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2015 SPRING ECONOMIC OUTLOOK

FOR THE EURO AREA ECONOMIES IN 2015-2016

SPRINGTIME FOR EUROPE

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ABOUT THE EBF ECONOMIC OUTLOOK

This bi-annual report is prepared by the members of the European Banking Federation's Chief Economist Group, comprising the chief economists of leading European banks and banking associations. This report reflects a consensus on the outlook for the euro area economy that is based on arithmetic averages.

ABOUT THE EUROPEAN BANKING FEDERATION

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international - employing about 2.5 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 300 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth.
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THE EBF CHIEF ECONOMIST GROUP FORECAST FOR THE EURO AREA

- **The euro area is moving toward a moderate economic growth that is stronger than previously expected.** We foresee the euro area Gross Domestic Product (GDP) growing by 1.4% this year, which is 0.2% points higher than our October 2014 forecast. The recovery is expected to accelerate slightly in 2016, when we foresee a GDP expansion of 1.7%.

- **European banks see a protracted period of low inflation ahead.** We expect consumer price inflation to average 0.1% in 2015, before rising to 1.2% in 2016.

- **Public finances will continue to slowly adjust**: the euro area general government budget deficit will be 2.3% of GDP this year, and 2.0% of GDP in 2016.

- **The expected GDP growth will generate a small decline in unemployment**. The jobless rate is forecast to be 11.1% in 2015 and 10.6% in 2016.

- We expect that ECB main interest rates will remain unchanged this year and next. The euro/dollar exchange rate is foreseen to be around parity in the second part of this year.

POLICY RECOMMENDATIONS

1. **The ECB's** recent monetary policy decision to activate the **Quantitative Easing Programme helps reduce the risk of deflation**, **while supporting euro area exports through the depreciated euro exchange rate**. The programme itself will not push credit developments and entails some risks. **A thorough impact assessment of all new banking regulation is needed in order to prevent harmful effects on credit supply and euro area economy.**

2. **Faster progress in the implementation of structural reforms across the euro area countries remains strongly needed** to boost the growth rate of potential output and maximise the impact of the ECB's unconventional monetary policy measures.

3. Investment is comparatively weak in the euro area. **To support expenditure in investments governments must aim at implementing optimal framework conditions for business.** Without a pick-up in private investment activity the economic recovery will not be on a solid footing.

4. The European Commission's initiative to move towards a European Capital Markets Union can support a sustainable recovery. **More integrated and efficient capital markets need to complement a strong and stable banking sector**, helping firms to invest more.

1. THE EBF CHIEF ECONOMIST GROUP CONSENSUS

The last part of 2014 and beginning of 2015 saw the euro area economy still far from catching up with its pre-crisis performance. At the same time, tentative signs of improving growth prospects have emerged, on the back of a more favourable economic environment.

In particular, lower oil prices are providing support to real disposable incomes and easing the financial situation of many corporates and households. Besides, the ECB's Quantitative Easing programme announced in January 2015 has provided better prospects for euro area exports through a sizeable impact on the euro exchange rate *(section 4 describes these two benign developments in greater details).*

Given that the fiscal policy stance is broadly neutral this year, all these factors are expected to benefit the euro area in multiple ways. This is manifested in an upgrade of the EBF Chief Economist Group's forecasts. We now expect the euro area economy to expand by 1.4% this year (instead of 1.2 % projected in October 2014).

The main drivers behind this forecast are the moderate increase in private consumption (+1.5%), investment (+1.7%) and a positive growth effect from net exports

The recovery will gain further momentum throughout 2016, assisted by the propagation of second round effects to consumer and business confidence, credit growth, labour market developments and ultimately a more pronounced upturn in investment.

Table 1: Main indicators of the EBF economists' consensus

y-o-y growth rates unless specified otherwise, in %

	2013	2014	2015p		2016p
Gross Domestic Product	-0.4	0.8	**1.4**	*(+0.2)*	**1.7**
Private consumption	-0.7	0.9	**1.5**	*(+0.5)*	**1.4**
Public consumption	0.1	0.7	**0.6**	*(+0.1)*	**0.7**
Gross fixed investment (GFCF)	-3.1	0.9	**1.7**	*(-0.3)*	**3.1**
Exports	1.4	3.6	**4.5**	*(+0.5)*	**4.7**
Imports	0.4	3.6	**4.3**	*(+0.4)*	**4.7**
Unemployment rate	12.0	11.6	**11.1**	*(-0.2)*	**10.6**
Prices (HCPI)	1.4	0.4	**0.1**	*(-0.9)*	**1.2**
General Government balance (% of GDP)	-2.9	-2.4	**-2.3**	*(-0.3)*	**-2.0**
General Government debt (% of GDP)	95.1	94.3	**94.6**	*(-0.7)*	**94.1**

Source: Current EBF projections for 2015 and 2016; European Commission data for previous years. Change from previous forecast in parenthesis.

Nevertheless, the improving outlook for the euro area remains threatened by lingering downside risks. In particular external factors including the Russia-Ukraine and Middle East conflicts as well as the looming Federal Reserve interest rate hikes, may put some downward pressure on growth prospects.

Within the euro area, structural weaknesses still not sufficiently addressed by economic reforms, combined with persistently low investment level, raise concerns over longer-term prospects and capacity to address the challenges of high unemployment and debt sustainability. Furthermore, political tensions in Greece have escalated in recent weeks, increasing concerns over negotiations between Greece and its lenders about the extension of the financial assistance programme.

2. DOMESTIC ECONOMY

Since early 2014, we have seen a stabilisation in domestic demand, following a protracted period of weak private consumption and fixed capital formation.

While in the fourth quarter of 2014 euro-area GDP grew by a mere 0.3% (quarter-on-quarter), the marked improvement in business and consumer confidence observed in the latest months'[1] points to a more pronounced upturn in domestic demand within the euro area. These developments are consistent with a picture of an accelerating, albeit still moderate, economic growth.

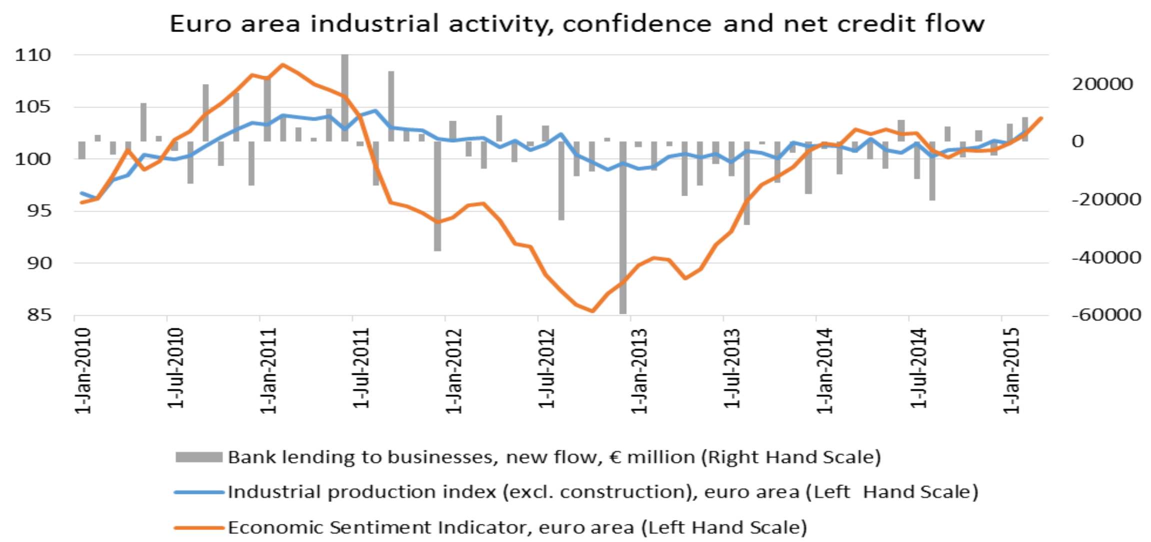
We expect private consumption to grow by 1.5% in 2015 and 1.4% in 2016, while investment will accelerate from 1.7% in 2015 to 3.1% in 2016.

While the rise in households' consumption this year is expected to be stronger than we expected in autumn last year, and will provide a much needed support to the recovery, the momentum for investment will be slightly slower than we previously estimated.

Having fallen from a level of around 23% of GDP prior to the crisis to 19% in 2014, capital spending in the euro area has a long way to recover. Investment being a key driver for building the growth potential of the economy, it is clear that stronger efforts to boost private and public investment across the euro area remain a critical factor to avert a protracted period of low growth.

Turning to the main trends in the euro area's banking sector, the extended period of banks' balance sheets' contraction has been reversed. This development, sustained by the growing confidence and strengthening economic momentum, has enabled bank lending flows to return to positive (see chart 1).

Chart 1: Developments in industrial activity and bank lending point to a strengthening recovery



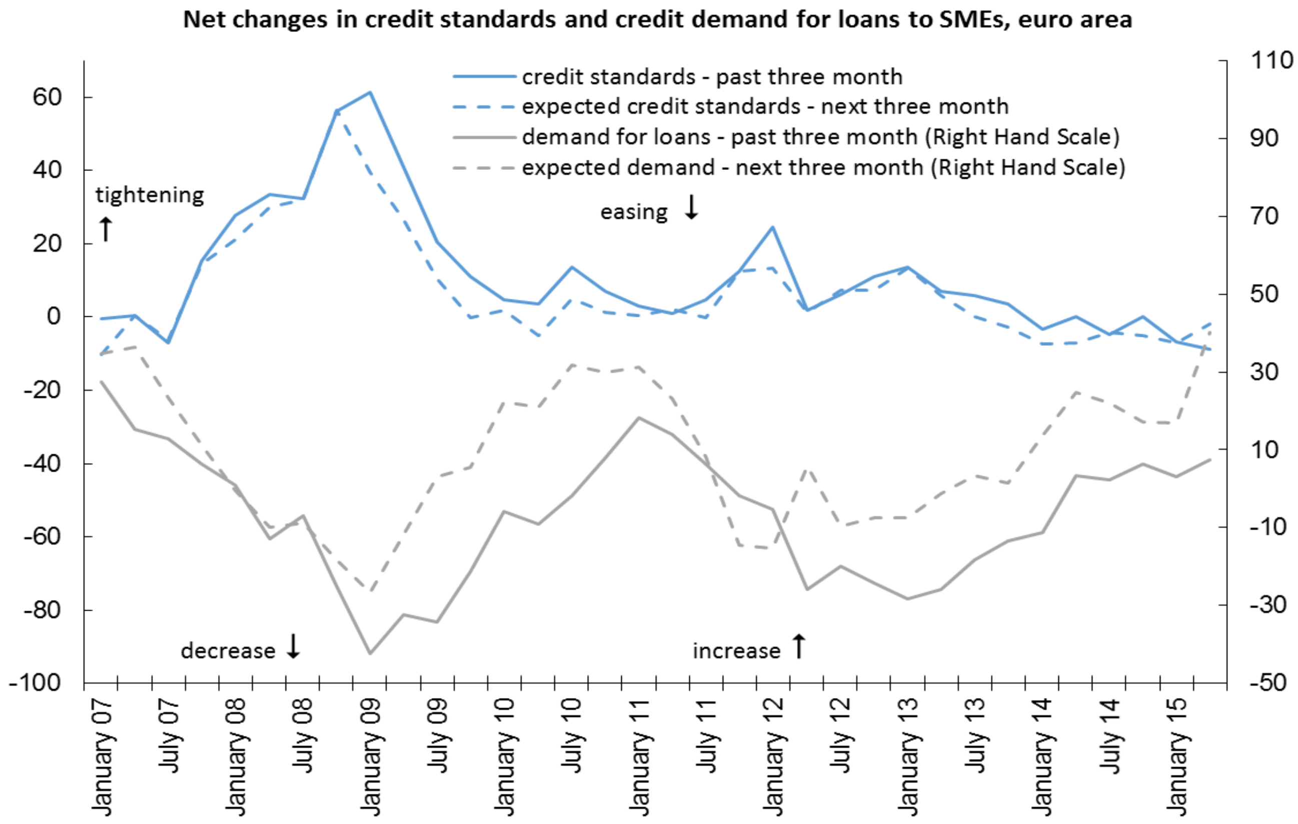
Source: ECB and Eurostat data

[1] For example, in March 2015, the Economic Sentiment Indicator (ESI) released by the European Commission for the euro area showed continued upward trend, reaching its highest level in almost four years, - growing by 1.6 points between February and March, reaching 103.9. The improvement in confidence was led by brightening sentiment among consumers and businesses alike.

In particular, in January and February 2015 alone, the net lending to businesses in the euro area was + € 15 billion. This trend suggests that the contraction in the financing volumes, driven by the broader process of deleveraging in the euro area economy in the few last troubled years, may be tapering off.

This is corroborated by the results of the latest ECB Bank lending survey, which points to easing lending supply conditions to Small and Medium-sized Enterprises. The survey also shows an increasing demand for bank lending, which is expected to further accelerate in the upcoming months.

Chart 2: ECB Bank lending survey shows easing credit conditions to SMEs



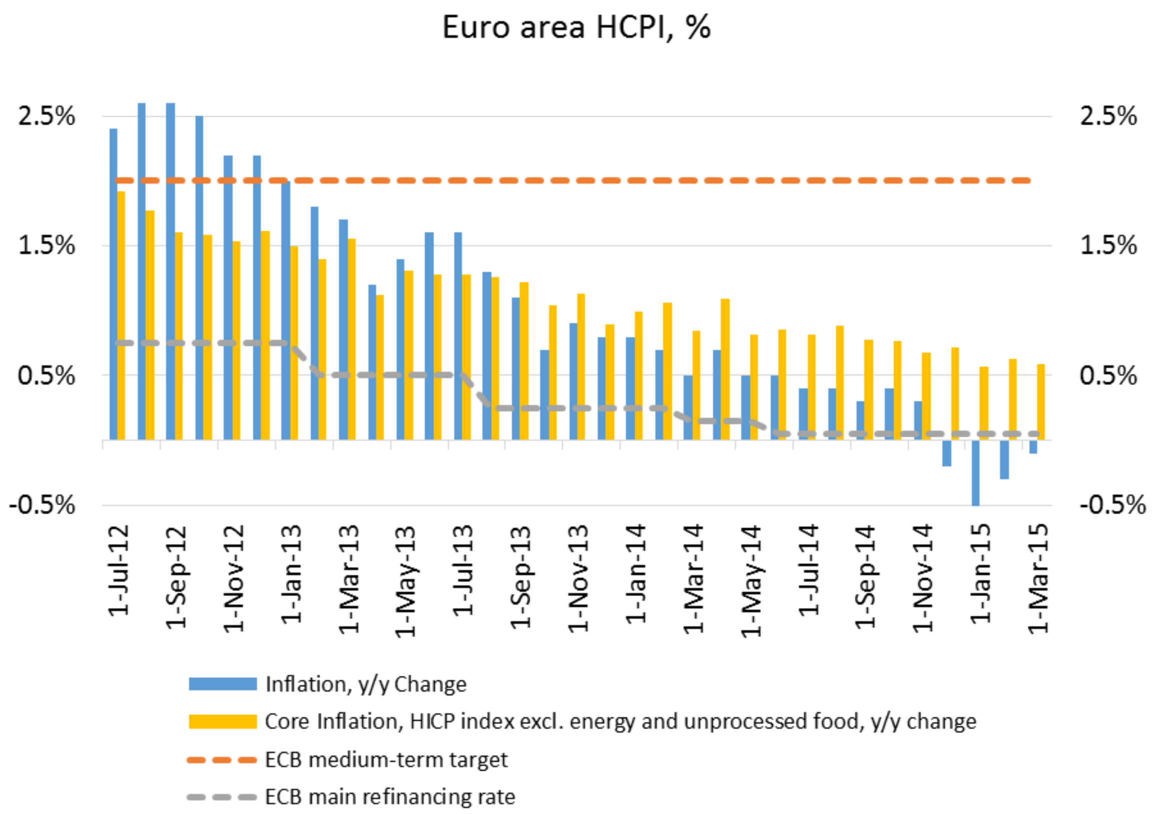
Source: EBF based on ECB data

3. PRICE DEVELOPMENTS AND MONETARY POLICY

Inflation in the euro area has continued to remain below expectations as a result of a number of different forces, mostly declining commodity prices, the relatively weak economic environment and persistently high unemployment in a number of countries, as well as lower inflation outside Europe.

As chart 3 shows, since 2013 the inflation rate has been gradually moving away from the ECB's price stability target, quantified in a rate close to, but below, 2.0% in the medium term. This dynamic has further accelerated in the second part of 2014. As result, consumer price inflation has slipped into negative territory in December 2014.

Chart 3: Inflation slipping into negative territory



Source: ECB data

Helped by a moderate pick-up in prices, our forecast sees inflation to be almost nil this year (+0.1%), before a rise to 1.2% on average in 2016. We foresee the rate of core inflation (which excludes volatile items like energy and non-processed food) to be 0.7% in 2015 and 1.0% in 2016.

This scenario suggests that inflation will remain below the ECB target of price stability, albeit progressively converging towards it.

The growing risk of a de-anchoring of inflation expectations has prompted the ECB to embark on a programme of unconventional measures, including the purchase of various securities aimed at re-anchoring inflation expectations towards 2%.

Our box article assesses in greater detail the ECB quantitative easing programme, including developments on medium-term price expectations and possible impact on bank lending.

FOCUS BOX:

ASSESSING THE IMPACT ON EURO AREA BANKS OF ECB QUANTITATIVE EASING

This article provides a first assessment of the potential economic impact of the Quantitative Easing (QE) recently launched by the ECB. Outlining the main elements of the programme, the article describes some first reactions in inflation expectations, before focusing on the channel through which QE will likely impact bank lending.

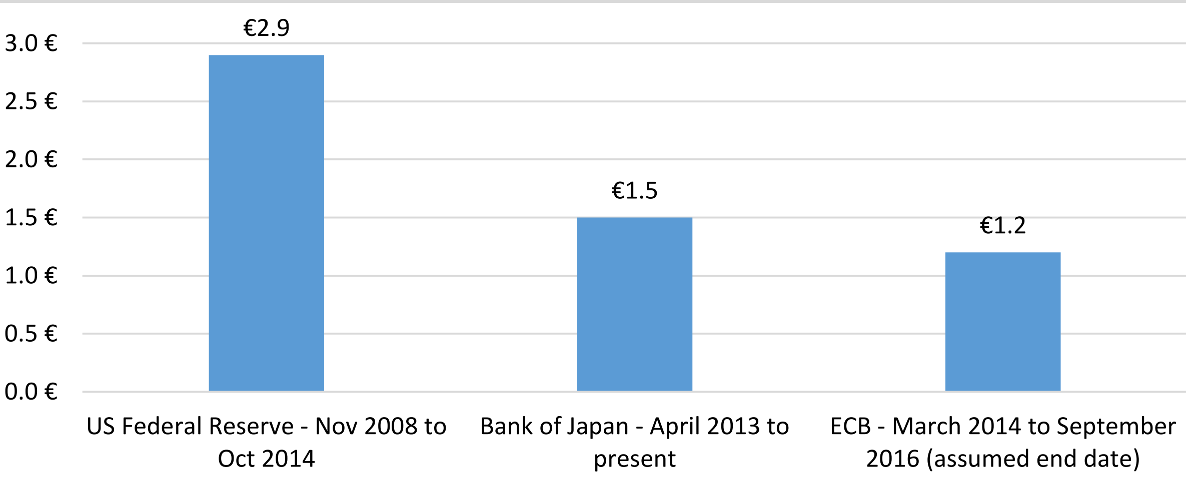
a. Background: the ECB Quantitative Easing programme

After taking a number of unprecedented measures, including setting negative deposit rates in June 2014, at the Governing Council meeting in January 2015 the European Central Bank announced a €60 billion monthly programme of purchase of debt securities. On 9 March, the ECB and the national central banks began purchasing, putting the programme on track. The monthly programme includes private debt, asset-backed securities and covered bonds, worth about €10 billion, in addition to around €50 billion in government bonds. The ECB's plan is to buy securities, up to September 2016, or until there has been a "*sustained adjustment in the path of inflation that is consistent with our aim of achieving inflation rates below, but close to, 2% over the medium term*" (annual inflation reached -0.6% in January 2015, before moving up to -0.1% in March, still remaining far from the ECB target of an annual inflation rate *"below, but close to, 2%").*

This means that the Quantitative Easing programme will likely be worth (at least) €1.2 trillion. In nominal terms, this preliminary figure stands below that of the post-crisis quantitative easing programme carried out by the US Federal Reserve between 2008 and 2014, but is quite close to the still ongoing programme executed by the Bank of Japan (chart 4). When compared to the respective size of output, the Quantitative Programme accounts for around 12% of GDP in the euro area, 44% in Japan and 22% in the United States.

The potentially different scales of the QE programmes clearly reflect some major inherent differences between these economies, institutions and central banks' mandates. And of course the figure for the US programme is the figure for a terminated programme which was prolonged several times, while the figure for the ECB programme is a first target for a basically open-ended programme.

Chart 4: Post-crisis Quantitative Easing Programmes in US, Japan and Euro Area



Source: EBF based on Financial Times and Eurostat data

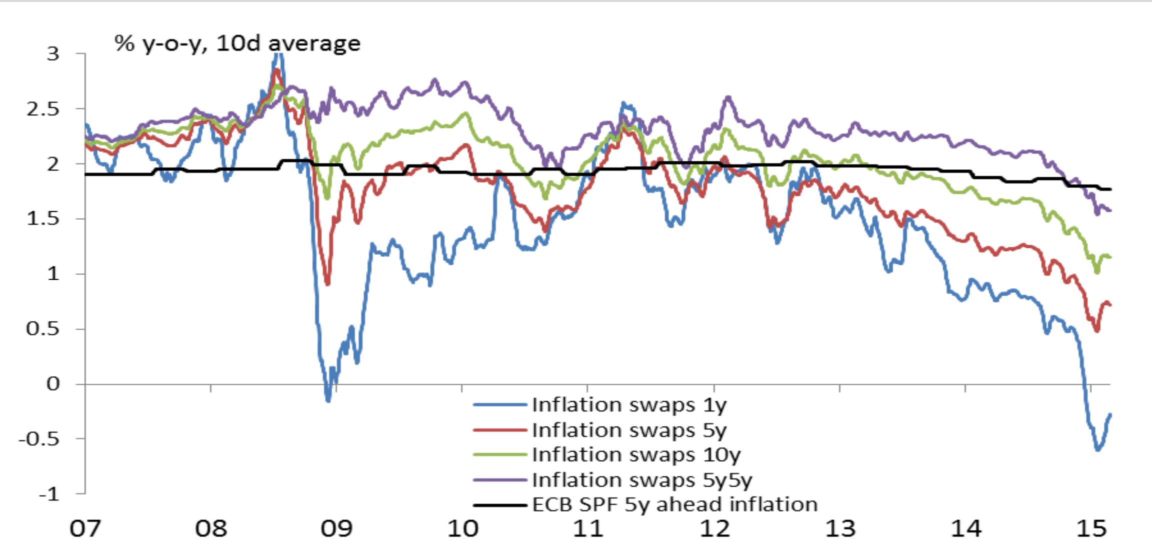
b. First effects on price expectations and the currency

Largely anticipated in the few months ahead of its official announcement, the ECB's decision was positively assessed by financial markets. While investors appear to have discounted the decision since the latter part of autumn 2014, as shown by the marked upward trends in sovereign bonds and stock prices across the euro area, financial markets still positively assessed the potentially open-ended nature of the QE. The potential size of the programme was also positively seen by investors, as it slightly exceeded expectations.

The launch of the programme shows the ECB's commitment to tackling the risk of de-anchoring long-term inflation expectations from the ECB's inflation target.

Inflation expectations are commonly measured by the 5-year, 5-year inflation swap rate (i.e. what financial markets think inflation will be between 2020 and 2025). According to this indicator, the ECB announcement, alongside the strong impact of oil prices developments, may have contributed to reversing the downward trends in inflation expectations. Looking at chart 5, an upturn can clearly be seen since the beginning of 2015, after a protracted period of fall.

Chart 5: Inflation expectations showing some first signs of recovery



Source: EBF based on Bloomberg data

Likewise, the effect of both the announcement and the launch of QE, has already led to a sizeable depreciation of the euro, which has lost around 20% of its value against the USD dollar over the last 6 months (reaching its 12-year record low).

c. QE implications for banks and lending to customers

An open question remains the extent to which quantitative easing will have an impact on the euro area's economy and bank activities.

The EBF's Chief Economist Group has identified one primary transmission channel:

- **exchange rate effects will boost export growth and may strengthen credit demand after closing the output gap;** through a depreciated euro exchange rate, a higher external demand and an increasing capacity utilisation may raise investment activities and support related demand for loans; in the euro area, exports account for more than 25% of total economic activity, meaning that any increase in export volumes will have a significant impact on the economy.

But some other channels of transmission of QE effects will likely have only a minimal positive impact on banks, or may even have negative consequences on their activities and capacity to lend to the economy:

- **the direct impact of QE on households will be limited** owing to opposing forces as positive wealth effects (higher asset prices) could be overridden by negative effects on disposable real income (expected higher import prices);. thus, the QE is not expected to generate any stronger credit demand by households;
- **portfolio-rebalancing is expected to be marginal**; **QE pushes government bond prices up**; in principle, **this provides banks**, which are one of the largest owners of these securities, **with a theoretical incentive to sell them and seek riskier instruments** like, for example, equities and corporate bonds (providing higher returns than bonds, whose yields are further pushed down by QE); but **some inconsistencies between the QE and the banking regulation significantly limit this channel**; for example, the Basel III Liquidity Coverage Ratio (LCR) forces banks to hold large portfolios of liquid assets such as government, covered bonds and RMBSs, preventing them from selling these; also the Basel Net Stable Funding Ratio agreed in October last year would disincentive repo/reverse repo transactions of the above assets with central banks[2];
- **cheaper funding conditions will likely have very little impact on banks**; QE further reduces interest rates but banks' borrowing costs are already at a record-low level, and liquidity has been abundant for some time;
- **QE is a significant threat to banks' margins on lending and maturity transformation**; the combination of QE with the already existing negative interest rates will further reduce the gap between what banks charge borrowers and the interest rates banks have to pay to depositors; in addition, QE will keep interest rates low for an extended period; this will further reduce the difference in rates for loans of different maturities, a key source of profits for banks; **through this channel QE may ultimately harm credit supply conditions.**

d. Potential risks associated with QE and need of structural reforms

While providing some relief to the European economy, it is clear that QE cannot address the major structural problems that keep economic activity weak; in some countries the main issue continues to lie in the insufficient focus on structural reforms by policy makers; key areas of reform include taxation, business regulation and government spending; the EBF's Chief Economist Group emphasises that action to fast track the implementation of structural reforms remains strongly needed in order to enable the ECB' s accommodative monetary policy stance to deliver the intended results.

Furthermore, the extra liquidity provided by the ECB could pose risks, including:

- **sudden capital inflows to non-euro area countries, with risks to financial stability**; this concern prompted, for example, strong actions by both the Swiss, Swedish and the Danish Central Banks[3];
- **excessive risk taking and creation of asset price bubbles** (particularly in real estate markets), as QE encourages investors to shift to riskier, higher-yielding assets, and increases liquidity in the markets;
- **reduced incentives,** on the back of the improved short-term growth outlook, **to euro area member states to undertake** the above mentioned **structural reforms** to improve competitiveness and fiscal sustainability.

CONCLUSIONS

The Quantitative Easing Programme is expected to provide a welcome boost to the euro area economy. This will **mainly come through stronger export-led economic growth**, since the programme does not directly stimulate domestic demand in the euro area. Importantly, QE helps stabilise inflation expectations.

But the effectiveness of QE has significant limits, and may bring some negative consequences on credit supply conditions while increasing risks to financial stability.

First of all, QE harms banks' profits through reduced interest margins on lending activities and through its impact on maturity transformation. This may create disincentives in lending to customers. Second, existing regulatory inconsistencies raise serious concerns about the effectiveness of QE to lower funding costs for firms through the portfolio rebalancing effect.

For these reasons, QE could have a limited impact on spurring bank lending. In addition, in some parts of Europe banks remain hesitant to extend credit on the back of lingering factors of uncertainty, including the still muted economic prospects, elevated level of indebtedness and high amount of non-performing loans.

This is why **QE can unfold its economic impact and transmission to the real economy only when combined with more structural measures by euro area member states** to strengthen domestic demand and improve the regulatory environment in Europe.

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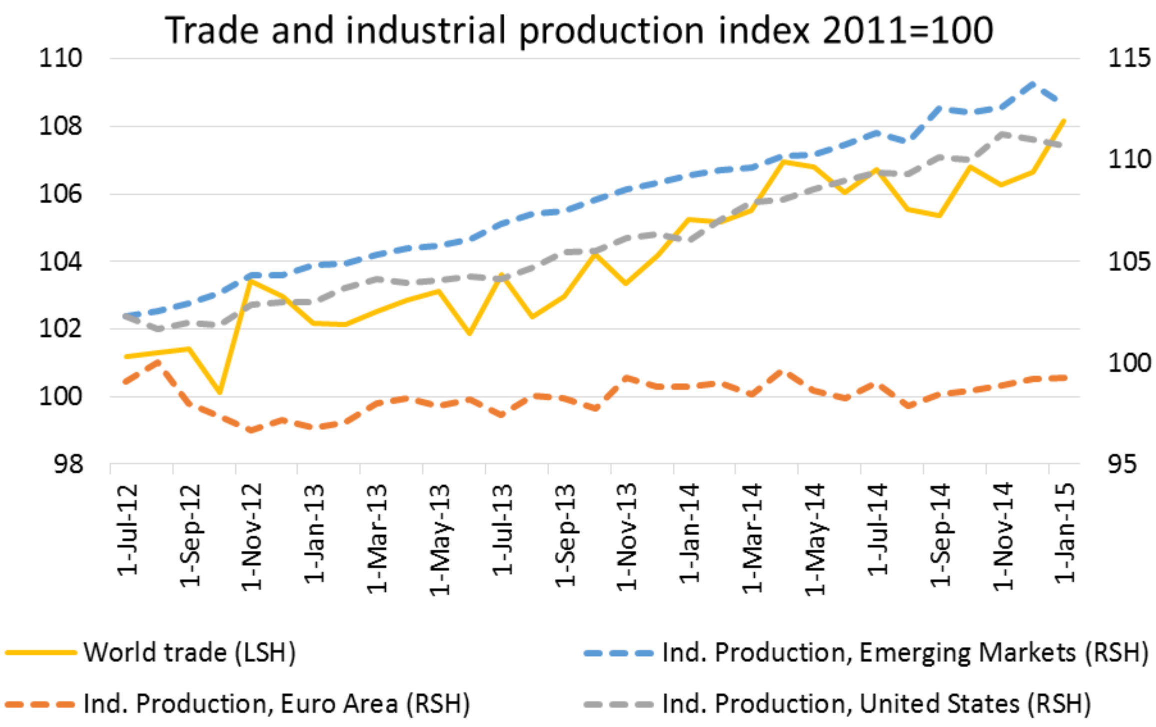
[2] Due to the asymmetry for e.g. a short term (<6m) securities finance transaction which receives no value (ASF of 0%) on the received cash (from financial institutions), while at the same time a related reversed securities finance transaction would be subject to a stable funding requirement (RSF) of 15% (to financial Institutions including central banks). Furthermore, reverse repos settled through CCPs are subject to a 50% RSF factor which would cancel out any incentives to engage in the QE programme

[3] These, alongside some other Central Banks in EU member states, have lowered their interest rates, or adopted unconventional monetary policy measures, anticipating or reacting to the ECB QE programme. These moves were a direct consequence of concerns of sudden capital inflows from investors selling the euro currency.

4. GLOBAL ECONOMY

Outside the euro area, economic activity has in general continued to remain more dynamic. Although the lingering geo-political tensions led to a slowdown in world trade in mid-2014, world trade volumes appear to have gained a new momentum since the end of last year showing that the external environment remains supportive to European exports (chart 6).

Chart 6: Global trade gaining impetuous

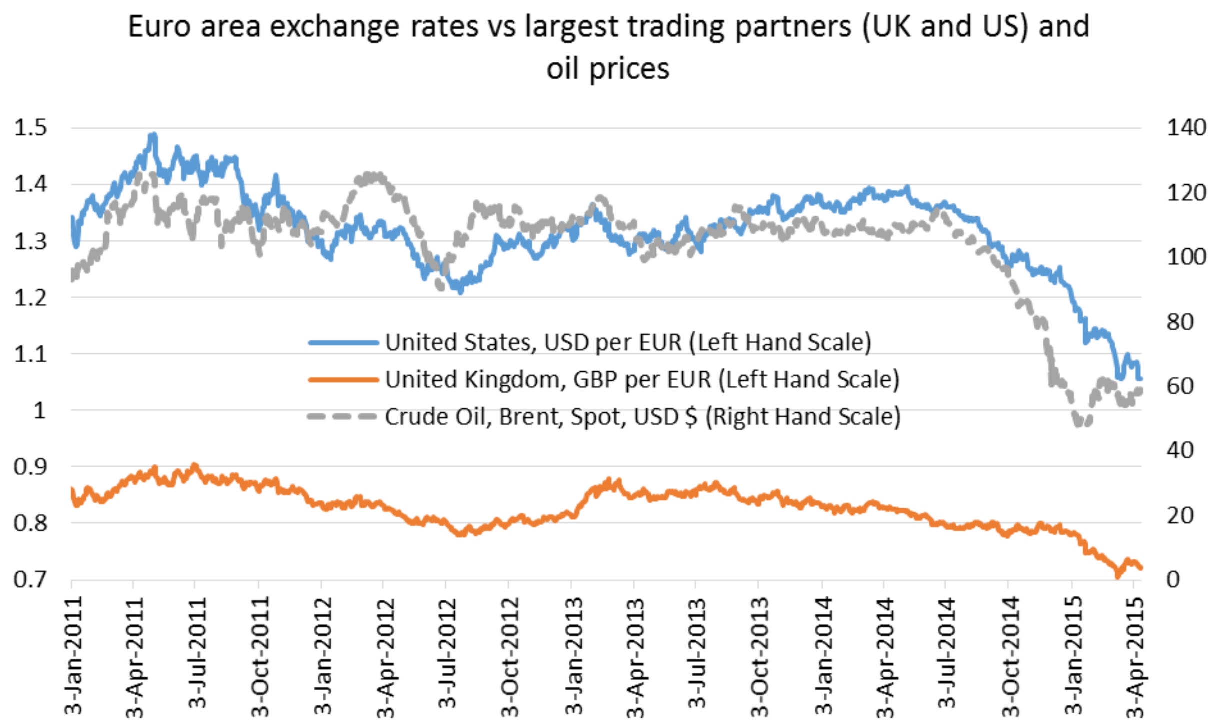


Source: EBF based on Macrobond data

Among the major advanced economies, the underlying dynamics of the US remain the most robust. In particular, industrial activity continues to be relatively strong, supporting job creation. Our consensus sees this trend continuing, with the US GDP expected to grow by a solid 3.0% in 2015, and 2.9% in 2016.

In the case of the euro area, the significant exposure of some of its largest economies to Russia and some other slowing emerging markets has weighed on recent export performance. But the very sharp depreciation of the euro, manifest in the last months (chart 7), resulting from the impact of the ECB monetary policy stance (illustrated in the above box article), is expected to provide a significant boost to exports. We now expect exports to grow by 4.5% this year and by 4.7% in 2016.

Chart 7: Euro exchange rates and oil prices have sharply depreciated



Source: EBF based on Macrobond data

Furthermore, the possible increase of interest rates by the Federal Reserve later this year, may lead to an ever stronger depreciation of the euro against the US dollar, providing further non-negligible support to Euro area exports to its second largest trading partner (after the United Kingdom). The Chief Economist Group expects the euro/dollar exchange rate to be around parity at the end of 2015.

Another international development to have emerged recently, providing sizable support to household income and corporate profit margins in the euro area, is the abrupt fall in energy prices in the second half of 2014. Oil prices fell by some 60% between July 2014 and January 2015, before only very slightly recovering in the first 3 months of 2015. Our consensus expectation is that oil price (Brent) will stay mainly in the 60 -70$ range in the near future.

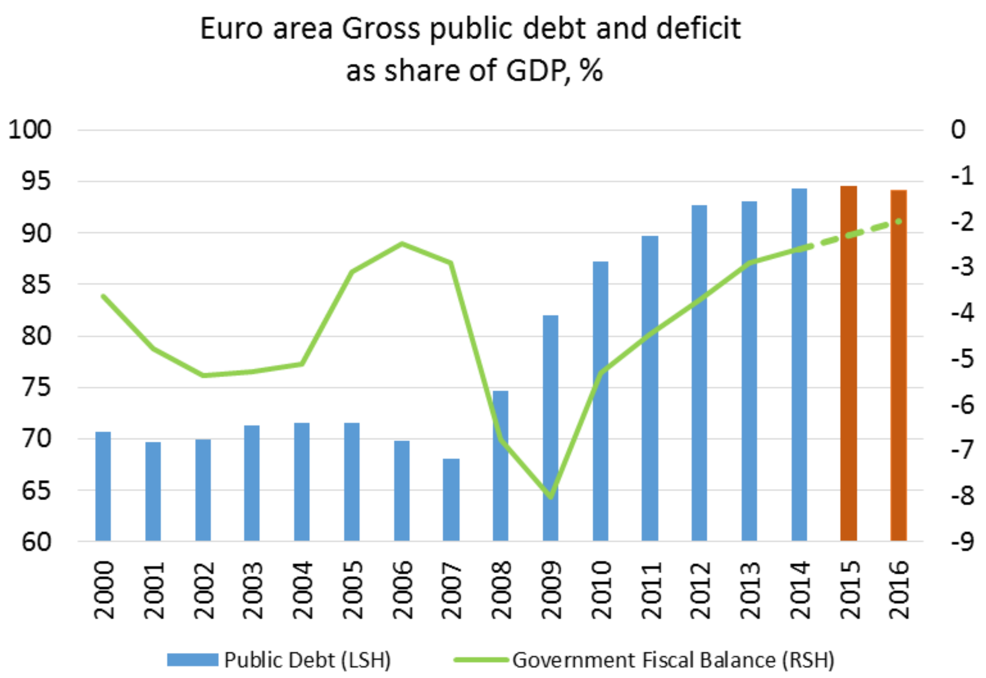
Turning to growth prospects in the emerging markets, the group of these economies is likely to continue on a relatively robust growth path, although at a slower pace than pre-crisis years. But differences across regions remain significant, with a robust economic expansion in a number of Asian countries, and a more moderate growth in other parts of the world, notably Latin America and Russia.

5. FISCAL POLICY AND PUBLIC DEBT

Since the peak of the crisis, euro area member states have achieved significant progress in reducing public deficits. These necessary efforts to consolidate public finances have inevitably weighed on growth performance in the last few years, before becoming more neutral in 2014.

The fiscal policy stance in 2015 is expected to remain broadly neutral. Helped by the moderate growth momentum, we foresee the euro area fiscal deficit falling from 2.4% in 2014 to 2.3% in 2015, and 2.0% in 2016. This development will pave the way to a stabilisation in the share of debt to GDP. We foresee this rate reaching 94.6% in 2015, and 94.1% in 2016.

Chart 8: Progress in fiscal consolidation continuing



Source: *EBF forecast for 2014 and 2015; Ameco (European Commission) for previous years*

Nonetheless, public debt remains historically high. This is a strong risk factor for the euro area economy, especially in the event of any new external shock materialising in the future. Further, the ageing population is expected to add to the burden on public finances, while the environment of protracted low inflation does not help to achieve a reduction in the real stock of debt. All these elements require long-term plans to reduce gradually, public indebtedness towards more sustainable levels.

6. LABOUR MARKET

Labour market conditions are forecast to improve, albeit marginally. This is because, while GDP growth is gaining momentum, the recovery remains historically weak, and capacity utilisation is still at very low levels after a protracted downturn.

After stabilising at 12.6% in 2014, our forecast for the euro area sees a steady, but moderate, fall in the unemployment rate. It is projected to reach 11.6% in 2015, and 11.1%, in 2016. These figures will continue to mask extremely uneven rates across the euro area countries.

According to the CEG projections, the number of jobless individuals in the euro area in 2016 will be more than 5 million than in pre-crisis levels. Such levels clearly harm medium and longer-term growth potential.

The high unemployment is expected to keep wage pressures contained. Our consensus expects wages to increase by 1.2% in both the years 2015 and 2016.

7. RISKS TO THE FORECAST

The CEG consensus remains surrounded by a number of downside risks. These risks stem from both the euro area economy, and from the global economic environment.

But at the same time, new upside risks have also emerged. Should these risks materialise, potentially an upgrade of the forecast can be expected.

A) UPSIDE RISKS

+ The impact of ECB monetary policy measures may be stronger than our forecasts anticipate.
+ Greater fiscal/investment stimulus from euro area government may take place.
+ Oil prices of around $60/barrel on average in 2016 would be a source of potential additional stimulus.
+ The success of structural reforms in countries such as Spain, Ireland and Portugal is becoming more visible. This might encourage other euro area member states to press ahead with reforms.

B) DOWNSIDE RISKS

- Further escalation in geopolitical risks (in countries including the Ukraine and the Middle East) may harm euro area exports and investments.
- The emergence of new political risks in some euro area countries (Greece in particular) might slow down reforms and give rise to new financial market tensions.
- Euro area domestic demand may respond less than anticipated to the positive external shocks as firms and households maintain in the current uncertain environment a more cautious approach to spending.
- Lower inflation rates would make relative price adjustments more difficult, complicate debt deleveraging and put debt sustainability at risk.

ANNEX 1:

SPRING POLL ON THE EURO AREA ECONOMIC OUTLOOK FOR 2015

TABLE 1		2013	2014	CEG Consensus 2015			Earlier CEG Outlook
				2015 mean	2015 range		end-year 2014
1. Output and aggregate demand:	(Ann.% change)						
Gross domestic product (GDP)		-0.5	0.8	1.4	1.0	1.8	**1.2**
Private consumption		-0.6	-0.6	1.5	1.0	1.7	**1.0**
Public consumption		0.2	0.0	0.6	0.0	0.9	**0.4**
Gross investment (GFCF)		-2.4	-3.4	1.7	1.0	2.5	**2.0**
Exports		2.1	1.5	4.5	3.5	5.8	**4.0**
Imports		1.2	0.4	4.3	3.0	5.2	**3.8**
2. Labour market and prices:	(Ann.% change)						
Unemployment rate (%)		12.0	11.6	11.1	11.0	11.3	**11.3**
Wages (Unit Labour Cost)		1.3	1.2	1.1	0.6	1.4	**1.3**
Prices (HCPI)		1.4	0.4	0.2	-0.1	0.3	**1.0**
Core HCPI		1.1	0.8	0.7	0.2	0.8	**0.9**
3. Public finances:	(% GDP)						
Government Balance		-2.9	-2.6	-2.3	-2.5	-2.2	**-2.3**
Government Debt		93.6	94.3	94.6	92.8	95.0	**95.3**
4. External sector:	(% GDP)						
Trade Balance		2.2	2.6	2.9	1.8	2.8	**2.0**
Current Account Balance		2.4	2.8	2.5	-2.6	2.9	**2.4**
(p.m.) US growth	(Ann.% change)	2.2	2.2	3.0	2.5	2.6	**3.0**
(p.m.) Oil price (Brent)	(US$/bl)	111.8	107.0	60.7	55.0	112.0	**103.6**
5. Monetary and financial indicators:							
Interest rate on ECB's main refinancing operations	June	0.10	0.50	0.1	0.2	0.2	**0.1**
	December	0.75	0.25	0.1	0.1	0.1	**0.1**
3 month interest rate (EURIBOR)	(year-end)	0.19	0.22	0.0	0.0	0.1	**0.1**
10 year government bond yield (Bund)	(year-end)	1.32	1.88	0.5	0.1	1.1	**1.6**
M3 growth	(annual growth)	3.0	2.4	3.8	3.0	4.3	**2.7**
Credit to private sector (M3 definition)	(annual growth)	-0.3	-1.3	0.0	0.0	0.0	**-0.2**
Exchange rate USD/EUR	(year-end)	1.32	1.21	1.0	1.0	1.1	**1.2**

ANNEX 2:

SPRING POLL ON THE EURO AREA ECONOMIC OUTLOOK FOR 2016

TABLE 2		2013	2014	CEG Consensus 2016		
				2016 mean	2016 range	
1. Output and aggregate demand: (Ann.% change)						
	Gross domestic product (GDP)	-0.5	0.8	1.7	1.1	2.3
	Private consumption	-0.6	-0.6	1.4	0.9	1.9
	Public consumption	0.2	0.0	0.7	0.5	0.9
	Gross investment (GFCF)	-2.4	-3.4	3.1	1.4	4.5
	Exports	2.1	1.5	4.7	3.4	6.0
	Imports	1.2	0.4	4.7	3.3	6.2
2. Labour market and prices: (Ann.% change)						
	Unemployment rate (%)	12.0	11.6	10.6	10.3	10.9
	Wages (Unit Labour Cost)	1.3	1.2	1.2	0.5	1.9
	Prices (HCPI)	1.4	0.4	1.2	0.7	1.2
	Core HCPI	1.1	0.8	1.0	0.7	1.2
3. Public finances: (% GDP)						
	Government Balance	-2.9	-2.6	-2.0	-2.2	-1.9
	Government Debt	93.6	94.3	94.1	91.6	96.0
4. External sector: (% GDP)						
	Trade Balance	2.2	2.6	2.8	1.9	3.4
	Current Account Balance	2.4	2.8	2.5	-2.7	3.4
(p.m.) US growth	(Ann.% change)	2.2	2.2	2.9	2.5	3.1
(p.m.) Oil price (Brent)	(US$/bl)	111.8	107.0	72.3	65.0	85.0
5. Monetary and financial indicators:						
Interest rate on ECB's main refinancing operations	June	0.10	0.50	**0.05**	**0.01**	**0.10**
	December	0.75	0.25	0.05	0.01	0.10
3 month interest rate (EURIBOR)	(year-end)	0.19	0.22	0.06	0.00	0.20
10 year government bond yield (Bund)	(year-end)	1.32	1.88	0.88	0.20	1.90
M3 growth	(annual growth)	3.0	2.4	3.80	3.50	4.00
Credit to private sector (M3 definition)	(annual growth)	-0.3	-1.3	1.23	0.00	2.70
Exchange rate USD/EUR	(year-end)	1.32	1.21	1.06	0.85	1.22