UNICE ECONOMIC OUTLOOK
AUTUMN 2006

UNICE
THE VOICE OF BUSINESS IN EUROPE

UNICE
WHO ARE WE?

UNICE is the voice of more than 20 million small, medium, and large companies. UNICE's members are 39 central industrial and employers' federations from 33 countries, working together to achieve growth and competitiveness in Europe.

THE ECONOMIC OUTLOOK

Twice a year the Economic Outlook provides a business insight into recent and projected economic developments in Europe, based on a survey of UNICE member federations.

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The Voice of Business in Europe

ECONOMIC OUTLOOK
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UNICE FORECASTS

	2005		2006		2007	
	EURO	EU	EURO	EU	EURO	EU
Autumn 2006 forecasts						
Real GDP growth	1.4	1.8	2.5	2.9	2.0	2.3
Inflation	2.2	2.2	2.3	2.3	2.2	2.3
Unemployment rate	8.6	8.7	8.0	8.1	7.5	7.7
Revisions since Spring 2006						
Real GDP growth	0.0	+0.1	+0.5	+0.6	+0.3	+0.2
Inflation	0.0	0.0	+0.2	+0.2	+0.2	+0.3
Unemployment rate	0.0	0.0	-0.2	-0.2	-0.6	-0.3

Source: *UNICE survey Autumn 2006*

EXECUTIVE SUMMARY

› RECOVERY IN EUROPE SURPRISES ON THE UPSIDE

› LEVELLING-OFF OF GROWTH EXPECTED IN 2007 TO DECADE AVERAGE

› THREE POLICY PRIORITIES TO CONSOLIDATE THE UPTURN

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RECOVERY IN EUROPE SURPRISES ON THE UPSIDE

Following years of disappointment, the performance of the European economy is currently exceeding expectations, leading UNICE to revise its 2006 real GDP growth forecasts up to 2.5% for the euro area and 2.9% for the EU as a whole. This is around half a percentage point above our previous assessment.

The upward revision to growth stems from positive surprises from both the external environment and domestic economic conditions. First of all, the global economy continues to grow this year at an astounding pace of around 5%, which will support export growth in the context of relatively stable exchange rates.

Second, sound corporate profitability and improving labour market conditions create an environment conducive to a strengthening and broadening of domestic demand. Investment is expected to be particularly dynamic this year, growing by close to 5% in the EU. Moreover, according to our survey, capital spending will be increasingly geared towards the extension of production and innovation capacity. Companies are also intensifying the pace of employment creation, which should lead to more than two million additional jobs in 2006, the best performance since 2000. This will consolidate the downward trend in unemployment and support a recovery in private consumption through improved confidence and higher income growth.

LEVELLING-OFF OF GROWTH EXPECTED IN 2007 TO DECADE AVERAGE

Despite the positive momentum in 2006, our baseline projections for next year put real GDP growth at 2.0% in the euro area and 2.3% in the EU, broadly in line with the average performance over the last decade.

Beyond the dampening impact on consumer spending of the 3% VAT hike in Germany, more fundamental factors continue to put a cap on domestic demand prospects in Europe. In particular, UNICE does not yet see convincing evidence of an entrenched revival in productivity growth, while such an improvement is essential to foster a stronger and a more self-sustaining pick-up over the medium term. This, together with continued uncertainty about the future of health care and pension systems, is having a negative bearing on expectations, leading to high precautionary savings and cautious spending decisions today.

In parallel, the external environment is expected to become somewhat less supportive in 2007, although still dynamic by historical standards. But Europe's continued loss of export market shares and strong import growth mean that net trade cannot be expected to make a positive contribution next year, despite a global economy still growing twice as fast as the EU. Downside risks to the global outlook have also risen in recent months, not least because of the stalemate in WTO trade negotiations in a context of global current account imbalances and weakening growth in the US.

Regarding inflation, it is expected to remain on average broadly unchanged in 2007, reaching 2.3% in the EU and 2.2% in the euro area, as the reduced impact of high energy prices will be mostly offset by the rise in German VAT. In its forecasts, UNICE assumes continued moderate wage growth and limited pass-through of past oil price hikes, two important conditions for a protracted improvement in labour market and domestic demand conditions.

THREE POLICY PRIORITIES TO CONSOLIDATE THE UPTURN

Ageing is not a distant prospect. Until the end of this decade, governments have a window of opportunity to undertake the needed reforms. Measures are currently in the pipeline in some EU countries but these are largely insufficient and based on increased tax revenues rather than reduced spending and comprehensive social system reforms. National governments, backed by an effective Stability and Growth Pact, must make the most of the current recovery to improve their long-term budgetary positions, allowing a mutually reinforcing process of fiscal consolidation and economic growth.

The gradual withdrawal of monetary accommodation by the ECB is deemed appropriate in order to anchor inflation expectations in a more robust domestic economic environment. However, a mixed outlook for 2007 and the persistence of global imbalances and their related risks of substantial euro appreciation should prompt caution in the speed of interest rate normalisation.

In any event, the best contribution to more sustained growth in Europe, but also to an orderly unwinding of global imbalances, is to step up efforts on product, labour and capital market reforms. Priority action is needed to increase adaptability, and to promote our capacity to innovate and develop human capital under changing market conditions. This calls for the removal of barriers to entrepreneurship, for a coherent innovation policy and for the modernisation of labour market structures and social systems. The ongoing screening of national reform progress by the Commission and Council will be crucial to show a real resolve to fill the reform gap.

ECONOMIC PROSPECTS AND RISKS

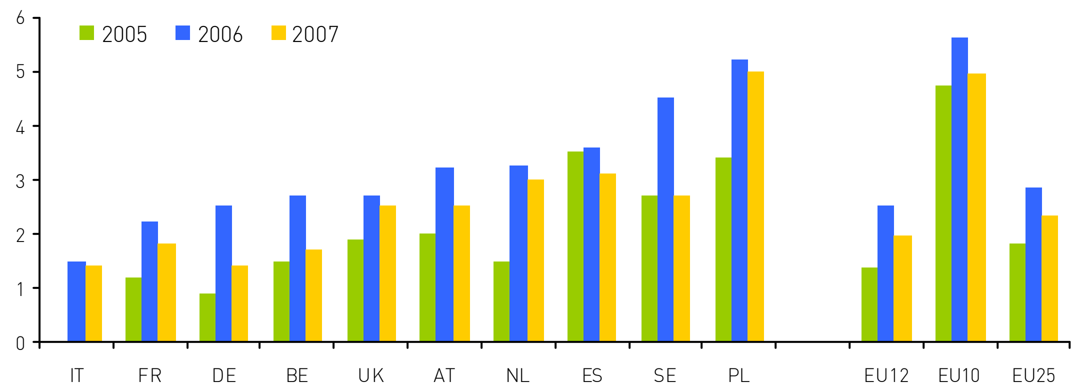
UNICE

OUTPUT AND DEMAND

The recovery in Europe has gained traction in recent months and is becoming more broadly based across countries and sectors. Real GDP growth picked up significantly in the first half of 2006, driven in particular by improving economic conditions in Germany, France and, to a lesser extent, Italy. In previous years, a poor economic performance in these three countries was the main reason holding back European-wide growth. In other parts of the EU, the first half of 2006 has also brought positive surprises, such as in the UK, the Netherlands, Denmark or Sweden, and has remained vigorous in Spain, Ireland and in most new member states.

For the whole of 2006, the European economy is expected to register its strongest economic performance in more than six years, which UNICE estimates as translating **into real GDP growth of 2.5% in the euro area and 2.9% in the EU.**

Chart 1 **Real GDP growth forecasts**



Source: *UNICE survey Autumn 2006*
Largest ten member states in terms of GDP levels

A stronger outlook for 2006 stems from positive developments both within and outside Europe. Starting with the external environment, **despite a global tightening of monetary conditions and elevated oil prices, growth in most regions of the world is exceeding expectations this year**. Following three years of exceptionally strong global growth, forecasts for 2006 have been revised up to around 5%. The US economy continues to be vigorous, but signs of cooling off are emerging more clearly as the housing market settles down.

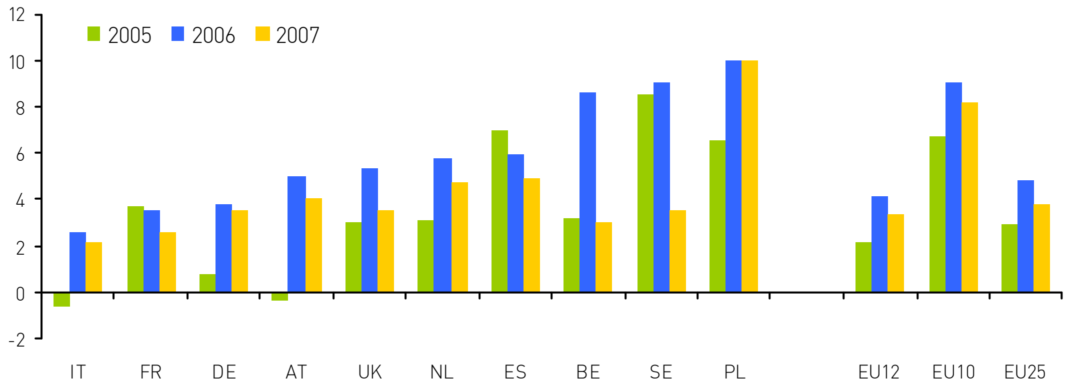
Since our last forecast in March, the euro exchange rate has appreciated by around 2% in effective terms, largely stemming from its rise against the dollar but also against Asian currencies such as the Japanese yen and Chinese renminbi. However, earlier fears of significant exchange rate realignment affecting the euro and other European currencies have not materialised and developments have been fairly stable in recent months. Finally, oil markets have been shaken by large movements, with the barrel reaching a peak at $ 80 at the end of July before declining to around $ 60 today.

Overall, the present global environment remains favourable to sustain the recovery in Europe, and this is notably reflected in a stronger-than-expected export performance this year. However, **the benefits of this continued global upturn are insufficient and hampered by declining export market shares and rising import penetration in domestic demand. The benefits are also unequally distributed across EU countries, revealing competitiveness imbalances** which are particularly problematic among countries sharing the single currency. In fact, based on the evolution of relative unit labour costs, Spain, Italy, Portugal and Greece have in recent years seen a significant loss of competitiveness against their main trading partners, leading to declining market shares. At euro area level, this has been partly offset by competitiveness gains in Germany, which has made remarkable progress in restoring its external position. Overcoming these imbalances in an orderly manner will be a major policy challenge, requiring rapid progress on the reform agenda backed by an effective system of economic governance at European level.

More than supportive external conditions, **the key factor behind the significant growth pick-up in Europe this year is the strengthening and broadening of the recovery in domestic demand**. Investment is proving particularly dynamic, and short-term expectations remain positive in this regard in both industry and services. The investment upturn this year is set to be especially marked in Belgium, Germany, the Netherlands, Austria, Finland, the UK and Poland.

Our survey reveals that an upbeat outlook for investment is underlined by sound demand prospects, further improvements in corporate profitability and still low, although gradually rising, financing costs.

Chart 2 **Real investment growth forecasts**



Source: *UNICE survey Autumn 2006*

In particular, profitability in both services and industry remains on a positive upward trend in most EU countries despite higher interest rates and input cost pressures. Spain stands as an exception, as the availability of internal sources of financing are expected to dry up due to rising costs and debt burdens.

In parallel, European companies are increasingly tapping external sources of funding, as reflected in continued strong growth of loans to non-financial corporations. Our survey shows that, despite the expected deterioration in financing conditions resulting from rising interest rates and more difficult access to bank lending for SMEs, these conditions remain broadly favourable and will, together with substantial increases in cash holdings in recent years, continue to help maintain dynamic investment growth looking forward.

Another positive signal for the outlook is the broadening of investment purposes. In fact, it is reported this autumn that **the extension of production capacity and innovation are the main factors supporting the current upturn in capital spending**, while replacement and rationalisation remain more stable. The build-up of innovation capacity is particularly visible among euro area countries, which partly reflects a more marked cyclical improvement, after five years of subdued growth. Overall, investment growth is estimated to reach 4.1% in the euro area and 4.8% for the EU as a whole.

In our spring report, the outlook for private consumption was viewed as an important source of uncertainty. Our concerns, relating to weak labour market conditions, low productivity growth and uncertainties surrounding the future of pension and health care systems have not disappeared but have been slightly reduced in recent months. In this context, **forecasts for private consumption this year have been revised up**, to 2.0% for the euro area and 2.3% for the EU, reflecting more significant progress in the labour market and the recent decline in oil prices, which should support households' real income and confidence.

However, consumption may well be a renewed cause for concern in 2007. In Germany, the planned 3% VAT hike in January 2007 has already resulted in some advance purchases of durable goods, which could intensify in the final quarter of 2006, but it is expected to lead next year to an overall stagnation of consumer spending (see Box B on assessment of the VAT hike in Germany). In other parts of Europe, the baseline scenario is either for unchanged or slightly declining private consumption growth, resulting for Europe as a whole in a relatively subdued outcome in 2007, at 1.7% for the euro area and 1.9% for the EU.

In this context, **the sustainability of the recovery may be conditional on the resilience of the global economy.** Prospects in this regard remain favourable in a scenario of soft landing in the US, but world GDP and trade growth are nevertheless set to moderate, resulting in weaker export performance in Europe next year.

Despite favourable conditions for a continued upturn in business investment, it is unlikely the ongoing momentum could offset softening growth in both private consumption and exports. Therefore, **our baseline projection for real GDP growth in Europe next year is that of a slackening to 2.0% for the euro area and 2.3% for the EU**. As the risks to the global outlook and that of the US in particular are increasingly on the downside, this puts the EU economy in a relatively vulnerable position, which makes it all the more urgent to strengthen the conditions for more self-sustaining growth in Europe.

LABOUR MARKETS AND PRODUCTIVITY

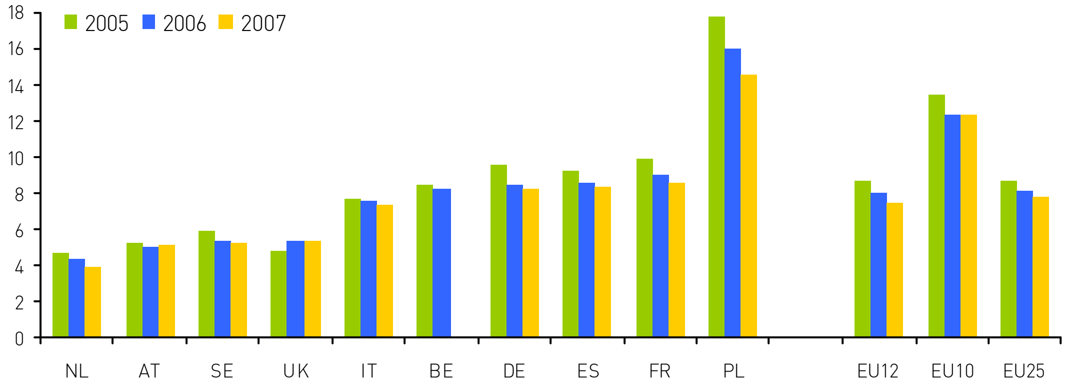
The labour market situation in Europe has improved in recent months more rapidly than expected, although in the context of high structural unemployment in some parts of Europe and weak trend productivity growth.

The pace of employment creation has picked up gradually, and more than two million new jobs are expected to be created during 2006. The improvement is mainly driven by the services sector while manufacturing employment is stabilising following five consecutive years of declines. Short-term employment expectations remain positive, but again most noticeably in services.

For the whole of 2006, UNICE expects employment in Europe to grow by 1.2%, its strongest performance since 2000. This represents an upward revision of 0.2% from our spring assessment, reflecting in particular more positive developments in Spain, France, Denmark, Austria and a majority of new member states including Poland.

Rising job creation will consolidate the downward trend in the unemployment rate observed since the beginning of last year. **UNICE expects the unemployment rate to drop in 2006 to 8.1% in the EU, from 8.7% in 2005**. The decline will be most pronounced in Germany, France, Denmark and Poland.

Chart 3 **Unemployment rate forecasts**



Source: *UNICE survey Autumn 2006*

However, **the expected softening of growth in 2007 could limit further labour market improvements in the course of next year**, resulting in broadly unchanged employment growth but still declining unemployment rates, to 7.5% for the euro area and 7.7% for the EU as a whole. At the country level, above-average unemployment rates will continue to be found in France (8.5%), Germany (8.2%), Spain (8.3%), Greece (8.9%), Poland (14.5%) and Slovakia (15%). This co-exists with near full employment in the UK (5.3%), Ireland (4.6%), Sweden (5.2%), Denmark (3.6%), the Netherlands (3.9%) and Austria (5.1%).

The persistence of massive unemployment in some countries while others have attained near full employment demonstrates the importance of an appropriate design of labour market institutions and social benefit systems, and the potential benefits of benchmarking best practices in Europe.

At this juncture, **crucial for the sustainability of the ongoing recovery in Europe is the likelihood of a productivity growth revival**, following a decade of sluggish performance.

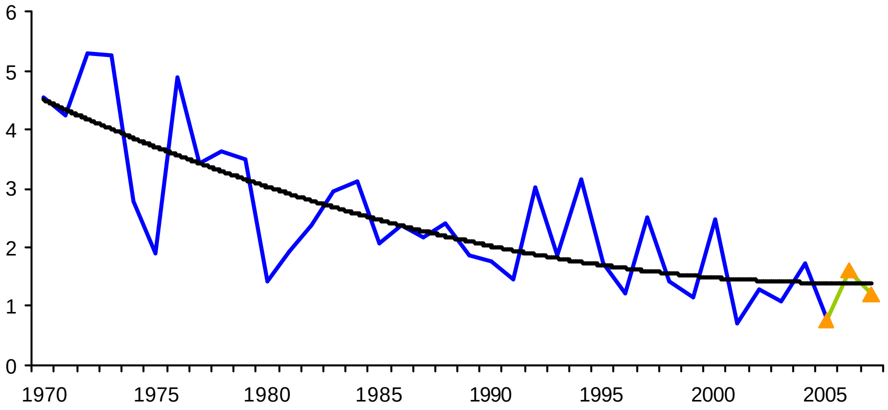
Recent signs have become more positive, with productivity per person employed rising in the first half of 2006. However, this has occurred against the backdrop a strong cyclical upturn and signs of increasing hours worked per person. At this stage, it appears premature to assume that the recent improvement is structural rather cyclical and hence that it reflects the payback of past reforms in product and labour markets. In fact, our autumn survey reveals that **labour productivity per hour worked is expected to remain subdued, at around 1.5% this year and declining in 2007**. Weak productivity growth will continue to be most visible in Germany, France, Italy and Spain.

Accordingly, it would appear that **Europe's underlying productivity performance during this recovery could remain unsatisfactory, casting some doubt on the more medium-term prospects for self-sustaining growth in Europe.**

The poor aggregate productivity performance is largely related to obstacles to the entry, growth and innovation of companies. The importance of the regulatory environment in this area strengthens the case for less and better regulation and the removal of barriers to cross-border activity on the single market, especially in the services sector.

Regarding labour market institutions, outdated and strict labour regulations, high labour taxation and a lack of geographical and occupational mobility increase the adjustment costs associated with globalisation and technological innovations, and therefore reduce their overall benefits. In this respect, priority actions to boost both employment and productivity growth are spelled out in Box A.

Chart 4 **Hourly labour productivity growth in EU15**



Sources: *UNICE based on Groningen Growth and Development Centre. UNICE forecasts for 2006 and 2007*

BOX A: LABOUR MARKET CHALLENGES DISCUSSED IN EU SOCIAL DIALOGUE

As part of the Social Dialogue Work Programme 2006-2008, European Social Partners agreed to undertake a joint analysis of the key challenges facing Europe's labour markets. In this context, UNICE carried out an in-depth examination and has presented its conclusions in a report.

In this analysis, UNICE acknowledges that rising labour force participation and declining unemployment have made a positive, but modest, contribution to real GDP growth since the mid-1990s. Looking forward, the momentum of increasing employment rates is expected to strengthen further during the ongoing recovery, which is viewed as one of the key growth-supporting factors at this juncture. At the same time, a poor productivity performance is dragging Europe's potential output growth down, and the trend is not expected to reverse in the short term. The experience of some Member States shows, however, that there are ways to avoid this negative trade-off between more inclusive labour markets and strong productivity growth in which most of Europe is currently trapped.

A comprehensive set of policy actions across a broad front will be needed to pull Europe out of this conundrum, and is essential to better prepare for the consequences of demographic ageing, globalisation and technological change. The detailed measures must take account of the specificities of each country and can only be decided in the Member States. However, some key policy priorities can be underlined:

1. Improving the business environment to foster innovation and job creation;
2. Turning job security into employment security;
3. Containing labour costs to increase the demand for labour;
4. Designing tax and benefit systems to improve work incentives and increase labour supply;
5. Ensuring a better match of labour demand and supply through lifelong learning and increased geographical and professional mobility;
6. Creating inclusive labour markets integrating disadvantaged groups.

The UNICE report also highlights the relevance of the so-called flexicurity approach for turning job security into employment security. The flexicurity approach requires comprehensive national strategies with the right mix of economic and social measures to foster job creation and help people to maximise their chances on the labour market. This means:

1. Creating an overall environment favourable to investment and in particular pursuing sound and stability-oriented macro-economic policies;
2. Flexible labour law with liberal job protection legislation to facilitate recruitment and availability of various types of employment contracts to answer different working time needs of companies and workers and a commitment to fight undeclared work;
3. Putting into place effective active labour market policies, which presupposes that the necessary budgetary margins have been created to allow such an investment, and having an employment-friendly social protection system and in particular an unemployment insurance scheme which links rights and obligations for the unemployed as opposed to giving unconditional passive income support.

PRICES AND COSTS

Inflation is expected to average 2.3% this year in both euro area and the EU. Price developments at the country level will continue to differ, ranging from an inflation rate of 1.4 % in Poland and 1.5% in Sweden to 7% in Latvia. Above-average inflation will also be reported this year in Spain, Greece, Ireland, Portugal and most new member states.

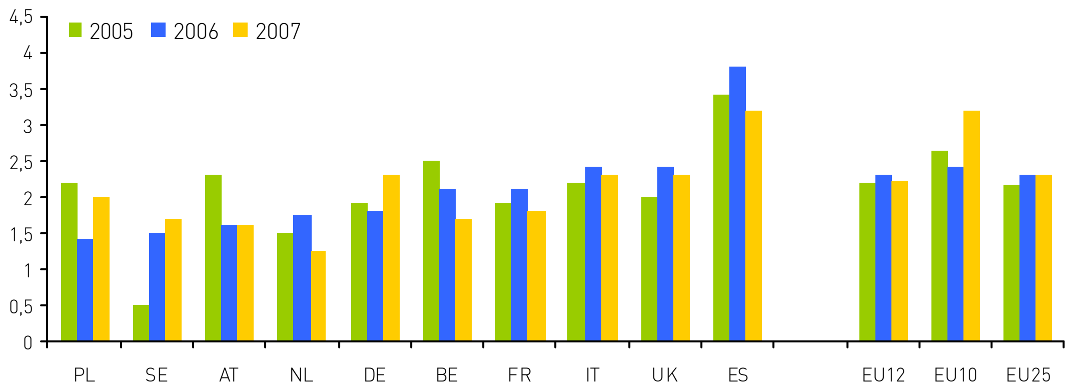
At the European aggregate level, inflation estimates for 2006 have been revised up by around 0.2% from our spring exercise, mainly stemming from the direct impact of higher-than-expected oil prices in the earlier part of the summer. Yet, oil prices peaked in August and their decline since then should somewhat temper inflationary pressures in coming months.

So far, **the pass-through of high energy prices on producer and consumer prices has been relatively limited**. Producer prices are rising at a pace of around 5%, but limited pricing power due to strong global competition and ongoing spare capacities has restricted a full pass-through to consumers. Excluding the direct impact of high energy prices, core inflation has remained low, suggesting that second-round effects have been minor until now.

At this juncture, underlying inflationary pressures remain contained primarily as a result of moderate wage growth. Hourly wage gains are expected to average 2.4% in the euro area and 3% in the EU. **Continued wage moderation is essential to ensure that the recovery consolidates** both internally, with strong employment growth and declining unemployment rates, and externally, with increased competitiveness supporting exports and investment.

In general, with a view to increasing employment levels in the economy, wages must be aligned with medium-term productivity developments, not only at aggregate level but also across various segments of the labour market. Hence the importance of ensuring sufficient wage differentiation to reduce wage inertia and the impact of negative economic shocks. It is also important that wage-setting is responsive to the aim of restoring competitiveness; particularly in those countries which have accumulated significant imbalances in recent years.

Chart 5 **Consumer price inflation forecasts**



Source: *UNICE survey Autumn 2006*

Notwithstanding the risks of higher wage claims, **inflation in 2007 is predicted to remain broadly unchanged at 2.2% in the euro area and 2.3% for the EU as whole**. The outlook for 2007 is shaped by two offsetting forces: on the one hand, the reduced impact of high energy prices in a scenario of moderate pass-through should put inflation in the euro area below 2%; on the other hand, the effect of the rise in German VAT will keep headline inflation above 2% (see Box B).

BOX B: VAT HIKE IN GERMANY, ADVANCE PRICE RISES AND EFFECTS ON THE ECONOMY

The planned increase in the rate of value-added tax by 3% (from 16% to 19%) is the biggest tax rises in German history. The Federal Government is assuming additional revenues from VAT totalling 19.4 billion euros for the federal government, federal states and municipalities for 2007.

The timing of the price adjustments is uncertain given the unprecedented scale of the VAT rise, its early announcement and further tax and contribution measures. For 2007 as whole, a jump in prices of about one percentage point is expected. But price adjustments could already be made in the second half of 2006, certainly in the last quarter. In the area of durable goods in particular, such as automobiles, furniture and fittings and even in high-end clothing, companies might try to push through slight price increases. However, this is always a question of economically sensitive threshold prices, which are decisive in determining the timing of any price adjustments. The scale of the increase largely depends on the strength of the pull-forward effects. Whatever happens, the pressure on profit margins and costs seems set to intensify.

Table B1: Detailed forecasts for Germany

Annual percentage changes, %	2005	2006	2007
Real GDP	0.9	2.5	1.4
Consumer prices	1.9	1.8	2.3
Private consumption	0.1	0.8	0.2
Investment	0.8	3.8	3.5
Employment	-0.2	0.5	0.4

Source: *UNICE survey Autumn 2006*

The VAT hike and further restrictive measures will cast a pall over consumption in 2007. As consumer prices rise, disposable income and thus purchasing power will fall. What companies are unable to pass on to the market will have a dampening effect on profits, but this is unlikely to have a significant negative effect on investment. All things considered, Germany's GDP in 2007 will likely be about half a percentage point lower than it would have been without the VAT increase.

MAIN RISKS TO THE OUTLOOK

Risks to the outlook for growth are balanced in the short term, but remain tilted to the downside over the more medium term.

First of all, **labour market conditions and investment growth have surprised on the upside this year, and this could set in motion a more dynamic recovery in domestic demand than expected in our baseline projections**, notably through a reduction in households' precautionary savings. Moreover, it cannot be ruled out that past reforms and investments, notably in innovation and new information technologies, could trigger the long-awaited acceleration in trend productivity, with pervasive positive consequences for growth prospects in Europe.

However, downside risks to domestic demand are also envisaged. **House prices remain elevated, particularly in a number of EU countries such as Spain, Ireland the UK or France**. Against the background of rising interest rates, a correction on housing markets cannot be ruled out, with a negative impact on private consumption, households' and banks' balance sheets. The build-up of stronger inflationary pressures could also be envisaged in the face of declining unemployment and more limited spare capacities. This would lead to higher interest rates and eventually weaker domestic demand growth.

Regarding the external environment, downside risks largely dominate the outlook. Global economic prospects have become more uncertain, particularly in view of the US economy reaching a turning point in its business cycle in 2006. The baseline scenario remains of a soft US landing, but the current housing market slowdown could induce households to reduce their spending more abruptly than expected. In the context of a slowdown, the appetite of foreign investors to finance the US current account deficit (currently absorbing one-seventh of the world's gross savings) could fade, leading to a sharp fall in the dollar. This scenario would significantly hurt global growth, particularly in Europe as **the burden of dollar re-adjustment could fall disproportionately on the euro with a substantial real effective exchange rate appreciation**. This would imply significant downward pressures on growth and inflation. In addition, **the stalemate in WTO negotiations combined with less favourable global economic conditions could trigger a bout of protectionist pressures with far-reaching negative consequences for global trade and growth**.

Finally, **the balance of risks to oil prices continues to point upwards**, despite recent declines reflecting reduced market tensions. Limited spare capacity means that any changes in the supply-demand balance on oil markets will have significant effects on future price developments. In this context, the need for a coherent EU energy policy is essential to better support Europe's competitiveness in an environment of high and volatile energy prices.

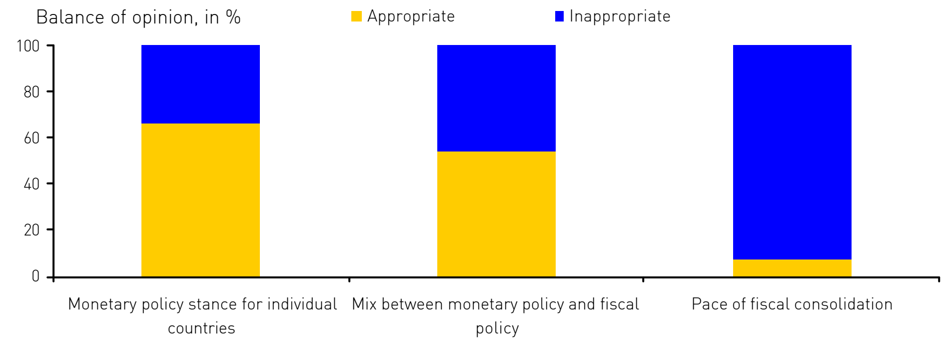
MACROECONOMIC POLICIES

THE VOICE OF BUSINESS IN EUROPE

MACROECONOMIC POLICY MIX

As the recovery gathers pace and public deficits decrease across Europe, the business community this autumn gives a more positive assessment of the macroeconomic policy mix. However, it continues to consider it mostly inappropriate, mainly as a result of governments' insufficient commitment to improve their long-term fiscal positions in times of stronger economic growth.

Chart 6: **Assessment of fiscal and monetary policy in the euro area**



Source: *UNICE survey Autumn 2006*

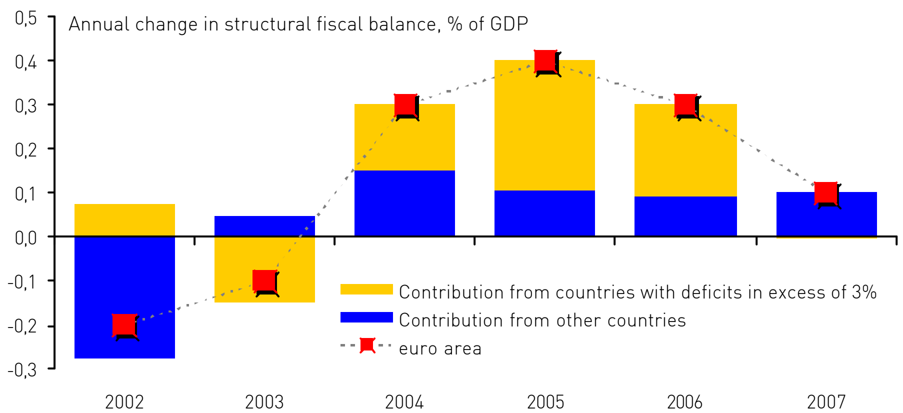
FISCAL POLICY

Ensuring that governments make the most of the current upturn to put their fiscal house in order will be a critical policy objective in coming months. Progress also needs to be made towards a workable framework to ensure sustainability of public finances when determining medium-term objectives for national budgets. A lack of commitment to progress on these issues will prove detrimental for confidence and medium-term growth, and will weaken the central bank's capacity to deliver an adequate monetary policy response.

Community surveillance plays a strong role here. The revised rules of the Stability and Growth Pact have induced some positive developments, notably in the area of **enforcement of corrective measures for excessive deficit countries.** In fact, member states with deficits in excess of 3% have been those contributing most, and nearly exclusively, to the improvement in the euro area structural fiscal balance over the last two years.

However, the new rules of the pact still need to prove their effectiveness in delivering on two other crucial objectives that concern all member states: (i) strengthen the commitment to fiscal discipline during good times, and (ii) ensure ambitious medium-term objectives commensurate with the challenge of demographic ageing.

Chart 7: **Changes in the euro area structural fiscal balance**



Source: *UNICE based on IMF September forecasts*

On the first aspect, fiscal deficits are expected to improve this year, but mainly on account of stronger economic growth and exceptional corporate tax revenues. Notwithstanding these developments, the fiscal stance will not make sufficient progress in 2006, as captured by an only modest improvement in the euro area's structural fiscal balance expected this year. In 2007, there is a clear risk that consolidation efforts will lose further momentum, as most euro area countries will have returned to below the 3% deficit limit. **In the face of above-trend growth in 2006, governments need to set more ambitious targets for next year, and those countries already in a better position should avoid pro-cyclical policies**.

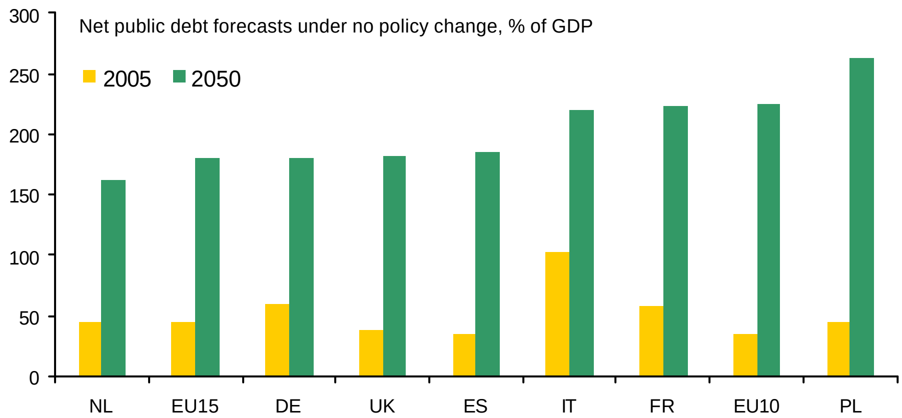
UNICE is also deeply concerned by the long-term sustainability of public finances and social systems. A rapidly ageing population is posing huge and pressing policy challenges, for which most EU countries appear inadequately prepared. There is a reluctance to engage deep fiscal and social systems reforms, and the fact that many of the measures currently in the pipeline are based on increasing tax revenues rather than expenditure cuts is a matter of great concern.

Until the end of this decade, governments have a window of opportunity to undertake the needed reforms in an orderly manner. Later on, the cost of inaction will undergo a step change. The pressure from age-related spending will remain moderate until the start of the next decade, but thereafter the burden will increase gradually leading to deteriorating fiscal positions and spiralling debt. In fact, with no policy changes, the rating agency Standard and Poor's foresees that government deficits in Europe could increase to 7% and 13% of GDP respectively by 2030 and 2050. In this context, net public debt would triple and increase gradually to around 150% of GDP by 2050.

Different country patterns are concealed within these aggregate projections, but the challenge is almost everywhere present. Scandinavian and Baltic countries are expected to perform better than average. Continental European countries would post more significant debt increases but the most severe consequences are expected in some new member states with particularly daunting demographic trends.

In this context, Standard and Poor's predict a collective slide in sovereign ratings from early next decade. Its initial gentle decline would accelerate by 2015 and continue until the mid-2030s, by which time the vast majority of countries would display fiscal characteristics associated with speculative bond grades. This reveals the magnitude of the challenge, which will require decisive steps in reforming fiscal polices and social systems in almost all EU countries.

Chart 8: **Impact of ageing on public debt**



Source: *Standard & Poor's Sovereign ratings (2006)*

BOX C: PUBLIC FINANCES IN ITALY: IN NEED OF EXPENDITURE REFORMS

In recent years, the Italian budget deficit has exceeded the 3% reference value indicated in the Stability Programme, reaching 4.1% in 2005.

The figures relative to both primary budget surplus, net of interest payments, and debt-to-GDP ratio confirm that the problems of Italian public finances are mostly structural. In particular, the data on primary surplus are worrying: after dropping from 5.5% of GDP in 2000 to 3.2% in 2001, the primary budget surplus continued to fall until 2005 when it settled at 0.4% (from 1.3% in 2004). Italy also shows one of the highest levels of public debt among European countries, reaching 106.4% of GDP in 2005. This is the highest since 1995, when it peaked to 121.2%.

Last July the Italian government adopted the economic and financial planning document for the years 2007-2011. With regard to public finances, the government is committed to undertake a structural adjustment and bring the budget deficit down to 2.8% in 2007 from the 4.0% estimate in the 2006 official document.

In 2005 Italian public expenditures amounted to 48.5% of GDP, most of which is earmarked for old-age pensions, health care, public wages and intermediate consumption. Specifically, expenditures for pension and social security accounted for 32% of total public current expenditures, wage outflows for 25%, public purchases of goods and services for 19%, while payments relative to the entire health sector represented 15% of total expenditure.

Current expenditure net of interest payments dropped substantially between 1993 and 1997 (by 2.4 percentage points of GDP). However, since 1998 no government has been able to undertake a medium-term plan aimed at structurally reducing the deficit and reforming public spending.

The 2007 budget currently under discussion in the parliament is contractionary but most of its measures aim at increasing revenues. Cuts in some public expenditure items are more than wiped out by increases in others.

These corrective measures can reduce the budget deficit in the short term, but do not ensure a structural adjustment of public finances in the medium to long term. Moreover, without structural reforms aimed at both reducing the level and increasing the efficiency of public outflows, concerns will remain about the presence of the state in the economy and the sustainability of Italian public debt.

MONETARY POLICY

The ECB's monetary policy stance continues to be deemed appropriate by the business community. Past interest rate hikes have occurred against the backdrop of stronger-than-expected domestic demand in the euro area and a relatively stable euro exchange rate.

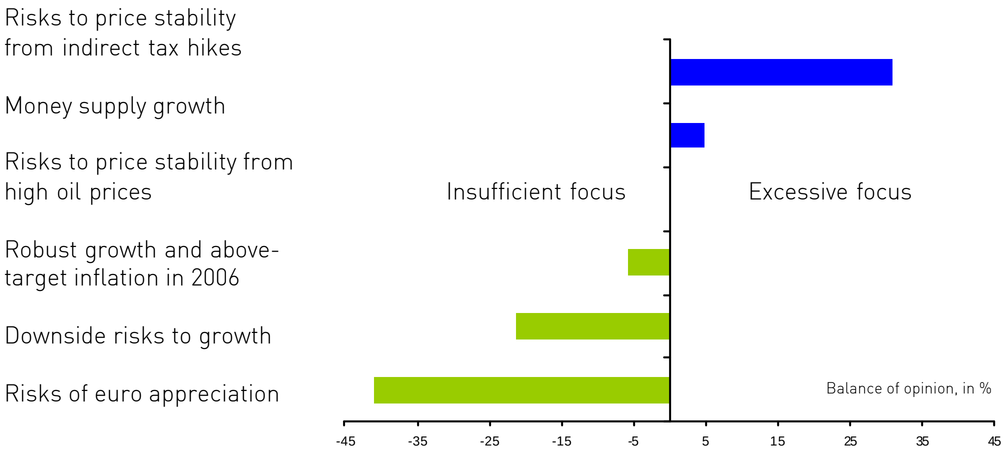
However, our Autumn survey across national business federations reveals that the **ECB is considered to give an insufficient weight on downside risks to growth but above all on the potential impact of its policy on future exchange rate developments**.

The exchange rate is an important channel of transmission for monetary policy and is a crucial factor affecting domestic inflation and growth prospects. The link between interest rate policy and exchange rate developments is not straightforward and often difficult to predict.

However, at the current juncture, with global imbalances posing major and relatively imminent risks of exchange rate re-adjustments, the probability of a significant real appreciation of the euro over the next two years remains elevated, which tilts medium-term risks to growth and inflation on the downside.

These risks should be carefully considered in monetary policy decisions, thereby leaning on the side of caution in the pace of interest rate normalisation.

Chart 9: **Assessment of the ECB analysis underlying its current policy stance**



Source: *UNICE survey Autumn 2006*

More generally, the business community appreciates the difficulty of operating monetary policy under current circumstances and pay tribute to the ECB for its past achievements. First of all, **large structural rigidities on both product and labour markets not only hamper the growth potential of the euro area economy but also the central bank's margin to respond to changing economic conditions**. This is particularly acute in the face of an economic slowdown, when inflation's lack of downward responsiveness reduces the ability to lower interest rates and thereby to boost the economy out of stagnation. The last five years have been emblematic of these difficulties, as inflation has remained flat and above 2%, despite a prolonged economic downturn.

The excessive inflation inertia in the euro area seems particularly strong in the services sector, where over-regulation and stifled market access hamper competition and adequate price adjustments. The lack of competition combined with inflexible labour market structures also contributes to persistent growth and inflation divergences across countries, with further negative consequences for the smooth functioning of the euro area economy.

Second, as already mentioned, **an inadequate fiscal policy stance combining high structural deficits and debt levels with a reluctance to consolidate public finances during good times is detrimental to the macroeconomic policy mix**. The failure to adjust fiscal imbalances in the face of an ageing society raises negative expectations by financial markets and economic agents, which eventually crowd out private investment and activity.

Third, the acceleration of economic and financial integration in the global economy is having an increasing impact on the process driving domestic inflation, growth and asset prices. **Globalisation therefore makes monetary policy more dependent on external conditions and renders its control over the domestic economy more uncertain**.

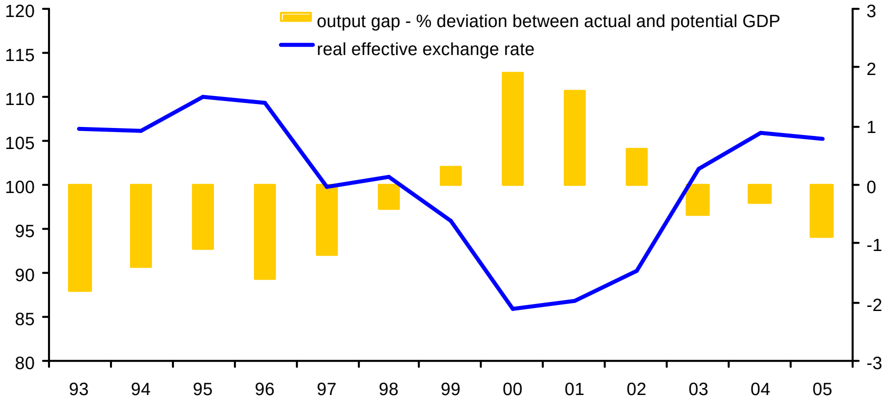
Overall, globalisation, demographic ageing and the persistence of major structural rigidities renders the conduct of monetary policy ever more challenging.

In this context, the **ECB's focus on strongly anchoring inflation expectations at a low level seems appropriate**, and its record in this regard is outstanding. At the same time, the ECB must in the current environment carefully consider the implications of its policies through the exchange rate channel. Finally, reforms have to be put in place to increase competition and labour market flexibility. This should reinforce wage and price responsiveness, thereby allowing monetary policy to react more quickly to deteriorating economic conditions.

Regarding the Bank of England, recent economic developments in the UK have given rise to optimism that inflationary pressures remain tamed, and that consumer price inflation would gradually move back towards the 2.0% target in coming months. However, this optimism may appear premature.

The Confederation of British Industry forecasts that there will be further upward drift in inflation in the near term, before inflation peaks in the first quarter of 2007. Growth is expected to remain sustained this year and next, at 2.7% and 2.5% respectively and the unemployment broadly stable at 5.3%. **The Bank of England needs to keep a vigilant eye, not only on wage demands, but also on a higher-than-expected pass-through of past energy price hikes**.

Chart 10: **Exchange rate and real economic developments in the euro area**



Source: *UNICE based on IMF and Eurostat data*

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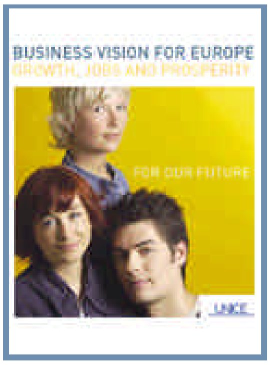
Headlines



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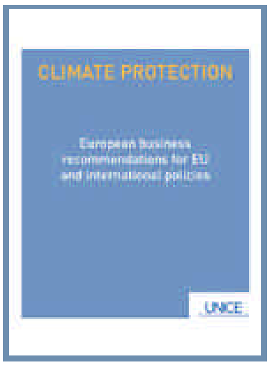
Growth, jobs and prosperity

Relocation

Restructuring

Implementation of the
European framework
agreement on telework



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STATISTICAL ANNEX
COUNTRY RESULTS

COUNTRIES

AT	Austria
BE	Belgium
CY	Cyprus
CZ	Czech Republic
DK	Denmark
EE	Estonia
FI	Finland
FR	France
DE	Germany
GR	Greece
HU	Hungary
IE	Ireland
IT	Italy
LV	Latvia
LT	Lithuania
LU	Luxembourg
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
SK	Slovak Republic
SI	Slovenia
ES	Spain
SE	Sweden
UK	United Kingdom

UNICE

UNICE ECONOMIC OUTLOOK AUTUMN 2006

MAIN FORECAST	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	EU-12
2005													
Real GDP (annual % growth)	1,5	0,9	3,7	3,5	1,2	5,5	0,0	4,0	1,5	2,0	0,3	2,9	1,4
Inflation (%)	2,5	1,9	3,5	3,4	1,9	2,2	2,2	2,5	1,5	2,3	2,1	0,8	2,2
Unemployment (%)	8,4	9,5	10,4	9,2	9,9	4,3	7,7	4,2	4,7	5,2	7,6	8,4	8,6
Employment (%)	na	-0,2	1,3	3,1	0,3	4,7	-0,4	2,9	-0,6	2,5	0,0	1,5	0,5
Hourly wage growth (%)													2,3
Hourly productivity growth (%)													1,1
GDP 2005 components													
Private consumption (%)	1,9	0,1	3,7	4,2	2,1	6,6	0,1	1,0	0,7	1,7	1,8	3,2	1,5
Public consumption (%)	2,7	0,6	3,1	4,8	1,1	4,6	1,2	0,4	0,5	1,9	1,9	1,6	1,7
Gross fixed capital formation (%)	3,2	0,8	-1,4	7,0	3,7	12,8	-0,6	0,5	3,1	-0,4	-2,7	3,4	2,2
Exports (%)	1,8	6,9	3,0	1,5	3,2	3,9	0,3	13,2	6,8	6,4	0,9	7,3	3,8
Imports (%)	4,0	6,5	-1,2	7,0	6,5	6,5	1,4	12,0	6,0	5,2	1,7	12,3	5,3
2006													
Real GDP (annual % growth)	2,7	2,5	3,7	3,6	2,2	5,5	1,5	5,0	3,3	3,2	1,2	4,6	2,5
Inflation (%)	2,1	1,8	3,2	3,8	2,1	3,0	2,4	3,0	1,8	1,6	2,6	1,6	2,3
Unemployment (%)	8,2	8,4	9,8	8,6	9,0	4,4	7,5	4,5	4,3	5,0	7,7	7,7	8,0
Employment (%)	na	0,5	1,4	3,0	0,8	4,4	0,6	3,3	1,3	1,4	0,6	1,4	1,1
Hourly wage growth (%)													2,4
Hourly productivity growth (%)													1,6
GDP 2006 components													
Private consumption (%)	3,1	0,8	3,4	3,6	2,6	6,5	1,5	na	2,0	1,9	1,3	2,4	2,0
Public consumption (%)	2,5	0,8	1,8	4,4	1,7	4,0	0,5	na	2,3	1,1	0,7	1,9	1,7
Gross fixed capital formation (%)	8,6	3,8	5,2	5,9	3,5	8,0	2,6	na	5,8	5,0	-1,2	5,9	4,1
Exports (%)	5,0	10,0	5,8	6,6	8,3	5,0	4,8	na	7,8	7,0	8,4	10,4	7,6
Imports (%)	5,1	11,0	5,0	9,1	8,5	6,0	3,6	na	7,8	6,9	5,7	7,2	7,9
2007													
Real GDP (annual % growth)	1,7	1,4	3,5	3,1	1,8	5,4	1,4	na	3,0	2,5	1,5	2,7	2,0
Inflation (%)	1,7	2,3	3,1	3,2	1,8	2,7	2,3	na	1,3	1,6	2,1	1,8	2,2
Unemployment (%)	na	8,2	8,9	8,3	8,5	4,6	7,3	na	3,9	5,1	7,7	7,5	7,5
Employment (%)	na	0,4	1,6	2,5	0,6	3,3	0,5	na	1,5	0,8	0,9	0,7	0,9
Hourly wage growth (%)													2,0
Hourly productivity growth (%)													1,2
GDP 2007 components													
Private consumption (%)	2,0	0,2	3,1	3,2	2,2	6,7	1,3	na	2,0	2,1	1,2	2,3	1,7
Public consumption (%)	1,5	0,7	1,4	3,9	1,5	4,5	0,5	na	2,0	0,5	0,5	1,9	1,5
Gross fixed capital formation (%)	3,0	3,5	6,0	4,9	2,6	6,0	2,1	na	4,8	4,0	0,5	5,2	3,3
Exports (%)	5,0	7,0	5,2	5,0	4,3	5,0	3,8	na	7,5	5,8	4,7	6,5	5,4
Imports (%)	5,0	6,0	4,9	7,4	5,3	6,0	3,8	na	7,0	5,5	2,3	7,2	5,5

ECONOMIC SENTIMENT	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	EU-12
Question 1	**Trend in business climate over the next 6 months [(ind) industry; (ser) services]**												Ind/Ser
Positive			Ind Ser			Ser		Ind Ser	Ind Ser		Ind Ser		11 13
Negative				Ser	Ind							Ind	23 12
Unchanged	Ind Ser	Ind Ser		Ind	Ser	Ind	Ind Ser			Ind Ser		Ser	66 75
Question 2	**Trend in profitability over the next 6 months**												Ind/Ser
Positive	Ind Ser	Ind Ser				Ser	Ind	Ind Ser		Ind Ser	Ind	Ind	57 36
Negative				Ind Ser									12 12
Unchanged			Ind Ser		Ind Ser	Ind	Ser		Ind Ser		Ser	Ser	31 53
Question 3	**Trend in investment over the next 6 months (compared to the last 12 months)**												Ind/Ser
Increase (faster pace)		Ind	Ind Ser		Ind				Ind Ser		Ser		57 11
Increase (lower pace)	Ind	Ser		Ind Ser	Ser	Ser	Ind Ser	Ind Ser		Ind Ser	Ind	Ind Ser	42 85
Unchanged	Ser					Ind							2 4
Decrease (slower pace)													0 0
Decrease (faster pace)													0 0
Question 4	**Driving force behind investment decisions in the next six months**												U/S/D
Replacement	Up	Up	Same	na	na	Same	Up	Same	Same	Same	Up	Same	77/23/0
Extension	Same	Up	Up	na	na	Up	Same	Same	Up	Up	Same	Up	62/38/0
Rationalisation	Same	Same	Up	na	Up	Up	Up	Up	Same	Up	Up	Same	57/43/0
Innovation	Up	Up	Up	na	Up	Up	Up	Up	Up	Same	Up	Same	95/5/0
Question 5	**Trend in consumer confidence over the next 6 months**												
Positive	yes				yes				yes	yes			34
Negative		yes		yes		yes							40
Unchanged			yes				yes	yes			yes	yes	26
Question 6	**Overall trend in employment**												U/S/D
Ind: past 6 mnths	Up	Same	Down	Up	Down	Same	Up	Same	Up	Up	Up	Up	47/29/24
Ind: next 6 mnths	na	Up	Same	Up	Down	Same	Same	Same	Up	Up	Up	Same	52/26/22
Ser: past 6 mnths	Up	Up	Up	Down	Up	Up	Up	Up	Up	Up	Up	Up	88/0/12
Ser: next 6 mnths	na	Up	Up	Down	Up	Up	Up	Up	Up	Up	Same	Up	85/2/12
Question 7	**Compared to 6 months ago, SME's cost/access to capital for business development [(C) cost; (A) access]**												C A
Higher / more difficult	C	C	C	C A	C	C	C			C		C	91 12
Same	A	A	A		A	A	A	C A	C	A	C A	A	9 82
Lower / less difficult									A				0 6

MAIN RISKS	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	EU-12
Question 8	**Above which level of dollar /euro will the European economy be significantly hurt ?**												
Dollar per euro	1,40	1,30	1,20	1,40	1,12	1,40	1,35	na	1,35	1,35	na	1,40	
Question 9	**According to you where will the dollar / euro stand in March 2007 ?**												
Dollar per euro	1,28	1,35	1,30	1,30	1,25	1,30	1,30	na	1,25	1,22	1,25	1,30	

POLICY MIX	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	EU-12
Question 10	**Fiscal policy: Pace of fiscal consolidation**												
Faster than needed													0
Adequate						yes		yes	yes				8
Slower than needed	yes	yes	yes	yes	yes		yes			yes	yes	yes	92
Non existent but not needed													0
Non existent and needed													0
Question 11	**Stability and Growth Pact: how do you assess the effect of the revised rules in force since June 2005? [(+) positive; (=) unchanged; (-) negative]**												+/=/-
General assessment		-	-	=	=	+	+	+	+		=	=	28/40/32
Enforcement of excessive deficit procedures		+	-	-	=	=	=		+	=	+	=	37/48/15
More discipline during good times		+	=	=	=	+	=		+		+	=	40/60/0
Better account of long-term sustainability		+	=	=	=	+	-		+	=	+	=	38/42/20
Question 12	**Monetary policy: Do you consider that monetary policy is…**												
Tight, appropriate for the euro area							yes						19
Tight													0
Appropriate	yes	yes	yes		yes			yes	yes	yes	yes		66
Loose													0
Loose, appropriate for the euro area				yes		yes						yes	15
Question 13	**ECB policy: how do you assess the analysis underlying the current ECB stance? [(exc) excessive focus; (app) appropriate focus; (ins) insufficient focus]**												Ex/Ap/In
Robust growth and above-target inflation	app	ins	app	app	exc	app	app		app	app	app	app	21/52/27
Downside risks to growth over the medium term	app	app	app	app	app	app	ins		app	app	ins	app	0/79/21
Risks to wage and price setting due to high oil prices	app	app	app	app		app	app		app	app	app	app	0/100/0
Risks to wage and price setting due to indirect tax increases	exc	app	app	app		exc	exc		app	app	app	app	31/69/0
Growth money supply and private credit	exc	ins	app	ins	exc	app	exc		app	app	app	app	44/17/39
Risks to euro appreciation		app	app	ins		app	ins		app	app	app	app	0/59/41
Question 14	**Consistency between the fiscal and the monetary policies**												
Adequate			yes		yes		yes	yes	yes	yes	yes		54
Unadequate	yes	yes		yes		yes						yes	46

DK	SE	UK	EU-15	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	EU	NO
3,2	2,7	1,9	1,5	6,1	9,8	3,8	10,2	7,5	4,1	na	3,4	4,0	6,0	1,8	2,3
2,0	0,5	2,0	2,1	1,9	4,1	2,0	6,8	2,7	3,6	na	2,2	2,5	3,9	2,2	1,6
4,8	5,9	4,8	7,9	7,9	7,9	5,3	8,7	8,3	7,2	na	17,7	6,5	16,1	8,7	4,6
1,1	0,7	0,9	0,6	1,2	2,0	2,5	2,6	1,3	0,0	na	1,6	0,3	2,1	0,7	0,7
			2,8											3,7	
			1,1											1,1	
3,9	2,4	1,4	1,5	2,3	8,2	4,5	na	2,3	1,7	na	2,0	3,4	5,8	1,6	3,4
1,3	0,7	2,6	1,8	0,7	7,5	na	na	4,2	-0,4	na	4,9	2,2	2,0	1,9	1,5
9,4	8,5	3,0	2,6	3,6	13,9	4,5	na	5,2	6,6	na	6,5	1,5	13,2	2,9	10,9
7,9	6,4	6,5	4,4	8,9	21,3	5,2	na	5,4	10,8	na	8,1	10,5	10,9	4,8	0,7
10,4	7,3	5,9	5,5	4,9	17,4	na	na	4,1	6,5	na	4,9	7,0	11,2	5,6	7,4
1,9	4,5	2,7	2,6	6,2	9,5	3,7	13,1	7,8	4,1	na	5,2	4,7	6,6	2,9	2,2
2,1	1,5	2,4	2,3	2,6	4,5	2,6	7,0	3,2	3,5	na	1,4	2,7	4,5	2,3	2,0
3,9	5,3	5,3	7,4	7,6	6,0	5,2	7,8	6,4	7,3	na	16,0	6,4	15,5	8,1	3,5
1,7	1,9	0,7	1,0	1,3	3,0	2,0	2,0	1,9	0,3	na	2,9	0,9	1,2	1,2	2,3
			2,8											3,0	
			1,6											1,5	
4,1	3,3	2,3	2,1	3,5	10,0	4,2	na	1,5	3,0	na	5,0	3,3	4,7	2,3	4,0
0,5	1,3	2,5	1,8	0,6	10,0	na	na	4,4	1,7	na	2,0	2,8	3,1	1,8	3,0
6,9	9,0	5,3	4,5	7,2	11,5	5,2	na	5,6	6,6	na	10,0	8,6	7,9	4,9	7,0
7,9	9,0	8,2	7,8	12,2	16,5	5,8	na	5,6	12,0	na	16,5	9,9	13,7	8,4	2,0
12,1	7,5	8,5	8,0	11,5	16,0	na	na	4,5	9,5	na	15,0	9,1	11,4	8,5	7,0
2,0	2,7	2,5	2,1	5,5	8,0	4,0	8,0	7,0	2,2	na	5,0	4,3	6,9	2,3	3,3
1,8	1,7	2,3	2,2	2,8	4,0	2,3	5,5	3,2	6,2	na	2,0	2,7	3,1	2,3	1,8
3,6	5,2	5,3	7,0	7,4	6,0	5,0	6,8	5,5	7,5	na	14,5	6,4	15,0	7,7	3,3
0,4	1,0	0,8	0,9	0,8	2,5	2,0	2,0	2,1	0,0	na	2,5	0,8	0,9	1,0	1,5
			2,6											2,8	
			1,2											1,5	
2,5	2,7	2,3	1,8	2,9	8,0	4,1	na	1,3	-0,7	na	4,0	3,6	4,9	1,9	3,8
1,0	1,7	2,3	1,6	0,5	9,0	na	na	4,6	-1,8	na	3,5	2,5	2,8	1,7	3,0
2,3	3,5	3,5	3,4	7,6	8,5	5,1	na	5,8	2,1	na	10,0	5,5	6,1	3,8	1,0
5,6	3,8	4,5	5,2	11,4	13,0	5,6	na	5,7	10,9	na	12.0	8,3	14,3	5,2	6,0
5,2	4,2	4,8	5,4	10,9	12,5	na	na	4,3	8,5	na	14,0	7,7	11,3	5,9	5,5

DK	SE	UK	EU-15	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	EU	NO
			Ind/Ser											Ind/Ser	
	Ind Ser	Ind	28 13	Ind Ser	Ind Ser	Ind Ser	Ind Ser	Ser			Ser	Ind Ser		29 18	Ind Ser
Ind Ser		Ser	20 28						Ind Ser				Ind Ser	20 27	
			52 60					Ind			Ind			52 54	
			Ind/Ser											Ind/Ser	
	Ser		45 31	Ind Ser	Ind Ser		Ind Ser				Ind Ser	Ind Ser	Ser	47 35	Ind Ser
Ind Ser		Ind	28 11						Ind Ser					27 11	
	Ind	Ser	27 59			Ind Ser		Ind Ser					Ind	26 54	
			Ind/Ser											Ind/Ser	
			45 9	Ind Ser	Ser	Ind Ser		Ser			Ind Ser	Ind Ser		47 15	Ind Ser
Ind Ser	Ind Ser	Ser	37 88		Ind			Ind	Ind Ser				Ind Ser	36 82	
			1 3				Ind Ser							1 3	
		Ind	17 0											15 0	
			0 0											0 0	
			U/S/D											U/S/D	
Up	Same	Up	80/20/0	na	Same	Same	Up	Same	Same	na	Up	Up	Up	80/20/0	Up
Down	Same	Same	45/53/2	Up	Up	Up	Same	Same	Down	na	Up	Up	Same	48/48/4	Up
Same	Up	Same	46/54/0	na	Up	Same	Same	Up	Up	na	Up	Up	Up	50/50/0	Same
Same	Up	Same	75/25/0	Up	Same	Up	Up	Up	Up	na	Same	Up	Up	74/26/0	Same
	yes		29	yes			yes				yes		yes	33	yes
yes		yes	50						yes					47	
			20		yes	yes		yes				yes		20	
			U/S/D											U/S/D	
Up	Down	Down	39/23/38	Up	Up	Same	Up	Up	Same	na	Up	Up	Up	43/22/35	Up
Same	Down	Down	41/22/37	Up	Same	Same	Up	Up	Same	na	Up	Up	Up	45/22/34	Up
Up	Up	Up	91/0/9	Up	Up	Same	Up	Up	Same	na	Up	Up	Up	90/1/8	Up
Up	Up	Up	88/2/10	Up	Same	Same	Up	Up	na	na	Up	Up	Up	89/2/9	Up
			C A											C A	
C A	C	C	93 11	C	C		C	C	C		C		C	93 10	C
		A	7 82	A	A	C	A	A	A				A	6 79	A
	A		0 7			A					A	C A		0 11	

DK	SE	UK	EU-15	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	EU	NO
na	na	1,50		1,50	na	na	1,40	1,40	na	na	1,35	na	na		1,40
1,27	na	1,29		1,20	na	1,30	1,22	1,23	na	na	1,32	1,20	na		1,28

DK	SE	UK	EU-15	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	EU	NO
			0											0	
	yes		9			yes	yes	yes	yes			yes		10	
		yes	90	yes									yes	84	yes
yes			2								yes			5	
			0		yes									0	
			+/=/-											+/=/-	
=	=	=	22/53/25		=	+	+	+			+	+	+	27/50/23	+
=	=	=	29/59/12		=	+	+	+			+	+	+	33/56/11	+
=	=	=	31/69/0		=	+	+	+			=	+	+	31/69/0	+
=	=	=	30/55/15		=	+	+	+			+	+	+	34/51/14	+
			15						yes					15	
			0											0	
	yes	yes	72	yes		yes	yes	yes			yes	yes	yes	73	yes
			0											0	
yes			14		yes									12	
			Ex/Ap/In											Ex/Ap/In	
	app	exc	34/44/22		app	app	exc	app			exc	app	app	37/43/20	exc
	app	ins	0/66/34		app	app	app	app			ins	app	app	0/64/36	ins
	app	app	0/100/0		app	app	app	app			exc	app	app	5/95/0	exc
	app	app	23/77/0		ins	app	app	app			app	app	app	22/78/0	app
	app	app	35/34/31		ins	app	exc	app			app	app	ins	33/37/30	app
	app	app	0/69/31		app	app	app	app			app	app	app	0/71/29	ins
		yes	60			yes	yes	yes				yes	yes	58	yes
yes	yes		40		yes						yes			42	

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