EBF Outlook N°28

End-Year Economic Outlook on the Euro Area 2009-2010

The euro area: on a bumpy road to recovery

European Banking Federation

December 2009

CONTACT

Florence Ranson
Senior Adviser
Communications
f.ranson@ebf-fbe.eu

Elena Letemendía
Senior Adviser
Economic and Monetary Affairs
e.letemendia@ebf-fbe.eu

Viktorija Proskurovska
Adviser
Economic and Monetary Affairs - Associates
v.proskurovska@ebf-fbe.eu

Set up in 1960, the European Banking Federation is the voice of the European banking sector, with over 30 000 billion EUR assets and 2.4 million employees in 31 EU & EFTA countries. The EBF represents the interests of some 5000 European banks: large and small, wholesale and retail, local and cross-border financial institutions.

ON A BUMPY ROAD TO RECOVERY

The recession: arrested or interrupted?

After five consecutive quarters of GDP fall, from 2Q 2008 to 2Q 2009, accumulating a GDP loss of 5.1%, the euro area economy starts slowly to gain momentum, gradually picking up the pace towards recovery.

The economic revival is not expected to be smooth. A number of factors account for this view. The massive monetary and fiscal policy impulse provided by the European Central Bank and governments in 2009, partly continued in 2010, will prevent the EU from experiencing a more prolonged recession. Yet the flip side of this huge stimulus is over the short term the inevitability of its withdrawal and uncertainty over when and how this will happen, not in the least its effects on markets and behaviour of economic agents; and, over the longer term, the consequences for public finances and the economic effects of the burden of exceptionally high levels of public debt. Against a background of continuing difficulties on the labour market and the likelihood of weak consumer and investment demand at home, these concerns cloud the medium term outlook.

There is no doubt among the banking industry economists contributing to this survey that the domestic economy will face a range of handicaps over the next year or so. Significant overcapacity of production will weaken investment demand, although some inventory-building will be needed. Meanwhile, in most euro area economies, the consumer is retrenching, cutting back on spending and building up savings. Savings are needed for the funding of investment, and an increased savings rate is a welcome phenomenon in the countries which witnessed a consumer boom, such as Spain and Ireland. However, its short term effect is to cause domestic demand from households to shrink, leaving the economy more dependent on purchasers from outside the euro area for growth. Not least, the continued process of deleveraging in the banking sector will add to the protracted nature of the recovery.

Once again, in the absence of solid ground for domestic demand to grow, and sustain the recovery when the public stimulus recedes, the euro area must look to other markets for economic growth.

The consensus view among the Chief Economists assembled in the EBF's Economic and Monetary Affairs Committee is that the GDP growth in the euro area will pick up somewhat in 2010, to an estimated 1.3%, following a fall of about -4% this year. There is considerable caution in looking

further forward, beyond the forecast period, into 2011 and beyond. The economy's growth potential in the coming years is judged likely to be significantly below the level of the past decade.

Table 1: Main Indicators of EMAC Consensus (mean of forecasts)

	2008	2009f	2010f
Gross domestic product	0,6	-3,9	1,3
Private consumption	0,4	-1,0	0,5
Public consumption	2,0	2,3	1,5
Gross investment (GFCF)	-0,4	-10,2	-0,2
Exports	1,0	-13,9	4,0
Imports	1,1	-11,9	3,1
Unemployment rate (%)	7,5	9,5	10,4
Prices (HCPI)	3,3	0,3	1,2
Government Deficit	-2,0	-6,3	-6,8
Government Debt	69,3	77,9	83,3

The globalisation of the euro area economy may support this rebound

The world economy commenced a growth trajectory (on a quarter-on-quarter basis) in March 2009, triggered by the growth impulse coming from emerging markets and aided by the start of a new inventory cycle in most euro area countries. The greater openness of the euro area economy in recent years, led by its largest economy, Germany, made it more vulnerable to the global downturn than the less export-driven US. On the other hand, increased trade linkages are a positive factor in the rebound, enable the euro area to react more quickly than expected to the revival in activity elsewhere.

The main source of the global impetus is expected to be the Chinese and **Asian** economies, as well as other BRIC countries, although these economies also have benefited from temporary stimulus measures which will require re-absorption. In the case of **Russia**, the government plans to give greater priority to investment in the infrastructure of large real economy enterprises. This action should secure growth in productivity and hence profitability of the real economy, contributing to overall economic growth in the coming years.

The evolution of the **US economy**, accounting for one quarter of global GDP, will be crucial to the international economy, including the euro zone. EMAC members' estimates for US growth next year range from 1.5% to 3.2% (a mean of 2.2%). There is likely to be an important economic drag, affecting exporters to the US, arising from the sharp change in US consumer behaviour which is dampening household spending. The strengthening of the recovery in the USA will facilitate the opening up of European and other export markets and is therefore likely to be a principal engine of economic development over the forecast horizon. However, a flattening of the trend from 2011 onwards is possible, as global potential growth will have shrunk because of the crisis.

Sustained growth in **China and other developing countries** is anticipated, as those have not been hit as much by the crisis as the advanced economies. The response of individual euro area economies to the challenge of globalisation will differ considerably, according to the openness of their economies and the composition of their exporting industries. Italy, for example, faces significant competitive pressure from Asian producers because of its export sector's focus on smaller scale consumer goods. Germany, with its greater emphasis on highly-engineered industrial and infrastructural goods, stands to benefit significantly from a global upturn. Industry in the Nordic area has suffered greatly, in particular from the downturn in business among subsidiaries in the Baltics.

A revival in exports towards the end of 2009 and into 2010, thanks to sustained growth in Asia is seen as one of the core drivers of the recovery. This gives the export-led countries such as Germany and Austria headway to bring their economies back on track. Imports will still be lagging behind exports in 2010 (4.0% growth over 3.1% respectively) due to a muted disposable income and still feeble investment. The current account will not improve markedly until after 2010.

Government consumption fills in for lacklustre domestic demand

The massive influx of extraordinary fiscal and financial measures to the economy has boosted government debt levels throughout the euro area, in some cases to extreme levels, such that the average government deficit for the area is projected to reach -6.3% of GDP in 2009, and a further -6.8% in 2010. As a consequence, ballooning government debt (likely to exceed 80% of euro area GDP next year) could dampen potential growth in the years beyond the 2010 horizon of the forecasts. At present, however, growing government consumption (2.3% in 2009) is helping to compensate for a fall in private consumption (-1.0% in 2009), which is severely hit by difficulties on the labour market. Growth, although low, is going to be more balanced next year, as public consumption will show some reining in, growing on average by an estimated 1.5%, while private spending picks up by an average of 0.5%.

Dampened private consumption is conditioned by both the prospect and the reality of unemployment, which the central forecast suggests will rise by one percent in 2010, to 10.4%. Loss of jobs or reduction in the number of working hours is widespread these days, and although the recovery is expected to settle in next year, as is normal during the economic cycle the crisis will have a lagged effect on the unemployment figures for several quarters at least. The crisis will strongly hit the working population from the point of view of remuneration as well: a slowdown in wage growth to 0.5% is envisaged for 2010.

One stark manifestation of recession in 2009 has been the drop of over 10% in investment (Gross Fixed Capital Formation). A fall in both manufacturing output and investment has taken a heavy toll on the overall economic situation this year. As confidence returns to the markets and the economy picks up further, investment will follow suit: the EMAC survey points to a levelling out of investment to -0.2% in 2010, with estimates ranging between -1.4% and +2.2%. Most of the euro area countries will enter a new inventory cycle, which will help them to restart the engines of economic growth. To sum up, domestic demand over the forecast period will remain largely muted, with the government consumption compensating for the undermined spending capacity of the private sector.

Credit aggregates will follow, not lead, the recovery

One of the main roles of banks is to provide finance which is used to generate economic value and employment, but it must be recognised that the volume of lending depends on demand as well as supply. Credit demand is weakened by recession, and past experience has shown that it is a lagging indicator, as delinquencies and company failures continue even after the recession has passed its peak.

Since the start of the financial crisis, banks have come under criticism throughout the euro area for not lending sufficiently, yet the ECB's lending data and its recently inaugurated six-monthly survey[1] on the access to finance of SMEs in the euro area has shown no indication of a "credit crunch" in the euro area. The figures have shown a gradual slowing in the annual growth in loans to the private sector, which remained positive until September this year, when a decline of -0.3% was recorded. The ECB analysis, supported by the experience of EBF members, indicates that the main reason for the decline has been a diminution of credit demand due to the deepening recession, although the recession has also been accompanied by an increase in bank sensitivity to credit risk, as is appropriate in the circumstances.

[1] http://www.ecb.int/stats/money/surveys/sme/html/index.en.html

Looking forward to the months when the pick-up in economic activity is expected to become more marked, the economists see lending continuing to weaken. If past experience can be a guide for an economic setback of the scale seen recently, this weakening trend should last 2-3 quarters, until mid-2010. The ECB study confirms these views; an abridged summary of which is presented in Box 1 below.

While the demand and supply for credit may be said to be broadly in balance at this point in the cycle, it remains to be seen whether banks will have the capacity to meet the needs of an economy in full recovery mode. Banks will have to adjust to the cumulative effect on their business of new capital requirements, which are being introduced as part of the policy response to the crisis, as well as adapting balance sheets and business strategies to their own institution's experience of the crisis.

Some relief for financial institutions could come from the securitisation market, which before the crisis helped the financial sector to manage balance sheets and enhance liquidity. Steps are being taken within the banking industry to explore ways in which the market can be reinvigorated on a prudent and sustainable basis.

BOX 1: Bank lending in the euro area

(1) Developments in bank lending in the euro area:

- The growth of banks loans to the private sector has declined considerably during the financial turmoil.
- In the case of households, there have been recent signs that the downward movement has come to a halt.
- As for the annual growth rate of loans to non-financial corporations, by contrast, the moderation in lending has continued, a fact which has raised some concerns among market observers that companies, and SMEs in particular, may be suffering from a true "credit crunch".

(2) Against the background of these concerns, it is important to make a number of observations:

- Looking ahead it is likely that loans to enterprises may moderate further before starting to recover. This would also be in line with past evidence, which indicates that the growth of loans to non-financial corporations tends to lag GDP growth by about three quarters (this may be related to the fact that non-financial corporations usually see their cash flows improve early in an economic upturn and thus tend to finance working capital and fixed investment with internal funds first, and only later with external financing. Given the current projections a turning-point in loan growth may not be reached before early 2010).
- Recent credit developments appear to be fully in line with past historical regularities, once we take into account the severity and duration of the recession. Indeed, the current crisis may be the most severe seen since the 1930s.
- It is clear that both supply and demand factors have driven credit developments in the euro area so far, as confirmed by the evidence provided by the bank lending survey. Overall, our assessment is that credit developments have thus far been affected more strongly by factors associated with weak macroeconomic conditions, such as lower credit demand and a decrease in the average level of creditworthiness of potential borrowers. However, supply-side factors have also played a role and should not be underestimated.

BOX 1: Bank lending in the euro area (continued from previous page)

(3) Some key findings and direct evidence on SMEs' access to finance in the euro area provided, as by a recent ECB survey (given that this is the first time the survey has been conducted, the results of the survey should be interpreted with caution):

- Notwithstanding the deterioration in the economic situation, the majority of SMEs report that they were successful in applying for a bank loan in the first half of 2009.
- Availability of external financing. Firms were rather sceptical in their assessment of the availability of external financing. Large firms were somewhat more negative in their assessment than SMEs. This is in line with the evidence from the bank lending survey that the tightening of credit standards was more pronounced for large firms than for SMEs. As already mentioned, this may come as a surprise, as SMEs are generally perceived to be affected more than large firms by a deterioration in access to finance.
- The availability of bank loans tends to be related to the general economic situation, which affects the financial situation of the individual firm. Hence, it is not surprising that both factors played a major role in bank loan availability, not only according to the assessment of banks in the bank lending survey, but also according to the assessment of firms in the new survey. However, in addition to such demand-related factors, firms are of the view that factors related to the supply of credit also played some role in the deterioration of bank loan availability. In their view, banks' willingness to lend decreased, which may suggest that lending restrictions were in place.

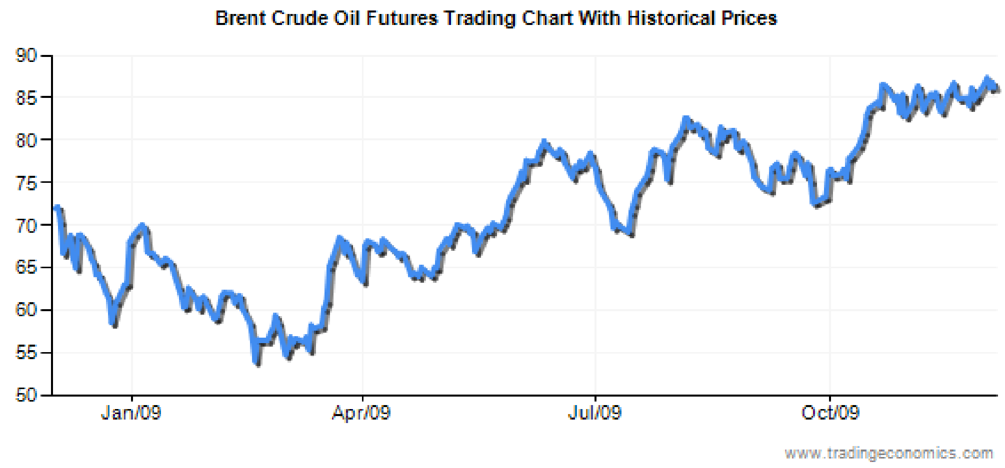
Source: ECB (http://www.ecb.int/press/key/date/2009/html/sp091018.en.html#) - abridged.

Monetary policy a benign force over the coming year

With close to a quarter of the euro zone seeing an unprecedented collapse in core **inflation**, price pressures will be minimal to moderate next year. Inflation is estimated to hover around 0.3% in 2009, picking up pace to 1.2% in 2010. This is going to be the result of two opposing forces: the base effects of past oil prices will put upward pressure on inflation; while the large slack in the economy, evidenced by the output gap and weak labour market, will exert significant downward pressure. On average, the forecasts indicate an upward creep in the **oil price**, for an average of USD 67.20 per barrel in 2009 to USD 79.70 in 2010.

The high level of economic uncertainty, combined with debate about the real estimated volume of **oil** still available, makes the oil price particularly difficult to predict. However, with the general focus on the ever-diminishing amount of oil available on the planet, and the chance of a sharper revival in global economic activity than is generally predicted, the economists do not rule out the possibility of an oil price surprise: some estimates put the price of Brent oil at 90 USD/ barrel by the end of 2010.

Figure 1: Brent Crude Oil Futures Trading



Members of EMAC have welcomed the ECB's careful steering of the monetary tiller over the past difficult months, appreciating the blend of **interest rate** cuts and unconventional measures. In the early 1980s, the US recovery was interrupted by a hike in interest rates, leading to a "double-dip" recession. The economists do not expect that this recovery will suffer the same fate: the euro area is expected to enjoy a period of calm in monetary policy terms, with the near-zero interest rates fostering the beginnings of the recovery. Likewise, the withdrawal of the ECB's exceptional liquidity-enhancing measures is expected to be cautious and gradual. Only when the recovery of the euro area is considered to be sustained, will it start to bring monetary policy back to normal levels by hiking its main refinancing rate or by unwinding some of its unconventional measures. It is already saying as much to the market, giving notice of its intention to withdraw, and justifiably so, as real interest rates cannot remain at the current level indefinitely.

The ECB is seen to face a challenge in reducing its liquidity intervention in the short term, especially as exchange rate developments could create serious "disruptive stimuli". Nevertheless, during the second half of 2010, economic recovery, coupled with the need to revert to the monetary policy norm, is expected to lead to a two-to-three-step increase in the refinancing rate by 25 basis points at a time, with it clearly remaining below 2 per cent over the course of 2010. By year-end most of the forecasts put the refi rate at 1.50%, with a range of 1% to 2%.

The mean, and the majority, of the forecasts suggest that **the euro** will remain strong in the near future (EUR/USD around 1.50 at the end of 2009). However, as the economic recovery picks up pace, a rebalancing of currencies' strengths is likely to occur. As the US economy will emerge from recession sooner than that of the EU, the US dollar may strengthen in euro terms: the mean of the forecasts sees the EUR/USD rate sliding down to 1.43 by end-2010, although the spread of estimates is 1.25 to 1.58. A relatively high EUR/USD exchange rate should however not have too dramatic an impact on export-led Germany, as it is rather the structure of exports than the exchange rate that plays a decisive role for the country's export competitiveness.

Figure 2: USD-Euro Exchange Rate Historical Dynamics

Source: ECB

NOTES: RISKS TO THE SCENARIO

Positive factors

The world has seen a better-than-expected rebound in global demand, indicating the start of a mutually accelerated global economic recovery. A pick-up in growth in the **US** and rather sustained growth in **Asia** bring a generalised economic revival clearly into view, by means of a revitalised world trade.

These favourable trends, combined with the **improvement in the financial markets**, could trigger an unexpectedly rapid recuperation for the euro area in 2010, albeit likely to be accompanied by a rise in interest rates earlier than forecast. The evolution of **raw material prices** and foreign exchange rates could take a more favourable trend. Last but not least, the self-sustainability of the European rebound might be under-estimated.

Negative factors

A substantial and important factor that could undermine economic growth would be the failure on the part of the governments and central banks to successfully implement their **exit strategies**, which would then lead to even higher levels of **public debt** and a sharp rise in **inflation**. The structural weaknesses of several euro area economies with high public debt and problems with international competitiveness are likely to limit economic growth for 2010. The recent events in Dubai also give a warning sign both to the financial world and to the government authorities that the crisis is not yet over, and that further deleveraging and restructuring of debt is to take place. Given the current level of speculation, the risk of **oil & commodity prices** picking up sharply cannot be dismissed. The rise in **global demand might not feed into domestic demand**, causing confidence to worsen again.

Of particular concern for its effect on consumption, social welfare and harmony, is the high rate of **unemployment**, which may persist for longer than usual after a recession. A sharp relapse in activity around spring could be triggered by the tapering off of the effect of tax incentives, and the absence of a revitalisation of employment or of credit flow.

On the monetary side, the **EUR / USD exchange rate** could overshoot on the upside, should global rebalancing and political events play an unfavourable tune.

Excessive, unbalanced **regulation of the financial sector** poses a great risk not only in the medium but also in the long term. The cumulative effect of the new regulatory proposals threatens to limit banks' available resources for operations, consequently reducing bank capacity to lend to the real sector. These primary and secondary effects might affect not just the financial industry, but the economy in general. Current uncertainty about the outcome of the new regulatory package and absence of the regulatory impact assessment clouds the outlook for the years to come.

Finally, there is a risk of a **correction in financial markets** leading to a new adverse impact on **investor psychology**.

Overall, taking the above-mentioned risks into account, EMAC members believe that the probability of the euro area GDP falling below -3.7% in 2009 is quite low, meaning that most risks are on the positive end, with the last quarter of 2009 bringing better than expected results (See Figure 3). For 2010, the distribution of probabilities is much more symmetric for both positive and negative risks to the scenario (see Figure 4), the median euro area GDP growth hovering around 0.4%.

Figure 3: Histogram of EMAC's probability forecast of euro area GDP growth in 2009

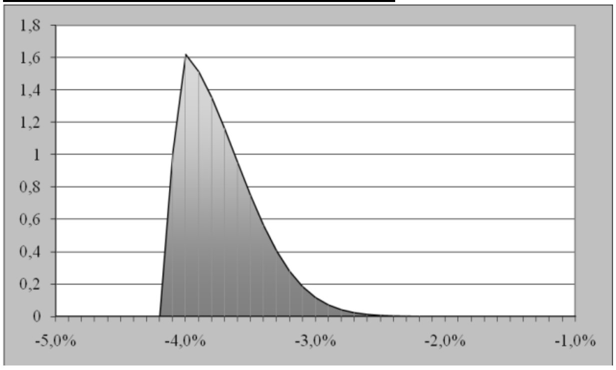
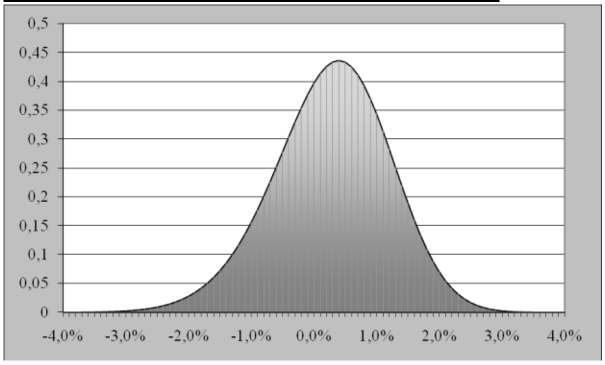


Figure 4: Histogram of EMAC's probability forecast of euro area GDP growth in 2010



We acknowledge the assistance of Andrés MANZANARES in estimating derived probability densities, following the methodology of J.A. GARCÍA & A. MANZANARES, "What can probability forecasts tell us about inflation risks" ECB WP No. 825 (2007).

This edition of the EBF Economic Outlook is written by the Economic and Monetary Affairs Committee of the EBF (EMAC) which has the following members:

Mr. Vladislav BACHÁR
Association of Banks Bratislava

Mr. Miguel BELEZA
Banco Comercial Português

Mr. Jean-Paul BETBEZE
Crédit Agricole S.A.

Ms. Estelle BRACK
Fédération Bancaire Française

Mr. Vincenzo CHIORAZZO
Associazione Bancaria Italiana

Mr. Peter CSILIK
Hungarian Banking Association

Mr. Serge de CILLIA
Association des Banques et Banquiers à Luxembourg

Mr. Dirk De CORT
Febelfin - Association Belge des Banques

Mr. Gregorio DE FELICE
Banca Intesa

Ms. Kaija ERJANTI
Federation of Finnish Financial Services

Mr. Alf HAGELER
FNH Finansnaeringens Hovedorganisasjon

Mr. Kamil JANACEK
Czech Banking Association

Mr. Michael KAMMAS
Association of Cyprus Commercial Banks

Ms. Alejandra KINDELÁN (*Chair*)
Grupo Santander

Mr. Volker HOFMANN
Bundesverband deutscher Banken

Mr. Marko KOSAK
University of Ljubljana

Mr. Marcel LAZNIA
Slovak Association of Banks Bratislava

Mr. Frank LIERMAN
Dexia Bank Belgium

Mr. Dimitrios MALLIAROPOULOS
EFG Eurobank Ergasias SA Bank

Mr. Pat McARDLE
Irish Banking Federation

Mr. Andrew MCLAUGHLIN
The Royal Bank of Scotland Group

Mr. János MÜLLER
Hungarian Banking Association

Mr. Helge PEDERSEN
Nordea Bank – Denmark

Mr. Federico PRADES
Asociación Española de Banca

Mr. Stefan ROSSMANITH
BAWAG PSK Gruppe

Mr. Pietro SCABELLONE
Associazione Bancaria Italiana

Mr. Hein SCHOTSMAN
ABN Amro Bank N.V.

Ms. Claudia STRUB
Association suisse des banquiers

Mr. Andris VILKS
SEB Banka

Mr. Norbert WALTER
Deutsche Bank Group

Mr. Mariusz ZYGIEREWICZ
Polish Bank Association

END-YEAR POLL ON THE EURO AREA ECONOMIC OUTLOOK FOR 2009-2010

TABLE 1		2007	2008	2009 Forecasts							
				EMAC Consensus			EMAC		COM Forecast		
				2009 mean	2009 range		Spring 2009	Autumn 2008	Autumn 2009	Spring 2009	Autumn 2008
1. Output and Aggregate demand: (Ann.% change)											
Gross domestic product		2,8	0,6	**-3,9**	**-4,4**	**-3,5**	-3,9	-0,4	-4,0	-4,0	0,1
Private consumption		1,7	0,4	**-1,0**	**-1,4**	**-0,6**	-1,0	0,0	-1,0	-0,9	0,4
Public consumption		2,3	2,0	**2,3**	**2,0**	**2,5**	2,0	1,6	2,0	2,0	1,2
Gross investment (GFCF)		4,8	-0,4	**-10,2**	**-11,0**	**-9,4**	-9,8	-2,7	-10,7	-10,4	-2,6
Exports		6,3	1,0	**-13,9**	**-14,8**	**-12,2**	-10,3	0,6	-14,2	-13,2	1,1
Imports		5,5	1,1	**-11,9**	**-13,0**	**-11,0**	-7,9	0,8	-12,5	-10,5	0,6
2. Labour market and prices: (Ann.% change)											
Unemployment rate (%)		7,5	7,5	**9,5**	**9,4**	**9,7**	9,7	8,2	9,5	9,9	8,4
Wages (Unit Labour Cost)		1,6	3,4	**3,1**	**1,5**	**4,0**	3,2	2,3	3,4	3,4	2,5
Prices (HCPI)		2,1	3,3	**0,3**	**0,3**	**0,3**	0,4	1,7	0,3	0,4	2,2
Core HCPI				**1,4**	**1,3**	**1,5**	1,3	1,8	1,0		
3. Public Finances: (% GDP)											
Government Deficit		-0,6	-2,0	**-6,3**	**-7,1**	**-5,0**	-5,0	-2,5	-6,4	-5,3	-1,8
Government Debt		66,0	69,3	**77,9**	**75,0**	**80,0**	75,5	68,2	78,2	77,7	67,2
4. External sector: (% GDP)											
Trade Balance		1,0	0,4	**-0,7**	**-0,9**	**-0,3**	-0,2	0,3	0,6	0,1	0,9
Current Account Balance		0,1	-1,1	**-0,8**	**-1,1**	**-0,4**	-0,9	-0,2	-0,7	-1,4	-0,1
(p.m.) US growth	(Ann.% change)	2,0	0,4	**-2,5**	**-3,0**	**-2,2**	-2,9	-0,7	-2,5	-2,9	-0,5
(p.m.) Oil price (Brent)	(US$/bl)	71,1	97,0	**67,2**	**60,0**	**85,0**	54,9	65,5	61,3	52,9	85,7
5. Monetary and Financial Indicators:											
Interest rate on ECB's main	Jun-09	4,00	4,00	**1,00**	**1,00**	**1,00**	0,96	1,93			
refinancing operations	Dec-09	4,00	2,50	**1,00**	**1,00**	**1,00**	0,88	1,86			
3 month interest rate	Jun-09	4,15	4,94		**1,23**	**1,23**	1,27	2,65			
(EURIBOR)	Dec-09	4,85	3,29	**0,90**	**0,65**	**1,40**	1,21	2,49			
10 year government bond	Jun-09	4,51	4,73		**3,49**	**3,49**	3,25	3,39			
yield (Bund)	Dec-09	4,38	3,69	**3,38**	**3,00**	**3,84**	3,27	3,57			
M3 growth	Jun-09	10,9	9,5		**3,60**	**3,60**	4,87	5,70			
	Dec-09	11,6	7,5	**1,97**	**-0,50**	**8,00**	3,30	5,63			
Credit to private sector	Jun-09	11,5	11,2		**0,00**	**0,00**	2,43	6,00			
(Ann.% change, M3 definition)	Dec-09	12,8	6,8	**0,58**	**-1,00**	**4,00**	1,50	5,83			
Exchange rate USD/EUR	Jun-09	1,35	1,58		**1,40**	**1,40**	1,32	1,30			
	Dec-09	1,47	1,39	**1,49**	**1,41**	**1,55**	1,31	1,29	1,39		

END-YEAR POLL ON THE EURO AREA ECONOMIC OUTLOOK FOR 2009-2010

TABLE 2		2007	2008	2010 Forecasts							
				EMAC Consensus			EMAC		COM Forecast		
				2010 mean	2010 range		Spring 2009	Autumn 2008	Autumn 2009	Spring 2009	Autumn 2008
1. Output and Aggregate demand:	(Ann.% change)										
Gross domestic product		2,8	0,6	**1,3**	**0,6**	**2,1**	0,1		0,7	-0,1	0,9
Private consumption		1,7	0,4	**0,5**	**0,2**	**1,0**	0,2		0,2	-0,3	1,0
Public consumption		2,3	2,0	**1,5**	**1,1**	**2,3**	1,6		1,1	1,7	1,0
Gross investment (GFCF)		4,8	-0,4	**-0,2**	**-1,4**	**2,2**	-2,0		-1,9	-2,7	0,2
Exports		6,3	1,0	**4,0**	**2,1**	**6,6**	0,6		2,1	-0,3	3,0
Imports		5,5	1,1	**3,1**	**1,0**	**5,5**	0,7		1,1	-0,8	2,7
2. Labour market and prices:	(Ann.% change)										
Unemployment rate (%)		7,5	7,5	**10,4**	**10,1**	**10,7**	10,9		10,7	11,5	8,7
Wages (Unit Labour Cost)		1,6	3,4	**0,5**	**-0,2**	**1,8**	0,5		-0,5	0,1	1,9
Prices (HCPI)		2,1	3,3	**1,2**	**1,0**	**1,5**	1,2		1,1	1,2	2,1
Core HCPI				**1,1**	**0,9**	**1,3**	1,2		1,0		
3. Public Finances:	(% GDP)										
Government Deficit		-0,6	-2,0	**-6,8**	**-7,5**	**-5,5**	-5,4		-6,9	-6,5	-2,0
Government Debt		66,0	69,3	**83,3**	**78,6**	**85,6**	79,4		84,0	83,8	67,6
4. External sector:	(% GDP)										
Trade Balance		1,0	0,4	**-0,6**	**-0,8**	**-0,2**	-0,4		0,8	0,1	1,0
Current Account Balance		0,1	-1,1	**-0,5**	**-0,8**	**-0,2**	-1,0		-0,5	-1,5	0,0
(p.m.) US growth	(Ann.% change)	2,0	0,4	**2,2**	**1,5**	**3,2**	1,1		2,2	0,9	1,0
(p.m.) Oil price (Brent)	(US$/bl)	71,1	97,0	**79,7**	**72,0**	**90,0**	66,6		76,5	63,5	90,4
5. Monetary and Financial Indicators:											
Interest rate on ECB's main refinancing operations	Jun-10	4,00	4,00	**1,02**	**1,00**	**1,25**	1,00				
	Dec-10	4,00	2,50	**1,43**	**1,00**	**2,00**	1,29				
3 month interest rate (EURIBOR)	Jun-10	4,15	4,94		**1,00**	**1,30**	1,36				
	Dec-10	4,85	3,29	**1,70**	**1,30**	**2,40**	1,83				
10 year government bond yield (Bund)	Jun-10	4,51	4,73		**3,30**	**4,10**	3,55				
	Dec-10	4,38	3,69	**4,06**	**3,60**	**4,60**	3,75				
M3 growth	Jun-10	10,9	9,5		**-0,40**	**7,00**	5,54				
	Dec-10	11,6	7,5	**4,41**	**1,50**	**8,00**	5,94				
Credit to private sector (Ann.% change, M3 definition)	Jun-10	11,5	11,2		**0,00**	**5,50**	5,17				
	Dec-10	12,8	6,8	**3,75**	**1,50**	**6,50**	6,83				
Exchange rate USD/EUR	Jun-10	1,35	1,58		**1,30**	**1,58**	1,32				
	Dec-10	1,47	1,39	**1,43**	**1,25**	**1,58**	1,30		1,48		