	10.9	4.4	3.5	1.1	7.6	2.8	1.8	1.9	13.2	1.8	1.3
Spain	61.2	54.1	1.7	5.2	6.5	1.0	12.2	2.9	1.6	1.3	6.4	5.1	1.4
France	51.4	44.9	1.3	9.1	6.1	1.8	16.3	5.4	2.9	1.7	5.8	2.4	1.9
Croatia	74.3	61.3	8.8	3.5	1.5	0.5	4.7	1.0	1.8	1.8	2.7	0.5	0.4
Italy	50.3	40.3	2.6	10.4	4.6	2.0	15.8	3.8	2.5	2.8	5.9	2.9	1.1
Cyprus	49.8	36.8	0.5	2.4	7.2	0.0	14.2	1.7	11.1	1.8	13.5	2.6	2.5
Latvia	64.9	48.2	1.3	3.5	5.4	0.5	10.1	1.4	1.2	12.9	1.8	0.9	1.6
Lithuania	61.8	43.1	1.1	3.8	3.4	1.1	9.6	1.3	1.0	16.5	2.2	0.7	0.9
Luxembourg	79.3	69.0	0.9	3.1	3.7	0.5	8.4	1.8	0.9	1.5	1.9	1.1	0.7
Hungary	77.2	57.6	2.9	3.4	2.9	0.6	6.1	2.4	0.7	3.6	1.2	1.5	0.4
Malta	49.3	42.8	1.6	4.1	2.0	5.0	16.4	6.0	3.8	0.5	8.0	2.0	3.3
Netherlands	69.3	59.3	0.9	4.8	7.8	0.6	14.2	2.3	1.3	1.2	2.1	1.7	1.6
Austria	67.6	52.2	1.4	6.6	2.5	1.1	11.4	3.8	1.5	2.1	2.0	1.8	0.6
Poland	75.0	58.1	1.4	3.1	5.3	0.4	9.3	1.5	0.9	5.2	1.7	0.9	0.6
Portugal	66.7	61.3	1.3	5.7	5.8	0.4	10.3	2.6	0.6	0.8	3.8	2.8	5.0
Romania	71.5	55.2	5.1	2.5	3.2	0.8	6.1	2.1	0.9	4.2	5.0	1.1	0.8
Slovenia	76.5	51.1	4.8	2.0	1.4	0.3	7.4	1.4	0.9	3.8	2.0	0.7	0.3
Slovakia	76.7	45.9	1.3	4.4	3.9	0.3	7.0	4.8	0.2	2.9	1.5	0.8	0.3
Finland	55.4	39.2	1.3	7.9	3.7	2.4	12.4	6.3	2.5	5.7	2.4	2.5	1.2
Sweden	54.9	42.1	1.1	7.7	4.8	1.7	19.1	5.7	2.0	1.8	2.8	2.2	1.0

Table 57: World imports of goods and services, volume (percentage change on preceding year, 2017-2023) 25.10.2021

						Autumn 2021 forecast			*Spring 2021 forecast*		
	(a)	2017	2018	2019	2020	2021	2022	2023	*2020*	*2021*	*2022*
EU (b)	30.9	5.6	4.2	4.6	-8.3	**8.6**	**7.1**	**5.2**	*-8.3*	*8.1*	*6.8*
Euro area (b)	25.5	5.2	3.8	4.7	-9.1	**8.2**	**7.2**	**5.1**	*-9.0*	*8.0*	*6.9*
Candidate Countries	1.3	10.5	-4.0	-3.0	4.7	**4.9**	**5.2**	**7.0**	*4.6*	*5.3*	*6.7*
- Albania	0.0	8.4	2.4	2.3	-19.3	**15.0**	**6.4**	**3.3**	*-19.4*	*7.5*	*8.9*
- Montenegro	0.0	8.4	9.2	2.7	-20.1	**14.5**	**5.0**	**3.7**	*-19.5*	*10.7*	*4.6*
- North Macedonia	0.0	5.3	10.7	8.9	-10.5	**12.0**	**10.6**	**8.9**	*-10.5*	*10.7*	*9.9*
- Serbia	0.1	11.1	10.8	10.7	-3.6	**14.1**	**8.9**	**7.6**	*-3.5*	*12.6*	*7.6*
- Turkey	1.1	10.6	-6.2	-5.4	7.6	**3.1**	**4.5**	**7.0**	*7.4*	*4.0*	*6.4*
Iceland	0.0	11.8	0.5	-9.3	-22.0	**8.6**	**12.1**	**7.2**	*-22.0*	*8.1*	*12.1*
Norway	0.6	1.9	1.4	4.7	-11.9	**5.1**	**5.1**	**2.9**	*-12.2*	*6.6*	*3.4*
Switzerland	1.9	-0.9	0.7	-0.2	-4.5	**5.3**	**5.0**	**4.0**	*-6.5*	*8.5*	*5.6*
Australia	1.2	7.9	4.0	-0.9	-13.4	**4.9**	**8.9**	**5.8**	*-16.2*	*11.2*	*6.7*
Canada	2.4	4.6	3.4	0.3	-11.2	**7.5**	**7.4**	**4.6**	*-12.7*	*8.8*	*6.0*
Japan	3.9	3.3	3.8	-0.4	-6.8	**8.4**	**4.8**	**2.4**	*-6.8*	*6.2*	*4.4*
Korea	2.5	8.9	1.7	-1.9	-3.3	**8.6**	**4.5**	**3.4**	*-4.0*	*8.8*	*3.8*
United Kingdom	3.6	2.9	3.1	2.9	-16.8	**1.2**	**8.9**	**2.2**	*-17.8*	*7.7*	*6.2*
United States	13.1	4.4	4.1	1.2	-8.9	**14.3**	**7.8**	**3.5**	*-9.3*	*13.5*	*7.2*
Advanced economies	68.1	5.1	3.7	2.1	-8.3	**9.1**	**6.9**	**4.4**	*-8.8*	*9.0*	*6.4*
Emerging and developing Asia	18.0	9.1	7.0	-3.3	-5.6	**9.9**	**5.8**	**6.3**	*-7.2*	*9.7*	*5.6*
- China	11.1	7.3	7.3	-3.7	-1.4	**9.1**	**5.3**	**6.3**	*-1.9*	*7.8*	*4.8*
- India	2.3	13.2	4.0	-4.1	-13.8	**13.2**	**5.2**	**6.0**	*-19.1*	*12.1*	*7.0*
- Indonesia	0.8	10.4	14.1	-9.3	-14.2	**10.7**	**11.2**	**5.0**	*-20.1*	*16.6*	*5.0*
CIS	2.4	13.2	4.1	5.7	-10.8	**8.3**	**4.9**	**4.4**	*-13.7*	*5.3*	*5.1*
- Russia	1.4	17.3	2.7	3.4	-12.0	**7.3**	**4.4**	**4.0**	*-12.0*	*3.6*	*4.5*
- Other CIS	1.0	7.3	6.5	9.1	-9.3	**9.8**	**5.5**	**4.9**	*-16.0*	*7.6*	*5.9*
Latin America	4.9	4.2	4.0	-1.6	-12.7	**10.8**	**4.9**	**4.2**	*-13.2*	*8.9*	*5.3*
- Argentina	0.2	14.2	-5.6	-21.1	-10.7	**17.1**	**5.9**	**5.4**	*-18.1*	*13.0*	*4.3*
- Brazil	1.1	10.2	6.6	5.3	-7.7	**10.9**	**5.4**	**4.0**	*-10.0*	*5.4*	*4.0*
- Mexico	1.9	6.4	6.4	-0.7	-14.6	**13.1**	**5.0**	**4.4**	*-15.2*	*13.3*	*7.2*
MENA	5.1	2.3	0.8	-2.7	-18.2	**4.7**	**5.4**	**4.0**	*-10.3*	*3.5*	*4.9*
- Saudi Arabia	0.8	-0.4	2.2	3.0	-17.3	**6.7**	**8.3**	**5.1**	*-17.8*	*5.6*	*8.4*
Sub-Saharan Africa	1.5	1.2	6.2	8.3	-12.8	**6.8**	**3.6**	**3.4**	*-11.6*	*4.7*	*4.2*
- South Africa	0.4	1.5	3.2	0.5	-17.4	**13.0**	**4.6**	**4.0**	*-16.6*	*5.4*	*4.6*
Emerging and developing economies	31.9	7.0	5.2	-1.7	-9.6	**8.9**	**5.4**	**5.4**	*-9.4*	*8.0*	*5.4*
World	100.0	5.7	4.2	0.8	-8.7	**9.1**	**6.4**	**4.7**	*-9.0*	*8.7*	*6.1*
World excluding EU	69.1	5.8	4.2	-0.8	-8.9	**9.3**	**6.1**	**4.5**	*-9.3*	*9.0*	*5.7*
World excluding euro area	74.5	5.9	4.3	-0.5	-8.6	**9.4**	**6.1**	**4.6**	*-9.0*	*8.9*	*5.8*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2020.
(b) Intra- and extra-EU trade.

Table 58: Import shares in EU trade (goods only - 2019) 25.10.2021

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	61.6	49.4	1.8	4.8	3.9	1.3	10.4	7.1	3.3	4.3	2.5	1.8	1.2
Euro area	59.7	48.1	1.7	5.4	4.2	1.4	10.9	7.1	3.5	4.0	2.9	2.0	1.4
Belgium	61.0	54.9	1.2	8.1	4.3	2.4	10.5	4.5	3.6	2.2	2.3	2.4	1.9
Bulgaria	62.2	44.1	9.6	1.1	1.3	0.4	4.2	4.3	1.7	12.0	2.8	1.2	0.3
Czechia	75.2	59.4	1.1	1.8	1.9	1.0	6.3	8.5	1.6	3.7	0.3	0.3	0.2
Denmark	67.6	48.3	1.1	3.3	3.6	0.5	11.6	7.0	3.2	2.7	0.7	1.8	0.5
Germany	63.6	45.3	1.8	4.9	3.7	1.6	11.7	6.8	3.3	3.0	0.9	1.5	1.0
Estonia	72.8	54.0	0.6	1.6	1.9	0.7	5.0	4.3	1.4	12.3	0.2	0.3	0.8
Ireland	38.6	34.4	0.7	13.2	32.1	0.9	37.4	3.9	2.2	0.7	0.4	1.6	0.6
Greece	50.1	40.0	4.4	2.2	2.1	0.6	6.5	9.6	2.0	10.1	12.7	1.1	0.6
Spain	55.7	48.8	2.4	4.1	3.8	1.0	8.5	7.4	4.1	2.0	7.2	4.7	2.9
France	64.9	57.7	1.3	5.5	4.4	1.0	10.6	5.3	2.8	2.0	4.1	1.1	1.4
Croatia	77.9	60.2	4.2	1.6	1.0	0.2	3.2	3.9	1.0	5.3	2.0	0.5	0.3
Italy	57.1	47.5	2.8	4.5	2.6	1.0	8.2	7.2	3.6	6.1	6.1	2.1	1.4
Cyprus	63.6	57.6	0.7	1.8	6.1	1.2	13.0	5.3	4.6	5.8	1.3	2.1	0.6
Latvia	65.3	50.2	0.7	1.7	2.4	0.2	6.9	3.9	1.9	18.3	0.1	0.9	0.1
Lithuania	65.9	45.3	0.8	2.1	2.4	0.2	6.2	4.0	0.8	18.5	0.7	0.5	0.2
Luxembourg	81.2	77.5	0.2	5.2	1.2	2.0	3.5	6.3	0.6	0.3	0.2	0.3	0.3
Hungary	73.3	56.8	2.3	1.7	1.6	1.4	6.5	6.3	2.1	5.5	0.5	0.4	0.1
Malta	38.0	34.4	4.9	1.1	13.1	0.8	23.6	5.8	2.8	15.5	4.7	2.3	0.5
Netherlands	41.6	35.3	1.0	8.0	4.9	1.9	13.4	13.7	5.8	6.3	2.5	3.6	2.2
Austria	78.6	64.9	1.2	3.1	1.6	0.7	6.9	2.6	2.8	2.7	0.9	0.3	0.1
Poland	67.4	56.7	1.4	2.2	2.5	0.9	6.9	8.7	2.3	7.4	1.3	1.0	0.4
Portugal	73.3	68.4	1.3	1.9	2.5	0.5	5.8	4.3	2.1	2.3	3.0	2.2	3.3
Romania	73.1	52.9	5.7	1.0	1.8	0.4	4.1	5.0	1.3	7.8	1.0	0.6	0.2
Slovenia	64.3	49.3	8.1	0.9	1.0	0.4	13.2	6.7	2.3	1.6	1.2	1.1	0.3
Slovakia	80.0	44.1	1.2	0.5	1.7	0.2	6.5	3.5	2.0	5.3	0.4	0.2	0.1
Finland	68.5	44.1	0.6	2.3	2.4	0.6	7.1	3.8	1.3	13.9	0.2	1.4	0.4
Sweden	68.5	53.2	1.0	2.9	4.4	0.9	14.3	5.8	2.5	2.2	0.4	0.9	0.5

Table 59: World merchandise trade balances (fob-fob, in billions of US dollar, 2016-2023) 25.10.2021

						Autumn 2021 forecast			*Spring 2021 forecast*		
	2016	2017	2018	2019	2020	2021	2022	2023	*2020*	*2021*	*2022*
EU	483.4	463.3	389.8	407.4	475.3	**447.7**	**412.0**	**451.9**	*467.3*	*522.8*	*518.4*
EU, adjusted[1]	322.3	289.4	209.2	253.8	292.7	**318.0**	**307.4**	**337.2**	*288.2*	*361.4*	*358.2*
Euro area	459.7	446.5	396.4	395.1	439.7	**434.4**	**416.1**	**455.4**	*433.9*	*489.2*	*490.2*
Euro area, adjusted[1]	327.5	306.8	241.9	277.0	299.5	**308.6**	**310.4**	**339.7**	*297.9*	*338.2*	*338.8*
Candidate Countries	-56.4	-77.2	-56.3	-37.1	-58.3	**-56.9**	**-64.9**	**-76.9**	*-58.0*	*-58.2*	*-69.2*
- Albania	-2.9	-3.2	-3.4	-3.5	-3.4	**-3.9**	**-4.0**	**-4.2**	*-3.4*	*-3.8*	*-4.1*
- Montenegro	-1.8	-2.1	-2.4	-2.3	-1.9	**-2.3**	**-2.2**	**-2.3**	*-1.9*	*-2.2*	*-2.4*
- North Macedonia	-2.0	-2.0	-2.1	-2.2	-2.1	**-2.3**	**-2.4**	**-2.4**	*-2.1*	*-2.3*	*-2.4*
- Serbia	-3.5	-4.5	-6.0	-6.3	-5.9	**-6.8**	**-7.3**	**-7.8**	*-6.0*	*-7.1*	*-7.4*
- Turkey	-46.2	-65.4	-42.4	-22.8	-45.0	**-41.6**	**-49.2**	**-60.1**	*-44.7*	*-42.7*	*-52.9*
Iceland	-0.8	-1.5	-1.5	-1.0	-0.7	**-0.7**	**-0.7**	**-1.0**	*-0.7*	*-0.7*	*-0.9*
Norway	11.7	20.4	30.7	12.7	-3.1	**-0.1**	**1.3**	**2.0**	*-3.9*	*-1.3*	*-0.6*
Switzerland	61.2	63.9	71.6	70.6	61.4	**69.0**	**69.5**	**75.5**	*69.2*	*77.1*	*77.6*
Australia	-5.8	10.5	20.9	48.0	40.3	**46.8**	**36.2**	**33.1**	*39.9*	*37.9*	*35.1*
Canada	-19.2	-19.1	-15.3	-11.6	-27.9	**11.8**	**20.2**	**21.1**	*-27.3*	*-34.2*	*-36.6*
Japan	50.8	43.8	10.2	3.5	-30.6	**17.8**	**20.5**	**22.5**	*-30.6*	*-15.3*	*-16.0*
Korea	116.5	113.6	110.1	79.8	81.9	**104.6**	**109.8**	**120.5**	*81.9*	*96.9*	*97.3*
United Kingdom	-188.0	-181.0	-189.9	-176.3	-165.3	**-195.3**	**-216.5**	**-230.8**	*-147.6*	*-203.7*	*-205.4*
United States	-771.1	-823.2	-889.8	-876.2	-892.6	**-1114.9**	**-1218.0**	**-1273.4**	*-890.4*	*-1077.1*	*-1174.8*
Advanced economies	-175.2	-228.7	-386.7	-343.4	-354.3	**-507.1**	**-657.9**	**-680.9**	*-335.8*	*-472.6*	*-584.4*
Emerging and developing Asia	423.7	367.5	199.2	259.9	514.7	**526.1**	**460.5**	**436.2**	*507.7*	*487.6*	*472.5*
- China	488.9	475.9	380.1	393.0	515.0	**584.3**	**541.3**	**525.3**	*515.0*	*541.5*	*544.1*
- India	-107.5	-148.1	-186.7	-157.7	-95.4	**-145.6**	**-161.0**	**-174.8**	*-95.2*	*-125.2*	*-140.3*
- Indonesia	15.3	18.8	-0.2	3.5	28.2	**30.8**	**23.2**	**28.4**	*28.2*	*22.9*	*25.8*
CIS	83.1	114.6	202.5	160.6	81.8	**146.0**	**160.6**	**163.1**	*106.9*	*153.8*	*166.8*
- Russia	90.2	114.7	195.9	165.4	90.5	**139.3**	**159.7**	**164.9**	*113.8*	*153.9*	*170.7*
- Other CIS	-7.1	-0.1	6.5	-4.9	-8.6	**6.8**	**1.0**	**-1.9**	*-6.9*	*-0.1*	*-4.0*
Latin America	8.2	34.1	10.5	28.8	93.0	**83.2**	**84.8**	**82.3**	*90.2*	*89.3*	*82.9*
- Argentina	4.4	-5.4	-0.7	18.2	14.6	**14.2**	**16.1**	**17.1**	*14.4*	*18.2*	*22.8*
- Brazil	44.5	57.3	43.4	26.5	32.4	**37.8**	**38.7**	**38.4**	*43.3*	*46.8*	*47.5*
- Mexico	-13.1	-11.0	-13.8	5.2	34.0	**21.1**	**20.2**	**20.0**	*34.4*	*27.1*	*21.2*
MENA	90.2	198.5	354.9	249.8	111.2	**248.9**	**263.5**	**270.4**	*56.1*	*183.0*	*194.1*
- Saudi Arabia	55.8	98.5	168.7	121.3	47.9	**85.9**	**98.3**	**102.2**	*55.5*	*97.0*	*103.4*
Sub-Saharan Africa	-13.4	16.6	28.5	3.0	-5.2	**7.6**	**-2.4**	**-1.6**	*6.7*	*14.6*	*12.5*
- South Africa	2.2	4.9	1.7	2.7	17.5	**28.2**	**16.7**	**15.7**	*16.8*	*18.6*	*17.0*
Emerging and developing economies	591.8	731.3	795.7	702.0	795.6	**1011.8**	**967.0**	**950.2**	*767.6*	*928.4*	*928.9*
World	416.6	502.6	409.0	358.6	441.3	**504.7**	**309.2**	**269.3**	*431.7*	*455.8*	*344.5*
World excluding EU	-66.8	39.2	19.1	-48.8	-34.0	**57.1**	**-102.9**	**-182.6**	*-35.5*	*-67.0*	*-173.9*
World excluding euro area	-43.1	56.0	12.5	-36.4	1.6	**70.3**	**-106.9**	**-186.1**	*-2.2*	*-33.4*	*-145.8*

[1] See note 8 on concepts and sources.

Table 60: World current-account balances (in billions of US dollar, 2016-2023) 25.10.2021

						Autumn 2021 forecast			*Spring 2021 forecast*		
	2016	2017	2018	2019	2020	2021	2022	2023	*2020*	*2021*	*2022*
EU	474.2	511.4	517.2	464.6	411.8	**505.9**	**522.4**	**594.9**	*455.7*	*516.9*	*548.4*
EU, adjusted[1]	363.6	353.7	326.6	304.6	283.1	**359.4**	**389.7**	**443.8**	*305.7*	*357.3*	*379.0*
Euro area	432.2	468.2	493.3	415.3	343.6	**450.3**	**473.4**	**536.6**	*390.7*	*441.7*	*466.5*
Euro area, adjusted[1]	297.8	315.2	288.8	247.7	195.0	**319.9**	**353.2**	**400.4**	*219.2*	*305.4*	*322.3*
Candidate Countries	-30.2	-44.4	-25.2	-0.5	-40.2	**-27.3**	**-25.2**	**-22.7**	*-42.3*	*-36.5*	*-33.5*
- Albania	-0.9	-1.0	-1.0	-1.2	-1.3	**-1.3**	**-1.3**	**-1.3**	*-1.3*	*-1.4*	*-1.3*
- Montenegro	-0.7	-0.8	-0.9	-0.8	-1.2	**-1.0**	**-0.9**	**-1.0**	*-1.2*	*-1.2*	*-1.0*
- North Macedonia	-0.3	-0.1	0.0	-0.4	-0.4	**-0.5**	**-0.4**	**-0.3**	*-0.4*	*-0.3*	*-0.2*
- Serbia	-1.2	-2.3	-2.5	-3.5	-2.2	**-2.8**	**-2.9**	**-2.9**	*-2.3*	*-3.7*	*-3.8*
- Turkey	-27.1	-40.2	-20.7	5.5	-35.0	**-21.8**	**-19.8**	**-17.2**	*-37.1*	*-29.8*	*-27.2*
Iceland	1.8	1.2	1.2	1.7	0.2	**0.4**	**0.7**	**0.8**	*0.2*	*0.4*	*0.6*
Norway	16.4	21.9	34.8	11.5	7.2	**14.7**	**16.7**	**18.1**	*7.0*	*13.2*	*14.9*
Switzerland	56.9	46.1	41.7	39.4	16.4	**41.3**	**47.4**	**55.6**	*35.8*	*38.9*	*44.2*
Australia	-41.0	-36.0	-29.8	7.9	34.4	**43.2**	**27.7**	**25.6**	*33.8*	*23.2*	*16.6*
Canada	-47.3	-46.2	-40.4	-35.7	-29.7	**5.9**	**15.0**	**16.8**	*-31.7*	*-46.3*	*-48.1*
Japan	197.0	203.1	175.7	188.3	166.1	**175.1**	**169.1**	**167.3**	*133.8*	*167.6*	*167.7*
Korea	97.9	75.2	77.5	59.7	75.3	**104.6**	**109.3**	**120.2**	*75.3*	*80.8*	*78.9*
United Kingdom	-145.1	-98.1	-112.5	-76.7	-71.7	**-89.7**	**-100.8**	**-115.6**	*-94.9*	*-153.6*	*-157.4*
United States	-403.7	-372.9	-440.3	-479.8	-587.1	**-819.9**	**-883.5**	**-893.7**	*-613.3*	*-774.1*	*-818.1*
Advanced economies	312.8	413.1	333.5	313.4	158.3	**118.5**	**85.7**	**162.9**	*134.7*	*9.6*	*-0.5*
Emerging and developing Asia	210.5	181.1	-41.4	102.1	358.6	**356.2**	**282.0**	**210.5**	*357.9*	*252.7*	*217.7*
- China	191.3	188.7	24.1	102.9	274.0	**365.3**	**300.4**	**225.7**	*274.0*	*254.5*	*240.4*
- India	-12.1	-38.2	-65.6	-29.8	32.7	**-20.9**	**-26.0**	**-34.0**	*33.0*	*-6.8*	*-24.2*
- Indonesia	-17.0	-16.2	-30.6	-30.3	-4.5	**-10.6**	**-18.8**	**-13.9**	*-4.7*	*-19.6*	*-17.4*
CIS	-0.1	17.8	109.3	49.8	24.0	**60.9**	**71.8**	**68.2**	*37.1*	*70.9*	*78.6*
- Russia	25.3	32.5	116.2	65.3	32.3	**71.5**	**87.0**	**89.5**	*48.2*	*83.2*	*96.1*
- Other CIS	-25.4	-14.8	-6.9	-15.5	-8.3	**-10.6**	**-15.2**	**-21.2**	*-11.0*	*-12.3*	*-17.5*
Latin America	-99.8	-92.9	-138.6	-100.8	2.0	**-18.5**	**-30.8**	**-44.8**	*3.5*	*-18.0*	*-36.8*
- Argentina	-15.1	-31.2	-27.1	-3.7	3.3	**3.4**	**2.0**	**1.1**	*3.0*	*2.8*	*3.5*
- Brazil	-24.5	-22.0	-51.5	-65.0	-25.9	**-11.3**	**-17.7**	**-25.0**	*-12.5*	*-12.5*	*-17.2*
- Mexico	-24.4	-20.4	-25.1	-3.9	26.1	**7.6**	**4.5**	**3.2**	*26.6*	*11.9*	*2.7*
MENA	-83.1	31.6	176.5	104.7	-36.7	**64.1**	**91.3**	**91.2**	*-78.8*	*57.9*	*62.3*
- Saudi Arabia	-23.8	10.5	72.0	38.2	-19.6	**32.2**	**42.7**	**36.1**	*-11.4*	*44.6*	*44.3*
Sub-Saharan Africa	-41.8	-25.3	-28.0	-48.9	-35.9	**-43.4**	**-53.8**	**-62.6**	*-45.0*	*-41.0*	*-45.6*
- South Africa	-8.4	-8.9	-13.4	-10.7	6.7	**11.5**	**4.2**	**1.6**	*6.3*	*4.1*	*1.1*
Emerging and developing economies	-14.4	112.2	77.7	106.8	312.0	**419.2**	**360.5**	**262.7**	*274.8*	*322.5*	*276.1*
World	298.4	525.4	411.2	420.2	470.3	**537.8**	**446.2**	**425.6**	*409.5*	*332.1*	*275.6*
World excluding EU	-175.8	14.0	-106.1	-44.5	58.5	**31.9**	**-76.2**	**-169.3**	*-46.1*	*-184.7*	*-272.8*
World excluding euro area	-133.8	57.2	-82.1	4.9	126.7	**87.5**	**-27.1**	**-111.1**	*18.8*	*-109.6*	*-190.9*

[1] See note 8 on concepts and sources.

Table 61: Crude oil prices, 2016-2023 25.10.2021

							Autumn 2021 forecast		*Spring 2021 forecast*		
	2016	2017	2018	2019	2020	2021	2022	2023	*2020*	*2021*	*2022*
Annual percentage change (USD)	-15.7	21.5	30.7	-10.4	-32.4	65.1	**10.2**	**-8.3**	*-32.3*	*47.5*	*-3.7*
Price per barrel											
- Brent (USD)	45.1	54.8	71.6	64.1	43.3	71.6	**78.9**	**72.3**	*43.4*	*63.9*	*61.6*
- Brent (EUR)	40.7	48.5	60.6	57.3	38.0	60.3	**68.2**	**62.5**	*38.0*	*53.1*	*51.2*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2021, 2022 and 2023 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounts (ESA 2010). US national accounts are based on SNA 2008, whilst the Japanese accounts use SNA 1993. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17 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 24 and 26-30 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, and the Netherlands report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 49, 51, and 60 (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 48 - 51, 59 and 60 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors.

   The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2019.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility).

10. Quarterly EU and euro-area GDP growth rates are aggregated using estimates for 27 Member States, including unpublished quarterly forecasts for CY, EL, IE and MT.

11. Geographical zones are defined as follows :

    Euro area :

    EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

    European Union :

    EU (EA19, BG, CZ, DK, HR, HU, PL, RO, and SE).

    Candidate countries :

    Albania, Montenegro, North Macedonia, Serbia and Turkey.

    Potential candidates :

    Bosnia-Herzegovina and Kosovo.

    Advanced economies :

    EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

    Emerging and developing Asia:

    All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

    Latin America :

    All countries in that region.

    MENA (Middle East and Northern Africa) :

    Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, 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.

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