

## SPRING 2008 ECONOMIC OUTLOOK FOR THE EURO AREA

### MAIN FORECAST

	2007	2008	2009
Real GDP (annual % growth)	2.6	1.7	1.8
Inflation (%)	2.1	2.6	2.2
Unemployment (%)	7.4	7.1	7.0
Employment (%)	1.6	0.9	0.7
Hourly wage growth (%)	2.7	3.4	3.2
Hourly productivity growth (%)	1.1	1.0	1.3

#### GDP components

Annual % change	2007	2008	2009
Private consumption (%)	1.5	1.7	1.9
Public consumption (%)	2.2	1.7	1.5
Gross fixed capital formation (%)	4.3	2.6	1.9
Exports (%)	6.0	4.4	4.4
Imports (%)	1.1	4.6	4.5

### ECONOMIC SENTIMENT

Weighted replies across countries, % of euro area

<b>Trend in business climate over the next 6 months</b>	Industry	<b>Positive</b> 3	<b>Negative</b> 58	<b>Unchanged</b> 39		
	Services	0	57	42		
<b>Trend in profitability over the next 6 months</b>	Industry	<b>Positive</b> 0	<b>Negative</b> 90	<b>Unchanged</b> 10		
	Services	0	57	42		
<b>Trend in investment over the next 6 months (compared to the last 12 months)</b>		<b>Increase (faster pace)</b>	<b>Increase (slower pace)</b>	<b>Unchanged</b>	<b>Decrease (slower pace)</b>	<b>Decrease (faster pace)</b>
	Industry	5	35	26	23	12
	Services	5	36	24	34	0
		<b>Replacement</b>	<b>Extension</b>	<b>Rationalisation</b>	<b>Innovation</b>	
<b>Driving force behind investment decisions in the next six months</b>	Up	56	32	34	58	
	Same	44	30	54	30	
	Down	0	38	12	12	
<b>Trend in consumer confidence over the next 6 months</b>		<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>		
	48	50	2			
<b>Overall trend in employment</b>		<b>Industry: past 6 months</b>	<b>Industry: next 6 months</b>	<b>Services: past 6 months</b>	<b>Services: next 6 months</b>	
	Up	63	36	88	60	
	Same	2	24	12	25	
	Down	35	40	0	15	
		<b>Higher / more difficult</b>	<b>Same</b>	<b>Lower / less difficult</b>		
<b>Over the next 6 months, cost/access to finance will be...</b>	Cost	36	64	0		
	Access	73	27	0		

### POLICY MIX

Weighted replies across countries, % of euro area

<b>Fiscal policy: Progress towards the medium-term budgetary objective?</b>	<b>Not necessary, situation is satisfactory</b>	<b>Excellent</b>	<b>Satisfactory</b>	<b>Neither satisfactory nor unsatisfactory</b>	<b>Unsatisfactory</b>	<b>Deteriorating</b>	
	2	0	13	58	28	0	
<b>Monetary policy is...</b>	<b>Tight, appropriate for the euro area</b>	<b>Tight</b>	<b>Appropriate</b>	<b>Loose</b>	<b>Loose, appropriate for the euro area</b>		
	19	48	19	3	12		
<b>ECB policy: Focus on the different elements of the ECB analysis underlying its current policy stance is...</b>		<b>Above-target inflation</b>	<b>Downside risks to growth over medium term</b>	<b>Inflation pressures from high oil and commodity prices</b>	<b>Upside risks to wage inflation</b>	<b>Risks related to credit market turbulences</b>	<b>Risks of further euro appreciation</b>
	Excessive	21	0	48	21	0	0
	Appropriate	76	16	52	75	100	43
	Insufficient	3	84	0	3	0	57
<b>Consistency between the fiscal and the monetary policies</b>		<b>Adequate</b>	<b>Inadequate</b>				
	66	34					