

European Economic Forecast Highlights

European Economic Forecast Highlights, December 2014

- This companion to the December issue of *Global Economic Outlook and Strategy - Prospects for Economies and Financial Markets in 2015 and Beyond* gives more detailed forecasts for the main European countries to 4Q16. Figures 21-22 give annual forecasts to 2018 for growth, inflation, current balance, fiscal balance, primary balance and government debt and Figure 23 shows the change in forecasts from last month. Figure 24 shows forecast unemployment to 2019, and Figures 25-27 compare our forecasts with those of other institutions.
- **Euro Area:** Persistent low-inflation, an uneven recovery and an explicit target of balance sheet expansion mean that the ECB will likely have to deliver additional monetary policy accommodation in 2015. We expect a full QE programme including government bond purchases to be launched in 1Q-15, with a preference for the Jan 22 meeting. Given the large output gap, we believe that the ECB will have to rely on a much weaker euro (and maybe more QE) to stop inflation expectations from falling further.
- **The UK economy is likely to grow solidly in 2015**, fuelled by strong growth in consumer spending and business investment. We have again pushed back the start of MPC tightening, and now expect the first rate hike in 4Q-15, by which time the jobless rate is likely to be close to the MPC's estimate of equilibrium. Key risks centre on the 2015 election.

Figure 1. Europe – Short-Term Interest Rates (Percent), 2014-19F

	Estimate	Forecast				
	2014	2015F	2016F	2017F	2018F	2019F
Euro Area	0.16	0.05	0.05	0.07	0.50	1.46
Denmark	0.20	0.10	0.20	0.22	0.60	1.56
Norway	1.50	1.50	1.51	1.83	2.42	2.98
Sweden	0.47	-0.22	-0.14	0.22	1.05	1.71
Switzerland	0.00	0.00	0.00	0.00	0.00	0.38
United Kingdom	0.50	0.54	1.46	2.54	3.40	3.50

Sources: National central banks and Citi Research

Figure 2. Euro Area – Economic Forecasts Compared (Percent), 2014-16F

	Date of Forecast	GDP Growth (YY %)			HICP Inflation (YY %)		
		2014E	2015F	2016F	2014F	2015F	2016F
Euro Area - Citi Forecast	01-Dec-14	0.8	1.1	1.6	0.5	0.8	1.5
OECD Economic Outlook	25-Nov-14	0.8	1.1	1.7	0.5	0.6	1.0
EU Commission Forecast	04-Nov-14	0.8	1.1	1.7	0.5	0.8	1.5
IMF WEO Forecast	07-Oct-14	0.8	1.3	1.7	0.5	0.9	1.2
ECB Forecast - mid-point	04-Sep-14	0.9	1.6	1.9	0.6	1.1	1.4
Consensus Economics	10-Nov-14	0.8	1.1	NA	0.5	0.9	NA

Sources: ECB, European Commission, IMF, OECD and Citi Research

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Euro Area

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Euro area GDP rose by 0.2% QQ in 3Q after a 0.1% QQ gain in Q2, allaying fears of renewed recession. But the overall picture remains fragile: business sentiment surveys suggest that economic activity is likely to remain subdued and uneven, while the continued focus on budgetary consolidation in member states whose deficit exceeds the medium-term objective means that fiscal support will be negligible. Stronger domestic demand dynamics in countries where structural reforms have been the most ambitious should support GDP growth in coming years. Yet, very few jobs are being created across the euro area and uncertainties pertaining to the strength of external demand will likely translate into a very slow recovery in business investment. We forecast that GDP growth will accelerate slightly from 0.8% in 2014 to 1.1% in 2015 and 1.6% in 2016. This forecast is based on the assumption that the ECB will ease further and that the euro will weaken significantly, hence lifting exports despite sluggish import growth in key trading partners. We expect the Governing Council (GC) to embark on a QE programme in Q1-15 but possibly as early as in Dec-14 if there were to be enough evidence of a noticeable fall in medium-term inflation expectations.

One of the key uncertainties going into 2015 is how the euro area economy and ultimately the ECB will react to the fall in oil prices. [Falling oil prices should boost employment and private consumption](#), as well as non-financial corporate profits for the Eurozone, which is a net oil importer. But the fall in the price of oil also lowers inflation and raises the risk that inflation expectations may become dis-anchored. Hence, the significant downward impact of lower oil prices (and energy prices) on the euro area HICP rate will likely exacerbate concerns for many GC members who have been highlighting the dangers of persistent 'low-flation'. We estimate that euro area inflation will remain below 1% until 4Q15, and is unlikely to move much above 1.5% until 1Q16. We estimate that core inflation (excluding unprocessed food and energy) will likely stay very low, increasing from 0.8% in 2015 to 0.9% in 2016 and 1.1% in 2017. We believe that risks are probably skewed to the downside and that this assessment is also beginning to be shared more widely by the GC. In the November bulletin, the ECB devoted a box to recent revisions to projections of euro area HICP inflation, noting that "*uncertainties associated with the measurement and impact of economic slack, may also have played a role. In this context, structural reforms and increased competition may have exerted downward pressure on prices through a greater responsiveness to economic slack*".

The ECB GC sent a clear dovish signal to investors at the November press conference about the importance of balance sheet targeting. [President Mario Draghi highlighted two contingencies for action](#): i) a weak macroeconomic profile and ii) failure of previous measures (to reach the balance sheet target). The GC also highlighted a greater degree of urgency about the need to monitor the monetary policy stance, asking the Staff to prepare additional policy measures in a timely manner. We believe that both the inflation and balance sheet contingencies will likely be triggered soon, and estimate that a majority of GC members would favour additional policy action. We believe that doves and neutrals already currently outnumber the hawks, whose numbers will likely diminish as 'low-flation' persists.

[A key obstacle to QE is likely to be Germany](#). As the euro area's largest economy, Germany's influence over ECB decisions probably exceeds its share of GC votes. And the Bundesbank is not alone in expressing concerns about large-scale purchases of government bonds, considering those to be unnecessary, ineffective and potentially harmful. We nevertheless believe that this opposition is not unconditional and will probably be lessened over time by continued inflation undershoots and the preference by some of the budgetary hawks for monetary stimulus over fiscal easing. We argue that the Bundesbank and the German

government would likely avoid a public confrontation with the ECB, partly for fear of stoking euroscepticism. Note that legal concerns will not be a major impediment to a decision to start buying government bonds, in our view. This is because the concerns the German Constitutional Court has raised about the Outright Monetary Transactions (OMT) – and which the European Court of Justice (ECJ) may or may not share – apply to aspects of the OMT which are not essential for a 'plain vanilla' QE program. It is also possible that the upcoming ruling of ECJ around mid-January could even reduce the legal uncertainty over potential QE purchases.

Following President Draghi's [Frankfurt speech](#) on Nov 21, we remain convinced that ECB QE is only a matter of time. We still think that the GC is more likely to make a formal announcement at the Jan 22 meeting (note the new 2015 meeting schedule) although weak inflation data and expectations could still trigger a Dec 4 decision. Alternatively, a successful implementation of the private sector asset purchase programme, perhaps supplemented by non-financial corporate bonds, could enable the GC to wait until March 5. A key uncertainty remains whether the GC will be successful with its first QE attempt whereas it took a number of iterations for many central banks to deliver the appropriate stimulus their economies required. Our QE baseline contains €600bn of government bond purchases over 12 months, supplementing €400bn of private sector asset purchases to reach the €1tn target, alongside a generous €500bn of TLTROs. Despite these assumptions, our central projection does not envisage headline inflation reaching the ECB's target over the forecast horizon. As a result, we argue that further rounds of QE could very well be on the ECB's mind at some stage during the second half of 2016.

Figure 3. Euro Area – Economic Forecasts, 2014-16F

		Est. 2014	Forecast		History				Forecast							
			2015	2016	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Real GDP	YY	0.8	1.1	1.6	1.0	0.8	0.8	0.6	0.7	0.9	1.2	1.5	1.5	1.6	1.7	1.6
	QQ SAAR				1.2	0.3	0.6	0.5	1.3	1.3	1.6	1.8	1.5	1.7	1.9	1.5
Final Domestic Demand	YY	0.7	1.0	1.3	0.8	0.7	0.6	0.6	0.6	1.0	1.1	1.3	1.4	1.3	1.3	1.3
Private Consumption	YY	0.7	1.2	1.3	0.5	0.7	0.8	1.0	1.1	1.2	1.1	1.2	1.2	1.3	1.3	1.3
Public Consumption	YY	0.8	0.7	0.5	0.7	0.9	0.9	0.9	0.4	0.7	0.7	1.1	1.0	0.6	0.4	0.1
Fixed Investment	YY	0.3	0.9	2.4	2.0	0.5	-0.3	-0.7	-0.6	0.8	1.5	1.9	2.2	2.3	2.5	2.6
-- Business Equipment	YY	1.1	1.0	2.4	2.7	1.4	0.7	-0.2	0.1	0.7	1.5	1.8	2.1	2.3	2.5	2.6
-- Construction	YY	-0.7	0.7	2.4	1.1	-0.8	-1.5	-1.5	-1.6	1.0	1.6	2.0	2.3	2.4	2.5	2.5
Stocks (Contrib. to YY GDP Growth)		0.1	0.1	0.0	0.1	0.1	-0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0	-0.1
Exports of Goods and Services	YY	3.4	3.2	3.9	3.8	3.2	3.6	3.0	3.5	3.0	3.1	3.4	3.4	3.7	4.0	4.3
Imports of Goods and Services	YY	3.6	3.5	3.4	3.9	3.7	3.3	3.5	3.8	3.4	3.3	3.5	3.3	3.2	3.4	3.6
Consumer Prices	YY	0.5	0.8	1.5	0.7	0.6	0.4	0.3	0.3	0.6	0.8	1.3	1.5	1.5	1.5	1.4
Core CPI (ex Food, Energy, Tobacco)	YY	0.8	0.6	0.8	0.8	0.8	0.8	0.7	0.6	0.6	0.5	0.7	0.7	0.8	0.8	0.7
CPI Ex Energy and Unprocessed Food	YY	0.9	0.8	0.9	1.0	0.9	0.9	0.7	0.7	0.7	0.7	0.9	0.9	1.0	0.9	0.9
Unemployment Rate	YY	11.5	11.2	10.5	12.2	11.3	11.2	11.4	11.9	11.1	10.9	11.0	11.3	10.5	10.1	10.2
Industrial Production	YY	0.6	0.7	2.5	1.5	0.8	0.4	-0.4	-0.4	0.1	1.1	1.9	2.4	2.5	2.6	2.6
Current Account Balance	€ bn	272.0	301.4	294.9												
	% GDP	2.7	3.0	2.8												
General Government Balance	€ bn	-254.2	-239.5	-201.4												
	% GDP	-2.5	-2.3	-1.9												
Primary Balance	% GDP	0.3	0.6	1.0												
General Government Debt	€ bn	9,593.4	9,812.4	10,013.9												
	% GDP	95.4	96.1	95.7												
Gross Operating Surplus	YY	1.5	1.4	2.2												
ECB Refi Rate (Ann Avg, then qtr-end)	%	0.16	0.05	0.05	0.25	0.15	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	NA	NA
Ten-year Bund yield (Period Avg.)	%	1.26	0.91	1.25	1.68	1.45	1.25	0.65	0.65	0.85	1.00	1.15	1.25	1.25	NA	NA
EUR-USD FX Rate (Ann Avg, then qtr-end)		1.30	1.11	1.02	1.38	1.37	1.26	1.21	1.16	1.12	1.09	1.07	1.05	1.02	1.00	1.00

Note: Percentage changes unless indicated. Annual data are period averages. Sources: ECB, Eurostat and Citi Research forecasts

Germany

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We expect growth of about 1.1% for 2015 and 1.6% for 2016 after roughly 1.5% growth in 2014, and have again revised down our forecasts for coming years. Domestically-driven growth remains well supported by very low unemployment, rising real wages, strong financial conditions and the robust housing sector, although private consumption has been weaker than we had expected. Meanwhile, we expect external headwinds to persist, also hitting business investment. German inflation has been only about 0.9% in 2014, and is likely to remain very subdued in 2015, at about 1.1% with a gradual pickup (reflecting expected currency weakness) to about 1.8% in 2016.

Figure 4. Germany – Economic Forecasts, 2014-16F

		Est.	Forecast		History				Forecast							
		2014	2015	2015	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Real GDP	YY	1.5	1.1	1.6	2.3	1.4	1.2	0.9	0.5	0.9	1.3	1.6	1.4	1.5	1.7	1.6
	QQ SAAR				3.1	-0.3	0.3	0.7	1.3	1.5	1.7	1.7	0.7	2.0	2.3	1.5
Real GDP, Non Work-Day Adjusted	YY	1.5	1.3	1.7												
Final Domestic Demand	YY	1.5	1.4	1.7	2.3	1.2	1.1	1.3	0.8	1.4	1.6	1.8	1.8	1.8	1.7	1.7
	QQ SAAR				3.8	-0.9	1.5	0.9	1.6	1.8	1.9	1.7	1.7	1.8	1.6	1.7
Private Consumption	YY	1.1	1.5	1.6	1.1	0.6	1.1	1.6	1.4	1.7	1.3	1.6	1.5	1.6	1.6	1.6
	QQ SAAR				2.2	0.4	2.9	0.7	1.7	1.4	1.6	1.6	1.5	1.6	1.8	1.7
Public Consumption	YY	1.2	1.5	1.5	0.7	1.2	1.2	1.6	1.8	1.7	1.4	1.4	1.4	1.5	1.5	1.5
	QQ SAAR				0.9	1.8	2.6	1.2	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Fixed Investment	YY	2.9	0.9	2.4	7.3	2.9	1.3	0.3	-2.0	0.6	2.3	2.6	2.8	2.6	2.1	2.0
	QQ SAAR				11.4	-6.9	-3.6	1.1	1.6	3.5	3.2	2.2	2.3	2.7	1.2	1.7
-- Business Equipment	YY	3.2	0.3	2.4	6.7	4.2	2.5	-0.2	-1.6	-1.3	1.8	2.4	2.8	2.8	2.1	2.0
	QQ SAAR				7.1	1.8	-8.8	-0.3	1.1	3.2	3.2	2.1	2.7	3.0	0.5	1.7
-- Construction	YY	3.3	0.8	3.2	10.0	2.7	0.5	0.3	-3.3	1.4	2.6	2.7	3.1	3.2	3.2	3.2
	QQ SAAR				17.7	-14.7	-1.4	2.1	2.0	3.0	3.2	2.8	3.4	3.4	3.0	2.8
Stocks (Contrib. to YY GDP Growth)		-0.2	0.1	0.1	-0.1	0.2	-0.6	-0.2	-0.1	-0.2	0.3	0.3	0.2	0.1	0.2	-0.1
Exports of Goods and Services	YY	3.7	2.8	2.4	3.7	3.4	4.7	3.1	3.7	3.2	2.1	2.2	1.9	2.2	2.4	3.2
	QQ SAAR				-0.6	4.7	8.0	0.6	1.7	2.6	3.5	1.2	0.6	3.5	4.4	4.5
Imports of Goods and Services	YY	3.6	4.0	3.2	3.6	3.5	3.5	3.7	4.5	4.3	3.7	3.5	3.3	3.1	3.0	3.5
	QQ SAAR				-0.2	4.6	6.9	3.6	3.1	3.7	4.2	3.1	2.0	3.1	3.9	4.8
Net Exports (Contrib. to YY GDP Growth)		0.3	0.3	-0.2	-0.1	0.1	0.2	-0.3	-0.1	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0
Consumer Prices	YY	0.9	1.1	1.8	1.2	1.1	0.8	0.6	0.8	1.0	1.1	1.6	1.6	1.8	1.9	2.0
Compensation per Employee	YY	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.3
Employment Growth	YY	0.7	0.3	0.7	0.7	0.9	0.9	0.4	0.3	0.1	0.2	0.7	0.8	0.8	0.7	0.7
ILO Unemployment Rate	%	5.0	5.0	5.0	5.1	5.0	5.0	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9
Registered Unemployment Rate	%	6.7	6.7	6.6												
Industrial Production (incl Construction)	YY	0.7	0.9	1.4	0.8	-0.5	-1.6	-1.5	0.4	1.6	3.3	2.0	1.7	1.3	0.7	0.7
Current Account Balance	€ bn	210.5	222.8	203.4												
	% GDP	7.4	7.7	6.7												
General Government Balance	€ bn	8.3	5.2	-0.3												
	% GDP	0.3	0.2	0.0												
Primary Balance	% GDP	2.2	2.0	1.6												
General Government Debt	€ bn	2,160.9	2,141.2	2,141.5												
	% GDP	76.0	73.8	70.3												
Gross Trading Profits	YY	1.1	0.5	2.5	4.5	1.0	-0.7	-0.3	-1.9	0.5	1.6	1.9	1.1	1.8	3.7	3.5

Note: The German annual figures are derived from quarterly Bundesbank data and adjusted for working days. Forecasts for GDP and its components are calendar adjusted. Percentage changes unless indicated. Annual data are period averages. Sources: Deutsche Bundesbank, Eurostat, Statistisches Bundesamt and Citi Research forecasts

France

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The French economy is growing very slowly, but has outpaced Germany on average in the last couple of quarters. However, part of the upside surprise stemmed from a noticeable increase in government expenditure and inventories that will probably not be repeated in Q4. Together with a probable further slowdown in corporate investment to reflect the recent falls in business confidence, we expect Q4 GDP growth to be close to zero. Prospects for 2015 do not look great, although GDP growth might improve slightly provided that the government delivers on its structural reform agenda and gives clear guarantees that the tax burden will not rise further. The low inflation environment will make it hard for the government to hit its budget deficit targets, likely resulting in another overshoot.

Figure 5. France – Economic Forecasts, 2014-16F

		Est.			Forecast												
		2014	2015	2016	History				Forecast								
					1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	
Real GDP	YY	0.3	0.7	1.6	0.8	0.0	0.4	0.1	0.2	0.6	0.7	1.4	1.6	1.7	1.6	1.4	
	QQ SAAR				0.1	-0.4	1.1	-0.5	0.7	1.1	1.7	2.1	1.4	1.4	1.5	1.3	
Final Domestic Demand	YY	0.3	0.6	1.3	0.5	0.2	0.4	0.0	0.4	0.5	0.6	1.1	1.2	1.3	1.3	1.3	
	QQ SAAR				-1.1	0.5	0.8	-0.3	0.6	1.0	1.2	1.5	1.2	1.2	1.3	1.3	
Private Consumption	YY	0.3	0.8	1.4	0.2	0.3	0.6	0.3	0.9	0.7	0.8	1.0	1.2	1.4	1.5	1.6	
	QQ SAAR				-1.6	1.4	1.0	0.4	0.8	0.8	1.0	1.2	1.6	1.6	1.6	1.6	
Public Consumption	YY	1.9	1.3	0.1	2.1	1.8	2.3	1.6	1.5	1.4	1.0	1.5	1.0	0.4	-0.2	-0.8	
	QQ SAAR				1.6	1.9	3.2	-0.4	1.2	1.6	1.6	1.6	-0.8	-0.8	-0.8	-0.8	
Fixed Investment	YY	-1.7	-0.7	2.3	-0.4	-1.5	-2.2	-2.7	-2.2	-1.2	-0.2	0.9	1.7	2.2	2.5	2.8	
	QQ SAAR				-2.8	-3.3	-2.6	-2.2	-0.8	0.8	1.4	2.0	2.6	2.6	2.9	2.9	
-- Businesses	YY	-0.4	-0.1	3.0	0.9	-0.1	-0.5	-1.7	-1.3	-0.5	0.1	1.3	2.3	2.8	3.2	3.4	
	QQ SAAR				-2.4	-2.0	-0.3	-2.0	-0.8	1.2	2.0	2.8	3.2	3.2	3.6	3.6	
-- Households	YY	-6.2	-2.4	1.3	-5.0	-6.5	-7.1	-6.3	-5.0	-3.1	-1.3	0.0	0.9	1.3	1.5	1.6	
	QQ SAAR				-7.3	-7.3	-6.5	-3.9	-2.0	0.0	0.8	1.2	1.6	1.6	1.6	1.6	
Stocks (Contrib. to YY GDP Growth)		0.4	0.0	-0.1	0.4	-0.1	0.3	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	
Exports of Goods and Services	YY	2.0	2.4	3.8	3.9	0.8	2.0	1.3	1.5	2.2	2.7	3.2	3.6	3.9	4.0	3.7	
	QQ SAAR				1.9	-0.4	2.0	1.9	2.5	2.5	3.7	4.2	3.9	3.9	3.9	3.2	
Imports of Goods and Services	YY	2.9	2.1	2.3	4.1	2.4	2.6	2.4	2.2	2.4	1.8	2.0	2.1	2.2	2.3	2.4	
	QQ SAAR				3.0	1.0	4.6	1.2	2.0	2.0	2.0	2.0	2.4	2.4	2.4	2.4	
Net Exports (Contrib. to YY GDP Growth)		-0.3	0.1	0.4	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	
Consumer Prices	YY	0.6	0.9	1.7	0.9	0.8	0.5	0.5	0.6	0.8	1.1	1.3	1.6	1.7	1.8	1.8	
Average Monthly Wages & Salaries	YY	1.1	1.2	1.8													
Hourly Wages	YY	1.9	1.5	NA													
Employment Growth (Private-Sector)	YY	-0.3	-0.4	0.8													
Unemployment Rate	%	9.8	10.0	9.7	9.7	9.7	9.9	10.0	10.0	10.0	10.0	10.0	9.9	9.8	9.7	9.6	
Manufacturing Production	YY	-0.3	-0.7	1.9													
Current Account Balance	€ bn	-13.3	-0.1	10.7													
	% GDP	-0.6	0.0	0.5													
General Government Balance	€ bn	-88.9	-80.3	-80.3													
	% GDP	-4.2	-3.7	-3.7													
Primary Balance	% GDP	-2.0	-1.5	-1.5													
General Government Debt	€ bn	2,046.6	2,135.5	2,215.7													
	% GDP	98.5	101.7	101.2													
Gross Trading Profits	YY	1.9	3.6	4.5													

Note: Percentage changes unless indicated. Annual data are period averages. Sources: ECB, Eurostat, INSEE and Citi Research forecasts

Italy

[Guillaume Menuet](#)

[Antonio Montilla](#)

Economic weakness continues to be driven by falling private investment, on the back of tight financial conditions, poor confidence levels, and relatively weak external competitiveness. We expect export growth to benefit from a weaker euro in 2015-16, which together with some normalisation in financial conditions (from ECB QE) and a more supportive fiscal policy should generate a modest rise in domestic demand. We expect the government to overshoot its recently-revised fiscal deficit target in 2015, and we see the public debt-to-GDP ratio peaking only in 2015-16.

Figure 6. Italy – Economic Forecasts, Annual, 2014-18F

		Estimated	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	-0.4	0.3	1.0	1.1	0.9	0.8
Final Domestic Demand	YY	-0.4	0.3	0.6	0.7	0.8	0.8
Private Consumption	YY	0.2	0.6	0.5	0.5	0.6	0.6
Public Consumption	YY	-0.3	-0.3	-0.2	-0.1	0.3	0.5
Fixed Investment	YY	-2.6	0.0	1.8	2.0	2.0	1.9
-- Business Equipment	YY	-1.5	0.6	2.1	2.5	2.8	2.6
-- Construction	YY	-3.7	-0.6	1.5	1.5	1.3	1.2
Exports of Goods and Services	YY	1.7	2.6	3.7	3.5	3.1	3.2
Imports of Goods and Services	YY	1.1	2.6	2.4	2.3	3.1	3.7
Net Exports (Contrib. to YY GDP Growth)		0.2	0.1	0.5	0.5	0.1	0.0
Consumer Prices	YY	0.2	0.5	1.1	0.9	0.9	0.9
Employment Growth	YY	-0.2	0.2	0.6	0.8	0.7	0.6
Unemployment Rate	%	12.7	12.7	12.2	11.7	11.2	10.8
Current Account Balance	€ bn	25.6	26.8	27.6	29.2	29.5	30.2
	% GDP	1.6	1.6	1.7	1.7	1.7	1.7
General Government Balance	€ bn	-48.9	-48.4	-35.7	-27.3	-18.6	-14.1
	% GDP	-3.0	-3.0	-2.2	-1.6	-1.1	-0.8
Primary Balance	% GDP	1.7	1.4	2.0	2.3	2.6	2.7
General Government Debt	€ bn	2,127	2,168	2,195	2,222	2,241	2,255
	% GDP	131.4	133.1	132.8	132.4	131.6	130.4

Percentage changes unless indicated. Annual data are period averages. Sources: Bank of Italy, ECB, Eurostat, ISTAT and Citi Research

Figure 7. Italy – Economic Forecasts, Quarterly, 1Q14-4Q16F

		History				Forecast							
		1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Real GDP	YY	-0.3	-0.3	-0.4	-0.4	-0.3	0.1	0.5	0.8	1.0	1.1	1.0	1.0
	QQ SAAR	0.1	-0.9	-0.4	-0.3	0.6	0.6	1.1	1.1	1.3	0.8	0.8	0.9
Final Domestic Demand	YY	-0.6	-0.3	-0.3	-0.5	-0.1	0.1	0.4	0.6	0.6	0.6	0.5	0.6
	QQ SAAR	-1.0	-0.2	-0.5	-0.2	0.6	0.7	0.6	0.6	0.6	0.6	0.5	0.7
Private Consumption	YY	-0.3	0.5	0.3	0.4	0.5	0.5	0.7	0.7	0.6	0.5	0.5	0.4
	QQ SAAR	0.5	0.6	0.0	0.4	0.8	0.8	0.6	0.6	0.4	0.4	0.4	0.4
Public Consumption	YY	-0.3	-0.5	0.3	-0.5	-0.3	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
	QQ SAAR	-1.2	0.4	-0.4	-0.8	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Fixed Investment	YY	-1.7	-2.5	-3.1	-3.4	-1.7	-0.5	0.6	1.4	1.6	1.8	1.7	2.1
	QQ SAAR	-5.8	-3.4	-2.7	-1.5	0.8	1.6	1.6	1.3	2.0	2.2	1.5	2.6
-- Business Equipment	YY	-0.6	-1.5	-1.4	-2.6	-0.7	0.3	1.1	1.5	1.8	2.0	2.0	2.5
	QQ SAAR	-6.3	-2.4	-1.4	-0.2	1.3	1.6	1.7	1.5	2.3	2.7	1.3	3.7
-- Construction	YY	-2.7	-3.4	-4.6	-4.1	-2.7	-1.2	0.2	1.2	1.5	1.5	1.5	1.6
	QQ SAAR	-5.3	-4.4	-3.9	-2.8	0.4	1.6	1.6	1.2	1.6	1.6	1.6	1.6
Exports of Goods and Services	YY	1.7	2.4	1.1	1.6	2.1	1.5	3.0	3.7	4.0	4.1	3.5	3.4
	QQ SAAR	0.9	4.5	0.0	0.9	3.0	2.3	6.0	3.8	3.9	2.8	3.5	3.5
Imports of Goods and Services	YY	0.8	2.5	0.2	1.0	1.8	1.9	3.2	3.3	2.8	2.6	2.0	2.2
	QQ SAAR	-0.1	3.1	-0.5	1.4	3.4	3.1	4.8	2.0	1.3	2.1	2.5	2.8
Net Exports (Contrib. to YY GDP Growth)		0.3	0.1	0.3	0.2	0.1	0.0	0.0	0.2	0.4	0.5	0.5	0.4
Consumer Prices	YY	0.5	0.4	-0.1	0.1	0.1	0.3	0.7	0.8	1.0	1.1	1.1	1.2

Percentage changes unless indicated. Sources: Bank of Italy, ECB, Eurostat, ISTAT and Citi Research

Spain

[Antonio Montilla](#)

We expect the Spanish economic recovery to strengthen in 2015-17, given the more supportive fiscal policy backdrop, high confidence levels, improving jobs market, and less-tight financial conditions. Export growth should benefit from further competitiveness gains and a weaker euro. Yet, political uncertainties are likely to rise in the run-up to parliamentary elections due in autumn 2015, with an increasing probability of a fragmented political environment (i.e. no government majority) and therefore a scenario of political inaction. We expect the government to overshoot its fiscal deficit targets in coming years.

Figure 8. Spain – Economic Forecasts, 2014-16F

		History			Forecast											
		2013	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Real GDP	YY	1.3	2.0	2.1	0.5	1.2	1.6	1.8	2.1	2.0	2.0	2.1	2.0	2.0	2.2	2.2
	QQ SAAR				1.5	2.3	2.0	1.6	2.5	1.9	1.9	2.0	2.1	2.2	2.6	1.9
Final Domestic Demand	YY	1.6	2.0	1.9	0.7	1.8	1.6	2.1	1.7	1.8	2.0	2.5	2.3	1.9	1.9	1.7
	QQ SAAR				4.3	2.3	1.6	0.4	2.5	2.8	2.2	2.5	1.7	1.5	1.9	1.6
Private Consumption	YY	2.2	2.1	2.0	1.7	2.3	2.5	2.4	2.5	2.2	1.9	1.9	1.8	1.9	2.1	2.2
	QQ SAAR				2.0	3.0	2.7	1.8	2.4	1.9	1.6	1.5	2.1	2.2	2.4	2.2
Government Consumption	YY	0.5	0.5	0.5	-0.2	1.1	-0.6	1.7	-2.1	-0.6	1.2	3.5	2.7	0.7	-0.3	-1.2
	QQ SAAR				18.8	0.6	-4.3	-6.2	2.0	6.5	2.8	2.8	-1.2	-1.6	-1.0	-1.0
Fixed Investment	YY	0.9	3.2	3.2	-1.2	1.2	1.7	1.8	3.4	3.3	2.9	3.2	3.2	3.4	3.4	2.9
	QQ SAAR				-2.8	2.3	4.7	3.1	3.4	1.8	3.0	4.7	3.2	2.5	3.4	2.6
-- Business Equipment	YY	8.1	6.1	6.1	10.6	8.0	7.1	6.6	5.6	6.6	5.9	6.2	6.0	6.2	6.4	5.8
	QQ SAAR				11.8	0.4	9.2	5.3	7.7	4.2	6.4	6.7	6.7	5.2	7.2	4.1
-- Construction	YY	-3.9	1.0	0.9	-8.6	-3.4	-2.1	-1.7	1.7	0.8	0.5	0.9	1.0	1.1	1.0	0.6
	QQ SAAR				-12.3	3.7	1.4	1.5	0.2	0.0	0.4	3.1	0.5	0.3	0.2	1.2
Exports of Goods and Services	YY	3.7	5.7	5.4	7.4	1.7	2.6	3.3	6.1	5.8	5.6	5.3	5.0	5.4	5.5	5.6
	QQ SAAR				-4.1	5.3	6.3	5.9	6.7	4.1	5.9	4.3	5.5	5.9	6.2	4.9
Imports of Goods and Services	YY	5.3	6.3	4.8	8.6	3.9	3.5	5.4	6.5	6.6	6.1	6.0	5.0	4.7	4.8	4.8
	QQ SAAR				3.7	5.9	6.8	5.1	8.3	6.2	4.9	4.8	4.3	4.7	5.4	5.0
Net Exports (Contrib. to YY GDP Growth)		-0.4	0.0	0.3	-0.1	-0.6	-0.2	-0.5	0.0	-0.1	0.0	-0.1	0.1	0.4	0.4	0.4
Consumer Prices	YY	-0.1	0.2	0.7	0.0	0.2	-0.4	-0.4	-0.3	-0.1	0.2	0.8	0.9	0.7	0.6	0.4
Compensation per Employee	YY	0.0	0.5	NA	-0.2	0.0	-0.1	0.2	0.3	0.3	0.6	0.6	NA	NA	NA	NA
Employment Growth	YY	1.0	1.7	1.8	-0.5	1.1	1.6	1.7	2.2	1.5	1.5	1.7	1.6	1.7	1.9	1.9
Unemployment Rate	%	24.5	22.9	21.5	25.9	24.5	23.7	23.7	24.1	23.0	22.3	22.3	22.7	21.6	20.8	20.8
Current Account Balance	€ bn	-0.7	5.0	5.7												
	% GDP	-0.1	0.5	0.5												
General Government Balance	€ bn	-57.7	-49.7	-39.8												
	% GDP	-5.6	-4.7	-3.7												
Primary Balance	% GDP	-2.3	-1.6	-0.7												
General Government Debt	€ bn	1,028.1	1,077.8	1,117.6												
	% GDP	99.6	102.0	102.7												

Forecast is not updated for the ESA-2010 data released on 27 November 2014. Percentage changes unless indicated. Annual data are period averages.
Sources: Bank of Spain, ECB, Eurostat, INE and Citi Research forecasts

Greece

[Ebrahim Rahbari](#)

Recent revisions imply that Greek growth (YY%) was positive in Q2 for the first time since Q2 2008 and Q3 growth was almost 3% SAAR, boosted by a strong tourism season. We expect tourism to be a major driver of the growth of 1.5% in 2015 and 1.7% in 2016 (after 0.8% growth in 2014). The major risk in the outlook come from upcoming political events, including uncertainty about a follow-up arrangement to Greece's ending bailout programme, a potential early election in the spring of 2014 and the risk of a Syriza-led government.

Figure 9. Greece – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	0.8	1.5	1.7	1.7	1.9	1.9
Final Domestic Demand	YY	-0.4	0.9	1.3	1.3	1.3	1.4
Private Consumption	YY	0.3	0.8	0.9	1.1	1.3	1.4
Public Consumption	YY	-0.7	0.2	0.3	0.3	0.3	0.3
Fixed Investment	YY	-4.3	3.5	5.4	4.2	3.2	3.2
Exports of Goods and Services	YY	10.2	5.6	4.4	4.5	4.5	4.5
Imports of Goods and Services	YY	7.4	2.9	3.1	3.2	3.0	3.1
HICP	YY	-1.3	-1.3	0.1	0.3	0.4	0.7
Unemployment Rate	%	26.7	25.6	24.7	24.0	23.1	22.2
Current Account Balance	€ bn	2.5	1.9	1.9	1.9	2.3	2.7
	% GDP	1.4	1.1	1.1	1.1	1.4	1.6
General Government Balance	€ bn	-3.4	-3.7	-3.3	-3.3	-3.2	-3.8
	% GDP	-1.9	-2.1	-1.8	-1.8	-1.7	-2.0
Primary Balance	% GDP	2.1	1.9	2.2	2.0	2.0	1.6
General Government Debt	€ bn	317.9	320.2	322.0	323.8	327.0	330.8
	% GDP	178.4	179.2	177.6	175.3	172.4	169.0

Percentage changes unless indicated. Annual data are period averages.

Sources: Bank of Greece, ECB, Eurostat and Citi Research forecasts

Ireland

[Michael Saunders](#)

The “Celtic Tiger” is back. Ireland’s economy roared back in 2014, with GDP growth of about 5% YY, driven by the sharp rise in industrial production in hi-tech and export-related sectors. We do not expect growth to be quite so strong in 2015, but do expect that the combination of the sharp decline in unit labour costs, and solid growth in key export markets in the US and UK, will produce continued rapid growth and set the public debt/GDP ratio on a clear downward trend.

Figure 10. Ireland – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	5.5	4.4	5.2	4.9	4.3	4.1
Real GNP	YY	4.3	3.6	4.5	4.3	3.7	3.5
Final Domestic Demand	YY	2.5	2.2	3.2	2.9	2.2	1.7
Private Consumption	YY	1.1	1.6	2.1	2.3	2.2	2.1
Public Consumption	YY	1.3	-2.5	0.3	0.0	0.5	0.5
Fixed Investment	YY	8.2	8.2	8.7	6.9	3.4	1.6
Exports of Goods and Services	YY	10.0	5.4	7.2	7.4	7.3	7.3
Imports of Goods and Services	YY	8.1	3.9	6.1	6.4	6.6	6.5
Net Trade		3.0	2.6	2.0	2.0	2.1	2.4
GDP Deflator	YY	0.4	1.0	1.1	1.6	1.7	1.7
Nominal GDP	YY	5.8	5.4	6.3	6.6	6.1	5.9
House Prices	YY	11.6	14.8	12.6	7.1	4.1	4.1
Unemployment Rate	%	11.4	10.2	9.3	8.3	7.2	6.2
Employment	YY	1.5	1.8	2.3	2.6	2.7	2.6
Current Account Balance	€ bn	7.3	7.5	8.7	9.5	9.8	10.1
	% GDP	4.0	3.8	4.2	4.3	4.2	4.1
General Government Balance	€ bn	-6.6	-4.8	-2.7	0.4	3.8	6.5
	% GDP	-3.6	-2.4	-1.3	0.2	1.6	2.6
Primary Balance	% GDP	0.5	1.3	2.4	3.8	5.1	5.9
General Government Debt	€ bn	203.0	209.1	209.6	210.6	206.8	200.3
	% GDP	109.7	107.2	101.1	95.4	88.3	80.8

Note: Percentage changes unless indicated. Annual data are period averages.

Sources: Central Bank of Ireland, CSO, ECB, Eurostat and Citi Research forecasts

Portugal

[Antonio Montilla](#)

We expect real GDP growth to pick up to about 1.5% in 2015 and 2% in 2016, driven by rising domestic demand and some acceleration in export growth. The pace of reduction in the budget deficit is likely to be smaller than the government's official targets but, with the debt-to-GDP ratio probably peaking in 2014, this will probably not create too many concerns among Portugal's creditors. Politics are likely to remain a key focus in the run-up to the national elections in Oct-15, with polls suggesting a change at the government through a shift to the left.

Figure 11. Portugal – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	0.8	1.5	2.0	2.0	1.9	1.9
Final Domestic Demand	YY	1.2	1.4	1.6	1.4	1.3	1.4
Private Consumption	YY	1.6	1.7	1.8	1.4	1.2	1.2
Public Consumption	YY	0.0	-0.4	0.2	0.4	0.7	0.8
Fixed Investment	YY	0.9	2.4	2.4	2.7	2.8	2.6
Exports	YY	2.4	4.2	6.1	5.7	4.8	4.6
Imports	YY	5.3	3.1	5.0	4.2	3.5	3.5
Consumer Prices	YY	-0.1	0.2	0.7	0.7	0.9	1.0
Unemployment Rate	%	13.8	12.4	11.7	11.1	10.7	10.3
Current Account Balance	€ bn	0.9	1.2	1.6	2.3	2.8	3.0
	% GDP	0.5	0.7	0.9	1.3	1.5	1.6
General Government Balance	€ bn	-7.1	-5.7	-4.7	-3.9	-3.2	-2.5
	% GDP	-4.3	-3.4	-2.7	-2.2	-1.7	-1.3
Primary Balance	% GDP	0.9	2.0	2.5	2.9	3.2	3.6
General Government Debt	€ bn	233.7	234.4	235.7	237.8	241.0	243.5
	% GDP	139.3	137.9	135.8	133.8	132.2	130.9

Percentage changes unless indicated. Annual data are period averages.

Sources: BdP, INE and Citi Research forecasts

Netherlands

[Guillaume Menuet](#)

If, as we expect, EUR/USD depreciates to around parity by the end of 2016, then the Netherlands — as a small but open economy — is likely to benefit. As a result, we expect some acceleration in economic growth in 2015-16. However, some noticeable headwinds will persist, and ongoing private sector deleveraging plus fiscal consolidation are likely to limit the recovery in private consumption.

Figure 12. Netherlands – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	0.7	1.3	1.7	1.9	2.0	2.0
Final Domestic Demand	YY	0.4	0.7	0.9	1.2	1.5	1.7
Private Consumption	YY	-0.1	0.6	0.8	0.9	1.1	1.3
Public Consumption	YY	0.1	0.0	0.3	0.7	0.8	0.9
Fixed Investment (ex Stocks)	YY	1.6	1.7	2.1	2.7	3.1	3.3
Stocks (Contrib. to YY GDP Growth)		0.0	0.1	0.1	0.0	0.1	7.4
Exports of Goods and Services	YY	4.0	3.1	3.4	3.8	4.0	3.8
Imports of Goods and Services	YY	4.0	2.8	2.8	3.3	3.8	3.8
Net Exports (Contrib. to YY GDP Growth)		0.4	0.6	0.8	0.8	0.6	3.8
Consumer Prices	YY	0.4	0.9	1.5	1.4	1.5	1.7
Unemployment Rate	%	8.3	7.9	7.4	6.7	5.8	4.8
Current Account Balance	€ bn	66.0	59.7	58.8	57.6	56.3	55.7
	% GDP	10.8	9.6	9.1	8.6	8.1	7.8
General Government Balance	€ bn	-12.0	-11.1	-11.2	-9.3	-8.4	-7.0
	% GDP	-2.0	-1.8	-1.7	-1.4	-1.2	-1.0
Primary Balance	% GDP	-0.3	-0.2	-0.2	0.1	0.3	0.5
General Government Debt	€ bn	450.0	458.0	469.2	478.5	487.0	494.0
	% GDP	73.8	73.5	72.9	72.0	70.8	69.3

Note: Percentage changes unless indicated. Annual data are period averages.

Sources: DNB, CBS and Citi Research forecasts

Belgium

[Guillaume Menuet](#)

We look for a very gradual upturn in Belgian GDP growth in 2015. In light of significant street protests against the government's focus on delivering reforms, we believe that consumer spending will not grow much in the next few quarters, despite some windfall gains from lower oil prices. While the PM's plans to increase the legal retirement age, skipping automatic wage indexation and impose spending cuts focused on public administration and health care should benefit Belgium over the medium term, in the short term these measures may hurt growth.

Figure 13. Belgium – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	0.9	1.0	1.6	1.8	2.1	2.1
Final Domestic Demand	YY	1.1	0.9	1.3	1.6	1.6	1.5
Private Consumption	YY	0.6	0.6	1.0	1.2	1.2	1.3
Public Consumption	YY	0.3	0.5	0.9	1.1	1.1	1.0
Fixed Investment (ex Stocks)	YY	2.9	2.0	2.6	3.0	2.9	2.5
Exports of Goods and Services	YY	2.9	3.7	4.1	4.5	5.8	4.9
Imports of Goods and Services	YY	2.0	3.8	3.8	4.2	5.3	4.4
Consumer Prices	YY	0.6	1.1	1.7	1.6	1.7	1.8
Unemployment Rate	%	8.5	8.5	8.2	7.9	7.6	0.0
Current Account Balance	€ bn	-2.2	-0.3	1.2	1.2	0.6	0.4
	% GDP	-0.6	-0.1	0.3	0.3	0.1	0.1
General Government Balance	€ bn	-11.6	-11.3	-11.2	-9.5	-6.4	-3.2
	% GDP	-3.0	-2.8	-2.7	-2.2	-1.5	-0.7
Primary Balance	% GDP	0.3	0.4	0.4	0.9	1.6	2.2
General Government Debt	€ bn	426.0	437.3	448.5	458.1	464.5	467.6
	% GDP	109.6	110.2	109.4	108.1	105.5	102.2

Note: Percentage changes unless indicated. Annual data are period average.

Sources: BNB, Belgostat and Citi Research forecasts

Slovakia

[Jaromir Sindel](#)

We are lifting our 2014 GDP outlook by 0.1 percentage point to 2.4% due to stronger GDP in 3Q14, but cutting our 2015 forecast by 0.1pp to 2.5%. Overall, we continue to expect domestic demand to support GDP growth in 2015 due to the improving labour market and larger fiscal buffer for 2015. However, risks to our outlook are skewed to the downside for 2015, focused in particular on external demand and the large errors in the balance of payments data. While we do not expect major political changes, the left-wing SMER-SD party is unlikely to be able to form another one-party majority government after the elections in March 2016.

Figure 14. Slovakia – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	2.4	2.5	3.1	3.1	3.0	2.9
Final Domestic Demand	YY	4.0	2.5	2.8	3.1	2.8	1.3
Private Consumption	YY	2.8	2.0	2.4	2.5	2.5	2.5
Public Consumption		3.8	2.5	1.9	1.8	2.1	2.1
Fixed Investment	YY	7.1	3.8	4.6	5.6	4.2	-1.9
Exports	YY	5.5	4.9	7.3	7.6	7.9	7.9
Imports	YY	7.2	5.8	7.6	8.0	8.1	8.1
Consumer Prices	YY	-0.1	1.1	2.3	2.3	2.5	2.5
Unemployment Rate	%	12.8	12.1	11.4	10.8	10.1	9.5
Current Account Balance	% GDP	1.5	0.5	0.5	0.3	0.1	-0.1
General Government Balance	% GDP	-2.9	-2.8	-2.1	-1.8	-1.3	-1.0
Government Primary Balance	% GDP	-2.1	-1.8	-1.2	-0.9	-0.4	-0.1
General Government Debt	% GDP	54.5	54.3	52.1	51.0	49.8	48.5

Sources: National sources and Citi Research forecasts

Slovenia

[Jaromir Sindel](#)

We expect little change in growth in 2015. The outlook for export demand is weaker than before, but remains underpinned by Slovenia's better export competitiveness. This should support further, though probably modest, improvements in the labour market. Gains in jobs, low inflation and reduced fiscal drag are likely to also support domestic demand. However, we forecast construction to be less supportive and banking sector resolution will remain a headwind for recovery. We expect privatizations to continue slowly and the current government to stay in power.

Figure 15. Slovenia – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	2.5	1.6	2.3	2.9	3.3	3.4
Final Domestic Demand	YY	1.1	1.1	1.5	2.7	3.2	3.1
Private Consumption	YY	0.5	1.1	1.3	2.1	2.8	2.8
Public Consumption		-1.2	-0.3	-0.8	0.4	1.2	1.2
Fixed Investment	YY	4.8	1.6	3.7	5.7	5.3	4.9
Exports	YY	5.0	7.5	7.6	6.8	6.1	6.1
Imports	YY	4.3	6.9	7.2	7.7	7.6	7.5
Consumer Prices	YY	0.1	0.2	2.5	2.0	1.7	1.8
Unemployment Rate	%	9.6	9.2	8.8	8.5	8.2	7.9
Current Account Balance	% GDP	3.4	4.3	4.5	3.4	1.5	0.6
General Government Balance	% GDP	-4.2	-2.9	-2.5	-2.4	-1.7	-0.7
Government Primary Balance	% GDP	-1.3	-0.1	0.5	0.5	1.1	2.1
General Government Debt	% GDP	82.2	81.0	78.9	77.2	75.6	72.3

Sources: National sources and Citi Research forecasts

United Kingdom

[Michael Saunders](#)

The UK outlook is a mix of strong growth, low inflation, large twin deficits and rising political risks. Our base case is for real GDP growth of about 3% YY in 2015 (consensus 2.6%) and CPI inflation of about 1.3% (consensus 1.6%). Private sector balance sheets have improved significantly, monetary policy is very loose, fiscal policy is not exerting a significant drag and supply-side conditions remain favourable. Corporate profitability is at the highest since 1998, while we expect real disposable income growth of roughly 3% YY in 2015, the highest since 2001. However, the fiscal deficit is overshooting official forecasts, with revenues undershooting due to weakness in average earnings and the reduction in the tax burden at the low end of the income scale. The UK general election (May 2015) seems likely to produce a parliament where no single party has a majority, while uncertainty over [a possible Brexit referendum](#) is rising.

Figure 16. UK – Economic Forecasts, 2014-16F

		Est. Forecast			History Forecast															
		2014	2015	2016	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16				
Real GDP	YY	3.0	3.0	3.0	2.9	3.1	3.0	3.0	3.2	2.8	3.0	3.1	2.9	3.0	3.0	3.0				
	QQ SAAR				2.7	3.9	2.7	2.7	3.4	2.5	3.4	3.1	2.5	3.2	3.2	3.0				
Final Domestic Demand	YY	3.0	3.8	3.5	2.6	3.0	2.8	3.5	3.8	3.8	3.9	3.7	3.6	3.6	3.4	3.3				
	QQ SAAR				3.0	3.2	3.5	4.2	4.1	3.5	3.7	3.5	3.9	3.2	3.2	2.8				
Private Consumption	YY	2.3	3.4	3.3	1.7	2.1	2.4	3.0	3.2	3.5	3.5	3.4	3.4	3.3	3.3	3.3				
	QQ SAAR				2.8	2.3	3.3	3.5	3.7	3.5	3.4	3.1	3.6	3.3	3.3	2.9				
Public Consumption	YY	1.6	0.6	-1.0	1.5	1.2	1.7	1.9	2.2	1.1	-0.2	-0.5	-0.8	-0.9	-1.1	-1.2				
	QQ SAAR				-1.1	3.9	4.5	0.4	-0.1	-0.5	-0.5	-1.0	-1.0	-1.0	-1.5	-1.5				
Fixed Investment	YY	8.0	8.9	9.0	8.3	9.1	7.1	7.6	7.7	8.5	9.9	9.5	9.5	9.4	8.9	8.2				
	QQ SAAR				9.8	5.1	4.0	11.7	10.4	8.0	9.6	9.9	10.7	7.6	7.6	7.0				
-- Business Investment	YY	7.4	7.6	7.1	6.7	11.0	6.3	5.9	7.6	5.9	8.8	8.1	7.3	7.2	6.9	6.8				
	QQ SAAR				3.6	14.0	-2.9	9.8	10.4	6.9	8.2	7.0	7.1	6.6	6.8	6.8				
-- Construction of Private Dwellings	YY	13.4	15.9	16.6	15.0	12.6	10.3	16.1	13.8	13.7	18.5	17.3	18.7	17.8	16.5	13.7				
	QQ SAAR				25.8	15.2	-1.6	27.2	16.3	15.0	15.8	22.2	22.0	11.6	10.9	10.6				
Stocks (Contrib. to YY GDP Growth)		0.1	-0.2	-0.3	0.6	1.1	-0.3	-0.7	-0.1	-0.2	-0.6	0.0	-0.3	-0.3	-0.3	-0.3				
Exports of Goods and Services	YY	-1.2	3.2	4.7	0.8	-5.2	-1.0	0.9	2.1	2.9	4.5	3.3	3.6	4.6	4.9	5.4				
	QQ SAAR				-1.4	-1.7	-1.6	8.6	3.5	1.3	4.6	3.9	4.7	5.4	5.5	6.0				
Imports of Goods and Services	YY	-0.7	5.1	5.3	1.5	-2.2	-2.4	0.4	4.0	5.4	5.5	5.4	5.2	5.4	5.3	5.3				
	QQ SAAR				-7.9	-1.1	5.5	5.7	6.0	4.6	5.8	5.3	5.0	5.5	5.4	5.1				
Net Exports (Contrib. to YY GDP Growth)		-0.1	-0.6	-0.2	-0.3	-1.0	0.5	0.2	-0.5	-0.8	-0.3	-0.6	-0.4	-0.2	-0.1	0.0				
Consumer Prices	YY	1.5	1.3	2.0	1.8	1.7	1.5	1.1	1.0	1.1	1.3	1.8	2.0	2.0	1.9	1.9				
Retail Prices	YY	2.4	1.9	3.8	2.6	2.5	2.4	2.1	1.4	1.6	1.9	2.6	3.3	3.7	4.0	4.1				
RPIX - Ex Mortgages	YY	2.5	1.9	3.4	2.7	2.6	2.5	2.1	1.4	1.6	1.9	2.6	3.1	3.4	3.4	3.5				
Average Earnings YY	YY	1.1	2.6	3.4	1.9	-0.2	0.8	1.7	2.0	2.6	2.8	2.8	3.1	3.3	3.4	3.6				
Employment Growth	YY	2.3	1.5	1.6	2.3	2.5	2.3	2.2	1.6	1.5	1.5	1.3	1.5	1.6	1.6	1.7				
Unemployment Rate	%	6.2	5.4	4.6	6.8	6.3	6.0	5.7	5.6	5.5	5.3	5.1	4.9	4.7	4.5	4.2				
Claimant Count Unemployment Rate	%	3.0	2.5	2.2																
Industrial Production	YY	2.3	1.8	2.0	3.0	2.4	1.9	1.8	1.4	1.7	2.0	2.0	2.0	2.0	2.0	2.0				
Manufacturing Output	YY	3.5	2.0	2.0	4.0	3.7	3.4	3.0	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0				
Current Account Balance	£ bn	-84.5	-79.5	-85.5	-20.4	-23.0	-21.5	-19.6	-18.4	-19.7	-20.3	-21.1	-21.3	-21.6	-21.5	-21.1				
	% GDP	-4.7	-4.2	-4.3	-4.6	-5.1	-4.7	-4.3	-4.0	-4.2	-4.3	-4.4	-4.4	-4.4	-4.3	-4.1				
Public Sector Net Borrowing	£ bn FY	99.6	88.7	61.6																
	% GDP	-5.4	-4.6	-3.0																
General Government Balance	% GDP	-5.6	-4.8	-3.2																
Government Primary Balance	% GDP	-2.6	-1.5	0.3																
General Government Debt	£ bn	1,628.5	1,730.6	1,811.3																
	% GDP	90.7	92.3	91.9																
Gross Non Oil Trading Profits	YY	6.1	5.8	5.6	1.8	13.2	9.8	9.6	8.3	4.8	4.0	6.0	5.1	5.8	5.8	5.6				
Base Rate (Period Average)	%	0.50	0.54	1.46	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.67	0.92	1.33	1.67	1.92				
Ten-year Gilt Yield (Period Averages)	%	2.57	2.46	2.95	2.78	2.67	2.60	2.05	2.25	2.45	2.55	2.60	2.80	2.90						
EUR-GBP FX Rate (Annual Avg, then qtr-end)		0.80	0.78	0.77	0.83	0.80	0.78	0.79	0.79	0.78	0.78	0.78	0.78	0.77	0.77	0.77				
GBP-USD FX Rate (Annual Avg, then qtr-end)		1.63	1.42	1.32	1.67	1.71	1.62	1.53	1.48	1.44	1.40	1.37	1.35	1.32	1.30	1.29				

Percentage changes unless indicated. Annual data are period averages. Sources: BoE, ONS and Citi Research

Switzerland

[Michael Saunders](#)

In some ways, the Swiss outlook remains extraordinarily benign, with a roughly zero fiscal deficit, large current account surplus and continued economic growth. However, the economy has slowed recently and, with inflation close to zero since early 2009, the SNB is likely to remain highly alert for risks that the economy will get tipped into deflation. We expect the SNB will continue to strongly defend the CHF1.20/€ cap and keep the policy rate at zero for many years.

Figure 17. Switzerland – Economic Forecasts, 2014-16F

		Est. Forecast			History				Forecast							
		2014	2015	2016	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Real GDP	YY	1.3	2.0	2.4	1.7	1.1	1.0	1.5	1.4	2.0	2.2	2.1	2.3	2.4	2.4	2.3
Final Domestic Demand	YY	1.6	2.8	2.6	2.0	1.2	1.7	1.4	2.3	2.9	3.0	3.1	2.8	2.6	2.4	2.3
Private Consumption	YY	1.4	2.4	1.7	1.4	1.1	1.8	1.5	2.3	2.7	2.3	2.3	1.9	1.6	1.6	1.7
Public Consumption	YY	0.0	0.6	0.7	0.7	0.3	-0.4	-0.6	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Fixed Investment	YY	2.8	5.1	5.7	4.7	2.1	2.5	2.1	3.3	4.7	6.0	6.6	6.4	6.5	5.3	4.8
Exports of Goods and Services	YY	4.7	4.4	5.0	4.4	3.8	4.8	5.6	4.1	4.5	4.8	4.2	4.9	5.2	5.1	4.9
Imports of Goods and Services	YY	3.4	5.4	6.2	2.9	2.5	5.0	3.4	4.8	5.6	5.7	5.4	6.6	6.4	5.9	5.7
Consumer Prices	YY	0.0	-0.4	0.1	0.0	0.1	0.0	0.0	-0.4	-0.4	-0.5	-0.2	0.1	0.1	0.0	0.0
Unemployment Rate	%	3.3	3.0	2.5	3.2	3.2	3.2	3.5	3.2	2.7	2.7	3.2	2.9	2.2	2.2	2.5
Current Account Balance	Sfr bn	80.7	78.1	78.8	17.9	22.7	22.3	17.8	20.6	20.6	19.9	17.0	20.5	20.7	20.5	17.2
	% GDP	13.2	12.5	12.4	11.8	14.9	14.6	11.6	13.3	13.3	12.7	10.8	12.9	13.0	12.8	10.7
General Government Balance	% GDP	0.5	0.9	1.3												
General Government Debt	% GDP	47.1	46.2	43.8												
SNB Rate (Annual Avge, then qtr-end)	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ten-year Yield (Period Average)	%	0.70	0.46	0.66	0.98	0.80	0.52	0.43	0.34	0.43	0.50	0.57	0.62	0.62		
EUR-CHF FX Rate (Annual Avge, then qtr-end)		1.22	1.22	1.24	1.22	1.22	1.21	1.21	1.21	1.21	1.21	1.22	1.23	1.24	1.25	1.25
USD-CHF FX Rate (Annual Avge, then qtr-end)		0.93	1.10	1.22	0.88	0.89	0.96	1.00	1.04	1.08	1.11	1.15	1.18	1.21	1.24	1.26

Note: Percentage changes unless indicated. Annual data are period averages. Sources: SNB, BFS and Citi Research forecasts

Sweden

[Tina Mortensen](#)

National accounts data showed that economic activity in Sweden slowed from a downwardly revised 0.5% QQ gain in 2Q to 0.3% QQ in 3Q. The main driver behind the slowdown was a large negative drag from foreign trade, reflecting very strong import growth. Meanwhile, private consumption and investment activity rose solidly, supporting our base case of a domestically-led recovery in Sweden. Recovery, meanwhile, continues to face sizable headwinds given Sweden's relatively high EM export exposure and only modest recoveries in key euro area export markets. Employment is rising, but due to a rapidly increasing labour supply the jobless rate is falling very slowly.

Figure 18. Sweden – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP	YY	2.0	2.2	2.5	2.6	2.4	2.3
Final Domestic Demand	YY	2.7	2.7	2.2			
Private Consumption	YY	2.9	2.7	2.4			
Public Consumption	YY	1.1	1.6	0.9			
Fixed Investment	YY	3.9	4.0	3.3			
Exports of Goods & Services	YY	2.1	3.0	4.8			
Imports of Goods & Services	YY	4.1	4.0	4.4			
Consumer Prices	YY	-0.2	0.5	1.7	2.2	2.5	2.2
Unemployment Rate	%	8.0	7.6	7.3	7.0	6.6	6.4
Current Account Balance	SEK bn	227.7	229.3	221.3	244.7	251.7	261.0
	% GDP	5.9	5.8	5.4	5.7	5.6	5.5
General Government Balance	SEK bn	-79.3	-48.1	-11.4	8.6	31.7	42.7
	% GDP	-2.1	-1.2	-0.3	0.2	0.7	0.9
General Government Debt	% GDP	41.9	42.1	40.7	38.6	36.0	33.5
Riksbank Rate (Annual Average)	%	0.47	-0.22	-0.14	0.22	1.05	1.71
Ten-year Yield (Period Average)	%	1.76	1.29	1.85	1.94	2.15	2.42
EUR-SEK FX Rate (Annual Average)		9.13	9.34	9.09	8.89	8.72	8.55
USD-SEK FX Rate (Annual Average)		7.00	8.41	8.93	8.53	7.85	7.25

Note: Percentage changes unless indicated. Annual data are period averages.

Sources: Riksbank, Statistics Sweden and Citi Research forecasts

After its latest rate cut to zero, the Riksbank has effectively used up its options for conventional monetary policy easing, but is also of the view that it has done enough to revive growth, close the output gap and return inflation to target. We reckon, meanwhile, that options for unconventional monetary policy easing will be a topic of increasing importance heading into 2015, and believe that if growth disappoints and/or inflation remains low for longer (and we think inflation will undershoot), then the case for further easing is likely to come together. And the Riksbank – as outlined in the October Monetary Policy Report – has ample options for extra stimulus. We expect that the Riksbank's first option for further stimulus (if needed) would be forward guidance (with a 1.5% CPIF inflation threshold), coupled with a cut in the refi rate to minus 25bp in the next six months or so. This is our base case. Should this not prove sufficient, we suspect QE would be the Riksbank's next step (this is not our base case, though). Such policies may implicitly aim to weaken or cap the currency. But, actual FX intervention would only be likely, we believe, in the event of the krona appreciating sharply.

With the government reluctant to use even more fiscal loosening to boost growth, and given the headwinds from high domestic private debt, sluggish external growth and the significant output gap, we suspect that, unless the Riksbank acts unusually aggressively, it will not really succeed in achieving any of its aims satisfactorily: i.e. Sweden will get modest – but not great – growth and face a long inflation undershoot, and worries that household debt levels are too high will likely persist.

In early-October, Social Democrat leader Stefan Löfven was appointed new Prime Minister, and the SDP-Green Party minority government presented in November a fully financed SEK 25.4bn spending package. The budget confirmed that the official target of a surplus in public finances equivalent to 1% of GDP will not be achieved during the current parliamentary term of office (a general government budget surplus of 0.5% of GDP is seen for 2018). Our base case is that the new government will succeed in getting its budget passed in parliament. This will result in a weakly expansionary fiscal policy during 2015, in our view. Further ahead, the minority government, meanwhile, will likely find it more difficult to achieve a parliamentary majority for its policies. Without broader cross-bloc agreements, we see risk of political paralysis.

Denmark

[Tina Mortensen](#)

The Danish economy expanded by a stronger-than-expected 0.5% QQ in 3Q after a meagre 0.1% QQ gain in the previous quarter. The Danish economy has now expanded for five consecutive quarters, marking the longest stretch with positive growth since 2006. It also leaves GDP at its highest level since early-2012.

Nevertheless, with rising geopolitical unrest and weaker momentum for the majority of Denmark's key trading partners, the near-term outlook does not look too bright.

This is supported by leading indicators, which point to a slowdown in 4Q. With weak private consumption and a struggling export sector, GDP growth could easily turn negative in 4Q. Further out, we continue to expect the Danish economy to gain further, albeit only modest, momentum. Key drivers will likely be stronger private spending, in step with rising employment and positive real wage growth.

Negotiations on the budget have just been finalised. With an election scheduled for next year (must be held in autumn 2015 at the latest), the government parties have used their best efforts to persuade the electorate to vote for their re-election.

Denmark's fiscal stance next year is set to be looser than in recent years, and the government is using the flexibility in the Stability and Growth Pact to near its limits. Among other things, the government has prolonged a temporary offer (into 2015) to reduce pension taxes if they are paid up-front, thereby generating fiscal revenue. We note, though, that should economic growth fail to rebound or the notoriously volatile revenues from the pension yield tax turn out much lower than expected, the government has limited leeway before being forced to impose tightening measures.

Since late-August the Danish krone has strengthened markedly versus the euro, and EUR/DKK is now trading at a level that easily could prompt further action from the Danish National Bank (DNB), in our view. In other words, we think an independent Danish interest rate cut has moved closer. We note, though, that historically it has taken around DKK 10-20bn in intervention over a short period to trigger a unilateral interest rate change. As intervention, so far, has only amounted to DKK 3.1bn (Sep+Oct), we expect the first line of defence, in the event of further DKK strength, would be for the DNB to step up intervention in the foreign exchange market before cutting the CD-rate again. To keep pace with the ECB's extraordinary measures to defend its currency peg, we reckon the DNB may well be forced to cut the CD-rate deeper into negative territory ahead; our base case is another 10bp cut in the CD-rate to -0.15% before year-end, with likely more to come thereafter.

Figure 19. Denmark – Economic Forecasts, 2014-19F

		Est. 2014	Forecast				
			2015	2016	2017	2018	2019
Real GDP	YY	0.7	1.1	1.7	1.8	2.0	1.9
Final Domestic Demand	YY	0.9	1.5	1.7			
Private Consumption	YY	0.7	1.7	1.9			
Public Consumption	YY	0.9	0.8	0.6			
Fixed Investment	YY	1.3	2.1	2.6			
Exports of Goods & Services	YY	1.0	2.1	3.3			
Imports of Goods & Services	YY	2.3	2.9	3.4			
Consumer Prices	YY	0.6	1.1	1.5	1.8	1.9	1.9
Unemployment Rate	%	6.6	6.5	6.2	6.0	5.8	5.6
Current Account Balance	DKK bn	116.8	109.6	109.2	116.1	120.1	118.3
	% GDP	6.1	5.6	5.4	5.6	5.5	5.2
General Government Balance	% GDP	-0.8	-2.5	-2.3	-1.5	-1.1	-0.9
General Government Debt	% GDP	45.2	46.7	47.6	47.4	46.7	45.9
DNB Bank Rate (Annual Average)	%	0.20	0.10	0.20	0.22	0.60	1.56
Ten-year Yield (Period Average)	%	1.43	1.07	1.40	1.69	1.90	2.17

Note: Percentage changes unless indicated. Annual data are period average.

Sources: DNB, national statistical office and Citi Research forecasts

Norway

[Tina Mortensen](#)

Growth in mainland GDP – excluding oil/gas and shipping – slowed in 3Q, but the YY rate was still an above-trend 2.7%. Sharply downshifting investment growth in the petroleum sector next year and ongoing erosion in competitiveness imply that mainland GDP will grow at a below-trend rate pace ahead. The sharp decline in oil prices poses a downside risk to the outlook from 2016 and onwards should prices stay low on a sustained basis. Both fiscal and monetary policy will likely remain expansive to support economic recovery; according to the autumn budget, fiscal easing will amount to 0.5% of mainland trend-GDP next year.

The capital spending cycle within the oil and gas sector is downshifting sharply. Such investment rose an average of 14% in volume terms between 2011 and 2013, providing the rest of the economy with important demand impulses. Statistics Norway's oil-sector investment survey in September confirmed that oil investment will decline sharply next year; the second estimate for 2015 was fully 18% below the current estimate for 2014 (in nominal terms). With investment projects in the pipeline, there may be upward revisions to these estimates. But the survey still points to a real drop in oil investment of more than 10% next year. Note that capital spending in oil and gas extraction was 2.5% lower in 2-3Q 2014 vs. 2-3Q 2013 (and down by 5.2% YY in 3Q-14). However, we believe it is still too early to expect more monetary policy stimulus. For a rate cut to materialize, oil prices will need to stabilize at lower levels, producing not only a more long-lasting negative impact on oil-sector investments but also negative sentiment which then weighs on household spending, in our view. Nonetheless, the plunge in oil prices clearly has increased downside risks. At the September meeting, Norges Bank firmly closed the door on a rate cut. However, expectations of a rate cut have increased (current market pricing discounts around a 40% probability of a rate cut before year-end, and sees a 50bp lower sight deposit rate by mid-2015). Although uncertainty has increased, it does not justify such aggressive action, in our view; first, according to Norges Bank's September forecast, the Bank projects mainland GDP and core CPI at 2.25% next year and second, existing home prices have re-accelerated. The Bank is likely to retake a dovish bias, signalling willingness to cut its key policy rate if downside risks to growth materialise. We reiterate our base case of stable rates next year, but have postponed the timing of initial tightening by a couple of quarters to late-2016E.

Figure 20. Norway – Economic Forecasts, 2014-19F

		Est.	Forecast				
		2014	2015	2016	2017	2018	2019
Real GDP - Mainland	YY	2.6	1.9	2.2	2.6	2.7	2.5
Final Domestic Demand	YY	2.2	2.1	2.6			
Private Consumption	YY	1.8	2.2	2.6			
Public Consumption	YY	3.0	2.2	2.3			
Fixed Investment	YY	2.0	1.7	2.8			
Exports of Goods & Services	YY	2.6	3.1	3.1			
Imports of Goods & Services	YY	1.7	2.2	2.8			
Consumer Prices	YY	2.0	2.1	2.1	2.2	2.4	2.5
Unemployment Rate	%	3.4	3.7	3.6	3.5	3.4	3.3
Current Account Balance	NOK bn	346.3	382.6	416.7	449.0	468.3	491.7
	% GDP	10.8	11.5	12.0	12.3	12.2	12.2
General Government Balance	% GDP	10.1	9.7	9.5	9.2	9.0	9.0
General Government Debt	% GDP	NA	NA	NA	NA	NA	NA
Norges Bank Rate (Annual Average)	%	1.50	1.50	1.51	1.83	2.42	2.98
Ten-year Yield (Period Average)	%	2.52	1.91	2.20	2.29	2.50	2.77
EUR-NOK FX Rate (Annual Average)		8.29	8.20	7.85	7.57	7.32	7.07
USD-NOK FX Rate (Annual Average)		6.36	7.37	7.71	7.27	6.58	6.00

Note: Percentage changes unless indicated. Annual data are period averages.

Sources: Norges Bank, Statistics Norway and Citi Research forecasts

Long-Term Forecasts to 2019

Figure 21. Long-Term Forecasts – GDP, CPI and Current Balance, 2014-19F

	GDP Growth, YY Percent Change						CPI Inflation, YY Percent Change						Current Balance, Percent of GDP					
	Est.	Forecast					Est.	Forecast					Est.	Forecast				
	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019
Euro Area	0.8	1.1	1.6	1.7	1.7	1.7	0.5	0.8	1.5	1.3	1.4	1.5	2.7	3.0	2.8	2.7	2.5	2.5
Germany	1.5	1.1	1.6	1.7	1.7	1.7	0.9	1.1	1.8	1.8	1.7	1.8	7.4	7.7	6.7	6.4	6.0	5.9
France	0.3	0.7	1.6	1.8	1.9	2.0	0.6	0.9	1.7	1.4	1.5	1.6	-0.6	0.0	0.5	0.2	-0.1	-0.3
Italy	-0.4	0.3	1.0	1.1	0.9	0.8	0.2	0.5	1.1	0.9	0.9	0.9	1.6	1.6	1.7	1.7	1.7	1.7
Spain	1.3	2.0	2.1	2.0	1.8	1.8	-0.1	0.2	0.7	0.6	0.8	0.9	-0.1	0.5	0.5	0.7	0.7	0.8
Greece	0.8	1.5	1.7	1.7	1.9	1.9	-1.3	-1.3	0.1	0.3	0.4	0.7	1.4	1.1	1.1	1.1	1.2	1.4
Ireland	5.5	4.4	5.2	4.9	4.3	4.1	0.4	1.0	1.1	1.6	1.7	1.7	4.0	3.8	4.2	4.3	4.2	4.1
Portugal	0.8	1.5	2.0	2.0	1.9	1.9	-0.1	0.2	0.7	0.7	0.9	1.0	0.5	0.7	0.9	1.3	1.5	1.6
Netherlands	0.7	1.3	1.7	1.9	2.0	2.0	0.4	0.9	1.5	1.4	1.5	1.7	10.8	9.6	9.1	8.7	8.2	7.8
Belgium	0.9	1.0	1.6	1.8	2.1	2.1	0.6	1.1	1.7	1.6	1.7	1.8	-0.6	-0.1	0.3	0.3	0.1	0.1
Slovakia	2.4	2.5	3.1	3.1	3.0	2.9	-0.1	1.1	2.3	2.3	2.5	2.5	1.5	0.5	0.5	0.3	0.1	-0.1
Slovenia	2.5	1.6	2.3	2.9	3.3	3.4	0.1	0.2	2.5	2.0	1.7	1.8	3.4	4.3	4.5	3.4	1.5	0.6
Austria*	1.0	1.9	1.7	1.6	1.5	1.3	1.7	1.7	1.7	1.7	1.7	1.7	3.0	3.2	3.2	3.3	3.4	3.4
Cyprus*	-3.2	0.4	1.6	2.0	2.2	2.1	0.0	0.7	1.3	1.5	1.7	1.9	-1.1	-0.8	-0.3	-0.1	-0.2	-0.2
Estonia*	1.2	2.5	3.5	3.5	3.6	3.6	0.8	1.5	2.1	2.2	2.3	2.4	-2.2	-2.4	-2.5	-2.5	-2.6	-2.6
Finland*	-0.2	0.9	1.6	1.7	1.8	1.8	1.2	1.5	1.7	1.9	2.0	2.0	-0.6	-0.5	-0.4	-0.4	-0.3	-0.3
Latvia*	2.7	3.2	3.4	4.1	3.9	3.9	0.7	1.6	1.9	2.0	2.1	2.2	-0.1	-1.5	-1.8	-2.0	-2.0	-2.0
Luxembourg*	2.7	1.9	2.1	2.2	2.2	2.2	1.1	2.1	1.8	1.8	1.9	1.9	5.1	4.0	4.3	4.1	4.1	4.0
Malta*	2.2	2.2	2.0	1.9	1.8	1.7	1.0	1.2	1.4	1.6	1.7	1.7	0.3	0.3	0.4	0.5	0.4	0.4
Denmark	0.7	1.1	1.7	1.8	2.0	1.9	0.6	1.1	1.5	1.8	1.9	1.9	6.1	5.6	5.4	5.5	5.5	5.2
Norway	2.6	1.9	2.2	2.6	2.7	2.5	2.0	2.1	2.1	2.2	2.4	2.5	10.8	11.5	12.0	12.3	12.2	12.2
Sweden	2.0	2.2	2.5	2.6	2.4	2.3	-0.2	0.5	1.7	2.2	2.5	2.2	5.9	5.8	5.4	5.7	5.6	5.5
Switzerland	1.3	2.0	2.4	2.1	2.1	2.1	0.0	-0.4	0.1	-0.2	0.1	0.1	13.2	12.5	12.4	11.8	11.2	10.8
United Kingdom	3.0	3.0	3.0	2.8	2.7	2.4	1.5	1.3	2.0	2.0	2.3	2.2	-4.7	-4.2	-4.3	-4.0	-3.8	-3.6

Note: All forecasts are Citi forecasts except for those marked with an asterisk. *IMF WEO, 7 October 2014. Sources: IMF and Citi Research forecasts

Figure 22. Long-Term Forecasts – Fiscal Balance, Primary Balance and Government Debt, 2014-19F

	Fiscal Balance, Percent of GDP						Primary Balance, Percent of GDP						Government Debt, Percent of GDP					
	Est.	Forecast					Est.	Forecast					Est.	Forecast				
	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019
Euro Area	-2.5	-2.3	-1.9	-1.6	-1.3	-1.0	0.3	0.6	1.0	1.3	1.5	1.8	95.4	96.1	95.7	94.6	93.7	92.4
Germany	0.3	0.2	0.0	-0.1	-0.2	-0.1	2.2	2.0	1.6	1.5	1.3	1.4	76.0	73.8	70.3	67.6	66.7	65.6
France	-4.3	-4.2	-3.7	-3.1	-2.5	-2.1	-2.0	-2.0	-1.5	-0.9	-0.4	0.0	98.5	101.2	101.7	101.6	100.8	99.6
Italy	-3.0	-3.0	-2.2	-1.6	-1.1	-0.8	1.7	1.4	2.0	2.3	2.6	2.7	131.4	133.1	132.8	132.4	131.6	130.4
Spain	-5.6	-4.7	-3.7	-3.0	-2.5	-2.1	-2.3	-1.6	-0.7	-0.2	0.2	0.4	99.6	102.0	102.7	102.7	102.2	101.4
Greece	-1.9	-2.1	-1.8	-1.8	-1.7	-2.0	2.1	1.9	2.2	2.0	2.0	1.6	178.4	179.2	177.6	175.3	172.4	169.0
Ireland	-3.6	-2.4	-1.3	0.2	1.6	2.6	0.5	1.3	2.4	3.8	5.1	5.9	109.7	107.2	101.1	95.4	88.3	80.8
Portugal	-4.3	-3.4	-2.7	-2.2	-1.7	-1.2	0.9	2.0	2.5	2.9	3.2	3.6	139.3	137.9	135.8	133.7	132.0	130.6
Netherlands	-2.0	-1.8	-1.7	-1.4	-1.2	-1.0	-0.3	-0.2	-0.2	0.1	0.3	0.5	73.8	73.5	72.9	72.0	70.8	69.3
Belgium	-3.0	-2.8	-2.7	-2.2	-1.5	-0.7	0.3	0.4	0.4	0.9	1.6	2.2	109.6	110.2	109.4	108.1	105.5	102.2
Slovakia	-2.9	-2.8	-2.1	-1.8	-1.3	-1.0	-2.1	-1.8	-1.2	-0.9	-0.4	-0.1	54.5	54.3	52.1	51.0	49.8	48.5
Slovenia	-4.2	-2.9	-2.5	-2.4	-1.7	-0.7	-1.3	-0.1	0.5	0.5	1.1	2.1	82.2	81.0	78.9	77.2	75.6	72.3
Austria*	-3.0	-1.5	-0.8	-0.7	-0.6	-0.5	-0.9	0.6	1.3	1.5	1.6	1.7	80.1	78.6	76.9	75.0	73.3	71.8
Cyprus*	-4.4	-3.9	-1.3	-0.8	0.6	0.2	-1.0	-1.0	1.7	2.5	4.0	4.0	117.4	126.0	122.5	116.4	111.1	106.5
Estonia*	-0.3	-0.3	-0.1	0.3	0.4	0.6	-0.3	-0.3	-0.1	0.3	0.5	0.6	10.2	10.4	10.3	9.7	9.1	8.2
Finland*	-2.4	-1.4	-0.9	-0.4	-0.1	0.1	-2.5	-1.6	-1.2	-0.7	-0.6	-0.4	57.9	59.3	59.7	59.5	59.2	58.3
Latvia*	-0.8	-0.7	-1.2	-1.3	-0.7	-0.6	0.7	0.5	0.0	-0.2	0.4	0.7	36.0	35.3	34.1	33.6	31.9	30.8
Luxembourg*	0.4	-1.5	-1.3	-1.7	-1.7	-2.0	0.2	-1.5	-1.3	-1.6	-1.6	-1.8	24.2	26.5	28.4	30.7	32.9	35.2
Malta*	-2.7	-2.4	-1.8	-1.8	-1.8	-1.8	0.4	0.7	1.3	1.3	1.3	1.3	71.9	71.3	70.3	69.6	69.0	68.5
Denmark	-0.8	-2.5	-2.3	-1.5	-1.1	-0.9							45.2	46.7	47.6	47.4	46.7	45.9
Norway	10.1	9.7	9.5	9.2	9.0	9.0							NA	NA	NA	NA	NA	NA
Sweden	-2.1	-1.2	-0.3	0.2	0.7	0.9							41.9	42.1	40.7	38.6	36.1	33.6
Switzerland	0.5	0.9	1.3	1.3	1.4	1.5							47.1	46.2	43.8	41.2	38.7	37.1
United Kingdom	-5.6	-4.8	-3.2	-1.8	-0.7	-0.9	-2.6	-1.5	0.3	1.8	2.9	2.7	90.7	92.3	91.9	89.7	86.6	84.0

Note: All forecasts are Citi forecasts except those marked with an asterisk. *IMF WEO, 7 October 2014. Sources: IMF and Citi Research forecasts

Change in Forecasts

Figure 23. Change in Forecasts from Prior Month (Percentage Points), 2014-16F

	GDP Growth			CPI Inflation			Current Balance (% of GDP)			Fiscal Balance (Pct of GDP)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Euro Area			-0.1		-0.1	0.1		0.1	-0.1	0.1	0.2	0.1
Germany	0.1	-0.1	-0.1		-0.3	-0.2	0.1	0.2	-0.2	0.2	0.2	
France						0.3				0.2	0.3	0.3
Italy		-0.1	0.1		0.4	0.5		-0.1				
Spain			-0.1		-0.2		-0.3		-0.1			-0.1
Greece	0.7			-0.1	-0.3	0.1				0.5	0.2	-0.2
Ireland		0.1	0.4				0.1	-0.1	-0.3	-1.6	-3.2	-3.5
Portugal	-0.1	-0.2	-0.1		-0.1					-0.1	-0.1	-0.1
Netherlands		0.1			-0.4	-0.2	-0.3			0.5	0.1	-0.3
Belgium					0.1		0.2	0.6	0.9		-0.5	-1.2
Slovakia	0.1	-0.1		-0.1	-0.2	0.4	0.5	-0.5	-0.9		-0.1	
Slovenia	0.6			-0.3	-0.7	0.7	0.1	0.4	-0.1	0.3	-0.9	0.4
Denmark		-0.2	-0.1	-0.1	-0.1	-0.1	-0.6	-0.1			0.1	-0.4
Norway	0.2	-0.2	-0.4				-0.2	-0.2	-0.1	-0.8	-1.3	-0.5
Sweden	-0.2	-0.4	-0.2		-0.2	-0.2	-0.3	-0.3	-0.4			
Switzerland	0.2	0.7	0.7	-0.2	-1.6	-1.0	0.1	0.6	1.1	1.1	1.3	1.5
United Kingdom		-0.2	-0.3		-0.2	0.1	0.2	0.9	1.3	-1.5	-1.4	-1.1

Source: Citi Research

Unemployment Forecasts, 2014-19F

Figure 24. Selected European Countries – Unemployment Rates, 2014-19F

	2014E	2015F	2016F	2017F	2018F	2019F
Euro Area	11.5	11.2	10.5	9.8	9.1	8.5
Germany	5.0	5.0	5.0	4.9	4.8	5.0
France	9.8	10.0	9.7	9.1	8.4	NA
Italy	12.5	12.4	12.0	11.4	10.9	10.5
Spain	24.5	22.9	21.5	20.2	19.2	18.5
Greece	26.7	25.6	24.7	24.0	23.1	22.2
Ireland	11.4	10.2	9.3	8.3	7.2	6.2
Portugal	13.8	12.4	11.7	11.1	10.7	10.3
Netherlands	8.3	7.9	7.4	6.7	5.8	4.8
Belgium	8.5	8.5	8.2	7.9	7.6	7.5
Slovakia	12.8	12.1	11.4	10.8	10.1	9.5
Slovenia	9.6	9.2	8.8	8.5	8.2	7.9
Denmark	6.6	6.5	6.2	6.0	5.8	5.6
Norway	3.4	3.7	3.6	3.5	3.4	3.3
Sweden	8.0	7.6	7.3	7.0	6.6	6.4
Switzerland	3.3	3.0	2.5	2.3	2.1	2.0
United Kingdom	6.2	5.4	4.6	3.5	2.8	2.3

Sources: Citi Research

Economic Forecasts Compared

Figure 25. Euro Area Countries – Economic Forecasts Compared, 2014-16F

	Date of Forecast	GDP Growth (YY %)			Fiscal Balance (% of GDP)			Debt (% of GDP)		
		2014E	2015F	2016F	2014E	2015F	2016F	2014E	2015F	2016F
Euro Area - Citi Forecast	01-Dec-14	0.8	1.1	1.6	-2.5	-2.3	-1.9	95.4	96.1	95.7
OECD Economic Outlook	25-Nov-14	0.8	1.1	1.7	-2.6	-2.3	-1.9	94.3	94.6	94.7
EU Commission Forecast	04-Nov-14	0.8	1.1	1.7	-2.6	-2.4	-2.1	94.5	94.8	93.8
IMF WEO Forecast	07-Oct-14	0.8	1.3	1.7	-2.9	-2.5	-1.9	96.4	96.1	94.7
ECB Forecast - mid-point	04-Sep-14	0.6	1.6	1.9	-2.6	-2.4	-1.9	93.9	93.1	91.5
Germany - Citi Forecast	01-Dec-14	1.5	1.1	1.6	0.3	0.2	0.0	76.0	73.8	70.3
OECD Economic Outlook	25-Nov-14	1.5	1.1	1.8	0.2	0.0	0.2	74.3	71.1	69.5
EU Commission Forecast	04-Nov-14	1.3	1.1	1.8	0.2	0.0	0.2	74.5	72.4	69.6
IMF WEO Forecast	07-Oct-14	1.4	1.5	1.8	0.3	0.2	0.3	75.5	72.5	69.3
France - Citi Forecast	01-Dec-14	0.3	0.7	1.6	-4.3	-4.2	-3.7	98.5	101.2	101.7
OECD Economic Outlook	25-Nov-14	0.4	0.8	1.5	-4.4	-4.3	-4.1	95.8	99.3	101.8
EU Commission Forecast	04-Nov-14	0.3	1.7	1.5	-4.4	-4.5	-4.7	95.5	98.1	99.8
IMF WEO Forecast	07-Oct-14	0.4	1.0	1.6	-4.4	-4.3	-3.7	95.2	97.7	98.9
Italy - Citi Forecast	01-Dec-14	-0.4	0.3	1.0	-3.0	-3.0	-2.2	131.4	133.1	132.8
OECD Economic Outlook	25-Nov-14	-0.4	0.2	1.0	-3.0	-2.8	-2.1	130.6	132.8	133.5
EU Commission Forecast	04-Nov-14	-0.4	0.6	1.1	-3.0	-2.7	-2.2	132.2	133.8	132.7
IMF WEO Forecast	07-Oct-14	-0.2	0.9	1.3	-3.0	-2.3	-1.2	136.7	136.4	134.1
Spain - Citi Forecast	01-Dec-14	1.3	2.0	2.1	-5.6	-4.7	-3.7	99.6	102.0	102.7
OECD Economic Outlook	25-Nov-14	1.3	1.7	1.9	-5.5	-4.4	-3.3	96.7	99.5	100.9
EU Commission Forecast	04-Nov-14	1.2	1.7	2.2	-5.6	-4.6	-3.9	98.1	101.2	102.1
IMF WEO Forecast	07-Oct-14	1.3	1.7	1.8	-5.7	-4.7	-3.8	98.6	101.1	102.1
Greece - Citi Forecast	01-Dec-14	0.8	1.5	1.7	-1.9	-2.1	-1.8	178.4	179.2	177.6
OECD Economic Outlook	25-Nov-14	0.8	2.3	3.3	-1.0	-0.5	0.2	176.1	174.3	171.4
EU Commission Forecast	04-Nov-14	0.6	2.9	3.7	-1.6	-0.1	1.3	175.5	168.8	157.8
IMF WEO Forecast	07-Oct-14	0.6	2.9	3.7	-2.7	-1.9	-0.6	174.2	171.0	160.5
Ireland - Citi Forecast	01-Dec-14	5.5	4.4	5.2	-3.6	-2.4	-1.3	109.7	107.2	101.1
OECD Economic Outlook	25-Nov-14	4.3	3.3	3.2	-3.7	-2.9	-2.7	111.0	109.4	106.7
EU Commission Forecast	04-Nov-14	4.6	3.6	3.7	-3.7	-2.9	-3.0	110.5	109.4	106.0
IMF WEO Forecast	07-Oct-14	3.6	3.0	2.5	-4.2	-2.8	-1.7	112.4	111.7	108.7
Portugal - Citi Forecast	01-Dec-14	0.8	1.5	2.0	-4.3	-3.4	-2.7	139.3	137.9	135.8
OECD Economic Outlook	25-Nov-14	0.8	1.3	1.5	-4.9	-2.9	-2.3	127.2	128.1	127.6
EU Commission Forecast	04-Nov-14	0.9	1.3	1.7	-4.9	-3.3	-2.8	127.7	125.1	123.7
IMF WEO Forecast	07-Oct-14	1.0	1.5	1.7	-4.0	-2.5	-2.3	131.3	128.7	126.5
Netherlands - Citi Forecast	01-Dec-14	0.7	1.3	1.7	-2.0	-1.8	-1.7	73.8	73.5	72.9
OECD Economic Outlook	25-Nov-14	0.8	1.4	1.6	-2.6	-2.3	-2.2	69.8	70.1	71.2
EU Commission Forecast	04-Nov-14	0.9	1.4	1.7	-2.5	-2.1	-1.8	69.7	70.3	69.9
IMF WEO Forecast	07-Oct-14	0.6	1.4	1.6	-2.5	-2.1	-1.8	69.4	69.6	68.8
Belgium - Citi Forecast	01-Dec-14	0.9	1.0	1.6	-3.0	-2.8	-2.7	109.6	110.2	109.4
OECD Economic Outlook	25-Nov-14	1.0	1.4	1.7	-2.9	-2.1	-1.3	106.1	106.4	105.0
EU Commission Forecast	04-Nov-14	0.9	0.9	1.1	-3.0	-2.8	-2.8	105.8	107.3	107.8
IMF WEO Forecast	07-Oct-14	1.0	1.4	1.5	-2.6	-2.2	-1.6	101.9	101.7	100.5
Slovakia - Citi Forecast	01-Dec-14	2.4	2.5	3.1	-2.9	-2.8	-2.1	54.5	54.3	52.1
OECD Economic Outlook	25-Nov-14	2.0	2.9		-2.9	-2.6	-2.2	54.4	54.6	54.8
EU Commission Forecast	04-Nov-14	2.4	2.5	3.3	-3.0	-2.6	-2.3	54.1	54.9	54.7
IMF WEO Forecast	07-Oct-14	2.6	2.8	3.4	-2.9	-2.3	-1.3	55.7	55.7	54.5
Slovenia - Citi Forecast	01-Dec-14	2.5	1.6	2.3	-4.2	-2.9	-2.5	82.2	81.0	78.9
OECD Economic Outlook	25-Nov-14	2.1	1.4	2.2	-4.4	-2.9	-2.4	74.4	77.0	78.9
EU Commission Forecast	04-Nov-14	2.4	1.7	2.5	-4.4	-2.9	-2.7	82.2	82.9	80.6
IMF WEO Forecast	07-Oct-14	1.4	1.4	1.5	-5.0	-3.9	-3.5	77.4	75.6	77.3

Note: Negative fiscal balances imply deficit. WEO *World Economic Outlook*. Sources: ECB, EU Commission, IMF, OECD and Citi Research

Figure 26. Euro Area Countries – Economic Forecasts Compared, 2014-16F

	Date of Forecast	GDP Growth (YY %)			Fiscal Balance (% of GDP)			Debt (% of GDP)		
		2014E	2015F	2016F	2014E	2015F	2016F	2014E	2015F	2016F
Austria - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	0.5	0.9	1.6	-3.0	-2.2	-1.8	86.1	85.1	84.4
EU Commission Forecast	04-Nov-14	0.7	1.2	1.5	-2.9	-1.8	-1.1	87.0	86.1	84.0
IMF WEO Forecast	07-Oct-14	1.0	1.9	1.7	-3.0	-1.5	-0.8	80.1	78.6	76.9
Cyprus - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	NA	NA	NA	NA	NA	NA	NA	NA	NA
EU Commission Forecast	04-Nov-14	-2.8	0.4	1.6	-3.0	-3.0	-1.4	107.5	115.2	111.6
IMF WEO Forecast	07-Oct-14	-3.2	0.4	1.6	-4.4	-3.9	-1.3	117.4	126.0	122.5
Estonia - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	2.0	2.4	3.4	-0.3	-0.3	-0.2	9.5	8.8	8.0
EU Commission Forecast	04-Nov-14	1.9	2.0	2.7	-0.4	-0.6	-0.5	9.9	9.6	9.5
IMF WEO Forecast	07-Oct-14	1.2	2.5	3.5	-0.3	-0.3	-0.1	10.2	10.4	10.3
Finland - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	-0.2	0.9	1.3	-2.6	-2.1	-1.8	59.0	60.8	62.4
EU Commission Forecast	04-Nov-14	-0.4	0.6	1.1	-2.9	-2.6	-2.3	59.8	61.7	92.4
IMF WEO Forecast	07-Oct-14	-0.2	0.9	1.6	-2.4	-1.4	-0.9	57.9	59.3	59.7
Latvia - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	NA	NA	NA	NA	NA	NA	NA	NA	NA
EC Commission Forecast	04-Nov-14	2.6	2.9	3.6	-1.1	-1.2	-0.9	40.3	36.3	35.1
IMF WEO Forecast	07-Oct-14	2.7	3.2	3.4	-0.8	-0.7	-1.2	36.0	35.3	34.1
Luxembourg - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	3.1	2.2	2.6	0.9	0.2	0.5	24.4	25.9	27.1
EU Commission Forecast	04-Nov-14	3.0	2.4	2.9	0.2	-0.4	-0.6	23.0	24.3	25.4
IMF WEO Forecast	07-Oct-14	2.7	1.9	2.1	0.4	-1.5	-1.3	24.2	26.5	28.4
Malta - Citi Forecast		NA	NA	NA	NA	NA	NA	NA	NA	NA
OECD Economic Outlook	25-Nov-14	NA	NA	NA	NA	NA	NA	NA	NA	NA
EU Commission Forecast	04-Nov-14	3.0	2.9	2.7	-2.5	-2.6	-2.0	71.0	71.0	69.8
IMF WEO Forecast	07-Oct-14	2.2	2.2	2.0	-2.7	-2.4	-1.8	71.9	71.3	70.3

Note: Negative fiscal balances imply deficit. WEO *World Economic Outlook*. Sources: EU Commission, IMF and OECD

Figure 27. Selected European Countries – Economic Forecasts Compared, 2014-16F

	Date of Forecast	GDP Growth (YY %)			Fiscal Balance (% of GDP)			Debt (% of GDP)		
		2014E	2015F	2016F	2014E	2015F	2016F	2014E	2015F	2016F
Denmark - Citi Forecast	01-Dec-14	0.7	1.1	1.7	-0.8	-2.5	-2.3	45.2	46.7	47.6
OECD Economic Outlook	25-Nov-14	0.8	1.4	1.8	-1.7	-2.2	-2.3	46.6	48.7	50.7
EU Commission Forecast	04-Nov-14	0.8	1.7	2.0	-1.0	-2.3	-2.0	44.1	45.1	45.6
IMF WEO Forecast	07-Oct-14	1.5	1.8	1.9	-1.4	-3.0	-2.3	45.1	46.6	47.3
Norway - Citi Forecast	01-Dec-14	2.6	1.9	2.2	10.1	9.7	9.5	NA	NA	NA
OECD Economic Outlook	25-Nov-14	1.7	1.8	2.5	9.9	9.5	9.4	35.1	34.0	38.0
IMF WEO Forecast	07-Oct-14	1.8	1.9	2.0	10.8	9.9	9.1	29.5	29.5	29.5
Sweden - Citi Forecast	01-Dec-14	2.0	2.2	2.5	-2.1	-1.2	-0.3	41.9	42.1	10.7
OECD Economic Outlook	25-Nov-14	2.1	2.8	3.1	-1.7	-1.3	-0.6	40.8	41.2	42.9
EU Commission Forecast	04-Nov-14	2.0	2.4	2.7	-2.4	-1.8	-1.2	40.3	40.1	39.4
IMF WEO Forecast	07-Oct-14	2.1	2.7	2.7	-2.0	-0.8	-0.1	42.2	41.3	39.3
Switzerland - Citi Forecast	01-Dec-14	1.3	2.0	2.4	0.5	0.9	1.3	47.1	46.2	43.8
OECD Economic Outlook	25-Nov-14	1.5	1.5	1.5	0.5	0.8	1.2	42.6	41.7	40.3
IMF WEO Forecast	07-Oct-14	1.3	1.6	2.0	0.5	0.7	1.0	47.2	46.4	44.3
UK - Citi Forecast	01-Dec-14	3.0	3.0	3.0	-5.6	-4.8	-3.2	90.7	92.3	91.9
OECD Economic Outlook	25-Nov-14	3.0	2.7	2.5	-5.5	-4.4	-3.1	87.9	89.5	90.0
EU Commission Forecast	04-Nov-14	3.1	2.7	2.5	-5.4	-4.4	-3.4	89.0	89.5	89.9
IMF WEO Forecast	07-Oct-14	3.2	2.7	2.4	-5.3	-4.1	-2.9	92.0	93.1	92.9
OBR	19-Mar-14	2.7	2.3	2.3	-5.5	-4.2	-4.2	91.9	85.8	85.8

Note: Negative fiscal balances imply deficit. WEO *World Economic Outlook*. Sources: EU Commission, IMF, OBR, OECD and Citi Research

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Appendix A-1

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