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European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Autumn 2020

EUROPEAN ECONOMY

Institutional Paper 136

ABBREVIATIONS

Countries and regions

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

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

Economic variables and institutions

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

NBER	National Bureau of Economic Research
NOAA	National Oceanic and Atmospheric Administration
OECD	Organisation for Economic Cooperation and Development
PMI	Purchasing Managers' Index
PPP	Purchasing power parity
SFA	Stock flow adjustment
UN	United Nations
VAT	Value-Added Tax
WHO	World Health Organization
WTO	World Trade Organization

Other abbreviations

APP	Asset Purchase Programme
ICU	Intensive care unit
CICE	Tax credit for employment and competitiveness
COVID-19	Coronavirus disease 2019
FDI	Foreign Direct Investment
FTA	Free trade area
FTE	Full-time equivalent
GVCs	Global value chains
MFF	Multiannual financial framework
MFN	Most-favoured-nation
NFC	Non-Financial Corporations
NGEU	Next Generation EU
NPC	No-policy change
NTB	Non-tariff barriers
PEPP	Pandemic Emergency Purchase Programme
RRF	Recovery and Resilience Facility
RRP	Resilience and Recovery Plans
SME	Small and medium-sized enterprise
SSM	Single Supervisory Mechanism
STW	Short-term work
SURE	European instrument for temporary Support to mitigate Unemployment Risks in an Emergency
TLTRO III	Targeted longer-term refinancing operations

Graphs/Tables/Units

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

Currencies

EUR	Euro
ECU	European currency unit

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

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FOREWORD

In spring this year, the COVID-19 outbreak struck the European economy with great force. Governments were forced to take drastic measures to contain the spread of the virus, which has claimed over 1.2 million lives worldwide. Economic activity fell abruptly: in the first half of the year, real GDP fell at double-digit rates in both the euro area and the EU – rates never seen before. Employment also declined more than ever, although less then what could have been expected, thanks to massive policy support by Member States and the EU. GDP in some countries was hit much harder than in others, declining over three times more in the most affected than in the least. As expected in the summer interim forecast, the phasing out of restrictions to social life and economic activity in May led the way for a strong pick-up in activity. Indeed, just as the scale of the collapse in economic activity in the second quarter was unprecedented, so was the turnaround. But as soon as a sense of cautious normality was returning to Europe over the summer, infection rates started increasing again, leading to the re-introduction of virus containment measures. Governments initially focused on local and targeted restrictions but the recent rise in infection rates and hospitalisations has forced such measures to be scaled up and by the cut-off date of the forecast new nationwide restrictions could no longer be ruled out. The combination of renewed fear about the spread of the disease and lockdown measures is weighing on economic activity in the short run and putting the nascent recovery on hold.

Such extreme and frequent plot changes make economic forecasting even more difficult than usual. However, some patterns are emerging. First, it is clear that the future course of the pandemic will play a key role in determining the future path of economic growth. This is why the autumn forecast relies heavily on technical assumptions and analyses alternative scenarios for the evolution of the pandemic and its economic impact. Second, the economic impact of the pandemic and future recovery prospects will differ widely across the EU. This reflects not only the severity of the pandemic and the stringency of public health measures take to contain it in each country, but also the sectoral composition of national economies and domestic policy responses. Third, policy measures matter. Member States have extended unprecedented fiscal support and liquidity assistance to their economies to avoid mass lay-offs, preserve incomes and protect businesses. In contrast to the previous crisis, the economic policy response in the EU has been swift and sizeable. The ECB's forceful and immediate response in March was complemented by the activation of the 'general escape clause' in the EU's fiscal rules, which has helped Member States to provide a strong fiscal response to the crisis. Rapid agreements were also reached on a number of important EU support instruments, including the temporary Support to mitigate Unemployment Risks in an Emergency (SURE). Importantly, the European Council agreement on the Next Generation EU (NGEU) plan to support member states hardest hit by the COVID-19 crisis with a €750 billion fund has shown a high degree of commitment to European cohesion and solidarity. This demonstration of collective resolve has cushioned the impact of the pandemic on businesses and people and has had positive impact on financial market confidence. Continued policy support will be critical to limit the long-term damage to the EU economy.

With the resurgence of the virus, economic uncertainty is rising as well. The best policy response to this is to deliver on our collective promise. Next Generation EU represents a unique opportunity for a fast and transformative recovery. Putting it in motion should be given the highest priority.

Maarten Verwey

Director General
Economic and Financial Affairs

OVERVIEW: REBOUND INTERRUPTED

Resurgence of pandemic deepens uncertainty

The nascent recovery of the European economy has been interrupted by a resurgence of the COVID-19 pandemic…

The COVID-19 pandemic caused an economic crisis unique in its severity. Following the disruptions in the first half of 2020, the initial phase of the economic recovery, helped by unprecedented policy support, was quick to materialise when containment measures were eased across Europe. In recent weeks, however, the resurgence in infections has led to the re-introduction of containment measures in many Member States. These are expected to weigh on economic activity and sentiment in the short run, with negative effects on consumption and investment, though to a lesser extent than in the spring, as the approach so far has been more targeted. Accordingly, after what appears to have been an exceptionally strong rebound in the third quarter, EU GDP growth looks set to stall in the fourth quarter of 2020.

… which means that uncertainty surrounding the outlook remains particularly high.

Beyond the short run, the uncertainty surrounding the outlook will remain elevated as long as the pandemic hangs over the economy. Producing forecasts in these exceptional circumstances is particularly challenging and important technical assumptions have been made. It is assumed that virus containment measures will remain to some degree in force throughout the forecast horizon. After their significant tightening in the fourth quarter of 2020, the stringency of the measures will gradually ease in 2021 and 2022. Moreover, the economic impact of a given level of restrictions is assumed to diminish over time as the health system and economic agents adapt to the

Table 1:

Overview - the autumn 2020 forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Belgium	-8.4	4.1	3.5	0.4	1.4	1.6	5.9	7.0	6.2	0.7	0.6	0.4	-11.2	-7.1	-6.3
Germany	-5.6	3.5	2.6	0.4	1.4	1.3	4.0	4.0	3.8	6.2	6.6	6.6	-6.0	-4.0	-2.5
Estonia	-4.6	3.4	3.5	-0.5	1.4	2.1	7.5	7.8	6.7	2.8	2.0	1.2	-5.9	-5.9	-5.1
Ireland	-2.3	2.9	2.6	-0.5	0.3	1.6	5.3	8.9	8.7	5.7	0.2	-1.1	-6.8	-5.8	-2.5
Greece	-9.0	5.0	3.5	-1.3	0.9	1.3	18.0	17.5	16.7	-6.2	-6.4	-4.8	-6.9	-6.3	-3.4
Spain	-12.4	5.4	4.8	-0.2	0.9	1.0	16.7	17.9	17.3	1.8	2.5	2.8	-12.2	-9.6	-8.6
France	-9.4	5.8	3.1	0.5	0.9	1.5	8.5	10.7	10.0	-3.0	-2.8	-1.6	-10.5	-8.3	-6.1
Italy	-9.9	4.1	2.8	-0.1	0.7	1.0	9.9	11.6	11.1	2.9	3.1	2.9	-10.8	-7.8	-6.0
Cyprus	-6.2	3.7	3.0	-0.9	0.9	1.3	8.2	7.8	7.2	-10.4	-10.1	-9.9	-6.1	-2.3	-2.3
Latvia	-5.6	4.9	3.5	0.3	1.3	1.8	8.3	8.0	7.5	2.3	1.2	0.1	-7.4	-3.5	-3.3
Lithuania	-2.2	3.0	2.6	1.3	1.5	1.7	8.9	8.0	6.9	4.6	3.7	2.9	-8.4	-6.0	-2.8
Luxembourg	-4.5	3.9	2.7	0.2	1.5	1.8	6.6	7.1	7.1	0.8	1.2	1.8	-5.1	-1.3	-1.1
Malta	-7.3	3.0	6.2	0.8	1.3	1.6	5.1	4.7	4.1	0.5	0.1	1.4	-9.4	-6.3	-3.9
Netherlands	-5.3	2.2	1.9	1.1	1.3	1.4	4.4	6.4	6.1	8.4	8.0	7.9	-7.2	-5.7	-3.8
Austria	-7.1	4.1	2.5	1.5	1.7	1.7	5.5	5.1	4.9	2.3	2.9	3.2	-9.6	-6.4	-3.7
Portugal	-9.3	5.4	3.5	-0.1	0.9	1.2	8.0	7.7	6.6	-0.9	-0.5	-0.5	-7.3	-4.5	-3.0
Slovenia	-7.1	5.1	3.8	0.0	0.9	1.8	5.0	4.8	4.4	5.0	4.4	3.1	-8.7	-6.4	-5.1
Slovakia	-7.5	4.7	4.3	2.0	0.7	1.4	6.9	7.8	7.1	-3.1	-1.6	-0.9	-9.6	-7.9	-6.0
Finland	-4.3	2.9	2.2	0.4	1.1	1.4	7.9	7.7	7.4	-1.5	-1.2	-1.7	-7.6	-4.8	-3.4
Euro area	**-7.8**	**4.2**	**3.0**	**0.3**	**1.1**	**1.3**	**8.3**	**9.4**	**8.9**	**2.6**	**2.6**	**2.8**	**-8.8**	**-6.4**	**-4.7**
Bulgaria	-5.1	2.6	3.7	1.2	1.4	1.8	5.8	5.6	5.0	3.5	4.0	4.4	-3.0	-3.0	-1.4
Czechia	-6.9	3.1	4.5	3.4	2.3	2.0	2.7	3.3	3.2	-2.3	-2.0	-1.5	-6.2	-4.7	-3.7
Denmark	-3.9	3.5	2.4	0.3	1.1	1.3	6.1	5.8	5.5	6.7	6.8	7.2	-4.2	-2.5	-1.9
Croatia	-9.6	5.7	3.7	0.1	1.2	1.5	7.7	7.5	6.9	-1.7	-0.4	0.3	-6.5	-2.8	-3.2
Hungary	-6.4	4.0	4.5	3.4	3.3	3.0	4.4	4.4	3.9	-1.1	-0.3	-0.3	-8.4	-5.4	-4.3
Poland	-3.6	3.3	3.5	3.6	2.0	3.1	4.0	5.3	4.1	1.8	1.5	1.1	-8.8	-4.2	-3.0
Romania	-5.2	3.3	3.8	2.5	2.5	2.4	5.9	6.2	5.1	-4.6	-4.8	-4.9	-10.3	-11.3	-12.5
Sweden	-3.4	3.3	2.4	0.6	0.8	1.3	8.8	9.2	8.1	4.4	3.9	4.0	-3.9	-2.5	-1.4
EU	**-7.4**	**4.1**	**3.0**	**0.7**	**1.3**	**1.5**	**7.7**	**8.6**	**8.0**	**2.5**	**2.5**	**2.7**	**-8.4**	**-6.1**	**-4.5**
United Kingdom	-10.3	3.3	2.1	0.9	2.3	2.9	5.0	7.3	6.2	-3.1	-2.9	-2.7	-13.4	-9.0	-7.6
China	**2.1**	**7.3**	**5.6**	:	:	:	:	:	:	:	:	:	:	:	:
Japan	-5.5	2.7	0.9	0.1	0.1	0.3	3.1	2.9	2.7	2.3	2.8	2.9	-13.9	-5.6	-3.5
United States	-4.6	3.7	2.5	1.1	1.6	1.8	7.7	6.2	5.4	-3.0	-3.4	-3.2	-15.3	-6.9	-4.7
World	-4.3	4.6	3.6	:	:	:	:	:	:	:	:	:	:	:	:

COVID-19 environment. Given the uncertainty about the future trading relationship between the UK and the EU, it is also assumed, without any prejudice to the outcome of the ongoing negotiations, that the EU and the UK will trade on WTO Most Favoured Nation (MFN) rules from 1 January 2021 onward. This implies a much less beneficial trade relationship with economic costs for the UK, and to a lesser extent, the EU.

Growth is expected to resume but the recovery to remain incomplete…

Under these assumptions, activity is set to pick up again in the first quarter of 2021 but to remain constrained by virus containment measures and the impact of the less beneficial trading relations with the UK. Over the following quarters of 2021, the technical rebound from this year's trough should continue and the gradual decline in the level of stringency assumed should support a pick-up in activity. As these factors lose importance in 2022, economic growth is expected to moderate. Overall, EU GDP is forecast to contract by about 7½% this year before rebounding by 4% in 2021, which is less than previously forecast, and by 3% in 2022. This implies that the output in the European economy would barely return to pre-pandemic levels in 2022.

…with divergences across countries.

The depth of the recession in 2020 and the speed of the recovery in 2021 and 2022 is expected to vary widely across Member States. This does not only reflect differences in the severity of the pandemic and the stringency of containment measures, but also differences in economic structures and domestic policy responses.

Following an unprecedented recession, the global economy is set to bounce back…

The economic impact of the COVID-19 pandemic has not been confined to the EU. Global economic activity plunged into an unprecedented recession in the first half of 2020. Extraordinary macroeconomic policy measures around the world have helped cushion the impact and, together with the relaxation of containment measures, helped to spur a cyclical, though uneven, rebound over the summer. Localised containment measures of differing intensity and timing are assumed to remain in force over the course of 2021, before easing gradually in the remainder of the forecast horizon. As a result, global GDP (excluding the EU) is expected to contract by about 3¾% in 2020, a considerably worse outcome than during the Global Financial Crisis. Supported by the cyclical recovery in private demand and the accommodative macroeconomic policy mix, the global economy (excluding the EU) is forecast to expand by about 4¾% in 2021, and to moderate to about 3¾% in 2022.

…but very unevenly across regions and countries…

In advanced economies outside the EU, the outlook has improved slightly since spring, reflecting the less severe than expected contraction in the first half of the year and the swifter-than-expected recovery, especially in the US. Across these economies, private consumption is set to continue strengthening as labour markets recover and fiscal policies are assumed to remain supportive, but the recovery in investment and trade is expected to be more subdued. China is projected to continue recovering quickly, benefitting from an early end to its lockdown phase at the beginning of the year, increasing foreign demand and targeted policy support. However, in many countries in Latin America, Sub-Saharan Africa and emerging Asia, limited policy space, an uncertain health situation and dwindling foreign currency revenues hinder recovery prospects.

…amid a gradual recovery in global trade.

Global (non-EU) imports are expected to contract sharply by around 10% this year. Following a trough in the second quarter, trade flows have been rebounding on the back of pent-up demand and a rebuilding of inventories. Still, disruptions in global value chains, uncertainty generated by the evolution of the pandemic and possible new containment measures, as well as the lingering trade conflict between the US and China are all projected to weigh on merchandise trade. The recovery in services trade is set to be even slower given the severe impact of containment measures on tourism and travel. Global imports (excluding the EU) are forecast to grow by about 6¼ % in 2021, before slowing to 4% in 2022, under the impact of protracted disruptions to global supply chains and accelerating de-globalisation trends.

Financial markets have held up despite rising risks…

Notwithstanding the recent adjustment in risk premia, financial markets have held up well over the last few months, globally and in the EU, thanks mainly to central banks' massive liquidity provision around the world. The comprehensive monetary policy easing by the US Federal Reserve contributed to an appreciation of the euro against a wide range of currencies. In the euro area, the ECB monetary policy remained highly accommodative, confirming, in September, the continuation of its pandemic emergency purchase programme (PEPP). As a result, bond markets continued to price in low credit and interest risk and equity markets have remained quite resilient despite the COVID-19 related economic damages and the resurgence of the pandemic in Europe. While favourable market-funding conditions are cushioning the economic impact of the pandemic, they also reveal a 'decoupling' of the financial sphere from the real economy.

…with monetary and fiscal policies supporting lending…

Monetary policy and support measures for businesses in Europe have supported bank lending, particularly towards non-financial companies. The increase in bank lending, largely backed by state guarantees, provided vital support to preserve corporate operations and has helped to avoid widespread bankruptcies. However, as banks' risk tolerance has diminished, they may tighten credit standards to enterprises as state guarantees are withdrawn.

…while the resilience of the European banking sector could be tested.

Over the next two years, the health of the banking sector will be crucial for its capacity to provide lending to the economy. European banks entered the COVID-19 crisis with significantly stronger capital positions compared with 2008 but their profitability remains low. As the number of corporate defaults and the volume of non-performing loans are set to rise, particularly in the sectors most affected by the containment measures, bank stocks have underperformed EU equity markets in general. However, the sound liquidity and solvency positions of EU banks should continue to support their ability to provide funding to the domestic economy.

Private consumption is set for a gradual rebound after its fastest drop on record…

The hit on GDP components in the first half of 2020 was broad based. Government consumption, however, played a key stabilising role as public employment was preserved and the acquisition of intermediate goods (e.g. medical supplies) surged. In contrast, the impact of the COVID-19 pandemic on private consumption was particularly severe as consumer spending (in particular on services and durable goods) was heavily disrupted by the spring lockdown that led to an accumulation of forced savings. Despite persisting social distancing measures, private consumption is expected to have recovered ground in the third quarter, fuelled by pent-up demand and policy measures supporting household purchasing power. Still, this bounce-back is expected to be interrupted towards the end of the year amid the resurgence of the pandemic and the introduction of more stringent containment measures. All in all, private consumption is forecast to shrink by more than 8% this year

in both the EU and the euro area. This fall will be followed by a relatively strong rebound next year, as households gradually release accumulated savings and adjust their spending patterns to the pandemic reality. Private consumption growth is, however, forecast to moderate in 2022, largely due to lingering uncertainty about job and income prospects which are likely to keep precautionary savings elevated.

… while the recovery in investment should remain incomplete…

Similarly to private consumption, lockdowns and persisting pandemic-related uncertainty weighed heavily on investment, forcing firms to revisit their spending plans and households to postpone or cancel construction projects. After a steep fall in the first half of the year, investment spending is expected to experience a technical rebound in the second half of 2020 supported by the gradual easing of bottlenecks to both supply and demand. Going forward, remaining idle capacity in capital-intensive sectors, lower profitability and elevated uncertainty are expected to weigh on investment intentions. On the other hand, capital spending is set to benefit from highly accommodative monetary policies, increased public investment and targeted government support schemes for firms. Consequently, gradually diminishing economic slack and easing pressure on company profit margins should help relaunch some postponed investment plans. Nevertheless, investment in the EU and the euro area are not expected to remain their pre-pandemic level.

…and net exports contribute little to the economic recovery.

The COVID-19 crisis took a particularly severe toll on the EU and euro area's external trade in the first half of the year as a sudden and synchronised drop in global demand interacted with supply-side constraints due to lockdowns, border closures, travel bans and internal restrictions to mobility. The shock on Member States was further amplified by their high integration in global value chains. Countries with a strong exposure to contact-intensive service sectors, such as tourism and transport saw their exports plummet. As heightened uncertainty, remaining trade tensions and continued restrictions to cross-border mobility and tourism cloud the outlook, foreign demand for European goods and services is forecast to rebound only partially in the forecast horizon. Following a projected contraction by about 11½% in 2020, euro area and EU exports are thus set for a gradual and incomplete recovery over the next two years. As imports are broadly expected to mirror the evolution of exports, the contribution from net exports to growth in the EU and the euro area is expected to be relatively modest over the next two years after being negative this year.

Job retention policies cushioned EU labour markets…

The COVID-19 pandemic has put EU labour markets under severe strain. Job losses during the first half of the year were unprecedented though the decline was much more contained than the drop in economic activity, as was the rise in the unemployment rate. The relatively muted shock on labour markets is largely due to the successful implementation of ambitious policy measures in all Member States, such as short-time work schemes and other support policies to avoid mass lay-offs and large income losses.

…but further adjustment is expected...

A significant amount of labour market slack (on the back of a drop in working hours and workers leaving the labour force) has accumulated since March. As activity resumes, hours worked are set to increase faster than headcount employment. Employment may also encounter further losses when short-time work schemes are discontinued. Also, the reallocation of workers across sectors from the hardest hit activities towards less affected or new ones, is usually a lengthy process as it requires workers to acquire new skills. Headcount employment is therefore expected to decline slightly next year before increasing again in 2022. Despite the expected economic rebound next

year, the EU unemployment rate is set to rise further from 7.7% this year to 8.6% next year as workers should progressively re-enter the labour force. It is expected to decline in 2022 to 8.0%. Significant differences in performance between countries are expected to persist over the forecast horizon, reflecting pre-existing vulnerabilities in certain Member States.

…which should exert downward pressure on prices.

A significant fall in energy prices pushed euro area headline inflation into negative territory in August and September. Core inflation, which excludes energy and unprocessed food prices, also dropped substantially during the summer on the back of lower prices for services (especially tourism-related services), but also industrial goods. HICP inflation in the euro area is expected to hover around 0% in the second half of this year and to reach 0.3% on average in 2020. Over the next two years, euro area inflation is set to tick higher but to remain moderate at 1.1% in 2021 and 1.3% in 2022. The assumed stabilisation of oil prices will generate a positive base effect in 2021 but core inflation, while picking up somewhat, is expected to remain subdued. Overall, downward pressures on prices are set to dominate as weak demand, labour market slack and the recent appreciation of the euro should more than offset the upward pressures caused by supply side disruptions.

Public deficit and debt are set to rise sharply…

The euro area's general government deficit ratio is expected to increase significantly (by around 8 pps.) to 8¾% of GDP this year. This deterioration reflects the operation of automatic stabilisers and the sizeable discretionary fiscal measures put in place to cushion households and firms from the negative impact of the COVID-19 pandemic, against the background of the activation of the general escape clause of the Stability and Growth Pact in March. The deficit ratio is set to ease by around 2½ pps. in 2021 and by 1½ pps. in 2022 under a no-policy-change assumption. In 2021 this reflects the unwinding of pandemic-related emergency measures, as well as the expected rebound in economic activity. Mirroring the spike in deficits, the euro area aggregate debt-to-GDP ratio is projected to jump by around 15pps. this year, reaching nearly 102%, and continue rising by around 1 pp. cumulatively over 2021 and 2022.

…amid a very expansionary fiscal stance this year.

The fiscal stance for the euro area is projected to be strongly expansionary in 2020 due to the sizeable emergency fiscal measures taken by Member States. These measures are assumed to be phased out gradually in the course of 2021 under a no-policy-change assumption. Monetary policy is set to remain broadly accommodative over the entire forecast horizon. The ECB's continuation of easing measures (e.g. asset purchases) combined with subdued inflation expectations are assumed to keep real long and short-term interest rates negative.

Uncertainties and risks remain exceptionally large.

There is an elevated degree of uncertainty surrounding the economic outlook related to the evolution of the pandemic, as well as policy responses and behavioural changes by economic agents. Many risks to the outlook are related to these uncertainties.

Principally, the pandemic could become more severe and last longer than assumed in this forecast, requiring more stringent and protracted containment measures in 2021. The economic implications of this would be clearly more negative in terms of lower growth and higher unemployment than forecast in the baseline. The pandemic could also leave deeper scars on the EU economy than incorporated in this forecast. These could come primarily from higher numbers of corporate bankruptcies and hysteresis effects on labour markets. As an open economy, the EU economy would be particularly affected if the

global economy were to turn out weaker, and disruptions in global value chains more severe, than expected due to adverse development in the pandemic and increased trade tensions. Finally, the possibility of financial market stress cannot be excluded in the euro area and the rest of the EU. In particular, the banking sector could be tested by markets as higher corporate defaults would lead to an increase in non-performing loans.

On the upside, faster medical advances in the treatment and prevention of COVID-19, including a fast and widespread deployment of a vaccine, would accelerate the relaxation of distancing measures, improve confidence and result in a quicker return to a more normal economic situation. Moreover, a trade agreement between the EU and the UK would exert a positive impact on economic activity in the EU from 2021, as compared to the forecast baseline of the UK and EU trading based on WTO Most Favoured Nation (MFN) rules. Last but not least, the Next Generation EU programme, including its Recovery and Resilience Facility, could provide a stronger boost to the EU economy, as the likely benefits of this powerful EU policy response could only be partially incorporated into the autumn forecast.

PART I

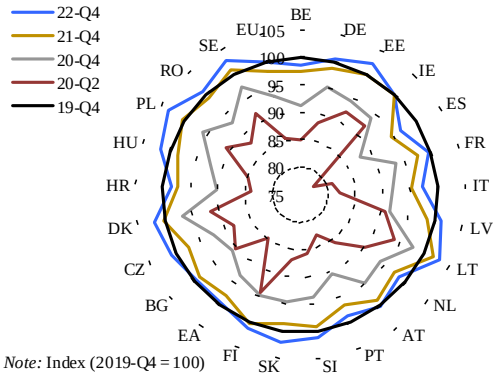
Economic outlook for EA and EU

1. KEY FEATURES

1.1. SETTING THE SCENE

The COVID-19 pandemic continues to cause human suffering, illness and death, while disrupting economic activity and lowering employment. In the first half of the year, the pandemic outbreak and associated lockdown measures took a severe and unprecedented toll on the EU economy, but with the depth of contractions uneven across countries (Graph I.1.1). These differences were related to differences in national containment measures and policy support, but also to structural features (e.g. the role of tourism).

Graph I.1.1: **GDP during the COVID-19 crisis, EU and Member States**



Note: Index (2019-Q4 = 100)

A rebound started in May, and, during the summer months, a relative sense of normality returned to Europe, with restrictions being eased and businesses reopening. However, in recent weeks the renewed surge of coronavirus infections has led to the partial re-introduction (or prolongation) of containment measures, raising concerns about the continuation of the economic rebound. This reminds forecasters that the economic outlook still largely depends on the dynamics of the pandemic, the progress in vaccines and other medical treatments, and the behaviour of households, businesses and governments.

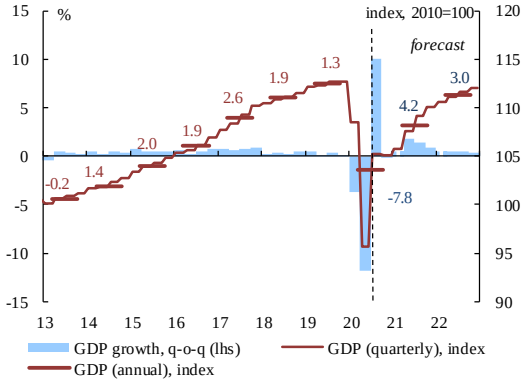
The main question for the autumn forecast is whether and, if yes, at what pace the economic rebound will continue and how long it will take to return to pre-pandemic levels of economic activity. Against the background of a rapidly deteriorating health situation in Europe, answering the question is becoming increasingly uncertain. A review of the experiences in recent months can shed light on the characteristics of the pandemic, the impact of government interventions, and the response of consumers and firms. The pandemic has affected large parts of the economy, due to the need for social distancing, which has disproportionately hit more labour-intensive sectors. A combination of government interventions and limited mobility, but also changing behaviour out of fear for infection, put a brake on several types of economic activity. This has put the labour market under strain, but furlough schemes and a bundle of supportive policy measures have helped to cushion the negative near-term impact on employment and incomes. Companies have benefitted from government support such as credit guarantees and tax deferrals. A very accommodative monetary policy has complemented government efforts to limit the economic fallout of the pandemic and decisions taken at the EU level have bolstered confidence. With large parts of the economy still under the grip of the pandemic, these linkages and policy support will matter for the forecast.

This forecast hinges upon three important technical assumptions. First, it is assumed that virus containment measures remain to some degree in force throughout the forecast horizon and that, after their significant tightening in the fourth quarter of 2020, the stringency of the measures will start gradually easing in 2021. Moreover, the economic impact of a given level of restrictions is also assumed to diminish over time as the health system and economic agents adapt to the COVID-19 environment. Second, without prejudice to the outcome of ongoing negotiations on a future EU-UK partnership, it is assumed that the EU and the UK will trade on WTO Most Favoured Nation (MFN) rules from 1 January 2021 onwards. Third, the Next Generation EU, and in particular its centrepiece Recovery and Resilience Facility (NGEU/RRF), will be implemented as of next year but given the state of preparations, in particular with respect to national recovery and resilience plans, only minor parts of the package are reflected in the autumn forecast.

Looking forward, economic activity in the euro area and the EU is expected to expand in 2021 and 2022, albeit with less momentum and next year more slowly than previously thought. Policy support to jobs and household disposable incomes

should continue for some time, bolstering consumer spending. Annual real GDP in the euro area is expected to shrink in 2020 by 7.8%, before rebounding by 4.2% in 2021 and 3.0% in 2022, which implies that GDP in 2022 will be lower than in 2019 (Graph I.1.2). The same holds for the EU, where growth of 4.1% in 2021 and 3.0% in 2022 is not enough to offset the decline by 7.4% in 2020.

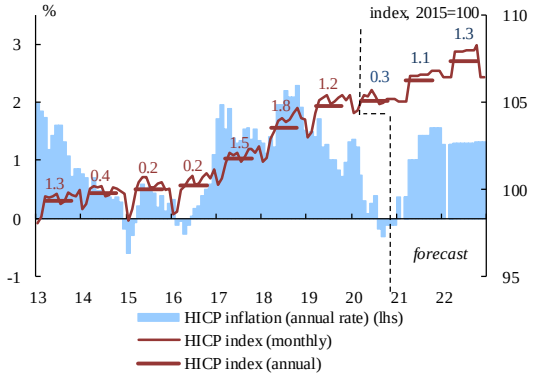
Graph I.1.2: **Real GDP, euro area**



Note: Figures next to lines are annual GDP growth rates (%, lhs)

Inflation is projected to remain under the influence of negative energy price inflation in the near term. Throughout the forecast years, a high level of economic slack is set to exert downward pressure. Inflation in the euro area is projected to fall to 0.3% in 2020 and to tick higher to 1.1% in 2021 and 1.3% in 2022 (Graph I.1.3).

Graph I.1.3: **HICP, euro area**



Note: Figures next to lines are annual inflation rates (lhs)

Uncertainty will remain elevated as long as the pandemic hangs over the economy. Risks remain exceptionally large and predominantly on the downside, but less so than in previous forecasts because the support from the NGEU/RRF, which is only partly taken into account in this forecast, is set to strongly support the economic recovery.

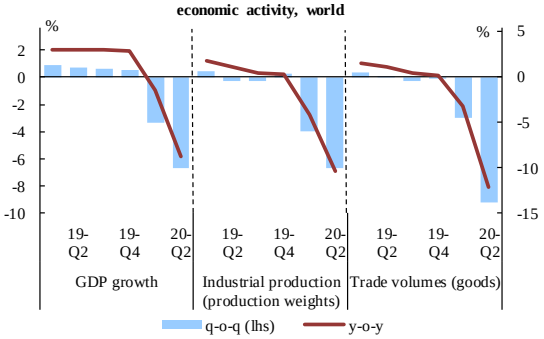
1.2. RECENT DEVELOPMENTS

Global output and trade strongly affected by the pandemic…

The COVID-19 pandemic and the effects of measures taken to protect lives are dominating economic developments in the global economy (Graph I.1.4). Global economic output (excluding the EU) fell sharply in the first half of the year (see Section I.2.1), exceeding the fall experienced in the global and financial crisis in 2007-2009.

Global trade registered a historic decline in the second quarter and demand in the travel and tourism sectors has virtually evaporated (see Section I.3.3). The rebound in merchandise trade since June and high-frequency indicators suggest a recent uptick in world trade.

Graph I.1.4: **Recent developments: Indicators of global economic activity, world**

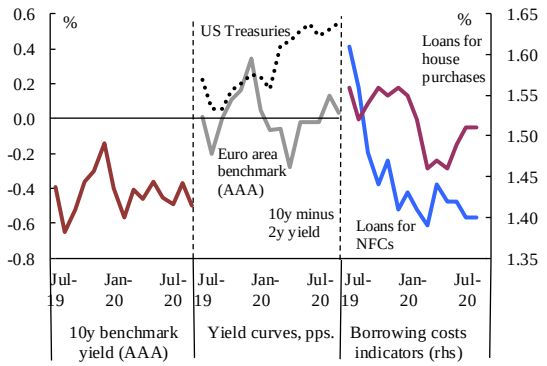


Sources: OECD, IMF and national sources for GDP growth; CPB for industrial production and trade volumes; own calculations.

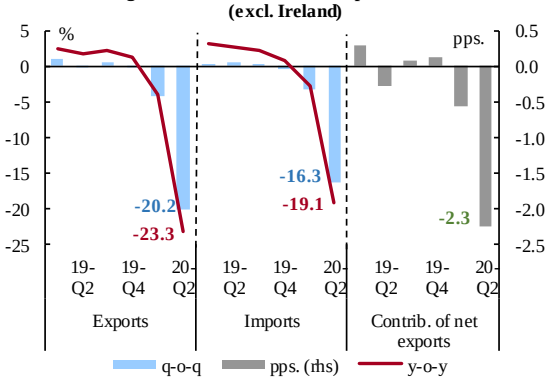
…but financial markets appear to have decoupled somewhat from macroeconomic developments.

Financial markets remained relatively calm over the summer months. Market participants' assessments appeared to be closely associated with epidemiological developments but also monetary and fiscal policy measures. The outlook for lower inflation and a longer period of very accommodative monetary policy in the US and in the EU, as well as the European Council agreement on Next Generation EU affected market views and risk attitudes. In the euro area, sovereign benchmark yields remained relatively stable (Graph I.1.5), borrowing costs for firms fell slightly, while borrowing costs for households increased somewhat. Equity markets did not only make up the losses observed in the early stages of the pandemic, but continued moving higher until the autumn.

Graph I.1.5: **Recent developments: Sovereign yields, yield curves, and borrowing costs, euro area**



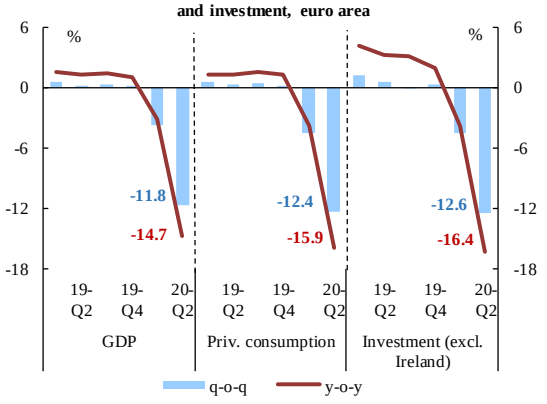
Graph I.1.7: **Recent developments: Exports, imports and growth contribution of net exports, euro area (excl. Ireland)**



On the demand side, private consumption and investment fell sharply in the euro area…

In the first half of the year, COVID-19 severely disrupted economic activity in the euro area and the EU. After the GDP decline recorded in the first quarter, the further contraction induced by health-related restrictions in the second quarter was very large (Graph I.1.6).

Graph I.1.6: **Recent developments: GDP, consumption and investment, euro area**



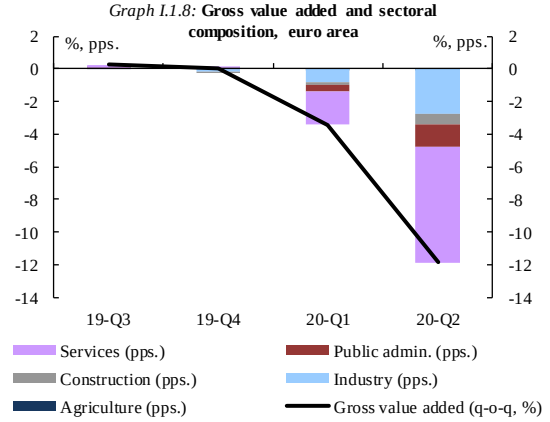
The decline of euro area real GDP in the first half of 2020 (which brought output back to the level recorded in the second quarter of 2005) was driven by declines in private consumption and investment and by a negative contribution from net exports (Graph I.1.7). [(1)]

[(1)] Investment and foreign trade data from Ireland are excluded, because they are subject to large swings linked to the activities of multinationals. In 2019, quarter-on-quarter growth rates in Ireland were between -61% and +194% for investment and between -30% and +52% for imports.

…and on the output side, there was an exceptional fall in the service sector.

The COVID-19 imposed lockdowns and the impact on labour markets hit spending on consumer services, resulting in an unprecedented drop in spending on services in the second quarter and a decline in the share of household consumption going to services. The counterpart has been a sharp decline in the gross value added of the services sector (Graph I.1.8).

Graph I.1.8: **Gross value added and sectoral composition, euro area**

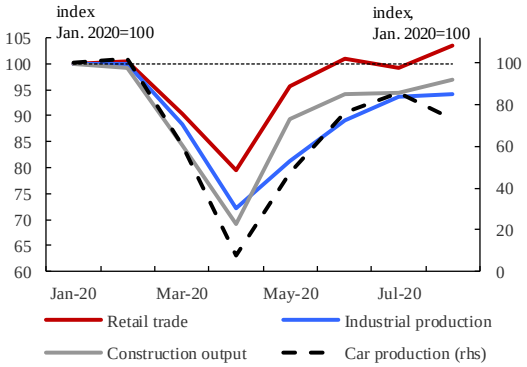


Hard data show an economic rebound started in May and June…

Towards the end of the second quarter, the public health emergency subsided and containment measures were eased throughout Europe. Monthly data show that the euro area economy has been on the mend since May, when economic activity started to pick up from its low in April. Output indicators for industry, retail trade and construction rebounded sharply in May, but subsequently remained below the levels recorded at the beginning of the year. One exception has been retail trade, where pent-up demand is

presumed to have driven a strong expansion. In industry, car production had almost collapsed in April, rebounded only to lower levels than other parts of industry, and was in August (latest available data) about one quarter lower than at the beginning of the year (Graph I.1.9).

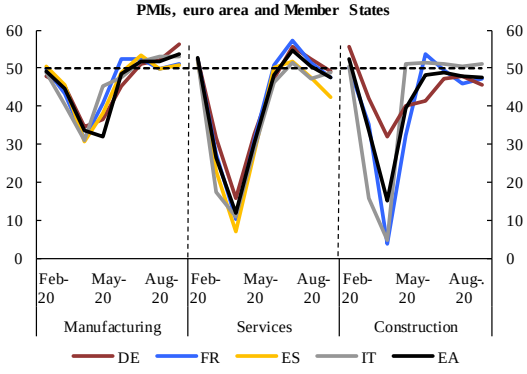
Graph I.1.9: **Sectoral developments in industry, retail trade and construction, euro area**



…while more recent 'soft' data have been less positive.

While no 'hard' data are available from recent weeks, when the renewed surge of infections throughout Europe was prompting governments to re-introduce containment measures, survey indicators for September suggest that recent developments have had a negative impact. It has to be noted that most of these surveys were conducted in mid-September when pandemic parameters still looked considerably more benign than at the cut-off date of this forecast. This applies to PMI data (Graph I.1.10) but also to the results of the Commission's business and consumer surveys.

Graph I.1.10: **Manufacturing, Services, and Construction PMIs, euro area and Member States**

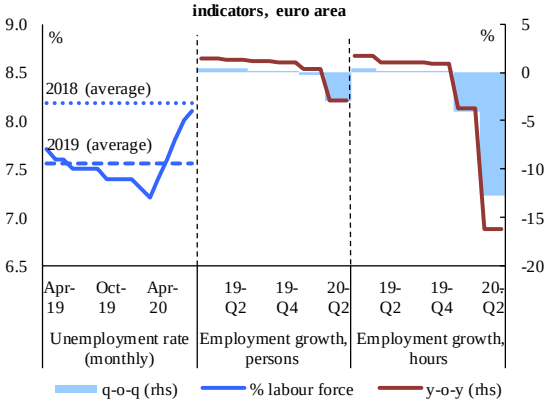


The apparent loss in growth momentum can also be seen in high-frequency data such as electricity consumption and the number of airline flights (Section I.2.3).

Labour market indicators showed more moderate COVID-19 effects than GDP…

The abrupt economic downturn has also made its mark on the labour market. Employment fell at its greatest quarterly rate ever in the second quarter of 2020 after it had already decreased slightly in the first quarter (Graph I.1.11). The much sharper fall in hours worked highlights the impact of various job-retention work schemes that kept employees attached to their jobs. The unemployment rate, however, has only increased moderately in comparison with the fall in economic activity. This is partly attributable to the success of government support schemes but also the result of discouraged workers leaving the labour market and other statistical issues (Section I.2.4).

Graph I.1.11: **Recent developments: Labour market indicators, euro area**



...as policy measures cushioned the impact of the pandemic...

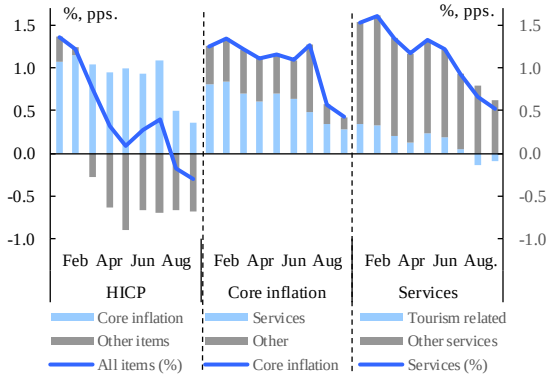
The combined effects of fiscal and monetary policy have aided the rebound so far. The ECB has kept its policies very accommodative in order to maintain easy financing conditions (see Section I.2.2 and Section I.2.8), while governments have used a variety of tools to provide an immediate and large fiscal stimulus (see Section I.2.7).

…and inflation remained subdued.

Inflationary pressures have subsided in recent months). In August, HICP inflation fell into negative territory for the first time since May 2016 (see Section I.2.5). It remained there in September, driven by the sharp fall in HICP energy prices (as in 2016) and the effect of certain tax cuts (e.g. a

temporary decrease in VAT rates in Germany). The importance of lower energy prices was visible in the difference between low headline inflation and higher core inflation (all items except energy and unprocessed food). The recent decline in core inflation can be attributed to lower services inflation (Graph I.1.12). Downward pressures from lower demand appear to have more than offset upward pressures originating from supply side disruptions evident in sectors where social distancing limits the number of customers that can be served, but also from disruptions in global supply chains.[(2)]

Graph I.1.12: **Recent developments: Inflation in 2020, euro area**



1.3. KEY FACTORS BEHIND THE FORECAST

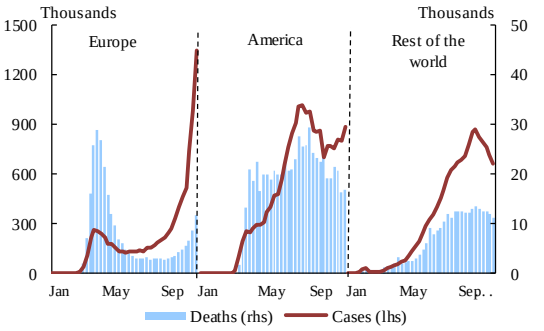
In autumn 2020, the main questions facing forecasters have changed and so have the key factors behind the forecast. Recent developments have provided answers to the questions about the depth of the downturn, the timing of a turning point (spring forecast), and the strength of the initial bounce back (summer forecast). Attention has now shifted to the expected impact on growth momentum in the fourth quarter, the continuation of the rebound over the forecast horizon, and the time needed to recoup the loss of output compared to pre-pandemic times. As compared to previous forecasts, some new elements have come to the fore. These include the substantial deterioration of the pandemic situation in Europe, the end of the transition period following the UK's exit from the EU, and decisions on new policy support measures.

To address these questions, the autumn forecast considers three important factors. First, the pandemic experience and the lessons learned from recent months. This includes experiences with containment strategies. Second, changes in the behaviour of consumers and firms. This includes changes in consumer spending, accumulated savings, and the implications of increased uncertainty and risk aversion for firms' investment decisions. Third, the labour market outlook in times of COVID-19.

The key factor is the pandemic…

The development of the pandemic in Europe thus far can be divided into three phases. First, the initial outbreak in early in the year that led to policy measures to protect health and mitigate the economic impact; second, the easing of restrictions and a period of low-key disruptions during the summer; and third, the resurgence of the pandemic with new measures taken to contain the virus (the 'second wave'). Compared to countries in North and South America, Europe was relatively successful in bringing down the numbers of infections and deaths, at least for several months (Graph I.1.13).

Graph I.1.13: **COVID-19 cases and deaths, Europe, America and rest of the world**

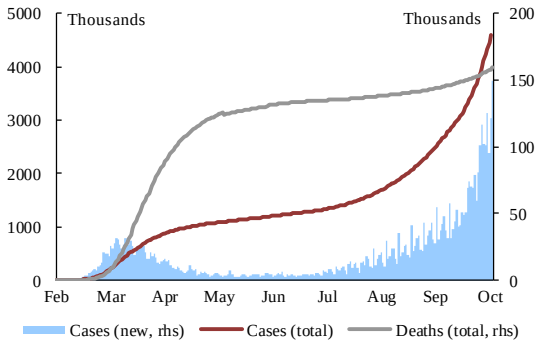


Note: Weekly data up to 19 October.
Source: WHO Coronavirus Disease Dashboard, 22 October 2020.

In the EU, the resurgence of COVID-19 cases in the autumn led to even higher daily infection numbers than in the spring (Graph I.1.14).

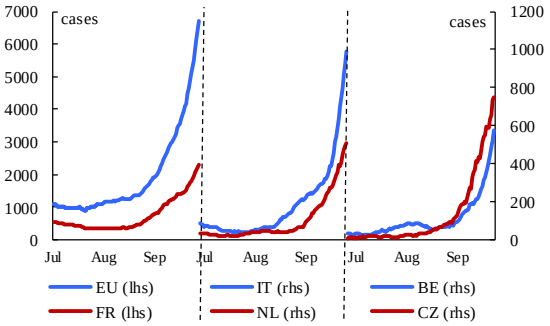
(2) An empirical study for a group of 64 countries found that about one third of the GDP decline from the COVID-19 shock was due to transmission through global supply chains; see B. Bonadio, Z. Huo, A.A. Levchenko and N. Pandalai-Nayar (2020). 'Global Supply Chains in the Pandemic'. *NBER Working Paper* 27224.

Graph I.1.14: **COVID-19 cases and deaths, EU**



Note: Since 100th case on 23 February 2020
Source: ECDC, 22 October 2020, own calculations.

Graph I.1.16: **Daily Intensive Care Unit occupancy, EU and selected Member States, July 1-October 22, 2020**

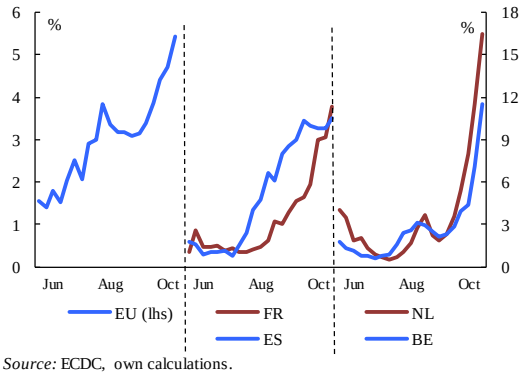


Note: EU includes 17 MS for which data are published by ECDC.
Source: ECDC database, own calculations.

...which has recently intensified in Europe.

As regards the number of infections, comparisons between spring and autumn need to take into account that the testing rate (tests per 100,000 persons) has almost tripled between April and September. However, a higher testing rate alone cannot explain the increase in cases since July because the positivity rate in the EU (the share of positive test results) has also increased in this period from about 2% to about 6% (Graph I.1.15).

Graph I.1.15: **Positivity rates in COVID-19 tests, EU and selected Member States**

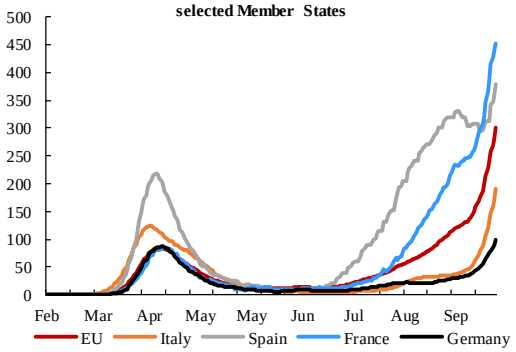


Source: ECDC, own calculations.

The relatively low number of hospitalisations and deaths during summer months, as compared to the spring, can be associated with a decline in the average age of newly infected individuals. This lowered the pressure on healthcare system and led to fewer fatalities due to the steep age-related gradients of morbidity (hospitalisations) and mortality (deaths). However, in recent weeks the strong increases in the number of infections has, with some delay, also renewed pressures on the health system. This is evident from the strong increases in the daily occupancy in intensive care units (ICU) in the EU (Graph I.1.16).

EU Member States have had different experiences with the pandemic since the easing of restrictions in May and June (Graph I.1.17). Among the largest Member States, the resurgence of infections this autumn has hit Spain, France and the Netherlands earlier than Italy and Germany. Several Member States that had low infection rates in spring are now among the worst hit countries (e.g. Czechia).

Graph I.1.17: **COVID-19 infections, 14-day incidence, selected Member States**



Note: Reported new cases per 100,000 persons, 14-day periods.
Source: ECDC.

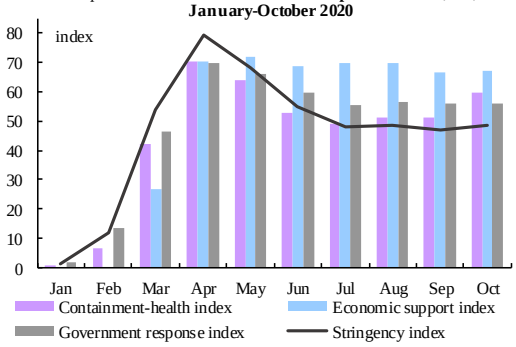
Government responses to COVID-19 have increased stringency levels...

Gauging the severity of the imposed restrictions to economic activity on the one hand, and the policy support put in place by governments to mitigate the impact of the crisis on the other, is crucial for understanding recent economic developments and for forecasting economic activity. To this purpose, the *Oxford COVID-19 Government Response Tracker* (OxCGRT) [3] measures policy responses to the pandemic across a series of indicators for

[3] For calculations and details, see T. Hale et al. (2020). 'Variation in government responses to COVID-19'. *BSG Working Paper* 32 (Version 8.0), Blavatnik School of Government, University of Oxford, October.

more than 100 countries on a daily basis. The *Government Response Index* combines the *Containment and Health Index* (measures of closures and containment plus health components) and the *Economic Support Index* (components for income support and debt relief). The *Oxford Stringency Index* aggregates eight containment measures and one health component. [4] For the EU, the stringency index displays the increasing policy response during March and April and the easing thereafter (Graph I.1.18). Developments in the other indices hint at the changing priorities of governments. In February and March, containment and health measures were the immediate focus, but economic support was still very moderate. In April, all indices had their highest readings. As of May, economic support still ranked relatively high, whereas the easing of restriction was reflected in lower readings of the stringency index.

Graph I.1.18: **Oxford Government Response trackers, EU, January-October 2020**

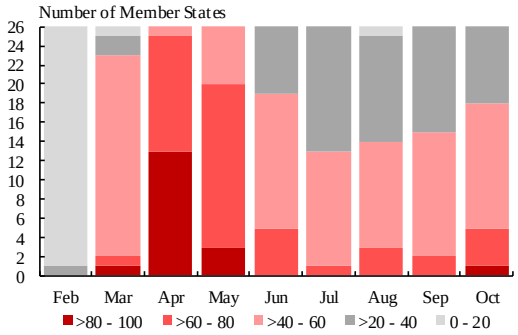


Note: EU aggregates based on 2019 real GDP weights. Monthly averages except for October where the latest data points are used.
Source: Oxford Government Response dataset (22 October 2020).

The aggregate EU index hides differences across Member States in terms of the level of stringency. Containment measures were at their most stringent in April when the highest levels of stringency were recorded in over half of Member States (Graph I.1.19). Levels of stringency eased up to September with no Member State returning to such high levels. The situation changed since September with several Member States tightening restrictions again in response to the resurgence of infections ('second wave').

[4] The measures of containment and closure are school closing, workplace closing, cancellation of public events, restrictions on gathering size, closure of public transport, stay-at-home requirements, restrictions on internal movement, and restrictions on international movements.

Graph I.1.19: **Oxford Stringency Index developments over time, EU Member States**

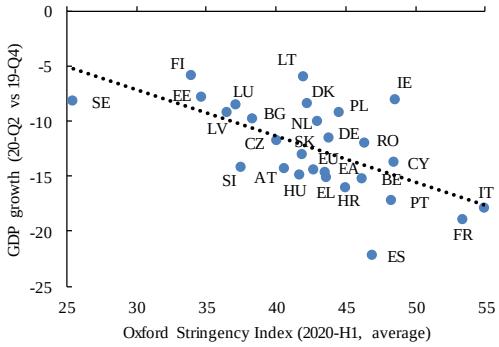


Note: EU Member States except Malta; latest available data point by cut-off date (Oct. 22) used for October calculations.
Source: Oxford Government Response dataset (22 October 2020).

…that are associated with the level of disruptions to economic activity,

There are clear connections between the level of stringency during the first months of the pandemic associated with government interventions to contain the virus, and the overall level of economic disruption from the pandemic and the responses to it in the first half of the year. Some countries with the highest stringency levels had the sharpest contractions (Graph I.1.20) and the differentiation in the index across countries is roughly mirrored in the growth record of countries.

Graph I.1.20: **Oxford Stringency Index and GDP, EU Member States, 2020-H1**



While there appears to be a correlation between the stringency of imposed restrictions and economic activity, voluntary behavioural changes by consumers also matter. Observed declines in several mobility indicators before the implementation of new containment measures provide evidence of the importance of self-imposed constraints. These are related to some types of 'learning to live with the virus' and changes in the perception of risks, which are offsetting factors like 'pandemic fatigue' (i.e. the acceptance of government diminishing the longer

the pandemic lasts). The self-imposed and the enforced restrictions are interrelated. [5] The less consumers and/or firms are satisfied with governmental interventions the more they may tend to self-impose restrictions.

The balance between self-imposed and enforced changes in behaviour can be expected to vary over time [6] and is difficult to estimate. This limits the potential to derive conclusions about economic activity from information about the level of stringency, and thereby the reliability of forecasts that rely heavily on stringency measures.

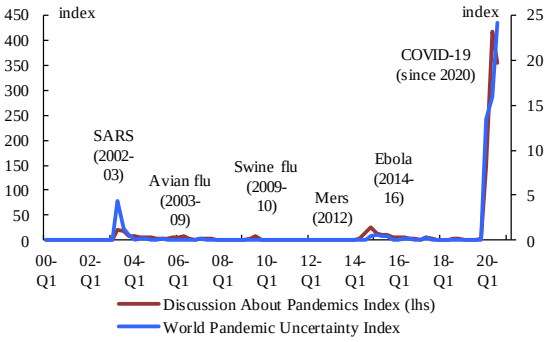
The impact of the pandemic on economic activity includes heightened uncertainty…

The initial global impact of the pandemic has been a massive increase in uncertainty (Graph I.1.21). [7] This uncertainty shock affects the behaviour of economic agents, which then has implications for investment and consumption, the labour market and the shape of the recovery.

…and behavioural changes among consumers…

The economic recovery will largely hinge on the recovery in household consumption. During normal recessions and recoveries, private consumption is the steadiest component of GDP, particularly compared to investment and foreign trade. Typically, consumption falls less than other components during a downturn and increases less during a recovery. Macroeconomic theory offers many explanations for this such as the permanent income hypothesis, which postulates that cyclical swings in actual income matter less than developments in long-term income levels. Private consumption is thought to smoothen the business cycle, whereas investment is seen as a much more volatile component.

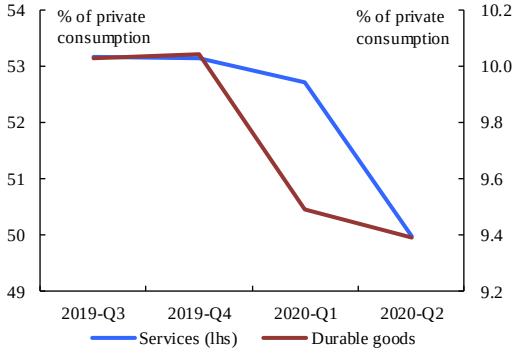
Graph I.1.21: **World Pandemic Uncertainty Index and Discussion About Pandemics Index**



Source: www.worlduncertaintyindex.com (19 October 2020).

The pandemic has radically changed the role of private consumption in driving growth. In each of the first two quarters of the year, private consumption fell more than GDP, each time setting new historic records. Many categories of goods and services were simply not within easy reach of consumers during the lockdowns, mainly non-essential goods and services the consumption or production of which required proximity. This is reflected in changes in consumption patterns, with the share of non-durable goods increasing and that of services and durables falling (Graph I.1.22). While the latter created room for pent-up demand in the third quarter, the partial lack of consumption opportunities during lockdowns translated into forced savings.

Graph I.1.22: **Consumption of services and durable goods, changes in household spending, euro area**



Note: The euro area aggregate includes only the subset of countries for which data are available.

…which led to a sharp increase in the saving rate of households…

Unprecedented savings by households were a reflection of the consumption weakness in the first half of the year. The saving propensity of households reached a new record in the first half of the year. More timely information can be retrieved from the Commission surveys, which show that

[5] The IMF has emphasised this linkage in its analysis of lockdown measures; see IMF (2020). *World Economic Outlook*, October 2020, chapter 2.

[6] Several studies of economic behaviour during the first months of the pandemic attribute a larger role to self-imposed than to enforced restrictions. For example, a study for the US economy concluded that legal restrictions explained only 7 pps. of the 60 pps. decline in consumer traffic; see A. Goolsbee and C. Syverson (2020). 'Fear, Lockdown, and Diversion: Comparing Drivers of Pandemic Economic Decline 2020'. *NBER Working Paper* 27432.

[7] See also the discussion in European Commission (DG ECFIN). (2020). European Economic Forecast – Spring 2020'. *Institutional Paper* 125.

saving intentions are at unprecedented levels. [8] In addition, the increase in households' bank deposits since March points to higher savings in the second quarter. With consumption opportunities still constrained by containment measures and uncertainty increasing (and the labour market outlook deteriorating), the increase in savings can be seen as a mixture of involuntary (forced) and voluntary (precautionary). [9] While the sharp increase in savings intentions after February supports the former motivation, its very slow decline up to August could be evidence of the latter. Early empirical analyses suggest that forced savings were far more important than precautionary savings, but that the latter were nevertheless large in historical terms. [10]

…and some pent-up demand during the period of lower stringency.

Since May, the gradual easing of containment measures raised consumption opportunities for households, which had seen their incomes sustained by various policy measures and might have accumulated savings. While some foregone spending cannot be recouped (e.g. restaurant visits), for some consumer goods, there was scope for pent-up demand. This pent-up demand helped to push retail trade in the euro area and the EU temporarily above pre-pandemic levels. This is presumed to have taken place mainly in the third quarter and suggests a very strong rebound in private consumption over that time. However, the information content of developments in retail trade is limited, as it does not include some of the most affected parts of private consumption (e.g. entertainment and recreation).

Pandemic effects are set to remain a key factor behind consumer spending…

In 2021 and 2022, consumer spending will largely depend on the impact of the pandemic on the labour market and (mainly temporary) fiscal policy support. However, even if pandemic developments allow for commercial activities and shops to remain open, it is not clear-cut that the expected strong rebound in private consumption in the third quarter of 2020 would continue forcefully.

- As regards consumption opportunities, several categories of consumption are set to remain unavailable or unattractive (e.g. spending on international holidays and some forms of entertainment) and substitution between consumer services and consumer goods is set to remain partial. For example, voluntary social distancing could remain a drag on consumption for quite some time and hinder a rebound in tourism, transport and hospitality. [11]

- Disposable incomes and the financial situation of households play an important role in consumption decisions. In many EU Member States, government support schemes (fiscal transfers) have so far cushioned disposable income losses for households. These include extended short time working schemes. As the rebound in economic activity proceeds, 'true' labour incomes should rebound. It cannot be taken for granted, however, that this will be strong enough to offset the impact on consumer spending of the expiry of the above-mentioned support schemes.

- As regards consumer spending, households' decisions to consume (or to save), and thus the full recovery of private consumption, will depend on consumer confidence and thus on the labour market. A deteriorating labour market outlook could raise the propensity of precautionary savings, [12] slowing further any decline in the household saving ratio from its unprecedented levels during the first half of 2020, [13] and dampen a consumption rebound. Depending on the evolution of the pandemic, a gradual alleviation in uncertainty should

[8] One way of extracting information about the propensity to save is calculating the difference between the answer about the 'savings over next 12 months' and the 'financial situation of households over next 12 months', as suggested by the ECB: see M. Dossche and S. Zlatanos (2020). 'COVID-19 and the increase in household savings: precautionary or forced?'. ECB *Economic Bulletin* 6, September, pp. 65-9 (Box 5).

[9] Moreover, households could have added the health risk costs of consumption to goods prices, with the resulting higher 'all in' prices lowering their demand.

[10] See Dossche and Zlatanos, ibid.

[11] While in the US on average, about 37.1% of the workers were negatively affected by social distancing, the variation across industries was large, from 13% in the apparel manufacturing industry to 91% in health and personal care stores; see Laeven, L. (2020). 'COVID-19 and the effects of social distancing on the economy'. *VoxEU*, August 31

[12] On the literature on precautionary savings, see Baiardi, D., Magnani, M. and M. Menegatti (2020). 'The theory of precautionary saving: an overview of recent developments'. *Review of Economics of the Household* 18, 513-542.

[13] In addition, there are the standard arguments why a more expansionary fiscal policy could be associated with a higher household saving rate (Ricardian equivalence).

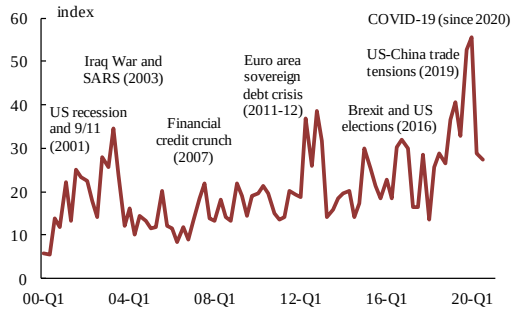
however help restore consumer confidence and lower precautionary savings.

– The economic fallout of the pandemic may be disproportionately affecting households with lower (pre-pandemic) incomes, [14] which tend to have higher propensity to consume.

…and investment by companies with high uncertainty…

The pandemic has increased uncertainty, which may motivate postponing investment decisions. Global measures of uncertainty have fallen from their record highs earlier in the year, but remain at elevated levels (Graph I.1.23).

Graph I.1.23: **World Uncertainty Index**



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

…and increased solvency risks…

In the first half of the year, restrictions to economic activity and the decline in economic activity translated into higher solvency risks for firms. These have been addressed by a series of emergency measures that have kept firms solvent and helped in the near term to protect jobs and incomes. They included loan guarantees and direct equity injections. Moreover, changes in bankruptcy procedures have lowered the number of filed bankruptcies to levels well below those registered in previous years. These measures have been complemented by central banks, which have ensured favourable financing conditions, enabling companies to build cash buffers. [15]

Due to the resurgence of COVID-19, the impact on business activity will last for longer than initially expected. While this may benefit some sectors, such as those that do not rely on face-to-face contacts, it hurts several other sectors (e.g. restaurants and entertainment) more severely. Renewed pandemic restrictions are set to impose more sunk costs. Despite some cushioning from policy support, firms that have to constrain their activity or suffer from protracted weak demand, are increasingly facing solvency problems. [16] Estimating the share of firms that might no longer be viable is a difficult task given the high uncertainty that surrounds the evolution of the pandemic. Neither can the pre-pandemic performance of firms nor historical correlations between declining GDP and rising bankruptcies be expected to provide reliable guidance. [17]

Even without being in a position to quantify solvency risks, it is obvious that the longer-than-previously expected duration of containment measures, the negative impact on balance sheets, and reallocation needs, all tend to imply a higher number of bankruptcies. Temporary changes in bankruptcy procedures could delay the process but could also distort the adjustment process.

…weighing on investment decisions.

The COVID-19 shock is also a re-allocation shock, which will require an adjustment of business models and economic structures. [18] However, the normal reallocation process where market entrants invest and to some extent replace firms with less viable business models, is being hampered by the crisis. For example, in a situation with elevated uncertainty, it is more difficult for start-ups to find funding and to establish new businesses. The effects on established firms as well as newcomers do not bode well for investment and dampens the

[14] See Brewer, M. and L. Gardiner (2020). 'The initial impact of COVID-19 and policy responses on household incomes'. *Oxford Review of Economic Policy* 36: Supplement 1, pp. S187–S199.

[15] For a detailed analysis, see Banerjee, R., E. Kharroubi and U. Lewrick (2020). 'Bankruptcies, unemployment and reallocation from Covid-19'. *BIS Bulletin* 31, October.

[16] Moreover, a prolongation of emergency measures in support of businesses raises the risk of keeping alive firms that are not viable in the longer term ('zombie firms'); see Banerjee, R. and B. Hofmann (2020). 'Corporate zombie: anatomy and life cycle'. *BIS Working Papers* 882, September.

[17] The Bank for International Settlements estimates that bankruptcies among advanced-economy firms could rise by more than 20% in 2021 (from the 2019 baseline); see Banerjee, R., G. Cornelli and E. Zakrajšek (2020). 'The outlook for business bankruptcies'. *BIS Bulletin* 30, October.

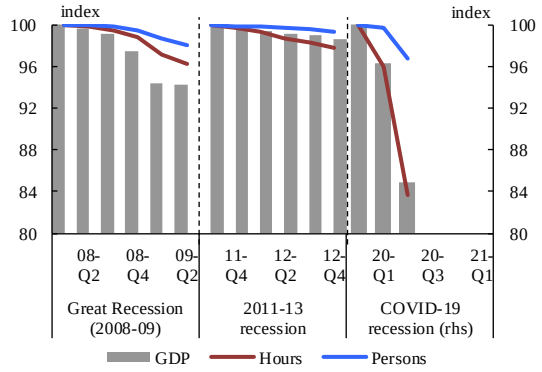
[18] Barrero, J. M., Bloom, N. and S. J. Steven (2020). 'COVID-19 Is Also a Reallocation Shock'. *Brookings Papers on Economic Activity* Special Edition ('COVID-19 and the Economy'), forthcoming.

outlook for both economic growth and employment.

The labour market impact of the COVID-19 crisis is cushioned by policy measures…

EU Member states entered the crisis with a rather favourable labour market situation. In January 2020, the unemployment rate in the EU was at its lowest since the start of the series in January 2000, and employment in the fourth quarter of 2019 was at a record high. The COVID-19 shock has caused a deterioration in the situation of the labour market but, thanks to the wide use of job retention schemes, the impact on the number of employed persons has been much lower than the fall in GDP (see Section I.2.4).[19] This is in line with experiences from past recessions, but this time the gap between declines in headcount employment and hours worked was much wider (Graph I.1.24).

Graph I.1.24: **GDP, employed persons and hours worked, euro area**



Note: Pre-recession quarter = 100; only historical data.

…which also mitigate the distributional impact of the pandemic.

The distributional effects of pandemics are related to the heterogeneous effects across sectors and across types of jobs. In some sectors, e.g. tourism and culture, a large share of workers is affected, while in others, e.g. public administration or where essential services are concerned, they are rather not. The crisis is inducing economic pressure on those workers in the most-affected sectors who become unemployed or lose (part of) their incomes. Measures such as short-time work arrangements and transfers to firms and households dampen the negative impact on jobs and incomes.

Experience from past epidemics showed that they hurt employment prospects of those with only a basic education while scarcely affecting employment of people with advanced degrees.[20] Therefore, the extent of diminished job prospects is likely to be higher for some groups of workers, particularly low-skilled workers. According to the Commission's surveys, persons in the lowest income quartile had between March and September the most negative assessment of their financial situation in the next 12 months. However, the empirical evidence of the distributional impact of the COVID-19 shock on the labour market remains limited by data scarcity. Moreover, government schemes help mitigating the direct impact for the most affected groups of employees.

Over time, adjustment needs and reallocation across sectors weigh on employment.

Besides policy support measures, there are other reasons for the so far relatively muted response of the labour market to the crisis. At the beginning of the pandemic, some sectors still had enough orders to continue work where possible, whereas the drop in new orders only kicked in later. Some firms have also used recent months to reconsider their business models, including a reassessment of how they manage their workforces. Such restructuring could weigh on employment in the near future. In addition, those who exited the labour market upon losing their job may re-enter the labour force as mobility restrictions are lifted and the rebound continues, pushing up the number of unemployed.

Apart from the lagged labour market response to the downturn, there are a number of reasons to expect an increase in the unemployment rate in the near term and an only very gradual improvement towards the end of the forecast horizon.

– As short-time work schemes expire, the unemployment rate is projected to increase. As schemes have also been in place for companies that stayed in business based on subsidies, the phasing out of such support is likely to imply job losses.

[19] For an overview, see Botelho, V., Consolo, A. and A. Dias da Silva (2020). 'A preliminary assessment of the impact of the COVID-19 pandemic on the euro area labour market'. ECB *Economic Bulletin* 5, pp. 51-56 (Box 5).

[20] See e.g. see D. Furceri, P. Loungani, J.D. Ostry and P. Pizzuto (2020). 'Pandemics and inequality: Assessing the impact of COVID-19'. In S. Djankov and U. Panizza, eds., COVID-19 in developing economics, *VoxEU.org book*, pp. 200-13.

– Companies may be reluctant to make hiring decisions while uncertainty is high. (21)

– Remote work has increased strongly due to the pandemic and its impact on employment remains to be seen. It might favour highly educated and highly paid employees and could thereby aggravate the distributional impact of the pandemic shock. (22) A sustained shift toward remote work could raise the labour force participation. (23)

– The pandemic has had disproportionate effects on different sectors. For example, several service sectors have been badly affected and will face a longer-term reduction in customer business (e.g. airlines, hotels, and restaurants). The pattern of re-allocation of employees across sectors will depend on the extent of any labour market mismatch and on how quickly workers can acquire new skills.

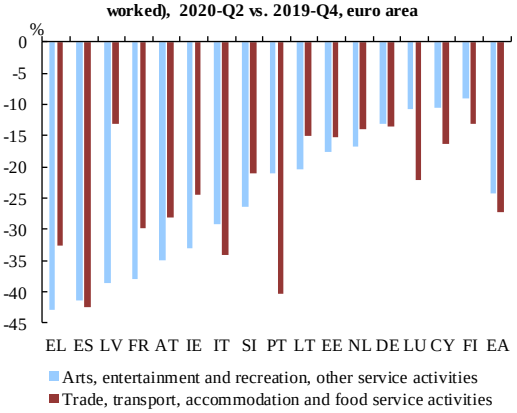
The focus on employees should not detract attention from the situation of the self-employed who were also hit hardly by the pandemic; several Member States offered (temporary) support to them.

Going forward, total hours worked are set to rebound faster than headcount employment, because many employees are expected to return to more normal working patterns, which is essential for avoiding adverse effects of schemes that protect existing jobs instead of just supporting employees' incomes. (24). This view is supported by survey results on employment expectations, which increased after the gradual easing of restrictions, but remained in contraction territory (see Section I.2.4). However, in several Member States the latest surveys suggest that employment expectations have fallen again.

The sectoral dimension of the crisis is visible in the development of the tourism sector.

The discrepancy between an expanding service sector and a stagnating or even shrinking manufacturing sector has characterised the EU economy until the end of last year. The COVID-19 crisis has completely changed the picture, as contact-dependent services became unavailable or saw their capacity lowered. The sectoral divergence has been visible in monthly output measures (Graph I.1.9), in survey readings (Graph I.1.10), and in sectoral employment declines in the first half of the year. The largest declines across sectors were observed in service-related sectors (Graph I.1.25).

Graph I.1.25: **Employment in selected sectors (hours worked), 2020-Q2 vs. 2019-Q4, euro area**



A sector where the impact of the pandemic is leaving deep scars is tourism, (25) which shut down almost completely in the spring (see the analysis in Section I.3.3). (26) Tourism benefitted from a short-lived and partial rebound during the summer months, but then suffered from the resurgence of the crisis in the autumn. This implies that countries with a large reliance on tourism are more severely hit and may need longer to achieve a full recovery.

(21) Initial studies on vacancy postings during the pandemic found for the US similar declines for all sectors in the US, see E. Forsythe, Kahn, L.B., Lange, F. and D. Wiczer (2020). 'Labor demand in the time of COVID-19: Evidence from vacancy postings and UI claims'. *Journal of Public Economics* 189, September (104238).

(22) See e.g. Bonacini, L., Gallo, G. and S. Scicchitano (2021). 'Working from home and income inequality: risks of a 'new normal' with COVID-19'. *Journal of Population Economics* 34, January, pp. 303-60.

(23) A recent empirical study provided an estimate that 37% of dependent employment in the EU27 can technically be carried out remotely; see Sostero M., Milasi S., Hurley J., Fernández-Macías E., and M. Bisello (2020). 'Teleworkability and the COVID-19 crisis: a new digital divide?'. *JRC Working Papers Series on Labour, Education and Technology* 5, JRC121193.

(24) Supporting jobs that are unlikely to recover, could slow the reallocation of employment towards high-performance firms and sectors, hindering productivity and the economic recovery; see OECD (2020). 'Job retention schemes during the COVID-19 lockdown and beyond'. *OECD Policy Responses to Coronavirus (COVID-19)*, August 3.

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

(26) The UN World Tourism Organisation reported that international tourist arrivals (overnight visitors) declined by 65% in the first half of the year as compared to the first half in 2019; UNWTO (2020). *World Tourism Barometer* 18:5, August-September.

1.4. THE FORECAST AND ITS MAIN RESULTS

Forecasts are always built around certain assumptions. In these uncertain times, however, the importance of the assumptions upon which the forecast rests are even more significant than usual. The 2020 autumn forecast relies in particular on key assumptions about the pandemic, the measures taken or envisaged to mitigate its effects, and the trade relations between the EU and the UK after the end of the transition period.

The forecast depends on the assumptions about the pandemic…

This forecast assumes that some degree of virus containment measures will remain in force throughout the forecast horizon. After tightening significantly in the fourth quarter of 2020, the stringency of these measures is assumed to begin easing gradually in 2021. Based on experiences from the first phase of the pandemic this spring, governments have responded to the recent resurgence in infections with more targeted restrictions on economic activity than earlier in the crisis. Where deemed sufficient, this included local lockdowns measures as well as transitory travel restrictions. To the extent possible, governments are expected to continue following this more targeted measures approach. Moreover, as the health system and economic agents adapt to the new COVID-19 environment, and through effective prevention and medical treatment, the economic impact of a given level of restrictions is assumed to diminish over time.

Given the elevated degreee of uncertainty surrounding these assumptions, different scenarios are analysed based on alternative assumptions (see Section I.3.1).

…and on future trade relations between the EU and the UK,...

Forecasts prior to the autumn forecast were based on a purely technical assumption of unchanged trading relations between the EU and the UK during forecast years. Up to the end of the transition period at the end of 2020, the UK continues to participate in the Single Market and the Customs Union, implying that this assumption correctly covers the unchanged trading relations between the EU and the UK.

Negotiations on a future partnership agreement between the EU and the UK that would include a free trade agreement are still ongoing at the time of writing. However, with such an agreement in place, the UK will leave the Single Market and the Customs Union on 31 December 2020. This means that in any scenario, as of 1 January 2021, there will inevitably be barriers to trade in goods and services and to cross-border mobility and exchanges that do not exist today (see Box I.4.2). [(27)] In the autumn forecast it is assumed that the EU and the UK will trade on WTO Most Favoured Nation (MFN) rules from 1 January 2021 onwards.

…as well as on the treatment of growth support from Next Generation EU/RRF.

In mid-July, the European Council agreed on a financial package for the EU, consisting of the Multiannual Financial Framework (MFF) and a recovery package. The €750bn Next Generation EU/Recovery Resilience Facility (NGEU/RRF) is expected to have a large positive impact on the EU economy since the package amounts to almost 5% of euro area GDP (see Section I.3.2). With negotiations for the adoption of NGEU/RRF still ongoing and only limited information on its use available at the cut-off date for the autumn forecast, only part of the related flows are included. In line with the usual no-policy-change assumption, the forecast only incorporates measures that have been already adopted or credibly announced and sufficiently specified, while strictly technical assumptions apply on the revenue side (for details see Box I.4.3).

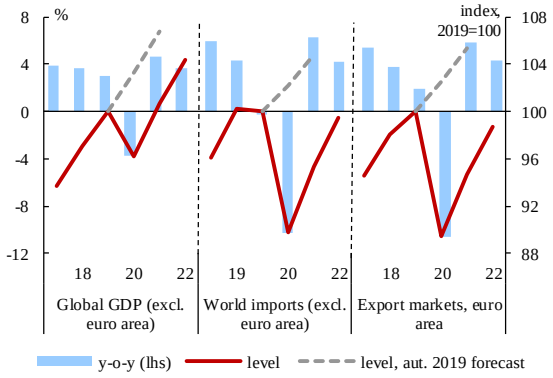
A bounce back in economic activity expected in the external environment …

Global GDP (excluding the EU) is expected to contract by 3.8% in 2020 as the COVID-19 shock, containment measures and increased uncertainty are set to lower private consumption, investment and foreign trade. Over the forecast horizon, the rebound in domestic demand helped by a growth-supportive macroeconomic policy mix is set to lift

(27) Notably, customs formalities will apply to goods entering the EU from the UK, or leaving that customs territory to the UK. All products exported from the EU to the UK will have to comply with UK rules and standards and all products imported from the UK to the EU will need to comply with EU rules and standards. There will no longer be freedom of establishment and freedom to provide services, as provided for by the EU treaties.

the annual growth rate in 2021. However, the scars from COVID-19 such as increased debt, higher unemployment and the lasting distortion of cross-border production chains are projected to weigh on economic activity. Overall, economic growth should be strong enough to restore global output to its pre-pandemic level but not strong enough to return to the growth path expected before the crisis (Graph I.1.26).

Graph I.1.26: **Forecast: Global economic activity, world trade and euro area export markets**



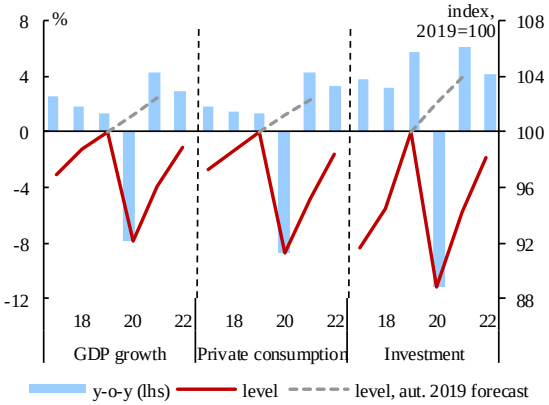
...but with prospects remaining subdued for the recovery of trade.

The contraction of global trade in the first half of the year is projected to be only partially mitigated by the bounce back in the second half of 2020. Annual trade growth in 2021 and 2022 is set to lower the gap with levels registered before the pandemic. However, with disruptions in global supply chains persisting, trade conflicts ongoing, and uncertainty remaining elevated, the rebound is expected to be insufficient for a return in 2022 to the levels recorded in 2019.

The fall in euro area GDP growth in 2020 is set to be unprecedented...

Economic growth appears to have been exceptionally strong in the third quarter, although only partially reverting the downturn recorded in the preceding quarter. Beyond the third quarter, growth momentum is set to ease significantly, in particular in the fourth quarter when an interruption of the rebound is projected. Even with more targeted and less stringent measures than in March and April, the surge in new infections in all Member States is expected to mean a significant disruption of economic activity, to weigh on consumer confidence, and to increase uncertainty with negative effects on investment (Graph I.1.27).

Graph I.1.27: **Forecast: GDP, private consumption and investment, euro area**



The upward revision of the forecast for GDP growth in 2020 compared to the summer (see Table I.1.1) reflects the net effect of several factors. On the one hand, the smaller-than-expected contraction of economic activity in the second quarter and the bounce back from a higher base the in the third quarter have a positive impact on the annual rate. On the other hand, more persistent social distancing and new containment measures due to the resurgence of the pandemic this autumn are behind a downward revision of the growth forecast for the fourth quarter, which affects negatively the annual rate for 2020. It also lowers the carry-over to 2021 by about 2½ percentage points (from 4.1% to 1.5%) and thereby reduces annual growth in 2021. However, given the high forecast uncertainty stemming from the COVID-19 shock and the high volatility in quarterly data, caution should be exercised in interpreting the size of changes in carry-overs.

Table I.1.1:

Decomposition of forecast revisions, euro area

	GDP growth (swda)*		Carry-over to...	
(%)	**2020**	**2021**	**2021**	**2022**
Summer 2020 interim forec.	-8.8	6.2	2.9	1.4
with revised historical data	-8.9	6.2	2.9	1.4
and the 2020-Q2 release	-7.5	6.8	3.5	1.4
and revised forecast 20-Q3	-7.0	7.4	4.1	1.4
and revised forecast 20-Q4	-7.8	4.7	1.5	1.4
and revised forecast 21-Q1	-7.8	3.6	1.5	1.4
and revised forecast 21-Q2	-7.8	4.1	1.5	1.6
and revised forecast 21-Q3	-7.8	4.3	1.5	1.8
Autumn 2020 forecast	-7.8	4.3	1.4	1.8

* This table shows seasonally and working-day adjusted forecasts. Figures in the Statistical Annex (GDP growth expected at -7.8% in 2020 and 4.2% in 2020) are unadjusted.

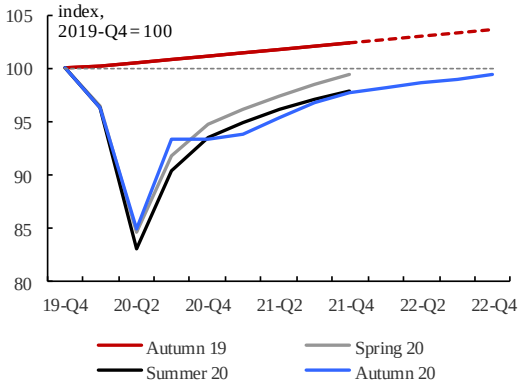
...and the outlook for the rebound has deteriorated.

The outlook for annual GDP growth in 2021 is dampened by the expected negative impact of relatively stringent containment measures in the

first months of the year. Another downside factor is the impact of the end of the transition period and the assumed move to trade between the EU and the UK based on the WTO's MFN rules. The combination of these effects with the negative impact of the lower carry-over from 2020 results in a downward revision to the annual growth rate forecast to 4½% (from 6¼% in the summer interim forecast), though relatively sound growth is expected from the second quarter of next year.

Growth momentum in 2022 is expected to be more subdued. The need for reallocations across sectors and other structural changes are set to trigger an adjustment process with negative short-term effects on economic activity. The projected increase in corporate debt and a higher number of firms facing solvency problems do also not bode well for a quick adjustment process.

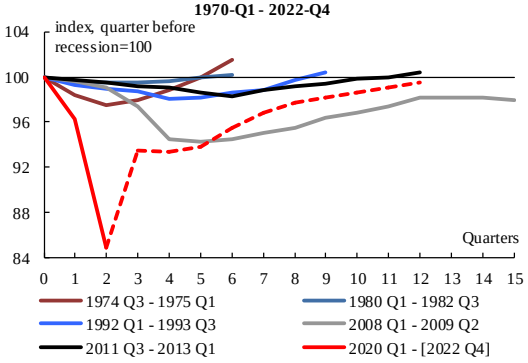
Graph I.1.28: **Projected profile of euro area GDP, autumn forecast and previous forecasts**



The low growth momentum expected implies an annual output level in 2022 that is slightly below that of 2019 for both the euro area and the EU and thus well below the pre-pandemic growth trend, such as the one derived from the autumn 2019 forecast. The projected profile for quarter-on-quarter GDP growth implies that it will take longer than previously thought for economic activity to surpass its pre-recession level (Graph I.1.28).

Compared to most previous recessions in the euro area, the return to pre-recession levels of economic activity is expected to take longer (Graph I.1.29). The only exception is the Global Economic Crisis in 2008-2009, which was followed by an exceptionally long period of subdued economic growth, with the 2011-2013 recession starting already before a full return had been achieved.

Graph I.1.29: **Recessions and rebounds in the euro area, real GDP, 1970-Q1 - 2022-Q4**

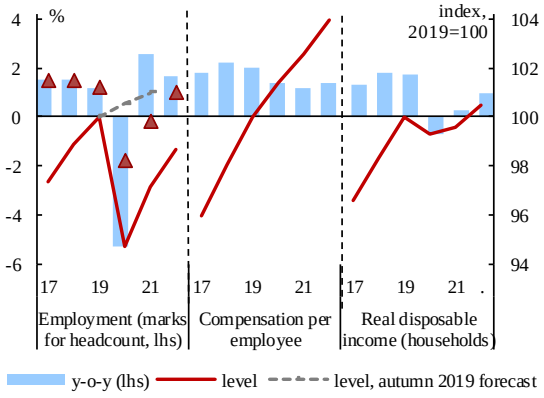


Source: AWM database, 2018; AF20 for latest recession

Subdued growth ahead is expected to limit the healing in the labour market…

Given the substantial deterioration in the number of hours worked during the first half of the year, the projection of a rather slow economic rebound implies that employees in short-time work schemes are usually returning to their jobs and raise the number of hours worked before employment growth approaches pre-pandemic patterns (Graph I.1.30). Against the background of a deteriorating health situation and a less favourable outlook for economic activity, the labour market outlook has deteriorated since the summer.

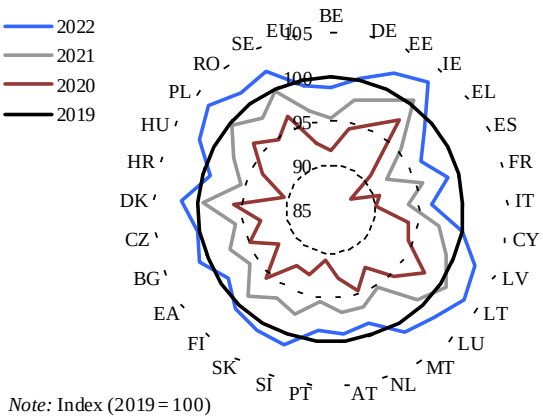
Graph I.1.30: **Forecast: Employment, wages and real disposable incomes, euro area**



The deterioration in the labour market situation is projected to limit increases in wages and salaries over the next two years, keeping both well below the path that had been projected before the pandemic. In combination with a small uptick in inflation, this weighs on real disposable incomes.

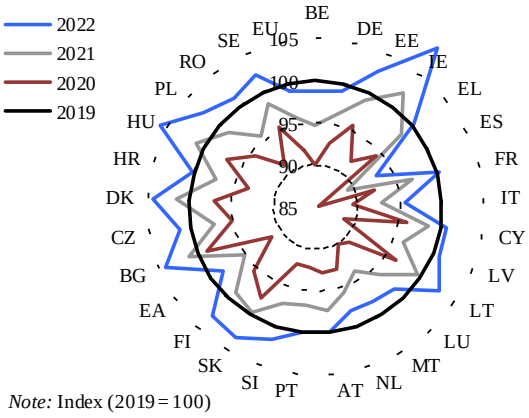
…and to limit inflationary pressures in 2021 and 2022.

Graph I.1.31a: **GDP during the COVID-19 crisis**



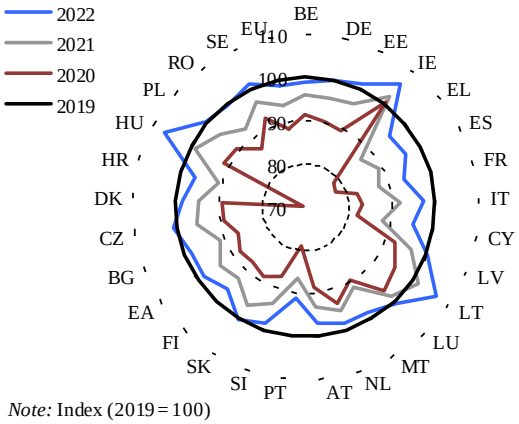
Note: Index (2019 = 100)

Graph I.1.31b: **Private consumption during the COVID-19 crisis**



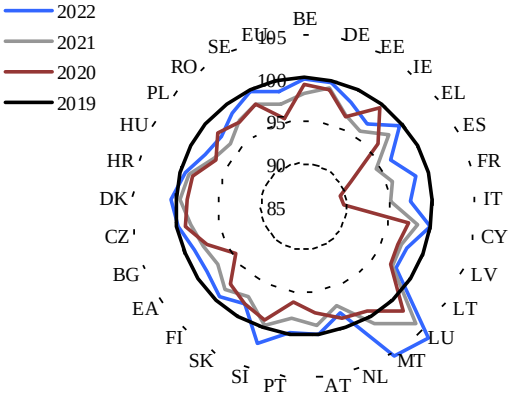
Note: Index (2019 = 100)

Graph I.1.31c: **Exports of goods and services during the COVID-19 crisis**



Note: Index (2019 = 100)

Graph I.1.31d: **Employment during the COVID-19 crisis**



Note: Index (2019 = 100)

The projections for annual HICP inflation in the euro area remain in the near term dominated by energy prices and base effects. Due to the fall in oil prices and several temporary factors (e.g. lower VAT rates in Germany in the second half of 2020), inflation is expected to fall to 0.3% this year. For 2021 and 2022, downward price pressures are expected to stem from relatively weak demand, labour market slack, and the appreciation of the euro. They should more than offset any remaining upward pressure from disrupted production activities. Inflation in the euro area is projected to come in at about 1% in 2021 and 2022.

The economic rebound is expected to be uneven

Due to the timing and severity of COVID-19 infections and a number of structural features (e.g. exposure to international tourism), Member States are projected to follow rather different growth trajectories. [28] In terms of annual GDP, the uneven rebound of GDP from the troughs of 2020 (Graph I.1.31a), is expected to allow only a few Member States to enjoy a higher level of activity in 2022 than in 2019.

One component of the expected differences in economic growth across countries is the heterogeneity of developments in private consumption (Graph I.1.31b). The impact of limited consumption opportunities during the pandemic depends on the shares of consumption

[28] In addition to differences in pandemic features, economic structures and public finances, the quality of governance has been named as factor behind the heterogeneity of the economic impact of COVID-19; see e.g. M. König and A. Winkler (2020). 'COVID-19 and economic growth: does good government performance pay off?'. *Intereconomics* 55:5, pp. 224-31; and A. Sapir (2020). 'Why has COVID-19 hit different European Union economies so differently?' *Bruegel Policy Contribution* 18, September.

purposes in household consumption that are affected. These vary widely across Member States.[29] Differences in households' saving propensities also contribute to cross-country differences. The household saving rate in the euro area (EU aggregate data are not yet available) increased between the fourth quarter of 2019 and the second quarter of 2020 by about 12 pps., whereas changes in Member States varied between -3 pps. and 19 pps. In 2021 and 2022, household saving rates are expected to decline in aggregate in the euro area and the EU, but with declines differing markedly across Member States.

In several Member States the slump in exports of goods and services in the first half of 2020 has been so large that a return to the level of 2019 levels is unlikely in 2021 (Graph I.1.31c). In 2022, the recovery in global activity and trade is expected to help export volumes in the EU Member States to return close to pre-pandemic levels. A key factor for these cross-country differences is the sectoral composition of exports and in particular, the role of tourism for services exports. Countries with large tourism sectors and a high share of international tourists (e.g. Spain, Italy, and Portugal) are among those with lower projected export levels in 2022 than in 2019.

Another factor behind cross-country differences are expected differences in the employment outlook (Graph I.1.31d). With the exception of two small Member States, the outlook is for employment to remain below its 2019 level. Across the other Member States, the employment outlook is mixed, including a few countries where job losses from the crisis should be largely eradicated and a few where the return to pre-crisis levels will be much slower.

[29] For example, according to Eurostat data, in the four largest Member States in 2019 the shares of final consumption expenditure of households for restaurants and hotels were between 5.5% in Germany and 14.8% in Spain.

Uncertainty surrounding the forecast is elevated…

The uncertainties in the outlook continue to be high. Uncertainty will remain elevated as long as the pandemic hangs over the economy. This includes the epidemiological side (e.g. future infectiousness and lethality of the virus, time needed to develop and deploy vaccines) and the economic side (e.g. the duration of government interventions, persistence of pandemic-induced changes in behaviour).

…and risks remain predominantly on the downside.

The main risks relate to the evolution of the COVID-19 pandemic. A stronger than assumed spread of the pandemic (e.g. infection numbers that make contact tracing impossible and results in a sharp increase in absences from work) as well as a more adverse economic impact of the pandemic (e.g. a higher number of insolvencies) could lower economic activity, slow the rebound or, in the worst case, even derail the recovery for some time. The need for countrywide strict containment measures would resemble the experiences from the second quarter, but this time the options for policy support would be more limited.

Overall, risks remain exceptionally large and predominantly on the downside although some of the risks identified in previous forecasts have already materialised, such as the resurgence of COVID-19 ('second wave'). At the same time, it is likely that support from Next Generation EU and the Recovery and Resilience Facility will be stronger than envisaged under the technical assumptions in this forecast.

2. ECONOMIC OUTLOOK

2.1. INTERNATIONAL ENVIRONMENT

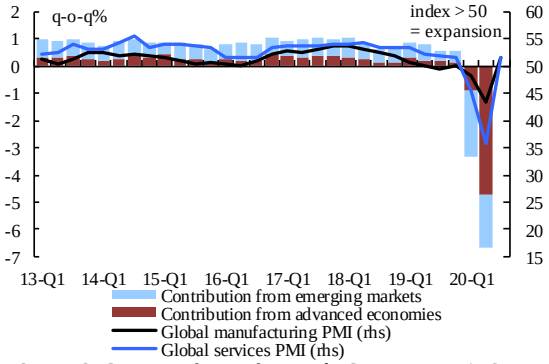
Global economic activity, already slowing since 2018, was badly hit by the COVID-19 pandemic, resulting in an unprecedented recession in the first half of 2020. The extraordinary macroeconomic policy response helped to cushion the impact and, together with the relaxation of containment measures, spurred a cyclical rebound in the summer. However, the recovery is expected to be very gradual, incomplete and uneven across countries, regions and sectors. In advanced economies, private consumption is set to continue strengthening as labour markets recover after the lockdowns and fiscal policies remain supportive but the recovery in investment and trade is expected to remain more subdued. China is projected to recover relatively quickly, benefitting from an early end to its containment phase, improving foreign demand and targeted policy support. However, in many countries in Latin America, Sub-Saharan Africa and emerging Asia, limited policy space, an uncertain health situation and dwindling foreign currency revenues hinder recovery prospects. At the same time, the medium-to-long term effects of the COVID-19 crisis, including a looming threat of insolvencies, elevated unemployment and disruptions in global supply chains are likely to hamper global investment, productivity and potential growth in the years to come.

The global economy is bouncing back but prospects over the forecast horizon remain subdued.

Real global GDP (excl. EU) contracted by 3.2% q-o-q and 6% q-o-q, in the first and second quarter of 2020[30], (see Graph I.2.1) respectively, reflecting the spread of the pandemic and the corresponding intensification of containment measures. China re-emerged from its containment phase as early as the second quarter, while real GDP in all other major economies collapsed at unprecedented speed. Across advanced economies the contraction was concentrated in the first half of the second quarter, with higher frequency indicators signalling a sharp rebound in activity starting in June, first in the US and later on in Japan and the UK. All major emerging market economies beyond China, particularly in Latin America and parts of Asia, recorded even deeper contractions. Global manufacturing output fell steeply, albeit less than services such as tourism, transport and recreation.

The global composite PMI (including the EU) moved above 50 points over the summer, indicating an ongoing global recovery in the third quarter. Improving PMIs were driven by a rebound in services and growing global demand for goods, fuelling a recovery in manufacturing. At the same time, the high frequency indicators pointed to a gradual recovery in global consumer spending in major advanced economies.

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



Source: OECD, IMF and national sources for GDP, JP Morgan/IHS Markit for PMI.
Note: Quarterly PMIs are calculated as the average over three months.

Global GDP (excluding the EU) is expected to contract by 3.8% in 2020 as the COVID-19 shock, containment measures, and increased uncertainty took a toll on global consumption, investment and trade (see Graph I.2.2). The ongoing cyclical recovery in private demand and the accommodative macroeconomic policy mix should support the global economic rebound, though scars related to the COVID-19 crisis, including looming insolvencies, elevated unemployment and disintegrating global supply chains are likely to moderate growth in the medium term. Thus, the global economy (excluding the EU) is forecast to expand by 4.7% in 2021, boosted by a strong carry-over from the rebound in the second half of 2020. In 2022, real GDP is forecast to increase by 3.7% as output gaps gradually close and growth slows towards its long-term potential.

[30] Internal estimates for non-EU global growth, based on available data from national sources covering 91% of the global economy, weighted by GDP in PPP.

Table I.2.1:

International environment

(Annual percentage change)					Autumn 2020 forecast			Spring 2020 forecast	
	(a)	2017	2018	2019	2020	2021	2022	2020	2021
					Real GDP growth				
Japan	4.1	2.2	0.3	0.7	**-5.5**	**2.7**	**0.9**	*-5.0*	*2.7*
United Kingdom	2.4	1.7	1.3	1.3	**-10.3**	**3.3**	**2.1**	*-8.3*	*6.0*
United States	15.9	2.4	2.9	2.3	**-4.6**	**3.7**	**2.5**	*-6.5*	*4.9*
Emerging and developing Asia	32.3	6.5	6.4	5.5	**-1.4**	**7.0**	**5.4**	*0.6*	*7.2*
- China	17.4	7.0	6.7	6.1	**2.1**	**7.3**	**5.6**	*1.0*	*7.8*
- India	7.1	6.6	6.8	4.9	**-8.3**	**7.6**	**5.2**	*1.1*	*6.7*
Latin America	7.5	1.2	0.8	-0.4	**-8.3**	**3.5**	**2.4**	*-5.6*	*2.4*
- Brazil	2.4	1.3	1.3	1.1	**-6.1**	**3.0**	**2.0**	*-5.2*	*1.9*
MENA	5.5	2.1	1.9	0.4	**-5.2**	**2.0**	**3.0**	*-3.8*	*2.0*
CIS	4.4	2.3	3.0	2.2	**-3.8**	**2.5**	**2.3**	*-4.0*	*2.3*
- Russia	3.1	1.8	2.5	1.3	**-4.2**	**2.0**	**1.9**	*-5.0*	*1.6*
Sub-Saharan Africa	3.2	2.8	2.5	2.6	**-4.0**	**2.5**	**2.6**	*-4.1*	*2.1*
Candidate Countries	2.0	7.1	3.1	1.1	**-2.6**	**4.0**	**4.5**	*-5.3*	*4.5*
World excluding EU	82.2	3.9	3.7	2.9	**-3.8**	**4.7**	**3.7**	*-2.9*	*5.0*
					Trade of goods and services, volumes				
World excluding EU, import		5.9	4.2	-0.5	**-10.3**	**6.3**	**4.1**	*-11.5*	*6.4*
EU export market growth		5.4	3.8	2.0	**-10.4**	**5.8**	**4.4**	*-12.8*	*9.5*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2019.(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.

These dynamics are underpinned by a number of important forecast assumptions. The increase in the global number of COVID-19 cases between spring and summer this year seems to have coincided with a gradual decline in the strictness of global containment measures, which became more targeted and localised. This forecast therefore assumes that localised containment measures of differing intensity and timing are likely to be in force over the course of 2021, before easing gradually in 2022. The fiscal measures implemented in many advanced and emerging market economies to reduce the economic effects of the pandemic are expected to be gradually rolled back as economies recover. Furthermore, the uncertainty around US trade policy and the US decoupling from China-centred global value chains, as well as much less beneficial EU-UK trade relations (see Box I.4.2) are expected to be a permanent feature over the forecast horizon.

A cyclical rebound is ongoing in advanced economies

The economic outlook for advanced economies (excluding the EU) has slightly improved since the spring, reflecting a less severe contraction in the first half of the year than initially feared and a swifter-than-expected recovery, especially in the US. After the abrupt slump in 2020 (-4.8%), real GDP in advanced economies (excluding the EU) is set to rebound by 3.6% in 2021, before easing towards trend growth in 2022 (2.4%). Recovering labour markets, unwinding pent-up demand, and accommodative monetary and fiscal policies should support private consumption in many countries (e.g. US, Japan, Canada, Australia), but investment and trade activity are set to remain more subdued in the medium and long term in view of the reconfiguration of global supply chains, elevated uncertainty and rising corporate insolvencies.

After a record-long expansion of more than 10 years, the US economy contracted sharply in the first half of 2020. Real GDP fell by 1.3% q-o-q and 9% q-o-q in the first and second quarters of the year and the unemployment rate spiked from less than 5% to 14.7% in April. The collapse in the external sector was even more dramatic, with exports and imports both falling by close to 20% in the second quarter. The economy started to rebound in June, with most recent high-frequency indicators showing positive trends. One-half of the job losses had been recovered by the end of September with the unemployment rate down to 7.9%. The rebound in activity is expected to continue over the coming months, supported by very accommodative financing conditions and awt gradual fall in exceptionally high precautionary savings. Overall, real GDP in the US is forecast to decline by 4.6% in 2020 and rebound by 3.7% in

2021 before growth slows to 2.5% in 2022. This projection assumes no return to widespread lock-down measures and does not include any additional fiscal stimulus measures beyond those already adopted. A new package of measures, particularly after the election in early November, is a clear upside risk for the forecast.

In Japan, real GDP growth is forecast to fall by 5.5% in 2020, reflecting a deep contraction in private consumption in the last three quarters following an increase in the consumption tax and COVID-related restrictions. At the same time, exports and private investment are expected to decline more moderately as healthy demand from China and rising spending on IT and automation moderate the negative effects of the COVID-19 crisis. In 2021, the economy is forecast to grow by 2.7% reflecting the cyclical recovery in private demand and the full rollover of fiscal stimulus. Real GDP growth is projected to decelerate to 0.9% in 2022 as changes in global supply chains are expected to hamper the already weak potential growth outlook.

Emerging markets face divergent prospects

After already relative weak growth in 2019 (+3.6%), emerging markets are set to register a decline in economic activity (-3.2%) in 2020 due to the toll of the COVID-19 outbreak in the first half of the year. Most emerging market economies were severely hit by COVID-19 containment measures, financial market tensions, plunging tourism revenues and, in some cases, lower commodity prices. At the same time, monetary policy easing across emerging economies and expansionary fiscal policies in many countries (e.g. China, Brazil, Chile, Russia) have cushioned the impact of the pandemic. A cyclical recovery in emerging economies is projected to take hold in the second half of this year and to continue next year, resulting in real GDP growth of 5.3% in 2021. Growth is set to decline to 4.4% in 2022 against the backdrop of slowing investment and productivity growth.

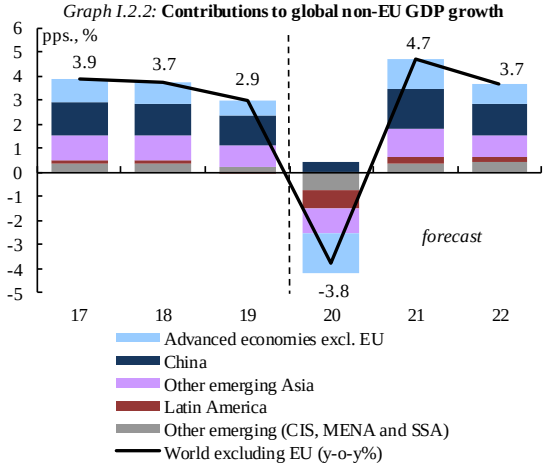
The growth outlook across emerging economies differs starkly. In China, the economic recovery is progressing faster than expected, especially in exports and industrial production, benefitting from an early emergence from the lockdown phase and targeted stimulus. The growth of retail sales and services has also entered positive territory lately together with a sharp rebound in imports, suggesting that the recovery has become broader and more sustainable. At the same time, uncertainty related to a lasting recovery of external demand and global supply chains looms large, in particular as the US is set to remain committed to trade and technological decoupling. China's GDP is forecast to increase by 2.1% in 2020 and by 7.3% in 2021 before growth moderates to 5.6% in 2022 - reflecting a combination of factors, including China's structural slowdown and softer domestic demand, driven by de-leveraging and de-risking of the financial sector and continued economic tensions with the US. The swift recovery in China and successful containment measures have also supported a relatively fast rebound in nearby Asian economies (e.g. Korea, Vietnam, Taiwan). At the other extreme, the economic outlook has deteriorated sharply in India. Output collapsed by a record -25.2% q-o-q in the second quarter of 2020, as the country was put under one of the most stringent lockdowns in the world. Due to unfavourable health and economic developments and the fact that monetary and fiscal space remains constrained, real GDP is expected to decline by 8.3% in 2020 and the pick-up in 2021 and 2022 is likely to be moderate, also due to underlying structural bottlenecks.

Similarly, in most of emerging Asia, Latin America, the Middle East and Sub-Saharan Africa, COVID-19 infection rates remain high. Uncertainties about health and economic policy measures compounded by subdued commodity prices resulted in a deep slump in economic activity in the first half of 2020 and also undermine prospects for a swift and vigorous rebound.

A confluence of factors undermines the medium-term growth outlook in emerging economies. Many emerging market economies were already experiencing weaker growth before the current crisis but the shock of the pandemic has exposed many of the challenges these economies face. First, due to the recent turbulence in financial markets, some emerging economies are facing high external refinancing requirements and costs, hindering their future investment and growth outlook. Second, a persistent reduction in international mobility has serious consequences for global tourism, on which many emerging market economies are dependent for revenues. Fourth, the pandemic has interrupted the education of many young people, who constitute a big share of the population, which may weigh on future

productivity growth. Finally, after a rapid increase in indebtedness in 2020, many emerging economies will have less fiscal policy space to counteract the medium-to-long term economic effects of the COVID-19 crisis.

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

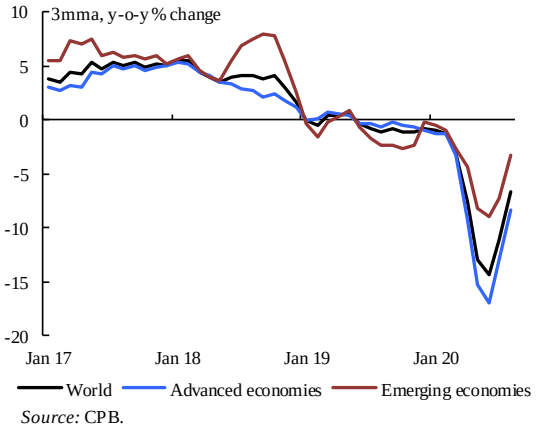


After a dramatic fall in the first half of the year, a recovery in global trade is under way

Following a slowdown in growth at the end of 2019, global trade contracted sharply in the first half of 2020 (see Graph I.2.3). This weakness has been broad-based and affected both trade in goods and services due to a combined demand and supply shock, as a result of measures taken around the world to contain the pandemic. Geographically, the contraction in the goods trade was stronger among advanced economies, with the United States particularly affected (see Graph 3). Trade in goods in emerging economies held up slightly better due to the trade recovery in China, which had already started in the second quarter of 2020, in line with the earlier reopening of its economy after a sharp contraction in the previous quarter. For all other regions, the trade contraction deepened in the second quarter, reflecting the fact that most other countries entered into lockdown in March/April.

Global (non-EU) imports are expected to contract sharply by 10.3% this year (see Graph I.2.4). Global trade in goods and services is expected to have reached a trough in the second quarter of 2020 and is projected to recover gradually in the second half of the year on the back of the release of pent-up demand and a rebuilding of inventories. The global manufacturing PMI for new export orders increased from 27.1 points in April to 51.7 points in September and container shipping data also point towards a gradual recovery. Still, disruptions in global supply chains; uncertainty generated by the evolution of the pandemic and possible new containment measures; and the ebbs and flows of the trade conflict between the US and China are projected to weigh on trade in goods. The recovery in services trade, however, is forecast to be slower given the concentrated impact of containment measures on tourism and travel.

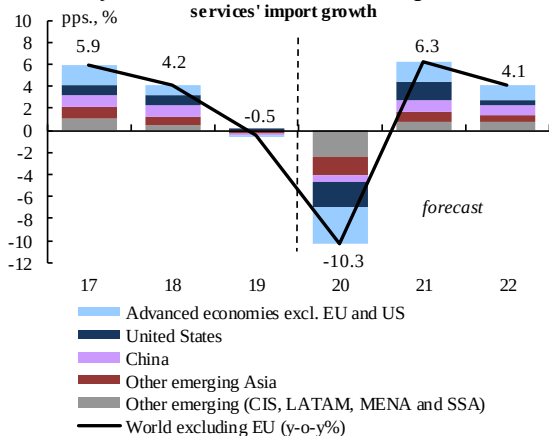
Graph I.2.3: **Trade volumes, growth rates**



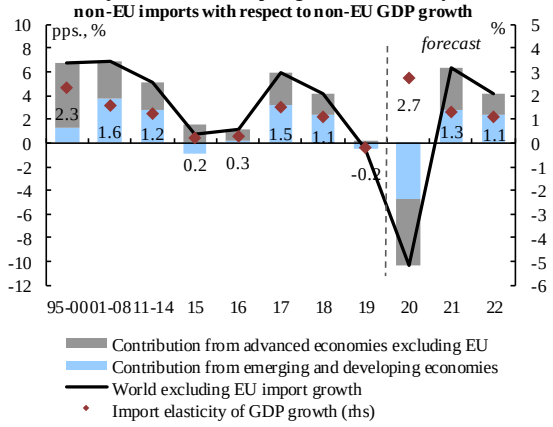
Source: CPB.

Going forward, growth in global imports (excluding the EU) is forecast to pick up to 6.3% in 2021 reflecting positive carry-over effects and stronger global economic and trade activity. Nevertheless, the current crisis is expected to interfere with global supply chains and to amplify de-globalisation trends. Reduced integration of production processes will affect gross trade flows in the medium term. Furthermore, without prejudice to the outcome of ongoing negotiations, the forecast is based on an assumption that, after the end of the transition period, trade between the UK and the EU will based on WTO MFN rules. Hence, these much less beneficial trading relations between the EU and the, but also global trade policy uncertainty in general and an erosion of the multilateral rules-based trading system are all set to continue weighing on trade over the forecast horizon. Hence, the much less beneficial trading relations between the EU and the UK, but also global trade policy uncertainty in general and an erosion of the multilateral rules-based trading system are all set to continue weighing on trade over the forecast horizon. Global trade (excluding the EU) is thus forecast to grow by only 4.1% in 2022, partly for other reasons such as the fading of temporary factors (e.g. carry-over effects, pent-up demand and the rebuilding of inventories).

Graph I.2.4: **Contributions to non-EU worldgoods' and services' import growth**



Graph I.2.5: **Non-EU import growth and elasticity of non-EU imports with respect to non-EU GDP growth**

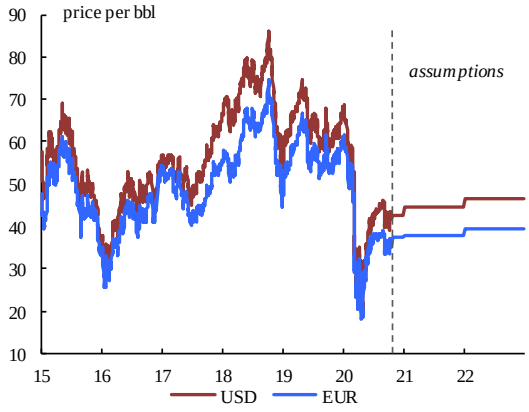


Oil prices bounced back somewhat from recent lows

Lockdowns to control the pandemic curtailed oil demand, strongly affecting the oil market. In addition, the collapse of the 2016 OPEC+ agreement[31] led to a temporary struggle for market share and increased production in April. As a result, prices collapsed to around 20 USD per barrel and inventories spiked. These developments compelled oil producers to reach an agreement quickly and to reduce production forcefully in May and June. At the same time, prices lower than USD 40 per barrel forced shale producers out of the market, as they faced deteriorating productivity growth compared to the 2014-2016 crisis, high production costs, and less favourable financing conditions. Over the summer, improved compliance with the renewed and enhanced OPEC+ agreement, the market exit of higher cost producers in the US and elsewhere, as well as a rebound in consumption after the easing of lockdowns, led to a partial recovery in prices to around USD 40 per barrel. However, recent indicators show that the recovery in oil demand appears to be faltering, limiting the room for further inventory drawdown and price rises. Against this backdrop, oil prices are assumed to reach on average of USD 42.6 per barrel in 2020, USD 44.6 in 2021 and USD 46.4 in 2022 (see Graph I.2.6).

Recently, rising food prices have spurred higher inflation in a number of countries, particularly emerging market economies (e.g. China and India). However, as global food prices have risen by only around 4% since May, they have recovered only half of the price drop from the beginning of 2020. Unlike in 2014-2015, there are few signs of a sizeable rise in global food inflation, as the current increases are driven by regional supply chain and administrative bottlenecks.

Graph I.2.6: **Oil price assumptions**



Source: Intercontinental Exchange.

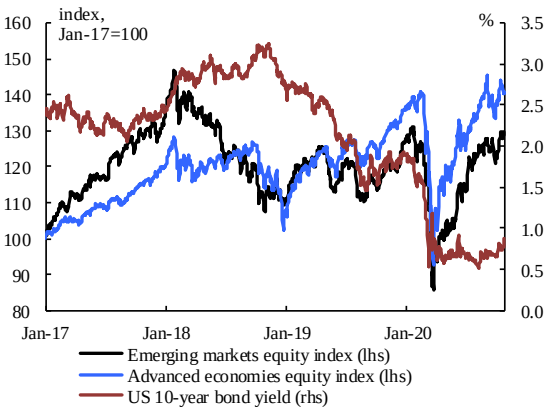
Global financing conditions improved, especially in advanced economies

Financing conditions in advanced economies have eased as a result of measures adopted by the Fed and other central banks to cut rates and provide massive liquidity support to address the effects of the COVID-19 crisis. Over the last few months, 10y US Treasury yields have fluctuated within a tight range of around 0.7% after having significantly fallen during the first months of the year (see Graph I.2.7). The US stock market as measured by the wide S&P500 index is currently slightly above pre-pandemic levels and close to all-time highs. Market valuations in the technology sector have out-performed exceptionally, despite the corrections observed in recent weeks. The

[31] OPEC + agreement refers to the production cut agreed between 15 OPEC members led by Saudi Arabia and other major oil exporters (excluding the US) led by Russia.

'decoupling' of global equity markets from economic fundamentals, which are still depressed and vulnerable, is a cause for concern. In particular, non-performing loans, credit risk downgrades and business bankruptcies may increase, especially in the sectors and countries most affected by the pandemic.

Graph I.2.7: **Global equity and US 10-year bond**

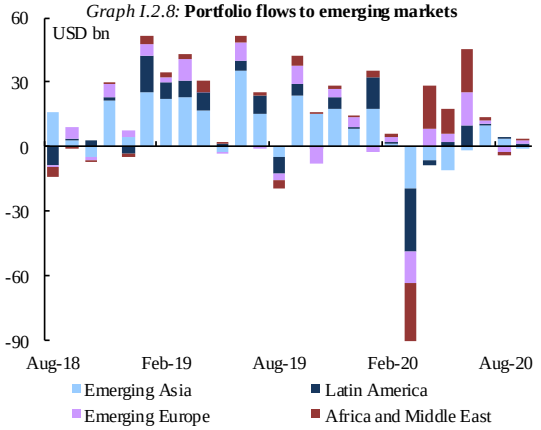


Source: MSCI and Macrobond Financial AB.

Financing conditions in emerging market economies, mainly China and emerging Asia, have eased since the spring following the return of foreign investors, spurred by global monetary policy easing. Most emerging market currencies have appreciated since their troughs in March, though a majority, bar the Chinese renminbi, are still much weaker than at the beginning of the year (e.g. the Brazilian real and the Russian rouble). At the same time, equity markets in most of these countries, led by China, are up from their March lows. Risk aversion has receded from its March peak but remains above pre-crisis levels. Average long-term yields have declined to about 4.5% and the spread to US long-term bond yields has narrowed by 50 bps. since March. However, the return of capital flows to emerging economies seems to have weakened over the summer (see Graph I.2.8) and foreign investors are differentiating more carefully between them. Financial conditions in economies with stronger fundamentals, a successful containment of the virus or greater policy space are improving more rapidly (e.g. China, Chile) than others (e.g. Turkey).

Financing conditions in advanced economies are expected to remain extremely supportive over the forecast horizon due to the significant liquidity measures adopted by the central banks to address the effects of the pandemic on the economy and financial markets, and as signalled by the Fed's more flexible stance on inflation announced in September. Financing conditions in emerging market economies are expected to remain broadly stable on average, given their more limited policy space, elevated health risks and weakening long-term growth outlook.

Graph I.2.8: **Portfolio flows to emerging markets**



Source: Institute of International Finance.

2.2. FINANCIAL MARKETS

EU financial markets have been fairly stable in recent months due to the tentative signs of economic recovery. Equity markets stabilised over the summer after recovering from their March lows while sovereign yields have fallen further, including in those Member States most affected by the pandemic. However, the economic situation remains fragile, particularly given the pandemic's recent resurgence. While this could eventually destabilise financial markets, current valuations are more suggestive of a 'decoupling' from the real economy. Massive monetary and fiscal measures have supported investors' expectations for a recovery and hence supported investors' sentiment.

Financial intermediation, both via banks and markets, has held up well so far. Access to finance has been abundant and at favourable conditions, particularly for large companies. As regards European banks, the latest indications suggest that liquidity and solvency positions remain good. This should limit the potential for systemic risk and support the banking sector's ability to continue funding the real economy. Nevertheless, credit risk downgrades and business bankruptcies could increase, as governments are imposing more restrictions in response to the second wave of the pandemic. The level of non-performing loans held by EU banks could increase in the coming months, further denting bank profitability.

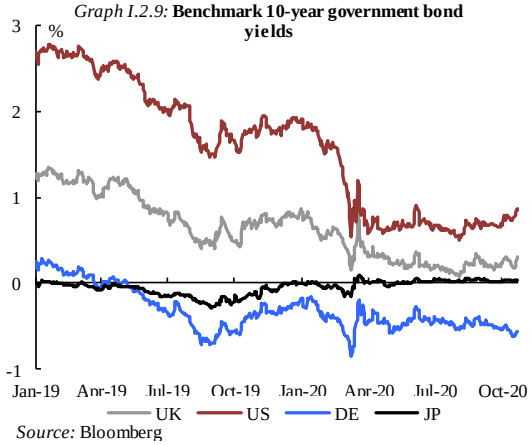
Monetary policies in the EU have remained very accommodative …

The ECB's monetary policy has remained highly accommodative in recent months, as in the current context of persistent exceptional uncertainty, ample monetary stimulus has been considered necessary to safeguard the medium-term price stability objective. The monetary policy measures taken since March this year have helped to ensure favourable financing conditions to the real economy thus providing crucial support to the economic recovery in the euro area. These measures include ample liquidity provision, temporary collateral easing measures and further asset purchases. At its latest meeting in September, the ECB confirmed that it would continue its asset purchases under the pandemic emergency purchase programme (PEPP), with a total envelope of €1.350 trillion to help ease the monetary policy stance further. These purchases will continue until at least the end of June 2021 and, in any case, until the Governing Council judges that the coronavirus crisis phase is over. Net purchases under the asset purchase programme (APP) will also continue at a monthly pace of €20 billion, together with purchases under an additional €120 billion temporary envelope until the end of the year. Refinancing operations, notably 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. At its June TLTRO III operation, banks took up EUR 1.31 trillion of funding, an unprecedentedly high amount. Moreover, the ECB Governing Council has also reaffirmed its readiness to adjust all its tools, as appropriate, to safeguard its medium-term price stability objective. Meanwhile, most other EU central banks have also maintained accommodative monetary policies or eased further their monetary policy stance in recent months.

… supporting bond and equity markets…

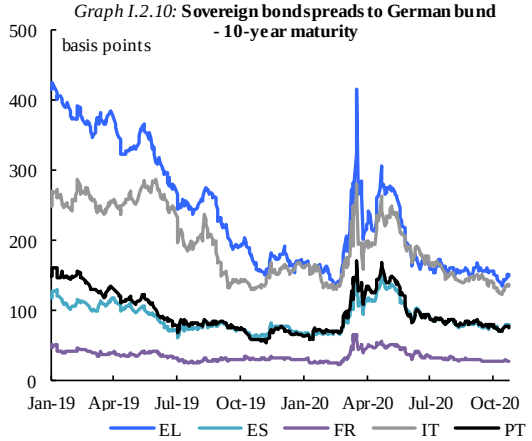
In sovereign bond markets, the 10-year German bund yield has moved within a tight range, around -0.5% since April 2020. The spreads of peripheral Member States vs German bunds have continued to narrow over the last couple of months after having spiked during the spring lockdown period. The tightening has gained traction since the ECB started its PEPP and has also been helped by the strong coordinated policy response at the EU level, in particular the agreement on Next Generation EU. The euro area's corporate bond spreads have also tightened since their April highs as have those for all credit profiles. Spreads on 'BBB' rated bonds have narrowed most in a sign that investors have become less fearful that these bonds will be downgraded into the non-investment category. Overall, despite the COVID-19 related economic impact and uncertainties, bond markets appear to continue pricing credit and interest rate risks at low levels (see Graphs I.2.9 and I.2.10).

Graph I.2.9: **Benchmark 10-year government bond yields**



Source: Bloomberg

Graph I.2.10: **Sovereign bond spreads to German bund - 10-year maturity**



Source: Bloomberg

EU equity markets saw a stabilisation over the summer after the turbulence in spring. The EuropeStoxx 600 index saw only very limited variation while shares in the European banking sector continued to underperform due to concerns about low profitability and fears about rising non-performing loans. Across countries, the stock exchanges of the Member States whose economies have been relatively less affected by the pandemic shock, such as Germany and Ireland, continued to record gains over the summer, while those of hard-hit economies underperformed.

Table I.2.2:

Financing side - euro area and EU

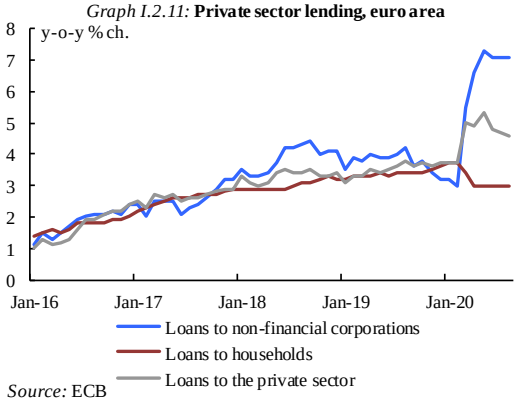
(Annual percentage change)	Euro area							EU						
	Autumn 2020 forecast				*Spring 2020 forecast*			Autumn 2020 forecast				*Spring 2020 forecast*		
	2019	2020	2021	2022	2019	2020	2021	2019	2020	2021	2022	2019	2020	2021
Domestic non-financial private sector	3.2	**2.5**	**2.8**	**3.4**	3.2	-2.2	2.7	4.1	**2.1**	**2.4**	**3.1**	4.1	-0.5	2.8
(% of GDP)	86.7	**94.6**	**92.2**	**91.4**	86.9	90.9	86.7	102.0	**110.4**	**107.4**	**105.9**	102.3	108.8	104.1
- Credit to households	3.6	**1.5**	**3.0**	**3.2**	3.6	-1.5	2.5	4.5	**1.2**	**2.4**	**2.7**	4.6	0.2	2.8
(% of GDP)	51.7	**55.9**	**54.6**	**54.0**	51.9	54.6	52.0	64.1	**68.8**	**66.9**	**65.7**	64.2	68.9	65.9
- Loans to non-financial corporations	2.6	**4.1**	**2.4**	**3.8**	2.6	-3.1	3.1	3.2	**3.5**	**2.4**	**3.7**	3.2	-1.8	2.9
(% of GDP)	34.9	**38.7**	**37.6**	**37.4**	35.0	36.3	34.7	37.9	**41.6**	**40.5**	**40.1**	38.0	40.0	38.3

Note: Credit data is adjusted for sales and securitisation, counterpart area is domestic (home or reference area).

…and spurring lending to the private sector…

According to the latest ECB data, the annual growth rate of loans to companies stood at a robust 7.1% in August, unchanged from July and June (see Graph I.2.11). The annual growth rate of loans to households stood at 3.0% in August, unchanged from the previous two months. Banks' indications in the latest ECB bank lending survey (BLS) of July 2020 are consistent with credit developments during the second quarter. In particular, the BLS confirms the diverging trends between corporations and households. While demand for credit by households declined strongly in the second quarter, the business sector's demand for loans or drawing of credit lines surged considerably due to emergency liquidity needs and working capital requirements while demand for fixed investment declined. At the same time, banks' credit standards for corporate loans remained favourable in the second quarter of 2020 but tightened for households. This is essentially due to loan guarantees for corporates provided by governments as risk perceptions increased and risk tolerance diminished. For the third quarter, banks expect credit standards for companies to tighten considerably, although this needs to be seen in the context of state guarantee schemes for corporate loans. As regards credit standards for housing loans and consumer credit, banks expect further tightening in the third quarter. Looking at the main causes of these trends, banks pointed to the tightening impact of non-performing loan ratios on their credit standards and on terms and conditions for loans. The capacity of the banking sector to lend might become (or remain) limited, as bank profitability remains still low, while levels of non-performing loans are likely to increase, particularly if the economic outlook deteriorates further in the autumn.

Graph I.2.11: **Private sector lending, euro area**



Source: ECB
Note: Loans are adjusted for loan sales, securitisation and notional cash pooling.

Debt market funding for companies has expanded robustly in the euro area since spring, supported by monetary and fiscal measures. The annual growth rate of outstanding debt securities issued by companies increased by 12.2% in July. The high level of corporate indebtedness remains a concern, in particular for companies in the sectors and countries most affected by COVID-19 induced recession. Meanwhile, net issuance of equity by euro area companies remains marginal, having increased by a meagre 0.1% in July on an annual basis.

…while increased market confidence in the euro area recovery has supported the euro.

The euro has appreciated by around 3% in nominal effective terms since mid-June, reflecting a broad-based strengthening against a wide range of currencies, including the US dollar, the Japanese yen, the British pound, emerging market currencies, and other EU currencies. The appreciation over this period was driven by factors such as increased market confidence in the recovery of the euro area economy and a broad weakening of the US dollar, against a background of comprehensive monetary policy easing

measures by the US Federal Reserve. The improved global economic climate over the summer also contributed to the euro's substantial gains against the dollar and the yen, as improved prospects for global growth reduced the safe-haven demand for these two currencies. Uncertainty about the future trading relationship between the EU and the UK also led to the euro recording significant gains relative to the pound.

2.3. GDP AND COMPONENTS

The European economy remains in the grip of the COVID-19 pandemic and a multitude of supply and demand shocks still shape activity. Up until May, containment measures of unprecedented scope delivered a drop in the number of new infections, but also put the economy into what has been described as 'hibernation'. Various government measures were put in place to preserve jobs and incomes. From May to July, restrictions were gradually lifted, unfreezing the economy. On the supply side, this allowed output to recover in a wide range of industries and service activities and supply chains were slowly normalising. On the demand side, social distancing measures became less stringent, especially with regard to mobility and person-to-person contacts, and thus the drag on aggregate demand was significantly reduced.

Since then, amid a resurgence in infections, policy makers have again taken steps to try to keep the pandemic at bay while limiting economic damage as much as possible. Recent efforts have focused more on local restrictions and targeted containment measures (e.g. the mandatory use of facemasks and the closure of bars, nightclubs, and amusement parks) rather than on full lockdowns. However, by the cut-off date of the forecast, new nationwide restrictions could no longer be ruled out.

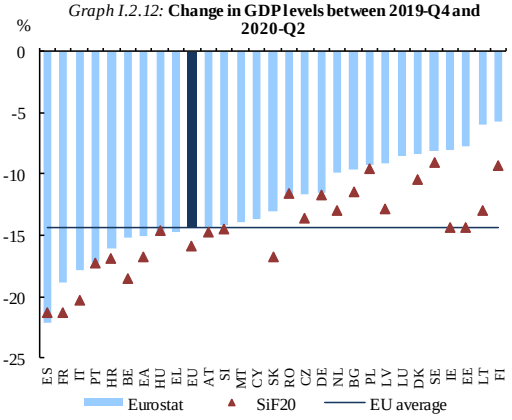
These developments are likely to weigh on growth in the short run. Moreover, economic forecasts continue to be subject to higher and more fundamental uncertainty [32] than usual.

[32] Uncertainty is related among others to *lack of information* about the probability of key events (e.g. mutations of the virus, availability of a vaccine, the capacity of healthcare systems deal with a surge in demand) and the *uncertainty about the effectiveness of policy support* (e.g. about the ability of different policy levers to mitigate the shock and permanent changes to consumption, employment and potential growth).

After a turbulent first half of 2020 …

The European economy saw a dramatic, sudden reduction in economic activity between March and May, resulting in a technical recession [33] in the first half of the year. After falling by 3.7% (q-o-q) in the first quarter, euro area GDP declined by 11.8% in the second. As a reference, the latter decline is nearly four times larger than the biggest single-quarter contraction during the Great Recession in 2008-2009. Over the first half of the year, economic activity shrank by around 15% in the euro area, bringing output back close to levels last seen in early 2005. This decline is, however, slightly less pronounced than forecast in the summer due to a smaller than expected fall in the second quarter (see Graph I.2.12). [34]

Graph I.2.12: **Change in GDP levels between 2019-Q4 and 2020-Q2**



Over the first half of 2020, all Member States recorded declines and 24 Member States fell into technical recession [35]. While most reported economic contractions are in the range of 10-15% of GDP since the last quarter of 2019, the economic cost of the pandemic is also highly asymmetric. Among the six largest Member States, Spain (about 22%), France (18 ¾%), and Italy (17 ¾%) saw larger declines than Germany (11 ½%), the Netherlands (9 ¾%), and Poland (9 ¼%). The size of the contraction across countries reflects the stringency of virus containment measures but also the weight of those sectors most exposed to the risk of infections due

[33] Defined as two consecutive quarters of falling GDP.

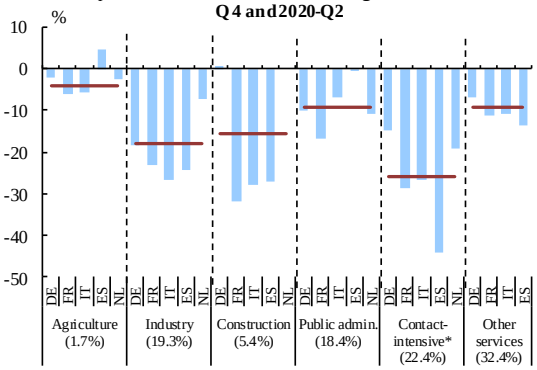
[34] In the summer interim forecast (published 7 July), GDP was projected to fall in the second quarter by 13.6% in the euro area.

[35] Difficulties in the collection of data are affecting the quality of national accounts and different procedures for handling these difficulties hamper the cross-country comparability of data. See Eurostat (2020). 'Impact of the COVID-19 outbreak on national accounts'. 31 July.

to higher intensity of personal interactions (e.g. the tourism sector [36]).

The sources of weakness in the first half of the year are further brought to light by both sector and expenditure breakdowns (see Graphs I.2.13 and I.2.14). Unlike in past recessions, the largest hit to output was recorded in contact-intensive sectors [37] (about -26%), rather than in goods-producing sectors such as industry (-17 ¾%) and construction (-15 ½%). This is in stark contrast with public administration activities [38], as well as other service sector activities, which registered a smaller contraction of gross value added (both around -9%).

Graph I.2.13: **Gross value added, change between 2019-Q4 and 2020-Q2**



Note: *Wholesale and retail trade, transport, accommodation and food service activities; arts, entertainment and recreation. Red line for euro area average. Figures in brackets are the weight of the sector in euro area total GVA.

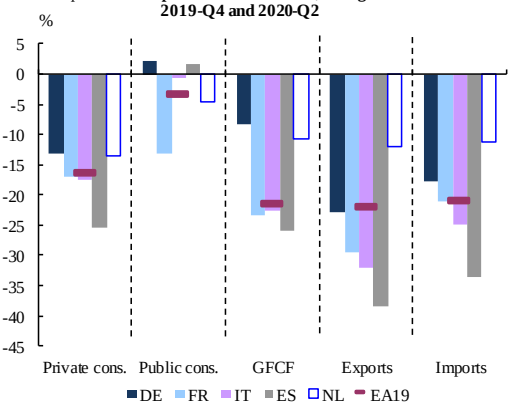
There were also pronounced differences across expenditure components, even if all of them posted a downfall compared to the last quarter of 2019. In the euro area, the largest fall in the second quarter was recorded by exports (-21.9%) reflecting severe restrictions to cross border flows. This was followed closely by gross fixed capital formation (-21.3%), with private consumption also showing a significant hit (-16.3%). Government consumption showed greater resilience, falling much more modestly (-3.2%), and posting a countercyclical uptick in eleven euro area countries, most notably in Germany and Spain.

[36] For a detailed analysis of recent and near-term developments in the tourism sector, please see Special Topic I.3.3 'Tourism in pandemic times: an analysis using real-time big data'.

[37] Which groups together arts, entertainment and recreation as well as wholesale and retail trade, transport, accommodation and food service activities.

[38] Public administration, defence, education, human health and social work activities.

Graph I.2.14: **Expenditure breakdown, change between 2019-Q4 and 2020-Q2**



…hard data suggest a rebound started in May but began to lose steam at the end of the third quarter…

After the steep contraction in April, the month when lockdown measures were most strict, monthly data for industrial production, retail sales and construction show that a strong economic recovery started to take hold.

Between April and June, euro area *retail trade* was up by 27% after having fallen by 21% from February to April, and thus fully returned to its pre-crisis level. Following some retrenchment in July, partially related to the postponement of the summer sales season in many countries, retail volumes continued their rebound in August. As a result, euro area retail trade volumes were about 10% above their second quarter reading (see Graph I.2.15).

Significant country and sector differences remain. By August, sales surpassed their pre-pandemic levels in Germany, France and the Netherlands but remained below in Italy and to a greater extent in Spain. While sales of food, beverages and tobacco are already higher than earlier in the year, those of textiles, clothing and footwear are still about 10% lower. Despite the sharp rebound in retail trade, it has to be noted that retail purchases in previous years accounted for only about half of total household spending. The recovery in leisure activities and consumer-facing services appears to lag behind.

Table I.2.3:

Composition of growth - Euro area

(Real annual percentage change)

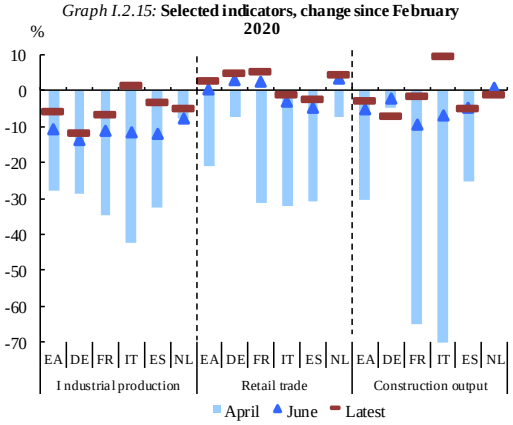
	2019			2015	2016	2017	2018	2019	Autumn 2020 forecast 2020	2021	2022
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		6378.0	53.4	1.9	2.0	1.8	1.5	1.3	-8.7	4.3	3.3
Public consumption		2453.9	20.6	1.3	1.9	1.1	1.2	1.9	1.9	2.3	1.0
Gross fixed capital formation		2624.3	22.0	4.7	4.0	3.8	3.2	5.8	-11.2	6.1	4.2
Change in stocks as % of GDP		33.7	0.3	0.5	0.4	0.7	0.8	0.3	0.2	0.1	0.1
Exports of goods and services		5755.6	48.2	6.6	2.9	5.5	3.6	2.5	-11.5	6.2	4.7
Final demand		17245.5	144.5	3.7	2.6	3.4	2.4	2.1	-8.5	4.7	3.5
Imports of goods and services		5312.2	44.5	7.7	4.2	5.2	3.7	3.9	-10.1	6.0	4.7
GDP		11935.4	100.0	2.0	1.9	2.6	1.9	1.3	-7.8	4.2	3.0
GNI		11994.0	100.5	1.7	2.1	2.7	2.0	1.2	-7.8	4.1	3.0
p.m. GDP EU		13963.5	117.0	2.3	2.0	2.8	2.1	1.5	-7.4	4.1	3.0
				Contribution to change in GDP							
Private consumption				1.0	1.1	1.0	0.8	0.7	-4.6	2.2	1.7
Public consumption				0.3	0.4	0.2	0.2	0.4	0.4	0.5	0.2
Investment				0.9	0.8	0.8	0.7	1.2	-2.5	1.3	0.9
Inventories				0.0	0.0	0.2	0.1	-0.5	-0.1	-0.1	-0.1
Exports				3.0	1.4	2.5	1.7	1.2	-5.5	2.8	2.1
Final demand				5.2	3.6	4.8	3.5	3.0	-12.3	6.7	4.9
Imports (minus)				3.2	1.8	2.1	1.6	1.7	-4.5	2.5	2.0
Net exports				-0.2	-0.4	0.4	0.1	-0.5	-1.1	0.3	0.2

A recovery in euro area *industrial production* is also underway but still incomplete. In May and June, *industrial production* rose by 23%, after a cumulative drop of 27 ½% during the two preceding months. Despite further increases in July and August, industrial production was still about 6% lower than in February. There is large heterogeneity in the performance of different sectors. For example, production is already at or above its January levels in the manufacture of textiles and furniture but remains about 20% lower for motor vehicles, trailers and semi-trailers. (39)

Similarly, production in construction is recovering some of its lost ground. After falling by 31% between February and April, output increased by 36 ½% in the subsequent three months. Among the largest euro area countries, construction in Germany and the Netherlands was mostly sheltered from the first shockwaves of the pandemic, in contrast with Italy and France, where construction output fell by around 65%. Since then, however, construction activity has fully recovered in Italy, but remains significantly lower in Spain and France.

(39) Looking at its breakdown by sector (2-digit NACE), only 4 sectors out of 30 managed to pull through with increased output since January.

Graph I.2.15: **Selected indicators, change since February 2020**



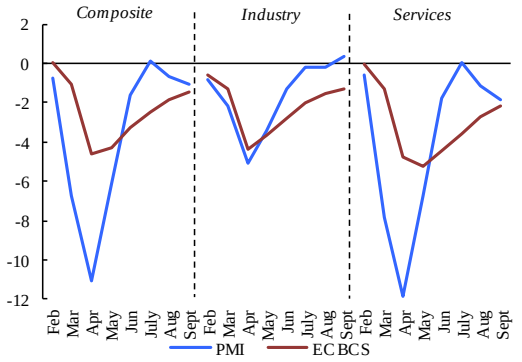
…and surveys confirm a slowing momentum in recent months…

Having levelled out recently, surveys offer a cautionary tale. The resurgence of infections between August and October triggered renewed tightening of restrictions, even though not to the extent seen in spring.

Markit's Purchasing Managers Composite Output Index (PMI) declined from 54.9 in July to 51.9 in August and 50.4 in September on the back of a deterioration in the *Service Business Activity Index* (see Graph I.2.16). While the latter declined to a four-month low and moved back in contractionary territory, the *Manufacturing PMI Index* picked up further to 53.7, its highest level in two years. This

makes the case for a two-speed recovery with a fast rebound in goods but a sluggish rebound in services.

Graph I.2.16: **ESI and PMI, euro area**



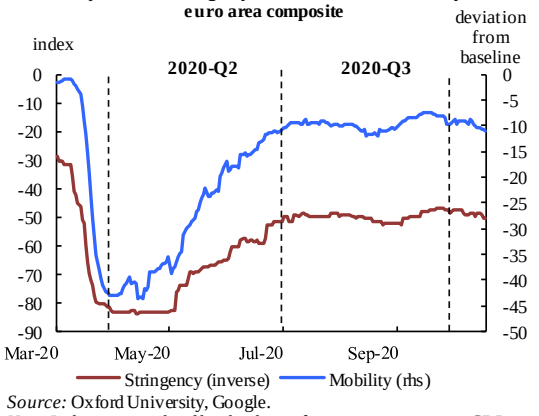
Note: Standardised data based on 2000-'07 sample.

The Commission's *Economic Sentiment Indicator* (ESI) reached 91.1 points in September (up from 64.9 in April), thus recovering about 70% of its losses since the start of the pandemic. While increasing for a fifth month in a row, the diminishing monthly increases since July suggest that the recovery may be slowing. While September's reading showed another strong bounce in service sector confidence, it remains far below February levels. The plateauing of production expectations (manufacturing industry) together with the waning of selling-price and demand expectations (services) since July signal enduring demand weakness. Countries have by now recovered between 55% (Spain) and 80% (Germany) of the confidence lost during the lockdown.

...which extends into the fourth quarter according to alternative data.

These survey readings are mirrored by the plateauing of high-frequency data [40], which have also lost some steam in their upswing. Since July, euro area *mobility patterns* [41] have only slightly improved. In September, average mobility was down by about 8 ½% compared to the reference period, after around -10% in both July and August. [42] In October, in light of renewed restrictions and a surge in infections, recent gains started to reverse, with average mobility starting to decline. This picture is broadly coherent with recent developments in the Oxford *stringency index* [43] (see Graph I.2.17).

Graph I.2.17: **Stringency of restrictions and mobility, euro area composite**



Source: Oxford University, Google.
Note: Indicators weighted by the share of countries in euro area GDP.

Other real time indicators paint a similar picture. By mid-July, German *truck toll activity* [44] was already tracking closely its level over the same period of 2019, but has since failed to gain further momentum. *Road traffic* [45] in France, Italy and Spain broadly flattened over July and September, stopping short of a full recovery. More recently, road traffic in both France and Italy has increased somewhat and now stands around 10% below its values for the same period of last year. The recovery in air traffic started with a delay, moving in tandem with the easing of cross-border restrictions to mobility. This uptick, however, still

[40] High-frequency data have provided information which is available more quickly than traditional cyclical data, allowing for an early estimate of the magnitude of the shock, as well as monitoring the gradual resumption in activity. See Castelletti, B., Delorme, M., Diev, P., Kalantzis, Y., Lalliard, A., and Mogliani, M. (2020). 'Covid-19 and monitoring economic activity: the contribution of high-frequency data'. Banque de France *Eco Notepad*. 28 July.

[41] Composite index based on Google Community Mobility Reports that tracks movement trends over time compared to the base period (for each day of the week, the median between 3 January and 6 February). The euro area index is the GDP-weighted average of 17 countries.

[42] Going forward however, the signalling strength of this indicator might change. We may enter into a "new normal", as an increased share of the population works from home. In this case, a stall in the "at home" and "at work" mobility statistics would not necessarily indicate a stall in the recovery as it would be the side effect of a behavioural adjustment.

[43] As reported by Oxford COVID-19 Government Response Tracker, which collects publicly available information on 17 indicators of government responses.

[44] Truck toll activity data, published by Destatis, captures the evolution of transport services and offers insights into the performance of country's industrial activity.

[45] Weekly traffic performance data published by Atlantia S.p.A. for a restricted number of Member States in which the Group operates.

Table I.2.4:

Composition of growth - EU

(Real annual percentage change)

	2019			2015	2016	2017	2018	2019	Autumn 2020 forecast 2020	2021	2022
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		7472.0	53.5	2.1	2.2	2.2	1.8	1.6	**-8.2**	**4.2**	**3.4**
Public consumption		2899.2	20.8	1.4	1.9	1.1	1.3	2.0	**2.1**	**2.3**	**0.9**
Gross fixed capital formation		3102.0	22.2	5.0	3.3	4.1	3.5	5.7	**-10.3**	**5.6**	**4.2**
Change in stocks as % of GDP		49.9	0.4	0.5	0.5	0.8	0.9	0.4	**0.2**	**0.1**	**0.1**
Exports of goods and services		6937.7	49.7	6.6	3.4	5.7	3.8	2.7	**-11.3**	**6.2**	**4.8**
Final demand		20461.1	146.5	3.8	2.8	3.6	2.7	2.3	**-8.2**	**4.7**	**3.6**
Imports of goods and services		6417.1	46.0	7.5	4.5	5.6	4.1	3.8	**-10.0**	**6.1**	**4.9**
GDP		13963.5	100.0	2.3	2.0	2.8	2.1	1.5	**-7.4**	**4.1**	**3.0**
GNI		14000.7	100.3	1.9	2.2	2.9	2.2	1.5	**-7.3**	**4.0**	**3.0**
p.m. GDP euro area		11935.4	85.5	2.0	1.9	2.6	1.9	1.3	**-7.8**	**4.2**	**3.0**
				Contribution to change in GDP							
Private consumption				1.2	1.2	1.2	1.0	0.9	**-4.3**	**2.2**	**1.8**
Public consumption				0.3	0.4	0.2	0.3	0.4	**0.4**	**0.5**	**0.2**
Investment				1.0	0.7	0.8	0.7	1.2	**-2.3**	**1.2**	**0.9**
Inventories				0.0	0.0	0.3	0.1	-0.5	**-0.2**	**-0.1**	**0.0**
Exports				3.0	1.6	2.7	1.8	1.3	**-5.6**	**2.8**	**2.2**
Final demand				5.5	3.9	5.2	3.9	3.3	**-11.9**	**6.7**	**5.1**
Imports (minus)				3.2	1.9	2.4	1.8	1.7	**-4.5**	**2.6**	**2.1**
Net exports				-0.1	-0.3	0.3	0.0	-0.4	**-1.0**	**0.2**	**0.1**

left *air flights* [46] at about half of their level in 2019, and has since partly reversed in both September and October.

Along the same lines, *electricity consumption* [47] increased stepwise between May and August but fell back to some extent in September and October to about -1% (y-o-y), compared to around -½% in August, -6% in July and -9% in June. *Pollution levels* in the EU [48] increased stepwise between May and September but fell back significantly in the first three weeks of October to about 10% below its level for the same period in 2019. Finally, Citigroup's *economic surprise index* recorded significant positive surprises until mid-August, when it reached an historical high, but has since largely retrenched.

All in all, these indicators support the expectation of strong GDP growth in the third quarter but also signal consistently a weakening of momentum between August and end-September and some reduction in activity between then and mid-October.

After hitting the brakes at the end of the year…

Following the recession during the first half of 2020, euro area GDP is expected to grow by about 10.1% (q-o-q) in the third quarter. Still, this only partially reverses the downturn recorded in the two preceding quarters. The recovery is expected to come to a temporary halt as new restrictions to contain a second wave of infections drag activity down again.

As a result, GDP in the fourth quarter is expected to fall by 0.1% quarter-on-quarter in the euro area and to remain broadly unchanged in the EU. Output is projected to contract in 10 Member States, particularly in Ireland (-1.1%), France (-1.0%) and Belgium (-0.7%). The impact of the renewed restrictions, however, is expected to be more contained than in the first wave. This can be linked to i) companies and employees being better prepared for and experienced in remote working conditions; ii) schools and kindergartens remaining open in most countries, thus avoiding absenteeism due to family care reasons; iii) the smaller number

(46) Statistics from Official Aviation Guide for Germany, France, Italy and Spain, which has been tracking the change in the number of global flights and flights departing from various countries since January 2020 compared to the same period in the previous year.

(47) Consumption data from the European Network of Transmission System Operators for Electricity. It is adjusted for temperature fluctuations (as published by NOAA).

(48) Measured as the average weekly nitrogen dioxide (NO2) concentrations, as published by the European Environment Agency. Calculations consider the median reading across all station types and about 500 cities in the EU.

of sectors affected, as most shops have been allowed to remain open and industry and construction activities have been largely allowed to operate. Cumulatively, both the EU and euro area GDP are expected to close 2020 about 6 ½% below where it was one year before.

Looking further ahead, the speed of the recovery remains contingent on the success of these more targeted constraints to individual behaviour in containing the pandemic. While growth momentum is set to be limited in the first quarter of 2021 also due to the impact of the less beneficial trading relations between the UK and the EU, the adjustment of consumers and companies to the new COVID-19 environment, together with substantial monetary and fiscal policy support, is expected to propel the rise in activity.

…pent-up demand and government support drive the recovery...

Following an initial burst of pent-up demand, private consumption growth is set to moderate. Considerable uncertainty about job and income prospects are likely to result in elevated precautionary savings for some time, as consumers remain reluctant to make major purchases. Still, household incomes are expected to continue bolstering demand, as employment growth resumes and inflation remains subdued.

The large degree of uncertainty, spare capacity and risk aversion are expected to continue dampening the speed and momentum of the rebound [(49)] in investment. Changes in demand patterns will require adjustments in business models [(50)] and production structures [(51)], with firms likely to wait until the outlook becomes clearer. Parts of the corporate sector will also be left with larger debt burdens, with distressed firms likely to sell assets, reduce investment and employment. [(52)] Nevertheless, as expectations brighten, strains on profit margins diminish and capacity utilisation builds up, investment growth should pick up speed, also supported by a step up in public investment and other support schemes, including at the EU level.

In line with the expected recovery in major trading partners, export growth is set to gain some traction. Prospects, however, remain muted, especially in the services sector, where lost output is unlikely to be fully recouped in the years covered by this forecast. Trade tensions and heightened uncertainty add to these challenges. The assumed move to WTO MFN rules for trade between the EU and the UK as of 2021 is another factor expected to dampen trade in goods and services.

All in all, under the set of assumptions and developments described before, the euro area economy is now forecast to contract by about 7 ¾% in 2020 (compared to -8 ¾% as forecast in the summer), a significantly worse performance than the 4.5% drop in GDP recorded during the global financial crisis in 2009. Boosted by a positive carry-over into the year, and helped by a pick-up in momentum starting the first half of the year, growth is now forecast to settle at 4 ¼% in 2021 (compared to around 6% in the summer forecast). As the shock related to the pandemic wears off, and with the euro area continuing to struggle from a number of 'pre-existing conditions' such as a trend decline in productivity and unfavourable demographic developments [(53)], real GDP is projected to grow by around 3% on average in 2022. As a result, GDP in the euro area and the EU are expected to barely recover at the end of the forecast horizon (see Graph I.2.18).

(49) On the sources of uncertainty surrounding the pandemic, how such uncertainty has evolved in the euro area and estimates of its likely impact real economic activity see Gieseck, A. and Rujin, S. (2020). 'The impact of the recent spike in uncertainty on economic activity in the euro area'. ECB *Economic Bulletin* 6, Box 4. September.

(50) The COVID-19 pandemic is expected to lead to significant sectoral reallocations that could slow the recovery, as some of the changes in consumption and production patterns are likely to persist. See Barrero, J. M., Bloom, N., Davis, S. J. (2020). 'COVID-19 is also a reallocation shock'. NBER *Working Paper* 27137, May.

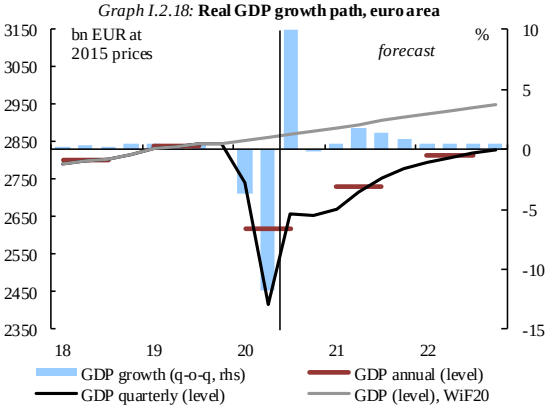
(51) A push to repatriate supply chains may increase investment in the near-term but dampen productivity and thus longterm- growth. Lower diversification of sourcing and sales results in domestic markets having to shoulder more of the adjustments to shocks, and in greater variability of incomes. On 'reshoring' see Van Tongeren, F. (2020). 'Shocks, risks and global value chains in a COVID-19 world'. OECD *Ecoscope Blog*, 25 August.

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

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

To project the path ahead for the European economy, this forecast relies on a number of significant assumptions around the *evolution of the pandemic*, but also the *size and type of policy support* including the Next Generation EU/Recovery and Resilience Facility (NGEU/RRF) (for a detailed description see Chapter 1). Furthermore, given the end of the transition period at the end of December 2020, the change in assumptions regarding the future *trade relationship between the EU and the UK* is also of high prominence. This shift implies a much less beneficial trade relationship, which includes the application of tariffs and quotas as well as non-tariff barriers, which will entail an economic cost for both the UK and the EU (see Box I.4.2). As in the spring and summer forecasts, a scenario analysis is presented, which aims to cast light on alternative paths for some of the assumptions discussed above, particularly regarding the course of the pandemic and the stringency of government measures (see Special Topic I.3.1 'The road out of the crisis remains bumpy and uncertain').

Graph I.2.18: **Real GDP growth path, euro area**



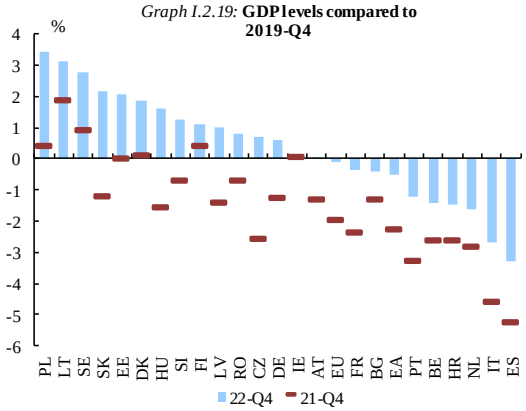
Note: WiF20 for 2022 extrapolated from quarterly growth over 2021.

Domestic demand is expected to detract about 6 ½ pps. from growth this year before becoming the key growth driver in 2021 (4 pps.) and 2022 (3 pps.). The negative contribution from net trade in 2020 (around 1 pps.), is expected to be marginal in relation to that of domestic demand and should turn slightly positive afterwards (¼ pps).

…with countries recovering at different speeds.

Data for the first half of the year shows that some countries suffered a far greater loss in output than others. The pace of recovery is expected to be similarly asymmetric, as reflected in the wide dispersion of recovery paths (see Graph I.2.19). In addition to different severities of the pandemic shock and the ensuing stringency of containment measures, the speed of recovery reflects differences in the structure of each economy, particularly the relative importance of tourism and leisure activities; as well as the magnitude and effectiveness of policy responses.

Graph I.2.19: **GDP levels compared to 2019-Q4**



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

While many Member States are expected to see the distance to their pre-crisis output levels (2019-Q4) closed in the last quarter of 2022, almost as many are forecast to lag behind. This is particularly the case in Spain (-3 ¼%), Italy (-2 ¾%), the Netherlands, Croatia and Belgium (all -1 ½%), as well as Portugal (-1 ¼%). Still, this does not take into account that without the pandemic, all Member States were looking at positive growth rates throughout 2020 and 2022 that would have resulted in GDP levels at the end of 2022 well above those now expected.

Private consumption hit the brakes early on…

Consumer spending has been heavily disrupted by the curtailment of economic and social activity. After declining by 4.5% in the first quarter, private consumption in the euro area fell a further 12.4% in the second, bringing its cumulative fall in the first half of 2020 to about 16% compared to last quarter of 2019. The breakdown of consumer expenditure data available for a number of Member States shows that the cutback in durable goods [54] (-22 ½%) was close to that of services (-20 ½%) but much larger than in expenditure on non-durable goods (-3 ½%) which are more essential to every day life (see Graph I.2.20).

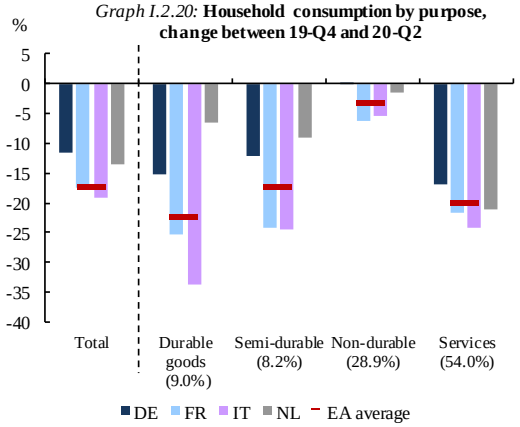
[54] On the definition, scope and availability of such data see Casalis, A. and Krustev, G. (2020). 'Consumption of durable goods in the euro area'. ECB *Economic Bulletin* 5, Article 1. July.

Differences across countries appear related to differences in the scale and stringency of containment measures as well as to the exposure to tourism and contact-intensive services such as restaurants, hotels and transport activities. All in all, the fall in consumer spending in the largest euro area countries ranged from 25 ¼% in Spain, around 17 ½% in Italy, 17% in France and 13 ¼% in Germany in the first half of the year.

Many households have been emotionally and financially distressed by the pandemic, as the risk of unemployment and income losses rose and as 'economic anxiety' increased.[55] After recording its deepest contraction on record in April and trailing close to its historic lows, the Commission's *consumer confidence indicator* has started to recover. Improvements over the third quarter, however, were very moderate. By September, consumer confidence had recovered just over half of the 15.4-point decline during the lockdown period. Already in October, the Commission's *flash consumer confidence* for the euro area declined to its lowest in five months as consumers turned more pessimistic about the economic outlook again. It has been shown that consumers who have experienced times of high job insecurity exhibit persistent pessimism about their future financial situation and spend significantly less, controlling for the standard life-cycle consumption factors.[56] Household confidence is thus likely to remain dampened by lingering uncertainty, which will weigh on consumption well beyond the short term.

The detailed breakdown of consumer survey results shows that demand for consumer goods has failed to show a substantial improvement. Consumers' *intentions to save* over the next 12 months reached an all-time high in September and their assessment of *savings at present* remains elevated. Similarly, *household deposits* in August were growing (year-on-year) at rates close to their highest since 2009. Notwithstanding the piling-up of savings, consumers' *intentions to make major purchases* over the next 12 months appear to have settled about halfway between their trough and pre-pandemic levels. Similarly, among retail firms, *business activity expectations* for the next three months rebounded between May and July but have since deteriorated and remain at levels last seen in mid-2013. A similar picture emerges from the *production expectations* of consumer goods producers.

Graph I.2.20: **Household consumption by purpose, change between 19-Q4 and 20-Q2**



Note: Figures in brackets show the share in households' consumption.

…but sheltered household incomes and high savings provide the basis for a strong recovery.

Despite being protected by government measures, aggregate labour income is set to decrease this year as many companies defer decisions about employing new staff, reduce working hours or staff numbers. Some segments of the workforce are likely to be affected more than others[57], with the incomes of lower-wage earners and younger cohorts showing larger vulnerability to downturns.[58] All in all, both non-labour and labour incomes are expected to drag disposable incomes to a similar degree in 2020, while turning supportive again in both 2021 and 2022. In contrast, after sheltering incomes to a great extent, the unwinding of a number of income-support measures enacted at the height of the crisis is set to result in negative contributions from net transfers,

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

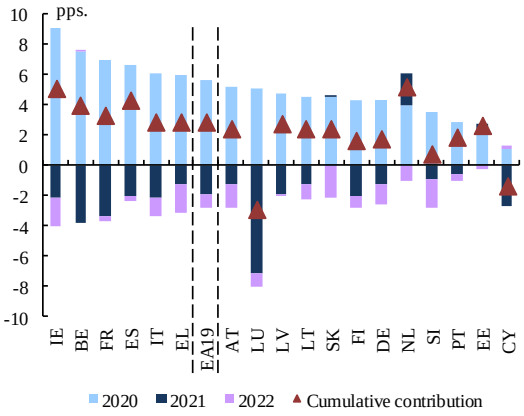
(56) See Benhabib, J., Shapiro, B., and M. M. Spiegel (2018). 'How persistent are the effects of sentiment shocks'. Federal Reserve Bank of San Francisco *Economic Letter* 22 October.

(57) Crises have unequal impacts across different segments of society. That is a function of demographic characteristics (e.g. such as age and education levels), type of job (e.g. 'essential', 'social' and 'teleworkable'), as well as the wage distribution. See Shibata, I. (2020). 'The distributional impact of recessions: the Global Financial Crisis and the Pandemic Recession'. IMF *Working Paper* 96, June.

(58) This is also relevant for households at the lower end of the income distribution that have a lower capacity to smooth consumption spending are also more likely to be credit constrained. Dossche, M. and J. Hartwig (2019). 'Household income risk over the business cycle'. ECB *Economic Bulletin* 6, pp. 58-64.

taxes and contributions over 2021 and 2022 (see Graph I.2.21).

Graph I.2.21: **Net taxes, social contributions and transfers, contribution to income**

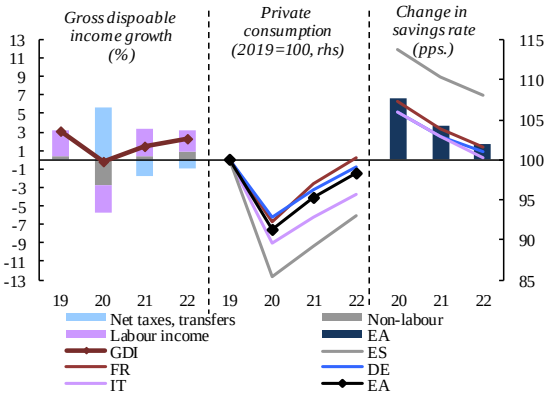


All in all, after growing by 1.7% in 2019, household real disposable income is projected to decline by around ¾% in the euro area, before bouncing back by ¼% in 2021 and 1% in 2022. The projected divergence between GDP developments and household income is explained both by the working of automatic stabilisers (e.g. lower direct taxation), and targeted government support measures, particularly short-time work schemes (see Graph I.2.22).

While households' lack of opportunity to spend on a large share of their consumption basket has led to a surge in 'forced savings'[59], the sharp adjustment in sentiment and unprecedented rise in uncertainty has set the stage for a rise in voluntary, precautionary savings. Together with foregone consumption of travel and other services and the cushioning provided by extraordinary government income support, the household saving rate reached an historically high level of 24.6% in the euro area during the second quarter of 2020, after 16.6% in the first and 12.4% the final quarter of 2019. This is both its highest rate and the largest quarterly increase on record.

The recent highs in the saving rate are expected to be partially reversed over the coming quarters, but the large wedge between private consumption and income growth is set to decline only slowly. [60] All in all, the saving rate in the euro area is forecast to pick-up strongly from 13.2% in 2019 to around 20% on average in 2020. This is its highest level since at least the creation of the Monetary Union. As social distancing is gradually eased and mobility recovers, household savings are forecast to diminish but to remain above pre-crisis levels. The saving rate is thus projected to approach 16 ¾% in 2021 and to settle at about 14 ¾% in 2022. Among the largest euro area countries, the saving rate is expected to remain strongly above its 2019 levels in Spain (around 7 pps.) and the Netherlands (3 pps.), and to a lesser extent in Germany and France (about 1 pp.).

Graph I.2.22: **Households' income, demand and savings**



After falling markedly in the first half of 2020, private consumption is expected to recover some ground in the second half of the year fuelled by pent-up demand and sizeable transfers. Still, this bounce-back is set to be only partial, and to falter in the last quarter of 2020. All in all, private consumption in the euro area is forecast to fall sharply this year by 8 ¾%.[61] Despite enduring uncertainty [62], a large stock of cumulated savings, firming sentiment, favourable financing conditions and gradually diminishing economic stress offer room for consumption to continue to strengthen. In 2021, it is forecast to grow by 4 ¼% and by 3 ¼% in 2022, as the stringency of containment measures eases gradually. In 2022, it is expected that

[59] For a quantification of the recent drivers of the euro area saving rate see Dossche, M. and Zlatanos, S. (2020). 'COVID-19 and the increase in household savings: precautionary or forced?' ECB *Economic Bulletin* 6, Box 5. September.

[60] Such painful experiences can 'scar' consumers into building higher precautionary savings for a long time See Malmendier, U. and Sheng Shen, L. (2019). 'Scarred consumption'. Board of Governors of the Federal Reserve System *International Finance Discussion Papers* No. 1259.

[61] As a reference, consumer spending fell by 1.1% in both 2009 (at the height of the global financial crisis) and in 2012 (during the euro area sovereign debt crisis).

[62] Even in the absence of government-ordered lockdowns, the fear of contagion induces voluntary social distancing. See Maloney, Williamand Temel Taskin (2020), 'Voluntary vs mandated social distancing and economic activity during COVID-19', VoxEU.org, 15 May.

household expenditure will still be lower than it was in 2019.

Surge in government consumption growth helps support the economy…

Government consumption declined considerably less than other demand components over the first half of 2020, as public employment was preserved and there was a step-up in the acquisition of intermediate goods (e.g. medical supplies). For 2020 as a whole, euro area government consumption is projected to play a stabilising role and provide a countercyclical impulse to growth, increasing by around 2%.

The stabilising role of public spending, however, has gone beyond that of government consumption. Governments have also enacted or announced a wide range of discretionary policy measures that have been complemented and strengthened by initiatives at the EU level (see Section I.2.7).

…while uncertainty clouds the recovery in investment…

During the first half of 2020, business disruptions strongly affected capital spending by businesses. Similar to the way that consumers were constrained in their opportunities to spend, companies were prevented from going through with existing spending plans in light of the sudden stop in activity. Incentives to invest were also undermined by exceptional uncertainty over the likely extent of economic damage, which reinforced a 'wait-and-see' approach. Construction investment in particular also suffered from a slump in the number of *building permits* granted, which came on top of the temporary closure of construction sites in some countries and administrative bottlenecks for processing such permits.

It was in such a context that investment (gross fixed capital formation) in the euro area contracted by 17.1% (q-o-q) in the second quarter, after declining 5.1% in the first. When compared to the last quarter of 2019, its cumulative fall stood at 21.3%, with investment in construction relatively less impacted than investment in other assets (-14.7% versus -26.2%). As a reference, euro area investment fell back to levels last seen about seven years ago at the end of 2013. Still, this slump can be considered mild relative to the sharp fall in output, as seen in the muted reaction of the investment-to-GDP ratio. [63]

Differences among the largest euro area countries were sizeable. Overall investment recorded a cumulative fall of 8.3% in Germany and 10.7% in the Netherlands, while losing about 25% in France, Italy and Spain. These differences mostly reflect investment in construction, which recorded an increase of 0.7% in Germany and a fall of 2.4% in the Netherlands, but saw declines between 26-29% in France, Italy and Spain.

Just as for overall activity, quarterly contractions hide a recovery in investment spending since May. The *production of capital goods* in industry recovered continuously between May and July, after falling between February and April. After a relatively small drop in August, it hovered at about 10% below its January level. Similar insights emerge from *new industrial orders*. Survey readings up to September from both *order books* and *production expectations* among investment goods producers moved in the same direction. Despite order book assessments remaining well below their levels in January 2020, the latter picked up strongly to their highest since January 2019.

Still, demand prospects remain subdued, which warrants some caution. The same surveys hint that demand took the place of financial constraints as a major *factor limiting production* in industry, eclipsing both equipment and labour (survey conducted in July). Furthermore, idle capacity increased sharply and heterogeneously across industries. In the third quarter, the *capacity utilisation* rate in manufacturing stood at only 72.1%, after having dived to 68.3% in the second and after 80.8% in the first (survey conducted in January). Finally, a look at *forward-looking demand for credit for investment* [64] purposes offers a benign assessment, as reported in the July 2020 ECB Bank Lending Survey (see Section I.2.2).

After a steep fall in the first half of the year, investment spending is expected to experience a

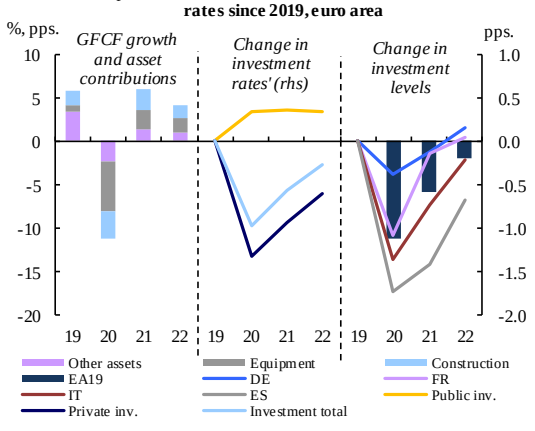
[63] Adjusted for Irish figures, it stood at 20.9% in 2020-Q2, just 0.4 pps. down from end-2014 and about the same as in 2018-Q3.

[64] See Falagiarda, M., Köhler-Ulbrich, P., Maqui, E. (2020). 'Drivers of firm's loan demand in the euro area – what has changed during the COVID-19 pandemic?'. ECB *Economic Bulletin* 5, Box 8. July.

technical rebound in the second half of 2020, fuelled by a gradual easing of bottlenecks to both supply and demand. Further down the line, a sizeable amount of remaining idle capacity in capital-intensive sectors [65], lower profitability and elevated uncertainty [66] are expected to weigh on investment intentions. Nevertheless, a highly accommodative monetary policy, increased public investment and targeted government support schemes for firms should provide some support. As economic slack slowly diminishes and the strain on company profit margins is eased, expectations should brighten and incentives to resurrect postponed investment plans should be strengthened.

Overall, after growing by 5.8% in 2019, euro area investment is forecast to collapse by about 11 ¼% this year, a fall similar to the one recorded in 2009 (-11%). It is projected to grow by close to 6 % in 2021 and a further 4 ¼% in 2022 (see Graph I.2.23). As a result, both investment and the investment rate are expected to remain below their 2019 levels. This is despite the pick-up in public investment (from 2.8% in 2019 to about 3.2% of GDP in 2021). Among the largest euro area countries, investment in 2022 is forecast to remain well below pre-crisis levels in Spain (about 7%) and Italy (2 ¼%), broadly recovering in France and the Netherlands and surpassing 2019 levels in Germany (1 ½%).

Graph I.2.23: **Investment breakdown and investment rates since 2019, euro area**



[65] Particularly in companies operating in car manufacturing, which have found its woes increased by the current crisis. This sector (C29) contributes a non-negligible share of investment in the euro area (around 4%).

[66] There is some evidence that a rise in uncertainty has a larger impact on economic activity in an environment of high uncertainty than when uncertainty is low to begin with. See Mann, C. (2020). 'Real and financial lenses to assess the economic consequences of COVID-19'. VoxEU.

…and external demand is not as buoyant as in past recoveries…

Early this year, the tightening of global financing conditions and the halt in the free movement of people and goods paved the way for a significant contraction in euro area exports. The 3.8% decline in euro area exports during the first quarter was followed by a collapse of about 18.8% in the second. This heavy toll resulted in a cumulative fall of almost 22% over the two quarters, with service exports suffering more than goods exports (-24.5% and -20.9%, respectively).

As with other demand components, the fall in exports hit some countries much harder than others. This is mostly a reflection of the sectoral specialisation of each country, particularly its exposure to services such as tourism. Available evidence on the evolution of air traffic and bookings point to a collapse of historic proportions, caused by travel bans and other constraints to mobility. Over the first half of the year, exports fell about 40% in Portugal and Spain and 30% in Greece, Italy and France. By contrast, exports fell by just 3% in Ireland and Luxembourg. In the case of goods exports, the steeper contractions among Member States were in the range of 25-30%, whereas for services these were between 50-70%.

With the contraction in imports broadly mirroring that of exports, the impact of net exports on growth in the euro area was only a fraction of the collapse in domestic output, detracting about -0.5 pps. from growth in the first quarter and -1.0 pps. in the second.

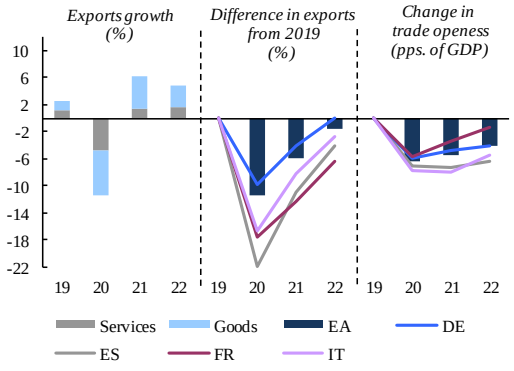
These same data show that the peak of the impact of the pandemic on euro area exports appears to be behind us. Trade in goods started to rebound in May. By July, about half of the losses since February had been recouped. This, together with signals from more up-to-date surveys, bodes well for the third quarter. While remaining well below its level earlier in the year, the *assessment of export order books* in the Commission's manufacturing survey showed improvement between July and September, after deteriorating for five months in a row. Finally. Markit's *Manufacturing PMI new export orders index* also signals a pick-up in momentum.

…with a dichotomy between goods and services persisting.

Over the year as a whole, amplified by its high integration in global supply chains [67], euro area external demand is projected to experience a sudden, severe and synchronised drop. Demand from the euro area's export markets is forecast to plummet by about 10 ½% in 2020. As heightened uncertainty, remaining trade tensions and continued restrictions to cross-border mobility add to the challenges facing a revival in demand, foreign demand for euro area goods and services is forecast to rebound only partially by around 5 ¾% in 2021 and 4 ¼% in 2022.

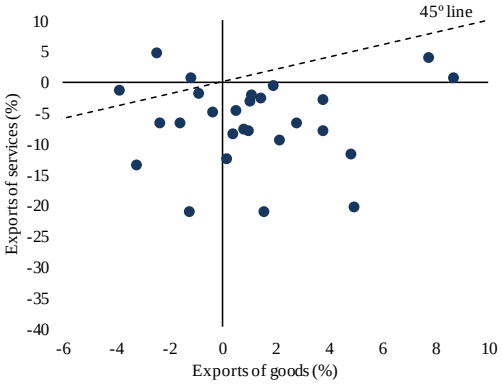
In the second half of 2020, export growth is projected to gain traction, in tandem with the recovery in major trading partners. For the year as a whole, however, the crisis is set to weigh heavily on euro area exports, which are forecast to fall by 11 ½%. A recovery will not be complete in the following two years, held back by the enduring global aftershocks of the crisis. All in all, euro area exports are projected to grow by around 6 ¼% in 2021 and further 4 ½% in 2022, thus remaining about 1 ½% below pre-pandemic levels (see Graph I.2.24).

Graph I.2.24: **Exports and external demand breakdown and trade openess**



Supported by pent-up demand, exports of goods are projected to outperform those of services. The latter will be dampened by a slow normalisation in hospitality and transportation services, as both travel restrictions and income losses in countries of origin take their toll. As a result, only 10 EU Member States are forecast to see both exports of goods and services fully returning to 2019 levels at the end of the forecast horizon. The majority are expected to see goods exports recover fully but a much weaker rebound in service exports (see Graph I.2.25).

Graph I.2.25: **Exports levels in 2022 compared to 2019, EU Member States**



Euro area imports of goods and services are projected to fall by 10% in 2020, markedly more than the 8 ½% drop in final demand, as components with the highest import content take the greatest hit (e.g. durable and investment goods). This decline in import penetration is, however, expected to be reversed in both 2021 and 2022, with imports rising by about 6% and 4 ¾%, respectively. In contrast, trade openness [68] as a whole is expected to remain well below pre-crisis levels (see Graph I.2.24).

2.4. LABOUR MARKET

The outbreak of the COVID-19 pandemic in March this year has put EU labour markets under severe strain. Ambitious policy measures put in place in all Member States, supported by the new EU instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), have so far cushioned the impact of the crisis on workers and labour incomes. However, a significant deterioration in the labour market situation is already visible in many indicators and vulnerabilities cast a shadow over the outlook.

Labour markets impacted less than GDP during the peak of the crisis…

The decline in headcount employment recorded in the first half of the year was much more contained

[67] For an assessment of the economic effects of the pandemic through GVCs and a quantification of spillovers see Cigna, S., and Quaglietti, L. (2020). 'The great trade collapse of 2020 and the amplification role of global value chains'. ECB *Economic Bulletin* 5, Box 2. July.

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

than the drop in economic activity, but nonetheless unprecedented, at 3% in the EU and 3.2% in the euro area. Similarly, the fall in employment only partially fed through to an increase in unemployment, as labour market participation also decreased. In the euro area, the unemployment rate rose from 7.2% in February to 7.7% by the end of the second quarter, remaining below its long term average. This contrasts with the situation observed in the United States, where unemployment increased sizably and rapidly before recovering partially as economic activity resumed.[69]

… but many workers continue to rely on policy support measures

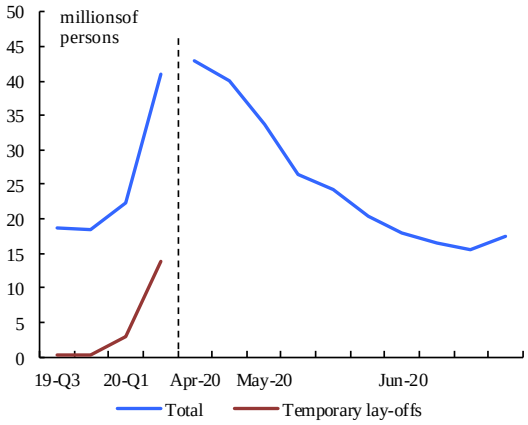
So far, the brunt of the employment adjustment has been borne by the most vulnerable categories of workers, such as those on temporary contracts, for whom furlough schemes did not apply. Unsurprisingly, employment losses have been largest in countries such as Spain where the share of temporary contracts is highest. By contrast, many employees on stable contracts are benefitting from policy support schemes. These notably include short-time work (STW) schemes and in some cases bans on lay-offs (e.g. Italy). Workers also indirectly benefit from support provided to businesses, like liquidity support and insolvency relief measures. Short-time work schemes allow firms undergoing temporary economic difficulties to keep workers on their payroll, thanks to compensation from the government in the form of wage subsidies or social transfers. These schemes have so far helped to avoid mass lay-offs and large income losses. According to national estimates, the cumulative take-up at the euro area level peaked at between 20% and 25% of total employment in the second quarter. Data for the largest euro area Member States point to an average of 8% of workers still using STW schemes during the summer period, for a total of furloughed hours close to 4% of pre-crisis level.[70] These estimates are roughly consistent with euro area economic output of about 7% below pre-crisis level in in the third quarter of this year.

Hours worked in the first half of the year fell much more abruptly than headcount employment (-12.8% in the euro area, -10.7% in the EU), highlighting the impact of various job-retention work schemes that keep employees attached to their jobs.

Employment is vulnerable to further losses…

The economic rebound that started in early May allowed workers to return to work progressively, as suggested by the decline in absences from work (see Graph I.2.26). However, the pace of job creation is currently significantly slower than it was before the crisis and very different across countries.[71] This comes as an early sign of the challenges to come.

Graph I.2.26: **Absence from work, EU**



Employment expectations reported in the Commission's surveys (see Graph I.2.27) have been steadily increasing in all sectors, as the containment measures were gradually eased.[72] However, employment expectations are still markedly below February levels, by 4.5 points for manufacturing and 10.7 points for services while consumers' unemployment expectations seems to have hardly recovered at all (see Graph I.2.27).

Moreover, many workers and firms are still reliant on policy support schemes. As these schemes are withdrawn, many jobs may become at risk if the economic recovery does not take firm hold. Short-time work schemes have been already extended in

(69) US unemployment rate jumped from 3.5% in February to 14.7% in April before gradually declining and reaching 7.9% in September, still more than double the pre-crisis level.

(70) This suggests that the 8% of workers still on STW schemes are on average working half time.

(71) While new hires have returned to pre-crisis levels in France, they are still half way from pre-crisis levels in Spain.

(72) However, at the same time the ECB warned that "surveys suggested that employment was lagging output, with actual and expected declines in employment and income, amid precautionary household saving, weighing on consumer spending", as Philip Lane said (quote from ECB Accounts of the Monetary Policy Meeting on 15-16 July).

Table I.2.5:

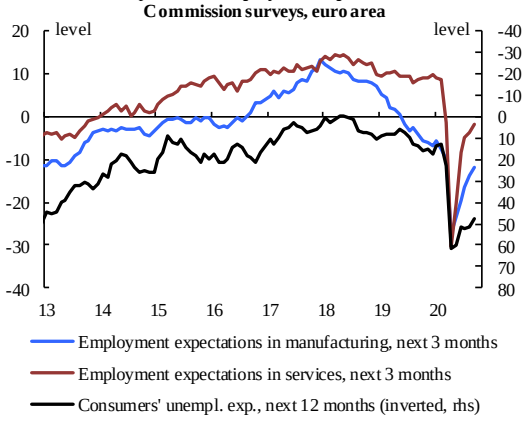
Labour market outlook - euro area and EU

(Annual percentage change)	Euro area						EU					
	Autumn 2020 forecast				*Spring 2020 forecast*		Autumn 2020 forecast				*Spring 2020 forecast*	
	2019	2020	2021	2022	2020	2021	2019	2020	2021	2022	2020	2021
Population of working age (15-64)	0.2	**0.1**	**0.1**	**0.1**	*0.2*	*0.2*	0.1	**0.0**	**0.1**	**0.0**	*0.1*	*0.1*
Labour force	0.5	**-0.9**	**0.9**	**0.4**	*0.1*	*0.4*	0.4	**-0.8**	**0.7**	**0.4**	*0.1*	*0.3*
Employment	1.1	**-5.3**	**2.5**	**1.6**	*-4.7*	*3.9*	0.9	**-4.5**	**1.8**	**1.6**	*-4.4*	*3.3*
Employment (change in million)	1.7	**-8.2**	**3.7**	**2.4**	*-7.2*	*5.7*	1.9	**-9.2**	**3.4**	**3.0**	*-8.9*	*6.3*
Unemployment (levels in millions)	12.4	**13.8**	**15.6**	**14.8**	*16.0*	*14.4*	14.4	**16.3**	**18.5**	**17.3**	*19.6*	*17.3*
Unemployment rate (% of labour force)	7.5	**8.3**	**9.4**	**8.9**	*9.6*	*8.6*	6.7	**7.7**	**8.6**	**8.0**	*9.0*	*7.9*
Labour productivity, whole economy	0.1	**-2.7**	**1.6**	**1.3**	*-3.2*	*2.4*	0.6	**-3.0**	**2.3**	**1.4**	*-3.2*	*2.7*
Employment rate (a)	62.8	**61.6**	**61.4**	**61.9**	*61.2*	*61.9*	62.2	**61.0**	**60.9**	**61.5**	*60.6*	*61.4*

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

a number of countries, though often under stricter conditionality or less generous terms. In view of the latest developments in the pandemic, a further extension of these policies into 2021 is under discussion in most Member States. However, it is expected that these schemes will be discontinued in 2021.

Graph I.2.27: **Employment expectations, Commission surveys, euro area**



Overall, labour market developments are set to lag developments in economic activity even more than usual due to the impact of policy support schemes. For the whole of 2020, total headcount employment is expected to decline by 1.8% this year in the euro area and the EU. For 2021, hours worked are expected to recover more quickly than headcount employment, [73] with the latter actually expected to decline slightly (-0.2%), as the expiry of policy support schemes will entail job losses that will not be not fully offset by the increase in labour demand generated by the recovery. Employment should grow by a more solid 1% in 2022.

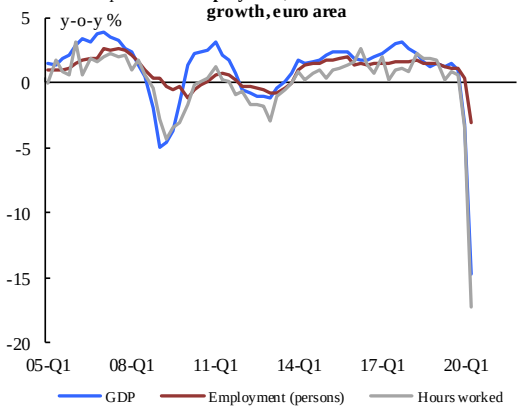
The COVID-19 crisis could leave deeper and longer-lasting scars on the labour market, which represent risks to the forecast. These include hysteresis effects where fewer employees would be able to return to their jobs, and skill gaps that could hinder the required occupational mobility.

…while the effect on productivity is uncertain for the moment…

The measure of productivity as output per head, while informative at macroeconomic level, has been largely affected by policy measures that allowed to maintain the workforce while output dropped. The productivity measured as output per hour worked seems a more appropriate measure of the efficiency at corporate level and has actually increased as hours dropped more than GDP in the second quarter (see Graph I.2.28).

[73] The figures presented in the table 23 of the statistical annex show a 2.5% gain in employment in 2021 for the euro area after a decline of 5.3% in 2020. However, these figures refer to full time equivalent employment (FTE) for some countries, a concept closer to the amount of hours worked, and therefore more volatile. Considering headcount numbers for all countries (see table 24 for countries referring to FTE in table 23), employment in the euro area is expected to decline by 1.8% this year and by 0.2% in 2021 and rise by 1.0% in 2022.

Graph I.2.28: **Employment, hours worked and GDP growth, euro area**



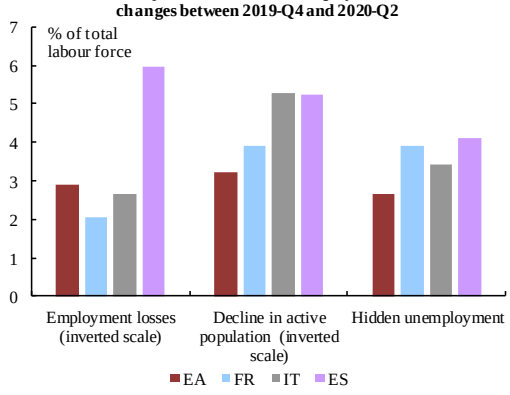
This could be due to the fact that the services sector, which tends to record low productivity, has been hit most by the crisis, while teleworking allowed higher skilled workers to continue working during the lockdown.[74] However, productivity during this period is difficult to estimate at this stage because a number of uncertainties regarding the use of short-time work schemes still blur the picture. The hours of work declared under these schemes may be lower than the actual number of hours worked while some workers not using these schemes may have actually worked fewer hours than they did before the pandemic. There is also evidence that some firms have been using short-time work schemes without actually experiencing a decline in output. In such cases it is difficult to say whether this is due to an undue use of these measures aimed at lowering costs or a real gain in productivity. Looking ahead, new social distancing measures may undermine productivity in sectors involving social contacts while productivity gains may be confirmed in other more dynamic sectors where productivity is already high.

…and the unemployment rate is set to rise further.

Mobility restrictions during the lock-down have pushed many unemployed out of the labour force, as they could no longer comply with the necessary requirements to be defined as unemployed. Many were not looking for a job during this period as they could not take up a position within two weeks but were willing to work. This change in labour participation affects the relationship between employment and the unemployment rate. In particular, the decline in the labour participation rate masks the employment losses in the unemployment statistics.

Graph I.2.29 shows that employment losses in the euro area during the second quarter have been accompanied by an even larger decline in the active population. This means that most workers who lost their jobs together with a number of previously unemployed have quit the labour force during the first half of this year. This statistical issue was particularly present in Italy and France. Without this phenomenon i.e. assuming an unchanged active population since 2019-Q4, an additional 2.7 pps. would be added to the headline unemployment figure for the euro area at the end of the second quarter, leading to an unemployment rate of 10.5% in the euro area, 10.5% in France, 12.9% in Italy, and 19.9% in Spain.

Graph I.2.29: **Hidden unemployment changes between 2019-Q4 and 2020-Q2**

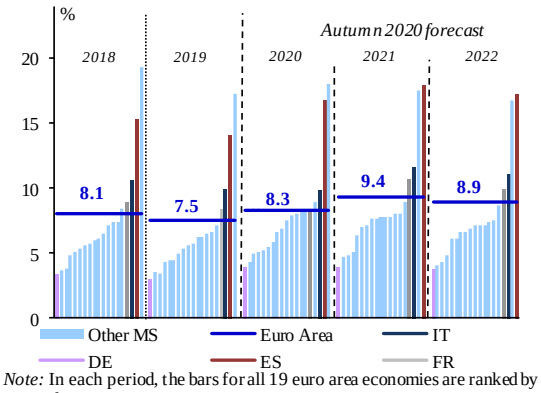


This amount of slack present at the end of June has been partly absorbed since then as workers have progressively re-entered the labour force, mostly as unemployed. This pushed the euro area unemployment rate up further to 8.1% in August (7.4% in the EU). This process is expected to continue in the fourth quarter of the year and in 2021 with unemployment rates expected to rise further: 8.3% on average in the euro area for 2020 (7.7% in the EU) and 9.3% in 2021 (8.6% in the EU) despite only limited further losses in headcount employment. For 2022, unemployment is expected to decline somewhat to 8.9% in the euro area (8.0% in the EU) under the effect of a moderate increase in headcount employment (1.0%). Cross-country differences are expected to persist over the forecast horizon with Spain's labour market forecast to be hardest hit over the next two years (see Graph I.2.30). This is due to

(74) See Bartik, A., Z. Cullen, E. Glaeser, M. Luca and C. Stanton. 'What Jobs are Being Done at Home During the Covid-19 Crisis? Evidence from Firm-Level Surveys'. *NBER Working Paper No. 27422*, June 2020.

country-specific vulnerabilities linked to the structure of labour markets, the typical size of companies, and sectoral specialisation.

Graph I.2.30: **Unemployment rate, euro area and Member States**



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

2.5. INFLATION

Inflationary pressures in the euro area are subsiding as the pandemic-induced global recession leaves its impact on both global and domestic factors underpinning price developments. After slowing down sharply at the start of the crisis, inflation is set to remain very weak towards the end of 2020. In 2021 and 2022, it is expected to follow a gradual upward path, similar to that outlined in summer. As overall inflationary pressures will depend fundamentally on the spread of the virus and the stringency of containment measures in force, the outlook is predicated on the assumptions inherent to this forecast.

The spread of the virus is expected to continue to curtail both aggregate supply and demand in the domestic and global economy. Amid remaining uncertainty, this forecast takes the view that the drop in demand will continue to dominate price developments as globally, supply issues –for example, border disruptions, shipments and shortages of certain products like food and medical supplies that increased prices– are normalising in most sectors.

Pandemic-related factors complicate the analysis of inflation developments

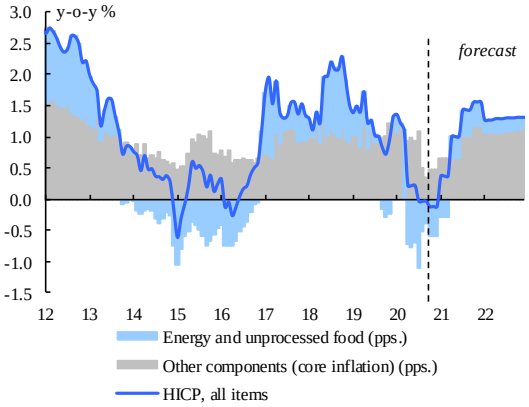
At least until the second half of 2021, a number of special pandemic-related factors, including measurement challenges, make inflation developments harder to predict and surprises likely. These include price increases due to demand and supply difficulties during the lockdown periods (mainly in April 2020, and somewhat again in the fourth quarter of the year) and the impact of weaker consumption demand. In addition, in some countries, the postponement of the summer sales and (partial) lockdowns entailed disruptive base effects in consumer price inflation. Last, but not least, price data collection has been hampered in many ways, including shop closures, the unavailability of certain services, travel restrictions, and the shift to online shopping for many items.

Headline inflation moves into negative territory

In August and September, HICP inflation fell into negative territory for the first time since May 2016 (see Graph I.2.31). As in 2016, negative inflation came on the back of sharply negative energy inflation (averaging -8.1% in the third quarter) as international oil prices declined. The role of energy prices is also visible in the difference between headline inflation (average of 0% in the third quarter) and core inflation (0.8%).

Core inflation has nonetheless dropped substantially between July and September, from 1.3% to 0.4%. Among its key components, both services and non-energy industrial goods registered notable declines.

Graph I.2.31: **Inflation breakdown, euro area**



Containment measures weigh heavily on travel-related services prices

Services inflation has been gradually declining over 2020 and this weakness is expected to continue for some time, with some seasonal bumps (for example due to holiday periods) and base effects. Since the consistent recording of prices of many non-essential services has suffered from patchy data collection since March, it will take

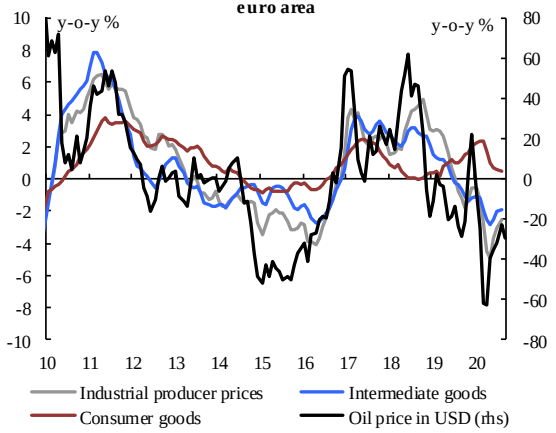
Table I.2.6:

Inflation outlook - euro area and EU

(Annual percentage change)	Euro area						EU					
	Autumn 2020 forecast				*Spring 2020 forecast*		Autumn 2020 forecast				*Spring 2020 forecast*	
	2019	2020	2021	2022	2020	2021	2019	2020	2021	2022	2020	2021
Private consumption deflator	1.1	**0.5**	**1.2**	**1.3**	*0.3*	*1.2*	1.3	**0.8**	**1.3**	**1.5**	*0.5*	*1.3*
GDP deflator	1.7	**2.0**	**1.1**	**1.3**	*1.3*	*1.3*	1.9	**2.0**	**1.2**	**1.5**	*1.4*	*1.4*
HICP	1.2	**0.3**	**1.1**	**1.3**	*0.2*	*1.1*	1.4	**0.7**	**1.3**	**1.5**	*0.6*	*1.3*
Compensation per employee	2.0	**1.4**	**1.2**	**1.4**	*1.1*	*0.4*	2.5	**1.3**	**1.7**	**1.6**	*1.1*	*1.1*
Unit labour costs	1.9	**4.2**	**-0.5**	**0.0**	*4.3*	*-1.9*	2.1	**4.5**	**-0.6**	**0.2**	*4.3*	*-1.6*
Import prices of goods	-0.5	**-3.7**	**0.4**	**1.1**	*-3.6*	*1.1*	-0.2	**-3.2**	**0.4**	**1.0**	*-3.1*	*1.0*

several months to see the direct impact of COVID-19 on services inflation. Services related to package holidays and accommodation as well as transport have already registered negative inflation and are likely to face further declines as demand for these services diminish with an expected uptick in COVID-19 cases heading into the winter season.

Graph I.2.32: **Oil price and selected producer price indices, euro area**



In the case of non-energy industrial goods inflation, several factors have combined to push it into negative territory. The global recession and sliding oil prices have weighed down on both domestic and foreign producer prices, with the nominal effective exchange rate appreciation of the euro pressing further down on domestic industrial prices. In the third quarter of 2020, total industry import prices declined by more than 5% compared to the same period last year.

After rising notably, food prices started to moderate again in the third quarter, although they are likely to remain elevated for the rest of the year. Food price inflation in the second quarter increased during the lockdown period, particularly for unprocessed food, which peaked at 7.6% in April compared to last year. This category of goods has been affected by supply chain disruptions, shortages of seasonal workers in the agriculture sector and demand substitution. In the third quarter, unprocessed food inflation averaged 2.9%, down from 6.8% in the second quarter.

Inflation near zero expected in the second half of 2020…

In the second half of 2020, very low or stable headline inflation is expected to prevail against a background of lower energy prices compared to the same period last year and the appreciation of the euro. HICP inflation is thus expected to hover around 0% in both the third and fourth quarters. In addition, several temporary factors are dampening the short-term outlook for inflation. Downward pressures stem from the temporary removal of certain fees and the introduction of temporary tax cuts in some Member States, such as the temporary VAT rate cuts in Germany in the second half of the year.

Meanwhile, upward price pressures originate from some lasting supply side disruptions, for instance in sectors where social distancing limits the number of customers that can be served, but also from the negative effects of COVID-19 and containment measures on global supply chains. For example, service providers such as restaurants, bars, travel facilities, cinemas and theatres have to operate at low capacity with additional costs, which may eventually raise marginal costs and thus retail prices. Moreover, the (temporary) closure of retailers or service providers may increase the pricing power of incumbents.

…while positive base effects in 2021 will reverse negative energy inflation…

In 2021, the assumed stabilisation of oil prices close to current levels and the reversal of tax cuts should result in some positive base effects that should return HICP inflation to positive rates. In the first half of 2021, this is set to be somewhat offset by downward base effects from the sharp increase in food prices in the second quarter of 2020. Prices for unprocessed food like fruit and

meat, in particular, have already moderated in the third quarter of this year back to levels slightly below those in the first quarter. The normalisation of VAT rates in Germany in January 2021 should exert some upward pressure, mainly in the second half of next year, on annual rates. Likewise, the assumed gradual normalisation in tourism activity and travel-related services by then will be reflected in increases in prices on a year-on-year basis.

Domestic and external cost pressures should be rather limited into next year, reflecting especially the deteriorated labour market situation and, on the external side, the impact of a stronger euro, which tends to have some delayed impact as contracts for deliveries are agreed in advance.

…and monetary and fiscal stimuli to uplift inflation in 2022

In 2022, developments in inflation are set to align more closely to the pace of the economic rebound and the impact of aggressive fiscal and monetary stimuli. Nonetheless, remaining labour market slack in the economy will continue to weigh on price pressures. Both compensation growth and employment indicators in 2020 and 2021 are likely to remain untethered from inflation developments as several job and wage-support schemes somewhat distort the correlation between unit labour cost growth and core inflation. Primarily as a result of labour hoarding schemes in 2020, unit labour cost growth in the euro area is expected to shoot up to just above 4% in 2020. It is then expected to fall significantly in 2021 and remain close to zero in 2022 as real GDP growth exceeds labour cost growth.

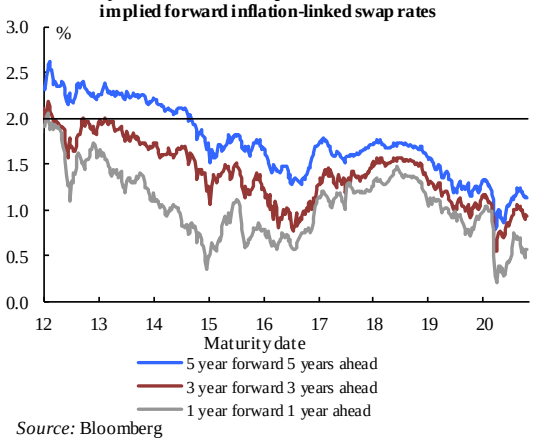
On average, headline inflation in the euro area is forecast to drop to 0.3% in 2020 but to recover to 1.1% in 2021, unchanged compared to the summer forecast. In 2022, it is expected to increase slightly to 1.3%.

Overall, the annual growth rate of the GDP deflator in the euro area is projected to increase to 2.0% in 2020 but to fall to 1.1% in 2021 and then 1.3% in 2022. On one hand, the sharp drop in oil prices and the euro's appreciation improve the terms of trade and thus support the GDP deflator in 2020, while in 2021 the deflator is set to better reflect subdued domestic price pressures and the private consumption deflator.

Low inflation expectations confirm the subdued outlook

Market-based measures of inflation expectations along the maturity spectrum fell sharply in March, at the peak of lockdowns. Although they have since recovered somewhat, they remain lower than they were at beginning of the year. At the cut-off date for this forecast, inflation-linked swap rates at the one-year forward one-year-ahead horizon stood at 0.6%. Swap rates at the three-year forward three-years-ahead horizon imply an average inflation of around 0.9%. Over a longer horizon, the widely watched five-year forward five-years-ahead indicator suggests inflation of 1.1% (see Graph I.2.33).

Graph I.2.33: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

Latest survey-based measures of price developments in September show declining price pressures. The IHS Markit Eurozone PMI has shown consistent declines in output prices since March with weak demand weighing on companies' pricing power. At the same time, businesses have been reporting higher input prices since June, which could be due to the extra cost of safety and operational measures in the pandemic environment and/or the cost of maintaining staff in a period of low demand. According to the Commission's September surveys, both the manufacturing and services sectors are reporting a decline in selling price expectations. Among retailers, a slightly higher proportion reported price increases in September. Meanwhile, the proportion of consumers in the euro area who expect higher price trends over the next 12 months continues to shrink.

The monthly mean of market forecasts calculated by Consensus Economics stood in October at 0.3% for 2020 and 0.9% for 2021. The results of the

ECB Survey of Professional Forecasters (taken in July) for the third quarter of 2020 showed average inflation expectations at 0.4% in 2020, 1.0% in 2021 and 1.3% in 2022. Longer-term inflation expectations (referring to 2025) stood at 1.6%, down from 1.7% in the previous round.

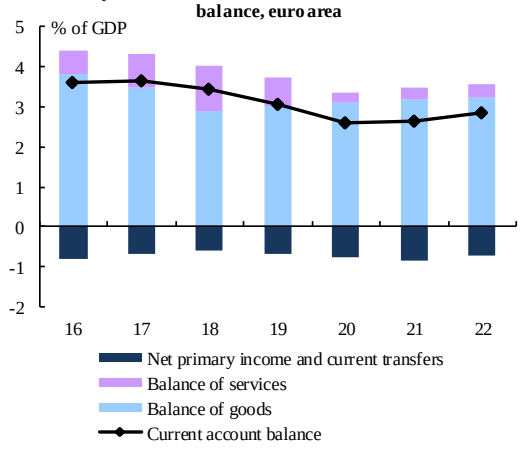
2.6. CURRENT ACCOUNT

Euro area current account surplus to narrow

After reaching a peak at 3.7% of GDP in 2017, the current account surplus of the euro area narrowed somewhat in recent years and is forecast to shrink further on the back of the pandemic. The surplus is forecast to fall to around 2½% of GDP in 2020, the lowest level since 2013. It is expected to remain unchanged in 2021 and then widen slightly to 2.8% in 2022. Similarly, the current account surplus for the EU as a whole is expected to fall to 2½% in 2020 and 2021, and then to rise to 2¾7% in 2022.

The narrowing of the trade surplus accounted for a substantial part of the reduction of the current account balance over the last two years (see Graph I.2.34). Amid the protracted global weakness in manufacturing that started in 2018, restrictive trade policies and heightened uncertainty, the euro area's trade balance in goods fell to around 3% in 2018 and 2019 from a multi-year high of 3.9% in 2015. The contribution of trade in services was heavily distorted by outsize and volatile imports in Ireland over this period. The current account surplus of the euro area is expected to shrink further in 2020 when all components except merchandise trade are projected to contribute less than in 2019. The collapse of international tourism is expected to weigh heavily on service exports in the euro area's more tourism-dependent Member states. At the same time, the sharp decline in global economic activity is set to reduce net primary income from the rest of the world and to deepen the negative contribution of net current transfers from the rest of the world. A gradual increase in the merchandise trade balance is forecast to offset these developments to some extent in 2020 and 2021. This expected increase can be attributed to positive terms of trade developments and a more severe impact of the pandemic on euro area domestic demand compared, on average, to its non-euro area trading partners. This is reflected in the contraction of merchandise imports in the euro area, which is expected to be greater than the fall in exports in 2020, as well as a more buoyant rebound in exports compared to imports in 2021.

Graph I.2.34: **Contributions to the current-account balance, euro area**



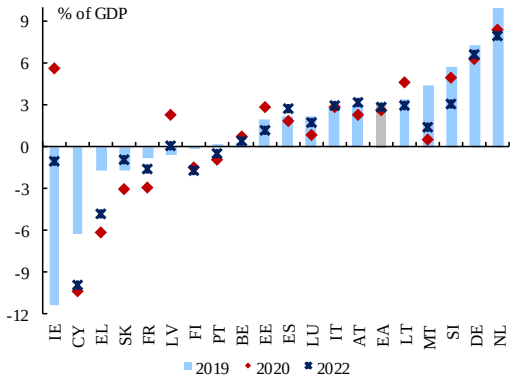
Following the decline in 2020, the surplus in services trade is expected to stabilise at low levels over the course of the forecast horizon given the assumptions that containment measures will continue and remain a drag on exports of contact-intensive service sectors. As a result, the surplus in services trade is set to fall from 0.7% of GDP in 2019 to around ¼% in all forecast years. At the same time, the joint balance of primary income and net current transfers is forecast to stabilise at around -¾% of GDP over the forecast horizon. Following a dip in 2018, net export of goods is expected to continue on a gradual upward trend, rising from 3% in 2019 to around 3¼% in 2022, helped by advantageous terms of trade changes and a gradual rebound in export markets.

Tourism-oriented Member States are set to suffer the deepest corrections in their current accounts

The pandemic is expected to have a large and unequal impact on Member States' current accounts (see Graph I.2.35). Nineteen EU Member States are projected to record a decline in their current account balances in 2020 led by Croatia, Greece, Malta, Cyprus, France and Denmark. On the other hand, current account balances of Ireland, Poland, Belgium and the three Baltic states are forecast to increase in 2020. Changes in current account balances will be relatively more muted in 2021, while a moderate uptick in balances, on average, is expected in 2022. Only Ireland, Slovakia, Latvia, Spain and Austria are forecast to see their balances in 2022 higher than in 2019.

With widespread restrictions to mobility throughout 2020, trade in services is set to be the main driver of these losses. In particular, the Member States with large surpluses in services related to tourism, such as Greece, Portugal, Malta, Cyprus, Spain and Croatia are expected to see their surpluses plummet. For Italy and France, sizeable exports of tourism services have been generally offset by commensurate imports of services. A sharp contraction in both flows in 2020 is thus projected to largely offset each other, leading to only a moderate deterioration in the services balance in 2020; while the gradual recovery of services trade is set to keep them broadly unchanged in the remainder of the forecast horizon. On the other hand, merchandise trade balances in most Member States, in particular Ireland, Croatia and Malta, are forecast to increase in 2020. This reflects, on average, a sharper contraction in domestic demand compared to their export markets and positive terms of trade developments. Nine Member States, including Germany, France, Slovakia and Romania, are expected to see their merchandise trade balances decline in 2020.

Graph I.2.35: **Current-account balances, euro area and Member States**



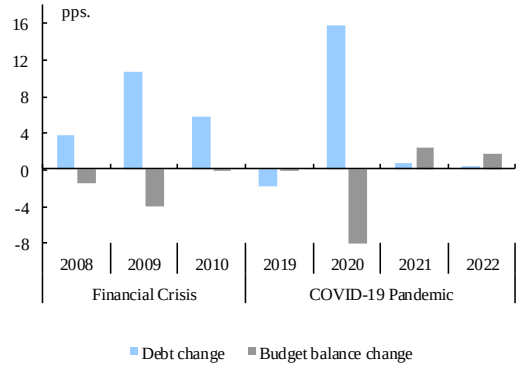
Trends in country-level current account balances over the remainder of the forecast horizon differ significantly. Following the initial blow to trade in services in 2020, the continued need for social-distancing assumed over the forecast horizon is set to keep services trade balances in most Member States visibly below 2019 levels. The adjustment process in merchandise trade is expected to continue beyond 2020 for most Member States. Merchandise trade balance of Germany, France, Italy, Slovakia, Finland and Bulgaria are expected to increase cumulatively over 2021 and 2022, with some of them more than recouping the losses incurred in 2020. Most other member states will see their goods trade balances go down in 2021 and 2022, with the Baltic countries, Croatia, Cyprus and Ireland projected to register the sharpest falls.

2.7. PUBLIC FINANCES

Public deficits to rise sharply in 2020…

In 2019, the aggregate public deficits of the EU and the euro area increased slightly for the first time since 2010, as a further decline in interest spending was more than offset by increased primary expenditure. In 2020, the two aggregate deficit ratios are expected to increase significantly, by around 8 pps. in the euro area and the EU. This is due to the workings of automatic stabilisers and the sizeable discretionary fiscal measures put in place to cushion households and firms from the negative impact of the pandemic, against the background of the activation of the general escape clause of the Stability and Growth Pact in March. The projected increases in general government deficits are expected to be much higher than those observed during the global financial crisis (see Graph I.2.36).

Graph I.2.36: **Government debt and budget balance, euro area, annual changes**



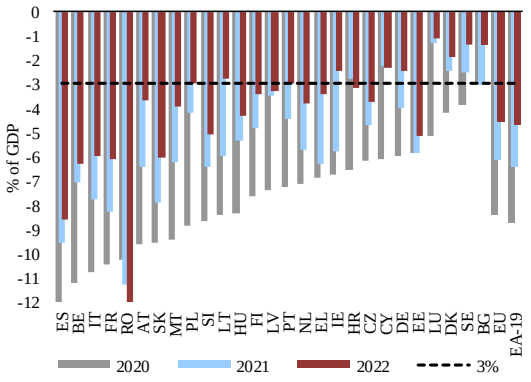
…and ease in 2021 and 2022.

Projections for 2021 and 2022 point to an easing of the aggregate deficit ratios by around 2¼ pps. and more than 1½ pps., respectively. The 2021 forecast reflects the unwinding of pandemic-related emergency measures, as well as the expected rebound in economic activity. It also takes into account measures that have been credibly announced and sufficiently specified in national draft budgets (or in the case of euro area countries, Draft Budgetary Plans), including, where possible, measures that are expected to be financed under

Next Generation EU and its Recovery and Resilience Facility (see below).

While only Romania recorded a deficit of more than 3% of GDP in 2019, all Member States except Bulgaria are set to show deficits of over 3% of GDP in 2020. [75] In three quarters of Member States, the deficits are expected to exceed 6% of GDP, with Belgium, Spain, France, Italy and Romania forecast to run deficits above 10%. Over 2021 and 2022, all countries except Romania are forecast to see an improvement in their general government balance. Still, deficits are set to stay above 3% of GDP in almost two thirds of Member States in 2022 (see Graph I.2.37).

Graph I.2.37: **Budget balance in EU Countries: 2020-2022**



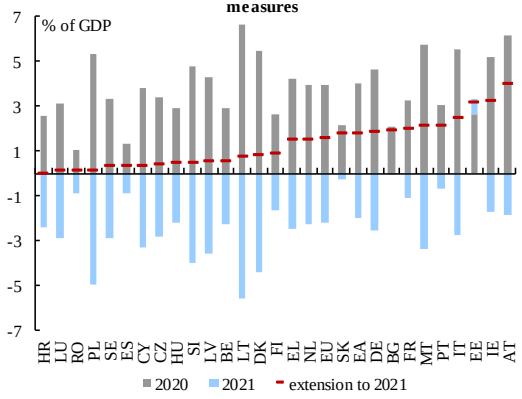
Discretionary measures set to shape deficits developments

The discretionary measures put in place in 2020 support an expansionary fiscal stance in all countries, ranging from slightly more than 1% in Spain to 7% of GDP in Lithuania and almost 4½% of GDP on average in the EU. This is around 1.2 pps. higher than estimated in the spring forecast in both the EU and the euro area. The fiscal impulse is mostly driven by the emergency expenditure measures taken in response to the COVID-19 crisis. It must be noted that under the no-policy-change assumption underpinning the forecast, policy support provided through tax deferrals and public guarantees does not enter into the budgetary projections (i.e. these measures do not have a budgetary impact). These measures amount to almost 24% of GDP in both the euro area and the EU and represent a significant risk to the fiscal forecast.

Ultimately, the total size of the crisis-related budgetary impact of the crisis over the forecast horizon will depend on the duration of the pandemic and on the speed and strength of the economic recovery.

Although the bulk of the budgetary impact of the fiscal measures is expected to be temporary, part of it extends to 2021 (see I.2.38), with an impact of around 1¾% of GDP in the EU and the euro area (Austria, Ireland, Estonia, Italy, Portugal, Malta, France, Bulgaria and Germany are expected to show an above average lasting impact). Moreover, additional measures have been announced in 2021 draft budgets.

Graph I.2.38: **Budgetary impact of COVID-19 related measures**



Given the early stage of preparations for national Recovery and Resilience Plans, the budgetary projections of only a handful of Member States (France, Czechia, Lithuania, Portugal and Slovenia) include measures expected to be financed under NGEU/RRF, and generally in limited amounts. In line with the approach to the inclusion of NGEU/RRF taken in this forecast (see Box I.4.3), these measures are recorded as deficit-increasing, though they may eventually be financed by RRF grants (depending, inter alia, on the approval of the Recovery and Resilience Plans). As a result, projected deficits of those Member States might be overestimated.

Overall, the total expenditure ratio is projected to increase noticeably in both the EU and the euro area (by 8 pps.), also due to sharply contracting nominal GDP in 2020 before dropping by around 3 pps. and 2 pps. in 2021 and 2022, respectively. Both the expected gradual withdrawal of the emergency policy support measures and GDP

[75] In spring, the Commission and the Member States put on hold a decision on the opening of the excessive deficit Procedures due to the unprecedented level of uncertainty. Romania is the only Member State subject to the excessive deficit procedure.

Table I.2.7:

General Government budgetary position - euro area and EU

(% of GDP)	Euro area						EU					
	Autumn 2020 forecast				*Spring 2020 forecast*		Autumn 2020 forecast				*Spring 2020 forecast*	
	2019	2020	2021	2022	*2020*	*2021*	2019	2020	2021	2022	*2020*	*2021*
Total receipts (1)	46.4	**46.5**	**46.0**	**45.8**	*46.7*	*46.3*	46.1	**46.2**	**45.7**	**45.4**	*46.4*	*46.0*
Total expenditure (2)	47.1	**55.2**	**52.4**	**50.5**	*55.2*	*49.9*	46.7	**54.6**	**51.8**	**50.0**	*54.7*	*49.6*
Actual balance (3) = (1)-(2)	-0.6	**-8.8**	**-6.4**	**-4.7**	*-8.5*	*-3.5*	-0.5	**-8.4**	**-6.1**	**-4.5**	*-8.3*	*-3.6*
Interest expenditure (4)	1.6	**1.6**	**1.4**	**1.3**	*1.7*	*1.6*	1.5	**1.5**	**1.4**	**1.3**	*1.6*	*1.5*
Primary balance (5) = (3)+(4)	1.0	**-7.2**	**-5.0**	**-3.4**	*-6.8*	*-2.0*	1.0	**-6.9**	**-4.8**	**-3.3**	*-6.7*	*-2.1*
Cyclically-adjusted budget balance (a)	-1.5	**-4.8**	**-4.3**	**-3.6**	*-4.4*	*-2.1*	-1.4	**-4.8**	**-4.1**	**-3.5**	*-4.4*	*-2.1*
Cyclically-adjusted primary balance (a)	0.1	**-3.2**	**-2.9**	**-2.3**	*-2.7*	*-0.5*	0.1	**-3.3**	**-2.8**	**-2.2**	*-2.8*	*-0.6*
Structural budget balance (a)	-1.3	**-4.8**	**-4.3**	**-3.7**	*-4.4*	*-2.1*	-1.3	**-4.8**	**-4.2**	**-3.5**	*-4.4*	*-2.1*
Change in structural budget balance (a)	-0.2	**-3.5**	**0.5**	**0.7**	*-3.3*	*2.3*	-0.2	**-3.5**	**0.6**	**0.6**	*-3.3*	*2.3*
Gross debt	85.9	**101.7**	**102.3**	**102.6**	*102.7*	*98.8*	79.2	**93.9**	**94.6**	**94.9**	*95.1*	*92.0*

(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.

growing somewhat faster than expenditure contribute to the decline. Despite the rise in the debt ratio, interest expenditure is forecast to decline slightly between 2019 and 2021 thanks to the very accommodative monetary policy environment. The revenue ratio is projected to decline by around ¾% of GDP between 2019 and 2022 as discretionary measures are expected to ease the tax burden.

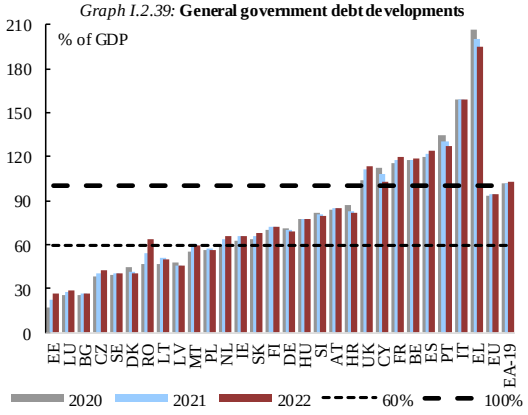
In terms of the quality of public spending, the aggregate public investment-to-GDP ratio in the euro area is projected to increase from 2.8% of GDP in 2019 to 3.1% in 2020 and stabilise thereafter. The increase in 2020 is also the result of the implementation of the 2014-2020 programming period of the EU's structural and cohesion funds, mobilised for pressing needs by the Corona Response Investment Initiative and Coronavirus Response Investment Initiative Plus, as well as the Investment Plan for Europe.

The debt ratio is set to increase to an all-time high in 2020

The aggregate general government debt-to-GDP ratio was on a declining path between 2014 and 2019, when it reached 85.9% of GDP in the euro area and 79.2% in the EU. In 2020, the debt-to-GDP ratio is projected to rise by over 15 pps. and reach almost 102% in the euro area and 94% in the EU. The debt ratio is forecast to grow by about 1 pp. in 2022(see Graph I.2.39).

The debt ratio is projected to increase in all Member States in 2020 (see Graph I.2.39). Over the following two years, it is expected to return to a decreasing trend in around a third of Member States. Still, in 2022, it is forecast to remain above 150% in Greece and Italy, above 120% in Portugal and Spain, and above 100% in Belgium, Cyprus and France. Nine more countries show a debt forecast for 2022 of over 60% of GDP (Croatia, Austria, Slovenia, Hungary, Germany, Finland, Slovakia, Ireland and the Netherlands).

Graph I.2.39: **General government debt developments**



2.8. MACROECONOMIC POLICIES IN THE EURO AREA

Policy mix supportive in 2020

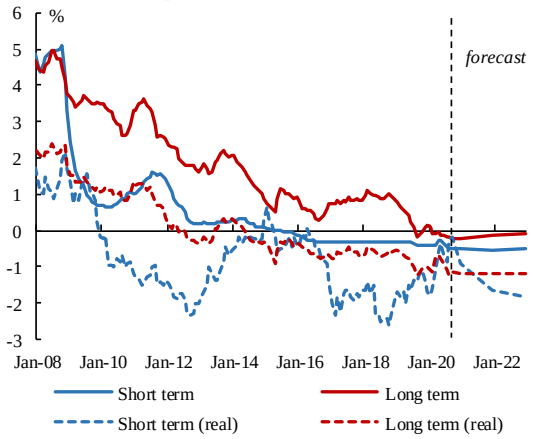
The complementary and mutually reinforcing effects of monetary and fiscal policies have been particularly strong in the current crisis (see Graph I.2.42). The monetary policy measures taken since the onset of the crisis have helped maintain easy monetary and financing conditions, thereby supporting available fiscal space. By preserving financial stability, these measures have also contributed to a more effective transmission of fiscal policy to the real economy. At the same time, government interventions across euro area countries have reduced the risk of a severe impairment of the transmission of monetary policy. In particular, liquidity and income support measures, including public guarantees for loans, have helped to mitigate the economic impact of the

COVID-19 crisis on the banking sector and fostered steady credit flows to the economy.

Monetary conditions are expected to remain accommodative

At the short end of the yield curve, the three-month Euribor rate has decreased in recent months, after having picked-up slightly in the spring in the context of market tensions related to the pandemic. Real short-term rates have been rather volatile since the spring, mainly reflecting developments in headline inflation (see Graph I.2.40).[(76)] The high and growing volume of excess reserves, in combination with the ECB's forward guidance as well as very favourable TLTRO-III pricing[(77)], should keep short-term nominal rates at very low levels and support favourable lending conditions further on. As implied by the three-month Euribor futures rates, short-term nominal rates are expected to remain broadly unchanged over the rest of the current year and should even decrease further by the end of the next year. They are then expected to increase slightly but remain below current levels until the end of 2022 (see Graph I.2.40). [(78)] In light of the ECB Governing Council's forward guidance,[(79)] this suggests that market participants do not expect a robust convergence of inflation to the ECB's medium-term objective over the forecast horizon. Inflation is forecast to increase in 2021 and 2022 but should remain well below the ECB's targeted level. Overall, this should lead to a drop in real short-term interest rates over the forecast horizon.

Graph I.2.40: **Euro area interest rates**



Nominal long-term rates have decreased since the spring, reflecting the ECB's monetary policy easing measures and lower inflation expectations. After declining to an historic low during the first half of the year, market-based inflation expectations edged upward between June and August. Although they have stabilised somewhat in recent months, they are still slightly lower than they were before the pandemic. Consequently, real long-term interest rates have moved somewhat lower compared to their levels in the spring. Nominal long-term rates are expected to pick up only slightly and remain negative over the forecast horizon. The additional net asset purchases under the ECB's Asset Purchase Programme (APP) and Pandemic Emergency Purchase Programme (PEPP) in combination with the continued reinvestment of maturing securities should help keep them very low.[(80)] As markets anticipate long-term inflation expectations to move broadly in line with nominal long-term rates, real long-term rates should remain broadly constant and clearly negative.

Reflecting developments in short and long-term nominal rates, nominal financing conditions have remained favourable since the spring, with the composite credit cost indicator [(81)] for non-financial corporations decreasing somewhat (see Graph I.2.41). Borrowing costs for non-financial corporations have decreased since the spring as a significant fall in corporate bond yields has more

(76) Real rates are derived from the respective nominal short- or long-term rate adjusted for annual HICP inflation and expected average inflation according to 10-year inflation swaps, respectively.

(77) Depending on lending performance, the interest rate applied on TLTRO-III operations can be as low as -1% between June 2020 and June 2021.

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

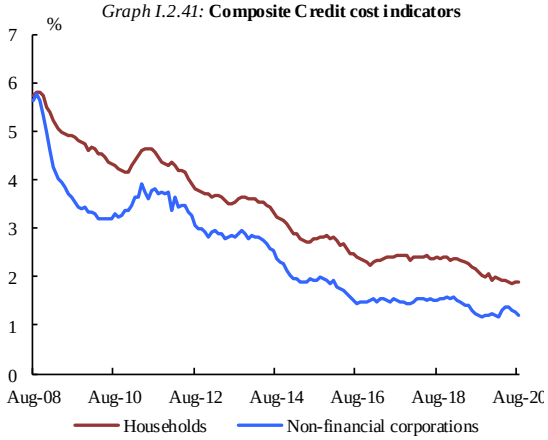
(79) According to its rate forward guidance, the ECB Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook to converge robustly to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

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

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

than offset a mild pick-up in interest rates on loans to corporations over the summer. The composite credit cost indicator for households has remained almost unchanged, at historically low levels.

Graph I.2.41: **Composite Credit cost indicators**



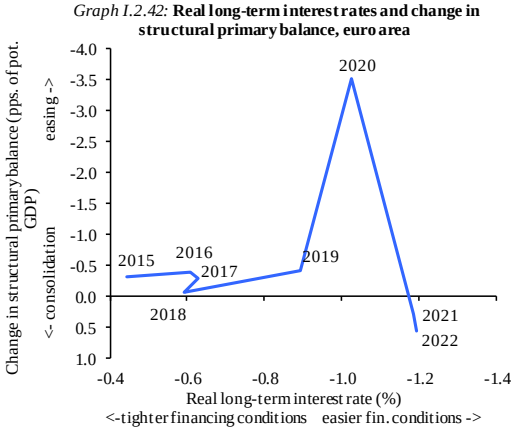
Sources: ECB, Bloomberg, Datastream

The euro area fiscal stance is set to be highly expansionary in 2020

The euro area fiscal stance is projected to be strongly expansionary in 2020 after having been broadly neutral since 2014. The expansionary fiscal stance, based on the expected decline in the structural primary balance of around 3½ pps. is mainly the result of the sizeable fiscal emergency measures taken by Member States in response to the COVID-19 pandemic.

The estimated decrease in the structural primary deficit of around ½% of GDP in 2021 reflects the phasing out of temporary support measures introduced in 2020. The gradual withdrawal of the temporary emergency measures is expected, assuming that the pandemic wanes and the negative economic impact of containment measures tapers off. At the same time, these temporary emergency measures distort the traditional fiscal indicators of the fiscal stance. When excluding these emergency measures, the underlying fiscal stance would appear to remain supportive in 2021, also thanks to some recovery measures announced with the 2021 draft budgetary plans. In addition, the implementation of Recovery and Resilience Plans, which is only partially reflected in this forecast, should contribute to a more supportive fiscal stance in the euro area in 2021.

Graph I.2.42: **Real long-term interest rates and change in structural primary balance, euro area**



2.9. RISKS

Economic uncertainty and risks remain exceptionally large.

The pandemic keeps forecast uncertainty at elevated levels...

Uncertainty surrounding the autumn forecast remains elevated and will only fade a little over time. The main source of uncertainty is the evolution of the COVID-19 pandemic, [82] on both the epidemiological side (e.g. future infectiousness and lethality of the virus, time needed to develop and deploy vaccines) and the economic side (e.g. the duration of government interventions, and the persistence of pandemic-induced changes in behaviour). There are no comparable pandemics that could guide the analysis. Uncertainty weighs on economic agents' choices, leading to reduced investment and consumer spending on durable goods.

...with exceptionally large risks to economic growth mainly on the downside...

Risks to the autumn forecast's projections mainly found on the downside such that economic activity could decline more this year and or rebound less in 2021 and 2022.

The pandemic could become more severe and last much longer than assumed in this forecast. This could imply the protracted imposition of strict containment measures and thereby a high level of

[82] Reflecting on the persistence of large uncertainties,. Faced with an unusually high degree of uncertainty, the autumn forecast includes scenario analyses, in place of the customary risk 'fan chart'. See Chapter n.n

stringency prevailing in 2022, with fewer policy options left for mitigating its economic effects. Greater health concerns would result in less spending by consumers, less investment by firms and could further damage the supply side of the economy.

A sub-optimal timing of the withdrawal of COVID-19 related policy measures could hamper the rebound of economic activity, for example by undermining economic confidence, increasing solvency concerns or by resulting in allocation inefficiencies. This applies to fiscal policy support (e.g. the removal of job retention schemes) but also to health policy measures (e.g. the easing of travel restrictions). A too early removal of containment measures could reignite another wave of infections and necessitate further restrictions. At the same time, a too long extension of policy support measures could be counterproductive (e.g. by increasing the number of 'zombie jobs' and 'zombie companies').

Policies might insufficiently address differences across countries in the economic impact of the COVID-19 shock. Insufficiently coordinated national policy responses could endanger the functioning of the internal market, result in efficiency losses, dampen economic growth and increase further divergence, and ultimately threaten the stability of the monetary union.

The pandemic could leave deeper scars than taken into account in the central scenario of the autumn forecast. This could result from a larger number of bankruptcies that weakens competition and dampens innovation. In an international context, experiences from the pandemic period could magnify changes in attitudes towards globalisation and global supply chains and international policy cooperation. This would hit open economies such as the EU most. More permanent scars than currently expected could also characterise labour market developments (hysteresis effects).

Global economic growth could turn out lower than expected, weakening the external support to the EU recovery. As in Europe, the downside risks to the growth projections for advanced, emerging or developing economies mainly relate to the (length and breadth of the) pandemic and the policy response. The risks could materialise with more severe disruptions to global supply chains and more sizeable and longer-lasting demand shocks than expected. Moreover, intensification of US-China political and economic tensions could undermine an incipient rebound in global trade and investment. Continued bilateral trade tensions could also spread to other regions and accelerate the move to a more protectionist stance in international trade. Economic stability in emerging market economies could be undermined by renewed capital outflows and currency depreciations, causing an even more protracted global downturn. The lack of a decisive debt resolution plan for the most indebted emerging economies could result in financial crises in the most socially and economically vulnerable countries.

The possibility of financial turmoil and financial crises cannot be excluded, either for the euro area or the rest of the EU. The financial burden of policy support measures is very large and projected to increase public debt substantially. Bond yields for some Member States could come under upward pressure according to perceptions of sovereign risk. Another source of financial tensions could emerge if liquidity strains for indebted corporate borrowers turn into solvency problems, for example because policy support has shifted solvency risks into the future.[(83)] This could then lead to more bankruptcies and a rise in non-performing loans, in turn causing losses in the banking sector with implications for companies' access to credit and their funding costs. Frictions in credit markets could lower economic efficiency due to higher costs of capital and/or through a misallocation of capital away from its most productive uses.

…although upside risks have come to the fore.

On the upside, faster progress in controlling the pandemic and the implementation of ambitious and coordinated policies within the EU could enable a faster recovery.

Medical advances, such as a faster-than-expected availability of a vaccine against COVID-19 and its broad-scale deployment, could allow for physical distancing measures to be relaxed and improve sentiment, thus resulting in a faster-than-anticipated return to a more normal economic situation.

(83) This risk is emphasised by the IMF; see IMF (2020). *Global Financial Stability Report*, October 2020, chapter 1.

Policy support in the EU and in the external environment could play a crucial role. In the EU, an ambitious and swift implementation of NGEU/RRF over the forecast years could provide a significant boost to the economic recovery. In the US, negotiations about a further massive stimulus package could lead to a second round of strong fiscal stimulus with positive economic spillovers for the EU.

The impact of the UK leaving the Single Market and the Customs Union is subject to a high degree of uncertainty. A trade agreement between the EU and the UK could lead to a smaller increase in trade barriers than those that are assumed to enter into force at the beginning of next year based on WTO MFN rules. This would exert a positive impact on economic activity in the EU and the UK from 2021.

Risks to the inflation outlook remain closely related.

In recent months, a number of downside risks to the inflation outlook have materialised and are now incorporated in the central scenario. These include a loss of growth momentum and a strengthening of the euro, which both tend to dampen domestic price pressures. Going forward, risks to headline inflation are to a substantial extent aligned with risks to the growth forecast, which implies that they are mainly on the downside. A deeper economic downturn in 2020 and a slower rebound in 2021 and 2022 would negatively influence inflation expectations and price pressures. A protracted period of low inflation could also have a more negative impact on the anchoring of medium-term inflation expectations than currently visible in surveys.

3. SPECIAL ISSUES

The autumn forecast features three special topics, which were selected for their relevance for a better understanding of the outlook for the European economy. The first special topic identifies the major channels underlying the forecast for the euro area economy, before drawing two alternative scenarios to the forecast. The second special topic presents an updated estimate of the macroeconomic impact of the Next Generation EU over the coming years. Finally, the third special topic makes use of big data to shed light on the current state of the tourism sector in a detailed regional level and its outlook for the end of the year.

3.1. THE ROAD OUT OF THE CRISIS REMAINS BUMPY AND UNCERTAIN

The COVID-19 pandemic's damage to the European economy in the first half of the year was unprecedented in magnitude for peacetime and astonishing in its geographical spread. With the gradual relaxation of containment measures over the summer months, economic activity bounced back strongly in the third quarter of the year but not quite back to pre-pandemic levels. The recent strong rise in the number of infections and the increasingly stringent containment measures put in place in a number of countries have reminded us that the road out of the crisis remains uncertain.

This special topic makes two contributions to the analysis of the pandemic crisis and our way out of it over the forecast horizon. *First*, through the lens of a model-based growth decomposition of the Commission's 2020 autumn forecast, it brings light to how shocks triggered by the pandemic have shaped both this year and the outlook for the following years. It is among the first to offer such an analysis of the 'economic nature' of the pandemic using an estimated structural macroeconomic model, based on data up to 2020-Q2. This information is used to create two alternative scenarios for the future trajectory of the European economy in a *second* step.

As was the case in both the spring and summer forecasts, the decision to analyse different scenarios is motivated by the exceptional degree of uncertainty surrounding the evolution of the pandemic and the containment measures put in place to contain its spread. The calibration of the shocks reflects opposite paths for the evolution of the pandemic and its economic impact over the forecast horizon – a benign path ('upside scenario') and a major second pandemic phase path ('downside scenario').

3.1.1. A model-based decomposition of the forecast

The analysis presented in this special topic builds on the Commission's Global Multi-Country Model (GM), a macroeconomic model in the New-Keynesian tradition, in a two-region configuration with the euro area and the rest of the world (ROW). [(84)] Additional results for individual Member States (Germany and Spain) are derived from a three-region set-up (a Member State, rest of the euro area, ROW), instead. The model is estimated using historical data from 1999-Q1 until 2020-Q2. The historical series are extended with data from the forecast, including its external assumptions. The model is used to identify the shocks necessary to explain the forecast. [(85)]

The GM model has been augmented to capture specific features of the COVID-19 pandemic. The specification includes a transitory 'lockdown shock' that complements the standard shock to consumption demand. The lockdown shock can be characterised as *forced* savings, driven by supply constraints, such as those generated by social distancing requirements and the closure of non-essential services, as opposed to the shock to *voluntary* savings, which may reflect precautionary motives, financial constraints, or changes in household preferences. The lockdown shock as a new determinant of consumption demand is set at zero prior to 2020. The model also incorporates an explicit role for liquidity in the investment

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

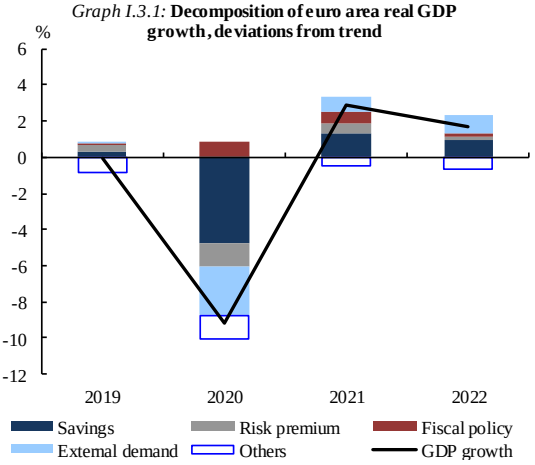
(85) The term 'shocks' refers to the exogenous factors, which drive the deviation of the endogenous model variables from their long-run trend paths.

behaviour of firms, to reflect the substantial adverse impact of the COVID-19 crisis on the liquidity and equity positions of non-financial corporations. (86)

An unprecedented drop in consumption…

After growing 1.3% in 2019, euro area real GDP is forecast to contract by 7.8% in 2020, followed by a partial recovery with growth at 4.2% in 2021 and 3.0% in 2022. The pandemic acts mainly through a sharp contraction in private domestic demand, with private consumption declining by 8.7%, and investment shrinking by 11.2% in 2020. Exports also fall sharply (by 11.5%), but the contribution of net trade is muted as imports also adjust to lower demand.

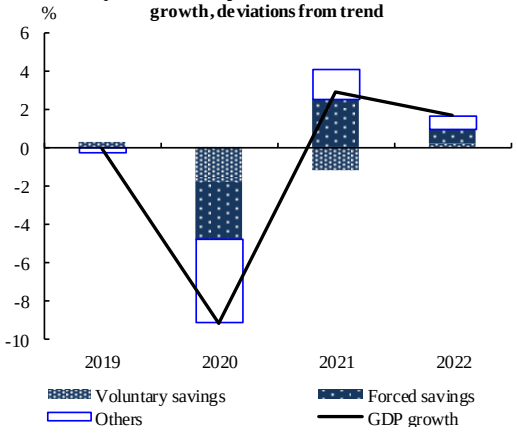
Graph I.3.1: **Decomposition of euro area real GDP growth, deviations from trend**



The savings shock is the dominant element behind the sharp contraction of activity in 2020 according to the model-based decomposition (see Graph I.3.1). In particular, forced savings accumulated during the lockdown period explain about two thirds of the increase in household savings (see Graph I.3.2). In addition, voluntary or precautionary savings add to the impact from forced ones. The risk premium shock, which captures general uncertainty and additional financial constraints for firms, drags economic activity to a lesser extent (see Graph I.3.1).

The pandemic-induced contraction in world demand and international trade in recent months account for a further deterioration of the growth outlook for 2020. The contribution from these international factors is equivalent to around one half of the euro area's downside domestic demand shock. The adjustment of domestic imports neutralises part of the foreign demand fallout.

Graph I.3.2: **Decomposition of euro area real GDP growth, deviations from trend**



Discretionary fiscal policy measures mitigate the impact of the pandemic crisis (see Graph I.3.1). They add around 1 pp. to GDP growth in 2020 and complement income stabilisation through the automatic stabilisers, which are part of the tax and benefits system. (87)

…with a gradual recovery in 2021 and 2022…

A gradual rebound of private domestic demand drives the partial recovery of GDP in 2021 (see Graph I.3.1). The rebound is associated with easing supply constraints and a normalisation of investment risk. In particular, the reversal of forced savings accumulated in 2020 adds about 2.5 pps. to growth in 2021 and 0.8 pps. in 2022 (see Graph I.3.2), whereas voluntary savings remain elevated and still weigh on the growth outlook in 2021. Investment risk declines, adding 0.4 pps. to

(86) Technically, a model environment with heterogeneous firms is considered. As in a standard model, the investment behaviour of unconstrained firms depends on real interest rates and the relative market and replacement values of physical assets. By contrast, the investment of constrained firms is determined by their earnings and liquidity flows (gross operating surplus). The (countercyclical) share of constrained firms is an endogenous model outcome. See also the discussion in See Pfeiffer, P., Roeger, W. and in 't Veld, J., (2020), 'The COVID-19 pandemic in the EU: Macroeconomic transmission and economic policy response', *Covid Economics: Vetted and Real-Time Papers*, Issue 30, 2020, 120-145.

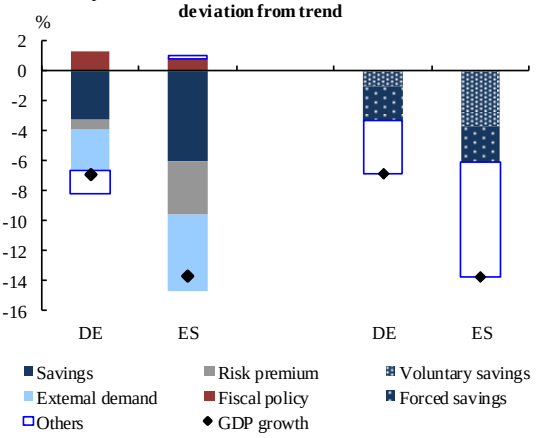
(87) More precisely, the fiscal shocks include discretionary changes to government spending and tax revenue. They exclude government guarantees that, if effective, may not lead to corresponding additional expenses. Government guarantees to the firm sector that stabilise investment would instead dampen the size of the corporate risk premium shocks in the decomposition.

growth on average over the next two years. Furthermore, world demand and trade are expected to recover partly, supporting growth in 2021 (0.8 pps.) and 2022 (1 ppt.).

…and differences across Member States

The results for the euro area come with important differences across Member States. The projected contraction of real GDP in Spain (-12.4%) is more than twice as large as the expected decline in economic activity in Germany (-5.6%) in 2020 (see Graph I.3.3).

Graph I.3.3: **Growth of real GDP, DE and ES, 2020, deviation from trend**



All three main drivers on the downside, i.e. positive savings shocks, increasing investment risk, and weak external demand, are stronger in Spain compared to Germany. Interestingly, the model relates the stronger contraction of private consumption demand in Spain to stronger voluntary savings, whereas forced savings play a similar role across both countries. On the upside, support from discretionary fiscal action is weaker in Spain, in line with a less than half as strong deterioration (starting from a less favourable level) of Spain's cyclically adjusted budget balance between 2019 and 2020.

3.1.2. A scenario analysis

Continued high uncertainty calls for a scenario analysis…

The ongoing resurgence in infection rates and the related tightening of virus containment measures in many countries demonstrates the difficulty of anticipating the evolution of the pandemic. The downside risks to the economy remain unusually large for as long as the pandemic hangs over the economy. The strong rebound in economic activity when the restrictions were eased suggests that households and firms may be able to cope with the ongoing pandemic and containment measures better than expected.

To address these fundamental uncertainties, this section explores the macroeconomic consequences of two alternative paths for the pandemic, associated containment measures, and confidence.[88] A *downside scenario* considers an even stronger resurgence of the pandemic in the last quarter of 2020 and first quarter of 2021 compared to the forecast. Stricter and more protracted restrictions to economic activity are associated with further declines in confidence among households and firms and a sharper deterioration in the liquidity and balance-sheet position of non-financial corporations. These also cause more severe medium-term damage to the economic fabric from adverse supply developments. By contrast, an 'optimistic' scenario features a faster than expected recovery in business and consumer confidence beginning in the second quarter of 2021. This *upside scenario* could arise thanks to faster than expected progress in the development of a vaccine, or if households and firms can adapt better than currently envisaged.

…built around several modelling assumptions…

In the *downside scenario*, the intensified social distancing and stricter confinement measures lead to a further increase in forced savings. However, acquired experience and testing infrastructure moderate the economic impact of increased stringency compared to the first pandemic phase. The scenario also features persistent increases in voluntary savings and investment risk premia, reflecting losses in consumer confidence, higher uncertainty, and deteriorating financing conditions.

(88) This analysis follows the model simulations presented in the European Commission's Summer interim Forecast. Since then, macroeconomic data for the first half of 2020 have become available, allowing a model-based decomposition as presented before. While remaining stylised in nature, the updated scenario analysis can thus incorporate more information. To remain close to the insights derived from the model-based decomposition, the scenarios are build on the same empirical model (GM), which features the euro area and the rest of the world economy. See also European Commission (DG ECFIN) (2020). 'The impact and recovery from COVID-19: a model-based scenario analysis'. *European Economic Forecast*: Summer 2020 (Interim), Box 1.1'. Institutional Paper 132, pp. 16-17.

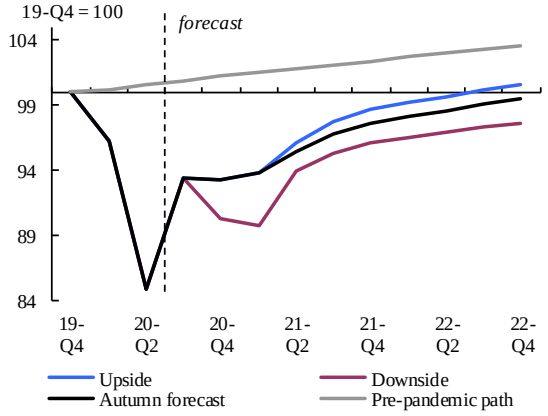
Table I.3.1:
Assumptions for the scenarios

Shocks	Downside scenario	Upside scenario
1. Forced savings shocks	Increase by around 1/3 of that estimated to in the first half of 2020 in each quarter (2020-Q4 and 2021-Q1) (1)	The strength of the shocks is reduced by 1/4 relative to the baseline forecast (in 2021-Q2)
2. Voluntary savings shocks	Higher persistence: half-life of voluntary savings shocks is tripled	Shock reducing voluntary savings
3. Investment risk premia	Rise by about 1/3 of the level estimated in 2020-Q2	Reductions in risk premia of around 1/6 of their peak in 2020-Q2
4. Supply effects	1/4 of the newly unemployed (0.5 %) exit the labour force	None
5. External demand	Contractionary shocks in the rest-of-the world are 1/2 of those in the euro area.	Improvements in line with the euro area
6. Policy	Only automatic stabilisers, no further discretionary fiscal stimulus; nominal interest rates at the effective lower bound.	Only automatic stabilisers, no further discretionary fiscal stimulus; nominal interest rates at the effective lower bound.

(1) For either quarter (2020-Q4, 2021-Q1), the additional effects are relatively smaller than during the first phase, while the cumulative impact is closer (2/3) due to the assumed longer-lasting restrictions.

In addition, a lower labour force participation negatively affects the supply side of the economy in the medium run. [89] Finally, while this 'second phase' scenario assumes a substantial deterioration predominantly in Europe, adverse external developments are also included.

Graph I.3.4: **Real GDP, euro area, index**



Note: The pre-pandemic path is based on growth rates forecast in the winter 2020 interim forecast, and which were extrapolated for 2022.

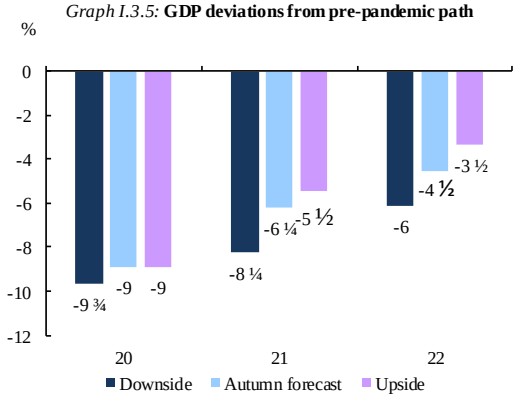
The *upside scenario* is centred around improving confidence among households and firms from the second quarter of 2021 onwards. Despite persistent restrictions to mobility, advancements in vaccine developments or other treatments boost sentiment in this scenario. As a result, savings are reduced gradually to pre-pandemic levels on the back of higher adaptability of households and firms. Additional reductions in risk premia further strengthen investment demand. The external environment also improves, thereby supporting the recovery in the euro area.

The two scenarios also differ in the degree of automatic stabilisation provided but neither includes further discretionary fiscal or monetary policy action.

…highlighting massive downside risks …

Based on these modelling assumptions, the *downside scenario* results in a sharp drop in economic activity in the last quarter of 2020, bringing the recovery to a halt and actually entailing a recession. Euro area GDP falls by more than 3½% (q-o-q) and declines again slightly in the first quarter of 2021. As a result, the annual growth rates for 2020 and 2021 are around -8½% and only 2¾%, i.e. around ¾% and 1½ pps. below the baseline forecast, respectively. The level of economic activity is thus severely depressed throughout the forecast horizon (see Graph I.3.4). Despite a recovery starting in 2021-Q2, output in the euro area remains below pre-pandemic levels throughout the forecast horizon.

Graph I.3.5: **GDP deviations from pre-pandemic path**



Note: The pre-pandemic path is based on growth rates forecast in the winter 2020 interim forecast, and which were extrapolated for 2022.

In the downside scenario, fluctuations in the household saving rate are the central driver behind the intensified output losses (see Graph I.3.6). Initially, their impact relates to higher forced

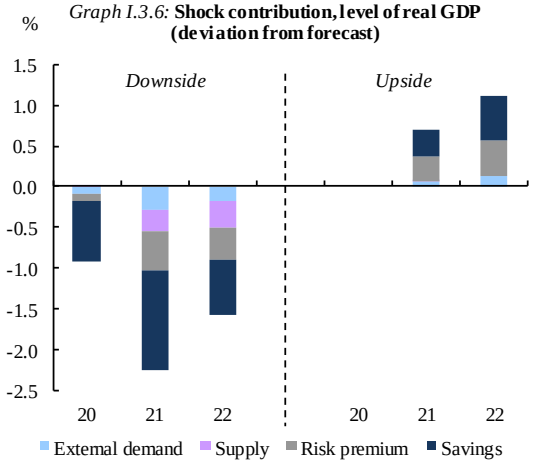
[89] The scenario assumes that ¼ of the newly unemployed (1/2 %) exit the labour force persistently, reflecting a potentially looser attachment to the labour force in the heavily affected service sectors.

savings associated with stricter containment. However, persistent changes in saving preferences and risk attitudes take the lead later on. Moreover, shocks to risk premia and adverse supply effects substantially prolong the slump and delay the recovery, particularly in 2022. While the second phase is assumed to occur mainly in Europe, weakening external demand further deepens output losses.

…despite slight upside factors.

By contrast, in the *upside scenario*, brightening sentiment gives way to pent-up demand, an easing of company liquidity needs, and a reduction in risk premia. As a result, of a faster recovery in private consumption and business investment, real GDP growth rates are around half a percentage point higher than expected in both 2021 and 2022, with roughly equal contributions from reductions in risk premia and savings. Notably, this *upside scenario* implies that economic activity reaches its pre-pandemic levels before the end of 2022.

Graph I.3.6: **Shock contribution, level of real GDP (deviation from forecast)**



Output losses relative to the growth path expected before the pandemic are massive even under optimistic assumptions (see Graph I.3.5). [(90)] In the upside scenario, real GDP in the euro area remains 3½% below the pre-pandemic expectations in 2022. In the downside scenario, this distance increases to 6% in 2022, highlighting the depth of the crisis and the long road out of it.

[(90)] Before the pandemic, euro area GDP was forecast to grow by 1.2% in 2020 and 2021, which is taken as the 'pre-pandemic path'. See 'European Economic Forecast: Winter2020'. *Institutional Paper* 121

Conclusion

The scenario analysis presented in this special topic explores the impact of two alternative paths of the pandemic on the recovery of the European economy. In this highly uncertain and fast moving environment, such analyses are an important complement to the forecast narrative. While both upside and downside scenarios are presented, no probability is attached to either event. Still, the consequences of either scenarios are not symmetric. In particular, the downside scenario highlights the massive and lasting economic damage posed by a more adverse epidemiological environment. The dangers of a renewed deep contraction and a more protracted recession are real, highlighting the role for economic and health policies to mend the economic fabric.

3.2. MACROECONOMIC EFFECTS OF NEXT GENERATION EU

An unprecedented crisis and a strong policy response…

Member States and the EU have reacted swiftly to the enormity of the challenge posed by the COVID-19 crisis. This autumn forecast projects a fall in EU GDP by 7.4% in 2020, with economic activity barely returning to its pre-crisis level by the end of 2022 and risks tilted to the downside. To support a swift recovery and help build a more resilient European economy and society, the European Commission has proposed a €750bn-Recovery Instrument, 'Next Generation EU' (NGEU).[(91)] The instrument is meant to address the enormous investment needs related to the guiding principles of environmental sustainability, productivity, fairness, and macroeconomic stability. Its main component, the Recovery and Resilience Facility (RRF), has been designed to counteract the widening economic divergence between Member States, which is being driven by differences in the impact of the pandemic, economic structures, and budgetary constraints.

…analysed through the lens of a state-of-the-art macroeconomic model.

This special topic provides a concise, updated assessment of the potential macroeconomic impact of NGEU on the EU economy via stylised model

[(91)] The total size of NGEU corresponds to around 5.4% of annual EU-27 GDP (2019).

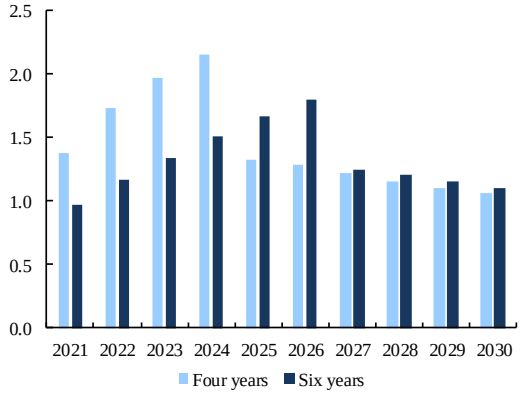
scenarios, using DG ECFIN's structural QUEST model.[92] It primarily differs from the initial simulation results presented in the Commission's staff working document of 27 May 2020 by including more recent information on the allocation of financial support to Member States, both over time and between countries.[93] The results presented in this special topic take into account the agreement on Next Generation EU reached at the European Council of 20/21 July, as well as new operational modalities for the RRF.

It should be noted that the analysis presented in this chapter can only serve to illustrate the principal channels through which NGEU is likely to affect Europe's medium-term economic outlook and provide an indicative quantification of the likely impact. The scenarios below should not be interpreted as a forecast, nor can the analysis adequately capture the full provisions and mechanics of NGEU's constituent elements. Finally, as for any model simulation, its results rely on certain simplifying assumptions. Box I.3.1 sets out those assumptions, including on additionality and productivity of the public investment generated by NGEU.

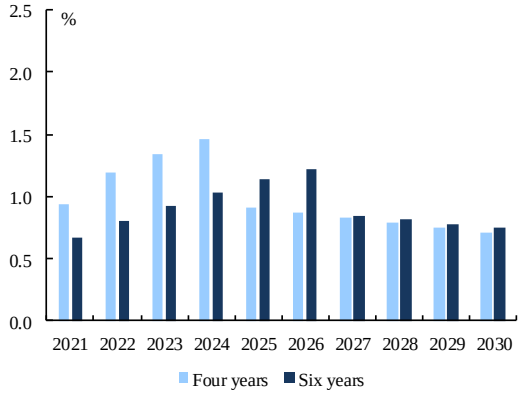
NGEU should have a substantial positive and persistent impact on overall EU growth…

Based on the assumptions outlined in Box I.3.1, the simulations highlight the substantial growth effects of NGEU. Graph I.3.7a shows that real GDP in the EU is estimated to be up to 2% higher during the years of NGEU's active operation compared to a no-policy change baseline.[94] Two alternative time profiles are presented. The first represents a 'fast implementation' scenario akin to that presented in COM (2020 SWD 98), the second a scenario of a more even absorption over NGEU's six-year period of operation. The time profile of real GDP closely follows the assumed path of investment with a peak in real GDP in 2024 and 2026 for the four-year (light blue) and six-year profile (dark blue), respectively. The GDP effects are smaller but remain sizeable in the `low additionality' scenario, in which not all resources are used for additional public investment (Graph I.3.7b).

Graph I.3.7a: **Simulated GDP effects of NGEU in the EU-27 - high additionality**



Graph I.3.7b: **Simulated GDP effects of NGEU in the EU-27 - low additionality**



As public capital is productive, the additional investment not only boosts demand but also increases potential growth beyond the implementation period. Several interrelated factors further contribute to the substantial GDP effects found in the simulations. First, at the current juncture, the policy interest rate at the effective lower bound implies at least a partial monetary accommodation, which limits crowding-out effects. Second, higher GDP growth leads to a decline in the debt-to-GDP-ratio, especially for the grant-type instruments in Member States with a relatively high debt ratio. This channel can reduce risk premia (including for the banking sector) and stimulate private consumption and investment. Finally, by design, NGEU represents a coordinated expansion. Limited import leakage increases the effectiveness of this policy: since all countries expand, not only imports will increase but also

[92] QUEST is a macro-model in the New-Keynesian tradition with rigorous microeconomic foundations and frictions in goods, labour and financial markets. See Burgert et al. (2020), 'A Global Economy Version of QUEST: Simulation Properties', European Economy Discussion Paper 126

[93] For the initial model simulations see European Commission (2020), `Identifying Europe's recovery needs', SWD (2020) 98 final.

[94] The graph reports the level of real GDP in per cent deviation from a no-policy change baseline. EU refers to EU-27 (GDP-weighted) averages.

Box I.3.1: **Technical specifications underpinning the QUEST simulations of NGEU**

Generally speaking, the model structure and main approach of European Commission (2020, SWD 98, p. 41 ff.) are maintained in this updated simulation, which presents the best available information regarding the likely allocation across Member States and the composition of NGEU by its different instruments, based on the European Council of 20/21 July 2020.

The QUEST model accounts for cluster-specific features such as a nonlinear exposure to sovereign debt risk and vulnerable financial markets in the high-debt cluster, as well as region-specific trade openness and trade linkages.[1] These features are likely to have an impact on the macroeconomic effects of NGEU and motivate the stylised grouping for this modelling exercise.[2]

The modelling requires a number of simplifying assumptions regarding (a) the components of NGEU, (b) their allocation across time and Member States, and (c) the additionality and productivity of the public investment generated by NGEU.

Table 1 reports the stylised *apportioning across NGEU instrument*s applied in the simulations.[3] The overall package consists of three broad components: (i) about €385bn (out of €750bn) are Recovery and Resilience Facility (RRF) grants and related instruments, (ii) €360 bn resources are loans to the Member States to finance public investment. The beneficiary Member States repay these back-to-back loans gradually over 20 years, (iii) InvestEU uses the remaining share of the package as loss provisioning for the financing of private investment.

Table 1:

Stylised representation of apportioning across instruments (for modelling purposes only)

NGEU Instruments	*EUR bn*	
Grant instruments	384	
of which RRF grants		*312.5*
Loans	360	
InvestEU	6	
Total	**750**	

For tractability, the simulations apply to the same country-specific *allocation key and time profile* for all components of NGEU. The high-income cluster receives 26.5% of the package, the 'EU below average (low debt)' receives 23.9%, and the 'EU below average (high debt)' receives 49.6%. Grants and related instruments are debt-financed at the EU level using longer-term debt. The contributions of Member States to the EU budget match their GDP shares.[4] The analysis considers two time profiles for NGEU: a four-year stimulus implemented from 2021 until 2024 and a six-year implementation period lasting until 2026. Both profiles assume a fast entry into force and an equal distribution across the years.

Concerning the *additionality of public investment*, the simulations consider two cases. A `high additionality' scenario assumes that all grants and half of the loans are used for productive public investment. Under `low additionality', the investment generated by both, grants and loans, is

(1) The analysis assumes a (strong) nonlinear relationship between the default risk premia and the level of government debt in the high-debt cluster in line with Corsetti, G., Kuester, K., Meier, A. and Müller, G.J. (2013), `Sovereign Risk, Fiscal Policy, and Macroeconomic Stability'. *Economic Journal*, 123: F99-F132. The lower pass-through of sovereign risk avoids distress in the private-sector borrowing costs, which was a key transmission channel in the sovereign debt crisis. Turning to public sector borrowing costs, note that the sovereign risk increase only affects new debt issuance. The maturity structure thus implies a gradual increase in debt service in light of average maturity of around seven years. More specifically, the simulations assume a decline in the sovereign risk premium by around 55 bps (annually) in the high-debt cluster, including a 50% spillover to private sector borrowing costs.

(2) Assuming either pegged currencies or common monetary policy, the Member States in the high-income group and high-debt group form a currency union, where monetary policy is constrained by the effective lower bound.

(3) Note that this is a highly stylised representation for modelling purposes only; actual sums financed from NGEU are bound to differ. Grant instruments include RRF grants and additional resources such as ReactEU and the Just Transition Fund, which share economic characteristics.

(4) The GDP shares are 64.5%, 10.7%, 24.8% for the high income, below average (low debt), below average (high debt) clusters, respectively.

(Continued on the next page)

Box (continued)

assumed to be only 50% additional.[5] The *assumed productivity of public capital*, based on the empirical literature, is crucial for the medium and long-run growth effects.[6]

[5] Since the other half of loans finances general government spending, which would take place anyway (and thereby frees resources), the impact on debt is also 50%. This assumption relates, for example, to borrowing costs. With loans, the receiving government still faces the problem of rising interest rates. It has an incentive to use the loan to finance existing investment, which reduces additionality.

[6] A meta-study suggests a long-run output elasticity of public capital of around 0.12. See Bom, P., Ligthart, J., 2014. `What Have We Learned From Three Decades Of Research On The Productivity Of Public Capital?' *Journal of Economic Surveys*, vol. 28(5), 889-916.

exports. This spillover effect will benefit particularly export-intensive countries (in the higher-income cluster) because of rising demand from lower-income countries.

…capable of boosting convergence…

To assess the impact on convergence, the model analysis further constructs three clusters of Member States according to their GDP per capita and debt-to-GDP ratios.[95] The high-income cluster consists of all Member States with a GDP per capita above the EU average.

The other two groups include Member States with a below-average income per capita. Here, the 'EU below average (high debt)' cluster consists of the Member States characterised by high public indebtedness. All remaining Member States are grouped as 'EU below average (low debt)'. Any non-EU economies form the `rest-of-the-world'. The Staff Working Document 98 of the European Commission (2020) reports additional details.

The model simulations shown in Graph I.3.8 underline that NGEU is likely to strongly support convergence within the EU economy, thereby counteracting the centrifugal forces that the COVID-19 crisis risks unleashing.[96] Given the assumed allocation key for Member States, the clusters with below-average GDP per capita levels are estimated to experience the largest boost to output. For a six-year stimulus, the increase in output amounts to around 3½% for the low debt group and 3¼% for the high debt group in 2026, under full additionality of grants. The cluster with above-average GDP per capita levels is likely to experience smaller but sizeable GDP effects of around 1% compared to baseline over the same period.

…under favourable debt dynamics and improved labour market conditions…

The investment supported by NGEU is estimated to lower the debt-to-GDP ratio by around 0.6 pps. on average (2021-2026) for the EU aggregate, including newly issued EU debt. While debt increases in nominal terms due to some of the support being granted in the form of loans, the budget deficit increases by less than the ex-ante stimulus due to automatic stabilisers. The average debt-to-GDP ratio is lower on impact (denominator effect) but – given the persistent GDP effect – it remains below the baseline, especially in the clusters with a GDP below average.[97]

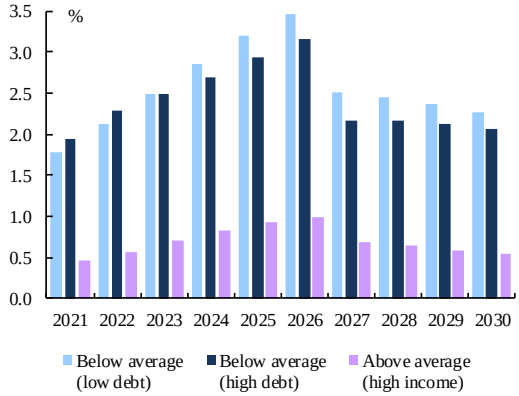
[95] To summarise, the blocks include the following MS: EU above-average GDP per capita: AT, BE, DE, DK, FR, FI, IE, LU, NL, SE; EU below average GDP per capita (high debt): CY, EL, ES, IT, PT; and EU below average GDP per capita (low debt): All EU-27 MS not included in the previous groups.

[96] The graph reports the level of real GDP in percent deviation from a no-policy change baseline.

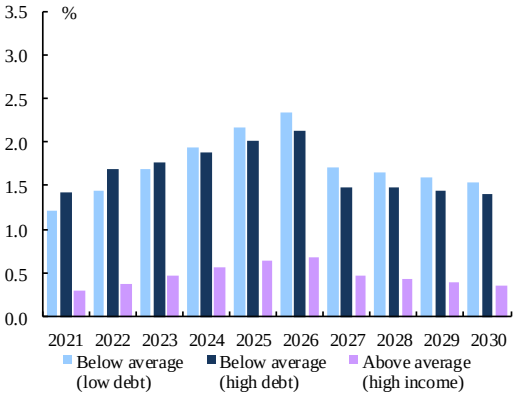
[97] The analysis here assumes constant expenditure components (e.g. government consumption and transfers) in real terms. If public expenditure were to increase with GDP, the output effects would increase while the dynamics

Improved labour market conditions accompany the favourable dynamics of GDP and public debt. During its period of operation, NGEU investment is estimated to generate more than one and up to two million jobs in the EU compared to the no-policy change baseline (for a four and six-year profile, respectively). In the medium-run, substantial and persistent real wage gains reflect improved labour market conditions and productivity gains (around +1% in 2030). In line with the GDP effects, employment growth is highest in the below-average groups (all results refer to the high additionality scenario).

Graph I.3.8a: **Simulated GDP effects of NGEU across clusters - high additionality**



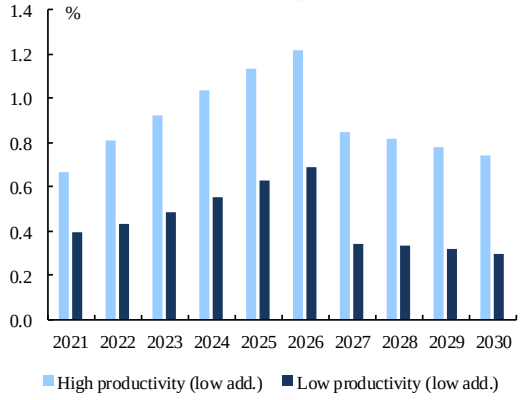
Graph I.3.8b: **Simulated GDP effects of NGEU across clusters - low additionality**



…with an emphasis on high-quality public investment.

Assumptions about the productivity of public capital have a large impact on estimates about the effects of public investment. A final simulation experiment therefore considers the case of significantly lower productivity of public capital combined with low additionality.[98] This scenario helps to illustrate the effects of supporting less productive investment projects with NGEU funds. As shown in Graph I.3.9, while sizeable effects remain even under such pessimistic assumptions, the growth impact appears substantially lower when public investment is allocated to less productive uses.[99] This result is particularly visible in the medium to long run, when productivity effects start to unfold. Because the output effects in this simulation are smaller in each cluster, lower spillovers imply a further reduction in the overall impact on growth. These findings underline the importance of ambitious and high-quality national plans in line with the commonly agreed objectives.[100]

Graph I.3.9: **Simulated GDP effects of NGEU in the EU-27- the role of productivity**



Conclusion

Summing up, the simulations above underline the significant size of NGEU and its potential to lift Europe's economies onto a significantly better recovery path in terms of GDP, labour market effects, and even public debt ratios. If implemented swiftly, with a strong focus on high-quality public investment and additionality, NGEU could act as a significant upside factor in the long

of the debt-to-GDP ratio would be slightly less favourable due to the additional expenditure.

[98] In this case, the output elasticity of public capital is reduced from 0.12 to 0.05. This stylised (re-)calibration is in line with the lower bound considered in Leeper, E., Todd B. W., and Yang, S. S.Y. (2010): `Government investment and fiscal stimulus'. *Journal of Monetary Economics* 57(8), 1000-1012.

[99] The graph reports the level of real GDP in percent deviation from a no-policy change baseline (low additionality setting and a six-year investment stimulus).

[100] See the press release of 17 September 2020: https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1658

recovery phase ahead.[101] While it gives a substantial boost to the recovery in all MS, the allocation of financial support ensures that the funds will flow to where they are needed the most. Moreover, the model analysis stresses that high-quality public investment can significantly boost potential output beyond the implementation period and thus also contribute to addressing medium-term challenges.

3.3. TOURISM IN PANDEMIC TIMES: AN ANALYSIS USING REAL-TIME BIG DATA

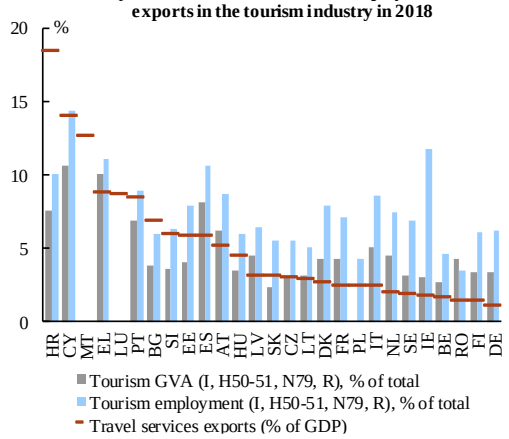
As the COVID-19 pandemic tightened its grip on Europe, containment measures were introduced that disrupted large parts of economic activity. Many of these restrictions, particularly those on people's movement within and across countries and the closure of shops, restaurants and bars, weighed heavily on the tourism industry. In the first half of the year, the damage to the sector can be gauged by the sharp drop in the gross value added of contact-intensive service activities as well as the decline of service exports (see Chapter I.2.3).

Despite the return to normality over the summer, when restrictions to contact-intensive sectors, travel services, and border crossings were eased, the data available suggest that the tourism sector saw only a limited rebound. With the resurgence of COVID-19 infections in recent weeks, new constraints on daily life are being put in place in a number of countries that will again strongly hinder tourism-related activities. Furthermore, under the assumption that at least some of the virus containment measures will be needed throughout the forecast horizon, the damage to the tourism industry is likely to be protracted.

The tourism sector is important to the European economy…

In 2017, 9% of non-financial corporations in the European Union operated in the tourism industry.[102] In national accounts terms, the contribution of sectors involved in tourism activities to gross value added, exports and employment is significant, but differs strongly across EU Member States (see Graph I.3.10). In total, these activities provided employment to about 14 million people in 2018, accounting for roughly 10% of persons employed in the services sector and about 7% of total employment. In terms of employment, the highest percentage of the workforce involved in tourism can be seen in Cyprus (about 14%), followed by Ireland (12%), Greece and Spain (both at 11%), Croatia (10%) and Portugal (9%).[103] In terms of the sector's share in total gross value added, Cyprus is in the lead with about 11%, followed closely by Greece (10%). Significant contributions to value added are also recorded in Spain, Croatia and Portugal. Cross-border tourism in particular is critical for the incomes and trade balances of some Member States, most notably for Croatia, Cyprus, Malta and Greece, which also record high trade surpluses in travel services.

Graph I.3.10: **Gross value added, employment and exports in the tourism industry in 2018**



…and has been severely scarred by the pandemic.

Tourism is among the industries that have been most affected by the restrictions imposed to contain the COVID-19 pandemic.[104] Additional, self-imposed restrictions and uncertainty about the

[101] Due to the very limited information about national Recovery and Resilience Plans, the full impact of NGEU funding is not reflected in the country forecasts of this Autumn Forecast (see also Box I.4.3 on RRF assumptions).

[102] Defined as the following industries according to statistical 'NACE' delineation: water transport, air transport, accommodation and food service activities and travel agency, tour operator and other reservation service and related activities as well as arts and entertainment if available.

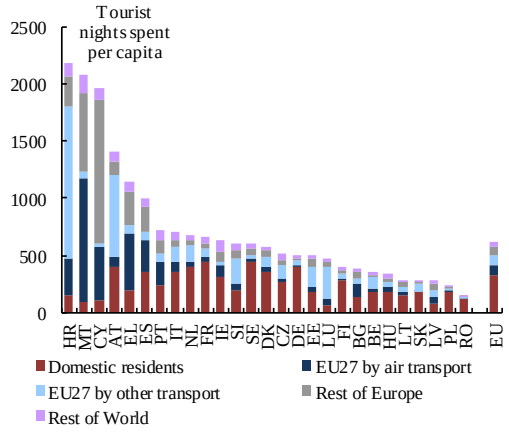
[103] The shares of employment, GVA and travel services exports refer to 2018, or 2017 if the data for 2018 is not available.

[104] On 13 May 2020, the European Commission adopted a package to help public authorities and enterprises to plan and prepare for the gradual relaxation of lockdown rules. At the centre of the package was a strategy to stimulate the recovery of tourism and transport. See COM(2020) 550 final.

evolution of the pandemic also weighed heavily on the sector, particularly over the summer.

This analysis starts by looking at the *number of nights spent* in tourist accommodation establishments such as hotels; holiday & other short-stay accommodation; camping grounds, recreational vehicle parks and trailer parks. Per capita, the highest numbers of tourist nights spent are observed in Croatia, Malta and Cyprus, followed by Austria, Greece and Spain (see Graph I.3.11).

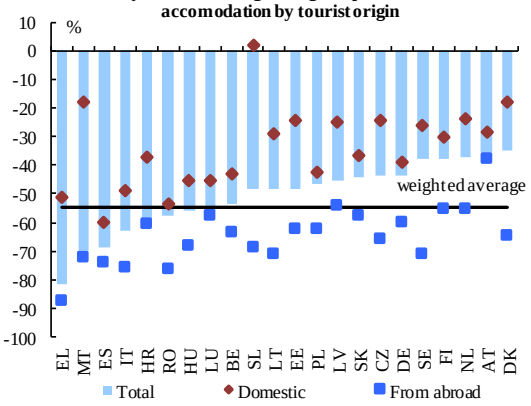
Graph I.3.11: **Nights spent by origin in 2018**



The origin and transportation mode used by tourists who spend nights in tourist accommodation establishments matter for the assessment of the pandemic effects. The top tourist countries all have a relatively low share of domestic tourists. However, while in Croatia the majority of tourist nights come from EU tourists that arrive by land transport, Malta, Greece, Cyprus and, to a lesser extent, Spain, receive a large share of tourists by plane and from outside the EU. In many of the remaining countries, the main source of nights spent are domestic tourists, together with European tourists that come by means of transportation other than the plane, e.g. car or train.

The number of nights spent dropped by approximately 55% on average in the first half of 2020, compared to the same period in 2019 (see Graph I.3.12).[105] There are significant differences among countries, with Greece, Malta, Spain, Italy and Croatia showing the most substantial declines. Overall, the declines range from 80% in Greece to 35% in Denmark. In almost all countries, nights spent by both domestic and foreign tourists declined significantly. However, in all EU Member States, there has been a significantly stronger decline in tourists from abroad (foreign, i.e. international or non-resident tourists), especially in Greece, Malta, Spain and Italy.

Graph I.3.12: **Change in nights spent at tourist accomodation by tourist origin**



Note: January-July average , y-o-y

The scale of the pandemic's impact on tourism is confirmed by other relevant data.[106] For the period January-June, *international tourist arrivals* were down by 62-72% compared to the same period in 2019 in Europe. Between January and September, *occupancy rates* and *hotel bookings* were 29-38% and 51-64%, respectively, below their levels for the same period in 2019. While for some of these indicators an upward trend was observed during the summer months, air travel still lags significantly behind. Compared to the same period in 2019, *actual air reservations* were down by around 80% in the EU in September, with barely a recovery recorded since the trough from April to June.

Big data offers further insights into tourism activity…

In order to track tourism dynamics in real-time, and complement official statistics, data from online short-term rental agencies, in particular from AirBnB, offer useful insights.[107] The

[105] The average is computed as the weighted deviations of total nights spent in 22 Member States between January and July 2020 from the same period in 2019.

[106] UNWTO (2020). 'Tourism Recovery Tracker'.

[107] AirBnB appeals to a certain demographic group, and is overrepresented in destinations sought after by young travellers, notably large metropolitan cities. Yet also classical regions for short-term rentals are reasonably well covered. Overall, the more than 2 million listings from the platform nevertheless provide for a broadly representative sample size, that is sufficient for statistical inference on a regional level.

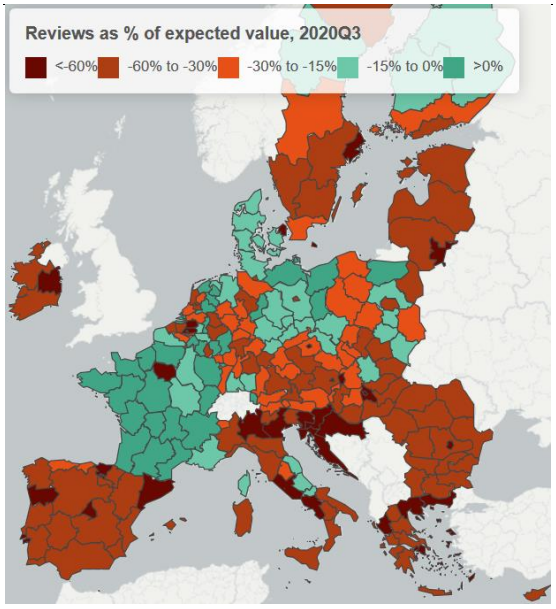
customer reviews on AirBnB listings in particular are time-bound and frequent, and correlate well with overnight tourism trips to an area. Due to their close correlation with overall tourism activity as measured by trips and nights spent, these data can be used to gauge developments in the tourism sector and for forecasting current quarter dynamics. In addition, such review data are also available with a detailed geographical breakdown. (108)

At the height of the crisis in April, the number of EU AirBnB customer reviews had collapsed to only 4% of expected levels. (109) In August, they had recovered to 70% of what could have been expected based on August 2019. By end-September however, when the number of COVID-19 cases began to rise again, trips dropped back to less than 45% of their expected levels in the EU. In cumulative terms, the sum of customer reviews from January to September stood at about half of what could have been expected based on past trends.

…and reveals large cross country differences…

The customer review data reveal striking cross-country differences in 2020. Up to end-September, the decline in the number of AirBnB reviews was substantial in several countries. Cumulative reviews during January-September 2020 undershot expected levels by more than 65% for Greece, Ireland, Italy, Croatia, Hungary, Malta, Portugal and Slovenia, hinting at a severe hit to the sector in these countries (see Map I.3.1). On the other side of the spectrum, reviews were only down by 31% in Finland, 32% in France and by around 40% in Germany, the Netherlands, Lithuania, and Sweden. In these countries, the downturn mostly reflects the spring lockdown period, whereas summer activity was much closer to normal. France stands out with record levels of AirBnB activity: after lockdown measures were eased in France, the number of reviews recovered quickly, to the extent that August saw even higher activity than expected based on pre-pandemic trends. These differences seem related to the location of countries and their accessibility, the importance of domestic vs inbound tourism, as well as the predominant means of transport for cross-border visitors.

Map I.3.1: **Tourism fallout by NUTS-2 region, 2020Q3**



…as well as wide dispersion across tourist areas

The share of tourism is distributed unevenly across EU regions, with 10% of statistical (NUTS-3) regions accounting almost 45% of the total tourist nights spent in the EU during 2018. Tourists from abroad account for roughly 45% of nights and are more likely to spend their holidays in coastal areas, but are also strongly represented in cities. Due to this diversity of tourism markets, differentiating between coastal, rural and city tourism is important to obtain a comprehensive overview of the sector's performance as well as a better understanding of the changes in travel patterns triggered by the pandemic.(110)

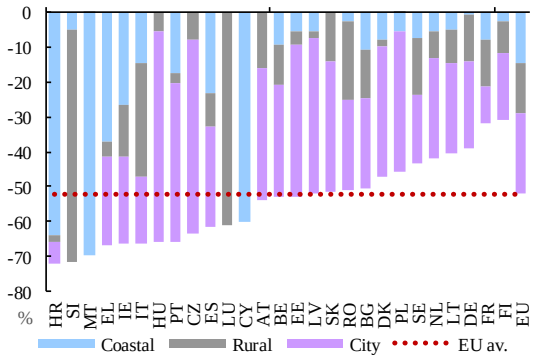
(108) The number of AirBnB customer reviews referenced here is based on scientific research, and thus may not necessarily present a complete picture of the underlying web platform.

(109) 'Expected' levels for any period is given by the number of reviews during the same period of the preceding year, plus half the growth rate of reviews during the preceding year. Taking into account this underlying trend growth of reviews represents a simple adjustment for the strong, but decelerating expansion of AirBnB's market share in overall tourist accommodation during recent years. The expected level thus represents the number of overnight tourism trips that could have been expected for 2020 under normal circumstances.

(110) The repartition into city, coastal and rural of NUTS-3 region relies on the regional tourism typology proposed by Batista e Silva F, Barranco R, Proietti P, Pigaiani C, Lavalle C (2020), 'A new European regional tourism typology based on hotel location and geographical criteria', Annals of Tourism Research, In press. Graph I.3.12 presents the aggregate of NUTS-3 regions focused on 'coastal' or 'city' tourism as defined by Batista e Silva et al. 'Rural' denotes all other NUTS-3 regions.

Across the EU, *city tourism*, which accounts for about 60% of reviews in normal times, remains extremely weak (see Graph I.3.13). Over the period from January to end-September, reviews in city tourism regions averaged only roughly 35% of expected levels. However, here too there are significant differences across countries. Some recovery in city trips was observed in Germany, Poland, and Finland during the summer season, whereas they remained depressed at around 20-45% of expected levels in most other Member States. Overall, city tourism is likely suffering from several factors at once, including the lack of non-European tourists, and the virtual disappearance of business travel.

Graph I.3.13: **Cummulative drop in reviews since January, by country and tourism area**



Note: Bars represent reviews 1 Jan to 15 Sep 2020, as % of total expected reviews over that period

A large part of the rebound in tourism activity observed up until the end of August has thus focused on coastal and rural regions, especially those that are easily accessible by car from metropolitan regions. *Coastal tourism* activity in the EU remained at about 50% below expected levels on average in the period from January to mid-September. In August, however, the activity was only 25% below expected, suggesting that a substantial pickup took place during the summer. Across countries, the situation still differs widely. In August, coastal tourism in Denmark, Germany, France, the Netherlands, Finland, Lithuania and Poland recovered to close-to-normal levels. In contrast, in other countries, some of them strongly reliant on coastal tourism, activity was still substantially below normal at that time. This holds especially true for Greece, Croatia, Portugal, and Malta, where the overall number of reviews remained between 50 and 55% less than expected, suggesting that destinations that are usually reached by air have suffered more.

Tourism activity in rural areas has declined the least, with activity during January to end-September only 42% below expected in the EU. *Rural tourism* has also contributed strongly to the rebound, with activity only 13% down in August. Again, the picture varies across countries, with rural areas heavily hit from January to end-September in Bulgaria, Ireland, Greece, Spain, Croatia and Slovenia (between 60 and 74% below expected) and levels remaining depressed in August (still between 47 and 69% down). In stark contrast to this, tourism to rural areas strongly recovered in some countries during the summer (especially in Belgium, Germany and the Netherlands) and even moved to levels above normal in France (+11% in August). This provides further evidence that the past summer holiday season saw a significant rerouting of tourist flows from Mediterranean areas to destinations closer to home and reachable without air transport.

…and allows to nowcast total nights spent.

The historical relationship between the collected reviews and the traditional indicator of tourist nights spent can be used to anticipate the evolution of tourism activity. AirBnB reviews are sufficiently widespread in almost all EU regions to use as a gauge of how overall overnight tourism has evolved in recent months. While the prevalence of online short-term rentals differs strongly between European regions, the number of reviews correlates well with overall tourist arrivals across time. [(111)] The latter can be converted into nights spent by using statistical information on the nights/arrival ratio for the respective month.

This nowcast technique can be used to estimate tourist activity for the full third quarter. Table I.3.2 displays the results. It indicates that 16 Member States likely saw a 40% drop in the number of total nights spent in the third quarter of this year, compared to the same quarter last year. In five Member States, activity recovered to around 80% or more of normal. For the EU as a whole, nights spent in the third quarter totalled 63% of what had been observed a year earlier.

[(111)] Translating AirBnB reviews to overall tourism in a region requires to take into account indications that AirBnB's market share in tourism has been growing strongly, but regularly. A proxy of the market share for any specific region-year observation can, however, be well predicted based on the growth of AirBnB listings and statistical information for the preceding year.

Table I.3.2:
Tourism activity overview - nights spent in tourism accomodations

Country	Nights spent in 20-Q3		Nights spent from 20-Q1 to 20-Q3		Projected range	Country	Nights spent in 20-Q3		Nights spent from 20-Q1 to 20-Q3		Projected range
	Millions	% change y-o-y	Millions	% change y-o-y	2020 as % of 2019		Millions	% change y-o-y	Millions	% change y-o-y	2020 as % of 2019
Greece	37	-55%	41	-68%	-71 to -65%	**Latvia**	1	-44%	2	-47%	-55 to -44%
Malta	1	-65%	3	-67%	-74 to -63%	**Lithuania**	2	-39%	4	-45%	-53 to -43%
Slovenia	3	-64%	5	-67%	-71 to -66%	**Estonia**	1	-39%	3	-44%	-52 to -41%
Ireland	7	-44%	10	-65%	-71 to -59%	**Romania**	8	-36%	13	-43%	-53 to -40%
Cyprus	4	-50%	5	-64%	-71 to -59%	**Czechia**	15	-30%	26	-43%	-54 to -37%
Spain	81	-56%	141	-63%	-70 to -59%	**Poland**	26	-25%	46	-39%	-50 to -36%
Croatia	31	-52%	36	-59%	-61 to -58%	**Sweden**	17	-36%	33	-38%	-43 to -37%
Luxembourg	1	-51%	1	-56%	-63 to -54%	**Germany**	121	-17%	222	-36%	-49 to -32%
Portugal	16	-47%	27	-56%	-63 to -52%	**Denmark**	12	-20%	19	-35%	-42 to -30%
Italy	116	-44%	170	-55%	-60 to -52%	**France**	167	-19%	251	-34%	-43 to -31%
Hungary	7	-44%	12	-53%	-62 to -49%	**Austria**	32	-24%	71	-33%	-44 to -31%
Bulgaria	9	-43%	12	-50%	-55 to -48%	**Netherlands**	40	-12%	68	-32%	-44 to -25%
Belgium	10	-33%	17	-50%	-61 to -43%	**Finland**	6	-20%	13	-27%	-38 to -23%
EU27	775	-36%	1260	-47%	-55 to -44%	**Slovakia**	5	-11%	9	-26%	-37 to -21%

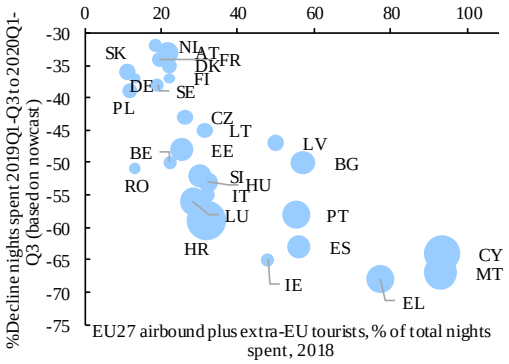
Note: Number of AirBnB listings and statistical information for the preceding year.

Data available until mid-October allow for a preliminary nowcast for the whole of 2020, since the months from January to October account for 90% of total tourism during a typical year (in terms of nights spent). Table I.3.2 ('Projected range') displays the minimum and maximum tourism activity for 2020 that can be projected based on the variation of activity levels during the pandemic. [112] This suggests that total nights spent in the EU over 2020 as a whole will turn out at about 50% of the level observed in 2019. The Netherlands will likely be the best performing Member State and may attain 75% of 2019 levels, with several other Member States not far behind. Yet the Member States that depend most on tourism have seen more severe declines, with statistical data and the nowcast indicating that Greece may see less than 30% of normal tourism activity this year. Graph I.3.14 sheds some light on a possible explanation. The Member States with the largest losses year-to-date are the ones most dependent on air travel (defined as extra-EU tourist nights spent, plus intra-EU tourists travelling by air, as a percentage of total nights spent.

Conclusion

The analysis in this section illustrates that tourism activity has taken a major hit and was still depressed at the end of the summer. There has, however, been some recovery of 'recreational' (coastal/rural) tourism since the trough in April/May. Most of this activity was directed at destinations closer to metropolitan areas, and presumably, reachable without taking air transport. More peripheral Member States as well as islands are still to see a significant rebound. Using AirBnB reviews in a nowcasting framework, it is estimated that total nights spent in the EU in the entire year 2020 are expected to remain about 50% below the level observed in 2019. Going forward, given the challenges involved in dealing with the pandemic, possible changes to consumer behaviour, particularly in what concerns the observed shifts towards 'near-abroad' travel, likely persistence of limits to person-to-person contact, are going to pose a challenge to the recovery of the sector.

Graph I.3.14: **Decline in nights spent versus share of airbound and extra-EU tourists**



Note: Dot size proportional to food and accommodation gross value added as % of total economy gross value added.

The analysis also sheds light on the heterogeneous impact of the pandemic on tourism. The size of the shock varies according to the predominant mode of transportation, the origin of tourism flows, as well as the specific features of the destination, particularly of different regions within a country.

[112] On average, tourism activity during the remaining 2½ months of 2020 can be expressed as a percentage of tourism during the same period in 2019. Assuming that this percentage will lie between the minimum (April) and maximum (August) observed during 2020Q2-Q3 allows to infer a range for tourism activity during the closing months of 2020.

4. BOXES

Box I.4.1: **Some technical elements behind the forecast**

The cut-off date for taking information into account in this European Economic Forecast was 22 October 2020.

External assumptions

The external assumptions underpinning this forecast reflect market expectations at the time of the forecast. To shield them from possible volatility during any given trading day, averages from a 10-day reference period (between 6 and 19 October) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption regarding exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.14 in 2020 and 1.18 both in 2021 and in 2022. The average JPY/EUR is 121.71 in 2020 and 124.23 in both 2021 and 2022.

Interest-rate assumptions are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro area interest rate is taken for both short- and long-term rates. As a result, short-term interest rates are assumed to be -0.4% in 2020 and -0.5% in 2021 and -0.6% in 2022 in the euro area. Long-term euro area interest rates are assumed to be -0.5% in 2020, 2021 and 2022.

Commodity prices

According to futures markets, prices for Brent oil are projected to be on average 42.6 USD/bbl in 2020, 44.6 USD/bbl in 2021 and 46.4 USD/bbl in 2022. This would correspond to an oil price of 37.5 EUR/bbl in 2020, 37.9 EUR/bbl in 2021 and 39.4 EUR/bbl in 2022.

Trade policies and assumptions

For the assumption on the trade relations between the EU and the UK after the end of the transition period, on 31 December 2020, see Box I.4.2.

Also for trade policy, this forecast pencils in only the measures that have been implemented until the cut-off date. Compared to the summer interim forecast, there were only limited changes.

- On 15/08/2020, the US administrations imposed additional restrictions against Huawei. Companies will have to obtain a license before they can sell microchips, which are made using US equipment or software, to Huawei.

- On 21/08/2020, the US and the EU announced lower tariffs on several goods following the "most-favoured-nation-rules".

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2019 as published in Eurostat's news release 156/2020 of 22 October 2020.

Eurostat is **withdrawing the reservation** on the quality of the data reported by Denmark for the year 2019, which was motivated by the incomplete data provided in March 2020 by the Danish statistical authorities and to the high statistical discrepancy. A complete data set has now been provided by the Danish statistical authorities and the discrepancy has decreased considerably.

The public finance forecast is made under the 'no-policy-change' assumption, which extrapolates past revenue and expenditure trends and relationships in a way that is consistent with past policy orientations. This may also include the adoption of working assumptions, namely 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 2021, draft budgets are taken into consideration. For 2022, the forecast incorporates the lasting impact of those measures. For the treatment of the Next Generation EU instrument and its centrepiece Recovery and Resilience Facility, please see Box I.4.3.

EU and euro area aggregates for general government balance and debt in the Commission forecast and in the Eurostat's press release 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

(Continued on the next page)

Box (continued)

Table 1:
Technical assumptions

	Autumn 2020 forecast				Spring 2020 forecast		
	2019	2020	2021	2022	2019	2020	2021
3-month EURIBOR (percentage per annum)	-0.4	**-0.4**	**-0.5**	**-0.6**	*-0.4*	*-0.3*	*-0.4*
10-year government bond yields (percentage per annum) (a)	-0.3	**-0.5**	**-0.5**	**-0.5**	*-0.3*	*-0.4*	*-0.3*
USD/EUR exchange rate	1.12	**1.14**	**1.18**	**1.18**	*1.12*	*1.09*	*1.09*
JPY/EUR exchange rate	122.05	**121.71**	**124.23**	**124.23**	*122.05*	*118.35*	*117.78*
GBP/EUR exchange rate	0.88	**0.89**	**0.91**	**0.91**	*0.88*	*0.87*	*0.87*
EUR nominal effective exchange rate (annual percentage change) (b)	-1.2	**3.9**	**2.7**	**0.0**	*-1.2*	*1.5*	*0.5*
Oil price (USD per barrel)	64.1	**42.6**	**44.6**	**46.4**	*64.1*	*38.4*	*40.2*
Oil price (EUR per barrel)	57.2	**37.5**	**37.9**	**39.4**	*57.2*	*35.1*	*36.9*

(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.

through the European Financial Stability Facility), the projections in the forecast years 2020, 2021 and 2022 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2019, this implies an aggregate debt-to-GDP ratio which is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 156/2020 of 22 October (by 1.9 pps. in the EA and by 1.6 pps. in the EU).

Coronavirus relief measures

In the forecast, the budgetary impact of such measures is estimated in line with the established "no-policy-change" guidelines. In particular, a distinction is made between discretionary measures with a direct budgetary impact and broader liquidity support measures that do not imply an immediate budgetary impact.

Liquidity provisions in the form of public guarantees or loans to companies are in general considered risks to the budgetary projection. Their impacts are only included in the projections in specific cases, notably in case of standardised instruments, where a certain share of such loans or guarantees can be assumed to have an impact on the government balance ex-ante. This recording is without prejudice to the statistical treatment of these measures by the national statistical authorities and Eurostat. The short-term measures taken in direct response to the coronavirus outbreak in 2020 and 2021 are not treated as one-off and are thus reflected in the estimation of the structural budget balance.

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. [1]

Calendar effects on GDP growth and output gaps

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

The working-day effect in the EU and the euro area is estimated to be limited in 2020, 2021 and 2022 implying that adjusted and unadjusted annual growth rates differ only marginally (by up to ±0.1 pps.).

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

[1] https://ec.europa.eu/eurostat/web/esa-2010/esa-2010-implementation-and-data-quality

Box I.4.2: Technical assumption on the future trading relations between the EU and the UK and model simulation of their economic impact

The UK left the EU on 31 January 2020 and entered into a transition period, during which EU law, with a few exceptions, continues to apply to and in the UK. After the end of the transition period on 31 December 2020, whatever the result of the ongoing negotiations, it is clear that trade between the EU and UK will no longer be frictionless since UK intends to leave the Single Market and Customs Union. As such, the technical assumption of unchanged trading relations that has been used in previous forecast rounds is no longer appropriate. The new technical assumption used in this forecast is that the EU and the UK trade on WTO Most Favoured Nation (MFN) rules ('WTO assumption') from 1 January 2021 onwards. This is the default assumption if no agreement on future trading relations between the EU and the UK is concluded before the end of the transition period and is in line with the general 'no-policy-change' assumption routinely used in the Commission's forecasts. This is without prejudice to the outcome of the ongoing negotiations. The possible conclusion of an agreement on a partnership, including a Free Trade Agreement (FTA), would improve the outlook compared to the baseline.

Under the WTO assumption, the trading relationship between the EU and the UK will be significantly less beneficial than the current situation. While tariffs between the EU and the UK are currently zero, the assumption involves the imposition of tariffs at respective MFN levels in line with the EU's WTO obligations. In addition, as in any scenario, non-tariff barriers (NTBs) related e.g. to customs and regulatory compliance will increase substantially due to the UK and the EU being in different legal, fiscal and regulatory spaces [1]. It is assumed that there will be initial disruptions in trade in the first quarter of 2021.

A modelling simulation was carried out to estimate the effect of the switch from the unchanged trading relations assumption to the WTO assumption, which was used as input for the individual country forecasts. Since this situation is unprecedented, the estimates are subject to a high degree of uncertainty.

The simulation focuses on the short-term impact of the interruption in trade flows. It does not include effects of potential longer-term changes in productivity nor of possible changes to migration flows. The forecast uses technical assumptions for exchange and interest rates, among others (see Box I.4.1) and hence the assessment does not look into any potential impact through the financial sector and the exchange rate channels.

The Model

A static model is used to estimate the short-term impact of the UK leaving the EU acquis, including the Single Market and Customs Union [2]. By construction, it does not account for changes in behaviour and therefore does not factor in any dynamic adjustment, such as for example trade diversion. The model is based on the global input-output tables published by the OECD [3]. These provide data on domestic transaction flows of goods and services across industries, as well as flows of goods and services between countries. The approach thus takes into account both supply chains and final demand. To assess the impact of the new trading assumption, a trade shock is estimated, based on the assumptions on tariffs, NTBs and trade elasticities as described below. This trade shock is then fed into the model as a decrease in the current trade flow to assess the impact on production and value added.

Assumption and data used

The UK leaving the Single Market and the Customs Union and all EU international trade agreements will significantly increase the costs of trade between the EU and the UK. Tariffs between the EU and the UK will increase from zero to their respective MFN levels. EU MFN tariffs are computed with detailed actual tariff collection data based on EU imports from MFN partners (3.6% average, trade-weighted at sectoral level), while data for the UK are based on the UK's MFN tariffs ('UK Global Tariff') as published by the British government in May 2020 (5.3% average, trade-weighted at sectoral level). The tariff equivalent of

[1] Union rules relating to goods and the Union Customs Code will continue to apply to and in Northern Ireland.

[2] The UK also leaves the VAT and excise area, and loses access to the EU's international trade agreements, among others.

[3] www.oecd.org/sti/ind/inter-country-input-output-tables.htm, released in December 2018, latest data from 2015.

(Continued on the next page)

Box (continued)

the increase in NTBs resulting from the WTO assumption is estimated at sector level based on the Commission's internal assessment. In the model used, they amount to 12.7% and 10.1% on average (trade-weighted at sectoral level) for EU and UK imports, respectively.

Tariffs are applied fully from the first quarter of 2021. For the purpose of modelling, part of the effects of NTBs are applied from the beginning, with the remainder gradually phasing in over time [4]. The simulation assumes initial additional temporary disruptions in the first quarter of 2021, as economic actors need to adjust to the new trading relations between the EU and the UK.

The trade elasticities used in the model are based on the average sectoral trade substitution elasticity estimates used in the Global Trade Analysis Project (GTAP) model of trade and taken from Hertel and van der Mensbrugghe (2016) [5]. As these come from long-run estimates, additional assumptions on the speed of adjustment towards the long-run are included in the model to account for the fact that value chains and trade patterns take time to adjust. The model accounts for the fact that the UK has rolled over many of the EU's existing FTAs with 3rd countries, but it assumes, in line with the no-policy-change assumption, that the UK does not sign any new FTAs over the forecast horizon.

The simulation uses data that do not take into account the impact of the COVID-19 pandemic. First studies on the UK and Ireland suggest that the sectors most affected by the pandemic (such as hospitality and tourism) are not those expected to be most affected by the UK's departure [6], but it is too early to provide a clear quantitative assessment.

Results

Compared to the baseline of unchanged trading relations, the move to the WTO assumption is estimated to lead to a GDP loss of around ¾% for the EU and euro area by the end of 2022, and to a loss of some 3% for the UK, with the increase in NTBs having a higher impact than tariffs. In line with published studies, the simulation finds that the loss as percentage of GDP is much higher for the UK than for the EU. However, within the EU, Member States with strong trade ties to the UK are expected to experience a non-negligible GDP loss.

The simulation result represents the expected loss resulting from new trade barriers, but it is not the overall cost of the UK withdrawing from the EU. Several published studies suggest that the UK economy has already been negatively impacted by the decision to leave the EU during recent years, even under unchanged trading relations. Studies suggest that by 2019, UK GDP was between 1.7% and 2.9% smaller than it would have been otherwise [7].

The static model focuses on the short term. In the medium and long run, dynamic adjustment will become more important, as economic actors dealing with the new trade barriers between the EU and the UK will adjust their production and supply chains over time. Due to the much larger market of the EU with a population of 440 million and a GDP of about EUR 14 trillion, adjustment for EU actors will likely be easier. Published long-term studies suggest that the gap between the GDP loss in the UK and the EU may increase in the long run [8].

[4] While many NTBs such as customs checks or the need for certificates to prove compliance with EU standards will apply from 1 January 2021, others will only come into play at a later stage (e.g. the impact of a potential divergence between EU and UK standards).

[5] Hertel, T. and D. van der Mensbrugghe (2016). "Chapter 14: Behavioral Parameters (Center for Global Trade Analysis)". Purdue University, West Lafayette, In Global Trade Analysis Project (GTAP).

[6] See: Daly, L. and M. Lawless (2020). "Examination of the sectoral overlap of COVID-19 and Brexit shocks". Economic and Social Research Institute Working Paper 677; De Lyon, J. and S. Dhingra (2020). "Covid-19 and Brexit, Real-time updates on business performance in the United Kingdom". Centre for Economic Performance COVID-19 Analysis Paper 006.

[7] See Born, B., G. J. Mueller, M. Schularick and P. Sedlacek (2019). "The Costs of Economic Nationalism: Evidence from the Brexit Experiment". *The Economic Journal*, 129 (623), pp. 2722-2744; Springford, J. (2019). "The Cost of Brexit to June 2019". Centre for European Reform Insight.

[8] See for instance Bevington, M., H. Huang, A. Menon, J. Portes, J. Rutter and T. Sampson (2019). "The economic impact of Boris Johnson's Brexit proposals". Centre for Economic Performance Brexit Analysis; International Monetary Fund (IMF) (2019). "A No-deal Brexit." In IMF *World Economic Outlook: Growth Slowdown, Precarious Recovery*. Washington D.C: IMF, April; and for an overview of studies: European Central Bank Eurosystem – International Relations Committee Brexit Taskforce (2020). "A review of economic analyses on the potential impact of Brexit". Occasional Paper Series 249.

Box I.4.3: The inclusion of Next Generation EU and its Recovery and Resilience Facility in the forecast

Next Generation EU (NGEU) and its centrepiece Recovery and Resilience Facility (RRF) are set to have a sizeable positive impact on the EU economies over the forecast horizon, supporting a faster and more sustainable recovery. National authorities are preparing their Resilience and Recovery Plans (RRPs) for submission to the European Commission by end of April.[1] The funding of the plans will be conditional upon their positive assessment by the Commission and endorsement through a Council implementing decision, as well as the achievement of milestones and targets.

The Commission has invited the Member States to report on a voluntary basis on any planned RRF-related measures that are included in their 2021 draft national budgets (through an annex to the Draft Budgetary Plans for euro area countries and a stand-alone table for non-EA countries). However, at this early stage, only a few Member States were ready to incorporate such plans in their draft budgets or to provide sufficient details on them.

Given the limited information on the use of RRF, the approach to its incorporation in the 2020 autumn forecast is based on technical assumptions, following to the extent possible the customary no-policy-change (NPC) assumption that the Commission uses in its forecast (see Box I.4.1). The approach is as follows.

- The forecast only incorporates those measures that are credibly announced and sufficiently detailed in the draft national budgets (as reflected in the Draft Budgetary Plans in the case of euro area countries), irrespective of whether they are planned to be part of the (forthcoming) draft RRPs. Thus, in principle only measures planned for 2021 are included. For 2022, the no policy change assumption implies that the forecast does not incorporate the measures expected to be taken in line with the RRP in 2022, to the extent that those measures have not been specified in the sense explained above. Exceptions apply when the budgetary impact of the measures extends beyond 2021, or in the case of multi-year budgets also covering 2022.

- No financing from the RRF has been included on the revenue side of the budgetary projections. Only the pre-financing [2] of RRF grants is included in the forecast for 2021 (see Table 1), as a financial transaction, i.e. no impact on the budgetary balance, with an indirect debt-reducing impact (i.e., as debt-reducing stock-flow adjustment).

The above approach for the incorporation of the RRF pre-financing in the autumn forecast rests on the technical assumption that all Member States will be able to claim and receive the grants' pre-financing in 2021, following the endorsement of their RRPs through a Council implementing decision. Credibly announced measures that Member States may want to include in their RRPs are assumed to be implemented, irrespective of whether they will eventually be financed by the RRF.

The selected approach to the incorporation of the RRF in the forecast may create a bias in the projections for the general government balance and debt. In particular, the inclusion in the forecast of expenditure measures that may eventually qualify for funding with RRF grants will decrease the general government balance of the Member States, as the corresponding revenue is not (yet) included in the forecast. However, this deficit bias will be reflected in a higher general government debt only to the extent that the total amount of the measures exceeds that of the grants' pre-financing in the stock-flow adjustment.

In the 2020 autumn forecast, the budgetary projections of only five Member States – France, Czechia, Lithuania, Portugal and Slovenia - include measures expected to be financed under RRF. The projections for France incorporate measures from the French Recovery Plan amounting to 1.5% of

[1] This is the deadline set in the Council Presidency compromise proposal for the RRF regulation (11538/20) of 7 October 2020, on which the Council Presidency obtained a mandate for conducting the negotiations with the European Parliament.

[2] In the latest proposal for the RRF regulation (see footnote 1), the pre-financing amounts to up to 10% of the total amount of financial support in the form of non-repayable support, and, where applicable, of up to 10 per cent of the loan support in the form of a loan'.

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Box (continued)

GDP, 0.7 pps. of which are expected by the government to be financed by the RRF. For Lithuania, a significant amount of budgetary measures planned for 2021 is deemed potentially eligible for RRF financing. For the remaining countries, the RRF-related measures that are incorporated in the forecast amount to around 0.2% of GDP in 2021 for each (and a further 0.4% for 2022 from the multi-annual budget of Slovenia). In line with the approach to the inclusion of RRF outlined above, these measures are recorded as deficit-increasing, though they may eventually be financed by RRF grants (depending, inter alia, on the formal endorsement of the Recovery and Resilience Plans). As a result, the budgetary projections of the concerned Member States are subject to a positive risk.

Table 1:
Pre-financing of RRF grants

Country	Pre-financing, 2021, mil. EUR	Share of GDP, 2021(%)	Country	Pre-financing, 2021, mil. EUR	Share of GDP, 2021(%)
HR	643	1.2	SI	168	0.3
BG	646	1.0	CZ	734	0.3
EL	1,753	1.0	FR	4,055	0.2
RO	1,493	0.7	MT	22	0.2
PT	1,425	0.7	BE	557	0.1
SK	630	0.7	FI	252	0.1
LV	202	0.7	SE	400	0.1
ES	6,392	0.5	AT	324	0.1
LT	262	0.5	NL	603	0.1
HU	677	0.5	DE	2,459	0.1
CY	104	0.5	DK	168	0.1
PL	2,485	0.5	IE	138	0.0
IT	7,083	0.4	LU	10	0.0
EE	110	0.4	EU	33,797	0.2

Note: In the latest proposal for the RRF regulation (see footnote 1), the pre-financing amounts to up to 10% of the total amount of financial support in the form of non-repayable support, and, where applicable, of up to 10 per cent of the loan support in the form of a loan.

Going forward, the economic recovery in 2021 and 2022 for the EU Member States is likely to turn out stronger than projected in the 2020 autumn forecast once RRPs are implemented. The full economic impact of the RRF on the EU economies is illustrated through simulations of hypothetical spending scenarios in Special Topic I.3.2.

PART II

Prospects by individual economy

Euro Area Member States

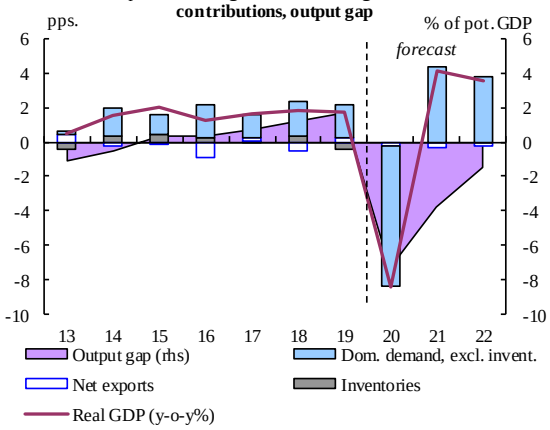
1. BELGIUM

Economic growth in Belgium this year is set to be severely hit by the COVID-19 pandemic, as domestic demand suffers from lockdown measures, supply chain disruptions and a large drop in confidence. Amid lingering uncertainty and rising unemployment, GDP is forecast to bounce back only gradually in 2021 and 2022, with international trade expected to detract from growth. Inflation is set to decrease markedly in 2020 and rise moderately thereafter. The general government deficit is projected to deteriorate significantly, leading to a strong rise in public debt.

A historic recession in 2020, followed by a gradual recovery

Economic growth in Belgium is forecast to fall from 1.7% in 2019 to -8½% in 2020 due to the COVID-19 pandemic. A steep decline in real GDP growth occurred in the first and second quarters of 2020, as household consumption dropped sharply due to restrictive measures put in place to combat the pandemic. Confidence indicators fell to historic lows, and have recovered only partially since. Investment also decreased significantly due to supply chain disruptions and falling demand.

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



Economic activity bounced back in the third quarter of 2020, reflecting pent-up demand after containment measures were lifted. However, new restrictions to counter the resurgence of virus cases are set to dampen growth in the last quarter of 2020 and the first quarter of 2021. Measures to protect employment, household disposable incomes and corporate liquidity have mitigated the impact of the crisis so far. They should support domestic demand, which is expected to drive GDP growth to 4% in 2021 and 3½% in 2022. However, GDP in 2022 is forecast to remain below its 2019 level, also due to the additional negative impact of the less beneficial EU-UK trade relations on investment and trade. As Belgium's Recovery and Resilience plan was not yet defined, its potential impact on growth remains an upside risk.

Private consumption to recover gradually, amid a rise in unemployment

Lockdown and social-distancing measures have significantly curtailed private consumption, which is forecast to fall by 10% in 2020. Service sectors (hotels, restaurants, leisure, retail) are expected to be the most severely hit. Automatic stabilisers and measures taken to protect employment and support purchasing power are projected to contribute to a temporary surge in households savings. Amid worsening labour market conditions, private consumption growth is expected to recover gradually until 2022. As some employment support measures gradually expire, the unemployment rate is forecast to rise from 5.9% in 2020 to 7% in 2021, before improving in line with economic growth to 6.2% in 2022.

A mixed outlook for investment

Severe supply chain disruptions and uncertain demand prospects are expected to lead to a 14% fall in investment this year, followed by a gradual recovery. Business investment is projected to fall in 2020 and to grow only moderately in 2021 and 2022, reflecting lingering demand uncertainty, notably linked to the less beneficial EU-UK trade relations, and the reorganisation of supply chains. Housing investment, by contrast, is set to rebound at a faster pace, however without catching-up with its 2019 level. Public investment is projected to fall in 2020 and bounce back strongly until 2022.

Exports are set to plunge in 2020, reflecting weak external demand, and are expected to rebound strongly in 2021 and 2022 as the global economy recovers. Reflecting Belgium's position as a trade hub, imports are forecast to evolve in line with exports. Net exports are expected to have a negative contribution to GDP growth.

Inflation to decline

Headline inflation is forecast to fall from 1.2% in 2019 to 0.4% in 2020, due to the fall in energy prices, and to rise to 1.4% in 2021 and 1.6% in 2022, reflecting rising energy, food and services prices. This would slightly raise core inflation.

Strong public support during the crisis expected to push-up deficit and debt levels.

The headline deficit is expected to widen from 1.9% of GDP in 2019 to 11¼% of GDP in 2020. The COVID-19 crisis and lockdown measures have led to a sizeable decrease in tax collection and social contributions. A surge in beneficiaries of the temporary unemployment scheme has also increased spending on social benefits. COVID-19 health treatments have also pushed-up healthcare spending, despite the postponement of less urgent treatments. Moreover, measures amounting to about 3% of GDP were taken to fight the pandemic and mitigate its impact. These include a top-up of the federal temporary unemployment allowance, an extended replacement income for the self-employed, regional support schemes and spending on personal protection equipment. Tax and social contribution deferrals and exemptions have provided liquidity support to companies. Public guarantees, totalling around 12% of GDP, are not expected to entail a budgetary impact. However, downward risks linked to the liquidity support measures remain. Other factors impacting the deficit in 2020 are a cut in corporate tax rates, part of a broader corporate tax reform, and a reduction in employers' social contributions as part of the reform to shift taxation away from labour.

Based on a no-policy-change assumption pending the new 2021 federal budget, the deficit is expected to decrease to about 7% of GDP in 2021 as a result of the economic recovery and due to the phasing-out of temporary measures taken in 2020. However, some of these measures will still have a deficit-increasing impact in 2021. A permanent rise in health-related expenditure is also expected to weigh on the 2021 deficit. In 2022, based on a no-policy-change assumption the deficit is forecast to decrease to 6% of GDP, driven by the economic recovery. RRF-related measures, yet undefined, are not included in the forecast and remain an upside risk.

Public debt is forecast to rise from 98% of GDP in 2019 to 118% of GDP in 2020 and 2021. In 2022 the debt is expected to increase to 119% of GDP, driven by debt-increasing stock-flow adjustments.

Table II.1.1:

Main features of country forecast - BELGIUM

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		476.2	100.0	1.6	1.6	1.8	1.7	**-8.4**	**4.1**	**3.5**
Private Consumption		244.8	51.4	1.3	1.9	1.9	1.5	**-10.0**	**5.3**	**4.3**
Public Consumption		109.7	23.0	1.3	0.2	1.2	1.7	**1.0**	**1.7**	**0.9**
Gross fixed capital formation		115.1	24.2	2.0	1.4	3.4	3.4	**-13.7**	**5.9**	**6.0**
of which: equipment		35.9	7.5	1.4	-1.9	1.3	-0.2	**-15.4**	**5.3**	**9.8**
Exports (goods and services)		389.7	81.8	2.9	5.5	0.6	1.0	**-8.6**	**5.0**	**3.0**
Imports (goods and services)		386.8	81.2	3.0	5.2	1.3	0.8	**-8.4**	**5.4**	**3.4**
GNI (GDP deflator)		482.1	101.2	1.5	1.6	1.9	2.0	**-8.3**	**4.1**	**3.5**
Contribution to GDP growth:	Domestic demand			1.4	1.3	2.0	2.0	**-8.2**	**4.4**	**3.8**
	Inventories			0.1	0.0	0.3	-0.4	**0.0**	**0.0**	**0.0**
	Net exports			0.1	0.3	-0.5	0.2	**-0.2**	**-0.3**	**-0.2**
Employment				0.8	1.6	1.5	1.6	**-0.7**	**-1.0**	**1.7**
Unemployment rate (a)				7.9	7.1	6.0	5.4	**5.9**	**7.0**	**6.2**
Compensation of employees / head				2.3	1.9	1.8	2.1	**-1.2**	**4.3**	**0.9**
Unit labour costs whole economy				1.6	1.9	1.4	1.9	**7.2**	**-0.8**	**-0.9**
Real unit labour cost				-0.1	0.0	-0.2	0.3	**5.4**	**-2.4**	**-2.4**
Saving rate of households (b)				15.8	12.2	11.6	13.0	**24.6**	**18.4**	**15.7**
GDP deflator				1.7	1.8	1.6	1.7	**1.7**	**1.6**	**1.5**
Harmonised index of consumer prices				1.9	2.2	2.3	1.2	**0.4**	**1.4**	**1.6**
Terms of trade goods				-0.2	-0.2	-1.1	1.0	**1.1**	**0.2**	**-0.1**
Trade balance (goods) (c)				1.1	0.5	-0.1	0.7	**1.1**	**1.1**	**0.9**
Current-account balance (c)				2.9	0.7	-0.8	0.3	**0.7**	**0.6**	**0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.9	0.8	-0.7	0.5	**0.9**	**0.7**	**0.5**
General government balance (c)				-2.2	-0.7	-0.8	-1.9	**-11.2**	**-7.1**	**-6.3**
Cyclically-adjusted budget balance (d)				-2.2	-1.1	-1.6	-3.1	**-6.7**	**-4.6**	**-5.3**
Structural budget balance (d)				-	-1.6	-2.1	-3.3	**-6.8**	**-4.6**	**-5.3**
General government gross debt (c)				100.7	102.0	99.8	98.1	**117.7**	**117.8**	**118.6**

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

2. GERMANY

Germany's economy is in for an historic recession in 2020 but this should be followed by a rebound in 2021 and 2022, as capacity utilisation and activity recover. Though the downturn this year now looks likely to be less severe than previously expected, the outlook remains uncertain given the resurgence in COVID-19 cases and the structural challenges facing manufacturing. Large policy support is expected to remain in place and should help avert massive job losses and insolvencies. The budgetary costs of the crisis will continue accumulating, but the fiscal deficit is expected to narrow in 2021 and 2022.

An historic recession in the first half of 2020

Due to the COVID-19 pandemic and the containment measures it has necessitated, the German economy experienced the sharpest contraction on record in the first half of the year. Demand for hospitality and leisure services was particularly constrained by distancing measures and health concerns. While manufacturing was not subject to restrictions, major factories chose to shut for weeks due to lost demand and the disruption of supply chains as a result of the global spread of COVID-19. The resilience of the services sector, which helped the economy through earlier episodes of weak growth, was compromised by the pandemic. As a result, the economy contracted by 2% in the first quarter and by an unprecedented 10% in the second quarter of this year.

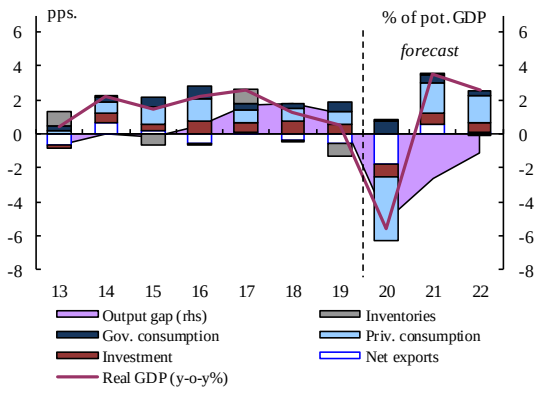
An upswing in the making

According to the latest data, activity in the hospitality sector had by July recovered about 70% of its February level, up from just 25% in April. In August, manufacturing production had risen to 88% of its February level, up from 70% in April. After losing just 8% between February and April, retail trade recovered swiftly, exceeding the February level by between 3 and 5% in May-August and despite significant losses in clothing retail. These data suggest that in the third quarter the economy may have rebounded somewhat more strongly than expected.

In mid-October, following a clear resurgence of new daily COVID-19 cases, authorities issued restrictions to travel, accommodation, restaurant and social activities. It can be expected that many services will again curtail operations, hindering the recovery in consumption and putting a drag on investment. On the other hand, despite the structural changes afflicting the automotive cluster, manufacturing and exports should continue to recover, provided supply chains remain functional. Net exports are expected to contribute positively to growth next year, as import-rich investment and outbound travel remain weak. As a result, the current account surplus is expected to rise above 6% again, but stay below the level of 2019.

The further, if slowing, recoveries in private consumption and exports are expected to drive growth in 2021-2022. Investment should remain solid, thanks to housing and public investment, while business investment may remain subdued. GDP is set to contract by 5½% in 2020, i.e. less than projected earlier thanks to the strength of growth in the third quarter. Still, the second wave of infections is expected to dampen the rebound next year to 3½%. Assuming there is no permanent damage to productive capacity, Germany's economy is projected to continue to grow above potential in 2022 at 2½% and complete its recovery to pre-crisis levels.

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



Maintained policy support

Unemployment rose 0.8 pps. between February and July and was up 1.4 pps. compared to the all-time low reached in mid-2019. Thanks to the expansion of subsidised short-time work schemes it has stayed relatively low at 4.4% in July and August. Employment began increasing again in August and the number of workers tapping the short-time work scheme has started to come down

from its peak of six million in April-May, even though the availability of the scheme has been prolonged until the end of 2021. With household incomes remaining relatively stable and consumption restrained by health concerns and uncertainty, the saving rate has increased and is expected to remain higher than before the pandemic over 2020-2022. Thanks to generally sound balance sheets and the large public support measures, Germany is expected to avoid a massive wave of corporate insolvencies. The second wave of infections, however, could threaten many small businesses in the most affected sectors.

Inflation to stay low

Consumer price inflation is expected to turn out low at just under 1% in 2020 due to cheaper energy and the decrease in VAT that took effect in the second half of the year. In subsequent years, HICP inflation is expected to increase somewhat but remain subdued at less than 1.5% due to excess capacity in the services sector and muted demand.

Strong crisis response leads to a swelling deficit

The government adopted measures of historic size to fight the COVID-19 pandemic and stabilise the economy. The volume of these measures amounts to 4.7% of GDP in 2020 and 2.1% in 2021. They include financial support for small- and medium-sized companies and the self-employed, easier access to the short-time work scheme to avoid lay-offs, as well as additional health spending. In addition, about 38% of GDP (€1½ tr) was provided for liquidity support in the form of public guarantees for loans. Overall, after a surplus of 1.5% of GDP in 2019, the government balance is projected to turn to a deficit of around 6% of GDP, before narrowing to 4% in 2021 and 2½% in 2022, based on unchanged policies. This forecast does not yet include measures funded by grants of the Recovery and Resilience Facility, which are expected to further support growth.

Government debt fell in 2019 below 60% for the first time since 2002, but is projected to resurge to 71% of GDP in 2020, before resuming the decline next year and falling to 69% of GDP in 2022. The increase in public debt is explained by automatic stabilisers and the fiscal measures adopted, but is also influenced by the provision of loans and equity investment in rail- and air transport.

Table II.2.1:

Main features of country forecast - GERMANY

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		3449.1	100.0	1.2	2.6	1.3	0.6	**-5.6**	**3.5**	**2.6**
Private Consumption		1806.9	52.4	0.8	1.5	1.5	1.6	**-7.2**	**3.6**	**3.1**
Public Consumption		704.5	20.4	1.6	1.6	1.2	2.7	**3.5**	**2.0**	**1.5**
Gross fixed capital formation		748.0	21.7	0.7	2.5	3.5	2.5	**-3.8**	**2.8**	**2.7**
of which: equipment		240.1	7.0	1.4	4.2	4.4	0.5	**-15.7**	**7.1**	**4.1**
Exports (goods and services)		1617.4	46.9	4.7	4.7	2.3	1.0	**-9.7**	**6.2**	**4.2**
Imports (goods and services)		1417.4	41.1	3.9	5.3	3.6	2.6	**-6.8**	**5.5**	**4.5**
GNI (GDP deflator)		3542.8	102.7	1.4	2.5	1.6	0.6	**-5.7**	**3.6**	**2.5**
Contribution to GDP growth:		Domestic demand		0.9	1.6	1.8	1.9	**-3.9**	**2.9**	**2.5**
		Inventories		-0.1	0.8	-0.1	-0.7	**0.0**	**0.0**	**0.0**
		Net exports		0.5	0.1	-0.4	-0.6	**-1.7**	**0.6**	**0.1**
Employment				0.6	1.4	1.4	0.9	**-1.0**	**0.2**	**0.6**
Unemployment rate (a)				7.5	3.8	3.4	3.1	**4.0**	**4.0**	**3.8**
Compensation of employees / head				1.8	2.6	2.9	3.0	**-0.8**	**2.8**	**2.7**
Unit labour costs whole economy				1.1	1.4	3.0	3.3	**4.0**	**-0.4**	**0.8**
Real unit labour cost				-0.2	0.0	1.3	1.1	**1.4**	**-1.9**	**-0.7**
Saving rate of households (b)				17.0	17.9	18.3	18.4	**23.6**	**20.9**	**19.4**
GDP deflator				1.3	1.4	1.7	2.2	**2.6**	**1.4**	**1.5**
Harmonised index of consumer prices				1.5	1.7	1.9	1.4	**0.4**	**1.4**	**1.3**
Terms of trade goods				0.5	-1.6	-1.0	1.1	**3.0**	**-0.3**	**0.4**
Trade balance (goods) (c)				6.8	7.7	6.7	6.4	**5.3**	**5.7**	**5.8**
Current-account balance (c)				5.5	8.0	7.6	7.3	**6.2**	**6.6**	**6.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.4	7.7	7.4	7.1	**6.0**	**6.3**	**6.3**
General government balance (c)				-1.5	1.4	1.8	1.5	**-6.0**	**-4.0**	**-2.5**
Cyclically-adjusted budget balance (d)				-1.4	0.5	1.0	0.9	**-3.4**	**-2.7**	**-1.9**
Structural budget balance (d)				-	0.7	1.1	0.9	**-3.4**	**-2.7**	**-1.9**
General government gross debt (c)				70.1	65.1	61.8	59.6	**71.2**	**70.1**	**69.0**

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

3. ESTONIA

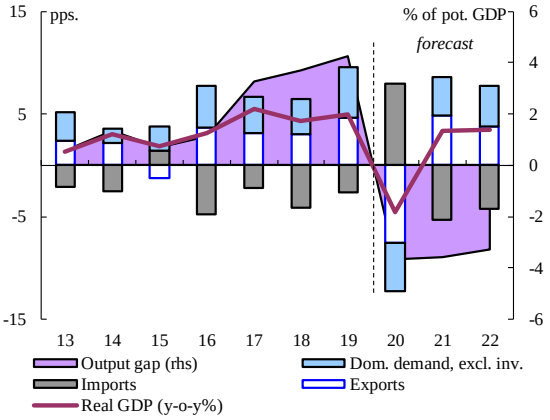
Estonia's GDP is forecast to drop significantly in 2020 but is set to recover and should return to its 2019 level by the end of 2022. The unemployment rate spiked in spring but has stabilised since then. Deflation in 2020 reflects significant falls in energy and tourism-related prices. Fiscal stimulus measures will extend into 2021 keeping the budget deficit at an elevated level although Estonia's public debt burden is forecast to remain the lowest in the EU.

2020: bad, but not as bad as expected

In the second quarter of 2020, GDP dropped by about 7% year-on-year. Private consumption and investment suffered the most, dropping 8% and 15% respectively. Still, the decline in economic activity was softened by sustained public expenditure and by a large reduction in imports. Imports had stalled due to the drop in investment in motor vehicles and machinery, but also due to the fall in fuel consumption. In the summer, when restrictions were removed, the economy recovered somewhat, with retail sales and exports rebounding to their 2019 levels. Investment resumed more cautiously. In terms of sectors, entertainment and tourism took the biggest hits, and losses are set to increase further due to travel restrictions reinstated in September. Economic activity has picked up in manufacturing and in ICT services, which has contributed strongly to service exports. While household and business sentiment have improved, they remain well below their long-term averages. Short-term indicators of economic activity point to a mild rebound in the third quarter and to a flattening afterwards. Overall, GDP is forecast to decline by 4½% in 2020.

In 2021, GDP is set to recover, expanding by 3½% primarily thanks to a rebound in private consumption and investment. Relatively high household savings, accumulated during the crisis, suggest that spending may resume once health-related constraints disappear. Investment is set to expand in 2021, supported by high public investment and the normalisation of private equipment investment after the extraordinary fall in 2020. This would contribute to an increase in imports and to a decline in the current account surplus to its pre-crisis level. The recovery of GDP is expected to continue in 2022 at a rate of 3½%, closely tied to the speed of recovery in the EU as a whole. It is assumed that consumer and business confidence will gradually normalise from 2021 onwards, following trends in Estonia's main export markets. Risks to the GDP projection are balanced. The downside risk of a deeper COVID pandemic is mitigated by the ability of the Estonian economy to recover quickly as was shown in the 2020 summer months. Furthermore, the forecast does not yet factor in the various support measures of the Next Generation EU (including the Recovery and Resilience Fund), which should raise growth prospects for the coming years.

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



Deflation reflects energy prices

Estonia saw some of the most significant deflation in the euro area in the first half of 2020, primarily due to a fall in fuel prices and in tourism-related services. Core inflation, excluding energy prices and unprocessed food, is still expected to be positive in 2020. The drop in fuel prices followed the fall in global commodity markets and was amplified by the temporary lowering of excise duties on diesel fuel from 1 May 2020 for two years. Headline inflation is forecast to average -0.5% in 2020 and to rebound afterwards to about 1.5% in 2021 and then over 2% in 2022, when the higher diesel excise will be reapplied.

Swift labour market reaction

Estonia's labour market has adjusted swiftly to the drop in demand, just as it did in recent recessions. Unemployment rose from 4.7% in the first quarter of the year to 7% in the second quarter. This was

one of the fastest increases in the EU, even though employment was supported by a wage subsidy scheme, which extended into June and offered a subsequent two to three months shield from lay-offs. However, mirroring the recovery in economic activity, the rise in unemployment halted over the summer and even in September when the effects of the wage subsidy scheme had ceased. Still, with the end of the tourism season, some further rise in unemployment is expected over the coming months. On an annual basis, the unemployment rate is forecast to reach 7.5% in 2020 and almost 8% in 2021, before falling to below 7% in 2022. Given the decline in its working age population and specific labour shortages, wages are expected to grow, albeit rather unevenly across sectors. Wages are expected to increase most in the ICT sector, while wages in the hospitality and food services sector are expected to decline. Public sector wages are set to increase modestly.

Large fiscal stimulus in place for 2021

The general government deficit is expected to reach about 6% of GDP in 2020. The deficit is driven by both lower revenue (particularly from VAT, excises and corporate income tax) and the fiscal stimulus measures of about 3% of GDP (wage support scheme, healthcare expenditure, public investment, compensating local governments for revenue losses, temporary lowering of fuel excises). As a saving measure, state contributions to the second pillar pension funds were temporarily halted until 2022.

In 2021, the deficit is projected to remain at its 2020 level at around 6% of GDP. The 2021 budget foresees further expenditure rises, notably for a number of small-scale investment projects, an increase in pensions and spending for R&D, healthcare, defence and extension of COVID-19-related healthcare costs. In addition, the 2020 liquidity schemes (guarantees and loans) are assumed to impact the deficit by ¼% of GDP in 2021. Revenues are still impacted by the effects of the crisis.

Based on a no-policy-change assumption, the deficit is projected to decline to about 5% in 2022 linked to the wider recovery underway. Public debt is forecast to increase from 8.4% of GDP in 2019 to over 26% of GDP by 2022, which would still be the lowest in the EU.

Table II.3.1:

Main features of country forecast - ESTONIA

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		28.1	100.0	3.4	5.5	4.4	5.0	**-4.6**	**3.4**	**3.5**
Private Consumption		13.8	49.0	4.2	2.9	4.6	3.3	**-4.4**	**3.5**	**3.9**
Public Consumption		5.6	19.9	2.5	1.1	0.7	3.0	**3.6**	**2.0**	**0.3**
Gross fixed capital formation		7.4	26.2	5.1	7.8	3.9	11.1	**-12.3**	**6.8**	**8.1**
of which: equipment		2.8	9.9	4.9	9.9	7.8	21.2	**-18.9**	**11.8**	**8.8**
Exports (goods and services)		20.5	72.9	7.0	4.1	4.0	6.2	**-10.4**	**7.3**	**5.5**
Imports (goods and services)		19.4	68.9	7.7	3.0	5.7	3.7	**-11.5**	**8.6**	**6.5**
GNI (GDP deflator)		27.5	97.7	3.5	5.3	4.8	4.7	**-4.4**	**3.3**	**3.4**
Contribution to GDP growth:	Domestic demand			4.5	3.6	3.4	4.9	**-4.7**	**3.7**	**3.9**
	Inventories			0.1	1.3	0.5	-0.6	**-0.3**	**0.1**	**0.0**
	Net exports			-0.8	1.0	-1.1	2.0	**0.4**	**-0.4**	**-0.4**
Employment				0.4	2.7	1.2	1.3	**-3.5**	**0.2**	**1.7**
Unemployment rate (a)				9.4	5.8	5.4	4.4	**7.5**	**7.8**	**6.7**
Compensation of employees / head				8.0	10.5	9.0	9.3	**3.1**	**1.5**	**3.3**
Unit labour costs whole economy				4.9	7.6	5.7	5.4	**4.3**	**-1.6**	**1.6**
Real unit labour cost				0.2	4.3	1.5	2.1	**3.5**	**-2.9**	**-0.7**
Saving rate of households (b)				4.5	10.1	10.4	13.5	**18.5**	**17.0**	**16.1**
GDP deflator				4.7	3.1	4.2	3.2	**0.8**	**1.3**	**2.3**
Harmonised index of consumer prices				3.5	3.7	3.4	2.3	**-0.5**	**1.4**	**2.1**
Terms of trade goods				0.8	0.9	0.0	-0.7	**0.5**	**-0.1**	**-0.2**
Trade balance (goods) (c)				-10.2	-3.8	-4.7	-3.2	**-1.5**	**-2.7**	**-3.3**
Current-account balance (c)				-5.2	2.3	0.9	1.9	**2.8**	**2.0**	**1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.4	3.2	2.2	3.1	**4.1**	**3.3**	**2.4**
General government balance (c)				0.5	-0.7	-0.5	0.1	**-5.9**	**-5.9**	**-5.1**
Cyclically-adjusted budget balance (d)				-0.5	-2.3	-2.3	-2.0	**-4.1**	**-4.1**	**-3.6**
Structural budget balance (d)				-	-2.3	-2.3	-2.0	**-4.1**	**-4.1**	**-3.6**
General government gross debt (c)				6.8	9.1	8.2	8.4	**17.2**	**22.5**	**26.4**

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

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

4. IRELAND

Ireland's domestic economy was hit severely by the pandemic control measures in the first half of the year but strong exports by multinationals cushioned the fall in real GDP. Employment has been shielded by state income support schemes. The economic contraction and the substantive fiscal stimulus are expected to significantly widen the budget deficit. Risks to the outlook remain exceptionally high.

Multinationals cushion the fall in GDP

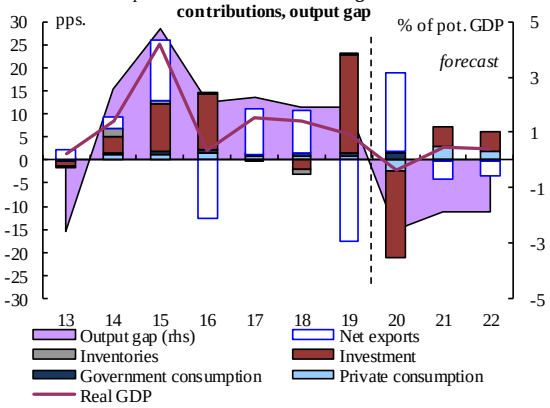
Ireland's real GDP contracted by 2.1% quarter-on-quarter in the first quarter and by 6.1% in the second, less than many of its European peers, as exports by multinational corporations, particularly the pharmaceutical and business services sectors, performed well. The domestic economy scored worse, with modified domestic demand falling by nearly one fifth in the first half of the year.

Private consumption compressed dramatically, by one fifth in the second quarter compared to the first, as a stringent lockdown curtailed in-person shopping. Household incomes, however, were relatively unaffected, as the government stepped in to support them. Pent-up demand was to some degree satisfied over the summer when consumers became more optimistic. A virus resurgence led to the reintroduction of restrictive measures and the imposition of a six-week national lockdown on 21 October, slashing prospects for a swifter recovery. The extension of income support schemes together with accumulated savings provide scope for consumption smoothing in 2021. Accordingly, private consumption is projected to shrink by 8% in 2020, but to rebound by 11% in 2021 and by 6½% in 2022. Public expenditure contributed positively to growth in 2020.

Investment collapsed by some 70% q-o-q in the second quarter. Construction faced a temporary ban, aircraft leasing saw a sharp fall in demand, and other projects were delayed or cancelled amid extreme uncertainty. Investment is set to remain weak in the near term amid heightened uncertainty, but is expected to recover during 2021 and further in 2022 with the assumed easing of lockdown measures. Support by the Recovery and Resilience Facility (RRF) could be an upside investment risk.

The fall in private consumption and investment triggered a decline in imports. Meanwhile, exports by multinationals held up and even increased in the second quarter compared to the first, resulting in a substantial current account surplus. The move to the new, significantly less beneficial EU-UK trading relations at the end of the transition period is expected to reduce trade and GDP growth in particular in 2021. It should be noted that according to the Protocol on Ireland and Northern Ireland Union rules relating to goods and the Union Customs Code will continue to apply to and in Northern Ireland, ensuring free circulation of goods between Northern Ireland and the EU.

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



Ireland's economy is projected to contract by 2¼% in 2020, before growing by 3% in 2021 (recovering 2019 levels) and by 2½% in 2022. Modified domestic demand, which better reflects the underlying domestic economy, is expected to fall by 6½% in 2020 and grow by 7¼% in 2021 and 4½% in 2022.

HICP inflation remains subdued amid low oil prices, weak demand and a recent VAT cut in effect as from September 2020. Inflation is projected to average –0.5% in 2020 before increasing to 0.3% in 2021 and to 1.6% in 2022.

The labour market is tested by the crisis

The labour market entered 2020 in a healthy condition. However, at the height of the lockdown, around one fifth of the workforce could not work and a large share had still not resumed work in October. Nonetheless, the wide take-up of government's income support schemes is set to cushion the labour market shock amid a drop in

hours worked. Higher unemployment may accompany the economic recovery in 2021 as the Pandemic Unemployment Payment scheme ends in April. In 2022, a second year of recovery is set to support the start of a labour market rebound.

The government is set to continue prioritising temporary and targeted measures

The economic slump is expected to have a strongly negative impact on the government balance, due to the operations of automatic stabilisers and government discretionary fiscal measures.

The general government deficit is projected at 6¾% of GDP in 2020. In the first nine months of 2020, tax revenues were only slightly lower compared to last year. This reflects the resilience of corporate income tax receipts – supported by the ICT and pharmaceutical sectors – and of personal income taxes – largely due to the progressivity of the income tax system. The public support, with an estimated direct budgetary cost of around 5.2% of GDP, played a crucial role in mitigating the economic and social fallout from the pandemic, and led to a deficit in the government balance.

The deficit is forecast to decrease to 5¾% of GDP in 2021. The government is set to prioritise temporary measures to fight the effects of the pandemic next year. According to the 2021 Draft Budgetary Plan, the support largely comprises an extension of the measures already in place. It includes, among others, wage subsidies to protect jobs, welfare payments, healthcare support, and a contingency reserve to address further costs that may arise next year, with an overall direct budgetary cost of around 2.5% of GDP. In addition, it includes a recovery fund, of 0.9% of GDP, for additional expenditure to address evolving challenges from both the pandemic and the change in EU-UK trading relations. This forecast does not include any measures funded by RRF grants. Revenues are expected to grow in tandem with GDP. The deficit is forecast to shrink to around 2½% of GDP in 2022 under a no-policy-change assumption and the largely temporary nature, mostly limited to 2021, of the measures adopted to fight the pandemic.

The gross general government debt-to-GDP ratio is projected to reach 63% in 2020, 66% in 2021 and to stabilise in 2022. Risks to the fiscal outlook, specific to Ireland, reflect potential changes in the international taxation environment.

Table II.4.1:

Main features of country forecast - IRELAND

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		356.1	100.0	4.0	9.1	8.5	5.6	**-2.3**	**2.9**	**2.6**
Private Consumption		104.2	29.3	2.4	2.2	2.6	3.2	**-8.1**	**11.1**	**6.6**
Public Consumption		42.3	11.9	2.3	3.9	5.7	5.8	**13.3**	**-0.4**	**-1.3**
Gross fixed capital formation		162.4	45.6	7.3	0.0	-6.3	74.9	**-41.3**	**15.3**	**13.5**
of which: equipment		25.5	7.2	6.3	11.5	15.5	-1.2	**-67.6**	**0.7**	**10.7**
Exports (goods and services)		448.9	126.1	6.9	9.2	11.1	10.5	**0.7**	**1.7**	**3.5**
Imports (goods and services)		405.1	113.8	6.7	1.1	4.0	32.4	**-14.1**	**6.6**	**7.6**
GNI (GDP deflator)		275.5	77.4	3.6	6.6	7.3	3.7	**-3.1**	**3.8**	**4.1**
Contribution to GDP growth:	Domestic demand			3.3	1.3	-0.6	22.9	**-19.6**	**7.2**	**5.9**
	Inventories			0.1	-0.2	-0.9	0.1	**0.4**	**0.0**	**0.0**
	Net exports			1.2	10.0	9.4	-17.5	**16.9**	**-4.3**	**-3.3**
Employment				1.3	3.0	3.2	2.9	**-0.4**	**-3.6**	**1.1**
Unemployment rate (a)				8.9	6.7	5.8	5.0	**5.3**	**8.9**	**8.7**
Compensation of employees / head				2.8	2.9	2.6	3.5	**2.3**	**3.7**	**2.4**
Unit labour costs whole economy				0.1	-2.8	-2.4	0.9	**4.3**	**-2.9**	**0.9**
Real unit labour cost				-1.6	-4.4	-2.8	-2.2	**3.8**	**-4.5**	**-0.3**
Saving rate of households (b)				9.7	11.5	11.6	12.2	**27.8**	**17.6**	**13.3**
GDP deflator				1.8	1.6	0.3	3.1	**0.5**	**1.7**	**1.3**
Harmonised index of consumer prices				1.6	0.3	0.7	0.9	**-0.5**	**0.3**	**1.6**
Terms of trade goods				0.3	-4.1	-6.3	2.2	**1.2**	**0.4**	**-0.4**
Trade balance (goods) (c)				23.6	36.3	33.4	33.5	**41.8**	**39.7**	**39.1**
Current-account balance (c)				-1.8	0.5	6.0	-11.3	**5.7**	**0.2**	**-1.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.0	-8.1	-9.9	-21.2	**3.1**	**-1.2**	**-1.4**
General government balance (c)				-5.0	-0.3	0.1	0.5	**-6.8**	**-5.8**	**-2.5**
Cyclically-adjusted budget balance (d)				-5.0	-1.5	-0.9	-0.5	**-5.5**	**-4.8**	**-1.5**
Structural budget balance (d)				-	-1.5	-0.8	-0.5	**-5.5**	**-4.8**	**-1.5**
General government gross debt (c)				62.0	67.0	63.0	57.4	**63.1**	**66.0**	**66.0**

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

5. GREECE

Greece has been severely affected by the COVID-19 pandemic as the large services sector and the dependency on international tourism make it particularly vulnerable to shocks triggered by travel restrictions and social distancing measures. A swift policy response has helped cushion the impact on employment and businesses so far. Economic activity in 2021 is expected to be supported by the additional fiscal measures presented in the draft budget, while funding from the Recovery and Resilience Facility is not included in the forecast.

Economic growth collapsed in the second quarter …

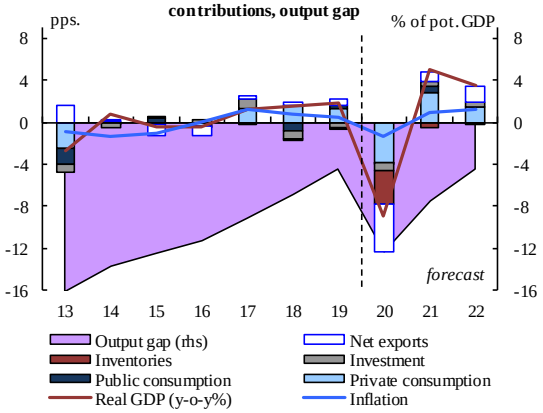
In the second quarter of 2020, real GDP declined by an unprecedented 14% quarter-on-quarter after a relatively mild decline of -0.7% quarter-on-quarter in the first quarter. The downturn was a result of the measures taken to limit the spread of the virus, which were most stringent between mid-March and mid-May. Both domestic demand and exports were severely affected. The swift policy response to safeguard employment and ensure liquidity for businesses prevented a more negative impact on the labour market in the first half of the year. Unemployment peaked at 18% in June, up from 15.6% in February, but declined to 16.8% in July.

…but is expected to recover gradually

Economic activity is expected to have recovered to some extent following the gradual lifting of restrictions in mid-May. However, with some restrictions still in place that are affecting consumer behaviour and disposable incomes and potential reintroductions of measures on account of rising numbers of infections, private consumption is expected to recover only gradually over the forecast period. High uncertainty, lower revenues and liquidity constraints took a toll on investment in the first half of 2020, but public investment and liquidity support are expected to facilitate the recovery. Overall, real GDP is forecast to decline by 9% in 2020 followed by a partial rebound in at 5% growth in 2021 and 3½% in 2022.

The external sector also registered a record decline in the second quarter of 2020, with exports of declining by 32% year-on-year. Net exports are expected to contribute negatively to GDP growth in 2020, but turn positive during the recovery in 2021 and 2022. While goods exports are expected to recover quickly, exports of services are expected to remain well below pre-crisis levels even beyond the forecast horizon. International tourism, which is particularly important for Greece's economy, was the driver of the large drop in services exports in the first half of 2020. Tourist arrivals are expected to only partially recover in 2021 and 2022.

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



The mild reaction of the unemployment rate to the drop in economic activity so far can be partly attributed to the support measures incentivising labour hoarding; however it is also driven by workers becoming inactive after losing their jobs. Unemployment is expected to reach 18% in 2020. The recovery expected for 2021 and 2022 should help contain unemployed below 17% in 2022. Driven by low energy prices, compressed demand and VAT tax decreases, inflation is expected to be negative at -1.3% in 2020 before partially recovering in 2021 and 2022.

Uncertainty remains very large, particularly in relation to the tourism sector and travel restrictions, and the remaining size of companies' safety buffers. Additional risks are related to geopolitical tensions in the region and migration pressures. To the upside, Greece is likely to receive a substantial amount of funding under the Recovery and Resilience Facility, which could significantly support domestic demand once implemented.

Fiscal policy will support recovery

Greece's headline balance is expected to decline to close to -7% of GDP in 2020 due to the economic downturn and the cost of fiscal measures taken to address the crisis, which is estimated at 4.1% of GDP. The forecast also incorporates the payment of retroactive pensions worth 0.8% of GDP following a Council of State ruling in July 2020. The primary balance monitored under enhanced surveillance is projected to reach a deficit of 4½% of GDP in 2020.

The general government balance is expected to remain in deficit in 2021 and 2022. The forecast factors in the temporary measures announced by the government for 2021, most importantly the decrease in social security contribution rates, the abolition of the social solidarity tax for private-sector earners and a new temporary recruitment subsidy programme with an estimated fiscal cost of 1.1% of GDP. The forecast also includes the cost of a stepped-up 7-year defence programme. The expected gradual economic recovery and the expiry of the emergency measures are projected to slightly reduce the general government deficit to around 6¼% of GDP in 2021. Under a no-policy-change assumption, the general government deficit is expected to decrease further to 3½% of GDP in 2022. This forecast does not include any funding under the Recovery and Resilience Facility.

The fiscal forecast is surrounded by substantial risks. These risks relate the activation of state guarantees that have recently been recently issued as part of the emergency measures. Further risks relate to the cost of ongoing litigation cases and remaining public service obligation, which could deteriorate the balance when agreed. The uncertainty related to the full extent of the retroactive compensation for cuts in supplementary pensions and seasonal bonuses introduced by previous pension reforms remains, as the 2020 Council of State ruling has not be published yet. Further risk stems from the potential additional cost of the coverage of the people without health insurance. On the positive side, Greece is expected to greatly benefit from funding under the Recovery and Resilience Facility, which could trigger additional revenues through its expected impact on growth.

Public debt is expected to increase to around 207% of GDP in 2020 before declining to around 195% in 2022, supported by the economic recovery.

Table II.5.1:

Main features of country forecast - GREECE

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		183.4	100.0	-0.2	1.3	1.6	1.9	**-9.0**	**5.0**	**3.5**
Private Consumption		127.0	69.3	0.0	1.9	2.3	1.9	**-5.5**	**4.0**	**2.0**
Public Consumption		36.1	19.7	0.4	-0.1	-4.2	1.2	**-0.1**	**2.2**	**-0.8**
Gross fixed capital formation		18.6	10.1	-3.9	8.1	-6.6	-4.6	**-8.0**	**5.5**	**4.0**
of which: equipment		8.9	4.9	-2.1	23.3	-3.3	6.7	**-15.4**	**5.0**	**2.7**
Exports (goods and services)		73.5	40.1	2.0	8.5	9.1	4.8	**-21.6**	**10.7**	**10.1**
Imports (goods and services)		76.6	41.7	0.6	7.4	8.0	3.0	**-9.8**	**6.7**	**4.7**
GNI (GDP deflator)		183.1	99.8	-0.3	1.5	0.8	2.2	**-8.0**	**3.9**	**3.4**
Contribution to GDP growth:	Domestic demand			-0.3	1.2	4.4	1.7	**-4.6**	**3.9**	**1.7**
	Inventories			0.0	-0.1	-3.2	-0.5	**0.0**	**0.0**	**0.0**
	Net exports			0.3	0.2	0.3	0.7	**-4.6**	**0.8**	**1.6**
Employment				0.2	-0.5	1.4	1.2	**-3.6**	**1.7**	**1.6**
Unemployment rate (a)				15.3	21.5	19.3	17.3	**18.0**	**17.5**	**16.7**
Compensation of employees / head				1.3	1.5	1.8	1.0	**-1.0**	**0.3**	**0.5**
Unit labour costs whole economy				1.8	-0.3	1.6	0.4	**4.8**	**-2.9**	**-1.3**
Real unit labour cost				0.2	-0.7	1.7	0.2	**6.2**	**-3.3**	**-2.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				1.5	0.4	-0.1	0.2	**-1.4**	**0.4**	**0.9**
Harmonised index of consumer prices				2.2	1.1	0.8	0.5	**-1.3**	**0.9**	**1.3**
Terms of trade goods				-0.4	1.2	-1.2	-1.4	**-1.1**	**0.5**	**0.2**
Trade balance (goods) (c)				-14.0	-11.3	-12.6	-13.1	**-12.2**	**-12.7**	**-13.0**
Current-account balance (c)				-8.4	-1.5	-3.1	-1.7	**-6.2**	**-6.4**	**-4.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-6.7	-0.3	-2.1	-0.6	**-4.8**	**-4.9**	**-3.2**
General government balance (c)				-7.8	0.7	1.0	1.5	**-6.9**	**-6.3**	**-3.4**
Cyclically-adjusted budget balance (d)				-5.7	5.5	4.6	3.9	**-0.4**	**-2.4**	**-1.1**
Structural budget balance (d)				-	5.2	5.2	2.8	**-0.1**	**-2.6**	**-1.1**
General government gross debt (c)				135.5	179.2	186.2	180.5	**207.1**	**200.7**	**194.8**

(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.

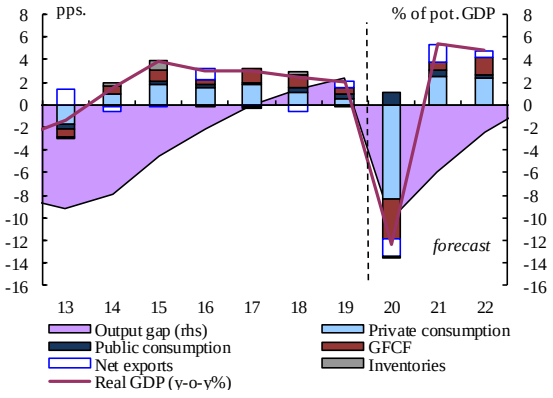
6. SPAIN

The COVID-19 pandemic and the strict confinement measures put in place in Spain to contain it have led to an unprecedented downturn in economic activity this year. Measures to limit job losses and support the corporate sector have cushioned the impact. Output is forecast to rebound strongly in the second half of the year, but the recovery will be uneven across sectors and the significant increase in the unemployment rate this year will be only partly reversed over the next two years. The economic downturn is set to worsen the general government balance, which will decrease gradually from 2021 onwards.

An unprecedented decline followed by a strong rebound in the third quarter

The severe outbreak of the COVID-19 pandemic in Spain and the strict confinement measures taken in response resulted in an unprecedented decline in GDP in the first half of the year (22.1% compared to the end of 2019). The end of the lockdown and the easing of containment measures allowed economic activity to resume over the second quarter, as shown by the strong rebound in manufacturing and service sector indicators in May and June. Following the reopening of borders at the end of the second quarter, airline flights and tourist arrivals increased quickly in July, supporting economic activity in the leisure sector. The resurgence of numerous outbreaks over the summer prompted some European countries to request quarantines for travellers returning from some Spanish regions, and the progressive adoption by Spanish authorities of social distancing measures. As a result, rebound of activity is expected to peter out over the last quarter of this year.

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



Overall, real GDP is expected to contract 12½% in 2020, as a whole, and expand by 5½% in 2021. As a result, output at the end of 2022, is projected to remain about 3% below its pre-pandemic 2019 level. After the sharp drop in private consumption and investment in 2020, consumer spending is expected to be supported by pent-up demand unleashed progressively throughout 2021. The household savings rate is forecast to decrease, after having peaked in 2020 due to the forced savings accumulated during the confinement period. However, uncertainty regarding the dynamics of the pandemic and its potential impact on employment are likely to keep precautionary savings above pre-crisis levels in 2021 and 2022, and will also weigh on investment decisions in early 2021. Exports are forecast to shrink strongly in 2020, in the context of declining global growth and a severe impact of the crisis on the tourism sector. Though imports will also contract in 2020, the contribution of net exports to growth is expected to be negative this year but should turn positive in 2021, as trade flows recover and inbound tourism rebounds.

Inflation is forecast to remain very low in the second half of 2020, dominated by the fall in energy prices and the appreciation of the euro. In 2021, headline inflation is expected to increase to 0.9%, and should remain at that level in 2022 as core inflation increases gently.

Policy measures have cushioned the impact of the COVID crisis

Existing short-time work schemes ('ERTEs') were made more generous at the outset of the crisis so as to mitigate job losses. They have been extended several times and are currently legislated to remain in place until the end of January 2021, though more targeted to those firms or sectors most affected by the containment measures. In addition, several measures were taken to protect the self-employed by means of benefits for suspension of activity, which have also been extended until January 2021. These schemes have done much to contain job losses but could not avoid them altogether. Hence, the fall in employment is

projected to push the unemployment rate up to 16.7% in 2020, and is forecast to increase further in 2021 when ERTEs are scheduled to be phased out. In 2022, job creation is expected to reduce the unemployment rate to around 17%. Corporate liquidity was enhanced by the programme of public guarantees for new bank loans and payment moratoria, among other measures. The take-up of liquidity loans backed by public guarantees has been high (about 80%), which has helped to cushion firms from the fall in revenues while demand is gradually strengthening. Nevertheless, impaired profitability could lead to the materialisation of corporate insolvencies and downside risks for productive capacity and employment. The Spanish authorities have announced the main elements of a policy package for 2021 to be funded by the Recovery and Resilience Facility. The Commission forecast does not incorporate its potentially significant positive impact on economic growth in 2021 and beyond. According to government estimates, based on full and swift absorption and high multipliers, it would increase real GDP growth by about 2.5 pps in 2021.

Government debt to reach record levels

After widening to a revised 2.9% of GDP in 2019, the general government deficit has increased substantially in 2020 as a result of the COVID-19 crisis. This is due both to the contraction of tax bases affecting revenues as well as to policy measures to counteract the impact of the pandemic costing about 1.3% of GDP. These factors are likely to widen the deficit to around 12% of GDP in 2020. In 2021, the deficit should narrow to around 9½% of GDP, as economic activity rebounds and with most of the measures put in place to respond to the COVID-19 crisis expected to have been phased out and some revenue-increasing measures introduced. Based on a no-policy change assumption, the deficit is forecast to narrow to 8½% in 2022. Public guarantees equivalent to 14% of GDP provide crucial support, but also constitute a risk to the fiscal outlook. Due to the large government deficit and the severe contraction in GDP, the general government debt-to-GDP ratio is expected to rise by almost 25 pps., from 95.5% of GDP in 2019 to around 120% by 2020, a level that is expected to increase somewhat in following years. Higher GDP growth generated by the implementation of the investment and reform package announced in the Draft Budgetary Plan would help the debt-to-GDP to evolve more favourably.

Table II.6.1:

Main features of country forecast - SPAIN

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		1244.8	100.0	1.5	3.0	2.4	2.0	**-12.4**	**5.4**	**4.8**
Private Consumption		713.8	57.3	1.2	3.0	1.8	0.9	**-14.6**	**4.5**	**4.2**
Public Consumption		234.9	18.9	2.6	1.0	2.6	2.3	**6.0**	**2.1**	**1.7**
Gross fixed capital formation		247.3	19.9	0.0	6.8	6.1	2.7	**-17.3**	**3.8**	**8.5**
of which: equipment		79.8	6.4	0.7	9.2	5.4	4.4	**-23.4**	**5.8**	**10.2**
Exports (goods and services)		434.3	34.9	3.2	5.5	2.3	2.3	**-22.1**	**14.2**	**7.8**
Imports (goods and services)		396.9	31.9	2.0	6.8	4.2	0.7	**-18.9**	**9.4**	**7.0**
GNI (GDP deflator)		1246.6	100.1	1.6	2.8	2.6	1.9	**-11.7**	**4.7**	**4.7**
Contribution to GDP growth:	Domestic demand			1.2	3.2	2.7	1.5	**-10.7**	**3.7**	**4.2**
	Inventories			0.0	0.0	0.3	-0.1	**-0.1**	**0.0**	**0.0**
	Net exports			0.3	-0.2	-0.5	0.6	**-1.7**	**1.6**	**0.5**
Employment				0.4	2.8	2.5	2.3	**-8.7**	**3.5**	**2.0**
Unemployment rate (a)				16.1	17.2	15.3	14.1	**16.7**	**17.9**	**17.3**
Compensation of employees / f.t.e.				2.4	0.7	1.0	2.1	**1.9**	**0.0**	**0.8**
Unit labour costs whole economy				1.3	0.6	1.1	2.4	**6.2**	**-1.8**	**-1.9**
Real unit labour cost				-0.5	-0.7	-0.1	1.0	**5.5**	**-2.8**	**-2.8**
Saving rate of households (b)				8.4	5.8	5.6	6.3	**18.2**	**15.3**	**13.3**
GDP deflator				1.9	1.3	1.2	1.4	**0.7**	**1.1**	**1.0**
Harmonised index of consumer prices				2.1	2.0	1.7	0.8	**-0.2**	**0.9**	**1.0**
Terms of trade goods				0.1	-0.4	-1.4	-0.5	**2.4**	**-0.2**	**-0.2**
Trade balance (goods) (c)				-4.8	-1.9	-2.5	-2.1	**-0.2**	**-0.1**	**-0.8**
Current-account balance (c)				-3.3	2.8	1.9	2.1	**1.8**	**2.5**	**2.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.8	3.0	2.4	2.5	**2.2**	**2.9**	**3.1**
General government balance (c)				-4.0	-3.0	-2.5	-2.9	**-12.2**	**-9.6**	**-8.6**
Cyclically-adjusted budget balance (d)				-3.3	-3.0	-3.3	-4.2	**-6.2**	**-6.0**	**-7.2**
Structural budget balance (d)				-	-2.9	-3.0	-4.0	**-6.0**	**-6.0**	**-7.2**
General government gross debt (c)				63.8	98.6	97.4	95.5	**120.3**	**122.0**	**123.9**

(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.

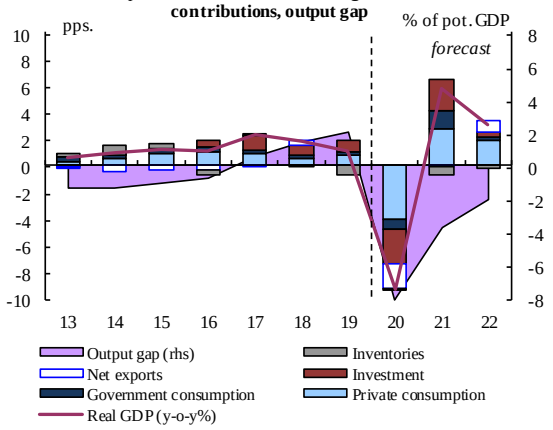
7. FRANCE

France's GDP is set to decline sharply in 2020. Supported by fiscal measures aimed to ensure liquidity for businesses and protecting employment in 2020, and the recovery plan in 2021 and 2022, economic activity is set to rebound slowly. At the end of 2022, however, both GDP and employment are projected to remain lower than at the end of 2019. The general government deficit is expected to rise to 10½% of GDP in 2020, before shrinking to 8¼% in 2021. Public debt is set to rise steadily, to 119½% in 2022.

A much sharper recession than in 2008

Due to the COVID-19 pandemic, GDP growth in France is set to contract by 9½% of 2020. The economic impact of the outbreak was concentrated in the second quarter when the lockdown measures hit production and all demand components.

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



Despite a strong rebound due to the lifting of restrictions, activity is set to remain below its pre-crisis level in the third quarter, reflecting both persistent supply disruptions in the hardest hit sectors (e.g. hospitality, transport and recreational services) and lower confidence among households and businesses. In the fourth quarter, GDP is expected to diminish again due to the impact of new restrictions triggered by a resurgence in infections. Private consumption is forecast to decline most sharply due to the imposition of curfews. This high level of stringency is set to persist over the first quarter of 2021, preventing activity from improving significantly.

Followed by a partial recovery

Beyond the first quarter, the relatively strong rebound forecast in 2021 is set to be dampened by several factors. On the supply side, some of the worst hit sectors are expected to remain subject to certain restrictions and the adaptation of relevant supply chains will take time. On the demand side, corporate investment is likely to be impacted by persistent uncertainty and the financial difficulties stemming from the fall of the activity in 2020. In addition, the recovery in consumer confidence is likely to be limited by a relatively modest improvement in the job market, which will restrain private consumption from returning to its pre-crisis level. Although the partial work scheme will still apply in 2021 and should limit job losses in the beginning of the year, the economy is unlikely to begin recreating the jobs lost in 2020 until mid-2021. Net exports are also expected to detract from GDP growth over 2020 and 2021, with key sectors for French exports (namely aircraft and tourism) being severely hit by the pandemic. The national recovery plan is set to provide significant support to activity in 2021.

In 2022, assuming the lifting of pandemic-related restrictions should support GDP growth, which is forecast to reach some 3%. Consumption and investment are set to recover further, with a change in the main driver for the latter. While the reduction of uncertainty is set to encourage private investment, public investment, after its surge in 2021 supported by the national recovery plan, is expected to lose momentum in that no additional measures for 2022 have been specified yet. Despite the recovery, France's real GDP at the end of 2022 is forecast to be 0.5% lower than at the end of 2019. The recovery is expected to suffer from long-lasting effects on several sectors such as hotels, restaurant, leisure and transport equipment. Additional measures to be adopted under the umbrella of the French recovery plan constitute an upside risk to the forecast, especially in 2022.

Inflation set to decline

Inflation is expected to drop to 0.5% in 2020 from 1.3% in 2019, due to lower oil prices and the negative demand shock from the crisis. Inflation is expected to gradually rebound from 2021 onwards.

Steady rise in public debt

After 3% of GDP in 2019, the general government deficit is set to reach 10½% of GDP in 2020, 0.6 pps. higher than in the spring forecast. The sizeable drop in economic activity following the lockdown will weigh heavily on tax revenues and push up social transfers due to the response of automatic stabilisers. This macroeconomic-related impact accounts for most of the deterioration in the deficit. The temporary expenditure measures adopted to fight the pandemic and to assuage the adverse macroeconomic effects amount to 3.0% of GDP and comprise, among others, additional healthcare expenditure, transfers to cover partial unemployment schemes and subsidies under the sectoral compensation fund for SMEs. These measures also include tax exemptions, mainly social security contributions, of €5.2 billion. Liquidity measures and public guarantees to support companies, amounting to almost €400 billion, are assumed to entail no immediate material budgetary impact.

All in all, the revenue-to-GDP ratio is set to remain broadly constant, whereas the expenditure-to-GDP ratio is projected to rise by 7½ pps. to some 63% of GDP. Interest payments are set to continue declining.

For 2021, the reversal of the emergency measures and the functioning of automatic stabilisers are expected to reduce the general government deficit to 8¼% of GDP. While the revenue-to-GDP ratio is set to dwindle by around 1 ppt., the expenditure-to-GDP ratio is projected to shrink by around 3¼ pps. These projections incorporate measures from the French Recovery Plan of 1.6% of GDP, including a permanent cut in taxes on production of €10 billion and additional expenditure of €27.4 billion. Spending measures include an envelope for the partial activity scheme of €6.6 billion. The government assumes the Recovery and Resilience Facility will partly finance recovery measures worth 0.7% of GDP.

At unchanged policies, the government deficit is set to narrow to 6% of GDP in 2022. While the revenue ratio is expected to dwindle only slightly, the expenditure ratio is projected to decline by 2½ pps. Public debt is forecast to rise from 98.1% in 2019 to almost 116% of GDP in 2020, and then to 117¾% in 2021 and around 119½% in 2022.

Table II.7.1:

Main features of country forecast - FRANCE

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		2425.7	100.0	1.2	2.3	1.8	1.5	**-9.4**	**5.8**	**3.1**
Private Consumption		1303.3	53.7	1.4	1.5	0.9	1.5	**-7.7**	**5.1**	**3.5**
Public Consumption		560.2	23.1	1.5	1.4	0.9	1.7	**-3.2**	**5.2**	**0.9**
Gross fixed capital formation		573.1	23.6	1.1	4.7	3.2	4.2	**-10.9**	**10.8**	**1.7**
of which: equipment		126.3	5.2	0.9	4.1	2.4	3.9	**-17.6**	**11.3**	**5.5**
Exports (goods and services)		770.7	31.8	2.5	4.4	4.4	1.9	**-17.7**	**6.6**	**6.7**
Imports (goods and services)		794.4	32.8	3.2	4.5	3.1	2.5	**-11.6**	**6.3**	**3.3**
GNI (GDP deflator)		2476.0	102.1	1.2	2.4	1.7	1.4	**-9.4**	**5.8**	**3.1**
Contribution to GDP growth:	Domestic demand			1.4	2.2	1.4	2.6	**-7.5**	**6.5**	**2.5**
	Inventories			0.0	0.2	0.0	-0.8	**-0.1**	**-0.6**	**-0.3**
	Net exports			-0.2	-0.1	0.4	-0.2	**-1.8**	**-0.1**	**0.8**
Employment				0.5	1.1	1.0	1.2	**-10.5**	**7.0**	**2.9**
Unemployment rate (a)				9.0	9.4	9.0	8.5	**8.5**	**10.7**	**10.0**
Compensation of employees / f.t.e.				2.3	2.0	1.7	-0.2	**5.5**	**-1.6**	**-0.2**
Unit labour costs whole economy				1.6	0.8	1.0	-0.5	**4.2**	**-0.5**	**-0.3**
Real unit labour cost				0.2	0.3	0.0	-1.7	**1.3**	**-1.0**	**-1.6**
Saving rate of households (b)				14.5	13.8	14.1	14.6	**20.9**	**17.9**	**16.0**
GDP deflator				1.4	0.5	1.0	1.2	**2.8**	**0.5**	**1.2**
Harmonised index of consumer prices				1.6	1.2	2.1	1.3	**0.5**	**0.9**	**1.5**
Terms of trade goods				0.4	-1.6	-1.5	1.1	**1.3**	**-0.3**	**0.1**
Trade balance (goods) (c)				-1.2	-1.6	-1.6	-1.4	**-2.5**	**-2.5**	**-1.8**
Current-account balance (c)				-0.1	-0.7	-0.9	-0.8	**-3.0**	**-2.8**	**-1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.2	-0.7	-0.8	-0.8	**-3.1**	**-2.9**	**-1.6**
General government balance (c)				-4.0	-3.0	-2.3	-3.0	**-10.5**	**-8.3**	**-6.1**
Cyclically-adjusted budget balance (d)				-4.0	-3.3	-3.1	-4.2	**-5.3**	**-5.8**	**-4.8**
Structural budget balance (d)				-	-3.1	-3.1	-3.3	**-5.1**	**-5.7**	**-4.8**
General government gross debt (c)				77.7	98.3	98.1	98.1	**115.9**	**117.8**	**119.4**

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

8. ITALY

Italy is rebounding from a deep output trough, but the pandemic and its negative repercussions persist and weigh on economic activity, especially services, over the forecast period. The recovery is unlikely to be sufficient for real output to return to pre-pandemic levels by 2022. After the sharp increase expected in 2020, the government deficit and debt are set to slowly decline in 2021 and 2022. Consumer price inflation is projected to turn slightly negative this year and to start picking up moderately in 2021.

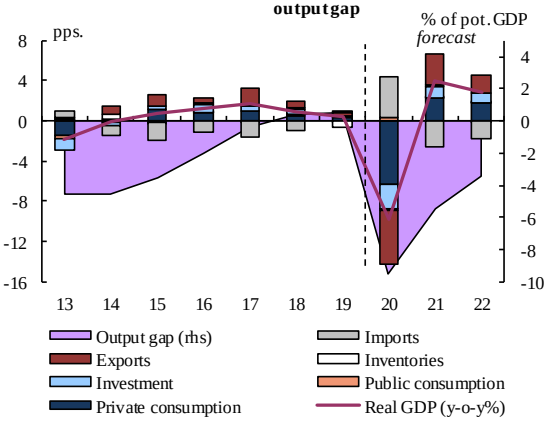
The manufacturing sector is leading a strong but fragile rebound amid high uncertainty

The COVID-19 pandemic cast a grim shadow over economic activity in the first half of this year, when real output contracted by 18%. However, after the end of the lockdown, Italy's economy picked up quickly, led by construction and industrial production, which by August had both exceeded their January levels. By contrast, consumer services, which are more sensitive to rising infection rates and mobility restrictions, are set to remain in the grip of pandemic-related constraints even after this year. Real GDP is forecast to drop by 10% in 2020, despite sizeable policy support cushioning the impact of the pandemic shock. In 2021, a substantial carryover effect should support output growth projected at 4%, albeit impaired by the recent sharp flare-up of the pandemic and the tightening of containment measures. In 2022, growth is set to slow to 2¾%, which means that the economy's level of output will remain below its pre-pandemic level. The outlook is subject to high uncertainty and pandemic-related downside risks.

Domestic demand is set to be the backbone of the recovery, albeit prone to pandemic-inflicted setbacks

As forced savings spawned pent-up demand, consumer spending bounced back sharply following the end of the lockdown. However, household surveys indicate that this effect has come to a halt with the re-emergence of the virus sapping confidence, and high uncertainty is likely to keep household savings above pre-pandemic levels. Private consumption is expected to strengthen again in the course of 2021, also helped by the new family bonus. Amid firms' unused capacity, liquidity concerns and a decline in business start-ups, investment shrunk substantially in the first half of this year. Capital spending is set to pick up sizeably over the next two years, also thanks to public investment and fiscal incentives for improving the energy efficiency of residential buildings, while future spending related to the Recovery and Resilience Facility constitutes an upside risk. After a steep drop this year, goods exports are set to rebound, limiting market share losses. However, services exports, in particular tourism, are unlikely to fully recover by 2022.

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



Employment has held up but will suffer once policy support is phased out

The extended coverage for wage supplementation schemes (Cassa integrazione guadagni) and a dismissal ban until early next year is likely to prevent major job losses in 2020. Temporary workers have borne the brunt of the labour market adjustment so far, but permanent employees are unlikely to remain unscathed, once emergency policy measures expire. Together with the return of the labour force to pre-pandemic levels, the jobless rate is set to rise above 11%, with job losses concentrated among service-sector workers.

Oil prices set to shape HICP inflation dynamics

Consumer prices are likely to fall slightly this year, given downward pressure from oil prices and subdued core inflation. In 2021, base effects due to energy prices and the rise of services prices are set to push headline inflation into positive territory. In 2022, HICP inflation is forecast to average 1.0%.

Public finances set to slowly recover from 2021

Following an historical low of 1.6% of GDP in 2019, the government headline deficit is expected to sharply increase to around 10¾% of GDP in 2020, as an effect of the COVID-19 pandemic. Revenues from indirect taxes are expected to fall as a result of the drop in private consumption. The deterioration of the labour market, albeit contained by public support, implies lower revenues from direct taxes and social security contributions. Conversely, under a no-policy-change assumption, the deferral of tax payments to 2021 and 2022 is not expected to affect the 2020 deficit. The policy response to the crisis, which provided substantial support to workers and firms, implies a budgetary impact of around 5½% of GDP in 2020, mainly on the expenditure side.

In 2021, the government deficit is expected to decline to around 7¾% of GDP. Government revenues should benefit from the rebound in economic activity while government spending is set to decline, as most support measures adopted in 2020 were temporary. At the same time, the fiscal expansion announced in the draft budgetary plan will weigh on public finances. The main planned deficit increasing measures include the extension of public support to sectors most affected by the crisis, a cut in social security contributions for firms operating in poorer regions, the introduction of a family bonus and additional resources for healthcare, education and research. In 2022, under a no-policy-change assumption, the government deficit is expected to further decline to 6% of GDP, supported by economic growth and the improving labour market. This forecast does not include any measures funded by grants from the Recovery and Resilience Facility and the corresponding growth and second-round revenue effects, as these measures have not yet been sufficiently specified.

The government debt-to-GDP ratio is expected to increase sharply from 134.7% in 2019 to around 159½% in 2020 before slowly declining to about 159% in 2022, thanks to nominal GDP growth. The government primary balance is projected to remain negative over 2020-2022, while interest expenditure is expected to steadily decline in light of favourable financing conditions. Liquidity support measures to firms, including government guarantees, imply some risks to the debt projections.

Table II.8.1:

Main features of country forecast - ITALY

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		1789.7	100.0	0.1	1.7	0.9	0.3	**-9.9**	**4.1**	**2.8**
Private Consumption		1076.4	60.1	0.1	1.5	0.9	0.4	**-10.5**	**3.8**	**3.1**
Public Consumption		335.1	18.7	0.4	-0.1	0.2	-0.2	**2.1**	**0.1**	**0.3**
Gross fixed capital formation		323.2	18.1	-1.0	3.2	3.1	1.6	**-13.6**	**7.2**	**5.6**
of which: equipment		122.8	6.9	-0.5	6.4	4.4	0.9	**-18.8**	**9.4**	**7.6**
Exports (goods and services)		563.8	31.5	1.6	5.4	2.2	1.0	**-16.7**	**10.3**	**5.9**
Imports (goods and services)		509.2	28.5	1.3	6.1	3.5	-0.6	**-14.1**	**9.9**	**6.4**
GNI (GDP deflator)		1805.1	100.9	0.1	1.9	1.5	0.1	**-9.3**	**3.6**	**2.9**
Contribution to GDP growth:	Domestic demand			-0.1	1.5	1.1	0.5	**-8.4**	**3.5**	**2.8**
	Inventories			0.0	0.2	0.1	-0.7	**-0.2**	**0.2**	**0.0**
	Net exports			0.1	0.0	-0.3	0.5	**-1.3**	**0.4**	**0.0**
Employment				0.1	0.8	0.7	0.2	**-10.3**	**6.1**	**2.4**
Unemployment rate (a)				9.2	11.2	10.6	10.0	**9.9**	**11.6**	**11.1**
Compensation of employees / f.t.e.				2.1	0.6	2.1	1.5	**0.9**	**0.6**	**0.7**
Unit labour costs whole economy				2.1	-0.3	1.9	1.3	**0.5**	**2.5**	**0.2**
Real unit labour cost				0.2	-1.0	0.8	0.6	**-0.8**	**1.5**	**-1.0**
Saving rate of households (b)				12.7	10.2	10.1	10.1	**15.2**	**12.6**	**10.3**
GDP deflator				1.9	0.7	1.0	0.7	**1.3**	**1.0**	**1.2**
Harmonised index of consumer prices				1.9	1.3	1.2	0.6	**-0.1**	**0.7**	**1.0**
Terms of trade goods				0.3	-1.9	-1.2	1.3	**3.4**	**0.3**	**0.5**
Trade balance (goods) (c)				0.9	3.1	2.6	3.2	**3.6**	**4.0**	**4.0**
Current-account balance (c)				-0.6	2.5	2.5	3.0	**2.9**	**3.1**	**2.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.5	2.6	2.5	2.8	**2.7**	**2.9**	**2.8**
General government balance (c)				-3.2	-2.4	-2.2	-1.6	**-10.8**	**-7.8**	**-6.0**
Cyclically-adjusted budget balance (d)				-2.9	-2.2	-2.4	-1.9	**-5.6**	**-4.8**	**-4.1**
Structural budget balance (d)				-3.4	-2.2	-2.6	-1.9	**-5.8**	**-5.0**	**-4.3**
General government gross debt (c)				116.8	134.1	134.4	134.7	**159.6**	**159.5**	**159.1**

(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.

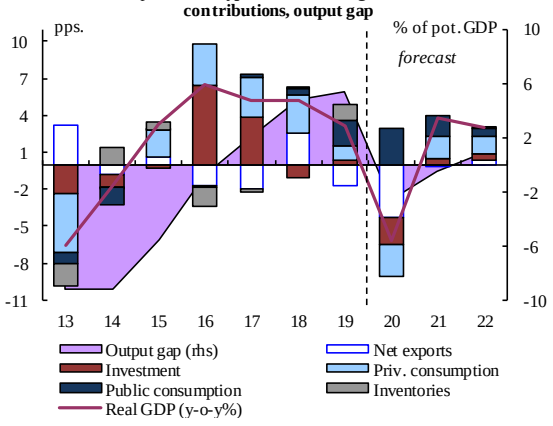
9. CYPRUS

Economic activity in Cyprus contracted sharply in the first half of the year, due to the COVID-19 crisis. The important tourism sector has borne the brunt, while domestic demand has shown resilience. The impact on the labour market has been mitigated by temporary income support measures. Public finances are set to deteriorate significantly in 2020 before improving with more contained budget deficits in 2021 and 2022.

A deep economic recession in 2020

In the first half of the year, economic activity declined sizeably by 5.5% y-o-y, dragged by the impact of the COVID-19 crisis and accompanying lockdown measures. Domestic demand fared better than anticipated early this summer, notably private consumption. Investment, particularly construction fell significantly. Exports of goods and services also declined considerably, the latter reflecting the impact of travel restrictions on tourism. The relatively contained epidemiological situation on the island allowed for a gradual relaxation of lockdown measures within the country as of May. This gave way to a gradual recovery of domestic demand over the summer, as suggested by high-frequency indicators, such as credit card use and production indices. However, growth in the fourth quarter is set to slow down, as economic sentiment and consumer confidence remain low and the epidemiological situation in Cyprus and its main trading partners is worsening. For the year 2020 as a whole, GDP growth is forecast to fall by 6.2%.

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



Tourism has been hit badly by the crisis

Tourist arrivals between January and September were down by some 85%, while revenues between January and July were nearly 90% lower. Tourist arrivals from the UK and Russia – Cyprus's main tourist markets – plummeted, as some travel restrictions remained throughout the summer for travellers from the two countries. The recovery of the sector to its pre-crisis level is expected to take longer than the forecast horizon.

The economy is set to rebound in 2021 and 2022

GDP growth is projected to increase by 3¾% in 2021 and 3% in 2022, when output is expected to slightly exceed its pre-pandemic level. The recovery is expected to be driven by domestic demand. Private consumption is set to rebound due to pent up demand. Public consumption is expected to continue growing, due to the stimulus measures extended into 2021 and the planned increases in compensation of employees. Investment is set to partially recover thanks to on-going tourism-related infrastructure projects. By contrast, demand for high-end residences is set to slow down, due to the abolition of the investor citizenship scheme. The broad utilisation of the temporary income support schemes – up to 65% of eligible employees – has helped to keep unemployment at low levels so far. Since June, the schemes have been targeted to tourism sector, planned to continue until March 2021.

The large pre-crisis private and public sector debt increases the risks of a prolonged economic downturn. The planned expiration of loan payment moratoria at the end of the year, with a sizeable take-up by the tourism industry point to challenges ahead. The potential impact of the Cypriot Resilience and Recovery Plan (RRP) on growth remains an upside risk.

Inflation turns negative

Headline inflation is forecast to be negative in 2020, at -0.9% down from 0.5% in 2019, mainly driven by lower energy prices and non-energy industrial goods. Inflation is set to rebound gradually in 2021 and 2022 at 0.9% and 1.3%, respectively, on the back of increasing food and services prices.

Public finances to deteriorate sharply this year, before a partial recovery in 2021

The general government balance is forecast to record a deficit of 6.1% of GDP in 2020 after a surplus of 1.5% of GDP in 2019. Fiscal performance in 2020 is projected to be severely affected by falling revenues and the deficit-increasing fiscal measures adopted to fight the crisis. The deficit should narrow to 2.3% of GDP in 2021 and 2022, assuming that revenue collection picks up on account of the projected recovery and that the majority of the fiscal measures adopted to fight the pandemic, estimated at 4% of GDP, will only have a temporary effect in 2020. The projections do not include Resilience and Recovery Facility measures and are made on the basis of a no-policy change assumption. The public debt-to-GDP ratio is forecast to rise to 112.6% in 2020, before decreasing progressively to 108.2% in 2021 and 102.8% in 2022.

Expenditure is projected to surge in 2020, growing by 11.8%, before stabilising in 2021 and increasing by 2% in 2022. Almost the entirety of the COVID-19 related expenditures is expected to be reversed in 2021. However, the rollout of the second phase of the National Health Insurance System (NHIS) and higher compensation for public employees are set to boost public expenditure progressively in 2020, 2021 and 2022.

The projected fall in revenue in 2020 (by 6.1%) reflects the large expected decrease in tax revenues (by 7.9%), in particular from indirect and corporate taxes. Social security contribution revenues are expected to stagnate, despite the two increases in health contribution rates in April 2019 and 2020 to finance the implementation of the NHIS. Revenue is expected to pick up by 8.8% in 2021 and by 2.2% in 2022 on account of the projected economic recovery.

The potential realisation of contingent liabilities is a risk to public finances in particular the large exposure of the state to the implementation of the NHIS. Other risks stem from the explicit contingent liabilities of the state through the asset protection schemes provided to Hellenic Bank in the context of the sale and dissolution of the Cooperative Central Bank in 2018, and the implicit contingency risks to the broader financial sector. On the other hand, the potential impact of the Cypriot RRP on public revenues is an upside risk.

Table II.9.1:

Main features of country forecast - CYPRUS

	2019			Annual percentage change					
	mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		22286.9	100.0	1.9	5.2	5.2	3.1	**-6.2**	**3.7**	**3.0**
Private Consumption		14398.9	64.6	2.5	4.9	4.7	1.8	**-4.1**	**2.8**	**2.2**
Public Consumption		3691.0	16.6	1.9	2.1	3.5	14.2	**17.8**	**7.9**	**2.8**
Gross fixed capital formation		4326.0	19.4	1.4	21.3	-5.2	2.0	**-11.1**	**2.6**	**3.0**
of which: equipment		1077.5	4.8	2.9	20.6	-34.6	-14.9	**-17.0**	**8.0**	**8.0**
Exports (goods and services)		16018.6	71.9	2.5	9.9	8.0	-0.4	**-17.7**	**7.2**	**8.1**
Imports (goods and services)		16256.4	72.9	2.7	12.9	4.5	2.0	**-11.5**	**7.0**	**7.0**
GNI (GDP deflator)		21391.4	96.0	2.3	5.9	4.6	2.9	**-6.6**	**3.8**	**3.0**
Contribution to GDP growth:		Domestic demand		2.3	7.4	2.5	3.6	**-1.9**	**3.9**	**2.6**
		Inventories		-0.1	-0.3	0.2	1.2	**0.0**	**0.0**	**0.0**
		Net exports		-0.2	-1.9	2.6	-1.7	**-4.3**	**-0.2**	**0.3**
Employment				1.3	5.4	5.3	3.1	**-2.6**	**1.1**	**1.5**
Unemployment rate (a)				7.8	11.1	8.4	7.1	**8.2**	**7.8**	**7.2**
Compensation of employees / head				2.0	1.7	1.3	1.8	**-2.5**	**1.7**	**1.8**
Unit labour costs whole economy				1.4	1.9	1.4	1.9	**1.3**	**-0.9**	**0.3**
Real unit labour cost				-0.3	0.8	0.1	1.0	**0.5**	**-2.1**	**-0.8**
Saving rate of households (b)				3.4	3.0	3.1	3.1	**5.7**	**3.8**	**4.5**
GDP deflator				1.7	1.1	1.2	0.9	**0.8**	**1.3**	**1.2**
Harmonised index of consumer prices				1.7	0.7	0.8	0.5	**-0.9**	**0.9**	**1.3**
Terms of trade of goods				0.8	-1.6	-2.4	-0.9	**2.2**	**-0.1**	**-0.1**
Trade balance (goods) (c)				-22.9	-24.6	-21.2	-20.8	**-18.8**	**-19.6**	**-20.8**
Current-account balance (c)				-8.3	-5.3	-3.9	-6.3	**-10.4**	**-10.1**	**-9.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-8.0	-4.9	-3.3	-6.2	**-10.3**	**-10.0**	**-9.8**
General government balance (c)				-3.2	1.9	-3.5	1.5	**-6.1**	**-2.3**	**-2.3**
Cyclically-adjusted budget balance (d)				-3.1	1.0	-5.9	-1.3	**-4.8**	**-1.9**	**-2.5**
Structural budget balance (d)				-	1.0	2.1	0.0	**-4.8**	**-1.9**	**-2.5**
General government gross debt (c)				71.8	93.5	99.2	94.0	**112.6**	**108.2**	**102.8**

(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.

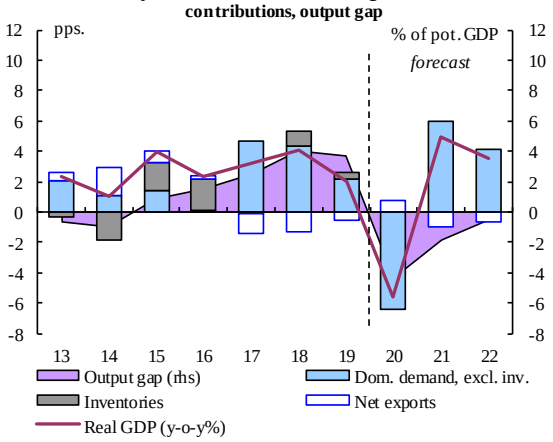
10. LATVIA

Latvia's GDP is projected to decline by 5½% in 2020 with consumption and exports set to decline the most. It is expected to recover most of the lost ground in 2021 thanks to a rebound in consumption and private investment. Growth should remain solid in 2022 at around 3½%. The government deficit is projected to reach 7½% of GDP in 2020 due to support measures and a drop in tax revenue. It is projected to narrow to 3% by 2022 as government revenues recover.

First half of the year was less dire than feared

In the second quarter of 2020, Latvia's seasonally-adjusted GDP was 9.2% lower than it was in the last quarter of 2019. Private consumption and exports suffered the most as consumers refrained from shopping both domestically and abroad. Employment declined only by 4.2% partly thanks to cushioning provided by a government-sponsored furlough scheme. The spread of the virus and the containment measures were milder in Latvia than in most other EU countries, helping the economy to mount a quick comeback with retail and industrial activity recording year-on-year growth already in May. However, non-retail services remained well below pre-pandemic levels throughout summer.

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



Consumption and investment to drive recovery

GDP is expected to recover fairly rapidly in the second half of 2020 leading to an annual decline of 5½%. The start of the 2021 is expected to remain slow due to ongoing restrictions and unfavourable trade conditions, but improved consumer sentiment, limited employment losses and relatively mild containment measures will all contribute to a V-shaped consumption pattern over the course of 2020. Consumption should strengthen in 2021 and 2022 as consumers draw down on accumulated savings, providing an extra boost to already buoyant consumer spending. Moreover, investment is set to benefit from strong private sector confidence and the construction of Rail Baltica, which should start at the end of this year. Exports are likely to take longer to recover as Latvia's principal export markets are forecast to follow a flatter recovery path and travel-dependent services exports are not expected to reach pre-crisis levels over the forecast horizon. All in all, GDP is forecast to grow by close to 5% in 2021, which should bring it almost back to where it was at the end of 2019, and by 3½% in 2022. This forecast does not include any measures funded by the Recovery and Resilience facility grant.

Slightly positive employment growth expected

Employment is expected to decline by some 3% this year and record a slight growth in both 2021 and 2022 as construction jobs compensate for the struggling services sector. At the same time, the ongoing decline in labour supply that dominated labour market dynamics before the crisis will increasingly be felt as the recovery gets going and will constrain the potential for employment growth.

Headline inflation is set to slow in 2020 due to weak demand and declining energy prices. In 2021, food and services prices are expected to drive inflation to around 1½%. In 2022, inflation is expected to recover close to the 2% mark.

The risks to the forecast are balanced. The recovery in 2020 could be swifter than assumed in our baseline scenario and a possibility of stimulus coming from public investment, in particular from the Recovery and Resilience Facility, may spur private investment in 2021 and 2022. On the other hand, the recent rise in infection rates could affect the recovery path over the coming quarters, impacting on demand and confidence.

Government deficit set to peak in 2020 before declining in 2021 and 2022

The government deficit is expected to increase from 0.6% of GDP in 2019 to 7½% of GDP in 2020. The sharp worsening is driven by the economic downturn and temporary stimulus measures. The drop in tax revenue broadly reflects the decline in consumption and the loss of jobs, while overall revenues to September 2020 have been stronger than expected in the spring forecast. Government spending has increased due to the measures adopted in response to the COVID-19 pandemic and due to higher unemployment spending. The overall impact of the measures is estimated at around 4% of GDP. Deferred taxes, which are unlikely to be collected, and earlier tax refunds cost some 0.5% of GDP. Social and employment support measures amount to 0.5% of GDP and support for certain sectors and provisions for loan guarantees are estimated at 3% of GDP.

In 2021, the government deficit is projected to narrow to 3½% of GDP, as most of temporary measures are scheduled to cease. The budget for 2021 presents new revenue and expenditure-increasing measures, with a broadly neutral effect on the government balance. The social security contribution rate is reduced by 1 percentage point (-0.3% of GDP) and the application threshold for income tax allowance is increased (-0.1% of GDP). An introduction of a minimum mandatory social contribution and an increase in the micro enterprise tax is forecast to yield 0.3% of GDP. The state energy company is expected to pay higher dividends worth 0.3% of GDP. Wage increases for health workers and a rise in minimum social benefits account for most of the expenditure growth.

In 2022, the deficit is projected to narrow further to just over 3% of GDP, under a no-policy change assumption. Tax revenue should grow broadly in line with GDP, with some positive effect from measures adopted in 2021. Expenditure growth will be mostly driven by further increases in public sector wages and social benefits.

The government debt-to-GDP ratio is expected to increase from 37% in 2019 to 47½% in 2020, mostly due to the large government deficit and the drop in GDP. The debt ratio is set to decline in 2021 and 2022, as the economy recovers and government borrowing shrinks, and thanks to a partial reduction in large cash resources, which were accumulated in 2019 and 2020.

Table II.10.1:

Main features of country forecast - LATVIA

	2019			Annual percentage change					
	mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		30463.3	100.0	3.6	3.3	4.0	2.1	**-5.6**	**4.9**	**3.5**
Private Consumption		18092.2	59.4	3.8	3.0	2.6	2.2	**-11.4**	**8.5**	**4.8**
Public Consumption		5807.3	19.1	1.5	3.4	1.6	2.6	**2.9**	**3.0**	**2.0**
Gross fixed capital formation		6758.4	22.2	3.0	11.4	11.8	2.1	**-0.8**	**2.6**	**4.6**
of which: equipment		2456.5	8.1	2.9	9.3	3.9	2.2	**-4.0**	**3.0**	**5.3**
Exports (goods and services)		18317.1	60.1	6.9	6.4	4.3	2.1	**-7.5**	**4.2**	**4.0**
Imports (goods and services)		18572.3	61.0	6.2	8.6	6.4	3.0	**-8.6**	**6.0**	**5.2**
GNI (GDP deflator)		30032.9	98.6	3.6	3.2	2.6	2.3	**-4.1**	**4.9**	**3.5**
Contribution to GDP growth:	Domestic demand			3.9	4.6	4.3	2.2	**-6.4**	**5.9**	**4.2**
	Inventories			0.5	-0.1	1.1	0.4	**0.0**	**0.0**	**0.0**
	Net exports			-0.6	-1.3	-1.4	-0.5	**0.7**	**-1.0**	**-0.7**
Employment				-0.3	0.0	1.5	-0.1	**-3.2**	**0.4**	**0.8**
Unemployment rate (a)				11.9	8.7	7.4	6.3	**8.3**	**8.0**	**7.5**
Compensation of employees / head				9.3	7.6	8.1	8.8	**3.1**	**3.7**	**3.6**
Unit labour costs whole economy				5.2	4.2	5.4	6.5	**5.8**	**-0.8**	**0.9**
Real unit labour cost				0.5	1.2	1.4	4.0	**4.7**	**-2.0**	**-0.5**
Saving rate of households (b)				3.0	5.8	7.5	6.0	**20.3**	**14.2**	**12.0**
GDP deflator				4.7	3.0	3.9	2.4	**1.0**	**1.3**	**1.4**
Harmonised index of consumer prices				3.8	2.9	2.6	2.7	**0.3**	**1.3**	**1.8**
Terms of trade of goods				0.9	0.9	1.6	0.9	**2.1**	**-0.5**	**-1.0**
Trade balance (goods) (c)				-15.5	-9.1	-8.7	-8.8	**-6.5**	**-7.7**	**-8.6**
Current-account balance (c)				-6.4	1.3	-0.3	-0.6	**2.3**	**1.2**	**0.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.7	2.2	1.5	0.8	**3.3**	**2.7**	**1.6**
General government balance (c)				-2.5	-0.8	-0.8	-0.6	**-7.4**	**-3.5**	**-3.3**
Cyclically-adjusted budget balance (d)				-2.4	-1.7	-2.3	-2.0	**-5.7**	**-2.8**	**-3.1**
Structural budget balance (d)				-	-1.7	-2.3	-2.2	**-5.7**	**-2.8**	**-3.1**
General government gross debt (c)				27.1	39.0	37.1	36.9	**47.5**	**45.9**	**45.5**

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

11. LITHUANIA

Lithuania's economy withstood the initial blow of the COVID-19 pandemic relatively well. Recent data point to a strong recovery in the second half of 2020, although the unemployment rate is forecast to remain elevated in the near term. A significant stimulus package has helped to preserve jobs but has inflated the deficit and public debt. Growth is expected to slow in the coming years due to the fragile situation of international trade and moderation in domestic demand.

GDP held up better than expected

Lithuania was the only euro area Member State that did not see real GDP decline in the first quarter of the year. Measures to stem the COVID-19 pandemic and general uncertainty took their toll in the second quarter when real GDP contracted by 5.9%. A decline in domestic demand was the key reason behind the slump. Private consumption was markedly affected by the closure of most retail shops and the catering sector during the lockdown and uncertainty about labour income, while a drop in investments was already recorded in the fourth quarter of 2019.

At the same time, net exports mitigated the situation as exports fell less than imports. One of the reasons for the resilience of exports was the relative stability of foreign demand for the lower value-added export goods that account for a considerable share of Lithuania's industrial production. In addition, Lithuania is less dependant on inbound tourism. Timely virus containment measures at the start of the pandemic helped the economy as well.

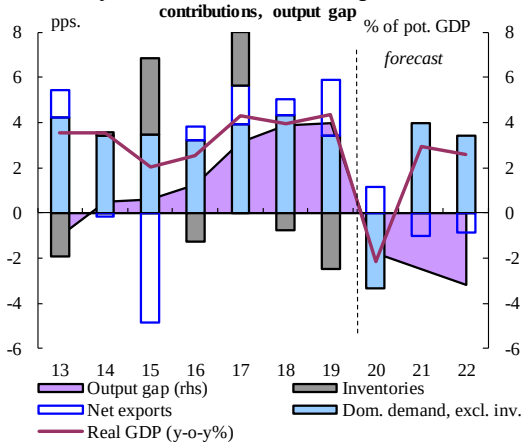
Private consumption started to recover as early as May, while industrial production picked up more considerably in June. This positive trend continued into the third quarter and is confirmed by improvements in sentiment indicators. Taking into account the good results expected in agriculture, real GDP in the third quarter is projected to rebound. However, a recent increase in the COVID-19 infection rate and corresponding measures to fight it are set to weigh on economic indicators. For the year 2020 as a whole, real GDP is projected to shrink by approximately 2¼%.

Moderate rebound in 2021 and 2022

Exports, including of transportation services, have been an important growth factor for Lithuania's economy in the last three to four years. However, the fragile situation in international trade and requirements stemming from reforms in the EU road transport sector are expected to cool this trend in coming years. Slower increases in minimum wages and salaries in the public sector and restrictions related to COVID-19, point to less dynamic consumption in the near term.

On the other hand, accelerated EU investment and additional projects initiated by the government in response to the COVID-19 crisis are projected to drive increases in overall gross capital formation. Overall, Lithuania's GDP growth is forecast to reach 3% in 2021 and then stay slightly above 2½% in 2022.

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



Positive net migration again

Net migration was positive for the first time in 2019 and is very likely to be so again in 2020, though it is still early to speak of a reversal of the long-standing trend. The available 2020 data points to an elevated flow of immigrants, among which approximately half are returning nationals. At the same time, the lockdown and the relatively better epidemiological situation in the country compared to many others could slightly reduce emigration of Lithuanians in 2020.

The pandemic has put a number of jobs at risk, especially in the service sector. The unemployment rate rose from 6.1% in January to 9.6% in August.

To mitigate the situation, the Lithuanian government introduced a number of measures to protect employment and provide additional support for job seekers. The pick-up in economic activity should bring the unemployment rate down gradually. It is set to decline from a forecast rate of 8.9% in 2020 to 8.0% in 2021 and should continue falling in 2022.

Service prices continue to drive inflation up

In 2020, HICP inflation is being pulled in opposite directions by energy and service prices. While the prices of oil, gas and biomass have dropped, service prices have risen, particularly for catering, social protection, services related to housing, and medical services. Food has become more expensive as well. Overall, headline inflation is forecast to stand at 1.3% in 2020. With the economic recovery, inflation is expected to rise to 1.5% and 1.7% in 2021 and 2022, respectively.

Higher deficits to fuel a sharp increase in debt

In response to the COVID-19 crisis, the government adopted a sizeable stimulus package in March and added more measures later in the year. It is expected that additional spending, which mainly consist of various subsidies, benefits and investment projects, will amount to almost 6% of GDP in 2020. Overall, increased expenditure and automatic stabilisers are forecast to drive the general government deficit to 8½% of GDP in 2020.

While most COVID-19 related measures expire in 2020, the 2021 draft budget contains new expenditure measures amounting to almost 2% of GDP. For example, the government has decided to increase wages in the public sector and has also suggested some legal changes that would allow pension indexation, which would not be possible under the current rules. Overall, due to the gradual reduction in stimulus, the deficit in 2021 is forecast to amount to 6% of GDP, of which 1.5 pps. is expected to be eventually financed by the Recovery and Resilience Facility. In 2022, under a no-policy change assumption, the general government balance is forecast to stand at -2¾%.

Due to the large deficits projected, the debt-to-GDP ratio is expected to rise from 35.9% in 2019 to approximately 47¼% in 2020 and then further to 50¾% in 2021.

Table II.11.1:

Main features of country forecast - LITHUANIA

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		48.8	100.0	4.1	4.3	3.9	4.3	**-2.2**	**3.0**	**2.6**
Private Consumption		29.5	60.5	4.3	3.5	3.7	3.4	**-3.5**	**3.2**	**3.3**
Public Consumption		8.2	16.8	1.0	-0.3	0.2	0.1	**3.8**	**1.1**	**-1.0**
Gross fixed capital formation		10.4	21.4	5.5	8.9	10.0	6.2	**-8.5**	**9.6**	**7.9**
of which: equipment		3.4	7.0	7.5	9.2	8.0	3.6	**-13.1**	**10.7**	**6.4**
Exports (goods and services)		37.8	77.5	8.9	13.5	6.8	9.5	**-4.9**	**6.8**	**4.9**
Imports (goods and services)		35.3	72.2	8.5	11.1	6.0	6.3	**-6.8**	**9.1**	**6.6**
GNI (GDP deflator)		47.1	96.5	3.9	4.2	4.5	4.0	**-2.6**	**3.3**	**2.7**
Contribution to GDP growth:	Domestic demand			4.3	-0.1	4.3	3.4	**-3.3**	**4.0**	**3.4**
	Inventories			0.2	2.6	-1.1	-1.5	**0.0**	**0.0**	**0.0**
	Net exports			-0.3	1.7	0.7	2.5	**1.2**	**-1.0**	**-0.9**
Employment				-0.1	-0.7	1.4	0.5	**-2.8**	**0.3**	**0.5**
Unemployment rate (a)				11.2	7.1	6.2	6.3	**8.9**	**8.0**	**6.9**
Compensation of employees / head				7.2	9.5	7.9	10.2	**3.0**	**3.3**	**2.5**
Unit labour costs whole economy				2.9	4.3	5.2	6.1	**2.3**	**0.6**	**0.4**
Real unit labour cost				0.1	0.0	1.6	3.2	**0.8**	**-1.7**	**-2.2**
Saving rate of households (b)				3.2	0.1	0.2	4.1	**10.6**	**8.7**	**5.9**
GDP deflator				2.7	4.2	3.5	2.8	**1.5**	**2.4**	**2.6**
Harmonised index of consumer prices				2.4	3.7	2.5	2.2	**1.3**	**1.5**	**1.7**
Terms of trade goods				0.6	0.4	-1.0	1.3	**1.0**	**0.3**	**0.2**
Trade balance (goods) (c)				-8.2	-4.9	-6.1	-4.8	**-2.1**	**-3.3**	**-4.1**
Current-account balance (c)				-4.5	0.5	0.3	3.3	**4.6**	**3.7**	**2.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.4	1.8	1.9	5.2	**6.7**	**6.0**	**5.3**
General government balance (c)				-2.3	0.5	0.6	0.3	**-8.4**	**-6.0**	**-2.8**
Cyclically-adjusted budget balance (d)				-2.1	-0.8	-1.0	-1.3	**-7.7**	**-5.0**	**-1.5**
Structural budget balance (d)				-	-0.8	-1.0	-1.3	**-7.7**	**-5.0**	**-1.5**
General government gross debt (c)				28.3	39.1	33.7	35.9	**47.2**	**50.7**	**49.5**

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

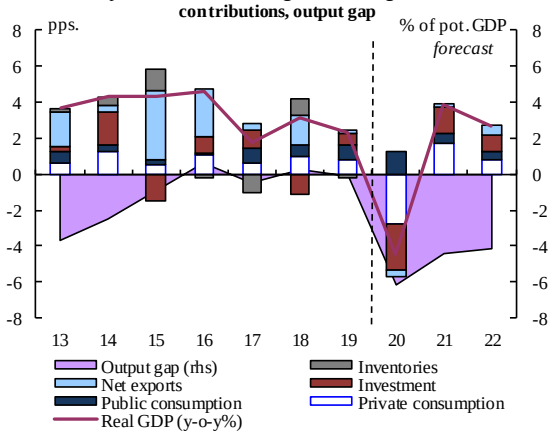
12. LUXEMBOURG

The COVID-19 crisis has led to a large fall in domestic demand, while the external sector has performed relatively well due to trade in financial services. For 2020, a significant decline in real GDP growth is expected. This contraction is mitigated by strong fiscal measures that pave the way for a rebound of real GDP growth in 2021, before returning to trend in 2022. Consequently, the general government balance will slip into deficit. Government debt will increase, but remain at a low level.

A domestic demand driven recession in 2020

The COVID-19 crisis will push Luxembourg's economy into recession in 2020 with real GDP forecast to decline by 4½%, compared to an already low 2.3% in 2019. Growth in 2021 is expected to rebound to around 4% before settling down to 2¾% in 2022, when GDP is expected to return to its 2019 level. [113]

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



In the first half of 2020, domestic demand declined strongly as a result of lockdown measures taken to control the COVID-19 pandemic. Private consumption and investment fell by close to 20% in the second quarter (year-on-year). The strong fiscal response by the government will partly mitigate the fall in domestic demand in 2020. International trade in goods and non-financial services declined significantly during the first six months of this year, while trade in financial services actually increased, resulting in a forecast of a limited negative contribution from net exports to real GDP growth in 2020. This is mainly the result of the relatively good performance of the financial sector in Luxembourg. The strong rebound in financial markets and the high level of teleworking in the financial sector led to less disruption in activity than what might have been expected under the circumstances.

[113] Luxembourg's national accounts are subject to sometimes substantial revisions, amongst others due to methodological difficulties related to the important role of multinational firms and financial services in external trade.

Outlook remains highly uncertain

A broad-based recovery driven by higher domestic demand is expected in 2021. Private consumption should be supported by growth in compensation, while gross fixed capital formation recovers with the support of government investment. In 2022, positive contributions from both domestic demand and net export should bring the economy back to a growth rate of 2¾%. There is a downside risk to the forecast from a possible larger-than-assumed impact on trade in services of the UK leaving the Single Market, considering that bilateral services trade with the UK is relatively large.

Rising unemployment and lower inflation

The health crisis has led to an increase in unemployment. The rebound in economic activity after the lock down and the government's short-term work scheme have supported employment levels. However, weak survey outlooks for employment and an expected increase in bankruptcies point to higher unemployment levels over the forecast period. The strong employment growth of recent years is expected to slow down from around 3% to 2% over the forecast horizon. The slowdown in the labour market is projected to put pressure on wages while disposable income is supported by government measures in 2020 and should recover in 2021 and 2022. In this context, specific measures for teleworking and income tax were introduced for cross-border workers.

Headline inflation is forecast to fall to 0.2% in 2020, mainly due to the sharp decline in oil prices and the introduction of free public transport. A rebound to 1.5% is expected in 2021, partly due to the implementation of a carbon tax, and to 1.8% in 2022 when the next wage indexation level is reached.

A spike in the deficit followed by a decline

The general government balance recorded a surplus of 2.4% of GDP in 2019. In 2020, public finances are expected to deteriorate sharply and the general government balance is forecast to slip into a deficit of 5.1% of GDP. Cumulated revenues in 2020 for the central government dropped by around 10% on an annual basis, based on figures up to August. The large drop in corporate income tax revenues, in spite of the financial sector's resilience, is partly explained by a base effect related to exceptional revenues in the previous year. A substantial decline is also expected in revenues from indirect taxes, especially VAT, due to both the decline in private consumption and the government-accelerated reimbursement of VAT credit. On the positive side, personal income tax revenues are still expected to increase, as the replacement income schemes put in place by the government support households' disposable income.

The government promptly adopted two different packages of measures to combat the pandemic and relaunch the economy. Their direct budgetary impact is estimated at 3.1% of GDP in 2020. In particular, the existing short-time working scheme has been extended to all companies affected by the current crisis, new aid schemes to support SMEs in temporary financial difficulty have been introduced, and procedures for requesting special leave for family reasons due to school closure have been simplified. Public investment is forecast to increase sharply on the back of the government's countercyclical fiscal policy. In this regard, the additional expenditures on health care and crisis management and the purchase of a military plane have boosted government investment. The take up of liquidity measures such as credit guarantees to companies has been modest so far.

The deficit is expected to decrease to 1.3% of GDP in 2021, driven by the economic recovery and by the phasing-out of temporary measures taken in 2020. However, some of these measures will still have a deficit-increasing impact in 2021. This forecast does not include any measures funded by Recovery and Resilient Facility grants. Under a no-policy-change assumption, the deficit is forecast to further improve to 1.1% in 2022. The public debt is expected to increase to 25.4% of GDP in 2020, 27.3% in 2021 and 28.9% in 2022.

Table II.12.1:

Main features of country forecast - LUXEMBOURG

	2019			Annual percentage change					
	mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		63516.3	100.0	2.9	1.8	3.1	2.3	**-4.5**	**3.9**	**2.7**
Private Consumption		18730.4	29.5	2.2	2.2	3.3	2.8	**-9.4**	**6.0**	**2.6**
Public Consumption		10858.3	17.1	2.9	4.7	4.1	4.8	**7.2**	**2.9**	**2.7**
Gross fixed capital formation		10721.4	16.9	3.5	5.6	-5.9	3.9	**-15.5**	**9.6**	**5.4**
of which: equipment		3585.1	5.6	5.4	16.3	-22.2	12.5	**-15.6**	**13.8**	**1.3**
Exports (goods and services)		132592.1	208.8	5.4	0.7	0.5	0.8	**-3.3**	**2.0**	**1.9**
Imports (goods and services)		109733.3	172.8	5.8	0.6	-0.3	0.9	**-3.7**	**2.3**	**1.9**
GNI (GDP deflator)		41602.6	65.5	1.2	3.1	1.9	5.2	**-6.9**	**6.6**	**4.5**
Contribution to GDP growth:	Domestic demand			1.9	2.4	0.5	2.3	**-4.1**	**3.7**	**2.1**
	Inventories			0.0	-1.1	0.9	-0.2	**0.0**	**0.0**	**0.0**
	Net exports			1.0	0.4	1.6	0.2	**-0.4**	**0.2**	**0.5**
Employment				2.9	3.4	3.7	3.6	**2.0**	**2.0**	**2.1**
Unemployment rate (a)				4.8	5.5	5.6	5.6	**6.6**	**7.1**	**7.1**
Compensation of employees / head				2.7	3.0	3.3	1.7	**-5.3**	**2.3**	**3.1**
Unit labour costs whole economy				2.7	4.6	3.9	3.0	**1.1**	**0.4**	**2.5**
Real unit labour cost				0.1	2.8	1.3	-0.4	**1.3**	**-1.0**	**1.2**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.6	1.7	2.5	3.4	**-0.2**	**1.4**	**1.3**
Harmonised index of consumer prices				2.2	2.1	2.0	1.6	**0.2**	**1.5**	**1.8**
Terms of trade of goods				0.8	-1.4	0.4	-1.0	**-0.1**	**0.1**	**0.1**
Trade balance (goods) (c)				-4.2	-2.0	-2.0	-3.1	**-2.2**	**-2.7**	**-3.0**
Current-account balance (c)				3.3	-0.9	0.0	2.2	**0.8**	**1.2**	**1.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.8	-1.5	-0.7	1.5	**0.1**	**0.6**	**1.1**
General government balance (c)				1.4	1.3	3.1	2.4	**-5.1**	**-1.3**	**-1.1**
Cyclically-adjusted budget balance (d)				1.5	1.5	2.9	2.4	**-2.2**	**0.8**	**0.9**
Structural budget balance (d)				-	1.5	2.9	2.4	**-2.2**	**0.8**	**0.9**
General government gross debt (c)				14.8	22.3	21.0	22.0	**25.4**	**27.3**	**28.9**

(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.

13. MALTA

The COVID-19 pandemic is having an acute impact on critical sectors of Malta's economy including tourism and external trade, leading to a temporary and limited increase in the unemployment rate. A modest recovery is forecast in 2021 and 2022 but considerable uncertainty surrounds the evolution of the pandemic and the impact of the change to less beneficial trading relations between the UK and the EU. After a major crisis-induced plunge in 2020, the general government balance is set to gradually improve, while public debt is expected to peak at 60% of GDP in 2021.

Tough toll of the pandemic on tourism-reliant sectors

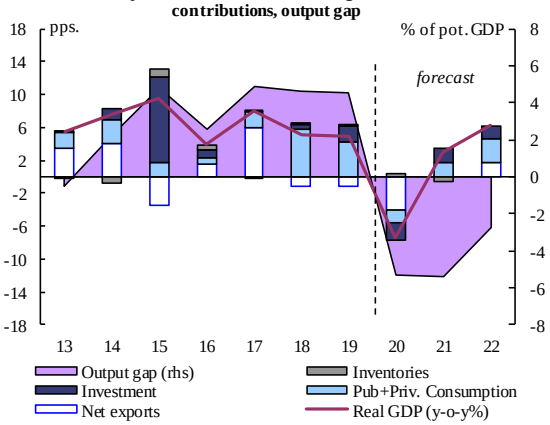
Until recently, Malta has recorded one of the highest real GDP growth rates in the EU. The impact of the COVID-19 pandemic, however, has shaken the foundations of that growth model, which is strongly reliant on tourism and immigration. Malta's GDP contracted significantly in the first half of 2020 as household consumption and construction activity fell sharply due to safety measures established by the authorities, and restricted air traffic interrupted international tourist arrivals to the island.

A temporary shift from a buoyant growth trend

While the pandemic is depressing economic activity in Malta, the government's stimulus package is expected to somewhat offset its toll on the economy. A voucher system to residents combined with wage supplements to affected employees should support consumption in the retail sector this year, offsetting some of the hit inflicted during the lockdown. Combined with these stimulus measures, high household savings have already shown the potential to unlock further consumption and residential property investment. In parallel, some large-scale investment projects are expected to maintain government expenditure. However, all GDP components apart from government consumption are likely to collapse this year, particularly net exports, resulting in a GDP contraction around 7¼%.

A recovery driven by domestic demand is expected to accelerate from slow GDP growth of 3.0% in 2021 to some 6¼% in 2022, reapproaching its 2019 level. Two factors weigh on the pace of the rebound in Malta: the evolution of the pandemic and the economic effects of the change to less beneficial EU-UK trading relations. The first will likely dictate how quickly the tourism sector may pull through the current crisis, while the latter has a considerable negative impact on the trade balance between the UK and Malta. The new trade relations are expected to have the strongest impact on growth in 2021 and to a lesser extent also in 2022. Consequently, the current account surplus is projected to continue to subside in 2021 before rising again in 2022.

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



Nonetheless, Malta's economic outlook is closely tied to the economic performance of its main trading partners and their recovery. The uncertainty around the evolution of the pandemic may pose additional downside risks to Malta's trade balance with the rest of the world, affecting its ability to bounce back from the crisis.

A limited impact on the labour market

Prior to the outbreak of the pandemic, Malta's labour market was tight and the unemployment rate reached a historical low of 3.6% in 2019. National safety measures to contain the virus affected employment only to a limited extent, such that the unemployment rate is expected to reach 5.1% in 2020, decreasing to 4.1% in 2022, in line with an accelerating economic growth.

Inflation expected to ease amid recession

The contraction in private consumption, especially in the tourism-reliant retail sector, declines in

demand for housing services and lower international energy prices are set to moderate headline inflation from 1.5% in 2019 to 0.8% in 2020. As the economic recovery unfolds next year, inflation is expected to pick up with a rise in the prices of services, reaching 1.3% in 2021 and 1.6% in 2022.

Public finances set to improve after a negative shock

The COVID-19 pandemic will have a major negative impact on public finances in 2020, with the government balance plummeting into a deficit of some 9½% of GDP, after a small surplus in 2019. The fall in household consumption will hit receipts from indirect taxes while lockdown measures will translate into corporate losses and subsequently, falling income tax revenues. Lower revenues are also expected from Malta's citizenship scheme for foreigners. A relatively good performance of the labour market will prevent a large dent in personal income tax revenues and social contributions. The measures to mitigate the negative impacts of the COVID-19 pandemic, including the wage support and voucher schemes, healthcare-related outlays and utility and rent subsidies for businesses, amounting to some 5¾% of GDP, will lead to a major increase in government spending in 2020.

In 2021, an improving economic environment is expected to support revenues and to contribute to a decline of the deficit to some 6¼% of GDP. Proceeds from the citizenship scheme are expected to stabilise at previous year's level. Several pandemic-related fiscal measures will still affect public finances including a temporary reduction of real estate transaction taxes, an extended wage supplement scheme, and a new round of the voucher scheme. Assuming no changes in policies, the deficit is forecast to decline further in 2022 to just below 4% of GDP. This forecast does not include any measures funded by Recovery and Resilience Facility grants, which also pose an upside risk to economic growth.

The government debt-to-GDP ratio is set to surge to 55¼% in 2020 and further to 60% in 2021 before declining to some 59¼% in 2022 mainly on account of a swift growth of nominal GDP.

Table II.13.1:

Main features of country forecast - MALTA

	2019			Annual percentage change					
	mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		13390.1	100.0	3.4	8.0	5.2	4.9	**-7.3**	**3.0**	**6.2**
Private Consumption		6233.1	46.6	2.1	3.4	8.5	5.2	**-9.8**	**4.2**	**4.3**
Public Consumption		2299.7	17.2	2.1	1.7	12.0	11.5	**18.4**	**-0.4**	**4.8**
Gross fixed capital formation		2898.4	21.6	5.0	-0.7	3.1	8.8	**-10.1**	**8.0**	**6.8**
of which: equipment		771.1	5.8	7.3	-34.5	-7.7	3.1	**-**	**-**	**-**
Exports (goods and services)		19258.1	143.8	5.3	8.1	-0.5	6.1	**-10.4**	**2.3**	**7.3**
Imports (goods and services)		17392.6	129.9	4.7	4.4	0.4	7.9	**-8.4**	**2.4**	**6.6**
GNI (GDP deflator)		12277.1	91.7	3.0	6.2	7.8	5.8	**-7.5**	**3.0**	**6.2**
Contribution to GDP growth:	Domestic demand			2.7	1.7	6.4	6.1	**-3.6**	**3.5**	**4.5**
	Inventories			-0.2	0.2	0.0	0.0	**0.3**	**-0.5**	**0.0**
	Net exports			1.0	6.0	-1.2	-1.3	**-4.1**	**0.0**	**1.7**
Employment				2.1	8.1	6.0	5.8	**-0.8**	**1.9**	**4.3**
Unemployment rate (a)				6.4	4.0	3.7	3.6	**5.1**	**4.7**	**4.1**
Compensation of employees / head				3.7	0.1	3.7	2.8	**1.0**	**2.0**	**1.1**
Unit labour costs whole economy				2.4	0.1	4.5	3.7	**8.1**	**0.9**	**-0.6**
Real unit labour cost				0.0	-2.1	2.5	1.5	**7.5**	**-0.6**	**-2.7**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.5	2.2	2.0	2.2	**0.6**	**1.5**	**2.1**
Harmonised index of consumer prices				2.1	1.3	1.7	1.5	**0.8**	**1.3**	**1.6**
Terms of trade of goods				-0.2	2.4	3.6	0.1	**-0.3**	**0.7**	**-0.2**
Trade balance (goods) (c)				-17.3	-12.9	-12.2	-12.5	**-6.5**	**-6.2**	**-7.3**
Current-account balance (c)				-2.2	11.2	11.1	4.4	**0.5**	**0.1**	**1.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.9	11.8	12.1	5.2	**1.5**	**1.1**	**2.4**
General government balance (c)				-3.2	3.2	2.0	0.5	**-9.4**	**-6.3**	**-3.9**
Cyclically-adjusted budget balance (d)				-3.2	0.9	-0.3	-1.7	**-6.9**	**-3.7**	**-2.6**
Structural budget balance (d)				-	1.1	-0.3	-1.7	**-6.9**	**-3.7**	**-2.6**
General government gross debt (c)				64.4	48.8	45.2	42.6	**55.2**	**60.0**	**59.3**

(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.

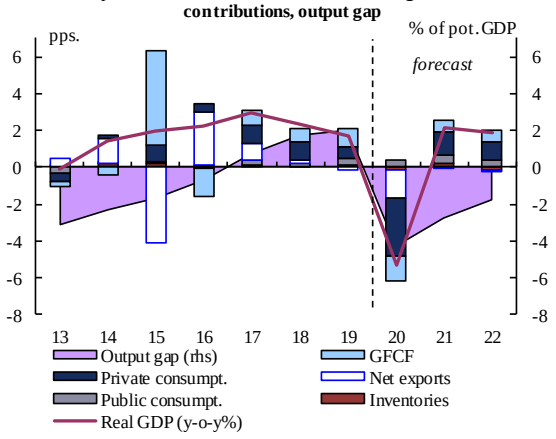
14. THE NETHERLANDS

The Dutch economy contracted sharply in the first half of 2020 due to the impact of COVID-19. Since the relaxation of containment measures in late spring, a partial and fragile rebound has been under way. The recovery is expected to be weighed down because of persistent uncertainty surrounding the pandemic evolution and the impact of the change to less beneficial EU-UK trade relations. Together with the operation of automatic stabilisers and increased expenditure to aid the recovery, the budget balance is set to improve only marginally following a significant deficit in 2020.

A protracted and fragile recovery ahead

The COVID-19 pandemic derailed the Dutch economy in the first two quarters of 2020, with economic activity contracting by 1.5% and 8.5% q-o-q respectively. Since the relaxation of the containment measures in late spring, a partial (technical) rebound has been under way, which has continued to take hold in the third quarter. Despite substantial policy support, a drawn-out and incomplete recovery is expected because of the longer-lasting implications of the pandemic and the impact of the change to less beneficial EU-UK trade relations. This year, annual real GDP is forecast to decline by around 5¼%, before a partial recovery of about 2¼% in 2021 and 2% in 2022. As a result, real GDP is expected to remain below its pre-crisis level by the end of the forecast period.

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



In recent months, manufacturing and consumption expenditure have seen a robust though incomplete rebound, driven by pent-up demand for durables whereas services have continued to suffer from a protracted slump. However, leading indicators suggest that the growth momentum is already evaporating, while the sharp flaring-up of the virus and the re-imposition of containment measures are again restricting economic activity in contact-dependent sectors. Domestic demand is expected to be the principal driver of the recovery, underpinned by fiscal stimulus dampening losses in employment and supporting disposable incomes. Nevertheless, the outlook for consumption expenditure is weighed down by persistent COVID-19 related uncertainties that depress consumer confidence, as well as adverse employment expectations that are set to keep precautionary savings elevated. Supported by additional public investment, capital spending is set to regain some traction as of next year. On the other hand, business investment is projected to remain subdued because of pervasive dampening factors such as exceptional uncertainty about future turnover, low capacity utilisation and the need to shore up liquidity positions. In line with the projected global recovery, both imports and exports are set to return to growth next year after a strong contraction this year, although trade in services - tourism in particular – is expected to lag behind goods trade. In addition, higher trade barriers and value-chain disruptions resulting from the change in trade relations with the UK depress the outlook. With imports expected to marginally outperform exports, the current account surplus is set to continue a gradual decline from a high level.

Support cushions slump in the labour market

The annual unemployment rate is projected to increase to 4.4% this year, coming from a pre-crisis record low of 2.9%. Initially, the rise in unemployment pertained to the shedding of workers on flexible and temporary contracts in affected sectors. However, the continued increase after the economy reopened stemmed mostly from the re-entry into the labour market of those who lost their jobs at the onset of the crisis. Support measures that facilitate labour hoarding have been extended until mid-2021, albeit with increasingly tighter conditionality. Although this is expected to dampen employment losses until the summer of next year, labour market conditions are inevitably set to deteriorate further in the coming quarters. In particular, firms in the most affected sectors that

continue to cope with restrictions and turnover losses are projected to shed labour as they face a growing prospect of restructurings, orderly endings and bankruptcies, with those in a more vulnerable labour market position bearing the brunt. In 2021, the unemployment rate is forecast to increase to 6.4%, peaking in the second half of the year after support is rolled back, and to decline only gradually over 2022. Because most wage agreements for 2020 were concluded in pre-COVID-19 times, nominal wage growth remains solid this year at 2.4%. For 2021 and 2022, more subdued wage growth of just over 1% is expected.

Inflationary pressures to remain subdued

Headline inflation is forecast to moderate to 1.1% in 2020 partly reflecting the shock to domestic demand and the collapse in oil prices earlier this year. However, it also reflects base effects from a VAT increase in 2019 and a lowering of energy-related indirect taxes. Domestic demand and wages are not expected to exert strong inflationary pressures in the coming years. Supported by the recovery in oil prices, HICP inflation is forecast at 1.3% in 2021. In 2022, consumer prices are set to increase by 1.4%.

Extraordinary measures support the recovery

The general government balance is forecast to reach a deficit of about 7¼% of GDP in 2020. Automatic stabilisers on both the revenue and expenditure side, such as lower tax income and higher spending on social transfers, contribute strongly to this. Moreover, emergency measures taken by the government and their extension until July 2021 entail a cumulative estimated budgetary cost of 6½% of GDP. The measures aim to avoid structural damage to the economy by focusing on protecting employment, supporting household incomes, mitigating liquidity problems and improving the resilience of the economy. Based on current plans, the government deficit is expected to narrow gradually to 5¾% in 2021 and 3¾% in 2022, as revenues increase in line with the projected recovery. The forecast does not take into account measures related to the Recovery and Resilience Facility, as these have not been specified. In a no-policy-change scenario, government debt is forecast to rise to 60% of GDP in 2020, and increase to 63% in 2021 and 66% in 2022. A large amount of loan guarantees presents a downside risk to the budget balance.

Table II.14.1:

Main features of country forecast - NETHERLANDS

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		810.2	100.0	1.2	2.9	2.4	1.7	**-5.3**	**2.2**	**1.9**
Private Consumption		354.7	43.8	0.4	2.1	2.2	1.5	**-7.1**	**3.0**	**2.3**
Public Consumption		198.6	24.5	2.0	0.9	1.7	1.6	**1.7**	**1.4**	**1.0**
Gross fixed capital formation		170.1	21.0	0.8	4.2	3.6	4.6	**-6.3**	**3.3**	**3.1**
of which: equipment		47.6	5.9	1.3	3.2	0.7	6.5	**-14.2**	**6.7**	**4.3**
Exports (goods and services)		675.2	83.3	3.5	6.5	4.3	2.7	**-6.6**	**2.1**	**3.3**
Imports (goods and services)		590.7	72.9	3.4	6.2	4.7	3.2	**-5.5**	**2.4**	**3.7**
GNI (GDP deflator)		813.4	100.4	1.0	5.2	2.8	0.9	**-5.7**	**2.2**	**1.9**
Contribution to GDP growth:	Domestic demand			0.8	2.0	2.1	2.0	**-4.0**	**2.3**	**1.9**
	Inventories			0.0	0.0	0.1	-0.2	**0.2**	**-0.1**	**0.0**
	Net exports			0.4	0.9	0.2	-0.1	**-1.5**	**-0.1**	**0.0**
Employment				0.4	2.2	2.6	1.9	**-1.1**	**-1.7**	**0.8**
Unemployment rate (a)				5.0	4.9	3.8	3.4	**4.4**	**6.4**	**6.1**
Compensation of employees / f.t.e.				2.4	1.0	1.8	2.9	**2.4**	**1.3**	**1.2**
Unit labour costs whole economy				1.6	0.3	2.1	3.1	**7.0**	**-2.5**	**0.2**
Real unit labour cost				0.0	-1.0	-0.3	0.1	**5.0**	**-3.7**	**-1.0**
Saving rate of households (b)				12.7	15.3	15.6	16.6	**25.9**	**22.6**	**19.6**
GDP deflator				1.6	1.3	2.4	3.0	**1.9**	**1.3**	**1.2**
Harmonised index of consumer prices				1.9	1.3	1.6	2.7	**1.1**	**1.3**	**1.4**
Terms of trade goods				0.3	-0.3	-0.2	0.9	**0.9**	**0.1**	**0.0**
Trade balance (goods) (c)				8.4	9.7	9.3	8.4	**7.7**	**7.5**	**7.4**
Current-account balance (c)				6.9	10.8	10.8	9.9	**8.4**	**8.0**	**7.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				6.7	10.8	10.8	9.9	**8.3**	**8.0**	**7.9**
General government balance (c)				-2.1	1.3	1.4	1.7	**-7.2**	**-5.7**	**-3.8**
Cyclically-adjusted budget balance (d)				-1.4	0.8	0.3	0.5	**-4.6**	**-4.0**	**-2.7**
Structural budget balance (d)				-	0.3	0.3	0.3	**-4.6**	**-3.9**	**-2.7**
General government gross debt (c)				56.1	56.9	52.4	48.7	**60.0**	**63.5**	**65.9**

(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.

15. AUSTRIA

The COVID-19 pandemic and related containment measures led to a strong economic contraction in the first half of 2020. The services and in particular tourism sectors were particularly affected. In 2021, growth is expected to pick up, before moderating in 2022. The general government balance, which took a strong hit in 2020, is set to improve in 2021 on the back of the expected economic recovery, though risks remain from the fiscal response taken to mitigate the socio-economic effects of the crisis.

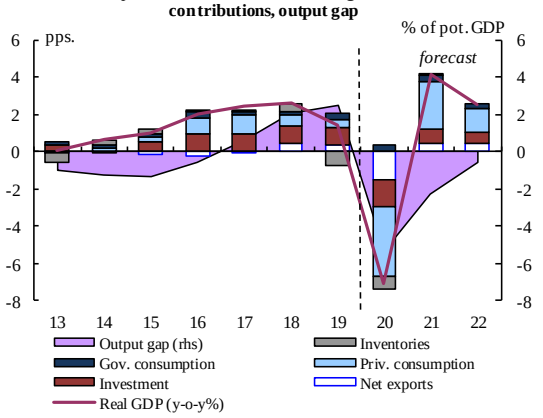
A deep contraction in the first half of 2020

The COVID-19 pandemic and related containment measures hit Austria's economy hard in the first half of 2020. After dropping by 2.5% quarter-on-quarter in Q1-2020, GDP fell by 12.1 % in Q2-2020. Reflecting the lockdown phase and subsequent social distancing and containment measures in the second quarter, private consumption remained the main contributor to the fall in GDP. This was largely driven by a decline in the consumption of services and durable goods. Investment also fell significantly. Equipment investment was particularly affected but non-residential construction also dropped significantly. As the sharp decline in exports of both goods and services was accompanied by an equally strong decrease in imports, net external demand did not contribute notably to the downturn in Q2-2020.

Gradual recovery in 2021 and 2022

Although still subdued, economic and sentiment indicators suggest that a solid economic rebound began in the third quarter. The easing of travel restrictions in June also led to a partial recovery in the economically important tourism sector, with overnight stays in July and August down just 15% from 2019 levels, compared to decreases of 90% and 60% in May and June, respectively. An increase in overnight stays from German residents and domestic tourism helped compensate for the strong decrease in international tourists. However, rising infection rates and a tightening of containment measures in October dampen the growth outlook for the rest of the year and early next year, reducing the growth carry-over for 2021. Overall, GDP is expected to decrease by 7% in 2020, recover by around 4% in 2021 and moderate somewhat to about 2½% in 2022. Despite the robust recovery, the level of GDP is expected to return to pre-crisis levels only towards the end of 2022. A main downward risk to the projections is the performance of the winter tourism season, as related sectors are likely to suffer most from further tightening of containment measures and travel restrictions. In 2019, Statistik Austria estimates the total economic impact of tourism to have accounted for 7.3% of GDP. The potential impact of the Austrian Resilience and Recovery Plan on growth remains an upside risk.

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



Effective short-time work schemes in place

The unemployment rate increased strongly in the first half of 2020, reaching 6.2% in June, before dropping to 5.4% in August. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market despite the strong drop in hours worked. In line with subdued growth, the recovery in the labour market is also expected to slow down towards the end of 2020. Overall, the unemployment rate is projected to increase from 4.5% in 2019 to around 5.5% in 2020, before falling to just below 5% in 2022.

Inflation to decrease only slightly

With the sharp economic downturn and the decrease in energy prices, inflation fell to 1% in the second quarter of the year before recovering quickly to 1.5% in the third quarter. Inflation in services remained especially high, leading to a core inflation rate of 1.8% and 2.2% in the second and third quarters respectively. Overall, inflation is forecast to remain at 1.5% in 2020, before increasing again to 1.7% in both 2021 and 2022.

Fiscal policy to mitigate the recession

The COVID-19 crisis has put an abrupt end to the favourable development of Austria's public finances in recent years. The government budget balance is expected to deteriorate to 9½% of GDP in 2020 in light of the working of automatic stabilisers and the fiscal response taken to mitigate the consequences of the economic downturn. The 'COVID-19 crisis management fund' launched in March provides for financial support to strengthen health care services, fixed cost subsidies, short-time work. Tax deferrals, reduced advance payments and public guarantees for loans should also help companies to avoid liquidity constraints. Despite the prolongation of several measures to 2021, the biggest budgetary impact will occur this year. The economic stimulus package adopted in June shifts the focus from the preservation of the production potential to support for private consumption and investment, including temporary VAT reductions, tax relief and investment premia. Revenues are expected to decline by 7½% while expenditures are expected to increase by 13%. The budgetary impact of discretionary measures amounts to an estimated 6¼% of GDP in 2020.

On the back of the economic recovery, the headline deficit is forecast to decline to 6½% in 2021 and to 3¾% of GDP in 2022, based on unchanged policies. Temporary (e.g., loss carryback, VAT reduction) and permanent (personal income) tax reliefs prevent a complete rebound in revenues, which are forecast to increase by 4% in 2021. Expenditures are set to gradually decrease by 2¾% in 2021. While several emergency measures are extended, most of them end in 2020. At the same time, fiscal stimulus measures materialise and pensions increase such that, on aggregate, the budgetary impact of discretionary measures amounts to 4% of GDP in 2021. This forecast does not include any measures funded by the Recorver and Resiliance Facility. Driven by the development of the headline deficit, public debt is expected to rise to 84¼% in 2020 after having fallen to a 10-year low of 70.5% of GDP in 2019. The debt-to-GDP ratio is set to further increase to 85¼% of GDP in 2021.

Table II.15.1:

Main features of country forecast - AUSTRIA

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		397.6	100.0	1.4	2.4	2.6	1.4	**-7.1**	**4.1**	**2.5**
Private Consumption		205.5	51.7	1.1	1.9	1.1	0.8	**-7.2**	**5.0**	**2.5**
Public Consumption		77.3	19.4	1.3	0.9	1.2	1.5	**1.7**	**1.5**	**0.9**
Gross fixed capital formation		98.1	24.7	0.8	4.1	3.9	4.0	**-6.0**	**3.2**	**2.4**
of which: equipment		32.9	8.3	1.0	7.3	3.2	4.7	**-14.8**	**5.1**	**3.4**
Exports (goods and services)		221.0	55.6	3.5	4.9	5.5	2.9	**-11.5**	**5.5**	**3.8**
Imports (goods and services)		207.6	52.2	3.2	5.3	5.0	2.4	**-9.4**	**4.8**	**3.1**
GNI (GDP deflator)		399.6	100.5	1.5	1.4	2.6	2.9	**-6.8**	**4.4**	**2.5**
Contribution to GDP growth:	Domestic demand			1.0	2.1	1.7	1.7	**-4.8**	**3.6**	**2.1**
	Inventories			0.1	0.1	0.4	-0.8	**-0.7**	**0.0**	**0.0**
	Net exports			0.3	0.0	0.4	0.4	**-1.5**	**0.4**	**0.5**
Employment				-	1.6	1.7	1.1	**-2.5**	**1.5**	**1.2**
Unemployment rate (a)				5.0	5.5	4.9	4.5	**5.5**	**5.1**	**4.9**
Compensation of employees / f.t.e.				2.2	1.6	2.9	2.8	**1.1**	**0.5**	**2.0**
Unit labour costs whole economy				1.7	0.9	2.0	2.5	**6.0**	**-2.0**	**0.6**
Real unit labour cost				-0.2	0.0	0.3	0.8	**4.0**	**-3.8**	**-1.0**
Saving rate of households (b)				14.7	12.9	13.2	13.7	**18.3**	**14.4**	**13.4**
GDP deflator				1.8	0.9	1.7	1.7	**2.0**	**1.9**	**1.6**
Harmonised index of consumer prices				1.9	2.2	2.1	1.5	**1.5**	**1.7**	**1.7**
Terms of trade goods				0.0	-1.7	-0.9	-0.5	**1.1**	**0.1**	**-0.1**
Trade balance (goods) (c)				0.0	0.3	0.6	0.8	**0.4**	**0.6**	**0.7**
Current-account balance (c)				2.2	1.5	1.4	3.0	**2.3**	**2.9**	**3.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.1	1.4	0.8	2.9	**2.2**	**2.9**	**3.1**
General government balance (c)				-2.4	-0.8	0.2	0.7	**-9.6**	**-6.4**	**-3.7**
Cyclically-adjusted budget balance (d)				-2.2	-1.2	-1.0	-0.8	**-6.6**	**-5.2**	**-3.4**
Structural budget balance (d)				-	-1.2	-1.0	-0.8	**-6.6**	**-5.2**	**-3.4**
General government gross debt (c)				74.6	78.5	74.0	70.5	**84.2**	**85.2**	**85.1**

(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.

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

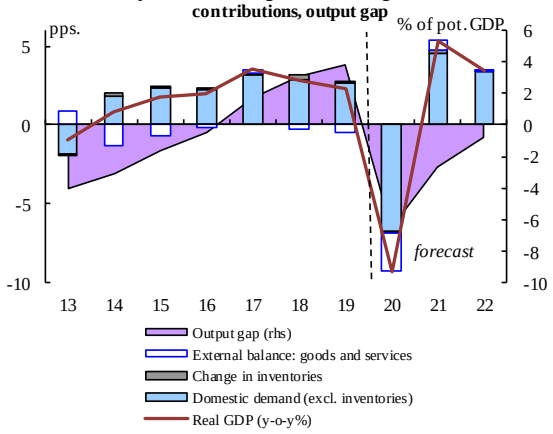
16. PORTUGAL

After a steep fall in GDP in the second quarter of 2020, Portugal's economy started to recover in the summer months. Activity in the hospitality sector, however, remained well below its pre-pandemic level and is set to recover only gradually. The labour market appeared more resilient but is still absorbing a large drop in hours worked and participation rates. Fiscal policy is being called to sustain the economy in 2020 and 2021, which puts a strain on public finances.

Economy gears up to a gradual recovery

Economic output in Portugal fell by 3.9% and 13.9% (q-o-q), respectively, in the first two quarters of 2020 as a result of the COVID-19 crisis. Tourism was the hardest hit sector. With the gradual relaxation of social distancing measures over the summer, the economy started to recover, and many sectors, particularly manufacturing, largely returned to their pre-pandemic levels. However, activity in the country's large hospitality sector remained well below capacity and is not expected to fully recover over the forecast period. The outlook for the sector has been further darkened by a rise of infections this autumn. Overall, GDP is projected to decline by 9¼% in 2020 and to grow by 5½% in 2021 and 3½% in 2022. Risks are still tilted to the downside due to Portugal's high reliance on foreign tourism where uncertainty remains significant.

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



Across domestic demand components, private consumption dropped by 13.3% (q-o-q) in the second quarter as 'forced' and precautionary household savings surged. Investment contracted by 9.8% overall amid a sharp decline in equipment investment but investment in construction maintained positive growth. Benefitting from the government's policy response to the crisis and the EU funding cycle, domestic demand is projected to return to pre-pandemic levels by the end of 2022.

In the external sector, exports fell more than imports. However, performance differed greatly across goods and services. While the balance of goods improved and trade volumes rebounded at a solid pace, the service balance suffered a large deterioration and has much worse recovery prospects. Foreign tourism, which accounted for 52% of Portugal's exports of services in 2019, plunged by more than 90% in the second quarter of the year and remained substantially below its pre-pandemic level over the summer. As a large part of the sector depends on air transport, Portugal is also facing increased competition from destinations more often reached by road.

Social measures cushion labour shocks

About 750,000 employees or nearly 15% of the labour force benefited from various temporary forms of state support at the height of the crisis. Consequently, the unemployment rate increased only moderately from 6.5% in 2019 to around 8% in August 2020. Employment had decreased by around 3% y-o-y as of August but part of its negative impact on unemployment was offset by a rise in inactivity. This also resulted in a substantial drop in labour utilisation, including forced paid and unpaid leave and a massive fall in hours worked (23.6% y-o-y in the second quarter). Benefitting from the expected economic recovery and further support measures, the unemployment rate is projected to gradually move close to its pre-pandemic level, from around 8.0% in 2020 to 6.6% in 2022.

Inflation set to pick up from a low level

The pandemic created a combination of supply and demand shocks, with opposite effects on prices. However, downward pressures due to low crude oil prices and weak consumer confidence are expected to prevail in the near term and headline inflation is forecast to remain subdued in 2020. Inflation is projected to gradually pick up in 2021, in line with the expected economic recovery and the projected increase in energy prices.

Public finances called to sustain the economy

The COVID-19 pandemic is projected to cause a worsening of the general government balance to a deficit of 7¼% of GDP in 2020, reversing last year's surplus. The operation of automatic stabilisers and fiscal policy support are expected to be the main drivers of this deterioration. In response to the COVID-19 crisis, policy measures were taken to reinforce the resilience of the health system, preserve jobs, provide adequate social support, safeguard business continuity, and support the resumption of activity, with an estimated overall direct budgetary cost of close to 3% of GDP. Portugal's multipronged package of policy measures is expected to lead to an increase in current expenditure, notably in subsidies and social transfers, as well as in capital expenditure linked to rescue aid to airlines. Excluding the impact of the third activation of Novo Banco's contingent capital mechanism (0.5% of GDP) and other one-off measures, the general government balance should reach a smaller deficit of 6¾% of GDP in 2020.

The deficit is projected to decrease to 4½% of GDP in 2021, on the back of the expected economic recovery and the lower fiscal burden of crisis mitigation measures. One-off revenue related to the reimbursement of the pre-paid margin that was deducted from the financial assistance loan granted by the European Financial Stability Facility (0.5% of GDP) should to contribute to a swifter reduction of the deficit. In line with the Draft Budgetary Plan for 2021, the forecast factors in additional public investment under the Recovery and Resilience Facility (¼ % of GDP). Risks to the budgetary forecast are tilted to the downside, linked to the piling up of public contingent liabilities stemming from some public corporations and the crisis mitigation measures targeting the private sector, which come on top of non-negligible pre-pandemic levels. Under a no-policy-change assumption, the improvement in public finances is projected to gain speed in 2022, amid a gradual phasing-out of fiscal policy support and further improving economic conditions.

The general government debt-to-GDP ratio is projected to spike at 135% in 2020, reflecting the sudden primary deficit and the unfavourable denominator effect arising from the expected contraction of nominal GDP. It is forecast to resume its decreasing path in 2021, when it is set to drop to 130¼%, helped by the expected rebound in GDP growth and the pre-financing of grants under the Recovery and Resilience Facility.

Table II.16.1:

Main features of country forecast - PORTUGAL

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		213.3	100.0	0.3	3.5	2.8	2.2	**-9.3**	**5.4**	**3.5**
Private Consumption		136.3	63.9	0.5	2.1	2.6	2.4	**-7.9**	**4.9**	**3.5**
Public Consumption		36.0	16.9	0.4	0.2	0.6	0.7	**1.0**	**1.6**	**0.8**
Gross fixed capital formation		38.8	18.2	-2.6	11.5	6.2	5.4	**-10.2**	**6.3**	**5.2**
of which: equipment		12.2	5.7	-0.6	12.4	8.9	2.7	**-30.7**	**15.2**	**9.9**
Exports (goods and services)		92.8	43.5	3.9	8.4	4.1	3.5	**-21.0**	**9.7**	**5.4**
Imports (goods and services)		92.3	43.3	2.2	8.1	5.0	4.7	**-15.6**	**7.5**	**5.0**
GNI (GDP deflator)		208.4	97.7	0.3	3.6	2.7	2.4	**-8.9**	**5.2**	**3.5**
Contribution to GDP growth:	Domestic demand			-0.1	3.2	2.8	2.6	**-6.7**	**4.6**	**3.3**
	Inventories			0.0	0.1	0.3	0.1	**-0.2**	**0.1**	**0.0**
	Net exports			0.4	0.2	-0.3	-0.5	**-2.4**	**0.7**	**0.1**
Employment				-0.5	3.3	2.3	0.8	**-3.8**	**2.1**	**1.7**
Unemployment rate (a)				9.8	9.0	7.1	6.5	**8.0**	**7.7**	**6.6**
Compensation of employees / head				1.8	2.3	3.9	3.5	**0.6**	**2.3**	**1.8**
Unit labour costs whole economy				1.0	2.1	3.4	2.0	**6.7**	**-0.9**	**0.0**
Real unit labour cost				-1.0	0.6	1.5	0.3	**4.4**	**-2.2**	**-1.3**
Saving rate of households (b)				9.5	6.6	6.8	7.0	**12.2**	**9.8**	**7.5**
GDP deflator				2.0	1.5	1.8	1.7	**2.2**	**1.3**	**1.4**
Harmonised index of consumer prices				2.0	1.6	1.2	0.3	**-0.1**	**0.9**	**1.2**
Terms of trade goods				0.4	-1.1	-0.8	0.5	**2.1**	**0.0**	**0.0**
Trade balance (goods) (c)				-9.3	-7.0	-7.8	-7.9	**-6.3**	**-6.1**	**-6.2**
Current-account balance (c)				-6.3	1.0	0.3	0.2	**-0.9**	**-0.5**	**-0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.8	1.8	1.2	1.0	**0.2**	**0.6**	**0.5**
General government balance (c)				-5.7	-3.0	-0.3	0.1	**-7.3**	**-4.5**	**-3.0**
Cyclically-adjusted budget balance (d)				-5.2	-3.9	-2.0	-2.0	**-3.8**	**-3.0**	**-2.6**
Structural budget balance (d)				-	-1.8	-1.3	-1.4	**-3.3**	**-3.3**	**-2.6**
General government gross debt (c)				93.8	126.1	121.5	117.2	**135.1**	**130.3**	**127.2**

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

17. SLOVENIA

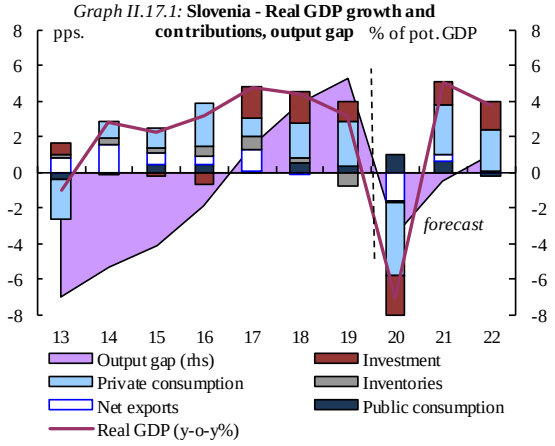
Slovenia's economy contracted by ca 8% in the first half of 2020 compared to the same period in 2019. Losses in employment have been smaller than expected and the measures taken have avoided a surge in bankruptcies. A recovery is forecast in 2021 and the economy is expected to return to its end-2019 level in 2022. Public finances are forecast to be in large deficit in 2020, due to lost revenues and the sizeable measures taken to support the economy, and to improve over 2021 and 2022 together with the recovering economy.

A recovery interrupted

Slovenia's economy contracted by 4.7% q-o-q in the first quarter and by almost 10% in the second quarter, slightly less than the euro area average. All demand components except government consumption were negatively affected by the spread of the pandemic and efforts to control it. The number of foreign visitors has dropped significantly, but the tourism sector was supported by domestic tourists, stimulated by vouchers issued by the government.

In the third quarter, confidence indicators, labour market data, freight traffic and electricity consumption indicate a strong rebound. However, in mid-October strong containment measures were once again imposed, limiting movement and economic activity. Consumer confidence has again weakened quite significantly. Therefore, it is expected that the recovery would be halted in the end of 2020 and beginning of 2021. The severity of restrictions however does not currently point to renewed large contraction comparable to the situation in the beginning of 2020. Overall, the economy is forecast to contract ca 7% in 2020.

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



A recovery is expected to continue from the second quarter of 2021 and continue into 2022, with the economy growing by 5% and 3¾% respectively and returning to its pre-crisis output level. Private consumption growth is projected to be strong in both years, although the household saving rate is expected to remain elevated in 2021 and slightly above its pre-crisis level even in 2022. Public consumption growth is forecast to be moderate after the high growth expected in 2020. Investment growth is projected to be supported by both large public investments and the recovery of private investment, particularly in machinery and equipment. While imports grow faster than exports, net exports are expected to contribute positively to growth in both 2021 and 2022. Public investment growth presents a positive risk to the forecast, in case new EU resources could be taken into use faster than expected, whereas uncertainties related to the evolution of pandemic constitute a negative risk.

Labour market supported by policy measures

Employment in Slovenia has been shielded from the impact of the large drop in GDP thanks to a number of public policy measures. In the second quarter of 2020, employment was only 1.9% lower than in 2019. However, the number of hours worked dropped by 15.8%, as firms cut the working hours of retained workers, whose income losses were compensated by a government support scheme. Registered unemployment started to decrease in August. In 2020, employment is expected to decline and unemployment rate to grow from 4.5% in 2019 to 5.0%. Job losses have been uneven and particularly large in some service sectors.

In 2021, employment is projected to increase only slightly, as firms first increase the hours worked of retained workers. The unemployment rate is forecast to fall to 4.8%. In 2022, as the recovery unfolds, employment growth is forecast to accelerate and unemployment to fall to 4.4%.

Due to low energy prices and weak demand, inflation is expected to be close to 0% in 2020,

before rising to 0.9% in 2021. With the recovery setting in, the rise in consumer prices is expected to strengthen to 1.8% in 2022.

A large fiscal stimulus to support employment in 2020

In 2020, the general government balance is forecast to deteriorate significantly to a deficit of around 8¾% of GDP (from 0.5% in 2019), due to the projected decline in economic activity and measures adopted to mitigate the economic and social impact of the COVID-19 pandemic.

On the revenue side, taxes on production and imports are projected to fall sharply mainly due to a decline in private consumption expenditure. Revenues from taxes on income and wealth and social security contributions are forecast to be less affected, as the effects of the crisis on the labour market and compensation of employees remain subdued. The sharp rise in expenditure is driven by the COVID-19 response measures, with a total budgetary impact 5.2% of GDP in 2020. These measures include among others: (i) wage compensations for employees waiting at home, (ii) exemption from payment of contributions for pension and disability insurance for working employees, and (iii) a monthly basic income for self-employed workers and farmers.

The cost of mitigating the impact of the pandemic will continue to be felt in 2021. Additionally, a significant increase in public investment is projected in 2021 and 2022, which can be partly attributed to the rollout of some of the projects to be financed by the Recovery and Resilience Facility.

Against the background of a modest recovery in domestic demand, the general government deficit is set to decrease to around 6½% of GDP in 2021 and, under a no-policy-change assumption, to ca 5% in 2022. Around 0.2 pps. of the deficit in 2021 and 0.4 pps. in 2022 are expected to be eventually financed by Recovery and Resilience Facility.

Due to a large general government deficit in 2020, a severe drop in GDP and the impact of the pre-financing needed for bond redemptions at the beginning of 2021, the debt-to-GDP ratio is expected to rise from 65.6% in 2019 to approximately 82¼% in 2020. It is then projected to fall to 80¼% in 2021 and 79¾% in 2022.

Table II.17.1:

Main features of country forecast - SLOVENIA

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		48.4	100.0	2.0	4.8	4.4	3.2	**-7.1**	**5.1**	**3.8**
Private Consumption		25.4	52.4	1.8	1.9	3.6	4.8	**-7.8**	**5.4**	**4.5**
Public Consumption		8.9	18.4	1.7	0.4	3.0	1.7	**5.3**	**3.0**	**-1.1**
Gross fixed capital formation		9.5	19.6	-0.7	10.2	9.6	5.8	**-11.5**	**7.1**	**8.5**
of which: equipment		3.9	8.0	1.7	12.4	11.2	1.9	**-16.0**	**7.5**	**13.0**
Exports (goods and services)		40.5	83.7	5.7	11.1	6.3	4.1	**-13.1**	**7.6**	**5.4**
Imports (goods and services)		36.4	75.3	4.5	10.7	7.2	4.4	**-12.4**	**7.9**	**5.9**
GNI (GDP deflator)		47.6	98.4	1.9	5.6	4.6	3.2	**-7.0**	**4.4**	**3.1**
Contribution to GDP growth:	Domestic demand			1.3	2.8	4.2	3.9	**-5.4**	**4.7**	**3.7**
	Inventories			0.0	0.7	0.3	-0.8	**-0.1**	**0.0**	**0.0**
	Net exports			0.8	1.2	-0.1	0.1	**-1.6**	**0.4**	**0.1**
Employment				0.3	3.0	3.2	2.5	**-0.9**	**0.5**	**2.2**
Unemployment rate (a)				7.2	6.6	5.1	4.5	**5.0**	**4.8**	**4.4**
Compensation of employees / head				4.5	3.0	3.9	4.9	**1.4**	**1.8**	**0.9**
Unit labour costs whole economy				2.8	1.2	2.7	4.2	**8.1**	**-2.6**	**-0.6**
Real unit labour cost				-0.1	-0.3	0.6	1.9	**6.0**	**-4.2**	**-1.6**
Saving rate of households (b)				13.6	13.1	13.5	13.3	**22.3**	**17.9**	**13.7**
GDP deflator				2.8	1.5	2.2	2.3	**2.1**	**1.6**	**1.0**
Harmonised index of consumer prices				3.0	1.6	1.9	1.7	**0.0**	**0.9**	**1.8**
Terms of trade goods				-0.1	-0.7	0.0	0.4	**0.9**	**0.2**	**-0.8**
Trade balance (goods) (c)				-1.4	3.8	2.8	2.7	**3.3**	**3.2**	**2.4**
Current-account balance (c)				-0.4	6.4	6.0	5.7	**5.0**	**4.4**	**3.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.3	5.5	5.5	5.4	**4.6**	**4.1**	**2.8**
General government balance (c)				-3.9	-0.1	0.7	0.5	**-8.7**	**-6.4**	**-5.1**
Cyclically-adjusted budget balance (d)				-3.8	-0.8	-1.1	-1.9	**-7.1**	**-6.2**	**-5.6**
Structural budget balance (d)				-3.7	-0.7	-1.0	-1.9	**-6.9**	**-6.2**	**-5.6**
General government gross debt (c)				43.0	74.1	70.3	65.6	**82.2**	**80.2**	**79.8**

(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.

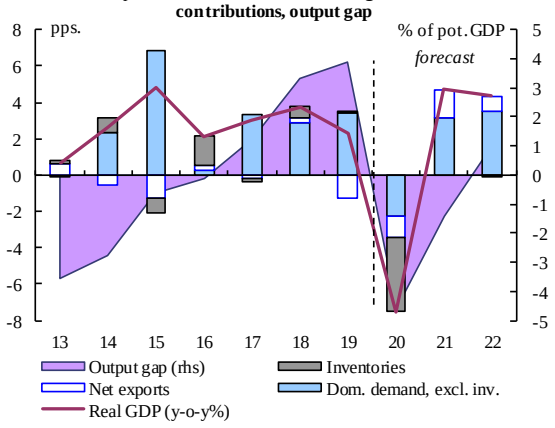
18. SLOVAKIA

The COVID-19 pandemic is expected to push Slovakia's economy into a deep and broad-based recession in 2020. Investment, private consumption and net exports have all contracted significantly. A recovery in all components is expected in 2021 and 2022. Consumer price inflation is forecast to moderate substantially over the forecast period due to lower energy prices and less demand-pull inflation. Public finances are expected to go into significant deficit in 2020, due to the loss of revenues and sizeable fiscal support measures cushioning the socio-economic impact of the pandemic, but should improve slowly as the economy recovers.

A deep recession and an uncertain recovery

Slovakia's real GDP is forecast to contract sharply by 7½% in 2020, but to then recover and grow by 4¾% in 2021 and 4¼% in 2022, returning to its pre-crisis income level in mid-2022. The lockdown in spring due to COVID-19 severely suppressed domestic demand, which is projected to remain subdued well into 2021, following a resurgence in infections and new restrictions. Sizeable fiscal support measures are expected to cushion the impact. Private consumption is projected to drop in 2020 as consumers withhold spending amid continued uncertainty and restrictions. It is expected to recover in 2021 and 2022 when it will surpass its pre-crisis level, but not fully return to its previous growth trajectory due to relatively weaker employment and wage growth. Uncertainty, liquidity constraints and restrictions to business activity are projected to weigh even more heavily on investment growth in 2020. Both private and public investment are expected to grow strongly in 2021 and 2022, even as support measures such as loan deferrals expire. Trade activity is also projected to decrease sharply in 2020 but to recover swiftly.

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



Exports are expected to recover swiftly

The lockdown in spring will take its toll on exports in 2020 amid supply chain disruptions and weaker foreign demand, particularly so for Slovakia's large, export-oriented automotive sector. Nevertheless, goods exports, the bulk of Slovakia's trade activity, are expected to recover relatively quickly alongside resumed industrial production, with particularly high growth rates in 2020-Q3. While the recovery in trade remains subject to significant uncertainties amid rising infections and depends on prospects in Slovakia's key trading partners and the automotive sector, Slovakia is well-positioned to regain market shares.

Employment to fall in 2020 and 2021, but partially recover in 2022

Public support measures are expected to mitigate the impact of the crisis on the labour market. Nevertheless, after years of strong employment growth, Slovakia's economy is expected to shed jobs amid the recession. The unemployment rate is projected to rise from a record low of 5.8% in 2019 to 6.9% in 2020 and to climb to 7.8% in 2021, partly due to the scheduled expiration of protective measures such as short-time work schemes. Strong economic growth should improve the labour market in 2022 when the unemployment rate is forecast to decrease to 7.1%. Real wages are expected to decrease slightly in 2020 but to grow again in 2021 and 2022, albeit at lower rates than before the crisis. While these developments weigh on household disposable income, the latter remains relatively robust, thanks in part to public support.

Inflation to slow substantially

HICP inflation is forecast to slow down substantially from 2.8% in 2019 to 2% in 2020 and to 0.7% in 2021, before picking up again and growing by 1.4% in 2022. Energy prices contribute markedly to the slowdown, as the collapse in fuel

prices earlier this year is expected to have a strong, lagged effect on regulated energy prices in 2021. Service price inflation is also expected to slow as the recession weighs on demand and wage growth. Food prices are likely to grow more swiftly than overall inflation.

Public deficit to increase due to COVID-19

The general government headline deficit is expected to increase to 9½% of GDP in 2020 from 1.4% in 2019. This is due in part to weak tax revenues and social contributions as well as lower property income on the revenue side. No additional revenue is expected from the implementation of an online connection of cash registers to the financial administration. Expenditure is expected to increase by an estimated 2½% of GDP due to fiscal measures to cushion the socio-economic impact of the pandemic. The main measures encompass employment support, sickness and nursing benefits as well as subsidised rents. Worse fiscal developments than expected in spring are also partly due to expenditure measures previously not included in the budget including the cancellation of a bank levy, the establishment of a new ministry and a decrease in motor vehicle taxation, among others. Public guarantee schemes launched as a liquidity support to businesses are a potential downside risk if they materialise.

In 2021, the general government deficit is forecast to decline to around 8% of GDP on the back of the economic recovery. An increase in the tobacco excise duty together with subdued developments in wages, intermediate consumption and interest rates, should help lower the deficit. A majority of pandemic measures are expected to phase out in 2021. However, the budget also includes a reserve of more than 1% of GDP to cover risks from a second wave. In 2022, the headline deficit is forecast to decrease by almost 2% of GDP. Public investment is expected to grow, because the use of EU funding is projected to increase as the end of the programming period approaches. The projection for 2022 is based on a no-policy-change assumption. No measures related to the Recovery and Resilience Facility are included in the forecast, and hence represent an upside risk.

The government debt-to-GDP ratio is projected to increase rapidly from 48% in 2019 to more than 67% in 2022.

Table II.18.1:

Main features of country forecast - SLOVAKIA

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		93.9	100.0	4.0	3.0	3.8	2.3	**-7.5**	**4.7**	**4.3**
Private Consumption		52.9	56.4	3.2	4.5	4.1	2.3	**-2.4**	**2.2**	**3.5**
Public Consumption		18.5	19.7	2.6	1.0	0.2	4.7	**8.9**	**0.3**	**-1.1**
Gross fixed capital formation		20.1	21.4	3.2	3.5	2.6	5.8	**-12.6**	**9.2**	**8.6**
of which: equipment		9.5	10.1	5.5	-6.0	1.2	15.6	**-20.0**	**13.3**	**12.1**
Exports (goods and services)		86.8	92.4	9.2	3.6	5.2	0.8	**-11.4**	**8.6**	**4.4**
Imports (goods and services)		86.4	92.0	7.9	3.9	4.9	2.1	**-10.2**	**6.8**	**3.5**
GNI (GDP deflator)		92.2	98.2	3.9	3.8	4.3	1.9	**-7.9**	**4.6**	**4.3**
Contribution to GDP growth:		Domestic demand		3.1	3.4	2.9	3.4	**-2.3**	**3.2**	**3.5**
		Inventories		0.1	-0.2	0.6	0.2	**-4.1**	**0.0**	**0.0**
		Net exports		0.9	-0.2	0.3	-1.2	**-1.1**	**1.5**	**0.8**
Employment				0.9	2.2	2.0	1.0	**-1.6**	**-1.0**	**0.8**
Unemployment rate (a)				14.2	8.1	6.5	5.8	**6.9**	**7.8**	**7.1**
Compensation of employees / head				5.3	5.4	5.8	6.6	**1.5**	**3.5**	**3.7**
Unit labour costs whole economy				2.1	4.5	4.0	5.3	**8.1**	**-2.1**	**0.2**
Real unit labour cost				0.1	3.3	1.9	2.7	**4.6**	**-2.7**	**-1.5**
Saving rate of households (b)				7.4	8.9	10.7	10.2	**14.2**	**13.1**	**10.8**
GDP deflator				1.9	1.2	2.0	2.5	**3.3**	**0.6**	**1.7**
Harmonised index of consumer prices				3.1	1.4	2.5	2.8	**2.0**	**0.7**	**1.4**
Terms of trade goods				-0.7	-0.8	-0.9	-0.3	**0.1**	**0.0**	**0.0**
Trade balance (goods) (c)				-1.2	1.1	1.1	-0.5	**-1.6**	**-0.2**	**0.5**
Current-account balance (c)				-3.0	-0.9	-0.1	-1.7	**-3.1**	**-1.6**	**-0.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.5	-1.6	-0.1	-1.8	**-3.2**	**-1.8**	**-1.1**
General government balance (c)				-4.2	-0.9	-1.0	-1.4	**-9.6**	**-7.9**	**-6.0**
Cyclically-adjusted budget balance (d)				-4.0	-1.4	-2.3	-2.8	**-7.8**	**-7.3**	**-6.4**
Structural budget balance (d)				-	-1.4	-2.3	-2.8	**-7.8**	**-7.3**	**-6.4**
General government gross debt (c)				43.2	51.7	49.9	48.5	**63.4**	**65.7**	**67.6**

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

19. FINLAND

Strong government support measures and an effective containment response softened the impact of the COVID-19 pandemic on the economy, which at mid-2020 stood among the lowest in the EU. Still, the economy took a heavy hit and the recovery is expected to be only gradual, recovering its 2019 output level only by the end of 2022. The public debt ratio is set to increase by 10% of GDP due to the impact of the crisis and the policy measures taken to address it.

The economy is gradually recovering

By mid-2020, Finland had managed to contain the spread of the virus despite having milder restrictions than most other EU countries. Consequently, the economic hit was relatively mild, with GDP falling by 1.4 % and 4.4 % quarter-on-quarter in the first two quarters of the year, respectively. The main hit came from the decrease in private consumption, as consumer spending was constrained by a number of measures and consumers increased their precautionary savings. The milder GDP fall is explained by a larger decrease in imports than in exports and only a minor decrease in investment and public spending. High frequency indicators available so far in the second half of the year show a rebound, though the most recent data seem to suggest this may be coming to a halt.

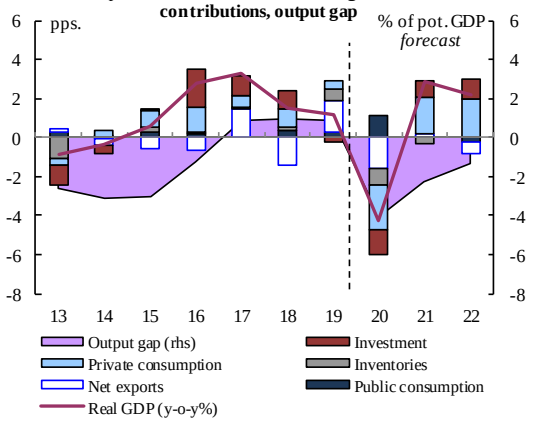
GDP in 2020 is expected to contract by 4¼ %. All demand components, except government consumption, are expected to fall in 2020. Private consumption is recovering in the third quarter but is still constrained by lower employment and confidence effects. Investment in machinery and equipment is expected to drop as companies remain uncertain about the duration and severity of the pandemic, as well as the stringency of any future measures that the government may take. However, investment in construction should show greater resilience given a step-up in public investment. Net exports are likely to be negative at year-end as imports have been outpacing exports in recent months.

Next year, as consumers and businesses adapt to the new COVID-19 environment, GDP is forecast to grow by 3%. Private consumption is forecast to rise, as consumers increase discretionary spending and employment recovers. Once uncertainty fades, investment is also likely to grow. Exports are forecast to recover partially, in line with external demand. The strong role of government spending is likely to diminish next year as the economic outlook improves. In 2022, GDP growth is forecast to slow down to 2¼% as the economy converges towards its potential, recovering to the pre-crisis levels by the end of the year.

Slowly growing employment and low inflation

Unemployment rose sharply in the first half of the year, with monthly layoffs peaking in April when 160 000 people lost their jobs. By now, many of the furloughed workers have returned to work but the unemployment rate is still set to rise, as some business will be unable to hoard labour for an extended period of lower demand. Once a gradual recovery takes hold in 2021, unemployment should start to fall. Wages are expected to rise due to the wage bargaining agreements reached before the crisis hit. The current period of very low inflation is forecast to continue, rising only slightly over the forecast horizon. Energy prices are expected to remain stable, making the services prices the only sizeable contributor.

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



This forecast scenario is subject to predominantly downside risks related to the pandemic. A more prolonged crisis could heavily affect export industries, including shipbuilding. At the same time, Finland's resilience, as shown in the first wave of the pandemic, and its fiscal space, could be the factors that help boost the economy faster once restrictions are eased.

Public finances in support of the economy

The economic slump due to the pandemic caused a fall in government revenues and a rise in government expenditure. Together with the cost of COVID-19-related measures, the crisis is set to push the general government balance to a deficit of 7½% of GDP in 2020.

The fiscal cost of measures included in the six supplementary budgets adopted this year up to mid-October amounts to about 2.6% of GDP. The measures include costs related to health care and public safety, but are mainly aimed at supporting the economy and society. Subsidies for companies include grants and compensations for losses incurred during the forced closure of business as well as targeted measures for the self-employed, restaurants, farmers etc. Employers benefit from a temporary lowering of pension contributions. Extensions to unemployment benefit schemes facilitate short-term layoffs of employees while other measures aim to help families and support children and young people. The government has also launched investments in transport, research and education. In addition, various non-budgetary measures have been taken to support liquidity in the economy, including public guarantees for loans, worth about 21% of GDP.

In 2021, government revenues are expected to undershoot their pre-crisis forecasts. Some unused budgetary allocations related to the pandemic have been transferred to following years while current costs, such as testing programmes, will also continue. Furthermore, the government assumes some losses from the loan guarantees it has extended. The general government deficit forecast for 2021 is 4¾ % of GDP. In 2022, the expected normalisation of the public health situation and economic growth should lead to an improvement in public finances, but the general government deficit is projected to remain above the Treaty threshold of 3% of GDP, assuming no policy change. The forecast does not include measures related to the implementation of the Recovery and Resilience Facility in Finland as they were not ready by the cut-off date.

The public debt ratio is set to increase by around 10 pps. in 2020, driven by the general government balance and by measures not recorded in the deficit, such as tax deferrals, loans and recapitalisations. By 2022, the debt ratio is projected to increase further to 72½% of GDP.

Table II.19.1:

Main features of country forecast - FINLAND

	2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		240.6	100.0	1.3	3.3	1.5	1.1	**-4.3**	**2.9**	**2.2**
Private Consumption		126.0	52.4	2.1	1.0	1.8	0.8	**-4.4**	**3.5**	**3.9**
Public Consumption		55.3	23.0	1.2	0.1	1.6	1.1	**4.8**	**0.1**	**-0.9**
Gross fixed capital formation		57.5	23.9	1.0	4.8	3.9	-1.0	**-5.1**	**3.7**	**4.0**
of which: equipment		12.4	5.2	1.6	7.5	-0.8	-1.8	**-14.7**	**11.1**	**5.5**
Exports (goods and services)		96.7	40.2	2.1	8.6	1.7	7.7	**-12.4**	**5.6**	**3.9**
Imports (goods and services)		95.9	39.9	3.2	4.2	5.4	3.3	**-8.5**	**4.9**	**5.5**
GNI (GDP deflator)		241.7	100.5	1.4	2.9	1.8	1.3	**-4.2**	**2.9**	**2.2**
Contribution to GDP growth:	Domestic demand			1.5	1.7	2.2	0.5	**-2.4**	**2.7**	**2.8**
	Inventories			0.0	0.1	0.5	-0.9	**-0.3**	**0.0**	**0.0**
	Net exports			-0.3	1.5	-1.4	1.7	**-1.6**	**0.2**	**-0.6**
Employment				0.6	1.0	2.5	1.7	**-2.5**	**0.9**	**1.1**
Unemployment rate (a)				8.3	8.6	7.4	6.7	**7.9**	**7.7**	**7.4**
Compensation of employees / head				2.5	-1.1	1.3	1.4	**2.1**	**1.0**	**0.8**
Unit labour costs whole economy				1.8	-3.2	2.3	1.9	**3.9**	**-0.9**	**-0.2**
Real unit labour cost				0.2	-3.8	0.4	0.1	**2.4**	**-2.6**	**-1.9**
Saving rate of households (b)				7.9	6.9	7.3	8.6	**16.6**	**13.3**	**10.6**
GDP deflator				1.6	0.6	1.9	1.8	**1.5**	**1.7**	**1.7**
Harmonised index of consumer prices				1.7	0.8	1.2	1.1	**0.4**	**1.1**	**1.4**
Terms of trade goods				-0.5	-0.7	0.8	-0.9	**0.9**	**0.3**	**0.3**
Trade balance (goods) (c)				5.3	0.7	0.1	0.9	**0.1**	**0.5**	**0.7**
Current-account balance (c)				2.2	-0.8	-1.7	-0.2	**-1.5**	**-1.2**	**-1.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.3	-0.7	-1.7	-0.1	**-1.4**	**-1.1**	**-1.6**
General government balance (c)				0.7	-0.7	-0.9	-1.0	**-7.6**	**-4.8**	**-3.4**
Cyclically-adjusted budget balance (d)				1.1	-1.1	-1.5	-1.6	**-5.3**	**-3.5**	**-2.7**
Structural budget balance (d)				-	-1.1	-1.4	-1.7	**-5.3**	**-3.5**	**-2.7**
General government gross debt (c)				46.5	61.3	59.6	59.3	**69.8**	**71.8**	**72.5**

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

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

Non-EA Member States

20. BULGARIA

Bulgaria's economy started to recover after a steep downturn in the second quarter and is expected to continue expanding. Domestic demand and exports are set to contribute to growth. After an initial surge, unemployment had stabilised, partially due to the publically financed employment retention measures. Budget deficits have returned after four years to support employment and incomes.

Sharp recession and a gradual recovery

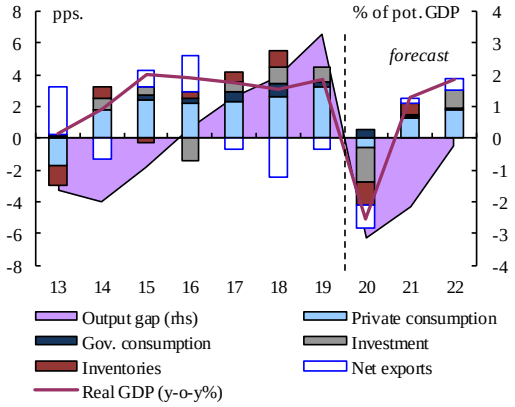
Economic developments in Bulgaria have been marked by the adverse impact of the COVID-19 pandemic. Containment measures negatively affected supply in sectors directly subject to them. The disposable income of households took a hit and the restrictions led to a higher saving rate. Nevertheless, the decline in consumer spending was curbed by continued wage increases and the relatively low weight in consumption of most affected services. Lower employment and subdued consumer confidence, related to the second wave the pandemic, are set to weigh on private consumption, while the government's anti-crisis measures are expected to support private income.

Investment activity declined markedly in the first half of 2020. The reduced actual and expected business activity, combined with higher uncertainty, prompted companies to postpone investment plans. As these factors are assumed to remain in place throughout 2020, subdued investment is likely to persist.

Goods exports began to fall sharply in March 2020. Signs of recovery in exports to EU markets have been registered since May 2020, but exports to third countries have not improved. Travel services came to a halt during the period April-June and the flows have improved only slightly since then. The second wave of the pandemic is set to weigh on the rebound of exports in 2020-Q4 and 2021-Q1.

The economic recovery is projected to bring the economy back to pre-crisis levels by the end of 2022. Both exports and consumption are set to contribute positively to the expansion in the next two years, in line with positive external demand and labour market developments. In 2021 investment activity is forecast to recover only gradually on account of still high uncertainty. With investment growing strongly in 2022 on the back of the improved cyclical position, economic growth is expected to be driven primarily by domestic demand.

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



The risks to the forecast are broadly balanced. As the it does not take into account the implementation of the Recovery and Resilience Plan, an upside risk to public investment emerges. On the downside, more depressed business sentiments could lead to lower investment in the next two years.

Labour market continues to slowly stabilise

The unemployment rate has increased significantly since the onset of the COVID-19 pandemic. The government's job retention scheme has helped to limit job losses by enabling a downward adjustment in average hours worked. The largest share of job losses was recorded in the accommodation and food services sectors. As some dismissed workers did not start looking for a job immediately, inactivity rates went up. After a sharp increase in the first half of the year, the unemployment rate is expected to level off at 5.8% in 2020. A partial recovery in employment is projected to take place in 2021 and the unemployment rate is set to reach 5.6%. Despite worsened labour market conditions, compensation per employee is projected to remain on an upwards trajectory, albeit at a more moderate pace. This is in part driven by public sector wage increases, as well as increases in minimum wage and minimum insurance thresholds.

Services prices to determine headline inflation

HICP inflation has been on a downward path since the beginning of the year due to lower fuel prices. Inflation is expected to fall to 1.2% in 2020 and then gradually increase to 1.4% in 2021 and 1.8% in 2022. In the next two years inflation will be driven mainly by services inflation, continuing the upward trend in recent years.

Fiscal expansion to support incomes

Bulgaria is facing the COVID-19 pandemic from a strong fiscal position and the government has put in place measures such as higher remuneration for medical and security staff, subsidies and social support schemes, with an aggregate budgetary impact of around 2% of GDP. Despite the measures and the deteriorating economic outlook, the budget in cash terms remained in surplus for about two thirds of the year. The accrual general government balance is set to turn negative reaching around -3% of GDP by the end of 2020.

In 2021, the budget deficit is forecast at around 3% of GDP. The recovery will have a positive impact on revenues, but a number of expenditure measures to preserve jobs and support incomes through wage increases and social benefits will have a negative impact in 2021 deficit. Under a no-policy-change assumption, the budget deficit is set to drop to around 1½% of GDP in 2022, mainly due to the withdrawal of emergency measures. This forecast does not include any measures funded by the Recovery and Resilience Fund.

General government debt is expected to increase by more than 5 pps. and reach over 25¾% of GDP in 2020 and 26.5% of GDP in 2021, before returing to a downward trend in 2022. Except for the primary deficit and the contraction in GDP, debt increase also reflects some precautionary borrowing of the government according to the new debt ceilings established by the budget amendment last summer in view of the emergency situation.

Table II.20.1:

Main features of country forecast - BULGARIA

	2019			Annual percentage change					
	bn BGN	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		119.8	100.0	3.6	3.5	3.1	3.7	**-5.1**	**2.6**	**3.7**
Private Consumption		70.5	58.9	4.3	3.8	4.4	5.5	**-1.0**	**2.1**	**3.0**
Public Consumption		20.1	16.8	1.4	4.3	5.3	2.0	**3.2**	**0.4**	**0.3**
Gross fixed capital formation		22.4	18.7	4.9	3.2	5.4	4.5	**-11.5**	**0.5**	**7.0**
of which: equipment		10.0	8.4	5.1	4.4	8.8	15.1	**-12.8**	**0.0**	**8.1**
Exports (goods and services)		76.9	64.2	7.3	5.8	1.7	3.9	**-13.3**	**5.0**	**8.2**
Imports (goods and services)		73.0	61.0	7.6	7.4	5.7	5.2	**-11.6**	**4.5**	**7.3**
GNI (GDP deflator)		120.9	101.0	3.7	5.1	2.7	3.7	**-5.3**	**2.6**	**3.7**
Contribution to GDP growth:		Domestic demand		4.3	3.6	4.5	4.4	**-2.2**	**1.5**	**3.0**
		Inventories		0.0	0.6	1.1	0.0	**-1.4**	**0.8**	**0.0**
		Net exports		-0.7	-0.7	-2.5	-0.7	**-1.5**	**0.3**	**0.7**
Employment				0.4	1.8	-0.1	0.3	**-2.9**	**0.5**	**1.0**
Unemployment rate (a)				11.1	6.2	5.2	4.2	**5.8**	**5.6**	**5.0**
Compensation of employees / head				8.3	10.5	9.7	6.9	**4.7**	**4.7**	**4.0**
Unit labour costs whole economy				5.0	8.7	6.3	3.5	**7.2**	**2.6**	**1.3**
Real unit labour cost				0.7	4.6	2.2	-1.7	**5.8**	**-0.2**	**-0.8**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.2	3.9	4.0	5.3	**1.4**	**2.8**	**2.1**
Harmonised index of consumer prices				3.8	1.2	2.6	2.5	**1.2**	**1.4**	**1.8**
Terms of trade goods				1.4	0.3	0.7	1.9	**0.0**	**0.5**	**-0.4**
Trade balance (goods) (c)				-14.1	-1.5	-4.8	-4.7	**-2.9**	**-2.0**	**-2.2**
Current-account balance (c)				-5.9	6.1	4.6	5.2	**3.5**	**4.0**	**4.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.9	7.1	5.7	6.4	**4.9**	**5.4**	**5.9**
General government balance (c)				-0.6	1.1	2.0	1.9	**-3.0**	**-3.0**	**-1.4**
Cyclically-adjusted budget balance (d)				-0.6	0.7	1.4	1.0	**-2.0**	**-2.4**	**-1.3**
Structural budget balance (d)				-	0.7	1.4	1.0	**-2.0**	**-2.4**	**-1.3**
General government gross debt (c)				27.0	25.3	22.3	20.2	**25.7**	**26.4**	**26.3**

(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.

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

21. CZECHIA

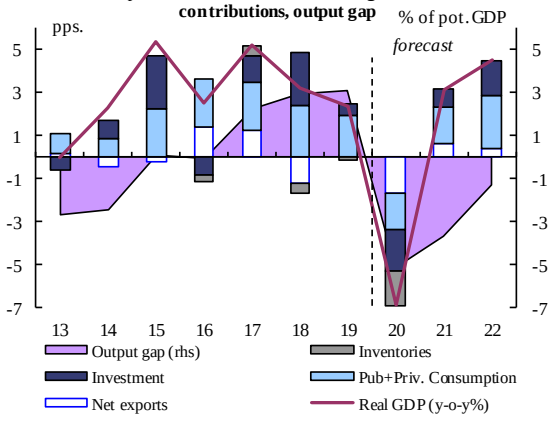
Following a partial recovery from its COVID-19 induced recession over the summer, a resurgence of infections accompanied by renewed containment measures is set to disrupt economic activity once again. Real GDP is forecast to decline by almost 7% in 2020 and return to 2019 levels only by the end of 2022. Inflation is projected to remain elevated this year but should moderate substantially over the forecast period towards targeted levels. Public finances are forecast to deteriorate significantly.

Economic activity to fall but recover over the forecast period

The COVID-19 pandemic and related containment measures are expected to hit Czechia's economy hard in 2020. While the third quarter of 2020 is expected to show GDP growth of around 5% in quarter-on-quarter terms, new containment measures following a major surge in new infections and decreased confidence look set to bring this recovery to a temporary halt in the last quarter of 2020. Real GDP is forecast to contract by almost 7% in 2020, followed by an increase of 3% in 2021 and 4½% in 2022. Nonetheless, the magnitude of the recovery will largely depend on the evolution of the pandemic, the effectiveness of government measures to support the economy and how quickly global demand rebounds.

The reintroduction of social distancing measures will negatively impact domestic demand, which is projected to remain sluggish until early 2021 before picking up afterwards. Private consumption, which was the main driver of growth in recent years, is expected to drop by 5% in 2020, reflecting continued uncertainty and ongoing restrictions. While it is expected to recover in 2021 and 2022, its full return to the previous growth trajectory will depend on the impact of the crisis on employment and wage growth.

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



Investment to contract strongly in 2020 and recover only partially

Investment is expected to contract by 7½% in 2020, owing to supply chain disruptions, high uncertainty and restrictions affecting workforce availability during the lockdown period. The fall in construction investment may be however softened by the sector's existing order book and its reliance on local supply chains. Investment is expected to recover in 2021 and in 2022. Public investment growth is expected to be weak in 2020 but to rebound significantly in 2021 and 2022.

Trade will be impacted strongly due to the structure of Czechia's exports. The highly pro-cyclical nature of some sectors (such as the automotive sector) is set to decrease the trade balance of goods in 2020. However, provided that supply chains remain functional, despite the structural challenges affecting the automotive sector, manufacturing and exports should continue to recover in 2021 and 2022. At the same time, the trade balance of services is expected to continue to contribute positively over the forecast horizon.

Unemployment is expected to be impacted as well, although its increase should be cushioned by measures taken by the government. Czechia's previously tight labour market and low share of temporary contracts should blunt the impact of the crisis. The unemployment rate is forecast to increase to 2.7% in 2020 and 3.4% in 2021. Strengthening economic growth is expected to improve labour market conditions in 2022, with the unemployment rate decreasing to 3.2%. Real wages are expected to decrease slightly in 2020, but to grow again in 2021 and 2022.

Inflation expected to decrease substantially

Headline HICP inflation is forecast to increase to 3.4% in 2020 and to decline to 2.3% in 2021 and 2% in 2022. The decrease in demand pressures in 2020 is set to be accompanied by temporarily elevated growth in corporate costs related to

COVID-19 and thus have only a limited effect on inflation in 2020. Core inflation is unlikely to fall significantly until early next year. While energy prices are set to remain low, food prices are forecast to stay at elevated levels. Service price inflation is expected to slow over the forecast horizon as the recession weighs on wage growth.

Public finances to improve gradually but risks remain

The general government balance is expected to end 2020 in a deficit of 6¼%, reflecting both lower tax revenues due to declining economic activity and government measures supporting the economy. On the revenue side, the biggest loss is likely to come from a decline in corporate income tax revenue followed by a drop in indirect taxes revenue due to lower domestic consumption. Government support programs add up to over 4% of GDP. While a framework arrangement of more than 5% of GDP has been put in place for state guarantees for company loans, the actual take-up has so far amounted to less than 1% of GDP, which means that risks from the scheme are limited, at present.

With a partial economic recovery, and therefore an increase in tax revenues, the deficit is forecast to decline to 4¾% in 2021, of which 0.2 pps. are investments expected to be eventually financed by the Recovery and Resilience Facility grants. However, risks remain in 2021, related to the eventual prolongation of state support programmes. Personal income tax reforms currently under discussion could have a further negative impact on the budget deficit next year but have not been included in the forecast because they are still uncertain. Under a no-policy-change assumption, the deficit is expected to improve further to 3¾% of GDP in 2022 as the economic recovery accelerates, improving tax revenues and offsetting expenditure growth.

Public debt is likely to increase significantly to 38% of GDP by the end of 2020 and further to 40½% in 2021 and 42¼% in 2022, reflecting primarily the evolution of the headline balance and nominal GDP. At this level it would still remain among the lowest in the EU.

Table II.21.1:

Main features of country forecast - CZECHIA

	2019			Annual percentage change						
	bn CZK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		5748.7	100.0	2.7	5.2	3.2	2.3	**-6.9**	**3.1**	**4.5**
Private Consumption		2720.2	47.3	2.4	4.0	3.5	3.1	**-5.0**	**2.3**	**4.3**
Public Consumption		1134.7	19.7	1.5	1.8	3.8	2.3	**3.5**	**2.6**	**1.9**
Gross fixed capital formation		1506.9	26.2	2.2	4.9	10.0	2.2	**-7.5**	**3.3**	**6.3**
of which: equipment		606.1	10.5	3.3	1.1	8.9	1.4	**-15.2**	**3.3**	**7.0**
Exports (goods and services)		4276.5	74.4	8.1	7.2	3.7	1.3	**-11.0**	**7.3**	**5.5**
Imports (goods and services)		3930.1	68.4	7.5	6.3	5.8	1.4	**-9.5**	**6.9**	**5.4**
GNI (GDP deflator)		5395.3	93.9	2.4	6.4	3.2	1.8	**-7.3**	**3.2**	**4.7**
Contribution to GDP growth:		Domestic demand		2.1	3.5	4.9	2.5	**-3.6**	**2.5**	**4.1**
		Inventories		0.1	0.5	-0.5	-0.2	**-1.6**	**0.0**	**0.0**
		Net exports		0.5	1.2	-1.2	0.0	**-1.7**	**0.6**	**0.4**
Employment				0.5	1.6	1.3	0.2	**-1.1**	**-0.5**	**1.5**
Unemployment rate (a)				6.6	2.9	2.2	2.0	**2.7**	**3.3**	**3.2**
Compensation of employees / head				4.3	7.2	8.1	6.3	**0.3**	**0.9**	**1.2**
Unit labour costs whole economy				2.1	3.5	6.2	4.1	**6.6**	**-2.7**	**-1.8**
Real unit labour cost				0.4	2.1	3.5	0.3	**3.0**	**-4.1**	**-3.6**
Saving rate of households (b)				11.9	11.8	12.1	12.3	**16.2**	**13.0**	**9.6**
GDP deflator				1.7	1.3	2.6	3.9	**3.4**	**1.4**	**1.9**
Harmonised index of consumer prices				2.0	2.4	2.0	2.6	**3.4**	**2.3**	**2.0**
Terms of trade goods				0.1	-1.3	-0.2	0.3	**0.8**	**-0.2**	**0.4**
Trade balance (goods) (c)				0.4	5.1	3.7	4.2	**3.4**	**3.6**	**3.7**
Current-account balance (c)				-3.5	0.8	-0.8	-1.0	**-2.3**	**-2.0**	**-1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.4	1.4	0.1	-0.4	**-1.4**	**-0.9**	**-0.3**
General government balance (c)				-3.0	1.5	0.9	0.3	**-6.2**	**-4.7**	**-3.7**
Cyclically-adjusted budget balance (d)				-3.2	0.6	-0.2	-1.0	**-4.2**	**-3.3**	**-3.3**
Structural budget balance (d)				-	0.6	-0.2	-1.0	**-4.2**	**-3.3**	**-3.2**
General government gross debt (c)				33.3	34.2	32.1	30.2	**37.9**	**40.6**	**42.2**

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

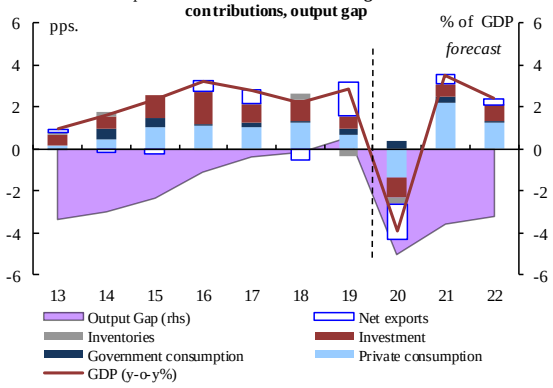
22. DENMARK

While the fall in GDP in the first half of 2020 has been the most dramatic on record, a recovery is now under way, led by private consumption. The general government budget deficit is projected to rise to over 4% of GDP in 2020 and government debt ratio to increase by more than 10 percentage points, albeit from a relatively low level.

A recovery is under way

Denmark faced an abrupt and deep economic downturn due to the COVID-19 pandemic, with real GDP declining by 7.7% y-o-y in the second quarter of 2020. Short-term indicators suggest that a recovery has been under way, but real GDP is still forecast to contract by around 4% in 2020 overall. As both domestic and external demand normalises, Denmark's real GDP is forecast to expand by a solid 3½% in 2021 and around 2½% in 2022. Real output is not set to return to pre-crisis levels before 2022.

Graph II.22.1: **Denmark - Real GDP growth and contributions, output gap**



Domestic demand driving the recovery

Consumer spending fell sharply during the spring, when the government put in place strict lockdown measures to contain the pandemic, but has normalised since then as the measures were gradually lifted. The recovery of private consumption was supported by stable disposable incomes thanks to the government's emergency packages and a rebound in the labour market. As part of the recovery package, the government started to pay out households' 2021 holiday savings already from October this year. This could reach three weeks of household income or 1.8% of GDP and is expected to boost private consumption in the last quarter of 2020 and in early 2021. In annual terms, private consumption is forecast to contract by around 2.9% in 2020, followed by a rebound of 4¾% in 2021 and around 3% in 2022.

Elevated levels of uncertainty led many firms to postpone or cancel investment decisions. Equipment investment, which is highly dependent on external demand, is forecast to contract particularly sharply this year. In contrast, housing investment is expected to hold up relatively well, while public investment is projected to rise sharply beginning this year. Overall, investment is projected to fall by around 4.4% in 2020. The normalisation of external demand and the government's recovery package focussed mainly on green investment are expected to support investment in the coming years. Investment supported by the Recovery and Resilience Fund (RRF) could provide positive risks to the forecast.

Labour market downturn cushioned

When the pandemic hit in spring, Denmark quickly established a wage support scheme to avoid massive lay-offs in the economy and prevent a surge in unemployment. The resumption of economic activity following the end of the lockdown period quickly spread to the labour market, thus demonstrating its resilience. While around 250,000 employees were on government wage support schemes in April, this number fell below 30,000 in August. As a result, the average unemployment rate is expected to rise from 5% in 2019 to 6.1% in 2020. As job creation is projected to rise in line with the reviving economic activity, the unemployment rate is set to further decline to 5.5% by 2022.

Sharp contraction in external trade

The global downturn and the disruption of cross-border value chains caused the most severe impact on Denmark's external trade. In the second quarter, exports and imports contracted by 17% and 14% y-o-y, respectively. Goods exports held up due to the large share of agricultural and pharmaceutical products in Denmark's export portfolio, which are typically less sensitive to the

business cycle. On the other hand, services exports, including tourism, construction services and shipping, contracted sharply. Exports are set to decline more than imports, narrowing the current account surplus from 8.9% of GDP in 2019 to around 6¾% of GDP in 2021. In line with the recovery in foreign demand, trade is projected to gradually revive, but volumes of both exports and imports are set to remain below their 2019 levels.

Subdued consumer price inflation

Consumer price inflation remains moderate. Collapsing oil prices and the sharp contraction of consumption in the first half of 2020 have reduced inflationary pressures, and are only partially compensated by higher tobacco taxes and rising food prices. HICP inflation is projected to average 0.3% in 2020. The economic recovery and oil prices are expected to push consumer price inflation to 1.1% in 2021 and to 1.3% in 2022.

Strong fiscal reaction has mitigated the shock

The budget deficit is projected to widen beyond 4% of GDP in 2020 as government finances have been severely impacted by the COVID-19 crisis. Budget revenues have suffered a marked reduction as both direct and indirect tax receipts have fallen, while the full deployment of automatic stabilisers has implied significantly higher expenditures. Moreover, the government introduced a large-scale emergency fiscal package worth around 4.5% of GDP to cushion the drop in activity, although this has not been fully used. The expected gradual economic recovery and the expiry of the emergency measures are projected to reduce the general government deficit to around 2½% of GDP in 2021 and, assuming no policy changes, to below 2% of GDP in 2022. This forecast does not include any measures funded by RRF grants.

The gross government debt-to-GDP ratio should rise sharply from 33% in 2019 to around 45% in 2020. The rise is due to (i) the sizeable government deficit and (ii) the sharp contraction of real GDP, (iii) large stock-flow adjustments due to significant tax deferrals from 2020 to 2021 (amounting to almost 5% of GDP), and (iv) lending to a pension fund allowing it to pay salary earners their holiday savings. These effects are expected to be largely reversed in 2021, stabilising public debt to around 41% of GDP over the remainder of the forecast horizon.

Table II.22.1:

Main features of country forecast - DENMARK

	2019			Annual percentage change					
	bn DKK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		2335.0	100.0	1.1	2.8	2.2	2.8	**-3.9**	**3.5**	**2.4**
Private Consumption		1076.3	46.1	1.3	2.3	2.7	1.4	**-2.9**	**4.7**	**2.6**
Public Consumption		556.8	23.8	1.4	0.9	0.3	1.2	**1.6**	**1.2**	**0.3**
Gross fixed capital formation		512.5	22.0	1.4	4.0	4.8	2.8	**-4.4**	**2.9**	**3.7**
of which: equipment		142.7	6.1	1.2	10.1	8.6	-5.7	**-12.3**	**2.2**	**3.3**
Exports (goods and services)		1361.8	58.3	3.0	4.8	3.2	5.0	**-10.5**	**5.8**	**3.9**
Imports (goods and services)		1190.2	51.0	3.8	4.2	4.8	2.4	**-8.7**	**5.6**	**3.8**
GNI (GDP deflator)		2404.0	103.0	1.4	2.6	2.8	3.0	**-4.1**	**3.5**	**2.5**
Contribution to GDP growth:	Domestic demand			1.2	2.1	2.4	1.6	**-1.9**	**3.1**	**2.1**
	Inventories			0.0	0.1	0.3	-0.3	**-0.3**	**0.0**	**0.0**
	Net exports			-0.1	0.6	-0.5	1.6	**-1.7**	**0.4**	**0.3**
Employment				0.3	1.5	1.6	1.2	**-1.3**	**0.8**	**1.1**
Unemployment rate (a)				5.8	5.8	5.1	5.0	**6.1**	**5.8**	**5.5**
Compensation of employees / head				2.8	1.7	1.8	1.5	**1.0**	**1.7**	**1.8**
Unit labour costs whole economy				1.9	0.3	1.2	-0.1	**3.8**	**-1.0**	**0.5**
Real unit labour cost				0.1	-0.8	0.6	-0.8	**3.2**	**-2.4**	**-1.3**
Saving rate of households (b)				7.3	11.8	11.9	9.7	**15.3**	**12.9**	**12.3**
GDP deflator				1.8	1.2	0.6	0.7	**0.5**	**1.5**	**1.8**
Harmonised index of consumer prices				1.6	1.1	0.7	0.7	**0.3**	**1.1**	**1.3**
Terms of trade goods				0.9	-1.5	-2.5	0.0	**-0.1**	**0.0**	**0.1**
Trade balance (goods) (c)				4.0	4.5	3.5	5.2	**4.4**	**4.4**	**4.5**
Current-account balance (c)				5.0	8.0	7.0	8.9	**6.7**	**6.8**	**7.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.0	8.1	7.0	8.9	**5.4**	**5.8**	**6.2**
General government balance (c)				0.5	1.8	0.7	3.8	**-4.2**	**-2.5**	**-1.9**
Cyclically-adjusted budget balance (d)				0.7	2.0	0.8	3.5	**-1.2**	**-0.4**	**0.0**
Structural budget balance (d)				-	2.0	0.8	3.5	**-0.4**	**-0.4**	**0.0**
General government gross debt (c)				41.0	35.9	34.0	33.3	**45.0**	**41.1**	**40.9**

(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.

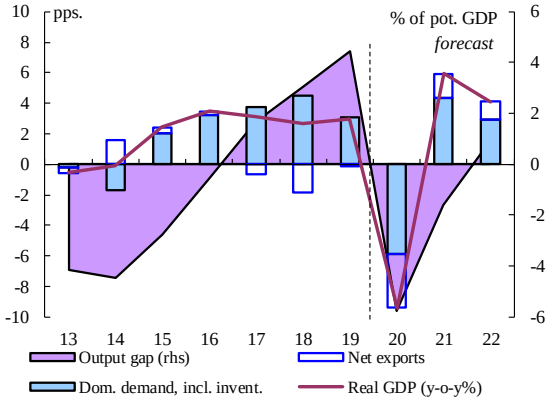
23. CROATIA

Croatia's economy is expected to contract sharply in 2020 due to the impact of the COVID-19 pandemic. Output should partially recover in 2021, thanks to private consumption and investment, but is not expected to reach its pre-crisis level by 2022. Uncertainty and lingering travel restrictions weigh on exports, including tourism. The labour market is expected to recover slowly over the forecast period. Following a sharp deterioration, public finances should improve in 2021 and 2022.

Record contraction in the first half of 2020

Croatia's economy declined sharply in the first half of 2020 due to the impact of the COVID-19 and the introduction of strict containment measures. Real GDP fell by 1.3% q-o-q in the first quarter due to disruptions in supply chains and increased uncertainty. A two-month lockdown caused GDP to drop in the second quarter by a record 14.9% q-o-q. Domestic demand drove the fall as households deferred or cancelled spending and businesses delayed investment decisions. External demand collapsed, especially for services, as travel restrictions choked the tourism sector in those months. According to high frequency indicators, economic activity reached a trough in April and began to recover gradually thereafter, as containment measures were eased.

Graph II.23.1: **Croatia - Real GDP growth and contributions, output gap**



Uncertain and uneven recovery

Domestic demand should be the main engine of the recovery throughout the forecast period. Household consumption is expected to have begun recovering in the second half of 2020, supported by low inflation, and accumulated involuntary savings due to deferred spending. As large-scale layoffs appear to have been avoided, household consumption should be underpinned by a gradual increase in employment and changes in income tax rates. After strong growth in 2020, the contribution of government consumption is expected to taper off. Investment is set to benefit from the implementation of projects financed by EU funds, including for reconstruction after the Zagreb earthquake in March. Private investment should benefit from favourable financing conditions and continued liquidity support measures.

With significant uncertainties surrounding the outlook for trade and tourism, the rebound of exports is expected to be slower. While goods exports should rise in line with the recovery in Croatia's main trading partners, service sector exports, dominated by tourism, are expected to remain under the pressure of travel restrictions, disruptions in air travel, and changes in consumer preferences in favour of domestic travel. Imports of goods and services are expected to largely follow domestic demand. Overall, the trade balance is expected to deteriorate sharply in 2020. Despite expected improvements thereafter, it should remain negative in both 2021 and 2022. The current account, however, is expected to remain in deficit only in 2020 and 2021.

Overall, real GDP is forecast to contract by 9½% in 2020, and to grow by 5¾% and 3¾% in 2021 and 2022. Potential introduction of stricter COVID-19 suppression measures presents a negative risk to this scenario in the short term. In the latter part of the forecasting period, investment supported by the Resilience and Recovery Facility constitutes an upside risk, as it is not included in this forecast due to scarce available information.

Labour market takes a hit

The labour market responded quickly to the disruption earlier in the year with unemployment on the rise since April. Furthermore, the seasonal rise in employment due to the tourist season was less pronounced than in recent years. Labour market conditions are expected to deteriorate further in the second part of 2020, as government wage support measures are largely set to expire.

The recovery should be slow as neither employment nor unemployment are likely to reach their 2019 levels by the end of 2022. Nominal wage growth should be subdued in 2021 and 2022, which should help offset the negative impact of the sizeable GDP drop in 2020 on unit labour costs.

Energy prices should drive consumer prices in the short term as core inflation is expected to stay low stable. The HICP inflation rate is forecast to drop to 0.1% in 2020 and pick up to 1.5% by 2022.

Public finances bear the brunt of the crisis

In 2020, the general government balance is expected to plummet to -6½% of GDP because of the strong economic contraction and measures aimed at preserving employment and businesses. The most significant among these measures (which collectively add up to 3% of GDP) concerns subsidies for employee wages. Tax revenues should contract strongly as household and tourist consumption decrease, particularly affecting VAT revenues. The drop in contributions and personal income tax revenue should be less pronounced as government measures have protected employment and wages. Wage subsidies and the public wage bill should drive strong expenditure growth while previously agreed collective agreements are implemented. Interest spending should decrease in spite of substantial new borrowing as maturing debt is refinanced at very low rates.

In 2021-2022, tax revenue is expected to recover strongly on account of household consumption, employment and wages. The rebound should be relatively sharp for contributions and VAT and somewhat softer for income taxes, as personal income tax rate cuts take effect in 2021 and companies carry forward their losses. The take-up of EU funds should boost revenues in 2021 before moderating in 2022. Expenditure growth should subside in 2021, after a strong 2020, and pick up in 2022. Additional savings on debt servicing are expected. Overall, the deficit is expected to be less than 3% in 2021 and deteriorate in 2022, based on a no-policy-change assumption.

The debt ratio is set to spike in 2020 due to both the large drop in GDP and the accumulation of new debt to finance the deficit. After reaching 86.6% in 2020, it should resume its pre-crisis downward path in 2021 and 2022.

Table II.23.1:

Main features of country forecast - CROATIA

	2019			Annual percentage change					
	bn HRK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		402.3	100.0	1.7	3.4	2.8	2.9	**-9.6**	**5.7**	**3.7**
Private Consumption		232.8	57.9	1.5	3.1	3.3	3.5	**-6.7**	**4.3**	**2.9**
Public Consumption		79.4	19.7	1.5	2.2	2.3	3.4	**3.5**	**1.5**	**1.0**
Gross fixed capital formation		84.6	21.0	2.9	5.1	6.5	7.1	**-8.2**	**5.5**	**4.5**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		209.1	52.0	4.0	6.8	3.7	6.8	**-29.5**	**29.2**	**5.7**
Imports (goods and services)		210.1	52.2	4.0	8.4	7.5	6.3	**-22.0**	**22.4**	**3.9**
GNI (GDP deflator)		400.3	99.5	1.7	5.2	2.7	2.9	**-10.1**	**5.3**	**3.7**
Contribution to GDP growth:	Domestic demand			2.0	3.3	3.7	4.1	**-4.9**	**4.1**	**2.9**
	Inventories			0.1	0.8	1.0	-1.4	**-0.8**	**0.0**	**0.0**
	Net exports			-0.3	-0.6	-1.8	0.2	**-3.8**	**1.6**	**0.8**
Employment				0.1	2.4	2.6	3.1	**-1.4**	**0.3**	**0.6**
Unemployment rate (a)				13.5	11.2	8.5	6.6	**7.7**	**7.5**	**6.9**
Compensation of employees / head				2.7	0.2	3.8	1.5	**2.1**	**1.2**	**1.2**
Unit labour costs whole economy				1.1	-0.7	3.6	1.7	**11.4**	**-4.0**	**-1.9**
Real unit labour cost				-1.3	-1.9	1.6	0.2	**10.6**	**-5.3**	**-3.0**
Saving rate of households (b)				-	8.1	8.5	8.6	**-**	**-**	**-**
GDP deflator				2.5	1.2	2.0	1.5	**0.7**	**1.4**	**1.2**
Harmonised index of consumer prices				2.3	1.3	1.6	0.8	**0.1**	**1.2**	**1.5**
Terms of trade goods				0.4	-1.3	-0.5	0.3	**-0.8**	**-0.2**	**-0.5**
Trade balance (goods) (c)				-18.2	-17.1	-18.6	-19.3	**-13.2**	**-18.9**	**-18.8**
Current-account balance (c)				-3.9	3.9	2.4	3.1	**-1.7**	**-0.4**	**0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.1	6.1	5.2	7.3	**0.5**	**2.1**	**3.3**
General government balance (c)				-4.3	0.8	0.2	0.4	**-6.5**	**-2.8**	**-3.2**
Cyclically-adjusted budget balance (d)				-4.2	-0.1	-1.3	-1.7	**-4.0**	**-1.9**	**-3.2**
Structural budget balance (d)				-	-0.1	-1.4	-1.7	**-4.0**	**-2.0**	**-3.2**
General government gross debt (c)				55.0	77.5	74.3	72.8	**86.6**	**82.4**	**81.7**

(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.

24. HUNGARY

Hungary's economy has begun to bounce back from its pandemic-induced recession, but a second wave of infections could stall the recovery. Economic growth could resume in 2021-2022 with the help of economic policy support. Public finances are set to deteriorate in the short term due to the economic downturn and the measures adopted to mitigate the socio-economic effects of the pandemic.

Second wave of pandemic to stall the recovery

COVID-19 interrupted a period of strong economic growth in Hungary. After increasing by 4.6% in 2019, real GDP fell by 13.6% year-on-year in the second quarter of 2020. Although the policy measures to mitigate the first wave of infections were less stringent than the EU average, Hungary's economy was affected due to its large exposure to highly cyclical industries (e.g. the automotive sector), as well as tourism and air transport, which have been severely constrained by the pandemic.

Economic activity rebounded vigorously as the lockdown measures were eased and international supply chains were restored. By August 2020, industrial production and retail sales were only down by 2.1% and 1.2% year-on-year, respectively. Employment also recovered, posting just a 0.4% year-on-year decrease in August.

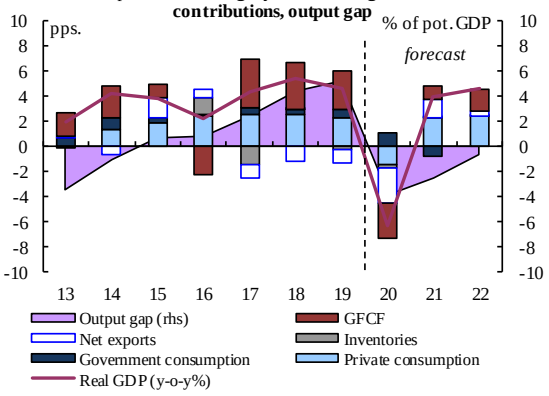
However, Hungary is experiencing a strong second wave of the pandemic this autumn. Household confidence and some mobility indicators have decreased recently. With a temporary wage subsidy programme due to expire towards the end of the year, a second wave of layoffs could be expected. Thus, the recovery is set to pause in the last quarter, and GDP is forecast to decrease by 6½% in 2020.

Gradual recovery in 2021-2022

Economic growth is forecast to resume from 2021 onwards when health concerns and containment measures are assumed to gradually ease. Economic policy supports the recovery, but in some sectors, notably tourism and real estate, growth is expected to be back-loaded. Real GDP is forecast to increase by 4% in 2021 and 4½% in 2022. It is set to reach its pre-recession level in 2022.

Private consumption is forecast to grow again from 2021, in tandem with disposable income. It is set to receive a boost from improving consumer confidence and the lifting of sanitary constraints affecting certain services. Investment is projected to recover only when the pandemic-related uncertainty abates and capacity utilisation returns near pre-recession levels. Private investment receives significant policy support, including grants, cheap financing and a temporary VAT cut on new housing from 2021. Exports stand to benefit from improved cost competitiveness following the Hungarian forint's recent depreciation. However, export market shares will only pick up gradually because international tourism is projected to recover slowly. The trade balance is set to improve after a temporary slump in 2020 and the current account deficit is projected to shrink in the years ahead.

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



Downside risks to the forecast stem from the precautionary behaviour of households and corporations in the face of the pandemic, which could weigh on consumption and investment. Upside risks are related to further policy support measures (e.g. to household investment), which are still under discussion. The baseline forecast does not include any measures funded by grants from the Recovery and Resilience Facility.

Inflation to remain high

Inflation eased to 3.4% in September 2020 as the impact of the recession began to take hold and the earlier shock to food prices started to fade. The

recent currency depreciation may continue to pass through into consumer prices. Rising excise duties on tobacco will also add significantly to inflation in 2021. By 2022, disinflationary forces are set to prevail as demand remains weak while wage growth is limited by labour market slack. Inflation is forecast to reach 3.4% in 2020, remain at 3.3% in 2021 before easing to 3% in 2022.

Public finances to worsen

Government finances have suffered from the COVID-19 crisis, and the general government deficit is expected to rise to 8½% of GDP in 2020. Current revenues, in particular indirect tax receipts and social security contributions, were severely impacted both by the contraction of tax bases and some tax cuts, notably temporary reductions in the most affected sectors and a general 2 pps. cut to employers' social contributions as of July. On the expenditure side, measures to contain the economic impact of the pandemic resulted in higher-than-budgeted spending. These include a short-time work scheme and other measures aimed at protecting employment, temporary support to specific sectors and a one-off bonus for health workers. The medical emergency has also led to significantly higher health-related expenditure. Overall, the fiscal measures introduced so far are estimated to have a net budgetary impact of nearly 3% of GDP. Some of them are being financed from the reshuffling of existing budgetary chapters and from new taxes on banks and retail companies.

In 2021, the deficit is set to narrow to 5½% of GDP, driven by the economic recovery and the expiry of the emergency measures. The improving labour market situation, growing consumption and higher excise duties on tobacco are expected to drive increases in tax revenue. New expansionary measures include, among others, a wage increase programme for doctors and a reduced VAT rate on newly built houses. Under a no-policy-change assumption, the deficit is expected to fall to 4¼% of GDP in 2022.

Government debt is set to rise sharply from 65.4% of GDP in 2019 to 78% in 2020. This is because of the sizeable government deficit, the revaluation of foreign currency debt and a projected increase of liquidity buffers from their low value at the end of 2019. The debt ratio is then expected to decrease to 77¼% of GDP by 2022.

Table II.24.1:

Main features of country forecast - HUNGARY

	2019			Annual percentage change					
	bn HUF	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		47513.9	100.0	2.1	4.3	5.4	4.6	**-6.4**	**4.0**	**4.5**
Private Consumption		23320.3	49.1	1.7	5.0	5.1	4.5	**-3.1**	**4.4**	**4.8**
Public Consumption		9334.2	19.6	1.8	2.5	1.7	3.5	**5.2**	**-3.6**	**0.2**
Gross fixed capital formation		12936.7	27.2	1.2	19.7	16.4	12.2	**-10.4**	**4.1**	**6.9**
of which: equipment		4757.7	10.0	2.9	16.1	13.0	8.8	**-16.4**	**11.0**	**8.4**
Exports (goods and services)		39050.8	82.2	7.5	6.5	5.0	5.8	**-8.5**	**8.3**	**7.9**
Imports (goods and services)		37569.0	79.1	6.3	8.5	7.0	7.5	**-5.3**	**6.7**	**7.7**
GNI (GDP deflator)		46231.9	97.3	2.3	2.8	5.7	5.6	**-5.6**	**3.5**	**4.5**
Contribution to GDP growth:		Domestic demand		1.6	6.9	6.5	6.0	**-3.4**	**2.5**	**4.2**
		Inventories		-0.3	-1.6	0.1	-0.3	**-0.1**	**0.0**	**0.0**
		Net exports		0.8	-1.0	-1.2	-1.1	**-2.9**	**1.5**	**0.3**
Employment				0.5	1.9	2.3	1.3	**-3.5**	**0.4**	**1.3**
Unemployment rate (a)				7.9	4.2	3.7	3.4	**4.4**	**4.4**	**3.9**
Compensation of employees / head				5.4	7.0	6.5	5.2	**6.3**	**4.7**	**5.3**
Unit labour costs whole economy				3.7	4.5	3.3	1.9	**9.6**	**1.1**	**2.0**
Real unit labour cost				-0.5	0.5	-1.4	-2.8	**3.9**	**-2.2**	**-1.0**
Saving rate of households (b)				10.7	11.1	12.7	11.1	**12.9**	**11.7**	**11.1**
GDP deflator				4.2	4.0	4.8	4.8	**5.5**	**3.4**	**3.0**
Harmonised index of consumer prices				4.2	2.4	2.9	3.4	**3.4**	**3.3**	**3.0**
Terms of trade goods				-0.3	-0.3	-1.0	0.5	**1.5**	**-0.1**	**-0.1**
Trade balance (goods) (c)				-0.3	1.4	-1.3	-2.1	**-1.6**	**-0.9**	**-1.2**
Current-account balance (c)				-3.2	1.9	0.3	-0.3	**-1.1**	**-0.3**	**-0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.7	2.8	2.6	1.5	**0.4**	**1.4**	**1.5**
General government balance (c)				-4.9	-2.4	-2.1	-2.1	**-8.4**	**-5.4**	**-4.3**
Cyclically-adjusted budget balance (d)				-4.8	-3.5	-4.1	-4.4	**-6.6**	**-4.2**	**-4.0**
Structural budget balance (d)				-	-3.9	-4.1	-4.3	**-6.6**	**-4.2**	**-4.0**
General government gross debt (c)				69.3	72.2	69.1	65.4	**78.0**	**77.9**	**77.2**

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

25. POLAND

Poland's economy has begun to bounce back from the recession triggered by the COVID-19 pandemic, but the recent rise in infections could temporarily stall the recovery. Real GDP is forecast to decline by 3½% in 2020 and to remain below 2019 levels until the end of 2021. The general government deficit is set to deteriorate strongly in 2020 due to the economic downturn and the support measures adopted to mitigate the economic fallout of the pandemic.

After signs of strong growth in the third quarter, the recovery could stall in the fourth…

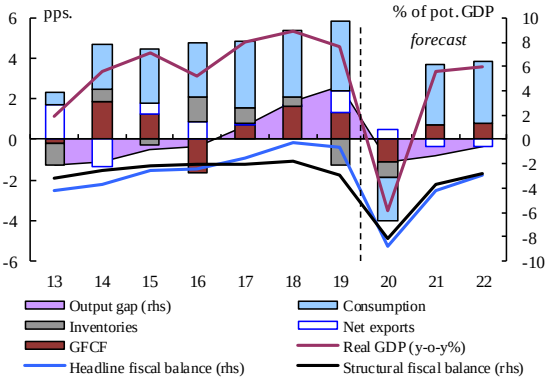
The first wave of the pandemic and the restrictions imposed to combat the virus resulted in a marked fall in economic activity in the first half of the year. Real GDP contracted by 8.9% quarter-on-quarter in the second quarter of 2020, with all components except government consumption significantly affected. Private consumption, the backbone of Poland's growth in recent years, posted a double-digit drop, as social distancing measures and low confidence took their toll.

The drop in economic activity is expected to be followed by a sharp rebound in the third quarter as the stringency of containment measures eased and supply chains were restored. The build-up of savings during the lockdown period and strong fiscal support led to a marked increase in retail sales, particularly in durable goods, while high-frequency indicators suggested a return to pre-crisis levels in recreational and hospitality activities already in July. Industrial production and exports also recovered swiftly with output and new orders recording positive year-on-year growth at the beginning of the third quarter. As a result, the third quarter of 2020 is expected to show a strong expansion in GDP of around 6¼% in quarter-on-quarter terms. Yet, a surge in new infections and decreased confidence is set to bring this recovery to a temporary halt in the last quarter of 2020, taking the annual rate of GDP growth to -3½%.

…before gradually recovering over 2021-2022

Economic growth is expected to resume in 2021 and 2022 in line with the assumed easing of containment measures and increased foreign demand, although the fading away of policy support could weigh on growth in early 2021. An expected deterioration in the labour market and a resulting sluggish confidence may lead consumers to withhold spending in the first half of 2021, leaving private consumption below pre-crisis levels until 2022. Foreign trade is expected to recover strongly in 2021 and 2022, but the higher technical rebound for imports should negatively impact the trade balance. Investment is also projected to recover in tandem with reduced uncertainty and increased domestic and foreign demand. However, this recovery is set to be partly constrained by the construction sector, which may continue suffering from a decrease in orders, particularly in the first half of 2021. All in all, GDP growth is projected to rebound by 3¼% in 2021 and strengthen slightly in 2022 to 3½% as economic activity slowly returns to potential.

Graph II.25.1: **Poland - Real GDP growth and contributions, output gap, fiscal balances**



Inflation is expected to decelerate amid worsening labour market conditions

Increased operational costs due to COVID-19 containment measures led to a hike in service price inflation in the second and third quarters of 2020, reaching 8.8% in September. Coupled with a sustained increase in food price inflation due to poor harvests, HICP inflation is thus set to reach 3.6% in 2020, despite a fall in energy prices. However, as government measures fade away, contributing to a deterioration in the labour market, service price inflation is expected to decelerate significantly in 2021. Food prices are also expected to moderate, bringing HICP inflation down to 2.0% in 2021. In 2022 inflation is forecast to rise as a result of a further increase in domestic

and external demand and economic activity returning to potential.

The risks to this forecast mainly relate to how the labour market and firms will be affected by the gradual phasing out of policy support measures. Permanent changes to consumer behaviour and an increase in structural unemployment for certain population groups represent a downside risk.

2020 fiscal deficit to be close to 9% of GDP

The COVID-19 pandemic, together with measures to contain its effects, is set to have a big impact on public finances in 2020. The general government headline deficit is expected to reach some 8¾% of GDP. While tax revenues are forecast to decrease as compared to 2019, expenditures are expected to increase strongly. The evolution of the tax revenue will be driven by the economic slowdown, worsening labour market conditions and cyclical factors. On top of this, revenue from direct taxes will be negatively affected by the incremental effect of changes to the personal income tax implemented in 2019. The cost of measures to cushion the impact of the crisis is expected to amount to around 5¼% of GDP. The biggest expenditure in this area is likely to come from loans granted to firms by the Polish Development Fund. According to the authorities' estimates, around two thirds of these loans will eventually be converted into grants, with an estimated deficit-increasing impact of some 2 pps. of GDP in 2020. At the same time, several spending policies implemented in recent years remain in force.

In 2021, the headline deficit is forecast to diminish to some 4¼% of GDP, mainly on the back of the recovering economy and the phasing out of anti-crisis measures. While the authorities plan to collect additional revenues from new taxes, this will be counterbalanced by increased social spending, including a one-off additional pension bonus (so called 14th pension benefit). In 2022, under a no-policy-change assumption, the deficit is set to improve to around 3% of GDP, driven mostly by the macroeconomic developments. This forecast does not include any measures funded by the Recovery and Resilience Facility grants.

The general government debt-to-GDP ratio is expected to surge to around 56½% in 2020 from 45¾% in 2019, and to remain at the level of some 56½% - 57¼% over 2021-2022.

Table II.25.1:

Main features of country forecast - POLAND

	2019			Annual percentage change					
	bn PLN	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		2287.7	100.0	3.6	4.8	5.4	4.5	**-3.6**	**3.3**	**3.5**
Private Consumption		1316.4	57.5	3.1	4.7	4.5	3.9	**-5.5**	**4.3**	**4.0**
Public Consumption		411.8	18.0	2.8	2.7	3.5	6.2	**5.7**	**2.7**	**3.9**
Gross fixed capital formation		423.6	18.5	3.1	4.0	9.4	7.2	**-6.2**	**4.2**	**4.7**
of which: equipment		176.6	7.7	3.5	8.3	1.6	9.1	**-9.8**	**8.4**	**5.6**
Exports (goods and services)		1270.5	55.5	7.2	9.6	6.9	5.1	**-9.0**	**5.3**	**4.8**
Imports (goods and services)		1162.8	50.8	5.9	10.2	7.4	3.3	**-10.8**	**6.7**	**6.0**
GNI (GDP deflator)		2196.9	96.0	3.3	4.6	5.3	4.8	**-3.5**	**3.4**	**3.5**
Contribution to GDP growth:	Domestic demand			3.1	4.0	4.9	4.7	**-3.3**	**3.7**	**3.9**
	Inventories			0.1	0.8	0.4	-1.3	**-0.7**	**0.0**	**0.0**
	Net exports			0.4	0.1	0.0	1.1	**0.5**	**-0.3**	**-0.3**
Employment				0.6	1.3	0.5	-0.2	**-1.7**	**-2.0**	**1.3**
Unemployment rate (a)				12.3	4.9	3.9	3.3	**4.0**	**5.3**	**4.1**
Compensation of employees / head				4.1	5.8	8.1	8.5	**3.4**	**4.3**	**4.7**
Unit labour costs whole economy				1.2	2.3	3.2	3.5	**5.3**	**-1.1**	**2.5**
Real unit labour cost				-1.0	0.4	1.9	0.4	**1.7**	**-2.8**	**-0.5**
Saving rate of households (b)				5.3	2.8	1.5	2.4	**9.4**	**6.5**	**4.1**
GDP deflator				2.2	1.9	1.2	3.1	**3.5**	**1.7**	**2.9**
Harmonised index of consumer prices				2.2	1.6	1.2	2.1	**3.6**	**2.0**	**3.1**
Terms of trade goods				0.6	0.2	-1.2	1.7	**0.9**	**0.2**	**0.4**
Trade balance (goods) (c)				-2.9	-0.1	-1.2	0.2	**1.6**	**1.1**	**0.8**
Current-account balance (c)				-3.2	0.1	-0.7	1.4	**1.8**	**1.5**	**1.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.1	1.0	0.8	3.0	**3.6**	**3.7**	**4.0**
General government balance (c)				-4.4	-1.5	-0.2	-0.7	**-8.8**	**-4.2**	**-3.0**
Cyclically-adjusted budget balance (d)				-4.0	-2.0	-1.8	-2.9	**-7.9**	**-3.5**	**-2.7**
Structural budget balance (d)				-	-2.0	-1.8	-2.9	**-8.2**	**-3.7**	**-2.8**
General government gross debt (c)				48.8	50.6	48.8	45.7	**56.6**	**57.3**	**56.4**

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

26. ROMANIA

Romania's economy is set to recover from a fall in output in the first half of the year due to the COVID-19 crisis. Although the contraction in 2020 appears less severe than initially expected, uncertainty remains very high given the recent evolution of the pandemic and real output is not set to return to pre-crisis levels before the end of 2022. The budget deficit is projected to increase significantly, as the fiscal effort required to fight the crisis comes on top of past fiscal slippages.

Investment performance limits output drop

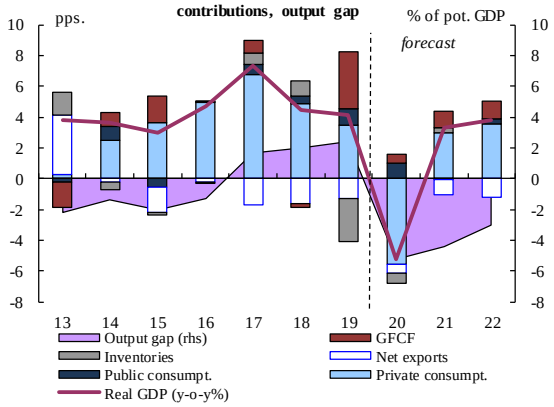
Real GDP fell by 4.5% year-on-year in the first half of 2020. Strict lockdown measures had a negative impact on consumer spending. In addition, the disruption of international supply chains and weak external demand slowed production and exports. As the import decline was somewhat less strong, the trade balance continued to deteriorate, but improved primary and secondary income balances lowered the current account deficit. Investment surprised with a positive contribution to growth as construction activity was largely unaffected by containment measures. Romania's economy continues to be affected by COVID-19 as some restrictions have been reintroduced in the autumn, and the resulting uncertainty is set to dampen economic growth, particularly in the fourth quarter of 2020.

Recovery expected to be gradual

Real GDP is forecast to contract by 5¼ % in 2020 and to rebound by around 3¼% in 2021 and 3¾% in 2022. Private consumption should recover gradually, in line with the eventual easing of social distancing measures, in 2021 and 2022. Investment is also projected to rebound, albeit somewhat muted due to spare capacity and persistent uncertainty. Net exports are expected to contribute negatively to growth in 2020.

After a sharp contraction in April, exports began improving in the third quarter of 2020, but losses are not expected to be recovered by year-end. As domestic demand declines, imports are also set to fall, albeit less than exports. Exports are expected to pick up as of 2021 supported by the gradual recovery of global trade, while import growth is set to resume, reflecting increased consumer spending. Overall, the contribution of net exports to growth over the forecast horizon is set to remain negative. The current account deficit is expected to decline in 2020 only slightly compared to 2019 and increase again in 2021 and 2022.

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



The unemployment rate increased in the first half of 2020 but stabilised over the summer, due to policy measures limiting job losses. It is projected to reach almost 6% in 2020 and continue increasing somewhat in 2021 due to a delayed downturn reaction of the labour market. In 2022 unemployment is expected to decline again but stay above 5%. Nominal wages are projected to increase moderately over the forecast horizon after several years of double-digit growth.

In response to the COVID-19 crisis, the National Bank of Romania cut its key monetary policy rate in three steps from 2.5% to 1.5% and purchased more than RON 5 billion worth of government securities on the secondary market between April and August to support the financing of the real economy and the public sector. Inflation is projected to fall to 2.5% in 2020 mainly due to the sharp fall in oil prices and is set to remain contained throughout 2021 and 2022.

Risks to the growth forecast

Prolonged uncertainty related to the future direction of public policies in Romania could reduce confidence and hamper credit flows, negatively affecting investment and growth. A smaller than envisaged increase in pensions would not necessarily translate into heightened risks for growth thanks to positive confidence effects

generated by the improved fiscal outlook. On the other hand, the funds allocated to Romania under the Recovery and Resilience Facility are expected to provide further support to investment.

Public deficit on an increasing path

The general government deficit is forecast to increase to around 10¼ % of GDP in 2020, from 4.3% in 2019. The pre-existing expansionary trend largely driven by pension increases is set to be reinforced by the impact of the COVID-19 crisis. Expenditure on old-age pensions is set to rise considerably, driven by the full-year effect of a 15% pension increase from September 2019 and a further increase of 40% from September 2020. Moreover, the child allowance has been doubled. Additional spending due to COVID-19 related measures, including employment support schemes and health-related spending, is projected at 1.3 pps. of GDP, out of which 0.4 pps. financed by EU transfers. Tax revenues are set to be negatively affected by the recession.

Despite an economic recovery forecast and the expected expiry of pandemic-relief employment support schemes (in the absence of the 2021 budget), the general government deficit is set to increase further, to around 11¼ % of GDP in 2021 and 12½ % of GDP in 2022 under a no-policy-change assumption. This is due to the full-year effect of the 40% increase in pensions from September 2020, and an additional upward pension recalculation scheduled for September 2021. This forecast does not include any measures funded by Recovery and Resilience Facility grants.

As a consequence, Romania's debt-to-GDP ratio is forecast to rise from 35.3% in 2019 to around 63½ % in 2022.

An upside risk to the general government balance projections is that the increases in pensions and child allowances could turn out to be more moderate. The government in the budget amendment of August proposed to increase pensions by 14% instead of 40% from September 2020 and to stagger the increase in child allowances over time. However, the parliament rejected this proposal. This forecast, in line with the standard no-policy change assumption, follows the parliamentary vote. Going forward, in the absence of a 2021 budget, it incorporates the increases mandated by the pension law currently in force.

Table II.26.1:

Main features of country forecast - ROMANIA

	2019			Annual percentage change					
	bn RON	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		1059.8	100.0	3.8	7.3	4.5	4.2	**-5.2**	**3.3**	**3.8**
Private Consumption		674.0	63.6	5.7	10.8	7.7	5.5	**-8.8**	**4.9**	**5.8**
Public Consumption		183.7	17.3	-0.4	4.4	3.3	6.0	**5.9**	**-0.1**	**1.7**
Gross fixed capital formation		250.5	23.6	6.3	3.5	-1.1	17.8	**2.5**	**4.1**	**4.5**
of which: equipment		101.0	9.5	4.3	-9.9	11.6	31.8	**2.0**	**3.3**	**3.1**
Exports (goods and services)		427.6	40.4	11.2	7.8	5.3	4.0	**-13.1**	**6.6**	**7.6**
Imports (goods and services)		468.5	44.2	12.9	11.5	8.6	6.5	**-10.6**	**8.5**	**9.7**
GNI (GDP deflator)		1043.5	98.5	3.7	7.7	4.5	4.7	**-5.0**	**3.3**	**3.9**
Contribution to GDP growth:	Domestic demand			5.6	8.2	5.1	8.3	**-4.0**	**4.0**	**5.0**
	Inventories			-0.3	0.8	1.0	-2.8	**-0.6**	**0.3**	**0.0**
	Net exports			-1.4	-1.7	-1.6	-1.3	**-0.6**	**-1.0**	**-1.2**
Employment				-1.5	2.4	0.1	0.0	**-2.6**	**0.3**	**1.2**
Unemployment rate (a)				7.0	4.9	4.2	3.9	**5.9**	**6.2**	**5.1**
Compensation of employees / head				13.8	14.8	12.9	9.5	**8.2**	**4.6**	**4.0**
Unit labour costs whole economy				7.9	9.6	8.2	5.1	**11.1**	**1.6**	**1.4**
Real unit labour cost				-2.4	4.7	1.9	-1.7	**8.1**	**-1.3**	**-1.4**
Saving rate of households (b)				-9.6	-7.3	-2.3	-3.7	**11.3**	**13.4**	**13.1**
GDP deflator				10.8	4.7	6.2	6.9	**2.8**	**2.9**	**2.9**
Harmonised index of consumer prices				8.2	1.1	4.1	3.9	**2.5**	**2.5**	**2.4**
Terms of trade goods				2.3	-2.3	0.6	1.0	**-0.3**	**0.5**	**0.5**
Trade balance (goods) (c)				-10.2	-6.8	-7.5	-7.8	**-8.8**	**-9.4**	**-10.1**
Current-account balance (c)				-5.8	-3.4	-4.4	-4.7	**-4.6**	**-4.8**	**-4.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.7	-1.8	-3.2	-3.2	**-3.0**	**-3.1**	**-3.2**
General government balance (c)				-3.2	-2.6	-2.9	-4.4	**-10.3**	**-11.3**	**-12.5**
Cyclically-adjusted budget balance (d)				-3.4	-3.2	-3.6	-5.1	**-8.6**	**-9.9**	**-11.5**
Structural budget balance (d)				-	-3.2	-3.2	-5.0	**-8.6**	**-9.9**	**-11.5**
General government gross debt (c)				26.2	35.1	34.7	35.3	**46.7**	**54.6**	**63.6**

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

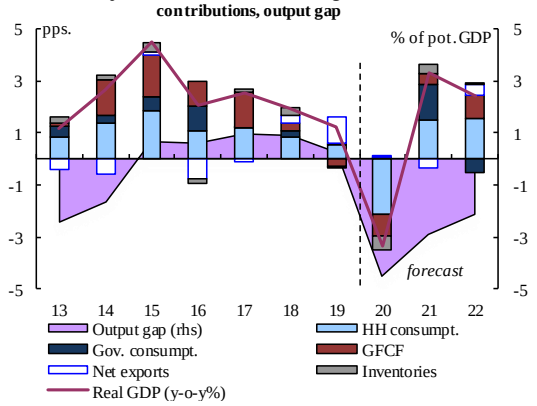
27. SWEDEN

Sweden's economy has contracted sharply due to COVID-19. Sizeable budgetary and financial support measures have cushioned the fall in GDP and the rise in unemployment. Despite a relatively rapid recovery and real GDP back at its 2019 level in early 2022, the economy is projected to operate well below potential in 2021 and 2022, with inflation set to remain low. The general government balance is expected to move into a deficit of 4% of GDP in 2020 and then improve as growth recovers and fiscal support is scaled back. The public debt-to-GDP ratio is set to stabilise at around 40% of GDP.

Steep fall in economic activity…

Sweden's real GDP had a record fall in the second quarter of 2020 due to the COVID-19 crisis, with particularly strong declines in private consumption and exports. Plant closures, partly caused by disruptions in cross-border supply chains, heavily affected production in the manufacturing sector. By comparison, the fall in investment was less severe, as a strong decline in equipment investment was partly compensated by continued growth in public and housing investment.

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



This unprecedented deterioration in economic activity was somewhat cushioned, partly because social distancing restrictions were less stringent and partly thanks to a forceful and front-loaded policy response.

… followed by uneven recovery

Short-term indicators of output, sales, employment, as well as of business and consumer confidence and expenditure expectations, suggest that the economic recovery that started in the summer is set to continue, albeit at an uneven pace across branches of activity. Real private consumption is projected to fall by 5% in 2020, as expenditure on services in particular are likely to regain only some of their lost ground. In 2021 and 2022, private consumption is expected to pick up strongly on the back of a recovery in the labour market, weak inflation, and the unwinding of the pandemic-induced rise in household savings. Government consumption is expected to be broadly unchanged in 2020 reflecting the combined effect of support measures, coupled with disruptions in the provision of some public services. In 2021, public consumption is set to increase markedly, supporting the recovery, before being scaled back in 2022. Exports are on track for a strong rebound in line with the global economic recovery in 2021 and 2022. However, investment growth is forecast to remain relatively muted, reflecting low capacity utilisation and continued uncertainty. Overall, real GDP is projected to fall by around 3½% in 2020, before increasing by 3¼% in 2021 and around 2½% in 2022.

Policy support shores up labour market

The pandemic has triggered a sharp deterioration in the labour market, particularly in labour intensive service sectors employing workers on flexible and short-term contracts and those with a migrant background. A widely used short-term work scheme, together with targeted relief measures for businesses and the self-employed, has helped to curb the rise in unemployment. The unemployment rate is set to peak at just above 9% in 2021 before falling by around one percentage point in 2022, reflecting the delayed response of employment to the expected recovery. The extensive use of short-term working would allow firms to raise production without hiring employees.

Weak cost and demand pressures lead to muted inflation

HICP inflation is forecast at 0.6% in 2020, pushed down by energy prices, and to pick up only slightly to just over 1% in 2022. Weak cost pressures reflect low resource utilisation, the strengthening of the real exchange rate, muted import prices, and moderate wage gains. Social partners delayed

negotiations on a multi-annual wage agreement, which has led to a marked fall in overall compensation growth in the second half of 2020 and wage growth is expected to remain moderate over the forecast horizon. Inflation rates are likely to show stronger-than-usual variation due to the differential price impact of the pandemic on different categories of goods and services.

Risks to the main scenario are skewed to the downside. Given its strong trade linkages, Sweden's economy remains vulnerable to a weaker global recovery, which would cause negative feedback effects, also on corporate balance sheets.

Frontloaded policy support scaled down

In response to the crisis, the Swedish authorities implemented a range of coordinated fiscal, monetary and financial support measures to cushion the impact, with fiscal stimulus for 2020 adding up to more than 3% of GDP. The most sizeable measures are the funding of temporary unemployment benefits and sick pay costs, support for firms that suffered substantial losses in turnover, and increased funding for regions and local authorities, which are responsible for health care and social services.

The 2021 draft budget aims to achieve a shift from direct crisis support towards more structural measures to foster the recovery, with a gradual reduction planned for the overall amount of budgetary support in 2021 and 2022. The main fiscal measures for 2021 include enhanced public investment, extra spending on defence, education and health care, higher transfers to local governments, and lower taxes and contributions for employees. This forecast does not include any measures funded by Recovery and Resilience Facility grants.

The general government deficit is expected to amount to around 4% of GDP in 2020. It is set to improve markedly in 2021 on the back of the projected economic recovery, falling further to around 1½% of GDP in 2022, taking into account the measures included in the 2021 budget proposal for that year. The public debt-to-GDP ratio is set to increase sharply from around 35% in 2019 to around 40% in 2020 before stabilising at that level.

Table II.27.1:

Main features of country forecast - SWEDEN

	2019			Annual percentage change					
	bn SEK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		5021.3	100.0	2.2	2.6	2.0	1.3	**-3.4**	**3.3**	**2.4**
Private Consumption		2277.6	45.4	2.3	2.6	1.8	1.3	**-4.6**	**3.4**	**3.6**
Public Consumption		1298.2	25.9	1.3	0.1	0.8	0.1	**0.3**	**4.9**	**-1.8**
Gross fixed capital formation		1230.5	24.5	2.8	5.5	1.4	-1.0	**-3.4**	**1.8**	**3.7**
of which: equipment		354.0	7.1	3.2	2.3	0.3	-3.9	**-11.5**	**5.7**	**7.0**
Exports (goods and services)		2361.0	47.0	3.3	4.1	4.2	3.3	**-7.4**	**4.6**	**4.5**
Imports (goods and services)		2182.5	43.5	3.3	4.7	3.8	1.1	**-8.2**	**5.9**	**3.8**
GNI (GDP deflator)		5147.6	102.5	2.2	3.7	2.0	2.0	**-3.9**	**3.0**	**2.2**
Contribution to GDP growth:	Domestic demand			2.1	2.6	1.4	0.3	**-2.9**	**3.3**	**2.0**
	Inventories			0.0	0.1	0.3	-0.1	**-0.6**	**0.3**	**0.0**
	Net exports			0.1	-0.1	0.3	1.0	**0.1**	**-0.3**	**0.4**
Employment				0.8	2.5	1.6	0.6	**-1.7**	**0.0**	**1.6**
Unemployment rate (a)				7.0	6.7	6.4	6.8	**8.8**	**9.2**	**8.1**
Compensation of employees / head				3.2	2.1	3.8	3.2	**1.6**	**2.3**	**2.5**
Unit labour costs whole economy				1.8	1.9	3.5	2.5	**3.3**	**-1.0**	**1.6**
Real unit labour cost				0.2	-0.2	1.1	-0.2	**1.7**	**-2.4**	**0.1**
Saving rate of households (b)				11.4	14.9	16.0	17.6	**21.3**	**18.0**	**17.8**
GDP deflator				1.6	2.1	2.4	2.7	**1.6**	**1.4**	**1.5**
Harmonised index of consumer prices				1.5	1.9	2.0	1.7	**0.6**	**0.8**	**1.3**
Terms of trade goods				-0.1	-0.7	-1.0	1.5	**1.1**	**0.6**	**0.1**
Trade balance (goods) (c)				5.2	2.6	2.5	3.7	**4.0**	**3.7**	**4.0**
Current-account balance (c)				5.3	2.8	2.4	4.2	**4.4**	**3.9**	**4.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.2	2.8	2.5	4.2	**4.4**	**3.9**	**4.0**
General government balance (c)				0.3	1.4	0.8	0.5	**-3.9**	**-2.5**	**-1.4**
Cyclically-adjusted budget balance (d)				0.5	0.9	0.3	0.4	**-1.4**	**-0.9**	**-0.2**
Structural budget balance (d)				-	0.9	0.3	0.4	**-1.4**	**-0.9**	**-0.2**
General government gross debt (c)				43.3	40.7	38.9	35.1	**39.9**	**40.5**	**40.3**

(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.

Candidate Countries

28. ALBANIA

The COVID-19 pandemic and the ensuing restrictions are set to drag the Albanian economy into a deep recession in 2020 despite the good performance of the agricultural sector and implementation of reconstruction works after the earthquake. Public investment and net exports are expected to support a partial economic recovery in 2021, while uncertainty about international travel and the muted recovery in the EU should affect services exports, FDI and remittances. The economy is projected to regain its 2019 output level in 2022 but government finances are unlikely to reach pre-crisis debt and deficit levels.

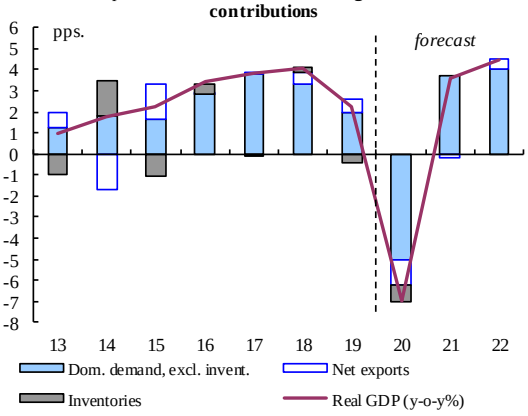
A full-blown recession caused by the pandemic

The Albanian economy contracted by 10.2% in the second quarter of 2020 reflecting the impact of domestic and international restrictions to contain the COVID-19 pandemic on tourism, services and manufacturing since mid-March. The contraction in GDP is expected to reach 7% for the year as a whole. Moreover, private consumption dropped strongly in Q2 because of income losses from the increasing unemployment rate, despite some public support to businesses and households. Investment is estimated to drop by 8.5% from an already low level of 2019. The large fall of imports and tentative stabilisation of merchandise exports in the second half of 2020 will not be able to off-set the impact of the collapse of services exports caused by the tourism restrictions, resulting in an expected negative contribution of net exports to growth. The large agricultural sector, which has hardly felt the impact of the pandemic, has registered record growth rates so far in 2020 and somewhat mitigates the extent of the recession.

Subdued recovery in 2021

Real GDP growth is expected to bounce back by 3½% in 2021 supported by a moderate rebound in domestic private consumption, strong public investment and a limited recovery in goods exports. Although the unemployment rate is expected to fall, the weak social safety net and the decreased inflow of remittances should weigh on households income and dampen the recovery in private consumption. Strong growth of public investment into reconstruction of the earthquake damages and projects put on hold is foreseen in 2020 but uncertainty and the muted recovery in the EU are expected to hold back the rebound of private investment and FDI. Rising public investment and private consumption should stimulate import growth while the recovery in services exports, despite some support by tourists from neighbouring countries, is expected to be muted, given the uncertainty over continuing international travel restrictions. Thus net exports are forecast to only begin to contribute positively to growth from 2022 when GDP growth is projected to accelerate to 4½% and the economic output will reach 2019 levels in all categories except services exports. This projection assumes no return to severe restrictions and is subject to substantial uncertainty about the development of the pandemic as well as the resilience of the Albanian SMEs. A downside risk is a return of mobility restrictions beyond 2021, which would have a more severe economic impact than in 2020 because the depleted monetary and fiscal policy space will not allow for support measures at the same scale.

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



Falling remittances drive temporarily the widening current account deficit

The falling remittances from Albanians working abroad should drive the widening of the current account deficit to a projected 11% of GDP in 2020, although the large decrease in imports improves the trade balance. Foreign direct investments have also dropped due to the recession in the EU and are expected to rebound only in 2022. In response to

falling foreign capital inflows and a growing current account deficit, the lek has depreciated moderately in 2020. The recovery of exports and rebounding remittances are expected to narrow the current account deficit to 7.3% of GDP in 2022.

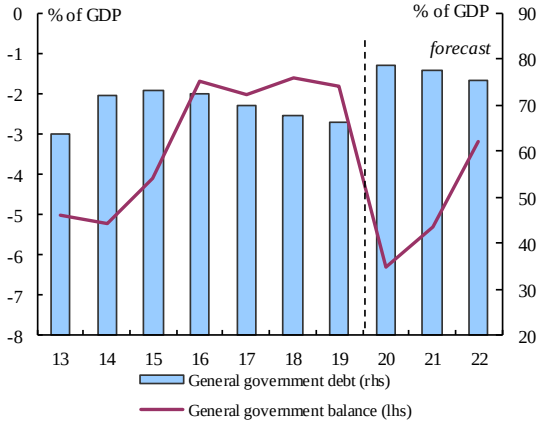
The monetary policy is set to remain accommodative

The central bank has kept its accommodative monetary policy with its record low policy rate of 0.5% unchanged since March 2020. The inflation rate is expected to rise only slightly to 1.7% in 2020 as the negative price development of many commodities is expected to counterbalance the strongly rising food prices. In 2021 and 2022, recovering demand and commodity prices are projected to contribute to a further pick-up in inflation to 1.9% and 2.1% respectively, still considerably below the 3% central bank's target. Thus, monetary policy is expected to remain very accommodative in 2021 as well as in 2022.

Fiscal balance set to deteriorate

The government financial support measures in the context of the pandemic, combined with the expected fall in revenue are forecast to increase the fiscal deficit temporarily to about 6¼% of GDP and the debt-to-GDP ratio over 78% in 2020.

Graph II.28.2: **Albania - Public finances**



In 2021, the announced pay rise for public employees in the education and health sectors and the impact of new tax exemptions on revenue will delay the reduction of the fiscal deficit. Given the government's commitment to fiscal consolidation and decreasing financing needs, the public debt-to-GDP ratio is estimated to decrease below 76% in 2022.

Table II.28.1:

Main features of country forecast - ALBANIA

	2019			Annual percentage change					
	bn ALL	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		1678.4	100.0	4.2	3.8	4.1	2.2	**-6.8**	**3.7**	**4.6**
Private Consumption		1346.8	80.2	4.5	2.4	3.3	3.3	**-4.4**	**2.8**	**3.3**
Public Consumption		193.4	11.5	2.7	3.2	0.7	3.8	**4.0**	**4.2**	**2.9**
Gross fixed capital formation		378.0	22.5	3.6	6.0	2.4	-3.3	**-7.9**	**4.8**	**4.7**
of which: equipment		-	-	5.9	-	-	-	**-**	**-**	**-**
Exports (goods and services)		528.8	31.5	9.1	13.2	4.1	6.0	**-37.3**	**8.6**	**13.9**
Imports (goods and services)		758.6	45.2	5.5	8.4	2.4	3.0	**-23.4**	**5.4**	**6.9**
GNI (GDP deflator)		1661.3	99.0	4.1	2.4	3.7	1.3	**-7.5**	**3.9**	**5.1**
Contribution to GDP growth:	Domestic demand			5.2	3.8	3.3	2.3	**-4.9**	**3.9**	**4.1**
	Inventories			0.1	0.0	0.6	-0.6	**-0.7**	**0.0**	**0.0**
	Net exports			-0.6	0.0	0.2	0.6	**-1.2**	**-0.2**	**0.5**
Employment				-	5.1	3.8	0.8	**-2.7**	**1.0**	**2.0**
Unemployment rate (a)				-	14.7	13.2	12.2	**14.5**	**13.9**	**12.8**
Compensation of employees / head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.6	1.5	1.0	0.7	**0.9**	**1.1**	**1.6**
Harmonised index of consumer prices				-	2.4	1.8	1.4	**1.9**	**2.1**	**2.3**
Terms of trade goods				-1.5	3.7	3.6	-3.1	**-0.2**	**1.3**	**2.6**
Trade balance (goods) (c)				-24.6	-24.4	-22.4	-23.0	**-22.3**	**-22.3**	**-21.6**
Current-account balance (c)				-9.9	-7.5	-6.8	-7.6	**-10.9**	**-9.0**	**-7.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-2.0	-1.6	-1.8	**-6.3**	**-5.3**	**-3.2**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				59.1	70.1	67.9	66.3	**78.8**	**77.4**	**75.4**

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

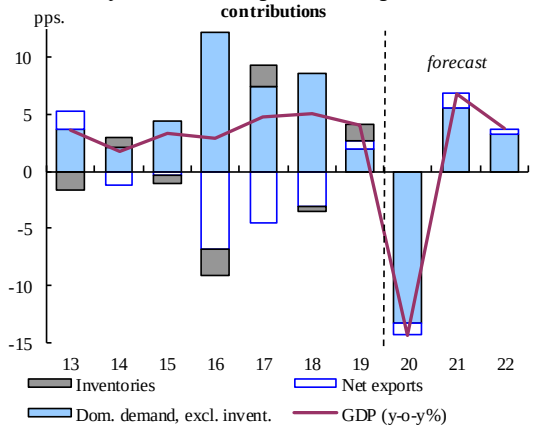
29. MONTENEGRO

After a relatively soft first wave of COVID-19 infections in spring, a much bigger and extended second wave followed soon after. The shock had widespread effects across the economy, depressing not only tourism and retail services, but also trade, investment employment and public finances. The baseline scenario is for a gradual recovery in 2021 and 2022, driven by planned investment in tourism and the energy sector as well as public and private construction activity. The revival of private consumption will be supported by rising employment, stronger remittances and credit growth.

Plunging into recession

The COVID-19 pandemic and the subsequent introduction of travel restrictions devastated Montenegro's large tourism sector, causing one of Europe's steepest declines in second-quarter GDP. After growing by 2.7% y-o-y in the first quarter of 2020, economic activity plunged by a preliminary 20.2% y-o-y in the second quarter, affected by a weakening of both external and domestic demand. The latter was pulled downwards by falling fixed investment and private consumption. On the external demand, exports of goods and services plummeted while imports also fell, even if at a much slower pace. In contrast, government consumption rose marginally, by 0.5% y-o-y. Overall, Montenegro's GDP fell by a preliminary 8.8% y-o-y in the first half of 2020.

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



Tourism shockwave

Travel and tourism accounts for more than 20% of Montenegro's GDP. In the first eight months of 2020, the number of tourist arrivals decreased by almost 80% y-o-y due to travel restrictions and virus-related concerns. Overall, the tourism shock is having deep knock-on effects on domestic consumption and investment. However, even if travel resumes in the next two years, it is forecast to remain significantly below pre-crisis levels as travellers' confidence recovers only gradually. The key condition for a fast recovery of the economy as of 2021 would be for COVID-19 outbreaks to remain limited to the upcoming winter and spring. Based on this assumption, Montenegro's economy could rebound thanks to investments supporting construction works and the revival of private consumption driven by growing employment, bank lending and remittances from abroad. On the contrary, new pandemic outbreaks and failing some degree of symmetric opening of borders and travel restrictions with key tourism markets in 2021 would represent major downside risks.

Moreover, the strength of the economic recovery may be put at risk in case of contagion from the corporate to the financial sector. So far, the banking sector has proved resilient in spite of the COVID-19 crisis, with banks' capital adequacy ratio comfortably above the regulatory minimum and the level of impaired loans stabilising thanks to payment deferrals and loan restructurings. However, the risk of default could rise in 2021, as a number of companies might be put at risk of insolvency once public support comes to an end.

The decline in imports and investment due to coronavirus-related disruptions and lower domestic demand is expected to help easing the trade deficit in 2020 and 2021. The completion of the first section of the Bar-Boljare highway in 2021, and a firmer recovery of tourism and remittances in 2022, will also support the containment of the current account deficit. Moreover, for 2021 and 2022, sizeable FDI inflows into energy, telecommunications (5G) and tourism projects (estimated at some 30% of GDP), have been announced by the foreign investors' council.

Energy prices and low demand hold back inflation

Low oil prices, combined with lower demand related to the coronavirus are key disinflationary

factors dominating the forecast period. As a result, inflation is expected to remain subdued, coming into negative territory in 2020, before some modest growth in 2021 and 2022.

Labour market slack

The impact of the COVID-19 pandemic and the resulting contraction of economic activity on unemployment has –so far– been dampened by wage subsidies to avoid larger layoffs, but also by an increase of economically inactive people (mostly discouraged seasonal and temporary workers). As a result, 2020 unemployment figures are registering a mild deterioration, compared to the much faster decline in employment. The baseline scenario foresees a gradual recovery of employment, boosting private consumption and supporting the revitalisation of economic activity in 2021 and 2022. Yet, the speed of recovery will depend on the capacity to maintain borders opened to foreign seasonal workers and tourists.

Public finance under stress

Public finances are under significant pressure due to fast growing costs to finance the government's policy response to the pandemic, combined with a sharp decline in budget revenue due to lower economic activity. Thus, in the first eight months of 2020, the central government budget deficit already reached 6.7% of GDP. These same pressing factors are expected to continue well into 2021, before public finances stabilise once tax collection improves and health-related expenditure flattens. The completion of the debt-financed first section of the Bar-Boljare highway (now foreseen for mid-2021) will help easing the pressure on public finances in 2022.

Table II.29.1:

Main features of country forecast - MONTENEGRO

	2019			Annual percentage change					
	mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		4950.7	100.0	2.8	4.7	5.1	4.1	**-14.3**	**6.8**	**3.7**
Private Consumption		3533.6	71.4	-	3.9	4.6	3.1	**-12.9**	**5.1**	**2.4**
Public Consumption		881.1	17.8	-	-1.4	6.3	1.0	**2.2**	**1.2**	**0.9**
Gross fixed capital formation		1351.8	27.3	-	18.7	14.7	-1.7	**-16.7**	**5.3**	**4.4**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		2163.4	43.7	-	1.8	6.9	5.4	**-29.2**	**16.4**	**7.2**
Imports (goods and services)		3208.7	64.8	-	8.4	9.2	2.4	**-18.3**	**7.1**	**3.4**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand			-	7.4	8.5	1.9	**-13.4**	**5.3**	**3.0**
	Inventories			-	1.9	-0.3	1.4	**0.0**	**0.0**	**0.0**
	Net exports			-	-4.6	-3.1	0.7	**-0.9**	**1.5**	**0.7**
Employment				-	2.3	2.2	2.2	**-2.6**	**2.3**	**1.9**
Unemployment rate (a)				-	16.1	15.5	15.3	**18.1**	**16.6**	**15.9**
Compensation of employees / head				-	0.8	0.0	1.1	**0.3**	**1.8**	**2.2**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	-	-	-	**-**	**-**	**-**
Consumer-price index				-	2.8	2.9	0.5	**-0.5**	**1.0**	**1.4**
Terms of trade of goods				-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (c)				-39.9	-43.3	-43.9	-41.7	**-39.0**	**-38.5**	**-38.4**
Current-account balance (c)				-	-16.1	-17.0	-15.0	**-15.8**	**-14.3**	**-13.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-5.2	-3.7	-2.0	**-8.8**	**-4.7**	**-3.6**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	64.2	70.1	76.5	**87.3**	**85.6**	**83.0**

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

30. NORTH MACEDONIA

Domestic demand, even though supported by government measures, remains muted also after the lifting of containment measures. A sharp drop in remittances impacts adversely on household spending. There are timid signs that external demand is recovering, and growth of private consumption and investment is projected to return in the fourth quarter. Driven by domestic demand, a full recovery to pre-COVID levels is likely to take until 2022. The fiscal deficit, widening markedly in 2020, is set to narrow gradually again in 2021 and 2022, as growth returns and crisis-related transfers are scaled back.

Severe economic contraction in 2020

With strict containment measures in place in North Macedonia and trade partner economies, output contracted in the second quarter by 12.7%, after slight growth of 0.2% in the first three months. Private consumption dropped by 5.2% in the first half of the year. Household income was hit by a steep drop in remittances, while wages continued to increase strongly, propelled by government wage subsidies. Investment tumbled by some 13% in the first half of the year. The government adopted four sets of measures, totalling some 9% of expected full-year GDP, with implementation extending into 2021. Still, the economy will likely contract this year by more than projected in spring.

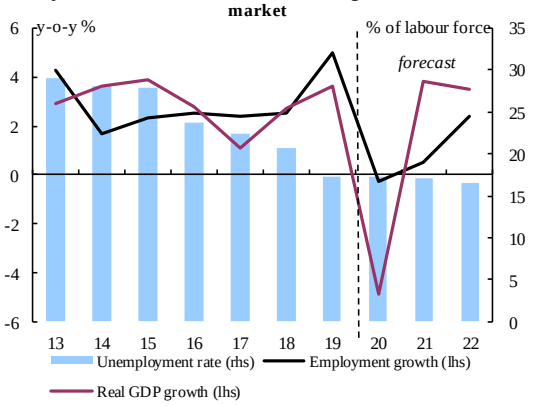
Recovery to remain incomplete in 2021

There are cautious signals that domestic economic activity is picking up. Supported by central bank measures, lending to the private sector remained buoyant. On the external side, production of automotive supplies strengthened, in line with developments in the German economy, which is destination for almost half of North Macedonia's exports. The recovery will rely largely on strengthening domestic demand and is likely to remain incomplete until 2022, as uncertainty about the course of the pandemic and related containment measures is restraining household spending, in spite of robust employment prospects and a quick recovery of remittances, and delaying some private investment at least in 2021.

Firming domestic demand drives trade deficit

In 2020, the current account is set to deteriorate markedly as the expected improvement in the trade balance is likely to underperform the decline in remittances. This picture is likely to be reversed in 2021 and 2022, when the resumption of domestic demand is forecast to heavily drive import growth. The foreign balance is projected to detract from growth in 2021 and 2022.

Graph II.30.1: **North Macedonia - Real GDP growth and labour market**



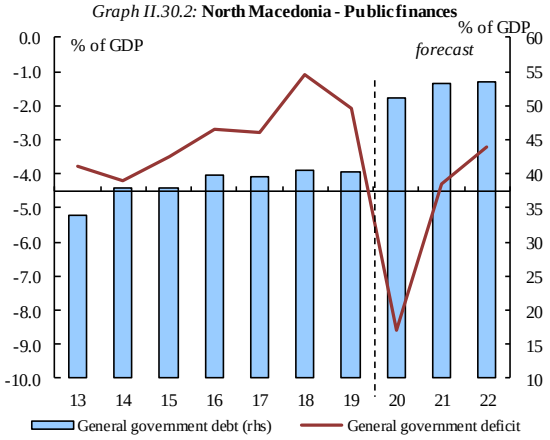
Impact on labour market to remain mild

After strong employment growth in 2019, the labour market held up well so far. The drop in employment was only small in the second quarter, as established foreign copanies, in particular, have kept their skilled workers on the payroll. Given substantial government support to employment, crisis-induced job losses are likely to remain mild in the second half of the year. A gradual resumption of employment growth is projected for 2021 and 2022, in line with the economic recovery. As discouraged workers drop out of the labour market, the labour force is set to decline this year, and the unemployment rate is forecast to remain stable, supported by growth and statutory active employment measures.

Some pressure on consumer prices arises

Rising food and electricity prices, along with a hike in excises on oil products partially offsetting the lower oil prices, have compensated for a decline in commodities and transport prices in the year to September. In the following two years, firming domestic demand will generate upward pressure on prices, while the impact of the excise tax rise would diminish next summer. Altogether, inflation is likely to remain muted.

Graph II.30.2: **North Macedonia - Public finances**



Crisis causes delay in debt stabilisation

The shortfall in public revenue was more benign in the first half of the year than anticipated in spring. Still, revenue declined by 8% y-o-y. A second budget revision in October sets a higher deficit than originally planned, to accommodate spending for the fourth package of anti-crisis measures, worth EUR 470 million. Due to the decline in economic activity and of the fiscal impact of crisis measures, the deficit is set to widen in 2020 by more than projected in spring, before narrowing thereafter due to a growth-induced rise in revenue and the phasing out of crisis-related transfers. To cover the budget financing needs in 2020, and partially in 2021, the government obtained a EUR 176 million credit line from the IMF, and macro-financial assistance from the EU of EUR 160 million, in addition to issueing a EUR 700 million Eurobond issued in May. As a result, general government debt is likely to exceed 50% of GDP this year and is forecast to increase further in 2021 and 2022, driven by still sizeable budget deficits. The stabilisation of the debt ratio, originally envisaged to set in post-2021, will be delayed.

Risks to the forecast are on the downside

Given the importance of remittances for household income, more muted transfers in 2021 and 2022 would possibly impact negatively on private consumption spending. On the external side, risks arise from potentially bleaker prospects for the car industry in Germany. On the other hand, swift implementation of reforms to improve public revenue mobilisation and of a medium-term expenditure framework might improve public finances above projection.

Table II.30.1:

Main features of country forecast - NORTH MACEDONIA

	2019			Annual percentage change					
	bn MKD	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		697.5	100.0	2.8	1.1	2.7	3.6	**-4.9**	**3.8**	**3.5**
Private Consumption		451.9	64.8	2.6	2.1	3.7	3.5	**-4.3**	**4.5**	**4.7**
Public Consumption		104.6	15.0	1.2	-2.6	2.0	4.4	**3.3**	**2.9**	**3.1**
Gross fixed capital formation		144.0	20.6	5.4	-3.8	-12.8	6.6	**-12.0**	**12.7**	**13.2**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		430.3	61.7	6.0	8.3	15.6	8.3	**-15.5**	**15.3**	**12.0**
Imports (goods and services)		527.3	75.6	6.2	5.2	9.1	9.0	**-12.5**	**14.9**	**13.1**
GNI (GDP deflator)		666.6	95.6	2.7	1.1	2.4	3.3	**-4.9**	**3.8**	**3.5**
Contribution to GDP growth:	Domestic demand			3.5	0.1	-0.1	4.3	**-4.8**	**5.8**	**6.2**
	Inventories			0.5	0.2	0.5	0.8	**0.0**	**0.0**	**0.0**
	Net exports			-1.2	0.8	2.3	-1.5	**-0.1**	**-2.0**	**-2.8**
Employment				1.8	2.4	2.5	5.0	**-0.3**	**0.5**	**2.4**
Unemployment rate (a)				32.0	22.4	20.7	17.3	**17.3**	**17.1**	**16.6**
Compensation of employees / head				2.4	1.0	5.0	3.0	**6.7**	**4.0**	**2.2**
Unit labour costs whole economy				1.4	2.3	4.8	4.4	**11.9**	**0.7**	**1.2**
Real unit labour cost				-1.2	-0.5	1.1	2.0	**12.6**	**-0.2**	**-1.0**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.7	2.8	3.7	2.3	**-0.7**	**0.9**	**2.1**
Consumer-price index				-	1.4	1.5	0.8	**0.9**	**1.2**	**1.5**
Terms of trade goods				1.1	-0.1	0.1	-0.3	**-0.2**	**0.8**	**1.8**
Trade balance (goods) (c)				-22.4	-17.8	-16.2	-17.0	**-16.7**	**-17.4**	**-17.6**
Current-account balance (c)				-4.5	-1.0	-0.1	-3.3	**-4.2**	**-3.9**	**-3.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-2.8	-1.1	-2.1	**-8.6**	**-4.5**	**-3.2**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				32.9	39.4	40.6	40.2	**51.1**	**53.2**	**53.6**

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

31. SERBIA

The Serbian economy is projected to contract only moderately in 2020, due to a relatively short duration of the most stringent containment measures and significant policy support to mitigate the crisis impact. A recovery to pre-crisis output and growth levels is foreseen for 2021, driven by investment and private consumption. The economic contraction and sizeable fiscal mitigation measures will lead to a sharp temporary increase of the general government deficit in 2020. The debt-to-GDP ratio is set to increase by around 10 percentage points in 2020 and to slowly decline thereafter.

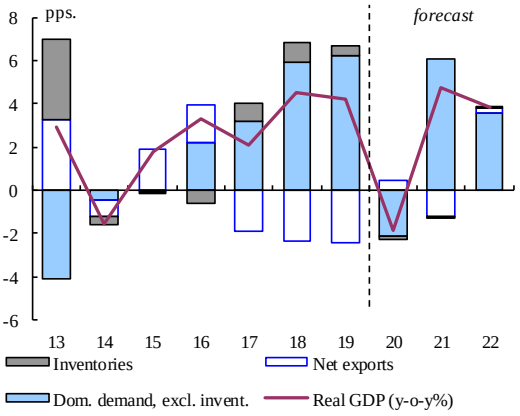
Fast in-year rebound after relatively short lockdown period

After recording still robust y-o-y growth of 5.1% in the first quarter of 2020, GDP contracted by 6.4% y-o-y in the second quarter due to the COVID-19 pandemic and the related containment measures. The contraction was the result of strong decreases in private consumption and investment that were only partially offset by higher government consumption and a positive contribution of net exports. The relatively short duration of most containment measures, mostly lifted by early May, lowered the overall negative impact on quarterly GDP, allowing most sectors of activity to rebound strongly already in May and June. Short-term indicators suggest that economic activity has continued to recover over the summer.

Moderate contraction followed by return to pre-crisis growth path

Supported by the relatively short duration of the most stringent containment measures in spring, a sizeable package of fiscal and monetary support measures, and less exposure than in regional peers to sectors hardest hit by the crisis, full-year contraction of GDP in 2020 is projected to be limited around 1¾%. The contraction is projected to be mostly driven by crisis-induced reductions in gross-fixed capital formation and private consumption that are only partially offset by higher government consumption and improved net exports. On the supply side, the relatively low share of tourism services and a good agricultural season are expected to dampen the economic contraction in 2020. In view of the limited domestic economic impact of the containment of the 2nd wave of the pandemic in Serbia in the summer, the renewed aggravation as of October is expected to only moderately dampen the recovery in the forecast baseline. At the mid-October level of stringency of remaining COVID-19 containment measures, GDP is projected to rebound by around 4¾% in 2021. The rebound is expected to be mainly driven by private consumption and investment, only partially offset by more negative net exports, as imports are projected to grow more strongly than exports during the rebound, in view of the relatively stronger renewed contractionary impact of the pandemic in EU trading partners. After recovering its pre-crisis output level in 2021, the economy is set to return to its pre-crisis rate of expansion of close to 4% in 2022, mostly driven by private consumption and investment and a more positive contribution from net exports as export growth is expected to exceed import growth in 2022, in line with the recovery in the EU.

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



Unemployment rate to remain broadly stable

As discouraged workers not actively looking for employment are considered inactive in the labour force surveys, unemployment is projected to decrease slightly in 2020. As the pace of return of discouraged workers to the labour market is projected to initially exceed the growth of employment, the unemployment rate is expected to temporarily record a slight increase in 2021 before decreasing again in 2022. Inflation is set to slightly moderate in 2020, mostly reflecting lower oil prices, while reaccelerating somewhat in 2021 and 2022 in line with the recovery.

Outlook still subject to high uncertainty

The growth outlook is subject to a high level of uncertainty while risks appear to be tilted to the downside depending on the evolution of the pandemic. In particular, a strong domestic aggravation of the pandemic and ensuing more stringent containment measures could more persistently affect consumption and investment and thereby dampen the economic recovery, also in view of lower available fiscal space for renewed mitigation measures. A stronger than expected impact of resurgences in the EU could similarly dampen net exports and foreign direct investment as compared to the baseline.

Strong increase of public deficit and debt following crisis mitigation measures

The COVID-19 crisis is set to worsen sharply the general government deficit from close to balance in 2019 to around 9% of GDP in 2020, mostly as a result of a large package of discretionary fiscal support measures including deferred tax payments, wage subsidies, one-off payments and liquidity-enhancing loan guarantees. After extension of most measures until the end of the third quarter, the stimulus is estimated to have a direct budgetary impact of around 7% of GDP and another 5% in liquidity-enhancing measures. In line with the projected recovery, the end of one-off mitigation measures and the revenue increase from deferred tax payments, the deficit is forecast to drop to around 3% of GDP in 2021 and 2½% of GDP in 2022. The debt-to-GDP ratio is projected to rise to 61½% of GDP in 2020 reflecting both the high deficit and the fall in GDP, before resuming a gradual decline by around 1pp annually in line with the economic rebound and lower deficits in 2021 and 2022.

Graph II.31.2: **Serbia - Public finances**

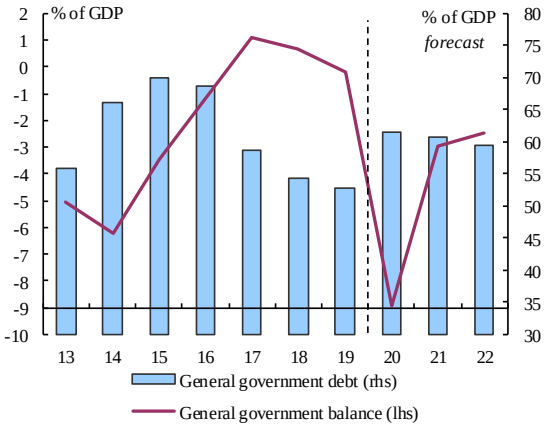


Table II.31.1:

Main features of country forecast - SERBIA

	2019			Annual percentage change					
	bn RSD	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		5417.7	100.0	-	2.1	4.5	4.2	**-1.8**	**4.8**	**3.8**
Private Consumption		3696.7	68.2	-	2.2	3.1	3.6	**-2.0**	**4.2**	**2.6**
Public Consumption		901.8	16.6	-	2.9	3.7	2.0	**6.2**	**2.4**	**2.1**
Gross fixed capital formation		1217.9	22.5	-	6.6	17.5	17.2	**-8.5**	**13.5**	**6.6**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		2765.7	51.0	-	8.2	7.5	7.7	**-7.7**	**11.5**	**9.2**
Imports (goods and services)		3306.6	61.0	-	11.1	10.8	10.7	**-7.2**	**12.0**	**7.4**
GNI (GDP deflator)		5125.7	94.6	-	1.1	6.0	4.1	**-1.4**	**5.0**	**4.0**
Contribution to GDP growth:	Domestic demand			-	3.2	5.9	6.2	**-2.2**	**6.1**	**3.6**
	Inventories			-	0.9	0.9	0.4	**-0.1**	**-0.1**	**0.0**
	Net exports			-	-1.9	-2.4	-2.4	**0.5**	**-1.2**	**0.2**
Employment				-	2.8	1.4	2.4	**-0.6**	**1.4**	**0.8**
Unemployment rate (a)				-	13.5	12.7	10.3	**9.3**	**9.6**	**9.0**
Compensation of employees / head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	3.0	2.0	2.4	**2.9**	**2.7**	**2.4**
Consumer-price index				-	3.2	2.0	1.7	**1.5**	**1.8**	**1.8**
Terms of trade goods				-	-0.5	-2.0	0.7	**1.0**	**0.3**	**0.0**
Trade balance (goods) (c)				-	-9.0	-11.0	-12.2	**-10.5**	**-11.0**	**-10.7**
Current-account balance (c)				-	-5.2	-4.8	-6.9	**-5.8**	**-6.0**	**-5.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	1.1	0.7	-0.2	**-8.9**	**-2.9**	**-2.5**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	58.6	54.4	52.8	**61.5**	**60.7**	**59.6**

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

32. TURKEY

A strong policy response softened the immediate economic repercussions of the crisis at the cost of further erosion of buffers. Although economic activity rebounded quickly in the summer, vulnerabilities and the withdrawal of policy stimulus are likely to sap the strength of the recovery. Despite subdued cost pressures, high inflation expectations and challenges to monetary policy credibility are expected to lead to a slow disinflation path. Risks are broadly balanced and partly influenced by geopolitical developments. Fiscal space is set to remain limited and the persistently high budget deficit and stock-flow adjustments are projected to push government debt further up.

Strong policy response softened the crisis but eroded buffers

The crisis hit strongly in the second quarter, when real GDP fell 9.9% y/y. Lockdown measures and uncertainty affected household consumption particularly badly, while disruptions in international travel and external demand severely damaged exports of goods and services. A sharp increase in inventories, however, contributed strongly to growth, sustaining a positive total domestic demand. Expansionary monetary policy boosted lending and, while instrumental in softening the immediate repercussions of the crisis, it led to a highly negative contribution of net exports to growth, eroding buffers such as foreign exchange reserves, and increasing the downward pressure on the lira. Since August, however, the monetary policy stance has become tighter.

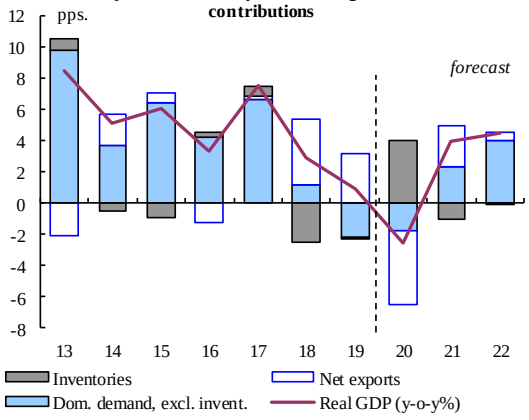
Economic activity rebounded strongly in the summer

Manufacturing PMI has been above 50 since June and capacity utilisation approached its pre-crisis levels in September. Improved real sector confidence confirmed the strong growth momentum in the third quarter. However, despite a positive assessment of near-term volume expectations and of domestic and export orders, the assessment of the level of fixed investment expenditure was still subdued. The recovery remained uneven, with weaker results in retail trade and services. As the lira depreciated markedly in August and September and financial conditions started tightening, short-term sales expectations tanked again.

Vulnerabilities and retraction of the policy stimulus to weaken the recovery

Economic recovery is expected to further gather pace next year, although its strength is likely to be suppressed by structural vulnerabilities and the withdrawal of the monetary policy stimulus. Domestic demand contribution to growth is, thus, expected to be constrained and to increase more noticeably only in 2022. Private consumption is forecast to pick up, largely due to base effects, but to remain below its long-term trend. After three years of decline, investment is expected to revert to growth already next year. However, unresolved balance sheet problems of the business sector, policy uncertainty, and elevated geopolitical tensions are set to hold it back. Exports recovery, which has already begun in the third quarter of 2020, is likely to continue, supported by reviving external demand and a more competitive pricing due to past lira depreciation. Due to the relative importance of sectors like tourism, transportation, automotive, and textile, which have been strongly affected by the pandemic and are only slowly recovering, exports are not expected to revert to their pre-crisis level before the end of 2021. Nevertheless, net exports should contribute positively to economic growth, as imports are forecast to remain supressed by relatively weak domestic demand.

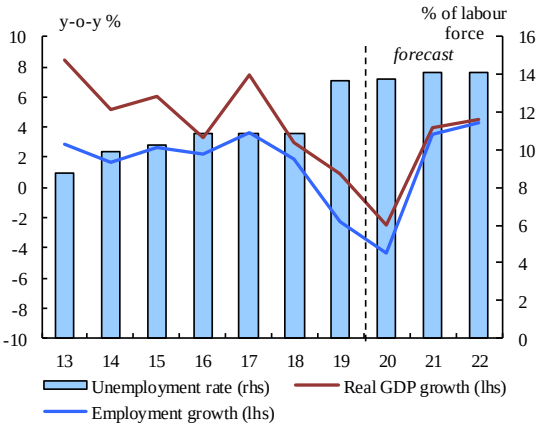
Graph II.33.1: **Turkey - Real GDP growth and contributions**



Although employment creation is expected to rise alongside economic recovery, it may not be sufficiently strong to absorb new entrants to the market and, as a result, unemployment is likely to

stay elevated, creeping further up. Despite subdued cost pressures, high inflation expectations and low monetary policy credibility are set to keep the disinflation path slow and inflation to remain relatively high and much above the 5% target.

Graph II.33.2: **Turkey - Labour market**



Risks are broadly balanced

While geopolitical tensions weigh heavily on the risk premium and economic developments, they could also be a source of positive surprises in case they materially subside. Domestically, a relatively tighter policy stance may not just weaken the growth momentum, but also work to restore confidence, reduce vulnerabilities, and support faster investment and consumption recovery. The banking system is well capitalised, but financial stability challenges are likely to increase in light of the recent credit boom and weakening of the lira.

Limited fiscal space

Past years' expansionary fiscal policy had slowly eroded fiscal buffers. Thus, in the crisis, direct fiscal transfers remained rather limited and most of them were in the form of postponement of certain tax obligations and social security contributions. However, despite these measures and rising interest payments, the increase in the budget deficit is expected to be relatively contained in 2020, as indirect tax collection held up well because of import tariff hikes and stronger than expected imports. The budget deficit, however, is forecast to remain elevated due to rising interest payments and rebalancing of growth away from revenue-rich domestic demand. Therefore, government debt is likely to continue growing, reflecting also sizeable contributions from exchange rate depreciation.

Table II.32.1:

Main features of country forecast - TURKEY

	2019			Annual percentage change					
	bn TRY	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		4320.2	100.0	4.9	7.5	3.0	0.9	**-2.5**	**3.9**	**4.5**
Private Consumption		2457.0	56.9	4.4	5.9	0.5	1.6	**-0.7**	**2.5**	**2.8**
Public Consumption		670.8	15.5	4.9	5.0	6.6	4.4	**1.8**	**2.9**	**3.3**
Gross fixed capital formation		1117.6	25.9	7.5	8.3	-0.3	-12.4	**-6.4**	**2.0**	**7.8**
of which: equipment		-	-	6.2	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1414.5	32.7	5.9	12.4	9.0	4.9	**-18.3**	**18.4**	**10.6**
Imports (goods and services)		1293.5	29.9	5.6	10.6	-6.4	-5.3	**-4.2**	**8.1**	**9.2**
GNI (GDP deflator)		4247.2	98.3	4.9	7.2	1.5	2.0	**-3.0**	**3.4**	**4.0**
Contribution to GDP growth:		Domestic demand		5.4	6.7	1.2	-2.2	**-1.8**	**2.4**	**4.0**
		Inventories		-0.3	0.7	-2.4	-0.1	**4.0**	**-1.0**	**0.0**
		Net exports		-0.1	0.2	4.2	3.2	**-4.7**	**2.5**	**0.5**
Employment				1.5	3.6	1.9	-2.3	**-4.3**	**3.6**	**4.3**
Unemployment rate (a)				9.3	10.8	10.9	13.7	**13.7**	**14.1**	**14.1**
Compensation of employees / head				16.2	8.8	17.0	22.8	**7.7**	**10.0**	**14.4**
Unit labour costs whole economy				12.3	4.8	15.8	18.9	**5.7**	**9.6**	**14.2**
Real unit labour cost				-0.6	-5.5	-0.6	4.4	**-5.6**	**-2.0**	**4.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				13.0	11.0	16.5	13.9	**12.1**	**11.9**	**9.4**
Consumer-price index				14.0	11.1	16.3	15.2	**11.8**	**11.7**	**9.2**
Terms of trade goods				-0.2	-7.3	-5.7	-6.2	**1.4**	**0.0**	**0.0**
Trade balance (goods) (c)				-6.3	-6.8	-4.8	-3.2	**-3.1**	**-2.2**	**-3.8**
Current-account balance (c)				-4.0	-4.7	-2.6	1.2	**-4.0**	**-2.0**	**-2.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-2.8	-2.8	-3.0	**-6.2**	**-6.0**	**-5.3**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				44.2	28.1	30.4	32.8	**41.4**	**44.5**	**47.5**

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

Other non-EU Countries

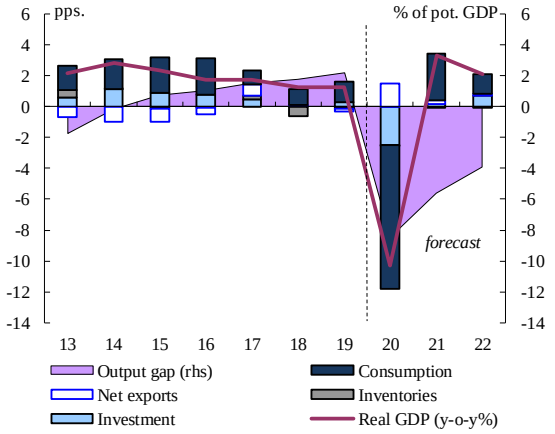
33. THE UNITED KINGDOM

As a consequence of the COVID-19 pandemic, UK GDP is projected to fall steeply in 2020, driven by a large drop in domestic demand. The recovery in 2021 is expected to be subdued, assuming in this forecast EU-UK trading relations based on WTO Most Favoured Nation (MFN) rules from the beginning of 2021. While private consumption drives most of the rebound in 2021, business investment is expected to take longer to recover due to the longer-term effects of the pandemic and the need to adapt to the new, significantly less beneficial trading relations with the EU. The general government deficit is forecast to increase in the current fiscal year above the levels seen in the global financial crisis, and debt is expected to remain well above 100% of GDP over the forecast horizon.

GDP fell steeply in the second quarter of 2020

After falling by 2.5% in the first quarter of 2020, UK GDP dropped sharply by 19.8% in the second quarter. As strict lockdown measures were only implemented towards the end of March, somewhat later than in other European countries, the GDP losses in the UK were concentrated in the second quarter. A fall in private consumption was the main driver of the fall, with investment also contributing negatively to growth.

Graph II.33.1: **The United Kingdom - Real GDP growth and contributions, output gap**



After a partial rebound in the third quarter of 2020, GDP growth is expected to slow down significantly in the last quarter of 2020. Overall, the government supported the economy with a fiscal package of about 10% of GDP and liquidity measures of about 16% of GDP in the fiscal year 2020-21 to counter the negative impacts of the pandemic. The winding down of the Coronavirus Job Retention Scheme at the end of October is expected to contribute to an increase in the unemployment rate, though the updated Job Support Scheme is expected to cushion the impact. In addition, an increase in the prevalence of COVID-19 cases and new restrictive measures to contain the pandemic are expected to weigh on private spending in the last quarter, and business investment expectations remain low. Overall, after growing 1.3% in 2019, GDP is forecast to contract by 10¼ % in 2020.

Output in the last quarter of 2022 is expected to still be well below pre-pandemic levels

Following the UK's withdrawal from the EU on 31 January 2020 and the entry into force of the Withdrawal Agreement, the UK entered a transition period during which EU law, with a few exceptions, continues to apply to the UK. This transition period lasts until the end of 2020. Without prejudice to the ongoing negotiations, projections over the forecast period are based on the assumption that the EU and the UK will trade on WTO MFN rules ('WTO assumption') from 1 January 2021 onwards.

The assumed move to this new trade relationship, which will be significantly less beneficial than the current situation, is expected to slow down the recovery considerably in 2021 and 2022. Business investment, which has already been weak in the past years, is expected to rebound only slowly as businesses have to deal with the consequences of the pandemic and the new trade relations with the EU. Job losses and lower real wages are expected to negatively affect private consumption. Government consumption is forecast to contribute positively to growth over the next two years. Overall, GDP is expected to increase by 3¼ % in 2021, and by 2% in 2022. In the fourth quarter of 2022, UK GDP is projected to still be 5% below the level of the fourth quarter of 2019. A potential trade agreement between the EU and the UK constitutes an upside risk for the forecast, whereas a less smooth transition to the new trade relationship would additionally weigh on growth.

Unemployment to increase sharply in 2021

Due to government policies supporting employees and the self-employed, unemployment is expected to increase only moderately in 2020, to 5.0% on average. However, due to the slow recovery in 2021 and government support terminating, unemployment is expected to increase sharply in 2021 to 7.3%. In 2022, the unemployment rate is projected to fall again to an average of 6.2%.

Consumer price inflation is forecast to ease to 0.9 % in 2020, mainly due to lower energy and service prices. Inflation is projected to increase to 2.3% in 2021 and 2.9% in 2022, partly as a result of higher prices for imports resulting from the new trade barriers.

General government deficit to rise above levels in the global financial crisis

Since the latest budget in March, the government announced several fiscal measures to deal with the consequences of the pandemic, amounting to around 10% of GDP. They include income support for employees and self-employed workers, support for businesses and increases in welfare spending.

Based on a no-policy change assumption, the measures are assumed to only have a temporary effect in 2020-2021. The government has also provided credit guarantees for bank loans of about 16 % of GDP, creating contingent liabilities. The general government deficit is expected to increase from 2.8% in 2019-2020 to 14¾ % in 2020-2021, significantly higher than at the height of the financial crisis. The deficit is forecast to fall to 8¼ % in 2021-2022 and to 7¼ % in 2022-23.

The additional fiscal measures and the expected fall in GDP lead to an expected general government debt-to-GDP ratio of 107½ % in 2020-2021, up from 84.5 % in 2019-2020. Debt is expected to increase further over the forecast period to 113½ %.

Table II.33.1:

General government projections on a financial-year basis

ESA10	Actual		Forecast		
	2018-19	2019-20	2020-21	2021-22	2022-23
General government balance~	-1.9	-2.8	-14.7	-8.3	-7.3
Structural budget balance	-3.0	-2.5	-10.1	-5.4	-5.4
General government gross debt	84.2	84.5	107.4	110.0	113.4

~APF transfers included

Table II.33.2:

Main features of country forecast - UNITED KINGDOM

	2019			Annual percentage change					
	bn GBP	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		2214.4	100.0	1.7	1.7	1.3	1.3	-10.3	3.3	2.1
Private Consumption		1416.9	64.0	1.9	1.1	1.4	0.9	-12.6	1.6	1.6
Public Consumption		423.1	19.1	2.0	0.7	0.6	4.1	-6.5	8.9	1.2
Gross fixed capital formation		399.5	18.0	1.7	2.8	0.4	1.5	-13.7	1.1	4.1
of which: equipment		81.1	3.7	1.6	0.9	-5.5	-2.6	-15.6	0.0	4.8
Exports (goods and services)		690.8	31.2	2.5	5.4	3.0	2.8	-9.8	-0.7	0.3
Imports (goods and services)		721.3	32.6	3.1	2.6	2.7	3.3	-14.0	-1.5	-0.1
GNI (GDP deflator)		2177.0	98.3	1.6	3.0	1.2	0.9	-10.4	3.3	2.1
Contribution to GDP growth:	Domestic demand			1.9	0.8	1.8	1.6	-11.8	3.2	1.9
	Inventories			0.0	0.2	-0.6	-0.1	0.0	0.0	0.0
	Net exports			-0.2	0.7	0.1	-0.2	1.5	0.2	0.1
Employment				0.9	1.0	1.2	1.1	-0.9	-1.7	1.9
Unemployment rate (a)				6.0	4.3	4.0	3.8	5.0	7.3	6.2
Compensation of employees / head				3.1	3.0	2.6	4.0	-0.6	1.1	1.4
Unit labour costs whole economy				2.2	2.3	2.5	3.8	9.8	-3.8	1.2
Real unit labour cost				0.2	0.3	0.3	1.7	4.8	-2.8	-1.1
Saving rate of households (b)				8.9	5.7	6.1	6.5	16.8	14.7	13.2
GDP deflator				2.0	1.9	2.2	2.1	4.8	-1.1	2.3
Harmonised index of consumer prices				2.1	2.7	2.5	1.8	0.9	2.3	2.9
Terms of trade goods				0.4	-0.9	0.8	0.7	0.0	0.0	0.0
Trade balance (goods) (c)				-5.5	-6.5	-6.4	-5.9	-4.7	-4.3	-4.2
Current-account balance (c)				-3.3	-3.8	-3.7	-4.3	-3.1	-2.9	-2.7
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.3	-3.8	-3.8	-4.3	-3.2	-3.0	-2.8
General government balance (c)				-4.7	-2.4	-2.2	-2.3	-13.4	-9.0	-7.6
Cyclically-adjusted budget balance (d)				-4.4	-3.3	-3.2	-3.5	-8.7	-5.9	-5.4
Structural budget balance (d)				-	-3.3	-3.2	-3.5	-8.7	-5.9	-5.4
General government gross debt (c)				59.9	86.3	85.8	85.4	104.4	111.0	113.7

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

34. THE UNITED STATES

The US economy picked up relatively quickly from the collapse in April and May thanks to robust private demand, an improving labour market, and supported by very accommodative monetary policy and a large fiscal stimulus. The economy is set to continue to recover in coming quarters albeit at a slower pace, while uncertainty remains unusually elevated.

An unprecedented contraction of the economy in the first half of 2020

US output contracted by 9.0% (q-o-q) in the second quarter of 2020, following a decline of 1.3% in the first quarter, as the pandemic and the impact of containment measures spread throughout the economy. The fall in output in the second quarter was a record-high in the post-World War II period, but was still dwarfed by the collapse in the external sector, with exports declining by 23% and imports by 18% in the second quarter. Private consumption and investment fell by 9.6% and 6.8% q-o-q respectively.

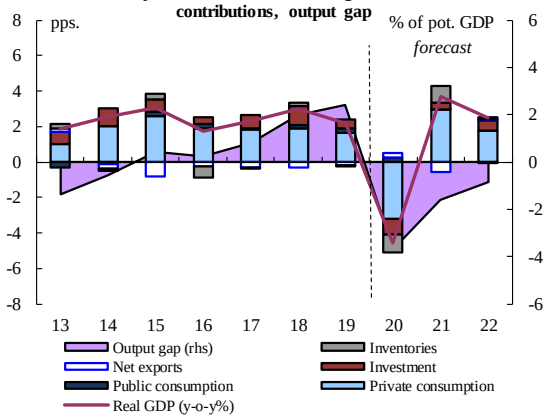
A brisk rebound heading into 2021 as private demand recovers, but soft spots will remain

For 2020 as a whole GDP is expected to contract by a more modest 4.6% as the economy sees a robust rebound in the second half of the year. This assumes strict lockdowns are avoided or replaced by more localised measures with lower direct economic impact. Under this assumption we expect the economy to continue normalising in the third and fourth quarters of 2020 as service providers reopen and industry - including the battered energy sector - bounces back and furloughed employees gradually return to work. The recovery is set to be underpinned by accommodative financing conditions, supportive monetary policy and a relatively high buffer of precautionary savings that households have accumulated as a result of fiscal stimulus measures. The recovery is expected to continue throughout 2021 and 2022, with GDP increasing by around 3¾% and 2½% respectively. At this pace of growth economic activity will reach its pre-pandemic level at the beginning of 2022. By contrast, employment is expected to increase more slowly and is not expected to reach its pre-pandemic level over the forecast horizon.

The forecast adheres strictly to a no-policy change assumption and hence assumes no new fiscal support measures. Private investment has shown more resilience to date than may have been expected but is projected to remain subdued due to high uncertainty linked both to COVID-19 and trade and geopolitical tensions. Private consumption will remain an important motor of growth as households slowly reduce their precautionary savings cushion and unemployment gradually falls.

The global recession and the uncertain economic outlook of main trade partners, as well as broader shifts in value chains, are set to weigh heavily on the export sector in the coming quarters. In effect, exports are forecast to only gradual converge towards their pre-pandemic levels after a severe contraction in 2020. Imports are set to decline less than exports in 2020 and recover more quickly, reaching their pre-pandemic peak in the second half of 2022, reflecting resilient private consumption. As a consequence the trade deficit, having narrowed slightly in USD terms in 2020, is projected to increase in both USD terms and as a percentage of GDP in 2021-2022.

Graph II.34.1: **US - Real GDP growth and contributions, output gap**



The US lost over 20 million job in April 2020 and the unemployment rate climbed to 14.7%, despite a fall in the active labour force. A large number of workers were rapidly re-employed and unemployment fell to 7.9% in September, but the unemployment rate is expected to remain about 1.7 pps. above the 2019 level at the end of the forecast horizon as re-hiring slows and the participation

rate recovers. After falling by about 0.7% in 2020, consumer price inflation is expected to rise in 2021 and 2022 but to remain below the Federal Reserve's 2% target at the end of 2022.

Supportive monetary policy will continue while fiscal policy stance remains more uncertain

Fiscal policy is projected to be significantly less supportive in coming quarters than in the first half of 2020. Some stimulus measures have already expired, such as additional temporary payments to the unemployed, and there has as yet been no agreement in Congress on a new stimulus package, though this deadlock may break following the November Presidential election. By contrast, monetary policy is set to remain exceptionally accommodative. The policy rate is not expected to increase over the forecast horizon and the liquidity measures rolled out by the Fed are likewise set to remain in place. This outlook is underpinned by the recent review of the Fed's operating framework that moves to average inflation targeting, allowing for a temporary overshooting of the 2% inflation target rate. The general government deficit-to-GDP ratio is set to be above 15% of GDP in 2020 and the debt-to-GDP ratio is expected to increase by close to 20 percentage points compared to 2019, with gross general government debt projected to reach almost 130% of GDP in 2021.

An exceptionally high degree of uncertainty with both downside and upside risks

A sustained increase in the number of daily infections could further dampen economic activity, while early availability of an effective vaccine constitutes an upside risk. The pace of labour market recovery has surprised on the upside in recent months, but stronger-than-expected scarring effects on small and medium firms could slow down future growth in employment. Lower corporate profits and a reassessment of credit risk may also expose vulnerabilities among the most highly leveraged companies. Although equity markets have been very buoyant, renewed concern for the medium term outlook could lead to a significant correction. Continued trade and geopolitical tension could also hinder the recovery, particularly in investment and exports. On the upside, a new and sizeable fiscal package could provide a renewed boost to incomes, limit corporate insolvencies and accelerate recovery.

Table II.34.1:

Main features of country forecast - UNITED STATES

	2019			Annual percentage change					
	bn USD	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		21433.2	100.0	1.9	2.4	2.9	2.3	**-4.6**	**3.7**	**2.5**
Private Consumption		14544.6	67.9	2.2	2.6	3.0	2.6	**-4.9**	**4.4**	**2.6**
Public Consumption		2995.1	14.0	1.1	0.6	1.7	1.8	**1.8**	**0.1**	**-0.1**
Gross fixed capital formation		4454.9	20.8	1.6	3.7	4.1	1.8	**-3.6**	**1.6**	**2.7**
of which: equipment		1404.9	6.6	3.3	4.8	6.7	1.9	**-10.7**	**1.2**	**2.9**
Exports (goods and services)		2514.7	11.7	3.5	3.5	3.0	0.0	**-13.9**	**7.1**	**3.6**
Imports (goods and services)		3125.2	14.6	3.1	4.7	4.4	1.0	**-12.1**	**8.3**	**2.3**
GNI (GDP deflator)		21702.8	101.3	1.9	2.6	2.8	2.2	**-5.0**	**3.7**	**2.6**
Contribution to GDP growth:	Domestic demand			2.0	2.6	3.1	2.4	**-3.8**	**3.3**	**2.3**
	Inventories			0.0	0.0	0.1	0.1	**-0.8**	**0.8**	**0.1**
	Net exports			-0.1	-0.3	-0.3	-0.1	**0.1**	**-0.4**	**0.1**
Employment				-	1.2	1.7	1.1	**-6.3**	**2.1**	**1.9**
Unemployment rate (a)				6.4	4.4	3.9	3.7	**7.7**	**6.2**	**5.4**
Compensation of employees / f.t.e.				2.8	3.2	3.4	3.0	**4.2**	**0.3**	**1.9**
Unit labour costs whole economy				1.4	2.0	2.2	1.8	**2.3**	**-1.3**	**1.3**
Real unit labour cost				-0.5	0.1	-0.3	0.2	**1.1**	**-2.5**	**0.1**
Saving rate of households (b)				11.5	12.5	13.3	13.8	**19.6**	**12.3**	**11.2**
GDP deflator				1.9	1.8	2.5	1.6	**1.1**	**1.2**	**1.3**
Consumer-price index				-	2.1	2.4	1.8	**1.1**	**1.6**	**1.8**
Terms of trade goods				0.0	0.6	0.7	0.0	**-3.1**	**-1.9**	**-0.4**
Trade balance (goods) (c)				-4.9	-4.3	-4.4	-4.1	**-4.3**	**-4.8**	**-4.7**
Current-account balance (c)				-3.2	-1.9	-2.2	-2.2	**-3.0**	**-3.4**	**-3.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.2	-1.9	-2.2	-2.2	**-3.0**	**-3.4**	**-3.2**
General government balance (c)				-6.6	-4.3	-6.6	-7.2	**-15.3**	**-6.9**	**-4.7**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				81.7	105.9	106.9	108.7	**127.9**	**128.7**	**128.7**

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

(*) Employment data from the BLS household survey.

35. JAPAN

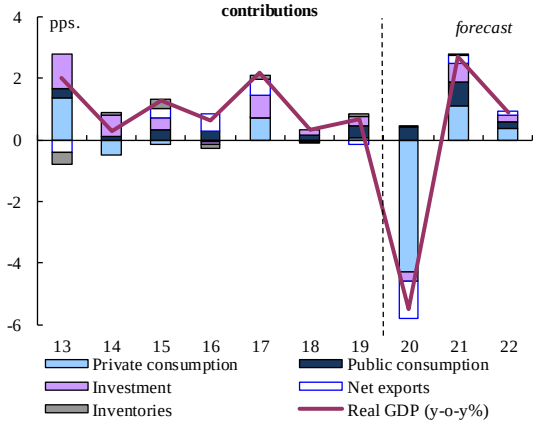
After three quarters of negative growth starting at the end of 2019, economic activity is set to rebound in the second half of 2020, amid a sizeable fiscal policy stimulus, rather successful containment policy and recovering external demand. Medium term prospects are, however, rather gloomy due to structural bottlenecks and limited policy space.

Recovering external demand and successful containment polices support near term growth

Real GDP in Japan declined by 8% quarter-on-quarter in the second quarter of 2020, the steepest post-war contraction on record, deepening the slump that started at the end of 2019. Still, Japan outperformed most other advanced economies in Q2-2020, highlighting the effectiveness of the coronavirus response, which limited the fall in private demand. At the same time, exports plummeted reflecting falling global demand and a complete standstill in foreign tourist inflows.

Monthly indicators point at a cyclical rebound taking hold in the second half of the year. Domestically, strong retail sales indicate a sustained recovery in private consumption, buoyed by a limited rise in unemployment and sizeable fiscal measures. At the same time, rebounding industrial production and exports point at brightening external trade prospects.

Graph II.35.1: **Japan - Real GDP growth and contributions**



Overall, real GDP is set to decline in 2020 by 5½% reflecting deep contraction in the first half of 2020. On the domestic side, private consumption is likely to bounce back in the second half of the year, as households are likely to increase spending from accumulated savings, given the brightening economic prospects. However, the rebound will not compensate fully the significant slump in the beginning of the year, and private consumption will be the main driver of the decline in output. Private investment is likely to recover as well in the second half of the year, driven by rising investment into IT and automation, reflecting the recent increased use of modern technologies at the workplace to boost productivity. The drop in investment over the whole 2020 will thereby be only modest. Both public consumption and investment are set to remain robust on the back of sizable fiscal stimulus. On the external side, healthy demand from China and recovering demand in advanced economies will boost exports in the second half of the year, though very weak foreign tourism receipts will remain a major drag going forward.

Moderate recovery in the medium term

The pace of growth is expected to accelerate to 2¾% in 2021 as a cyclical recovery in private demand takes hold, the negative impacts of the coronavirus outbreak and the tax reform dissipate and fiscal stimulus measures feed through the economy. Private consumption is set to recover as pent-up demand picks up and the delayed Tokyo Olympics are expected to take place in 2021. Public spending is set to increase driven by a continuation of stimulus measures while private investment growth is likely to pick up temporarily in 2021, reflecting rebounding demand and ample liquidity. On the external side, goods exports are set to continue their recovery, though remaining travel restrictions are likely to hamper a strong rebound in tourism. At the same time, imports are likely to increase in line with rising domestic demand. Overall, net exports are expected to contribute negatively to growth in 2020 and recover afterwards.

Real GDP growth is projected to decelerate to 1% in 2022. This reflects shrinking fiscal and monetary policy space and mounting challenges related to sectoral reallocation away from face-to-face into digitally provided services, reshuffle of global value chains and lower tourism revenues that are expected to add to already existing

bottlenecks (weak productivity, ageing population, low digitalisation of the economy) which have pushed potential GDP growth well below 1%.

Sizable fiscal stimulus, but limited scope for further monetary policy support

Generous fiscal stimulus, in the form of two supplementary budgets adopted in April and May, amounting to direct fiscal support of about 11% of GDP is set to feed the rebound. The majority of the budgetary support is intended for expanding the safety net, including cash handouts to firms and households, employment subsidies, rent provisions for companies and pay-outs for healthcare workers. These direct measures are combined with concessional corporate loans and expanded guarantees. However, given supply side bottlenecks, implementation inefficiencies and high uncertainty among the population, the economic impact is likely to be more muted than the headline numbers suggest. The fiscal deficit is projected to increase from 3¼% of GDP in 2019 to around 14% of GDP in 2020, pushing public debt to a record 265½% of GDP in 2020. The deficit is projected to shrink thereafter, in the absence of additional stimuli, to 3½% of GDP in 2022.

Absent space for further interest rate cuts, the Bank of Japan introduced a set of measures to provide liquidity and support credit flows to the economy. These included expansion of purchases of government and corporate bonds and exchange traded funds. The measures kept corporate financing conditions lose, but the risks for some sectors have increased significantly with the virus outbreak. At the same time, the space for further monetary policy easing appears limited given negative interest rates, which undermine the profitability and business model of domestic banks and an already sizeable involvement of the central bank in the domestic bond and stock markets.

Risks are elevated

Risks remain tilted to the downside, including the risk of a second wave of the pandemic, a stronger currency undermining exports and investment recovery and the negative spillovers from the trade ructions between China and the US. On the upside, sharper than expected rebound in China and the rest of Asia and higher-than-assumed fiscal multipliers might result in a swifter recovery of economic activity in the near term.

Table II.35.1:

Main features of country forecast - JAPAN

	2019			Annual percentage change					
	bn JPY	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		553962.2	100.0	0.7	2.2	0.3	0.7	**-5.5**	**2.7**	**0.9**
Private Consumption		305823.4	55.2	0.7	1.3	0.0	0.2	**-7.7**	**2.0**	**0.7**
Public Consumption		110804.7	20.0	1.5	0.2	0.9	1.9	**2.0**	**3.6**	**1.0**
Gross fixed capital formation		134666.5	24.3	-0.5	3.0	0.6	1.3	**-1.3**	**2.4**	**0.8**
of which: equipment		-	-	0.7	5.3	2.8	-	**-**	**-**	**-**
Exports (goods and services)		96988.4	17.5	3.8	6.8	3.4	-1.8	**-12.8**	**5.8**	**2.3**
Imports (goods and services)		95865.1	17.3	2.6	3.4	3.4	-0.8	**-5.4**	**3.6**	**1.4**
GNI (GDP deflator)		573801.7	103.6	0.9	2.4	0.4	0.6	**-5.3**	**2.9**	**0.9**
Contribution to GDP growth:	Domestic demand			0.6	1.5	0.3	0.8	**-4.1**	**2.5**	**0.8**
	Inventories			0.0	0.1	0.0	0.1	**0.0**	**0.0**	**0.0**
	Net exports			0.2	0.6	0.0	-0.2	**-1.3**	**0.3**	**0.1**
Employment				0.1	1.0	1.7	0.5	**-5.0**	**2.0**	**2.0**
Unemployment rate (a)				4.4	2.8	2.4	2.3	**3.1**	**2.9**	**2.7**
Compensation of employees / head				-0.5	0.5	1.5	0.9	**3.2**	**-1.0**	**-1.0**
Unit labour costs whole economy				-1.2	-0.7	2.9	0.8	**3.7**	**-1.7**	**0.1**
Real unit labour cost				-0.5	-0.5	3.0	0.2	**3.6**	**-1.9**	**-0.3**
Saving rate of households (b)				10.2	9.0	10.5	11.4	**21.1**	**13.6**	**11.0**
GDP deflator				-0.6	-0.2	-0.1	0.6	**0.1**	**0.2**	**0.4**
Consumer-price index				0.0	0.5	1.0	0.5	**0.1**	**0.1**	**0.3**
Terms of trade goods				-1.7	-4.9	-4.8	1.1	**0.0**	**0.0**	**0.0**
Trade balance (goods) (c)				1.0	0.9	0.2	0.3	**-0.6**	**-0.3**	**-0.2**
Current-account balance (c)				2.8	4.1	3.5	3.4	**2.3**	**2.8**	**2.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.7	4.1	3.5	3.3	**2.2**	**2.7**	**2.8**
General government balance (c)				-6.1	-2.9	-2.3	-3.3	**-13.9**	**-5.6**	**-3.5**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				196.7	234.6	236.5	238.0	**265.5**	**263.4**	**263.5**

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

36. CHINA

After a severe slump in the first quarter of 2020 amid a very strict lockdown, economic activity rebounded strongly over the following two quarters. Benefitting from an early and robust control of the pandemic, targeted policy support and a recovery in external demand for China's exports, manufacturing output and investment returned to pre-Covid-19 levels relatively quickly. Despite weaker activity in services, real GDP is expected to grow by some 2% in 2020 and pick up by 7¼% in 2021. However, uncertainty remains high not least because of the US push for trade and tech decoupling.

Severe growth hit was quickly overcome

The COVID-19 outbreak triggered an unprecedented economic downturn as GDP declined by 6.8% (y-o-y) in the first quarter of 2020, reflecting a strict lockdown and a slump in external demand. Yet, health policy measures proved successful in containing the epidemic and production resumed quickly in March/April at a time when the rest of the world was just starting to close down for business. This gave China a head start in the recovery.

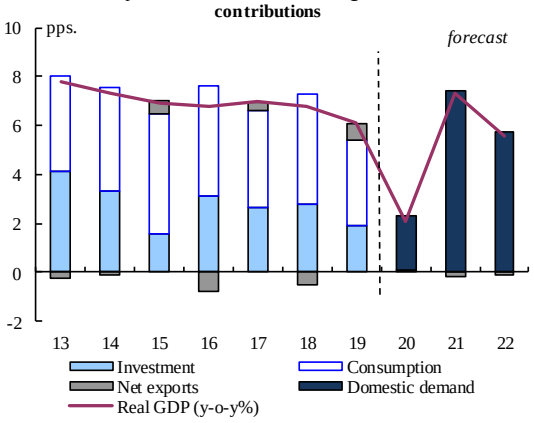
Real GDP rebounded by 3.2% (y-o-y) in the second quarter of 2020, driven by a supportive policy stance, but also by better-than-expected exports growth. Helped initially by stimulus-driven infrastructure investment, industrial production grew by 4.4% (y-o-y) in the second quarter and accelerated to 5.8% in the third quarter. The recovery in the services sector lagged behind due to long lasting social distancing measures and retail sales started growing again relative to 2019 only in August. Investment in fixed assets entered into positive territory in July, driven by infrastructure investment, which rose at a double-digit rate. After a double-digit drop in the first quarter, exports gradually accelerated to about 10% (y-o-y) growth in September.

Overall, economic activity rebounded at a brisk pace driven by industrial production, investment and exports. Real GDP growth firmed up in the third quarter at 4.9% (y-o-y) and became more balanced and broad-based. Yet, the recovery of retail and recreation services has been slower, but it is expected to pick up too as most social distancing measures in the services sector are lifted and domestic travel resumes.

Recovery set to continue and become more balanced

Going forward, growth is expected to gain speed in the fourth quarter and throughout 2021, but the projected rebound still implies some permanent loss of output compared to 2019, particularly in services. Growth is projected to decelerate to 2% in 2020, the lowest growth rate in several decades, and accelerate to 7¼% in 2021, reflecting a strong carry-over effect and a recovery of global growth and external demand.

Graph II.36.1: **China - Real GDP growth and contributions**



All in all, higher unemployment and lower household and corporate incomes are expected to keep consumer demand depressed in 2020, which is likely to rebound more forcefully only in 2021. Despite a better than expected recovery, China's trade volumes are still projected to worsen in 2020 from 2019. The double-digit drop in the first quarter and supply chain disruptions are projected to reduce China's exports of goods and services by more than 3% this year. Imports are forecast to decline by almost 4%, as domestic consumption lags the recovery in 2020. Together with the drop in foreign tourism outflows, China's current account surplus is expected to widen moderately in 2020, while imports will lead the trade rebound as of 2021 and 2022.

Growth is expected to scale back to around 5½% in 2022, as the economy resumes its trend deceleration prior to the COVID-19 outbreak, weighed down by a gradual reduction in productivity and the accumulation of domestic

imbalances and debt. This is of particular concern in the corporate sector, where SOEs play an important role.

Targeted policy stimulus has supported the recovery

The macroeconomic policy response to the outbreak has been much smaller and better targeted than the one deployed after the Great Financial Crisis in an effort to avoid exacerbating existing domestic imbalances. The focus has been on supply-side support through targeted stress relief for corporates, rather than on large scale support to incomes and domestic demand directly. Yet, infrastructure investment financed by local governments was a major contributor to the recovery so far. The fiscal support took the form of additional healthcare spending, reduction in taxes and social security contributions for firms, employment or wage subsidies and financial guarantees for SMEs. On the monetary side, liquidity injections were stepped-up together with cuts in reserve requirements for banks while the latter were encouraged to lend more to SMEs, facilitate repayments and increase debt forbearance for all companies. Local authorities provided companies with administrative support to resume production quickly and with adequate health measures in place. Overall, China has planned an extra fiscal stimulus of about 3.5% of GDP in 2020 over 2019.

Unprecedented levels of uncertainty

Although China's growth is likely to be better than expected in 2020, it is still the weakest outcome in decades and projections for 2021 and 2022 remain surrounded by high uncertainty. The main downside risks relate to the trade and tech tensions with the U.S., the possibility of a more protracted global economic downturn and a resurgence of the COVID-19 pandemic. A medium-term risk relates to the unwinding of financial vulnerabilities and the high leverage in the economy, which risks being exacerbated further by the crisis. On the other hand, while the overall policy space has become more limited, China still has some room to implement additional policy support if the economic outlook deteriorates significantly.

Table II.36.1:

Main features of country forecast - CHINA

	2019			Annual percentage change						
	bn CNY	Curr. prices	% GDP	00-16	2017	2018	2019	2020	2021	2022
GDP		99086.5	100.0	9.4	7.0	6.7	6.1	**2.1**	**7.3**	**5.6**
Consumption		55149.5	55.7	-	-	-	-	-	-	-
Gross fixed capital formation		42201.9	42.6	-	-	-	-	-	-	-
of which: equipment				-	-	-	-	-	-	-
Change in stocks as % of GDP				-	-	-	-	-	-	-
Exports (goods and services)		23845.2	24.1	14.7	9.1	4.0	2.3	**-3.6**	**5.5**	**4.3**
Final demand				-	-	-	-	-	-	-
Imports (goods and services)		22364.7	22.6	14.1	7.1	7.9	-2.0	**-3.8**	**7.1**	**5.6**
GNI (GDP deflator)		-	-	-	-	-	-	-	-	-
Contribution to GDP growth :	Domestic demand			-	-	-	-	-	-	-
	Inventories			-	-	-	-	-	-	-
	Net exports			-	-	-	-	-	-	-
Employment				-	-	-	-	-	-	-
Unemployment (a)				4.0	3.9	3.8	3.6	-	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs				-	-	-	-	-	-	-
Real unit labour costs				-	-	-	-	-	-	-
Saving rate of households				-	-	-	-	-	-	-
GDP deflator				3.5	4.2	3.5	1.6	**1.0**	**2.1**	**2.1**
Private consumption deflator				-	-	-	-	-	-	-
Index of consumer prices (c)				2.2	1.6	2.1	2.9	-	-	-
Merchandise trade balance (b)				4.5	3.9	3.2	3.0	**3.2**	**2.7**	**2.5**
Current-account balance (b)				3.9	1.6	0.2	1.0	**1.3**	**0.9**	**0.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)				-	-	-	-	-	-	-
General government balance (b)				-	-	-	-	-	-	-
General government gross debt (b)				-	-	-	-	-	-	-

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

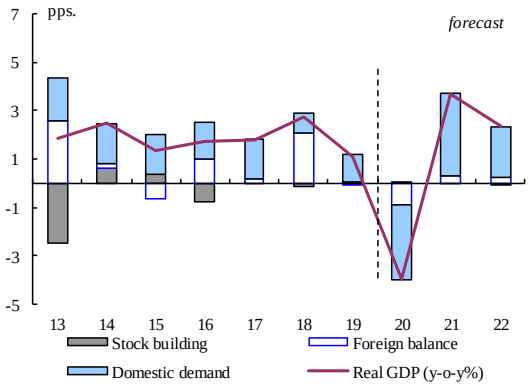
37. EFTA

The EFTA countries weathered the first half of 2020 rather well, benefitting from rapid and determined COVID-19 containment measures and substantial fiscal support schemes, amounting up to 10% of GDP. However, countries with a large tourism sector are set to be hit harder by the crisis than more diversified economies.

Switzerland

In the first half of 2020, real GDP was 4½% lower than a year before, largely due to a sharp and broad drop in demand, affecting nearly all components. Private consumption dropped by 7%, while gross capital formation declined by nearly 8%. Imports of goods and services were 5½% lower than a year before, while the decline in exports was less pronounced at 3%, partly thanks to a solid export performance of chemical and pharmaceutical products. The compensation of employees fell by nearly 5% in the first half of 2020, although thanks to short-time work compensation, the actual income losses for employees were much lower, at some –¼%. Unemployment rose, in particular in tourism and construction. However, thanks to short-time working schemes, the overall impact on employment appears to have remained muted (-1.2% y-o-y in the second quarter of 2020). So far, the government has presented fiscal support measures amounting to up to 11% of GDP.

Graph II.37.1: **Switzerland - Real GDP growth and contributions**



Based on a scenario of a persistent need for continued containment measures over the winter months, the recovery in the second half is expected to be subdued. This would lead to a decline in GDP by some 4% for the whole year. A marked drop in domestic demand is a key factor behind the contraction in 2020, largely reflecting weaker private consumption and lower investment. In 2021, pent-up private consumption and investment, as well as revenues from international sport events will support a partial recovery, while in 2022 the economy will operate closer to its potential. In view of the muted labour market response, which benefitted from support measures, also the pick-up of employment after the pandemic will remain subdued. Inflation is likely to remain low in 2020, given recent declines in oil and food prices. The fiscal costs of fighting the pandemic and its economic implications will still be felt in the coming years and will result in a substantial, but temporary rise in the deficit and debt ratios.

Country-specific risks to the outlook are largely on the upside and are related to the recovery of key trading partners, such as Germany, the USA and the United Kingdom. A downside risk is a reversal of the Swiss currency's recent depreciation during the summer months, given its status as a safe-haven, which could negatively affect the country's price competitiveness.

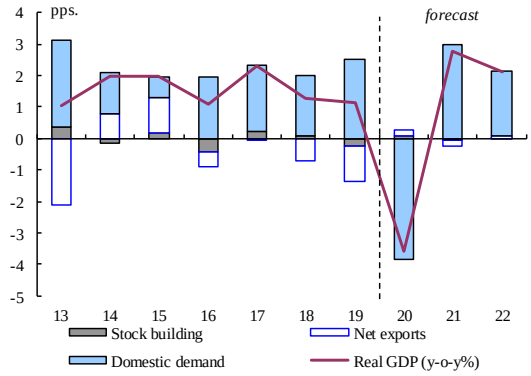
Norway

The substantial disruptive effects of the COVID-19 crisis on the Norwegian economy became more visible in the second quarter of 2020 as real GDP shrank by 5.1% q-o-q, the sharpest decline ever recorded, compounding a contraction of 1.7% in the first quarter. The sharp downturn was largely driven by a steep fall of private consumption due to worsening labour market conditions combined with the economic fallout from the pandemic and negative consumer sentiment. Investment also fell albeit at a slower pace compared to the first quarter. The external sector had a positive contribution to growth as imports dropped at a faster rate than exports, reflecting weak domestic demand.

Following the easing of restrictions since 16 June, the economy showed signs of recovery during the summer months. Nevertheless, the increase in viral infections in September, the re-imposition of some social distancing measures as well as the long-term disruptive effect of the pandemic are expected to dent economic activity in 2020. Household

consumption is expected to shrink significantly while concerns over the duration of the crisis among investors will weigh on investment. Still, net exports will add to growth as merchandise exports will fall at a slower pace than imports, benefitting from the recovery in oil and gas prices. House prices rose by 1.5% q-o-q in the second quarter compared to an almost flat growth rate in the first quarter and they continued to increase through the summer. The recovery in residential investment will likely be very slow due to concurrent headwinds including lower population growth and the increased uncertainty about economic developments going forward. In 2021, a return to growth is expected, mainly driven by a rebound in household consumption and investment. Overall, the economy is forecast to shrink by around 3½% in 2020, before recovering by around 2¾% in 2021 and around 2% in 2022.

Graph II.37.2: **Norway - Real GDP growth and contributions**



The sharp economic downturn and the considerable uncertainty around the pace of economic recovery triggered Norges Bank's Executive Board decision on 23 September to keep the key policy rate unchanged at the historic low of 0.0% for the third consecutive meeting, after slashing it from 1.5% with three successive cuts between March and May.

The economy will receive less support from government spending in 2021 mainly due to the phasing out of most of the extensive and temporary extraordinary COVID-19 measures introduced in 2020. The fiscal policy anticipates a fiscal impulse of -2.9% of mainland GDP, resulting in a structural non-oil deficit of around 9½% of mainland GDP and spending of oil revenues equivalent to the fiscal rule of 3.0% 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 interest rates rises or a steep fall in house prices. 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 upside and downside risks while a continued severe disruption caused by the spread of the virus across Norway's main trading partners would weigh materially on growth.

Iceland

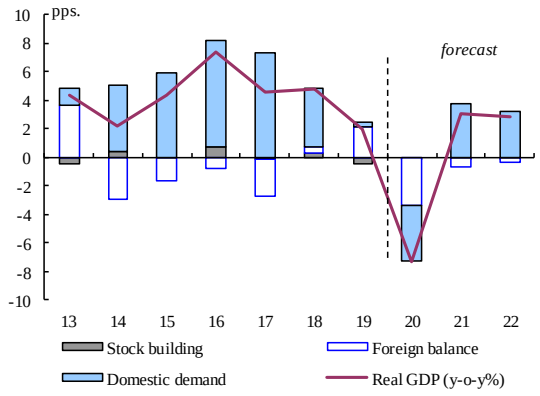
Iceland's cyclical recession, which started in the first quarter of 2020, was severely amplified by COVID-19 related disruptions. In the second quarter GDP contracted by more than 10% y-o-y with all demand components, except public consumption, contributing negatively. Exports and imports dropped by nearly 40% and 30% y-o-y, respectively, resulting in a negative contribution from foreign trade. Due to the collapse in tourism, exports of services fell by 64%, while exports of goods, in particular marine products, fared better with an estimated drop of 13%, y-o-y.

With renewed increase in COVID-19 cases in the autumn, the outlook is for a deep recession in 2020. Iceland's exports, in particular tourism, are set for dramatic contraction, while suppressed private consumption and investment will be only partially offset by higher government consumption. The timid recovery in 2021 relies on the assumption of partial export recovery, but exports are not expected to return to their 2019 level before 2022. The projected rebound in investment will be supported by public and housing investment, the latter due supported by the low interest-rate environment.

Pandemic-related disruptions led to declining labour force participation, only partially mitigated by the part-time benefits programme. The unemployment rate stood at nearly 8% while underemployment increased to 4.2% of the labour force in mid-2020. In line with the gloomy outlook, a further increase in unemployment is projected for 2020, with a gradual decline expected afterwards. Due to strong automatic stabilisers and discretionary measures, such as tax reductions, part-time unemployment benefits, closure subsidies, government guaranteed loans to

companies, and accelerated public investment, the general government deficit is set to widen to nearly 10% of GDP in 2020. A similar budget gap is projected for 2021 as the draft budget targets a deficit of some 9% of GDP. Despite a sharp decline in public revenue, amplified by a planned temporary reduction in the social security tax rate for employers by 0.25%, the government has announced that it will not cut expenses in 2021. Nearly 60% of public spending will be allocated to social welfare, healthcare and education.

Graph II.37.3: **Iceland - Real GDP growth and contributions**



The government also plans to accelerate public infrastructure investment.

The Central Bank of Iceland (CBI) undertook a number of monetary and macroprudential policy measures in response to the crisis. The policy rate was cut by 175 basis points bringing it to a new record low of 1% while the 2% requirement on the countercyclical capital buffer for commercial banks has been lowered to 0%. Furthermore, the CBI has announced the envelope for purchasing of government bonds in the secondary market, which amounts to around 5% of GDP in 2020. By end-September, around 13% of the envelope has been spent. Despite CBI interventions in the foreign currency market, the ISK has continued sliding creating inflationary pressures that partially offset the disinflationary impact of the pandemic in 2020. Going forward, inflation is set to ease due to the persisting sizeable slack in the economy.

The balance of risks is tilted to the downside. Key risks stem from the external environment and gloomy outlook for Iceland's main exports, in particular tourism. An upside risk is related to the depreciating ISK, which could raise the country's attractiveness for tourists in 2021-2022.

Table II.37.1:

Main features of country forecast - EFTA

	Iceland				Norway				Switzerland			
(Annual percentage change)	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**
GDP	1.9	-7.3	3.1	2.9	1.2	**-3.6**	**2.8**	**2.1**	1.1	**-4.0**	**3.7**	**2.3**
Private Consumption	1.3	**-5.7**	**2.9**	**3.2**	1.5	**-6.8**	**3.9**	**2.4**	1.4	**-4.0**	**3.5**	**2.5**
Public Consumption	4.2	**3.4**	**3.7**	**2.7**	1.7	**3.0**	**2.0**	**1.9**	0.9	**2.0**	**1.5**	**1.0**
Gross fixed capital formation	-6.6	**-9.2**	**6.1**	**4.2**	6.1	**-5.8**	**2.9**	**1.9**	1.2	**-5.0**	**5.5**	**2.8**
of which: equipment	-	**-**	**-**	**-**	9.0	**-2.3**	**2.0**	**3.2**	1.9	**-7.5**	**6.8**	**4.0**
Exports (good and services)	-4.9	**-26.1**	**11.1**	**9.6**	1.5	**-9.2**	**4.5**	**2.5**	-0.2	**-8.0**	**8.2**	**3.8**
Imports (goods and services)	-10.2	**-21.0**	**13.3**	**10.8**	5.2	**-10.2**	**5.2**	**2.3**	-0.1	**-8.2**	**9.5**	**4.2**
GNI (GDP deflator)	1.9	**-7.3**	**3.1**	**2.9**	1.2	**-3.6**	**2.8**	**2.1**	1.1	**-4.0**	**3.7**	**2.3**
Contribution to GDP growth: Domestic demand	0.3	**-3.9**	**3.7**	**3.2**	2.5	**-3.8**	**3.0**	**2.0**	1.1	**-3.1**	**3.4**	**2.1**
Inventories	-0.5	**0.0**	**0.0**	**0.0**	-0.2	**0.1**	**0.0**	**0.0**	0.1	**0.0**	**0.0**	**0.0**
Net exports	2.2	**-3.3**	**-0.6**	**-0.4**	-1.1	**0.2**	**-0.2**	**0.1**	-0.1	**-0.9**	**0.3**	**0.2**
Employment	-0.4	**-6.4**	**1.4**	**1.4**	1.6	**-2.1**	**0.6**	**1.3**	1.0	**-0.4**	**0.4**	**0.7**
Unemployment rate (a)	3.3	**10.1**	**9.5**	**8.6**	3.5	**5.3**	**4.8**	**4.1**	4.7	**5.2**	**5.5**	**5.4**
Compensation of employee/head	4.5	**-3.1**	**0.3**	**3.8**	3.5	**1.9**	**2.1**	**3.4**	1.9	**-0.6**	**0.4**	**1.5**
Unit labour cost whole economy	2.1	**-2.2**	**-1.3**	**2.4**	4.0	**3.4**	**0.0**	**2.6**	1.9	**3.1**	**-2.8**	**-0.2**
Real unit labour cost	-2.4	**-5.1**	**-4.1**	**-0.4**	4.6	**2.1**	**-2.3**	**0.2**	2.0	**4.5**	**-2.7**	**-0.5**
Saving rate of households (b)	4.2	0.0	-0.7	-0.5	13.2	**14.7**	**13.2**	**16.3**	:	:	:	:
GDP deflator	4.5	**3.1**	**2.9**	**2.8**	-0.6	**1.2**	**2.3**	**2.3**	-0.1	**-1.3**	**-0.2**	**0.4**
Harmonised index of consumer prices	2.7	3.0	2.8	2.6	2.3	**1.3**	**1.8**	**2.0**	0.4	**-0.8**	**0.0**	**0.5**
Terms of trade goods	0.8	**-0.5**	**-0.3**	**-0.1**	-10.8	**-4.0**	**0.0**	**0.0**	-1.1	**0.4**	**0.0**	**-0.1**
Trade balance (goods) (d)	-3.4	**-1.4**	**-2.0**	**-2.7**	3.0	**2.4**	**2.3**	**2.4**	10.3	**9.6**	**9.4**	**9.4**
Current account balance (d)	5.1	**1.8**	**1.1**	**0.6**	3.9	**3.1**	**2.9**	**3.0**	8.2	**7.5**	**7.5**	**7.4**
Net lending (+) or borrowing (-) vis-a-vis ROW	5.1	**1.7**	**1.0**	**0.6**	3.8	**3.1**	**2.9**	**3.0**	7.4	**6.6**	**6.7**	**6.7**
General government balance (d)	-1.0	**-9.4**	**-9.2**	**-5.0**	6.4	**3.1**	**7.8**	**8.5**	-0.1	**-4.0**	**-1.5**	**-0.5**
General government gross debt (d)	46.2	**60.6**	**67.3**	**68.7**	40.4	**46.2**	**43.7**	**40.5**	30.9	**36.6**	**36.9**	**36.3**

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c) for Iceland national consumer price index.
(d)as a % of GDP.

38. RUSSIAN FEDERATION

The recession in Russia is set to be somewhat milder than in most other G20 countries. This is due to the recently revamped macroeconomic framework centred on flexible exchange rates as well as due to the relatively closed and static nature of the economy. Still, the recovery is set to be tepid reflecting the structure of the economy and the longstanding structural challenges.

COVID-19 and oil shock bring GDP back to 2016 level

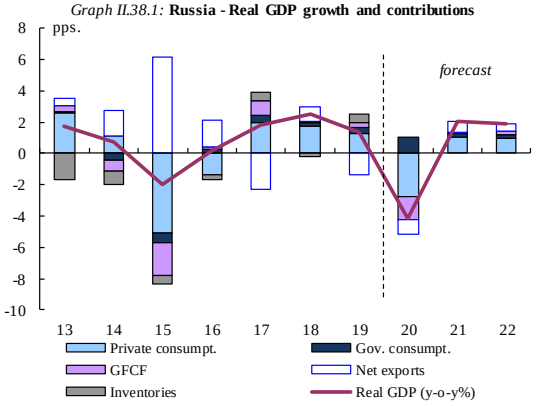
After growing by 1.3% in 2019, real GDP declined in the first half of 2020 by 3.4% y-o-y amid rapid spread of the virus, introduction of containment measures, tumbling oil prices and falling oil and gas production. Services were strongly affected amid abrupt changes in consumer behaviour and a fall in disposable income. However, the relatively small size of the service sector mitigated the recent slump. At the same time, the outsized role of the public sector in the economy cushioned the negative impact on employment and disposable income so far. The macroeconomic framework, centred around a flexible exchange rate, also served the economy well. Currency depreciation led to strong import compression and supported budget revenues, but did not limit the monetary policy space much given a low pass-through to goods-price inflation and downward inflationary pressures from services.

Contained slump, but sluggish recovery

For the year as a whole, real GDP is expected to shrink by about 4¼% in 2020, following the fall in the first half of the year and a cyclical rebound thereafter. Given the underlying assumption that further lockdowns are avoided, a relatively strong quarterly growth is expected towards the end of 2020 and in 2021, as oil prices and production recover. However, a weak investment climate and the limited scope for strong consumption growth limit a sharp recovery in 2020 and 2021. At the same time, the macroeconomic policy mix is set to be favourable as real interest rates might decline further and fiscal policy remains supportive. Overall, real GDP is set to increase by 2% in 2021.

Private consumption is unlikely to provide much support going forward due to falling real disposable income, the precarious wealth situation of households and their already low savings rate that inhibits any spending surge in the near term. Although the official unemployment rate remains relatively low, insecurity in the informal sector, the return of migrant workers to their home countries and downward wage pressure weigh on consumption. Investment is set to remain depressed for the remainder of this year and to grow only slowly in 2021 and beyond, as the investment climate remains negative and many SMEs lack access to finance. At the same time, the uncertain outlook for the oil sector is expected to dampen investment in the energy sector.

Graph II.38.1: **Russia - Real GDP growth and contributions**



After a strong start of the year driven by the rollout of national infrastructure projects, public investment stalled as the authorities reprioritised resources toward public consumption. Looking ahead, public consumption is expected to remain elevated while public investment is not projected to regain traction over the forecast horizon.

In recent years growth was held back by widespread property rights issues, the outsized role of the energy sector and SOEs in the economy, obstacles to SMEs as well as a general lack of competition, economic openness and innovation. These structural challenges are likely to be a more limiting factor to growth under current circumstances of lower oil prices and subdued global demand. At the same time, the revamping of the macroeconomic framework after the 2014/15 crisis helped to stabilise the economy but it was insufficient to lift potential growth. Consequently, only moderate growth of around 2% in 2022 is expected.

Accommodative monetary policy supports growth

The macroeconomic framework in its current form enabled interest rates to be slashed by a cumulative 500 basis points to 4.25% since 2017, as inflation pressures remained contained and headline inflation remained below the 4% target for most of the last 3 years. Headline inflation reached a trough in February (2.3%) due to base effects and past ruble appreciation, but rebounded to 3.7% in September. As a result, real interest rates dropped significantly in 2020. Nevertheless, Russia remains one of the few major economies with positive real interest rates. Going forward, inflation is expected to stay below the target as good harvest this year puts a lid on food prices in the near term, private consumption remains subdued and favourable base effects kick in in 2021.

Fiscal stimulus helped in the acute phase of the crisis.

In response to the COVID-19 crisis, the authorities announced fiscal stimulus measures (2½% of GDP) including support to the underfinanced health system, increased social expenses and a limited support to SMEs. As a result, expenditures rose by 28% year-on-year in the first eight months of 2020. Budget revenues were down by 12% over the same period, mostly due to lower oil-related income. As a consequence, the fiscal deficit is set to reach 4¼% of GDP after a surplus of 0.4% in 2019.

Going forward, the deficit is expected to shrink to about 3¼% of GDP in 2021 and 2% in 2022, as expenditures are set to decline given lower immediate pandemic-related needs, and new taxes, mainly on mining, are introduced. The higher spending in 2020 required adjustments to several budget rules and a strong rise in the issuance of domestic bonds to finance growing public debt, which is set to increase from 14% of GDP in 2019 to 22½% of GDP in 2022.

Risks to the forecast are broadly balanced

Major downside risks come from oil markets as a worsening pandemic could further suppress both oil demand and prices. In addition, the investment climate could turn even more negative, as taxes rise and fiscal support will be limited. The major upside risks include a firming oil market, a waning pandemic and more fiscal support.

Table II.38.1:

Main features of country forecast - RUSSIA

	2019			Annual percentage change					
	bn RUB	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		110046.1	100.0	3.6	1.8	2.5	1.3	**-4.2**	**2.0**	**1.9**
Private Consumption		55436.8	50.4	5.7	3.7	3.3	2.5	**-5.5**	**2.0**	**1.8**
Public Consumption		20141.7	18.3	0.8	2.5	1.3	2.2	**5.5**	**1.0**	**1.2**
Gross fixed capital formation		22545.7	20.5	5.6	4.4	0.4	1.6	**-7.0**	**0.5**	**1.3**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		31157.4	28.3	4.6	5.0	5.5	-2.3	**-13.3**	**6.3**	**5.7**
Imports (goods and services)		22846.7	20.8	7.6	17.3	2.6	3.4	**-13.4**	**3.6**	**4.7**
GNI (GDP deflator)		106607.3	96.9	3.5	1.9	2.7	0.7	**-2.1**	**2.1**	**1.0**
Contribution to GDP growth:	Domestic demand			4.2	3.4	2.1	1.9	**-3.2**	**1.3**	**1.4**
	Inventories			-0.1	0.5	-0.2	0.5	**0.0**	**0.0**	**0.0**
	Net exports			-0.4	-2.3	0.9	-1.4	**-1.0**	**0.7**	**0.4**
Employment				0.9	0.0	-0.1	-0.2	**-1.9**	**0.1**	**0.9**
Unemployment rate (a)				6.4	5.2	4.8	4.6	**6.2**	**5.8**	**4.8**
Compensation of employees / head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				12.1	5.3	11.1	3.8	**-0.2**	**4.2**	**3.9**
Consumer-price index				-	3.7	2.9	4.5	**3.5**	**3.7**	**4.0**
Terms of trade goods				0.3	12.6	17.4	-2.4	**-15.9**	**2.9**	**0.0**
Trade balance (goods) (c)				10.7	7.3	11.7	9.7	**5.0**	**6.1**	**6.4**
Current-account balance (c)				5.9	1.7	6.5	3.4	**0.9**	**1.8**	**2.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.3	1.7	6.5	3.3	**0.9**	**1.8**	**2.2**
General government balance (c)				-	-2.2	2.1	0.4	**-4.3**	**-3.2**	**-2.0**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				16.9	14.3	13.5	13.9	**18.7**	**21.2**	**22.5**

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

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Statistical Annex

European Economic Forecast – Autumn 2020

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Table 1: Gross domestic product, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.9	1.5	1.3	1.3	1.6	1.8	1.7	**-8.4**	**4.1**	**3.5**	-7.2	6.7
Germany	0.5	1.2	1.7	2.2	2.6	1.3	0.6	**-5.6**	**3.5**	**2.6**	-6.5	5.9
Estonia	7.3	-0.3	3.3	3.2	5.5	4.4	5.0	**-4.6**	**3.4**	**3.5**	-6.9	5.9
Ireland	5.3	0.4	6.8	2.0	9.1	8.5	5.6	**-2.3**	**2.9**	**2.6**	-7.9	6.1
Greece	3.9	-0.3	-4.0	-0.5	1.3	1.6	1.9	**-9.0**	**5.0**	**3.5**	-9.7	7.9
Spain	3.3	1.0	0.0	3.0	3.0	2.4	2.0	**-12.4**	**5.4**	**4.8**	-9.4	7.0
France	1.7	0.8	1.0	1.1	2.3	1.8	1.5	**-9.4**	**5.8**	**3.1**	-8.2	7.4
Italy	0.9	-0.3	-0.7	1.3	1.7	0.9	0.3	**-9.9**	**4.1**	**2.8**	-9.5	6.5
Cyprus	4.0	2.7	-1.7	6.4	5.2	5.2	3.1	**-6.2**	**3.7**	**3.0**	-7.4	6.1
Latvia	8.2	-0.5	3.6	2.4	3.3	4.0	2.1	**-5.6**	**4.9**	**3.5**	-7.0	6.4
Lithuania	7.6	1.2	3.8	2.5	4.3	3.9	4.3	**-2.2**	**3.0**	**2.6**	-7.9	7.4
Luxembourg	2.9	2.4	2.9	4.6	1.8	3.1	2.3	**-4.5**	**3.9**	**2.7**	-5.4	5.7
Malta	1.8	3.1	5.4	3.9	8.0	5.2	4.9	**-7.3**	**3.0**	**6.2**	-5.8	6.0
Netherlands	1.3	1.4	0.7	2.2	2.9	2.4	1.7	**-5.3**	**2.2**	**1.9**	-6.8	5.0
Austria	1.8	1.3	1.1	2.0	2.4	2.6	1.4	**-7.1**	**4.1**	**2.5**	-5.5	5.0
Portugal	0.9	0.6	-0.8	2.0	3.5	2.8	2.2	**-9.3**	**5.4**	**3.5**	-6.8	5.8
Slovenia	3.6	1.9	0.4	3.2	4.8	4.4	3.2	**-7.1**	**5.1**	**3.8**	-7.0	6.7
Slovakia	5.0	4.9	2.6	2.1	3.0	3.8	2.3	**-7.5**	**4.7**	**4.3**	-6.7	6.6
Finland	2.6	0.9	0.1	2.8	3.3	1.5	1.1	**-4.3**	**2.9**	**2.2**	-6.3	3.7
Euro area	1.5	0.8	0.8	1.9	2.6	1.9	1.3	**-7.8**	**4.2**	**3.0**	-7.7	6.3
Bulgaria	5.7	3.2	1.8	3.8	3.5	3.1	3.7	**-5.1**	**2.6**	**3.7**	-7.2	6.0
Czechia	3.9	2.5	1.7	2.5	5.2	3.2	2.3	**-6.9**	**3.1**	**4.5**	-6.2	5.0
Denmark	1.3	0.2	1.3	3.2	2.8	2.2	2.8	**-3.9**	**3.5**	**2.4**	-5.9	5.1
Croatia	4.5	0.6	-0.2	3.5	3.4	2.8	2.9	**-9.6**	**5.7**	**3.7**	-9.1	7.5
Hungary	4.4	-0.1	2.1	2.1	4.3	5.4	4.6	**-6.4**	**4.0**	**4.5**	-7.0	6.0
Poland	3.0	4.8	3.0	3.1	4.8	5.4	4.5	**-3.6**	**3.3**	**3.5**	-4.3	4.1
Romania	5.6	2.8	2.9	4.7	7.3	4.5	4.2	**-5.2**	**3.3**	**3.8**	-6.0	4.2
Sweden	2.6	1.8	2.2	2.1	2.6	2.0	1.3	**-3.4**	**3.3**	**2.4**	-6.1	4.3
EU	1.7	1.0	1.0	2.0	2.8	2.1	1.5	**-7.4**	**4.1**	**3.0**	-7.4	6.1
United Kingdom	2.7	0.5	2.0	1.7	1.7	1.3	1.3	**-10.3**	**3.3**	**2.1**	-8.3	6.0
Japan	1.2	0.1	1.0	0.5	2.2	0.3	0.7	**-5.5**	**2.7**	**0.9**	-5.0	2.7
United States	2.6	0.9	2.2	1.6	2.4	2.9	2.3	**-4.6**	**3.7**	**2.5**	-6.5	4.9

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2020-22) 22.10.2020

	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4
Belgium	-3.5	-12.1	8.1	-0.7	0.2	3.1	2.3	1.1	0.4	0.3	0.3	0.3
Germany	-2.0	-9.7	6.9	0.6	0.5	1.4	1.1	0.7	0.5	0.5	0.5	0.5
Estonia	-2.2	-5.6	2.1	0.1	0.4	2.8	2.1	0.6	0.5	0.5	0.5	0.5
Ireland	-2.1	-6.1	3.3	-1.1	0.9	1.6	2.8	1.0	0.0	0.1	0.0	0.0
Greece	-0.7	-14.0	:	:	:	:	:	:	:	:	:	:
Spain	-5.2	-17.8	12.9	-0.2	0.7	2.9	2.1	2.0	0.8	0.5	0.5	0.4
France	-5.9	-13.8	16.0	-1.0	0.6	1.7	1.5	0.8	0.4	0.6	0.5	0.5
Italy	-5.5	-13.0	12.2	-0.2	0.2	1.4	1.1	1.0	0.7	0.5	0.5	0.5
Cyprus	-1.0	-12.8	:	:	:	:	:	:	:	:	:	:
Latvia	-2.3	-7.1	0.5	0.5	0.6	3.5	2.2	1.1	0.7	0.6	0.6	0.6
Lithuania	0.0	-5.9	3.3	0.5	0.2	1.2	1.8	0.9	0.4	0.3	0.3	0.3
Luxembourg	-1.4	-7.2	:	:	:	:	:	:	:	:	:	:
Malta	-2.6	-11.6	:	:	:	:	:	:	:	:	:	:
Netherlands	-1.5	-8.5	4.1	0.2	0.7	1.3	0.7	0.5	0.4	0.4	0.3	0.3
Austria	-2.5	-12.1	10.4	0.3	0.1	1.7	1.4	0.7	0.4	0.4	0.4	0.4
Portugal	-3.9	-13.9	9.1	0.3	1.6	2.5	1.7	0.7	0.6	0.5	0.5	0.5
Slovenia	-4.7	-9.9	9.4	-0.1	0.2	1.6	3.4	0.5	0.5	0.5	0.5	0.5
Slovakia	-5.2	-8.3	7.8	0.8	0.0	1.9	1.5	1.1	1.1	0.9	0.8	0.7
Finland	-1.4	-4.4	0.9	-0.2	0.9	2.8	1.8	0.2	0.2	0.2	0.2	0.2
Euro area	-3.7	-11.8	10.0	-0.1	0.5	1.8	1.4	0.9	0.5	0.5	0.4	0.4
Bulgaria	0.4	-10.1	0.4	0.4	0.8	3.0	3.3	1.0	0.2	0.2	0.2	0.3
Czechia	-3.3	-8.7	4.9	-0.4	1.1	1.5	1.5	1.4	1.1	0.9	0.7	0.6
Denmark	-1.6	-6.8	3.6	1.8	0.7	1.0	1.0	0.8	0.4	0.4	0.4	0.4
Croatia	-1.3	-14.9	6.4	0.8	1.5	2.7	2.1	1.6	0.2	0.3	0.3	0.3
Hungary	-0.4	-14.6	8.7	-0.2	0.7	2.3	2.8	0.8	0.8	0.8	0.8	0.8
Poland	-0.4	-8.9	6.3	-0.5	0.8	1.6	1.3	0.8	0.8	0.8	0.8	0.8
Romania	0.0	-11.9	5.4	0.3	0.8	2.0	1.9	1.9	0.4	0.4	0.4	0.4
Sweden	0.2	-8.3	4.8	1.1	1.0	0.9	0.9	0.8	0.4	0.4	0.4	0.6
EU	-3.3	-11.4	9.3	0.0	0.6	1.7	1.4	0.9	0.5	0.5	0.4	0.4
United Kingdom	-2.5	-19.8	16.3	0.5	-0.5	1.1	1.0	0.8	0.4	0.2	0.2	0.2
Japan	-0.6	-7.8	4.0	1.3	0.9	0.7	0.7	0.2	0.0	0.1	0.2	0.2
United States	-1.3	-9.1	5.5	0.5	1.4	1.2	1.1	0.8	0.4	0.4	0.4	0.4

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2020-22) 22.10.2020

	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4
Belgium	-2.4	-14.4	-7.8	-8.9	-5.3	11.0	5.0	6.8	7.0	4.1	2.1	1.2
Germany	-2.2	-11.3	-5.4	-4.9	-2.4	9.6	3.7	3.8	3.8	2.8	2.1	1.9
Estonia	-0.1	-6.5	-5.8	-5.6	-3.1	5.5	5.5	5.9	6.1	3.8	2.2	2.1
Ireland	4.4	-3.7	-3.7	-6.0	-3.2	4.7	4.2	6.4	5.5	3.9	1.1	0.1
Greece	-0.5	-15.2	:	:	:	:	:	:	:	:	:	:
Spain	-4.2	-21.5	-11.7	-12.2	-6.7	16.8	5.7	7.9	8.0	5.4	3.7	2.1
France	-5.7	-18.9	-6.0	-6.8	-0.3	17.6	2.8	4.7	4.5	3.4	2.4	2.1
Italy	-5.6	-18.0	-8.0	-8.0	-2.5	13.8	2.5	3.7	4.2	3.2	2.5	2.0
Cyprus	1.3	-12.3	:	:	:	:	:	:	:	:	:	:
Latvia	-1.0	-8.6	-8.7	-8.3	-5.7	5.0	6.9	7.6	7.7	4.8	3.0	2.5
Lithuania	2.2	-4.6	-2.1	-2.3	-2.0	5.4	3.9	4.3	4.4	3.4	1.9	1.3
Luxembourg	1.5	-7.8	:	:	:	:	:	:	:	:	:	:
Malta	0.7	-15.2	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.4	-9.2	-5.8	-6.0	-3.8	6.6	3.1	3.3	2.9	1.9	1.4	1.3
Austria	-3.0	-14.5	-5.9	-5.1	-2.6	12.7	3.6	4.0	4.2	2.8	1.7	1.4
Portugal	-2.3	-16.3	-9.1	-9.4	-4.2	14.0	6.3	6.7	5.7	3.7	2.4	2.2
Slovenia	-3.5	-13.1	-5.7	-6.2	-1.4	11.3	5.2	5.8	6.2	4.9	2.0	2.0
Slovakia	-3.8	-12.2	-5.6	-5.4	-0.3	10.8	4.2	4.5	5.6	4.5	3.8	3.4
Finland	-1.3	-6.5	-5.5	-5.1	-2.8	4.4	5.4	5.8	5.0	2.3	0.7	0.7
Euro area	-3.3	-14.8	-6.8	-6.9	-2.7	12.3	3.7	4.7	4.7	3.3	2.3	1.8
Bulgaria	2.3	-8.6	-8.7	-9.0	-8.6	4.7	7.7	8.4	7.8	4.8	1.7	0.9
Czechia	-1.9	-10.9	-7.0	-7.7	-3.5	7.2	3.7	5.6	5.5	4.9	4.2	3.3
Denmark	-0.1	-7.7	-4.6	-3.3	-1.0	7.3	4.6	3.5	3.2	2.6	2.1	1.7
Croatia	0.3	-15.1	-10.2	-9.9	-7.4	11.7	7.2	8.1	6.7	4.3	2.5	1.2
Hungary	2.0	-13.5	-6.9	-7.7	-6.7	11.7	5.6	6.7	6.7	5.2	3.2	3.2
Poland	1.7	-7.9	-3.3	-4.0	-2.9	8.3	3.2	4.6	4.5	3.6	3.0	3.0
Romania	2.5	-10.2	-6.1	-7.0	-6.2	8.6	5.0	6.7	6.3	4.6	3.0	1.5
Sweden	0.7	-7.7	-3.6	-2.7	-2.0	7.9	3.9	3.7	3.1	2.6	2.1	1.9
EU	-2.7	-13.9	-6.5	-6.6	-2.8	11.7	3.7	4.7	4.7	3.4	2.4	1.9
United Kingdom	-2.1	-21.5	-9.0	-8.6	-6.7	17.7	2.2	2.5	3.4	2.5	1.6	0.9
Japan	-2.0	-10.0	-6.4	-3.5	-2.0	7.1	3.6	2.6	1.7	1.0	0.5	0.4
United States	0.4	-9.1	-4.7	-4.8	-2.2	8.8	4.3	4.6	3.5	2.8	2.1	1.7

Table 4: Gross domestic product per capita (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			*Spring 2020 forecast*	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*
Belgium	1.5	0.7	0.6	0.8	1.2	1.3	1.2	**-8.8**	**4.0**	**3.1**	*-7.6*	*6.2*
Germany	0.6	1.4	1.3	1.4	2.2	1.0	0.3	**-5.6**	**3.5**	**2.4**	*-6.7*	*5.7*
Estonia	8.0	0.1	3.6	3.0	5.5	4.1	4.5	**-5.0**	**3.4**	**3.6**	*-7.2*	*5.6*
Ireland	3.5	-1.4	6.1	0.9	7.9	7.2	4.1	**-3.1**	**2.2**	**1.8**	*-8.5*	*5.3*
Greece	3.5	-0.6	-3.5	-0.1	1.5	1.8	1.9	**-8.5**	**5.6**	**4.1**	*-9.2*	*8.5*
Spain	1.8	-0.3	0.0	2.9	2.8	2.0	1.1	**-12.5**	**4.8**	**4.2**	*-9.5*	*6.4*
France	0.9	0.2	0.5	0.7	1.9	1.5	1.2	**-9.6**	**5.5**	**2.8**	*-8.5*	*7.1*
Italy	0.5	-0.8	-1.0	1.5	1.8	1.1	0.5	**-9.8**	**4.1**	**2.9**	*-9.5*	*6.6*
Cyprus	2.7	0.3	-2.1	6.0	4.2	4.0	1.9	**-7.2**	**2.6**	**1.8**	*-8.4*	*4.9*
Latvia	9.4	0.8	4.8	3.3	4.2	4.8	2.8	**-5.5**	**5.5**	**4.0**	*-6.8*	*7.1*
Lithuania	8.7	2.6	5.1	3.8	5.8	4.9	4.6	**-2.2**	**3.0**	**3.0**	*-7.8*	*7.9*
Luxembourg	1.6	0.7	0.5	1.9	-0.4	1.1	0.2	**-6.2**	**1.9**	**0.7**	*-7.0*	*3.7*
Malta	1.1	2.5	3.9	1.5	5.1	1.6	0.9	**-9.4**	**0.3**	**3.4**	*-8.6*	*2.9*
Netherlands	0.8	1.0	0.4	1.7	2.3	1.8	1.0	**-5.8**	**1.8**	**1.4**	*-7.6*	*4.2*
Austria	1.2	1.0	0.4	0.7	1.8	2.1	1.0	**-7.4**	**3.8**	**2.2**	*-6.0*	*4.5*
Portugal	0.5	0.5	-0.4	2.3	3.8	3.0	2.2	**-9.3**	**5.4**	**3.5**	*-6.7*	*5.8*
Slovenia	3.4	1.4	0.3	3.1	4.7	4.1	2.3	**-7.4**	**4.9**	**3.6**	*-7.3*	*6.5*
Slovakia	5.1	4.7	2.6	2.0	2.9	3.6	2.2	**-7.7**	**4.6**	**4.2**	*-6.8*	*6.5*
Finland	2.3	0.5	-0.4	2.5	3.0	1.4	1.0	**-4.4**	**2.8**	**2.0**	*-6.5*	*3.6*
Euro area	1.0	0.4	0.5	1.5	2.4	1.6	1.0	**-8.0**	**4.1**	**2.8**	*-7.9*	*6.1*
Bulgaria	6.8	3.8	2.8	4.6	4.3	3.8	4.4	**-4.7**	**3.2**	**4.3**	*-6.5*	*6.8*
Czechia	4.0	1.9	1.6	2.3	4.9	2.8	1.9	**-7.2**	**2.9**	**4.2**	*-6.5*	*4.7*
Denmark	1.0	-0.3	0.8	2.4	2.2	1.7	2.4	**-4.2**	**3.1**	**2.0**	*-6.2*	*4.7*
Croatia	4.5	0.6	0.2	4.4	4.5	3.8	3.5	**-9.2**	**5.9**	**3.8**	*-8.8*	*7.7*
Hungary	4.6	0.1	2.4	2.4	4.6	5.5	4.6	**-6.2**	**4.2**	**4.8**	*-6.9*	*6.2*
Poland	3.1	4.6	3.0	3.2	4.8	5.4	4.6	**-3.5**	**3.5**	**3.7**	*-4.2*	*4.2*
Romania	6.7	3.9	3.3	5.3	7.9	5.1	4.7	**-4.6**	**4.0**	**4.4**	*-5.4*	*4.9*
Sweden	2.3	1.0	1.3	0.8	1.2	0.8	0.2	**-3.7**	**2.9**	**2.0**	*-6.9*	*3.5*
EU	1.4	0.7	0.8	1.8	2.6	1.9	1.3	**-7.4**	**4.0**	**2.9**	*-7.5*	*5.9*
United Kingdom	2.2	-0.2	1.3	0.9	1.1	0.6	0.7	**-10.9**	**2.7**	**1.5**	*-8.8*	*5.4*
Japan	1.0	0.1	1.1	0.7	2.4	0.5	0.9	**-5.3**	**2.9**	**1.1**	*-4.7*	*3.0*
United States	1.6	0.0	1.5	0.9	1.7	2.3	1.8	**-5.1**	**3.1**	**1.9**	*-7.1*	*4.2*

Table 5: Domestic demand, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.5	1.6	1.4	2.2	1.4	2.4	1.5	**-8.3**	**4.5**	**3.8**	-6.9	7.0
Germany	-0.4	1.1	1.3	3.1	2.7	1.8	1.2	**-4.1**	**3.1**	**2.6**	-4.8	4.9
Estonia	9.3	-1.3	4.6	4.4	5.1	4.1	4.5	**-5.1**	**4.0**	**4.0**	-5.5	4.9
Ireland	5.9	-1.3	4.8	20.6	1.2	-1.9	32.4	**-22.0**	**10.3**	**7.9**	-23.0	7.8
Greece	3.6	-0.3	-5.0	0.4	1.0	1.3	1.2	**-4.6**	**3.7**	**1.6**	-8.5	7.4
Spain	4.1	0.3	-1.0	2.1	3.3	3.1	1.4	**-11.1**	**3.8**	**4.4**	-9.5	6.9
France	1.9	1.1	1.1	1.5	2.3	1.4	1.7	**-7.4**	**5.7**	**2.2**	-8.2	7.9
Italy	1.1	-0.1	-1.5	1.8	1.7	1.3	-0.1	**-8.9**	**3.8**	**2.9**	-9.6	6.9
Cyprus	4.8	4.0	-3.6	8.4	7.2	2.7	4.9	**-1.8**	**3.8**	**2.5**	-2.8	4.9
Latvia	9.6	-2.0	3.6	2.2	4.5	5.3	2.6	**-6.3**	**6.0**	**4.2**	-5.8	6.5
Lithuania	8.9	0.0	3.8	1.9	2.6	3.3	1.9	**-3.5**	**4.3**	**3.6**	-7.3	6.7
Luxembourg	2.8	2.0	3.2	2.8	2.1	2.3	3.3	**-6.5**	**5.8**	**3.3**	-3.4	5.3
Malta	2.4	1.3	3.9	2.7	2.2	7.7	7.3	**-3.8**	**3.3**	**5.0**	-1.7	3.1
Netherlands	1.0	1.3	0.8	-0.7	2.3	2.4	2.0	**-4.3**	**2.4**	**2.1**	-6.8	5.5
Austria	1.3	1.0	0.9	2.3	2.3	2.2	1.0	**-5.7**	**3.8**	**2.1**	-4.3	4.2
Portugal	0.7	0.5	-2.1	2.2	3.3	3.2	2.7	**-6.9**	**4.6**	**3.3**	-5.1	4.7
Slovenia	3.0	1.3	-1.0	3.0	3.9	5.0	3.4	**-6.0**	**5.1**	**4.0**	-5.6	7.0
Slovakia	5.0	3.3	1.2	1.9	3.3	3.5	3.6	**-6.4**	**3.2**	**3.6**	-6.9	6.5
Finland	2.8	0.9	0.7	3.5	1.8	2.8	-0.4	**-2.7**	**2.7**	**2.7**	-5.5	3.9
Euro area	1.4	0.7	0.3	2.4	2.4	1.8	1.9	**-7.0**	**4.1**	**2.9**	-7.5	6.3
Bulgaria	8.1	2.3	1.4	1.6	4.4	5.8	4.5	**-3.8**	**2.3**	**3.1**	-6.5	3.8
Czechia	3.6	1.9	1.3	1.2	4.3	4.7	2.5	**-5.6**	**2.7**	**4.3**	-5.5	4.7
Denmark	1.9	0.2	1.5	2.9	2.4	2.9	1.3	**-2.4**	**3.3**	**2.2**	-4.5	4.6
Croatia	6.2	-0.3	-0.5	3.2	4.1	4.7	2.7	**-5.7**	**3.9**	**2.8**	-5.2	4.3
Hungary	4.3	-1.8	1.3	1.6	5.8	7.1	6.0	**-3.6**	**2.5**	**4.3**	-7.6	4.9
Poland	2.2	5.1	2.2	2.3	4.9	5.6	3.5	**-4.3**	**3.9**	**4.1**	-4.4	4.0
Romania	8.1	4.1	2.1	4.9	8.9	5.9	5.2	**-4.4**	**4.2**	**4.8**	-6.9	4.3
Sweden	1.7	2.2	2.4	2.9	2.8	1.7	0.3	**-3.6**	**3.8**	**2.1**	-5.6	3.6
EU	1.6	0.9	0.5	2.4	2.6	2.2	2.0	**-6.6**	**4.0**	**3.0**	-7.2	6.0
United Kingdom	3.2	0.3	2.3	2.1	1.0	1.2	1.5	**-11.6**	**3.2**	**1.9**	-8.1	6.3
Japan	0.8	-0.4	1.3	-0.1	1.6	0.3	0.8	**-4.2**	**2.4**	**0.8**	-4.4	2.5
United States	2.9	0.4	2.3	1.8	2.6	3.1	2.4	**-3.7**	**3.2**	**2.2**	-6.4	5.2

Table 6: Final demand, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.3	1.8	2.0	3.9	3.2	1.6	1.3	**-8.4**	**4.7**	**3.5**	-8.5	7.3
Germany	1.2	2.0	2.3	2.9	3.4	1.9	1.1	**-5.9**	**4.1**	**3.1**	-7.2	6.6
Estonia	10.0	0.9	5.3	4.6	4.7	4.0	5.3	**-7.4**	**5.4**	**4.7**	-8.5	6.4
Ireland	6.0	1.5	8.4	10.2	6.0	6.0	18.6	**-8.6**	**4.7**	**5.1**	-18.3	7.1
Greece	3.4	-0.2	-3.3	0.2	2.8	3.3	2.2	**-9.4**	**5.3**	**3.7**	-11.9	9.8
Spain	3.9	0.6	0.2	2.9	3.9	2.9	1.7	**-14.0**	**6.2**	**5.3**	-12.2	8.1
France	2.1	1.1	1.7	1.5	2.8	2.1	1.8	**-9.9**	**5.9**	**3.1**	-9.1	8.1
Italy	1.2	0.0	-0.6	1.8	2.6	1.5	0.1	**-10.8**	**5.2**	**3.6**	-10.4	7.7
Cyprus	3.0	3.2	-0.6	7.9	8.3	4.9	2.6	**-8.4**	**5.0**	**4.6**	-10.7	9.1
Latvia	9.9	-0.2	4.6	2.8	5.2	5.0	2.4	**-6.8**	**5.3**	**4.1**	-7.5	7.0
Lithuania	10.9	1.9	4.9	3.1	7.0	4.8	5.2	**-4.1**	**5.4**	**4.2**	-9.6	9.6
Luxembourg	4.6	3.9	5.7	2.7	1.0	0.9	1.4	**-4.0**	**2.9**	**2.2**	-9.6	7.6
Malta	0.9	6.8	5.2	2.3	5.9	2.4	6.6	**-7.9**	**2.7**	**6.4**	-6.6	8.6
Netherlands	2.0	1.9	2.5	0.4	4.3	3.4	2.3	**-5.4**	**2.3**	**2.6**	-8.7	6.2
Austria	2.5	1.6	1.6	2.6	3.2	3.4	1.7	**-7.9**	**4.4**	**2.7**	-7.3	6.3
Portugal	1.1	1.1	-0.2	2.9	4.8	3.5	3.0	**-11.2**	**6.0**	**3.9**	-7.8	7.1
Slovenia	4.9	2.5	1.2	4.5	7.2	5.6	3.7	**-9.4**	**6.2**	**4.6**	-8.9	10.0
Slovakia	8.4	5.0	4.0	3.4	3.5	4.3	2.2	**-8.8**	**5.7**	**3.9**	-9.5	9.7
Finland	3.2	1.1	0.6	3.6	3.5	2.5	1.8	**-5.5**	**3.4**	**3.1**	-7.0	4.9
Euro area	2.1	1.2	1.5	2.6	3.4	2.4	2.1	**-8.5**	**4.7**	**3.5**	-9.3	7.3
Bulgaria	8.5	3.2	3.3	4.3	5.0	4.1	4.3	**-7.6**	**3.2**	**5.0**	-9.2	6.3
Czechia	6.8	3.7	3.1	2.7	5.6	4.3	1.9	**-8.0**	**4.6**	**4.8**	-9.0	6.8
Denmark	2.4	0.8	2.1	3.4	3.3	3.0	2.7	**-5.5**	**4.2**	**2.9**	-6.8	6.0
Croatia	6.3	-0.1	0.8	4.4	5.0	4.4	4.0	**-13.8**	**10.8**	**3.7**	-13.2	12.4
Hungary	6.5	2.3	3.1	2.7	6.1	6.1	5.9	**-5.9**	**5.1**	**6.0**	-10.6	7.7
Poland	3.4	5.8	3.5	4.6	6.6	6.1	4.1	**-6.0**	**4.4**	**4.3**	-6.4	5.6
Romania	8.9	5.4	4.0	8.2	8.6	5.8	4.9	**-6.9**	**4.8**	**5.5**	-8.6	5.8
Sweden	2.7	2.1	2.7	2.8	3.2	2.5	1.2	**-4.8**	**4.0**	**2.8**	-7.7	4.5
EU	2.3	1.5	1.7	2.8	3.6	2.7	2.3	**-8.2**	**4.7**	**3.6**	-9.1	7.1
United Kingdom	3.2	0.6	2.3	2.2	2.0	1.6	1.8	**-11.2**	**2.3**	**1.6**	-8.7	6.0
Japan	1.4	0.1	1.5	0.2	2.3	0.8	0.4	**-5.4**	**2.9**	**1.0**	-6.0	2.6
United States	2.8	0.9	2.5	1.6	2.7	3.1	2.2	**-4.9**	**3.6**	**2.4**	-7.2	5.8

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.0	1.8	1.2	1.6	1.9	1.9	1.5	-10.0	5.3	4.3	-6.9	6.5
Germany	0.3	0.4	1.3	2.4	1.5	1.5	1.6	-7.2	3.6	3.1	-8.3	6.0
Estonia	8.8	0.0	4.0	4.5	2.9	4.6	3.3	-4.4	3.5	3.9	-7.2	7.1
Ireland	4.4	1.5	0.7	5.1	2.2	2.6	3.2	-8.1	11.1	6.6	-8.8	4.6
Greece	4.0	0.4	-4.1	-0.5	1.9	2.3	1.9	-5.5	4.0	2.0	-9.0	7.5
Spain	3.5	0.7	-0.8	2.7	3.0	1.8	0.9	-14.6	4.5	4.2	-10.7	8.9
France	2.1	1.5	0.6	1.8	1.5	0.9	1.5	-7.7	5.1	3.5	-9.3	8.9
Italy	0.7	0.2	-0.8	1.2	1.5	0.9	0.4	-10.5	3.8	3.1	-10.9	7.3
Cyprus	4.8	3.8	-1.6	5.1	4.9	4.7	1.8	-4.1	2.8	2.2	-6.7	5.1
Latvia	7.9	0.8	3.1	2.4	3.0	2.6	2.2	-11.4	8.5	4.8	-6.1	7.0
Lithuania	8.7	0.4	3.9	4.1	3.5	3.7	3.4	-3.5	3.2	3.3	-9.9	7.8
Luxembourg	2.3	1.8	2.5	3.4	2.2	3.3	2.8	-9.4	6.0	2.6	-4.1	4.6
Malta	2.5	1.4	2.4	2.7	3.4	8.5	5.2	-9.8	4.2	4.3	-5.0	4.0
Netherlands	0.9	0.2	0.1	1.1	2.1	2.2	1.5	-7.1	3.0	2.3	-9.5	7.2
Austria	1.7	1.2	0.5	1.5	1.9	1.1	0.8	-7.2	5.0	2.5	-4.8	4.9
Portugal	1.2	1.1	-1.2	2.6	2.1	2.6	2.4	-7.9	4.9	3.5	-5.8	5.3
Slovenia	2.7	2.7	-0.4	4.4	1.9	3.6	4.8	-7.8	5.4	4.5	-6.1	6.3
Slovakia	4.7	4.3	0.4	3.9	4.5	4.1	2.3	-2.4	2.2	3.5	-7.1	7.2
Finland	3.2	1.9	1.0	2.4	1.0	1.8	0.8	-4.4	3.5	3.9	-7.9	4.9
Euro area	1.5	0.8	0.2	2.0	1.8	1.5	1.3	-8.7	4.3	3.3	-9.0	7.1
Bulgaria	7.3	3.7	2.0	3.5	3.8	4.4	5.5	-1.0	2.1	3.0	-5.8	5.6
Czechia	3.5	2.3	1.1	3.8	4.0	3.5	3.1	-5.0	2.3	4.3	-4.6	4.0
Denmark	2.3	0.5	0.8	2.4	2.3	2.7	1.4	-2.9	4.7	2.6	-6.4	5.9
Croatia	5.7	-0.3	-1.0	3.1	3.1	3.3	3.5	-6.7	4.3	2.9	-6.9	6.1
Hungary	5.1	-1.4	0.9	4.7	5.0	5.1	4.5	-3.1	4.4	4.8	-6.0	5.5
Poland	2.7	4.6	1.9	4.0	4.7	4.5	3.9	-5.5	4.3	4.0	-4.9	3.8
Romania	10.1	3.9	2.7	8.0	10.8	7.7	5.5	-8.8	4.9	5.8	-6.2	4.9
Sweden	2.2	2.5	2.3	2.3	2.6	1.8	1.3	-4.6	3.4	3.6	-5.2	3.4
EU	1.7	1.0	0.4	2.2	2.2	1.8	1.6	-8.2	4.2	3.4	-8.5	6.8
United Kingdom	3.2	0.4	1.9	3.4	1.1	1.4	0.9	-12.6	1.6	1.6	-10.3	6.9
Japan	1.3	0.5	0.6	-0.3	1.3	0.0	0.2	-7.7	2.0	0.7	-5.7	2.3
United States	3.1	1.1	2.3	2.7	2.6	3.0	2.6	-4.9	4.4	2.6	-7.2	8.5

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.0	1.5	0.7	0.5	0.2	1.2	1.7	1.0	1.7	0.9	2.8	0.3
Germany	0.5	2.2	1.6	4.0	1.6	1.2	2.7	3.5	2.0	1.5	2.8	2.1
Estonia	2.9	2.2	2.5	2.4	1.1	0.7	3.0	3.6	2.0	0.3	4.3	-2.4
Ireland	5.1	1.1	0.2	4.2	3.9	5.7	5.8	13.3	-0.4	-1.3	7.7	-3.0
Greece	3.7	1.5	-3.6	-0.2	-0.1	-4.2	1.2	-0.1	2.2	-0.8	4.9	-2.4
Spain	4.8	4.5	-1.0	1.0	1.0	2.6	2.3	6.0	2.1	1.7	5.8	-0.4
France	1.6	1.6	1.3	1.4	1.4	0.9	1.7	-3.2	5.2	0.9	2.8	0.0
Italy	1.9	0.4	-1.2	0.7	-0.1	0.2	-0.2	2.1	0.1	0.3	2.6	-0.6
Cyprus	4.1	4.7	-2.6	-0.9	2.1	3.5	14.2	17.8	7.9	2.8	16.6	3.7
Latvia	3.6	-1.6	2.2	2.5	3.4	1.6	2.6	2.9	3.0	2.0	2.9	2.0
Lithuania	2.9	-0.1	0.4	0.1	-0.3	0.2	0.1	3.8	1.1	-1.0	1.0	0.5
Luxembourg	4.5	2.4	2.3	1.0	4.7	4.1	4.8	7.2	2.9	2.7	6.3	4.1
Malta	1.1	2.8	3.3	-2.5	1.7	12.0	11.5	18.4	-0.4	4.8	12.8	-1.2
Netherlands	2.5	4.0	-0.2	1.3	0.9	1.7	1.6	1.7	1.4	1.0	2.1	2.6
Austria	1.0	2.2	0.5	1.8	0.9	1.2	1.5	1.7	1.5	0.9	3.0	0.1
Portugal	2.7	0.4	-1.8	0.8	0.2	0.6	0.7	1.0	1.6	0.8	2.4	-1.5
Slovenia	3.0	2.4	-0.5	2.4	0.4	3.0	1.7	5.3	3.0	-1.1	4.7	0.5
Slovakia	2.5	4.5	1.2	1.9	1.0	0.2	4.7	8.9	0.3	-1.1	4.2	1.5
Finland	1.9	1.1	0.5	0.9	0.1	1.6	1.1	4.8	0.1	-0.9	6.0	-2.4
Euro area	1.8	2.0	0.4	1.9	1.1	1.2	1.9	1.9	2.3	1.0	3.2	0.6
Bulgaria	3.0	0.5	0.6	2.2	4.3	5.3	2.0	3.2	0.4	0.3	4.0	0.7
Czechia	3.2	1.3	-0.1	2.5	1.8	3.8	2.3	3.5	2.6	1.9	3.6	1.5
Denmark	1.4	2.3	0.7	0.2	0.9	0.3	1.2	1.6	1.2	0.3	3.1	0.5
Croatia	2.1	2.6	-0.1	0.5	2.2	2.3	3.4	3.5	1.5	1.0	2.5	0.1
Hungary	3.5	0.2	1.8	0.7	2.5	1.7	3.5	5.2	-3.6	0.2	5.0	-1.4
Poland	3.3	3.9	1.3	1.9	2.7	3.5	6.2	5.7	2.7	3.9	2.9	2.1
Romania	-2.3	-0.1	1.3	0.0	4.4	3.3	6.0	5.9	-0.1	1.7	3.4	1.4
Sweden	0.6	1.4	1.4	3.7	0.1	0.8	0.1	0.3	4.9	-1.8	3.9	-0.1
EU	1.8	2.0	0.5	1.9	1.1	1.3	2.0	2.1	2.3	0.9	3.3	0.6
United Kingdom	4.0	1.3	1.0	1.0	0.7	0.6	4.1	-6.5	8.9	1.2	4.9	0.8
Japan	2.0	1.0	1.4	1.4	0.2	0.9	1.9	2.0	3.6	1.0	3.5	4.2
United States	2.3	1.9	-1.1	1.8	0.6	1.7	1.8	1.8	0.1	-0.1	6.6	-4.7

Table 9: Total investment, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.3	0.8	2.5	4.2	1.4	3.4	3.4	-13.7	5.9	6.0	-15.3	15.9
Germany	-2.0	1.5	2.1	3.8	2.5	3.5	2.5	-3.8	2.8	2.7	-5.8	5.9
Estonia	14.9	-6.3	7.8	5.1	7.8	3.9	11.1	-12.3	6.8	8.1	-8.7	6.3
Ireland	9.1	-7.7	14.6	50.6	0.0	-6.3	74.9	-41.3	15.3	13.5	-41.6	16.9
Greece	1.9	-2.3	-11.9	2.3	8.1	-6.6	-4.6	-8.0	5.5	4.0	-30.0	33.0
Spain	5.3	-3.5	-2.1	2.4	6.8	6.1	2.7	-17.3	3.8	8.5	-20.7	10.3
France	1.9	0.5	0.5	2.7	4.7	3.2	4.2	-10.9	10.8	1.7	-13.3	14.0
Italy	1.8	-1.9	-3.7	4.0	3.2	3.1	1.6	-13.6	7.2	5.6	-14.2	13.0
Cyprus	5.0	3.7	-11.4	49.5	21.3	-5.2	2.0	-11.1	2.6	3.0	-6.1	5.3
Latvia	14.5	-8.0	5.9	-8.2	11.4	11.8	2.1	-0.8	2.6	4.6	-12.0	9.2
Lithuania	13.0	-2.7	7.2	3.4	8.9	10.0	6.2	-8.5	9.6	7.9	-5.0	7.9
Luxembourg	2.7	3.4	4.3	4.6	5.6	-5.9	3.9	-15.5	9.6	5.4	-12.0	8.5
Malta	3.0	3.1	9.2	3.8	-0.7	3.1	8.8	-10.1	8.0	6.8	-7.0	5.0
Netherlands	-0.2	0.3	4.0	-7.3	4.2	3.6	4.6	-6.3	3.3	3.1	-11.2	5.9
Austria	0.2	-0.6	2.2	4.3	4.1	3.9	4.0	-6.0	3.2	2.4	-9.5	6.9
Portugal	-1.9	-1.2	-5.6	2.5	11.5	6.2	5.4	-10.2	6.3	5.2	-8.6	8.9
Slovenia	3.3	-2.3	-2.4	-3.6	10.2	9.6	5.8	-11.5	7.1	8.5	-13.0	11.7
Slovakia	5.9	1.1	5.4	-9.3	3.5	2.6	5.8	-12.6	9.2	8.6	-14.7	10.7
Finland	1.9	0.2	-0.5	9.0	4.8	3.9	-1.0	-5.1	3.7	4.0	-9.8	9.1
Euro area	1.2	-0.6	0.4	4.0	3.8	3.2	5.8	-11.2	6.1	4.2	-13.3	10.2
Bulgaria	16.1	1.1	0.8	-6.6	3.2	5.4	4.5	-11.5	0.5	7.0	-18.0	1.0
Czechia	4.0	2.1	1.6	-3.0	4.9	10.0	2.2	-7.5	3.3	6.3	-14.5	9.6
Denmark	1.6	-1.8	3.1	7.9	4.0	4.8	2.8	-4.4	2.9	3.7	-9.5	7.9
Croatia	10.3	-1.3	-0.7	6.5	5.1	6.5	7.1	-8.2	5.5	4.5	-8.2	4.2
Hungary	4.6	-2.6	4.3	-10.6	19.7	16.4	12.2	-10.4	4.1	6.9	-18.7	8.9
Poland	-0.4	7.8	4.3	-8.2	4.0	9.4	7.2	-6.2	4.2	4.7	-8.4	5.9
Romania	9.8	7.7	2.7	-0.1	3.5	-1.1	17.8	2.5	4.1	4.5	-15.0	5.0
Sweden	2.7	1.9	3.6	4.0	5.5	1.4	-1.0	-3.4	1.8	3.7	-14.3	6.7
EU	1.4	-0.2	0.8	3.3	4.1	3.5	5.7	-10.3	5.6	4.2	-13.2	9.7
United Kingdom	2.5	-1.2	3.3	4.4	2.8	0.4	1.5	-13.7	1.1	4.1	-14.3	11.5
Japan	-0.9	-3.4	3.0	-0.3	3.0	0.6	1.3	-1.3	2.4	0.8	-8.4	1.6
United States	2.8	-2.7	4.7	1.9	3.7	4.1	1.8	-3.6	1.6	2.7	-12.2	1.7

Table 10: Investment in construction, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.8	1.7	1.6	3.3	1.6	4.0	6.0	-14.0	6.0	4.9	-16.8	17.5
Germany	-4.0	0.6	1.6	3.8	0.8	2.6	3.8	2.9	0.6	1.8	-1.5	3.5
Estonia	16.5	-8.4	7.0	3.7	5.9	-0.5	5.3	-8.4	3.9	8.1	-3.8	-1.6
Ireland	7.8	-14.7	2.2	12.9	13.5	13.4	8.0	-7.1	8.8	5.5	-11.6	6.5
Greece	1.2	-5.6	-17.0	15.6	-3.7	-15.7	-20.4	5.0	6.5	5.0	-28.0	31.0
Spain	6.0	-5.4	-5.5	1.6	6.7	9.3	1.6	-18.4	2.8	8.0	-20.1	9.0
France	2.4	-0.3	-0.8	0.9	4.4	2.4	4.4	-11.9	14.2	0.7	-15.3	17.8
Italy	2.9	-3.1	-6.0	0.0	1.5	2.0	2.5	-14.1	7.5	5.4	-9.2	8.2
Cyprus	8.3	1.2	-14.6	29.6	13.8	22.3	11.2	-11.3	1.2	1.9	-6.0	3.4
Latvia	16.1	-7.3	6.2	-21.2	14.2	17.8	0.7	1.6	2.5	4.2	-10.4	8.0
Lithuania	11.3	-2.7	5.1	-4.4	7.7	10.8	9.0	-1.0	8.9	5.9	4.0	4.0
Luxembourg	2.6	1.0	2.8	9.5	-0.1	2.9	2.2	-15.8	7.5	8.1	-10.8	8.2
Malta	6.5	-2.6	7.5	-15.1	38.6	8.4	12.0	-6.6	11.1	9.2	-2.0	2.5
Netherlands	-0.2	-1.4	-1.0	10.9	5.5	7.0	3.3	-2.5	-1.1	2.5	-9.1	5.1
Austria	-0.4	-2.3	0.7	0.3	2.5	3.6	3.6	-3.6	2.6	2.0	-7.4	5.4
Portugal	-2.5	-4.0	-8.5	-1.1	12.2	4.7	7.0	2.9	3.2	3.3	0.6	3.2
Slovenia	1.3	-3.5	-5.3	-14.5	9.1	8.8	11.0	-10.2	7.9	6.1	-13.1	8.3
Slovakia	2.1	0.8	4.3	-17.0	9.6	2.5	-5.8	-6.0	6.4	5.8	-8.2	6.5
Finland	2.0	0.7	-0.5	10.2	4.9	4.9	-0.2	-0.5	1.2	3.0	-7.3	5.5
Euro area	1.1	-2.0	-1.7	2.7	3.4	3.8	3.5	-6.7	5.2	2.9	-9.6	8.8
Bulgaria	11.8	8.1	-4.4	-2.7	-3.2	0.8	-5.9	-10.7	0.6	6.0	-13.6	0.2
Czechia	3.8	0.4	-0.6	-7.4	7.2	8.3	1.0	-1.1	3.0	5.9	-6.4	1.1
Denmark	1.9	-5.4	4.0	5.5	3.6	3.1	6.7	-0.5	3.3	4.0	-9.2	6.6
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	5.7	-5.3	2.0	-21.1	28.2	20.7	15.8	-4.2	-1.8	6.8	-14.7	4.8
Poland	-0.4	8.5	2.4	-10.2	-0.2	10.4	5.9	-3.7	1.0	4.1	-5.9	3.1
Romania	8.7	12.1	3.9	7.4	10.7	-8.5	8.0	3.6	5.0	5.5	-10.0	4.0
Sweden	5.0	1.6	3.6	6.8	5.3	1.9	-2.2	0.4	0.1	2.4	-6.2	4.3
EU	1.3	-1.5	-1.2	2.1	3.7	3.9	3.6	-5.9	4.7	3.1	-9.4	8.1
United Kingdom	2.3	-2.7	4.0	3.5	3.9	1.7	2.8	-17.4	0.8	4.0	-13.5	10.0
Japan	-4.4	-5.6	3.2	1.3	3.0	-1.2	:	:	:	:	:	:
United States	2.2	-8.4	3.7	1.2	3.0	0.8	-1.5	-0.4	1.6	2.7	-6.1	1.8

Table 11: Investment in equipment, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.7	-1.7	1.8	13.4	-1.9	1.3	-0.2	**-15.4**	**5.3**	**9.8**	-19.6	19.0
Germany	-0.4	1.8	2.3	3.0	4.2	4.4	0.5	**-15.7**	**7.1**	**4.1**	-16.9	12.6
Estonia	12.7	-6.0	8.4	7.4	9.9	7.8	21.2	**-18.9**	**11.8**	**8.8**	-15.1	20.0
Ireland	7.9	-1.7	9.2	26.1	11.5	15.5	-1.2	**-67.6**	**0.7**	**10.7**	-35.0	5.8
Greece	2.3	2.0	-8.2	-11.1	23.3	-3.3	6.7	**-15.4**	**5.0**	**2.7**	-32.0	35.2
Spain	2.6	-2.5	1.7	1.8	9.2	5.4	4.4	**-23.4**	**5.8**	**10.2**	-23.0	12.0
France	0.3	0.2	1.2	6.1	4.1	2.4	3.9	**-17.6**	**11.3**	**5.5**	-14.8	13.2
Italy	0.9	-1.2	-2.8	8.0	6.4	4.4	0.9	**-18.8**	**9.4**	**7.6**	-20.7	19.7
Cyprus	-1.4	9.0	-13.5	129.1	20.6	-34.6	-14.9	**-17.0**	**8.0**	**8.0**	-9.0	12.5
Latvia	13.7	-11.0	6.1	11.2	9.3	3.9	2.2	**-4.0**	**3.0**	**5.3**	-15.0	12.0
Lithuania	16.8	-6.4	12.2	14.6	9.2	8.0	3.6	**-13.1**	**10.7**	**6.4**	-15.4	16.7
Luxembourg	4.8	6.6	6.1	-1.0	16.3	-22.2	12.5	**-15.6**	**13.8**	**1.3**	-14.4	9.4
Malta	-0.6	8.7	12.5	16.5	-34.5	-7.7	3.1	:	:	:	:	:
Netherlands	-1.8	1.8	3.2	4.8	3.2	0.7	6.5	**-14.2**	**6.7**	**4.3**	-15.1	9.1
Austria	-0.5	-0.6	2.7	9.5	7.3	3.2	4.7	**-14.8**	**5.1**	**3.4**	-16.0	12.0
Portugal	-2.1	1.7	-2.9	8.0	12.4	8.9	2.7	**-30.7**	**15.2**	**9.9**	-26.9	26.2
Slovenia	5.9	-3.3	1.5	7.4	12.4	11.2	1.9	**-16.0**	**7.5**	**13.0**	-19.5	21.8
Slovakia	9.8	-0.4	9.0	-2.0	-6.0	1.2	15.6	**-20.0**	**13.3**	**12.1**	-24.1	18.7
Finland	1.1	-2.0	3.4	14.3	7.5	-0.8	-1.8	**-14.7**	**11.1**	**5.5**	-17.4	15.3
Euro area	0.7	0.1	1.2	5.9	5.3	3.7	2.3	**-19.1**	**8.0**	**6.1**	-18.7	14.3
Bulgaria	21.2	-8.3	8.8	-14.8	4.4	8.8	15.1	**-12.8**	**0.0**	**8.1**	-21.7	2.4
Czechia	4.2	4.3	2.6	-1.8	1.1	8.9	1.4	**-15.2**	**3.3**	**7.0**	-25.0	20.9
Denmark	0.2	-1.3	3.8	7.2	10.1	8.6	-5.7	**-12.3**	**2.2**	**3.3**	-17.1	15.8
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	2.9	-0.8	6.7	2.5	16.1	13.0	8.8	**-16.4**	**11.0**	**8.4**	-27.6	15.8
Poland	-0.1	6.3	7.0	-7.6	8.3	1.6	9.1	**-9.8**	**8.4**	**5.6**	-11.4	9.1
Romania	11.8	2.2	1.8	-8.9	-9.9	11.6	31.8	**2.0**	**3.3**	**3.1**	-22.1	7.2
Sweden	2.8	2.1	4.0	6.7	2.3	0.3	-3.9	**-11.5**	**5.7**	**7.0**	-39.3	19.3
EU	0.9	0.4	1.7	4.7	5.2	4.0	2.8	**-17.6**	**7.6**	**6.0**	-19.5	14.1
United Kingdom	1.8	-1.3	2.9	8.3	0.9	-5.5	-2.6	**-15.6**	**0.0**	**4.8**	-21.3	16.8
Japan	2.1	-2.4	3.2	-1.9	5.3	2.8	:	:	:	:	:	:
United States	3.0	1.3	6.4	-0.9	4.8	6.7	1.9	**-10.7**	**1.2**	**2.9**	-6.7	0.8

Table 12: Public investment (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.1	2.1	2.5	2.4	2.4	2.6	2.6	**2.7**	**2.8**	**2.7**	2.4	2.3
Germany	2.1	2.2	2.2	2.2	2.2	2.4	2.5	**2.8**	**2.8**	**2.8**	2.8	2.8
Estonia	5.0	5.7	5.4	4.6	5.7	5.3	5.0	**5.5**	**5.9**	**6.2**	5.6	5.5
Ireland	3.8	4.2	2.1	1.9	1.8	2.0	2.3	**2.6**	**2.7**	**2.7**	2.7	2.6
Greece	5.4	5.1	3.2	3.6	4.5	3.3	2.5	**3.2**	**4.1**	**3.9**	2.1	3.6
Spain	4.1	4.7	2.7	2.0	2.0	2.2	2.1	**2.6**	**2.4**	**2.4**	2.3	2.2
France	3.9	4.0	3.8	3.4	3.3	3.4	3.7	**3.9**	**3.9**	**3.8**	4.0	3.7
Italy	3.0	3.3	2.6	2.3	2.2	2.1	2.3	**2.6**	**2.7**	**2.7**	2.6	2.6
Cyprus	3.7	3.6	2.7	2.5	2.7	4.9	2.4	**1.9**	**1.9**	**1.9**	1.7	1.9
Latvia	2.6	5.3	4.9	3.6	4.6	5.6	5.0	**5.7**	**5.1**	**5.1**	5.2	4.9
Lithuania	1.4	4.9	3.9	3.0	3.2	3.2	3.1	**3.9**	**3.5**	**2.6**	3.5	3.6
Luxembourg	5.1	4.2	4.0	3.9	4.1	3.9	4.0	**5.2**	**4.9**	**4.8**	5.1	4.6
Malta	4.1	2.9	3.2	2.5	2.4	3.2	3.9	**4.9**	**5.1**	**5.0**	4.7	4.4
Netherlands	4.0	4.0	3.7	3.5	3.4	3.4	3.4	**3.7**	**3.7**	**3.8**	3.6	3.7
Austria	2.6	3.1	3.0	3.0	3.1	3.0	3.0	**3.3**	**3.4**	**3.3**	3.2	3.2
Portugal	4.5	3.9	2.5	1.5	1.8	1.8	1.9	**2.5**	**2.9**	**3.0**	2.3	2.3
Slovenia	3.8	4.7	4.5	3.1	3.1	3.7	3.8	**4.5**	**5.8**	**6.0**	4.1	4.1
Slovakia	3.5	3.6	4.2	3.4	3.4	3.7	3.6	**3.9**	**3.6**	**4.0**	3.7	3.6
Finland	3.7	3.6	4.0	4.1	4.1	4.2	4.3	**4.8**	**4.7**	**4.4**	4.8	4.6
Euro area	3.2	3.4	2.9	2.6	2.6	2.7	2.8	**3.1**	**3.2**	**3.1**	3.1	3.0
Bulgaria	3.5	4.9	4.6	2.7	2.3	3.1	3.4	**4.2**	**4.1**	**3.9**	3.7	3.7
Czechia	5.2	5.2	4.3	3.2	3.3	4.1	4.4	**4.8**	**5.0**	**4.8**	4.6	4.6
Denmark	2.8	3.1	3.7	3.8	3.4	3.4	3.2	**3.5**	**3.5**	**3.5**	3.6	3.3
Croatia	6.0	5.6	3.8	3.3	2.8	3.5	4.3	**5.2**	**6.1**	**6.4**	4.3	4.2
Hungary	4.2	3.9	4.6	3.2	4.5	5.8	6.1	**6.3**	**5.8**	**5.4**	5.8	5.7
Poland	2.9	4.7	4.9	3.3	3.8	4.7	4.3	**4.6**	**4.6**	**4.6**	4.3	4.2
Romania	3.1	5.9	4.8	3.7	2.6	2.7	3.5	**4.4**	**4.1**	**4.5**	3.3	4.0
Sweden	4.1	4.3	4.4	4.4	4.6	4.9	4.9	**5.1**	**5.0**	**5.0**	5.2	5.1
EU	3.2	3.5	3.1	2.8	2.8	2.9	3.0	**3.4**	**3.4**	**3.3**	3.3	3.2
United Kingdom	2.3	2.9	2.7	2.6	2.7	2.7	2.8	**3.0**	**3.2**	**3.2**	3.0	3.0
Japan	4.7	3.7	3.8	3.7	3.7	3.8	3.9	**4.3**	**4.3**	**4.3**	4.2	4.3
United States	3.8	4.0	3.5	3.2	3.2	3.2	3.5	**3.8**	**3.5**	**3.1**	3.9	3.6

Table 13: Potential GDP, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.2	1.7	1.1	1.3	1.2	1.3	1.2	**0.6**	**0.6**	**1.0**	*0.8*	*1.3*
Germany	1.3	1.2	1.3	1.6	1.3	1.2	1.1	**0.8**	**0.9**	**1.0**	*0.9*	*1.2*
Estonia	5.4	2.5	1.7	2.7	3.3	3.9	4.4	**3.3**	**3.3**	**3.1**	*2.5*	*3.4*
Ireland	6.1	1.2	5.5	4.7	8.9	8.9	5.6	**2.1**	**2.3**	**2.6**	*2.1*	*2.5*
Greece	4.0	1.0	-2.5	-1.8	-1.1	-1.0	-0.7	**-0.9**	**-0.4**	**0.2**	*-0.8*	*-0.2*
Spain	3.4	2.5	0.0	0.5	0.8	0.9	1.1	**-0.2**	**0.6**	**1.0**	*0.0*	*1.7*
France	1.9	1.4	0.9	0.9	0.9	0.9	0.9	**0.7**	**1.0**	**1.2**	*0.8*	*1.2*
Italy	1.1	0.3	-0.3	-0.3	0.1	0.1	0.3	**0.1**	**-0.4**	**0.7**	*-0.6*	*0.7*
Cyprus	3.6	3.3	-0.5	1.3	2.3	2.4	2.4	**1.6**	**1.7**	**1.8**	*1.6*	*1.7*
Latvia	7.0	3.2	0.6	1.8	2.2	2.5	2.5	**2.3**	**2.3**	**2.2**	*2.1*	*2.2*
Lithuania	6.0	3.9	1.6	1.8	2.4	3.2	4.3	**3.6**	**3.7**	**3.3**	*2.9*	*3.5*
Luxembourg	4.2	2.7	2.6	2.9	2.8	2.4	2.6	**1.9**	**2.2**	**2.3**	*1.5*	*2.1*
Malta	2.5	3.0	4.4	6.2	5.6	5.4	5.0	**2.3**	**3.0**	**3.4**	*3.1*	*3.1*
Netherlands	2.2	1.5	0.7	1.2	1.4	1.4	1.4	**0.9**	**0.6**	**0.9**	*1.0*	*1.4*
Austria	2.3	1.5	1.0	1.2	1.2	1.1	1.0	**0.7**	**0.8**	**0.8**	*1.0*	*1.2*
Portugal	1.7	0.4	-0.5	0.7	1.3	1.4	1.5	**0.7**	**1.3**	**1.4**	*0.9*	*1.8*
Slovenia	3.2	2.9	0.8	0.9	1.3	1.9	1.9	**1.3**	**1.9**	**2.3**	*1.6*	*2.6*
Slovakia	4.5	5.1	2.5	1.6	1.6	1.7	1.8	**0.7**	**1.3**	**1.9**	*0.8*	*1.9*
Finland	3.3	1.3	0.2	1.0	1.1	1.3	1.2	**0.7**	**1.1**	**1.2**	*-0.1*	*1.2*
Euro area	2.0	1.3	0.7	1.0	1.1	1.2	1.1	**0.6**	**0.7**	**1.1**	*0.6*	*1.2*
Bulgaria	4.3	3.8	1.7	2.5	2.5	2.4	2.4	**1.2**	**1.5**	**1.7**	*1.0*	*1.5*
Czechia	3.4	3.2	1.5	2.6	2.8	2.5	2.1	**1.2**	**1.6**	**1.9**	*1.0*	*2.2*
Denmark	1.5	1.4	1.1	2.0	2.0	2.0	2.1	**1.8**	**1.9**	**2.0**	*1.9*	*2.2*
Croatia	:	1.4	0.0	1.2	0.8	1.3	1.7	**0.5**	**1.6**	**1.6**	*0.3*	*1.7*
Hungary	3.8	1.5	1.0	1.9	2.7	3.4	3.8	**2.5**	**2.5**	**2.7**	*2.1*	*2.6*
Poland	3.8	4.0	3.3	2.9	3.1	3.3	3.3	**2.6**	**2.8**	**2.8**	*2.1*	*3.4*
Romania	4.0	4.7	2.3	4.0	4.2	4.1	3.8	**2.5**	**2.4**	**2.3**	*2.7*	*2.6*
Sweden	2.9	2.2	1.7	2.1	2.2	2.0	1.9	**1.4**	**1.6**	**1.7**	*1.0*	*1.4*
EU	:	1.5	0.9	1.2	1.3	1.4	1.3	**0.8**	**0.9**	**1.2**	*0.7*	*1.4*
United Kingdom	2.8	1.5	1.1	1.4	1.2	1.0	0.8	**0.1**	**0.2**	**0.3**	*0.6*	*1.2*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	2.7	1.7	1.6	1.8	1.8	1.8	1.9	**1.5**	**1.5**	**1.7**	*1.3*	*1.3*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	0.1	0.7	-0.4	0.3	0.7	1.3	1.8	**-7.3**	**-4.1**	**-1.7**	*-7.1*	*-2.2*
Germany	-0.6	-0.6	0.1	0.4	1.7	1.8	1.2	**-5.1**	**-2.7**	**-1.1**	*-6.4*	*-2.0*
Estonia	3.0	2.7	0.5	1.1	3.3	3.7	4.2	**-3.7**	**-3.6**	**-3.3**	*-5.3*	*-3.0*
Ireland	0.7	-1.0	0.2	2.1	2.3	1.9	1.9	**-2.5**	**-1.9**	**-1.9**	*-7.9*	*-4.7*
Greece	2.1	1.6	-14.2	-11.4	-9.2	-6.8	-4.4	**-12.3**	**-7.5**	**-4.4**	*-13.0*	*-6.0*
Spain	3.4	0.2	-7.1	-2.2	0.0	1.4	2.3	**-10.2**	**-6.0**	**-2.5**	*-7.3*	*-2.4*
France	1.4	0.3	-1.1	-0.9	0.5	1.4	1.9	**-8.3**	**-3.9**	**-2.1**	*-7.9*	*-2.3*
Italy	1.5	0.4	-3.3	-2.0	-0.4	0.4	0.5	**-9.5**	**-5.4**	**-3.4**	*-9.2*	*-3.9*
Cyprus	2.1	3.3	-5.8	-0.8	1.9	4.7	5.4	**-2.6**	**-0.7**	**0.5**	*-3.5*	*0.7*
Latvia	0.8	-0.1	-1.8	1.5	2.5	4.1	3.6	**-4.4**	**-1.9**	**-0.6**	*-5.7*	*-1.8*
Lithuania	-0.3	-0.2	-1.5	1.3	3.1	3.9	4.0	**-1.8**	**-2.5**	**-3.2**	*-6.4*	*-2.9*
Luxembourg	1.3	0.3	-2.7	0.7	-0.3	0.3	0.0	**-6.3**	**-4.7**	**-4.4**	*-4.8*	*-1.3*
Malta	-0.5	-0.2	0.4	2.6	4.9	4.7	4.5	**-5.3**	**-5.4**	**-2.8**	*-5.2*	*-2.5*
Netherlands	-1.0	-0.2	-2.2	-0.7	0.8	1.7	2.0	**-4.3**	**-2.8**	**-1.8**	*-6.4*	*-3.1*
Austria	-0.5	0.0	-0.7	-0.6	0.6	2.1	2.5	**-5.4**	**-2.2**	**-0.6**	*-4.8*	*-1.3*
Portugal	-0.1	0.2	-2.9	-0.5	1.7	3.1	3.8	**-6.5**	**-2.7**	**-0.7**	*-5.4*	*-1.7*
Slovenia	1.3	3.2	-4.9	-1.9	1.5	3.9	5.2	**-3.5**	**-0.5**	**1.0**	*-5.7*	*-1.9*
Slovakia	-1.6	2.0	-2.2	-0.1	1.3	3.4	3.9	**-4.6**	**-1.4**	**1.0**	*-5.0*	*-0.6*
Finland	-0.2	0.4	-2.1	-1.3	0.8	1.0	1.0	**-3.9**	**-2.3**	**-1.3**	*-5.4*	*-3.1*
Euro area	0.7	0.1	-2.1	-0.8	0.6	1.3	1.5	**-7.0**	**-3.8**	**-1.9**	*-7.3*	*-2.6*
Bulgaria	-0.8	1.6	-1.0	0.3	1.3	2.0	3.3	**-3.2**	**-2.2**	**-0.2**	*-5.0*	*-0.7*
Czechia	0.9	2.3	-1.5	0.0	2.3	2.9	3.1	**-5.1**	**-3.7**	**-1.3**	*-5.2*	*-2.6*
Denmark	1.7	0.7	-3.0	-1.1	-0.3	-0.2	0.6	**-5.1**	**-3.6**	**-3.2**	*-7.6*	*-5.0*
Croatia	0.1	2.7	-3.2	-0.5	2.1	3.6	4.8	**-5.7**	**-1.9**	**0.0**	*-6.1*	*-0.7*
Hungary	1.9	-0.5	-2.3	0.8	2.4	4.4	5.2	**-3.8**	**-2.5**	**-0.7**	*-5.2*	*-2.1*
Poland	-3.0	1.4	-0.7	-0.6	1.1	3.1	4.4	**-1.8**	**-1.3**	**-0.6**	*-2.5*	*-1.8*
Romania	1.9	3.1	-2.6	-1.3	1.7	2.0	2.4	**-5.3**	**-4.4**	**-3.0**	*-8.0*	*-6.6*
Sweden	0.0	-0.1	-1.1	0.6	1.0	0.9	0.2	**-4.5**	**-2.9**	**-2.1**	*-6.3*	*-3.7*
EU	0.6	0.2	-2.1	-0.8	0.7	1.4	1.7	**-6.6**	**-3.6**	**-1.9**	*-7.0*	*-2.7*
United Kingdom	0.7	-1.1	-1.5	1.0	1.5	1.8	2.2	**-8.5**	**-5.6**	**-3.9**	*-7.9*	*-3.5*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	0.1	-0.8	-1.1	0.2	0.8	2.0	2.4	**-3.7**	**-1.6**	**-0.8**	*-5.3*	*-1.9*

[1] When comparing output gaps between the successive forecasts it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: Deflator of gross domestic product (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.9	1.7	1.5	1.9	1.8	1.6	1.7	**1.7**	**1.6**	**1.5**	*1.4*	*1.6*
Germany	1.1	1.1	1.7	1.3	1.4	1.7	2.2	**2.6**	**1.4**	**1.5**	*2.1*	*1.6*
Estonia	5.2	5.9	3.5	2.3	3.1	4.2	3.2	**0.8**	**1.3**	**2.3**	*1.7*	*2.0*
Ireland	3.9	-0.7	2.5	1.0	1.6	0.3	3.1	**0.5**	**1.7**	**1.3**	*1.3*	*1.2*
Greece	3.1	2.7	-0.7	-0.6	0.4	-0.1	0.2	**-1.4**	**0.4**	**0.9**	*-0.1*	*0.6*
Spain	4.0	2.0	0.1	0.3	1.3	1.2	1.4	**0.7**	**1.1**	**1.0**	*0.2*	*1.0*
France	1.9	1.6	0.9	0.5	0.5	1.0	1.2	**2.8**	**0.5**	**1.2**	*1.3*	*0.9*
Italy	2.8	1.8	1.2	1.1	0.7	1.0	0.7	**1.3**	**1.0**	**1.2**	*0.9*	*0.9*
Cyprus	2.8	2.8	0.1	-0.6	1.1	1.2	0.9	**0.8**	**1.3**	**1.2**	*0.5*	*0.9*
Latvia	6.0	6.3	2.7	0.9	3.0	3.9	2.4	**1.0**	**1.3**	**1.4**	*1.4*	*2.3*
Lithuania	1.7	4.7	2.0	1.6	4.2	3.5	2.8	**1.5**	**2.4**	**2.6**	*1.9*	*2.7*
Luxembourg	2.4	3.5	2.4	0.8	1.7	2.5	3.4	**-0.2**	**1.4**	**1.3**	*0.4*	*2.8*
Malta	2.6	2.6	2.4	1.5	2.2	2.0	2.2	**0.6**	**1.5**	**2.1**	*1.8*	*1.3*
Netherlands	2.7	1.6	0.8	0.5	1.3	2.4	3.0	**1.9**	**1.3**	**1.2**	*1.1*	*1.5*
Austria	1.7	1.8	2.0	1.8	0.9	1.7	1.7	**2.0**	**1.9**	**1.6**	*1.2*	*1.1*
Portugal	3.4	1.9	0.9	1.7	1.5	1.8	1.7	**2.2**	**1.3**	**1.4**	*1.2*	*1.4*
Slovenia	5.3	2.6	0.9	0.9	1.5	2.2	2.3	**2.1**	**1.6**	**1.0**	*2.1*	*0.9*
Slovakia	4.5	1.2	0.6	-0.5	1.2	2.0	2.5	**3.3**	**0.6**	**1.7**	*2.2*	*1.3*
Finland	1.2	1.8	2.3	0.1	0.6	1.9	1.8	**1.5**	**1.7**	**1.7**	*1.8*	*1.8*
Euro area	2.2	1.6	1.2	0.9	1.1	1.4	1.7	**2.0**	**1.1**	**1.3**	*1.3*	*1.3*
Bulgaria	4.9	6.2	1.9	2.5	3.9	4.0	5.3	**1.4**	**2.8**	**2.1**	*0.5*	*2.4*
Czechia	2.6	1.5	1.3	1.1	1.3	2.6	3.9	**3.4**	**1.4**	**1.9**	*1.4*	*1.6*
Denmark	2.3	2.5	1.1	0.3	1.2	0.6	0.7	**0.5**	**1.5**	**1.8**	*0.5*	*1.8*
Croatia	3.8	3.5	0.8	-0.1	1.2	2.0	1.5	**0.7**	**1.4**	**1.2**	*0.7*	*0.9*
Hungary	6.4	4.1	2.8	1.4	4.0	4.8	4.8	**5.5**	**3.4**	**3.0**	*4.2*	*3.1*
Poland	2.6	3.0	1.5	0.3	1.9	1.2	3.1	**3.5**	**1.7**	**2.9**	*2.4*	*2.5*
Romania	21.9	9.9	3.2	2.4	4.7	6.2	6.9	**2.8**	**2.9**	**2.9**	*2.3*	*2.5*
Sweden	1.3	2.2	1.4	1.5	2.1	2.4	2.7	**1.6**	**1.4**	**1.5**	*1.0*	*1.3*
EU	2.3	1.8	1.2	0.9	1.2	1.5	1.9	**2.0**	**1.2**	**1.5**	*1.4*	*1.4*
United Kingdom	2.2	2.4	1.6	2.2	1.9	2.2	2.1	**4.8**	**-1.1**	**2.3**	*1.7*	*1.5*
Japan	-1.3	-1.0	0.2	0.3	-0.2	-0.1	0.6	**0.1**	**0.2**	**0.4**	*-0.1*	*0.1*
United States	2.3	1.9	1.7	1.1	1.8	2.5	1.6	**1.1**	**1.2**	**1.3**	*-0.6*	*1.5*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.0	1.9	1.5	1.5	1.9	2.1	1.3	**0.8**	**1.5**	**1.6**	*0.8*	*1.5*
Germany	1.4	1.4	1.2	0.7	1.5	1.5	1.3	**0.9**	**1.6**	**1.3**	*0.3*	*1.4*
Estonia	3.8	4.7	2.5	1.1	3.6	3.7	2.5	**-0.7**	**1.4**	**2.3**	*0.5*	*1.7*
Ireland	3.3	-0.2	1.0	0.3	1.0	2.2	2.4	**0.8**	**1.1**	**1.8**	*-1.0*	*0.9*
Greece	2.8	2.3	-0.3	-0.9	0.4	0.0	0.2	**-1.3**	**0.9**	**1.3**	*-0.6*	*0.5*
Spain	3.3	2.3	1.1	0.2	1.5	1.5	1.0	**-0.2**	**1.2**	**1.1**	*-0.2*	*1.1*
France	1.7	1.3	0.9	0.2	0.8	1.7	0.9	**0.5**	**0.7**	**1.5**	*0.6*	*1.0*
Italy	2.6	1.8	1.4	0.1	1.1	1.0	0.5	**-0.1**	**0.7**	**1.0**	*-0.3*	*0.7*
Cyprus	1.9	3.0	0.4	-1.9	0.9	1.6	1.1	**-0.9**	**0.9**	**1.3**	*-0.2*	*1.0*
Latvia	5.9	5.6	2.0	2.1	3.0	3.0	2.9	**0.3**	**1.3**	**1.8**	*0.2*	*1.9*
Lithuania	0.5	5.4	1.4	0.9	3.5	2.6	2.1	**1.5**	**1.8**	**1.8**	*1.1*	*1.8*
Luxembourg	2.2	1.7	1.5	0.3	1.8	2.1	1.9	**0.3**	**1.4**	**1.6**	*1.7*	*2.0*
Malta	2.2	2.4	1.7	1.0	1.0	0.8	2.0	**1.3**	**1.6**	**2.0**	*1.0*	*1.2*
Netherlands	2.4	1.4	1.3	0.6	1.4	2.2	2.3	**1.1**	**1.3**	**1.4**	*0.8*	*1.3*
Austria	1.8	1.8	2.2	1.5	1.8	2.1	1.9	**1.5**	**1.7**	**1.7**	*1.1*	*1.5*
Portugal	3.4	1.9	1.1	1.0	1.6	1.6	0.9	**0.9**	**1.4**	**1.6**	*0.5*	*1.4*
Slovenia	5.1	2.9	0.9	-0.4	1.6	2.0	1.3	**0.1**	**1.4**	**1.8**	*0.4*	*1.4*
Slovakia	5.0	2.6	1.7	-0.3	1.4	2.3	2.7	**2.1**	**0.9**	**1.5**	*1.8*	*1.1*
Finland	1.3	2.0	2.1	0.2	0.8	1.1	1.0	**0.4**	**1.3**	**1.4**	*0.5*	*1.4*
Euro area	2.1	1.7	1.2	0.4	1.3	1.5	1.1	**0.5**	**1.2**	**1.3**	*0.3*	*1.2*
Bulgaria	4.0	4.1	1.1	0.4	3.2	2.0	2.0	**0.7**	**2.0**	**2.0**	*0.0*	*2.0*
Czechia	1.9	2.1	1.1	0.4	2.3	2.5	2.8	**3.3**	**2.0**	**1.9**	*2.0*	*1.6*
Denmark	1.7	2.1	1.3	0.1	1.0	0.8	0.8	**0.4**	**1.3**	**1.5**	*0.6*	*1.5*
Croatia	2.9	3.3	1.3	-1.1	0.9	1.4	0.8	**0.2**	**1.2**	**1.5**	*0.4*	*0.9*
Hungary	5.8	4.7	2.5	1.0	3.3	3.3	4.3	**3.4**	**3.3**	**3.0**	*3.0*	*2.7*
Poland	2.8	2.6	1.5	-0.4	2.0	1.7	2.2	**3.5**	**1.9**	**3.1**	*2.4*	*2.6*
Romania	17.7	6.5	2.6	0.7	2.7	3.8	5.2	**2.3**	**2.4**	**2.5**	*2.0*	*2.0*
Sweden	1.4	1.6	0.9	0.9	1.8	2.5	1.9	**0.4**	**0.7**	**1.4**	*0.3*	*1.0*
EU	2.3	1.8	1.2	0.4	1.4	1.6	1.3	**0.8**	**1.3**	**1.5**	*0.5*	*1.3*
United Kingdom	1.2	2.2	1.8	1.4	2.0	2.4	1.4	**0.7**	**1.7**	**2.4**	*1.2*	*1.5*
Japan	-0.9	-0.7	0.2	-0.5	0.2	0.6	0.3	**0.2**	**0.2**	**0.4**	*0.2*	*0.1*
United States	2.1	2.0	1.5	1.1	1.8	1.8	1.3	**1.3**	**1.5**	**1.6**	*0.1*	*1.3*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.0	2.2	1.7	1.8	2.2	2.3	1.2	**0.4**	**1.4**	**1.6**	*0.2*	*1.3*
Germany	1.6	1.6	1.5	0.4	1.7	1.9	1.4	**0.4**	**1.4**	**1.3**	*0.3*	*1.4*
Estonia	3.6	4.9	2.6	0.8	3.7	3.4	2.3	**-0.5**	**1.4**	**2.1**	*0.7*	*1.7*
Ireland	3.4	1.1	0.8	-0.2	0.3	0.7	0.9	**-0.5**	**0.3**	**1.6**	*-0.3*	*0.9*
Greece	3.5	3.3	0.2	0.0	1.1	0.8	0.5	**-1.3**	**0.9**	**1.3**	*-0.6*	*0.5*
Spain	3.2	2.5	1.2	-0.3	2.0	1.7	0.8	**-0.2**	**0.9**	**1.0**	*0.0*	*1.0*
France	2.0	1.7	1.2	0.3	1.2	2.1	1.3	**0.5**	**0.9**	**1.5**	*0.4*	*0.9*
Italy	2.4	2.0	1.6	-0.1	1.3	1.2	0.6	**-0.1**	**0.7**	**1.0**	*-0.3*	*0.7*
Cyprus	2.5	2.3	1.0	-1.2	0.7	0.8	0.5	**-0.9**	**0.9**	**1.3**	*-0.2*	*1.0*
Latvia	4.1	6.8	1.5	0.1	2.9	2.6	2.7	**0.3**	**1.3**	**1.8**	*0.2*	*1.9*
Lithuania	0.9	5.2	1.6	0.7	3.7	2.5	2.2	**1.3**	**1.5**	**1.7**	*0.8*	*1.5*
Luxembourg	2.8	2.5	1.8	0.0	2.1	2.0	1.6	**0.2**	**1.5**	**1.8**	*0.7*	*1.6*
Malta	2.5	2.4	1.7	0.9	1.3	1.7	1.5	**0.8**	**1.3**	**1.6**	*0.7*	*1.1*
Netherlands	2.8	1.5	1.7	0.1	1.3	1.6	2.7	**1.1**	**1.3**	**1.4**	*0.8*	*1.3*
Austria	1.9	1.8	2.1	1.0	2.2	2.1	1.5	**1.5**	**1.7**	**1.7**	*1.1*	*1.5*
Portugal	3.2	1.7	1.4	0.6	1.6	1.2	0.3	**-0.1**	**0.9**	**1.2**	*-0.2*	*1.2*
Slovenia	5.6	3.0	1.3	-0.2	1.6	1.9	1.7	**0.0**	**0.9**	**1.8**	*0.5*	*1.2*
Slovakia	5.9	2.3	1.8	-0.5	1.4	2.5	2.8	**2.0**	**0.7**	**1.4**	*1.9*	*1.1*
Finland	1.4	2.0	2.0	0.4	0.8	1.2	1.1	**0.4**	**1.1**	**1.4**	*0.5*	*1.4*
Euro area	2.2	1.9	1.4	0.2	1.5	1.8	1.2	**0.3**	**1.1**	**1.3**	*0.2*	*1.1*
Bulgaria	5.5	6.5	0.7	-1.3	1.2	2.6	2.5	**1.2**	**1.4**	**1.8**	*1.1*	*1.1*
Czechia	2.0	2.6	1.6	0.6	2.4	2.0	2.6	**3.4**	**2.3**	**2.0**	*2.3*	*1.9*
Denmark	1.9	2.1	1.2	0.0	1.1	0.7	0.7	**0.3**	**1.1**	**1.3**	*0.3*	*1.3*
Croatia	2.9	3.0	1.6	-0.6	1.3	1.6	0.8	**0.1**	**1.2**	**1.5**	*0.4*	*0.9*
Hungary	5.9	5.3	2.3	0.4	2.4	2.9	3.4	**3.4**	**3.3**	**3.0**	*3.0*	*2.7*
Poland	2.8	2.9	1.6	-0.2	1.6	1.2	2.1	**3.6**	**2.0**	**3.1**	*2.5*	*2.8*
Romania	18.6	6.2	2.7	-1.1	1.1	4.1	3.9	**2.5**	**2.5**	**2.4**	*2.5*	*3.1*
Sweden	1.8	2.1	0.7	1.1	1.9	2.0	1.7	**0.6**	**0.8**	**1.3**	*0.4*	*1.1*
EU	2.7	2.2	1.5	0.2	1.6	1.8	1.4	**0.7**	**1.3**	**1.5**	*0.6*	*1.3*
United Kingdom	1.5	2.7	2.3	0.7	2.7	2.5	1.8	**0.9**	**2.3**	**2.9**	*1.2*	*2.1*
Japan	-0.4	-0.1	0.7	-0.1	0.5	1.0	0.5	**0.1**	**0.1**	**0.3**	*0.0*	*0.2*
United States	2.5	2.2	1.7	0.5	1.7	2.2	1.3	**1.1**	**1.6**	**1.8**	*0.5*	*1.5*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2020-22) 22.10.2020

	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4
Belgium	1.0	0.0	0.4	0.1	0.3	1.4	1.7	2.2	1.9	1.6	1.4	1.4
Germany	1.6	0.7	-0.2	-0.4	0.6	0.9	2.0	2.3	1.3	1.3	1.3	1.3
Estonia	1.5	-1.4	-1.3	-0.6	0.0	1.4	2.2	2.1	2.1	2.1	2.1	2.1
Ireland	0.8	-0.6	-0.9	-1.2	-0.9	0.3	0.5	1.3	1.7	1.6	1.5	1.4
Greece	0.6	-1.2	-2.2	-2.4	-2.1	0.2	2.3	3.1	2.8	1.8	0.7	-0.3
Spain	0.7	-0.6	-0.6	-0.3	0.2	1.2	1.2	1.1	1.0	1.0	1.0	1.0
France	1.3	0.3	0.4	0.1	0.4	1.1	1.1	1.1	1.2	1.5	1.6	1.7
Italy	0.2	-0.2	-0.2	-0.1	-0.1	0.7	1.1	0.9	1.0	0.9	1.0	1.1
Cyprus	0.6	-1.6	-2.3	-0.3	0.5	1.3	0.9	1.0	1.3	1.3	1.3	1.3
Latvia	1.9	-0.7	-0.3	0.0	0.4	1.6	1.6	1.7	1.8	1.8	1.9	1.9
Lithuania	2.5	0.6	0.9	1.2	1.2	1.6	1.6	1.6	1.7	1.7	1.7	1.7
Luxembourg	1.6	-0.9	-0.1	0.4	0.4	2.3	1.8	1.5	2.1	2.3	1.6	1.4
Malta	1.2	1.0	0.6	0.4	1.3	1.2	1.4	1.5	1.5	1.7	1.7	1.7
Netherlands	1.3	1.2	1.0	1.0	1.3	1.3	1.3	1.5	1.4	1.4	1.4	1.5
Austria	2.0	1.1	1.5	1.3	1.3	2.1	1.8	1.7	1.7	1.7	1.7	1.7
Portugal	0.5	-0.2	-0.4	-0.4	0.2	1.0	1.0	1.4	1.1	1.2	1.3	1.2
Slovenia	1.6	-1.2	-0.6	0.1	0.0	0.8	1.3	1.7	1.7	1.7	1.7	2.0
Slovakia	2.9	2.0	1.5	1.5	0.2	0.5	0.9	1.1	1.5	1.4	1.4	1.4
Finland	1.1	-0.1	0.4	0.4	0.9	1.1	1.1	1.2	1.4	1.4	1.4	1.4
Euro area	1.1	0.2	0.0	-0.1	0.4	1.0	1.4	1.6	1.3	1.3	1.3	1.3
Bulgaria	3.0	1.1	0.6	0.3	0.1	1.4	1.8	2.1	2.1	2.0	1.4	1.5
Czechia	3.7	3.3	3.5	3.2	2.3	2.4	2.3	2.2	2.1	2.1	2.0	2.0
Denmark	0.6	0.0	0.4	0.3	0.6	1.3	1.1	1.2	0.9	1.6	1.3	1.4
Croatia	1.2	-0.4	-0.5	0.2	0.6	1.5	1.3	1.4	0.8	2.0	1.5	1.5
Hungary	4.4	2.5	3.8	3.1	3.0	4.0	3.0	3.3	3.1	2.9	2.9	3.0
Poland	3.9	3.4	3.7	3.5	2.2	2.0	1.7	2.3	3.1	3.3	3.2	2.7
Romania	3.1	2.1	2.4	2.3	2.0	2.8	2.6	2.6	2.3	2.4	2.4	2.4
Sweden	1.2	0.3	0.8	0.1	0.3	0.9	0.9	1.1	1.3	1.3	1.3	1.4
EU	1.5	0.6	0.5	0.2	0.5	1.1	1.5	1.6	1.4	1.4	1.4	1.4
United Kingdom	1.7	0.7	0.6	0.8	2.1	2.1	2.4	2.5	2.8	3.0	2.9	2.9
Japan	0.5	0.1	0.1	-0.5	-0.1	0.2	0.0	0.2	0.2	0.2	0.4	0.4
United States	2.1	0.4	0.8	1.0	1.0	2.2	1.8	1.4	1.6	1.8	1.9	2.1

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	0.7	1.2	0.4	-1.4	3.2	3.0	0.6	**-2.3**	**1.7**	**1.8**	-4.4	1.7
Germany	-0.2	0.5	0.8	-1.0	1.4	0.8	0.5	**-0.8**	**0.3**	**0.8**	0.3	0.4
Estonia	1.8	3.6	0.3	-0.3	4.0	2.4	-0.4	**-1.9**	**0.7**	**1.4**	-1.7	1.2
Ireland	-2.0	0.0	1.6	-3.6	-0.9	-3.8	-0.5	**-0.5**	**0.9**	**1.3**	0.9	0.9
Greece	1.6	-0.3	-0.9	-5.9	7.9	5.8	-0.5	**-6.0**	**6.0**	**2.0**	-5.0	5.0
Spain	0.8	1.9	0.9	-1.6	3.2	1.3	0.1	**-1.0**	**1.2**	**1.1**	-0.8	1.1
France	-0.7	0.9	0.9	-1.9	1.1	0.7	0.9	**-2.9**	**-1.1**	**1.2**	-5.6	2.9
Italy	1.1	1.5	1.0	-0.7	2.0	2.0	0.4	**-1.1**	**-0.7**	**1.8**	-0.7	1.4
Cyprus	2.3	2.6	1.2	-0.9	0.4	0.2	0.7	**-2.5**	**0.5**	**1.5**	-4.0	1.0
Latvia	7.4	5.7	3.2	-2.7	4.2	3.2	-0.2	**-1.0**	**1.0**	**1.0**	-1.0	1.0
Lithuania	1.3	3.3	0.8	-3.1	4.9	3.7	-0.1	**-3.0**	**1.2**	**1.7**	-0.5	0.5
Luxembourg	1.9	3.2	0.3	-0.4	3.2	3.3	-0.9	**-1.7**	**0.7**	**1.4**	-1.7	2.0
Malta	0.4	0.7	-0.4	-1.6	1.6	3.4	0.9	**0.0**	**0.8**	**0.8**	1.0	1.2
Netherlands	-0.1	1.3	0.4	-3.6	3.3	2.1	-0.3	**-3.1**	**1.2**	**1.2**	-2.1	0.4
Austria	0.5	1.3	0.4	-1.0	1.5	1.8	-0.6	**-0.9**	**0.6**	**1.1**	-2.0	0.5
Portugal	0.0	1.5	0.2	-3.1	3.0	2.2	0.0	**-0.5**	**0.6**	**1.2**	0.0	1.3
Slovenia	3.7	1.2	0.6	-2.1	2.6	2.5	-0.4	**-2.0**	**0.5**	**0.9**	-0.5	0.9
Slovakia	2.3	0.1	-0.5	-1.7	2.2	1.6	-0.3	**-2.5**	**0.2**	**1.0**	-1.5	0.1
Finland	-1.4	-0.2	0.1	-3.4	3.9	5.0	-0.9	**-5.2**	**-0.4**	**1.9**	-1.4	0.6
Euro area	0.0	1.0	0.8	-1.8	1.9	1.2	0.3	**-1.6**	**0.4**	**1.2**	-1.5	1.1
Bulgaria	2.2	9.1	0.7	-2.4	7.7	2.8	1.7	**-5.0**	**1.0**	**2.0**	-4.6	3.0
Czechia	-1.4	-1.5	1.5	-2.8	-0.8	-0.7	1.1	**0.6**	**-0.6**	**0.2**	-0.1	0.1
Denmark	1.2	2.3	1.0	-1.1	0.7	0.4	-0.1	**-3.4**	**-0.4**	**1.5**	-1.9	0.9
Croatia	1.3	2.7	1.4	-3.1	1.2	0.7	0.5	**-1.8**	**0.1**	**0.8**	0.2	1.0
Hungary	-1.1	1.2	1.4	-1.0	1.5	2.9	1.7	**5.2**	**2.5**	**1.0**	3.8	2.5
Poland	3.6	3.4	2.8	0.3	1.5	1.6	3.3	**0.8**	**0.9**	**1.4**	0.6	0.4
Romania	17.0	8.4	0.9	-8.9	2.8	5.4	3.2	**-2.0**	**1.5**	**1.7**	-2.0	1.5
Sweden	-0.2	1.9	-0.6	-1.6	3.9	5.6	3.8	**-2.4**	**-0.1**	**1.4**	-1.9	0.1
EU	0.1	1.2	0.8	-1.8	1.9	1.4	0.6	**-1.4**	**0.4**	**1.2**	-1.3	1.0
United Kingdom	0.5	4.1	-0.7	5.7	6.2	4.0	1.7	**-2.0**	**3.0**	**2.5**	-2.0	1.8
Japan	-0.8	-2.7	1.9	-8.7	4.5	0.9	-2.8	**-5.0**	**1.0**	**1.0**	-5.0	1.0
United States	1.2	1.8	-0.4	-3.9	2.8	3.5	-1.8	**-6.3**	**-0.4**	**1.6**	-1.9	2.0

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.0	1.7	0.4	-2.6	3.3	4.1	-0.4	**-3.4**	**1.5**	**1.9**	-5.2	1.5
Germany	-0.7	0.5	0.2	-3.2	3.0	1.9	-0.6	**-3.7**	**0.5**	**0.4**	-2.9	0.4
Estonia	-0.3	3.1	0.7	-1.5	3.0	2.4	0.2	**-2.4**	**0.8**	**1.6**	-2.1	0.9
Ireland	-1.7	1.1	-0.2	-6.2	3.3	2.7	-2.7	**-1.7**	**0.5**	**1.7**	-2.0	1.0
Greece	2.0	1.2	-1.8	-5.2	6.6	7.2	0.9	**-5.0**	**5.5**	**1.8**	-6.0	6.0
Spain	-0.1	1.7	1.5	-1.6	3.5	2.8	0.6	**-3.3**	**1.4**	**1.3**	-3.3	1.2
France	-0.8	0.8	0.0	-3.1	2.7	2.3	-0.2	**-4.1**	**-0.9**	**1.2**	-7.1	2.8
Italy	1.3	2.1	0.1	-4.5	4.0	3.2	-0.9	**-4.4**	**-1.0**	**1.3**	-3.9	1.0
Cyprus	2.0	2.3	-0.7	-1.5	2.0	2.7	1.5	**-4.6**	**0.6**	**1.6**	-3.6	1.6
Latvia	6.8	4.9	2.3	-6.0	3.3	1.6	-1.1	**-3.0**	**1.5**	**2.0**	-3.0	0.5
Lithuania	-0.7	4.1	0.5	-4.8	4.5	4.7	-1.4	**-4.0**	**0.9**	**1.5**	-1.0	0.9
Luxembourg	1.7	1.3	0.3	-2.3	4.7	2.9	0.0	**-1.6**	**0.5**	**1.2**	-1.9	1.9
Malta	0.6	0.3	0.4	-0.8	-0.7	-0.3	0.8	**0.3**	**0.1**	**1.0**	-2.0	0.8
Netherlands	-0.9	1.7	0.2	-4.5	3.6	2.2	-1.1	**-4.0**	**1.1**	**1.2**	-2.0	0.5
Austria	0.2	1.7	0.5	-2.0	3.3	2.7	-0.1	**-2.0**	**0.5**	**1.2**	-2.0	0.2
Portugal	0.1	0.9	-0.5	-3.9	4.2	2.9	-0.4	**-2.5**	**0.6**	**1.2**	-2.0	1.3
Slovenia	3.6	1.7	0.5	-2.9	3.4	2.5	-0.7	**-2.9**	**0.3**	**1.7**	-3.3	0.3
Slovakia	2.5	1.4	0.2	-1.3	3.0	2.5	0.1	**-2.6**	**0.2**	**1.0**	-1.6	0.1
Finland	-0.4	0.8	-0.5	-3.0	4.7	4.2	0.0	**-6.0**	**-0.7**	**1.6**	-2.8	0.3
Euro area	-0.1	1.2	0.3	-3.3	3.3	2.6	-0.5	**-3.7**	**0.4**	**1.1**	-3.6	1.1
Bulgaria	2.5	4.8	0.7	-6.0	7.5	2.2	-0.1	**-5.0**	**0.5**	**2.4**	-3.0	2.8
Czechia	-2.0	-0.7	1.3	-3.8	0.6	-0.6	0.7	**-0.2**	**-0.4**	**-0.2**	0.4	0.2
Denmark	0.2	1.1	0.6	-2.4	2.2	2.9	-0.1	**-3.3**	**-0.4**	**1.4**	-2.1	0.7
Croatia	0.8	1.8	1.3	-2.5	2.6	1.1	0.2	**-1.0**	**0.3**	**1.3**	-0.7	1.3
Hungary	-0.5	1.6	1.5	-2.5	1.9	4.0	1.2	**3.6**	**2.6**	**1.1**	2.8	2.5
Poland	3.2	2.8	2.0	-0.3	1.3	2.9	1.6	**-0.1**	**0.7**	**1.0**	0.0	0.1
Romania	13.2	3.7	0.9	-7.2	5.3	4.8	2.1	**-1.7**	**1.0**	**1.2**	-1.5	1.0
Sweden	1.1	1.5	-1.0	-2.2	4.6	6.7	2.3	**-3.5**	**-0.7**	**1.3**	-2.6	-0.4
EU	0.1	1.3	0.4	-3.2	3.2	2.7	-0.2	**-3.2**	**0.4**	**1.0**	-3.1	1.0
United Kingdom	-0.5	4.0	-0.6	3.8	7.1	3.2	1.1	**-2.0**	**3.0**	**2.5**	-2.0	1.8
Japan	2.2	0.8	2.4	-15.0	9.9	6.0	-3.9	**-5.0**	**1.0**	**1.0**	-5.0	1.0
United States	1.7	2.0	-1.0	-4.3	2.1	2.8	-1.8	**-3.3**	**1.5**	**2.0**	-2.3	2.0

Table 21: Terms of trade of goods (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	-0.3	-0.5	0.1	1.3	-0.2	-1.1	1.0	**1.1**	**0.2**	**-0.1**	*0.8*	*0.2*
Germany	0.5	0.1	0.6	2.3	-1.6	-1.0	1.1	**3.0**	**-0.3**	**0.4**	*3.2*	*0.0*
Estonia	2.1	0.4	-0.3	1.3	0.9	0.0	-0.7	**0.5**	**-0.1**	**-0.2**	*0.4*	*0.3*
Ireland	-0.3	-1.1	1.8	2.7	-4.1	-6.3	2.2	**1.2**	**0.4**	**-0.4**	*2.9*	*-0.1*
Greece	-0.4	-1.5	0.8	-0.7	1.2	-1.2	-1.4	**-1.1**	**0.5**	**0.2**	*1.1*	*-0.9*
Spain	0.9	0.2	-0.6	0.1	-0.4	-1.4	-0.5	**2.4**	**-0.2**	**-0.2**	*2.6*	*-0.1*
France	0.1	0.1	0.8	1.2	-1.6	-1.5	1.1	**1.3**	**-0.3**	**0.1**	*1.6*	*0.0*
Italy	-0.2	-0.6	0.9	4.0	-1.9	-1.2	1.3	**3.4**	**0.3**	**0.5**	*3.3*	*0.4*
Cyprus	0.2	0.3	2.0	0.5	-1.6	-2.4	-0.9	**2.2**	**-0.1**	**-0.1**	*-0.4*	*-0.6*
Latvia	0.6	0.7	0.9	3.5	0.9	1.6	0.9	**2.1**	**-0.5**	**-1.0**	*2.1*	*0.5*
Lithuania	2.0	-0.8	0.3	1.8	0.4	-1.0	1.3	**1.0**	**0.3**	**0.2**	*0.5*	*-0.4*
Luxembourg	0.2	1.9	0.1	2.0	-1.4	0.4	-1.0	**-0.1**	**0.1**	**0.1**	*0.2*	*0.0*
Malta	-0.2	0.4	-0.8	-0.8	2.4	3.6	0.1	**-0.3**	**0.7**	**-0.2**	*3.1*	*0.4*
Netherlands	0.8	-0.4	0.2	1.0	-0.3	-0.2	0.9	**0.9**	**0.1**	**0.0**	*-0.1*	*0.0*
Austria	0.3	-0.4	0.0	1.0	-1.7	-0.9	-0.5	**1.1**	**0.1**	**-0.1**	*0.0*	*0.3*
Portugal	-0.2	0.6	0.8	0.9	-1.1	-0.8	0.5	**2.1**	**0.0**	**0.0**	*2.0*	*0.0*
Slovenia	0.1	-0.5	0.1	0.8	-0.7	0.0	0.4	**0.9**	**0.2**	**-0.8**	*2.9*	*0.6*
Slovakia	-0.1	-1.4	-0.7	-0.4	-0.8	-0.9	-0.3	**0.1**	**0.0**	**0.0**	*0.1*	*0.0*
Finland	-1.0	-1.0	0.6	-0.4	-0.7	0.8	-0.9	**0.9**	**0.3**	**0.3**	*1.4*	*0.3*
Euro area	0.2	-0.3	0.5	1.6	-1.3	-1.4	0.8	**2.0**	**0.0**	**0.1**	*2.3*	*0.0*
Bulgaria	-0.3	4.1	-0.1	3.9	0.3	0.7	1.9	**0.0**	**0.5**	**-0.4**	*-1.6*	*0.2*
Czechia	0.6	-0.7	0.2	1.0	-1.3	-0.2	0.3	**0.8**	**-0.2**	**0.4**	*-0.5*	*0.0*
Denmark	1.0	1.2	0.4	1.4	-1.5	-2.5	0.0	**-0.1**	**0.0**	**0.1**	*0.2*	*0.2*
Croatia	0.5	0.9	0.0	-0.6	-1.3	-0.5	0.3	**-0.8**	**-0.2**	**-0.5**	*0.9*	*-0.3*
Hungary	-0.7	-0.4	-0.1	1.5	-0.3	-1.0	0.5	**1.5**	**-0.1**	**-0.1**	*1.0*	*0.0*
Poland	0.4	0.6	0.8	0.6	0.2	-1.2	1.7	**0.9**	**0.2**	**0.4**	*0.6*	*0.3*
Romania	3.4	4.5	0.0	-1.8	-2.3	0.6	1.0	**-0.3**	**0.5**	**0.5**	*-0.5*	*0.5*
Sweden	-1.3	0.5	0.4	0.6	-0.7	-1.0	1.5	**1.1**	**0.6**	**0.1**	*0.7*	*0.5*
EU	0.1	-0.2	0.5	1.5	-1.3	-1.3	0.8	**1.8**	**0.0**	**0.1**	*1.9*	*0.0*
United Kingdom	1.0	0.1	-0.1	1.9	-0.9	0.8	0.7	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*
Japan	-2.9	-3.5	-0.5	7.4	-4.9	-4.8	1.1	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*
United States	-0.4	-0.2	0.6	0.4	0.6	0.7	0.0	**-3.1**	**-1.9**	**-0.4**	*0.4*	*0.0*

Table 22: Total population (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	0.4	0.8	0.7	0.5	0.4	0.5	0.5	**0.4**	**0.2**	**0.4**	*0.5*	*0.5*
Germany	0.0	-0.3	0.3	0.8	0.4	0.3	0.2	**0.1**	**0.1**	**0.2**	*0.2*	*0.2*
Estonia	-0.6	-0.4	-0.3	0.2	0.0	0.3	0.4	**0.4**	**0.0**	**-0.1**	*0.3*	*0.2*
Ireland	1.8	1.9	0.6	1.1	1.1	1.2	1.4	**0.8**	**0.8**	**0.7**	*0.6*	*0.8*
Greece	0.3	0.2	-0.5	-0.4	-0.2	-0.2	-0.1	**-0.6**	**-0.6**	**-0.6**	*-0.6*	*-0.6*
Spain	1.5	1.3	-0.1	0.1	0.2	0.4	0.8	**0.1**	**0.5**	**0.5**	*0.1*	*0.5*
France	0.7	0.6	0.5	0.4	0.3	0.3	0.3	**0.3**	**0.3**	**0.3**	*0.3*	*0.3*
Italy	0.4	0.6	0.3	-0.2	-0.1	-0.1	-0.2	**0.0**	**0.0**	**-0.1**	*0.0*	*0.0*
Cyprus	1.3	2.3	0.4	0.5	0.9	1.2	1.2	**1.1**	**1.1**	**1.1**	*1.1*	*1.1*
Latvia	-1.1	-1.3	-1.2	-0.9	-0.9	-0.8	-0.7	**-0.2**	**-0.5**	**-0.5**	*-0.2*	*-0.7*
Lithuania	-1.0	-1.4	-1.3	-1.3	-1.4	-0.9	-0.3	**0.1**	**-0.1**	**-0.4**	*-0.1*	*-0.4*
Luxembourg	1.3	1.7	2.3	2.6	2.2	2.0	2.1	**1.8**	**2.0**	**2.0**	*1.8*	*2.0*
Malta	0.7	0.5	1.4	2.3	2.8	3.6	4.0	**2.3**	**2.6**	**2.7**	*3.0*	*3.0*
Netherlands	0.5	0.4	0.4	0.5	0.6	0.6	0.7	**0.5**	**0.3**	**0.5**	*0.8*	*0.8*
Austria	0.5	0.3	0.6	1.3	0.6	0.5	0.5	**0.4**	**0.3**	**0.3**	*0.5*	*0.5*
Portugal	0.4	0.1	-0.4	-0.3	-0.2	-0.2	0.0	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*
Slovenia	0.1	0.5	0.1	0.1	0.1	0.3	0.8	**0.3**	**0.2**	**0.2**	*0.3*	*0.2*
Slovakia	-0.1	0.2	0.0	0.2	0.1	0.1	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*
Finland	0.3	0.4	0.4	0.3	0.2	0.1	0.1	**0.2**	**0.1**	**0.1**	*0.2*	*0.1*
Euro area	0.5	0.4	0.3	0.3	0.2	0.2	0.3	**0.1**	**0.2**	**0.2**	*0.2*	*0.2*
Bulgaria	-1.1	-0.5	-1.0	-0.7	-0.7	-0.7	-0.7	**-0.5**	**-0.6**	**-0.6**	*-0.7*	*-0.7*
Czechia	-0.1	0.5	0.0	0.2	0.2	0.3	0.4	**0.4**	**0.2**	**0.2**	*0.4*	*0.2*
Denmark	0.3	0.5	0.5	0.8	0.6	0.5	0.4	**0.3**	**0.4**	**0.4**	*0.4*	*0.4*
Croatia	0.1	-0.1	-0.4	-0.8	-1.0	-0.9	-0.6	**-0.4**	**-0.2**	**-0.1**	*-0.4*	*-0.2*
Hungary	-0.2	-0.2	-0.3	-0.3	-0.3	-0.1	0.0	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*
Poland	0.0	0.2	0.0	-0.1	0.0	0.0	-0.1	**-0.1**	**-0.1**	**-0.2**	*-0.1*	*-0.1*
Romania	-1.0	-1.0	-0.4	-0.6	-0.6	-0.6	-0.5	**-0.7**	**-0.7**	**-0.6**	*-0.6*	*-0.7*
Sweden	0.4	0.8	0.9	1.3	1.4	1.2	1.0	**0.4**	**0.4**	**0.4**	*0.9*	*0.8*
EU	0.3	0.3	0.2	0.2	0.2	0.2	0.2	**0.1**	**0.1**	**0.1**	*0.1*	*0.2*
United Kingdom	0.5	0.8	0.7	0.8	0.6	0.6	0.6	**0.6**	**0.6**	**0.6**	*0.5*	*0.6*
Japan	0.1	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	**-0.2**	**-0.2**	**-0.2**	*-0.3*	*-0.3*
United States	1.0	0.9	0.7	0.7	0.7	0.6	0.5	**0.6**	**0.6**	**0.6**	*0.7*	*0.7*

Table 23: Total employment (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	0.8	1.0	0.5	1.3	1.6	1.5	1.6	**-0.7**	**-1.0**	**1.7**	-1.0	1.2
Germany	-0.3	0.9	1.0	1.2	1.4	1.4	0.9	**-1.0**	**0.2**	**0.6**	-0.9	0.6
Estonia	0.9	-2.1	2.6	0.3	2.7	1.2	1.3	**-3.5**	**0.2**	**1.7**	-5.7	3.7
Ireland	3.0	-0.7	1.3	3.7	3.0	3.2	2.9	**-0.4**	**-3.6**	**1.1**	-2.5	1.3
Greece	1.5	0.3	-1.6	3.4	-0.5	1.4	1.2	**-3.6**	**1.7**	**1.6**	-3.7	3.8
Spain	2.8	-0.5	-1.4	2.8	2.8	2.5	2.3	**-8.7**	**3.5**	**2.0**	-8.7	6.1
France	0.7	0.5	0.3	0.5	1.1	1.0	1.2	**-10.5**	**7.0**	**2.9**	-9.1	10.0
Italy	0.8	-0.2	-0.6	1.4	0.8	0.7	0.2	**-10.3**	**6.1**	**2.4**	-7.5	5.5
Cyprus	3.1	2.1	-1.9	4.7	5.4	5.3	3.1	**-2.6**	**1.1**	**1.5**	-2.5	2.3
Latvia	1.0	-2.5	1.1	-0.3	0.0	1.5	-0.1	**-3.2**	**0.4**	**0.8**	-2.6	0.9
Lithuania	0.3	-2.5	1.5	2.3	-0.7	1.4	0.5	**-2.8**	**0.3**	**0.5**	-3.5	2.0
Luxembourg	3.1	3.2	2.5	3.0	3.4	3.7	3.6	**2.0**	**2.0**	**2.1**	0.9	3.1
Malta	0.7	1.6	3.8	4.3	8.1	6.0	5.8	**-0.8**	**1.9**	**4.3**	-1.8	2.8
Netherlands	0.0	1.0	0.0	2.1	2.2	2.6	1.9	**-1.1**	**-1.7**	**0.8**	-2.4	1.4
Austria	0.6	1.1	0.9	1.3	1.6	1.7	1.1	**-2.5**	**1.5**	**1.2**	-1.4	1.4
Portugal	0.0	-0.7	-1.2	1.6	3.3	2.3	0.8	**-3.8**	**2.1**	**1.7**	-3.4	2.7
Slovenia	0.3	0.7	-0.4	1.8	3.0	3.2	2.5	**-0.9**	**0.5**	**2.2**	-2.7	2.0
Slovakia	0.6	0.8	0.9	2.4	2.2	2.0	1.0	**-1.6**	**-1.0**	**0.8**	-3.4	2.0
Finland	1.0	0.6	0.2	0.5	1.0	2.5	1.7	**-2.5**	**0.9**	**1.1**	-2.5	1.1
Euro area	0.7	0.3	0.1	1.5	1.5	1.5	1.1	**-5.3**	**2.5**	**1.6**	-4.7	3.9
Bulgaria	1.5	0.7	-0.9	0.5	1.8	-0.1	0.3	**-2.9**	**0.5**	**1.0**	-2.5	0.5
Czechia	0.3	0.6	0.5	1.6	1.6	1.3	0.2	**-1.1**	**-0.5**	**1.5**	-3.1	0.8
Denmark	0.2	0.1	0.3	1.7	1.5	1.6	1.2	**-1.3**	**0.8**	**1.1**	-1.6	1.4
Croatia	0.8	0.7	-1.3	0.2	2.4	2.6	3.1	**-1.4**	**0.3**	**0.6**	-3.9	3.0
Hungary	0.0	-0.8	1.8	3.7	1.9	2.3	1.3	**-3.5**	**0.4**	**1.3**	-3.8	1.1
Poland	-0.6	1.8	0.8	0.8	1.3	0.5	-0.2	**-1.7**	**-2.0**	**1.3**	-4.5	2.2
Romania	-3.1	-0.9	-0.5	-1.1	2.4	0.1	0.0	**-2.6**	**0.3**	**1.2**	-2.5	0.6
Sweden	0.2	0.7	1.4	1.9	2.5	1.6	0.6	**-1.7**	**0.0**	**1.6**	-2.5	1.1
EU	0.3	0.3	0.2	1.3	1.6	1.4	0.9	**-4.5**	**1.8**	**1.6**	-4.4	3.3
United Kingdom	1.0	0.3	1.4	1.5	1.0	1.2	1.1	**-0.9**	**-1.7**	**1.9**	-2.7	1.5
Japan	0.0	0.0	0.2	1.0	1.0	1.7	0.5	**-5.0**	**2.0**	**2.0**	-5.0	-1.0
United States	0.3	-0.6	1.6	1.5	1.2	1.7	1.1	**-6.3**	**2.1**	**1.9**	-6.3	2.0

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 24: Total employment in persons (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Spain	3.4	-0.2	-1.1	2.1	2.6	2.3	2.2	**-4.1**	**-0.8**	**1.3**	-5.6	2.9
France	0.6	0.4	0.4	0.6	1.1	1.0	1.1	**-1.8**	**-0.2**	**1.2**	-1.2	1.0
Italy	1.3	0.2	-0.2	1.4	1.2	0.9	0.5	**-1.3**	**-0.5**	**0.7**	-1.9	1.5
Netherlands	0.3	1.0	0.1	1.5	2.4	2.6	1.9	**-1.1**	**-1.7**	**0.8**	-2.4	1.4
Euro area	0.8	0.4	0.2	1.4	1.6	1.6	1.2	**-1.8**	**-0.2**	**1.0**	-2.1	1.4
EU	0.0	0.0	0.0	1.3	1.6	1.4	1.0	**-1.9**	**-0.2**	**1.1**	-2.4	1.4

Table 25: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	7.8	7.8	8.0	7.8	7.1	6.0	5.4	**5.9**	**7.0**	**6.2**	7.0	6.6
Germany	9.8	8.3	5.2	4.1	3.8	3.4	3.1	**4.0**	**4.0**	**3.8**	4.0	3.5
Estonia	10.5	9.2	8.9	6.8	5.8	5.4	4.4	**7.5**	**7.8**	**6.7**	9.2	6.5
Ireland	4.6	8.8	13.3	8.4	6.7	5.8	5.0	**5.3**	**8.9**	**8.7**	7.4	7.0
Greece	10.3	9.5	24.3	23.6	21.5	19.3	17.3	**18.0**	**17.5**	**16.7**	19.9	16.8
Spain	10.8	13.2	23.8	19.6	17.2	15.3	14.1	**16.7**	**17.9**	**17.3**	18.9	17.0
France	8.4	8.5	10.0	10.0	9.4	9.0	8.5	**8.5**	**10.7**	**10.0**	10.1	9.7
Italy	8.6	7.2	11.2	11.7	11.2	10.6	10.0	**9.9**	**11.6**	**11.1**	11.8	10.7
Cyprus	4.4	4.8	13.4	13.0	11.1	8.4	7.1	**8.2**	**7.8**	**7.2**	8.6	7.5
Latvia	11.9	11.6	12.8	9.6	8.7	7.4	6.3	**8.3**	**8.0**	**7.5**	8.6	8.3
Lithuania	12.5	9.5	12.1	7.9	7.1	6.2	6.3	**8.9**	**8.0**	**6.9**	9.7	7.9
Luxembourg	3.7	4.7	5.7	6.3	5.5	5.6	5.6	**6.6**	**7.1**	**7.1**	6.4	6.1
Malta	7.1	6.6	6.0	4.7	4.0	3.7	3.6	**5.1**	**4.7**	**4.1**	5.9	4.4
Netherlands	3.9	4.5	6.5	6.0	4.9	3.8	3.4	**4.4**	**6.4**	**6.1**	5.9	5.3
Austria	4.6	4.9	5.2	6.0	5.5	4.9	4.5	**5.5**	**5.1**	**4.9**	5.8	4.9
Portugal	6.0	8.8	14.4	11.2	9.0	7.1	6.5	**8.0**	**7.7**	**6.6**	9.7	7.4
Slovenia	6.4	5.7	9.2	8.0	6.6	5.1	4.5	**5.0**	**4.8**	**4.4**	7.0	5.1
Slovakia	18.0	12.1	13.3	9.7	8.1	6.5	5.8	**6.9**	**7.8**	**7.1**	8.8	7.1
Finland	8.9	7.5	8.4	8.8	8.6	7.4	6.7	**7.9**	**7.7**	**7.4**	8.3	7.7
Euro area	8.8	8.6	11.2	10.0	9.0	8.1	7.5	**8.3**	**9.4**	**8.9**	9.6	8.6
Bulgaria	14.9	7.7	11.4	7.6	6.2	5.2	4.2	**5.8**	**5.6**	**5.0**	7.0	5.8
Czechia	7.9	6.2	6.4	4.0	2.9	2.2	2.0	**2.7**	**3.3**	**3.2**	5.0	4.2
Denmark	5.0	5.1	7.2	6.0	5.8	5.1	5.0	**6.1**	**5.8**	**5.5**	6.4	5.7
Croatia	14.3	10.1	16.1	13.1	11.2	8.5	6.6	**7.7**	**7.5**	**6.9**	10.2	7.4
Hungary	6.1	8.8	9.3	5.1	4.2	3.7	3.4	**4.4**	**4.4**	**3.9**	7.0	6.1
Poland	19.0	9.7	9.3	6.2	4.9	3.9	3.3	**4.0**	**5.3**	**4.1**	7.5	5.3
Romania	7.5	6.7	6.9	5.9	4.9	4.2	3.9	**5.9**	**6.2**	**5.1**	6.5	5.4
Sweden	5.9	7.3	7.9	7.0	6.7	6.4	6.8	**8.8**	**9.2**	**8.1**	9.7	9.3
EU	9.6	8.4	10.6	9.1	8.1	7.2	6.7	**7.7**	**8.6**	**8.0**	9.0	7.9
United Kingdom	4.9	6.3	7.0	4.8	4.3	4.0	3.8	**5.0**	**7.3**	**6.2**	6.7	6.0
Japan	5.0	4.4	4.0	3.1	2.8	2.4	2.3	**3.1**	**2.9**	**2.7**	4.3	4.5
United States	5.4	6.8	7.2	4.9	4.4	3.9	3.7	**7.7**	**6.2**	**5.4**	9.2	7.6

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 26: Compensation of employees per head (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.7	2.7	2.0	0.6	1.9	1.8	2.1	**-1.2**	**4.3**	**0.9**	-1.4	1.2
Germany	1.1	1.5	2.6	2.3	2.6	2.9	3.0	**-0.8**	**2.8**	**2.7**	-0.6	3.2
Estonia	10.8	9.7	4.7	2.2	10.5	9.0	9.3	**3.1**	**1.5**	**3.3**	2.0	2.7
Ireland	6.0	2.0	0.6	2.5	2.9	2.6	3.5	**2.3**	**3.7**	**2.4**	-2.3	1.7
Greece	7.3	2.1	-4.2	-3.7	1.5	1.8	1.0	**-1.0**	**0.3**	**0.5**	-3.6	3.2
Spain	3.3	4.3	0.4	-0.6	0.7	1.0	2.1	**1.9**	**0.0**	**0.8**	0.5	0.7
France	2.9	2.5	1.8	1.3	2.0	1.7	-0.2	**5.5**	**-1.6**	**-0.2**	6.0	-6.0
Italy	3.4	2.7	0.7	0.1	0.6	2.1	1.5	**0.9**	**0.6**	**0.7**	-0.5	0.8
Cyprus	5.0	3.1	-1.3	-0.9	1.7	1.3	1.8	**-2.5**	**1.7**	**1.8**	-5.4	6.6
Latvia	12.1	10.1	6.3	7.3	7.6	8.1	8.8	**3.1**	**3.7**	**3.6**	0.3	3.9
Lithuania	9.4	7.2	5.2	6.4	9.5	7.9	10.2	**3.0**	**3.3**	**2.5**	-8.2	7.4
Luxembourg	3.2	2.9	2.3	0.8	3.0	3.3	1.7	**-5.3**	**2.3**	**3.1**	1.8	2.4
Malta	3.9	3.5	3.3	6.0	0.1	3.7	2.8	**1.0**	**2.0**	**1.1**	3.4	2.8
Netherlands	3.4	2.5	1.6	1.2	1.0	1.8	2.9	**2.4**	**1.3**	**1.2**	2.2	1.5
Austria	1.9	2.4	2.2	2.4	1.6	2.9	2.8	**1.1**	**0.5**	**2.0**	0.7	1.2
Portugal	3.8	2.5	-0.6	1.2	2.3	3.9	3.5	**0.6**	**2.3**	**1.8**	0.2	1.7
Slovenia	8.3	4.9	0.8	3.1	3.0	3.9	4.9	**1.4**	**1.8**	**0.9**	1.6	1.2
Slovakia	7.8	6.3	2.5	2.2	5.4	5.8	6.6	**1.5**	**3.5**	**3.7**	1.3	2.5
Finland	2.9	3.0	2.0	0.9	-1.1	1.3	1.4	**2.1**	**1.0**	**0.8**	2.1	2.8
Euro area	2.6	2.5	1.6	1.1	1.8	2.2	2.0	**1.4**	**1.2**	**1.4**	1.1	0.4
Bulgaria	7.7	10.7	6.9	5.8	10.5	9.7	6.9	**4.7**	**4.7**	**4.0**	3.4	2.3
Czechia	7.2	3.9	2.1	4.0	7.2	8.1	6.3	**0.3**	**0.9**	**1.2**	2.5	4.2
Denmark	3.6	3.4	1.6	1.3	1.7	1.8	1.5	**1.0**	**1.7**	**1.8**	1.0	1.7
Croatia	6.2	3.0	-0.4	0.4	0.2	3.8	1.5	**2.1**	**1.2**	**1.2**	-1.2	1.1
Hungary	11.6	3.4	2.0	2.4	7.0	6.5	5.2	**6.3**	**4.7**	**5.3**	5.0	4.4
Poland	3.6	5.6	2.9	4.8	5.8	8.1	8.5	**3.4**	**4.3**	**4.7**	3.8	2.6
Romania	28.0	12.0	2.5	15.5	14.8	12.9	9.5	**8.2**	**4.6**	**4.0**	2.6	4.8
Sweden	3.7	3.5	2.6	2.6	2.1	3.8	3.2	**1.6**	**2.3**	**2.5**	-1.3	5.6
EU	2.9	2.7	1.6	1.5	2.2	2.8	2.5	**1.3**	**1.7**	**1.6**	1.1	1.1
United Kingdom	4.4	3.2	1.6	3.0	3.0	2.6	4.0	**-0.6**	**1.1**	**1.4**	-6.5	8.6
Japan	-1.2	-1.0	0.3	1.2	0.5	1.5	0.9	**3.2**	**-1.0**	**-1.0**	-2.1	2.3
United States	3.1	2.6	2.6	0.9	3.2	3.4	3.0	**4.2**	**0.3**	**1.9**	0.4	1.3

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, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	0.6	0.7	0.4	-0.9	0.0	-0.3	0.8	**-1.9**	**2.8**	**-0.6**	-2.2	-0.3
Germany	-0.3	0.1	1.4	1.6	1.1	1.4	1.6	**-1.7**	**1.2**	**1.4**	-0.9	1.8
Estonia	6.8	4.8	2.1	1.1	6.7	5.1	6.6	**3.8**	**0.1**	**1.0**	1.5	1.0
Ireland	2.6	2.2	-0.4	2.2	1.9	0.4	1.2	**1.5**	**2.5**	**0.6**	-1.2	0.8
Greece	4.5	-0.2	-3.9	-2.8	1.1	1.8	0.8	**0.3**	**-0.6**	**-0.8**	-3.1	2.7
Spain	0.0	2.0	-0.7	-0.8	-0.8	-0.5	1.1	**2.1**	**-1.2**	**-0.3**	0.7	-0.4
France	1.2	1.1	0.9	1.1	1.2	0.1	-1.1	**5.0**	**-2.3**	**-1.7**	5.4	-6.9
Italy	0.8	0.9	-0.7	0.0	-0.4	1.1	1.0	**1.0**	**-0.1**	**-0.3**	-0.2	0.1
Cyprus	3.0	0.1	-1.7	1.0	0.7	-0.4	0.7	**-1.6**	**0.8**	**0.4**	-5.2	5.5
Latvia	5.8	4.3	4.2	5.1	4.5	5.0	5.7	**2.8**	**2.3**	**1.8**	0.1	1.9
Lithuania	8.8	1.7	3.7	5.4	5.8	5.1	7.9	**1.5**	**1.5**	**0.7**	-9.2	5.5
Luxembourg	1.0	1.2	0.8	0.5	1.1	1.1	-0.3	**-5.6**	**0.9**	**1.5**	0.1	0.4
Malta	1.6	1.1	1.5	4.9	-0.9	2.9	0.8	**-0.3**	**0.4**	**-0.8**	2.3	1.6
Netherlands	0.9	1.0	0.3	0.7	-0.4	-0.3	0.5	**1.3**	**0.0**	**-0.2**	1.3	0.2
Austria	0.1	0.6	-0.1	0.9	-0.2	0.8	0.9	**-0.3**	**-1.2**	**0.2**	-0.4	-0.3
Portugal	0.4	0.6	-1.7	0.2	0.7	2.3	2.6	**-0.3**	**0.8**	**0.2**	-0.3	0.3
Slovenia	3.1	2.0	-0.2	3.5	1.4	1.9	3.5	**1.3**	**0.5**	**-0.9**	1.1	-0.2
Slovakia	2.7	3.6	0.9	2.6	3.9	3.4	3.8	**-0.6**	**2.6**	**2.1**	-0.4	1.3
Finland	1.5	0.9	-0.1	0.7	-1.9	0.2	0.4	**1.7**	**-0.3**	**-0.6**	1.5	1.4
Euro area	0.4	0.9	0.4	0.7	0.5	0.7	0.8	**0.9**	**0.0**	**0.0**	0.8	-0.7
Bulgaria	3.6	6.4	5.7	5.3	7.1	7.5	4.8	**4.0**	**2.6**	**1.9**	3.4	0.3
Czechia	5.2	1.8	1.0	3.6	4.7	5.4	3.4	**-2.9**	**-1.1**	**-0.7**	0.4	2.5
Denmark	1.9	1.3	0.3	1.2	0.6	1.0	0.6	**0.6**	**0.4**	**0.3**	0.4	0.1
Croatia	3.2	-0.3	-1.7	1.5	-0.6	2.4	0.7	**1.9**	**0.0**	**-0.3**	-1.6	0.2
Hungary	5.4	-1.2	-0.5	1.4	3.5	3.1	0.9	**2.8**	**1.3**	**2.2**	1.9	1.7
Poland	0.9	3.0	1.4	5.2	3.7	6.3	6.2	**-0.1**	**2.3**	**1.5**	1.3	0.0
Romania	8.7	5.2	-0.1	14.7	11.8	8.8	4.0	**5.8**	**2.2**	**1.5**	0.5	2.8
Sweden	2.3	1.8	1.7	1.7	0.3	1.3	1.3	**1.2**	**1.5**	**1.0**	-1.6	4.5
EU	0.7	0.9	0.4	1.0	0.8	1.2	1.1	**0.5**	**0.5**	**0.2**	0.6	-0.2
United Kingdom	3.2	0.9	-0.2	1.6	1.0	0.2	2.6	**-1.3**	**-0.6**	**-1.0**	-7.6	7.0
Japan	-0.3	-0.3	0.1	1.7	0.3	0.9	0.6	**2.9**	**-1.2**	**-1.3**	-2.2	2.2
United States	1.0	0.6	1.1	-0.2	1.3	1.6	1.7	**2.8**	**-1.2**	**0.3**	0.2	0.1

[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, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.2	0.5	0.7	0.0	0.0	0.3	0.2	**-7.8**	**5.2**	**1.8**	-6.2	5.5
Germany	0.9	0.3	0.7	1.0	1.2	-0.1	-0.3	**-4.6**	**3.3**	**1.9**	-5.6	5.2
Estonia	6.4	1.9	0.7	2.9	2.7	3.1	3.7	**-1.1**	**3.2**	**1.8**	-1.4	2.1
Ireland	2.3	1.3	5.4	-1.7	5.9	5.2	2.6	**-1.9**	**6.8**	**1.5**	-5.5	4.8
Greece	2.3	-0.6	-2.4	-3.8	1.8	0.2	0.6	**-5.6**	**3.3**	**1.9**	-6.3	4.0
Spain	0.4	1.6	1.4	0.2	0.1	-0.1	-0.3	**-4.1**	**1.8**	**2.7**	-0.7	0.8
France	1.0	0.4	0.7	0.6	1.2	0.7	0.3	**1.3**	**-1.1**	**0.1**	0.9	-2.3
Italy	0.1	0.0	-0.1	-0.1	0.9	0.2	0.2	**0.5**	**-1.9**	**0.4**	-2.2	1.0
Cyprus	0.9	0.6	0.2	1.7	-0.2	-0.1	-0.1	**-3.7**	**2.6**	**1.4**	-5.0	3.7
Latvia	7.2	2.3	2.5	2.7	3.3	2.5	2.1	**-2.5**	**4.5**	**2.7**	-4.4	5.5
Lithuania	7.3	3.8	2.3	0.2	5.0	2.5	3.9	**0.6**	**2.6**	**2.1**	-4.6	5.3
Luxembourg	-0.2	-0.7	0.4	1.5	-1.6	-0.6	-1.3	**-6.3**	**1.9**	**0.6**	-6.2	2.6
Malta	1.1	1.4	1.6	-0.4	-0.1	-0.8	-0.8	**-6.6**	**1.1**	**1.8**	-4.1	3.1
Netherlands	1.4	0.4	0.8	0.1	0.7	-0.3	-0.2	**-4.3**	**3.9**	**1.0**	-4.5	3.6
Austria	1.1	0.2	0.2	0.7	0.7	0.9	0.3	**-4.6**	**2.6**	**1.4**	-4.2	3.6
Portugal	0.9	1.3	0.4	0.4	0.2	0.5	1.4	**-5.7**	**3.2**	**1.7**	-3.4	3.0
Slovenia	3.2	1.2	0.8	1.3	1.8	1.1	0.7	**-6.3**	**4.5**	**1.5**	-4.4	4.6
Slovakia	4.4	4.1	1.7	-0.2	0.8	1.7	1.3	**-6.0**	**5.8**	**3.5**	-3.4	4.6
Finland	1.6	0.3	-0.2	2.3	2.2	-1.0	-0.5	**-1.8**	**1.9**	**1.0**	-4.0	2.6
Euro area	0.8	0.5	0.7	0.4	1.1	0.3	0.1	**-2.7**	**1.6**	**1.3**	-3.2	2.4
Bulgaria	4.1	2.6	2.7	3.3	1.7	3.2	3.3	**-2.3**	**2.0**	**2.7**	-4.8	5.6
Czechia	3.6	1.9	1.2	0.9	3.6	1.8	2.1	**-5.9**	**3.7**	**3.0**	-3.2	4.2
Denmark	1.1	0.2	1.0	1.5	1.3	0.6	1.6	**-2.6**	**2.7**	**1.3**	-4.3	3.6
Croatia	3.7	-0.2	1.1	3.2	1.0	0.2	-0.2	**-8.3**	**5.5**	**3.1**	-5.5	4.3
Hungary	4.4	0.7	0.3	-1.5	2.3	3.1	3.3	**-3.0**	**3.5**	**3.2**	-3.4	4.8
Poland	3.7	2.9	2.2	2.3	3.4	4.8	4.8	**-1.8**	**5.5**	**2.2**	0.3	1.8
Romania	9.1	3.8	3.3	5.9	4.8	4.4	4.2	**-2.6**	**3.0**	**2.6**	-3.6	3.5
Sweden	2.4	1.1	0.8	0.2	0.1	0.3	0.7	**-1.7**	**3.3**	**0.8**	-3.6	3.2
EU	1.3	0.6	0.8	0.7	1.2	0.7	0.6	**-3.0**	**2.3**	**1.4**	-3.2	2.7
United Kingdom	1.7	0.3	0.6	0.2	0.7	0.1	0.2	**-9.5**	**5.1**	**0.2**	-5.8	4.4
Japan	1.2	0.1	0.8	-0.4	1.2	-1.3	0.2	**-0.5**	**0.7**	**-1.1**	0.0	3.7
United States	2.3	1.5	0.6	0.1	1.2	1.2	1.2	**1.8**	**1.6**	**0.6**	-0.2	2.9

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, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.5	2.2	1.2	0.6	1.9	1.4	1.9	**7.2**	**-0.8**	**-0.9**	*5.1*	*-4.0*
Germany	0.3	1.1	1.9	1.3	1.4	3.0	3.3	**4.0**	**-0.4**	**0.8**	*5.3*	*-1.9*
Estonia	4.2	7.6	4.0	-0.7	7.6	5.7	5.4	**4.3**	**-1.6**	**1.6**	*3.4*	*0.6*
Ireland	3.6	0.8	-4.6	4.2	-2.8	-2.4	0.9	**4.3**	**-2.9**	**0.9**	*3.5*	*-3.0*
Greece	4.9	2.7	-1.8	0.1	-0.3	1.6	0.4	**4.8**	**-2.9**	**-1.3**	*2.9*	*-0.8*
Spain	2.8	2.7	-1.0	-0.8	0.6	1.1	2.4	**6.2**	**-1.8**	**-1.9**	*1.3*	*-0.2*
France	2.0	2.1	1.0	0.7	0.8	1.0	-0.5	**4.2**	**-0.5**	**-0.3**	*5.1*	*-3.7*
Italy	3.3	2.7	0.8	0.2	-0.3	1.9	1.3	**0.5**	**2.5**	**0.2**	*1.8*	*-0.2*
Cyprus	4.1	2.5	-1.5	-2.6	1.9	1.4	1.9	**1.3**	**-0.9**	**0.3**	*-0.4*	*2.7*
Latvia	4.6	7.6	3.7	4.5	4.2	5.4	6.5	**5.8**	**-0.8**	**0.9**	*5.0*	*-1.5*
Lithuania	2.0	3.3	2.8	6.1	4.3	5.2	6.1	**2.3**	**0.6**	**0.4**	*-3.8*	*2.0*
Luxembourg	3.4	3.7	1.9	-0.7	4.6	3.9	3.0	**1.1**	**0.4**	**2.5**	*8.5*	*-0.2*
Malta	2.7	2.0	1.7	6.4	0.1	4.5	3.7	**8.1**	**0.9**	**-0.6**	*7.8*	*-0.3*
Netherlands	1.9	2.1	0.8	1.1	0.3	2.1	3.1	**7.0**	**-2.5**	**0.2**	*7.0*	*-2.0*
Austria	0.7	2.2	2.0	1.7	0.9	2.0	2.5	**6.0**	**-2.0**	**0.6**	*5.1*	*-2.3*
Portugal	2.9	1.2	-1.0	0.8	2.1	3.4	2.0	**6.7**	**-0.9**	**0.0**	*3.8*	*-1.3*
Slovenia	4.9	3.7	-0.1	1.8	1.2	2.7	4.2	**8.1**	**-2.6**	**-0.6**	*6.3*	*-3.3*
Slovakia	3.3	2.1	0.9	2.5	4.5	4.0	5.3	**8.1**	**-2.1**	**0.2**	*4.9*	*-2.0*
Finland	1.3	2.7	2.1	-1.4	-3.2	2.3	1.9	**3.9**	**-0.9**	**-0.2**	*6.3*	*0.2*
Euro area	1.9	2.1	0.9	0.8	0.7	1.9	1.9	**4.2**	**-0.5**	**0.0**	*4.3*	*-1.9*
Bulgaria	3.5	7.9	4.1	2.4	8.7	6.3	3.5	**7.2**	**2.6**	**1.3**	*8.6*	*-3.1*
Czechia	3.4	1.9	0.9	3.0	3.5	6.2	4.1	**6.6**	**-2.7**	**-1.8**	*5.9*	*0.0*
Denmark	2.4	3.2	0.6	-0.2	0.3	1.2	-0.1	**3.8**	**-1.0**	**0.5**	*5.6*	*-1.9*
Croatia	2.4	3.1	-1.5	-2.8	-0.7	3.6	1.7	**11.4**	**-4.0**	**-1.9**	*4.5*	*-3.1*
Hungary	6.9	2.6	1.7	4.0	4.5	3.3	1.9	**9.6**	**1.1**	**2.0**	*8.6*	*-0.4*
Poland	-0.1	2.6	0.8	2.4	2.3	3.2	3.5	**5.3**	**-1.1**	**2.5**	*3.5*	*0.7*
Romania	17.3	7.9	-0.8	9.1	9.6	8.2	5.1	**11.1**	**1.6**	**1.4**	*6.4*	*1.3*
Sweden	1.3	2.3	1.8	2.4	1.9	3.5	2.5	**3.3**	**-1.0**	**1.6**	*2.4*	*2.3*
EU	2.0	2.2	0.9	1.0	1.0	2.2	2.1	**4.5**	**-0.6**	**0.2**	*4.3*	*-1.6*
United Kingdom	2.7	2.9	1.0	2.8	2.3	2.5	3.8	**9.8**	**-3.8**	**1.2**	*-0.7*	*4.0*
Japan	-2.4	-1.1	-0.5	1.6	-0.7	2.9	0.8	**3.7**	**-1.7**	**0.1**	*-2.0*	*-1.4*
United States	0.8	1.1	2.0	0.8	2.0	2.2	1.8	**2.3**	**-1.3**	**1.3**	*0.5*	*-1.5*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Real unit labour costs [1] (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	-0.4	0.5	-0.3	-1.3	0.0	-0.2	0.3	**5.4**	**-2.4**	**-2.4**	*3.6*	*-5.5*
Germany	-0.8	0.0	0.3	0.0	0.0	1.3	1.1	**1.4**	**-1.9**	**-0.7**	*3.1*	*-3.5*
Estonia	-1.0	1.6	0.5	-2.9	4.3	1.5	2.1	**3.5**	**-2.9**	**-0.7**	*1.7*	*-1.3*
Ireland	-0.3	1.5	-6.9	3.2	-4.4	-2.8	-2.2	**3.8**	**-4.5**	**-0.3**	*2.2*	*-4.1*
Greece	1.7	0.0	-1.1	0.7	-0.7	1.7	0.2	**6.2**	**-3.3**	**-2.3**	*3.0*	*-1.3*
Spain	-1.2	0.7	-1.1	-1.1	-0.7	-0.1	1.0	**5.5**	**-2.8**	**-2.8**	*1.1*	*-1.2*
France	0.1	0.5	0.1	0.1	0.3	0.0	-1.7	**1.3**	**-1.0**	**-1.6**	*3.7*	*-4.6*
Italy	0.4	0.9	-0.4	-1.0	-1.0	0.8	0.6	**-0.8**	**1.5**	**-1.0**	*0.9*	*-1.1*
Cyprus	1.2	-0.3	-1.6	-2.0	0.8	0.1	1.0	**0.5**	**-2.1**	**-0.8**	*-0.9*	*1.8*
Latvia	-1.3	1.3	1.0	3.6	1.2	1.4	4.0	**4.7**	**-2.0**	**-0.5**	*3.5*	*-3.7*
Lithuania	0.2	-1.4	0.8	4.5	0.0	1.6	3.2	**0.8**	**-1.7**	**-2.2**	*-5.6*	*-0.6*
Luxembourg	1.0	0.2	-0.5	-1.5	2.8	1.3	-0.4	**1.3**	**-1.0**	**1.2**	*8.1*	*-2.9*
Malta	0.1	-0.5	-0.7	4.8	-2.1	2.5	1.5	**7.5**	**-0.6**	**-2.7**	*5.9*	*-1.5*
Netherlands	-0.7	0.5	0.0	0.6	-1.0	-0.3	0.1	**5.0**	**-3.7**	**-1.0**	*5.9*	*-3.4*
Austria	-1.0	0.5	0.0	-0.2	0.0	0.3	0.8	**4.0**	**-3.8**	**-1.0**	*3.9*	*-3.3*
Portugal	-0.5	-0.7	-1.9	-0.9	0.6	1.5	0.3	**4.4**	**-2.2**	**-1.3**	*2.5*	*-2.7*
Slovenia	-0.4	1.0	-1.0	0.9	-0.3	0.6	1.9	**6.0**	**-4.2**	**-1.6**	*4.0*	*-4.2*
Slovakia	-1.2	0.8	0.3	3.0	3.3	1.9	2.7	**4.6**	**-2.7**	**-1.5**	*2.7*	*-3.2*
Finland	0.1	0.9	-0.1	-1.5	-3.8	0.4	0.1	**2.4**	**-2.6**	**-1.9**	*4.5*	*-1.6*
Euro area	-0.5	0.4	-0.3	-0.2	-0.4	0.5	0.2	**2.2**	**-1.6**	**-1.3**	*3.0*	*-3.2*
Bulgaria	-1.3	1.6	2.1	-0.1	4.6	2.2	-1.7	**5.8**	**-0.2**	**-0.8**	*8.1*	*-5.4*
Czechia	0.8	0.5	-0.4	1.9	2.1	3.5	0.3	**3.0**	**-4.1**	**-3.6**	*4.4*	*-1.6*
Denmark	0.1	0.8	-0.5	-0.5	-0.8	0.6	-0.8	**3.2**	**-2.4**	**-1.3**	*5.0*	*-3.7*
Croatia	-1.4	-0.3	-2.3	-2.7	-1.9	1.6	0.2	**10.6**	**-5.3**	**-3.0**	*3.7*	*-4.0*
Hungary	0.5	-1.5	-1.1	2.6	0.5	-1.4	-2.8	**3.9**	**-2.2**	**-1.0**	*4.2*	*-3.4*
Poland	-2.6	-0.3	-0.7	2.1	0.4	1.9	0.4	**1.7**	**-2.8**	**-0.5**	*1.0*	*-1.8*
Romania	-3.8	-1.8	-3.9	6.5	4.7	1.9	-1.7	**8.1**	**-1.3**	**-1.4**	*4.0*	*-1.2*
Sweden	-0.1	0.1	0.4	0.8	-0.2	1.1	-0.2	**1.7**	**-2.4**	**0.1**	*1.3*	*1.0*
EU	-0.8	0.2	-0.4	-0.2	-0.3	0.5	0.0	**2.3**	**-1.8**	**-1.3**	*3.0*	*-3.0*
United Kingdom	0.5	0.5	-0.6	0.6	0.3	0.3	1.7	**4.8**	**-2.8**	**-1.1**	*-2.4*	*2.5*
Japan	-1.1	-0.1	-0.7	1.3	-0.5	3.0	0.2	**3.6**	**-1.9**	**-0.3**	*-2.0*	*-1.4*
United States	-1.5	-0.8	0.2	-0.3	0.1	-0.3	0.2	**1.1**	**-2.5**	**0.1**	*1.2*	*-3.0*

[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 (2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	15.6466	15.6466	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.5788	:	:	:	:	:	:	:	:	:	:	:
Latvia	0.6286	0.7027	:	:	:	:	:	:	:	:	:	:
Lithuania	3.4800	3.4528	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	0.4192	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	231.2923	:	:	:	:	:	:	:	:	:	:	:
Slovakia	41.2208	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1.9511	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*
Czechia	31.6782	26.5545	26.1067	27.0343	26.3258	25.6470	25.6693	**26.5928**	**27.2112**	**27.2112**	*26.7061*	*27.0524*
Denmark	7.4410	7.4519	7.4532	7.4452	7.4386	7.4532	7.4660	**7.4540**	**7.4423**	**7.4423**	*7.4655*	*7.4634*
Croatia	7.4722	7.3030	7.5575	7.5333	7.4637	7.4182	7.4182	**7.5427**	**7.5755**	**7.5755**	*7.5769*	*7.6053*
Hungary	250.5756	264.5870	296.8393	311.4379	309.1933	318.8897	325.3384	**351.3435**	**360.7877**	**360.7877**	*350.3888*	*353.8805*
Poland	4.0958	3.9028	4.1742	4.3632	4.2570	4.2615	4.2975	**4.4448**	**4.5085**	**4.5085**	*4.4882*	*4.5419*
Romania	3.4309	3.7992	4.4013	4.4904	4.5688	4.6540	4.7455	**4.8390**	**4.8750**	**4.8750**	*4.8256*	*4.8350*
Sweden	9.1894	9.6552	8.9675	9.4689	9.6351	10.2583	10.5843	**10.5216**	**10.4042**	**10.4042**	*10.8487*	*10.9090*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.6610	0.7822	0.8120	0.8195	0.8767	0.8847	0.8775	**0.8906**	**0.9083**	**0.9083**	*0.8717*	*0.8748*
Japan	125.8020	141.2594	123.5467	120.1967	126.7112	130.3959	122.0716	**121.7242**	**124.2459**	**124.2459**	*118.3687*	*117.7930*
United States	1.0921	1.3635	1.2886	1.1069	1.1297	1.1810	1.1194	**1.1374**	**1.1767**	**1.1767**	*1.0917*	*1.0881*

Table 32: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.8	0.4	-0.3	2.1	1.2	2.2	-0.6	**1.9**	**1.3**	**0.0**	*0.7*	*0.2*
Germany	2.3	0.4	-0.4	2.4	1.4	2.9	-0.8	**2.4**	**1.7**	**0.0**	*1.0*	*0.3*
Estonia	2.0	0.7	1.3	2.3	0.0	3.3	0.0	**2.6**	**1.4**	**0.0**	*2.1*	*0.5*
Ireland	2.7	0.8	-1.3	2.1	1.9	2.8	-1.9	**1.6**	**1.7**	**0.0**	*-0.2*	*0.1*
Greece	2.8	0.6	0.6	2.5	1.7	3.9	0.0	**3.3**	**2.1**	**0.0**	*1.6*	*0.4*
Spain	1.9	0.4	-0.2	2.2	1.4	2.5	-0.5	**2.2**	**1.4**	**0.0**	*1.0*	*0.3*
France	2.2	0.3	-0.5	2.1	1.4	2.7	-0.8	**2.2**	**1.5**	**0.0**	*0.7*	*0.2*
Italy	2.4	0.3	-0.2	2.1	1.4	3.0	-0.8	**2.4**	**1.7**	**0.0**	*0.9*	*0.3*
Cyprus	2.6	0.4	-0.7	2.3	1.8	2.9	-0.6	**2.2**	**1.5**	**0.0**	*0.8*	*0.3*
Latvia	-2.7	0.4	2.0	3.0	-0.6	3.5	-0.2	**3.4**	**2.2**	**0.0**	*2.3*	*0.6*
Lithuania	3.9	0.8	2.4	3.3	-1.0	3.8	-0.4	**3.8**	**2.6**	**0.0**	*2.5*	*0.6*
Luxembourg	1.1	0.4	-0.2	1.5	0.8	1.7	-0.4	**1.4**	**1.0**	**0.0**	*0.6*	*0.2*
Malta	1.6	0.2	-0.7	1.5	1.7	2.8	-2.0	**1.6**	**1.7**	**0.0**	*-0.3*	*0.0*
Netherlands	1.5	0.5	-0.3	2.1	1.2	2.0	-0.4	**1.8**	**1.2**	**0.0**	*0.8*	*0.2*
Austria	1.4	0.2	0.0	1.6	0.7	2.1	-0.6	**1.8**	**1.3**	**0.0**	*0.8*	*0.2*
Portugal	1.4	0.3	-0.3	1.8	1.0	1.8	-0.4	**1.6**	**1.1**	**0.0**	*0.7*	*0.2*
Slovenia	-1.7	0.4	0.7	1.7	0.2	2.1	-0.2	**2.2**	**1.4**	**0.0**	*1.3*	*0.3*
Slovakia	2.7	5.4	0.3	1.9	0.5	1.7	-0.2	**1.9**	**1.2**	**0.0**	*1.1*	*0.3*
Finland	2.6	0.5	0.4	2.3	0.7	3.4	-0.6	**2.7**	**1.7**	**0.0**	*1.5*	*0.4*
Euro area	4.3	0.9	-0.7	4.0	2.4	4.8	-1.2	**3.9**	**2.7**	**0.0**	*1.5*	*0.5*
Bulgaria	3.4	0.8	0.8	2.4	1.9	3.9	0.5	**3.3**	**2.1**	**0.0**	*1.8*	*0.4*
Czechia	4.8	3.7	-1.3	2.8	3.4	4.6	-0.3	**-1.8**	**-1.2**	**0.0**	*-3.0*	*-1.0*
Denmark	1.9	0.4	-0.3	2.2	1.4	2.7	-0.6	**2.4**	**1.4**	**0.0**	*1.4*	*0.4*
Croatia	2.3	0.7	-0.1	3.0	1.3	3.3	-0.2	**0.8**	**1.2**	**0.0**	*-0.8*	*-0.1*
Hungary	2.2	-1.7	-2.0	1.2	1.4	-1.1	-2.1	**-5.7**	**-1.4**	**0.0**	*-6.2*	*-0.7*
Poland	1.2	0.6	-0.5	-2.3	3.2	2.1	-1.1	**-1.4**	**-0.1**	**0.0**	*-3.2*	*-0.9*
Romania	-9.4	-2.4	-0.5	1.0	-0.8	0.7	-1.9	**0.4**	**0.8**	**0.0**	*-0.4*	*0.1*
Sweden	0.3	-0.2	0.3	1.0	-0.8	-3.8	-3.6	**3.2**	**2.5**	**0.0**	*-0.8*	*-0.2*
EU	5.0	1.0	-0.9	4.4	3.1	5.4	-1.8	**4.1**	**3.1**	**0.0**	*1.4*	*0.3*
United Kingdom	0.0	-4.5	2.7	-10.1	-5.6	2.0	-0.3	**0.5**	**-0.4**	**0.0**	*1.1*	*-0.2*
Japan	-2.3	3.6	-5.2	15.0	-3.3	0.5	5.0	**2.9**	**-0.4**	**0.0**	*3.4*	*0.6*
United States	-2.1	-1.5	3.6	4.7	-0.3	-0.6	3.6	**3.1**	**-1.8**	**0.0**	*6.2*	*1.2*

[1] 42 countries: EU-28, TR, CH, NO, US, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 33: Real effective exchange rate, based on HICP/CPI: ulc relative to rest of a group [1] of industrialised countries (USD) (% change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	1.3	0.2	-0.7	2.9	1.6	2.3	-1.2	**1.0**	**1.1**	**-0.3**	*-0.1*	*-0.1*
Germany	1.0	-0.7	-1.1	1.7	1.1	2.6	-1.5	**1.2**	**1.4**	**-0.8**	*0.0*	*-0.1*
Estonia	2.1	2.0	1.2	1.6	1.5	4.5	0.2	**0.7**	**1.2**	**0.1**	*1.6*	*0.3*
Ireland	3.8	-0.4	-2.4	1.0	0.2	1.3	-2.7	**0.0**	**0.4**	**-0.3**	*-1.4*	*-0.6*
Greece	1.8	0.7	-1.9	1.2	0.6	1.8	-2.0	**0.1**	**0.9**	**-1.0**	*-0.6*	*-1.3*
Spain	2.3	0.5	-1.1	0.8	1.5	1.9	-1.6	**0.7**	**0.6**	**-0.9**	*-0.1*	*-0.5*
France	1.5	-0.5	-1.4	1.4	0.6	2.5	-1.4	**1.3**	**0.7**	**-0.4**	*-0.1*	*-0.6*
Italy	1.9	-0.3	-0.9	0.9	0.7	1.8	-2.2	**0.8**	**0.6**	**-1.0**	*-0.6*	*-0.9*
Cyprus	1.6	-0.2	-1.6	-0.1	0.5	1.5	-2.0	**-0.1**	**0.7**	**-0.7**	*-0.6*	*-0.5*
Latvia	-1.8	3.2	0.3	1.3	0.0	3.6	0.2	**2.0**	**1.5**	**-0.4**	*1.0*	*0.4*
Lithuania	0.6	1.9	0.5	2.0	0.4	4.0	-0.6	**3.4**	**2.1**	**-0.5**	*1.8*	*-0.1*
Luxembourg	1.5	0.5	-0.3	0.8	1.1	1.6	-0.5	**0.5**	**1.0**	**0.1**	*0.4*	*0.2*
Malta	1.8	0.3	-1.1	1.5	1.2	2.4	-2.2	**1.2**	**1.5**	**-0.1**	*-0.5*	*-0.4*
Netherlands	1.9	-0.4	-0.6	1.3	0.6	1.4	0.4	**1.8**	**0.9**	**-0.4**	*0.7*	*-0.2*
Austria	0.5	-0.5	0.0	1.7	1.1	2.1	-1.0	**2.0**	**1.4**	**-0.1**	*0.8*	*0.1*
Portugal	2.1	-0.3	-0.8	1.7	0.7	0.8	-1.8	**0.5**	**0.5**	**-0.5**	*-0.4*	*-0.1*
Slovenia	0.4	0.3	-0.3	0.5	-0.2	1.8	-0.5	**0.8**	**0.6**	**-0.1**	*0.7*	*-0.2*
Slovakia	5.8	5.0	0.0	0.6	-0.1	2.0	0.6	**2.5**	**0.2**	**-0.5**	*1.9*	*-0.4*
Finland	0.8	-0.6	-0.1	1.3	-0.5	2.3	-1.5	**1.6**	**1.1**	**-0.6**	*0.8*	*-0.1*
Euro area	3.1	-0.6	-1.8	2.7	1.7	3.9	-2.3	**2.1**	**1.7**	**-1.1**	*0.0*	*-0.6*
Bulgaria	3.5	3.6	-1.1	-0.3	0.7	3.5	0.3	**2.6**	**1.2**	**-0.5**	*1.2*	*-0.8*
Czechia	3.9	3.7	-1.9	2.6	3.9	4.3	0.3	**0.3**	**-0.6**	**0.2**	*-1.8*	*-0.9*
Denmark	1.4	0.0	-1.1	1.1	0.5	1.1	-1.8	**1.4**	**0.9**	**-0.5**	*0.7*	*0.0*
Croatia	1.5	0.7	-1.0	1.2	0.6	2.5	-1.5	**-0.6**	**0.6**	**-0.5**	*-1.6*	*-1.0*
Hungary	5.2	0.8	-2.0	0.8	1.8	-0.5	-0.8	**-3.8**	**0.1**	**1.1**	*-4.5*	*0.1*
Poland	0.9	0.7	-1.2	-3.5	2.8	1.0	-1.0	**1.0**	**0.2**	**1.2**	*-1.8*	*0.1*
Romania	3.4	0.6	-0.2	-1.2	-1.7	2.3	-0.2	**1.4**	**1.4**	**0.4**	*0.9*	*1.3*
Sweden	-0.4	-0.7	-1.1	0.9	-0.8	-3.9	-3.8	**2.5**	**1.7**	**-0.6**	*-1.5*	*-0.8*
EU	3.8	-0.4	-2.4	2.8	2.2	4.3	-3.0	**2.5**	**2.0**	**-1.1**	*-0.1*	*-0.7*
United Kingdom	-1.2	-4.1	3.0	-10.5	-4.8	2.3	-0.4	**0.1**	**0.2**	**1.0**	*1.3*	*0.2*
Japan	-5.1	0.7	-6.8	13.2	-4.6	-0.7	3.4	**1.0**	**-2.0**	**-1.7**	*1.9*	*-1.0*
United States	-2.0	-1.6	2.6	3.5	-1.0	-0.9	2.6	**2.4**	**-1.8**	**-0.2**	*4.9*	*0.8*

[1] 42 countries: EU-28, TR, CH, NO, US, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 34: Total expenditure, general government (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	50.3	51.3	55.4	53.1	52.0	52.2	52.1	**61.4**	**56.9**	**55.8**	*59.6*	*54.2*
Germany	47.4	45.8	44.7	44.4	44.2	44.5	45.2	**52.2**	**50.0**	**48.5**	*54.2*	*48.3*
Estonia	34.7	38.4	38.2	39.1	39.2	39.2	38.9	**45.3**	**44.8**	**44.1**	*47.0*	*42.4*
Ireland	33.1	44.8	39.5	28.2	26.3	25.6	24.5	**30.6**	**29.9**	**26.8**	*29.6*	*26.6*
Greece	46.3	50.0	55.8	49.7	48.4	48.4	47.5	**57.2**	**53.0**	**50.5**	*55.2*	*49.0*
Spain	38.5	42.3	45.9	42.4	41.2	41.7	42.1	**53.3**	**49.8**	**48.2**	*49.7*	*45.6*
France	52.8	54.6	56.9	56.7	56.5	55.7	55.6	**63.1**	**59.9**	**57.4**	*62.7*	*57.1*
Italy	47.1	48.7	50.4	49.1	48.8	48.4	48.6	**58.8**	**55.0**	**53.0**	*59.1*	*52.2*
Cyprus	38.1	39.7	43.5	37.5	36.8	43.0	40.1	**47.4**	**45.0**	**44.2**	*49.9*	*45.9*
Latvia	34.7	40.2	39.1	37.4	38.7	39.4	38.4	**45.5**	**41.7**	**41.6**	*45.1*	*41.5*
Lithuania	13.6	39.0	36.8	34.2	33.2	33.8	34.6	**44.1**	**41.7**	**37.7**	*41.8*	*37.4*
Luxembourg	42.3	41.4	42.9	40.9	42.1	42.2	42.2	**50.8**	**47.5**	**47.5**	*50.2*	*46.2*
Malta	42.4	41.2	40.2	36.0	35.0	36.6	37.2	**47.5**	**45.9**	**43.5**	*46.5*	*41.5*
Netherlands	43.3	44.8	46.1	43.6	42.4	42.3	42.0	**49.3**	**48.8**	**45.6**	*47.7*	*45.6*
Austria	51.7	51.3	51.5	50.1	49.3	48.7	48.4	**57.5**	**53.4**	**51.3**	*56.4*	*50.9*
Portugal	45.2	47.4	49.8	44.8	45.4	43.2	42.7	**50.0**	**47.4**	**45.5**	*49.3*	*44.5*
Slovenia	47.2	46.7	52.0	46.2	44.1	43.5	43.3	**53.8**	**50.7**	**48.8**	*51.9*	*46.0*
Slovakia	41.8	39.8	42.9	42.7	41.4	41.7	42.7	**52.1**	**50.0**	**47.8**	*49.8*	*45.1*
Finland	48.6	50.1	55.9	55.6	53.7	53.4	53.3	**59.6**	**57.1**	**55.3**	*59.8*	*56.8*
Euro area	47.1	48.1	49.4	47.7	47.2	46.9	47.1	**55.2**	**52.4**	**50.5**	*55.2*	*49.9*
Bulgaria	38.6	36.8	38.0	35.0	34.9	36.6	36.3	**42.5**	**42.1**	**40.4**	*42.0*	*40.2*
Czechia	44.4	42.2	43.0	39.8	39.0	40.6	41.3	**48.3**	**46.7**	**45.2**	*48.5*	*45.7*
Denmark	52.8	52.6	56.0	52.5	50.5	50.5	49.2	**56.5**	**53.3**	**52.2**	*59.2*	*53.5*
Croatia	49.3	47.4	49.0	47.5	45.3	46.0	47.0	**55.3**	**52.5**	**52.0**	*53.4*	*49.6*
Hungary	49.1	49.9	49.8	46.8	46.5	45.9	45.6	**52.3**	**48.1**	**46.2**	*50.3*	*47.7*
Poland	44.8	44.5	42.9	41.1	41.3	41.5	41.8	**49.4**	**44.6**	**42.9**	*50.3*	*44.1*
Romania	34.6	38.0	36.8	34.6	33.5	34.9	36.1	**43.4**	**44.2**	**45.6**	*41.5*	*43.5*
Sweden	52.9	50.6	50.4	49.7	49.2	49.8	49.4	**53.5**	**51.7**	**50.3**	*55.1*	*52.0*
EU	47.2	48.0	49.1	47.3	46.7	46.6	46.7	**54.6**	**51.8**	**50.0**	*54.7*	*49.6*
United Kingdom	38.8	44.1	44.1	41.5	41.3	41.1	41.1	**51.3**	**47.1**	**45.6**	*48.6*	*43.4*
Japan	:	37.3	40.3	39.3	38.6	38.8	39.7	**45.9**	**42.4**	**40.9**	*42.8*	*42.7*
United States	36.7	40.1	39.5	38.2	37.9	37.8	38.3	**47.6**	**38.4**	**35.6**	*49.2*	*39.0*

Table 35: Total revenue, general government (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	49.4	49.3	52.0	50.8	51.3	51.4	50.1	**50.2**	**49.9**	**49.5**	50.7	49.9
Germany	44.0	44.0	44.9	45.5	45.6	46.3	46.7	**46.2**	**46.0**	**46.1**	47.2	46.8
Estonia	35.9	38.6	38.6	38.7	38.5	38.7	39.0	**39.5**	**39.0**	**38.9**	38.7	39.0
Ireland	33.8	34.8	32.9	27.6	26.0	25.7	25.0	**23.9**	**24.1**	**24.3**	24.0	23.7
Greece	39.4	40.2	47.4	50.3	49.1	49.5	49.0	**50.3**	**46.8**	**47.1**	48.8	46.9
Spain	38.5	38.0	38.2	38.1	38.2	39.2	39.2	**41.1**	**40.2**	**39.6**	39.6	38.9
France	49.7	50.1	52.6	53.0	53.5	53.4	52.6	**52.6**	**51.6**	**51.4**	52.9	53.1
Italy	43.7	45.3	47.4	46.7	46.3	46.2	47.0	**48.0**	**47.3**	**47.1**	47.9	46.5
Cyprus	34.5	38.3	38.1	37.7	38.7	39.5	41.5	**41.3**	**42.7**	**41.9**	42.9	44.2
Latvia	33.2	35.4	37.1	37.5	37.9	38.5	37.8	**38.1**	**38.2**	**38.3**	37.8	37.0
Lithuania	13.3	35.0	33.7	34.4	33.6	34.4	34.9	**35.7**	**35.7**	**35.0**	34.8	34.6
Luxembourg	43.5	43.3	43.8	42.8	43.4	45.3	44.6	**45.6**	**46.2**	**46.4**	45.4	46.3
Malta	36.9	38.4	38.1	37.0	38.2	38.5	37.7	**38.1**	**39.6**	**39.5**	39.8	38.9
Netherlands	41.7	42.7	43.0	43.6	43.7	43.7	43.7	**42.2**	**43.1**	**41.7**	41.4	42.2
Austria	49.5	48.3	49.4	48.5	48.5	48.9	49.1	**47.9**	**47.0**	**47.6**	50.2	49.1
Portugal	40.0	41.0	43.6	42.9	42.4	42.9	42.7	**42.8**	**43.0**	**42.5**	42.7	42.7
Slovenia	44.7	43.9	45.3	44.2	44.0	44.3	43.8	**45.1**	**44.3**	**43.7**	44.8	44.0
Slovakia	37.0	35.1	39.4	40.1	40.4	40.7	41.4	**42.5**	**42.2**	**41.8**	41.3	40.9
Finland	51.9	51.8	53.7	53.9	53.1	52.5	52.3	**52.0**	**52.2**	**51.9**	52.4	53.4
Euro area	44.5	44.7	46.3	46.3	46.2	46.5	46.4	**46.5**	**46.0**	**45.8**	46.7	46.3
Bulgaria	39.0	36.3	36.0	35.1	36.0	38.5	38.2	**39.5**	**39.1**	**39.0**	39.3	38.3
Czechia	39.5	39.3	40.9	40.5	40.5	41.5	41.6	**42.1**	**42.0**	**41.5**	41.9	41.7
Denmark	54.4	54.1	54.6	52.4	52.3	51.2	53.0	**52.3**	**50.8**	**50.3**	52.0	51.2
Croatia	45.6	43.2	43.4	46.5	46.1	46.3	47.4	**48.8**	**49.7**	**48.8**	46.3	47.4
Hungary	42.2	44.5	46.8	45.0	44.1	43.8	43.5	**43.9**	**42.8**	**41.9**	45.1	43.6
Poland	39.9	39.7	39.1	38.7	39.8	41.3	41.1	**40.6**	**40.4**	**40.0**	40.8	40.3
Romania	32.8	32.8	34.2	32.0	30.8	31.9	31.8	**33.2**	**32.8**	**33.2**	32.3	32.2
Sweden	53.1	51.9	49.6	50.7	50.6	50.7	49.9	**49.7**	**49.2**	**49.0**	49.5	49.8
EU	44.7	44.8	46.1	46.0	45.9	46.2	46.1	**46.2**	**45.7**	**45.4**	46.4	46.0
United Kingdom	36.6	38.2	37.9	38.3	38.8	38.8	38.8	**37.9**	**38.1**	**38.0**	38.0	36.7
Japan	:	31.5	33.5	35.8	35.7	36.5	36.4	**32.0**	**36.8**	**37.4**	37.8	37.4
United States	31.9	32.0	32.3	32.8	33.7	31.2	31.2	**32.3**	**31.4**	**30.9**	31.4	30.4

Table 36: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	-0.9	-2.1	-3.4	-2.4	-0.7	-0.8	-1.9	**-11.2**	**-7.1**	**-6.3**	-8.9	-4.2
Germany	-3.5	-1.8	0.1	1.2	1.4	1.8	1.5	**-6.0**	**-4.0**	**-2.5**	-7.0	-1.5
Estonia	1.2	0.2	0.4	-0.4	-0.7	-0.5	0.1	**-5.9**	**-5.9**	**-5.1**	-8.3	-3.4
Ireland	0.7	-10.0	-6.5	-0.7	-0.3	0.1	0.5	**-6.8**	**-5.8**	**-2.5**	-5.6	-2.9
Greece	-6.9	-9.9	-8.4	0.5	0.7	1.0	1.5	**-6.9**	**-6.3**	**-3.4**	-6.4	-2.1
Spain	0.0	-4.3	-7.7	-4.3	-3.0	-2.5	-2.9	**-12.2**	**-9.6**	**-8.6**	-10.1	-6.7
France	-3.1	-4.5	-4.3	-3.6	-3.0	-2.3	-3.0	**-10.5**	**-8.3**	**-6.1**	-9.9	-4.0
Italy	-3.4	-3.4	-3.0	-2.4	-2.4	-2.2	-1.6	**-10.8**	**-7.8**	**-6.0**	-11.1	-5.6
Cyprus	-3.6	-1.4	-5.4	0.3	1.9	-3.5	1.5	**-6.1**	**-2.3**	**-2.3**	-7.0	-1.8
Latvia	-1.5	-4.7	-2.0	0.2	-0.8	-0.8	-0.6	**-7.4**	**-3.5**	**-3.3**	-7.3	-4.5
Lithuania	-0.3	-4.0	-3.1	0.2	0.5	0.6	0.3	**-8.4**	**-6.0**	**-2.8**	-6.9	-2.7
Luxembourg	1.3	1.9	1.0	1.9	1.3	3.1	2.4	**-5.1**	**-1.3**	**-1.1**	-4.8	0.1
Malta	-5.5	-2.8	-2.1	0.9	3.2	2.0	0.5	**-9.4**	**-6.3**	**-3.9**	-6.7	-2.5
Netherlands	-1.6	-2.0	-3.1	0.0	1.3	1.4	1.7	**-7.2**	**-5.7**	**-3.8**	-6.3	-3.5
Austria	-2.2	-3.0	-2.1	-1.5	-0.8	0.2	0.7	**-9.6**	**-6.4**	**-3.7**	-6.1	-1.9
Portugal	-5.2	-6.4	-6.2	-1.9	-3.0	-0.3	0.1	**-7.3**	**-4.5**	**-3.0**	-6.5	-1.8
Slovenia	-2.5	-2.8	-6.7	-1.9	-0.1	0.7	0.5	**-8.7**	**-6.4**	**-5.1**	-7.2	-2.1
Slovakia	-4.8	-4.8	-3.5	-2.6	-0.9	-1.0	-1.4	**-9.6**	**-7.9**	**-6.0**	-8.5	-4.2
Finland	3.3	1.6	-2.2	-1.7	-0.7	-0.9	-1.0	**-7.6**	**-4.8**	**-3.4**	-7.4	-3.4
Euro area	-2.6	-3.4	-3.1	-1.5	-0.9	-0.5	-0.6	**-8.8**	**-6.4**	**-4.7**	-8.5	-3.5
Bulgaria	0.5	-0.5	-2.0	0.1	1.1	2.0	1.9	**-3.0**	**-3.0**	**-1.4**	-2.8	-1.8
Czechia	-4.9	-2.9	-2.1	0.7	1.5	0.9	0.3	**-6.2**	**-4.7**	**-3.7**	-6.7	-4.0
Denmark	1.6	1.5	-1.4	-0.1	1.8	0.7	3.8	**-4.2**	**-2.5**	**-1.9**	-7.2	-2.3
Croatia	-3.7	-4.2	-5.6	-0.9	0.8	0.2	0.4	**-6.5**	**-2.8**	**-3.2**	-7.1	-2.2
Hungary	-6.9	-5.5	-3.0	-1.8	-2.4	-2.1	-2.1	**-8.4**	**-5.4**	**-4.3**	-5.2	-4.0
Poland	-4.9	-4.7	-3.8	-2.4	-1.5	-0.2	-0.7	**-8.8**	**-4.2**	**-3.0**	-9.5	-3.8
Romania	-1.7	-5.2	-2.6	-2.6	-2.6	-2.9	-4.4	**-10.3**	**-11.3**	**-12.5**	-9.2	-11.4
Sweden	0.2	1.3	-0.8	1.0	1.4	0.8	0.5	**-3.9**	**-2.5**	**-1.4**	-5.6	-2.2
EU	-2.5	-3.2	-3.0	-1.4	-0.8	-0.4	-0.5	**-8.4**	**-6.1**	**-4.5**	-8.3	-3.6
United Kingdom	-2.2	-6.0	-6.2	-3.3	-2.4	-2.2	-2.3	**-13.4**	**-9.0**	**-7.6**	-10.5	-6.7
Japan	:	-5.8	-6.8	-3.5	-2.9	-2.3	-3.3	**-13.9**	**-5.6**	**-3.5**	-4.9	-5.3
United States	-4.8	-8.0	-7.2	-5.4	-4.3	-6.6	-7.2	**-15.3**	**-6.9**	**-4.7**	-17.8	-8.5

Table 37: Interest expenditure, general government (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	5.4	3.9	3.3	2.7	2.4	2.1	2.0	**2.1**	**1.8**	**1.6**	2.0	1.9
Germany	2.9	2.6	1.9	1.2	1.0	0.9	0.8	**0.7**	**0.6**	**0.6**	0.7	0.7
Estonia	0.2	0.2	0.1	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	0.0	0.0
Ireland	1.2	1.6	3.7	2.3	2.0	1.6	1.3	**1.1**	**1.0**	**1.0**	1.2	1.1
Greece	5.2	5.0	4.9	3.2	3.1	3.4	3.0	**3.1**	**2.7**	**2.6**	3.0	2.7
Spain	2.3	1.7	3.1	2.8	2.5	2.4	2.3	**2.4**	**2.2**	**2.0**	2.4	2.3
France	2.9	2.6	2.4	1.8	1.7	1.7	1.5	**1.4**	**1.2**	**1.0**	1.4	1.3
Italy	5.1	4.6	4.7	3.9	3.8	3.6	3.4	**3.6**	**3.4**	**3.1**	3.7	3.6
Cyprus	3.1	2.5	3.0	2.6	2.5	2.4	2.3	**2.4**	**2.1**	**1.9**	2.4	2.1
Latvia	0.7	0.9	1.5	1.0	0.9	0.7	0.7	**0.7**	**0.7**	**0.7**	0.8	0.7
Lithuania	0.3	1.0	1.7	1.3	1.1	0.9	0.9	**0.6**	**0.5**	**0.3**	0.6	0.6
Luxembourg	0.2	0.3	0.5	0.3	0.3	0.3	0.3	**0.3**	**0.3**	**0.3**	0.3	0.2
Malta	3.7	3.3	2.8	2.1	1.8	1.5	1.4	**1.1**	**1.2**	**1.3**	1.5	1.5
Netherlands	2.5	2.0	1.6	1.2	1.0	0.9	0.8	**0.6**	**0.4**	**0.4**	0.8	0.8
Austria	3.3	3.1	2.6	2.1	1.8	1.6	1.4	**1.4**	**1.2**	**1.2**	1.5	1.3
Portugal	2.7	3.0	4.7	4.1	3.8	3.4	3.0	**2.9**	**2.6**	**2.5**	3.4	3.4
Slovenia	1.9	1.3	2.6	3.0	2.5	2.0	1.7	**1.7**	**1.6**	**1.5**	1.8	1.7
Slovakia	2.8	1.4	1.8	1.7	1.4	1.3	1.2	**1.3**	**1.2**	**1.1**	1.3	1.3
Finland	1.9	1.4	1.3	1.1	1.0	0.9	0.8	**0.7**	**0.7**	**0.6**	0.8	0.7
Euro area	3.3	2.9	2.7	2.1	1.9	1.8	1.6	**1.6**	**1.4**	**1.3**	1.7	1.6
Bulgaria	2.4	0.9	0.8	0.9	0.8	0.7	0.6	**0.6**	**0.7**	**0.7**	0.6	0.7
Czechia	1.0	1.1	1.3	0.9	0.7	0.7	0.7	**0.8**	**0.8**	**0.7**	0.9	0.9
Denmark	2.8	1.7	1.7	1.3	0.8	0.8	0.7	**0.7**	**0.7**	**0.7**	0.8	0.8
Croatia	1.8	1.9	3.1	3.1	2.6	2.3	2.2	**2.3**	**2.1**	**1.9**	2.3	2.3
Hungary	4.2	4.1	4.1	3.1	2.7	2.4	2.2	**2.5**	**2.4**	**2.3**	2.5	2.4
Poland	2.8	2.3	2.3	1.7	1.6	1.4	1.4	**1.4**	**1.4**	**1.3**	1.4	1.4
Romania	2.0	1.0	1.7	1.5	1.3	1.1	1.2	**1.6**	**1.9**	**2.2**	1.5	1.7
Sweden	2.2	1.4	0.8	0.5	0.5	0.5	0.4	**0.4**	**-0.1**	**0.0**	0.3	0.3
EU	3.2	2.7	2.6	2.0	1.8	1.7	1.5	**1.5**	**1.4**	**1.3**	1.6	1.5
United Kingdom	1.9	2.2	2.7	2.4	2.7	2.4	2.1	**2.0**	**1.8**	**1.7**	2.1	2.0
Japan	2.2	1.9	1.9	1.8	1.7	1.6	1.5	**1.6**	**1.6**	**1.5**	1.6	1.5
United States	4.0	4.1	4.1	3.9	3.8	3.9	3.9	**4.0**	**3.8**	**3.7**	4.2	4.0

Table 38: Primary balance, general government [1] (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	4.5	1.9	-0.2	0.3	1.7	1.3	0.0	**-9.2**	**-5.2**	**-4.7**	-6.8	-2.4
Germany	-0.6	0.8	2.1	2.3	2.4	2.8	2.3	**-5.3**	**-3.4**	**-1.9**	-6.3	-0.8
Estonia	1.4	0.4	0.4	-0.4	-0.7	-0.5	0.1	**-5.8**	**-5.8**	**-5.1**	-8.3	-3.3
Ireland	2.0	-8.4	-2.9	1.6	1.7	1.7	1.8	**-5.7**	**-4.9**	**-1.4**	-4.4	-1.8
Greece	-1.6	-4.9	-3.4	3.8	3.9	4.4	4.5	**-3.8**	**-3.6**	**-0.8**	-3.4	0.6
Spain	2.3	-2.6	-4.6	-1.6	-0.5	-0.1	-0.6	**-9.9**	**-7.4**	**-6.7**	-7.7	-4.4
France	-0.2	-1.8	-2.0	-1.8	-1.2	-0.6	-1.6	**-9.1**	**-7.1**	**-5.1**	-8.4	-2.7
Italy	1.7	1.2	1.7	1.5	1.3	1.4	1.8	**-7.2**	**-4.4**	**-2.9**	-7.4	-2.1
Cyprus	-0.5	1.1	-2.3	2.9	4.4	-1.1	3.8	**-3.7**	**-0.2**	**-0.4**	-4.6	0.3
Latvia	-0.8	-3.8	-0.5	1.2	0.2	-0.1	0.1	**-6.7**	**-2.8**	**-2.6**	-6.6	-3.8
Lithuania	0.0	-3.0	-1.4	1.6	1.6	1.5	1.1	**-7.8**	**-5.5**	**-2.4**	-6.4	-2.2
Luxembourg	1.5	2.2	1.4	2.2	1.6	3.4	2.7	**-4.8**	**-1.0**	**-0.8**	-4.5	0.3
Malta	-1.8	0.5	0.6	3.0	5.0	3.5	1.9	**-8.4**	**-5.1**	**-2.6**	-5.2	-1.1
Netherlands	0.9	-0.1	-1.5	1.2	2.3	2.3	2.5	**-6.5**	**-5.3**	**-3.4**	-5.5	-2.7
Austria	1.1	0.0	0.5	0.5	1.0	1.8	2.1	**-8.2**	**-5.2**	**-2.4**	-4.7	-0.5
Portugal	-2.5	-3.5	-1.5	2.2	0.8	3.0	3.1	**-4.4**	**-1.8**	**-0.5**	-3.1	1.6
Slovenia	-0.6	-1.5	-4.1	1.1	2.4	2.7	2.2	**-7.0**	**-4.8**	**-3.6**	-5.3	-0.3
Slovakia	-2.0	-3.4	-1.7	-0.9	0.5	0.4	-0.1	**-8.3**	**-6.7**	**-4.9**	-7.1	-2.9
Finland	5.2	3.0	-0.9	-0.6	0.4	0.0	-0.2	**-6.9**	**-4.2**	**-2.9**	-6.6	-2.8
Euro area	0.6	-0.5	-0.3	0.6	1.0	1.4	1.0	**-7.2**	**-5.0**	**-3.4**	-6.8	-2.0
Bulgaria	2.9	0.4	-1.2	1.0	1.9	2.6	2.5	**-2.4**	**-2.3**	**-0.7**	-2.2	-1.2
Czechia	-3.8	-1.7	-0.8	1.6	2.2	1.7	1.0	**-5.4**	**-4.0**	**-3.0**	-5.8	-3.1
Denmark	4.4	3.3	0.3	1.2	2.6	1.5	4.5	**-3.5**	**-1.8**	**-1.2**	-6.4	-1.5
Croatia	-1.9	-2.2	-2.5	2.1	3.4	2.5	2.6	**-4.2**	**-0.7**	**-1.3**	-4.8	0.1
Hungary	-2.6	-1.4	1.1	1.3	0.2	0.2	0.2	**-5.9**	**-3.0**	**-2.0**	-2.6	-1.6
Poland	-2.1	-2.4	-1.6	-0.7	0.1	1.2	0.7	**-7.4**	**-2.8**	**-1.7**	-8.1	-2.4
Romania	0.3	-4.2	-0.9	-1.1	-1.4	-1.8	-3.2	**-8.6**	**-9.4**	**-10.2**	-7.8	-9.6
Sweden	2.4	2.8	0.0	1.5	1.9	1.3	0.9	**-3.5**	**-2.6**	**-1.3**	-5.3	-1.8
EU	0.6	-0.4	-0.4	0.6	1.0	1.3	1.0	**-6.9**	**-4.8**	**-3.3**	-6.7	-2.1
United Kingdom	-0.3	-3.8	-3.5	-0.9	0.3	0.2	-0.2	**-11.4**	**-7.2**	**-5.9**	-8.4	-4.7
Japan	1.3	-3.9	-4.8	-1.7	-1.2	-0.7	-1.8	**-12.3**	**-4.0**	**-2.0**	-3.4	-3.8
United States	-0.7	-4.0	-3.1	-1.5	-0.4	-2.7	-3.2	**-11.2**	**-3.1**	**-1.1**	-13.5	-4.5

[1] Net lending/borrowing excluding interest expenditure.

Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	-1.0	-2.5	-3.2	-2.6	-1.1	-1.6	-3.1	**-6.7**	**-4.6**	**-5.3**	-4.5	-2.9
Germany	-3.2	-1.5	0.1	0.9	0.5	1.0	0.9	**-3.4**	**-2.7**	**-1.9**	-3.8	-0.5
Estonia	-0.3	-1.1	0.1	-1.0	-2.3	-2.3	-2.0	**-4.1**	**-4.1**	**-3.6**	-5.8	-1.9
Ireland	0.4	-9.5	-6.6	-1.8	-1.5	-0.9	-0.5	**-5.5**	**-4.8**	**-1.5**	-1.5	-0.5
Greece	-8.0	-10.7	-0.9	6.5	5.5	4.6	3.9	**-0.4**	**-2.4**	**-1.1**	0.4	1.0
Spain	-2.0	-4.4	-3.5	-3.0	-3.0	-3.3	-4.2	**-6.2**	**-6.0**	**-7.2**	-5.8	-5.2
France	-4.0	-4.7	-3.7	-3.1	-3.3	-3.1	-4.2	**-5.3**	**-5.8**	**-4.8**	-4.9	-2.6
Italy	-4.2	-3.6	-1.2	-1.3	-2.2	-2.4	-1.9	**-5.6**	**-4.8**	**-4.1**	-6.1	-3.5
Cyprus	-4.6	-3.1	-2.4	0.7	1.0	-5.9	-1.3	**-4.8**	**-1.9**	**-2.5**	-5.2	-2.1
Latvia	-1.8	-4.7	-1.3	-0.4	-1.7	-2.3	-2.0	**-5.7**	**-2.8**	**-3.1**	-5.2	-3.8
Lithuania	-0.2	-4.0	-2.5	-0.3	-0.8	-1.0	-1.3	**-7.7**	**-5.0**	**-1.5**	-4.4	-1.6
Luxembourg	0.7	1.8	2.2	1.6	1.5	2.9	2.4	**-2.2**	**0.8**	**0.9**	-2.6	0.7
Malta	-5.3	-2.7	-2.3	-0.3	0.9	-0.3	-1.7	**-6.9**	**-3.7**	**-2.6**	-4.2	-1.3
Netherlands	-1.0	-1.9	-1.8	0.5	0.8	0.3	0.5	**-4.6**	**-4.0**	**-2.7**	-2.4	-1.6
Austria	-1.9	-3.1	-1.7	-1.2	-1.2	-1.0	-0.8	**-6.6**	**-5.2**	**-3.4**	-3.4	-1.1
Portugal	-5.1	-6.5	-4.6	-1.7	-3.9	-2.0	-2.0	**-3.8**	**-3.0**	**-2.6**	-3.6	-0.9
Slovenia	-3.1	-4.3	-4.4	-1.0	-0.8	-1.1	-1.9	**-7.1**	**-6.2**	**-5.6**	-4.5	-1.2
Slovakia	-4.1	-5.5	-2.6	-2.5	-1.4	-2.3	-2.8	**-7.8**	**-7.3**	**-6.4**	-6.6	-4.0
Finland	3.4	1.4	-1.0	-1.0	-1.1	-1.5	-1.6	**-5.3**	**-3.5**	**-2.7**	-4.2	-1.6
Euro area	-3.1	-3.4	-1.9	-1.0	-1.3	-1.2	-1.5	**-4.8**	**-4.3**	**-3.6**	-4.4	-2.1
Bulgaria	0.7	-1.0	-1.7	0.0	0.7	1.4	1.0	**-2.0**	**-2.4**	**-1.3**	-1.3	-1.6
Czechia	-5.2	-3.8	-1.5	0.7	0.6	-0.2	-1.0	**-4.2**	**-3.3**	**-3.3**	-4.6	-2.9
Denmark	0.6	1.1	0.3	0.6	2.0	0.8	3.5	**-1.2**	**-0.4**	**0.0**	-2.7	0.6
Croatia	-3.8	-5.4	-4.2	-0.7	-0.1	-1.3	-1.7	**-4.0**	**-1.9**	**-3.2**	-4.4	-1.9
Hungary	-7.7	-5.3	-1.9	-2.2	-3.5	-4.1	-4.4	**-6.6**	**-4.2**	**-4.0**	-2.8	-3.1
Poland	-3.4	-5.4	-3.5	-2.1	-2.0	-1.8	-2.9	**-7.9**	**-3.5**	**-2.7**	-8.3	-2.9
Romania	-2.4	-6.2	-1.8	-2.2	-3.2	-3.6	-5.1	**-8.6**	**-9.9**	**-11.5**	-6.7	-9.2
Sweden	0.2	1.4	-0.2	0.7	0.9	0.3	0.4	**-1.4**	**-0.9**	**-0.2**	-2.1	-0.2
EU	-2.9	-3.3	-1.8	-0.9	-1.2	-1.2	-1.4	**-4.8**	**-4.1**	**-3.5**	-4.4	-2.1
P.M.: United Kingdom	-2.6	-5.4	-5.4	-3.8	-3.3	-3.2	-3.5	**-8.7**	**-5.9**	**-5.4**	-6.2	-4.8

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	4.4	1.5	0.1	0.1	1.2	0.5	-1.1	**-4.7**	**-2.8**	**-3.7**	-2.5	-1.0
Germany	-0.3	1.1	2.0	2.1	1.5	1.9	1.7	**-2.7**	**-2.1**	**-1.3**	-3.0	0.2
Estonia	0.0	-1.0	0.2	-0.9	-2.3	-2.3	-2.0	**-4.0**	**-4.1**	**-3.5**	-5.8	-1.9
Ireland	1.6	-7.8	-2.9	0.6	0.5	0.7	0.8	**-4.3**	**-3.9**	**-0.5**	-0.3	0.7
Greece	-2.7	-5.7	4.0	9.7	8.7	8.0	6.9	**2.6**	**0.4**	**1.6**	3.4	3.7
Spain	0.3	-2.7	-0.4	-0.3	-0.5	-0.9	-2.0	**-3.8**	**-3.9**	**-5.2**	-3.4	-3.0
France	-1.1	-2.0	-1.3	-1.3	-1.5	-1.4	-2.8	**-3.9**	**-4.6**	**-3.7**	-3.5	-1.3
Italy	0.9	0.9	3.5	2.6	1.6	1.2	1.5	**-2.0**	**-1.4**	**-1.0**	-2.4	0.0
Cyprus	-1.5	-0.6	0.6	3.3	3.4	-3.5	1.0	**-2.4**	**0.2**	**-0.6**	-2.8	0.0
Latvia	-1.1	-3.7	0.2	0.6	-0.8	-1.6	-1.3	**-5.0**	**-2.1**	**-2.4**	-4.4	-3.1
Lithuania	0.1	-2.9	-0.8	1.1	0.3	-0.1	-0.5	**-7.1**	**-4.5**	**-1.2**	-3.8	-1.0
Luxembourg	0.9	2.1	2.7	1.9	1.8	3.2	2.7	**-1.9**	**1.1**	**1.2**	-2.3	0.9
Malta	-1.6	0.6	0.4	1.8	2.7	1.3	-0.3	**-5.8**	**-2.5**	**-1.3**	-2.7	0.1
Netherlands	1.5	0.0	-0.2	1.6	1.8	1.2	1.3	**-3.9**	**-3.6**	**-2.3**	-1.7	-0.8
Austria	1.4	0.0	0.9	0.9	0.7	0.6	0.7	**-5.2**	**-3.9**	**-2.1**	-1.9	0.2
Portugal	-2.4	-3.5	0.1	2.5	-0.1	1.4	1.0	**-0.9**	**-0.4**	**-0.1**	-0.3	2.5
Slovenia	-1.2	-3.0	-1.9	2.0	1.8	0.9	-0.2	**-5.3**	**-4.6**	**-4.1**	-2.7	0.5
Slovakia	-1.3	-4.1	-0.8	-0.8	0.0	-0.9	-1.6	**-6.5**	**-6.2**	**-5.3**	-5.2	-2.7
Finland	5.3	2.8	0.3	0.1	-0.1	-0.6	-0.8	**-4.6**	**-2.9**	**-2.1**	-3.5	-0.9
Euro area	0.2	-0.6	0.9	1.1	0.7	0.6	0.1	**-3.2**	**-2.9**	**-2.3**	-2.7	-0.5
Bulgaria	3.1	-0.1	-0.9	0.9	1.5	2.1	1.5	**-1.5**	**-1.7**	**-0.6**	-0.7	-1.0
Czechia	-4.2	-2.6	-0.3	1.6	1.3	0.5	-0.3	**-3.4**	**-2.5**	**-2.5**	-3.7	-2.0
Denmark	3.4	2.8	2.0	1.9	2.8	1.6	4.2	**-0.5**	**0.3**	**0.7**	-1.9	1.4
Croatia	-2.0	-3.4	-1.0	2.3	2.5	1.0	0.5	**-1.7**	**0.1**	**-1.3**	-2.1	0.4
Hungary	-3.5	-1.1	2.2	0.9	-0.9	-1.8	-2.2	**-4.2**	**-1.8**	**-1.7**	-0.3	-0.6
Poland	-0.6	-3.1	-1.2	-0.4	-0.5	-0.3	-1.5	**-6.5**	**-2.2**	**-1.4**	-6.8	-1.5
Romania	-0.3	-5.2	-0.1	-0.7	-1.9	-2.4	-4.0	**-6.9**	**-8.0**	**-9.2**	-5.2	-7.5
Sweden	2.4	2.9	0.6	1.2	1.3	0.8	0.8	**-1.0**	**-1.0**	**-0.1**	-1.8	0.2
EU	0.2	-0.6	0.8	1.1	0.7	0.5	0.1	**-3.3**	**-2.8**	**-2.2**	-2.8	-0.6
P.M.: United Kingdom	-0.7	-3.2	-2.7	-1.4	-0.6	-0.8	-1.4	**-6.8**	**-4.2**	**-3.7**	-4.1	-2.8

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 41: Structural budget balance, general government[1] (as a percentage of potential GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	:	:	-3.3	-2.5	-1.6	-2.1	-3.3	**-6.8**	**-4.6**	**-5.3**	-4.7	-2.9
Germany	:	:	0.2	0.9	0.7	1.1	0.9	**-3.4**	**-2.7**	**-1.9**	-3.8	-0.5
Estonia	:	:	0.1	-0.9	-2.3	-2.3	-2.0	**-4.1**	**-4.1**	**-3.6**	-5.8	-1.9
Ireland	:	:	-5.7	-1.9	-1.5	-0.8	-0.5	**-5.5**	**-4.8**	**-1.5**	-1.5	-0.5
Greece	:	:	1.7	5.8	5.2	5.2	2.8	**-0.1**	**-2.6**	**-1.1**	-0.1	0.8
Spain	:	:	-2.6	-3.0	-2.9	-3.0	-4.0	**-6.0**	**-6.0**	**-7.2**	-5.6	-5.2
France	:	:	-3.7	-3.0	-3.1	-3.1	-3.3	**-5.1**	**-5.7**	**-4.8**	-4.7	-2.5
Italy	:	:	-1.3	-1.5	-2.2	-2.6	-1.9	**-5.8**	**-5.0**	**-4.3**	-6.3	-3.7
Cyprus	:	:	-0.5	0.7	1.0	2.1	0.0	**-4.8**	**-1.9**	**-2.5**	-5.2	-2.1
Latvia	:	:	-1.2	-0.6	-1.7	-2.3	-2.2	**-5.7**	**-2.8**	**-3.1**	-5.2	-3.8
Lithuania	:	:	-1.8	-0.5	-0.8	-1.0	-1.3	**-7.7**	**-5.0**	**-1.5**	-4.4	-1.6
Luxembourg	:	:	2.2	1.6	1.5	2.9	2.4	**-2.2**	**0.8**	**0.9**	-2.6	0.7
Malta	:	:	-2.6	-0.2	1.1	-0.3	-1.7	**-6.9**	**-3.7**	**-2.6**	-4.2	-1.3
Netherlands	:	:	-1.9	0.2	0.3	0.3	0.3	**-4.6**	**-3.9**	**-2.7**	-2.4	-1.6
Austria	:	:	-1.1	-1.1	-1.2	-1.0	-0.8	**-6.6**	**-5.2**	**-3.4**	-3.4	-1.1
Portugal	:	:	-3.6	-2.1	-1.8	-1.3	-1.4	**-3.3**	**-3.3**	**-2.6**	-3.2	-1.2
Slovenia	:	:	-4.1	-0.9	-0.7	-1.0	-1.9	**-6.9**	**-6.2**	**-5.6**	-4.4	-1.2
Slovakia	:	:	-2.8	-2.5	-1.4	-2.3	-2.8	**-7.8**	**-7.3**	**-6.4**	-6.6	-4.0
Finland	:	:	-1.0	-1.0	-1.1	-1.4	-1.7	**-5.3**	**-3.5**	**-2.7**	-4.2	-1.6
Euro area	:	:	-1.7	-1.1	-1.2	-1.1	-1.3	**-4.8**	**-4.3**	**-3.7**	-4.4	-2.1
Bulgaria	:	:	-1.0	0.0	0.7	1.4	1.0	**-2.0**	**-2.4**	**-1.3**	-1.3	-1.6
Czechia	:	:	-1.1	0.8	0.6	-0.2	-1.0	**-4.2**	**-3.3**	**-3.2**	-4.6	-2.9
Denmark	:	:	-0.5	0.5	2.0	0.8	3.5	**-0.4**	**-0.4**	**0.0**	-1.9	0.6
Croatia	:	:	-4.2	-0.9	-0.1	-1.4	-1.7	**-4.0**	**-2.0**	**-3.2**	-4.4	-1.9
Hungary	:	:	-2.0	-2.1	-3.9	-4.1	-4.3	**-6.6**	**-4.2**	**-4.0**	-2.6	-3.1
Poland	:	:	-3.5	-2.1	-2.0	-1.8	-2.9	**-8.2**	**-3.7**	**-2.8**	-8.5	-3.1
Romania	:	:	-1.7	-1.8	-3.2	-3.2	-5.0	**-8.6**	**-9.9**	**-11.5**	-6.7	-9.2
Sweden	:	:	-0.2	0.7	0.9	0.3	0.4	**-1.4**	**-0.9**	**-0.2**	-2.1	-0.2
EU	:	:	-1.7	-1.0	-1.1	-1.1	-1.3	**-4.8**	**-4.2**	**-3.5**	-4.4	-2.1
P.M.: United Kingdom	:	:	-5.4	-3.8	-3.3	-3.2	-3.5	***-8.7***	***-5.9***	***-5.4***	-6.2	-4.8

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 42: Gross debt, general government (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	101.5	94.5	105.2	105.0	102.0	99.8	98.1	**117.7**	**117.8**	**118.6**	113.8	110.0
Germany	62.7	70.3	77.5	69.3	65.1	61.8	59.6	**71.2**	**70.1**	**69.0**	75.6	71.8
Estonia	5.2	5.3	9.3	9.9	9.1	8.2	8.4	**17.2**	**22.5**	**26.4**	20.7	22.6
Ireland	29.6	47.5	106.4	74.1	67.0	63.0	57.4	**63.1**	**66.0**	**66.0**	66.4	66.7
Greece	104.7	118.1	174.6	180.8	179.2	186.2	180.5	**207.1**	**200.7**	**194.8**	196.4	182.6
Spain	48.2	45.7	90.4	99.2	98.6	97.4	95.5	**120.3**	**122.0**	**123.9**	115.6	113.7
France	63.3	73.2	92.5	98.0	98.3	98.1	98.1	**115.9**	**117.8**	**119.4**	116.5	111.9
Italy	106.5	110.5	129.9	134.8	134.1	134.4	134.7	**159.6**	**159.5**	**159.1**	158.9	153.6
Cyprus	62.0	53.9	93.3	103.1	93.5	99.2	94.0	**112.6**	**108.2**	**102.8**	115.7	105.0
Latvia	13.5	24.4	40.9	40.4	39.0	37.1	36.9	**47.5**	**45.9**	**45.5**	43.1	43.7
Lithuania	20.4	22.4	39.7	39.7	39.1	33.7	35.9	**47.2**	**50.7**	**49.5**	48.5	48.4
Luxembourg	7.7	13.6	21.9	20.1	22.3	21.0	22.0	**25.4**	**27.3**	**28.9**	26.4	25.7
Malta	67.6	63.9	63.7	54.5	48.8	45.2	42.6	**55.2**	**60.0**	**59.3**	50.7	50.8
Netherlands	49.7	51.8	65.6	61.9	56.9	52.4	48.7	**60.0**	**63.5**	**65.9**	62.1	57.6
Austria	66.6	72.7	82.9	82.8	78.5	74.0	70.5	**84.2**	**85.2**	**85.1**	78.8	75.8
Portugal	64.1	82.0	127.8	131.5	126.1	121.5	117.2	**135.1**	**130.3**	**127.2**	131.6	124.4
Slovenia	26.7	28.7	66.6	78.5	74.1	70.3	65.6	**82.2**	**80.2**	**79.8**	83.7	79.9
Slovakia	43.2	33.5	51.0	52.4	51.7	49.9	48.5	**63.4**	**65.7**	**67.6**	59.5	59.9
Finland	41.3	38.6	56.3	63.2	61.3	59.6	59.3	**69.8**	**71.8**	**72.5**	69.4	69.6
Euro area	69.0	74.0	92.8	92.2	89.7	87.7	85.9	**101.7**	**102.3**	**102.6**	102.7	98.8
Bulgaria	44.2	15.9	20.4	29.3	25.3	22.3	20.2	**25.7**	**26.4**	**26.3**	25.5	25.4
Czechia	26.6	30.7	41.9	36.6	34.2	32.1	30.2	**37.9**	**40.6**	**42.2**	38.7	39.9
Denmark	45.1	35.0	43.8	37.2	35.9	34.0	33.3	**45.0**	**41.1**	**40.9**	44.7	44.6
Croatia	38.7	44.4	76.8	80.8	77.5	74.3	72.8	**86.6**	**82.4**	**81.7**	88.6	83.4
Hungary	57.1	72.1	77.7	74.9	72.2	69.1	65.4	**78.0**	**77.9**	**77.2**	75.0	73.5
Poland	43.4	48.4	53.5	54.2	50.6	48.8	45.7	**56.6**	**57.3**	**56.4**	58.5	58.3
Romania	21.5	17.6	37.1	37.4	35.1	34.7	35.3	**46.7**	**54.6**	**63.6**	46.2	54.7
Sweden	49.6	39.8	40.7	42.3	40.7	38.9	35.1	**39.9**	**40.5**	**40.3**	42.6	42.5
EU	66.3	69.7	86.5	85.8	83.2	81.2	79.2	**93.9**	**94.6**	**94.9**	95.1	92.0
P.M.: United Kingdom	36.4	53.8	84.1	86.8	86.3	85.8	85.4	***104.4***	***111.0***	***113.7***	102.1	101.5

Note: See box on technical elements behind the forecast for details and definition.

Table 43: Gross national saving (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	27.3	27.0	24.4	24.8	25.2	24.8	25.3	**24.1**	**24.3**	**24.6**	22.9	24.6
Germany	23.2	26.5	27.5	28.6	28.8	29.1	28.7	**27.9**	**28.2**	**28.2**	28.1	29.4
Estonia	23.4	24.2	27.1	26.1	28.2	28.5	29.1	**26.8**	**26.7**	**27.0**	27.2	28.6
Ireland	24.5	19.7	21.1	33.8	35.1	35.5	35.2	**34.4**	**32.1**	**34.2**	31.2	33.9
Greece	15.6	9.5	8.8	11.0	10.9	10.2	11.0	**7.1**	**6.7**	**8.4**	10.2	10.8
Spain	22.7	20.0	19.2	21.9	22.2	22.4	22.9	**21.3**	**21.6**	**22.5**	21.2	21.2
France	22.9	22.5	21.7	22.0	22.7	23.0	23.3	**20.6**	**21.4**	**22.1**	21.6	23.1
Italy	20.7	19.0	18.1	20.2	20.6	21.0	21.0	**19.7**	**20.6**	**21.1**	19.6	20.8
Cyprus	13.0	9.2	12.6	13.2	14.8	14.6	13.6	**8.1**	**8.1**	**8.3**	8.1	9.0
Latvia	21.4	23.4	23.1	22.8	23.4	23.5	21.7	**25.4**	**23.9**	**23.1**	21.3	22.1
Lithuania	15.5	16.3	19.9	18.1	19.7	20.6	20.8	**18.3**	**18.4**	**20.2**	18.7	21.5
Luxembourg	27.7	22.2	19.2	19.2	17.7	17.5	19.6	**16.5**	**17.7**	**18.6**	20.8	21.0
Malta	19.2	16.6	19.4	28.3	33.6	32.9	26.8	**22.6**	**22.6**	**23.7**	27.1	29.2
Netherlands	26.4	27.5	28.5	28.5	31.4	31.8	31.2	**29.6**	**29.5**	**29.7**	29.3	28.9
Austria	25.6	26.9	25.8	27.1	26.3	26.9	28.5	**27.2**	**27.6**	**27.8**	25.4	26.2
Portugal	16.2	11.9	14.8	16.5	18.2	18.5	19.2	**17.5**	**18.3**	**18.6**	17.4	18.5
Slovenia	25.5	25.5	22.0	23.3	26.4	27.2	26.5	**24.6**	**24.3**	**23.9**	25.2	26.3
Slovakia	22.6	21.8	23.3	21.1	22.0	23.1	21.9	**14.7**	**17.0**	**18.5**	18.2	19.2
Finland	29.3	26.9	21.2	21.3	23.1	23.5	24.1	**22.2**	**22.7**	**22.7**	21.2	22.2
Euro area	22.9	22.8	22.8	24.3	25.0	25.3	25.3	**23.9**	**24.2**	**24.7**	23.9	25.0
Bulgaria	16.1	16.3	22.0	23.9	25.4	25.9	26.3	**21.5**	**22.3**	**23.3**	20.7	22.0
Czechia	26.2	25.2	24.1	25.8	27.2	26.4	25.9	**22.3**	**22.7**	**23.6**	22.3	23.9
Denmark	25.0	25.7	27.4	29.5	30.1	30.2	31.6	**28.9**	**29.0**	**29.7**	27.8	28.7
Croatia	19.6	20.1	19.4	23.6	25.9	25.8	25.8	**20.7**	**21.8**	**22.7**	21.4	22.9
Hungary	17.3	18.4	23.2	25.8	24.7	27.0	27.9	**25.1**	**25.8**	**26.5**	26.1	27.2
Poland	16.1	17.4	18.9	19.3	19.6	19.7	20.0	**20.0**	**19.5**	**19.1**	18.9	19.5
Romania	16.6	20.0	23.7	21.4	19.7	17.4	18.3	**19.5**	**19.8**	**19.8**	16.9	17.0
Sweden	27.4	30.3	27.9	27.1	28.5	28.4	29.4	**28.8**	**28.2**	**28.5**	27.0	28.2
EU	22.8	22.9	23.0	24.4	25.0	25.2	25.3	**23.9**	**24.2**	**24.6**	23.7	24.8
United Kingdom	15.8	13.7	12.6	12.4	14.5	14.2	14.0	**14.1**	**14.1**	**14.5**	12.1	12.6
Japan	28.0	26.9	24.7	27.4	28.2	27.9	28.2	**27.9**	**28.2**	**28.3**	27.3	26.7
United States	18.3	16.3	19.0	18.7	19.2	19.1	18.6	**17.2**	**17.0**	**17.2**	16.0	15.8

Table 44: Gross saving, private sector (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	24.9	26.2	24.3	24.6	23.4	22.9	24.5	**32.6**	**28.5**	**28.1**	29.4	26.5
Germany	23.3	24.9	24.5	24.7	24.3	24.1	23.9	**30.0**	**28.2**	**26.8**	31.4	27.3
Estonia	17.3	18.9	22.3	21.8	23.6	24.2	24.6	**27.7**	**27.2**	**26.7**	29.2	27.0
Ireland	20.3	20.7	24.3	32.5	33.4	33.0	32.2	**38.2**	**35.0**	**33.7**	33.7	33.9
Greece	16.8	15.5	11.8	8.3	7.9	6.5	7.1	**12.3**	**9.5**	**8.5**	15.6	9.9
Spain	18.4	19.2	23.5	24.3	23.3	22.8	23.8	**31.0**	**28.8**	**28.8**	29.1	25.9
France	21.6	22.0	21.3	21.4	21.0	21.3	22.1	**26.3**	**24.8**	**23.7**	26.9	23.1
Italy	20.3	18.1	17.8	19.7	19.6	20.1	19.4	**26.5**	**24.5**	**23.3**	26.2	22.8
Cyprus	13.1	6.4	12.7	10.0	10.2	8.9	7.9	**11.7**	**7.9**	**8.2**	13.3	8.7
Latvia	19.3	22.9	21.2	19.7	19.9	19.6	18.7	**27.1**	**23.6**	**22.6**	24.2	23.0
Lithuania	14.5	16.4	19.8	15.1	16.3	17.3	18.2	**22.9**	**21.4**	**20.5**	23.0	21.5
Luxembourg	20.7	15.2	13.4	12.5	11.5	9.6	12.4	**15.2**	**13.3**	**14.3**	19.7	15.5
Malta	20.8	17.3	19.5	24.7	27.9	27.8	23.1	**28.8**	**25.1**	**23.9**	29.7	27.7
Netherlands	23.8	25.2	27.6	24.9	26.9	27.0	26.1	**32.7**	**31.0**	**29.0**	31.2	28.7
Austria	23.2	25.5	23.6	25.1	23.3	23.2	24.3	**32.7**	**29.7**	**27.3**	27.8	24.4
Portugal	17.5	14.4	17.6	17.0	17.2	16.3	16.5	**21.0**	**19.6**	**18.1**	21.2	18.1
Slovenia	23.2	23.2	21.9	22.0	23.2	22.8	22.4	**28.9**	**25.4**	**23.3**	28.6	25.2
Slovakia	22.0	22.6	23.5	20.2	19.7	20.7	19.7	**20.1**	**21.4**	**21.0**	23.1	19.9
Finland	22.5	21.7	19.5	18.9	20.0	20.4	21.0	**25.1**	**23.0**	**21.9**	24.1	21.3
Euro area	21.6	21.9	22.2	22.7	22.5	22.5	22.7	**28.7**	**26.7**	**25.6**	28.5	25.1
Bulgaria	11.8	12.3	20.6	20.3	22.0	20.7	20.5	**19.7**	**20.9**	**20.5**	19.7	20.1
Czechia	22.7	22.5	21.8	21.7	22.3	21.5	21.4	**22.8**	**22.3**	**22.5**	24.4	23.4
Denmark	20.8	21.0	24.1	25.6	24.8	25.6	24.4	**28.2**	**26.8**	**26.9**	31.3	27.6
Croatia	15.5	17.1	19.6	20.1	21.4	20.8	20.0	**21.6**	**18.8**	**20.2**	23.9	20.7
Hungary	18.2	19.5	22.2	22.6	21.5	22.8	23.6	**26.0**	**24.9**	**24.9**	25.1	25.5
Poland	17.5	17.3	18.7	18.5	17.2	16.0	17.1	**24.6**	**19.8**	**17.8**	21.5	19.5
Romania	13.8	19.0	21.8	20.3	20.3	17.4	19.3	**26.0**	**27.8**	**28.6**	23.2	24.8
Sweden	23.1	24.7	24.4	21.7	22.6	22.7	23.9	**27.5**	**25.6**	**24.9**	27.3	25.2
EU	21.4	21.7	22.2	22.5	22.3	22.2	22.5	**28.3**	**26.3**	**25.2**	28.0	24.9
United Kingdom	15.3	16.0	15.4	12.5	13.4	13.0	12.7	**23.6**	**19.0**	**18.0**	18.7	15.3
Japan	28.7	28.3	27.3	27.7	27.5	26.3	27.6	**37.3**	**29.4**	**27.4**	28.0	27.7
United States	19.3	20.1	22.7	21.0	21.6	22.5	22.3	**28.6**	**20.4**	**18.8**	26.5	20.8

Table 45: Saving rate of households (2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	17.2	17.3	13.7	12.3	12.2	11.6	13.0	**24.6**	**18.4**	**15.7**	*20.6*	*12.9*
Germany	16.6	17.3	17.1	17.5	17.9	18.3	18.4	**23.6**	**20.9**	**19.4**	*24.8*	*20.7*
Estonia	-1.3	5.8	8.5	7.3	10.1	10.4	13.5	**18.5**	**17.0**	**16.1**	*18.2*	*14.8*
Ireland	8.5	11.7	9.4	7.9	11.5	11.6	12.2	**27.8**	**17.6**	**13.3**	*19.6*	*13.3*
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	9.8	8.2	7.6	7.1	5.8	5.6	6.3	**18.2**	**15.3**	**13.3**	*14.0*	*10.5*
France	14.2	14.9	14.5	13.6	13.8	14.1	14.6	**20.9**	**17.9**	**16.0**	*22.0*	*15.7*
Italy	14.8	13.3	10.6	10.6	10.2	10.1	10.1	**15.2**	**12.6**	**10.3**	*16.5*	*10.9*
Cyprus	3.9	6.2	0.4	1.5	3.0	3.1	3.1	**5.7**	**3.8**	**4.5**	*8.7*	*3.4*
Latvia	1.6	7.2	-0.4	6.0	5.8	7.5	6.0	**20.3**	**14.2**	**12.0**	*18.5*	*14.5*
Lithuania	4.9	2.9	2.0	2.8	0.1	0.2	4.1	**10.6**	**8.7**	**5.9**	*8.4*	*4.2*
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	10.7	11.5	15.3	16.6	15.3	15.6	16.6	**25.9**	**22.6**	**19.6**	*20.9*	*18.1*
Austria	14.9	16.4	13.0	13.3	12.9	13.2	13.7	**18.3**	**14.4**	**13.4**	*17.7*	*14.4*
Portugal	11.9	8.7	8.3	7.0	6.6	6.8	7.0	**12.2**	**9.8**	**7.5**	*9.0*	*6.9*
Slovenia	15.2	15.2	10.9	11.8	13.1	13.5	13.3	**22.3**	**17.9**	**13.7**	*20.6*	*18.2*
Slovakia	7.4	7.1	7.5	9.2	8.9	10.7	10.2	**14.2**	**13.1**	**10.8**	*17.1*	*10.0*
Finland	8.4	8.0	7.7	6.3	6.9	7.3	8.6	**16.6**	**13.3**	**10.6**	*18.3*	*14.2*
Euro area	13.4	13.0	12.3	12.3	12.1	12.5	13.2	**19.9**	**16.8**	**14.8**	*19.0*	*14.4*
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Czechia	11.4	12.6	11.9	11.3	11.8	12.1	12.3	**16.2**	**13.0**	**9.6**	*16.2*	*12.9*
Denmark	7.1	6.3	7.5	11.5	11.8	11.9	9.7	**15.3**	**12.9**	**12.3**	*19.9*	*17.2*
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	9.7	10.6	11.7	11.7	11.1	12.7	11.1	**12.9**	**11.7**	**11.1**	*15.9*	*14.8*
Poland	9.4	4.8	2.0	4.2	2.8	1.5	2.4	**9.4**	**6.5**	**4.1**	*8.0*	*4.6*
Romania	-7.1	-11.5	-10.2	-9.3	-7.3	-2.3	-3.7	**11.3**	**13.4**	**13.1**	*6.9*	*9.5*
Sweden	7.0	11.0	15.1	15.9	14.9	16.0	17.6	**21.3**	**18.0**	**17.8**	*21.5*	*19.5*
EU	12.8	12.3	11.6	11.5	11.4	11.7	12.3	**18.8**	**15.9**	**14.0**	:	:
United Kingdom	8.1	9.7	9.3	7.6	5.7	6.1	6.5	**16.8**	**14.7**	**13.2**	*10.6*	*7.8*
Japan	11.6	10.4	8.6	9.7	9.0	10.5	11.4	**21.1**	**13.6**	**11.0**	*13.3*	*11.4*
United States	10.5	10.9	12.9	12.3	12.5	13.3	13.8	**19.6**	**12.3**	**11.2**	*18.8*	*10.5*

Table 46: Gross saving, general government (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.3	0.9	0.1	0.2	1.8	1.9	0.8	**-8.5**	**-4.2**	**-3.5**	*-6.5*	*-1.9*
Germany	-0.1	1.6	3.0	4.0	4.5	5.0	4.8	**-2.0**	**0.0**	**1.4**	*-3.3*	*2.1*
Estonia	6.1	5.3	4.8	4.3	4.6	4.2	4.4	**-0.8**	**-0.5**	**0.3**	*-2.0*	*1.7*
Ireland	4.2	-1.0	-3.2	1.3	1.7	2.4	3.0	**-3.8**	**-2.9**	**0.5**	*-2.6*	*0.0*
Greece	-1.2	-6.0	-3.0	2.7	3.0	3.7	3.9	**-5.2**	**-2.8**	**-0.1**	*-5.4*	*0.9*
Spain	4.3	0.8	-4.2	-2.4	-1.1	-0.4	-0.9	**-9.7**	**-7.2**	**-6.3**	*-7.8*	*-4.7*
France	1.4	0.5	0.4	0.7	1.7	1.7	1.2	**-5.7**	**-3.4**	**-1.6**	*-5.3*	*-0.1*
Italy	0.4	0.9	0.3	0.5	1.0	0.9	1.6	**-6.8**	**-3.9**	**-2.2**	*-6.6*	*-2.0*
Cyprus	-0.1	2.8	-0.1	3.2	4.6	5.7	5.7	**-3.6**	**0.2**	**0.1**	*-5.2*	*0.3*
Latvia	2.1	0.5	1.9	3.1	3.5	3.9	3.0	**-1.8**	**0.3**	**0.5**	*-2.9*	*-0.9*
Lithuania	1.0	-0.1	0.1	3.0	3.5	3.2	2.6	**-4.7**	**-2.9**	**-0.3**	*-4.3*	*0.0*
Luxembourg	6.9	7.1	5.7	6.6	6.2	8.0	7.3	**1.3**	**4.4**	**4.4**	*1.1*	*5.5*
Malta	-1.6	-0.8	-0.1	3.6	5.7	5.1	3.7	**-6.1**	**-2.4**	**-0.2**	*-2.6*	*1.6*
Netherlands	2.6	2.2	0.9	3.6	4.5	4.8	5.1	**-3.1**	**-1.6**	**0.7**	*-1.9*	*0.2*
Austria	2.4	1.3	2.2	2.0	3.0	3.7	4.2	**-5.6**	**-2.0**	**0.6**	*-2.4*	*1.8*
Portugal	-1.3	-2.5	-2.8	-0.5	1.0	2.2	2.7	**-3.6**	**-1.3**	**0.6**	*-3.8*	*0.4*
Slovenia	2.4	2.3	0.0	1.3	3.2	4.4	4.1	**-4.4**	**-1.1**	**0.6**	*-3.4*	*1.2*
Slovakia	0.6	-0.8	-0.2	0.8	2.3	2.5	2.2	**-5.4**	**-4.4**	**-2.5**	*-4.9*	*-0.7*
Finland	6.9	5.2	1.8	2.4	3.1	3.1	3.1	**-3.0**	**-0.3**	**0.8**	*-2.8*	*0.9*
Euro area	1.3	0.9	0.6	1.6	2.5	2.8	2.7	**-4.8**	**-2.5**	**-0.9**	*-4.7*	*-0.1*
Bulgaria	4.3	4.0	1.4	3.6	3.5	5.2	5.8	**1.8**	**1.4**	**2.8**	*1.1*	*1.9*
Czechia	3.5	2.7	2.3	4.0	4.9	4.9	4.5	**-0.5**	**0.4**	**1.1**	*-2.1*	*0.4*
Denmark	4.2	4.7	3.3	4.0	5.3	4.6	7.1	**0.8**	**2.3**	**2.8**	*-3.4*	*1.1*
Croatia	4.1	3.0	-0.2	3.5	4.4	5.0	5.7	**-0.9**	**2.9**	**2.5**	*-2.4*	*2.3*
Hungary	-0.9	-1.1	1.0	3.2	3.2	4.2	4.3	**-0.9**	**0.9**	**1.6**	*1.1*	*1.7*
Poland	-1.4	0.1	0.2	0.8	2.4	3.7	2.9	**-4.6**	**-0.2**	**1.3**	*-2.5*	*0.0*
Romania	2.8	1.0	1.8	1.2	-0.6	0.0	-1.0	**-6.5**	**-7.9**	**-8.8**	*-6.3*	*-7.8*
Sweden	4.3	5.6	3.5	5.4	5.9	5.7	5.5	**1.4**	**2.6**	**3.7**	*-0.3*	*2.9*
EU	1.4	1.2	0.8	1.8	2.7	3.0	2.9	**-4.4**	**-2.1**	**-0.6**	*-4.3*	*0.0*
United Kingdom	0.5	-2.3	-2.8	-0.1	1.1	1.2	1.2	**-9.5**	**-4.9**	**-3.4**	*-6.6*	*-2.8*
Japan	-0.8	-1.4	-2.6	-0.3	0.7	1.6	0.6	**-9.4**	**-1.1**	**0.9**	*-0.6*	*-1.0*
United States	-1.1	-3.8	-3.7	-2.3	-2.4	-3.5	-3.6	**-11.4**	**-3.4**	**-1.6**	*-10.6*	*-5.0*

Table 47: Exports of goods and services, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	3.4	2.1	2.7	6.2	5.5	0.6	1.0	**-8.6**	**5.0**	**3.0**	-10.6	7.7
Germany	6.0	4.1	4.5	2.5	4.7	2.3	1.0	**-9.7**	**6.2**	**4.2**	-12.1	10.3
Estonia	11.1	4.3	6.2	4.8	4.1	4.0	6.2	**-10.4**	**7.3**	**5.5**	-12.5	8.5
Ireland	6.0	4.3	10.9	4.2	9.2	11.1	10.5	**0.7**	**1.7**	**3.5**	-15.2	6.7
Greece	2.4	0.6	3.5	-0.4	8.5	9.1	4.8	**-21.6**	**10.7**	**10.1**	-21.4	17.9
Spain	3.0	1.7	4.4	5.4	5.5	2.3	2.3	**-22.1**	**14.2**	**7.8**	-19.8	11.9
France	2.7	1.2	3.8	1.8	4.4	4.4	1.9	**-17.7**	**6.6**	**6.7**	-12.0	8.8
Italy	1.5	0.5	2.9	1.9	5.4	2.2	1.0	**-16.7**	**10.3**	**5.9**	-13.0	10.5
Cyprus	0.3	1.6	4.7	7.2	9.9	8.0	-0.4	**-17.7**	**7.2**	**8.1**	-21.8	16.8
Latvia	10.8	4.4	6.3	4.0	6.4	4.3	2.1	**-7.5**	**4.2**	**4.0**	-10.3	7.8
Lithuania	15.9	5.5	6.5	4.9	13.5	6.8	9.5	**-4.9**	**6.8**	**4.9**	-12.5	13.5
Luxembourg	5.5	4.7	6.5	2.6	0.7	0.5	0.8	**-3.3**	**2.0**	**1.9**	-11.5	8.4
Malta	-0.6	11.6	6.0	2.0	8.1	-0.5	6.1	**-10.4**	**2.3**	**7.3**	-9.3	12.0
Netherlands	3.5	2.8	4.6	1.7	6.5	4.3	2.7	**-6.6**	**2.1**	**3.3**	-10.6	7.0
Austria	5.1	2.8	2.8	3.0	4.9	5.5	2.9	**-11.5**	**5.5**	**3.8**	-12.5	10.3
Portugal	2.9	3.2	5.5	4.4	8.4	4.1	3.5	**-21.0**	**9.7**	**5.4**	-14.1	13.2
Slovenia	8.5	4.5	4.2	6.2	11.1	6.3	4.1	**-13.1**	**7.6**	**5.4**	-12.4	13.5
Slovakia	14.3	7.3	7.2	5.0	3.6	5.2	0.8	**-11.4**	**8.6**	**4.4**	-12.4	13.4
Finland	4.0	1.6	0.2	3.9	8.6	1.7	7.7	**-12.4**	**5.6**	**3.9**	-10.7	7.3
Euro area	4.1	2.7	4.4	2.9	5.5	3.6	2.5	**-11.5**	**6.2**	**4.7**	-12.9	9.5
Bulgaria	9.8	5.3	6.7	8.6	5.8	1.7	3.9	**-13.3**	**5.0**	**8.2**	-13.2	10.8
Czechia	13.0	6.5	5.6	4.3	7.2	3.7	1.3	**-11.0**	**7.3**	**5.5**	-13.3	9.6
Denmark	3.4	2.1	3.3	4.1	4.8	3.2	5.0	**-10.5**	**5.8**	**3.9**	-10.7	8.7
Croatia	6.7	0.6	4.1	7.0	6.8	3.7	6.8	**-29.5**	**29.2**	**5.7**	-29.0	33.7
Hungary	10.2	8.0	5.0	3.8	6.5	5.0	5.8	**-8.5**	**8.3**	**7.9**	-14.0	11.2
Poland	7.3	7.6	6.4	9.3	9.6	6.9	5.1	**-9.0**	**5.3**	**4.8**	-9.8	8.6
Romania	12.6	10.9	9.2	16.3	7.8	5.3	4.0	**-13.1**	**6.6**	**7.6**	-12.8	9.9
Sweden	4.8	1.8	3.3	2.4	4.1	4.2	3.3	**-7.4**	**4.6**	**4.5**	-12.0	6.5
EU	4.4	3.0	4.5	3.4	5.7	3.8	2.7	**-11.3**	**6.2**	**4.8**	-12.8	9.5
United Kingdom	3.6	1.5	2.3	2.7	5.4	3.0	2.8	**-9.8**	**-0.7**	**0.3**	-10.7	5.1
Japan	6.2	3.1	2.5	1.7	6.8	3.4	-1.8	**-12.8**	**5.8**	**2.3**	-15.0	3.2
United States	2.1	5.2	3.7	0.0	3.5	3.0	0.0	**-13.9**	**7.1**	**3.6**	-13.4	10.3

Table 48: Imports of goods and services, volume (percentage change on preceding year, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.9	2.4	2.8	7.5	5.2	1.3	0.8	**-8.4**	**5.4**	**3.4**	-10.2	8.1
Germany	3.5	4.2	3.9	4.5	5.3	3.6	2.6	**-6.8**	**5.5**	**4.5**	-9.2	8.6
Estonia	14.5	1.5	7.6	6.5	3.0	5.7	3.7	**-11.5**	**8.6**	**6.5**	-10.8	7.2
Ireland	6.0	2.8	9.3	18.9	1.1	4.0	32.4	**-14.1**	**6.6**	**7.6**	-27.7	8.4
Greece	2.0	0.4	-1.0	2.2	7.4	8.0	3.0	**-9.8**	**6.7**	**4.7**	-18.0	15.8
Spain	6.0	-0.8	0.9	2.6	6.8	4.2	0.7	**-18.9**	**9.4**	**7.0**	-21.1	12.4
France	3.5	2.2	3.8	2.9	4.5	3.1	2.5	**-11.6**	**6.3**	**3.3**	-11.8	10.6
Italy	2.3	1.3	-0.2	3.9	6.1	3.5	-0.6	**-14.1**	**9.9**	**6.4**	-13.6	12.2
Cyprus	1.4	4.2	1.0	10.0	12.9	4.5	2.0	**-11.5**	**7.0**	**7.0**	-15.2	13.7
Latvia	13.4	-0.2	6.2	3.6	8.6	6.4	3.0	**-8.6**	**6.0**	**5.2**	-8.3	8.0
Lithuania	17.4	3.2	6.4	4.0	11.1	6.0	6.3	**-6.8**	**9.1**	**6.6**	-12.0	12.8
Luxembourg	5.9	4.9	7.5	1.6	0.6	-0.3	0.9	**-3.7**	**2.3**	**1.9**	-12.0	8.8
Malta	0.2	9.7	5.1	1.2	4.4	0.4	7.9	**-8.4**	**2.4**	**6.6**	-7.2	10.8
Netherlands	3.3	2.9	5.1	-2.0	6.2	4.7	3.2	**-5.5**	**2.4**	**3.7**	-11.2	8.0
Austria	4.5	2.2	2.8	3.7	5.3	5.0	2.4	**-9.4**	**4.8**	**3.1**	-10.8	9.0
Portugal	2.0	2.5	1.4	5.0	8.1	5.0	4.7	**-15.6**	**7.5**	**5.0**	-10.3	10.3
Slovenia	7.3	3.6	2.4	6.3	10.7	7.2	4.4	**-12.4**	**7.9**	**5.9**	-11.4	14.8
Slovakia	13.8	5.2	5.7	4.8	3.9	4.9	2.1	**-10.2**	**6.8**	**3.5**	-12.6	13.3
Finland	5.8	1.7	1.7	5.7	4.2	5.4	3.3	**-8.5**	**4.9**	**5.5**	-8.6	8.1
Euro area	3.8	2.5	3.4	4.2	5.2	3.7	3.9	**-10.1**	**6.0**	**4.7**	-12.9	9.7
Bulgaria	14.7	3.0	5.9	5.2	7.4	5.7	5.2	**-11.6**	**4.5**	**7.3**	-12.5	6.8
Czechia	12.6	5.8	5.2	2.8	6.3	5.8	1.4	**-9.5**	**6.9**	**5.4**	-13.0	9.6
Denmark	5.2	2.3	4.0	3.7	4.2	4.8	2.4	**-8.7**	**5.6**	**3.8**	-8.8	8.1
Croatia	10.3	-1.6	3.2	6.5	8.4	7.5	6.3	**-22.0**	**22.4**	**3.9**	-21.2	23.4
Hungary	9.8	5.6	4.3	3.4	8.5	7.0	7.5	**-5.3**	**6.7**	**7.7**	-15.0	10.1
Poland	4.2	8.3	4.7	7.9	10.2	7.4	3.3	**-10.8**	**6.7**	**6.0**	-10.6	8.9
Romania	19.4	12.2	6.8	16.6	11.5	8.6	6.5	**-10.6**	**8.5**	**9.7**	-14.4	9.8
Sweden	2.8	2.8	4.0	4.5	4.7	3.8	1.1	**-8.2**	**5.9**	**3.8**	-11.5	5.1
EU	4.2	2.9	3.6	4.5	5.6	4.1	3.8	**-10.0**	**6.1**	**4.9**	-12.8	9.5
United Kingdom	5.3	0.7	3.1	3.9	2.6	2.7	3.3	**-14.0**	**-1.5**	**-0.1**	-9.9	6.1
Japan	3.8	0.2	4.7	-1.6	3.4	3.4	-0.8	**-5.4**	**3.6**	**1.4**	-11.8	2.0
United States	4.6	1.0	4.0	2.0	4.7	4.4	1.0	**-12.1**	**8.3**	**2.3**	-12.9	13.2

Table 49: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	3.6	0.7	-0.8	0.4	0.5	-0.1	0.7	**1.1**	**1.1**	**0.9**	*0.0*	*-0.1*
Germany	6.1	6.8	7.3	8.0	7.7	6.7	6.4	**5.3**	**5.7**	**5.8**	*5.5*	*6.3*
Estonia	-16.6	-10.7	-4.6	-3.7	-3.8	-4.7	-3.2	**-1.5**	**-2.7**	**-3.3**	*-2.8*	*-2.5*
Ireland	23.3	18.8	25.7	39.2	36.3	33.4	33.5	**41.8**	**39.7**	**39.1**	*35.9*	*36.0*
Greece	-15.4	-16.1	-11.3	-10.4	-11.3	-12.6	-13.1	**-12.2**	**-12.7**	**-13.0**	*-6.8*	*-9.4*
Spain	-6.1	-6.7	-2.4	-1.3	-1.9	-2.5	-2.1	**-0.2**	**-0.1**	**-0.8**	*0.1*	*-0.4*
France	0.1	-1.7	-2.1	-1.1	-1.6	-1.6	-1.4	**-2.5**	**-2.5**	**-1.8**	*-0.9*	*-1.3*
Italy	0.7	-0.4	1.8	3.5	3.1	2.6	3.2	**3.6**	**4.0**	**4.0**	*4.4*	*4.2*
Cyprus	-24.0	-25.9	-19.1	-22.0	-24.6	-21.2	-20.8	**-18.8**	**-19.6**	**-20.8**	*-18.8*	*-21.1*
Latvia	-19.4	-16.8	-11.8	-8.1	-9.1	-8.7	-8.8	**-6.5**	**-7.7**	**-8.6**	*-8.2*	*-7.9*
Lithuania	-10.6	-10.4	-4.3	-4.9	-4.9	-6.1	-4.8	**-2.1**	**-3.3**	**-4.1**	*-4.2*	*-4.4*
Luxembourg	-9.3	-3.5	-0.4	-1.1	-2.0	-2.0	-3.1	**-2.2**	**-2.7**	**-3.0**	*-2.6*	*-2.7*
Malta	-13.6	-20.4	-17.5	-19.1	-12.9	-12.2	-12.5	**-6.5**	**-6.2**	**-7.3**	*-8.0*	*-11.4*
Netherlands	7.5	8.2	9.3	9.3	9.7	9.3	8.4	**7.7**	**7.5**	**7.4**	*8.2*	*7.7*
Austria	0.0	0.2	-0.2	0.7	0.3	0.6	0.8	**0.4**	**0.6**	**0.7**	*0.1*	*0.8*
Portugal	-11.1	-11.6	-6.1	-5.5	-7.0	-7.8	-7.9	**-6.3**	**-6.1**	**-6.2**	*-7.1*	*-7.4*
Slovenia	-3.1	-3.1	1.2	3.8	3.8	2.8	2.7	**3.3**	**3.2**	**2.4**	*4.0*	*3.6*
Slovakia	-6.6	-1.2	3.4	2.3	1.1	1.1	-0.5	**-1.6**	**-0.2**	**0.5**	*0.5*	*0.5*
Finland	9.7	6.4	1.0	0.0	0.7	0.1	0.9	**0.1**	**0.5**	**0.7**	*0.4*	*0.4*
Euro area	1.7	0.9	2.4	3.8	3.5	2.9	3.0	**3.1**	**3.2**	**3.2**	*3.4*	*3.4*
Euro area, adjusted[2]	0.8	0.2	1.8	3.4	3.1	2.5	2.7	**2.8**	**2.9**	**3.0**	*2.9*	*3.0*
Bulgaria	-18.7	-19.0	-7.1	-2.1	-1.5	-4.8	-4.7	**-2.9**	**-2.0**	**-2.2**	*-3.3*	*-1.6*
Czechia	-4.2	0.8	3.6	5.4	5.1	3.7	4.2	**3.4**	**3.6**	**3.7**	*3.4*	*3.5*
Denmark	4.6	2.6	4.6	5.4	4.5	3.5	5.2	**4.4**	**4.4**	**4.5**	*4.8*	*5.3*
Croatia	-21.1	-19.0	-15.0	-16.3	-17.1	-18.6	-19.3	**-13.2**	**-18.9**	**-18.8**	*-12.6*	*-18.5*
Hungary	-4.7	0.3	2.9	3.4	1.4	-1.3	-2.1	**-1.6**	**-0.9**	**-1.2**	*0.7*	*0.8*
Poland	-3.4	-4.4	-1.6	0.5	-0.1	-1.2	0.2	**1.6**	**1.1**	**0.8**	*1.1*	*1.1*
Romania	-13.4	-12.6	-5.6	-5.7	-6.8	-7.5	-7.8	**-8.8**	**-9.4**	**-10.1**	*-6.6*	*-6.6*
Sweden	7.0	5.6	3.6	1.9	2.6	2.5	3.7	**4.0**	**3.7**	**4.0**	*3.7*	*4.3*
EU	1.5	0.6	2.2	3.5	3.1	2.5	2.6	**2.8**	**2.8**	**2.8**	*3.1*	*3.1*
EU, adjusted[1]	0.7	-0.1	1.5	2.8	2.5	1.8	2.1	**2.2**	**2.3**	**2.3**	*2.3*	*2.4*
United Kingdom	-4.5	-5.7	-6.3	-6.7	-6.5	-6.4	-5.9	**-4.7**	**-4.3**	**-4.2**	*-6.1*	*-6.2*
Japan	2.3	1.8	-1.0	1.0	0.9	0.2	0.3	**-0.6**	**-0.3**	**-0.2**	*-0.1*	*0.0*
United States	-5.0	-5.2	-4.6	-4.2	-4.3	-4.4	-4.1	**-4.3**	**-4.8**	**-4.7**	*-3.7*	*-4.2*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 50: Current-account balance[1] (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	5.1	3.1	0.9	0.6	0.7	-0.8	0.3	**0.7**	**0.6**	**0.4**	*-0.1*	*-0.3*
Germany	2.5	6.1	7.2	8.7	8.0	7.6	7.3	**6.2**	**6.6**	**6.6**	*6.1*	*7.4*
Estonia	-10.3	-6.8	0.4	1.2	2.3	0.9	1.9	**2.8**	**2.0**	**1.2**	*1.1*	*2.2*
Ireland	-0.5	-4.8	0.4	-4.2	0.5	6.0	-11.3	**5.7**	**0.2**	**-1.1**	*4.6*	*4.4*
Greece	-9.4	-13.3	-3.6	-1.9	-1.5	-3.1	-1.7	**-6.2**	**-6.4**	**-4.8**	*0.1*	*-1.2*
Spain	-4.9	-7.0	0.6	3.2	2.8	1.9	2.1	**1.8**	**2.5**	**2.8**	*3.2*	*2.7*
France	1.1	-0.5	-1.0	-0.6	-0.7	-0.9	-0.8	**-3.0**	**-2.8**	**-1.6**	*-0.1*	*-0.4*
Italy	-0.5	-2.2	0.3	2.6	2.5	2.5	3.0	**2.9**	**3.1**	**2.9**	*3.4*	*3.3*
Cyprus	-7.5	-15.8	-2.4	-4.2	-5.3	-3.9	-6.3	**-10.4**	**-10.1**	**-9.9**	*-10.9*	*-10.1*
Latvia	-9.6	-8.8	-2.3	1.6	1.3	-0.3	-0.6	**2.3**	**1.2**	**0.1**	*1.1*	*1.2*
Lithuania	-6.3	-7.3	-0.5	-1.1	0.5	0.3	3.3	**4.6**	**3.7**	**2.9**	*2.2*	*2.9*
Luxembourg	7.0	3.8	-0.3	0.2	-0.9	0.0	2.2	**0.8**	**1.2**	**1.8**	*4.5*	*4.5*
Malta	-3.3	-5.7	1.2	3.7	11.2	11.1	4.4	**0.5**	**0.1**	**1.4**	*7.6*	*9.7*
Netherlands	5.4	5.9	9.0	8.1	10.8	10.8	9.9	**8.4**	**8.0**	**7.9**	*9.0*	*8.4*
Austria	1.3	3.2	2.1	2.9	1.5	1.4	3.0	**2.3**	**2.9**	**3.2**	*0.9*	*1.6*
Portugal	-8.7	-10.4	-1.2	0.6	1.0	0.3	0.2	**-0.9**	**-0.5**	**-0.5**	*-0.6*	*-0.2*
Slovenia	-1.7	-2.9	2.2	4.8	6.4	6.0	5.7	**5.0**	**4.4**	**3.1**	*6.8*	*6.8*
Slovakia	-6.0	-4.1	0.8	-2.0	-0.9	-0.1	-1.7	**-3.1**	**-1.6**	**-0.9**	*-2.9*	*-2.4*
Finland	6.1	2.8	-1.5	-2.0	-0.8	-1.7	-0.2	**-1.5**	**-1.2**	**-1.7**	*-1.3*	*-1.5*
Euro area	0.6	0.3	2.5	3.6	3.7	3.5	3.1	**2.6**	**2.6**	**2.8**	*3.4*	*3.6*
Euro area, adjusted[2]	0.3	-0.5	1.6	3.1	3.1	2.9	2.3	**1.8**	**1.9**	**2.1**	*2.7*	*3.0*
Bulgaria	-6.2	-14.4	0.7	5.3	6.1	4.6	5.2	**3.5**	**4.0**	**4.4**	*3.3*	*5.4*
Czechia	-4.2	-4.4	-2.4	-0.3	0.8	-0.8	-1.0	**-2.3**	**-2.0**	**-1.5**	*-1.5*	*-1.0*
Denmark	3.4	3.5	7.6	7.8	8.0	7.0	8.9	**6.7**	**6.8**	**7.2**	*6.2*	*6.7*
Croatia	-6.0	-7.0	-0.1	2.6	3.9	2.4	3.1	**-1.7**	**-0.4**	**0.3**	*-1.7*	*0.5*
Hungary	-8.4	-4.7	1.8	4.6	1.9	0.3	-0.3	**-1.1**	**-0.3**	**-0.3**	*1.3*	*1.5*
Poland	-3.2	-5.1	-1.9	0.0	0.1	-0.7	1.4	**1.8**	**1.5**	**1.1**	*0.6*	*0.9*
Romania	-6.5	-9.2	-2.4	-2.0	-3.4	-4.4	-4.7	**-4.6**	**-4.8**	**-4.9**	*-3.3*	*-3.4*
Sweden	5.2	6.9	4.5	2.4	2.8	2.4	4.2	**4.4**	**3.9**	**4.0**	*3.7*	*4.0*
EU	0.5	0.1	2.4	3.4	3.4	3.1	2.9	**2.5**	**2.5**	**2.7**	*3.1*	*3.4*
EU, adjusted[1]	0.1	-0.2	2.0	3.2	3.0	2.8	2.4	**1.9**	**2.0**	**2.2**	*2.7*	*3.0*
United Kingdom	-2.1	-3.3	-4.0	-5.4	-3.8	-3.7	-4.3	**-3.1**	**-2.9**	**-2.7**	*-4.1*	*-4.3*
Japan	3.0	3.6	1.6	4.0	4.1	3.5	3.4	**2.3**	**2.8**	**2.9**	*3.6*	*3.2*
United States	-4.7	-4.3	-2.4	-2.1	-1.9	-2.2	-2.2	**-3.0**	**-3.4**	**-3.2**	*-3.0*	*-3.0*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 51: Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2001-2022) 22.10.2020

	5-year averages							Autumn 2020 forecast			Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	5.1	2.9	1.0	0.7	0.8	-0.7	0.5	**0.9**	**0.7**	**0.5**	*-0.1*	*-0.2*
Germany	2.4	6.0	7.1	8.6	7.7	7.4	7.1	**6.0**	**6.3**	**6.3**	*5.9*	*7.2*
Estonia	-9.8	-4.5	3.1	2.3	3.2	2.2	3.1	**4.1**	**3.3**	**2.4**	*3.8*	*4.9*
Ireland	-0.2	-4.7	-0.4	-5.8	-8.1	-9.9	-21.2	**3.1**	**-1.2**	**-1.4**	*-6.1*	*-5.6*
Greece	-8.3	-11.6	-1.5	-0.3	-0.3	-2.1	-0.6	**-4.8**	**-4.9**	**-3.2**	*1.6*	*0.3*
Spain	-4.1	-6.6	1.1	3.4	3.0	2.4	2.5	**2.2**	**2.9**	**3.1**	*3.5*	*3.0*
France	1.0	-0.4	-1.0	-0.6	-0.7	-0.8	-0.8	**-3.1**	**-2.9**	**-1.6**	*0.2*	*0.3*
Italy	-0.4	-2.1	0.4	2.4	2.6	2.5	2.8	**2.7**	**2.9**	**2.8**	*3.2*	*3.2*
Cyprus	-7.0	-15.6	-2.1	-4.1	-4.9	-3.3	-6.2	**-10.3**	**-10.0**	**-9.8**	*-10.3*	*-9.5*
Latvia	-8.9	-7.0	0.4	2.8	2.2	1.5	0.8	**3.3**	**2.7**	**1.6**	*2.6*	*3.4*
Lithuania	-5.8	-4.6	2.6	0.4	1.8	1.9	5.2	**6.7**	**6.0**	**5.3**	*4.2*	*5.0*
Luxembourg	6.9	2.2	-0.2	-0.4	-1.5	-0.7	1.5	**0.1**	**0.6**	**1.1**	*4.1*	*4.1*
Malta	-2.3	-4.2	3.0	4.0	11.8	12.1	5.2	**1.5**	**1.1**	**2.4**	*8.6*	*10.7*
Netherlands	5.5	5.8	8.4	7.9	10.8	10.8	9.9	**8.3**	**8.0**	**7.9**	*9.0*	*8.4*
Austria	1.2	3.1	1.9	2.7	1.4	0.8	2.9	**2.2**	**2.9**	**3.1**	*0.8*	*1.6*
Portugal	-6.9	-9.2	0.3	1.5	1.8	1.2	1.0	**0.2**	**0.6**	**0.5**	*0.5*	*0.8*
Slovenia	-1.9	-2.5	2.8	4.0	5.5	5.5	5.4	**4.6**	**4.1**	**2.8**	*6.4*	*6.4*
Slovakia	-6.5	-3.3	2.3	-2.1	-1.6	-0.1	-1.8	**-3.2**	**-1.8**	**-1.1**	*-2.6*	*-2.2*
Finland	6.2	2.9	-1.5	-1.9	-0.7	-1.7	-0.1	**-1.4**	**-1.1**	**-1.6**	*-1.2*	*-1.4*
Euro area	0.7	0.4	2.6	3.6	3.4	3.0	2.8	**2.5**	**2.6**	**2.8**	*3.1*	*3.5*
Euro area, adjusted[2]	0.4	-0.4	1.7	3.0	2.9	2.5	2.0	**1.7**	**1.8**	**2.1**	*2.4*	*2.8*
Bulgaria	-5.8	-13.9	2.7	7.3	7.1	5.7	6.4	**4.9**	**5.4**	**5.9**	*4.7*	*6.8*
Czechia	-4.0	-3.2	-0.5	0.2	1.4	0.1	-0.4	**-1.4**	**-0.9**	**-0.3**	*-0.8*	*0.0*
Denmark	3.5	3.6	7.5	7.8	8.1	7.0	8.9	**5.4**	**5.8**	**6.2**	*6.3*	*6.9*
Croatia	-5.2	-6.6	0.7	5.6	6.1	5.2	7.3	**0.5**	**2.1**	**3.3**	*0.4*	*2.6*
Hungary	-8.1	-3.5	5.2	4.6	2.8	2.6	1.5	**0.4**	**1.4**	**1.5**	*3.3*	*3.4*
Poland	-3.1	-4.0	0.1	1.2	1.0	0.8	3.0	**3.6**	**3.7**	**4.0**	*1.3*	*1.7*
Romania	-6.0	-8.5	-0.5	0.5	-1.8	-3.2	-3.2	**-3.0**	**-3.1**	**-3.2**	*-1.7*	*-1.7*
Sweden	5.1	6.8	4.4	2.4	2.8	2.5	4.2	**4.4**	**3.9**	**4.0**	*3.7*	*4.0*
EU	0.6	0.3	2.6	3.5	3.3	2.9	2.8	**2.5**	**2.6**	**2.9**	*3.0*	*3.4*
EU, adjusted[1]	0.2	0.0	2.3	3.3	2.9	2.5	2.3	**1.9**	**2.1**	**2.3**	*2.6*	*3.0*
United Kingdom	-2.1	-3.4	-4.1	-5.5	-3.8	-3.8	-4.3	**-3.2**	**-3.0**	**-2.8**	*-4.2*	*-4.5*
Japan	2.9	3.5	1.5	3.9	4.1	3.5	3.3	**2.2**	**2.7**	**2.8**	*3.5*	*3.2*
United States	-4.7	-4.3	-2.4	-2.1	-1.9	-2.2	-2.2	**-3.0**	**-3.4**	**-3.2**	*-3.0*	*-3.0*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 52: Current-account balance[1] (in billions of euro, 2013-22) 22.10.2020

								Autumn 2020 forecast			Spring 2020 forecast	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	7.1	5.8	5.8	2.4	3.1	-3.5	1.5	**3.2**	**2.8**	**1.7**	*-0.6*	*-1.3*
Germany	184.8	216.2	261.9	272.1	259.8	253.5	250.5	**208.3**	**229.8**	**240.0**	*200.5*	*261.6*
Estonia	0.1	0.1	0.4	0.3	0.5	0.2	0.5	**0.8**	**0.6**	**0.4**	*0.3*	*0.6*
Ireland	2.8	2.1	11.6	-11.4	1.5	19.6	-40.4	**19.8**	**0.6**	**-4.1**	*14.8*	*15.2*
Greece	-3.4	-2.2	-2.3	-3.2	-2.6	-5.7	-3.1	**-10.2**	**-11.2**	**-8.7**	*0.2*	*-2.3*
Spain	20.8	17.5	21.8	35.4	32.2	23.2	26.4	**20.3**	**29.5**	**34.4**	*36.1*	*32.7*
France	-20.8	-26.4	-10.9	-13.5	-16.3	-20.1	-19.8	**-67.4**	**-66.7**	**-40.6**	*-3.3*	*-8.5*
Italy	17.8	30.8	23.5	44.0	44.1	44.1	53.0	**47.0**	**52.3**	**52.5**	*54.8*	*58.4*
Cyprus	-0.3	-0.7	-0.1	-0.8	-1.1	-0.8	-1.4	**-2.2**	**-2.2**	**-2.3**	*-2.2*	*-2.2*
Latvia	-0.6	-0.4	-0.1	0.4	0.3	-0.1	-0.2	**0.7**	**0.4**	**0.0**	*0.3*	*0.4*
Lithuania	0.6	1.3	-0.9	-0.4	0.2	0.1	1.6	**2.2**	**1.9**	**1.6**	*1.0*	*1.5*
Luxembourg	-0.6	-0.5	0.2	0.1	-0.5	0.0	1.4	**0.5**	**0.8**	**1.2**	*2.7*	*3.0*
Malta	0.0	0.5	0.3	0.4	1.3	1.4	0.6	**0.1**	**0.0**	**0.2**	*1.0*	*1.3*
Netherlands	66.5	63.9	43.5	57.1	79.9	83.9	80.6	**65.4**	**65.1**	**65.9**	*69.1*	*68.8*
Austria	6.1	8.2	6.4	10.2	5.5	5.4	11.9	**8.6**	**11.7**	**13.2**	*3.4*	*6.6*
Portugal	1.8	-0.2	0.0	1.2	2.0	0.5	0.3	**-1.7**	**-1.0**	**-1.1**	*-1.2*	*-0.4*
Slovenia	0.8	1.9	1.5	2.0	2.7	2.8	2.8	**2.3**	**2.2**	**1.6**	*3.1*	*3.3*
Slovakia	2.3	1.9	-0.5	-1.6	-0.8	-0.1	-1.6	**-2.8**	**-1.6**	**-0.9**	*-2.6*	*-2.3*
Finland	-4.0	-3.0	-1.7	-4.3	-1.8	-4.1	-0.5	**-3.5**	**-2.8**	**-4.2**	*-3.0*	*-3.7*
Euro area	281.8	317.0	360.1	390.2	410.1	400.5	364.2	**291.3**	**312.1**	**350.7**	*374.1*	*432.6*
Euro area, adjusted[2]	209.4	240.5	291.0	331.4	349.4	334.3	272.9	**200.0**	**220.8**	**259.4**	*296.1*	*354.6*
Bulgaria	0.9	0.2	0.3	2.6	3.2	2.6	3.2	**2.1**	**2.5**	**2.9**	*1.9*	*3.3*
Czechia	-2.3	-2.1	-2.8	-0.4	1.6	-1.6	-2.3	**-4.8**	**-4.3**	**-3.4**	*-3.0*	*-2.1*
Denmark	20.1	23.7	22.5	22.0	23.6	21.2	27.7	**20.2**	**21.8**	**23.9**	*18.2*	*21.2*
Croatia	-0.5	0.2	1.7	1.2	1.9	1.2	1.7	**-0.8**	**-0.2**	**0.2**	*-0.8*	*0.3*
Hungary	3.5	1.2	2.6	5.4	2.4	0.5	-0.4	**-1.5**	**-0.4**	**-0.4**	*1.7*	*2.1*
Poland	-1.9	-5.5	0.8	-0.1	0.6	-3.4	7.4	**9.5**	**7.7**	**6.3**	*2.8*	*4.8*
Romania	-1.4	-0.7	-1.8	-3.5	-6.3	-8.9	-10.4	**-9.8**	**-10.7**	**-11.8**	*-7.0*	*-7.7*
Sweden	21.3	17.8	14.0	11.2	13.4	11.4	19.8	**20.4**	**19.2**	**20.4**	*16.4*	*18.7*
EU	321.4	351.8	397.5	428.5	450.5	423.5	410.9	**326.4**	**347.7**	**388.8**	*404.2*	*473.3*
EU, adjusted[1]	288.4	291.8	347.5	402.5	398.4	374.6	336.2	**251.8**	**273.1**	**314.2**	*349.2*	*418.2*
United Kingdom	-102.5	-112.7	-132.9	-132.3	-88.9	-89.1	-108.6	**-73.1**	**-67.6**	**-65.7**	*-96.7*	*-109.8*
Japan	34.4	27.9	123.0	178.0	178.8	148.2	153.8	**98.7**	**120.0**	**126.6**	*158.9*	*148.9*
United States	-253.6	-276.9	-367.1	-356.7	-323.3	-380.8	-429.0	**-541.9**	**-626.7**	**-604.6**	*-548.3*	*-587.0*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 53: Export markets (a) (percentage change on preceding year, 2013-22) 22.10.2020

								Autumn 2020 forecast			Spring 2020 forecast	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	2.5	4.4	5.7	2.6	5.1	3.6	2.4	**-9.9**	**5.4**	**4.2**	-11.1	8.4
Germany	2.9	3.5	4.1	2.9	5.5	3.9	1.6	**-10.3**	**6.0**	**4.3**	-11.4	8.4
Estonia	2.7	2.2	2.0	3.3	6.3	4.4	2.5	**-10.2**	**5.9**	**4.6**	-10.6	7.8
Ireland	3.7	5.3	4.7	2.1	5.4	4.0	1.3	**-11.6**	**5.7**	**3.9**	-11.9	8.8
Greece	3.5	5.3	3.5	2.3	6.3	3.8	1.4	**-12.4**	**5.8**	**5.1**	-12.1	8.5
Spain	3.1	4.1	5.0	2.5	5.2	3.4	2.2	**-11.0**	**5.6**	**4.1**	-11.2	8.3
France	3.1	4.6	4.1	2.5	5.3	3.7	1.5	**-11.0**	**5.8**	**4.4**	-11.6	8.1
Italy	3.3	3.0	3.3	2.7	5.4	3.4	1.5	**-10.4**	**6.1**	**4.3**	-11.4	8.5
Cyprus	9.0	0.3	-7.0	-3.6	9.6	4.3	2.9	**-14.5**	**5.3**	**4.5**	-10.7	6.2
Latvia	2.5	1.3	1.0	2.7	6.5	4.2	2.9	**-10.4**	**5.8**	**4.8**	-11.0	7.6
Lithuania	1.5	2.0	0.6	2.6	6.4	4.1	2.9	**-10.8**	**5.8**	**4.6**	-10.8	7.2
Luxembourg	3.7	6.0	6.3	2.8	5.1	3.9	3.1	**-13.4**	**5.2**	**4.6**	-14.9	8.9
Malta	3.3	8.1	11.2	7.4	4.0	3.0	12.2	**-13.3**	**6.0**	**5.4**	-13.4	8.7
Netherlands	2.5	4.5	4.9	4.1	5.2	3.4	2.9	**-10.3**	**5.7**	**4.4**	-11.7	8.3
Austria	3.3	3.8	4.8	3.3	5.6	4.0	2.2	**-9.7**	**6.2**	**4.6**	-11.4	9.1
Portugal	2.7	5.0	4.8	1.9	5.2	3.6	2.2	**-12.4**	**5.9**	**4.6**	-13.8	9.0
Slovenia	2.6	3.6	5.2	3.4	6.1	4.5	2.5	**-10.1**	**7.5**	**4.8**	-11.9	10.3
Slovakia	2.3	4.7	4.6	3.8	6.1	4.4	2.4	**-8.7**	**6.2**	**4.7**	-11.0	8.9
Finland	2.7	3.8	2.7	2.8	5.7	4.2	1.7	**-9.7**	**5.7**	**4.2**	-10.9	7.3
Euro area (b)	2.9	4.1	4.4	2.9	5.4	3.7	2.0	**-10.6**	**5.8**	**4.3**	-11.5	8.4
Bulgaria	3.1	3.7	3.5	3.6	6.7	3.9	2.1	**-9.8**	**6.4**	**5.4**	-12.5	9.1
Czechia	2.6	3.8	4.5	3.7	5.8	4.0	2.3	**-8.7**	**5.9**	**4.5**	-10.6	8.8
Denmark	3.1	4.7	4.2	2.8	5.3	4.0	1.8	**-10.7**	**5.6**	**4.3**	-11.5	7.6
Croatia	3.2	5.7	8.0	3.0	5.7	4.7	4.3	**-11.3**	**5.7**	**4.8**	-12.4	10.1
Hungary	2.5	4.0	5.0	3.6	6.0	4.3	2.3	**-9.5**	**6.4**	**4.7**	-11.3	9.2
Poland	2.1	3.5	3.9	3.5	5.6	3.9	2.6	**-9.5**	**5.8**	**4.5**	-11.0	8.5
Romania	2.4	4.0	4.8	2.9	5.9	3.7	2.1	**-10.1**	**5.9**	**4.8**	-11.5	8.9
Sweden	2.9	4.2	5.8	2.8	5.1	3.6	3.3	**-10.2**	**5.4**	**4.3**	-11.1	8.0
EU (b)	2.9	4.1	4.4	3.0	5.4	3.8	2.0	**-10.4**	**5.8**	**4.4**	-11.5	8.4
United Kingdom	3.2	4.8	3.9	2.7	5.0	3.8	2.1	**-11.9**	**5.8**	**4.4**	-12.4	8.5
Japan	4.0	3.7	2.1	2.3	6.6	5.1	-0.3	**-9.8**	**6.7**	**4.5**	-10.2	7.7
United States	3.3	4.1	3.1	1.4	5.3	3.9	1.5	**-11.3**	**6.4**	**4.8**	-12.8	6.8

(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 54: Export performance (a) (percentage change on preceding year, 2013-22) 22.10.2020

								Autumn 2020 forecast			Spring 2020 forecast	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021
Belgium	-2.1	0.7	-1.9	3.5	0.3	-2.9	-1.4	**1.4**	**-0.4**	**-1.1**	0.6	-0.6
Germany	-1.8	1.3	1.3	-0.5	-0.7	-1.6	-0.6	**0.7**	**0.2**	**-0.2**	-0.8	1.8
Estonia	0.1	0.4	-3.4	1.5	-2.0	-0.4	3.6	**-0.2**	**1.4**	**0.8**	-2.0	0.6
Ireland	-0.7	8.8	33.0	2.0	3.6	6.8	9.1	**13.8**	**-3.7**	**-0.4**	-3.8	-1.9
Greece	-1.6	2.8	1.5	-2.6	2.1	5.1	3.4	**-10.5**	**4.7**	**4.7**	-10.5	8.6
Spain	1.3	0.4	-0.6	2.8	0.3	-1.1	0.1	**-12.4**	**8.4**	**3.4**	-9.7	3.3
France	-0.9	-1.2	0.5	-0.7	-0.9	0.7	0.4	**-7.5**	**0.7**	**2.2**	-0.4	0.7
Italy	-2.9	-0.4	0.9	-0.8	0.0	-1.2	-0.5	**-7.1**	**4.0**	**1.5**	-1.8	2.2
Cyprus	-7.2	5.9	18.3	11.1	0.2	3.5	-3.2	**-3.8**	**1.8**	**3.4**	-12.4	10.0
Latvia	-1.8	4.9	2.0	1.3	-0.2	0.2	-0.8	**3.2**	**-1.5**	**-0.8**	0.7	0.2
Lithuania	5.6	-3.7	1.8	2.3	6.7	2.5	6.4	**6.7**	**1.0**	**0.1**	-1.9	5.8
Luxembourg	1.5	9.8	-1.5	-0.2	-4.2	-3.3	-2.2	**11.7**	**-3.0**	**-2.6**	4.0	-0.4
Malta	-2.3	-4.3	3.8	-5.0	3.9	-3.4	-5.4	**3.3**	**-3.5**	**1.8**	4.8	3.1
Netherlands	0.0	0.0	2.4	-2.4	1.2	0.9	-0.2	**4.1**	**-3.5**	**-1.1**	1.2	-1.2
Austria	-2.6	-0.9	-1.7	-0.3	-0.6	1.5	0.7	**-2.0**	**-0.7**	**-0.8**	-1.3	1.1
Portugal	4.4	-0.7	1.4	2.5	3.0	0.5	1.3	**-9.8**	**3.5**	**0.7**	-0.3	3.9
Slovenia	0.5	2.3	-0.4	2.7	4.8	1.7	1.5	**-3.3**	**0.1**	**0.5**	-0.6	2.9
Slovakia	3.7	-0.9	2.0	1.2	-2.4	0.8	-1.6	**-3.0**	**2.3**	**-0.3**	-1.5	4.1
Finland	-2.1	-5.6	-2.3	1.0	2.7	-2.4	5.8	**-3.0**	**-0.1**	**-0.3**	0.2	0.1
Euro area (b)	-1.1	0.7	2.2	0.0	0.1	-0.2	0.5	**-1.0**	**0.3**	**0.3**	-1.5	1.1
Bulgaria	6.3	-0.6	2.8	4.9	-0.9	-2.1	1.7	**-3.9**	**-1.4**	**2.7**	-0.8	1.5
Czechia	-2.3	4.7	1.5	0.6	1.4	-0.3	-0.9	**-2.6**	**1.3**	**1.0**	-3.0	0.7
Denmark	-1.4	-1.5	-0.6	1.3	-0.4	-0.7	3.2	**0.2**	**0.2**	**-0.3**	0.9	1.0
Croatia	-0.7	1.6	2.2	3.9	1.0	-1.0	2.4	**-20.5**	**23.4**	**1.4**	-19.0	21.4
Hungary	1.6	5.0	2.2	0.2	0.4	0.7	3.4	**1.1**	**1.9**	**3.1**	-3.1	1.8
Poland	3.3	3.1	4.0	5.6	3.8	3.0	2.5	**0.6**	**-0.5**	**0.3**	1.3	0.1
Romania	17.7	4.4	-0.2	13.0	1.8	1.6	1.8	**-3.4**	**0.7**	**2.7**	-1.5	0.9
Sweden	-3.9	0.1	0.0	-0.4	-0.9	0.6	-0.1	**3.2**	**-0.8**	**0.2**	-1.1	-1.4
EU (b)	-0.8	0.9	2.1	0.5	0.3	0.0	0.7	**-0.9**	**0.4**	**0.4**	-1.4	1.0
United Kingdom	-2.2	-4.4	-1.1	0.0	0.4	-0.8	0.7	**2.3**	**-6.1**	**-3.8**	1.9	-3.2
Japan	-3.1	5.3	0.9	-0.6	0.2	-1.6	-1.4	**-3.4**	**-0.8**	**-2.0**	-5.4	-4.2
United States	0.3	0.1	-2.6	-1.4	-1.7	-0.8	-1.5	**-2.9**	**0.7**	**-1.1**	-0.7	3.2

(a) Index for exports of goods and services divided by an index for growth of markets.
(b) Intra- and extra-EU trade.

Table 55: World GDP, volume (percentage change on preceding year, 2015-22) 22.10.2020

							Autumn 2020 forecast			*Spring 2020 forecast*	
	(a)	2015	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*
EU	17.8	2.3	2.0	2.8	2.1	1.5	**-7.4**	**4.1**	**3.0**	*-7.4*	*6.1*
Euro area	12.4	2.0	1.9	2.6	1.9	1.3	**-7.8**	**4.2**	**3.0**	*-7.7*	*6.3*
Belgium	0.5	2.0	1.3	1.6	1.8	1.7	**-8.4**	**4.1**	**3.5**	*-7.2*	*6.7*
Bulgaria	0.1	4.0	3.8	3.5	3.1	3.7	**-5.1**	**2.6**	**3.7**	*-7.2*	*6.0*
Czechia	0.3	5.4	2.5	5.2	3.2	2.3	**-6.9**	**3.1**	**4.5**	*-6.2*	*5.0*
Denmark	0.3	2.3	3.2	2.8	2.2	2.8	**-3.9**	**3.5**	**2.4**	*-5.9*	*5.1*
Germany	3.5	1.5	2.2	2.6	1.3	0.6	**-5.6**	**3.5**	**2.6**	*-6.5*	*5.9*
Estonia	0.0	1.8	3.2	5.5	4.4	5.0	**-4.6**	**3.4**	**3.5**	*-6.9*	*5.9*
Ireland	0.3	25.2	2.0	9.1	8.5	5.6	**-2.3**	**2.9**	**2.6**	*-7.9*	*6.1*
Greece	0.3	-0.4	-0.5	1.3	1.6	1.9	**-9.0**	**5.0**	**3.5**	*-9.7*	*7.9*
Spain	1.5	3.8	3.0	3.0	2.4	2.0	**-12.4**	**5.4**	**4.8**	*-9.4*	*7.0*
France	2.4	1.1	1.1	2.3	1.8	1.5	**-9.4**	**5.8**	**3.1**	*-8.2*	*7.4*
Croatia	0.1	2.4	3.5	3.4	2.8	2.9	**-9.6**	**5.7**	**3.7**	*-9.1*	*7.5*
Italy	2.0	0.8	1.3	1.7	0.9	0.3	**-9.9**	**4.1**	**2.8**	*-9.5*	*6.5*
Cyprus	0.0	3.2	6.4	5.2	5.2	3.1	**-6.2**	**3.7**	**3.0**	*-7.4*	*6.1*
Latvia	0.0	4.0	2.4	3.3	4.0	2.1	**-5.6**	**4.9**	**3.5**	*-7.0*	*6.4*
Lithuania	0.1	2.0	2.5	4.3	3.9	4.3	**-2.2**	**3.0**	**2.6**	*-7.9*	*7.4*
Luxembourg	0.1	4.3	4.6	1.8	3.1	2.3	**-4.5**	**3.9**	**2.7**	*-5.4*	*5.7*
Hungary	0.2	3.8	2.1	4.3	5.4	4.6	**-6.4**	**4.0**	**4.5**	*-7.0*	*6.0*
Malta	0.0	9.6	3.9	8.0	5.2	4.9	**-7.3**	**3.0**	**6.2**	*-5.8*	*6.0*
Netherlands	0.8	2.0	2.2	2.9	2.4	1.7	**-5.3**	**2.2**	**1.9**	*-6.8*	*5.0*
Austria	0.4	1.0	2.0	2.4	2.6	1.4	**-7.1**	**4.1**	**2.5**	*-5.5*	*5.0*
Poland	1.0	4.2	3.1	4.8	5.4	4.5	**-3.6**	**3.3**	**3.5**	*-4.3*	*4.1*
Portugal	0.3	1.8	2.0	3.5	2.8	2.2	**-9.3**	**5.4**	**3.5**	*-6.8*	*5.8*
Romania	0.5	3.0	4.7	7.3	4.5	4.2	**-5.2**	**3.3**	**3.8**	*-6.0*	*4.2*
Slovenia	0.1	2.2	3.2	4.8	4.4	3.2	**-7.1**	**5.1**	**3.8**	*-7.0*	*6.7*
Slovakia	0.1	4.8	2.1	3.0	3.8	2.3	**-7.5**	**4.7**	**4.3**	*-6.7*	*6.6*
Finland	0.2	0.5	2.8	3.3	1.5	1.1	**-4.3**	**2.9**	**2.2**	*-6.3*	*3.7*
Sweden	0.4	4.5	2.1	2.6	2.0	1.3	**-3.4**	**3.3**	**2.4**	*-6.1*	*4.3*
United Kingdom	2.4	2.4	1.7	1.7	1.3	1.3	**-10.3**	**3.3**	**2.1**	*-8.3*	*6.0*
Candidate Countries	2.0	5.8	3.3	7.1	3.1	1.1	**-2.6**	**4.0**	**4.5**	*-5.3*	*4.5*
- Albania	0.0	2.2	3.3	3.8	4.1	2.2	**-6.8**	**3.7**	**4.6**	*-4.8*	*4.2*
- Montenegro	0.0	3.4	2.9	4.7	5.1	4.1	**-14.3**	**6.8**	**3.7**	*-5.9*	*4.4*
- North Macedonia	0.0	3.9	2.8	1.1	2.7	3.6	**-4.9**	**3.8**	**3.5**	*-3.9*	*4.0*
- Serbia	0.1	1.8	3.3	2.1	4.5	4.2	**-1.8**	**4.8**	**3.8**	*-4.1*	*6.1*
- Turkey	1.8	6.1	3.3	7.5	3.0	0.9	**-2.5**	**3.9**	**4.5**	*-5.4*	*4.4*
Potential Candidates	0.1	4.1	3.4	3.5	3.4	3.3	**-5.0**	**4.9**	**:**	*-5.0*	*4.9*
Iceland	0.0	4.7	6.6	4.5	3.9	1.9	**-7.3**	**3.1**	**2.9**	*-5.0*	*2.4*
Norway	0.3	2.0	1.1	2.3	1.3	1.2	**-3.6**	**2.8**	**2.1**	*-5.5*	*3.0*
Switzerland	0.5	1.7	2.0	1.6	3.0	1.1	**-4.0**	**3.7**	**2.3**	*-5.0*	*4.5*
Australia	1.0	2.3	2.8	2.5	2.8	1.8	**-4.9**	**4.6**	**3.5**	*-6.7*	*5.7*
Canada	1.4	0.7	1.0	3.2	2.0	1.7	**-5.8**	**4.0**	**2.6**	*-7.4*	*5.2*
Japan	4.1	1.2	0.5	2.2	0.3	0.7	**-5.5**	**2.7**	**0.9**	*-5.0*	*2.7*
Korea	1.7	2.8	2.9	3.2	2.9	2.0	**-1.5**	**2.7**	**2.1**	*-1.0*	*2.5*
United States	15.9	2.9	1.6	2.4	2.9	2.3	**-4.6**	**3.7**	**2.5**	*-6.5*	*4.9*
Advanced economies	46.5	2.5	1.8	2.8	2.4	1.8	**-5.6**	**3.7**	**2.7**	*-6.4*	*5.0*
Emerging and developing Asia	32.3	6.5	6.8	6.5	6.4	5.5	**-1.4**	**7.0**	**5.4**	*0.6*	*7.2*
- China	17.4	6.9	6.8	7.0	6.7	6.1	**2.1**	**7.3**	**5.6**	*1.0*	*7.8*
- India	7.1	7.5	9.0	6.6	6.8	4.9	**-8.3**	**7.6**	**5.2**	*1.1*	*6.7*
- Indonesia	2.5	4.9	5.0	5.1	5.2	5.0	**-1.3**	**5.3**	**5.0**	*0.0*	*6.3*
CIS	4.4	-1.9	0.7	2.3	3.0	2.2	**-3.8**	**2.5**	**2.3**	*-4.0*	*2.3*
- Russia	3.1	-2.0	0.2	1.8	2.5	1.3	**-4.2**	**2.0**	**1.9**	*-5.0*	*1.6*
- Other CIS	1.5	-1.8	1.8	3.5	4.0	4.0	**-3.1**	**3.6**	**3.2**	*-1.6*	*4.0*
Latin America	7.5	0.3	-0.9	1.2	0.8	-0.4	**-8.3**	**3.5**	**2.4**	*-5.6*	*2.4*
- Argentina	0.8	2.7	-2.1	2.8	-2.6	-2.1	**-11.8**	**4.7**	**2.7**	*-5.5*	*2.9*
- Brazil	2.4	-3.5	-3.3	1.3	1.3	1.1	**-6.1**	**3.0**	**2.0**	*-5.2*	*1.9*
- Mexico	2.0	3.3	2.6	2.1	2.2	-0.3	**-10.0**	**3.8**	**2.5**	*-6.4*	*2.8*
MENA	5.5	2.3	4.2	2.1	1.9	0.4	**-5.2**	**2.0**	**3.0**	*-3.8*	*2.0*
- Saudi Arabia	1.2	4.1	1.7	-0.7	2.4	0.3	**-4.0**	**1.5**	**2.5**	*-3.5*	*1.5*
Sub-Saharan Africa	3.2	4.2	1.4	2.8	2.5	2.6	**-4.0**	**2.5**	**2.6**	*-4.1*	*2.1*
- South Africa	0.6	1.2	0.4	1.4	0.8	0.2	**-9.5**	**2.6**	**1.6**	*-6.2*	*1.5*
Emerging and developing economies	53.5	4.1	4.4	4.6	4.5	3.6	**-3.2**	**5.3**	**4.4**	*-1.3*	*5.3*
World	100.0	3.3	3.2	3.7	3.5	2.7	**-4.3**	**4.6**	**3.6**	*-3.5*	*5.2*
World excluding EU	82.2	3.5	3.4	3.9	3.7	2.9	**-3.8**	**4.7**	**3.7**	*-2.9*	*5.0*
World excluding euro area	87.6	3.5	3.4	3.9	3.7	3.0	**-3.8**	**4.7**	**3.7**	*-3.0*	*5.0*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2019.

Table 56: World exports of goods and services, volume (percentage change on preceding year, 2015-22) 22.10.2020

							Autumn 2020 forecast			Spring 2020 forecast	
	(a)	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021
EU (b)	31.7	6.6	3.4	5.7	3.8	2.7	**-11.3**	**6.2**	**4.8**	-12.8	9.5
Euro area (b)	26.5	6.6	2.9	5.5	3.6	2.5	**-11.5**	**6.2**	**4.7**	-12.9	9.5
United Kingdom	3.6	2.8	2.7	5.4	3.0	2.8	**-9.8**	**-0.7**	**0.3**	-10.7	5.1
Candidate Countries	1.2	3.8	-0.3	11.9	8.9	5.2	**-17.6**	**17.4**	**10.5**	-24.3	17.0
- Albania	0.0	1.0	11.3	13.2	4.1	6.0	**-37.3**	**8.6**	**13.9**	-24.8	12.2
- Montenegro	0.0	5.7	5.9	1.8	6.9	5.4	**-29.2**	**16.4**	**7.2**	-33.7	24.3
- North Macedonia	0.0	8.5	9.1	8.3	15.6	8.3	**-15.5**	**15.3**	**12.0**	-11.0	10.0
- Serbia	0.1	9.3	12.0	8.2	7.5	7.7	**-7.7**	**11.5**	**9.2**	-8.5	13.8
- Turkey	1.0	3.2	-1.7	12.4	9.0	4.9	**-18.3**	**18.4**	**10.6**	-26.4	17.7
Iceland	0.0	9.1	10.9	5.4	1.7	-4.9	**-26.1**	**11.1**	**9.6**	-10.5	6.5
Norway	0.6	4.3	1.1	1.7	-0.2	1.5	**-9.2**	**4.5**	**2.5**	-13.5	7.1
Switzerland	2.0	4.1	6.5	-0.3	3.4	-0.2	**-8.0**	**8.2**	**3.8**	-10.5	8.5
Australia	1.4	6.5	6.9	3.4	5.0	3.5	**-13.9**	**7.4**	**5.6**	-18.0	9.7
Canada	2.3	3.4	1.4	1.4	3.1	1.3	**-11.8**	**7.9**	**6.8**	-14.9	10.4
Japan	3.7	2.9	1.7	6.8	3.4	-1.8	**-12.8**	**5.8**	**2.3**	-15.0	3.2
Korea	2.8	0.2	2.4	2.5	4.0	1.7	**-8.4**	**5.6**	**2.4**	-8.5	4.6
United States	10.3	0.5	0.0	3.5	3.0	0.0	**-13.9**	**7.1**	**3.6**	-13.4	10.3
Advanced economies	66.7	4.1	2.2	5.0	3.7	1.4	**-11.6**	**6.2**	**4.3**	-12.7	8.4
Emerging and developing Asia	17.9	-1.4	2.3	9.0	4.8	1.4	**-7.6**	**6.3**	**5.1**	-10.1	5.6
- China	10.9	-2.2	0.7	8.2	4.2	2.6	**-3.6**	**5.5**	**4.3**	-10.5	5.0
- India	2.2	-5.2	6.8	10.1	4.9	-2.1	**-14.4**	**8.0**	**6.0**	-9.4	4.4
- Indonesia	0.8	-3.9	-0.6	12.6	6.2	-6.3	**-10.6**	**5.0**	**6.0**	-7.6	7.1
CIS	3.0	0.8	1.7	5.2	5.6	0.2	**-12.2**	**6.0**	**5.0**	-14.8	4.3
- Russia	2.0	3.7	3.2	5.0	5.5	-2.3	**-13.3**	**6.3**	**5.7**	-16.5	3.9
- Other CIS	1.0	-4.8	-1.1	5.6	5.7	5.5	**-10.2**	**5.5**	**3.9**	-11.5	4.9
Latin America	5.1	4.1	2.3	3.7	2.5	-0.2	**-10.0**	**6.6**	**4.6**	-12.2	7.1
- Argentina	0.3	-1.6	6.8	-0.1	-0.3	12.2	**-12.0**	**6.5**	**4.9**	-9.7	4.2
- Brazil	1.1	8.1	3.6	5.4	3.5	-1.6	**-1.1**	**5.0**	**5.0**	-9.4	6.3
- Mexico	2.0	8.4	3.6	4.2	5.9	1.4	**-13.1**	**7.9**	**4.6**	-14.2	8.0
MENA	5.8	6.3	3.8	1.9	1.5	-3.1	**-11.4**	**3.1**	**5.9**	-6.4	3.0
- Saudi Arabia	1.2	4.1	5.9	-0.4	8.8	-4.5	**-7.5**	**4.4**	**4.9**	-6.6	5.8
Sub-Saharan Africa	1.5	2.8	-0.1	0.7	2.7	1.9	**-10.0**	**5.2**	**4.9**	-10.2	5.3
- South Africa	0.4	2.9	0.4	-0.7	2.6	-2.5	**-14.6**	**5.0**	**4.3**	-12.0	5.1
Emerging and developing economies	33.3	1.5	2.4	6.3	3.9	0.2	**-9.2**	**5.8**	**5.1**	-10.2	5.3
World	100.0	3.2	2.3	5.4	3.8	1.0	**-10.8**	**6.1**	**4.6**	-11.9	7.4
World excluding EU	68.3	1.7	1.8	5.2	3.8	0.2	**-10.5**	**6.0**	**4.4**	-11.5	6.4
World excluding euro area	73.5	2.0	2.1	5.3	3.8	0.5	**-10.5**	**6.0**	**4.5**	-11.5	6.6

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2019.
(b) Intra- and extra-EU trade.

Table 57: Export shares in EU trade (goods only - 2019) 22.10.2020

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	59.4	47.4	1.7	7.7	6.1	1.3	13.9	4.2	2.1	2.5	3.4	2.4	1.3
Euro area	57.4	46.1	1.6	8.4	6.4	1.4	14.5	4.5	2.3	2.3	3.7	2.5	1.4
Belgium	67.2	59.9	1.2	5.7	7.8	0.9	12.6	1.8	3.0	1.2	2.6	1.6	2.3
Bulgaria	65.5	48.2	10.9	2.4	2.4	0.3	5.4	3.3	1.7	4.4	4.0	0.8	1.3
Czechia	78.5	64.6	1.6	2.6	4.3	0.5	7.8	1.8	0.7	3.2	1.6	1.0	0.6
Denmark	53.1	37.1	1.2	10.4	7.1	2.2	18.0	4.8	2.3	1.6	2.8	2.8	1.0
Germany	53.0	37.4	1.8	8.9	5.9	1.6	15.5	7.2	2.6	2.7	2.8	2.8	1.0
Estonia	68.6	50.6	1.2	6.7	2.1	0.7	10.0	1.6	1.0	6.4	1.9	1.4	0.5
Ireland	37.3	33.8	0.5	30.5	9.4	2.7	16.6	6.0	1.7	0.8	1.7	1.6	0.7
Greece	52.8	39.7	10.9	4.3	3.8	1.1	7.8	2.5	1.9	2.1	13.4	1.9	1.4
Spain	60.8	54.1	1.7	5.1	7.0	1.0	12.5	2.6	1.7	1.4	6.5	5.3	1.5
France	51.2	44.9	1.3	9.1	6.7	1.8	16.6	4.8	3.1	1.8	5.9	2.5	2.0
Croatia	74.2	61.8	8.7	3.4	1.6	0.5	4.7	0.9	1.9	1.9	2.7	0.6	0.4
Italy	50.1	40.5	2.6	10.3	5.0	1.9	15.9	3.4	2.7	2.9	6.0	3.1	1.1
Cyprus	48.2	35.8	0.5	2.3	7.8	0.0	14.5	1.5	12.1	2.0	13.7	2.8	2.5
Latvia	63.4	47.2	1.3	3.5	5.9	0.5	10.5	1.2	1.3	13.8	1.8	0.9	1.7
Lithuania	60.3	42.2	1.1	3.8	3.8	1.1	9.8	1.2	1.1	17.7	2.3	0.7	1.0
Luxembourg	78.9	69.0	0.9	3.0	4.1	0.5	8.6	1.6	1.0	1.6	1.9	1.2	0.7
Hungary	76.7	57.7	2.9	3.4	3.2	0.6	6.4	2.2	0.8	3.9	1.3	1.6	0.4
Malta	49.4	43.1	1.6	4.1	2.2	4.9	16.3	5.4	4.0	0.6	8.2	2.2	3.4
Netherlands	68.7	59.0	0.9	4.8	8.5	0.6	14.7	2.0	1.4	1.3	2.1	1.8	1.7
Austria	67.4	52.3	1.3	6.6	2.8	1.1	11.5	3.5	1.7	2.3	2.1	2.0	0.6
Poland	74.2	57.7	1.4	3.1	5.8	0.3	9.8	1.3	0.9	5.6	1.7	1.0	0.7
Portugal	66.8	61.7	1.3	5.6	6.2	0.4	10.5	2.3	0.6	0.8	3.8	2.8	5.1
Romania	71.0	55.3	5.0	2.5	3.5	0.8	6.3	1.9	0.9	4.5	5.1	1.2	0.8
Slovenia	76.3	51.3	4.7	2.0	1.5	0.3	7.4	1.2	1.0	4.0	2.0	0.7	0.3
Slovakia	76.3	46.4	1.3	4.4	4.3	0.3	7.4	4.3	0.2	3.1	1.6	0.8	0.3
Finland	54.9	39.1	1.3	8.0	4.1	2.4	12.6	5.8	2.7	6.0	2.5	2.7	1.2
Sweden	54.4	42.1	1.1	7.8	5.3	1.7	19.4	5.2	2.1	1.9	2.9	2.3	1.0
P.M.: United Kingdom	*48.6*	*43.1*	*1.7*	*15.3*	*:*	*1.8*	*13.3*	*6.1*	*3.1*	*1.5*	*4.9*	*1.9*	*1.8*

Table 58: World imports of goods and services, volume (percentage change on preceding year, 2015-22) 22.10.2020

							Autumn 2020 forecast			*Spring 2020 forecast*	
	(a)	2015	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*
EU (b)	30.2	7.5	4.5	5.6	4.1	3.8	**-10.0**	**6.1**	**4.9**	*-12.8*	*9.5*
Euro area (b)	25.1	7.7	4.2	5.2	3.7	3.9	**-10.1**	**6.0**	**4.7**	*-12.9*	*9.7*
United Kingdom	3.9	5.4	3.9	2.6	2.7	3.3	**-14.0**	**-1.5**	**-0.1**	*-9.9*	*6.1*
Candidate Countries	1.2	1.1	3.7	10.5	-4.2	-3.0	**-5.4**	**8.8**	**9.0**	*-22.1*	*7.1*
- Albania	0.0	-2.9	6.9	8.4	2.4	3.0	**-23.4**	**5.4**	**6.9**	*-16.7*	*5.1*
- Montenegro	0.0	4.4	15.3	8.4	9.2	2.4	**-18.3**	**7.1**	**3.4**	*-26.1*	*16.0*
- North Macedonia	0.0	9.9	11.1	5.2	9.1	9.0	**-12.5**	**14.9**	**13.1**	*-9.2*	*10.6*
- Serbia	0.1	4.0	7.0	11.1	10.8	10.7	**-7.2**	**12.0**	**7.4**	*-9.4*	*16.7*
- Turkey	1.0	0.7	3.0	10.6	-6.4	-5.3	**-4.2**	**8.1**	**9.2**	*-24.5*	*5.2*
Iceland	0.0	13.8	14.5	12.3	0.8	-10.2	**-21.0**	**13.3**	**10.8**	*-5.9*	*2.6*
Norway	0.6	1.9	2.7	1.9	1.9	5.2	**-10.2**	**5.2**	**2.3**	*-12.6*	*7.7*
Switzerland	1.7	4.8	5.3	-0.9	0.4	-0.1	**-8.2**	**9.5**	**4.2**	*-8.8*	*9.2*
Australia	1.2	2.0	0.1	7.8	4.0	-0.9	**-16.2**	**7.8**	**6.0**	*-20.9*	*10.3*
Canada	2.4	0.8	0.1	4.2	2.6	0.5	**-12.7**	**10.4**	**7.4**	*-14.6*	*11.1*
Japan	3.7	0.8	-1.6	3.4	3.4	-0.8	**-5.4**	**3.6**	**1.4**	*-11.8*	*2.0*
Korea	2.6	2.1	5.2	8.9	1.7	-0.6	**-4.7**	**5.0**	**2.9**	*-7.7*	*4.3*
United States	13.2	5.3	2.0	4.7	4.4	1.0	**-12.1**	**8.3**	**2.3**	*-12.9*	*13.2*
Advanced economies	67.4	5.0	2.8	5.2	3.7	1.7	**-10.3**	**6.3**	**4.0**	*-12.3*	*9.0*
Emerging and developing Asia	17.8	0.5	4.5	9.2	7.4	-1.8	**-8.7**	**7.6**	**6.0**	*-7.9*	*5.4*
- China	10.5	-0.4	4.4	7.3	7.6	-0.9	**-3.8**	**7.1**	**5.6**	*-6.0*	*4.6*
- India	2.6	0.8	4.2	13.5	4.3	-4.3	**-16.6**	**9.3**	**6.5**	*-10.8*	*3.3*
- Indonesia	0.9	-7.4	1.3	10.4	14.1	-9.1	**-11.6**	**6.6**	**5.0**	*-8.2*	*8.9*
CIS	2.6	-21.0	-2.5	13.5	4.3	5.2	**-13.6**	**4.8**	**4.6**	*-10.5*	*3.7*
- Russia	1.5	-25.0	-3.7	17.3	2.6	3.4	**-13.4**	**3.6**	**4.7**	*-9.7*	*2.3*
- Other CIS	1.1	-14.1	-0.9	8.0	7.0	8.0	**-13.9**	**6.1**	**4.5**	*-11.7*	*5.6*
Latin America	5.2	-2.4	-3.9	4.6	3.7	-1.7	**-13.8**	**6.2**	**3.9**	*-13.0*	*4.7*
- Argentina	0.3	2.6	3.6	14.2	-5.6	-21.1	**-19.5**	**8.0**	**4.3**	*-12.9*	*4.8*
- Brazil	1.1	-13.5	-8.1	7.0	5.9	3.5	**-8.7**	**4.6**	**3.8**	*-12.0*	*2.3*
- Mexico	2.1	5.9	2.9	6.4	5.9	-0.9	**-16.2**	**8.1**	**4.4**	*-15.1*	*6.8*
MENA	5.3	0.4	-2.6	3.1	-0.8	-2.5	**-8.2**	**1.7**	**3.7**	*-3.2*	*2.8*
- Saudi Arabia	0.9	3.8	-16.9	-0.5	2.3	-1.3	**-7.7**	**3.5**	**3.4**	*-7.4*	*3.5*
Sub-Saharan Africa	1.7	2.5	-8.7	-1.0	7.2	6.0	**-13.2**	**3.6**	**3.8**	*-13.2*	*2.7*
- South Africa	0.4	5.4	-3.9	1.0	3.3	-0.5	**-17.2**	**4.0**	**3.1**	*-16.8*	*1.8*
Emerging and developing economies	32.6	-1.9	0.5	7.1	5.2	-1.0	**-10.1**	**6.0**	**5.1**	*-8.4*	*4.6*
World	100.0	2.7	2.1	5.8	4.1	0.8	**-10.2**	**6.2**	**4.4**	*-11.0*	*7.5*
World excluding EU	69.8	0.8	1.1	5.9	4.2	-0.5	**-10.3**	**6.3**	**4.1**	*-10.3*	*6.7*
World excluding euro area	74.9	1.1	1.4	6.0	4.3	-0.2	**-10.3**	**6.3**	**4.3**	*-10.4*	*6.8*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2019.
(b) Intra- and extra-EU trade.

Table 59: Import shares in EU trade (goods only - 2019) 22.10.2020

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	61.6	49.5	1.8	4.8	3.9	1.3	10.4	7.0	3.2	4.2	2.6	1.8	1.2
Euro area	59.8	48.3	1.7	5.4	4.2	1.4	10.9	7.0	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
P.M.: United Kingdom	*51.0*	*44.1*	*1.7*	*10.1*	*:*	*1.9*	*13.9*	*9.3*	*4.4*	*2.7*	*1.8*	*1.5*	*1.5*

Table 60: World merchandise trade balances (fob-fob, in billions of US dollar, 2014-22) 22.10.2020

							Autumn 2020 forecast			Spring 2020 forecast	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021
EU	389.6	472.7	481.1	457.1	391.3	413.3	**418.2**	**460.6**	**482.2**	*437.0*	*472.7*
EU, adjusted[1]	282.1	373.9	394.8	371.4	290.3	331.9	**335.6**	**375.0**	**396.7**	*332.2*	*368.3*
Euro area	369.4	451.5	457.0	440.0	397.6	401.5	**397.3**	**446.3**	**469.9**	*413.1*	*445.5*
Euro area, adjusted[1]	307.4	385.7	401.3	390.3	338.5	366.2	**361.4**	**409.1**	**432.8**	*355.3*	*387.8*
United Kingdom	-199.3	-177.5	-179.4	-174.5	-182.7	-167.0	**-124.8**	**-119.4**	**-120.9**	*-156.5*	*-171.8*
Candidate Countries	-75.5	-58.2	-50.7	-70.1	-50.9	-38.3	**-33.5**	**-29.3**	**-45.1**	*-7.5*	*9.3*
- Albania	-2.9	-2.5	-2.9	-3.2	-3.4	-3.5	**-3.2**	**-3.5**	**-3.6**	*-3.0*	*-3.3*
- Montenegro	-1.8	-1.6	-1.8	-2.1	-2.4	-2.3	**-1.9**	**-2.1**	**-2.2**	*-1.5*	*-1.8*
- North Macedonia	-2.5	-2.0	-2.0	-2.0	-2.1	-2.2	**-2.0**	**-2.3**	**-2.4**	*-2.0*	*-2.4*
- Serbia	-4.4	-3.6	-3.0	-4.0	-5.6	-6.3	**-5.6**	**-6.5**	**-6.7**	*-4.9*	*-6.3*
- Turkey	-63.8	-48.4	-41.0	-58.8	-37.5	-24.0	**-20.8**	**-15.0**	**-30.2**	*4.0*	*23.1*
Iceland	-0.1	-0.3	-0.8	-1.5	-1.5	-0.8	**-0.3**	**-0.4**	**-0.6**	*-0.8*	*-0.7*
Norway	50.6	24.9	11.7	20.4	30.5	11.9	**9.0**	**9.2**	**9.8**	*3.6*	*3.4*
Switzerland	62.1	61.3	61.2	63.9	73.3	75.6	**70.4**	**73.4**	**75.4**	*57.2*	*58.7*
Australia	2.2	-19.0	-5.8	10.5	20.9	47.8	**47.1**	**47.2**	**48.5**	*35.6*	*29.9*
Canada	5.1	-18.6	-19.2	-18.8	-17.1	-13.9	**-7.5**	**-16.2**	**-15.5**	*-20.2*	*-24.7*
Japan	-99.1	-7.3	50.8	43.8	10.9	13.5	**-29.1**	**-15.3**	**-8.3**	*-5.6*	*0.1*
Korea	86.1	120.3	116.5	113.6	110.1	76.9	**40.8**	**47.6**	**45.8**	*65.9*	*69.5*
United States	-776.6	-793.0	-778.3	-842.7	-905.6	-886.8	**-881.1**	**-1034.9**	**-1065.9**	*-743.7*	*-899.1*
Advanced economies	-439.4	-253.3	-170.0	-244.5	-385.3	-330.5	**-372.2**	**-456.6**	**-473.7**	*-210.8*	*-325.3*
Emerging and developing Asia	336.3	483.1	423.7	367.5	215.4	292.9	**385.5**	**358.4**	**340.1**	*93.4*	*129.3*
- China	435.0	576.2	488.9	475.9	395.2	425.3	**466.0**	**453.5**	**447.2**	*277.7*	*325.3*
- India	-144.0	-136.9	-107.5	-148.1	-186.7	-157.7	**-110.4**	**-127.6**	**-143.4**	*-159.5*	*-165.0*
- Indonesia	7.0	14.0	15.3	18.8	-0.2	3.5	**2.7**	**2.6**	**3.9**	*-7.3*	*-11.3*
CIS	225.8	149.8	83.1	114.6	201.8	160.7	**63.8**	**79.6**	**88.3**	*32.9*	*44.1*
- Russia	186.8	145.7	90.2	114.7	195.2	164.5	**71.7**	**87.4**	**97.4**	*48.8*	*61.6*
- Other CIS	39.0	4.1	-7.1	-0.1	6.5	-3.9	**-7.9**	**-7.7**	**-9.1**	*-16.0*	*-17.6*
Latin America	-10.2	-47.7	8.0	41.0	22.2	44.8	**76.6**	**77.6**	**78.0**	*37.5*	*40.2*
- Argentina	5.5	-0.8	4.4	-5.4	-0.7	18.2	**19.0**	**19.7**	**20.9**	*18.2*	*19.5*
- Brazil	-6.6	17.7	44.6	64.0	53.0	40.5	**54.0**	**55.3**	**54.8**	*42.2*	*43.6*
- Mexico	-2.8	-14.6	-13.1	-11.0	-13.8	5.2	**6.3**	**6.1**	**7.5**	*16.5*	*16.6*
MENA	434.7	111.2	77.2	184.4	354.2	263.7	**78.7**	**101.1**	**115.5**	*16.9*	*13.6*
- Saudi Arabia	184.0	44.3	55.8	98.5	168.7	129.3	**65.4**	**71.7**	**81.1**	*62.8*	*58.1*
Sub-Saharan Africa	27.6	-33.6	-13.4	16.3	22.4	-0.3	**-0.7**	**4.3**	**7.4**	*4.8*	*9.9*
- South Africa	-5.1	-3.6	2.2	4.9	1.7	2.7	**5.2**	**6.0**	**6.4**	*7.3*	*7.7*
Emerging and developing economies	1014.2	662.7	578.5	723.8	816.1	761.8	**603.9**	**621.0**	**629.3**	*185.4*	*237.1*
World	574.8	409.4	408.4	479.3	430.8	431.3	**231.8**	**164.4**	**155.6**	*-25.5*	*-88.2*
World excluding EU	185.2	-63.3	-72.6	22.1	39.5	18.0	**-186.5**	**-296.2**	**-326.6**	*-462.4*	*-560.9*
World excluding euro area	205.4	-42.1	-48.6	39.2	33.2	29.8	**-165.5**	**-281.9**	**-314.3**	*-438.6*	*-533.7*

[1] See note 8 on concepts and sources.

Table 61: World current-account balances (in billions of US dollar, 2014-22) 22.10.2020

							Autumn 2020 forecast			*Spring 2020 forecast*	
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	***2020***	***2021***
EU	467.4	441.0	474.3	508.9	500.2	459.9	**371.3**	**409.1**	**457.5**	*441.3*	*515.0*
EU, adjusted[1]	387.6	385.5	445.5	450.1	442.3	376.3	**286.4**	**321.3**	**369.7**	*381.3*	*455.1*
Euro area	421.1	399.6	431.9	463.3	473.0	407.7	**331.3**	**367.3**	**412.7**	*408.4*	*470.8*
Euro area, adjusted[1]	319.5	322.8	366.8	394.7	394.8	305.4	**227.4**	**259.8**	**305.2**	*323.2*	*385.9*
United Kingdom	-149.8	-147.4	-146.4	-100.5	-105.3	-121.6	**-83.1**	**-79.5**	**-77.3**	*-105.6*	*-119.5*
Candidate Countries	-43.6	-30.2	-29.9	-44.8	-24.9	2.9	**-32.4**	**-20.2**	**-22.4**	*-8.2*	*6.0*
- Albania	-1.4	-1.0	-0.9	-1.0	-1.0	-1.2	**-1.6**	**-1.4**	**-1.2**	*-1.3*	*-1.3*
- Montenegro	-0.6	-0.4	-0.7	-0.8	-0.9	-0.8	**-0.8**	**-0.8**	**-0.8**	*-0.7*	*-0.7*
- North Macedonia	-0.1	-0.2	-0.3	-0.1	0.0	-0.4	**-0.5**	**-0.5**	**-0.5**	*-0.4*	*-0.5*
- Serbia	-2.6	-1.4	-1.2	-2.3	-2.5	-3.5	**-3.1**	**-3.5**	**-3.3**	*-2.1*	*-2.9*
- Turkey	-38.9	-27.2	-26.8	-40.6	-20.5	8.9	**-26.5**	**-13.9**	**-16.6**	*-3.7*	*11.4*
Iceland	0.7	0.9	1.6	0.9	0.8	1.2	**0.4**	**0.2**	**0.1**	*0.5*	*0.9*
Norway	52.6	30.6	14.8	22.6	35.1	15.7	**11.5**	**11.6**	**12.4**	*6.2*	*5.7*
Switzerland	59.7	78.5	69.0	47.8	63.3	59.7	**54.7**	**58.2**	**59.6**	*43.4*	*46.7*
Australia	-43.4	-57.0	-41.0	-35.8	-29.1	7.8	**2.6**	**-5.1**	**-20.9**	*-9.7*	*-18.5*
Canada	-41.9	-54.7	-47.3	-46.4	-43.0	-35.4	**-30.6**	**-40.4**	**-39.4**	*-38.1*	*-42.8*
Japan	37.1	136.5	197.0	202.0	175.0	172.1	**112.2**	**141.2**	**149.0**	*173.5*	*162.0*
Korea	83.0	105.1	97.9	75.2	77.5	60.0	**20.1**	**27.6**	**27.6**	*39.2*	*42.1*
United States	-367.8	-407.4	-394.9	-365.3	-449.7	-480.2	**-616.4**	**-737.4**	**-711.5**	*-598.6*	*-638.7*
Advanced economies	169.1	232.1	331.9	413.8	341.7	287.8	**-79.3**	**-112.9**	**-32.9**	*63.7*	*90.4*
Emerging and developing Asia	225.8	304.4	221.4	187.6	-40.5	139.0	**191.3**	**130.8**	**94.8**	*25.1*	*59.6*
- China	236.0	304.2	202.2	195.1	25.5	141.3	**185.7**	**148.7**	**121.8**	*81.6*	*119.2*
- India	-27.3	-22.5	-12.1	-38.2	-65.6	-29.8	**6.3**	**-23.5**	**-36.8**	*-36.9*	*-49.8*
- Indonesia	-27.5	-17.5	-17.0	-16.2	-30.6	-30.4	**-24.1**	**-29.8**	**-31.8**	*-31.6*	*-33.9*
CIS	55.0	53.5	1.5	14.3	102.4	44.8	**-12.4**	**-0.5**	**6.7**	*-78.7*	*-66.7*
- Russia	53.5	65.0	24.8	27.0	109.0	57.4	**12.8**	**25.8**	**34.4**	*-38.5*	*-30.8*
- Other CIS	1.5	-11.6	-23.3	-12.7	-6.5	-12.6	**-25.2**	**-26.3**	**-27.6**	*-40.2*	*-35.8*
Latin America	-183.7	-169.6	-99.3	-85.5	-127.6	-87.2	**-23.5**	**-37.4**	**-44.3**	*-77.2*	*-83.3*
- Argentina	-9.2	-17.6	-15.1	-31.2	-27.0	-4.0	**4.1**	**3.4**	**2.6**	*2.5*	*1.2*
- Brazil	-101.4	-54.5	-24.2	-15.0	-41.5	-50.9	**-11.3**	**-18.0**	**-22.9**	*-34.3*	*-39.9*
- Mexico	-25.4	-31.1	-24.4	-20.5	-25.4	-4.4	**1.6**	**-1.9**	**-1.4**	*11.3*	*11.0*
MENA	226.7	-80.8	-83.5	30.0	175.2	107.7	**-88.5**	**-57.6**	**-31.7**	*-130.6*	*-107.5*
- Saudi Arabia	73.8	-56.7	-23.8	10.5	72.0	46.9	**0.5**	**11.2**	**17.2**	*2.5*	*8.8*
Sub-Saharan Africa	-49.8	-79.1	-44.0	-26.6	-30.6	-54.7	**-55.9**	**-45.7**	**-46.6**	*-73.1*	*-58.0*
- South Africa	-17.8	-14.6	-8.4	-8.9	-13.4	-10.7	**-3.5**	**-5.6**	**-7.3**	*-1.9*	*-5.7*
Emerging and developing economies	274.1	28.3	-4.0	119.7	79.0	149.5	**11.0**	**-10.4**	**-21.1**	*-334.5*	*-255.9*
World	443.2	260.4	327.9	533.5	420.7	437.3	**-68.3**	**-123.2**	**-54.1**	*-270.8*	*-165.6*
World excluding EU	-24.2	-180.6	-146.4	24.6	-79.5	-22.6	**-439.6**	**-532.4**	**-511.6**	*-712.1*	*-680.6*
World excluding euro area	22.0	-139.1	-104.0	70.2	-52.3	29.6	**-399.6**	**-490.5**	**-466.7**	*-679.2*	*-636.3*

[1] See note 8 on concepts and sources.

Table 62: Crude oil price, 2014-2022 22.10.2020

							Autumn 2020 forecast			*Spring 2020 forecast*	
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	***2020***	***2021***
Annual percentage change (USD)	-8.5	-46.3	-15.5	21.2	30.7	-10.4	**-33.5**	**4.5**	**4.2**	*-40.1*	*4.8*
Price per barrel											
Brent (USD)	99.5	53.4	45.2	54.8	71.5	64.1	**42.6**	**44.6**	**46.4**	*38.4*	*40.2*
Brent (EUR)	74.9	48.2	40.8	48.5	60.6	57.2	**37.5**	**37.9**	**39.4**	*35.1*	*36.9*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries,the European Union as a whole, the euro area and the international environment.

2. Data for 2020, 2021 and 2022 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 Accounting (ESA 2010). US national accounts are based on SNA 2008, whilst Japanese accounts use SNA 1993. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17 and 18, the data are based on the national index for USA and Japan.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 23-29 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, and the Netherlands report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 50, 52, and 61 (Balance of Payments). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors.

   The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2019.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility.

10. Geographical zones are defined as follows :

Euro area :
EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK and FI).

European Union :
EU (EA19, BG, CZ, DK, HR, HU, PL, RO, and SE).

Candidate countries :
Albania, Montenegro, North Macedonia, Serbia and Turkey.

Potential candidates :
Bosnia-Herzegovina and Kosovo.

Advanced economies :
EU, United Kingdom, candidate countries,Iceland, Norway, Switzerland, Australia,Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

Emerging and Developing asia :
All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :
All countries in that region.

MENA (Middle East and Northern Africa) :
Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :
All countries in that region except the African MENA countries.

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