



Spring 2007 Economic Outlook for the euro area

MAIN FORECAST

	2006	2007	2008
Real GDP growth	2,7	2,2	2,0
Consumer price inflation	2,1	2,0	1,9
Unemployment rate	7,8	7,4	7,2
Employment growth	1,3	1,2	1,0
Hourly wage growth	2,6	2,3	2,2
Hourly labour productivity growth	1,6	1,2	1,4
Components of aggregate demand			
Annual % change	2006	2007	2008
Private consumption	2,1	1,9	1,8
Public consumption	2,1	1,4	1,4
Investment (Gross fixed capital formation)	4,4	4,0	3,6
Exports	8,1	5,4	5,0
Imports	8,2	5,6	5,0

ECONOMIC SENTIMENT

Weighted replies across countries, % of euro area

Question 1		Positive	Negative	Unchanged		
Trend in business climate over the next 6 months	Industry	48	24	28		
	Services	40	3	57		
Question 2		Positive	Negative	Unchanged		
Trend in profitability over the next 6 months	Industry	56	12	33		
	Services	31	12	58		
Question 3		Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
Trend in investment over the next 6 months (compared to the last 12 months)	Industry	4	78	18	0	0
	Services	2	57	29	12	0
Question 4		Replacement	Extension	Rationalisation	Innovation	
Driving force behind investment decisions in the next six months	Up	52	49	51	94	
	Same	48	51	46	6	
	Down	0	0	3	0	
Question 5		Positive	Negative	Unchanged		
Trend in consumer confidence over the next 6 months	56	12	32			
Question 6		Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months	
Overall trend in employment	Up	35	36	88	84	
	Same	25	24	12	16	
	Down	40	40	0	0	
Question 7		Higher / more difficult	Same	Lower / less difficult		
Compared to 6 months ago, SME's cost/access to capital for business development	Cost	65	35	0		
	Access	0	94	6		

POLICY MIX

Weighted replies across countries, % of euro area

Question 8		Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating	
Fiscal policy: Progress towards the medium-term budgetary objective?		0	12	84	4	0	
Question 9		Tight, appropriate for the euro area	Tight	Appropriate	Loose	Loose, appropriate for the euro area	
Monetary policy is...		19	0	68	0	13	
Question 10		Robust growth and above-target inflation	Downside risks to growth	Risks to price stability from high oil prices	Risks to price stability from indirect tax increases	Risks from money supply growth	Risks of euro appreciation
ECB policy: Focus on the different elements of the ECB analysis underlying its current policy stance is...	Excessive	15	0	33	40	21	3
	Appropriate	85	45	67	60	52	42
	Insufficient	0	55	0	0	27	55
Question 11		Adequate	Inadequate				
Consistency between the fiscal and the monetary policies		64	36				