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European Economic Forecast

Spring 2023

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European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Spring 2023

EUROPEAN ECONOMY Institutional Paper 200

ABBREVIATIONS

Countries and regions

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

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

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

Economic variables and institutions

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

Other abbreviations

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

Graphs/Tables/Units

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

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

Currencies

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

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FOREWORD

The EU economy is managing the adjustment to the shocks unleashed by the pandemic and Russia's aggression of Ukraine remarkably well. Last year, the EU successfully managed to largely wean itself off Russian gas. The modest growth registered in the first quarter of the year dispelled fears of a winter recession – which only a few months ago appeared unavoidable. Survey data, moreover, suggest that – though timid – the expansion is set to continue in the second quarter. The better-than-expected performance at the beginning of the year lifts the forecast for EU economic growth marginally upwards.

This outcome owes much to the policies put in place by the EU and its Member States. Diversification of energy sources and infrastructural investment to address gas supply bottlenecks and boost renewable energy – also supported by the Recovery and Resilience Facility – have paid off. Above all, the adaptation of the private sector has been impressive: pushed by high prices, households and corporations have reduced gas consumption to well below the voluntary target of 15% set in the emergency Council Regulation (EU) 2022/1369. With gas storage levels at seasonal record highs, the risk of future shortages has significantly abated, while prices are settling at levels not seen since the summer of 2021.

The EU labour market has been outperforming expectations since the start of the pandemic. The unemployment rate has hit successive record lows, while activity and employment rates have kept surging. Average hours worked per person are also slowly converging to pre-pandemic levels, suggesting that growth has not only been job-rich, but jobs created are of high quality. The outlook is for unemployment to hover around record low levels, even as job growth takes a breather. Falling real wages weigh heavily on households' purchasing power, though government support measures and the gradual release of the extra savings accumulated during the pandemic mitigate the negative impact on private consumption. In 2024, real wages are set to recover some of the lost ground, while profit margins are expected to broadly stagnate.

The resilience of the EU economy, however, has also delayed the slowdown of inflation. Falling energy commodity prices are driving a sharp fall in energy consumption bills and the overall rate of price growth from its October peak, but core inflation has been firming. As a result, markets have raised expectations about future policy rate hikes. The small contraction of core inflation in April suggests that it has also peaked, but the convergence towards target is now expected to take longer. Greater persistence of core inflation would call on monetary authorities to act even more forcefully to stem inflationary pressures.

Fiscal policy has an important role to play at this critical juncture. Governments should seize the opportunity of falling energy prices to phase out energy support measures, especially the untargeted ones, to ensure debt sustainability, but also sustain the disinflationary efforts of monetary authorities and limit the risk of entrenching dangerous inflation differentials. The legislative proposals for a reformed economic governance framework presented by the Commission on 26 April 2023 (COM(2023) 240 to 242 final) should help Member States strengthen public debt sustainability, and promote sustainable, inclusive and resilient growth through reforms and investment.

Maarten Verwey

Director General
Economic and Financial Affairs

AN IMPROVED OUTLOOK AMID PERSISTENT CHALLENGES

EXECUTIVE SUMMARY

The growth outlook improves, but inflation is projected still high this year

Over the past winter, the EU economy performed better than expected. As the disruptions caused by the war in Ukraine and the energy crisis clouded the outlook for the EU economy, and monetary authorities around the world embarked on a forceful tightening of monetary conditions, a winter recession in the EU appeared inevitable last year. The Autumn 2022 Forecast had projected the EU economy to contract in the last quarter of 2022 and the first quarter of 2023. Instead, latest data point to a smaller-than-projected contraction in the final quarter of last year and positive growth in the first quarter of this year. The better starting position lifts the growth outlook for the EU economy for 2023 and marginally for 2024. Compared to the Winter 2023 interim Forecast, EU GDP growth is revised up to 1.0% in 2023 (from 0.8%) and 1.7% in 2024 (from 1.6%), virtually closing the gap with potential output by the end of the forecast horizon (see Special Issue I.4.1). Upward revisions for the euro area are of a similar magnitude, with GDP growth now expected at 1.1% and 1.6% in 2023 and 2024 respectively. Inflation also surprised again to the upside, and it is now expected at 5.8% in 2023 and 2.8% in 2024 in the euro area, respectively 0.2% and 0.3% higher than in winter.

Table 1:

Overview - the Spring 2023 Forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Belgium	3.2	1.2	1.4	10.3	3.4	3.5	5.6	5.8	5.7	-2.9	-1.8	-1.8	-3.9	-5.0	-4.7
Germany	1.8	0.2	1.4	8.7	6.8	2.7	3.1	3.2	3.1	4.0	5.8	5.6	-2.6	-2.3	-1.2
Estonia	-1.3	-0.4	3.1	19.4	9.2	2.8	5.6	6.2	6.1	-1.3	-0.3	0.1	-0.9	-3.1	-2.7
Ireland	12.0	5.5	5.0	8.1	4.6	2.6	4.5	4.3	4.3	8.8	11.1	11.9	1.6	1.7	2.2
Greece	5.9	2.4	1.9	9.3	4.2	2.4	12.5	12.2	11.8	-11.8	-9.2	-7.8	-2.3	-1.3	-0.6
Spain	5.5	1.9	2.0	8.3	4.0	2.7	12.9	12.7	12.4	0.6	1.6	1.5	-4.8	-4.1	-3.3
France	2.6	0.7	1.4	5.9	5.5	2.5	7.3	7.4	7.5	-3.1	-1.5	-1.3	-4.7	-4.7	-4.3
Croatia	6.2	1.6	2.3	10.7	6.9	2.2	7.0	6.6	6.1	-0.2	0.7	1.1	0.4	-0.5	-1.3
Italy	3.7	1.2	1.1	8.7	6.1	2.9	8.1	7.8	7.7	-1.3	0.0	1.3	-8.0	-4.5	-3.7
Cyprus	5.6	2.3	2.7	8.1	3.8	2.5	6.8	6.9	6.4	-9.1	-7.3	-6.9	2.1	1.8	2.1
Latvia	2.8	1.4	2.8	17.2	9.3	1.7	6.9	6.8	6.5	-6.1	-3.4	-2.7	-4.4	-3.8	-2.7
Lithuania	1.9	0.5	2.7	18.9	9.2	2.2	6.0	6.6	6.5	-5.3	-1.1	-0.1	-0.6	-1.7	-1.4
Luxembourg	1.5	1.6	2.4	8.2	3.2	2.6	4.6	4.8	5.0	5.7	7.2	7.4	0.2	-1.7	-1.5
Malta	6.9	3.9	4.1	6.1	5.4	2.8	2.9	2.9	2.9	1.6	3.8	4.1	-5.8	-5.1	-4.5
Netherlands	4.5	1.8	1.2	11.6	4.9	3.3	3.5	3.8	3.9	4.4	6.0	6.1	0.0	-2.1	-1.7
Austria	5.0	0.4	1.6	8.6	7.1	3.8	4.8	4.9	5.0	0.2	0.8	1.2	-3.2	-2.4	-1.3
Portugal	6.7	2.4	1.8	8.1	5.1	2.7	6.0	6.5	6.3	-1.5	1.0	0.8	-0.4	-0.1	-0.1
Slovenia	5.4	1.2	2.2	9.3	7.0	3.8	4.0	3.9	3.8	-0.5	0.9	1.7	-3.0	-3.7	-2.9
Slovakia	1.7	1.7	2.1	12.1	10.9	5.7	6.1	5.8	5.4	-7.8	-6.7	-5.3	-2.0	-6.1	-4.8
Finland	2.1	0.2	1.4	7.2	4.8	2.1	6.8	7.1	6.8	-3.9	-1.9	-1.2	-0.9	-2.6	-2.6
Euro area (20)	3.5	1.1	1.6	8.4	5.8	2.8	6.8	6.8	6.7	0.6	2.1	2.4	-3.6	-3.2	-2.4
Bulgaria	3.4	1.5	2.4	13.0	9.4	4.2	4.3	4.3	4.0	-0.4	0.1	0.2	-2.8	-4.8	-4.8
Czechia	2.5	0.2	2.6	14.8	11.9	3.4	2.2	2.8	2.6	-5.4	-2.5	-0.7	-3.6	-3.6	-3.0
Denmark	3.8	0.3	1.5	8.5	4.3	2.5	4.5	5.0	5.1	13.1	10.7	10.7	3.3	2.3	1.3
Hungary	4.6	0.5	2.8	15.3	16.4	4.0	3.6	4.2	4.0	-8.3	-3.5	-2.8	-6.2	-4.0	-4.4
Poland	5.1	0.7	2.7	13.2	11.7	6.0	2.9	3.3	3.2	-3.2	-1.0	0.5	-3.7	-5.0	-3.7
Romania	4.7	3.2	3.5	12.0	9.7	4.6	5.6	5.4	5.1	-8.8	-7.6	-7.4	-6.2	-4.7	-4.4
Sweden	2.6	-0.5	1.1	8.1	6.0	1.9	7.5	7.7	8.2	4.4	5.9	6.3	0.7	-0.9	-0.5
EU	**3.5**	**1.0**	**1.7**	**9.2**	**6.7**	**3.1**	**6.2**	**6.2**	**6.1**	**0.5**	**2.0**	**2.3**	**-3.4**	**-3.1**	**-2.4**
United Kingdom	4.1	-0.2	1.0	7.9	6.7	2.4	3.7	4.3	4.6	-3.8	-2.2	-1.7	-5.2	-3.2	-2.4
China	3.0	5.5	4.7	:	:	:	:	:	:	2.2	1.6	1.3	:	:	:
Japan	1.0	1.1	1.0	2.5	3.2	1.8	2.6	2.5	2.4	2.1	2.6	3.4	-8.0	-6.5	-4.4
United States	2.1	1.4	1.0	8.0	4.3	2.6	3.5	4.1	4.8	-3.9	-3.3	-3.0	-4.0	-5.0	-5.5
World	3.3	2.8	3.1	:	:	:	:	:	:	:	:	:	:	:	:

A better-than-expected start of the year for the EU economy

Model-based analysis suggests that the improved outlook is driven by the terms-of-trade countershock caused by declining energy prices, while broad price-increasing supply-side factors lead to inflation persistence (see Box I.2.4). Recent economic developments seem to corroborate these results. According to Eurostat's preliminary flash estimate, in 2023-Q1 GDP grew by 0.3% in the EU and by 0.1% in the euro area, a notch above the Winter interim Forecast projections. Lower energy prices, abating supply constraints, improved business confidence and a strong labour market underpinned this positive outcome. As for inflation, the headline index continued to decline in the first quarter of 2023, amid sharp deceleration of energy prices, but core inflation firmed, pointing to persistence of price pressures. For the second quarter, survey indicators suggest continued expansion, with services clearly outperforming the manufacturing sector and consumer confidence continuing its recovery from last autumn's historical low.

The key positive change underpinning this forecast is the further fall in energy commodity prices.

The EU weathered the energy crisis well thanks to the rapid diversification of supply and a sizeable fall in consumption (see Box I.2.1). As the EU approaches the gas-refilling season, gas storage levels are at comfortable levels and risks of shortages during next winter have considerably abated. Further supply diversification and the accelerated increase in renewable power generation are expected to allow the EU to continue replacing fossil-based sources, including gas, while reducing the likelihood of renewed price pressures. At the cut-off date of this forecast, wholesale gas prices were projected to be 25% and 13% lower in 2023 and 2024 respectively, compared to markets' expectations at the time of the previous Commission forecast. Oil prices were also expected to be 10% lower, compared to early February, in both 2023 and 2024.

An important terms-of-trade countershock is making its way through the economy

The sharp deterioration of terms of trade in 2021 and 2022, as energy (imported) prices surged, resulted in a transfer of purchasing power from the EU to the rest of the world. With energy prices rapidly falling, the expected improvement in terms of trade over the forecast horizon will drive a reversal of this effect, to the benefit of all domestic sectors of the economy – households, corporates and governments. So far, households and public finances have taken a large part of the brunt of high imported inflation, as employment growth only partially offsets the fall in real wages and public finances set out to protect households and corporations from the adverse impact of high energy prices. Companies have been generally successful in passing on higher production costs to consumers (see Box I.2.3). However, the most energy-intensive sectors and companies have been struggling. Going forward, households are set to see their real disposable incomes finally increase in 2024, while falling energy prices allow governments to contain the cost of support measures or phase them out altogether.

Higher policy interest rates and increased risk perception are leading to further tightening in financial conditions

The progressive firming of core inflation has set EU monetary authorities on a path of more forceful monetary tightening. In its meeting of 5 May – i.e. shortly after the cut-off of this forecast – the ECB Governing Board lifted policy rates by 25 basis points, down from 50 basis points in the previous two rounds of policy hikes. This was largely anticipated by market agents. At the cut-off date of this forecast, the euro area short-term rate was expected to peak at 3.8%

in 2023-Q3, before abating in the course of 2024. Long-term interest rates have hardly moved. Tighter monetary conditions are feeding through the credit channel: borrowing costs are increasing, while credit flows are decreasing. The collapse of Silicon Valley Bank and two other US banks and the problems with Credit Suisse compound with the effects of higher policy rates. While well-capitalised and thoroughly supervised, EU banks' declining risk tolerance is expected to lead to a further tightening of lending standards. As usual, projections about interest rates underpinning this forecast reflect market expectations at the time of the forecast. Moreover, this forecast assumes an orderly adjustment of the financial sector to higher policy rates, while risks stemming from exposures to households and corporates are assumed to be manageable (see Box I.1.1). While bankruptcies increased significantly towards the end of last year, the surge largely reflects a clearing of the insolvency backlog created by support schemes during the pandemic and country-specific developments related to changes in insolvency regulations (see Box I.2.2).

Tighter financing conditions weigh on investment, but countervailing factors are at play

The tightening of financing conditions is expected to weigh on investment over the forecast horizon. Housing investment, which is particularly sensitive to interest rates, is set to contract. By contrast, business investment is projected to still increase, though at a slower pace than last year, helped by corporates' overall healthy balance sheet position. Finally, public investment is forecast to remain buoyant in both 2023 and 2024 thanks to the continued deployment of the Recovery and Resilience Facility (RRF). Overall, investment growth is projected to decelerate markedly from 4% in 2022 to 0.9% in 2023. Gradual normalisation of economic activity is expected to reinvigorate companies' investment decisions, pushing overall investment growth up by 2.1% in 2024.

Consumption is set to remain subdued in 2023, but rebounds in 2024...

Inflation keeps eroding the purchasing power of consumers. Following the fall in the last quarter of 2022, private consumption is expected to have weakened again in the first quarter of this year. Overall, private consumption growth in the EU in 2023 is projected at 0.5%. As inflation loosens its grip on households' budgets, private consumption is set to rebound to 1.8% in 2024. The household saving rate is projected to decrease in the EU from 13.2% in 2022 to 12.8% in 2024, in line with its long-term average.

...on the back of further employment growth and progressive recovery in real wages

The slower pace of economic expansion in the EU is set to have a limited impact on the EU labour market. Continued labour market tightness, labour hoarding due to skill shortages as well as strong demand, especially for services, are expected to cushion the impact of the economic slowdown on the labour market. Employment growth is still forecast at 0.5% in the EU this year. In 2024, employment is set to keep growing moderately (0.4%), implying a less job-rich growth than in 2022. The unemployment rate is expected to remain close to its historical low, at 6.2%, in the EU in 2023, before edging down to 6.1% in 2024. After growing by 5.0% in 2022, the annual growth rate of compensation per employee is projected to increase to 5.9% in 2023 before falling to 4.6% in 2024. This means that real wages are still set to decrease this year, though a slight pick-up in real wages is expected towards the end of the year.

The slowdown of core inflation is set to be more gradual than previously projected

Sharply lower natural gas prices are making their way to retail prices of gas and electricity, though at varying speeds across EU Member States. At the same time, all other major inflation subcomponents (processed and unprocessed food, non-energy industrial goods and services) have seen their annual inflation rate increase between December and March. Consequently, core inflation (headline excluding energy and unprocessed food) continued to rise in early 2023, to a historical high of 7.6% in March, and core goods and services replaced energy as the primary driver of headline inflation in the EU. Recent indications on managers' selling price expectations from business surveys and other indicators corroborate the projection of core inflation having peaked in the first quarter. Core inflation is projected to decline gradually as profit margins absorb higher wage pressures and tighter financing conditions prove effective. Average core inflation in 2023, at 6.9% in the EU, is set to exceed that in 2022, before falling to 3.6% in 2024, above headline inflation in both forecast years.

The phasing out of discretionary policy is expected to drive further improvements in the government balance

The economic expansion and reduced pandemic-related emergency measures supported the further reduction of the EU government deficit in 2022, to 3.4% of GDP, despite the expansionary fiscal stance driven by sizeable energy support measures. In 2023 and especially in 2024, the phasing out of energy support measures is expected to drive further deficit reductions on aggregate in the EU, to 3.1% and 2.4% of GDP, respectively, and the corresponding fiscal impulse should turn contractionary. However, several Member States are still projected to see a deterioration in their general government balance in 2023, as their fiscal stance remains expansionary. While falling energy prices are helping to contain the cost of existing support measures, several Member States have introduced new energy support measures or are extending existing ones. Furthermore, while inflation supported the improvement in the government balance ratio in 2022, some reversal of this effect is expected in 2023 as large expenditure items like pensions and other social transfers, as well as public wages, are adjusted to the previous' year inflation. In 2024, on account of unchanged policies, the deficit reduction is set to be broad-based across countries. Meanwhile, the EU aggregate debt ratio is expected to fall in 2023-24 despite debt-increasing primary deficits, thanks to economic growth and inflation. Higher interest rates are affecting the cost of servicing public debts only gradually thanks to their long maturity. The EU debt-to-GDP ratio fell to around 85% of GDP in 2022, from the record high of 92% recorded in 2020. It is projected to further decline to below 83% of GDP in 2024, but to remain above the pre-COVID-19 crisis level of around 79% in 2019.

External balances are set to improve significantly

Global growth, excluding the EU, is expected to fall from 3.2% in 2022 to 3.1% in 2023, before rising back to 3.2% in 2024, broadly unchanged since the Winter interim Forecast. The outlook for external demand facing the EU has however been significantly downgraded, as synchronised weakness in advanced economies (and especially in the US) weighs heavily on EU exports. The rebound in economic activity in China, moreover, is set to benefit primarily the domestic sectors, services in particular, with limited positive spillovers to the EU. Still, *net* external demand is expected to contribute positively to GDP due to weak import dynamics – especially for goods in 2023. The current account balance is set to improve steadily from the record-low surplus of 1.6% of GDP in 2022 to 3.5% in 2024. The improvement is mainly driven by the merchandise trade balance, which is forecast to turn positive this year and improve further next year, largely as a consequence of falling import prices. The services trade balance is forecast to remain strong throughout the forecast horizon, with tourism being a strong driver of the economic rebound. This publication includes for the first time an overview of the economic structural features, recent performance and outlook for Ukraine, Moldova and Bosnia and Herzegovina, which were granted candidate status for EU membership by the Council in June 2022 and December 2022 (see Special Issue I.4.2).

The balance of risks tilts back to the downside

While the outlook in our central scenario has not changed much since last winter, downside risks to the economic outlook have increased. Persistence of core inflation has emerged as a key risk. It could continue restraining the purchasing power of households and force a stronger response of monetary policy, with broad macro-financial ramifications. Moreover, a surge in risk aversion in financial markets, following the banking sector turmoil originated in the US, could prompt a more pronounced tightening of lending standards than assumed in this forecast. In this context, policy consistency has become even more important. An expansionary fiscal policy stance would fuel inflation further, leaning against monetary policy action. In energy markets, the threat of outright supply shortages for next winter has significantly abated, but the evolution of prices remains highly uncertain. More benign developments in energy prices would lead to a faster decline in headline inflation, with positive spillovers on domestic demand. Risks related to EU's external environment remain unusually elevated, with new uncertainties following the banking sector turbulence or related to wider geopolitical tensions. Finally, there is persistent uncertainty stemming from Russia's ongoing invasion of Ukraine.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

The European economy continues to show resilience in a challenging global context. In the second half of 2020, a vigorous and synchronised economic rebound had already started to push up the prices of several global commodities, especially energy and food. The build-up of tensions and subsequent invasion of Ukraine by Russia intensified pressures on the European gas market, which at one point even faced risks of outright gas shortages. As the energy crisis loomed large in Europe, several private sector and institutional forecasters expected the EU economy to fall into a winter recession. The Commission Autumn Forecast (AF) had projected the EU economy to contract in the last quarter of 2022 and the first quarter of 2023. Though relatively shallow and short-lived, the recession was expected to be broad-based across Member States and demand components. By the time of the Winter interim Forecast (WiF), the EU economy was estimated to have broadly stagnated in the last quarter of 2022, while tumbling energy prices suggested that it would avoid a contraction of activity also in the first quarter of 2023. Latest estimates show that economic activity even managed a small expansion in the first quarter of this year.

A strong labour market has been an important element of resilience. At the end of last year, the EU labour market hit new records across several key metrics, including activity, employment and unemployment rates. Since then, the unemployment rate went down further, reaching 6% in March. Vacancy rates and reported labour shortages remained high by historical standards, despite some recent declines. Still, households' real disposable income has declined markedly, as employment growth only partially offset the fall in real wages. Nominal wage growth picked up strongly in the fourth quarter but continued to fall short of inflation dynamics. Key questions for the forecast are whether tightness in the labour market will ease and the extent to which wage growth will allow recouping the lost purchasing power, while not adding to inflationary pressures.

A sizeable terms-of-trade counter-shock is in the making. Diversification of energy supply and demand reduction allowed the EU to largely wane itself off its dependence on Russian gas, with no major disruptions for economic activity. With gas storage levels at record high, refilling needs ahead of next winter appear manageable and gas prices have fallen below pre-war levels (but are still around twice their pre-COVID-19 readings). At the cut-off date of this forecast, futures markets pointed to stability at current prices over the forecast horizon. The outlook for oil prices was for further moderation, notwithstanding OPEC+'s recent decision to reduce supply. This implies that the large terms-of-trade shock that weighed on economic performance and public finances in 2022 is being undone. The direct benefit will be lower energy inflation and lower production costs across a broad array of goods and services. The projected improvement in the terms of trade will support the domestic economy, though the distribution of benefit among households, corporates and governments will depend on the - largely country-specific – on fiscal policies and the interplay between workers' and corporates' bargaining power in labour and product markets.

Persistent core inflation is slowing down the disinflationary forces of lower energy prices. The combined impact of pent-up demand, global supply disruptions and war-related energy and food commodities shocks pushed inflation to successive record highs. While the decline in energy prices has been stronger than previously expected, price pressures have progressively broadened and are by now predominantly domestic. As a result, energy and headline inflation peaked towards the end of 2022, but core inflation was still strong and trending up throughout the first quarter. High core inflation readings signal some entrenched dynamics that will likely require more time than previously expected to be brought under control.

Monetary authorities face a delicate balancing act. The adjustment to a rapidly changing interest rate environment is proving challenging. The collapse of Silicon Valley Bank and two other US banks, as well as the problems with Credit Suisse, appear by now as largely idiosyncratic shocks. Especially in the EU, the banking sector is assessed to be solid, thanks to high capital and liquidity buffers. As largely expected by markets, shortly after the cut-off of this forecast, the ECB

Governing Board lifted policy rates by 25 basis points, down from 50 basis points in the previous two rounds of policy hikes. While this signals a slowing pace of monetary policy normalisation, the outlook for the broad financial conditions in the economy has become more uncertain following the emergence of financial stability risks and increased uncertainty around the inflation outlook. While the path of monetary policy will remain data-dependent, banks may tighten standards further as they increase their risk perceptions and retail and wholesale funding becomes costlier and more difficult to access. Market-based expectations – as customary – serve as anchor for the forecast and suggest that the ECB is nearing the final stage of its tightening. This working assumption is complemented with the additional assumption that EU banks and the broader financial system will adjust smoothly to a higher interest rate environment and remain overall well-insulated from potential shocks originating in other jurisdictions. For both assumptions to prove right, it will be important that fiscal policy does not lean against the action of central banks.

The extent to which governments will seize the opportunity of lower energy prices to phase out the energy support measures will determine the future trajectory of public finances. Faced with soaring energy prices, EU governments rolled out sizeable measures to protect households and corporations from the adverse impact of high energy prices. The measures are exerting a significant drag on public finances. Yet, helped by strong nominal GDP growth, general government deficits narrowed more than previously expected in 2022. An important question for this forecast is to what extent EU governments will be able to seize the opportunity of lower gas and oil prices to phase out or let expire popular energy subsidies. Continued expansionary budgetary measures at the current juncture would add to core inflationary pressures via the demand channel, in turn adding pressure on central banks to step up monetary policy tightening, with negative implications for public and private sector financing conditions and financial stability at large.

Beyond these largely endogenous forces, the EU economic outlook continues to depend crucially on developments in its eastern neighbourhood. More than one year after Russia's war of aggression against Ukraine, there is no sign of a let-up in the fighting, let alone any peaceful resolution of the conflict. It is impossible at this stage to foresee the potential unfolding of the war, nor is this the task of the European Commission's Economic Forecast. This forecast therefore continues to rest on the assumption that geopolitical tensions will remain at the current exceptionally high level over the forecast horizon (see Box I.1.1.). As a direct consequence, all sanctions against Russia stipulated until the cut-off date are assumed to remain in place over the forecast horizon.

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

In a context of still high uncertainty, forecasts continue to rely heavily on ad-hoc assumptions. The assumptions underpinning the Spring 2023 Forecast are largely unchanged since the Winter 2023 interim Forecast and the Autumn 2022 Forecast.

Russian invasion of Ukraine and geopolitical tensions

The economic impact of the war remains highly uncertain and depends crucially on its evolution. The central scenario assumes persisting geopolitical tensions. As a result, all sanctions against Russia stipulated until the cut-off date of the forecast, including those already implemented after Russia's annexation of Crimea in 2014, are assumed to remain in place throughout the forecast horizon.

People fleeing the war in Ukraine to the EU

It is assumed that the number of active temporary protection registrations will continue to increase in the course of 2023, albeit at a slowing pace. This results in an annual average of active registrations of about 4.2 million in 2023 and 4.5 million in 2024. The Autumn 2022 Forecast and Winter 2023 interim Forecast assumed that the number of active registrations would reach 4.5 million already by end-2022 and remain constant thereafter. (1) Assumptions on the geographical distribution of people fleeing the war and their labour market integration remain broadly unchanged compared to the Autumn 2022 Forecast.

The COVID-19 pandemic

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

Financial stability

The collapse of Silicon Valley Bank and two other US banks, as well as the problems with Credit Suisse, appear by now as largely idiosyncratic shocks, but in a context of rising interest rates new episodes of financial stress may emerge. As customary, this forecast assumes the path of monetary tightening implicit from money market spot and future prices. This working assumption is complemented with the additional assumption that EU banks and the broader financial system will adjust smoothly to a higher interest rate environment and remain overall well-insulated from potential shocks originating in other jurisdictions.

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

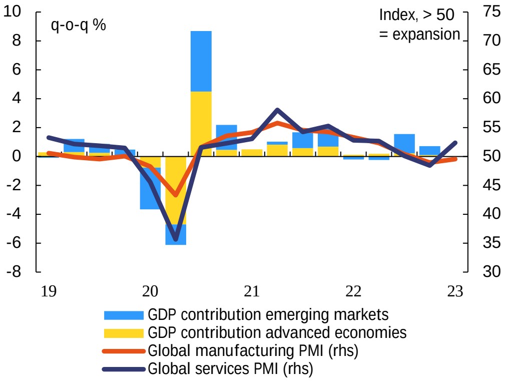
2. ECONOMIC OUTLOOK

2.1. INTERNATIONAL ENVIRONMENT

The global economy saw a broad-based slowdown in late 2022. After picking up in the third quarter of 2022, global growth slowed abruptly in the fourth quarter, and is estimated to have fallen to around 0.7% q-o-q, less than half the pace seen in the previous quarter. Among the advanced economies, the slowdown was most marked in the EU, while growth in the US fell only marginally. Activity in the emerging market economies (EMEs) also slowed in the final quarter of last year, driven in large part by a flat fourth quarter in China. Most G20 economies saw a decline in the pace of growth in 2022-Q4.

Survey data suggest an acceleration of economic activity in early 2023, with a notable pick-up in EMEs and services. After trending steadily downwards from mid-2022, global PMI indicators rebounded in late 2022 and maintained a positive trajectory in early 2023 (see Graph I.2.1). The global services PMI moved into expansionary territory, rising from 48 in December to 54.4 in March. The improvement in services is visible for advanced and, especially, emerging economies, influenced by improved prospects for China following the end of the zero-COVID policy in December 2022. The PMI global composite manufacturing index also improved, but remained weaker and in negative territory, edging up from 48.7 in December to 49.6 in March.

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



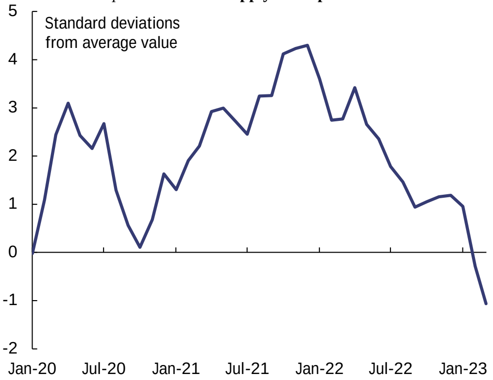
Sources: OECD, IMF and national sources for GDP, S&P Global for PMI.

Available GDP data for 2023-Q1 show a very mixed picture, even within regions. In the United States, growth slowed to 0.3% q-o-q, from 0.6% q-o-q in 2022-Q4. In the EU it rose to 0.3%, from -0.1% in 2022-Q4. China saw growth pick up much more briskly after the re-opening, growing by 2.2% q-o-q (4.5% y-o-y). Elsewhere in Asia, South Korea saw a modest acceleration, to 0.3%; Hong Kong by 5.3%; while growth in Singapore and Taiwan turned negative.

Global goods trade contracted at the turn of the year. Global world merchandise trade volumes (imports and exports) rose by just 3.2% in 2022, compared to 10.3% in 2021 (following a fall of -5.1% in 2020). As economic activity weakened in late 2022, the momentum (3-month-on-3-month growth) in global goods trade turned negative in November across both advanced economies and EMEs and remained in negative territory in January and February of 2023. Emerging markets in Asia, Latin America and MENA have all seen a slowdown in merchandise trade, with only Central and Eastern Europe seeing an increase. Global trade in goods was 1.8% lower in the first two months of 2023 compared to the same period a year earlier.

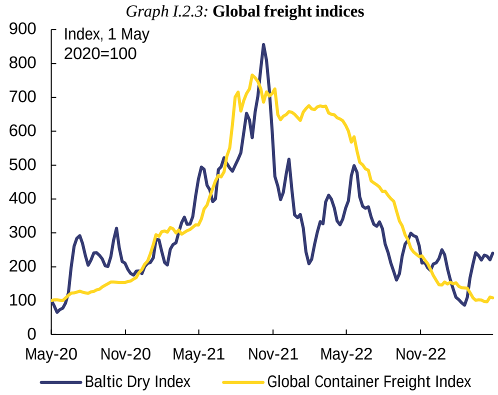
Global supply chain disruptions have largely mended. The New York Federal Reserve's Global Supply Chain Pressure index fell steadily through 2022 and early this year, with the index in March 2023 going below pre-pandemic levels, suggesting that global supply chain operations have been restored (see Graph I.2.2). Maritime port congestion is also easing, with the share of global freight in stationary ships falling below 8% in March. Global delivery times from PMIs also improved in early 2023, with the indices for China, the US and the euro area all moving above 50 in February 2023, and most regions seeing further improvement in March. The slowdown in global goods trade in recent months has added to downward pressure on container shipping rates, which have fallen back sharply from the peak reached at end-2021 and are currently at levels last seen in May 2020, before the pandemic-induced spike (see Graph I.2.3). Related to this, the orders-to-inventory ratios hovered below one in major advanced economies in 2023-Q1.

Graph I.2.2: **Global supply chain pressure index**



Source: FED of New York.

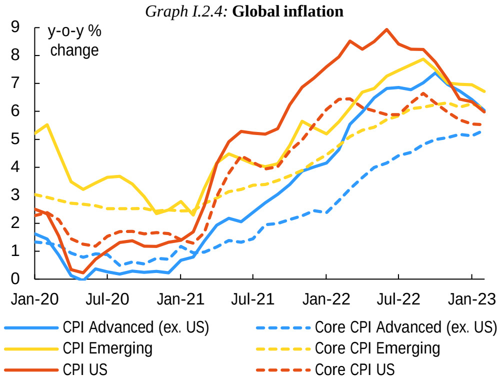
Graph I.2.3: **Global freight indices**



Sources: Baltic Exchange and Freightos.

Global headline inflation fell from the 2022 peaks, but core inflation does not yet show a clear downward trend. Global inflation rates surged in 2022, propelled by high demand for goods, disrupted supply chains and sharply rising commodity prices – particularly after the Russian invasion of Ukraine in February last year (see Graph I.2.4). The steep appreciation of the US dollar through much of 2022 added to global price pressures for commodity importers and rising inflation prompted a steep tightening of monetary policy. Headline inflation rates started to fall in early 2023 thanks to lower energy prices and large base effects, reduced supply chain pressures and a monetary policy effect. Core inflation has, however, seen little downward adjustment compared to mid-2022.

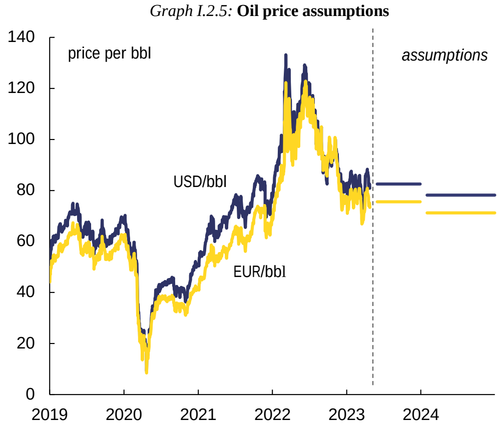
Graph I.2.4: **Global inflation**



Source: FED of Dallas.
Note: Last data point refers to February 2023.

Oil prices have fallen from the peak reached in mid-2022, though they recorded a short-lived uptick in early April following an OPEC+ announcement of supply cuts. Oil prices reached a peak of nearly 120 USD per barrel in mid-2022, but have since fallen steadily and dipped to as low as 70 USD per barrel in the wake of the collapse of Silicon Valley Bank (SVB) in March. The OPEC+ announcement of supply cuts in early April (to cut 1.2 million bbl/day from May to end of 2023) led to an initial increase in the spot price of around 10 USD per barrel, but spot prices have subsequently given up most of this gain, and had fallen back to around 80 USD per barrel at the cut-off date for this forecast.

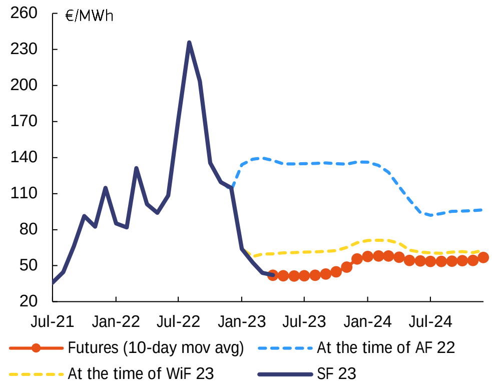
Graph I.2.5: **Oil price assumptions**



The outlook is for further moderation in oil prices (see Graph I.2.5). Like spot prices, futures prices moved up following the OPEC+ announcement in April, but they still point to further moderation ahead, with prices for both 2023 and 2024 marginally below those reached in winter. The oil market remains subject to considerable uncertainty related to Russian exports, fuelled by mismatches between official announcements and observed oil exports. The embargo on petroleum products and the G7+ oil price cap appear to have had the intended impact of lowering prices for Russian oil. While Russia has managed to redirect crude oil exports to buyers such as China, India and Türkiye, Urals oil is trading at a discount of around 20 USD/bbl compared to Brent. The outlook for global demand, and in particular Chinese demand as mobility recovers, is one of the key factors likely to affect the evolution of crude prices over the forecast horizon.

European TTF gas prices have dropped sharply since their August peaks and continued to slide in the first four months of 2023. The price of TTF gas at the cut-off date of this forecast was just below 40 Euro/MWh, compared to around 50 Euro/MWh in the winter. Futures prices are currently rather flat, hovering around 50 Euro/MWh over the forecast horizon. This represents a major decline in contracted gas prices since autumn, with a fall of more than 50% in 2023 compared to prices expected in October (see Box I.2.1 for more details on latest gas market developments). Compared to the Winter interim Forecast, average gas prices are 24% and 13% lower in 2023 and 2024, respectively.

Graph I.2.6: **Natural gas price developments and future prices**

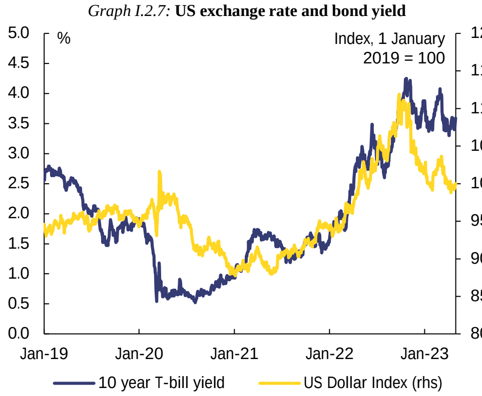


The downward trend in agricultural commodity prices continues. The FAO Food Price Index fell again in March 2023, the twelfth consecutive monthly decline in a row, and prices are now 20.5% below the peak reached in March 2022, at levels seen prior to Russia's invasion of Ukraine. The decline in the index over the past year has been largely driven by large falls in prices for cereals and vegetable oils, while prices for meat and dairy products show more modest declines. The price of sugar, by contrast, has been rising for some months and remains above the March 2022 level. The level of food prices overall remains around 30% above 2020 levels.

Metals prices have also fallen back from peaks reached in 2022 and are substantially lower than a year ago. After spiking in early 2022, the S&P Goldman Sachs Commodities Index Industrial Metals Spot index fell back notably after March 2022. China's re-opening sparked a rally in early 2023, with prices for steel, iron ore, copper and others seeing a notable bounce. They have, however, since retreated, with those of zinc and lithium in particular falling considerably. Overall, prices remain well below 2022 peaks, but showing little clear trend over the past six months.

The March turmoil in the US banking sector brought financial stability considerations to the fore. Strong US employment data in January and an only limited downtick in core inflation in February prompted a sharp increase in the estimates of the Fed "terminal rate". This led to a spike in US treasury yields in February, with the 2-year note rising almost 100 basis points, and the 10-year up 50 basis points (see Graph I.2.7). With the collapse of SVB in early March, the 2-year and 10-year treasury yields fell back close to the levels seen in January. US and global equity markets also saw a sharp downward adjustment in the wake of the SVB collapse and a sell-off in banking stocks, but the main indices have rebounded quickly. However, the collapse of another mid-sized US bank, the First Republic Bank, again raised concerns about contagion in the banking sector. Domestic credit conditions have tightened, especially among small and medium sized banks, which traditionally provide credit to smaller, local or more specialized businesses.

Graph I.2.7: **US exchange rate and bond yield**



Sources: US Department of the Treasury and NYSE Euronext.

Growth in the US is expected to remain subdued in the coming quarters. The slowdown in 2023-Q1 was largely driven by inventories, while personal consumption remained resilient, supported by strong employment growth. The US labour market remains tight, with high vacancy

Table I.2.1:

International environment

(Annual percentage change)					Spring 2023 Forecast			Autumn 2022 Forecast		
	(a)	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
					Real GDP growth					
Japan	3.8	-0.4	-4.3	2.1	**1.0**	**1.1**	**1.0**	*1.7*	*1.6*	*1.2*
United Kingdom	2.3	1.6	-11.0	7.6	**4.1**	**-0.2**	**1.0**	*4.2*	*-0.9*	*0.9*
United States	15.6	2.3	-2.8	5.9	**2.1**	**1.4**	**1.0**	*1.8*	*0.7*	*1.7*
Emerging and developing Asia	33.7	5.2	-1.1	7.2	**4.3**	**5.2**	**5.1**	*4.4*	*4.8*	*5.0*
- China	18.5	6.0	2.2	8.5	**3.0**	**5.5**	**4.7**	*3.4*	*4.5*	*4.7*
- India	7.3	4.6	-6.0	8.9	**6.7**	**5.6**	**6.6**	*6.9*	*6.0*	*6.3*
Latin America	7.4	-0.1	-7.1	6.9	**3.4**	**1.7**	**2.1**	*3.0*	*1.7*	*2.2*
- Brazil	2.3	1.2	-3.3	5.0	**2.9**	**1.0**	**1.3**	*2.5*	*0.8*	*1.0*
MENA	5.8	1.3	-3.3	4.2	**5.3**	**3.2**	**3.5**	*5.4*	*3.5*	*3.3*
CIS	3.9	2.5	-2.4	5.5	**-0.8**	**0.2**	**2.0**	*-6.8*	*-1.1*	*3.2*
- Russia	2.9	2.2	-2.7	5.6	**-2.1**	**-0.9**	**1.3**	*-5.1*	*-3.2*	*0.9*
Sub-Saharan Africa	3.3	2.6	-2.1	4.3	**3.4**	**3.2**	**3.3**	*3.3*	*3.4*	*3.7*
Candidate Countries	2.5	1.5	0.5	9.5	**0.0**	**3.1**	**4.3**	*4.8*	*3.4*	*3.0*
World excluding EU	85.1	2.9	-2.6	6.3	**3.2**	**3.1**	**3.3**	*3.1*	*2.9*	*3.4*
					Trade of goods and services, volumes					
World excluding EU, import		-0.6	-8.3	11.3	**4.8**	**1.4**	**3.0**	*4.8*	*2.5*	*3.7*
EU export market growth		2.5	-8.4	10.1	**6.9**	**1.4**	**2.9**	*6.2*	*1.9*	*3.5*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2022.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

levels and a low unemployment rate, but is expected to soften in 2023-H2 when the full impact of higher policy rates and tighter credit conditions is set to be felt. After growing by 2.1% in 2022, US real GDP is forecast to expand at a rate of 1.4% in 2023. Although the US economy is expected to gradually pick up momentum in the course of 2024, overall growth for the year is projected to be just 1% in 2024 due to the weak carry-over from 2023.

Prospects for other advanced economies are also subdued. The Japanese economy grew by 1% in 2022, hampered by softer external demand. It is expected to expand by around 1% in both 2023 and 2024, as growth in private demand moderates, with a fading impact of post-COVID-19 reopening and lower fiscal support. The UK economy grew by 4.1% in 2022, but is expected to see a contraction in 2023 despite the recent falls in energy prices. It is then set to only modestly rebound in 2024 as high inflation continues to erode household incomes and business investment remains stagnant. Canada is projected to keep expanding, but at a weaker pace than in 2022.

In contrast, China's growth is rebounding after the end of its zero-COVID policy in late 2022, but challenges remain. High frequency indicators (PMIs, consumer confidence, the property sector) have improved markedly since the government abandoned its strict COVID-19 containment policy, and GDP grew by 4.5% year-on-year in 2023-Q1. Household consumption is expected to be the main driver of growth in 2023, supported by an improving labour market and a gradual reduction of the household saving rate towards its pre-pandemic level. Fiscal and monetary support are set to remain broadly neutral, with the authorities focused on shoring up debt-related imbalances in the real estate sector and at the local government level. Net exports are expected to make little contribution to growth, as the surge in goods exports induced by the pandemic dissipates, while imports are set to pick up due to stronger domestic consumption and outbound tourism. Overall, GDP growth is forecast to rebound from 3% in 2022 to 5.5% in 2023, before slowing to 4.7% in 2024.

Russia's economy is expected to contract further in 2023. Consumption is set to remain depressed and exports weak, affected *inter alia* by the ban on oil and refined products imports into the EU, as well as by the oil price caps agreed by the EU with the international G7+ Price Cap Coalition. With the economy gradually adjusting to the sanctions shock, a shallow recovery is expected in 2024, driven by domestic demand. Lower commodity revenues, mounting structural headwinds, including continued sanctions, a shrinking labour supply and constrained external financing are set to weigh negatively on economic activity.

Box I.2.1: European gas market: recent developments and outlook

Security of supply and affordability of natural gas are crucial for the EU economy. Gas represents 21% of EU's primary energy consumption and is an essential source of energy for households and industry (both 32% of final energy consumption in 2020). Natural gas is also an important driver of electricity prices across the EU, as it acts as the marginal production source of power. Whilst to meet the decarbonisation targets the EU aims to shift to low-carbon gases and reduce its total gas consumption, natural gas will continue to play an important role in the energy mix in the coming decade and beyond. For these reasons, the security of supply and affordability of gas remains a key priority for the EU. Last winter, the EU was able to weather the energy crisis thanks to an effective diversification of energy supply and a sharp fall in gas consumption, as well as by taking measures to support the functioning and transparency of price formation in gas markets. The EU is therefore now in a much better position in terms of its gas supply ahead of the next winter.

The EU diversified its energy supply and tackled bottlenecks in the delivery of LNG gas. While total gas imports from Russia decreased by 80 billion cubic meters (bcm), and thereby almost halved in 2022 year-on-year, the EU stepped up its cooperation with other countries to boost gas imports. In particular, LNG imports from the US more than doubled, to around 50 bcm in 2022. New floating LNG terminals were made operational in Finland, Germany and the Netherlands. Furthermore, a record number of more than 56 Giga Watt (GW) wind and solar capacity was installed in the EU in 2022, potentially leading to a reduction of up to 11 bcm of natural gas demand in the power sector.

Gas demand reduction also played a fundamental role. Between August 2022 and March 2023, households and corporations reduced gas consumption by 18% (or 53 bcm), compared to the 2017-21 average. This exceeded the objective of the emergency Council Regulation (EU) 2022/1369 setting a voluntary gas demand reduction target of 15% (or 45 bcm) between August 2022 and March 2023.

The exceptionally high gas prices have been a decisive factor of demand restraint. Wholesale natural gas prices in the EU peaked in August 2022, briefly reaching levels above 300 €/MWh, compared to pre-pandemic levels of around 10-20 €/MWh. These very high prices reflected the synchronised surge in demand from Member States in order to refill depleted gas storages ahead of the winter season, amid fears of shortages in the market due to the unprecedented reduction in Russian supplies and limited physical capacity to import LNG into the EU. [1] The available empirical analysis suggests that gas demand is relatively inelastic to prices. [2] Historically, however, fluctuations in prices have been limited, and changes in consumers' and producers' responses may become non-linear in the presence of very large price increases, like the ones experienced in 2022. Therefore, part of the gas demand reduction can be attributed to the price signal.

Industry (excl. power generation) contributed about half of the reduction in gas consumption, partly through output cuts [3]. In the summer months, the overall gas demand reduction was mostly driven by industry, as manufacturing companies were first to reduce their gas consumption. Gas demand reductions can be driven by savings (behavioural changes and energy efficiency), fuel-switching to carbon-intensive and/or clean fuels, and production curtailment. Over the period 2017-22, total manufacturing output was at its highest level in 2022, showing that high energy prices have not come at the cost of lower overall production. Still, the output of some energy-intensive sectors, such as basic metals, chemicals, non-metallic minerals and paper products started to decrease in the second half of 2022. As gas prices are expected to stabilise at a level significantly below the peak prices of 2022, one can expect gas demand from energy-intensive industries that reduced

(1) The analysis builds on European Commission (2023). "Analysis of coordinated demand reduction measures for gas." *Staff Working Document* SWD(2023) 63 final.

(2) Labandeira, X., J. M. Labeaga, and X. López-Otero (2017). "A meta-analysis on the price elasticity of energy demand." *Energy policy*, 102, 549-568.

(3) Eurostat currently only reports the sectoral detail in terms of gas consumption annually, with a delay of about one year, which makes a detailed breakdown between sectors challenging. However, to this end, the JRC analysed gas consumption in seven Member States between Aug-Dec 2022. The reported figure is therefore based on estimates by the Commission. The figure is derived from an extrapolation of BE, DE, ES, FR, IT, NL, and RO, representing 78% of consumed gas in the EU. The International Energy Agency and Bruegel derived similar conclusions.

(Continued on the next page)

Box (continued)

production or switched to more carbon-intensive fuels (rather than structural energy efficient investments) to bounce back.

The residential and commercial sectors are estimated to have contributed about half of the gas demand reduction in the EU, also thanks to milder temperatures. Heating of space represents, on average, around 63% of the final energy consumed by households in the EU [(4)]; lowering heating is, thus, an impactful way for households to reduce their energy consumption. As the time span between August and December 2022 had around 8.3% fewer heating degree days (HDD) compared to the 2017-21 average, the Commission estimates that of the total gas demand reduction, around one-sixth was induced by milder weather (i.e. gas demand was 5 bcm or 3.0-3.2% lower) [(5)]. This contribution was concentrated in October and November.

The marginal decrease in gas consumption in the power sector masks important cross-country differences. Whereas some Member States switched away from gas (e.g. to coal) for electricity generation, others saw their gas consumption in the power sector increase significantly. For example, in Spain, gas-fired electricity generation increased significantly due to a combination of factors, including the Iberian price cap. The cap specifically limited the price increase of gas used by power plants and increased export of electricity to France, as France needed to compensate for the lower availability of nuclear capacity and lower hydro production caused by the drought that hit Europe in summer 2022.

Initiatives to reduce demand and ensure supply were supported by measures to improve the functioning and transparency of price formation in the EU gas market. This included the establishment of a daily LNG price assessment for deliveries to the EU and the market correction mechanism that sets a temporary price ceiling on derivatives when the TTF month-ahead price spikes above 180 €/MWh and diverges considerably from international prices. Regarding the LNG price assessment, it further provides transparency to the market on the price of the actual physical deliveries of LNG in Europe.

Outlook

Gas storage filling levels reached 61% by early May 2023, significantly above 2022 levels (37%) and above multi-year average (2016-20 average at 43%). In the summer months of 2022, the gas storage levels caught up with the 2017-21 average and continued increasing thereafter. With a peak at 95% in November 2022, storage levels exceeded the mandatory filling target of 80% for 2022 [(6)]. Since then, the reduction in storage levels during the winter months remained moderate, when the drop in storage, especially in January, was small compared to previous years. Moving towards the winter 2023/24, this should facilitate reaching the 90% gas storage target by 1 November 2023 [(7)].

The EU recently agreed to extend the voluntary 15% gas demand reduction target by another year (until 31 March 2024) [(8)]. Compliance with the regulation should support the filling of gas storages, keeping prices down and securing enough energy supplies. If the observed gas demand reduction is sustained, the Commission baseline scenario estimates that storage levels reach 95 bcm by the end of October 2023, and thereby will be above the 90% storage target, and 43 bcm by the end of March 2024, leaving a comfortable level of spare gas left coming out of next winter [(9)]. If,

(4) Eurostat [nrg_d_hhq].
(5) European Commission SWD(2023) 63 final. IEA (2023) estimated that gas demand was 18bcm lower due to the weather in 2022 versus 2021.
(6) Regulation (EU) 2022/1032.
(7) Implementing Regulation (EU) 2022/2301.
(8) Council Regulation (EU) 2023/0087.
(9) European Commission SWD (2023) 63 final. Assumptions:
Storage levels as of 7 March 2023 (58.5 bcm at the end of 5 March).
Non-Russian pipeline supply equal to the average of the last seven months of 2022.
LNG supply equal to the average of the last seven months of 2022, plus 15 bcm/a (1.25 bcm/month) from Apr. 2023.
No gas from Russia via pipeline.
Average demand of the 2017-2021 period, applying percentage reductions as stated.
Exports to Switzerland as in 2021 (latest data available; 2.2 bcm/a, of which 1/3 in summer and 2/3 in winter).
Exports to Ukraine and Moldova of 0.5 bcm/month.

(Continued on the next page)

Box (continued)

however, the EU does not keep the 15% gas demand reduction over the next year (compared to the 2017-21 period), storage levels could decline to rather low levels at the end of winter 2024.

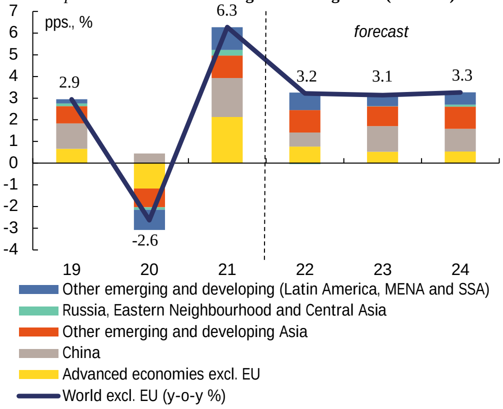
The threat of outright shortages has significantly abated, but the evolution of prices remains highly uncertain. High gas storage levels and supply diversification have reduced the risk of renewed stress in European gas markets. Market expectations [10] until the end of winter 2023/24 foresee wholesale gas prices stabilising just above 50€/MWh, about one-sixth of the peak in 2022, though still more than twice the pre-crisis levels. Increased demand could, however, reignite price pressures. This may be triggered by a combination of e.g. a cold winter or hot summer increasing demand for heating or cooling respectively; lower prices reducing incentives to gas savings and reversing the gas-to-coal switch in power generation that occurred last year in some countries; China's increased demand for LNG; and the need to increase gas-fired electricity generation due to low availability of nuclear capacity and hydropower generation. At the same time, benign weather conditions and increases in renewable power generation capacity could result in downward pressure on gas prices, below levels currently suggested by futures contracts.

(10) ICE Index (2023). Dutch TTF Natural Gas Futures.

Prospects for emerging markets other than China remain rather muted, with slower growth expected in 2023, and only a modest pick-up in 2024. The recent falls in commodity prices will ease pressures in some (commodity importing) EMEs and low-income economies but worsen prospects for commodity exporters. Provided that the problems in the US (and Swiss) banking sectors prove to be isolated and idiosyncratic cases, spillovers to EMEs are likely to be limited. Growth in India is expected to moderate in 2023, from nearly 7% in 2022, with rising borrowing costs affecting both manufacturing and consumption. In emerging Asia (excluding China), the late-2022 downturn in the technology and manufacturing cycle appears to have extended into early 2023, but the outlook for the rest of the year looks brighter as China reopens. Growth in Central Asian economies is set to slightly pick up compared to 2022, when it was negatively affected by spillovers from Russia. In South Africa, recurrent and increasingly larger electricity supply problems are constraining growth. A combination of high inflation, sharp monetary policy tightening and lower commodity prices are set to dampen activity in Brazil, Argentina, and Mexico.

Global growth (including the EU) is expected to slow from 3.3% in 2022 to 2.8% in 2023, before rising to 3% in 2024. This is still somewhat below the average global growth rate over the period 2010-19 (3.5%). Excluding the EU, global growth is projected to fall from 3.2% in 2022 to 3.1% in 2023, then rise back to 3.3% in 2024 (see Table I.2.1 and Graph I.2.8). Compared to the Winter interim Forecast, these projections are slightly higher for 2023 but marginally lower for 2024. The advanced economies are expected to see growth slow from 2.6% in 2022 to 1.3% in 2023, and then grow by 1.5% in 2024. Growth in EMEs outside of China is also forecast to slow, from around 4.3% in 2022 to 3.4% in 2023, before picking up to close to 4% in 2024. The key outlier among emerging markets is China, with somewhat faster growth expected in 2023 than in 2022, partially offsetting the slower growth in advanced economies and elsewhere.

Graph I.2.8: **Contributions to global GDP growth (excl. EU)**



The outlook for global trade is equally subdued, with a sharp slowdown expected in 2023 and some recovery in 2024. Global merchandise trade will continue to be influenced by the rotation of demand back towards services in the advanced economies. While the opening of China and the continued recovery in tourism is set to have some offsetting effect, the overall outlook for global trade growth is weak. Moreover, geopolitical tensions are affecting trade policy, with a growing use of non-tariff trade restrictions. Overall, the pace of growth of total imports is projected to decline from 5.6% in 2022 to just 1.9% in 2023, before recovering to 3.3% in 2024.

2.2. FINANCIAL CONDITIONS IN THE EU

Since the Winter interim Forecast, financial conditions in the EU have tightened slightly further amidst persistent volatility in financial markets. After a strong start to the year, driven by incipient signs of improvements in the macro-financial environment, positive risk sentiment reversed abruptly in March when the failure of some US small and mid-size banks and the takeover of troubled Credit Suisse by UBS caused stress in the banking sector. Following some market turbulences, risk appetite resurfaced in April, leading to higher valuations in equity markets. At the same time, sovereign bond yields increased on the back of expected further central banks' rate hikes in response to persistently high core inflation.

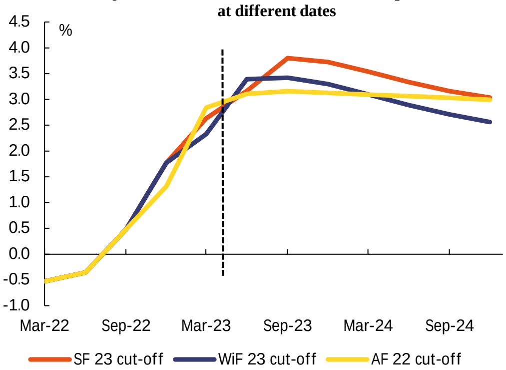
In the first months of this year, the ECB has continued the normalisation of its main monetary policy instruments. The ECB Governing Council raised its policy rates further by 50 bps. on 2 February and by an additional 25 bps. at its latest meeting in early May, after the cut-off date of the forecast. Since the beginning of the normalisation process, policy rates have increased by 375 bps., and as of 10 May 2023, the interest rates on the main refinancing operations, marginal lending facility and deposit facility are at 3.75%, 4.00% and 3.25% respectively. The size of the Eurosystem's balance sheet has continued to decline, mainly driven by substantial early repayments[1] and maturing of TLTRO III loans. Furthermore, the ECB has also started to reduce its asset purchase programme (APP) securities portfolio holdings in March 2023 and is expected to discontinue the reinvestments under APP as of July 2023. However, it remains committed to continue reinvesting the principal payments from maturing securities purchased under pandemic emergency purchase programme (PEPP) until at least the end of 2024. At the same time, the ECB has reaffirmed its commitment to address fragmentation risks and risks for financial stability. In the aftermath of the market tensions originated in the US, it stressed that it could provide liquidity if necessary for financial stability purposes, including through new instruments.

Monetary policy normalisation is expected to translate into further increases in short-term interest rates while long-term rates would remain stable. Reflecting market expectations at the cut-off date of this forecast, Euribor-3 months futures suggest that euro area short-term nominal interest rates will increase further and peak at 3.8% in 2023-Q3, somewhat later and higher than at the cut-off date of the Winter interim Forecast, before gradually easing to 3.0% by the end of the forecast horizon (see Graph I.2.9). Nominal long-term rates in the euro area, which already increased substantially in 2022, are expected to stay around 2.9% over the forecast horizon.

Outside the euro area, monetary policy is also on a normalisation course, though with various levels and profiles of rates (see Graph I.2.10). In central and eastern Europe, where monetary policy normalisation started earlier, central banks have maintained their monetary policy stance or have even started to lower rates, notably in Hungary where rates increased most In Sweden and Denmark, the process of monetary policy normalisation is more aligned to that of the ECB (see Box I.5.1 for the technical assumptions underpinning interest rates in this forecast).

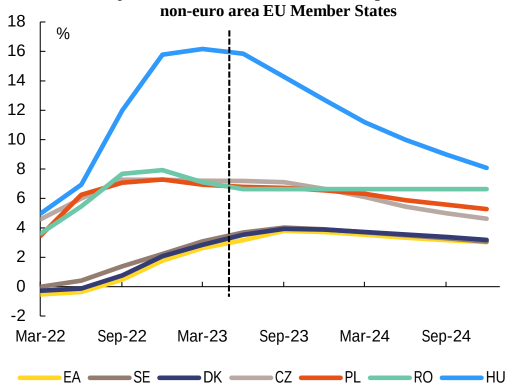
[1] Since the ECB revised the interest rate calculation on TLTRO III loans in October 2022, banks have made early repayments of TLTRO III loans amounting to EUR 931bn.

Graph I.2.9: **Short-term euro interest rate expectations at different dates**



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

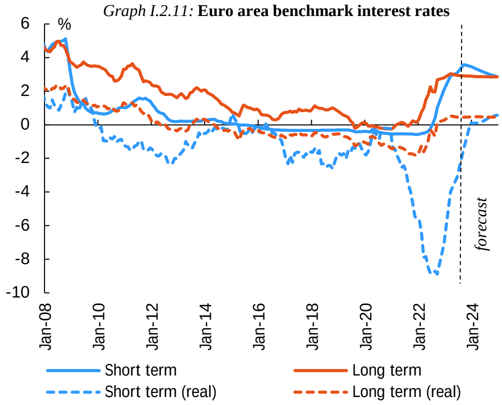
Graph I.2.10: **Short-term interest rate expectations in non-euro area EU Member States**



Source: IHS Markit, Refinitiv, Bloomberg.

Short-term real rates are set to turn positive in the euro area this year. In real terms (deflated by the HICP inflation rate), short-term interest rates remain negative. However, in view of the projected gradual easing of inflation, they are expected to increase steadily and turn positive at the end of this year(2). Long-term rates already turned positive in real terms (i.e. deflated with the 10-year inflation swap) at the end of 2022-Q3. As markets anticipate long-term inflation expectations to remain stable in the 2.4%-2.5% bracket, real long-term rates are expected to stay broadly unchanged at around 0.5% over the forecast horizon (see Graph I.2.11).

Graph I.2.11: **Euro area benchmark interest rates**



Source: Euribor, ECB.

The monetary policy outlook has become more uncertain following the emergence of financial stability risks and increased uncertainty around the inflation outlook. This is reflected by the increased volatility of market expectations about the future path of policy rates. At its monetary policy meeting in March, the ECB Governing Council highlighted its reaction function, whereby policy rates decisions will be determined by an assessment of the inflation outlook, the dynamics of underlying inflation, and the strength of monetary policy transmission. The latter has become particularly uncertain following the market stress surrounding the banking sector in March. The ECB also stated that there is no trade-off between price stability and financial stability challenges, which can be addressed separately and with the most appropriate tools.

Benchmark sovereign yields wavered since the start of the year, tracking monetary policy expectations. Upward shifts in the ECB's expected policy rates pushed 10-year sovereign bond yields higher. However, during the market turmoil in March, bond yields dropped significantly as markets lowered their expectations for further ECB rate hikes while investors fled into safe assets. As risk aversion faded, benchmark bond yields resumed their upward trend, reaching in early May broadly the same levels as at the start of the year. Euro area sovereign bond spreads over German bunds have remained broadly stable in most Member States while credit default

(2) 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).

swap spreads remained contained. Corporate bond spreads increased in March, in particular in the high yield segment, but tightened back with the return of risk appetite.

EU stock markets have continued on a positive trend since the start of the year. The Europe 600 index has gained some 8% since the start of the year on the back of better EU economic prospects, lower gas prices and the re-opening of China following the COVID-19 lock-down. Meanwhile the banking sub-index significantly outperformed on the back of strong fundamentals and robust profitability, with improving net interest margins outweighing expectations of higher provisions from a deteriorating asset quality outlook. In March, markets sold off with banking stock particularly hard hit as the closure of several US banks and the forced merger of Credit Suisse with UBS led investors to reassess risks. However, as of end-March, broad stock markets rallied, and the banking sub-index recovered most of its losses (see Graph I.2.12).

Graph I.2.12: **European stock prices**

Source: STOXX, Ltd.

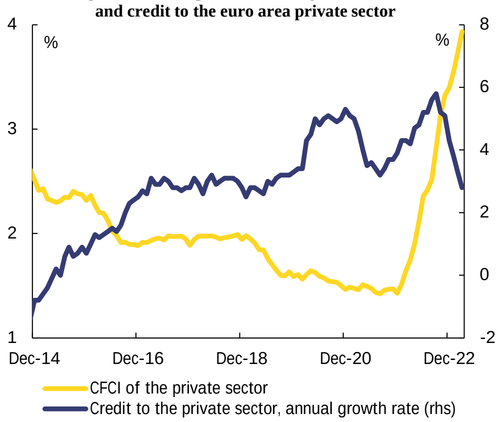
Recent financial market developments suggest investors' positive perception of the EU banking and financial system. Regulatory reforms implemented since the global financial crisis in 2008 have strengthened the resilience of the EU banking system. On average, banks have solid capital positions, robust asset quality and sufficient liquidity buffers. They also appear to have the capacity to absorb the impact of a weakening in credit quality and rely upon well-functioning market infrastructures that have withstood market volatility shocks and declines in asset valuations. At the same time, EU banks continue benefiting from the normalisation of monetary policy, as the interest rate pass-through on the asset side exceeds the pass-through on the liability side (in particular on deposits). Looking forward though, banks' funding costs are set to increase as monetary policy tightens further and TLTROs progressively expire until end-2024.

Bank lending in the euro area continued to decelerate for both firms and households as interest rates increased (see Graph I.2.13). The annual growth rate of loans to non-financial corporations (NFCs) declined from 6.3% in December 2022 to 5.2% in March 2023, while the annual growth rate of loans to households declined from 3.8% to 2.9% over the same period [3]. The latest ECB Bank Lending Survey of April 2023, released after the cut-off date of this forecast, shows continuation of the trends observed in the previous survey round of January 2023, which is consistent with the observed slowdown in bank lending. Banks continued to report strong tightening of their credit standards for both firms and households in the first quarter of 2023. The tightening remains motivated by banks' heightened risk perceptions and declining risk tolerance. Looking forward to the second quarter of this year, banks expect further tightening, albeit to a lesser degree than during the past quarters. At the same time, firms' demand for loans declined further in the first quarter of this year, still driven by the high level of interest rates and lower demand for fixed investments. Also, households' demand for housing loans continued to decrease at its fastest pace from a historical perspective due to high interest rates, poor housing market prospects and low consumer confidence. Banks expect the demand for loans to continue falling in the second quarter of this year, but at a less rapid pace.

(3) Loans to households and NFCs adjusted for seasonal effects and for loan sales and securitisation. Data for March came in after the cut-off date of this forecast.
Source: European Central Bank (ECB) (2023) Monetary developments in the euro area: March 2023 Press Release, 2 May.

Tighter credit standards and higher interest rates started to weigh on house prices. Euro area house prices decelerated to an annual rate of 3.0% in 2022-Q4, down from 9.6% in 2021-Q4. This slowdown, often from very fast growth rates, affected EU countries to a varying degree. About half of the Member States saw stagnating house prices by the end of 2022, or even a mild decline such as in the Netherlands, Sweden, Finland and Germany. Looking forward, house prices in the EU are expected to broadly stabilise in nominal terms this year and next amidst persistent cross-country variations. While the increase in mortgage rates is set to weigh further on housing demand, housing supply is expected to remain constrained in most EU countries, which limits the potential for a generalised house price slump. Higher mortgage rates are set to have a limited impact on households' finances in the EU thanks to the prevalence of fixed-rate mortgages, at close to 85% of the total. However, a number of countries with a large share of floating-rate housing loans, such as Finland, Portugal, Cyprus and the Baltic states in the euro area and Sweden, Poland, Romania and Bulgaria in the rest of the EU, may experience a loss in household discretionary income with possible knock-on effects on consumption.

Graph I.2.13: **Composite Financing Cost Indicator and credit to the euro area private sector**



Source: ECB, Bloomberg, Datastream.

The euro has regained strength since the beginning of this year. The euro appreciated against the US dollar, the Chinese renminbi, the Japanese yen, the Australian dollar and the Korean won, reflecting a tighter-than-previously-expected monetary policy stance in the euro area in the context of persistently high core inflation, a rising current account surplus as a result of declining gas prices, and positive surprises regarding the euro area economic activity. At the same time, the euro depreciated against the Swiss franc and against the currencies of some other EU Member States (Hungary and Poland).

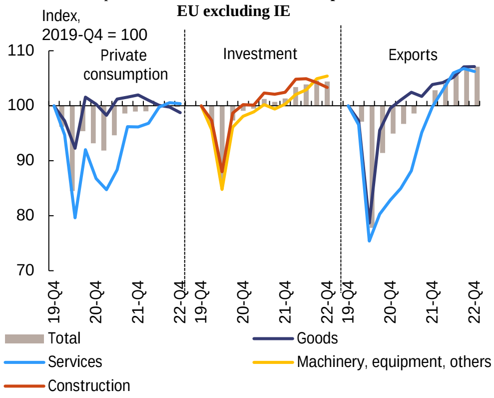
2.3. ECONOMIC ACTIVITY

In 2022, the EU and euro area economies grew by 3.5%, in line with the projection in the Winter interim Forecast. Following robust expansion in the first half of the year, by 1.5% compared to the previous semester, economic activity in the EU slowed down in the second half of 2022, but less than feared. Real GDP expanded at a rate of 0.7% compared to the first half of 2022, dragged down by a marginal contraction in the fourth quarter, by 0.1%, while the euro area stagnated. The statistical carry-over to 2023 is at 0.3% in the EU and 0.4% in the euro area. In 2022, dispersion of annual growth rates across countries[4] narrowed significantly compared to 2020, but remained large. Among the six largest Member States, economic activity increased by 1.8% in Germany, 2.6% in France and 3.7% in Italy. More robust growth was recorded in the Netherlands (4.5%), in Poland (5.1%) and in Spain (5.5%).

(4) As measured by the standard deviation of the annual growth rates of the EU Member States.

At the end of 2022, domestic demand contracted. In the fourth quarter of last year, private consumption and investment provided a negative contribution to growth, more than offsetting the positive impulse from government consumption. The contraction of private consumption, for the first time since early 2021, was the result of a marked decrease in the consumption of non-durable goods and a small drop of expenditure on services, after the strong increase recorded in the summer. By contrast, consumption of durable goods increased for the second quarter in a row, likely benefiting from easing supply disruptions. The sharp fall in gross fixed capital formation came on the back of a strong retrenchment of investment activities in Ireland. Excluding these volatile developments, the quarter-on-quarter decline in the EU was much more contained (see Graph I.2.14). Still, investment in residential housing fell sizeably, on the back of tighter financing conditions and significantly increased construction costs. Finally, net trade contributed positively to GDP growth in the last quarter of 2022, though as a result of sluggish exports and falling imports. Slowdown in export volumes' growth likely reflected weakening global demand, while the fall in import volumes came amid still high energy prices and after sustained efforts to refill gas storages in the summer. Moreover, like for investment, the aggregate volume of EU imports was again strongly affected by the activity of multinational companies in Ireland.[5]

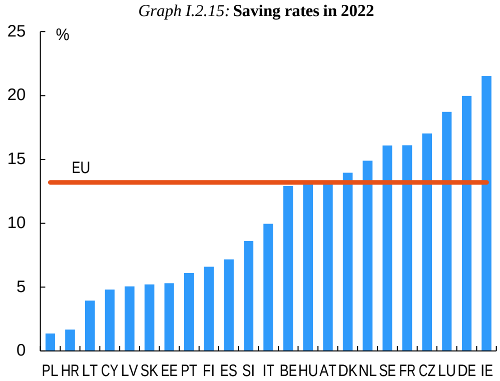
Graph I.2.14: **GDP demand-side components, EU excluding IE**



The surge in demand from the reopening of services largely faded at the end of last year. Value added growth in contact-intensive services[6] contracted significantly in the fourth quarter of 2022, following the boost provided by the gradual reopening and increased mobility in the previous three quarters. Weak dynamics in the other sectors did not support overall services. Value added in agriculture and construction also contracted in the fourth quarter, the latter continuing to decline since the second quarter. Value added in industry stagnated, showing some resilience.

The household saving rate edged up again in the fourth quarter. According to quarterly sectoral accounts, the household saving rate increased to 12.6% in the EU (from 12.0% in the previous quarter) and to 14.2% (from 13.4%) in the euro area, as households allocated a lower share of their nominal gross disposable income to consumption. This halted the continuous decline in the household saving rate observed since early 2021. Still, in 2022 as a whole, the saving rate declined further to 13.2% (from 16.7% in 2021) in the EU and to 14.3% (from 17.9% in 2021) in the euro area, but remained above the rates recorded before the pandemic, in 2019. There remains large heterogeneity in saving rates across countries (see Graph I.2.15).

Graph I.2.15: **Saving rates in 2022**



Note: Excluding BG, MT, RO and EL.

(5) For more details, see the thematic box "Irish GDP developments and multinational enterprises' activities" in the Summer 2022 interim Forecast.

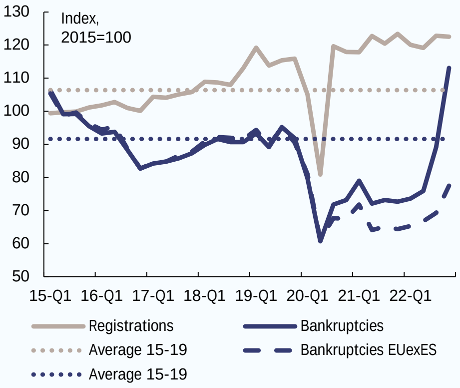
(6) Contact-intensive sectors include arts, entertainment and recreation, as well as wholesale and retail trade, transport, accommodation and food service activities. These sectors have been particularly affected by containment measures during the pandemic, as non-teleworkable occupations, reliant on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

Box I.2.2: Recent developments in bankruptcy declarations in the EU

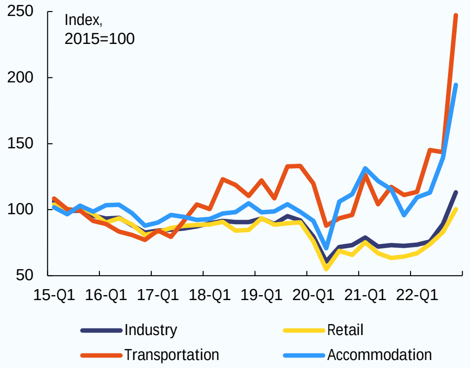
This box analyses the drivers behind the surge in bankruptcies in the second half of 2022. The recent surge in bankruptcies is to a large extent driven by developments in Spain, where a new insolvency regulation recently entered into force. Sectors that were most severely hit by the pandemic and energy crisis, notably accommodation and transport, also played an important role in the recent uptick, but likely reflect a catch-up with pre-pandemic trends following the withdrawal of support measures. Beyond these two effects, the increase in bankruptcy declarations in the EU appears contained. Still, the rapid tightening of financing conditions remains a source of risk.

Bankruptcy declarations surged in the second half of last year and are now above their long-term average in the EU. Business registrations in the EU had shown a steady increase before 2019. In the first half of 2020, registrations dropped reflecting the difficult situation of businesses at the beginning of the pandemic. They picked up again as the economy rebounded in 2020-Q3. Since then, the number of registrations has returned to a level well-above the pre-pandemic average (2015-19). The drop of bankruptcies during the first half of 2020 reflected the interruption of administrative services to handle bankruptcy declarations, including outright suspensions of possibility to initiate insolvency proceeding. Bankruptcy declarations picked up again until the beginning of 2021 and remained stable at a relatively low level until 2022-Q2, but have increased sharply thereafter. Two factors explain this sudden surge.

Graph 1a: **Business registrations and bankruptcies, EU**



Graph 1b: **Bankruptcy declarations per sector, EU**



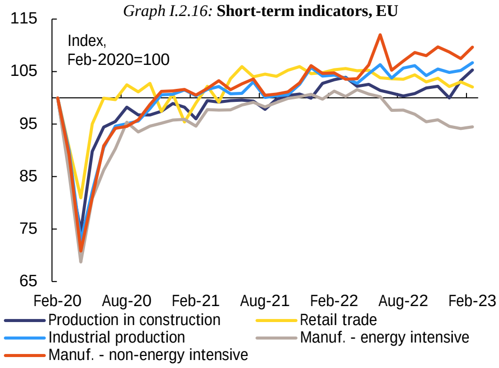
The increase in the bankruptcy rate in the EU is heavily affected by regulatory changes in Spain. Bankruptcy declarations in Spain shot up in the last two quarters. This is largely explained by reforms to the insolvency framework that entered into force in September 2022, which shortened the repayment plan and made bankruptcy proceedings more debtor-friendly. In addition, the end of the insolvency moratorium as from 30 June 2022 contributed to increase the insolvency filings in the third quarter of 2022. As Spain boasts the third highest number of corporations in the EU, developments in Spain have an important weight in the EU aggregate. Several other Member States registered a slight uptick in bankruptcies, but the rate of exits remained below the pre-pandemic average.

The hike in bankruptcies is concentrated in the sectors most likely to be affected by the withdrawal of pandemic support measures. The pick-up in bankruptcies reflects a clearing of the insolvency backlog created by some support schemes during the pandemic. Government liquidity support measures in the acute phases of the pandemic helped many businesses, including those that were already struggling, to stay afloat. Businesses in contact-intensive sectors, like accommodation and transport, have been amongst the main beneficiaries, as contact-intensive services were particularly hit by lockdowns. As support measures are wound down, the number of viable firms is expected to thin out. In this respect, it is noteworthy that in the fourth quarter of 2022, bankruptcy declarations in the transport and accommodation sectors (which incidentally have historically shown higher average bankruptcy rates than other sectors) jumped to record highs (by 72.2% and by 39.4% respectively). These two sectors are also of significant importance in Spain and contribute to the strong increase of bankruptcies in the country.

EU economic activity expanded at the start of 2023. Lower energy prices and easing inflationary pressures, coupled with improved business and consumer confidence, supported moderate growth in the EU in the first quarter of this year. According to Eurostat's preliminary flash estimate, in 2023-Q1 GDP grew by 0.3% in the EU and by 0.1% in the euro area, which is slightly above the projection of the Commission's Winter 2023 interim Forecast. This outcome implies that growth for 2023 as a whole would be at 0.5% in the EU and 0.6% in the euro area if economic activity were to be flat in the remaining quarters. Among the reporting countries, estimates ranged from −3% q-o-q (Lithuania) to 1.6% (Portugal). In the largest euro area countries, economic activity increased by 0.5% both in Spain and in Italy, and by 0.2% in France, while it stagnated in Germany. Information on the demand composition of growth is only available from national sources for a few countries. It points to subdued consumption growth and robust investment growth, despite tighter financing conditions. Net exports are again expected to contribute positively to growth, thanks to the improvement in the terms of trade and a strong tourism performance.

The positive growth reading in the first quarter was corroborated by short-term indicators. Industrial production recorded a positive start of the year. In the first two months, it stood 1.2% q-o-q above the 2022-Q4 average. Fading supply chain bottlenecks and lower energy costs supported the improvement. However, the energy shock continued to weigh on energy-intensive manufacturing sectors, which were still trending downwards. Production in construction also continued to increase in January and February, likely helped by mild weather conditions. By contrast, the volume of retail sales continued to contract in the first months of the year, remaining 0.4% below the 2022-Q4 level on average (see Graph I.2.16). Similarly, new car passenger registrations declined in the first quarter of 2023, reflecting the full or partial reversal of government incentives for the purchase of clean and energy efficient vehicles in some EU countries. Latest data on trade of goods in volume pointed to an uptick in early 2023, following a deterioration in both imports and exports at the turn of the year. Finally, recent indicators signal robust growth in the tourism sector. The number of visitors' arrivals and nights spent at tourist accommodation establishments in the EU increased significantly in January and February compared to the same period of the previous year, and latest data from the European aviation on air traffic show flights in March were 88% above the March 2019 levels.

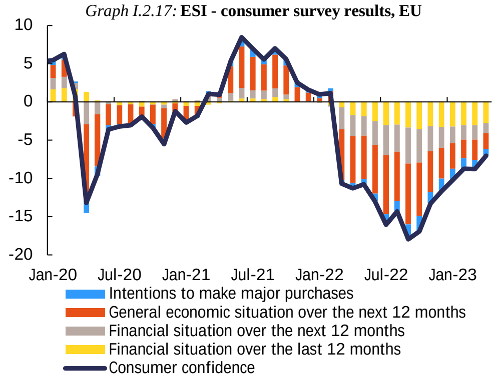
Graph I.2.16: **Short-term indicators, EU**



Note: Energy intensive sectors defined as having energy intensity above the average in manufacturing. For exact definition see European Economic Forecast, Spring 2022, Box I.2.2.

Leading indicators suggest continued expansion in the second quarter of 2023. In April, both the Commission's business surveys and the PMIs pointed to confidence in services outperforming the manufacturing sector. The Commission's surveys also point to improved sentiment in retail trade and to continued recovery of consumer confidence from last autumn's historical low point (see Graph I.2.17). Furthermore, the share of industry managers identifying shortages of material and/or equipment as a factor limiting their production decreased further (to 26.8%), as did the percentage of managers identifying shortage of labour force (to 26.3%), although staying close to the all-time high registered a year ago. Meanwhile, slowing demand has taken over as the main

Graph I.2.17: **ESI - consumer survey results, EU**



Note: All series are mean-adjusted and the four components have the same weight (0.25 each).

factor limiting production. Financial constraints stayed low compared to the other limiting factors, receding from January's peak. Finally, the Economic Uncertainty Indicator (EUI) decreased further in April, as both managers' uncertainty about their future business situation and uncertainty of consumers as to their future financial situation edged down.

The bi-annual Commission investment survey, conducted between March and April, provides a mildly positive picture for business investment. In both manufacturing and services, the balance of managers expecting higher, rather than lower, investment by their companies this year compared to 2022 remains high and positive, despite its slight decrease compared to the same balance last year. This means that while the outlook for investment growth in 2023 remains positive, investment dynamics can be expected to decelerate. At the same time, the survey shows an upward adjustment of managers' investment intentions in both manufacturing and services as compared to the previous survey of October/November 2022.

The terms-of-trade countershock is making its way through the economy. The sharp deterioration of terms of trade in 2021 and 2022, as energy (imported) prices surged, resulted in a transfer of purchasing power from the EU to the rest of the world. In cumulative terms over 2021-2022, the loss of income accrued to the EU economy is estimated at around 3% of GDP. With energy prices rapidly falling, the projected improvement in terms of trade over the forecast horizon is estimated to undo around half of that loss. As falling energy prices gradually feed through to production costs and consumer prices, all domestic sectors of the economy – households, corporates and governments – are set to benefit. So far, households and the public finances have taken a large part of the brunt of high imported inflation, as employment growth only partially offset the fall in real wages and the public finances set out to protect households and corporations from the adverse impact of high energy prices. Companies have been generally successful in passing on higher production costs to consumers (see Box I.2.3), both domestic and global, though the most energy-intensive sectors and companies have been struggling. Going forward, households are set to see their real disposable incomes cease declining in 2023 and finally increase in 2024, thanks to a combination of falling inflation and higher wages. Falling energy prices will also allow governments to contain the cost of support measures or phase them out altogether. Corporates will maintain overall healthy balance sheets over the forecast horizon.

EU GDP growth is projected to slow down significantly in 2023 and regain some strength in 2024. Continued resilience in the labour market and markedly lower energy prices, roughly back to their 2021 levels, continue to work their way through the economy, offsetting the negative impact of tightening financial conditions. EU economic activity is projected to expand by 1% (1.1% in the euro area) in 2023. The 0.2 pps. upward revision compared to the Winter interim Forecast in both areas owes to the better-than-expected estimated outturn in the first quarter of the year. Annual GDP growth in 2024 is projected to land at 1.7% in the EU and 1.6% in the euro area. This is 0.1 pps. higher than in the Winter interim Forecast for the EU and the euro area. In both years, domestic demand and net exports are set to provide positive contributions to growth (see Graph I.2.18).

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

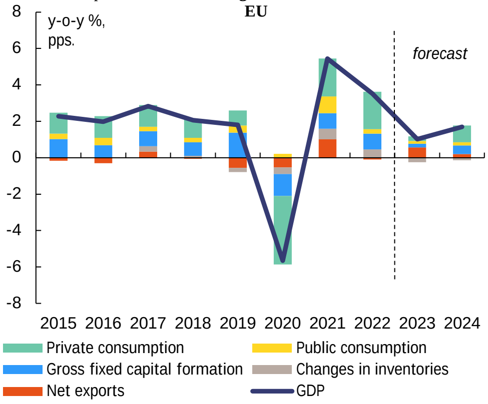


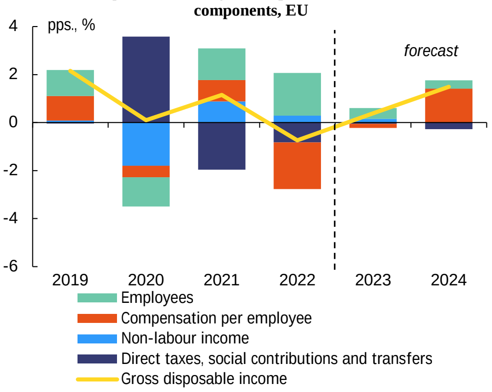
Table I.2.2:

Composition of growth, EU

(Real annual percentage change)

	2022		2017	2018	2019	2020	2021	Spring 2023 Forecast 2022	2023	2024
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	8,365.3	52.3	2.2	1.9	1.5	-7.1	4.0	**4.0**	**0.5**	**1.8**
Public consumption	3,415.1	21.4	1.1	1.2	1.9	1.0	4.2	**1.1**	**0.7**	**0.8**
Gross fixed capital formation	3,635.8	22.7	4.0	3.6	6.5	-5.4	3.8	**4.0**	**0.9**	**2.1**
Change in stocks as % of GDP	329.2	2.1	0.8	1.0	0.7	0.4	1.3	**2.0**	**1.4**	**1.2**
Exports of goods and services	8,952.7	56.0	5.8	3.7	3.1	-8.4	10.5	**7.1**	**3.0**	**3.3**
Final demand	24,695.9	154.4	3.7	2.7	2.7	-6.4	6.5	**4.9**	**1.4**	**2.2**
Imports of goods and services	8,704.3	54.4	5.5	4.2	4.6	-7.9	9.1	**7.9**	**2.1**	**3.2**
GDP	15,989.8	100.0	2.8	2.1	1.8	-5.6	5.4	**3.5**	**1.0**	**1.7**
GNI	15,803.0	98.8	2.9	2.3	1.7	-5.9	6.0	**3.0**	**0.9**	**1.7**
p.m. GDP euro area	13,399.9	83.8	2.6	1.8	1.6	-6.1	5.4	**3.5**	**1.1**	**1.6**
			Contribution to change in GDP							
Private consumption			1.2	1.0	0.8	-3.8	2.1	**2.1**	**0.3**	**0.9**
Public consumption			0.2	0.2	0.4	0.2	0.9	**0.2**	**0.1**	**0.2**
Investment			0.8	0.7	1.4	-1.2	0.8	**0.9**	**0.2**	**0.5**
Inventories			0.3	0.1	-0.2	-0.4	0.6	**0.5**	**-0.2**	**-0.1**
Exports			2.7	1.8	1.5	-4.2	4.9	**3.6**	**1.7**	**1.8**
Final demand			5.2	3.9	3.9	-9.3	9.3	**7.2**	**2.1**	**3.3**
Imports (minus)			-2.3	-1.9	-2.1	3.6	-3.9	**-3.7**	**-1.1**	**-1.6**
Net exports			0.3	-0.1	-0.6	-0.5	1.0	**-0.1**	**0.6**	**0.2**

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



Private consumption remains subdued in 2023, but rebounds in 2024. Continued erosion of workers' purchasing power and tighter credit standards are holding consumption back (the latter particularly in Member States where variable mortgage interest rates prevail – see Section 2.2 - and/or households rely heavily on consumer credit). Following the fall in the fourth quarter of last year and projected weakness in the first quarter of this year, private consumption growth in the EU in 2023 is projected at a modest 0.5%. As inflation loosens its grip on households' budgets, employment continues to expand and wages accelerate, growth of real disposable income of households is set to gain strength in 2024 (see Graph I.2.19), leading to a rebound in private consumption by 1.8% in 2024.

The household saving rate is expected to decrease slightly further in the EU from 13.2% in 2022 to 13.1% in 2023 and 12.8% in 2024, close to the rate recorded before the pandemic (12.2% in 2019-Q4) and to its long-term average (12.8% in the EU). As household investment is projected to significantly slow down, households remain net lenders to the economy, though their net lending position declines.

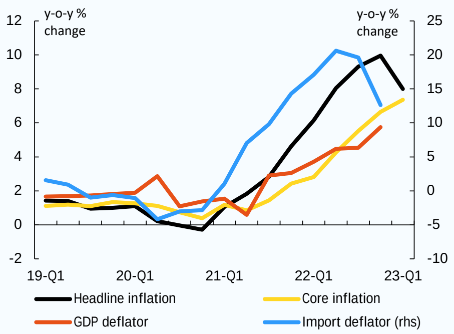
Box I.2.3: Profit margins and their role in euro area inflation

The surge in euro area inflation since mid-2021 was mainly the consequence of the rapid rise of energy and commodity prices, but the role of domestic factors has been growing. The deterioration in the terms of trade following the pandemic and the energy and food commodity price shocks triggered by Russia's war of aggression against Ukraine implied that the initial surge in consumer inflation was largely imported. However, core inflation has been rising steeply since mid-2021, reaching an annual rate of 7.4% in the first quarter of 2023, a historic high.

This box offers insights into how profits have contributed to domestic price formation in the euro area during the past three years and what this could imply for inflation developments. When looking at domestic price pressures, attention commonly focuses on developments in unit labour costs, but unit profits also play a role. They can either constitute a direct driver of inflation or a cushion, depending on the extent to which firms pass on changes in costs to final consumer prices. This analysis on the factors behind the increase in domestic prices is based on national accounts data, and in particular the decomposition of the annual changes in the GDP deflator. The latter, calculated as the ratio of the nominal value of goods and services produced domestically to their volume, reflects the price of a unit of production and can be seen as a measure of domestic price pressures, thus primarily affecting core consumption items. The link between the GDP deflator and core inflation, i.e. headline inflation excluding energy and unprocessed food, is strong (Graph 1).

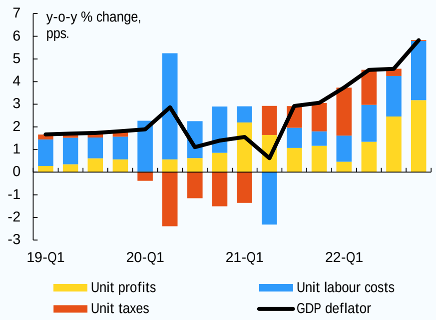
The income approach to calculate GDP allows to break the GDP deflator down into labour costs, profits and taxes, thus showing the role of each of these domestic factors in shaping domestic price pressures. Some important qualifiers are necessary, however. This analysis is purely an accounting exercise that does not reveal the uses that firms make of their higher operating surpluses. While they may indeed distribute some of it to their shareholders, firms may have other motives to raise their profit margins, including precautionary ones, for example in view of possible future investment, tax or wage increases. Moreover, causality may be difficult to ascertain at this stage as the economy is still adjusting to the pandemic and energy shocks, and fiscal support distorted the normal evolution of certain components due to subsidies and other policy interventions.

Graph 1: **Imported and domestic price pressures, euro area**



Note: Last observation for deflators is Q4 2022.

Graph 2: **GDP deflator and its contributions**



Unit profits have been resilient since the outbreak of the pandemic and have become a significant driver of the GDP deflator. Unit profits, which measure the average profit per unit of output [1], have fared relatively well since the outbreak of the pandemic (Graph 2). In the initial recession phase induced by the pandemic shock, both unit labour costs and, to a lesser extent, unit profits, increased, as compensation of employees and aggregate profits contracted less than real GDP due to

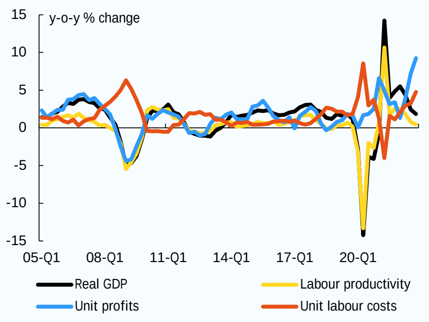
(1) Unit profits are calculated as the ratio of gross operating surplus to real GDP. Gross operating surplus is adjusted to exclude the compensation of self-employed persons, calculated on the assumption that their individual compensation is equal to that of an employed person. Compensation of employees is adjusted accordingly.

(Continued on the next page)

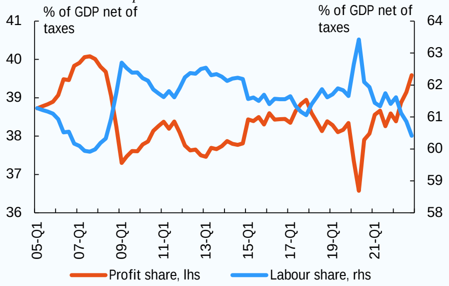
Box (continued)

unprecedent government support. Government support is reflected in the negative contribution of unit taxes, which dampened the impact of the increase in unit labour costs and profits on domestic prices. This pattern extended until early 2021, when job retention schemes for workers started to be phased out and (imported) energy prices began to soar. In 2022, unit profits increased steadily, growing at a record 9.3% (year-on-year) in the final quarter (Graph 3). This increase contributed 3.2 pps. to the total GDP deflator growth of 5.8%, thus contributing more to domestic inflation than unit labour costs. A corollary of the strong increase in unit profits is the shift in the distribution of value added among firms and labour, whereby the profit share has risen above its pre-pandemic average, while the labour income share analogously fell (Graph 4).

Graph 3: **Unit profits, unit labour costs, labour productivity and GDP**



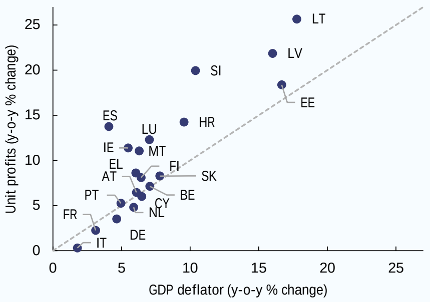
Graph 4: **Profit and labour shares**



Note: The labour share includes self-employed persons on the assumption that their individual compensation is equal to that of an employed person. Net taxes are excluded, i.e. both shares add to 100.

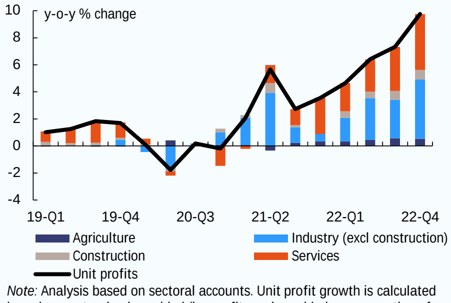
Unit profits have increased across all euro area countries and sectors, albeit in a heterogeneous way. The surge in inflation differentials within the euro area is also visible when looking at the changes in the GDP deflator and unit profits (Graph 5). In 2022-Q4, unit profits grew in all countries, outpacing the GDP deflator in most of them. In terms of sectoral decomposition, profit increases during the early stages of the pandemic were led by industry, including manufacturing, energy and utilities, and mining, but the sector contribution broadened thereafter.

Graph 5: **GDP deflator vs unit profits**



Note: Data refer to 2022-Q4. The dashed line is the identity (45 degree) line.

Graph 6: **Unit profits and sectoral contributions**



Note: Analysis based on sectoral accounts. Unit profit growth is calculated based on sectoral value added (i.e. profits=value added-compensation of employees).

The strength of demand and the high inflation environment have been conducive to higher profit margins. In theory, a profit-maximising firm sets prices such that the percentage mark-up of price above marginal cost is inversely related to its price elasticity of demand, i.e. if demand is inelastic, a firm can afford to have a higher mark-up because demand will react less. The mark-up that a firm can charge will ultimately depend on the degree of competition and structure of the market it operates in, and on the market's overall elasticity of demand. The rapid recovery of aggregate demand in the aftermath of the COVID-19 crisis, facilitated by high household savings and strong corporate balance sheets, provided scope for the build-up of unit profits, especially in sectors where pent-up demand exceeded supply such as in the electronics, health, transport and travel sectors. The initial rotation of

(Continued on the next page)

Box (continued)

demand towards goods, amid lockdowns and severe mobility restrictions, enabled firms in the manufacturing sector to raise their mark-ups (Graph 6). The services sector benefited most when restrictions were lifted in 2022. The energy sector benefited in aggregate from rising natural gas prices. (2) Strategic complementarities in pricing, i.e. the response to competitors' pricing, may be another explanation for simultaneous increases in profit margins in an environment of accelerating inflation. (3) Meanwhile, the prevalence of cost shocks may have led to higher "acceptance" by customers of price increases, as they may be less inclined to view them as idiosyncratic increases and as a result are less likely to "punish" a firm by switching to a competitor. Also, supply shortages for many goods and commodities, caused by lockdowns and the war, may have raised the pricing power of their producers. (4)

Profit developments matter for second round effects and have implications for risks to the inflation profile. The purchasing power loss that workers have experienced as inflation started to rise has led to higher wage demands. Changes in the profit share in principle allows firms to compensate for higher wages and as such could limit the extent of second round effects, i.e. the prolongation of price shocks through higher wages and demand. This is what happened in the recession of 2008 when unit profits turned negative. In the wake of the terms-of-trade shock, the extent to which this pattern is repeated will depend on how value added is shared between firms and workers. If the profit share does not adjust, any wage increase going beyond productivity gains will ultimately lead to higher inflation. Protracted distributional conflicts could delay the process of disinflation, risk a loosening of inflation expectations, and ultimately force central banks to tighten monetary policy more than otherwise would be the case. (5)

In the Spring Forecast, the contribution of unit profits to domestic price pressures in the euro area (and other EU countries) is expected to remain high in 2023 but to decline notably in 2024. Unit profits in the euro area (EU) are projected to contribute 2.6 pps. (2.5) to the GDP deflator in 2023, and to fall to 0.1 pps. (0.4) in 2024. Likewise, in line with recent wage agreements, the projected wage growth is expected to keep unit labour costs high in 2023 with some moderation in 2024. The easing of supply-side bottlenecks, the phasing out of fiscal support, the exhaustion of the excess private savings accumulated during the pandemic, and weak global economic activity may imply a return to the patterns observed before the pandemic, when unit profits traditionally played a buffer role for unit labour cost increases, as firms attempt to maintain market shares. This would represent a safeguard against risks of prolonged second-round effects.

(2) Rising gas prices have implied rising profits for many so called "inframarginal" electricity producers. The marginal pricing model for electricity implies that the cheapest energy generators are deployed first, with more expensive sources added depending on demand.

(3) Andler, M. and A. Kovner (2022). "Do Corporate Profits Increase when inflation increases?" *Liberty Street Economics* (NY Fed), 13 July.

(4) For recent evidence for the US, see Weber, I. and E. Wasner (2023). "Sellers' Inflation, Profits and Conflict: Why can Large Firms Hike Prices in an Emergency?" *Economics Department Working Paper Series*, University of Massachusetts Amherst.

(5) Arce, O. et al. (2023). "How tit-for-tat inflation can make everyone poorer." ECB blog, 30 March.

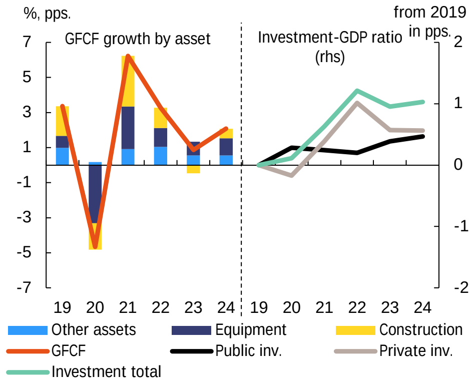
Table I.2.3:

Composition of growth, euro area

(Real annual percentage change)

	2022							Spring 2023 Forecast		
	bn Euro Curr. prices	% GDP	2017	2018	2019	2020	2021	2022	2023	2024
			Real percentage change							
Private consumption	7,042.0	52.6	1.8	1.5	1.4	-7.7	3.7	**4.3**	**0.6**	**1.7**
Public consumption	2,881.6	21.5	1.1	1.0	1.7	1.0	4.3	**1.3**	**0.7**	**0.7**
Gross fixed capital formation	3,039.2	22.7	3.9	3.1	6.9	-6.2	3.9	**3.7**	**1.0**	**2.1**
Change in stocks as % of GDP	227.4	1.7	0.7	0.9	0.7	0.4	1.0	**1.7**	**1.2**	**1.0**
Exports of goods and services	7,339.0	54.8	5.6	3.6	2.9	-9.0	10.7	**7.0**	**3.1**	**3.3**
Final demand	20,529.1	153.2	3.4	2.4	2.6	-6.8	6.3	**4.9**	**1.5**	**2.1**
Imports of goods and services	7,126.3	53.2	5.2	3.9	4.8	-8.5	8.4	**8.0**	**2.3**	**3.2**
GDP	13,399.9	100.0	2.6	1.8	1.6	-6.1	5.4	**3.5**	**1.1**	**1.6**
GNI	13,417.5	100.1	2.6	2.1	1.4	-6.4	6.0	**2.8**	**1.1**	**1.5**
p.m. GDP EU	15,989.8	119.3	2.8	2.1	1.8	-5.6	5.4	**3.5**	**1.0**	**1.7**
			Contribution to change in GDP							
Private consumption			1.0	0.8	0.7	-4.1	1.9	**2.2**	**0.3**	**0.9**
Public consumption			0.2	0.2	0.4	0.2	1.0	**0.3**	**0.2**	**0.1**
Investment			0.8	0.6	1.4	-1.4	0.9	**0.8**	**0.2**	**0.5**
Inventories			0.3	0.1	-0.2	-0.3	0.3	**0.3**	**-0.1**	**-0.1**
Exports			2.6	1.7	1.4	-4.3	4.8	**3.5**	**1.7**	**1.8**
Final demand			4.8	3.4	3.7	-9.9	8.9	**7.1**	**2.3**	**3.2**
Imports (minus)			-2.2	-1.7	-2.1	3.8	-3.5	**-3.6**	**-1.2**	**-1.6**
Net exports			0.4	0.0	-0.7	-0.5	1.3	**-0.2**	**0.5**	**0.2**

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

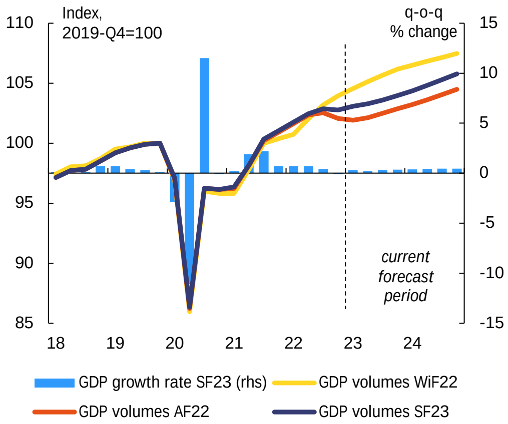


Tightening financing conditions weigh on investment, but countervailing factors are at play. Business investment is projected to increase, though at a slower pace than last year, helped by corporates' overall healthy balance sheet position. By contrast, housing investment, which is particularly sensitive to interest rates, is expected to contract, dragging down the whole construction component of investment. Construction investment growth is thus expected to decline by 1.0% in 2023, before rebounding in 2024, by 1.2%. Continued RRF implementation is also set to continue supporting investment, both public and private. Overall, investment growth is projected to decelerate markedly from 4% in 2022 to 0.9% in 2023. Gradual normalisation of economic activity is expected to reinvigorate companies' investment decisions, pushing overall investment growth up by 2.1% in 2024 (see Graph I.2.20).

The outlook for external demand facing the EU is muted. The projections for EU export market growth (see Section 2.1) imply a strong slowdown in 2023, followed by some pick-up in 2024. In line with these developments, volumes of both exports and imports of goods and services in the EU are forecast to decelerate strongly in 2023 compared to 2022, to 3.0% and 2.1%, respectively, and to only slightly accelerate in 2024. Net external demand is expected to contribute positively to GDP in 2023 (0.6 pps.). In 2024, stronger import growth is expected to lower the contribution of external demand to 0.2 pps..

The EU economy is estimated to converge to its potential level of activity by 2024. The output gap –a gauge of an economy's cyclical position– is assumed to virtually close this year and stabilise next year (see Special Issue I.4.1).

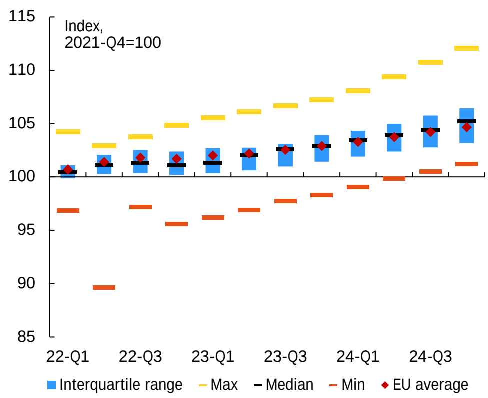
Graph I.2.21: **Real GDP growth path, EU**



At the end of 2024, the EU economy is set to be on a higher real GDP growth path than previously projected. Following the two successive large shocks of the pandemic and the war, the volume of output in the EU by end 2024 is expected to be almost 6% above the pre-pandemic (2019-Q4) level and around 5% above the pre-war level (2021-Q4). Moreover, the volume of output in the EU at 2024-Q4 is set to be 1.3% above the Autumn 2022 Forecast projections (see Graph I.2.21). However, the current forecast does not expect a narrowing of the gap with the pre-war trend output over the forecast horizon. It is set to remain almost 2% below the output that was projected before the Russian war of aggression against Ukraine (in the Winter 2022 interim Forecast).[7]

Heterogeneity in the growth performance across Member States remains large. The extraordinary succession of two large shocks, their different impact across countries and the variety of policy responses led to a widening of growth rates across Member States. The difference between the highest and lowest growth rate is still set to remain wide at the end of the forecast horizon (see Graph I.2.22). However, economic convergence within the EU – measured in terms of GDP per capita – is expected to continue over the forecast horizon.

Graph I.2.22: **Cumulative growth performance - distribution across Member States**



2.4. LABOUR MARKET

In 2022, record low unemployment and other key metrics underscored a record tight labour market. In the fourth quarter of 2022, the EU labour market hit new records across several key metrics. According to the Labour Force Survey and looking at the age group 15-74, an unprecedented 203.1 million people, or 61% of the population, were holding a job, while the unemployment rate and the labour market slack indicator[8] were at their record lows of 6.1% of the active population and 12.1% of the extended labour force, respectively. At 65%, the activity rate was at its highest (since the beginning of Eurostat's series in 2009) and both the job vacancy rate and labour shortages reported in the Commission's business surveys remained at very elevated levels, despite some recent declines.

Employment gaps by age, gender and education narrowed in 2022. In the first year of the pandemic, the employment rate of young persons (15-24) had dropped significantly more than that of older cohorts, opening the gap in employment rates (based on quarterly labour force survey data). This gap remained largely unchanged in 2021, but it closed compared to middle aged workers and narrowed strongly compared to older workers in 2022. Following a stronger decline in 2020, employment of women increased more strongly than that of men in both 2021 and 2022, leading to a narrowing of the gender employment gap to 10.7 pps., its lowest level on record.

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(7) This is computed on the extrapolation of growth outlook from WiF22 based on the extension of GDP volumes with the average growth rate from 2010-2019.

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

Box I.2.4: Which Factors Shape Growth and Inflation Going Forward? Model-Based Insights into the Spring Forecast

Understanding the drivers of growth and inflation in the EU is key for interpreting an Economic Forecast. The judgement-based approach underpinning the European Economic Forecast can be complemented by an analysis of the fundamental forces behind short-term macroeconomic fluctuations through the lens of an estimated structural macroeconomic model. The presented 'shock-decomposition' analysis takes the European Commission's Spring Economic Forecast as input and recovers the exogenous factors ('shocks') that explain it in a model-consistent way. Hence, the analysis offers a stylised yet quantitative interpretation of the forecast.

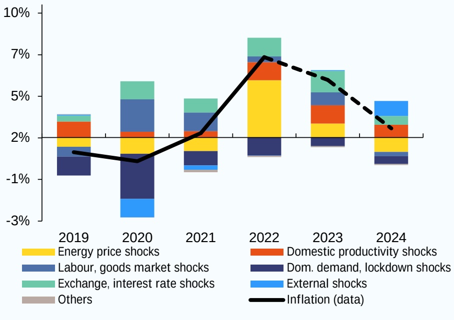
The model-based analysis presented in this box points to the continued role of terms of trade and supply conditions in shaping the economic outlook in the EU. After a still sizeable impact of past increases in energy prices on inflation and growth in 2023, forecasts of GDP growth and inflation gradually revert to their long-run trends in 2024. In this regard, this model-based analysis illustrates the importance of labour market dynamics and the pass-through of energy price (dis)inflation for the economic outlook. Moreover, there are other drivers, such as the increase in the price of processed food, which the model only partially captures.

The analysis employs an estimated structural macroeconomic model to shed light on the key factors driving **the European Commission's Spring 2023 Forecast for growth and** inflation. The Global Multi-Country (GM) model is an estimated multi-country Dynamic Stochastic General Equilibrium (DSGE) model of the euro area. It draws upon a rich data set of over 30 different time series, including, among others, national accounts variables, and trade flows. The model has been recently enriched to take into account key developments in the energy market. The model parameters are estimated with Bayesian techniques based on historical data. The series are extended with forecast variables to cover the period until 2024.

The model allows quantifying the impact of changes in external assumptions and shocks that, conditional on historical information, are most likely to drive the short-term dynamics. The model applies the same external assumptions specified in the forecast. In particular, for energy, it relies on expectations of gas and oil prices based on futures markets, following the assumptions outlined in Box I.5.1. The explicit modelling of external assumptions allows to assess the impact of changes in the assumed path of energy prices, interest rates and external demand on forecast variables. Moreover, by comparing historical data extended with forecasts with the corresponding model variables, it is possible to identify the exogenous factors (shocks) that are likely to drive economic short- and medium-term dynamics, according to the model estimates. [1]

The stagflationary impact of the surge in energy prices in 2021 and especially 2022 continues to play out in 2023. As shown in Graph 1, these shocks (yellow bars) remain an important driver of inflation in 2023 after explaining the bulk of the 2022 inflation spike. [2] According to model estimates, higher energy prices will continue to drag on economic activity in 2023, while the positive effect of falling energy prices will push up GDP growth only as 2024 (Graph 2). This is because the negative contribution of energy price shocks includes second-round effects via, e.g. core inflation and labour markets that persist even as the initial

Graph 1: **Euro area consumption deflator growth, deviations from trend**



(1) The model identifies the driving forces and transmission mechanisms using theory-based restrictions across variables and over time. In particular, the ability of the model to fit the observed data determines the size of the various domestic and foreign demand and supply shocks.

(2) In Graphs 1 and 2, stacked coloured bars represent contributions of groups of shocks to deviations of growth and inflation from long-term trends, indicated by dashed bold horizontal lines in both panels. Bars above (below) this line indicate positive (negative) contributions.

(Continued on the next page)

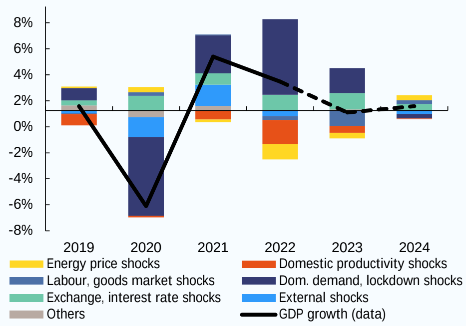
Box (continued)

commodity shock is progressively reversed. Other shocks from the external environment (e.g. non-commodity import price and trade shocks) contribute positively to inflation in 2024, while their effect on GDP growth remains more limited, as indicated by the light blue bars.

Additional inflationary pressures over the forecast horizon come from domestic supply factors, while the impact of shocks to wage dynamics has remained more limited. Productivity shocks (red bars) capture broad price-increasing supply-side deteriorations. These add to inflationary pressures coming from energy. Moreover, inflationary shocks to goods market conditions are consistent with the observation of increased profit margins. Nominal wages, in contrast, have only partially recovered the fall in purchasing power – especially in 2022. In sum, shocks affecting labour and goods markets (purple bars) have contributed little to last year's surge in inflation. Regarding GDP growth, the joint contribution of both groups of shocks (i.e. productivity and labour and good market) is most negative in 2022 and eases over the forecast horizon until it turns positive in 2024.

Pent-up demand, further propped up by government subsidies, is key in explaining the resilience of the EU economy in 2022 and 2023. In the early stages of the pandemic crisis, lockdowns led to a strong demand contraction and drove up savings. The release of excess savings propped up demand in 2021 and especially in 2022. Domestic demand and (reverting) lockdown shocks, however, continue to push consumption above its model-implied level also in 2023, possibly reflecting the positive impact of energy-related fiscal measures.

Graph 2: **Euro area real GDP growth, deviations from trend**



It is interesting to note that lockdown shocks in the model had relatively mild effects on consumer prices, possibly because the nature of the shock did not lead to a significant upward revision of inflation expectations. Over the forecast horizon, domestic demand shocks are expected to put less downward pressures on inflation than in 2019 and 2020. Nonetheless, while the adverse impact of these shocks on GDP growth vanished, they continued to weigh on the level of economic activity for longer, translating into low inflation pressure. [3]

Finally, exchange and interest rate shocks (green bars) contribute positively to growth but also added to inflation. In particular, interest rate shocks support GDP and inflation. This is because the current and expected level of interest rates is below the level corresponding to the Taylor-type monetary policy rule built in the model, which – based on the current level of the output gap and inflation – would yield higher policy rates. Shocks associated with the euro depreciation in 2022 also drive up consumer prices (notably in 2022 and 2023).

Some caveats need to be made. The driving factors that are recovered in this model-based analysis are conditioned on the structure of the model and the estimated parameter values. While the model aims to capture crucial aspects of the current macroeconomic environment, it necessarily simplifies reality and can only represent a limited set of economic transmission mechanisms. For example, the model does not include energy-related (tax) policies beyond excise duties. Moreover, the large shocks and non-linear effects associated with the pandemic and Russia's war of aggression pose methodological challenges for model estimations. Finally, the analysis considers the euro area as a whole, disregarding the wide variation in growth and inflation developments across euro area countries (see the country-specific chapters).

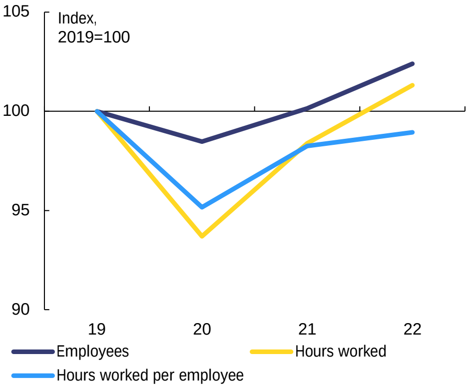
(3) Before the pandemic, the model suggests that deflationary domestic demand shocks had persisted for a long time, which kept inflation below target. In addition, real wage rigidities can generate further inflation inertia (in line with the analysis above), explaining a partial decoupling of GDP growth and inflation. On the role of real rigidities, see also Blanchard, O., and J. Galí (2007). 'Real wage rigidities and the New Keynesian model'. Journal of Money, Credit and Banking, 39, 35-65.

In general, employment losses and gains since the pandemic have been strongly related to education levels. The educational attainment gap closed somewhat in 2022, as employment of people with low qualifications increased most. However, especially for women with low and medium qualifications, the employment rate gap to highly educated women remains substantial.(9)

Employment growth in 2022 was especially strong in services and the construction sector as the remaining pandemic-related restrictions were lifted. According to national accounts, in 2022 headcount employment grew by 2.0% in the EU, up from 1.5% in 2021. Following the lifting of pandemic-related restrictions, job growth was strong in contact-intensive service activities, allowing this sub-sector to recover its 2019 employment levels. Other service activities also reported strong employment gains, notably professional and IT-related services. The construction sector also saw solid employment growth, and so did the real estate sector. In industry, employment growth was subdued and the workforce in this sector is still not back to its pre-pandemic levels.

Growth of hours worked outpaced employment growth in 2022. Following the reduced use of short-term work schemes, total hours worked grew more vigorously than headcount employment in 2022, by 2.8% (see Graph I.2.23). In the fourth quarter of 2022, the total number of hours worked was 1.1% higher than the level achieved at the end of 2019. As a result, hours worked per employee continued to increase in 2022, although in the fourth quarter they remained 1.1% below the end-2019 ratio. The service sector contributed most to the recovery in hours worked, whereas especially the industrial sector (excluding construction) lagged behind.

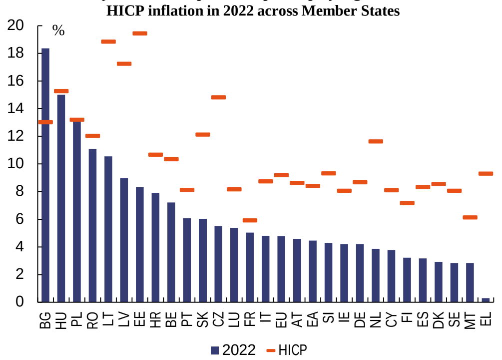
Graph I.2.23: **Labour market recovery since 2019, EU**



In some countries the economic slowdown towards year-end left its mark on the labour market. In the fourth quarter of 2022, according to national accounts, both headcount employment and hours worked in the EU increased by 0.3% over the previous quarter, despite the slight economic deceleration. However, Czechia, Latvia, Lithuania, Hungary and Portugal reported a contraction in employment. In addition, while in most countries the unemployment rate continued to decrease or remained fairly stable throughout 2022, rates increased in Hungary, Portugal, Luxembourg, Lithuania, and Cyprus. This suggests that labour markets have started cooling in these economies but that there are so far no indications of a radical turnaround on aggregate.

Wage growth has picked up since early 2022 but has so far remained well below inflation. Growth in hourly wages and salaries picked up speed, from 2.5% y-o-y at the end of 2021 to more than 5% in 2022-Q4. According to ECB data, negotiated wages grew by 2.5% y-o-y and more in each quarter of 2022, up from between 1.3% and 1.8% in 2021. Growth of compensation per employee (based on national accounts) also accelerated, to an annual growth rate of 4.8% in 2022 following 3.9% in 2021.(10) By all accounts, however, wage growth remains far below inflation, entailing negative real wage growth and

Graph I.2.24: **Compensation per employee growth and HICP inflation in 2022 across Member States**



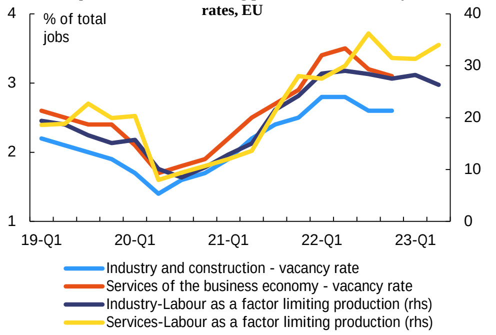
(9) This is also related to the fact that in recent years the education composition of the population in working age is changing, with more young and highly educated people entering whereas many older people with lower qualifications exit due to demographic change.

(10) Calculated using headcount employment. The figure presented in Statistical Annex table 26 reports the growth rate based on headcount employment and employment in full time equivalents for Spain, France, Italy, and the Netherlands.

loss of purchasing power for workers. Developments of compensation per employee were heterogenous across Member States in 2022, with growth picking up in only 14 countries, but still remaining below HICP inflation (see Graph I.2.24) for almost all. However, in real terms compensation per employee only grew in Bulgaria and broadly stagnated in France and Portugal, speaking for a broad-based loss of household purchasing power. Furthermore, despite significant increases, minimum wages also fell in real terms in many countries, strengthening concerns about the impact of inflation on the lower income groups.

In the first months of 2023, available data point to a resilient labour market despite some cooling. After reaching a new series low of 6.1% in December 2022, the EU unemployment rate declined further to 6.0% of the active population (ages 15-74) in February 2023, a new series low. Despite a recent decline, managers' employment expectations in the EU remained solidly above their long-term average in all sectors in April 2023. This points to continued, though softening, employment growth ahead. In the construction sector, however, employment had already contracted in the second half of 2022 and managers' declining employment expectations in the first four months of 2023 presage a further decrease. Still, in the Commission's April business surveys, shortages of labour were still reported as an important factor limiting production, especially in the service sector (see Graph I.2.25).

Graph I.2.25: **Labour limiting production and vacancy rates, EU**

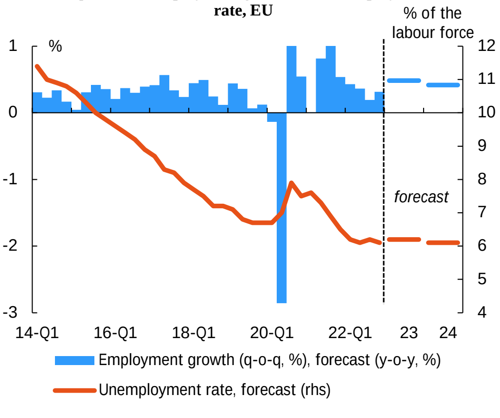


Note: * Share of managers indicating shortage of labour force as a factor limiting production

Going forward, labour markets' reactions to the slower pace of economic expansion in the EU are set to be mild. Continued labour market tightness and labour hoarding due to skill shortages, as well as the strong performance of the service sector, are expected to limit the lagged response to the economic slowdown, and a significant increase in unemployment is not expected, also considering demographic trends. However, employment growth is projected to ease going forward.

Employment growth is forecast at 0.5% in the EU this year, before edging down to 0.4% in 2024. Reacting with a lag to the slowdown in economic activity, employment growth (based on national accounts) is set to come close to a standstill in early 2023, before picking up slightly as economic activity gradually improves (see Graph I.2.26). However, the job content of growth is expected to be lower than in 2022, due to persistently tight labour markets. These, combined with an expected slowdown of inward labour migration in some EU economies and with demographic developments, will set a limit to employment growth. Hours worked are set to continue outpacing growth in headcount employment, allowing hours worked per person to further recover their pre-pandemic levels, albeit not fully.

Graph I.2.26: **Employment growth and unemployment rate, EU**



Headcount employment growth is set to slow in 2023 in all Member States to varying rates. Projected employment growth (in national accounts terms) ranges between -0.6% in Lithuania and 2.4% in Ireland. Following the return to moderate economic growth, in 2024 employment growth is expected to pick up somewhat in most EU economies, though at rates clearly below the ones observed in 2022. Given this muted employment growth, progress with respect to surpassing pre-pandemic employment levels in the four Member States that had not yet recovered those in 2022 is set to be limited. In 2024, the number of employed persons in

Table I.2.4:

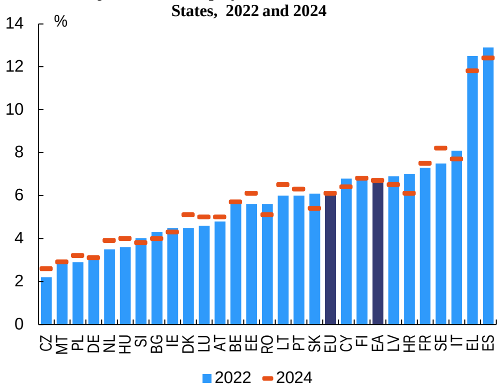
Labour market outlook, euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2023 Forecast				*Autumn 2022 Forecast*			Spring 2023 Forecast				*Autumn 2022 Forecast*		
	2021	2022	2023	2024	2022	2023	2024	2021	2022	2023	2024	2022	2023	2024
Population of working age (15-74)	0.1	**0.2**	**0.2**	**0.1**	*0.3*	*0.2*	*0.1*	-0.1	**0.1**	**0.2**	**0.1**	*0.4*	*0.2*	*0.0*
Labour force	1.2	**1.2**	**0.6**	**0.4**	*0.9*	*0.4*	*0.3*	1.1	**1.1**	**0.6**	**0.3**	*0.9*	*0.4*	*0.3*
Employment	1.4	**2.3**	**0.6**	**0.5**	*1.8*	*0.1*	*0.5*	1.5	**2.0**	**0.5**	**0.4**	*1.8*	*0.0*	*0.4*
Employment (change in million)	2.2	**3.7**	**1.0**	**0.8**	*3.0*	*0.2*	*0.9*	3.0	**4.2**	**1.0**	**0.9**	*3.7*	*0.0*	*1.0*
Unemployment (levels in millions)	12.8	**11.3**	**11.4**	**11.2**	*11.3*	*12.0*	*11.7*	15.0	**13.3**	**13.5**	**13.3**	*13.3*	*14.1*	*13.9*
Unemployment rate (% of labour force)	7.7	**6.8**	**6.8**	**6.7**	*6.8*	*7.2*	*7.0*	7.1	**6.2**	**6.2**	**6.1**	*6.2*	*6.5*	*6.4*
Labour productivity, whole economy	3.9	**1.2**	**0.4**	**1.0**	*1.2*	*0.1*	*0.9*	3.9	**1.5**	**0.5**	**1.2**	*1.4*	*0.2*	*1.0*
Employment rate (a)	62.6	**63.9**	**64.2**	**64.4**	*63.6*	*63.6*	*63.8*	62.4	**63.5**	**63.7**	**63.9**	*63.2*	*63.0*	*63.3*

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

Slovakia would just return to its pre-pandemic level, while it would remain below that level in Latvia, Bulgaria, and Romania.

Graph I.2.27: **Unemployment rates across Member States, 2022 and 2024**



Unemployment rates are expected to respond only mildly to the changing pace of economic growth. Following many years of decline, down to 6.2% in 2022, and interrupted only during the pandemic-induced recession in 2020, the unemployment rate (Eurostat definition) is expected to remain broadly stable at 6.2% in the EU in 2023, before edging down to 6.1% in 2024. Slowing economic growth is projected to result in an increase in annual unemployment rates in more than half of EU Member States in 2023, with the largest increases in Estonia, Lithuania, Czechia and Hungary. In 2024, unemployment rates are set to decline in most Member States, and in some cases go back to the 2022 levels or even below, also because of demographic trends (e.g. ageing population) (see Graph I.2.27).

Labour market integration of people fleeing the war in Ukraine is progressing well. By February 2023, there were about 4 million people fleeing the war in Ukraine who benefited from temporary protection in EU Member States.[11] About half of them are hosted in Germany and Poland, followed by Czechia, Italy and Spain. Relative to the total population, the share of temporary protection beneficiaries is highest in Czechia, Estonia and Poland. At the end of 2022, most beneficiaries of temporary protection were Ukrainian nationals, with just around 70 thousand being nationals from third countries.[12] About 60% of beneficiaries were adults of working age (18-64) and about 75% of these were women. Minors (aged below 18) represented about 35% of beneficiaries, while 6% were elderly (65 and older). It is estimated that about one-in-four adult beneficiaries of temporary protection were employed by March 2023 (representing about 600 thousand people), up from about one-in-five in September 2022.[13] This increase is in line with the trajectory that was projected in the Autumn 2022 Forecast. More than 400 thousand people were registered as jobseekers with the public employment services.

[11] Eurostat (2023). Beneficiaries of temporary protection at the end of the month by citizenship, age, and sex – monthly data [MIGR_ASYTPSM].

[12] European Commission (2023). "Temporary protection for those fleeing Russia's war of aggression against Ukraine: one year on." Communication from the European Commission to the European Parliament and the Council, Brussels, 8 March.

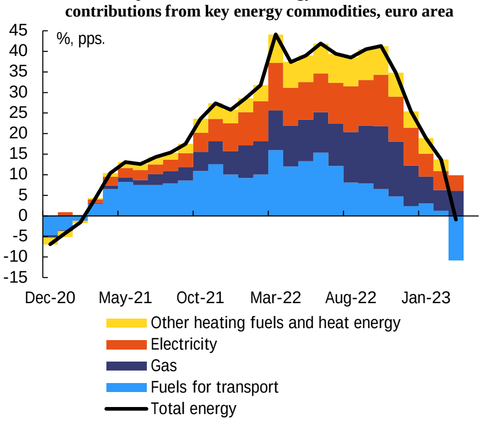
[13] About 60% of beneficiaries were adults of working age (18-64) and about 75% of these were women. Minors (aged below 18) represented about 35% of beneficiaries, while 6% were elderly (65 and older). It is estimated that about one-in-four adult beneficiaries of temporary protection were employed by March 2023 (representing about 600 thousand people), up from about one-in-five in September 2022

Nominal wage growth is expected to accelerate further but without fully offsetting the recorded losses in real incomes. Persistent tightness of labour markets, strong increases in minimum wages in several countries and, more generally, workers' claims to recoup purchasing power are set to continue putting upward pressure on wages. Furthermore, as inflation normally feeds into wage increases with some lag, due to wage bargaining schedules, an immediate, full restoration of purchasing power cannot be expected and wage pressures are set to persist until 2024, despite the cooling of inflation. After growing by 5.0% in 2022 (4.4% in the euro area), the annual growth rate of compensation per employee (based on national accounts) is expected to increase to 5.9% in 2023 (5.5% in the euro area) before falling to 4.6% in 2024 (4.2% in the euro area). This is significantly more than what was expected in the Autumn Forecast (+0.6 pps. in 2023 and 0.7 pps. in 2024 for the EU). Still, in real terms, growth of compensation per employee is set to contract slightly further in 2023 in the EU and the subsequent increase in 2024 would leave real wages almost 1 pp. below the 2021 level. Heterogeneity across countries is large, given the strong differences in inflation developments, as well as country-specific labour market features, such as the presence of automatic wage indexation and union coverage of labour contracts.

The outlook for labour productivity has slightly improved. Growth of labour productivity per employed person (based on national accounts) decreased from 3.9% in 2021 to 1.5% in 2022 as economic activity slowed down. It is set to decelerate further to 0.5% in 2023, before rebounding to 1.2% in 2024, which is above the long-term average. Dynamic wage growth would result in a pick-up of unit labour costs in 2023 and a further sustained increase in 2024.

2.5. INFLATION

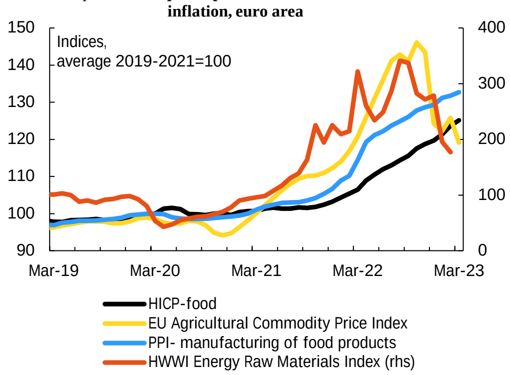
Graph I.2.28: **Annual energy inflation and contributions from key energy commodities, euro area**



Headline inflation continued to decline in the first quarter of 2023 amid sharp deceleration of energy prices. The decline in headline inflation, from 9.2% in December 2022 to 6.9% in March 2023 in the euro area, was driven by the energy component, which over the same period saw annual price growth decelerate sharply from 25.5% to -0.9%. All retail energy items contributed to this deceleration (see Graph I.2.28). Between December and March the prices of gas and electricity fell by 11.5% and 7.5%, respectively. Together with strong base effects, this brought annual inflation of gas and electricity to 8.1% and 4.5% in March, respectively, roughly 40 and 30 pps. down from December. Likewise, transport fuels saw their annual inflation rate collapse to -11.3% in March (from 6% in December), as large base effects more than offset a slight increase in fuel prices in the first months of 2023.

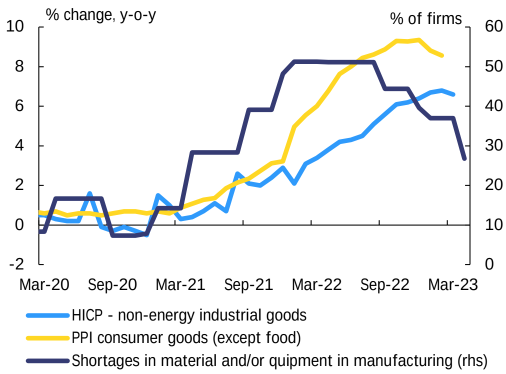
Food prices continued to increase sharply (see Graph I.2.29). Prices of food (including alcohol and tobacco) accelerated in the first quarter of 2023 to a historic high of 15.5% y-o-y in December in the euro area, up by 1.6 pps. from December. Inflation of unprocessed foods, having moderated from the peak of 15.5% y-o-y in October to 11.3% in January, rebounded strongly in February and March (to 14.8%) largely driven by vegetable and fruit prices. Inflation of processed foods (including alcohol and tobacco) continued to rise steadily since mid-2021, reaching 15.7% y-o-y in March. Upward pressures from past supply shocks, including the surge in energy and other input prices, shortages, and the depreciation of the euro in 2022 continued to drive retail prices in an environment of firming wage growth.

Graph I.2.29: **Pipeline pressures for consumer food inflation, euro area**



Source: Hamburg Institute of International Ecconomic (HWWI)

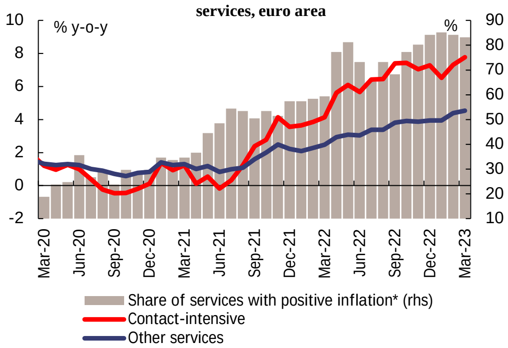
Graph I.2.30: **Pipeline pressures for consumer goods inflation, euro area**



Inflation of non-energy industrial goods appears to have peaked in the first quarter of 2023 (see Graph I.2.30). Still, the dynamics vary across types of goods. Inflation of durable and semi-durable goods appears to have peaked, suggesting the fading out of impulses related to pandemic shocks, including sharp shifts in demand and supply-side bottlenecks that were pushing prices up in both categories over the past three years. At the same time, prices of non-durables continued to accelerate through March.

Services inflation remains high. Price pressures in services firmed further in early 2023, with annual inflation in all major service categories[14] rising in February and March (see Graph I.2.31). Pressures remain particularly strong in contact-intensive services, where, following some moderation in the second half of 2022, annual inflation picked up again in 2023 driven by transport and package holidays. This suggests that re-opening effects continue to play a role, particularly in sectors where persistently high demand interacts with supply-side challenges, including still high energy costs, labour shortages and accelerating wage growth. Price pressures continue to build also for the remaining services, pointing to a more persistent effect of past input cost shocks, accelerating wage dynamics combined with ongoing demand pressures. Some tentative signs of bottoming out have emerged in early 2023: the share of services with rising prices peaked in January, suggesting that price pressures in services may no longer be broadening (see Graph I.2.32).

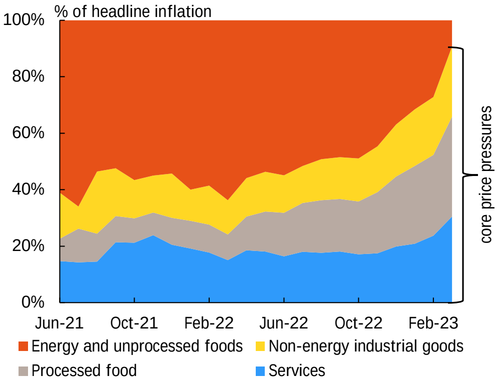
Graph I.2.31: **Share of services with positive inflation and annual inflation of contact-intensive and other services, euro area**



Note:* Percent of 5-digit COICOP service items that registered positive month-on-month inflation (s.a.) on average in the last three months.

(14) Communication, housing, transport, recreation/personal care incl. repairs and miscellaneous

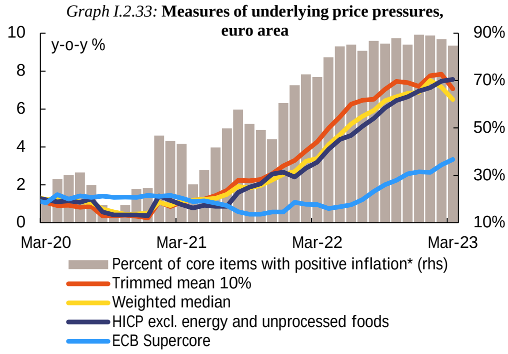
Graph I.2.32: **Structure of contributions to the annual headline inflation, euro area**



Core goods and services replaced energy as the primary driver of headline inflation. All major subcomponents of the HICP, except energy, have seen their annual inflation rate increase between December and March. Consequently, core inflation (headline excluding energy and unprocessed food) continued to rise in early 2023, from 6.9% y-o-y in December to a historical high of 7.6% in March. As a result, *core* price pressures accounted for more than 90% of headline inflation in March compared to around 60% in December and 35% in January of 2022.

The peak in core inflation may be nearing. Various indicators paint a rather heterogenous picture of trends in underlying price pressures. While conventional measures based on permanent exclusion(15) as well as the supercore inflation measure of the ECB(16) continued to accelerate in the first quarter of 2023, other indicators of underlying price pressures suggest that these may have stabilised (see Graph I.2.33). For example, trimmed means and medians(17) suggest that annual price pressures may have peaked in the first quarter. Moreover, the share of core items that register positive (monthly) inflation has continued to decline from its late-2022 peak, suggesting that core price pressures are not broadening anymore (even if they remain broad-based). In April, the Commission's business surveys(18) showed a further easing of managers' selling price expectations over the next three months in the sectors of consumer goods and services. This suggests an imminent moderation of price pressures from the corresponding *core* items of the consumption basket, including services, where the decline in price expectations is more recent.

Graph I.2.33: **Measures of underlying price pressures, euro area**



Note: * Percent of 5-digit COICOP core items that registered positive month-on-month inflation (s.a.) on average in the last three months.
Source: ECB for ECB Supercore

(15) Core inflation excluding unprocessed food and energy (the Commission's definition) and core inflation excluding all food and energy (the ECB definition).

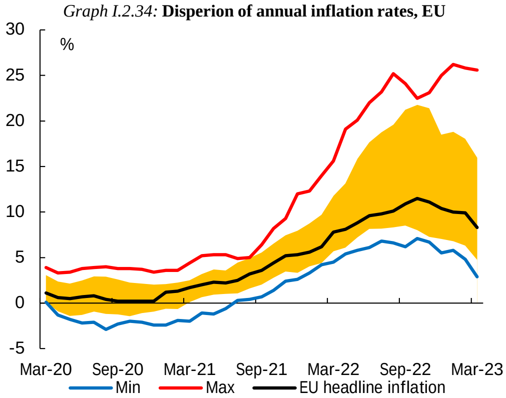
(16) The ECB supercore indicator belongs to the class of frequency-based exclusion, and aggregates HICP items that are estimated to co-move with the business cycle

(17) Trimmed means are a weighted average of the inner core of the sorted price changes distribution with a certain percentage of items trimmed from both tails of the distribution. Weighted/unweighted median is the inflation of the median basket component (by cumulated weight / by count) of the sorted price change distribution. Both weighted and unweighted median (the latter not shown in the graph) and other alternative trimmed means (with the trim factor ranking from 5-30%) all point to a decline in the underlying inflation in the first quarter.

(18) European Business Cycle Indicators (europa.eu)

Within-EU inflation heterogeneity has risen further. Intra-EU inflation dispersion[19] increased further in the first quarter of 2023 as falling wholesale energy prices pushed consumer energy inflation down to a varying extent, while core price pressures continued to build at different paces across the EU (see Graph I.2.34). In the euro area, dispersion measured by the standard deviation continued to decline from the peak in September 2022 but remained on an upward trend if measured by the coefficient of variation (i.e., adjusted for the level of inflation). Energy continued to be the key driver of disinflation in headline rates in the first quarter. In March, 25 Member States posted declining growth rates of energy prices (all except MT and SI) and headline rates (all except MT and RO), compared to only 15 in the case of core inflation.

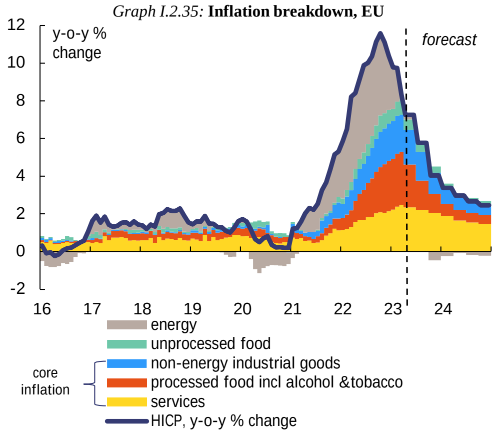
Graph I.2.34: **Disperion of annual inflation rates, EU**



Note: Range between the 10th and 90th percentile marked in orange.

The contribution of energy to headline inflation is set to wane. Sharply lower natural gas prices (see section 2.1.) are making their way through to retail prices of gas and electricity, though at varying speeds across the EU Member States. The pass-through is expected to be gradual and drawn-out due to lengthy transmission lags and idiosyncratic factors related to domestic wholesale and retail energy markets,[20] as well as to government measures aimed at lowering retail prices of energy. The eventual expiration of these measures across the EU is set to generate a certain inflationary impulse over the forecast horizon, though declining wholesale and retail energy prices have markedly weakened its impact. Moreover, sizeable base effects, negative in 2023 but turning positive in the first half of 2024, are expected to add volatility to the annual energy inflation rates. All in all, annual energy inflation in the euro area and in the EU is projected to decline progressively over the course of 2023, and to turn negative as from 2023-Q3, but to remain in low single-digits (in absolute terms) over the entire forecast horizon. Its contribution to headline inflation in 2023 is thus expected to decline to a small fraction of what it was in 2021 and 2022 (see Graph I.2.35), and to turn negative in 2024 - markedly lower compared to the Winter interim Forecast in both cases.

Graph I.2.35: **Inflation breakdown, EU**



Inflation of food and manufactured goods is expected to have peaked in 2023-Q1. Annual inflation of food (both processed and unprocessed) and non-energy industrial goods in the euro area and the EU is projected to have peaked in the first quarter and decline gradually in 2023 and 2024, supported by sizeable negative base effects. Food prices are expected to decelerate reflecting moderation in agricultural commodity prices implicit in futures contracts and lower prices of other inputs, including, most prominently, energy. Inflation is, however, set to persist well above historical averages, particularly in 2023, as those input costs remain elevated by historical standards, droughts are weighing on agricultural production in many parts of Europe, and wage

(19) Measured both by a simple standard deviation of individual inflation rates as well as a coefficient of variation (defined as standard deviation over mean) that takes account the absolute value of inflation and is therefore a more appropriate measure when a clear trend is present in the inflation series.

(20) Such as, discreet adjustments of energy prices by regulatory agencies, and staggered renewal of wholesale and retail energy contracts.

pressures build across the agricultural and retail sectors. Inflation of non-energy industrial goods is expected to continue moderating from the peak in February, reflecting lower pipeline pressures due to, for example, the progressive easing of supply chain bottlenecks, as well as to the appreciation of the euro.

Services inflation is projected to be relatively more persistent amid robust wage growth. Price pressures in services are proving more persistent than previously expected as lingering re-opening effects interact with building wage pressures. Tight labour markets and claims to recoup purchasing power are expected to keep growth in compensation per employee elevated in both 2023 and 2024 (see section 2.4.). Annual services inflation is thus projected to peak in the second quarter of 2023 in both the euro area and in the EU, and to come down slowly thereafter, exceeding double the historical average for most of the forecast horizon.

Core inflation is set to decline gradually as profit margins absorb higher wages and tighter financing conditions prove effective in cooling demand. Persistently high price pressures in services coupled with only slowly fading pressures in (processed) food and goods are expected to keep core inflation elevated, and above headline inflation throughout 2023 and 2024(21). Despite sizeable negative base effects, average core inflation in the euro area in 2023, at 6.1%, is set to exceed that in 2022, before falling to 3.2% in 2024, almost double the historical average. Corporate profit margins, which have been on the rise since 2021 and are set to increase further in 2023 (see Box I.2.3), are expected to be squeezed significantly in 2024 (to below 2021 levels), providing a buffer for the strong growth in labour cost. Overall, this should allow a gradual moderation in core inflation. Easing supply bottlenecks, lower commodity prices and transport costs should also support a steady weakening of core price pressures. Finally, progressively tighter lending standards and tightening monetary policy (22) are set to play an increasingly important role in cooling demand for core goods and services, contributing to the gradual moderation in core price pressures.

Headline inflation has been revised higher compared to the Winter Forecast as stronger core price pressures more than offset lower energy inflation. Both headline and core inflation are set to continue on their downward path in the remainder of 2023 and 2024, with core inflation expected to have peaked in the first quarter of 2023. Headline inflation is projected to decline from 8.0%/9.4% y-o-y in 2023-Q1 in the euro area/EU, to 3.5%/4.1% in 2023-Q4, and then continue slowing at a more measured pace in 2024, to 2.3%/2.5% in 2024-Q4. On an annual basis, headline inflation is set to decline from 8.4%/9.2% in 2022 to 5.8%/6.7% in 2023, before moderating to 2.8%/3.1% in 2024 in the euro area/EU. Revisions with respect to the Winter interim Forecast amount to around ¼ pps. in both 2023 and 2024 in both the euro area and the EU for headline inflation, but as much as around ¾ pps. in 2023 and ⅓ pps. in 2024 for core inflation.

(21) Published after the cut-off date, the April flash estimate of HICP inflation in the euro area, remains broadly in line with this outlook. Annual inflation slowed vis-à-vis March in food (from 15.5% y-o-y in March to 13.6% in April), non-energy industrial goods (from 6.6% to 6.2%) and core inflation excluding unprocessed foods and energy (from 7.5% to 7.3%). Consistent with the forecast expectations, pressures in services proved more persistent, leading to a slight increase in the annual rate (from 5.1% to 5.2%), while energy inflation picked up reflecting the expected volatility of the annual series due to base effects and expiration of energy measures.

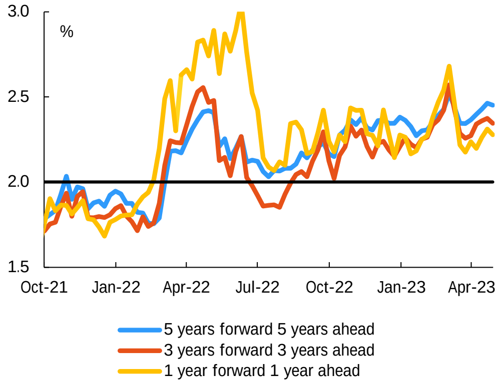
(22) Both due to past policy rate increases, together with its lagged effects, as well as to future increases consistent with market expectations

Table I.2.5:

Inflation outlook, euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2023 Forecast				*Autumn 2022 Forecast*			Spring 2023 Forecast				*Autumn 2022 Forecast*		
	2021	2022	2023	2024	2022	2023	2024	2021	2022	2023	2024	2022	2023	2024
Private consumption deflator	2.3	**6.9**	**5.5**	**2.6**	*7.2*	*5.8*	*2.5*	2.5	**7.6**	**6.1**	**2.8**	*8.0*	*6.4*	*2.8*
GDP deflator	2.1	**4.6**	**5.7**	**2.7**	*4.6*	*5.3*	*3.4*	2.4	**5.4**	**6.1**	**2.9**	*5.2*	*5.7*	*3.5*
HICP	2.6	**8.4**	**5.8**	**2.8**	*8.5*	*6.1*	*2.6*	2.9	**9.2**	**6.7**	**3.1**	*9.3*	*7.0*	*3.0*
Compensation per employee	3.9	**4.4**	**5.5**	**4.2**	*4.2*	*4.9*	*3.6*	3.9	**5.0**	**5.9**	**4.6**	*4.6*	*5.2*	*3.9*
Unit labour costs	0.0	**3.2**	**5.0**	**3.2**	*3.0*	*4.8*	*2.7*	0.0	**3.5**	**5.4**	**3.3**	*3.2*	*5.0*	*2.8*
Import prices of goods	9.8	**21.4**	**-0.6**	**1.3**	*21.6*	*4.7*	*0.4*	9.7	**21.7**	**-0.3**	**1.4**	*21.7*	*5.5*	*0.7*

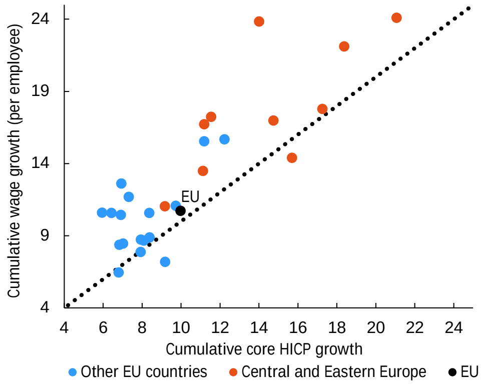
Graph I.2.36: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

Inflation expectations of financial markets have moved up slightly, but remain overall well anchored. Following the peak in mid-March, triggered by financial tensions in the US and Switzerland, both short-term and medium-term market-based inflation expectations have fallen steadily until early April and rose slightly again thereafter (see Graph I.2.36) – to levels somewhat above those at the Winter interim Forecast cut-off date. In late April the 5y-5y, 3y-3y and 1y-1y inflation-linked swaps (which include risk premia) reached 2.5%, 2.4% and 2.3%, respectively, somewhat above the ECB's medium-term objective for inflation. The recent ECB survey of professional forecasters for the second quarter of 2023, released after the cut-off date, showed headline inflation at 5.6% and 2.6% in 2023 and 2024, respectively, somewhat lower than in the first quarter, and core inflation revised up in 2023. Forecasts for core inflation in 2024 and 2025 and longer-term inflation expectations (both headline and core) were unchanged.

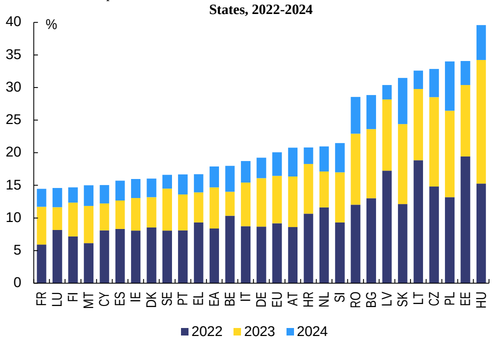
Graph I.2.37: **Core inflation vs. wage growth, cumulative in 2023-2024**



Intra-EU dispersion of inflation rates is expected to remain elevated in 2023, but to narrow considerably in 2024. Inflation dispersion in 2022 was largely driven by differences in its energy component (ranging from 0% in Malta to 70.5% in the Netherlands) and, to a smaller extent, in food. The outlook for energy inflation in 2023 is a mirror image to that in 2022: Member States with the highest increases last year are those expected to experience the sharpest downward corrections this year. However, as the impact of energy on inflation wanes over the forecast horizon and core goods and services take over as main inflation drivers, within-EU heterogeneity in headline inflation predominantly reflects differences in projected core inflation. The latter can be attributed to differences in domestic conditions, including the wage outlook and the extent to which price mark-ups adjust (see Graph I.2.37).

Inflation in central and eastern Europe is projected to remain markedly higher compared to the rest of the EU. Graphs I.2.37 and I.2.38 provide evidence for the strong geographical pattern in EU inflation map. Central and Eastern European (CEE) countries rank considerably higher than their Western European peers in both 2023 and 2024. This suggests that, as the impact of the imported commodity-price shock wears off, domestic drivers (including the Harrod-Balassa-Samuelson effect[23] and currency movements) resume the central role in explaining inflation differentials within the EU.

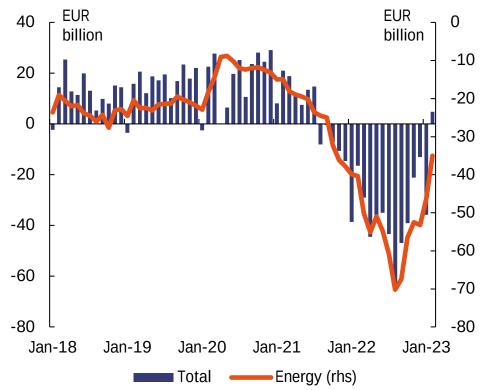
Graph I.2.38: **Cumulative headline inflation across Member States, 2022-2024**



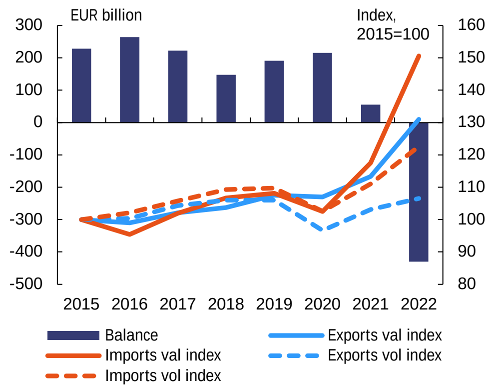
2.6. CURRENT ACCOUNT

Soaring import prices pulled the EU merchandise trade balance down to a record-low deficit in 2022. The extra-EU trade balance of goods dropped to a record-low deficit of EUR 430 billion in 2022. The deficit was due, in particular, to the steep rise in the value of energy imports, which started towards the end of 2021 as energy prices began to increase, and continued through most of 2022. The value of exports also increased, as in a context of global inflationary pressures, companies were able to charge their global customers higher export prices (see Graph I.2.40). However, the increase in import prices largely outweighed that in export prices, resulting in a significant drop in terms of trade in 2021, by -3.2%, and further in 2022, by a record -5.7%.

Graph I.2.39: **Extra-EU trade balance, EU**



Graph I.2.40: **Extra-EU trade balance, trade volume versus value**

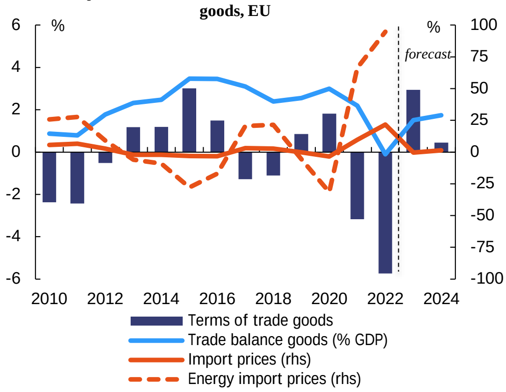


Falling energy prices reduce the cost of goods imports into the EU. Import price (import deflator) growth decelerated in the fourth quarter of 2022 on a yearly basis (by 10 pps. y-o-y, compared to its peak in the second quarter), driven by lower energy prices. As these continued to decline in the first months of 2023, growth of import prices is set to have decelerated further. Growth of export prices also went down, albeit from a lower rate, and lost 5.5 pps. in the fourth quarter 2022, y-o-y, compared to its high in the second quarter. Based on futures energy prices, import prices for goods are projected to decrease slightly in 2023 (by -0.3%), while growth of export prices would slow down significantly (to 2.7%) in 2023. The expected decline of import deflators implies a sharp rebound in the terms of trade of goods in 2023, by 2.9%. In 2024, a projected pick up of import prices and further deceleration of export prices should limit the further improvement in terms of trade to 0.5%, which is close to the 2014-18 average.

(23) Harrod-Balassa-Samuelson effect offers supply-side explanation of higher inflation and the associated real exchange rate appreciation in countries experiencing higher relative productivity growth

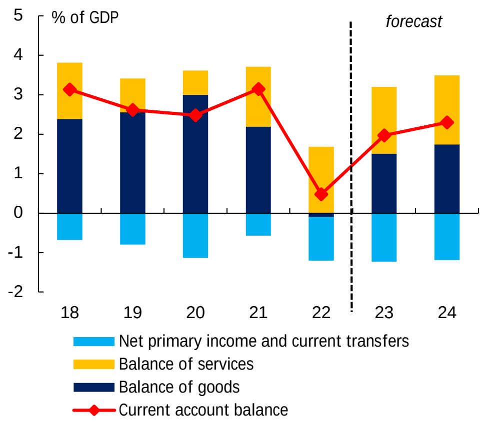
In 2023 and 2024, the improvement in terms of trade is set to boost the EU merchandise trade surplus, and the services balance is projected to remain stable. Despite the trade balance surplus recorded in February, the cumulative trade balance for goods of the first two months of this year remained at a deficit (EUR 31 billion). However, it improved compared to the same period of 2022 (when the trade deficit was EUR 55.1 billion). As the terms of trade for goods continue improving and the volume of net exports of goods is projected to keep increasing, the EU merchandise trade balance is forecast to turn positive this year and improve further next year, thus moving from -1.1% of GDP in 2022 to 1.7% in 2024. The services trade balance remained strong in 2022 and is forecast to remain stable over the forecast horizon, with tourism continuing being a strong driver of the economic rebound.

Graph I.2.41: **Trade balance and terms of trade of goods, EU**



The EU current account surplus is set to recover over the forecast horizon. The expected recovery of the EU trade balance for goods and services is also expected to push the current accounts surplus up again in 2023. With the deficit of primary incomes and current transfers set to stay broadly stable over the forecast horizon, the current account balance is projected to turn into a surplus of 2.0% of GDP in 2023 and improve further to 2.3% in 2024.

Graph I.2.42: **Current-account balance, EU**



2.7. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

The economic recovery supported further reduction in the EU government deficit in 2022. Starting from a historically high level of 6.7% of GDP in 2020, the EU aggregate general government deficit dropped to 4.8% in 2021 and to 3.4% in 2022 (see Graph I.2.44). The continued economic expansion facilitated the deficit reduction last year. In particular, the improved cyclical component of the budget and discretionary policy had a deficit-decreasing effect (see Graph I.2.43)[24]. The phasing out of the pandemic-related temporary measures[25] more than offset the support measures to soften the impact of high energy prices on households and firms. Taking into account that the latter were partly compensated by windfall taxes on energy producers and suppliers, amounting to 0.2% of GDP, the estimated net budgetary cost of energy support measures reached 1.2% of GDP in the EU in 2022.[26] In addition, the 2022 EU deficit was affected

(24) Given the high uncertainty surrounding potential growth estimates in these exceptional circumstances, the calculation of the impact of automatic stabilisers on the government balance is subject to larger revisions than usual.

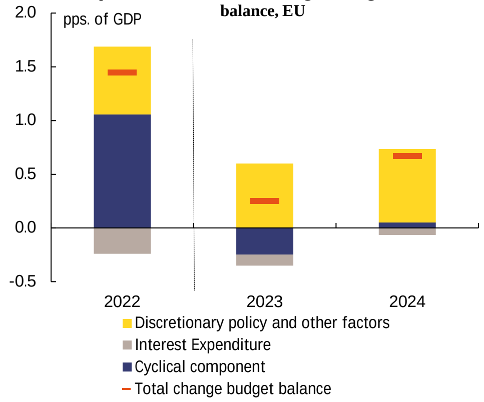
(25) The budgetary cost of the COVID-19 temporary emergency measures (mostly on the expenditure side) in the EU is estimated to have declined to 0.6% of GDP in 2022, from 3.1% in 2021 and 3.3% in 2020. It is assumed to become nil in 2023. As the implementation in 2020-21 and subsequent phasing-out of sizeable temporary emergency measures in 2022-23 blurs the reading of underlying fiscal developments these measures are excluded from the fiscal stance computations (see also footnote 31).

(26) Energy support measures, which mainly consist of reductions in indirect taxes, subsidies on energy products or production, as well as price caps, are estimated according to the following criteria: (1) measures credibly announced

by the budgetary cost of sheltering and integrating people fleeing the war in Ukraine, which is estimated at 0.1% of GDP. Finally, interest expenditure increased by more than 0.2 pps. of GDP in 2022, driven by higher interest rates and higher yields on government bonds indexed to inflation.

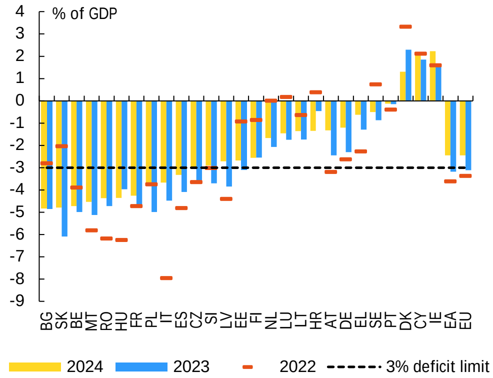
The gradual phasing out of discretionary policy is expected to drive further deficit reductions in 2023 and 2024. A further decrease in the EU aggregate deficit is projected for 2023, to 3.1% of GDP. This decline is driven by discretionary policy, and is mainly related to the complete phasing out of COVID-19 temporary emergency measures, lower capital transfers (especially in Italy, related to the phasing out of sizeable house renovation tax credits) and, to a lesser extent, to the reduced net budgetary cost of energy support measures (by 0.1 pps. of GDP, to 1.1%) (see Graph I.2.43). By contrast, the cyclical component and interest expenditure are both set to provide small deficit-increasing impacts in 2023. Based on unchanged policies, the EU aggregate deficit is projected to continue falling, to 2.4% of GDP in 2024, driven by the almost complete phasing out of energy support measures, currently projected for next year.

Graph I.2.43: **Drivers of the change of the government balance, EU**



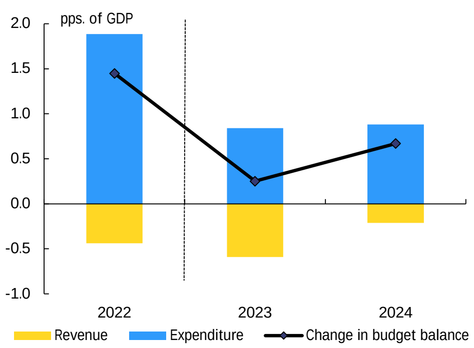
Fourteen EU Member States are set to have a deficit greater than 3% of GDP in 2023 (see Graph I.2.44). Based on unchanged policies, the number of Member States with a public deficit above 3% of GDP is expected to drop back to 10 in 2024. All Member States but Cyprus and Ireland are projected to have a worse headline budgetary position in 2024 than before the pandemic, in 2019.

Graph I.2.44: **Budget balance developments across Member States**



Expenditure and revenue ratios are projected to fall on aggregate in the EU over the forecast horizon. The revenue-to-GDP ratio declined in 2022 (by 0.4 pps. of GDP), mainly due to the reduction in VAT rates and excise duties on energy products. Further declines in the EU revenue ratio are expected in 2023 and 2024 (by 0.6 and 0.2 pps. of GDP, respectively) (see Graph I.2.45). This further fall in the revenue ratio would be driven by a reversal of the sizeable revenue windfalls estimated for the period 2020-22, when the composition of nominal economic growth (e.g. higher consumption of goods) and climbing prices of imported energy had resulted in tax returns

Graph I.2.45: **Expenditure and revenues contributions to the change of general government balance, EU**



and specified in sufficient detail; (2) strict and consistent definition of an energy measure; (3) measures with an impact on the government budget balance (see Box 1.2.4 'Fiscal policy measures to mitigate the impact of high energy prices' in European Commission (2022): European Economic Forecast, Autumn 2022, Institutional Paper 187, November 2022 for more details).

Table I.2.6:

General Government budgetary position, euro area and EU

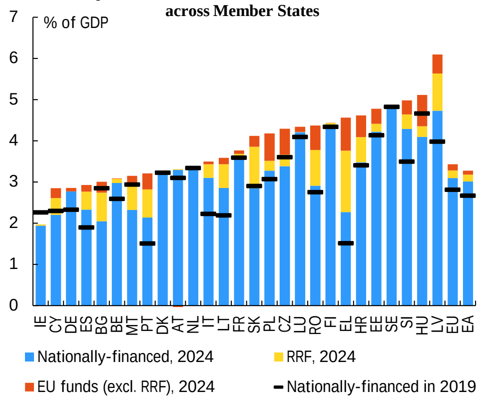
(% of GDP)	Euro area							EU						
	Spring 2023 Forecast				*Autumn 2022 Forecast*			Spring 2023 Forecast				*Autumn 2022 Forecast*		
	2021	2022	2023	2024	2022	2023	2024	2021	2022	2023	2024	2022	2023	2024
Total receipts (1)	47.3	**47.1**	**46.4**	**46.3**	*47.1*	*46.7*	*45.7*	46.9	**46.5**	**45.9**	**45.7**	*46.4*	*46.1*	*45.2*
Total expenditure (2)	52.6	**50.7**	**49.6**	**48.8**	*50.5*	*50.3*	*49.0*	51.7	**49.8**	**49.0**	**48.1**	*49.8*	*49.7*	*48.4*
Actual balance (3) = (1)-(2)	-5.3	**-3.6**	**-3.2**	**-2.4**	*-3.5*	*-3.7*	*-3.3*	-4.8	**-3.4**	**-3.1**	**-2.4**	*-3.4*	*-3.6*	*-3.2*
Interest expenditure (4)	1.5	**1.7**	**1.7**	**1.8**	*1.6*	*1.8*	*1.9*	1.4	**1.6**	**1.7**	**1.8**	*1.5*	*1.7*	*1.9*
Primary balance (5) = (3)+(4)	-3.9	**-1.9**	**-1.4**	**-0.6**	*-1.9*	*-1.9*	*-1.4*	-3.4	**-1.8**	**-1.4**	**-0.7**	*-1.8*	*-1.8*	*-1.4*
Cyclically-adjusted budget balance (a)	-4.3	**-3.8**	**-3.2**	**-2.6**	*-3.7*	*-3.4*	*-3.2*	-3.9	**-3.5**	**-3.0**	**-2.4**	*-3.6*	*-3.2*	*-3.0*
Cyclically-adjusted primary balance (a)	-2.8	**-2.1**	**-1.5**	**-0.7**	*-2.1*	*-1.6*	*-1.3*	-2.5	**-1.9**	**-1.3**	**-0.7**	*-2.0*	*-1.5*	*-1.1*
Structural budget balance (a)	-4.3	**-3.7**	**-3.2**	**-2.5**	*-3.6*	*-3.4*	*-3.2*	-3.9	**-3.5**	**-3.0**	**-2.4**	*-3.6*	*-3.2*	*-3.0*
Change in structural budget balance (a)	-0.6	**0.6**	**0.5**	**0.7**	*0.6*	*0.2*	*0.3*	-0.3	**0.4**	**0.5**	**0.6**	*0.3*	*0.3*	*0.3*
Gross debt	97.2	**93.1**	**90.8**	**89.9**	*93.6*	*92.3*	*91.4*	89.5	**85.3**	**83.4**	**82.6**	*86.0*	*84.9*	*84.1*

(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.

increasing more than nominal GDP in most Member States.[27] After falling by 1.9 pps. of GDP in 2022, the expenditure-to-GDP ratio in the EU is expected to decline by a further 1.7 pps. between 2022 and 2024, driven by reduced discretionary expenditure due to the complete phasing out of pandemic-related spending and lower subsidies to private investments. Given its delayed impact on government spending, high inflation supported the fall in the expenditure-to-GDP ratio in 2022, but a reversal of this impact is expected in 2023 and 2024 due to the indexation to previous-year inflation of large expenditure items like pensions and other social benefits as well as higher public wages and prices for new public procurements.

Rising public investment is improving the composition of expenditure. The EU aggregate public investment ratio is expected to rise to 3.4% of GDP in 2024 (see Graph I.2.46). It was 3% of GDP in 2019 and 3.2% in 2022. Half of the increase in public investment between 2019 and 2024 is related to investment financed by the EU, particularly by the RRF.[28] By the end of the forecast horizon, 17 EU countries are projected to spend more on nationally-financed public investment than they did prior to the pandemic. Italy, Slovenia and Greece are the countries with the largest projected increase in nationally-financed investment compared to 2019.

Graph I.2.46: **Public investment in 2019 and 2024 across Member States**

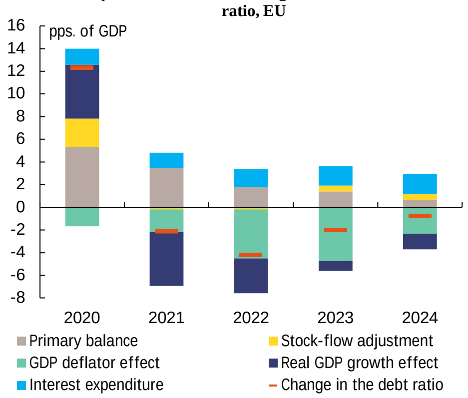


(27) Revenue windfalls (shortfalls) are estimated through the increase (decrease) in the revenue-to-GDP ratio that is not explained by discretionary measures or transfers from the EU budget.

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

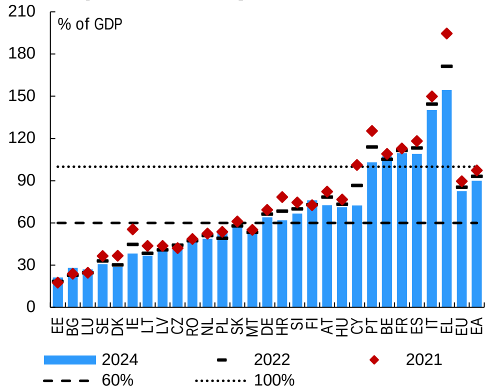
Inflation surprises support the reduction in debt-to-GDP ratios in the short term. The public debt-to-GDP ratio fell to around 85% in the EU aggregate at the end of 2022 (93% in the euro area), from the historically high level of around 92% recorded in 2020 (99% in the euro area). [29] The EU aggregate debt ratio is expected to fall despite debt-increasing primary deficits, thanks to economic growth and inflation (see Graph I.2.47). In particular, the increase in the GDP deflator had a significant debt-decreasing impact in 2022, and is projected to continue detracting from the debt-to-GDP ratio in 2023 and, to a lesser extent, also in 2024. Higher interest rates are set to affect only gradually the implicit cost of servicing Member States' public debts due to their rather long maturity. Overall, the interest-growth differential ('snowball effect') is expected to continue decreasing debt ratios over the forecast horizon.[30] As a result, the debt-to-GDP ratio is projected to decline to around 83% in the EU aggregate in 2023 and in 2024 (91% and 90% in the euro area), but to remain above the pre-COVID-19 crisis level of around 79% (86% for the EA) in 2019.

Graph I.2.47: **Drivers of change in the debt-to-GDP ratio, EU**



The pace of decline in public debt ratios varies across countries. By 2024, the debt-to-GDP ratios are projected to decline in most EU countries from the 2020 peak, with particularly large falls in Greece (52 pps.), Cyprus (41 pps.), Portugal (32 pps.), Croatia (25 pps.) and Ireland (20 pps.). At the same time, public debt ratios are set to remain above their 2019 level in all Member States excluding Ireland, Greece, Croatia, Cyprus, Portugal, Denmark and Sweden. 13 Member States are projected to have debt ratios greater than 60% of GDP at the end of 2024; in six of them (Belgium, Greece, Spain, France, Italy, and Portugal) they are set to be greater than 100% (see Graph I.2.48).

Graph I.2.48: **Debt developments across Member States**



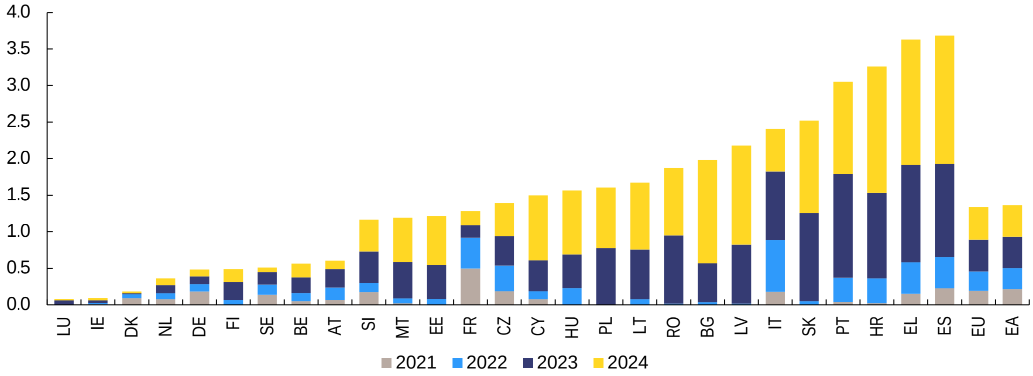
The EU fiscal stance is projected to turn slightly contractionary in 2023, after significant expansion in 2022. The fiscal stance in the EU was very expansive in 2022, by around 2% of GDP (see Graph I.2.50), following an overall expansionary stance estimated at around 1½% of GDP for 2020-21. [31] Primary current expenditure financed by the national budgets (net of discretionary revenue measures) contributed significantly to the 2022 expansionary fiscal stance, in particular energy support measures (see Graph I.2.51). A significant expansionary contribution came also from other capital expenditure mainly related to governments' subsidies to private investment, which increased further in 2022 after the strong increase already recorded in 2021 (especially in Italy). The slightly contractionary fiscal stance projected for 2023 (by almost

(29) These debt data are not consolidated for intergovernmental loans.

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

(31) The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. Following the Council recommendations on the 2021 Stability and Convergence Programmes, the net expenditure aggregate used to assess the fiscal stance was adjusted to include expenditure financed by RRF grants and other EU funds and to exclude the temporary emergency measures related to COVID-19. These measures mainly consisted of transfers necessary to keep afloat households and firms hit by the pandemic and included sizeable amounts for short-time work schemes. However, their direct impact on economic growth is assumed to be limited and not necessarily related to the time of disbursement, due to the pandemic-related restraints on economic activity (e.g. widespread lockdowns, travel restrictions, etc.).

Graph I.2.49: **RRF grants absorption across Member States**

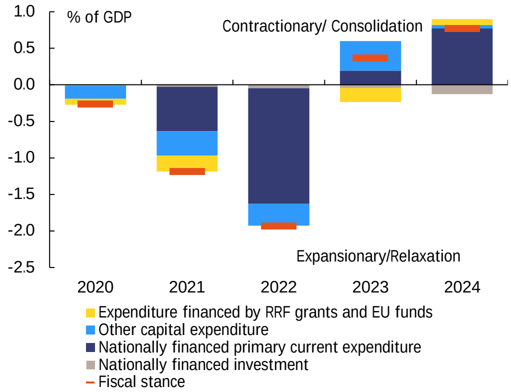


½% of GDP) is mainly related to the reversal of those subsidies. The expected lower net budgetary cost of energy support measures will also contribute to this slightly contractionary stance. Increasing expenditure financed by RRF grants and other EU funds are set to provide a slightly expansionary contribution in 2023.

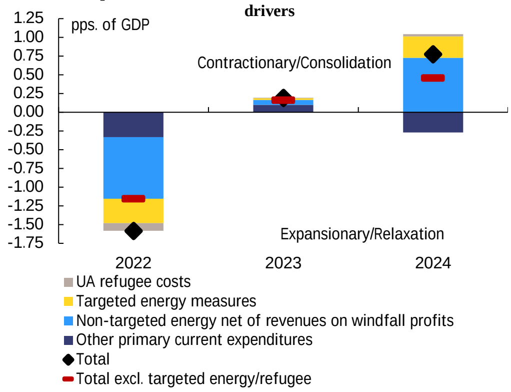
Absorption of RRF grants is set to increase over the forecast horizon. For the EU as a whole, absorption of RRF grants increased to 0.3% of GDP in 2022 (from 0.2% in 2021). It is set to increase further in 2023, to 0.4% of GDP, and to broadly stabilise in 2024. Over the 2021-24 period, expenditure financed by RRF grants is expected to be above 3.5% of GDP in Spain and Greece, more than 3% in Croatia and Portugal, around 2.5% in Slovakia and Italy, around 2% in Latvia, Bulgaria and Romania, close or above 1.5% in Lithuania, Poland, Hungary, Cyprus and Czechia, and more than 1% in Slovenia, Malta, Estonia, and France (see Graph I.2.49).

In 2024, based on unchanged policies, the EU fiscal stance is projected to be contractionary (by around ¾% of GDP). This is mainly driven by lower net current spending related to the phasing out of energy support measures (see Graph I.2.51). Investment financed by the national budgets is the only component that is projected to provide a slightly expansionary contribution next year. As a result, fiscal policies in 2023-24 are not expected to fuel additional inflationary pressures and would be broadly consistent with the ongoing normalisation of monetary policy.

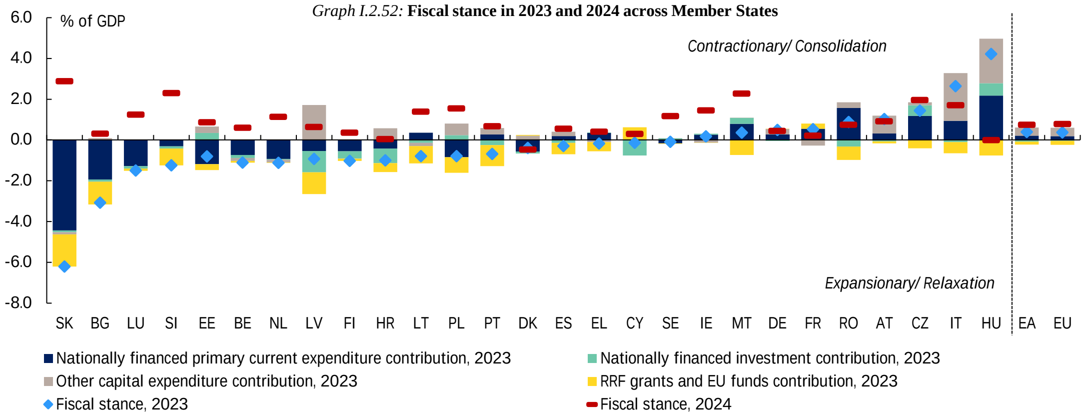
Graph I.2.50: **Fiscal stance and its components, EU**



Graph I.2.51: **Nationally-financed net primary current expenditure, contribution to the EU fiscal stance and drivers**



Graph I.2.52: **Fiscal stance in 2023 and 2024 across Member States**



Fiscal stance projections for 2023 are very heterogeneous across countries (see Graph I.2.52). The fiscal stance is set to range from a contractionary stance of more than 4% of GDP in Hungary to an expansionary stance of more than 6% in Slovakia. Primary current expenditure financed by the national budgets (net of discretionary revenue measures) is expected to provide contractionary or expansionary contributions to the 2023 fiscal stance almost evenly across EU countries, mainly due to the opposite change (decrease or increase) in energy support measures relative to 2022. Other capital expenditure is set to provide contractionary contributions of more than 2% of GDP in Italy and Hungary in 2023, after the sizeable expansions recorded in 2021-22. Finally, in the majority of Member States, spending financed by RRF grants and other EU funds is projected to provide a further expansionary contribution in 2023. Almost all EU countries are set to have a contractionary fiscal stance in 2024, based on unchanged policies (Graph I.2.52). This is mainly due to the expected phasing out of the energy support measures.

3. RISKS

The balance of risks to the growth outlook tilts back to the downside. While the forecast for the EU economy has not changed substantially compared to the previous Winter interim Forecast, downside risks have increased.

Risks to inflation are skewed to the upside and relate to persistence in core inflation. Core price pressures could turn out more sticky if wages accelerate more than currently projected, and without adjustment in profit margins. Strong demand for (contact-intensive) services would strengthen this risk. Delays or asymmetries in the transmission of changes in commodity prices to consumer prices, including on the core items of the consumption basket, would also protract core price pressures.

Higher-than-expected inflation persistence would lead to a stronger reaction of monetary policy, with broad macro-financial ramifications. Additional tightening of financing conditions could come from a surge in risk aversion following the banking turmoil originated in the US. It would weigh on investment and consumption (the latter particularly in Member States where variable mortgage interest rates prevail and/or households rely heavily on consumer credit). Given the past large increases in house prices, residential property in some Member States may undergo sharper-than-expected price corrections. Commercial real estate, already hard hit by the pandemic crisis, is particularly vulnerable. The adjustment to the high interest rate environment also carries risks for heavily indebted households and firms, with potential negative impact on the banking sector. In this fragile conjuncture, the old-standing risks of fragmentation in the euro area/EU through the sovereign bond market could increase, especially as markets adjust to the retreat of central banks as main buyers.

In the context of renewed market stress, policy consistency has become even more important. An expansionary fiscal stance with untargeted support measures would add pressure on central banks to step up monetary policy tightening.

With successful energy supply diversification and gas demand reduction, the threat of outright shortages has significantly abated, but the evolution of prices remains highly uncertain. A full stop of Russian pipeline flows to the EU, unfavourable weather conditions for the generation of alternative energy sources, as well as above/below-average temperatures raising energy consumption in the summer/winter, are among the factors that could reignite price pressures on gas and electricity. In contrast, benign weather conditions and ample power generation from renewables may push prices below the assumptions in this forecast.

Upside risks to growth could materialise if domestic demand turns out stronger and inflation falls faster. Headline inflation could decline faster if wholesale energy prices fall below the levels suggested in the current, relatively stable, futures curves; or, if the lower wholesale prices are passed through more swiftly to consumers. Activity could pick up more strongly if demand from China following its post-COVID reopening surprises on the upside.

Risks related to EU's external environment remain unusually elevated, with new uncertainties following the banking sector turmoil or related to wider geopolitical tensions. In the US, the risk of policy miscalibration has increased with the recent turmoil in the banking sector, potentially affecting EU financial conditions. Moreover, failure to reach a timely agreement on the US debt ceiling could have significant negative consequences for the US economy, with global spillovers. Fragmentation of global trade, also related to increasing geopolitical tensions, is an additional downside risk for the global economy, potentially entailing significant economic costs for the EU. Last, but not least, the fast pace of global monetary tightening over the past year has also exposed debt vulnerability in some emerging market economies. Finally, there is persistent uncertainty stemming from Russia's ongoing invasion of Ukraine.

4. SPECIAL ISSUES

4.1. MEDIUM-TERM PROJECTIONS OF POTENTIAL GDP GROWTH IN TURBULENT TIMES

The large shocks that have hit the EU economy in recent years and the policy responses have increased uncertainty about future growth. The last three years have been marked by intense, mostly temporary, supply and demand shocks. To confront the negative effects of the pandemic and the war-induced disruptions, massive policy initiatives have been deployed by the EU and its Member States. These effects come on top of the pre-existing pressure on future potential economic growth from ageing and the secular slowdown of total factor productivity. Changes in the pattern of globalisation, production methods and household behaviour could also shape potential output well beyond the current decade.

This special issue analyses the extent to which projections of potential growth up to 2027 have changed in view of the various shocks affecting the EU economy. The assessment follows two approaches:

- First, based on the Commission's Spring 2023 European Economic Forecast (SF23), we compare the 5-year ahead ('T+5') projections of potential GDP growth, as estimated through the production function approach of the European Union Commonly Agreed Methodology (EUCAM), with previous forecast vintages since the Autumn 2019 Forecast (AF19).
- Second, we single out the energy crisis and quantify the impact of higher oil and gas prices on potential growth rates through the lens of a large general equilibrium model that explicitly includes energy as an imported intermediate input.

Return to pre-COVID potential output growth in the near term

Potential output growth projections up to T+5 (2027) illustrate the trajectory of potential growth if the labour, capital and total factor productivity trend growth rates that have emerged over the years running up to the end of SF23 (i.e. up to 2024) were to persist over the medium to long run. [32] [33]

In the current forecast, potential GDP growth rates for the EU are projected to remain around 1.5% during the T+2 forecast period, 2023-24 (see Graph I.4.1), after recovering from around 1.2% in the acute phase of the COVID-19 pandemic, i.e. 2020-21. After 2024, estimated potential growth rates fall, back to 1.2% by 2027. The main driver of this drop is the reduced contribution from labour input, which tapers down in 2026 and even turns negative in 2027 as the temporary increase of working-age population from people fleeing the war in Ukraine ends and demographic ageing again dominates developments in labour supply. The contribution of capital accumulation to potential GDP growth picked up in 2022 and is expected to remain

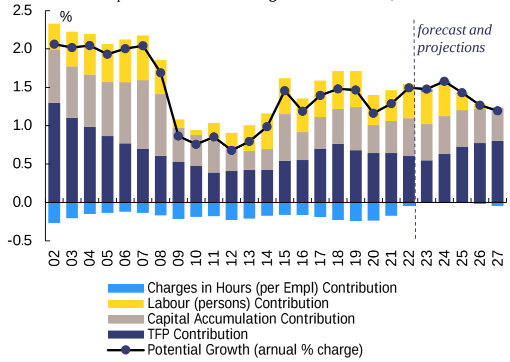
(32) T+5 baseline projections are calculated using a very stable methodology endorsed by the EU's Member States back in 2014 (for a technical description of the projections' methodology see Blondeau (2021). "Output Gap Estimation Using the European Union's Commonly Agreed Methodology: Vade Mecum and Manual for the EUCAM Software." *Discussion Paper 148*, European Commission). They are based on the assumption of no policy change and are by no means a forecast – they are simply a non-judgemental, rules based, extrapolation of recent developments in the key structural growth drivers for the individual Member States. A number of technical adjustments were introduced in 2020 to smoothen the overall potential output estimations given the large, but temporary, shifts in hours worked linked to the COVID-19 pandemic. By cushioning the labour market impact (in line with the widespread resort to short-time working schemes), these adjustments avoided excessively pro-cyclical movements of estimated potential growth.

(33) The Spring 2023 Forecast covers the period until 2024 (T+2). The standard T+5 - T+10 methodology extrapolates the T+2 results using fixed (mechanical) rules. Each component of the production function is extended by means of auto-regressive processes (AR) beyond the T+2 forecast, whereby future projections are linked to historical past trends as well as to the short-term forecasts from country experts. Trend unemployment is additionally determined by long-term "anchors" in T+10, converging to a value that is determined only by structural factors. Finally, the output gap is assumed to close in T+5 (2027). The mechanical extension implies that several risks (e.g. possible long-term labour market scarring) beyond 2024 are not taken into account.

relatively elevated in the coming years, also reflecting investment related to Next Generation EU and green investment. The contribution of total factor productivity (TFP) growth is projected to recover somewhat, increasing to 0.8 pps. in 2027. [34]

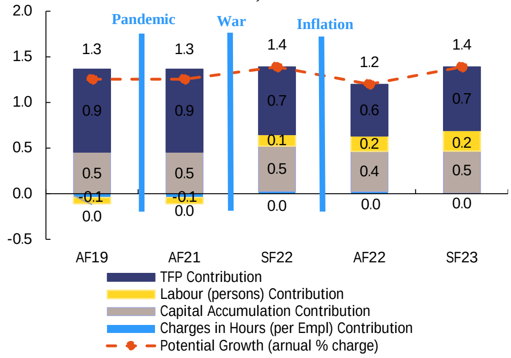
The assessment of the impact of the **pandemic and of Russia's war of aggression** against Ukraine (and the related policy responses) as incorporated in the SF23 projections for 2023 and 2024 also affect **the 'T+5' estimated potential output.** [35] Hence, a comparison with the pre-COVID or pre-war projections can provide a rough estimate of the cumulative effects of these shocks. In this analysis, we compare the 'T+5' projections of potential GDP growth based on the SF23 with projections based on previous forecast vintages, focusing on the time span 2023-27. [36]

Graph I.4.1: **Potential GDP growth breakdown, EU**



There are important changes in the relative contributions of production inputs to potential GDP across the forecast vintages. Graph I.4.2 shows the annual average contributions of the production inputs for the years 2023-27. The average potential GDP growth based on the SF23, at 1.4%, is only slightly above the corresponding projection in the autumn 2019 vintage (1.3%). However, drivers differ significantly. The TFP projection is now lower (by 0.2 pps.), capturing the impact of higher energy prices and the subsequent general increase in inflation on productive capacity. [37] Lower TFP is compensated by a higher contribution of labour, by around 0.3 pps. Increasing immigration, a buoyant labour market and recent reforms of the labour market and pension systems in some Member States have all contributed positively to labour supply, when compared with the earlier AF19 projections.

Graph I.4.2: **Potential GDP breakdown, annual averages 2023-27, EU**



Repeating the same exercise at the level of the EU Member States reveals common trends. 15 countries out of the 27 show lower average potential growth rates for the period 2023-27 in the SF23 'T+5' projections than in the AF19 projections. The contribution of TFP has

(34) It should be noted that the TFP projections are surrounded by a high degree of uncertainty, since it is too early to predict the effects of key drivers, such as a declining trend of research productivity (see for example Bloom, N., Jones, C.I., Reenen, J. V. and Webb, M. (2020). "Are Ideas Getting Harder to Find?." *American Economic Review* 110 (4)), the enhanced digitalisation triggered by COVID-19 (see for example Döhring, B., Hristov, A., Maier, C., Röger, W. and Thum-Thysen, A. (2021). "COVID-19 acceleration in digitalisation, aggregate productivity growth and the functional income distribution." *International Economics and Economic Policy* 18), the possible effects of new technologies, or the transition to green energy networks and technologies (see for example OECD (2019). "Innovation and Business/Market Opportunities associated with Energy Transitions and a Cleaner Global Environment.").

(35) The Spring 2023 Forecast projects GDP until 2024 (T+2). These country-desk projections include the effects of the NGEU funds (incl. RRF) spent over this period. The standard T+5 - T+10 methodology extrapolates the T+2 results using fixed (mechanical) rules. Each component of the production function is extended by means of auto-regressive processes (AR) beyond the T+2 forecast, whereby future investment projections are linked to historical past trends as well as to the short-term forecasts from country experts. Several components are additionally determined by long-term "anchors" in T+10 (an example is trend unemployment which converges to a value that is determined only by structural factors). Finally, the output gap is assumed to close in T+5 (2027). The mechanical extension implies that several risks (e.g. possible long-term labour market scarring) beyond 2024 are not taken into account.

(36) For the previous forecast vintages, the comparison uses the T+6, T+7 or T+8 projections.

(37) TFP is generally interpreted as the efficient use of capital and labour. However, as a residual in the production function it also captures factors not entering elsewhere. In the subsequent section, we will attempt to disentangle the impact of the energy price shock using a model in which energy is explicit.

diminished for a large majority of countries. Many of the Member States featuring the largest reductions in the TFP contribution are among the countries most exposed to the economic impact of the war in Ukraine, given trade links and the degree of energy dependency from Russia, as reported in the vulnerability matrix of the Spring 2022 Forecast. [38] In contrast, labour contributions in the SF23 have improved in most Member States.

A theory-grounded structural macroeconomic model allows one to single out the impact of individual shocks and to quantify their impact on potential GDP growth.

A model-based assessment of the energy price shock

This section takes a step further by isolating the impact of energy price shocks on the **euro area's potential output growth.** The previous section assessed the cumulative impact of the pandemic and energy price shocks on potential growth. The Global Multi-Country model (GM), an estimated Dynamic Stochastic General Equilibrium (DSGE) model of the euro area, allows to single out the impact of the energy crisis on potential GDP growth rates. [39]

The potential output and output gap calculations of the GM model are broadly in line with the European Union Commonly Agreed Methodology. In particular, the GM model also follows the production function method in that it depends on technology, labour and capital inputs. [40] Yet, key differences remain. Importantly, potential labour in the two models is estimated using different approaches. The GM model employs a structural general equilibrium model, estimated using Bayesian techniques [41], while EUCAM uses a combination of structural and more mechanical univariate models. Unlike the EUCAM, the GM model also explicitly includes observed and expected prices for oil and natural gas [42] and models energy as an imported intermediate input with limited substitutability.

Graph I.4.3 shows that the output gap estimates, a business cycle indicator expressed as the deviation of actual from potential output, based on the EUCAM and GM model display a similar pattern over time. After the Great Financial Crisis (2008-09), the GM estimate turned positive in the same year as the EUCAM estimate, although the former shows a slightly more positive profile that starts before the COVID-19 crisis. Both estimates show a significant drop during the pandemic and then a quick recovery in subsequent years.

(38) European Commission (2022). "European Economic Forecast, Spring 2022", *Institutional Paper* 173, Box 1.2.2.

(39) 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.

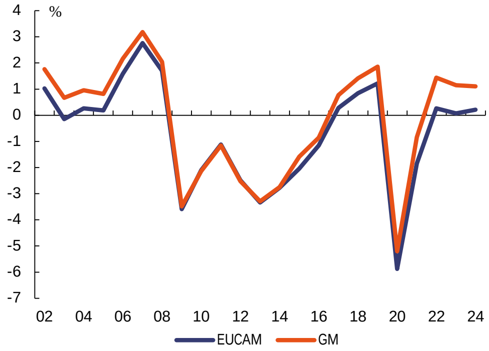
(40) The assumed production function in GM includes fixed costs and public capital as a separate productivity-enhancing input. Public capital represents a small share of total capital, therefore playing a relatively small role in total production and the accumulation of total capital is broadly more in line with the EUCAM specifications. The depreciation rate in the capital accumulation functions is constant.

(41) Potential labour input equals the amount of hours worked in the absence of nominal and real wage rigidity as in J. Galí (2011). "The return of the wage Phillips Curve. "*Journal of European Economic Association* 9 (3).

(42) The GM model is a structural macro-model in the New-Keynesian tradition with microeconomic foundations derived from utility and profit optimisation and including frictions in goods, labour and financial markets. The model is tightly linked to economic data comprising more than 30 historical times series from national accounts (such as GDP, consumption, price deflators, etc), trade data and uses European Commission's forecasts for 2023-24 for a large subset of them, as well as market-based expectations for energy goods like gas and Brent oil. The driving forces (shocks) that would fit these data will also predict the unobserved variables such as the total hours trend.

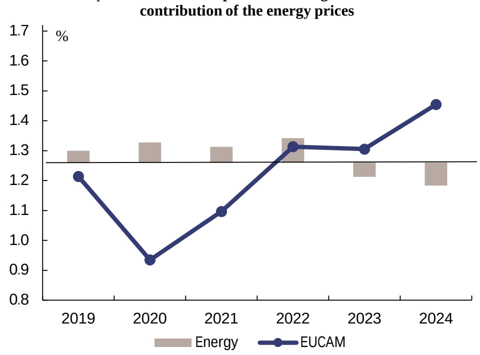
Energy prices affect potential growth through capital accumulation and medium-term labour market dynamics. [43] Higher production costs due to higher energy prices can pressure liquidity-constrained firms to cut investment. Moreover, energy prices significantly impact households' disposable income, reducing demand for goods and services. These effects directly and indirectly slow down capital stock accumulation. The impact of energy shocks on medium-term labour market dynamics depends on structural features such as the speed of real wage adjustment. Energy price increases bring down real wages due to the delayed adjustment of nominal wages. However, in the medium term, workers and trade unions renegotiate the wages in order to compensate for the lost real income, due to some "real wage rigidity". [44] In the GM, such "real wage rigidities" prevent workers' remuneration to fall below their reservation wage. Along with households' desire to maintain relatively stable consumption levels [45], higher energy prices can prompt a moderate increase in labour force participation rates – depending on the degree of real wage rigidities or the strength of consumption smoothing. [46] Given that the capital accumulation channel builds up more slowly, this labour supply channel might dominate. In the medium run, however, the negative impact from decreased investment and a smaller capital stock dominates.

Graph I.4.3: **Euro area output gap**



Significant increases in energy prices in 2022, especially for gas, have reversed the positive trend of energy prices contribution on potential growth coming from lower prices before and during the COVID-19 crisis. Graph I.4.4 shows the slow build-up of the positive impact of energy price shocks (grey bars) lasting until 2022. [47] Based on the external assumptions and GM model estimates of the SF23, this trend was overturned following the dramatic increase in gas and oil prices. According to the model, the loss in real income has slightly increased potential output in 2022 via increased labour force participation. However, in the subsequent years, the capital accumulation channel dominates and the negative impact of higher energy prices on domestic demand and business activity reduces potential GDP growth cumulatively in 2023 and 2024 by 0.15%. As energy prices remain above historical levels over the forecast horizon, despite the ongoing significant decrease from the 2022 peak, the negative impact of energy on potential growth is further amplified in 2024.

Graph I.4.4: **Euro area potential GDP growth and the contribution of the energy prices**



(43) Energy prices can also affect the total factor productivity trend. However, this channel is absent in the GM model as trend productivity growth is assumed to be exogenous. To avoid further departures from the EUCAM potential output, the latter is observed with a measurement error using EUCAM TFP trend estimates.

(44) The degree of households' bargaining power is captured by the historically estimated real wage rigidities.

(45) Formally, in the model, high estimated habit formation in consumers' preferences imply preferences to smooth consumption over time.

(46) For further discussion of the importance of real wage rigidities in the transmission of negative supply shocks, see also F. Nucci and M. Riggi (2018). "Labor force participation, wage rigidities, and inflation." *Journal of Macroeconomics 55*, I. Cairo, S. Fujita and C. Morales-Jimenez (2022). "The cyclicality of labor force participation flows: The role of labor supply elasticities and wage rigidity." *Review of Economic Dynamics* 43, and O. Blanchard and J. Galí (2010). "The macroeconomic effects of oil price shocks: Why are the 2000s so different from the 1970s?" *NBER Chapter* in *International Dimensions of Monetary Policy*.

(47) In Graph 4, the solid blue line shows the EUCAM estimated potential output growth. The grey bars show the contribution of the energy shock to potential GDP growth from the long-run trend (average) growth. Bars above (below) the horizontal axis indicate positive (negative) contributions in a given year.

The model-based potential output estimates are stylised and considerable uncertainty surrounds this analysis. Hence, there are several caveats to keep in mind. First, comparing the EUCAM results from Autumn 2021 and Spring 2022, a significant proportion of the negative impact on potential output shows up as a TFP effect. By contrast, the GM model does not feature a pass-through of various economic drivers on production technology and, therefore, it remains silent on the impact of energy shocks on trend TFP. Second, energy prices have exhibited large swings in the last year and are still surrounded by considerable uncertainty as regards its future magnitude and persistence. Adverse macroeconomic effects also heavily depend on substitution possibilities to reduce the demand of imported fossil fuels. (48)

4.2. THE NEW CANDIDATE COUNTRIES INCLUDED IN THE FORECAST

Ukraine and Moldova were granted candidate status for EU membership by the European Council in June 2022 (49). Bosnia and Herzegovina followed suit in December 2022. This special issue provides an overview of the structural features, recent performance of and outlook for these three economies. The challenges related to statistical gaps and, in the specific case of Ukraine, to assessing economic developments for a country at war, warrant a more qualitative approach to forecasting than that applied in the European Commission's economic forecasts. As from autumn 2023, when the three countries will be fully integrated in the European Commission's enlargement-related workstreams, the intention is to publish detailed forecasts as for the other candidate countries (the war situation in Ukraine permitting). (50)

4.2.1. UKRAINE

Ukraine is a lower middle-income country of more than 40 million people. In 2021, GDP per capita stood at 29.3% of the EU average in terms of purchasing power parity (PPP). Ukraine's economic development had been held back by a somewhat uneven implementation of structural reforms across different areas, reflecting persistent lack of political consensus, regular interference from vested interests, a high degree of corruption, chronically low levels of investment, and territorial disputes also linked to the 2014 illegal annexation of Crimea by Russia. It must be underscored that while this section is based primarily on pre-war data, the tremendous shock of the war is set to fundamentally transform Ukraine's economy, making its monitoring and forecasting subject to strong uncertainties. At the same time, the country has demonstrated remarkable resilience during the war, and efforts towards joining the EU, having been granted candidate country status on 23 June 2022, should improve prospects for Ukraine.

Compared to the EU average, the Ukrainian economy is less diversified and with a large imprint of the state in the economy. A large share of its value added comes from agriculture (12%, EU average: 1.3%), low-tech manufacturing (12%) and mining (8%). With more than 3,500 state-owned enterprises, accounting for one tenth of output and about 18% of employment, the state footprint in Ukraine is considerable. The country's generally weak growth fundamentals are reflected in its relatively low ranking in the Global Competitiveness Index (rank 84 compared to ranks 51 to 62 for the three worst-performing EU Member States).

In the years before the war, the Ukrainian economy had progressively increased trade with the EU. Exports in goods and services as a share of GDP had contracted by almost a quarter

(48) The analysis uses historically estimated parameters for the elasticity of substitution between energy and other inputs, approximately 0.4 for both consumption and production inputs. A sensitivity analysis shows that the adverse impact could be larger if further substitution proves more difficult.

(49) See European Council conclusions of 23 June 2022 and European Council conclusions of 15 December 2022.

(50) The forecasts for Ukraine and Moldova presented in this publication refer to the territories under the control of the national authorities, in line with the approach followed by the national statistical authorities. In practice, this means that for Ukraine the data, as well as the forecast, exclude the illegally-annexed Crimea, the city of Sevastopol and a part of the non-government controlled areas of the Donetsk and Luhansk regions. As regards to Moldova, the data and the forecast exclude the Transnistria region.

since 2015 to 41% of GDP in 2021. Yet, economic integration with the EU progressed further thanks to the implementation of the Association Agreement/Deep and Comprehensive Free Trade Agreement. The share of exports to the EU, mostly agricultural goods, metals and minerals, increased from 28% in 2015 to 36% in 2021. The share of imports from the EU, which comprised primarily machines, chemicals and minerals, also strengthened from 36% in 2015 to 41% in 2021.

The workforce is overall well-educated, but the labour market is characterised by substantial informal employment. Sizeable government spending on education (5.7% of GDP in 2021 compared to EU average of 4.8%) and a ratio of gross enrolment in tertiary education of above 80% suggest an overall well-educated workforce. Some estimates put the size of the informal sector as high as 44% of GDP and almost 20% of all employed in 2021. The activity rate averaged around 62% (56% for women) between 2014 and 2021 (EU: 73%, 68% for women), while the unemployment rate fluctuated around 9% prior to the Russian war of aggression.

Inflation had come down following the adoption of a medium-term inflation-targeting framework. Since 2016 and up until the outbreak of the war, when it was temporarily suspended, the National Bank of Ukraine had successfully managed to set a 5% medium-term inflation-targeting framework with a flexible exchange rate regime. Confidence in the national currency - the hryvnia - had improved, as its value on foreign exchange markets stabilised. Inflation was at 2.7% in 2020 before surging to 9.4% in the wake of the post-pandemic adjustments.

Until the outbreak of the war, public finances were also on a solid footing. The government had followed an ambitious fiscal consolidation that resulted in a public deficit of around 2% of GDP on average between 2015 and 2021. Supported by strong nominal GDP growth, the public debt ratio declined to below 50% of GDP in 2021.

Massive capital destruction and population exodus since the onset of Russia's aggression, has caused the economy to contract by almost a third in 2022. The massive human exodus of more than 7 million people has partly reversed lately, but about 4 million people are still under temporary protection abroad. More than 2 million internally displaced persons have also returned to their places of origin.

The economy has proven resilient despite the war. Population displacement, subdued business activity and severe output contraction in the regions with active combat have resulted in high inflation and soaring unemployment. In 2022, private consumption and investment are estimated to have dropped by about 30% and 35% respectively, resulting in an overall GDP contraction of 29.1%. Moreover, Russian attacks on the power grid in late 2022 and early 2023 have destroyed or seriously damaged half of the electricity infrastructure. Still, a stronger-than-expected resilience of the critical energy infrastructure, the solidarity initiatives in support of exports and foreign partners' financial assistance are all expected to contribute to a broad stabilisation of the economic output in 2023. Under the assumption that the conditions are in place for a gradual increase in early reconstruction efforts as from mid-2024, real GDP is expected to rebound moderately that year. Inflation is likely to remain elevated, around 20%, throughout 2023 and to decline progressively in 2024, continuing to erode real incomes and wealth. The government plans a fiscal deficit (excl. grants) of 28.2% of GDP in 2023, resulting in a projected public debt of 81.5% of GDP. Unemployment is set to stay at around 15% in 2023 and to decrease in 2024 as reconstruction activity picks up. The current account is projected to remain positive at 1.7% of GDP in 2023 before returning to a small deficit in 2024. The outlook is, however, subject to extraordinary uncertainty and critically depends on the evolution of the war.

Formidable efforts will be needed to attract investment and launch a full-scale reconstruction, the cost of which has been recently estimated at USD 411 billion by the World B**ank's Rapid Damage and Needs Assessment II.** [51] An ambitious reform programme will also be needed to align the country with its European path. Reducing the much-increased role

[51] World Bank (2023). Ukraine Rapid Damage and Needs Assessment: February 2022 - February 2023 (English). Washington, D.C.: World Bank Group.

of the state in the economy, solving the endemic issue of corruption, improving the efficiency of the judiciary and strengthening the enforceability of property rights are among the main challenges and can, if successfully pursued, enable the modernisation of the economy. Security guarantees and an improved business environment favourable to competition are prerequisites for making Ukraine attractive to foreign private investors and, ultimately, for the longer-term sustainability of the reconstruction effort.

Table I.4.1:

Main features of country forecast - Ukraine

	Annual percentage change					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
GDP	3.2	-3.8	3.4	**-29.1**	**0.6**	**4.0**
Exports (goods and services)	7.3	-5.8	-8.6	**-42.4**	**1.5**	**5.3**
Imports (goods and services)	5.7	-6.4	14.2	**-18.5**	**3.0**	**6.2**
Trade balance (goods) (a)	-9.3	-4.3	-3.3	**-12.7**	**-11.9**	**-11.8**
Current-account balance (a)	-2.7	3.3	-1.9	**4.3**	**1.7**	**-0.1**

(a) as a % of GDP.

4.2.2. MOLDOVA

Moldova is a lower middle-income economy with a population of approximately 2.5 million. Its GDP per capita stood at around 30% of the EU average in terms of purchasing power parity in 2021. During the last decade (2013-22), Moldova recorded economic growth of 3.1% per year on average and weathered several economic crises, supported by broadly sound macroeconomic policies. Prior to 2022, the National Bank of Moldova had been generally successful in keeping inflation within the target range set at 5% +/- 1.5 percentage points. Public finances have been stable, with a low deficit, at about 2.3% of GDP on average over 2013-22, and a low level of debt (36% of GDP in 2022), most of which has been extended by official creditors on concessional terms. However, frequent changes in government, persistent rule of law weaknesses and continued perception of pervasive corruption hampered investment, in particular from abroad.

Moldova's economy is less diversified than the EU average and remains heavily reliant on the agricultural sector. Agriculture accounted for about 9% of Moldova's GDP in 2022 (EU: 1.3%) and the informal subsistence agriculture represents another 11% of GDP. The manufacturing sector is relatively small, centred around agriculture, including food processing and agricultural machinery, as well as low-tech manufacturing, such as textiles and apparel. State influence remains important in key sectors, including in telecommunications, energy and transport, weighing on their efficiency. State-owned enterprises accumulate assets worth about 26.5% of GDP and account for around 6% of total employment. The country's relatively weak growth fundamentals, reflected in Moldova's low ranking in the 2019 Global Competitiveness Index (rank 86, closely behind Ukraine and much weaker than the three worst-performing EU Member States), hinder a more efficient allocation of resources that could underpin higher living standards. The informal sector accounts for an estimated 27% of GDP.

Moldova is a relatively open economy. The EU is Moldova's biggest trading partner, accounting for about 60% of its total exports and 44% of its total imports in 2021. Within the EU, Romania is the main destination of trade. Food and agricultural products, as well as crude materials and textiles, make up for almost half of Moldova's exports, pointing to low diversification of output and low value-added exports. Moldova's current account deficit averaged 8.1% of GDP in the decade 2012-22 and it increased in recent years due to the protracted energy crisis. It has been financed largely by substantial remittances and financial transfers.

Moldova's labour market is characterised by a very low participation rate. While unemployment has been low at around 3%, the very low employment rate of 40% in 2022 (among those aged 15 years and above; EU 15–64 years: 66.2%) reflects low participation in the labour market by the older cohorts and by people working abroad or willing to work only abroad. The inflow of people fleeing Ukraine contributed to a slight increase in the employment rate in 2022 despite the deep economic downturn, but this impact is likely to abate in the coming years.

In 2022, the Moldovan economy was severely impacted by Russia's war of aggression in Ukraine, further aggravated by a drought and the protracted energy crisis. Real GDP contracted by 5.9%, with inflation above 28% having eroded households' disposable incomes. Moreover, war-related uncertainty also led to a substantial fall in investment. On the fiscal side, the general government budget deficit widened to 5.5% of GDP on the back of increased spending on energy subsidies for vulnerable households and support for people fleeing Ukraine. On the external side, the current account deficit widened to over 15% of GDP, driven by high energy and food prices and the loss of exports to Russia (which had accounted for about 9% of Moldova's exports in 2021).

In 2023, the economy is set to mildly recover, with a stronger rebound expected in 2024. The outlook is based on improved terms of trade, notably the easing of energy prices, and consumption growth. Lower energy prices are set to contribute to a considerable reduction of inflationary pressures, in turn having a positive effect on households' purchasing power, in addition to the steady flow of remittances. Private consumption is thus projected to be the main driver for growth, followed by still strong public consumption and a gradual recovery of investment, especially in 2024. Normal weather conditions are expected to contribute to a rebound in agricultural output. Compared to the relatively strong performance in 2022, which was largely on account of re-exports of agricultural and other products, export growth is projected to moderate. Coupled with a recovery of domestic demand, the contribution of net-exports on growth is thus set to remain negative.

High general government deficits are driving up the debt-to-GDP ratio over the forecast horizon. The general government deficit is expected to remain high in the near term, on account of continued fiscal support for the most vulnerable and the projected increase in public investment. This, coupled with low GDP growth, is set to increase the debt ratio.

Moldova's trade activity is expected to remain subject to regional disturbances. However, the reorientation of trade flows, additional trade facilitation agreements with the EU and growth among its trading partners are set to contribute to a gradual narrowing of the current account deficit. The risks related to the forecast remain tilted towards the downside, largely on account of the geopolitical situation.

Table I.4.2:

Main features of country forecast - Moldova

		Annual percentage change					
		2019	2020	2021	2022	2023	2024
GDP		3.6	-8.3	13.9	**-5.9**	**2.8**	**4.1**
Contribution to GDP growth:	Private consumption	3.6	-6.4	14.2	**-3.3**	**2.5**	**3.3**
	Gross fixed capital formation	2.8	1.3	0.5	**-1.6**	**0.8**	**1.5**
	Net exports	-1.0	0.8	-6.0	**-1.5**	**-1.3**	**-1.3**
Employment		9.5	-4.2	1.7	**1.0**	**0.6**	**0.4**
Unemployment rate (a)		5.3	3.9	3.3	**3.2**	**3.1**	**3.0**
National index of consumer prices		4.8	3.8	5.1	**28.7**	**15.4**	**6.4**
Current account balance (b)		-10.3	-9.3	-15.1	**-15.8**	**-13.7**	**-12.2**
General government balance (b)		-1.5	-5.3	-1.9	**-5.5**	**-5.5**	**-4.2**
General government gross debt (b)		28.8	36.6	33.1	**36.2**	**37.3**	**38.7**

(a) as % of total labour force. (b) as a % of GDP.

4.2.3. BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina is a lower-middle income economy with a population of 3.5 million. In 2021, the GDP per capita stood at around 35.5% of the EU average. The country's economic development over the last decade has been marked by stable, but relatively subdued, economic growth, supported by a significant inflow of workers' remittances (of some 10% of GDP). Prior to 2022, annual inflation was very low, at 0.3% on average during the previous 10 years. The exchange rate regime is a currency board arrangement with the euro as the anchor currency, which has helped to contain inflationary pressures. The country's public finances registered an average deficit of 0.4% of GDP during the last 10 years (2012-21), which is also reflected in a rather low level of public debt of about 34% of GDP in 2021, of which half is held by official external creditors on concessional terms. Persistent political uncertainties and stalemates, a weak rule of law and low progress with economic reforms had a negative impact on domestic and foreign investment, weighing on the economy.

The economy of Bosnia and Herzegovina is skewed towards agriculture and state-owned enterprises play a significant role. Bosnia and Herzegovina's production structure is tilted towards agriculture (5.6% of total gross value added). The country's economy shows a significant footprint of state-owned enterprises, and a low ranking in the 2019 Global Competitiveness Index (rank 92, weaker than Ukraine and Moldova and below the three worst-performing EU Member States). The informal sector remains large, accounting for an estimated one third of GDP. The labour market is characterised by a low employment rate of around 40% (EU average: 73%) and high unemployment rates, especially among young people (currently at 15% and 36%, respectively). The labour force is shrinking, largely due to persistent labour emigration.

Bosnia and Herzegovina is less open than similarly sized economies. The value of goods and services exports represents some 30-40% of GDP, compared to 70-80% of GDP for EU Member States with a similarly sized population. Commodity exports mainly consist of electricity and manufactured products, such as car seats, wires and furniture. The EU is Bosnia and Herzegovina's main export destination (57% of total exports), with Germany, Croatia and Italy as the main export markets. The current account deficit averaged 1.4% of GDP during the past ten years (2013-22), while trade deficits were substantial (averaging -16.3% of GDP over the same period), although usually largely offset by workers' remittances and tourism revenues.

Economic activity slowed down in 2022, reflecting a deteriorating international environment and accelerating inflation. After averaging 1.8% over the period 2011-20, real GDP growth rose to 7.4% in 2021 amid the post-pandemic rebound, but slowed down to 4% in 2022. Due to the country's limited export volume with Russia, the invasion of Ukraine only had a limited direct impact on trade. However, higher prices for imported energy and primary commodities contributed to inflationary pressures. At the same time, external demand decelerated, though from a high level. The main drivers of growth in 2022 were exports, gross investment (in particular inventories) and private consumption. The labour market remained resilient in 2022, with employment growth of 2.3% and the unemployment rate dropping to 15.4%. The current account deficit widened to 4.5% of GDP, largely due to higher import prices and weaker external demand.

The outlook for 2023 and 2024 is based on an expected moderate improvement in the **country's external demand towards** the end of the forecast period, while domestic demand is set to be affected by weak disposable income growth and persistent domestic political tensions. Workers' remittances are forecast to remain stable, while tourism revenues are likely to recover to pre-pandemic levels. Thanks to the projected decrease in international prices for energy and raw materials, domestic price pressures are set to ease, ameliorating households' purchasing power in the second half of the forecast period. As a result, exports and private consumption are expected to become the main drivers of growth towards 2024. Due to relatively moderate export growth, deficits in trade and current account balances are set to remain at their comparatively high level.

The increase in employment is forecast to remain moderate, which should limit the reduction in the unemployment rate. However, continued labour emigration will likely support the reduction in the unemployment rate in the short term even as it undermines the country's growth potential. Public finances are set to benefit from inflation-driven high-revenue growth, in particular in 2023. However, decelerating inflation and the local elections could lead to lower than planned revenue and higher spending, and thus a higher deficit in 2024. The debt ratio is forecast to decrease slightly in 2023, benefiting from strong nominal growth and a low deficit, while in 2024 a higher deficit would lead to a slight increase in the debt ratio. The risks to the forecast are mainly related to the international environment (both upside and downside) and the domestic political situation, which could also turn out to be more growth-supportive than currently assumed.

Table I.4.3:

Main features of country forecast - Bosnia and Herzegovina

		Annual percentage change					
		2019	2020	2021	2022	2023	2024
GDP		2.9	-3.0	7.4	**3.9**	**1.5**	**2.3**
Contribution to GDP growth:	Private consumption	1.7	-2.5	2.9	**3.3**	**1.0**	**1.3**
	Gross fixed capital formation	1.3	-1.0	1.1	**1.4**	**1.2**	**1.2**
	Net exports	-0.5	1.0	-1.4	**-2.9**	**0.5**	**-0.7**
Employment		2.2	-6.9	-1.9	**1.0**	**0.7**	**1.5**
Unemployment rate (a)		:	:	17.4	**15.4**	**14.5**	**14.0**
National index of consumer prices		0.6	-1.1	2.0	**14.0**	**7.0**	**4.0**
Current account balance (b)		-2.6	-3.2	-2.4	**-4.6**	**-3.8**	**-4.4**
General government balance (b)		1.9	-5.2	-0.3	**-1.0**	**-0.3**	**-0.8**
General government gross debt (b)		32.1	36.0	34.4	**30.5**	**29.5**	**30.0**

(a) as % of total labour force. (b) as a % of GDP.

5. BOXES

Box I.5.1: Some technical elements behind the forecast

The cut-off date for taking information into account in this European Economic Forecast was 28 April 2023. Ad-hoc assumptions relating to, e.g. the geo-political situation, are detailed in Box I.1.1.

Exchange and interest rates

Nominal exchange rates are kept constant over the forecast horizon at the level recorded during the reference period (see Table 1 in this box and Table 31 in the Statistical Annex). Assumptions for interest rates are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States, are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro area interest rate is taken for both short- and long-term rates.

Commodity prices

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

Trade policies and assumptions

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

ESA 2010

The forecast is based on the ESA 2010 system of national accounts for all Member States, the EU and the euro area aggregates.

Calendar effects on GDP growth and output gaps

The number of working days may differ from one year to another. The Commission's annual GDP forecasts are not adjusted for the number of working days, but quarterly forecasts are. The working-day effect in the EU and the euro area is estimated to be limited in 2023 and 2024, implying that adjusted and unadjusted annual growth rates differ only marginally (by up to ±0.1 pps.), but it may be significant in the case of some Member States. Estimations of potential GDP and output gaps are not adjusted for working days. Furthermore, since the working-day effect is considered temporary, it is not expected to affect cyclically-adjusted balances.

Inclusion of new candidate countries

Following their application for EU membership in spring 2022, the European Council granted Ukraine, Bosnia and Herzegovina and Moldova candidate country status in June 2022. These countries are included in the forecast, in the Special issue 4.2 "The new candidate countries included in the forecast".

Table 1:
Technical assumptions

		Spring 2023 Forecast			Autumn 2022 Forecast		
	2021	2022	2023	2024	2022	2023	2024
3-month EURIBOR (percentage per annum)	-0.5	0.3	3.3	3.3	0.2	3.1	3.0
10-year government bond yields (percentage per annum) (a)	-0.4	1.1	2.4	2.4	1.2	2.3	2.4
USD/EUR exchange rate	1.18	1.05	1.09	1.10	1.04	0.98	0.98
GBP/EUR exchange rate	0.86	0.85	0.88	0.88	0.85	0.87	0.87
RMB/EUR exchange rate	7.63	7.08	7.50	7.56	6.98	7.11	7.11
JPY/EUR exchange rate	129.9	138.04	145.76	147.11	137.40	146.45	146.45
EUR nominal effective exchange rate (annual percentage change) (b)	1.30	-4.53	5.77	0.75	-4.30	-0.50	0.00
Natural gas (EUR/Mwh) (c)	47.1	131.9	48.0	55.4	134.8	146.5	110.3
Electricity (EUR/Mwh) (d)	107.2	260.3	130.7	161.4	265.6	396.1	248.8
Oil price (USD per barrel)	70.7	100.7	76.3	72.1	101.8	85.0	78.0
Oil price (EUR per barrel)	59.8	95.7	69.9	65.6	98.4	86.4	79.3

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

(Continued on the next page)

Box (continued)

The inclusion of the Recovery and Resilience Facility in the forecast

The macroeconomic and budgetary projections in the forecast include the impact of the implementation of the Recovery and Resilience Facility (RRF). Unless mentioned otherwise, the forecast includes the measures incorporated in the Recovery and Resilience Plans as submitted to the Commission. The cash disbursement and expenditure profiles implicit in the forecast are consistent with the time profile of milestones and targets as specified in the Plans and the relevant Council Implementing Decisions, also taking into account implementation outcomes at the cut-off date of the forecast. The update of the RRF maximum financial contribution of 30 June 2022 is reflected in the forecast through the working assumption of a proportional adjustment of the cash disbursements in the outer year of the Forecast (2024), without pre-judging the actual update and submission of the national plans in line with Article 18(2) of the RRF Regulation. The working assumptions in the forecast do not pre-judge the outcomes of future Commission and Council decisions.

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

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2022 as published in Eurostat's news release 47/2023 of 21 April 2023.

Eurostat is expressing a reservation on the quality of data reported by France for the year 2022. Eurostat, in close cooperation with the French statistical authorities, is clarifying the recording of the capital increase by the State into the public energy company EDF (Électricité de France), as well as the application of the super-dividend test for the dividends paid by some public corporations to the French State. The deficit for 2022 might be underestimated by up to 0.2 pp of GDP.

The public finance forecast is made under the 'no-policy-change' assumption, which extrapolates past revenue and expenditure trends and relationships in line with past policy orientations. This may also include the adoption of working assumptions, in particular to deal with structural breaks. The no-policy-change forecast includes all fiscal policy measures that imply a change to past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced. For 2023 in particular, the annual budgets adopted or presented to national parliaments are taken into consideration. The temporary emergency measures taken in response to COVID-19 crisis adopted in 2020, 2021 and 2022 are not treated as one-off and are thus reflected in the estimation of the structural budget balance.

In line with Eurostat's press release, EU and euro area aggregates for general government balance and debt are based exclusively on the Member States' balances and debt. For debt, whereas Eurostat publishes the consolidated figures (corrected for intergovernmental loans, including those made through the European Financial Stability Facility), the projections in the forecast years 2023 and 2024 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2022, this implies an aggregate debt-to-GDP ratio that is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 47/2023 of 21 April 2023 (by 1.6 pps. in the EA20 and by 1.3 pps. in the EU).

PART II

Prospects by individual economy

Euro Area Member States

1. BELGIUM

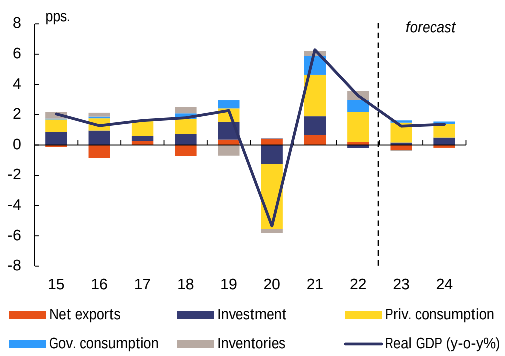
Economic growth in Belgium is expected to reach 1.2% in 2023 and 1.4% in 2024, on the back of resilient private consumption. Following the decline in energy prices and the effect of fiscal measures, inflation is forecast to reach 3.4% in 2023 and 3.5% in 2024. The government deficit is projected at 5% of GDP in 2023, and at 4.7% of GDP in 2024.

A gradual recovery

Even though economic growth reached 3.2% in 2022, economic developments at the end of the year were rather subdued. In a context of high inflation and uncertainty related to the extreme volatility of energy prices, activity slowed down to quarterly growth rates of 0.3% and 0.1% in the third and fourth quarters respectively.

However, economic activity rebounded already at the beginning of 2023, with quarterly GDP growth estimated at 0.4% in the first quarter of the year. The automatic indexation of wages and social benefits is set to continue to contribute to maintaining the purchasing power of households, especially as headline inflation is projected to substantially slow down. Consequently, after a strong performance in the last quarter of 2022, private consumption is expected to remain supportive in 2023 and 2024.

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



Strong cost pressures related to wage increases and tighter financial conditions are projected to continue weighing on business investment. Residential construction is expected to remain under pressure from high financing costs, even though the increased needs for the energy transition are set to play a positive role. In contrast, public investment is set to contribute positively with the continued implementation of the Recovery and Resilience Plan. All in all, after a contraction in 2022, investment is projected to recover marginally in 2023 before rebounding more strongly in 2024.

Muted global trade prospects are forecast to weigh on imports and exports in 2023. After a positive contribution in 2022, net exports are expected to contribute negatively to growth in 2023 and in 2024, with exports under pressure due to price increases. All in all, real GDP growth is projected to reach 1.2% in 2023 and increase to 1.4% in 2024.

Slowdown in the labour market

After growing at a fast pace of 2.0% in 2022, employment decelerated in the last quarter of the year amid subdued economic activity. It is projected to remain weak in 2023. As such, employment growth is forecast to decline to 0.6% this year, before regaining some strength to 0.9% in 2024, mirroring the increase in economic growth. The unemployment rate is expected to increase slightly from 5.6% in 2022 to 5.8% in 2023 before a small decline to 5.7% in 2024.

A decline in inflation

After having reached 10.3% in 2022, headline HICP inflation is forecast to fall to 3.4% in 2023 due to the fast transmission of the decline in wholesale gas and electricity prices to retail prices and the effect of government measures to limit prices. Headline inflation is projected to remain broadly stable at 3.5% in 2024, as the effect of these measures expires. The pass-through of increased costs is expected to keep core inflation elevated in the first half of 2023 before slowly receding as cost pressures ease.

Persistently high government budget deficits

The government budget deficit landed at 3.9% of GDP in 2022, reflecting the further unwinding of pandemic-related spending and the continuation of the economic recovery. However, public finances remained under pressure due to the temporary support measures adopted in response to soaring energy prices and the war in Ukraine.

In 2023, the government deficit is forecast to increase again, to 5%. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.4% of GDP in 2023, compared with 0.9% in 2022. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.5% of GDP in 2022. At the same time, the expenditure ratio is expected to increase further, notably due to the automatic indexation of public sector wages and social benefits and to rising interest payments in 2023. At the same time, a temporary reduction in employers' social contributions is set to have a deficit-increasing impact during the first half of 2023. In addition, a reform of the taxation of energy products consisting of a permanent reduction in the VAT rate on residential gas and electricity contracts (from 21% to 6%) combined with an increase of excise duties is projected to have a deficit increasing net impact in 2023 and 2024.

In 2024, the government budget balance is projected to slightly narrow, to 4.7% of GDP, as the Commission currently assumes a full phasing out of energy support measures in 2024. The still high government deficit forecast for 2024 can be mainly explained by the structural growth in permanent current expenditure caused notably by rising ageing costs, and by higher interest payments on public debt.

Government debt landed at 105% of GDP in 2022, and it is forecast to increase to 106% in 2023 and to 107% of GDP in 2024, driven by high budget deficits and by debt-increasing stock flow adjustments in 2023 and in 2024.

Table II.1.1:

Main features of country forecast - BELGIUM

		2021		Annual percentage change						
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		502.5	100.0	1.6	2.3	-5.4	6.3	**3.2**	**1.2**	**1.4**
Private Consumption		245.8	48.9	1.5	1.7	-8.3	5.5	**4.1**	**2.6**	**1.7**
Public Consumption		120.7	24.0	1.1	2.3	0.1	5.0	**3.2**	**0.7**	**0.7**
Gross fixed capital formation		121.5	24.2	2.5	5.0	-5.3	5.1	**-0.8**	**0.7**	**2.0**
Exports (goods and services)		436.3	86.8	3.1	2.4	-5.0	11.3	**5.1**	**1.3**	**2.5**
Imports (goods and services)		431.0	85.8	3.4	2.0	-5.6	10.7	**4.9**	**1.6**	**2.7**
GNI (GDP deflator)		507.2	100.9	1.5	2.3	-5.3	6.2	**3.0**	**1.4**	**1.4**
Contribution to GDP growth:	Domestic demand			1.6	2.6	-5.5	5.2	**2.6**	**1.6**	**1.5**
	Inventories			0.2	-0.7	-0.3	0.3	**0.6**	**-0.1**	**0.0**
	Net exports			-0.1	0.4	0.4	0.7	**0.2**	**-0.3**	**-0.2**
Employment				0.9	1.6	0.1	1.9	**2.0**	**0.6**	**0.9**
Unemployment rate (a)				7.9	5.5	5.8	6.3	**5.6**	**5.8**	**5.7**
Compensation of employees / head				2.1	2.0	-1.6	4.1	**7.2**	**9.0**	**3.4**
Unit labour costs whole economy				1.4	1.3	4.1	-0.2	**5.9**	**8.3**	**2.9**
Saving rate of households (b)				15.1	12.3	20.5	17.0	**12.9**	**14.0**	**13.4**
GDP deflator				1.7	1.7	1.5	2.8	**5.9**	**3.8**	**2.3**
Harmonised index of consumer prices				2.0	1.2	0.4	3.2	**10.3**	**3.4**	**3.5**
Terms of trade goods				-0.3	0.8	1.2	-2.0	**-5.0**	**2.0**	**0.1**
Trade balance (goods) (c)				0.6	0.8	1.3	0.8	**-2.2**	**-0.9**	**-1.0**
Current-account balance (c)				2.2	0.1	1.1	0.4	**-2.9**	**-1.8**	**-1.8**
General government balance (c)				-2.3	-2.0	-9.0	-5.5	**-3.9**	**-5.0**	**-4.7**
Structural budget balance (d)				-2.2	-3.0	-5.8	-4.7	**-4.2**	**-4.9**	**-4.5**
General government gross debt (c)				100.0	97.6	112.0	109.1	**105.1**	**106.0**	**107.3**

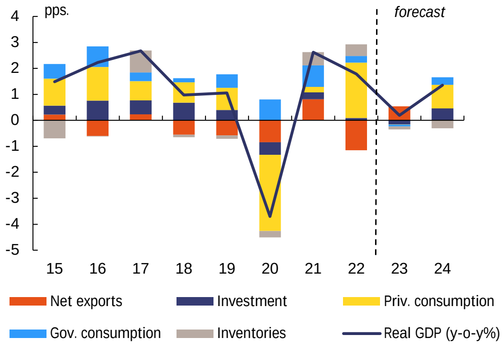
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

2. GERMANY

Germany's economy is adjusting to the disruption of gas deliveries from Russia and the energy price shock they caused. Industry has proved resilient to elevated production costs and equipment investment is set to recover as full order books boost manufacturing and exports. The labour market is expected to continue its robust performance, leading to a catch-up of real wages supporting consumption. As a result, GDP growth is forecast to accelerate from 0.2% in 2023 to 1.4% in 2024. Public finances are improving as support measures are less costly than anticipated and revenues grow strongly. As a result, the debt level is expected to return to a downward trend.

Growth slowly resumes after technical recession avoided

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



The economy avoided a technical recession in the first quarter of 2023, with GDP reported to have stagnated. Industrial production and construction rebounded, whereas the decline in private consumption is expected to have been contained. Nevertheless, the volumes of investment and private consumption are still below pre-pandemic levels. The adjustment of supply chains for energy and other intermediate products and full order books should set the stage for a resumption of equipment investment growth in 2023. This is further supported by pressure on costs from still high, by historical standards, producer, and energy prices, which are expected to spur equipment investment aimed at increasing energy efficiency. Easing supply bottlenecks should help unwind production backlogs and support exports. With the import content of production and domestic demand projected to increase as energy-intensive industries downsize, and energy imports set to remain costlier than outside the EU, the rebound of the current account surplus is expected to remain contained. Higher building and borrowing costs are projected to weigh on construction, but high housing demand and plans to address infrastructure needs should remain supportive of the sector. Overall, real GDP is expected to increase by just 0.2% in 2023. In 2024, growth is forecast to rebound to 1.4% driven by a recovery in consumption and investment.

A tight labour market

At 45.7 million, employment was at an all-time high in late 2022. The unemployment rate reached a historic low of 2.8% in March 2023. Reported labour shortages remain high. Employment is expected to increase further, constrained mostly by labour supply rather than demand. Wage growth averaged 4.7% in 2022, remaining below consumer price inflation. In view of the tight labour market, real wage growth is expected to resume, as pay increases are shored up. With purchasing power improving, private consumption is set to continue recovering. The household saving rate is forecast to continue decreasing towards pre-pandemic levels.

Inflation to ease

HICP inflation peaked at 11.6% in October 2022, driven by the surge in energy prices and rising input costs. It decelerated steadily to 7.6% in April 2023. In 2023, the pass-through of elevated wholesale energy price growth is expected to be mitigated by the price caps on gas and electricity. Nevertheless, prices to consumers are set to remain historically high. Still rising producer costs are set to keep HICP inflation high, at a projected 6.8% in 2023. Wage growth is expected to exert some upward pressure on core inflation, notably on services. Corporate profitability has benefited from the so far moderate wage increases and the ability of firms to pass costs onto prices, hence there should be room to partly accommodate further wage growth. In 2024, inflation is projected to ease to 2.7% on the back of a decrease in energy costs.

Budget deficit and government debt return to a downward trend

The general government deficit is projected to narrow from 2.6% of GDP in 2022 to 2.3% in 2023 and to 1.2% in 2024. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 2.0% of GDP in 2023, compared with 1.2% in 2022. The Commission currently assumes the net cost of energy support measures at 0.3% of GDP in 2024. This forecast includes a deficit-increasing impact of around 1.2% of GDP for the gas and electricity price brakes in 2023 and assumes that they are phased out in 2024. Thus, only around one quarter of the EUR 200 billion (4.9% of GDP) originally set up for the energy price brakes is expected to be used under the current assumptions on the development of market prices for energy. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.8% of GDP in 2022. Additional spending by the extra-budgetary defence fund and by the Climate and Transformation Fund is expected to support public and private investment over the forecast horizon. Government revenue benefits from higher tax collection and social security contributions, also supported by high inflation, while government expenditure growth is set to slow down as the various government support measures are phased out. The government debt-to-GDP ratio peaked at 69.3% in 2021 in the context of the pandemic. It then decreased by around 3 pps. to 66.3% at the end of 2022, also benefiting from the growth of nominal GDP. Government debt is projected to further decrease to 65.2% of GDP in 2023 and 64.1% in 2024.

Table II.2.1:
Main features of country forecast - GERMANY

		2021		Annual percentage change						
		bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		3601.8	100.0	1.3	1.1	-3.7	2.6	**1.8**	**0.2**	**1.4**
Private Consumption		1773.8	49.2	1.0	1.6	-5.7	0.4	**4.3**	**0.0**	**1.8**
Public Consumption		797.5	22.1	1.7	2.6	4.0	3.8	**1.2**	**-0.3**	**1.4**
Gross fixed capital formation		783.8	21.8	1.7	1.9	-2.3	1.2	**0.4**	**-0.7**	**2.0**
Exports (goods and services)		1693.9	47.0	4.5	1.3	-9.3	9.7	**2.9**	**1.5**	**3.1**
Imports (goods and services)		1502.4	41.7	4.6	2.9	-8.5	9.0	**6.0**	**0.4**	**3.4**
GNI (GDP deflator)		3729.5	103.5	1.6	1.1	-4.1	3.2	**1.7**	**0.1**	**1.3**
Contribution to GDP growth:	Domestic demand			1.2	1.8	-2.6	1.3	**2.5**	**-0.2**	**1.7**
	Inventories			-0.1	-0.1	-0.2	0.5	**0.4**	**-0.1**	**-0.3**
	Net exports			0.2	-0.6	-0.8	0.8	**-1.1**	**0.5**	**0.0**
Employment				0.8	0.9	-0.8	0.1	**1.3**	**0.6**	**0.2**
Unemployment rate (a)				6.5	3.0	3.7	3.7	**3.1**	**3.2**	**3.1**
Compensation of employees / head				1.9	3.4	0.4	3.1	**4.2**	**5.5**	**5.3**
Unit labour costs whole economy				1.3	3.3	3.4	0.6	**3.7**	**5.9**	**4.1**
Saving rate of households (b)				17.3	18.3	23.6	22.9	**20.0**	**20.0**	**19.7**
GDP deflator				1.3	2.1	1.8	3.1	**5.5**	**6.1**	**2.4**
Harmonised index of consumer prices				1.5	1.4	0.4	3.2	**8.7**	**6.8**	**2.7**
Terms of trade goods				0.2	1.1	2.8	-4.2	**-6.2**	**3.3**	**0.0**
Trade balance (goods) (c)				7.0	6.2	5.6	5.3	**3.0**	**4.7**	**4.6**
Current-account balance (c)				6.4	7.7	7.1	7.4	**4.0**	**5.8**	**5.6**
General government balance (c)				-0.9	1.5	-4.3	-3.7	**-2.6**	**-2.3**	**-1.2**
Structural budget balance (d)				1.1	0.9	-2.7	-2.9	**-2.3**	**-2.0**	**-1.0**
General government gross debt (c)				70.5	59.6	68.7	69.3	**66.3**	**65.2**	**64.1**

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

3. ESTONIA

Real GDP is forecast to decrease by 0.4% in 2023. Private consumption is set to be weak while investment is expected to gradually return to growth amid tightening financial conditions. Exports are projected to remain subdued due to weak growth in trade partner economies. In 2024, economic growth is forecast to strengthen as easing inflation and growing wages translate into higher real disposable incomes. Consumer price inflation is set to remain high in 2023, at 9.2%, before falling to 2.8% in 2024. The government deficit is projected to expand to 3.1% of GDP in 2023 before falling again in 2024 to 2.7%, while public debt is expected to increase mildly, to 21.3% of GDP in 2024.

Growth stagnates

Estonia's real GDP contracted by 1.3% in 2022, mostly on the back of a sharp fall in investment of foreign intangibles and a negative trade balance, as Russia's war of aggression against Ukraine sent import prices soaring. In early 2023, economic sentiment remained downbeat. Real GDP growth is expected to be negative again this year, projected at -0.4%, on the back of high inflation, tightening financing conditions, and subdued economic growth in major trade partner economies.

A strong labour market and a more optimistic consumer outlook are set to improve private consumption in 2023. Nevertheless, the fall in purchasing power due to high inflation and only gradually catching up wages implies that households are likely to continue with more conservative spending. Real private consumption is hence projected to contribute marginally to growth in 2023, before recovering in 2024, when inflationary pressures are expected to fade and real incomes to rise.

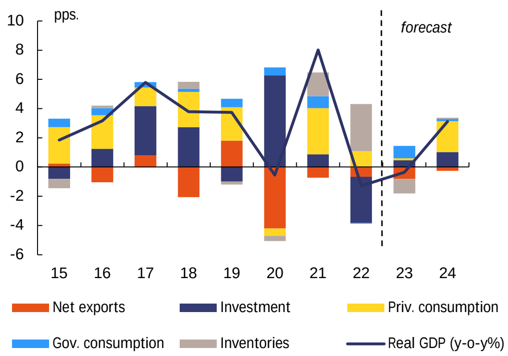
Investment is also set to recover in 2023, but to grow only modestly amid tighter financing conditions before rebounding more strongly in 2024. Nonetheless, corporate balance sheets are overall healthy and should be able to withstand financial tightening. Sentiment has weakened across all major businesses, particularly in construction. The projected weak economic performance in Estonia's Nordic trading partners is set to keep net exports in negative territory. Meanwhile, a large accumulation of inventories in 2022 is expected to be gradually reversed in 2023.

Growth is projected to pick up in 2024 at a robust rate of 3.1%, as households' real incomes are set to improve on the back of rising wages and lower inflation, contributing to stronger consumption. Exports are expected to increase in line with improving trends in the main export destinations. Government spending and public investment are set to remain key drivers of growth throughout the forecast horizon.

Labour market is still tight

Despite weak economic performance, the labour market remained tight. The unemployment rate stood at 5.1% in February, continuing its declining trend. The arrival of people fleeing the war in Ukraine continues, adding to the labour force. Wages are picking up amid prevalent labour shortages and are expected to grow strongly in 2023, with impetus provided by the public sector. Employment growth is set to weaken due to subdued economic activity. The unemployment rate is thus estimated to rise to 6.2% in 2023.

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



Inflation to decline gradually

In the first quarter of 2023, HICP inflation remained high, at 17.3%, but it is expected to drop gradually. The energy component is no longer the main driver, given the decline in oil and gas prices and the implementation of policy measures to cap retail electricity prices and limit the increase in gas and heating prices. In contrast, inflation of unprocessed food prices remained stubbornly high, at 26.5% in the first quarter, with no signs of deceleration, while processed food prices were 20% higher than a year ago. Prices of both non-energy industrial goods and services recorded rises of above 12% in March, the latter potentially fuelled by intensifying wage pressures. Going forward, HICP inflation is projected to decline as energy inflation base effects taper off and food prices moderate. HICP inflation is forecast at 9.2% in 2023 before falling to 2.8% in 2024.

An expansionary budget adds to the 2023 deficit

The general government deficit improved from 2.4% in 2021 to 0.9% in 2022. This was driven by an extraordinarily strong growth in revenue, by over 13%, as the inflationary environment boosted VAT revenue and employment growth supported labour taxes. The deficit is forecast to increase markedly to 3.1% of GDP in 2023, as expenditure is set to rise significantly due to substantial increases in public wages (especially for teachers, cultural workers and internal security staff) and pensions, as well as to new permanent spending programmes for defence, education and child benefits. The inflationary boost to 2022 revenue is set to be short-lived. In 2023, tax revenue is projected to slow down in line with nominal GDP, and an increase in the tax-free allowance will reduce personal income tax revenue. At the same time, the net budgetary cost of the energy support measures is projected at 0.3% of GDP in 2023, compared with 0.7% in 2022. The deficit is projected to decrease only slightly, to 2.7% of GDP in 2024, despite stronger economic growth and the assumed full phasing out of energy measures. The expenditure commitments made over the previous years were largely permanent, some of which are linked to nominal GDP growth (like defence, innovation) and others indexed to inflation and wage growth (like certain social transfers).

Public debt is expected to increase from 18.4% of GDP in 2022 to 21.3% in 2024, still the lowest ratio in the EU. The current forecast does not yet include the significant taxation changes planned by the new government, which took office in mid-April 2023, because the changes are not yet fully specified in legal acts. The main planned taxation changes relate to the personal income tax system (reducing taxation on the aggregate), a 2 pps. rise to VAT, adjustments and a rise to corporate income tax, instituting a car tax, and potential rises to environmental taxes and excises on alcohol and tobacco. The aim is to improve the balance of public finances, starting from 2024.

Table II.3.1:

Main features of country forecast - ESTONIA

	2021			Annual percentage change						
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		31.4	100.0	3.2	3.7	-0.6	8.0	**-1.3**	**-0.4**	**3.1**
Private Consumption		15.1	48.1	3.6	4.6	-1.0	6.4	**2.3**	**0.3**	**4.2**
Public Consumption		6.2	19.8	2.4	3.1	2.8	4.0	**-0.3**	**4.3**	**0.7**
Gross fixed capital formation		9.1	28.9	4.4	-3.7	24.7	2.8	**-10.9**	**1.8**	**4.2**
Exports (goods and services)		24.6	78.3	6.9	6.1	-5.3	19.9	**5.0**	**0.9**	**2.8**
Imports (goods and services)		24.7	78.7	6.7	3.8	0.4	21.0	**5.8**	**1.8**	**3.2**
GNI (GDP deflator)		30.9	98.3	3.3	4.0	0.2	7.3	**-0.5**	**-0.2**	**3.2**
Contribution to GDP growth:	Domestic demand			3.9	1.9	6.3	4.9	**-2.1**	**1.4**	**3.3**
	Inventories			0.0	-0.2	-0.4	1.6	**3.2**	**-1.0**	**0.1**
	Net exports			-0.2	1.8	-4.2	-0.7	**-0.7**	**-0.8**	**-0.3**
Employment				0.6	1.3	-2.7	0.1	**4.6**	**0.2**	**0.4**
Unemployment rate (a)				8.6	4.5	6.9	6.2	**5.6**	**6.2**	**6.1**
Compensation of employees / head				8.0	7.2	6.2	9.8	**8.3**	**10.3**	**4.8**
Unit labour costs whole economy				5.3	4.7	3.9	1.8	**14.8**	**11.0**	**2.0**
Saving rate of households (b)				6.1	11.8	14.3	10.5	**5.3**	**8.1**	**7.8**
GDP deflator				4.5	3.2	-0.5	6.0	**16.6**	**10.3**	**3.6**
Harmonised index of consumer prices				3.4	2.3	-0.6	4.5	**19.4**	**9.2**	**2.8**
Terms of trade goods				0.7	-0.7	1.1	0.6	**0.5**	**1.6**	**0.8**
Trade balance (goods) (c)				-8.7	-3.3	-0.9	-4.1	**-7.4**	**-6.8**	**-6.6**
Current-account balance (c)				-3.8	2.4	-1.0	-1.8	**-1.3**	**-0.3**	**0.1**
General government balance (c)				0.4	0.1	-5.5	-2.4	**-0.9**	**-3.1**	**-2.7**
Structural budget balance (d)				-0.2	-0.5	-4.1	-4.3	**-0.2**	**-1.2**	**-1.3**
General government gross debt (c)				7.3	8.5	18.5	17.6	**18.4**	**19.5**	**21.3**

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

4. IRELAND

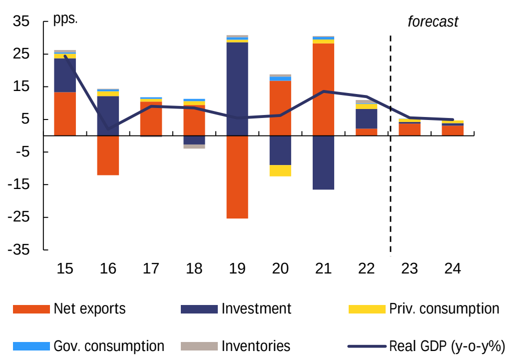
Following double-digit growth in 2022, GDP is projected to remain on a solid growth path of 5.5% in 2023 and 5.0% in 2024. Net exports are the main driver of economic activity, which is also supported by resilient private consumption. Inflation is estimated to have peaked at 8.1% in 2022 and is set to moderate gradually throughout 2023 to reach 2.6% in 2024. The budget surplus is projected to increase further in 2023 and 2024.

Economic activity continues to show dynamism

Ireland's real GDP is estimated to have increased by 12.0% in 2022, driven by a rebound in private consumption and the continued solid performance of net exports, related to the activity of multinational companies. Sentiment readings in the first quarter of 2023 reflected an upbeat pace of activity. Real GDP is expected to grow by 5.5% in 2023 and 5.0% in 2024. Modified domestic demand, which better reflects underlying domestic economic activity in Ireland, is estimated to have increased by 8.2% in 2022, and is expected to expand by 2.0% in 2023 and 2.3% in 2024.

Private consumption, a stable driver of domestic growth, is expected to remain solid thanks to increasing household income and employment. While retail sales and services grew only mildly in early 2023, consumer sentiment in Ireland appears resilient to cost-of-living pressures. The high savings rate is expected to decrease gradually but remain far above the historical average.

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



In 2022, investment grew by 25.9%, partly driven by a few large machinery investments by multinationals. However, these investments are estimated to have begun to ease in the second half of 2022. In 2023, high borrowing costs are set to impact households' and firms' investment, particularly in construction. Capacity constraints in the construction sector are likely to slow housing completions. In 2024, investment is projected to regain some momentum as capacity constraints ease and the implementation of the National Development Plan continues.

Exports are set to remain the main driver of Ireland's economic performance. Industrial production volumes and information and communication services' turnover remain strong. Also, decreasing energy prices and easing supply chain problems are projected to favour export growth. However, the recent record performances of the export-intensive pharmaceutical and information and communication sectors, which followed the uplift during the pandemic, are unlikely to be sustained. While remaining strong, net exports are projected to moderate slightly in 2024.

The labour market is operating at full employment

Despite a recent rise in the participation rate – now 2 pps above the pre-pandemic level – the vacancy rate is above historical averages, indicating marked difficulties to fill vacant positions. At the beginning of 2023, the number of people in work was close to record levels and the unemployment rate was at near-historic lows of 4.3%. This labour market tightness is expected to persist throughout the forecast horizon. As the Irish economy is estimated to be operating at full employment, real wages are projected to increase significantly.

Inflation projected to ease

HICP inflation reached 8.1% in 2022, driven by an increase of more than 40% in the energy component, around 7% in food and more than 4% in the remaining categories. Inflation is projected to decrease to 4.6% in 2023 and 2.6% in 2024 as energy prices decrease. However, core inflation is expected to settle more slowly as food prices increase throughout the forecast horizon and wage pressures feed into services prices. Core inflation is projected to reach 5.3% in 2023 and 4.6% in 2024.

Risks to the outlook include a potential shock affecting global and high-value added sectors and the impact of housing undersupply on labour supply growth and competitiveness.

Budget balance to remain in surplus

Ireland's general government budget balance registered a surplus of 1.6% of GDP in 2022. In 2023 and 2024, government budget surpluses are forecast to widen to 1.7% and 2.2% of GDP, respectively. Revenue growth in 2023 and 2024 is projected to be supported by a robust labour market and strong dynamics in the economy. Expenditure is driven mainly by trend growth in core spending. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.3% of GDP in 2023, compared with 0.5% in 2022. The Commission currently assumes a full phasing out of energy support measures in 2024. The 2023 draft Stability Programme also allocates EUR 2 billion to a contingency for hosting persons fleeing Ukraine. In the longer term, international tax policy changes are set to take effect, and might reduce revenues from corporate taxes.

The general government debt-to-GDP ratio is forecast to decrease from 44.7% in 2022 to 40.4% in 2023, and 38.3% in 2024.

Table II.4.1:

Main features of country forecast - IRELAND

	2021		Annual percentage change						
	bn EUR Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP	426.3	100.0	4.3	5.4	6.2	13.6	**12.0**	**5.5**	**5.0**
Private Consumption	100.8	23.6	2.2	2.5	-11.9	4.7	**6.6**	**4.1**	**3.9**
Public Consumption	52.2	12.3	1.7	6.5	10.5	6.1	**1.6**	**0.3**	**-0.5**
Gross fixed capital formation	99.2	23.3	5.9	100.9	-16.5	-39.0	**25.9**	**1.8**	**2.8**
Exports (goods and services)	573.0	134.4	6.8	11.8	11.2	14.1	**15.0**	**6.7**	**5.5**
Imports (goods and services)	405.1	95.0	5.8	42.3	-2.1	-8.3	**19.0**	**5.5**	**4.5**
GNI (GDP deflator)	323.5	75.9	3.8	5.6	2.9	14.5	**6.9**	**6.4**	**4.8**
Contribution to GDP growth: Domestic demand			2.7	30.2	-11.2	-14.6	**7.8**	**1.4**	**1.6**
Inventories			0.1	0.6	0.7	0.3	**1.0**	**0.0**	**0.0**
Net exports			2.2	-25.4	16.9	28.3	**2.1**	**3.7**	**3.1**
Employment			1.2	3.0	-2.8	6.0	**6.6**	**2.4**	**0.9**
Unemployment rate (a)			9.1	5.0	5.9	6.2	**4.5**	**4.3**	**4.3**
Compensation of employees / head			2.6	3.8	3.7	2.6	**4.2**	**5.6**	**5.8**
Unit labour costs whole economy			-0.5	1.3	-5.1	-4.2	**-0.8**	**2.4**	**1.8**
Saving rate of households (b)			9.9	10.7	25.5	24.3	**21.5**	**19.9**	**18.0**
GDP deflator			1.2	3.6	-1.6	0.7	**5.3**	**4.6**	**2.5**
Harmonised index of consumer prices			1.1	0.9	-0.5	2.4	**8.1**	**4.6**	**2.6**
Terms of trade goods			-0.7	3.1	-2.4	-9.1	**-3.4**	**1.2**	**0.4**
Trade balance (goods) (c)			24.7	33.1	38.1	39.2	**40.7**	**41.6**	**41.0**
Current-account balance (c)			-1.4	-19.8	-6.8	14.2	**8.8**	**11.1**	**11.9**
General government balance (c)			-5.1	0.5	-5.0	-1.6	**1.6**	**1.7**	**2.2**
Structural budget balance (d)			-2.1	2.6	-1.8	-1.7	**-0.8**	**-0.1**	**1.0**
General government gross debt (c)			66.1	57.0	58.4	55.4	**44.7**	**40.4**	**38.3**

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

5. GREECE

Economic activity is expected to grow by 2.4% in 2023. The output expansion is supported by a resilient labour market and the implementation of the Recovery and Resilience Plan (RRP). Headline inflation averaged 9.3% in 2022 but is set to moderate to 2.4% by 2024 due to easing energy prices. While remaining negative, the general government balance deficit keeps shrinking on the back of improved revenue collection. Public debt is set to decline further.

Economic activity to slow down in 2023 and further moderate in 2024

Despite the energy crisis and associated inflationary pressures throughout the year, the Greek economy grew by 5.9% in 2022. Buoyant private consumption, significant investment activity, and the impetus provided by the rebound of tourism during the summer season contributed to the strong growth performance. Moreover, real GDP rose sizeably in the final quarter of 2022 despite widespread price pressures implying a significant carry-over effect for 2023.

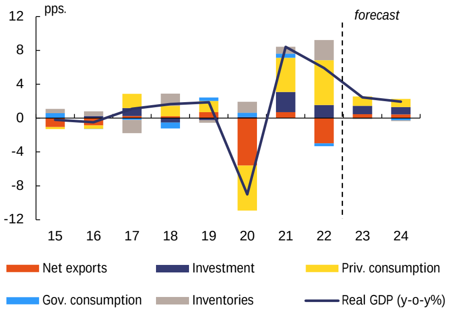
Real GDP is forecast to expand by 2.4% this year on the back of both domestic and external demand. However, growth in private consumption is set to cool down significantly compared to the post-pandemic recovery last year, amid a loss in household real disposable income and a still negative savings rate. The ongoing implementation of the RRP is shifting from reforms towards investments and is thus set to sustain capital spending, notably in construction and to a lesser extent in equipment, partly offsetting the impact from tighter funding conditions. The full recovery of international tourism to pre-pandemic levels is set to bolster Greek exports. In line with moderating domestic demand, import growth is projected to ease. However, the trade deficit is expected to remain high despite falling energy prices and positive terms-of-trade effect.

In 2024, economic growth is projected at 1.9%, gradually converging to the longer-term growth potential. Investment is set to remain a key contributor to output growth, albeit at lower rates than in 2021-2023, while household spending is likely to be supported by a rise in real incomes.

Resilient labour market amid increasing wage pressures

The labour market improved markedly in 2022 amid sustained job creation. Even as people continued to return to the labour market following the pandemic, implying a rising labour force, the unemployment rate fell to 12.5% and is set to decline to 11.8% by 2024. Despite the expected pick-up in nominal wage growth this year and next, real wage growth is not expected to turn positive before 2024.

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



Inflation to decelerate on the back of lower energy prices

Headline inflation averaged 9.3% in 2022 but declined to 6.3% by Q1-2023. Price pressures are expected to further moderate this year thanks to easing energy prices. Consumer prices are forecast to increase by 4.2% and 2.4% in 2023 and 2024 respectively. However, the lagged pass-through of high energy and food prices to services and non-energy industrial goods, which has become more visible since the last quarter of 2022, will push up core inflation in 2023. Despite a 9.4% increase in the minimum wage in April 2023, risks of a wage-price spiral appear contained. However, upside risks to the inflation outlook result from a more rapid wage adjustment that could feed into higher core inflation.

Return to primary surplus came earlier than expected

The general government deficit in 2022 turned out significantly lower than expected, reaching 2.3% of GDP compared to 4.1% of GDP forecast in autumn. The primary balance recorded a surplus of 0.1% of GDP. This improvement is primarily due to better-than-expected tax revenues, particularly from value-added tax and direct taxes.

Following the better-than-expected outcome in 2022, the general government deficit is forecast to shrink further to 1.3% in 2023. This can be mainly attributed to the phasing out of the remaining pandemic-related measures (which are estimated to have amounted to 1.5% of GDP in 2022) and to a significant reduction in the cost of the measures to mitigate the economic and social impact of high energy prices (from 2.5% of GDP in 2022 to 0.2% in 2023). At the same time, the growth of public wages and social benefits is expected to remain muted. The forecast also factors in two temporary measures introduced in response to inflationary pressures with an estimated fiscal cost of 0.3% of GDP: (a) a voucher of EUR 35 per month for the period February to July 2023 for households fulfilling certain income criteria and (b) a one-time pension bonus for pensioners whose pension is currently not indexed.

The general government deficit is expected to decrease further to 0.6% of GDP in 2024, implying a primary surplus of 2.5%. The improvement of the fiscal balance is driven by the phasing out of the remaining energy-related measures by 2024. Despite the planned reform of the wage bill with an estimated fiscal impact of 0.2% of GDP for 2024, public spending is expected to remain overall muted thereby improving the balance.

The public debt-to-GDP ratio declined sharply in 2022 largely driven by the increase in nominal GDP. The ratio is expected to decline further to 160.2% of GDP in 2023 and 154.4% in 2024, helped by primary surpluses and economic growth.

The fiscal outlook remains subject to upside and downside risks. In particular, downside risks stem from pending legal cases, most notably the litigation cases against the Public Properties Company (ETAD). On the upside, if the improvement in tax compliance continues, revenues could turn out higher than currently expected.

Table II.5.1:

Main features of country forecast - GREECE

		2021			Annual percentage change						
		bn EUR	**Curr. prices**	**% GDP**	**03-18**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
GDP			181.7	100.0	-0.5	1.9	-9.0	8.4	**5.9**	**2.4**	**1.9**
Private Consumption			123.4	67.9	-0.3	1.9	-7.7	5.8	**7.8**	**1.6**	**1.4**
Public Consumption			39.3	21.6	-0.2	2.1	2.6	2.2	**-1.6**	**-0.2**	**-1.4**
Gross fixed capital formation			24.1	13.3	-4.0	-2.2	1.1	20.0	**11.7**	**7.2**	**6.0**
Exports (goods and services)			74.3	40.9	3.6	4.9	-21.5	24.1	**4.9**	**6.5**	**5.2**
Imports (goods and services)			88.3	48.6	1.6	2.9	-7.3	17.7	**10.2**	**4.7**	**3.8**
GNI (GDP deflator)			180.9	99.6	-0.7	2.1	-8.6	8.5	**3.9**	**3.2**	**2.1**
Contribution to GDP growth:	Domestic demand				-0.7	1.5	-4.7	6.9	**6.5**	**2.1**	**1.6**
	Inventories				-0.1	-0.3	1.3	0.8	**2.4**	**-0.1**	**-0.1**
	Net exports				0.4	0.7	-5.6	0.7	**-3.0**	**0.5**	**0.4**
Employment					0.3	2.2	-1.8	2.7	**3.8**	**0.8**	**0.7**
Unemployment rate (a)					16.7	17.9	17.6	14.7	**12.5**	**12.2**	**11.8**
Compensation of employees / head					0.2	-0.3	-0.6	2.3	**0.3**	**3.6**	**2.8**
Unit labour costs whole economy					1.0	0.0	7.2	-3.1	**-1.7**	**1.9**	**1.5**
Saving rate of households (b)					1.3	-2.5	2.4	3.6	**-3.0**	**-1.2**	**0.0**
GDP deflator					1.1	0.2	-0.9	1.3	**8.1**	**4.7**	**2.9**
Harmonised index of consumer prices					1.8	0.5	-1.3	0.6	**9.3**	**4.2**	**2.4**
Terms of trade goods					-0.4	-1.4	-4.1	0.4	**8.0**	**2.8**	**1.9**
Trade balance (goods) (c)					-13.6	-12.9	-11.9	-14.8	**-18.8**	**-18.5**	**-18.1**
Current-account balance (c)					-7.6	-2.3	-8.0	-8.2	**-11.8**	**-9.2**	**-7.8**
General government balance (c)					-7.1	0.9	-9.7	-7.1	**-2.3**	**-1.3**	**-0.6**
Structural budget balance (d)					5.5	3.1	-3.1	-4.7	**-2.2**	**-1.5**	**-1.0**
General government gross debt (c)					145.1	180.6	206.3	194.6	**171.3**	**160.2**	**154.4**

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

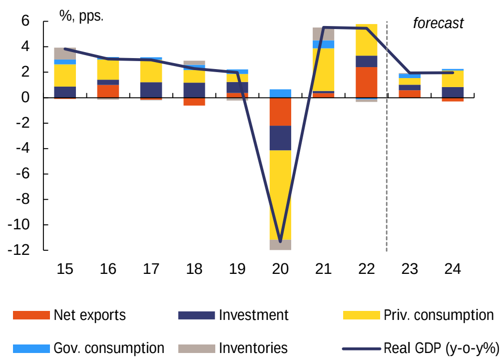
6. SPAIN

Following strong expansion in 2022, economic activity is expected to slow down in 2023. Labour market resilience and the implementation of the Recovery and Resilience Plan (RRP) are set to sustain growth, which is forecast to accelerate further in 2024. Headline inflation is projected to moderate on the back of to lower energy prices. The still high general government deficit is set to keep decreasing but more gradually than in the past two years due to slower revenue growth.

Economic activity is expected to gradually pick up

The Spanish economy posted growth of 5.5% in 2022. The strong outturn stemmed from a very positive first half of the year, favoured by revived private consumption and the impulse provided by the rebound of tourism. In the second half of the year, real GDP growth slowed down significantly due to widespread price pressures affecting consumption and investment.

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



In the first quarter of 2023, real GDP recorded a quarterly growth of 0.5%, largely driven by the contribution from external demand thanks to the solid performance of the tourism sector. Economic activity is forecast to expand by 1.9% this year overall, also benefiting from a stronger carry-over effect from 2022 than previously anticipated. Over the year, consumption is set to recover from the contraction in 2022-Q4 and 2023-Q1, underpinned by the continued resilience of the labour market and real income gains for pensioners and workers on minimum wage. The continuous mobilisation of RRP funds is set to contribute to sustaining investment, notably in non-residential construction, while lower expected import prices and eased supply-chain bottlenecks should favour the pick-up in equipment, following the sharp downturn in the second half of 2022. The full recovery of international tourism to pre-pandemic levels and the positive effect on competitiveness arising from expected lower energy prices are set to further improve the performance of the external sector. The gap with the pre-pandemic output level (2019-Q4), standing at 0.9% in 2022-Q4, is now set to be closed between the second and the third quarter of 2023. Real GDP growth is projected to accelerate in 2024 to 2.0% on the back of invigorated domestic demand, including a stronger contribution of investment.

Downside risks to the outlook relate to the adverse impact of the tightening of financial conditions on households' and firms' financial position, in view of the elevated level of external, public and private debt. Moreover, for households, while the bulk of new mortgage loans are granted with fixed interest rates, the outstanding stock remains concentrated on variable-rate loans.

Strong labour market amid increasing wage pressures

The labour market performed well in 2022 on the back of sustained job creation and the reduction in the share of temporary employees in the private sector. The unemployment rate reached 12.9% in 2022. It is projected to remain elevated, albeit on a slightly declining trend, down to 12.7% in 2023 and to 12.4% in 2024. Following the significant decline in real terms during 2022, nominal wage growth is expected to accelerate in 2023, although still remaining marginally below the average annual inflation for this year.

Inflation to decelerate on the back of lower energy prices

Headline inflation reached 8.3% on average in 2022 but declined to 5.7% y-o-y in 2022-Q4 and is expected to further decelerate in 2023 mainly due to the moderation of energy prices. Moreover, the extension until end-2023 of most of the government support measures adopted last year and the introduction of additional ones, including the VAT reduction on several food products are also projected to contribute to the progressive decline of headline inflation. Overall, it is forecast to reach 4.0% in 2023 and further decrease to 2.7% in 2024. Nonetheless, the pass-through from energy and food prices to other goods and services, which became increasingly visible from the last quarter of 2022, is set to prompt core inflation to remain elevated over the forecast horizon. Upside risks resulting from a more rapid wage adjustment, stemming also from the extension of inflation clauses and the 8% increase in the minimum wage, could feed into still higher core inflation.

The government deficit is set to continue to reduce although revenue dynamism fades

The public deficit continued to improve in 2022, declining to 4.8% of GDP, essentially driven by strong revenues. Corporate income tax revenue grew by 11.1%, reflecting the recovery of profits after the pandemic, while dynamic job creation supported the solid performance of personal income tax revenues, which grew by 16.2% in 2022. VAT revenue also recorded double-digit growth (13.1%) driven by strong private consumption, the recovery of international tourism, the dynamism of the housing sector and the sharp increase in nominal imports.

The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.6% of GDP in 2023, compared with 1.6% in 2022. The reduction of taxes on electricity and gas and the social voucher have been extended, while the fuel rebate has become more targeted. Available data for the first months of 2023 points to continued dynamism of revenues but with some deceleration, which is expected to continue over the course of the year. On the expenditure side, moderate growth is projected, in line with nominal GDP. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.5% of GDP in 2022. The general government deficit is set to narrow, but more gradually than previously, to 4.1% of GDP in 2023.

The Commission currently assumes a full phasing out of almost all energy support measures in 2024., contributing to the decline of the deficit to 3.3%. The debt-to-GDP ratio declined strongly in 2022, by 5.1pps. to reach 113.2%, driven by high nominal GDP growth. Public debt is projected to keep decreasing, but more gradually, to 110.6% in 2023 and 109.1% in 2024 also due to nominal GDP growth.

Table II.6.1:

Main features of country forecast - SPAIN

		2021			Annual percentage change					
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		1206.8	100.0	1.4	2.0	-11.3	5.5	**5.5**	**1.9**	**2.0**
Private Consumption		678.8	56.2	1.1	1.1	-12.2	6.0	**4.4**	**0.9**	**2.3**
Public Consumption		258.6	21.4	2.4	1.9	3.5	2.9	**-0.7**	**1.7**	**0.6**
Gross fixed capital formation		238.6	19.8	0.2	4.5	-9.7	0.9	**4.6**	**2.2**	**4.2**
Exports (goods and services)		421.6	34.9	3.3	2.2	-19.9	14.4	**14.4**	**4.1**	**3.3**
Imports (goods and services)		403.7	33.4	2.2	1.3	-14.9	13.9	**7.9**	**2.8**	**4.2**
GNI (GDP deflator)		1213.2	100.5	1.5	2.0	-11.3	5.8	**5.2**	**2.0**	**1.9**
Contribution to GDP growth:	Domestic demand			1.1	1.9	-8.3	4.2	**3.3**	**1.3**	**2.3**
	Inventories			0.0	-0.2	-0.8	1.0	**-0.2**	**0.0**	**0.0**
	Net exports			0.3	0.4	-2.2	0.3	**2.4**	**0.6**	**-0.3**
Employment				0.4	2.6	-7.6	6.6	**3.8**	**1.1**	**1.3**
Unemployment rate (a)				16.8	14.1	15.5	14.8	**12.9**	**12.7**	**12.4**
Compensation of employees / head				2.2	3.2	2.8	-0.7	**2.0**	**4.7**	**3.5**
Unit labour costs whole economy				1.2	3.8	7.2	0.3	**0.4**	**3.9**	**2.8**
Saving rate of households (b)				7.9	8.2	17.7	13.8	**7.2**	**7.0**	**6.6**
GDP deflator				1.6	1.4	1.2	2.3	**4.3**	**4.4**	**2.9**
Harmonised index of consumer prices				2.0	0.8	-0.3	3.0	**8.3**	**4.0**	**2.7**
Terms of trade goods				-0.2	0.1	2.8	0.1	**-5.1**	**1.0**	**0.5**
Trade balance (goods) (c)				-4.4	-2.1	-0.8	-1.6	**-4.4**	**-4.1**	**-4.1**
Current-account balance (c)				-2.5	2.1	0.6	1.0	**0.6**	**1.6**	**1.5**
General government balance (c)				-4.4	-3.1	-10.1	-6.9	**-4.8**	**-4.1**	**-3.3**
Structural budget balance (d)				-2.0	-3.8	-3.7	-3.6	**-4.0**	**-3.7**	**-3.2**
General government gross debt (c)				71.1	98.2	120.4	118.3	**113.2**	**110.6**	**109.1**

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

7. FRANCE

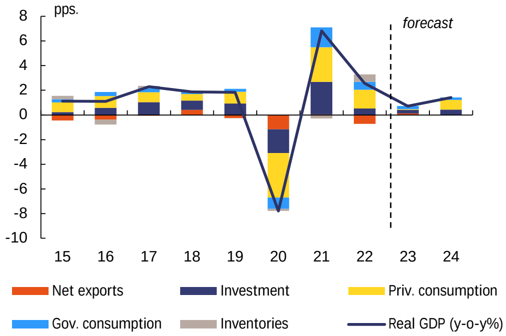
Economic activity is set to remain subdued in 2023 (0.7% annual growth) after a significant slowdown in the second half of 2022, but is forecast to gain momentum in 2024 (1.4%). Inflation is projected to decrease only progressively over the forecast horizon (to 5.5% in 2023 and 2.5% in 2024, after 5.9% in 2022), despite the decrease of energy and commodity prices. The public deficit is forecast to remain at 4.7% of GDP in 2023 and to decline to 4.3% in 2024. Public debt is set to decline to 109.5% of GDP by 2024.

Mild growth in sight

GDP growth in 2022 (+2.6%) was mostly on the back of a substantial carry-over effect from 2021. The economy slowed down in the second half of 2022, amid increasing supply bottlenecks and high energy prices, and is expected to remain subdued over the first half of 2023, with growth in the first quarter estimated at +0.2%.

In 2023, investment is set to slow down on the back of tighter financial conditions. Private consumption is expected to remain sluggish as consumer confidence stays low. The wave of social unrest following the pension reform is expected to weigh on economic activity in the first half of the year. However, the moderation of inflation and the easing of social tensions are set to allow for a gradual recovery in the second half of the year, with private consumption set to slowly pick-up. Net exports are forecast to have a slightly positive contribution to growth. Overall, real GDP is forecast to grow by 0.7% in 2023.

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



In 2024, the economy is projected to keep gaining momentum on the back of lower energy prices, with 1.4% GDP growth. This recovery is expected to be driven by domestic demand, with a preserved household purchasing power resulting from the effect of government measures, dynamic wages, and a very favourable labour market. Net exports are set to have a zero contribution to growth with strong exports growth offset by rising imports as household consumption increases. Investment from both households and corporations is projected to recover progressively as the monetary tightening cycle is expected to have passed its peak.

Labour market set to stabilise

The labour market remained dynamic in 2022. The unemployment rate reached 7.2% in 2022-Q4, its lowest level since 2008-Q1, while the employment rate reached a record high. Employment growth is set to slow down in 2023 and 2024 (+0.3% and +0.4% respectively, after +2.4% in 2022), as labour hoarding progressively dissipates, the effect of apprenticeship contracts decreases, hours worked return to their 2019 levels and labour productivity bounces back. The unemployment rate is expected to increase to 7.4% in 2023, and to stabilise at 7.5% in 2024.

Inflation expected to remain high

Inflation increased to 5.9% in 2022, driven by energy and commodity prices, but remained the lowest in the EU thanks to government measures. In 2023-Q1, the increase in regulated electricity and gas prices, the end of the fuel rebate and the delayed increase of core inflation pushed headline inflation up. Headline inflation is forecast to decrease only gradually throughout the forecast horizon, as wage increases feed into core inflation while lower energy prices translate into non-energy industrial goods with a delay and food products inflation remains high. Thus, inflation is expected to stand at 5.5% in 2023 as a whole, before slowing down to 2.5% in 2024.

Debt to decline despite still high deficits

The general government deficit declined to 4.7% of GDP in 2022. This is 0.3 pps. better than expected in the government's 2023 draft budgetary plan, mainly due to the dynamism of tax revenues on the back of high inflation. The reduction was also driven by the phasing-out of most pandemic-related measures and by lower expenditure under *France Relance,* compared to 2021. These effects outweighed the sharp increase in interest payments, mainly related to inflation-indexed bonds, and the cost of measures put in place to mitigate the impact of high energy prices. These included a cap on electricity and gas regulated prices, the discount on transport fuels and the indexation of pensions and social benefits aimed at supporting households' purchasing power. The cost of these measures (net of revenues from renewable energy production and extra-profits of energy producers) is estimated at around EUR 25 bn (1 % of GDP) in 2022.

Despite the expected economic slowdown, which is set to weigh on tax revenues, the deficit is forecast to remain at 4.7% of GDP in 2023, following the withdrawal of some energy-related measures adopted in 2022, including the discount on transport fuels. Yet, the net budgetary cost of the energy support measures is projected at 1.0% of GDP in 2023, compared with 0.9% in 2022. Deficit developments in 2023 are also affected by the assumed almost complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.5% of GDP in 2022. Moreover, the debt interest burden is set to rise slightly further due to higher interest rates for the new issues. Both the revenue and expenditure-to-GDP ratios are expected to fall by 1 pp., to 52.4% and to 57.1%, respectively. These projections also incorporate the budgetary impact of the investment plan France 2030 (0.1% of GDP) and the estimated cost of hosting persons fleeing Ukraine.

For 2024, the general government deficit is set to decline to 4.3% of GDP. While the revenue ratio is expected to decrease just marginally, the expenditure ratio is projected to decline by ½ pp., mainly due to the unwinding of energy-related measures. The Commission currently assumes the net cost of energy support measures at 0.2% of GDP. In turn, interest payments on government debt are projected to broadly stabilise at around 2% of GDP.

After declining from 111.6% of GDP in 2022, public debt is set to broadly stabilise at around 109.5% over the forecast horizon. The decline from 2022 is expected to be mainly driven by the projected dynamic nominal growth, helped by the high GDP deflator growth in 2023.

Table II.7.1:

Main features of country forecast - FRANCE

		2021			Annual percentage change					
		bn EUR Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		2500.9	100.0	1.2	1.8	-7.8	6.8	**2.6**	**0.7**	**1.4**
Private Consumption		1317.1	52.7	1.3	1.8	-6.7	5.3	**2.9**	**0.1**	**1.5**
Public Consumption		606.4	24.2	1.5	1.0	-4.0	6.4	**2.6**	**1.1**	**0.9**
Gross fixed capital formation		606.2	24.2	1.5	4.0	-8.2	11.5	**2.2**	**1.2**	**1.7**
Exports (goods and services)		736.5	29.4	2.7	1.6	-16.8	8.8	**7.0**	**4.4**	**3.8**
Imports (goods and services)		785.0	31.4	3.4	2.3	-12.8	8.0	**8.9**	**3.6**	**3.5**
GNI (GDP deflator)		2574.7	103.0	1.3	1.7	-8.3	8.3	**2.5**	**0.7**	**1.4**
Contribution to GDP growth:	Domestic demand			1.4	2.1	-6.5	7.0	**2.7**	**0.6**	**1.4**
	Inventories			0.1	0.0	-0.2	-0.3	**0.6**	**0.0**	**0.0**
	Net exports			-0.2	-0.3	-1.2	0.1	**-0.7**	**0.1**	**0.0**
Employment				0.4	1.3	-0.6	2.4	**2.4**	**0.3**	**0.4**
Unemployment rate (a)				9.2	8.4	8.0	7.9	**7.3**	**7.4**	**7.5**
Compensation of employees / head				2.2	-0.2	-2.9	4.7	**5.0**	**5.4**	**3.1**
Unit labour costs whole economy				1.4	-0.7	4.7	0.4	**4.9**	**4.9**	**2.1**
Saving rate of households (b)				14.4	14.7	20.5	18.3	**16.1**	**16.0**	**15.1**
GDP deflator				1.3	1.3	2.8	1.3	**3.0**	**5.4**	**2.6**
Harmonised index of consumer prices				1.5	1.3	0.5	2.1	**5.9**	**5.5**	**2.5**
Terms of trade goods				0.1	1.3	1.3	-2.0	**-3.7**	**5.4**	**0.7**
Trade balance (goods) (c)				-1.5	-1.4	-2.1	-3.0	**-5.1**	**-3.3**	**-3.0**
Current-account balance (c)				-0.4	-0.7	-2.5	-0.8	**-3.1**	**-1.5**	**-1.3**
General government balance (c)				-4.0	-3.1	-9.0	-6.5	**-4.7**	**-4.7**	**-4.3**
Structural budget balance (d)				-2.8	-3.5	-4.8	-5.6	**-4.7**	**-4.4**	**-4.2**
General government gross debt (c)				82.5	97.4	114.6	112.9	**111.6**	**109.6**	**109.5**

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

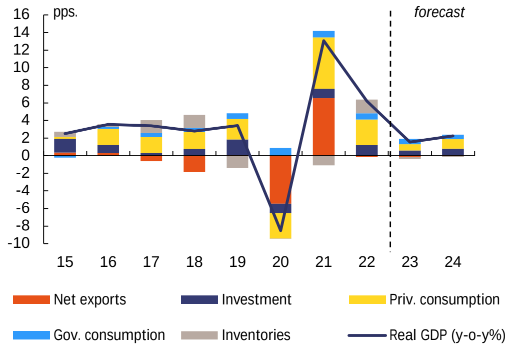
8. CROATIA

Croatia's GDP is set to grow by 1.6% in 2023 and 2.3% in 2024. Continued real wage growth and decelerating inflation are projected to support private consumption, with investment getting a boost from European funds and increased confidence. The labour market is expected to tighten further, with the unemployment rate reaching record low levels at the end of the forecast horizon. Headline inflation should moderate despite persistent services inflation, which is expected to keep core inflation above headline. The general government balance is expected to deteriorate as the indexation of public sector wages and social benefits boosts spending.

Household consumption to sustain growth as inflation decelerates further

Croatia's real GDP expanded by 6.2% in 2022 largely thanks to a strong first half of the year despite headwinds related to record high inflation, supply side bottlenecks and tighter financing conditions for firms and households. The energy price shock and its pass-through to other goods and services affected the purchasing power of households as the year advanced, with inflation outpacing wage growth. Still, private consumption remained the main growth contributor supported by a steep decline in the household's savings rate. The external sector had a mildly negative impact on growth, as booming exports of goods and services were offset by strong import growth.

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



In 2023, real GDP growth is set to reach 1.6% as the country takes advantage of its accession to the euro and Schengen areas. Headline inflation is projected to subside, mainly on account of energy and commodity prices, while continued employment and wage growth are projected to sustain private consumption. Government consumption is projected to continue contributing positively to growth, while investment should be supported by increased confidence and absorption of EU funds. The terms of trade shock suffered in 2022 is set to reverse during the year, leading to a trade balance improvement. Overall, growth should be broad-based across domestic demand components, while the contribution of net exports to growth should be mildly negative.

In 2024, real GDP is expected to increase by 2.3% driven by consumption and investment. As inflation drops towards the 2% target level and labour market shortages persist, stronger real wage gains should boost private consumption, while absorption of funds under the Recovery and Resilience Facility should positively contribute to growth. Rising imports and increased demand from Croatia's main trading partners are set to result in a neutral contribution of the external sector to GDP growth.

Risks to the outlook are tilted to the upside. Stronger export market share gains and a better tourist season could turn the external balance more positive than expected, while investment could overperform on account of accelerating renovation efforts and improving investor sentiment. On the negative side, higher inflation could materialise as labour shortages push wages up and rising house prices (17.3% annual growth rate in the last quarter of 2022) spill over into rents.

A tight labour market supports real wage growth

The labour market performed well in 2022, with employment expanding by 2.3% and surpassing pre-pandemic levels. Construction and trade, transport, accommodation and food services made the biggest gains, supported by the increase in the inflow of foreign workers. The unemployment rate edged down to 7%, the lowest in the last 13 years. Strong wage growth in the face of decelerating inflation is set to lead to mild real income gains already in 2023, with the unemployment rate dropping to 6.6%. The labour force should continue growing despite a slight drop in total population. In 2024, the pick-up in activity is set to reinforce employment growth. Upskilling and reskilling measures are expected to help workers transitioning to expanding sectors.

Services inflation more persistent than anticipated

HICP inflation is projected to drop to 6.9% in 2023 and 2.2% in 2024 as decreasing energy prices partly offset the persistent price growth in services and non-energy industrial goods. Consequently, core inflation is set to outpace headline inflation at 8% in 2023 and 3% in 2024. The forecast incorporates the effect of the energy measures, set to be phased out as of September 2023.

Asynchronous impact of inflation boosts revenues in 2022 and spending in 2023

In 2022, fiscal revenues grew markedly on account of both real growth and strong inflation. This supported the return of the general government balance to a surplus of 0.4% of GDP in 2022.

In 2023, the surplus is expected to turn into a deficit of around 0.5% of GDP, as increased price levels impact expenditure through indexation of public wages and social expenditure. Indirect tax revenue is set to grow despite the temporary tax cuts, backed by still solid nominal GDP growth, while direct taxes and contributions are set to benefit from employment and wage developments. The phasing out of the COVID-19 support measures is offset by energy measures. Meanwhile, debt servicing costs should remain contained as the interest rates – although rising – remain below those of maturing debt, and the share of EU-issued debt, at below-market rates, increases.

The budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.5% of GDP in 2023, compared with 1.6% in 2022. The Commission assumes the cost of energy support measures at 0.2% of GDP in 2024. The government approved a capital increase in the state-owned energy company (HEP) of EUR 0.9 billion to finance energy price caps.

The deficit is projected to widen to 1.3% of GDP in 2024 as preserving the adequacy of public wages and social transfers pushes up spending even as energy measures are phased out.

The debt ratio is expected to drop significantly from 68.4% in 2022 to 63% in 2023, due to GDP growth and debt-reducing transactions (stock-flow adjustment). The decrease will subside in 2024 to 61.8%, as GDP growth slows, deficits reappear and the stock-flow adjustment is reversed.

Table II.8.1:
Main features of country forecast - CROATIA

		2021			Annual percentage change						
	bn EUR	**Curr. prices**	**% GDP**	**03-18**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
GDP		58.2	100.0	1.6	3.4	-8.5	13.1	**6.2**	**1.6**	**2.3**
Private Consumption		33.4	57.4	1.0	4.1	-5.1	9.9	**5.1**	**1.2**	**1.8**
Public Consumption		12.9	22.2	1.8	3.1	4.3	3.0	**3.2**	**3.1**	**2.5**
Gross fixed capital formation		12.1	20.7	1.6	9.0	-5.0	4.7	**5.8**	**2.9**	**3.7**
Exports (goods and services)		29.8	51.2	3.7	6.8	-23.3	36.4	**25.4**	**3.0**	**3.7**
Imports (goods and services)		30.7	52.7	3.2	6.6	-12.4	17.6	**25.0**	**2.9**	**3.4**
GNI (GDP deflator)		58.5	100.4	1.7	3.9	-6.4	11.2	**6.2**	**1.5**	**2.3**
Contribution to GDP growth:	Domestic demand			1.4	4.8	-3.1	7.6	**4.8**	**1.9**	**2.3**
	Inventories			0.2	-1.4	0.0	-1.1	**1.6**	**-0.3**	**-0.1**
	Net exports			0.0	0.0	-5.4	6.6	**-0.2**	**-0.1**	**0.0**
Employment				0.4	3.1	-1.2	1.2	**2.3**	**1.0**	**1.2**
Unemployment rate (a)				12.8	6.6	7.5	7.6	**7.0**	**6.6**	**6.1**
Compensation of employees / head				2.2	0.4	1.2	10.4	**7.9**	**7.5**	**3.3**
Unit labour costs whole economy				1.0	0.1	9.4	-1.2	**4.0**	**6.9**	**2.2**
Saving rate of households (b)				6.2	8.5	11.9	10.7	**1.7**	**0.4**	**0.0**
GDP deflator				2.2	2.0	0.7	2.0	**8.2**	**7.5**	**3.2**
Harmonised index of consumer prices				2.0	0.8	0.0	2.7	**10.7**	**6.9**	**2.2**
Terms of trade goods				0.4	0.3	-3.8	-0.4	**-3.3**	**2.9**	**1.0**
Trade balance (goods) (c)				-17.7	-18.8	-17.5	-18.3	**-25.1**	**-23.5**	**-23.1**
Current-account balance (c)				-3.1	2.9	-0.4	3.2	**-0.2**	**0.7**	**1.1**
General government balance (c)				-3.8	0.2	-7.3	-2.5	**0.4**	**-0.5**	**-1.3**
Structural budget balance (d)				-1.4	-0.9	-3.5	-2.9	**-1.0**	**-1.3**	**-1.9**
General government gross debt (c)				59.2	71.0	87.0	78.4	**68.4**	**63.0**	**61.8**

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

9. ITALY

Real GDP growth is forecast to slow down to 1.2% in 2023 and 1.1% in 2024, as higher prices dampen private consumption while investment, supported by government measures, continues to expand vigorously. The inflation rate is set to moderate to 6.1% this year, thanks to falling energy prices, and decrease further to 2.9% in 2024. The government deficit is projected to continue declining, while the pace of public debt reduction is set to slow down due to a debt-increasing stock-flow adjustment.

Output growth reverts to trend

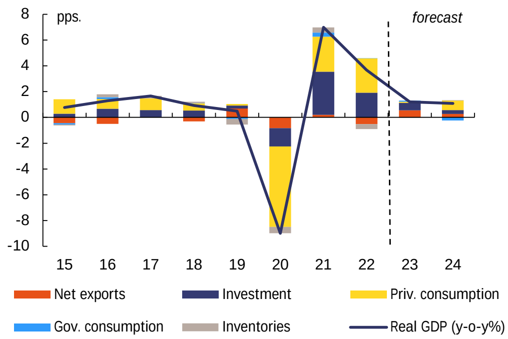
After decelerating sharply in the second half of 2022, Italy's real GDP is estimated to have rebounded in the first quarter of 2023 and is thereafter expected to return to more modest quarterly growth rates until end-2024. In 2021-22, households saved less, but kept consuming and investing at a robust pace, thanks to the savings accumulated in previous years, to housing energy efficiency tax credits and to other government support measures introduced to mitigate the impact of high energy prices. Households' saving rate is projected to continue decreasing in 2023 and pick up modestly in 2024, on the back of lower inflation and rising wages. Companies are expected to use profits to fund new investments, thus countering the negative effects of higher interest rates and tighter lending conditions. Although they are being gradually phased out as from this year, housing tax credits are set to continue supporting investment in construction, and related equipment, for several more quarters. The rollout of RRF-financed projects is also expected to prop up investment, including in intangibles for the digital transition.

Exports of goods are projected to slow down less than imports, while exports and imports of services rise in lockstep, after the post-pandemic rebound in transport and tourism. Thanks to a considerable improvement in the terms of trade of goods, the external balance is set to improve strongly between 2022 and 2024. However, external liabilities are more reactive than assets to the higher interest rates, weighing on the 2023 current account through the primary income balance.

Employment continues to expand

The number of new permanent job contracts rose more strongly than that of fixed-term contracts in 2022 and early 2023, signalling employers' confident outlook, which is corroborated by survey data. This heralds further jobs growth, although employment is still forecast to increase less quickly than GDP. As labour market participation is expected to rise only slightly, the unemployment rate is set to decrease in 2023-24. Wage growth is expected to pick up somewhat, after subdued contract renewals in 2022, as the multi-annual bargaining gradually incorporates past inflation.

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



Moderate wage increases help tame inflation

Inflation is set to decelerate this year on the back of declining energy prices passing through to the prices of industrial goods, food and eventually services. This downward trend is expected to continue over the forecast horizon. The wage increase projection for 2024 underpins the slightly higher core inflation forecast.

Further improvement in the fiscal outlook

In 2022, the government deficit decreased to 8.0% of GDP, from 9.0% in 2021. Both levels include the deficit-increasing impact of the new statistical treatment of some housing renovation tax credits, now recorded as capital transfers and mostly accrued to 2021-22. In 2022, the primary deficit improved by around 2 pps. to 3.6% of GDP, also thanks to the phasing out of most COVID-19 temporary measures and despite the new budgetary measures to mitigate the impact of high energy prices, with a net cost of 2.5% of GDP. In contrast, interest payments increased by almost 1% of GDP, mainly driven by the revaluation of inflation-linked securities. Fiscal revenue continued benefiting from the strong nominal GDP growth and the impact of past provisions aimed at reinforcing tax collection, which more than compensated for the reduction in the labour tax wedge. Despite the renewal of public wage contracts for 2019-21, total primary expenditure declined by around 1.4% of GDP as social transfers rose less than nominal GDP and capital spending fell.

In 2023, the deficit is expected to decrease to 4.5% of GDP, on the back of the partial phasing out of energy support measures, projected to entail a net budgetary cost of 1.0% of GDP compared to 2.5% of GDP in 2022, and of the assumed complete phasing out of COVID-19 emergency temporary measures, estimated to have amounted to 1.1% of GDP in 2022. Primary expenditure is projected to fall, also thanks to the reduction of tax credits for housing renovation works and the assumed savings from a new spending review, amounting to EUR 0.8 billion (0.05% of GDP). These reductions are only partly offset by growing pension expenditure due to the indexation to past inflation and by a pick-up in investment, also driven by NGEU-supported projects. Interest expenditure is set to decrease to around 4% of GDP, owing to the impact of lower inflation on indexed bonds and despite higher issuance rates. Current taxes are expected to continue growing, notwithstanding the further cuts to the labour tax wedge for low- and medium-income earners.

In 2024, the government deficit is projected to reach 3.7% of GDP. The complete phasing out of energy support measures and lower spending on intermediate consumption more than compensate for an increase in pension outlays. In contrast, interest spending is expected to rise slightly to 4.1% of GDP mainly following higher interest rates at issuance, while current taxes are projected to grow more slowly than nominal GDP. This projection does not take into account potential cuts to the tax burden, which are broadly signalled in Italy's Stability Programme but not yet sufficiently specified.

Italy's debt-to-GDP ratio is set to decrease to 140.3% by 2024, thanks to improving primary balances, while stock-flow adjustments, mainly related to the above-mentioned statistical reclassification, are projected to provide a debt-increasing contribution.

Table II.9.1:

Main features of country forecast - ITALY

		2021			Annual percentage change					
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		1787.7	100.0	0.1	0.5	-9.0	7.0	**3.7**	**1.2**	**1.1**
Private Consumption		1024.7	57.3	0.2	0.2	-10.4	4.7	**4.6**	**0.1**	**1.2**
Public Consumption		353.1	19.7	-0.1	-0.6	0.0	1.5	**0.0**	**0.4**	**-1.3**
Gross fixed capital formation		364.9	20.4	-1.0	1.2	-7.9	18.6	**9.4**	**2.6**	**1.4**
Exports (goods and services)		584.5	32.7	2.1	1.6	-13.5	14.0	**9.4**	**2.3**	**3.1**
Imports (goods and services)		543.7	30.4	1.7	-0.7	-12.1	15.2	**11.8**	**0.8**	**2.3**
GNI (GDP deflator)		1821.7	101.9	0.2	0.2	-8.6	7.7	**2.9**	**1.0**	**1.1**
Contribution to GDP growth:	Domestic demand			-0.1	0.2	-7.6	6.4	**4.6**	**0.7**	**0.8**
	Inventories			0.0	-0.4	-0.5	0.4	**-0.4**	**0.0**	**0.0**
	Net exports			0.2	0.7	-0.8	0.2	**-0.5**	**0.6**	**0.3**
Employment				0.0	0.1	-10.3	8.9	**3.8**	**0.8**	**0.6**
Unemployment rate (a)				9.5	9.9	9.3	9.5	**8.1**	**7.8**	**7.7**
Compensation of employees / head				1.9	1.8	3.8	-1.3	**2.6**	**3.5**	**3.6**
Unit labour costs whole economy				1.8	1.4	2.3	0.5	**2.8**	**3.1**	**3.0**
Saving rate of households (b)				12.2	10.0	17.4	15.0	**10.0**	**8.7**	**9.0**
GDP deflator				1.6	0.9	1.6	0.6	**3.0**	**5.9**	**2.7**
Harmonised index of consumer prices				1.7	0.6	-0.1	1.9	**8.7**	**6.1**	**2.9**
Terms of trade goods				-0.2	1.6	4.5	-6.2	**-10.1**	**4.0**	**2.2**
Trade balance (goods) (c)				1.1	3.4	4.1	2.8	**-1.1**	**0.7**	**1.6**
Current-account balance (c)				-0.2	3.3	3.9	3.1	**-1.3**	**0.0**	**1.3**
General government balance (c)				-3.1	-1.5	-9.7	-9.0	**-8.0**	**-4.5**	**-3.7**
Structural budget balance (d)				-1.4	-1.9	-5.2	-8.4	**-8.6**	**-5.3**	**-4.5**
General government gross debt (c)				120.2	134.1	154.9	149.9	**144.4**	**140.4**	**140.3**

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

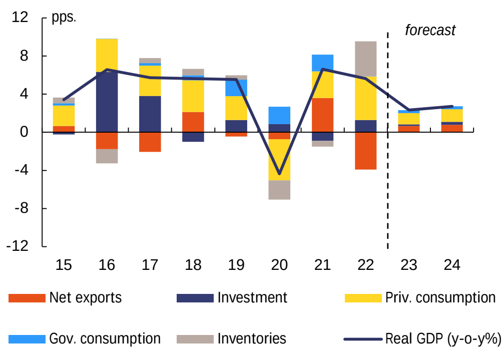
10. CYPRUS

Following robust growth of 5.6% in 2022, economic activity is expected to slow down to 2.3% and 2.7% in 2023 and 2024 respectively amid persistent inflationary pressures and rising interest rates. After peaking in 2022 at 8.1%, inflation is set to abate as global energy prices moderate and supply chain disruptions ease, notwithstanding upward pressures coming from a partial indexation of wages. The labour market is proving resilient. Cyprus is forecast to maintain a government budget surplus over the forecast horizon, while the public debt is expected to continue decreasing, to 72.5% of GDP in 2024.

Slow down after 2022 solid growth

Real GDP increased by 5.6% in 2022, driven mostly by domestic demand. Private consumption expanded strongly due to pent up demand following the pandemic and to a significant employment increase. A buoyant influx of foreign investment in real estate pushed up investment in construction. Tourism performed better than expected, despite the loss of the Russian market, and reached about 90% and 80% of the pre-pandemic levels, in revenue and arrivals respectively. Other exports of services such as ICT, financial and professional services continued to expand, also rendering the economy less dependent on tourism.

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



The slowdown of economic activity started in the last quarter of 2022, and it is expected to continue through 2023. The economy is set to be dampened by the still high inflation eroding the purchasing power of households, by higher interest rates negatively affecting investment, and by weakening growth momentum in Cyprus' trading partners affecting external demand. The partial indexation of wages implemented in January 2023 is set to somewhat cushion the negative impact on consumption. The implementation of the Cypriot Recovery and Resilience Plan is expected to support investment, notably in construction and equipment, over the forecast horizon. Tourism and other export-oriented services are projected to continue growing, albeit at a slower pace. Overall, real GDP is forecast to grow by 2.3% in 2023, before somewhat picking up at 2.7% in 2024.

Labour market is improving

Robust economic growth pushed up employment by 2.9% and hours worked by 4.1% in 2022. The unemployment rate decreased more than initially expected, to 6.8% in 2022, down from 7.5% in 2021. It is forecast to slightly increase in 2023 to 6.9%, in line with the slowdown of GDP growth, before declining to 6.4% in 2024 as labour-intensive services sectors are set to continue expanding.

Inflation to moderate in 2023

Inflation reached a peak of 8.1% in 2022 on the back of soaring global commodity prices. As global energy prices are moderating and supply chain disruptions are phasing out, inflation is expected to abate to 3.8% in 2023. However, the partial indexation of wages is set to have some secondary upward effects. The expected moderation of global energy and other commodity prices is projected to reduce inflation further to 2.5% in 2024.

Projected budgetary surpluses, while downside risks remain

In 2022, the government headline balance turned into a significant surplus, reaching 2.1% of GDP. The fiscal performance was stronger than expected, supported by buoyant revenue increases driven by the continued economic growth, combined with the withdrawal of COVID-19 support measures.

The budget is forecast to remain in surplus at 1.8% of GDP in 2023. Government revenue is supported by the continued strong performance of private consumption, corporate earnings growth and wage increases. Increases in public wages and pensions are putting upward pressure on expenditure. This forecast assumes that the measures to mitigate the economic and social impact of high energy prices on household energy bills – amounting to 0.4% of GDP in 2023, compared with 0.7% in 2022 – will be fully phased out at the end of June 2023. Budgetary developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.3% of GDP in 2022.

For 2024, the budget surplus is expected to reach around 2.1% of GDP. The increase is driven by the projected full phasing out of the measures to mitigate the impact of high energy prices, implemented until June 2023.

The debt-to-GDP ratio is forecast to decrease over the coming years on the back of projected nominal GDP growth (including due to the high GDP deflator) and primary surpluses. It is set to reach 80.4% by the end of 2023, and further decline to 72.5% in 2024, down from 86.5% in 2022.

Risks to the fiscal outlook are tilted to the downside. In particular, the planned expansion of the state-owned asset management company *KEDIPES* and a potential amendment to the wage indexation system could negatively affect public finances.

Table II.10.1:

Main features of country forecast - CYPRUS

		2021			Annual percentage change						
	mio EUR	**Curr. prices**	**% GDP**	**03-18**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
GDP		24019.0	100.0	2.2	5.5	-4.4	6.6	**5.6**	**2.3**	**2.7**
Private Consumption		14242.7	59.3	2.6	3.9	-6.8	4.5	**7.7**	**1.9**	**2.2**
Public Consumption		4806.1	20.0	1.5	12.0	11.5	9.0	**0.1**	**1.7**	**1.6**
Gross fixed capital formation		4672.8	19.5	1.6	6.9	4.5	-4.2	**6.6**	**0.8**	**1.7**
Exports (goods and services)		20804.4	86.6	3.7	8.7	2.2	13.6	**13.7**	**2.8**	**3.7**
Imports (goods and services)		20102.7	83.7	3.8	9.5	3.2	9.0	**18.8**	**2.1**	**2.9**
GNI (GDP deflator)		21989.8	91.6	2.3	3.6	-6.0	5.0	**6.8**	**2.5**	**2.0**
Contribution to GDP growth:	Domestic demand			2.3	5.5	-1.6	3.6	**5.9**	**1.7**	**1.9**
	Inventories			0.1	0.5	-2.0	-0.6	**3.7**	**0.0**	**0.0**
	Net exports			-0.1	-0.5	-0.7	3.6	**-3.9**	**0.7**	**0.8**
Employment				1.7	3.8	-1.2	1.3	**2.9**	**1.7**	**1.9**
Unemployment rate (a)				8.6	7.1	7.6	7.5	**6.8**	**6.9**	**6.4**
Compensation of employees / head				1.7	4.4	-0.5	3.8	**3.8**	**6.3**	**4.0**
Unit labour costs whole economy				1.2	2.7	2.8	-1.4	**1.0**	**5.6**	**3.2**
Saving rate of households (b)				3.7	5.7	12.5	10.9	**4.8**	**6.7**	**7.7**
GDP deflator				1.6	1.3	-1.2	2.9	**6.4**	**5.0**	**2.8**
Harmonised index of consumer prices				1.5	0.5	-1.1	2.3	**8.1**	**3.8**	**2.5**
Terms of trade goods				0.7	0.0	-1.2	-0.6	**-2.1**	**0.7**	**0.3**
Trade balance (goods) (c)				-22.6	-20.0	-19.2	-18.0	**-21.8**	**-21.0**	**-20.8**
Current-account balance (c)				-8.5	-5.5	-10.0	-6.8	**-9.1**	**-7.3**	**-6.9**
General government balance (c)				-2.9	1.3	-5.8	-2.0	**2.1**	**1.8**	**2.1**
Structural budget balance (d)				2.5	-0.1	-4.5	-2.4	**0.7**	**0.9**	**1.3**
General government gross debt (c)				76.2	90.8	113.8	101.2	**86.5**	**80.4**	**72.5**

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

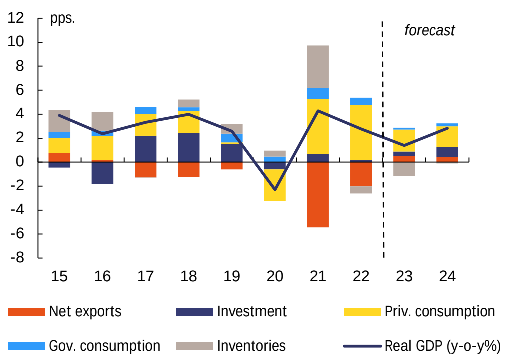
11. LATVIA

In 2023, GDP is forecast to grow by 1.4%, hampered by high inflation weighing on private consumption and a delay in public investment programmes. Growth is expected to pick up by mid-year as inflation subsides and investment gains momentum. The economy is set to continue on this trajectory in 2024 with GDP growth reaching 2.8%. Inflation is expected to take some time to slow, staying close to double digit levels in 2023. By 2024, a decline in energy prices and a broad-based slowdown in other price categories are set to bring inflation down to 1.7%. Unemployment is forecast to decrease slightly in 2023 and then some more in 2024. The general government deficit is set to decrease to 3.8% of GDP in 2023 and to 2.7% in 2024.

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

In 2022, GDP growth reached 2.8%, on the back of strong growth in private consumption and exports. Real private consumption growth started the year on a strong footing, but surging inflation and slowing employment growth put a brake to it.. Investment growth also slowed towards the end of the year hampered by surging construction prices and delays in EU-funded programme implementation. Exports benefitted from the post covid recovery in tourism as well as from high lumber and grain prices.

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



Growth is expected to be slower at the start of 2023, as real disposable income growth remains negative and households grapple with high heating bills. However, slowing inflation is set to provide a relief to households' purchasing power lending a boost to consumption growth. Additionally, EU-funded investments, including those financed by the RRF, are projected to pick up in the second half of 2023. Export growth is expected to slow down due to weakening foreign demand, construction activity in particular. While growth is set to reach a brisk pace by the second half of the year, annual GDP growth is only expected to reach 1.4% in 2023 given the slow growth at the end of 2022 and the beginning of this year.

In 2024, growth is forecast to pick up to 2.8%. A marked slowdown in inflation is set to foster private consumption. A further increase in EU-funded investments and a decline in prices of construction materials are expected to boost investment. Export growth is projected to pick up as the inflation slowdown elsewhere in the EU boosts foreign demand.

Labour market expected to loosen temporarily

The slowdown of growth at the turn of the year is expected to loosen up the labour market slightly, as evidenced by recently falling job vacancies and the edging up of the unemployment rate. However, once growth picks up in the second part of 2023, the labour market is expected to tighten on the back of increasing demand and falling supply due to ageing. Wage growth is set to stay strong over the forecast period, supported by labour market tightness and minimum wage increases.

Inflation to slow gradually

Fuelled by energy price surge, HICP inflation increased rapidly throughout last year, averaging 17.2%. Both energy prices and consumer inflation peaked in early Autumn 2022, but have been declining only slowly since. Going forward, energy price inflation is set to turn negative and other price components, except services, to slow considerably. Overall, inflation in 2023 is forecast at 9.3%, with core inflation only slightly higher. By 2024, inflation is expected to slow down to 1.7%, but core inflation is projected to remain above 2% as services price growth is expected to accelerate.

Deficit set to decrease in 2023

The government deficit reached 4.4% of GDP in 2022, down from 7.0% in 2021 on account of substantially less pandemic-related support.

In 2023, the government deficit is forecast to drop to 3.8% of GDP, mainly due to lower projected expenditures as a share of GDP, as tax revenue is expected to grow close to nominal GDP. Deficit-decreasing contributions are expected from the phasing out of most pandemic-related support measures and to a somewhat lower projected fiscal impact of measures to cushion the impact of high energy prices. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.0% of GDP in 2023, compared with 1.5% in 2022. The Commission currently assumes a full phasing out of energy support measures in 2024. An additional deficit-lowering effect is expected from the discontinuation of 2022 budgetary support to create natural gas reserves to secure energy supply. At the same time, deficit increasing pressures are provided by expenditure measures included in the 2023 budget package, such as a wage increase for administration and medical personnel, additional financing for oncology, science and research, as well as a substantial public investment package for defense and internal security. Moreover, higher spending is expected for pensions and allowances, and to provide temporary protection to displaced persons from Ukraine. In 2024, the government deficit is projected to decrease to 2.7% of GDP. On the expenditure side, the impact of the expected phasing out of energy-related support measures after the first half of 2023 will more than offset the additional expenditure foreseen in the 2023 budget for 2024, including public wage increases and defence investment, as well as higher social benefit and interest spending.

The forecast also incorporates expenditure financed by the RRF grants, which is set to gradually increase from 0.3% of GDP in 2023 to 0.6% of GDP in 2024.

The debt-to-GDP ratio is expected to reach 39.7% in 2023 and increase slightly to 40.5% in 2024 due to higher nominal GDP growth.

Table II.11.1:
Main features of country forecast - LATVIA

	2021			Annual percentage change						
mio EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024	
GDP	33616.5	100.0	3.2	2.6	-2.3	4.3	**2.8**	**1.4**	**2.8**	
Private Consumption	19220.5	57.2	3.5	0.2	-4.6	8.1	**8.1**	**3.0**	**2.8**	
Public Consumption	7097.8	21.1	1.3	3.9	2.4	4.4	**2.8**	**0.9**	**1.3**	
Gross fixed capital formation	7499.6	22.3	3.5	6.9	-2.6	2.9	**0.7**	**1.7**	**4.0**	
Exports (goods and services)	21387.0	63.6	6.7	2.1	-0.3	5.9	**9.1**	**2.4**	**2.5**	
Imports (goods and services)	22541.1	67.1	6.0	3.1	-0.3	15.3	**11.7**	**1.5**	**1.8**	
GNI (GDP deflator)	32995.8	98.2	3.1	2.7	-0.9	2.4	**3.2**	**1.7**	**2.9**	
Contribution to GDP growth: Domestic demand			3.7	2.4	-2.8	6.2	**5.4**	**2.4**	**2.8**	
Inventories			0.2	0.8	0.5	3.5	**-0.6**	**-1.2**	**-0.1**	
Net exports			-0.5	-0.6	0.0	-5.4	**-2.0**	**0.5**	**0.4**	
Employment			-0.4	-0.1	-2.3	-2.6	**2.7**	**0.1**	**1.6**	
Unemployment rate (a)			11.4	6.3	8.1	7.6	**6.9**	**6.8**	**6.5**	
Compensation of employees / head			9.8	7.8	5.0	11.1	**9.0**	**10.8**	**5.3**	
Unit labour costs whole economy			6.0	5.0	4.9	3.8	**9.0**	**9.4**	**4.1**	
Saving rate of households (b)			4.0	9.1	14.6	13.9	**5.1**	**4.5**	**5.2**	
GDP deflator			4.7	2.6	1.0	6.5	**13.1**	**8.9**	**2.7**	
Harmonised index of consumer prices			3.9	2.7	0.1	3.2	**17.2**	**9.3**	**1.7**	
Terms of trade goods			1.2	0.9	3.2	2.6	**0.1**	**2.0**	**0.0**	
Trade balance (goods) (c)			-14.4	-8.6	-5.1	-8.3	**-11.5**	**-9.7**	**-9.4**	
Current-account balance (c)			-5.3	-0.6	2.6	-4.2	**-6.1**	**-3.4**	**-2.7**	
General government balance (c)			-2.4	-0.6	-4.4	-7.1	**-4.4**	**-3.8**	**-2.7**	
Structural budget balance (d)			-1.5	-1.4	-3.4	-6.7	**-4.2**	**-3.5**	**-2.6**	
General government gross debt (c)			30.3	36.5	42.0	43.7	**40.8**	**39.7**	**40.5**	

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

12. LITHUANIA

Lithuania's real GDP is expected to increase by only 0.5% in 2023 due to persistent inflation weighing on private consumption. In 2024, real GDP is projected to slowly pick-up to 2.7%, as input costs and consumer prices subside and investment is set to be boosted by RRF funds. HICP inflation is forecast to slow down to 9.2% in 2023 on the back of a decline in energy and input prices, before further decelerating in 2024 as price pressures continue to ease. In 2023, the general government deficit is projected to increase to 1.7% of GDP, mainly due to increases in social spending, public investments, and decreasing tax revenue. In 2024 it is forecast to decline to 1.4%.

Economic activity is dampened by geopolitical tensions

Following Russia's full-scale invasion of Ukraine, economic activity was dampened by contracting private consumption over the last three quarters of 2022, driven by a drop in consumer confidence and household disposable income. Large supply chain disruptions drove input prices upwards and hindered the performance and competitiveness of industries in some sectors, putting a drag on investment. As a result, economic growth turned negative in the fourth quarter (-0.5%) and annual growth slowed down to 1.9% in 2022.

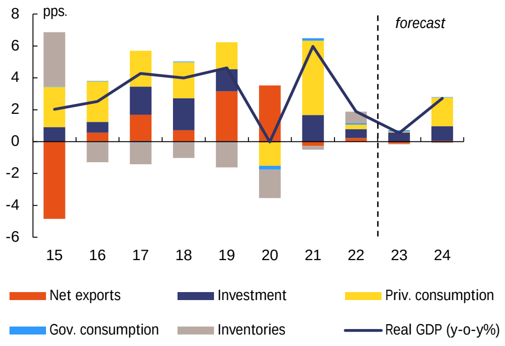
For 2023, economic activity is set to continue to be impacted by economic and geopolitical uncertainty. Growth is expected to benefit from a slight pick-up of private consumption, thanks to easing price pressures and improved purchasing power. Nonetheless, the high price of basic consumer goods, such as food and energy, is set to continue to subdue consumer spending. In addition, EU-funded investments, including those financed by the RRF, are projected to pick up and drive investments upwards. This should more than offsets the projected weak performance of some industries in light of weakening external demand and the tightening of financial conditions, resulting in a milder export growth. As a result, yearly growth in 2023 is expected to be only slightly positive at 0.5%.

In 2024, raw material and consumer prices are set to grow at a slower pace, while domestic and foreign demand is projected to strengthen. Coupled with further increased RRF-funded investments, economic activity in Lithuania is forecast to start gathering momentum with real GDP growth reaching 2.7% in 2024.

Labour market remains tight

Some signs of cooling in the labour market emerged at the turn of the year, with the number of vacancies decreasing and a slight pick-up in the unemployment rate. The slowdown in GDP growth is expected to negatively impact employment growth and lead to an uptick in unemployment. Over 2023, this is set to be translate into an overall decrease in employment of 0.6%, matched with an unemployment rate of 6.6%. However, as GDP growth picks up in 2024, the labour market is expected to tighten, partly due to adverse demografic developments, leading to a slight decrease of unemployment to 6.5%.

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



Inflation is on a declining trajectory

HICP inflation in Lithuania surged to 18.9% in 2022 but is expected to moderate to 9.2% in 2023 and 2.2% in 2024. Prices growth was already on a deceleration trend at the turn of the year, thanks to declining energy prices, owing in particular to the compensation of gas and electricity prices for households and businesses. In the coming months, core inflation is projected to stay elevated, but to decrease over the forecast horizon. HICP inflation is set to be dampened by the expected decline in the price of global energy and other commodities, and by the gradual easing of price pressures in Lithuania's major trading partners. Wage growth is expected to slow down, albeit still remaining above HICP inflation levels.

General government deficit set to increase in 2023

In 2022, the general government deficit decreased to 0.6% of GDP due to lower-than-expected expenditure on energy support measures and intermediate consumption.

In 2023 the deficit is projected to increase to 1.7% of GDP. The government is planning to implement several projects that were partly scheduled for 2022 and should drive up intermediate consumption. In combination with additional spending on social benefits, indexation of pensions, public investment and higher interest expenditure this is expected to further increase the government deficit. At the same time tax and social security contributions revenue (as % of GDP) is expected to slightly decrease. The assumed decline of energy prices is set to contribute to limit the net budgetary cost of energy support measures to 0.7% of GDP in 2023, compared with 1.3% in 2022. Deficit developments in 2023 are also affected by the assumed phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.4% of GDP in 2022

The deficit is projected to decline to 1.4% of GDP in 2024 as measures to mitigate the impact of high energy prices are phased out. The Commission currently assumes the net cost of energy support measures at 0.1% of GDP in 2024. However, the permanent expenditure measures aimed at increasing household disposable income (such as increases in social benefits and pensions) and raising interest expenditure are expected to continue to weigh on the public sector balance.

In 2023, public debt is forecast to reach 37.1% of GDP, and in 2024 the debt-to-GDP ratio is projected to decrease slightly to 36.6% due to denominator effects.

Table II.12.1:

Main features of country forecast - LITHUANIA

		2021			Annual percentage change					
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		56.2	100.0	3.7	4.6	0.0	6.0	**1.9**	**0.5**	**2.7**
Private Consumption		32.7	58.3	4.1	2.7	-2.4	8.0	**0.5**	**0.1**	**3.1**
Public Consumption		9.8	17.5	0.8	-0.3	-1.4	0.9	**0.5**	**0.5**	**0.2**
Gross fixed capital formation		12.0	21.4	5.2	6.6	-0.2	7.8	**2.6**	**2.7**	**4.5**
Exports (goods and services)		45.2	80.5	7.5	10.1	0.4	17.0	**11.9**	**1.9**	**4.8**
Imports (goods and services)		42.7	76.0	7.2	6.0	-4.5	19.9	**12.3**	**2.0**	**4.9**
GNI (GDP deflator)		54.0	96.1	3.6	4.2	0.6	4.9	**2.0**	**1.2**	**3.4**
Contribution to GDP growth:	Domestic demand			4.1	3.0	-1.8	6.5	**0.9**	**0.7**	**2.8**
	Inventories			-0.1	-1.6	-1.8	-0.2	**0.7**	**0.0**	**-0.1**
	Net exports			-0.1	3.2	3.5	-0.3	**0.2**	**-0.1**	**0.1**
Employment				-0.1	0.6	-1.6	1.2	**5.1**	**-0.6**	**-0.3**
Unemployment rate (a)				10.1	6.3	8.5	7.1	**6.0**	**6.6**	**6.5**
Compensation of employees / head				7.5	10.6	6.6	11.9	**10.6**	**10.4**	**6.2**
Unit labour costs whole economy				3.6	6.3	4.9	6.8	**14.0**	**9.1**	**3.1**
Saving rate of households (b)				2.6	3.8	12.4	5.8	**3.9**	**4.0**	**4.7**
GDP deflator				3.2	2.7	1.9	6.3	**16.8**	**10.4**	**3.1**
Harmonised index of consumer prices				2.7	2.2	1.1	4.6	**18.9**	**9.2**	**2.2**
Terms of trade goods				0.6	1.3	1.5	-6.4	**-11.1**	**4.4**	**0.6**
Trade balance (goods) (c)				-7.6	-4.8	-0.8	-5.2	**-11.0**	**-7.9**	**-7.6**
Current-account balance (c)				-3.9	3.5	7.3	1.1	**-5.3**	**-1.1**	**-0.1**
General government balance (c)				-2.4	0.5	-6.5	-1.2	**-0.6**	**-1.7**	**-1.4**
Structural budget balance (d)				-0.7	-1.1	-6.4	-1.6	**-0.4**	**-0.6**	**-0.3**
General government gross debt (c)				30.0	35.8	46.3	43.7	**38.4**	**37.1**	**36.6**

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

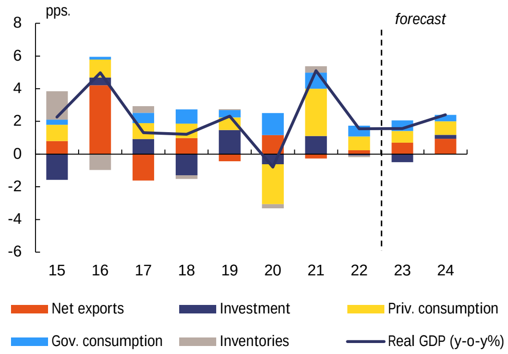
13. LUXEMBOURG

Real GDP growth is projected to remain low in 2023, at 1.6%, before recovering to 2.4% in 2024. The below-average growth in 2023 is mainly due to lower private consumption and weaker investment amid tighter financing conditions and geopolitical uncertainty. After a record high in 2022, headline inflation is set to decelerate in 2023 and 2024, supported by the implementation of measures to mitigate the impact of high energy prices. These measures are also expected to weigh on the general government balance in 2023 and 2024. Public deficit is projected to increase the general government debt-to-GDP ratio, although it is set to remain at a low level.

Growth set to recover pre-pandemic levels in 2024

Real GDP contracted by 3.8% q-o-q in 2022-Q4 on the back of a decrease in private consumption, exports and investment, in particular in the construction sector. The weakening of activity was mainly observed in the financial sector, with a sharp drop in value added (-10.8% q-o-q) mainly caused by the volatility and decline in market valuation of financial assets. In 2022, GDP growth was 1.5% y-o-y, driven by private and public consumption.

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



Private consumption growth is projected to rebound, supported by the use of excess savings and by the introduction of additional government support measures. Domestic demand is also underpinned by the growth in government consumption due to higher compensation of employees and intermediate consumption. Nevertheless, investment is expected to remain weak as rising interest rates weigh on the borrowing capacity and on the demand for mortgages. Furthermore, a positive contribution from net exports, due to a recovery of export and import growth, is set to result in a GDP growth of 1.6% in 2023, below the pre-pandemic trend. In 2024, with an expected GDP growth rate of 2.4%, the economy is set to return to its pre-pandemic growth trend, mainly supported by a recovery in investment and a further positive contribution from net exports.

Labour market set to remain resilient

Following the slowdown in economic activity in 2023, the labour market is forecast to weaken slightly, but remain resilient. Employment growth is set to decline from 3.5% in 2022 to 2.4% in 2023 and to 2.3% in 2024. Unemployment dropped to 4.6% in 2022 and is expected to increase only moderately to 4.8% in 2023 and 5.0% in 2024. This can be explained by the still high job vacancy rate and by the improvement in employment prospects in some sectors such as construction.

Fiscal support to lower headline inflation, while core inflation edges up

Headline inflation increased to a record high of 8.2% in 2022, mainly driven by energy and food price increases. Energy price inflation is, however, expected to moderate over the forecast horizon, amid assumed lower energy prices supported by the Solidaritéitspak. HICP inflation is, thus, set to drop to 3.2% in 2023 and 2.6% in 2024. In turn, core inflation is forecast to rise from 4.4% in 2022 to 5.1% in 2023, reflecting higher wages and non-industrial goods prices. In 2024, core inflation is projected to decline to 3.2% following a decline in all its components.

Support measures drive the decline in the general government balance

In 2022, government finances registered a small surplus of 0.2% of GDP mainly driven by high revenue growth from a strong labour market and high inflation-related tax income. In 2023, the government balance is projected to turn into a deficit of 1.7% as a result of moderate GDP growth and of the increase in expenditure due to the Solidaritéitspak. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.1% of GDP in 2023, compared with 0.5% in 2022.

In addition, the automatic wage indexation raises expenditure on compensation of employees and social transfers. Revenue growth is expected to decline in 2023, from the high growth rates observed in 2022, mainly due to lower GDP growth and inflation, the 1 pp. VAT reduction and a slowdown in activity in the housing and fund management sector. Nevertheless, revenue continues to benefit from the strong labour market via higher personal income tax and social contributions.

In 2024, the deficit is projected at 1.5% of GDP as a result of a lower growth rate in expenditure, even though the *Solidaritéitspak* has been extended until the end of 2024. The Commission currently assumes the net cost of energy support measures at 0.5% of GDP in 2024. Revenue is also expected to grow at a slower pace, on the back of the projected decline in inflation, and therefore less wage indexations, and of the reversal of the 1 pp. VAT reduction. Public investment is planned to remain above 4% of GDP until 2024, geared towards the green and digital transition, public infrastructure, and housing. The general government deficit is set to push the debt-to-GDP ratio from 24.6% in 2022 to 27.0% in 2024.

Table II.13.1:

Main features of country forecast - LUXEMBOURG

		2021			Annual percentage change					
	mio EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		72295.0	100.0	2.6	2.3	-0.8	5.1	**1.5**	**1.6**	**2.4**
Private Consumption		21864.6	30.2	2.3	2.3	-7.3	9.5	**2.8**	**2.4**	**2.7**
Public Consumption		12619.5	17.5	2.8	2.6	7.8	5.4	**3.8**	**3.7**	**2.3**
Gross fixed capital formation		11963.8	16.5	2.1	9.1	-3.6	6.7	**-0.5**	**-2.9**	**1.6**
Exports (goods and services)		152855.9	211.4	4.4	4.5	0.2	9.7	**-0.6**	**2.6**	**3.6**
Imports (goods and services)		127735.9	176.7	4.7	5.7	-0.4	11.8	**-0.9**	**2.7**	**3.8**
GNI (GDP deflator)		50469.8	69.8	1.5	-3.6	1.8	6.2	**2.5**	**2.0**	**2.1**
Contribution to GDP growth:	Domestic demand			1.7	2.7	-1.7	5.0	**1.4**	**0.9**	**1.5**
	Inventories			0.1	0.1	-0.3	0.4	**-0.1**	**0.0**	**0.0**
	Net exports			0.8	-0.4	1.2	-0.3	**0.2**	**0.7**	**0.9**
Employment				2.8	3.5	1.7	3.0	**3.5**	**2.4**	**2.3**
Unemployment rate (a)				5.2	5.6	6.8	5.3	**4.6**	**4.8**	**5.0**
Compensation of employees / head				2.6	1.9	1.2	6.0	**5.4**	**6.9**	**3.4**
Unit labour costs whole economy				2.9	3.1	3.8	3.9	**7.4**	**7.8**	**3.3**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				3.0	1.4	4.7	6.2	**6.4**	**5.5**	**3.4**
Harmonised index of consumer prices				2.2	1.6	0.0	3.5	**8.2**	**3.2**	**2.6**
Terms of trade goods				0.7	0.4	1.8	0.1	**-4.0**	**2.2**	**0.2**
Trade balance (goods) (c)				-0.4	3.3	3.0	2.3	**0.8**	**1.4**	**1.4**
Current-account balance (c)				4.5	-1.4	3.1	5.3	**5.7**	**7.2**	**7.4**
General government balance (c)				1.2	2.2	-3.4	0.7	**0.2**	**-1.7**	**-1.5**
Structural budget balance (d)				2.0	2.5	-2.0	0.8	**0.5**	**-1.1**	**-0.8**
General government gross debt (c)				16.0	22.4	24.5	24.5	**24.6**	**25.9**	**27.0**

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

14. MALTA

The Maltese economy grew strongly by 6.9% in 2022, driven by domestic demand and export of services, benefiting from the further recovery in tourism. Growth is forecast to moderate to 3.9% in 2023, as high inflation affects household disposable incomes and consumption. GDP growth is then set to reach 4.1% in 2024, supported by continuing net migration flows. Sizeable government measures helped to keep energy prices unchanged in Malta. They are expected to remain in place also in 2023 and 2024. As a result, the general government deficit stood at 5.8% in 2022, among the highest in the EU. It is expected to gradually decrease in 2023 and 2024. Thanks to robust GDP growth, public debt is forecast to remain below 60% of GDP.

Growth remains robust

Supported by strong growth in private consumption and investment, real GDP growth reached 6.9% in 2022, which is higher than projected in the Winter Forecast. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. The growth impact of a marked jump in gross fixed capital formation, related to a large one-off equipment purchase operation, was compensated by a strong increase in imports, resulting in a negative contribution of net exports.

In 2023, real GDP is forecast to grow at a slower pace, by 3.9%, as high inflation limits private consumption and the positive impulse from tourism, following the post-pandemic re-opening, moderates. In 2024, real GDP growth is expected to pick up to 4.1%.

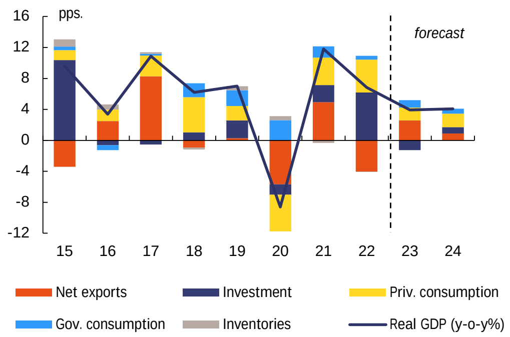
Employment grows strongly

Malta maintains a high pace of employment growth. Employment increased by an impressive 6.0% in 2022. Demand for labour increased across various sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2023 and 2024 in line with population growth as the country continued to attract foreign workers. Labour and skills shortages are expected to remain the main limiting factors for the Maltese economy over the forecast horizon. Malta's unemployment rate fell to 2.9% in 2022 and is expected to remain around this level in 2023 and 2024.

Inflation remains high despite unchanged energy prices

HICP inflation in 2022 reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

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



The government deficit, despite decreasing, remains high in 2023 and 2024

The government deficit is expected to decrease from 5.8% of GDP in 2022 to 5.1% in 2023, remaining at a significant level. It is then set to decrease, albeit slowly, to 4.5% in 2024.

Thanks to lower international energy prices, the drop in public expenditure related to measures to mitigate the impact of high energy prices is the main factor determining the reduction of the deficit level in 2023. The net budgetary cost of the energy support measures is projected at 1.7% of GDP in 2023, compared with 2.5% in 2022. The Commission currently assumes the net cost of energy support measures at 1.5% of GDP in 2024. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.8% of GDP in 2022. The expected phasing out of the national airline restructuring costs and the growth in the government wage bill remaining below nominal GDP growth are also expected to contribute to the reduction of the deficit. On the other hand, intermediate consumption and gross fixed capital formation are expected to increase.

In 2024, the reduction of the deficit is set to be driven by a diminishing impact of energy-related measures and the phasing out of the national airline early retirement schemes and is partially offset by an increase of the interest expenditure. The contained growth of intermediate consumption expenditure and of the public wage bill are also set to contribute to lower the deficit ratio.

Tax revenue is expected to increase over the forecast horizon in line with nominal GDP. Following further growth in employment, the revenue from social contributions is also projected to grow. The government debt-to-GDP ratio is set to increase to 54.8% in 2023 and reach 56.1% in 2024 as the primary balance, i.e., the budget balance net of interest, remains negative.

Table II.14.1:

Main features of country forecast - MALTA

		2021			Annual percentage change					
		bn EUR Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		15.0	100.0	4.4	7.0	-8.6	11.8	**6.9**	**3.9**	**4.1**
Private Consumption		6.3	42.1	3.1	4.0	-10.5	8.1	**10.1**	**3.8**	**4.0**
Public Consumption		3.0	20.1	2.6	13.2	15.8	6.9	**2.4**	**5.0**	**3.3**
Gross fixed capital formation		3.0	20.3	6.6	11.8	-6.6	10.9	**30.4**	**-5.0**	**3.5**
Exports (goods and services)		25.5	169.7	7.0	10.1	-1.6	6.3	**6.4**	**3.6**	**3.0**
Imports (goods and services)		23.0	153.3	6.7	11.2	2.0	3.8	**9.7**	**2.2**	**2.7**
GNI (GDP deflator)		14.0	93.5	3.8	7.0	-9.9	14.4	**4.4**	**3.9**	**4.1**
Contribution to GDP growth:	Domestic demand			3.5	6.2	-3.5	7.2	**10.9**	**1.4**	**3.2**
	Inventories			0.0	0.5	0.5	-0.3	**-0.1**	**0.0**	**0.0**
	Net exports			0.9	0.3	-5.7	4.9	**-4.0**	**2.6**	**0.9**
Employment				3.0	5.7	2.8	2.9	**6.0**	**2.3**	**2.3**
Unemployment rate (a)				6.1	3.6	4.4	3.4	**2.9**	**2.9**	**2.9**
Compensation of employees / head				3.7	4.5	-0.4	4.6	**2.8**	**5.6**	**3.1**
Unit labour costs whole economy				2.3	3.2	12.0	-3.7	**2.1**	**3.9**	**1.3**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.3	2.3	1.6	1.9	**5.2**	**4.2**	**3.1**
Harmonised index of consumer prices				2.0	1.5	0.8	0.7	**6.1**	**5.4**	**2.8**
Terms of trade goods				0.0	-0.5	0.7	2.3	**2.3**	**0.7**	**0.8**
Trade balance (goods) (c)				-17.6	-10.4	-9.5	-13.0	**-20.6**	**-19.5**	**-18.3**
Current-account balance (c)				-0.8	8.1	2.4	5.0	**1.6**	**3.8**	**4.1**
General government balance (c)				-2.2	0.5	-9.7	-7.8	**-5.8**	**-5.1**	**-4.5**
Structural budget balance (d)				-0.5	-1.3	-5.3	-7.1	**-5.5**	**-4.6**	**-3.9**
General government gross debt (c)				62.3	40.3	52.9	55.1	**53.4**	**54.8**	**56.1**

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

15. THE NETHERLANDS

The Dutch economy continues to expand, despite very high inflation. Consumer spending has been resilient thanks to strong employment growth and an extensive support package put in place by the authorities in 2022. Growth is expected to slow down to 1.8% in 2023 and 1.2% in 2024 as the tightening financial conditions are projected to affect investment growth and as consumers adjust their spending to the high price levels. The government deficit in 2023 is expected to increase to 2.1% of GDP due to, among others, a combination of increased spending on (energy) support measures and lower gas receipts. The deficit ratio is forecast to decrease to 1.7% in 2024. Government debt is projected to decrease to 48.8% by 2024.

A strong but slowing economy

The Dutch economy grew significantly in 2022, by 4.5%. Despite very high inflation, consumer spending remained strong, with consumption growth reaching 6.5%. This was mostly thanks to robust employment growth, an increase in wage growth and extensive measures taken by the government to support households' purchasing power. External demand also remained strong in 2022, with exports growing by 4.7%.

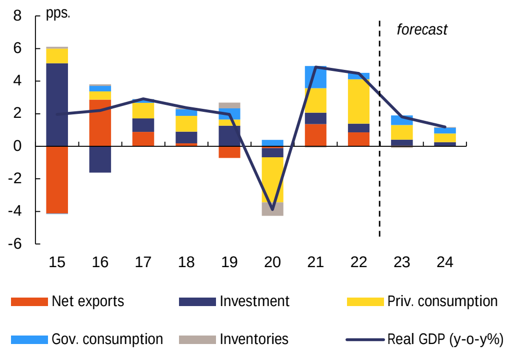
As households continue to adjust to increased prices, consumption growth is forecast to slow down somewhat in 2023. A deceleration in employment growth further contributes to the weakening consumption outlook. At the same time, tightening financial conditions and persistent labour shortages are expected to weigh on business investment growth. Export growth is also projected to decrease as the external environment weakens, with the Netherlands' main trading partners expecting a slowdown in GDP growth. Annual growth is therefore forecast at 1.8%, with a substantial part of it driven by a large carry-over from 2022.

In 2024, quarterly growth is forecast to pick up slightly as falling inflation and strong wage growth are set to support real disposable incomes. In addition, the authorities have planned substantial investments related to the green transition and defence, among others. With the carry-over from 2023 being limited, annual growth is projected to soften further to 1.2% in 2024.

The labour market remains tight

The Dutch labour market continues to remain very tight, with the number of vacancies exceeding the number of unemployed and several sectors experiencing labour shortages. The unemployment rate picked-up marginally from its low point (3.2%) in the second quarter of 2022 but remained historically low at 3.5% for 2022 overall. With GDP and employment growth slowing down, the unemployment rate is forecast to increase slightly to 3.8% in 2023 and 3.9% in 2024, remaining well below the unemployment rates seen before the pandemic. On the back of a tight labour market and surging inflation, nominal wage growth has been picking up considerably since early 2022 and is forecast to reach 5.5% in 2023 and to stay strong in 2024 at 4.8%.

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



Declining energy prices bring inflation down

A strong decline in energy prices in early 2023 has resulted in a steep drop in inflation rates. HICP inflation peaked in September 2022 at 17.1% and has decreased to 4.2% in March 2023. For 2023, the government put in place a price cap on gas and electricity to protect households from further energy price shocks. The price cap helped to bring down energy inflation in the first quarter of 2023 but is projected to have a more limited impact on HICP inflation in the remainder of the year due to the steep drop in energy prices. Core inflation in the Netherlands remains high and increased to 8.8% in the first quarter of 2023. Strong domestic demand, increasing wage growth and extensive support measures all contribute to core inflation in the Netherlands standing well above the euro area average. With wage growth and the labour market set to remain strong, core inflation is forecast to only come down gradually throughout 2023 and 2024. However, the drop in energy prices is expected to bring down annual HICP inflation substantially, to 4.9% in 2023 and 3.3% in 2024.

Additional spending adds to the 2023 deficit

In 2022, the general government budget was balanced. This was mainly driven by high revenues from income taxes and the Dutch gas fields, and a significant decrease in COVID-19 related expenditure.

For 2023, the government has put in place a package of both temporary and structural support measures to mitigate the impact of high energy prices on households and companies. This package includes a price cap on electricity and gas, a support scheme for energy-intensive SMEs and an increase in the energy compensation benefit scheme for lower-income households. In addition, different structural measures, such as a 10% rise in the minimum wage (which also affects the level of some social security benefits) and a decrease in taxes on labour income, were adopted.

The cost of this support package, in combination with the government's additional spending plans related to the green transition, education and housing, is set to weigh on public finances. The deficit is expected to increase to 2.1% in 2023 before falling to 1.7% in 2024. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.1% of GDP in 2023, compared with 0.6% in 2022. The Commission currently assumes a full phasing out of energy support measures in 2024. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.3% of GDP in 2022.

Despite the increase in expenditure, high nominal growth is projected to reduce the government debt-to-GDP ratio, from 51.0% in 2022 to 49.3% in 2023 and 48.8% in 2024.

Table II.15.1:

Main features of country forecast - NETHERLANDS

		2021		Annual percentage change						
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		855.5	100.0	1.4	2.0	-3.9	4.9	**4.5**	**1.8**	**1.2**
Private Consumption		359.6	42.0	0.5	0.9	-6.4	3.6	**6.5**	**2.1**	**1.2**
Public Consumption		224.3	26.2	1.6	2.8	1.6	5.2	**1.5**	**2.3**	**1.4**
Gross fixed capital formation		184.6	21.6	1.4	6.2	-2.6	3.2	**2.5**	**1.7**	**1.1**
Exports (goods and services)		710.6	83.1	4.1	2.0	-4.3	5.2	**4.7**	**3.8**	**1.8**
Imports (goods and services)		622.7	72.8	3.9	3.2	-4.8	4.0	**4.1**	**4.1**	**2.0**
GNI (GDP deflator)		836.3	97.8	1.5	0.3	-5.1	6.0	**2.6**	**2.7**	**1.5**
Contribution to GDP growth:	Domestic demand			0.9	2.3	-2.9	3.6	**3.7**	**1.8**	**1.1**
	Inventories			0.1	0.3	-0.8	-0.1	**0.0**	**-0.1**	**0.0**
	Net exports			0.4	-0.7	-0.1	1.4	**0.9**	**0.0**	**0.0**
Employment				0.7	2.2	0.6	2.0	**4.0**	**1.0**	**0.7**
Unemployment rate (a)				6.2	4.4	4.9	4.2	**3.5**	**3.8**	**3.9**
Compensation of employees / head				2.0	2.8	3.5	2.2	**3.9**	**5.5**	**4.8**
Unit labour costs whole economy				1.3	3.0	8.4	-0.6	**3.3**	**4.7**	**4.3**
Saving rate of households (b)				13.8	18.3	24.9	23.7	**14.9**	**16.3**	**16.3**
GDP deflator				1.3	3.0	1.9	2.4	**5.3**	**6.1**	**2.6**
Harmonised index of consumer prices				1.5	2.7	1.1	2.8	**11.6**	**4.9**	**3.3**
Terms of trade goods				0.0	0.9	1.0	-2.2	**-3.1**	**3.3**	**0.3**
Trade balance (goods) (c)				8.7	7.4	7.7	7.3	**6.2**	**7.5**	**7.4**
Current-account balance (c)				6.0	6.9	5.1	7.3	**4.4**	**6.0**	**6.1**
General government balance (c)				-1.8	1.8	-3.7	-2.4	**0.0**	**-2.1**	**-1.7**
Structural budget balance (d)				0.0	0.8	-1.3	-1.6	**-0.7**	**-2.7**	**-1.9**
General government gross debt (c)				56.8	48.5	54.7	52.5	**51.0**	**49.3**	**48.8**

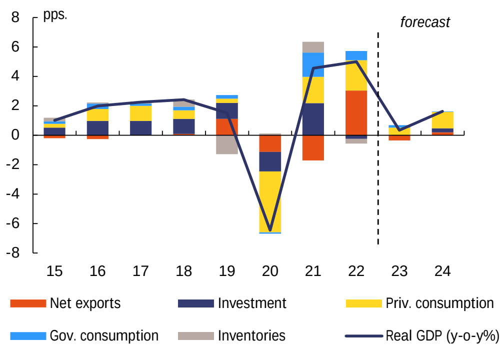
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

16. AUSTRIA

After strong growth in 2022, the economy is expected to slow down significantly on the back of still high retail energy prices, increasing unit labour costs and weak export growth. In 2024, growth is projected to slightly pick up again. HICP inflation is forecast to remain substantial in 2023, driven by significant wage increases, and to moderate only somewhat in 2024. The general government deficit as well as the public debt-to-GDP ratio are set to decrease throughout the forecast horizon, supported by strong nominal growth and a phase-out of COVID-19 and energy-related measures.

A marked slowdown in growth in 2023

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



In 2022, Austria's economy experienced a strong expansion that was particularly pronounced in the first half of the year and mainly driven by the lifting of remaining pandemic-related restrictions, as well as by the recovery of the tourism sector. Overall, real GDP increased by 5.0%, which is the highest rate since Austria joined the EU in 1995. Following a stagnation in the final quarter of 2022, GDP is expected to have dropped by -0.3% in the first quarter of 2023, due to a strong reduction in goods exports. Furthermore, the combination of high energy prices and comparatively low wage growth is set to negatively affect growth dynamics in the first half of 2023. Accelerating real wage growth, partly due to government measures to mitigate the impact of high energy prices, is expected to lead to a rebound in private consumption. Consequently, real GDP is forecast to increase by 0.2% in the third quarter of 2023 and 0.3% in the fourth quarter. Given the economy's subdued performance in the first half of the year, overall growth is projected to amount to 0.4% in 2023.

The high retail energy prices are expected to gradually subside over the forecast horizon and economic activity is set to pick up slightly in 2024, with real GDP growth forecast at 1.6%. This dynamic is projected to be underpinned by stronger private consumption growth supported by wage growth, which is expected to overcompensate HICP inflation growth. Additionally, an increase in exports is projected.

Energy prices and wage developments drive inflation

In 2022, rising energy prices and, to some extent, increases in corporate profits, were the main drivers pushing HICP inflation up to 8.6%. Retail energy prices are expected to remain high over the first two quarters of 2023, but the gradual pass-through of lower wholesale energy prices to consumers is expected to lead to a decline in inflation as from 2023-Q3. Lower energy inflation and decelerating corporate profits due to high unit labour costs are set to lower headline inflation in the second half of 2023. However, significant wage increases are projected to lead to substantial increases in the price of services. The HICP inflation rate is forecast to reach 7.1% in 2023, before gradually decreasing further to 3.8% in 2024. Core inflation is projected to stay high over the forecast horizon due to strong wage growth developments.

The labour market weathered the crisis well

The labour market performed well in 2022, with employment increasing by 2.6% and the unemployment rate falling to 4.8%. Despite economic headwinds and persistent labour shortages, the labour market is expected to remain resilient. Employment is set to slightly increase further over the forecast horizon, mostly thanks to increased participation of women and older workers in the labour market. The increase in labour supply is projected to outpace employment growth, causing the unemployment rate to increase slightly to 4.9% in 2023 and to 5.0% in 2024. Nominal wages are expected to increase by 8.3% in 2023 and 6.6% in 2024. Therefore, real wages should grow again in 2023 and 2024.

Deficit and debt remain on a downward path

In 2022, the general government deficit amounted to 3.2% of GDP and the debt ratio to 78.4%. Over the forecast horizon, public finances are expected to improve, largely reflecting the phasing out of COVID-19-related support measures, as well as of some of the measures implemented to mitigate the economic and social impact of high energy prices. At the same time, new large-scale energy-related measures, such as an electricity cost brake and energy cost subsidies for companies, are set to limit the narrowing of the deficit. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.8% of GDP in 2023, compared with 1.5% in 2022. The Commission currently assumes the net cost of energy support measures at 0.1% of GDP in 2024. Deficit developments in 2023 are also affected by the phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 1.0% of GDP in 2022.

Overall, the general government deficit is forecast to improve to 2.4% of GDP in 2023 and to 1.3% in 2024. On the expenditure side, much of the budget improvements will rely on the phase-out of new support measures in 2023 and 2024. However, the abolition of the tax bracket creep, increasing interest rates, ageing-related costs, and the indexation of some social benefits are expected to weigh on budget developments also beyond the forecast horizon. On the revenue side, important tax sources, that is VAT, personal income taxes, and corporate profit taxes, as well as social contributions, are set to grow dynamically in 2023 due to a robust labour market and still high inflation. In 2024, revenues are overall projected to grow more moderately, despite a pick-up in consumption and a robust labour market.

Austria's nominal GDP growth contributes to a continuous downward path of the public debt-to-GDP ratio, which amounted to 78.4% at the end of 2022 and is expected to further decrease to 75.4% in 2023 and 72.7% in 2024, in line with a declining headline deficit.

Table II.16.1:

Main features of country forecast - AUSTRIA

	2021			Annual percentage change						
bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP	406.1	100.0	1.5	1.5	-6.5	4.6	**5.0**	**0.4**	**1.6**
Private Consumption	202.5	49.9	1.2	0.5	-8.0	3.6	**4.1**	**1.4**	**2.1**
Public Consumption	88.1	21.7	1.4	1.3	-0.5	7.8	**2.9**	**-0.4**	**0.3**
Gross fixed capital formation	107.5	26.5	1.6	4.5	-5.3	8.7	**-0.9**	**0.0**	**1.1**
Exports (goods and services)	227.0	55.9	3.5	4.0	-10.7	9.6	**11.1**	**1.5**	**2.5**
Imports (goods and services)	224.7	55.3	3.5	2.1	-9.2	13.7	**5.7**	**2.0**	**2.3**
GNI (GDP deflator)	408.0	100.4	1.5	2.2	-5.4	4.1	**3.9**	**0.2**	**1.6**
Contribution to GDP growth:	Domestic demand		1.3	1.6	-5.6	5.6	**2.5**	**0.6**	**1.4**
	Inventories		0.1	-1.3	0.1	0.7	**-0.3**	**0.0**	**0.0**
	Net exports		0.1	1.1	-1.1	-1.7	**3.0**	**-0.2**	**0.2**
Employment			1.1	1.1	-1.6	2.0	**2.6**	**0.6**	**0.9**
Unemployment rate (a)			5.5	4.8	6.0	6.2	**4.8**	**4.9**	**5.0**
Compensation of employees / head			2.2	2.8	1.8	2.8	**4.6**	**8.3**	**6.6**
Unit labour costs whole economy			1.8	2.3	7.1	0.3	**2.2**	**8.5**	**5.9**
Saving rate of households (b)			14.5	14.0	18.7	17.6	**13.2**	**13.2**	**14.5**
GDP deflator			1.8	1.5	2.6	1.9	**5.0**	**7.2**	**4.2**
Harmonised index of consumer prices			1.9	1.5	1.4	2.8	**8.6**	**7.1**	**3.8**
Terms of trade goods			-0.2	-1.0	0.8	-1.5	**-4.5**	**2.3**	**0.8**
Trade balance (goods) (c)			0.1	1.1	0.9	-0.1	**-0.1**	**0.9**	**1.3**
Current-account balance (c)			2.3	2.5	3.0	0.4	**0.2**	**0.8**	**1.2**
General government balance (c)			-2.3	0.6	-8.0	-5.8	**-3.2**	**-2.4**	**-1.3**
Structural budget balance (d)			-0.8	-0.7	-4.9	-4.4	**-3.8**	**-2.5**	**-1.5**
General government gross debt (c)			75.8	70.6	82.9	82.3	**78.4**	**75.4**	**72.7**

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

17. PORTUGAL

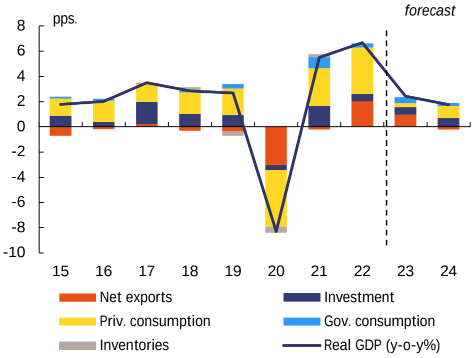
After a strong rebound in early 2023, economic growth is set to weaken in the second quarter of the year and to pick up again thereafter. Headline inflation is projected to moderate although wage adjustments amid record high employment are expected to keep pressure on prices of services. After narrowing to 0.4% of GDP in 2022, Portugal's general government deficit is forecast to improve to 0.1% of GDP in 2023 and 2024.

Tourism continues to support growth

Economic activity picked up at the beginning of 2023, helped by a further increase in tourism. GDP growth is estimated at 1.6% (q-o-q) in 2023-Q1, strongly up from the rates recorded in the previous three quarters. However, domestic demand remained weak, as private consumption was constrained by the decline in purchasing power of households in previous quarters and investors were confronted with higher interest rates. The external sector was the major growth driver in 2023-Q1, benefiting from the recovery in global supply chains and a very strong increase in tourism visits, in particular from North America. The steep recovery in Portugal's water reservoirs also supported the external balance, as the rebound in domestic hydropower production reduced import demand for electricity and natural gas.

Economic growth is projected to weaken in 2023-Q2 and to pick up again in the following quarters against the backdrop of a gradual recovery in households' real disposable income and private consumption. Investment growth is also set to improve, as the drop in global commodity prices and the recovery in global supply chains, along with the expected inflows of EU funds, are projected to outweigh the negative impact of higher interest rates. In full-year terms, real GDP growth is forecast to slow down from 6.7% in 2022 to 2.4% in 2023 and 1.8% in 2024.

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



In the external sector, exports are projected to rise much faster than imports in 2023 due mainly to the strong performance in tourism. In 2024, imports are projected to grow somewhat faster than exports in line with the recovery in private consumption and investment. In nominal terms, Portugal's external balance is forecast to benefit substantially from the drop in energy prices in 2023 and higher prices in tourism, leading to a marked improvement in the current account balance.

Labour activity rates rise faster than employment

The unemployment rate improved from 6.6% in 2021 to 6.0% in 2022. However, the monthly figures increased in late 2022 and early 2023, driven by a strong rise in job-seeking activity while employment grew only marginally. Both employment and activity rates reached record high levels in early 2023 amid rising wage pressures. In annual average terms, unemployment is forecast at 6.5% in 2023 and 6.3% in 2024 amid a moderate increase in employment and real wages, broadly compensating employees for the loss of purchasing power in 2022.

Inflation expected to moderate

After reaching a historic high of 10.2% (y-o-y) in 2022-Q4, HICP inflation moderated to 8.4% (y-o-y) in 2023-Q1. The reduction was largely driven by lower energy prices while food prices remained elevated. Inflation is set to moderate further over the forecast horizon, driven initially by the energy price index and later by food and non-industrial goods. In 2023, the moderation in food prices is also supported by a suspension of VAT rates for essential food products effective from 18

April until end-October. Overall, inflation is forecast at 5.1% in 2023 and 2.7% in 2024. Core inflation is expected to move somewhat above the headline rate, as the projected recovery in real incomes will weigh on prices of services, which are also set to moderate but at a softer pace.

Public finances with a favourable outlook

Portugal's general government deficit decreased to 0.4% of GDP in 2022. Government revenue benefited from the strong economic rebound and the favourable labour market developments, with tax revenue being boosted by inflation. In turn, the wind down of COVID-19-related measures contributed to curb expenditure. Public investment continued to expand in 2022.

The general government deficit is forecast to narrow in 2023 to 0.1% of GDP and remain unchanged in 2024. The dynamic growth of government revenues is expected to continue in 2023, and to ease somewhat in 2024. Tax revenue is the main driver of this growth, particularly that from indirect taxation, still reflecting the sustained elevated prices. Government expenditure is projected to continue to expand, albeit at a lower pace than revenues. Upward pressure on current spending, notably on social benefits and the public wage bill, is expected to persist through the forecast horizon. Driven by the implementation of the Recovery and Resilience Plan (RRP) and other EU-funded programmes, public investment is forecast to surge in 2023 and 2024. The tightening of financing conditions is expected to increase interest expenditure. Downside risks to the fiscal outlook are associated with the contingent liabilities arising from publicly guaranteed credit lines and ongoing processes for financial rebalancing of public-private partnerships.

The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.8% of GDP in 2023, compared with 2.0% in 2022. The Commission currently assumes a full phasing out of energy support measures in 2024. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.8% of GDP in 2022.

Portugal's public debt-to-GDP ratio contracted considerably to 113.9% in 2022, already below pre-pandemic levels. Thereafter, it is projected to continue on a downward path in 2023 and 2024, driven by a favourable growth-interest rate differential and improvements in the general government primary balance.

Table II.17.1:

Main features of country forecast - PORTUGAL

		2021		Annual percentage change						
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		214.7	100.0	0.5	2.7	-8.3	5.5	**6.7**	**2.4**	**1.8**
Private Consumption		136.2	63.4	0.7	3.3	-7.0	4.7	**5.8**	**0.5**	**1.5**
Public Consumption		40.4	18.8	0.1	2.1	0.3	4.6	**1.7**	**2.7**	**1.3**
Gross fixed capital formation		43.6	20.3	-1.4	5.4	-2.2	8.7	**3.0**	**2.9**	**3.6**
Exports (goods and services)		89.4	41.6	4.3	4.1	-18.6	13.4	**16.7**	**5.4**	**3.2**
Imports (goods and services)		95.5	44.5	2.9	4.9	-11.8	13.2	**11.1**	**3.3**	**3.6**
GNI (GDP deflator)		212.6	99.0	0.5	2.5	-7.3	6.1	**6.3**	**2.4**	**1.7**
Contribution to GDP growth:	Domestic demand			0.1	3.4	-4.9	5.5	**4.6**	**1.4**	**1.9**
	Inventories			0.0	-0.3	-0.5	0.3	**0.0**	**0.0**	**0.0**
	Net exports			0.4	-0.4	-3.0	-0.2	**2.0**	**1.0**	**-0.2**
Employment				-0.3	0.8	-1.8	1.9	**2.0**	**0.5**	**0.6**
Unemployment rate (a)				11.2	6.7	7.0	6.6	**6.0**	**6.5**	**6.3**
Compensation of employees / head				1.7	4.8	1.5	4.1	**6.1**	**5.7**	**2.9**
Unit labour costs whole economy				0.9	2.8	8.7	0.6	**1.5**	**3.7**	**1.7**
Saving rate of households (b)				8.7	7.2	11.9	9.9	**6.1**	**6.7**	**6.8**
GDP deflator				1.8	1.7	2.0	1.5	**4.4**	**5.8**	**2.3**
Harmonised index of consumer prices				1.7	0.3	-0.1	0.9	**8.1**	**5.1**	**2.7**
Terms of trade goods				0.2	0.4	1.6	0.5	**-3.0**	**2.7**	**0.0**
Trade balance (goods) (c)				-8.8	-7.8	-6.5	-7.7	**-11.4**	**-9.9**	**-10.1**
Current-account balance (c)				-5.0	0.1	-1.2	-0.8	**-1.5**	**1.0**	**0.8**
General government balance (c)				-5.4	0.1	-5.8	-2.9	**-0.4**	**-0.1**	**-0.1**
Structural budget balance (d)				-1.5	-0.9	-1.6	-1.3	**-0.8**	**-0.8**	**-0.8**
General government gross debt (c)				102.0	116.6	134.9	125.4	**113.9**	**106.2**	**103.1**

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

18. SLOVENIA

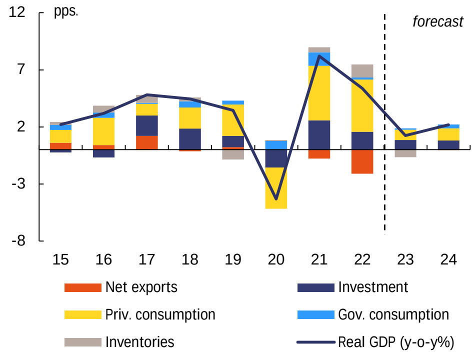
Slovenia's GDP expanded by 5.4% in 2022 thanks to the strong carry-over from 2021 and continued growth in the first half of the year. Growth is forecast to drop to 1.2% in 2023 and pick up to 2.2% in 2024. Inflation is expected to remain high in 2023 and to recede somewhat in 2024. Employment is projected to improve further and the unemployment rate is set to fall from the already low level. The general government deficit is forecast to narrow to 2.9% in 2024 after reaching 3.7% in 2023.

Strong 2022 growth set to weaken in 2023-24

Despite a slowdown in the second half of the year, GDP grew by 5.4% in 2022. Growth was driven by domestic demand and a rather strong build-up in inventories. Net exports provided a negative contribution as terms of trade worsened for the second year in a row. The current account balance turned negative after being in surplus since 2011. While the goods trade balance worsened by 6 pps of GDP, turning negative, the surplus in services balance continued to increase driven by tourism. Employment continued to grow at a strong pace while real wages fell. Private consumption increased by 8.9% aided by government support measures to reduce the impact of high energy prices and household savings diminished.

Following two years of buoyant growth, private consumption is projected to continue to increase, albeit by a modest 1¾-2 % in 2023-24. Consumption will be supported by employment growth and rising wages, with the saving rate expected to slightly increase toward the pre-pandemic levels. Public investment is forecast to remain strong due to the expected deployment of RRF-financed measures and of EU Cohesion Policy Funds. Despite the worsening financing conditions, enterprises are expected to invest also into productivity-enhancing technologies as labour availability is limited and wages are projected to increase rapidly. While the contribution from net exports to growth is projected to remain neutral, improving terms of trade will help improve the trade balance and the current account which is set to record a surplus. GDP is projected to increase by 1.2% in 2023 and by 2.2% in 2024.

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



Labour market continued to tighten

Low availability of workers continued to be the dominant factor in the labour market. Employment is expected to increase by 0.7% in 2023 and by 0.5% in 2024. The unemployment rate is projected to reduce further, from 4.0% in 2022 to 3.8% by 2024. After a relatively benign growth of 4.3% in 2022, wages are expected to increase by 7.7% in 2023 and by 5.3% in 2024 partly restoring the loss in real wages.

Inflation decelerating only slowly

Inflation reached 9.3% in 2022 and remained at 9.9% in the first quarter of 2023 (compared to the same quarter in 2022). Headline inflation peaked in the third quarter of 2022, but core inflation has continued to accelerate. Inflation is expected to start moderating only from the second half of 2023 and is projected to average 7.0% in 2023 and 3.8% in 2024.

The fiscal outlook improved, but risks remain

The general government deficit stood at 3.0% of GDP in 2022. The deficit included the budgetary costs of measures to mitigate the economic and social impact of high energy prices, which accounted for 1.0% of GDP.

The deficit is projected to widen to 3.7% of GDP in 2023. The revenue ratio is forecast to stay broadly stable, but higher EU cohesion funds at the end of the absorption period for the previous multiannual financial framework 2014-2020 are projected to compensate for a drop in tax revenue. On the expenditure side, public investment is projected to reach a historic peak at 6.1% of GDP, financed both with an increased use of RRF and other EU funds as well as national sources. Subsidies to the corporate sector to mitigate the economic impact of high energy prices are forecast to increase significantly in 2023. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.9% of GDP in 2023, compared with 1.0% in 2022. The Commission currently assumes a full phasing out of energy support measures in 2024. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 1.0% of GDP in 2022.

In 2024, the deficit is set to narrow to 2.9% of GDP as energy-related measures are projected to be withdrawn and public investment is expected to decline following the end of the previous EU multiannual financial framework.

Projections for 2023 and 2024 are subject to several country-specific risks, including from costs of reforming the public sector wage system that is being negotiated by the government. The fiscal implications of the reform, as well as of other reforms currently being discussed (e.g. health and long-term care), remain to be specified.

The debt-to-GDP ratio is projected to decrease from 69.9% in 2022 to 69.1% in 2023 and 66.6% in 2024 due to the changes in the headline deficit and the large increase in nominal GDP.

Table II.18.1:

Main features of country forecast - SLOVENIA

		2021			Annual percentage change					
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		52.2	100.0	2.2	3.5	-4.3	8.2	**5.4**	**1.2**	**2.2**
Private Consumption		26.7	51.1	1.8	5.3	-6.9	9.5	**8.9**	**1.7**	**1.9**
Public Consumption		10.8	20.6	1.5	1.8	4.1	5.8	**0.9**	**0.6**	**1.8**
Gross fixed capital formation		10.6	20.3	0.4	5.1	-7.9	13.7	**7.8**	**3.9**	**3.8**
Exports (goods and services)		43.7	83.6	5.9	4.5	-8.6	14.5	**6.5**	**2.8**	**4.0**
Imports (goods and services)		40.4	77.3	5.1	4.7	-9.6	17.6	**9.8**	**2.8**	**4.2**
GNI (GDP deflator)		51.5	98.6	2.1	3.4	-3.5	7.4	**5.6**	**1.2**	**2.2**
Contribution to GDP growth:	Domestic demand			1.4	4.1	-4.4	8.5	**6.3**	**1.9**	**2.2**
	Inventories			0.1	-0.8	0.1	0.4	**1.1**	**-0.6**	**0.0**
	Net exports			0.7	0.2	0.0	-0.8	**-2.1**	**0.0**	**0.0**
Employment				0.6	2.5	-0.7	1.3	**2.4**	**0.7**	**0.5**
Unemployment rate (a)				7.1	4.4	5.0	4.8	**4.0**	**3.9**	**3.8**
Compensation of employees / head				3.7	5.0	3.4	7.9	**4.3**	**7.7**	**5.3**
Unit labour costs whole economy				2.1	3.9	7.3	1.1	**1.4**	**7.2**	**3.6**
Saving rate of households (b)				13.3	13.4	22.7	18.7	**8.6**	**9.1**	**11.3**
GDP deflator				2.0	2.3	1.3	2.6	**7.2**	**7.3**	**4.3**
Harmonised index of consumer prices				2.3	1.7	-0.3	2.0	**9.3**	**7.0**	**3.8**
Terms of trade goods				-0.4	0.4	0.8	-2.3	**-2.8**	**2.0**	**1.1**
Trade balance (goods) (c)				-0.6	2.7	5.0	1.7	**-4.3**	**-3.2**	**-2.5**
Current-account balance (c)				0.4	6.1	7.7	4.0	**-0.5**	**0.9**	**1.7**
General government balance (c)				-3.4	0.7	-7.7	-4.6	**-3.0**	**-3.7**	**-2.9**
Structural budget balance (d)				-3.1	-0.9	-6.1	-5.6	**-5.0**	**-4.9**	**-3.7**
General government gross debt (c)				48.7	65.4	79.6	74.5	**69.9**	**69.1**	**66.6**

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

19. SLOVAKIA

Slovak GDP is expected to grow by 1.7% in 2023, supported by a strong expansion of investment and by 2.1% in 2024 mainly due to a recovery in exports as supply chain bottlenecks are expected to disappear. Since the energy prices were mostly fixed in 2022, convergence with the market prices is set to push the inflation to 10.9% in 2023 and 5.7% in 2024. Core inflation remains strong, fuelled by rising prices of food and services. New measures, including those aimed at mitigating high energy prices, are projected to lead to an increase in the public deficit to 6.1% of GDP in 2023. It is then set to decrease to 4.8% as most of the measures are expected to be phased out.

Growth dependent on investment and exports

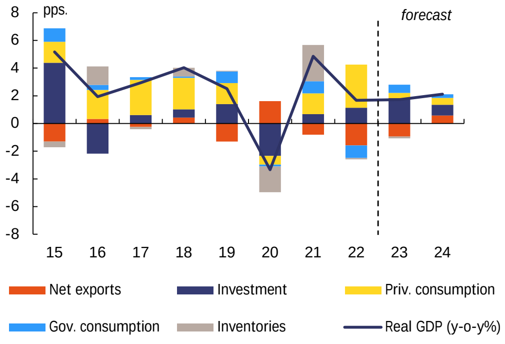
GDP growth in 2022 was relatively subdued, held back by poor exports and public consumption, while private consumption held up relatively well. Economic activity is expected to accelerate in the second half of 2023 as supply chain bottlenecks are set to ease, which will likely support export growth over the forecast horizon. The economic outlook for Slovakia's major export destinations is also set to improve and should support demand for the main export products, including cars.

Government measures reduced the impact of rising energy prices for households and businesses in early-2023, avoiding a price shock. After its strong growth in 2022, private consumption is expected to stagnate this year due to declining real wages. Conversely, investment is set to significantly grow thanks to EU structural funds, the RRF and government investments. Overall, GDP growth is projected at 1.5% in 2023 before returning to stronger growth of 2.1% in 2024.

Labour market remains tight

The unemployment rate is expected to continue decreasing from 6.2% in 2022 to 5.7% in 2023 and 5.5% in 2024, reflecting a very tight labour market. The decline in the working age population is one of the contributors to decreasing unemployment, while the lack of workers is one of the main challenges for Slovak companies. In 2022, nominal wages increased below the inflation rate, leading to losses in real purchasing power. As economic sentiment recovers, the compensation of employees is expected to start growing slightly faster than inflation, which is set to result in an increase in real wages in 2024.

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



Inflation set to remain elevated

Inflation soared to over 12% in 2022 due to high energy prices and the pass-through to other components, particularly food. Due to government interventions, Slovak energy prices for households are still significantly below market prices. Average household gas prices in the second half of 2022 were the third lowest in the EU and are expected to increase only slightly in 2023. As government measures start to be phased out in 2024, currently low energy prices will continue to rise towards market prices, keeping energy inflation high. Consumer food prices grew swiftly in 2023-Q1, at over 25%. Further growth in food price inflation is not expected to continue given the recent decline in input prices, including energy. Food prices are expected to be the main contributor to overall inflation for the year, even if they are set to level off in 2023-Q2. Labour market tightness is projected to contribute to more persistent growth of prices in the service sector. Inflation is forecast at 10.9% in 2023 and at 5.7% in 2024.

Budget deficit to increase again in 2023

After a low deficit of 2.0% in 2022, the general government deficit is expected to increase to 6.1% in 2023, driven by expenditure measures adopted by the government. New measures to mitigate the impact of high energy prices are set to bring the deficit back to a high level in 2023. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 2.0% of GDP in 2023, compared with 0.2% in 2022. The Commission currently assumes a full phasing out of energy support measures in 2024. Higher compensation of public employees, decreasing VAT rates in some food and leisure sectors, and the family package including a tax bonus and increased child allowances, introducing a parental bonus under the pension reform, as well as re-introducing free lunches for pupils, are expected to increase the budget deficit. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.8% of GDP in 2022

The tax revenue is growing on the back of strong nominal economic growth, despite some revenue measures, such as the permanent VAT rate reduction on selected sectors, are reducing revenue. In 2024, the general government deficit is expected to decrease to 4.8% of GDP as inflationary pressures ease and energy-price related measures are withdrawn.

After decreasing to 57.8% in 2022, the government debt-to-GDP ratio is projected to increase to 58.3% in 2023 and to 58.7% in 2024. This increase is driven by high deficits in 2023 and 2024, although the strong growth of nominal GDP is expected to partially offset the increases in deficits.

Table II.19.1:

Main features of country forecast - SLOVAKIA

		2021		Annual percentage change						
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		100.3	100.0	4.0	2.5	-3.3	4.9	**1.7**	**1.7**	**2.1**
Private Consumption		57.0	56.8	3.0	2.7	-1.1	2.6	**5.5**	**0.6**	**0.8**
Public Consumption		21.2	21.1	2.4	4.5	-0.6	4.2	**-4.3**	**2.9**	**1.3**
Gross fixed capital formation		19.3	19.2	2.9	6.7	-10.9	3.5	**5.9**	**9.0**	**3.7**
Exports (goods and services)		92.7	92.4	8.6	0.8	-6.3	10.9	**2.3**	**3.2**	**6.1**
Imports (goods and services)		92.7	92.4	7.0	2.2	-8.1	12.1	**4.0**	**3.9**	**5.2**
GNI (GDP deflator)		99.1	98.8	3.9	1.6	-1.8	4.5	**1.2**	**2.0**	**2.2**
Contribution to GDP growth:	Domestic demand			2.8	3.8	-3.1	3.0	**3.4**	**2.8**	**1.5**
	Inventories			0.1	0.0	-1.9	2.6	**-0.1**	**-0.1**	**0.0**
	Net exports			1.1	-1.3	1.6	-0.8	**-1.6**	**-0.9**	**0.6**
Employment				1.1	1.0	-1.9	-0.6	**1.8**	**0.6**	**0.1**
Unemployment rate (a)				12.7	5.7	6.7	6.8	**6.1**	**5.8**	**5.4**
Compensation of employees / head				5.1	6.8	3.9	6.9	**6.0**	**9.7**	**7.4**
Unit labour costs whole economy				2.1	5.3	5.4	1.3	**6.2**	**8.4**	**5.3**
Saving rate of households (b)				7.5	9.6	11.4	10.9	**5.2**	**5.9**	**6.5**
GDP deflator				1.6	2.5	2.4	2.4	**7.5**	**9.8**	**5.7**
Harmonised index of consumer prices				2.6	2.8	2.0	2.8	**12.1**	**10.9**	**5.7**
Terms of trade goods				-0.8	-0.3	-0.4	-1.1	**-4.4**	**1.3**	**0.7**
Trade balance (goods) (c)				0.3	-0.6	0.9	-0.4	**-5.8**	**-5.1**	**-3.8**
Current-account balance (c)				-2.3	-2.9	0.1	-2.4	**-7.8**	**-6.7**	**-5.3**
General government balance (c)				-3.4	-1.2	-5.4	-5.4	**-2.0**	**-6.1**	**-4.8**
Structural budget balance (d)				-2.0	-2.0	-4.3	-5.5	**-2.0**	**-5.8**	**-4.5**
General government gross debt (c)				43.4	48.0	58.9	61.0	**57.8**	**58.3**	**58.7**

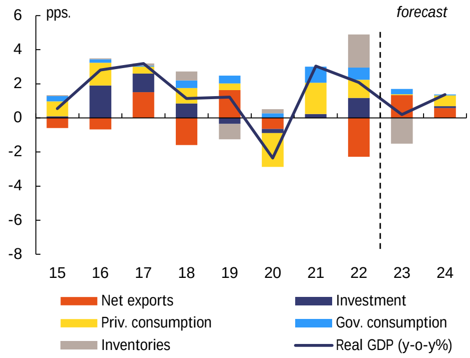
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

20. FINLAND

After experiencing a mild technical recession in the second half of 2022, economic growth in Finland is expected to remain weak through the first half of 2023. Real GDP growth is projected to gradually pick up later in the year to reach 0.2% in 2023, before increasing to 1.4% in 2024. Inflation is set to decelerate from 7.2% in 2022 to 4.8% in 2023 before falling close to 2% in 2024. The general government deficit is forecast to widen in 2023 to some 2.6% of GDP and remain at a similar level in 2024, leading to an increase of the debt-to-GDP ratio to around 76% in 2024.

Growth expected to be muted in 2023 and resume in 2024

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



In 2022, real GDP grew by 2.1%, driven by private and public consumption and a notable build-up of inventories. Private consumption was mainly boosted by increased demand for services after the COVID-19 restrictions were lifted. Gross fixed capital formation, especially construction and R&D related investments, also contributed positively to growth. Imports remained elevated throughout 2022, while export growth was much weaker, with export of services remaining below the level of 2019. Overall, the contribution of net exports to growth was negative. High inflation, tighter financing conditions and a deteriorating external environment negatively impacted economic performance in the second half of 2022. The economy experienced a mild technical recession, with real GDP growth being negative in the third and fourth quarters of 2022.

The start of 2023 has been marked by persistently weak business and consumer confidence. Tighter financing conditions and high inflation are set to continue weighing on consumption, putting its real growth close to zero in 2023. With construction losing steam after a strong performance in 2022, growth of gross fixed capital formation is projected to be slightly negative in 2023. Nonetheless, overall economic performance is set to be supported by a positive contribution from net exports. Economic growth is projected to gradually pick up later in the year with real GDP growth forecasted slightly above 0% for 2023. For 2024, abating inflation and a more positive external environment is set to boost real GDP growth to 1.4%.

The labour market remains tight

In 2022, the unemployment rate stood at 6.8%, very close to the pre-pandemic level, and by February 2023 it declined to 6.6%. In addition, the number of vacancies, although having declined, remains elevated compared to historical standards. Both indicators confirm the labour market tightness and companies' wish to retain staff even in times of subdued economic performance. Hence, the unemployment rate is projected to increase only slightly in 2023 to 7.1% before declining to 6.8% in 2024. At the same time, negotiated wage growth for 2023 will hardly compensate for the lost purchasing power due to the erosion by inflation in 2022. In 2024, increases in employees' earnings are expected to exceed the HICP inflation rate and support the recovery of real consumption growth.

Inflation remains elevated

In 2022, HICP inflation reached 7.2%, with energy and food prices being the main drivers. After reaching the peak in the last quarter of 2022, HICP inflation decelerated to 7.5% at the beginning of 2023. Though energy prices seem to be on a declining trend, HICP inflation will remain elevated at 4.8% in 2023 before it declines to 2.1% in 2024.

Public finances continue to be under pressure

In 2022, the general government deficit declined to 0.9% of GDP on the back of increased revenue performance due to higher-than-expected inflation, increased accrual of social security contributions and the gradual removal of COVID-19-related measures, which are estimated to have amounted to 0.2% of GDP in 2022. In addition, some of the originally planned expenditures (appropriations) for 2022 were deferred to the coming years, including some in the field of defence and preparedness-related measures.

The general government deficit is forecast to reach 2.6% of GDP in 2023 and remain at that level in 2024. Against the backdrop of Russia’s war of aggression against Ukraine, the Finnish government announced additional spending on defence of 0.3% of GDP in 2023 and 0.2% in 2024. In addition, the Commission Spring 2023 Forecast takes into account the net budgetary cost of the energy support measures, projected at 0.3% of GDP in 2023, compared with 0.1% in 2022. The Commission currently assumes a full phasing out of energy support measures by the end of 2023. Additional spending is also foreseen from the costs of providing temporary protection to people fleeing Ukraine, the indexation of social benefits, central government funding to local authorities, higher interest expenses and R&D-related investments over the forecast horizon. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures. In 2023, inflation is projected to have a notable impact on expenditure before moderating in 2024. At the same time, tax revenue growth is expected to slow down and stabilise in 2024.

In 2022, the debt-to-GDP ratio stood at 73.0%, pointing to the resumption of a growing trend. The general government debt-to-GDP ratio is forecast at 73.9% in 2023 and 76.2% in 2024, due to a higher primary deficit.

Table II.20.1:
Main features of country forecast - FINLAND

		2021		Annual percentage change						
	bn EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		250.6	100.0	1.3	1.2	-2.4	3.0	**2.1**	**0.2**	**1.4**
Private Consumption		128.4	51.2	1.9	0.7	-3.8	3.6	**2.1**	**0.1**	**1.2**
Public Consumption		61.7	24.6	1.0	2.0	1.2	3.9	**2.9**	**1.3**	**0.2**
Gross fixed capital formation		59.1	23.6	1.6	-1.5	-1.0	0.9	**5.0**	**-0.1**	**0.4**
Exports (goods and services)		99.1	39.6	2.3	6.7	-7.8	6.0	**1.7**	**1.6**	**3.6**
Imports (goods and services)		98.9	39.5	3.5	2.4	-6.2	6.0	**7.5**	**-1.3**	**2.2**
GNI (GDP deflator)		254.5	101.6	1.3	1.3	-1.2	2.9	**0.4**	**0.2**	**1.4**
Contribution to GDP growth:	Domestic demand			1.6	0.5	-1.9	3.0	**3.0**	**0.3**	**0.8**
	Inventories			0.1	-0.9	0.2	0.0	**1.9**	**-1.5**	**0.0**
	Net exports			-0.3	1.6	-0.7	0.0	**-2.3**	**1.3**	**0.6**
Employment				0.7	1.8	-1.9	2.7	**2.5**	**-0.2**	**0.4**
Unemployment rate (a)				8.3	6.8	7.7	7.7	**6.8**	**7.1**	**6.8**
Compensation of employees / head				2.2	1.2	0.4	3.6	**3.2**	**4.5**	**3.8**
Unit labour costs whole economy				1.5	1.9	0.9	3.3	**3.6**	**4.1**	**2.7**
Saving rate of households (b)				7.7	8.5	12.7	10.7	**6.6**	**6.7**	**6.8**
GDP deflator				1.5	1.5	1.6	2.2	**4.2**	**4.4**	**2.4**
Harmonised index of consumer prices				1.5	1.1	0.4	2.1	**7.2**	**4.8**	**2.1**
Terms of trade goods				-0.7	-0.6	2.3	0.1	**-0.6**	**1.2**	**0.1**
Trade balance (goods) (c)				3.9	1.0	1.2	0.9	**-0.5**	**0.7**	**1.2**
Current-account balance (c)				1.0	-0.3	0.6	0.5	**-3.9**	**-1.9**	**-1.2**
General government balance (c)				0.1	-0.9	-5.6	-2.8	**-0.9**	**-2.6**	**-2.6**
Structural budget balance (d)				-1.0	-1.3	-3.9	-2.3	**-0.6**	**-1.8**	**-1.9**
General government gross debt (c)				49.3	64.9	74.7	72.6	**73.0**	**73.9**	**76.2**

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

Non-EA Member States

21. BULGARIA

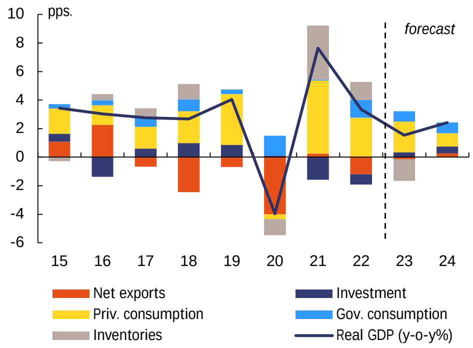
Economic expansion is expected to slow down in 2023 before picking up in 2024. Export growth is set to slow down in 2023, due to subdued foreign demand and country-specific one-off factors. Household consumption growth is forecast to decrease towards the end of 2023 and the first half of 2024, as real interest rates pick up and wage growth moderates. Inflation is set to decelerate, but to remain relatively high in 2023. The government deficit is forecast to increase in 2023 driven by social and income policies adopted in 2022. The 2023 budget discussion is ongoing.

Moderation of domestic and foreign demand ahead

Real GDP grew by 3.4% in 2022 on account of strong private consumption and exports. Real household consumption growth accelerated in the second half of 2022, supported by expansion in disposable income in the context of a very tight labour market. Export growth was particularly strong in the first half of 2022, reflecting both higher prices and volumes of exported commodities to the region, notably electricity. Imports also grew strongly, driven by high domestic demand and the high import content of exports. Early signs of cooling-off of the real estate sector were registered in the fourth quarter with a slump in building permits and new transactions.

GDP growth is forecast to slow down to 1.5% in 2023 and increase to 2.4% in 2024. Quarterly GDP is expected to stagnate after 2023-Q1 and then resume robust expansion in 2024, driven by export, private consumption and public investment. The growth rate of exports is set to decelerate markedly in 2023 and then rebound in 2024. Apart from the softening of external demand, export performance will be affected by the planned maintenances in the steel industry and in the nuclear power plant, as well as by the ban on the oil refinery's exports of petroleum products processed from Russian crude oil.

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



Private consumption is expected to remain strong at the beginning of 2023, to soften until mid-2024 and to recover thereafter. Over the forecast horizon real household income growth is set to stay close to the positive 2022 levels, with wage and price inflation moderating broadly in parallel. Household saving rates are projected to increase with the rise in nominal and real interest rates, combined with some moderation in lending to households. Investment is expected to be supported by EU funds, including the ones under the Recovery and Resilience Plan (RRP), although delays point towards a rather backloaded implementation.

Risks to the forecast are broadly balanced. On the upside, the rapid expansion of nominal household income and consumption increase the risk of overheating. On the downside, a stronger fall in external demand, a more direct pass-through of higher interest rates to the domestic market and a deterioration in the housing market may depress economic activity.

Labour market remains tight with prospects for a gradual wage moderation

The labour market remains tight, with unemployment rate at 3.8% in February 2023. In 2022, nominal wages continued to increase strongly, reflecting both labour shortages and pressures from high inflation. In manufacturing, wage hikes were in line with strong productivity gains, while in construction and services they led to a rapid increase in unit labour costs. Wage growth is set to come down gradually, initially in the tradable sector, following the weaker export performance and the lower inflation rate. Wage moderation is then expected to spread to the rest of the economy. Employment is forecast to grow only marginally in 2023 and 2024 since the pool of unemployed has decreased substantially over the past years and the labour force has been shrinking overall.

Inflation to decelerate gradually

HICP inflation averaged 13% in 2022. Energy and food prices clearly drove inflation in the first half of the year and led to higher inflation in transport and catering services. In the second half of the year, consumer price inflation in services, also beyond those strongly influenced by food and energy prices, started to pick up, while food prices continued to increase, albeit at a lower monthly rate. Annual HICP inflation is set to come down from 13% in 2022 to 9.4% in 2023 and then decelerate further to 4.2% in 2024. Energy prices are expected to decline in both 2023 and 2024, while food price inflation is forecast to persist at high levels in 2023 and abate in 2024. Services price inflation is, however, projected to accelerate in 2023 and remain relatively high in 2024.

Government deficit is set to slowly decrease

Following a year of significant fiscal consolidation and a deficit of 2.8% of GDP in 2022, the 2023 deficit is projected to rise again to 4.8% of GDP in 2023. By the cut-off date of this forecast the government and the Parliament had not adopted any consolidation measures to finance the increases in wages and pensions that have a budgetary cost of around 3.5% of GDP in 2023. However, several factors should help contain the deficit. The net budgetary cost of the energy support measures is projected at 0.8% of GDP in 2023, compared with 1.5% in 2022. These measures are set to fully phase out in 2024. Transfers related to people fleeing Ukraine are also projected to have a significantly lower impact on the budget. The tax revenue is set to benefit from tax-rich income increases, but also from higher consumption and rising prices of goods and services subject to indirect taxes, mainly VAT. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 1% of GDP in 2022. Public investment is expected to peak in 2023 on account of the completion of projects financed by the European Structural and Investment Funds (ESIF) 2014-2020.

The general government deficit is forecast to remain at 4.8% of GDP in 2024. Under the no-policy-change assumption, tax revenue increases are set to slow down. Current expenditure is forecast to grow faster than revenue, but the impact on the deficit will be offset by lower nationally financed public investment. The implementation of the RRP is set to pick up instead. General government debt is forecast to increase from 22.9% of GDP in 2022 to 28.1% by 2024. There is a positive risk that general government deficit and debt turn out lower than projected as the main parliamentary parties have committed to adopt consolidation measures to lower deficit in 2023.

Table II.21.1:

Main features of country forecast - BULGARIA

		2021			Annual percentage change					
	bn BGN	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		139.0	100.0	3.2	4.0	-4.0	7.6	**3.4**	**1.5**	**2.4**
Private Consumption		81.0	58.3	3.6	6.0	-0.6	8.8	**4.8**	**3.6**	**1.5**
Public Consumption		26.3	18.9	1.9	2.0	8.3	0.4	**6.5**	**3.9**	**4.0**
Gross fixed capital formation		22.7	16.3	3.8	4.5	0.6	-8.3	**-4.3**	**2.2**	**3.3**
Exports (goods and services)		85.3	61.3	7.2	4.0	-10.4	11.0	**8.3**	**2.6**	**3.2**
Imports (goods and services)		82.9	59.6	7.3	5.2	-4.3	10.9	**10.5**	**2.9**	**2.8**
GNI (GDP deflator)		132.5	95.3	2.7	4.6	-3.2	6.3	**5.4**	**0.2**	**2.4**
Contribution to GDP growth:	Domestic demand			3.7	4.7	1.2	3.6	**3.3**	**3.2**	**2.2**
	Inventories			0.1	0.0	-1.1	3.8	**1.3**	**-1.5**	**0.0**
	Net exports			-0.6	-0.7	-4.0	0.2	**-1.2**	**-0.2**	**0.3**
Employment				0.6	0.3	-2.3	0.2	**1.3**	**0.3**	**0.3**
Unemployment rate (a)				10.6	5.2	6.1	5.3	**4.3**	**4.3**	**4.0**
Compensation of employees / head				8.3	6.9	7.2	11.3	**18.4**	**13.5**	**9.1**
Unit labour costs whole economy				5.6	3.1	9.0	3.6	**16.0**	**12.2**	**6.8**
Saving rate of households (b)				-3.4	:	:	:	**:**	**:**	**:**
GDP deflator				4.3	5.2	4.3	7.1	**15.1**	**10.4**	**3.9**
Harmonised index of consumer prices				3.2	2.5	1.2	2.8	**13.0**	**9.4**	**4.2**
Terms of trade goods				1.9	1.9	4.3	0.6	**1.0**	**2.0**	**0.0**
Trade balance (goods) (c)				-12.5	-4.7	-3.1	-4.1	**-5.4**	**-4.2**	**-4.0**
Current-account balance (c)				-4.9	1.9	0.0	-1.9	**-0.4**	**0.1**	**0.2**
General government balance (c)				-0.5	2.1	-3.8	-3.9	**-2.8**	**-4.8**	**-4.8**
Structural budget balance (d)				0.2	1.7	-2.4	-4.0	**-3.2**	**-5.0**	**-5.0**
General government gross debt (c)				22.7	20.0	24.5	23.9	**22.9**	**25.0**	**28.1**

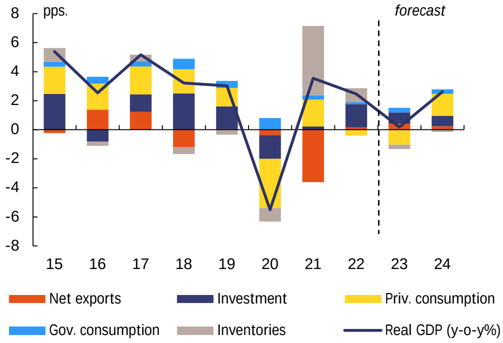
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

22. CZECHIA

Following moderate economic activity in 2022, real GDP growth in Czechia is forecast to decelerate to 0.2% in 2023, due to elevated price pressures amid tight domestic financial conditions. The inflation rate is set to remain close to 12% in 2023 but to decline to 3.4% in 2024. The general government deficit is still affected by energy support measures in 2023, but it is forecast to decline to 3% in 2024.

Economy to weaken on its way to recovery

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



Czechia's real GDP grew by 2.5% in 2022, driven by investment and increased inventories, while dampened by weak household consumption amid lower consumer confidence and the tighter financial situation of Czech households. Economic activity is expected to remain subdued over the first half of 2023, with real GDP growth in the first quarter estimated at 0.1% q-o-q, mainly on the back of foreign demand amid low domestic consumption. Annual GDP growth is forecast to slow to 0.2% in 2023, and to recover to 2.6% in 2024, reaching pre-pandemic output levels at the end of 2023.

Despite several fiscal stimulus measures, household consumption declined for five consecutive quarters until the end of 2022 and is expected to remain subdued also in 2023. Declining real disposable income and tightening financing conditions are the key factors. Household consumption is forecast to start increasing during 2023. In line with developments in real income, household consumption is projected to become the main driver of real GDP growth in 2024 together with foreign demand.

Investment activity picked up significantly in 2022 and is expected to remain the key growth driver in 2023, significantly supported by EU structural and RRF funds. At the same time, the tight financial conditions and persistent labour shortages are expected to weigh on business investment growth over the forecast horizon. The easing of supply chain problems is set to have a positive impact on exports, which are projected to increase in 2023 and 2024. Weaker domestic demand is set to hold back imports in 2023. While imports are expected to rebound in 2024, a positive contribution of net exports to GDP growth is forecast over the forecast horizon.

This outlook is subject to high uncertainty, most notably, in relation to the risks of further disruptions of energy markets given the energy intensity of the Czech economy.

Labour market to remain robust

Labour demand remained resilient to the economic slowdown in recent quarters and the unemployment rate declined to 2.2% in 2022. It is forecast to remain low in 2023, around 2.8%, and to decline to 2.6% in 2024. Shortages of skilled workers are set to persist. Despite the tight labour market, real wages are still projected to decline in 2023, as nominal wage growth lags behind inflation. Real wages are expected to increase by 3.2% in 2024 amidst recovering economic activity.

Inflation to decline as from summer 2023

Headline inflation appears to have peaked at 18% in 2023-Q1, following the phase-out of the savings tariff on energy prices, which was not fully offset by a cap on electricity and gas prices introduced by the Czech government. Energy prices are expected to decline in 2023-Q2 and remain stable afterwards. The inflation rate is set to decrease, driven mainly by base effects, accompanied by lower commodity prices, recent currency appreciation and weak consumer demand. The annual average inflation rate is projected to decelerate from 14.6% in 2022 to 11.9% in 2023 and to then drop further to 3.4% in 2024 on the back of a decrease in energy costs and related spill-over effects. This forecast assumes that the price cap on energy is phased out in December 2023. The economic outlook remains sensitive to energy commodity prices and financing conditions.

Fiscal consolidation is beginning

The Czech budget deficit decreased to 3.6% of GDP in 2022 on the back of expenditures contracting in real terms as the COVID-19 related programmes were withdrawn and the new energy-related support measures had a lower cost than initially anticipated.

The budget deficit is forecast to remain unchanged at 3.6% of GDP in 2023. Several energy support measures, including price caps on energy prices or support for vulnerable consumers, have been put in place to help households and the industry faced with raising energy prices. These are to be partly financed from a tax and a levy on energy producers' windfall revenues, as well as by high property income revenues. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.3% of GDP in 2023, compared with 0.7% in 2022. The Commission currently assumes the net cost of energy support measures at 0% of GDP in 2024. The forecast also incorporates a reduced indexation of pensions for this year (as already approved by the Parliament) and contained growth in public employees' salaries. The deficit is expected to decrease in 2024 to 3.0% as energy support measures are assumed to be withdrawn.

Risks that could increase the deficit forecast include a reversal of the cut in pensions' indexation or an increase in public employees' salaries as discussed in the Parliament. A fiscal consolidation programme of at least 1 pp. of GDP discussed by the government could reduce the deficit in 2024.

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

While the public debt-to-GDP ratio is still low compared to other EU Member States, the pace of its growth in 2020-22 was above the EU average (from 30% in 2019 to 44% in 2022). On the back of high nominal GDP growth and a decreasing public deficit, the public debt-to-GDP ratio is expected to decrease slightly and stabilise at 43.1% in 2023 and 43.4% in 2024.

Table II.22.1:

Main features of country forecast - CZECHIA

		2021		Annual percentage change						
	bn CZK	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		6108.7	100.0	2.9	3.0	-5.5	3.6	**2.5**	**0.2**	**2.6**
Private Consumption		2771.7	45.4	2.5	2.7	-7.2	4.1	**-0.9**	**-2.2**	**3.3**
Public Consumption		1310.2	21.4	1.2	2.5	4.2	1.4	**0.6**	**1.7**	**1.5**
Gross fixed capital formation		1588.8	26.0	2.7	5.9	-6.0	0.8	**6.2**	**2.8**	**2.7**
Exports (goods and services)		4442.8	72.7	8.1	1.5	-8.0	6.9	**5.7**	**5.1**	**4.4**
Imports (goods and services)		4261.9	69.8	7.2	1.5	-8.2	13.3	**5.7**	**4.5**	**4.2**
GNI (GDP deflator)		5858.9	95.9	2.8	2.4	-4.4	4.5	**2.2**	**0.3**	**2.9**
Contribution to GDP growth:	Domestic demand			2.2	3.3	-4.2	2.4	**1.3**	**0.1**	**2.5**
	Inventories			0.0	-0.3	-0.9	4.8	**1.0**	**-0.3**	**-0.2**
	Net exports			0.7	0.0	-0.4	-3.6	**0.2**	**0.4**	**0.2**
Employment				0.7	0.2	-1.7	0.4	**1.7**	**0.7**	**0.6**
Unemployment rate (a)				6.0	2.0	2.6	2.8	**2.2**	**2.8**	**2.6**
Compensation of employees / head				4.3	7.2	3.1	5.0	**5.5**	**7.3**	**6.6**
Unit labour costs whole economy				2.0	4.3	7.3	1.8	**4.8**	**7.8**	**4.4**
Saving rate of households (b)				11.9	13.1	19.2	19.2	**17.0**	**16.5**	**15.3**
GDP deflator				1.5	3.9	4.3	3.3	**8.6**	**11.3**	**5.5**
Harmonised index of consumer prices				1.9	2.6	3.3	3.3	**14.8**	**11.9**	**3.4**
Terms of trade goods				-0.3	0.4	1.8	-0.2	**-5.2**	**3.4**	**1.9**
Trade balance (goods) (c)				1.8	4.1	4.9	1.2	**-1.5**	**1.0**	**2.3**
Current-account balance (c)				-2.9	-0.9	0.7	-2.3	**-5.4**	**-2.5**	**-0.7**
General government balance (c)				-2.1	0.3	-5.8	-5.1	**-3.6**	**-3.6**	**-3.0**
Structural budget balance (d)				0.0	-0.8	-4.1	-4.5	**-3.2**	**-2.7**	**-2.4**
General government gross debt (c)				34.4	30.0	37.7	42.0	**44.1**	**42.9**	**43.1**

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

23. DENMARK

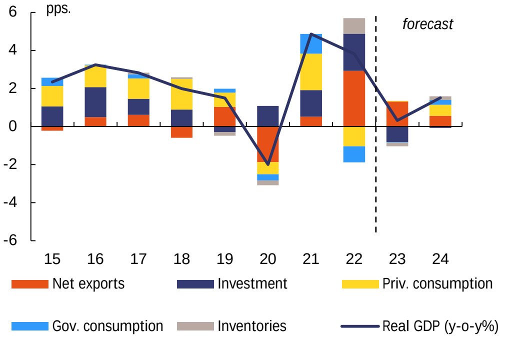
Following strong growth in 2022, economic activity is projected to decelerate in the first quarters of 2023 before gradually picking up pace again over the remainder of the forecast horizon. Growth is set to be supported by solid net exports and an improvement in private consumption as inflation pressures recede and households recover some losses in real disposable income. The labour market is likely to cool slightly in 2023 as employment is projected to decline and the unemployment rate to rise slightly. Denmark is forecast to maintain a sizeable government budget surplus over the forecast horizon.

Economic expansion hit by high inflation

In 2022, Denmark's real GDP grew by 3.8%, driven mainly by strong base effects from high growth during 2021, net exports and the build-up of inventories. Private consumption was negatively affected by the surge in consumer prices and falling real disposable household income. Consumption stabilised in late 2022 after inflation reached its peak. Construction investment grew in response to rising house prices and housing demand in early 2022, but momentum waned towards the end of the year. Higher interest rates, elevated energy costs and diminishing expectations of future demand weighed on equipment investment. For the whole of 2022, investment increased substantially thanks to the purchase of a patent in late 2022, which is also reflected in services imports. Net exports were the main contribution to growth in 2022, driven by strong exports from the pharmaceutical industry and maritime transport sector.

In 2023, following a weak expected beginning of the year, real GDP growth is expected to improve gradually. Private consumption is set to recover as inflation decelerates, consumer confidence improves and households start to recoup some of the losses in income thanks to wage increases negotiated at the beginning of the year. Investment is likely to remain subdued as house prices continue to fall and financial conditions tighten. The exceptional patent-driven increase in intangible investment in the last quarter of 2022 is expected to be fully reversed in early 2023. Net exports are still forecast to contribute positively to growth, driven by goods exports.

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



In 2024, the economy is expected to continue expanding. Consumption is set to keep increasing as households' disposable incomes improve further. With the abolition of a public holiday, hours worked are expected to increase. Investment is projected to benefit from the expected pick-up in domestic and international demand while interest rates may peak soon. Net exports could provide a positive contribution to growth. The gradual reopening of the Tyra gas field is expected to contribute positively to net energy exports. Imports are projected to increase due to the improvement of households' and businesses' demand.

Overall, real GDP is forecast to grow by 0.3% in 2023 and 1.5% in 2024.

Turnaround in the labour market

In 2022, the labour market was very tight, with employment increasing strongly, while unemployment decreased. The start of 2023 brought signs that the labour market tightness is easing, with less businesses reporting labour shortages, a lower job vacancy rate, and an uptick in the unemployment rate since late 2022. The cooling down of the labour market is projected to be accompanied by an increase in the unemployment rate from 4.5% in 2022 to 5.0% in 2023 and 5.1% in 2024.

Strong imported inflation

Consumer prices have been on a strong upward path in 2022, when inflation reached 8.5%. Prices of imported goods, notably energy, raw materials and food were the main drivers of inflation. HICP inflation appears to have peaked in autumn 2022 and has gradually abated since. It is set to further decline over the forecast horizon. Energy inflation has dropped sharply and is forecast to turn negative as of mid-2023, contributing to a deceleration of headline inflation. In turn, core inflation is expected to grow faster than headline inflation both in 2023 and 2024 in line with negotiated wage increases and lagged adjustment of prices to higher costs. HICP inflation is forecast to fall to 4.3% in 2023 and 2.5% in 2024.

Government budget surplus set to continue

In 2022, the general government budget surplus remained high, at 3.3% of GDP. This was supported by stronger-than-expected revenues from business and personal income tax on the back of positive employment developments and healthy corporate earnings.

The general government budget surplus is expected to decline to 2.3% in 2023 and 1.3% in 2024. Revenue is projected to continue to grow in 2023 and 2024, reflecting the gradual improvement in economic conditions. However, growth in expenditure — particularly for the public sector wage bill — is expected to lead to a further reduction in the budget surplus. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.3% of GDP in 2023, compared with 0.1% in 2022. The Commission currently assumes full phasing out of energy support measures in 2024.

In 2022, the government debt-to-GDP ratio fell to 30.1%. The continued government surplus and denominator effects, countered by sizeable stock-flow adjustment items, are expected to bring the debt-to-GDP ratio slightly further down to 28.8% in 2024.

Table II.23.1:

Main features of country forecast - DENMARK

		2021			Annual percentage change					
	bn DKK	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		2504.2	100.0	1.3	1.5	-2.0	4.9	**3.8**	**0.3**	**1.5**
Private Consumption		1141.9	45.6	1.5	1.6	-1.4	4.2	**-2.3**	**0.1**	**1.3**
Public Consumption		608.4	24.3	1.2	0.8	-1.4	4.2	**-3.5**	**-0.1**	**1.1**
Gross fixed capital formation		566.1	22.6	2.1	-1.3	5.1	6.2	**8.6**	**-3.5**	**-0.3**
Exports (goods and services)		1494.0	59.7	3.0	4.5	-6.3	8.0	**8.6**	**1.1**	**1.4**
Imports (goods and services)		1315.2	52.5	3.8	3.0	-3.6	8.0	**4.2**	**-1.0**	**0.6**
GNI (GDP deflator)		2590.8	103.5	1.6	1.6	-1.7	5.1	**4.2**	**0.3**	**1.4**
Contribution to GDP growth:	Domestic demand			1.5	0.7	0.1	4.3	**0.1**	**-0.8**	**0.8**
	Inventories			0.0	-0.2	-0.2	0.0	**0.8**	**-0.2**	**0.2**
	Net exports			-0.1	1.0	-1.9	0.5	**2.9**	**1.3**	**0.6**
Employment				0.4	1.4	-1.1	2.4	**3.9**	**-0.3**	**-0.2**
Unemployment rate (a)				5.9	5.0	5.6	5.1	**4.5**	**5.0**	**5.1**
Compensation of employees / head				2.5	1.9	2.6	2.9	**2.9**	**4.9**	**5.3**
Unit labour costs whole economy				1.6	1.9	3.5	0.6	**3.0**	**4.2**	**3.5**
Saving rate of households (b)				7.7	10.2	11.7	9.3	**14.0**	**13.5**	**14.4**
GDP deflator				1.6	1.0	2.6	2.8	**7.6**	**0.2**	**2.1**
Harmonised index of consumer prices				1.4	0.7	0.3	1.9	**8.5**	**4.3**	**2.5**
Terms of trade goods				0.6	-0.5	1.7	-5.2	**-9.6**	**4.6**	**-0.2**
Trade balance (goods) (c)				3.9	5.0	5.3	4.0	**3.3**	**7.1**	**7.4**
Current-account balance (c)				5.6	8.5	7.9	9.0	**13.1**	**10.7**	**10.7**
General government balance (c)				0.6	4.1	0.2	3.6	**3.3**	**2.3**	**1.3**
Structural budget balance (d)				0.4	4.5	2.6	4.4	**3.1**	**3.5**	**2.1**
General government gross debt (c)				39.3	33.7	42.2	36.7	**30.1**	**30.1**	**28.8**

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

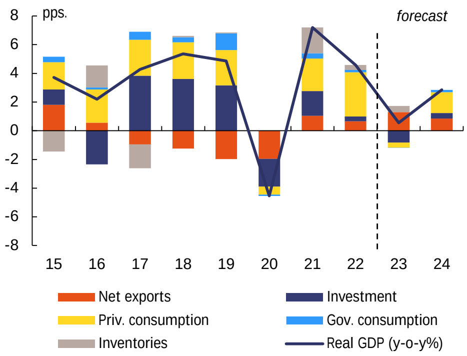
24. HUNGARY

Hungary's GDP contracted and inflation spiralled upward in the second half of 2022 as the economy was exposed to higher commodity prices, weaker external demand and tighter financing conditions. Lower energy prices and an expected disinflation are set to trigger a gradual recovery as from the second half of 2023. The budget deficit is projected to remain elevated, reflecting high expenditure levels and the impact of lasting revenue-decreasing measures adopted in recent years.

From recession to gradual recovery

Hungary's economy entered into a recession in the second half of 2022, as the impact of higher energy prices and monetary tightening took hold. Investment fell, while consumption and export growth also slowed down. Real GDP contracted by 0.4% q-o-q in 2022-Q4, and monthly indicators point to a further drop in 2023-Q1.

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



Annual GDP growth is forecast to slow down from 4.6% in 2022 to 0.5% in 2023, and then pick up to 2.8% in 2024 supported by lower energy commodity prices and an expected disinflation. Consumption is projected to decline in 2023 but return to growth in 2024, driven by developments in real income. Investment is set to remain muted throughout the forecast horizon due to low demand, tight financing conditions and fiscal consolidation efforts. Exports are projected to slow down in 2023 but pick up in 2024, in line with external demand, and supported by ongoing FDI projects. On the other hand, weaker domestic demand is set to hold back imports throughout the forecast horizon, ensuring a positive contribution of net exports to GDP growth. The agricultural sector contributed negatively to growth by 1.1% of GDP in 2022 due to severe droughts, but the recovery of crop yields is set to boost GDP this year, mainly through inventory accumulation.

Higher energy prices worsened the current account balance to -8.2% of GDP in 2022. The recent fall of commodity prices and the moderation of import demand are expected to reverse this development, and the current account is projected to improve to -2.8% by 2024.

The labour market remains tight

Labour demand remained resilient during the economic slowdown of recent quarters and the unemployment rate rose only modestly to 4.1% in 2023-Q1. It is projected to rise to 4.2% on average in 2023, to then fall back to 4.0% in 2024. Shortages of skilled workers are expected to persist, exacerbated by population ageing. Nominal wage growth is set to remain robust, in line with limited labour market slack and high inflation. For 2023, wage growth is also boosted by a 16% minimum wage hike. Real wages are currently declining due to high inflation, but they are expected to rise again as from autumn 2023.

Inflation is expected to fall sharply in 2024

HICP inflation appears to have peaked at 25.9% in 2023-Q1, following the phase-out of the motor fuel price cap in December 2022. The inflation rate is set to ease in the subsequent quarters, driven by base effects, lower commodity prices, the recent currency appreciation and weak consumer demand. The annual average inflation rate is projected to increase from 15.3% in 2022 to 16.4% in 2023, and then drop to 4.0% in 2024. The forecast assumes that the price cap on certain basic food items is not extended again beyond June 2023, and that residential utility prices remain unchanged.

Downside risks to the growth outlook stem from a sudden increase in the country risk premium which might also constrain fiscal policy, and from the exposure of the economy to a potential spike in energy prices. Upside risks to inflation are related to a potentially looser fiscal policy stance, high wage growth in a tight labour market, and the de-anchoring of inflation expectations.

Persistently high budget deficits

The government deficit remained high at 6.2% of GDP in 2022, driven by pressures related to the energy crisis and expansionary policies adopted in the aftermath of the pandemic. In 2023, the deficit is projected to decrease to 4.0% supported by temporary sectoral and windfall profit taxes (reaching 1.5% of GDP in 2023), as well as by robust revenue growth fuelled by high inflation. Subsidies to utility companies to cover their losses on regulated energy prices are boosting current expenditures in 2023. The recent fall in gas prices is expected to lead to a reduction of these subsidies in the next heating season, mitigating their fiscal burden in 2024. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.2% of GDP in 2023, compared with 1.0% in 2022. The Commission currently assumes the net cost of energy support measures at 0.4% of GDP in 2024.

Despite the lower projected cost of energy measures and the improving macroeconomic outlook, the deficit is projected to remain high in 2024 at 4.4% of GDP. The revenue growth is expected to be hampered by the assumed phaseout of temporary taxes in line with their sunset clauses. Expenditure is set to remain elevated due to the rising debt-servicing costs and lingering spending pressures stemming from high inflation. Nationally financed public investment is assumed to remain at a level that covers the amortisation of the public capital stock. The Convergence Programme projects further cutbacks in nationally financed investment, which could result in a lower deficit. Upside risks to the deficit stem from the pressures on public sector wages, higher debt financing costs, and energy commodity prices.

Owing to high inflation and robust GDP growth, the debt-to-GDP ratio fell by 3.3 pps. to 73.3% in 2022. It is projected to decrease further to 70.7% in 2023, before rising again to 71.1% in 2024 due to a high deficit and slower nominal GDP growth.

Table II.24.1:

Main features of country forecast - HUNGARY

		2021			Annual percentage change					
	bn HUF	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		55255.1	100.0	2.2	4.9	-4.5	7.2	**4.6**	**0.5**	**2.8**
Private Consumption		26657.5	48.2	1.6	5.0	-1.2	4.6	**6.4**	**-0.7**	**2.8**
Public Consumption		11514.6	20.8	1.5	5.9	-0.5	1.7	**0.8**	**0.0**	**0.9**
Gross fixed capital formation		15138.6	27.4	2.7	12.8	-7.1	6.5	**1.2**	**-2.9**	**1.5**
Exports (goods and services)		44344.0	80.3	7.3	5.4	-6.1	8.8	**11.8**	**3.5**	**4.5**
Imports (goods and services)		44174.5	79.9	6.4	8.2	-3.9	7.7	**11.1**	**2.0**	**3.5**
GNI (GDP deflator)		53568.8	96.9	2.3	6.3	-4.3	6.5	**4.6**	**0.3**	**2.5**
Contribution to GDP growth:	Domestic demand			1.8	6.8	-2.6	4.4	**3.6**	**-1.2**	**2.0**
	Inventories			-0.2	0.1	0.0	1.8	**0.3**	**0.4**	**0.0**
	Net exports			0.7	-2.0	-2.0	1.0	**0.7**	**1.3**	**0.8**
Employment				0.8	1.1	-1.1	1.1	**1.7**	**0.0**	**0.5**
Unemployment rate (a)				7.4	3.3	4.1	4.1	**3.6**	**4.2**	**4.0**
Compensation of employees / head				4.5	7.0	3.0	8.8	**15.0**	**14.6**	**8.3**
Unit labour costs whole economy				3.1	3.1	6.7	2.6	**11.9**	**14.0**	**5.8**
Saving rate of households (b)				11.3	14.7	15.4	17.5	**13.0**	**12.9**	**13.4**
GDP deflator				3.6	4.8	6.4	6.4	**15.3**	**13.0**	**3.5**
Harmonised index of consumer prices				3.6	3.4	3.4	5.2	**15.3**	**16.4**	**4.0**
Terms of trade goods				-0.4	0.5	2.0	-3.7	**-6.6**	**4.3**	**0.0**
Trade balance (goods) (c)				0.1	-2.5	-1.0	-2.9	**-8.8**	**-3.8**	**-3.2**
Current-account balance (c)				-2.7	-0.9	-0.9	-3.8	**-8.3**	**-3.5**	**-2.8**
General government balance (c)				-4.4	-2.0	-7.5	-7.1	**-6.2**	**-4.0**	**-4.4**
Structural budget balance (d)				-2.8	-3.7	-5.8	-6.7	**-6.4**	**-3.2**	**-3.8**
General government gross debt (c)				71.3	65.3	79.3	76.6	**73.3**	**70.7**	**71.1**

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

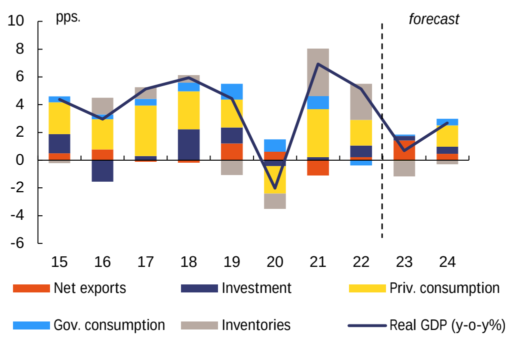
25. POLAND

After a robust performance in 2022, economic growth is expected to decrease markedly as tightened financing conditions, low external demand, and dampened confidence impact economic activity. Weakening domestic demand and a decline in commodity prices are set to put downward pressure on prices, but rising labour costs are projected to keep inflation elevated throughout the forecast horizon. Public expenditure relative to GDP is forecast to stay high compared to the pre-pandemic years, preventing rebalancing of the general government budget.

Growth to decelerate after strong 2022

The Polish economy showed upbeat economic growth in 2022, primarily driven by a surge in private consumption and inventories. However, elevated inflation, tightened financing conditions, and low consumer and business confidence negatively impacted economic activity towards the end of the year, resulting in a substantial quarter-on-quarter GDP decline of 2.4% in 2022-Q4.

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



These downside factors are set to continue weighing on GDP growth over the forecast horizon. Private consumption is expected to decrease moderately in 2023, as the boost provided by the inflow of people fleeing Ukraine gradually fades and elevated inflation negatively affects real incomes. The continued rise in interest rates is also set to dampen private consumption, given the large share of mortgages with variable interest rates.

Low confidence, elevated cost pressures and increasing financing costs will likely deteriorate the outlook for private investment. Nevertheless, this is set to be counterbalanced by a rise in public defence spending and local government investments. Soaring prices and supply-chain disruptions throughout 2021 and 2022 led to an unprecedented accumulation of inventories, which is expected to reverse in 2023-24 and put significant downward pressure on growth.

The easing of supply bottlenecks and a marked inflow of foreign direct investment are set to support export growth, while imports are projected to be negatively impacted by the deceleration of domestic demand and the reversal of the inventory cycle. As a result, the trade balance is expected to post a strong positive contribution to GDP growth, especially in 2023.

Overall, real GDP growth is forecast to slow to 0.7% in 2023, before rebounding to 2.7% in 2024 as inflationary pressures gradually subside and financing conditions improve. This forecast is however subject to high uncertainty with risks mainly tilted to the downside. A more persistent increase in inflation, especially given Poland's tight labour market, could put significant pressure on real incomes. A tightening of financing conditions might constrain fiscal policy, with repercussions for economic growth.

The unemployment rate to remain stable

Despite the deceleration in economic activity, the unemployment rate is set to remain stable over the forecast horizon given that acute labour shortages are making firms reluctant to lay-off workers. Consequently, the unemployment rate is projected to increase only marginally to 3.3% in 2023, before gradually declining again to 3.2% in 2024. Wages are expected to continue growing at a fast pace, fuelled by the minimum wage increase and low unemployment rate, resulting in positive real wage growth in both 2023 and 2024.

Inflation to remain elevated after peaking in early-2023

After consistently surprising on the upside throughout 2022, HICP inflation seems to have reached its peak, falling from 17.2% in February 2023 to 15.2% in March. Energy price inflation is set to continue its downward path during 2023, supported by strong base effects and declining commodity prices. Weakening domestic demand and high interest rates are also expected to exert downward pressure on inflation, particularly on the core inflation component. Nevertheless, inflation is projected to remain well above the central bank target given robust wage growth and the lagged pass-through of elevated energy prices into core inflation components. As a result, after reaching 11.7% in 2023, HICP inflation is forecast to decelerate – but remain high – at 6.0% in 2024.

Public finances still unbalanced

In 2022, the general government deficit amounted to 3.7% of GDP. The cost of measures related to the energy crisis and of aid to displaced persons from Ukraine combined with the adverse impact of the personal income tax reform put pressure on public finances. The fiscal balance was supported by soaring revenue from corporate income taxes owed to the high profits of companies.

The general government deficit is expected to increase to 5.0% of GDP in 2023. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 1.7% of GDP in 2023, compared with 1.9% in 2022. The measures include price freeze schemes for electricity and gas, which are partly funded by mechanisms based on windfall profits of energy producers. In addition, the high indexation of pensions is set to increase social benefits while public sector wages and the value of government purchases are expected to grow on the back of high inflation. The government has also decided to raise spending on healthcare and on defence. The extraordinary aid granted to farmers is set to further increase the deficit in 2023. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.7% of GDP in 2022.

In 2024, the general government deficit is forecast to remain above the 3% of GDP reference value at 3.7% of GDP. The Commission currently assumes the net cost of energy support measures at 0.3% of GDP in 2024. Other government expenditure, including public investment, is expected to remain high. Adjustments related to timing of payment and deliveries of military investments are set to increase the public debt ratio, which is projected to reach 53% of GDP by 2024.

Table II.25.1:

Main features of country forecast - POLAND

		2021			Annual percentage change					
	bn PLN	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		2631.3	100.0	4.0	4.5	-2.0	6.9	**5.1**	**0.7**	**2.7**
Private Consumption		1478.5	56.2	3.5	3.4	-3.4	6.1	**3.3**	**-0.1**	**2.7**
Public Consumption		493.2	18.7	2.8	6.5	4.9	5.0	**-2.0**	**0.5**	**2.7**
Gross fixed capital formation		442.4	16.8	5.2	6.2	-2.3	1.2	**5.0**	**2.0**	**3.1**
Exports (goods and services)		1518.2	57.7	7.5	5.3	-1.1	12.3	**6.2**	**2.3**	**3.6**
Imports (goods and services)		1431.0	54.4	7.0	3.2	-2.4	16.1	**6.2**	**0.0**	**3.1**
GNI (GDP deflator)		2508.7	95.3	3.8	4.5	-1.6	6.0	**5.3**	**-0.1**	**3.7**
Contribution to GDP growth:	Domestic demand			3.7	4.3	-1.5	4.6	**2.3**	**0.4**	**2.5**
	Inventories			0.3	-1.1	-1.1	3.4	**2.6**	**-1.1**	**-0.3**
	Net exports			0.1	1.2	0.6	-1.1	**0.2**	**1.4**	**0.5**
Employment				1.1	0.0	0.0	2.5	**0.4**	**0.1**	**0.3**
Unemployment rate (a)				10.8	3.3	3.2	3.4	**2.9**	**3.3**	**3.2**
Compensation of employees / head				4.3	8.6	5.3	4.7	**13.2**	**12.7**	**8.3**
Unit labour costs whole economy				1.3	3.9	7.5	0.4	**8.1**	**12.1**	**5.8**
Saving rate of households (b)				5.3	4.6	11.3	2.8	**1.4**	**2.8**	**2.9**
GDP deflator				2.1	3.0	4.3	5.3	**11.3**	**11.8**	**5.8**
Harmonised index of consumer prices				2.0	2.1	3.7	5.2	**13.2**	**11.7**	**6.0**
Terms of trade goods				0.5	1.5	3.2	-2.0	**-3.6**	**3.1**	**0.6**
Trade balance (goods) (c)				-2.8	-0.8	1.3	-1.3	**-3.7**	**-0.9**	**-0.5**
Current-account balance (c)				-3.6	-0.3	2.3	-1.4	**-3.2**	**-1.0**	**0.5**
General government balance (c)				-3.9	-0.7	-6.9	-1.8	**-3.7**	**-5.0**	**-3.7**
Structural budget balance (d)				-1.9	-2.1	-5.7	-2.2	**-5.0**	**-4.5**	**-2.9**
General government gross debt (c)				50.3	45.7	57.2	53.6	**49.1**	**50.5**	**53.0**

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

26. ROMANIA

Growth is set to continue, albeit at a slower pace than in 2022 due to persistent inflation, tight financing conditions and low growth in trading partners. Core inflation is expected to peak in 2023, and headline inflation to remain above the inflation target over the forecast horizon. Unemployment is projected to only marginally decline, keeping the labor market relatively tight and wage increases high. The general government deficit is set to fall to 4.4% in 2024, due to strong revenue growth, helped by tax code changes and robust nominal GDP, and to a decline in current expenditure as a share of GDP. The debt-to-GDP ratio is forecast to reach 46.1% in 2024.

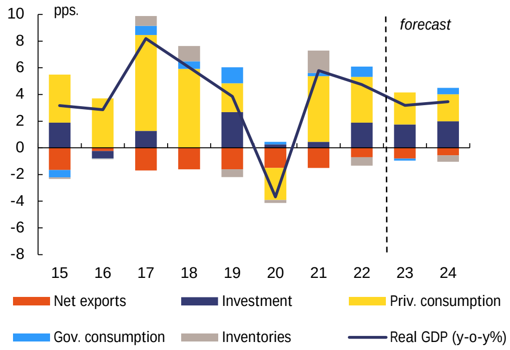
Growth resilience despite headwinds

In 2022 growth reached 4.7% driven by strong private consumption and robust investment. High frequency indicators point to a rather resilient economy in 2023-Q1, with sentiment and retail sales turnover increasing and industrial production showing signs of improvement. Employment expectations remained at a relatively high level.

Going forward, high inflation, tight financing conditions and more muted growth in trading partners are all set to slow down real growth. Despite these headwinds, private consumption growth is expected to stay positive on the back of higher wages and pensions, as well as of the extension of the energy price cap until 2025. Government support schemes and a resilient labour market will also support economic activity.

Monetary policy is set to remain tight with the policy rate at 7%, affecting the flow of credit to the economy and investments. However, planned investments under the the Recovery and Resilience Plan (RRP), and inflows of other EU funds, are set to more than offset the impact of tight credit conditions. Investments are expected to strongly support real growth in 2023 and 2024.

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



Net exports are not projected to contribute to GDP growth. Despite subsiding energy prices and improving terms of trade, strong domestic demand is set to keep the trade balance negative. The current account deficit is expected to stay around [8%] of GDP over the forecast horizon, posing external sustainability risks over the medium term.

Overall, real GDP is projected to grow by 3.2% in 2023 and 3.5% in 2024. Risks to the forecast are tilted to the downside as delays in the implementation of the RRP could reduce investments.

Sticky unemployment and wage pressures

Despite solid GDP growth, employment prospects remain subdued as an ageing population and mass migration pose serious headwinds to job creation. However, labour market integration of people fleeing the war in Ukraine and visas for non-EU workers could act as mitigating factors. The unemployment rate is expected to decline slightly to 5.4% in 2023 and 5.1% in 2024. Wage increases have been strong, especially in the private sector, but for the total economy they remain below headline CPI inflation. The tight labour market, the need to make up for losses in purchasing power, and high inflation should contribute to strong wage increases in 2023 and 2024.

Core inflation to remain high

Headline HICP inflation peaked in November and then decreased to 12.2% in March, thanks to lower energy prices. Due to the energy price capping scheme, hardly any change is expected in this component, mostly determined by movements in fuel and energy distribution prices. Core inflation, however, continued to increase on the back of hikes in processed food and services. It is projected to stay above headline inflation this year, after having peaked in the first quarter. Overall, average HICP inflation is set to fall to 9.7% in 2023 and to 4.6% in 2024, but risks are tilted to the upside as wage increase pressures are high.

The government deficit is projected to decline

Romania's government deficit is forecast to decrease to 4.7% of GDP in 2023, from 6.2% in 2022. Robust nominal GDP growth and strong energy-related taxes are set to boost government revenues in 2023. Current expenditure is forecast to grow less than nominal GDP, driven by moderation in public wages. Public investment as a share of GDP is expected to rise, reflecting ambitious domestic budget targets and large inflows of EU funds. Additional payments to pensioners, amendment of the fiscal code, the compensation scheme to deal with the surge in energy prices, and a credibly announced legislation to limit government expenditure in 2023 are all taken into account in the forecast. The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.3% of GDP in 2023, compared with 0.4% in 2022.

The deficit is forecast to fall to around 4.4% of GDP in 2024, as current expenditure decrease as a share of GDP, due to the discontinuation of some measures implemented in 2022/2023 amounting to about 0.3 pps. of GDP, and to the effect of automatic stabilisers as nominal economic growth is expected to still be substantial. Capital expenditure growth is projected to slow due to base effect created by the large residual amount from the 2014-2020 EU budget cycle expected in 2023. The Commission currently assumes a full phasing out of energy support measures in 2024

General government debt is projected to decrease to 45.6% of GDP in 2023, due to deficit reduction and stock-flow adjustment, before increasing to 46.1% in 2024. Risks to the fiscal outlook are tilted to the downside. Lower GDP growth, upcoming electoral cycle, possible upside pressures on public wages following negative real growth rates since 2021, indexation of pensions that in 2024 will incorporate the 2022 high inflation, could result in higher budget deficits.

Table II.26.1:

Main features of country forecast - ROMANIA

		2021		Annual percentage change						
	bn RON	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		1187.4	100.0	3.9	3.9	-3.7	5.8	**4.7**	**3.2**	**3.5**
Private Consumption		741.1	62.4	5.8	3.4	-3.9	8.1	**5.5**	**3.8**	**3.2**
Public Consumption		210.2	17.7	0.5	7.2	1.1	1.3	**4.3**	**-0.9**	**3.1**
Gross fixed capital formation		281.9	23.7	5.7	12.6	1.1	1.9	**8.0**	**7.0**	**8.0**
Exports (goods and services)		482.7	40.6	10.1	5.4	-9.5	12.6	**9.6**	**4.0**	**4.8**
Imports (goods and services)		550.1	46.3	12.0	8.6	-5.2	14.9	**9.9**	**5.1**	**5.5**
GNI (GDP deflator)		1168.8	98.4	3.8	4.3	-3.8	5.8	**3.5**	**3.1**	**3.6**
Contribution to GDP growth:	Domestic demand			5.6	6.0	-2.0	5.6	**6.1**	**4.0**	**4.5**
	Inventories			-0.2	-0.6	-0.2	1.7	**-0.6**	**0.0**	**-0.5**
	Net exports			-1.5	-1.6	-1.5	-1.5	**-0.7**	**-0.8**	**-0.6**
Employment				-0.6	0.1	-2.1	1.8	**0.1**	**-0.3**	**0.0**
Unemployment rate (a)				8.2	4.9	6.1	5.6	**5.6**	**5.4**	**5.1**
Compensation of employees / head				11.5	10.9	4.0	1.9	**11.1**	**9.6**	**6.7**
Unit labour costs whole economy				6.6	6.9	5.8	-1.9	**6.2**	**5.9**	**3.2**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				8.0	6.8	4.1	5.2	**13.4**	**10.7**	**5.8**
Harmonised index of consumer prices				5.2	3.9	2.3	4.1	**12.0**	**9.7**	**4.6**
Terms of trade goods				1.9	2.1	3.3	0.9	**-0.7**	**3.7**	**0.4**
Trade balance (goods) (c)				-9.6	-8.0	-8.6	-9.6	**-11.3**	**-10.0**	**-10.1**
Current-account balance (c)				-5.5	-4.9	-5.2	-6.5	**-8.8**	**-7.6**	**-7.4**
General government balance (c)				-3.2	-4.3	-9.2	-7.1	**-6.2**	**-4.7**	**-4.4**
Structural budget balance (d)				-1.7	-4.6	-7.4	-6.2	**-5.8**	**-4.3**	**-4.1**
General government gross debt (c)				27.2	35.1	46.9	48.6	**47.3**	**45.6**	**46.1**

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

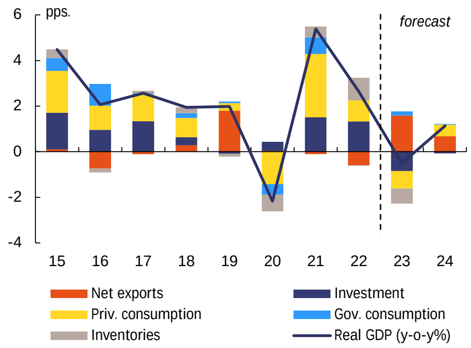
27. SWEDEN

The Swedish economy is projected to contract in 2023 as tightened monetary conditions and high inflation weigh heavily on households' budgets and reduce housing demand, lowering construction activity and retail trade. In 2024, the economy is expected to return to growth on the back of a solid labour market, falling inflation and real disposable income recovery. Inflation is set to be sticky in 2023 due to the lagged pass-through of high energy prices to core inflation. The general government balance is forecast to show a deficit in 2023 (-0.9% of GDP) and 2024 (-0.5%). General government debt is set to decline from 33% in 2022 to just under 31% of GDP in 2024.

Economic activity set to contract in 2023

Sweden's economic growth decelerated in 2022. Surges in energy prices and interest rates negatively affected domestic demand. The broadening of price increases to non-energy spending categories further eroded real wages as the year progressed. The housing market reacted strongly to higher mortgage rates and lower purchasing power, dragging down construction activity. Gross fixed capital formation outside construction was affected less as companies had healthy balance sheets and internal funding. In addition, high energy prices led to investments in energy savings.

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



Private consumption is projected to contract in 2023 as households' budgets are under pressure from higher mortgage costs and price levels. The weak housing market will continue to weigh on construction activity and, together with broader uncertainty and cost developments, is set to pull overall investment down. The strong decline in domestic demand in Sweden relative to its trading partners is expected to reduce imports more than exports, thereby supporting net trade. Overall, real GDP is forecast to contract by 0.5% in 2023, before growing again in 2024 at 1.1%, when a recovery in real disposable income should support consumption growth. Investment is set to still suffer from the housing market slump, rising real interest rates and declining corporate profit margins.

Risks to the outlook are broadly balanced. A further correction on the housing market could negatively affect growth, whereas higher confidence could reduce the rebuilding of household balance sheets to the benefit of faster consumption growth.

The labour market shows resilience

The adverse economic developments in Sweden are expected to affect employment mainly in construction and real estate. In other sectors, labour shortages and labour hoarding are projected to keep the overall impact on the labour market limited. In addition, wage agreements only partially compensated for the loss in purchasing power. The resulting lower real wages could induce more productive workers to find better paid jobs in more productive companies, leading to non-inflationary wage drift. The unemployment rate is set to increase from 7.5% in 2022 to 8.0% in 2024.

Inflation to fall gradually

After peaking at the end of 2022, headline inflation has decreased on the back of dropping energy prices. However, it is expected to remain well above the Riksbank's target, and to only reduce somewhat during 2023, on account of a continued strong pass-through of past high energy prices to core inflation. Contained medium-term inflation expectations, the tightening of monetary conditions and improving productivity growth should allow for headline inflation to return to just below 2% in 2024.

Weakening fiscal outlook

After a surplus of 0.7% of GDP in 2022, the general government balance is expected to turn into a deficit of 0.9% of GDP in 2023. This is mainly due to revenues falling relative to nominal GDP on the back of the weakening economy, increasing social transfers and higher government consumption due to inflation. Gross public spending on the support to households and businesses for high electricity prices is estimated at close to 0.8% of GDP. Most of this cost is offset by income generated by transmission fees taken in by the state-owned enterprise *Svenska Kraftnät.* The net budgetary cost of the energy support measures is projected in the Commission 2023 spring forecast at 0.1% of GDP in 2023, compared with 0.2% in 2022. The Commission currently assumes that energy support measures at around 0.1% of GDP will remain in 2024.

Aside from the electricity subsidy, expenditure measures of the 2023 annual budget together with the additional spring amending budget are modest, representing less than 1% of GDP. However, government investment is set to continue growing over the forecast horizon, reflecting the build-up of defence spending towards the goal of 2% of GDP.

Even as growth returns in 2024, the general government balance improves only modestly to a deficit of 0.5% of GDP. Government consumption and transfers are expected to expand further due to lagged impacts of price level increases. Tax revenue is projected to be relatively weak as inflation recedes. Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 1.1% of GDP in 2022.

The public debt-to-GDP ratio is projected to decline over the forecast horizon and reach just over 30% in 2024, mainly due to a denominator effect. The decline also reflects the last debt-reducing repayment of a Riksbank loan for foreign currency reserves equivalent to around 3½% of GDP over 2021-23, as well as debt management effects.

Table II.27.1:

Main features of country forecast - SWEDEN

		2021			Annual percentage change					
	bn SEK	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		5462.0	100.0	2.2	2.0	-2.2	5.4	**2.6**	**-0.5**	**1.1**
Private Consumption		2402.6	44.0	2.4	0.7	-3.2	6.3	**2.1**	**-1.7**	**1.2**
Public Consumption		1409.2	25.8	1.2	0.3	-1.8	2.8	**0.0**	**0.7**	**0.1**
Gross fixed capital formation		1388.7	25.4	3.2	-0.3	1.7	6.0	**5.2**	**-3.2**	**-0.2**
Exports (goods and services)		2527.7	46.3	3.6	6.0	-5.5	10.0	**6.6**	**2.0**	**2.6**
Imports (goods and services)		2285.0	41.8	4.0	2.1	-6.0	11.5	**8.7**	**-1.1**	**1.4**
GNI (GDP deflator)		5678.4	104.0	2.3	3.0	-1.6	5.7	**2.5**	**-1.0**	**1.0**
Contribution to GDP growth:	Domestic demand			2.2	0.3	-1.5	5.0	**2.2**	**-1.4**	**0.5**
	Inventories			0.1	-0.1	-0.7	0.5	**1.0**	**-0.7**	**0.0**
	Net exports			0.0	1.8	0.0	-0.1	**-0.6**	**1.6**	**0.7**
Employment				0.9	0.6	-1.3	1.2	**2.7**	**0.2**	**0.3**
Unemployment rate (a)				7.3	7.0	8.5	8.8	**7.5**	**7.7**	**8.2**
Compensation of employees / head				3.1	2.9	2.5	4.3	**2.8**	**4.0**	**3.7**
Unit labour costs whole economy				1.8	1.5	3.4	0.2	**2.9**	**4.8**	**2.8**
Saving rate of households (b)				12.4	18.0	19.5	18.5	**16.1**	**17.3**	**17.5**
GDP deflator				1.7	2.5	2.0	2.9	**5.7**	**5.7**	**1.6**
Harmonised index of consumer prices				1.4	1.7	0.7	2.7	**8.1**	**6.0**	**1.9**
Terms of trade goods				0.0	1.1	1.1	0.5	**-4.2**	**1.2**	**0.0**
Trade balance (goods) (c)				4.6	3.9	4.0	3.9	**3.4**	**4.8**	**5.4**
Current-account balance (c)				5.2	5.2	6.0	6.5	**4.4**	**5.9**	**6.3**
General government balance (c)				0.4	0.6	-2.8	0.0	**0.7**	**-0.9**	**-0.5**
Structural budget balance (d)				0.3	0.4	-0.7	0.3	**0.6**	**0.1**	**0.7**
General government gross debt (c)				41.9	35.5	39.8	36.5	**33.0**	**31.4**	**30.7**

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

Candidate Countries

28. ALBANIA

Following stronger-than-expected growth in 2022, the pace of economic expansion is projected to slow down to about 3% in 2023 as tighter financing conditions dampen both private consumption and investment. Weaker growth in Albania's main trade partners is set to contain export growth. Decelerating import prices and the continuing appreciation of the domestic currency are expected to help lower the inflation rate below 5% this year. In 2024, GDP growth is forecast to rebound to 3.8% while inflation is projected to moderate further. The fiscal deficit is set to fall to just above 2% of GDP while, following its sharp drop to 64.6% in 2022, the public debt ratio is forecast to decrease only gradually.

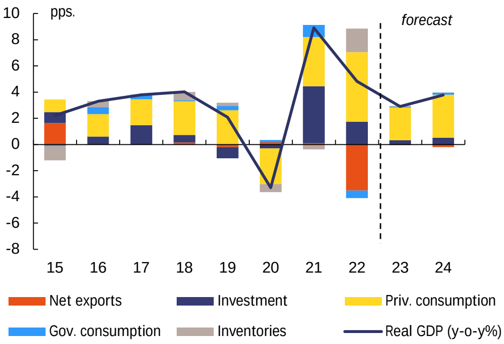
Growth exceeded expectations in 2022...

The Albanian economy grew by 4.8% last year driven by private consumption and investment. The exceptionally strong private consumption growth was boosted by increasing employment, real wages and social transfers. In addition, private investment, including high inflows of foreign direct investment, stimulated growth. A better-than-expected tourism season pushed up services exports, while goods exports, mainly of primary commodities, construction materials and textiles, benefited from price advantages. Strong domestic demand and elevated electricity import needs resulted in a large negative contribution of net exports to growth.

...but is set to moderate in 2023 and to rebound in 2024

Although business sentiment has continuously improved since November across sectors, business lending started to fall at the end of 2022 and rising interest rates are projected to hold back private investment in 2023. Coupled with base effects and weak growth of public investment as post-2019 earthquake reconstruction is set to end, investment growth is expected to decline to 1.3% in 2023. Public consumption is projected to be subdued. Private consumption growth is forecast to decelerate but remain strong at above 3%, supported by increasing employment and wages, which should be boosted by announced raises in public and minimum wages. Slowing domestic demand is projected to dampen import growth, while sluggish external demand is expected to weaken goods exports. However, service exports are expected to remain relatively unaffected by the slowing economic performance of trade partners, as Albania remains a relatively cheap and attractive tourist destination. Overall, supported by the expected resilience of household consumption, GDP growth is forecast at 2.9% in 2023, with net exports projected to have a neutral growth contribution. In 2024 output growth is forecast to rebound to 3.8% as the growth prospects of Albania's main trading partners improve and inflation is set to continue falling. Moderate employment growth in 2023 and 2024 amid continuing mobilisation of inactive parts of the population is expected to gradually decrease the unemployment rate to about 10.3%.

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



This outlook is subject to downside risks, mainly related to the vulnerability of the dominant rainfall-dependent hydroelectric production to weather conditions, more persistent than forecast inflationary pressures, and increasing shortages of skilled labour aggravated by emigration.

Monetary policy normalisation set to continue

Since its peak of 8.3% in October 2022, annual inflation has been on a declining path and is forecast to fall to 4.6% in 2023. The Bank of Albania has so far raised the key policy interest rate by 250 bps. to 3% to counter the inflationary pressures and is set to continue the normalisation of its monetary policy stance. As import prices decelerate and domestic price pressures abate, inflation is forecast to approach the 3% target in 2024.

Current account deficit narrowed in 2022

Despite rising commodity import prices, the merchandise trade deficit fell by 1.5 pps. in 2022 due to the strong performance of goods exports. Coupled with the tourism-driven increase in the services trade surplus, currency appreciation and strong remittances inflows, this resulted in a 1.7 pps. decrease in the current account deficit to 6% of GDP in 2022. Decelerating import growth, currency appreciation and improving terms of trade are set to keep the current account deficit below 6% of GDP in 2023 and 2024.

Public debt ratio falls substantially in 2022

The fiscal cost of subsidising regulated electricity prices in 2022 was largely compensated by savings on public investment and interest payments, while revenue growth was strong. Coupled with a large increase in nominal GDP, this helped lower the public debt ratio by almost 10 pps. to 64.6% in 2022. Supported by declining energy subsidies and one-off revenues, a positive primary balance is expected to be achieved by 2024 despite a planned increase in public wages. The fiscal deficit is set to stay around 2.2%, enabling a moderate pace of public debt reduction.

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

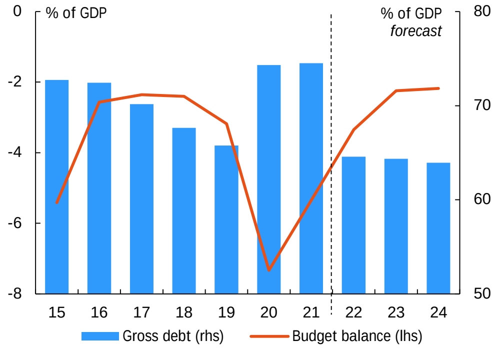


Table II.28.1:

Main features of country forecast - ALBANIA

		2021		Annual percentage change						
	bn ALL	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		1856.2	100.0	3.9	2.1	-3.3	8.9	**4.8**	**2.9**	**3.8**
Private Consumption		1422.8	76.7	4.2	3.3	-3.4	4.7	**6.9**	**3.3**	**4.3**
Public Consumption		221.0	11.9	2.0	2.9	1.5	7.8	**-4.8**	**0.7**	**1.6**
Gross fixed capital formation		452.0	24.4	2.5	-3.6	-1.4	19.2	**7.1**	**1.3**	**2.2**
Exports (goods and services)		581.2	31.3	9.0	2.6	-27.9	52.0	**7.5**	**3.2**	**4.3**
Imports (goods and services)		829.9	44.7	4.6	2.3	-19.8	31.5	**13.1**	**2.6**	**3.8**
GNI (GDP deflator)		1830.3	98.6	3.8	0.9	-3.6	9.2	**4.3**	**2.7**	**3.9**
Contribution to GDP growth:	Domestic demand			4.5	2.1	-2.9	9.0	**6.5**	**2.9**	**4.0**
	Inventories			-0.5	0.2	-0.6	-0.4	**1.8**	**0.0**	**0.0**
	Net exports			0.0	-0.2	0.2	0.1	**-3.5**	**0.0**	**-0.2**
Employment				2.2	2.4	-1.9	0.8	**3.7**	**1.2**	**1.4**
Unemployment rate (a)				14.9	12.0	12.2	11.9	**11.3**	**10.9**	**10.3**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.3	1.3	0.7	3.5	**9.7**	**4.4**	**2.9**
Consumer price index				2.4	1.4	1.6	2.0	**6.7**	**4.6**	**3.1**
Terms of trade goods				-1.1	-2.8	-9.8	1.6	**17.3**	**-0.1**	**-0.1**
Trade balance (goods) (c)				-24.3	-22.8	-22.4	-25.2	**-23.7**	**-23.1**	**-22.8**
Current-account balance (c)				-10.5	-7.9	-8.7	-7.7	**-6.0**	**-5.9**	**-5.8**
General government balance (c)				-7.2	-3.2	-7.3	-5.3	**-3.3**	**-2.2**	**-2.2**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				65.4	65.8	74.3	74.5	**64.6**	**64.3**	**63.9**

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

29. MONTENEGRO

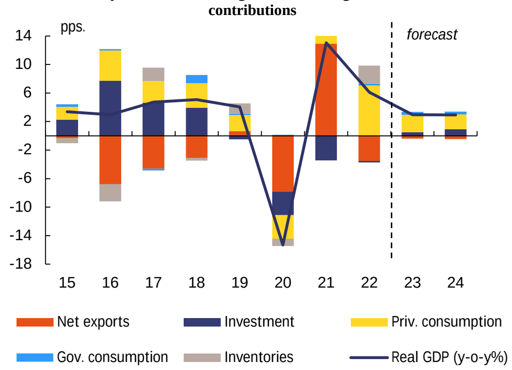
Montenegro's economy kept growing fast in the first half of 2022, driven by private consumption and a good tourism season. However, growth started to decelerate in the second half of the year which is projected to continue in 2023 as high inflation and increasing borrowing costs weigh on household consumption and investment, despite a noticeable increase in public sector wages, pensions and social benefits. The budget deficit is forecast to fall only gradually.

Deceleration following 2022 economic expansion

After recording strong growth in the first half of 2022, the economy decelerated in the second half of the year, bringing full-year real GDP growth to 6.1%. High inflation and political uncertainty were the main headwinds. In 2022 overall, economic activity was driven by surging private consumption and exports, benefiting from policy measures, including a sharp rise in the minimum wage and the abolition of mandatory health insurance contributions. It was also supported by the inflow of Russian and Ukrainian nationals and by the continuing recovery in tourism. In contrast, gross fixed capital formation declined, while government consumption registered only a slight expansion. The increase in domestic demand resulted in a rapid expansion of imports.

Presidential elections took place in April, while snap parliamentary elections are set for June. While they might result in a more stable political situation, uncertainties remain high, with the likely postponement of the reform process and the diversion of the focus from imminent economic challenges. Consequently, the present outlook doesn't assume any major reforms over the forecast horizon, which is likely to increase risks to the outlook.

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



The growth deceleration is set to continue amid headwinds from high inflation, tighter financing conditions, still high political uncertainty, as well as weaker external demand. As a result, economic growth is set to moderate in 2023 as these factors, along with base effects, will weigh on private consumption, recovery of investment and tourism exports. Yet GDP growth could regain some momentum in 2024 as capital investments are likely to increase on the back of a more stable political environment and stabilising financing costs.

The trade and current account deficits are projected to narrow in 2023 due to the expected slowdown in private consumption growth. External deficits are expected to widen to some degree again in 2024 following higher investment.

The balance of risks is tilted to the downside due to the subdued growth outlook in the EU, rising financing costs and the impact on confidence following political uncertainty at home. Montenegro's narrow export base makes it vulnerable to fluctuations in international demand, and elevated prices might reduce external demand for Montenegro's tourism services.

The banking sector is well-capitalised and has ample liquidity. However, while banks would continue supporting the economy, rising borrowing costs are set to cool down loan demand in 2023. The expected acceleration of investment in 2024 could support credit activity, in particular for the corporate sector.

Falling but still high unemployment

The rebound of tourism and measures adopted in late 2021, such as abolishing mandatory health contributions and increasing the non-taxable share of wages, had a positive impact on job creation, with the unemployment rate declining to a record low of 15% in 2022. Notwithstanding decelerating employment growth in 2023-2024 amid weakening domestic and external demand, the unemployment rate is set to continue falling to just below 14%.

Inflation set to ease despite high consumer prices

Inflation started to decelerate in 2023 with monthly readings declining to 10.5% y-o-y in March from 16.2% in January. This trend is expected to continue in 2023-2024, on the back of stabilising food and oil prices, even though annual average consumer price inflation is projected to stay elevated at around 8% in 2023 due to high increases in wages adopted in 2022.

Weakening fiscal position

The 2022 budget deficit was 5.2% of GDP, much higher than the 2021 deficit (1.9% of GDP), but below the October budget revision's target of 8.3% of GDP. The outcome was driven by a combination of higher-than-projected revenue, mainly from VAT, and lower-than-expected spending, on the back of under-execution of investment and lower spending on wages as a result of delays in planned employment. Higher-than-projected nominal GDP also contributed. Going forward, the general government deficit is projected to remain at a high level, due to a weakened revenue base and a series of new mandatory spending measures for public sector wages, social transfers and pensions, the full-year effect of which will be felt from 2023 onwards.

Overall, the balance of risks to the fiscal outlook remains tilted to the downside due to high borrowing costs and the lack of a fiscal consolidation plan.

Table II.29.1:

Main features of country forecast - MONTENEGRO

	2021		Annual percentage change						
mio EUR	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP	4955.1	100.0	3.2	4.1	-15.3	13.0	**6.1**	**3.0**	**2.9**
Private Consumption	3617.1	73.0	:	3.1	-4.6	4.0	**9.7**	**3.2**	**2.8**
Public Consumption	976.6	19.7	:	1.0	0.8	0.5	**1.2**	**2.3**	**2.2**
Gross fixed capital formation	1096.2	22.1	:	-1.7	-11.9	-12.3	**-1.1**	**2.4**	**4.4**
Exports (goods and services)	2122.5	42.8	:	5.8	-47.6	81.9	**22.7**	**7.7**	**5.2**
Imports (goods and services)	3081.9	62.2	:	2.7	-20.1	13.7	**21.3**	**5.8**	**4.4**
GNI (GDP deflator)	5057.4	102.1	:	4.0	-14.9	13.6	**6.0**	**2.8**	**-1.6**
Contribution to GDP growth:	Domestic demand		4.9	1.9	-6.4	0.0	**7.6**	**3.4**	**3.4**
	Inventories		-0.4	1.5	-1.0	0.2	**2.5**	**0.0**	**0.0**
	Net exports		-1.7	0.7	-7.8	12.9	**-3.5**	**-0.4**	**-0.5**
Employment			:	2.6	-10.1	6.9	**5.7**	**1.4**	**1.5**
Unemployment rate (a)			18.4	15.4	18.3	16.8	**15.0**	**14.1**	**13.9**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	:	:	:	**:**	**:**	**:**
Consumer price index			2.9	0.5	-0.8	2.5	**11.9**	**8.0**	**4.9**
Terms of trade goods			:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)			-42.1	-41.7	-39.2	-38.7	**-46.2**	**-45.3**	**-45.0**
Current-account balance (c)			-14.9	-14.3	-26.1	-9.2	**-13.3**	**-10.3**	**-12.3**
General government balance (c)			-3.0	-1.9	-11.1	-1.9	**-5.2**	**-4.7**	**-4.5**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			48.2	76.5	105.3	82.5	**69.5**	**71.0**	**71.6**

(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.

30. NORTH MACEDONIA

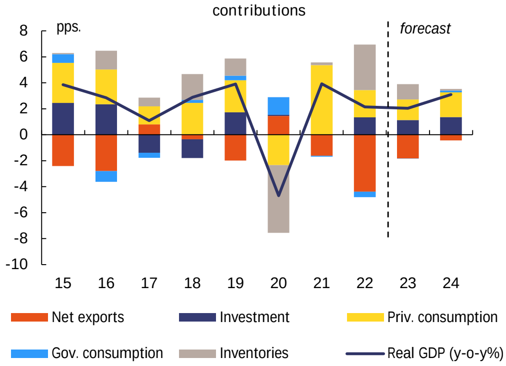
The fallout from Russia's war of aggression weighed heavily on the economy in 2022, with annual GDP growth slowing to 0.6% in the fourth quarter. Energy and food prices have come down since, while core inflation, which has been sticky up to early 2023 is expected to abate throughout the year. After a further slowdown in 2023, economic growth is set to pick up in 2024, driven entirely by domestic demand. The fiscal deficit is projected to fall gradually.

Domestic demand to drive growth

Following a partial recovery from the recession caused by the COVID-19 pandemic, North Macedonia has been severely hit by the fallout from Russia's war of aggression against Ukraine. Annual GDP growth slowed from 3.9% in 2021 to 2.1% in 2022, as external demand weakened, disruptions in global supply chains persisted and global food and energy prices rose sharply, weighing on domestic demand. While pensions and wages dropped in real terms, rising remittances supported disposable incomes and private consumption. Looking forward, GDP is projected to grow at a similar rate in 2023 (+2.0%) before rebounding somewhat in 2024 (+3.1%). Household spending, although less buoyant than in 2022, remains the key growth driver over the forecast horizon. Investment growth is projected to remain robust with some further build-up of inventories. The negative contribution from the external side is expected to diminish over the forecast horizon, in line with increasing foreign demand and lower import growth, reflecting also some base effects.

The current account deficit rose markedly in 2022, on account of a sharp widening of the energy trade deficit that reflected the country's high dependence on energy imports. A marked increase in private transfers (remittances) and in the services surplus, helped by a rebound in tourism, partly offset the deterioration in the energy trade balance. The projected narrowing of the current account deficit over the forecast horizon is mainly due to a significant improvement in the goods trade balance, due to lower commodity prices, as well as stronger external demand, supported by an easing of supply chain pressures. Metal production, one of the country's main exports, is increasing again, with metal prices stabilising.

Graph II.30.1: North Macedonia - Real GDP growth and contributions



The labour force continues to decline

While fiscal support to employers was gradually withdrawn in the second half of 2022, the labour market continued to prove resilient. Yet, the decline in the unemployment rate masks a large drop in the labour force, with the bulk accounted for by women. Labour market participation, already low, dropped further in 2022. These trends were particularly marked for young workers. During the forecast period, employment is expected to continue growing at a moderate pace as companies are still cutting down production due to high input cost, impacting on job creation. Meanwhile the unemployment rate is projected to decline further as the labour force is expected to shrink further.

Core inflation is projected to subside in 2023

Annual inflation rose to 14.2% on average in 2022, compared to 3.2% in 2021. Food and energy together account for almost 60% of the domestic CPI structure, and price increases in these two categories explain about three quarters of headline inflation, which peaked at 19.8% in October 2022, reflecting the high pass-through of the global commodity price shock. While headline inflation dropped to 14.7% in March, core inflation persists, on lagged spillovers from energy and food prices to other components. These effects are expected to abate over the summer, following the recent decline in energy and food prices.

Fiscal consolidation plans remain vague

The general government deficit, at 4.5% of GDP in 2022, remained below the revised target of 5.3%, due to an inflation-driven increase in revenue and underspending on energy subsidies and on public investment. The deficit is projected to decline gradually in 2023 and 2024, but to remain well above the pre-pandemic level of 2.2% in 2019. While the crisis support is phased out, the government plans a large increase in public infrastructure. In 2023, capital expenditure is projected to rise by 70% compared to the 2022 outturn, even though implementation is likely to remain partial. The expected boost to tax income in 2023, resulting from tax-base-broadening reforms adopted by the government in December 2022, depends on a swift adoption of these reforms by the parliament. Planned savings in current expenditure are largely based on unspecified cuts in government consumption. Yet, in the light of energy price developments, there is room for savings from the generous allocations for energy subsidies. The government has phased out some untargeted measures, such as subsidies for social contributions on pay increases. It is normalising the VAT rate on electricity in the course of 2023. General government debt is projected to remain above 50%, due to the elevated primary deficit.

Risks are mainly on the downside

The growth outlook could be challenged if the government's ambitious investment agenda faces significant obstacles on account of persistent shortcomings in public investment management. The fiscal outlook may deteriorate if the government's proposed tax reforms are not passed by the parliament in a timely manner. On the other hand, the country's ongoing EU accession negotiations act as a catalyst to important structural reforms, including in fiscal governance, raising the economy's growth potential and bolstering fiscal sustainability.

Table II.30.1:

Main features of country forecast - NORTH MACEDONIA

		2021			Annual percentage change						
	bn MKD	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		720.4	100.0	3.2	3.9	-4.7	3.9	**2.1**	**2.0**	**3.1**
Private Consumption		487.8	67.7	3.1	3.7	-3.6	8.1	**3.1**	**2.3**	**2.8**
Public Consumption		115.2	16.0	0.3	2.5	9.8	-0.4	**-2.6**	**-0.2**	**1.0**
Gross fixed capital formation		167.7	23.3	4.0	8.7	0.4	0.1	**5.8**	**4.5**	**5.0**
Exports (goods and services)		477.0	66.2	8.7	8.9	-10.9	11.7	**13.4**	**4.9**	**5.9**
Imports (goods and services)		592.6	82.3	7.4	10.1	-10.9	11.9	**16.1**	**5.8**	**5.1**
GNI (GDP deflator)		688.9	95.6	3.0	3.1	-3.2	2.8	**2.1**	**2.5**	**2.8**
Contribution to GDP growth:	Domestic demand			3.3	4.6	-0.9	5.3	**3.0**	**2.7**	**3.4**
	Inventories			0.8	1.3	-5.2	0.2	**3.5**	**1.2**	**0.1**
	Net exports			-0.8	-2.0	1.5	-1.6	**-4.4**	**-1.8**	**-0.4**
Employment				1.9	5.1	-0.4	1.1	**0.5**	**0.9**	**0.8**
Unemployment rate (a)				30.9	17.3	16.4	15.4	**14.5**	**14.2**	**13.9**
Compensation of employees / head				:	7.8	2.0	5.7	**7.0**	**8.0**	**7.0**
Unit labour costs whole economy				:	9.0	6.6	2.8	**5.4**	**6.8**	**4.6**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.8	0.9	1.4	3.6	**8.0**	**12.3**	**7.5**
Consumer price index				1.7	0.8	1.2	3.2	**5.8**	**7.9**	**3.7**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-21.9	-17.5	-16.6	-10.2	**-26.8**	**-25.5**	**-23.6**
Current-account balance (c)				-2.8	-3.0	-2.9	-3.1	**-6.0**	**-4.1**	**-3.8**
General government balance (c)				-1.6	-2.1	-8.2	-5.4	**-4.5**	**-3.9**	**-3.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				32.6	40.5	50.8	52.0	**50.9**	**51.5**	**53.0**

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

31. SERBIA

After a substantial deceleration in 2022, economic growth in Serbia is projected to remain subdued in 2023, as high inflation dampens private consumption, and then to pick up in 2024. Inflation is set to peak this spring and to decelerate to single-digit levels by the end of the year. Supported by lower capital transfers to state-owned energy utilities and high nominal GDP growth, the general government deficit and debt ratios are expected to record further gradual reductions in 2023 and 2024.

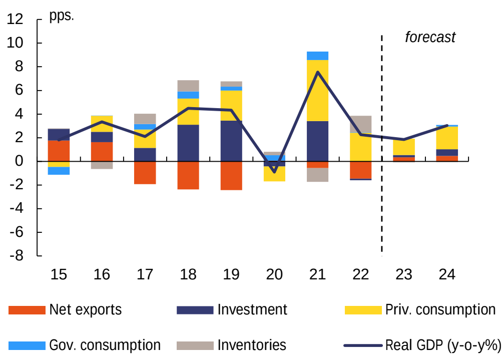
After deceleration in 2022, growth to remain subdued in 2023 dampened by high inflation

Following a strong rebound in 2021, the expansion of the Serbian economy decelerated substantially in 2022. Real growth was 2.3%, mostly driven by private consumption and higher inventories, that were partially offset by lower net exports and investments. On the production side, the services sector accounted for the bulk of annual growth, while agriculture and construction contributed negatively due to the drought and base effects from high construction activity in 2021. Economic growth is projected to slow to 1.9% in 2023, mostly on the back of decelerating private consumption growth as still high average inflation dents real disposable income. Despite reduced trade dynamics with Serbia's main trading partners in the EU, the contribution of net exports to growth is expected to improve due to decelerating imports and increased export performance supported by recent foreign direct investment in the tradable sector. GDP growth in 2024 is projected to be mostly driven by private consumption and some pick-up in investment. The economic expansion is however forecast to remain more than a percentage point below its pre-pandemic rate that was somewhat above 4%. After a sharp increase in 2022, mainly due to the much higher cost of energy imports, the current account deficit is expected to gradually narrow in 2023 and 2024.

Unemployment to continue gradual decline

Supported by strong employment growth in the first half of the year, the unemployment rate fell to 9.4% in 2022. It is projected to continue falling in 2023 and 2024, albeit at a more moderate pace, in line with relatively resilient employment growth.

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



Inflation to decelerate from high levels

Inflation continued its steady increase in 2022 and early 2023, reaching 16.2% y-o-y in March. It was initially driven by energy and food prices, but following persistent cost-push pressures to other industrial products and to services, core inflation has accelerated and accounted for 70% of consumer price inflation in March 2023. After an expected peak in spring 2023, inflation is projected to decelerate, partly due to base effects, from mid-2023 onwards, leading average annual inflation to broadly stabilise in 2023 and to return to single digits in 2024, supported by the effects of international and domestic monetary tightening and favourable commodity price developments.

High uncertainty and substantial downside risks

Given Russia's continuing war of aggression against Ukraine, the growth outlook is subject to a high level of uncertainty while risks appear to be tilted to the downside. Higher or more persistent inflation than currently projected, particularly due to a durable increase in core inflation in addition to continued pressure from energy and food prices, could further weaken purchasing power and thereby weigh on consumption and real growth more than currently anticipated. A deeper-than-expected slowdown in Serbia's main trading partners, particularly in the EU, could dampen net exports compared to the baseline. On the other hand, increased nearshoring of production could have beneficial effects on foreign direct investment and exports.

Deficit and debt levels on a downward path

The general government deficit decreased by 1pp. to 3.1% of GDP in 2022. The deficit-reducing impact of a lower volume of fiscal support measures, lower investment spending, strong revenue performance and the short-term impact of high inflation on real expenditure was only partially offset by high capital transfers to state-owned enterprises in the energy sector to finance costly gas and electricity imports. Supported by lower needs for energy-related capital transfers, the deficit is forecast to gradually decrease in 2023 and 2024. The general government debt-to-GDP ratio continued to fall to 55.6% in 2022, mostly as a result of very high nominal GDP growth. The ratio is projected to gradually decline further, mainly due to the denominator effect amid a continued robust increase in nominal GDP.

Graph II.31.2: **Serbia- General government budget balance and gross debt**

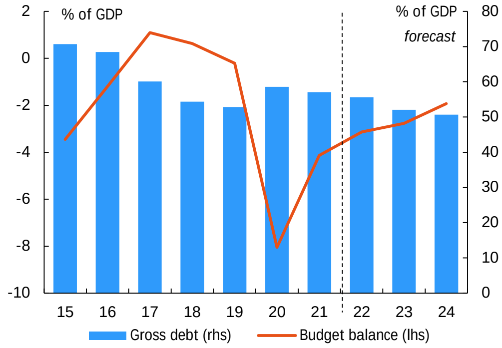


Table II.31.1:

Main features of country forecast - SERBIA

		2021				Annual percentage change					
	bn RSD	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		6270.1	100.0	3.0	4.3	-0.9	7.5	**2.3**	**1.9**	**3.0**
Private Consumption		4134.2	65.9	2.5	3.7	-1.9	7.8	**3.7**	**2.0**	**2.8**
Public Consumption		1056.6	16.9	1.3	1.9	2.8	4.1	**0.2**	**-0.2**	**0.8**
Gross fixed capital formation		1448.5	23.1	5.8	17.2	-1.9	15.9	**-0.6**	**0.8**	**2.6**
Exports (goods and services)		3416.2	54.5	9.2	7.7	-4.2	19.5	**17.6**	**6.7**	**7.8**
Imports (goods and services)		3905.0	62.3	7.1	10.7	-3.6	17.7	**17.8**	**5.3**	**6.2**
GNI (GDP deflator)		6026.4	96.1	2.7	4.0	1.5	6.7	**0.1**	**2.1**	**3.1**
Contribution to GDP growth:	Domestic demand			3.3	6.3	-1.2	9.3	**2.3**	**1.5**	**2.6**
	Inventories			0.2	0.4	0.3	-1.2	**1.4**	**-0.1**	**-0.1**
	Net exports			1.1	-2.4	0.0	-0.6	**-1.5**	**0.3**	**0.5**
Employment				-0.6	2.4	-0.2	2.6	**1.8**	**0.1**	**0.5**
Unemployment rate (a)				18.1	11.2	9.7	11.0	**9.4**	**9.3**	**9.0**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.8	2.4	2.4	5.9	**10.6**	**12.7**	**5.6**
Consumer price index				7.3	1.9	1.6	4.1	**11.9**	**12.4**	**5.9**
Terms of trade goods				:	3.1	1.0	0.4	**-3.3**	**2.1**	**0.0**
Trade balance (goods) (c)				-14.4	-12.2	-11.1	-11.3	**-15.5**	**-13.9**	**-13.7**
Current-account balance (c)				-7.0	-7.0	-4.1	-4.3	**-6.9**	**-5.5**	**-5.1**
General government balance (c)				-2.7	-0.2	-8.0	-4.1	**-3.1**	**-2.8**	**-1.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				50.9	52.8	58.6	57.1	**55.6**	**52.1**	**50.7**

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

32. TÜRKİYE

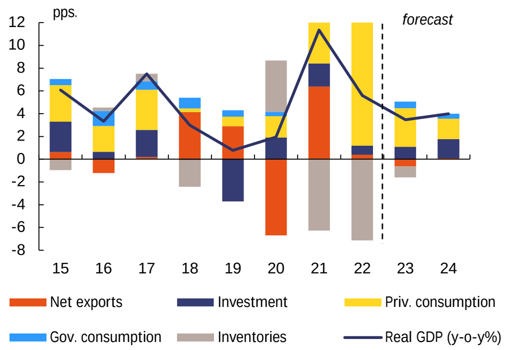
The devastating earthquakes that hit the country on 6 February caused a tragic loss of life, but also serious damage to the capital stock, darkening the short-term outlook. However, confidence rebounded quickly and reconstruction efforts are expected to add to the large pre-electoral boost in domestic demand, which is forecast to remain the main driver of growth. The contribution of net exports to growth is projected to turn negative in 2023, driving a deceleration of GDP growth. Reconstruction spending and pre-electoral expenditure pressures are set to lead to a marked increase in the budget deficit. Policy uncertainty is large, also in view of the upcoming presidential and parliamentary elections.

Economic outlook marked by elections and earthquakes

The economy avoided a recession in 2022-Q4, expanding by 0.9% q-o-q (3.5% y-o-y). Exceptionally strong household consumption remained the main growth driver. Robust government consumption and a pick-up in investment also supported economic activity. High domestic demand, however, kept imports elevated and was to a large degree offset by a negative contribution of net exports. Exports suffered a notable setback due to weaker external demand from major trading partners in the EU. Domestic demand received another boost in early-2023 from the authorities' pre-election largesse (parliamentary and presidential elections are scheduled for May 2023).The two devastating earthquakes that hit the country on 6 February caused a tragic loss of life and destruction of capital assets, darkening the short-term outlook. Although the full impact of the earthquakes is yet to be assessed, a preliminary damage assessment, which covered 11 of the 17 provinces declared as earthquake-stricken zones (accounting for around 16.5% of Türkiye's overall population and around 10% of GDP), estimated the direct costs at USD 103.6 billion (11% of GDP). High frequency indicators have captured the first negative economic effects of the earthquakes already in February, with steep monthly falls in industrial production and retail sales.

The direct impact of the February earthquakes on economic growth is likely to be small in 2023. Real sector and services confidence indexes fell somewhat at first, but rebounded already in March, while consumer confidence saw a sharp increase in April to a level not seen in nearly five years. The reconstruction efforts are expected to add to a large pre-electoral boost to domestic demand, which is forecast to remain the main driver of growth.

Graph II.32.1: **Türkiye - Real GDP growth and contributions**



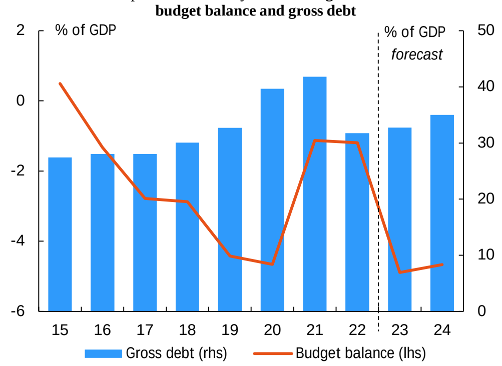
Although strong base effects are set to lead to a sharp slowdown in private consumption growth, consumer demand is projected to remain robust, fuelled by solid job creation and an outsize increase in the minimum wage in 2023. After a long streak of upbeat investment in machinery and equipment, private investment growth is expected to weaken, but public investment projects should boost the so-far lagging construction investment and drive up overall investment. The soft patch in export performance that had started at the end of 2022 is likely to reverse only in 2024 as external demand gradually picks up. Consequently, the net exports' contribution to growth is forecast to turn negative in 2023. Overall, GDP growth is projected to moderate to 3.5% in 2023 and to increase somewhat in 2024.

Persisting imbalances

Inflation is forecast to remain high and, in view of the current overly loose monetary policy stance, to come down only slowly in an environment of unanchored inflation expectations. Despite improving terms of trade, the current account deficit is set to subside only slowly because of lower exports and still strong imports, including of non-monetary gold. The relative exchange rate stability since last summer has been achieved with the help of far-reaching regulatory measures, which, on the other hand, increased the risk of an abrupt exchange rate adjustment ahead.

A growing budget deficit

Graph II.32.2: **Türkiye - General government budget balance and gross debt**



The budget outturn beat expectations again in 2022, with the central government budget deficit falling under 1% of GDP. The government planned a significant increase in the deficit to 3.5% of GDP in 2023, even before the earthquakes. Although lower-than-expected international energy prices are likely to provide some relief, the spending side of the budget will have to cover large non-discretionary spending increases. Reconstruction spending will add to expenditure pressures and the budget deficit is expected to increase markedly in the next two years, pushing government debt moderately up as well.

Riding the uncertainty

Policy uncertainty remains large, also in view of the upcoming presidential and parliamentary elections. Sustaining the current policy mix, centred around keeping real interest rates deeply negative and relying on extended and increasingly complex prudential and regulatory measures, is expected to be increasingly more difficult. Unwinding this complex set of measures will, however, be challenging. The tightening of global financial conditions constitutes another source of risk in view of Türkiye's reliance on short-term external financing and the low level of disposable foreign exchange reserves.

Table II.32.1:

Main features of country forecast - TÜRKIYE

	2021			Annual percentage change						
bn TRY	Curr. prices	% GDP		03-18	2019	2020	2021	2022	2023	2024
GDP	7248.8	100.0		5.6	0.8	1.9	11.4	**5.6**	**3.5**	**4.0**
Private Consumption	4008.0	55.3		5.0	1.5	3.3	15.3	**19.7**	**5.9**	**3.0**
Public Consumption	946.6	13.1		5.3	3.8	2.5	2.6	**5.2**	**5.0**	**3.5**
Gross fixed capital formation	2040.0	28.1		9.0	-12.5	7.4	7.4	**2.8**	**3.7**	**4.5**
Exports (goods and services)	2559.0	35.3		6.4	4.2	-14.4	24.9	**9.1**	**2.7**	**5.5**
Imports (goods and services)	2575.6	35.5		6.4	-5.0	6.7	2.4	**7.9**	**3.9**	**4.7**
GNI (GDP deflator)	7133.5	98.4		5.5	1.7	2.2	11.2	**6.3**	**3.5**	**4.0**
Contribution to GDP growth:	Domestic demand			6.2	-2.3	4.2	11.1	**12.3**	**5.1**	**3.9**
	Inventories			-0.4	0.0	4.5	-6.3	**-7.1**	**-1.0**	**0.0**
	Net exports			0.1	2.9	-6.7	6.4	**0.4**	**-0.6**	**0.1**
Employment				1.9	-2.3	-4.5	7.5	**6.8**	**3.1**	**2.7**
Unemployment rate (a)				9.7	13.7	13.2	12.0	**10.4**	**10.1**	**10.1**
Compensation of employees / head				13.1	22.4	14.7	22.5	**71.4**	**50.3**	**36.6**
Unit labour costs whole economy				9.2	18.7	7.4	18.3	**73.4**	**49.8**	**34.8**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				9.6	13.8	14.9	29.0	**96.0**	**45.1**	**32.8**
Consumer price index				9.7	15.2	12.3	19.6	**72.3**	**45.0**	**30.3**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-6.2	-1.7	-5.3	-3.0	**-8.2**	**-7.2**	**-5.9**
Current-account balance (c)				-4.3	0.7	-5.0	-1.7	**-5.7**	**-4.2**	**-2.7**
General government balance (c)				-1.6	-4.4	-4.7	-1.1	**-1.2**	**-4.9**	**-4.7**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				38.6	32.7	39.7	41.8	**31.7**	**32.7**	**35.0**

(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.

Other non-EU Countries

33. THE UNITED KINGDOM

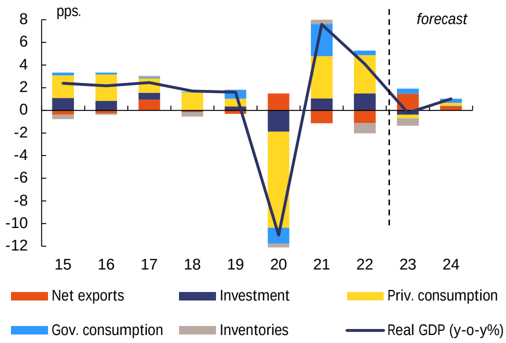
The UK economy is expected to see a modest contraction in 2023, as household real incomes continue to fall and consumption and external demand soften, while business investment remains weak. A mild recovery is foreseen in 2024, as inflation continues to ease and growing employment and rising real wages boost household real incomes. At the same time, the labour market is tight, core inflation is high, and potential output is growing only slowly. Persistence in core inflation is a key downside risk.

A modest contraction in 2023 and some recovery in 2024 as inflation falls back

The UK economy grew by 4.1% y-o-y in 2022 but this largely reflected the very large statistical carryover (of 3.6%) from 2021. Growth stagnated after March 2022, under the impact of higher energy prices and worsening sentiment in the wake of Russia's invasion of Ukraine. The tight labour market and government fiscal transfers to offset higher energy costs have helped underpin household consumption, which grew by 5.6% in 2022, despite a 2% fall in household real disposable incomes.

Alongside many EU economies, UK high frequency data improved in early 2023, with PMIs picking up (notably for services) and consumer confidence improving, though from low levels. Monthly GDP data also suggest that output in 2023-Q1 has remained steady despite widespread expectations of a contraction. Household consumption is expected to show no growth in 2023 overall, as real wages continue to fall, and higher interest rates feed through into higher mortgage costs. Consumption is projected to start to gradually pick-up in the second half of 2023 and into 2024 as lower energy prices feed through with the adjustment of regulated price caps from July.

Graph II.33.1: **The United Kingdom - Real GDP growth and contributions**



Higher interest rates are expected to lead to a fall in residential and business investment in 2023, with business investment seeing only a modest pick-up in 2024. Export and import volumes are both set to decrease in 2023, with net exports providing a positive contribution to overall growth. Goods exports were significantly inflated in 2022 by large exports of precious metals that are projected to taper off sharply, while services exports will be limited by the weak global outlook. Services imports are expected to normalise somewhat after a surprising bounce in 2022, given the weakness of domestic demand. Relatively rapid growth in government consumption and investment are expected to provide support in 2023, and to a lesser extent in 2024. Overall, UK GDP growth is forecast to contract by 0.2% in 2023 and then rise by 1% in 2024.

The labour market is tight and potential output is growing only slowly

The labour market remains tight. While employment was still 100K below pre-pandemic levels in 2022Q4, the labour force had fallen by around 280K, and unemployment at year end was just 3.7%. Unemployment is expected to edge up in 2023 and 2024 as employment growth slows below the growth in labour supply, fuelled in part by higher migration, largely from outside the EU. Potential output growth in the UK has been lower than the EU average for some years and is estimated at 0.8% in 2022. This reflects not only a fall in labour market participation, but also the stagnation of business investment in recent years and weak underlying productivity growth.

Inflation to moderate, but core inflation is a concern

Inflation rose sharply in 2022, from 5.5% in January to a peak of 11.1% in October and slowed only marginally thereafter, to 10.1% in March 2023. The core inflation rate was 6.2% in March, only slightly down from the peak of 6.5% in October 2022. As inflation has picked up, wage growth has also accelerated, with private sector nominal wages growing by 6.6% in both January and February 2023. The Bank of England raised policy rates steadily from 0.25% in early 2022 to 4.25% in March 2023 and markets have priced in further tightening. Lower energy prices are expected to reduce headline inflation significantly in coming quarters, but the outlook for core inflation is less clear, given the high pace of nominal wage growth and the tight labour market.

Deficit expected to fall, though pressures on public finances remain

The public sector deficit is set to narrow in 2023 and 2024, despite a projected rise in government consumption and investment, due to a combination of tax rises and lower overall spending, notably on energy support schemes. However, overall plans for public spending set out in the recent March budget assume almost no rise in nominal spending in the fiscal years 2023-24 and 2024-25. Given the acute pressures on public sector pay, which has been growing at a much slower pace than private wages and far below inflation, meeting this objective appears challenging.

Risks appear balanced

Private consumption may prove stronger than expected if nominal wages continue to rise at a fast pace as headline inflation slows with the moderation of energy price. However, this in turn risks adding to persistence in core inflation, given the tight labour market and low growth in potential output. This could in turn entail tighter monetary policy, and a more subdued 2024, than currently projected. It remains to be seen whether the generous tax incentives for investment introduced in the March budget will be effective – this constitutes an upside risk, given the subdued projection for investment in the current forecast.

Table II.33.1:

Main features of country forecast - UNITED KINGDOM

		2021		Annual percentage change						
	bn GBP	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		2270.2	100.0	1.7	1.6	-11.0	7.6	**4.1**	**-0.2**	**1.0**
Private Consumption		1375.6	60.6	1.8	1.1	-13.2	6.2	**5.6**	**-0.5**	**0.4**
Public Consumption		508.2	22.4	1.5	4.1	-7.3	12.5	**1.8**	**2.1**	**1.8**
Gross fixed capital formation		393.5	17.3	1.7	1.9	-10.5	6.1	**8.6**	**-2.1**	**0.2**
Exports (goods and services)		654.3	28.8	3.1	1.7	-12.1	2.2	**9.9**	**-4.2**	**0.2**
Imports (goods and services)		682.3	30.1	3.2	2.6	-16.0	6.2	**13.3**	**-7.9**	**-0.9**
GNI (GDP deflator)		2282.1	100.5	1.5	3.0	-13.0	10.6	**4.2**	**-0.2**	**1.0**
Contribution to GDP growth:	Domestic demand			1.8	1.8	-11.8	7.6	**5.3**	**-0.3**	**0.7**
	Inventories			0.0	0.0	-0.8	1.4	**-0.9**	**-0.7**	**0.0**
	Net exports			-0.1	-0.3	1.5	-1.1	**-1.1**	**1.5**	**0.4**
Employment				0.9	1.1	-0.9	-0.3	**1.0**	**-0.2**	**0.3**
Unemployment rate (a)				6.0	3.8	4.6	4.5	**3.7**	**4.3**	**4.6**
Compensation of employees / head				3.0	4.0	0.1	5.0	**6.3**	**4.6**	**2.2**
Unit labour costs whole economy				2.3	3.5	11.5	-2.7	**3.1**	**4.6**	**1.5**
Saving rate of households (b)				7.9	5.3	15.8	12.6	**8.5**	**7.9**	**9.4**
GDP deflator				2.1	2.1	5.9	0.0	**5.4**	**5.2**	**1.8**
Consumer price index (CPIH) (e)				2.1	1.7	1.0	2.5	**7.9**	**6.7**	**2.4**
Terms of trade goods				0.6	0.8	-1.1	-1.0	**-1.5**	**0.8**	**0.5**
Trade balance (goods) (c)				-6.2	-6.6	-6.3	-7.5	**-9.3**	**-8.2**	**-8.1**
Current-account balance (c)				-3.5	-2.8	-3.2	-1.5	**-3.8**	**-2.2**	**-1.7**
General government balance (c)				-4.9	-2.2	-12.8	-8.1	**-5.2**	**-3.2**	**-2.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				67.5	85.5	105.6	105.9	**101.0**	**99.4**	**99.1**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP. (e) CPIH is consumer price index which includes costs of owner-occupied housing

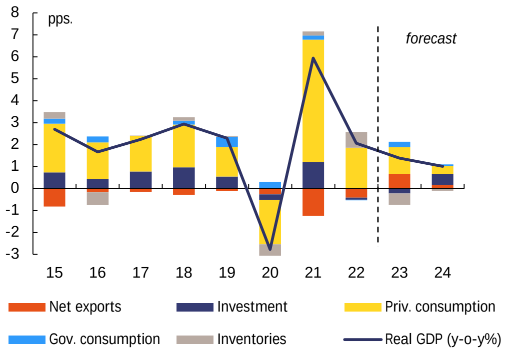
34. THE UNITED STATES

The US economy is forecast to slow down in 2023 as higher interest rates pass through to cost of credit, negatively affecting consumer and business spending. Moderating inflation and easing monetary policy are projected to support the economy in rebounding from the soft patch next year. Risks are higher than usual and are tilted to the downside.

Sharp slowdown to follow a strong start in 2023

The US labour market showed remarkable strength in 2023-Q1, helping sustain resilient private consumption. However, the Federal Reserve's sharp monetary tightening that started last year and the diminished excess household saving are expected to affect consumer and business spending negatively, resulting in a marked slowdown of economic growth in the second half of 2023. Bolstered by a high carryover from last year and robust economic growth in 2023-Q1, annual real GDP growth is forecast to reach 1.4% in 2023, falling from 2.1% in 2022. Moderating inflation should allow the central bank to start easing monetary policy from the end of this year or early 2024, helping the economy rebound from the soft patch next year. Although economic growth is set to pick up momentum next year, overall growth for the year is projected to be just 1% in 2024 due to the weak carryover from 2023.

Graph II.34.1: **The United States - Real GDP growth and contributions**



Last years' strong private consumption growth was partly sustained by excess savings accumulated during the pandemic, but these savings have now been largely depleted. Households' disposable income is being eroded by high inflation and the labour market is set to weaken going forward, negatively affecting consumer spending. Private consumption is forecast to slow down from 2.7% in 2022 to 1.8% in 2023 and to 0.5% in 2024. High interest rates and declining corporate profitability are expected to depress investment. The 2021 Bipartisan Infrastructure Bill and the 2022 Inflation Reduction Act allocated significant funding for infrastructure and green investment and are forecast to support non-residential construction growth over the forecast horizon. Gross fixed capital formation is set to contract by 1.1% in 2023, while easing financing conditions are projected to support a rebound of 2.5% in 2024.

A weakening outlook for employment

Continued labour market resilience has outweighed the impact of high interest rates so far. Growth of total nonfarm payroll employment ticked up, the unemployment rate has been hovering around a historically low of 3.5% and the labour force participation rate has risen to 62.6%, with prime age workers now back to pre-pandemic rates in 2023-Q1. These employment gains have been keeping household balance sheets strong and encouraging consumers to keep spending. The Federal Reserve's steep monetary tightening is projected to gradually increase downward pressure on the labour market. Labour demand is forecast to ease in the coming quarters and the unemployment rate is projected to increase to 4.1% in 2023 and to 4.8% in 2024.

Inflation is on a downward trend, but credit conditions are tighter

Consumer price inflation peaked at 8.6% in 2022-Q2 and has been on a downward trend since then, reaching 5.8% in 2023-Q1. Headline inflation is set to moderate further over the forecast horizon as prior drivers, including supply chain disruptions, high energy prices and a tight labour market are set to gradually relent. Services inflation may be slower to decline, as household services consumption has still not reached the pre-pandemic trend, while rent inflation is projected to remain elevated for some time reflecting past house price increases. After reaching 8% in 2022, consumer price inflation is expected to moderate to 4.3% in 2023 and then to 2.6% in 2024. While bond yields may slowly decline as monetary policy tightening stalls and then slowly reverts, credit conditions tightened due to increasing risk premia in the context of the recent banking sector turmoil. The US authorities have taken prompt measures to avoid contagion effects, but the turmoil brought banking sector fragilities to the fore and concerns remain about the health of smaller and midsize banks.

Fiscal outlook and debt ceiling discussions

The general government deficit fell from around 12% of GDP in 2021 to around 4% of GDP in 2022, as the pandemic-era spending programmes were phased out. As domestic demand cools and debt service payment rises, the general government deficit is projected to increase to 5% of GDP in 2023 and to 5.5% of GDP in 2024. General government debt is expected to hover around 123% of GDP over the forecast horizon. After last year's mid-term elections, discussions about the debt ceiling have re-emerged. The debt ceiling was already reached in January 2023 and the US Treasury estimates that the US government will run out of options to meet its obligations without raising the debt ceiling already in early June.

Risks are tilted to the downside

Inflation that stays higher for longer and a stronger than assumed monetary tightening remain the main downward risks to the outlook. Although prompt policy intervention by the US authorities has contained a financial market turmoil so far, the risk of a potential credit crunch has not disappeared. Banks' exposure to the commercial real estate sector, which is suffering from high vacancy rates and high loan refinancing rates, should be closely monitored. A failure to reach an agreement on the debt ceiling, or an agreement reached at a very late stage, could have significant negative consequences for the US economy, with possible sizeable spillovers also on the global economy, especially on the (more vulnerable) emerging and lower-income economies.

Table II.34.1:

Main features of country forecast - UNITED STATES

	2021				Annual percentage change					
bn USD	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		23315.1	100.0	2.0	2.3	-2.8	5.9	**2.1**	**1.4**	**1.0**
Private Consumption		15902.6	68.2	2.2	2.0	-3.0	8.3	**2.7**	**1.8**	**0.5**
Public Consumption		3353.7	14.4	0.7	3.4	2.2	1.3	**-0.2**	**1.8**	**0.6**
Gross fixed capital formation		4939.6	21.2	2.3	2.6	-1.2	5.7	**-0.5**	**-1.1**	**2.5**
Exports (goods and services)		2539.6	10.9	4.5	0.5	-13.2	6.1	**7.1**	**3.6**	**2.6**
Imports (goods and services)		3401.4	14.6	3.5	1.1	-9.0	14.1	**8.1**	**-1.6**	**0.9**
GNI (GDP deflator)		23488.2	100.7	2.1	2.2	-3.1	5.7	**2.0**	**1.3**	**1.0**
Contribution to GDP growth:	Domestic demand			2.0	2.4	-2.0	7.0	**1.7**	**1.2**	**0.9**
	Inventories			0.0	0.0	-0.7	0.2	**0.7**	**-0.5**	**-0.1**
	Net exports			0.0	-0.1	-0.3	-1.2	**-0.4**	**0.7**	**0.2**
Employment				0.7	1.2	-5.8	3.4	**3.7**	**1.0**	**0.1**
Unemployment rate (a)				6.2	3.7	8.1	5.3	**3.5**	**4.1**	**4.8**
Compensation of employees / head				2.9	2.8	6.9	5.0	**4.2**	**4.0**	**2.6**
Unit labour costs whole economy				1.6	1.8	3.6	2.4	**6.0**	**3.6**	**1.6**
Saving rate of households (b)				11.6	14.4	22.1	17.4	**12.3**	**11.8**	**12.0**
GDP deflator				1.9	1.8	1.3	4.5	**7.0**	**3.7**	**2.4**
Consumer price index				2.1	1.8	1.2	4.7	**8.0**	**4.3**	**2.6**
Terms of trade goods				-0.1	0.6	-1.1	5.9	**3.5**	**-1.0**	**0.3**
Trade balance (goods) (c)				-4.9	-4.1	-4.2	-4.7	**-4.8**	**-4.2**	**-4.0**
Current-account balance (c)				-3.5	-2.1	-2.8	-3.7	**-3.9**	**-3.3**	**-3.0**
General government balance (c)				-6.8	-6.7	-14.9	-12.1	**-4.0**	**-5.0**	**-5.5**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				87.0	108.5	131.8	127.0	**123.4**	**121.8**	**122.8**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
(*) Employment data from the BLS household survey.

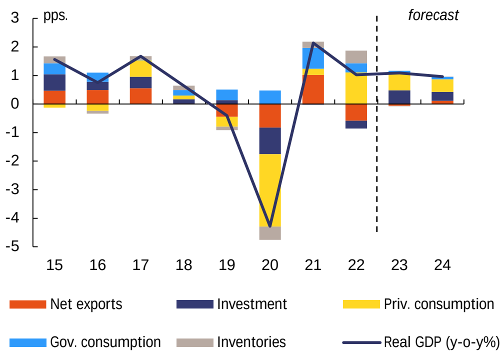
35. JAPAN

After an unexpectedly weak second half of 2022, economic activity in Japan is expected to grow at a moderate pace in 2023 amid elevated inflation, dissipating fiscal support and a soft external outlook. Growth is set to edge down further in 2024 reflecting gradual deceleration toward potential. Headline average annual consumer inflation is set to remain above the central bank target of 2% in 2023, before subsiding in 2024 on softening demand pressures.

After a surprisingly weak second half of 2022 outlook remains muted

After a strong first half of 2022, economic activity was surprisingly weak in the second half of the year, despite the lifting of most of the COVID-19 containment measures. Notably, growth in private consumption was limited by rising inflation. At the same time, private investment turned negative on increased uncertainty and expectations of softer external demand. Overall, real GDP expanded by 1% in 2022.

Graph II.35.1: **Japan - Real GDP growth and contributions**



The expansion is expected to continue at a slow pace in 2023, as growth in private demand decelerates. On the domestic side, private consumption continues to be supported by improving labour market, accumulated savings during the pandemic and transfers included in the latest fiscal package. However, the pace of private consumption growth is set to be hampered by elevated (by Japanese standards, albeit well below global trends) inflation, high uncertainty, and a fading impact of reopening. Despite lower corporate profit margins, private investment is likely to finally recover backed by the still accommodative financing conditions and rising IT-related expenditures. At the same time, public spending growth is set to decelerate reflecting the relatively limited size of new measures that support public expenditures. Overall, real GDP growth is expected to reach 1.1% in 2023.

On the external side, export growth is set to remain relatively robust in line with the weak currency and improving supply chains, although weakening global demand prospects are expected to limit the scale of the expansion. Services trade, in particular tourism, is likely to recover strongly amid the full re-opening of Japan to foreign tourists (notably Chinese). Import growth is projected to moderate, reflecting a delayed effect of the recent currency depreciation. Overall, net exports are set to be broadly neutral to growth over the forecast horizon, while the current account surplus is projected to bounce up to ca. 2.6% of GDP in 2023 and 3.4% of GDP in 2024, driven by lower commodity prices and stronger inbound tourism.

Growth is forecast to edge down to 1% in 2024 as private demand softens further. Private consumption is set to slow down marginally on limited households' dissaving and lower fiscal support, although falling inflation should support growth of real disposable income. At the same time, modest global and domestic growth prospects are likely to restrain the private investment outlook, despite continued accommodative monetary policy and lower input costs. The dissipating cyclical recovery is expected to reveal the dampening impact of long-term structural challenges on growth (e.g. declining labour supply, low productivity).

Risks to the outlook are broadly balanced. On the downside, major risks to growth are related to a more persistent-than-forecast inflation that would increase the pressure on the Bank of Japan to tighten policy, clouding the outlook for private investment and consumption. On the upside, risks include a more robust recovery of services and a stronger-than-expected recovery of inbound tourism.

Inflation is back, at least in the near term

After rising continuously since the beginning of 2022, headline inflation is expected to have peaked of 4.3% in January 2023, reflecting higher utility bills, rising commodity prices and a weaker currency. It declined to 3.2% in March 2023 on account of special, policy-related factors. However, core inflation (excluding energy and fresh food) remained elevated at 3.8% in March 2023, the highest level since 1981. Going forward, annual headline inflation is expected to increase from 2.5% in 2022 to 3.2% in 2023 reflecting rising utility prices, delayed effects of the depreciating yen and increased tourist arrivals as borders reopen fully. In 2024, inflation is projected to subside to 1.8% on account of base effects of lower commodity prices and softening domestic demand. Monetary policy is likely to remain accommodative over the forecast horizon, also reflecting Japan's longstanding structural disinflation, as long as no significant second second-round effects appear.

Fiscal support to be gradually discontinued

A large fiscal package announced in October 2022, which included subsidising prices of electricity, gas, oil, and cash transfers to couples with children, is forecast to lead to an elevated fiscal deficit of around 6.5 % of GDP in 2023. However, these fiscal measures are expected to be gradually discontinued towards the end of the forecast horizon resulting in a decline of the fiscal deficit to 4.4 % of GDP in 2024. Public debt is forecast to decline from around 259% of GDP in 2022 to around 252% of GDP in 2024.

Table II.35.1:

Main features of country forecast - JAPAN

	2021			Annual percentage change					
	bn JPY Curr. prices	**% GDP**	**03-18**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
GDP	549379.3	100.0	0.8	-0.4	-4.3	2.1	**1.0**	**1.1**	**1.0**
Private Consumption	293986.4	53.5	0.6	-0.6	-4.7	0.4	**2.1**	**1.0**	**0.8**
Public Consumption	117710.6	21.4	1.3	1.9	2.4	3.5	**1.5**	**0.5**	**0.4**
Gross fixed capital formation	140608.1	25.6	0.1	0.5	-3.6	-0.1	**-1.1**	**1.9**	**1.2**
Exports (goods and services)	99995.7	18.2	4.4	-1.5	-11.6	11.7	**4.9**	**4.3**	**2.8**
Imports (goods and services)	102947.9	18.7	3.0	1.0	-6.8	5.0	**7.9**	**3.9**	**2.1**
GNI (GDP deflator)	576048.0	104.9	1.0	-0.3	-4.5	3.3	**2.4**	**0.7**	**0.8**
Contribution to GDP growth:	Domestic demand		0.6	0.2	-3.0	0.9	**1.2**	**1.2**	**0.8**
	Inventories		0.0	-0.1	-0.5	0.2	**0.4**	**0.0**	**0.0**
	Net exports		0.2	-0.4	-0.8	1.0	**-0.6**	**-0.1**	**0.1**
Employment			0.3	0.9	-0.5	-0.1	**0.2**	**-0.1**	**-0.1**
Unemployment rate (a)			4.0	2.4	2.8	2.8	**2.6**	**2.5**	**2.4**
Compensation of employees / head			-0.2	0.8	-0.8	2.0	**2.3**	**3.1**	**2.2**
Unit labour costs whole economy			-0.7	2.1	3.1	-0.3	**1.4**	**1.9**	**1.1**
Saving rate of households (b)			10.3	10.8	18.0	15.0	**14.7**	**14.2**	**13.9**
GDP deflator			-0.5	0.6	0.9	-0.2	**0.2**	**3.4**	**2.5**
Consumer price index			0.2	0.5	0.0	-0.2	**2.5**	**3.2**	**1.8**
Terms of trade goods			-2.4	0.9	6.8	-9.1	**-13.2**	**4.5**	**3.6**
Trade balance (goods) (c)			0.8	0.0	0.5	0.3	**-2.8**	**-2.1**	**-1.3**
Current-account balance (c)			3.0	3.5	2.9	3.9	**2.1**	**2.6**	**3.4**
General government balance (c)			-5.6	-3.0	-9.1	-6.2	**-8.0**	**-6.5**	**-4.4**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			204.3	236.4	258.7	255.4	**258.9**	**255.1**	**252.3**

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

36. CHINA

By abruptly abandoning the strict 'zero-COVID' policy in late 2022, the Chinese authorities eliminated the main downside risk to their economic outlook, kicking off a recovery already in early 2023. Improving consumer spending, in particular on services, is projected to drive growth this year. Investment growth is expected to moderate, as fiscal authorities limit new spending on infrastructure. Private investment remains sluggish due to the still ongoing crisis in the real estate sector and weaker external demand. Reflecting recovering domestic demand, import growth is expected to outpace that of exports and help narrow the sizeable current account surplus. China's structural imbalances are set to weigh on growth in 2023 and 2024.

Growth resumes following end of 'zero-COVID' policy

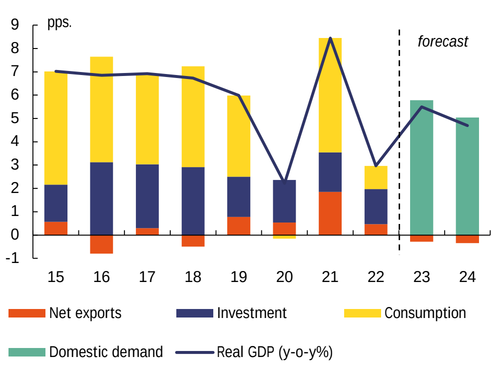
Growth of the Chinese economy slowed down significantly in 2022, due to the strict 'zero-COVID' policy for most of the year. Strict lockdowns decreased economic activity, while households increased precautionary savings in response to poor labour market outcomes and high uncertainty. In early December 2022, the government abandoned its 'dynamic-zero-COVID' policy, which initially impacted labour participation, caused new supply-chain disruptions, and increased consumer caution in contact-intensive services. Although annual GDP growth still reached 3% in 2022, it was the second lowest annual rate since the 1970s and far below the government target of "around 5.5%".

Economic activity started to improve already in late December 2022 and the expansion continued throughout 2023-Q1. Real GDP growth exceeded expectations and reached 4.5% y-o-y and 2.2% q-o-q in 2023-Q1. Despite retail sales increasing markedly only in March (10.8% y-o-y) consumption provided the largest contribution to growth. Investment remained strong, particularly from state-owned enterprises (SOEs) and local governments. Contribution of net exports was neutral, owning to both weak imports and exports.

Growth is expected to rebound to 5.5% in 2023, exceeding the relatively conservative government growth target of 'around 5%'. It is projected to benefit from a favourable base effect and a pent-up demand from household consumption throughout the year. Growth is forecast to weaken to 4.7% in 2024, on the back of high corporate and local government debt imbalances, weak productivity growth and a still subdued external outlook.

The pace of the household consumption recovery is expected to largely determine growth performance in 2023. Supported by improvements in the labour market and reduced uncertainty, consumer confidence is projected to continue improving throughout the year, helping to raise the household spending rate from 66.5% of total household income in 2022 towards its pre-pandemic level of around 70%. Accumulated savings are not expected to provide a major boost to household spending, as China did not provide discretionary household income support during the pandemic, and its social security coverage is still patchy.

Graph II.36.1: **China - Real GDP growth and contributions**



After driving growth in 2022, the investment contribution to growth is expected to be more subdued in 2023. The local government borrowing quota for 2023, a proxy for new infrastructure spending, has been set 5% lower than the outturn in 2022. Investment by SOEs is likely to remain strong, benefiting from favourable access to finance. With restructurings of ailing real estate companies progressing and authorities relaxing some of the financing restrictions for the sector, the amount of completed projects rose 15% y-o-y in 2023 Q1. Still, as commencements of new projects fell around 40% in 2022, and another 5% in 2023 Q1, the contribution of the real estate sector to private investment is expected to be limited in both 2023 and 2024. Furthermore, weaker external demand for Chinese consumer goods should weigh on new private investment in manufacturing capacities.

Net exports are forecast to weigh on growth in both 2023 and 2024. Export growth is expected to remain low as the demand in advanced economies moderates compared to the pandemic period. The shift in composition was already visible in 2023-Q1, as exports to North America and Europe declined by 17% and 3% respectively but were offset by increases in exports to Asia (6.3%) and Africa (19%). Import growth is forecast to pick up, in line with recovering private consumption.

The abandonment of the “zero-COVID” policy is improving labour markets, particularly in services. The unemployment rate decreased in March, and business surveys during 2023 Q1 suggest a pick up in hiring intentions. A moderately tightening labour market is likely to increase labour costs, which added to the recovery in consumption and global commodity prices, could put some upward pressure on inflation in both 2023 and 2024. These pressures, however, are likely to remain well below the inflation rates seen in most of the world.

Policy support to ease despite significant structural risks

Policy support is expected to remain broadly neutral in 2023 but is ready to be strengthened in 2024 in case of a growth slowdown. The National People’s Congress in March set conservative government spending targets, indicating its trust in a strong consumption recovery. Furthermore, the congress called for “prudent” monetary policy, and maintaining stability. However, more “targeted” monetary interventions to boost real estate demand and alleviate pressure on struggling SOEs and local government financing vehicles (LGFVs) could be expected in case of market disturbances.

Risks to growth arise from China’s high debt imbalances, geopolitical uncertainties, and weak demographics. Total debt stood at 296% of GDP in 2022 Q3, 32 pps above its pre-pandemic level and considerably higher than in other developing countries. Although China’s trade surplus increased markedly during the pandemic, strengthening protectionism, friendshoring, and exacerbating confrontation with the US are expected to weigh on China’s trade dominance.

Table II.36.1:
Main features of country forecast - CHINA

		2021		Annual percentage change						
	bn CNY	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP		114923.7	100.0	9.3	6.0	2.2	8.5	**3.0**	**5.5**	**4.7**
Private consumption		43801.5	38.1	-	-	-	-	**-**	**-**	**-**
Public consumption		18167.3	15.8	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation		48211.9	42.0	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		22824.5	19.9	12.4	0.4	2.6	17.4	**-0.7**	**1.1**	**2.3**
Imports (goods and services)		19872.3	17.3	11.9	-3.7	-0.4	8.9	**-5.3**	**3.2**	**4.9**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand			-	-	-	-	**-**	**-**	**-**
	Inventories			-	-	-	-	**-**	**-**	**-**
	Net exports			-	-	-	-	**-**	**-**	**-**
Employment				-	-	-	-	**-**	**-**	**-**
Unemployment rate (a)				4.1	3.6	4.2	4.0	**-**	**-**	**-**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Saving rate of households				-	-	-	-	**-**	**-**	**-**
GDP deflator				3.9	1.3	0.5	4.5	**2.3**	**3.0**	**3.0**
Consumer price index (c)				2.6	2.9	2.5	0.9	**2.0**	**-**	**-**
Terms of trade goods (b)				-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (b)				4.3	2.8	3.5	3.2	**3.7**	**3.3**	**2.9**
Current-account balance (b)				3.9	0.7	1.7	2.0	**2.2**	**1.6**	**1.3**
General government balance (b)				-	-	-	-	**-**	**-**	**-**
Structural budget balance				-	-	-	-	**-**	**-**	**-**
General government gross debt (b)				-	-	-	-	**-**	**-**	**-**

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

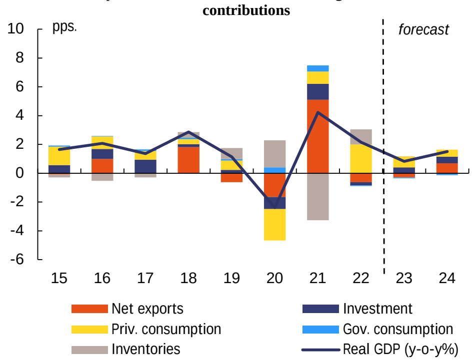
37. EFTA

EFTA countries have so far weathered well the energy-crisis-related turbulences. The economic outlook for all EFTA countries is for moderate growth in 2023 and some acceleration in 2024, reflecting subdued, but strengthening external demand. Public finances are set to remain sound. Due to persistent global uncertainties, the risks to the forecast are largely on the downside.

Switzerland

Economic growth decelerated in the second half of 2022 due to rising inflation, which eroded disposable income, and to weaker external demand, which had a negative bearing on manufacturing output. GDP growth slowed to 0.8% y-o-y, compared to 3.4% in the first half of 2022. The consumer price index rose by 2.8% in 2022, compared to 0.6% in 2021, mainly due to higher import prices. Tourism recovered but did not yet return to pre-pandemic levels. Despite weakening disposable income, domestic demand remained solid, among others reflecting a resilient labour market. The exchange rate against the euro appreciated markedly in 2022-Q3, but has remained rather stable since then, helping to contain import-driven inflationary pressures. In early 2023, and as stress erupted in the US banking sector, the country's second largest bank, *Crédit Suisse*, faced a bank run and was acquired by *UBS*, the country's largest bank. The immediate economic effects of this financial-sector turbulence have remained limited.

Graph II.37.1: **Switzerland - Real GDP growth and contributions**



In 2023, growth dynamics are likely to decelerate markedly, mainly due to a less supportive international environment and tightening global financial conditions. The main growth driver during the forecast period is expected to be private consumption, benefitting from a resilient labour market and a moderating inflation. Investment growth is projected to remain subdued, in particular in 2023, reflecting persistent global uncertainties that are expected to hold back business confidence. Export growth is set to decelerate in 2023, and to strengthen only in 2024. Import growth is projected to remain contained during the forecast period, leading to a small positive growth contribution of net exports in 2024.

Annual consumer price inflation is forecast to fall in 2023, mainly thanks to an expected moderation in energy prices and reflecting base effects from the previous year. Employment growth is expected to remain low in 2023, but to accelerate slightly in 2024, benefiting from the moderately stronger output growth. However, the subdued labour demand is projected to be too modest to bring unemployment rates to pre-pandemic levels within the forecast horizon, in particular as increased labour demand is often met by migrant workers from neighbouring countries. Switzerland's general government budget balance is expected to return to a broadly balanced position in 2023 and to a small surplus in 2024. The gross public debt-to-GDP ratio is set to continue declining, as a result of improving budget balances and solid nominal output growth. However, due to the public support involved in *Crédit Suisse's* takeover, public sector contingent liabilities have increased significantly.

Besides upward and downward risks related to the global economic environment, country-specific risks to the outlook stem from the possibility of more persistent domestic inflationary expectations and a *Crédit Suisse*-related reputational damage to the country's status of being a safe haven in times of global financial stress.

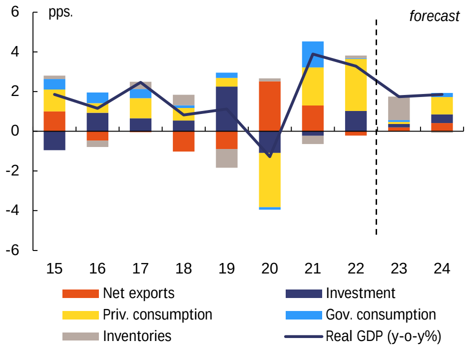
Norway

The economic rebound lost some steam in 2022 but remained solid, with real GDP expanding by 3.3% compared to 3.9% in 2021. Growth was mainly driven by the pick-up in private consumption growth, supported by the lifting of COVID-19 containment measures and a tight labour market. Investment largely recovered thanks to a strong acceleration in business investment growth. Despite a positive terms of trade effect following high energy prices, the external sector subtracted from growth as imports grew at a faster rate than exports due to increased domestic demand after the pandemic.

Economic growth is projected to moderate further in 2023. Private consumption is set to grow only marginally due to the inflation-induced drop in real disposable incomes, negative consumer sentiment and a slight increase in unemployment. Higher interest rates and uncertainty about the economic outlook are set to dampen investment despite an expected rise in oil-sector investment in line with the initiation of new scheduled projects. House price inflation decelerated to 5.2% in 2022 from 10.5% in 2021 and house prices virtually stagnated in the first quarter of 2023. Residential investment contracted by 1.4% in 2022, and it is forecast to decline further in 2023 due to concurrent headwinds such as higher input prices and interest rates. Net exports are expected to add to growth, as imports are set to increase at a slower pace than exports, largely due to subdued domestic demand (excluding stocks).

Output growth is expected to inch-up in 2024 on the back of increased domestic demand as well as a positive contribution of the external sector to growth.

Graph II.37.2: **Norway - Real GDP growth and contributions**



The sustained increases in energy prices following Russia's war of aggression against Ukraine fuelled an acceleration of consumer price inflation to 5.8% in 2022 (up from 3.5% in 2021). In the first three months of 2023, inflation picked up further, to 6.6% y-o-y, thus well above the central bank's target of 2%. On 22 March, the Norges Bank's Executive Board raised the key policy rate by another 25 basis points to 3%, after having lifted it by a cumulative 225 basis points between March 2022 and January.

To help contain inflationary pressures, the government proposes to tighten the fiscal stance by reducing spending financed by oil revenue in 2023. Policymakers anticipate a structural non-oil deficit of 8.8% of mainland GDP, with the overall balance remaining firmly in double-digit surplus, and spending of oil revenues slightly over 2.5% of the sovereign wealth fund's assets.

Domestic risks to the outlook are clearly tilted to the downside. A further depreciation of the Krone could fuel inflationary pressures and eat into private consumption. Uncertainties in the property market and sustained increases in households' debt service burden due to higher interest rates could limit domestic demand. Regarding the external environment, the volatility of energy prices presents both upside and downside risks, while a deterioration in growth prospects of Norway's main trading partners would weigh materially on growth.

Iceland

Real GDP expanded by a solid 6.4% in 2022 on the back of a surge of exports, robust private consumption and investment. Strong export performance was driven by large increases in tourist arrivals (exceeding the pre-pandemic level of 2019), favourable prices for aluminium products and a successful fishing season. Private consumption was supported by strong nominal wage growth (8.3%).

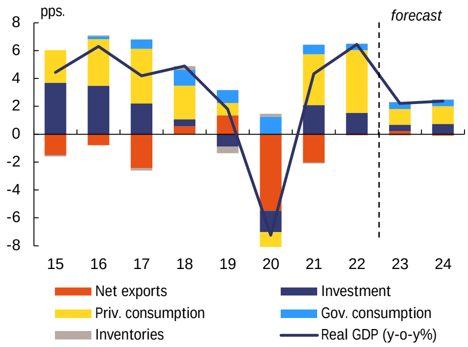
The outlook is for a slowdown in 2023, as higher inflation and interest rates are projected to weaken private consumption and investment. Iceland doesn't have direct exposure to Russia thanks to its reliance on renewable energy, but high import prices of fuels and food are eroding disposable income. This trend is set to be reversed in 2024, in line with declining inflation.

Solid growth resulted in a tight labour market situation with the unemployment rate declining to 3.6% in 2022. The labour force participation rate reached the historic average of 80%. Strong demand for labour was partially met with the increasing inflow of foreign workers. In line with decelerating GDP growth, employment growth is set to moderate, while the rate of unemployment should hover around the current level.

Strong GDP growth and the lifting of the pandemic-related support measures resulted in a substantial reduction of the public deficit in 2022. The sought-after tight fiscal stance, which was confirmed in the 2024–2028 medium-term fiscal strategy, is expected to continue with the aim of restoring fiscal buffers, reducing public debt and contributing to bringing inflation back to target. The growth in budget revenue is set to be supported by higher taxation, including higher corporate taxes and fishing fees, while public spending is forecast to decline on the back of postponed public construction projects and the streamlining of a number of state institutions.

The Central Bank of Iceland increased the key interest rate (rate on seven-day term deposits) in March to a new record high of 7.5%. However, real interest rate remains negative due to high inflation, which eased slightly to 9.9% year-on-year in April after hitting a 13-year high of 10.2% in February. The key drivers were housing costs, and prices of food and fuel. Going forward, inflation is projected to remain elevated in 2023 due to the expected increase in wages and a somewhat weaker ISK as compared to 2022. Price pressures are forecast to moderate in 2024 in line with a cooling housing market and stabilising commodity (oil and food) prices.

Graph II.37.3: **Iceland - Real GDP growth and contributions**



The balance of risks is tilted to the downside. Key risks stem from sluggish growth in main trading partners and further wage increases, which could fuel a wage-price spiral.

Table II.37.1:

Main features of country forecast - EFTA

(Annual percentage change)		Iceland 2021	2022	2023	2024	Norway 2021	2022	2023	2024	Switzerland 2021	2022	2023	2024
GDP		4.3	**6.4**	**2.2**	**2.4**	3.9	**3.3**	**1.7**	**1.9**	4.2	**2.1**	**0.8**	**1.5**
Private Consumption		7.0	**8.6**	**2.2**	**2.5**	4.4	**6.8**	**0.3**	**2.4**	1.6	**4.0**	**1.5**	**1.0**
Public Consumption		2.4	**1.6**	**1.9**	**1.8**	5.0	**0.1**	**0.5**	**1.0**	3.5	**-0.5**	**-0.5**	**-1.2**
Gross fixed capital formation		9.8	**6.9**	**2.0**	**3.3**	-0.8	**4.4**	**0.9**	**1.9**	4.2	**-0.8**	**1.6**	**1.8**
Exports (good and services)		14.7	**20.6**	**3.7**	**3.5**	5.8	**5.9**	**0.5**	**3.0**	12.4	**4.1**	**1.7**	**3.4**
Imports (goods and services)		19.9	**19.7**	**3.2**	**3.7**	1.7	**9.3**	**0.3**	**3.4**	5.0	**5.9**	**2.5**	**2.9**
GNI (GDP deflator)		2.2	**7.5**	**2.2**	**2.4**	2.1	**3.2**	**1.7**	**1.9**	4.3	**3.0**	**0.8**	**1.5**
Contribution to GDP growth:	Domestic demand	6.4	**6.5**	**2.1**	**2.5**	3.0	**3.7**	**0.4**	**1.5**	2.4	**1.7**	**1.1**	**0.8**
	Inventories	-0.1	**0.0**	**-0.1**	**0.0**	-0.4	**0.1**	**1.2**	**-0.1**	-3.3	**1.0**	**0.0**	**0.0**
	Net exports	-2.0	**-0.1**	**0.2**	**-0.1**	1.3	**-0.2**	**0.2**	**0.4**	5.1	**-0.6**	**-0.3**	**0.7**
Employment		1.4	**7.5**	**2.0**	**1.2**	1.3	**3.9**	**0.5**	**0.3**	0.6	**1.5**	**0.8**	**1.0**
Unemployment rate (a)		6.1	**3.8**	**3.7**	**3.9**	4.4	**3.2**	**3.6**	**3.8**	5.1	**4.7**	**4.4**	**4.4**
Compensation of employee/head		7.3	**6.8**	**5.7**	**3.9**	4.9	**4.1**	**4.7**	**4.2**	4.1	**2.2**	**-0.3**	**0.8**
Unit labour cost whole economy		4.2	**7.8**	**5.5**	**2.7**	2.2	**4.7**	**3.4**	**2.6**	0.4	**1.6**	**-0.3**	**0.3**
Saving rate of households (b)		6.2	**6.0**	**4.9**	**3.7**	19.4	**7.8**	**-0.3**	**0.6**	:	**:**	**:**	**:**
GDP deflator		6.6	**9.0**	**6.6**	**3.5**	17.1	**28.0**	**-0.9**	**-1.0**	1.1	**2.7**	**1.7**	**0.9**
National index of consumer prices		4.4	**8.3**	**6.5**	**3.7**	3.5	**5.8**	**4.8**	**3.0**	0.6	**2.8**	**2.2**	**1.3**
Terms of trade goods		6.1	**7.6**	**0.2**	**0.0**	59.6	**61.1**	**-25.2**	**-7.3**	2.0	**0.0**	**0.1**	**0.0**
Trade balance (goods) (c)		-4.4	**-5.7**	**-4.8**	**-5.3**	12.3	**28.2**	**17.5**	**15.4**	13.7	**11.6**	**11.1**	**11.6**
Current account balance ©		-1.8	**-0.3**	**0.2**	**0.1**	13.5	**28.9**	**18.2**	**16.2**	7.1	**7.3**	**7.0**	**7.7**
General government balance (c)		-8.4	**-4.3**	**-2.1**	**-1.6**	10.6	**26.0**	**22.9**	**21.9**	-0.5	**-0.1**	**0.2**	**0.7**
General government gross debt (c)		75.6	**68.7**	**65.2**	**63.2**	42.5	**28.7**	**19.8**	**11.8**	27.9	**26.4**	**25.6**	**24.3**

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

38. RUSSIAN FEDERATION

Russia's international isolation is expected to depress activity in 2023 as sanctions in reaction to its war of aggression against Ukraine continue to bite. However, the ongoing fiscal stimulus, which is expected to further deplete available fiscal buffers, should cushion the adverse economic impact. A modest recovery is forecast in 2024, but the slide of the economy towards more autarchy and war-driven production is set to weigh negatively on Russia's potential growth.

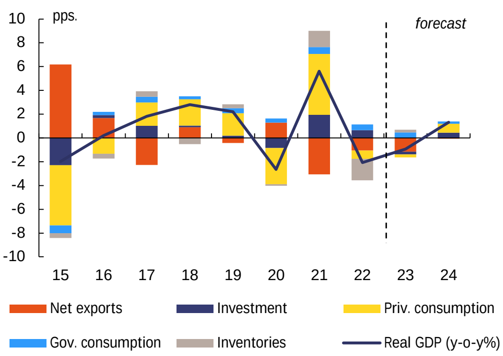
Ongoing fiscal support to cushion the economic fall in 2023

Russian real GDP contracted by 2.1% in 2022, reflecting the adverse economic impact of its war of aggression against Ukraine and the international sanctions. The GDP fall was driven by a slump in exports, despite Russia's ability to redirect its oil exports to new willing buyers, albeit at a discount, and by a decrease in private consumption, amid declining real incomes and outward migration. Companies' inventories were substantially depleted due to import restrictions. The main impetus came from public consumption and investment boosted by demand from the military production and logistics sectors as companies strived to establish new trading routes and supply chains.

Nominal wages are expected to outpace inflation in 2023 due to labour market pressures stemming from partial mobilisation and outward migration. However, private consumption is set to remain depressed, reflecting ongoing war-related uncertainty. Public funds are expected to continue supporting new domestic production capacities to back import substitution policies, additional infrastructure to facilitate a trade shift towards the east, and military production. Nevertheless, investment activity is not expected to retain the pace of the previous year as projects commenced before the war are coming to the completion phase and new private investment is limited by declining profits, departure of Western companies and persisting uncertainty. The ongoing fiscal stimulus is forecast to fully offset these negative developments, with domestic demand having a neutral contribution to growth.

The EU's diversification of gas supplies away from Russia coupled with its embargo on seaborne oil and refined oil products, are expected to hinder export recovery as Russia is unlikely to fully replace lost markets. Imports are projected to recover only gradually amid ongoing sanctions and a weakening ruble reflecting deterioration of the current account surplus on the back of easing energy prices. Net exports are hence set to pose a negative drag on growth. Overall, real GDP is forecast to contract by 0.9% in 2023.

Graph II.38.1: **Russia - Real GDP growth and contributions**



As the economy gradually adjusts to the sanctions, a modest recovery of 1.3% is projected in 2024. However, international isolation and the pivot towards a war economy are expected to channel resources to less productive sectors, weighing negatively on future potential output.

Amid ongoing high war-related uncertainty, the balance of risks to the growth outlook is deemed to be tilted to the downside. Significant negative risks stem from a possible new wave of mobilisation, which could further exacerbate pressures on the labour market, and stronger enforcement of sanctions against Russia's aggression of war against Ukraine, which could hinder production in some sectors more than currently foreseen.

Inflation easing, but several upside risks remain

After a spike in April, inflation continued easing averaging 13.7% in 2022. This allowed the Central Bank of Russia to reduce its benchmark rate from 20% to 7.5% in September. With the post-invasion price shock moving into the baseline, inflation is forecast to decline to 6.4% in 2023 and to drop further to 4.6% in 2024. Elevated inflation expectations and inflationary risks stemming from high fiscal spending, deteriorating terms of trade amid a depreciating ruble, and wage pressures reflecting a tight labour market are expected to limit the room for loosening monetary policy despite the fragile economic outlook.

More spending and less revenue ahead

Despite the high surplus in the first half of 2022, the budget ended the year in a deficit of 2¼% of GDP on the back of falling revenue and sustained high war-driven spending. Given the projected slump in economic activity and depressed energy prices, the fiscal situation is not expected to improve in the short term. Notwithstanding a continued rapid deterioration of the deficit in the first quarter of 2023, which was largely driven by front-loaded expenditure, the deficit is set to remain under control. Moreover, delinking the oil taxes from Urals prices, extracting high dividends from state-owned enterprises, and levying additional taxes on large profitable businesses are expected to alleviate the revenue shortfall. Despite these efforts, the deficit is forecast to exceed the annual target and reach some 3% of GDP due to the ongoing spending pressures to finance military needs and the restructuring of the economy.

With a modest recovery in 2024, the deficit is expected to decline to some 2½% of GDP. Given rising financing costs of the debt, the government is likely to finance a part of the deficit from the National Wealth Fund, like in 2022. This will limit the impact on public debt, which is expected to reach 17% of GDP by 2024, compared to 14¾% in 2022.

Table II.38.1:

Main features of country forecast - RUSSIA

	2021			Annual percentage change						
bn RUB	Curr. prices	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP	135295.0	100.0	3.2	2.2	-2.7	5.6	**-2.1**	**-0.9**	**1.3**
Private Consumption	66597.3	49.2	5.1	3.7	-5.9	9.9	**-1.4**	**-0.5**	**1.5**
Public Consumption	23445.8	17.3	0.9	2.4	1.9	2.9	**2.8**	**2.6**	**1.0**
Gross fixed capital formation	26623.3	19.7	5.1	1.0	-4.0	9.1	**3.3**	**-1.2**	**2.0**
Exports (goods and services)	40446.3	29.9	4.4	0.7	-4.2	3.3	**-13.9**	**-2.5**	**1.7**
Imports (goods and services)	27955.8	20.7	6.8	3.1	-11.9	19.1	**-15.0**	**2.8**	**2.9**
GNI (GDP deflator)	132126.5	97.7	3.2	1.4	-1.8	5.6	**-1.7**	**-1.1**	**1.3**
Contribution to GDP growth:	Domestic demand		3.9	2.5	-3.5	7.5	**0.7**	**0.0**	**1.4**
	Inventories		-0.1	0.3	-0.1	1.4	**-1.8**	**0.2**	**0.0**
	Net exports		-0.3	-0.4	1.3	-3.1	**-1.1**	**-1.1**	**-0.1**
Employment			0.5	-0.8	-1.9	1.3	**0.4**	**-0.1**	**0.3**
Unemployment rate (a)			6.4	4.6	5.8	4.8	**3.9**	**3.7**	**4.0**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			11.1	3.3	0.9	19.0	**15.8**	**3.1**	**4.4**
Consumer price index			9.0	4.5	3.4	6.7	**13.7**	**6.4**	**4.6**
Terms of trade goods			2.3	-5.5	-22.9	35.2	**27.1**	**-14.8**	**-1.9**
Trade balance (goods) (c)			10.2	9.8	6.2	10.3	**13.6**	**9.3**	**8.9**
Current-account balance (c)			5.3	3.9	2.4	6.7	**10.4**	**5.3**	**4.8**
General government balance (c)			1.8	3.0	-2.8	2.4	**-2.2**	**-3.1**	**-2.6**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			13.5	13.7	19.2	16.5	**14.7**	**15.9**	**17.0**

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

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Statistical Annex

European Economic Forecast – Spring 2023

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Prices

Wages, population and labour market

Exchange rates

General Government

Table 1: Gross domestic product, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	2.5	0.7	1.7	2.3	-5.4	6.3	3.2	1.2	1.4	2.8	0.2	1.5
Germany	1.9	0.6	1.9	1.1	-3.7	2.6	1.8	0.2	1.4	1.6	-0.6	1.4
Estonia	5.6	-0.4	3.5	3.7	-0.6	8.0	-1.3	-0.4	3.1	-0.1	0.7	2.1
Ireland	3.6	-0.3	10.3	5.4	6.2	13.6	12.0	5.5	5.0	7.9	3.2	3.1
Greece	2.8	-5.9	0.5	1.9	-9.0	8.4	5.9	2.4	1.9	6.0	1.0	2.0
Spain	3.1	-1.8	2.7	2.0	-11.3	5.5	5.5	1.9	2.0	4.5	1.0	2.0
France	1.9	0.4	1.5	1.8	-7.8	6.8	2.6	0.7	1.4	2.6	0.4	1.5
Croatia	4.1	-2.3	2.4	3.4	-8.5	13.1	6.2	1.6	2.3	6.0	1.0	1.7
Italy	0.9	-1.6	0.9	0.5	-9.0	7.0	3.7	1.2	1.1	3.8	0.3	1.1
Cyprus	4.7	-1.9	3.9	5.5	-4.4	6.6	5.6	2.3	2.7	5.6	1.0	1.9
Latvia	7.4	-1.7	3.1	2.6	-2.3	4.3	2.8	1.4	2.8	1.9	-0.3	2.6
Lithuania	7.1	-0.3	3.3	4.6	0.0	6.0	1.9	0.5	2.7	2.5	0.5	2.4
Luxembourg	4.1	1.2	2.5	2.3	-0.8	5.1	1.5	1.6	2.4	1.5	1.0	2.4
Malta	2.9	2.9	7.5	7.0	-8.6	11.8	6.9	3.9	4.1	5.7	2.8	3.7
Netherlands	2.7	-0.4	2.2	2.0	-3.9	4.9	4.5	1.8	1.2	4.6	0.6	1.3
Austria	2.7	0.3	1.7	1.5	-6.5	4.6	5.0	0.4	1.6	4.6	0.3	1.1
Portugal	1.4	-1.6	2.2	2.7	-8.3	5.5	6.7	2.4	1.8	6.6	0.7	1.7
Slovakia	7.3	1.1	3.3	2.5	-3.3	4.9	1.7	1.7	2.1	1.9	0.5	1.9
Slovenia	4.9	-1.9	3.5	3.5	-4.3	8.2	5.4	1.2	2.2	6.2	0.8	1.7
Finland	3.4	-1.0	1.5	1.2	-2.4	3.0	2.1	0.2	1.4	2.3	0.2	1.4
Euro area	2.1	-0.4	1.9	1.6	-6.1	5.4	3.5	1.1	1.6	3.2	0.3	1.5
Bulgaria	6.6	0.1	2.6	4.0	-4.0	7.6	3.4	1.5	2.4	3.1	1.1	2.4
Czechia	5.3	-0.3	3.7	3.0	-5.5	3.6	2.5	0.2	2.6	2.5	0.1	1.8
Denmark	1.9	-0.1	2.4	1.5	-2.0	4.9	3.8	0.3	1.5	3.0	0.0	1.3
Hungary	2.9	-0.7	3.9	4.9	-4.5	7.2	4.6	0.5	2.8	5.5	0.1	2.6
Poland	5.2	2.6	4.4	4.5	-2.0	6.9	5.1	0.7	2.7	4.0	0.7	2.6
Romania	7.9	-0.6	4.9	3.9	-3.7	5.8	4.7	3.2	3.5	5.8	1.8	2.2
Sweden	3.0	1.0	2.7	2.0	-2.2	5.4	2.6	-0.5	1.1	2.9	-0.6	0.8
EU	2.3	-0.2	2.1	1.8	-5.6	5.4	3.5	1.0	1.7	3.3	0.3	1.6
United Kingdom	1.9	0.4	2.4	1.6	-11.0	7.6	4.1	-0.2	1.0	4.2	-0.9	0.9
Japan	1.1	0.3	1.0	-0.4	-4.3	2.1	1.0	1.1	1.0	1.7	1.6	1.2
United States	2.4	1.1	2.4	2.3	-2.8	5.9	2.1	1.4	1.0	1.8	0.7	1.7

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2022-24) 28.04.2023

	2022/1	2022/2	2022/3	2022/4	2023/1	2023/2	2023/3	2023/4	2024/1	2024/2	2024/3	2024/4
Belgium	0.6	0.5	0.3	0.1	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.3
Germany	0.8	0.1	0.5	-0.4	0.0	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Estonia	-0.4	-1.2	-1.3	-1.6	0.6	0.7	0.8	0.6	0.8	0.8	0.7	1.3
Ireland	7.2	2.3	2.8	0.3	-2.7	:	:	:	:	:	:	:
Greece	2.2	1.1	0.4	1.4	:	:	:	:	:	:	:	:
Spain	0.0	2.2	0.2	0.2	0.5	0.2	0.4	0.4	0.5	0.6	0.6	0.5
France	-0.2	0.5	0.1	0.0	0.2	0.1	0.3	0.4	0.2	0.4	0.4	0.5
Croatia	2.3	1.3	-0.5	0.6	0.3	0.5	0.5	0.7	0.4	0.7	0.7	0.6
Italy	0.1	1.0	0.4	-0.1	0.5	0.3	0.3	0.2	0.3	0.3	0.3	0.3
Cyprus	1.9	-0.2	1.6	1.1	:	:	:	:	:	:	:	:
Latvia	1.5	-0.2	-1.2	1.2	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.8
Lithuania	0.2	-0.7	0.7	-0.5	0.1	0.4	0.5	0.6	0.7	0.8	0.8	0.8
Luxembourg	0.5	-0.3	1.5	-3.8	3.1	1.1	1.1	0.8	0.4	0.4	0.4	0.5
Malta	1.0	1.1	1.4	1.2	:	:	:	:	:	:	:	:
Netherlands	0.1	2.7	0.0	0.6	0.4	0.2	0.2	0.2	0.3	0.4	0.4	0.4
Austria	0.8	2.1	0.1	0.0	-0.3	0.0	0.2	0.3	0.4	0.5	0.6	0.6
Portugal	2.3	0.2	0.3	0.3	1.6	0.1	0.3	0.4	0.5	0.5	0.5	0.5
Slovakia	0.2	0.2	0.3	0.3	0.3	0.5	0.8	0.9	0.3	0.3	0.4	0.6
Slovenia	1.0	0.8	-1.3	0.8	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Finland	-0.1	1.0	-0.2	-0.4	0.0	0.1	0.3	0.4	0.4	0.4	0.4	0.4
Euro area	0.6	0.9	0.4	-0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.4
Bulgaria	0.4	0.7	0.6	0.6	0.5	0.0	0.0	0.0	0.6	0.9	1.4	1.5
Czechia	0.6	0.3	-0.3	-0.4	0.1	0.2	0.3	0.5	0.7	0.8	0.9	0.9
Denmark	-0.4	1.3	0.1	0.6	-0.8	0.2	0.2	0.3	0.5	0.4	0.4	0.4
Hungary	1.3	0.7	-0.7	-0.4	-0.5	1.1	1.0	0.6	0.6	0.7	0.8	0.8
Poland	4.2	-2.2	1.1	-2.4	:	:	:	:	:	:	:	:
Romania	1.3	1.2	1.2	1.0	0.7	0.5	0.6	0.5	0.8	1.2	1.2	1.2
Sweden	-0.3	0.3	0.4	-0.4	0.2	-1.1	0.0	0.6	0.3	0.3	0.5	0.4
EU	0.7	0.7	0.4	-0.1	0.3	0.2	0.3	0.3	0.4	0.4	0.5	0.5
United Kingdom	0.5	0.1	-0.1	0.1	0.1	-0.5	0.0	0.3	0.3	0.5	0.4	0.5
Japan	-0.5	1.2	-0.3	0.0	0.5	0.3	0.3	0.3	0.2	0.2	0.2	0.3
United States	-0.4	-0.1	0.8	0.6	0.3	0.2	0.1	0.1	0.2	0.3	0.4	0.5

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2022-24) 28.04.2023

	2022/1	2022/2	2022/3	2022/4	2023/1	2023/2	2023/3	2023/4	2024/1	2024/2	2024/3	2024/4
Belgium	5.4	4.1	2.1	1.5	1.3	1.1	1.1	1.4	1.3	1.4	1.4	1.3
Germany	3.5	1.7	1.4	0.9	0.2	0.3	0.1	0.8	1.2	1.3	1.5	1.6
Estonia	3.3	-0.6	-2.4	-4.4	-3.4	-1.5	0.6	2.9	3.0	3.0	2.8	3.5
Ireland	11.9	12.3	11.3	13.1	2.6	:	:	:	:	:	:	:
Greece	7.5	7.3	4.4	5.2	:	:	:	:	:	:	:	:
Spain	6.9	7.8	4.7	2.6	3.1	1.0	1.2	1.3	1.4	1.9	2.2	2.4
France	4.7	4.2	1.0	0.4	0.8	0.4	0.6	1.0	1.1	1.4	1.6	1.6
Croatia	7.5	8.4	5.4	3.7	1.6	0.8	1.8	1.9	2.0	2.3	2.4	2.3
Italy	6.5	5.1	2.5	1.4	1.8	1.0	1.0	1.2	1.1	1.1	1.1	1.2
Cyprus	6.7	6.1	5.3	4.5	:	:	:	:	:	:	:	:
Latvia	6.0	3.3	0.8	1.2	0.3	0.9	2.8	2.2	2.4	2.7	2.8	3.1
Lithuania	4.5	2.2	1.4	-0.4	-0.5	0.6	0.4	1.5	2.2	2.6	2.9	3.1
Luxembourg	2.7	2.2	3.7	-2.2	0.3	1.7	1.4	6.2	3.4	2.7	2.0	1.6
Malta	8.2	9.4	5.3	4.7	:	:	:	:	:	:	:	:
Netherlands	6.1	5.2	3.4	3.5	3.7	1.2	1.4	0.9	0.8	1.1	1.3	1.5
Austria	8.6	6.5	2.2	3.0	1.8	-0.2	-0.1	0.2	0.9	1.4	1.9	2.3
Portugal	11.9	7.4	4.8	3.2	2.4	2.3	2.3	2.3	1.3	1.7	1.9	2.1
Slovakia	3.0	1.5	1.2	1.0	1.2	1.4	1.9	2.5	2.5	2.3	2.0	1.6
Slovenia	9.6	8.3	3.9	1.3	0.6	0.3	2.1	1.9	2.1	2.2	2.2	2.3
Finland	3.5	3.0	1.7	0.3	0.4	-0.5	0.1	0.8	1.2	1.4	1.4	1.4
Euro area	5.5	4.4	2.5	1.8	1.3	0.7	0.7	1.1	1.2	1.4	1.5	1.6
Bulgaria	5.1	4.6	3.2	2.3	2.5	1.7	1.1	0.6	0.7	1.6	3.0	4.5
Czechia	4.7	3.5	1.5	0.3	-0.3	-0.3	0.3	1.1	1.7	2.4	2.9	3.4
Denmark	5.4	4.5	3.9	1.6	1.1	0.0	0.2	-0.1	1.3	1.5	1.6	1.7
Hungary	7.9	6.1	3.8	0.9	-0.9	-0.5	1.3	2.3	3.3	2.8	2.5	2.7
Poland	10.7	5.9	4.8	0.6	:	:	:	:	:	:	:	:
Romania	4.6	4.0	4.4	4.8	4.2	3.5	2.8	2.3	2.4	3.1	3.8	4.5
Sweden	4.6	4.0	2.5	-0.1	0.4	-0.9	-1.3	-0.3	-0.1	1.3	1.8	1.6
EU	5.7	4.4	2.6	1.7	1.3	0.6	0.6	1.1	1.3	1.5	1.6	1.7
United Kingdom	10.6	3.8	2.0	0.6	0.2	-0.4	-0.4	-0.2	0.0	1.0	1.5	1.6
Japan	0.5	1.2	1.3	0.4	1.2	0.4	0.9	1.1	0.9	0.8	0.8	0.8
United States	2.3	1.1	1.2	0.5	1.0	1.2	0.8	0.5	0.4	0.5	0.7	0.9

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 4: Gross domestic product per capita (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	1.9	-0.1	1.2	1.7	-5.8	5.8	**2.4**	**0.6**	**1.0**	*2.1*	*-0.4*	*1.2*
Germany	2.1	0.6	1.4	0.8	-3.8	2.6	**1.1**	**-0.6**	**1.1**	*0.7*	*-1.1*	*1.3*
Estonia	6.1	-0.1	3.5	3.3	-0.9	7.9	**-1.4**	**-2.3**	**3.0**	*-2.4*	*-0.2*	*2.2*
Ireland	1.2	-0.9	9.2	4.0	5.1	12.7	**9.9**	**3.8**	**4.1**	*6.0*	*1.6*	*1.7*
Greece	2.5	-5.7	0.9	2.0	-8.8	9.0	**6.5**	**3.0**	**2.3**	*6.4*	*1.4*	*2.3*
Spain	1.3	-2.0	2.6	1.2	-11.8	5.6	**4.8**	**1.3**	**1.2**	*3.5*	*0.3*	*1.3*
France	1.2	-0.1	1.0	1.4	-8.1	6.5	**2.2**	**0.4**	**1.1**	*2.2*	*0.1*	*1.2*
Croatia	4.0	-2.0	3.2	4.0	-8.1	15.6	**7.6**	**1.8**	**2.8**	*6.4*	*1.3*	*1.9*
Italy	0.3	-1.9	1.1	0.7	-8.5	7.5	**4.0**	**1.2**	**1.2**	*3.2*	*-0.2*	*1.2*
Cyprus	2.8	-3.7	3.7	4.1	-5.4	5.6	**4.2**	**1.0**	**1.7**	*3.6*	*-0.3*	*0.9*
Latvia	8.5	-0.1	4.0	3.3	-1.7	5.3	**2.6**	**1.9**	**3.5**	*1.6*	*0.2*	*3.4*
Lithuania	8.5	1.3	4.4	4.9	0.0	5.5	**1.0**	**0.2**	**3.1**	*1.9*	*0.2*	*3.1*
Luxembourg	2.4	-0.9	0.2	0.2	-2.3	3.5	**-0.7**	**-0.9**	**0.4**	*-1.0*	*-1.3*	*0.4*
Malta	2.4	2.0	4.7	2.9	-10.6	11.2	**4.4**	**2.1**	**2.2**	*3.6*	*1.0*	*2.0*
Netherlands	2.4	-0.8	1.7	1.3	-4.4	4.3	**3.5**	**1.0**	**0.5**	*4.1*	*-0.2*	*0.5*
Austria	2.2	-0.1	0.8	1.1	-6.9	4.2	**3.8**	**0.1**	**1.4**	*3.4*	*-0.4*	*0.8*
Portugal	1.2	-1.4	2.5	2.7	-8.4	5.6	**6.8**	**2.3**	**1.7**	*6.6*	*0.7*	*1.7*
Slovakia	7.2	1.1	3.2	2.4	-3.5	5.2	**0.6**	**1.3**	**2.1**	*0.8*	*0.0*	*1.9*
Slovenia	4.6	-2.2	3.4	2.6	-4.9	8.0	**5.3**	**1.0**	**2.0**	*6.2*	*0.6*	*1.5*
Finland	3.0	-1.5	1.2	1.1	-2.5	2.8	**1.8**	**-0.2**	**1.2**	*1.7*	*-0.1*	*1.3*
Euro area	1.6	-0.6	1.7	1.3	-6.2	5.3	**3.0**	**0.6**	**1.3**	*2.5*	*-0.2*	*1.3*
Bulgaria	7.2	1.0	3.3	4.8	-3.4	8.5	**4.2**	**1.0**	**3.0**	*3.8*	*1.7*	*3.0*
Czechia	4.8	-0.4	3.5	2.6	-5.8	3.6	**2.5**	**-0.1**	**2.5**	*-0.2*	*-1.1*	*1.8*
Denmark	1.5	-0.6	1.8	1.1	-2.2	4.4	**2.9**	**-0.3**	**1.1**	*2.3*	*-0.6*	*0.7*
Hungary	3.1	-0.4	4.2	4.9	-4.3	7.6	**4.9**	**0.7**	**3.2**	*5.2*	*0.1*	*2.8*
Poland	5.2	2.4	4.5	4.5	-1.9	7.5	**6.1**	**-1.5**	**3.8**	*1.4*	*-0.4*	*2.8*
Romania	9.0	-0.1	5.4	4.3	-3.1	6.6	**5.2**	**3.2**	**3.9**	*6.6*	*2.6*	*3.1*
Sweden	2.4	0.2	1.6	1.0	-2.9	4.8	**1.9**	**-1.2**	**0.4**	*2.5*	*-0.9*	*0.5*
EU	2.0	-0.4	2.0	1.6	-5.7	5.5	**3.3**	**0.4**	**1.6**	*2.5*	*-0.2*	*1.4*
United Kingdom	1.2	-0.3	1.7	1.1	-11.4	7.2	**3.4**	**-0.6**	**0.6**	*3.9*	*-1.2*	*0.6*
Japan	1.1	0.4	1.1	-0.3	-4.0	2.3	**1.5**	**1.6**	**1.5**	*2.2*	*2.2*	*1.8*
United States	1.5	0.3	1.6	1.8	-3.1	5.8	**1.7**	**0.9**	**0.5**	*0.8*	*0.3*	*1.2*

Table 5: Domestic demand, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	2.8	0.7	2.0	1.9	-5.8	5.6	3.2	1.5	1.5	2.4	0.4	1.8
Germany	1.1	0.6	2.1	1.7	-3.0	1.9	3.1	-0.4	1.4	3.2	-0.7	1.5
Estonia	6.2	-1.0	4.1	1.7	6.2	6.4	1.1	0.4	3.4	-1.5	0.5	1.9
Ireland	4.1	-2.5	8.2	43.2	-10.9	-17.6	14.5	2.3	2.5	3.5	1.5	2.3
Greece	3.0	-7.7	0.7	1.1	-3.4	7.2	8.2	1.8	1.4	5.2	0.8	1.5
Spain	3.6	-3.5	2.9	1.7	-9.4	5.3	3.1	1.4	2.3	1.5	1.0	1.8
France	2.3	0.4	1.6	2.1	-6.6	6.6	3.2	0.6	1.4	2.8	0.3	1.6
Croatia	4.6	-3.7	2.4	3.4	-3.1	6.1	6.3	1.6	2.1	5.1	1.3	1.8
Italy	0.7	-2.3	1.2	-0.2	-8.4	7.0	4.3	0.7	0.8	4.5	0.3	1.0
Cyprus	7.2	-4.6	4.3	6.1	-3.7	3.0	9.8	1.7	2.0	3.7	0.5	1.4
Latvia	8.3	-3.2	3.0	3.2	-2.3	9.8	4.6	1.1	2.6	3.7	-0.5	2.2
Lithuania	9.4	-3.4	3.7	1.5	-3.7	6.9	1.7	0.6	2.7	1.7	-0.2	2.2
Luxembourg	3.0	2.0	2.5	4.1	-2.8	8.2	2.0	1.3	2.3	2.2	2.1	2.7
Malta	2.7	1.0	6.2	8.2	-3.5	7.9	13.0	1.5	3.7	3.8	2.2	3.3
Netherlands	2.3	-1.0	2.1	3.0	-4.2	3.9	4.0	1.9	1.3	3.9	1.0	1.1
Austria	2.1	0.3	1.8	0.4	-5.6	6.6	2.1	0.6	1.4	2.5	0.2	1.2
Portugal	1.8	-3.3	2.6	3.1	-5.4	5.7	4.5	1.4	1.9	4.5	1.3	2.1
Slovakia	6.9	-1.2	3.8	3.9	-5.0	5.8	3.3	2.5	1.5	2.7	0.5	1.7
Slovenia	4.7	-3.5	3.0	3.5	-4.7	9.9	8.0	1.3	2.3	7.5	-0.1	1.6
Finland	3.1	-0.2	1.8	-0.4	-1.7	3.0	4.9	-1.1	0.8	2.6	0.4	1.2
Euro area	2.0	-0.9	2.1	2.4	-5.8	4.2	3.8	0.6	1.5	3.2	0.2	1.5
Bulgaria	9.4	-2.8	2.9	4.8	0.1	7.5	4.6	1.7	2.2	6.0	1.9	2.5
Czechia	4.0	-1.2	3.8	3.2	-5.5	7.7	2.4	-0.2	2.4	2.5	0.0	1.7
Denmark	2.9	-0.6	2.6	0.5	-0.1	4.6	1.0	-1.1	1.0	1.4	-1.1	1.1
Hungary	1.6	-2.2	4.4	7.2	-2.6	6.3	3.9	-0.7	2.0	6.1	-1.1	1.8
Poland	6.1	1.3	4.7	3.3	-2.7	8.5	5.1	-0.8	2.3	5.3	-0.1	2.3
Romania	11.9	-2.7	5.9	5.3	-2.1	7.0	5.2	3.7	3.8	6.3	1.9	2.5
Sweden	2.8	1.2	3.1	0.2	-2.3	5.7	3.4	-2.1	0.5	4.4	-1.1	0.0
EU	2.3	-0.8	2.3	2.5	-5.3	4.6	3.8	0.5	1.5	3.3	0.1	1.5
United Kingdom	1.8	0.6	2.6	1.8	-12.3	9.0	4.3	-0.9	0.6	6.5	-1.8	0.7
Japan	0.5	0.7	0.7	0.0	-3.4	1.1	1.6	1.1	0.8	2.2	1.4	0.9
United States	2.2	0.9	2.6	2.3	-2.5	7.0	2.4	0.7	0.8	2.1	0.2	1.3

Table 6: Final demand, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	3.7	0.6	3.0	2.1	-5.5	8.1	4.1	1.4	2.0	3.2	0.9	2.5
Germany	3.1	1.1	2.7	1.6	-5.1	4.4	3.0	0.3	2.0	2.6	-0.2	2.0
Estonia	8.2	1.9	3.5	3.6	1.2	11.9	2.8	0.6	3.2	1.4	1.0	2.7
Ireland	4.3	0.4	12.2	23.4	1.7	2.1	14.8	5.3	4.6	8.6	3.7	3.6
Greece	3.8	-6.6	2.0	2.2	-8.5	11.1	7.3	3.3	2.6	7.2	1.8	2.5
Spain	3.6	-2.3	3.2	1.8	-12.2	7.4	6.1	2.2	2.6	5.6	1.5	2.7
France	2.6	0.6	2.1	2.0	-9.0	7.1	4.1	1.5	2.0	3.9	1.0	2.4
Croatia	4.6	-2.9	3.8	4.5	-9.8	14.5	12.7	2.1	2.7	12.1	1.5	2.3
Italy	1.4	-1.8	1.7	0.2	-9.7	8.7	5.6	1.1	1.4	6.1	0.8	1.8
Cyprus	5.6	-2.5	5.8	7.2	-1.1	7.7	11.6	2.2	2.8	5.7	1.0	1.8
Latvia	9.2	-1.0	3.7	2.8	-1.6	8.3	6.3	1.6	2.6	5.2	-0.1	2.5
Lithuania	9.9	0.3	4.2	5.2	-1.9	11.4	6.4	1.2	3.7	4.2	0.3	3.7
Luxembourg	5.3	2.6	3.6	4.4	-0.6	9.3	0.0	2.3	3.3	2.6	1.5	3.5
Malta	6.6	2.7	8.0	9.5	-2.3	6.8	8.6	2.9	3.3	6.0	2.8	3.7
Netherlands	3.6	0.4	3.4	2.5	-4.3	4.5	4.3	2.9	1.5	4.2	1.2	1.4
Austria	3.5	0.5	2.5	1.7	-7.5	7.6	5.4	1.0	1.8	5.4	0.6	1.1
Portugal	2.3	-1.8	3.5	3.4	-9.4	7.7	8.0	2.7	2.3	7.9	1.7	2.2
Slovakia	10.0	1.5	4.3	2.4	-5.6	8.2	2.8	2.9	3.6	0.6	1.1	2.4
Slovenia	7.1	-1.9	4.7	4.0	-6.6	12.0	7.3	2.0	3.1	7.3	1.6	2.6
Finland	4.7	-1.0	2.0	1.5	-3.4	3.8	4.0	-0.3	1.6	2.3	0.9	2.0
Euro area	3.0	-0.2	2.9	2.6	-6.8	6.3	4.9	1.5	2.1	4.3	0.8	2.2
Bulgaria	10.1	-0.5	3.7	4.5	-4.1	8.8	6.0	2.1	2.6	6.4	1.7	2.8
Czechia	8.0	0.7	4.8	2.4	-6.6	7.3	3.8	2.0	3.3	3.4	1.1	2.7
Denmark	3.8	-0.2	3.0	2.0	-2.5	5.9	4.0	-0.2	1.2	3.0	0.9	2.6
Hungary	6.7	-0.5	5.3	6.3	-4.2	7.4	7.5	1.3	3.1	6.3	1.0	3.2
Poland	6.9	2.2	5.6	4.0	-2.1	9.9	5.5	0.4	2.8	4.9	1.0	3.2
Romania	12.3	-0.2	6.6	5.3	-4.1	8.5	6.4	3.8	4.1	6.8	2.3	3.2
Sweden	4.0	0.9	3.4	2.0	-3.3	7.1	4.4	-0.7	1.2	4.3	-0.7	1.0
EU	3.4	-0.1	3.1	2.7	-6.4	6.5	4.9	1.4	2.2	4.4	0.8	2.3
United Kingdom	2.4	0.7	2.8	1.9	-12.3	7.3	5.6	-1.7	0.5	6.6	-1.0	1.0
Japan	1.5	0.4	1.3	-0.2	-4.7	2.5	2.1	1.7	1.2	2.5	1.7	1.2
United States	2.7	1.2	2.6	2.1	-3.7	6.9	2.8	1.0	1.0	2.6	0.5	1.7

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	1.5	1.5	1.5	1.7	-8.3	5.5	4.1	2.6	1.7	3.7	1.1	2.5
Germany	0.6	0.9	1.7	1.6	-5.7	0.4	4.3	0.0	1.8	4.5	-0.9	1.5
Estonia	6.8	-1.1	4.0	4.6	-1.0	6.4	2.3	0.3	4.2	4.0	0.9	2.8
Ireland	4.8	-1.4	3.3	2.5	-11.9	4.7	6.6	4.1	3.9	5.3	1.3	2.6
Greece	3.5	-5.6	0.6	1.9	-7.7	5.8	7.8	1.6	1.4	5.8	1.0	1.5
Spain	3.0	-2.4	2.4	1.1	-12.2	6.0	4.4	0.9	2.3	1.5	0.6	1.6
France	1.9	0.6	1.3	1.8	-6.7	5.3	2.9	0.1	1.5	2.5	0.7	1.6
Croatia	3.7	-2.7	1.5	4.1	-5.1	9.9	5.1	1.2	1.8	4.6	0.4	1.2
Italy	0.7	-1.3	1.1	0.2	-10.4	4.7	4.6	0.1	1.2	3.7	0.1	1.0
Cyprus	6.6	-2.6	3.6	3.9	-6.8	4.5	7.7	1.9	2.2	4.9	1.2	1.3
Latvia	8.0	-0.7	2.4	0.2	-4.6	8.1	8.1	3.0	2.8	6.0	-1.6	2.2
Lithuania	9.5	-2.1	3.8	2.7	-2.4	8.0	0.5	0.1	3.1	1.2	-0.8	2.4
Luxembourg	1.9	2.1	3.0	2.3	-7.3	9.5	2.8	2.4	2.7	2.6	1.7	2.7
Malta	2.2	2.0	4.7	4.0	-10.5	8.1	10.1	3.8	4.0	7.0	3.7	4.0
Netherlands	0.9	-0.8	1.6	0.9	-6.4	3.6	6.5	2.1	1.2	5.8	0.2	1.1
Austria	1.7	0.7	1.1	0.5	-8.0	3.6	4.1	1.4	2.1	4.2	-0.5	1.2
Portugal	1.9	-2.0	2.3	3.3	-7.0	4.7	5.8	0.5	1.5	5.4	0.5	1.6
Slovakia	6.6	-0.4	3.4	2.7	-1.1	2.6	5.5	0.6	0.8	4.2	-1.5	1.8
Slovenia	3.0	-0.5	2.7	5.3	-6.9	9.5	8.9	1.7	1.9	8.1	-0.3	1.6
Finland	3.3	0.5	1.4	0.7	-3.8	3.6	2.1	0.1	1.2	2.5	0.2	1.3
Euro area	1.6	-0.4	1.6	1.4	-7.7	3.7	4.3	0.6	1.7	3.7	0.1	1.5
Bulgaria	8.0	-0.1	2.5	6.0	-0.6	8.8	4.8	3.6	1.5	3.0	0.6	1.5
Czechia	3.5	0.2	3.3	2.7	-7.2	4.1	-0.9	-2.2	3.3	0.8	0.2	2.3
Denmark	2.7	-0.3	2.3	1.6	-1.4	4.2	-2.3	0.1	1.3	-1.5	-0.6	1.7
Hungary	1.2	-1.9	4.2	5.0	-1.2	4.6	6.4	-0.7	2.8	7.2	-1.5	2.6
Poland	4.6	1.9	4.3	3.4	-3.4	6.1	3.3	-0.1	2.7	4.2	2.3	2.4
Romania	11.9	-2.1	7.4	3.4	-3.9	8.1	5.5	3.8	3.2	6.7	1.1	1.6
Sweden	2.7	1.9	2.7	0.7	-3.2	6.3	2.1	-1.7	1.2	4.0	-1.0	-0.2
EU	1.9	-0.3	1.9	1.5	-7.1	4.0	4.0	0.5	1.8	3.7	0.1	1.5
United Kingdom	1.8	0.6	2.8	1.1	-13.2	6.2	5.6	-0.5	0.4	5.0	-0.8	1.2
Japan	0.7	1.1	-0.1	-0.6	-4.7	0.4	2.1	1.0	0.8	3.3	1.5	0.8
United States	2.5	1.0	2.7	2.0	-3.0	8.3	2.7	1.8	0.5	2.6	0.7	0.9

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	1.7	0.8	0.8	2.3	0.1	5.0	3.2	0.7	0.7	1.1	-0.4	-0.4
Germany	1.3	1.6	2.2	2.6	4.0	3.8	1.2	-0.3	1.4	2.2	-0.6	1.0
Estonia	4.2	0.9	2.0	3.1	2.8	4.0	-0.3	4.3	0.7	0.6	5.0	-0.5
Ireland	3.6	-2.8	4.0	6.5	10.5	6.1	1.6	0.3	-0.5	2.0	-0.7	2.9
Greece	3.6	-4.1	-0.7	2.1	2.6	2.2	-1.6	-0.2	-1.4	0.6	-3.7	0.8
Spain	5.8	-0.1	1.1	1.9	3.5	2.9	-0.7	1.7	0.6	-1.6	1.0	1.0
France	1.5	1.6	1.2	1.0	-4.0	6.4	2.6	1.1	0.9	2.4	1.0	0.8
Croatia	3.6	0.6	1.1	3.1	4.3	3.0	3.2	3.1	2.5	2.4	2.1	2.3
Italy	0.5	-0.9	-0.1	-0.6	0.0	1.5	0.0	0.4	-1.3	0.0	-0.3	-0.5
Cyprus	3.4	0.2	-0.2	12.0	11.5	9.0	0.1	1.7	1.6	2.8	-0.3	0.6
Latvia	3.4	-2.8	2.7	3.9	2.4	4.4	2.8	0.9	1.3	2.1	1.5	1.5
Lithuania	2.4	-0.6	0.1	-0.3	-1.4	0.9	0.5	0.5	0.2	0.7	0.8	-0.1
Luxembourg	2.0	3.8	2.7	2.6	7.8	5.4	3.8	3.7	2.3	3.4	4.2	3.0
Malta	3.2	0.9	3.8	13.2	15.8	6.9	2.4	5.0	3.3	6.8	-2.6	1.8
Netherlands	3.0	0.8	0.9	2.8	1.6	5.2	1.5	2.3	1.4	1.3	2.7	1.2
Austria	2.4	0.7	1.1	1.3	-0.5	7.8	2.9	-0.4	0.3	2.4	0.6	1.0
Portugal	1.3	-1.7	0.4	2.1	0.3	4.6	1.7	2.7	1.3	1.8	2.1	1.9
Slovakia	3.0	1.0	2.5	4.5	-0.6	4.2	-4.3	2.9	1.3	-0.9	-0.4	-0.1
Slovenia	3.3	-0.5	1.6	1.8	4.1	5.8	0.9	0.6	1.8	0.6	1.3	0.6
Finland	1.5	0.6	0.8	2.0	1.2	3.9	2.9	1.3	0.2	1.1	0.1	0.4
Euro area	1.9	0.6	1.2	1.7	1.0	4.3	1.3	0.7	0.7	1.4	0.3	0.8
Bulgaria	2.4	-0.6	2.7	2.0	8.3	0.4	6.5	3.9	4.0	8.4	3.6	2.7
Czechia	0.4	0.1	2.2	2.5	4.2	1.4	0.6	1.7	1.5	0.2	0.9	1.3
Denmark	1.9	0.9	0.9	0.8	-1.4	4.2	-3.5	-0.1	1.1	0.9	-0.6	1.4
Hungary	0.7	0.5	2.5	5.9	-0.5	1.7	0.8	0.0	0.9	0.8	0.0	0.9
Poland	4.0	1.3	2.9	6.5	4.9	5.0	-2.0	0.5	2.7	0.2	0.6	0.9
Romania	2.7	-0.3	2.0	7.2	1.1	1.3	4.3	-0.9	3.1	0.3	0.8	2.5
Sweden	0.7	1.4	1.6	0.3	-1.8	2.8	0.0	0.7	0.1	0.1	0.2	0.1
EU	1.9	0.6	1.3	1.9	1.0	4.2	1.1	0.7	0.8	1.3	0.3	0.8
United Kingdom	2.4	0.6	1.0	4.1	-7.3	12.5	1.8	2.1	1.8	1.0	1.4	1.1
Japan	0.7	1.8	1.1	1.9	2.4	3.5	1.5	0.5	0.4	2.0	1.3	0.8
United States	1.5	-0.5	0.8	3.4	2.2	1.3	-0.2	1.8	0.6	-0.4	0.9	0.5

Table 9: Total investment, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	5.1	-0.7	3.5	5.0	-5.3	5.1	-0.8	0.7	2.0	-0.5	0.6	2.5
Germany	2.6	0.2	3.0	1.9	-2.3	1.2	0.4	-0.7	2.0	0.3	-0.6	2.3
Estonia	7.5	-1.1	4.5	-3.7	24.7	2.8	-10.9	1.8	4.2	-15.0	2.0	3.8
Ireland	4.0	-4.7	19.6	100.9	-16.5	-39.0	25.9	1.8	2.8	2.7	2.9	1.9
Greece	3.1	-17.6	0.6	-2.2	1.1	20.0	11.7	7.2	6.0	11.5	6.3	3.5
Spain	3.6	-8.4	4.9	4.5	-9.7	0.9	4.6	2.2	4.2	4.8	1.9	3.0
France	3.3	-1.2	2.3	4.0	-8.2	11.5	2.2	1.2	1.7	2.2	-0.9	2.4
Croatia	5.9	-7.4	3.2	9.0	-5.0	4.7	5.8	2.9	3.7	9.4	2.9	3.2
Italy	0.8	-5.6	1.9	1.2	-7.9	18.6	9.4	2.6	1.4	9.5	1.9	2.3
Cyprus	9.7	-12.6	9.4	6.9	4.5	-4.2	6.6	0.8	1.7	0.7	-0.7	2.1
Latvia	14.3	-5.8	1.5	6.9	-2.6	2.9	0.7	1.7	4.0	-0.2	0.9	3.1
Lithuania	12.6	-4.5	6.5	6.6	-0.2	7.8	2.6	2.7	4.5	1.3	0.5	4.0
Luxembourg	5.7	0.9	0.0	9.1	-3.6	6.7	-0.5	-2.9	1.6	0.4	0.8	2.5
Malta	3.4	0.1	12.1	11.8	-6.6	10.9	30.4	-5.0	3.5	-5.0	4.0	3.5
Netherlands	4.3	-3.8	4.7	6.2	-2.6	3.2	2.5	1.7	1.1	3.2	0.6	0.9
Austria	1.7	-0.2	2.9	4.5	-5.3	8.7	-0.9	0.0	1.1	-0.6	1.2	1.6
Portugal	0.6	-8.7	5.6	5.4	-2.2	8.7	3.0	2.9	3.6	4.0	3.5	3.6
Slovakia	8.6	-2.0	3.7	6.7	-10.9	3.5	5.9	9.0	3.7	3.5	7.5	3.6
Slovenia	7.6	-9.5	2.9	5.1	-7.9	13.7	7.8	3.9	3.8	4.4	-0.6	2.5
Finland	4.0	-2.3	3.1	-1.5	-1.0	0.9	5.0	-0.1	0.4	3.4	0.8	1.6
Euro area	2.9	-3.2	3.4	6.9	-6.2	3.9	3.7	1.0	2.1	2.8	0.5	2.3
Bulgaria	17.6	-7.9	1.5	4.5	0.6	-8.3	-4.3	2.2	3.3	-8.0	5.5	7.0
Czechia	6.1	-2.7	4.9	5.9	-6.0	0.8	6.2	2.8	2.7	5.3	2.0	1.3
Denmark	4.1	-2.6	4.9	-1.3	5.1	6.2	8.6	-3.5	-0.3	4.5	-2.1	0.0
Hungary	3.6	-2.9	7.9	12.8	-7.1	6.5	1.2	-2.9	1.5	5.0	-1.6	1.2
Poland	11.6	0.4	4.8	6.2	-2.3	1.2	5.0	2.0	3.1	3.7	2.5	4.3
Romania	22.4	-7.4	3.2	12.6	1.1	1.9	8.0	7.0	8.0	4.7	5.6	5.9
Sweden	5.6	-0.5	4.8	-0.3	1.7	6.0	5.2	-3.2	-0.2	5.3	-2.0	0.2
EU	3.6	-3.0	3.6	6.5	-5.4	3.8	4.0	0.9	2.1	3.0	0.5	2.3
United Kingdom	1.8	-1.0	4.2	1.9	-10.5	6.1	8.6	-2.1	0.2	3.7	-2.1	2.3
Japan	-0.5	-0.6	1.6	0.5	-3.6	-0.1	-1.1	1.9	1.2	-1.3	1.5	1.3
United States	1.9	0.7	3.9	2.6	-1.2	5.7	-0.5	-1.1	2.5	-0.4	-0.5	2.7

Table 10: Investment in construction, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	4.9	0.4	2.6	4.0	-5.8	5.0	-0.8	-0.8	1.7	1.8	0.4	2.0
Germany	-0.8	1.3	1.6	1.0	3.9	0.0	-1.7	-3.6	0.7	-1.3	-1.8	1.7
Estonia	10.1	-2.9	4.5	-2.2	4.3	-5.3	2.9	2.1	3.5	-0.3	2.1	3.6
Ireland	3.2	-14.6	9.9	5.6	-10.0	-2.3	10.2	-1.8	2.5	16.4	7.4	6.8
Greece	0.5	-18.0	-6.4	-14.6	4.5	15.1	25.7	12.0	6.3	15.5	7.2	2.5
Spain	2.5	-11.7	4.4	7.2	-10.2	-3.7	4.7	2.3	3.9	4.2	2.9	3.2
France	3.0	-1.9	0.9	4.4	-11.5	13.5	0.1	-0.7	0.6	0.6	-0.5	2.0
Croatia	2.4	-6.0	0.2	9.6	-4.3	2.7	2.6	3.0	3.1	3.6	3.0	3.1
Italy	0.2	-7.1	-1.0	2.4	-6.5	27.7	11.6	1.0	1.0	11.3	2.3	2.3
Cyprus	9.6	-15.1	8.8	16.6	-1.5	5.5	0.9	-0.5	0.6	-4.6	-4.9	0.0
Latvia	12.3	-4.6	1.0	1.2	-6.9	-6.6	-11.1	1.0	2.6	-0.6	-0.4	2.6
Lithuania	11.9	-7.1	4.4	9.8	0.2	1.1	3.4	1.1	3.5	4.5	0.1	3.5
Luxembourg	3.2	-1.0	1.6	9.2	-5.0	2.9	3.0	-2.0	1.4	1.0	2.0	3.2
Malta	0.2	-3.1	10.1	19.5	-2.3	3.6	-6.7	2.0	3.0	-1.2	1.7	3.0
Netherlands	3.8	-7.4	7.1	5.4	0.4	1.7	1.9	1.2	1.3	3.5	1.0	1.3
Austria	0.4	-2.0	1.8	3.6	-3.4	5.8	-1.0	-0.9	-0.6	0.0	0.8	1.3
Portugal	-2.4	-10.8	3.4	7.5	0.7	5.8	0.9	2.1	2.8	3.4	3.3	3.1
Slovakia	9.8	-3.5	1.5	-2.2	4.1	1.3	2.6	5.9	3.6	1.3	10.0	6.2
Slovenia	6.7	-14.4	1.6	6.7	-4.6	6.2	10.6	6.5	4.8	5.1	1.8	3.9
Finland	4.3	-1.6	3.5	-1.4	-0.6	-1.5	5.3	-2.0	-1.2	3.5	0.3	0.5
Euro area	1.6	-4.4	1.9	3.3	-4.0	6.4	2.0	-0.8	1.2	2.4	0.4	2.1
Bulgaria	25.0	-7.4	-2.6	-5.9	-0.1	-12.5	-5.1	2.5	1.9	-9.4	5.2	6.9
Czechia	2.6	-3.3	3.1	5.1	-1.8	-2.6	3.9	2.1	5.4	6.0	3.1	2.4
Denmark	2.4	-4.5	5.3	2.7	4.7	8.9	8.2	-5.2	-3.6	7.5	-6.4	-1.4
Hungary	1.5	-5.2	7.5	13.8	-4.2	0.9	7.4	-1.9	-1.1	2.8	-1.1	-0.6
Poland	10.0	1.8	3.0	7.6	-3.3	4.5	1.8	-2.0	1.8	5.2	0.4	1.8
Romania	26.3	-8.9	8.6	11.9	11.4	3.7	11.1	6.3	6.8	5.6	6.2	6.7
Sweden	5.2	-1.8	6.6	0.0	0.9	-1.1	2.7	-9.3	-3.8	4.6	-5.3	-3.8
EU	2.2	-4.3	2.3	3.6	-3.3	5.8	2.5	-1.0	1.2	2.8	0.2	1.9
United Kingdom	0.3	-1.5	5.1	5.6	-13.4	7.3	7.1	-2.1	-0.1	3.3	-2.4	2.0
Japan	-4.2	0.1	0.8	0.6	-2.6	-2.4	-4.8	1.2	1.2	-5.0	1.2	1.2
United States	-2.0	-3.1	3.4	0.8	-0.4	1.5	-8.5	-4.5	2.3	-8.9	-4.7	2.8

Table 11: Investment in equipment, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	5.8	-3.9	4.2	5.0	-8.8	6.9	-0.6	2.1	2.7	-3.0	0.6	3.2
Germany	6.6	-1.9	4.1	1.0	-11.0	3.5	3.3	2.6	3.7	2.2	-0.2	3.2
Estonia	3.4	0.3	3.1	-6.7	-7.4	28.2	4.2	2.0	5.3	2.0	2.4	3.9
Ireland	6.2	4.6	14.5	-2.3	-29.1	26.6	24.3	0.0	0.8	21.2	3.4	3.5
Greece	7.0	-21.8	10.0	2.5	-4.2	33.2	5.1	5.2	7.2	13.4	9.5	4.5
Spain	5.6	-6.2	6.0	2.0	-13.3	6.3	4.0	1.8	5.3	5.6	1.0	2.9
France	3.1	-2.3	3.8	3.0	-11.4	11.0	0.9	2.1	2.5	2.4	-5.1	3.9
Croatia	10.4	-9.6	6.0	10.4	-7.9	8.8	12.5	2.8	4.8	19.3	2.9	3.5
Italy	1.8	-5.9	5.2	-0.8	-13.0	16.2	8.6	4.4	1.7	9.6	1.4	1.7
Cyprus	10.3	-13.2	9.1	-7.6	14.4	-30.7	4.8	5.6	6.4	18.0	9.0	8.0
Latvia	18.2	-9.6	1.9	14.5	-1.0	12.9	9.0	2.0	5.5	-0.1	2.4	4.0
Lithuania	12.1	-1.1	9.0	3.5	-2.9	22.7	1.9	6.2	5.9	-3.4	0.9	4.4
Luxembourg	11.2	3.9	-4.5	14.8	-1.5	11.0	-8.8	-6.7	1.9	-1.0	-1.9	1.1
Malta	5.8	2.6	9.4	4.7	-23.2	34.4	123.0	:	:	:	:	:
Netherlands	5.1	-3.4	4.5	7.9	-11.1	4.8	1.1	2.4	0.7	2.1	-0.4	0.1
Austria	2.6	-0.8	4.0	1.6	-9.5	16.0	-4.5	0.8	3.0	-4.7	0.8	1.6
Portugal	5.4	-9.0	10.6	1.8	-11.1	11.9	6.2	4.2	4.7	4.5	2.9	3.8
Slovakia	7.3	-1.1	5.8	13.9	-24.6	8.9	6.6	11.8	3.8	2.3	5.3	1.7
Slovenia	8.8	-6.5	4.9	1.9	-12.1	22.4	6.4	-0.5	3.7	8.6	-1.7	3.1
Finland	4.6	-2.8	5.2	-4.4	-1.0	3.9	2.8	2.5	4.1	3.6	1.0	3.0
Euro area	4.8	-3.7	4.9	1.9	-11.8	9.2	4.0	2.5	2.9	3.9	-0.3	2.7
Bulgaria	12.8	-10.0	3.9	15.1	3.3	-3.6	-4.4	2.3	4.3	-7.8	5.9	7.8
Czechia	9.5	-2.9	4.8	2.6	-11.5	4.7	8.3	4.1	0.5	6.3	1.7	0.3
Denmark	5.1	-1.8	4.0	-9.7	1.8	9.6	-4.6	-1.0	4.3	-3.8	0.6	0.9
Hungary	5.0	-1.8	10.6	12.4	-9.3	10.4	-4.7	-3.8	3.9	8.5	-1.9	2.6
Poland	14.3	-1.7	6.7	3.5	-4.7	-3.1	10.9	6.1	5.1	1.2	5.4	6.9
Romania	18.9	-5.4	-3.4	5.3	-10.2	0.2	3.1	9.0	11.6	3.5	4.6	4.7
Sweden	7.9	0.1	3.0	1.1	-6.3	13.7	4.5	-0.2	1.5	1.5	-1.6	3.8
EU	5.6	-3.5	4.8	2.0	-10.9	8.5	4.0	2.5	3.1	3.7	0.1	2.9
United Kingdom	3.3	-3.1	3.3	0.4	-13.7	5.6	19.5	-5.1	0.6	5.9	-1.4	2.6
Japan	3.8	-1.5	3.2	0.9	-6.1	3.5	0.9	2.7	1.5	-0.6	1.2	1.2
United States	5.8	3.7	3.3	1.8	-8.7	8.7	3.2	-0.2	2.1	3.6	2.4	2.6

Table 12: Public investment (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	2.0	2.3	2.5	2.6	2.7	2.7	2.7	2.9	3.1	2.9	3.0	3.0
Germany	2.0	2.3	2.2	2.4	2.7	2.6	2.6	2.7	2.9	2.7	2.8	2.8
Estonia	5.3	5.6	5.2	5.0	5.7	5.6	5.2	5.0	4.8	5.4	5.9	6.1
Ireland	4.2	2.7	2.0	2.3	2.3	2.0	2.0	2.0	2.0	2.1	2.1	2.3
Greece	5.3	3.6	3.8	2.5	3.1	3.6	3.5	3.9	4.6	4.9	4.3	4.2
Spain	4.4	3.8	2.2	2.2	2.6	2.7	2.8	2.9	2.9	2.8	2.9	2.9
France	4.0	4.1	3.4	3.7	3.7	3.6	3.7	3.7	3.8	3.7	3.7	3.6
Croatia	5.7	4.2	3.3	4.3	5.5	4.7	3.8	4.7	4.6	4.4	4.9	5.4
Italy	3.2	3.0	2.3	2.3	2.6	2.9	2.7	3.1	3.5	2.6	3.1	3.3
Cyprus	3.5	3.5	2.8	2.5	2.8	2.7	2.6	3.0	2.8	2.7	2.9	2.7
Latvia	4.7	5.0	4.6	5.1	5.7	5.2	3.8	5.5	6.1	5.0	5.3	5.5
Lithuania	4.5	4.4	3.3	3.1	4.4	3.1	3.0	3.6	3.6	2.9	3.6	3.6
Luxembourg	4.3	4.1	3.9	4.1	4.7	4.1	4.1	4.3	4.3	4.2	4.4	4.3
Malta	3.7	2.7	3.2	3.8	4.2	3.8	3.3	3.8	3.1	3.9	3.9	3.1
Netherlands	3.9	4.0	3.5	3.4	3.7	3.4	3.2	3.3	3.3	3.4	3.6	3.6
Austria	2.9	3.1	3.0	3.1	3.3	3.6	3.3	3.4	3.3	3.3	3.3	3.4
Portugal	3.8	3.5	1.9	1.8	2.3	2.6	2.5	3.1	3.2	2.6	3.0	3.1
Slovakia	3.4	3.6	4.2	3.6	3.4	3.1	3.3	4.9	4.1	3.5	4.6	4.6
Slovenia	4.3	4.5	3.9	3.8	4.1	4.7	5.2	6.1	5.0	5.8	6.4	5.6
Finland	3.6	3.9	4.1	4.4	4.8	4.2	4.1	4.5	4.4	4.3	4.4	4.3
Euro area	3.3	3.2	2.7	2.8	3.0	3.0	3.0	3.2	3.3	3.1	3.2	3.2
Bulgaria	4.4	4.1	4.0	3.3	3.3	2.6	3.0	3.8	3.0	2.9	3.7	4.3
Czechia	5.1	4.7	4.0	4.4	4.8	4.7	4.6	4.7	4.3	4.7	5.0	4.2
Denmark	2.9	3.4	3.6	3.2	3.6	3.4	3.1	3.3	3.2	3.4	3.5	3.5
Hungary	4.1	3.7	5.1	6.3	6.5	6.3	5.3	5.3	5.1	5.5	5.3	5.3
Poland	3.8	5.2	4.2	4.3	4.5	4.1	4.0	4.1	4.2	4.1	4.5	4.6
Romania	4.7	5.1	3.7	3.5	4.6	4.2	4.2	5.2	4.4	5.3	6.1	6.0
Sweden	4.1	4.4	4.5	4.9	5.0	4.8	4.9	4.9	4.8	4.8	4.9	4.9
EU	3.4	3.4	2.9	3.0	3.3	3.2	3.2	3.4	3.4	3.3	3.4	3.5
United Kingdom	2.7	2.9	2.7	2.8	3.1	3.1	3.1	3.2	3.3	3.0	2.8	2.8
Japan	3.7	3.8	3.7	3.9	4.3	4.2	4.2	4.1	3.9	4.3	4.2	4.1
United States	3.8	3.8	3.2	3.3	3.6	3.3	3.2	3.2	3.2	3.1	3.1	3.1

Table 13: Potential GDP, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.0	1.2	1.3	1.6	1.3	1.5	**1.8**	**1.7**	**1.5**	*1.7*	*1.7*	*1.6*
Germany	1.3	1.1	1.5	1.1	0.8	0.8	**0.5**	**0.6**	**1.1**	*0.7*	*0.7*	*0.8*
Estonia	5.2	0.5	3.0	4.0	3.7	3.1	**2.4**	**1.8**	**1.8**	*2.8*	*1.7*	*1.6*
Ireland	3.6	-0.1	9.8	9.6	8.5	6.4	**7.3**	**6.8**	**6.0**	*5.3*	*4.9*	*4.5*
Greece	2.6	-1.8	-1.7	-0.7	-0.8	-0.3	**0.4**	**1.0**	**1.5**	*0.3*	*0.6*	*1.0*
Spain	3.5	0.5	0.5	0.9	0.1	0.6	**1.1**	**1.2**	**1.5**	*1.0*	*0.8*	*1.1*
France	1.8	1.1	0.8	0.8	0.8	1.1	**1.1**	**1.1**	**1.1**	*1.2*	*1.1*	*1.1*
Croatia	2.9	-0.2	1.1	2.8	2.5	2.4	**3.2**	**3.4**	**3.0**	*3.3*	*2.8*	*2.6*
Italy	0.6	-0.2	0.0	0.0	-0.1	0.1	**0.9**	**0.8**	**0.9**	*1.0*	*0.6*	*1.1*
Cyprus	3.7	1.0	1.2	3.6	3.3	3.0	**3.5**	**3.2**	**3.0**	*2.8*	*2.8*	*2.6*
Latvia	6.6	-0.9	2.4	3.5	2.6	3.0	**1.7**	**1.9**	**2.1**	*1.4*	*1.6*	*1.8*
Lithuania	6.1	1.1	2.4	4.3	4.1	4.5	**3.5**	**2.9**	**2.6**	*3.5*	*2.8*	*2.3*
Luxembourg	3.7	2.0	2.2	2.2	1.9	1.9	**2.2**	**2.3**	**2.3**	*2.2*	*2.3*	*2.4*
Malta	2.9	3.3	6.6	6.8	4.3	3.2	**5.9**	**4.5**	**4.4**	*4.4*	*3.8*	*3.9*
Netherlands	1.8	0.7	1.3	1.8	1.5	1.7	**2.2**	**1.9**	**1.9**	*1.9*	*1.8*	*1.8*
Austria	2.0	0.9	1.1	1.2	1.0	1.3	**1.4**	**1.4**	**1.4**	*1.1*	*1.3*	*1.4*
Portugal	0.8	-0.7	0.9	1.7	1.3	2.0	**1.8**	**2.0**	**2.1**	*1.8*	*1.8*	*1.8*
Slovakia	5.8	2.9	2.2	2.5	1.4	1.7	**1.9**	**2.5**	**2.1**	*1.4*	*1.6*	*1.6*
Slovenia	3.5	1.2	1.3	2.6	2.3	2.6	**3.1**	**3.0**	**3.1**	*3.2*	*2.9*	*3.0*
Finland	2.3	0.2	0.8	1.3	0.9	1.0	**1.6**	**1.1**	**1.2**	*1.7*	*1.2*	*1.2*
Euro area	1.7	0.6	1.1	1.2	0.9	1.1	**1.3**	**1.3**	**1.4**	*1.2*	*1.1*	*1.3*
Bulgaria	5.7	1.0	2.5	2.5	2.2	2.3	**2.2**	**2.6**	**2.1**	*1.6*	*1.9*	*2.0*
Czechia	4.4	1.1	2.7	2.6	1.4	0.5	**2.1**	**1.5**	**1.6**	*2.2*	*1.5*	*1.7*
Denmark	1.5	0.9	1.8	1.7	1.6	1.9	**2.2**	**1.9**	**1.6**	*1.8*	*1.5*	*1.4*
Hungary	2.9	0.3	2.6	4.5	3.5	3.7	**3.4**	**2.5**	**2.5**	*3.4*	*2.8*	*2.6*
Poland	3.8	3.6	3.5	4.1	3.7	3.5	**3.4**	**3.7**	**3.4**	*4.0*	*3.2*	*2.9*
Romania	6.5	1.4	3.9	4.2	3.4	2.8	**2.9**	**3.3**	**3.2**	*2.8*	*2.5*	*2.3*
Sweden	2.6	1.6	2.2	2.2	1.9	2.0	**1.8**	**1.6**	**1.5**	*1.6*	*1.5*	*1.5*
EU	1.9	0.8	1.3	1.5	1.2	1.3	**1.5**	**1.5**	**1.6**	*1.4*	*1.3*	*1.4*
United Kingdom	2.2	1.0	1.4	0.9	0.4	0.7	**0.9**	**0.8**	**0.8**	*0.7*	*0.8*	*1.0*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	2.3	1.3	1.9	2.2	2.0	1.9	**1.6**	**1.7**	**1.6**	*2.0*	*1.6*	*1.6*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	1.2	-1.0	0.1	1.3	-5.4	-1.0	**0.5**	**0.0**	**-0.2**	*0.6*	*-0.8*	*-0.9*
Germany	0.1	-1.2	0.6	1.3	-3.2	-1.5	**-0.2**	**-0.6**	**-0.3**	*-0.1*	*-1.4*	*-0.8*
Estonia	6.3	-4.8	0.4	1.3	-2.8	1.8	**-1.9**	**-4.0**	**-2.8**	*-1.4*	*-2.4*	*-2.0*
Ireland	1.2	-2.8	1.9	-4.0	-6.1	0.3	**4.6**	**3.3**	**2.3**	*4.9*	*3.2*	*1.7*
Greece	1.7	-12.3	-12.6	-6.1	-13.8	-6.3	**-1.1**	**0.3**	**0.8**	*-1.8*	*-1.4*	*-0.5*
Spain	3.0	-6.5	-3.3	1.9	-9.8	-5.4	**-1.3**	**-0.6**	**-0.2**	*-1.5*	*-1.3*	*-0.4*
France	1.6	-1.9	-0.7	2.2	-6.5	-1.2	**0.2**	**-0.3**	**0.0**	*0.2*	*-0.5*	*-0.1*
Croatia	4.1	-2.5	-1.2	2.5	-8.6	0.9	**3.8**	**1.9**	**1.2**	*3.5*	*1.7*	*0.9*
Italy	2.2	-2.4	-2.2	0.6	-8.3	-2.0	**0.7**	**1.1**	**1.3**	*0.8*	*0.6*	*0.6*
Cyprus	4.1	-2.6	-2.6	5.1	-2.7	0.7	**2.7**	**1.8**	**1.5**	*3.5*	*1.8*	*1.0*
Latvia	5.6	-6.0	1.5	2.1	-2.8	-1.6	**-0.5**	**-1.0**	**-0.3**	*-0.4*	*-2.3*	*-1.5*
Lithuania	5.0	-5.8	1.6	3.7	-0.3	1.1	**-0.5**	**-2.7**	**-2.6**	*-0.1*	*-2.3*	*-2.3*
Luxembourg	1.5	-2.3	-0.5	-0.5	-3.2	-0.1	**-0.8**	**-1.5**	**-1.4**	*-0.6*	*-1.9*	*-1.8*
Malta	0.2	-1.6	2.7	3.8	-9.1	-1.4	**-0.6**	**-1.1**	**-1.4**	*-0.1*	*-1.1*	*-1.3*
Netherlands	0.0	-2.3	-0.6	1.4	-4.0	-1.0	**1.2**	**1.1**	**0.4**	*1.7*	*0.5*	*0.0*
Austria	0.6	-0.9	-0.1	2.1	-5.4	-2.4	**1.1**	**0.0**	**0.2**	*1.1*	*0.1*	*-0.1*
Portugal	-0.7	-2.6	-0.7	3.1	-6.6	-3.4	**1.3**	**1.7**	**1.3**	*1.6*	*0.5*	*0.4*
Slovakia	2.5	-1.8	-0.2	2.0	-2.8	0.3	**0.0**	**-0.7**	**-0.7**	*0.2*	*-0.9*	*-0.6*
Slovenia	5.0	-4.4	-2.2	3.5	-3.2	2.1	**4.3**	**2.6**	**1.6**	*4.8*	*2.7*	*1.3*
Finland	1.7	-2.4	-1.3	0.4	-2.9	-0.9	**-0.5**	**-1.4**	**-1.1**	*-0.4*	*-1.4*	*-1.2*
Euro area	1.3	-2.5	-1.0	1.2	-5.9	-1.9	**0.3**	**0.1**	**0.2**	*0.4*	*-0.5*	*-0.2*
Bulgaria	1.9	-0.1	-0.8	1.3	-4.7	0.3	**1.4**	**0.4**	**0.7**	*1.4*	*0.5*	*0.9*
Czechia	3.7	-1.5	0.3	2.7	-4.3	-1.4	**-1.1**	**-2.3**	**-1.3**	*-1.0*	*-2.4*	*-2.3*
Denmark	3.0	-3.4	-1.5	-0.6	-4.1	-1.3	**0.3**	**-1.2**	**-1.3**	*0.2*	*-1.3*	*-1.4*
Hungary	2.6	-4.0	1.3	3.9	-4.1	-0.8	**0.3**	**-1.6**	**-1.2**	*1.1*	*-1.6*	*-1.6*
Poland	0.4	0.4	-0.2	2.7	-2.9	0.3	**1.9**	**-1.0**	**-1.7**	*0.9*	*-1.6*	*-1.9*
Romania	5.1	-2.6	-0.5	1.3	-5.6	-2.9	**-1.1**	**-1.2**	**-0.9**	*-0.6*	*-1.3*	*-1.4*
Sweden	1.4	-2.2	0.1	0.2	-3.7	-0.5	**0.3**	**-1.8**	**-2.1**	*0.5*	*-1.5*	*-2.1*
EU	1.4	-2.4	-0.9	1.3	-5.6	-1.7	**0.3**	**-0.1**	**0.0**	*0.4*	*-0.6*	*-0.4*
United Kingdom	1.3	-3.8	0.6	2.7	-8.9	-2.7	**0.4**	**-0.6**	**-0.4**	*1.1*	*-0.6*	*-0.7*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	0.8	-2.1	0.2	1.2	-3.6	0.3	**0.7**	**0.4**	**-0.2**	*0.5*	*-0.4*	*-0.3*

[1] When comparing output gaps between successive forecasts it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: Deflator of gross domestic product (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.0	1.5	1.5	1.7	1.5	2.8	5.9	3.8	2.3	6.7	5.0	3.1
Germany	0.9	1.4	1.7	2.1	1.8	3.1	5.5	6.1	2.4	5.3	6.8	3.6
Estonia	7.7	3.0	2.9	3.2	-0.5	6.0	16.6	10.3	3.6	14.3	6.9	3.0
Ireland	1.5	-0.5	2.2	3.6	-1.6	0.7	5.3	4.6	2.5	9.8	5.4	4.4
Greece	3.3	0.2	-0.5	0.2	-0.9	1.3	8.1	4.7	2.9	9.0	5.6	2.3
Spain	3.5	0.1	0.6	1.4	1.2	2.3	4.3	4.4	2.9	3.5	4.3	2.4
France	2.1	0.8	0.7	1.3	2.8	1.3	3.0	5.4	2.6	2.7	5.0	3.9
Croatia	4.1	1.5	0.7	2.0	0.7	2.0	8.2	7.5	3.2	5.5	6.3	2.4
Italy	2.3	1.3	1.0	0.9	1.6	0.6	3.0	5.9	2.7	3.1	3.3	2.6
Cyprus	3.3	0.9	-0.1	1.3	-1.2	2.9	6.4	5.0	2.8	4.6	4.3	2.6
Latvia	12.4	0.2	1.9	2.6	1.0	6.5	13.1	8.9	2.7	11.0	6.2	3.8
Lithuania	6.9	1.7	2.0	2.7	1.9	6.3	16.8	10.4	3.1	16.5	8.9	2.3
Luxembourg	4.6	2.9	1.6	1.4	4.7	6.2	6.4	5.5	3.4	5.7	4.2	2.9
Malta	2.3	2.1	2.6	2.3	1.6	1.9	5.2	4.2	3.1	5.0	4.1	2.8
Netherlands	2.0	0.8	1.0	3.0	1.9	2.4	5.3	6.1	2.6	3.4	5.0	4.4
Austria	2.1	1.7	1.8	1.5	2.6	1.9	5.0	7.2	4.2	6.1	5.8	3.7
Portugal	2.7	0.7	1.6	1.7	2.0	1.5	4.4	5.8	2.3	3.6	5.2	2.5
Slovakia	3.0	0.6	0.5	2.5	2.4	2.4	7.5	9.8	5.7	7.5	12.2	4.9
Slovenia	3.1	1.1	1.2	2.3	1.3	2.6	7.2	7.3	4.3	6.6	6.2	3.7
Finland	1.6	2.0	1.2	1.5	1.6	2.2	4.2	4.4	2.4	5.3	3.7	2.2
Euro area	2.1	1.0	1.2	1.7	1.8	2.1	4.6	5.7	2.7	4.6	5.3	3.4
Bulgaria	7.6	2.4	3.3	5.2	4.3	7.1	15.1	10.4	3.9	12.3	4.2	3.7
Czechia	2.1	0.8	1.7	3.9	4.3	3.3	8.6	11.3	5.5	9.2	8.1	4.8
Denmark	2.7	1.5	0.7	1.0	2.6	2.8	7.6	0.2	2.1	3.3	4.4	2.7
Hungary	4.3	2.9	3.3	4.8	6.4	6.4	15.3	13.0	3.5	9.2	10.0	5.0
Poland	3.4	2.2	1.0	3.0	4.3	5.3	11.3	11.8	5.8	12.8	10.3	5.1
Romania	14.0	3.8	3.7	6.8	4.1	5.2	13.4	10.7	5.8	11.4	10.0	8.0
Sweden	1.8	1.3	2.0	2.5	2.0	2.9	5.7	5.7	1.6	6.3	5.2	2.0
EU	2.2	1.1	1.3	1.9	2.0	2.4	5.4	6.1	2.9	5.2	5.7	3.5
United Kingdom	2.9	1.8	1.5	2.1	5.9	0.0	5.4	5.2	1.8	5.4	7.5	2.3
Japan	-1.0	-1.0	0.8	0.6	0.9	-0.2	0.2	3.4	2.5	0.5	2.6	2.0
United States	2.7	1.5	1.6	1.8	1.3	4.5	7.0	3.7	2.4	6.9	3.3	2.4

Table 16: Price deflator of private consumption (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.8	1.4	1.4	1.4	0.9	2.5	8.6	3.4	2.6	8.3	5.4	2.8
Germany	1.5	1.2	1.0	1.3	0.6	3.1	6.9	5.9	2.2	7.1	6.9	2.8
Estonia	5.7	3.0	1.8	2.5	-1.0	4.3	16.8	9.2	2.8	18.4	6.6	2.6
Ireland	2.1	-0.9	1.0	1.8	0.8	3.9	6.5	4.9	3.2	6.1	5.8	2.8
Greece	3.5	0.5	-0.8	0.0	-1.2	1.0	7.5	4.2	2.4	9.1	6.6	2.7
Spain	3.5	1.3	0.6	1.1	0.0	2.1	6.8	4.0	2.5	8.5	4.8	2.1
France	2.2	0.7	0.6	0.8	1.0	1.6	5.0	5.8	2.7	5.3	4.6	2.2
Croatia	3.4	2.4	0.1	1.1	0.6	2.4	10.9	6.9	2.7	10.1	6.5	2.3
Italy	2.5	1.5	0.5	0.6	0.1	1.5	7.4	5.5	2.6	7.4	5.6	2.3
Cyprus	3.4	1.6	-0.6	0.3	-0.9	0.9	8.0	3.8	2.5	8.0	4.2	2.5
Latvia	10.3	0.7	1.6	3.0	0.8	3.5	14.2	9.3	1.7	16.9	8.3	1.3
Lithuania	4.6	2.8	1.2	2.2	1.1	4.6	18.8	9.2	2.2	18.9	9.1	2.1
Luxembourg	2.7	1.5	1.3	1.7	1.2	1.3	5.6	3.0	2.4	6.8	3.7	2.4
Malta	2.7	2.1	1.0	1.9	1.1	1.2	5.4	4.5	3.0	5.5	4.6	2.6
Netherlands	2.0	1.1	1.0	2.6	1.3	3.5	7.4	5.5	3.0	7.0	6.7	3.4
Austria	2.2	1.9	1.8	1.8	1.5	2.3	7.6	6.9	3.8	8.7	6.7	3.3
Portugal	3.2	0.8	1.0	0.8	0.6	1.4	6.3	4.3	2.6	6.0	3.9	2.1
Slovakia	4.4	1.9	0.6	2.7	2.2	3.3	12.2	9.8	5.0	12.6	13.6	4.0
Slovenia	3.4	1.6	0.4	1.3	-0.6	3.5	11.7	6.5	3.6	12.2	6.0	2.7
Finland	1.6	2.4	0.9	1.0	0.3	1.8	5.5	4.3	1.8	6.8	4.0	1.7
Euro area	2.3	1.2	0.8	1.1	0.6	2.3	6.9	5.5	2.6	7.2	5.8	2.5
Bulgaria	5.5	1.5	2.5	2.0	-0.6	6.0	16.6	10.5	3.8	11.0	7.5	4.0
Czechia	2.8	1.2	1.2	2.8	2.9	2.9	16.0	11.8	4.1	17.5	12.0	5.5
Denmark	1.9	1.8	0.6	0.9	0.4	2.1	7.4	4.2	2.4	9.9	4.7	2.4
Hungary	5.0	3.7	1.9	4.6	3.4	6.4	17.1	16.4	4.0	14.8	15.7	3.9
Poland	2.9	2.6	0.4	2.2	3.5	5.4	14.5	12.4	6.5	15.0	12.5	4.8
Romania	8.3	4.5	1.9	5.4	2.3	5.2	14.2	9.9	4.8	12.0	10.4	7.0
Sweden	1.3	1.2	1.4	2.1	0.8	2.0	7.2	5.5	1.6	8.3	6.9	1.6
EU	2.4	1.3	0.8	1.3	0.8	2.5	7.6	6.1	2.8	8.0	6.4	2.8
United Kingdom	2.6	2.0	1.1	1.7	1.0	2.5	7.9	6.5	1.7	9.3	10.3	2.2
Japan	-0.2	-1.0	0.7	0.5	0.3	0.6	2.8	2.5	1.7	2.4	3.1	1.8
United States	2.7	1.4	1.3	1.5	1.1	4.0	6.2	3.9	2.4	6.2	3.5	2.4

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	2.6	1.9	1.5	1.2	0.4	3.2	10.3	3.4	3.5	10.4	6.2	3.3
Germany	2.1	1.5	1.1	1.4	0.4	3.2	8.7	6.8	2.7	8.8	7.5	2.9
Estonia	5.8	3.1	1.7	2.3	-0.6	4.5	19.4	9.2	2.8	19.3	6.6	2.6
Ireland	2.6	0.1	0.2	0.9	-0.5	2.4	8.1	4.6	2.6	8.3	6.0	2.8
Greece	3.4	1.9	-0.1	0.5	-1.3	0.6	9.3	4.2	2.4	10.0	6.0	2.4
Spain	3.4	1.8	0.5	0.8	-0.3	3.0	8.3	4.0	2.7	8.5	4.8	2.3
France	2.2	1.5	0.9	1.3	0.5	2.1	5.9	5.5	2.5	5.8	4.4	2.2
Croatia	3.4	2.2	0.4	0.8	0.0	2.7	10.7	6.9	2.2	10.1	6.5	2.3
Italy	2.4	2.0	0.6	0.6	-0.1	1.9	8.7	6.1	2.9	8.7	6.6	2.3
Cyprus	2.5	1.9	-0.3	0.5	-1.1	2.3	8.1	3.8	2.5	8.0	4.2	2.5
Latvia	9.0	1.7	1.3	2.7	0.1	3.2	17.2	9.3	1.7	16.9	8.3	1.3
Lithuania	4.9	2.8	1.3	2.2	1.1	4.6	18.9	9.2	2.2	18.9	9.1	2.1
Luxembourg	3.3	2.2	1.0	1.6	0.0	3.5	8.2	3.2	2.6	8.4	3.8	3.1
Malta	2.6	2.1	1.2	1.5	0.8	0.7	6.1	5.4	2.8	6.1	4.0	2.4
Netherlands	1.7	2.0	0.7	2.7	1.1	2.8	11.6	4.9	3.3	11.6	4.2	3.9
Austria	2.2	2.1	1.5	1.5	1.4	2.8	8.6	7.1	3.8	8.7	6.7	3.3
Portugal	2.6	1.5	0.7	0.3	-0.1	0.9	8.1	5.1	2.7	8.0	5.8	2.3
Slovakia	4.1	2.2	0.6	2.8	2.0	2.8	12.1	10.9	5.7	11.8	13.9	3.6
Slovenia	3.6	1.9	0.6	1.7	-0.3	2.0	9.3	7.0	3.8	9.2	6.5	3.5
Finland	1.5	2.4	0.7	1.1	0.4	2.1	7.2	4.8	2.1	7.2	4.3	1.9
Euro area	2.4	1.7	0.8	1.2	0.3	2.6	8.4	5.8	2.8	8.5	6.1	2.7
Bulgaria	7.8	2.3	0.0	2.5	1.2	2.8	13.0	9.4	4.2	12.8	7.4	3.2
Czechia	3.1	1.8	1.1	2.6	3.3	3.3	14.8	11.9	3.4	15.6	9.5	3.5
Denmark	2.0	1.8	0.5	0.7	0.3	1.9	8.5	4.3	2.5	7.9	3.7	2.0
Hungary	5.7	4.0	1.2	3.4	3.4	5.2	15.3	16.4	4.0	14.8	15.7	3.9
Poland	2.8	3.0	0.4	2.1	3.7	5.2	13.2	11.7	6.0	13.3	13.8	4.9
Romania	8.1	4.8	1.0	3.9	2.3	4.1	12.0	9.7	4.6	11.8	10.2	6.8
Sweden	1.7	1.3	1.2	1.7	0.7	2.7	8.1	6.0	1.9	8.1	6.6	1.8
EU	2.6	1.9	0.8	1.4	0.7	2.9	9.2	6.7	3.1	9.3	7.0	3.0
United Kingdom	2.4	2.6	1.5	1.7	1.0	2.5	7.9	6.7	2.4	7.9	7.5	2.9
Japan	0.3	-0.4	1.0	0.5	0.0	-0.2	2.5	3.2	1.8	2.5	3.1	1.8
United States	3.2	1.6	1.5	1.8	1.2	4.7	8.0	4.3	2.6	7.9	3.4	2.3

Table 17b: All-items HICP, excluding energy and unprocessed food (national index if not available), (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	1.8	1.8	1.7	1.6	1.5	1.4	4.9	7.7	3.2	5.0	6.7	3.8
Germany	1.5	1.2	1.4	1.4	0.9	2.3	5.0	6.5	3.8	5.0	5.6	3.3
Estonia	4.8	2.4	2.1	2.3	0.2	2.4	11.8	11.2	5.4	11.5	7.2	4.2
Ireland	2.2	-0.4	0.5	0.9	-0.1	1.6	5.0	5.3	4.1	5.1	5.9	3.7
Greece	3.2	1.0	0.1	0.5	-1.0	-0.7	5.7	5.7	2.5	5.6	4.7	2.7
Spain	2.9	1.3	0.6	1.0	0.6	0.7	5.2	4.9	2.5	5.1	4.4	2.8
France	1.7	1.2	0.8	1.2	1.0	1.2	3.8	5.4	2.8	3.7	4.4	2.5
Croatia	3.2	1.7	0.8	1.1	0.8	1.8	9.1	8.0	3.0	7.7	5.8	2.7
Italy	2.2	1.8	0.7	0.6	0.5	0.8	4.0	5.8	3.1	3.9	4.1	2.4
Cyprus	1.3	1.3	-0.1	0.6	-0.6	1.0	5.3	4.9	3.1	5.3	5.2	3.2
Latvia	8.0	0.9	1.6	2.7	1.1	2.0	11.3	11.2	3.5	10.5	6.3	1.8
Lithuania	3.8	2.0	2.0	2.5	2.5	3.2	13.6	9.9	3.0	13.3	7.3	2.4
Luxembourg	2.6	2.2	1.5	1.8	1.4	1.5	4.4	5.1	3.2	4.7	5.0	3.4
Malta	2.2	1.5	1.4	1.4	0.8	0.7	6.2	5.8	3.1	6.2	4.1	2.5
Netherlands	1.2	1.9	0.8	2.2	2.1	1.6	5.5	7.4	3.4	5.5	5.7	2.9
Austria	1.7	2.0	1.9	1.6	2.0	2.1	5.7	7.4	5.0	5.4	5.4	4.1
Portugal	2.3	1.0	0.8	0.5	0.0	0.3	6.2	5.9	3.0	6.1	5.8	2.7
Slovakia	3.2	2.0	1.1	2.5	2.4	3.4	10.4	10.9	3.1	10.1	8.7	3.7
Slovenia	3.0	1.1	0.8	1.8	1.0	1.0	6.8	6.8	3.6	6.3	4.9	3.2
Finland	1.1	2.2	0.9	1.0	0.8	1.4	4.4	4.9	2.4	4.6	2.8	1.7
Euro area	1.9	1.4	1.0	1.2	0.9	1.5	4.8	6.1	3.2	4.8	5.0	2.9
Bulgaria	7.6	2.1	0.1	2.5	2.0	1.9	10.4	10.9	5.3	10.2	8.0	4.1
Czechia	2.6	1.2	1.5	2.3	3.7	3.8	12.4	9.0	3.8	12.5	8.9	3.4
Denmark	1.6	1.6	0.7	0.8	0.9	1.1	5.3	6.3	3.4	5.2	4.3	3.1
Hungary	4.7	3.7	1.8	3.7	3.7	4.5	14.2	16.4	5.6	14.0	14.4	5.0
Poland	2.0	2.4	0.6	2.3	4.2	4.2	10.3	10.8	6.2	10.4	10.9	5.6
Romania	7.5	4.7	1.1	3.8	3.3	3.1	8.8	10.9	6.2	8.6	10.5	7.5
Sweden	1.1	1.3	1.1	1.6	1.5	1.6	5.5	6.4	2.7	5.6	5.9	2.5
EU	2.1	1.6	1.0	1.4	1.3	1.8	5.8	6.9	3.6	5.8	5.9	3.3
United Kingdom	1.6	2.6	1.6	1.8	:	:	:	:	:	:	:	:
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	:	:	:	:	:	:	:	:	:	:	:	:

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2022-24) 28.04.2023

	2022/1	2022/2	2022/3	2022/4	2023/1	2023/2	2023/3	2023/4	2024/1	2024/2	2024/3	2024/4
Belgium	9.1	9.9	11.0	11.2	5.9	3.5	3.0	1.2	4.0	4.6	3.2	2.1
Germany	6.1	8.3	9.4	10.8	8.7	7.7	6.5	4.6	3.9	2.7	2.2	2.1
Estonia	12.5	20.4	24.1	20.4	17.3	10.8	6.1	3.7	3.5	2.8	2.4	2.6
Ireland	5.9	8.4	9.1	8.8	7.5	5.5	3.7	1.9	2.2	2.2	2.8	3.1
Greece	6.6	10.4	11.5	8.6	6.4	4.4	3.2	3.2	2.9	2.4	2.2	2.2
Spain	7.9	8.9	10.0	6.5	5.0	4.0	3.7	3.4	3.3	2.8	2.5	2.3
France	4.2	5.9	6.5	7.0	7.0	5.8	5.1	4.2	3.3	2.3	2.1	2.1
Croatia	6.4	10.8	12.6	12.8	11.6	7.9	5.0	3.5	3.1	2.4	1.7	1.4
Italy	6.0	7.4	8.9	12.5	9.5	6.9	5.9	2.6	3.0	3.3	2.8	2.3
Cyprus	5.7	8.8	9.7	8.1	6.5	2.7	3.1	3.1	2.8	2.4	2.5	2.4
Latvia	9.2	16.4	21.6	21.4	19.5	11.0	4.7	2.8	2.2	1.8	1.9	1.8
Lithuania	13.9	18.5	21.5	21.2	17.0	11.6	6.1	3.1	2.2	2.0	2.2	2.3
Luxembourg	6.8	9.5	8.9	7.5	4.5	3.2	3.0	2.2	3.1	2.7	2.5	2.3
Malta	4.3	5.8	7.1	7.3	7.0	5.6	4.8	4.2	3.0	2.8	2.8	2.8
Netherlands	8.9	10.4	14.1	13.0	7.2	6.9	3.3	2.6	4.8	3.3	2.7	2.3
Austria	5.5	7.9	9.9	11.1	10.6	8.3	5.9	4.4	2.9	2.5	4.7	4.6
Portugal	4.4	8.2	9.5	10.2	8.4	5.3	3.9	3.0	2.9	2.7	2.7	2.6
Slovakia	8.5	11.8	13.3	14.9	15.1	12.4	9.5	7.1	6.9	5.4	5.3	5.2
Slovenia	6.3	9.0	11.3	10.6	9.9	7.6	5.6	5.1	4.7	4.2	3.4	3.1
Finland	4.8	7.0	8.1	8.7	7.5	5.4	4.0	2.7	2.3	2.1	2.0	1.9
Euro area	6.1	8.0	9.3	10.0	8.0	6.4	5.2	3.6	3.5	2.8	2.5	2.3
Bulgaria	14.1	13.4	15.2	14.5	13.4	9.4	8.3	6.9	5.5	4.4	3.8	3.4
Czechia	10.2	15.0	17.4	16.5	18.0	12.2	9.1	9.0	3.3	3.6	3.4	3.1
Denmark	5.4	8.2	10.2	10.2	8.0	4.6	2.6	2.1	2.4	3.0	2.6	2.1
Hungary	8.3	11.0	18.0	23.3	25.9	21.8	13.4	6.7	3.1	3.5	4.4	5.0
Poland	9.0	12.8	14.9	15.9	16.1	12.9	10.5	7.8	7.0	5.9	5.7	5.3
Romania	8.2	12.4	13.3	14.1	13.0	10.3	8.7	7.3	5.8	4.9	4.2	3.4
Sweden	4.9	7.7	9.4	10.2	9.1	6.7	4.9	3.4	1.9	1.6	1.7	2.3
EU	6.5	8.8	10.3	11.0	9.4	7.4	5.9	4.2	3.6	3.0	2.7	2.5
United Kingdom	5.5	7.9	8.8	9.4	10.0	8.0	5.0	4.0	3.0	2.5	2.0	2.0
Japan	0.9	2.4	2.9	3.9	3.8	3.5	3.0	2.4	2.1	1.8	1.7	1.6
United States	8.0	8.6	8.3	7.1	5.8	4.3	3.7	3.4	3.1	2.8	2.5	2.2

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.9	1.2	-0.5	0.4	-3.5	8.7	**17.1**	**1.9**	**1.7**	*18.0*	*5.5*	*0.1*
Germany	0.7	0.7	0.3	0.4	-0.7	4.5	**12.6**	**2.3**	**1.2**	*13.5*	*5.3*	*0.8*
Estonia	4.4	1.3	0.8	-0.4	-2.0	10.4	**23.3**	**2.4**	**2.9**	*22.2*	*7.4*	*3.0*
Ireland	0.6	-0.5	0.4	-0.4	-7.0	-2.3	**2.5**	**2.6**	**1.4**	*9.8*	*5.9*	*3.2*
Greece	3.3	-0.3	-1.8	-0.5	-12.8	14.1	**36.5**	**5.0**	**3.4**	*33.0*	*7.5*	*2.0*
Spain	3.0	1.3	0.4	0.4	-1.2	9.2	**18.8**	**1.8**	**1.3**	*9.4*	*2.1*	*1.5*
France	2.0	0.3	-0.1	1.1	-1.4	6.0	**16.7**	**4.1**	**2.9**	*16.3*	*8.3*	*3.4*
Croatia	4.3	1.7	-1.1	0.5	-4.1	7.0	**12.3**	**6.0**	**3.0**	*10.0*	*5.5*	*2.1*
Italy	2.1	1.1	0.5	0.6	-0.6	5.3	**12.2**	**3.5**	**3.0**	*11.0*	*5.6*	*4.1*
Cyprus	3.2	1.7	0.5	0.4	-1.0	2.1	**3.0**	**2.8**	**2.0**	*12.0*	*6.0*	*2.5*
Latvia	11.0	3.1	0.7	-0.2	-1.1	14.3	**19.9**	**3.0**	**2.0**	*23.0*	*4.0*	*2.0*
Lithuania	8.6	1.4	-0.9	-0.2	-5.0	5.9	**12.2**	**5.4**	**2.1**	*15.3*	*5.1*	*1.3*
Luxembourg	5.7	1.6	1.3	-0.4	-0.1	7.9	**16.7**	**3.9**	**2.2**	*18.0*	*4.7*	*3.0*
Malta	1.0	-0.5	0.9	0.9	0.6	3.4	**10.3**	**4.2**	**2.9**	*10.0*	*5.5*	*2.6*
Netherlands	2.8	0.9	-0.8	-0.2	-4.3	10.0	**20.6**	**1.4**	**1.4**	*21.0*	*5.6*	*0.0*
Austria	1.9	0.8	0.1	-1.1	-1.2	6.3	**9.2**	**1.1**	**0.8**	*5.6*	*2.7*	*2.2*
Portugal	2.5	0.8	-0.6	-0.3	-2.4	7.6	**16.2**	**0.2**	**1.2**	*15.5*	*1.9*	*0.9*
Slovakia	1.5	0.0	-0.6	-0.3	-2.7	5.4	**15.7**	**1.0**	**4.0**	*18.6*	*6.9*	*4.9*
Slovenia	2.2	0.8	0.4	-0.6	-2.0	5.0	**17.3**	**2.9**	**2.7**	*20.7*	*7.3*	*3.2*
Finland	0.5	0.2	0.3	-0.7	-4.9	13.3	**23.4**	**0.3**	**0.8**	*18.5*	*4.5*	*1.8*
Euro area	1.8	0.8	0.1	0.3	-2.2	6.0	**14.5**	**2.4**	**1.8**	*14.4*	*5.5*	*1.8*
Bulgaria	14.7	0.7	0.7	1.7	-2.0	16.9	**24.8**	**2.0**	**3.0**	*29.0*	*7.0*	*4.0*
Czechia	-1.3	0.9	-0.4	1.0	1.0	4.8	**9.2**	**7.0**	**5.0**	*11.0*	*7.0*	*4.0*
Denmark	3.5	1.3	-0.2	-0.2	-1.5	2.8	**10.6**	**3.0**	**2.0**	*9.2*	*9.0*	*3.1*
Hungary	0.0	2.0	0.8	1.7	4.7	7.7	**23.0**	**-0.8**	**1.3**	*20.2*	*7.5*	*0.1*
Poland	1.8	5.1	1.1	3.2	2.7	10.1	**20.0**	**6.3**	**1.8**	*20.0*	*11.0*	*3.6*
Romania	10.4	3.8	-0.5	2.2	0.8	11.2	**17.0**	**6.2**	**3.6**	*17.0*	*7.5*	*3.2*
Sweden	2.2	-1.2	2.3	3.4	-4.2	5.6	**18.4**	**2.2**	**2.5**	*19.5*	*4.0*	*0.8*
EU	1.8	0.9	0.2	0.6	-1.7	6.2	**14.9**	**2.7**	**1.9**	*14.9*	*5.9*	*1.9*
United Kingdom	3.3	2.8	0.7	1.8	-2.9	5.2	**16.7**	**6.2**	**2.6**	*18.1*	*8.8*	*2.4*
Japan	0.1	-1.7	-0.1	-3.8	-2.9	7.1	**14.4**	**6.9**	**3.5**	*14.1*	*6.9*	*2.8*
United States	3.8	0.8	-1.2	-1.6	-3.9	14.2	**11.5**	**0.6**	**2.0**	*12.5*	*1.2*	*1.0*

Table 20: **Price deflator of imports of goods in national currency (percentage change on preceding year, 2004-2024)** 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	3.9	1.5	-0.9	-0.4	-4.6	10.9	**23.2**	**0.0**	**1.6**	*24.0*	*5.5*	*-0.5*
Germany	1.8	0.4	-0.6	-0.6	-3.4	9.1	**20.0**	**-1.0**	**1.2**	*21.5*	*3.3*	*-1.1*
Estonia	3.2	1.9	-0.3	0.2	-3.1	9.8	**22.7**	**0.8**	**2.1**	*23.0*	*7.4*	*2.6*
Ireland	1.7	-0.6	1.5	-3.4	-4.7	7.5	**6.1**	**1.4**	**1.0**	*9.3*	*7.0*	*2.1*
Greece	3.5	0.8	-2.0	0.9	-9.0	13.7	**26.3**	**2.1**	**1.5**	*31.0*	*8.0*	*1.8*
Spain	3.3	1.6	0.4	0.3	-3.9	9.1	**25.2**	**0.7**	**0.8**	*20.0*	*2.8*	*1.2*
France	2.4	0.5	-0.9	-0.1	-2.7	8.1	**21.1**	**-1.2**	**2.2**	*22.3*	*4.7*	*1.7*
Croatia	2.5	1.6	-0.2	0.2	-0.3	7.4	**16.1**	**3.0**	**2.0**	*14.1*	*4.0*	*2.0*
Italy	4.3	1.1	-1.1	-0.9	-4.8	12.2	**24.8**	**-0.5**	**0.8**	*20.8*	*7.6*	*2.3*
Cyprus	3.6	1.8	-1.4	0.4	0.2	2.8	**5.2**	**2.1**	**1.7**	*22.5*	*6.0*	*2.5*
Latvia	9.0	2.9	-0.8	-1.1	-4.2	11.4	**19.8**	**1.0**	**2.0**	*25.0*	*6.0*	*-1.0*
Lithuania	6.0	2.7	-1.7	-1.6	-6.4	13.2	**26.2**	**1.0**	**1.5**	*23.8*	*4.5*	*1.3*
Luxembourg	4.3	1.5	0.6	-0.8	-1.9	7.8	**21.5**	**1.7**	**2.0**	*23.2*	*5.0*	*2.8*
Malta	0.7	1.1	-0.5	1.4	-0.1	1.1	**7.8**	**3.5**	**2.1**	*11.0*	*5.9*	*2.5*
Netherlands	2.9	1.4	-1.3	-1.1	-5.2	12.4	**24.5**	**-1.8**	**1.1**	*28.0*	*5.8*	*-2.0*
Austria	2.8	1.2	-0.2	-0.1	-1.9	7.9	**14.3**	**-1.2**	**0.0**	*8.0*	*3.3*	*2.0*
Portugal	3.2	-0.1	-1.0	-0.7	-4.0	7.1	**19.8**	**-2.4**	**1.2**	*19.8*	*-0.2*	*0.1*
Slovakia	2.4	1.0	-0.2	0.1	-2.3	6.5	**21.1**	**-0.3**	**3.3**	*22.2*	*6.6*	*4.8*
Slovenia	3.3	1.4	0.0	-1.0	-2.8	7.4	**20.7**	**0.9**	**1.6**	*25.7*	*8.2*	*3.0*
Finland	3.1	0.7	-0.7	-0.1	-7.0	13.2	**24.1**	**-0.9**	**0.7**	*22.0*	*4.6*	*1.4*
Euro area	2.8	0.9	-0.7	-0.6	-3.9	9.8	**21.4**	**-0.6**	**1.3**	*21.6*	*4.7*	*0.4*
Bulgaria	9.5	0.6	-0.6	-0.1	-6.0	16.2	**23.6**	**0.0**	**3.0**	*24.0*	*9.0*	*4.0*
Czechia	-0.3	1.1	-0.8	0.6	-0.8	4.9	**15.2**	**3.5**	**3.0**	*17.5*	*9.0*	*3.5*
Denmark	2.5	0.6	-0.4	0.3	-3.1	8.4	**22.4**	**-1.5**	**2.2**	*20.0*	*7.4*	*2.2*
Hungary	1.1	2.3	0.4	1.2	2.7	11.8	**31.7**	**-4.9**	**1.3**	*27.2*	*8.0*	*-1.6*
Poland	0.8	4.8	0.0	1.7	-0.4	12.3	**24.4**	**3.1**	**1.2**	*25.2*	*13.0*	*3.0*
Romania	2.7	4.0	-0.2	0.2	-2.5	10.2	**17.9**	**2.4**	**3.2**	*19.0*	*7.8*	*3.4*
Sweden	2.8	-1.4	2.0	2.3	-5.3	5.0	**23.6**	**1.0**	**2.5**	*22.5*	*5.0*	*0.5*
EU	2.7	1.0	-0.5	-0.3	-3.5	9.7	**21.7**	**-0.3**	**1.4**	*21.7*	*5.5*	*0.7*
United Kingdom	2.8	2.1	0.4	1.0	-1.8	6.3	**18.5**	**5.3**	**2.1**	*21.0*	*12.4*	*2.2*
Japan	7.7	-0.5	-1.4	-4.7	-9.1	17.8	**31.8**	**2.2**	**-0.1**	*27.6*	*6.2*	*1.6*
United States	5.8	-0.2	-2.1	-2.1	-2.8	7.8	**7.8**	**1.6**	**1.7**	*8.6*	*2.2*	*1.2*

Table 21: **Terms of trade of goods (percentage change on preceding year, 2004-2024)** 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	-1.0	-0.2	0.4	0.8	1.2	-2.0	**-5.0**	**2.0**	**0.1**	*-4.8*	*0.0*	*0.6*
Germany	-1.0	0.4	0.9	1.1	2.8	-4.2	**-6.2**	**3.3**	**0.0**	*-6.6*	*2.0*	*1.9*
Estonia	1.1	-0.6	1.1	-0.7	1.1	0.6	**0.5**	**1.6**	**0.8**	*-0.7*	*0.0*	*0.4*
Ireland	-1.0	0.0	-1.1	3.1	-2.4	-9.1	**-3.4**	**1.2**	**0.4**	*0.5*	*-1.0*	*1.1*
Greece	-0.2	-1.2	0.2	-1.4	-4.1	0.4	**8.0**	**2.8**	**1.9**	*1.5*	*-0.5*	*0.2*
Spain	-0.4	-0.3	0.0	0.1	2.8	0.1	**-5.1**	**1.0**	**0.5**	*-8.8*	*-0.7*	*0.3*
France	-0.4	-0.2	0.8	1.3	1.3	-2.0	**-3.7**	**5.4**	**0.7**	*-5.0*	*3.5*	*1.7*
Croatia	1.8	0.1	-0.9	0.3	-3.8	-0.4	**-3.3**	**2.9**	**1.0**	*-3.6*	*1.4*	*0.1*
Italy	-2.2	0.0	1.6	1.6	4.5	-6.2	**-10.1**	**4.0**	**2.2**	*-8.1*	*-1.9*	*1.8*
Cyprus	-0.4	0.0	2.0	0.0	-1.2	-0.6	**-2.1**	**0.7**	**0.3**	*-8.6*	*0.0*	*0.0*
Latvia	1.8	0.2	1.5	0.9	3.2	2.6	**0.1**	**2.0**	**0.0**	*-1.6*	*-1.9*	*3.0*
Lithuania	2.4	-1.3	0.9	1.3	1.5	-6.4	**-11.1**	**4.4**	**0.6**	*-6.9*	*0.6*	*0.0*
Luxembourg	1.3	0.1	0.7	0.4	1.8	0.1	**-4.0**	**2.2**	**0.2**	*-4.2*	*-0.2*	*0.2*
Malta	0.3	-1.6	1.4	-0.5	0.7	2.3	**2.3**	**0.7**	**0.8**	*-0.9*	*-0.4*	*0.1*
Netherlands	-0.2	-0.5	0.6	0.9	1.0	-2.2	**-3.1**	**3.3**	**0.3**	*-5.5*	*-0.2*	*2.0*
Austria	-0.8	-0.4	0.3	-1.0	0.8	-1.5	**-4.5**	**2.3**	**0.8**	*-2.2*	*-0.6*	*0.2*
Portugal	-0.6	0.9	0.5	0.4	1.6	0.5	**-3.0**	**2.7**	**0.0**	*-3.6*	*2.1*	*0.8*
Slovakia	-0.9	-1.1	-0.4	-0.3	-0.4	-1.1	**-4.4**	**1.3**	**0.7**	*-2.9*	*0.3*	*0.1*
Slovenia	-1.1	-0.6	0.5	0.4	0.8	-2.3	**-2.8**	**2.0**	**1.1**	*-4.0*	*-0.8*	*0.2*
Finland	-2.5	-0.5	1.0	-0.6	2.3	0.1	**-0.6**	**1.2**	**0.1**	*-2.9*	*-0.1*	*0.4*
Euro area	-1.0	-0.1	0.7	0.9	1.7	-3.5	**-5.9**	**2.6**	**0.4**	*-6.1*	*0.7*	*1.4*
Bulgaria	4.8	0.1	1.2	1.9	4.3	0.6	**1.0**	**2.0**	**0.0**	*4.0*	*-1.8*	*0.0*
Czechia	-1.0	-0.2	0.3	0.4	1.8	-0.2	**-5.2**	**3.4**	**1.9**	*-5.5*	*-1.8*	*0.5*
Denmark	1.0	0.7	0.2	-0.5	1.7	-5.2	**-9.6**	**4.6**	**-0.2**	*-9.0*	*1.5*	*0.9*
Hungary	-1.1	-0.3	0.4	0.5	2.0	-3.7	**-6.6**	**4.3**	**0.0**	*-5.5*	*-0.5*	*1.7*
Poland	1.0	0.3	1.0	1.5	3.2	-2.0	**-3.6**	**3.1**	**0.6**	*-4.2*	*-1.8*	*0.6*
Romania	7.4	-0.3	-0.4	2.1	3.3	0.9	**-0.7**	**3.7**	**0.4**	*-1.7*	*-0.3*	*-0.2*
Sweden	-0.6	0.2	0.3	1.1	1.1	0.5	**-4.2**	**1.2**	**0.0**	*-2.4*	*-1.0*	*0.3*
EU	-0.9	-0.1	0.6	0.9	1.8	-3.2	**-5.7**	**2.9**	**0.5**	*-5.8*	*0.3*	*1.2*
United Kingdom	0.5	0.7	0.2	0.8	-1.1	-1.0	**-1.5**	**0.8**	**0.5**	*-2.4*	*-3.2*	*0.2*
Japan	-7.1	-1.3	1.3	0.9	6.8	-9.1	**-13.2**	**4.5**	**3.6**	*-10.5*	*0.7*	*1.1*
United States	-2.0	0.9	0.9	0.6	-1.1	5.9	**3.5**	**-1.0**	**0.3**	*3.6*	*-1.0*	*-0.2*

Table 22: Total population (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	0.6	0.8	0.5	0.5	0.5	0.4	**0.9**	**0.7**	**0.3**	*0.7*	*0.6*	*0.4*
Germany	-0.2	0.0	0.6	0.2	0.1	0.0	**0.7**	**0.8**	**0.2**	*0.9*	*0.4*	*0.1*
Estonia	-0.5	-0.3	0.0	0.4	0.3	0.1	**0.1**	**1.9**	**0.1**	*2.3*	*0.8*	*-0.1*
Ireland	2.4	0.5	1.0	1.4	1.1	0.8	**1.9**	**1.6**	**0.8**	*1.7*	*1.5*	*1.4*
Greece	0.3	-0.2	-0.4	-0.1	-0.2	-0.5	**-0.6**	**-0.5**	**-0.4**	*-0.4*	*-0.4*	*-0.4*
Spain	1.7	0.3	0.1	0.8	0.5	-0.1	**0.6**	**0.6**	**0.7**	*1.0*	*0.7*	*0.7*
France	0.7	0.5	0.4	0.5	0.4	0.3	**0.4**	**0.4**	**0.3**	*0.4*	*0.3*	*0.3*
Croatia	0.0	-0.3	-0.8	-0.6	-0.5	-2.2	**-1.3**	**-0.2**	**-0.5**	*-0.4*	*-0.3*	*-0.2*
Italy	0.6	0.4	-0.1	-0.2	-0.5	-0.5	**-0.3**	**0.0**	**-0.1**	*0.6*	*0.5*	*-0.1*
Cyprus	1.8	1.8	0.2	1.4	1.1	0.9	**1.4**	**1.3**	**1.0**	*2.0*	*1.3*	*1.0*
Latvia	-1.0	-1.6	-0.9	-0.7	-0.6	-0.9	**0.2**	**-0.5**	**-0.7**	*0.3*	*-0.5*	*-0.7*
Lithuania	-1.3	-1.6	-1.1	-0.3	0.0	0.5	**0.9**	**0.3**	**-0.3**	*0.6*	*0.3*	*-0.7*
Luxembourg	1.6	2.2	2.2	2.1	1.5	1.6	**2.2**	**2.5**	**2.0**	*2.5*	*2.2*	*2.0*
Malta	0.5	0.8	2.6	4.0	2.2	0.5	**2.3**	**1.8**	**1.8**	*2.0*	*1.7*	*1.7*
Netherlands	0.3	0.4	0.5	0.7	0.6	0.5	**1.0**	**0.8**	**0.7**	*0.5*	*0.8*	*0.8*
Austria	0.5	0.4	0.8	0.5	0.4	0.4	**1.1**	**0.3**	**0.2**	*1.2*	*0.7*	*0.4*
Portugal	0.2	-0.2	-0.3	0.0	0.1	-0.1	**-0.1**	**0.1**	**0.1**	*0.0*	*0.0*	*0.0*
Slovakia	0.1	0.0	0.1	0.1	0.1	-0.4	**1.1**	**0.4**	**0.0**	*1.1*	*0.5*	*0.0*
Slovenia	0.3	0.4	0.1	0.8	0.7	0.2	**0.0**	**0.2**	**0.2**	*0.1*	*0.2*	*0.2*
Finland	0.4	0.5	0.3	0.1	0.2	0.2	**0.3**	**0.4**	**0.2**	*0.6*	*0.4*	*0.2*
Euro area	0.5	0.2	0.3	0.3	0.2	0.0	**0.4**	**0.5**	**0.3**	*0.7*	*0.5*	*0.2*
Bulgaria	-0.5	-1.0	-0.7	-0.7	-0.6	-0.8	**-0.8**	**0.6**	**-0.6**	*-0.6*	*-0.6*	*-0.6*
Czechia	0.4	0.2	0.2	0.4	0.3	0.0	**-0.1**	**0.3**	**0.1**	*2.7*	*1.2*	*0.0*
Denmark	0.4	0.4	0.6	0.4	0.2	0.4	**0.9**	**0.6**	**0.4**	*0.7*	*0.6*	*0.6*
Hungary	-0.2	-0.3	-0.2	0.0	-0.2	-0.4	**-0.3**	**-0.1**	**-0.4**	*0.3*	*0.0*	*-0.2*
Poland	0.0	0.2	0.0	-0.1	-0.1	-0.5	**-0.9**	**2.2**	**-1.1**	*2.6*	*1.0*	*-0.2*
Romania	-1.0	-0.5	-0.5	-0.5	-0.6	-0.7	**-0.4**	**-0.1**	**-0.4**	*-0.8*	*-0.8*	*-0.8*
Sweden	0.6	0.8	1.2	1.0	0.7	0.6	**0.7**	**0.7**	**0.7**	*0.4*	*0.3*	*0.3*
EU	0.3	0.2	0.2	0.2	0.1	-0.1	**0.2**	**0.6**	**0.1**	*0.8*	*0.5*	*0.1*
United Kingdom	0.7	0.7	0.7	0.5	0.4	0.4	**0.7**	**0.4**	**0.4**	*0.3*	*0.3*	*0.3*
Japan	0.1	-0.1	-0.2	-0.1	-0.3	-0.1	**-0.4**	**-0.5**	**-0.5**	*-0.5*	*-0.5*	*-0.5*
United States	0.9	0.8	0.7	0.5	0.4	0.2	**0.4**	**0.5**	**0.5**	*1.0*	*0.4*	*0.5*

Table 23: Total employment in persons (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	1.4	0.4	1.1	1.6	0.1	1.9	**2.0**	**0.6**	**0.9**	*1.8*	*0.3*	*0.6*
Germany	0.8	0.7	1.2	0.9	-0.8	0.1	**1.3**	**0.6**	**0.2**	*1.2*	*-0.1*	*0.3*
Estonia	1.3	-1.1	1.5	1.3	-2.7	0.1	**4.6**	**0.2**	**0.4**	*2.8*	*-0.1*	*0.5*
Ireland	3.1	-2.4	3.1	3.0	-2.8	6.0	**6.6**	**2.4**	**0.9**	*3.1*	*0.8*	*0.6*
Greece	1.6	-2.4	1.6	2.2	-1.8	2.7	**3.8**	**0.8**	**0.7**	*1.9*	*0.4*	*0.6*
Spain	3.1	-3.4	2.2	2.6	-4.2	2.5	**2.8**	**0.8**	**1.1**	*3.1*	*0.8*	*0.9*
France	0.8	0.0	0.7	1.2	-0.7	2.5	**2.4**	**0.3**	**0.4**	*1.0*	*-0.1*	*0.5*
Croatia	2.0	-3.0	1.8	3.1	-1.2	1.2	**2.3**	**1.0**	**1.2**	*2.2*	*0.2*	*0.6*
Italy	0.9	-0.8	0.8	0.5	-2.1	0.6	**1.7**	**0.5**	**0.1**	*2.2*	*-0.3*	*0.6*
Cyprus	3.5	-1.6	3.0	3.8	-1.2	1.3	**2.9**	**1.7**	**1.9**	*1.6*	*0.7*	*1.4*
Latvia	2.0	-3.1	0.2	-0.1	-2.3	-2.6	**2.7**	**0.1**	**1.6**	*3.4*	*-0.1*	*0.3*
Lithuania	0.0	-1.8	1.3	0.6	-1.6	1.2	**5.1**	**-0.6**	**-0.3**	*3.8*	*-2.2*	*-0.4*
Luxembourg	3.6	2.0	3.0	3.5	1.7	3.0	**3.5**	**2.4**	**2.3**	*3.1*	*2.1*	*2.8*
Malta	1.6	2.4	5.7	5.7	2.8	2.9	**6.0**	**2.3**	**2.3**	*2.9*	*2.5*	*2.5*
Netherlands	1.3	-0.4	1.5	2.3	-0.5	2.0	**4.0**	**1.0**	**0.7**	*2.9*	*0.5*	*0.5*
Austria	1.5	0.6	1.2	1.1	-1.6	2.0	**2.6**	**0.6**	**0.9**	*2.5*	*0.6*	*0.7*
Portugal	-0.1	-2.6	2.0	0.8	-1.8	1.9	**2.0**	**0.5**	**0.6**	*1.0*	*0.2*	*0.5*
Slovakia	1.8	-0.5	2.0	1.0	-1.9	-0.6	**1.8**	**0.6**	**0.1**	*2.0*	*0.0*	*-0.2*
Slovenia	1.4	-1.5	1.9	2.5	-0.7	1.3	**2.4**	**0.7**	**0.5**	*2.9*	*0.3*	*0.5*
Finland	1.7	-0.3	0.7	1.8	-1.9	2.7	**2.5**	**-0.2**	**0.4**	*2.1*	*-0.1*	*0.4*
Euro area	1.2	-0.6	1.3	1.3	-1.5	1.4	**2.3**	**0.6**	**0.5**	*1.8*	*0.1*	*0.5*
Bulgaria	2.8	-2.1	0.6	0.3	-2.3	0.2	**1.3**	**0.3**	**0.3**	*0.4*	*0.0*	*0.2*
Czechia	1.5	-0.5	1.3	0.2	-1.7	0.4	**1.7**	**0.7**	**0.6**	*0.4*	*0.7*	*0.6*
Denmark	1.3	-1.2	1.4	1.4	-1.1	2.4	**3.9**	**-0.3**	**-0.2**	*4.3*	*-1.4*	*-0.1*
Hungary	-0.7	-0.1	2.9	1.1	-1.1	1.1	**1.7**	**0.0**	**0.5**	*1.9*	*0.0*	*0.4*
Poland	3.0	-0.3	1.2	0.0	0.0	2.5	**0.4**	**0.1**	**0.3**	*1.4*	*0.1*	*0.3*
Romania	-0.4	-1.7	0.2	0.1	-2.1	1.8	**0.1**	**-0.3**	**0.0**	*0.5*	*-1.4*	*-0.1*
Sweden	0.8	0.5	1.8	0.6	-1.3	1.2	**2.7**	**0.2**	**0.3**	*2.9*	*-0.1*	*0.1*
EU	1.3	-0.7	1.2	1.1	-1.4	1.5	**2.0**	**0.5**	**0.4**	*1.8*	*0.0*	*0.4*
United Kingdom	1.0	0.3	1.6	1.1	-0.9	-0.3	**1.0**	**-0.2**	**0.3**	*0.7*	*-0.4*	*0.5*
Japan	0.5	-0.4	0.9	0.9	-0.5	-0.1	**0.2**	**-0.1**	**-0.1**	*0.2*	*0.2*	*0.2*
United States	0.9	-0.1	1.6	1.2	-5.8	3.4	**3.7**	**1.0**	**0.1**	*3.8*	*-0.2*	*0.3*

Note: For the countries publishing also employment in full-time equivalents (see note 6) as well as the EU and EA aggregates, this table now also displays employment in persons, limiting the comparability to figures published in previous forecasts.

Table 24: Total employment in full-time equivalents (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Spain	2.5	-4.0	2.4	2.6	-7.6	6.6	**3.8**	**1.1**	**1.3**	*3.3*	*0.9*	*1.5*
France	0.9	-0.1	0.6	1.3	-0.6	2.4	**2.4**	**0.3**	**0.4**	*1.0*	*-0.1*	*0.5*
Italy	0.6	-1.4	0.8	0.1	-10.3	8.9	**3.8**	**0.8**	**0.6**	*3.4*	*0.2*	*1.1*
Netherlands	1.3	-0.6	1.7	2.2	0.6	2.0	**4.0**	**1.0**	**0.7**	*2.9*	*0.5*	*0.5*
Euro area	1.1	-0.9	1.3	1.3	-3.3	1.4	**2.3**	**0.7**	**0.6**	2.0	0.2	0.7
EU	1.1	-0.9	1.3	1.1	-2.7	1.5	**2.0**	**0.5**	**0.5**	*1.9*	*0.1*	*0.6*

Table 25: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	8.0	8.0	7.7	5.5	5.8	6.3	**5.6**	**5.8**	**5.7**	*5.8*	*6.4*	*6.3*
Germany	9.1	5.9	4.0	3.0	3.7	3.7	**3.1**	**3.2**	**3.1**	*3.1*	*3.5*	*3.5*
Estonia	6.8	12.2	6.3	4.5	6.9	6.2	**5.6**	**6.2**	**6.1**	*6.1*	*6.6*	*6.2*
Ireland	5.2	14.4	8.5	5.0	5.9	6.2	**4.5**	**4.3**	**4.3**	*4.4*	*4.8*	*5.0*
Greece	9.4	18.7	23.4	17.9	17.6	14.7	**12.5**	**12.2**	**11.8**	*12.6*	*12.6*	*12.1*
Spain	9.6	22.0	19.7	14.1	15.5	14.8	**12.9**	**12.7**	**12.4**	*12.7*	*12.7*	*12.6*
France	8.4	9.5	9.8	8.4	8.0	7.9	**7.3**	**7.4**	**7.5**	*7.7*	*8.1*	*7.7*
Croatia	11.3	13.6	13.3	6.6	7.5	7.6	**7.0**	**6.6**	**6.1**	*6.3*	*6.3*	*5.9*
Italy	7.2	9.6	11.7	9.9	9.3	9.5	**8.1**	**7.8**	**7.7**	*8.3*	*8.7*	*8.5*
Cyprus	4.4	9.5	12.7	7.1	7.6	7.5	**6.8**	**6.9**	**6.4**	*7.2*	*7.2*	*6.9*
Latvia	8.6	16.1	9.3	6.3	8.1	7.6	**6.9**	**6.8**	**6.5**	*7.1*	*8.1*	*7.9*
Lithuania	7.0	14.4	8.2	6.3	8.5	7.1	**6.0**	**6.6**	**6.5**	*6.0*	*7.1*	*7.0*
Luxembourg	4.7	5.1	6.0	5.6	6.8	5.3	**4.6**	**4.8**	**5.0**	*4.7*	*5.1*	*4.9*
Malta	6.7	6.5	4.7	3.6	4.4	3.4	**2.9**	**2.9**	**2.9**	*3.2*	*3.1*	*3.0*
Netherlands	5.7	6.5	6.8	4.4	4.9	4.2	**3.5**	**3.8**	**3.9**	*3.7*	*4.3*	*4.3*
Austria	5.5	5.3	5.9	4.8	6.0	6.2	**4.8**	**4.9**	**5.0**	*5.0*	*5.2*	*5.3*
Portugal	8.9	14.2	11.1	6.7	7.0	6.6	**6.0**	**6.5**	**6.3**	*5.9*	*5.9*	*5.7*
Slovakia	13.7	13.6	9.8	5.7	6.7	6.8	**6.1**	**5.8**	**5.4**	*6.3*	*6.4*	*6.4*
Slovenia	5.6	8.1	7.7	4.4	5.0	4.8	**4.0**	**3.9**	**3.8**	*4.1*	*4.3*	*4.1*
Finland	7.7	8.2	8.6	6.8	7.7	7.7	**6.8**	**7.1**	**6.8**	*7.0*	*7.2*	*6.9*
Euro area	8.4	10.8	10.0	7.6	8.0	7.7	**6.8**	**6.8**	**6.7**	6.8	7.2	7.0
Bulgaria	10.2	11.7	8.9	5.2	6.1	5.3	**4.3**	**4.3**	**4.0**	*5.2*	*5.2*	*5.3*
Czechia	6.6	6.9	4.1	2.0	2.6	2.8	**2.2**	**2.8**	**2.6**	*2.7*	*3.3*	*3.6*
Denmark	4.3	7.4	6.0	5.0	5.6	5.1	**4.5**	**5.0**	**5.1**	*4.5*	*5.5*	*5.6*
Hungary	7.0	10.3	5.3	3.3	4.1	4.1	**3.6**	**4.2**	**4.0**	*3.6*	*4.2*	*4.2*
Poland	14.0	9.9	6.4	3.3	3.2	3.4	**2.9**	**3.3**	**3.2**	*2.7*	*3.0*	*3.1*
Romania	8.5	8.8	7.1	4.9	6.1	5.6	**5.6**	**5.4**	**5.1**	*5.4*	*5.8*	*5.4*
Sweden	6.8	8.3	7.2	7.0	8.5	8.8	**7.5**	**7.7**	**8.2**	*7.2*	*7.6*	*7.8*
EU	8.8	10.4	9.2	6.8	7.2	7.1	**6.2**	**6.2**	**6.1**	*6.2*	*6.5*	*6.4*
United Kingdom	5.2	7.8	5.0	3.8	4.6	4.5	**3.7**	**4.3**	**4.6**	*3.8*	*4.4*	*4.8*
Japan	4.2	4.6	3.1	2.4	2.8	2.8	**2.6**	**2.5**	**2.4**	*2.7*	*2.5*	*2.5*
United States	5.1	8.7	4.9	3.7	8.1	5.3	**3.5**	**4.1**	**4.8**	*3.7*	*4.1*	*4.4*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 26: **Compensation of employees per head (percentage change on preceding year, 2004-2024)** 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.9	2.3	1.1	2.0	-1.6	4.1	**7.2**	**9.0**	**3.4**	*6.4*	*9.0*	*4.3*
Germany	1.0	2.1	2.7	3.4	0.4	3.1	**4.2**	**5.5**	**5.3**	*4.5*	*5.4*	*4.3*
Estonia	14.6	2.5	6.6	7.2	6.2	9.8	**8.3**	**10.3**	**4.8**	*9.7*	*9.7*	*4.7*
Ireland	5.1	-0.4	2.3	3.8	3.7	2.6	**4.2**	**5.6**	**5.8**	*3.6*	*6.0*	*5.2*
Greece	4.8	-3.3	-2.2	-0.3	-0.6	2.3	**0.3**	**3.6**	**2.8**	*5.3*	*3.9*	*2.7*
Spain	4.5	1.4	0.5	3.2	2.8	-0.7	**2.0**	**4.7**	**3.5**	*2.6*	*4.9*	*2.7*
France	2.9	2.2	1.5	-0.2	-2.9	4.7	**5.0**	**5.4**	**3.1**	*4.7*	*4.5*	*2.6*
Croatia	4.7	1.0	0.0	0.4	1.2	10.4	**7.9**	**7.5**	**3.3**	*7.7*	*6.8*	*3.9*
Italy	3.0	1.5	0.7	1.8	3.8	-1.3	**2.6**	**3.5**	**3.6**	*3.0*	*2.5*	*2.7*
Cyprus	3.6	1.0	-0.6	4.4	-0.5	3.8	**3.8**	**6.3**	**4.0**	*4.7*	*7.0*	*3.8*
Latvia	23.0	-0.6	7.7	7.8	5.0	11.1	**9.0**	**10.8**	**5.3**	*10.7*	*7.2*	*7.2*
Lithuania	14.9	1.1	6.8	10.6	6.6	11.9	**10.6**	**10.4**	**6.2**	*11.0*	*6.3*	*6.7*
Luxembourg	3.8	2.3	2.1	1.9	1.2	6.0	**5.4**	**6.9**	**3.4**	*5.1*	*4.7*	*3.0*
Malta	3.1	2.9	4.4	4.5	-0.4	4.6	**2.8**	**5.6**	**3.1**	*3.4*	*2.4*	*2.0*
Netherlands	2.6	2.1	1.1	2.8	3.5	2.2	**3.9**	**5.5**	**4.8**	*3.4*	*4.5*	*4.3*
Austria	2.7	1.9	2.2	2.8	1.8	2.8	**4.6**	**8.3**	**6.6**	*4.3*	*6.6*	*4.9*
Portugal	3.2	0.6	1.2	4.8	1.5	4.1	**6.1**	**5.7**	**2.9**	*4.6*	*4.3*	*3.0*
Slovakia	8.0	3.0	3.8	6.8	3.9	6.9	**6.0**	**9.7**	**7.4**	*7.5*	*6.0*	*9.4*
Slovenia	6.5	1.4	2.6	5.0	3.4	7.9	**4.3**	**7.7**	**5.3**	*2.2*	*6.3*	*4.5*
Finland	3.5	2.3	0.7	1.2	0.4	3.6	**3.2**	**4.5**	**3.8**	*3.4*	*3.5*	*2.6*
Euro area	2.8	2.0	1.5	2.2	1.1	3.9	**4.4**	**5.5**	**4.2**	*4.2*	*4.9*	*3.6*
Bulgaria	10.2	8.3	7.4	6.9	7.2	11.3	**18.4**	**13.5**	**9.1**	*15.4*	*9.0*	*6.7*
Czechia	5.7	1.6	5.0	7.2	3.1	5.0	**5.5**	**7.3**	**6.6**	*7.7*	*6.5*	*6.4*
Denmark	3.5	2.2	1.6	1.9	2.6	2.9	**2.9**	**4.9**	**5.3**	*3.3*	*4.7*	*5.0*
Hungary	7.9	1.0	3.7	7.0	3.0	8.8	**15.0**	**14.6**	**8.3**	*14.5*	*13.1*	*6.9*
Poland	4.1	4.7	4.5	8.6	5.3	4.7	**13.2**	**12.7**	**8.3**	*11.0*	*10.4*	*6.9*
Romania	19.6	2.3	10.2	10.9	4.0	1.9	**11.1**	**9.6**	**6.7**	*8.1*	*8.6*	*5.7*
Sweden	4.0	2.6	2.7	2.9	2.5	4.3	**2.8**	**4.0**	**3.7**	*2.8*	*4.4*	*3.8*
EU	2.9	2.1	1.8	2.7	1.2	3.9	**5.0**	**5.9**	**4.6**	*4.6*	*5.2*	*3.9*
United Kingdom	4.5	1.9	2.2	4.0	0.1	5.0	**6.3**	**4.6**	**2.2**	*5.7*	*4.8*	*2.0*
Japan	-0.2	-1.0	0.9	0.8	-0.8	2.0	**2.3**	**3.1**	**2.2**	*1.2*	*1.3*	*1.3*
United States	3.9	2.1	2.5	2.8	6.9	5.0	**4.2**	**4.0**	**2.6**	*6.0*	*3.3*	*2.5*

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, 2004-2024)** 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	0.1	0.8	-0.3	0.5	-2.4	1.6	**-1.3**	**5.3**	**0.8**	*-1.7*	*3.4*	*1.4*
Germany	-0.4	0.8	1.7	2.1	-0.2	0.0	**-2.5**	**-0.4**	**3.0**	*-2.5*	*-1.4*	*1.5*
Estonia	8.4	-0.5	4.6	4.6	7.2	5.4	**-7.3**	**1.0**	**2.0**	*-7.4*	*2.8*	*2.1*
Ireland	3.0	0.5	1.2	1.9	2.9	-1.2	**-2.2**	**0.6**	**2.5**	*-2.4*	*0.2*	*2.3*
Greece	1.3	-3.8	-1.4	-0.3	0.5	1.4	**-6.7**	**-0.6**	**0.3**	*-3.5*	*-2.5*	*0.0*
Spain	1.0	0.2	-0.1	2.1	2.8	-2.7	**-4.5**	**0.7**	**1.0**	*-5.4*	*0.1*	*0.6*
France	0.6	1.5	0.8	-1.0	-3.9	3.1	**0.1**	**-0.4**	**0.4**	*-0.6*	*0.0*	*0.4*
Croatia	1.2	-1.4	-0.1	-0.7	0.7	7.9	**-2.7**	**0.6**	**0.5**	*-2.1*	*0.3*	*1.5*
Italy	0.5	0.0	0.2	1.2	3.7	-2.8	**-4.5**	**-1.9**	**1.0**	*-4.1*	*-3.0*	*0.4*
Cyprus	0.2	-0.6	0.0	4.1	0.5	2.9	**-3.9**	**2.4**	**1.5**	*-3.0*	*2.7*	*1.3*
Latvia	11.6	-1.3	6.0	4.7	4.2	7.4	**-4.6**	**1.4**	**3.5**	*-5.3*	*-1.0*	*5.8*
Lithuania	9.8	-1.7	5.6	8.2	5.4	7.0	**-7.0**	**1.1**	**4.0**	*-6.7*	*-2.6*	*4.6*
Luxembourg	1.1	0.8	0.8	0.2	0.0	4.6	**-0.2**	**3.8**	**1.0**	*-1.7*	*1.0*	*0.6*
Malta	0.4	0.7	3.4	2.6	-1.5	3.3	**-2.4**	**1.0**	**0.1**	*-2.0*	*-2.1*	*-0.6*
Netherlands	0.6	0.9	0.0	0.1	2.1	-1.3	**-3.3**	**0.0**	**1.7**	*-3.4*	*-2.1*	*0.8*
Austria	0.5	0.0	0.4	1.0	0.3	0.4	**-2.8**	**1.4**	**2.7**	*-4.1*	*-0.1*	*1.5*
Portugal	0.0	-0.3	0.1	3.9	0.9	2.7	**-0.2**	**1.3**	**0.2**	*-1.3*	*0.4*	*0.9*
Slovakia	3.5	1.0	3.1	4.0	1.7	3.5	**-5.5**	**-0.1**	**2.3**	*-4.5*	*-6.7*	*5.2*
Slovenia	2.9	-0.2	2.1	3.6	4.0	4.3	**-6.6**	**1.2**	**1.7**	*-8.9*	*0.3*	*1.7*
Finland	1.9	0.0	-0.2	0.3	0.1	1.8	**-2.2**	**0.2**	**1.9**	*-3.2*	*-0.5*	*0.9*
Euro area	0.4	0.8	0.7	1.1	0.4	1.5	**-2.3**	**0.0**	**1.6**	*-2.8*	*-0.9*	*1.0*
Bulgaria	4.5	6.6	4.8	4.8	7.8	5.0	**1.6**	**2.8**	**5.1**	*4.0*	*1.4*	*2.6*
Czechia	2.8	0.4	3.7	4.3	0.2	2.1	**-9.0**	**-4.0**	**2.4**	*-8.3*	*-4.9*	*0.8*
Denmark	1.6	0.3	1.0	1.0	2.2	0.9	**-4.1**	**0.6**	**2.8**	*-6.0*	*0.0*	*2.5*
Hungary	2.8	-2.6	1.8	2.3	-0.3	2.3	**-1.8**	**-1.5**	**4.1**	*-0.3*	*-2.2*	*2.9*
Poland	1.1	2.1	4.1	6.3	1.7	-0.7	**-1.1**	**0.3**	**1.7**	*-3.5*	*-1.9*	*2.0*
Romania	10.4	-2.2	8.1	5.2	1.6	-3.1	**-2.8**	**-0.3**	**1.9**	*-3.5*	*-1.7*	*-1.2*
Sweden	2.7	1.4	1.2	0.8	1.6	2.3	**-4.0**	**-1.3**	**2.1**	*-5.1*	*-2.3*	*2.2*
EU	0.5	0.8	1.0	1.4	0.4	1.4	**-2.4**	**-0.2**	**1.7**	*-3.1*	*-1.1*	*1.1*
United Kingdom	1.9	-0.1	1.1	2.3	-0.9	2.4	**-1.5**	**-1.8**	**0.5**	*-3.3*	*-4.9*	*-0.2*
Japan	0.0	-0.1	0.3	0.4	-1.2	1.4	**-0.5**	**0.6**	**0.5**	*-1.2*	*-1.7*	*-0.5*
United States	1.1	0.7	1.2	1.3	5.7	0.9	**-1.9**	**0.1**	**0.2**	*-0.2*	*-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, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	1.1	0.3	0.5	0.7	-5.4	4.4	**1.2**	**0.6**	**0.5**	*1.0*	*-0.1*	*0.9*
Germany	1.1	-0.1	0.7	0.1	-2.9	2.5	**0.5**	**-0.4**	**1.2**	*0.4*	*-0.6*	*1.0*
Estonia	4.2	1.0	2.0	2.4	2.2	7.9	**-5.6**	**-0.6**	**2.7**	*-2.9*	*0.8*	*1.6*
Ireland	0.5	2.3	7.0	2.4	9.3	7.1	**5.0**	**3.0**	**4.0**	*4.6*	*2.4*	*2.5*
Greece	1.2	-3.6	-1.1	-0.3	-7.3	5.6	**2.0**	**1.6**	**1.2**	*4.0*	*0.6*	*1.3*
Spain	0.6	2.4	0.3	-0.6	-4.1	-1.0	**1.6**	**0.8**	**0.7**	*1.2*	*0.1*	*0.5*
France	1.1	0.5	0.8	0.5	-7.2	4.3	**0.2**	**0.4**	**1.0**	*1.6*	*0.5*	*1.0*
Croatia	2.1	0.7	0.5	0.3	-7.4	11.8	**3.8**	**0.6**	**1.1**	*3.7*	*0.8*	*1.1*
Italy	0.3	-0.1	0.2	0.4	1.5	-1.8	**-0.1**	**0.4**	**0.5**	*0.4*	*0.1*	*0.0*
Cyprus	1.1	-0.2	0.9	1.7	-3.2	5.3	**2.7**	**0.6**	**0.8**	*4.0*	*0.3*	*0.5*
Latvia	5.3	1.7	2.9	2.7	0.0	7.0	**0.0**	**1.3**	**1.2**	*-1.5*	*-0.2*	*2.3*
Lithuania	7.0	1.7	2.0	4.0	1.6	4.7	**-3.0**	**1.2**	**3.0**	*-1.3*	*2.8*	*2.7*
Luxembourg	0.5	-0.7	-0.5	-1.2	-2.5	2.1	**-1.9**	**-0.8**	**0.1**	*-1.5*	*-1.1*	*-0.3*
Malta	1.3	0.5	1.7	1.2	-11.1	8.6	**0.8**	**1.6**	**1.8**	*2.7*	*0.3*	*1.2*
Netherlands	1.4	0.2	0.4	-0.2	-4.5	2.8	**0.5**	**0.8**	**0.5**	*1.7*	*0.2*	*0.7*
Austria	1.2	-0.3	0.4	0.4	-4.9	2.5	**2.3**	**-0.2**	**0.7**	*2.1*	*-0.3*	*0.5*
Portugal	1.5	1.0	0.2	1.9	-6.6	3.5	**4.6**	**1.9**	**1.1**	*5.6*	*0.5*	*1.2*
Slovakia	5.5	1.6	1.3	1.4	-1.5	5.5	**-0.1**	**1.2**	**2.0**	*0.0*	*0.5*	*2.1*
Slovenia	3.4	-0.4	1.5	1.0	-3.7	6.8	**2.9**	**0.5**	**1.7**	*3.3*	*0.5*	*1.1*
Finland	1.7	-0.7	0.8	-0.6	-0.5	0.3	**-0.4**	**0.4**	**1.0**	*0.2*	*0.4*	*1.1*
Euro area	1.1	0.5	0.7	0.3	-2.9	3.9	**1.2**	**0.4**	**1.0**	*1.1*	*0.1*	*0.9*
Bulgaria	3.7	2.3	2.0	3.7	-1.7	7.4	**2.1**	**1.2**	**2.1**	*2.7*	*1.1*	*2.1*
Czechia	3.8	0.2	2.4	2.8	-3.9	3.2	**0.7**	**-0.5**	**2.1**	*2.1*	*-0.6*	*1.3*
Denmark	0.5	1.1	1.0	0.1	-0.9	2.3	**0.0**	**0.7**	**1.7**	*-1.3*	*1.4*	*1.4*
Hungary	3.6	-0.6	1.0	3.7	-3.5	6.0	**2.8**	**0.5**	**2.3**	*3.4*	*0.1*	*2.3*
Poland	2.2	3.0	3.2	4.5	-2.0	4.3	**4.7**	**0.6**	**2.4**	*2.6*	*0.6*	*2.2*
Romania	8.4	1.2	4.7	3.7	-1.7	3.9	**4.6**	**3.5**	**3.4**	*5.2*	*3.2*	*2.4*
Sweden	2.1	0.5	1.0	1.4	-0.8	4.1	**-0.1**	**-0.7**	**0.9**	*0.0*	*-0.4*	*0.8*
EU	1.2	0.6	0.9	0.7	-3.0	3.9	**1.5**	**0.5**	**1.2**	*1.4*	*0.2*	*1.0*
United Kingdom	0.9	0.1	0.8	0.5	-10.2	7.9	**3.0**	**0.0**	**0.7**	*3.5*	*-0.5*	*0.4*
Japan	0.6	0.7	0.1	-1.3	-3.8	2.2	**0.9**	**1.2**	**1.1**	*1.5*	*1.4*	*1.0*
United States	1.6	1.3	0.7	1.0	3.2	2.5	**-1.6**	**0.4**	**0.9**	*-1.9*	*0.9*	*1.3*

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, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	1.7	1.9	0.5	1.3	4.1	-0.2	**5.9**	**8.3**	**2.9**	*5.4*	*9.2*	*3.3*
Germany	-0.1	2.2	1.9	3.3	3.4	0.6	**3.7**	**5.9**	**4.1**	*4.1*	*6.0*	*3.2*
Estonia	10.0	1.5	4.5	4.7	3.9	1.8	**14.8**	**11.0**	**2.0**	*12.9*	*8.8*	*3.1*
Ireland	4.6	-2.6	-4.4	1.3	-5.1	-4.2	**-0.8**	**2.4**	**1.8**	*-1.0*	*3.6*	*2.6*
Greece	3.5	0.3	-1.2	0.0	7.2	-3.1	**-1.7**	**1.9**	**1.5**	*1.3*	*3.3*	*1.4*
Spain	4.0	-0.9	0.3	3.8	7.2	0.3	**0.4**	**3.9**	**2.8**	*1.4*	*4.8*	*2.2*
France	1.8	1.7	0.6	-0.7	4.7	0.4	**4.9**	**4.9**	**2.1**	*3.0*	*4.0*	*1.5*
Croatia	2.6	0.2	-0.6	0.1	9.4	-1.2	**4.0**	**6.9**	**2.2**	*3.9*	*5.9*	*2.7*
Italy	2.7	1.6	0.6	1.4	2.3	0.5	**2.8**	**3.1**	**3.0**	*2.6*	*2.4*	*2.6*
Cyprus	2.4	1.3	-1.5	2.7	2.8	-1.4	**1.0**	**5.6**	**3.2**	*0.7*	*6.6*	*3.3*
Latvia	16.8	-2.3	4.8	5.0	4.9	3.8	**9.0**	**9.4**	**4.1**	*12.3*	*7.4*	*4.8*
Lithuania	7.4	-0.6	4.8	6.3	4.9	6.8	**14.0**	**9.1**	**3.1**	*12.4*	*3.4*	*3.9*
Luxembourg	3.3	3.1	2.7	3.1	3.8	3.9	**7.4**	**7.8**	**3.3**	*6.7*	*5.9*	*3.3*
Malta	1.8	2.4	2.6	3.2	12.0	-3.7	**2.1**	**3.9**	**1.3**	*0.7*	*2.1*	*0.7*
Netherlands	1.2	1.9	0.6	3.0	8.4	-0.6	**3.3**	**4.7**	**4.3**	*1.6*	*4.3*	*3.5*
Austria	1.4	2.3	1.7	2.3	7.1	0.3	**2.2**	**8.5**	**5.9**	*2.1*	*6.9*	*4.4*
Portugal	1.7	-0.4	1.0	2.8	8.7	0.6	**1.5**	**3.7**	**1.7**	*-0.9*	*3.8*	*1.7*
Slovakia	2.4	1.4	2.4	5.3	5.4	1.3	**6.2**	**8.4**	**5.3**	*7.6*	*5.5*	*7.2*
Slovenia	3.0	1.7	1.0	3.9	7.3	1.1	**1.4**	**7.2**	**3.6**	*-1.0*	*5.7*	*3.3*
Finland	1.8	3.1	-0.1	1.9	0.9	3.3	**3.6**	**4.1**	**2.7**	*3.2*	*3.1*	*1.5*
Euro area	1.7	1.5	0.9	1.9	4.6	0.0	**3.2**	**5.0**	**3.2**	*3.0*	*4.8*	*2.7*
Bulgaria	6.2	5.8	5.3	3.1	9.0	3.6	**16.0**	**12.2**	**6.8**	*12.3*	*7.8*	*4.4*
Czechia	1.8	1.4	2.6	4.3	7.3	1.8	**4.8**	**7.8**	**4.4**	*5.5*	*7.1*	*5.0*
Denmark	3.0	1.0	0.5	1.9	3.5	0.6	**3.0**	**4.2**	**3.5**	*4.6*	*3.2*	*3.5*
Hungary	4.1	1.6	2.7	3.1	6.7	2.6	**11.9**	**14.0**	**5.8**	*10.7*	*13.0*	*4.6*
Poland	1.9	1.7	1.2	3.9	7.5	0.4	**8.1**	**12.1**	**5.8**	*8.1*	*9.8*	*4.6*
Romania	10.4	1.1	5.2	6.9	5.8	-1.9	**6.2**	**5.9**	**3.2**	*2.8*	*5.2*	*3.3*
Sweden	1.9	2.1	1.7	1.5	3.4	0.2	**2.9**	**4.8**	**2.8**	*2.8*	*4.9*	*3.0*
EU	1.6	1.5	0.9	2.0	4.7	0.0	**3.5**	**5.4**	**3.3**	*3.2*	*5.0*	*2.8*
United Kingdom	3.5	1.8	1.3	3.5	11.5	-2.7	**3.1**	**4.6**	**1.5**	*2.1*	*5.4*	*1.6*
Japan	-0.8	-1.7	0.8	2.1	3.1	-0.3	**1.4**	**1.9**	**1.1**	*-0.3*	*-0.1*	*0.3*
United States	2.3	0.8	1.8	1.8	3.6	2.4	**6.0**	**3.6**	**1.6**	*8.1*	*2.4*	*1.1*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Real unit labour costs [1] (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	-0.3	0.4	-1.0	-0.4	2.5	-2.9	**0.0**	**4.3**	**0.5**	*-1.3*	*4.0*	*0.1*
Germany	-1.0	0.8	0.2	1.1	1.6	-2.4	**-1.7**	**-0.2**	**1.6**	*-1.2*	*-0.7*	*-0.4*
Estonia	2.1	-1.5	1.5	1.4	4.4	-3.9	**-1.5**	**0.6**	**-1.5**	*-1.2*	*1.8*	*0.1*
Ireland	3.0	-2.1	-6.4	-2.2	-3.6	-4.8	**-5.8**	**-2.0**	**-0.7**	*-9.8*	*-1.7*	*-1.7*
Greece	0.2	0.2	-0.6	-0.2	8.2	-4.3	**-9.1**	**-2.6**	**-1.3**	*-7.1*	*-2.2*	*-1.0*
Spain	0.4	-1.0	-0.4	2.3	5.9	-1.9	**-3.7**	**-0.5**	**-0.1**	*-2.0*	*0.5*	*-0.1*
France	-0.3	0.9	-0.1	-2.0	1.9	-0.9	**1.8**	**-0.4**	**-0.5**	*0.2*	*-0.9*	*-2.3*
Croatia	-1.4	-1.3	-1.2	-1.9	8.6	-3.2	**-3.9**	**-0.5**	**-1.0**	*-1.5*	*-0.3*	*0.3*
Italy	0.3	0.4	-0.4	0.5	0.7	-0.1	**-0.3**	**-2.7**	**0.4**	*-0.6*	*-0.9*	*0.1*
Cyprus	-0.9	0.4	-1.3	1.4	4.1	-4.1	**-5.1**	**0.6**	**0.3**	*-3.7*	*2.2*	*0.7*
Latvia	3.9	-2.5	2.8	2.3	3.9	-2.6	**-3.6**	**0.5**	**1.3**	*1.2*	*1.1*	*1.0*
Lithuania	0.4	-2.2	2.7	3.5	3.0	0.5	**-2.4**	**-1.2**	**0.0**	*-3.5*	*-5.1*	*1.6*
Luxembourg	-1.2	0.2	1.0	1.7	-0.8	-2.2	**0.9**	**2.2**	**-0.1**	*0.9*	*1.7*	*0.4*
Malta	-0.6	0.2	0.1	0.8	10.3	-5.5	**-3.0**	**-0.3**	**-1.7**	*-4.1*	*-1.8*	*-2.1*
Netherlands	-0.8	1.0	-0.4	-0.1	6.3	-3.0	**-1.9**	**-1.3**	**1.6**	*-1.7*	*-0.7*	*-0.8*
Austria	-0.6	0.6	-0.1	0.8	4.4	-1.7	**-2.6**	**1.3**	**1.7**	*-3.7*	*1.1*	*0.6*
Portugal	-1.0	-1.1	-0.6	1.1	6.6	-0.9	**-2.9**	**-2.0**	**-0.6**	*-4.3*	*-1.4*	*-0.8*
Slovakia	-0.6	0.8	2.0	2.7	3.0	-1.0	**-1.3**	**-1.3**	**-0.3**	*0.1*	*-5.9*	*2.1*
Slovenia	-0.1	0.6	-0.2	1.7	6.0	-1.5	**-5.5**	**-0.1**	**-0.8**	*-7.2*	*-0.5*	*-0.4*
Finland	0.2	1.0	-1.3	0.4	-0.7	1.1	**-0.6**	**-0.2**	**0.3**	*-2.0*	*-0.5*	*-0.7*
Euro area	-0.4	0.5	-0.3	0.2	2.3	-2.1	**-1.4**	**-0.6**	**0.5**	*-1.5*	*-0.5*	*-0.7*
Bulgaria	-1.3	3.4	1.9	-2.0	4.5	-3.3	**0.8**	**1.6**	**2.8**	*0.0*	*3.5*	*0.7*
Czechia	-0.2	0.6	0.8	0.4	2.8	-1.5	**-3.5**	**-3.1**	**-1.0**	*-3.4*	*-0.9*	*0.2*
Denmark	0.3	-0.5	-0.2	0.8	0.9	-2.1	**-4.3**	**4.0**	**1.4**	*1.2*	*-1.1*	*0.8*
Hungary	-0.2	-1.2	-0.6	-1.6	0.3	-3.6	**-2.9**	**0.9**	**2.2**	*1.4*	*2.7*	*-0.4*
Poland	-1.5	-0.5	0.3	0.9	3.1	-4.6	**-2.9**	**0.3**	**0.0**	*-4.1*	*-0.4*	*-0.4*
Romania	-3.1	-2.6	1.5	0.1	1.6	-6.8	**-6.3**	**-4.3**	**-2.5**	*-7.7*	*-4.4*	*-4.3*
Sweden	0.1	0.8	-0.3	-1.0	1.3	-2.6	**-2.7**	**-0.8**	**1.2**	*-3.2*	*-0.3*	*1.1*
EU	-0.6	0.3	-0.4	0.0	2.3	-2.3	**-1.8**	**-0.7**	**0.4**	*-1.9*	*-0.6*	*-0.7*
United Kingdom	0.6	-0.1	-0.1	1.4	5.3	-2.7	**-2.2**	**-0.5**	**-0.3**	*-3.1*	*-2.0*	*-0.6*
Japan	0.2	-0.7	0.0	1.5	2.1	0.0	**1.1**	**-1.5**	**-1.3**	*-0.8*	*-2.6*	*-1.7*
United States	-0.4	-0.7	0.1	0.0	2.3	-2.0	**-1.0**	**-0.2**	**-0.8**	*1.1*	*-0.9*	*-1.2*

[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 (2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Germany	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Estonia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Ireland	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Greece	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Spain	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
France	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Italy	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Cyprus	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Malta	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Austria	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Portugal	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Slovakia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Slovenia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Finland	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Euro area	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Bulgaria	1.9553	1.9558	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czechia	28.5248	25.4858	26.7625	25.6705	26.4551	25.6385	**24.5647**	**23.5129**	**23.4208**	*24.6008*	*24.5360*	*24.5360*
Denmark	7.4515	7.4492	7.4501	7.4661	7.4542	7.4370	**7.4396**	**7.4496**	**7.4518**	*7.4396*	*7.4385*	*7.4385*
Hungary	253.3236	284.1829	311.6277	325.2967	351.2494	358.4616	**391.3229**	**378.4623**	**374.9670**	*392.2972*	*413.3300*	*413.3300*
Poland	3.9477	4.1650	4.2500	4.2976	4.4430	4.5649	**4.6898**	**4.6452**	**4.6227**	*4.7030*	*4.7881*	*4.7881*
Romania	3.6429	4.3138	4.5204	4.7453	4.8383	4.9214	**4.9312**	**4.9330**	**4.9373**	*4.9308*	*4.9150*	*4.9150*
Sweden	9.3051	9.3059	9.5622	10.5891	10.4848	10.1461	**10.6314**	**11.2961**	**11.3273**	*10.5590*	*10.9876*	*10.9876*
EU	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United Kingdom	0.7050	0.8554	0.8225	0.8778	0.8897	0.8595	**0.8529**	**0.8829**	**0.8830**	*0.8464*	*0.8695*	*0.8695*
Japan	146.0047	117.6698	130.2843	122.0058	121.8458	129.8621	**138.0384**	**145.7621**	**147.1060**	*137.3981*	*146.4490*	*146.4490*
United States	1.3169	1.3451	1.1711	1.1195	1.1422	1.1824	**1.0531**	**1.0917**	**1.0983**	*1.0355*	*0.9838*	*0.9838*

Table 32: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	0.9	-0.2	0.8	-0.6	1.9	0.6	**-1.6**	**2.3**	**0.3**	*-1.8*	*-0.2*	*0.0*
Germany	1.0	-0.3	0.9	-0.9	2.4	0.8	**-2.4**	**2.8**	**0.3**	*-2.4*	*-0.4*	*0.0*
Estonia	0.8	0.1	2.5	-0.3	2.5	0.6	**-1.9**	**3.6**	**0.5**	*-2.2*	*-1.2*	*0.0*
Ireland	1.9	-0.6	0.1	-2.0	1.8	1.0	**-4.5**	**2.8**	**0.4**	*-5.2*	*-1.1*	*0.0*
Greece	0.8	0.3	2.0	0.0	3.3	2.0	**0.7**	**3.3**	**0.4**	*1.3*	*-0.2*	*0.0*
Spain	0.8	-0.1	0.9	-0.5	2.2	0.7	**-1.5**	**2.2**	**0.3**	*-1.5*	*-0.2*	*0.0*
France	1.0	-0.4	0.7	-0.9	2.1	0.7	**-2.2**	**2.6**	**0.3**	*-2.5*	*-0.2*	*0.0*
Croatia	1.5	-0.8	2.1	-0.2	0.7	1.1	**-0.7**	**2.2**	**0.3**	*-1.1*	*-0.7*	*0.0*
Italy	1.0	-0.3	1.0	-0.8	2.3	1.0	**-2.0**	**2.6**	**0.3**	*-1.4*	*-0.5*	*0.0*
Cyprus	0.9	-0.2	0.8	-0.9	2.8	0.6	**-2.3**	**3.7**	**0.5**	*-2.6*	*-0.4*	*0.0*
Latvia	-1.3	0.5	2.9	-0.4	3.5	1.0	**-2.5**	**4.5**	**0.7**	*-2.6*	*-2.2*	*0.0*
Lithuania	0.6	0.6	3.4	-0.6	3.7	1.2	**-3.0**	**4.6**	**0.7**	*-2.8*	*-2.5*	*0.0*
Luxembourg	0.5	-0.1	0.6	-0.4	1.5	0.4	**-1.0**	**1.7**	**0.2**	*-1.0*	*-0.1*	*0.0*
Malta	1.5	-0.9	0.3	-1.2	1.7	0.9	**-1.4**	**2.6**	**0.4**	*-0.7*	*0.2*	*0.0*
Netherlands	0.8	-0.1	0.7	-0.5	1.8	0.4	**-1.4**	**2.2**	**0.2**	*-1.5*	*-0.1*	*0.0*
Austria	0.5	-0.1	0.8	-0.6	1.8	0.6	**-1.7**	**1.8**	**0.2**	*-0.8*	*-0.3*	*0.0*
Portugal	0.7	-0.2	0.6	-0.4	1.7	0.5	**-1.3**	**1.7**	**0.2**	*-1.5*	*-0.2*	*0.0*
Slovakia	6.0	1.2	1.0	-0.2	1.8	0.5	**-1.0**	**1.4**	**0.2**	*-0.2*	*-0.2*	*0.0*
Slovenia	-0.3	0.4	1.3	-0.2	1.9	0.8	**-1.0**	**1.7**	**0.2**	*8.3*	*-0.6*	*0.0*
Finland	1.1	-0.3	1.7	-0.6	2.5	0.5	**-2.3**	**3.7**	**0.5**	*-2.7*	*-0.6*	*0.0*
Euro area	2.0	-0.5	1.5	-1.3	3.8	1.3	**-3.4**	**4.4**	**0.5**	*:*	*:*	*:*
Euro area 19	2.0	-0.5	1.5	-1.3	3.8	1.2	**-3.4**	**4.4**	**0.5**	*-2.0*	*-0.4*	*0.0*
Bulgaria	0.6	0.6	2.1	0.4	3.2	2.1	**1.4**	**3.1**	**0.3**	*2.1*	*-0.1*	*0.0*
Czechia	5.3	-0.6	1.3	-0.3	-1.3	3.8	**3.7**	**6.3**	**0.6**	*3.9*	*0.0*	*0.0*
Denmark	0.9	-0.5	1.1	-0.6	2.4	0.4	**-1.9**	**3.3**	**0.3**	*-2.2*	*0.1*	*0.0*
Hungary	0.5	-3.0	-0.4	-2.1	-5.7	-1.4	**-9.2**	**5.2**	**1.2**	*-7.0*	*-5.5*	*0.0*
Poland	5.2	-3.1	1.0	-1.1	-1.4	-2.3	**-3.9**	**3.1**	**0.8**	*-3.8*	*-2.3*	*0.0*
Romania	1.2	-3.1	0.4	-2.0	0.4	-0.6	**0.0**	**2.1**	**0.1**	*0.6*	*0.2*	*0.0*
Sweden	0.0	1.9	-2.4	-3.6	3.6	3.5	**-6.6**	**-2.8**	**0.1**	*-6.3*	*-4.0*	*0.0*
EU	2.8	-1.0	1.7	-2.0	4.1	1.6	**-4.6**	**5.6**	**0.7**	*-2.7*	*-0.6*	*0.0*
United Kingdom	-1.4	-2.0	-0.1	-0.3	0.8	4.5	**-2.2**	**-0.5**	**0.4**	*-2.0*	*-3.3*	*0.0*
Japan	-0.3	1.9	-0.1	5.1	2.8	-6.2	**-11.7**	**-1.2**	**-0.3**	*-12.1*	*-6.8*	*0.0*
United States	-3.8	0.7	4.5	3.7	2.6	-3.9	**7.3**	**-0.8**	**-0.2**	*8.2*	*5.2*	*0.0*

1) 42 countries: EU-27, TR, CH, NO, US, UK, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 33: Total expenditure, general government (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			Autumn 2022 forecast		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	49.9	55.3	53.3	51.9	58.9	55.4	**53.5**	**55.2**	**55.2**	*54.2*	*55.6*	*54.4*
Germany	45.3	46.3	44.3	45.0	50.4	51.3	**49.7**	**48.3**	**47.7**	*49.5*	*49.1*	*47.9*
Estonia	34.9	40.2	39.0	39.4	44.9	41.5	**39.4**	**41.5**	**40.3**	*40.3*	*41.8*	*41.5*
Ireland	35.3	48.4	29.2	24.3	27.3	24.8	**21.4**	**20.4**	**19.4**	*22.2*	*20.7*	*19.6*
Greece	47.2	56.3	50.4	48.1	60.1	57.7	**52.5**	**49.0**	**47.2**	*54.4*	*52.4*	*45.5*
Spain	39.3	46.9	43.0	42.3	51.9	50.6	**47.8**	**47.6**	**47.1**	*48.7*	*47.9*	*46.6*
France	53.0	56.9	56.6	55.4	61.3	59.1	**58.1**	**57.1**	**56.6**	*57.9*	*58.1*	*57.0*
Croatia	46.1	48.5	46.4	46.3	54.1	48.7	**44.8**	**45.8**	**46.0**	*47.2*	*47.4*	*48.0*
Italy	47.3	50.4	49.5	48.5	57.0	57.3	**56.7**	**52.5**	**51.0**	*54.1*	*53.3*	*52.1*
Cyprus	38.5	42.2	41.2	38.1	44.6	43.5	**39.8**	**40.2**	**40.6**	*40.2*	*40.4*	*40.4*
Latvia	35.8	42.1	38.6	38.3	42.3	44.2	**40.2**	**40.1**	**39.3**	*43.3*	*40.6*	*38.2*
Lithuania	35.2	40.3	34.3	34.7	42.6	37.5	**36.5**	**37.6**	**37.1**	*37.6*	*39.9*	*37.8*
Luxembourg	40.4	41.9	40.9	43.1	46.8	42.9	**43.3**	**44.7**	**43.5**	*43.3*	*44.7*	*43.5*
Malta	41.9	41.2	37.2	35.9	45.8	44.0	**40.9**	**40.7**	**38.8**	*43.1*	*42.5*	*39.8*
Netherlands	43.2	47.4	43.9	42.1	47.8	46.7	**44.5**	**45.7**	**45.2**	*44.8*	*46.8*	*44.9*
Austria	50.9	52.1	50.3	48.7	56.8	56.1	**52.7**	**51.6**	**50.1**	*52.3*	*51.7*	*51.0*
Portugal	45.6	50.2	46.7	42.5	49.2	47.7	**44.8**	**44.5**	**44.3**	*45.9*	*45.5*	*45.0*
Slovakia	38.0	42.3	42.1	40.5	44.7	45.6	**42.3**	**47.7**	**44.4**	*45.0*	*47.1*	*44.7*
Slovenia	45.4	52.0	46.7	43.4	51.4	49.5	**45.5**	**46.3**	**44.7**	*46.6*	*48.2*	*45.5*
Finland	48.1	54.8	55.3	53.3	57.2	55.8	**53.4**	**55.0**	**55.0**	*53.5*	*54.2*	*53.6*
Euro area	46.6	50.3	47.9	46.9	53.5	52.6	**50.8**	**49.6**	**48.8**	*50.5*	*50.4*	*49.0*
Bulgaria	36.6	36.2	38.0	36.3	41.5	41.6	**41.3**	**42.2**	**42.2**	*43.7*	*43.0*	*41.9*
Czechia	41.5	43.7	40.8	41.1	47.2	46.5	**44.6**	**44.3**	**42.1**	*45.2*	*46.0*	*43.2*
Denmark	50.8	56.7	52.7	49.7	53.5	50.8	**45.3**	**46.7**	**46.8**	*48.2*	*47.9*	*47.8*
Hungary	49.6	49.5	48.0	46.1	51.1	48.3	**47.8**	**47.3**	**46.0**	*49.3*	*49.0*	*47.7*
Poland	43.8	44.5	41.8	41.9	48.2	44.1	**43.5**	**46.6**	**44.8**	*44.1*	*46.3*	*45.0*
Romania	35.6	37.9	34.9	36.0	41.5	39.8	**39.7**	**39.2**	**38.2**	*39.7*	*38.0*	*36.8*
Sweden	51.0	51.1	49.8	49.1	52.1	49.4	**48.1**	**48.8**	**47.5**	*48.9*	*48.0*	*47.7*
EU	46.6	49.9	47.5	46.6	52.8	51.7	**49.8**	**49.0**	**48.1**	*49.8*	*49.7*	*48.4*
United Kingdom	41.4	45.9	41.7	40.6	52.1	48.4	**46.4**	**44.5**	**44.0**	*46.7*	*44.4*	*43.7*
Japan	34.9	40.1	38.8	38.8	46.1	44.3	**45.2**	**43.1**	**40.8**	*44.7*	*42.0*	*40.6*
United States	37.5	41.4	38.1	38.5	47.3	44.9	**38.4**	**38.8**	**39.0**	*39.7*	*40.1*	*40.2*

Table 34: Total revenue, general government (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	49.1	51.0	51.5	49.9	49.9	49.9	**49.7**	**50.2**	**50.5**	*48.9*	*49.8*	*49.3*
Germany	43.7	44.6	45.5	46.5	46.1	47.5	**47.1**	**46.0**	**46.5**	*47.2*	*46.0*	*45.3*
Estonia	36.2	40.0	38.9	39.5	39.4	39.0	**38.5**	**38.4**	**37.6**	*38.0*	*38.1*	*38.2*
Ireland	35.1	33.5	27.9	24.7	22.3	23.2	**23.0**	**22.1**	**21.6**	*22.3*	*21.5*	*20.8*
Greece	39.7	44.4	48.8	49.0	50.4	50.6	**50.2**	**47.7**	**46.5**	*50.3*	*50.5*	*44.7*
Spain	39.4	36.9	38.7	39.2	41.8	43.7	**43.0**	**43.5**	**43.8**	*44.1*	*43.6*	*43.0*
France	49.9	51.3	53.3	52.3	52.4	52.6	**53.4**	**52.4**	**52.3**	*52.9*	*52.8*	*51.9*
Croatia	43.1	42.0	44.6	46.5	46.8	46.2	**45.2**	**45.3**	**44.7**	*45.7*	*45.1*	*45.2*
Italy	44.3	46.6	47.0	47.0	47.3	48.3	**48.8**	**48.0**	**47.3**	*49.0*	*49.7*	*47.9*
Cyprus	37.9	36.7	39.0	39.4	38.8	41.5	**41.9**	**42.1**	**42.7**	*41.3*	*41.6*	*42.0*
Latvia	34.4	37.1	37.7	37.7	37.9	37.1	**35.8**	**36.3**	**36.6**	*36.3*	*37.2*	*36.9*
Lithuania	34.0	34.2	34.3	35.2	36.1	36.4	**35.8**	**35.9**	**35.8**	*35.8*	*35.5*	*36.0*
Luxembourg	42.0	42.1	42.7	45.4	43.3	43.6	**43.5**	**43.0**	**42.0**	*43.2*	*43.0*	*43.0*
Malta	38.8	38.4	38.0	36.4	36.2	36.1	**35.1**	**35.6**	**34.3**	*37.0*	*36.8*	*35.4*
Netherlands	42.7	43.0	43.6	43.9	44.1	44.3	**44.5**	**43.6**	**43.6**	*43.8*	*42.8*	*41.9*
Austria	48.3	48.9	49.2	49.2	48.8	50.3	**49.5**	**49.1**	**48.8**	*48.8*	*48.9*	*49.1*
Portugal	41.0	42.1	43.3	42.6	43.4	44.9	**44.4**	**44.4**	**44.2**	*44.0*	*44.4*	*44.2*
Slovakia	35.3	36.9	40.0	39.3	39.4	40.1	**40.2**	**41.6**	**39.6**	*40.8*	*41.3*	*40.1*
Slovenia	44.2	44.7	44.7	44.1	43.7	44.9	**42.5**	**42.6**	**41.8**	*43.0*	*43.0*	*42.7*
Finland	51.8	52.6	53.6	52.4	51.6	53.0	**52.6**	**52.5**	**52.5**	*52.1*	*51.9*	*51.4*
Euro area	44.6	45.5	46.4	46.3	46.4	47.3	**47.1**	**46.4**	**46.3**	*47.1*	*46.7*	*45.7*
Bulgaria	38.1	33.9	37.3	38.4	37.7	37.7	**38.5**	**37.4**	**37.4**	*40.4*	*40.2*	*39.4*
Czechia	39.5	40.2	40.9	41.3	41.5	41.4	**41.0**	**40.7**	**39.2**	*40.8*	*41.9*	*40.2*
Denmark	54.9	54.2	53.1	53.8	53.8	54.4	**48.6**	**49.0**	**48.1**	*49.9*	*48.4*	*48.2*
Hungary	43.1	45.7	45.8	44.0	43.6	41.2	**41.6**	**43.4**	**41.7**	*43.1*	*44.6*	*42.5*
Poland	40.2	38.9	39.7	41.1	41.3	42.3	**39.8**	**41.7**	**41.1**	*39.3*	*40.8*	*39.9*
Romania	33.2	32.3	33.0	31.6	32.3	32.7	**33.5**	**34.4**	**33.9**	*33.1*	*33.0*	*32.1*
Sweden	52.9	50.3	50.1	49.7	49.3	49.4	**48.9**	**47.9**	**47.0**	*49.1*	*48.2*	*47.7*
EU	44.8	45.4	46.2	46.0	46.1	46.9	**46.5**	**45.9**	**45.7**	*46.4*	*46.1*	*45.2*
United Kingdom	38.1	37.8	38.1	38.4	39.3	40.3	**41.1**	**41.3**	**41.6**	*40.3*	*40.0*	*40.0*
Japan	30.9	31.4	35.1	35.7	37.0	38.1	**37.2**	**36.7**	**36.4**	*37.8*	*37.3*	*37.1*
United States	32.5	31.1	33.0	31.8	32.4	32.9	**34.4**	**33.8**	**33.6**	*33.8*	*33.5*	*33.1*

Table 35: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	-0.7	-4.3	-1.9	-2.0	-9.0	-5.5	**-3.9**	**-5.0**	**-4.7**	*-5.2*	*-5.8*	*-5.1*
Germany	-1.6	-1.7	1.2	1.5	-4.3	-3.7	**-2.6**	**-2.3**	**-1.2**	*-2.3*	*-3.1*	*-2.6*
Estonia	1.3	-0.2	-0.1	0.1	-5.5	-2.4	**-0.9**	**-3.1**	**-2.7**	*-2.3*	*-3.7*	*-3.3*
Ireland	-0.2	-14.9	-1.3	0.5	-5.0	-1.6	**1.6**	**1.7**	**2.2**	*0.2*	*0.8*	*1.2*
Greece	-7.6	-11.9	-1.6	0.9	-9.7	-7.1	**-2.3**	**-1.3**	**-0.6**	*-4.1*	*-1.8*	*-0.8*
Spain	0.1	-9.9	-4.3	-3.1	-10.1	-6.9	**-4.8**	**-4.1**	**-3.3**	*-4.6*	*-4.3*	*-3.6*
France	-3.1	-5.7	-3.3	-3.1	-9.0	-6.5	**-4.7**	**-4.7**	**-4.3**	*-5.0*	*-5.3*	*-5.1*
Croatia	-3.0	-6.5	-1.8	0.2	-7.3	-2.5	**0.4**	**-0.5**	**-1.3**	*-1.6*	*-2.4*	*-2.7*
Italy	-3.0	-3.8	-2.5	-1.5	-9.7	-9.0	**-8.0**	**-4.5**	**-3.7**	*-5.1*	*-3.6*	*-4.2*
Cyprus	-0.6	-5.4	-2.2	1.3	-5.8	-2.0	**2.1**	**1.8**	**2.1**	*1.1*	*1.1*	*1.6*
Latvia	-1.4	-5.0	-0.9	-0.6	-4.4	-7.1	**-4.4**	**-3.8**	**-2.7**	*-7.1*	*-3.4*	*-1.3*
Lithuania	-1.2	-6.2	0.1	0.5	-6.5	-1.2	**-0.6**	**-1.7**	**-1.4**	*-1.9*	*-4.4*	*-1.8*
Luxembourg	1.6	0.3	1.8	2.2	-3.4	0.7	**0.2**	**-1.7**	**-1.5**	*-0.1*	*-1.7*	*-0.5*
Malta	-3.1	-2.8	0.8	0.5	-9.7	-7.8	**-5.8**	**-5.1**	**-4.5**	*-6.0*	*-5.7*	*-4.4*
Netherlands	-0.5	-4.4	-0.2	1.8	-3.7	-2.4	**0.0**	**-2.1**	**-1.7**	*-1.1*	*-4.0*	*-3.1*
Austria	-2.5	-3.3	-1.2	0.6	-8.0	-5.8	**-3.2**	**-2.4**	**-1.3**	*-3.4*	*-2.8*	*-1.9*
Portugal	-4.6	-8.0	-3.4	0.1	-5.8	-2.9	**-0.4**	**-0.1**	**-0.1**	*-1.9*	*-1.1*	*-0.8*
Slovakia	-2.7	-5.4	-2.1	-1.2	-5.4	-5.4	**-2.0**	**-6.1**	**-4.8**	*-4.2*	*-5.8*	*-4.7*
Slovenia	-1.2	-7.3	-1.9	0.7	-7.7	-4.6	**-3.0**	**-3.7**	**-2.9**	*-3.6*	*-5.2*	*-2.7*
Finland	3.6	-2.1	-1.7	-0.9	-5.6	-2.8	**-0.9**	**-2.6**	**-2.6**	*-1.4*	*-2.3*	*-2.3*
Euro area	-2.0	-4.7	-1.5	-0.6	-7.1	-5.3	**-3.6**	**-3.2**	**-2.4**	*-3.5*	*-3.7*	*-3.3*
Bulgaria	1.5	-2.3	-0.7	2.1	-3.8	-3.9	**-2.8**	**-4.8**	**-4.8**	*-3.4*	*-2.8*	*-2.5*
Czechia	-2.0	-3.5	0.1	0.3	-5.8	-5.1	**-3.6**	**-3.6**	**-3.0**	*-4.3*	*-4.1*	*-3.0*
Denmark	4.0	-2.5	0.5	4.1	0.2	3.6	**3.3**	**2.3**	**1.3**	*1.8*	*0.5*	*0.4*
Hungary	-6.5	-3.9	-2.2	-2.0	-7.5	-7.1	**-6.2**	**-4.0**	**-4.4**	*-6.2*	*-4.4*	*-5.2*
Poland	-3.6	-5.6	-2.1	-0.7	-6.9	-1.8	**-3.7**	**-5.0**	**-3.7**	*-4.8*	*-5.5*	*-5.2*
Romania	-2.4	-5.7	-1.9	-4.3	-9.2	-7.1	**-6.2**	**-4.7**	**-4.4**	*-6.5*	*-5.0*	*-4.8*
Sweden	1.9	-0.8	0.3	0.6	-2.8	0.0	**0.7**	**-0.9**	**-0.5**	*0.2*	*0.2*	*0.0*
EU	-1.8	-4.6	-1.4	-0.5	-6.7	-4.8	**-3.4**	**-3.1**	**-2.4**	*-3.4*	*-3.6*	*-3.2*
United Kingdom	-3.3	-8.1	-3.6	-2.2	-12.8	-8.1	**-5.2**	**-3.2**	**-2.4**	*-6.4*	*-4.4*	*-3.7*
Japan	-4.1	-8.7	-3.7	-3.0	-9.1	-6.2	**-8.0**	**-6.5**	**-4.4**	*-6.9*	*-4.7*	*-3.4*
United States	-5.0	-10.3	-5.1	-6.7	-14.9	-12.1	**-4.0**	**-5.0**	**-5.5**	*-5.9*	*-6.7*	*-7.1*

Table 36: Interest expenditure, general government (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	4.3	3.5	2.6	2.0	2.0	1.7	**1.5**	**1.7**	**2.0**	*1.5*	*1.6*	*1.7*
Germany	2.7	2.3	1.2	0.8	0.6	0.6	**0.7**	**0.8**	**0.9**	*0.6*	*0.7*	*0.8*
Estonia	0.2	0.1	0.0	0.0	0.0	0.0	**0.1**	**0.4**	**0.6**	*0.1*	*0.3*	*0.4*
Ireland	1.1	3.3	2.5	1.3	1.0	0.8	**0.7**	**0.6**	**0.6**	*0.7*	*0.7*	*0.7*
Greece	4.6	5.6	3.5	3.0	3.0	2.5	**2.4**	**3.2**	**3.2**	*2.4*	*3.0*	*3.0*
Spain	1.7	2.5	2.9	2.3	2.2	2.2	**2.4**	**2.5**	**2.4**	*2.2*	*2.3*	*2.2*
France	2.7	2.5	1.9	1.4	1.3	1.4	**1.9**	**2.0**	**2.0**	*1.8*	*2.5*	*2.9*
Croatia	1.7	2.7	3.0	2.2	2.0	1.5	**1.4**	**1.2**	**1.2**	*1.3*	*1.1*	*1.1*
Italy	4.6	4.7	4.0	3.4	3.5	3.6	**4.4**	**4.0**	**4.1**	*4.0*	*4.0*	*4.1*
Cyprus	2.9	2.6	2.8	2.2	2.1	1.8	**1.5**	**1.3**	**1.3**	*1.5*	*1.3*	*1.2*
Latvia	0.5	1.7	1.0	0.7	0.6	0.5	**0.5**	**0.6**	**0.8**	*0.5*	*0.6*	*0.5*
Lithuania	0.7	1.7	1.3	0.9	0.7	0.4	**0.4**	**0.5**	**0.6**	*0.3*	*0.4*	*0.6*
Luxembourg	0.2	0.5	0.4	0.3	0.2	0.2	**0.2**	**0.3**	**0.3**	*0.2*	*0.2*	*0.3*
Malta	3.6	3.0	2.1	1.3	1.3	1.1	**1.0**	**1.2**	**1.5**	*1.1*	*1.3*	*1.3*
Netherlands	2.1	1.8	1.2	0.8	0.7	0.6	**0.5**	**0.7**	**0.7**	*0.6*	*0.6*	*0.6*
Austria	3.1	2.8	2.1	1.4	1.3	1.1	**0.9**	**1.1**	**1.3**	*1.1*	*1.1*	*1.2*
Portugal	2.8	4.0	4.1	3.0	2.9	2.4	**2.0**	**2.2**	**2.7**	*2.1*	*2.5*	*2.5*
Slovakia	1.6	1.6	1.6	1.2	1.2	1.1	**1.0**	**1.1**	**1.2**	*1.0*	*1.0*	*1.1*
Slovenia	1.4	1.9	2.8	1.7	1.6	1.2	**1.1**	**1.2**	**1.3**	*1.1*	*1.1*	*1.1*
Finland	1.5	1.3	1.1	0.9	0.7	0.5	**0.5**	**0.8**	**1.2**	*0.6*	*0.7*	*0.8*
Euro area	2.9	2.9	2.2	1.6	1.5	1.5	**1.7**	**1.7**	**1.8**	*1.6*	*1.8*	*1.9*
Bulgaria	1.3	0.7	0.8	0.6	0.5	0.5	**0.5**	**0.5**	**0.6**	*0.5*	*0.5*	*0.5*
Czechia	1.0	1.3	0.9	0.7	0.8	0.8	**1.2**	**1.3**	**1.3**	*1.1*	*1.2*	*1.2*
Denmark	1.9	1.9	1.2	0.7	0.6	0.6	**0.7**	**0.6**	**0.5**	*0.6*	*0.5*	*0.5*
Hungary	4.1	4.4	3.1	2.2	2.3	2.3	**2.8**	**3.9**	**4.3**	*2.9*	*3.1*	*3.4*
Poland	2.4	2.6	1.7	1.4	1.3	1.1	**1.6**	**2.0**	**2.1**	*1.7*	*2.8*	*2.9*
Romania	1.0	2.0	1.4	1.0	1.2	1.1	**1.2**	**1.8**	**1.7**	*1.8*	*2.0*	*2.2*
Sweden	1.7	1.1	0.5	0.4	0.3	0.2	**0.5**	**0.7**	**0.6**	*0.3*	*0.4*	*0.3*
EU	2.8	2.8	2.0	1.5	1.4	1.4	**1.6**	**1.7**	**1.8**	*1.5*	*1.7*	*1.9*
United Kingdom	2.0	2.7	2.5	2.1	1.9	2.7	**4.4**	**4.3**	**4.3**	*3.3*	*3.2*	*3.2*
Japan	1.9	1.9	1.7	1.5	1.5	1.4	**1.4**	**1.4**	**1.4**	*1.4*	*1.4*	*1.4*
United States	3.9	4.2	3.9	4.1	3.9	3.7	**3.8**	**4.1**	**4.4**	*3.5*	*3.8*	*4.2*

Table 37: Primary balance, general government [1] (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	3.5	-0.7	0.8	0.0	-7.0	-3.8	**-2.4**	**-3.3**	**-2.8**	*-3.7*	*-4.2*	*-3.4*
Germany	1.1	0.7	2.4	2.3	-3.7	-3.2	**-1.9**	**-1.5**	**-0.3**	*-1.7*	*-2.4*	*-1.8*
Estonia	1.5	-0.1	-0.1	0.1	-5.4	-2.4	**-0.8**	**-2.7**	**-2.1**	*-2.2*	*-3.4*	*-2.9*
Ireland	0.9	-11.5	1.2	1.8	-4.0	-0.8	**2.2**	**2.3**	**2.8**	*0.9*	*1.5*	*1.9*
Greece	-2.9	-6.3	1.9	3.9	-6.7	-4.7	**0.1**	**1.9**	**2.5**	*-1.6*	*1.1*	*2.2*
Spain	1.8	-7.4	-1.4	-0.8	-7.9	-4.7	**-2.4**	**-1.6**	**-0.9**	*-2.4*	*-2.0*	*-1.4*
France	-0.3	-3.1	-1.4	-1.6	-7.7	-5.1	**-2.8**	**-2.7**	**-2.3**	*-3.2*	*-2.8*	*-2.1*
Croatia	-1.3	-3.8	1.1	2.4	-5.3	-0.9	**1.8**	**0.7**	**-0.2**	*-0.3*	*-1.2*	*-1.6*
Italy	1.6	0.9	1.5	1.9	-6.2	-5.5	**-3.6**	**-0.5**	**0.5**	*-1.1*	*0.4*	*-0.1*
Cyprus	2.3	-2.8	0.5	3.5	-3.7	-0.2	**3.6**	**3.2**	**3.4**	*2.6*	*2.5*	*2.9*
Latvia	-0.9	-3.3	0.1	0.1	-3.7	-6.7	**-3.9**	**-3.2**	**-1.9**	*-6.6*	*-2.8*	*-0.8*
Lithuania	-0.4	-4.4	1.3	1.3	-5.8	-0.7	**-0.3**	**-1.3**	**-0.7**	*-1.6*	*-4.0*	*-1.2*
Luxembourg	1.9	0.7	2.2	2.6	-3.2	0.9	**0.3**	**-1.5**	**-1.1**	*0.1*	*-1.5*	*-0.3*
Malta	0.5	0.2	2.9	1.8	-8.4	-6.7	**-4.8**	**-3.9**	**-3.1**	*-4.9*	*-4.4*	*-3.1*
Netherlands	1.6	-2.6	0.9	2.6	-3.0	-1.8	**0.6**	**-1.4**	**-1.0**	*-0.5*	*-3.4*	*-2.5*
Austria	0.5	-0.5	0.9	2.0	-6.6	-4.7	**-2.2**	**-1.3**	**-0.1**	*-2.3*	*-1.7*	*-0.7*
Portugal	-1.8	-4.1	0.7	3.1	-2.9	-0.5	**1.6**	**2.0**	**2.6**	*0.2*	*1.4*	*1.7*
Slovakia	-1.0	-3.8	-0.4	0.0	-4.2	-4.3	**-1.0**	**-5.0**	**-3.6**	*-3.2*	*-4.8*	*-3.6*
Slovenia	0.2	-5.4	0.9	2.4	-6.1	-3.4	**-1.9**	**-2.5**	**-1.6**	*-2.5*	*-4.1*	*-1.6*
Finland	5.1	-0.8	-0.6	-0.1	-4.9	-2.2	**-0.3**	**-1.7**	**-1.3**	*-0.8*	*-1.6*	*-1.4*
Euro area	1.0	-1.9	0.7	1.0	-5.6	-3.9	**-1.9**	**-1.4**	**-0.6**	*-1.9*	*-1.9*	*-1.4*
Bulgaria	2.8	-1.5	0.1	2.7	-3.3	-3.4	**-2.3**	**-4.3**	**-4.2**	*-2.9*	*-2.3*	*-2.0*
Czechia	-1.0	-2.2	1.0	1.0	-5.0	-4.3	**-2.5**	**-2.3**	**-1.6**	*-3.3*	*-2.9*	*-1.8*
Denmark	5.9	-0.6	1.6	4.9	0.8	4.2	**4.1**	**2.9**	**1.8**	*2.3*	*1.0*	*0.9*
Hungary	-2.4	0.5	0.9	0.2	-5.2	-4.9	**-3.5**	**-0.1**	**-0.1**	*-3.2*	*-1.3*	*-1.9*
Poland	-1.2	-3.0	-0.4	0.6	-5.6	-0.7	**-2.2**	**-3.0**	**-1.7**	*-3.1*	*-2.8*	*-2.3*
Romania	-1.4	-3.6	-0.6	-3.3	-8.0	-6.0	**-5.0**	**-2.9**	**-2.7**	*-4.7*	*-3.1*	*-2.6*
Sweden	3.6	0.3	0.8	1.0	-2.5	0.2	**1.2**	**-0.2**	**0.1**	*0.6*	*0.6*	*0.3*
EU	1.0	-1.8	0.7	1.0	-5.3	-3.4	**-1.8**	**-1.4**	**-0.7**	*-1.8*	*-1.8*	*-1.4*
United Kingdom	-1.3	-5.4	-1.1	-0.1	-10.9	-5.3	**-0.8**	**1.1**	**1.9**	*-3.1*	*-1.2*	*-0.6*
Japan	-2.1	-6.8	-2.0	-1.6	-7.6	-4.8	**-6.5**	**-5.0**	**-3.0**	*-5.5*	*-3.3*	*-2.1*
United States	-1.0	-6.1	-1.3	-2.6	-11.0	-8.4	**-0.2**	**-0.9**	**-1.0**	*-2.4*	*-2.8*	*-2.9*

[1] Net lending/borrowing excluding interest expenditure.

Table 38: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	-1.5	-3.7	-1.9	-2.8	-5.7	-4.9	**-4.2**	**-5.0**	**-4.6**	*-5.6*	*-5.3*	*-4.5*
Germany	-1.7	-1.1	0.9	0.9	-2.7	-3.0	**-2.5**	**-2.0**	**-1.0**	*-2.3*	*-2.4*	*-2.2*
Estonia	-1.8	2.1	-0.3	-0.5	-4.1	-3.3	**0.0**	**-1.2**	**-1.3**	*-1.6*	*-2.5*	*-2.3*
Ireland	-0.9	-13.9	-2.3	2.6	-1.8	-1.7	**-0.8**	**-0.1**	**1.0**	*-2.4*	*-0.8*	*0.3*
Greece	-8.5	-5.6	5.0	4.1	-2.4	-3.9	**-1.7**	**-1.5**	**-1.0**	*-3.1*	*-1.1*	*-0.5*
Spain	-1.7	-6.1	-2.3	-4.2	-4.3	-3.7	**-4.0**	**-3.7**	**-3.2**	*-3.8*	*-3.6*	*-3.4*
France	-4.1	-4.5	-2.8	-4.4	-4.9	-5.7	**-4.8**	**-4.5**	**-4.3**	*-5.1*	*-5.0*	*-5.0*
Croatia	-4.8	-5.4	-1.3	-0.9	-3.5	-2.9	**-1.3**	**-1.3**	**-1.9**	*-3.1*	*-3.1*	*-3.1*
Italy	-4.2	-2.4	-1.3	-1.8	-5.1	-8.0	**-8.3**	**-5.1**	**-4.4**	*-5.5*	*-3.9*	*-4.5*
Cyprus	-2.6	-4.1	-1.0	-1.3	-4.5	-2.4	**0.7**	**0.9**	**1.3**	*-0.7*	*0.2*	*1.1*
Latvia	-3.5	-2.8	-1.5	-1.4	-3.3	-6.5	**-4.2**	**-3.5**	**-2.6**	*-6.9*	*-2.5*	*-0.8*
Lithuania	-3.2	-3.9	-0.6	-1.0	-6.4	-1.6	**-0.4**	**-0.6**	**-0.3**	*-1.8*	*-3.5*	*-0.9*
Luxembourg	0.9	1.4	2.0	2.5	-2.0	0.8	**0.5**	**-1.1**	**-0.8**	*0.2*	*-0.8*	*0.3*
Malta	-3.2	-2.0	-0.5	-1.3	-5.3	-7.1	**-5.5**	**-4.6**	**-3.9**	*-6.0*	*-5.2*	*-3.8*
Netherlands	-0.5	-3.0	0.1	0.9	-1.3	-1.7	**-0.7**	**-2.7**	**-1.9**	*-2.1*	*-4.3*	*-3.1*
Austria	-2.9	-2.8	-1.1	-0.7	-4.9	-4.4	**-3.8**	**-2.5**	**-1.5**	*-4.1*	*-2.9*	*-1.8*
Portugal	-4.3	-6.7	-3.0	-1.5	-2.2	-1.1	**-1.1**	**-1.1**	**-0.8**	*-2.8*	*-1.4*	*-1.0*
Slovakia	-3.6	-4.8	-2.0	-2.0	-4.3	-5.5	**-2.0**	**-5.8**	**-4.5**	*-4.3*	*-5.5*	*-4.4*
Slovenia	-3.5	-5.3	-0.9	-0.9	-6.2	-5.6	**-5.0**	**-4.9**	**-3.7**	*-5.8*	*-6.4*	*-3.4*
Finland	2.6	-0.8	-1.0	-1.2	-3.9	-2.3	**-0.6**	**-1.8**	**-1.9**	*-1.1*	*-1.5*	*-1.6*
Euro area	-2.7	-3.3	-0.9	-1.4	-3.8	-4.3	**-3.8**	**-3.2**	**-2.6**	*-3.7*	*-3.4*	*-3.2*
Bulgaria	0.9	-2.3	-0.5	1.7	-2.4	-4.0	**-3.2**	**-5.0**	**-5.0**	*-3.8*	*-2.9*	*-2.8*
Czechia	-3.5	-2.9	-0.1	-0.8	-4.1	-4.5	**-3.2**	**-2.7**	**-2.4**	*-4.0*	*-3.1*	*-2.1*
Denmark	2.3	-0.5	1.3	4.5	2.6	4.4	**3.1**	**3.0**	**2.1**	*1.6*	*1.2*	*1.2*
Hungary	-7.7	-2.1	-2.8	-3.8	-5.7	-6.8	**-6.4**	**-3.2**	**-3.8**	*-6.7*	*-3.7*	*-4.5*
Poland	-3.8	-5.8	-2.0	-2.1	-5.5	-2.0	**-4.7**	**-4.5**	**-2.9**	*-5.2*	*-4.7*	*-4.2*
Romania	-4.1	-4.9	-1.8	-4.8	-7.4	-6.2	**-5.8**	**-4.3**	**-4.1**	*-6.3*	*-4.6*	*-4.3*
Sweden	1.1	0.4	0.3	0.4	-0.7	0.3	**0.6**	**0.1**	**0.7**	*-0.1*	*1.0*	*1.1*
EU	-2.6	-3.2	-0.9	-1.3	-3.7	-3.9	**-3.5**	**-3.0**	**-2.4**	*-3.6*	*-3.2*	*-3.0*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 39: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.8	-0.1	0.7	-0.8	-3.7	-3.2	**-2.6**	**-3.3**	**-2.7**	*-4.1*	*-3.7*	*-2.8*
Germany	1.0	1.2	2.1	1.7	-2.1	-2.4	**-1.8**	**-1.2**	**-0.1**	*-1.6*	*-1.7*	*-1.4*
Estonia	-1.6	2.2	-0.3	-0.5	-4.0	-3.3	**0.1**	**-0.7**	**-0.7**	*-1.6*	*-2.2*	*-1.9*
Ireland	0.2	-10.6	0.2	3.9	-0.8	-1.0	**-0.1**	**0.5**	**1.6**	*-1.7*	*-0.1*	*1.0*
Greece	-3.8	0.0	8.5	7.1	0.5	-1.4	**0.7**	**1.7**	**2.1**	*-0.7*	*1.9*	*2.5*
Spain	0.0	-3.5	0.5	-1.9	-2.0	-1.5	**-1.6**	**-1.2**	**-0.8**	*-1.6*	*-1.3*	*-1.1*
France	-1.4	-1.9	-0.9	-3.0	-3.6	-4.3	**-2.9**	**-2.6**	**-2.3**	*-3.3*	*-2.5*	*-2.1*
Croatia	-3.1	-2.7	1.7	1.3	-1.5	-1.4	**0.1**	**-0.1**	**-0.7**	*-1.8*	*-2.0*	*-2.0*
Italy	0.4	2.2	2.7	1.5	-1.7	-4.4	**-4.0**	**-1.1**	**-0.3**	*-1.6*	*0.1*	*-0.4*
Cyprus	0.3	-1.5	1.8	0.9	-2.4	-0.5	**2.2**	**2.2**	**2.6**	*0.8*	*1.6*	*2.4*
Latvia	-3.0	-1.1	-0.4	-0.7	-2.7	-6.1	**-3.7**	**-2.9**	**-1.8**	*-6.4*	*-1.9*	*-0.3*
Lithuania	-2.5	-2.1	0.7	-0.2	-5.7	-1.1	**-0.1**	**-0.2**	**0.3**	*-1.5*	*-3.0*	*-0.3*
Luxembourg	1.2	1.8	2.4	2.8	-1.7	0.9	**0.7**	**-0.8**	**-0.5**	*0.4*	*-0.6*	*0.6*
Malta	0.4	1.0	1.6	0.0	-4.0	-6.0	**-4.6**	**-3.4**	**-2.4**	*-4.9*	*-3.9*	*-2.5*
Netherlands	1.6	-1.2	1.3	1.7	-0.6	-1.2	**-0.2**	**-2.0**	**-1.2**	*-1.5*	*-3.7*	*-2.5*
Austria	0.2	0.0	0.9	0.8	-3.6	-3.3	**-2.9**	**-1.3**	**-0.2**	*-3.0*	*-1.8*	*-0.6*
Portugal	-1.5	-2.7	1.1	1.4	0.6	1.4	**0.9**	**1.1**	**1.9**	*-0.7*	*1.1*	*1.4*
Slovakia	-2.0	-3.2	-0.4	-0.7	-3.1	-4.4	**-1.0**	**-4.8**	**-3.3**	*-3.2*	*-4.5*	*-3.3*
Slovenia	-2.1	-3.4	1.9	0.8	-4.6	-4.4	**-4.0**	**-3.7**	**-2.3**	*-4.7*	*-5.4*	*-2.2*
Finland	4.1	0.6	0.1	-0.3	-3.2	-1.7	**0.0**	**-1.0**	**-0.7**	*-0.6*	*-0.8*	*-0.8*
Euro area	0.2	-0.5	1.2	0.3	-2.3	-2.9	**-2.1**	**-1.5**	**-0.7**	*-2.1*	*-1.6*	*-1.3*
Bulgaria	2.2	-1.5	0.3	2.3	-1.9	-3.5	**-2.8**	**-4.4**	**-4.4**	*-3.3*	*-2.5*	*-2.3*
Czechia	-2.4	-1.6	0.9	-0.1	-3.3	-3.8	**-2.1**	**-1.4**	**-1.1**	*-2.9*	*-1.9*	*-0.9*
Denmark	4.2	1.4	2.5	5.2	3.2	4.9	**3.9**	**3.6**	**2.6**	*2.2*	*1.8*	*1.7*
Hungary	-3.6	2.3	0.3	-1.6	-3.3	-4.5	**-3.6**	**0.6**	**0.5**	*-3.7*	*-0.6*	*-1.1*
Poland	-1.4	-3.3	-0.3	-0.7	-4.2	-0.9	**-3.2**	**-2.5**	**-0.8**	*-3.5*	*-2.0*	*-1.4*
Romania	-3.1	-2.8	-0.4	-3.8	-6.2	-5.1	**-4.6**	**-2.5**	**-2.4**	*-4.5*	*-2.7*	*-2.2*
Sweden	2.8	1.5	0.8	0.8	-0.4	0.5	**1.1**	**0.8**	**1.3**	*0.3*	*1.4*	*1.5*
EU	0.2	-0.5	1.2	0.3	-2.3	-2.5	**-1.9**	**-1.3**	**-0.7**	*-2.0*	*-1.5*	*-1.1*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Structural budget balance, general government[1] (as a percentage of potential GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	:	:	-2.2	-3.0	-5.8	-4.7	**-4.2**	**-4.9**	**-4.5**	*-5.5*	*-5.2*	*-4.4*
Germany	:	:	1.1	0.9	-2.7	-2.9	**-2.3**	**-2.0**	**-1.0**	*-2.0*	*-2.4*	*-2.2*
Estonia	:	:	-0.2	-0.5	-4.1	-4.3	**-0.2**	**-1.2**	**-1.3**	*-1.8*	*-2.5*	*-2.3*
Ireland	:	:	-2.1	2.6	-1.8	-1.7	**-0.8**	**-0.1**	**1.0**	*-2.4*	*-0.8*	*0.3*
Greece	:	:	5.5	3.1	-3.1	-4.7	**-2.2**	**-1.5**	**-1.0**	*-3.4*	*-1.1*	*-0.5*
Spain	:	:	-2.0	-3.8	-3.7	-3.6	**-4.0**	**-3.7**	**-3.2**	*-3.7*	*-3.6*	*-3.4*
France	:	:	-2.8	-3.5	-4.8	-5.6	**-4.7**	**-4.4**	**-4.2**	*-5.0*	*-4.9*	*-4.9*
Croatia	:	:	-1.4	-0.9	-3.5	-2.9	**-1.0**	**-1.3**	**-1.9**	*-3.1*	*-3.1*	*-3.1*
Italy	:	:	-1.4	-1.9	-5.2	-8.4	**-8.6**	**-5.3**	**-4.5**	*-6.0*	*-4.1*	*-4.6*
Cyprus	:	:	2.5	-0.1	-4.5	-2.4	**0.7**	**0.9**	**1.3**	*-0.7*	*0.2*	*1.1*
Latvia	:	:	-1.5	-1.4	-3.4	-6.7	**-4.2**	**-3.5**	**-2.6**	*-6.9*	*-2.5*	*-0.8*
Lithuania	:	:	-0.7	-1.1	-6.4	-1.6	**-0.4**	**-0.6**	**-0.3**	*-1.8*	*-3.5*	*-0.9*
Luxembourg	:	:	2.0	2.5	-2.0	0.8	**0.5**	**-1.1**	**-0.8**	*0.2*	*-0.8*	*0.3*
Malta	:	:	-0.5	-1.3	-5.3	-7.1	**-5.5**	**-4.6**	**-3.9**	*-6.0*	*-5.2*	*-3.8*
Netherlands	:	:	0.0	0.8	-1.3	-1.6	**-0.7**	**-2.7**	**-1.9**	*-2.1*	*-4.3*	*-3.1*
Austria	:	:	-0.8	-0.7	-4.9	-4.4	**-3.8**	**-2.5**	**-1.5**	*-4.1*	*-2.9*	*-1.8*
Portugal	:	:	:	-0.9	-1.6	-1.3	**-0.8**	**-0.8**	**-0.8**	*-2.6*	*-1.2*	*-1.0*
Slovakia	:	:	-2.0	-2.0	-4.3	-5.5	**-2.0**	**-5.8**	**-4.5**	*-4.3*	*-5.5*	*-4.4*
Slovenia	-3.5	-5.3	-0.5	-0.9	-6.1	-5.6	**-5.0**	**-4.9**	**-3.7**	*-5.8*	*-6.4*	*-3.4*
Finland	:	:	:	-1.3	-3.9	-2.3	**-0.6**	**-1.8**	**-1.9**	*-1.1*	*-1.5*	*-1.6*
Euro area	-2.7	-3.3	-0.8	-1.2	-3.7	-4.3	**-3.7**	**-3.2**	**-2.5**	*-3.6*	*-3.4*	*-3.2*
Bulgaria	:	:	0.2	1.7	-2.4	-4.0	**-3.2**	**-5.0**	**-5.0**	*-3.8*	*-2.9*	*-2.8*
Czechia	:	:	0.0	-0.8	-4.1	-4.5	**-3.2**	**-2.7**	**-2.4**	*-3.8*	*-3.1*	*-2.1*
Denmark	:	:	0.4	4.5	2.6	4.4	**3.1**	**3.5**	**2.1**	*1.6*	*1.7*	*1.2*
Hungary	:	:	-2.8	-3.7	-5.8	-6.7	**-6.4**	**-3.2**	**-3.8**	*-6.7*	*-3.7*	*-4.5*
Poland	:	:	-1.9	-2.1	-5.7	-2.2	**-5.0**	**-4.5**	**-2.9**	*-5.5*	*-4.7*	*-4.2*
Romania	:	:	-1.7	-4.6	-7.4	-6.2	**-5.8**	**-4.3**	**-4.1**	*-6.3*	*-4.6*	*-4.3*
Sweden	:	:	0.3	0.4	-0.7	0.3	**0.6**	**0.1**	**0.7**	*-0.1*	*1.0*	*1.1*
EU	:	:	:	-1.1	-3.6	-3.9	**-3.5**	**-3.0**	**-2.4**	*-3.6*	*-3.2*	*-3.0*

Table 41: Gross debt, general government (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	92.9	102.9	103.8	97.6	112.0	109.1	**105.1**	**106.0**	**107.3**	*106.2*	*107.9*	*108.6*
Germany	65.9	78.7	68.4	59.6	68.7	69.3	**66.3**	**65.2**	**64.1**	*67.4*	*66.3*	*65.4*
Estonia	4.5	8.0	9.6	8.5	18.5	17.6	**18.4**	**19.5**	**21.3**	*18.7*	*19.3*	*21.9*
Ireland	28.8	99.6	77.2	57.0	58.4	55.4	**44.7**	**40.4**	**38.3**	*44.7*	*41.2*	*39.3*
Greece	105.3	157.9	180.7	180.6	206.3	194.6	**171.3**	**160.2**	**154.4**	*171.1*	*161.9*	*156.9*
Spain	40.5	74.8	102.7	98.2	120.4	118.3	**113.2**	**110.6**	**109.1**	*114.0*	*112.5*	*112.1*
France	66.2	88.0	96.9	97.4	114.6	112.9	**111.6**	**109.6**	**109.5**	*111.7*	*110.8*	*110.2*
Croatia	39.1	63.6	79.3	71.0	87.0	78.4	**68.4**	**63.0**	**61.8**	*70.0*	*67.2*	*68.0*
Italy	105.7	122.9	134.8	134.1	154.9	149.9	**144.4**	**140.4**	**140.3**	*144.6*	*143.6*	*142.6*
Cyprus	57.4	72.0	101.8	90.8	113.8	101.2	**86.5**	**80.4**	**72.5**	*89.6*	*84.0*	*77.7*
Latvia	12.7	42.5	39.0	36.5	42.0	43.7	**40.8**	**39.7**	**40.5**	*42.4*	*44.0*	*43.6*
Lithuania	16.8	35.9	39.1	35.8	46.3	43.7	**38.4**	**37.1**	**36.6**	*38.0*	*41.0*	*39.9*
Luxembourg	9.3	19.2	21.1	22.4	24.5	24.5	**24.6**	**25.9**	**27.0**	*24.3*	*26.0*	*26.3*
Malta	65.8	67.0	52.9	40.3	52.9	55.1	**53.4**	**54.8**	**56.1**	*57.4*	*59.9*	*60.6*
Netherlands	48.6	62.3	60.8	48.5	54.7	52.5	**51.0**	**49.3**	**48.8**	*50.3*	*52.4*	*53.2*
Austria	67.0	81.6	80.9	70.6	82.9	82.3	**78.4**	**75.4**	**72.7**	*78.5*	*76.6*	*74.9*
Portugal	72.3	112.6	128.7	116.6	134.9	125.4	**113.9**	**106.2**	**103.1**	*115.9*	*109.1*	*105.3*
Slovakia	33.4	45.3	51.7	48.0	58.9	61.0	**57.8**	**58.3**	**58.7**	*59.6*	*57.4*	*57.4*
Slovenia	24.8	48.6	77.2	65.4	79.6	74.5	**69.9**	**69.1**	**66.6**	*69.9*	*69.6*	*68.8*
Finland	37.4	49.3	62.5	64.9	74.7	72.6	**73.0**	**73.9**	**76.2**	*70.7*	*72.0*	*73.3*
Euro area	68.8	88.5	91.8	86.0	99.2	97.3	**93.2**	**90.8**	**89.9**	*93.7*	*92.5*	*91.6*
Bulgaria	22.5	15.5	25.8	20.0	24.5	23.9	**22.9**	**25.0**	**28.1**	*22.5*	*23.6*	*25.6*
Czechia	27.8	39.7	36.9	30.0	37.7	42.0	**44.1**	**42.9**	**43.1**	*42.9*	*44.2*	*44.5*
Denmark	34.8	43.6	38.2	33.7	42.2	36.7	**30.1**	**30.1**	**28.8**	*33.7*	*32.8*	*32.1*
Hungary	64.2	78.7	73.7	65.3	79.3	76.6	**73.3**	**70.7**	**71.1**	*76.4*	*75.2*	*75.1*
Poland	46.0	54.2	51.3	45.7	57.2	53.6	**49.1**	**50.5**	**53.0**	*51.3*	*52.9*	*54.2*
Romania	14.3	31.3	36.9	35.1	46.9	48.6	**47.3**	**45.6**	**46.1**	*47.9*	*47.3*	*47.6*
Sweden	43.4	38.8	42.2	35.5	39.8	36.5	**33.0**	**31.4**	**30.7**	*32.1*	*29.4*	*28.5*
EU	65.2	82.8	85.3	79.3	91.7	89.5	**85.3**	**83.4**	**82.6**	*86.0*	*84.9*	*84.1*

Table 42: Gross national saving (as a percentage of GDP, 2004-2024) 28.04.2023

		5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*	
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	28.0	24.6	24.8	25.1	25.4	26.4	**24.7**	**24.1**	**23.9**	*25.6*	*24.4*	*24.7*
Germany	26.1	26.4	28.8	29.8	29.2	30.7	**28.9**	**29.6**	**29.4**	*28.5*	*29.2*	*29.5*
Estonia	24.5	25.8	27.8	28.7	28.5	30.6	**29.9**	**28.8**	**29.1**	*28.0*	*27.1*	*27.5*
Ireland	23.9	16.5	31.2	35.4	36.5	38.9	**37.5**	**39.0**	**39.4**	*41.8*	*41.8*	*41.0*
Greece	12.7	7.3	10.3	10.1	6.9	9.9	**9.7**	**12.1**	**13.6**	*12.5*	*13.6*	*14.0*
Spain	21.4	18.7	21.4	22.9	21.0	21.8	**21.6**	**22.9**	**23.2**	*21.9*	*22.2*	*22.9*
France	23.2	21.4	22.3	23.7	21.2	24.3	**23.5**	**24.2**	**24.2**	*23.7*	*24.0*	*25.3*
Croatia	20.6	18.1	23.1	25.8	23.7	25.0	**25.6**	**25.7**	**25.8**	*23.2*	*22.5*	*22.6*
Italy	20.3	17.6	19.9	21.5	21.6	23.7	**20.4**	**21.4**	**22.7**	*22.2*	*21.5*	*22.4*
Cyprus	6.4	14.0	13.5	14.3	10.1	11.0	**11.1**	**12.0**	**11.9**	*10.1*	*12.4*	*13.5*
Latvia	21.5	24.1	22.8	22.4	24.6	21.2	**19.6**	**19.3**	**20.2**	*19.3*	*19.4*	*21.7*
Lithuania	16.0	18.1	20.1	21.3	21.2	20.8	**21.4**	**22.5**	**23.2**	*21.0*	*21.4*	*21.7*
Luxembourg	29.2	20.4	21.0	16.9	20.3	22.9	**23.7**	**24.1**	**24.0**	*21.3*	*20.6*	*21.3*
Malta	18.8	15.3	27.5	28.1	23.6	24.3	**27.7**	**27.8**	**28.0**	*26.4*	*27.1*	*27.5*
Netherlands	25.9	25.8	28.3	29.0	26.9	28.7	**25.8**	**26.9**	**26.9**	*27.6*	*27.1*	*28.2*
Austria	27.1	25.6	26.4	27.8	28.7	28.3	**27.6**	**27.5**	**27.7**	*27.3*	*27.0*	*26.9*
Portugal	13.4	13.0	16.9	18.6	17.9	19.8	**19.2**	**21.2**	**21.3**	*19.4*	*20.0*	*20.4*
Slovakia	22.8	21.8	22.9	20.8	20.0	19.8	**15.8**	**16.6**	**17.8**	*15.4*	*16.5*	*17.2*
Slovenia	27.2	21.1	24.9	26.7	27.8	25.9	**24.0**	**24.4**	**25.0**	*24.1*	*24.8*	*25.3*
Finland	28.8	22.4	21.9	23.8	25.1	24.6	**22.7**	**22.4**	**22.7**	*24.9*	*24.8*	*25.0*
Euro area	23.4	21.8	24.3	25.6	24.8	26.5	**25.1**	**25.7**	**25.9**	25.5	25.7	26.4
Bulgaria	14.1	21.2	22.6	22.9	20.4	19.2	**20.3**	**18.4**	**18.3**	*21.5*	*20.1*	*20.0*
Czechia	26.7	23.0	26.1	26.7	26.8	27.9	**27.6**	**29.2**	**30.2**	*26.5*	*24.8*	*25.1*
Denmark	26.5	25.2	29.5	30.3	30.5	32.0	**37.7**	**35.2**	**34.9**	*31.7*	*31.7*	*31.6*
Hungary	17.1	21.4	25.4	27.5	26.3	26.8	**25.7**	**25.5**	**25.2**	*24.9*	*23.8*	*24.8*
Poland	16.9	16.7	19.0	20.2	21.1	20.0	**20.7**	**20.0**	**20.4**	*21.3*	*19.5*	*20.0*
Romania	17.2	22.7	22.5	19.4	19.3	19.1	**18.0**	**19.0**	**19.7**	*19.5*	*20.7*	*22.4*
Sweden	30.3	28.1	27.9	30.4	31.1	32.3	**32.6**	**32.7**	**32.8**	*30.7*	*30.3*	*31.0*
EU	23.4	22.0	24.3	25.6	24.9	26.4	**25.2**	**25.8**	**26.0**	*25.5*	*25.5*	*26.2*
United Kingdom	14.9	12.7	13.3	15.4	14.1	16.8	**15.8**	**15.3**	**15.7**	*14.7*	*12.9*	*12.8*
Japan	29.6	25.5	28.3	29.2	28.2	29.5	**27.9**	**29.2**	**30.0**	*26.2*	*26.4*	*26.8*
United States	17.4	16.5	19.7	19.7	19.3	18.0	**18.4**	**17.2**	**17.5**	*17.7*	*17.6*	*18.3*

Table 43: Gross saving, private sector (as a percentage of GDP, 2004-2024) 28.04.2023

		5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*	
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	25.7	25.1	24.0	24.4	31.4	28.9	**25.8**	**26.0**	**25.4**	*27.7*	*27.2*	*26.7*
Germany	24.7	24.7	24.7	25.1	29.9	30.5	**27.0**	**27.8**	**26.3**	*26.5*	*27.9*	*27.9*
Estonia	18.1	21.8	23.0	24.2	28.3	27.8	**25.6**	**27.3**	**27.4**	*24.9*	*25.3*	*25.3*
Ireland	20.2	22.7	30.2	32.6	39.0	38.4	**33.7**	**35.1**	**35.0**	*39.0*	*38.8*	*37.5*
Greece	16.0	13.7	8.9	7.0	11.0	12.7	**8.7**	**10.1**	**10.9**	*13.2*	*12.0*	*11.6*
Spain	16.5	23.7	23.6	23.8	28.2	25.3	**23.6**	**24.5**	**24.4**	*23.4*	*23.6*	*23.7*
France	21.5	21.9	21.2	22.5	25.4	26.4	**23.9**	**24.3**	**23.8**	*24.2*	*24.9*	*25.9*
Croatia	16.3	18.3	20.9	21.0	25.7	23.2	**21.2**	**21.9**	**21.9**	*20.7*	*20.4*	*20.2*
Italy	19.0	17.8	19.1	19.9	26.0	25.1	**21.7**	**22.0**	**22.3**	*23.8*	*21.5*	*22.9*
Cyprus	3.8	15.2	9.8	9.1	12.9	10.8	**6.3**	**7.1**	**7.2**	*6.4*	*8.9*	*10.0*
Latvia	18.2	24.5	20.0	19.3	23.6	24.1	**19.3**	**19.7**	**19.1**	*21.6*	*19.8*	*19.8*
Lithuania	13.1	20.7	17.3	18.2	23.2	18.9	**19.0**	**20.7**	**21.0**	*19.9*	*22.2*	*19.9*
Luxembourg	22.2	15.1	14.6	9.7	17.8	16.8	**18.6**	**20.6**	**20.3**	*16.0*	*16.6*	*16.4*
Malta	19.8	16.0	24.0	24.1	29.3	28.3	**30.3**	**29.9**	**29.6**	*28.8*	*29.6*	*29.1*
Netherlands	22.6	25.8	25.3	24.0	27.1	27.5	**22.2**	**25.2**	**24.7**	*24.8*	*26.1*	*26.1*
Austria	24.9	24.6	23.5	23.6	32.7	30.1	**26.0**	**25.8**	**25.0**	*25.8*	*25.4*	*24.8*
Portugal	14.5	17.4	16.9	16.0	19.8	20.0	**16.4**	**18.4**	**18.7**	*17.9*	*18.5*	*18.5*
Slovakia	21.5	24.0	21.3	18.8	21.7	22.2	**14.9**	**19.6**	**19.4**	*16.3*	*19.2*	*18.4*
Slovenia	23.6	21.6	22.8	22.3	31.3	26.1	**22.0**	**22.8**	**23.1**	*22.5*	*24.4*	*22.9*
Finland	21.8	20.6	19.7	20.5	26.0	23.1	**19.5**	**20.4**	**20.9**	*21.8*	*22.5*	*22.7*
Euro area	21.3	22.3	22.4	23.0	27.8	27.5	**24.3**	**25.1**	**24.5**	25.0	25.4	25.7
Bulgaria	8.2	20.5	19.6	17.1	20.7	21.2	**20.6**	**20.6**	**21.2**	*22.4*	*20.3*	*19.9*
Czechia	22.3	21.7	22.3	22.1	27.4	28.4	**26.6**	**28.8**	**29.3**	*26.5*	*24.9*	*24.6*
Denmark	19.6	23.6	24.8	23.1	26.3	24.9	**31.1**	**29.0**	**29.6**	*26.0*	*26.9*	*26.6*
Hungary	18.5	21.9	22.3	23.2	24.5	26.4	**23.8**	**23.8**	**23.6**	*22.9*	*22.2*	*23.4*
Poland	16.4	17.6	17.4	17.4	23.4	17.6	**19.4**	**20.7**	**19.8**	*21.2*	*20.3*	*20.4*
Romania	13.8	23.2	21.1	20.3	24.3	22.5	**20.2**	**19.8**	**20.1**	*23.6*	*22.6*	*23.8*
Sweden	24.3	24.6	23.1	24.9	28.8	27.6	**26.9**	**28.5**	**28.3**	*25.8*	*25.4*	*26.2*
EU	21.1	22.3	22.3	22.7	27.5	26.9	**24.2**	**25.0**	**24.5**	*24.9*	*25.1*	*25.4*
United Kingdom	15.1	16.9	13.5	14.1	21.9	20.7	**17.2**	**14.7**	**14.2**	*17.2*	*13.6*	*12.8*
Japan	29.8	29.6	28.3	28.1	32.6	31.1	**31.3**	**31.2**	**30.1**	*28.4*	*26.6*	*25.8*
United States	18.4	22.6	21.8	22.9	30.5	26.6	**19.8**	**18.9**	**19.7**	*20.5*	*21.1*	*22.2*

Table 44: Saving rate of households (2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	17.0	15.4	12.3	12.3	20.5	17.0	**12.9**	**14.0**	**13.4**	*12.7*	*13.2*	*12.4*
Germany	17.1	17.0	17.8	18.3	23.6	22.9	**20.0**	**20.0**	**19.7**	*19.6*	*19.5*	*19.0*
Estonia	0.0	9.1	10.8	11.8	14.3	10.5	**5.3**	**8.1**	**7.8**	*4.2*	*6.0*	*6.2*
Ireland	9.4	12.1	8.7	10.7	25.5	24.3	**21.5**	**19.9**	**18.0**	*17.7*	*16.4*	*13.1*
Greece	6.3	0.1	-3.8	-2.5	2.4	3.6	**-3.0**	**-1.2**	**0.0**	*1.8*	*1.9*	*1.4*
Spain	7.6	9.1	6.4	8.2	17.7	13.8	**7.2**	**7.0**	**6.6**	*8.5*	*8.3*	*8.1*
France	14.2	15.2	13.9	14.7	20.5	18.3	**16.1**	**16.0**	**15.1**	*16.4*	*15.5*	*15.0*
Croatia	4.7	5.9	7.7	8.5	11.9	10.7	**1.7**	**0.4**	**0.0**	:	:	:
Italy	14.4	11.1	10.5	10.0	17.4	15.0	**10.0**	**8.7**	**9.0**	*10.9*	*9.5*	*10.3*
Cyprus	6.2	4.3	0.9	5.7	12.5	10.9	**4.8**	**6.7**	**7.7**	*7.1*	*6.5*	*7.8*
Latvia	3.9	3.5	5.0	9.1	14.6	13.9	**5.1**	**4.5**	**5.2**	*5.2*	*4.8*	*7.5*
Lithuania	2.6	4.5	0.6	3.8	12.4	5.8	**3.9**	**4.0**	**4.7**	4.2	3.6	4.6
Luxembourg	11.0	13.0	13.4	14.2	24.2	18.2	**18.7**	**20.2**	**17.7**	14.5	14.6	13.6
Malta	-13.1	-10.5	3.1	9.4	18.4	:	:	:	:	:	:	:
Netherlands	10.3	15.0	16.5	18.3	24.9	23.7	**14.9**	**16.3**	**16.3**	*16.4*	*16.4*	*16.2*
Austria	16.3	14.3	12.9	14.0	18.7	17.6	**13.2**	**13.2**	**14.5**	*12.2*	*12.8*	*14.0*
Portugal	8.8	9.7	6.8	7.2	11.9	9.9	**6.1**	**6.7**	**6.8**	*6.0*	*6.5*	*6.8*
Slovakia	6.6	7.4	8.5	9.6	11.4	10.9	**5.2**	**5.9**	**6.5**	*4.3*	*5.9*	*5.8*
Slovenia	16.2	11.5	12.3	13.4	22.7	18.7	**8.6**	**9.1**	**11.3**	*8.3*	*9.9*	*11.6*
Finland	7.3	8.8	7.0	8.5	12.7	10.7	**6.6**	**6.7**	**6.8**	*5.7*	*5.8*	*5.9*
Euro area	13.8	13.8	13.2	13.9	20.5	18.5	**14.5**	**14.4**	**14.1**	14.7	14.3	14.1
Bulgaria	-9.5	0.1	0.0	:	:	:	:	:	:	:	:	:
Czechia	11.8	12.2	12.0	13.1	19.2	19.2	**17.0**	**16.5**	**15.3**	*13.6*	*10.9*	*9.4*
Denmark	5.0	7.9	9.8	10.2	11.7	9.3	**14.0**	**13.5**	**14.4**	*10.6*	*10.4*	*10.5*
Hungary	10.7	11.3	12.9	14.7	15.4	17.5	**13.0**	**12.9**	**13.4**	*11.9*	*10.1*	*10.4*
Poland	4.9	4.8	5.1	4.6	11.3	2.8	**1.4**	**2.8**	**2.9**	*3.9*	*2.4*	*3.5*
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	8.7	14.0	15.6	18.0	19.5	18.5	**16.1**	**17.3**	**17.5**	*13.3*	*11.4*	*12.8*
EU	12.1	12.3	11.5	12.3	18.4	16.7	**13.2**	**13.1**	**12.8**	*13.4*	*12.7*	*12.6*
United Kingdom	7.5	9.8	6.7	5.3	15.8	12.6	**8.5**	**7.9**	**9.4**	*7.2*	*5.3*	*6.5*
Japan	11.3	10.6	8.8	10.8	18.0	15.0	**14.7**	**14.2**	**13.9**	*13.7*	*10.2*	*9.8*
United States	9.8	12.2	12.8	14.4	22.1	17.4	**12.3**	**11.8**	**12.0**	*14.2*	*14.0*	*13.9*

Table 45: Gross saving, general government (as a percentage of GDP, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.3	-0.5	0.9	0.7	-6.0	-2.5	**-1.1**	**-1.9**	**-1.4**	*-2.2*	*-2.8*	*-2.0*
Germany	1.4	1.7	4.1	4.8	-0.7	0.2	**1.8**	**1.8**	**3.0**	*2.0*	*1.2*	*1.6*
Estonia	6.5	4.0	4.7	4.4	0.1	2.8	**4.3**	**1.6**	**1.7**	*3.1*	*1.7*	*2.2*
Ireland	3.7	-6.2	1.0	2.9	-2.5	0.5	**3.7**	**3.9**	**4.4**	2.8	3.0	3.4
Greece	-3.4	-6.4	1.4	3.1	-4.1	-2.8	**1.0**	**1.9**	**2.7**	*-0.6*	*1.6*	*2.3*
Spain	4.9	-5.0	-2.2	-0.9	-7.2	-3.5	**-2.0**	**-1.6**	**-1.1**	*-1.5*	*-1.4*	*-0.8*
France	1.7	-0.5	1.1	1.2	-4.2	-2.2	**-0.3**	**-0.1**	**0.4**	*-0.5*	*-0.9*	*-0.6*
Croatia	4.2	-0.2	2.1	4.8	-2.0	1.8	**4.4**	**3.8**	**3.9**	2.4	2.2	2.4
Italy	1.3	-0.2	0.7	1.7	-4.4	-1.4	**-1.3**	**-0.5**	**0.4**	*-1.6*	*0.0*	*-0.5*
Cyprus	2.6	-1.2	3.7	5.2	-2.8	0.2	**4.9**	**4.9**	**4.7**	3.7	3.5	3.5
Latvia	3.3	-0.4	2.8	3.1	1.0	-2.9	**0.4**	**-0.4**	**1.0**	*-2.2*	*-0.4*	*1.8*
Lithuania	2.9	-2.6	2.8	3.0	-2.0	1.9	**2.5**	**1.9**	**2.2**	*1.1*	*-0.8*	*1.7*
Luxembourg	7.0	5.3	6.4	7.2	2.4	6.1	**5.1**	**3.5**	**3.7**	*5.3*	*4.0*	*4.9*
Malta	-1.0	-0.7	3.4	4.0	-5.7	-4.0	**-2.6**	**-2.1**	**-1.5**	*-2.5*	*-2.5*	*-1.6*
Netherlands	3.3	0.0	3.1	5.0	-0.2	1.2	**3.6**	**1.7**	**2.2**	*2.8*	*1.0*	*2.1*
Austria	2.2	1.0	2.9	4.2	-4.0	-1.8	**1.6**	**1.7**	**2.7**	*1.5*	*1.6*	*2.1*
Portugal	-1.1	-4.4	0.0	2.6	-1.8	-0.3	**2.8**	**2.8**	**2.6**	*1.4*	*1.5*	*1.8*
Slovakia	1.3	-2.1	1.5	2.0	-1.7	-2.5	**0.9**	**-3.1**	**-1.7**	*-0.9*	*-2.7*	*-1.2*
Slovenia	3.6	-0.5	2.1	4.4	-3.6	-0.2	**2.0**	**1.7**	**1.9**	*1.6*	*0.5*	*2.4*
Finland	7.1	1.8	2.2	3.2	-0.9	1.5	**3.2**	**2.0**	**1.7**	*3.1*	*2.3*	*2.3*
Euro area	2.0	-0.5	1.8	2.6	-3.0	-1.0	**0.7**	**0.7**	**1.4**	*0.5*	*0.3*	*0.7*
Bulgaria	6.0	0.7	3.0	5.8	-0.3	-1.9	**-0.2**	**-2.2**	**-2.9**	*-1.0*	*-0.3*	*0.1*
Czechia	4.4	1.3	3.9	4.5	-0.6	-0.5	**1.0**	**0.4**	**0.9**	*0.0*	*-0.1*	*0.4*
Denmark	6.9	1.6	4.7	7.3	4.2	7.1	**6.6**	**6.1**	**5.3**	*5.7*	*4.8*	*5.0*
Hungary	-1.5	-0.5	3.1	4.3	1.8	0.4	**1.9**	**1.7**	**1.6**	*2.0*	*1.6*	*1.4*
Poland	0.5	-0.9	1.7	2.9	-2.4	2.4	**1.2**	**-0.7**	**0.6**	*0.1*	*-0.7*	*-0.4*
Romania	3.3	-0.5	1.3	-0.9	-5.0	-3.5	**-2.2**	**-0.8**	**-0.3**	*-4.1*	*-1.8*	*-1.4*
Sweden	5.9	3.5	4.8	5.4	2.3	4.7	**5.7**	**4.2**	**4.5**	*4.9*	*5.0*	*4.8*
EU	2.3	-0.3	2.0	2.9	-2.6	-0.5	**1.0**	**0.8**	**1.5**	*0.7*	*0.5*	*0.8*
United Kingdom	-0.2	-4.2	-0.2	1.3	-7.8	-3.9	**-1.4**	**0.7**	**1.5**	*-2.5*	*-0.7*	*0.0*
Japan	-0.2	-4.1	-0.1	1.1	-4.4	-1.6	**-3.3**	**-2.0**	**-0.1**	*-2.2*	*-0.2*	*1.1*
United States	-1.0	-6.1	-2.2	-3.3	-11.3	-8.6	**-1.4**	**-1.7**	**-2.2**	*-2.8*	*-3.5*	*-3.9*

Table 46: Exports of goods and services, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	4.9	0.5	4.3	2.4	-5.0	11.3	**5.1**	**1.3**	**2.5**	*4.0*	*1.3*	*3.2*
Germany	8.2	2.0	4.0	1.3	-9.3	9.7	**2.9**	**1.5**	**3.1**	*1.4*	*0.9*	*3.0*
Estonia	11.9	5.8	2.7	6.1	-5.3	19.9	**5.0**	**0.9**	**2.8**	*5.1*	*1.6*	*3.6*
Ireland	4.5	3.2	15.0	11.8	11.2	14.1	**15.0**	**6.7**	**5.5**	*10.9*	*4.6*	*4.1*
Greece	8.1	-2.3	6.0	4.9	-21.5	24.1	**4.9**	**6.5**	**5.2**	*12.7*	*3.9*	*4.4*
Spain	3.5	2.1	4.3	2.2	-19.9	14.4	**14.4**	**4.1**	**3.3**	*17.2*	*2.7*	*5.0*
France	3.7	1.6	3.7	1.6	-16.8	8.8	**7.0**	**4.4**	**3.8**	*7.7*	*3.0*	*4.8*
Croatia	4.5	-0.8	7.0	6.8	-23.3	36.4	**25.4**	**3.0**	**3.7**	*25.9*	*1.8*	*3.1*
Italy	4.1	-0.2	3.3	1.6	-13.5	14.0	**9.4**	**2.3**	**3.1**	*10.9*	*2.2*	*3.9*
Cyprus	2.7	1.8	8.1	8.7	2.2	13.6	**13.7**	**2.8**	**3.7**	*8.0*	*1.4*	*2.1*
Latvia	12.0	4.2	4.8	2.1	-0.3	5.9	**9.1**	**2.4**	**2.5**	*7.7*	*0.5*	*2.8*
Lithuania	10.8	6.5	5.0	10.1	0.4	17.0	**11.9**	**1.9**	**4.8**	*7.3*	*0.9*	*5.6*
Luxembourg	6.5	2.9	4.0	4.5	0.2	9.7	**-0.6**	**2.6**	**3.6**	*2.7*	*1.3*	*3.7*
Malta	9.9	3.8	9.0	10.1	-1.6	6.3	**6.4**	**3.6**	**3.0**	*7.2*	*3.1*	*3.8*
Netherlands	5.6	2.2	4.9	2.0	-4.3	5.2	**4.7**	**3.8**	**1.8**	*4.6*	*1.4*	*1.7*
Austria	6.5	0.9	3.8	4.0	-10.7	9.6	**11.1**	**1.5**	**2.5**	*10.5*	*1.4*	*1.0*
Portugal	4.4	3.0	5.5	4.1	-18.6	13.4	**16.7**	**5.4**	**3.2**	*16.6*	*2.3*	*2.4*
Slovakia	14.6	4.7	4.8	0.8	-6.3	10.9	**2.3**	**3.2**	**6.1**	*-1.7*	*1.8*	*3.1*
Slovenia	11.3	0.3	6.8	4.5	-8.6	14.5	**6.5**	**2.8**	**4.0**	*7.1*	*3.3*	*3.6*
Finland	8.2	-2.7	2.5	6.7	-7.8	6.0	**1.7**	**1.6**	**3.6**	*1.4*	*2.2*	*3.9*
Euro area	5.9	1.6	4.7	2.9	-9.0	10.7	**7.0**	**3.1**	**3.3**	*6.5*	*2.0*	*3.4*
Bulgaria	12.4	4.3	5.1	4.0	-10.4	11.0	**8.3**	**2.6**	**3.2**	*7.1*	*1.5*	*3.3*
Czechia	15.2	3.4	6.0	1.5	-8.0	6.9	**5.7**	**5.1**	**4.4**	*4.6*	*2.7*	*3.9*
Denmark	5.7	0.6	3.8	4.5	-6.3	8.0	**8.6**	**1.1**	**1.4**	*5.4*	*3.7*	*4.8*
Hungary	14.5	1.6	6.3	5.4	-6.1	8.8	**11.8**	**3.5**	**4.5**	*6.5*	*3.5*	*4.8*
Poland	9.4	4.5	7.4	5.3	-1.1	12.3	**6.2**	**2.3**	**3.6**	*4.2*	*2.8*	*4.6*
Romania	13.9	8.3	8.4	5.4	-9.5	12.6	**9.6**	**4.0**	**4.8**	*8.2*	*3.5*	*4.8*
Sweden	6.5	0.2	4.2	6.0	-5.5	10.0	**6.6**	**2.0**	**2.6**	*4.3*	*0.1*	*2.9*
EU	6.3	1.7	4.9	3.1	-8.4	10.5	**7.1**	**3.0**	**3.3**	*6.3*	*2.1*	*3.6*
United Kingdom	4.9	1.0	3.6	1.7	-12.1	2.2	**9.9**	**-4.2**	**0.2**	*7.3*	*1.7*	*1.9*
Japan	8.3	-0.7	4.9	-1.5	-11.6	11.7	**4.9**	**4.3**	**2.8**	*3.7*	*3.3*	*3.0*
United States	8.1	3.5	2.3	0.5	-13.2	6.1	**7.1**	**3.6**	**2.6**	*7.2*	*2.9*	*4.8*

Table 47: Imports of goods and services, volume (percentage change on preceding year, 2004-2024) 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	5.4	0.5	4.8	2.0	-5.6	10.7	**4.9**	**1.6**	**2.7**	*3.5*	*1.6*	*3.5*
Germany	6.7	2.4	4.7	2.9	-8.5	9.0	**6.0**	**0.4**	**3.4**	*5.0*	*0.8*	*3.4*
Estonia	11.6	3.8	3.5	3.8	0.4	21.0	**5.8**	**1.8**	**3.2**	*3.3*	*1.4*	*3.4*
Ireland	5.9	0.3	13.4	42.3	-2.1	-8.3	**19.0**	**5.5**	**4.5**	*9.4*	*4.3*	*4.1*
Greece	6.9	-8.7	6.4	2.9	-7.3	17.7	**10.2**	**4.7**	**3.8**	*9.9*	*3.1*	*3.3*
Spain	5.4	-4.1	5.0	1.3	-14.9	13.9	**7.9**	**2.8**	**4.2**	*8.8*	*2.8*	*4.5*
France	5.0	1.4	4.3	2.3	-12.8	8.0	**8.9**	**3.6**	**3.5**	*8.1*	*2.5*	*4.8*
Croatia	5.7	-4.4	7.0	6.6	-12.4	17.6	**25.0**	**2.9**	**3.4**	*23.7*	*2.2*	*3.2*
Italy	3.4	-2.6	4.7	-0.7	-12.1	15.2	**11.8**	**0.8**	**2.3**	*13.5*	*2.2*	*3.4*
Cyprus	7.3	-3.4	8.9	9.5	3.2	9.0	**18.8**	**2.1**	**2.9**	*5.9*	*0.9*	*1.6*
Latvia	12.4	0.1	4.6	3.1	-0.3	15.3	**11.7**	**1.5**	**1.8**	*10.2*	*0.2*	*2.2*
Lithuania	14.7	1.2	5.7	6.0	-4.5	19.9	**12.3**	**2.0**	**4.9**	*6.6*	*0.0*	*5.4*
Luxembourg	6.2	3.7	4.4	5.7	-0.4	11.8	**-0.9**	**2.7**	**3.8**	*3.1*	*1.8*	*4.0*
Malta	9.6	2.6	8.3	11.2	2.0	3.8	**9.7**	**2.2**	**2.7**	*6.2*	*2.8*	*3.6*
Netherlands	5.3	1.7	5.2	3.2	-4.8	4.0	**4.1**	**4.1**	**2.0**	*3.7*	*1.9*	*1.6*
Austria	5.1	1.2	4.2	2.1	-9.2	13.7	**5.7**	**2.0**	**2.3**	*6.7*	*1.2*	*1.1*
Portugal	5.0	-2.1	6.8	4.9	-11.8	13.2	**11.1**	**3.3**	**3.6**	*10.9*	*3.4*	*3.0*
Slovakia	13.9	1.9	5.3	2.2	-8.1	12.1	**4.0**	**3.9**	**5.2**	*-0.9*	*1.7*	*3.0*
Slovenia	10.9	-2.0	6.5	4.7	-9.6	17.6	**9.8**	**2.8**	**4.2**	*8.7*	*2.4*	*3.5*
Finland	8.2	-1.0	3.3	2.4	-6.2	6.0	**7.5**	**-1.3**	**2.2**	*2.1*	*2.4*	*3.2*
Euro area	5.7	0.3	5.2	4.8	-8.5	8.4	**8.0**	**2.3**	**3.2**	*6.7*	*1.9*	*3.5*
Bulgaria	16.6	-1.2	5.6	5.2	-4.3	10.9	**10.5**	**2.9**	**2.8**	*11.8*	*2.6*	*3.4*
Czechia	12.9	2.3	6.3	1.5	-8.2	13.3	**5.7**	**4.5**	**4.2**	*4.8*	*2.6*	*3.7*
Denmark	8.6	-0.2	4.3	3.0	-3.6	8.0	**4.2**	**-1.0**	**0.6**	*2.9*	*2.3*	*4.8*
Hungary	12.1	-0.2	7.1	8.2	-3.9	7.7	**11.1**	**2.0**	**3.5**	*7.4*	*2.0*	*3.9*
Poland	11.5	1.2	8.0	3.2	-2.4	16.1	**6.2**	**0.0**	**3.1**	*6.4*	*1.5*	*4.2*
Romania	24.4	0.9	10.8	8.6	-5.2	14.9	**9.9**	**5.1**	**5.5**	*9.0*	*3.4*	*5.0*
Sweden	6.6	0.6	5.1	2.1	-6.0	11.5	**8.7**	**-1.1**	**1.4**	*7.8*	*-0.9*	*1.3*
EU	6.4	0.4	5.4	4.6	-7.9	9.1	**7.9**	**2.1**	**3.2**	*6.7*	*1.9*	*3.5*
United Kingdom	4.0	1.7	4.1	2.6	-16.0	6.2	**13.3**	**-7.9**	**-0.9**	*12.9*	*-1.2*	*1.3*
Japan	4.4	1.6	2.9	1.0	-6.8	5.0	**7.9**	**3.9**	**2.1**	*5.0*	*2.2*	*1.4*
United States	4.8	1.5	4.1	1.1	-9.0	14.1	**8.1**	**-1.6**	**0.9**	*8.5*	*-1.1*	*1.9*

Table 48: **Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2004-2024)** 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	1.9	-0.8	0.1	0.8	1.3	0.8	**-2.2**	**-0.9**	**-1.0**	*-2.2*	*-2.4*	*-2.0*
Germany	7.1	6.6	7.6	6.2	5.6	5.3	**3.0**	**4.7**	**4.6**	*2.5*	*3.2*	*3.7*
Estonia	-15.5	-4.4	-4.3	-3.3	-0.9	-4.1	**-7.4**	**-6.8**	**-6.6**	*-7.0*	*-7.2*	*-7.0*
Ireland	17.5	22.4	34.7	33.1	38.1	39.2	**40.7**	**41.6**	**41.0**	*42.0*	*42.3*	*42.1*
Greece	-16.8	-12.3	-11.2	-12.9	-11.9	-14.8	**-18.8**	**-18.5**	**-18.1**	*-19.4*	*-20.6*	*-20.5*
Spain	-7.9	-3.3	-1.9	-2.1	-0.8	-1.6	**-4.4**	**-4.1**	**-4.1**	*-5.9*	*-5.9*	*-5.6*
France	-1.2	-2.2	-1.5	-1.4	-2.1	-3.0	**-5.1**	**-3.3**	**-3.0**	*-5.5*	*-4.8*	*-4.5*
Croatia	-21.2	-14.5	-16.4	-18.8	-17.5	-18.3	**-25.1**	**-23.5**	**-23.1**	*-26.3*	*-25.7*	*-25.8*
Italy	0.0	0.3	3.1	3.4	4.1	2.8	**-1.1**	**0.7**	**1.6**	*-0.4*	*-1.0*	*0.0*
Cyprus	-26.1	-20.8	-20.8	-20.0	-19.2	-18.0	**-21.8**	**-21.0**	**-20.8**	*-23.8*	*-24.4*	*-24.5*
Latvia	-21.4	-11.2	-9.4	-8.6	-5.1	-8.3	**-11.5**	**-9.7**	**-9.4**	*-13.5*	*-14.5*	*-11.9*
Lithuania	-13.1	-4.4	-4.9	-4.8	-0.8	-5.2	**-11.0**	**-7.9**	**-7.6**	*-8.1*	*-7.1*	*-7.2*
Luxembourg	-5.8	2.5	3.5	3.3	3.0	2.3	**0.8**	**1.4**	**1.4**	*1.0*	*0.8*	*0.9*
Malta	-19.6	-18.3	-16.0	-10.4	-9.5	-13.0	**-20.6**	**-19.5**	**-18.3**	*-17.7*	*-18.0*	*-17.7*
Netherlands	8.4	8.6	9.5	7.4	7.7	7.3	**6.2**	**7.5**	**7.4**	*5.1*	*4.7*	*6.1*
Austria	0.4	-0.5	0.5	1.1	0.9	-0.1	**-0.1**	**0.9**	**1.3**	*0.1*	*-0.1*	*-0.2*
Portugal	-11.8	-8.2	-6.3	-7.8	-6.5	-7.7	**-11.4**	**-9.9**	**-10.1**	*-11.2*	*-10.5*	*-10.4*
Slovakia	-3.1	2.1	2.3	-0.6	0.9	-0.4	**-5.8**	**-5.1**	**-3.8**	*-4.0*	*-3.5*	*-3.3*
Slovenia	-4.1	-0.8	3.4	2.7	5.0	1.7	**-4.3**	**-3.2**	**-2.5**	*-4.4*	*-4.2*	*-3.1*
Finland	7.7	2.6	0.5	1.0	1.2	0.9	**-0.5**	**0.7**	**1.2**	*0.1*	*0.0*	*0.0*
Euro area	1.0	1.4	3.3	2.9	3.2	2.6	**0.2**	**1.7**	**2.0**	*0.0*	*0.3*	*0.8*
Euro area, adjusted 2)	:	1.9	2.8	2.5	2.9	2.3	**-0.6**	**1.7**	**2.0**	*0.2*	*0.4*	*0.9*
Bulgaria	-23.2	-9.1	-4.2	-4.7	-3.1	-4.1	**-5.4**	**-4.2**	**-4.0**	*-5.3*	*-7.7*	*-7.8*
Czechia	-0.1	2.4	4.7	4.1	4.9	1.2	**-1.5**	**1.0**	**2.3**	*-2.9*	*-4.1*	*-3.7*
Denmark	2.3	4.5	4.6	5.0	5.3	4.0	**3.3**	**7.1**	**7.4**	*1.5*	*2.6*	*3.5*
Hungary	-2.6	2.3	1.5	-2.5	-1.0	-2.9	**-8.8**	**-3.8**	**-3.2**	*-8.5*	*-7.3*	*-5.2*
Poland	-4.4	-2.7	-1.2	-0.8	1.3	-1.3	**-3.7**	**-0.9**	**-0.5**	*-4.7*	*-5.1*	*-4.6*
Romania	-15.5	-6.6	-5.9	-8.0	-8.6	-9.6	**-11.3**	**-10.0**	**-10.1**	*-11.2*	*-11.3*	*-11.2*
Sweden	6.4	4.3	2.6	3.9	4.0	3.9	**3.4**	**4.8**	**5.4**	*3.2*	*2.9*	*3.7*
EU	0.8	1.3	3.0	2.6	3.0	2.2	**-0.1**	**1.5**	**1.7**	*-0.4*	*-0.2*	*0.3*
EU, adjusted 2)	0.0	0.7	2.3	2.0	2.4	1.6	**-1.1**	**1.5**	**1.7**	*-0.4*	*-0.2*	*0.3*
United Kingdom	-5.6	-6.4	-6.8	-6.6	-6.3	-7.5	**-9.3**	**-8.2**	**-8.1**	*-10.3*	*-10.7*	*-10.7*
Japan	2.1	0.1	0.0	0.0	0.5	0.3	**-2.8**	**-2.1**	**-1.3**	*-2.1*	*-2.0*	*-1.6*
United States	-5.9	-4.4	-4.3	-4.1	-4.2	-4.7	**-4.8**	**-4.2**	**-4.0**	*-4.8*	*-4.4*	*-4.2*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 49: **Current-account balance[1] (as a percentage of GDP, 2004-2024)** 28.04.2023

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	3.8	1.4	0.6	0.1	1.1	0.4	**-2.9**	**-1.8**	**-1.8**	*-2.7*	*-2.9*	*-2.6*
Germany	5.5	6.4	8.2	7.7	7.1	7.4	**4.0**	**5.8**	**5.6**	*3.7*	*4.7*	*5.0*
Estonia	-11.8	0.8	1.4	2.4	-1.0	-1.8	**-1.3**	**-0.3**	**0.1**	*0.4*	*0.7*	*1.1*
Ireland	-4.4	-1.7	1.4	-19.8	-6.8	14.2	**8.8**	**11.1**	**11.9**	*18.1*	*18.2*	*17.8*
Greece	-12.4	-7.6	-2.1	-2.3	-8.0	-8.2	**-11.8**	**-9.2**	**-7.8**	*-8.6*	*-8.6*	*-8.1*
Spain	-8.0	-1.7	2.3	2.1	0.6	1.0	**0.6**	**1.6**	**1.5**	*0.9*	*0.8*	*1.2*
France	0.0	-0.9	-0.7	-0.7	-2.5	-0.8	**-3.1**	**-1.5**	**-1.3**	*-2.5*	*-1.3*	*-0.8*
Croatia	-7.8	-2.5	2.1	2.9	-0.4	3.2	**-0.2**	**0.7**	**1.1**	*0.2*	*-0.6*	*-0.8*
Italy	-1.4	-1.4	2.2	3.3	3.9	3.1	**-1.3**	**0.0**	**1.3**	*0.8*	*-0.2*	*0.5*
Cyprus	-18.1	-5.0	-3.4	-5.5	-10.0	-6.8	**-9.1**	**-7.3**	**-6.9**	*-9.6*	*-7.3*	*-6.2*
Latvia	-15.4	0.0	0.1	-0.6	2.6	-4.2	**-6.1**	**-3.4**	**-2.7**	*-6.4*	*-6.8*	*-4.0*
Lithuania	-10.9	-0.3	0.2	3.5	7.3	1.1	**-5.3**	**-1.1**	**-0.1**	*-3.9*	*-2.8*	*-2.6*
Luxembourg	8.8	2.3	2.6	-1.4	3.1	5.3	**5.7**	**7.2**	**7.4**	*3.5*	*3.0*	*3.9*
Malta	-5.4	-3.3	6.7	8.1	2.4	5.0	**1.6**	**3.8**	**4.1**	*5.1*	*5.5*	*6.0*
Netherlands	4.4	6.2	7.9	6.9	5.1	7.3	**4.4**	**6.0**	**6.1**	*5.7*	*5.3*	*6.9*
Austria	2.9	2.3	1.9	2.5	3.0	0.4	**0.2**	**0.8**	**1.2**	*0.2*	*0.0*	*-0.1*
Portugal	-10.0	-5.2	0.3	0.1	-1.2	-0.8	**-1.5**	**1.0**	**0.8**	*-1.5*	*-0.9*	*-0.8*
Slovakia	-5.5	-0.7	-0.4	-2.9	0.1	-2.4	**-7.8**	**-6.7**	**-5.3**	*-6.5*	*-5.6*	*-5.3*
Slovenia	-3.5	-0.1	5.3	6.1	7.7	4.0	**-0.5**	**0.9**	**1.7**	*-0.6*	*-0.5*	*-0.3*
Finland	4.0	-0.4	-1.4	-0.3	0.6	0.5	**-3.9**	**-1.9**	**-1.2**	*-0.2*	*-0.3*	*0.1*
Euro area	0.2	1.3	3.4	2.7	2.4	3.5	**0.6**	**2.1**	**2.4**	*1.5*	*1.9*	*2.4*
Euro area, adjusted 2)3)	:	2.1	2.8	2.3	1.6	2.3	**-1.0**	**2.1**	**2.4**	*1.5*	*1.9*	*2.4*
Bulgaria	-16.1	-1.3	2.6	1.9	0.0	-1.9	**-0.4**	**0.1**	**0.2**	*-1.2*	*-3.0*	*-3.2*
Czechia	-4.1	-3.6	-0.6	-0.9	0.7	-2.3	**-5.4**	**-2.5**	**-0.7**	*-5.8*	*-6.9*	*-5.9*
Denmark	3.0	6.1	8.0	8.5	7.9	9.0	**13.1**	**10.7**	**10.7**	*6.7*	*7.4*	*7.8*
Hungary	-8.8	0.4	1.6	-0.9	-0.9	-3.8	**-8.3**	**-3.5**	**-2.8**	*-7.6*	*-6.3*	*-4.3*
Poland	-5.4	-4.1	-1.7	-0.3	2.3	-1.4	**-3.2**	**-1.0**	**0.5**	*-2.9*	*-2.5*	*-1.6*
Romania	-10.6	-4.0	-1.8	-4.9	-5.2	-6.5	**-8.8**	**-7.6**	**-7.4**	*-9.1*	*-8.8*	*-8.4*
Sweden	6.9	5.5	3.0	5.2	6.0	6.5	**4.4**	**5.9**	**6.3**	*3.3*	*3.3*	*4.2*
EU	0.0	1.2	3.2	2.6	2.5	3.1	**0.5**	**2.0**	**2.3**	*1.1*	*1.4*	*1.9*
EU, adjusted 2)	-0.3	1.1	2.8	2.4	2.1	2.6	**-0.6**	**2.0**	**2.3**	*1.1*	*1.4*	*1.9*
United Kingdom	-3.1	-3.2	-4.7	-2.8	-3.2	-1.5	**-3.8**	**-2.2**	**-1.7**	*-5.6*	*-6.0*	*-5.8*
Japan	3.7	2.1	3.1	3.5	2.9	3.9	**2.1**	**2.6**	**3.4**	*0.7*	*1.2*	*1.7*
United States	-5.4	-2.6	-2.1	-2.1	-2.8	-3.7	**-3.9**	**-3.3**	**-3.0**	*-3.8*	*-3.2*	*-2.8*

1) See note 7 on concepts and sources. 2) See note 8 on concepts and sources. 3) Euro area adjusted is the euro area 19 (without Croatia) in the Autumn 2022 Forecast and the euro area 20 in the Spring 2023 Forecast.

Table 50: **Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2004-2024)** **28.04.2023**

	5-year averages						Spring 2023 forecast			*Autumn 2022 forecast*		
	2004 - 08	2009 - 13	2014 - 18	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	3.7	1.5	0.7	0.2	1.1	0.6	**-2.8**	**-1.6**	**-1.6**	*-2.5*	*-2.8*	*-2.5*
Germany	5.5	6.3	8.0	7.5	6.7	7.2	**3.4**	**5.2**	**5.1**	*3.5*	*4.4*	*4.8*
Estonia	-10.6	4.2	2.7	4.1	0.8	7.1	**-0.2**	**0.6**	**1.0**	*1.5*	*1.7*	*2.0*
Ireland	-4.2	-1.8	-4.6	-29.7	-10.0	15.1	**7.2**	**9.4**	**10.0**	*17.3*	*17.4*	*17.0*
Greece	-10.6	-5.7	-0.5	-1.0	-6.0	-5.5	**-9.1**	**-6.4**	**-4.9**	*-5.9*	*-5.8*	*-5.2*
Spain	-7.5	-1.2	2.7	2.4	1.1	1.9	**1.5**	**2.6**	**2.4**	*1.9*	*1.9*	*2.4*
France	0.0	-0.9	-0.8	-0.7	-2.5	-0.4	**-2.8**	**-1.5**	**-1.1**	*-2.3*	*-1.4*	*-0.8*
Croatia	-7.7	-2.2	3.1	4.5	1.8	5.7	**2.1**	**3.1**	**3.7**	*2.6*	*2.1*	*2.2*
Italy	-1.3	-1.4	2.3	3.2	3.9	3.1	**-0.8**	**0.0**	**1.3**	*0.7*	*-0.3*	*0.4*
Cyprus	-17.6	-4.6	-3.0	-5.6	-10.1	-6.4	**-8.3**	**-6.5**	**-6.1**	*-8.9*	*-6.5*	*-5.5*
Latvia	-14.1	2.4	2.1	0.9	4.3	-2.9	**-4.6**	**-1.3**	**-0.5**	*-4.6*	*-4.1*	*-1.2*
Lithuania	-9.5	3.2	2.1	5.2	9.0	2.6	**-3.9**	**0.2**	**1.3**	*-2.4*	*-1.3*	*-1.2*
Luxembourg	7.8	1.0	1.6	-2.4	2.2	4.5	**4.9**	**6.5**	**6.7**	*2.7*	*2.3*	*3.1*
Malta	-3.6	-1.8	8.0	9.4	4.4	6.5	**2.6**	**4.8**	**5.1**	*6.1*	*6.5*	*7.0*
Netherlands	4.4	5.7	7.7	6.9	5.1	7.3	**4.5**	**6.0**	**6.2**	*5.8*	*5.4*	*7.0*
Austria	2.8	2.3	1.7	2.5	2.9	0.4	**0.2**	**0.8**	**1.2**	*0.3*	*0.0*	*-0.1*
Portugal	-8.7	-3.7	1.4	1.0	-0.2	0.9	**-0.6**	**2.0**	**1.8**	*0.5*	*1.3*	*1.3*
Slovakia	-5.2	0.7	0.2	-2.4	0.7	-2.4	**-7.9**	**-6.7**	**-5.3**	*-6.2*	*-4.7*	*-3.3*
Slovenia	-3.5	0.5	5.1	5.6	7.2	4.1	**-0.4**	**1.0**	**1.8**	*-0.4*	*-0.4*	*-0.2*
Finland	4.1	-0.3	-1.3	-0.2	0.6	0.6	**-3.8**	**-1.9**	**-1.2**	*-0.1*	*-0.2*	*0.2*
Euro area	0.3	1.4	3.3	2.5	2.3	3.7	**0.7**	**2.1**	**2.4**	*1.7*	*2.0*	*2.5*
Euro area, adjusted 2)3)	:	2.2	2.7	2.0	1.5	2.6	**-0.9**	**2.1**	**2.4**	*1.7*	*2.0*	*2.5*
Bulgaria	-15.9	0.1	4.6	3.3	1.5	-1.2	**0.5**	**2.4**	**2.5**	*1.3*	*-0.7*	*-0.9*
Czechia	-3.7	-1.8	0.7	-0.4	1.8	-0.9	**-4.0**	**-1.3**	**0.4**	*-3.8*	*-4.6*	*-4.2*
Denmark	3.0	6.2	7.9	8.5	7.8	9.1	**13.3**	**10.9**	**10.9**	*6.8*	*7.5*	*8.0*
Hungary	-8.2	2.9	3.9	1.0	0.8	-1.3	**-6.2**	**-0.8**	**-0.2**	*-4.6*	*-3.3*	*-2.0*
Poland	-4.8	-2.4	-0.2	1.1	3.6	-1.2	**-2.8**	**-0.5**	**1.1**	*-1.5*	*-1.0*	*0.1*
Romania	-9.9	-2.9	0.4	-3.5	-3.1	-4.4	**-6.1**	**-4.7**	**-4.5**	*-7.2*	*-6.9*	*-6.5*
Sweden	6.7	5.4	2.9	5.2	6.0	6.5	**4.5**	**6.0**	**6.4**	*3.4*	*3.4*	*4.3*
EU	0.2	1.4	3.2	2.5	2.5	3.5	**0.7**	**2.1**	**2.5**	*1.4*	*1.7*	*2.2*
EU, adjusted 2)	-0.1	1.3	2.9	2.3	2.2	2.9	**-0.4**	**2.1**	**2.5**	*1.4*	*1.7*	*2.2*
United Kingdom	-3.1	-3.2	-4.8	-2.9	-3.3	-1.6	**-3.9**	**-2.3**	**-1.9**	*-5.7*	*-6.1*	*-5.9*
Japan	3.6	2.0	3.0	3.4	2.9	3.9	**2.0**	**2.5**	**3.3**	*0.7*	*1.1*	*1.7*
United States	-5.4	-2.7	-2.2	-2.1	-2.8	-3.7	**-3.9**	**-3.3**	**-3.1**	*-3.8*	*-3.2*	*-2.9*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources. 3) Euro area adjusted is the euro area 19 (without Croatia) in the Autumn 2022 Forecast and the euro area 20 in the Spring 2023 Forecast.

Table 51: **Current-account balance[1] (in billions of euro, 2016-2024)** **28.04.2023**

							Spring 2023 forecast			*Autumn 2022 forecast*		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Belgium	2.4	3.1	-4.2	0.5	5.1	2.2	**-16.2**	**-10.5**	**-10.6**	*-14.7*	*-16.8*	*-16.0*
Germany	272.1	262.7	272.3	267.6	241.9	266.6	**156.0**	**236.9**	**239.8**	*144.1*	*191.0*	*214.3*
Estonia	0.3	0.5	0.2	0.7	-0.3	-0.6	**-0.5**	**-0.1**	**0.1**	*0.1*	*0.3*	*0.5*
Ireland	-11.2	1.6	16.2	-70.6	-25.5	60.7	**44.3**	**61.7**	**71.0**	*91.4*	*99.9*	*105.1*
Greece	-3.9	-3.7	-6.3	-4.2	-13.3	-14.9	**-24.5**	**-20.5**	**-18.3**	*-18.0*	*-19.2*	*-19.0*
Spain	35.4	32.2	22.6	26.2	6.8	11.5	**7.8**	**23.2**	**22.4**	*11.2*	*11.5*	*17.9*
France	-13.5	-16.3	-16.1	-17.1	-58.6	-19.4	**-81.2**	**-40.7**	**-39.2**	*-67.1*	*-37.3*	*-22.9*
Croatia	1.1	1.7	0.9	1.6	-0.2	1.9	**-0.1**	**0.5**	**0.9**	*0.1*	*-0.4*	*-0.6*
Italy	44.0	44.3	46.1	59.4	64.0	55.0	**-25.0**	**0.9**	**26.8**	*15.0*	*-3.5*	*9.3*
Cyprus	-0.7	-1.0	-0.8	-1.3	-2.2	-1.6	**-2.5**	**-2.1**	**-2.1**	*-2.6*	*-2.0*	*-1.8*
Latvia	0.4	0.3	0.0	-0.2	0.8	-1.4	**-2.4**	**-1.5**	**-1.2**	*-2.4*	*-2.7*	*-1.7*
Lithuania	-0.4	0.2	0.1	1.7	3.6	0.6	**-3.6**	**-0.8**	**-0.1**	*-2.6*	*-2.0*	*-2.0*
Luxembourg	1.0	1.7	2.3	-0.9	2.0	3.8	**4.4**	**6.1**	**6.6**	*2.7*	*2.5*	*3.3*
Malta	0.4	1.3	1.4	1.1	0.3	0.8	**0.3**	**0.7**	**0.8**	*0.8*	*1.0*	*1.1*
Netherlands	50.4	65.8	72.1	56.3	41.0	62.2	**41.5**	**60.8**	**64.7**	*53.1*	*52.1*	*71.8*
Austria	10.2	5.5	4.0	9.9	11.3	1.7	**1.0**	**3.6**	**6.2**	*1.0*	*-0.2*	*-0.7*
Portugal	1.2	2.0	0.5	0.3	-2.4	-1.8	**-3.5**	**2.6**	**2.2**	*-3.5*	*-2.3*	*-2.1*
Slovakia	-1.7	-0.8	-0.6	-2.7	0.1	-2.4	**-8.6**	**-8.2**	**-7.0**	*-7.0*	*-6.9*	*-6.9*
Slovenia	2.0	2.7	2.8	3.0	3.6	2.1	**-0.3**	**0.6**	**1.1**	*-0.3*	*-0.3*	*-0.2*
Finland	-4.3	-1.8	-4.3	-0.8	1.3	1.2	**-10.3**	**-5.3**	**-3.6**	*-0.5*	*-0.8*	*0.3*
Euro area	385.0	402.2	409.1	330.4	279.5	428.2	**76.7**	**307.7**	**360.3**	*200.8*	*263.7*	*349.7*
Euro area, adjusted 2)3)	325.4	349.7	323.4	269.8	183.2	284.6	**-136.5**	**307.7**	**360.3**	*200.7*	*264.2*	*350.3*
Bulgaria	2.6	3.2	0.5	1.1	0.0	-1.3	**-0.3**	**0.1**	**0.2**	*-1.0*	*-2.6*	*-2.9*
Czechia	-0.4	1.6	-1.3	-2.1	1.4	-5.5	**-14.9**	**-8.1**	**-2.4**	*-16.0*	*-20.9*	*-19.0*
Denmark	22.0	23.6	22.0	26.2	24.6	30.4	**49.4**	**40.5**	**42.0**	*23.9*	*27.6*	*30.5*
Hungary	4.9	2.0	0.0	-1.3	-1.3	-5.9	**-14.1**	**-7.1**	**-6.0**	*-12.2*	*-10.6*	*-7.8*
Poland	-4.8	-5.4	-9.9	-1.4	12.1	-8.3	**-21.0**	**-7.4**	**3.9**	*-19.2*	*-17.9*	*-12.6*
Romania	-2.0	-5.9	-9.1	-11.0	-11.4	-15.7	**-25.1**	**-24.8**	**-26.5**	*-25.7*	*-28.1*	*-29.5*
Sweden	11.3	13.6	12.4	25.0	28.8	35.0	**24.7**	**32.6**	**35.9**	*18.6*	*18.7*	*24.3*
EU	418.5	434.8	423.8	366.9	333.7	457.0	**75.3**	**333.6**	**407.3**	*169.2*	*230.0*	*332.6*
EU, adjusted 2)	402.5	393.7	364.7	338.1	283.4	375.1	**-97.3**	**333.6**	**407.3**	*169.2*	*230.0*	*332.6*
United Kingdom	-133.9	-85.8	-99.3	-72.1	-75.9	-39.7	**-110.1**	**-64.9**	**-52.7**	*-164.8*	*-182.8*	*-181.6*
Japan	178.0	179.8	149.6	157.8	129.4	166.3	**83.7**	**102.2**	**138.7**	*28.5*	*46.4*	*69.7*
United States	-364.7	-328.8	-373.6	-404.3	-518.7	-728.5	**-944.6**	**-801.6**	**-761.3**	*-933.4*	*-862.7*	*-788.8*

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources. 3) Euro area adjusted is the euro area 19 (without Croatia) in the Autumn 2022 Forecast and the euro 20 in the Spring 2023 Forecast.

Table 52: Export markets (a) (percentage change on preceding year, 2016-2024) 28.04.2023

							Spring 2023 forecast			Autumn 2022 forecast		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	2.5	5.3	4.0	2.7	-8.9	9.1	**7.2**	**1.6**	**2.8**	*6.6*	*1.8*	*3.4*
Germany	3.1	5.8	4.3	1.8	-7.8	10.7	**6.3**	**1.6**	**2.8**	*6.0*	*2.0*	*3.5*
Estonia	3.3	6.2	4.5	2.6	-6.8	10.6	**7.0**	**0.7**	**2.6**	*5.0*	*1.4*	*3.3*
Ireland	2.5	5.3	4.1	1.4	-8.8	10.4	**7.0**	**0.4**	**2.3**	*6.6*	*1.4*	*3.1*
Greece	3.2	6.3	3.9	2.1	-8.5	10.5	**8.1**	**1.6**	**3.0**	*7.0*	*2.3*	*3.7*
Spain	2.9	5.3	3.7	2.2	-9.7	10.0	**7.8**	**1.3**	**2.8**	*7.3*	*2.0*	*3.5*
France	3.1	5.4	3.9	2.3	-8.5	10.2	**6.8**	**1.2**	**2.8**	*6.3*	*2.0*	*3.5*
Croatia	4.4	6.7	4.9	3.0	-8.8	12.2	**9.1**	**1.8**	**3.3**	*7.1*	*2.1*	*3.6*
Italy	3.0	5.6	4.0	2.1	-8.7	10.3	**6.8**	**1.6**	**3.0**	*6.2*	*1.9*	*3.6*
Cyprus	0.9	7.6	4.0	2.0	-9.7	11.8	**3.0**	**1.4**	**2.8**	*0.9*	*1.5*	*3.7*
Latvia	3.1	7.0	4.5	3.5	-7.2	12.5	**6.1**	**1.1**	**3.0**	*3.9*	*1.4*	*4.0*
Lithuania	2.9	6.6	4.4	3.0	-7.3	11.1	**5.2**	**1.3**	**2.9**	*3.4*	*2.1*	*4.4*
Luxembourg	3.6	5.0	3.6	2.4	-9.4	9.5	**7.8**	**0.8**	**2.6**	*7.2*	*1.7*	*3.4*
Malta	2.8	5.6	4.2	2.3	-8.6	9.6	**7.5**	**1.1**	**2.8**	*6.9*	*2.5*	*3.6*
Netherlands	4.6	5.1	3.8	5.0	-8.2	9.1	**7.9**	**1.3**	**3.0**	*6.5*	*1.8*	*3.5*
Austria	3.9	5.8	4.3	2.4	-8.0	10.4	**6.8**	**1.4**	**3.2**	*5.9*	*1.7*	*3.6*
Portugal	2.3	5.3	3.9	2.3	-10.6	10.1	**7.7**	**1.4**	**3.0**	*7.3*	*2.0*	*3.7*
Slovakia	4.0	6.5	4.9	2.6	-7.8	11.1	**6.5**	**1.7**	**3.2**	*5.9*	*1.8*	*3.6*
Slovenia	4.4	6.1	4.7	2.8	-8.4	11.7	**8.8**	**1.9**	**3.2**	*7.7*	*2.0*	*3.6*
Finland	2.7	6.0	4.1	2.1	-7.6	10.8	**5.7**	**1.2**	**2.7**	*4.8*	*1.7*	*3.4*
Euro area b) c)	3.2	5.6	4.1	2.5	-8.4	10.1	**7.0**	**1.4**	**2.9**	*6.3*	*1.9*	*3.5*
Bulgaria	4.6	7.0	4.5	2.6	-7.6	11.3	**7.2**	**2.3**	**3.5**	*6.3*	*2.3*	*4.1*
Czechia	4.1	6.0	4.4	2.8	-8.1	10.4	**6.3**	**1.4**	**3.2**	*5.2*	*1.6*	*3.5*
Denmark	2.8	5.4	4.1	2.0	-8.3	10.0	**7.0**	**0.8**	**2.7**	*6.3*	*1.7*	*3.2*
Hungary	4.5	6.3	4.6	2.7	-8.1	11.3	**6.6**	**1.7**	**3.3**	*6.0*	*1.8*	*3.6*
Poland	3.7	5.9	4.2	2.8	-8.5	10.2	**6.3**	**1.4**	**3.1**	*5.4*	*1.7*	*3.7*
Romania	3.4	6.1	4.1	2.3	-8.4	10.4	**7.5**	**1.6**	**3.1**	*6.7*	*1.9*	*3.7*
Sweden	3.0	5.1	4.1	2.4	-8.1	9.0	**6.8**	**0.6**	**2.6**	*5.7*	*1.9*	*3.5*
EU (b)	3.3	5.6	4.1	2.5	-8.4	10.1	**6.9**	**1.4**	**2.9**	*6.2*	*1.9*	*3.5*
United Kingdom	3.0	5.0	3.9	3.6	-7.7	9.1	**7.0**	**2.0**	**2.9**	*6.3*	*2.1*	*3.4*
Japan	2.2	6.6	5.0	-0.8	-6.7	12.2	**3.7**	**1.7**	**3.2**	*4.1*	*2.8*	*3.8*
United States	1.5	5.4	4.3	1.2	-8.8	10.5	**6.6**	**1.9**	**3.2**	*5.9*	*3.0*	*3.6*

(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.

(c) In this table, the euro area in the Autumn 2022 Forecast cosisted of 19 countries, while in the Spring 2023 Forecast it contains 20 countries, i.e. with Croatia

Table 53: Export performance (a) (percentage change on preceding year, 2016-2024) 28.04.2023

							Spring 2023 forecast			Autumn 2022 forecast		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2022	2023	2024
Belgium	3.6	0.1	-2.8	-0.3	4.2	2.1	**-2.0**	**-0.3**	**-0.3**	*-2.5*	*-0.5*	*-0.1*
Germany	-0.6	-0.9	-2.0	-0.6	-1.6	-0.8	**-3.4**	**-0.1**	**0.3**	*-4.5*	*-1.1*	*-0.5*
Estonia	1.5	-1.3	-1.6	3.4	1.7	8.5	**-1.7**	**0.2**	**0.3**	*0.1*	*0.2*	*0.3*
Ireland	2.1	4.0	5.5	10.0	22.3	3.8	**8.6**	**6.6**	**2.9**	*5.0*	*3.2*	*0.9*
Greece	-3.5	2.0	5.0	2.8	-14.6	11.9	**-3.2**	**4.9**	**2.2**	*5.0*	*1.6*	*0.7*
Spain	2.4	0.2	-1.9	0.1	-11.4	4.0	**6.9**	**3.0**	**0.4**	*10.3*	*0.6*	*1.4*
France	-1.3	-1.0	0.6	-0.6	-9.1	-1.3	**0.1**	**3.1**	**1.0**	*1.2*	*1.0*	*1.3*
Italy	-1.1	-0.1	-1.8	-0.5	-5.3	3.4	**2.5**	**0.8**	**0.1**	*4.5*	*0.4*	*0.3*
Cyprus	6.2	3.1	3.1	6.5	13.2	1.5	**10.4**	**1.3**	**0.9**	*7.0*	*-0.1*	*-1.5*
Latvia	0.8	-0.6	0.0	-1.3	7.5	-5.9	**3.0**	**1.4**	**-0.4**	*3.9*	*-0.9*	*-1.1*
Lithuania	2.0	6.4	2.3	6.9	8.4	5.3	**6.4**	**0.5**	**1.9**	*3.8*	*-1.2*	*1.2*
Luxembourg	1.7	-5.0	0.0	2.0	10.6	0.2	**-7.9**	**1.8**	**1.0**	*-4.2*	*-0.4*	*0.4*
Malta	4.1	4.5	4.8	7.7	7.5	-3.1	**-1.0**	**2.4**	**0.3**	*0.3*	*0.6*	*0.2*
Netherlands	-2.8	1.3	0.5	-2.9	4.3	-3.3	**-3.0**	**2.4**	**-1.2**	*-1.8*	*-0.3*	*-1.8*
Austria	-0.8	-0.8	0.8	1.6	-2.8	-0.6	**4.0**	**0.1**	**-0.6**	*4.2*	*-0.2*	*-2.5*
Portugal	2.0	2.9	0.2	1.7	-8.7	3.0	**8.0**	**3.9**	**0.1**	*8.4*	*0.3*	*-1.2*
Slovenia	1.7	4.7	1.4	1.6	-0.1	2.5	**-2.2**	**0.8**	**0.8**	*-0.7*	*1.4*	*0.0*
Slovakia	1.0	-2.7	0.2	-1.7	1.7	-0.1	**-4.0**	**1.5**	**2.8**	*-7.3*	*0.0*	*-0.5*
Finland	1.1	2.7	-2.5	4.5	-0.2	-4.4	**-3.7**	**0.4**	**0.8**	*-3.2*	*0.5*	*0.5*
Euro area (b) (c)	-0.2	0.0	-0.5	0.3	-0.6	0.6	**0.1**	**1.7**	**0.4**	*0.3*	*0.1*	*-0.1*
Bulgaria	3.8	-1.1	-2.6	1.4	-2.9	-0.3	**1.0**	**0.4**	**-0.4**	*0.7*	*-0.7*	*-0.7*
Czechia	0.3	1.2	-0.6	-1.3	0.1	-3.2	**-0.6**	**3.6**	**1.1**	*-0.6*	*1.1*	*0.4*
Denmark	1.3	-0.5	-0.7	2.5	2.2	-1.7	**1.1**	**0.8**	**-1.2**	*-1.0*	*1.9*	*1.6*
Croatia	2.5	0.2	-1.1	3.6	-14.7	20.3	**14.8**	**1.2**	**0.4**	*17.2*	*-0.3*	*-0.5*
Hungary	-0.7	0.1	0.4	2.7	1.9	-2.1	**5.1**	**1.8**	**1.2**	*0.7*	*1.7*	*1.2*
Poland	5.1	3.0	2.5	2.4	8.1	2.0	**0.0**	**0.9**	**0.5**	*-1.1*	*1.1*	*0.9*
Romania	12.5	1.6	1.1	2.6	-1.0	1.8	**1.7**	**2.3**	**1.7**	*1.2*	*1.6*	*1.1*
Sweden	-0.6	-0.9	0.2	3.6	2.8	1.0	**-0.1**	**1.4**	**0.0**	*-1.2*	*-1.7*	*-0.6*
EU (b)	0.2	0.1	-0.3	0.6	0.0	0.4	**0.2**	**1.7**	**0.4**	*0.2*	*0.2*	*0.1*
United Kingdom	0.3	1.7	-0.6	-1.8	-4.7	-6.2	**2.7**	**-6.0**	**-2.6**	*1.0*	*-0.4*	*-1.5*
Japan	-0.5	0.0	-1.2	-0.7	-5.2	-0.3	**1.2**	**2.5**	**-0.3**	*-0.4*	*0.5*	*-0.8*
United States	-1.1	-1.1	-1.4	-0.7	-4.7	-4.0	**0.4**	**1.6**	**-0.6**	*1.2*	*-0.1*	*1.2*

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

(c) In this table, the euro area in the Autumn 2022 Forecast cosisted of 19 countries, while in the Spring 2023 Forecast it contains 20 countries, i.e. with Croatia

Table 54: World GDP, volume (percentage change on preceding year, 2018-2024) 28.04.2023

						Spring 2023 forecast			Autumn 2022 forecast		
	(a)	2018	2019	2020	2021	2022	2023	2024	2022	2023	2024
EU	14.8	2.1	1.8	-5.6	5.4	3.5	1.0	1.7	3.3	0.3	1.6
Euro area	12.0	1.8	1.6	-6.1	5.4	3.5	1.1	1.6	3.2	0.3	1.5
Belgium	0.4	1.8	2.3	-5.4	6.3	3.2	1.2	1.4	2.8	0.2	1.5
Bulgaria	0.1	2.7	4.0	-4.0	7.6	3.4	1.5	2.4	3.1	1.1	2.4
Czechia	0.3	3.2	3.0	-5.5	3.6	2.5	0.2	2.6	2.5	0.1	1.8
Denmark	0.3	2.0	1.5	-2.0	4.9	3.8	0.3	1.5	3.0	0.0	1.3
Germany	3.3	1.0	1.1	-3.7	2.6	1.8	0.2	1.4	1.6	-0.6	1.4
Estonia	0.0	3.8	3.7	-0.6	8.0	-1.3	-0.4	3.1	-0.1	0.7	2.1
Ireland	0.4	8.5	5.4	6.2	13.6	12.0	5.5	5.0	7.9	3.2	3.1
Greece	0.2	1.7	1.9	-9.0	8.4	5.9	2.4	1.9	6.0	1.0	2.0
Spain	1.3	2.3	2.0	-11.3	5.5	5.5	1.9	2.0	4.5	1.0	2.0
France	2.3	1.9	1.8	-7.8	6.8	2.6	0.7	1.4	2.6	0.4	1.5
Croatia	0.1	2.8	3.4	-8.5	13.1	6.2	1.6	2.3	6.0	1.0	1.7
Italy	1.9	0.9	0.5	-9.0	7.0	3.7	1.2	1.1	3.8	0.3	1.1
Cyprus	0.0	5.6	5.5	-4.4	6.6	5.6	2.3	2.7	5.6	1.0	1.9
Latvia	0.0	4.0	2.6	-2.3	4.3	2.8	1.4	2.8	1.9	-0.3	2.6
Lithuania	0.1	4.0	4.6	0.0	6.0	1.9	0.5	2.7	2.5	0.5	2.4
Luxembourg	0.1	1.2	2.3	-0.8	5.1	1.5	1.6	2.4	1.5	1.0	2.4
Hungary	0.2	5.4	4.9	-4.5	7.2	4.6	0.5	2.8	5.5	0.1	2.6
Malta	0.0	6.2	7.0	-8.6	11.8	6.9	3.9	4.1	5.7	2.8	3.7
Netherlands	0.7	2.4	2.0	-3.9	4.9	4.5	1.8	1.2	4.6	0.6	1.3
Austria	0.4	2.4	1.5	-6.5	4.6	5.0	0.4	1.6	4.6	0.3	1.1
Poland	1.0	5.9	4.5	-2.0	6.9	5.1	0.7	2.7	4.0	0.7	2.6
Portugal	0.3	2.8	2.7	-8.3	5.5	6.7	2.4	1.8	6.6	0.7	1.7
Romania	0.4	6.0	3.9	-3.7	5.8	4.7	3.2	3.5	5.8	1.8	2.2
Slovenia	0.1	4.5	3.5	-4.3	8.2	5.4	1.2	2.2	6.2	0.8	1.7
Slovakia	0.1	4.0	2.5	-3.3	4.9	1.7	1.7	2.1	1.9	0.5	1.9
Finland	0.2	1.1	1.2	-2.4	3.0	2.1	0.2	1.4	2.3	0.2	1.4
Sweden	0.4	2.0	2.0	-2.2	5.4	2.6	-0.5	1.1	2.9	-0.6	0.8
Candidate Countries (b)	2.6	3.2	1.5	0.5	9.5	0.0	3.1	4.3	4.8	3.4	3.0
- Albania	0.0	4.0	2.1	-3.3	8.9	4.8	2.9	3.8	3.2	2.6	3.4
- Bosnia and Herzegovina	0.0	3.8	2.9	-3.0	7.4	3.9	1.5	2.3	:	:	:
- Moldova	0.0	4.1	3.6	-8.3	13.9	-5.9	2.8	4.1	:	:	:
- Montenegro	0.0	5.1	4.1	-15.3	13.0	6.1	3.0	2.9	7.0	2.9	3.2
- North Macedonia	0.0	2.9	3.9	-4.7	3.9	2.1	2.0	3.1	2.3	2.5	2.8
- Serbia	0.1	4.5	4.3	-0.9	7.5	2.3	1.9	3.0	2.7	2.4	3.0
- Türkiye	2.0	3.0	0.8	1.9	11.4	5.6	3.5	4.0	5.0	3.5	3.0
- Ukraine	0.4	3.5	3.2	-3.8	3.4	-29.1	0.6	4.0	:	:	:
Potential Candidate Countries (b)	0.1	4.9	5.1	-6.5	9.9	8.4	5.4	5.3	:	:	:
Iceland	0.0	4.9	1.8	-7.2	4.3	6.4	2.2	2.4	5.0	2.4	2.1
Norway	0.3	0.8	1.1	-1.3	3.9	3.3	1.7	1.9	2.5	1.8	1.9
Switzerland	0.5	2.9	1.1	-2.4	4.2	2.1	0.8	1.5	2.2	1.2	2.0
Australia	1.0	2.8	1.9	-1.9	5.2	3.6	1.5	1.6	3.8	2.5	2.4
Canada	1.4	3.2	1.9	-4.6	4.9	3.7	1.4	1.5	3.4	1.6	2.4
Japan	3.8	0.6	-0.4	-4.3	2.1	1.0	1.1	1.0	1.7	1.6	1.2
Korea	1.7	2.9	2.2	-0.7	4.1	2.6	1.3	2.2	2.2	1.6	2.0
United Kingdom	2.3	1.7	1.6	-11.0	7.6	4.1	-0.2	1.0	4.2	-0.9	0.9
United States	15.8	2.9	2.3	-2.8	5.9	2.1	1.4	1.0	1.8	0.7	1.7
Advanced economies	46.1	2.5	1.8	-4.0	5.7	2.6	1.3	1.6	2.7	0.9	1.8
Emerging and Developing Asia	33.4	6.3	5.2	-1.1	7.2	4.3	5.2	5.1	4.4	4.8	5.0
- China	18.5	6.7	6.0	2.2	8.5	3.0	5.5	4.7	3.4	4.5	4.7
- India	7.0	7.3	4.6	-6.0	8.9	6.7	5.6	6.6	6.9	6.0	6.3
- Indonesia	2.4	5.2	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	5.0	5.0
Easter Neighbourhood and Central Asia (b)	1.0	3.7	3.6	-1.7	5.0	3.2	3.8	4.1	-7.7	4.9	9.1
Russia	3.1	2.8	2.2	-2.7	5.6	-2.1	-0.9	1.3	-5.1	-3.2	0.9
Latin America	7.4	1.0	-0.1	-7.1	6.9	3.4	1.7	2.1	3.0	1.7	2.2
- Argentina	0.7	-2.6	-2.0	-9.9	10.4	5.2	-0.8	1.7	3.9	0.3	1.9
- Brazil	2.4	1.8	1.2	-3.3	5.0	2.9	1.0	1.3	2.5	0.8	1.0
- Mexico	1.8	2.2	-0.2	-8.0	4.7	3.1	1.6	1.7	2.2	1.4	2.1
MENA	5.7	1.8	1.3	-3.3	4.2	5.3	3.2	3.5	5.4	3.5	3.3
- Saudi Arabia	1.2	2.8	0.8	-4.3	3.9	8.7	3.4	3.1	7.6	3.7	2.9
Sub-Saharan	3.3	2.6	2.6	-2.1	4.3	3.4	3.2	3.3	3.3	3.4	3.7
- South Africa	0.6	1.5	0.3	-6.3	4.9	2.0	0.5	1.0	2.0	1.4	1.6
Emerging and Developing Economies	53.8	4.5	3.7	-2.3	6.6	3.9	4.1	4.2	3.4	3.8	4.3
World	100.0	3.6	2.8	-3.1	6.2	3.3	2.8	3.1	3.1	2.5	3.1
World excluding EU	85.1	3.8	2.9	-2.6	6.3	3.2	3.1	3.3	3.1	2.9	3.4
World excluding euro area	87.9	3.8	3.0	-2.6	6.3	3.2	3.1	3.2	3.1	2.8	3.4

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2021.

(b) The composition of this aggregate has changed compared to the Autumn 2022 Forecast, so the data are not comparable. For details, see note 11 on concepts and sources.

Table 55: World exports of goods and services, volume (percentage change on preceding year, 2018-2024) 28.04.2023

						Spring 2023 forecast			Autumn 2022 forecast		
	(a)	2018	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
EU (b)	31.5	3.7	3.1	-8.4	10.5	**7.1**	**3.0**	**3.3**	*6.3*	*2.1*	*3.6*
Euro area (20) (b)	26.3	3.6	2.9	-9.0	10.7	**7.0**	**3.1**	**3.3**	*6.6*	*2.0*	*3.4*
Candidate Countries (c)	1.6	6.9	5.0	-12.5	18.1	**0.9**	**3.1**	**5.7**	*11.0*	*3.4*	*7.1*
- Albania	0.0	4.0	2.6	-27.9	52.0	**7.5**	**3.2**	**4.3**	*7.5*	*3.7*	*4.2*
- Bosnia and Herzegovina	0.0	7.3	0.5	-15.8	24.6	**23.9**	**4.1**	**3.8**	:	:	:
- Moldova	0.0	4.1	8.2	-14.9	17.5	**24.9**	**9.8**	**7.9**	:	:	:
- North Macedonia	0.0	12.8	8.9	-10.9	11.7	**13.4**	**4.9**	**5.9**	*8.7*	*9.6*	*8.3*
- Serbia	0.1	7.5	7.7	-4.2	19.5	**17.6**	**6.7**	**7.8**	*9.0*	*5.4*	*6.1*
- Türkiye	1.1	8.8	4.2	-14.4	24.9	**9.1**	**2.7**	**5.5**	*11.3*	*3.0*	*7.2*
- Ukraine	0.3	-1.4	7.3	-5.8	-8.6	**-42.4**	**1.5**	**5.3**	:	:	:
Potential Candidate Countries (c)	0.0	9.2	9.9	-34.3	23.9	**31.5**	**9.8**	**8.0**	:	:	:
Iceland	0.0	0.4	-5.5	-31.1	14.7	**20.6**	**3.7**	**3.5**	*17.1*	*5.7*	*3.6*
Norway	0.7	-1.5	2.1	-2.3	5.8	**5.9**	**0.5**	**3.0**	*3.3*	*3.5*	*3.0*
Switzerland	2.1	3.4	-0.7	-5.2	12.4	**4.1**	**1.7**	**3.4**	*5.8*	*2.5*	*3.7*
Australia	1.4	5.1	3.2	-9.7	-2.0	**3.3**	**6.5**	**4.0**	*7.0*	*6.0*	*5.1*
Canada	2.3	3.8	2.7	-8.8	1.4	**3.4**	**3.2**	**2.5**	*3.3*	*1.8*	*2.4*
Japan	3.3	3.8	-1.5	-11.6	11.7	**4.9**	**4.3**	**2.8**	*3.7*	*3.3*	*3.0*
Korea	2.8	4.0	0.2	-1.7	10.8	**3.3**	**-2.0**	**2.4**	*3.1*	*2.7*	*2.2*
United Kingdom	3.3	3.1	1.7	-12.1	2.2	**9.9**	**-4.2**	**0.2**	*7.3*	*1.7*	*1.9*
United States	9.2	2.8	0.5	-13.2	6.1	**7.1**	**3.6**	**2.6**	*7.2*	*2.9*	*4.8*
Advanced economies	65.9	3.7	1.7	-8.7	9.6	**6.0**	**2.5**	**3.2**	*5.8*	*2.6*	*3.7*
Emerging and Developing Asia	19.8	4.5	0.0	-1.4	16.8	**1.5**	**2.0**	**3.0**	*2.8*	*2.5*	*2.8*
- China	12.9	4.0	0.4	2.6	17.4	**-0.7**	**1.1**	**2.3**	*1.3*	*1.1*	*1.8*
- India	2.3	4.9	-2.2	-6.6	20.1	**4.9**	**4.9**	**4.7**	*4.9*	*5.6*	*4.9*
- Indonesia	0.9	3.5	-3.8	-8.0	22.1	**4.1**	**1.0**	**1.0**	*4.1*	*1.0*	*1.0*
Easter Neighbourhood and Central Asia (c)	0.6	6.2	3.5	-6.4	-2.1	**7.0**	**7.6**	**5.1**	*-5.6*	*6.2*	*11.2*
Russia	2.0	5.6	0.7	-4.2	3.3	**-13.9**	**-2.5**	**1.7**	*-7.5*	*-5.0*	*2.6*
Latin America	5.0	3.3	0.6	-10.2	7.6	**7.3**	**4.0**	**5.1**	*6.0*	*4.4*	*4.6*
- Argentina	0.3	-0.4	12.3	-12.9	12.6	**5.7**	**0.6**	**3.3**	*5.5*	*2.7*	*3.3*
- Brazil	1.1	3.4	-1.7	-1.3	2.3	**8.2**	**5.6**	**5.0**	*3.6*	*4.4*	*3.1*
- Mexico	1.9	6.0	1.5	-7.3	7.1	**7.6**	**1.4**	**3.9**	*7.2*	*2.7*	*3.8*
MENA	5.3	3.9	-1.5	-10.8	6.1	**8.4**	**2.0**	**3.2**	*8.7*	*4.3*	*4.0*
- Saudi Arabia	1.0	8.8	-3.4	-14.4	5.5	**19.7**	**5.6**	**6.2**	*7.9*	*6.0*	*4.2*
Sub-Saharan Africa	1.4	2.0	1.1	-9.4	0.0	**3.6**	**4.3**	**5.0**	*3.4*	*4.2*	*4.9*
- South Africa	0.5	2.7	-3.4	-11.9	10.0	**5.9**	**4.0**	**5.0**	*5.9*	*3.7*	*4.0*
Emerging and developing economies	34.1	4.2	0.0	-5.0	12.2	**2.7**	**2.3**	**3.4**	*3.4*	*2.8*	*3.5*
World	100.0	3.8	1.1	-7.5	10.4	**4.9**	**2.4**	**3.2**	*5.0*	*2.7*	*3.6*
World excluding EU	68.5	3.9	0.2	-7.0	10.4	**3.9**	**2.2**	**3.2**	*4.3*	*2.9*	*3.7*
World excluding euro area	73.7	3.9	0.5	-6.9	10.4	**4.2**	**2.2**	**3.2**	*4.4*	*2.9*	*3.7*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2021.
(b) Intra- and extra-EU trade.
(c) The composition of this aggregate has changed compared to the Autumn 2022 Forecast, so the data are not comparable. For details, see note 11 on concepts and sources.

Table 56: Export shares in EU trade (goods only - 2021) 28.04.2023

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.1	48.8	2.5	7.3	4.9	1.2	8.7	4.4	1.0	1.5	2.9	2.2	1.2
Euro area	59.4	47.7	2.3	7.9	5.1	1.3	9.2	4.7	1.1	1.5	3.1	2.4	1.3
Belgium	68.0	60.4	1.6	5.2	6.1	1.5	6.0	1.7	0.9	0.7	2.7	1.7	2.2
Bulgaria	65.8	47.0	11.3	2.6	1.7	0.2	3.1	3.8	1.0	1.3	3.8	0.8	1.0
Czechia	79.0	64.9	2.4	2.6	3.3	0.7	4.2	2.0	0.4	1.8	1.4	1.0	0.4
Denmark	53.9	37.4	1.5	9.7	5.2	2.0	13.1	5.7	1.6	1.0	2.5	2.9	0.9
Germany	55.2	38.7	2.4	8.6	4.7	1.4	11.1	7.5	1.3	1.8	2.2	2.6	0.9
Estonia	67.3	50.2	2.0	9.5	2.8	0.8	8.0	1.3	0.4	3.4	1.3	1.0	0.6
Ireland	38.7	35.5	0.6	29.6	9.1	2.2	7.5	6.9	2.0	0.6	1.3	1.6	0.6
Greece	52.7	39.4	11.3	4.0	3.0	1.0	6.7	2.0	1.2	0.6	12.0	1.3	1.2
Spain	61.1	54.8	2.2	4.8	5.6	1.2	6.6	3.0	0.8	0.8	6.0	4.6	1.3
France	53.3	46.4	1.9	7.6	5.4	1.6	11.0	5.6	1.3	1.6	4.9	2.4	1.9
Croatia	68.0	51.8	15.9	3.6	1.0	0.3	3.3	1.1	1.5	1.2	2.0	0.4	0.2
Italy	51.5	42.3	3.3	9.6	4.2	1.7	11.9	3.9	1.3	1.7	5.0	2.9	1.1
Cyprus	36.9	28.3	0.9	1.9	5.6	0.0	5.0	1.1	9.5	1.6	17.9	4.6	4.9
Latvia	65.9	50.1	2.8	2.9	7.6	0.5	4.9	1.1	0.3	7.0	1.4	0.6	2.4
Lithuania	61.1	42.9	5.5	6.1	3.8	0.3	6.5	0.9	0.6	6.7	1.4	1.1	1.6
Luxembourg	78.7	71.2	1.1	2.7	2.2	0.5	6.0	2.3	0.7	0.9	1.6	1.6	0.7
Hungary	75.6	58.4	5.3	3.8	2.4	0.6	3.9	2.7	0.5	1.5	1.4	1.6	0.3
Malta	43.0	34.1	2.1	4.2	2.6	3.8	19.3	7.0	3.6	0.4	7.0	2.0	4.1
Netherlands	71.8	61.4	1.1	4.5	5.7	0.5	6.8	2.1	0.6	0.9	1.7	1.7	1.4
Austria	68.3	53.1	2.1	6.7	2.4	1.0	9.7	3.4	0.8	1.2	1.5	1.8	0.5
Poland	75.3	59.6	3.5	2.8	4.7	0.3	4.0	1.4	0.6	2.3	1.5	1.2	0.6
Portugal	67.0	61.7	1.5	6.0	4.9	0.5	4.6	2.8	0.4	0.6	3.5	2.7	3.8
Romania	69.8	52.7	7.6	2.7	2.9	0.8	4.0	2.6	0.5	1.6	4.8	1.0	0.7
Slovenia	70.7	54.9	7.7	2.4	1.3	0.2	10.2	1.1	0.4	1.9	1.8	0.6	0.3
Slovakia	76.5	44.9	2.5	3.9	3.2	0.3	3.4	4.8	0.1	1.7	1.4	0.8	0.3
Finland	55.3	39.2	2.1	7.5	3.7	2.3	11.4	5.8	1.5	4.8	2.1	2.8	1.2
Sweden	55.3	41.6	1.5	8.2	5.1	1.6	15.2	4.7	1.0	1.4	2.6	2.2	0.9

Table 57: World imports of goods and services, volume (percentage change on preceding year, 2018-2024) 28.04.2023

						Spring 2023 forecast			*Autumn 2022 forecast*		
	(a)	2018	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
EU (b)	30.4	4.2	4.6	-7.9	9.1	**7.9**	**2.1**	**3.2**	*6.7*	*1.9*	*3.5*
Euro area (b)	25.2	3.9	4.8	-8.5	8.4	**8.0**	**2.3**	**3.2**	*6.8*	*1.9*	*3.5*
Candidate Countries (c)	1.7	-2.4	-0.9	1.1	7.4	**4.9**	**3.9**	**5.1**	*6.6*	*2.3*	*5.7*
- Albania	0.0	2.4	2.3	-19.8	31.5	**13.1**	**2.6**	**3.8**	*6.9*	*2.0*	*2.7*
- Bosnia and Herzegovina	0.0	3.9	1.3	-13.4	20.5	**24.0**	**2.3**	**4.0**	*:*	*:*	*:*
- Moldova	0.0	8.4	6.2	-9.5	21.2	**15.8**	**7.7**	**6.9**	*:*	*:*	*:*
- North	0.0	10.7	10.1	-10.9	11.9	**16.1**	**5.8**	**5.1**	*13.6*	*7.9*	*6.7*
- Serbia	0.1	10.8	10.7	-3.6	17.7	**17.8**	**5.3**	**6.2**	*9.1*	*4.6*	*5.0*
- Türkiye	1.1	-6.2	-5.0	6.7	2.4	**7.9**	**3.9**	**4.7**	*5.9*	*1.9*	*5.8*
- Ukraine	0.3	2.8	5.7	-6.4	14.2	**-18.5**	**3.0**	**6.2**	*:*	*:*	*:*
Potential Candidate Countries (c)	0.1	10.9	6.6	-12.4	8.4	**12.2**	**7.5**	**6.6**	*:*	*:*	*:*
Iceland	0.0	-0.9	-9.1	-20.6	19.9	**19.7**	**3.2**	**3.7**	*13.3*	*4.7*	*3.1*
Norway	0.5	1.4	5.3	-9.9	1.7	**9.3**	**0.3**	**3.4**	*8.0*	*3.0*	*3.3*
Switzerland	1.8	0.8	0.3	-3.2	5.0	**5.9**	**2.5**	**2.9**	*6.9*	*2.7*	*4.2*
Australia	1.1	4.3	-1.0	-12.8	5.4	**12.6**	**3.3**	**3.0**	*8.9*	*4.9*	*3.6*
Canada	2.3	3.3	0.4	-9.3	7.8	**9.7**	**0.4**	**2.5**	*9.6*	*3.0*	*2.5*
Japan	3.6	3.8	1.0	-6.8	5.0	**7.9**	**3.9**	**2.1**	*5.0*	*2.2*	*1.4*
Korea	2.6	1.7	-1.9	-3.1	10.1	**3.7**	**0.0**	**2.3**	*7.1*	*3.4*	*2.8*
United Kingdom	3.6	3.3	2.6	-16.0	6.2	**13.3**	**-7.9**	**-0.9**	*12.9*	*-1.2*	*1.3*
United States	12.9	4.2	1.1	-9.0	14.1	**8.1**	**-1.6**	**0.9**	*8.5*	*-1.1*	*1.9*
Advanced economies	67.6	3.8	2.2	-7.8	9.9	**7.7**	**0.9**	**2.5**	*7.3*	*1.5*	*3.0*
Emerging and developing Asia	19.1	7.1	-3.5	-5.1	12.4	**-1.3**	**3.4**	**4.9**	*0.2*	*4.4*	*5.2*
- China	11.7	7.3	-3.7	-0.4	8.9	**-5.3**	**3.2**	**4.9**	*-2.9*	*4.0*	*4.9*
- India	2.7	4.0	-3.9	-13.9	20.4	**6.1**	**4.8**	**5.7**	*6.1*	*4.8*	*5.7*
- Indonesia	0.8	15.0	-9.7	-15.3	16.1	**3.0**	**3.6**	**5.0**	*3.0*	*3.6*	*5.0*
Easter Neighbourhood and Central Asia (c)	0.6	5.5	9.2	-17.4	-1.9	**6.9**	**5.7**	**5.9**	*-8.6*	*6.8*	*12.0*
Russia	1.4	2.7	3.1	-11.9	19.1	**-15.0**	**2.8**	**2.9**	*-18.4*	*1.0*	*5.0*
Latin America	5.4	4.7	-1.0	-12.9	18.7	**7.5**	**2.3**	**3.8**	*5.3*	*3.1*	*3.9*
- Argentina	0.3	-6.1	-21.0	-10.5	29.8	**17.4**	**-3.0**	**2.9**	*11.9*	*1.1*	*3.9*
- Brazil	1.2	7.3	4.5	-8.2	17.4	**10.6**	**2.7**	**4.8**	*0.5*	*2.7*	*4.6*
- Mexico	2.1	6.4	-0.7	-13.7	15.6	**8.8**	**2.1**	**3.6**	*9.3*	*3.6*	*3.9*
MENA	4.4	1.1	-0.9	-14.7	7.1	**8.6**	**2.1**	**2.6**	*9.6*	*3.8*	*3.8*
- Saudi Arabia	0.8	2.2	2.9	-16.2	4.8	**8.8**	**7.4**	**6.3**	*8.1*	*8.5*	*9.1*
Sub-Saharan	1.4	6.1	7.7	-13.3	0.6	**7.2**	**5.1**	**4.4**	*7.6*	*4.8*	*4.8*
- South Africa	0.4	3.2	0.4	-17.4	9.5	**13.2**	**5.0**	**5.0**	*13.0*	*4.7*	*5.0*
Emerging and developing economies	32.4	5.4	-1.6	-8.9	12.0	**1.5**	**3.1**	**4.3**	*1.5*	*4.1*	*4.9*
World	100.0	4.3	1.0	-8.2	10.6	**5.7**	**1.6**	**3.1**	*5.4*	*2.3*	*3.6*
World excluding	69.6	4.3	-0.6	-8.3	11.3	**4.8**	**1.4**	**3.0**	*4.8*	*2.5*	*3.7*
World excluding euro area	74.8	4.4	-0.3	-8.1	11.3	**4.9**	**1.4**	**3.0**	*4.9*	*2.5*	*3.7*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2021.

(b) Intra- and extra-EU trade.

(c) The composition of this aggregate has changed compared to the Autumn 2022 Forecast, so the data are not comparable. For details, see note 11 on concepts and sources.

Table 58: Import shares in EU trade (goods only - 2021) 28.04.2023

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.7	49.6	2.4	4.2	3.0	1.1	6.8	8.3	2.1	2.1	2.4	1.7	1.1
Euro area	60.0	48.5	2.1	4.7	3.3	1.2	7.0	8.2	2.2	2.2	2.8	1.9	1.3
Belgium	61.8	56.1	1.3	6.5	4.0	1.8	6.7	5.9	1.8	1.8	2.0	2.1	1.8
Bulgaria	61.3	42.7	13.3	0.7	0.8	0.5	2.8	5.3	1.0	1.0	1.7	2.6	0.3
Czechia	74.5	58.6	2.2	2.0	1.2	1.1	4.1	9.1	1.4	1.4	0.3	0.3	0.2
Denmark	68.3	48.3	1.4	3.3	2.5	0.4	7.0	8.7	2.4	2.4	0.4	1.5	0.4
Germany	63.8	45.5	2.1	4.5	2.6	1.4	8.4	8.0	2.3	2.3	0.7	1.3	1.1
Estonia	69.7	53.1	1.2	1.6	1.1	0.6	3.2	4.2	0.6	0.6	0.4	0.3	0.7
Ireland	38.1	33.5	1.0	15.0	23.8	1.0	7.0	6.0	1.8	1.8	0.5	1.2	0.5
Greece	49.3	39.9	5.2	2.0	1.1	0.3	4.5	10.7	1.0	1.0	12.0	1.0	0.7
Spain	55.4	48.7	2.9	4.1	2.5	0.6	5.7	8.7	2.2	2.2	6.4	4.6	2.7
France	66.4	59.1	1.5	4.3	3.5	0.9	6.1	6.5	1.6	1.6	3.8	1.1	1.1
Croatia	73.3	55.9	8.1	2.0	0.5	0.1	2.0	4.5	0.3	0.3	1.7	0.5	0.6
Italy	56.3	47.2	3.5	3.5	1.9	0.9	5.5	7.7	1.9	1.9	6.9	1.9	1.3
Cyprus	65.5	58.5	2.6	1.7	3.4	1.0	5.9	6.1	1.5	1.5	1.6	2.1	0.6
Latvia	68.0	52.1	1.8	1.2	1.6	0.2	4.3	4.2	1.1	1.1	0.1	0.8	0.2
Lithuania	66.9	45.8	2.2	2.7	1.3	0.3	3.0	4.7	0.4	0.4	0.3	0.4	0.3
Luxembourg	83.6	79.6	0.4	4.2	2.0	1.8	2.5	3.2	0.7	0.7	0.2	0.2	0.6
Hungary	72.3	56.5	3.9	1.8	1.0	1.2	5.7	7.7	1.8	1.8	0.2	0.4	0.1
Malta	36.6	34.8	3.6	0.9	2.6	1.0	20.3	8.6	0.9	0.9	11.5	1.5	0.4
Netherlands	42.3	35.9	1.2	7.1	4.4	1.7	8.7	15.6	3.9	3.9	1.9	3.5	1.8
Austria	78.3	64.4	2.1	1.8	1.2	0.6	6.7	3.4	1.9	1.9	0.8	0.3	0.1
Poland	66.9	56.7	3.0	1.7	1.3	0.8	4.3	10.4	1.7	1.7	1.3	0.9	0.4
Portugal	72.8	67.4	1.9	2.4	1.4	0.7	3.4	5.0	1.1	1.1	2.1	3.6	2.2
Romania	72.2	51.3	7.9	1.1	1.0	0.4	2.8	6.1	0.6	0.6	1.2	0.6	0.2
Slovenia	56.2	46.5	8.8	0.4	0.7	0.3	16.0	10.8	1.5	1.5	1.4	1.1	0.4
Slovakia	78.7	42.3	2.4	0.4	1.2	0.1	4.6	4.3	2.1	2.1	0.5	0.1	0.0
Finland	69.6	44.5	0.9	2.0	1.4	0.5	4.9	4.5	1.1	1.1	0.2	1.8	0.5
Sweden	68.5	52.9	1.2	2.9	3.3	0.7	11.6	6.5	1.9	1.9	0.4	0.8	0.3

Table 59: World merchandise trade balances (fob-fob, in billions of US dollar, 2017-2024) 28.04.2023

						Spring 2023 forecast			*Autumn 2022 forecast*		
	2017	2018	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
EU	458.0	381.4	400.7	460.9	377.3	**-16.7**	**278.9**	**338.9**	*-64.2*	*-35.4*	*51.5*
EU, adjusted [1)]	286.0	204.2	246.5	283.9	194.0	**-170.7**	**234.0**	**281.0**	*-59.9*	*-36.6*	*53.2*
Euro area	436.7	382.5	384.2	425.5	378.0	**34.6**	**272.7**	**320.8**	*3.0*	*40.3*	*118.6*
Euro area, adjusted [1)]	300.0	232.6	265.9	291.6	236.4	**-80.5**	**228.8**	**266.0**	*19.3*	*59.8*	*141.6*
Candidate Countries [2)]	-85.3	-63.6	-49.6	-64.9	-55.1	**-126.1**	**-140.1**	**-158.1**	*-95.7*	*-102.7*	*-137.9*
- Albania	-3.2	-3.4	-3.5	-3.4	-4.5	**-4.5**	**-5.1**	**-5.4**	*-4.8*	*-4.9*	*-5.2*
- Bosnia and Herzegovina	-4.3	-4.5	-4.6	-3.7	-4.3	**-5.4**	**-6.1**	**-6.6**	*:*	*:*	*:*
- Moldova	-2.6	-3.3	-3.3	-3.1	-4.2	**-5.0**	**-5.7**	**-6.3**	*:*	*:*	*:*
- North Macedonia	-2.0	-2.1	-2.2	-2.1	-1.4	**-3.6**	**-4.1**	**-4.3**	*-3.2*	*-3.3*	*-3.4*
- Serbia	-4.5	-6.0	-6.3	-5.9	-7.1	**-9.9**	**-10.5**	**-11.4**	*-9.2*	*-9.5*	*-10.1*
- Türkiye	-57.0	-29.2	-13.2	-38.2	-24.6	**-74.6**	**-84.1**	**-95.4**	*-75.9*	*-82.4*	*-116.3*
- Ukraine	-9.7	-12.7	-14.3	-6.8	-6.6	**-20.3**	**-21.1**	**-25.3**	*:*	*:*	*:*
Potential Candidate Countries [2)]	-6.3	-6.8	-6.6	-5.7	-6.5	**-7.9**	**-9.7**	**-10.5**	*:*	*:*	*:*
Iceland	-1.5	-1.5	-0.9	-0.6	-1.1	**-1.6**	**-1.4**	**-1.7**	*-1.4*	*-1.5*	*-1.5*
Norway	23.9	35.1	16.3	-1.0	60.5	**163.4**	**94.2**	**83.0**	*73.4*	*82.5*	*91.8*
Switzerland	64.5	72.3	71.4	63.5	109.8	**93.5**	**96.5**	**104.3**	*113.7*	*115.5*	*120.4*
Australia	10.5	20.8	48.1	40.5	87.5	**112.6**	**87.1**	**87.9**	*85.3*	*84.6*	*89.7*
Canada	-19.1	-16.8	-14.2	-30.0	3.7	**17.3**	**-26.9**	**-33.7**	*29.7*	*18.8*	*13.3*
Japan	43.8	10.2	1.4	26.0	15.2	**-120.4**	**-93.2**	**-58.1**	*-87.7*	*-79.1*	*-64.3*
Korea	113.6	110.1	79.8	80.6	75.7	**15.1**	**1.4**	**8.3**	*-12.6*	*-12.9*	*-6.4*
United Kingdom	-182.0	-191.3	-189.0	-171.4	-232.8	**-284.7**	**-265.4**	**-271.2**	*-316.5*	*-323.2*	*-332.5*
United States	-823.2	-889.8	-871.9	-884.5	-1103.2	**-1213.0**	**-1111.6**	**-1097.3**	*-1226.1*	*-1155.5*	*-1141.6*
Advanced economies	-245.4	-404.4	-377.0	-308.8	-456.1	**-1176.6**	**-930.9**	**-828.5**	*-1309.3*	*-1195.9*	*-1089.3*
Emerging and Developing Asia	367.5	199.2	259.9	508.1	461.4	**462.6**	**426.9**	**375.4**	*583.2*	*525.3*	*493.1*
- China	475.9	380.1	393.0	511.1	562.7	**668.6**	**631.8**	**601.1**	*767.3*	*668.2*	*653.0*
- India	-148.1	-186.7	-157.7	-95.4	-176.7	**-268.5**	**-257.3**	**-269.4**	*-284.6*	*-249.4*	*-257.0*
- Indonesia	18.8	-0.2	3.5	28.3	43.8	**62.7**	**53.1**	**42.2**	*54.6*	*45.5*	*35.2*
Easter Neighbourhood and Central Asia [2)]	15.9	26.0	15.4	2.6	19.6	**50.6**	**40.3**	**40.8**	*27.4*	*14.1*	*8.9*
Russia	114.7	195.9	165.8	92.3	189.8	**296.9**	**183.7**	**181.2**	*304.2*	*310.0*	*321.1*
Latin America	33.8	10.8	19.8	72.3	18.9	**17.9**	**37.9**	**52.0**	*24.6*	*41.5*	*57.5*
- Argentina	-5.4	-0.7	18.2	14.6	18.7	**12.4**	**14.4**	**15.7**	*15.5*	*15.9*	*14.7*
- Brazil	57.3	43.4	26.5	32.4	36.4	**44.2**	**47.7**	**47.3**	*35.0*	*37.9*	*37.1*
- Mexico	-11.0	-13.8	5.2	34.2	-10.9	**-26.6**	**-26.6**	**-26.5**	*-13.1*	*-13.5*	*-8.6*
MENA	169.4	326.3	239.1	76.4	303.5	**533.9**	**428.7**	**371.8**	*508.0*	*448.6*	*383.1*
- Saudi Arabia	98.5	168.7	121.3	47.9	136.5	**244.3**	**209.1**	**194.2**	*253.1*	*219.0*	*201.9*
Sub-Saharan Africa	15.4	27.3	2.5	-4.1	34.4	**27.9**	**20.7**	**19.0**	*39.1*	*34.8*	*33.4*
- South Africa	4.4	1.8	2.7	17.8	30.6	**21.2**	**15.7**	**14.2**	*27.6*	*23.6*	*22.6*
Emerging and Developing Economies	716.8	785.4	702.5	747.7	1027.5	**1389.8**	**1138.1**	**1040.2**	*1486.5*	*1374.2*	*1297.1*
World	471.5	381.1	325.6	438.9	571.5	**213.3**	**207.2**	**211.7**	*177.2*	*178.3*	*207.8*
World excluding EU	13.5	-0.3	-75.1	-22.0	194.1	**230.0**	**-71.7**	**-127.2**	*241.4*	*213.7*	*156.2*
World excluding euro area	34.8	-1.4	-58.7	13.4	193.5	**178.7**	**-65.4**	**-109.2**	*174.2*	*138.0*	*89.2*

1) See note 8 on concepts and sources. Data of the previous forecast (Autumn 2022) are not fully comparable for the euro area. The euro area consists of 20 countries, while in the previous forecast this variable was aggregated for 19 countries (without Croatia).
2) The composition of this aggregate has changed compared to the Autumn 2022 Forecast, so the data are not comparable. For details, see note 11 on concepts and sources.

Table 60: World current-account balances (in billions of US dollar, 2017-2024) 28.04.2023

						Spring 2023 forecast			*Autumn 2022 forecast*		
	2017	2018	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
EU	491.1	500.5	410.8	381.1	540.3	**79.3**	**364.2**	**447.3**	*175.2*	*226.2*	*327.2*
EU, adjusted [1]	348.5	308.8	302.0	248.1	317.2	**-92.4**	**305.5**	**370.9**	*163.4*	*233.7*	*338.1*
Euro area	454.3	483.2	369.9	319.2	506.3	**80.7**	**336.0**	**395.7**	*207.9*	*259.5*	*344.1*
Euro area, adjusted [1]	309.6	273.8	241.0	160.4	240.7	**-129.6**	**281.9**	**328.0**	*193.8*	*268.5*	*356.1*
Candidate Countries [2]	-49.4	-34.3	-6.6	-37.3	-25.6	**-55.2**	**-56.7**	**-54.2**	*-55.7*	*-49.6*	*-58.7*
- Albania	-1.0	-1.0	-1.2	-1.3	-1.4	**-1.1**	**-1.3**	**-1.4**	*-1.5*	*-1.5*	*-1.5*
- Bosnia and Herzegovina	-0.9	-0.7	-0.5	-0.7	-0.6	**-1.1**	**-1.1**	**-1.3**	*:*	*:*	*:*
- Moldova	-0.5	-1.1	-1.2	-1.1	-2.1	**-2.3**	**-2.5**	**-2.5**	*:*	*:*	*:*
- North Macedonia	-0.1	0.0	-0.4	-0.4	-0.4	**-0.8**	**-0.7**	**-0.7**	*-1.1*	*-0.7*	*-0.5*
- Serbia	-2.3	-2.4	-3.6	-2.2	-2.7	**-4.4**	**-4.2**	**-4.2**	*-5.4*	*-5.2*	*-4.8*
- Türkiye	-40.5	-21.7	5.3	-35.6	-14.1	**-51.6**	**-49.3**	**-42.9**	*-47.1*	*-41.6*	*-51.1*
- Ukraine	-3.5	-6.5	-4.2	5.1	-3.8	**6.9**	**3.0**	**-0.3**	*:*	*:*	*:*
Iceland	1.2	1.1	1.6	0.4	-0.5	**-0.1**	**0.1**	**0.0**	*0.0*	*0.1*	*0.2*
Norway	25.4	39.4	15.5	4.1	65.9	**168.0**	**98.2**	**87.3**	*87.8*	*96.7*	*107.2*
Switzerland	32.4	30.6	24.7	8.1	56.8	**59.1**	**60.9**	**69.2**	*67.5*	*69.4*	*72.3*
Australia	-35.6	-31.6	6.2	32.5	50.8	**19.8**	**45.6**	**45.6**	*68.1*	*62.6*	*68.3*
Canada	-46.2	-41.2	-34.0	-35.4	-5.4	**-8.0**	**-45.4**	**-52.6**	*12.8*	*-0.2*	*-4.5*
Japan	203.1	176.6	176.6	147.8	196.6	**88.2**	**111.6**	**152.3**	*29.5*	*45.6*	*68.6*
Korea	75.2	77.5	59.7	75.9	85.2	**29.8**	**-1.0**	**7.3**	*-17.5*	*-14.3*	*-6.1*
United Kingdom	-97.0	-117.2	-80.8	-86.7	-46.9	**-115.9**	**-70.9**	**-57.8**	*-170.7*	*-179.8*	*-178.7*
United States	-371.4	-441.2	-452.6	-592.5	-861.4	**-994.7**	**-875.2**	**-836.1**	*-966.5*	*-848.8*	*-776.0*
Advanced economies	382.4	293.5	260.8	69.9	273.2	**-524.4**	**-177.2**	**31.2**	*-567.9*	*-370.6*	*-137.1*
Emerging and Developing Asia	181.1	-41.4	102.1	337.8	313.7	**313.2**	**217.8**	**189.1**	*340.2*	*300.5*	*265.5*
- China	188.7	24.1	102.9	248.8	352.9	**401.9**	**303.5**	**273.8**	*452.5*	*372.7*	*336.6*
- India	-38.2	-65.6	-29.8	32.7	-33.4	**-80.3**	**-72.1**	**-75.0**	*-123.5*	*-85.8*	*-84.7*
- Indonesia	-16.2	-30.6	-30.3	-4.4	3.5	**13.2**	**1.2**	**2.8**	*8.2*	*-2.4*	*0.4*
Easter Neighbourhood and Central Asia [2]	-9.0	1.8	-9.3	-9.4	1.5	**34.1**	**7.8**	**2.6**	*24.8*	*14.0*	*-0.7*
Russia	32.1	115.8	65.7	35.3	122.2	**227.9**	**104.2**	**97.8**	*237.5*	*220.2*	*226.9*
Latin America	-97.9	-143.6	-108.7	-13.1	-98.0	**-95.0**	**-78.3**	**-72.1**	*-74.1*	*-64.3*	*-52.0*
- Argentina	-31.2	-27.1	-3.5	3.1	6.7	**-3.8**	**-2.4**	**-3.0**	*0.9*	*0.6*	*-1.5*
- Brazil	-25.3	-54.8	-68.0	-28.2	-46.4	**-56.1**	**-52.1**	**-57.2**	*-37.1*	*-39.5*	*-42.0*
- Mexico	-22.0	-26.1	-5.6	22.8	-8.2	**-13.4**	**-18.2**	**-21.0**	*-14.5*	*-18.0*	*-15.5*
MENA	32.1	178.3	96.1	-32.1	173.5	**405.5**	**231.3**	**144.1**	*465.8*	*436.2*	*320.6*
- Saudi	10.5	72.0	38.2	-22.8	44.3	**163.7**	**77.3**	**46.0**	*172.4*	*144.2*	*123.7*
Sub-Saharan Africa	-24.6	-24.7	-45.0	-34.2	-4.3	**-23.0**	**-38.3**	**-46.2**	*-12.7*	*-26.0*	*-32.7*
- South Africa	-9.1	-12.2	-10.0	6.8	15.6	**-1.9**	**-7.9**	**-10.1**	*5.5*	*-1.9*	*-3.5*
Emerging and Developing Economies	113.9	86.1	101.0	284.3	508.6	**862.7**	**444.5**	**315.3**	*981.4*	*880.7*	*727.7*
World	496.3	379.6	361.8	354.2	781.8	**338.4**	**267.4**	**346.5**	*413.5*	*510.2*	*590.6*
World excluding EU	5.2	-120.9	-49.0	-27.0	241.5	**259.1**	**-96.8**	**-100.8**	*238.3*	*283.9*	*263.4*
World excluding euro area	42.0	-103.6	-8.1	34.9	275.5	**257.6**	**-68.6**	**-49.2**	*205.6*	*250.7*	*246.5*

1) See note 8 on concepts and sources. Data of the previous forecast (Autumn 2022) are not fully comparable for the euro area. The euro area consists of 20 countries, while in the previous forecast this variable was aggregated for 19 countries (without Croatia).
2) The composition of this aggregate has changed compared to the Autumn 2022 Forecast, so the data are not comparable. For details, see note 11 on concepts and sources.

Table 61: Crude oil prices, 2017-2024 28.04.2023

							Spring 2023 forecast		*Autumn 2022 forecast*		
	2017	2018	2019	2020	2021	2022	2023	2024	*2022*	*2023*	*2024*
Annual percentage change (USD)	23.9	29.4	-9.3	-35.1	69.3	42.5	**-24.2**	**-5.6**	*-32.3*	*47.5*	*-3.7*
Price per barrel											
- Brent (USD)	54.8	71.0	64.3	41.8	70.7	100.7	**76.3**	**72.1**	*43.4*	*63.9*	*61.6*
- Brent (EUR)	48.5	60.1	57.5	36.6	59.8	95.7	**69.9**	**65.6**	*38.0*	*53.1*	*51.2*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2023 and 2024 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounts (ESA 2010). US national accounts are based on SNA 2008, whilst the Japanese accounts use SNA 1993. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17a and 18, the data are based on the national index for the United Kingdom, USA and Japan.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 24 and 26-30 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, the Netherlands and USA report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 49, 51, and 60 (Balance of Payments). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 48 - 51, 59 and 60 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2021.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility).

10. Quarterly EU and euro-area GDP growth rates are aggregated using estimates for 25 Member States (excluding IE and HR), but including unpublished quarterly forecasts for CY, EL, MT and PL.

11. Geographical zones are defined as follows :

Euro area :

EA20 (BE, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI).

Euro area 19 :

EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI).

European Union :

EU (EA20, BG, CZ, DK, HU, PL, RO, and SE).

Candidate countries :

Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine.

Potential candidates :

Georgia, Kosovo (under United Nations Security Council Resolution 1244/99).

Advanced economies :

EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

Emerging and developing Asia:

All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :

All countries in that region.

MENA (Middle East and Northern Africa) :

Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Lybia, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :

All countries in that region except the African MENA countries.

Eastern Neighbourhood and Central Asia:

Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan.

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