

Spring 2007 Economic Outlook for the European Union

MAIN FORECAST

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

ECONOMIC SENTIMENT

Weighted replies across countries, % of EU-27

Question 1		Positive	Negative	Unchanged		
Trend in business climate over the next 6 months	Industry	57	17	25		
	Services	54	2	44		
Question 2		Positive	Negative	Unchanged		
Trend in profitability over the next 6 months	Industry	47	25	27		
	Services	47	10	43		
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	10	59	16	15	0
	Services	24	46	21	8	0
Question 4		Replacement	Extension	Rationalisation	Innovation	
Driving force behind investment decisions in the next six months	Up	60	59	40	89	
	Same	39	40	58	11	
	Down	1	1	2	0	
Question 5		Positive	Negative	Unchanged		
Trend in consumer confidence over the next 6 months	50	25	25			
Question 6		Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months	
Overall trend in employment	Up	34	33	90	83	
	Same	22	23	10	17	
	Down	44	44	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	72	28	0		
	Access	0	91	9		

POLICY MIX

Weighted replies across countries, % of EU-27

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...		14	1	74	1	10	
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	16	1	30	29	21	4
	Appropriate	84	58	70	71	59	49
	Insufficient	0	41	0	0	20	47
Question 11		Adequate	Inadequate				
Consistency between the fiscal and the monetary policies		70	30				