BUSINESSEUROPE

ECONOMIC OUTLOOK

Spring 2008

Six reasons for cautious optimism

WHO ARE WE?

BUSINESSEUROPE's members are 39 central industrial and employers' federations from 33 countries, working together to achieve growth and competitiveness in Europe.

BUSINESSEUROPE, the Confederation of European Business, represents more than 20 million small, medium and large companies.

WHAT IS THE **ECONOMIC OUTLOOK**?

The Economic Outlook twice a year provides a business insight into recent and projected economic developments in Europe, based on a survey of BUSINESSEUROPE member federations.

Answers to this spring's questionnaire were received by early April.

More detailed results and individual member state forecasts are published on our website www.businesseurope.eu

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Table 1 BUSINESSEUROPE forecasts
Source: BUSINESSEUROPE spring survey 2008

	Euro area			EU27		
Spring 2008 forecasts	2007	2008	2009	2007	2008	2009
Real GDP (annual % growth)	2.6	1.7	1.8	2.9	2.0	2.1
Inflation (%)	2.1	2.6	2.2	2.2	2.8	2.3
Unemployment (%)	7.4	7.1	7.0	7.1	6.8	6.7
Employment (%)	1.6	0.9	0.7	1.6	0.9	0.7
Hourly wage growth (%)	2.7	3.4	3.2	3.6	4.1	4.1
Hourly productivity growth (%)	1.1	1.0	1.3	1.3	1.2	1.8
GDP components						
Private consumption (%)	1.5	1.7	1.9	2.2	1.9	2.1
Public consumption (%)	2.2	1.7	1.5	2.0	1.8	1.6
Gross fixed capital formation (%)	4.3	2.6	1.9	5.3	3.2	3.1
Exports (%)	6.0	4.4	4.4	4.6 *	4.7	5.4
Imports (%)	5.2	4.6	4.5	4.6 *	4.6	5.1

* Statistical treatment of VAT fraud creates distortions in UK forecasts.

A CHALLENGING ENVIRONMENT

Risks identified in our Autumn 2007 Economic Outlook have materialised rapidly in recent months. Besides growing evidence of a sharp US slowdown, protracted financial market turmoil, rising commodity prices and a weakening dollar, companies also face home-grown dangers. BUSINESSEUROPE is attentively monitoring the recent inflation upsurge and warns against a wage-price spiral which will hurt competitiveness, growth and employment. At present, business forecasts annual euro-area inflation to average 2.6% in 2008 and 2.2% in 2009.

SIX REASONS FOR CAUTIOUS OPTIMISM

Despite the numerous headwinds, BUSINESSEUROPE so far remains cautiously optimistic and sees no risk of a recession on this side of the Atlantic. Several factors will bolster the resilience of the European economy:

1. At around 3% over the last two years, growth in the EU has been robust by historical standards and stronger than in the USA, providing a good basis to face present challenges.

2. EU labour markets have improved substantially. After creating more than ten million jobs over the last three years, companies are confident about adding an additional two million new jobs in 2008.

3. Corporate balance sheets rest on sound foundations despite an expected fall in profitability in the near term, allowing SMEs in particular to better withstand financial market turmoil. Investment prospects for 2008 remain positive at this stage with expected growth of 3.2% in the EU.

4. Despite a deteriorating external environment and an overvalued euro exchange rate, European exports are bolstered by robust demand from emerging as well as oil-producing economies and should grow on average by close to 5% this year.

5. European companies are significantly affected by rising oil and commodity prices, but a strong currency and higher energy efficiency attenuate their exposure compared with global competitors.

6. High household savings, a less overstretched housing market and a less exposed banking sector make the European economy less vulnerable to the present financial market turmoil than the USA.

Against this background, the business community forecasts growth of 2.0% in the EU and 1.7% in the euro area this year, allowing Europe to outpace the US economy for the third consecutive year - unprecedented since the early 1990s.

Nevertheless, growth estimates for 2008 represent a significant slowdown from 2007 and a downward revision for both the EU and the euro area compared with BUSINESSEUROPE's autumn 2007 forecasts. Job creation this year has also been revised downwards by around half a million.

In 2009, BUSINESSEUROPE expects growth to stabilise, averaging 2.1% in the EU and 1.8% in the euro area, but acknowledges that downside risks to this scenario largely dominate in the context of the unresolved credit market crisis.

THE RIGHT RESPONSES TO SPUR BUSINESS CONFIDENCE

Monetary and fiscal policy stance

- ➜ The business community broadly endorses the ECB's monetary policy to date and in particular its handling of the financial market crisis. At present it is essential that inflation returns to levels consistent with price stability, allowing the ECB and other European central banks to address downside risks to growth in a timely manner. This calls particularly for trade unions to act responsibly in their wage demands in order to avoid second-round effects.
- ➜ Governments must remain committed to fiscal discipline most notably in countries where insufficient consolidation efforts have been undertaken in recent years. An appropriate response to current economic challenges will not come from discretionary fiscal packages but from the natural interplay of automatic stabilisers combined with a reassessment of public expenditure priorities and tax reforms to spur the next upturn.

Structural reforms

To keep growing, the EU and its Member States must keep the needle on their compass pointing to fast-track implementation of reforms agreed under the Lisbon strategy. Priority actions include:

- ➜ Increasing competition in particular in retail, transport and energy markets, resulting in lower inflation, more competitiveness for companies and more purchasing power for consumers.
- ➜ Boosting innovation and skills development by drawing on a better coordination of EU and national policies. The potential in this regard remains immense, since reaching the 3% of GDP target for R&D spending could increase the EU's real GDP growth by 0.5% a year for a decade.
- ➜ Implementing flexicurity principles in national labour market strategies in order to enhance adaptability, to provide new forms of security and to modernise social protection systems. This will boost productivity and employment with significant growth windfalls even in the short term.

A global agenda to sustain growth

In parallel, efforts should be made to forcefully engage Europe's partners in order to:

- ➜ Encourage firmer positions regarding the alleviation of exchange rate imbalances
- ➜ Stimulate objective and well-balanced discussions on the response to ongoing financial market turmoil, avoiding hasty regulation and protectionist reflexes.

This requires at European level better coordination of positions among member states and a strong role of the eurogroup president at the international level, in full respect of the Treaty provisions and of the ECB's independence.

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OUTPUT AND DEMAND

Europe's economic performance in 2007 was reasonably strong in the face of growing economic uncertainties. At an annual rate of 2.9%, EU27 real GDP growth outpaced the US for the second year in a row. Euro-area growth was slightly lower at 2.6% per annum.

This year, BUSINESSEUROPE forecasts EU27 and euro-area real GDP to grow by 2.0% and 1.7% respectively. Estimates for 2008 have been revised downwards since autumn 2007 but business remains slightly more optimistic than several international organisations.

This said, it appears quite clearly that the peak of the business cycle is behind us. Compared with our Autumn Economic Outlook presented last November, business confidence has decreased substantially and the deterioration has been particularly marked in services, reflecting the entrenchment of difficulties in the financial sector and subdued consumer spending on the back of rising price pressures (see Chart 1). Confidence in industry has also deteriorated, but to a lesser extent given still dynamic global demand for manufactured products.

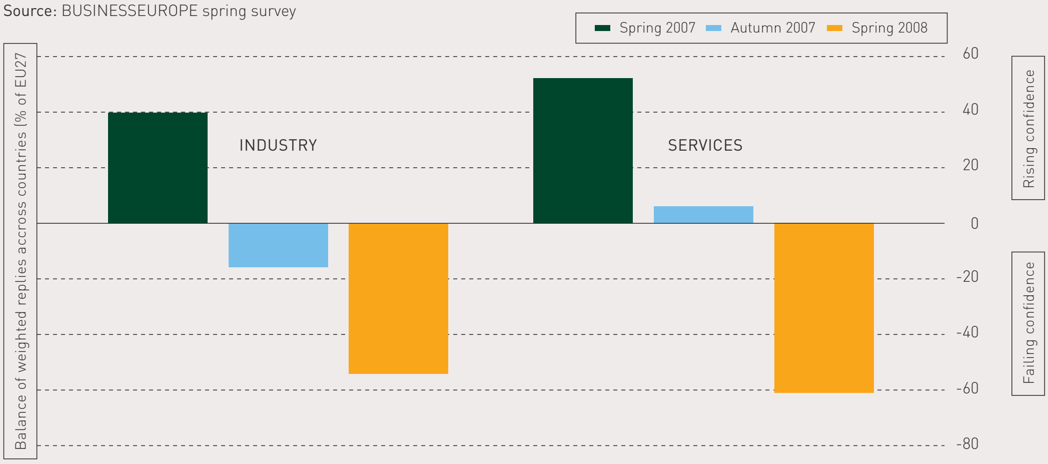
Company profitability is sound but is projected to deteriorate over the next six months, especially in industries where the strong euro and high commodity prices are eating into profit margins. This, together with the impact of tighter credit conditions, could have negative repercussions on investment plans.

However, the impact of financial turmoil seems to be limited so far according to BUSINESSEUROPE's member federations, even though borrowing costs are expected to rise further and access to capital to become more difficult. A reason for this cautious optimism is related to companies' past restructuring efforts and structurally strong balance sheets, which offer some protection against negative developments on world financial markets.

Fixed investment

Investment spending is forecast to grow at an annual rate of 3.2% in EU27 and at 2.6% in the euro area. Major drivers will be replacement and innovation, whereas investments for the extension of production capacities are expected to decelerate (see Chart 2).

Chart 1 Business confidence over the next six months
Source: BUSINESSEUROPE spring survey



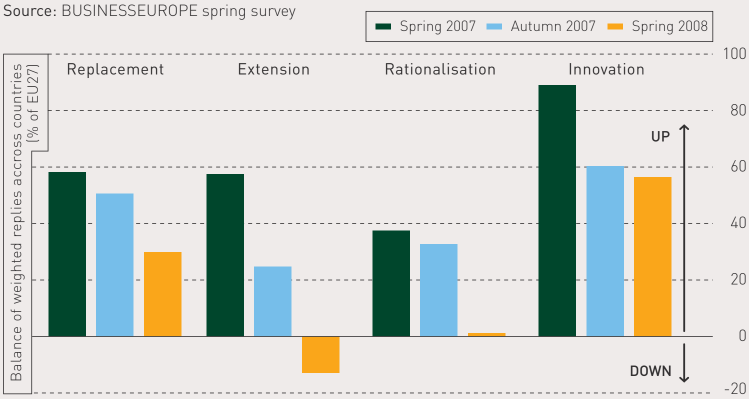
The respective 0.9% and 0.7% downward revisions vis-à-vis the Autumn Outlook can be attributed in particular to the sharp housing market correction in Ireland, Spain and the United Kingdom.

Exports

Despite the rapid slowdown in import demand from the USA and a strong euro, EU exports are expected to grow at an annual rate of 4.7%, and 4.4% for the euro area. This represents a downward revision compared with our autumn forecasts, in particular for the euro area. Nevertheless, further evidence of dynamic demand from emerging markets is allowing export growth to remain relatively robust.

Chart 2 Driving forces behind investment intentions over the next 6 months

Source: BUSINESSEUROPE spring survey



Private consumption

A recovery in 2008 remains hesitant, despite the very substantial improvements on the labour market over the past years. Consumers seem to have scaled back expenditures so far as a consequence of strong price increases for highly visible consumption goods (food, energy) and of the resulting perception of significant losses in purchasing power. However, a projected decline in inflation rates during 2008 – as currently expected – should enable private consumption to pick up some momentum and grow on average this year by 1.9% in EU27 and by 1.7% in the euro area.

At the Member-State level, the divergence of growth performances remains important in 2008 (see Chart 3).

Large Member States in particular will experience weaker growth.

- **Germany:** Real GDP growth is expected to slow to 1.8% this year, following 2.5% in 2007 and 2.9% in 2006. Nevertheless, German business is slightly more optimistic than the government and continues to count on an improvement in private consumption (1.2% in 2008 after the slump of minus 0.3% in 2007). Thanks to a sustained need for investment goods in emerging economies and the favourable composition of the German export basket, exports are expected to hold up reasonably well despite the strong euro. However, an increasing number of companies are worried about the drag on earnings caused by the steady rise of the euro, in particular as regards SMEs.

- **France:** Real GDP growth has been revised downwards to 1.7% this year after a somewhat disappointing growth performance of 1.9% in 2007. Companies are particularly concerned about investment spending and private consumption. An expected fall in inflation in the course of 2008 should support consumer confidence, but not markedly.

- **Italy:** Growth forecasts have been revised downwards subsequent to the worse-than-expected performance in 2007. Even the projection of annual real GDP growth of 0.7% this year could prove to be too optimistic. Italy thus remains at the bottom of the European growth league. Slower growth in employment and higher inflation will weigh in particular on private consumption while investment and exports are also set to experience a significant slowdown.

The end of the housing boom is adding to economic uncertainty in some Member States.

- Annual real GDP growth in **Ireland**, **Spain** and the **United Kingdom** is expected to decline to 2.3%, 2.4% and 1.8%, respectively. For Ireland and Spain, this represents the weakest GDP growth since the mid-1990s.

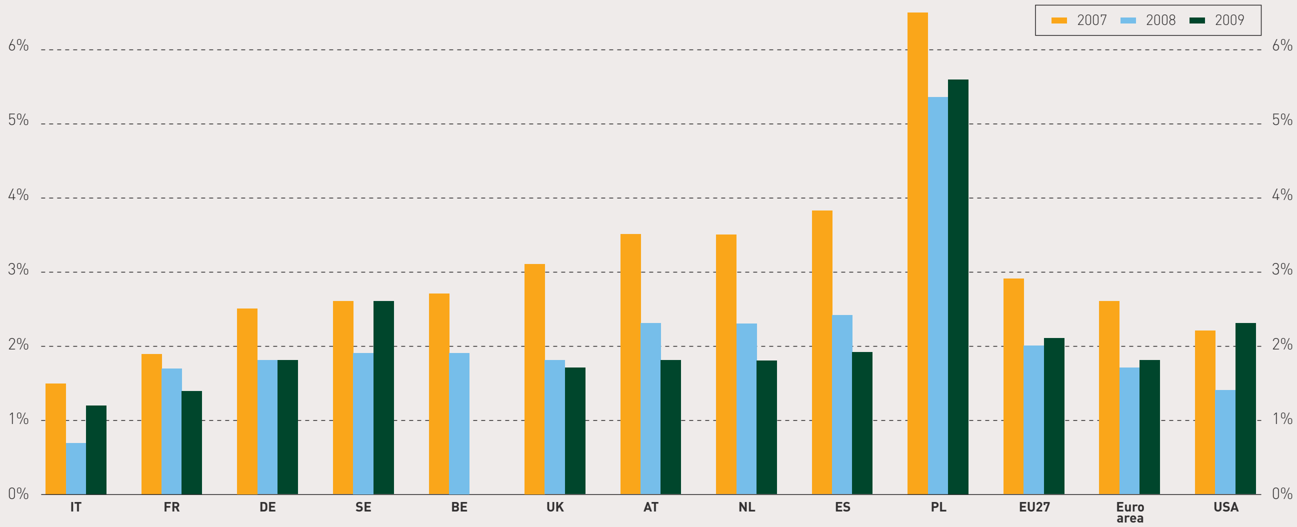
Smaller member states will experience relatively strong growth rates.

- **Slovenia**, **Luxembourg** and **Greece** forecast real GDP growth at around 4% per annum.

The situation in central European Member States is mixed:

- Exceeding 6% per annum, high growth rates are forecast in particular for **Lithuania**, **Bulgaria** and **Latvia**.
- **Poland**, **Estonia** and **Hungary** are the laggards among central European member states at annual real GDP growth rates of 5.3%, 4.2% and 2.6%, respectively.

Chart 3 Real GDP growth estimates and forecasts
Source: BUSINESSEUROPE spring survey, Consensus Forecasts for USA (March 2008)



SPECIAL TOPIC: A WEAK DOLLAR AND A STRONG EURO – HOW WORRIED ARE EUROPEAN COMPANIES?

In recent months the euro has resumed its sharp and rapid appreciation vis-à-vis the US dollar after a period of relative calm since last November. For BUSINESSEUROPE the situation has become alarming. Persisting downside risks for the US economy bear the danger of further disorderly adjustments.

Concerns about the weakness of the US dollar are amplified by the fact that the euro carries a very large proportion of the adjustment burden. Nearly 75 countries have currency regimes linked to the US dollar, comprising those with the largest trade surpluses vis-à-vis the euro area such as China, other dynamic Asian economies and most OPEC countries. This de facto dollar peg in surplus regions makes it more difficult for European companies to compete and to shift exports towards dynamic emerging markets. For instance, the eurozone's trade balance vis-à-vis major players of the "dollar area" (USA, China, ASEAN, OPEC) has deteriorated (see Chart S1). In particular, the trade deficit with China has increased rapidly and is estimated to have exceeded 110 billion euros in 2007 (from 75 billion euros in 2005).

The pain of the current euro strength is being felt strongly in specific manufacturing sectors such as aeronautics, defence, chemicals, textiles, engineering or automotive. The exposure of individual Member States to exchange-rate developments also differs widely due to both the structure of individual economies and diverging competitiveness levels (see Chart S2).

Beyond the direct impact of the euro appreciation on market shares and investment strategies, companies are very concerned about the risk of a downward spiral of protectionism.

Nevertheless, several factors currently attenuate the negative impact of the strong euro.

- ➜ At 70% of total EU exports, intra-EU trade remains dominant for European companies, hence creating stability and alleviating exchange-rate risks.
- ➜ On the EU aggregate level, the damage to export market share has been limited so far. Export growth is still dynamic. Confidence and production in the manufacturing sector remain relatively robust and have deteriorated less in recent months than in the services sector.
- ➜ The euro appreciation is taming the impact of high commodity prices and helping to contain inflationary pressures. Oil prices have increased by 75% over the last twelve months expressed in dollar terms but by only 50% in euro terms.
- ➜ The growing role of the euro as a reserve currency and in international financial markets increases the capital pool available for European companies
- ➜ A strong euro will also serve as a wake-up call and encourage domestic reforms at a time when a certain reform fatigue can be seen in many parts of Europe.

Chart S1
Euro-area trade balance vis-à-vis major players of the "dollar zone"
Source: BUSINESSEUROPE based on Eurostat

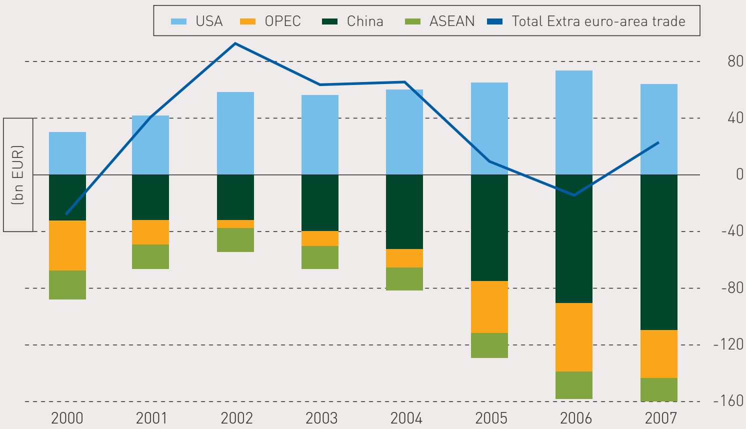
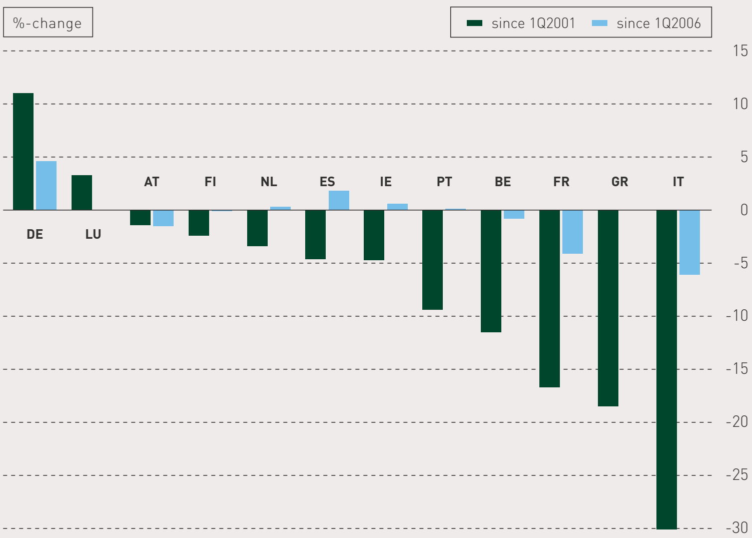


Chart S2
Evolution of Member States' export market shares
Source: BUSINESSEUROPE based on Eurostat



POLICY RECOMMENDATIONS

BUSINESSEUROPE has no intention of blaming the lack of competitiveness and structural weaknesses of certain national economies on the strong euro. Nevertheless, companies' concerns – including in very competitive segments of the economy – can no longer be ignored. From a European perspective the appropriate responses should include a domestic and an international dimension.

- ➜ Ensuring continued wage moderation, while implementing swift reforms to support competitiveness and productivity.
- ➜ Better coordination of positions among EU Member States and a strengthened role of the eurogroup president at the international level, in full coherence with Treaty provisions ensuring the full independence of the ECB.
- ➜ Stronger positions taken by the G8 on ways of alleviating US dollar weakness while ensuring appropriate burden-sharing among major global economic players.
- ➜ Closer integration of emerging economies in discussions on issues of global economic relevance such as the exchange rate and financial stability.

LABOUR MARKET AND PRODUCTIVITY

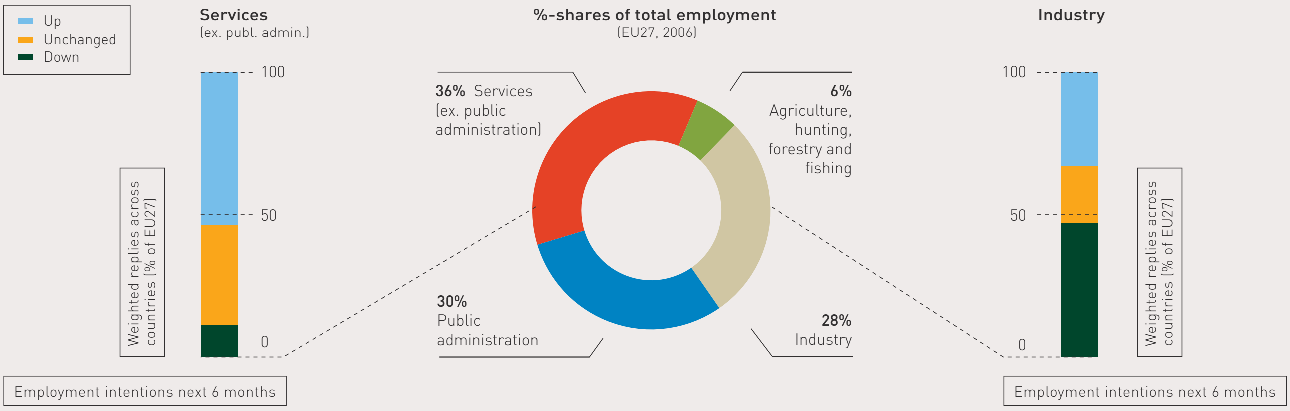
The improvement on European labour markets has been a key characteristic of the latest economic upswing. Over the last three years, more than ten million jobs have been created and the European unemployment rate stands at its lowest level in more than two and half decades. This positive trend is not expected to end in the short term as companies' hiring intentions remain positive, albeit slowing down a gear during 2008 (see Chart 4).

European businesses expect to create 2 million new jobs this year – an impressive number by historical standards. Yet, this estimate amounts to a downward revision of new job creations by 510,000 compared with the Autumn Economic Outlook.

The upswing on the labour market has also helped to close the gap regarding the Lisbon Strategy's employment objectives to be achieved by 2010.

Chart 4 Employment intentions over the next six months

Source: BUSINESSEUROPE spring survey, Eurostat



However, problem areas persist. The employment rate target for older workers is unlikely to be met by 2010 and high youth unemployment also remains a structural weakness in several Member States, such as Greece, Romania, Slovakia, but also Italy, France or Sweden.

Structural reforms as prescribed in the Lisbon Strategy therefore need to be implemented rapidly in all Member States. The concept of flexicurity must receive the necessary attention as it provides a unique opportunity to promote both employment and productivity growth.

Indeed, labour productivity growth is too low and remains a serious drag on economic prospects in Europe. Even at the peak of the current business cycle, annual productivity growth did not even attain 1.6% in EU27 and 1.4% in the euro area. Economic resilience and rising living standards at a time when populations in a majority of Member States are ageing rapidly cannot be maintained without better framework conditions for innovation and more investment in education, R&D and lifelong learning.

PRICE AND COST DEVELOPMENTS

Current inflation rates are a major concern to European companies. Euro-area inflation has surged sharply in recent months, exceeding 3% since November 2007. Currently, business forecasts euro-area headline inflation to average 2.6% in 2008 and 2.2% in 2009 (see Chart 5).

Although inflation has been propelled by high energy and unprocessed food prices, second-round effects cannot be excluded. The rise in basic food prices (bread, butter, milk) has made a significant contribution to the inflation upsurge and even more so to high perceived inflation, as price increases for these items are felt most directly by consumers.

Indeed, over the most recent months consumers' inflation perception has skyrocketed and currently stands at its highest level since the introduction of the euro in 2002. A perceived loss in purchasing power opens the door to demands for sharp wage increases which in turn translate into higher inflation rates. Developments on the wage front definitely need close monitoring over the coming months, in particular following the German public sector agreement that might set a dangerous example for other sectors and Member States.

At present, hourly wages are expected to grow in 2008 by 4.1% for EU27 and by 3.4% for the euro area. This represents an increase compared with the autumn forecasts and underlines that businesses' anxieties are not unfounded. Indeed, with anticipated EU and euro-area productivity growth rates of 1.2% and 1.0% respectively, anticipated wage increases are becoming less benign than previously expected.

Trade unions must be aware that excessive wage settlements would have a significant impact on employment at a time when the economy is slowing down and will make it difficult for central banks to support growth in a timely manner. These consequences should be considered with particular care in those Member States which have in the past accumulated a substantial competitiveness gap with respect to their main competitors (see Chart 6).

Governments have to respond to these concerns with decisive initiatives that can support competitiveness and consumer confidence at the same time. These objectives can only be reconciled in a durable manner through structural reforms, and in particular through measures aimed at removing barriers to competition in services and energy markets.

Chart 5 Inflation developments and forecasts
Source: BUSINESSEUROPE spring survey, Eurostat

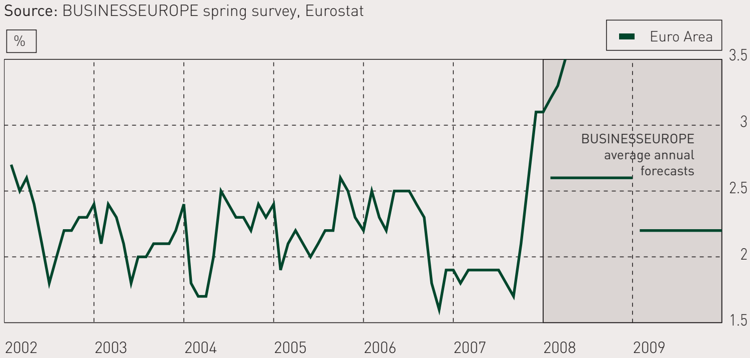
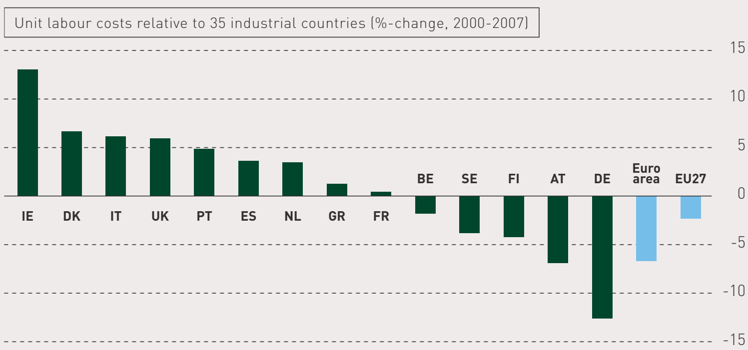


Chart 6 Cumultative changes in relative unit labour costs between 2000 and 2007
Source: BUSINESSEUROPE based on AMECO



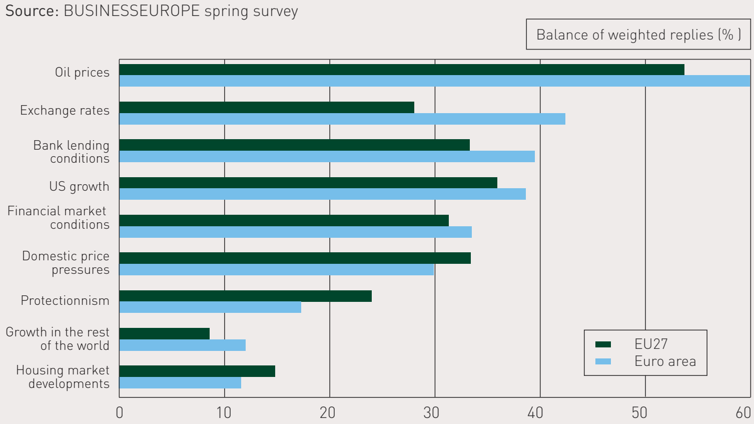
For instance, calculations show that if food, electricity, gas, water supply and transport prices had developed in the euro area at the pace of its most competitive national markets (measured on the basis of OECD sectoral indicators), this would have reduced annual inflation by 0.3% over the last five years, leading over that period to additional gains in purchasing power of 1.6% – and even more for the lowest income brackets.

Therefore, it appears crucial that EU institutions and Member States rapidly complete the internal energy market, foster more competition in the services sector, and promote energy efficiency in the transport and household sector.

MAIN RISKS TO THE OUTLOOK

European companies currently face extreme volatility in financial, commodity and exchange-rate markets and a high degree of economic uncertainty. Risks clearly lie on the downside and dangers identified in autumn 2007 have intensified (see Chart 7).

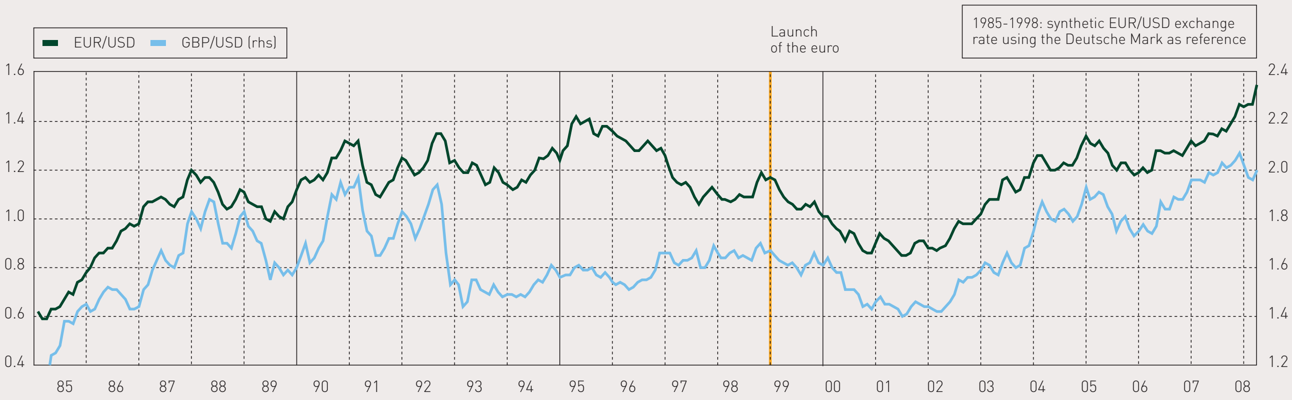
Chart 7 Downside risks to growth
Source: BUSINESSEUROPE spring survey



Business federations have become more worried by recent inflation developments. High oil prices and other domestic price pressures could lead to second-round effects and thus weigh on economic growth and job creation. In fact, companies still expect that current high oil prices will be maintained due to strong demand in emerging economies and supply bottlenecks.

Whereas a US recession was not the baseline assumption in our Autumn Economic Outlook, recent data confirm that the slowdown will be more protracted and deeper than initially anticipated. The situation on the housing market is far from improving and

Chart 8 Euro and sterling at record levels against the dollar
Source: BUSINESSEUROPE based on ECB, Bank of England



even the hitherto robust labour market has experienced a significant downturn. Financially overstretched consumers will inevitably have to scale back their expenditures. The expected recession in the USA will exert a substantial drag on the European economy over the coming quarters.

The strong euro is alarming and in particular the speed of its appreciation since the start of 2008 is a key concern for European companies. EU policy-makers have acknowledged the danger of excessive euro strength. Indeed, doubts regarding the US economy and the Federal Reserve's unprecedented interest rate cuts which have widened the differential with the euro area bear the danger of further US dollar weakness. Both the euro and sterling have attained record levels in recent months (see Chart 8). A more detailed analysis of exchange-rate developments and the appropriate policy response is provided in "Special Topic" on pages 10 and 11.

Bank lending conditions and protracted financial market turmoil add to companies' current challenges. Even growth in the rest of the world – in particular in emerging economies – is being observed with caution. Trade links between Asian countries and the USA are in fact strong and the danger of the American crisis slowing economic growth across Asia is high.

In fact, the relative size of consumer markets clearly underlines that expecting emerging countries to compensate for weaker US growth and consumption is hardly feasible. For example the entire private consumption in BRIC countries amounts to less than one third of the US consumer market (see Chart 9).

Currently the main upside risk to economic projections is seen to be the improved labour market situation. Contrary to the USA, the European labour market has not shifted into reverse mode (see Chart 10). Employment prospects remain robust, also in 2008. Falling unemployment and continued hiring could eventually stimulate private consumption and contribute to domestic support at a time when the external environment is deteriorating.

Chart 9 Relative size of national consumer markets
Source: BUSINESSEUROPE based on United Nations Statistics Division

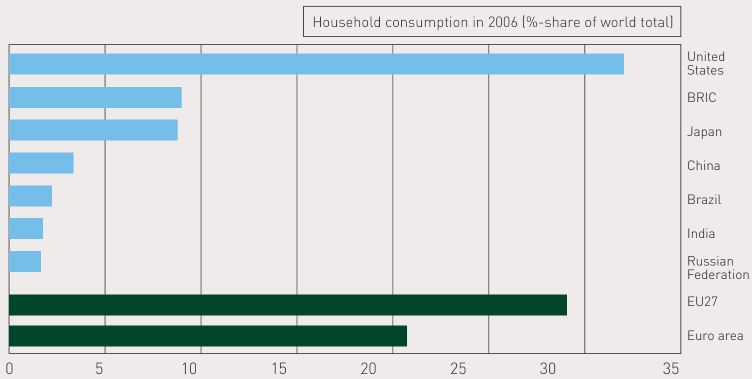
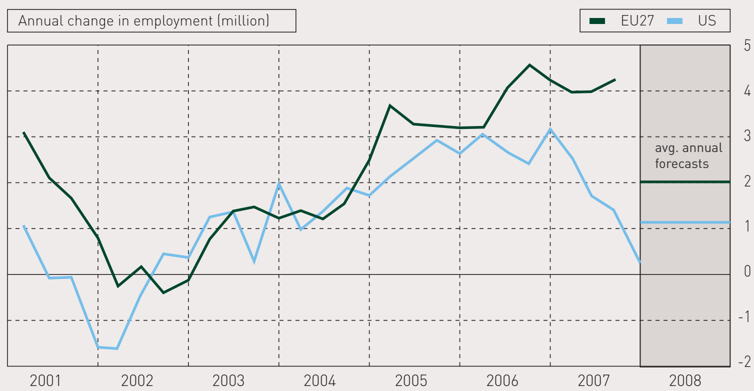


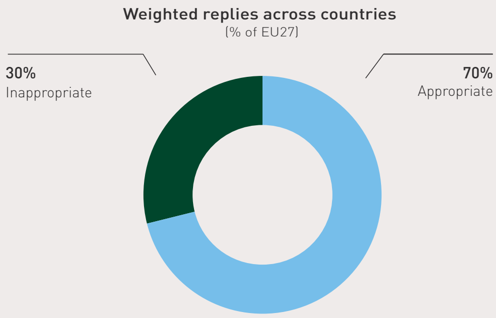
Chart 10 European labour market remains robust
Source: BUSINESSEUROPE based on Eurostat, www.econstats.com, IMF



MACROECONOMIC POLICIES

Companies' prudent optimism regarding economic prospects in Europe needs to be supported by right decisions from European policy-makers. Implementing structural reforms in the context of the Lisbon Strategy is vital and priority should be accorded to actions that are able to support competitiveness and productivity over a relatively short period of time. But the business community also wants to see unequivocal and strong commitments from national governments to sustainable public finances and budget discipline. Over the past six months the assessment of the policy mix has improved somewhat (see Chart 11). However, business federations in several Member States warn against the dangers of unwarranted fiscal stimulus measures.

Chart 11
Assessment of the mix between fiscal and monetary policy at the national level
Source: BUSINESSEUROPE spring survey



Fiscal Policies

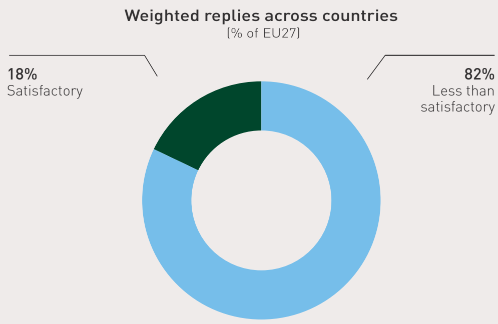
During the latest economic upswing, Member States have relied excessively on revenue windfalls to reduce deficits and even in some cases to increase public spending. This will significantly reduce the room for manoeuvre during an economic slowdown in a number of Member States.

BUSINESSSEUROPE federations in countries representing 82% of EU GDP consider that consolidation efforts have been largely insufficient and are concerned about the ongoing debate on discretionary fiscal support packages which risk further diluting commitments to sustainable public finances (see Chart 12).

The large fiscal stimulus package recently endorsed by the US Congress and the IMF's call for "targeted fiscal boosts" have started to influence the public debate on this side of the Atlantic. BUSINESSEUROPE is of the opinion, though, that these discussions lack the necessary foundations and are out of place in the EU:

- Macroeconomic adjustments in Europe are less severe and households' balance sheets are sounder compared with their US counterparts.
- As in 2007 total government expenditure excluding interest payments accounted for 40% of GDP in the EU but only 29% of GDP in the US, public finances in Europe have by definition a stronger stabilising effect in a downturn.
- Recent budgetary improvements have been caused to a large extent by unexpected tax windfalls which will rapidly unwind in a slowdown, leading to swelling deficits again.
- With demographic pressures starting to show their effects, a clear commitment to fiscal discipline is essential to support confidence and domestic demand.

Chart 12
Assessment of fiscal consolidation efforts
Source: BUSINESSEUROPE spring survey



➜ Important elections scheduled over the coming eighteen months could tempt governments to promise fiscal stimulus packages in exchange for votes.

Against this background, European business considers it essential that:

➜ Governments respect the Stability and Growth pact and euro-area Member States honour their commitments to balance budgets by 2010.

➜ Political debates focus on the quality of public expenditures with a clear emphasis on competitiveness-enhancing areas like research, innovation and education, and on tax reforms that will allow the private sector develop the markets and technologies to drive the next economic upturn.

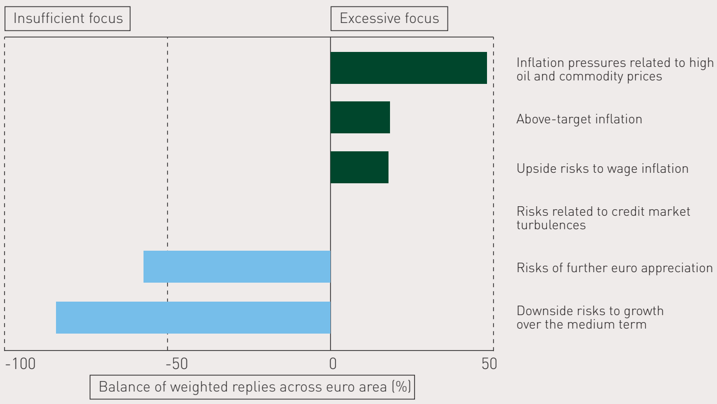
Monetary policies

The business community has endorsed the ECB's position in the face of high economic and financial uncertainties. Its responses to the credit crisis have been appropriate and timely, preventing a significant entrenchment of money market difficulties.

In the context of persistently high inflation rates and rising consumer inflation perceptions, the business community understands the ECB's hesitation to reduce interest rates. Yet, a majority of member federations consider that in current circumstances the ECB should not lose sight of important downside risks to growth and exchange-rate developments (see Chart 13).

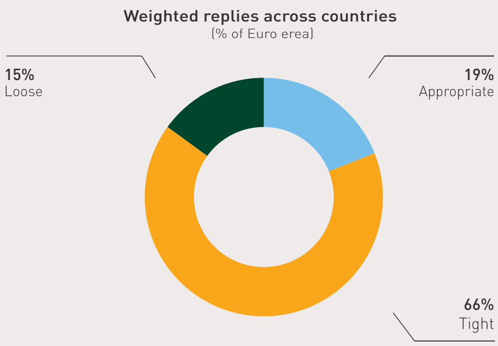
Indeed, the assessment of the current monetary policy stance has shifted appreciably in recent months. At present, member federations representing 66% of euro-area GDP consider the ECB's monetary policy to be tight (see Chart 14).

Chart 13 Assessment of factors underlying the ECB's monetary policy stance
Source: BUSINESSEUROPE spring survey



It is therefore all the more important that the ECB and other European central banks regain room to manoeuvre in coming months. This calls for a rapid containment of inflationary pressures and in particular for great caution in upcoming wage settlements.

Chart 14 Assessment of monetary policy at euro-area Member State level
Source: BUSINESSEUROPE spring survey



STATISTICAL ANNEX

	Real GDP growth			Inflation		
	2007	2008	2009	2007	2008	2009
Austria	3.4	2.1	1.7	2.2	2.9	2.3
Belgium	2.7	1.9	na	1.8	3.0	na
Cyprus	4.4	4.1	4.0	2.2	2.5	2.0
Finland	4.4	2.6	2.4	1.6	2.8	2.5
France	1.9	1.7	1.4	1.5	2.3	1.8
Germany	2.5	1.8	1.8	2.2	2.2	2.1
Greece	4.1	3.8	3.8	2.9	3.5	3.2
Ireland	5.3	2.2	3.8	2.8	2.7	2.2
Italy	1.5	0.7	1.2	2.0	2.7	2.3
Luxembourg	5.0	4.0	5.0	2.7	2.9	2.3
Malta	4.0	3.4	4.1	0.7	3.1	2.4
Netherlands	3.5	2.3	1.8	1.6	2.3	2.8
Portugal	1.9	2.0	2.3	2.4	2.4	2.0
Slovenia	5.9	4.5	4.2	3.6	4.7	3.0
Spain	3.8	2.4	1.9	2.8	3.6	2.4
Bulgaria	6.5	6.5	6.0	12.0	8.0	7.0
Czech Republic	6.6	5.9	5.5	2.8	5.0	4.0
Denmark	1.8	1.7	1.6	1.9	2.1	2.1
Estonia	7.1	4.2	5.0	6.6	9.0	5.0
Hungary	1.4	2.6	4.0	7.9	5.0	3.0
Latvia	10.2	6.0	6.5	8.9	9.5	4.9
Lithuania	8.0	6.5	6.0	5.8	6.5	5.0
Poland	6.5	5.3	5.6	2.6	4.0	3.3
Sweden	2.6	1.9	2.6	2.2	3.0	2.7
United Kingdom	3.1	1.8	1.7	2.3	2.8	2.0
Norway	6.0	3.0	1.4	0.7	3.0	2.0

Investment			Employment growth			
2007	2008	2009	2007	2008	2009	
8.1	4.9	4.3	1.2	1.0	0.9	Austria
5.2	2.4	na	1.6	1.0	na	Belgium
8.0	4.5	4.2	1.9	1.8	1.8	Cyprus
7.6	4.0	2.0	2.0	0.5	0.3	Finland
4.0	2.5	1.8	1.1	0.6	0.3	France
4.9	2.7	na	1.7	1.2	na	Germany
5.9	7.0	7.3	1.6	1.5	1.5	Greece
0.2	-10.3	3.4	3.3	0.4	1.5	Ireland
1.2	0.6	1.7	1.0	0.5	0.8	Italy
13.3	5.6	-5.6	4.5	4.0	3.5	Luxembourg
0.2	2.5	2.7	1.0	0.9	1.2	Malta
6.2	7.0	-0.5	2.6	1.3	0.5	Netherlands
3.2	3.3	3.1	0.2	0.5	1.0	Portugal
17.2	5.0	4.0	3.5	1.2	1.2	Slovenia
5.9	2.9	1.2	3.0	1.5	1.2	Spain
na	na	na	4.0	3.7	3.5	Bulgaria
5.7	8.0	7.8	1.9	1.6	0.8	Czech Republic
5.2	5.8	4.2	2.4	0.6	0.4	Denmark
8.0	5.0	3.0	1.5	-0.1	-0.3	Estonia
2.0	4.2	7.4	0.1	0.2	0.6	Hungary
na	na	na	1.8	1.0	0.8	Latvia
na	na	na	2.5	2.4	3.2	Lithuania
20.4	13.0	15.0	3.0	2.2	1.0	Poland
8.0	5.0	4.0	2.6	1.4	1.5	Sweden
5.0	1.4	1.9	0.9	0.5	0.1	United Kingdom
9.6	4.0	2.5	3.8	2.0	1.5	Norway

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