

AUTUMN 2007 ECONOMIC OUTLOOK FOR THE EURO AREA

MAIN FORECAST

	2007	2008
Real GDP growth	2.6	2.1
Consumer price inflation	2.0	2.1
Unemployment rate	7.0	6.8
Employment growth	1.6	1.2
Hourly wage growth	2.7	3.1
Hourly labour productivity growth	1.3	1.3

Components of aggregate demand

Annual % change	2007	2008
Private consumption	1.8	1.9
Public consumption	2.0	1.6
Investment (Gross fixed capital formation)	4.6	3.5
Exports	5.6	5.1
Imports	5.2	5.4

ECONOMIC SENTIMENT

Weighted replies across countries, % of euro area

Question 1		Positive	Negative	Unchanged	
Trend in business climate over the next 6 months	Industry	33	38	29	
	Services	32	15	53	
Question 2		Positive	Negative	Unchanged	
Trend in profitability over the next 6 months	Industry	27	36	37	
	Services	28	15	56	
Question 3		Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)
Investment intentions over the next 6 months (compared to the last 12 months)	Industry	3	53	32	12
	Services	3	31	54	12
Question 4		Replacement	Extension	Rationalisation	Innovation
Driving force behind investment decisions in the next six months	Up	84	32	49	71
	Same	14	47	45	29
	Down	3	21	6	0
Question 5		Positive	Negative	Unchanged	
Trend in consumer confidence over the next 6 months	30	39	32		
Question 6		Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months
Overall trend in employment	Up	63	42	77	62
	Same	14	24	23	24
	Down	23	34	0	13
Question 7		Higher / more difficult	Same	Lower / less difficult	
Compared to 6 months ago, SME's cost/access to capital for business development	Cost	94	6	0	
	Access	90	10	0	
Question 8		to a large extent	to some extent	not at all	
Effect of financial market turmoil on assessment of financing conditions for next 6 months ...	0	96	4		

POLICY MIX

Weighted replies across countries, % of euro area

Question 11		Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating
Fiscal policy: Progress towards the medium-term budgetary objective is...	0	12	49	39	0	
Question 12		Tight, appropriate for the euro area	Tight	Appropriate	Loose	Loose, appropriate for the euro area
Monetary policy is...	19	21	48	0	12	
Question 13		Robust growth and above-target inflation	Downside risks to growth	Risks to price stability from high oil prices	Risks from money supply and credit growth	Risks of euro appreciation
ECB policy: Focus on the different elements of the ECB analysis underlying its current policy stance is...	Excessive	21	0	23	25	0
	Appropriate	79	43	77	48	40
	Insufficient	0	57	0	27	60
Question 14		Adequate	Inadequate			
Consistency between the fiscal and the monetary policies	40	60				