

Euro Economics Weekly

Belgium: Politics the Likely Main Wild Card in 2014

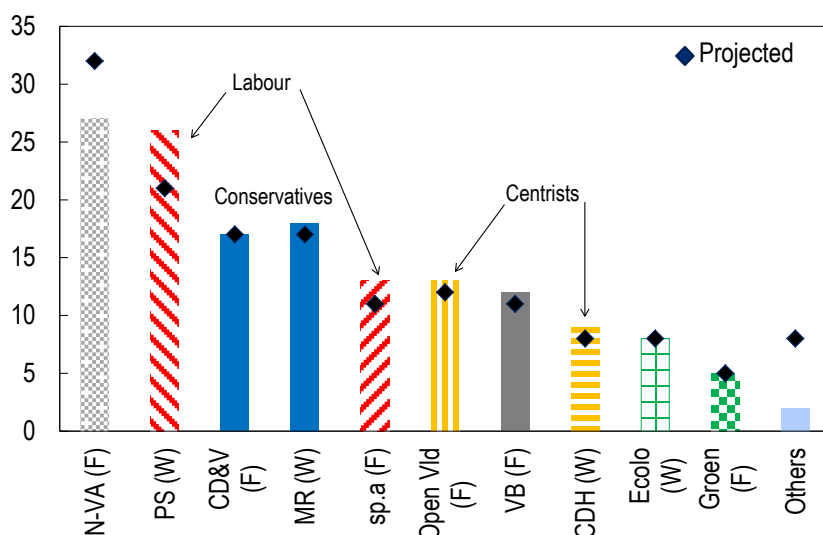
- **We raise our 2014 Belgium GDP forecast to 1.2%** – Cheap financing costs, better investment prospects and better sentiment make Belgium well positioned to benefit from a pick-up in external demand. Headwinds such as competitiveness issues, slow employment growth and continued fiscal policy tightening are also diminishing.
- **Parliamentary elections** – We believe that coalition negotiations will be less protracted than in 2010, probably lasting for the best part of the second half of 2014. We think that Flemish Separatists will be at the helm of a conservative government that will focus more on delivering supply side policies than to push for secession.
- Belgium a leading indicator for the EA – Watch the NBB survey.

Figure 1. Citi Market Forecasts

		Euro Repo	10-yr Bunds	£/€	UK Bank Rate	10-yr Gilt- Bund	SEK Policy Rate	NOK Policy Rate	CHF Policy Rate	CHF Spread vsBunds			
	\$/€					SKr/€			SFr/€				
2Q 14	1.39	0.00	1.70	0.80	0.50	137	9.10	0.75	8.05	1.50	1.25	0.00	-68
4Q 14	1.40	0.00	1.80	0.80	0.50	153	9.00	0.75	7.86	1.50	1.26	0.00	-73

Source: Citi Research

Figure 2. Belgium – Seats by Main Political Parties in the 2010 Elections and Projected Number of Seats Based on Opinion Polls in September 2013



Notes: Parties have been color-coded to reflect their similar political orientation. F = Flemish, W = Walloon

Sources: La Libre Belgique, Le Soir and Citi Research.

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Belgium: What to Watch Out for in 2014

A very slow recovery, lacking much momentum until the middle of 2013

Better export performance should add to GDP growth in 2014, while politics will be the wild card. Leading indicators are sending more positive signals

Rebound in external demand and exports will help...

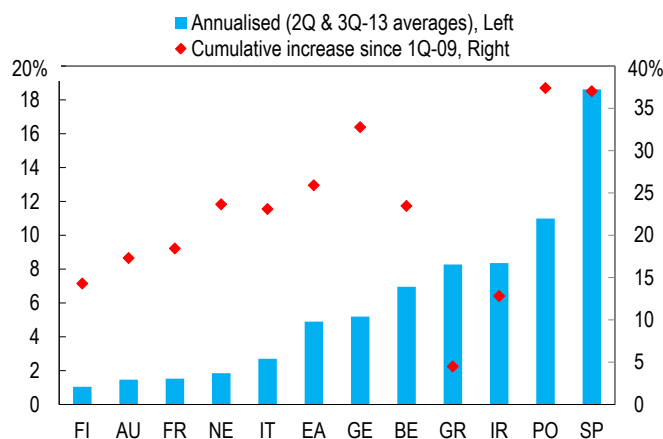
The Belgian economy has been recovering slowly in 2013 and is on track to record GDP growth of 0.2% after a modest decline of 0.1% in 2012. However, the level of GDP in 4Q-13 is forecast to be only 0.7% above its pre-crisis peak of 2Q-09, illustrating a lack of momentum until 2Q-13. This note highlights areas of potential outperformance in terms of economic activity, previews the 2014 parliamentary elections on 25 May and analyses the latest dynamics in leading indicators.

We raise our 2014 Belgium GDP forecast to 1.2% from 0.6% in December (moving above our euro area GDP forecast of 0.9%). We argue that Belgium's large share of exports of goods and services as a percentage of GDP, cheap financing costs, better investment prospects and higher sentiment levels makes it adequately positioned to benefit from a pick-up in external demand. Headwinds such as competitiveness issues, slow employment growth and continued efforts in terms of fiscal policy tightening are also diminishing. While politics could be the wild card of 2014, we believe that coalition negotiations will be less protracted than in 2010, probably lasting for the best part of the second half of 2014. Leading indicators have improved in the last two quarters pointing to faster GDP growth at the start of 2014, and to improving dynamics for the euro area at large.

Can Belgium outperform its 'soft core' neighbours in 2014?

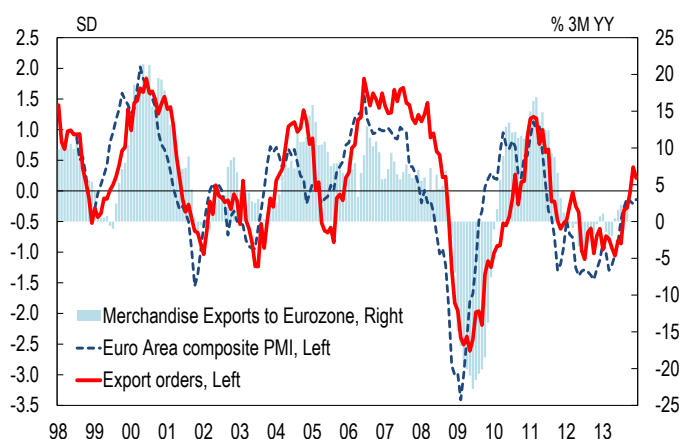
Exports of goods and services have risen noticeably in Belgium recently, showing an average annualised annual rate of 7% in 2Q- and 3Q-13 (see Figure 3). While this performance is dwarfed by the 18.6% surge in Spain¹, it ranks fifth versus its peers, comfortably exceeding that of its main trading partners, such as Germany (5.2%), the Netherlands (1.9%) and France (1.5%). Note that the export order measure of the European Commission survey for Belgium has been exceeding its long-term average in both November and December 2013, pointing to merchandise trade in excess of 5% YY (see Figure 4). Given the important share of exports of goods and services as a percentage of GDP (87% in the four quarters ending Q3-13), it will not take much of an increase in external demand to add to GDP growth. Our forecast of a 0.6pp contribution to GDP in 2013 would be the largest since the 1.4pp recorded in 2002.

Figure 3. Belgium – Real Exports of Goods and Services, Annualised Rates 2Q & 3Q-13 and Cumulative Increase since 1Q-09



Sources: Eurostat and Citi Research

Figure 4. Belgium – Merchandise Exports to the Eurozone, Export orders and Euro Area Composite PMI, Jan-98 to Dec-13



Sources: National Bank of Belgium, European Commission, Haver and Citi Research

¹ Note that the large 1Q-13 drop in Spanish exports distorts Spain's performance: on a four-quarter basis, the annualized increase amounts to 5.9%, compared to 7.1% for Portugal

...but headwinds remain in terms of unit labour cost performance

One key headwind for 2014 will be the strong euro, despite some clear underperformance in terms of euro area GDP growth, as well as a more accommodative ECB. We expect the euro effective exchange rate to appreciate by about 1.5% this year after a gain of 5.5% in 2013. This will act as a drag on Belgian exports outside the euro area. Note also that the competitiveness of the Belgian economy has been deteriorating compared to most of its peers (see Figure 5). Since 2010, Belgium's unit labour costs have increased by an average of 3% per annum, a performance only equaled by Finland in the euro area. This compares with 1.3% in the euro area at large, 1.6% in France and Italy, 2.0% in Germany and 2.2% in Austria and the Netherlands. On a cumulative basis, Belgium has recorded the third largest increase in unit labour costs since 2001 after Italy and Finland.

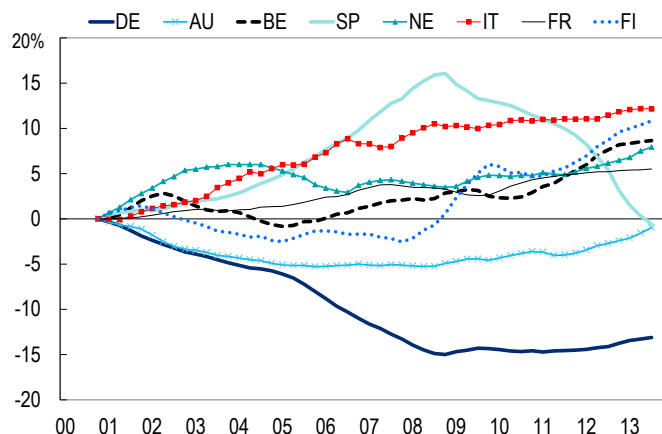
Improving labour market and investment dynamics should help

Yet, unemployment is beginning to fall from its record highs in 2013 when the total number of unemployed hit 420k in Q3-13 and the jobless rate 8.5%, its highest level since 1999. We think this will amount to a clear inflexion point, with survey signals indicating that job creation should recover more meaningfully in the spring of 2014 (see Figure 6). Other survey evidence comparing the relationship between the expected level of demand and that of employment expectations shows that firms located in Belgium have been cautious about hiring compared to previous upswings. This situation argues against a rapid acceleration in employment in 2014. Instead, firms will likely be more willing to rely on their ability to access relatively cheap funding and invest, given the low rate of interest being offered in Belgium and the relatively healthy profit margins in the corporate sector. We think that the improving health of the corporate sector, together with supporting financing conditions, will support a rebound in investment spending, that we expect to be the main segment of outperformance in the GDP expenditure components.

Belgium is trading through France

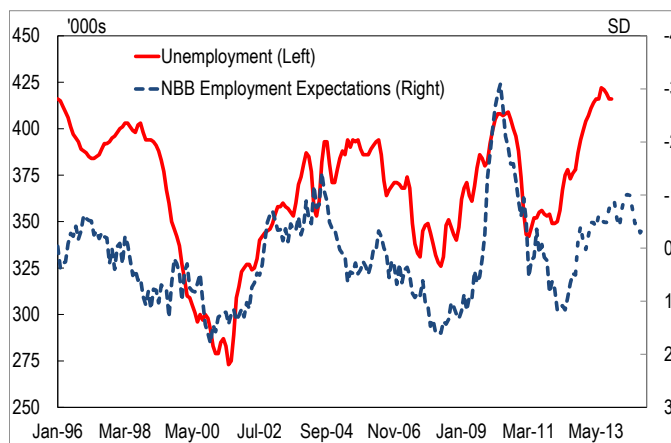
Note that the improvement in Belgium economic trends is also visible in the government bond market. Belgium's 10-year OLO is yielding 2.37% versus France's OAT secondary market rate of 2.43%. Our strategy colleagues ([European Rates Weekly - OAT: Another Year of Flat Performance?](#)) are now neutral regarding the Belgium-France 10-year bond spread given the degree of spread compression that has now taken place.

Figure 5. Selected Countries – Unit Labour Costs (2001 = 0), Four quarter averages, 1Q-01 to 3Q-13



Note the zero line represents the euro area average
Sources: European Central Bank and Citi Research

Figure 6. Belgium – Unemployment and Employment Expectations (inverted, 12-month lead), Jan-96 to Dec-13



Sources: NBB, Eurostat and Citi Research

Domestic demand dynamics are only improving modestly

Household confidence has been exceeding its historical average since October 2013, and the one-point gain in December to -5 (+0.2sd) was enough to push the sentiment reading to a 29-month high. Apart from a sizeable rebound in December, household inflation expectations have been on a downward trajectory for the best part of two years, a trend mirrored by falling unemployment expectations. The combination of these factors points to more favourable disposable income dynamics. But with households still expressing some desire to rebuild their balance sheets, with residential housing prices on a mild downward trajectory, we suspect that the 2014 growth rate of real household expenditure will be relatively similar to the 0.5% recorded in 2013. Some relaxation in fiscal pressure is conceivable post elections, assuming that expenditure cuts become the new government's priority.

A government likely to be in place by year-end is our base case

Given the multitude of permutations, we would argue that coalition negotiations will likely be protracted, albeit less so than in 2010, probably lasting for the best part of the second half of 2014. Note that a period of transition is not so much of an issue for the Belgian economy, given the already implemented trajectory for budget deficit consolidation. The problem would be more about 2015, when in the absence of a government, the care-taker would likely struggle to deliver additional expenditure saving measures, which could be necessary in the event of a GDP growth shortfall.

Forming a Belgian coalition government is taking longer than before

On 25 May, Belgium voters will be asked to renew their lower house of parliament and will also be required to vote to send some MEPs to Brussels. The main question investors are asking is whether Belgium could again struggle to form a government² if the Flemish separatists of N-VA led by Bart De Wever were to be once again the largest party in Belgium, as suggested in the polls. Some academic research on the topic³ suggests that the historical institutional environment to protect the rights of the linguistic groups in the country, its federal structure leading to asymmetric coalitions, the growing ideological polarization and recent limited experience from the N-VA in coalition formation, have been contributing factors to a long period of government formation.

An extraordinarily lengthy period of coalition formation in 2010-11

Looking back to the last parliamentary elections, it took 541 days after the 2010 vote for eight negotiating parties to reach a deal on the Sixth state reform (effective on 1 January 2015), opening the door to a six-party coalition government formed by French-speaking Socialist leader Elio Di Rupo on 6 December 2011.

Belgium's Sixth State Reform delivered three outcomes

The break-through came when parties involved in the negotiations agreed on three main points: i) the creation of a new constituency for the province of Flemish Brabant and another for the bilingual area of Brussels-Capital, ii) increasing the length of the parliament's term from four to five years, as well as ensuring that the date of the election will always coincide with that of the European parliament and iii) the abolition of the direct election of the Senate.

Little appetite for another state reform

One argument in favour of a shorter coalition building-period in 2014, according to the Belgian press, is that politicians appear not to have much appetite for another round of tortuous state reforms. Yet, N-VA's Bart De Wever is openly discussing the possibility of a seventh state reform, although his main declared objective is to form a government by leading the coalition building talks that are likely to start in June

² In its post-war history Belgium frequently had difficult processes of government formation, occasionally taking more than 100 days. More recently, however, cabinet formation has proved to be extremely protracted: after the 2007 election it took 194 days to form a government.

³ The exceptional Belgian case? Government formation duration in comparative perspective, Tom Louwerse and Peter Van Aelst.

http://www.sciencepolitique.be/IMG/pdf/louwerse_the_state_of_the_federation_2013.pdf

2014, explicitly rejecting the involvement of Labour parties in the discussion. Despite some resurgence in independence claims in Scotland ([Sterling Weekly - A Divided Kingdom?](#)) and Catalonia ([Spain - Elections In Catalonia: Down The Path Of 'Two-Speed Spain'](#)), we would argue that Belgium separation pressures are much lower than in 2010, with the N-VA more focused on delivering supply side policies than to push for secession.

What could happen after 25 May 2014?

Forming a majority coalition with the smallest number of parties is the best way to completing rapid negotiations, but given the degree of political fragmentation the arithmetic suggests that it would likely be difficult with less than four parties. If the N-VA party were to improve on its number of seats, which seems a reasonable expectation based on the level of support in various opinion polls, the question will be which parties could agree to reach an agreement with them and share a common platform aiming to curb unemployment benefits, a proposition that will probably exclude the social democrats on both sides of the linguistic divide.

Comprehensive polls at the national level have been few and far between but the N-VA is again firmly in the lead

The problem is that there have not been many noteworthy polls since September 2013 to get a reasonably accurate feel of what voting intentions could mean in terms of a government majority after the May 25 vote (see Figure 2, on the Front Page). Assuming that the Flemish separatists N-VA can tone down some of their demands and find some agreement with the conservatives (MR and Open VLD), and successfully incorporate the Flemish and/or Walloon centrist parties, they would reach the minimum quorum of 76 seats to obtain a majority in parliament. With a projected 32 seats, N-VA would need to find another 44 seats. This could be achieved by bringing the 34 projected conservative seats (MR and CD&V) from both sides of the linguistic divide, and adding some liberal democrats, which are on track to obtain 20 seats (12 for Flemish Open VLD and 8 for Walloon CDH). With a total of 86 seats, this possible five-party coalition government would have a 10-seat majority. Note that a narrower four-party coalition incorporating only the Flemish centrists Open Vld would have only a slim majority (78 seats vs. a 76-seat majority).

A Di Rupo II coalition, but with a different PM, this time from the conservatives?

Another scenario could see a repeat of the Di Rupo coalition government (PS, CD&V, MR, sp.a, Open Vld and CDH) which has presided over a recovering economy and has delivered the necessary budget adjustments to meet the European Commission's Excessive Deficit Criteria. Based on the most recent polls we project the number of seats for a Di Rupo II coalition would be 86 seats, 10 fewer than in 2010, but giving them a majority of 10 seats. In the event of the N-VA not being able to form a coalition, Walloon Socialist Party of current PM Elio Di Rupo could attempt to find a deal. Although the improving economic situation could play into the hands of the incumbent, it is likely that the conservatives, with a projected total of 34 seats could aim to wrestle the prime ministership from Labour, who are projected to have a combined number of 32 seats.

Belgium: a look into the EA's future?

The importance of the NBB survey as a leading indicator of euro area GDP

The economic cycle in Belgium is also worth monitoring because of its leading indicator property for the euro area. The Belgian business survey compiled by the country's central bank, the National Bank of Belgium (NBB), has been a useful leading indicator of economic activity in Belgium, but also for the euro area. The business climate reading displays a contemporaneous correlation of 89% with the annual growth rate of Belgium's real GDP, and a correlation of 77% with a one-quarter lead. The correlation with euro area GDP produces readings of 90% and 84%, respectively. As a result, since the Belgian business climate survey is released on average five days before the European Commission sentiment surveys, and even precedes the German ifo survey by three days, it continues to play a

significant role in gauging the business cycle dynamics that often also apply to larger neighbouring countries.

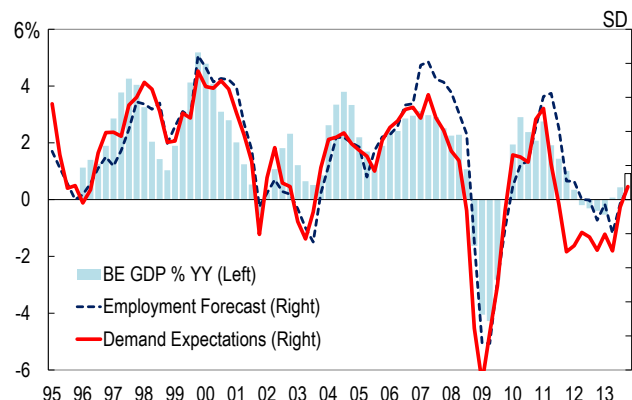
Figure 7. Correlation Table

	Belgium GDP YY	EA GDPYY
Business confidence		
Coincident	0.892	0.896
1-quarter lead	0.774	0.843
Demand Expectations		
Coincident	0.893	0.924
1-quarter lead	0.840	0.927

Source: Citi Research

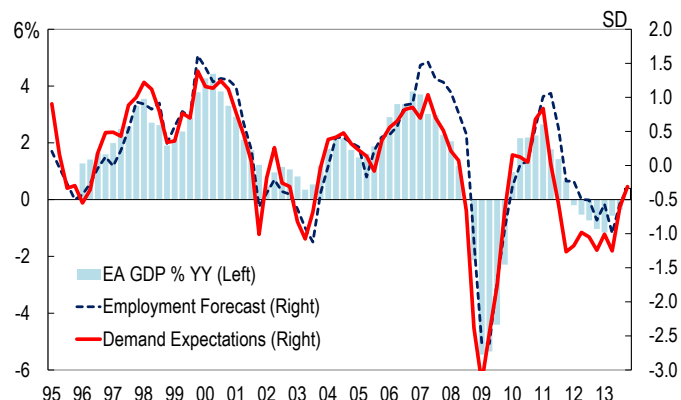
Some segments of the NBB survey are particularly interesting in the sense that they provide firms' expectations of the likely state of future demand in the manufacturing, trade, construction and services sectors. It appears that demand expectations by Belgian businesses are an even better signal for euro area than for Belgian GDP growth. Our composite measure of these demand expectations has very high contemporaneous correlation (0.92) with euro area YY GDP growth, even rising to 0.93 with a one-quarter lead. The Q4-13 average of demand expectations stood at -0.3 standard deviations below its long-term average, up 0.3sd from the 3Q reading and almost 1sd higher than the recent cycle lows of Q2-13 and Q4-11. The model points to euro area GDP growth of 0.2% YY (0.4% Citi baseline) in Q4-13 and 0.8% YY (0.8% Citi baseline) in 1Q-14 (see Figure 9). For Belgium, the equivalent readings are 0.7% YY (0.6% baseline) and 1.2% YY (0.8% baseline) on Figure 8.

Figure 8. Belgium – GDP Growth, Employment and Demand Expectations, 1Q-95 to 4Q-13



Sources: National Bank of Belgium and Citi Research

Figure 9. Euro Area – GDP Growth, Employment and Demand Expectations, 1Q-95 to 4Q-13



Sources: National Bank of Belgium, Eurostat and Citi Research

Demand forecasts continued to increase in December

Note that while the December (NBB) business barometer weakened by 0.2sd to -0.1, reflecting some weakening in manufacturing and construction sector confidence, our composite measure of demand expectations almost rebounded to its October level of -0.3 that had marked the highest reading since July 2011.

Conclusions

Belgium is recovering at the start of 2014, and we look for acceleration in GDP growth to 1.2% compared to 0.2% in 2013. A sizeable positive net trade contribution should be maintained, while the contribution of domestic demand to GDP growth is expected to be positive for the first time in three years. Business surveys also support a modest improvement in YY GDP growth in the next few quarters. The main risk to our base case will likely be politics. We expect the next government to be led by conservatives, with a significant chance of the Flemish separatists at the helm. But we expect the new government to focus more on delivering supply side policies than to push for secession.

Key Economic Indicators (20 January – 24 January 2014)

Monday 20 January		Forecast	Last
07:00	Germany: Producer Prices, Dec	-0.1% MM, -0.6% YY	-0.1% MM, -0.8% YY
09:00	Italy: Industrial Orders, Nov		
14:00	Belgium: Consumer Confidence, Jan		
Tuesday 21 January		Forecast	Last
08:30	Netherlands: Consumer Confidence, Jan		
10:00	Germany: ZEW Current Situation, Jan	34.4	32.4
	ZEW Economic Sentiment, Jan	65.0	62.0
10:00	Euro Area: House Prices, 3Q 13		
11:00	UK: CBI Quarterly Industrial Confidence, Jan	+30%	Oct: +24%
	CBI Monthly Output Expectations, Jan	+20%	Dec: +16%
	CBI Monthly Order Books, Jan	+10%	Dec: +12%
	CBI Monthly Selling Prices, Jan	+15%	Dec: +11%
Wednesday 22 January		Forecast	Last
09:30	UK: LFS Unemployment, Sep-Nov	-144,000 QQ, 7.2% Rate	-99,000 QQ, 7.4% Rate
	Claimant Count Unemployment, Dec	-35,000 MM, 3.7% Rate	-36,700 MM, 3.8% Rate
09:30	UK: Public Sector Net Borrowing, Dec		
09:30	UK: MPC Minutes		
10:00	Euro Area: Government Debt, 3Q13		
10:00	Italy: Current Account, Nov		
	Spain: Trade Balance, Nov		
Thursday 23 January		Forecast	Last
07:45	France: Business Confidence, Jan	101	100
	Own-Company Production Outlook, Jan	10	4
08:00	Spain: LFS Unemployment Rate, 4Q	26.1%	26.0%
08:30	Sweden: Unemployment Rate, Dec	7.6% NSA, 8.0% SA	7.5% NSA, 8.0% SA
08:30	Netherlands: Unemployment, Dec		
09:00	Euro Area: Balance of Payments, Nov		
09:00	Euro Area: Manufacturing PMI, Jan Flash	52.8	52.7
	Services PMI, Jan Flash	51.5	51.0
	Composite PMI, Jan Flash	52.3	52.1
11:00	UK: CBI Retail Survey, Jan		
11:00	Ireland: Residential Property Prices, Dec		
15:00	Euro Area: Consumer Confidence, Jan Flash	-12	-13.6
Friday 24 January		Forecast	Last
08:00	Spain: Producer Prices, Dec		
08:30	Netherlands: Consumer Spending, Nov		
09:00	Italy: Retail Sales, Nov	0.2% MM	-0.1% MM
09:30	UK: BBA Mortgage Advances, Dec		
	Greece: Current Account, Nov		

Sources: National statistical offices, central banks and Citi Research

Economic Indicators

Euro Area

Jan 23	Manufacturing PMI, Jan Flash	Forecast: 52.8	Prior: 52.7
09:00	Services PMI, Jan Flash	Forecast: 51.5	Prior: 51.0
London Time	Composite PMI, Jan Flash	Forecast: 52.3	Prior: 52.1

The composite PMI probably edged slightly higher again in January, posting a similar gain as in December, after two monthly declines in Oct-Nov. The manufacturing PMI likely stabilised, after a strong gain in December, while the services PMI may have recovered some ground after underperforming the manufacturing sector in the previous three months. The pace of improvement in the euro area composite PMI has slowed since last August, suggesting limited room for much acceleration in economic activity at the end of 2013/start of 2014.

Jan 23	Consumer Confidence, Jan Flash	Forecast: -12.0	Prior: -13.6
15:00			

London Time We expect further gains for the aggregate consumer sentiment in the euro area amid very low (and falling) inflation pressures, reduced fiscal austerity and some improvements in the labour market. In 2013 as a whole, consumer confidence improved by 1.4 standard deviations – the largest annual gain since the series began in 1985, after 2009.

Germany

Jan 20	Producer Prices, Dec	Forecast: -0.1% MM, -0.6% YY	Prior: -0.1% MM, -0.8% YY
07:00			

London Time We expect producer prices to tick down in December. Unit labour costs are rising, but the strong euro, low energy prices and still-weak external conditions (weakening the price of intermediate goods imports) continue to resist upward price pressures for producers, even though the rate of YY% declines is moderating slightly.

Jan 21	ZEW Current Situation, Jan	Forecast: 34.4	Prior: 32.4
10:00	ZEW Economic Sentiment, Jan	Forecast: 65.0	Prior: 62.0

London Time We expect another strong ZEW survey reading. We expect only a small increase in the current conditions index, as positive data for the month of December was counterbalanced by a slightly weaker GDP reading for 2013. The forward-looking signs look very robust, which is why we expect another increase in the economic sentiment index, which is already at the highest level since 2006.

France

Jan 23	Business Confidence Indicator, Jan	Forecast: 101	Prior: 100
07:45	Own-Company Production Outlook, Jan	Forecast: 10	Prior: 4

London Time We expect a second successive increase in business confidence, looking for a one-point uptick to 101 in January, and see some slight upside risks to our forecast in light of President Hollande's clear shift towards supply-side policies aimed at improving the competitiveness of the corporate sector. With inventories to finished goods at a six-month low and orders at a four-month high, industrial production should continue to expand in coming months. The real test of improved confidence will be in the personal output series, where we look for a 6-point gain to 10.

Italy

Jan 24	Retail Sales, Nov	Forecast: 0.2% MM	Prior: -0.1% MM
09:00			

London Time The recent improvements in sentiment in the retail sector should start materialising into less negative growth rates for retail spending. The correlation between retail sales and private consumption is not great, but some improvements in retail sales should still suggest a less negative dynamic for private spending (still falling by -0.2% QQ in Q3 13).

Spain

Jan 23	Unemployment Rate, 4Q	Forecast: 26.1%	Prior: 26.0%
08:00			

London Time Monthly data on affiliations to the social security system suggest employment (non-seasonally adjusted) may have posted a quarterly decline in 4Q (by 0.5% QQ), after two consecutive gains. The drop would be mostly explained by seasonal factors, and we estimate employment posted a gain of 0.3% QQ in seasonally adjusted terms. At the same time the labour force has probably continued to decline (by around 1%YY, partly driven by discouraged workers and partly by falling working-age population). Hence, the unemployment rate (NSA) is expected to have edged up only marginally in 4Q, to 26.1%. Firms' improved balance sheets amid falling cost of labour and rising profits have probably been the main reasons behind the stabilisation the Spanish labour market in 2013.

Sweden

Jan 23	LFS Unemployment Rate, Dec	Forecast: 7.6%	Prior: 7.5%
08:30	LFS Unemployment Rate, Dec (SA)	Forecast: 8.0%	Prior: 8.0%

London Time Unemployment is basically trending sideways (in seasonally-adjusted terms), while employment continues to increase. Given weak GDP growth in recent quarters, this is a bit of a surprise. Meanwhile, leading indicators suggest that the employment upturn could be ongoing.

United Kingdom

Jan 21	CBI Industrial Trends Survey, Jan		
09:30	Quarterly Industrial Confidence Net Balance, Jan	Forecast: +30%	Prior: +24%
London Time	Monthly Output Expectations Net Balance, Jan	Forecast: +20%	Prior: +16%
	Monthly Order Books Net Balance, Jan	Forecast: +10%	Prior: +12%
	Monthly Selling Prices Net Balance, Jan	Forecast: +15%	Prior: +11%

The last quarterly survey showed the business confidence index at the highest since 1994, and we look for a further improvement this time, taking the index to the highest since 1987. The monthly survey readings are likely to show strong trends in orders and output, with the usual January bounce in expectations for selling prices (Jan-2013 reading was +21%).

Economic Indicators

United Kingdom continued

Jan 22	LFS Unemployment, Sep-Nov	Forecast: -144,000 QQ, 7.2% Rate	Prior: -99,000 QQ, 7.4% Rate
09:30	Claimant Count Unemployment, Dec	Forecast: -35,000 MM, 3.7% Rate	Prior: -36,700 MM, 3.8% Rate
London Time			

The single-month figures already have shown the jobless rate at 7.1% for September and 7.0% for October. The November figures are likely to be higher – we suspect about 7.5% -- with this cohort having recorded a jobless rate of 8.0% in both May and August. So this would put the three-month average at 7.2%, within a whisker of the MPC's 7% threshold.

Sources: National Statistical Offices, National Central Banks, Bloomberg, and Citi Research forecasts.

Key Economic Indicators (27 January – 31 January 2014)

During The Week		Forecast	Last
07:00	Germany: Import Prices, Dec (by 30 Jan)	-0.2% MM, -2.5% YY	0.1% MM, -2.9% YY
07:00	Germany: Retail Sales, Dec (by 31 Jan)		
07:00	UK: Nationwide House Prices, Jan		
Monday 27 January		Forecast	Last
08:30	Netherlands: Producer Confidence, Jan		
09:00	Germany: ifo Business Climate, Jan		
17:00	France: Jobseekers, Dec		
Tuesday 28 January		Forecast	Last
07:45	France: Consumer Confidence, Jan		
08:30	Sweden: Trade Balance, Dec		
08:30	Sweden: Producer Prices, Dec		
08:30	Sweden: Retail Sales, Dec		
09:00	Italy: Consumer Confidence, Jan		
09:30	UK: GDP, 4Q Preliminary Estimate		
09:30	UK: Service Sector Output, Nov		
10:00	Italy: Contractual Wages, Dec		
Wednesday 29 January		Forecast	Last
07:00	Germany: GfK Consumer Confidence, Feb		
08:00	Spain: Retail Sales, Dec		
08:30	Sweden: Household Lending, Dec		
09:00	Italy: Business Confidence, Jan		
09:00	Norway: LFS Unemployment Rate, Nov		
09:00	Euro Area: M3, Dec		
14:00	Belgium: GDP, 4Q Flash		
19:00	US: FOMC Outcome		
Thursday 30 January		Forecast	Last
08:00	Switzerland: KOF Economic Barometer, Jan		
08:00	Sweden: Business & Consumer Surveys, Jan		
08:00	Spain: GDP, 4Q Flash		
08:55	Germany: Unemployment, Jan		
09:30	UK: Personal Borrowing, Dec		
10:00	Euro Area: Business & Consumer Surveys, Jan		
13:00	Germany: Consumer Prices, Jan Flash		
Friday 31 January		Forecast	Last
00:01	UK: GfK Consumer Confidence, Jan		
07:45	France: Consumer Spending, Dec		
07:45	France: Producer Prices, Dec		
08:00	Spain: HICP, Jan Flash		
09:00	Italy: Unemployment, Dec		
09:00	Norway: Retail Sales, Dec		
09:00	Norway: Credit Indicator C2, Dec		
09:00	Norway: Unemployment Rate, Jan		
10:00	Greece: Retail Sales, Nov		
10:00	Euro Area: Unemployment Rate, Dec		
10:00	Euro Area: HICP Flash, Jan		
	Spain: Current Account, Nov		

Sources: National statistical offices, central banks and Citi Research

Title	Author	Date
Euro Area – Sovereign Debt Update		
Coeuré Says Door Firmly Open to Additional Easing	European Economics Team	Jan 17, 2014
ECB to Impose 6% Capital Ratio in Bank Stress Tests	European Economics Team	Jan 16, 2014
Hollande Formally Embraces Supply-Side Economics	European Economics Team	Jan 15, 2014
Spain 4Q GDP to Rise by 0.3%, Says Economy Minister	European Economics Team	Jan 14, 2014
BIS Weakens Proposed Leverage Ratio	European Economics Team	Jan 13, 2014
Euro Area		
ECB - Door firmly open to easing to address two contingencies	Guillaume Menuet	Jan 9, 2014
ECB January 9 Meeting Preview - Many issues to attend to, but no decisions expected yet	Guillaume Menuet	Jan 3, 2014
ECB - Ready to Act, But Likely Conditional on Lower Inflation Path	Guillaume Menuet	Dec 5, 2013
European Economic Forecast Highlights - December 2013	Ann O'Kelly	Dec 5, 2013
ECB - Seen on Hold in December, but More Easing Likely in 2014	Guillaume Menuet	Nov 28, 2013
Germany - What if Grand Coalition negotiations fail?	Ebrahim Rahbari	Nov 25, 2013
ECB - Aiming for Low Real Rates	Guillaume Menuet	Nov 7, 2013
ECB Preview - Expect Dovish Tone, Leaving Door Open to a Cut in December	Guillaume Menuet	Nov 5, 2013
Euro Area - ECB AQR: More Detail, but not on Public Backstop	Ebrahim Rahbari	Oct 23, 2013
Euro Area - Under No Pressure to Act, ECB Stays Put and Gives Little Away	Guillaume Menuet	Oct 2, 2013
German Elections Outcome - Big Merkel Win, Grand Coalition Government Most Likely	Ebrahim Rahbari et al	Sep 23, 2013
German elections - Four More Years – A Multi-Asset View	Ebrahim Rahbari et al	Sep 12, 2013
Euro Area - ECB Reiterates Forward Guidance, with Some Dovish Hints	Giada Giani	Sep 5, 2013
Euro Economics Weekly		
Germany 2014 Outlook: Recovery And Rebalancing	Ebrahim Rahbari	Jan 10, 2014
2014 Outlook: GDP Risks, Credit Dynamics and Inflation Update	European Economics Team	Jan 6, 2014
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Chief Economist Publications		
Global Economic Outlook and Strategy - Prospects for Economies and Financial Markets in 2014 and Beyond	Willem Buiter	Dec 2, 2013
Scandi		
Scandi Economics Update	Tina Mortensen	Jan 17, 2014
Norway - Banks Expect Lending Margins to Narrow in 1Q 2014	Tina Mortensen	Jan 16, 2014
Sweden - Volatile Components Drive Inflation Higher in December	Tina Mortensen	Jan 14, 2014
UK		
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UK - RICS Survey Shows Continued Housing Boom	Michael Saunders	Jan 16, 2014
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Notes

Appendix A-1

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