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European Economic Forecast

Spring 2021

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EUROPEAN ECONOMY

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European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

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Institutional Paper 149

ABBREVIATIONS

Countries and regions

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

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

Economic variables and institutions

CPI	Consumer price index
ECB	European Central Bank
ECDC	European Center for Disease Prevention and Control
ESI	Economic Sentiment Indicator
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
OECD	Organisation for Economic Cooperation and Development
PMI	Purchasing Managers' Index

PPP Purchasing power parity
SFA Stock flow adjustment

Other abbreviations

APP	Asset Purchase Programme
COVID-19	Coronavirus disease 2019
FDI	Foreign Direct Investment
FTE	Full-time equivalent
NFC	Non-Financial Corporations
NGEU	Next Generation EU
NPC	No-policy change
NTB	Non-tariff barriers
PEPP	Pandemic Emergency Purchase Programme
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SME	Small and medium-sized enterprise
SURE	European instrument for temporary Support to mitigate Unemployment Risks in an Emergency
TLTRO III	Targeted longer-term refinancing operations

Graphs/Tables/Units

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

Currencies

EUR	Euro
ECU	European currency unit
BGN	Bulgarian lev
CNY	Chinese yuan, Renminbi
CZK	Czech koruna
DKK	Danish krone
GBP	Pound sterling
HUF	Hungarian forint
HRK	Croatian kuna
ISK	Icelandic krona
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen

RMB	Renminbi
TRY	Turkish lira
USD	US dollar

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FOREWORD

The health of our economies continues to depend on infection rates, the pressures experienced by health care systems, and the duration and severity of containment measures. The new round of restrictions prompted by the wave of infections that took off in late 2020 pushed the EU back into recession, even though the decline in activity was far milder than the downturn during the first wave.

But vaccines - developed, approved and administered in record time - are turning the page on the pandemic. In recent weeks, the pace of vaccination has accelerated as supply constraints have eased. By 10 May, more than 120 million EU citizens, mainly older people and other priority groups, had rolled up their sleeves to get a jab. The vaccination of younger people is also quickly progressing. This offers the prospect for a return to the freedom we knew before the pandemic and a brightening of the economic outlook. The economy is also benefitting from an improved external environment, and continued strong policy support.

As the rebound gains momentum, the focus of economic policy has to shift from protecting companies and jobs to paving the way for a smooth, sustained, and sustainable, recovery. The Recovery and Resilience Facility (RRF) offers a unique opportunity in this respect that cannot be missed. Together with the support from the external environment, the incorporation in this forecast of the national Recovery and Resilience Plans for all Member States – under simplified technical assumptions in cases where the details of the Plans are not sufficiently known yet - explains much of the upward revision to the growth outlook since the winter. It is also the reason why the EU is now expected to return to its pre-pandemic level of GDP by the end of this year, which is earlier than previously expected. This is good news. But to make this happen, implementation is essential.

It is also important to bear in mind that unless the virus is controlled everywhere across the globe, it cannot be under control anywhere. Some large developing and emerging economies that are now experiencing a resurgence of the pandemic cannot rely on the rapid availability of vaccines, and their health systems are ill-equipped to cope with a pandemic. This is a tragedy for the millions of people who remain at risk of illness and death. It also represents a global threat, with the risk of new virus mutations making a comeback and paralysing our economies again. This requires decisive and concerted efforts on a global scale in order to secure swift worldwide access to affordable COVID-19 vaccines, diagnostics and treatments.

Let us all roll up our sleeves.

Maarten Verwey

Director General
Economic and Financial Affairs

ROLLING UP SLEEVES

Vaccines and policy efforts pave the way for economic recovery

Executive summary

The EU entered the year on a weak footing…

After the historic drop in activity recorded in the first part of 2020 and the rebound in the summer, the EU economy faced another setback in late 2020 as the resurgence of the pandemic prompted a new round of containment measures. With output falling again in the last quarter of 2020 and the first of 2021, by a cumulative 0.9%, the EU was pushed back into recession. However, considering the stringency of the restrictions, the decline in activity was far milder than the downturn in the first half of 2020. Better adaptation of firms and households to the constraints of the pandemic environment, stronger support from global growth and trade, and continued strong policy support helped economic agents cope with the economic challenges.

…and the pandemic is still setting the course for 2021-2022…

Economic developments in 2021 and 2022 will be largely determined by how successfully vaccination programmes will tame the pandemic and how quickly governments will lift restrictions. For the EU, the forecast assumes that following a marginal easing of restrictions in the course of the second

Table 1:

Overview - the spring 2021 forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Belgium	-6.3	4.5	3.7	0.4	1.8	1.5	5.6	6.7	6.5	0.1	-0.1	-0.5	-9.4	-7.6	-4.9
Germany	-4.9	3.4	4.1	0.4	2.4	1.4	3.8	4.1	3.4	7.2	7.8	6.9	-4.2	-7.5	-2.5
Estonia	-2.9	2.8	5.0	-0.6	1.6	2.2	6.8	7.9	6.3	-1.0	1.9	1.7	-4.9	-5.6	-3.3
Ireland	3.4	4.6	5.0	-0.5	0.9	1.3	5.7	10.7	8.1	4.6	4.5	4.2	-5.0	-5.0	-2.9
Greece	-8.2	4.1	6.0	-1.3	-0.2	0.6	16.3	16.3	16.1	-7.8	-7.6	-5.3	-9.7	-10.0	-3.2
Spain	-10.8	5.9	6.8	-0.3	1.4	1.1	15.5	15.7	14.4	0.7	-0.1	0.3	-11.0	-7.6	-5.2
France	-8.1	5.7	4.2	0.5	1.4	1.1	8.0	9.1	8.7	-2.0	-1.7	-1.2	-9.2	-8.5	-4.7
Italy	-8.9	4.2	4.4	-0.1	1.3	1.1	9.2	10.2	9.9	3.5	2.9	3.1	-9.5	-11.7	-5.8
Cyprus	-5.1	3.1	3.8	-1.1	1.7	1.1	7.6	7.5	7.2	-11.8	-11.0	-8.9	-5.7	-5.1	-2.0
Latvia	-3.6	3.5	6.0	0.1	1.7	2.0	8.1	8.2	6.9	3.0	-0.4	-0.4	-4.5	-7.3	-2.0
Lithuania	-0.9	2.9	3.9	1.1	1.9	1.9	8.5	8.3	7.1	7.6	6.0	5.8	-7.4	-8.2	-6.0
Luxembourg	-1.3	4.5	3.3	0.0	2.1	1.6	6.8	7.4	7.3	6.5	7.9	8.6	-4.1	-0.3	-0.1
Malta	-7.0	4.6	6.1	0.8	1.2	1.5	4.3	4.3	3.8	-1.3	-1.9	0.1	-10.1	-11.8	-5.5
Netherlands	-3.7	2.3	3.6	1.1	1.6	1.4	3.8	4.3	4.4	7.8	8.1	8.6	-4.3	-5.0	-1.8
Austria	-6.6	3.4	4.3	1.4	1.8	1.6	5.4	5.0	4.8	2.7	2.2	2.7	-8.9	-7.6	-3.0
Portugal	-7.6	3.9	5.1	-0.1	0.9	1.1	6.9	6.8	6.5	-1.1	-0.8	-0.4	-5.7	-4.7	-3.4
Slovenia	-5.5	4.9	5.1	-0.3	0.8	1.7	5.0	5.0	4.8	5.4	4.3	3.3	-8.4	-8.5	-4.7
Slovakia	-4.8	4.8	5.2	2.0	1.5	1.9	6.7	7.4	6.6	-1.5	-0.3	-0.4	-6.2	-6.5	-4.1
Finland	-2.8	2.7	2.8	0.4	1.2	1.2	7.8	7.6	7.2	0.3	0.0	0.5	-5.4	-4.6	-2.1
Euro area	**-6.6**	**4.3**	**4.4**	**0.3**	**1.7**	**1.3**	**7.8**	**8.4**	**7.8**	**3.0**	**3.1**	**3.1**	**-7.2**	**-8.0**	**-3.8**
Bulgaria	-4.2	3.5	4.7	1.2	1.6	2.0	5.1	4.8	3.9	4.1	6.0	7.5	-3.4	-3.2	-1.9
Czechia	-5.6	3.4	4.4	3.3	2.4	2.2	2.6	3.8	3.5	0.1	-0.3	-0.8	-6.2	-8.5	-5.4
Denmark	-2.7	2.9	3.5	0.3	1.3	1.3	5.6	5.5	5.2	7.8	8.0	8.4	-1.1	-2.1	-1.4
Croatia	-8.0	5.0	6.1	0.0	1.3	1.3	7.5	7.2	6.6	-1.1	-2.0	-0.7	-7.4	-4.6	-3.2
Hungary	-5.0	5.0	5.5	3.4	4.0	3.2	4.3	4.3	3.8	-0.3	-0.6	-0.5	-8.1	-6.8	-4.5
Poland	-2.7	4.0	5.4	3.7	3.5	2.9	3.2	3.5	3.3	3.1	2.8	2.1	-7.0	-4.3	-2.3
Romania	-3.9	5.1	4.9	2.3	2.9	2.7	5.0	5.2	4.8	-5.0	-4.9	-4.6	-9.2	-8.0	-7.1
Sweden	-2.8	4.4	3.3	0.7	1.8	1.1	8.3	8.2	7.5	5.4	6.0	6.7	-3.1	-3.3	-0.5
EU	**-6.1**	**4.2**	**4.4**	**0.7**	**1.9**	**1.5**	**7.1**	**7.6**	**7.0**	**3.0**	**3.1**	**3.1**	**-6.9**	**-7.5**	**-3.7**
United Kingdom	-9.8	5.0	5.3	0.9	1.6	1.8	4.4	5.6	5.9	-3.5	-5.0	-4.8	-12.3	-11.8	-5.4
China	2.3	7.9	5.4	:	:	:	:	:	:	1.9	1.5	1.3	:	:	:
Japan	-4.8	3.1	2.5	0.0	0.3	0.9	3.0	2.9	2.6	2.6	3.3	3.2	-13.2	-9.5	-4.1
United States	-3.5	6.3	3.8	1.2	2.2	2.0	8.1	4.6	3.4	-2.9	-3.4	-3.4	-16.1	-16.0	-6.8
World	-3.4	5.6	4.3	:	:	:	:	:	:	:	:	:	:	:	:

quarter, progress in vaccinations will enable a more marked easing of restrictions in the second half of the year. In 2022, COVID-19 will remain a public health concern, despite the high share of the population being vaccinated (including refreshed protection when needed, for example due to new variants). It is therefore assumed that some limited containment measures will be in place as needed.

…although a number of other key issues will also play an important role…

A number of other factors will also be critical to the outlook. These include the extent to which the EU can benefit from the improved external environment; the continuation of adequate policy support; the response of households and companies; and the extent to which the crisis leaves long-term scars on the economy. An important question will concern whether the savings accumulated during past lockdown periods are unwound, and about the pace of decline of the savings rate, once restrictions ease. The fact that it is mostly high-income households that accumulated savings last year, as the Commission's consumer surveys show, and that it is mostly the consumption of services that is constrained by the restrictions put in place in recent months, is likely to limit the potential for a large release of pent-up demand that would compensate for foregone spending.

…and the Recovery and Resilience Facility provides a unique opportunity for paving the way to a sustained recovery.

Policy will continue to play a key role. As the recovery takes hold, its focus will have to shift from damage control to strengthening the recovery and resilience of the EU economy. The implementation of the national Recovery and Resilience Plans under the Next Generation EU programme will serve this purpose. Following the final adoption of the Recovery and Resilience Facility (RRF) regulation in February this year and significant progress on the preparation of national Recovery and Resilience Plans (RRPs), the budgetary and economic impact of these plans has been incorporated into the forecast. The total EU expenditure expected to be financed by RRF grants over the forecast horizon amounts to EUR 140 billion, or just below 1% of 2019 GDP. The total economic impact generated by the RRF over the forecast horizon is expected to be approximately 1.2% of 2019 EU real GDP.

The recovery is already underway…

The latest Commission survey results suggest that activity in the EU economy has already moved up gear in recent months. As containment measures are gradually relaxed and the impact of the RRF kicks in, economic activity is set to accelerate in the third quarter, with countries, including those with large tourism sectors, benefitting from the return to quasi-normality of social activities over the summer. Growth is then forecast to remain solid in the last quarter of 2021, bringing EU GDP back to its pre-crisis level earlier than previously projected.

…and is stronger than previously forecast.

All in all, the EU economy is forecast to grow by 4.2% in 2021 and to strengthen to around 4.4% in 2022 (4.3% and 4.4%, respectively, in the euro area). A stronger-than-previously expected rebound in global activity and trade, and the growth impulse provided by NGEU/RRF, help to explain the brighter outlook for all countries compared to the Winter Forecast. However, differences across countries in the pace of the recovery from the crisis remain substantial.

Private consumption will be in the driving seat...

As spending opportunities reopen and uncertainty about job and income prospects fade, private consumption will rebound and the household saving rate in the EU is expected to gradually decline from 19.4% in 2020 to 13.6% in 2022, still above its pre-crisis level.

...together with a revival in investment...

The improving outlook for demand at home and from abroad, a continuation of favourable financing conditions, recovering profitability and increasing capacity utilisation rates are set to propel investment spending. At the same time, higher corporate distress induced by the crisis, lingering risk aversion and spare capacity in some sectors could hold back corporate investment. The NGEU/RRF is expected to finance both public and private investment projects, which will be rolled out with increasing intensity towards the end of the forecast horizon. The EU's public investment-to-GDP ratio is forecast to rise to almost 3.5% in 2022, up from 3% in 2019, and back to its highest value since 2010.

... and a stronger external environment.

The global outlook has improved considerably, but the recovery is expected to be asynchronous and uneven across and within regions. Significantly improved prospects for the US economy reflect progress in vaccination and the two large fiscal packages adopted in late 2020/early 2021. This is expected to create positive spillovers for the global economy, including the EU. In China, growth is set to continue at a rapid pace, aided by buoyant global demand for goods. Elsewhere, many emerging economies are in a more challenging situation, with difficult access to vaccines and limited policy space weighing on growth prospects. All in all, global GDP (excl. the EU) is expected to grow by 5.9% in 2021 and by 4.2% in 2022, amid a solid expansion in global (excl. EU) trade. EU export markets are set to increase by 8.3% in 2021 and 6.4% in 2022, allowing EU merchandise exports to gain traction, while the recovery of service exports is set to take longer.

Inflation to peak in 2021 on transitory factors, before moderating in 2022.

Headline inflation increased sharply in early 2021 in both the EU and the euro area, reflecting rising energy prices and a host of temporary factors, including tax changes, base effects and the impact of a new weighting scheme of the inflation basket that better corresponds to the substantial changes to consumption patterns triggered by the pandemic. These factors will continue to shape the profile of inflation this year but should wear off gradually next year. The strong demand recovery and, to a lesser extent, high transport costs and other supply-side constraints also push inflation up over the forecast horizon. Remaining slack in the economy and the labour market is, however, expected to keep underlying inflationary pressures muted. HICP inflation in the EU is expected to increase from 0.7% in 2020 to 1.9% in 2021 and to moderate to 1.5% in 2022 (in the euro area, inflation would increase from 0.3% in 2020, to 1.7% in 2021 and 1.3% in 2022).

Labour market outlook reliant on continued policy support...

The widespread use of job retention schemes that kept many employees attached to their jobs helped contain the deterioration of labour markets in 2020, which was nonetheless substantial. After the initial hit from the pandemic, labour market conditions slowly started to improve in the second half of the year, with many people returning to the labour force and many workers exiting short-time work schemes. However, employment will take time to fully recover, as there is scope for working hours to increase before companies need to start hiring again. Further job losses and higher unemployment rates are expected in some Member States this year, but next year headcount employment is expected to start increasing and unemployment rates should decline across the EU. The EU unemployment rate is forecast to rise to 7.6% this year and to decline to around 7% in 2022, above the rate of 6.7% in 2019. The labour market outlook hinges not only on the speed of the economic recovery, but also on the timing of policy support withdrawal and the pace at which workers are reallocated across sectors and firms.

…amid a supportive policy mix…

Given the size of the emergency support measures put in place to cushion households and firms from the negative impact of the COVID-19 pandemic, the EU fiscal stance will continue to be supportive this year. In 2022, fiscal policy in the EU is expected to remain slightly supportive, also thanks to the support from the expected acceleration in spending financed by RRF grants. The long accommodative monetary policy environment complements and reinforces the fiscal stimulus as favourable financing conditions are set to support governments, corporates and households over the forecast horizon.

…with public deficit and debt set to increase further this year on the back of continuing support measures.

The aggregate general government deficit in the EU and the euro area increased significantly from around ½% of GDP in 2019 to around 7% of GDP last year, due to the impact from the operation of automatic stabilisers and sizeable discretionary fiscal measures. The deficit ratio in both areas is set to increase further this year, to about 7.5% and 8% of GDP respectively, following the extension of emergency policy support. In 2022, the deficits in the EU and the euro area are both expected to halve to around 3¾% of GDP, thanks to the continued economic recovery and the phasing out of much of the temporary policy support. The EU and euro area debt-to-GDP ratios are projected to rise further this year, reaching a new peak of around 95% and 102% in the EU and the euro area, respectively, before decreasing slightly in 2022.

Risks to outlook broadly balanced overall…

The risks surrounding the GDP forecast are high and will remain so as long as the pandemic hangs over the economy. On the epidemiological front, developments concerning the pandemic and the efficiency and effectiveness of vaccination programmes could turn out better or worse than assumed in the central scenario of this forecast. On the economic side, this forecast may underestimate the propensity of households to spend, or, on the opposite, consumers' desire to maintain high levels of precautionary savings. The impact of alternative paths for the evolution of household savings is assessed in the model-based analysis presented in this publication. Another risk to the outlook is the timing of policy support withdrawal, which if premature could jeopardise the recovery. On the downside, the impact of corporate distress on the labour market and the financial sector could prove worse than anticipated. On the upside, stronger than projected global growth, particularly in the US, could have a more positive impact on the European economy than expected. Stronger US growth, however, risks pushing up US sovereign bond yields, which could interact with the materialisation of idiosyncratic risks (stemming from e.g. the slow vaccination rollout) in highly indebted emerging market economies with high foreign currency debts, causing disorderly adjustments in financial markets. Inflation in EU could turn out higher if the rebound in the European and global economies is stronger than expected, or if current supply constraints turn out more persistent. Overall, the risks surrounding the outlook are broadly balanced.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

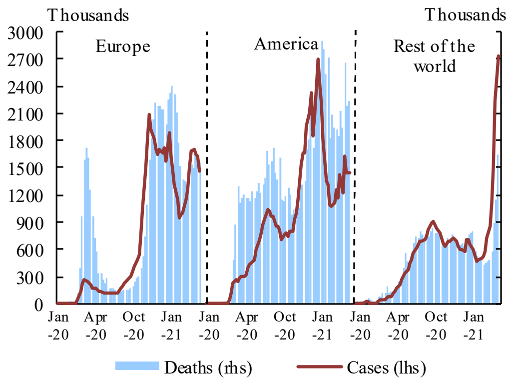
1.1. THE PANDEMIC

A 'third wave' of new COVID-19 infections has hit the EU…

The pandemic continues to set the course for the EU economy in the short term, while accelerating vaccination campaigns offer the prospect for a return to more normal conditions later this year.

By April 2021, the death from the COVID-19 pandemic had risen to more than 3 million worldwide. The world is now in the midst of a new wave of infections but the impact on Europe, America, and the rest of the world has been very different in terms of both timing and size (Graph I.1.1). In particular, case-loads and deaths in some parts of Latin America (e.g. Brazil, Argentina) and Asia remain high, with India having seen an extremely sharp and virulent resurgence of the virus in April.

Graph I.1.1: **COVID-19 cases and deaths, Europe, America and rest of the world, weekly data**



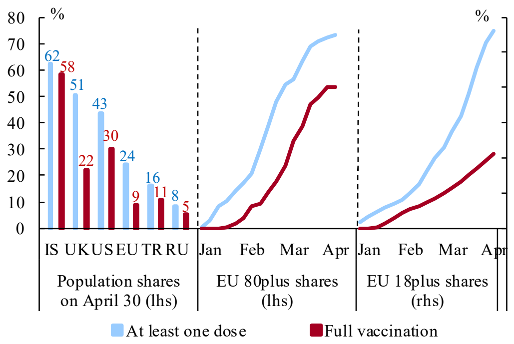
Source: ECDC.

In the EU, a 'third wave' of the pandemic in early 2021 led to high numbers of daily infections and renewed pressure on health systems (e.g. higher daily occupancy in intensive care units). [1] This, together with news about more transmissible new 'variants of concern' (e.g. variants first detected in the UK, South Africa and Brazil) prompted a new round of restrictions to mobility and economic activity.

…where the rate of vaccination is accelerating…

The start of vaccination campaigns in late 2020 and early 2021 in many countries across the world promises an eventual fall in the frequency and severity of infections. In the EU, the start of the vaccination campaign was hampered by manufacturing delays and concerns over the safety and effectiveness of some major vector-based vaccines (Graph I.1.2). Vaccination campaigns have been accelerating since mid-February. Their pace varies across the EU, but on average, more than 70% of people aged 80 years and above had received at least one vaccine dose, and more than half were fully vaccinated by end April.[2] The vaccination of other priority groups and younger cohorts is quickly progressing.

Graph I.1.2: **Uptake of COVID-19 vaccines, EU and selected countries, January-April 2021**



Sources: ECDC (80plus shares, 18plus shares, median of 23 Member States, data until week 17), 'Our World in Data' (population shares).

Questions remain about the extent to which vaccination hampers transmission and how virus mutations may limit the effectiveness of vaccines and therefore possibly require updated jabs as well as tighter and/or more lasting restrictions than previously assumed. Moreover, as some large developing or emerging economies are witnessing a resurgence of the pandemic and cannot rely on the rapid availability of vaccines, the pandemic will continue to pose a global threat until a predominant share of the population is protected against the virus.

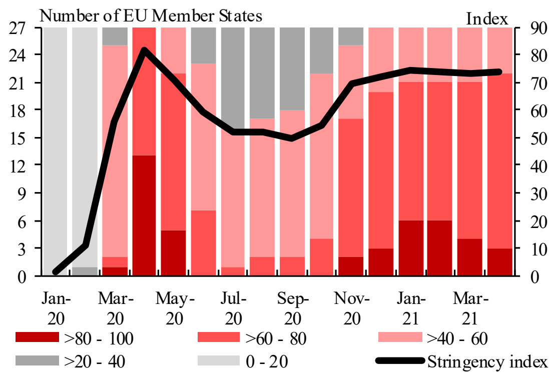
(1) More detailed analyses of developments in the EU and its Member States are provided by the publications of the European Centre of Disease Prevention and Control (ECDC); see e.g. ECDC (2021). 'Rapid risk assessment'. 15 February, Stockholm.

(2) Median for 23 countries. Source: ECDC.

…and restrictions remained rather strict…

As the health situation worsened, governments in the EU tightened containment measures. These included curfews, the at least partial closure of schools and non-essential stores, as well as renewed calls for switching to work-from-home where feasible. As a result, in late 2020, the stringency of government interventions increased in most countries. The Oxford Stringency Index approached the levels seen in spring last year (Graph I.1.3) and has remained high for longer, as the second pandemic wave of last autumn was quickly followed by the third.

Graph I.1.3: **Oxford Stringency Index developments over time, EU Member States**

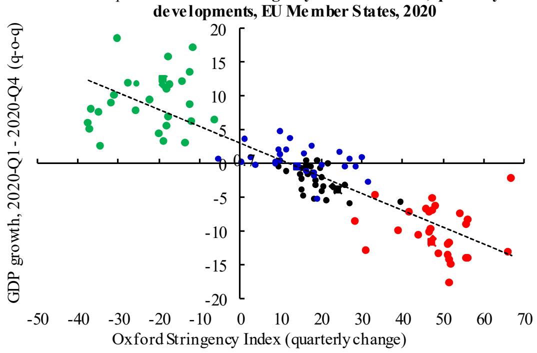


Source: Oxford Government Response dataset (30 April 2021).

…but with a smaller impact on economic activity.

The high stringency levels prevalent since last autumn have caused the EU economy to slide back into recession, with a consumption-driven contraction in activity in the last quarter of 2020 and the first quarter of 2021. However, the decline in economic activity was far milder than in the first half of last year. Between the third quarter of 2020 and the first quarter of 2021, EU real GDP fell by a cumulative 0.9%. This compares with a staggering 14.2% contraction over the first two quarters of 2020. The correlation of changes in the Oxford Stringency Index and real GDP growth (quarter-on-quarter), which was relatively strong in the first wave, appears to have weakened in recent months (see Graph I.1.4). Households and businesses thus seem to have adapted much better than in the first wave of the pandemic to lockdowns and social distancing, including by learning to work effectively from home and conducting business online. Continued strong policy support and a rebound of global output and trade since the second half of last year also supported growth.

Graph I.1.4: **Oxford Stringency Index and GDP, quarterly developments, EU Member States, 2020**



Source: Oxford Government Response data, European Commission.
Note: Q1 black dots, Q2 red dots, Q3 green dots, Q4 blue dots.

Recent survey results bode well for the near term. In April, the Commission's Economic Sentiment Indicator scored markedly above its long-term average and pre-pandemic level for the first time since the outbreak of COVID-19. The increase was broad-based across all surveyed business sectors and among consumers.

1.2. THE KEY QUESTIONS FOR THE OUTLOOK

Economic developments in the EU will depend heavily on how successfully vaccination programmes are able to tame the pandemic. Other critical factors will be the extent to which the EU can benefit from the improved external environment; the continuation of adequate policy support; the response of households and companies; and the extent to which the crisis leaves long term scars on the economy.

How will the COVID-19 pandemic evolve in 2021 and 2022?

Economic forecasts remain intertwined with projections of pandemic features such as infection rates, the pressures experienced by health care systems, and the length and severity of containment measures. There is still considerable uncertainty about how the pandemic will evolve. [3] The spring forecast therefore again crucially hinges upon assumptions about the stringency of virus containment measures and the timing of their eventual withdrawal.

(3) For example, a recent study looked at a scenario of recurrent outbreaks; see O. Blanchard and J. Pisani-Ferry (2021). 'Persistent COVID-19: exploring potential economic implications'. *Bruegel Blog Post*, 12 March.

While there may be some differences in the approach of Member States to lifting restrictions, with some putting more emphasis on overall infection targets than others, the primary objective of EU governments is to reduce pressure on health-care systems. The progressive inoculation of the most vulnerable groups of the population should support a gradual relaxation of containment measures from their highs in the first quarter this year, leading to a progressive 'unfreezing' of the sectors where activity has been most restricted or subdued. Indeed, as this publication goes to press, many governments have started to lift the most restrictive measures. However, given the still uneven development of the pandemic across the globe, COVID-19 will remain a public health concern over the forecast horizon, with the risk of the virus making a comeback to Europe with new variants.

This forecast assumes for the EU that, following a marginal easing of restrictions in the course of the second quarter, progress in vaccination will enable a more marked easing of restrictions in the second half of the year, when a substantial share of the adult population should be vaccinated and spare capacity in health care systems returns towards pre-pandemic levels. In 2022, a risk of infection will remain, despite the high share of the population being vaccinated (including refreshed protection when needed, for example due to new variants). It is therefore assumed that some limited containment measures will be in place as needed.

How much support can policy continue to provide to economic activity?

Emergency policy support is still in place for now…

The COVID-19 pandemic has prompted a policy response in the EU that is unprecedented in both scale and pace of deployment, and which has helped EU societies and economies to avoid a far worse fate. The response has included very accommodative monetary policies, and extensive government support in the form of job retention schemes, loan guarantees and repayment moratoria, tax breaks, various forms of subsidies and transfers; as well as legal and regulatory adjustments to protect employees (e.g. dismissal bans) and firms (e.g. suspension of insolvency proceedings). As most of these efforts are designed to be temporary, a return to 'economic normalcy' will require economies to start weaning themselves off economic policy support before unwarranted side effects kick in (e.g. risk of creating market distortions and barriers to exit of inefficient firms). By continuing support until the recovery takes hold, 'policy cliff' effects should be avoided.

…but the policy focus is shifting to strengthening the recovery and resilience…

The policy focus is expected to gradually move from emergency support to policies to sustain the recovery. In this context, the Recovery and Resilience Facility (RRF) will make €672.5 billion in grants and loans, financed by EU borrowing, available to support reforms and investments undertaken by Member States until 2026. The aim is to mitigate the economic and social impact of the coronavirus pandemic, but also to raise potential growth over the medium term by making European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

Recent months have seen the final adoption of the RRF regulation and significant progress on the preparation of national Recovery and Resilience Plans (RRP). [4] This allows for a wider incorporation of the RRF into the spring forecast than in the two previous forecast rounds (for details see the Box I.2.3).

…through the RRF that will trigger growth effects via demand and supply channels.

The RRF is expected to have an immediate, direct impact on GDP by generating demand through higher public and private investment. [5] The impact via the demand channel will depend on the overall envelope available to each Member State and the expenditure profile (both over time and by type of expenditure), the absorption capacity and efficiency of spending (i.e. the capacity to overcome administrative and logistical obstacles) and the extent to which it finances additional expenditure.

In the medium term, the boost to investment and reform efforts promoted by the RRF should also

(4) For details see N. Zorell and S. Tordoir (2021). 'Towards an effective implementation of the EU's recovery package'. *ECB Economic Bulletin* 2, pp. 80-3 (Box 2).

(5) For an assessment, see e.g. K. Bańkowski et al. (2021). 'The macroeconomic impact of the Next Generation EU instrument on the euro area'. *ECB Occasional Paper* 255.

have (indirect) supply-side effects that lift potential output growth. These indirect effects can only be partially captured by the spring forecast given its horizon of less than two years. The impact via the supply channel depends on how private investment projects are affected, the room for improvement (the larger the distance from the digital and/or environmental frontier, the larger the gain can be) and the extent to which reform-investment combinations support the business environment, competitiveness and investment attractiveness. A higher public capital stock could permanently translate into higher private capital accumulation, e.g. by raising the efficiency of the private sector.

How much will a brighter global outlook help the EU economy?

The EU economy is set to benefit from the improved external environment...

This forecast factors in large upward revisions for the global growth outlook in the coming quarters and, to a lesser extent, for 2022, compared to the 2021 winter forecast. This reflects in particular the improved growth outlook for emerging Asia and the US.

...and the additional fiscal stimuli implemented in the US.

In the US, the two large fiscal packages adopted in late 2020/early 2021 are expected to significantly improve the domestic growth outlook in the short term through their immediate impact on domestic demand. They could also make a significant contribution to the economic rebound of the EU, with its rather open economies. The size of the spillovers will ultimately depend on the strength of the impulse to domestic demand in the US itself (e.g. larger if low-income earners are targeted), but also on various parameters determining the extent to which it will generate import demand outside the US (e.g. spare capacity, monetary policy response, exchange rate movements). Moreover, the impact on EU Member States will be uneven, depending on financial linkages and trade exposures. While most empirical studies on the fiscal stimulus implemented in the US suggest that the positive spillovers to the EU economy will be notable, [6] results vary depending on the assumptions made in the models about structural features and policy responses. This forecast takes its own view on these issues through a model simulation (see Box I.2.1 for details).

How will households' saving and consumption attitudes change once the pandemic recedes?

In the fourth quarter of last year, the reintroduction and tightening of containment measures in several Member States meant that consumers were unable to spend as much as they wanted, or at all, on certain items, particularly in-person services such as travel, entertainment, and dining. While this led to a drop in consumer spending, most households experienced little change in their disposable incomes, thanks to government support schemes and the shift to remote working for a large share of workers. As a result, household savings rose further, pushing the household saving rate for the year as a whole to unprecedented levels.

Once the restrictions are eased and uncertainty subsides, the reasons for the rapid pace of saving accumulation dissipate. The timing and extent to which the exceptional levels of household savings (enforced or precautionary) [7] unwind is an important issue for the pace and timing of the recovery in domestic demand, particularly private consumption. However, there are several reasons to expect that the surge in private consumption in 2021 and 2022 will not be such to allow recouping all foregone consumption.

Factors limiting the strength of pent-up demand

First, the bounce-back from deferred contact-intensive services consumption will likely be tempered. The fact that the consumption of such services (e.g. restaurant visits, leisure travel, and hairdressing) usually has a time component that prevents an above-average frequency of demand, speaks against this. Lost opportunities for haircuts, restaurant visits, or holiday trips are more difficult to make up than purchases of cars or furniture. Moreover, a major uptick in spending on durable consumer goods is unlikely, as it has already

(6) See e.g. Párraga, S. and M. Roth (2021). 'Analysis of US fiscal policy plans'. *Banco de España Economic Bulletin* 1/2021, Box 3; and OECD (2021). 'The potential impact of the American Rescue Plan'. *OECD Economic Outlook, Interim Report*, 9 March (Box 1).

(7) For the assessment see e.g. Dossche, M. and S. Zlatanos (2020). 'COVID-19 and the increase in household savings: precautionary or forced?'. *ECB Economic Bulletin* 6.

recovered swiftly in the second half of 2020, and many such goods, such as furniture, consumer electronics or home office equipment, are likely to have been renewed or purchased during the first wave, which suggests some that some pent-up demand may already have be satiated.

Second, even after restrictions ease, neither economic uncertainty nor household concerns about infection can be expected to dissipate instantaneously. [8] Households may therefore not feel inclined to boost their consumption spending strongly. Fear of job losses may in particular affect those at the bottom of the pay scale, with a relatively high propensity to consume.

Third, the unwinding of accumulated savings will also hinge on their distribution across socio-economic groups. Empirical evidence from the Commission's consumer surveys suggests that it is mainly high-income households who experienced marked increases in savings, because their incomes have been largely maintained while their consumption has fallen sharply (see Chapter 4.2). [9] If for these household groups the propensity to spend (consume) out of wealth would serve as a yardstick, only limited effects could be expected. Moreover, high-income households may anticipate future increases in tax rates on their incomes and therefore limit the use of accumulated savings.

Finally, consumer spending is just one of the options for using (accumulated) savings, with liquid investments such as deposits [10] or stocks, illiquid investments like real estate, or debt repayments being others. The nature of the crisis has put housing back in the spotlight as it has incentivised households in most countries to dedicate more of their financial resources, including accumulated savings, into housing projects. The ongoing rise in house prices recorded in many areas during the crisis seems to confirm this trend.

Will the persistence of the pandemic increase the long-term damage to EU economies, and how much of it will be felt in the forecast years?

The longer the pandemic crisis lasts and activity is dampened, the more difficult it will be to avoid long-term damage, which could already affect the forecast years. The full extent of permanent output and labour market losses due to the pandemic crisis is difficult to predict. [11] Past epidemics provide no suitable guidance because they were mostly localised events, not comparable to a major global pandemic. [12] Moreover, government support measures have significantly mitigated the negative impact of the pandemic on companies and workers, and many of the scars of the crisis will only become visible when the economy opens up again and policy support is phased out.

There are several 'channels of (crisis) persistence'. The pandemic may have lasting effects on potential growth by reducing investment, leaving scars on the unemployed whose skills and attachment to the labour market erode (hysteresis effects), and by slowing technological progress. It could also lead to increased inequality and affect social cohesion.

The crisis could slow capital accumulation…

By decreasing demand and raising uncertainty, the pandemic crisis has lowered incentives to invest, which could translate into permanent effects on potential output growth. There is the risk that high levels of corporate distress further constrains investment going forward. In this regard, the question about the implications of the crisis for the solvency of firms and the number of bankruptcies is important. Due to policy measures that have protected companies from COVID-19 related insolvency (e.g. various forms of support to firms' liquidity, government loan guarantees, debt repayment moratoria, support to wage payments and temporary changes to insolvency procedures),

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(8) A survey study for six EU countries found that fears of the financial consequences of the pandemic induced a significant reduction in the marginal propensity to consume; see D. Christelis et al. (2020). 'The Covid-19 crisis and consumption: survey evidence from six EU countries'. *ECB Working Paper* 2507.

(9) See also the study for the UK; A. Davenport et al. (2020). 'Spending and saving during the COVID-19 crisis: evidence from bank account data'. *IFS Briefing Note* 308 (Institute for Fiscal Studies), October.

(10) See Christensen, A.K., Maravalle, A. and Ł. Rawdanowicz (2020). 'The increase in bank deposits during the COVID-19 crisis: Possible drivers and implications'. *ECOSCOPE* (OECD), December 10

(11) For a detailed analysis, see K. Bodnár et al. (2020). 'The impact of COVID-19 on potential output in the euro area'. *ECB Economic Bulletin* 7, pp. 42-61.

(12) See M. Donadelli et al. (2021). 'Using past epidemics to estimate the macroeconomic implications of COVID-19: A bad idea!'. *Structural Change and Economic Dynamics* 57, June, pp. 214-24.

the number of firms filing for insolvency fell sharply at the outset of the crisis, and stayed low for the rest of the year. The magnitude of the expected pick-up in bankruptcies in the EU as emergency policy support measures are withdrawn is difficult to predict.

… leave a mark on the labour market…

As the crisis has been particularly hard on labour-intensive sectors, the impact on the labour market could be stronger compared to other financial crises. Whether employment losses will become more permanent will depend on the speed at which restricted activities re-open and on the needed reallocation of workers across sectors and firms. Pandemic-related labour market consequences may also include a sustained reduction in the labour force due to skills obsolescence, discouragement, or more limited global migration flows to advanced economies. In addition, the crisis may make it (even) more difficult for young people to enter the labour market. [13] Automation, especially in manufacturing, and a wider use of remote working may permanently decrease demand for certain low-paid occupations, aggravating income inequality. [14]

… exacerbate inequalities …

Available evidence from the Commission's consumer surveys shows that the young (from 16 to 29 years old) and those in the lower quartile of the income distribution have been hit harder by the crisis. Since the beginning of the pandemic, the gap in perceived financial distress between young and old, or between those at opposite ends of the income scale has been widening. However, support policies put in place to protect jobs and incomes have played a crucial role in mitigating the impact of the pandemic crisis on household incomes.

…and affect total factor productivity…

The crisis could affect total factor productivity in several ways. It could temporarily lock resources in unproductive sectors, for example if support measures keep non-viable firms in business, and the reallocation of productive resources towards fast-growing industries takes time. In addition, innovation could be impaired through lower spending on research and development, both in the public sector because of consolidation needs and in the private sector owing to elevated uncertainty. The reshoring of global value chains in the aftermath of the crisis could hamper innovation and knowledge spillovers across countries. Moreover, in the longer term, widespread and prolonged school closures could have a negative impact on future human capital. At the same time, the increased use of digital technologies spurred by the crisis has the potential to accelerate the digital transformation of the economy and therefore contribute positively to total factor productivity.

…while policy support in the EU is set to limit long-term damage.

As the rebound gains momentum, a shift in policies can be expected from protecting companies and jobs to facilitating an efficient reallocation of resources. The more successful the reallocation and modernisation of the EU economy will be (e.g. supported by NGEU/RRF), the more pandemic-related long-term damages will be offset by pandemic-related gains (e.g. from digitalisation and automation).

(13) In the EU, the vacancy rate fell from 2.2% in the fourth quarter of 2019 to 1.6% in the second quarter of 2020 and rebounded only slowly thereafter. For an analysis of the impact of the pandemic on recruitment, see e.g. E. Forsythe et al. (2020). 'Labor demand in the time of COVID-19: evidence from vacancy postings and UI claims'. *Journal of Public Economics* 189, September, Article 104238.

(14) See, for example, Chernoff, A., Warman, C. (2021). 'Down and out: Pandemic-induced automation and labour market disparities of COVID-19', VoxEU, February, Bergeaud, A., Ray, S. (2021). 'The economic transformations linked to teleworking', Banque de France, Eco Notepad No. 199, Autor, D., Reynolds E. (2020). 'The nature of work after the COVID crisis: Too few low-wage jobs', The Brookings Institution.

2. ECONOMIC OUTLOOK

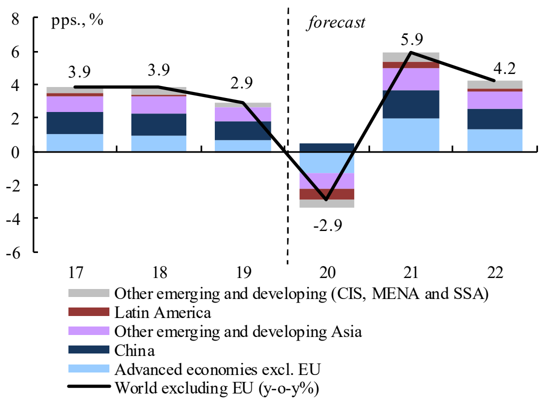
2.1. INTERNATIONAL ENVIRONMENT

The global economy recovered strongly in late 2020, but prospects are uneven

The global outlook has improved significantly since the Winter interim Forecast for both advanced and emerging market economies. However, the recovery is expected to be asynchronous and uneven, also related to varying paths of the pandemic in different parts of the world.

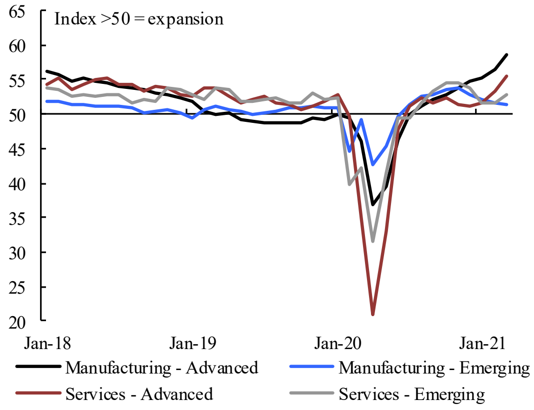
In 2020, the global economy (excl. EU) contracted by an estimated 2.9%, with a 3.6% fall in output in advanced economies (excl. EU) and a smaller decline of 2.5% in emerging and developing economies. The aggregate for emerging markets masks the strong outperformance of China's economy, which grew by 2.3%, while output in other emerging markets fell by almost 5% on average. Relative to the Winter interim Forecast, the better-than-expected growth outturn for the global economy in 2020 was due to a strong pick-up in the second half of the year as virus control measures were loosened, while aggressive policy support, especially in advanced economies, buttressed disposable incomes and demand for goods.

Graph I.2.1: **Contributions to global non-EU GDP growth**



The positive momentum largely carried over into early 2021. Global PMIs are back in expansionary territory for both services and manufacturing. The recovery of manufacturing has been firmly underway for some time and is now particularly strong in advanced economies, while services PMIs have shown a marked improvement in recent months as optimism about the opening of the service sector has grown (even though PMIs for service export orders remain weak). All of the above, together with the improvement in virus control prospects, notably through increased vaccination rates, has led to a significant increase in the growth forecast for 2021 and 2022 for both advanced economies and emerging markets. Global GDP (excl. the EU) is now expected to expand by 5.9% in 2021 and by 4.2% in 2022.

Graph I.2.2: **Global PMIs**



Source: IHSMarkit.

This improved outlook has to be qualified in several respects. The recovery is expected to be highly asynchronous and uneven, with some countries and regions on a much faster growth path than others. China continues to grow quickly due to its early control over the COVID-19 pandemic, and a buoyant export sector, and Asia as a whole has been resilient. The key new element in the outlook is the rapid growth expected in the US, due to its rapid vaccination programme and additional strong policy support, with a return to pre-pandemic output levels in mid-2021, much earlier than in many other advanced economies. Many emerging economies are in a more difficult situation, having limited fiscal and monetary policy space. They are also generally less able to rely on a rapid availability of vaccines and depend on alternative virus containment approaches, with possible knock on effects on economic activity.

Table I.2.1:

International environment

(Annual percentage change)					Spring 2021 forecast			*Autumn 2020 forecast*		
	(a)	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
					Real GDP growth					
Japan	4.1	1.7	0.6	0.3	**-4.8**	**3.1**	**2.5**	*-5.5*	*2.7*	*0.9*
United Kingdom	2.4	1.7	1.3	1.4	**-9.8**	**5.0**	**5.3**	*-10.3*	*3.3*	*2.1*
United States	15.9	2.3	3.0	2.2	**-3.5**	**6.3**	**3.8**	*-4.6*	*3.7*	*2.5*
Emerging and developing Asia	32.2	6.3	6.3	5.3	**-1.2**	**7.8**	**5.6**	*-1.4*	*7.0*	*5.4*
- China	17.3	7.0	6.7	6.0	**2.3**	**7.9**	**5.4**	*2.1*	*7.3*	*5.6*
- India	7.1	6.1	7.3	4.8	**-6.9**	**10.5**	**6.5**	*-8.3*	*7.6*	*5.2*
Latin America	7.6	1.2	1.0	-0.2	**-7.0**	**4.1**	**2.4**	*-8.3*	*3.5*	*2.4*
- Brazil	2.4	1.3	1.8	1.4	**-4.1**	**3.4**	**1.8**	*-6.1*	*3.0*	*2.0*
MENA	5.6	2.1	1.9	0.4	**-3.4**	**3.3**	**2.8**	*-5.2*	*2.0*	*3.0*
CIS	4.5	3.6	4.8	2.2	**-3.0**	**3.2**	**2.8**	*-3.8*	*2.5*	*2.3*
- Russia	3.1	1.8	2.5	1.3	**-3.0**	**2.7**	**2.3**	*-4.2*	*2.0*	*1.9*
Sub-Saharan Africa	3.2	2.6	2.5	2.6	**-2.4**	**2.7**	**3.0**	*-4.0*	*2.5*	*2.6*
Candidate Countries	2.0	6.9	3.1	1.2	**1.3**	**5.2**	**4.3**	*-2.6*	*4.0*	*4.5*
World excluding EU	84.3	3.9	3.9	2.9	**-2.9**	**5.9**	**4.2**	*-3.8*	*4.7*	*3.7*
					Trade of goods and services, volumes					
World excluding EU, import		5.8	4.3	-0.7	**-9.3**	**9.0**	**5.7**	*-10.3*	*6.3*	*4.1*
EU export market growth		5.6	3.9	2.0	**-8.8**	**8.3**	**6.4**	*-10.4*	*5.8*	*4.4*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2019.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

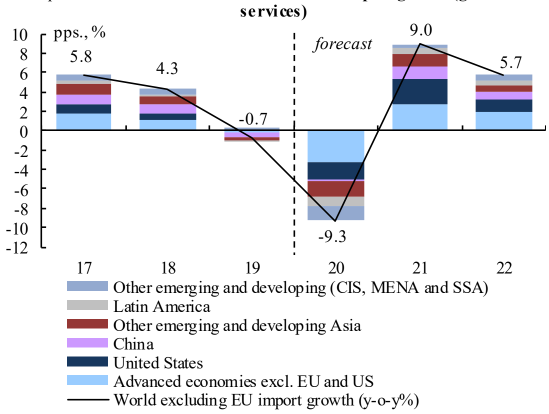
Goods trade has proved resilient, while services face a slow return to normal

The pandemic has had a much greater impact on service sectors than on goods sectors and this has been a key feature in global trade developments. While manufacturing and goods trade recovered swiftly in the second half of 2020, trade in services has been much slower to recover given the continued impact of containment measures on international travel. Overall, global trade in goods and services (excl. EU) declined by almost 9% in 2020, a better outcome than expected in the winter.

Trade growth is expected to be supported in 2021 by the broader recovery in global activity, fed by the release of pent-up demand and the rebuilding of inventories, though disruptions in supply chains and some substitution away from goods towards less import-intensive services may limit growth in goods trade. Shipping costs for containers (e.g. Freightos Baltic index) have increased since mid-2020, and especially in early 2021, partly due to a temporary mismatch between demand and supply on some shipping lanes. Costs have stabilised recently, albeit at a high level (see Section 2.5). Services trade (and specifically international travel) is expected to continue to suffer greater disruptions in 2021 than goods and to recover more slowly, with travel restrictions being lifted only gradually.

Taking these developments into account, growth of global imports of goods and services (excl. EU) is forecast to reach 9.0% in 2021 before easing to 5.7% in 2022.

Graph I.2.3: **Contributions to non-EU world import growth (goods and services)**



Advanced economies have seen positive news on vaccination

The economic outlook for advanced economies (excluding the EU) has improved substantially since the Winter Interim Forecast due to a combination of higher outturns in late 2020, successful vaccination programmes (US, UK) and an underlying improvement in momentum as expectations of a rapid end to the virus phase have increased. Some (Taiwan, Korea, Hong Kong) have benefitted from the continued quick recovery in China and the associated resilience in global manufacturing and trade. The gradual winding down of fiscal support schemes will likely act as a drag on growth in 2022, but the carryover from 2021 will still be large in many cases, working in the opposite direction. Advanced economies (excl. EU) are now expected to grow by 5.2% in 2021 slowing to 3.7% in 2022.

The US economy contracted less than expected in 2020, with output falling by 3.5%. There has been rapid progress with vaccination in 2021 and new infection cases have fallen sharply. Moreover, substantial additional fiscal support measures were adopted in December 2020 and March 2021 (see Box I.2.1). Consequently, the US economy is now expected to grow by 6.3% in 2021 and 3.8% in 2022. Headline inflation has edged up recently due to the rebound in energy prices and is expected to rise further in coming months due to additional base effects and other temporary factors. However, the rapid pace of output growth is not expected to generate significant inflationary pressures given the extensive slack in the labour market. Measures of average expected inflation over the next five years fell sharply in 2020, but had recovered to around 2% in February through April, close to pre-pandemic levels.

The UK was one of the G7 countries most affected by the pandemic, with GDP falling by almost 10% in 2020. While economic growth in early 2021 was negative due to the ongoing lockdown, the forecast for the UK economy has been revised up due to its relatively rapid vaccination programme, and as there is now more certainty on the future of EU-UK trading relations due to the EU-UK Trade and Cooperation Agreement. In Japan real GDP is also forecast to increase more than previously expected, reflecting a very strong carry-over from the second half of 2020, a relaxation of containment measures, very large fiscal stimulus measures, and rising global demand.

Emerging markets face divergent prospects

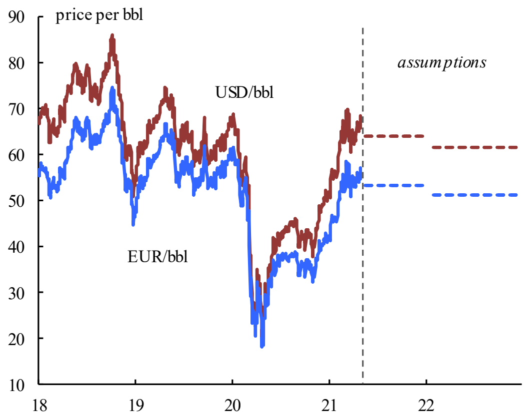
Emerging and developing economies are now expected to grow by 6.2% in 2021 and 4.5% in 2022, an upgrade of around 1pp for 2021 relative to the Winter Interim Forecast and 0.1pp for 2022. The growth outlook is uneven across and within regions and remains dependent on the evolution of the pandemic – case-loads remain high in some large economies (e.g. Brazil, Argentina) and have sharply increased in others (e.g. India). China is expected to continue to grow rapidly, buoyed by global demand for goods and recovery in its service sector. This, together with rapid growth in the US, is set to boost demand for imports from other major emerging economies, with positive spill-overs to Latin America (e.g. Mexico) and elsewhere in Asia (e.g. ASEAN, Korea). Higher commodity prices are expected to lift the growth outlook for commodity exporters in MENA, Latin America and Sub-Saharan Africa, partly offsetting the negative effects of delayed COVID-19 vaccine distribution in these regions.

Commodity prices have more than regained lost ground

The Brent oil price recovered from its COVID-induced trough of around USD 20 per barrel in April 2020 to over USD 70 in April 2021, fuelled by the sustained OPEC+ cuts and improving global demand.

Looking ahead, the current OPEC+ cuts are expected to remain in place in the very short term, but recent price increases are likely to spur additional production in the second half of the year. Oil demand is expected to rise further in 2021, but should remain below its 2019 level, with inventories still high. This suggests that recent price pressures are unlikely to be sustained over the forecast horizon. Based on futures contracts, oil prices are now assumed to average USD 63.9 per barrel in 2021, 16.8% higher than in the Winter Interim Forecast, before falling to USD 61.6 per barrel in 2022, 17.6% higher than in the Winter Interim Forecast.

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



Industrial metals prices had recovered strongly by around 60% to April 2021 relative to the trough reached in early 2020. The price of copper has doubled. This rebound was driven by COVID-19 related supply disruptions (e.g. labour conflicts and lockdowns in Latin-America) as well as strong

Box I.2.1: Spillovers from 2021 US fiscal policy

The US economic situation and policy response

The outbreak of COVID-19 led in the US to an unprecedented output contraction in 2020-Q2, increasing the unemployment rate from 3.5% in February to a peak of 14.8% in April 2020. Nevertheless, the economic effects of the pandemic were less strong in the US than in many other advanced economies. Output fell by just 3.5% y-o-y in 2020 and private employment had recovered about two thirds of its losses by March 2021.

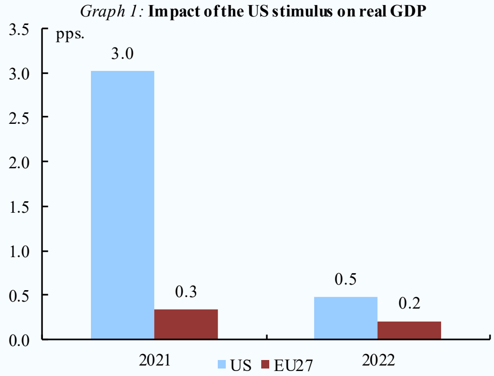
As elsewhere, US fiscal and monetary policy provided ample support to shield households and firms from the consequences of the pandemic. In 2020, fiscal support of well above 10% of GDP for US households and firms stabilised incomes and helped avoid a wave of corporate defaults. In parallel, the Federal Reserve (Fed) cut policy rates to nearly zero and stepped up its asset purchases and liquidity provision.

To support the incipient economic recovery, the US administration has introduced two fiscal support packages since December: a USD 900 billion package, adopted as part of the Consolidated Appropriations Act of 2021, and the USD 1.9 trillion American Rescue Plan (ARP) signed by President Biden in March 2021[(1)]. Both packages focus on support to households, which accounts for almost two thirds of the total. In particular, the ARP extends and tops up the COVID-related unemployment benefits introduced in April 2020, provides one-off payments of USD 1,400 to individuals and expands the Child Tax Credit. A smaller part of the package has been earmarked to backstop loans to small and medium enterprises and to support large companies particularly affected by the pandemic (airlines, railways).

Quantitative assessment of the packages

Due to their considerable size and the timing of disbursements, the two packages are expected to have a strong near-term impact on the US economy, while also lifting US demand for foreign exports. The QUEST model with three regions (US, EU27, Rest-of-the-World) has been used to assess the economic impact of the measures in the US and their spillovers to the EU. The simulation scenario considers a combined fiscal impulse of about 8% of GDP in 2021 and 2% in 2022, as the prevalent share of the funds (especially transfers to households) are to be released in the first half of 2021. The scenario distinguishes between support to liquidity-constrained and unconstrained households and support to firms[(2)]. While the results reported below focus on annual GDP effects, the brunt of the impact is likely to be felt in the second and third quarter of 2021 in the US, while the international impact could be more evenly distributed over the period 2021-2022.

Graph 1: **Impact of the US stimulus on real GDP**



Note: The chart reports the level deviation from the no-stimulus scenario.

It is estimated that the packages could boost US real GDP by around 3% in 2021 (Graph 1). The larger March 2021 ARP package would account for around two thirds of this impact. The moderate size of the output effect, relative to the large size of the packages, reflects the emphasis on transfers to households. While liquidity-constrained households are likely to spend the transfers quickly, other households will raise their consumption only gradually (anticipating a higher tax burden in the future), instead further feeding their savings. Moreover, the simulation also factors in an increase in the bond yields in the US as a result of (temporarily) increased inflation pressures. The rate increase, of 40 basis points, is roughly of the same order of magnitude as the rise observed on the market for inflation-indexed long-term US government bonds since end-2020. The upward rate effect crowds out some interest-sensitive

(1) A new structural and investment plan (the American Jobs Plan) of USD 2.3 trn has been announced in April 2021 and may be passed in the second half of the year. The AJP is not pencilled in this forecast, neither is it discussed in this box.

(2) The scenario excludes direct transfers to state budgets and some other measures that are assessed to be broadly fiscally neutral. All the measures are largely concentrated in 2021-22.

(Continued on the next page)

Box (continued)

private demand, and triggers an appreciation of the USD, somewhat attenuating the overall positive GDP impact of the measures.

Spillovers to the EU

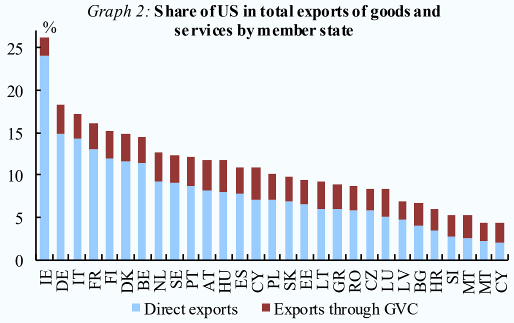
The two US fiscal support packages are estimated to increase EU real GDP by about 0.3% in 2021, about a tenth of the US GDP effect in that year (Graph 1). The spillovers in the model derive primarily from international trade linkages, which for the EU are less strong than for some other US trade partners: the share of US imports from the EU in EU GDP has averaged about 4% in recent years. Two separate trade effects can be distinguished. First, stronger US domestic demand implies higher US imports for given relative prices. Second, the appreciation of the US dollar improves the price competitiveness of foreign exporters and further strengthens import demand from the US.

The simulation assumes that US import prices and volumes adjust to higher US demand with a lag, effectively distributing the surge in EU exports and GDP over three years (Graph 1)[(3)]. For the EU, the simulation also assumes that the effective lower bound on nominal interest rates will remain binding in 2021-2022, implying no monetary policy reaction in response to stronger exports. The absence of monetary tightening together with currency depreciation vis-à-vis the dollar adds 0.2 pps. to EU inflation in both 2021 and 2022, triggering a temporary decline in real interest rates. This somewhat reduces real financing costs as well as incentives to save, thus providing additional demand stimulus on top of the direct trade effect.

The strength of spillovers is likely to vary across EU Member States. One way to give a sense of the differences is by looking at the exposure of Member States to US import demand, which determines the first-round export demand effect. Graph 2 presents this exposure, including input-output linkages and thus taking into account indirect trade effects via value chain integration. The Member States that are likely to see their exports rise the most thanks to the extra demand in the US are Ireland, Germany and Italy.

(3) These findings are broadly in line with the results reported by other institutions for the American Rescue Plan, in particular the ECB (ECB staff macroeconomic projections for the euro area, 5 March 2021) and the OECD (OECD Economic Outlook, Interim Report March 2021, 9 March 2021).

Graph 2: **Share of US in total exports of goods and services by member state**



Source: JRC calculations with Trade-SCAN and the forthcoming Eurostat's FIGARO - EU Inter-country Input-Output Tables, year 2018. More details about the Trade-SCAN model can be found here: Arto, Dietzenbacher and Rueda-Cantuche (2019) and Román et al. (2020).

Limitations and risks

The simulation uses multipliers for different groups of recipients (e.g. support for liquidity-constrained and unconstrained households, firms etc.) that broadly correspond to the average empirical multipliers for these groups in the pre-COVID period. However, it is possible that the economy may respond differently in current circumstances. Notably, there is considerable uncertainty around crucial structural parameters, such as the importance of financial constraints for households and firms at the current juncture. On the upside, if a larger than assumed share of US households is liquidity-constrained, or a greater share of the transfers reaches these households, the multiplier could be larger, implying larger effects on US GDP and import demand. Conversely, once restrictions on the service sectors are lifted, additional US consumption demand may shift towards services, which have a lower import content. On the EU side, adjustment lags for exporters may be more important at the current juncture, given capacity constraints in international trade.

Spillovers in the model are largely confined to the trade channel. The model accounts for the impact of interest rate differentials on exchange rates but excludes other financial market linkages (and hence risks related to cross-border gross exposures to financial assets). In particular, the simulation does not take into account the risk of turbulences on the US bond market (e.g. as a result of rising inflation expectations), which could trigger abrupt asset price corrections and tightening financial conditions in emerging markets, with associated capital outflows. The realisation of such a risk, as identified in this spring forecast, would slow down the global post-COVID recovery, negatively affecting global demand for EU output.

demand from China, which accounts for over 50% of global metals demand.

In addition, easy financial conditions have made metals attractive as an asset class. Given the high level of current prices, and some expected gradual rebalancing of demand growth in China towards services, the current boom may come to a halt in the latter half of 2021.

The FAO food-price index grew by 16.5% in the year to February 2021 driven by transport bottlenecks, export restrictions and strong demand, which could sustain upside price pressures for some time. This provides a boost for commodity exporting emerging economies in Africa and Latin America, though rising food prices may also spur inflation in emerging markets, as the weight of food in CPI baskets is large and demand is inelastic.

2.2. FINANCIAL CONDITIONS

Still favourable global financial conditions…

Global financial conditions have remained favourable overall since the autumn with, however, some differences across regions and asset classes.

In advanced economies, equity markets gained further, exceeding pre-pandemic levels in many countries, notably in the US. Meanwhile, US bond yields have been rising as markets have factored in the prospect of a robust recovery and higher inflation, not least since the US fiscal package was endorsed.

In emerging markets, financial conditions eased in the second half of 2020, capital inflows recovered and currencies appreciated. These positive developments reversed in early 2021 as US yields spiked up. Long-term yields in emerging economies have increased since mid-February 2021 in sync with rising US yields, while most equity markets in emerging economies have seen some modest downward adjustment in prices, led by China and other Asian emerging economies. Monthly indicators point to a slowdown in capital inflows into emerging economies in February-March 2021. These developments highlight the vulnerability of emerging economies to changes in global financial conditions, particularly when associated with high external borrowings and limited fiscal and monetary policy space. Foreign investors have taken a differentiated approach to emerging markets, with financial conditions in economies with weaker fundamentals deteriorating more rapidly than others.

EU financial markets have broadly followed the global trend of advanced economies and recovered further since last autumn. Markets remain supported by optimism on vaccination roll-out, the expected economic recovery, and the ECB’s sustained accommodative monetary policy stance.

Overall, financial markets are likely to see some volatility in the coming months given the relatively high valuations reached in advanced economies and concerns over the growth and inflation outlook in some regions, particularly where the evolution of the pandemic and the capacity to contain it is still uncertain.

...and a broadly stable euro.

The euro has been broadly stable in nominal effective terms since February 2021. This reflects a strengthening of the euro against the Japanese yen, Swiss franc, Turkish lira and several other EU currencies, on the one hand, and losses against the US dollar, British pound and many emerging market and commodity currencies, on the other. The improved outlook for the global economy and positive risk sentiment has encouraged a shift towards currencies offering higher returns, namely those of commodity-producing countries and those of many emerging market economies, which has contributed to the euro’s losses against them. Since February, the euro has also shed some of its previous gains against the dollar. These losses took place in a context of a broad-based strengthening of the dollar, with markets increasingly discounting a US reflation scenario amid positive macroeconomic data in the US and additional fiscal stimulus measures.

Monetary policies in the EU continued to provide support to the economy…

The ECB’s monetary policy has remained accommodative in recent months and helped preserve favourable financing conditions for the real economy. At its meeting in March, the ECB confirmed that it would continue its asset purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1.85 trillion, until at least the end of March 2022. The ECB reaffirmed that it will use the PEPP flexibly and that it will significantly increase its purchases in the second quarter this year. Net purchases under the asset purchase programme (APP) will also continue at a monthly pace of €20 billion. Refinancing operations, notably the third series of the targeted longer-term refinancing operations (TLTRO III), will continue to provide liquidity to euro area banks to support the flow of credit to households and firms.

Meanwhile, in recent months, most other EU central banks have also maintained accommodative monetary policies or taken additional easing measures to support the economy.

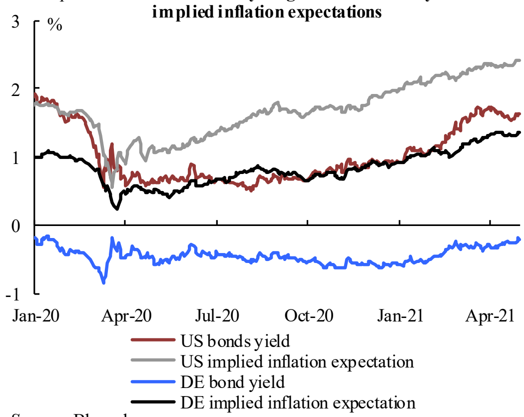
…allowing a strong performance on equity markets, particularly for EU banks…

European stock indices have performed strongly so far this year with the EuropeStoxx 600 index gaining over 10%. A major sector rotation benefitted the more cyclically sensitive sectors such as energy, as well as the banking sector, supported by an improving economic outlook and a widening interest rate margin. After having underperformed the market in the aftermath of the COVID-19 outbreak, the banking sub-segment of the Europe 600 index has rallied, recording an impressive 20% increase so far this year. This recovery has been helped by the relatively contained impact of the COVID-19 on EU banks so far. Banks' capital positions in most Member States have strengthened over the past year, supported by regulatory or supervisory action (for instance, restricting dividend distributions). At the same time, banks' capacity to develop their activity via new lending to the private sector has been supported by government measures such as bank loan moratoria[15], sovereign corporate loan guarantees and other support. However, the phasing out of these schemes could unveil corporate vulnerabilities and erode banks' asset quality. In such a case, banks' lending activity could slow down, also on the back of weaker demand for loans.

…while long-term benchmark bond yields remained low in the euro area…

Long-term yields remain low by historical standards and contributed to support the finances of sovereigns, companies and households alike. Since the start of the year, sovereign bond yields for long maturities increased somewhat in the euro area but to a much lesser degree than in the US (see Graph I.2.5). Benchmark bond yield curves have steepened marginally, driven by rising inflation expectations, while real yields, both in the short and long segments, remain deeply negative.

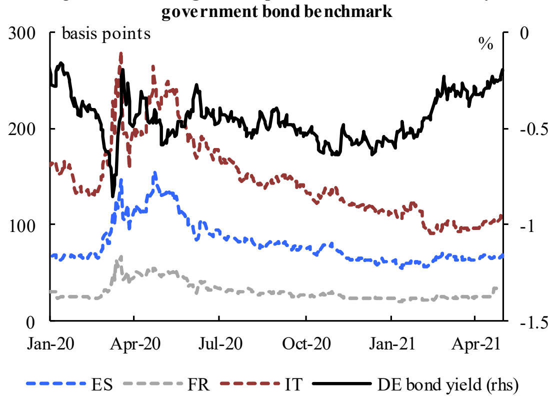
Graph I.2.5: **Benchmark 10-year government bond yields and implied inflation expectations**



Source: Bloomberg.

Since March, however, the yields on 10-year German Bund have stabilised to around -0.25%, up from -0.60% at the start of the year. Euro area sovereign bond spreads (vis-à-vis the benchmark) have remained broadly stable for core euro area sovereigns, but have narrowed somewhat further for peripheral euro area sovereigns, particularly Italy (see chart I.2.6). Corporate bond spreads have tightened further amid the renewed search for yield by investors and are back to pre-crisis levels.

Graph I.2.6: **Sovereign bond spreads to German bonds, 10 year government bond benchmark**



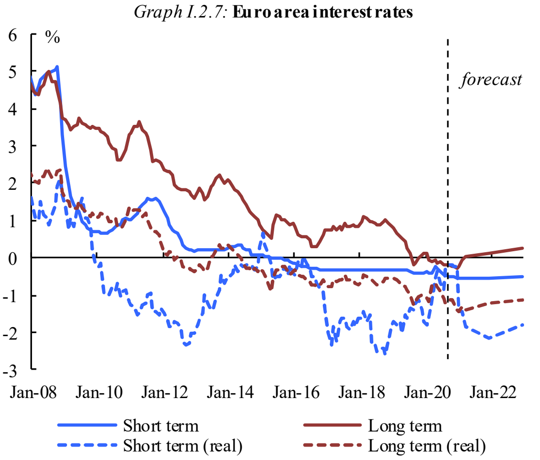
Source: Bloomberg.

(15) The use of moratoria / payment breaks across the EU has been quite extensive but diverse among Member States with an uptake of more than 50% in some countries, while in other less than 5% of loans were covered by a moratorium.

...and financing conditions are expected to remain favourable.

The high and rising volume of banks' excess reserves, combined with the ECB's forward guidance and the very favourable TLTRO-III pricing[16], should keep short-term money market rates at very low levels over the forecast horizon. Short-term nominal rates are expected to remain broadly unchanged until the end of the current year and to increase to slightly above current levels by the end of 2022 (see Graph I.2.7).

Graph I.2.7: **Euro area interest rates**



In view of the forecast path of inflation until 2022 (see section 2.5), real short-term interest rates are expected to decline in 2021 followed by a slight increase in 2022.[17] Nominal long-term rates in the euro area are expected to pick up moderately and move into slightly positive territory over the forecast horizon. However, the additional net asset purchases under the above-mentioned ECB programmes, together with the continued reinvestment of maturing securities, should help maintain nominal long-term rates at very low levels[18]. As markets anticipate a stabilisation of long-term inflation expectations over the forecast horizon, real long-term rates should increase in line with nominal long-term rates.

2.3. THE GROWTH OUTLOOK

Starting from a weak base at the end of 2020…

In the EU, the renewed hit to economic output in the fourth quarter of 2020 reflected the worsening of the COVID-19 pandemic situation and renewed measures to curb the spread of infections. Given the less binding restrictions to day-to-day life and the increased experience of both firms and households in adapting to them, the economic contraction was milder than in the second quarter of 2020.

With activity declining by 0.5% (q-o-q) in the fourth quarter, real GDP in the EU closed 2020 6.1% lower than in 2019. This drop is significantly larger than the one recorded in 2009 (-4.3%), when the global financial crisis was at its worst. Private consumption, non-construction investment as well as exports detracted significantly from growth. While exports performed weakly, the fall in imports meant that the impact on growth from net trade was limited compared to that of domestic demand.

At the end of 2020, the EU's real GDP remained about 4 ½% below its pre-crisis level (2019-Q4) and close to a level last seen in early 2017. Similarly, the gap in investment (excluding Ireland) to its pre-crisis level stood at -3 ½%. While household expenditure on durable goods surpassed pre-crisis levels, private consumption as a whole remained 7% lower. Dragged down by shortfalls in services (-17%), overall export volumes were down by 4 ½% from their pre-crisis level. The only component posting an increase was government consumption (2 ½%).

The 'K-shaped'-nature of the recovery is evidenced by the sector breakdown (see Graph I.2.8). [19] While the initial hit in the first half of last year took a toll on all sectors, the rebound has been uneven. At the end of 2020, contact-intensive

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

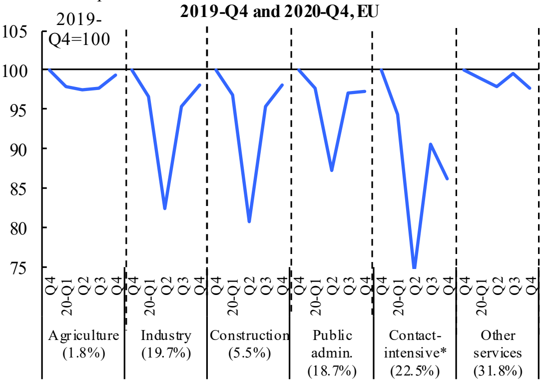
(17) Short-term rate: 3M Euribor; Long-term rate: 10Y interest rate swap; Real rates are derived from the respective short or long-term rate minus annual HICP inflation and average future inflation inferred from 10Y inflation swaps, respectively. Short-term nominal forecasts (derived from forward short-term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

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

(19) The first part of the letter stands for the fall in activity at the start of the pandemic. The two 'arms' then represent the different paths observed since then. This applies to developments in the labour market (e.g. across types of contract), across sectors (e.g. services versus manufacturing), but also along the income distribution.

sectors[20] not only lagged significantly behind other sectors, but had also suffered a second dip, leaving them about 14% below pre-crisis levels. This is in stark contrast with developments in goods-producing sectors such as industry and construction, which followed a steady recovery path and ended the year close to their output levels before the pandemic hit (both at around -2%).

Graph I.2.8: **Gross value added in main sectors between 2019-Q4 and 2020-Q4, EU**



Note: *Wholesale and retail, transport, accommodation, food services; arts, entertrainment, recreation. Figures in brackets are the weight in GVA.

...recent data suggest a weakening early in the new year...

According to Eurostat's preliminary flash estimate, GDP in the EU contracted again in the first quarter, falling by 0.4% (q-o-q) (0.6% in the euro area), but compared favourably with the Commission's Winter Interim Forecast of -0.8% (-0.9% in the euro area). This outturn was also relatively benign in light of the persistently high levels of reported new infections and the higher stringency of government-mandated restrictions as measured by the Oxford Stringency Index[21]. Generally, countries were able to contain contagion at a lower output cost. Temporary headwinds such as supply shortages for some manufacturing inputs, transportation bottlenecks, and the expiry of consumption tax measures also played a role. About half of the reporting Member States however avoided an outright contraction.

As details on the composition of the GDP contraction are still unavailable, short-term indicators help to fill the blanks. Looking at the sectoral breakdown of available indicators for the first quarter of 2021 reveals that manufacturing continued to outstrip services, and the gap was amplified by a new boost from the external sector. In the euro area, both *Markit's Manufacturing PMI Index* as well as the Commission's *Industrial Confidence Indicator* climbed further during the first quarter (see Graph I.2.9). The former averaged 58.4 in 2021-Q1 (after 54.6 in 2020-Q4), and accelerated sharply to its highest level on record in March as backlogs of work increased substantially. The latter followed a similar path, settling markedly above its average in the previous quarter, and surpassing its long-term average for the first time since mid-2019 in February this year. These developments benefited from strong global tailwinds as evidenced by further improvements of businesses' *assessment of export order books* in the Commission's manufacturing survey as well as in the *Manufacturing PMI.*

The recovery of *industrial production* in the EU, however, stumbled in February after eight months without a fall in output, staying 1% shy of its level in February 2020. Still, on average, industrial production in the first two months of the year was 1% higher than in the last quarter of 2020. The main reason for this relatively small increase was the weakness in the manufacture of motor vehicles, which declined by 8%, which has been reportedly due at least in part to supply shortages of some inputs.

The service sector continued to operate at a lower gear. *Markit's Service Business Activity Index* recovered some ground in the first quarter. However, standing at an average of 46.9, it still hinted at a continued decline in activity. The Commission's *Services confidence indicator* also brightened over the first quarter, but remained on average just above its level in the previous quarter. Amid closures of non-essential stores in many Member States, *retail trade* volumes in the EU entered the year on a weak footing, falling by 4.6% m-o-m in January, partially dragged down by the end of the VAT cut in Germany. In February, sales' volumes rebounded partially, but the average of these two months remained about 3.7% below that of the preceding quarter. Overall, the latest data for February show that retail sales stood 2.2% below pre-crisis levels, despite a 37.7% surge in online sales.

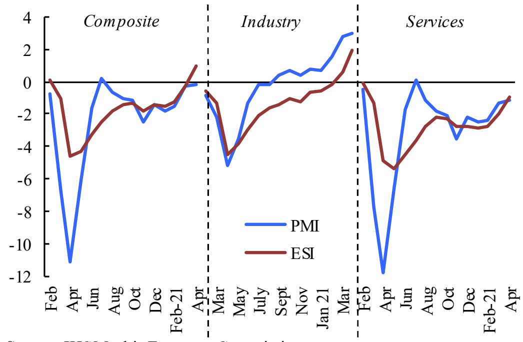
(20) Which groups together arts, entertainment and recreation as well as wholesale and retail trade, transport, accommodation and food service activities. These are sectors with non-teleworkable occupations, reliant on in-person teamwork or face-to-face customer interaction, which have been particularly affected by containment measures.

(21) For the EU, the quarterly average of the GDP-weighted index rose from 65 in 2020-Q4 to 74 in 2021-Q1, which is higher than the 70 observed in 2020-Q2.

The Commission's *consumer confidence indicator* reached its highest level in one year in March, pushing the quarterly average up to -14.8, 1.9 points above the previous quarter. The still high levels of consumers' *intentions to save* over the next 12 months as well as their assessment of *savings at present*, hint at a continued accumulation of savings. Similarly, consumers' *intentions to make major purchases* over the next 12 months have not risen significantly (see Special Topic 4.2).

Overall, the above observations suggest that the first quarter of 2021 might have seen an increase in exports and investment, particularly in equipment, accompanied by renewed weakening of consumer spending, mostly on services.

Graph I.2.9: **ESI and PMI, euro area**



Source: IHS Markit, European Commission.
Note: Standardised data based on 2000-'07 sample, last observation April 2021.

...but also that growth may pick up as the second quarter progresses.

In addition to throwing light on developments in the first quarter of the year, surveys can also offer a glimpse into economic developments early on in the second quarter of the year. In the EU, the Commission's *Economic Sentiment Indicator* (ESI) continued its strong recovery, edging up to 109.7 in April 2021, markedly above its long-term average and higher than its pre-pandemic level for the first time since the outbreak of COVID-19 on the continent (103.6 in February 2020). Similarly, Markit's Flash *Purchasing Managers' Composite Output Index* for the euro area stayed above its no-change mark of 50 for a second month in a row, after four months of decline. It was up by 0.5 points to 53.7.

In the manufacturing industry, the Commission's survey shows that *confidence* increased for the fifth month in a row to reach an all-time high. Services confidence posted the second significant improvement in a row, rising closer to pre-pandemic levels. In terms of components of confidence indicators, managers' views on the *levels of order books* and *production expectations* brightened in manufacturing, amid a sharp increase in the use of available *capacity* (from 77.6% to 82.3%), bringing the utilisation rate above its January 2020 level. In services, both the assessment of *past demand* and the *past business situation* and the *expected evolution of demand over the next three months* recovered sharply. *Business expectations* improved also in retail trade. *Capacity utilisation* in services inched 1.1 pps. higher in April, providing some indication of a bottoming-out after having recorded its lowest level on record in January. Similar signals are confirmed in the PMI survey. According to the Flash results, albeit growing only very modestly, the services sector returned to growth (from 49.6 to 50.3) for the first time since last August. Manufacturing output grew for a tenth straight month, rising at its highest rate on record (63.4).

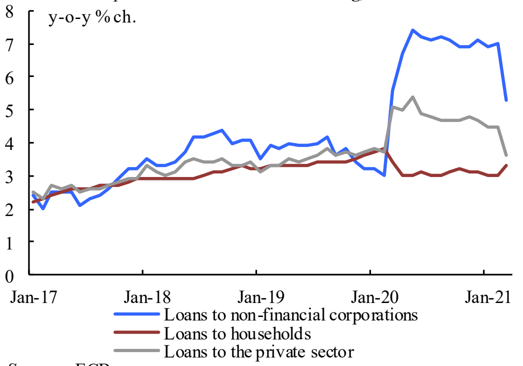
These survey results support expectations of a recovery in economic activity, paving the way for more robust growth momentum in the months ahead, as restrictions are steadily eased.

Private sector funding remains solid

Bank credit data continue to indicate a positive dynamic on a yearly basis though lending flows have moderated over the last couple of months (Graph I.2.10). The annual growth rate of adjusted loans to non-financial corporations slowed down to 5.2% in March after having recorded around 7% annual increase over almost a year thanks to the very strong pickup in loans during the crisis. The annual growth rate of adjusted loans to households has been more modest in the immediate aftermath of the crisis and stood at 3.3% in March 2021.

As regards market funding, yearly growth rates of debt securities and equity issuance by non-financial corporations are still on the rise in early 2021. A persistent key feature of recent issuance has been generally lower credit ratings combined with longer maturities, which suggests a willingness on the part of investors to provide funding to weaker firms in exchange of higher expected returns.

Graph I.2.10: **Private sector lending, euro area**



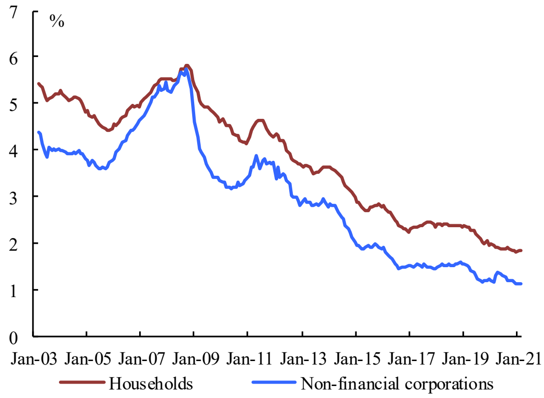
Source: ECB.
Note: Loans are adjusted for loan sales, securitisation and notional cash pooling.

Nominal financing conditions have remained favourable since last autumn for both, bank lending and market funding as they have mirrored developments in short and long-term nominal rates (see Section 2.2). Borrowing costs for non-financial corporations, as measured by the composite credit cost indicator[22], stood below pre-pandemic levels at the beginning of this year and have decreased since autumn driven by lower interest rates on loans to non-financial corporations (Graph I.2.11). The composite credit cost indicator for households has remained almost unchanged, at historically low levels.

The ECB's April Bank Lending Survey suggests that banks continue to take a more prudent approach. Euro area banks indicated a moderate net tightening of credit standards for loans to corporates in the first quarter of 2021, reflecting banks' risk perception and concerns about borrowers' creditworthiness. However, the tightening was milder than in 2020, and somewhat less than expected in the previous survey round, which may be related to the continued support from monetary and other policies, and the broader improvement in risk sentiment in the first quarter of 2021.

The net tightening of credit standards moderated for loans to both SMEs and large firms, confirming the beneficial impact of public support measures especially for SMEs. As for households, credit standards for loans for house purchases eased slightly in net terms in the first quarter of 2021, after several quarters of strong tightening. The net easing was supported by competition within the banking sector and with non-banks.

Graph I.2.11: **Composite credit cost indicators**



Sources: ECB, Bloomberg.

Banks surveyed reported a decline in the demand for corporate loans or use of credit lines, largely on account of a decline in demand for loans for fixed investment. [23] Demand for inventories and working capital was positive despite the precautionary liquidity buffers built up in previous quarters. For the current quarter, banks expect a rebound in firms' net demand for loans, especially by SMEs. Demand for housing loans decreased moderately in the first quarter. A stronger decrease was reported in the demand for consumer credit and other lending to households amid subdued consumption. For the current quarter, banks expect a net increase in demand for housing loans and for consumer credit and other lending to households.

Overall, notwithstanding quarterly variations in banks' perceptions of credit supply and demand, both price and non-price credit standards remain favourable for corporates and households, while lending volumes continue to be positive. In particular, the favourable conditions for mortgages together with the recently accumulated savings drove housing demand higher and supported housing prices over the last year.

Economic growth this year shaped by the pace of vaccination…

As vaccination campaigns gain momentum and containment measures are gradually relaxed, activity in the EU is expected to pick up in all

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

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

Table I.2.2:

Composition of growth - EU

(Real annual percentage change)

	2019							Spring 2021 forecast		
	bn Euro Curr. prices	% GDP	2015	2016	2017	2018	2019	2020	2021	2022
			Real percentage change							
Private consumption	7,469.3	53.2	2.1	2.2	2.2	1.8	1.5	**-7.4**	**2.8**	**5.9**
Public consumption	2,901.0	20.6	1.4	1.9	1.1	1.3	1.9	**1.3**	**3.7**	**0.6**
Gross fixed capital formation	3,094.6	22.0	5.0	3.3	4.1	3.5	5.4	**-7.4**	**6.2**	**5.4**
Change in stocks as % of GDP	55.6	0.4	0.5	0.5	0.8	0.9	0.4	**-0.1**	**-0.1**	**-0.1**
Exports of goods and services	6,944.5	49.4	6.6	3.4	5.7	3.8	2.8	**-8.7**	**8.7**	**6.5**
Final demand	20,464.9	145.7	3.9	2.8	3.6	2.7	2.3	**-6.8**	**5.4**	**5.2**
Imports of goods and services	6,417.4	45.7	7.5	4.5	5.6	4.1	3.8	**-8.3**	**8.1**	**6.8**
GDP	14,049.3	100.0	2.3	2.0	2.8	2.1	1.6	**-6.1**	**4.2**	**4.4**
GNI	14,004.1	99.7	1.9	2.2	2.9	2.2	1.5	**-6.1**	**4.2**	**4.4**
p.m. GDP euro area	11,937.3	85.0	2.0	1.9	2.6	1.9	1.3	**-6.6**	**4.3**	**4.4**
			Contribution to change in GDP							
Private consumption			1.2	1.2	1.2	1.0	0.8	**-3.9**	**1.5**	**3.0**
Public consumption			0.3	0.4	0.2	0.3	0.4	**0.3**	**0.8**	**0.1**
Investment			1.0	0.7	0.8	0.7	1.1	**-1.6**	**1.3**	**1.2**
Inventories			0.0	0.0	0.3	0.1	-0.5	**-0.3**	**0.0**	**0.0**
Exports			3.0	1.6	2.7	1.8	1.4	**-4.3**	**4.1**	**3.2**
Final demand			5.5	3.9	5.2	3.9	3.3	**-9.9**	**7.7**	**7.5**
Imports (minus)			-3.2	-1.9	-2.4	-1.8	-1.7	**3.8**	**-3.4**	**-3.1**
Net exports			-0.1	-0.3	0.3	0.0	-0.3	**-0.5**	**0.6**	**0.1**

Member States, though only moderately in the second quarter. After falling by 0.4% (q-o-q) in the first quarter, economic activity in the EU is forecast to grow by 0.9% in the second quarter. Growth is projected to accelerate markedly to 3.2% in the third quarter, as a significant easing of containment measures should allow countries, especially those with large tourism sectors, to benefit from a return of social activities to quasi-normality over the summer. Growth is forecast to remain solid in the fourth quarter (1.2% q-o-q), benefitting also from strong external demand.

Compared to the Winter Interim Forecast, GDP growth is now projected to be lower in the second quarter of 2021, but higher in the second half. This is the result of, on the one hand, renewed containment measures and the slower-than-expected start of vaccination campaigns in the first two quarters of the year and, on the other hand, a stronger-than-expected rebound in global activity and foreign trade. It is also partly due to the incorporation of the economic impact of the NGEU/RRF on growth in the forecast (based on simplified assumptions, see Box I.2.3)

...with domestic and external tailwinds driving the recovery further into 2022...

Going forward, the recovery is set to be driven by private consumption, even after an initial outburst of demand created by the reopening of spending opportunities. As employment growth resumes (at least in terms of hours worked) and uncertainty about job and income prospects starts to fade, the large stock of accumulated savings [24] offers the necessary conditions for a sustained strengthening of consumer spending.

An improving outlook for demand at home and from abroad, recovering profitability and increasing capacity utilisation rates are set to propel investment spending going forward. In other sectors however, remaining spare capacity and lingering risk aversion, together with the debt burdens left by the crisis, may hold back the speed and momentum of corporate investment. Corporates should nevertheless benefit to a significant extent from an expected pick-up in public investment, largely thanks to projects implemented in the context of the NGEU/RRF.

As highlighted in Section 2.1, the EU's major trading partners are experiencing a stronger-than-expected upswing, helping export growth gain traction, particularly for goods, despite the (lagged) effects of the appreciation of the euro's exchange rate. The recovery of service exports, by contrast, is set to lag behind, and progress in lockstep with the easing of

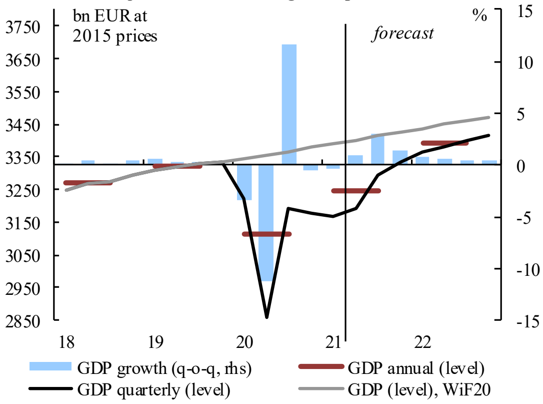
(24) Households' gross savings in 2020 were about EUR 550bn higher than in 2019, equivalent to about 4% of GDP in the EU.

cross-border restrictions to movement. This particularly concerns hospitality and transportation services for tourists originating from outside the EU.

All in all, the EU economy is forecast to grow by 4.2% in 2021, boosted by a positive carry-over and the pick-up in momentum starting in the second half of the year, when pandemic-related restrictions start to ease and the Recovery and Resilience Facility kicks in. In 2022, real GDP growth is projected to strengthen to around 4.4%, again helped by a significant carry-over. As a result, GDP in the EU is now expected to return to its pre-crisis level (2019-Q4) by the last quarter of 2021, earlier than projected in the Winter Interim Forecast (see Graph I.2.12).

The total economic impact generated by the RRF over the forecast horizon is expected to be approximately 1.2% of 2019 EU real GDP (for an explanation of how the forecast incorporates the RRF, see Box I.2.3). This estimate captures the Facility's direct impact on GDP, by spurring domestic demand, investment in particular. Given its horizon of less than two years, the forecast can only partially capture the indirect supply side effects generated by the boost to investment and the reform efforts promoted by the RRF.

Graph I.2.12: **Real GDP growth path, EU**

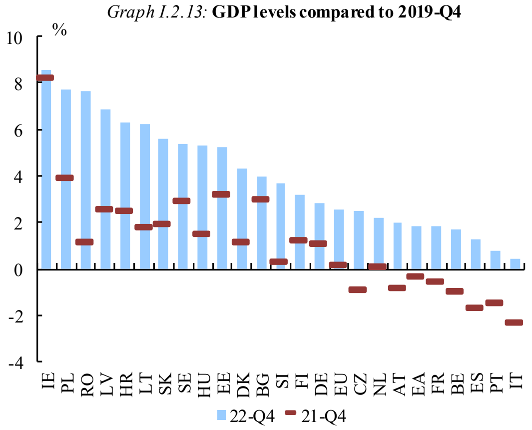


Note: WiF20 for 2022 extrapolated from quarterly growth over 2021.

...but leaving countries on different recovery paths.

The uneven pace of the recovery among Member States, which has been a feature of previous forecasts, is expected to persist (see Graph I.2.13). The wide dispersion of recovery paths is the result of country-specific economic structures, including the relative importance of tourism and leisure activities, the degree of openness, the strength and design of economic policy responses, and other institutional features.[25] Still, all Member States are expected to see the gap to their pre-crisis output levels close by the end of 2022.

Graph I.2.13: **GDP levels compared to 2019-Q4**



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

Private consumption growth shifts into high gear...

Last year, labour and non-labour incomes fell sharply as firms reduced working hours or shed part of their workforce and the self-employed experienced interruptions to their activity. Some segments of the workforce were affected more than others, as had been evidenced in previous downturns. Still, on aggregate, government support measures have successfully protected household incomes with a positive contribution from net taxes, social contributions and transfers, which went beyond what would have been expected by sole operation of automatic stabilisers alone (e.g. lower direct taxation and unemployment benefits). At its peak in the second quarter of 2020, this support added about three times as much to disposable income growth than in the third quarter of 2009, the worst year of the global financial crisis. As a number of income-support measures gradually unwind, net taxes and transfers are projected to start contributing negatively to disposable income growth this year in several Member States (see Graph I.2.14).

(25) See Battistini, N., and Stoevsky, G. (2021). 'The impact of containment measures across sectors and countries during the COVID-19 pandemic'. ECB *Economic Bulletin* 2, March; and Furceri, D., Ganslmeier, M., Ostry, J.D., and Yang, N. (2021). 'Initial Output Losses from the Covid-19 Pandemic: Robust Determinants'. IMF *Working Paper* 21/18, January.

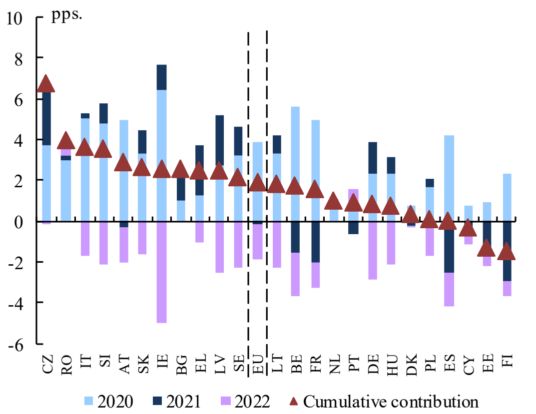
Table I.2.3:

Composition of growth - euro area

(Real annual percentage change)

	2019		2015	2016	2017	2018	2019	2020	2021	2022
								Spring 2021 forecast		
bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption	6,376.5	53.4	1.9	2.0	1.8	1.5	1.3	**-8.0**	**2.7**	**6.0**
Public consumption	2,454.4	20.6	1.3	1.9	1.1	1.2	1.8	**1.3**	**3.8**	**0.6**
Gross fixed capital formation	2,622.9	22.0	4.7	4.0	3.8	3.2	5.7	**-8.2**	**6.7**	**5.3**
Change in stocks as % of GDP	33.9	0.3	0.5	0.4	0.7	0.8	0.3	**-0.2**	**-0.2**	**-0.2**
Exports of goods and services	5,758.9	48.2	6.6	2.9	5.5	3.6	2.5	**-9.3**	**8.7**	**6.5**
Final demand	17,246.7	144.5	3.7	2.6	3.4	2.4	2.1	**-7.3**	**5.4**	**5.2**
Imports of goods and services	5,311.2	44.5	7.7	4.2	5.2	3.7	3.9	**-9.0**	**8.0**	**6.9**
GDP	11,937.3	100.0	2.0	1.9	2.6	1.9	1.3	**-6.6**	**4.3**	**4.4**
GNI	11,992.7	100.5	1.7	2.1	2.7	2.0	1.2	**-6.6**	**4.2**	**4.4**
p.m. GDP EU	14,049.3	117.7	2.3	2.0	2.8	2.1	1.6	**-6.1**	**4.2**	**4.4**
			Contribution to change in GDP							
Private consumption			1.0	1.1	1.0	0.8	0.7	**-4.3**	**1.4**	**3.1**
Public consumption			0.3	0.4	0.2	0.2	0.4	**0.3**	**0.9**	**0.1**
Investment			0.9	0.8	0.8	0.7	1.2	**-1.8**	**1.4**	**1.2**
Inventories			0.0	0.0	0.3	0.1	-0.5	**-0.3**	**0.0**	**0.0**
Exports			3.0	1.4	2.5	1.7	1.2	**-4.5**	**4.0**	**3.1**
Final demand			5.2	3.6	4.8	3.4	3.0	**-10.5**	**7.6**	**7.5**
Imports (minus)			-3.2	-1.8	-2.1	-1.6	-1.7	**4.0**	**-3.3**	**-3.0**
Net exports			-0.2	-0.4	0.4	0.1	-0.5	**-0.5**	**0.6**	**0.1**

Graph I.2.14: **Net taxes, social contributions and transfers, contribution to income**



All in all, household nominal gross disposable income in the EU is projected to grow by around 2.4% in 2021 and 2.7% in 2022, mainly on the back of a strong surge in labour income (see Section 2.4). [26] Last year, households saw a surge in their saving rate which is estimated to have reached an historical high of 19.4% in the EU. After reaching 15.5% in the first quarter (12.2% in 2019-Q4), it rose to 24.0% in the second, before subsiding somewhat to 16.2% in the third and climbing up again in the fourth quarter to 18.9%. While governments provided extraordinary income support, households were limited in their spending opportunities during lockdowns, which points essentially to 'forced' savings during this period. [27] However, a sharp rise in uncertainty and a drop in confidence also hint at the role of precautionary savings, though to a lesser degree during this period.

...though a number of factors restrain the boost to consumer spending...

The increased wedge between private consumption and disposable income growth is expected to close slowly as precautionary savings are projected to unwind very gradually (see Section 1). [28] Furthermore, the impulse to consumption provided by the reopening of a broad spectrum of service activities will be limited by the time dependency of

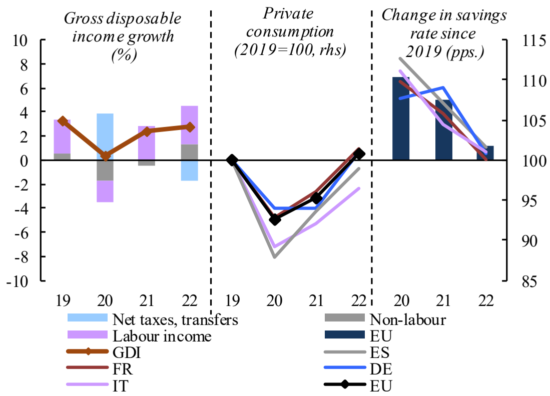
(26) In the same direction, real gross disposable income growth is forecast at 1.1% in 2021 and at 0.8% in 2022 after having declined by 1.7% in 2020.

(27) Administrative restrictions have been estimated to have played a significant role on limiting consumption compared to a more limited role of uncertainty. See Gebauer, S., Ouvrard, J-F., and Thubin C. (2021). 'Uncertainty due to Covid-19 is contributing to French household savings'. *Bloc-notes Éco*, March and Bilbiie, F., Eggertsson, G., Primiceri, G. (2021). 'US 'excess savings' are not excessive'. Voxeu.org, March.

(28) Economic downturns 'scar' consumers in the long run. Consumers who have lived through times of high unemployment remain pessimistic about the future financial situation, spend less in future years, and accumulate more savings. See Malmendier, U. and Sheng Shen, L. (2019). 'Scarred consumption'. Board of Governors of the Federal Reserve System *International Finance Discussion Papers* No. 1259.

service consumption that makes it impossible to fully make up for forgone spending opportunities. Finally, a major uptick in spending on durable consumer goods is unlikely, as consumption of these goods has already recovered swiftly in the second half of 2020. All in all, the household saving rate in the EU is forecast to decline to 17.5% in 2021 and settle at 13.6% in 2022, thus remaining above its pre-crisis (2019) level of 12.5% (see Graph I.2.15). Only in eight out of the 22 Member States for which data are available by institutional sector and for which it is therefore possible to forecast the financial position of households, is the saving rate projected to be lower in 2022 than in 2019.

Graph I.2.15: **Households' income, demand and savings**



After being heavily disrupted by the curtailment of economic and social activity in 2020, consumer spending is poised to return to growth in 2021 and continue growing in 2022. Following a contraction of 7.4% in 2020 [29], private consumption in the EU is forecast to grow by 2.8% this year, and then by 5.9% in 2022, fuelled by firming sentiment and a rise in disposable income.

…as investment embarks on a firm recovery…

After a steep fall in the first half of last year, investment spending experienced a technical rebound in the second half of 2020, supported by a gradual easing of bottlenecks to both supply and demand. The investment-to-GDP ratio [30] remained broadly unchanged, showing the relative resilience of overall investment spending to the fall in activity. [31] A drop in private investment rates was partly compensated by a symmetric rise in public investment, which is in stark contrast to the decline observed during the global financial crisis, in 2009.

A number of forces are set to shape the resurgence of investment over this year and next. First, as idle capacity in capital-intensive sectors diminishes, incentives to invest are set to strengthen. Second, the NGEU/RRF is expected to finance a number of investment projects that will be rolled out with increasing intensity towards the end of the forecast horizon. Third, a decline in uncertainty should allow for both monetary and fiscal policy stimulus to become more effective at supporting businesses. However, the boost to growth from investment is likely to be dampened somewhat by the weaker financial starting point of many firms and a likely increase in corporate insolvencies as support measures are wound back and as new consumption habits and business practices accelerate the downsizing of some sectors. [32] Furthermore, recent surveys point to some reluctance among firms to undertake irreversible investment decisions. [33] All in all, after falling 6.0% in 2020, investment in the EU (excluding Ireland) is forecast to grow by about 6.2% this year and by 5.4% in 2022 (see Graph I.2.16).

Also, construction investment, including for housing, is expected to grow strongly over the forecast horizon, as wealthier households devote some of their accumulated savings to housing

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

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

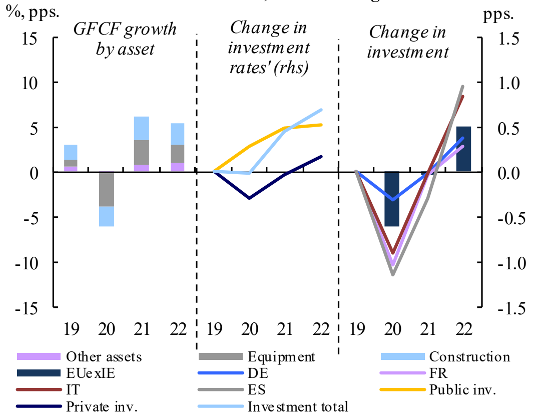
(31) Changes in investment are typically of a magnitude larger than that of value added, a dynamic that is typically referred to as an 'accelerator effect'. This did not hold in 2020. Among possible reasons are the sound balance sheets with which the non-financial sector entered the pandemic, as well as the unobstructed functioning of the credit channel during the crisis. See Le Roux, J, (2021). 'The euro area capital stock since the beginning of the COVID-19 pandemic'. ECB *Economic Bulletin* 2, March.

(32) While public support is estimated to have filled 60 percent of European firms' increased liquidity needs, it has covered only 30 percent of the rise in equity gaps. Ebeke, C.H., Jovanovic, N., Valderrama, L., and Zhou, J. (2021). 'Corporate Liquidity and Solvency in Europe during COVID-19: The Role of Policies', IMF *Working Paper* 21/56, March.

(33) According to the Commission's bi-annual investment survey carried-out in March/April 2021, managers from the manufacturing industry expect investment to increase by 5% in the EU this year. This follows a reported decline by 10% in the previous year. Also, a recent EIB survey, some 45% of European firms expect to reduce investment in 2021, while only 6% intend to increase it. EIB (2021). 'Investment Report 2020/2021: Building a smart and green Europe in the COVID-19 era', January.

projects. The investment-to-GDP ratio for both the public and private sectors are expected to rise above (or to be only slightly shy of) their 2019 levels already this year. In particular, the EU's public investment-to-GDP ratio is forecast to rise to close to 3.5% of GDP in 2022, from 3% in 2019, back to its highest value since 2010. This step-up should help firms to adapt to the changes put in motion by the crisis, in particular with respect to the digital transition [34].

Graph I.2.16: **Investment breakdown and investment rates since 2019, EU excluding IE**

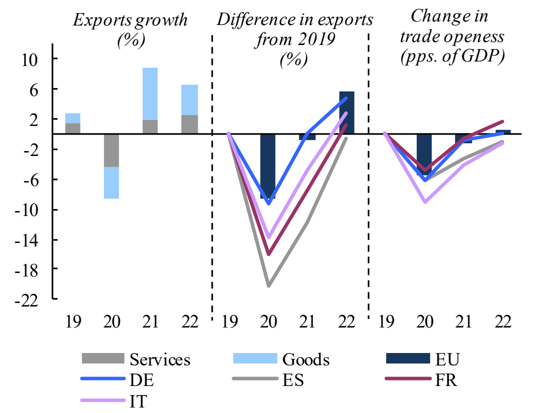


...and external demand adds another boost.

External demand for EU goods and services collapsed last year, with the region's high levels of integration in global value chains amplifying the downswing in global trade. After a trough in the first half of 2020, the revival in demand for trade-intensive capital goods gained traction, helping to make up for most of the lost ground in goods exports. The external demand for services, however, particularly those related to tourism and accommodation, followed a different path, held back by containment measures and constraints to cross-border mobility, which were changed in scope and intensity at different times and in different ways around the world. As a result, EU service exports in the last quarter of 2020 were about 17% lower than in the same quarter of 2019, whereas EU goods exports were almost ½% higher.

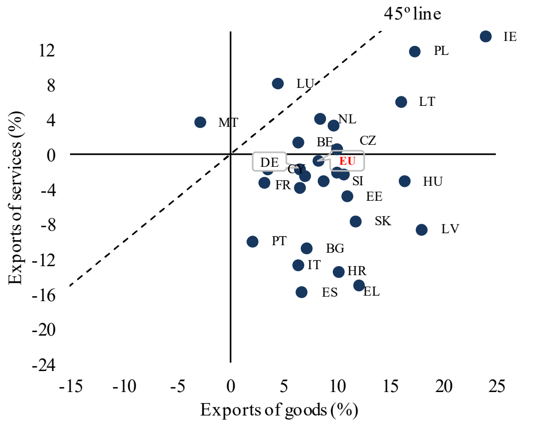
Over the year as a whole, demand from EU export markets plummeted by around 8.8%. Given the EU's geographical orientation and product specialisation, exports of goods and services fell to the same extent, resulting in a broadly unchanged market share.

Graph I.2.17: **Exports and external demand breakdown and trade openess**



With external tailwinds set to strengthen export momentum in the quarters ahead, exports of goods and services in the EU are forecast to grow by around 8.7% this year, and to ease only slightly to about 6.5% in 2022, slightly higher than the growth expected in the EU's export markets (see Graph I.2.17). Still, a faster normalisation in service exports, particularly for trade in hospitality and transportation services, remains contingent upon the progress of vaccination campaigns and the removal of the most significant restrictions to travel. As a result, only nine EU Member States are forecast to see service exports fully returning to 2019 levels at the end of the forecast horizon, while all but one foresee exports of goods to overcome this threshold (see Graph I.2.18).

Graph I.2.18: **Exports growth between 2019 and 2022, goods vs services**



[34] Some estimates show that the pandemic has brought forward the digital transition in Europe by seven years; and that 20% of work hours will move permanently from office to home, leading to new demand patters emerging in the future. A need to reorganise supply chains may also contribute to new investment opportunities. See Lagarde, C. (2021). 'The coronavirus crisis and SMEs'. Speech at the "Jahresimpuls Mittelstand 2021" of Bundesverband Mittelständische Wirtschaft, 1 March.

With imports rising by about 8.1% and 6.8% in 2021 and 2022, respectively, they are set to outpace the growth of final demand, as the recovery will be relatively tilted towards goods with a higher important content than services. As a result, the decline in import penetration, as well as trade openness [35] experienced in 2020, is expected to be reversed (see Graph I.2.17).

2.4. LABOUR MARKET

With the help of substantial policy support, labour market conditions in the EU are slowly improving after the initial hit of the pandemic. Employment increased in the second half of 2020, and unemployment rates decreased from their last year maxima in most Member States. However, labour markets are unlikely to recover fully by the end of the forecast horizon. Both headcount employment and unemployment rates are forecast to fall short of their pre-crisis levels in most Member States. Prospects for labour markets depend on the speed of recovery, the timing of eventual policy support withdrawal, and structural shifts triggered by the crisis.

Labour markets are slowly improving…

Following an unprecedented fall in the first half of last year, total hours worked rebounded strongly along with economic activity in the third quarter of 2020 (see Graph I.2.19). With the tightening of containment measures in November and December 2020, businesses reduced their utilisation of labour somewhat compared to the previous quarter. The gap with the pre-crisis level of hours worked thus widened again slightly to 5.3% in the EU and 6.4% in the euro area.

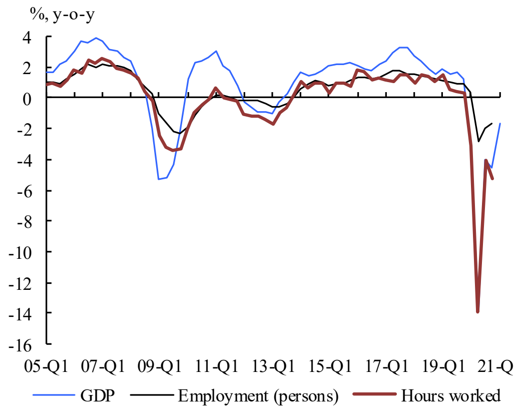
Hours worked increased in all sectors of the economy from the pandemic lows reached in the second quarter of 2020 in the second half of the year, but with important divergences across sectors. Contact-intensive sectors and manufacturing posted the largest losses at the end of 2020. After a strong increase in the third quarter, hours worked in the EU's contact-intensive sectors again lost ground in the last quarter of 2020 and closed the year more than 11% below end-2019 levels. Hours worked in the manufacturing sector were unaffected by the worsening pandemic situation towards the end of 2020 and remained slightly over 5% below their pre-pandemic levels in the fourth quarter.

Headcount employment did not undergo such dramatic changes, thanks to effective policy response such as short-time work schemes. After a decline of about 2.7% in the EU in the second quarter of 2020 compared to the first, employment increased in the two subsequent quarters and closed the year about 1.6% below 2019-Q4 levels. Still, the magnitude of the fall and the subsequent rebound was unprecedented. After a steep initial fall, contact-intensive sectors began rehiring in the second half of the year. Nevertheless, total employment in the sector remained 4% below its pre-pandemic level at the end of last year. Although more benign than in the contact-intensive sectors, employment in manufacturing also recorded a sizeable fall, standing 2.5% below end-2019 levels in the fourth quarter of 2020.

Overall, the European Union lost more than 3 million jobs last year. This is about half a million less than during the global financial crisis in 2009 and despite the fact that the GDP loss last year was significantly greater.

The muted response of headcount employment last year entailed a steep fall in labour productivity per head in most Member States. However, when measured in terms of hours worked, labour productivity strongly rebounded in the last quarter of 2020 and returned to the average annual growth rate observed over the two years before the crisis.

Graph I.2.19: **Employment, hours worked and GDP, EU**



…under the shelter of policy support…

Policy measures taken in all Member States successfully sheltered many employees from losing their jobs and significantly mitigated the

(35) Exports and imports as a share of GDP.

Table I.2.4:

Labour market outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2021 forecast				Autumn 2020 forecast			Spring 2021 forecast				Autumn 2020 forecast		
	2019	2020	2021	2022	2020	2021	2022	2019	2020	2021	2022	2020	2021	2022
Population of working age (15-64)	0.1	**0.2**	**0.2**	**0.1**	*0.1*	*0.1*	*0.1*	0.1	**0.1**	**0.1**	**0.0**	*0.0*	*0.1*	*0.0*
Labour force	0.5	**-1.3**	**0.6**	**0.5**	*-0.9*	*0.9*	*0.4*	0.4	**-1.1**	**0.6**	**0.5**	*-0.8*	*0.7*	*0.4*
Employment	1.2	**-1.6**	**0.0**	**1.2**	*-5.3*	*2.5*	*1.6*	1.0	**-1.5**	**0.0**	**1.0**	*-4.5*	*1.8*	*1.6*
Employment (change in million)	1.9	**-2.6**	**0.0**	**1.8**	*-8.2*	*3.7*	*2.4*	2.1	**-3.1**	**0.1**	**2.2**	*-9.2*	*3.4*	*3.0*
Unemployment (levels in millions)	12.4	**12.7**	**13.8**	**12.9**	*13.8*	*15.6*	*14.8*	14.4	**15.0**	**16.2**	**15.1**	*16.3*	*18.5*	*17.3*
Unemployment rate (% of labour force)	7.5	**7.8**	**8.4**	**7.8**	*8.3*	*9.4*	*8.9*	6.7	**7.1**	**7.6**	**7.0**	*7.7*	*8.6*	*8.0*
Labour productivity, whole economy	0.1	**-3.7**	**3.0**	**3.0**	*-2.7*	*1.6*	*1.3*	0.6	**-3.7**	**3.2**	**3.2**	*-3.0*	*2.3*	*1.4*
Employment rate (a)	62.8	**61.7**	**61.5**	**62.2**	*61.6*	*61.4*	*61.9*	62.2	**61.3**	**61.2**	**61.9**	*61.0*	*60.9*	*61.5*

(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.

impact on income and inequality. Take-up of the support is estimated to have peaked at around 15%[36] of total employment in the euro area in spring last year. With the strong rebound in hours worked, fewer employees were dependent on short-time work schemes in the second half of 2020. The share of jobs reliant on government support is estimated to have fallen to about 5% in the last quarter of 2020. Massive financial support mobilised by Member States has been backed by the EU's Support to mitigate Unemployment Risks in an Emergency (SURE) programme, which is estimated to have supported between 25 and 30 million workers in 19 Member States.[37]

The pandemic is having a disproportionate impact on certain groups of workers. Employees on stable contracts benefited most from policy support, enabling many of them to maintain their employment relationships. By contrast, part-time workers and those on temporary contracts were largely ineligible for support schemes and bore the brunt of the job losses. Their employment rates dropped markedly in the first half of 2020 and barely rebounded in the second. More broadly, workers with lower educational attainment and younger workers have been particularly affected by the crisis.

…making the impact on unemployment rates less visible.

While policy support prevented a massive wave of lay-offs, unemployment rates increased in all Member States during the crisis. After picking up to 7.8% in the EU and 8.7% in the euro area in late summer, unemployment rates decreased somewhat in the autumn. The deteriorating pandemic situation in winter months slowed this trend with eight Member States actually recording an increase in unemployment rates during the 'second wave'. As a result, the unemployment rate stood at 7.3% in the EU and 8.1% in the euro area in March, nearly 1 ppt. above pre-pandemic rates one year ago. The beginning of the pandemic also marked the end of a six years' steady decline in long-term unemployment. In the last quarter of 2020, nearly six million people were reported unemployed for longer than a year in the EU. From an all-time low in the second quarter of 2020, the rate of long-term unemployment thus increased by 0.5pps. to 2.7% of the labour force.

Unemployment rates, however, only partially reflect the increased number of jobs lost, however. The initial stage of the pandemic saw employment rates declining without corresponding increases in unemployment rates (see Graph I.2.20). Many dismissed workers did not qualify as unemployed persons under the definition of the International Labour Organization[38], as restrictions to movement prevented them from actively seeking employment and being available to start working, or due to discouragement. The labour force

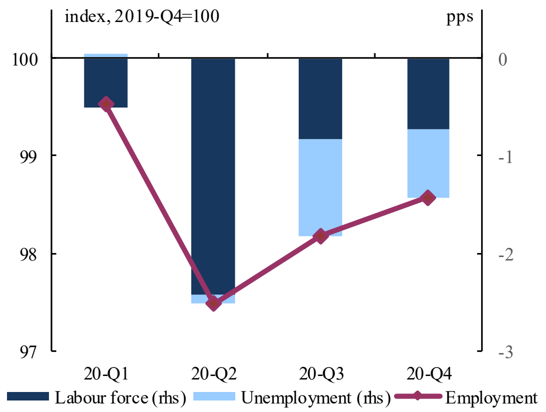
(36) Own calculations based on Eurostat data available at https://ec.europa.eu/eurostat/documents/10760954/11071228/Job_benefiting_from_Covid19_governmental_support_measures.xlsx. Data for Czechia and Romania is not available.

(37) European Commission (2021). 'Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672'.

(38) Following the ILO definition, Eurostat defines unemployed persons as "persons aged 15 to 74 who are without work; are available to start work within the next two weeks; have actively sought employment at some time during the previous four weeks".

contracted, and labour market slack[39] increased substantially more than the unemployment rates. With less stringent restrictions to movement in the summer and the economic rebound, people started returning to the labour force, some of them as unemployed, pushing up unemployment rates to pandemic highs. At the same time, the total labour market slack accumulated since the outbreak of the pandemic exceeded the increase in unemployment rates in both the EU and the euro area in the fourth quarter of 2020.

Graph I.2.20: **Composition of employment changes, EU**



Labour markets remain vulnerable…

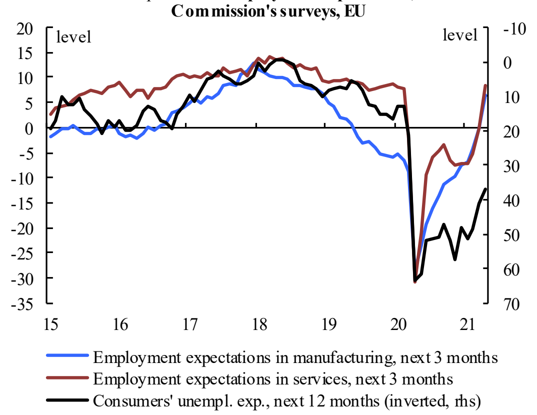
As job retention schemes have kept many workers employed at reduced working hours, labour market prospects strongly depend on the strength of the economic recovery. The timing of policy support withdrawal will also be crucial for a healthy recovery in labour markets. If job retention schemes are withdrawn before a firm recovery takes hold, headcount employment could fall to align with lower hours worked, further increasing unemployment rates. However, should the pandemic permanently affect certain sectors of the economy, maintaining job retention schemes for too long may slow sectoral reallocation of labour towards more productive sectors and slow the economic recovery (see Section 2.3 above).[40]

…but improving confidence brightens the near-term outlook…

Despite many uncertainties, employment expectations improved markedly this year. The employment index of the PMI signalled broad-based growth of employment in March. According to the European Commission's surveys, employment expectations in industry surpassed their long-term average in March and increased further in April (see Graph I.2.21). Employment expectations in services also rebounded strongly recently and returned close to their pre-pandemic levels in April. The overall Employment Expectations Indicator thus exceeded its long-term average for the first time since February 2020, also owing to gains in retail trade and construction sectors.

Unlike businesses, consumers remain more cautious about future labour market prospects in the economy. Despite a sizeable improvement in March and April, consumers' unemployment expectations according to the European Commission's survey remain significantly above their long-term average. This is likely to keep a lid on consumer spending (see Section 2.3 above).

Graph I.2.21: **Employment expectations, Commission's surveys, EU**



…yet a complete recovery is set to take time

Headcount employment is forecast to remain at its 2020 level in both the EU and the euro area this year but eight Member States are expected to lose further jobs. Next year, employment is forecast to increase in all Member States at an aggregate rate of 1% in the EU and 1.2% in the euro area. The pace of job creation is set to differ across the EU. Member States experiencing more significant job losses over the period 2020-2021 are forecast to rebound more strongly in 2022 reducing somewhat cross-country dispersion in labour markets. The

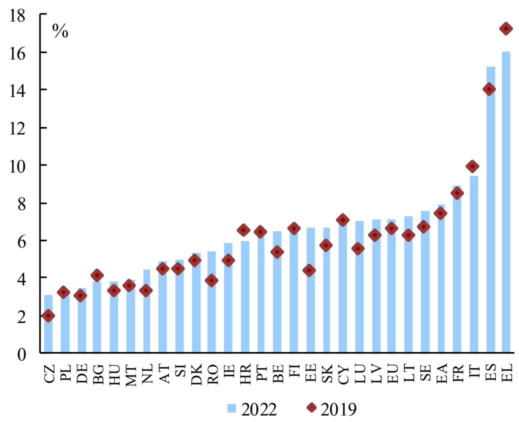
(39) According to Eurostat's definition, labour market slack is the sum of unemployed persons, underemployed part-time workers, persons seeking work but not immediately available and persons available to work but not seeking, expressed as a percentage of the extended labour force, which adds up the aforementioned sum and the employed persons.

(40) Eyméoud, J.B., Petrosky-Nadeau, N., Santaeulàlia-Llopis, R., Wasmer, E. (2021). 'Contrasting U.S. and European Job Markets during COVID-19', *FRBSF Economic Letter*, 2021-05.

relatively slow pace employment growth compared to GDP implies that hours worked recover faster than headcount employment, as workers exit from short-time work schemes over the forecast horizon. Still, unlike GDP, employment in 2022 should remain below 2019 levels in almost half of Member States. The economies of Member States are forecast to grow out of the crisis with productivity gains. Labour productivity per person is expected to rebound strongly over the forecast horizon in most Member States.

The expected gradual return of dismissed workers to the labour force will contribute to rising unemployment rates, which are forecast to reach 7.6% and 8.4% in the EU and the euro area, respectively. The situation will vary across countries though with unemployment rates expected to start decreasing in nine Member States already this year. Next year, unemployment rates are forecast to decline in all but one Member State. Nevertheless, unemployment rates are only expected to fall below 2019 levels in three Member States (see Graph I.2.22). Overall, the unemployment rate is forecast to decrease to 7% in the EU, slightly below its 2020 level, and to match its 2020 rate of 7.8% in the euro area.

Graph I.2.22: **Unemployment rates**

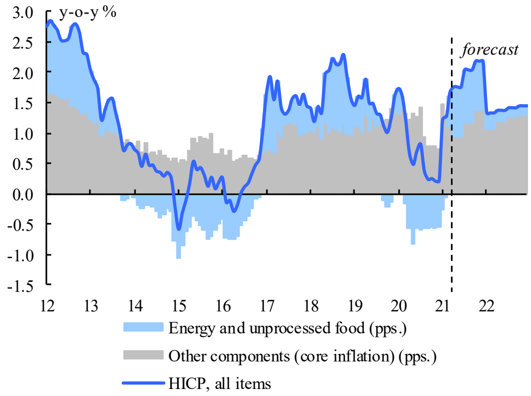


2.5. INFLATION

Headline inflation jumps in early 2021 on weight changes and other, largely temporary, factors.

Headline inflation increased sharply in early 2021, reflecting rising energy prices and a host of temporary factors, including the impact of the annual update of the consumption basket weights (see Box I.2.2). Annual HICP inflation in the euro area rose from a stable -0.3% between September and December 2020 to 1% in the first quarter and 1.6% in April (flash estimate). In the EU, the y-o-y HICP inflation jumped from 0.2-0.3% (September to December 2020) to 1.4% on average in the first quarter.

Graph I.2.23: **Inflation breakdown, EU**



Inflation dispersion across EU Member States remained high in early 2021, even if it moderated slightly from the peak in the second quarter of 2020[41]. This dispersion largely reflected the different contributions from items strongly affected by the pandemic, such as transport, housing, fuel and food (due to different weight structures), as well as differences in the timing and strength of the successive waves of the pandemic (and ensuing lockdowns). It is therefore a priori not indicative of a structural change in inflation dispersion.

Inflation rises across the board except for food

The acceleration in headline inflation in the euro area in early 2021 was broad based across all the main categories, except for food. Annual core inflation in the euro area (headline inflation excluding energy and unprocessed foods) rose a full percentage point at the turn of the year, from 0.4% in the last four months of 2020 to 1.4% in January, to moderate gradually to 0.8% in April (flash estimate). This reflected an increase in inflation for services and non-energy industrial goods, on the back of a combination of higher indirect taxes and shifts in the timing of winter sales in some Member States.

The energy component of the HICP has been on the rise since late 2020, reflecting a near-doubling

[41] The 2020 peak was, however, still well below the levels of dispersion observed during the Great Recession

Table I.2.5:

Inflation outlook - euro area and EU

(Annual percentage change)	Euro area							EU						
	Spring 2021 forecast				*Autumn 2020 forecast*			Spring 2021 forecast				*Autumn 2020 forecast*		
	2019	2020	2021	2022	2020	2021	2022	2019	2020	2021	2022	2020	2021	2022
Private consumption deflator	1.1	**0.5**	**1.6**	**1.3**	*0.5*	*1.2*	*1.3*	1.3	**0.7**	**1.8**	**1.5**	*0.8*	*1.3*	*1.5*
GDP deflator	1.7	**1.5**	**1.2**	**1.4**	*2.0*	*1.1*	*1.3*	1.9	**1.8**	**1.4**	**1.5**	*2.0*	*1.2*	*1.5*
HICP	1.2	**0.3**	**1.7**	**1.3**	*0.3*	*1.1*	*1.3*	1.4	**0.7**	**1.9**	**1.5**	*0.7*	*1.3*	*1.5*
Compensation per employee	2.0	**0.6**	**2.2**	**2.4**	*1.4*	*1.2*	*1.4*	2.5	**0.9**	**2.5**	**2.7**	*1.3*	*1.7*	*1.6*
Unit labour costs	1.9	**4.4**	**-0.7**	**-0.6**	*4.2*	*-0.5*	*0.0*	2.1	**4.7**	**-0.7**	**-0.5**	*4.5*	*-0.6*	*0.2*
Import prices of goods	-0.5	**-3.8**	**3.0**	**1.1**	*-3.7*	*0.4*	*1.1*	-0.2	**-3.4**	**2.8**	**1.3**	*-3.2*	*0.4*	*1.0*

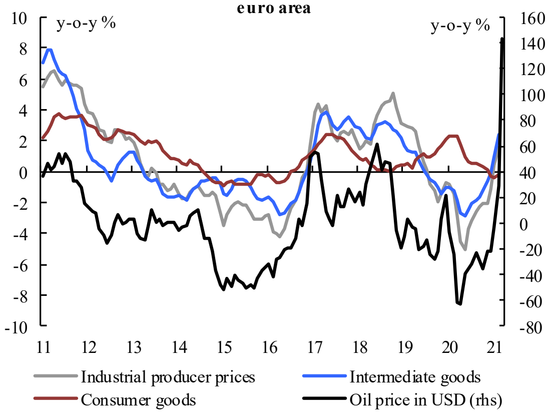
in oil prices between November 2020 and March 2021, as well as the introduction of a carbon surcharge in Germany in January. Boosted by sizeable base effects from the collapse in early 2020, energy price inflation in the euro area rose from -8.3% y-o-y in November to +4.3% in March and 10.3% in April (flash estimate), marking the first positive y-o-y readings since January 2020.

Services inflation jumped in January 2021 to 1.4% y-o-y (from 0.6% in 2020-Q4), remained little changed in February and March and decelerated to 0.9% in April (flash estimate). The rise in January was driven by the acceleration in inflation across a broad range of categories (communication, transport, recreation and culture incl. package holidays), and reinforced by strong base effects and shifts in the weights of individual service categories [42].

Non-energy industrial goods inflation jumped from -0.3% y-o-y in 2020-Q4 to 1.5% in January, likewise reflecting the postponement of the sales period, weight changes and the reversal of VAT changes. However, as the impact of the sales period shifts wore off in the course of the quarter, inflation in this category moderated to 0.3% and 0.5% in March and April (flash estimate), respectively.

Finally, food price inflation decelerated somewhat in early 2021, driven by unprocessed foods, and against largely stable inflation in processed foods, including alcohol and tobacco.

Graph I.2.24: **Oil price and selected producer price indices, euro area**



Impact of higher transport costs likely to be temporary

The recent rise in transport (shipping) costs reflects a combination of a robust recovery in merchandise trade volumes and bottlenecks in the container shipping industry that appear severe, but are expected to be temporary. These constraints were further exacerbated by the holiday season in China (lunar year celebrations in February), and the recent blockage of the Suez Canal that caused delays and disruptions across a number of global value chains. A severe shortage of semiconductors adds to these constraints, aggravating disruptions across many sectors, including consumer durables ranging from automobiles to electronics and household appliances. The surge in transport costs combined with a marked increase in other input and commodity prices, sent the input price index of the euro area Manufacturing PMI soaring to 82 in April, a 10-year high. These trends are confirmed by the Commission's business surveys which in recent months reported sustained increases in selling price expectations to values well above long-term averages (for services and, particularly, manufacturing, but also retail trade and construction).

[42] The analysis by the ECB indicates that the weights' change added around 0.5pp. to services price inflation between December 2020 and January 2021. Respective mark-ups are around 0.25pp. for non-energy industrial goods and around 0 for food. *ECB Economic Bulletin* 2/2021, March.

While these developments raise concerns about the emergence of cost-push inflation, the surge in transport costs is expected to be largely transitory, and should normalise by the second half of 2021, as the supply of shipping containers is stepped up and the impact of other disruptions wears off gradually. Future contracts also suggest a levelling-off of oil and other commodity prices, following the rally in recent months. Moreover, given the low share of commodity and transport costs in the price of final products and the fact that only some industries (e.g. manufactured goods) are affected, the pass-through to consumer price inflation is expected to be limited and rather short-lived. Confirming this, upward trends in industrial producer price and intermediate goods inflation have so far failed to translate into a discernible acceleration in consumer goods prices (see Graph I.2.24 and Table I.2.5).

Demand pressures set to gain strength gradually, but to remain muted overall

Following a sharp deceleration in 2020, underlying price pressures are expected to gain strength over the course of the forecast horizon as the recovery strengthens, supported by accommodative fiscal and monetary policies. These pressures, however, are set to be held back by the remaining slack in the labour market and the persisting output gaps. The dynamics of compensation per employee and unit labour costs are set to remain heavily distorted by government support schemes in 2020 and 2021, (see Table I.2.5). Nevertheless, on balance, the outlook for both indicators appears consistent with only subdued inflationary pressures in the forecast horizon.

Quarterly inflation highly volatile on the back of energy prices and base effects…

The quarterly profile of headline inflation is set to be volatile and shaped largely by the dynamics of past (base effects) and projected energy prices (see Graph I.2.23). Headline inflation in the euro area is expected to climb over the course of 2021, from 1.1% y-o-y in the first quarter to 1.6% in the second, and then further up to around 2% in the third and fourth quarters. This acceleration is set to be driven largely by strong positive base effects related to energy price changes (second quarter), and VAT cuts in several Member States in 2020 (third quarter). As the impact of these effects wears off, headline inflation is expected to decline in early 2022 (to 1.2% in 2022-Q1), dragged down further by negative base effects reversing this year's exceptionally high inflation in the first quarter. Further ahead, inflation is set to pick up somewhat over the course of the year (to 1.3% in the second half of 2022) driven by firming core price pressures, against the background of declining contribution from unprocessed food and energy prices.

…while annual inflation is set to peak in 2021 before moderating back in 2022.

Overall, headline inflation in the euro area is expected to increase from 0.3% y-o-y in 2020 to 1.7% y-o-y in 2021, and to moderate subsequently to 1.3% in 2022. The forecast for 2021 has been revised up compared to the Winter Forecast (by 0.3pps.) due to higher oil prices, and the stronger demand recovery expected in the second half of 2021. The forecast for 2022 has been left unchanged.

For the EU as a whole, HICP inflation is expected to rise from 0.7% y-o-y in 2020 to 1.9% in 2021 (up by 0.4pps. compared to the Winter Forecast), before moderating to 1.5% in 2022 (unchanged from the Winter Forecast).

Cross-country dispersion in headline inflation within the EU is expected to narrow in the course of the forecast horizon, reflecting the gradual waning of pandemic-specific drivers responsible for the earlier widening in dispersion. Non-euro-area countries are expected to post the highest inflation rates (Hungary, Poland and Romania).

Market-based medium and longer-term inflation expectations continued their upward trend, reflecting improvements in global risk sentiment attributable to the vaccination programmes and enhanced policy stimulus. In mid-April, the longer-term (5y-5y) expectations have surpassed the level of 1.50%, last seen in the first quarter of 2019. Likewise, the mean market forecast calculated by Consensus Economics has been rising since January, hitting 1.6% and 1.3% for euro area inflation in 2021 and 2022, respectively. The ECB's second quarter Survey of Professional Forecasters also indicated an upward revision of inflation expectations in the euro area for 2021 to 1.6% (from 0.9% previously) and unchanged figures of 1.3% for 2022 and 1.7% in the long-term (for 2025).

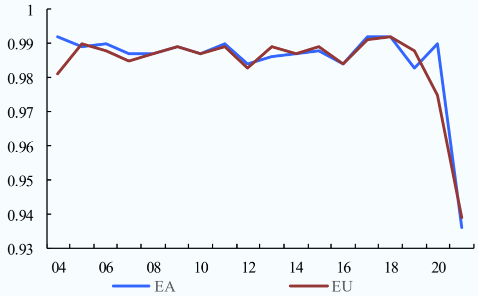
Box I.2.2: The pandemic and inflation: technical factors driving volatility

Substantial changes to consumption patterns and the strong economic policy response triggered by the pandemic have affected individual and aggregate prices through multiple channels. While policy-makers are primarily interested in the 'fundamental' drivers of inflation, temporary factors can cause volatility in inflation. This box reviews some of the 'technical factors' that have affected recent inflation readings across the EU and that are set to continue playing a prominent role in the near term.

Changes in the composition of the HICP basket

The weights used to calculate the Harmonised Index of Consumer Prices (HICP) are proportional to the expenditure shares of different products and services in the consumption basket of a representative household. They are updated at the start of each year, based on observed consumption patterns. [1] The consistency of consumption behaviour implies that annual updates of weights are typically minor (Graph 1).

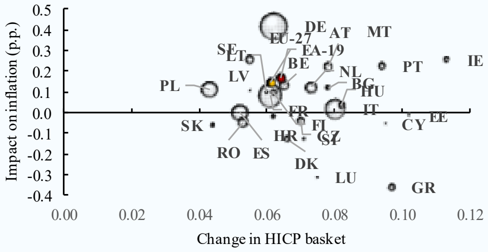
Graph 1: **Year-on-year similarity of the HICP basket**



Note: Year-on-year similarity is defined as $SIM_t = \sum_i \min(w_{i,t-1}, w_{i,t})$, where w is the share of a given item in the HICP basket in year t. Similarity is hence bounded between 0 and 1 (identical).

During the pandemic, certain markets, notably services, closed down partially or fully, or were avoided by consumers for fear of infection. While the consumption share of the affected items, such as restaurants, culture, package holidays, inevitably dropped, they nonetheless retained their weight in the inflation basket throughout 2020. Derogating from the standard practice set out in the HICP Regulation, the 2021 HICP weighting scheme reflects the consumption profile of 2020, rather than of 2019. The current HICP weights are thus more representative of consumption patterns in times of restrictions to the consumption of services.[2] Predictably, the changes in weights between 2020 and 2021 were exceptionally large (Graph 2), both at the aggregate level and in individual Member States.

Graph 2: **Impact of weights change on inflation, Q1- 2021**



Note: The graph plots the change in HICP baskets $(1 - SIM_t)$ against the difference in headline inflation calculated with actual (2021) and counterfactual (2020) weights (3-digit COICOP level). The size of the bubbles corresponds to the country weight in the EU HICP *aggregate*.

Annual headline inflation captures both changes in prices of the individual items included in the consumption basket, as well as changes in their weights. Revisions to weighting schemes thus have the *potential* to leave their mark on inflation readings, even if the sign and size of the impact on inflation is *a priori* unknown. For the euro area and the EU, the 2021 update of HICP weights added between 0.1 and 0.2 pps. to annual inflation in the first quarter (on average). As illustrated in Graph 2, while the change in weights has been substantial for all Member States, the impact on inflation in the first quarter of 2021 has been uneven. It has been positive and large in some Member States (e.g. Germany), and negative in others (e.g. Greece). Meanwhile, in some Member States (e.g. Estonia, Italy and Spain), there has been almost no impact on headline inflation, despite large changes in the inflation basket.

As markets progressively reopen, consumption patterns are likely to revert towards pre-Covid-19 ones, even if not necessarily fully. Future updates of HICP weights are thus likely to be substantial, with the potential to significantly affect inflation readings again.

(1) The HICP is an annually chained Laspeyres-type index. In accordance with the HICP Regulation (Regulation (EU) 2016/792), the annual update of HICP weights is based on national account data from two years earlier (t–2).

(2) The calculation of the 2021 weights exceptionally took into account preliminary national accounts data of 2020 and other sources (Implementing Regulation (EU) 2020/1148).

(Continued on the next page)

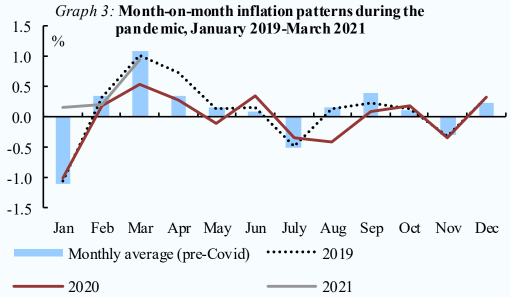
Box (continued)

Strong base effects

Pandemic-related price disruptions had an immediate effect on annual inflation and will significantly shape the inflation profile for the remainder of 2021 and early 2022 via so-called base effects.

Many HICP items exhibit a strong seasonal profile, notably stemming from traditional sales periods (e.g. clothing) and the holiday calendar (e.g. international flights, package holidays or accommodation). This results in a distinct month-on-month profile for the overall HICP reading too. As illustrated in Graph 3, the shape of the euro area month-on-month inflation profile in the run-up to the pandemic (January 2019 to February 2020) was very close to long-term monthly averages. Since the outbreak of the pandemic, it has deviated significantly in many months. For example, month-on-month inflation in January 2021 was substantially higher than the pre-Covid average.

Graph 3: **Month-on-month inflation patterns during the pandemic, January 2019-March 2021**

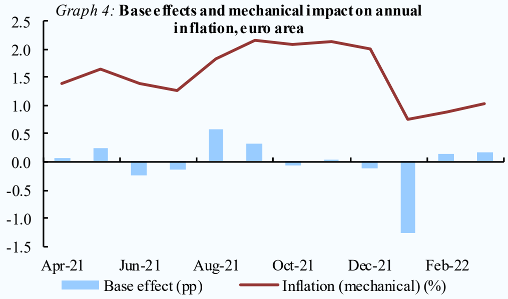


Note: The bars correspond to average month-on-month inflation calculated over the period January 2012-February 2020 (e.g. the January bar corresponds to the average of all January inflation rates observed over 2012–2020). The dotted lines represent pre-Covid observations.

The observed deviations can be explained by different factors. First, the collapse in demand has had a substantial downward effect on certain prices, notably oil prices, which dragged down the month-on-month inflation path in spring 2020. A second explanatory factor is the temporary reduction in value added tax (VAT) in Germany between July and December 2020.[3] This lowered consumer prices at the beginning of the second half of 2020 and conversely accounted for a large part of the jump in euro area annual inflation in January 2021 (about 0.4–0.5 p.p.). Third, in many Member States both the 2020 summer sales and the 2021 winter sales were cancelled or postponed due to Covid-19 related restrictions, which has been visible in categories like clothing, footwear and consumption goods. These changes to the timing of sales have added to volatility in headline inflation.

Decomposing month-on-month inflation into its seasonal average and the deviation from it provides a sense of the 'strength' of the base effect over the year ahead (see Graph 4). Where month-on-month inflation in a given month of 2020 was below its monthly average, a positive base effect in the corresponding month of 2021 will have an upward impact on annual inflation. Base effects will be particularly strong in the second half of the year. Conversely, the unusually high month-on-month inflation seen in January 2021 will generate a strong negative base effect in January 2022.

Graph 4: **Base effects and mechanical impact on annual inflation, euro area**



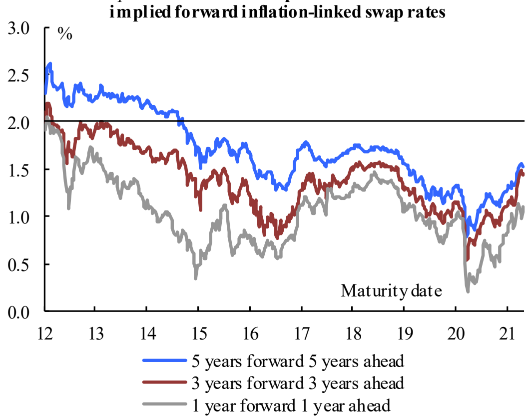
Note: The base effect corresponds to the inverse of the deviation of month-on-month inflation from the its seasonal average (Jan 2012–Feb 2020), 12 months earlier. The line shows the mechanically implied inflation rate obtained by cumulating the base effects over the next 12 months.

Another consequence of the lockdowns is that some items were no longer transacted, while obstacles to physical price collection emerged for others. In order to ensure the continued compilation of the HICP, the prices of these items have been imputed by national statistical institutes (NSIs).[4] Imputation has been more prevalent for certain items, notably services, and varied across Member States. The imputation share generally declined between the first and second wave of the pandemic.

(3) A number of Member States lowered VAT rates during the pandemic, albeit with a less visible effect on aggregate inflation.

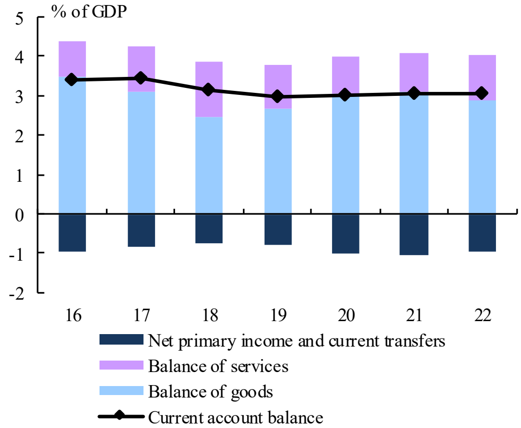
(4) In the EU, price collection and imputation in the Covid-19 context follow common principles developed by Eurostat and NSIs. To ensure full transparency, NSIs are required to flag sub-indices with 'low reliability'. For an overview, see Lamboray, C., Evangelista, R., Konijn, P., 2020, 'Measuring inflation in the EU in times of COVID-19', *Eurostat Review on National Accounts and Macroeconomic Indicators,* Eurostat, December.

Graph I.2.25: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

Graph I.2.26: **Current-account balance, EU**



2.6. CURRENT ACCOUNT

EU current account to remain stable over the forecast horizon

The surplus of the current account is expected to remain stable over the forecast horizon at around 3.0% of GDP for both the EU and the euro area. This stability masks largely offsetting trends for its components. First, a sharper contraction in the EU's domestic demand compared to that of its export markets, amid improved terms of trade, led to an increase in the EU merchandise trade surplus, from 2.7% of GDP in 2019 to 3.1% in 2020. This surplus is expected to be sustained in 2021 (3.1% of GDP) before moderating somewhat in 2022 (2.9% of GDP), in line with the firming of EU import demand relative to its trading partners. Second, the pandemic-driven collapse in travel weighed on services exports in a number of EU economies with large tourism sectors, leading to a narrowing of the EU services trade surplus from 1.1% of GDP in 2019 to 0.9% of GDP in 2020. Going forward, the gradual recovery in tourism and transport services over the forecast horizon, combined with a more modest rebound in services imports, is predicted to raise the services trade surplus, bringing it back to the pre-pandemic level of 1.1% of GDP in 2022. Likewise, following the widening to -1.3% of GDP in 2020 (from -1.1% in 2019) the joint deficit of primary income and current transfers is expected to narrow gradually back to -1.1% of GDP in 2022.

From a flow of funds perspective, the stability in the current account balance in 2020 concealed massive changes in the net lending position of households, non-financial corporations and the public sector. While government support measures and the operation of automatic stabilisers have sharply increased public sector's net borrowing, households have raised their savings ratios significantly, thereby increasing their net lender position. Simultaneously, the net lending position of non-financial corporations also rose significantly, largely reflecting the collapse in investment in 2020. As a result, the EU remained, and is forecast to remain, a net lender vis-à-vis the rest of the world. Going forward, the largely unchanged current account surplus in 2021 and 2022 is set to reflect opposing trends in the net lending/borrowing position of the private sectors (expected to decline) and the general government (expected to rise).

Current account developments are set to remain heterogeneous across EU Member States. Several surplus countries are expected to see their balances increase over the forecast horizon, most notably the Netherlands, Luxembourg and Finland, but also Bulgaria, Denmark and Sweden outside the euro area. Working in the same direction, some deficit countries are set to see their deficits narrow (e.g. France, Greece, Portugal, Slovakia). By contrast, surpluses are expected to narrow in e.g. Germany, Ireland, Italy, Slovenia and Poland or turn into deficits in e.g. Belgium, Latvia, Czechia.

Table I.2.6:

General Government budgetary position - euro area and EU

(% of GDP)	Euro area							EU						
	Spring 2021 forecast				*Autumn 2020 forecast*			Spring 2021 forecast				*Autumn 2020 forecast*		
	2019	2020	2021	2022	2020	2021	2022	2019	2020	2021	2022	2020	2021	2022
Total receipts (1)	46.4	**46.8**	**46.2**	**45.8**	*46.5*	*46.0*	*45.8*	46.1	**46.5**	**45.9**	**45.5**	*46.2*	*45.7*	*45.4*
Total expenditure (2)	47.0	**54.1**	**54.2**	**49.6**	*55.2*	*52.4*	*50.5*	46.6	**53.4**	**53.4**	**49.1**	*54.6*	*51.8*	*50.0*
Actual balance (3) = (1)-(2)	-0.6	**-7.2**	**-8.0**	**-3.8**	*-8.8*	*-6.4*	*-4.7*	-0.5	**-6.9**	**-7.5**	**-3.7**	*-8.4*	*-6.1*	*-4.5*
Interest expenditure (4)	1.6	**1.5**	**1.4**	**1.3**	*1.6*	*1.4*	*1.3*	1.5	**1.4**	**1.3**	**1.2**	*1.5*	*1.4*	*1.3*
Primary balance (5) = (3)+(4)	1.0	**-5.7**	**-6.6**	**-2.6**	*-7.2*	*-5.0*	*-3.4*	1.0	**-5.5**	**-6.1**	**-2.4**	*-6.9*	*-4.8*	*-3.3*
Cyclically-adjusted budget balance (a)	-1.3	**-3.7**	**-6.2**	**-3.6**	*-4.8*	*-4.3*	*-3.6*	-1.3	**-3.7**	**-5.8**	**-3.5**	*-4.8*	*-4.1*	*-3.5*
Cyclically-adjusted primary balance (a)	0.3	**-2.2**	**-4.8**	**-2.4**	*-3.2*	*-2.9*	*-2.3*	0.3	**-2.3**	**-4.4**	**-2.2**	*-3.3*	*-2.8*	*-2.2*
Structural budget balance (a)	-1.2	**-3.6**	**-6.2**	**-3.7**	*-4.8*	*-4.3*	*-3.7*	-1.1	**-3.6**	**-5.8**	**-3.4**	*-4.8*	*-4.2*	*-3.5*
Change in structural budget balance (a)	-0.2	**-2.5**	**-2.6**	**2.6**	*-3.5*	*0.5*	*0.7*	-0.2	**-2.5**	**-2.2**	**2.4**	*-3.5*	*0.6*	*0.6*
Gross debt	85.8	**100.0**	**102.4**	**100.8**	*101.7*	*102.3*	*102.6*	79.2	**92.4**	**94.4**	**92.9**	*93.9*	*94.6*	*94.9*

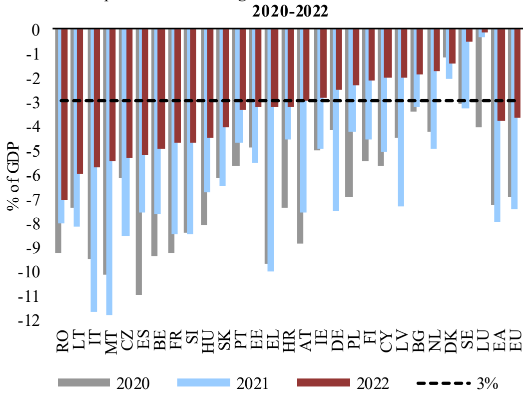
(a) as a % of potential output. The structural budget balance is the cyclically-adjusted budget balance net of one-off and other temporary measures estimated by the European Commission.

2.7. PUBLIC FINANCES AND POLICY STANCE

Public deficits increased sharply in 2020

Starting from historically low levels in 2019 (about ½% of GDP), the aggregate general government deficits of the EU and the euro area (Graph I.2.27) jumped up in 2020 to around 7% of GDP. The sizeable fiscal response put in place to cushion households, workers and firms hit by the COVID-19 crisis explains nearly half of the increase. The other half reflects the workings of automatic stabilisers. The swift activation at the EU level of the 'general escape clause' of the Stability and Growth Pact in March 2020 allowed Member States to undertake measures to deal adequately with the crisis, while departing from the budgetary requirements that would normally apply under the European fiscal framework.(43)

Graph I.2.27: **General government balance in EU countries: 2020-2022**



(43) The fiscal recommendations decided over the summer of 2020 were of a qualitative nature.

The COVID-19 pandemic still dominates the public finances in 2021…

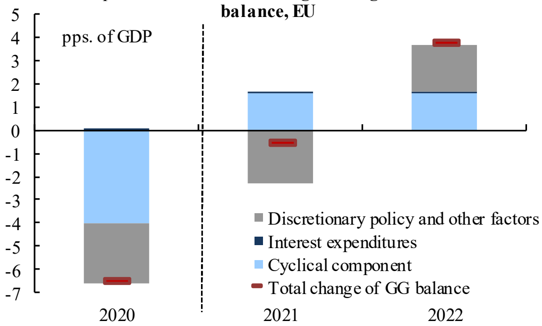
The general government deficit is set to increase further in 2021 (by around ½ and ¾ a percentage point of GDP for the EU and the euro area, respectively), despite the positive impact on the budget balance from automatic stabilisers as economic activity recovers (Graph I.2.27). The increase in the deficit is mainly due to the adoption of new or extended emergency support measures in response to the need for new restrictions to economic activity in the first part of the year.

…and delays to 2022 the projected deficit reduction.

In 2022, the budget deficit is forecast to halve to around 3¾% of GDP in both the EU and the euro area. The operation of automatic stabilisers, as the economic recovery continues, and the unwinding of much of the discretionary policy support activated to combat the effects of the crisis are both forecast to drive the increase in the budget balance in 2022 (Graph I.2.28).

All Member States except Denmark recorded deficits of over 3% of GDP in 2020, with seven Member States (Belgium, Greece, Spain, France Italy, Malta, and Romania) recording deficits of more than 9% of GDP. In 2021, only two countries (Denmark and Luxembourg) are projected to run a deficit of less than 3% of GDP, while Italy and Malta are forecast to show the highest deficit ratios of almost 12%. In 2022, more than half of the Member States are forecast to register a deficit greater than 3% of GDP, with Romania projected to record the highest ratio, at around 7% (Graph I.2.27).

Graph I.2.28: **Drivers of change of the government balance, EU**



Note: 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.

The change in the expenditure-to-GDP ratio is set to be the main factor behind the deficit dynamics

In 2021 and 2022, developments in the general government balance are set to be driven predominantly by the change in the expenditure-to-GDP ratio, which is in turn affected by the emergency measures and spending from RRF grants, and the 'denominator effect' from the changes in nominal GDP. The expenditure ratio is expected to remain broadly stable in 2021, at a record high level of over 53% in the EU, and to decline in 2022 by 4¼% of GDP. At the same time, the revenue ratio is projected to decline by 1 pp. between 2020 and 2022.

The expenditure and revenue projections in this forecast incorporate the implementation of the national Recovery and Resilience Plans, as explained in Box I.2.3. Investment and other expenditure financed by RRF grants - which, per se, do not show up in the general government balance in conformity with the budget neutrality principle applying to EU-funded expenditure - is projected to kick off this year, providing support to the economic recovery.

The debt ratio is set to peak in 2021

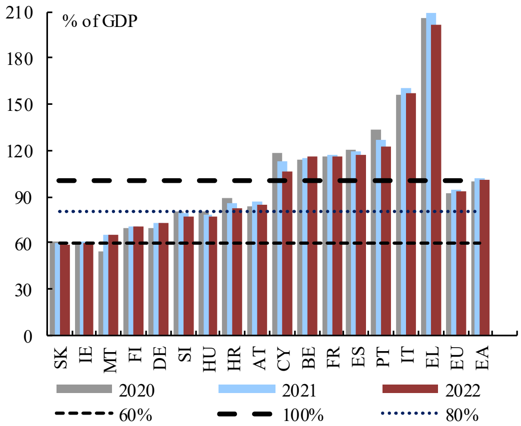
In 2020, the aggregate debt-to-GDP ratios of the EU and the euro area rose by over 13 pps., reaching around 92% and 100%, respectively (Graph I.2.29). More than half of the Member States recorded debt ratios greater than 60% of GDP. The debt ratio ranged between 80% and 90% in four countries (Croatia, Hungary, Austria and Slovenia) and was above 100% in seven countries (Belgium, Spain, France, Italy, Cyprus and Portugal); in Greece, it rose above 200%.

In 2021, debt-to-GDP ratios are projected to rise further, reaching a new peak of around 95% and 102% in the EU and the euro area, respectively, before decreasing slightly in 2022. The debt-to-GDP ratio is expected to remain over 100% in seven Member States (Belgium, Greece, Spain, France, Italy, Cyprus and Portugal), up from three Member States at the end of 2019.

EU fiscal stance in 2021 will continue to be supportive…

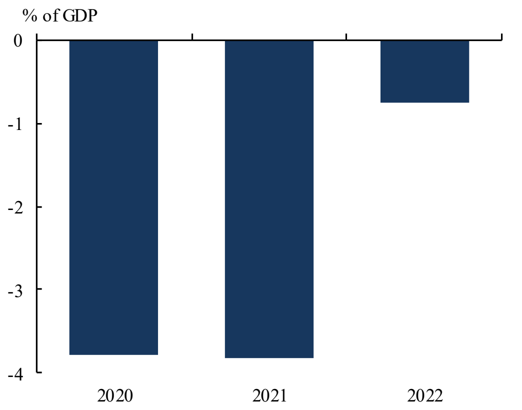
The magnitude of COVID-19-related emergency measures is sizeable, at an estimated 4% of GDP in both 2020 and 2021 in the EU as a whole (Graph I.2.30). This includes emergency spending on health-care to address COVID-19, and other measures like transfers to firms and workers most hit by the crisis.

Graph I.2.29: **General government debt developments**



As the public health situation normalises and restrictions affecting economic activity are lifted, governments should be able to start phasing out their emergency support measures. Remaining emergency measures in 2022 are expected to amount to around 1% of GDP in the EU as a whole. In this context, the phasing out of emergency measures drives the EU 'fiscal stance', as measured by the standard indicators. This blurs the reading of the underlying fiscal policy stance, as by their temporary nature, the phasing out of those measures should not be considered as restrictive fiscal policy. Without considering the phasing out of emergency temporary measures, the underlying fiscal stance for the EU is expected to be slightly expansionary in 2022, also thanks to the fiscal support from the expected acceleration in spending financed by RRF grants (Graph I.2.31).(44)

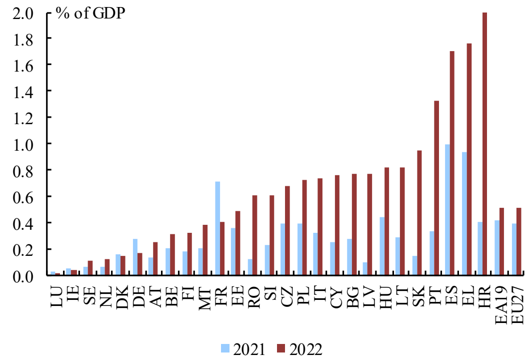
Graph I.2.30: **Covid-19 related emergency measures in the EU, direct impact on the deficit level**



...complemented by the accommodative monetary policy stance

Since the COVID-19 crisis outbreak, fiscal and monetary policies have been complementing and reinforcing each other over the forecast horizon. Unprecedented action at both national and EU level has provided support to workers, firms and Member States. Monetary policy measures since the onset of the crisis have helped maintain easy monetary and financing conditions (see section 2.2). By preserving financial stability, they have also contributed to a more effective transmission of fiscal policy to the economy. Government interventions across the EU have also reduced the risk of a severe impairment of the transmission of monetary policy. In particular, income and liquidity support measures, including public guarantees for loans, have facilitated the continued provision of credit to the economy by the banking sector.

Graph I.2.31: **Expenditure and other costs financed by RRF grants as incorporated in the forecast**



(44) With the RRF coming on stream, the usual indicators normally used in fiscal surveillance will underestimate the fiscal impulse being provided to the economy. Expenditure financed by grants from the RRF represents a fiscal impulse that will not translate into a higher deficit or debt. The fiscal stance base on the Discretionary Fiscal Effort, which is has been used in past forecast rounds, considers also the fiscal impulse from the EU budget. For further details on the methodology to compile the discretionary fiscal effort, see Carnot, N. and F. de Castro (2015). 'The Discretionary Fiscal Effort: an Assessment of Fiscal Policy and its Output Effect'. European Commission, *Economic Papers 543* (February 2015).

Box I.2.3: The incorporation of the Recovery and Resilience Facility in the forecast

Following the entry into force of the Recovery and Resilience Facility (RRF) regulation on 19 February 2021, Member States have submitted, or are preparing to submit, their draft Recovery and Resilience Plans (RRPs) to the Commission. The spring forecast therefore includes the draft RRPs in its budgetary and economic projections. However, at the cut-off date for the forecast, details of some plans were still under discussion in a number of Member States. The following working assumptions have therefore been used for the inclusion of the RRF in the forecast:

- As regards the time profile of expenditure to be financed by the facility [1]: by default the forecast assumes linear absorption of the full RRF grant allocation over the RRF lifetime, starting from the second half of 2021 and ending in 2026. This results in an absorption of 1/11th of the entire RRF grant allocation in 2021 and 2/11th in 2022.

- As regards the composition of expenditure, by default the forecast assumes it to be split between gross fixed capital formation (i.e. public investment) and capital transfers (which would predominantly support private investment).

- The above assumptions only cover the absorption of the grant allocation of the RRF.

For countries where there was sufficiently detailed and credible information available on the (draft) RRPs at the cut-off date of the forecast, the forecast deviates from the default assumptions. In some cases, information on the RRPs has also been derived from the Stability and Convergence Programmes.

The statistical recording of transactions related to the RRF in the forecast follows the guidance from the 17 November 2020 draft note published by Eurostat.[2] This stipulates that:

(i) any expenditure or other costs financed with RRF grants or loans are recorded following ESA 2010 rules;

(ii) grants provided by the RRF to Member States are recorded similar to grants from 'traditional' EU funds. This implies in particular that grants are recorded as revenue in government accounts at the same time as the associated expenditure.[3] One exception to this rule applies to grants issued retroactively for expenditure incurred in 2020: in this case, and pending the formalisation of the agreement reached within the statistical community by Eurostat, the budgetary projections in this forecast record the corresponding revenue in 2021;

(iii) any loans provided by the RRF have been recorded as Member States' debt towards the EU.

As regards the cash disbursements of grants from the facility, an additional working assumption on their distribution over the RRF lifetime has been applied for all Member States. It implies the recording of the pre-financing and a first regular disbursement in 2021 and a linear pattern of the remaining total RRF allocation in the subsequent years, until 2026. In line with the general rules for the recording of revenue from the RRF mentioned above, differences between cash disbursements of grants and the accrual recording of revenue are recorded as financial transactions, with no impact on the general government net lending or net borrowing. Cash disbursements exceeding (or lagging behind) the incurred expenditure (and accrued revenue) have an indirect debt-reducing (debt-increasing) impact.

Finally, in all cases, the incorporation of the RRPs in the spring forecast rests on the working assumption of a positive assessment by the Commission and their endorsement through a Council implementing decision, without pre-judging the outcomes of the Commission and Council decisions.

(1) RRF grants could also finance measures and reforms with estimated costs that relate to revenue measures or financial instruments, neither of which are 'expenditure' in national accounts terminology. For simplicity, we refer here to expenditure only.

(2) https://ec.europa.eu/eurostat/documents/10186/10693286/GFS-Draft-guidance-note-statistical-recording-recovery-resilience-facility.pdf

(3) This is commonly referred to as the principle of budget neutrality. It implies that any leads and lags in the cash disbursement of the grants compared to the time profile of the costs funded by the RRF, are neutralised in statistical terms, i.e. they have no impact on the general government lending or borrowing.

(Continued on the next page)

Box (continued)

In the 2021 spring forecast, the budgetary projections of only six Member States (EL, HU, MT, NL, PL and SE) are fully based on the above simplified working assumptions for incorporating RRPs. In all other cases, the forecast departs from the working assumptions at least partly. In most cases, the departures imply a substantial frontloading of RRF-funded costs by 2022. On average in the EU, around 40% of the total RRF financing is assumed to be spent over the forecast horizon. This corresponds to EUR 140 bn, or just below 1% of 2019 GDP.

Of the large Member States, Germany, France and Spain are assumed to absorb more than 50% of their RRF allocation by 2022. In terms of composition of expenditure, close to 30% of the EU's RRF funding by 2022 is assumed to be used for general government investment, close to 50% as capital transfers (predominantly supporting private investment), while the remainder would finance current expenditure and other costs.

3. RISKS

The uncertainties surrounding the outlook remain high…

Uncertainty will remain elevated as long as the pandemic hangs over the economy. This makes it very difficult to quantify the balance of risks and therefore alternative scenarios have been analysed to assess the sensitivity of the forecast to alternative paths for certain key drivers (see Section 4.1).

…and substantial risks to the growth projections remain in place on the epidemiological side…

Downside and upside risks related to the epidemiological situation primarily concern the evolution of the pandemic and the efficiency and effectiveness of vaccination programmes.

Occurrence of variants of concern ('VOCs'). Should more lethal or transmissible new variants of the virus occur or/and vaccines prove less efficient against them, the numbers of new infections could rise again and the assumptions about the pandemic underlying the spring forecast could turn out to be inappropriate. In this case, the economic outcomes in 2021 and 2022 could turn out worse than described in the central scenario.

The pace of vaccination. The sooner inoculations curb the pandemic, the sooner economies can return to normal. Vaccination administration could accelerate faster than assumed and new vaccines could be more quickly approved for everyone, including children. By contrast, slower than assumed progress could deteriorate the health situation and slow the recovery. As the supply of vaccines increases, the issue of acceptance comes to the fore. An increase in vaccination hesitancy could delay the point at which enough people are protected against the virus and a relaxation of restrictions becomes possible.

The global dimension of COVID-19. Unless COVID-19 is controlled everywhere, it cannot be under control anywhere**.** On the downside, the uneven pace of vaccination across the globe poses a global health risk. Longer lasting restrictions in the most affected countries could not only impact on their domestic economy but also on global value chains and movements of people across borders. On the upside, faster vaccination progress could result from the ACT-Accelerator partnership and especially the COVAX Facility, which aims to help ensure that poorer countries get a more equitable access to vaccines.

In addition, several features of the pandemic and vaccinations imply risks on both sides. This includes the efficacy of vaccines, the possibility of viral transmission by people who are fully vaccinated, (45) and the duration of protection against COVID-19 (reinfection risks). (46) Moreover, new or more efficient vaccines and improved therapeutics could alter the course of the pandemic and further reduce the need for restrictions.

…and on the economic side…

On the economic side, risks are related to the impact of the crisis on the behaviour of households (e.g. use of savings) and firms (e.g. solvency), and to assumptions about policy responses. Moreover, the heterogeneity of developments across countries globally and within the EU are creating risks to the growth projections in this forecast.

Accumulated savings and pent-up demand. Current projections may underestimate the propensity of households to spend. At the current juncture, households may have a higher marginal propensity to consume than included in the central scenario, implying the potential for a larger fall in the saving rate. This could temporarily create additional demand, which in the short term would lift the EU economy to a higher growth path than expected in the central scenario. On the downside, wealthier households may have a lower propensity to consume and households' precautionary savings

(45) There is "limited evidence that fully vaccinated individuals, if infected, may be less likely to transmit SARS-CoV-2 to their unvaccinated contacts"; see ECDC (2021). 'Interim guidance on the benefits of full vaccination against COVID-19 for transmission and implications for non-pharmaceutical interventions'. *Technical Report*, April 21.

(46) Based on the observation of about 2,000 reinfections in 2020 in EU/EEA countries, an ECDC report stated that „although reinfection events are rare, they are likely under-reported"; see ECDC (2021). 'Reinfection with SARS-CoV-2; implementation of a surveillance case definition within the EU/EEA'. *Technical Report*. April 8.

may remain elevated for longer than assumed in the baseline (see Section 4.2).

The timing of emergency policy support withdrawal. A premature removal of lifelines could put the economic recovery at risk, whereas a belated removal could increase unwarranted side effects (e.g. the creation of market distortions and barriers to exit of unviable firms). The design of policy support during the rebound will not only matter for the shape of recovery but also for the transformation of the economy and thereby for avoiding large long-term damage.

Corporate distress feeding into financial sector distress. With the impact of the pandemic on companies not yet fully felt, owing to strong government support measures, there is still a risk of long-term damage to parts of the corporate sector, curtailing employment, investment and damaging potential output. During the pandemic, the indebtedness of many companies has increased. Should this raise the number of insolvencies more than expected, banks and lenders would be affected. An increase in borrowing costs would particularly hit companies, but it could also motivate investors to re-assess risks associated with sovereign debt. This could lead to a repricing of bonds and higher yields, but also to substantial declines in stock market valuations.

Stronger impulse from the global economy and yield increases in the US. The growth dynamics in the US could be stronger than expected, which could create larger positive growth spillovers to the EU than envisaged in the central scenario of the forecast. This could be the case if fiscal stimulus is implemented that goes beyond the programmes already taken on board (see Section II.34). However, a materialisation of upside risks to the growth outlook for the US economy could also push up US sovereign yields, which could result in potentially disorderly adjustments in global financial markets. This could raise capital outflows from highly indebted emerging markets with large foreign currency exposure (as observed in 2013 during the 'taper tantrum'). This would be particularly problematic if it occurs jointly with the materialisation of idiosyncratic risks in large emerging market economies (see Section I.2.2).

A more uneven recovery in the EU. A more asynchronous pace of the recovery around the world but also among Member States could deprive economies of the tailwind of synchronised expansion and thereby dampen activity as compared to the central scenario. In the EU, diverging recovery rates could hamper effective policy coordination and lead to fragmentation that would disrupt the functioning of the internal market, cause efficiency losses and ultimately become self-reinforcing.

Additional risks include trade tensions, geopolitical conflicts and adverse shocks from climate change.

...with risks to the growth projections broadly balanced overall...

Overall, the risks surrounding the growth projections in the central scenario of this spring forecast are broadly balanced. On the epidemiological side, the remaining downside risks (e.g. new variants, low vaccine acceptance) are broadly offset by upside risks (e.g. a more positive impact of vaccines on the health situation and thereby on the feasible pace of removing restrictions). On the economic side, upside risks (e.g. stronger support for private consumption) and downside risks (e.g. larger scars) are also assessed as broadly offsetting each other. These findings mark a difference from last year's forecasts when the downside risks related to the pandemic were by far the most important factor in the assessment of the balance of risks.

...and risks to the inflation outlook closely aligned to the risks to economic growth.

Many risks to the inflation forecast are closely aligned with the risks to forecast for growth. In addition, the stronger-than-previously expected rebound in the external environment has increased the upside risks for external price pressures, especially those associated with commodity price developments and supply-side bottlenecks. The latter, which are assumed to be transitory and to impact near-term inflation to a limited extent, could turn out more severe and persistent, leading to a more substantial and longer-lasting mark on inflation than currently expected.

4. SPECIAL ISSUES

4.1. THE ROLE OF SAVINGS IN DETERMINING THE RECOVERY PATH

The uncertainty surrounding future economic developments remains extraordinarily high. Although the acceleration of vaccination campaigns in recent weeks has brightened the prospects for the evolution of the pandemic and a return to normal life, the outlook for the European economy remains subject to some important unknowns. These include the behavioural response of consumers and businesses once restrictions are eased, and the structural changes to production processes and sectoral performances once policy support measures are withdrawn.

Acknowledging this uncertainty, this Special Topic updates the growth decomposition and scenario analysis for the euro area that was conducted in previous forecasts. [47] The first section quantifies the unobserved drivers behind the outlook for GDP growth in the forecast baseline through the lens of an estimated structural macroeconomic model. The second section presents the economic effects of alternative paths for selected key drivers, with a focus on the evolution of household savings.

4.1.1. A model-based decomposition of the forecast

The following analysis builds on the Commission's Global Multi-Country Model (GM), a New Keynesian macroeconomic model in a two-region configuration with the euro area and the rest of the world. [48]

The GM model has been augmented to capture specific features of the COVID-19 pandemic. The specification includes a transitory 'lockdown shock' that complements the standard shock to consumption demand. The lockdown shock can be characterised as *forced* savings, driven by supply constraints, such as those generated by social distancing requirements and the closure of non-essential services, as opposed to the shock to *voluntary* savings, which may reflect precautionary motives, financial constraints, or changes in household preferences. The lockdown shock, identified as a pandemic-specific determinant of consumption demand, is set to zero prior to 2020. The model also includes an explicit role for liquidity in the investment behaviour of firms, to reflect the adverse impact of the COVID-19 crisis on the liquidity and equity positions of non-financial corporations. [49] The model parameters are estimated using historical data from 1999-Q1 until 2020-Q4. The data set is then extended with the forecast baseline from 2021-Q1 until 2022-Q4 to identify the shocks that drive the forecast. [50]

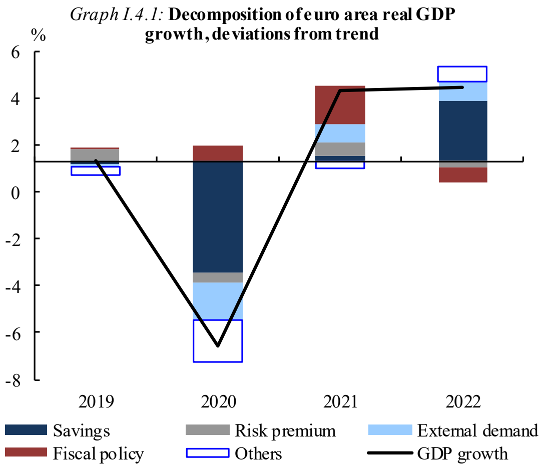
In the forecast baseline, the recovery of consumption demand, which is associated with a normalisation of household saving behaviour, is the most important driver of the recovery in economic activity over the forecast horizon (Graph I.4.1). The adverse impact of exceptionally high (forced and voluntary) savings on growth in 2020 is estimated to start fading in 2021. Further normalisation of the household saving rate in 2022 substantially helps the economy grow out of the crisis.

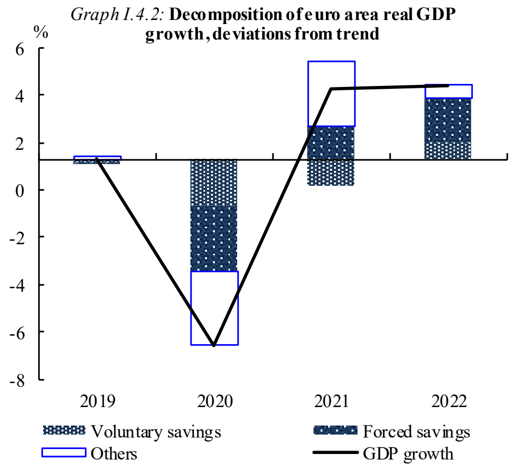
(47) See European Commission (DG ECFIN). (2020). European Economic Forecast – Spring 2020'. Institutional Paper 125 and European Commission (DG ECFIN). (2020). European Economic Forecast – Autumn 2020'. Institutional Paper 136.

(48) 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. The defining characteristic of New Keynesian (NK) models is the combination of the micro-foundation of household and firm behaviour with nominal (price and/or wage) rigidities.

(49) In technical terms, the model incorporates heterogeneous firms. As in standard NK models, the investment behaviour of unconstrained firms depends on real interest rates and the market relative to the replacement value of physical capital. The constrained firms' investment, by contrast, is conditioned on their earning and liquidity flows (gross operating surplus). The share of constrained firms is an endogenous (countercyclical) model outcome. See also the discussion in: Pfeiffer, P., Roeger, W. and in 't Veld, J., (2020), 'The COVID-19 pandemic in the EU: Macroeconomic transmission and economic policy response', *Covid Economics: Vetted and Real-Time Papers*, Issue 30, 2020, 120-145.

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





The sizeable fiscal support deployed over 2020 and 2021 also markedly helps the economy to bounce back this year. [51] In addition, the continued implementation of the RRF provides further impulse to the economy and helps to mitigate the fading effect of emergency support measures in 2022. A more favourable global outlook (including positive spillover from the US fiscal expansion) nurture euro area growth in both 2021 and 2022. Finally, the recovery also benefits from a strong increase in private investment demand this year.

A closer look at the contribution of household savings (Graph I.4.2) reveals a positive growth effect from the gradual and steady decline of forced savings in 2021 and 2022, which is associated with the easing of pandemic-specific supply restrictions. The voluntary part of savings, to the contrary, continues to weigh negatively on growth in 2021, before contributing positively in 2022. The elevated and still growing level of savings in 2021, even if associated with some decrease in the saving rate, can be attributed to precautionary motives, in view of continued uncertainty about future pandemic and economic prospects.

[51] The fiscal shocks include shocks to government spending and tax revenue. They exclude government guarantees that, if effective, may not imply additional budgetary costs. Fiscal shocks do not capture the automatic stabilisers that act through the tax and benefit system.

4.1.2. A scenario analysis

Consumption and savings dynamics remain central in shaping the recovery …

The baseline forecast takes the view that the propensity to consume out of savings remains limited, with excess savings unlikely to feed significant pent-up demand, especially considering that pent-up demand for goods was largely satisfied in the aftermath of the first lockdown. [52] Still, the unprecedented accumulation of private savings throughout last year offers the EU economy enough leeway to grow out of the crisis more quickly than assumed in the forecast baseline through consumption. The swift reduction in the saving rate observed in the third quarter of 2020 testifies that consumers are keen to spend once restrictions are lifted. Recent improvements in consumer confidence also bode well for a consumption-driven recovery going forward.[53] These considerations could motivate a more optimistic view of the growth outlook for the euro area.

At the same time, the economy has yet to find a firm footing. First, despite recent gains, consumer and business confidence is still highly contingent on the evolution of the pandemic and the success of vaccination campaigns, which induces some volatility in expectations. Secondly, with further labour market adjustments on the horizon (see Section 2.9), a consumer spending spree may be held back to some extent. Third, past empirical evidence shows that the propensity to consume out

[52] See also the special topic in 'European Business Cycle Indicators – 1st Quarter 2021', European Commission (2021)

[53] See Special Topic 4.2.

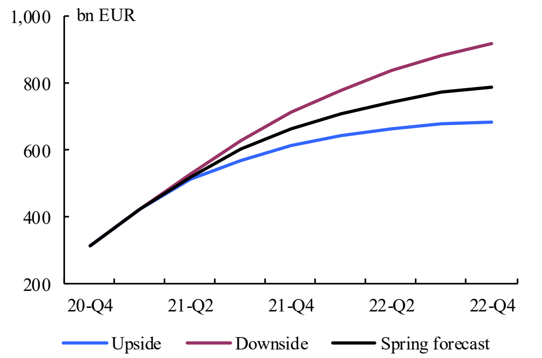
of cumulated savings (or wealth) tends to be lower than out of additional income.[54] Finally, positive growth surprises in the second half of last year strengthen the view that the economy is learning to live with the virus[55] with the negative impact of containment measures diminishing over time.[56] As a result, the eventual, gradual lifting of containment measures may give a lower growth impulse than assumed in the forecast baseline.

This Special Topic draws two alternative paths for key forecast drivers, exploring the sensitivity of the forecast baseline to them. An *upside scenario* features a sustained strong recovery in consumer confidence, with the resulting step-up in spending occurring in the summer of 2021. This scenario assumes that, starting in 2021-Q3, pent-up demand and intra-EU tourism drive the saving rate of households lower by around 2 pps. relative to the forecast baseline, bringing the rate back close to its long-term average by the end of the forecast horizon.

By contrast, a *downside scenario* assumes that precautionary savings remain substantially elevated over the forecast horizon. The saving rate in 2022 hovers around 2.5 pps. above that projected in the baseline forecast and thus significantly above its pre-crisis level. Delays in the lifting of lockdown measures are expected to impair confidence and discourage consumers from reducing their savings. At the same time, the sluggish recovery in economic activity takes its toll on the fabric of the European economy. To exemplify this channel, the scenario features an elevated investment risk premium, reflecting the higher uncertainty and deteriorating financing conditions triggered by such events.[57]

Graph I.4.3 summarises these assumptions by displaying excess savings, i.e. the additional stock of savings driven by the pandemic induced shocks.[58] In the upside scenario, the saving rate returns gradually to its pre-pandemic level as higher household consumption helps to put a brake on a further accumulation of excess savings, which reach about 700 bln EUR or 5.4% of euro area GDP at the end of the forecast horizon. By contrast, the saving rate path in the downside scenario leads to rising excess savings, which reach over 900 bln EUR, around 7.2% of euro area GDP at the end of 2022.[59]

Graph I.4.3: **Model-implied excess savings**



Note: Excess savings are the difference between accumulated households savings and a model-based unconditional projection as of 19-Q4.

… either to spur a faster rebound …

Model simulations of the upside scenario show a faster recovery in private consumption and aggregate demand. The resulting GDP growth rate in 2021 (see Graph I.4.4) is around 1 ppt. higher than in the forecast baseline. The more buoyant private demand is particularly evident in the third quarter, where the quarterly GDP growth rate exceeds baseline growth by around 1.5 pps.

(54) Available evidence for the euro area shows a marginal propensity to consume out of financial wealth (measured in cent per euro of wealth) between 1 and 3 (median of 6 studies). See de Bondt, G., Gieseck, A., Herrero, P. and Zekaite, Z. (2019). 'Disaggregate income and wealth effects in the largest euro area countries', ECB *Working Paper Series* No 2343, December.

(55) Both the Autumn 2020 and Winter 2021 forecasts underestimated GDP developments in 2020-Q3 and 2020-Q4, respectively.

(56) Goldstein, P., Yeyati, E.L., Sartorio, L. (2021). 'Lockdown fatigue: The declining effectiveness of lockdowns', CEPR Covid Economics, Issue 67

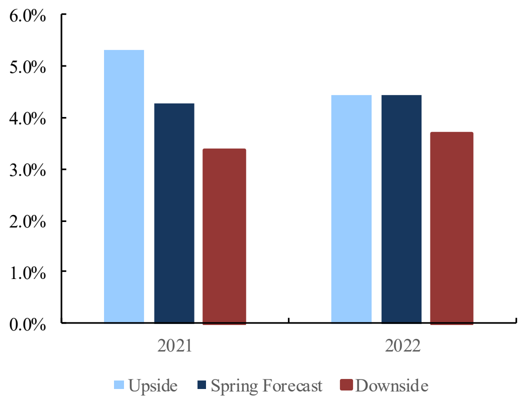
(57) Building on the shock identification described above, the macroeconomic impact of these conditioning assumptions is quantified with the GM model. In the simulations, the precautionary savings shock matches the assumed profile for the savings rate. The downside scenario features additional financial shocks. As an illustration, a stylised (and persistent) risk premium shock of around ½ of the size identified during the onset of the financial crisis in 2008-2009 is considered. The assumptions on other conditioning variables remain as in the forecast baseline. In particular, neither scenario includes further discretionary monetary and fiscal policy action beyond the workings of automatic stabilisers. The outlook for the external sector also remains unchanged.

(58) Excess savings are defined as the difference between *accumulated* household savings in the forecast scenarios and a model-based (pre-pandemic) projection as of 19-Q4. Note that model-implied savings can differ slightly from their empirical counterpart due to simplifying modelling assumptions (e.g., asset market structure and tax rates).

(59) For the US, recent research argues that the post-pandemic demand boost due to excess savings will remain limited. See Bilbie F., Eggertson, G., Primiceri (2021), 'US 'excess savings' are not excessive', VoxEU.

Notably, this upside risk implies that economic activity surpasses its pre-pandemic levels in the summer 2021, two quarters earlier than in the baseline forecast. Nonetheless, it is worth highlighting that even if such positive growth surprises were to materialise, economic activity would not reach the level projected before the pandemic (the 'pre-pandemic growth path' in Graph I.4.5) by the end of 2022.(60)

Graph I.4.4: **Real GDP annual growth rates, euro area**

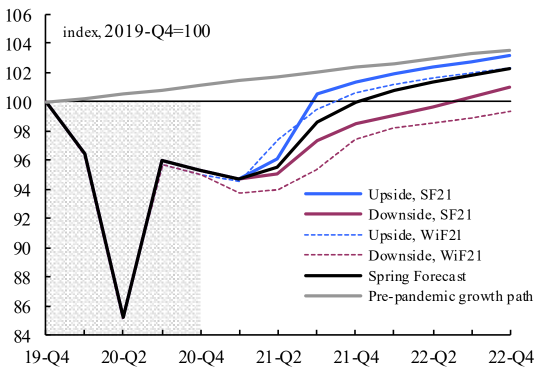


... or to keep dragging it down.

In the downside scenario with the assumed higher aggregate savings and risk premia, lower aggregate demand significantly drags on growth over the forecast horizon. The interaction of downbeat consumer confidence and tighter financing conditions for firms leads to a prolonged weakness in private consumption and business investment. These adverse effects slow the recovery but do not derail it. With 2021 and 2022 GDP growth remaining about 0.9 pps. and 0.7 ppt., respectively, below the baseline, the rebound from the crisis is notably weaker than in the forecast baseline. Consequently, real GDP returns to its pre-pandemic level only in the second half of 2022.

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

Graph I.4.5: **Real GDP, euro area**



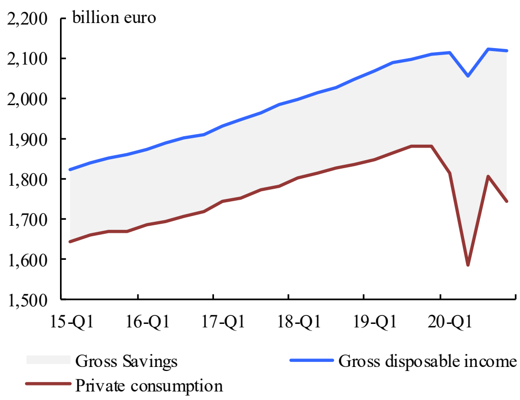
Note: The pre-pandemic growth path equals the winter interim forecast 2020 projections up to the end of 2021 and extrapolated thereafter.

Overall, the economy is set to emerge from the pandemic slightly stronger than expected previously, with the two scenarios foreseeing slightly higher growth paths than the respective scenarios in the Winter 2021 Interim Forecast. The implementation of the RRF, together with a more favourable global outlook, propel faster growth this year even if the negative surprise as assumed in the downside scenario were to materialise. This is also expected to limit longer-lasting damages to the economic fabric. Similarly, should the upside scenario assumptions materialise, somewhat diminished uncertainty about the progress of vaccination campaigns, coupled with strongly improving confidence, could give rise to a faster rebound in the second half of 2021 than previously envisaged.

4.2. WILL CONSUMERS SAVE THE EU RECOVERY? INSIGHTS FROM THE COMMISSION'S CONSUMER SURVEY

The COVID-19 pandemic and the associated virus containment measures, including self-imposed restrictions to mobility for fear of infection, have severely constrained private consumption. At the same time, income losses have been considerably cushioned through government support schemes and the shift to remote working for a large proportion of workers. This, in combination with heightened uncertainty, has led to an unprecedented accumulation of both 'forced' and precautionary savings.

Graph I.4.6: **Households' savings, gross disposable income and consumption, EU**



In 2020, private consumption in the EU decreased by 7.0% compared to 2019, contributing significantly to the fall in GDP over the same period. By contrast, over the first three quarters of the year, household gross disposable income increased (+0.6% year-on-year) and the household saving rate rose by as much as 6.5 percentage points to 18.4% of gross disposable income.

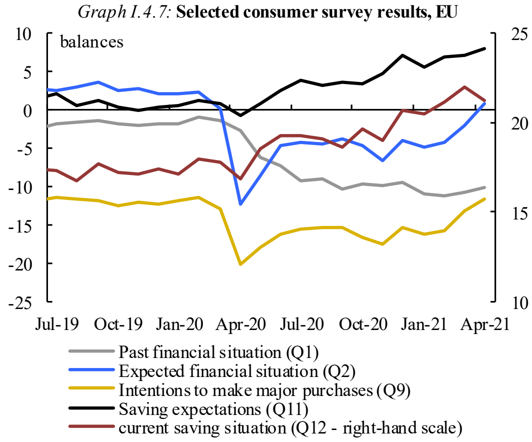
Looking ahead, the strength of the recovery in consumption and output will crucially depend on the speed at which accumulated savings are unwound. This in turn will depend on how consumers perceive their current and expected financial situation, the distribution of the savings across socio-economic groups of the population, such as income and age, and the level of prevailing uncertainty regarding the economic outlook.

This Special Topic explores these questions by taking a close look at the detailed results from the Commission's monthly consumer surveys. The presence in the surveys of both retrospective questions, inquiring about developments over the past 12 months, and forward-looking questions about the 12 months ahead, provides a picture of how consumers assess their financial situation and their consumption/saving intentions during the entire COVID-crisis period, including the period when the recovery is expected to take hold. Information on the socio-economic characteristics of the respondents in the survey allows for insights into the distributional impact of the crisis and the scope for pent-up demand to materialise.

One year into the pandemic: accumulated savings and curbed spending

Graph I.4.7 provides an overview of the evolution of survey results directly related to respondents' personal financial situation.

Graph I.4.7: **Selected consumer survey results, EU**

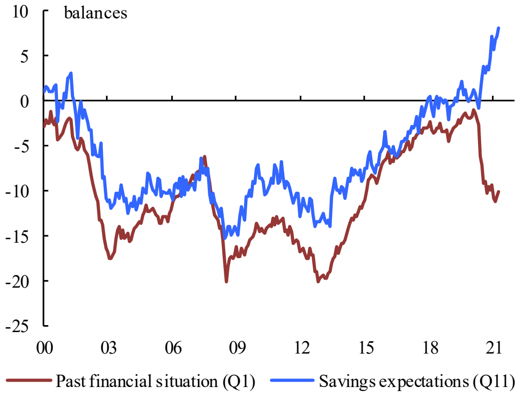


Consumers' assessment of their households' financial situation over the past 12 months (Question 1 of the survey, Q1 henceforth) declined steadily between the beginning of the COVID crisis and February this year, and has remained broadly stable but well below its pre-crisis level in March and April 2021. Expectations regarding their financial situation (question Q2) and spending intentions (for 'major purchases') for the next 12 months (Q9) fell sharply during the first lockdown, before partially recovering when containment measures were eased at the beginning of the summer in 2020 (see Graph I.4.7). The balances for these questions then remained broadly stable up to February 2021 and have recovered in March and April 2021, almost back to their February 2020 level. Finally, consumers' savings expectations for the next 12 months (Q11) and assessments of their households' current saving or dissaving situation (Q12) decreased slightly at the beginning of the crisis, but have been trending upwards since April 2020. Both assessments relating to savings are currently at record high levels.

Precaution or inability to consume?

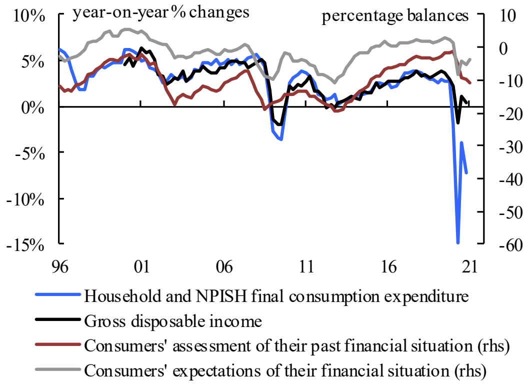
From a longer-term perspective, the COVID crisis marks a break in the historically close relationship between how consumers assess their household's past financial situation and their saving intentions, as shown in Graph I.4.8. In the past, the co-movement of the two series confirmed that the assessment of the financial situation was a key driver for saving, i.e. the better the financial situation was perceived, the more households would want to set aside, and vice versa. Consequently, before the COVID-19 crisis, the saving rate had been broadly stable over time, varying between 11% and 14% in the EU. However, since the beginning of the crisis, the two series have been trending in opposite directions, pointing to an increasing disconnect between consumers' propensity to save and their perceived financial situation. This could be due to either precaution taking over as the dominant saving motive, or to the sheer impossibility to consume as much as desired leading to forced savings, or a mixture of the two.

Graph I.4.8: **Assessment of households' past financial situation and savings expectations, EU**



Graph I.4.9 confirms the break in the historically strong positive correlation between consumers' assessment of their household's past and expected financial situation (Q1 and Q2) and developments in private consumption.

Graph I.4.9: **Private consumption and consumers' assessment of their household's past and expected financial situation, EU, quarterly data**



The dramatic fall in private consumption registered in the first (-2.1% year-on-year) and second quarter (-14.9%) of 2020 is far greater than the mild and drawn-out decline in the balance for question Q1 and cannot be fully explained by the drop in gross disposable income either. Similarly, the strong, though incomplete rebound in private consumption in 2020-Q3, was at odds with the steady worsening of consumers' perceived financial situation. The sharp fall and partial recovery of consumers' expectations about their future financial situation (Q2) more correctly tracked the dynamics in consumers' actual spending in the first three quarters of 2020, but again the magnitude of the swings was out of proportion.

Overall, the large gap between the dramatic drop in consumption and increased propensity to save, on the one hand, and the mild decline in consumers' perceived financial situation, on the other hand, suggests that the former is likely due to the lack of spending opportunities triggered by the restrictions to daily life. Further evidence that households cut their consumption primarily because they had fewer opportunities to spend and for fear of infection is provided by the special surveys of households conducted by the Bank of Italy and the Germany's Bundesbank.[61] At the same time, the deterioration of consumers' expectations concerning their financial situation during the first phase of the COVID crisis (see Graph I.4.7) would also suggest that savings accumulated during that period, and thus foregone

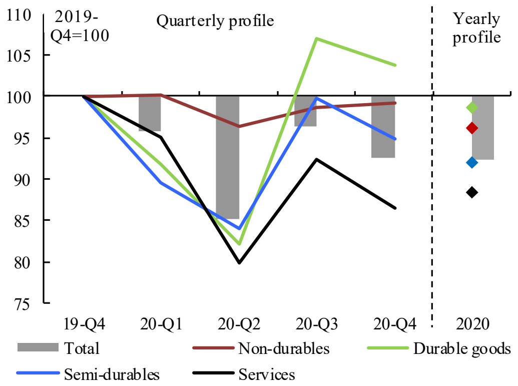
[61] See Bank of Italy, Economic Bulletin nr 1, 2021, and Deutsche Bank, Monthly Report, December 2020.

consumption, were partly motivated by precautionary reasons.[62]

These findings would suggest that once the containment measures are eased or lifted and uncertainty about the evolution of the pandemic and future income decreases, excess savings could be spent, fuelling a forceful recovery of private consumption. However, other considerations warrant caution.

First, the steady decline in consumers' assessment of their past financial situation over the past 12 months, with some signs of stabilisation coming only very recently, could imply that even once the virus containment measures are lifted, many consumers may be unable to return to pre-crisis levels of consumption.

Graph I.4.10: **Final consumption expenditure of households**

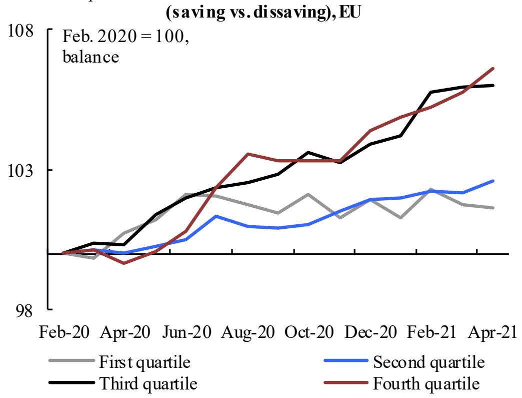


Second, a closer look at the breakdown of consumption expenditure by purpose (see Graph I.4.10) shows that the initial decline in consumption spending reflected strong decreases in services, durable and semi-durable goods. The collapse in the consumption of durable goods was recouped over the summer of last year when restrictions were eased but also enabled by consumers' increased recourse to on-line shopping. While services also benefitted from the easing of restrictions, their consumption remains well below the levels recorded before the crisis. Given that foregone consumption of services can hardly be recouped, the prospects for pent-up demand for services to strongly boost future consumption may be limited. However, some pent-up demand may also come from semi durables, such as clothing.

Will accumulated savings translate into strong pent-up demand?

One important aspect to take into account when assessing the strength of potential pent-up demand is the socio-economic distribution of accumulated savings. If, as is to be expected, savings have been accumulated primarily by higher income households whose propensity to save is comparatively high and whose propensity to consume is correspondingly low, they will be less likely to be unleashed quickly for consumption use immediately after social distancing measures are relaxed.[63]

Graph I.4.11: **Households' current financial situation (saving vs. dissaving), EU**



Note: three-month moving average.

The Commission's consumer survey provides for a breakdown of the results into four (household) income quartiles. Changes in consumers' assessment of their current financial situation in terms of saving or dissaving (question Q12)[64] since February 2020 vary widely across income categories. On balance, consumers in the upper quartiles report large increases in savings (see Graph I.4.11), suggesting that their income levels have been largely sheltered while consumption has fallen due to fewer opportunities to spend while in lockdown. By contrast, those in the lower income

(62) See also M. Dossche and S. Zlatanos (2020). 'COVID-19 and the increase in household savings: precautionary or forced?'. ECB *Economic Bulletin* 6, September, pp. 65-9 (Box 5).

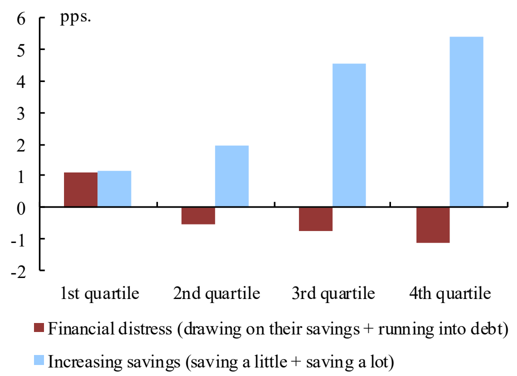
(63) Empirical studies investigating the consumption wealth channel usually find a decreasing propensity to consume out of unanticipated increases in wealth across the wealth distribution. A study for France found a marginal propensity of 11.5% in the bottom of the wealth distribution versus a non-significant effect in the top of the distribution; see e.g. Arrondel, L., Lamarche, P. and F. Savignac (2015). 'Wealth effects on consumption across the wealth distribution: empirical evidence'. ECB Working Paper Series 1817, June.

(64) Q12: Which of these statements best describes the current financial situation of your household: ++ we are saving a lot, + we are saving a little, = we are just managing to make ends meet on our income, - we are having to draw on our savings, -- we are running into debt

quartiles have either increased their savings very slightly, or not at all.

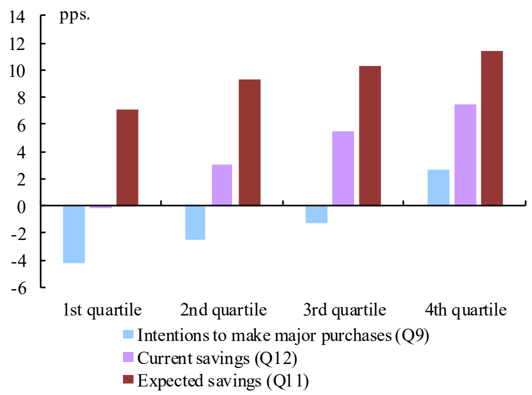
Since the beginning of the crisis, a larger share of lower-income households have had to draw on their savings or run into debt for their living expenses and fewer respondents declared being able to make ends meet (Graph I.4.12). The other income groups recorded a decline in the incidence of financial distress, while significantly more households from the upper two quartiles reported an increase in their savings.

Graph I.4.12: **Share of respondents who are in financial distress or are saving, EU, Apr. 2021 compared to Feb. 2020**



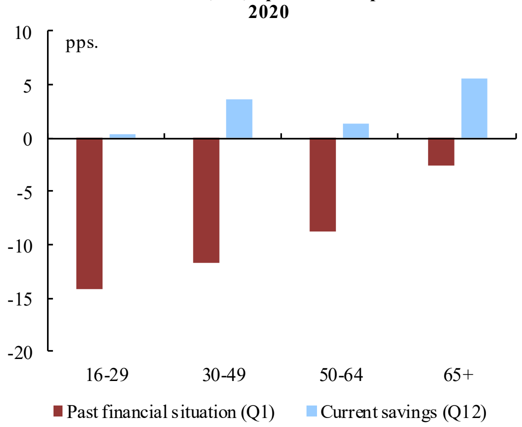
Consumers' intentions to make major purchases in the next 12 months (Q9) and the current and expected saving situation (Q12 and Q11) are highly correlated with their income group (see Graph I.4.13). Since February 2020, the marked increase in the saving intentions of low-income groups has been mirrored by the steep decline in their intention to make major purchases. Consumers' saving expectations (Q11) have also increased significantly in the higher income groups, with hardly any increase in their combined intentions to spend on major purchases (Q9). Overall, this lowers prospects for large pent-up demand to materialise.

Graph I.4.13: **Intention to make major purchases, households' current and expected savings, EU, Apr. 2021 compared to Feb. 2020**

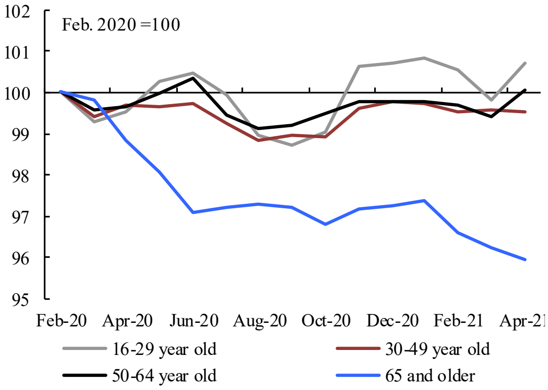


The divergence between consumer groups is even more significant when looking at the breakdown by age (see Graph I.4.14). Since February 2020, consumers' assessment of their financial situation over the last 12 months (Q1) has dramatically fallen for younger respondents, while it has remained virtually unchanged for the oldest (65+ years). This can be explained by the fact that pensions, the main income source for older respondents, have continued to be paid out during the pandemic crisis. Accordingly, older people are also reporting the greatest improvement in their savings position (Q12) and they are the only group who have seen a clear decrease in financial distress during the crisis (see Graph I.4.15)

Graph I.4.14: **Consumers' assessment of their financial situation, EU, Apr. 2021 compared to Feb. 2020**



Graph I.4.15: **Respondents who are drawing on their savings or running into debt by age group, EU**



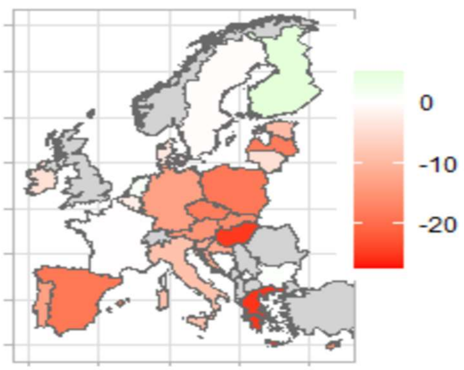
Note: three-month moving average.

All in all, the analysis of the consumer survey results by income and age groups does not point to a significant impulse from pent-up consumer spending going forward. In particular, low-income earners report low or no accumulated savings, but high savings intentions and low intention to spend money on major purchases. At the same time, the relatively large increase in the saving position of the higher income groups and older people is not likely to be quickly reversed, given the low propensity to consume of these groups.

Cross-country analysis

Compared to February 2020, consumers' assessment of their past financial situation has deteriorated in all EU countries, except for Finland, the Netherlands, France and Bulgaria, where the indicator increased slightly or remained broadly stable (Graph I.4.16).

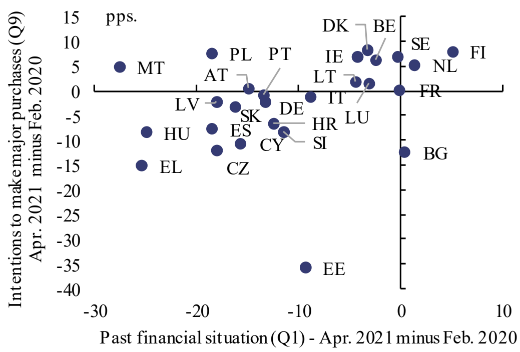
Graph I.4.16: **Consumers' assessment of their past financial situation in the EU Member States, Apr. 2021 compared to Feb. 2020**



While the financial situation assessment is well below its pre-crisis level in most cases, the severity of the drop varies across EU countries. In Sweden, consumers' assessment of their past financial situation is only marginally below its pre-crisis level, while in Greece, Malta and Hungary the indicator dropped by more than 20 points below its February 2020 level.

Consumers' perceptions of changes to their financial situation are generally highly correlated with those in their intentions to make major purchases in the next 12 months (see Graph I.4.17). In the majority of countries, consumers have also lowered their intentions to make major purchases (Q9). This is the case despite assessments of consumer savings improving in half of the countries. This again suggests a limited potential for a fast rebound of consumption once the pandemic has been brought to an end.

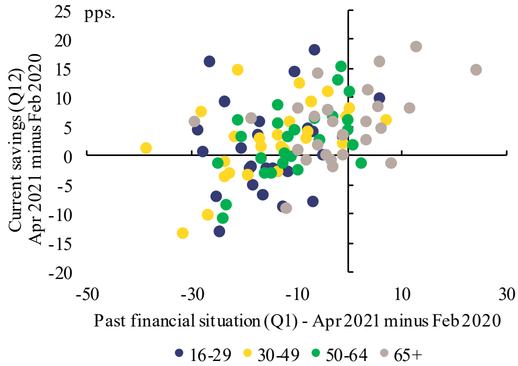
Graph I.4.17: **Consumers' assessment of their past financial situation and their intentions to make major purchases**



As reported for the EU as a whole, in most countries, the consumers hardest hit by the pandemic crisis are young (from 16 to 29 years old) and in the lower income quartile, whereas the oldest (65+) and highest income quartile consumers seem to be the least affected. In the large majority of countries, the only consumer groups reporting that their past financial situation has improved and that they have managed to increase their savings (laying in the upper-right quadrant of Graph I.4.18) are those 65 years or older.

When looking at the breakdown by income quartiles, the differences are less clear (see Graph I.4.19). However, higher-income households have generally revised their assessment of their past financial situation (Q1) downwards by less and have managed to save more (Q12) over the past year.

Graph I.4.18: **Consumers' assessment of their past financial situation and current savings, by age group**



Conclusions

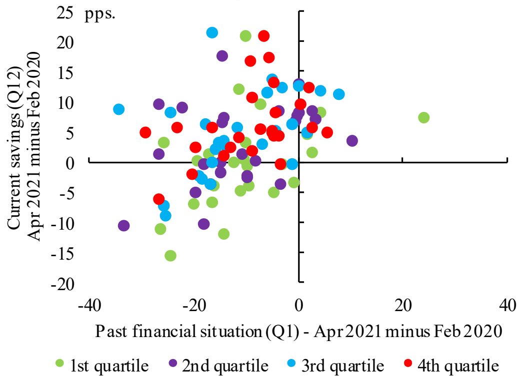
This Special Topic looks at the consumer survey data up to April 2021 to assess the impact of the COVID-19 pandemic and its accompanying containment measures on the financial situation of consumers and their future saving and spending intentions.

The first finding is that the historically close co-movement between respondents' assessments of their past financial situation and consumer spending growth has broken down since the onset of the crisis. The mild and steady decline in consumers' assessment of their financial situation over the past 12 months does not follow the evolution of private consumption, which fell dramatically in the first half of last year and rebounded strongly, though incompletely, in the third quarter. Also, the deterioration in consumers' financial expectations in the first phase of the COVID crisis cannot fully account for the extent of the fall in consumption spending. This indicates that the restrictions to spending on certain types of goods and services have curbed consumer spending significantly, over and above any precautionary motive, suggesting that once the containment measures are lifted and uncertainty decreases, excess savings could be spent and private consumption could recover more forcefully.

The consumption of durable goods, however, has already recovered significantly, particularly in 2020-Q3, thereby lessening hopes for a forceful pent-up demand ahead.

Moreover, the steady decline in consumers' assessment of their past financial situation over the past 12 months, with some signs of stabilisation coming only recently, could imply that even once virus containment measures are lifted, many consumers may not be able to swiftly return to pre-crisis levels of consumption.

Graph I.4.19: **Consumers' assessment of their past financial situation and current savings, by income quartile**



The breakdown of the consumer survey results by categories of consumers provides interesting additional insights. The comparison of the impact of the crisis on different income groups shows that low-income earners (first quartile of the income distribution) have suffered the most. They have reported a very limited increase in savings and an increasing share of them even had to draw on their savings. By contrast, consumers in the upper quartiles have reported sizeable increases in savings, suggesting that their incomes have been largely sheltered while consumption has fallen.

Looking at the impact on different age groups, the results show that the eldest (65+) have suffered the least. They have been setting aside the most, while younger households have been drawing more on savings as their financial situation has worsened.

All in all, the analysis of the consumer survey results by income and age groups does not point to significant additional impulses from consumer spending going forward. Also, interesting in their own right, these findings point to growing wealth inequality and an increasing generational wealth gap.

Finally, the analysis of cross-country developments corroborates the findings presented for the EU as a whole. In most countries, there has been an increasing gap between income groups and age groups with respect to their assessment and expectations on saving and spending.

5. BOXES

Box I.5.1: Some technical elements behind the forecast

The cut-off date for taking information into account in this European Economic Forecast was 30 April 2021. Ths this forecast incoporates preliminary flash estimate of GDP for the first quarter of 2021 (Eurostat press release 53/2021 of 30 April 2021).

Exchange and interest rates

The technical assumption regarding exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.20 both in 2021 and in 2022. The average JPY/EUR is 129.70 in 2021 and 130.31 in 2022.

Interest-rate assumptions are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro area interest rate is taken for both short- and long-term rates. Short-term interest rates are assumed to be -0.5% in both 2021 and 2022 in the euro area. Long-term euro area interest rates are assumed to be -0.3% in 2021 and -0.1% in 2022.

Commodity prices

According to futures markets, and using the average over the 10-day reference period between 14 and 27 April, prices for Brent oil are assumed to be 63.9 USD/bbl in 2021 and 61.6 USD/bbl in 2022. This corresponds to 53.1 EUR/bbl in 2021 and 51.2 EUR/bbl in 2022.

Trade policies and assumptions

Also for trade policy, this forecast pencils in only the measures that have been implemented until the cut-off date. On 5 March the EU and the US agreed to suspend all retaliatory tariffs on EU and U.S. exports imposed in the Airbus and Boeing disputes for a four-month period.

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2020 as published in Eurostat's news release 48/2021 of 22 April 2021.

Eurostat is expressing a reservation on the quality of the data reported by Luxembourg for the year 2020. Eurostat is clarifying the recording of the tax revenue deferred to future years in the context of the COVID-19 pandemic, in close cooperation with the Luxembourgish statistical authorities. The deficit for 2020 might be overestimated by a maximum amount of 0.3 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 a way that is consistent with past policy orientations. This may also include the adoption of working assumptions, in particular to deal with structural breaks caused by the COVID-19 pandemic. The no-policy-change forecast includes all fiscal policy measures that imply a change to past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced. For 2021 in particular, the annual budgets adopted or presented to national parliaments as well as Coronavirus crisis relief measures announced before the cut-off data of the forecast are taken into consideration. For 2022, the forecast incorporates the lasting impact of those measures. For the treatment of the Recovery and Resilience Facility, please see Box I.2.3.

EU and euro area aggregates for general government balance and debt in the Commission forecast and in the Eurostat's press release are based exclusively on the Member States' balances and debt. For debt, whereas Eurostat publishes the consolidated figures (corrected for intergovernmental loans, including those made through the European Financial Stability Facility), the projections in the forecast years 2021 and 2022 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2020, this implies an aggregate debt-to-GDP ratio which is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 48/2021 of 22 April 2021 (by 2.0 pps. in the EA and by 1.7 pps. in the EU).

(Continued on the next page)

Box (continued)

Table 1:
Technical assumptions

		Spring 2021 forecast			*Autumn 2020 forecast*		
	2019	**2020**	**2021**	**2022**	**2020**	**2021**	**2021**
3-month EURIBOR (percentage per annum)	-0.4	**-0.4**	**-0.5**	**-0.5**	*-0.4*	*-0.5*	*-0.6*
10-year government bond yields (percentage per annum) (a)	-0.3	**-0.5**	**-0.3**	**-0.1**	*-0.5*	*-0.5*	*-0.5*
USD/EUR exchange rate	1.12	**1.14**	**1.20**	**1.20**	*1.14*	*1.18*	*1.18*
JPY/EUR exchange rate	122.05	**121.81**	**129.70**	**130.31**	*121.71*	*124.23*	*124.23*
GBP/EUR exchange rate	0.88	**0.89**	**0.87**	**0.87**	*0.89*	*0.91*	*0.91*
EUR nominal effective exchange rate (annual percentage change) (b)	-1.2	**3.9**	**2.3**	**0.1**	*3.9*	*2.7*	*0.0*
Oil price (USD per barrel)	64.1	**43.4**	**63.9**	**61.6**	*42.6*	*44.6*	*46.4*
Oil price (EUR per barrel)	57.2	**38.0**	**53.1**	**51.2**	*37.5*	*37.9*	*39.4*

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

Coronavirus crisis relief measures

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

ESA 2010

The forecast is based on the ESA 2010 system of national accounts for all Member States, the EU and the euro area aggregates. Information on data quality under ESA 2010, including effects of the Covid-19 pandemic, are available on Eurostat's website. [1]

Calendar effects on GDP growth and output gaps

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

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

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

PART II

Prospects by individual economy

Euro Area Member States

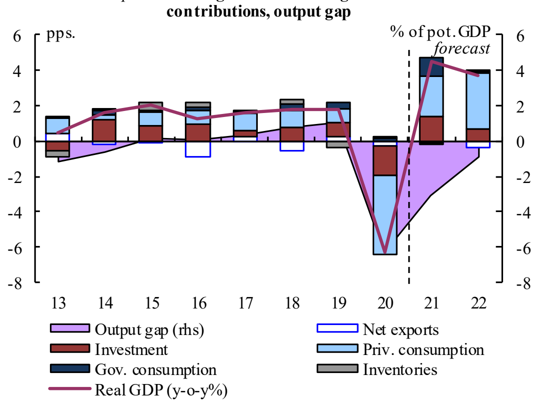
1. BELGIUM

Economic growth in Belgium is set to rebound in 2021 after a historic plunge in 2020 following the onset of the COVID-19 crisis. The easing of restrictions that is expected to follow as a large share of Belgians are vaccinated should allow private consumption to gradually recover. After rebounding in the second half of 2020, investment is forecast to continue growing in 2021, with the help of the RRF. Inflation is set to rise markedly in 2021 on the back of energy prices. The general government deficit is projected to improve gradually in 2021 and 2022.

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

Economic growth is forecast to rebound in 2021 after a historic drop of 6.3% in 2020 caused by the COVID-19 crisis. As Belgium's vaccination campaign progresses and the number of hospital cases decreases, Belgium is set to gradually lift restrictions. Investment already rebounded strongly in the second half of 2020. As business confidence continues to improve and the RRP starts being implemented, investment should continue to support growth in 2021 and in 2022. Furthermore, an increase in public consumption is forecast to contribute to GDP growth in 2021.

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



Real GDP growth is forecast to grow by 4.5% in 2021 and by 3.7% in 2022. The contribution of the first quarter to the economic recovery is expected to be limited as the level of restrictions was still high (notably, restaurants and bars remained closed). The rebound is expected during the second quarter, as restrictions are gradually lifted, and should accelerate thereafter. Economic activity is projected to return progressively to historic growth trends over the forecast horizon, with real GDP reaching its pre-crisis level in the first half of 2022.

Private consumption to recover steadily, despite a rise in unemployment

Social-distancing measures will continue to curtail private consumption expenditure in the first half of 2021, with contact-intensive services activities (hotels, restaurants, leisure) being particularly hit. Government support measures have protected households from the worst of the economic hit and have allowed a strong increase in saving rates. Consequently, household consumption is projected to be in a position to rebound once restrictions are eased. Job and business support measures have allowed employment to remain broadly steady and have kept bankruptcies at low levels. The gradual expiry of some of these measures is expected to contribute to an increase in bankruptcies and a rise in unemployment from 5.6% in 2020 to 6.7% in 2021, before slightly improving to 6.5% in 2022, consistent with economic growth.

Investment was severely hit by the COVID-19 crisis in 2020. However, the strong rebound in the second half of the year limited the drop in annual terms to -6.9%. Improving business confidence, favourable financing conditions, and the entry into force of the RRF should continue to support investment. The recovery is expected to be broad-based, driven by consumer spending, as well as business and public investment, the latter supported by the RRF.

Exports are set to recover in 2021 thanks to the strength of the external environment. Following the recovery in domestic demand and exports, imports are also forecast to rebound strongly. The contribution of net exports to GDP growth is therefore expected to be negative throughout the forecast horizon.

Headline inflation is forecast to rebound from 0.4% in 2020 to 1.8% in 2021, due to higher energy prices. It is then projected to slow down to 1.5% in 2022, as energy prices stabilise.

Fiscal policy remains supportive in 2021 and 2022

The general government headline deficit widened to 9.4% of GDP in 2020, driven by higher expenditure combined with lower, albeit relatively resilient revenue compared to 2019. Crisis-related measures, such as an extended replacement income scheme for the self-employed, additional payments to hospitals and fixed premiums for business that were forced to close entirely or partially, amounted to 3.8% of GDP. In 2021, Belgium's fiscal performance is set to improve moderately, with a projected headline deficit of 7.6% of GDP.

The government extended and implemented a number of crisis-related expenditure and revenue measures in 2021. Revenue is expected to get back to pre-crisis level in 2021, driven by the dynamism of the recovery. Liquidity support measures to companies and temporary tax exemption schemes are assumed to have a limited budgetary impact in 2021-2022. However, crisis-related expenditure remains substantial in 2021, and includes the continuation of a scheme for the self-employed, a federal provision for health spending (notably including vaccines), and regional schemes targeting the most affected businesses. The number of workers in temporary unemployment remains high and unemployment is set to increase in 2021, keeping social transfers at high levels. In addition, expenditure postponed in 2020, notably on non-essential healthcare, is projected to take place in 2021.

The deficit is forecast to decrease to 4.9% of GDP in 2022, driven by the expected economic recovery and the phasing-out of most temporary measures still in place in 2021. However, the permanent rise in health-related expenditure and increase in minimum pensions are expected to weigh on public finances. Downside risks linked to liquidity support measures remain in 2021-2022, in particular if bankruptcies increase abruptly. This forecast includes RRF-financed expenditure in 2021 and 2022 in line with Belgium's RRP, however it does not include the reforms that are part of the plan.

Fiscal stimulus measures are expected to cause public debt to rise to 114% of GDP in 2020. In 2021 and 2022, the debt is forecast to increase further to 115% and 116% of GDP, driven by a still-high public deficit and stock-flow adjustments such as tax deferrals and acquisition of financial assets.

Table II.1.1:

Main features of country forecast - BELGIUM

	2019		Annual percentage change						
bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	476.3	100.0	1.6	1.6	1.8	1.8	**-6.3**	**4.5**	**3.7**
Private Consumption	244.8	51.4	1.3	1.9	1.9	1.5	**-8.7**	**4.6**	**6.3**
Public Consumption	109.7	23.0	1.3	0.2	1.3	1.6	**0.6**	**4.1**	**0.4**
Gross fixed capital formation	115.2	24.2	2.0	1.4	3.4	3.5	**-6.9**	**6.0**	**2.8**
of which: equipment	35.9	7.5	1.4	-1.9	1.3	-0.2	**-6.2**	**5.0**	**3.0**
Exports (goods and services)	389.7	81.8	2.9	5.5	0.6	1.0	**-4.6**	**5.9**	**3.9**
Imports (goods and services)	386.8	81.2	3.0	5.2	1.3	0.8	**-4.3**	**6.1**	**4.3**
GNI (GDP deflator)	482.3	101.2	1.5	1.6	1.8	2.1	**-6.1**	**4.4**	**3.6**
Contribution to GDP growth: Domestic demand			1.4	1.3	2.1	1.9	**-6.0**	**4.7**	**3.9**
Inventories			0.1	0.0	0.3	-0.4	**0.0**	**-0.1**	**0.1**
Net exports			0.1	0.3	-0.5	0.2	**-0.3**	**-0.1**	**-0.3**
Employment			0.8	1.6	1.5	1.6	**0.0**	**-0.6**	**0.8**
Unemployment rate (a)			7.9	7.1	6.0	5.4	**5.6**	**6.7**	**6.5**
Compensation of employees / head			2.3	1.9	1.8	2.1	**-1.8**	**2.7**	**3.4**
Unit labour costs whole economy			1.6	1.8	1.5	1.9	**4.7**	**-2.3**	**0.5**
Real unit labour cost			-0.1	0.0	-0.2	0.2	**3.6**	**-3.8**	**-1.0**
Saving rate of households (b)			15.8	12.2	11.6	13.0	**21.7**	**16.7**	**12.1**
GDP deflator			1.7	1.8	1.6	1.7	**1.1**	**1.6**	**1.5**
Harmonised index of consumer prices			1.9	2.2	2.3	1.2	**0.4**	**1.8**	**1.5**
Terms of trade goods			-0.2	-0.2	-1.1	1.0	**0.2**	**-0.2**	**0.0**
Trade balance (goods) (c)			1.1	0.5	-0.1	0.7	**0.4**	**0.7**	**0.3**
Current-account balance (c)			2.9	0.7	-0.8	0.3	**0.1**	**-0.1**	**-0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			2.9	0.8	-0.7	0.5	**0.2**	**0.0**	**-0.4**
General government balance (c)			-2.2	-0.7	-0.8	-1.9	**-9.4**	**-7.6**	**-4.9**
Cyclically-adjusted budget balance (d)			-2.2	-0.9	-1.3	-2.6	**-5.5**	**-5.7**	**-4.4**
Structural budget balance (d)			-2.7	-1.4	-1.8	-2.8	**-5.6**	**-5.8**	**-4.4**
General government gross debt (c)			100.7	102.0	99.8	98.1	**114.1**	**115.3**	**115.5**

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

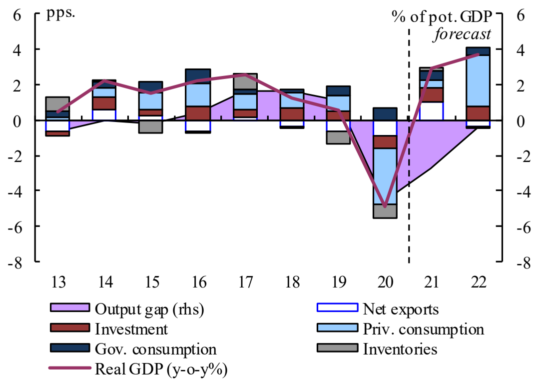
2. GERMANY

Lockdown measures have been depressing private consumption since December 2020 but a marked recovery in consumer spending and overall activity is expected from the second half of this year, as vaccination progresses and contact-intensive services reopen. Exports have been recovering since mid-2020 and are expected to continue supporting growth. Inflation is forecast to spike later this year due to temporary factors, but should ease again in 2022. Sizable fiscal measures to support the recovery remain in place throughout the year and should mitigate job losses and insolvencies. The fiscal deficit is set to increase in 2021 but to narrow in 2022.

Lockdowns halt the recovery in early 2021

Germany's economy grew by 0.5% in the fourth quarter of last year after a strong rebound in Q3. Overall, the decline in GDP for 2020 was 4.8%. The economy contracted by 1.7% in Q1 2021. Even if exports keep increasing, the stringent containment measures in place since last December have further depressed activity in the hospitality and leisure services as well as non-food retail. Although rebounding in March, industrial production was weakened by a shortage of semiconductor components early in the year. Construction was hampered by harsh weather.

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



An upswing expected in summer should continue in 2022

A pick-up in economic activity in the second half of the year is expected to be driven by the lifting of restrictions and the ongoing strength of exports. In April, private consumption remained constrained by suspended contact-intensive services. As vaccination progresses, however, restrictions should be gradually lifted, allowing a marked recovery in household spending. Largely unaffected by the restrictions, exports have been recovering since the second half of 2020. New orders in manufacturing are currently above pre-pandemic levels. Business expectations point towards a continuation of these trends, which should spur a recovery in business investment. Housing investment is foreseen to regain strength in view of the high construction volumes authorised by permits. Economic activity is forecast to recover to its pre-crisis level in late 2021.

Overall, GDP is projected to rebound by around 3½% in 2021. In 2022, the level of activity is forecast to be around 4% higher than the year before, as private consumption regains pre-pandemic levels and investment growth continues.

Sizable policy support cushions labour market impact

Unemployment has stayed stable at 4½% since mid-2020 with job losses contained at 1.1% in 2020. The number of employees on short-time work has been picking up again since November last year, but remains – at 3.3 million in February – just over half of the peak reached in April 2020. Employment and wage growth are expected to start recovering over the coming quarters.

With aggregate household disposable income remaining relatively stable and consumption limited by restrictions, the gross household saving rate increased to 23½% in 2020 and is expected to remain similarly high in 2021. Accumulated savings are expected to fuel a rebound in spending in tandem with the lifting of restrictions. The saving rate is expected to come down but not go below its pre-pandemic level of 18½% due to the limited deferability of the spending affected by the restrictions and the concentration of savings in higher income households.

Altogether, sound balance sheets and public support to non financial corporations should help to avoid a massive wave of insolvencies. The restrictions on activity, however, have affected many small businesses and have fuelled a decline in self-employment.

Germany's current account surplus is set to climb to nearly 8% of GDP in 2021, reflecting buoyant export growth and imports dragged down by depressed consumption and investment in the first half of the year. In 2022, the surplus is expected to decline again as foreign travel resumes and recovering domestic demand spurs imports.

Inflation to soar temporarily

HICP inflation fell from 1.4% in 2019 to 0.4% in 2020 amid weak demand, cheaper energy and reduced VAT rates. In 2021, the reinstatement of regular VAT rates, increased carbon taxes and rising commodity prices, reinforced by a rebound in spending are forecast to push inflation to 2.4% in 2021. As base effects dissipate and lower energy prices exert a disinflationary effect, inflation is expected to ease to 1.4% in 2022.

Fiscal measures continue to support the recovery in 2021

The government balance deteriorated by 5.7 pps. to a deficit of 4.2% of GDP in 2020, due to the size of public support measures related to the COVID-19 pandemic. Still, the deficit turned out smaller than expected, due to delays in the pay-out of support measures of 1% to 2% of GDP, which will only materialise in 2021.

Thus, together with the revised set of pandemic support measures amounting to a little more than 6% of GDP, the deficit is projected to reach around 7½% of GDP in 2021. The revised measures comprise subsidies to companies and increased spending on COVID-19 testing and vaccination. If pay-outs from these measures turn out smaller than budgeted, the deficit could be lower. In 2022, the deficit is forecast to decrease to around 2½% of GDP. These projections include fiscal measures to be financed by the RRF of around 0.3% of GDP in 2021 and 0.1% in 2022.

Public debt increased by around 10 pps. of GDP in 2020 to almost 70% of GDP and is projected to increase further to around 73% in 2021, before falling to around 72% in 2022. The increase in public debt is driven by the fiscal measures to fight the pandemic and the functioning of automatic stabilisers, but also includes equity injections in companies in the transport and travel sector.

Table II.2.1:

Main features of country forecast - GERMANY

		2019		Annual percentage change						
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		3449.1	100.0	1.2	2.6	1.3	0.6	**-4.9**	**3.4**	**4.1**
Private Consumption		1806.9	52.4	0.8	1.5	1.5	1.6	**-6.1**	**0.1**	**7.3**
Public Consumption		704.5	20.4	1.6	1.6	1.2	2.7	**3.3**	**3.6**	**1.0**
Gross fixed capital formation		748.0	21.7	0.7	2.5	3.5	2.5	**-3.1**	**3.2**	**3.9**
of which: equipment		240.1	7.0	1.4	4.2	4.4	0.5	**-12.1**	**9.0**	**6.0**
Exports (goods and services)		1617.4	46.9	4.7	4.7	2.3	1.0	**-9.4**	**10.4**	**4.8**
Imports (goods and services)		1417.4	41.1	3.9	5.3	3.6	2.6	**-8.5**	**7.9**	**7.2**
GNI (GDP deflator)		3542.8	102.7	1.4	2.5	1.6	0.6	**-4.8**	**3.3**	**4.0**
Contribution to GDP growth:	Domestic demand			0.9	1.6	1.8	1.9	**-3.2**	**1.5**	**4.8**
	Inventories			-0.1	0.8	-0.1	-0.7	**-0.8**	**0.4**	**0.0**
	Net exports			0.5	0.1	-0.4	-0.6	**-0.9**	**1.5**	**-0.6**
Employment				0.6	1.4	1.4	0.9	**-1.1**	**-0.2**	**0.9**
Unemployment rate (a)				7.5	3.8	3.4	3.1	**3.8**	**4.1**	**3.4**
Compensation of employees / head				1.8	2.6	2.9	3.0	**0.5**	**2.8**	**2.9**
Unit labour costs whole economy				1.1	1.4	3.0	3.3	**4.5**	**-0.8**	**-0.2**
Real unit labour cost				-0.2	0.0	1.3	1.1	**2.9**	**-2.4**	**-1.7**
Saving rate of households (b)				17.0	17.9	18.3	18.4	**23.5**	**24.4**	**18.9**
GDP deflator				1.3	1.4	1.7	2.2	**1.6**	**1.6**	**1.5**
Harmonised index of consumer prices				1.5	1.7	1.9	1.4	**0.4**	**2.4**	**1.4**
Terms of trade goods				0.5	-1.6	-1.0	1.1	**2.9**	**-2.2**	**0.1**
Trade balance (goods) (c)				6.8	7.7	6.7	6.4	**5.8**	**6.4**	**6.0**
Current-account balance (c)				5.5	8.0	7.6	7.3	**7.2**	**7.8**	**6.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.4	7.7	7.4	7.1	**6.9**	**7.4**	**6.6**
General government balance (c)				-1.5	1.4	1.8	1.5	**-4.2**	**-7.5**	**-2.5**
Cyclically-adjusted budget balance (d)				-1.4	0.6	1.1	1.0	**-1.8**	**-6.2**	**-2.5**
Structural budget balance (d)				1.0	0.8	1.2	1.0	**-1.8**	**-6.2**	**-2.5**
General government gross debt (c)				70.1	65.1	61.8	59.7	**69.8**	**73.1**	**72.2**

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

3. ESTONIA

After a drop of nearly 3% in 2020, Estonia's GDP is forecast to recover by 2.8% in 2021 and by 5% in 2022. Growth is set to be spurred by household consumption, which should receive an additional boost from a partial cashing out of second pillar pension savings in September 2021. Energy prices are set to drive inflation above 2% by 2022. While the fiscal stimulus measures are expected to be discontinued in 2022, the budget deficit is projected to remain above 3% of GDP due to some permanent expenditure increases. Estonia's public debt is forecast to remain the lowest in the EU at 24% of GDP in 2022.

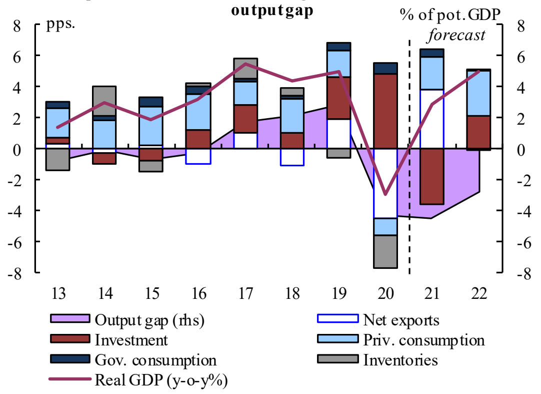
A consumption-driven rebound

GDP contracted by 2.9% in 2020, mainly due to a decline in household consumption, while exports of goods held up relatively well and exports by the ICT services sector increased strongly. A single large investment into software led to a jump in investment and imports and depressed the current account surplus, but with no significant impact on GDP. The 2021 forecast reflects the corresponding base effects for investment, imports and the current account.

In 2021, GDP is forecast to grow by 2.8%. Goods exports have continued to hold up well in the first months of the year. Private consumption is forecast to rebound as soon as COVID-19 restrictions are lifted, as households have accumulated record high savings. In addition, the recent changes to the second pillar of the pension system will allow savers to withdraw their accumulated pension assets at any point in time, even before they reach pension age. The first wave of withdrawals will be paid out in September 2021. It is expected that about a quarter of second pillar pension savings will be cashed out then, amounting to €1.3 bn euro or 4.6% of GDP. This will give a short-term boost to household consumption, the real estate sector and possibly financial investments or repayment of existing consumer loans. The boost to GDP will be dampened somewhat as the sudden income increase will likely be spent on consumer durables, vehicles and holidays abroad, which have a significant import content.

Growth is expected to accelerate to 5% in 2022. That acceleration reflects the low base effect from the first half of 2021, but also investment and household consumption spurred by pension fund withdrawals. In addition, the inflow of EU funds, including from the RRF, is projected to rise and support investment in 2022.

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



Energy prices driving inflation

Consumer prices decreased by 0.6% in 2020, notably due to a fall in global fuel prices. This effect was amplified by a temporary drop in excise duties on diesel fuel from 1 May 2020 for two years. Inflation is forecast to pick up to 1.6% in 2021 and to over 2% in 2022, as global energy prices are assumed to recover and as the higher diesel excise will be reapplied in May 2022. The remaining slack in the economy is expected to dampen services inflation, especially over 2021.

Wages driven up by the ICT and healthcare sectors

Unemployment has stabilised since the end of 2020, even though the first employment support scheme ran out in July 2020 (a more limited scheme ran from December 2020 until February 2021). A second more comprehensive employment support scheme was launched in March 2021 in response to the renewed tightening of restrictions. On an annual basis, the average unemployment rate is forecast to reach almost 8% in 2021, and to decline to over 6% in 2022.

Average wages increased by 2.5% in 2020, notably driven by a strong impact from the ICT sector and extra funding for healthcare. Given that many economic sectors weathered the crisis well and that labour shortages persist for some skills, wage growth is expected to pick up slightly in 2021 and 2022, even if unemployment is expected to remain above pre-crisis levels and the public sector is moderating wages.

Large fiscal stimulus reinstated for 2021

The general government deficit reached 4.9% of GDP in 2020, driven by both lower revenue and fiscal stimulus measures of about 3% of GDP (wage support scheme, healthcare expenditure, investment, local governments, temporary lowering of fuel excises).

In 2021, the deficit is projected to deteriorate to 5.6% of GDP as the 2021 budget foresaw further expenditure rises, notably for investment, an increase in pensions as well as spending on R&D, healthcare and defence. In addition, in response to the second lockdown in March-April 2021, a supplementary budget of 2.3% of GDP was adopted, covering mainly increased healthcare costs, employment and business support measures. At the same time, revenues in the first quarters still show an impact from the crisis. Partly offsetting the deficit increasing measures, the income tax revenue from the second pillar withdrawals is expected to amount to about 1% of GDP.

In 2022, as the tax base recovers and temporary COVID-19 support measures expire, the deficit is projected to decline to 3.3% of GDP, as some of the expenditure increases taken over 2020-2021 (pension increases, investments) are permanent. This forecast integrates RRF-financed expenditure in the same way as the Estonian 2021 Stability Programme. Public debt is forecast to increase from 18.2% of GDP in 2020 to 24% of GDP by 2022.

Table II.3.1:

Main features of country forecast - ESTONIA

		2019		Annual percentage change						
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		28.1	100.0	3.4	5.5	4.4	5.0	**-2.9**	**2.8**	**5.0**
Private Consumption		13.8	49.0	4.2	2.9	4.6	3.3	**-2.3**	**4.3**	**5.8**
Public Consumption		5.6	19.9	2.5	1.1	0.7	3.0	**3.6**	**2.1**	**0.1**
Gross fixed capital formation		7.4	26.2	5.1	7.8	3.9	11.1	**18.4**	**-11.4**	**7.9**
of which: equipment		2.8	9.9	4.9	9.9	7.8	21.2	**-16.3**	**11.6**	**9.4**
Exports (goods and services)		20.5	72.9	7.0	4.1	4.0	6.2	**-5.5**	**5.5**	**5.7**
Imports (goods and services)		19.4	68.9	7.7	3.0	5.7	3.7	**0.7**	**0.0**	**5.9**
GNI (GDP deflator)		27.5	97.7	3.5	5.3	4.8	4.7	**-2.0**	**2.2**	**4.9**
Contribution to GDP growth:	Domestic demand			4.5	3.6	3.4	4.9	**4.4**	**-1.0**	**5.0**
	Inventories			0.1	1.3	0.5	-0.6	**-2.1**	**0.0**	**0.0**
	Net exports			-0.8	1.0	-1.1	2.0	**-4.5**	**3.9**	**0.0**
Employment				0.4	2.7	1.2	1.3	**-2.7**	**-0.8**	**1.7**
Unemployment rate (a)				9.4	5.8	5.4	4.4	**6.8**	**7.9**	**6.3**
Compensation of employees / head				8.0	10.5	9.0	9.3	**2.5**	**3.5**	**3.5**
Unit labour costs whole economy				4.9	7.6	5.7	5.4	**2.7**	**-0.1**	**0.3**
Real unit labour cost				0.2	4.3	1.5	2.1	**3.2**	**-1.9**	**-2.0**
Saving rate of households (b)				4.5	10.1	10.4	13.5	**16.0**	**13.5**	**10.8**
GDP deflator				4.7	3.1	4.2	3.2	**-0.4**	**1.8**	**2.3**
Harmonised index of consumer prices				3.5	3.7	3.4	2.3	**-0.6**	**1.6**	**2.2**
Terms of trade goods				0.8	0.9	0.0	-0.7	**1.1**	**-0.3**	**-0.1**
Trade balance (goods) (c)				-10.2	-3.8	-4.7	-3.2	**-0.6**	**-0.8**	**-1.3**
Current-account balance (c)				-5.2	2.3	0.9	1.9	**-1.0**	**1.9**	**1.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.4	3.2	2.2	3.1	**0.3**	**3.2**	**2.9**
General government balance (c)				0.5	-0.7	-0.6	0.1	**-4.9**	**-5.6**	**-3.3**
Cyclically-adjusted budget balance (d)				0.3	-1.6	-1.6	-1.3	**-2.8**	**-3.4**	**-1.9**
Structural budget balance (d)				0.5	-1.6	-1.6	-1.3	**-2.8**	**-4.2**	**-2.1**
General government gross debt (c)				6.8	9.1	8.2	8.4	**18.2**	**21.3**	**24.0**

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

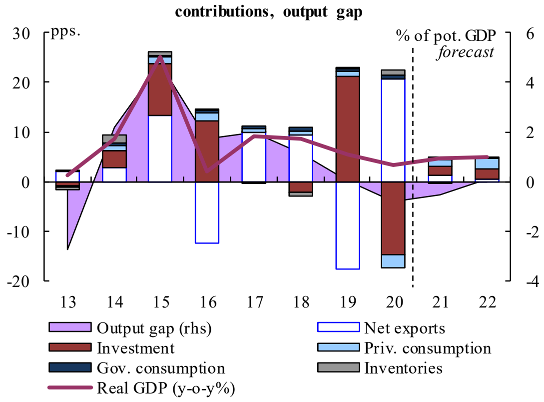
4. IRELAND

Ireland was the only country to register positive growth in 2020 but its domestic economy still felt the impact of pandemic restrictions in early 2021. It is expected to rebound in the second half of the year. Exports are increasingly benefitting from an improving external environment. In the first half of 2021, household incomes will remain shielded from the crisis by state income support. The budget deficit is expected to decrease from 2022 onwards, but risks to the macro-fiscal outlook remain high.

Restrictions weigh on the domestic economy

Ireland's real GDP grew by 3.4% in 2020, driven by performance of multinational corporations, while modified domestic demand, a broad measure that reflects the underlying domestic economy, fell by 5.4%. The year 2021 started with a new strict lockdown and slowing domestic economic activity. Early indicators, such as debit and credit card spending, suggest that private consumption contracted in the first quarter, although less than at the beginning of the pandemic. Highest-level restrictions continued in April, implying some further weakness in household spending. The vaccination rollout should change the economic outlook and release pent-up demand after a period of constrained mobility and historically unprecedented savings. Private consumption is, therefore, forecast to grow by 5.5% in 2021 and to accelerate to 8.6% in 2022.

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



After a dip in January, business confidence improved in February and March, which could herald a recovery in investment. On the other hand, construction investment was halted during the first quarter, and leading indicators, such as permits and commencements, signal a relatively weak construction outlook for 2021. Gross fixed capital formation is projected to rise by 6.5% in 2021 before picking up slightly more in 2022. In line with the rebound in consumption and investment, imports are set to pick up in the second half of 2021.

Government measures are expected to positively contribute to growth in 2021, with support to employment and businesses extended until mid-year. Exports are expected to continue to be a strong driver of GDP growth, led by multinational corporations, particularly those producing medical devices and pharmaceuticals as well as those providing information and communication services. Improvements in the external environment, including in the US with which Ireland trades significantly, will benefit the economy.

Overall, Ireland's economy is projected to grow by 4.6% in 2021 and by 5.0% in 2022. Modified domestic demand, which better reflects the underlying domestic economy, is expected to expand by 4.3% in 2021 and 7.0% in 2022.

The labour market still relies on public support

The labour market in 2020 stalled to a larger extent than shown by the headline numbers. As of the fourth quarter of 2020, hours worked were 8.5% below the fourth quarter of 2019. While the official unemployment rate was 5.8% in the first three months of 2021, the COVID-19-adjusted unemployment rate – a measure that adds the recipient of the pandemic unemployment payment – was much higher, at about one quarter of the labour force. With pandemic restrictions continuing, income support schemes have been extended until end-June. The re-opening of the hospitality and retail sectors should lead to an increase in employment in the second half of 2021. Nevertheless, for the year as a whole, employment is set to contract by 3.5%, mostly reflecting the transition of part of the people who were on income support to unemployment or inactivity. In 2022, employment is projected to grow by 5.0% and the unemployment rate is forecast to remain above its pre-pandemic levels. There is a risk of 'scarring effects' due to long-term unemployment and increased skill mismatches. The unemployment rate is forecast to reach 10.7% in 2021 and decline to 8.1% in 2022, still well above 2019's rate of 5.0%.

HICP inflation was negative in 2020 and through the first quarter of 2021, amid low oil prices, weak demand and a 2% VAT cut from 1 September 2020 to 28 February 2021. Inflation is projected to reach 0.9% in 2021 and increase to 1.3% in 2022 on the back of an expected recovery in domestic demand.

Additional measures to support the recovery in 2021

Ireland recorded a general government deficit of 5.0% of GDP in 2020, deteriorating from a surplus of 0.5% of GDP in 2019, due to the operation of automatic stabilisers and discretionary fiscal measures. Overall, revenues were resilient. Some tax returns decreased in line with the fall in modified domestic demand. Corporate income tax receipts, however, increased, as the ICT and pharmaceutical sectors performed strongly amid the pandemic. Personal income tax receipts were more resilient than other items, while taxes on products contracted due to the lockdowns.

The deficit is forecast to remain stable at 5.0% of GDP in 2021. The Irish authorities expect to extend income support measures until the end of the first half of the year. In the absence of sufficiently detailed information about the national RRP at the time of the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3 in Chapter I.2.7. Revenues are expected to grow in tandem with GDP, with a minor negative impact from temporary VAT measures. The deficit is forecast to fall to almost 3% of GDP in 2022 under a set of assumptions that includes the discontinuation of measures adopted to fight the pandemic.

Gross general government debt is projected to rise to 61.4% of GDP in 2021 and to decrease to 59.7% of GDP in 2022 thanks to nominal GDP growth and a planned decrease in cash reserves. Risks to the fiscal outlook reflect potential changes to the international taxation environment.

Table II.4.1:

Main features of country forecast - IRELAND

	2019		Annual percentage change						
bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	356.1	100.0	4.0	9.1	8.5	5.6	**3.4**	**4.6**	**5.0**
Private Consumption	104.2	29.3	2.4	2.2	2.6	3.2	**-9.0**	**5.5**	**8.6**
Public Consumption	42.3	11.9	2.3	3.9	5.7	5.8	**6.6**	**2.3**	**2.0**
Gross fixed capital formation	162.4	45.6	7.3	0.0	-6.3	74.9	**-32.3**	**6.5**	**6.6**
of which: equipment	25.5	7.2	6.3	11.5	15.5	-1.2	**-25.2**	**2.2**	**8.1**
Exports (goods and services)	448.9	126.1	6.9	9.2	11.1	10.5	**6.2**	**6.8**	**4.9**
Imports (goods and services)	405.1	113.8	6.7	1.1	4.0	32.4	**-11.3**	**7.7**	**5.8**
GNI (GDP deflator)	275.5	77.4	3.6	6.6	7.3	3.7	**1.2**	**4.4**	**6.0**
Contribution to GDP growth: Domestic demand			3.3	1.3	-0.6	22.9	**-16.6**	**3.7**	**4.5**
Inventories			0.1	-0.2	-0.9	0.1	**1.0**	**-0.2**	**0.0**
Net exports			1.2	10.0	9.4	-17.5	**20.7**	**1.1**	**0.5**
Employment			1.3	3.0	3.2	2.9	**-1.5**	**-3.5**	**5.0**
Unemployment rate (a)			8.9	6.7	5.8	5.0	**5.7**	**10.7**	**8.1**
Compensation of employees / head			2.8	2.9	2.6	3.5	**1.6**	**2.0**	**1.8**
Unit labour costs whole economy			0.1	-2.8	-2.4	0.9	**-3.2**	**-5.9**	**1.8**
Real unit labour cost			-1.7	-4.4	-2.8	-2.2	**-2.8**	**-7.3**	**0.6**
Saving rate of households (b)			9.7	11.5	11.6	12.2	**23.8**	**15.5**	**12.6**
GDP deflator			1.8	1.6	0.3	3.1	**-0.5**	**1.5**	**1.2**
Harmonised index of consumer prices			1.6	0.3	0.7	0.9	**-0.5**	**0.9**	**1.3**
Terms of trade goods			0.3	-4.1	-6.3	2.2	**-3.7**	**-0.8**	**-0.5**
Trade balance (goods) (c)			23.6	36.3	33.4	33.5	**37.9**	**38.6**	**37.3**
Current-account balance (c)			-1.8	0.5	6.0	-11.3	**4.6**	**4.5**	**4.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.0	-8.1	-9.9	-21.2	**-0.3**	**2.0**	**3.9**
General government balance (c)			-5.0	-0.3	0.1	0.5	**-5.0**	**-5.0**	**-2.9**
Cyclically-adjusted budget balance (d)			-5.0	-1.4	-0.5	0.5	**-4.6**	**-4.7**	**-2.9**
Structural budget balance (d)			-3.3	-1.4	-0.4	0.5	**-4.6**	**-4.7**	**-2.9**
General government gross debt (c)			62.0	67.0	63.0	57.4	**59.5**	**61.4**	**59.7**

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

5. GREECE

The COVID-19 pandemic, and the necessary containment measures to save lives following its outbreak, pushed Greece's economy into a deep recession in 2020. Tourism and more generally, the services sector were particularly hit. Nonetheless, the timely policy measures taken by the Greek government have managed to cushion the downturn by supporting employment and business liquidity. Accommodative fiscal policy, coupled with the strong stimulus from the Recovery and Resilience Plan, are expected to help kick-start the economy going forward.

A significant contraction in 2020

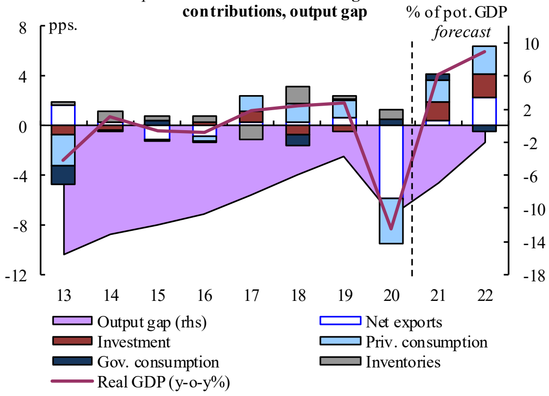
Greece's economy contracted by 8.2% in 2020 due to the impact of COVID-19 pandemic and the containment measures taken in an effort to curb infections, especially during the second and fourth quarters of last year. The economic impact of the pandemic on Greece was substantial, particularly due to the importance of the tourism sector and the small size of the majority of enterprises in the economy. The impact on total investment, however, was relatively small, thanks to a timely increase in public investments and strong construction activity, which operated with limited restrictions during the lockdown periods. Employment support measures managed to prevent large-scale dismissals, keeping the unemployment rate at 16.3%, while employment decreased due to lower hiring in the tourism sector.

Investments under the Recovery and Resilience Plan: the backbone of the recovery

The ongoing rollout of the vaccination campaign should allow for a gradual easing of the containment measures, which were still in place in the first quarter of 2021. This should enable the realisation of purchases deferred from the previous year and contribute to private consumption growth, especially in 2022, where households should also benefit from the savings that have accumulated during the pandemic. Economic activity in the second half of this year is also expected to be supported by the launch of the implementation of the projects presented in Greece's Recovery and Resilience Plan. Overall, GDP is forecast to grow by 4.1% in 2021 and 6.0% in 2022.

The gradual reopening of the tourism sector should support net exports, along with the projected market share gains for Greek exports, a trend that has been interrupted by the pandemic.

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



This forecast assumes that the impact of the pandemic on liquidity and incomes will continue to be cushioned by policy support. In particular, job support measures are expected to continue facilitating the return of workers, whose labour contracts have been suspended, to regular employment and help maintain the unemployment rate at 16.3% in 2021, unchanged from 2020. Job creation, however, is forecast to recover more slowly, and only support a reduction in unemployment in 2022, to 16.1%. Despite the recent hike in energy prices, overall inflation is likely to remain mildly negative in 2021, largely on account of weak demand for industrial goods and services, before gradually recovering in 2022.

Uncertainty remains high, particularly in relation to the tourism sector and the easing of travel restrictions. Additional risks come from the impact of the crisis on the solvency of firms that could arise once support measures end. Labour market developments will crucially depend on the pace at which labour support measures are phased out. External geopolitical factors remain a source of uncertainty.

Fiscal policy will support recovery

The deficit in Greece's headline balance reached 9.7% of GDP in 2020, which can be mainly attributed to the cost of the measures adopted to mitigate the social and economic impact of the crisis (6.3% of GDP) and the impact of the pandemic on state revenues. In addition, the change in the statistical recording of the expected cost of clearing the backlog of state guarantees and the healthcare claw-backs resulted in an increased deficit in 2020.

The deficit in the general government balance in 2021 is expected to remain large (10.0% of GDP). Apart from the cost of the prolongation of the support measures adopted in 2020, the forecast takes into account new measures adopted to support the recovery, most importantly a reduction of social security contributions and the temporary abolition of the social solidarity tax for the private sector. The forecast also factors in a reduction of the rate of advance payments for the corporate income tax and a reduction of the tax itself by 2pps for profits made in 2021 and the following years.

As the economy continues to recover and emergency fiscal measures are gradually phased out, the headline deficit is expected to decline to 3.2% of GDP in 2022. As regards the Recovery and Resilience Plan, in the absence of sufficiently detailed information, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3 in Chapter I.2.7.

Fiscal risks remain substantial. They are related to state guarantees that were issued as part of the emergency measures in 2020 and could be called in the future. Additional risks might derive from the set-up of the planned sale and lease-back scheme for properties owned by vulnerable debtors, in case it is considered to be part of the general government. There are also risks stemming from litigation cases against the Public Real Estate Company (ETAD) and the ongoing legal challenges against earlier reforms.

Following a steep increase in 2020 linked to the pandemic, public debt is expected to slightly increase to around 209% of GDP in 2021 before declining to around 202% in 2022.

Table II.5.1:
Main features of country forecast - GREECE

		2019		Annual percentage change						
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		183.4	100.0	-0.2	1.3	1.6	1.9	**-8.2**	**4.1**	**6.0**
Private Consumption		127.0	69.3	0.0	1.9	2.3	1.9	**-5.2**	**2.5**	**3.3**
Public Consumption		36.1	19.7	0.4	-0.1	-4.2	1.2	**2.7**	**2.2**	**-2.3**
Gross fixed capital formation		18.6	10.1	-3.9	8.1	-6.6	-4.6	**-0.6**	**12.9**	**15.1**
of which: equipment		8.9	4.9	-2.1	23.3	-3.3	6.7	**-7.1**	**13.4**	**14.6**
Exports (goods and services)		73.5	40.1	2.0	8.5	9.1	4.8	**-21.7**	**9.1**	**14.8**
Imports (goods and services)		76.6	41.7	0.6	7.4	8.0	3.0	**-6.8**	**6.3**	**6.8**
GNI (GDP deflator)		181.9	99.2	-0.3	1.3	0.9	2.2	**-8.0**	**4.4**	**5.9**
Contribution to GDP growth:	Domestic demand			-0.3	2.2	-0.1	1.0	**-3.1**	**3.7**	**3.7**
	Inventories			0.0	-1.1	1.4	0.1	**0.7**	**0.0**	**0.0**
	Net exports			0.3	0.2	0.3	0.7	**-5.8**	**0.4**	**2.3**
Employment				0.2	-0.5	1.4	1.2	**-1.3**	**0.4**	**0.7**
Unemployment rate (a)				15.3	21.5	19.3	17.3	**16.3**	**16.3**	**16.1**
Compensation of employees / head				1.3	1.5	1.8	1.0	**0.0**	**1.3**	**2.0**
Unit labour costs whole economy				1.8	-0.3	1.6	0.4	**7.6**	**-2.3**	**-3.0**
Real unit labour cost				0.2	-0.7	1.7	0.2	**9.2**	**-2.0**	**-3.8**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				1.5	0.4	-0.1	0.2	**-1.5**	**-0.3**	**0.7**
Harmonised index of consumer prices				2.2	1.1	0.8	0.5	**-1.3**	**-0.2**	**0.6**
Terms of trade goods				-0.4	1.2	-1.2	-1.4	**-2.8**	**-0.9**	**-0.9**
Trade balance (goods) (c)				-14.0	-11.3	-12.6	-13.1	**-11.6**	**-13.0**	**-13.9**
Current-account balance (c)				-8.4	-2.1	-3.6	-2.2	**-7.8**	**-7.6**	**-5.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-6.7	-1.0	-2.4	-0.9	**-6.2**	**-5.9**	**-3.5**
General government balance (c)				-7.9	0.6	0.9	1.1	**-9.7**	**-10.0**	**-3.2**
Cyclically-adjusted budget balance (d)				-5.9	5.0	4.0	3.1	**-4.1**	**-6.4**	**-2.1**
Structural budget balance (d)				3.8	4.7	4.6	2.0	**-4.7**	**-6.6**	**-2.2**
General government gross debt (c)				135.5	179.2	186.2	180.5	**205.6**	**208.8**	**201.5**

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

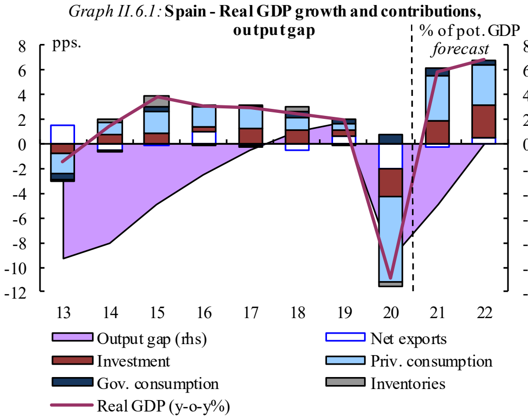
6. SPAIN

The strong rebound expected from the second quarter of 2021 should allow Spain's GDP to return to its pre-pandemic level by the end of 2022. The implementation of the Recovery and Resilience Plan will play a major role in the economic expansion, particularly in 2022. Dynamic domestic demand is expected to be the main driver of the recovery, accompanied by external demand in 2022, when tourism is projected to return to more normal conditions. The economic downturn worsened the general government balance in 2020, but the deficit is forecast to decrease gradually from 2021 onwards.

Economic growth is expected to resume in the second quarter of 2021

The severe outbreak of the COVID-19 pandemic in Spain and the strict lockdown measures taken in response to it resulted in an unprecedented decline in GDP in 2020 (-10.8%). The high number of infections in the first two months of 2021 forced Spain to tighten restrictions, which led output to drop further in the first quarter of the year (-0.5% of GDP, q-o-q). With the lifting of some restrictions in March, and the acceleration in the pace of vaccination, economic activity is set to begin growing over the second quarter and to continue more vigorously in the second half of the year. As was the case with the downturn in 2020, the recovery is also expected to remain uneven across sectors. Manufacturing production has started to pick up, while sectors with high social-interaction, such as leisure and tourism-related activities, are set to recover at a slower pace.

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



The Recovery and Resilience Plan is decisive for the expected rebound

The implementation of the Recovery and Resilience Plan (RRP) is expected to play a decisive role, driving the rebound in the second half of 2021 and helping to sustain the economic expansion over the forecast horizon. Spain is the biggest beneficiary of grants from the Recovery and Resilience Facility (RRF) in absolute terms (EUR 69.5 billion) and this forecast assumes that half of this amount will be absorbed over the forecast horizon. If efficiently implemented, with its combination of strategic projects accompanied by broad reforms, the economic impact will be significant, particularly in 2022, when strong demand effects would be accompanied by a gradual contribution from the supply side.

Spain to return to its pre-pandemic GDP level within the forecast horizon

Overall, real GDP is projected to grow by 5.9% in 2021 and by 6.8% in 2022. As a result, Spain's GDP is expected to return to its pre-pandemic level by the end of 2022. With the prospect of a relaxation of restrictions in the second half of 2021, part of the accumulated savings prompted by the pandemic is expected to be unwound, spurring private consumption, but also investment. The higher absorption of RRF funds envisaged in 2022, with potential crowding-in effects on private investment and a carry-over effect from 2021, are forecast to provide a noticeable boost to economic growth in 2022. The contribution of external demand to GDP growth is set to turn positive in 2022, when tourism-related activities are likely to approach their 2019 level.

Inflation is expected to rebound in 2021, as a more sustained outlook for demand spurs a gradual rise in the prices of consumer services. Upward pressures are also likely to come from prices of electricity and of fuels such as diesel and petrol.

While uncertainty has decreased slightly, the outlook for Spain's economy is still subject to a larger degree of uncertainty than normal. This is due to uncertainties linked to the recovery of tourism-related activities, the response of private agents to the potential relaxation of containment measures, and the size and impact of public measures to contain the effect of the pandemic and support the recovery, including the actual absorption of the RRP.

Policy measures have cushioned the impact of the COVID crisis

Existing short-term work schemes (‘ERTEs’) were made more generous at the outset of the crisis to mitigate job losses and are currently legislated to remain in place until the end of May 2021. In addition, several measures were taken to protect the self-employed by means of benefits for suspension of activity. Despite these measures, the fall in employment pushed the unemployment rate to 15.5% in 2020. Unemployment is forecast to slightly increase in 2021 (15.7%) before falling in 2022, when job creation is expected to reduce it to around 14.4%. Corporate liquidity has been enhanced by a programme of public guarantees for new bank loans and payment moratoria, among other measures. Nevertheless, impaired profitability could lead to the materialisation of corporate insolvencies with risks for productive capacity and employment. To limit these risks in the short term, the authorities adopted in March 2021 a further package of measures to support SMEs.

Government debt to come down from peak

As a result of the COVID-19 crisis and the policy response to it, the general government deficit widened by more than 8 pps. to 11.0% of GDP in 2020. A few one-off events, in particular the reclassification into the general government sector of SAREB, also took place, adding around 1 pp. to the deficit ratio and 3 pps. to the debt ratio in 2020. In 2021, the deficit is projected to narrow to around 7.6% of GDP, as a subsiding pandemic and the impact of a gradual implementation of the RRP of Spain leads to a rebound in economic activity, while the net impact of measures are set to weigh less on public finances. Thanks to a stronger impact on economic growth from the RRP in 2022, the deficit is forecast to narrow to 5.2% of GDP in 2022. Public guarantees provide crucial support, but also constitute a risk to the fiscal outlook. Due to the large government deficit, the severe contraction in GDP and the impact from the SAREB reclassification, the general government gross debt-to-GDP ratio rose by almost 25 pps. from 95.5% of GDP in 2019 to 120% in 2020. As growth resumes and the deficit narrows, the debt ratio is expected to gradually come down to around 116.9% of GDP by the end of 2022.

Table II.6.1:

Main features of country forecast - SPAIN

		2019		Annual percentage change						
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		1244.8	100.0	1.5	3.0	2.4	2.0	**-10.8**	**5.9**	**6.8**
Private Consumption		713.8	57.3	1.2	3.0	1.8	0.9	**-12.1**	**6.4**	**5.8**
Public Consumption		234.9	18.9	2.6	1.0	2.6	2.3	**3.8**	**2.7**	**1.9**
Gross fixed capital formation		247.3	19.9	0.0	6.8	6.1	2.7	**-11.4**	**9.6**	**12.7**
of which: equipment		79.8	6.4	0.7	9.2	5.4	4.4	**-13.0**	**12.2**	**15.0**
Exports (goods and services)		434.3	34.9	3.2	5.5	2.3	2.3	**-20.2**	**10.4**	**12.8**
Imports (goods and services)		396.9	31.9	2.0	6.8	4.2	0.7	**-15.8**	**11.7**	**11.7**
GNI (GDP deflator)		1246.6	100.1	1.6	2.8	2.6	1.9	**-10.6**	**5.6**	**6.8**
Contribution to GDP growth:		Domestic demand		1.2	3.2	2.7	1.5	**-8.5**	**6.1**	**6.3**
		Inventories		0.0	0.0	0.3	-0.1	**-0.3**	**0.0**	**0.0**
		Net exports		0.3	-0.2	-0.5	0.6	**-2.0**	**-0.2**	**0.5**
Employment				0.4	2.8	2.5	2.3	**-7.5**	**4.5**	**2.0**
Unemployment rate (a)				16.1	17.2	15.3	14.1	**15.5**	**15.7**	**14.4**
Compensation of employees / head				2.4	0.7	1.0	2.1	**1.4**	**0.5**	**2.0**
Unit labour costs whole economy				1.3	0.6	1.1	2.4	**5.2**	**-0.8**	**-2.6**
Real unit labour cost				-0.6	-0.7	-0.1	1.0	**4.1**	**-1.8**	**-3.6**
Saving rate of households (b)				8.4	5.8	5.6	6.3	**14.8**	**11.1**	**7.3**
GDP deflator				1.9	1.3	1.2	1.4	**1.1**	**1.0**	**1.1**
Harmonised index of consumer prices				2.1	2.0	1.7	0.8	**-0.3**	**1.4**	**1.1**
Terms of trade goods				0.1	-0.4	-1.4	-0.5	**1.7**	**-0.3**	**-0.2**
Trade balance (goods) (c)				-4.8	-1.9	-2.5	-2.1	**-0.8**	**-1.5**	**-2.3**
Current-account balance (c)				-3.3	2.8	1.9	2.1	**0.7**	**-0.1**	**0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.8	3.0	2.4	2.5	**1.1**	**0.4**	**0.7**
General government balance (c)				-4.0	-3.0	-2.5	-2.9	**-11.0**	**-7.6**	**-5.2**
Cyclically-adjusted budget balance (d)				-3.2	-2.8	-3.1	-3.9	**-5.4**	**-4.6**	**-5.2**
Structural budget balance (d)				-1.8	-2.7	-2.8	-3.7	**-4.2**	**-4.9**	**-5.2**
General government gross debt (c)				63.8	98.6	97.4	95.5	**120.0**	**119.6**	**116.9**

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

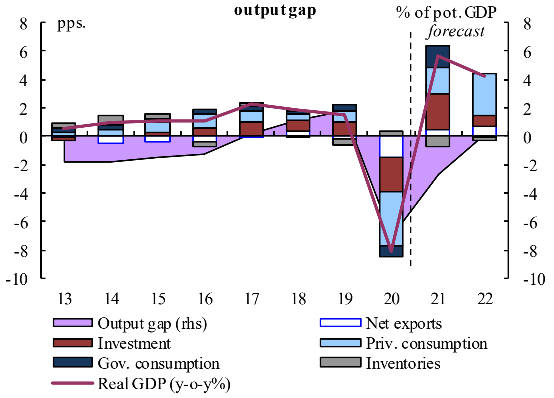
7. FRANCE

France's GDP growth is set to gain momentum in 2021. Economic activity is forecast to rebound gradually, particularly in the second half of the year when restrictions should be eased, and supported by the recovery plan 'France Relance'. In 2022, all demand components are set to exceed their pre-crisis levels, with total activity standing around 1 pp. higher than in 2019. After peaking in 2021, the unemployment rate is projected to decline next year but to remain higher than in 2019. The general government deficit is forecast to decrease to 4.7% of GDP in 2022, while public debt will remain above 116% of GDP.

A gradual recovery following a historical recession

After a historic drop in 2020 (-8.1%), real GDP is set to rebound gradually by 5.7% in 2021 and 4.2% in 2022.

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



The stringency of restrictions was high during the first months of 2021, and increased further in April. The vaccination campaign is set to lead to eased restrictions during the course of the second quarter, allowing economic activity to rebound. However, the rebound is unlikely to offset the negative impact of France's lockdown in April, and GDP is thus set to decrease (-0.4%) in the second quarter, after expanding by 0.4% in the first. In the third quarter of this year, activity should benefit more fully from the easing of restrictions and from the government's plan to relaunch the economy ('*France Relance*') with GDP expected to rise by 3.2%. The growth momentum is then set to gradually moderate until the end of the forecast horizon. Real GDP is set to reach its pre-crisis level at the beginning of 2022.

The gradual rebound is set to affect all demand components and the resilience of household purchasing power is expected to be central to the recovery. In particular, the withdrawal of measures is set to be gradual, thus limiting the increase in bankruptcies and the associated job losses. Private consumption is projected to rebound sharply in the third quarter as the most severe restrictions weighing on the service sector are eased. The saving rate, which rose to 21.1% in 2020, is set to decrease in 2021 and fall to its pre-crisis level in 2022 (14.6%).

Investment fell more sharply than consumption in the first half of 2020, but then also recovered more quickly. It is set to continue growing and benefit from the easing of restrictions from the third quarter of this year. Public and private investment are also poised to benefit from favourable financing conditions and the *'France Relance'* plan over the forecast horizon.

Net exports are projected to rebound as from 2021, although more slowly than the other growth components. Crucial export sectors (e.g. tourism and aeronautics) are expected to continue to be weighed down by long lasting restrictions on international mobility. As a result, net exports cumulative contribution to growth over the 2019-2022 period is set to remain slightly negative.

Unemployment rate and inflation are set to peak in 2021

Unemployment in France is projected to increase in 2021. This is due to the slow recovery of the labour market and a surge in the labour force after its sizeable fall in 2020 caused by pandemic-related restrictions. In 2022, the unemployment rate should diminish in line with the recovery in all economic sectors. Inflation is forecast to increase to 1.4% in 2021 after 0.5% in 2020 due to higher oil prices. Despite the recovery in demand, inflation is set to diminish in 2022 (1.1%), mainly because of a decrease in energy prices and the decision to keep taxes on tobacco steady after several years of sharp increases.

Deficit to remain high in 2021 while debt rises

The COVID-19 pandemic and its effects on economic activity entailed sizeable increases in public deficit and debt. The general government deficit rose to 9.2% of GDP. This was due to a drop in tax revenues, the effect of automatic stabilisers and deficit-increasing temporary measures, adopted to fight the pandemic and its socio-economic impacts, which amounted to 3.5% of GDP. These measures, mainly on the expenditure side, included additional healthcare expenditure, transfers to cover partial unemployment schemes and subsidies to SMEs and independent workers under a dedicated fund. Emergency measures also included exemptions of social security contributions of almost €8 billion.

The general government deficit is forecast at 8.5% of GDP in 2021. Some emergency measures have been extended in response to the deterioration of the health situation in the first four months of the year. Together with the recovery measures under the plan *France Relance* that are not financed by the RRF, they are expected to largely offset the positive contribution from automatic stabilisers of almost a point of GDP and the unwinding of some emergency measures adopted in 2020. While the revenue-to-GDP ratio is set to dwindle by only some ¾ pps., due to the resilience of incomes due to support schemes and low corporate profits in 2020, the expenditure ratio is expected to shrink by some 1½ pps., to 60.6%. These projections incorporate measures from *France Relance* of 1.7% of GDP, including a permanent cut in production taxes of €10.5 billion and additional expenditure of €29.8 billion. Spending measures incorporate an envelope for the partial activity scheme of €6.6 billion. The RRF is expected to partly finance recovery measures worth €19 billion (0.8% of GDP). The possibility that public guarantees could be called on implies a downward risk.

The government deficit is set to narrow to 4.7% of GDP in 2022, partly due to the effect of automatic stabilisers of some 1½ pps. While the revenue ratio is expected to narrow by half a point of GDP, the expenditure ratio is set to decline by 4¼ pps. This forecast incorporates RRF financing amounting to 0.4% of GDP.

After having risen to 115.7% of GDP in 2020, public debt is forecast to increase to almost 117½% in 2021, before declining to around 116½% in 2022.

Table II.7.1:

Main features of country forecast - FRANCE

	2019			Annual percentage change						
bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	2425.7	100.0	1.2	2.3	1.8	1.5	**-8.1**	**5.7**	**4.2**
Private Consumption	1303.3	53.7	1.4	1.5	0.9	1.5	**-7.2**	**3.4**	**5.6**
Public Consumption	560.2	23.1	1.5	1.4	0.9	1.7	**-3.0**	**6.0**	**-0.3**
Gross fixed capital formation	573.1	23.6	1.1	4.7	3.2	4.2	**-10.2**	**11.0**	**3.1**
of which: equipment	126.3	5.2	0.9	4.1	2.4	3.9	**-13.6**	**10.7**	**3.3**
Exports (goods and services)	770.7	31.8	2.5	4.4	4.4	1.9	**-16.0**	**10.0**	**9.6**
Imports (goods and services)	794.4	32.8	3.2	4.5	3.1	2.5	**-11.1**	**7.6**	**6.6**
GNI (GDP deflator)	2476.0	102.1	1.2	2.4	1.7	1.4	**-7.8**	**5.4**	**4.0**
Contribution to GDP growth: Domestic demand			1.4	2.2	1.4	2.2	**-7.0**	**5.9**	**3.6**
Inventories			0.0	0.2	0.0	-0.4	**0.3**	**-0.7**	**-0.2**
Net exports			-0.2	-0.1	0.4	-0.2	**-1.4**	**0.5**	**0.7**
Employment			0.5	1.1	1.0	1.2	**-1.0**	**0.1**	**1.2**
Unemployment rate (a)			9.0	9.4	9.0	8.4	**8.0**	**9.1**	**8.7**
Compensation of employees / head			2.3	2.0	1.7	-0.2	**-2.7**	**4.2**	**2.8**
Unit labour costs whole economy			1.6	0.8	1.0	-0.5	**4.8**	**-1.4**	**-0.2**
Real unit labour cost			0.2	0.3	0.0	-1.7	**2.5**	**-1.8**	**-1.2**
Saving rate of households (b)			14.5	13.8	14.1	14.6	**21.1**	**18.4**	**14.6**
GDP deflator			1.4	0.5	1.0	1.2	**2.2**	**0.5**	**1.1**
Harmonised index of consumer prices			1.6	1.2	2.1	1.3	**0.5**	**1.4**	**1.1**
Terms of trade goods			0.4	-1.6	-1.5	1.1	**1.4**	**-1.4**	**0.1**
Trade balance (goods) (c)			-1.2	-1.6	-1.6	-1.4	**-2.2**	**-2.2**	**-1.4**
Current-account balance (c)			-0.1	-0.7	-0.9	-0.8	**-2.0**	**-1.7**	**-1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.2	-0.7	-0.8	-0.8	**-2.2**	**-1.1**	**-0.6**
General government balance (c)			-4.0	-3.0	-2.3	-3.1	**-9.2**	**-8.5**	**-4.7**
Cyclically-adjusted budget balance (d)			-4.0	-3.1	-3.0	-4.2	**-4.8**	**-6.8**	**-4.8**
Structural budget balance (d)			-2.7	-2.9	-3.0	-3.3	**-4.7**	**-6.7**	**-4.7**
General government gross debt (c)			77.7	98.3	98.0	97.6	**115.7**	**117.4**	**116.4**

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

8. ITALY

Vaccinations and the easing of restrictions are paving the way for Italy's economy to rebound strongly in the second half of 2021. EU-supported investment is set to lift the economy to a sustained expansion path, which should allow output to return to its pre-pandemic level by the end of 2022. Due to extended policy support, the government deficit and debt level are set to further rise in 2021 before declining in 2022. Oil-price base effects are set to push consumer price inflation above 1% this year.

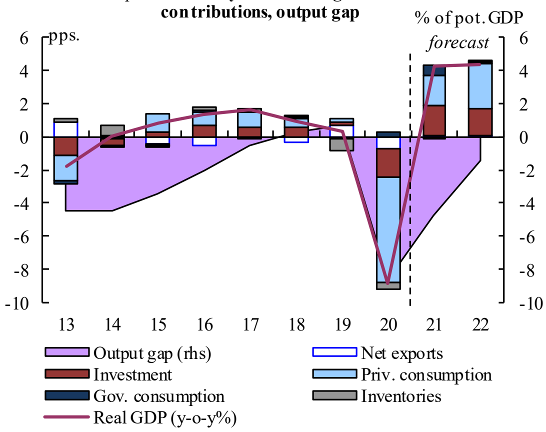
The economy is emerging from the doldrums and is set to rebound strongly later this year

Italy's economy continues to suffer from COVID-19 pandemic and its associated restrictions on mobility and economic activity. Even though construction and manufacturing activity have proven robust against the latest flare-up of the pandemic, the contact-intensive services sector suffered a renewed setback. Real output growth is set to spring cautiously back to life in 2021-Q2, while an accelerating vaccination campaign and the continuing gradual easing of restrictions are paving the way for a strong rebound later in the year. After a steep drop of 8.9% in 2020, real GDP is projected to rebound by 4.2% this year on the back of sizeable domestic policy support and the first stage of NGEU-financed investment. In 2022, the investment and reform programme set out in Italy's Recovery and Resilience Plan will take full effect and should help propel output growth to 4.4%. The projected recovery should allow the economy to return to its pre-pandemic level by the end of the forecast period. This forecast takes into account the expected use of RRF grants as outlined in the national RRP submitted on the cut-off date. The outlook remains subject to pandemic-related downside risks and potential scarring effects on employment and corporate solvency.

Pent-up consumer demand and EU-supported investment set to fuel a sustained recovery

The release of pent-up consumer demand should help the economy bounce back, once containment measures are relaxed. However, persisting uncertainty and the concentration of accumulated (forced) savings among higher-income households with a lower propensity to consume is likely to restrain the expected rebound in private consumption, as indicated by household surveys. The household saving rate is thus expected to remain above its long-run average at the end of the forecast period. Capital spending is forecast to pick up vigorously, as RRF-financed expenditure is set to spur both public and corporate investment, the latter through tax breaks for investment in R&D (*Transizione 4.0*), as well as residential investment (*Superbonus*). Goods exports continue to benefit from strong momentum due to an improving external outlook, allowing exporters to regain some market share. Services exports, in particular tourism, are unlikely to fully recover in 2022.

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



Hours worked to recover significantly faster than headcount employment

Headcount employment, partly shielded from the pandemic shock through job retention schemes (*Cassa integrazione guadagni*) is forecast to rise only in 2022 when the recovery takes hold. By contrast, total hours worked, a more reliable gauge for the pandemic-induced slack in the labour market, dropped by 11% in 2020 but is expected to recover rapidly once activity restrictions are eased. The unemployment rate is set to remain at around 10% over the forecast period, due to the return of the labour force to pre-pandemic levels.

Consumer prices set to rise due to base effects

Base effects related to rising oil prices are set to push HICP inflation above 1% this year, before it moderates to about 1% in 2022. The labour market slack puts downward pressure on core inflation which is projected to exceed 1% only at the end of 2022.

Fiscal policy remains supportive in 2021

The government headline deficit increased from 1.6% of GDP in 2019 to 9.5% of GDP in 2020. Government revenues declined markedly, reflecting the impact of the crisis on economic activity and the drop in private consumption in particular. Government expenditure increased substantially due to the cost of the fiscal policy response to the pandemic, which amounted to around 6% of GDP in 2020. Main measures included additional resources for healthcare, the extension of job retention schemes, financial support to self-employed and poorer households, partial compensation of losses incurred by firms, budgetary provisions for government guarantees and subsidies to the most affected sectors.

In 2021, the government deficit is expected to further increase to around 11¾% of GDP due to the cost of the prolonged policy support, as restraints to economic activity are still needed to contain the pandemic. The measures included in the 2021 budget imply a deficit-increasing impact of around 1.4% of GDP in 2021. Some of these measures are expected to be partly financed with NGEU resources, such as a cut in social security contributions for firms operating in poorer regions (REACT EU) and extended tax credits for equipment investment and building renovations (RRF). In light of the pandemic developments, an additional fiscal package amounting to 1.8% of GDP was adopted in March, further extending job retention schemes and providing for additional transfers to firms. The 2021 Stability Programme also announced new measures worth 2.3% of GDP in 2021, mainly aimed at extending support to the corporate sector. Overall, the cost of the additional policy response is expected to more than offset the increase in revenues related to the projected recovery. In 2022, the government deficit is set to decrease to around 5¾% of GDP, thanks to declining government spending and accelerating revenue growth.

After increasing from 134.6% in 2019 to 155.8% in 2020, the government debt-to-GDP ratio is expected to further rise to around 159¾% in 2021, driven by the large primary deficit. In 2022, the debt ratio is set to decline to around 156½% of GDP, thanks to the economic recovery and despite a still negative primary balance.

Table II.8.1:

Main features of country forecast - ITALY

	2019			Annual percentage change						
bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	1790.9	100.0	0.1	1.7	0.9	0.3	**-8.9**	**4.2**	**4.4**
Private Consumption	1074.5	60.0	0.1	1.5	0.9	0.3	**-10.7**	**3.1**	**4.9**
Public Consumption	335.0	18.7	0.4	-0.1	0.1	-0.8	**1.6**	**2.9**	**0.1**
Gross fixed capital formation	321.7	18.0	-1.0	3.2	3.1	1.1	**-9.1**	**9.9**	**8.4**
of which: equipment	122.3	6.8	-0.5	6.4	4.5	0.3	**-15.2**	**12.4**	**8.8**
Exports (goods and services)	567.7	31.7	1.6	5.4	2.1	1.6	**-13.8**	**10.4**	**7.9**
Imports (goods and services)	508.8	28.4	1.3	6.1	3.4	-0.7	**-12.6**	**11.5**	**8.7**
GNI (GDP deflator)	1806.6	100.9	0.1	1.9	1.5	0.1	**-8.7**	**4.1**	**4.0**
Contribution to GDP growth: Domestic demand			-0.1	1.5	1.1	0.2	**-7.8**	**4.2**	**4.4**
Inventories			0.0	0.2	0.1	-0.6	**-0.3**	**0.0**	**0.0**
Net exports			0.1	0.0	-0.3	0.7	**-0.8**	**0.1**	**0.0**
Employment			0.1	0.8	0.8	0.1	**-10.3**	**5.4**	**2.2**
Unemployment rate (a)			9.2	11.2	10.6	10.0	**9.2**	**10.2**	**9.9**
Compensation of employees / head			2.1	0.6	2.0	1.6	**2.6**	**0.5**	**1.9**
Unit labour costs whole economy			2.1	-0.3	1.8	1.4	**1.0**	**1.7**	**-0.2**
Real unit labour cost			0.2	-1.0	0.8	0.6	**-0.2**	**0.8**	**-1.4**
Saving rate of households (b)			12.7	10.1	10.1	10.1	**17.5**	**13.1**	**10.8**
GDP deflator			1.9	0.7	1.1	0.8	**1.2**	**0.8**	**1.2**
Harmonised index of consumer prices			1.9	1.3	1.2	0.6	**-0.1**	**1.3**	**1.1**
Terms of trade goods			0.3	-1.9	-1.2	1.4	**4.7**	**-1.3**	**0.0**
Trade balance (goods) (c)			0.9	3.1	2.6	3.4	**4.0**	**3.8**	**3.4**
Current-account balance (c)			-0.6	2.5	2.5	3.2	**3.5**	**2.9**	**3.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.5	2.6	2.5	3.1	**3.5**	**2.9**	**3.1**
General government balance (c)			-3.2	-2.4	-2.2	-1.6	**-9.5**	**-11.7**	**-5.8**
Cyclically-adjusted budget balance (d)			-2.9	-2.2	-2.3	-1.9	**-4.8**	**-9.1**	**-5.0**
Structural budget balance (d)			-0.9	-2.1	-2.5	-2.0	**-4.9**	**-9.3**	**-5.1**
General government gross debt (c)			116.8	134.1	134.4	134.6	**155.8**	**159.8**	**156.6**

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

9. CYPRUS

Economic activity in Cyprus contracted sharply in 2020, due to the COVID-19 crisis, albeit less than the EU average. The tourism sector has been severely affected, while the impact on domestic demand and the labour market has been cushioned by temporary income support measures. A gradual recovery in economic activity is forecast for 2021 and 2022, driven mainly by domestic demand. Public finances worsened significantly in 2020 due to the crisis but are set to improve in 2021 and 2022.

A severe economic recession in 2020

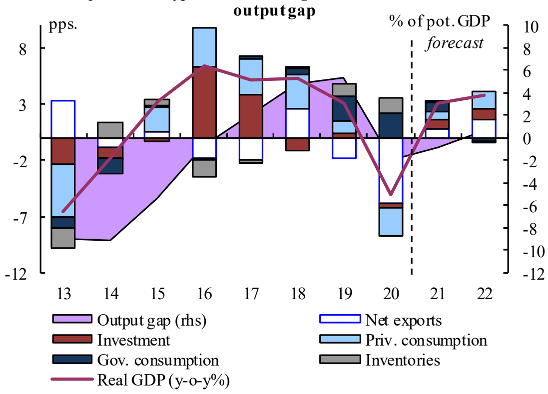
Economic activity declined sizeably by 5.1% in 2020 as a result of the COVID-19 crisis and accompanying lockdown measures. The impact on domestic demand has been only partially mitigated by the temporary income support measures as private consumption fell by 3.9% in 2020 and investment by 2%. Exports of goods and services dropped by 12.4%, the latter reflecting the impact of travel restrictions on tourism.

Gradual recovery in 2021 and 2022

A moderate recovery is forecast in 2021, with real GDP growth expected at 3.1%. Lockdown measures in Cyprus during the first half of 2021, as well as ongoing restrictive measures in the rest of the EU affecting tourism flows, imply that a durable recovery is expected to take place in the second half of 2021. Domestic demand is expected to be the main driver of the recovery notably private consumption as a result of pent up demand. Investment in construction is also expected to rebound as large-scale infrastructure projects continue and new lending for housing has picked up since the third quarter of 2020. By contrast, demand for high-end residences is set to slow down, following the abolition of the investor citizenship scheme. The forecast for public investment in 2021 takes into account Cyprus' Recovery and Resilience Plan (RRP), which will start to have a gradual impact this year. Public consumption is expected to also have a positive contribution, due to some of the support measures, which were extended into 2021 and the planned increases in compensation of employees. External demand in particular for tourism is forecast to recover moderately, as Member States are still tackling the pandemic and facing further restrictive measures, which negatively affected the demand for tourism for the Easter holidays and is likely to adversely impact also the summer tourist season.

In 2022, real GDP is forecast to grow by 3.8% and exceed the output level of 2019. This will be mainly due to rising domestic demand, including the positive contribution of the RRP, as well as a small positive contribution from net exports.

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



Support measures cushioned the impact on labour market

The unemployment rate increased only mildly to 7.6% in 2020 from 7.1% in 2019. The broad utilisation of the temporary income support schemes – up to 65% of eligible employees – has helped to keep unemployment at low levels so far. Targeted measures to sectors mostly affected by lockdown measures, especially the hospitality industry continue. In 2021 the unemployment rate is forecast to decrease only marginally to 7.5% and further down to 7.2% in 2022.

Uncertainty and downside risks to the growth outlook remain significant. The sizeable pre-existing private and public sector debt levels exacerbate the downside risks. On the positive side, the swifter-than-expected vaccination campaigns in the EU could be a significant benefit for the tourism sector in Cyprus.

Inflation turns positive

Headline inflation is forecast to return to positive territory in 2021, at 1.7%, up from -1.1% in 2019. This is expected to be mainly driven by higher energy prices as well as higher prices of services and non-energy industrial goods. Inflation is expected to moderate to 1.1% in 2022.

Public finances set to improve in 2021-22

The general government deficit is expected to narrow to 5.1% of GDP in 2021, down from 5.7% in 2020. Additional support measures undertaken to mitigate the effects of the pandemic, supporting employment and businesses, should amount to 3.4% of GDP in 2021. The deficit is assumed to narrow further to 2% of GDP in 2022 on the back of the continuing recovery of the economy and the withdrawal of COVID-19 support measures, which are projected to reach 0.2% of GDP. From a peak at 118.2% of GDP in 2020, government debt is forecast to decrease to 112.2% in 2021, reflecting the drawing down of substantial cash buffers accumulated since the beginning of the pandemic. In 2022, the debt ratio is expected to decrease further to 106.6% of GDP.

Government expenditure is expected to increase by 7.2% in 2021 compared to the previous year and reach 47.4% of GDP, before dropping by 2.8% in 2022. This increase results mainly from the prolongation of COVID-19 related support measures and the rollout of the second phase of the National Health Insurance System (NHIS) reform. Measures included in Cyprus' Recovery and Resilience Plan are also included in the projections. In 2021, the total budgetary impact of reforms and investments entailed in the Plan amounts to 0.3% of GDP.

Government revenue is expected to grow by 9.1% in 2021, bringing its level to 42.3% of GDP. This increase is mainly driven by the economic recovery, higher expected tax collection, and increased social contributions explained by higher contribution rates to the NHIS. Government revenue in 2022 is forecast to increase by a milder 3.8% y-o-y.

Contingent liabilities related to the state's exposure to the financial sector and the NHS are the main risks to public finances. Bankruptcies and higher NPLs could lead to the realisation of explicit contingent liabilities. The financial autonomisation of the State Health Service Organisation (SHSO) has been impaired due to the pandemic, increasing the risk that the state may have to cover the losses of public healthcare providers.

Table II.9.1:

Main features of country forecast - CYPRUS

	2019		Annual percentage change						
	mio EUR Curr. prices	**% GDP**	**01-16**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
GDP	22287.1	100.0	1.9	5.2	5.2	3.1	**-5.1**	**3.1**	**3.8**
Private Consumption	14398.9	64.6	2.5	4.9	4.7	1.8	**-3.9**	**1.1**	**2.3**
Public Consumption	3721.7	16.7	1.9	2.1	3.5	15.1	**13.1**	**4.0**	**-1.6**
Gross fixed capital formation	4326.1	19.4	1.4	21.3	-5.2	2.0	**-2.0**	**3.8**	**4.8**
of which: equipment	1077.5	4.8	2.9	20.6	-34.6	-14.9	**15.6**	**7.9**	**10.0**
Exports (goods and services)	16018.6	71.9	2.5	9.9	8.0	-0.4	**-12.4**	**5.3**	**7.6**
Imports (goods and services)	16256.4	72.9	2.7	12.9	4.5	2.0	**-4.2**	**3.7**	**4.8**
GNI (GDP deflator)	21391.6	96.0	2.3	5.9	4.6	2.9	**-5.4**	**3.3**	**4.1**
Contribution to GDP growth: Domestic demand			2.3	7.4	2.5	3.8	**-0.7**	**2.3**	**2.1**
Inventories			-0.1	-0.3	0.2	1.0	**1.4**	**0.0**	**0.0**
Net exports			-0.2	-1.9	2.6	-1.7	**-5.8**	**0.8**	**1.7**
Employment			1.3	5.4	5.3	3.1	**-0.6**	**0.6**	**1.0**
Unemployment rate (a)			7.8	11.1	8.4	7.1	**7.6**	**7.5**	**7.2**
Compensation of employees / head			2.0	1.7	1.3	1.9	**-3.2**	**1.6**	**1.8**
Unit labour costs whole economy			1.4	1.9	1.4	1.9	**1.5**	**-0.9**	**-1.0**
Real unit labour cost			-0.3	0.8	0.1	1.0	**3.0**	**-2.3**	**-2.2**
Saving rate of households (b)			3.4	3.0	3.1	3.1	**3.8**	**3.3**	**2.1**
GDP deflator			1.7	1.1	1.2	0.9	**-1.5**	**1.4**	**1.2**
Harmonised index of consumer prices			1.7	0.7	0.8	0.5	**-1.1**	**1.7**	**1.1**
Terms of trade goods			0.8	-1.6	-2.4	-0.9	**2.4**	**0.0**	**0.0**
Trade balance (goods) (c)			-22.9	-24.6	-21.2	-20.8	**-20.0**	**-20.8**	**-21.3**
Current-account balance (c)			-8.3	-5.3	-3.9	-6.3	**-11.8**	**-11.0**	**-8.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-8.0	-4.9	-3.3	-6.2	**-11.6**	**-10.9**	**-8.8**
General government balance (c)			-3.2	1.9	-3.5	1.5	**-5.7**	**-5.1**	**-2.0**
Cyclically-adjusted budget balance (d)			-3.1	0.9	-5.9	-1.2	**-4.7**	**-4.6**	**-2.4**
Structural budget balance (d)			2.6	0.9	2.0	0.0	**-4.7**	**-4.7**	**-2.4**
General government gross debt (c)			71.8	93.5	99.2	94.0	**118.2**	**112.2**	**106.6**

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

10. LATVIA

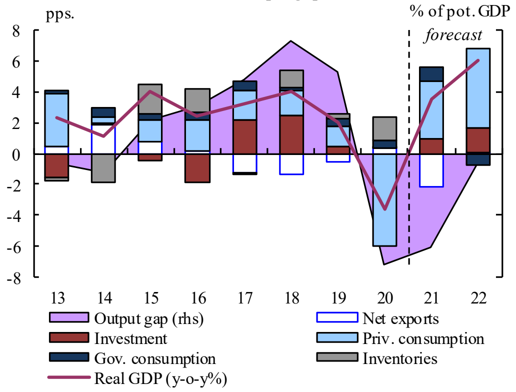
Economic growth is expected to recover in the second half of 2021 and in 2022 driven by private consumption and investment, notably public investments related to Rail Baltica and implementation of the Recovery and Resilience plan. The labour market is expected to improve accordingly, with labour shortages possibly resurfacing by the end of the forecast horizon. The government deficit is projected to further increase to almost 7¼% of GDP in 2021 due to temporary support measures, before narrowing to 2% by 2022.

Strong GDP rebound from a weak start in 2021

Real GDP contracted by 3.6% in 2020, as face-to-face services like tourism, hospitality and cultural services were massively affected by the COVID-19 restrictions. Other sectors of the economy were less affected by the temporary disruptions in the first half of 2020 and even expanded in 2020, as a whole. Private consumption declined by 10%, while investment remained at the 2019 level and exports of goods benefited from good harvests and demand for electric equipment.

In 2021, GDP growth is projected at 3.5% in 2021. The year started with high infection rates and tight restrictions, as the spread of COVID-19 surged towards the end of 2020. Real GDP contracted by 2.2% q-o-q in the first quarter, but should rebound in the following quarters. Private consumption has been supported by fiscal measures and is expected to recover once the restrictions are eased and pent-up demand is released. Investment will increase with improving business sentiment. Exports should benefit from a pick-up in external demand and the removal of travel restrictions. At the same time, domestic demand for durable goods and holidays abroad will increase imports.

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



The strong economic recovery in the second half of 2021 is set to contribute to GDP growth of 6.0% of GDP in 2022. By the third quarter of 2022 GDP is forecast to reach the level it was at the end of 2019. Private consumption growth is expected to increase on the back of the recovery in employment. Moreover, investment is set to benefit from strong private sector confidence and sizable EU funding inflows, including financing for the construction of Rail Baltica and from the Recovery and Resilience Facility. Exports of goods are expected to further increase in view of the strong demand in the main export markets, while recovery in services exports is projected to be more protracted – not reaching the pre-pandemic level over the forecast horizon.

Tighter labour market in the medium run

Employment declined by 2.3% in 2020 with large job losses in the affected labour-intensive service sectors. Labour demand is expected to rebound with the economic recovery over 2021 and 2022. The unemployment rate is estimated to move up to 8.2% in 2021 before declining below 7% in 2022. Wages increased by 5.3% in 2020, as companies retained and hired well-paid specialists, while low-wage workers faced job losses. Public sector wage increases and the higher national minimum wage will contribute to wage growth in 2021. Wage pressures are expected to mount in 2022 in view of labour supply constraints, but rehiring of low-wage earners should dampen the increase in the average wage.

Consumer price inflation was softened in 2020, relfecting declining energy prices and low service prices, in view of the weak demand. Higher energy and service prices over the forecast period are set to increase headline inflation to 1¾ % in 2021 and 2% in 2022.

Risks to the forecast are balanced. Delays in the roll-out of vaccinations in Latvia and in controlling the spread of the COVID-19 virus may delay the economic recovery. On the other hand, domestic demand could be stronger if the accumulated saving are reduced faster and the EU fund inflows generate stronger private investment dynamics.

Temporary support drives fiscal deficits

The government deficit increased to 4.8% of GDP in 2020. The deterioration was driven by the decline in tax revenue in line with falling consumption, job losses and by the adoption of emergency support measures adding up to 3½% of GDP. Those include deferred taxes, a part of which is unlikely to be collected, earlier tax refunds, social and employment support measures, higher spending for health and support for the crisis-affected sectors. Moreover, public investment spending was increased and the state increased its share capital in the strugling transport companies, mostly in the national airline.

In 2021, the government deficit is projected to further increase to 7¼% of GDP, as a result of additional support measures of around 3% of GDP adopted in response to the emergence of the high infection rates at the end of 2020. Wages and purchases in the healthcare sector are set to increase. Support for employees and businesses is notably increased compared to 2020, as well as investments, mostly in roads, have been expanded. A majority of these measures are expected to end by May or June 2021, while the implementation of some investment projects will extend into 2022.

In 2022, the deficit is projected to decrease to 2% of GDP, as the bulk of the temporary fiscal support introduced in 2020 and 2021 is set to end. Tax revenue ratio to GDP is projected to increase between 2019 and 2022, as a result of tax-increasing policy measures adopted in the budget for 2021. Moreover, large EU fund inflows are set to increase both government revenue and expenditure, including financing from the RRF at around 1% of GDP from 2022, as presented in the Stability Programme. Government expenditure is projected to be some 3 percentage points of GDP higher in 2022 than in 2019, also driven by higher social spending in line with indexations and policy changes, and by wage increases in the public sector, notably for healthcare workers.

The government debt-to-GDP ratio increased from 37% in 2019 to 43.5% in 2020, due to the government borrowing and the drop in GDP. The debt-to-GDP ratio is expected to reach around 47% in 2021, but to decline in 2022, on the back of the lower fiscal deficit and the rebound in GDP.

Table II.10.1:

Main features of country forecast - LATVIA

	2019			Annual percentage change						
mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	30420.9	100.0	3.6	3.3	4.0	2.0	**-3.6**	**3.5**	**6.0**
Private Consumption	18092.2	59.5	3.9	3.0	2.6	2.2	**-10.0**	**6.5**	**8.9**
Public Consumption	5774.0	19.0	1.5	3.4	1.6	2.6	**2.6**	**4.8**	**-3.6**
Gross fixed capital formation	6758.4	22.2	3.0	11.4	11.8	2.1	**0.2**	**4.3**	**7.1**
of which: equipment	2456.5	8.1	2.9	9.3	3.9	2.2	**-2.2**	**2.8**	**3.5**
Exports (goods and services)	18317.1	60.2	6.9	6.4	4.3	2.1	**-2.7**	**6.5**	**6.1**
Imports (goods and services)	18572.3	61.1	6.2	8.6	6.4	3.0	**-3.3**	**10.2**	**6.0**
GNI (GDP deflator)	29990.5	98.6	3.6	3.2	2.6	2.3	**-2.1**	**2.3**	**5.9**
Contribution to GDP growth: Domestic demand			4.0	4.6	4.3	2.2	**-5.4**	**5.6**	**6.0**
Inventories			0.5	-0.1	1.1	0.3	**1.4**	**0.0**	**0.0**
Net exports			-0.6	-1.3	-1.4	-0.5	**0.4**	**-2.1**	**0.0**
Employment			-0.3	0.0	1.5	-0.1	**-2.3**	**0.1**	**1.8**
Unemployment rate (a)			11.9	8.7	7.4	6.3	**8.1**	**8.2**	**6.9**
Compensation of employees / head			9.3	7.6	8.1	8.8	**5.3**	**3.9**	**4.3**
Unit labour costs whole economy			5.2	4.2	5.4	6.6	**6.7**	**0.5**	**0.2**
Real unit labour cost			0.5	1.2	1.4	4.2	**6.7**	**-1.7**	**-1.9**
Saving rate of households (b)			3.0	5.8	7.5	6.0	**16.5**	**15.1**	**9.2**
GDP deflator			4.7	3.0	3.9	2.3	**0.1**	**2.2**	**2.1**
Harmonised index of consumer prices			3.8	2.9	2.6	2.7	**0.1**	**1.7**	**2.0**
Terms of trade goods			0.9	0.9	1.6	0.9	**3.2**	**-0.8**	**0.1**
Trade balance (goods) (c)			-15.5	-9.1	-8.7	-8.8	**-5.0**	**-6.9**	**-7.2**
Current-account balance (c)			-6.4	1.3	-0.3	-0.6	**3.0**	**-0.4**	**-0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-4.7	2.2	1.5	0.8	**4.7**	**1.6**	**2.3**
General government balance (c)			-2.5	-0.8	-0.8	-0.6	**-4.5**	**-7.3**	**-2.0**
Cyclically-adjusted budget balance (d)			-2.5	-1.7	-2.2	-1.6	**-3.2**	**-6.2**	**-1.9**
Structural budget balance (d)			-1.1	-1.7	-2.2	-1.6	**-3.3**	**-6.2**	**-1.9**
General government gross debt (c)			27.1	39.0	37.1	37.0	**43.5**	**47.3**	**46.4**

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

11. LITHUANIA

Lithuania's economy weathered 2020 better than most, as GDP fell relatively little thanks to the resilience of its exports. A large stimulus package helped to maintain jobs and preserve incomes despite some employment losses. In 2021, support measures planned to address the challenges of the COVID-19 pandemic will keep the general government deficit elevated. Overall, GDP growth is expected to strengthen over the forecast horizon, driven by a pick up in domestic demand.

Strong export performance

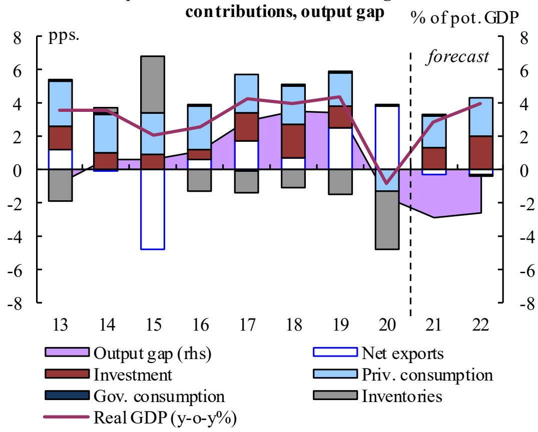
Lithuania's economy contracted by 0.9% in 2020, significantly less than the EU average. A sizeable positive contribution to growth came from net exports (3.8 percentage points). Considerable increases were recorded in exports of pharmaceutical and tobacco products, cereals, and computer services. A drop in exports of petroleum and petroleum products went hand in hand with a contraction in imports. Although tourism, accommodation and catering activities suffered, they constitute a relatively small part of Lithuania's economy. At the same time, gross fixed capital formation decreased slightly in 2020, with investment in transport vehicles contracting the most. Private consumption declined, mainly due to limited opportunities to spend and a rise in precautionary saving.

Recovery picking up

The lockdown introduced at the end of 2020 was extended into 2021 and is set to weigh on the economy in the first half of the year. With the vaccination campaign gaining pace and the assumed consequential re-opening of the economy, domestic demand is forecast to support the overall recovery. This concerns predominantly private consumption. Record-high savings and more opportunities to enjoy goods and services are expected to spur private consumption over the coming years. Investment growth is projected to accelerate towards the end of the forecast horizon as uncertainty decreases and government investment is boosted by the RRF.

Exports, especially of pharmaceutical and petroleum products, are expected to put in strong performance in 2021, but a dynamic recovery is also anticipated for imports. Overall, net exports are forecast to be slightly negative. Lithuania's real GDP already returned to its pre-pandemic level in the first quarter of this year and is forecast to grow by 2.9% in 2021 and 3.9% in 2022.

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



Population growth supporting labour supply

Preliminary data show that the average annual population in Lithuania grew in 2020, interrupting a long-standing decline. The main factor behind this was an almost doubling of net migration, which contributed to labour supply growth. However, preliminary data for the first quarter of 2021 suggest that the outlook for net migration has turned slightly negative again.

In January 2021, the unemployment rate stood at 9.6%, markedly higher than the rate of 6.2% one year ago. Gradual relaxation of various restriction measures imply a slow decrease in labour market slack. Therefore, the unemployment rate is forecast to remain elevated in 2021 before decreasing to 7.1% in 2022. Despite a jump in unemployment, wage growth remained strong in 2020, with wage growth in the public sector outpacing the rest of the economy. The improving economic situation should continue to support further increases in salaries in 2021 and 2022.

Higher inflation as energy prices rebound

HICP inflation moderated from 2.2% in 2019 to 1.1% in 2020 as sharp decreases in energy prices partially counterbalanced increases in other categories. Higher oil prices combined with the envisaged rebound in consumer demand and overall economic activity is set to push inflation close to 2% over the forecast horizon.

Continued support

In 2020, the fiscal response to the COVID-19 pandemic interrupted Lithuania's track record of general government surpluses and pushed the deficit to levels unseen for almost a decade. The general government balance worsened from 0.5% of GDP in 2019 to -7.4% in 2020. The deficit was mainly driven by government spending to cushion the economic fallout due to the pandemic. Subsidies and benefits, additional funding for healthcare and investment accounted for approximately 5.4% of GDP.

At the beginning of 2021, the measures planned to support the Lithuanian economy amounted to approximately 2% of GDP. However, as assumed in the Stability Programme, the 2021 stimulus package is expected to expand to 3% of GDP. Additional spending concerns subsidies, wages and benefits, and healthcare needs. Together with increases in pensions and wages in the public sector, this is expected to push the general government deficit above 8% of GDP. Assuming that temporary stimulus measures are withdrawn, the general government deficit is expected to fall to 6% of GDP in 2022.

For 2021 and 2022, the fiscal forecast also takes into account revenues and expenditures linked to the implementation of Lithuania's Recovery and Resilience Plan. As indicated in the 2021 Stability Programme, costs to be funded from the RRF are expected to be 0.3% of GDP in 2021 and 0.8% of GDP in 2022.

The debt-to-GDP ratio grew from 35.9% in 2019 to 47.3% in 2020 due to a surge in the general government deficit. In 2021 and 2022, the general government debt is expected to stand at 51.9% and 54.1% of GDP, respectively. The projected increases in the debt-to-GDP ratio are somewhat lower than expected deficits over the forecast horizon, as current cash reserves are envisaged to contract, including due to an upcoming bond redemption in 2022.

Table II.11.1:

Main features of country forecast - LITHUANIA

	2019		Annual percentage change						
	bn EUR Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	48.8	100.0	4.1	4.3	3.9	4.3	**-0.9**	**2.9**	**3.9**
Private Consumption	29.5	60.5	4.3	3.5	3.7	3.4	**-2.0**	**3.1**	**3.8**
Public Consumption	8.2	16.8	1.0	-0.3	0.2	0.1	**0.6**	**0.1**	**-0.5**
Gross fixed capital formation	10.4	21.4	5.5	8.9	10.0	6.2	**-0.2**	**6.2**	**9.1**
of which: equipment	3.4	7.0	7.5	9.2	8.0	3.6	**-5.1**	**7.9**	**9.8**
Exports (goods and services)	37.8	77.4	8.9	13.5	6.8	9.5	**0.0**	**6.5**	**6.0**
Imports (goods and services)	35.3	72.2	8.5	11.1	6.0	6.3	**-5.3**	**7.9**	**7.1**
GNI (GDP deflator)	47.1	96.5	3.9	4.2	4.5	4.0	**-1.0**	**2.9**	**4.9**
Contribution to GDP growth: Domestic demand			4.3	3.9	4.3	3.4	**-1.2**	**3.2**	**4.2**
Inventories			0.2	-1.3	-1.1	-1.5	**-3.5**	**0.0**	**0.0**
Net exports			-0.3	1.7	0.7	2.5	**3.8**	**-0.3**	**-0.3**
Employment			-0.1	-0.7	1.4	0.5	**-1.5**	**0.4**	**0.8**
Unemployment rate (a)			11.2	7.1	6.2	6.3	**8.5**	**8.3**	**7.1**
Compensation of employees / head			7.2	9.5	7.9	10.2	**8.2**	**6.0**	**4.6**
Unit labour costs whole economy			2.9	4.3	5.2	6.1	**7.5**	**3.5**	**1.5**
Real unit labour cost			0.1	0.0	1.6	3.2	**6.3**	**1.5**	**-0.6**
Saving rate of households (b)			3.2	0.1	0.2	4.1	**11.9**	**9.3**	**5.6**
GDP deflator			2.7	4.2	3.5	2.8	**1.1**	**2.0**	**2.1**
Harmonised index of consumer prices			2.4	3.7	2.5	2.2	**1.1**	**1.9**	**1.9**
Terms of trade goods			0.6	0.4	-1.0	1.3	**1.5**	**-1.4**	**-0.8**
Trade balance (goods) (c)			-8.2	-4.9	-6.1	-4.8	**-0.6**	**-1.9**	**-3.1**
Current-account balance (c)			-4.5	0.5	0.3	3.3	**7.6**	**6.0**	**5.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.4	1.8	1.9	5.2	**9.7**	**8.2**	**8.2**
General government balance (c)			-2.7	0.5	0.6	0.5	**-7.4**	**-8.2**	**-6.0**
Cyclically-adjusted budget balance (d)			-2.6	-0.7	-0.8	-0.9	**-6.7**	**-7.0**	**-5.0**
Structural budget balance (d)			-0.8	-0.7	-0.8	-1.0	**-6.7**	**-7.0**	**-5.0**
General government gross debt (c)			28.3	39.1	33.7	35.9	**47.3**	**51.9**	**54.1**

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

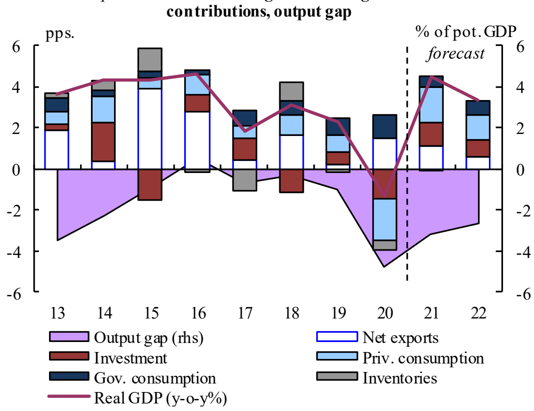
12. LUXEMBOURG

Economic growth in Luxembourg is set to rebound in 2021 after a limited decline in 2020 despite the COVID-19 crisis. The further easing of restrictions as vaccinations progress should allow GDP to grow strongly this year, supported by private consumption and investment, as well as by the strong performance of the external sector. The economy is projected to continue a steady growth path in 2022 and the general government balance is projected to improve gradually.

A strong recovery in 2021 following a limited contraction in 2020

Economic growth is set to rebound in 2021 after a limited drop of just 1.3% in 2020 caused by the COVID-19 crisis. The relative resilience of the Luxembourg economy in 2020 was linked to a very strong performance in the information and communication sector and to the country's large financial sector, which was less affected by the crisis than contact-based services. As more of the population is vaccinated, restrictions should be gradually lifted further from the second quarter of 2021. The increase in private consumption allowed by the easing of restrictions, combined with the strong fundamentals of the Luxembourg economy, will fuel renewed economic growth.

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



Real GDP is forecast to grow by 4.5% in 2021 and by 3.3% in 2022, meaning that it should be above its pre-crisis level already in 2021. Social-distancing measures still in place in the first half of the year are curbing private consumption, particularly for service sectors like restaurants and leisure activities. Support measures have protected household incomes from economic distress and have even allowed a strong increase in the saving rate. Consequently, household consumption should be able to rebound as restrictions are eased.

Risk to outlook remains broadly balanced

Gross fixed capital formation is set to recover with the support of good financing conditions and improved business sentiment. However, possible risks relate to the consequences of a rise in the level of bankruptcies in the most affected sectors and the impact of the new EU-UK trade relationship on international trade in financial services. This is especially important for Luxembourg given the importance of its financial sector and trade in financial services relative to GDP. On the other hand, the continuation of the 2020 strong performance in the external sector presents an upward risk for 2021.

Higher unemployment and lower inflation

The government's short-term work scheme has supported employment levels. However, an expected increase in bankruptcies suggests that unemployment will increase over the forecast period. The strong employment growth of recent years is expected to slow down from above 3% to about 2% in 2021. The growth in employment is expected to be outpaced by the growth of the labour force, pushing the unemployment level close to 7.4% in 2021. The slowdown in the labour market is expected to limit wage growth in 2021 but the labour market situation is forecast to improve in 2022.

Headline inflation is set to rebound from 0% in 2020 to 2.1% in 2021, due to higher energy prices and the implementation of a carbon tax. Headline inflation is expected to moderate to 1.6% in 2022, as energy prices stabilise. Core inflation is projected to ease in 2021 with some downward pressure from the unfolding of the economic crisis and the rise in unemployment.

The general government balance improves gradually

In 2020, the general government balance deteriorated sharply, flipping from a surplus position in 2019 to a deficit of 4.1% of GDP. This reflects the impact of the COVID-19 crisis on economic activity and cost of the measures adopted by the government to support employment and the worst hit sectors. In 2020, general government revenues dropped by 1.2% on an annual basis. Within direct taxes, which decreased by 4.5%, corporate income taxes are expected to have suffered the most in spite of the resilience of the financial sector. The drop is partly explained by a base effect related to the exceptional level of tax collected in the previous year and due to the impact of the tax deferral measures. On the positive side, personal income tax revenues were resilient and are expected to have increased, as the income replacement schemes put in place supported households' disposable income.

Inflated by the cost associated with the different measures to combat the pandemic and to relaunch the economy, public expenditure increased by 14.1% in 2020. Public investment rose sharply by 26%, partially on the back of the government additional expenditures related to the health and crisis management and the purchase of a military plane.

In 2021, the general government balance is expected to improve to a deficit of -0.3% of GDP. In line with the recovery of the economy, revenues should expand again. In particular, corporation taxes are expected to grow after the large drop recorded in 2020, but still to remain below their 2019 level. Expenditure is projected to show only a moderate decline in 2021 as some crisis-related measures continue while other are phase out. Public investment is projected to decline compared to the previous year, as some projects will not be repeated in 2021.

In 2022, the government balance is forecast to improve to a deficit of 0.1% of GDP. Public debt is expected to increase from 24.9% of GDP in 2020 to 27.0% in 2021 and to slightly decrease to 26.8% in 2022.

In the absence of sufficiently detailed information about the national RRP at the time of the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3 in Chapter I.2.7.

Table II.12.1:
Main features of country forecast - LUXEMBOURG

		2019		Annual percentage change						
	mio EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		63516.3	100.0	2.9	1.8	3.1	2.3	**-1.3**	**4.5**	**3.3**
Private Consumption		18730.4	29.5	2.2	2.2	3.3	2.8	**-6.9**	**6.5**	**4.3**
Public Consumption		10858.3	17.1	2.9	4.7	4.1	4.8	**6.9**	**2.7**	**4.2**
Gross fixed capital formation		10721.4	16.9	3.5	5.6	-5.9	3.9	**-8.8**	**7.0**	**5.0**
of which: equipment		3585.1	5.6	5.4	16.3	-22.2	12.5	**-12.6**	**9.0**	**1.9**
Exports (goods and services)		132592.1	208.8	5.4	0.7	0.5	0.8	**2.5**	**3.0**	**1.8**
Imports (goods and services)		109733.3	172.8	5.8	0.6	-0.3	0.9	**2.1**	**3.0**	**1.9**
GNI (GDP deflator)		39813.8	62.7	1.2	3.1	1.9	0.7	**5.9**	**7.2**	**5.0**
Contribution to GDP growth:	Domestic demand			1.9	2.4	0.5	2.3	**-2.3**	**3.4**	**2.7**
	Inventories			0.0	-1.1	0.9	-0.2	**-0.4**	**0.0**	**0.0**
	Net exports			1.0	0.4	1.6	0.2	**1.4**	**1.1**	**0.6**
Employment				2.9	3.4	3.7	3.6	**2.0**	**1.9**	**2.0**
Unemployment rate (a)				4.8	5.5	5.6	5.6	**6.8**	**7.4**	**7.3**
Compensation of employees / head				2.7	3.0	3.3	1.7	**-0.7**	**2.4**	**2.2**
Unit labour costs whole economy				2.7	4.6	3.9	3.0	**2.6**	**-0.2**	**0.9**
Real unit labour cost				0.1	2.8	1.3	-0.4	**0.3**	**-2.3**	**-1.5**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.6	1.7	2.5	3.4	**2.3**	**2.2**	**2.5**
Harmonised index of consumer prices				2.2	2.1	2.0	1.6	**0.0**	**2.1**	**1.6**
Terms of trade goods				0.8	-1.4	0.4	-1.0	**-0.4**	**0.0**	**-0.1**
Trade balance (goods) (c)				-4.2	-2.0	-2.0	-3.1	**-3.3**	**-3.0**	**-2.9**
Current-account balance (c)				3.3	-0.9	0.0	-1.1	**6.5**	**7.9**	**8.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.8	-1.5	-0.7	-1.7	**5.8**	**7.3**	**8.0**
General government balance (c)				1.4	1.3	3.0	2.4	**-4.1**	**-0.3**	**-0.1**
Cyclically-adjusted budget balance (d)				1.5	1.7	3.2	2.8	**-1.9**	**1.1**	**1.1**
Structural budget balance (d)				1.9	1.7	3.2	2.8	**-1.9**	**1.1**	**1.1**
General government gross debt (c)				14.8	22.3	21.0	22.0	**24.9**	**27.0**	**26.8**

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

13. MALTA

Malta's economy should see a robust recovery in 2021 and 2022, provided that the tourism sector opens up safely. The recovery is expected to be driven by a rebound in tourism-related services exports, household consumption and investment. Given the supportive fiscal policy stance, the general government deficit is set to widen further in 2021 before improving in 2022 on the back of an accelerating recovery and a winding-down of fiscal support measures.

The pandemic has taken its toll on tourism-reliant sectors and household consumption

The COVID-19 pandemic has decimated tourism proceeds and made a deep dent in consumption. Malta's GDP fell significantly in 2020 with services exports and household consumption contracting sharply under the pressure of the pandemic and related safety measures. On the contrary, financial services and gaming sector exports continued to perform robustly. Although the pandemic has clearly depressed economic activity in Malta, the government's sizeable stimulus package has managed to partially offset some of the impact. Wage supplement schemes and other business support measures appear to have cushioned the drop in consumption.

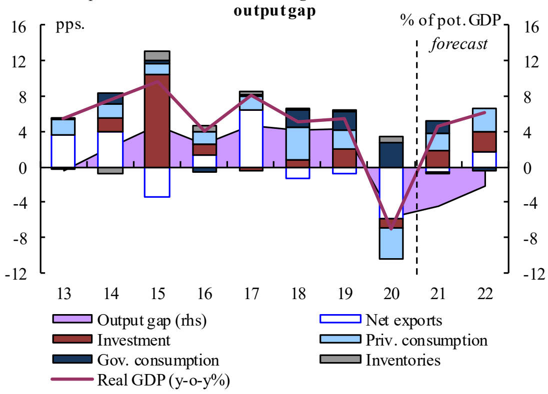
The economy should see a robust recovery once tourism bounces back

Consumption and investment are expected to pick up as the recovery takes hold, helped by high levels of accumulated savings. The faster-than-expected rollout of vaccinations in Malta, the high rate of vaccination in the UK, and a gradual easing of restrictions in the EU, should put the tourism sector back on the path to recovery in the second half of 2021 and re-invigorate domestic demand. In 2021, real GDP growth is expected to reach 4.6%, mainly driven by domestic consumption and net exports, as inbound tourism and global trade recover. Robust government expenditure is likely to continue supporting the economy, including via public investment. With both exports and imports recovering, the current account deficit is still expected to widen this year before starting to decrease in 2022.

A limited impact on the labour market

Supported strongly by policy measures, headcount employment actually increased in 2020 especially in the public sector, professional services, and construction, while there was only a limited increase in Malta's unemployment rate, to 4.3% from 3.6% in 2019. As employment is expected to continue growing at a slow pace, the decrease in unemployment is expected to be gradual.

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



Inflation is expected to pick up

HICP inflation averaged 0.8% in 2020, contained mainly by lower energy and services inflation against a backdrop of contracting demand. In 2021, inflation is expected to rise to 1.2% as domestic demand and tourism services recover. In line with a stronger economic recovery in 2022, inflation is set to increase further to 1.5%.

Temporary deterioration of the fiscal position set to improve gradually

The government deficit increased to over 10% of GDP in 2020. The major increase in expenditure related to pandemic-mitigating measures was the main reason behind the deteriorating fiscal balance. These measures included a wage support scheme, a voucher scheme to support the hospitality and retail sectors, utility and rent subsidies for businesses, and healthcare-related outlays, which overall amounted to somewhat less than 6½% of GDP in 2020. On the revenue side, the steep fall in household and tourist consumption led to a drop in indirect tax revenue. Corporate tax revenues plunged, reflecting the worsened profitability of companies. Sustained by government measures and the relatively good performance of the labour market, revenue from social contributions actually increased.

In 2021, the government deficit is projected to increase further to 11.8% of GDP reflecting ongoing supportive fiscal policy. Growing private consumption and a gradual revival of tourism are expected to support the government's intake from indirect taxes. Revenue from income taxes is projected to grow in line with modest wage growth and the stabilised operating environment for businesses. Proceeds from the investor citizenship scheme are expected to stabilise at last year's level. The measures to sustain the recovery including the extended wage supplement scheme, a new round of the voucher scheme, and newly introduced measures to restore the tourism sector, are expected to continue in 2021. As the economy accelerates and economic support measures wear off, the deficit is forecast to decline in 2022 to around 5½% of GDP. In the absence of sufficiently detailed information about the national RRP at the time of the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3 in Chapter I.2.7.

The government debt-to-GDP ratio surged to 54.3% in 2020 following the deterioration of the fiscal position. Reflecting ongoing high primary deficits, the debt ratio is set to increase further and reach 65½% in 2022.

Table II.13.1:

Main features of country forecast - MALTA

	2019			Annual percentage change						
	bn EUR Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	13.6	100.0	3.5	8.1	5.2	5.5	**-7.0**	**4.6**	**6.1**
Private Consumption	6.2	45.7	2.1	3.4	8.4	4.5	**-7.6**	**4.4**	**5.8**
Public Consumption	2.3	17.3	2.0	1.6	12.1	13.8	**16.1**	**6.2**	**-2.2**
Gross fixed capital formation	2.9	21.6	5.1	-1.6	3.3	9.5	**-4.5**	**8.5**	**10.1**
of which: equipment	0.8	5.7	7.3	-34.0	-8.0	2.7	**-25.0**	**:**	**:**
Exports (goods and services)	19.5	143.1	5.3	8.4	-0.4	6.4	**-7.8**	**5.2**	**5.7**
Imports (goods and services)	17.4	128.3	4.7	4.5	0.4	7.9	**-4.1**	**6.0**	**4.8**
GNI (GDP deflator)	12.5	91.8	3.0	6.3	7.6	7.4	**-8.6**	**5.1**	**6.9**
Contribution to GDP growth: Domestic demand			2.7	1.5	6.4	6.3	**-1.7**	**5.2**	**4.4**
Inventories			-0.2	0.2	0.0	0.0	**0.6**	**0.0**	**0.0**
Net exports			0.9	6.4	-1.2	-0.8	**-5.9**	**-0.6**	**1.7**
Employment			2.1	8.1	6.0	6.6	**2.6**	**1.1**	**1.9**
Unemployment rate (a)			6.4	4.0	3.7	3.6	**4.3**	**4.3**	**3.8**
Compensation of employees / head			3.7	0.6	3.6	2.5	**0.1**	**2.5**	**3.0**
Unit labour costs whole economy			2.4	0.5	4.4	3.5	**10.4**	**-1.0**	**-1.1**
Real unit labour cost			-0.1	-1.7	2.1	1.1	**8.9**	**-2.5**	**-3.0**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			2.5	2.2	2.3	2.3	**1.4**	**1.6**	**2.0**
Harmonised index of consumer prices			2.1	1.3	1.7	1.5	**0.8**	**1.2**	**1.5**
Terms of trade goods			-0.3	2.4	3.2	0.2	**0.3**	**0.5**	**0.2**
Trade balance (goods) (c)			-17.3	-12.8	-12.1	-11.8	**-11.2**	**-11.6**	**-11.4**
Current-account balance (c)			-2.2	11.1	11.1	5.3	**-1.3**	**-1.9**	**0.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.9	11.7	12.0	6.1	**-0.7**	**-0.9**	**1.1**
General government balance (c)			-3.2	3.2	1.9	0.4	**-10.1**	**-11.8**	**-5.5**
Cyclically-adjusted budget balance (d)			-3.3	1.0	-0.1	-1.7	**-7.4**	**-9.7**	**-4.5**
Structural budget balance (d)			-2.1	1.2	-0.1	-1.7	**-7.5**	**-9.7**	**-4.5**
General government gross debt (c)			64.4	48.5	44.8	42.0	**54.3**	**64.7**	**65.5**

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

14. THE NETHERLANDS

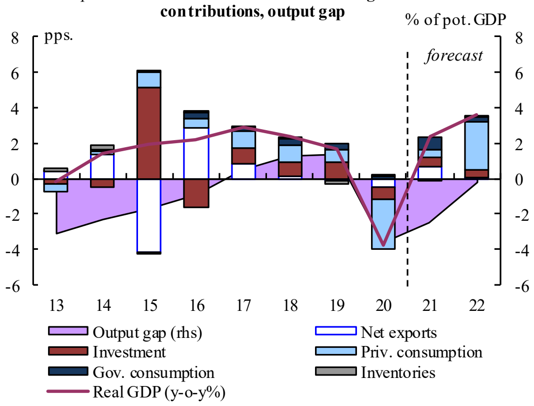
Real GDP in the Netherlands contracted considerably in 2020, although the decline was partly offset by targeted government support. Despite a weak start to 2021 due to the second wave of the pandemic and the reintroduction of containment measures, the economy is projected to rebound swiftly to its pre-pandemic level on the back of a robust recovery in consumer demand and more favourable external factors. Automatic stabilisers and increased expenditure will further widen the budget deficit in 2021, while in 2022, the deficit should decrease due to the recovery and the assumed end of support measures.

A resilient economy

The Dutch economy contracted by 3.7% in 2020 as the COVID-19 pandemic and related restrictions constrained domestic demand. The structure of the economy, the high degree of digitalisation of economic activities as well as the timely introduction of government support measures all cushioned the economic impact of the confinement measures. Nevertheless, due to the lockdown in place since mid-December, the economy is expected to have entered into another technical recession at the start of 2021.

Overall, the Dutch economy is expected to reach its pre-pandemic level by the end of this year, growing by 2.3% and 3.6%, in 2021 and 2022, respectively, the latter also driven by strong carry-over effects. A broad-based economic recovery is forecast to gain steam in the second half of this year. The implementation of the vaccination strategy and the assumed easing of confinement measures should lead to a rebound in private consumption, also to the benefit of the recovery in contact-intensive service sectors. In 2021, economic growth is projected to be supported by robust investment dynamics on the back of a vibrant housing market and strong manufacturing sector, where previously postponed investment plans are being revived. Net exports are also expected to contribute substantially to the near-term recovery. The improved economic outlook for key trading partners within the EU but also outside the EU, particularly the United States, are expected to offset initial adjustment costs in the trading relationship with the United Kingdom. In 2022, the pace of the recovery in domestic demand is forecast to slow down in view of the expected withdrawal of emergency support measures and subdued wage growth. At the same time, the contribution from external demand is set to turn broadly neutral. Public investment is forecast to support the recovery over the forecast horizon reflecting construction and infrastructure investments, the national growth fund and the assumed allocation of RRF funding for 2021 and 2022.

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



A limited increase in unemployment

Unemployment has so far been only moderately affected, remaining at a rate below 4% due to effective government support measures preventing lay-offs, labour hoarding and a continuous recovery in the business services and the government sectors where employment has been increasing. As the emergency support package is assumed to fade out together with the easing of containment measures, from the second half of this year bankruptcies are expected to gradually increase in combination with necessary restructurings, especially concentrated in the labour intensive, long-affected sectors (e.g. hospitality, retail trade and transport). This is expected to result in lay-offs mainly concentrated in the younger cohort of the labour force, which is also the most dynamic and has the potential to quickly adjust to structural changes in the economy. On the other hand, robust growth in the manufacturing sector and a strong recovery in ICT and business services is expected to partly offset employment losses in other industries over the forecast horizon, while the government sector is set to hold onto the additional personnel hired during the crisis. At the same time, the labour force participation rate is forecast to remain high.

Overall, despite the projected economic recovery, the unemployment rate is forecast to gradually increase in the second half of 2021, peaking in the beginning of 2022. In annual terms the unemployment rate is expected to increase from 3.8% in 2020 to 4.3% in 2021 and 4.4% in 2022.

Soft underlying inflationary pressures

HICP inflation is forecast to increase from 1.1% in 2020 to around 1.6% in 2021 before slightly softening to 1.4% 2022. The inflation rate increased in the beginning of 2021, driven mainly by base effects in energy prices and firming inflationary pressures in the goods sector. In the remainder of the year, consumer prices are expected to be sustained by an uptick in services inflation in view of expected temporary surge in demand for services once containment measures are lifted. In 2022, base effects in the services sector and muted wage growth are expected to limit any sustained increase in prices.

Fiscal policy to remain supportive in 2021

The general government balance is forecast to deteriorate from -4.3% of GDP in 2020 to -5.0% of GDP in 2021. Expenditures in 2020 and the first half of 2021 are elevated due to the extended emergency measures to protect employment and maintain household purchasing power and higher healthcare costs. A reduction in revenues added to the deficit in 2020. For 2021, revenues are expected to increase due to the economic recovery, which however is unlikely to fully offset the increase in expenditures. The government deficit is expected to narrow to 1.8% of GDP in 2022, driven by the economic recovery and the end of emergency measures. Government debt is projected to increase from 54.5% of GDP in 2020 to 58.0% of GDP in 2021 due to granted tax delays and the increased deficit, before declining to 56.8% of GDP in 2022. In the absence of sufficiently detailed information about the national RRP at the time of the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3.

Table II.14.1:

Main features of country forecast - NETHERLANDS

		2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		810.2	100.0	1.2	2.9	2.4	1.7	**-3.7**	**2.3**	**3.6**
Private Consumption		354.7	43.8	0.4	2.1	2.2	1.5	**-6.4**	**1.1**	**6.5**
Public Consumption		198.6	24.5	2.0	0.9	1.7	1.6	**0.6**	**2.7**	**1.3**
Gross fixed capital formation		170.1	21.0	0.8	4.2	3.6	4.6	**-3.6**	**2.7**	**2.3**
of which: equipment		47.6	5.9	1.3	3.2	0.7	6.5	**-8.9**	**12.7**	**0.7**
Exports (goods and services)		675.2	83.3	3.5	6.5	4.3	2.7	**-4.3**	**6.4**	**5.2**
Imports (goods and services)		590.7	72.9	3.4	6.2	4.7	3.2	**-4.3**	**6.5**	**6.0**
GNI (GDP deflator)		813.4	100.4	1.0	5.2	2.8	0.9	**-5.2**	**2.7**	**4.0**
Contribution to GDP growth:	Domestic demand			0.8	2.0	2.1	2.0	**-3.4**	**1.7**	**3.5**
	Inventories			0.0	0.0	0.1	-0.2	**0.1**	**0.0**	**0.1**
	Net exports			0.4	0.9	0.2	-0.1	**-0.4**	**0.6**	**0.0**
Employment				0.4	2.2	2.6	1.9	**-0.6**	**-0.2**	**0.2**
Unemployment rate (a)				5.0	4.9	3.8	3.4	**3.8**	**4.3**	**4.4**
Compensation of employees / head				2.4	1.0	1.8	2.9	**4.9**	**1.5**	**0.9**
Unit labour costs whole economy				1.6	0.3	2.1	3.1	**8.4**	**-1.0**	**-2.3**
Real unit labour cost				0.0	-1.0	-0.3	0.1	**5.8**	**-2.9**	**-4.0**
Saving rate of households (b)				12.7	15.3	15.6	16.6	**23.3**	**22.6**	**17.8**
GDP deflator				1.6	1.3	2.4	3.0	**2.4**	**1.9**	**1.7**
Harmonised index of consumer prices				1.9	1.3	1.6	2.7	**1.1**	**1.6**	**1.4**
Terms of trade goods				0.3	-0.3	-0.2	0.9	**1.7**	**-0.3**	**0.1**
Trade balance (goods) (c)				8.4	9.7	9.3	8.4	**8.7**	**9.0**	**8.7**
Current-account balance (c)				6.9	10.8	10.8	9.9	**7.8**	**8.1**	**8.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				6.7	10.8	10.8	9.9	**7.8**	**8.1**	**8.6**
General government balance (c)				-2.1	1.3	1.4	1.8	**-4.3**	**-5.0**	**-1.8**
Cyclically-adjusted budget balance (d)				-1.5	1.0	0.6	1.0	**-2.0**	**-3.5**	**-1.7**
Structural budget balance (d)				-0.5	0.6	0.6	0.8	**-2.0**	**-3.4**	**-1.7**
General government gross debt (c)				56.1	56.9	52.4	48.7	**54.5**	**58.0**	**56.8**

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

15. AUSTRIA

The COVID-19 pandemic and related containment measures led to a strong economic contraction in 2020. In the beginning of 2021, growth was still constrained by lockdowns, but the second half of the year is expected to show an acceleration in the economic recovery that should continue in 2022. The general government deficit is set to narrow somewhat in 2021 on the back of the expected economic recovery and the phasing out of some emergency measures.

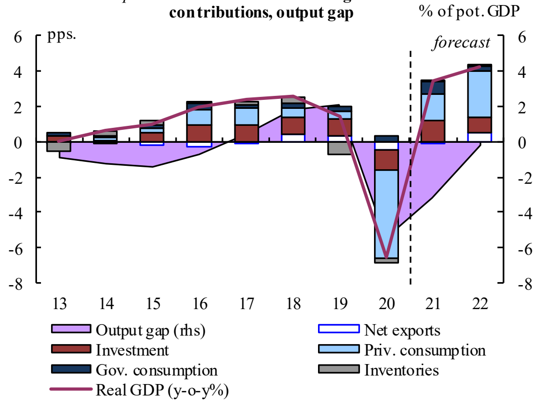
Economy to remain constrained in the first half of 2021

The COVID-19 pandemic and related containment measures hit Austria's economy hard in 2020. In line with the stringency of the containment measures, the sharp fall in GDP in the first half of 2020 was followed by a strong rebound in third quarter. A resurgence in infections in the autumn sparked another lockdown, which led to a 2.7% decline in GDP in the fourth quarter of 2020, with quarterly GDP increasing only slightly (by 0.25% q-o-q) in the first quarter of 2021. This was mainly due to the closing of non-essential shops and personal and tourism-related services, leading to a fall in private consumption and service exports, with a near total loss of the winter tourism season. While the nationwide lockdown was eased as of April, local lockdowns were put in place for several weeks in some Eastern regions. Nevertheless, due to the government announcement of a substantial easing of restrictions as of mid-May, economic growth in the second quarter is expected to rebound, with a 1.5% q-o-q GDP increase.

A gradual recovery is expected to take hold in the second half of 2021 and in 2022

The economic recovery is expected to accelerate in the second half of 2021 as containment measures and travel restrictions continue to be relaxed and as more Austrians get vaccinated. While Austria should also benefit from the expected solid growth in world trade, the recovery is set to be mainly driven by domestic demand. Both pent-up demand and the unleashing of precautionary savings are expected to boost private consumption over the forecast horizon, leading to a gradual although not total return of the saving rate towards pre-crisis levels. Business investment is also expected to contribute to the economic recovery, supported by government measures such as the COVID-19 investment premium for companies. Government consumption and investment are set to provide another boost to growth, with additional support stemming from RRF-financed measures. Activity in the tourism sector is expected to recover gradually over the summer, but remain somewhat below pre-crisis levels at the end of 2022. Overall, GDP is expected to grow by 3.4% in 2021 and more strongly in 2022 with 4.3%. The level of GDP is expected to return to pre-crisis levels in the first half of 2022. A main downward risk to the projections is linked to the possibility of a lower-than-expected recovery in the tourism sector.

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



Effective short-time work schemes in place

Despite the depth of the recession, the unemployment rate increased by only 0.9 pps. to 5.4% in 2020. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market, leading instead to a strong drop in hours worked. At the same time, the proportion of the population classed as economically inactive also rose, especially in sectors that were closed by containment measures, making it not possible to search for work, a prerequisite to be counted as unemployed according to the Eurostat definition.

After dropping by 1.7% in 2020, employment is expected to grow again over the forecast horizon, in line with the projected economic recovery. The unemployment rate is expected to gradually decrease, reaching 5.0% in 2021 and 4.8% in 2022. However, the recovery in the labour market should also be visible in the number of hours worked, as workers gradually return to full-time work, and in a decrease of the inactive population.

Inflation to decrease only slightly

Despite the sharp economic downturn, inflation has remained relatively stable, decreasing only slightly to 1.4% in 2020 and increasing again to 1.5% in the first quarter of 2021. Inflation in services has remained high, leading to a core inflation rate of 2% in 2020 and 1.7% in the first quarter of 2021. Base effects from the increase in oil prices are set to push average headline inflation to 1.8% in 2021 before moderating to 1.6% in 2022.

Fiscal policy is mitigating the recession

The COVID-19 crisis has brought several years of improvements in Austria’s public finances to an abrupt end. The general government balance deteriorated to -8.9% of GDP in 2020 as a result of major policy measures to mitigate the socio-economic consequences of the pandemic. In 2021, the general government deficit is expected to narrow to -7.6% of GDP. This is due to the improved macroeconomic environment and the phasing out of certain temporary emergency measures taken in 2020. Overall, in 2021, the budgetary impact of measures related to crisis management and the economic stimulus package amounts to 5.1% of GDP. In 2022, the general government deficit is expected to further narrow to -3.0% of GDP on the back of the stronger GDP growth. This forecast includes all measures included in the Austrian RRP. The total budgetary impact of reforms and investments entailed in the Plan amounts to 0.1% of GDP in 2021 and to 0.3% in GDP in 2022.

Driven by the development of the general government balance, public debt is expected to deviate from its recent downward path. Public debt increased to 83.9% of GDP in 2020 and is projected to jump further to 87.2% of GDP in 2021 before decreasing to 85.0% of GDP in 2022.

Table II.15.1:

Main features of country forecast - AUSTRIA

		2019		Annual percentage change						
		bn EUR Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		397.6	100.0	1.4	2.4	2.6	1.4	**-6.6**	**3.4**	**4.3**
Private Consumption		205.5	51.7	1.1	1.9	1.1	0.8	**-9.6**	**3.0**	**5.3**
Public Consumption		77.3	19.4	1.3	0.9	1.2	1.5	**1.6**	**3.3**	**1.1**
Gross fixed capital formation		98.1	24.7	0.8	4.1	3.9	4.0	**-4.9**	**4.8**	**3.3**
of which: equipment		32.9	8.3	1.0	7.3	3.2	4.7	**-11.1**	**6.4**	**4.3**
Exports (goods and services)		221.0	55.6	3.5	4.9	5.5	2.9	**-10.4**	**7.5**	**7.2**
Imports (goods and services)		207.6	52.2	3.2	5.3	5.0	2.4	**-10.2**	**8.2**	**6.6**
GNI (GDP deflator)		399.6	100.5	1.5	1.4	2.6	2.9	**-7.2**	**3.4**	**4.2**
Contribution to GDP growth:	Domestic demand			1.0	2.1	1.7	1.7	**-5.8**	**3.4**	**3.7**
	Inventories			0.1	0.1	0.4	-0.8	**-0.3**	**0.0**	**0.0**
	Net exports			0.3	0.0	0.4	0.4	**-0.4**	**0.0**	**0.5**
Employment				0.9	1.6	1.7	1.1	**-1.7**	**1.2**	**1.3**
Unemployment rate (a)				5.0	5.5	4.9	4.5	**5.4**	**5.0**	**4.8**
Compensation of employees / head				2.2	1.6	2.9	2.8	**0.2**	**0.7**	**1.8**
Unit labour costs whole economy				1.7	0.9	2.0	2.5	**5.5**	**-1.5**	**-1.1**
Real unit labour cost				-0.2	0.0	0.3	0.8	**4.3**	**-2.8**	**-2.7**
Saving rate of households (b)				14.7	12.9	13.2	13.7	**19.0**	**16.3**	**14.1**
GDP deflator				1.8	0.9	1.7	1.7	**1.1**	**1.3**	**1.7**
Harmonised index of consumer prices				1.9	2.2	2.1	1.5	**1.4**	**1.8**	**1.6**
Terms of trade goods				0.0	-1.7	-0.9	-0.5	**1.3**	**-0.8**	**0.2**
Trade balance (goods) (c)				0.0	0.3	0.6	0.8	**1.4**	**0.8**	**0.8**
Current-account balance (c)				2.2	1.5	1.4	3.0	**2.7**	**2.2**	**2.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.1	1.4	0.8	2.9	**2.6**	**2.1**	**2.6**
General government balance (c)				-2.4	-0.8	0.2	0.6	**-8.9**	**-7.6**	**-3.0**
Cyclically-adjusted budget balance (d)				-2.2	-1.1	-0.9	-0.6	**-5.7**	**-5.7**	**-2.9**
Structural budget balance (d)				-0.5	-1.1	-0.9	-0.6	**-5.7**	**-5.8**	**-2.9**
General government gross debt (c)				74.6	78.5	74.0	70.5	**83.9**	**87.2**	**85.0**

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

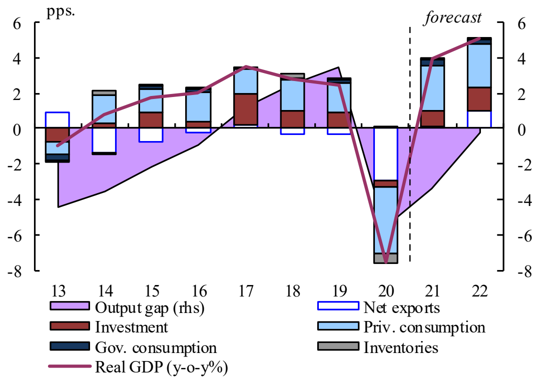
16. PORTUGAL

Portugal's economy is set to grow again from the second quarter of 2021 as measures to contain the COVID-19 pandemic are gradually relaxed. GDP is projected to reach its pre-pandemic level in mid-2022, also helped by the expected deployment of the RRF. After the public debt ratio reached an all-time high in 2020, public finances are set to gradually improve in 2021 and 2022, driven by the expected economic recovery and wind-down of fiscal support measures.

GDP to reach pre-pandemic level by mid-2022

Portugal's economy contracted by 3.3% (q-o-q) in the first quarter of 2021 as a result of the strict lockdown imposed in mid-January to contain a new spike in COVID-19 cases. While the scope of mobility restrictions was similar to the one in March-June 2020, the economic correction turned out much smaller. Businesses and consumers have since adapted to some degree to restrictions, helped by a new round of state support for jobs and incomes. Industrial supply chains have also remained largely resilient during the new lockdown. The country's large hospitality sector, in particular foreign tourism, was once again the most affected but its negative impact on growth was limited by the low base in the previous year.

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



With the gradual relaxation of mobility restrictions, the economy is expected to rebound in the second quarter of 2021 and to accelerate further in the third quarter. In full-year terms, GDP is projected to grow by 3.9% in 2021 and 5.1% in 2022. After the economic contraction of 7.6% in 2020, the current projections suggest that GDP should reach its pre-pandemic level in mid-2022. The forecast factors in strong growth in investment, helped by the deployment of the RRF. The recovery in tourism is assumed to gain speed in the third quarter of 2021 but the sector is not expected to have fully reached its pre-pandemic level by the end of the forecast period. Risks remain tilted to the downside due to Portugal's high reliance on foreign tourism where uncertainty on the path of its recovery remains high.

In the external sector, both exports and imports are projected to rise at high rates over the forecast period due mainly to base effects from the travel industry. The external sector is set to have a positive contribution to GDP growth in 2021 and 2022. The current-account balance is also projected to improve but to remain slightly negative as the net inflow of travel receipts is expected to remain below its pre-pandemic level.

Labour market remains resilient

The unemployment rate increased relatively mildly from 6.5% in 2019 to 6.9% in 2020 as government support to the labour market proved largely effective at protecting jobs and incomes. Unemployment remained at around 6.9% in the first quarter of 2021 when the new lockdown had a rather limited impact on the flow of newly-registered job seekers. The number of people employed shrank by 1.7%. The total number of hours worked, by contrast, showed a more significant decrease of 9.2%. This can be attributed to labour hoarding, which was very significant during the initial period of the pandemic. As the economy recovers both the rates of unemployment and employment are projected to return to their pre-pandemic levels in 2022.

Consumer prices (HICP) declined by 0.1% in 2020, mainly due to the steep drop in energy prices. Prices of industrial goods and services also contributed to the decline, while food prices, particularly those of unprocessed agricultural products, increased. Inflation picked up to 0.2% (y-o-y) in the first quarter of 2021 and is projected to increase further to 0.9% in 2021 and 1.1% in 2022. This reflects the rebound in crude oil prices in early 2021 and the gradual increase in service prices expected afterwards.

Public finances hit by the crisis

The general government balance was visibly impacted by the COVID-19 crisis, reaching a deficit of 5.7% of GDP in 2020. The package of crisis mitigation measures, with an estimated overall direct budgetary cost of about 3% of GDP, was the biggest driver of this deterioration. Spending increased across the board, with transfers and subsidies to firms and households – including through short-time work and furlough schemes – contributing the most. The decline in tax revenue by about 1¾% of GDP also pushed the deficit upwards, reflecting the operation of automatic stabilisers on the back of the sharp drop in output. The deficit was also affected by one-off measures in 2020, in particular the third activation of the Novo Banco contingent capital mechanism (0.5% of GDP). Excluding all one-off measures, the deficit would have been 5% of GDP in 2020.

The profile of fiscal support is set to shape the budgetary outlook over the forecast horizon. The deficit is projected to ease to 4.7% of GDP in 2021, on the back of the gradual economic recovery. However, in the light of the renewed lockdown restrictions in the first quarter of 2021, the crisis mitigation measures were prolonged and expanded. Consequently, the size of this year's policy package is now projected to be somewhat similar to that of 2020. At the same time, EU transfers under REACT-EU (close to 1% of GDP) and one-off revenue linked to the reimbursement of the pre-paid margin on the financial assistance loan granted by the European Financial Stability Facility (0.5% of GDP) should contribute to reducing the deficit. Looking ahead, the improvement in public finances is projected to gain momentum in 2022, amid a phasing-out of fiscal support and the economic rebound. This forecast takes into account the spending under the RFF according to the 2021 Stability Programme, as well as the associated grants. Risks to the budgetary outlook are tilted to the downside, linked to the build-up of contingent liabilities stemming from crisis-related public guarantees, which add to non-negligible pre-pandemic levels.

The general government debt-to-GDP ratio spiked at 133.6% in 2020, driven by the primary deficit, an unfavourable denominator effect and an increasing cash buffer. It is set to resume a downward path within the forecast horizon, declining to 127¼% in 2021 and 122¼% in 2022, mainly thanks to favourable growth-interest rate differentials due to improved economic conditions.

Table II.16.1:

Main features of country forecast - PORTUGAL

		2019		Annual percentage change						
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		213.9	100.0	0.3	3.5	2.8	2.5	**-7.6**	**3.9**	**5.1**
Private Consumption		136.6	63.8	0.5	2.1	2.6	2.6	**-5.9**	**4.0**	**3.8**
Public Consumption		36.0	16.8	0.4	0.2	0.6	0.7	**0.4**	**2.0**	**1.7**
Gross fixed capital formation		38.8	18.2	-2.6	11.5	6.2	5.4	**-1.9**	**4.6**	**6.9**
of which: equipment		12.2	5.7	-0.6	12.4	8.9	2.7	**-12.0**	**4.9**	**15.4**
Exports (goods and services)		93.2	43.5	3.9	8.4	4.1	3.9	**-18.6**	**10.3**	**8.9**
Imports (goods and services)		92.3	43.2	2.2	8.1	5.0	4.7	**-12.0**	**9.5**	**6.0**
GNI (GDP deflator)		208.6	97.5	0.3	3.6	2.7	2.4	**-6.6**	**4.4**	**4.6**
Contribution to GDP growth:	Domestic demand			-0.1	3.2	2.8	2.7	**-4.1**	**3.8**	**4.1**
	Inventories			0.0	0.1	0.3	0.1	**-0.6**	**0.0**	**0.0**
	Net exports			0.4	0.2	-0.3	-0.3	**-2.9**	**0.1**	**1.0**
Employment				-0.5	3.3	2.3	0.8	**-1.7**	**1.0**	**1.2**
Unemployment rate (a)				9.8	9.0	7.1	6.5	**6.9**	**6.8**	**6.5**
Compensation of employees / head				1.8	2.3	3.9	3.5	**2.9**	**2.8**	**2.8**
Unit labour costs whole economy				1.0	2.1	3.4	1.8	**9.3**	**-0.1**	**-1.0**
Real unit labour cost				-1.0	0.6	1.5	0.0	**6.8**	**-1.5**	**-2.5**
Saving rate of households (b)				9.5	6.6	6.8	7.1	**12.8**	**9.3**	**7.7**
GDP deflator				2.0	1.5	1.8	1.7	**2.4**	**1.4**	**1.5**
Harmonised index of consumer prices				2.0	1.6	1.2	0.3	**-0.1**	**0.9**	**1.1**
Terms of trade goods				0.4	-1.1	-0.8	0.5	**2.1**	**-0.9**	**0.2**
Trade balance (goods) (c)				-9.3	-7.0	-7.8	-7.9	**-6.2**	**-7.1**	**-7.2**
Current-account balance (c)				-6.3	1.0	0.3	0.2	**-1.1**	**-0.8**	**-0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.8	1.8	1.2	1.0	**0.1**	**0.5**	**1.1**
General government balance (c)				-5.7	-3.0	-0.3	0.1	**-5.7**	**-4.7**	**-3.4**
Cyclically-adjusted budget balance (d)				-5.2	-3.6	-1.7	-1.8	**-2.7**	**-2.9**	**-3.3**
Structural budget balance (d)				-1.8	-1.5	-1.0	-1.2	**-2.0**	**-3.2**	**-3.2**
General government gross debt (c)				93.8	126.1	121.5	116.8	**133.6**	**127.2**	**122.3**

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

17. SLOVENIA

Slovenia's economy contracted by 5.5% in 2020 but is expected to gradually recover through 2021-2022. Losses in employment were limited thanks to measures taken by the government to support jobs - which provides a strong basis for the recovery. Inflation is expected to remain moderate in 2021 and accelerate somewhat in 2022. Public finances are forecast to remain significantly in deficit.

2020 – challenging, but better than had been expected

Slovenia's economy contracted by 5.5% in 2020, somewhat lower than previously expected. After a strong recovery in the third quarter, the economy contracted again in the fourth quarter when measures to control the pandemic that restricted economic activity were reintroduced. This contraction was relatively contained as industrial production and exports remained robust. All demand components except government consumption were negatively affected by the spread of the pandemic and the lockdown measures. Private consumption fell by 9.7% and investment by 4.1%, with investment in machinery stumbling 11.1%. Imports declined faster than exports, so that the growth contribution from net exports was positive.

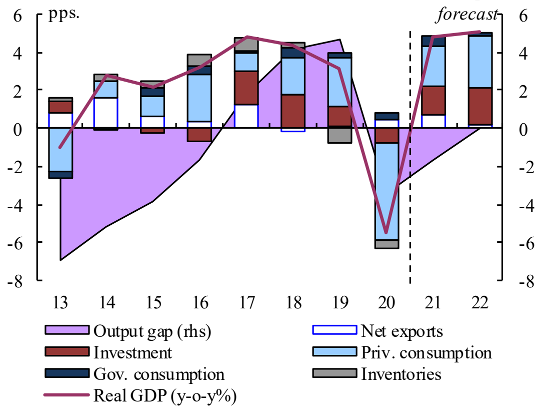
Recovery ahead

After the first quarter still negatively impacted by ongoing restrictions, the recovery is expected to gather pace in the second and third quarter of this year.

Domestic demand is expected to be the main growth driver. Private consumption is forecast to recover, once consumers are able to consume the full range of services again. This will be further supported by employment growth and higher wages. Investment is forecast to grow strongly in both the public and private sector. In addition to the strong demand expected for exports, investment will be supported by the increased impact of RRF funds on Slovenia's economy.

The pick-up in consumption and investment will in turn boost demand for imports in 2021. Although net exports are still forecast to contribute significantly to growth in 2021, their contribution will gradually ebb in 2022. All in all, GDP growth in Slovenia is forecast to reach 4.9% in 2021 and 5.1% in 2022 and the economy is expected to fully return to its pre-crisis output level.

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



Labour market returning to pre-crisis situation

Thanks to the labour-support measures enacted by the government, the negative effects on employment were relatively contained in 2020, with a 1% fall in employment leading to an increase in the unemployment rate from 4.5% to 5%. The number of hours worked dropped by about 3%, as firms cut the working hours of employees, whose income losses were nevertheless largely compensated by a government support.

In 2021, employment is expected to substantially recoup the losses incurred in 2020, although hours worked will adjust more quickly than employment and the recovery in service sectors is likely to be slower. The unemployment rate is projected to remain at 5% in 2021 before falling to 4.8% in 2022. Wages are projected to grow more slowly than before the crisis.

Consumer prices fell by 0.3% in 2020, on the back of lower energy prices and weaker demand. With the recovery taking hold and energy prices rising, HICP inflation is projected to reach 0.8% in 2021 and to accelerate to 1.7% in 2022.

A supportive fiscal stance in 2021 and 2022

In 2021, the general government deficit is forecast to remain high at around 8.5% of GDP (compared to 8.4% in 2020), mainly due to measures adopted to mitigate the economic and social impact of the COVID-19 pandemic and a rise in public investment.

On the revenue side, taxes on production and imports are projected to recover in 2021, growing by some 5% after falling by more than 10% in the previous year. Revenues from taxes on income and wealth and social security contributions will also recover, albeit at a slower pace. Measures to mitigate the impact of the COVID-19 crisis have led to increased expenditure, with a total budgetary impact of around 2.7% of GDP in 2021. These measures include, among others, (i) wage compensations for employees staying at home, (ii) a monthly basic income for self-employed workers and farmers, (iii) wage supplements for special working conditions for public sector employees and (iv) coverage of companies' fixed costs. Most of the COVID-19-related measures are expected to be phased out by the end of 2022. Additionally, a significant increase in public investment is projected in 2021 and 2022, which can be partly attributed to the rollout of the projects to be financed by the RRF. Against the background of a continued recovery in domestic demand and a modest decline in current expenditure, the general government deficit is set to improve to around 4.7% of GDP in 2022.

The debt-to-GDP ratio is expected to remain at an elevated level of 79% in 2021 (80.8% in 2020). In 2021, the strong debt-increasing effect of the high headline balance (8.5%) will be offset by the gradual depletion of the precautionary cash buffers related to the COVID response and a rebound in the nominal GDP. Due to a lower deficit in 2022, the general government debt is set to decline to 76.7% of GDP.

The forecast incorporates in full the fiscal and economic impact of the RRP based on information included in the draft plan adopted by the Government of Slovenia on 28 April 2021. Additional RRF-financed spending, particularly on public investment is expected to be phased in gradually in 2021 and 2022. However, the majority of the RRF-financed projects is expected to be rolled out only between 2023 and 2025.

Table II.17.1:

Main features of country forecast - SLOVENIA

		2019		Annual percentage change						
		bn EUR Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		48.4	100.0	2.0	4.8	4.4	3.2	**-5.5**	**4.9**	**5.1**
Private Consumption		25.4	52.4	1.8	1.9	3.6	4.8	**-9.7**	**4.4**	**5.6**
Public Consumption		8.9	18.4	1.7	0.4	3.0	1.7	**1.8**	**2.4**	**1.1**
Gross fixed capital formation		9.5	19.6	-0.7	10.2	9.6	5.8	**-4.1**	**7.2**	**9.5**
of which: equipment		3.9	8.0	1.7	12.4	11.2	1.9	**-11.1**	**7.0**	**11.5**
Exports (goods and services)		40.5	83.7	5.7	11.1	6.3	4.1	**-8.7**	**9.5**	**7.5**
Imports (goods and services)		36.4	75.3	4.5	10.7	7.2	4.4	**-10.2**	**9.8**	**8.3**
GNI (GDP deflator)		47.6	98.4	1.9	5.6	4.6	3.2	**-7.1**	**4.2**	**4.4**
Contribution to GDP growth:	Domestic demand			1.3	2.8	4.2	3.9	**-5.6**	**4.1**	**4.9**
	Inventories			0.0	0.7	0.3	-0.8	**-0.4**	**0.0**	**0.0**
	Net exports			0.8	1.2	-0.1	0.1	**0.4**	**0.8**	**0.2**
Employment				0.3	3.0	3.2	2.5	**-1.0**	**0.9**	**2.0**
Unemployment rate (a)				7.2	6.6	5.1	4.5	**5.0**	**5.0**	**4.8**
Compensation of employees / head				4.5	3.0	3.9	4.9	**2.3**	**2.0**	**1.4**
Unit labour costs whole economy				2.8	1.2	2.7	4.2	**7.2**	**-1.8**	**-1.6**
Real unit labour cost				-0.1	-0.3	0.6	1.9	**5.9**	**-3.0**	**-2.8**
Saving rate of households (b)				13.6	13.1	13.5	13.3	**25.7**	**20.5**	**12.9**
GDP deflator				2.8	1.5	2.2	2.3	**1.3**	**1.2**	**1.3**
Harmonised index of consumer prices				3.0	1.6	1.9	1.7	**-0.3**	**0.8**	**1.7**
Terms of trade goods				-0.1	-0.7	0.0	0.4	**1.2**	**0.5**	**-0.3**
Trade balance (goods) (c)				-1.4	3.8	2.8	2.7	**5.5**	**5.8**	**4.6**
Current-account balance (c)				-0.4	6.4	6.0	5.7	**5.4**	**4.3**	**3.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.3	5.5	5.5	5.4	**5.0**	**4.0**	**2.9**
General government balance (c)				-3.9	-0.1	0.7	0.4	**-8.4**	**-8.5**	**-4.7**
Cyclically-adjusted budget balance (d)				-3.9	-0.9	-1.2	-1.8	**-6.8**	**-7.7**	**-4.7**
Structural budget balance (d)				-3.8	-0.8	-1.2	-1.7	**-6.7**	**-7.7**	**-4.7**
General government gross debt (c)				43.0	74.1	70.3	65.6	**80.8**	**79.0**	**76.7**

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

18. SLOVAKIA

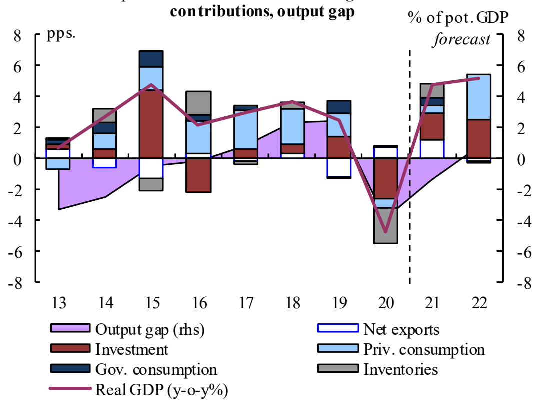
The COVID-19 pandemic pushed Slovakia's economy into a deep recession in 2020. As containment measures are eased, a swift recovery is expected in 2021 and 2022, driven by both domestic spending and foreign demand. After moderating in 2021, inflation is forecast to rise gradually, supported initially by cost-push factors and then by more robust demand. The government budget deficit is expected to remain elevated due to sustained fiscal support. However, the public debt-to-GDP ratio is projected to stay contained as economic growth and low interest rates offset the effect of lower primary balances. RRF-financed investments should help the recovery from 2022 onwards.

Rebounding growth as the economy reopens

After a 4.8% decline in 2020 real output, persisting pandemic-related restrictions in early 2021 continue to weigh on economic activity in Slovakia. Nevertheless, the assumed progress in vaccination and the improving pandemic situation should enable a sharp rebound in the second half of the year, bringing annual GDP growth to 4.8% in 2021. The Slovak economy is forecast to reach its pre-pandemic output level by the end of 2021 and to continue growing at a robust annual rate of 5.2% in 2022, closing its negative output gap.

Prolonged COVID-19 containment measures mainly affect domestic demand. Despite continued fiscal measures cushioning the fall in household incomes, diminished spending opportunities have depressed private consumption, particularly in the service sector, which has led to a rise in forced savings. Private investment has also been held back by uncertainty. However, with the assumed reopening of the economy, a sharp rebound in domestic spending is expected from the second half of 2021, and the household saving rate is forecast to return to near pre-crisis levels in 2022. A boost to public investment by Next Generation EU funds is forecast from 2022 onwards.

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



Robust foreign demand to help recovery

In contrast to contact-intensive services, industry has proven to be more resilient, as factories were largely shielded from domestic pandemic-related restrictions. This has helped Slovakia's industry-heavy export sector, which is also expected to benefit from robust growth in foreign demand, especially in light of the recent US fiscal stimulus and its spillover effects. Supply-chain disruptions due to ongoing semi-conductor shortages are assumed to have only a temporary effect on Slovakia's automotive industry. Due to a large share of imported intermediate inputs, strong exports should also go along with higher import growth. On balance, net exports are forecast to contribute positively to GDP growth in 2021 and to be broadly neutral in 2022.

Labour market to recover only from 2022

Thanks to public short-time work schemes, the impact of the crisis on the labour market has been mostly reflected in declining hours worked, while employment has been shielded, decreasing only by 1.9% in 2020. However, despite the economic recovery gaining momentum already in 2021, the labour market is expected to strengthen only from 2022 onwards. As fiscal support measures are gradually withdrawn, hours worked should increase first while firms are likely to remain cautious about posting new vacancies. On average, employment is projected to stay 0.6% lower in 2021 compared to last year, with the unemployment rate rising to 7.4%. Gradual improvement is forecast from 2022, with 0.8% employment growth and the unemployment rate falling to 6.6%. Real wage growth is expected to gather pace as labour market slack diminishes, and productivity rebounds.

Inflation to rise as excess capacity shrinks

HICP inflation is projected to moderate from 2% in 2020 to 1.5% in 2021, driven mainly by a reduction in regulated energy prices. Temporary cost-push pressures from supply constraints and rising commodity prices are assumed to be kept in check by still weak domestic demand, which acts as a disinflationary force. But as the Slovak economy moves closer towards its potential, aggregate demand pressures should be pushing inflation higher, mainly in the domestic service sector, to 1.9% next year.

Fiscal policy to remain supportive in 2021

In 2020, the general government deficit widened to 6.2% of GDP, due to both higher expenditures aimed at cushioning the recession and lower tax revenues as a result of the weaker economy. The combination of a sizable deficit and falling output resulted in the public debt-to-GDP ratio jumping to 60.6%. Direct pandemic-related support measures, focusing on employment, social assistance and the healthcare sector, reached 2.2% of GDP.

In 2021, the public budget deficit is expected to increase to 6.5% of GDP, driven by still muted growth in tax revenues, high healthcare expenditures, and the extension of some COVID-19 measures (e.g. nursing allowances). In addition, pension-related subsidies and social transfers are set to increase, despite the government taking steps to contain them (e.g. by freezing the minimum pension at 2020 levels and limiting the number of years worked that can be taken into account for pension calculation).

In 2022, the government budget deficit is forecast to moderate to 4.1% of GDP. As the previous programming period is coming to an end, the use of EU funds is expected to increase in 2022. This forecast also incorporates information about the national RRP as presented in the preliminary version released by the government for public consultation, with RRF-funded expenditure amounting to 0.2% of GDP in 2021, and 1% of GDP in 2022.

The government debt-to-GDP ratio is projected to edge down to 59.5% in 2021, and 59% in 2022. Despite continued primary budget deficits, debt ratios should be contained by strong GDP growth and persistently low interest rates as well as by stock-flow adjustments related to the assumed disbursement profile of RRF funds and cash from last year's borrowings.

Table II.18.1:

Main features of country forecast - SLOVAKIA

	2019		Annual percentage change						
	bn EUR Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	93.9	100.0	4.0	3.0	3.7	2.5	**-4.8**	**4.8**	**5.2**
Private Consumption	53.2	56.7	3.2	4.6	4.1	2.7	**-1.0**	**0.8**	**5.2**
Public Consumption	18.5	19.7	2.6	1.3	0.1	4.6	**0.3**	**2.5**	**-0.2**
Gross fixed capital formation	20.2	21.5	3.2	3.0	2.7	6.6	**-12.0**	**8.6**	**12.5**
of which: equipment	9.4	10.0	5.5	-6.0	1.8	13.4	**-19.2**	**9.6**	**16.5**
Exports (goods and services)	86.8	92.4	9.2	3.6	5.2	0.8	**-7.5**	**12.2**	**5.3**
Imports (goods and services)	86.4	92.0	7.9	3.9	5.0	2.1	**-8.3**	**10.9**	**5.6**
GNI (GDP deflator)	92.2	98.2	3.9	3.8	4.2	2.1	**-4.7**	**4.8**	**5.3**
Contribution to GDP growth: Domestic demand			3.1	3.4	2.9	3.8	**-3.1**	**2.7**	**5.4**
Inventories			0.1	-0.3	0.4	0.0	**-2.4**	**0.8**	**0.0**
Net exports			0.9	-0.2	0.3	-1.2	**0.7**	**1.3**	**-0.2**
Employment			0.9	2.2	2.0	1.0	**-1.9**	**-0.6**	**0.8**
Unemployment rate (a)			14.2	8.1	6.5	5.8	**6.7**	**7.4**	**6.6**
Compensation of employees / head			5.3	5.1	5.9	6.8	**3.3**	**4.0**	**4.7**
Unit labour costs whole economy			2.1	4.3	4.3	5.3	**6.4**	**-1.3**	**0.3**
Real unit labour cost			0.1	3.1	2.2	2.7	**3.9**	**-2.8**	**-2.0**
Saving rate of households (b)			7.4	8.1	10.4	10.1	**10.9**	**12.1**	**9.6**
GDP deflator			1.9	1.2	2.0	2.5	**2.4**	**1.5**	**2.3**
Harmonised index of consumer prices			3.1	1.4	2.5	2.8	**2.0**	**1.5**	**1.9**
Terms of trade goods			-0.7	-0.8	-0.9	-0.4	**-0.5**	**0.1**	**0.0**
Trade balance (goods) (c)			-1.2	1.1	1.1	-0.5	**0.0**	**0.8**	**0.4**
Current-account balance (c)			-3.0	-0.9	-0.1	-1.8	**-1.5**	**-0.3**	**-0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.5	-1.6	-0.1	-1.8	**-1.6**	**-0.4**	**-0.6**
General government balance (c)			-4.2	-1.0	-1.0	-1.3	**-6.2**	**-6.5**	**-4.1**
Cyclically-adjusted budget balance (d)			-4.0	-1.3	-1.9	-2.3	**-4.7**	**-6.0**	**-4.4**
Structural budget balance (d)			-2.5	-1.3	-1.9	-2.3	**-4.7**	**-6.0**	**-4.4**
General government gross debt (c)			43.2	51.5	49.6	48.2	**60.6**	**59.5**	**59.0**

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

19. FINLAND

After a strong fall in 2020, economic activity is expected to recover robustly on the back of domestic demand. Employment and wage growth are set to remain supportive of private consumption. The impact of the crisis on the deficit of public finances now looks likely to be smaller than previously forecast.

Smaller-than-expected contraction in 2020

Finland's GDP fell by 2.8% in 2020. As in other countries, the downturn was most pronounced in contact-intensive service sectors, with accommodation and food services being the most affected. While the economy took a heavy hit, the fall was smaller than initially expected. After a sharp decline in the second quarter of 2020, GDP growth turned positive in the second half of the year. Containment measures remained broadly lax thanks to the relatively contained situation of the pandemic in the country, which in turn helped the economy to recover. Private consumption suffered the most, followed by investment. Exports and imports fell equally, with exports partly aided by a delivery of one large cruise ship in December 2020. Government spending was a critical factor in cushioning the shock.

Domestic demand to drive robust growth ahead

GDP is forecast to grow by around 2¾% in both 2021 and 2022. The full effect of the long-awaited reopening of the services sector is expected to be delayed until the third quarter of 2021, which will in turn imply lower GDP growth in 2021 compared to the previous forecast and an increase in the carryover for 2022.

Domestic demand is expected to drive GDP growth over the forecast period. Private consumption is forecast to increase strongly, as consumer-facing activities open up and employment starts to recover. In addition, real disposable income growth, accumulated savings during the crisis and favourable financing conditions provide solid foundations for private consumption to flourish. Public consumption will remain strong in 2021 but its contribution to GDP is expected to turn negative in 2022 as the economic situation improves and the extra spending is rolled back. Investment, particularly in construction, already proved to be rather robust during the crisis and once business confidence in economic momentum is restored, investment is likely to gather pace. This will be aided by public investment plans which are expected to provide a temporary boost.

The expected pick-up in private consumption is likely to boost imports, but the impact on net exports is forecast to remain limited, as a parallel rise in external demand should boost exports.

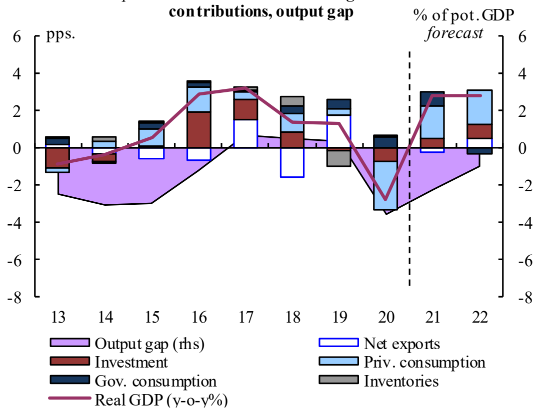
Labour market to recover gradually

Employment is expected to rise gradually by around 1% each year as the recovery gathers pace but employment growth is likely to remain more sluggish in sectors that were more affected by the crisis. Wages are expected to rise due to the wage bargaining agreements reached before the crisis hit.

Consumer price inflation remains muted

Owing to lower energy prices and in the absence of demand pressures, consumer prices increased only by 0.4% in 2020. In the short term, prices are expected to be temporarily boosted by rising energy prices, bringing the inflation rate above 1%. However, limited demand pressures are expected to keep inflation low over the forecast horizon.

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



Short-term outlook for public finances is better than expected

The general government deficit in 2020 is estimated at 5½% of GDP – significantly lower than the Commission's autumn forecast of 7½% of GDP - thanks to lower government expenditure and somewhat higher-than-expected revenues. The fiscal impact of temporary COVID-19-related measures accounted for about 3% of GDP.

In 2021, the general government deficit is forecast to narrow to 4½% of GDP, as the negative impact of the pandemic on public finances is expected to fade out. The economic recovery will increase government tax revenues while the termination of worker lay-offs will diminish the burden of social expenditure. On the other hand, fiscal measures related to the pandemic are forecast to amount to at least 1.5% of GDP. They include health-related expenditure on testing, vaccinations and research; continued support measures for businesses; temporary benefit schemes for the unemployed; as well as some investments, notably in the transport network and research & development.

In 2022, the expected normalisation of the health situation and the continued economic recovery should lead to a further improvement in public finances. The general government deficit is projected to decline close to 2% of GDP. Based on current information, the temporary measures related to the COVID-19 pandemic will have no significant impact on the deficit.

The forecast incorporates measures related to the implementation of the Recovery and Resilience Facility (RRF) in Finland. The planned RRF-financed expenditure is going to support the economic recovery in 2021 and 2022 with both capital investment and current spending on investment in human capital.

In 2020, the public debt ratio increased by 10 pps. to 69% of GDP, driven by a higher deficit and measures not recorded in the deficit, such as tax deferrals, loans and recapitalisations. In 2021, the debt ratio is projected to inch up to 71% of GDP, before decreasing again to 70% of GDP in 2022.

Table II.19.1:
Main features of country forecast - FINLAND

		2019			Annual percentage change					
	bn EUR	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		240.3	100.0	1.3	3.2	1.3	1.3	**-2.8**	**2.7**	**2.8**
Private Consumption		125.9	52.4	2.1	0.8	1.8	0.7	**-4.9**	**3.4**	**3.6**
Public Consumption		55.8	23.2	1.1	0.2	1.8	2.0	**2.3**	**3.2**	**-1.3**
Gross fixed capital formation		57.3	23.9	1.0	4.8	3.5	-0.9	**-3.1**	**2.1**	**3.4**
of which: equipment		12.1	5.0	1.6	9.4	-2.3	-4.0	**-9.1**	**3.4**	**6.5**
Exports (goods and services)		95.6	39.8	2.1	8.8	1.4	6.7	**-6.6**	**5.1**	**7.0**
Imports (goods and services)		95.2	39.6	3.2	4.3	5.6	2.2	**-6.6**	**5.9**	**5.8**
GNI (GDP deflator)		241.4	100.5	1.4	2.8	1.7	1.3	**-2.2**	**2.8**	**2.8**
Contribution to GDP growth:	Domestic demand			1.5	1.5	2.2	0.6	**-2.8**	**3.0**	**2.3**
	Inventories			0.0	0.1	0.5	-0.8	**0.1**	**0.0**	**0.0**
	Net exports			-0.3	1.5	-1.6	1.7	**0.0**	**-0.3**	**0.4**
Employment				0.6	1.0	2.5	1.8	**-1.5**	**0.9**	**1.1**
Unemployment rate (a)				8.3	8.6	7.4	6.7	**7.8**	**7.6**	**7.2**
Compensation of employees / head				2.5	-1.1	1.3	1.3	**-0.1**	**2.1**	**2.0**
Unit labour costs whole economy				1.8	-3.2	2.5	1.8	**1.2**	**0.3**	**0.4**
Real unit labour cost				0.2	-3.9	0.5	0.3	**-0.4**	**-1.4**	**-1.3**
Saving rate of households (b)				7.9	6.9	7.3	8.7	**13.3**	**9.8**	**8.3**
GDP deflator				1.6	0.8	1.9	1.5	**1.7**	**1.7**	**1.7**
Harmonised index of consumer prices				1.7	0.8	1.2	1.1	**0.4**	**1.2**	**1.2**
Terms of trade goods				-0.5	-0.8	0.8	-0.9	**1.2**	**-0.1**	**0.2**
Trade balance (goods) (c)				5.3	0.7	0.1	1.0	**1.4**	**1.2**	**1.8**
Current-account balance (c)				2.2	-0.8	-1.8	-0.3	**0.3**	**0.0**	**0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.3	-0.7	-1.8	-0.3	**0.4**	**0.1**	**0.6**
General government balance (c)				0.7	-0.7	-0.9	-0.9	**-5.4**	**-4.6**	**-2.1**
Cyclically-adjusted budget balance (d)				1.1	-1.0	-1.2	-1.1	**-3.4**	**-3.3**	**-1.5**
Structural budget balance (d)				-1.0	-1.0	-1.1	-1.2	**-3.4**	**-3.3**	**-1.5**
General government gross debt (c)				46.5	61.2	59.7	59.5	**69.2**	**71.0**	**70.1**

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

Non-EA Member States

20. BULGARIA

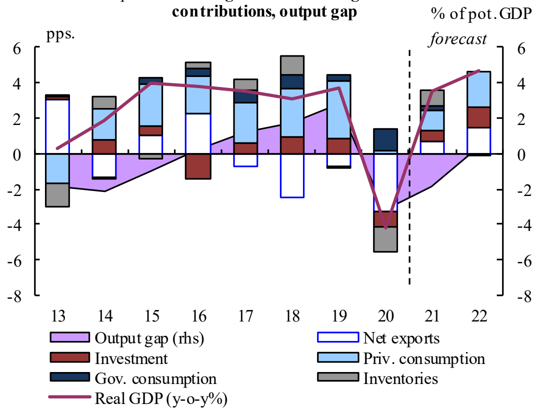
Economic activity in Bulgaria was strongly affected by the COVID-19 pandemic in 2020, mainly through the fall in exports of goods and services. Domestic demand and exports are set to lead the recovery with an important impetus to investment from the implementation of the Recovery and Resilience Plan. After an initial deterioration, the labour market situation stabilised with the help of publically financed employment retention measures and is expected to improve. Budget deficits have returned after four years and are expected to persist.

Sharp recession and a robust recovery

Due to the COVID-19 pandemic, Bulgaria's economy contracted by 4.2% in 2020. Exports of goods and services have been the major drag on economic activity with a gross negative contribution of 7.3 pps (not accounting for the import component). Private consumption remained unchanged in 2020 compared to 2019 levels and followed closely the changes in intensity of containment measures over the year. Private consumption has been supported by job retention schemes and positive wage dynamics, the sound financial situation of households at the onset of the crisis and relatively optimistic expectations about economic activity. Investment contracted sharply in the first half of last year, driven by higher ecomonic uncertainty and an increase in spare industrial production capacity. With the gradual recovery of capital utilisation rates and the pick-up in public sector investment in the second half of 2020, capital formation returned to pre-crisis levels. Government consumption supported aggregate demand in the second half of 2020. Imports contracted by 6.6% in 2020, mainly on account of the import component of exports and to a lesser extent due to the decline in investment.

Looking forward, economic activity is expected to rebound from the second quarter of this year and then gain further momentum. GDP growth is set to accelerate from 3.5% in 2021 to 4.7% in 2022, conditional on the absorbtion profile of RRF funds adopted by the government on 28 April. Goods exports are forecast to lead the recovery in 2021 on the back of improved foreign demand. The dynamics of services exports will depend largely on developments in tourism sector. They are expected to regain some ground compared to the crisis last year, but to remain around one quarter below pre-crisis levels in the current year before narrowing the gap further in 2022. Domestic demand is also set to contribute to the economic expansion. The gradual relaxation of containment measures is assumed to encourage pent-up demand in the second half of 2021, while positive labour market developments are forecast to support consumer spending in 2022. A key factor for the upswing in investment will be the successful implementation of Bulgaria's Recovery and Resilience Plan.

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



The risks to the forecast are broadly balanced. The positive second-round effects from the Recovery and Resilience Plan on private consumption and investment could potentially be larger, especially through the expectation channel, i.e. by bringing forward domestic demand. On the downside, delays and inefficiencies in the implementation of the RRP could hamper overall economic activity.

Labour market stabilises with the help of job retention schemes

The unemployment rate has increased significantly since the onset of the COVID-19 pandemic but it started to stabilise in the second half of 2020. Government's job retention schemes have played a significant role by supporting more than 270,000 employees across nearly 12,400 companies. The largest share of the support went to the manufacturing sector, followed by the hospitality sector, which was the worst affected. The unemployment rate levelled off at 5.1% in 2020. In line with the economic recovery, employment is expected to gradually pick up, by 0.6% and 1.3% in 2021 and 2022 respectively. The unemployment rate is set to reach 4.8% in 2021 and to fall below its pre-crisis level of 4.2% in 2022. Real wages are expected to continue their upward trajectory as labour market slack continues to diminish at a more restrained pace.

Headline inflation to accelerate

HICP inflation fell throughout 2020 due to lower energy prices and lower price increases in processed and unprocessed foods. The seasonal price hikes in tourism services were less pronounced over the summer last year, which helped contain overall services inflation. Inflation is set to accelerate to 1.6% in 2021 on the back of assumed higher energy prices and second-round effects from increased fuel prices. In 2022, HICP inflation is expected to reach 2%, supported by envigorated economic growth and the closing output gap.

The fiscal deficit is set to remain stable

Bulgaria's relatively favourable fiscal position was reverted in 2020 as a result of the COVID-19 pandemic and implemented support measures. The general government deficit is estimated at 3.4% of GDP in 2020. Despite the significant improvement in the macroeconomic outlook including the positive impact expected from investement financed by the RRF, the budget deficit is forecast to remain above 3% in 2021. The economic recovery and additional investment should have a positive impact on revenues, but a number of expenditure measures to preserve jobs and to support incomes through public wage increases and social benefits is set to strongly increase expenditure. The budget deficit is forecast to decrease to 1.9% of GDP in 2022, mainly due to the expected ending of the remaining emergency measures.

General government debt is expected to decrease to 24.5% of GDP in 2021 despite the persistent primary deficit, mainly thanks to the positive impact of the higher economic growth. In 2022, the government debt-to-GDP ratio is projected to decrease further to 24% of GDP.

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

		2019		Annual percentage change						
	bn BGN	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		119.8	100.0	3.6	3.5	3.1	3.7	**-4.2**	**3.5**	**4.7**
Private Consumption		70.5	58.9	4.3	3.8	4.4	5.5	**0.2**	**1.9**	**3.6**
Public Consumption		20.1	16.8	1.4	4.3	5.3	2.0	**7.5**	**1.3**	**0.0**
Gross fixed capital formation		22.4	18.7	4.9	3.2	5.4	4.5	**-5.1**	**3.4**	**6.1**
of which: equipment		10.0	8.4	5.1	4.4	8.8	15.1	**-3.7**	**4.7**	**3.7**
Exports (goods and services)		76.9	64.2	7.3	5.8	1.7	3.9	**-11.3**	**7.0**	**8.3**
Imports (goods and services)		73.0	61.0	7.6	7.4	5.7	5.2	**-6.6**	**6.0**	**6.1**
GNI (GDP deflator)		121.3	101.3	3.7	5.1	3.1	3.7	**-4.0**	**3.3**	**4.7**
Contribution to GDP growth:	Domestic demand			4.3	3.6	4.5	4.4	**0.4**	**2.0**	**3.1**
	Inventories			0.0	0.6	1.1	0.0	**-1.4**	**0.9**	**0.0**
	Net exports			-0.7	-0.7	-2.5	-0.7	**-3.2**	**0.7**	**1.5**
Employment				0.4	1.8	-0.1	0.3	**-2.3**	**0.6**	**1.3**
Unemployment rate (a)				11.1	6.2	5.2	4.2	**5.1**	**4.8**	**3.9**
Compensation of employees / head				8.3	10.5	9.7	6.9	**5.9**	**5.0**	**5.2**
Unit labour costs whole economy				5.0	8.7	6.3	3.5	**7.9**	**2.0**	**1.8**
Real unit labour cost				0.7	4.6	2.2	-1.7	**4.5**	**-2.9**	**-1.1**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				4.2	3.9	4.0	5.3	**3.3**	**5.0**	**3.0**
Harmonised index of consumer prices				3.8	1.2	2.6	2.5	**1.2**	**1.6**	**2.0**
Terms of trade goods				1.4	0.3	0.7	1.9	**4.4**	**-0.8**	**0.6**
Trade balance (goods) (c)				-14.1	-1.5	-4.8	-4.7	**-3.0**	**-2.1**	**-2.2**
Current-account balance (c)				-5.9	6.1	5.0	5.6	**4.1**	**6.0**	**7.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.9	7.1	6.2	7.2	**6.0**	**6.8**	**8.0**
General government balance (c)				-0.6	1.2	2.0	2.1	**-3.4**	**-3.2**	**-1.9**
Cyclically-adjusted budget balance (d)				-0.6	0.8	1.5	1.3	**-2.5**	**-2.6**	**-2.0**
Structural budget balance (d)				-0.9	0.8	1.5	1.3	**-2.5**	**-2.6**	**-2.0**
General government gross debt (c)				27.0	25.3	22.3	20.2	**25.0**	**24.5**	**24.0**

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

21. CZECHIA

Czechia was hit hard by the second wave of the pandemic. As the situation improves, containment measures are expected to be slowly lifted, leading to a recovery driven by both domestic and foreign demand. Inflation is projected to moderate substantially. The government budget deficit is forecast to stay elevated, due to both temporary fiscal support measures combating the effects of the pandemic and permanent tax cuts. The government debt-to-GDP ratio remains low but is increasing at a brisk pace.

Economic activity to start recovering

According to a preliminary flash estimate, GDP declined by 0.3% in quarter-on-quarter terms in the first quarter of 2021. As the public health situation improves and containment measures are gradually relaxed, a rebound in economic activity should follow. Real GDP is forecast to grow by 3.4% in 2021, driven by both domestic and foreign demand as well as a rebuilding of inventories. In 2022, GDP is forecast to accelerate further to around 4.4%, mainly supported by a rebound in private consumption and investment.

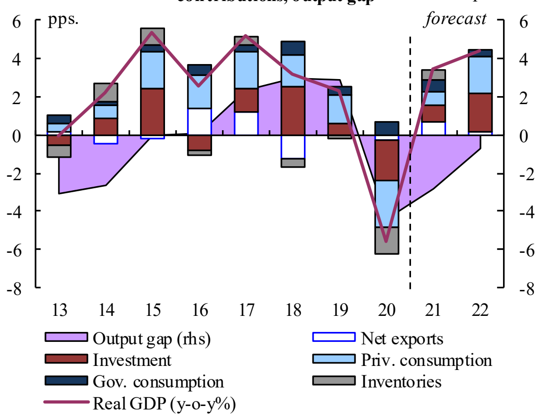
Domestic demand, which has suffered since the reintroduction of social-distancing measures in January 2021, is projected to pick up from the second quarter of the year as the pandemic situation improves, restrictions are eased and uncertainty fades. After an expected increase of around 1.5% in 2021, private consumption should recover further in 2022 when households should also reduce their savings more markedly.

Government consumption is forecast to grow by 2.8% in 2021, fuelled by pandemic-related spending and, to a lesser extent, an increase in public sector employment. In 2022, the rise in government consumption is forecast to slow to around 1.4% due to the unwinding of temporary support measures.

Investment is expected to expand by about 3.6 in 2021, stimulated by external demand, favourable financing conditions and high capacity utilisation rates in industry. Private investment growth is forecast to increase to almost 8% in 2022.

Net exports are forecast to be slightly positive in 2021. The dynamics of exports following the economic recovery of Czechia's key trading partners should just offset the effect of import-intensive investment demand. Increased imports for household consumption are expected to support import growth and slightly worsen the performance of net trade in 2022.

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



Labour market to remain solid

The unemployment rate is expected to remain low. With its tight labour market and a low share of temporary contracts, Czechia's labour market had been in a good position to absorb the impact of the crisis. The unemployment rate is forecast to increase to 3.8% in 2021. The strengthening of economic growth is expected to improve labour market conditions in 2022, with the unemployment rate decreasing to 3.5%.

Wages are expected remain stable in 2021 but to grow again in 2022. With aggregate household income remaining relatively stable and consumption limited by restrictions, the gross household saving rate increased in 2020 and is expected to remain above its pre-pandemic level over the forecast horizon, contributed mainly by higher income households .

Inflation expected to slow substantially

HICP inflation is forecast to ease to 2.4% in 2021. Higher oil and food prices are expected to be the only inflationary drivers in 2021. In 2022, no significant inflationary pressures are expected, except for recovering domestic demand. Inflation is thus expected to decline further to 2.2%, closer to the central bank's target of 2%.

Public finances remain supportive for the economic recovery in 2021

Czechia deployed extensive fiscal stimulus to cushion the downturn in 2020 and to support the recovery in 2021. The general government balance ended 2020 with a deficit of 6.2% of GDP, driven both by declining revenues and increasing expenses. On the revenue side, the main impact came from declining corporate income tax and VAT collection linked to the decrease in private consumption. Expenditures were higher due to several government support programmes. Short-time work schemes like the 'Antivirus' programme and the 'Compensation bonus for self-employed' have proved successful in preserving employment. Several subsidy and guarantee schemes have been put in place to support companies. Social benefits and compensation of government employees also increased, reflecting both temporary COVID-19 expenses but also some permanent increases.

For 2021, the government deficit is set to deepen further to 8.5% of GDP. With a delayed economic recovery, most of the support programmes are likely to be extended. New support programmes for companies affected by the lockdown have been introduced ('COVID-2021' and 'COVID-Uncovered costs'). A cut in personal income tax will permanently increase the budget deficit by almost 2% of GDP. The cut in income tax and higher social benefits are also the reasons for a deficit forecast of 5.4% of GDP in 2022, despite the recovery in other tax revenues and the phasing-out of support programmes.

The economic recovery in 2021 and 2022 is expected to be further supported by the use of grants from the RRF in combination with ESIF funds. The forecast includes RRF-financed expenditures (primarily investments) of 0.4% of GDP in 2021 and 0.7% in 2022.

While public debt is low compared to other Member States, the pace of its growth in 2020-2022 is above the average. The public debt-to-GDP ratio, which stood at 38.1% in 2020, is forecast to rise to 44.3% in 2021 and 47.1% in 2022, driven by developments in the headline balance, partly offset by nominal GDP growth.

Table II.21.1:

Main features of country forecast - CZECHIA

	2019		Annual percentage change						
bn CZK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	5748.8	100.0	2.7	5.2	3.2	2.3	**-5.6**	**3.4**	**4.4**
Private Consumption	2720.4	47.3	2.4	4.0	3.5	3.0	**-5.2**	**1.5**	**4.3**
Public Consumption	1133.5	19.7	1.5	1.8	3.8	2.2	**3.5**	**2.8**	**1.4**
Gross fixed capital formation	1509.1	26.2	2.2	4.9	10.0	2.3	**-8.1**	**3.6**	**7.9**
of which: equipment	605.8	10.5	3.3	1.1	8.9	1.4	**-15.0**	**3.2**	**7.2**
Exports (goods and services)	4276.6	74.4	8.1	7.2	3.7	1.3	**-5.9**	**8.5**	**6.2**
Imports (goods and services)	3930.5	68.4	7.5	6.3	5.8	1.4	**-6.1**	**8.4**	**6.6**
GNI (GDP deflator)	5402.2	94.0	2.4	6.4	3.4	1.7	**-5.5**	**3.0**	**4.5**
Contribution to GDP growth: Domestic demand			2.1	3.5	4.9	2.5	**-3.9**	**2.2**	**4.3**
Inventories			0.1	0.5	-0.5	-0.2	**-1.5**	**0.5**	**0.0**
Net exports			0.5	1.2	-1.2	0.0	**-0.3**	**0.7**	**0.1**
Employment			0.5	1.6	1.3	0.3	**-1.5**	**-1.5**	**0.3**
Unemployment rate (a)			6.6	2.9	2.2	2.0	**2.6**	**3.8**	**3.5**
Compensation of employees / head			4.3	7.2	8.1	6.3	**2.9**	**0.9**	**2.8**
Unit labour costs whole economy			2.1	3.5	6.1	4.2	**7.4**	**-3.8**	**-1.3**
Real unit labour cost			0.4	2.1	3.5	0.3	**3.1**	**-5.7**	**-3.3**
Saving rate of households (b)			11.9	11.8	12.2	12.4	**18.8**	**18.2**	**15.6**
GDP deflator			1.7	1.3	2.6	3.9	**4.2**	**2.0**	**2.1**
Harmonised index of consumer prices			2.0	2.4	2.0	2.6	**3.3**	**2.4**	**2.2**
Terms of trade goods			0.1	-1.3	-0.2	0.3	**1.7**	**-0.7**	**-0.5**
Trade balance (goods) (c)			0.4	5.1	3.7	4.2	**5.0**	**4.8**	**4.2**
Current-account balance (c)			-3.5	0.8	-0.6	-0.9	**0.1**	**-0.3**	**-0.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.4	1.4	0.2	-0.3	**0.8**	**0.3**	**-0.2**
General government balance (c)			-3.0	1.5	0.9	0.3	**-6.2**	**-8.5**	**-5.4**
Cyclically-adjusted budget balance (d)			-3.2	0.6	-0.3	-0.8	**-4.4**	**-7.4**	**-5.1**
Structural budget balance (d)			-0.2	0.6	-0.3	-0.8	**-4.4**	**-7.5**	**-5.1**
General government gross debt (c)			33.3	34.2	32.1	30.3	**38.1**	**44.3**	**47.1**

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

22. DENMARK

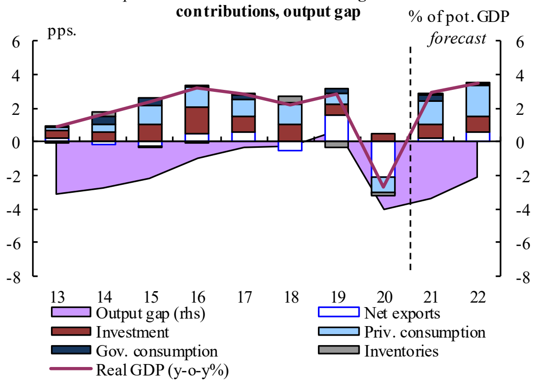
While the second wave of the pandemic in late 2020 and early 2021 deepened and prolonged the COVID-19 crisis in Denmark, the gradual re-opening of the economy should give rise to renewed economic growth in 2021. The general government budget deficit is forecast to widen in 2021 mainly due to one-off expenditures.

Growth returning

Denmark's economy has so far proved to be relatively resilient to the pandemic, with real GDP declining by only 2.7% in 2020, far less than the EU average. While private consumption and exports took a dive in 2020 due to the confinement measures in Denmark and its export markets, investment increased by 2.1%. The construction sector was a major driver, growing by 7.6% in 2020 supported by the public sector and rising house prices.

Widespread lockdown measures were only introduced in December last year, thus growth in 2020-Q4 remained positive, registering 0.7% q-o-q. The impact of restrictions, in place throughout the entire first quarter of this year, are likely to cause a slight decline in GDP for the quarter. A gradual reopening from the second quarter onwards is expected to pave the way for an acceleration of economic activity. Real GDP is forecast to grow by 2.9% this year, gaining momentum through the year and bringing real GDP growth in 2022 to 3.5%.

Graph II.22.1: **Denmark - Real GDP growth and contributions, output gap**



Robust domestic demand

The household saving rate is currently at a record high, as consumers are being prevented from spending on certain items, such as contact-intensive service, and because uncertainty about future employment and income prospects has led households to increase savings. In addition, Danish households received an extraordinary cash transfer from the release of five weeks of frozen holiday savings, equivalent to an additional month's salary (or almost 1.8% of GDP). With the gradual reopening, households are expected to release part of this pent-up demand, driving private consumption growth to 3.1% in 2021 and to 3.9% by 2022.

While construction investment is set to lose some momentum following several years of robust growth, other types of investment are picking up. Following a 7% decline in 2020, machinery and equipment investment is projected to expand at an annual average rate of around 5% over the forecast horizon. Investment supported by the RRF is set to underpin the recovery in the short to medium term while contributing to higher potential growth in the long term. Overall, gross fixed capital formation is forecast to increase by 3.4% in 2021 and 4.2% in 2022.

Return to employment growth

Despite extensive emergency and recovery measures aimed at maintaining employment and keeping businesses afloat, employment declined by 0.7% in 2020 and the unemployment rate increased from 5% in 2019 to 5.8% in 2020. However, of the 70,000 jobs lost in the first half of 2020, more than 50,000 had already been recovered by end of the year, paving the way for a further recovery. The return to economic growth is set to give continued rise to employment over the forecast horizon. Due to the demographically induced rise in the labour force, the unemployment rate is forecast to remain slightly above its 2019 rate and reach 5.1% at the end of 2022.

Better outlook for external trade

Net external trade was a major drag on growth in 2020. While imports fell by 4.8%, exports contracted by 7.7%. Strong external demand, in part triggered by expansionary policies in the US (see Box I.2.1) and strong growth in China, is forecast to provide an impetus to exports over the forecast horizon. While goods exports are set to recover quickly to pre-pandemic levels, the recovery will take longer in the case of service exports, notably in tourism and shipping. The current account surplus dipped in 2020, but still amounted to some 7.8% of GDP. Positive net external trade is set to contribute to an increase in the current account surplus to 8.4% of GDP by 2022.

Inflation returning

Consumer price inflation (HICP) was moderate in 2020 at 0.3% y-o-y on average, mainly due to collapsing oil prices, which was only partly compensated by the impact of tax hikes on tobacco products. Higher oil prices and a recovery in domestic demand are expected to lift HICP inflation to 1.3% in 2021. Inflation in 2022 is forecast to remain around the same level.

Government finances better than feared

At -1.1% of GDP the budget deficit in 2020 turned out smaller than previously expected. Three main reasons help to explain this. On the revenue side, extraordinarily high pension yield tax receipts totalled around 2½% of GDP and the taxation of the first frozen holiday savings pay-out added around 0.8% of GDP. On the expenditure side, the take-up of certain COVID-19-related emergency measures was lower than expected.

In 2021, the deficit is set to widen. Specific COVID-19 business compensation schemes, including payouts linked to mink farmers, are expected to amount to 0.8% of GDP in 2021. However, the taxation of the second payout of frozen holiday savings is set to add around 0.5% of GDP to government revenues. As a result, the general government deficit is expected to rise to 2.1% of GDP in 2021, before declining to 1.4% of GDP in 2022.

The gross government debt-to-GDP ratio rose sharply from 33% in 2019 to 42.2% in 2020, in part triggered by large stock-flow adjustments due to significant tax deferrals from 2020 to 2021. From 2021 onwards, the gross debt ratio is expected to revert to its previous slightly falling trend (albeit at higher levels), declining gradually towards 38.8% of GDP in 2022.

Table II.22.1:

Main features of country forecast - DENMARK

	2019			Annual percentage change						
bn DKK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	2335.0	100.0	1.1	2.8	2.2	2.8	**-2.7**	**2.9**	**3.5**
Private Consumption	1076.3	46.1	1.3	2.3	2.7	1.4	**-1.9**	**3.1**	**3.9**
Public Consumption	556.8	23.8	1.4	0.9	0.3	1.2	**-0.1**	**1.6**	**0.4**
Gross fixed capital formation	512.5	22.0	1.4	4.0	4.8	2.8	**2.1**	**3.4**	**4.2**
of which: equipment	142.7	6.1	1.2	10.1	8.6	-5.7	**-7.0**	**4.1**	**6.1**
Exports (goods and services)	1361.8	58.3	3.0	4.8	3.2	5.0	**-7.7**	**5.4**	**6.1**
Imports (goods and services)	1190.2	51.0	3.8	4.2	4.8	2.4	**-4.8**	**5.6**	**5.8**
GNI (GDP deflator)	2404.0	103.0	1.4	2.6	2.8	3.0	**-2.7**	**2.7**	**3.3**
Contribution to GDP growth: Domestic demand			1.2	2.1	2.4	1.6	**-0.5**	**2.6**	**2.8**
Inventories			0.0	0.1	0.3	-0.3	**-0.2**	**0.1**	**0.1**
Net exports			-0.1	0.6	-0.5	1.6	**-2.1**	**0.3**	**0.6**
Employment			0.3	1.5	1.6	1.2	**-0.7**	**0.6**	**0.9**
Unemployment rate (a)			5.8	5.8	5.1	5.0	**5.6**	**5.5**	**5.2**
Compensation of employees / head			2.8	1.7	1.8	1.5	**1.6**	**1.6**	**2.0**
Unit labour costs whole economy			1.9	0.3	1.2	-0.1	**3.7**	**-0.7**	**-0.6**
Real unit labour cost			0.1	-0.8	0.6	-0.8	**1.3**	**-2.1**	**-2.2**
Saving rate of households (b)			7.3	11.8	11.9	9.7	**11.9**	**11.0**	**9.7**
GDP deflator			1.8	1.2	0.6	0.7	**2.3**	**1.4**	**1.6**
Harmonised index of consumer prices			1.6	1.1	0.7	0.7	**0.3**	**1.3**	**1.3**
Terms of trade goods			0.9	-1.5	-2.5	0.0	**1.7**	**0.1**	**0.2**
Trade balance (goods) (c)			4.0	4.5	3.5	5.2	**5.0**	**5.1**	**5.3**
Current-account balance (c)			5.0	8.0	7.0	8.9	**7.8**	**8.0**	**8.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.0	8.1	7.0	8.9	**7.8**	**8.0**	**8.4**
General government balance (c)			0.5	1.8	0.7	3.8	**-1.1**	**-2.1**	**-1.4**
Cyclically-adjusted budget balance (d)			0.7	2.0	0.8	3.4	**1.2**	**-0.1**	**-0.2**
Structural budget balance (d)			-0.5	2.0	0.8	3.4	**0.5**	**0.1**	**0.4**
General government gross debt (c)			41.0	35.9	34.0	33.3	**42.2**	**40.2**	**38.8**

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

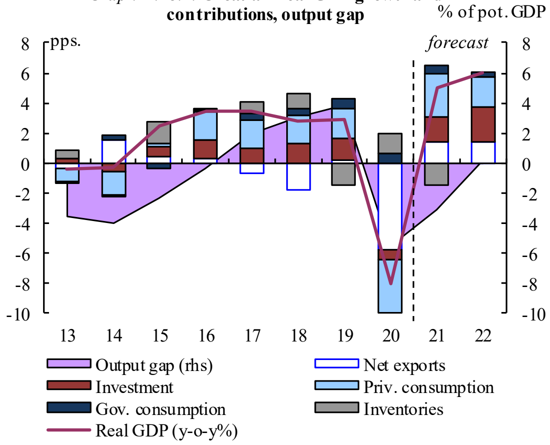
23. CROATIA

After a sharp contraction of economic output in 2020 brought about by the COVID-19 pandemic, Croatia's GDP is set to grow strongly in 2021 and exceed its pre-crisis level in 2022. The recovery is expected to be broad-based, driven primarily by growing exports of services (tourism), private consumption and investment. Employment, which performed rather well during the crisis, is also expected to increase, albeit slowly. Public finances, which bore the brunt of the crisis, are set to recover gradually in 2021 and 2022, moderately reducing the public debt ratio from its elevated levels.

A swift rebound after an unprecedented drop

In 2020, Croatia's economy contracted by 8%, the steepest drop on record and among peer countries. The severity of the contraction can be attributed to the particular difficulties of the tourism sector, which used to contribute as much as 16% to Croatia's GDP. Private consumption also took a strong hit, largely due to the constraints imposed on the consumption of services, rather than decreasing incomes. The labour market performed very well, given the loss in output, as it was well shielded by emergency support measures. While deep, the drop in output was concentrated in the first half of 2020, followed by strong growth in the last two quarters. This pattern was particularly pronounced for investments and goods exports, which overall only marginally declined in 2020, as the steep drop in the second quarter gave way to a surge in the third and fourth quarters.

Graph II.23.1: **Croatia - Real GDP growth and contributions, output gap**



Recovery set to be quick and broad-based

Fuelled by pent-up demand and the accumulation of involuntary savings, household consumption is set to provide a boost to growth as constraints on the consumption of services ease. This trend should be supported by moderately positive labour market developments. Investment is set to provide a steady impetus to growth, supported by reconstruction after the 2020 earthquakes, stronger take-up of European Structural Investment funds and, particularly as of 2022, the Recovery and Resilience Facility (the impact of which is aligned with the absorption profile envisaged in Croatia's draft Recovery and Resilience Programme available at the cut-off date). Furthermore, despite evidence of stress in the hardest-hit sectors, the share of non-performing loans has thus far increased only marginally and credit is growing as banks remain well capitalised and liquid.

Although services exports (mainly tourism) are forecast to remain below pre-crisis levels by end-2022, their recovery is expected to be the key driver of growth. Exports of goods are set to benefit from strong demand in Croatia's key trading partners and exceed their pre-pandemic level already in 2021. Consequently, after plummeting in 2020, the trade balance is set to improve, yet remain well below its pre-pandemic level in 2022. The current account balance should remain mildly negative by end-2022.

On aggregate, real GDP is forecast to grow by 5% in 2021 and 6.1% in 2022. This trajectory is subject to high uncertainty and both positive and negative risks. Downside risks most notably include the extent to which the pandemic is curbed in both Croatia and its key emissive tourist markets in time for the tourist season. Low administrative capacity presents a risk for a swift absorption of the funds available to Croatia. Key upside risks include a stronger growth in exports of goods and a faster recovery of services.

Labour market on good footing to recover

The unemployment rate rose by less than 1 pp to reach 7.5% in 2020. Job losses were recorded in the first three quarters of 2020, after which job creation resumed. The relatively modest increase considering the magnitude of the loss in output suggests that labour market scarring has for now largely been avoided. Such outcomes can be attributed to the nature of the shock and the relatively brief and mild nature of containment. Most notably, the emergency measures adopted by the government effectively incentivised employers to retain their workforce. As economic output increases, a period of labour hoarding is expected to give way to job creation, pushing the unemployment rate back to 6.6% by 2022. Wage growth is expected to be moderate as expected labour shortages are offset by companies' limited capacity to increase wages. This should bring unit labour costs down after a spike in 2020.

HICP-measured inflation is expected to pick up mildly, reaching 1.3% in 2021 and 2022, driven by energy and processed food prices.

Public finances under strain to spur recovery

The general government deficit recorded a level of 7.4% of GDP in 2020 as the drop in economic activity shrunk the revenue side (-6.5% year-on-year), while creating new needs on the expenditure side (+8.6% year-on-year). The most significant among the support measures (which add up to 3% of GDP) concerns the subsidy for wages, which was extended into 2021.

In 2021 and 2022, tax revenue is expected to recover strongly as household consumption and tourism rebound and the economy creates jobs. This should particularly benefit VAT revenues and social contributions, whereas revenue from taxes on income and wealth will remain subdued due to tax cuts and low profits. The absorption of RRF and ESI funds should boost both non-tax revenues and spending in 2021 and 2022. After spiking in 2020, expenditure growth should moderate in 2021 and 2022. The growing wage bill, a rebound of intermediate consumption and, above all, strong investment are forecast to outweigh the expenditure-reducing effects of the phasing out of subsidies introduced during the pandemic and further savings on debt servicing costs. Overall, the deficit is projected at 4.6% of GDP in 2021 and 3.2% of GDP in 2022.

Having reached a new high of 88.7% of GDP in 2020, the debt ratio should resume its downward path, albeit more slowly than in the pre-crisis period, as the government continues to accumulate deficits to support the recovery. The debt is expected to dip below 83% of GDP by 2022.

Table II.23.1:

Main features of country forecast - CROATIA

	2019		Annual percentage change						
bn HRK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	402.3	100.0	1.7	3.4	2.8	2.9	**-8.0**	**5.0**	**6.1**
Private Consumption	232.8	57.9	1.5	3.1	3.3	3.5	**-6.2**	**4.9**	**3.4**
Public Consumption	79.5	19.7	1.5	2.2	2.3	3.4	**3.4**	**2.5**	**1.5**
Gross fixed capital formation	84.6	21.0	2.9	5.1	6.5	7.1	**-2.9**	**7.3**	**10.2**
of which: equipment	0.0	:	:	:	:	:	**:**	**:**	**:**
Exports (goods and services)	209.1	52.0	4.0	6.8	3.7	6.8	**-25.0**	**16.3**	**12.2**
Imports (goods and services)	210.1	52.2	4.0	8.4	7.5	6.3	**-13.8**	**11.0**	**8.2**
GNI (GDP deflator)	400.3	99.5	1.7	5.2	2.7	2.9	**-7.2**	**3.6**	**5.4**
Contribution to GDP growth:	Domestic demand		2.0	3.3	3.7	4.1	**-3.5**	**5.1**	**4.7**
	Inventories		0.1	0.8	1.0	-1.5	**1.3**	**-1.5**	**0.0**
	Net exports		-0.3	-0.6	-1.8	0.2	**-5.8**	**1.4**	**1.4**
Employment			0.1	2.4	2.6	3.1	**-1.2**	**0.6**	**1.4**
Unemployment rate (a)			13.5	11.2	8.5	6.6	**7.5**	**7.2**	**6.6**
Compensation of employees / head			2.7	0.2	3.8	1.5	**2.1**	**1.4**	**0.9**
Unit labour costs whole economy			1.1	-0.7	3.6	1.7	**9.7**	**-2.9**	**-3.5**
Real unit labour cost			-1.4	-1.9	1.6	0.2	**9.3**	**-4.5**	**-5.1**
Saving rate of households (b)			5.8	8.1	8.5	8.6	**:**	**:**	**:**
GDP deflator			2.5	1.2	2.0	1.5	**0.4**	**1.7**	**1.7**
Harmonised index of consumer prices			2.3	1.3	1.6	0.8	**0.0**	**1.3**	**1.3**
Terms of trade goods			0.4	-1.3	-0.5	0.3	**-3.8**	**-0.5**	**0.0**
Trade balance (goods) (c)			-18.2	-17.1	-18.6	-19.3	**-17.3**	**-18.8**	**-19.1**
Current-account balance (c)			-3.9	3.9	2.4	3.1	**-1.1**	**-2.0**	**-0.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.5	5.0	3.8	5.2	**1.5**	**0.5**	**2.8**
General government balance (c)			-4.3	0.8	0.2	0.3	**-7.4**	**-4.6**	**-3.2**
Cyclically-adjusted budget balance (d)			-4.2	-0.1	-1.2	-1.4	**-5.0**	**-3.2**	**-3.3**
Structural budget balance (d)			-2.4	-0.1	-1.2	-1.4	**-5.0**	**-3.2**	**-3.3**
General government gross debt (c)			55.0	77.6	74.3	72.8	**88.7**	**85.6**	**82.9**

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

24. HUNGARY

Hungary's bounce back from the 2020 recession might be temporarily interrupted by a third wave of the COVID-19 pandemic, but a recovery is expected to resume once containment measures are lifted. Strong growth is expected to sustain inflationary pressures in 2022, while the economic recovery is expected to drive an improvement in public finance figures.

Quick rebound expected once health-related restrictions are lifted

Hungary's economy started to emerge from the pandemic-induced recession in the second half of 2020. Real GDP fell by 5% in 2020 but industrial and construction activity returned to their pre-pandemic level before the end of the year. Real GDP continued rising even in the fourth quarter of 2020, despite the re-imposition of health-related restrictions. However, a third wave of infections has led to tighter restrictions for some services and supply chain disruptions affected industry at the beginning of 2021. Real GDP is thus set to decrease mildly in the first quarter of 2021. Most services are expected to rebound quickly after restrictions are eased, boosting economic activity from the second quarter of 2021.

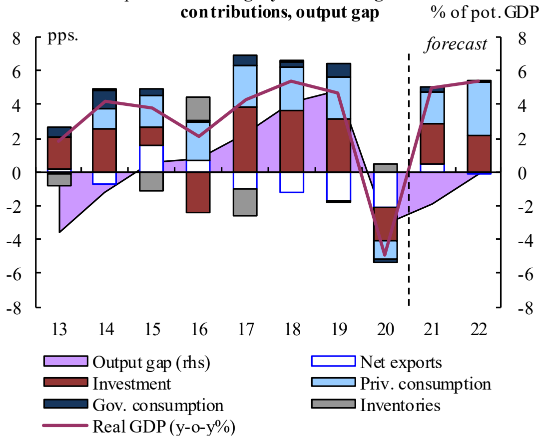
Buoyant growth driven by domestic demand

Real GDP is projected to grow by 5% in 2021 and 5.5% in 2022. GDP is forecast to reach its pre-pandemic level by the end of 2021. Household consumption is poised to rebound thanks to steady real income growth, and the increasing ability and willingness, of consumers to spend once restrictions are lifted. Household income is set to rise owing to the improving labour market, the gradual reintroduction of a 13th monthly pension and an income tax cut for employees below the age of 25 in 2022. Private investment is expected to be bolstered by rising capacity utilisation and significant government subsidies. Public investment is set to remain high over the forecast horizon, at around 6.5% of GDP, thanks to the support of grants from the RRF. In the absence of sufficiently detailed information about the national RRP at the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3.

Export growth is set to benefit from recovering external demand and recent capacity increases in manufacturing. The revival of tourism and air travel could take longer, extending beyond 2022. The current account is expected to remain in a small deficit. The rising trade surplus is set to be offset by a growing deficit of the income balance as the profitability of foreign-owned firms recuperates. However, large EU fund inflows should maintain the net saving position of the economy.

Employment stood at 1.1% below its pre-pandemic level in the first quarter of 2021, according to seasonally adjusted Labour Force Survey data. However, labour market slack (including unemployment, underemployment and potential job seekers among the inactive) remained low by historic standards and strong wage growth has persisted. In February 2021, nominal wages rose by 8.9% y-o-y in the private sector and 13.5% in the public sector, the latter driven by salary increases for health workers. Over the forecast horizon, the economic recovery is expected to absorb the labour market slack, and maintain robust wage growth.

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



There are also upside risks to the forecast related to potentially re-emerging labour shortages that could result in even faster wage growth.

Inflation to remain high

Inflation, which has risen in recent months on the back of higher commodity prices and excise duty increases, is forecast to peak near 5% in April-May

2021. Although headline inflation is projected to recede, core inflation may remain high due to the gradual pass-through of past currency depreciation and emerging price pressures following the reopening of the economy. After averaging 3.4% in 2020, HICP inflation is forecast at 4.0% in 2021 and 3.2% in 2022.

Public finances to improve slowly

The general government deficit deteriorated by 6 pps. to 8.1% of GDP in 2020, as a result of the COVID-19 pandemic and the measures taken to contain its effects. While tax revenues increased only marginally compared to 2019, expenditures grew strongly. The evolution of tax revenue was driven by the economic slowdown and tax cuts; notably temporary reductions for the most affected sectors and a 2 pps. cut to employers' social contributions in July 2020, which were only partly compensated by the introduction of new taxes on banks and retail companies. Around two thirds of all expenditure measures to contain the effects of the pandemic were capital expenditures, including investment grants and capital transfers. The remaining part included, among others, wage subsidy schemes, a one-off bonus for health workers and emergency medical expenditures.

In 2021, the deficit is forecast to decrease to 6.8% of GDP, due to the recovering economy and the phasing out of most of the government's anti-crisis measures. However, new measures are expected to weigh on the deficit. These include, among others, vaccine purchases, planned wage increases for healthcare workers, a subsidised loan programme for SMEs, a temporary reduction in the local business tax, home buying and renovation support for families with children, a reduced VAT rate on newly built houses, and a gradual re-introduction of the 13th monthly pension. Risks stem mainly from higher spending ahead of the 2022 elections.

In 2022, the deficit is set to decline to 4.5% of GDP, driven mostly by the more favourable macroeconomic developments. New expansionary measures include an additional 2 pps. cut to employers' social contributions at the beginning of the year and the personal income tax exemption for employees under the age of 25.

Government debt surged to 80.4% of GDP in 2020, driven also by the revaluation of foreign currency debt and the build-up of liquid reserves. It is expected to decrease to 78.6% in 2021, thanks also to a more favourable stock-flow adjustment, and to 77.1% in 2022.

Table II.24.1:
Main features of country forecast - HUNGARY

	2019		Annual percentage change						
bn HUF	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	47524.0	100.0	2.1	4.3	5.4	4.6	**-5.0**	**5.0**	**5.5**
Private Consumption	23455.2	49.4	1.7	5.0	5.1	5.1	**-2.3**	**3.7**	**6.0**
Public Consumption	9409.4	19.8	1.8	2.5	1.7	4.0	**-1.0**	**5.0**	**-1.6**
Gross fixed capital formation	12890.0	27.1	1.2	19.7	16.4	12.8	**-7.3**	**3.8**	**8.4**
of which: equipment	4881.9	10.3	2.9	16.1	12.9	11.8	**-23.6**	**12.7**	**8.9**
Exports (goods and services)	39104.5	82.3	7.5	6.5	5.0	5.8	**-6.8**	**10.3**	**8.8**
Imports (goods and services)	37769.1	79.5	6.3	8.5	7.0	8.2	**-4.4**	**9.2**	**8.4**
GNI (GDP deflator)	46281.7	97.4	2.3	2.8	5.7	5.8	**-4.0**	**4.5**	**5.1**
Contribution to GDP growth: Domestic demand			1.6	6.9	6.5	6.5	**-3.3**	**3.9**	**4.9**
Inventories			-0.3	-1.6	0.1	-0.2	**0.4**	**0.0**	**0.0**
Net exports			0.8	-1.0	-1.2	-1.7	**-2.1**	**1.1**	**0.6**
Employment			0.5	1.9	2.3	1.1	**-2.2**	**1.2**	**1.3**
Unemployment rate (a)			7.9	4.2	3.7	3.4	**4.3**	**4.3**	**3.8**
Compensation of employees / head			5.4	7.0	6.5	6.6	**4.9**	**6.9**	**6.3**
Unit labour costs whole economy			3.7	4.5	3.3	3.0	**7.9**	**3.0**	**2.1**
Real unit labour cost			-0.5	0.5	-1.4	-1.7	**2.1**	**-0.7**	**-1.5**
Saving rate of households (b)			10.7	11.1	12.7	12.2	**14.3**	**14.0**	**12.2**
GDP deflator			4.2	4.0	4.8	4.8	**5.7**	**3.7**	**3.7**
Harmonised index of consumer prices			4.2	2.4	2.9	3.4	**3.4**	**4.0**	**3.2**
Terms of trade goods			-0.3	-0.3	-1.0	0.5	**1.9**	**-1.1**	**0.0**
Trade balance (goods) (c)			-0.3	1.4	-1.3	-2.1	**-0.6**	**-1.1**	**-1.4**
Current-account balance (c)			-3.2	1.9	0.4	-0.4	**-0.3**	**-0.6**	**-0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-1.7	2.8	2.6	1.4	**1.8**	**1.5**	**1.8**
General government balance (c)			-4.9	-2.4	-2.1	-2.1	**-8.1**	**-6.8**	**-4.5**
Cyclically-adjusted budget balance (d)			-4.8	-3.5	-3.9	-4.1	**-6.3**	**-5.7**	**-4.3**
Structural budget balance (d)			-2.2	-3.8	-3.9	-3.9	**-6.3**	**-5.7**	**-4.3**
General government gross debt (c)			69.3	72.2	69.1	65.5	**80.4**	**78.6**	**77.1**

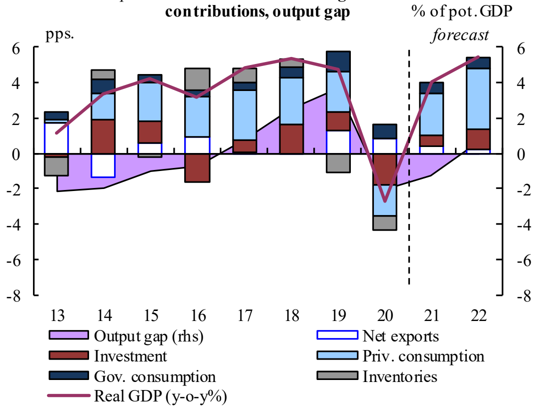
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

25. POLAND

The COVID-19 pandemic pushed Poland's economy into a broad-based recession in 2020. As the pandemic-related restrictions are gradually lifted, the economy should recover in 2021 and 2022, supported by pent-up consumer demand and the inflow of funds from Next Generation EU. Inflation is forecast to moderate only slightly, as growing energy prices counter the drop in core inflation. The fiscal deficit is set to decrease over the forecast horizon amid the recovery and the phasing-out of support measures.

A recession in 2020...

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



After nearly three decades of uninterrupted economic growth, Poland's economy contracted by 2.7% in 2020. The fall in GDP was milder than the EU average, however, as Poland's low exposure to hard-hit sectors and its diversified economic structure cushioned the impact of containment measures on economic activity.

... followed by a swift recovery

Real GDP growth is expected to resume in 2021. Following a slowdown in the first half of the year due to the reintroduction of containment measures, the recovery is expected to gather pace in the second half of 2021 on the back of pent-up consumer demand and the recovery of Poland's main trading partners. In 2022, the investment and reforms set out in Poland's Recovery and Resilience Plan are expected to start taking full effect and propel output growth, also supported by a sizeable carryover effect. Overall, Poland's economy is projected to grow by 4.0% in 2021 and 5.4% in 2022, with GDP expected to reach the pre-pandemic level in the third quarter of 2021.

A high level of household savings and rising consumer confidence are expected to give a push to private consumption in 2021 and 2022. In particular, increased spending opportunities for consumers following the assumed lifting of restrictions will likely lead to a gradual decrease in the saving rate, which is forecast to return to its pre-pandemic level at the end of 2022. Private investment is also set to recover thanks to improving business sentiment and low borrowing costs, although a delayed recovery in the construction sector will likely weigh on the magnitude of the rebound, particularly in 2021. Regarding foreign trade, the expected improvement in demand from abroad will likely boost exports over the forecast horizon, leading to a slight increase in the trade balance in 2021.

The Polish labour market proved resilient to the crisis in 2020, supported by government aid packages which encouraged cutting worktime rather than jobs. Government support is expected to continue in 2021, and once the restrictions are lifted and economic conditions are improved, the demand for labour will gradually increase. Nevertheless, employment growth will be constrained by pervasive labour shortages, the relatively muted drop in employment in 2020 and the gradual phase-out of government measures, particularly towards the end of 2021. As a result, the unemployment rate is projected to post a moderate increase in 2021 to 3.5%, and to gradually decrease again in 2022 to 3.3%.

HICP inflation to moderate only slightly

Unlike most EU countries, HICP inflation in Poland increased visibly in 2020 to 3.7%, mainly driven by rising service prices. Slower growth in unit labour costs and a large supply of food products are set to dampen HICP inflation in 2021, although the scale of the decline will be limited by growing energy prices. Overall, HICP inflation is projected to fall to 3.5% in 2021 and 2.9% in 2022.

Risks

The risks to this forecast mainly relate to how the labour market and firms will be affected by the gradual phasing-out of policy support measures. The evolution of the pandemic situation and a slower-than-expected vaccination rollout also represent significant downside risks.

Fiscal deficit to decline amid recovery

The COVID-19 pandemic and measures to cushion its effects had a sizeable impact on the general government headline deficit that reached 7.0% of GDP in 2020.

In 2021, the deficit is expected to decline to 4.3% of GDP. As compared to 2020, in relation to GDP, tax revenues are forecast to increase, while expenditures are expected to decrease, driven mainly by lower spending on measures to contain the impact of the pandemic. The economic recovery, the overall positive situation on the labour market and cyclical factors are set to be the main drivers of tax revenue developments. On top of this, new taxes are forecast to add over 0.4% of GDP to indirect tax revenues. This concerns mainly the so-called power fee, sugar tax and retail tax. At the same time, based on the information available at the cut-off date, the expenditure to contain the economic impact of the pandemic is set to be significantly lower at 2% of GDP in 2021, as compared to over 4% of GDP in 2020. The biggest expenditure in projected to come from loans granted to firms that are expected to be converted into grants and from additional investment expenditure by local governments from a dedicated fund. At the same time, new items are set to increase expenditure in 2021, particularly a one-off additional pension bonus, the so-called 14th pension benefit. In 2022, the deficit is forecast to moderate to 2.3% of GDP, driven mostly by the macroeconomic evolution.

In the absence of sufficiently detailed information about the national Recovery and Resilience Plan at the time of the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure (explained in Box I.2.3 in chapter I.2.7), amounting to 0.4% of GDP in 2021 and 0.8% in 2022. The Plan is assumed to finance public and private investment, providing a boost to real GDP.

The general government debt-to-GDP ratio is expected to decline from 57.5% of GDP in 2020 to some 55% of GDP over the forecast horizon.

Table II.25.1:

Main features of country forecast - POLAND

	2019			Annual percentage change						
	bn PLN	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		2293.2	100.0	3.6	4.8	5.4	4.7	**-2.7**	**4.0**	**5.4**
Private Consumption		1318.6	57.5	3.1	4.7	4.5	3.9	**-3.1**	**4.2**	**5.9**
Public Consumption		413.2	18.0	2.8	2.7	3.5	6.5	**4.4**	**3.3**	**3.3**
Gross fixed capital formation		419.5	18.3	3.1	4.0	9.4	6.1	**-9.6**	**3.7**	**7.2**
of which: equipment		170.0	7.4	3.5	8.3	8.0	3.2	**-11.8**	**11.1**	**8.4**
Exports (goods and services)		1270.3	55.4	7.2	9.6	6.9	5.2	**-0.2**	**8.8**	**6.9**
Imports (goods and services)		1161.3	50.6	5.9	10.2	7.4	3.0	**-1.9**	**9.2**	**7.3**
GNI (GDP deflator)		2202.1	96.0	3.3	4.6	5.3	4.9	**-2.6**	**4.2**	**5.5**
Contribution to GDP growth:	Domestic demand			3.1	4.0	4.9	4.5	**-2.7**	**3.6**	**5.2**
	Inventories			0.1	0.8	0.4	-1.0	**-0.8**	**0.0**	**0.0**
	Net exports			0.4	0.1	0.0	1.3	**0.8**	**0.4**	**0.2**
Employment				0.6	1.3	0.5	-0.2	**0.1**	**0.0**	**0.2**
Unemployment rate (a)				12.3	4.9	3.9	3.3	**3.2**	**3.5**	**3.3**
Compensation of employees / head				4.1	5.8	8.1	8.5	**4.6**	**5.9**	**6.0**
Unit labour costs whole economy				1.2	2.3	3.2	3.3	**7.5**	**1.8**	**0.7**
Real unit labour cost				-1.0	0.4	1.9	0.1	**3.3**	**-1.0**	**-1.8**
Saving rate of households (b)				5.5	2.9	1.6	3.6	**8.7**	**6.7**	**3.1**
GDP deflator				2.2	1.9	1.2	3.2	**4.1**	**2.8**	**2.5**
Harmonised index of consumer prices				2.2	1.6	1.2	2.1	**3.7**	**3.5**	**2.9**
Terms of trade goods				0.6	0.2	-1.2	1.5	**2.6**	**-1.0**	**-1.1**
Trade balance (goods) (c)				-2.9	-0.1	-1.2	0.3	**2.4**	**1.9**	**1.1**
Current-account balance (c)				-3.5	-0.3	-1.0	0.9	**3.1**	**2.8**	**2.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.4	0.6	0.5	2.4	**4.8**	**5.0**	**4.9**
General government balance (c)				-4.4	-1.5	-0.2	-0.7	**-7.0**	**-4.3**	**-2.3**
Cyclically-adjusted budget balance (d)				-4.0	-1.9	-1.5	-2.5	**-5.9**	**-3.7**	**-2.7**
Structural budget balance (d)				-2.2	-1.9	-1.5	-2.5	**-6.2**	**-3.9**	**-2.9**
General government gross debt (c)				48.8	50.6	48.8	45.6	**57.5**	**57.1**	**55.1**

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

26. ROMANIA

After a milder-than-anticipated decline in 2020, Romania's economy is set to recover from the COVID-19 crisis and return to pre-crisis levels of economic activity before the end of 2021. Nevertheless, uncertainty remains high given the unpredictable evolution of the pandemic and possible disruptions in the supply of vaccines. The budget deficit is projected to decline gradually on account of incipient fiscal consolidation efforts and strong GDP growth.

Resilient investment limits output loss

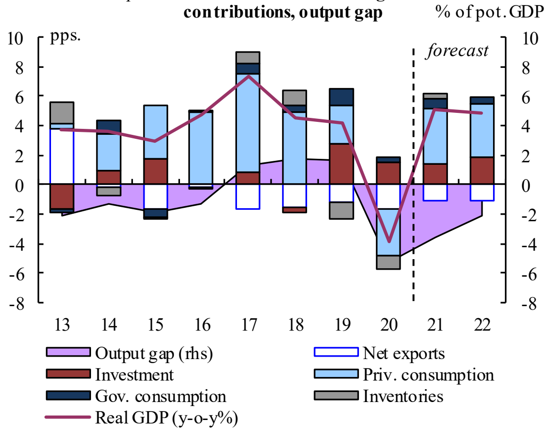
Real GDP fell by 3.9% year-on-year in 2020. The 11.8% quarter-on-quarter drop in the second quarter was followed by a 5.6% rebound in the third quarter. Output growth remained strong in the last quarter of the year, at 4.8% quarter-on-quarter, as the more limited restrictions introduced during the second wave of the pandemic allowed economic activity to continue. The strict lockdown measures introduced in the first half of the year were particularly damaging for consumer spending, the main growth driver in recent years. Investment, by contrast, made a significant contribution to growth, due to the strong performance of construction activity throught the year. Turning to the external sector, the disruption of international supply chains and weak external demand slowed production and exports. A smaller decline in imports resulted in a further deterioration of the trade balance. The improved secondary income surplus was not enough to compensate for the sharp rise in the primary income deficit, contributing to an increase in the current account deficit.

Strong recovery ahead

Real GDP is forecast to increase by 5.1 % in 2021 and 4.9% in 2022. Private consumption is expected to recover as the vaccination roll-out progresses and social distancing measures are gradually lifted. The phasing in of projects under the RRP is set to lend new impetus to investment growth. After a sharp contraction in 2020, exports are expected to rebound in 2021, supported by the gradual recovery of global trade, while higher consumer spending should spur import growth. Overall, the contribution of net exports to growth over the forecast horizon is set to remain negative. The current account deficit is expected to decline slightly to 4.9% in 2021 and 4.6% in 2022[65] .

Policy measures to limit job losses adopted in 2020 helped contain the rise in the unemployment rate to only 5% from 3.9% in 2019. Unemployment is projected to reach 5.2% in 2021 as headcount employment looks likely to be almost stagnant and because of growth in the labour force. In 2022, the unemployment rate is expected to decline on the back of a rise in employment. Nominal wages growth is projected to be relatively steady over the forecast horizon, but clearly lower than the double-digit rates seen in recent years.

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



HICP inflation declined from 3.9% in 2019 to 2.3% in 2020, largely on account of the sharp drop in oil prices but also due to falling food and services prices. Inflation is projected to increase to 2.9% in 2021, mainly as a result of the recovery in oil prices and the rise in electricity tariffs following market liberalisation. It is subsequently expected to decline to 2.7% in 2022.

(65) Figures are based on the Commission services' calculations using the latest published available data.

Risks to the growth forecast

Risks to the growth forecast are broadly balanced. On the one hand, confidence effects and a better than expected progress of projects financed under the RRP could provide an extra boost to domestic demand. However, delays in the implementation of the RRP could result in a more muted recovery. The forecast follows the authorities' backloaded projection on the plan's implementation, according to which only a limited amount of the grant allocation will be used in 2021 and 2022.

Public deficit on a downward trend

The general government deficit was 9.2% of GDP in 2020, almost 5 pps. of GDP higher than in the previous year. This increase was mainly the result of pre-existing expansionary policies, including double-digit increases in pensions, as well as of the impact of temporary measures against the COVID-19 pandemic and the overall deterioration in the macroeconomic environment. However, the government avoided an even larger increase in the deficit and in its debt by reversing earlier decisions to increase pensions by 40% and to double the child allowance.

The deficit is forecast to fall to around 8% of GDP in 2021. This improvement is mainly due to a suspension of new increases in pensions and public wages, additional cuts to some bonuses and other expenditure, and the partial withdrawal of emergency measures. Moreover, the fiscal position is forecast to benefit from higher revenues thanks to the recovery of the economy.

As the economic recovery continues in 2022, and crisis-related measures are discontinued the budget deficit is expected to fall further, to 7.1% of GDP. Moreover, the suspension of increases in public wages is set to continue, while pensions are expected to increase following a standard indexation rule, instead of the faster pace that had previously been planned.

General government debt increased substantially in 2020, to 47.3% of GDP. In 2021, public debt is forecast to increase at 49.7% of GDP and continue increasing in 2022, mainly due to the still high primary deficit.

The fiscal forecast is subject to upside risks as the Romanian government put forward a medium term fiscal policy plan to reduce its deficit to less than 3% of GDP by 2024, which should be accompanied by deficit-reducing measures as of 2022.

Table II.26.1:

Main features of country forecast - ROMANIA

	2019		Annual percentage change						
bn RON	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	1058.2	100.0	3.8	7.3	4.5	4.1	**-3.9**	**5.1**	**4.9**
Private Consumption	664.2	62.8	5.7	10.8	7.7	4.1	**-5.2**	**6.1**	**5.9**
Public Consumption	186.6	17.6	-0.4	4.4	3.3	6.9	**2.0**	**3.5**	**2.4**
Gross fixed capital formation	239.4	22.6	6.3	3.5	-1.1	13.0	**6.8**	**5.8**	**7.4**
of which: equipment	87.1	8.2	4.3	-9.9	11.6	9.5	**-4.2**	**6.7**	**5.9**
Exports (goods and services)	427.7	40.4	11.2	7.8	5.3	4.6	**-9.7**	**9.8**	**8.7**
Imports (goods and services)	471.5	44.6	12.9	11.5	8.6	6.8	**-5.1**	**11.4**	**10.1**
GNI (GDP deflator)	1043.3	98.6	3.8	7.2	4.0	4.7	**-3.7**	**5.3**	**5.2**
Contribution to GDP growth: Domestic demand			5.6	8.2	5.1	6.5	**-1.3**	**5.8**	**5.9**
Inventories			-0.3	0.8	1.0	-1.2	**-0.9**	**0.4**	**0.0**
Net exports			-1.4	-1.7	-1.6	-1.2	**-1.6**	**-1.1**	**-1.0**
Employment			-1.5	2.4	0.1	0.0	**-1.8**	**0.2**	**0.7**
Unemployment rate (a)			7.0	4.9	4.2	3.9	**5.0**	**5.2**	**4.8**
Compensation of employees / head			13.8	14.8	12.9	10.8	**7.3**	**5.8**	**6.1**
Unit labour costs whole economy			7.9	9.6	8.2	6.3	**9.6**	**0.9**	**1.9**
Real unit labour cost			-2.6	4.7	1.9	-0.4	**5.6**	**-2.2**	**-0.8**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			10.8	4.7	6.2	6.8	**3.8**	**3.2**	**2.7**
Harmonised index of consumer prices			8.2	1.1	4.1	3.9	**2.3**	**2.9**	**2.7**
Terms of trade goods			2.3	-2.3	0.6	-0.1	**3.4**	**0.1**	**-0.3**
Trade balance (goods) (c)			-10.2	-6.8	-7.5	-8.0	**-8.8**	**-9.3**	**-9.8**
Current-account balance (c)			-5.7	-3.2	-4.4	-4.7	**-5.0**	**-4.9**	**-4.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-4.5	-1.8	-3.2	-3.3	**-3.4**	**-3.2**	**-3.0**
General government balance (c)			-3.2	-2.6	-2.9	-4.4	**-9.2**	**-8.0**	**-7.1**
Cyclically-adjusted budget balance (d)			-3.4	-3.0	-3.5	-4.9	**-7.5**	**-6.9**	**-6.4**
Structural budget balance (d)			-1.0	-3.0	-3.2	-4.7	**-7.5**	**-6.9**	**-6.4**
General government gross debt (c)			26.2	35.1	34.7	35.3	**47.3**	**49.7**	**52.7**

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

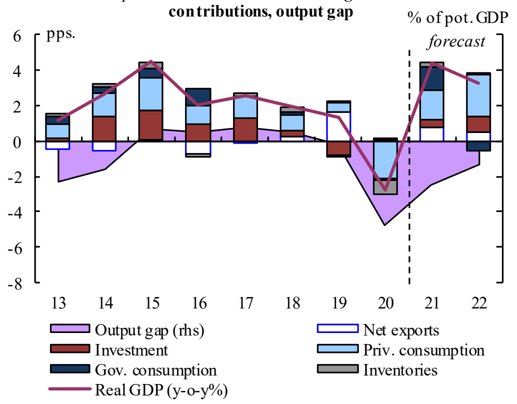
27. SWEDEN

Economic growth in Sweden is set to accelerate over the course of 2021. Private consumption, spurred by the unwinding of precautionary savings, and strong exports drive the recovery. Inflation is set to moderate after a commodities-driven peak and fall back to just over 1% in 2022. The general government balance is expected to show a deficit above 3% of GDP in 2021 due to ongoing support measures. The deficit should fall markedly in 2022 as fiscal support is scaled back. The public debt-to-GDP ratio is set to reach around 39% of GDP in 2022.

Second wave paused the recovery…

Sweden's real GDP fell sharply at the onset of the COVID-19 crisis, but rebounded in the third quarter of 2020, driven by strong gains in private consumption and exports. However, the second wave of the pandemic hit contact-related services, reduced private consumption and led to a slight fall in real GDP in 2020-Q4, even though exports and industrial production held up well.

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



… which will restart strongly

Economic activity expanded again in the first quarter of 2021, consistent with the limited value-added share of sectors heavily affected by COVID-19. Real GDP growth is poised to gather pace in the second quarter and continue growing in the second half of 2021, with private consumption set to expand vigorously as restrictions are eased and supply constraints in parts of the manufacturing sector are overcome. The strong increase in household consumption over the forecast horizon is underpinned by a progressive decline in the savings ratio, coupled with supportive labour market trends, moderate inflation, and gains in financial wealth. Despite ample fiscal stimulus, government consumption is forecast to be negatively affected by bottlenecks in the provision of healthcare and social services during the first half of 2021. Fiscal support is set to be scaled back in 2022, somewhat moderating real GDP growth. Exports are on track for a continued expansion in line with the global economic recovery in 2021 and 2022. Investment growth is forecast to remain relatively modest given the strength of the upturn, as capital formation did not retrench strongly in 2020. Overall, real GDP is forecast to grow by nearly 4½% in 2021 and around 3¼% in 2022.

Resilient labour market

Temporary unemployment support schemes, along with targeted relief measures for businesses and the self-employed, have been successful in avoiding lay-offs, particularly in labour intensive service sectors hit hard by the pandemic. The unemployment rate is set to decrease slightly to just over 8% in 2021 and fall further to 7½% in 2022, reflecting the lagged response of employment to the expected recovery. Despite this, workers with weak qualifications and those with a migrant background remain at significant risk of becoming long-term unemployed.

Underlying inflation remains moderate

HICP inflation reached 0.7% in 2020, pushed down by energy prices. Inflation, however, is expected to be markedly higher in the first half of 2021, chiefly due to higher commodity prices. Base effects, partly related to crisis-related price changes in the previous year, are set to lower inflation from mid-2021 onwards. COVID-19-induced changes in the consumption basket for 2020 will also affect inflation in 2021. Underlying cost pressures remain weak, mirroring spare capacity, the delayed effects of the earlier strengthening of the real exchange rate, and the moderate increases in compensation agreed by social partners in the multi-annual wage agreement, which expire only in 2023. Inflation rates are likely to show stronger-than-usual variation due to the differential price and expenditure impact of the pandemic on specific categories of goods and services. Overall HICP inflation is expected to average 1.8% in 2021 and just above 1% in 2022.

Risks to the outlook appear to be slightly to the upside, given the extent of excess savings among households and the opportunities for businesses to scale up investment in view of favourable financing conditions. Upside risks to the inflation outlook stem from higher prices for commodities and electronic components, as well as from crisis-induced rises in global freight rates.

Substantial fiscal support to continue in 2021

The Swedish authorities introduced strong fiscal, monetary and financial support measures in the immediate wake of the COVID-crisis to cushion its impact. Sizeable fiscal stimulus will continue in 2021, as confirmed in a series of amending budgets adopted in the spring. The most important measures are the extension of temporary unemployment benefits, continued coverage of sick pay, support for firms that suffered substantial losses in turnover, and increased funding for regions and local authorities, which are responsible for the provision of health care and social services. In view of the strength of the expected recovery, the costs of support for short-term unemployment and businesses is likely to be lower than budgeted. Additional funding has also been reserved to address the direct effects of the pandemic (such as increased healthcare costs and the cost of vaccination as well as of tracking and tracing) and to give temporary support to education and training schemes to help the transition into paid work for people displaced from jobs due to the pandemic. In the absence of sufficiently detailed information about the national RRP at the time of the cut-off date, this forecast assumes a simplified and linear integration of RRF-financed expenditure, as explained in Box I.2.3 in Chapter I.2.7.

The general government deficit is expected to reach just over 3¼% of GDP in 2021. It is set to fall sharply to ½% of GDP in 2022 as crisis-related fiscal support measures expire and the economic recovery continues. The public debt-to-GDP ratio is set to rise to around 41% of GDP in 2021 before falling slightly in 2022.

Table II.27.1:

Main features of country forecast - SWEDEN

	2019		Annual percentage change						
bn SEK	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	5025.1	100.0	2.2	2.6	2.0	1.4	**-2.8**	**4.4**	**3.3**
Private Consumption	2275.7	45.3	2.3	2.6	1.8	1.2	**-4.7**	**3.8**	**5.5**
Public Consumption	1300.5	25.9	1.3	0.1	0.8	0.3	**-0.5**	**5.0**	**-1.9**
Gross fixed capital formation	1204.3	24.0	2.8	5.5	1.4	-3.1	**0.6**	**2.0**	**3.6**
of which: equipment	353.1	7.0	3.2	2.3	0.3	-4.1	**-6.4**	**5.8**	**5.2**
Exports (goods and services)	2394.6	47.7	3.3	4.1	4.2	4.8	**-5.2**	**7.8**	**4.4**
Imports (goods and services)	2186.3	43.5	3.3	4.7	3.8	1.3	**-5.8**	**6.8**	**3.7**
GNI (GDP deflator)	5171.4	102.9	2.2	3.7	2.1	2.4	**-2.6**	**4.5**	**3.3**
Contribution to GDP growth: Domestic demand			2.1	2.6	1.4	-0.2	**-2.1**	**3.5**	**2.8**
Inventories			0.0	0.1	0.3	-0.1	**-0.8**	**0.2**	**0.0**
Net exports			0.1	-0.1	0.3	1.6	**0.0**	**0.7**	**0.5**
Employment			0.8	2.5	1.6	0.6	**-1.3**	**0.5**	**1.3**
Unemployment rate (a)			7.0	6.7	6.4	6.8	**8.3**	**8.2**	**7.5**
Compensation of employees / head			3.2	2.1	3.8	3.2	**2.3**	**2.2**	**2.5**
Unit labour costs whole economy			1.8	1.9	3.5	2.4	**3.9**	**-1.6**	**0.5**
Real unit labour cost			0.2	-0.2	1.1	-0.2	**2.5**	**-3.2**	**-1.3**
Saving rate of households (b)			11.4	14.9	16.0	18.5	**20.1**	**20.4**	**17.9**
GDP deflator			1.6	2.1	2.4	2.7	**1.4**	**1.6**	**1.8**
Harmonised index of consumer prices			1.5	1.9	2.0	1.7	**0.7**	**1.8**	**1.1**
Terms of trade goods			-0.1	-0.7	-1.0	1.4	**0.8**	**-0.1**	**0.5**
Trade balance (goods) (c)			5.2	2.6	2.5	3.8	**4.4**	**4.7**	**5.0**
Current-account balance (c)			5.3	2.8	2.5	5.1	**5.4**	**6.0**	**6.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.2	2.8	2.6	5.1	**5.4**	**6.0**	**6.7**
General government balance (c)			0.3	1.4	0.8	0.6	**-3.1**	**-3.3**	**-0.5**
Cyclically-adjusted budget balance (d)			0.5	1.0	0.5	0.7	**-0.4**	**-1.9**	**0.2**
Structural budget balance (d)			-0.1	1.0	0.5	0.7	**-0.4**	**-1.9**	**0.2**
General government gross debt (c)			43.3	40.7	38.9	35.0	**39.9**	**40.8**	**39.4**

(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

Since the fourth quarter of 2020, the Albanian economy has been on the path of recovery, supported by accelerating public spending on post-earthquake reconstruction. Investment, coupled with rebounding goods exports and a recovery of private consumption, will likely continue to boost growth in 2021. Mobility restrictions in the EU have dampened the recovery of services exports and FDI this year, but economic output and inbound tourism are expected to return to their 2019 levels in 2022. Government finances are likely to improve following expenditure cuts, but debt and deficit ratios will not fall to pre-crisis levels over the forecast horizon.

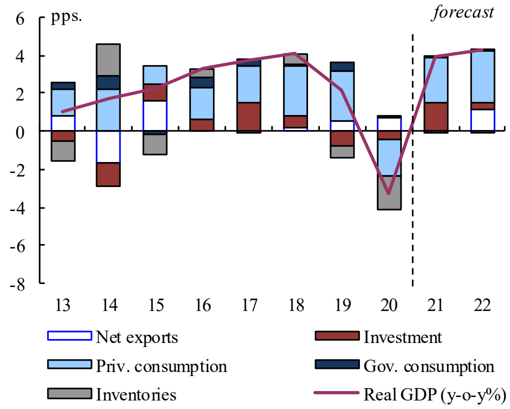
A short-lived contraction following the pandemic

According to preliminary data, the Albanian economy contracted by 3.3% in 2020 due to the impact of the COVID-19 pandemic on tourism, services and manufacturing. Private consumption fell by 2.4% in annual terms, but started to recover moderately in the second half of 2020, helped by public support to businesses and households, which limited the increase in the unemployment rate to 0.2 pps. The weak performance of investments and merchandise exports in 2019 generated positive base effects and supported the return of year-on-year growth in the fourth quarter of 2020. However, total exports and imports dropped significantly by 25.7% and 19.4% respectively, mainly because international travel restrictions caused large losses in tourism. Overall, net exports provided a positive contribution to growth. On the production side, growth of the large agricultural sector, construction, real estate activities and public services buffered the contraction of all other services and of manufacturing, which continued to suffer from new restrictions in early 2021.

Moderate recovery in 2021

Ambitious public investment plans, and merchandise exports, supported by rising commodity demand, both helped by strong base effects, stimulated the moderate economic rebound in the fourth quarter of 2020. These factors are set to continue driving growth to 4% in 2021. A moderate recovery of services exports is expected from growing regional tourism to Albania, where travel restrictions are less stringent than in the EU. In turn, this should support the recovery of private consumption, which is projected to help accelerate economic growth to 4.3% in 2022. In the same year, the assumed lifting of international travel restrictions is set to lead to a strong rebound of tourism, supported by the ongoing expansion of infrastructure such as airports and roads. Strong investment growth is expected to drive the rise in merchandise imports, which are likely to diminish the positive growth contribution of net exports in 2021. In 2022, the expected rebound of service exports will again boost the net contribution of foreign trade to growth. Supported by the recovery, moderate employment growth is expected to push the unemployment rate below 11% in 2022. This outlook is subject to uncertainties related to a potentially delayed formation of a new government following Parliamentary elections on 25 April, which could delay the implementation of the ambitious reconstruction programme, a key part of the economic stimulus in 2021.

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



Rebounding service balance surplus to narrow the current account deficit

In 2020, the drop in imports limited the widening of the current account deficit to 0.8 pps. despite the temporary drop in remittances. The rebound of goods imports is projected to widen the trade deficit, allowing only for a slight improvement of the current account deficit to 8.5% of GDP in 2021, despite the expected recovery of remittances. In 2022, the improving service balance surplus is forecast to outweigh the impact of private investment growth on the merchandise trade deficit and narrow the current account deficit to 7.6% of GDP.

The monetary policy is set to remain accommodative

With its record low policy rate of 0.5%, unchanged since March 2020, the central bank has supported the economy. The very accommodative monetary policy stance is expected to be maintained in the medium-term as inflationary pressures remain low.

Government finances set to improve gradually

A 9% public expenditure increase for support measures in the context of the pandemic and the post-earthquake reconstruction, combined with a 7.5% fall in revenue, increased the fiscal deficit to 6.9% of GDP and the debt-to-GDP ratio to 76.1% in 2020. Increased spending on the education and health sectors and the ambitious reconstruction plans will delay a significant reduction of the fiscal deficit to 2022, when expenditure should fall as the reconstruction efforts near completion, which together with the strengthening recovery will help reduce both the fiscal deficit and the debt-to-GDP ratio by about 2.5 pps. and less than 2 pps. respectively.

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

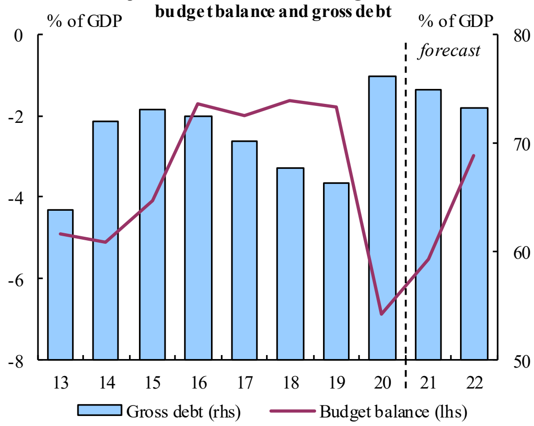


Table II.28.1:

Main features of country forecast - ALBANIA

		2019			Annual percentage change					
	bn ALL	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		1679.2	100.0	4.2	3.8	4.1	2.2	**-3.3**	**4.0**	**4.3**
Private Consumption		1346.8	80.2	4.5	2.4	3.3	3.3	**-2.4**	**2.9**	**3.3**
Public Consumption		193.4	11.5	2.7	3.2	0.7	3.8	**0.8**	**1.2**	**0.6**
Gross fixed capital formation		378.0	22.5	3.6	6.0	2.4	-3.3	**-1.8**	**6.4**	**1.5**
of which: equipment		:	:	:	:	:	:	**:**	**:**	**:**
Exports (goods and services)		529.6	31.5	9.0	13.2	4.1	6.1	**-25.7**	**12.2**	**18.7**
Imports (goods and services)		760.9	45.3	5.5	8.4	2.4	3.0	**-19.4**	**7.5**	**8.9**
GNI (GDP deflator)		1657.1	98.7	4.1	2.4	3.7	0.9	**-3.7**	**4.3**	**4.8**
Contribution to GDP growth:	Domestic demand			5.3	3.8	3.3	2.3	**-2.2**	**4.0**	**3.2**
	Inventories			-0.5	0.0	0.6	-0.6	**-1.8**	**0.0**	**0.0**
	Net exports			-0.5	0.0	0.2	0.6	**0.7**	**0.0**	**1.1**
Employment				:	2.7	2.1	2.4	**-1.9**	**1.3**	**1.3**
Unemployment rate (a)				17.1	14.1	12.8	12.0	**12.2**	**11.7**	**10.9**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Real unit labour cost				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				2.6	1.5	1.4	0.5	**-1.0**	**1.4**	**1.3**
Consumer price index				2.7	2.0	2.0	1.4	**1.6**	**1.9**	**2.3**
Terms of trade goods				-1.5	3.7	3.6	-3.1	**-5.5**	**1.1**	**0.5**
Trade balance (goods) (c)				-24.6	-24.4	-22.3	-23.0	**-23.0**	**-23.2**	**-23.3**
Current-account balance (c)				-11.3	-7.5	-6.8	-8.0	**-8.8**	**-8.5**	**-7.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				:	:	:	:	**:**	**:**	**:**
General government balance (c)				-2.6	-2.0	-1.6	-1.8	**-6.9**	**-5.5**	**-3.0**
Cyclically-adjusted budget balance (d)				:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				63.9	70.2	67.7	66.3	**76.1**	**74.9**	**73.2**

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

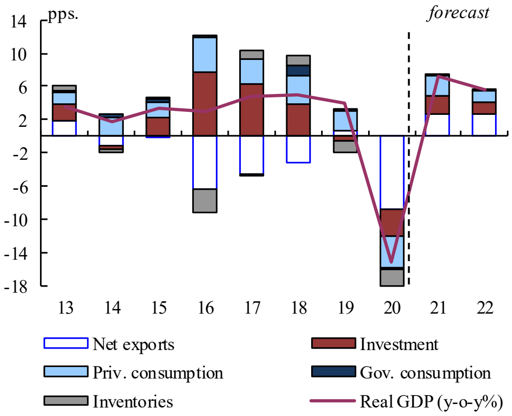
29. MONTENEGRO

Montenegro experienced a very deep recession in 2020 as the COVID-19 took a heavy toll on its tourism-dependent economy, weakening both external and domestic demand. A partial recovery of tourism and investment is projected for 2021 while households and firms will continue to benefit from public policies support. Notwithstanding the pandemic's enduring damage on domestic companies and labour, the economy could come closer to pre-pandemic levels in 2022, driven by the return of a regular tourism season with positive spill-over effects on private consumption, employment, external balances and budget revenue, the latter also supported by some rise of inflation due to growing domestic demand.

A deep and broad recession

Montenegro's income from tourism plunged to 3.5% of GDP in 2020, compared to 22.2% of GDP a year earlier. The collapse of tourism activity triggered a sharp recession of the economy, contracting by 15.2% in 2020. The fall in external demand not only exacerbated the current account deficit, but also had widespread effects across the economy, depressing retail services, employment, investment and public finances. To support citizens and the economy, authorities implemented several economic support packages, including wage subsidies and temporary tax reductions for businesses and individuals, which led to rising public debt and deficit ratios. Labour market conditions deteriorated despite the measures undertaken by the government to help companies retain jobs. The contraction of domestic demand combined with falling global commodity prices resulted in a protracted period of negative inflation in 2020.

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



The recovery path

The persistent high rate of infections and slow progress with COVID-19 vaccination threaten the 2021 summer tourism season, which is vital for improving Montenegro's weak economic and fiscal outlooks. The baseline scenario is for a partial recovery of tourism in 2021, reaching a level of visitors close to historical averages in 2022. Under this premise, private consumption would rebound driven by a partial recovery in employment as well as the revival of retail trade boosted by tourists demand. Government consumption growth is expected to turn into positive territory as of 2021, but only moderately due to limited fiscal space. Fixed capital formation is set to recover partially in 2021 as planned public projects in transport and energy start materialising and private investments in tourism and telecommunication sectors kick in. However, some deceleration of investment growth is foreseen in 2022, following the finalisation of the first section of the Bar-Boljare highway. Some accumulation of inventories could be expected at the end of 2021, as lower tourists demand for goods might fell short compared to local stocks. Exports, in particular of services, are expected to rebound sharply in both 2021 and 2022, while imports would follow at a slower pace, in particular in 2022 as the end of the highway works reduces demand for construction material.

A precarious regain in labour activity

The reactivation of economic activity and removal of travel barriers should facilitate the return of workers, in particular to those sectors more affected by the crisis, like catering, retail trade and accommodation. However, given the strong seasonal character of these jobs and the liquidation of some businesses due to the crisis, employment growth would remain below 2019 level and register some volatility through the forecast period.

Moderate inflation pressure

With the recovery of global demand, international oil prices are set to bounce back to pre-crisis level. However, a weak demand due a partial recovery of employment would dampen to some extent inflationary pressures. Overall, inflation is expected to increase moderately in 2021 and 2022.

Outlook risks

The key specific risk would be a weak or delayed recovery of tourism activities given its far-reaching impact across the economy. Moreover, the reliance on other countries' travel restriction policies set a limit to Montenegro's own capacity of reaction. Notwithstanding the current high level of uncertainty, the balance of risks could also turn to the upside in case of a higher affluence of foreign tourists than foreseen in our baseline scenario.

Disentangling fiscal imbalances

The sharp contraction of the economy, combined with discretionary support measures, caused a sharp increase in the budget deficit to 11% of GDP in 2020. Budget revenue fell by 13.1% y-o-y, with nearly all revenue categories underperforming compared to 2019. Total expenditure grew by 4.8% y-o-y in spite of the government's efforts to reallocate spending into healthcare services and supplies while reducing capital spending.

The high deficit, the contraction of the economy and massive borrowing swelled the public debt-to-GDP ratio. As a result, the public debt exceeded 100% of GDP at the end of 2020. However, the stock of gross public debt is set to decline rapidly as maturing debt would be repaid thanks to earlier accumulated government deposits. Thus, in March 2021 the government reimbursed maturing Eurobonds worth 5% of GDP, while additional debt of 2% and 6% of GDP will be repaid in 2021 and 2022, respectively.

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

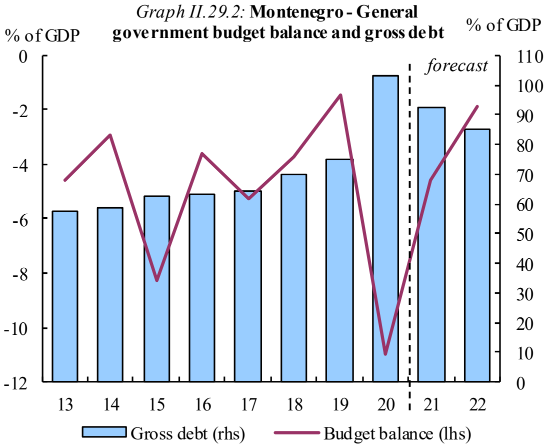


Table II.29.1:
Main features of country forecast - MONTENEGRO

	2019 mio EUR Curr. prices	2019 % GDP	01-16	2017	2018	2019	2020	2021	2022
				Annual percentage change					
GDP	4950.7	100.0	2.8	4.7	5.1	4.1	**-15.2**	**7.1**	**6.5**
Private Consumption	3533.6	71.4	:	3.9	4.6	3.1	**-5.4**	**3.3**	**2.3**
Public Consumption	881.1	17.8	:	-1.4	6.3	1.0	**-0.9**	**1.1**	**0.6**
Gross fixed capital formation	1351.8	27.3	:	26.7	14.7	-1.7	**-12.3**	**7.8**	**3.4**
of which: equipment	:	:	:	:	:	:	**:**	**:**	**:**
Exports (goods and services)	2163.4	43.7	:	2.1	7.0	5.5	**-48.9**	**31.1**	**21.0**
Imports (goods and services)	3208.7	64.8	:	8.7	9.2	2.4	**-19.5**	**10.7**	**4.6**
GNI (GDP deflator)	4967.6	100.3	:	5.9	4.2	3.2	**-14.2**	**6.3**	**6.7**
Contribution to GDP growth: Domestic demand			4.2	8.9	8.5	1.9	**-7.4**	**5.0**	**2.8**
Inventories			-0.7	0.4	-0.3	1.4	**1.0**	**0.5**	**0.0**
Net exports			-0.8	-4.6	-3.1	0.7	**-8.8**	**1.5**	**3.7**
Employment			:	2.1	3.2	2.6	**-10.5**	**7.1**	**2.3**
Unemployment rate (a)			20.6	16.1	15.2	15.1	**17.9**	**16.5**	**15.2**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Real unit labour cost			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	:	:	:	**:**	**:**	**:**
Harmonised index of consumer prices			:	2.8	2.9	0.5	**-0.8**	**1.3**	**1.8**
Terms of trade goods			:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)			-45.2	-43.3	-43.9	-41.7	**-39.1**	**-40.3**	**-39.6**
Current-account balance (c)			-22.6	-16.1	-17.0	-15.0	**-26.0**	**-22.7**	**-16.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			:	:	:	:	**:**	**:**	**:**
General government balance (c)			-2.7	-5.7	-3.9	-1.9	**-11.0**	**-3.8**	**-1.4**
Cyclically-adjusted budget balance (d)			:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			48.0	64.2	70.1	74.9	**103.3**	**92.2**	**84.2**

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

30. NORTH MACEDONIA

North Macedonia's economic upswing came to a sudden halt in 2020, as the pandemic hit domestic and foreign demand. During 2021 and 2022, the recovery is expected to regain firm ground. Real GDP growth would average 3.7%. The external sector is unlikely to contribute to growth. Public finances are projected to improve in line with the economic recovery and the gradual phasing out of fiscal support.

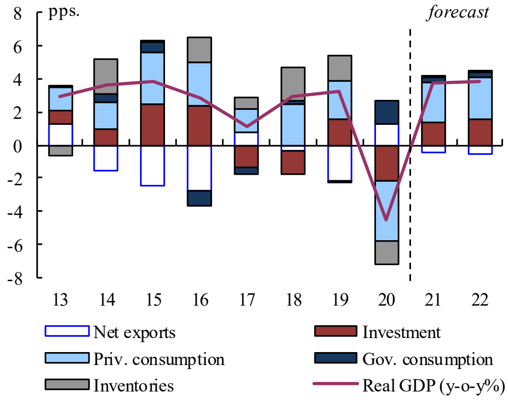
Contraction in 2020 milder than anticipated

North Macedonia experienced a major economic recession in 2020. Output dropped by 4.5%, which is somewhat less than projected in autumn 2020, in part due to government support measures and monetary and regulatory easing. After a steep drop in output between April and June, the annual decline became smaller in the second half of the year, as containment measures were lifted and foreign demand strengthened. Remittances recovered slightly towards the end of the year, bolstering household spending power. Investment picked up in the summer, as public works surged temporarily. External trade suffered from containment measures in trading-partner economies, in particular Germany, which accounts for over half of the country's exports, and through the temporary breakdown of automotive supply chains. Overall, net exports contributed to growth.

Recovery to gain firm ground only in 2022

Still, the economic recovery turns out more sluggish than anticipated earlier. High-frequency indicators, such as industrial production, send mixed signals in early 2021. While the recovery is likely to gain speed throughout 2021, driven by domestic demand, output is expected to rise above its pre-crisis level in 2022 only. With further lifting of containment measures, household spending is projected to firm at accelerating speed in 2021 and 2022, bolstered by further wage increases, employment gains and revival of remittances. Investment is expected to be boosted by at least partial realisation of the government's ambitious plans to invest in road, railway and utilities infrastructure. The recovery in foreign demand, in particular from Germany and China, supported by the restoration of supply chains, is driving export growth. However, the external balance is likely to detract from growth both years, as a result of strong import demand, reflecting rising domestic demand and import-dependent export production.

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



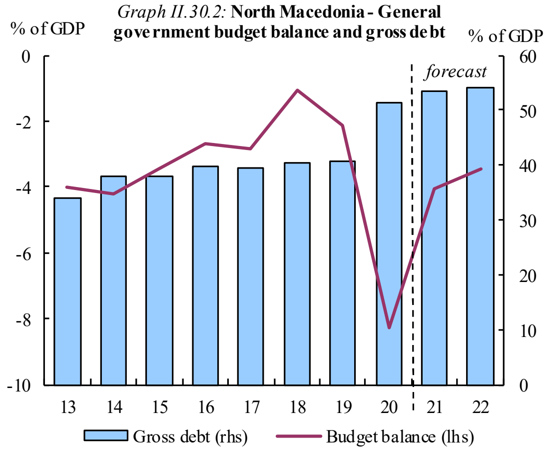
Impact on labour market to remain mild

The labour market, propped up by government subsidies, proved resilient throughout 2020. Job losses remained contained, but rising each quarter, and the labour force shrank successively. The unemployment rate dropped further, compared to one year earlier. With the recovery firming up, and support to employers and workers continued at least this year, as foreseen in the government's fifth package, employment is likely to grow at an accelerated pace over the forecast horizon. Inflation picked up in the second half of 2020, driven by food and fuels prices, including higher excises on oil products, and a statutory rise in electricity prices in August. Both, rising import prices of commodities and firming domestic demand are expected to determine inflation dynamics.

Debt levels jump in response to crisis financing

Public finances deteriorated in 2020, as automatic stabilisers kicked in and the government implemented discretionary support measures totalling some 3% of GDP. Tax revenue recovered in the last quarter, partly on account of inflows of deferred income tax payments. Social contributions benefitted from government subsidies and increased compared to the preceding year. To help finance higher transfers, capital expenditure was cut. In terms of GDP, it came out almost unchanged from the preceding year, at 3.1%. The general government budget deficit quadrupled and debt levels surged on account of heavy crisis-related financing requirements.

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



Fiscal consolidation to set in with recovery

In line with the economic recovery, public finances are expected to improve over the forecast horizon. Transfers and crisis-related expenditure on goods and services are projected to drop gradually, while capital expenditure is expected to rise substantially. The recovery of public revenue is likely to benefit from ongoing improvements in public financial management, such as the Tax System Reform Strategy, adopted in December, which could boost revenue mobilisation. While the government plans on fiscal consolidation as of 2021, it has not presented measures to underpin this. High fiscal deficits and plans to replenish deposits are likely to drive debt levels further.

Risks to the forecast are on the downside

The fiscal outlook could be challenged in case further support measures are needed or because of weak commitment to revenue mobilisation reforms, such as new plans for tax relief. On the other hand, speedy enforcement of key provisions of the new organic budget law and the recent Action Plan for Public Investment Management could improve the outlook.

Table II.30.1:

Main features of country forecast - NORTH MACEDONIA

	2019			Annual percentage ch			
	bn MKD Curr. prices	% GDP	01-16	2017	2018	2019	2020
GDP	689.4	100.0	2.8	1.1	2.9	3.2	**-4.5**
Private Consumption	452.7	65.7	2.6	2.1	3.7	3.5	**-5.6**
Public Consumption	96.8	14.0	1.2	-2.6	1.5	-0.8	**10.1**
Gross fixed capital formation	146.1	21.2	5.4	-5.7	-6.4	8.0	**-10.2**
of which: equipment	:	:	:	:	:	:	**:**
Exports (goods and services)	429.5	62.3	6.1	8.3	12.8	7.2	**-10.9**
Imports (goods and services)	527.6	76.5	6.2	5.3	10.7	8.9	**-10.5**
GNI (GDP deflator)	655.8	95.1	:	1.2	2.7	2.7	**-3.5**
Contribution to GDP growth:	Domestic demand		3.5	-0.4	1.2	3.8	**-4.4**
	Inventories		0.6	0.7	2.0	1.5	**-1.4**
	Net exports		-1.1	0.7	-0.4	-2.1	**1.3**
Employment			1.7	2.4	2.5	5.0	**-0.3**
Unemployment rate (a)			32.2	22.4	20.7	17.3	**16.4**
Compensation of employees / head			2.4	3.4	5.2	7.8	**7.6**
Unit labour costs whole economy			1.3	4.7	4.8	9.7	**12.4**
Real unit labour cost			-1.4	1.8	0.9	8.5	**11.4**
Saving rate of households (b)			:	:	:	:	**:**
GDP deflator			2.7	2.8	3.9	1.1	**0.9**
Harmonised index of consumer prices			2.0	1.3	1.4	0.8	**1.2**
Terms of trade goods			1.1	0.2	2.2	-0.2	**-0.8**
Trade balance (goods) (c)			-22.4	-17.8	-16.2	-17.5	**-16.8**
Current-account balance (c)			-3.6	-1.1	-0.1	-3.3	**-3.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			:	:	:	:	**:**
General government balance (c)			-1.4	-2.8	-1.1	-2.1	**-8.3**
Cyclically-adjusted budget balance (d)			:	:	:	:	**:**
Structural budget balance (d)			:	:	:	:	**:**
General government gross debt (c)			32.9	39.4	40.4	40.7	**51.2**

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

31. SERBIA

The Serbian economy is projected to rebound strongly in 2021, to above its pre-crisis output level, mainly driven by investment and private consumption. Due to renewed fiscal support measures and a high increase in public investment, the general government deficit is expected to decrease only slightly in 2021 followed by a more substantial reduction in 2022. The debt-to-GDP ratio is set to increase further in 2021 and to decrease slightly in 2022.

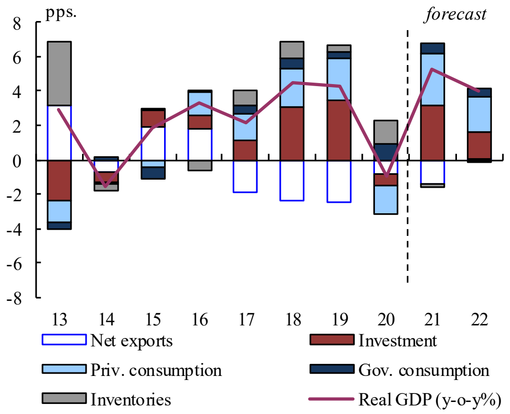
Moderate contraction in 2020

The Serbian economy contracted by a relatively mild 1% in 2020 as, inter alia, a strong pre-crisis growth momentum, sizable policy support, the sectoral structure of the economy and a relatively low average stringency of containment measures mitigated the economic impact of the COVID-19 crisis. The contraction was the result of decreases in private consumption, net exports and private investment that were only partially offset by higher inventories and government consumption and investment. Short-term indicators suggest that after some deceleration induced by the third wave of the pandemic at the end of 2020, the economic recovery has firmed in the first quarter of 2021. Thus, industrial production and retail turnover increased by 3.9% y-o-y and 4% respectively in the first three months of 2021.

Strong rebound before return to pre-crisis growth path

The economy is projected to rebound strongly by 5.3% in 2021, mostly driven by increases in gross fixed capital formation, private and public consumption that will only be partially offset by a larger negative contribution of net exports to growth. Imports are projected to grow more strongly than exports during the rebound particularly driven by import-intensive public investment and private consumption. After largely recovering its pre-crisis output level in 2021, the economy is set to return to its pre-crisis rate of expansion of around 4% in 2022, mostly driven by private consumption and investment as well as net exports due to the beneficial impact of the recovery in the EU and of increased export capacity on export growth. The current account deficit, after increasing temporarily in 2021 due in particular to strong investment, is accordingly expected to narrow in 2022.

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



Unemployment rate to remain broadly stable

Following a decrease in 2020, driven by falling labour market participation, the unemployment rate is expected to temporarily record a slight increase in 2021 as the pace of return of discouraged workers to the labour market is projected to initially exceed the growth of employment. Inflation is set to accelerate in 2021, mostly reflecting the rebound of oil prices from their lower 2020 level, and to slightly moderate in 2022.

Outlook still subject to high uncertainty

The growth outlook is subject to a high level of uncertainty while risks appear to be broadly balanced mostly depending on the evolution of the pandemic. In particular, fast domestic progress in vaccination avoiding further waves of the pandemic could lead to an accelerated rebound in consumer confidence and boost private consumption, in particular in contact-rich service sectors. On the other hand, a protracted impact of resurgences in the EU could dampen net exports and foreign direct investment as compared to the baseline. Slower-than-expected implementation of public infrastructure projects and of reforms of state-owned enterprises could also weigh on the growth prospects.

Additional fiscal stimulus in 2021 delays consolidation of deficit and debt levels

The COVID-19 crisis worsened sharply the general government deficit from close to balance in 2019 to 8.1% of GDP in 2020, mostly as a result of a large package of discretionary fiscal support measures. Due to a further package of support measures, including wage subsidies open to all enterprises, one-off payments to citizens and specific support to the most affected sectors, as well as substantial further increases in capital spending, the general government deficit is set to only slightly decrease in 2021 to close to 7% of GDP. In line with the expiry of one-off mitigation measures and lower capital spending, the deficit is forecast to drop to around 3.5% of GDP in 2022. Following an increase by 5 pps in 2020 to 58.3%, the debt-to-GDP ratio is projected to rise further by around 2.5 pps to close to 61% in 2021 before resuming a slight decline in 2022 in line with the lower 2022 deficit.

Graph II.31.2: **Serbia - General government budget balance and gross debt**

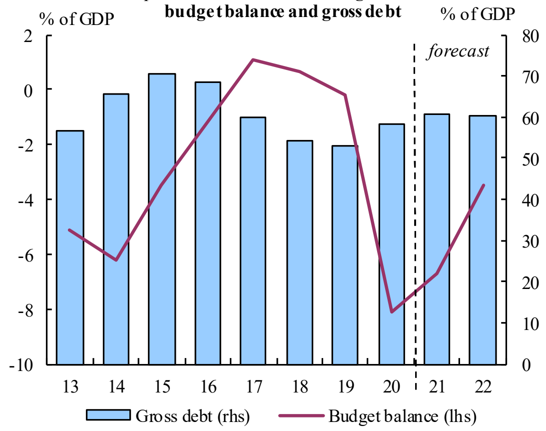


Table II.31.1:
Main features of country forecast - SERBIA

	2019				Annual percentage change					
	bn RSD	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		5417.7	100.0	3.4	2.1	4.5	4.2	**-1.0**	**5.3**	**4.0**
Private Consumption		3696.7	68.2	2.8	2.2	3.1	3.6	**-2.5**	**4.5**	**3.0**
Public Consumption		901.8	16.6	2.0	2.9	3.7	2.0	**5.6**	**2.8**	**2.4**
Gross fixed capital formation		1217.9	22.5	6.3	6.6	17.5	17.2	**-2.8**	**14.8**	**7.1**
of which: equipment		:	:	:	:	:	:	**:**	**:**	**:**
Exports (goods and services)		2765.7	51.0	11.7	8.2	7.5	7.6	**-5.8**	**12.1**	**9.2**
Imports (goods and services)		3306.6	61.0	10.5	11.1	10.8	10.7	**-3.5**	**12.6**	**7.6**
GNI (GDP deflator)		5125.7	94.6	:	1.1	6.0	4.1	**1.5**	**4.2**	**3.7**
Contribution to GDP growth:	Domestic demand			3.7	3.2	5.9	6.2	**-1.4**	**6.7**	**4.1**
	Inventories			0.6	0.9	0.9	0.4	**1.3**	**-0.2**	**-0.2**
	Net exports			-0.8	-1.9	-2.4	-2.5	**-0.8**	**-1.4**	**0.0**
Employment				-0.8	2.8	1.4	2.4	**-0.2**	**1.6**	**1.0**
Unemployment rate (a)				18.0	13.5	12.7	10.4	**9.0**	**9.3**	**8.5**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Real unit labour cost				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				12.0	3.0	2.0	2.4	**1.8**	**2.6**	**2.5**
Harmonised index of consumer prices				:	3.2	2.0	1.9	**1.6**	**2.4**	**2.1**
Terms of trade goods				1.2	-0.5	-2.0	0.7	**3.6**	**-0.3**	**0.0**
Trade balance (goods) (c)				-14.8	-9.0	-11.0	-12.2	**-11.2**	**-11.8**	**-11.5**
Current-account balance (c)				-7.9	-5.2	-4.8	-6.9	**-4.3**	**-6.1**	**-5.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-8.8	-5.2	-4.9	-7.1	**:**	**:**	**:**
General government balance (c)				-3.3	1.1	0.6	-0.2	**-8.1**	**-6.7**	**-3.4**
Cyclically-adjusted budget balance (d)				:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				54.5	60.1	54.4	52.9	**58.3**	**60.7**	**60.4**

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

32. TURKEY

Turkey was one of the few countries in the world that experienced positive economic growth in 2020, at the cost of increasing vulnerabilities. The growth momentum remained strong in early 2021 and large carry-over effects are expected to lead to a rebound in 2021. However, tight economic policies and enduring vulnerabilities would curtail the strength of the recovery. Although external risks declined somewhat, policy uncertainty and inflation expectations increased following the recent dismissal of the central bank governor. The budget deficit is on a downward path but is likely to remain elevated.

A growth surprise in 2020 amid increasing vulnerabilities

Turkey was one of the few countries in the world that experienced positive economic growth in 2020. The growth performance was driven by a low base effect, strong momentum before the pandemic, and a sizeable policy stimulus that boosted domestic demand. Crisis-response measures were dominated by a large credit impulse, led by state-owned banks, and underpinned by a rapid relaxation of monetary conditions. As a result, the lira depreciated, external imbalances and dollarisation increased, foreign exchange reserves declined precipitously, and the country risk premium went up markedly. These developments triggered a sizeable tightening of the monetary policy stance since November last year.

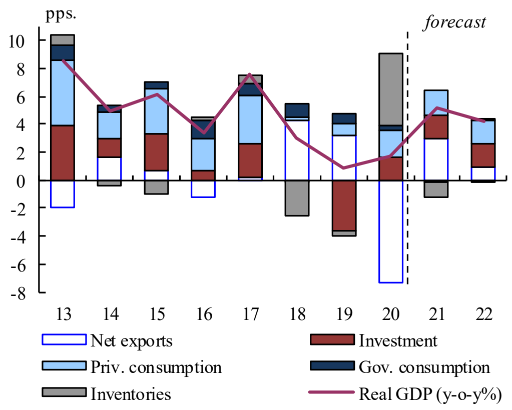
Growth momentum was strong in early 2021, but the recovery remains uneven

Manufacturing continued its good performance in the first months of the year, confirmed also by high-frequency indicators. Retail sales also went up, supported by growing economic confidence. Robust export orders and fixed investment expenditure have further sustained the ongoing recovery. However, the economy is not yet on a sustainable growth path as pandemic-related restrictions increased in April and certain high contact services remained below pre-crisis levels, while construction activity slipped back into contraction.

Strong base effects vs. elevated uncertainty and a tight policy stance

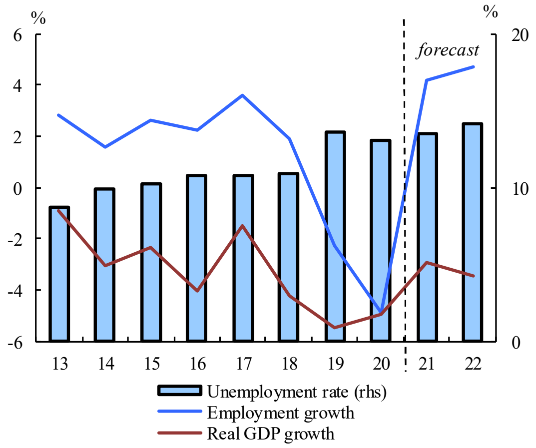
Large carry-over and base effects would be driving a strong economic rebound in particular in the first half of 2021. However, the tight monetary and fiscal policy stance and existing vulnerabilities are likely to curtail growth in the second half of the year. Overall, domestic demand is expected to remain the main driver of growth throughout the forecast horizon. Pent-up demand and improving consumer confidence are set to support the recovery of household consumption in the short term. However, consumption growth is likely to remain moderate in view of the incomplete labour market recovery, fading wealth effects originating from the dominance of gold and foreign currency savings, lower consumer lending, and higher financing costs. Budgetary saving efforts are likely to result in a negative growth contribution of public consumption. After a surprisingly good performance last year, investment growth is forecast to broadly keep its pace, although tight financing conditions and a highly leveraged corporate sector would be major constraining factors. A possible downward adjustment of the change in stocks, which had an outsized positive contribution to economic growth in 2020, remains a major source of uncertainty.

Graph II.32.1: **Turkey - Real GDP growth and contributions**



Supported by price competitiveness gains and growing external demand, exports are set to rebound strongly in 2021, continuing their upbeat performance since the second half of last year. However, the export of services is forecast to remain below its pre-crisis level even next year due to the pandemic's impact on the travel and tourism sectors. Imports growth is expected to be curbed by the depreciation of the lira and lower imports of non-monetary gold, sustaining a positive net exports contribution to growth.

Graph II.32.2: **Turkey- Labour market**



Risks remain elevated

Geopolitical risks are still high and weigh heavily on the country risk premium and economic developments. However, recent steps to lower tension in the Eastern Mediterranean have opened the way to developing a positive agenda with the EU, which could potentially boost Turkey's medium-term investment and trade prospects. Domestically, the recent dismissal of the central bank governor, after just four months in office, has increased again the uncertainty about the course of monetary policy. It also triggered exchange rate depreciation, a rise in inflation expectations and a spike in the country risk premium, largely reversing the gains made since the start of the tightening cycle last November.

A tight fiscal policy

The fiscal policy response to the crisis involved a rather limited increase in budget expenditure. Together with a strong revenue performance, this led to a significant fiscal tightening last year and a much better than anticipated budgetary outcome. The authorities have signalled their intention to maintain the tight fiscal stance in 2021 and use any additional fiscal space to lower the deficit beyond the budget plans. Although declining, the headline budget deficit is forecast to nevertheless remain elevated due to rising interest payments and lower one-off revenue. The deficit dynamics and the expected weakness of the lira are projected to contribute to a further rise in the government debt ratio to above 40% of GDP.

Table II.32.1:

Main features of country forecast - TURKEY

	2019			Annual percentage change					
bn TRY	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	4320.2	100.0	4.9	7.5	3.0	0.9	**1.8**	**5.2**	**4.2**
Private Consumption	2457.0	56.9	4.4	5.9	0.5	1.6	**3.2**	**3.1**	**3.0**
Public Consumption	670.8	15.5	4.9	5.0	6.6	4.4	**2.3**	**-1.0**	**0.0**
Gross fixed capital formation	1117.6	25.9	7.5	8.3	-0.3	-12.4	**6.5**	**6.3**	**5.8**
of which: equipment	:	:	:	:	:	:	**:**	**:**	**:**
Exports (goods and services)	1414.5	32.7	5.4	12.4	9.0	4.9	**-15.4**	**14.7**	**9.6**
Imports (goods and services)	1293.5	29.9	5.5	10.6	-6.4	-5.3	**7.4**	**4.0**	**6.4**
GNI (GDP deflator)	4233.4	98.0	4.9	7.3	1.7	1.6	**2.3**	**4.4**	**4.1**
Contribution to GDP growth:	Domestic demand		5.5	6.7	1.2	-2.2	**3.9**	**3.3**	**3.3**
	Inventories		-0.1	0.7	-2.4	-0.3	**5.2**	**-1.0**	**0.0**
	Net exports		-0.3	0.2	4.2	3.2	**-7.3**	**2.9**	**0.9**
Employment			:	3.6	1.9	-2.3	**-4.8**	**4.2**	**4.7**
Unemployment rate (a)			9.8	10.8	10.9	13.7	**13.1**	**13.5**	**14.1**
Compensation of employees / head			:	8.8	17.0	22.7	**15.1**	**14.6**	**17.0**
Unit labour costs whole economy			:	4.8	15.8	18.9	**7.7**	**13.6**	**17.6**
Real unit labour cost			:	-5.5	-0.6	4.4	**-6.2**	**-1.5**	**3.8**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			13.0	11.0	16.5	13.9	**14.8**	**15.3**	**13.2**
Harmonised index of consumer prices			13.8	11.2	16.4	15.2	**12.3**	**15.7**	**12.5**
Terms of trade goods			0.0	-8.5	-3.1	0.5	**11.7**	**-3.6**	**0.0**
Trade balance (goods) (c)			-6.1	-7.6	-5.4	-2.9	**-6.2**	**-5.6**	**-6.0**
Current-account balance (c)			-3.5	-4.7	-2.7	0.9	**-5.2**	**-3.9**	**-3.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			:	:	:	:	**:**	**:**	**:**
General government balance (c)			-0.6	-2.8	-2.8	-4.5	**-4.5**	**-4.0**	**-3.6**
Cyclically-adjusted budget balance (d)			:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			44.2	28.1	30.4	32.6	**39.5**	**41.3**	**42.0**

(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

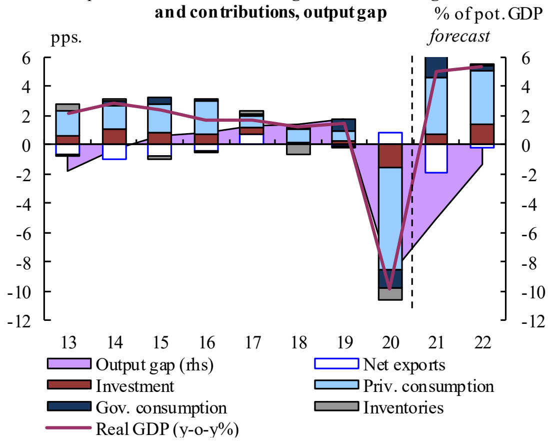
33. THE UNITED KINGDOM

After falling by 9.8% in 2020 as a consequence of the COVID-19 pandemic and the policy measures taken to contain it, UK GDP is projected to rebound in 2021 and 2022. While the first quarter of 2021 is forecast to be negative due to the lockdown, GDP is expected to pick up quickly in the second quarter as restrictions are eased and consumption rebounds. Slower but sustained growth is then projected over the forecast period, though the UK's departure from the EU is expected to weigh on trade and growth.

A subdued start in 2021

After falling by 19.5% in the second quarter of 2020 as a consequence of strict lockdown measures implemented to contain the first wave of the pandemic, UK GDP partially rebounded by 16.9% in the third quarter. To contain a second wave of the pandemic, another lockdown was introduced for the month of November, and GDP growth slowed to 1.3% in the fourth quarter of 2020. Overall, real GDP in 2020 fell by 9.8%, mainly due to a fall in private consumption.

Graph II.33.1: **The United Kingdom - Real GDP growth and contributions, output gap**



After a sharp increase in the prevalence of COVID-19 cases in December 2020, the government tightened restrictions again significantly at the end of December. This third lockdown, which was only partially eased on 8 March with the re-opening of schools, weighed on output in the first quarter of 2021.

Shortly before the end of 2020, the UK and the EU signed the Trade and Cooperation Agreement (TCA). While the TCA provides for zero tariffs and zero quotas for all goods complying with the appropriate rules of origin, the UK leaving the European Union has inevitably created significant non-tariff barriers (NTBs). This became evident in early 2021 when UK trade volumes with the EU fell sharply. While some of these disruptions will be temporary, as businesses get used to the new rules, UK trade is expected to remain permanently lower over the forecast period as compared to a situation with unchanged EU-UK trading relations.

Growth to pick up in 2021 and 2022

As the prevalence of COVID-19 cases falls, the restrictions imposed at the end of 2020 are being gradually eased. At the same time, the roll-out of vaccinations has progressed rather quickly; by end April, 51% of the population had received one dose of vaccine, and more than 20% were fully vaccinated. If cases continue to fall and vaccinations continue as planned, an almost full lifting of restrictions is foreseen for end June.

Private consumption is expected to pick up quickly as restrictions are being eased and pent-up demand is released, though an increase in unemployment when the furlough scheme finishes at the end of September 2021 is expected to temper private consumption slightly. Business investment is forecast to pick up more strongly in the second half of 2021 and in 2022, as uncertainties regarding the further evolution of the pandemic and the new EU-UK trade relationship fade away. In addition, the 'super-deduction' announced in the March 2021 budget, which allows businesses to offset 130% of eligible investment spending, is expected to have a positive impact on business investment over the forecast period. Government consumption is forecast to contribute positively particularly in 2021. Net exports are projected to be a drag on growth over the forecast horizon, as imports are expected to recover more quickly than exports. This would also cause the current account deficit to increase to around 5% of GDP over the forecast horizon. Overall, GDP is expected to increase by 5.0% in 2021 and by 5.3% in 2022. It is set to recover to pre-pandemic levels by the third quarter of 2022.

Unemployment to increase in 2021 as furlough scheme comes to an end

Government measures supporting employees and the self-employed are expected to keep unemployment relatively low until the third quarter of 2021. Unemployment is then expected to increase, as not all of the employees still on the furlough scheme are expected to return to their jobs. The unemployment rate in 2021 is projected to increase from 4.4% in 2020 to 5.6% in 2021 and to 5.9% in 2022.

Consumer price inflation is forecast to increase to 1.6% in 2021 and 1.8% in 2022. Reasons for this include higher energy prices and an increase in the tariff cap for natural gas and electricity; and higher service prices, as VAT cuts for food and accommodation services are gradually being phased out.

General government deficit to fall from record high as economy recovers

The general government deficit is expected to fall from 12.3% in 2020 to 11.8% of GDP in 2021 and to 5.4% in 2022 as the economy recovers. Government fiscal measures to deal with the consequences of the pandemic in 2020-2021 amounted to around 16% of GDP and include income support for employees and self-employed workers, support for businesses and increases in welfare spending. The government also announced liquidity measures of about 16% of GDP, creating contingent liabilities. The main measures from the latest budget in March 2021 to be implemented in the forecast years are the previously mentioned 'super-deduction' and the freezing of the income tax personal allowance from April 2022.

The general government debt-to-GDP ratio increased to above 100% in 2020 as a consequence of the additional fiscal measures and the fall in GDP. It is expected to exceed 100% over the forecast horizon, at 108.1% in 2021 and 108.4% in 2022.

To support the economy during the pandemic, the Bank of England lowered its official Bank Rate to 0.1% in March 2020 and increased the total target stock of asset purchases to GBP 895 billion by November 2020. In February 2021, the Bank of England also instructed lenders to prepare for the possibility of negative interest rates as of autumn 2021, to broaden the monetary toolkit. However, given the economic and inflation outlook, monetary policy is expected to remain unchanged over the forecast horizon.

Table II.33.1:

Main features of country forecast - UNITED KINGDOM

		2019		Annual percentage change						
	bn GBP	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		2218.4	100.0	1.7	1.7	1.3	1.4	**-9.8**	**5.0**	**5.3**
Private Consumption		1420.3	64.0	1.9	1.1	1.4	1.1	**-10.9**	**6.4**	**5.9**
Public Consumption		423.1	19.1	2.0	0.7	0.6	4.0	**-6.5**	**11.9**	**1.4**
Gross fixed capital formation		399.5	18.0	1.7	2.8	0.4	1.5	**-8.8**	**3.8**	**8.3**
of which: equipment		81.1	3.7	1.6	0.9	-5.5	-2.6	**-11.5**	**5.7**	**9.7**
Exports (goods and services)		689.3	31.1	2.5	5.4	3.0	2.7	**-15.8**	**0.9**	**5.8**
Imports (goods and services)		716.7	32.3	3.1	2.6	2.7	2.7	**-17.8**	**7.7**	**6.2**
GNI (GDP deflator)		2203.0	99.3	1.6	3.0	1.2	2.1	**-10.9**	**5.3**	**5.5**
Contribution to GDP growth:	Domestic demand			1.9	1.4	1.1	1.7	**-9.8**	**7.3**	**5.4**
	Inventories			0.0	0.2	-0.6	-0.1	**-0.8**	**0.0**	**0.0**
	Net exports			-0.2	0.7	0.1	-0.1	**0.8**	**-1.9**	**-0.2**
Employment				0.9	1.0	1.2	1.1	**-0.3**	**-0.9**	**0.1**
Unemployment rate (a)				6.0	4.3	4.0	3.8	**4.4**	**5.6**	**5.9**
Compensation of employees / head				3.1	3.0	2.6	4.2	**1.7**	**0.9**	**2.8**
Unit labour costs whole economy				2.2	2.3	2.5	3.9	**12.4**	**-4.7**	**-2.4**
Real unit labour cost				0.2	0.3	0.3	1.7	**6.4**	**-5.5**	**-2.0**
Saving rate of households (b)				8.9	5.7	6.1	6.5	**15.7**	**10.6**	**5.8**
GDP deflator				2.0	1.9	2.2	2.1	**5.6**	**0.8**	**-0.4**
Harmonised index of consumer prices				2.1	2.7	2.5	1.8	**0.9**	**1.6**	**1.8**
Terms of trade goods				0.4	-0.9	0.8	0.5	**-2.6**	**0.0**	**0.0**
Trade balance (goods) (c)				-5.5	-6.5	-6.4	-5.9	**-5.4**	**-6.6**	**-6.3**
Current-account balance (c)				-3.3	-3.8	-3.7	-3.1	**-3.5**	**-5.0**	**-4.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.3	-3.8	-3.8	-3.1	**-3.6**	**-5.0**	**-4.9**
General government balance (c)				-4.7	-2.4	-2.2	-2.3	**-12.3**	**-11.8**	**-5.4**
Cyclically-adjusted budget balance (d)				-4.4	-3.1	-3.0	-3.3	**-7.4**	**-9.0**	**-4.7**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				59.9	86.3	85.8	85.2	**102.0**	**108.1**	**108.4**

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

34. THE UNITED STATES

The US economy's contraction in 2020 was severe, but less deep than initially feared. Private demand recovered quickly in the second half of 2020, supported by very accommodative monetary policy and large fiscal stimulus measures. A rapid vaccination programme, high levels of excess savings and a recovering labour market should allow for strong consumption growth in 2021, with the US surpassing pre-pandemic GDP levels early in Q2. While inflation is expected to pick up in the near term, pricing pressures are expected to be transient, reflecting base effects and temporary supply constraints.

A deep but short-lived contraction in 2020

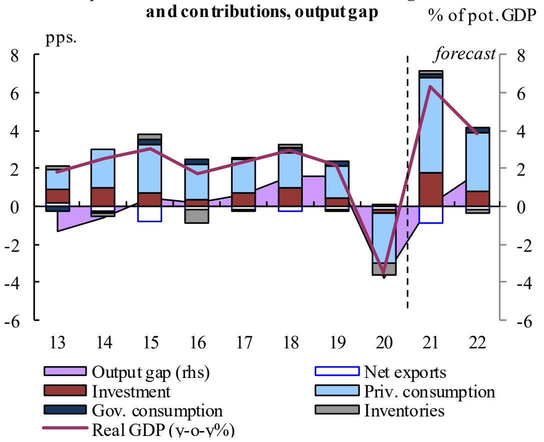
US output contracted by 3.5% in 2020, less severely than in many other advanced economies. Following the COVID outbreak, GDP fell to a level almost 10% below that in 2019-Q4 by the second quarter of 2020, but recovered briskly in the second half of 2020. At the end of the year, US output was only 2.4% below its pre-pandemic level. Private consumption recovered quickly, with fiscal support measures leading to an increase in personal disposable incomes in 2021 despite a sharp rise in unemployment. Investment was also surprisingly firm and stood 2.3% above its level a year earlier in 2020-Q4, with expenditure on residential housing and equipment particularly strong. Imports also recouped most of their 2020 losses by year end, in line with the strong rebound in domestic demand. However, exports in 2020-Q4 remained 11% below their pre-COVID level.

A strong 2021 underpinned by policy support and the release of private savings

GDP is expected to grow by 6.3% in 2021, a strong showing that will see output rise above its pre-COVID level in the second quarter. This assumes that the fast pace of vaccination is maintained, ensuring that most containment measures are removed by end-June. Under this assumption, we expect the economy to continue normalising in the second and third quarters of 2021 as service providers reopen - with a more gradual reopening of the tourism sector. Rapid growth in 2021 is set to be underpinned by strong fiscal support from the March 2021 American Rescue Plan (ARP) and accommodative monetary policies [see Technical X.X]. Growth is expected to slow to 3.8% in 2022, as the post-COVID rebound naturally attenuates while fiscal support will be lower as most of the ARP measures expire.

Private investment and consumption are expected to remain the main growth drivers throughout 2021-2022 as COVID-related uncertainty recedes, households slowly reduce their cushion of accumulated excess savings and employment recovers, particularly in the service sector.

Graph II.34.1: **The United States - Real GDP growth and contributions, output gap**



Imports are expected to grow by double digits in 2021, supported by strong domestic demand and favourable base effects, and should remain robust in 2022. Exports are expected to rebound in a more staggered fashion, in line with the slower pace of recovery in key trade partners. The trade deficit, having remained roughly constant over 2019-2020, is projected to increase sharply in both USD terms and as a percentage of GDP in 2021-2022. Overall, net exports are expected to contribute negatively to growth over this period.

Following a dip in inflation in 2020 (the CPI fell to 1.2% from 1.8% in 2019) consumer prices are projected to temporarily exceed the Fed's 2% target in 2021 due to base effects and recovering energy prices. Disruptions to global supply chains and transport network may also add to short term prices pressures, while the re-opening of the service sector could see a spike in services prices as businesses rebuild capacity. Inflation should however fall back towards target in 2022 as capacity and supply chain constraints recede. Underlying inflationary pressures remain muted, with significant labour market slack. The US unemployment rate climbed to 14.7% in mid-2020, despite a fall in the active labour force of almost 2pp, and with a disproportionate impact on lower income and service sector workers. Unemployment fell back to just over 6% by March 2021 and is expected to decline further through 2021 and 2022, together with a gradual recovery in the participation rate. Employment growth is expected to lag output growth to some degree, with the unemployment rate expected to reach 3.4% in 2022, just above the pre-pandemic low of 3.2%.

Monetary policy likely to remain supportive, but the fiscal policy stance is more uncertain

The Fed's new monetary policy strategy gives greater weight to employment objectives and aims for average inflation of 2%, allowing for some temporary over or undershooting of target. Monetary policy is therefore set to remain accommodative over the forecast horizon, but the improved economic outlook has already led to a recovery in long-term bond yields to close to pre-pandemic levels. Temporary price pressures may push nominal yields higher but financing conditions are expected to remain favourable. Fiscal policy will continue to be strongly supportive in the first three quarters of 2021, but a relatively sharp fiscal retrenchment is possible in 2022. The new measures currently under discussion but not yet adopted (e.g. a new infrastructure package) have not been included in this forecast. The general government deficit-to-GDP ratio is set to be around 16% of GDP in both 2020 and 2021 and the debt-to-GDP ratio will further increase in 2021, following a steep increase of about 20 percentage points in 2020. General government gross debt is set to reach 135% of GDP in 2021.

Both downside and upside risks remain

On the downside, the main risk is that higher inflationary pressures could entail a sharper-than-expected tightening of financing conditions. Some short term volatility in inflation is expected, but given the remaining uncertainties over the pace of recovery, markets could push yields too high too fast on data surprises. On the upside, a new fiscal package, could imply stronger growth in 2021-2022, while a faster-than-assumed release of private savings could significantly accelerate consumption growth in both 2021 and 2022.

Table II.34.1:

Main features of country forecast - UNITED STATES

	2019			Annual percentage change						
	bn USD Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	21433.2	100.0	1.9	2.3	3.0	2.2	**-3.5**	**6.3**	**3.8**
Private Consumption	14544.6	67.9	2.2	2.6	2.7	2.4	**-3.9**	**7.4**	**4.5**
Public Consumption	2995.1	14.0	1.1	0.6	1.5	1.8	**0.3**	**1.6**	**1.9**
Gross fixed capital formation	4454.9	20.8	1.6	3.5	4.8	2.3	**-0.8**	**8.2**	**3.8**
of which: equipment	1404.9	6.6	3.2	3.5	7.8	2.5	**-4.1**	**12.0**	**3.8**
Exports (goods and services)	2514.8	11.7	3.5	3.9	3.0	-0.1	**-13.0**	**9.1**	**7.7**
Imports (goods and services)	3125.2	14.6	3.1	4.7	4.1	1.1	**-9.3**	**13.5**	**7.2**
GNI (GDP deflator)	21702.9	101.3	2.0	2.6	2.9	2.0	**-3.8**	**6.3**	**3.9**
Contribution to GDP growth: Domestic demand			2.0	2.6	3.1	2.4	**-2.8**	**7.0**	**4.2**
Inventories			0.0	0.0	0.2	0.0	**-0.7**	**0.2**	**-0.1**
Net exports			-0.1	-0.2	-0.3	-0.2	**-0.2**	**-0.9**	**-0.2**
Employment			0.5	1.2	1.6	1.2	**-6.2**	**4.3**	**3.2**
Unemployment rate (a)			6.4	4.4	3.9	3.7	**8.1**	**4.6**	**3.4**
Compensation of employees / head			2.9	3.0	3.2	2.9	**7.0**	**0.7**	**2.7**
Unit labour costs whole economy			1.5	1.8	1.8	1.9	**4.0**	**-1.2**	**2.1**
Real unit labour cost			-0.4	-0.1	-0.6	0.1	**2.7**	**-3.4**	**0.1**
Saving rate of households (b)			11.5	12.5	13.3	14.6	**24.4**	**22.1**	**16.0**
GDP deflator			1.9	1.9	2.4	1.8	**1.2**	**2.3**	**2.0**
Harmonised index of consumer prices			2.1	2.1	2.4	1.8	**1.2**	**2.2**	**2.0**
Terms of trade goods			0.0	0.4	0.7	0.5	**-1.6**	**0.6**	**0.0**
Trade balance (goods) (c)			-4.9	-4.3	-4.4	-4.1	**-4.3**	**-4.7**	**-4.9**
Current-account balance (c)			-3.6	-2.0	-2.3	-2.3	**-2.9**	**-3.4**	**-3.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.7	-2.1	-2.3	-2.4	**-3.0**	**-3.4**	**-3.4**
General government balance (c)			-6.6	-4.3	-6.2	-6.6	**-16.1**	**-16.0**	**-6.8**
Cyclically-adjusted budget balance (d)			:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			81.7	105.6	106.6	108.2	**127.4**	**135.6**	**133.7**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
(*) Employment data from the BLS household survey.

35. JAPAN

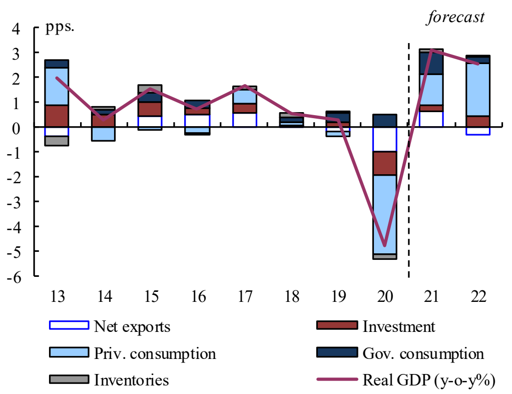
After a strong cyclical rebound in the second half of 2020 economic activity is set to moderate in the first half of 2021 amid the re-imposition of containment measures. Going forward, real GDP growth is likely to accelerate again following continued fiscal policy stimulus and recovering external demand, though structural bottlenecks and limited policy space weigh on medium term prospects.

Economic activity moderating amid new round of containment measures

After plunging by 8% q-o-q in the second quarter of 2020, real GDP in Japan rebounded by 5.3% q-o-q and 3% q-o-q in the third and fourth quarter of 2020, respectively, limiting annual real GDP contraction to 4.8% in 2020. The recovery was enabled by the relaxation of containment measures and supported by sizable fiscal stimulus packages and recovering global demand, especially from China.

Monthly business and consumer surveys showed some signs of weakening economic activity in the first quarter of 2021 amid the imposition of a new round of containment measures. Similarly, after some lull in the number of COVID-19 cases in March, a recent rise in infection numbers increases the risk of yet another round of containment measures in the second quarter of the year. This might slow down the recovery of private consumption and services. Still, the negative economic impact is likely to be much more limited than in spring 2020 as the scope of restrictions is limited to the hospitality sector and the Japanese society seems to have learnt to live with the virus and the containment measures. At the same time, exports are set to grow strongly amid healthy external demand, while fiscal measures are set to prop domestic demand.

Graph II.35.1: **Japan - Real GDP growth and contributions**



Growth to pick up in the second half of 2021 as the economy slowly reverts to normal

On the domestic side, private consumption is likely to bounce back in the second half of 2021, as containment measures are set to be lifted, supporting the services rebound. At the same time, households are likely to increase spending also on the back of accumulated savings, given the brightening economic prospects. Private investment is set to continue recovering driven by accommodative funding conditions, rising demand and increasing investment into IT and automation. Continued sizable fiscal stimulus is set to support public consumption and investment. On the external side, robust demand from China and recovering demand from the US and the EU are set to support strong export expansion, though very weak foreign tourism receipts will remain a major drag. All in all, real GDP is projected to grow by 3.1% in 2021.

Cyclical recovery recedes gradually towards the end of the forecast horizon

The pace of growth is expected to decelerate to 2.5% in 2022 as structural challenges (weak productivity, ageing population, low digitalisation of the economy) and limited fiscal and monetary policy space limit growth prospects.

Private consumption growth is set to remain robust as labour market situation improves. Private investment growth is likely to remain strong as well reflecting the ongoing green and digital transformation of the economy. At the same time, public spending growth is set to be gradually curbed absent additional fiscal stimuli. On the external side, growth in goods exports is set to moderate reflecting a gradual stabilisation of external demand growth, while a possible relaxation of travel restrictions might support a moderate rebound in tourism. At the same time, imports are likely to increase in line with rising domestic demand. Overall, net exports are expected to contribute positively to growth in 2021 and remain slightly negative in 2022.

Strong fiscal support, but monetary policy constrained

Sizable direct fiscal support, that amounts to ca. 16% of GDP in 2020-2021, includes cash handouts to firms and households, employment subsidies and additional pay-outs to healthcare workers, directly supporting the recovery in private consumption. Additional measures (e.g. investment into digitalisation and green initiatives, healthcare support) feed directly into public investment and consumption. However, supply side bottlenecks and implementation inefficiencies limit the size of fiscal multipliers. These measures are combined with financial support to corporations in the form of concessional corporate loans and expanded guarantees. Overall, the fiscal deficit is projected to increase from almost 3% of GDP in 2019 to around 13¼ % of GDP in 2020 and 9½% of GDP in 2021, pushing public debt to a record 259% of GDP in 2021. The deficit is projected to shrink thereafter, in the absence of additional stimuli, to 4% of GDP in 2022.

Measures introduced by the Bank of Japan to provide liquidity and support credit flows to the economy kept corporate financing conditions lose and supported the recovery. However, going forward, space for monetary policy support is constrained given negative interest rates and sizable direct involvement of Bank of Japan in the domestic asset markets.

Risks are elevated

Risks remain tilted to the downside, including the risk of yet another wave of the pandemic leading to a further tightening of containment measures, a slower-than-expected vaccination campaign and stronger currency undermining exports and investment recovery. On the upside, additional round of domestic fiscal stimulus and stronger-than-expected impact of US stimulus on external demand and exports might result in a swifter recovery of economic activity in the near term.

Table II.35.1:

Main features of country forecast - JAPAN

		2019		Annual percentage change						
bn JPY		Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		561266.9	100.0	0.7	1.7	0.6	0.3	**-4.8**	**3.1**	**2.5**
Private Consumption		305618.8	54.5	0.7	1.1	0.3	-0.3	**-5.9**	**2.2**	**3.5**
Public Consumption		111268.1	19.8	1.5	0.1	1.0	1.9	**2.7**	**4.1**	**1.3**
Gross fixed capital formation		134666.5	24.0	-0.4	1.6	0.2	0.9	**-4.1**	**1.2**	**1.8**
of which: equipment		45718.1	8.1	0.9	4.6	3.1	0.5	**0.0**	**0.0**	**0.0**
Exports (goods and services)		97463.5	17.4	3.8	6.6	3.8	-1.4	**-12.3**	**10.7**	**4.1**
Imports (goods and services)		97638.3	17.4	2.6	3.3	3.8	-0.4	**-6.8**	**6.2**	**4.4**
GNI (GDP deflator)		581106.4	103.5	0.8	1.9	0.6	0.2	**-4.5**	**3.2**	**2.4**
Contribution to GDP growth:	Domestic demand			0.6	1.0	0.4	0.4	**-3.6**	**2.3**	**2.6**
	Inventories			0.0	0.1	0.1	0.0	**-0.1**	**0.1**	**0.0**
	Net exports			0.2	0.6	0.0	-0.2	**-1.0**	**0.6**	**-0.1**
Employment				0.1	1.0	1.8	0.9	**-2.0**	**0.6**	**0.6**
Unemployment rate (a)				4.4	2.8	2.4	2.3	**3.0**	**2.9**	**2.6**
Compensation of employees / head				-0.6	0.5	1.4	0.8	**1.1**	**1.4**	**1.4**
Unit labour costs whole economy				-1.2	-0.1	2.6	1.5	**4.0**	**-1.0**	**-0.5**
Real unit labour cost				-0.6	0.0	2.6	0.8	**3.1**	**-0.2**	**-1.1**
Saving rate of households (b)				10.2	9.0	10.5	10.2	**17.2**	**13.7**	**7.0**
GDP deflator				-0.6	-0.1	0.0	0.6	**0.9**	**-0.9**	**0.6**
Harmonised index of consumer prices				0.0	0.5	1.0	0.5	**0.0**	**0.3**	**0.9**
Terms of trade goods				-1.8	-4.8	-5.0	0.9	**0.0**	**-1.0**	**0.5**
Trade balance (goods) (c)				1.0	0.9	0.2	0.1	**-0.6**	**-0.3**	**-0.3**
Current-account balance (c)				2.8	4.1	3.5	3.7	**2.6**	**3.3**	**3.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.7	4.1	3.5	3.6	**2.6**	**3.2**	**3.2**
General government balance (c)				-6.0	-2.9	-2.2	-2.9	**-13.2**	**-9.5**	**-4.1**
Cyclically-adjusted budget balance (d)				:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				194.1	231.6	232.6	234.9	**256.3**	**259.1**	**255.3**

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

36. CHINA

China's economic recovery continued in early 2021 despite localised virus outbreaks and the reimposition of social distancing measures in parts of the country. While the recovery in investment and exports has so far spearheaded growth, the latest data confirm a gradual rebalancing towards consumption led growth. As the overall outlook remains positive, monetary policy is expected to be gradually withdrawn while policymakers focus on reducing existing macroeconomic imbalances. Downside risks stemming largely from high indebtedness by both the corporate and the public sector appear more pronounced in the short term and are only partially offset by potentially stronger than expected pent up demand.

The recovery continues with some signs of weakening momentum

With the main impact of the pandemic and its containment measures concentrated in the first quarter of 2020, China's economy recovered strongly over the rest of the year, driven initially by dynamic investment and strong exports. Stronger consumption helped further strengthen GDP growth in 2020-Q4, to 6.5% (y-o-y), bringing annual GDP growth in 2020 to 2.3%, making China the only major economy to grow last year.

Despite the record growth rate in 2021-Q1 of 18.3% y-o-y, which largely reflects the unprecedented decline of economic activity a year ago, the 0.6% q-o-q rate reveals a noticeable slowdown. GDP was again driven by a strong consumption recovery, 11.6% y-o-y, aided by positive contributions from other demand components. The momentum of economic activity was undermined in January and February by new localised outbreaks of COVID-19 and the subsequent reintroduction of lockdown measures in the north of the country. While still below their levels at the end of 2020, PMI indicators point to a partial recovery of economic activity in March.

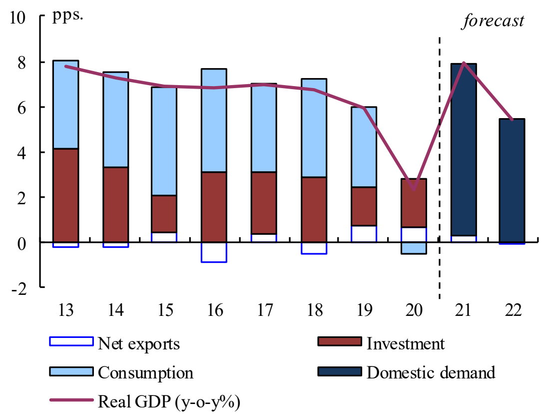
Consumption to drive growth in 2021

Annual GDP growth is expected to reach 7.9% in 2021, largely due to a strong carry-over effect and strong pent up demand. Growth is expected to recede to 5.4% in 2022, as the pandemic shock dissipates and the economy gets back to its decelerating trend, weighed down by weakening productivity growth, high stock of corporate and public debt and geopolitical uncertainties.

Consumption is expected to be the main driver of growth in both 2021 and 2022, supported by rising personal incomes, relatively low inflation, and improvements in the labour market. Investment activity growth is expected to moderate, as the government focuses on tightening credit conditions, especially for real estate purchases, and local government bond issuance normalises. Investment may also slow as a high debt overhang will increasingly limit the investment capacity of corporates and local government units.

In 2020, Chinese goods exporters benefited from the relatively early recovery of production in China, stable epidemiological developments, weaker competition due to disruptions in competitor economies, and a shift in consumer preferences towards consumer goods and away from services. They were thus able to markedly increase their market share but as these effects dissipate over the forecast period, the growth of goods exports is expected to moderate. Furthermore, the recovery of domestic demand should push imports higher and thus further undermine the growth contribution of net exports. Accordingly, China's current account surplus is projected to decline gradually in both 2021 and 2022.

Graph II.36.1: **China - Real GDP growth and contributions**



Gradual withdrawal of policy support

China's overall approach towards paring back its stimulus measures has been cautious. Monetary stimulus focused on supporting liquidity and lending to the corporate sector; while fiscal measures included increased healthcare expenditure, employment subsidies, corporate tax deferrals and reductions, and additional investment. While both monetary and fiscal stimuli were relatively contained and targeted, they exacerbated some of the economy's structural challenges, notably high corporate indebtedness and a surging property sector. Maintaining stability by avoiding sharp policy reversals will thus remain a priority for some time.

Monetary policy is expected to gradually adopt a more neutral stance, balancing support for growth with prudential measures to curb excessive lending. With the benchmark lending rate (loan prime rate) unchanged since April 2020, the People's Bank of China is focusing on withdrawing excess liquidity and tightening credit conditions.

On the fiscal side, policy support is expected to be gradually withdrawn over the forecast horizon. The budget for 2021 aims for mild reductions of the official headline fiscal deficit and local government special bond issuance, while halting entirely the issuance of special treasury bonds dedicated to help fund the recovery from the pandemic last year.

Downside risks remain elevated

The financial sector, especially the bond market, has recently come under stress, with several high profile defaults, including by state-owned enterprises. Given the risk of contagion to the wider financial sector, target policy action will be needed to ensure orderly debt restructurings. The recent tightening of financial conditions to curb excessive lending for real estate purchases should help, but risks related to the property sector remain elevated. Supply disruptions of key components for the automotive industry could exacerbate production delays and negatively impact manufacturing output in the second half of 2021. On the positive side, stronger-than-expected pent up demand, especially for services, could further boost economic output.

Finally, the accelerated economic decoupling between China and the USA could weigh on already weakening productivity growth in China over the medium term.

Table II.36.1:

Main features of country forecast - CHINA

		2019			Annual percentage change					
	bn CNY	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP		98651.5	100.0	9.5	7.0	6.7	6.0	**2.3**	**7.9**	**5.4**
Consumption		55263.2	56.0	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation		42245.1	42.8	-	-	-	-	**-**	**-**	**-**
of which: equipment				-	-	-	-	**-**	**-**	**-**
Change in stocks as % of GDP				-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		22565.7	22.9	14.0	7.9	3.7	0.8	**-0.2**	**9.1**	**4.0**
Final demand				-	-	-	-	**-**	**-**	**-**
Imports (goods and services)		21425.9	21.7	13.3	7.6	6.7	-3.2	**-1.9**	**7.8**	**4.8**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth :	Domestic demand			-	-	-	-	**-**	**-**	**-**
	Inventories			-	-	-	-	**-**	**-**	**-**
	Net exports			-	-	-	-	**-**	**-**	**-**
Employment				-	-	-	-	**-**	**-**	**-**
Unemployment (a)				4.1	3.9	3.8	3.6	**4.2**	**-**	**-**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs				-	-	-	-	**-**	**-**	**-**
Real unit labour costs				-	-	-	-	**-**	**-**	**-**
Saving rate of households				-	-	-	-	**-**	**-**	**-**
GDP deflator				3.6	4.2	3.5	1.3	**0.6**	**3.1**	**2.2**
Private consumption deflator				-	-	-	-	**-**	**-**	**-**
Index of consumer prices (c)				2.4	1.6	2.1	2.9	**2.5**	**-**	**-**
Merchandise trade balance (b)				4.5	3.9	2.7	2.8	**3.5**	**3.1**	**2.9**
Current-account balance (b)				4.0	1.5	0.2	0.7	**1.9**	**1.5**	**1.3**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)				-	-	-	-	**-**	**-**	**-**
General government balance (b)				-	-	-	-	**-**	**-**	**-**
General government gross debt (b)				-	-	-	-	**-**	**-**	**-**

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

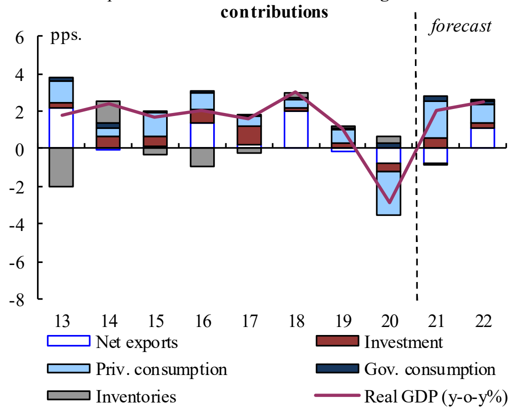
37. EFTA

The pandemic affected the EFTA countries in quite an asymmetric way. Countries with a stronger reliance on tourism (Iceland and Switzerland) experienced larger output losses, while net exports cushioned the economic fallout in the more resource-based Norwegian economy. In addition, the fiscal response was quite different, with Norway and Switzerland containing the fiscal deficit at around 3½% of GDP, while substantial COVID-19-related support measures and weaker revenues brought Iceland's deficit to 7.3% of GDP. The outlook is for the recovery to start in 2021. However, in the harder hit economies, Iceland and Switzerland, it will take until 2022 to reach pre-crisis output levels.

Switzerland

The Swiss economy registered a drop in output by 2.9% in 2020, largely reflecting weaker private consumption (-4.4%) and lower revenues from service exports (-17.3%) due to domestic and international containment measures. However, the decline in goods exports was less pronounced at 2.2%, partly thanks to a solid export performance of chemical and pharmaceutical products. Unemployment rose, in particular in tourism and construction. However, thanks to short-time working schemes, the overall impact on employment remained muted (-0.3% y-o-y in 2020). The government adopted fiscal support measures amounting to about 5¼% of GDP for 2020 and 2021, but announced to spend more, if necessary. Overall, the economy weathered the pandemic-related crisis better than expected, partly thanks to a resilient export sector and a good management of containment and support measures.

Graph II.37.1: **Switzerland - Real GDP growth and contributions**



The outlook is based on a supportive international environment, although there is a risk that a persisting third wave of COVID-19 infections could delay the domestic and international recovery, pushing the rebound into the second half of 2021. During the forecast period, the main driver of growth is expected from the domestic side, in particular private consumption, benefitting from pent-up demand, as well as investment. Export growth is expected to benefit in 2021 from strengthening international demand and maintain a positive momentum in 2022. However, due to strong import growth as a result of catching-up consumption and investment, the growth contribution of net-exports will still be negative in 2021. Overall, output is projected to grow by 2¾% and 2½% in 2021 and 2022 respectively. In view of the muted labour market response in 2020, reflecting governmental support measures, also the post-pandemic pick-up of employment will remain subdued. Due to expected international price pressures, such as for raw materials and freight, consumer price increases are set to accelerate, but to remain at a still moderate level, reaching some 1½% in 2021 and 2022 respectively. The fiscal costs of fighting the pandemic and its economic implications will still be felt in the coming years and will result in a substantial, but temporary rise in the deficit and debt ratios.

Country-specific risks to the outlook are largely on the upside and are related to the recovery of key trading partners, such as Germany, the USA and the United Kingdom.

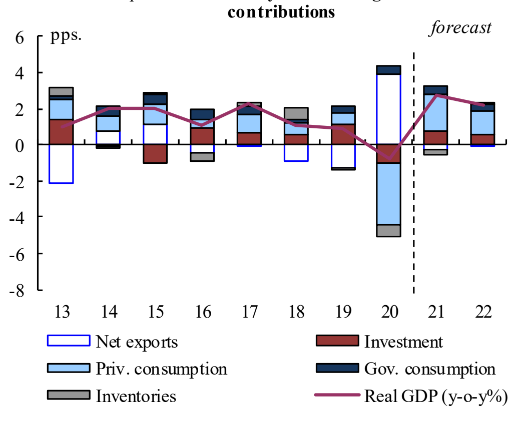
Norway

The disruptive effects of the COVID-19 crisis subsided in the last two quarters of 2020 and the economy registered a mild contraction of 0.8% for the whole year, down from a growth rate of 0.9% in 2019. This has brought the ten-year-long expansion in the country's GDP to an end. The downturn was largely driven by a steep fall in private consumption due to worsening labour market conditions combined with negative consumer sentiment, while concerns over the duration of the crisis weighed heavily on investment. The external sector had a notable positive contribution to growth as exports broadly held up while imports dropped at a much faster pace, reflecting weak domestic demand.

Because of the aggravation of the epidemiological situation in February and March, the authorities re-imposed containment measures lasting from 25 March until at least 12 May. Nevertheless, economic activity is expected to recover strongly in the months ahead as a larger share of the population will be vaccinated and restrictions lifted. Increased consumer confidence coupled with an improving labour market is set to boost private consumption while the gradual easing of uncertainty among investors should prompt a rebound in investment. Net exports are expected to subtract from growth, as imports are set to increase at a faster pace than exports, largely driven by pent-up domestic demand. House prices rose markedly by 3.9% in 2020, compared to 2.5% a year earlier while they continued to increase in the first months of 2021. After contracting by 4% in 2020, the recovery in housing investment is expected be slow in 2021 due to concurrent headwinds including weak population growth and the uncertainty about economic developments going forward.

Expansion is expected to continue in 2022, mainly driven by buoyant household spending and investment. Overall, the economy is forecast to grow by 2.7% in 2021 and 2.2% in 2022.

Graph II.37.2: **Norway - Real GDP growth and contributions**



The considerable uncertainty around the trajectory of the pandemic and the pace of economic recovery triggered Norges Bank's Executive Board decision on 17 March to keep the key policy rate unchanged at the historic low of 0.0%, after slashing it from 1.5% with three successive cuts between March and May 2020.

The economy is expected to receive less support from government spending in 2021 mainly due to the phasing out of most of the extensive and temporary extraordinary COVID-19 measures introduced in 2020. The fiscal policy anticipates for 2021 a fiscal impulse of -1.4% of mainland GDP, resulting in a structural non-oil deficit of 10.9% of mainland GDP and spending of oil revenues equivalent to 3.3% of the sovereign wealth fund's (Government Pension Fund Global) assets.

Domestic risks to the outlook are clearly tilted to the downside. Uncertainties in the property market and high household debt levels raise financial stability concerns, which are alleviated by the significant capital and liquidity buffers held by Norwegian banks. Regarding the external environment, the volatility of energy prices presents upside and downside risks while potential delays in the vaccination progress across Norway's major export markets continue to point to downside risks.

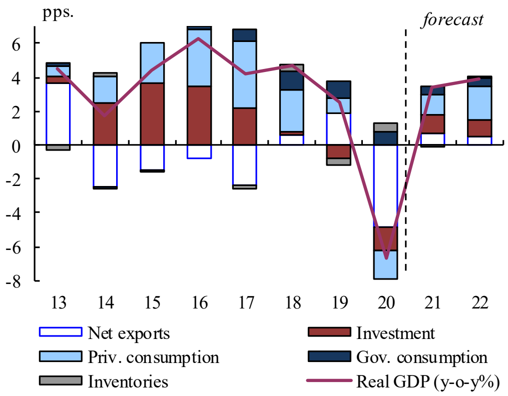
Iceland

Iceland's economy shrank by 6.6% in 2020 with all demand components, except public consumption and inventories, contributing negatively. The largest negative impact came from foreign trade with exports falling by 30.5%, significantly outweighing the still substantial 22% decline in imports. Due to the collapse in tourism, exports of services fell by 51%, while exports of goods fared better with an estimated contraction of 8.5%.

The outlook is for a modest recovery in 2021, partially due to the base effect, and strengthening growth in 2022. Increasing private consumption and investment are projected to drive domestic demand, while further support is set to come from government consumption. The recovery of exports is likely to be more gradual, as the outlook for tourism services remains clouded by the speed of vaccine rollout, but exports of aluminium should benefit from positive developments in global trade in goods. The outlook for exports of marine products is still subdued due to COVID-19 related restrictions and weaker demand for fresh products in restaurants. Overall, exports are not expected to return to their 2019 level before 2022.

Pandemic-related disruptions resulted in declining labour force participation and rising unemployment. The unemployment rate increased more rapidly among foreign workers, even as some of them left the country in 2020. In line with the gradual recovery, unemployment is projected to continue rising in the first half of 2021, and decline slowly afterwards.

Graph II.37.3: **Iceland - Real GDP growth and contributions**



Due to strong automatic stabilisers and targeted discretionary measures, focusing on short-term support for businesses and workers, as well as infrastructure investment, the general government deficit has widened to more than 7% of GDP in 2020. A similar budget shortfall is projected for 2021, as the government has announced to continue to support the economy with the fiscal stimulus. Nearly 60% of public spending is planned to be allocated to healthcare, social welfare and education. Fiscal consolidation is foreseen to start from 2022 onwards with a view to reducing the public debt-to-GDP ratio below 60%.

In November, the Central Bank of Iceland (CBI) cut the key interest rate (the rate on seven-day term deposits) by 0.25 basis points, bringing it to a new record low of 0.75%. Moreover, the CBI engaged in purchasing government bonds on the secondary market, but the overall intervention amounted to only 0.3% of GDP in 2020. The ISK depreciated sharply which had an inflationary effect and partially offset the disinflationary impact of the pandemic in 2020. Real estate prices were supported by low interest rates. Going forward, inflation is likely to remain elevated in 2021, as supply chains for domestic consumption are expected to remain disrupted and the ISK remains weak due delayed recovery of tourism services. In 2022, inflation is projected to ease in line with recovering exports and stronger ISK.

The balance of risks is tilted to the downside. Key risks stem from the external environment and uncertain recovery of Iceland's main exports, in particular tourism. Domestic risk relates to a possible bubble in the housing market. An upside risk is related to the depreciated ISK, which could raise the country's attractiveness for tourists in 2021-2022.

Table II.37.1:

Main features of country forecast - EFTA

	Iceland				Norway				Switzerland			
(Annual percentage change)	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**
GDP	2.6	**-6.6**	**3.4**	**3.9**	0.9	**-0.8**	**2.7**	**2.2**	1.1	**-2.9**	**2.7**	**2.5**
Private Consumption	1.9	**-3.3**	**2.3**	**3.9**	1.4	**-7.6**	**4.7**	**3.0**	1.4	**-4.4**	**3.0**	**2.5**
Public Consumption	3.9	**3.1**	**1.9**	**1.8**	1.9	**1.7**	**1.8**	**1.5**	0.9	**2.9**	**3.3**	**-0.5**
Gross fixed capital formation	-3.7	**-6.8**	**5.2**	**4.5**	4.8	**-3.9**	**2.8**	**2.0**	1.2	**-1.7**	**2.2**	**1.5**
of which: equipment	-25.6	**-6.1**	:	:	2.9	**-7.0**	**1.1**	**2.2**	0.9	**-22.0**	**16.8**	**4.2**
Exports (good and services)	-4.6	**-30.5**	**10.3**	**13.5**	0.5	**-0.9**	**6.0**	**3.2**	-0.2	**-6.4**	**7.5**	**6.0**
Imports (goods and services)	-9.3	**-22.0**	**8.1**	**12.1**	4.7	**-12.2**	**6.6**	**3.4**	-0.1	**-6.5**	**8.5**	**5.6**
GNI (GDP deflator)	3.6	**-6.2**	**3.4**	**3.9**	0.0	**0.8**	**2.5**	**2.2**	3.9	**-6.1**	**2.7**	**2.5**
Contribution to GDP growth: Domestic demand	1.1	**-2.3**	**2.8**	**3.4**	2.2	**-4.0**	**3.3**	**2.2**	1.1	**-2.4**	**2.5**	**1.6**
Inventories	-0.4	**0.5**	**0.0**	**0.0**	0.0	**-0.7**	**-0.3**	**0.0**	0.1	**0.3**	**0.0**	**0.0**
Net exports	1.9	**-4.9**	**0.7**	**0.5**	-1.3	**3.9**	**-0.2**	**-0.1**	-0.1	**-0.8**	**0.3**	**0.8**
Employment	-0.1	**-4.0**	**1.4**	**1.9**	1.6	**-1.3**	**0.5**	**1.0**	0.7	**-0.3**	**0.2**	**1.0**
Unemployment rate (a)	3.5	**5.5**	**7.0**	**6.0**	3.7	**4.4**	**4.2**	**3.9**	4.4	**4.8**	**5.0**	**4.7**
Compensation of employee/head	3.6	**2.7**	**1.0**	**4.4**	4.1	**1.6**	**1.7**	**1.9**	1.8	**-1.8**	**2.8**	**2.2**
Unit labour cost whole economy	0.9	**5.6**	**-1.0**	**2.4**	4.9	**1.0**	**-0.5**	**0.7**	1.4	**0.8**	**0.2**	**0.8**
Real unit labour cost	-3.4	**2.1**	**-3.7**	**0.1**	5.4	**4.9**	**-3.8**	**-1.8**	1.5	**1.4**	**-1.4**	**-0.6**
Saving rate of households (b)	4.1	**1.7**	**1.5**	**1.8**	13.7	**21.2**	**19.3**	**18.7**	:	:	:	:
GDP deflator	4.5	**3.4**	**2.8**	**2.3**	-0.4	**-3.7**	**3.4**	**2.6**	-0.1	**-0.5**	**1.6**	**1.4**
National index of consumer prices	3.0	**2.8**	**3.0**	**2.5**	2.2	**1.3**	**2.2**	**1.7**	0.4	**-0.8**	**1.5**	**1.4**
Terms of trade goods	0.7	**-2.9**	**0.0**	**0.0**	-10.2	**-21.7**	**4.0**	**1.0**	-1.1	**-4.0**	**-0.2**	**-0.1**
Trade balance (goods) (c)	-3.5	**-3.1**	**-2.7**	**-3.2**	3.1	**-1.1**	**-0.3**	**-0.1**	10.3	**9.2**	**9.6**	**9.3**
Current account balance ©	7.0	**1.1**	**1.7**	**2.2**	2.8	**1.9**	**3.1**	**3.3**	10.0	**4.8**	**4.9**	**5.3**
Net lending (+) or borrowing (-) vis-a-vis ROW	6.2	**1.0**	**1.7**	**2.2**	2.8	**1.9**	**3.0**	**3.2**	8.0	**3.8**	**3.9**	**4.5**
General government balance (c)	-1.5	**-7.3**	**-7.7**	**-3.2**	6.6	**-3.4**	**0.9**	**1.8**	1.4	**-3.6**	**-2.5**	**-0.5**
General government gross debt ©	45.0	**58.5**	**63.8**	**63.2**	40.2	**46.9**	**46.0**	**44.7**	25.9	**28.1**	**29.4**	**28.8**

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

38. RUSSIAN FEDERATION

Even though the pandemic and lower oil prices hit Russia hard in 2020, the real GDP decline was still moderate reflecting relatively light lockdown restrictions, the use of macroeconomic policy buffers, and the small share of contact-intensive services in the economy. Nevertheless, the structure of the economy and renewed geopolitical tensions also imply only a moderate rebound over the forecast horizon.

Contained real GDP slump in 2020 amid plunging imports and strong public consumption

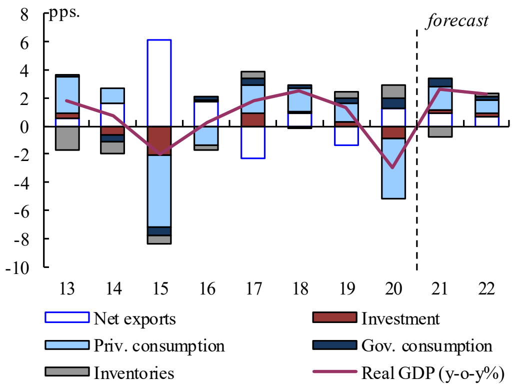
Real GDP in Russia declined by a relatively moderate 3% in 2020, as net exports and public consumption partly offset contracting private demand. Private consumption dropped sharply as household income declined and uncertainty increased in particular for households working in the large informal sector. Investments, already low in recent years given the weak business environment, decreased further in 2020, amid a shortage of financing for SMEs, lockdowns hitting the service sector, and worse prospects for the oil sector. At the same time, public funding was redirected rapidly from large-scale investments in national projects that were slowly rolled out, towards public consumption, supporting growth. On the external side, oil production cuts undermined exports' growth, but non-oil exports, in particular agricultural exports, held up well due to a good grain harvest, a weaker rouble and rising global food consumption. Imports were down by a staggering 12% year-on-year, reflecting lower consumption, the depreciating rouble and the abrupt decline in outbound tourism.

Muted recovery expected amid sluggish investment and consumption growth

Despite the recent increase in household savings which is expected to be unwound going forward, private consumption recovery in 2021 is set to be held back by continued uncertainty and weak disposable income growth as well as by slower credit growth as mortgage subsidies are set to be phased out. Slow progress with vaccinations is likely to cloud the outlook for the service sector for the remainder of 2021, as well. However, domestic consumption is set to be supported by continued social transfers and restrictions on outbound tourism.

Investment is expected to recover only slightly in 2021 and in 2022 as the medium-term outlook for the oil-market does not encourage capital spending, the overall investment climate remains muted and the space for expansionary macroeconomic policy is shrinking amid rising inflation. At the same time, geopolitical factors are expected to make financing of large investments more difficult, and the increasing 'de-coupling' of the Russian economy channels investments to less-productive sectors, undermining long-term growth. The rise in public investment and consumption is likely to be moderate as fiscal policy is expected to get more restrictive due to worsening financing conditions following US sanctions and the desire to preserve buffers. Exports are expected to grow faster than imports in both 2021 and 2022, as energy exports are set to increase and the weak rouble supports non-energy exports. At the same time, the import substitution policy, the weak rouble and the negative income trend are likely to curb imports.

Graph II.38.1: **Russia - Real GDP growth and contributions**



Simultaneously, the macroeconomic framework with flexible exchange rates and a fiscal rule centred on a fixed oil price, make Russia less vulnerable to external pressures. In addition, the increase of reserve buffers even in crisis times and the payback of foreign currency denominated debt as well as the declining role of foreigners in the government debt market further insulate Russia from international financial trends. However, this greater macroeconomic stability does not automatically lift growth prospects, given structural weaknesses and bottlenecks in the economy. Taken together, real GDP is expected to grow by 2.7% in 2021 and 2.3% in 2022, taking GDP above the pre-pandemic level in the course of 2022.

Accommodative monetary policy supports growth for the time being

From 2017 to July 2020, interest rates declined by 500 basis points to 4.25% as inflation pressures remained contained until late 2020. However, with inflation hitting 5.8% in March 2021, firmly above the Central Bank's 4% target, rates were increased by 75 basis points to 5% in March and April. Going forward, base effects might cause inflation to decline towards the end of 2021, but price pressures, especially outside services, remain elevated. Real interest rates are firmly negative for the moment, but as the Central Bank's recent actions and more hawkish tone suggest, real interest rates are likely to increase going ahead, causing potential problems for investments and the housing sector.

Fiscal stimulus targeted and effective

Fiscal packages of around 3% of GDP, including increased social transfers and support measures for corporations contributed to mitigating the impact of the crisis. While the size of the packages might have not been large compared to other economies, it followed a relatively long phase of restrictive fiscal policy, increasing its impact. After a surplus of 2.6% of GDP in 2019 the budget turned into a deficit of 4.7% of GDP in 2020. Going forward, the deficit is expected to be significantly lower in 2021 at around 3½% of GDP and 2½% of GDP in 2022 reflecting higher oil-related revenues, leaving some room for a moderate rise in expenditures.

Downside risks to the forecast dominate

Downside risks on the external side are related to uncertainty around oil demand and oil prices as well as further escalation of geopolitical tensions, including the possibility of further sanctions. On the upside, higher oil revenues might boost incomes, consumption and investments more than expected as output restrictions are lifted. Higher demand for technology sectors during the pandemic could result in a more efficient use of technology and therefore in higher productivity growth.

Table II.38.1:

Main features of country forecast - RUSSIA

	2019		Annual percentage change						
bn RUB	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	110046.1	100.0	3.6	1.8	2.5	1.3	**-3.0**	**2.7**	**2.3**
Private Consumption	55436.8	50.4	5.7	3.7	3.3	2.5	**-8.5**	**3.4**	**1.8**
Public Consumption	20141.7	18.3	0.8	2.5	1.3	2.2	**4.0**	**3.0**	**1.5**
Gross fixed capital formation	22545.7	20.5	5.6	4.4	0.4	1.6	**-4.3**	**1.0**	**1.3**
of which: equipment	0.0	:	:	:	:	:	**:**	**:**	**:**
Exports (goods and services)	31157.4	28.3	4.6	5.0	5.5	-2.3	**-4.3**	**6.3**	**5.8**
Imports (goods and services)	22846.7	20.8	7.6	17.3	2.6	3.4	**-12.0**	**3.6**	**4.5**
GNI (GDP deflator)	106607.3	96.9	3.5	1.9	2.7	0.7	**-2.0**	**2.5**	**2.4**
Contribution to GDP growth:	Domestic demand		4.2	3.4	2.1	1.9	**-4.4**	**2.5**	**1.4**
	Inventories		-0.1	0.5	-0.2	0.5	**0.9**	**-0.7**	**0.1**
	Net exports		-0.4	-2.3	0.9	-1.4	**1.3**	**0.9**	**0.7**
Employment			0.9	-0.1	0.3	-0.8	**-2.5**	**0.1**	**0.4**
Unemployment rate (a)			6.4	5.0	4.6	4.4	**6.0**	**5.7**	**5.7**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Real unit labour cost			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			12.1	5.3	11.1	3.8	**0.6**	**6.3**	**3.9**
Harmonised index of consumer prices			11.0	3.7	2.9	4.5	**3.5**	**4.7**	**4.3**
Terms of trade goods			0.3	12.6	17.4	-2.4	**-14.2**	**7.8**	**-0.5**
Trade balance (goods) (c)			10.7	7.3	11.7	9.7	**7.7**	**9.9**	**10.4**
Current-account balance (c)			5.9	2.1	6.8	3.8	**3.2**	**5.4**	**5.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.3	2.1	6.8	3.8	**3.2**	**5.3**	**5.8**
General government balance (c)			1.7	-0.6	3.2	2.6	**-4.6**	**-3.6**	**-2.4**
Cyclically-adjusted budget balance (d)			:	:	:	:	**:**	**:**	**:**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			15.0	14.3	13.5	14.0	**19.4**	**20.5**	**20.9**

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

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Statistical Annex

European Economic Forecast – Spring 2021

Contents

Table 1: Gross domestic product, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	2.2	1.3	1.2	1.6	1.8	1.8	-6.3	4.5	3.7	-8.4	4.1	3.5
Germany	1.0	1.2	1.4	2.6	1.3	0.6	-4.9	3.4	4.1	-5.6	3.5	2.6
Estonia	8.1	-0.7	2.5	5.5	4.4	5.0	-2.9	2.8	5.0	-4.6	3.4	3.5
Ireland	5.3	-0.4	7.1	9.1	8.5	5.6	3.4	4.6	5.0	-2.3	2.9	2.6
Greece	4.2	-3.5	-2.0	1.3	1.6	1.9	-8.2	4.1	6.0	-9.0	5.0	3.5
Spain	3.3	0.0	0.7	3.0	2.4	2.0	-10.8	5.9	6.8	-12.4	5.4	4.8
France	1.8	0.8	0.8	2.3	1.8	1.5	-8.1	5.7	4.2	-9.4	5.8	3.1
Italy	0.9	-0.5	-0.6	1.7	0.9	0.3	-8.9	4.2	4.4	-9.9	4.1	2.8
Cyprus	4.2	1.8	-0.5	5.2	5.2	3.1	-5.1	3.1	3.8	-6.2	3.7	3.0
Latvia	9.3	-1.5	2.8	3.3	4.0	2.0	-3.6	3.5	6.0	-5.6	4.9	3.5
Lithuania	7.8	0.9	3.1	4.3	3.9	4.3	-0.9	2.9	3.9	-2.2	3.0	2.6
Luxembourg	3.5	1.9	3.3	1.8	3.1	2.3	-1.3	4.5	3.3	-4.5	3.9	2.7
Malta	2.5	2.7	6.2	8.1	5.2	5.5	-7.0	4.6	6.1	-7.3	3.0	6.2
Netherlands	1.6	1.0	0.9	2.9	2.4	1.7	-3.7	2.3	3.6	-5.3	2.2	1.9
Austria	2.2	1.2	0.9	2.4	2.6	1.4	-6.6	3.4	4.3	-7.1	4.1	2.5
Portugal	0.8	-0.1	-0.1	3.5	2.8	2.5	-7.6	3.9	5.1	-9.3	5.4	3.5
Slovenia	4.1	0.9	0.9	4.8	4.4	3.2	-5.5	4.9	5.1	-7.1	5.1	3.8
Slovakia	6.1	3.8	2.4	3.0	3.7	2.5	-4.8	4.8	5.2	-7.5	4.7	4.3
Finland	2.9	0.6	0.1	3.2	1.3	1.3	-2.8	2.7	2.8	-4.3	2.9	2.2
Euro area	1.7	0.5	0.8	2.6	1.9	1.3	-6.6	4.3	4.4	-7.8	4.2	3.0
Bulgaria	6.3	2.4	2.1	3.5	3.1	3.7	-4.2	3.5	4.7	-5.1	2.6	3.7
Czechia	4.6	1.5	1.8	5.2	3.2	2.3	-5.6	3.4	4.4	-6.9	3.1	4.5
Denmark	1.9	-0.3	1.7	2.8	2.2	2.8	-2.7	2.9	3.5	-3.9	3.5	2.4
Croatia	5.0	-0.5	0.5	3.4	2.8	2.9	-8.0	5.0	6.1	-9.6	5.7	3.7
Hungary	4.4	-0.5	2.1	4.3	5.4	4.6	-5.0	5.0	5.5	-6.4	4.0	4.5
Poland	4.0	4.5	2.6	4.8	5.4	4.7	-2.7	4.0	5.4	-3.6	3.3	3.5
Romania	6.2	1.6	3.4	7.3	4.5	4.1	-3.9	5.1	4.9	-5.2	3.3	3.8
Sweden	3.3	1.5	1.9	2.6	2.0	1.4	-2.8	4.4	3.3	-3.4	3.3	2.4
EU	2.0	0.7	1.0	2.8	2.1	1.6	-6.1	4.2	4.4	-7.4	4.1	3.0
United Kingdom	2.7	0.2	2.1	1.7	1.3	1.4	-9.8	5.0	5.3	-10.3	3.3	2.1
Japan	1.4	-0.3	1.2	1.7	0.6	0.3	-4.8	3.1	2.5	-5.5	2.7	0.9
United States	3.0	0.6	2.3	2.3	3.0	2.2	-3.5	6.3	3.8	-4.6	3.7	2.5

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2020-22) 30.4.2021

	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4
Belgium	-3.3	-11.9	11.8	-0.1	0.6	0.9	1.5	1.1	0.9	0.6	0.6	0.6
Germany	-2.0	-9.7	8.7	0.5	-1.7	1.6	3.5	1.0	0.7	0.4	0.3	0.3
Estonia	-1.1	-5.2	2.5	2.1	-1.0	-0.5	4.4	2.4	0.5	0.5	0.5	0.5
Ireland	-3.9	-2.1	11.8	-5.1	-1.9	1.9	7.7	0.7	0.1	0.1	0.1	0.1
Greece	0.4	-13.4	3.1	2.7	:	:	:	:	:	:	:	:
Spain	-5.4	-17.8	17.1	0.0	-0.5	1.4	3.0	3.9	0.9	0.7	0.8	0.7
France	-5.8	-13.6	18.5	-1.4	0.4	-0.4	3.2	1.3	0.9	0.6	0.5	0.4
Italy	-5.6	-12.9	15.8	-1.8	-0.4	0.5	3.2	1.3	0.8	0.8	0.6	0.6
Cyprus	-0.5	-13.1	8.9	1.4	:	:	:	:	:	:	:	:
Latvia	-2.3	-7.0	6.9	1.1	-2.2	1.0	4.2	1.5	1.1	1.0	1.0	1.0
Lithuania	-0.3	-6.2	6.1	-0.3	1.8	-0.4	0.8	0.7	1.1	1.1	1.1	1.0
Luxembourg	-1.6	-7.3	9.3	1.6	:	:	:	:	:	:	:	:
Malta	-2.4	-14.2	8.0	3.8	:	:	:	:	:	:	:	:
Netherlands	-1.6	-8.4	7.7	-0.1	-1.1	0.7	2.5	1.0	0.6	0.5	0.5	0.5
Austria	-3.0	-10.7	11.8	-2.7	0.2	1.5	2.5	1.0	0.8	0.7	0.7	0.6
Portugal	-4.0	-14.0	13.4	0.2	-3.3	3.2	3.9	1.0	0.7	0.6	0.6	0.5
Slovenia	-4.8	-10.1	12.2	-1.0	-0.7	1.9	3.2	1.2	0.8	0.8	0.9	0.9
Slovakia	-5.1	-7.1	10.0	1.0	-1.9	1.4	3.6	1.0	0.9	0.9	0.9	0.8
Finland	-0.6	-4.7	3.3	0.4	0.3	0.5	1.3	1.0	0.5	0.5	0.5	0.4
Euro area	-3.8	-11.6	12.5	-0.7	-0.6	0.9	3.2	1.4	0.8	0.5	0.5	0.4
Bulgaria	0.4	-10.1	4.3	2.2	-0.1	1.4	3.1	2.5	0.2	0.2	0.2	0.2
Czechia	-3.1	-8.7	6.9	0.6	-0.3	1.1	2.4	1.0	1.0	0.9	0.8	0.8
Denmark	-1.3	-6.7	6.3	0.7	-0.2	0.7	1.3	0.9	0.8	0.8	0.8	0.8
Croatia	0.0	-14.9	5.2	3.8	1.5	1.6	4.1	2.7	0.4	0.3	1.7	1.4
Hungary	-0.5	-14.3	11.0	1.3	-0.2	1.4	2.8	1.6	1.1	0.9	0.9	0.9
Poland	-0.1	-8.9	7.5	-0.5	0.6	1.0	3.9	1.2	1.0	0.9	0.9	0.9
Romania	0.6	-11.8	5.6	4.8	0.7	0.9	1.1	0.4	1.4	1.4	1.7	1.8
Sweden	-0.3	-7.6	6.4	-0.2	1.1	1.7	1.5	0.8	0.6	0.6	0.6	0.6
EU	-3.3	-11.2	11.7	-0.5	-0.4	0.9	3.0	1.3	0.8	0.6	0.5	0.5
United Kingdom	-2.8	-19.5	16.9	1.3	-1.8	3.8	1.2	1.1	1.1	1.1	1.1	1.1
Japan	-0.6	-8.3	5.3	3.0	-1.0	0.6	1.5	1.0	0.4	0.4	0.2	0.1
United States	-1.3	-9.0	7.5	1.1	1.6	1.6	2.3	1.0	0.7	0.6	0.5	0.4

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2020-22) 30.4.2021

	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4
Belgium	-2.0	-14.0	-4.3	-4.9	-1.0	13.3	2.9	4.1	4.5	4.2	3.3	2.8
Germany	-2.2	-11.2	-3.8	-3.3	-3.0	9.2	4.0	4.5	7.1	5.7	2.4	1.7
Estonia	0.2	-5.5	-3.5	-1.9	-1.8	3.1	5.0	5.3	6.9	8.0	3.9	2.0
Ireland	4.1	-2.7	8.9	-0.2	1.8	6.0	2.2	8.4	10.7	8.8	1.0	0.4
Greece	0.1	-13.8	-10.5	-7.9	:	:	:	:	:	:	:	:
Spain	-4.3	-21.6	-8.6	-8.9	-4.3	18.1	3.9	7.9	9.5	8.7	6.3	3.0
France	-5.5	-18.6	-3.7	-4.8	1.5	16.9	1.7	4.5	5.0	6.1	3.3	2.4
Italy	-5.8	-18.1	-5.2	-6.6	-1.4	13.7	1.3	4.5	5.8	6.1	3.5	2.8
Cyprus	1.4	-12.6	-4.7	-4.5	:	:	:	:	:	:	:	:
Latvia	-1.2	-8.6	-2.8	-1.8	-1.7	6.7	4.0	4.5	8.0	8.0	4.8	4.2
Lithuania	2.5	-4.7	0.1	-1.1	1.0	7.3	1.9	2.9	2.2	3.8	4.1	4.4
Luxembourg	1.3	-7.9	0.0	1.4	:	:	:	:	:	:	:	:
Malta	2.1	-14.6	-8.6	-6.2	:	:	:	:	:	:	:	:
Netherlands	-0.4	-9.1	-2.4	-3.0	-2.5	7.2	2.0	3.1	4.9	4.7	2.6	2.1
Austria	-3.6	-13.6	-3.8	-5.9	-2.7	10.7	1.5	5.3	5.9	5.1	3.2	2.8
Portugal	-2.2	-16.4	-5.6	-6.1	-5.4	13.5	4.0	4.9	9.1	6.4	2.9	2.3
Slovenia	-3.3	-13.0	-3.0	-5.0	-1.0	12.3	3.3	5.6	7.2	6.1	3.7	3.4
Slovakia	-3.7	-10.9	-2.4	-2.1	1.2	10.5	4.0	4.1	7.1	6.5	3.8	3.6
Finland	-0.6	-6.1	-2.7	-1.7	-0.9	4.5	2.4	3.0	3.2	3.3	2.6	2.0
Euro area	-3.3	-14.6	-4.1	-4.9	-1.8	12.1	2.7	4.8	6.3	5.9	3.2	2.2
Bulgaria	2.3	-8.6	-5.2	-3.8	-4.3	7.9	6.7	7.0	7.4	6.2	3.2	0.9
Czechia	-1.8	-10.8	-5.1	-4.8	-2.1	8.3	3.8	4.1	5.5	5.3	3.6	3.4
Denmark	0.2	-7.5	-2.2	-1.5	-0.4	7.4	2.4	2.6	3.7	3.8	3.3	3.2
Croatia	1.1	-14.5	-10.2	-7.1	-5.7	12.6	11.5	10.3	9.1	7.7	5.1	3.7
Hungary	1.8	-13.4	-4.8	-4.1	-3.8	13.8	5.5	5.8	7.2	6.6	4.5	3.7
Poland	2.0	-7.9	-2.0	-2.7	-2.0	8.7	5.1	6.8	7.2	7.1	4.0	3.7
Romania	2.7	-10.0	-5.4	-1.8	-1.7	12.3	7.6	3.0	3.7	4.3	4.9	6.4
Sweden	0.1	-7.7	-2.2	-2.1	-0.8	9.1	4.1	5.2	4.7	3.5	2.6	2.4
EU	-2.7	-13.8	-4.0	-4.6	-1.7	11.7	3.0	4.8	6.2	5.8	3.2	2.4
United Kingdom	-2.2	-21.4	-8.5	-7.3	-6.3	19.7	4.5	4.3	7.5	4.7	4.6	4.5
Japan	-1.8	-8.8	-4.6	-0.5	-0.9	7.3	3.6	1.8	3.1	2.9	1.7	0.9
United States	0.2	-5.7	-1.4	-1.1	0.7	7.9	4.2	4.1	3.5	2.9	1.7	1.4

Table 4: Gross domestic product per capita (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.7	0.4	0.7	1.2	1.3	1.2	**-6.7**	**4.3**	**3.2**	*-8.8*	*4.0*	*3.1*
Germany	1.0	1.4	0.8	2.2	1.0	0.3	**-5.0**	**3.3**	**3.9**	*-5.6*	*3.5*	*2.4*
Estonia	8.7	-0.4	2.7	5.5	4.1	4.5	**-3.2**	**2.9**	**5.1**	*-5.0*	*3.4*	*3.6*
Ireland	3.2	-1.8	6.3	7.9	7.2	4.1	**2.3**	**3.5**	**3.9**	*-3.1*	*2.2*	*1.8*
Greece	3.9	-3.7	-1.5	1.5	1.8	2.0	**-8.1**	**5.1**	**6.7**	*-8.5*	*5.6*	*4.1*
Spain	1.6	-1.1	0.9	2.8	2.0	1.1	**-11.3**	**5.4**	**6.2**	*-12.5*	*4.8*	*4.2*
France	1.0	0.2	0.4	1.9	1.5	1.2	**-8.4**	**5.4**	**3.9**	*-9.6*	*5.5*	*2.8*
Italy	0.4	-1.0	-0.8	1.8	1.1	0.5	**-8.4**	**4.3**	**4.5**	*-9.8*	*4.1*	*2.9*
Cyprus	2.8	-0.7	-0.6	4.2	4.0	1.7	**-6.0**	**2.0**	**2.6**	*-7.2*	*2.6*	*1.8*
Latvia	10.5	0.0	3.8	4.2	4.8	2.7	**-3.0**	**4.0**	**6.6**	*-5.5*	*5.5*	*4.0*
Lithuania	9.1	2.5	4.2	5.8	4.9	4.6	**-0.9**	**3.1**	**4.6**	*-2.2*	*3.0*	*3.0*
Luxembourg	2.1	0.0	0.9	-0.4	1.1	0.2	**-2.8**	**2.5**	**1.3**	*-6.2*	*1.9*	*0.7*
Malta	1.9	2.1	4.3	5.2	1.6	1.5	**-9.0**	**1.9**	**3.4**	*-9.4*	*0.3*	*3.4*
Netherlands	1.2	0.6	0.5	2.3	1.8	1.0	**-4.3**	**1.9**	**3.1**	*-5.8*	*1.8*	*1.4*
Austria	1.6	0.9	0.0	1.8	2.1	1.0	**-7.0**	**3.0**	**3.8**	*-7.4*	*3.8*	*2.2*
Portugal	0.5	-0.1	0.3	3.8	3.0	2.5	**-7.8**	**3.9**	**5.0**	*-9.3*	*5.4*	*3.5*
Slovenia	3.9	0.5	0.8	4.7	4.1	2.3	**-6.2**	**4.6**	**4.9**	*-7.4*	*4.9*	*3.6*
Slovakia	6.0	3.8	2.3	2.8	3.5	2.4	**-4.9**	**4.7**	**5.1**	*-7.7*	*4.6*	*4.2*
Finland	2.6	0.2	-0.3	3.0	1.2	1.2	**-2.9**	**2.6**	**2.6**	*-4.4*	*2.8*	*2.0*
Euro area	1.2	0.1	0.6	2.4	1.6	1.0	**-6.7**	**4.1**	**4.2**	*-8.0*	*4.1*	*2.8*
Bulgaria	6.9	3.3	2.7	4.3	3.8	4.4	**-3.6**	**4.2**	**5.3**	*-4.7*	*3.2*	*4.3*
Czechia	4.6	1.1	1.7	4.9	2.8	1.9	**-5.9**	**3.3**	**4.4**	*-7.2*	*2.9*	*4.2*
Denmark	1.6	-0.8	1.1	2.2	1.7	2.4	**-3.0**	**2.5**	**3.1**	*-4.2*	*3.1*	*2.0*
Croatia	4.9	-0.3	1.1	4.5	3.8	3.5	**-7.6**	**5.2**	**6.2**	*-9.2*	*5.9*	*3.8*
Hungary	4.6	-0.3	2.4	4.6	5.5	4.7	**-4.7**	**5.2**	**5.7**	*-6.2*	*4.2*	*4.8*
Poland	4.1	4.3	2.7	4.8	5.4	4.8	**-2.6**	**4.2**	**5.6**	*-3.5*	*3.5*	*3.7*
Romania	7.4	2.7	3.9	7.9	5.1	4.7	**-3.6**	**5.9**	**5.5**	*-4.6*	*4.0*	*4.4*
Sweden	2.8	0.7	1.0	1.2	0.8	0.3	**-3.5**	**4.0**	**2.9**	*-3.7*	*2.9*	*2.0*
EU	1.6	0.4	0.8	2.6	1.9	1.4	**-6.2**	**4.1**	**4.3**	*-7.4*	*4.0*	*2.9*
United Kingdom	2.1	-0.6	1.4	1.1	0.6	0.9	**-10.2**	**4.6**	**4.9**	*-10.9*	*2.7*	*1.5*
Japan	1.3	-0.3	1.3	1.9	0.8	0.5	**-4.6**	**3.3**	**2.7**	*-5.3*	*2.9*	*1.1*
United States	2.0	-0.2	1.6	1.7	2.5	1.7	**-4.0**	**5.6**	**3.1**	*-5.1*	*3.1*	*1.9*

Table 5: **Domestic demand, volume (percentage change on preceding year, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.8	1.7	1.3	1.4	2.4	1.6	**-6.0**	**4.7**	**4.0**	*-8.3*	*4.5*	*3.8*
Germany	0.1	1.1	1.3	2.7	1.8	1.2	**-4.2**	**2.0**	**5.1**	*-4.1*	*3.1*	*2.6*
Estonia	11.1	-2.7	3.7	5.1	4.1	4.5	**2.4**	**-1.0**	**5.1**	*-5.1*	*4.0*	*4.0*
Ireland	6.2	-2.6	8.8	1.2	-1.9	32.4	**-17.9**	**4.9**	**6.4**	*-22.0*	*10.3*	*7.9*
Greece	4.4	-4.3	-2.4	1.0	1.3	1.2	**-2.4**	**3.4**	**3.4**	*-4.6*	*3.7*	*1.6*
Spain	4.4	-1.3	0.0	3.3	3.1	1.4	**-9.1**	**6.2**	**6.3**	*-11.1*	*3.8*	*4.4*
France	2.0	1.1	0.9	2.3	1.4	1.7	**-6.6**	**5.1**	**3.4**	*-7.4*	*5.7*	*2.2*
Italy	1.1	-0.5	-1.1	1.7	1.3	-0.4	**-8.4**	**4.3**	**4.6**	*-8.9*	*3.8*	*2.9*
Cyprus	5.5	1.8	-1.1	7.2	2.7	4.9	**0.7**	**2.2**	**2.0**	*-1.8*	*3.8*	*2.5*
Latvia	11.4	-3.1	1.6	4.5	5.3	2.5	**-3.9**	**5.7**	**5.9**	*-6.3*	*6.0*	*4.2*
Lithuania	9.5	-0.5	3.0	2.6	3.3	1.9	**-5.0**	**3.6**	**4.6**	*-3.5*	*4.3*	*3.6*
Luxembourg	2.5	2.7	2.8	2.1	2.3	3.3	**-4.3**	**5.5**	**4.5**	*-6.5*	*5.8*	*3.3*
Malta	3.2	1.1	4.9	2.0	7.7	7.6	**-1.3**	**5.8**	**4.8**	*-3.8*	*3.3*	*5.0*
Netherlands	1.1	0.7	0.6	2.3	2.4	2.0	**-3.7**	**1.9**	**4.0**	*-4.3*	*2.4*	*2.1*
Austria	1.7	1.1	0.8	2.3	2.2	1.0	**-6.3**	**3.6**	**3.8**	*-5.7*	*3.8*	*2.1*
Portugal	0.5	-0.8	-0.5	3.3	3.2	2.8	**-4.6**	**3.8**	**4.0**	*-6.9*	*4.6*	*3.3*
Slovenia	3.7	0.3	-0.3	3.9	5.0	3.4	**-6.5**	**4.5**	**5.5**	*-6.0*	*5.1*	*4.0*
Slovakia	4.7	2.2	1.4	3.2	3.4	3.8	**-5.5**	**3.6**	**5.5**	*-6.4*	*3.2*	*3.6*
Finland	2.9	1.3	0.6	1.7	2.7	-0.2	**-2.7**	**3.0**	**2.3**	*-2.7*	*2.7*	*2.7*
Euro area	1.7	0.3	0.6	2.4	1.8	1.9	**-6.3**	**3.8**	**4.5**	*-7.0*	*4.1*	*2.9*
Bulgaria	8.7	0.4	1.5	4.4	5.8	4.5	**-1.0**	**2.9**	**3.3**	*-3.8*	*2.3*	*3.1*
Czechia	3.8	1.0	1.5	4.3	4.8	2.4	**-5.7**	**3.0**	**4.6**	*-5.6*	*2.7*	*4.3*
Denmark	2.9	-0.6	1.9	2.4	2.9	1.3	**-0.7**	**2.9**	**3.1**	*-2.4*	*3.3*	*2.2*
Croatia	6.4	-1.4	0.1	4.1	4.7	2.7	**-2.3**	**3.4**	**4.4**	*-5.7*	*3.9*	*2.8*
Hungary	4.2	-2.2	1.6	5.8	7.1	6.6	**-3.0**	**4.0**	**5.0**	*-3.6*	*2.5*	*4.3*
Poland	3.9	4.5	1.9	4.9	5.6	3.6	**-3.7**	**3.9**	**5.6**	*-4.3*	*3.9*	*4.1*
Romania	9.1	1.9	2.8	8.9	5.9	5.1	**-2.1**	**5.9**	**5.6**	*-4.4*	*4.2*	*4.8*
Sweden	2.4	2.0	2.3	2.8	1.7	-0.3	**-3.0**	**3.9**	**2.9**	*-3.6*	*3.8*	*2.1*
EU	1.9	0.4	0.8	2.6	2.2	2.0	**-5.8**	**3.8**	**4.5**	*-6.6*	*4.0*	*3.0*
United Kingdom	2.9	-0.1	2.7	1.6	0.5	1.6	**-10.5**	**7.2**	**5.3**	*-11.6*	*3.2*	*1.9*
Japan	0.7	-0.4	1.2	1.1	0.5	0.5	**-3.8**	**2.4**	**2.6**	*-4.2*	*2.4*	*0.8*
United States	3.2	0.2	2.4	2.5	3.2	2.3	**-3.3**	**6.8**	**4.0**	*-3.7*	*3.2*	*2.2*

Table 6: **Final demand, volume (percentage change on preceding year, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	3.0	1.8	2.1	3.2	1.5	1.3	**-5.4**	**5.2**	**4.0**	*-8.4*	*4.7*	*3.5*
Germany	2.0	1.8	1.9	3.4	1.9	1.1	**-5.9**	**4.7**	**5.0**	*-5.9*	*4.1*	*3.1*
Estonia	11.3	1.2	3.2	4.7	4.0	5.3	**-1.0**	**1.7**	**5.3**	*-7.4*	*5.4*	*4.7*
Ireland	5.4	0.5	10.1	6.0	6.0	18.6	**-3.6**	**6.2**	**5.4**	*-8.6*	*4.7*	*5.1*
Greece	4.2	-3.6	-1.2	2.8	3.3	2.2	**-7.8**	**4.7**	**6.2**	*-9.4*	*5.3*	*3.7*
Spain	4.1	-0.6	0.9	3.9	2.9	1.7	**-12.0**	**7.2**	**7.9**	*-14.0*	*6.2*	*5.3*
France	2.3	1.1	1.4	2.8	2.1	1.8	**-8.9**	**6.1**	**4.8**	*-9.9*	*5.9*	*3.1*
Italy	1.4	-0.5	-0.4	2.6	1.5	0.1	**-9.7**	**5.7**	**5.4**	*-10.8*	*5.2*	*3.6*
Cyprus	3.5	2.1	1.0	8.3	4.9	2.6	**-4.7**	**3.4**	**4.2**	*-8.4*	*5.0*	*4.6*
Latvia	11.2	-0.8	2.7	5.2	5.0	2.4	**-3.5**	**6.0**	**6.0**	*-6.8*	*5.3*	*4.1*
Lithuania	10.8	1.8	3.7	7.0	4.8	5.2	**-2.7**	**4.9**	**5.2**	*-4.1*	*5.4*	*4.2*
Luxembourg	5.5	2.9	5.4	1.0	0.9	1.4	**0.9**	**3.5**	**2.4**	*-4.0*	*2.9*	*2.2*
Malta	4.3	5.3	5.1	6.0	2.5	6.8	**-5.4**	**5.4**	**5.4**	*-7.9*	*2.7*	*6.4*
Netherlands	2.5	1.4	2.1	4.3	3.4	2.3	**-4.0**	**4.0**	**4.6**	*-5.4*	*2.3*	*2.6*
Austria	2.9	1.5	1.3	3.2	3.4	1.7	**-7.8**	**5.0**	**5.1**	*-7.9*	*4.4*	*2.7*
Portugal	1.4	-0.1	1.0	4.8	3.5	3.2	**-8.9**	**5.5**	**5.3**	*-11.2*	*6.0*	*3.9*
Slovenia	5.9	1.4	1.6	7.2	5.6	3.7	**-7.6**	**6.9**	**6.4**	*-9.4*	*6.2*	*4.6*
Slovakia	9.3	3.5	3.7	3.4	4.3	2.3	**-6.5**	**7.6**	**5.4**	*-8.8*	*5.7*	*3.9*
Finland	3.7	1.0	0.6	3.5	2.4	1.7	**-3.8**	**3.6**	**3.6**	*-5.5*	*3.4*	*3.1*
Euro area	2.5	0.8	1.6	3.4	2.4	2.1	**-7.3**	**5.4**	**5.2**	*-8.5*	*4.7*	*3.5*
Bulgaria	9.3	2.2	3.2	5.0	4.1	4.3	**-5.1**	**4.4**	**5.2**	*-7.6*	*3.2*	*5.0*
Czechia	7.4	2.8	2.9	5.6	4.3	1.9	**-5.8**	**5.4**	**5.3**	*-8.0*	*4.6*	*4.8*
Denmark	3.5	0.1	2.2	3.3	3.0	2.7	**-3.4**	**3.8**	**4.2**	*-5.5*	*4.2*	*2.9*
Croatia	6.4	-1.1	1.6	5.0	4.4	4.0	**-10.0**	**7.0**	**6.8**	*-13.8*	*10.8*	*3.7*
Hungary	7.2	1.2	3.0	6.1	6.1	6.2	**-4.7**	**6.8**	**6.8**	*-5.9*	*5.1*	*6.0*
Poland	5.3	5.0	3.4	6.6	6.1	4.2	**-2.4**	**5.7**	**6.1**	*-6.0*	*4.4*	*4.3*
Romania	9.6	3.8	4.8	8.6	5.8	5.0	**-4.3**	**6.9**	**6.5**	*-6.9*	*4.8*	*5.5*
Sweden	3.7	1.8	2.4	3.2	2.5	1.3	**-3.7**	**5.1**	**3.4**	*-4.8*	*4.0*	*2.8*
EU	2.9	1.0	1.8	3.6	2.7	2.3	**-6.8**	**5.4**	**5.2**	*-8.2*	*4.7*	*3.6*
United Kingdom	3.4	0.0	2.4	1.9	1.6	1.8	**-11.7**	**5.9**	**5.4**	*-11.2*	*2.3*	*1.6*
Japan	1.7	-0.3	1.5	1.9	1.0	0.2	**-5.1**	**3.6**	**2.8**	*-5.4*	*2.9*	*1.0*
United States	3.4	0.6	2.4	2.6	3.1	2.0	**-4.3**	**7.0**	**4.4**	*-4.9*	*3.6*	*2.4*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.1	1.6	1.4	1.9	1.9	1.5	**-8.7**	**4.6**	**6.3**	*-10.0*	*5.3*	*4.3*
Germany	0.4	0.5	1.5	1.5	1.5	1.6	**-6.1**	**0.1**	**7.3**	*-7.2*	*3.6*	*3.1*
Estonia	10.0	-1.7	4.2	2.9	4.6	3.3	**-2.3**	**4.3**	**5.8**	*-4.4*	*3.5*	*3.9*
Ireland	4.7	0.0	2.0	2.2	2.6	3.2	**-9.0**	**5.5**	**8.6**	*-8.1*	*11.1*	*6.6*
Greece	3.8	-2.0	-2.4	1.9	2.3	1.9	**-5.2**	**2.5**	**3.3**	*-5.5*	*4.0*	*2.0*
Spain	3.5	-0.6	0.2	3.0	1.8	0.9	**-12.1**	**6.4**	**5.8**	*-14.6*	*4.5*	*4.2*
France	2.0	1.2	0.8	1.5	0.9	1.5	**-7.2**	**3.4**	**5.6**	*-7.7*	*5.1*	*3.5*
Italy	0.9	-0.1	-0.6	1.5	0.9	0.3	**-10.7**	**3.1**	**4.9**	*-10.5*	*3.8*	*3.1*
Cyprus	4.5	2.8	-0.4	4.9	4.7	1.8	**-3.9**	**1.1**	**2.3**	*-4.1*	*2.8*	*2.2*
Latvia	10.5	-2.0	3.2	3.0	2.6	2.2	**-10.0**	**6.5**	**8.9**	*-11.4*	*8.5*	*4.8*
Lithuania	9.8	-0.5	3.8	3.5	3.7	3.4	**-2.0**	**3.1**	**3.8**	*-3.5*	*3.2*	*3.3*
Luxembourg	2.0	1.5	2.8	2.2	3.3	2.8	**-6.9**	**6.5**	**4.3**	*-9.4*	*6.0*	*2.6*
Malta	2.5	1.6	2.3	3.4	8.4	4.5	**-7.6**	**4.4**	**5.8**	*-9.8*	*4.2*	*4.3*
Netherlands	0.5	0.2	0.3	2.1	2.2	1.5	**-6.4**	**1.1**	**6.5**	*-7.1*	*3.0*	*2.3*
Austria	1.8	1.0	0.6	1.9	1.1	0.8	**-9.6**	**3.0**	**5.3**	*-7.2*	*5.0*	*2.5*
Portugal	1.3	0.0	0.1	2.1	2.6	2.6	**-5.9**	**4.0**	**3.8**	*-7.9*	*4.9*	*3.5*
Slovenia	2.4	2.6	0.3	1.9	3.6	4.8	**-9.7**	**4.4**	**5.6**	*-7.8*	*5.4*	*4.5*
Slovakia	4.9	2.6	1.5	4.6	4.1	2.7	**-1.0**	**0.8**	**5.2**	*-2.4*	*2.2*	*3.5*
Finland	3.5	1.7	0.9	0.8	1.8	0.7	**-4.9**	**3.4**	**3.6**	*-4.4*	*3.5*	*3.9*
Euro area	1.5	0.4	0.6	1.8	1.5	1.3	**-8.0**	**2.7**	**6.0**	*-8.7*	*4.3*	*3.3*
Bulgaria	7.5	2.5	2.2	3.8	4.4	5.5	**0.2**	**1.9**	**3.6**	*-1.0*	*2.1*	*3.0*
Czechia	3.7	1.7	1.8	4.0	3.5	3.0	**-5.2**	**1.5**	**4.3**	*-5.0*	*2.3*	*4.3*
Denmark	2.8	0.0	1.3	2.3	2.7	1.4	**-1.9**	**3.1**	**3.9**	*-2.9*	*4.7*	*2.6*
Croatia	4.9	-0.4	-0.6	3.1	3.3	3.5	**-6.2**	**4.9**	**3.4**	*-6.7*	*4.3*	*2.9*
Hungary	4.5	-1.5	1.7	5.0	5.1	5.1	**-2.3**	**3.7**	**6.0**	*-3.1*	*4.4*	*4.8*
Poland	3.2	4.2	2.2	4.7	4.5	3.9	**-3.1**	**4.2**	**5.9**	*-5.5*	*4.3*	*4.0*
Romania	10.5	2.2	4.0	10.8	7.7	4.1	**-5.2**	**6.1**	**5.9**	*-8.8*	*4.9*	*5.8*
Sweden	2.6	2.3	2.3	2.6	1.8	1.2	**-4.7**	**3.8**	**5.5**	*-4.6*	*3.4*	*3.6*
EU	1.8	0.6	0.8	2.2	1.8	1.5	**-7.4**	**2.8**	**5.9**	*-8.2*	*4.2*	*3.4*
United Kingdom	2.8	0.0	2.6	1.1	1.4	1.1	**-10.9**	**6.4**	**5.9**	*-12.6*	*1.6*	*1.6*
Japan	1.1	0.1	0.6	1.1	0.3	-0.3	**-5.9**	**2.2**	**3.5**	*-7.7*	*2.0*	*0.7*
United States	3.2	0.9	2.5	2.6	2.7	2.4	**-3.9**	**7.4**	**4.5**	*-4.9*	*4.4*	*2.6*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.7	1.5	0.7	0.2	1.3	1.6	**0.6**	**4.1**	**0.4**	*1.0*	*1.7*	*0.9*
Germany	0.6	2.2	2.3	1.6	1.2	2.7	**3.3**	**3.6**	**1.0**	*3.5*	*2.0*	*1.5*
Estonia	3.4	1.7	2.5	1.1	0.7	3.0	**3.6**	**2.1**	**0.1**	*3.6*	*2.0*	*0.3*
Ireland	4.1	-0.1	1.3	3.9	5.7	5.8	**6.6**	**2.3**	**2.0**	*13.3*	*-0.4*	*-1.3*
Greece	4.1	-1.3	-2.3	-0.1	-4.2	1.2	**2.7**	**2.2**	**-2.3**	*-0.1*	*2.2*	*-0.8*
Spain	5.1	3.6	-0.8	1.0	2.6	2.3	**3.8**	**2.7**	**1.9**	*6.0*	*2.1*	*1.7*
France	1.7	1.5	1.4	1.4	0.9	1.7	**-3.0**	**6.0**	**-0.3**	*-3.2*	*5.2*	*0.9*
Italy	0.7	0.1	-0.7	-0.1	0.1	-0.8	**1.6**	**2.9**	**0.1**	*2.1*	*0.1*	*0.3*
Cyprus	4.0	3.6	-3.1	2.1	3.5	15.1	**13.1**	**4.0**	**-1.6**	*17.8*	*7.9*	*2.8*
Latvia	3.9	-2.2	2.1	3.4	1.6	2.6	**2.6**	**4.8**	**-3.6**	*2.9*	*3.0*	*2.0*
Lithuania	3.1	-0.6	0.5	-0.3	0.2	0.1	**0.6**	**0.1**	**-0.5**	*3.8*	*1.1*	*-1.0*
Luxembourg	3.4	2.2	2.4	4.7	4.1	4.8	**6.9**	**2.7**	**4.2**	*7.2*	*2.9*	*2.7*
Malta	1.6	2.7	2.0	1.6	12.1	13.8	**16.1**	**6.2**	**-2.2**	*18.4*	*-0.4*	*4.8*
Netherlands	3.2	2.3	0.1	0.9	1.7	1.6	**0.6**	**2.7**	**1.3**	*1.7*	*1.4*	*1.0*
Austria	1.8	1.5	0.9	0.9	1.2	1.5	**1.6**	**3.3**	**1.1**	*1.7*	*1.5*	*0.9*
Portugal	1.9	-0.3	-0.9	0.2	0.6	0.7	**0.4**	**2.0**	**1.7**	*1.0*	*1.6*	*0.8*
Slovenia	3.1	1.8	0.0	0.4	3.0	1.7	**1.8**	**2.4**	**1.1**	*5.3*	*3.0*	*-1.1*
Slovakia	3.3	2.4	2.1	1.3	0.1	4.6	**0.3**	**2.5**	**-0.2**	*8.9*	*0.3*	*-1.1*
Finland	1.7	0.8	0.7	0.2	1.8	2.0	**2.3**	**3.2**	**-1.3**	*4.8*	*0.1*	*-0.9*
Euro area	1.8	1.6	0.8	1.1	1.2	1.8	**1.3**	**3.8**	**0.6**	*1.9*	*2.3*	*1.0*
Bulgaria	3.9	-0.2	0.5	4.3	5.3	2.0	**7.5**	**1.3**	**0.0**	*3.2*	*0.4*	*0.3*
Czechia	2.8	0.4	1.1	1.8	3.8	2.2	**3.5**	**2.8**	**1.4**	*3.5*	*2.6*	*1.9*
Denmark	1.5	1.7	0.9	0.9	0.3	1.2	**-0.1**	**1.6**	**0.4**	*1.6*	*1.2*	*0.3*
Croatia	4.0	1.7	-0.1	2.2	2.3	3.4	**3.4**	**2.5**	**1.5**	*3.5*	*1.5*	*1.0*
Hungary	3.0	-0.1	1.9	2.5	1.7	4.0	**-1.0**	**5.0**	**-1.6**	*5.2*	*-3.6*	*0.2*
Poland	3.7	2.4	2.1	2.7	3.5	6.5	**4.4**	**3.3**	**3.3**	*5.7*	*2.7*	*3.9*
Romania	-2.0	0.2	1.5	4.4	3.3	6.9	**2.0**	**3.5**	**2.4**	*5.9*	*-0.1*	*1.7*
Sweden	0.8	1.3	2.0	0.1	0.8	0.3	**-0.5**	**5.0**	**-1.9**	*0.3*	*4.9*	*-1.8*
EU	1.8	1.5	0.9	1.1	1.3	1.9	**1.3**	**3.7**	**0.6**	*2.1*	*2.3*	*0.9*
United Kingdom	3.5	1.2	1.0	0.7	0.6	4.0	**-6.5**	**11.9**	**1.4**	*-6.5*	*8.9*	*1.2*
Japan	1.2	1.5	1.5	0.1	1.0	1.9	**2.7**	**4.1**	**1.3**	*2.0*	*3.6*	*1.0*
United States	1.9	1.0	-0.2	0.6	1.5	1.8	**0.3**	**1.6**	**1.9**	*1.8*	*0.1*	*-0.1*

Table 9: Total investment, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	2.4	1.4	2.3	1.4	3.4	3.5	**-6.9**	**6.0**	**2.8**	*-13.7*	*5.9*	*6.0*
Germany	0.0	1.5	1.4	2.5	3.5	2.5	**-3.1**	**3.2**	**3.9**	*-3.8*	*2.8*	*2.7*
Estonia	16.8	-4.4	2.4	7.8	3.9	11.1	**18.4**	**-11.4**	**7.9**	*-12.3*	*6.8*	*8.1*
Ireland	9.4	-9.0	24.5	0.0	-6.3	74.9	**-32.3**	**6.5**	**6.6**	*-41.3*	*15.3*	*13.5*
Greece	4.4	-11.0	-6.2	8.1	-6.6	-4.6	**-0.6**	**12.9**	**15.1**	*-8.0*	*5.5*	*4.0*
Spain	5.9	-6.4	-0.1	6.8	6.1	2.7	**-11.4**	**9.6**	**12.7**	*-17.3*	*3.8*	*8.5*
France	2.2	0.2	0.6	4.7	3.2	4.2	**-10.2**	**11.0**	**3.1**	*-10.9*	*10.8*	*1.7*
Italy	1.8	-2.7	-2.7	3.2	3.1	1.1	**-9.1**	**9.9**	**8.4**	*-13.6*	*7.2*	*5.6*
Cyprus	9.1	-2.6	-1.6	21.3	-5.2	2.0	**-2.0**	**3.8**	**4.8**	*-11.1*	*2.6*	*3.0*
Latvia	13.6	-6.5	-0.3	11.4	11.8	2.1	**0.2**	**4.3**	**7.1**	*-0.8*	*2.6*	*4.6*
Lithuania	14.4	-2.6	4.0	8.9	10.0	6.2	**-0.2**	**6.2**	**9.1**	*-8.5*	*9.6*	*7.9*
Luxembourg	2.1	5.4	2.6	5.6	-5.9	3.9	**-8.8**	**7.0**	**5.0**	*-15.5*	*9.6*	*5.4*
Malta	5.7	-0.2	13.4	-1.6	3.3	9.5	**-4.5**	**8.5**	**10.1**	*-10.1*	*8.0*	*6.8*
Netherlands	0.9	-0.1	1.5	4.2	3.6	4.6	**-3.6**	**2.7**	**2.3**	*-6.3*	*3.3*	*3.1*
Austria	0.6	0.5	1.7	4.1	3.9	4.0	**-4.9**	**4.8**	**3.3**	*-6.0*	*3.2*	*2.4*
Portugal	-2.3	-3.7	-2.5	11.5	6.2	5.4	**-1.9**	**4.6**	**6.9**	*-10.2*	*6.3*	*5.2*
Slovenia	4.9	-5.1	-2.1	10.2	9.6	5.8	**-4.1**	**7.2**	**9.5**	*-11.5*	*7.1*	*8.5*
Slovakia	4.7	2.5	0.6	3.0	2.7	6.6	**-12.0**	**8.6**	**12.5**	*-12.6*	*9.2*	*8.6*
Finland	1.8	0.7	0.4	4.8	3.5	-0.9	**-3.1**	**2.1**	**3.4**	*-5.1*	*3.7*	*4.0*
Euro area	2.0	-1.3	0.9	3.8	3.2	5.7	**-8.2**	**6.7**	**5.3**	*-11.2*	*6.1*	*4.2*
Bulgaria	14.7	-2.2	0.3	3.2	5.4	4.5	**-5.1**	**3.4**	**6.1**	*-11.5*	*0.5*	*7.0*
Czechia	3.9	1.3	0.8	4.9	10.0	2.3	**-8.1**	**3.6**	**7.9**	*-7.5*	*3.3*	*6.3*
Denmark	4.4	-4.2	4.6	4.0	4.8	2.8	**2.1**	**3.4**	**4.2**	*-4.4*	*2.9*	*3.7*
Croatia	11.2	-3.7	1.1	5.1	6.5	7.1	**-2.9**	**7.3**	**10.2**	*-8.2*	*5.5*	*4.5*
Hungary	4.2	-3.0	2.3	19.7	16.4	12.8	**-7.3**	**3.8**	**8.4**	*-10.4*	*4.1*	*6.9*
Poland	4.9	6.5	0.8	4.0	9.4	6.1	**-9.6**	**3.7**	**7.2**	*-6.2*	*4.2*	*4.7*
Romania	12.8	3.9	1.5	3.5	-1.1	13.0	**6.8**	**5.8**	**7.4**	*2.5*	*4.1*	*4.5*
Sweden	4.0	1.3	3.2	5.5	1.4	-3.1	**0.6**	**2.0**	**3.6**	*-3.4*	*1.8*	*3.7*
EU	2.4	-1.0	1.1	4.1	3.5	5.4	**-7.4**	**6.2**	**5.4**	*-10.3*	*5.6*	*4.2*
United Kingdom	2.8	-2.0	4.5	2.8	0.4	1.5	**-8.8**	**3.8**	**8.3**	*-13.7*	*1.1*	*4.1*
Japan	-0.4	-3.1	2.5	1.6	0.2	0.9	**-4.1**	**1.2**	**1.8**	*-1.3*	*2.4*	*0.8*
United States	3.4	-2.3	4.2	3.5	4.8	2.3	**-0.8**	**8.2**	**3.8**	*-3.6*	*1.6*	*2.7*

Table 10: Investment in construction, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	2.7	1.7	1.6	1.6	4.0	6.2	**-7.0**	**6.5**	**2.7**	*-14.0*	*6.0*	*4.9*
Germany	-2.3	1.3	0.7	0.8	2.6	3.8	**1.9**	**0.0**	**3.0**	*2.9*	*0.6*	*1.8*
Estonia	17.6	-5.5	1.5	5.9	-0.5	5.3	**3.5**	**5.0**	**7.1**	*-8.4*	*3.9*	*8.1*
Ireland	8.1	-18.4	8.2	13.5	13.4	8.0	**-9.1**	**3.2**	**8.2**	*-7.1*	*8.8*	*5.5*
Greece	3.7	-12.7	-10.3	-3.7	-15.7	-20.4	**10.7**	**20.6**	**22.6**	*5.0*	*6.5*	*5.0*
Spain	6.0	-9.0	-2.7	6.7	9.3	1.6	**-14.0**	**8.4**	**11.8**	*-18.4*	*2.8*	*8.0*
France	3.0	-0.8	-0.9	4.4	2.4	4.4	**-13.2**	**13.5**	**3.3**	*-11.9*	*14.2*	*0.7*
Italy	2.4	-3.9	-5.5	1.5	2.0	2.2	**-6.3**	**11.3**	**8.9**	*-14.1*	*7.5*	*5.4*
Cyprus	10.8	-4.0	-7.9	13.8	22.3	11.2	**-8.2**	**2.6**	**3.1**	*-11.3*	*1.2*	*1.9*
Latvia	17.1	-8.5	-1.5	14.2	17.8	0.7	**1.5**	**5.5**	**9.7**	*1.6*	*2.5*	*4.2*
Lithuania	13.9	-3.9	1.4	7.7	10.8	9.0	**-0.4**	**4.2**	**4.2**	*-1.0*	*8.9*	*5.9*
Luxembourg	3.3	2.2	1.8	-0.1	2.9	2.2	**-4.2**	**6.1**	**6.4**	*-15.8*	*7.5*	*8.1*
Malta	3.8	-3.6	5.3	35.0	8.7	12.8	**0.4**	**9.9**	**10.0**	*-6.6*	*11.1*	*9.2*
Netherlands	0.4	-2.3	1.0	5.5	7.0	3.3	**-1.9**	**-2.3**	**1.6**	*-2.5*	*-1.1*	*2.5*
Austria	0.2	-1.5	0.2	2.5	3.6	3.6	**-3.3**	**4.2**	**2.5**	*-3.6*	*2.6*	*2.0*
Portugal	-3.8	-5.4	-6.6	12.2	4.7	7.0	**4.6**	**4.3**	**3.3**	*2.9*	*3.2*	*3.3*
Slovenia	2.5	-7.8	-4.5	9.1	8.8	11.0	**0.1**	**8.7**	**9.7**	*-10.2*	*7.9*	*6.1*
Slovakia	6.5	-2.3	-1.3	8.6	2.4	-1.8	**-5.4**	**8.2**	**9.2**	*-6.0*	*6.4*	*5.8*
Finland	2.9	1.1	0.5	4.1	4.8	-1.0	**-1.5**	**1.8**	**2.7**	*-0.5*	*1.2*	*3.0*
Euro area	1.9	-2.9	-1.2	3.3	3.8	3.5	**-5.5**	**5.8**	**4.8**	*-6.7*	*5.2*	*2.9*
Bulgaria	18.6	-2.0	-0.4	-3.2	0.8	-5.9	**-6.7**	**4.7**	**7.3**	*-10.7*	*0.6*	*6.0*
Czechia	3.7	-0.8	-1.5	7.2	8.3	0.9	**-3.3**	**3.8**	**8.9**	*-1.1*	*3.0*	*5.9*
Denmark	5.0	-6.2	3.5	3.6	3.1	6.7	**7.6**	**3.6**	**3.9**	*-0.5*	*3.3*	*4.0*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Hungary	3.2	-5.8	-1.1	28.2	20.7	13.2	**7.1**	**-1.6**	**8.0**	*-4.2*	*-1.8*	*6.8*
Poland	4.6	7.5	-1.2	-0.2	10.9	7.5	**-9.1**	**-1.6**	**6.9**	*-3.7*	*1.0*	*4.1*
Romania	11.1	5.4	6.7	10.7	-8.5	10.8	**15.4**	**5.9**	**9.3**	*3.6*	*5.0*	*5.5*
Sweden	6.1	-0.5	4.6	5.3	1.9	-2.0	**-0.2**	**-0.7**	**2.1**	*0.4*	*0.1*	*2.4*
EU	2.2	-2.5	-0.8	3.7	3.9	3.6	**-4.6**	**5.1**	**5.0**	*-5.9*	*4.7*	*3.1*
United Kingdom	2.3	-3.0	4.7	3.9	1.7	2.8	**-11.6**	**3.8**	**10.2**	*-17.4*	*0.8*	*4.0*
Japan	-3.3	-4.4	2.5	0.7	-1.7	1.2	**:**	**:**	**:**	*:*	*:*	*:*
United States	3.3	2.8	3.3	3.8	5.3	5.7	**3.2**	**7.0**	**3.8**	*-0.4*	*1.6*	*2.7*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.3	-0.5	3.1	-1.9	1.3	-0.2	**-6.2**	**5.0**	**3.0**	*-15.4*	*5.3*	*9.8*
Germany	2.5	0.9	1.5	4.2	4.4	0.5	**-12.1**	**9.0**	**6.0**	*-15.7*	*7.1*	*4.1*
Estonia	16.1	-5.0	2.8	9.9	7.8	21.2	**-16.3**	**11.6**	**9.4**	*-18.9*	*11.8*	*8.8*
Ireland	13.1	-0.9	10.5	11.5	15.5	-1.2	**-25.2**	**2.2**	**8.1**	*-67.6*	*0.7*	*10.7*
Greece	5.3	-11.3	-1.9	23.3	-3.3	6.7	**-7.1**	**13.4**	**14.6**	*-15.4*	*5.0*	*2.7*
Spain	4.8	-4.4	2.2	9.2	5.4	4.4	**-13.0**	**12.2**	**15.0**	*-23.4*	*5.8*	*10.2*
France	0.5	0.1	2.1	4.1	2.4	3.9	**-13.6**	**10.7**	**3.3**	*-17.6*	*11.3*	*5.5*
Italy	1.9	-2.0	-1.4	6.4	4.5	0.3	**-15.2**	**12.4**	**8.8**	*-18.8*	*9.4*	*7.6*
Cyprus	6.2	-2.3	6.9	20.6	-34.6	-14.9	**15.6**	**7.9**	**10.0**	*-17.0*	*8.0*	*8.0*
Latvia	10.6	-5.7	0.8	9.3	3.9	2.2	**-2.2**	**2.8**	**3.5**	*-4.0*	*3.0*	*5.3*
Lithuania	15.8	-3.4	8.4	9.2	8.0	3.6	**-5.1**	**7.9**	**9.8**	*-13.1*	*10.7*	*6.4*
Luxembourg	2.0	11.5	2.2	16.3	-22.2	12.5	**-12.6**	**9.0**	**1.9**	*-15.6*	*13.8*	*1.3*
Malta	10.1	1.1	22.2	-34.0	-8.0	2.7	**-25.0**	**:**	**:**	*:*	*:*	*:*
Netherlands	0.7	2.6	1.1	3.2	0.7	6.5	**-8.9**	**12.7**	**0.7**	*-14.2*	*6.7*	*4.3*
Austria	-0.1	1.1	2.6	7.3	3.2	4.7	**-11.1**	**6.4**	**4.3**	*-14.8*	*5.1*	*3.4*
Portugal	-0.5	-4.5	4.1	12.4	8.9	2.7	**-12.0**	**4.9**	**15.4**	*-30.7*	*15.2*	*9.9*
Slovenia	8.5	-4.5	0.3	12.4	11.2	1.9	**-11.1**	**7.0**	**11.5**	*-16.0*	*7.5*	*13.0*
Slovakia	3.4	7.6	2.1	-6.0	1.8	13.4	**-19.2**	**9.6**	**16.5**	*-20.0*	*13.3*	*12.1*
Finland	-0.6	0.6	3.9	9.4	-2.3	-4.0	**-9.1**	**3.4**	**6.5**	*-14.7*	*11.1*	*5.5*
Euro area	2.3	-0.6	1.6	5.4	3.7	2.1	**-12.8**	**9.7**	**6.7**	*-19.1*	*8.0*	*6.1*
Bulgaria	12.8	-3.7	0.5	4.4	8.8	15.1	**-3.7**	**4.7**	**3.7**	*-12.8*	*0.0*	*8.1*
Czechia	4.3	3.3	1.4	1.1	8.9	1.4	**-15.0**	**3.2**	**7.2**	*-15.2*	*3.3*	*7.0*
Denmark	4.4	-6.5	6.7	10.1	8.6	-5.7	**-7.0**	**4.1**	**6.1**	*-12.3*	*2.2*	*3.3*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Hungary	4.9	-1.2	5.9	16.1	12.9	11.8	**-23.6**	**12.7**	**8.9**	*-16.4*	*11.0*	*8.4*
Poland	5.5	5.3	2.9	8.3	8.0	3.2	**-11.8**	**11.1**	**8.4**	*-9.8*	*8.4*	*5.6*
Romania	15.5	2.2	-4.3	-9.9	11.6	9.5	**-4.2**	**6.7**	**5.9**	*2.0*	*3.3*	*3.1*
Sweden	4.7	2.8	2.9	2.3	0.3	-4.1	**-6.4**	**5.8**	**5.2**	*-11.5*	*5.7*	*7.0*
EU	2.7	-0.3	1.7	5.2	4.3	2.1	**-12.4**	**9.3**	**6.8**	*-17.6*	*7.6*	*6.0*
United Kingdom	3.1	-4.3	6.1	0.9	-5.5	-2.6	**-11.5**	**5.7**	**9.7**	*-15.6*	*0.0*	*4.8*
Japan	2.8	-2.8	3.0	4.6	3.1	0.5	**:**	**:**	**:**	*:*	*:*	*:*
United States	5.6	1.5	3.9	3.5	7.8	2.5	**-4.1**	**12.0**	**3.8**	*-10.7*	*1.2*	*2.9*

Table 12: Public investment (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	2.0	2.2	2.5	2.4	2.6	2.7	**2.8**	**3.0**	**2.9**	*2.7*	*2.8*	*2.7*
Germany	2.0	2.2	2.2	2.2	2.4	2.5	**2.7**	**2.8**	**2.8**	*2.8*	*2.8*	*2.8*
Estonia	5.1	5.6	5.3	5.7	5.3	5.0	**5.7**	**6.3**	**6.2**	*5.5*	*5.9*	*6.2*
Ireland	3.8	3.9	2.0	1.8	2.1	2.4	**2.7**	**2.9**	**3.0**	*2.6*	*2.7*	*2.7*
Greece	5.3	4.5	3.4	4.5	3.2	2.5	**3.0**	**4.9**	**5.8**	*3.2*	*4.1*	*3.9*
Spain	4.2	4.6	2.3	2.0	2.2	2.1	**2.5**	**2.5**	**2.4**	*2.6*	*2.4*	*2.4*
France	3.9	4.1	3.7	3.3	3.4	3.7	**3.8**	**3.9**	**3.9**	*3.9*	*3.9*	*3.8*
Italy	3.0	3.2	2.4	2.2	2.1	2.3	**2.7**	**2.9**	**3.2**	*2.6*	*2.7*	*2.7*
Cyprus	3.7	3.7	2.4	2.7	4.9	2.6	**2.9**	**3.5**	**3.5**	*1.9*	*1.9*	*1.9*
Latvia	3.3	5.3	4.6	4.6	5.6	5.0	**5.7**	**6.2**	**6.1**	*5.7*	*5.1*	*5.1*
Lithuania	3.5	5.0	3.6	3.2	3.2	3.1	**4.1**	**3.9**	**3.9**	*3.9*	*3.5*	*2.6*
Luxembourg	4.9	4.3	3.9	4.1	3.9	4.0	**5.0**	**4.3**	**4.2**	*5.2*	*4.9*	*4.8*
Malta	4.2	2.7	3.2	2.4	3.3	3.9	**4.5**	**5.6**	**5.3**	*4.9*	*5.1*	*5.0*
Netherlands	4.0	4.1	3.6	3.4	3.4	3.4	**3.4**	**3.9**	**3.7**	*3.7*	*3.7*	*3.8*
Austria	2.7	3.2	3.0	3.1	3.1	3.1	**3.4**	**3.6**	**3.5**	*3.3*	*3.4*	*3.3*
Portugal	4.2	4.0	2.1	1.8	1.8	1.9	**2.2**	**2.5**	**3.2**	*2.5*	*2.9*	*3.0*
Slovenia	3.9	4.7	4.3	3.1	3.7	3.8	**4.2**	**5.8**	**5.8**	*4.5*	*5.8*	*6.0*
Slovakia	3.5	3.6	4.1	3.4	3.7	3.6	**3.5**	**3.8**	**3.7**	*3.9*	*3.6*	*4.0*
Finland	3.7	3.7	4.1	4.1	4.3	4.4	**4.6**	**4.6**	**4.3**	*4.8*	*4.7*	*4.4*
Euro area	3.2	3.4	2.8	2.6	2.7	2.8	**3.1**	**3.3**	**3.3**	*3.1*	*3.2*	*3.1*
Bulgaria	3.6	4.8	4.4	2.3	3.1	3.4	**4.5**	**4.2**	**4.2**	*4.2*	*4.1*	*3.9*
Czechia	5.4	5.1	4.1	3.3	4.1	4.4	**4.9**	**5.2**	**5.3**	*4.8*	*5.0*	*4.8*
Denmark	2.8	3.2	3.7	3.4	3.4	3.2	**3.6**	**3.7**	**3.7**	*3.5*	*3.5*	*3.5*
Croatia	6.2	5.2	3.7	2.8	3.5	4.3	**5.6**	**6.3**	**7.4**	*5.2*	*6.1*	*6.4*
Hungary	4.4	3.6	4.6	4.5	5.8	6.2	**6.4**	**6.4**	**6.6**	*6.3*	*5.8*	*5.4*
Poland	3.1	5.1	4.3	3.8	4.7	4.3	**4.4**	**4.7**	**4.9**	*4.6*	*4.6*	*4.6*
Romania	3.6	5.9	4.5	2.6	2.7	3.5	**4.6**	**5.0**	**5.2**	*4.4*	*4.1*	*4.5*
Sweden	4.1	4.3	4.4	4.6	4.9	4.9	**5.1**	**5.0**	**5.0**	*5.1*	*5.0*	*5.0*
EU	3.3	3.5	3.0	2.8	2.9	3.0	**3.3**	**3.5**	**3.5**	*3.4*	*3.4*	*3.3*
United Kingdom	2.4	3.0	2.7	2.7	2.7	2.8	**3.1**	**3.5**	**3.5**	*3.0*	*3.2*	*3.2*
Japan	4.3	3.6	3.7	3.6	3.7	3.9	**4.2**	**4.3**	**4.2**	*4.3*	*4.3*	*4.3*
United States	3.8	4.0	3.3	3.2	3.2	3.3	**3.6**	**3.4**	**3.4**	*3.8*	*3.5*	*3.1*

Table 13: Potential GDP, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	2.1	1.6	1.1	1.3	1.4	1.5	**1.1**	**1.1**	**1.4**	*0.6*	*0.6*	*1.0*
Germany	1.3	1.1	1.5	1.3	1.3	1.1	**0.9**	**1.1**	**1.3**	*0.8*	*0.9*	*1.0*
Estonia	6.3	1.3	2.1	3.4	3.9	4.4	**4.2**	**3.1**	**3.2**	*3.3*	*3.3*	*3.1*
Ireland	5.4	0.2	6.3	8.8	9.4	6.8	**4.3**	**4.3**	**4.3**	*2.1*	*2.3*	*2.6*
Greece	3.6	-0.1	-2.4	-1.3	-1.1	-0.5	**-0.9**	**-0.2**	**0.7**	*-0.9*	*-0.4*	*0.2*
Spain	3.4	1.9	0.0	0.8	1.0	1.2	**0.1**	**1.0**	**1.5**	*-0.2*	*0.6*	*1.0*
France	1.8	1.3	0.9	0.9	0.8	0.8	**0.7**	**1.0**	**1.3**	*0.7*	*1.0*	*1.2*
Italy	0.8	0.1	-0.3	0.1	0.2	-0.1	**0.3**	**0.0**	**0.9**	*0.1*	*-0.4*	*0.7*
Cyprus	3.6	2.8	-0.5	2.4	2.5	2.5	**2.0**	**2.1**	**2.2**	*1.6*	*1.7*	*1.8*
Latvia	7.3	1.3	1.2	2.4	2.8	3.1	**2.6**	**2.9**	**3.0**	*2.3*	*2.3*	*2.2*
Lithuania	6.0	2.9	1.8	2.5	3.3	4.5	**4.3**	**4.1**	**3.6**	*3.6*	*3.7*	*3.3*
Luxembourg	3.9	2.5	2.8	3.1	2.7	3.0	**2.6**	**2.8**	**2.8**	*1.9*	*2.2*	*2.3*
Malta	2.4	3.0	5.1	5.9	5.7	5.3	**2.8**	**3.3**	**3.5**	*2.3*	*3.0*	*3.4*
Netherlands	1.9	1.2	0.8	1.5	1.6	1.6	**1.3**	**1.1**	**1.2**	*0.9*	*0.6*	*0.9*
Austria	2.2	1.2	1.1	1.2	1.2	1.1	**0.9**	**1.0**	**1.1**	*0.7*	*0.8*	*0.8*
Portugal	1.3	0.2	-0.2	1.3	1.5	1.5	**1.3**	**1.5**	**1.8**	*0.7*	*1.3*	*1.4*
Slovenia	3.2	2.4	0.8	1.3	2.0	2.7	**2.4**	**2.9**	**3.3**	*1.3*	*1.9*	*2.3*
Slovakia	5.1	4.5	2.1	1.9	2.2	2.4	**1.5**	**2.1**	**2.9**	*0.7*	*1.3*	*1.9*
Finland	2.9	0.9	0.4	1.2	1.5	1.5	**1.2**	**1.4**	**1.4**	*0.7*	*1.1*	*1.2*
Euro area	1.8	1.1	0.8	1.2	1.2	1.1	**0.8**	**1.1**	**1.4**	*0.6*	*0.7*	*1.1*
Bulgaria	4.9	2.9	2.0	2.6	2.6	2.6	**1.8**	**2.1**	**2.3**	*1.2*	*1.5*	*1.7*
Czechia	3.8	2.6	1.7	2.8	2.6	2.4	**1.6**	**1.8**	**2.2**	*1.2*	*1.6*	*1.9*
Denmark	1.4	1.1	1.4	2.1	2.1	2.0	**2.1**	**2.2**	**2.2**	*1.8*	*1.9*	*2.0*
Croatia	3.6	0.6	0.3	1.1	1.7	2.1	**1.1**	**2.4**	**2.6**	*0.5*	*1.6*	*1.6*
Hungary	3.7	0.9	1.3	2.9	3.7	4.2	**3.3**	**3.2**	**3.5**	*2.5*	*2.5*	*2.7*
Poland	3.7	4.2	3.1	3.3	3.5	3.6	**2.9**	**3.2**	**3.4**	*2.6*	*2.8*	*2.8*
Romania	4.8	3.6	2.9	4.6	4.0	4.3	**3.2**	**3.2**	**3.3**	*2.5*	*2.4*	*2.3*
Sweden	2.8	2.0	1.9	2.3	2.2	2.1	**1.9**	**2.0**	**2.1**	*1.4*	*1.6*	*1.7*
EU	2.0	1.2	1.0	1.4	1.4	1.4	**1.0**	**1.3**	**1.6**	*0.7*	*0.8*	*1.1*
United Kingdom	2.6	1.2	1.2	1.3	1.2	1.0	**0.7**	**0.9**	**1.3**	*0.1*	*0.2*	*0.3*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	2.7	1.5	1.8	2.0	2.0	2.1	**1.9**	**2.2**	**2.1**	*1.5*	*1.5*	*1.7*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	0.3	0.4	-0.4	0.4	0.8	1.1	**-6.3**	**-3.1**	**-0.9**	*-7.3*	*-4.1*	*-1.7*
Germany	-0.9	-0.5	0.0	1.6	1.6	1.0	**-4.8**	**-2.7**	**0.0**	*-5.1*	*-2.7*	*-1.1*
Estonia	3.3	-1.6	-0.5	1.8	2.2	2.8	**-4.3**	**-4.5**	**-2.8**	*-3.7*	*-3.6*	*-3.3*
Ireland	0.6	-1.6	0.7	2.0	1.2	0.0	**-0.8**	**-0.5**	**0.1**	*-2.5*	*-1.9*	*-1.9*
Greece	2.7	-1.6	-13.4	-8.4	-5.9	-3.7	**-10.8**	**-6.9**	**-2.1**	*-12.3*	*-7.5*	*-4.4*
Spain	3.3	-1.8	-6.6	-0.5	1.0	1.8	**-9.3**	**-5.0**	**0.0**	*-10.2*	*-6.0*	*-2.5*
France	1.4	-0.2	-1.5	0.2	1.1	1.8	**-7.1**	**-2.7**	**0.1**	*-8.3*	*-3.9*	*-2.1*
Italy	1.5	0.0	-3.4	-0.5	0.3	0.6	**-8.6**	**-4.8**	**-1.4**	*-9.5*	*-5.4*	*-3.4*
Cyprus	2.6	2.3	-5.7	2.0	4.8	5.4	**-1.9**	**-0.9**	**0.7**	*-2.6*	*-0.7*	*0.5*
Latvia	2.4	-2.8	0.0	2.4	3.7	2.6	**-3.6**	**-3.0**	**-0.2**	*-4.4*	*-1.9*	*-0.6*
Lithuania	1.5	-2.1	-0.2	2.9	3.5	3.4	**-1.8**	**-2.9**	**-2.6**	*-1.8*	*-2.5*	*-3.2*
Luxembourg	0.7	-0.1	-2.1	-0.7	-0.3	-1.0	**-4.7**	**-3.2**	**-2.7**	*-6.3*	*-4.7*	*-4.4*
Malta	-0.4	-0.4	1.5	4.6	4.1	4.3	**-5.6**	**-4.5**	**-2.1**	*-5.3*	*-5.4*	*-2.8*
Netherlands	-1.4	-0.4	-2.1	0.5	1.3	1.4	**-3.7**	**-2.5**	**-0.2**	*-4.3*	*-2.8*	*-1.8*
Austria	-0.5	0.0	-0.8	0.4	1.8	2.1	**-5.5**	**-3.2**	**-0.2**	*-5.4*	*-2.2*	*-0.6*
Portugal	-0.5	0.0	-3.1	1.2	2.5	3.5	**-5.6**	**-3.3**	**-0.2**	*-6.5*	*-2.7*	*-0.7*
Slovenia	2.3	2.0	-4.6	1.8	4.2	4.7	**-3.4**	**-1.6**	**0.0**	*-3.5*	*-0.5*	*1.0*
Slovakia	-0.7	1.3	-1.7	0.8	2.3	2.4	**-3.9**	**-1.4**	**0.8**	*-4.6*	*-1.4*	*1.0*
Finland	-0.2	0.2	-2.3	0.7	0.5	0.3	**-3.6**	**-2.3**	**-1.0**	*-3.9*	*-2.3*	*-1.3*
Euro area	:	-2.2	-2.2	0.4	1.0	1.2	**-6.3**	**-3.3**	**-0.3**	*-7.0*	*-3.8*	*-1.9*
Bulgaria	0.5	1.2	-1.1	1.2	1.7	2.8	**-3.2**	**-1.9**	**0.4**	*-3.2*	*-2.2*	*-0.2*
Czechia	1.6	1.2	-1.5	2.4	3.0	2.9	**-4.4**	**-2.9**	**-0.7**	*-5.1*	*-3.7*	*-1.3*
Denmark	1.8	-0.8	-2.4	-0.3	-0.2	0.7	**-4.1**	**-3.3**	**-2.1**	*-5.1*	*-3.6*	*-3.2*
Croatia	1.5	1.5	-2.7	2.0	3.1	3.8	**-5.5**	**-3.1**	**0.1**	*-5.7*	*-1.9*	*0.0*
Hungary	2.5	-2.0	-1.4	2.3	3.9	4.4	**-3.9**	**-2.3**	**-0.4**	*-3.8*	*-2.5*	*-0.7*
Poland	-2.3	1.8	-1.3	0.7	2.5	3.6	**-2.0**	**-1.2**	**0.7**	*-1.8*	*-1.3*	*-0.6*
Romania	3.1	1.1	-2.0	1.3	1.7	1.6	**-5.3**	**-3.6**	**-2.1**	*-5.3*	*-4.4*	*-3.0*
Sweden	0.4	-0.5	-0.9	0.8	0.5	-0.2	**-4.8**	**-2.5**	**-1.4**	*-4.5*	*-2.9*	*-2.1*
EU	0.6	-0.3	-2.1	0.5	1.1	1.3	**-5.9**	**-3.1**	**-0.4**	*-6.8*	*-3.9*	*-2.2*
United Kingdom	0.9	-2.1	-0.7	1.3	1.4	1.8	**-8.9**	**-5.1**	**-1.4**	*-8.5*	*-5.6*	*-3.9*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	0.5	-1.6	-0.6	0.6	1.6	1.6	**-3.8**	**0.1**	**1.8**	*-3.7*	*-1.6*	*-0.8*

[1] When comparing output gaps between successive forecasts it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: **Deflator of gross domestic product (percentage change on preceding year, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	**2007 - 11**	**2012 - 16**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	***2020***	***2021***	***2022***
Belgium	2.0	1.6	1.5	1.8	1.6	1.7	**1.1**	**1.6**	**1.5**	*1.7*	*1.6*	*1.5*
Germany	0.9	1.2	1.7	1.4	1.7	2.2	**1.6**	**1.6**	**1.5**	*2.6*	*1.4*	*1.5*
Estonia	5.6	5.2	2.9	3.1	4.2	3.2	**-0.4**	**1.8**	**2.3**	*0.8*	*1.3*	*2.3*
Ireland	3.2	-1.1	2.4	1.6	0.3	3.1	**-0.5**	**1.5**	**1.2**	*0.5*	*1.7*	*1.3*
Greece	3.1	2.2	-1.0	0.4	-0.1	0.2	**-1.5**	**-0.3**	**0.7**	*-1.4*	*0.4*	*0.9*
Spain	4.0	1.2	0.2	1.3	1.2	1.4	**1.1**	**1.0**	**1.1**	*0.7*	*1.1*	*1.0*
France	1.9	1.4	0.8	0.5	1.0	1.2	**2.2**	**0.5**	**1.1**	*2.8*	*0.5*	*1.2*
Italy	2.6	1.7	1.1	0.7	1.1	0.8	**1.2**	**0.8**	**1.2**	*1.3*	*1.0*	*1.2*
Cyprus	2.7	2.5	-0.4	1.1	1.2	0.9	**-1.5**	**1.4**	**1.2**	*0.8*	*1.3*	*1.2*
Latvia	8.0	5.1	1.6	3.0	3.9	2.3	**0.1**	**2.2**	**2.1**	*1.0*	*1.3*	*1.4*
Lithuania	3.1	4.5	1.3	4.2	3.5	2.8	**1.1**	**2.0**	**2.1**	*1.5*	*2.4*	*2.6*
Luxembourg	3.7	3.0	1.6	1.7	2.5	3.4	**2.3**	**2.2**	**2.5**	*-0.2*	*1.4*	*1.3*
Malta	2.2	2.4	2.5	2.2	2.3	2.3	**1.4**	**1.6**	**2.0**	*0.6*	*1.5*	*2.1*
Netherlands	2.3	1.1	0.8	1.3	2.4	3.0	**2.4**	**1.9**	**1.7**	*1.9*	*1.3*	*1.2*
Austria	1.7	1.8	2.0	0.9	1.7	1.7	**1.1**	**1.3**	**1.7**	*2.0*	*1.9*	*1.6*
Portugal	3.3	1.2	1.3	1.5	1.8	1.7	**2.4**	**1.4**	**1.5**	*2.2*	*1.3*	*1.4*
Slovenia	4.0	2.4	0.9	1.5	2.2	2.3	**1.3**	**1.2**	**1.3**	*2.1*	*1.6*	*1.0*
Slovakia	4.1	1.0	0.2	1.2	2.0	2.5	**2.4**	**1.5**	**2.3**	*3.3*	*0.6*	*1.7*
Finland	0.7	2.1	1.8	0.8	1.9	1.5	**1.7**	**1.7**	**1.7**	*1.5*	*1.7*	*1.7*
Euro area	2.1	1.4	1.2	1.1	1.4	1.7	**1.5**	**1.2**	**1.4**	*2.0*	*1.1*	*1.3*
Bulgaria	5.0	6.0	1.3	3.9	4.0	5.3	**3.3**	**5.0**	**3.0**	*1.4*	*2.8*	*2.1*
Czechia	1.8	1.3	1.5	1.3	2.6	3.9	**4.2**	**2.0**	**2.1**	*3.4*	*1.4*	*1.9*
Denmark	2.2	2.2	1.0	1.2	0.6	0.7	**2.3**	**1.4**	**1.6**	*0.5*	*1.5*	*1.8*
Croatia	3.7	3.0	0.5	1.2	2.0	1.5	**0.4**	**1.7**	**1.7**	*0.7*	*1.4*	*1.2*
Hungary	5.0	3.8	2.7	4.0	4.8	4.8	**5.7**	**3.7**	**3.7**	*5.5*	*3.4*	*3.0*
Poland	2.4	3.3	0.9	1.9	1.2	3.2	**4.1**	**2.8**	**2.5**	*3.5*	*1.7*	*2.9*
Romania	16.7	8.5	2.9	4.7	6.2	6.8	**3.8**	**3.2**	**2.7**	*2.8*	*2.9*	*2.9*
Sweden	1.2	2.1	1.5	2.1	2.4	2.7	**1.4**	**1.6**	**1.8**	*1.6*	*1.4*	*1.5*
EU	2.2	1.6	1.2	1.2	1.5	1.9	**1.8**	**1.4**	**1.5**	*2.0*	*1.2*	*1.5*
United Kingdom	2.5	2.2	1.6	1.9	2.2	2.1	**5.6**	**0.8**	**-0.4**	*4.8*	*-1.1*	*2.3*
Japan	-1.2	-1.1	0.6	-0.1	0.0	0.6	**0.9**	**-0.9**	**0.6**	*0.1*	*0.2*	*0.4*
United States	2.5	1.7	1.5	1.9	2.4	1.8	**1.2**	**2.3**	**2.0**	*1.1*	*1.2*	*1.3*

Table 16: **Price deflator of private consumption (percentage change on preceding year, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	**2007 - 11**	**2012 - 16**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	***2020***	***2021***	***2022***
Belgium	2.1	1.9	1.2	1.9	2.1	1.3	**0.7**	**1.8**	**1.5**	*0.8*	*1.5*	*1.6*
Germany	1.2	1.5	1.0	1.5	1.5	1.3	**0.7**	**2.3**	**1.4**	*0.9*	*1.6*	*1.3*
Estonia	3.5	4.6	1.7	3.6	3.7	2.5	**-0.7**	**1.8**	**2.4**	*-0.7*	*1.4*	*2.3*
Ireland	3.0	-0.5	0.9	1.0	2.2	2.4	**0.2**	**0.9**	**1.3**	*0.8*	*1.1*	*1.8*
Greece	2.8	2.3	-1.1	0.4	0.0	0.2	**-1.3**	**-0.2**	**0.6**	*-1.3*	*0.9*	*1.3*
Spain	3.3	2.1	0.6	1.5	1.5	1.0	**0.2**	**1.0**	**1.2**	*-0.2*	*1.2*	*1.1*
France	1.7	1.3	0.6	0.8	1.7	0.9	**0.6**	**1.4**	**1.2**	*0.5*	*0.7*	*1.5*
Italy	2.6	1.9	0.8	1.1	1.0	0.5	**-0.2**	**1.3**	**1.1**	*-0.1*	*0.7*	*1.0*
Cyprus	2.3	2.9	-0.6	0.9	1.6	1.1	**-0.9**	**1.7**	**1.1**	*-0.9*	*0.9*	*1.3*
Latvia	7.5	4.8	1.0	3.0	3.0	2.9	**0.8**	**1.8**	**2.1**	*0.3*	*1.3*	*1.8*
Lithuania	0.9	5.3	0.8	3.5	2.6	2.1	**0.8**	**1.9**	**1.9**	*1.5*	*1.8*	*1.8*
Luxembourg	2.3	1.8	0.9	1.8	2.1	1.9	**1.0**	**1.7**	**1.7**	*0.3*	*1.4*	*1.6*
Malta	2.2	2.4	1.4	1.0	0.8	2.0	**1.2**	**1.6**	**2.1**	*1.3*	*1.6*	*2.0*
Netherlands	2.3	1.3	1.0	1.4	2.2	2.3	**1.4**	**1.6**	**1.4**	*1.1*	*1.3*	*1.4*
Austria	1.8	2.0	1.9	1.8	2.1	1.9	**1.1**	**1.6**	**1.6**	*1.5*	*1.7*	*1.7*
Portugal	3.4	1.5	0.9	1.6	1.6	1.0	**0.9**	**1.2**	**1.6**	*0.9*	*1.4*	*1.6*
Slovenia	4.0	2.7	0.5	1.6	2.0	1.3	**-0.6**	**1.1**	**1.7**	*0.1*	*1.4*	*1.8*
Slovakia	4.9	2.4	0.8	1.4	2.3	2.7	**2.2**	**1.5**	**1.9**	*2.1*	*0.9*	*1.5*
Finland	1.1	2.4	1.4	1.0	1.1	1.0	**0.4**	**1.2**	**1.2**	*0.4*	*1.3*	*1.4*
Euro area	2.1	1.6	0.8	1.3	1.5	1.1	**0.5**	**1.6**	**1.3**	*0.5*	*1.2*	*1.3*
Bulgaria	3.3	4.3	0.6	3.2	2.0	2.0	**0.5**	**2.1**	**2.6**	*0.7*	*2.0*	*2.0*
Czechia	1.5	2.1	0.8	2.3	2.5	2.8	**2.8**	**2.6**	**2.7**	*3.3*	*2.0*	*1.9*
Denmark	1.6	2.1	0.9	1.0	0.8	0.8	**0.3**	**1.3**	**1.5**	*0.4*	*1.3*	*1.5*
Croatia	2.7	3.0	0.7	0.9	1.4	0.8	**0.2**	**1.6**	**1.3**	*0.2*	*1.2*	*1.5*
Hungary	4.6	4.7	2.0	3.3	3.3	4.4	**3.2**	**4.0**	**3.2**	*3.4*	*3.3*	*3.0*
Poland	2.3	3.3	0.4	2.0	1.7	2.4	**3.3**	**3.7**	**3.1**	*3.5*	*1.9*	*3.1*
Romania	12.0	6.2	2.0	2.7	3.8	5.1	**2.4**	**3.1**	**2.9**	*2.3*	*2.4*	*2.5*
Sweden	1.1	1.8	0.8	1.8	2.5	1.9	**1.1**	**1.5**	**1.3**	*0.4*	*0.7*	*1.4*
EU	2.2	1.8	0.8	1.4	1.6	1.3	**0.7**	**1.8**	**1.5**	*0.8*	*1.3*	*1.5*
United Kingdom	1.7	2.4	1.3	2.0	2.4	1.4	**1.6**	**1.7**	**2.4**	*0.7*	*1.7*	*2.4*
Japan	-0.8	-0.8	0.3	0.4	0.7	0.5	**0.4**	**0.4**	**0.8**	*0.2*	*0.2*	*0.4*
United States	2.3	1.9	1.2	1.8	2.1	1.5	**1.2**	**2.0**	**2.0**	*1.3*	*1.5*	*1.6*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	2.0	2.4	1.4	2.2	2.3	1.2	0.4	1.8	1.5	0.4	1.4	1.6
Germany	1.6	1.8	1.1	1.7	1.9	1.4	0.4	2.4	1.4	0.4	1.4	1.3
Estonia	3.3	5.1	1.8	3.7	3.4	2.3	-0.6	1.6	2.2	-0.5	1.4	2.1
Ireland	3.2	0.8	0.5	0.3	0.7	0.9	-0.5	0.9	1.3	-0.5	0.3	1.6
Greece	3.4	3.3	-0.5	1.1	0.8	0.5	-1.3	-0.2	0.6	-1.3	0.9	1.3
Spain	3.3	2.4	0.6	2.0	1.7	0.8	-0.3	1.4	1.1	-0.2	0.9	1.0
France	2.0	1.8	0.8	1.2	2.1	1.3	0.5	1.4	1.1	0.5	0.9	1.5
Italy	2.4	2.2	1.0	1.3	1.2	0.6	-0.1	1.3	1.1	-0.1	0.7	1.0
Cyprus	2.6	2.6	0.1	0.7	0.8	0.5	-1.1	1.7	1.1	-0.9	0.9	1.3
Latvia	4.9	6.3	0.7	2.9	2.6	2.7	0.1	1.7	2.0	0.3	1.3	1.8
Lithuania	1.4	5.3	0.9	3.7	2.5	2.2	1.1	1.9	1.9	1.3	1.5	1.7
Luxembourg	2.9	2.7	1.1	2.1	2.0	1.6	0.0	2.1	1.6	0.2	1.5	1.8
Malta	2.5	2.4	1.4	1.3	1.7	1.5	0.8	1.2	1.5	0.8	1.3	1.6
Netherlands	2.1	1.6	1.2	1.3	1.6	2.7	1.1	1.6	1.4	1.1	1.3	1.4
Austria	1.7	2.2	1.6	2.2	2.1	1.5	1.4	1.8	1.6	1.5	1.7	1.7
Portugal	2.9	1.8	0.8	1.6	1.2	0.3	-0.1	0.9	1.1	-0.1	0.9	1.2
Slovenia	4.4	2.9	0.8	1.6	1.9	1.7	-0.3	0.8	1.7	0.0	0.9	1.8
Slovakia	5.3	2.3	0.9	1.4	2.5	2.8	2.0	1.5	1.9	2.0	0.7	1.4
Finland	1.1	2.4	1.4	0.8	1.2	1.1	0.4	1.2	1.2	0.4	1.1	1.4
Euro area	2.2	2.0	0.9	1.5	1.8	1.2	0.3	1.7	1.3	0.3	1.1	1.3
Bulgaria	5.6	5.7	-0.2	1.2	2.6	2.5	1.2	1.6	2.0	1.2	1.4	1.8
Czechia	1.5	2.6	1.2	2.4	2.0	2.6	3.3	2.4	2.2	3.4	2.3	2.0
Denmark	1.8	2.2	0.7	1.1	0.7	0.7	0.3	1.3	1.3	0.3	1.1	1.3
Croatia	2.7	2.8	1.0	1.3	1.6	0.8	0.0	1.3	1.3	0.1	1.2	1.5
Hungary	4.8	5.3	1.6	2.4	2.9	3.4	3.4	4.0	3.2	3.4	3.3	3.0
Poland	1.9	3.5	0.7	1.6	1.2	2.1	3.7	3.5	2.9	3.6	2.0	3.1
Romania	13.1	6.1	1.3	1.1	4.1	3.9	2.3	2.9	2.7	2.5	2.5	2.4
Sweden	1.5	2.0	0.7	1.9	2.0	1.7	0.7	1.8	1.1	0.6	0.8	1.3
EU	2.4	2.3	0.9	1.6	1.8	1.4	0.7	1.9	1.5	0.7	1.3	1.5
United Kingdom	1.7	3.2	1.5	2.7	2.5	1.8	0.9	1.6	1.8	0.9	2.3	2.9
Japan	-0.2	-0.2	0.7	0.5	1.0	0.5	0.0	0.3	0.9	0.1	0.1	0.3
United States	2.6	2.2	1.3	2.1	2.4	1.8	1.2	2.2	2.0	1.1	1.6	1.8

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2020-22) 30.4.2021

	2020/1	2020/2	2020/3	2020/4	2021/1	2021/2	2021/3	2021/4	2022/1	2022/2	2022/3	2022/4
Belgium	1.0	0.0	0.4	0.3	0.8	2.0	2.2	2.2	1.7	1.4	1.2	1.5
Germany	1.6	0.7	-0.2	-0.6	1.7	1.8	2.8	3.2	1.1	1.4	1.5	1.6
Estonia	1.5	-1.4	-1.3	-1.3	0.6	1.7	1.9	2.0	2.0	2.1	2.4	2.4
Ireland	0.8	-0.6	-0.9	-1.1	-0.1	1.3	1.1	1.2	1.3	0.8	1.4	1.6
Greece	0.6	-1.2	-2.2	-2.2	-2.1	-0.5	0.6	0.7	0.8	0.7	0.7	0.3
Spain	0.7	-0.6	-0.6	-0.8	0.5	1.8	1.8	1.8	1.1	1.2	1.1	1.1
France	1.3	0.3	0.4	0.1	1.0	1.5	1.6	1.6	1.1	1.2	1.1	1.1
Italy	0.2	-0.2	-0.2	-0.4	0.7	1.2	1.6	1.7	1.3	1.1	1.0	1.0
Cyprus	0.6	-1.6	-2.3	-1.1	-0.5	1.0	2.2	2.2	1.2	0.8	1.2	1.2
Latvia	1.9	-0.7	-0.3	-0.6	-0.1	1.8	2.2	2.7	2.2	2.0	2.0	2.0
Lithuania	2.5	0.6	0.9	0.3	0.7	2.1	2.2	2.4	2.0	1.9	1.9	1.9
Luxembourg	1.6	-0.9	-0.1	-0.5	1.0	3.2	2.1	2.3	1.4	1.6	1.7	1.7
Malta	1.2	1.0	0.6	0.3	0.1	-1.2	1.5	1.5	1.5	1.4	1.4	1.4
Netherlands	1.3	1.2	1.0	0.9	1.8	1.8	1.5	1.5	1.2	1.3	1.6	1.5
Austria	2.0	1.1	1.4	1.1	1.5	2.4	2.3	1.6	1.5	1.5	1.6	1.6
Portugal	0.5	-0.2	-0.4	-0.4	0.2	-0.4	1.1	1.2	1.0	1.1	1.2	1.2
Slovenia	1.6	-1.2	-0.6	-0.9	-0.6	1.4	1.2	1.6	1.6	1.5	1.6	1.9
Slovakia	2.9	2.0	1.5	1.6	1.0	1.5	1.7	2.1	2.0	2.0	1.9	1.8
Finland	1.1	-0.1	0.4	0.2	1.1	2.1	1.1	1.1	1.1	1.2	1.2	1.2
Euro area	1.1	0.2	0.0	-0.3	1.1	1.6	2.0	2.1	1.2	1.2	1.3	1.3
Bulgaria	3.0	1.1	0.6	0.3	0.2	2.0	1.7	2.4	2.1	1.9	2.0	2.1
Czechia	3.7	3.3	3.5	2.7	2.2	2.4	2.3	3.0	2.6	2.4	2.0	2.0
Denmark	0.6	0.0	0.4	0.4	0.6	1.7	1.5	1.5	1.2	1.2	1.3	1.4
Croatia	1.2	-0.4	-0.5	-0.2	0.7	1.6	1.4	1.6	1.3	1.3	1.3	1.3
Hungary	4.4	2.5	3.8	2.9	3.3	4.8	3.6	4.2	3.5	3.0	3.0	3.1
Poland	3.9	3.4	3.7	3.6	3.9	4.0	3.0	3.1	2.4	2.7	3.2	3.2
Romania	3.1	2.1	2.4	1.8	2.3	2.8	3.0	3.2	2.6	2.6	2.7	2.7
Sweden	1.2	0.3	0.8	0.4	1.9	2.0	1.6	1.8	1.4	1.2	1.0	0.9
EU	1.5	0.6	0.5	0.2	1.4	1.8	2.0	2.2	1.3	1.4	1.4	1.4
United Kingdom	1.7	0.7	0.6	0.5	0.7	1.9	1.8	2.0	1.8	1.7	1.8	1.9
Japan	0.5	0.1	0.2	-0.8	-0.4	0.0	0.2	1.2	1.2	1.1	0.8	0.5
United States	2.1	0.4	1.3	1.2	1.4	2.9	2.3	2.2	2.3	2.1	1.9	1.8

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.1	1.8	-1.0	3.2	3.0	0.6	**-3.1**	**3.0**	**1.5**	*-2.3*	*1.7*	*1.8*
Germany	0.0	0.9	0.0	1.4	0.8	0.5	**-0.7**	**1.7**	**0.8**	*-0.8*	*0.3*	*0.8*
Estonia	2.1	3.6	-0.6	4.0	2.4	-0.4	**-2.0**	**0.7**	**1.4**	*-1.9*	*0.7*	*1.4*
Ireland	-1.2	-0.6	1.3	-0.9	-3.8	-0.5	**-6.5**	**0.9**	**1.3**	*-0.5*	*0.9*	*1.3*
Greece	2.0	0.7	-3.9	7.9	5.8	-0.5	**-13.1**	**6.0**	**2.0**	*-6.0*	*6.0*	*2.0*
Spain	1.6	1.8	-0.3	3.2	1.3	0.1	**-1.0**	**1.3**	**1.1**	*-1.0*	*1.2*	*1.1*
France	-0.1	1.2	-0.3	1.1	0.7	0.9	**-1.7**	**2.7**	**0.8**	*-2.9*	*-1.1*	*1.2*
Italy	1.1	1.8	0.0	2.0	2.0	0.5	**-0.5**	**1.6**	**1.5**	*-1.1*	*-0.7*	*1.8*
Cyprus	2.2	2.4	0.8	0.4	0.2	0.7	**0.5**	**1.7**	**1.5**	*-2.5*	*0.5*	*1.5*
Latvia	8.9	6.1	0.3	4.2	3.2	-0.2	**-1.1**	**1.3**	**1.9**	*-1.0*	*1.0*	*1.0*
Lithuania	2.9	4.9	-2.3	4.9	3.7	-0.1	**-5.0**	**2.5**	**1.0**	*-3.0*	*1.2*	*1.7*
Luxembourg	2.8	3.6	-1.0	3.2	3.3	-0.9	**-4.1**	**4.0**	**2.1**	*-1.7*	*0.7*	*1.4*
Malta	0.7	0.6	-1.2	1.6	3.0	1.2	**-0.7**	**1.0**	**1.0**	*0.0*	*0.8*	*0.8*
Netherlands	0.5	1.8	-1.5	3.3	2.1	-0.3	**-3.7**	**1.2**	**1.6**	*-3.1*	*1.2*	*1.2*
Austria	1.0	1.5	-0.5	1.5	1.8	-0.6	**-0.9**	**0.3**	**1.1**	*-0.9*	*0.6*	*1.1*
Portugal	0.9	1.6	-1.5	3.0	2.2	0.0	**-2.2**	**1.1**	**1.2**	*-0.5*	*0.6*	*1.2*
Slovenia	2.7	1.5	-0.7	2.6	2.5	-0.4	**-2.0**	**0.7**	**1.5**	*-2.0*	*0.5*	*0.9*
Slovakia	1.8	0.5	-1.6	2.2	1.6	-0.3	**-2.7**	**0.5**	**1.0**	*-2.5*	*0.2*	*1.0*
Finland	-0.6	0.3	-1.5	3.6	5.0	-0.9	**-6.1**	**1.4**	**1.6**	*-5.2*	*-0.4*	*1.9*
Euro area	0.4	1.3	-0.4	1.9	1.2	0.3	**-2.1**	**1.7**	**1.1**	*-1.6*	*0.4*	*1.2*
Bulgaria	7.2	6.5	-2.1	7.7	2.8	1.7	**-1.7**	**3.0**	**3.0**	*-5.0*	*1.0*	*2.0*
Czechia	-1.6	-1.0	0.8	-0.8	-0.7	1.1	**0.4**	**-1.6**	**0.5**	*0.6*	*-0.6*	*0.2*
Denmark	1.8	2.4	-0.2	0.7	0.4	-0.1	**-1.5**	**1.2**	**1.5**	*-3.4*	*-0.4*	*1.5*
Croatia	2.2	3.8	-1.3	1.2	0.7	0.5	**-4.1**	**1.5**	**1.3**	*-1.8*	*0.1*	*0.8*
Hungary	-0.3	0.6	0.5	1.5	2.9	1.7	**4.8**	**3.5**	**1.0**	*5.2*	*2.5*	*1.0*
Poland	3.8	4.3	1.4	1.5	1.6	3.2	**2.0**	**2.5**	**2.5**	*0.8*	*0.9*	*1.4*
Romania	12.9	8.3	-2.6	2.8	5.4	2.2	**1.2**	**2.8**	**1.7**	*-2.0*	*1.5*	*1.7*
Sweden	0.0	0.9	-0.6	3.9	5.6	3.7	**-4.5**	**0.8**	**1.8**	*-2.4*	*-0.1*	*1.4*
EU	0.5	1.5	-0.3	1.9	1.4	0.6	**-1.7**	**1.7**	**1.2**	*-1.4*	*0.4*	*1.2*
United Kingdom	0.8	5.2	-0.8	6.2	4.0	1.5	**-3.3**	**0.5**	**1.0**	*-2.0*	*3.0*	*2.5*
Japan	-0.6	-3.7	0.3	4.7	0.8	-3.8	**-5.0**	**3.0**	**2.0**	*-5.0*	*1.0*	*1.0*
United States	1.9	2.6	-2.5	2.6	3.6	-1.5	**-4.3**	**2.5**	**2.0**	*-6.3*	*-0.4*	*1.6*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.4	2.6	-1.7	3.3	4.1	-0.4	**-3.3**	**3.2**	**1.5**	*-3.4*	*1.5*	*1.9*
Germany	-0.1	1.0	-1.6	3.0	1.9	-0.6	**-3.4**	**3.9**	**0.8**	*-3.7*	*0.5*	*0.4*
Estonia	0.3	3.6	-0.7	3.0	2.4	0.2	**-3.1**	**1.0**	**1.5**	*-2.4*	*0.8*	*1.6*
Ireland	-0.1	-1.1	0.1	3.3	2.7	-2.7	**-2.9**	**1.7**	**1.8**	*-1.7*	*0.5*	*1.7*
Greece	2.2	2.2	-4.4	6.6	7.2	0.9	**-10.5**	**7.0**	**2.9**	*-5.0*	*5.5*	*1.8*
Spain	0.9	2.7	-0.6	3.5	2.8	0.6	**-2.7**	**1.6**	**1.3**	*-3.3*	*1.4*	*1.3*
France	0.2	1.4	-1.9	2.7	2.3	-0.2	**-3.1**	**4.1**	**0.7**	*-4.1*	*-0.9*	*1.2*
Italy	2.4	2.5	-2.3	4.0	3.2	-0.9	**-5.0**	**3.0**	**1.4**	*-4.4*	*-1.0*	*1.3*
Cyprus	2.3	2.5	-1.7	2.0	2.7	1.5	**-1.9**	**1.7**	**1.5**	*-4.6*	*0.6*	*1.6*
Latvia	8.4	4.3	-0.2	3.3	1.6	-1.1	**-4.2**	**2.1**	**1.8**	*-3.0*	*1.5*	*2.0*
Lithuania	1.7	4.9	-3.0	4.5	4.7	-1.4	**-6.4**	**4.0**	**1.8**	*-4.0*	*0.9*	*1.5*
Luxembourg	1.9	2.1	-1.2	4.7	2.9	0.0	**-3.7**	**4.0**	**2.2**	*-1.6*	*0.5*	*1.2*
Malta	0.7	0.5	-0.2	-0.7	-0.3	1.1	**-1.0**	**0.5**	**0.8**	*0.3*	*0.1*	*1.0*
Netherlands	0.1	2.6	-2.2	3.6	2.2	-1.1	**-5.3**	**1.5**	**1.5**	*-4.0*	*1.1*	*1.2*
Austria	1.1	2.2	-1.2	3.3	2.7	-0.1	**-2.1**	**1.1**	**0.9**	*-2.0*	*0.5*	*1.2*
Portugal	1.0	1.7	-2.9	4.2	2.9	-0.4	**-4.3**	**2.0**	**1.0**	*-2.5*	*0.6*	*1.2*
Slovenia	3.2	2.3	-1.3	3.4	2.5	-0.7	**-3.1**	**0.2**	**1.8**	*-2.9*	*0.3*	*1.7*
Slovakia	2.1	1.8	-1.2	3.0	2.5	0.1	**-2.3**	**0.4**	**1.0**	*-2.6*	*0.2*	*1.0*
Finland	1.9	1.0	-2.5	4.5	4.2	0.1	**-7.3**	**1.6**	**1.4**	*-6.0*	*-0.7*	*1.6*
Euro area	0.7	1.8	-1.7	3.3	2.6	-0.5	**-3.8**	**3.0**	**1.1**	*-3.7*	*0.4*	*1.1*
Bulgaria	4.2	4.3	-2.2	7.5	2.2	-0.1	**-5.9**	**3.8**	**2.4**	*-5.0*	*0.5*	*2.4*
Czechia	-1.3	-0.4	0.0	0.6	-0.6	0.7	**-1.3**	**-0.9**	**1.0**	*-0.2*	*-0.4*	*-0.2*
Denmark	0.5	2.1	-1.3	2.2	2.9	-0.1	**-3.2**	**1.1**	**1.3**	*-3.3*	*-0.4*	*1.4*
Croatia	0.8	2.5	-0.4	2.6	1.1	0.2	**-0.3**	**2.0**	**1.3**	*-1.0*	*0.3*	*1.3*
Hungary	0.5	1.1	0.0	1.9	4.0	1.2	**2.8**	**4.6**	**1.0**	*3.6*	*2.6*	*1.1*
Poland	3.5	4.1	0.1	1.3	2.9	1.7	**-0.6**	**3.5**	**3.6**	*-0.1*	*0.7*	*1.0*
Romania	7.4	5.4	-2.0	5.3	4.8	2.3	**-2.2**	**2.7**	**2.0**	*-1.7*	*1.0*	*1.2*
Sweden	1.2	0.6	-1.4	4.6	6.7	2.3	**-5.2**	**0.9**	**1.3**	*-3.5*	*-0.7*	*1.3*
EU	0.9	1.9	-1.6	3.2	2.7	-0.2	**-3.4**	**2.8**	**1.3**	*-3.2*	*0.4*	*1.0*
United Kingdom	0.3	5.2	-1.5	7.1	3.2	1.1	**-0.8**	**0.5**	**1.0**	*-2.0*	*3.0*	*2.5*
Japan	4.3	0.0	-2.3	10.0	6.1	-4.7	**-5.0**	**4.0**	**1.5**	*-5.0*	*1.0*	*1.0*
United States	3.0	2.9	-3.4	2.2	2.8	-2.0	**-2.7**	**1.8**	**2.0**	*-3.3*	*1.5*	*2.0*

Table 21: Terms of trade of goods (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	-0.4	-0.8	0.7	-0.2	-1.1	1.0	**0.2**	**-0.2**	**0.0**	*1.1*	*0.2*	*-0.1*
Germany	0.1	-0.1	1.7	-1.6	-1.0	1.1	**2.9**	**-2.2**	**0.1**	*3.0*	*-0.3*	*0.4*
Estonia	1.9	0.0	0.1	0.9	0.0	-0.7	**1.1**	**-0.3**	**-0.1**	*0.5*	*-0.1*	*-0.2*
Ireland	-1.0	0.6	1.1	-4.1	-6.3	2.2	**-3.7**	**-0.8**	**-0.5**	*1.2*	*0.4*	*-0.4*
Greece	-0.2	-1.4	0.5	1.2	-1.2	-1.4	**-2.8**	**-0.9**	**-0.9**	*-1.1*	*0.5*	*0.2*
Spain	0.7	-0.8	0.3	-0.4	-1.4	-0.5	**1.7**	**-0.3**	**-0.2**	*2.4*	*-0.2*	*-0.2*
France	-0.3	-0.2	1.6	-1.6	-1.5	1.1	**1.4**	**-1.4**	**0.1**	*1.3*	*-0.3*	*0.1*
Italy	-1.3	-0.7	2.4	-1.9	-1.2	1.4	**4.7**	**-1.3**	**0.0**	*3.4*	*0.3*	*0.5*
Cyprus	-0.1	-0.1	2.5	-1.6	-2.4	-0.9	**2.4**	**0.0**	**0.0**	*2.2*	*-0.1*	*-0.1*
Latvia	0.4	1.8	0.5	0.9	1.6	0.9	**3.2**	**-0.8**	**0.1**	*2.1*	*-0.5*	*-1.0*
Lithuania	1.2	0.0	0.7	0.4	-1.0	1.3	**1.5**	**-1.4**	**-0.8**	*1.0*	*0.3*	*0.2*
Luxembourg	0.9	1.4	0.2	-1.4	0.4	-1.0	**-0.4**	**0.0**	**-0.1**	*-0.1*	*0.1*	*0.1*
Malta	0.0	0.1	-0.9	2.4	3.2	0.2	**0.3**	**0.5**	**0.2**	*-0.3*	*0.7*	*-0.2*
Netherlands	0.4	-0.7	0.8	-0.3	-0.2	0.9	**1.7**	**-0.3**	**0.1**	*0.9*	*0.1*	*0.0*
Austria	0.0	-0.7	0.7	-1.7	-0.9	-0.5	**1.3**	**-0.8**	**0.2**	*1.1*	*0.1*	*-0.1*
Portugal	-0.1	-0.1	1.4	-1.1	-0.8	0.5	**2.1**	**-0.9**	**0.2**	*2.1*	*0.0*	*0.0*
Slovenia	-0.4	-0.7	0.5	-0.7	0.0	0.4	**1.2**	**0.5**	**-0.3**	*0.9*	*0.2*	*-0.8*
Slovakia	-0.3	-1.3	-0.4	-0.8	-0.9	-0.4	**-0.5**	**0.1**	**0.0**	*0.1*	*0.0*	*0.0*
Finland	-2.4	-0.7	1.0	-0.8	0.8	-0.9	**1.2**	**-0.1**	**0.2**	*0.9*	*0.3*	*0.3*
Euro area	-0.3	-0.5	1.4	-1.4	-1.4	0.8	**1.7**	**-1.2**	**0.0**	*2.0*	*0.0*	*0.1*
Bulgaria	2.9	2.1	0.2	0.3	0.7	1.9	**4.4**	**-0.8**	**0.6**	*0.0*	*0.5*	*-0.4*
Czechia	-0.3	-0.6	0.8	-1.3	-0.2	0.3	**1.7**	**-0.7**	**-0.5**	*0.8*	*-0.2*	*0.4*
Denmark	1.4	0.4	1.1	-1.5	-2.5	0.0	**1.7**	**0.1**	**0.2**	*-0.1*	*0.0*	*0.1*
Croatia	1.3	1.3	-0.9	-1.3	-0.5	0.3	**-3.8**	**-0.5**	**0.0**	*-0.8*	*-0.2*	*-0.5*
Hungary	-0.9	-0.4	0.5	-0.3	-1.0	0.5	**1.9**	**-1.1**	**0.0**	*1.5*	*-0.1*	*-0.1*
Poland	0.3	0.2	1.3	0.2	-1.2	1.5	**2.6**	**-1.0**	**-1.1**	*0.9*	*0.2*	*0.4*
Romania	5.1	2.8	-0.6	-2.3	0.6	-0.1	**3.4**	**0.1**	**-0.3**	*-0.3*	*0.5*	*0.5*
Sweden	-1.2	0.3	0.8	-0.7	-1.0	1.4	**0.8**	**-0.1**	**0.5**	*1.1*	*0.6*	*0.1*
EU	-0.3	-0.4	1.3	-1.3	-1.3	0.8	**1.8**	**-1.1**	**0.0**	*1.8*	*0.0*	*0.1*
United Kingdom	0.5	-0.1	0.7	-0.9	0.8	0.5	**-2.6**	**0.0**	**0.0**	*0.0*	*0.0*	*0.0*
Japan	-4.7	-3.7	2.7	-4.8	-5.0	0.9	**0.0**	**-1.0**	**0.5**	*0.0*	*0.0*	*0.0*
United States	-1.1	-0.3	0.9	0.4	0.7	0.5	**-1.6**	**0.6**	**0.0**	*-3.1*	*-1.9*	*-0.4*

Table 22: Total population (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	0.5	0.9	0.5	0.4	0.5	0.5	**0.4**	**0.2**	**0.4**	*0.4*	*0.2*	*0.4*
Germany	-0.1	-0.2	0.5	0.4	0.3	0.2	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.2*
Estonia	-0.6	-0.3	-0.2	0.0	0.3	0.4	**0.3**	**0.0**	**-0.1**	*0.4*	*0.0*	*-0.1*
Ireland	2.0	1.4	0.7	1.1	1.2	1.4	**1.1**	**1.1**	**1.0**	*0.8*	*0.8*	*0.7*
Greece	0.3	0.2	-0.6	-0.2	-0.2	-0.1	**-0.1**	**-0.9**	**-0.7**	*-0.6*	*-0.6*	*-0.6*
Spain	1.7	1.0	-0.1	0.2	0.4	0.8	**0.5**	**0.5**	**0.5**	*0.1*	*0.5*	*0.5*
France	0.7	0.5	0.5	0.3	0.3	0.3	**0.3**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Italy	0.5	0.6	0.2	-0.1	-0.1	-0.2	**-0.5**	**0.0**	**-0.1**	*0.0*	*0.0*	*-0.1*
Cyprus	1.4	2.5	0.0	0.9	1.2	1.4	**1.0**	**1.1**	**1.1**	*1.1*	*1.1*	*1.1*
Latvia	-1.0	-1.5	-1.0	-0.9	-0.8	-0.7	**-0.6**	**-0.5**	**-0.5**	*-0.2*	*-0.5*	*-0.5*
Lithuania	-1.2	-1.5	-1.1	-1.4	-0.9	-0.3	**0.0**	**-0.2**	**-0.6**	*0.1*	*-0.1*	*-0.4*
Luxembourg	1.4	1.9	2.4	2.2	2.0	2.1	**1.5**	**2.0**	**2.0**	*1.8*	*2.0*	*2.0*
Malta	0.6	0.5	1.8	2.8	3.6	4.0	**2.2**	**2.6**	**2.6**	*2.3*	*2.6*	*2.7*
Netherlands	0.4	0.4	0.4	0.6	0.6	0.7	**0.6**	**0.4**	**0.5**	*0.5*	*0.3*	*0.5*
Austria	0.6	0.3	0.8	0.6	0.5	0.5	**0.5**	**0.4**	**0.4**	*0.4*	*0.3*	*0.3*
Portugal	0.3	0.1	-0.4	-0.2	-0.2	0.0	**0.2**	**0.1**	**0.1**	*0.0*	*0.0*	*0.0*
Slovenia	0.2	0.4	0.1	0.1	0.3	0.8	**0.7**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
Slovakia	0.0	0.0	0.1	0.1	0.1	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Finland	0.3	0.5	0.4	0.2	0.1	0.1	**0.2**	**0.1**	**0.1**	*0.2*	*0.1*	*0.1*
Euro area	0.5	0.4	0.3	0.2	0.2	0.3	**0.1**	**0.2**	**0.2**	*0.1*	*0.2*	*0.2*
Bulgaria	-0.5	-0.9	-0.6	-0.7	-0.7	-0.7	**-0.6**	**-0.6**	**-0.6**	*-0.5*	*-0.6*	*-0.6*
Czechia	0.1	0.4	0.1	0.2	0.3	0.4	**0.3**	**0.1**	**0.0**	*0.4*	*0.2*	*0.2*
Denmark	0.3	0.5	0.6	0.6	0.5	0.4	**0.2**	**0.4**	**0.4**	*0.3*	*0.4*	*0.4*
Croatia	0.0	-0.1	-0.5	-1.0	-0.9	-0.6	**-0.4**	**-0.2**	**-0.1**	*-0.4*	*-0.2*	*-0.1*
Hungary	-0.2	-0.2	-0.3	-0.3	-0.1	0.0	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*	*-0.2*
Poland	-0.1	0.2	-0.1	0.0	0.0	-0.1	**-0.1**	**-0.1**	**-0.2**	*-0.1*	*-0.1*	*-0.2*
Romania	-1.1	-1.0	-0.4	-0.6	-0.6	-0.5	**-0.2**	**-0.8**	**-0.6**	*-0.7*	*-0.7*	*-0.6*
Sweden	0.4	0.8	1.0	1.4	1.2	1.0	**0.7**	**0.4**	**0.4**	*0.4*	*0.4*	*0.4*
EU	0.3	0.3	0.2	0.2	0.2	0.2	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
United Kingdom	0.6	0.8	0.7	0.6	0.6	0.5	**0.4**	**0.4**	**0.4**	*0.6*	*0.6*	*0.6*
Japan	0.1	0.0	-0.1	-0.2	-0.2	-0.2	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*	*-0.2*
United States	0.9	0.9	0.7	0.6	0.5	0.5	**0.5**	**0.7**	**0.7**	*0.6*	*0.6*	*0.6*

Table 23: Total employment in persons (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	0.7	1.1	0.5	1.6	1.5	1.6	**0.0**	**-0.6**	**0.8**	*-0.7*	*-1.0*	*1.7*
Germany	-0.1	1.0	1.0	1.4	1.4	0.9	**-1.1**	**-0.2**	**0.9**	*-1.0*	*0.2*	*0.6*
Estonia	1.8	-1.7	1.4	2.7	1.2	1.3	**-2.7**	**-0.8**	**1.7**	*-3.5*	*0.2*	*1.7*
Ireland	3.3	-2.1	2.5	3.0	3.2	2.9	**-1.5**	**-3.5**	**5.0**	*-0.4*	*-3.6*	*1.1*
Greece	1.8	-1.0	-0.1	-0.5	1.4	1.2	**-1.3**	**0.4**	**0.7**	*-3.6*	*1.7*	*1.6*
Spain	3.5	-1.5	-0.1	2.6	2.3	2.2	**-4.2**	**0.2**	**2.0**	*-8.7*	*3.5*	*2.0*
France	0.5	0.3	0.4	1.1	1.0	1.1	**-1.1**	**0.3**	**1.2**	*-10.5*	*7.0*	*2.9*
Italy	1.3	-0.1	0.0	1.2	0.9	0.5	**-2.1**	**-0.3**	**0.9**	*-10.3*	*6.1*	*2.4*
Cyprus	3.0	1.8	-1.0	5.4	5.3	3.1	**-0.6**	**0.6**	**1.0**	*-2.6*	*1.1*	*1.5*
Latvia	1.8	-3.3	0.7	0.0	1.5	-0.1	**-2.3**	**0.1**	**1.8**	*-3.2*	*0.4*	*0.8*
Lithuania	1.0	-2.3	1.8	-0.7	1.4	0.5	**-1.5**	**0.4**	**0.8**	*-2.8*	*0.3*	*0.5*
Luxembourg	2.7	3.0	2.5	3.4	3.7	3.6	**2.0**	**1.9**	**2.0**	*2.0*	*2.0*	*2.1*
Malta	0.6	1.9	4.1	8.1	6.0	6.6	**2.6**	**1.1**	**1.9**	*-0.8*	*1.9*	*4.3*
Netherlands	0.4	0.8	0.2	2.4	2.6	1.9	**-0.6**	**-0.2**	**0.2**	*-1.1*	*-1.7*	*0.8*
Austria	0.8	1.1	0.8	1.6	1.7	1.1	**-1.7**	**1.2**	**1.3**	*-2.5*	*1.5*	*1.2*
Portugal	-0.3	-1.1	-0.5	3.3	2.3	0.8	**-1.7**	**1.0**	**1.2**	*-3.8*	*2.1*	*1.7*
Slovenia	0.5	0.1	0.3	3.0	3.2	2.5	**-1.0**	**0.9**	**2.0**	*-0.9*	*0.5*	*2.2*
Slovakia	0.9	0.7	1.0	2.2	2.0	1.0	**-1.9**	**-0.6**	**0.8**	*-1.6*	*-1.0*	*0.8*
Finland	1.1	0.6	0.0	1.0	2.5	1.8	**-1.5**	**0.9**	**1.1**	*-2.5*	*0.9*	*1.1*
Euro area	0.9	0.1	0.4	1.6	1.6	1.2	**-1.6**	**0.0**	**1.2**	*-5.3*	*2.5*	*1.6*
Bulgaria	2.4	-0.5	-0.3	1.8	-0.1	0.3	**-2.3**	**0.6**	**1.3**	*-2.9*	*0.5*	*1.0*
Czechia	0.6	0.2	0.9	1.6	1.3	0.3	**-1.5**	**-1.5**	**0.3**	*-1.1*	*-0.5*	*1.5*
Denmark	0.5	-0.4	0.6	1.5	1.6	1.2	**-0.7**	**0.6**	**0.9**	*-1.3*	*0.8*	*1.1*
Croatia	1.6	-0.7	-0.5	2.4	2.6	3.1	**-1.2**	**0.6**	**1.4**	*-1.4*	*0.3*	*0.6*
Hungary	0.2	-1.0	2.5	1.9	2.3	1.1	**-2.2**	**1.2**	**1.3**	*-3.5*	*0.4*	*1.3*
Poland	0.5	1.3	0.8	1.3	0.5	-0.2	**0.1**	**0.0**	**0.2**	*-1.7*	*-2.0*	*1.3*
Romania	-2.5	-1.8	-0.2	2.4	0.1	0.0	**-1.8**	**0.2**	**0.7**	*-2.6*	*0.3*	*1.2*
Sweden	0.1	0.8	1.3	2.5	1.6	0.6	**-1.3**	**0.5**	**1.3**	*-1.7*	*0.0*	*1.6*
EU	0.7	0.1	0.5	1.6	1.4	1.0	**-1.5**	**0.0**	**1.0**	*-4.5*	*1.8*	*1.6*
United Kingdom	1.0	0.2	1.6	1.0	1.2	1.1	**-0.3**	**-0.9**	**0.1**	*-0.9*	*-1.7*	*1.9*
Japan	0.2	-0.2	0.2	1.0	1.8	0.9	**-2.0**	**0.6**	**0.6**	*-5.0*	*2.0*	*2.0*
United States	0.7	-0.8	1.7	1.2	1.6	1.2	**-6.2**	**4.3**	**3.2**	*-6.3*	*2.1*	*1.9*

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, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Spain	2.9	-1.8	-0.3	2.8	2.5	2.3	**-7.5**	**4.5**	**2.0**	*-8.7*	*3.5*	*2.0*
France	0.6	0.3	0.3	1.1	1.0	1.2	**-1.0**	**0.1**	**1.2**	*-10.5*	*7.0*	*2.9*
Italy	0.8	-0.6	-0.3	0.8	0.8	0.1	**-10.3**	**5.4**	**2.2**	*-10.3*	*6.1*	*2.4*
Netherlands	0.1	0.7	0.3	2.2	2.6	1.9	**-0.6**	**-0.2**	**0.2**	*-1.1*	*-1.7*	*0.8*
Euro area	0.7	-0.1	0.3	1.5	1.6	1.2	**-3.0**	**1.3**	**1.4**	-5.3	2.5	1.6
EU	0.3	-0.1	0.4	1.6	1.4	0.9	**-2.5**	**1.0**	**1.2**	*-4.5*	*1.8*	*1.6*

Table 25: **Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	8.2	7.6	8.2	7.1	6.0	5.4	**5.6**	**6.7**	**6.5**	*5.9*	*7.0*	*6.2*
Germany	10.2	7.4	4.9	3.8	3.4	3.1	**3.8**	**4.1**	**3.4**	*4.0*	*4.0*	*3.8*
Estonia	9.1	10.5	7.8	5.8	5.4	4.4	**6.8**	**7.9**	**6.3**	*7.5*	*7.8*	*6.7*
Ireland	4.7	10.9	11.9	6.7	5.8	5.0	**5.7**	**10.7**	**8.1**	*5.3*	*8.9*	*8.7*
Greece	10.0	11.3	25.4	21.5	19.3	17.3	**16.3**	**16.3**	**16.1**	*18.0*	*17.5*	*16.7*
Spain	10.3	15.7	23.4	17.2	15.3	14.1	**15.5**	**15.7**	**14.4**	*16.7*	*17.9*	*17.3*
France	8.6	8.6	10.2	9.4	9.0	8.4	**8.0**	**9.1**	**8.7**	*8.5*	*10.7*	*10.0*
Italy	8.0	7.5	11.8	11.2	10.6	10.0	**9.2**	**10.2**	**9.9**	*9.9*	*11.6*	*11.1*
Cyprus	4.5	5.4	14.4	11.1	8.4	7.1	**7.6**	**7.5**	**7.2**	*8.2*	*7.8*	*7.2*
Latvia	10.6	13.4	11.4	8.7	7.4	6.3	**8.1**	**8.2**	**6.9**	*8.3*	*8.0*	*7.5*
Lithuania	10.2	11.4	10.6	7.1	6.2	6.3	**8.5**	**8.3**	**7.1**	*8.9*	*8.0*	*6.9*
Luxembourg	4.2	4.7	6.0	5.5	5.6	5.6	**6.8**	**7.4**	**7.3**	*6.6*	*7.1*	*7.1*
Malta	7.1	6.5	5.6	4.0	3.7	3.6	**4.3**	**4.3**	**3.8**	*5.1*	*4.7*	*4.1*
Netherlands	4.4	4.5	6.7	4.9	3.8	3.4	**3.8**	**4.3**	**4.4**	*4.4*	*6.4*	*6.1*
Austria	4.9	4.7	5.5	5.5	4.9	4.5	**5.4**	**5.0**	**4.8**	*5.5*	*5.1*	*4.9*
Portugal	6.7	9.9	14.0	9.0	7.1	6.5	**6.9**	**6.8**	**6.5**	*8.0*	*7.7*	*6.6*
Slovenia	6.4	6.1	9.1	6.6	5.1	4.5	**5.0**	**5.0**	**4.8**	*5.0*	*4.8*	*4.4*
Slovakia	16.8	12.1	12.5	8.1	6.5	5.8	**6.7**	**7.4**	**6.6**	*6.9*	*7.8*	*7.1*
Finland	8.6	7.5	8.6	8.6	7.4	6.7	**7.8**	**7.6**	**7.2**	*7.9*	*7.7*	*7.4*
Euro area	8.8	9.0	11.1	9.0	8.1	7.5	**7.8**	**8.4**	**7.8**	*8.3*	*9.4*	*8.9*
Bulgaria	12.6	8.2	10.7	6.2	5.2	4.2	**5.1**	**4.8**	**3.9**	*5.8*	*5.6*	*5.0*
Czechia	7.7	6.1	5.8	2.9	2.2	2.0	**2.6**	**3.8**	**3.5**	*2.7*	*3.3*	*3.2*
Denmark	4.8	5.9	6.9	5.8	5.1	5.0	**5.6**	**5.5**	**5.2**	*6.1*	*5.8*	*5.5*
Croatia	13.4	10.6	16.0	11.2	8.5	6.6	**7.5**	**7.2**	**6.6**	*7.7*	*7.5*	*6.9*
Hungary	6.5	9.5	8.2	4.2	3.7	3.4	**4.3**	**4.3**	**3.8**	*4.4*	*4.4*	*3.9*
Poland	18.1	8.9	8.6	4.9	3.9	3.3	**3.2**	**3.5**	**3.3**	*4.0*	*5.3*	*4.1*
Romania	7.6	6.7	6.7	4.9	4.2	3.9	**5.0**	**5.2**	**4.8**	*5.9*	*6.2*	*5.1*
Sweden	6.4	7.4	7.7	6.7	6.4	6.8	**8.3**	**8.2**	**7.5**	*8.8*	*9.2*	*8.1*
EU	9.5	8.7	10.4	8.1	7.2	6.7	**7.1**	**7.6**	**7.0**	*7.7*	*8.6*	*8.0*
United Kingdom	5.0	6.9	6.3	4.3	4.0	3.8	**4.4**	**5.6**	**5.9**	*5.0*	*7.3*	*6.2*
Japan	4.8	4.5	3.7	2.8	2.4	2.3	**3.0**	**2.9**	**2.6**	*3.1*	*2.9*	*2.7*
United States	5.4	7.6	6.4	4.4	3.9	3.7	**8.1**	**4.6**	**3.4**	*7.7*	*6.2*	*5.4*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 26: **Compensation of employees per head (percentage change on preceding year, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	2.6	2.6	1.4	1.9	1.8	2.1	**-1.8**	**2.7**	**3.4**	*-1.2*	*4.3*	*0.9*
Germany	0.9	1.8	2.5	2.6	2.9	3.0	**0.5**	**2.8**	**2.9**	*-0.8*	*2.8*	*2.7*
Estonia	11.8	7.1	4.8	10.5	9.0	9.3	**2.5**	**3.5**	**3.5**	*3.1*	*1.5*	*3.3*
Ireland	5.3	1.0	1.2	2.9	2.6	3.5	**1.6**	**2.0**	**1.8**	*2.3*	*3.7*	*2.4*
Greece	6.8	0.8	-4.2	1.5	1.8	1.0	**0.0**	**1.3**	**2.0**	*-1.0*	*0.3*	*0.5*
Spain	3.5	3.5	0.2	0.7	1.0	2.1	**1.4**	**0.5**	**2.0**	*1.9*	*0.0*	*0.8*
France	3.0	2.4	1.5	2.0	1.7	-0.2	**-2.7**	**4.2**	**2.8**	*5.5*	*-1.6*	*-0.2*
Italy	3.3	2.4	0.5	0.6	2.0	1.6	**2.6**	**0.5**	**1.9**	*0.9*	*0.6*	*0.7*
Cyprus	5.1	2.7	-1.9	1.7	1.3	1.9	**-3.2**	**1.6**	**1.8**	*-2.5*	*1.7*	*1.8*
Latvia	15.8	6.2	7.3	7.6	8.1	8.8	**5.3**	**3.9**	**4.3**	*3.1*	*3.7*	*3.6*
Lithuania	12.0	4.5	5.3	9.5	7.9	10.2	**8.2**	**6.0**	**4.6**	*3.0*	*3.3*	*2.5*
Luxembourg	3.4	2.5	2.0	3.0	3.3	1.7	**-0.7**	**2.4**	**2.2**	*-5.3*	*2.3*	*3.1*
Malta	3.8	3.3	3.8	0.6	3.6	2.5	**0.1**	**2.5**	**3.0**	*1.0*	*2.0*	*1.1*
Netherlands	3.0	2.6	1.4	1.0	1.8	2.9	**4.9**	**1.5**	**0.9**	*2.4*	*1.3*	*1.2*
Austria	2.2	2.2	2.2	1.6	2.9	2.8	**0.2**	**0.7**	**1.8**	*1.1*	*0.5*	*2.0*
Portugal	3.3	1.7	0.0	2.3	3.9	3.5	**2.9**	**2.8**	**2.8**	*0.6*	*2.3*	*1.8*
Slovenia	7.0	4.1	1.1	3.0	3.9	4.9	**2.3**	**2.0**	**1.4**	*1.4*	*1.8*	*0.9*
Slovakia	8.3	5.1	2.6	5.1	5.9	6.8	**3.3**	**4.0**	**4.7**	*1.5*	*3.5*	*3.7*
Finland	2.8	3.0	1.5	-1.1	1.3	1.3	**-0.1**	**2.1**	**2.0**	*2.1*	*1.0*	*0.8*
Euro area	2.5	2.5	1.5	1.8	2.2	2.0	**0.6**	**2.2**	**2.4**	*1.4*	*1.2*	*1.4*
Bulgaria	6.4	10.8	6.7	10.5	9.7	6.9	**5.9**	**5.0**	**5.2**	*4.7*	*4.7*	*4.0*
Czechia	6.7	3.3	2.3	7.2	8.1	6.3	**2.9**	**0.9**	**2.8**	*0.3*	*0.9*	*1.2*
Denmark	3.5	3.0	1.6	1.7	1.8	1.5	**1.6**	**1.6**	**2.0**	*1.0*	*1.7*	*1.8*
Croatia	6.5	3.1	-1.0	0.2	3.8	1.5	**2.1**	**1.4**	**0.9**	*2.1*	*1.2*	*1.2*
Hungary	9.4	3.1	1.7	7.0	6.5	6.6	**4.9**	**6.9**	**6.3**	*6.3*	*4.7*	*5.3*
Poland	2.1	6.3	2.9	5.8	8.1	8.5	**4.6**	**5.9**	**6.0**	*3.4*	*4.3*	*4.7*
Romania	20.0	8.7	6.2	14.8	12.9	10.8	**7.3**	**5.8**	**6.1**	*8.2*	*4.6*	*4.0*
Sweden	3.5	3.5	2.5	2.1	3.8	3.2	**2.3**	**2.2**	**2.5**	*1.6*	*2.3*	*2.5*
EU	2.7	2.7	1.5	2.2	2.8	2.5	**0.9**	**2.5**	**2.7**	*1.3*	*1.7*	*1.6*
United Kingdom	4.6	2.3	1.9	3.0	2.6	4.2	**1.7**	**0.9**	**2.8**	*-0.6*	*1.1*	*1.4*
Japan	-0.8	-1.3	0.6	0.5	1.4	0.8	**1.1**	**1.4**	**1.4**	*3.2*	*-1.0*	*-1.0*
United States	3.8	2.9	2.0	3.0	3.2	2.9	**7.0**	**0.7**	**2.7**	*4.2*	*0.3*	*1.9*

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, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	0.5	0.6	0.2	0.0	-0.3	0.8	**-2.5**	**0.9**	**1.9**	*-1.9*	*2.8*	*-0.6*
Germany	-0.3	0.4	1.5	1.1	1.4	1.6	**-0.2**	**0.4**	**1.5**	*-1.7*	*1.2*	*1.4*
Estonia	7.9	2.4	3.0	6.7	5.1	6.6	**3.2**	**1.7**	**1.1**	*3.8*	*0.1*	*1.0*
Ireland	2.3	1.5	0.4	1.9	0.4	1.2	**1.4**	**1.1**	**0.5**	*1.5*	*2.5*	*0.6*
Greece	3.9	-1.5	-3.2	1.1	1.8	0.8	**1.3**	**1.5**	**1.3**	*0.3*	*-0.6*	*-0.8*
Spain	0.3	1.4	-0.4	-0.8	-0.5	1.1	**1.2**	**-0.5**	**0.8**	*2.1*	*-1.2*	*-0.3*
France	1.3	1.2	1.0	1.2	0.1	-1.1	**-3.2**	**2.7**	**1.5**	*5.0*	*-2.3*	*-1.7*
Italy	0.7	0.6	-0.3	-0.4	1.1	1.1	**2.9**	**-0.8**	**0.8**	*1.0*	*-0.1*	*-0.3*
Cyprus	2.7	-0.1	-1.4	0.7	-0.4	0.7	**-2.3**	**-0.1**	**0.7**	*-1.6*	*0.8*	*0.4*
Latvia	7.7	1.4	6.2	4.5	5.0	5.7	**4.5**	**2.1**	**2.2**	*2.8*	*2.3*	*1.8*
Lithuania	11.0	-0.8	4.4	5.8	5.1	7.9	**7.3**	**4.0**	**2.7**	*1.5*	*1.5*	*0.7*
Luxembourg	1.1	0.7	1.1	1.1	1.1	-0.3	**-1.7**	**0.6**	**0.5**	*-5.6*	*0.9*	*1.5*
Malta	1.5	0.9	2.4	-0.4	2.7	0.4	**-1.2**	**0.9**	**0.9**	*-0.3*	*0.4*	*-0.8*
Netherlands	0.6	1.4	0.4	-0.4	-0.3	0.5	**3.5**	**-0.1**	**-0.5**	*1.3*	*0.0*	*-0.2*
Austria	0.4	0.2	0.3	-0.2	0.8	0.9	**-0.9**	**-0.9**	**0.2**	*-0.3*	*-1.2*	*0.2*
Portugal	0.0	0.2	-0.9	0.7	2.3	2.5	**1.9**	**1.6**	**1.1**	*-0.3*	*0.8*	*0.2*
Slovenia	2.9	1.3	0.6	1.4	1.9	3.5	**2.9**	**0.8**	**-0.3**	*1.3*	*0.5*	*-0.9*
Slovakia	3.3	2.6	1.7	3.7	3.5	4.0	**1.1**	**2.5**	**2.7**	*-0.6*	*2.6*	*2.1*
Finland	1.7	0.6	0.0	-2.1	0.2	0.3	**-0.5**	**0.9**	**0.8**	*1.7*	*-0.3*	*-0.6*
Euro area	0.4	0.8	0.6	0.5	0.7	0.8	**0.2**	**0.6**	**1.1**	*0.9*	*0.0*	*0.0*
Bulgaria	3.0	6.2	6.1	7.1	7.5	4.8	**5.4**	**2.9**	**2.6**	*4.0*	*2.6*	*1.9*
Czechia	5.0	1.2	1.5	4.7	5.4	3.4	**0.1**	**-1.6**	**0.1**	*-2.9*	*-1.1*	*-0.7*
Denmark	1.8	0.8	0.7	0.6	1.0	0.6	**1.2**	**0.3**	**0.5**	*0.6*	*0.4*	*0.3*
Croatia	3.7	0.1	-1.7	-0.6	2.4	0.7	**1.9**	**-0.2**	**-0.4**	*1.9*	*0.0*	*-0.3*
Hungary	4.6	-1.5	-0.4	3.5	3.1	2.2	**1.6**	**2.8**	**3.0**	*2.8*	*1.3*	*2.2*
Poland	-0.2	2.9	2.4	3.7	6.3	6.0	**1.3**	**2.1**	**2.8**	*-0.1*	*2.3*	*1.5*
Romania	7.1	2.3	4.1	11.8	8.8	5.4	**4.8**	**2.7**	**3.2**	*5.8*	*2.2*	*1.5*
Sweden	2.3	1.7	1.7	0.3	1.3	1.3	**1.2**	**0.7**	**1.2**	*1.2*	*1.5*	*1.0*
EU	0.5	0.8	0.6	0.8	1.2	1.2	**0.2**	**0.7**	**1.2**	*0.5*	*0.5*	*0.2*
United Kingdom	2.8	-0.1	0.6	1.0	0.2	2.8	**0.1**	**-0.8**	**0.3**	*-1.3*	*-0.6*	*-1.0*
Japan	0.0	-0.6	0.3	0.1	0.7	0.3	**0.7**	**1.0**	**0.6**	*2.9*	*-1.2*	*-1.3*
United States	1.5	0.9	0.8	1.2	1.0	1.4	**5.7**	**-1.2**	**0.7**	*2.8*	*-1.2*	*0.3*

[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, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.5	0.3	0.7	0.1	0.3	0.2	**-6.3**	**5.1**	**2.9**	*-7.8*	*5.2*	*1.8*
Germany	1.1	0.2	0.4	1.2	-0.1	-0.3	**-3.9**	**3.6**	**3.1**	*-4.6*	*3.3*	*1.9*
Estonia	6.2	1.2	1.1	2.7	3.1	3.7	**-0.2**	**3.7**	**3.3**	*-1.1*	*3.2*	*1.8*
Ireland	1.9	1.7	4.5	5.9	5.2	2.6	**5.0**	**8.4**	**0.0**	*-1.9*	*6.8*	*1.5*
Greece	2.3	-2.6	-1.9	1.8	0.2	0.6	**-7.0**	**3.7**	**5.2**	*-5.6*	*3.3*	*1.9*
Spain	0.4	1.8	1.1	0.1	-0.1	-0.3	**-3.6**	**1.3**	**4.7**	*-4.1*	*1.8*	*2.7*
France	1.1	0.5	0.5	1.2	0.7	0.3	**-7.2**	**5.6**	**2.9**	*1.3*	*-1.1*	*0.1*
Italy	0.1	0.1	-0.2	0.9	0.2	0.2	**1.6**	**-1.1**	**2.1**	*0.5*	*-1.9*	*0.4*
Cyprus	1.1	0.0	0.5	-0.2	-0.1	0.0	**-4.6**	**2.5**	**2.8**	*-3.7*	*2.6*	*1.4*
Latvia	7.4	2.1	2.1	3.3	2.5	2.1	**-1.3**	**3.4**	**4.1**	*-2.5*	*4.5*	*2.7*
Lithuania	6.7	3.4	1.3	5.0	2.5	3.9	**0.6**	**2.4**	**3.1**	*0.6*	*2.6*	*2.1*
Luxembourg	0.7	-1.0	0.8	-1.6	-0.6	-1.3	**-3.2**	**2.5**	**1.3**	*-6.3*	*1.9*	*0.6*
Malta	1.9	0.8	2.0	0.0	-0.8	-1.0	**-9.4**	**3.5**	**4.2**	*-6.6*	*1.1*	*1.8*
Netherlands	1.5	0.3	0.6	0.7	-0.3	-0.2	**-3.2**	**2.5**	**3.3**	*-4.3*	*3.9*	*1.0*
Austria	1.4	0.1	0.0	0.7	0.9	0.3	**-5.0**	**2.2**	**2.9**	*-4.6*	*2.6*	*1.4*
Portugal	1.1	1.1	0.4	0.2	0.5	1.7	**-5.9**	**2.9**	**3.9**	*-5.7*	*3.2*	*1.7*
Slovenia	3.5	0.9	0.6	1.8	1.1	0.7	**-4.6**	**3.9**	**3.0**	*-6.3*	*4.5*	*1.5*
Slovakia	5.1	3.1	1.4	0.8	1.6	1.5	**-2.9**	**5.4**	**4.4**	*-6.0*	*5.8*	*3.5*
Finland	1.8	0.1	0.1	2.1	-1.2	-0.5	**-1.3**	**1.8**	**1.6**	*-1.8*	*1.9*	*1.0*
Euro area	1.0	0.6	0.5	1.1	0.3	0.1	**-3.7**	**3.0**	**3.0**	*-2.7*	*1.6*	*1.3*
Bulgaria	3.8	2.9	2.4	1.7	3.2	3.3	**-1.9**	**2.9**	**3.3**	*-2.3*	*2.0*	*2.7*
Czechia	4.0	1.3	1.0	3.6	1.8	2.1	**-4.2**	**4.9**	**4.1**	*-5.9*	*3.7*	*3.0*
Denmark	1.5	0.1	1.0	1.3	0.6	1.6	**-2.0**	**2.3**	**2.6**	*-2.6*	*2.7*	*1.3*
Croatia	3.3	0.2	1.0	1.0	0.2	-0.2	**-6.9**	**4.4**	**4.6**	*-8.3*	*5.5*	*3.1*
Hungary	4.2	0.5	-0.4	2.3	3.1	3.5	**-2.8**	**3.7**	**4.1**	*-3.0*	*3.5*	*3.2*
Poland	3.6	3.2	1.8	3.4	4.8	5.0	**-2.8**	**4.0**	**5.2**	*-1.8*	*5.5*	*2.2*
Romania	9.0	3.5	3.6	4.8	4.4	4.2	**-2.1**	**4.9**	**4.1**	*-2.6*	*3.0*	*2.6*
Sweden	3.1	0.7	0.7	0.1	0.3	0.8	**-1.5**	**3.9**	**2.0**	*-1.7*	*3.3*	*0.8*
EU	1.6	0.8	0.6	1.2	0.7	0.6	**-3.7**	**3.2**	**3.2**	*-3.0*	*2.3*	*1.4*
United Kingdom	1.7	0.1	0.5	0.7	0.1	0.3	**-9.5**	**5.9**	**5.2**	*-9.5*	*5.1*	*0.2*
Japan	1.2	-0.1	1.0	0.6	-1.2	-0.6	**-2.8**	**2.5**	**1.9**	*-0.5*	*0.7*	*-1.1*
United States	2.3	1.4	0.5	1.1	1.3	1.0	**2.9**	**2.0**	**0.6**	*1.8*	*1.6*	*0.6*

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 29: Unit labour costs, whole economy [1] (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	1.1	2.3	0.8	1.8	1.5	1.9	**4.7**	**-2.3**	**0.5**	*7.2*	*-0.8*	*-0.9*
Germany	-0.1	1.6	2.1	1.4	3.0	3.3	**4.5**	**-0.8**	**-0.2**	*4.0*	*-0.4*	*0.8*
Estonia	5.3	5.9	3.6	7.6	5.7	5.4	**2.7**	**-0.1**	**0.3**	*4.3*	*-1.6*	*1.6*
Ireland	3.3	-0.8	-3.1	-2.8	-2.4	0.9	**-3.2**	**-5.9**	**1.8**	*4.3*	*-2.9*	*0.9*
Greece	4.4	3.4	-2.4	-0.3	1.6	0.4	**7.6**	**-2.3**	**-3.0**	*4.8*	*-2.9*	*-1.3*
Spain	3.1	1.7	-0.8	0.6	1.1	2.4	**5.2**	**-0.8**	**-2.6**	*6.2*	*-1.8*	*-1.9*
France	1.9	1.9	1.0	0.8	1.0	-0.5	**4.8**	**-1.4**	**-0.2**	*4.2*	*-0.5*	*-0.3*
Italy	3.2	2.3	0.8	-0.3	1.8	1.4	**1.0**	**1.7**	**-0.2**	*0.5*	*2.5*	*0.2*
Cyprus	4.0	2.7	-2.4	1.9	1.4	1.9	**1.5**	**-0.9**	**-1.0**	*1.3*	*-0.9*	*0.3*
Latvia	7.8	4.0	5.1	4.2	5.4	6.6	**6.7**	**0.5**	**0.2**	*5.8*	*-0.8*	*0.9*
Lithuania	5.0	1.1	3.9	4.3	5.2	6.1	**7.5**	**3.5**	**1.5**	*2.3*	*0.6*	*0.4*
Luxembourg	2.7	3.6	1.2	4.6	3.9	3.0	**2.6**	**-0.2**	**0.9**	*1.1*	*0.4*	*2.5*
Malta	1.8	2.5	1.7	0.5	4.4	3.5	**10.4**	**-1.0**	**-1.1**	*8.1*	*0.9*	*-0.6*
Netherlands	1.5	2.3	0.8	0.3	2.1	3.1	**8.4**	**-1.0**	**-2.3**	*7.0*	*-2.5*	*0.2*
Austria	0.8	2.1	2.2	0.9	2.0	2.5	**5.5**	**-1.5**	**-1.1**	*6.0*	*-2.0*	*0.6*
Portugal	2.2	0.6	-0.4	2.1	3.4	1.8	**9.3**	**-0.1**	**-1.0**	*6.7*	*-0.9*	*0.0*
Slovenia	3.4	3.2	0.5	1.2	2.7	4.2	**7.2**	**-1.8**	**-1.6**	*8.1*	*-2.6*	*-0.6*
Slovakia	3.0	1.9	1.2	4.3	4.3	5.3	**6.4**	**-1.3**	**0.3**	*8.1*	*-2.1*	*0.2*
Finland	1.0	2.9	1.4	-3.2	2.5	1.8	**1.2**	**0.3**	**0.4**	*3.9*	*-0.9*	*-0.2*
Euro area	1.7	2.0	1.0	0.7	1.9	1.9	**4.4**	**-0.7**	**-0.6**	*4.2*	*-0.5*	*0.0*
Bulgaria	2.4	7.7	4.2	8.7	6.3	3.5	**7.9**	**2.0**	**1.8**	*7.2*	*2.6*	*1.3*
Czechia	2.5	2.0	1.3	3.5	6.1	4.2	**7.4**	**-3.8**	**-1.3**	*6.6*	*-2.7*	*-1.8*
Denmark	1.9	2.9	0.6	0.3	1.2	-0.1	**3.7**	**-0.7**	**-0.6**	*3.8*	*-1.0*	*0.5*
Croatia	3.0	2.9	-2.0	-0.7	3.6	1.7	**9.7**	**-2.9**	**-3.5**	*11.4*	*-4.0*	*-1.9*
Hungary	5.0	2.6	2.1	4.5	3.3	3.0	**7.9**	**3.0**	**2.1**	*9.6*	*1.1*	*2.0*
Poland	-1.4	3.0	1.0	2.3	3.2	3.3	**7.5**	**1.8**	**0.7**	*5.3*	*-1.1*	*2.5*
Romania	10.1	5.0	2.5	9.6	8.2	6.3	**9.6**	**0.9**	**1.9**	*11.1*	*1.6*	*1.4*
Sweden	0.3	2.7	1.9	1.9	3.5	2.4	**3.9**	**-1.6**	**0.5**	*3.3*	*-1.0*	*1.6*
EU	1.7	2.1	1.0	1.0	2.2	2.1	**4.7**	**-0.7**	**-0.5**	*4.5*	*-0.6*	*0.2*
United Kingdom	2.8	2.3	1.3	2.3	2.5	3.9	**12.4**	**-4.7**	**-2.4**	*9.8*	*-3.8*	*1.2*
Japan	-1.9	-1.2	-0.3	-0.1	2.6	1.5	**4.0**	**-1.0**	**-0.5**	*3.7*	*-1.7*	*0.1*
United States	1.4	1.4	1.5	1.8	1.8	1.9	**4.0**	**-1.2**	**2.1**	*2.3*	*-1.3*	*1.3*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Real unit labour costs [1] (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	-0.8	0.7	-0.7	0.0	-0.2	0.2	**3.6**	**-3.8**	**-1.0**	*5.4*	*-2.4*	*-2.4*
Germany	-1.1	0.3	0.4	0.0	1.3	1.1	**2.9**	**-2.4**	**-1.7**	*1.4*	*-1.9*	*-0.7*
Estonia	-0.4	0.6	0.7	4.3	1.5	2.1	**3.2**	**-1.9**	**-2.0**	*3.5*	*-2.9*	*-0.7*
Ireland	0.0	0.4	-5.4	-4.4	-2.8	-2.2	**-2.8**	**-7.3**	**0.6**	*3.8*	*-4.5*	*-0.3*
Greece	1.2	1.2	-1.4	-0.7	1.7	0.2	**9.2**	**-2.0**	**-3.8**	*6.2*	*-3.3*	*-2.3*
Spain	-0.9	0.5	-1.0	-0.7	-0.1	1.0	**4.1**	**-1.8**	**-3.6**	*5.5*	*-2.8*	*-2.8*
France	-0.1	0.5	0.2	0.3	0.0	-1.7	**2.5**	**-1.8**	**-1.2**	*1.3*	*-1.0*	*-1.6*
Italy	0.6	0.6	-0.4	-1.0	0.8	0.6	**-0.2**	**0.8**	**-1.4**	*-0.8*	*1.5*	*-1.0*
Cyprus	1.2	0.2	-2.1	0.8	0.1	1.0	**3.0**	**-2.3**	**-2.2**	*0.5*	*-2.1*	*-0.8*
Latvia	-0.2	-1.0	3.4	1.2	1.4	4.2	**6.7**	**-1.7**	**-1.9**	*4.7*	*-2.0*	*-0.5*
Lithuania	1.8	-3.2	2.6	0.0	1.6	3.2	**6.3**	**1.5**	**-0.6**	*0.8*	*-1.7*	*-2.2*
Luxembourg	-1.0	0.5	-0.3	2.8	1.3	-0.4	**0.3**	**-2.3**	**-1.5**	*1.3*	*-1.0*	*1.2*
Malta	-0.3	0.1	-0.8	-1.7	2.1	1.1	**8.9**	**-2.5**	**-3.0**	*7.5*	*-0.6*	*-2.7*
Netherlands	-0.8	1.2	-0.1	-1.0	-0.3	0.1	**5.8**	**-2.9**	**-4.0**	*5.0*	*-3.7*	*-1.0*
Austria	-0.9	0.3	0.2	0.0	0.3	0.8	**4.3**	**-2.8**	**-2.7**	*4.0*	*-3.8*	*-1.0*
Portugal	-1.1	-0.6	-1.7	0.6	1.5	0.0	**6.8**	**-1.5**	**-2.5**	*4.4*	*-2.2*	*-1.3*
Slovenia	-0.6	0.8	-0.4	-0.3	0.6	1.9	**5.9**	**-3.0**	**-2.8**	*6.0*	*-4.2*	*-1.6*
Slovakia	-1.0	0.9	1.0	3.1	2.2	2.7	**3.9**	**-2.8**	**-2.0**	*4.6*	*-2.7*	*-1.5*
Finland	0.2	0.8	-0.4	-3.9	0.5	0.3	**-0.4**	**-1.4**	**-1.3**	*2.4*	*-2.6*	*-1.9*
Euro area	-0.6	0.4	-0.2	-0.4	0.5	0.2	**2.9**	**-1.9**	**-1.9**	*2.2*	*-1.6*	*-1.3*
Bulgaria	-2.4	1.6	2.9	4.6	2.2	-1.7	**4.5**	**-2.9**	**-1.1**	*5.8*	*-0.2*	*-0.8*
Czechia	0.7	0.7	-0.2	2.1	3.5	0.3	**3.1**	**-5.7**	**-3.3**	*3.0*	*-4.1*	*-3.6*
Denmark	-0.2	0.7	-0.4	-0.8	0.6	-0.8	**1.3**	**-2.1**	**-2.2**	*3.2*	*-2.4*	*-1.3*
Croatia	-0.7	-0.2	-2.5	-1.9	1.6	0.2	**9.3**	**-4.5**	**-5.1**	*10.6*	*-5.3*	*-3.0*
Hungary	0.0	-1.1	-0.6	0.5	-1.4	-1.7	**2.1**	**-0.7**	**-1.5**	*3.9*	*-2.2*	*-1.0*
Poland	-3.7	-0.3	0.1	0.4	1.9	0.1	**3.3**	**-1.0**	**-1.8**	*1.7*	*-2.8*	*-0.5*
Romania	-5.7	-3.2	-0.5	4.7	1.9	-0.4	**5.6**	**-2.2**	**-0.8**	*8.1*	*-1.3*	*-1.4*
Sweden	-0.9	0.6	0.4	-0.2	1.1	-0.2	**2.5**	**-3.2**	**-1.3**	*1.7*	*-2.4*	*0.1*
EU	-1.2	0.3	-0.3	-0.3	0.5	0.0	**2.9**	**-2.0**	**-1.9**	*2.3*	*-1.8*	*-1.3*
United Kingdom	0.3	0.0	-0.3	0.3	0.3	1.7	**6.4**	**-5.5**	**-2.0**	*4.8*	*-2.8*	*-1.1*
Japan	-0.7	-0.1	-0.9	0.0	2.6	0.8	**3.1**	**-0.2**	**-1.1**	*3.6*	*-1.9*	*-0.3*
United States	-1.0	-0.3	0.0	-0.1	-0.6	0.1	**2.7**	**-3.4**	**0.1**	*1.1*	*-2.5*	*0.1*

[1] Nominal unit labour costs divided by GDP price deflator.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 31: Nominal bilateral exchange rates against Ecu/euro (2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	15.6	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.6	:	:	:	:	:	:	:	:	:	:	:
Latvia	0.7	0.7	:	:	:	:	:	:	:	:	:	:
Lithuania	3.5	3.5	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	0.4	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	235.6	:	:	:	:	:	:	:	:	:	:	:
Slovakia	40.0	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1.95	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
Czechia	30.53	25.80	26.59	26.33	25.65	25.67	26.46	25.94	25.89	26.59	27.21	27.21
Denmark	7.44	7.45	7.45	7.44	7.45	7.47	7.45	7.44	7.44	7.45	7.44	7.44
Croatia	7.44	7.33	7.58	7.46	7.42	7.42	7.54	7.57	7.57	7.54	7.58	7.58
Hungary	252.04	267.37	303.16	309.19	318.89	325.30	351.25	361.39	361.53	351.34	360.79	360.79
Poland	4.14	3.95	4.22	4.26	4.26	4.30	4.44	4.55	4.56	4.44	4.51	4.51
Romania	3.62	3.94	4.45	4.57	4.65	4.75	4.84	4.91	4.93	4.84	4.87	4.87
Sweden	9.19	9.61	9.05	9.64	10.26	10.59	10.48	10.13	10.13	10.52	10.40	10.40
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.67	0.82	0.80	0.88	0.88	0.88	0.89	0.87	0.87	0.89	0.91	0.91
Japan	133.09	133.42	125.00	126.71	130.40	122.01	121.85	129.70	130.31	121.72	124.25	124.25
United States	1.16	1.39	1.23	1.13	1.18	1.12	1.14	1.20	1.20	1.14	1.18	1.18

Table 32: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	1.4	0.4	-0.2	1.5	1.9	-0.6	1.2	0.8	0.0	1.9	1.3	0.0
Germany	1.8	0.3	-0.2	1.8	2.6	-1.0	1.6	1.4	0.1	2.4	1.7	0.0
Estonia	1.0	0.3	0.3	1.1	2.2	0.1	1.3	0.2	0.0	2.6	1.4	0.0
Ireland	2.4	0.9	-1.1	2.0	2.6	-2.0	1.3	1.7	0.0	1.6	1.7	0.0
Greece	1.7	0.7	0.6	2.3	3.9	0.1	2.7	2.1	0.2	3.3	2.1	0.0
Spain	1.4	0.5	-0.1	1.7	2.2	-0.6	1.5	1.0	0.1	2.2	1.4	0.0
France	1.7	0.4	-0.2	1.7	2.3	-1.0	1.4	1.2	0.1	2.2	1.5	0.0
Italy	1.9	0.3	-0.1	1.8	2.7	-0.9	1.6	1.5	0.1	2.4	1.7	0.0
Cyprus	1.6	0.4	-0.3	2.1	2.9	-0.6	2.0	0.9	0.1	2.2	1.5	0.0
Latvia	-3.4	0.1	0.4	1.2	2.0	0.1	1.5	0.6	0.1	3.4	2.2	0.0
Lithuania	2.2	0.4	0.2	1.2	2.1	-0.1	1.6	0.8	0.1	3.8	2.6	0.0
Luxembourg	0.8	0.4	0.0	1.0	1.3	-0.4	0.9	0.6	0.0	1.4	1.0	0.0
Malta	1.3	0.2	-0.4	1.8	2.1	-1.2	1.1	1.4	0.1	1.6	1.7	0.0
Netherlands	1.1	0.5	-0.1	1.4	1.8	-0.5	1.2	0.7	0.0	1.8	1.2	0.0
Austria	1.0	0.1	-0.1	1.0	1.7	-0.6	1.2	1.0	0.0	1.8	1.3	0.0
Portugal	1.1	0.4	-0.2	1.2	1.5	-0.5	1.0	0.7	0.0	1.6	1.1	0.0
Slovenia	-1.2	0.3	0.2	0.8	1.3	-0.1	1.2	0.8	0.1	2.2	1.4	0.0
Slovakia	3.5	4.7	0.3	0.8	1.2	-0.1	1.3	0.7	0.0	1.9	1.2	0.0
Finland	1.7	0.2	0.0	1.6	2.5	-0.6	1.4	0.8	0.0	2.7	1.7	0.0
Euro area	-3.2	-1.2	4.4	1.4	0.1	3.8	1.0	-2.7	0.1	3.9	2.7	0.0
Bulgaria	1.7	0.8	0.7	2.3	3.9	0.6	2.9	2.1	0.2	3.3	2.1	0.0
Czechia	4.6	3.3	-1.8	3.8	4.1	-0.2	-1.9	2.7	0.2	-1.8	-1.2	0.0
Denmark	1.4	0.3	0.0	1.6	2.3	-0.7	1.6	0.6	0.0	2.4	1.4	0.0
Croatia	1.3	-0.1	-0.1	2.1	2.5	-0.2	-0.2	0.7	0.1	0.8	1.2	0.0
Hungary	0.3	-0.7	-2.0	1.7	-1.6	-2.1	-6.3	-2.1	0.0	-5.7	-1.4	0.0
Poland	-0.2	-0.4	-1.0	3.8	1.4	-1.0	-2.2	-2.0	0.0	-1.4	-0.1	0.0
Romania	-4.2	-2.9	-0.8	-0.3	0.2	-1.9	-0.3	-0.5	-0.1	0.4	0.8	0.0
Sweden	1.8	1.0	-0.8	-0.5	-4.2	-3.7	2.8	4.0	0.0	3.2	2.5	0.0
EU	-2.4	-1.2	4.0	2.9	1.5	3.1	1.5	-2.0	0.2	:	:	:
United Kingdom	0.2	-4.6	0.9	-5.4	1.9	-0.4	0.2	4.3	0.3	0.5	-0.4	0.0
Japan	-2.4	6.7	-2.4	-3.6	0.5	4.6	2.0	-4.7	-0.5	2.9	-0.4	0.0
United States	-3.8	-2.3	6.2	0.0	-1.1	3.3	1.3	-4.9	-0.1	3.1	-1.8	0.0

[1] 42 countries: EU-28, TR, CH, NO, US, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 33: Total expenditure, general government (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	50.2	52.6	55.0	52.0	52.2	52.1	60.0	57.6	54.7	61.4	56.9	55.8
Germany	47.0	45.8	44.5	44.2	44.5	45.2	51.1	53.5	48.3	52.2	50.0	48.5
Estonia	34.4	39.2	38.6	39.2	39.3	38.9	45.1	46.7	42.8	45.3	44.8	44.1
Ireland	33.3	47.4	35.8	26.3	25.7	24.6	28.4	28.0	25.7	30.6	29.9	26.8
Greece	46.1	52.0	54.9	48.5	48.5	47.9	60.7	59.2	52.2	57.2	53.0	50.5
Spain	38.6	43.8	45.2	41.2	41.7	42.1	52.3	49.2	46.2	53.3	49.8	48.2
France	53.0	55.2	57.0	56.5	55.6	55.4	62.1	60.6	56.2	63.1	59.9	57.4
Italy	47.2	49.0	50.4	48.8	48.4	48.6	57.3	58.7	52.6	58.8	55.0	53.0
Cyprus	38.8	40.4	42.5	36.8	43.1	39.7	46.3	47.4	43.8	47.4	45.0	44.2
Latvia	35.1	41.0	38.4	38.7	39.4	38.4	43.6	46.9	41.7	45.5	41.7	41.6
Lithuania	34.3	40.7	35.1	33.2	33.8	34.6	43.5	44.2	42.4	44.1	41.7	37.7
Luxembourg	42.5	41.9	42.6	42.3	42.3	42.3	47.8	44.0	43.3	50.8	47.5	47.5
Malta	42.5	40.9	39.3	34.8	36.4	36.8	46.6	48.7	42.4	47.5	45.9	43.5
Netherlands	43.3	45.6	45.5	42.4	42.2	42.0	48.1	48.4	43.9	49.3	48.8	45.6
Austria	51.5	51.4	51.3	49.3	48.7	48.6	57.9	56.0	51.3	57.5	53.4	51.3
Portugal	45.5	48.4	48.7	45.4	43.2	42.5	48.4	48.2	45.8	50.0	47.4	45.5
Slovenia	46.6	47.8	51.1	44.1	43.5	43.3	52.0	51.5	47.7	53.8	50.7	48.8
Slovakia	40.5	40.4	43.1	41.3	41.7	42.7	48.0	48.2	45.7	52.1	50.0	47.8
Finland	48.8	51.2	56.3	53.6	53.4	53.2	56.7	56.3	53.6	59.6	57.1	55.3
Euro area	47.0	48.7	49.1	47.2	46.9	47.0	54.1	54.2	49.6	55.2	52.4	50.5
Bulgaria	37.2	36.9	38.2	34.9	36.6	36.3	42.9	41.6	40.2	42.5	42.1	40.4
Czechia	44.0	42.5	42.3	39.0	40.6	41.4	47.5	47.9	44.7	48.3	46.7	45.2
Denmark	52.2	53.9	55.2	50.5	50.5	49.2	54.0	53.3	50.4	56.5	53.3	52.2
Croatia	48.7	48.0	48.6	45.3	46.1	47.2	55.4	54.2	53.0	55.3	52.5	52.0
Hungary	49.9	49.5	49.4	46.5	45.9	45.7	51.6	49.1	46.5	52.3	48.1	46.2
Poland	44.7	44.4	42.3	41.3	41.5	41.8	48.7	46.0	43.3	49.4	44.6	42.9
Romania	34.4	38.8	35.8	33.5	34.9	36.2	42.4	41.1	40.3	43.4	44.2	45.6
Sweden	52.6	50.3	50.4	49.2	49.8	49.3	52.9	53.1	50.6	53.5	51.7	50.3
EU	47.1	48.5	48.7	46.7	46.6	46.6	53.4	53.4	49.1	54.6	51.8	50.0
United Kingdom	39.7	45.1	43.3	41.3	41.1	41.1	51.6	49.8	43.6	51.3	47.1	45.6
Japan	34.7	38.0	39.6	38.1	38.2	40.4	46.0	43.7	41.1	45.9	42.4	40.9
United States	36.9	41.1	38.7	38.0	37.8	38.1	48.2	47.5	38.5	47.6	38.4	35.6

Table 34: Total revenue, general government (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	49.3	49.7	52.0	51.3	51.4	50.2	50.6	49.9	49.8	50.2	49.9	49.5
Germany	43.8	44.2	45.1	45.6	46.3	46.7	46.9	46.0	45.7	46.2	46.0	46.1
Estonia	36.2	39.0	38.7	38.5	38.7	39.0	40.2	41.1	39.5	39.5	39.0	38.9
Ireland	34.4	34.3	31.6	26.0	25.8	25.1	23.4	23.0	22.9	23.9	24.1	24.3
Greece	39.2	41.3	48.5	49.1	49.4	49.0	51.0	49.2	49.0	50.3	46.8	47.1
Spain	39.1	37.2	38.6	38.2	39.2	39.2	41.3	41.7	41.0	41.1	40.2	39.6
France	49.7	50.2	53.0	53.5	53.4	52.3	52.9	52.1	51.5	52.6	51.6	51.4
Italy	43.7	45.6	47.6	46.3	46.2	47.1	47.8	47.0	46.9	48.0	47.3	47.1
Cyprus	35.4	38.1	38.3	38.7	39.5	41.2	40.6	42.3	41.8	41.3	42.7	41.9
Latvia	33.9	35.6	37.3	37.9	38.6	37.8	39.1	39.6	39.7	38.1	38.2	38.3
Lithuania	33.2	34.9	33.8	33.6	34.5	35.1	36.1	36.0	36.4	35.7	35.7	35.0
Luxembourg	43.1	43.6	43.8	43.6	45.4	44.7	43.7	43.6	43.1	45.6	46.2	46.4
Malta	37.8	38.1	37.8	38.0	38.3	37.2	36.5	36.9	37.0	38.1	39.6	39.5
Netherlands	41.9	42.6	43.2	43.7	43.7	43.7	43.9	43.4	42.1	42.2	43.1	41.7
Austria	48.9	48.4	49.4	48.5	48.9	49.2	49.0	48.4	48.4	47.9	47.0	47.6
Portugal	40.4	41.3	43.7	42.4	42.9	42.6	42.8	43.5	42.4	42.8	43.0	42.5
Slovenia	44.7	43.9	45.3	44.0	44.3	43.7	43.6	43.0	43.0	45.1	44.3	43.7
Slovakia	36.4	35.5	40.0	40.4	40.7	41.4	41.8	41.8	41.6	42.5	42.2	41.8
Finland	51.9	51.9	54.0	53.0	52.5	52.2	51.2	51.7	51.5	52.0	52.2	51.9
Euro area	44.5	44.8	46.6	46.2	46.5	46.4	46.8	46.2	45.8	46.5	46.0	45.8
Bulgaria	37.8	35.6	36.7	36.1	38.6	38.5	39.5	38.4	38.3	39.5	39.1	39.0
Czechia	39.8	39.5	40.9	40.5	41.5	41.7	41.3	39.4	39.3	42.1	42.0	41.5
Denmark	54.6	54.1	54.2	52.3	51.2	53.0	52.8	51.2	49.0	52.3	50.8	50.3
Croatia	44.7	42.8	44.4	46.1	46.3	47.5	48.0	49.6	49.8	48.8	49.7	48.8
Hungary	42.0	44.8	47.1	44.1	43.8	43.6	43.5	42.4	42.0	43.9	42.8	41.9
Poland	40.0	39.4	39.0	39.8	41.3	41.1	41.7	41.8	41.0	40.6	40.4	40.0
Romania	33.0	32.9	33.7	30.8	31.9	31.8	33.1	33.0	33.2	33.2	32.8	33.2
Sweden	52.9	51.2	49.9	50.6	50.7	49.9	49.9	49.8	50.1	49.7	49.2	49.0
EU	44.7	44.8	46.3	45.9	46.2	46.1	46.5	45.9	45.5	46.2	45.7	45.4
United Kingdom	36.9	38.2	37.9	38.8	38.8	38.8	39.3	38.0	38.1	37.9	38.1	38.0
Japan	31.1	31.1	34.0	35.3	35.9	37.5	32.8	34.2	37.0	32.0	36.8	37.4
United States	31.8	31.6	32.7	33.7	31.6	31.5	32.1	31.5	31.6	32.3	31.4	30.9

Table 35: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	-0.9	-3.0	-3.1	-0.7	-0.8	-1.9	**-9.4**	**-7.6**	**-4.9**	*-11.2*	*-7.1*	*-6.3*
Germany	-3.2	-1.7	0.5	1.4	1.8	1.5	**-4.2**	**-7.5**	**-2.5**	*-6.0*	*-4.0*	*-2.5*
Estonia	1.7	-0.2	0.1	-0.7	-0.6	0.1	**-4.9**	**-5.6**	**-3.3**	*-5.9*	*-5.9*	*-5.1*
Ireland	1.1	-13.1	-4.1	-0.3	0.1	0.5	**-5.0**	**-5.0**	**-2.9**	*-6.8*	*-5.8*	*-2.5*
Greece	-7.0	-10.8	-6.3	0.6	0.9	1.1	**-9.7**	**-10.0**	**-3.2**	*-6.9*	*-6.3*	*-3.4*
Spain	0.5	-6.6	-6.6	-3.0	-2.5	-2.9	**-11.0**	**-7.6**	**-5.2**	*-12.2*	*-9.6*	*-8.6*
France	-3.3	-5.0	-4.0	-3.0	-2.3	-3.1	**-9.2**	**-8.5**	**-4.7**	*-10.5*	*-8.3*	*-6.1*
Italy	-3.5	-3.4	-2.7	-2.4	-2.2	-1.6	**-9.5**	**-11.7**	**-5.8**	*-10.8*	*-7.8*	*-6.0*
Cyprus	-3.4	-2.3	-4.2	1.9	-3.5	1.5	**-5.7**	**-5.1**	**-2.0**	*-6.1*	*-2.3*	*-2.3*
Latvia	-1.2	-5.4	-1.1	-0.8	-0.8	-0.6	**-4.5**	**-7.3**	**-2.0**	*-7.4*	*-3.5*	*-3.3*
Lithuania	-1.0	-5.8	-1.3	0.5	0.6	0.5	**-7.4**	**-8.2**	**-6.0**	*-8.4*	*-6.0*	*-2.8*
Luxembourg	0.5	1.6	1.2	1.3	3.0	2.4	**-4.1**	**-0.3**	**-0.1**	*-5.1*	*-1.3*	*-1.1*
Malta	-4.8	-2.8	-1.5	3.2	1.9	0.4	**-10.1**	**-11.8**	**-5.5**	*-9.4*	*-6.3*	*-3.9*
Netherlands	-1.5	-3.0	-2.3	1.3	1.4	1.8	**-4.3**	**-5.0**	**-1.8**	*-7.2*	*-5.7*	*-3.8*
Austria	-2.6	-3.0	-1.9	-0.8	0.2	0.6	**-8.9**	**-7.6**	**-3.0**	*-9.6*	*-6.4*	*-3.7*
Portugal	-5.1	-7.1	-5.0	-3.0	-0.3	0.1	**-5.7**	**-4.7**	**-3.4**	*-7.3*	*-4.5*	*-3.0*
Slovenia	-1.9	-3.9	-5.8	-0.1	0.7	0.4	**-8.4**	**-8.5**	**-4.7**	*-8.7*	*-6.4*	*-5.1*
Slovakia	-4.0	-4.9	-3.1	-1.0	-1.0	-1.3	**-6.2**	**-6.5**	**-4.1**	*-9.6*	*-7.9*	*-6.0*
Finland	3.1	0.6	-2.4	-0.7	-0.9	-0.9	**-5.4**	**-4.6**	**-2.1**	*-7.6*	*-4.8*	*-3.4*
Euro area	-2.5	-3.9	-2.5	-0.9	-0.5	-0.6	**-7.2**	**-8.0**	**-3.8**	*-8.8*	*-6.4*	*-4.7*
Bulgaria	0.6	-1.3	-1.5	1.2	2.0	2.1	**-3.4**	**-3.2**	**-1.9**	*-3.0*	*-3.0*	*-1.4*
Czechia	-4.2	-3.0	-1.4	1.5	0.9	0.3	**-6.2**	**-8.5**	**-5.4**	*-6.2*	*-4.7*	*-3.7*
Denmark	2.4	0.1	-1.0	1.8	0.7	3.8	**-1.1**	**-2.1**	**-1.4**	*-4.2*	*-2.5*	*-1.9*
Croatia	-3.9	-5.1	-4.2	0.8	0.2	0.3	**-7.4**	**-4.6**	**-3.2**	*-6.5*	*-2.8*	*-3.2*
Hungary	-7.9	-4.7	-2.3	-2.4	-2.1	-2.1	**-8.1**	**-6.8**	**-4.5**	*-8.4*	*-5.4*	*-4.3*
Poland	-4.7	-5.0	-3.3	-1.5	-0.2	-0.7	**-7.0**	**-4.3**	**-2.3**	*-8.8*	*-4.2*	*-3.0*
Romania	-1.5	-5.9	-2.0	-2.6	-2.9	-4.4	**-9.2**	**-8.0**	**-7.1**	*-10.3*	*-11.3*	*-12.5*
Sweden	0.3	0.8	-0.6	1.4	0.8	0.6	**-3.1**	**-3.3**	**-0.5**	*-3.9*	*-2.5*	*-1.4*
EU	-2.4	-3.7	-2.4	-0.8	-0.4	-0.5	**-6.9**	**-7.5**	**-3.7**	*-8.4*	*-6.1*	*-4.5*
United Kingdom	-2.8	-6.9	-5.4	-2.4	-2.2	-2.3	**-12.3**	**-11.8**	**-5.4**	*-13.4*	*-9.0*	*-7.6*
Japan	-5.4	-6.9	-5.6	-2.9	-2.2	-2.9	**-13.2**	**-9.5**	**-4.1**	*-13.9*	*-5.6*	*-3.5*
United States	-5.1	-9.6	-6.0	-4.3	-6.2	-6.6	**-16.1**	**-16.0**	**-6.8**	*-15.3*	*-6.9*	*-4.7*

Table 36: Interest expenditure, general government (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	4.9	3.8	3.1	2.4	2.1	2.0	**2.0**	**1.7**	**1.4**	*2.1*	*1.8*	*1.6*
Germany	2.8	2.6	1.7	1.0	0.9	0.8	**0.7**	**0.6**	**0.5**	*0.7*	*0.6*	*0.6*
Estonia	0.2	0.1	0.1	0.0	0.0	0.0	**0.0**	**0.0**	**0.1**	*0.0*	*0.0*	*0.0*
Ireland	1.1	2.1	3.5	2.0	1.6	1.3	**1.0**	**0.9**	**0.9**	*1.1*	*1.0*	*1.0*
Greece	4.9	5.6	4.0	3.1	3.4	3.0	**3.0**	**2.7**	**2.6**	*3.1*	*2.7*	*2.6*
Spain	2.1	1.9	3.1	2.5	2.4	2.3	**2.2**	**2.1**	**2.0**	*2.4*	*2.2*	*2.0*
France	2.8	2.7	2.2	1.7	1.7	1.4	**1.3**	**1.2**	**1.1**	*1.4*	*1.2*	*1.0*
Italy	4.8	4.6	4.5	3.8	3.6	3.4	**3.5**	**3.3**	**2.9**	*3.6*	*3.4*	*3.1*
Cyprus	3.0	2.4	3.1	2.5	2.4	2.3	**2.2**	**2.1**	**1.8**	*2.4*	*2.1*	*1.9*
Latvia	0.6	1.2	1.3	0.9	0.7	0.7	**0.7**	**0.6**	**0.6**	*0.7*	*0.7*	*0.7*
Lithuania	1.0	1.2	1.6	1.1	0.9	0.9	**0.7**	**0.5**	**0.3**	*0.6*	*0.5*	*0.3*
Luxembourg	0.2	0.4	0.4	0.4	0.4	0.3	**0.2**	**0.2**	**0.2**	*0.3*	*0.3*	*0.3*
Malta	3.7	3.2	2.6	1.8	1.5	1.3	**1.3**	**1.4**	**1.4**	*1.1*	*1.2*	*1.3*
Netherlands	2.3	1.9	1.4	1.0	0.9	0.8	**0.7**	**0.5**	**0.4**	*0.6*	*0.4*	*0.4*
Austria	3.2	3.0	2.4	1.8	1.6	1.4	**1.3**	**1.2**	**1.1**	*1.4*	*1.2*	*1.2*
Portugal	2.7	3.3	4.7	3.8	3.4	3.0	**2.9**	**2.6**	**2.4**	*2.9*	*2.6*	*2.5*
Slovenia	1.7	1.4	2.8	2.5	2.0	1.7	**1.6**	**1.5**	**1.3**	*1.7*	*1.6*	*1.5*
Slovakia	2.3	1.4	1.8	1.4	1.4	1.2	**1.2**	**1.2**	**1.1**	*1.3*	*1.2*	*1.1*
Finland	1.7	1.4	1.2	1.0	0.9	0.8	**0.7**	**0.5**	**0.4**	*0.7*	*0.7*	*0.6*
Euro area	3.1	2.9	2.6	1.9	1.8	1.6	**1.5**	**1.4**	**1.3**	*1.6*	*1.4*	*1.3*
Bulgaria	1.8	0.8	0.8	0.8	0.7	0.6	**0.6**	**0.6**	**0.6**	*0.6*	*0.7*	*0.7*
Czechia	1.1	1.2	1.2	0.7	0.7	0.7	**0.8**	**0.8**	**0.7**	*0.8*	*0.8*	*0.7*
Denmark	2.4	1.8	1.6	0.8	0.8	0.7	**0.5**	**0.6**	**0.5**	*0.7*	*0.7*	*0.7*
Croatia	1.7	2.1	3.2	2.6	2.3	2.2	**2.0**	**1.8**	**1.6**	*2.3*	*2.1*	*1.9*
Hungary	4.1	4.2	3.9	2.7	2.3	2.2	**2.4**	**2.4**	**2.4**	*2.5*	*2.4*	*2.3*
Poland	2.7	2.4	2.1	1.6	1.4	1.4	**1.3**	**1.2**	**1.1**	*1.4*	*1.4*	*1.3*
Romania	1.5	1.2	1.7	1.3	1.1	1.2	**1.4**	**1.8**	**1.9**	*1.6*	*1.9*	*2.2*
Sweden	2.0	1.3	0.7	0.4	0.5	0.4	**0.3**	**0.2**	**0.3**	*0.4*	*-0.1*	*0.0*
EU	3.0	2.8	2.4	1.8	1.7	1.5	**1.4**	**1.3**	**1.2**	*1.5*	*1.4*	*1.3*
United Kingdom	1.9	2.4	2.6	2.7	2.4	2.1	**1.9**	**1.7**	**1.6**	*2.0*	*1.8*	*1.7*
Japan	1.9	1.9	1.9	1.6	1.6	1.5	**1.6**	**1.5**	**1.4**	*1.6*	*1.6*	*1.5*
United States	4.0	4.2	4.0	3.8	3.9	4.0	**4.0**	**3.6**	**3.4**	*4.0*	*3.8*	*3.7*

Table 37: Primary balance, general government [1] (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	4.0	0.8	0.0	1.7	1.3	0.1	-7.4	-5.9	-3.5	-9.2	-5.2	-4.7
Germany	-0.3	0.9	2.2	2.4	2.8	2.3	-3.5	-7.0	-2.0	-5.3	-3.4	-1.9
Estonia	1.9	0.0	0.1	-0.7	-0.5	0.1	-4.9	-5.5	-3.2	-5.8	-5.8	-5.1
Ireland	2.2	-11.0	-0.7	1.6	1.7	1.7	-4.0	-4.1	-2.0	-5.7	-4.9	-1.4
Greece	-2.1	-5.1	-2.3	3.7	4.3	4.1	-6.7	-7.3	-0.6	-3.8	-3.6	-0.8
Spain	2.6	-4.8	-3.5	-0.5	-0.1	-0.6	-8.7	-5.5	-3.2	-9.9	-7.4	-6.7
France	-0.5	-2.4	-1.9	-1.2	-0.6	-1.6	-7.9	-7.3	-3.6	-9.1	-7.1	-5.1
Italy	1.3	1.2	1.8	1.4	1.5	1.8	-6.0	-8.4	-2.8	-7.2	-4.4	-2.9
Cyprus	-0.3	0.0	-1.0	4.4	-1.2	3.8	-3.5	-3.0	-0.2	-3.7	-0.2	-0.4
Latvia	-0.6	-4.2	0.3	0.2	-0.1	0.1	-3.9	-6.7	-1.4	-6.7	-2.8	-2.6
Lithuania	0.0	-4.5	0.4	1.6	1.5	1.3	-6.7	-7.7	-5.7	-7.8	-5.5	-2.4
Luxembourg	0.7	2.0	1.7	1.7	3.4	2.7	-3.9	-0.2	0.1	-4.8	-1.0	-0.8
Malta	-1.1	0.4	1.1	5.0	3.4	1.7	-8.8	-10.4	-4.1	-8.4	-5.1	-2.6
Netherlands	0.8	-1.1	-0.8	2.3	2.3	2.5	-3.6	-4.5	-1.3	-6.5	-5.3	-3.4
Austria	0.6	-0.1	0.6	1.0	1.8	2.0	-7.5	-6.3	-1.9	-8.2	-5.2	-2.4
Portugal	-2.4	-3.8	-0.3	0.8	3.0	3.0	-2.8	-2.1	-1.0	-4.4	-1.8	-0.5
Slovenia	-0.2	-2.5	-3.0	2.4	2.7	2.1	-6.8	-7.0	-3.4	-7.0	-4.8	-3.6
Slovakia	-1.7	-3.5	-1.3	0.5	0.3	-0.1	-4.9	-5.3	-3.0	-8.3	-6.7	-4.9
Finland	4.8	2.0	-1.1	0.3	0.0	-0.1	-4.8	-4.1	-1.7	-6.9	-4.2	-2.9
Euro area	0.6	-1.0	0.0	1.0	1.4	1.0	-5.7	-6.6	-2.6	-7.2	-5.0	-3.4
Bulgaria	2.4	-0.5	-0.7	2.0	2.7	2.7	-2.9	-2.6	-1.3	-2.4	-2.3	-0.7
Czechia	-3.1	-1.8	-0.2	2.2	1.7	1.0	-5.4	-7.8	-4.6	-5.4	-4.0	-3.0
Denmark	4.8	1.9	0.6	2.6	1.5	4.5	-0.6	-1.5	-0.9	-3.5	-1.8	-1.2
Croatia	-2.2	-3.0	-1.0	3.4	2.5	2.5	-5.4	-2.8	-1.6	-4.2	-0.7	-1.3
Hungary	-3.9	-0.5	1.6	0.2	0.2	0.2	-5.7	-4.3	-2.1	-5.9	-3.0	-2.0
Poland	-2.0	-2.7	-1.2	0.1	1.2	0.7	-5.7	-3.1	-1.2	-7.4	-2.8	-1.7
Romania	0.1	-4.7	-0.4	-1.4	-1.8	-3.2	-7.8	-6.3	-5.2	-8.6	-9.4	-10.2
Sweden	2.4	2.2	0.1	1.9	1.3	1.0	-2.8	-3.0	-0.3	-3.5	-2.6	-1.3
EU	0.6	-1.0	0.0	1.0	1.3	1.0	-5.5	-6.1	-2.4	-6.9	-4.8	-3.3
United Kingdom	-0.9	-4.5	-2.8	0.3	0.2	-0.2	-10.4	-10.1	-3.9	-11.4	-7.2	-5.9
Japan	-3.5	-5.0	-3.7	-1.2	-0.7	-1.4	-11.6	-8.0	-2.7	-12.3	-4.0	-2.0
United States	-1.1	-5.4	-2.1	-0.5	-2.3	-2.6	-12.1	-12.4	-3.4	-11.2	-3.1	-1.1

[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, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	2020	2021	2022
Belgium	-1.1	-3.2	-2.8	-0.9	-1.3	-2.6	-5.5	-5.7	-4.4	-6.7	-4.6	-5.3
Germany	-2.7	-1.4	0.5	0.6	1.1	1.0	-1.8	-6.2	-2.5	-3.4	-2.7	-1.9
Estonia	0.1	0.6	0.3	-1.6	-1.6	-1.3	-2.8	-3.4	-1.9	-4.1	-4.1	-3.6
Ireland	0.8	-12.9	-4.5	-1.4	-0.5	0.5	-4.6	-4.7	-2.9	-5.5	-4.8	-1.5
Greece	-8.4	-10.0	0.6	5.0	4.0	3.1	-4.1	-6.4	-2.1	-0.4	-2.4	-1.1
Spain	-1.4	-5.6	-2.7	-2.8	-3.1	-3.9	-5.4	-4.6	-5.2	-6.2	-6.0	-7.2
France	-4.2	-4.9	-3.1	-3.1	-3.0	-4.2	-4.8	-6.8	-4.8	-5.3	-5.8	-4.8
Italy	-4.3	-3.4	-0.9	-2.2	-2.3	-1.9	-4.8	-9.1	-5.0	-5.6	-4.8	-4.1
Cyprus	-4.7	-3.5	-1.3	0.9	-5.9	-1.2	-4.7	-4.6	-2.4	-4.8	-1.9	-2.5
Latvia	-2.1	-4.4	-1.1	-1.7	-2.2	-1.6	-3.2	-6.2	-1.9	-5.7	-2.8	-3.1
Lithuania	-1.6	-5.0	-1.2	-0.7	-0.8	-0.9	-6.7	-7.0	-5.0	-7.7	-5.0	-1.5
Luxembourg	0.2	1.7	2.2	1.7	3.2	2.8	-1.9	1.1	1.1	-2.2	0.8	0.9
Malta	-4.6	-2.6	-2.2	1.0	-0.1	-1.7	-7.4	-9.7	-4.5	-6.9	-3.7	-2.6
Netherlands	-0.6	-2.8	-1.0	1.0	0.6	1.0	-2.0	-3.5	-1.7	-4.6	-4.0	-2.7
Austria	-2.3	-3.1	-1.4	-1.1	-0.9	-0.6	-5.7	-5.7	-2.9	-6.6	-5.2	-3.4
Portugal	-4.8	-7.1	-3.4	-3.6	-1.7	-1.8	-2.7	-2.9	-3.3	-3.8	-3.0	-2.6
Slovenia	-3.0	-4.8	-3.7	-0.9	-1.2	-1.8	-6.8	-7.7	-4.7	-7.1	-6.2	-5.6
Slovakia	-3.8	-5.4	-2.5	-1.3	-1.9	-2.3	-4.7	-6.0	-4.4	-7.8	-7.3	-6.4
Finland	3.2	0.5	-1.0	-1.0	-1.2	-1.1	-3.4	-3.3	-1.5	-5.3	-3.5	-2.7
Euro area	-2.9	-3.7	-1.3	-1.1	-1.1	-1.3	-3.7	-6.2	-3.6	-4.8	-4.3	-3.6
Bulgaria	0.5	-1.7	-1.2	0.8	1.5	1.3	-2.5	-2.6	-2.0	-2.0	-2.4	-1.3
Czechia	-4.8	-3.5	-0.8	0.6	-0.3	-0.8	-4.4	-7.4	-5.1	-4.2	-3.3	-3.3
Denmark	1.3	0.6	0.4	2.0	0.8	3.4	1.2	-0.1	-0.2	-1.2	-0.4	0.0
Croatia	-4.6	-5.8	-3.0	-0.1	-1.2	-1.4	-5.0	-3.2	-3.3	-4.0	-1.9	-3.2
Hungary	-9.1	-3.8	-1.7	-3.5	-3.9	-4.1	-6.3	-5.7	-4.3	-6.6	-4.2	-4.0
Poland	-3.5	-5.9	-2.7	-1.9	-1.5	-2.5	-5.9	-3.7	-2.7	-7.9	-3.5	-2.7
Romania	-2.5	-6.3	-1.4	-3.0	-3.5	-4.9	-7.5	-6.9	-6.4	-8.6	-9.9	-11.5
Sweden	0.1	1.1	-0.1	1.0	0.5	0.7	-0.4	-1.9	0.2	-1.4	-0.9	-0.2
EU	-2.8	-3.5	-1.3	-1.0	-1.0	-1.3	-3.7	-5.8	-3.5	-4.8	-4.1	-3.5

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 39: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	3.8	0.6	0.3	1.4	0.8	-0.6	-3.5	-4.0	-2.9	-4.7	-2.8	-3.7
Germany	0.1	1.2	2.2	1.6	2.0	1.8	-1.1	-5.6	-2.0	-2.7	-2.1	-1.3
Estonia	0.3	0.7	0.4	-1.5	-1.6	-1.2	-2.8	-3.3	-1.8	-4.0	-4.1	-3.5
Ireland	1.9	-10.7	-1.1	0.6	1.1	1.7	-3.6	-3.8	-2.0	-4.3	-3.9	-0.5
Greece	-3.5	-4.4	4.7	8.1	7.4	6.1	-1.1	-3.6	0.5	2.6	0.4	1.6
Spain	0.6	-3.8	0.4	-0.2	-0.6	-1.6	-3.1	-2.5	-3.2	-3.8	-3.9	-5.2
France	-1.4	-2.3	-0.9	-1.3	-1.3	-2.7	-3.5	-5.6	-3.7	-3.9	-4.6	-3.7
Italy	0.5	1.2	3.6	1.6	1.3	1.5	-1.4	-5.8	-2.0	-2.0	-1.4	-1.0
Cyprus	-1.6	-1.2	1.8	3.4	-3.6	1.0	-2.6	-2.5	-0.5	-2.4	0.2	-0.6
Latvia	-1.5	-3.2	0.3	-0.8	-1.5	-0.9	-2.5	-5.5	-1.3	-5.0	-2.1	-2.4
Lithuania	-0.7	-3.7	0.4	0.4	0.1	0.0	-6.0	-6.5	-4.6	-7.1	-4.5	-1.2
Luxembourg	0.4	2.1	2.6	2.0	3.5	3.2	-1.7	1.3	1.3	-1.9	1.1	1.2
Malta	-0.9	0.6	0.4	2.8	1.5	-0.4	-6.1	-8.2	-3.1	-5.8	-2.5	-1.3
Netherlands	1.7	-0.9	0.4	2.0	1.5	1.7	-1.3	-2.9	-1.2	-3.9	-3.6	-2.3
Austria	0.9	-0.1	1.0	0.8	0.8	0.8	-4.4	-4.5	-1.8	-5.2	-3.9	-2.1
Portugal	-2.2	-3.9	1.3	0.2	1.7	1.2	0.2	-0.3	-0.9	-0.9	-0.4	-0.1
Slovenia	-1.3	-3.4	-0.9	1.6	0.8	-0.1	-5.2	-6.2	-3.4	-5.3	-4.6	-4.1
Slovakia	-1.5	-4.0	-0.7	0.2	-0.5	-1.0	-3.4	-4.8	-3.3	-6.5	-6.2	-5.3
Finland	4.9	1.9	0.2	0.0	-0.3	-0.3	-2.7	-2.7	-1.1	-4.6	-2.9	-2.1
Euro area	0.2	-0.8	1.3	0.8	0.8	0.3	-2.2	-4.8	-2.4	-3.2	-2.9	-2.3
Bulgaria	2.3	-0.8	-0.4	1.6	2.2	1.9	-1.9	-2.0	-1.4	-1.5	-1.7	-0.6
Czechia	-3.7	-2.3	0.4	1.3	0.5	-0.1	-3.7	-6.6	-4.3	-3.4	-2.5	-2.5
Denmark	3.8	2.3	2.0	2.8	1.6	4.1	1.8	0.5	0.3	-0.5	0.3	0.7
Croatia	-2.9	-3.7	0.2	2.5	1.1	0.8	-3.0	-1.4	-1.7	-1.7	0.1	-1.3
Hungary	-5.0	0.4	2.3	-0.8	-1.5	-1.8	-4.0	-3.3	-1.9	-4.2	-1.8	-1.7
Poland	-0.9	-3.6	-0.6	-0.3	0.0	-1.1	-4.7	-2.5	-1.5	-6.5	-2.2	-1.4
Romania	-1.0	-5.1	0.3	-1.8	-2.4	-3.7	-6.1	-5.1	-4.5	-6.9	-8.0	-9.2
Sweden	2.2	2.5	0.6	1.4	1.0	1.1	-0.1	-1.6	0.5	-1.0	-1.0	-0.1
EU	0.2	-0.8	1.2	0.8	0.7	0.3	-2.3	-4.4	-2.2	-3.3	-2.8	-2.2

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Structural budget balance, general government[1] (as a percentage of potential GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	:	:	-2.9	-1.4	-1.8	-2.8	-5.6	-5.8	-4.4	-6.8	-4.6	-5.3
Germany	:	:	0.6	0.8	1.2	1.0	-1.8	-6.2	-2.5	-3.4	-2.7	-1.9
Estonia	:	:	0.6	-1.6	-1.6	-1.3	-2.8	-4.2	-2.1	-4.1	-4.1	-3.6
Ireland	:	:	-4.5	-1.4	-0.4	0.5	-4.6	-4.7	-2.9	-5.5	-4.8	-1.5
Greece	:	:	3.3	4.7	4.6	2.0	-4.7	-6.6	-2.2	-0.1	-2.6	-1.1
Spain	:	:	-1.8	-2.7	-2.8	-3.7	-4.2	-4.9	-5.2	-6.0	-6.0	-7.2
France	:	:	-3.1	-2.9	-3.0	-3.3	-4.7	-6.7	-4.7	-5.1	-5.7	-4.8
Italy	:	:	-1.0	-2.1	-2.5	-2.0	-4.9	-9.3	-5.1	-5.8	-5.0	-4.3
Cyprus	:	:	0.5	0.9	2.0	0.0	-4.7	-4.7	-2.4	-4.8	-1.9	-2.5
Latvia	:	:	-1.1	-1.7	-2.2	-1.6	-3.3	-6.2	-1.9	-5.7	-2.8	-3.1
Lithuania	:	:	-1.3	-0.7	-0.8	-1.0	-6.7	-7.0	-5.0	-7.7	-5.0	-1.5
Luxembourg	:	:	2.2	1.7	3.2	2.8	-1.9	1.1	1.1	-2.2	0.8	0.9
Malta	:	:	-2.3	1.2	-0.1	-1.7	-7.5	-9.7	-4.5	-6.9	-3.7	-2.6
Netherlands	:	:	-1.1	0.6	0.6	0.8	-2.0	-3.4	-1.7	-4.6	-3.9	-2.7
Austria	:	:	-0.9	-1.1	-0.9	-0.6	-5.7	-5.8	-2.9	-6.6	-5.2	-3.4
Portugal	:	:	-2.5	-1.5	-1.0	-1.2	-2.0	-3.2	-3.2	-3.3	-3.3	-2.6
Slovenia	:	:	-3.4	-0.8	-1.2	-1.7	-6.7	-7.7	-4.7	-6.9	-6.2	-5.6
Slovakia	:	:	-2.5	-1.3	-1.9	-2.3	-4.7	-6.0	-4.4	-7.8	-7.3	-6.4
Finland	:	:	-1.0	-1.0	-1.1	-1.2	-3.4	-3.3	-1.5	-5.3	-3.5	-2.7
Euro area	:	:	-1.2	-1.0	-1.0	-1.2	-3.6	-6.2	-3.7	-4.8	-4.3	-3.7
Bulgaria	:	:	-0.6	0.8	1.5	1.3	-2.5	-2.6	-2.0	-2.0	-2.4	-1.3
Czechia	:	:	-0.4	0.6	-0.3	-0.8	-4.4	-7.5	-5.1	-4.2	-3.3	-3.2
Denmark	:	:	-0.5	2.0	0.8	3.4	0.5	0.1	0.4	-0.4	-0.4	0.0
Croatia	:	:	-3.0	-0.1	-1.2	-1.4	-5.0	-3.2	-3.3	-4.0	-2.0	-3.2
Hungary	:	:	-1.8	-3.8	-3.9	-3.9	-6.3	-5.7	-4.3	-6.6	-4.2	-4.0
Poland	:	:	-2.7	-1.9	-1.5	-2.5	-6.2	-3.9	-2.9	-8.2	-3.7	-2.8
Romania	:	:	-1.5	-3.0	-3.2	-4.7	-7.5	-6.9	-6.4	-8.6	-9.9	-11.5
Sweden	:	:	-0.1	1.0	0.5	0.7	-0.4	-1.9	0.2	-1.4	-0.9	-0.2
EU	:	:	-1.2	-1.0	-0.9	-1.1	-3.6	-5.8	-3.4	-4.8	-4.2	-3.5

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 41: Gross debt, general government (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	98.2	96.9	105.5	102.0	99.8	98.1	**114.1**	**115.3**	**115.5**	*117.7*	*117.8*	*118.6*
Germany	64.4	72.9	75.4	65.1	61.8	59.7	**69.8**	**73.1**	**72.2**	*71.2*	*70.1*	*69.0*
Estonia	5.1	5.6	10.1	9.1	8.2	8.4	**18.2**	**21.3**	**24.0**	*17.2*	*22.5*	*26.4*
Ireland	27.7	65.0	99.0	67.0	63.0	57.4	**59.5**	**61.4**	**59.7**	*63.1*	*66.0*	*66.0*
Greece	104.0	132.4	175.7	179.2	186.2	180.5	**205.6**	**208.8**	**201.5**	*207.1*	*200.7*	*194.8*
Spain	45.2	51.8	96.3	98.6	97.4	95.5	**120.0**	**119.6**	**116.9**	*120.3*	*122.0*	*123.9*
France	64.5	77.9	94.5	98.3	98.0	97.6	**115.7**	**117.4**	**116.4**	*115.9*	*117.8*	*119.4*
Italy	106.1	113.1	132.9	134.1	134.4	134.6	**155.8**	**159.8**	**156.6**	*159.6*	*159.5*	*159.1*
Cyprus	62.4	55.2	100.7	93.5	99.2	94.0	**118.2**	**112.2**	**106.6**	*112.6*	*108.2*	*102.8*
Latvia	12.7	31.1	40.3	39.0	37.1	37.0	**43.5**	**47.3**	**46.4**	*47.5*	*45.9*	*45.5*
Lithuania	19.2	26.4	40.2	39.1	33.7	35.9	**47.3**	**51.9**	**54.1**	*47.2*	*50.7*	*49.5*
Luxembourg	7.8	15.8	22.1	22.3	21.0	22.0	**24.9**	**27.0**	**26.8**	*25.4*	*27.3*	*28.9*
Malta	67.4	64.9	60.7	48.5	44.8	42.0	**54.3**	**64.7**	**65.5**	*55.2*	*60.0*	*59.3*
Netherlands	48.8	55.1	65.7	56.9	52.4	48.7	**54.5**	**58.0**	**56.8**	*60.0*	*63.5*	*65.9*
Austria	66.7	75.7	83.0	78.5	74.0	70.5	**83.9**	**87.2**	**85.0**	*84.2*	*85.2*	*85.1*
Portugal	67.4	90.2	131.2	126.1	121.5	116.8	**133.6**	**127.2**	**122.3**	*135.1*	*130.3*	*127.2*
Slovenia	26.7	32.8	73.0	74.1	70.3	65.6	**80.8**	**79.0**	**76.7**	*82.2*	*80.2*	*79.8*
Slovakia	39.3	35.9	52.8	51.5	49.6	48.2	**60.6**	**59.5**	**59.0**	*63.4*	*65.7*	*67.6*
Finland	40.7	40.6	59.3	61.2	59.7	59.5	**69.2**	**71.0**	**70.1**	*69.8*	*71.8*	*72.5*
Euro area	69.1	78.0	93.6	89.7	87.7	85.8	**100.0**	**102.4**	**100.8**	*101.7*	*102.3*	*102.6*
Bulgaria	35.5	14.7	23.2	25.3	22.3	20.2	**25.0**	**24.5**	**24.0**	*25.7*	*26.4*	*26.3*
Czechia	27.5	33.1	41.3	34.2	32.1	30.3	**38.1**	**44.3**	**47.1**	*37.9*	*40.6*	*42.2*
Denmark	41.7	37.9	42.0	35.9	34.0	33.3	**42.2**	**40.2**	**38.8**	*45.0*	*41.1*	*40.9*
Croatia	39.1	49.4	80.2	77.6	74.3	72.8	**88.7**	**85.6**	**82.9**	*86.6*	*82.4*	*81.7*
Hungary	59.6	75.3	76.6	72.2	69.1	65.5	**80.4**	**78.6**	**77.1**	*78.0*	*77.9*	*77.2*
Poland	45.4	49.8	53.4	50.6	48.8	45.6	**57.5**	**57.1**	**55.1**	*56.6*	*57.3*	*56.4*
Romania	18.8	21.9	37.8	35.1	34.7	35.3	**47.3**	**49.7**	**52.7**	*46.7*	*54.6*	*63.6*
Sweden	48.0	38.5	41.7	40.7	38.9	35.0	**39.9**	**40.8**	**39.4**	*39.9*	*40.5*	*40.3*
EU	66.1	73.3	87.2	83.2	81.2	79.1	**92.4**	**94.4**	**92.9**	*93.9*	*94.6*	*94.9*

Note: See box on technical elements behind the forecast for details and definition.

Table 42: Gross national saving (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	27.5	26.1	24.7	25.1	24.8	25.3	**24.9**	**24.8**	**24.3**	*24.1*	*24.3*	*24.6*
Germany	23.9	26.8	27.7	28.8	29.1	28.7	**27.6**	**28.7**	**27.9**	*27.9*	*28.2*	*28.2*
Estonia	23.7	24.5	27.0	28.2	28.5	29.1	**27.9**	**26.2**	**26.9**	*26.8*	*26.7*	*27.0*
Ireland	25.1	17.3	24.9	35.1	35.5	35.2	**35.9**	**36.1**	**36.2**	*34.4*	*32.1*	*34.2*
Greece	15.1	7.7	10.0	10.3	9.7	10.5	**5.7**	**7.0**	**10.5**	*7.1*	*6.7*	*8.4*
Spain	22.6	19.3	20.1	22.2	22.4	22.9	**21.1**	**21.1**	**22.5**	*21.3*	*21.6*	*22.5*
France	22.8	22.3	21.7	22.7	23.0	23.3	**22.0**	**22.9**	**23.1**	*20.6*	*21.4*	*22.1*
Italy	20.6	18.5	18.6	20.6	21.0	21.2	**21.0**	**21.5**	**22.5**	*19.7*	*20.6*	*21.1*
Cyprus	10.9	11.3	12.0	14.8	14.6	13.5	**8.3**	**9.0**	**11.2**	*8.1*	*8.1*	*8.3*
Latvia	21.3	24.3	23.0	23.4	23.5	21.9	**25.8**	**22.6**	**23.0**	*25.4*	*23.9*	*23.1*
Lithuania	15.9	16.7	19.9	19.7	20.6	20.8	**19.7**	**18.8**	**19.5**	*18.3*	*18.4*	*20.2*
Luxembourg	25.6	22.4	18.9	17.7	17.5	16.3	**22.1**	**23.9**	**24.7**	*16.5*	*17.7*	*18.6*
Malta	18.7	16.8	21.9	33.5	32.8	27.6	**22.1**	**22.1**	**24.6**	*22.6*	*22.6*	*23.7*
Netherlands	26.7	27.5	28.4	31.4	31.8	31.2	**29.1**	**29.6**	**29.9**	*29.6*	*29.5*	*29.7*
Austria	26.1	26.7	26.0	26.3	26.9	28.5	**27.6**	**27.6**	**27.9**	*27.2*	*27.6*	*27.8*
Portugal	15.2	12.0	15.4	18.2	18.5	19.1	**18.1**	**18.5**	**19.4**	*17.5*	*18.3*	*18.6*
Slovenia	26.1	24.0	22.5	26.4	27.2	26.5	**26.0**	**25.3**	**25.2**	*24.6*	*24.3*	*23.9*
Slovakia	22.2	21.6	23.2	21.8	22.8	21.5	**17.4**	**19.9**	**20.8**	*14.7*	*17.0*	*18.5*
Finland	28.8	25.7	20.9	23.2	23.5	23.9	**24.8**	**24.4**	**25.1**	*22.2*	*22.7*	*22.7*
Euro area	23.0	22.5	23.2	24.9	25.3	25.3	**24.4**	**25.0**	**25.2**	*23.9*	*24.2*	*24.7*
Bulgaria	15.9	17.9	22.4	25.4	26.2	26.7	**23.0**	**25.5**	**27.1**	*21.5*	*22.3*	*23.3*
Czechia	25.9	24.4	24.8	27.2	26.6	26.1	**24.5**	**24.8**	**25.5**	*22.3*	*22.7*	*23.6*
Denmark	25.5	25.3	28.1	30.1	30.2	31.6	**31.0**	**31.3**	**31.9**	*28.9*	*29.0*	*29.7*
Croatia	20.0	19.4	20.5	25.9	25.8	25.7	**24.6**	**22.5**	**24.7**	*20.7*	*21.8*	*22.7*
Hungary	16.9	19.0	24.2	24.7	27.0	27.6	**27.4**	**27.1**	**28.2**	*25.1*	*25.8*	*26.5*
Poland	16.1	17.4	18.9	19.6	19.8	20.4	**20.3**	**19.8**	**19.5**	*20.0*	*19.5*	*19.1*
Romania	16.4	21.3	23.8	20.3	18.3	19.0	**19.5**	**20.5**	**21.5**	*19.5*	*19.8*	*19.8*
Sweden	28.2	29.9	27.5	28.5	28.6	29.8	**29.9**	**30.1**	**30.7**	*28.8*	*28.2*	*28.5*
EU	23.0	22.6	23.3	25.0	25.2	25.4	**24.5**	**25.1**	**25.3**	*23.9*	*24.2*	*24.6*
United Kingdom	15.6	13.5	12.3	14.5	14.2	15.1	**13.2**	**11.3**	**12.4**	*14.1*	*14.1*	*14.5*
Japan	29.3	27.4	26.7	29.5	29.3	29.7	**29.0**	**28.6**	**28.2**	*27.9*	*28.2*	*28.3*
United States	18.2	15.7	19.4	19.2	19.1	18.6	**18.1**	**18.3**	**18.2**	*17.2*	*17.0*	*17.2*

Table 43: Gross saving, private sector (as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	25.2	25.8	24.5	23.4	22.9	24.4	**31.1**	**29.3**	**26.2**	*32.6*	*28.5*	*28.1*
Germany	23.9	25.0	24.3	24.3	24.1	23.9	**28.1**	**31.8**	**26.3**	*30.0*	*28.2*	*26.8*
Estonia	17.1	19.9	22.2	23.6	24.2	24.6	**27.2**	**25.6**	**24.0**	*27.7*	*27.2*	*26.7*
Ireland	20.7	20.8	26.6	33.4	32.9	32.1	**37.9**	**38.1**	**36.2**	*38.2*	*35.0*	*33.7*
Greece	16.9	14.8	10.9	7.4	6.1	6.9	**9.7**	**12.7**	**10.5**	*12.3*	*9.5*	*8.5*
Spain	17.7	20.9	23.7	23.3	22.8	23.8	**28.5**	**26.2**	**25.2**	*31.0*	*28.8*	*28.8*
France	21.6	22.2	21.1	21.0	21.2	22.2	**26.4**	**26.6**	**23.1**	*26.3*	*24.8*	*23.7*
Italy	20.1	18.0	18.1	19.6	20.2	19.5	**25.3**	**25.9**	**23.6**	*26.5*	*24.5*	*23.3*
Cyprus	11.0	9.3	11.1	10.2	9.0	7.9	**10.9**	**10.5**	**9.5**	*11.7*	*7.9*	*8.2*
Latvia	18.6	24.5	20.7	19.9	19.6	18.9	**25.2**	**25.4**	**21.2**	*27.1*	*23.6*	*22.6*
Lithuania	13.5	17.9	18.7	16.2	17.3	18.0	**22.9**	**23.1**	**21.9**	*22.9*	*21.4*	*20.5*
Luxembourg	19.2	15.6	13.0	11.5	9.6	9.1	**20.0**	**19.1**	**20.0**	*15.2*	*13.3*	*14.3*
Malta	20.0	17.5	21.1	27.8	27.8	24.0	**28.1**	**28.5**	**26.1**	*28.8*	*25.1*	*23.9*
Netherlands	24.2	26.3	27.2	27.1	27.2	26.3	**30.2**	**30.5**	**28.0**	*32.7*	*31.0*	*29.0*
Austria	24.1	25.4	23.7	23.3	23.2	24.3	**32.3**	**30.7**	**26.7**	*32.7*	*29.7*	*27.3*
Portugal	16.6	15.2	17.5	17.2	16.3	16.4	**20.0**	**20.3**	**19.5**	*21.0*	*19.6*	*18.1*
Slovenia	23.3	22.7	21.9	23.2	22.8	22.4	**30.4**	**28.5**	**24.7**	*28.9*	*25.4*	*23.3*
Slovakia	21.4	22.8	23.0	19.6	20.4	19.4	**19.7**	**23.2**	**22.4**	*20.1*	*21.4*	*21.0*
Finland	22.2	21.4	19.3	20.1	20.3	20.7	**26.0**	**24.4**	**23.3**	*25.1*	*23.0*	*21.9*
Euro area	21.7	22.2	22.2	22.5	22.5	22.7	**27.5**	**28.4**	**25.0**	*28.7*	*26.7*	*25.6*
Bulgaria	11.5	14.9	20.3	21.9	21.0	20.9	**21.6**	**24.9**	**25.5**	*19.7*	*20.9*	*20.5*
Czechia	22.2	22.2	22.0	22.3	21.7	21.5	**25.4**	**27.9**	**26.7**	*22.8*	*22.3*	*22.5*
Denmark	20.6	21.8	24.4	24.8	25.6	24.4	**27.4**	**28.6**	**28.6**	*28.2*	*26.8*	*26.9*
Croatia	15.9	17.5	19.7	21.4	20.8	20.0	**25.6**	**20.8**	**21.8**	*21.6*	*18.8*	*20.2*
Hungary	18.9	19.8	22.3	21.5	22.8	23.3	**25.4**	**26.7**	**25.6**	*26.0*	*24.9*	*24.9*
Poland	17.1	17.5	18.5	17.2	16.1	17.5	**22.6**	**19.8**	**17.6**	*24.6*	*19.8*	*17.8*
Romania	12.9	21.1	21.9	20.9	18.3	20.0	**24.6**	**24.4**	**24.5**	*26.0*	*27.8*	*28.6*
Sweden	23.8	24.7	23.8	22.6	22.8	24.3	**27.7**	**28.3**	**26.2**	*27.5*	*25.6*	*24.9*
EU	21.5	22.0	22.2	22.3	22.3	22.5	**27.2**	**27.9**	**24.9**	*28.3*	*26.3*	*25.2*
United Kingdom	15.6	16.6	14.4	13.4	13.0	13.8	**21.5**	**18.7**	**13.5**	*23.6*	*19.0*	*18.0*
Japan	30.0	29.9	28.5	28.9	27.7	28.5	**37.6**	**33.5**	**27.8**	*37.3*	*29.4*	*27.4*
United States	19.4	20.9	22.2	21.5	22.0	21.9	**30.5**	**30.8**	**21.6**	*28.6*	*20.4*	*18.8*

Table 44: Saving rate of households (2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	17.0	16.9	13.2	12.2	11.6	13.0	**21.7**	**16.7**	**12.1**	*24.6*	*18.4*	*15.7*
Germany	16.7	17.3	17.2	17.9	18.3	18.4	**23.5**	**24.4**	**18.9**	*23.6*	*20.9*	*19.4*
Estonia	-2.6	8.0	8.0	10.1	10.4	13.5	**16.0**	**13.5**	**10.8**	*18.5*	*17.0*	*16.1*
Ireland	8.6	11.7	9.2	11.5	11.6	12.2	**23.8**	**15.5**	**12.6**	*27.8*	*17.6*	*13.3*
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	9.1	8.9	7.0	5.8	5.6	6.3	**14.8**	**11.1**	**7.3**	*18.2*	*15.3*	*13.3*
France	14.2	15.1	14.1	13.8	14.1	14.6	**21.1**	**18.4**	**14.6**	*20.9*	*17.9*	*16.0*
Italy	14.8	12.6	10.5	10.1	10.1	10.1	**17.5**	**13.1**	**10.8**	*15.2*	*12.6*	*10.3*
Cyprus	5.3	5.5	-0.4	3.0	3.1	3.1	**3.8**	**3.3**	**2.1**	*5.7*	*3.8*	*4.5*
Latvia	2.0	6.3	1.4	5.8	7.5	6.0	**16.5**	**15.1**	**9.2**	*20.3*	*14.2*	*12.0*
Lithuania	5.1	2.7	1.7	0.1	0.2	4.1	**11.9**	**9.3**	**5.6**	*10.6*	*8.7*	*5.9*
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	10.4	12.4	15.9	15.3	15.6	16.6	**23.3**	**22.6**	**17.8**	*25.9*	*22.6*	*19.6*
Austria	15.3	15.8	13.0	12.9	13.2	13.7	**19.0**	**16.3**	**14.1**	*18.3*	*14.4*	*13.4*
Portugal	11.0	8.8	8.0	6.6	6.8	7.1	**12.8**	**9.3**	**7.7**	*12.2*	*9.8*	*7.5*
Slovenia	15.7	13.8	11.0	13.1	13.5	13.3	**25.7**	**20.5**	**12.9**	*22.3*	*17.9*	*13.7*
Slovakia	6.8	7.4	7.8	8.1	10.4	10.1	**10.9**	**12.1**	**9.6**	*14.2*	*13.1*	*10.8*
Finland	7.9	8.4	7.3	6.9	7.3	8.7	**13.3**	**9.8**	**8.3**	*16.6*	*13.3*	*10.6*
Euro area	13.3	13.0	12.3	12.2	12.4	12.9	**20.1**	**18.1**	**14.0**	*19.9*	*16.8*	*14.8*
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Czechia	11.6	12.3	11.8	11.8	12.2	12.4	**18.8**	**18.2**	**15.6**	*16.2*	*13.0*	*9.6*
Denmark	6.7	6.7	8.3	11.8	11.9	9.7	**11.9**	**11.0**	**9.7**	*15.3*	*12.9*	*12.3*
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	10.1	10.3	11.7	11.1	12.7	12.2	**14.3**	**14.0**	**12.2**	*12.9*	*11.7*	*11.1*
Poland	7.3	4.2	3.2	2.9	1.6	3.6	**8.7**	**6.7**	**3.1**	*9.4*	*6.5*	*4.1*
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	7.1	12.1	15.6	14.9	16.0	18.5	**20.1**	**20.4**	**17.9**	*21.3*	*18.0*	*17.8*
EU	12.9	12.9	12.0	11.8	11.9	12.5	**19.4**	**17.5**	**13.6**	*18.8*	*15.9*	*14.0*
United Kingdom	7.9	10.1	8.9	5.7	6.1	6.5	**15.7**	**10.6**	**5.8**	*16.8*	*14.7*	*13.2*
Japan	11.1	10.5	8.3	9.0	10.5	10.2	**17.2**	**13.7**	**7.0**	*21.1*	*13.6*	*11.0*
United States	10.4	11.4	12.8	12.5	13.3	14.6	**24.4**	**22.1**	**16.0**	*19.6*	*12.3*	*11.2*

Table 45: Gross saving, general government (as a percentage of GDP, 2002-2022) — 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	2.2	0.3	0.2	1.8	1.9	0.9	**-6.3**	**-4.5**	**-1.9**	*-8.5*	*-4.2*	*-3.5*
Germany	0.0	1.8	3.4	4.5	5.0	4.8	**-0.5**	**-3.2**	**1.6**	*-2.0*	*0.0*	*1.4*
Estonia	6.6	4.6	4.8	4.6	4.2	4.4	**0.7**	**0.7**	**2.8**	*-0.8*	*-0.5*	*0.3*
Ireland	4.4	-3.4	-1.7	1.8	2.6	3.1	**-2.0**	**-2.0**	**0.1**	*-3.8*	*-2.9*	*0.5*
Greece	-1.8	-7.1	-0.9	2.9	3.6	3.6	**-4.0**	**-5.7**	**0.0**	*-5.2*	*-2.8*	*-0.1*
Spain	4.9	-1.6	-3.6	-1.1	-0.4	-0.9	**-7.4**	**-5.1**	**-2.7**	*-9.7*	*-7.2*	*-6.3*
France	1.2	0.0	0.6	1.7	1.8	1.2	**-4.4**	**-3.7**	**0.0**	*-5.7*	*-3.4*	*-1.6*
Italy	0.5	0.5	0.5	1.0	0.9	1.7	**-4.3**	**-4.4**	**-1.1**	*-6.8*	*-3.9*	*-2.2*
Cyprus	0.0	2.1	0.8	4.6	5.6	5.5	**-2.6**	**-1.5**	**1.7**	*-3.6*	*0.2*	*0.1*
Latvia	2.7	-0.2	2.3	3.5	3.9	3.0	**0.6**	**-2.9**	**1.8**	*-1.8*	*0.3*	*0.5*
Lithuania	2.4	-1.3	1.1	3.5	3.3	2.8	**-3.2**	**-4.3**	**-2.4**	*-4.7*	*-2.9*	*-0.3*
Luxembourg	6.5	6.9	5.9	6.2	7.9	7.2	**2.1**	**4.8**	**4.7**	*1.3*	*4.4*	*4.4*
Malta	-1.3	-0.7	0.8	5.7	5.0	3.6	**-6.0**	**-6.4**	**-1.5**	*-6.1*	*-2.4*	*-0.2*
Netherlands	2.5	1.2	1.3	4.3	4.5	4.9	**-1.0**	**-1.0**	**1.9**	*-3.1*	*-1.6*	*0.7*
Austria	2.0	1.3	2.3	3.0	3.7	4.2	**-4.7**	**-3.1**	**1.2**	*-5.6*	*-2.0*	*0.6*
Portugal	-1.4	-3.1	-2.1	1.0	2.2	2.7	**-2.0**	**-1.8**	**-0.1**	*-3.6*	*-1.3*	*0.6*
Slovenia	2.8	1.3	0.5	3.2	4.4	4.0	**-4.4**	**-3.1**	**0.5**	*-4.4*	*-1.1*	*0.6*
Slovakia	0.8	-1.2	0.2	2.2	2.4	2.1	**-2.3**	**-3.3**	**-1.6**	*-5.4*	*-4.4*	*-2.5*
Finland	6.6	4.3	1.7	3.1	3.2	3.2	**-1.2**	**0.0**	**1.8**	*-3.0*	*-0.3*	*0.8*
Euro area	1.4	0.4	1.0	2.4	2.8	2.7	**-3.1**	**-3.4**	**0.2**	*-4.8*	*-2.5*	*-0.9*
Bulgaria	4.4	3.0	2.0	3.5	5.2	5.8	**1.4**	**0.6**	**1.6**	*1.8*	*1.4*	*2.8*
Czechia	3.7	2.2	2.8	4.9	4.9	4.6	**-1.0**	**-3.1**	**-1.2**	*-0.5*	*0.4*	*1.1*
Denmark	5.0	3.5	3.7	5.3	4.6	7.1	**3.6**	**2.8**	**3.3**	*0.8*	*2.3*	*2.8*
Croatia	4.1	1.9	0.8	4.4	5.1	5.7	**-1.0**	**1.7**	**2.8**	*-0.9*	*2.9*	*2.5*
Hungary	-1.9	-0.7	1.9	3.2	4.2	4.3	**1.9**	**0.4**	**2.6**	*-0.9*	*0.9*	*1.6*
Poland	-1.0	-0.1	0.4	2.4	3.7	2.9	**-2.3**	**0.0**	**1.9**	*-4.6*	*-0.2*	*1.3*
Romania	3.6	0.2	1.9	-0.6	0.0	-1.0	**-5.1**	**-3.9**	**-3.0**	*-6.5*	*-7.9*	*-8.8*
Sweden	4.5	5.2	3.7	5.9	5.7	5.5	**2.2**	**1.8**	**4.5**	*1.4*	*2.6*	*3.7*
EU	1.5	0.6	1.2	2.6	3.0	2.9	**-2.6**	**-2.9**	**0.4**	*-4.4*	*-2.1*	*-0.6*
United Kingdom	0.0	-3.1	-2.1	1.1	1.2	1.2	**-8.3**	**-7.5**	**-1.1**	*-9.5*	*-4.9*	*-3.4*
Japan	-0.7	-2.5	-1.7	0.6	1.5	1.3	**-8.6**	**-4.9**	**0.4**	*-9.4*	*-1.1*	*0.9*
United States	-1.2	-5.2	-2.7	-2.3	-3.0	-3.3	**-12.4**	**-12.5**	**-3.4**	*-11.4*	*-3.4*	*-1.6*

Table 46: Exports of goods and services, volume (percentage change on preceding year, 2002-2022) — 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	4.5	1.9	3.0	5.5	0.6	1.0	**-4.6**	**5.9**	**3.9**	*-8.6*	*5.0*	*3.0*
Germany	7.2	3.4	3.3	4.7	2.3	1.0	**-9.4**	**10.4**	**4.8**	*-9.7*	*6.2*	*4.2*
Estonia	11.8	6.9	2.7	4.1	4.0	6.2	**-5.5**	**5.5**	**5.7**	*-10.4*	*7.3*	*5.5*
Ireland	4.5	3.7	11.1	9.2	11.1	10.5	**6.2**	**6.8**	**4.9**	*0.7*	*1.7*	*3.5*
Greece	3.5	-0.3	3.3	8.5	9.1	4.8	**-21.7**	**9.1**	**14.8**	*-21.6*	*10.7*	*10.1*
Spain	3.2	2.3	3.9	5.5	2.3	2.3	**-20.2**	**10.4**	**12.8**	*-22.1*	*14.2*	*7.8*
France	3.2	1.2	2.9	4.4	4.4	1.9	**-16.0**	**10.0**	**9.6**	*-17.7*	*6.6*	*6.7*
Italy	2.6	-0.1	2.2	5.4	2.1	1.6	**-13.8**	**10.4**	**7.9**	*-16.7*	*10.3*	*5.9*
Cyprus	0.4	2.5	4.7	9.9	8.0	-0.4	**-12.4**	**5.3**	**7.6**	*-17.7*	*7.2*	*8.1*
Latvia	10.5	5.3	4.6	6.4	4.3	2.1	**-2.7**	**6.5**	**6.1**	*-7.5*	*4.2*	*4.0*
Lithuania	13.7	5.8	4.6	13.5	6.8	9.5	**0.0**	**6.5**	**6.0**	*-4.9*	*6.8*	*4.9*
Luxembourg	6.9	3.0	6.2	0.7	0.5	0.8	**2.5**	**3.0**	**1.8**	*-3.3*	*2.0*	*1.9*
Malta	5.4	8.4	5.3	8.4	-0.4	6.4	**-7.8**	**5.2**	**5.7**	*-10.4*	*2.3*	*7.3*
Netherlands	4.7	2.4	3.9	6.5	4.3	2.7	**-4.3**	**6.4**	**5.2**	*-6.6*	*2.1*	*3.3*
Austria	5.5	2.4	2.2	4.9	5.5	2.9	**-10.4**	**7.5**	**7.2**	*-11.5*	*5.5*	*3.8*
Portugal	4.8	2.2	5.0	8.4	4.1	3.9	**-18.6**	**10.3**	**8.9**	*-21.0*	*9.7*	*5.4*
Slovenia	9.8	3.1	4.1	11.1	6.3	4.1	**-8.7**	**9.5**	**7.5**	*-13.1*	*7.6*	*5.4*
Slovakia	16.6	5.1	6.1	3.6	5.2	0.8	**-7.5**	**12.2**	**5.3**	*-11.4*	*8.6*	*4.4*
Finland	5.6	0.1	0.6	8.8	1.4	6.7	**-6.6**	**5.1**	**7.0**	*-12.4*	*5.6*	*3.9*
Euro area	5.0	2.3	3.7	5.5	3.6	2.5	**-9.3**	**8.7**	**6.5**	*-11.5*	*6.2*	*4.7*
Bulgaria	11.1	6.2	5.9	5.8	1.7	3.9	**-11.3**	**7.0**	**8.3**	*-13.3*	*5.0*	*8.2*
Czechia	14.0	5.5	4.7	7.2	3.7	1.3	**-5.9**	**8.5**	**6.2**	*-11.0*	*7.3*	*5.5*
Denmark	4.8	1.5	2.7	4.8	3.2	5.0	**-7.7**	**5.4**	**6.1**	*-10.5*	*5.8*	*3.9*
Croatia	6.3	-0.5	5.1	6.8	3.7	6.8	**-25.0**	**16.3**	**12.2**	*-29.5*	*29.2*	*5.7*
Hungary	12.3	5.5	4.5	6.5	5.0	5.8	**-6.8**	**10.3**	**8.8**	*-8.5*	*8.3*	*7.9*
Poland	9.7	6.1	6.7	9.6	6.9	5.2	**-0.2**	**8.8**	**6.9**	*-9.0*	*5.3*	*4.8*
Romania	12.1	10.9	10.0	7.8	5.3	4.6	**-9.7**	**9.8**	**8.7**	*-13.1*	*6.6*	*7.6*
Sweden	6.4	1.5	2.5	4.1	4.2	4.8	**-5.2**	**7.8**	**4.4**	*-7.4*	*4.6*	*4.5*
EU	5.4	2.5	3.8	5.7	3.8	2.8	**-8.7**	**8.7**	**6.5**	*-11.3*	*6.2*	*4.8*
United Kingdom	5.7	0.4	1.4	5.4	3.0	2.7	**-15.8**	**0.9**	**5.8**	*-9.8*	*-0.7*	*0.3*
Japan	9.8	1.1	3.0	6.6	3.8	-1.4	**-12.3**	**10.7**	**4.1**	*-12.8*	*5.8*	*2.3*
United States	5.2	4.8	2.4	3.9	3.0	-0.1	**-13.0**	**9.1**	**7.7**	*-13.9*	*7.1*	*3.6*

Table 47: Imports of goods and services, volume (percentage change on preceding year, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	4.1	2.5	3.2	5.2	1.3	0.8	**-4.3**	**6.1**	**4.3**	*-8.4*	*5.4*	*3.4*
Germany	5.5	3.5	3.4	5.3	3.6	2.6	**-8.5**	**7.9**	**7.2**	*-6.8*	*5.5*	*4.5*
Estonia	16.1	2.6	3.9	3.0	5.7	3.7	**0.7**	**0.0**	**5.9**	*-11.5*	*8.6*	*6.5*
Ireland	5.2	1.5	12.5	1.1	4.0	32.4	**-11.3**	**7.7**	**5.8**	*-14.1*	*6.6*	*7.6*
Greece	4.4	-4.0	1.5	7.4	8.0	3.0	**-6.8**	**6.3**	**6.8**	*-9.8*	*6.7*	*4.7*
Spain	6.9	-2.5	1.6	6.8	4.2	0.7	**-15.8**	**11.7**	**11.7**	*-18.9*	*9.4*	*7.0*
France	4.2	2.3	3.2	4.5	3.1	2.5	**-11.1**	**7.6**	**6.6**	*-11.6*	*6.3*	*3.3*
Italy	3.4	-0.2	0.5	6.1	3.4	-0.7	**-12.6**	**11.5**	**8.7**	*-14.1*	*9.9*	*6.4*
Cyprus	2.5	2.5	3.5	12.9	4.5	2.0	**-4.2**	**3.7**	**4.8**	*-11.5*	*7.0*	*7.0*
Latvia	14.6	0.0	2.6	8.6	6.4	3.0	**-3.3**	**10.2**	**6.0**	*-8.6*	*6.0*	*5.2*
Lithuania	16.4	3.1	4.5	11.1	6.0	6.3	**-5.3**	**7.9**	**7.1**	*-6.8*	*9.1*	*6.6*
Luxembourg	7.0	3.5	6.7	0.6	-0.3	0.9	**2.1**	**3.0**	**1.9**	*-3.7*	*2.3*	*1.9*
Malta	5.9	7.1	4.5	4.5	0.4	7.9	**-4.1**	**6.0**	**4.8**	*-8.4*	*2.4*	*6.6*
Netherlands	4.3	2.2	3.9	6.2	4.7	3.2	**-4.3**	**6.5**	**6.0**	*-5.5*	*2.4*	*3.7*
Austria	4.6	2.2	2.4	5.3	5.0	2.4	**-10.2**	**8.2**	**6.6**	*-9.4*	*4.8*	*3.1*
Portugal	3.3	-0.2	3.7	8.1	5.0	4.7	**-12.0**	**9.5**	**6.0**	*-15.6*	*7.5*	*5.0*
Slovenia	9.1	2.2	2.6	10.7	7.2	4.4	**-10.2**	**9.8**	**8.3**	*-12.4*	*7.9*	*5.9*
Slovakia	13.9	3.1	5.1	3.9	5.0	2.1	**-8.3**	**10.9**	**5.6**	*-10.2*	*6.8*	*3.5*
Finland	6.8	1.7	1.6	4.3	5.6	2.2	**-6.6**	**5.9**	**5.8**	*-8.5*	*4.9*	*5.5*
Euro area	5.0	1.7	3.4	5.2	3.7	3.9	**-9.0**	**8.0**	**6.9**	*-10.1*	*6.0*	*4.7*
Bulgaria	15.4	1.9	5.0	7.4	5.7	5.2	**-6.6**	**6.0**	**6.1**	*-11.6*	*4.5*	*7.3*
Czechia	12.6	4.9	4.4	6.3	5.8	1.4	**-6.1**	**8.4**	**6.6**	*-9.5*	*6.9*	*5.4*
Denmark	7.4	1.1	3.3	4.2	4.8	2.4	**-4.8**	**5.6**	**5.8**	*-8.7*	*5.6*	*3.8*
Croatia	9.6	-2.7	4.0	8.4	7.5	6.3	**-13.8**	**11.0**	**8.2**	*-22.0*	*22.4*	*3.9*
Hungary	11.7	3.4	4.1	8.5	7.0	8.2	**-4.4**	**9.2**	**8.4**	*-5.3*	*6.7*	*7.7*
Poland	8.8	6.0	5.1	10.2	7.4	3.0	**-1.9**	**9.2**	**7.3**	*-10.8*	*6.7*	*6.0*
Romania	20.0	9.0	8.1	11.5	8.6	6.8	**-5.1**	**11.4**	**10.1**	*-10.6*	*8.5*	*9.7*
Sweden	4.8	2.6	3.5	4.7	3.8	1.3	**-5.8**	**6.8**	**3.7**	*-8.2*	*5.9*	*3.8*
EU	5.5	2.0	3.5	5.6	4.1	3.8	**-8.3**	**8.1**	**6.8**	*-10.0*	*6.1*	*4.9*
United Kingdom	6.1	-0.9	3.5	2.6	2.7	2.7	**-17.8**	**7.7**	**6.2**	*-14.0*	*-1.5*	*-0.1*
Japan	4.6	0.5	3.1	3.3	3.8	-0.4	**-6.8**	**6.2**	**4.4**	*-5.4*	*3.6*	*1.4*
United States	6.6	0.8	3.2	4.7	4.1	1.1	**-9.3**	**13.5**	**7.2**	*-12.1*	*8.3*	*2.3*

Table 48: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2002-2022) 30.4.2021

	5-year averages						Spring 2021 forecast			*Autumn 2020 forecast*		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	3.6	-0.1	-0.4	0.5	-0.1	0.7	**0.4**	**0.7**	**0.3**	*1.1*	*1.1*	*0.9*
Germany	6.5	6.7	7.7	7.7	6.7	6.4	**5.8**	**6.4**	**6.0**	*5.3*	*5.7*	*5.8*
Estonia	-16.9	-7.6	-5.0	-3.8	-4.7	-3.2	**-0.6**	**-0.8**	**-1.3**	*-1.5*	*-2.7*	*-3.3*
Ireland	21.1	20.7	28.7	36.3	33.4	33.5	**37.9**	**38.6**	**37.3**	*41.8*	*39.7*	*39.1*
Greece	-15.6	-15.3	-10.9	-11.3	-12.6	-13.1	**-11.6**	**-13.0**	**-13.9**	*-12.2*	*-12.7*	*-13.0*
Spain	-6.7	-5.8	-1.8	-1.9	-2.5	-2.1	**-0.8**	**-1.5**	**-2.3**	*-0.2*	*-0.1*	*-0.8*
France	-0.2	-2.1	-1.7	-1.6	-1.6	-1.4	**-2.2**	**-2.2**	**-1.4**	*-2.5*	*-2.5*	*-1.8*
Italy	0.3	-0.4	2.7	3.1	2.6	3.4	**4.0**	**3.8**	**3.4**	*3.6*	*4.0*	*4.0*
Cyprus	-24.2	-25.0	-19.2	-24.6	-21.2	-20.8	**-20.0**	**-20.8**	**-21.3**	*-18.8*	*-19.6*	*-20.8*
Latvia	-20.8	-14.4	-10.8	-9.1	-8.7	-8.8	**-5.0**	**-6.9**	**-7.2**	*-6.5*	*-7.7*	*-8.6*
Lithuania	-11.3	-8.9	-3.9	-4.9	-6.1	-4.8	**-0.6**	**-1.9**	**-3.1**	*-2.1*	*-3.3*	*-4.1*
Luxembourg	-8.5	-2.6	-0.4	-2.0	-2.0	-3.1	**-3.3**	**-3.0**	**-2.9**	*-2.2*	*-2.7*	*-3.0*
Malta	-15.1	-20.0	-17.5	-12.8	-12.1	-11.8	**-11.2**	**-11.6**	**-11.4**	*-6.5*	*-6.2*	*-7.3*
Netherlands	7.9	8.1	9.5	9.7	9.3	8.4	**8.7**	**9.0**	**8.7**	*7.7*	*7.5*	*7.4*
Austria	0.3	0.0	0.1	0.3	0.6	0.8	**1.4**	**0.8**	**0.8**	*0.4*	*0.6*	*0.7*
Portugal	-10.8	-11.1	-5.5	-7.0	-7.8	-7.9	**-6.2**	**-7.1**	**-7.2**	*-6.3*	*-6.1*	*-6.2*
Slovenia	-3.0	-2.9	2.3	3.8	2.8	2.7	**5.5**	**5.8**	**4.6**	*3.3*	*3.2*	*2.4*
Slovakia	-5.1	-0.2	3.7	1.1	1.1	-0.5	**0.0**	**0.8**	**0.4**	*-1.6*	*-0.2*	*0.5*
Finland	8.8	5.1	0.8	0.7	0.1	1.0	**1.4**	**1.2**	**1.8**	*0.1*	*0.5*	*0.7*
Euro area	1.6	0.9	3.0	3.5	2.9	3.0	**3.4**	**3.4**	**3.2**	*3.1*	*3.2*	*3.2*
Euro area, adjusted[2]	0.7	0.3	2.4	3.1	2.5	2.7	**3.0**	**3.4**	**3.2**	*2.8*	*2.9*	*3.0*
Bulgaria	-20.5	-15.2	-6.2	-1.5	-4.8	-4.7	**-3.0**	**-2.1**	**-2.2**	*-2.9*	*-2.0*	*-2.2*
Czechia	-2.4	1.0	4.3	5.1	3.7	4.2	**5.0**	**4.8**	**4.2**	*3.4*	*3.6*	*3.7*
Denmark	4.0	3.2	4.7	4.5	3.5	5.2	**5.0**	**5.1**	**5.3**	*4.4*	*4.4*	*4.5*
Croatia	-21.5	-17.6	-15.4	-17.1	-18.6	-19.3	**-17.3**	**-18.8**	**-19.1**	*-13.2*	*-18.9*	*-18.8*
Hungary	-3.9	1.3	3.0	1.4	-1.3	-2.1	**-0.6**	**-1.1**	**-1.4**	*-1.6*	*-0.9*	*-1.2*
Poland	-3.2	-4.5	-0.8	-0.1	-1.2	0.3	**2.4**	**1.9**	**1.1**	*1.6*	*1.1*	*0.8*
Romania	-14.1	-10.7	-5.3	-6.8	-7.5	-8.0	**-8.8**	**-9.3**	**-9.8**	*-8.8*	*-9.4*	*-10.1*
Sweden	6.9	5.0	3.1	2.6	2.5	3.8	**4.4**	**4.7**	**5.0**	*4.0*	*3.7*	*4.0*
EU	1.4	0.7	2.7	3.1	2.5	2.7	**3.1**	**3.1**	**2.9**	*2.8*	*2.8*	*2.8*
EU, adjusted[2]	0.5	0.0	2.0	2.5	1.8	2.1	**2.5**	**3.1**	**2.9**	*2.2*	*2.3*	*2.3*
United Kingdom	-4.8	-5.8	-6.4	-6.5	-6.4	-5.9	**-5.4**	**-6.6**	**-6.3**	*-4.7*	*-4.3*	*-4.2*
Japan	2.3	1.3	-0.7	0.9	0.2	0.1	**-0.6**	**-0.3**	**-0.3**	*-0.6*	*-0.3*	*-0.2*
United States	-5.4	-4.9	-4.4	-4.3	-4.4	-4.1	**-4.3**	**-4.7**	**-4.9**	*-4.3*	*-4.8*	*-4.7*

[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, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	5.0	2.0	1.2	0.7	-0.8	0.3	**0.1**	**-0.1**	**-0.5**	*0.7*	*0.6*	*0.4*
Germany	3.7	6.1	7.7	8.0	7.6	7.3	**7.2**	**7.8**	**6.9**	*6.2*	*6.6*	*6.6*
Estonia	-11.9	-3.6	0.4	2.3	0.9	1.9	**-1.0**	**1.9**	**1.7**	*2.8*	*2.0*	*1.2*
Ireland	-1.7	-4.0	-0.1	0.5	6.0	-11.3	**4.6**	**4.5**	**4.2**	*5.7*	*0.2*	*-1.1*
Greece	-10.1	-12.7	-2.2	-2.1	-3.6	-2.2	**-7.8**	**-7.6**	**-5.3**	*-6.2*	*-6.4*	*-4.8*
Spain	-5.8	-5.8	1.8	2.8	1.9	2.1	**0.7**	**-0.1**	**0.3**	*1.8*	*2.5*	*2.8*
France	0.8	-0.7	-0.9	-0.7	-0.9	-0.8	**-2.0**	**-1.7**	**-1.2**	*-3.0*	*-2.8*	*-1.6*
Italy	-0.8	-2.4	1.4	2.5	2.5	3.2	**3.5**	**2.9**	**3.1**	*2.9*	*3.1*	*2.9*
Cyprus	-10.9	-12.5	-2.8	-5.3	-3.9	-6.3	**-11.8**	**-11.0**	**-8.9**	*-10.4*	*-10.1*	*-9.9*
Latvia	-12.1	-5.3	-1.3	1.3	-0.3	-0.6	**3.0**	**-0.4**	**-0.4**	*2.3*	*1.2*	*0.1*
Lithuania	-7.4	-6.0	0.0	0.5	0.3	3.3	**7.6**	**6.0**	**5.8**	*4.6*	*3.7*	*2.9*
Luxembourg	5.7	3.7	-0.5	-0.9	0.0	-1.1	**6.5**	**7.9**	**8.6**	*0.8*	*1.2*	*1.8*
Malta	-4.4	-4.3	2.4	11.1	11.1	5.3	**-1.3**	**-1.9**	**0.1**	*0.5*	*0.1*	*1.4*
Netherlands	6.0	6.2	8.8	10.8	10.8	9.9	**7.8**	**8.1**	**8.6**	*8.4*	*8.0*	*7.9*
Austria	2.1	3.1	2.2	1.5	1.4	3.0	**2.7**	**2.2**	**2.7**	*2.3*	*2.9*	*3.2*
Portugal	-8.7	-9.4	0.0	1.0	0.3	0.2	**-1.1**	**-0.8**	**-0.4**	*-0.9*	*-0.5*	*-0.5*
Slovenia	-1.8	-2.7	3.4	6.4	6.0	5.7	**5.4**	**4.3**	**3.3**	*5.0*	*4.4*	*3.1*
Slovakia	-5.9	-3.6	1.1	-0.9	-0.1	-1.8	**-1.5**	**-0.3**	**-0.4**	*-3.1*	*-1.6*	*-0.9*
Finland	5.3	1.8	-1.7	-0.8	-1.8	-0.3	**0.3**	**0.0**	**0.5**	*-1.5*	*-1.2*	*-1.7*
Euro area	0.6	0.4	3.1	3.6	3.4	3.1	**3.0**	**3.1**	**3.1**	*2.6*	*2.6*	*2.8*
Euro area, adjusted[2]	0.3	-0.6	2.2	3.2	3.0	2.3	**2.2**	**3.1**	**3.1**	*1.8*	*1.9*	*2.1*
Bulgaria	-8.5	-10.8	1.6	6.1	5.0	5.6	**4.1**	**6.0**	**7.5**	*3.5*	*4.0*	*4.4*
Czechia	-4.1	-4.6	-1.4	0.8	-0.6	-0.9	**0.1**	**-0.3**	**-0.8**	*-2.3*	*-2.0*	*-1.5*
Denmark	3.4	4.2	7.8	8.0	7.0	8.9	**7.8**	**8.0**	**8.4**	*6.7*	*6.8*	*7.2*
Croatia	-7.2	-5.8	0.8	3.9	2.4	3.1	**-1.1**	**-2.0**	**-0.7**	*-1.7*	*-0.4*	*0.3*
Hungary	-8.7	-3.0	2.6	1.9	0.4	-0.4	**-0.3**	**-0.6**	**-0.5**	*-1.1*	*-0.3*	*-0.3*
Poland	-3.7	-5.5	-1.4	-0.3	-1.0	0.9	**3.1**	**2.8**	**2.1**	*1.8*	*1.5*	*1.1*
Romania	-7.5	-8.1	-1.4	-3.2	-4.4	-4.7	**-5.0**	**-4.9**	**-4.6**	*-4.6*	*-4.8*	*-4.9*
Sweden	5.9	6.4	3.9	2.8	2.5	5.1	**5.4**	**6.0**	**6.7**	*4.4*	*3.9*	*4.0*
EU	0.5	0.2	2.9	3.4	3.1	3.0	**3.0**	**3.1**	**3.1**	*2.5*	*2.5*	*2.7*
EU, adjusted[2]	0.1	0.0	2.5	3.1	2.8	2.5	**2.6**	**3.1**	**3.1**	*1.9*	*2.0*	*2.2*
United Kingdom	-2.2	-3.1	-4.7	-3.8	-3.7	-3.1	**-3.5**	**-5.0**	**-4.8**	*-3.1*	*-2.9*	*-2.7*
Japan	3.3	3.2	1.9	4.1	3.5	3.7	**2.6**	**3.3**	**3.2**	*2.3*	*2.8*	*2.9*
United States	-5.0	-3.6	-2.3	-2.0	-2.3	-2.3	**-2.9**	**-3.4**	**-3.4**	*-3.0*	*-3.4*	*-3.2*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 50: **Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2002-2022)** 30.4.2021

	5-year averages						Spring 2021 forecast			Autumn 2020 forecast		
	2002 - 06	2007 - 11	2012 - 16	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	5.0	1.9	1.4	0.8	-0.7	0.5	**0.2**	**0.0**	**-0.4**	*0.9*	*0.7*	*0.5*
Germany	3.6	6.0	7.6	7.7	7.4	7.1	**6.9**	**7.4**	**6.6**	*6.0*	*6.3*	*6.3*
Estonia	-10.9	-0.9	2.5	3.2	2.2	3.1	**0.3**	**3.2**	**2.9**	*4.1*	*3.3*	*2.4*
Ireland	-1.4	-4.0	-1.3	-8.1	-9.9	-21.2	**-0.3**	**2.0**	**3.9**	*3.1*	*-1.2*	*-1.4*
Greece	-8.7	-11.0	-0.1	-1.0	-2.4	-0.9	**-6.2**	**-5.9**	**-3.5**	*-4.8*	*-4.9*	*-3.2*
Spain	-5.1	-5.4	2.3	3.0	2.4	2.5	**1.1**	**0.4**	**0.7**	*2.2*	*2.9*	*3.1*
France	0.7	-0.7	-0.9	-0.7	-0.8	-0.8	**-2.2**	**-1.1**	**-0.6**	*-3.1*	*-2.9*	*-1.6*
Italy	-0.7	-2.4	1.5	2.6	2.5	3.1	**3.5**	**2.9**	**3.1**	*2.7*	*2.9*	*2.8*
Cyprus	-10.4	-12.2	-2.5	-4.9	-3.3	-6.2	**-11.6**	**-10.9**	**-8.8**	*-10.3*	*-10.0*	*-9.8*
Latvia	-11.2	-3.3	1.1	2.2	1.5	0.8	**4.7**	**1.6**	**2.3**	*3.3*	*2.7*	*1.6*
Lithuania	-6.7	-2.9	2.7	1.8	1.9	5.2	**9.7**	**8.2**	**8.2**	*6.7*	*6.0*	*5.3*
Luxembourg	5.0	2.1	-0.2	-1.5	-0.7	-1.7	**5.8**	**7.3**	**8.0**	*0.1*	*0.6*	*1.1*
Malta	-2.9	-3.2	4.0	11.7	12.0	6.1	**-0.7**	**-0.9**	**1.1**	*1.5*	*1.1*	*2.4*
Netherlands	6.0	6.1	8.3	10.8	10.8	9.9	**7.8**	**8.1**	**8.6**	*8.3*	*8.0*	*7.9*
Austria	1.9	3.1	2.0	1.4	0.8	2.9	**2.6**	**2.1**	**2.6**	*2.2*	*2.9*	*3.1*
Portugal	-7.0	-8.2	1.4	1.8	1.2	1.0	**0.1**	**0.5**	**1.1**	*0.2*	*0.6*	*0.5*
Slovenia	-2.1	-2.2	3.7	5.5	5.5	5.4	**5.0**	**4.0**	**2.9**	*4.6*	*4.1*	*2.8*
Slovakia	-6.3	-2.5	2.3	-1.6	-0.1	-1.8	**-1.6**	**-0.4**	**-0.6**	*-3.2*	*-1.8*	*-1.1*
Finland	5.4	1.9	-1.6	-0.7	-1.8	-0.3	**0.4**	**0.1**	**0.6**	*-1.4*	*-1.1*	*-1.6*
Euro area	0.8	0.5	3.1	3.4	3.0	2.8	**2.8**	**3.1**	**3.2**	*2.5*	*2.6*	*2.8*
Euro area, adjusted[2]	0.4	-0.5	2.3	2.9	2.5	2.1	**2.0**	**3.1**	**3.2**	*1.7*	*1.8*	*2.1*
Bulgaria	-8.0	-10.3	3.8	7.1	6.2	7.2	**6.0**	**6.8**	**8.0**	*4.9*	*5.4*	*5.9*
Czechia	-3.9	-3.2	0.2	1.4	0.2	-0.3	**0.8**	**0.3**	**-0.2**	*-1.4*	*-0.9*	*-0.3*
Denmark	3.5	4.3	7.7	8.1	7.0	8.9	**7.8**	**8.0**	**8.4**	*5.4*	*5.8*	*6.2*
Croatia	-6.7	-5.6	1.5	5.0	3.8	5.2	**1.5**	**0.5**	**2.8**	*0.5*	*2.1*	*3.3*
Hungary	-8.4	-1.4	5.6	2.8	2.6	1.4	**1.8**	**1.5**	**1.8**	*0.4*	*1.4*	*1.5*
Poland	-3.4	-4.2	0.5	0.6	0.5	2.4	**4.8**	**5.0**	**4.9**	*3.6*	*3.7*	*4.0*
Romania	-7.0	-7.2	1.0	-1.8	-3.2	-3.3	**-3.4**	**-3.2**	**-3.0**	*-3.0*	*-3.1*	*-3.2*
Sweden	5.8	6.3	3.8	2.8	2.6	5.1	**5.4**	**6.0**	**6.7**	*4.4*	*3.9*	*4.0*
EU	0.6	0.4	3.1	3.3	2.9	2.9	**3.0**	**3.3**	**3.4**	*2.5*	*2.6*	*2.9*
EU, adjusted[2]	0.2	0.2	2.7	2.9	2.6	2.4	**2.6**	**3.3**	**3.4**	*1.9*	*2.1*	*2.3*
United Kingdom	-2.3	-3.1	-4.8	-3.8	-3.8	-3.1	**-3.6**	**-5.0**	**-4.9**	*-3.2*	*-3.0*	*-2.8*
Japan	3.2	3.1	1.8	4.1	3.5	3.6	**2.6**	**3.2**	**3.2**	*2.2*	*2.7*	*2.8*
United States	-5.0	-3.6	-2.3	-2.1	-2.3	-2.4	**-3.0**	**-3.4**	**-3.4**	*-3.0*	*-3.4*	*-3.2*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 51: Current-account balance[1] (in billions of euro, 2014-2022) 30.4.2021

							Spring 2021 forecast			*Autumn 2020 forecast*		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	5.8	5.8	2.4	3.1	-3.5	1.5	**0.4**	**-0.7**	**-2.5**	*3.2*	*2.8*	*1.7*
Germany	216.2	261.9	272.1	259.8	253.5	250.5	**240.6**	**271.6**	**254.4**	*208.3*	*229.8*	*240.0*
Estonia	0.1	0.4	0.3	0.5	0.2	0.5	**-0.3**	**0.6**	**0.5**	*0.8*	*0.6*	*0.4*
Ireland	2.1	11.6	-11.4	1.5	19.6	-40.4	**16.9**	**17.4**	**17.2**	*19.8*	*0.6*	*-4.1*
Greece	-2.5	-2.6	-4.0	-3.8	-6.5	-4.0	**-12.9**	**-13.1**	**-9.8**	*-10.2*	*-11.2*	*-8.7*
Spain	17.5	21.8	35.4	32.2	23.2	26.4	**7.4**	**-0.7**	**3.6**	*20.3*	*29.5*	*34.4*
France	-26.4	-10.9	-13.5	-16.3	-20.1	-19.8	**-46.5**	**-40.8**	**-29.5**	*-67.4*	*-66.7*	*-40.6*
Italy	30.8	23.5	44.0	44.1	44.5	57.3	**58.3**	**50.9**	**57.7**	*47.0*	*52.3*	*52.5*
Cyprus	-0.7	-0.1	-0.8	-1.1	-0.8	-1.4	**-2.4**	**-2.4**	**-2.0**	*-2.2*	*-2.2*	*-2.3*
Latvia	-0.4	-0.1	0.4	0.3	-0.1	-0.2	**0.9**	**-0.1**	**-0.2**	*0.7*	*0.4*	*0.0*
Lithuania	1.3	-0.9	-0.4	0.2	0.1	1.6	**3.7**	**3.1**	**3.2**	*2.2*	*1.9*	*1.6*
Luxembourg	-0.5	0.2	0.1	-0.5	0.0	-0.7	**4.2**	**5.4**	**6.2**	*0.5*	*0.8*	*1.2*
Malta	0.5	0.3	0.4	1.3	1.4	0.7	**-0.2**	**-0.3**	**0.0**	*0.1*	*0.0*	*0.2*
Netherlands	63.9	43.5	57.1	79.9	83.9	80.6	**62.3**	**67.5**	**75.9**	*65.4*	*65.1*	*65.9*
Austria	8.2	6.4	10.2	5.5	5.4	11.9	**10.1**	**8.7**	**11.3**	*8.6*	*11.7*	*13.2*
Portugal	-0.2	0.0	1.2	2.0	0.5	0.3	**-2.1**	**-1.7**	**-0.8**	*-1.7*	*-1.0*	*-1.1*
Slovenia	1.9	1.5	2.0	2.7	2.8	2.8	**2.5**	**2.1**	**1.7**	*2.3*	*2.2*	*1.6*
Slovakia	1.9	-0.5	-1.6	-0.8	-0.1	-1.7	**-1.4**	**-0.3**	**-0.5**	*-2.8*	*-1.6*	*-0.9*
Finland	-3.0	-1.7	-4.3	-1.8	-4.3	-0.8	**0.7**	**0.1**	**1.4**	*-3.5*	*-2.8*	*-4.2*
Euro area	316.7	359.8	389.5	408.9	399.7	365.1	**342.1**	**367.3**	**387.7**	*291.3*	*312.1*	*350.7*
Euro area, adjusted[2]	238.2	284.0	329.7	355.2	343.5	280.0	**250.4**	**367.3**	**387.7**	*200.0*	*220.8*	*259.4*
Bulgaria	0.2	0.3	2.6	3.2	2.8	3.4	**2.5**	**3.9**	**5.3**	*2.1*	*2.5*	*2.9*
Czechia	-2.1	-2.8	-0.4	1.6	-1.3	-2.0	**0.3**	**-0.6**	**-1.9**	*-4.8*	*-4.3*	*-3.4*
Denmark	23.7	22.5	22.0	23.6	21.2	27.7	**24.3**	**26.0**	**28.7**	*20.2*	*21.8*	*23.9*
Croatia	0.2	1.7	1.2	1.9	1.2	1.7	**-0.5**	**-1.1**	**-0.4**	*-0.8*	*-0.2*	*0.2*
Hungary	1.2	2.6	5.4	2.4	0.5	-0.6	**-0.4**	**-0.9**	**-0.7**	*-1.5*	*-0.4*	*-0.4*
Poland	-7.6	-0.6	-1.2	-1.3	-4.9	4.6	**16.1**	**15.3**	**12.5**	*9.5*	*7.7*	*6.3*
Romania	0.0	-0.5	-2.0	-5.9	-9.1	-10.6	**-10.9**	**-11.3**	**-11.6**	*-9.8*	*-10.7*	*-11.8*
Sweden	17.8	14.0	11.2	13.5	12.0	24.3	**25.5**	**31.1**	**36.3**	*20.4*	*19.2*	*20.4*
EU	350.1	397.0	428.1	447.9	422.2	413.6	**398.9**	**429.7**	**455.9**	*326.4*	*347.7*	*388.8*
EU, adjusted[2]	291.8	347.5	402.5	398.7	384.0	348.0	**349.1**	**429.7**	**455.9**	*251.8*	*273.1*	*314.2*
United Kingdom	-112.7	-132.9	-132.3	-88.9	-89.1	-78.2	**-83.1**	**-127.7**	**-130.8**	*-73.1*	*-67.6*	*-65.7*
Japan	27.9	123.0	178.0	179.8	148.8	168.2	**117.2**	**139.4**	**139.4**	*98.7*	*120.0*	*126.6*
United States	-275.2	-381.9	-368.1	-346.6	-396.1	-449.1	**-536.9**	**-643.6**	**-680.1**	*-541.9*	*-626.7*	*-604.6*

[1] See note 7 on concepts and sources.
[2] See note 8 on concepts and sources.

Table 52: Export markets (a) (percentage change on preceding year, 2014-2022) 30.4.2021

							Spring 2021 forecast			*Autumn 2020 forecast*		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	4.7	6.3	2.5	5.2	3.8	2.5	**-9.1**	**8.1**	**6.5**	*-9.9*	*5.4*	*4.2*
Germany	4.5	4.6	2.9	5.9	4.1	1.6	**-8.5**	**8.6**	**6.4**	*-10.3*	*6.0*	*4.3*
Estonia	2.5	2.8	3.3	6.4	4.4	2.4	**-7.7**	**7.7**	**5.9**	*-10.2*	*5.9*	*4.6*
Ireland	4.5	4.3	2.4	5.3	3.8	1.0	**-8.8**	**8.9**	**6.2**	*-11.6*	*5.7*	*3.9*
Greece	4.5	3.7	2.6	6.1	3.8	1.4	**-9.2**	**7.9**	**6.4**	*-12.4*	*5.8*	*5.1*
Spain	4.5	5.1	2.9	5.3	3.6	2.1	**-9.6**	**8.1**	**6.2**	*-11.0*	*5.6*	*4.1*
France	4.6	4.5	2.9	5.4	3.7	1.5	**-9.1**	**8.4**	**6.4**	*-11.0*	*5.8*	*4.4*
Italy	4.0	3.9	2.8	5.6	3.8	1.6	**-9.1**	**8.4**	**6.5**	*-10.4*	*6.1*	*4.3*
Cyprus	0.7	-4.7	0.6	9.2	3.7	2.3	**-9.8**	**6.5**	**5.7**	*-14.5*	*5.3*	*4.5*
Latvia	2.0	1.8	3.0	6.9	4.4	3.2	**-7.9**	**6.8**	**6.1**	*-10.4*	*5.8*	*4.8*
Lithuania	2.5	1.4	2.9	6.7	4.4	3.1	**-8.8**	**7.6**	**6.2**	*-10.8*	*5.8*	*4.6*
Luxembourg	4.3	5.1	3.3	5.2	3.8	2.0	**-8.6**	**8.1**	**6.3**	*-13.4*	*5.2*	*4.6*
Malta	7.0	10.9	7.0	4.1	3.4	8.7	**-9.6**	**7.6**	**6.0**	*-13.3*	*6.0*	*5.4*
Netherlands	4.8	5.3	3.9	5.2	3.7	2.7	**-9.1**	**8.1**	**6.4**	*-10.3*	*5.7*	*4.4*
Austria	4.3	4.9	3.7	5.7	4.0	2.2	**-8.5**	**8.5**	**6.7**	*-9.7*	*6.2*	*4.6*
Portugal	4.9	5.0	2.3	5.2	3.9	2.2	**-10.4**	**8.5**	**7.1**	*-12.4*	*5.9*	*4.6*
Slovenia	4.3	5.1	4.0	6.4	4.6	2.7	**-8.8**	**8.7**	**7.0**	*-10.1*	*7.5*	*4.8*
Slovakia	5.4	4.9	3.9	6.3	4.6	2.6	**-8.0**	**8.4**	**6.8**	*-8.7*	*6.2*	*4.7*
Finland	4.0	3.2	2.8	5.9	4.0	1.7	**-8.1**	**7.7**	**5.9**	*-9.7*	*5.7*	*4.2*
Euro area (b)	4.5	4.7	3.0	5.6	3.9	1.9	**-8.9**	**8.3**	**6.4**	*-10.6*	*5.8*	*4.3*
Bulgaria	4.4	4.1	4.1	6.9	4.2	2.2	**-7.8**	**8.1**	**6.9**	*-9.8*	*6.4*	*5.4*
Czechia	4.3	5.0	3.9	6.0	4.2	2.5	**-8.5**	**8.4**	**6.7**	*-8.7*	*5.9*	*4.5*
Denmark	4.3	4.2	2.7	5.3	3.9	1.6	**-8.9**	**8.2**	**6.0**	*-10.7*	*5.6*	*4.3*
Croatia	5.3	6.4	4.4	5.9	4.2	3.6	**-8.7**	**8.3**	**6.7**	*-11.3*	*5.7*	*4.8*
Hungary	4.4	5.1	4.1	6.3	4.5	2.5	**-8.5**	**8.6**	**6.8**	*-9.5*	*6.4*	*4.7*
Poland	3.9	4.4	3.4	5.8	4.1	2.7	**-9.1**	**8.1**	**6.6**	*-9.5*	*5.8*	*4.5*
Romania	4.4	4.8	3.2	5.9	3.9	2.2	**-8.7**	**8.3**	**6.8**	*-10.1*	*5.9*	*4.8*
Sweden	4.7	5.6	3.5	5.1	3.8	3.0	**-8.2**	**7.7**	**6.0**	*-10.2*	*5.4*	*4.3*
EU (b)	4.4	4.7	3.1	5.6	3.9	2.0	**-8.8**	**8.3**	**6.4**	*-10.4*	*5.8*	*4.4*
United Kingdom	4.7	5.1	2.6	5.1	3.8	2.5	**-8.9**	**8.7**	**6.2**	*-11.9*	*5.8*	*4.4*
Japan	4.2	2.2	2.2	6.8	4.9	-0.7	**-8.2**	**9.6**	**5.8**	*-9.8*	*6.7*	*4.5*
United States	4.0	3.3	1.7	5.4	4.1	1.0	**-10.3**	**8.5**	**5.8**	*-11.3*	*6.4*	*4.8*

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.
(b) Intra- and extra-EU trade.

Table 53: Export performance (a) (percentage change on preceding year, 2014-2022) 30.4.2021

							Spring 2021 forecast			*Autumn 2020 forecast*		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
Belgium	0.5	-2.4	3.6	0.2	-3.1	-1.4	**4.9**	**-2.0**	**-2.4**	*1.4*	*-0.4*	*-1.1*
Germany	0.3	0.8	-0.5	-1.1	-1.8	-0.7	**-1.0**	**1.7**	**-1.4**	*0.7*	*0.2*	*-0.2*
Estonia	0.1	-4.2	1.4	-2.1	-0.4	3.7	**2.5**	**-2.0**	**-0.2**	*-0.2*	*1.4*	*0.8*
Ireland	9.7	33.6	1.8	3.7	7.0	9.4	**16.3**	**-1.9**	**-1.3**	*13.8*	*-3.7*	*-0.4*
Greece	3.6	1.3	-3.0	2.3	5.1	3.4	**-13.7**	**1.1**	**7.9**	*-10.5*	*4.7*	*4.7*
Spain	0.1	-0.7	2.4	0.2	-1.3	0.2	**-11.7**	**2.2**	**6.2**	*-12.4*	*8.4*	*3.4*
France	-1.3	0.2	-1.1	-0.9	0.7	0.4	**-7.6**	**1.5**	**2.9**	*-7.5*	*0.7*	*2.2*
Italy	-1.3	0.3	-0.9	-0.1	-1.5	0.0	**-5.2**	**1.8**	**1.4**	*-7.1*	*4.0*	*1.5*
Cyprus	5.5	15.3	6.5	0.6	4.1	-2.6	**-2.9**	**-1.1**	**1.8**	*-3.8*	*1.8*	*3.4*
Latvia	4.2	1.1	0.9	-0.5	-0.1	-1.1	**5.6**	**-0.3**	**0.0**	*3.2*	*-1.5*	*-0.8*
Lithuania	-4.2	1.0	1.9	6.4	2.3	6.2	**9.6**	**-1.1**	**-0.2**	*6.7*	*1.0*	*0.1*
Luxembourg	11.6	-0.3	-0.7	-4.3	-3.2	-1.1	**12.1**	**-4.7**	**-4.3**	*11.7*	*-3.0*	*-2.6*
Malta	-3.3	4.1	-4.9	4.2	-3.7	-2.1	**2.0**	**-2.3**	**-0.3**	*3.3*	*-3.5*	*1.8*
Netherlands	-0.2	2.0	-2.1	1.2	0.6	0.0	**5.3**	**-1.5**	**-1.0**	*4.1*	*-3.5*	*-1.1*
Austria	-1.3	-1.8	-0.7	-0.7	1.5	0.8	**-2.1**	**-0.9**	**0.5**	*-2.0*	*-0.7*	*-0.8*
Portugal	-0.6	1.2	2.1	3.1	0.2	1.7	**-9.3**	**1.6**	**1.6**	*-9.8*	*3.5*	*0.7*
Slovenia	1.7	-0.3	2.1	4.5	1.6	1.3	**0.1**	**0.7**	**0.4**	*-3.3*	*0.1*	*0.5*
Slovakia	-1.6	1.7	1.1	-2.5	0.6	-1.7	**0.6**	**3.6**	**-1.4**	*-3.0*	*2.3*	*-0.3*
Finland	-5.7	-2.7	1.1	2.7	-2.4	4.9	**1.7**	**-2.4**	**1.0**	*-3.0*	*-0.1*	*-0.3*
Euro area (b)	0.3	1.8	-0.1	0.0	-0.3	0.6	**-0.4**	**0.4**	**0.1**	*-1.0*	*0.3*	*0.3*
Bulgaria	-1.3	2.2	4.3	-1.1	-2.4	1.6	**-3.8**	**-1.0**	**1.3**	*-3.9*	*-1.4*	*2.7*
Czechia	4.2	1.0	0.4	1.2	-0.5	-1.2	**2.8**	**0.1**	**-0.5**	*-2.6*	*1.3*	*1.0*
Denmark	-1.1	-0.6	1.4	-0.5	-0.7	3.4	**1.3**	**-2.6**	**0.2**	*0.2*	*0.2*	*-0.3*
Croatia	2.0	3.7	2.5	0.9	-0.5	3.1	**-17.8**	**7.4**	**5.1**	*-20.5*	*23.4*	*1.4*
Hungary	4.6	2.2	-0.3	0.2	0.6	3.2	**1.9**	**1.6**	**1.9**	*1.1*	*1.9*	*3.1*
Poland	2.7	3.4	5.6	3.6	2.8	2.4	**9.8**	**0.6**	**0.2**	*0.6*	*-0.5*	*0.3*
Romania	3.9	-0.2	12.7	1.7	1.4	2.4	**-1.2**	**1.4**	**1.8**	*-3.4*	*0.7*	*2.7*
Sweden	-0.3	0.1	-1.1	-0.9	0.4	1.7	**3.3**	**0.1**	**-1.6**	*3.2*	*-0.8*	*0.2*
EU (b)	0.1	1.7	0.1	0.2	-0.4	0.6	**-0.2**	**0.3**	**0.1**	*-0.9*	*0.4*	*0.4*
United Kingdom	-4.3	-2.2	0.1	0.3	-0.8	0.2	**-7.6**	**-7.2**	**-0.4**	*2.3*	*-6.1*	*-3.8*
Japan	4.9	1.0	-0.6	-0.2	-1.0	-0.7	**-4.5**	**1.0**	**-1.6**	*-3.4*	*-0.8*	*-2.0*
United States	0.2	-2.8	-1.3	-1.4	-0.9	-1.2	**-2.3**	**0.6**	**1.8**	*-2.9*	*0.7*	*-1.1*

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 54: World GDP, volume (percentage change on preceding year, 2016-2022) 30.4.2021

						Spring 2021 forecast			*Autumn 2020 forecast*		
	(a)	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
EU	15.4	2.0	2.8	2.1	1.6	**-6.1**	**4.2**	**4.4**	*-7.4*	*4.1*	*3.0*
Euro area	12.5	1.9	2.6	1.9	1.3	**-6.6**	**4.3**	**4.4**	*-7.8*	*4.2*	*3.0*
Belgium	0.5	1.3	1.6	1.8	1.8	**-6.3**	**4.5**	**3.7**	*-8.4*	*4.1*	*3.5*
Bulgaria	0.1	3.8	3.5	3.1	3.7	**-4.2**	**3.5**	**4.7**	*-5.1*	*2.6*	*3.7*
Czechia	0.3	2.5	5.2	3.2	2.3	**-5.6**	**3.4**	**4.4**	*-6.9*	*3.1*	*4.5*
Denmark	0.3	3.2	2.8	2.2	2.8	**-2.7**	**2.9**	**3.5**	*-3.9*	*3.5*	*2.4*
Germany	3.5	2.2	2.6	1.3	0.6	**-4.9**	**3.4**	**4.1**	*-5.6*	*3.5*	*2.6*
Estonia	0.0	3.2	5.5	4.4	5.0	**-2.9**	**2.8**	**5.0**	*-4.6*	*3.4*	*3.5*
Ireland	0.3	2.0	9.1	8.5	5.6	**3.4**	**4.6**	**5.0**	*-2.3*	*2.9*	*2.6*
Greece	0.2	-0.5	1.3	1.6	1.9	**-8.2**	**4.1**	**6.0**	*-9.0*	*5.0*	*3.5*
Spain	1.5	3.0	3.0	2.4	2.0	**-10.8**	**5.9**	**6.8**	*-12.4*	*5.4*	*4.8*
France	2.4	1.1	2.3	1.8	1.5	**-8.1**	**5.7**	**4.2**	*-9.4*	*5.8*	*3.1*
Croatia	0.1	3.5	3.4	2.8	2.9	**-8.0**	**5.0**	**6.1**	*-9.6*	*5.7*	*3.7*
Italy	2.0	1.3	1.7	0.9	0.3	**-8.9**	**4.2**	**4.4**	*-9.9*	*4.1*	*2.8*
Cyprus	0.0	6.4	5.2	5.2	3.1	**-5.1**	**3.1**	**3.8**	*-6.2*	*3.7*	*3.0*
Latvia	0.0	2.4	3.3	4.0	2.0	**-3.6**	**3.5**	**6.0**	*-5.6*	*4.9*	*3.5*
Lithuania	0.1	2.5	4.3	3.9	4.3	**-0.9**	**2.9**	**3.9**	*-2.2*	*3.0*	*2.6*
Luxembourg	0.1	4.6	1.8	3.1	2.3	**-1.3**	**4.5**	**3.3**	*-4.5*	*3.9*	*2.7*
Hungary	0.2	2.1	4.3	5.4	4.6	**-5.0**	**5.0**	**5.5**	*-6.4*	*4.0*	*4.5*
Malta	0.0	4.1	8.1	5.2	5.5	**-7.0**	**4.6**	**6.1**	*-7.3*	*3.0*	*6.2*
Netherlands	0.8	2.2	2.9	2.4	1.7	**-3.7**	**2.3**	**3.6**	*-5.3*	*2.2*	*1.9*
Austria	0.4	2.0	2.4	2.6	1.4	**-6.6**	**3.4**	**4.3**	*-7.1*	*4.1*	*2.5*
Poland	1.0	3.1	4.8	5.4	4.7	**-2.7**	**4.0**	**5.4**	*-3.6*	*3.3*	*3.5*
Portugal	0.3	2.0	3.5	2.8	2.5	**-7.6**	**3.9**	**5.1**	*-9.3*	*5.4*	*3.5*
Romania	0.5	4.7	7.3	4.5	4.1	**-3.9**	**5.1**	**4.9**	*-5.2*	*3.3*	*3.8*
Slovenia	0.1	3.2	4.8	4.4	3.2	**-5.5**	**4.9**	**5.1**	*-7.1*	*5.1*	*3.8*
Slovakia	0.1	2.1	3.0	3.7	2.5	**-4.8**	**4.8**	**5.2**	*-7.5*	*4.7*	*4.3*
Finland	0.2	2.8	3.2	1.3	1.3	**-2.8**	**2.7**	**2.8**	*-4.3*	*2.9*	*2.2*
Sweden	0.4	2.1	2.6	2.0	1.4	**-2.8**	**4.4**	**3.3**	*-3.4*	*3.3*	*2.4*
Candidate Countries	2.0	3.3	6.9	3.1	1.2	**1.3**	**5.2**	**4.3**	*-2.6*	*4.0*	*4.5*
- Albania	0.0	3.3	3.8	4.1	2.2	**-3.3**	**4.0**	**4.3**	*-6.8*	*3.7*	*4.6*
- Montenegro	0.0	2.9	4.7	5.1	4.1	**-15.2**	**7.1**	**6.5**	*-14.3*	*6.8*	*3.7*
- North Macedonia	0.0	2.8	1.1	2.9	3.2	**-4.5**	**3.7**	**3.8**	*-4.9*	*3.8*	*3.5*
- Serbia	0.1	3.3	2.1	4.5	4.2	**-1.0**	**5.3**	**4.0**	*-1.8*	*4.8*	*3.8*
- Turkey	1.8	3.3	7.5	3.0	0.9	**1.8**	**5.2**	**4.2**	*-2.5*	*3.9*	*4.5*
Potential Candidates	0.1	3.8	3.8	3.3	3.2	**-4.3**	**2.7**	**3.5**	*-2.6*	*4.0*	*4.5*
Iceland	0.0	6.3	4.2	4.7	2.6	**-6.6**	**3.4**	**3.9**	*-7.3*	*3.1*	*2.9*
Norway	0.3	1.1	2.3	1.1	0.9	**-0.8**	**2.7**	**2.2**	*-3.6*	*2.8*	*2.1*
Switzerland	0.5	2.0	1.6	3.0	1.1	**-2.9**	**2.7**	**2.5**	*-4.0*	*3.7*	*2.3*
Australia	1.0	2.7	2.4	2.9	1.9	**-2.5**	**4.0**	**3.0**	*-4.9*	*4.6*	*3.5*
Canada	1.4	1.0	3.0	2.4	1.9	**-5.4**	**4.0**	**3.0**	*-5.8*	*4.0*	*2.6*
Japan	4.1	0.8	1.7	0.6	0.3	**-4.8**	**3.1**	**2.5**	*-5.5*	*2.7*	*0.9*
Korea	1.7	2.9	3.2	2.9	2.0	**-1.0**	**4.5**	**3.3**	*-1.5*	*2.7*	*2.1*
United Kingdom	2.4	1.7	1.7	1.3	1.4	**-9.8**	**5.0**	**5.3**	*-10.3*	*3.3*	*2.1*
United States	15.9	1.7	2.3	3.0	2.2	**-3.5**	**6.3**	**3.8**	*-4.6*	*3.7*	*2.5*
Advanced economies	46.6	1.9	2.8	2.4	1.7	**-4.5**	**5.0**	**3.9**	*-5.6*	*3.7*	*2.7*
Emerging and developing Asia	32.2	6.7	6.3	6.3	5.3	**-1.2**	**7.8**	**5.6**	*-1.4*	*7.0*	*5.4*
- China	17.3	6.8	7.0	6.7	6.0	**2.3**	**7.9**	**5.4**	*2.1*	*7.3*	*5.6*
- India	7.1	9.0	6.1	7.3	4.8	**-6.9**	**10.5**	**6.5**	*-8.3*	*7.6*	*5.2*
- Indonesia	2.5	5.0	5.1	5.2	5.0	**-2.1**	**5.8**	**5.2**	*-1.3*	*5.3*	*5.0*
CIS	4.5	2.8	3.6	4.8	2.2	**-3.0**	**3.2**	**2.8**	*-3.8*	*2.5*	*2.3*
- Russia	3.1	0.2	1.8	2.5	1.3	**-3.0**	**2.7**	**2.3**	*-4.2*	*2.0*	*1.9*
- Other CIS	1.4	8.5	7.5	9.7	4.0	**-3.0**	**4.0**	**3.8**	*-3.1*	*3.6*	*3.2*
Latin America	7.6	-0.8	1.2	1.0	-0.2	**-7.0**	**4.1**	**2.4**	*-8.3*	*3.5*	*2.4*
- Argentina	0.8	-2.1	2.8	-2.6	-2.1	**-9.9**	**5.7**	**2.4**	*-11.8*	*4.7*	*2.7*
- Brazil	2.4	-3.3	1.3	1.8	1.4	**-4.1**	**3.4**	**1.8**	*-6.1*	*3.0*	*2.0*
- Mexico	2.0	2.6	2.1	2.2	-0.1	**-8.2**	**4.6**	**2.4**	*-10.0*	*3.8*	*2.5*
MENA	5.6	4.2	2.1	1.9	0.4	**-3.4**	**3.3**	**2.8**	*-5.2*	*2.0*	*3.0*
- Saudi Arabia	1.2	1.7	-0.7	2.4	0.3	**-4.1**	**2.2**	**2.0**	*-4.0*	*1.5*	*2.5*
Sub-Saharan Africa	3.2	1.4	2.6	2.5	2.6	**-2.4**	**2.7**	**3.0**	*-4.0*	*2.5*	*2.6*
- South Africa	0.6	0.4	1.4	0.8	0.2	**-7.0**	**3.2**	**2.0**	*-9.5*	*2.6*	*1.6*
Emerging and developing economies	53.2	4.6	4.6	4.7	3.5	**-2.5**	**6.2**	**4.5**	*-3.2*	*5.3*	*4.4*
World	99.8	3.3	3.7	3.6	2.7	**-3.4**	**5.6**	**4.3**	*-4.3*	*4.6*	*3.6*
World excluding EU	84.3	3.5	3.9	3.9	2.9	**-2.9**	**5.9**	**4.2**	*-3.8*	*4.7*	*3.7*
World excluding euro area	87.2	3.5	3.9	3.9	2.9	**-2.9**	**5.8**	**4.2**	*-3.8*	*4.7*	*3.7*

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

Table 55: World exports of goods and services, volume (percentage change on preceding year, 2016-2022) 30.4.2021

	(a)	2016	2017	2018	2019	Spring 2021 forecast 2020	2021	2022	*Autumn 2020 forecast* *2020*	*2021*	*2022*
EU (b)	31.8	3.4	5.7	3.8	2.8	**-8.7**	**8.7**	**6.5**	*-11.3*	*6.2*	*4.8*
Euro area (b)	26.5	2.9	5.5	3.6	2.5	**-9.3**	**8.7**	**6.5**	*-11.5*	*6.2*	*4.7*
Candidate Countries	1.2	11.5	7.7	7.4	5.2	**-14.9**	**14.4**	**9.8**	*-17.6*	*17.4*	*10.5*
- Albania	0.0	11.3	13.2	4.1	6.1	**-25.7**	**12.2**	**18.7**	*-37.3*	*8.6*	*13.9*
- Montenegro	0.0	6.5	2.1	7.0	5.5	**-48.9**	**31.1**	**21.0**	*-29.2*	*16.4*	*7.2*
- North Macedonia	0.0	9.1	8.3	12.8	7.2	**-10.9**	**12.3**	**10.9**	*-15.5*	*15.3*	*12.0*
- Serbia	0.1	12.0	8.2	7.5	7.6	**-5.8**	**12.1**	**9.2**	*-7.7*	*11.5*	*9.2*
- Turkey	1.0	-1.7	12.4	9.0	4.9	**-15.4**	**14.7**	**9.6**	*-18.3*	*18.4*	*10.6*
Iceland	0.0	11.0	5.1	1.7	-4.6	**-30.5**	**10.3**	**13.5**	*-26.1*	*11.1*	*9.6*
Norway	0.6	1.1	1.7	-1.2	0.5	**-0.9**	**6.0**	**3.2**	*-9.2*	*4.5*	*2.5*
Switzerland	2.0	6.5	-0.3	3.4	-0.2	**-6.4**	**7.5**	**6.0**	*-8.0*	*8.2*	*3.8*
Australia	1.4	6.9	3.4	5.1	3.3	**-12.0**	**7.3**	**3.9**	*-13.9*	*7.4*	*5.6*
Canada	2.3	1.4	1.4	3.7	1.3	**-10.4**	**7.3**	**5.2**	*-11.8*	*7.9*	*6.8*
Japan	3.7	1.6	6.6	3.8	-1.4	**-12.3**	**10.7**	**4.1**	*-12.8*	*5.8*	*2.3*
Korea	2.7	2.4	2.5	4.0	1.7	**-2.6**	**11.3**	**3.2**	*-8.4*	*5.6*	*2.4*
United Kingdom	3.6	2.7	5.4	3.0	2.7	**-15.8**	**0.9**	**5.8**	*-9.8*	*-0.7*	*0.3*
United States	10.3	0.3	3.9	3.0	-0.1	**-13.0**	**9.1**	**7.7**	*-13.9*	*7.1*	*3.6*
Advanced economies	66.8	2.3	5.0	3.6	1.5	**-9.5**	**8.4**	**6.1**	*-11.6*	*6.2*	*4.3*
Emerging and developing Asia	17.8	2.3	8.8	4.4	0.2	**-4.1**	**9.2**	**4.9**	*-7.6*	*6.3*	*5.1*
- China	10.8	0.7	7.9	3.7	0.8	**-0.2**	**9.1**	**4.0**	*-3.6*	*5.5*	*4.3*
- India	2.2	6.8	9.9	4.8	-2.1	**-9.5**	**7.3**	**6.4**	*-14.4*	*8.0*	*6.0*
- Indonesia	0.8	-0.8	12.6	6.2	-6.7	**-10.3**	**12.8**	**6.0**	*-10.6*	*5.0*	*6.0*
CIS	3.0	1.7	5.1	5.6	-0.1	**-7.0**	**6.5**	**5.4**	*-12.2*	*6.0*	*5.0*
- Russia	2.0	3.2	5.0	5.5	-2.3	**-4.3**	**6.3**	**5.8**	*-13.3*	*6.3*	*5.7*
- Other CIS	1.0	-1.2	5.3	5.8	4.5	**-12.3**	**6.8**	**4.8**	*-10.2*	*5.5*	*3.9*
Latin America	5.1	2.2	3.8	2.6	-0.2	**-8.0**	**8.9**	**5.1**	*-10.0*	*6.6*	*4.6*
- Argentina	0.3	6.8	-0.1	-0.3	12.2	**-17.7**	**10.8**	**9.9**	*-12.0*	*6.5*	*4.9*
- Brazil	1.1	3.6	5.4	3.5	-1.6	**-1.8**	**6.1**	**4.3**	*-1.1*	*5.0*	*5.0*
- Mexico	2.0	3.6	4.2	6.0	1.5	**-7.1**	**11.4**	**5.4**	*-13.1*	*7.9*	*4.6*
MENA	5.8	3.4	1.6	1.3	-2.2	**-11.1**	**3.6**	**5.7**	*-11.4*	*3.1*	*5.9*
- Saudi Arabia	1.2	5.9	-0.4	8.8	-3.9	**-11.1**	**2.5**	**8.1**	*-7.5*	*4.4*	*4.9*
Sub-Saharan Africa	1.5	0.1	0.9	2.6	2.6	**-8.3**	**6.9**	**5.3**	*-10.0*	*5.2*	*4.9*
- South Africa	0.4	0.4	-0.7	2.6	-2.5	**-10.2**	**7.2**	**4.2**	*-14.6*	*5.0*	*4.3*
Emerging and developing economies	33.2	2.4	6.1	3.6	-0.2	**-6.4**	**8.0**	**5.1**	*-9.2*	*5.8*	*5.1*
World	100.0	2.3	5.3	3.6	0.9	**-8.5**	**8.3**	**5.8**	*-10.8*	*6.1*	*4.6*
World excluding EU	68.2	1.8	5.1	3.6	0.0	**-8.4**	**8.1**	**5.4**	*-10.5*	*6.0*	*4.4*
World excluding euro area	73.5	2.1	5.2	3.7	0.3	**-8.2**	**8.1**	**5.5**	*-10.5*	*6.0*	*4.5*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2019.

(b) Intra- and extra-EU trade.

Table 56: Export shares in EU trade (goods only - 2020) 30.4.2021

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	59.8	47.3	1.7	7.8	5.6	1.3	13.6	4.6	2.0	2.4	3.4	2.2	1.2
Euro area	57.8	46.0	1.6	8.4	5.8	1.4	14.2	5.0	2.1	2.2	3.6	2.4	1.3
Belgium	68.0	60.3	1.2	5.7	7.2	0.9	12.1	2.0	2.7	1.1	2.6	1.5	2.2
Bulgaria	66.0	48.0	10.9	2.4	2.2	0.4	5.2	3.6	1.6	4.1	3.9	0.8	1.2
Czechia	79.0	64.6	1.6	2.6	3.9	0.6	7.5	2.0	0.7	3.0	1.6	1.0	0.6
Denmark	53.6	37.2	1.2	10.4	6.5	2.2	17.5	5.3	2.1	1.5	2.7	2.6	0.9
Germany	53.2	37.0	1.8	8.9	5.4	1.7	15.2	8.0	2.4	2.5	2.8	2.6	1.0
Estonia	69.5	51.3	1.2	6.6	1.9	0.7	9.8	1.7	0.9	6.0	1.8	1.3	0.5
Ireland	37.6	34.1	0.5	30.5	8.5	2.7	15.8	6.7	1.6	0.7	1.7	1.5	0.7
Greece	53.1	39.5	10.9	4.4	3.5	1.1	7.6	2.8	1.8	1.9	13.2	1.8	1.3
Spain	61.2	54.1	1.7	5.2	6.5	1.0	12.2	2.9	1.6	1.3	6.4	5.1	1.4
France	51.4	44.9	1.3	9.1	6.1	1.8	16.3	5.4	2.9	1.7	5.8	2.4	1.9
Croatia	74.3	61.3	8.8	3.5	1.5	0.5	4.7	1.0	1.8	1.8	2.7	0.5	0.4
Italy	50.3	40.3	2.6	10.4	4.6	2.0	15.8	3.8	2.5	2.8	5.9	2.9	1.1
Cyprus	49.8	36.8	0.5	2.4	7.2	0.0	14.2	1.7	11.1	1.8	13.5	2.6	2.5
Latvia	64.9	48.2	1.3	3.5	5.4	0.5	10.1	1.4	1.2	12.9	1.8	0.9	1.6
Lithuania	61.8	43.1	1.1	3.8	3.4	1.1	9.6	1.3	1.0	16.5	2.2	0.7	0.9
Luxembourg	79.3	69.0	0.9	3.1	3.7	0.5	8.4	1.8	0.9	1.5	1.9	1.1	0.7
Hungary	77.2	57.6	2.9	3.4	2.9	0.6	6.1	2.4	0.7	3.6	1.2	1.5	0.4
Malta	49.3	42.8	1.6	4.1	2.0	5.0	16.4	6.0	3.8	0.5	8.0	2.0	3.3
Netherlands	69.3	59.3	0.9	4.8	7.8	0.6	14.2	2.3	1.3	1.2	2.1	1.7	1.6
Austria	67.6	52.2	1.4	6.6	2.5	1.1	11.4	3.8	1.5	2.1	2.0	1.8	0.6
Poland	75.0	58.1	1.4	3.1	5.3	0.4	9.3	1.5	0.9	5.2	1.7	0.9	0.6
Portugal	66.7	61.3	1.3	5.7	5.8	0.4	10.3	2.6	0.6	0.8	3.8	2.8	5.0
Romania	71.5	55.2	5.1	2.5	3.2	0.8	6.1	2.1	0.9	4.2	5.0	1.1	0.8
Slovenia	76.5	51.1	4.8	2.0	1.4	0.3	7.4	1.4	0.9	3.8	2.0	0.7	0.3
Slovakia	76.7	45.9	1.3	4.4	3.9	0.3	7.0	4.8	0.2	2.9	1.5	0.8	0.3
Finland	55.4	39.2	1.3	7.9	3.7	2.4	12.4	6.3	2.5	5.7	2.4	2.5	1.2
Sweden	54.9	42.1	1.1	7.7	4.8	1.7	19.1	5.7	2.0	1.8	2.8	2.2	1.0

Table 57: **World imports of goods and services, volume (percentage change on preceding year, 2016-2022)** 30.4.2021

						Spring 2021 forecast			Autumn 2020 forecast		
	(a)	2016	2017	2018	2019	2020	2021	2022	2020	2021	2022
EU (b)	30.1	4.5	5.6	4.1	3.8	**-8.3**	**8.1**	**6.8**	*-10.0*	*6.1*	*4.9*
Euro area (b)	25.1	4.2	5.2	3.7	3.9	**-9.0**	**8.0**	**6.9**	*-10.1*	*6.0*	*4.7*
Candidate Countries	1.2	7.9	10.8	10.6	-3.0	**4.6**	**5.3**	**6.7**	*-5.4*	*8.8*	*9.0*
- Albania	0.0	6.9	8.4	2.4	3.0	**-19.4**	**7.5**	**8.9**	*-23.4*	*5.4*	*6.9*
- Montenegro	0.0	15.0	8.7	9.2	2.4	**-19.5**	**10.7**	**4.6**	*-18.3*	*7.1*	*3.4*
- North Macedonia	0.0	11.1	5.3	10.7	8.9	**-10.5**	**10.7**	**9.9**	*-12.5*	*14.9*	*13.1*
- Serbia	0.1	7.0	11.1	10.8	10.7	**-3.5**	**12.6**	**7.6**	*-7.2*	*12.0*	*7.4*
- Turkey	1.0	3.0	10.6	-6.4	-5.3	**7.4**	**4.0**	**6.4**	*-4.2*	*8.1*	*9.2*
Iceland	0.0	14.6	11.8	0.5	-9.3	**-22.0**	**8.1**	**12.1**	*-21.0*	*13.3*	*10.8*
Norway	0.6	2.7	1.9	1.4	4.7	**-12.2**	**6.6**	**3.4**	*-10.2*	*5.2*	*2.3*
Switzerland	1.7	5.3	-0.9	0.4	-0.1	**-6.5**	**8.5**	**5.6**	*-8.2*	*9.5*	*4.2*
Australia	1.2	0.2	7.9	4.0	-1.0	**-16.2**	**11.2**	**6.7**	*-16.2*	*7.8*	*6.0*
Canada	2.5	0.1	4.6	3.4	0.3	**-12.7**	**8.8**	**6.0**	*-12.7*	*10.4*	*7.4*
Japan	3.8	-1.2	3.3	3.8	-0.4	**-6.8**	**6.2**	**4.4**	*-5.4*	*3.6*	*1.4*
Korea	2.6	5.2	8.9	1.7	-0.6	**-4.0**	**8.8**	**3.8**	*-4.7*	*5.0*	*2.9*
United Kingdom	3.9	3.9	2.6	2.7	2.7	**-17.8**	**7.7**	**6.2**	*-14.0*	*-1.5*	*-0.1*
United States	13.2	1.7	4.7	4.1	1.1	**-9.3**	**13.5**	**7.2**	*-12.1*	*8.3*	*2.3*
Advanced economies	67.4	2.8	5.1	3.8	1.8	**-8.8**	**9.0**	**6.4**	*-10.3*	*6.3*	*4.0*
Emerging and developing Asia	17.8	4.4	9.3	6.7	-3.2	**-7.2**	**9.7**	**5.6**	*-8.7*	*7.6*	*6.0*
- China	10.5	4.4	7.6	6.7	-3.2	**-1.9**	**7.8**	**4.8**	*-3.8*	*7.1*	*5.6*
- India	2.6	4.3	13.2	4.0	-4.2	**-19.1**	**12.1**	**7.0**	*-16.6*	*9.3*	*6.5*
- Indonesia	0.9	1.2	10.4	14.1	-9.3	**-20.1**	**16.6**	**5.0**	*-11.6*	*6.6*	*5.0*
CIS	2.6	-2.4	13.6	4.4	5.6	**-13.7**	**5.3**	**5.1**	*-13.6*	*4.8*	*4.6*
- Russia	1.5	-3.7	17.3	2.6	3.4	**-12.0**	**3.6**	**4.5**	*-13.4*	*3.6*	*4.7*
- Other CIS	1.1	-0.6	8.4	7.3	9.0	**-16.0**	**7.6**	**5.9**	*-13.9*	*6.1*	*4.5*
Latin America	5.2	-3.9	4.6	3.9	-1.6	**-13.2**	**8.9**	**5.3**	*-13.8*	*6.2*	*3.9*
- Argentina	0.3	3.6	14.2	-5.6	-21.1	**-18.1**	**13.0**	**4.3**	*-19.5*	*8.0*	*4.3*
- Brazil	1.1	-8.1	7.0	5.9	3.5	**-10.0**	**5.4**	**4.0**	*-8.7*	*4.6*	*3.8*
- Mexico	2.1	2.9	6.4	6.4	-0.7	**-15.2**	**13.3**	**7.2**	*-16.2*	*8.1*	*4.4*
MENA	5.3	-2.7	2.6	0.0	-2.7	**-10.3**	**3.5**	**4.9**	*-8.2*	*1.7*	*3.7*
- Saudi Arabia	0.9	-16.8	-0.4	2.2	3.0	**-17.8**	**5.6**	**8.4**	*-7.7*	*3.5*	*3.4*
Sub-Saharan Africa	1.7	-9.3	-0.9	7.1	8.0	**-11.6**	**4.7**	**4.2**	*-13.2*	*3.6*	*3.8*
- South Africa	0.4	-3.9	1.0	3.3	-0.5	**-16.6**	**5.4**	**4.6**	*-17.2*	*4.0*	*3.1*
Emerging and developing economies	32.6	0.4	7.1	4.9	-1.6	**-9.4**	**8.0**	**5.4**	*-10.1*	*6.0*	*5.1*
World	100.0	2.0	5.7	4.2	0.7	**-9.0**	**8.7**	**6.1**	*-10.2*	*6.2*	*4.4*
World excluding EU	69.9	1.0	5.8	4.3	-0.7	**-9.3**	**9.0**	**5.7**	*-10.3*	*6.3*	*4.1*
World excluding euro area	74.9	1.3	5.9	4.4	-0.4	**-9.0**	**8.9**	**5.8**	*-10.3*	*6.3*	*4.3*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2019.

(b) Intra- and extra-EU trade.

Table 58: Import shares in EU trade (goods only - 2020) 30.4.2021

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	61.6	49.4	1.8	4.8	3.9	1.3	10.4	7.1	3.3	4.3	2.5	1.8	1.2
Euro area	59.7	48.1	1.7	5.4	4.2	1.4	10.9	7.1	3.5	4.0	2.9	2.0	1.4
Belgium	61.0	54.9	1.2	8.1	4.3	2.4	10.5	4.5	3.6	2.2	2.3	2.4	1.9
Bulgaria	62.2	44.1	9.6	1.1	1.3	0.4	4.2	4.3	1.7	12.0	2.8	1.2	0.3
Czechia	75.2	59.4	1.1	1.8	1.9	1.0	6.3	8.5	1.6	3.7	0.3	0.3	0.2
Denmark	67.6	48.3	1.1	3.3	3.6	0.5	11.6	7.0	3.2	2.7	0.7	1.8	0.5
Germany	63.6	45.3	1.8	4.9	3.7	1.6	11.7	6.8	3.3	3.0	0.9	1.5	1.0
Estonia	72.8	54.0	0.6	1.6	1.9	0.7	5.0	4.3	1.4	12.3	0.2	0.3	0.8
Ireland	38.6	34.4	0.7	13.2	32.1	0.9	37.4	3.9	2.2	0.7	0.4	1.6	0.6
Greece	50.1	40.0	4.4	2.2	2.1	0.6	6.5	9.6	2.0	10.1	12.7	1.1	0.6
Spain	55.7	48.8	2.4	4.1	3.8	1.0	8.5	7.4	4.1	2.0	7.2	4.7	2.9
France	64.9	57.7	1.3	5.5	4.4	1.0	10.6	5.3	2.8	2.0	4.1	1.1	1.4
Croatia	77.9	60.2	4.2	1.6	1.0	0.2	3.2	3.9	1.0	5.3	2.0	0.5	0.3
Italy	57.1	47.5	2.8	4.5	2.6	1.0	8.2	7.2	3.6	6.1	6.1	2.1	1.4
Cyprus	63.6	57.6	0.7	1.8	6.1	1.2	13.0	5.3	4.6	5.8	1.3	2.1	0.6
Latvia	65.3	50.2	0.7	1.7	2.4	0.2	6.9	3.9	1.9	18.3	0.1	0.9	0.1
Lithuania	65.9	45.3	0.8	2.1	2.4	0.2	6.2	4.0	0.8	18.5	0.7	0.5	0.2
Luxembourg	81.2	77.5	0.2	5.2	1.2	2.0	3.5	6.3	0.6	0.3	0.2	0.3	0.3
Hungary	73.3	56.8	2.3	1.7	1.6	1.4	6.5	6.3	2.1	5.5	0.5	0.4	0.1
Malta	38.0	34.4	4.9	1.1	13.1	0.8	23.6	5.8	2.8	15.5	4.7	2.3	0.5
Netherlands	41.6	35.3	1.0	8.0	4.9	1.9	13.4	13.7	5.8	6.3	2.5	3.6	2.2
Austria	78.6	64.9	1.2	3.1	1.6	0.7	6.9	2.6	2.8	2.7	0.9	0.3	0.1
Poland	67.4	56.7	1.4	2.2	2.5	0.9	6.9	8.7	2.3	7.4	1.3	1.0	0.4
Portugal	73.3	68.4	1.3	1.9	2.5	0.5	5.8	4.3	2.1	2.3	3.0	2.2	3.3
Romania	73.1	52.9	5.7	1.0	1.8	0.4	4.1	5.0	1.3	7.8	1.0	0.6	0.2
Slovenia	64.3	49.3	8.1	0.9	1.0	0.4	13.2	6.7	2.3	1.6	1.2	1.1	0.3
Slovakia	80.0	44.1	1.2	0.5	1.7	0.2	6.5	3.5	2.0	5.3	0.4	0.2	0.1
Finland	68.5	44.1	0.6	2.3	2.4	0.6	7.1	3.8	1.3	13.9	0.2	1.4	0.4
Sweden	68.5	53.2	1.0	2.9	4.4	0.9	14.3	5.8	2.5	2.2	0.4	0.9	0.5

Table 59: World merchandise trade balances (fob-fob, in billions of US dollar, 2015-2022) 30.4.2021

						Spring 2021 forecast			*Autumn 2020 forecast*		
	2015	2016	2017	2018	2019	2020	2021	2022	*2020*	*2021*	*2022*
EU	472.7	481.1	457.2	391.8	417.0	**467.3**	**522.8**	**518.4**	*418.2*	*460.6*	*482.2*
EU, adjusted[1]	303.7	322.3	289.4	208.2	263.0	**288.2**	**361.4**	**358.2**	*335.6*	*375.0*	*396.7*
Euro area	451.5	457.0	440.0	398.1	405.1	**433.9**	**489.2**	**490.2**	*397.3*	*446.3*	*469.9*
Euro area, adjusted[1]	313.6	327.5	307.0	241.4	288.3	**297.9**	**338.2**	**338.8**	*361.4*	*409.1*	*432.8*
Candidate Countries	-5.2	-4.8	-6.1	-55.4	-36.0	**-58.0**	**-58.2**	**-69.2**	*-33.5*	*-29.3*	*-45.1*
- Albania	:	:	:	-3.4	-3.5	**-3.4**	**-3.8**	**-4.1**	*-3.2*	*-3.5*	*-3.6*
- Montenegro	-1.6	-1.8	-2.1	-2.4	-2.3	**-1.9**	**-2.2**	**-2.4**	*-1.9*	*-2.1*	*-2.2*
- North Macedonia	:	:	:	-2.1	-2.2	**-2.1**	**-2.3**	**-2.4**	*-2.0*	*-2.3*	*-2.4*
- Serbia	-3.6	-3.0	-4.0	-5.6	-6.3	**-6.0**	**-7.1**	**-7.4**	*-5.6*	*-6.5*	*-6.7*
- Turkey	:	:	:	-42.0	-21.7	**-44.7**	**-42.7**	**-52.9**	*-20.8*	*-15.0*	*-30.2*
Iceland	-0.2	-0.8	-1.5	-1.5	-0.9	**-0.7**	**-0.7**	**-0.9**	*-0.3*	*-0.4*	*-0.6*
Norway	24.9	11.7	20.4	30.7	12.7	**-3.9**	**-1.3**	**-0.6**	*9.0*	*9.2*	*9.8*
Switzerland	61.3	61.2	63.9	73.3	75.6	**69.2**	**77.1**	**77.6**	*70.4*	*73.4*	*75.4*
Australia	-19.0	-5.8	10.5	20.9	48.0	**39.9**	**37.9**	**35.1**	*47.1*	*47.2*	*48.5*
Canada	-18.6	-19.2	-19.1	-15.3	-11.6	**-27.3**	**-34.2**	**-36.6**	*-7.5*	*-16.2*	*-15.5*
Japan	-7.3	50.8	43.8	10.2	3.5	**-30.6**	**-15.3**	**-16.0**	*-29.1*	*-15.3*	*-8.3*
Korea	120.3	116.5	113.6	110.1	79.8	**81.9**	**96.9**	**97.3**	*40.8*	*47.6*	*45.8*
United Kingdom	-177.5	-179.4	-174.5	-182.7	-166.8	**-147.6**	**-203.7**	**-205.4**	*-124.8*	*-119.4*	*-120.9*
United States	-793.5	-777.1	-835.1	-901.6	-888.9	**-890.4**	**-1077.1**	**-1174.8**	*-881.1*	*-1034.9*	*-1065.9*
Advanced economies	-200.7	-123.3	-169.1	-386.8	-331.5	**-335.8**	**-472.6**	**-584.4**	*-372.2*	*-456.6*	*-473.7*
Emerging and developing Asia	483.1	423.7	367.5	199.2	259.5	**507.7**	**487.6**	**472.5**	*385.5*	*358.4*	*340.1*
- China	576.2	488.9	475.9	380.1	393.0	**515.0**	**541.5**	**544.1**	*466.0*	*453.5*	*447.2*
- India	-136.9	-107.5	-148.1	-186.7	-157.7	**-95.2**	**-125.2**	**-140.3**	*-110.4*	*-127.6*	*-143.4*
- Indonesia	14.0	15.3	18.8	-0.2	3.5	**28.2**	**22.9**	**25.8**	*2.7*	*2.6*	*3.9*
CIS	149.8	83.1	114.6	201.8	159.6	**106.9**	**153.8**	**166.8**	*63.8*	*79.6*	*88.3*
- Russia	145.7	90.2	114.7	195.2	164.5	**113.8**	**153.9**	**170.7**	*71.7*	*87.4*	*97.4*
- Other CIS	4.1	-7.1	-0.1	6.5	-4.9	**-6.9**	**-0.1**	**-4.0**	*-7.9*	*-7.7*	*-9.1*
Latin America	-47.4	8.2	41.2	22.5	45.7	**90.2**	**89.3**	**82.9**	*76.6*	*77.6*	*78.0*
- Argentina	-0.8	4.4	-5.4	-0.7	18.2	**14.4**	**18.2**	**22.8**	*19.0*	*19.7*	*20.9*
- Brazil	17.7	44.6	64.0	53.0	40.5	**43.3**	**46.8**	**47.5**	*54.0*	*55.3*	*54.8*
- Mexico	-14.6	-13.1	-11.0	-13.8	5.2	**34.4**	**27.1**	**21.2**	*6.3*	*6.1*	*7.5*
MENA	124.3	90.5	198.1	354.4	242.7	**56.1**	**183.0**	**194.1**	*78.7*	*101.1*	*115.5*
- Saudi Arabia	44.3	55.8	98.5	168.7	121.3	**55.5**	**97.0**	**103.4**	*65.4*	*71.7*	*81.1*
Sub-Saharan Africa	-34.1	-13.5	16.0	21.6	-2.1	**6.7**	**14.6**	**12.5**	*-0.7*	*4.3*	*7.4*
- South Africa	-3.6	2.2	4.9	1.7	2.7	**16.8**	**18.6**	**17.0**	*5.2*	*6.0*	*6.4*
Emerging and developing economies	675.6	591.9	737.3	799.4	705.4	**767.6**	**928.4**	**928.9**	*603.9*	*621.0*	*629.3*
World	474.9	468.6	568.2	412.7	373.9	**431.7**	**455.8**	**344.5**	*231.8*	*164.4*	*155.6*
World excluding EU	2.2	-12.5	111.1	20.8	-43.1	**-35.5**	**-67.0**	**-173.9**	*-186.5*	*-296.2*	*-326.6*
World excluding euro area	23.4	11.6	128.2	14.6	-31.2	**-2.2**	**-33.4**	**-145.8**	*-165.5*	*-281.9*	*-314.3*

[1] See note 8 on concepts and sources.

Table 60: World current-account balances (in billions of US dollar, 2015-2022) 30.4.2021

						Spring 2021 forecast			Autumn 2020 forecast		
	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021	2022
EU	440.5	473.9	506.0	498.6	463.0	455.7	516.9	548.4	371.3	409.1	457.5
EU, adjusted[1]	256.0	297.8	314.5	290.8	250.1	219.2	305.4	322.3	286.4	321.3	369.7
Euro area	399.2	431.1	462.0	472.0	408.7	390.7	441.7	466.5	331.3	367.3	412.7
Euro area, adjusted[1]	313.2	363.6	352.9	325.2	310.9	305.7	357.3	379.0	227.4	259.8	305.2
Candidate Countries	-1.8	-1.9	-3.1	-25.2	0.8	-42.3	-36.5	-33.5	-32.4	-20.2	-22.4
- Albania	:	:	:	-1.0	-1.2	-1.3	-1.4	-1.3	-1.6	-1.4	-1.2
- Montenegro	-0.4	-0.7	-0.8	-0.9	-0.8	-1.2	-1.2	-1.0	-0.8	-0.8	-0.8
- North Macedonia	:	:	:	0.0	-0.4	-0.4	-0.3	-0.2	-0.5	-0.5	-0.5
- Serbia	-1.4	-1.2	-2.3	-2.5	-3.5	-2.3	-3.7	-3.8	-3.1	-3.5	-3.3
- Turkey	:	:	:	-20.8	6.8	-37.1	-29.8	-27.2	-26.5	-13.9	-16.6
Iceland	1.3	1.8	1.2	1.2	1.7	0.2	0.4	0.6	0.4	0.2	0.1
Norway	31.0	16.4	21.9	34.8	11.5	7.0	13.2	14.9	11.5	11.6	12.4
Switzerland	76.3	63.3	43.1	57.5	73.5	35.8	38.9	44.2	54.7	58.2	59.6
Australia	-57.0	-41.0	-36.0	-29.8	8.0	33.8	23.2	16.6	2.6	-5.1	-20.9
Canada	-54.7	-47.3	-46.2	-40.4	-35.7	-31.7	-46.3	-48.1	-30.6	-40.4	-39.4
Japan	136.5	197.0	203.1	175.7	188.3	133.8	167.6	167.7	112.2	141.2	149.0
Korea	105.1	97.9	75.2	77.5	59.7	75.3	80.8	78.9	20.1	27.6	27.6
United Kingdom	-147.4	-146.4	-100.5	-105.3	-87.5	-94.9	-153.6	-157.4	-83.1	-79.5	-77.3
United States	-423.7	-407.4	-391.5	-467.8	-502.8	-613.3	-774.1	-818.1	-616.4	-737.4	-711.5
Advanced economies	241.9	342.1	425.1	310.3	314.1	134.7	9.6	-0.5	-79.3	-112.9	-32.9
Emerging and developing Asia	293.2	210.5	181.1	-41.4	101.3	357.9	252.7	217.7	191.3	130.8	94.8
- China	293.0	191.3	188.7	24.1	102.9	274.0	254.5	240.4	185.7	148.7	121.8
- India	-22.5	-12.1	-38.2	-65.6	-29.8	33.0	-6.8	-24.2	6.3	-23.5	-36.8
- Indonesia	-17.5	-17.0	-16.2	-30.6	-30.3	-4.7	-19.6	-17.4	-24.1	-29.8	-31.8
CIS	55.5	1.9	19.8	107.9	49.7	37.1	70.9	78.6	-12.4	-0.5	6.7
- Russia	67.1	25.3	32.5	114.3	65.1	48.2	83.2	96.1	12.8	25.8	34.4
- Other CIS	-11.6	-23.3	-12.7	-6.4	-15.4	-11.0	-12.3	-17.5	-25.2	-26.3	-27.6
Latin America	-169.3	-99.1	-85.6	-126.6	-85.7	3.5	-18.0	-36.8	-23.5	-37.4	-44.3
- Argentina	-17.6	-15.1	-31.2	-27.0	-4.0	3.0	2.8	3.5	4.1	3.4	2.6
- Brazil	-54.5	-24.2	-15.0	-41.5	-50.7	-12.5	-12.5	-17.2	-11.3	-18.0	-22.9
- Mexico	-31.1	-24.4	-20.4	-25.3	-4.2	26.6	11.9	2.7	1.6	-1.9	-1.4
MENA	-80.8	-83.5	30.0	175.2	95.2	-78.8	57.9	62.3	-88.5	-57.6	-31.7
- Saudi Arabia	-56.7	-23.8	10.5	72.0	38.2	-11.4	44.6	44.3	0.5	11.2	17.2
Sub-Saharan Africa	-79.6	-44.1	-27.0	-30.4	-51.2	-45.0	-41.0	-45.6	-55.9	-45.7	-46.6
- South Africa	-14.6	-8.4	-8.9	-13.4	-10.7	6.3	4.1	1.1	-3.5	-5.6	-7.3
Emerging and developing economies	19.0	-14.3	118.2	84.7	109.3	274.8	322.5	276.1	11.0	-10.4	-21.1
World	260.9	327.8	543.3	395.0	423.4	409.5	332.1	275.6	-68.3	-123.2	-54.1
World excluding EU	-179.6	-146.1	37.3	-103.6	-39.6	-46.1	-184.7	-272.8	-439.6	-532.4	-511.6
World excluding euro area	-138.4	-103.3	81.4	-77.0	14.7	18.8	-109.6	-190.9	-399.6	-490.5	-466.7

[1] See note 8 on concepts and sources.

Table 61: Crude oil prices, 2015-2022 30.4.2021

							Spring 2021 forecast		Autumn 2020 forecast		
	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021	2022
Annual percentage change (USD)	-46.3	-15.5	21.2	30.7	-10.4	-32.3	47.5	-3.7	-33.5	4.5	4.2
Price per barrel											
- Brent (USD)	53.4	45.2	54.8	71.5	64.1	43.4	63.9	61.6	42.6	44.6	46.4
- Brent (EUR)	48.2	40.8	48.5	60.6	57.2	38.0	53.1	51.2	37.5	37.9	39.4

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2021 and 2022 are forecasts. The source for all tables is the European Commission, unless otherwise stalted. Historical data for the Member States are based on the European System of Accounts (ESA 2010). Figures for Romania are based on Commission services' calculations based on the latest published available data. US national accounts are based on SNA 2008, whilst the Japanese accounts use SNA 1993. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17 and 18, the data are based on the national index for USA and Japan.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 24 and 26 - 30 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, and the Netherlands report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA 2010), except for US current-account in tables 50, 52, and 61 (Balance of Payments). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 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 2020.

9. EU and euro area aggregates for general government debt are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility.

10. Geographical zones are defined as follows :

Euro area :

EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK and FI).

European Union :

EU (EA19, BG, CZ, DK, HR, HU, PL, RO, and SE).

Candidate countries :

Albania, Montenegro, North Macedonia, Serbia and Turkey.

Potential candidates :

Bosnia-Herzegovina and Kosovo.

Advanced economies :

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