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Developed Markets
Western Europe

Euro Economics Weekly

2015 Year Ahead: Low-flation, Politics And QE

- **2015 to be a slightly better year than 2014** — The drop in oil prices will add to GDP growth and should push up consensus forecasts. At the same time, inflation is likely to undershoot consensus for another year, with a temporary rebound expected in 2016 under the influence of ECB QE and a much lower euro.
- **Don't underestimate political risk** — We believe that it will likely be a constant worry, not only in the case of Greece, but also because of the busy electoral calendar featuring parliamentary elections in Spain and local elections in France. We think that this will probably lead to periodic episodes of market volatility with the potential to inflict some damage on economic activity in the countries concerned.
- **QE expected on 22 January** — We believe that the most likely form of QE will be to overweight the more credit-worthy issuers, without exceeding certain percentages of outstanding bonds. However, we acknowledge the possibility that in the early stages, a constrained framework where purchases are initially made without risk-sharing might be the only compromise to launch a sovereign QE programme. Ultimately, we believe that the ECB Governing Council will have to do more.

Guillaume Menuet
+44-20-7986-1314
guillaume.menuet@citi.com

Ebrahim Rahbari
+44-20-7986-6522
ebrahim.rahbari@citi.com

Michael Saunders
+44-20-7986-3299
michael.saunders@citi.com

Antonio Montilla
+44-20-7986-3282
antonio.montilla@citi.com

Ann O'Kelly
+44-20-7986-3297
ann.okelly@citi.com

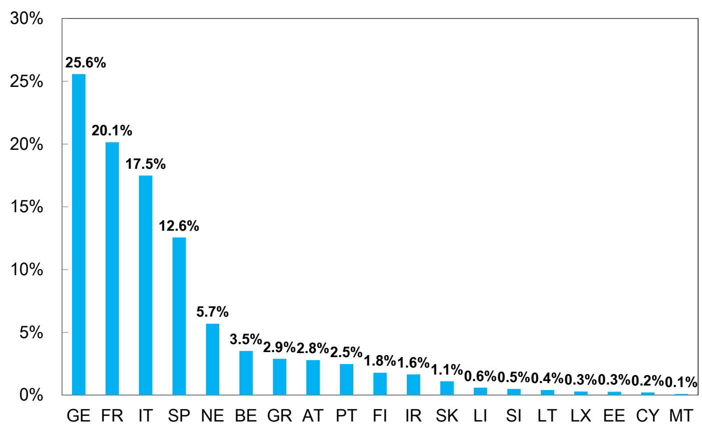
Click to play
Guillaume Menuet

Figure 1. Citi Forecasts

	$/€	Euro Repo	10-Yr Bunds	£/€	UK Bank Rate	10-Yr Gilt Bund
2Q 15	1.14	0.05	0.85	0.77	0.50	162
4Q 15	1.07	0.05	1.15	0.76	0.75	147

Source: Citi Research

Figure 2. Euro Area — ECB Capital Subscription Weights, 1 January 2015



Sources: European Central Bank and Citi Research

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

2015 Outlook

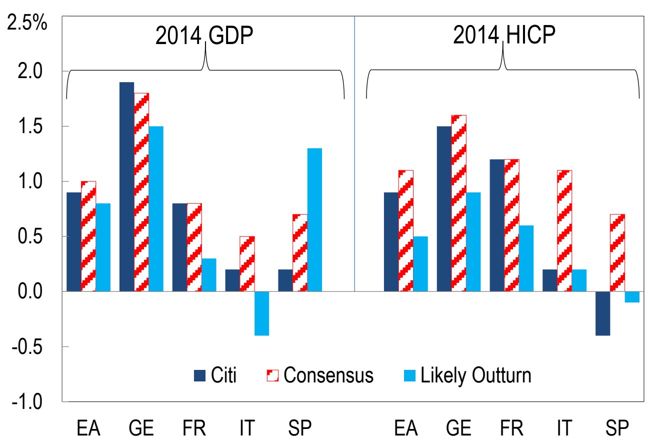
A lot has changed since we published our Prospects 2015 on 1 December 2014. This note has three parts. First, we look back at our forecasting record for 2014 and adjust our 2015-16 euro area GDP and HICP forecasts in light of the significant drop in oil prices and other developments. Second, we review the latest situation in Greece against a backdrop of rising political risk across the euro area. Third, we answer seven recurring questions about ECB QE and reiterate our 22 January baseline QE announcement view.

Looking back to 2014

2014 will be remembered as the first year of positive GDP growth for the euro area following the 2012-13 sovereign-debt-crisis-induced double dip when GDP growth contracted by 0.7% and 0.4%, respectively. With a likely outturn of 0.8% for 2014, euro area real GDP growth turned out to be marginally weaker than we (Citi 0.9%) or the consensus (1.0%) had anticipated in December 2013 (see Figure 3). The main explanation behind this underperformance stemmed from lower-than-expected rates of economic activity in Germany (1.5% vs. 1.9% forecast) and France (0.3% vs. 0.8%) and continued recession in Italy (-0.4% vs. +0.2% forecast). This disappointing performance from the heavyweights was too pronounced to offset the much better dynamics in the main member states of the euro area periphery. Those that had received financial assistance at the height of the euro area sovereign debt crisis enjoyed a noticeable acceleration in economic activity. Irish GDP is on track to expand by around 5.0% in 2014 compared to our 1.4% forecast in December 2013. Spain looks set to grow by 1.3% compared to our 0.2% forecast. Greece and Portugal will also belong to the positive GDP growth club, with anticipated gains of 0.8% (compared to our respective -1.9% and -0.5% forecasts).

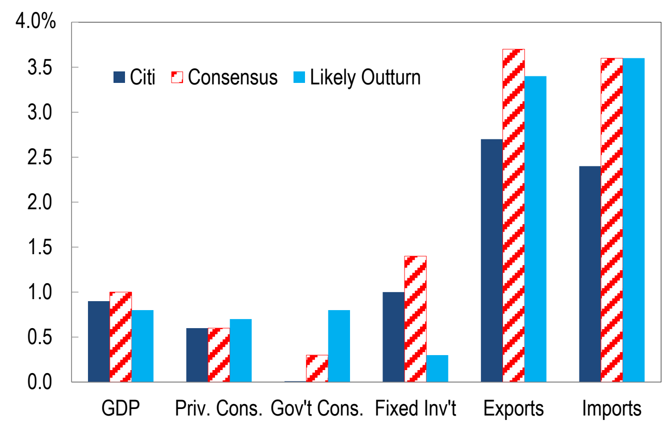
At the euro area level, the most noticeable forecast errors (see Figure 4) were a positive contribution from restocking and a larger-than-expected gain in imports (3.6% vs our 2.4% forecast), as well as an overly conservative assumption that national governments would endeavour to meet their budget deficit targets by reining in spending (0.8% vs. 0.0% forecast). Although somewhat lower-than-expected inflation rates helped private consumption growth to largely conform to expectations (0.7% vs. 0.6% forecast), businesses proved more conservative than we had anticipated, barely adding to their investment plans (0.3% vs. 1.0% forecast). The rebound in business confidence at the start of 2014 failed to translate into a lasting upswing in capex as firms focused on protecting their profit margins instead.

Figure 3. Selected Countries -- Real GDP and Inflation, 2014



Note: Citi (Prospects 2014, 2-Dec-2013), Consensus Forecasts (13-Jan-2014)
Source: Consensus Economics and Citi Research

Figure 4. Euro Area -- Real GDP Expenditure Breakdowns, 2014



Note: Citi (Prospects 2014, 2-Dec-2013), Consensus Forecasts (13-Jan-2014)
Source: Consensus Economics and Citi Research

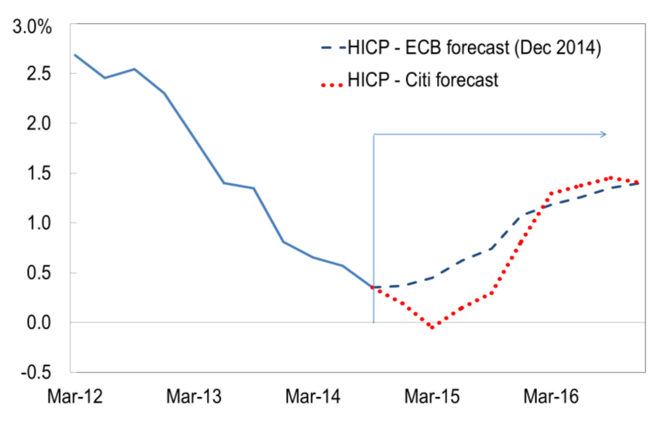
Turning to inflation, we correctly anticipated that the euro area HICP rate would moderate in 2014 from 1.4% in 2013. Yet, we underestimated the extent of the slowdown, forecasting a 0.9% increase (consensus 1.1%) whereas the probable final outcome could be as low as 0.4%. We had pencilled in a noticeable drop in underlying price pressures, looking for core inflation (excluding unprocessed food and energy) to moderate from 1.3% in 2013 to 0.7% in 2014. Yet, only two-thirds of this 0.6pp projected drop will likely materialise, with core inflation seen at 0.9% instead. The big surprises of 2014 were the noticeable drop in energy prices (estimated to be -1.9% after +0.7% in 2013) and a further slowdown in processed food (including tobacco) inflation to 1.3% in 2014 from 2.2% in 2013, contributing around 40% (-0.27pp and -0.12pp) to the 1.0pp slowdown in euro area headline inflation.

Looking Ahead to 2015

There have been two main developments since our 2015 Prospects publication (1 December). First, oil prices have fallen sharply and second, ECB QE discussions have shifted noticeably, now very much focusing on the "how and why" after six months spent debating the "if and when". The sharp decline in oil prices has led us to **revise down our euro area inflation trajectory in 2015 and 2016**. We estimate that the flash HICP reading for December (to be released on 7 January 2015) will show a negative print of -0.1% YY (see Figure 5). Both the flash HICP estimate for Spain – showing a 0.6pp drop to -1.1% YY in the December 2014 inflation rate after a fall of 0.5% YY in November 2014 – and the 0.4pp drop to 0.1% YY in Germany illustrate the room for possible further downside surprises ahead. Such an outcome, together with balance sheet targeting considerations, strengthens our case that the ECB is likely to announce additional non-standard measures on 22 January, in our view.

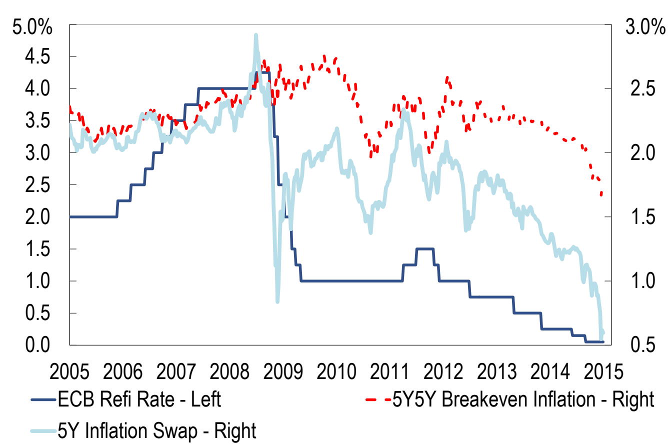
Looking ahead to the January flash estimate (30 January), we anticipate a further drop to -0.2% YY, a level that we estimate will likely mark the bottom of this inflation cycle unless oil prices fall further. On 30 December 2014, chief economist Peter Praet gave an interview to Boersen Zeitung warning that euro area inflation rates could remain below 0% for an "*extended period*", noting that inflation expectations are "*extremely fragile*" and that the risk of "*second round effects are greater than ever*" (see Figure 6). He concluded that the ECB "*cannot sit idly by*" and "*simply look through oil prices*". On 4 December 2014, President Draghi indicated that if the staff projections had been based on the oil futures as of 2 December, the alternative oil path could impart a further 0.4pp drop in the ECB's HICP 2015 0.7% mid-point and a further 0.1pp drop in the HICP 2016 1.3% mid-point.

Figure 5. Euro-Area – HICP Inflation Projections, Mar-12 to Dec-16F



Sources: European Central Bank and Citi Research

Figure 6. Euro-Area – Market-Based Inflation Metrics, Jan-05 to Jan-15



Sources: Bloomberg and Citi Research

Citi's commodity strategy team has lowered its Brent forecasts noticeably in Oil and Trouble Ahead in 2015, with Brent averaging $63/bbl in 2015 (instead of $80), with significant market weakness into Q2 followed by a partial rebound through Q3 into year-end, with reduced supply from both non-OPEC and OPEC, as well as greater demand due to lower oil prices and faster global GDP growth. The bear case still envisages the possibility that Brent will remain at a lower $55 with market balance pushed to 2016.

As a result, we lower our 2015 euro area HICP forecast by 0.5pp to 0.3% and the 2016 HICP forecast by 0.1pp to 1.4%. For illustration purposes, Figure 7 shows the impact on euro inflation from $60 oil price over the forecast horizon. Our updated "Monthly Inflation Profiles" are available at the following link.

We also note that a **more benign inflation trajectory will support consumption and add to GDP growth**, with the sensitivity analysis presented in the December 2014 ECB staff projections suggesting that real GDP growth would likely be about 0.1-0.2 percentage points higher in both 2015 and 2016. We find that the correlation between surprises in inflation in any given year and GDP growth in the subsequent year is highly negative (-67% over 1999-2013). To be sure, declines in commodity prices and import prices had been boosted by the strength of the euro (+13% for the EER-12 measure between July 2012 and March 2014), cutting headline HICP, lifting real wages and giving some fuel to the recovery, often supported by an easier monetary policy stance.

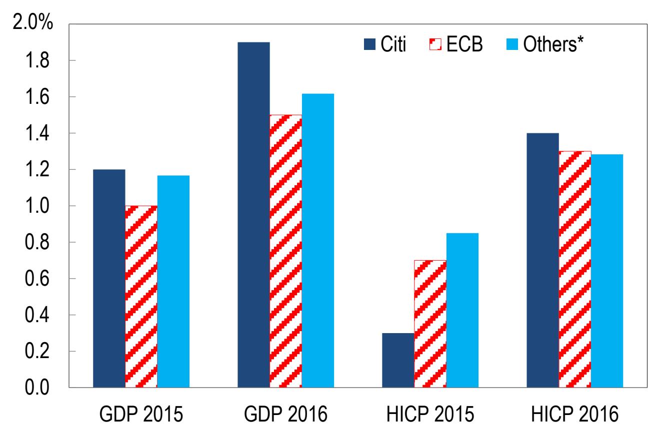
So why are our 2015-16 GDP and 2016 HICP forecasts higher than ECB's baseline and those from international organisations or private sector institutions (see Figure 8). There are two aspects to this: first, we believe that the ECB will embark on a sizeable balance sheet expansion programme, including the purchase of €600bn of sovereign bonds. Our baseline envisages that the easier monetary policy stance will lead to a noticeable loosening of financial conditions, adding to nominal GDP growth. Second, we also anticipate a significant weakening in the euro effective exchange rate (partly through a depreciation of EUR/USD to parity by the middle of 2016) adding to euro area exports, helping foster a more constructive backdrop for non-financial corporate investment, while adding to headline inflation through an increase in import prices.

Figure 7. Euro Area -- HICP Inflation Forecasts, 2014-2019F

	Current Forecasts		Using $60 Oil Price		GEOS Forecasts	
	HICP (%)	Brent ($)	HICP (%)	Brent ($)	HICP (%)	Brent ($)
2014	0.4	99.3	0.4	99.3	0.5	100.4
2015	0.3	65.5	0.3	60.0	0.8	80.8
2016	1.4	67.2	1.2	60.0	1.5	84.5
2017	1.4	70.4	1.3	60.0	1.3	86.5
2018	1.4	72.3	1.3	60.0	1.4	88.1
2019	1.5	73.7	1.4	60.0	1.5	89.4

Note: GEOS Forecasts as of 1 December 2014
Sources: Eurostat, Bloomberg and Citi Research

Figure 8. Euro Area – Real GDP and HICP Forecasts, 2015-2016



Note: *Others (average of European Commission, OECD, Euro Zone Barometer, Consensus Economics Forecasts, Survey of Professional Forecasters, IMF)
Sources: European Central Bank and Citi Research

Political Risk and Greece

Figure 9. Eurozone Countries – Election Calendar, 2015-18

Date	Election
Jan-15	Greece: Parliamentary
Mar-15	Estonia: Parliamentary
Mar-15	France: Local (Departments)
Apr-15	Finland: Parliamentary
Oct-15	Portugal: Parliamentary
Dec-15	Spain: National
Q4-15	France: Regional
Mar-16	Slovakia: Parliamentary
Apr-16	Ireland: Parliamentary
Jun-16	Greece: Parliamentary
Mar-17	Netherlands: National
Apr-17	France: Presidential
Jun-17	France: Legislative
Oct-17	Germany Parliamentary
Feb-18	Italy: Parliamentary
Feb-18	Cyprus: Presidential
Mar-18	Malta: General
Jul-18	Slovenia: Parliamentary
Sep-18	Austria Parliamentary
Oct-18	Latvia: Parliamentary
Oct-18	Luxembourg: Parliamentary

Note: In most cases, election dates are not scheduled yet

Sources: IFES, national sources and Citi Research

Greece's parliament was formally dissolved on Wednesday 31 December and new elections are to be held on 25 January after Greek members of parliaments rejected PM's Samaras candidate for President. Opinion polls show that far-left opposition party Syriza holds a lead between 3 to 4 percentage points over Mr. Samaras' New Democracy centre right party. Given the possibility of political stalemate in the likely scenario of Syriza failing to win an outright majority, requiring coalition discussions and/or the formation of a minority government, the current troika programme could be extended again for another couple of months. Failure to do so would at least temporarily restrict the eligibility of Greek assets for ECB (funding and outright purchase) operations.

Wider contagion to the rest of the euro area is unlikely, in our view, but political risks are rising in the Eurozone more broadly, amid heightened political uncertainty and instability, boosting the search for political alternatives. These trends will be highlighted in a number of elections in the Eurozone in 2015, most notably in **Spain** where the far-left Podemos party is vying for first place in polls of voting intentions, even though at this point we do not expect any non-mainstream parties to end up in government (except in Greece) in 2015.

There may also be additional early elections in 2015 in some eurozone countries (e.g. in Italy), even though our base case currently does not foresee any early elections. In **Italy**, neither PM Renzi nor the other parties on which he relies to govern are likely to trigger early elections in 2015, in our view, and support for the Five-Star-Movement (M5S) seems to be fading somewhat. In **France**, the popularity of the far-right Front National party under the leadership of Marine Le Pen continues to be high, but presidential elections are not due until 2017, with very little risk of early elections, in our view, despite record-low popularity of President Hollande and a narrow majority of his Socialist party in parliament. Our election table in the margin presents the main dates to watch in 2015 and beyond, with Finland in April and Portugal in October.

More generally, we see a number of significant common political trends across the Eurozone and conclude that political risk is likely to rise in 2015. We think that this will probably lead to periodic episodes of market volatility, with the potential to inflict some damage on economic activity in the countries concerned if the uncertainty were to persist. Unless political pressures lead euro area governments to implement a major fiscal loosening, we doubt the issue will affect monetary policy much either way. Indeed, at the margin, we believe that monetary policy support is likely to be stronger the more uncertain the political landscape become, especially if the market were to interpret the resulting dislocation as a rise in systemic risk.

QE: 7 Frequently Asked Questions

The ECB Governing Council (GC) will meet for its first monetary policy meeting of 2015 on 22 January. This will be an important meeting as it will be the first under the new schedule (six-week gap instead of four) designed partly to accommodate the release of regular accounts of monetary policy discussions four weeks after each meeting, but also to give the GC more time to review its stance. We suspect that the GC will have used the six-week hiatus since the 4 December meeting to review a number of proposals from the Eurosystem and national central bank staff to provide additional monetary policy accommodation to respond to the two contingencies that President Draghi had alluded to before: i) a weak macroeconomic profile, particularly from an inflation standpoint, and ii) failure of previous measures to reach the balance sheet target. We expect the GC to announce that it will widen the scope of

its purchase programme to include government bonds to the list of eligible asset that it will buy to reinforce its accommodative monetary policy stance.

- **Q1: Timing. We expect the ECB to announce a sovereign QE programme on 22 January**, and the first purchases to probably start in the following week. While it is possible that the ECB could need a bit more time to finalise the details of the chosen government bond purchase programme, we estimate that purchases would be fairly straightforward in terms of implementation as the ECB (and national central banks that will be buying most of the securities) have previous experience in the matter. Given the sizeable decline in market-based inflation estimates and the likelihood of a negative print for the December flash estimate on 7 January, we doubt that the ECB will choose to wait until 5 March to announce a sovereign QE programme. Investors would probably react very negatively to a “no QE” announcement, and we suspect that an intermediate step of only adding non-financial corporate debt to the purchase list (unlikely in our view) could also probably be seen as “too little, too late”.

- **Q2: How much? We anticipate the ECB will initially aim to buy €600bn of government bonds over a two year period.** This is roughly the amount that we estimate will be necessary to expand the balance sheet by €1tn. Indeed, the current weekly pace of direct purchases under the CBPP3 and ABSPP facilities is slightly under €3bn, while the stock of assets purchases under the previous programmes is eroding gradually as the securities mature. Furthermore, the very modest appetite for TLTROs to date (€212.4bn for the two facilities combined) means that the banks’ demand for ECB liquidity will likely decline through Q1-15 given the imminent repayment of around €235bn of maturing 3-year LTROs.

- **Q3: Will the ECB announce a target of QE purchases? We believe that the strict minimum run-rate would be to buy government bonds to the tune of €25bn per month** or around €5.75bn per week over a two-year period (104 weeks). Putting a number on the size of a QE programme will likely be required in our view, as we suspect that an uncapped facility (albeit more effective) would run a much greater risk of being challenged in the courts. The advantage of putting a number on the purchase programme (at least by referring to a quarterly target) would probably give the Eurosystem more flexibility in its purchasing strategy and could be reviewed in the next round of staff macroeconomic projections in terms of its impact on economic activity and inflation profiles.

- **Q4: How does the ECB bring Germany and the other hawks on board?** Agreeing to a constrained programme that would make sovereign QE acceptable to almost all parties would be a step in the right direction, even if such a solution would erode its effectiveness. We believe that there is always the possibility of changing the terms of the QE programme later, including full mutualisation in subsequent QE iterations. Although unanimity is not necessary, we think that the need for a broad consensus might prevail over effectiveness considerations, at least in the beginning. A possible agreement could be for purchases initially to be made without risk-sharing (i.e. national central banks are responsible for their own purchases and bear the credit risk associated with the strategy). While some provisioning/guarantee to be made by national central banks at the time of purchase would probably limit the amount of purchases, these would likely be more than covered by future seignorage revenues, likely making this construct a viable alternative. On the issue of conditionality, we doubt that much will appear in the blueprint given the previous OMT challenge and the unconditional nature of monetary policy aiming to ensure price stability over the medium term.

- **Q5: What form will QE take: rating, capital key or outstandings weighted?** While we think that some opponents of QE will prefer to exclude sovereign debt if the rating were to be lower than A-, this position would exclude too many large issuers (including Italy and Spain) and would therefore not be acceptable to the GC as a whole. Similarly, a straight capital-key approach to QE is unlikely to be enforced strictly in our view, as it would restrict the total amount of QE – some issuers have very little debt outstanding. The ECB could design a programme based on a percentage of gross government bond issuance, of say 30% for 2015-16, provided that member states remain compliant with their budgetary adjustment programmes. A compromise is likely to emerge that will give greater weight to the more credit-worthy issuers, without exceeding certain percentages of outstandings bonds. Overall, we believe that the ECB is fully aware that from a signalling standpoint, the more complex the programme, the less effective the policy, increasing the risk of additional measures later.

- **Q6: What maturities? Would the ECB buy at negative yields and would it be senior?** We see some flexibility on the duration aspect of the QE programme. Purchases of some government bonds with a lower credit rating could be skewed towards the shorter maturity segment, while those with a higher credit rating could be made in the longer maturities, helping national central banks circumvent the problem of buying at negative yields (even this is more of an issue from an accounting standpoint than a real obstacle for the implementation of the ECB's monetary policy strategy, in our view). The seniority debate is interesting, but again the effectiveness should take precedence over risk considerations. We doubt that the ECB would want to create a two-tier market in these securities by being a senior creditor.

- **Q7: Will this be enough?** Estimating the impact of sovereign QE in the euro area is difficult, but our baseline GDP and HICP forecast envisages that €1tn of balance sheet expansion will add 1.0pp to nominal GDP growth over two years, noticeably easing financial conditions, particularly by narrowing lending spends and depreciating the euro. However, despite these assumptions, our central projection does not envisage headline inflation reaching the ECB's target of "*below, but close to, 2%"* over the forecast horizon (2018-19). Hence, it is easy to argue that the ECB is well behind the curve with its QE programme, and that the €1tn of balance sheet expansion will probably be insufficient on its own. Acting with the sole interest of the euro area at heart instead of having to manage the sensitivities of some member states (where is the risk of inflation?) would require a more ambitious plan than what we expect the ECB to announce on 22 January. Hence, we believe that the GC will probably have to come back with additional monetary policy stimulus at some stage in 2015-16 in order to bring inflation closer to 2%: either by deciding to quicken the pace of purchases and/or increase the balance sheet target from €1tn to something like €2tn while extending the likely duration of the programme beyond 2016.

Conclusion

2015 is shaping up to be a slightly better year for the euro area than 2014. The noticeable drop in oil prices since the summer and the accelerating downward trajectory in December will add to GDP growth and should push up consensus forecasts. At the same time, inflation is probably going to undershoot consensus for another year, with a temporary rebound expected to materialise in 2016 under the influence of ECB QE and a much lower euro effective exchange rate.

Political risk will likely be a constant worry for the euro area during the course of 2015, not only in the case of Greece, but also because of the busy electoral

calendar featuring parliamentary elections in Spain and local elections in France. We think that this will probably lead to periodic episodes of market volatility with the potential to inflict some damage on economic activity in the countries concerned.

Turning to sovereign QE, an announcement is generally expected on 22 January, given the expected combination of negative euro area inflation rates and difficulties in expanding the Eurosystem's balance sheet by relying solely on ABS, covered bonds and TLTROs. We believe that the most likely form of QE will be to overweight the more credit-worthy issuers, without exceeding certain percentages of outstanding. However, we acknowledge the possibility that in the early stages of QE, a constrained framework where purchases are initially made without risk-sharing (national central bank responsible for their own purchases and associated credit risk), might be the only compromise to launch euro area sovereign QE programme. Ultimately, we believe that the ECB GC will have to do more than what is likely to be announced on 22 January.

Figure 10. Euro Area – 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	0.8	1.2	1.9	1.1	0.8	0.8	0.7	0.7	1.1	1.4	1.7	1.8	1.9	1.9	1.9
	QQ SAAR				1.3	0.3	0.6	0.6	1.5	1.6	1.8	2.0	1.7	2.0	2.1	1.7
Final Domestic Demand	YY	0.9	1.3	1.6	0.9	0.8	0.9	0.8	0.9	1.3	1.4	1.6	1.6	1.6	1.6	1.6
Private Consumption	YY	0.9	1.5	1.6	0.5	0.7	1.1	1.2	1.4	1.5	1.4	1.6	1.6	1.6	1.6	1.6
Public Consumption	YY	0.9	0.8	0.6	0.8	0.9	1.1	0.7	0.8	0.8	0.7	1.0	0.9	0.7	0.5	0.3
Fixed Investment	YY	0.8	1.3	2.7	2.3	0.9	0.1	-0.2	-0.1	1.1	1.9	2.2	2.6	2.6	2.7	2.7
-- Business Equipment	YY	2.0	1.9	2.8	3.1	2.2	1.8	1.0	1.3	1.5	2.2	2.5	2.8	2.8	2.8	2.8
-- Construction	YY	-0.9	0.5	2.5	1.1	-0.8	-2.0	-1.8	-2.0	0.6	1.6	1.9	2.3	2.4	2.5	2.6
Stocks (Contrib. to YY GDP Growth)		-0.1	0.0	0.0	0.0	0.0	-0.3	0.0	-0.1	0.0	0.1	0.1	0.0	0.0	0.0	-0.1
Exports of Goods and Services	YY	3.3	3.2	3.8	3.6	3.2	3.3	3.0	3.5	2.9	3.1	3.4	3.4	3.7	3.9	4.1
Imports of Goods and Services	YY	3.4	3.6	3.3	3.6	3.5	3.1	3.6	4.1	3.7	3.4	3.5	3.4	3.3	3.3	3.4
Consumer Prices	YY	0.4	0.3	1.4	0.7	0.6	0.4	0.2	0.0	0.1	0.3	0.8	1.3	1.4	1.5	1.4
Core CPI (ex Food, Energy, Tobacco)	YY	0.7	0.7	0.8	1.5	0.1	0.5	0.3	1.4	0.0	0.7	0.4	1.5	0.1	0.6	0.4
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	1.0	1.0	1.0	0.9
Unemployment Rate	YY	11.5	11.0	10.3	12.2	11.3	11.2	11.4	11.8	10.9	10.7	10.7	11.1	10.2	9.9	9.9
Industrial Production	YY	0.7	1.1	2.5	1.5	0.8	0.4	0.2	0.2	0.6	1.6	1.9	2.3	2.5	2.6	2.5
Current Account Balance	€ bn	248.0	269.3	249.3												
	% GDP	2.5	2.6	2.4												
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	1.9	2.1	2.4												
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	0.05	0.05
Ten-year Bund Yield (Period Avg.)	%	1.26	0.98	1.55	1.68	1.43	1.06	0.76	0.65	0.85	1.00	1.15	1.25	1.25	1.25	1.25
EUR-USD FX Rate (Ann Avg, then qtr-end)		1.33	1.12	1.02	1.38	1.37	1.26	1.21	1.18	1.14	1.10	1.07	1.05	1.03	1.01	0.99

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

Figure 11. Key Economic Indicators (5 January -- 9 January 2015)

During The Week		Forecast	Last
08:00	UK: Halifax House Prices, Dec (by Jan 9)		
Monday 5 January		**Actual**	**Last**
09:30	UK: Construction PMI, Dec	57.6	59.4
09:30	EU: Sentix Investor Confidence, Dec		
13:00	Germany: HICP, Dec Flash	0.1% MM, 0.1% YY	0.0% MM, 0.5% YY
	National CPI, Dec Flash	0.0% MM, 0.2% YY	0.0% MM, 0.6% YY
Tuesday 6 January		**Actual**	**Last**
07:45	France: Consumer Confidence, Dec	90	88
09:00	Euro Area: Services PMI, Dec Final	51.6	51.1
	Composite PMI, Dec Final	51.4	51.1
09:30	UK: Services PMI, Dec	55.8	58.6
Wednesday 7 January		**Forecast**	**Last**
07:00	Germany: Retail Sales, Nov	0.2% MM, 0.2% YY	1.6% YMM, 2.2% YY
07:30	Sweden: Services PMI, Dec	56.7	56.9
08:55	Germany: Unemployment, Dec	-10K MM SA, 72K MM NSA	-14K MM SA, -16K MM NSA
09:00	Italy: Unemployment, Nov		
10:00	Italy: HICP, Dec Flash		
10:00	Euro Area: Unemployment Rate, Nov	11.4%	11.5%
10:00	Euro Area: HICP, Dec Flash	-0.1% YY	0.3% YY
11:00	Ireland: Unemployment Rate, Dec		
	Euro Area: ECB Non-Monetary Policy Meeting		
Thursday 8 January		**Forecast**	**Last**
00:01	UK: British Chambers of Commerce Quarterly Economic Survey, 4Q		
07:00	Germany: Incoming Orders, Nov	-0.3% MM, 1.2% YY	2.5% MM, 2.2% YY
08:30	Netherlands: Consumer Prices, Dec		
09:00	Norway: Credit Indicator C2, Nov	5.4% YY	5.4% YY
09:00	Norway: Manufacturing Production, Nov	-0.2% MM	1.6% MM
09:30	UK: Profitability of UK Companies, 3Q		
10:00	Greece: Unemployment Rate, Dec		
10:00	Euro Area: Retail Sales, Nov	0.4% MM, 0.7% YY	0.5% MM, 1.5% YY
10:00	Euro Area: Industrial Producer Prices, Nov		
10:00	Euro Area: Economic Sentiment, Dec	101.2	100.8
11:00	Ireland: Retail Sales, Nov		
12:00	UK: MPC Outcome		
Friday 9 January		**Forecast**	**Last**
06:45	Switzerland: Unemployment Rate, Dec		
07:00	Germany: Industrial Production incl Construction, Nov, SWDA	1.5% MM, 0.6% YY	0.2% MM, 0.9% YY
07:00	Germany: Trade Balance, Nov		
07:45	France: Industrial Production, Nov	1.2% MM, -1.0% YY	-0.8% MM, -1.0% YY
	Manufacturing Production, Nov	0.4% MM, -0.3% YY	-0.2% MM, -0.6% YY
07:45	France: Trade Balance, Nov		
08:00	Spain: Industrial Production, Nov	2.7% YY	1.0% YY
08:15	Switzerland: Consumer Prices, Dec		
08:30	Sweden: Industrial Production, Nov	0.3% MM	0.2% MM
08:30	Sweden: Services Production, Nov		
08:30	Netherlands: Industrial Production, Nov		
09:00	Norway: Consumer Prices, Dec	-0.1% MM, 2.0% YY	0.1% MM, 1.9% YY
	CPI-ATE, Dec	0.0% MM, 2.4% YY	0.1% MM, 2.4% YY
09:00	Norway: Retail Sales Ex Petrol Stations, Nov	0.2% MM	0.6% MM
09:30	UK: Industrial Production, Nov	0.3% MM, 1.5% YY	-0.1% MM, 1.1% YY
	Manufacturing Output, Nov	0.5% MM, 2.5% YY	-0.7% MM, 1.7% YY
09:30	UK: Trade Balance -- Goods & Services, Nov	£-1.8 Billion	£-2.0 Billion
09:30	UK: Construction Output, Nov		
10:00	Greece: Industrial Production, Nov		
11:00	Ireland: Industrial Production, Nov		

Sources: National statistical offices, central banks and Citi Research

Figure 12. Economic Indicators -- Comments: Euro Area, Germany and France

Euro Area

Date / Time	Indicator	Forecast	Prior
Jan 7 10:00 London Time	***Unemployment Rate, Nov***	**Forecast: 11.4%**	**Prior: 11.5%**

The jobless rate probably fell by 0.1pp to 11.4% in November after three months of stable readings. Economic activity has slowed in the past couple of quarters, and this is reflected with a lag in the unemployment dynamics. Some catch-up in terms of additional unemployment rate falls is conceivable in the next few quarters, especially if economic activity were to accelerate a little on the back of lower oil prices, assuming that households spend most of the unexpected windfall. We expect the fall in the unemployment rate to gain momentum in 2H-15.

Date / Time	Indicator	Forecast	Prior
Jan 7 10:00 London Time	***HICP, Dec Flash***	**Forecast: -0.1% YY**	**Prior: 0.3% YY**

We look for a 0.4bp decline in the annual rate of inflation to -0.1% YY in December, increasing pressure on the ECB to launch a QE programme soon, most likely as early as 22 January. We expect consumer prices to have been unchanged in December, and within the volatile items segment anticipate that the further drop in energy prices will dwarf a modest increase in food prices. Core HICP is likely to have increased a little in December, notably because of higher services prices. Going into 2015, we estimate that the euro area inflation rates will likely fall further, likely hitting a new cycle low of -0.2% YY in January. Short-term risks continue to be skewed to the downside, in our view, given the trend in oil prices.

Date / Time	Indicator	Forecast	Prior
Jan 8 10:00 London Time	***Retail Sales, Nov***	**Forecast: 0.4% MM, 0.7% YY**	**Prior: 0.5% MM, 1.5% YY**

We look for a second successive gain in retail spending in November, but see some room for downside surprises after the unexpectedly large increase recorded in Germany last month. Our 0.4% MM forecast would imply a modest gain in the fourth quarter, with retail sales 0.1% above their 3Q average. The rebound in the retail PMI measure in the last couple of months and joint improvement in business expectations for the retail sector suggest that the rapid decline in headline inflation could boost households' disposable income in coming months and quarters.

Date / Time	Indicator	Forecast	Prior
Jan 8 10:00 London Time	***Economic Sentiment, Dec***	**Forecast: 101.2**	**Prior: 100.8**

We estimate that the Economic Sentiment Indicator (ESI) compiled by the European Commission is likely to have a third successive increase in December. Recent signs of improving business confidence, ranging from the industrial sector to retail, alongside a slightly more constructive tone from households, should translate into another modest gain to 101.2. Based on this December estimate, the 4Q ESI average would likely be unchanged at 100.9 (0.0sd), still representing the lowest level of economic sentiment in four quarters, but matching the historical average.

Germany

Date / Time	Indicator	Forecast	Prior
Jan 7 07:00 London Time	***Retail Sales (ex Cars), Nov, SWDA***	**Forecast: 0.2% MM, 0.2% YY**	**Prior: 1.6% MM, 2.2% YY**

October saw a notable increase in German retail sales (excluding car sales), even if it was later revised down somewhat (from +1.9% MM to 1.6% MM). Survey measures on the retail side (confidence of the retail sector, and consumer confidence) have been mixed of late, so we expect the November reading to be roughly flat vs October. Nevertheless, the Oct-Nov average would still be 0.6% above the 3Q average and suggests that private consumption should support German GDP growth in 4Q (and beyond).

Date / Time	Indicator	Forecast	Prior
Jan 7 08:55 London Time	***Unemployment, Dec***	**Forecast: -10K MM SA, 72K MM NSA**	**Prior: -14K MM SA, -16K MM NSA**

The German labour market has regained some momentum again in the past few months after the late summer and early autumn had suggested that its momentum was stalling. In November, we expect another small fall in German unemployment in seasonally-adjusted terms (implying an increase in the number of unemployed on a non-seasonally-adjusted nature), which would still leave the (seasonally-adjusted) unemployment rate at the lowest level since 1991.

Date / Time	Indicator	Forecast	Prior
Jan 8 07:00 London Time	***Incoming Orders, Nov***	**Forecast: -0.3% MM, 1.2% YY**	**Prior: 2.5% MM, 2.2% YY**

In November, we expect German industrial orders to fall slightly, following the large increase in orders in October. After 2Q and 3Q saw a weakening in the momentum of the industrial sector (amid some volatility), recent signs are that industrial activity has stabilised and may be picking up.

Date / Time	Indicator	Forecast	Prior
Jan 9 07:00 London Time	***Industrial Production Incl Constr., Nov SWDA***	**Forecast: 1.5% MM, 0.6% YY**	**Prior: 0.2% MM, 0.9% YY**

In October, industrial production (including construction) saw a very small increase. The large increase in factory orders in October suggests that the increase in IP in November will be somewhat larger. Overall, industrial activity, which had weakened over much of the recent months in Germany, has been stabilising and we expect moderate growth in IP in 4Q (we expect the Oct-Nov average to be 2% above the 3Q average).

France

Date / Time	Indicator	Forecast	Prior
Jan 9 07:45 London Time	***Industrial Production, Nov***	**Forecast: 1.2% MM, -1.0% YY**	**Prior: -0.8% MM, -1.0% YY**
	Manufacturing Production, Nov	**Forecast: 0.4% MM, -0.3% YY**	**Prior: -0.2% MM, -0.6% YY**

We forecast that industrial production rebounded noticeably in November, with some unwinding of the sharp 3.4% MM drop in energy production that impacted the October numbers. Fourth-quarter IP dynamics are not particularly reassuring at this stage, with the November forecast implying a contraction of 0.3% versus the 3Q average. Anecdotal evidence for November has been supportive (with capacity utilisation recovering mildly again and the ratio of orders minus stocks rebounding). Overall, we expect a partial unwind of the 3Q 0.6% QQ gain, estimating that the stock-building visible in 3Q GDP data is not going to be repeated in 4Q.

Date / Time	Indicator	Forecast	Prior
Jan 12 07:45 London Time	***Bank of France Business Sentiment, Dec***	**Forecast: 97**	**Prior: 97**

We expect business sentiment to have been unchanged at 97 (-0.3SD) in December, reflecting two opposing trends in the INSEE survey (up three points between Sep and Nov to a six-month high of 99) and the manufacturing PMI survey (0.5-point drop to in the flash estimate to 47.9, third successive fall). Note that the forecasts with respect to production took a dive in November, and there is some room for some unwinding of the inventory rebuilding that appeared in the preliminary Q3 GDP estimates released in November. We continue to believe that the sharp fall in oil prices does not lead to an immediate increase in business expectations in an environment of falling prices. The lag tends to be around six months.

Sources: National statistical offices, national central banks, Bloomberg, and Citi Research forecasts.

Figure 13. Economic Indicators -- Comments: Spain, Sweden and Norway

Spain

Jan 9 08:00 London Time — ***Industrial Production, Nov*** — **Forecast: 2.7% YY** — **Prior: 1.0% YY**

Still buoyant survey data (manufacturing PMI stood at 54.7 in November, largest since Jun-2007, and 0.9sd above its long-term average) suggest industrial production bounced back in November – we project by 1.1% MM after falling by 0.5% MM in October. We expect this will translate into a YY figure (WDA) in November of +2.7% (vs. +1% in October).

Sweden

Jan 7 09:00 London Time — ***Services PMI, Dec*** — **Forecast: 56.7** — **Prior: 56.9**

Services sector PMI slipped 0.7 points to 56.9 in November, but the level still indicates healthy momentum in the sector. The series, though, is very volatile and one gets a more precise picture by looking at three-month moving averages. On this basis, services PMI ticked higher, to 56.7 in Sep-Nov from 55.8 in the three-month period Aug-Oct, hence, staying above the long-term average (55.0). Service sector sentiment, according to NIER, has been mixed, with sentiment in private services having ticked gradually lower since the outset of the year to stand around the long-term average (100.3 in November), while retail trade confidence remains well above the historical average (106.3 in November).

Jan 9 08:30 London Time — ***Industrial Production, Nov*** — **Forecast: 0.3% MM** — **Prior: 0.2% MM**

Manufacturing production data has been very volatile in recent months with an increase in one month followed by a decrease the next month. On balance, production in October was 0.4% below the 3Q average, and compares with a 0.2% QQ drop in 1Q-14, a 0.8% QQ decrease in 2Q-14 and a 1.6% QQ contraction in 3Q. In other words, the trend in mfg. production remains weak and we lack signs of recovery. The downtrend in production, meanwhile, contrasts with developments in sentiment indicators, which signal at least a very moderate recovery.

Jan 13 07:00 London Time — ***Registered Unemployment Rate, Dec*** — **Forecast: 4.3%** — **Prior: 4.1%**

Short-term indicators point to ongoing improvement on the labour market ahead. In line with the seasonal pattern, we expect the registered unemployment rate to rise slightly in December.

Jan 13 09:00 London Time
- ***Consumer Prices, Dec*** — **Forecast: 0.0% MM, -0.5% YY** — **Prior: -0.1% MM, -0.2% YY**
- **CPIF, Dec** — **Forecast: 0.0% MM, 0.3% YY** — **Prior: 0.0% MM, 0.6% YY**

Downward pressures from energy and food commodities suggest downside risks to the Riksbank's inflation forecasts heading into 2015. With already very low inflation and declining inflation expectations, this increases pressures for extraordinary monetary policy loosening to prevent an unnecessarily long period of large output gap and very low inflation. Our December forecasts are in broadly in line with the Riksbank's forecasts (CPI: -0.5% YY, CPIF: 0.4% YY), but declining food and oil price pose downside risks to our projections.

Norway

Jan 8 09:00 London Time — ***Credit Growth Indicator, Nov*** — **Forecast: 5.4% YY** — **Prior: 5.4% YY**

The latest lending survey showed that household credit demand decreased somewhat in 3Q, which was a bit of surprise given that several large banks have lowered mortgage rates since the 2Q survey. This has been reflected to only a very little degree 0in the monthly credit growth indicator for households (fell 0.1pp to 6.6% YY in 3Q). The lending survey also showed slower credit demand from non-financial enterprises, in line with the monthly development in corporate credit growth, which moderated further in 3Q from 2.9% YY in 2Q to 2.5% YY.

Jan 8 09:00 London Time — ***Manufacturing Production, Nov*** — **Forecast: -0.2% MM** — **1.6% MM**

Momentum in manufacturing production has been rather steady, so far, this year; in 3Q, production gained 1.1% QQ, with growth being driven by high activity in July and August among producers who deliver to the petroleum sector. This compares with a 1.2% QQ gain in 1Q and a 1.3% QQ increase in 2Q. Meanwhile, further moderation is looming in the very near terms, as also suggested by the 3Q business Tendency Survey from Statistics Norway; the overall sentiment indicator slipped from a net balance of 6.8 in 2Q to 1.5 in 3Q – the lowest level since 2Q-12 and slightly below the long-term average. Following a surprisingly strong reading in October, we expect a setback in November.

Jan 9 09:00 London Time
- ***Consumer Prices, Dec*** — **Forecast: -0.1% MM, 2.0% YY** — **Prior: 0.1% MM, 1.9% YY**
- **CPI-ATE, Dec** — **Forecast: 0.0% MM, 2.4% YY** — **Prior: 0.1% MM, 2.4% YY**

Core inflation has averaged 2.4% YY so far this year, broadly in line with the medium-term target and a substantial upward shift from the 1.5% average rate over the first ten months of 2013. Slightly less than half of the acceleration is attributable to food prices, but also higher import prices in the wake of the NOK weakening account for a decent share. Ahead, lower international food price should exert some downward pressure on Norwegian inflation, but the scale of this effect is somewhat uncertain given that Norwegian food markets to a large extent are protected by high tariffs on imports. At the same time, a stronger NOK suggests that prices on imported goods should increase at a slower rate towards the end of this year. During 2015 we see inflation dropping below 2%.

Jan 9 09:00 London Time — ***Retail Sales Ex Petrol Stations, Nov*** — **Forecast: 0.2% MM** — **Prior: 0.6% MM**

Monthly metrics point to stagnant consumption growth; households' domestic spending on goods (accounts for a little less than 50% of overall private consumption) slipped 0.7% QQ in 3Q, hence, offsetting entirely the 2Q gain. Ahead, improving conditions on the housing market (existing home prices are in an upward trend) and an ongoing resilient labour market should support private consumption in the near-term. In addition, we note that income growth remains robust, and is running ahead of consumption.

Jan 15 09:00 London Time — ***Survey of Bank Lending, 4Q 14***

The latest bank lending survey from Norges Bank shows that household credit demand decreased somewhat in third quarter, weaker than expectations of unchanged demand at the end of 2Q. This was a bit at odds with the fact that several large banks had lowered mortgage rates since the 2Q survey.

Sources: National statistical offices, national central banks, Bloomberg, and Citi Research forecasts.

Figure 14. Economic Indicators -- Comments: UK

United Kingdom			
Jan 9 09:30 London Time	***Industrial Production, Nov*** ***Manufacturing Output, Nov***	**Forecast: 0.3% MM, 1.5% YY** **Forecast: 0.5% MM, 2.5% YY**	**Prior: -0.1% MM, 1.1% YY** **Prior: -0.7% MM, 1.7% YY**
	The October data showed a sharp drop in manufacturing output but, given the reasonably positive trend in recent business surveys, we look for output to rebound this month. A figure in line with our forecast would leave the average level of output in Oct-Nov only 0.2% above the 3Q level, hence pointing to solid, but unspectacular, GDP growth.		
Jan 9 09:30 London Time	***Trade Balance -- Goods & Services, Nov***	**Forecast: £-1.8 Billion**	**Prior: £-2.0 Billion**
	The continued slide in oil prices is likely to help shrink the trade deficit a little further, given that the UK is a net oil importer. For 2014 as a whole, the trade deficit is likely to rise to about £35bn versus £33.7bn in 2013.		
Jan 13 09:30 London Time	***Consumer Prices, Dec*** ***Ex Food, Drink, Tobacco, Energy, Dec*** ***Retail Prices, Dec*** ***RPIX -- Ex Mortgages, Dec***	**Forecast: -0.1% MM, 0.5% YY** **Forecast: 0.2% MM, 1.3% YY** **Forecast: -0.1% MM, 1.4% YY** **Forecast: -0.1% MM, 1.4% YY**	**Prior: -0.3% MM, 1.0% YY** **Prior: -0.1% MM, 1.2% YY** **Prior: -0.2% MM, 2.0% YY** **Prior: -0.2% MM, 2.0% YY**
	We expect that the rapid slide in petrol prices will produce a stunningly low inflation figure for December, the lowest for decades. Even lower inflation figures probably lie ahead for early 2015.		
Jan 9 09:30 London Time	***Producer Input Prices, Dec***	**Forecast: -3.0% MM, -11.9% YY**	**Prior: 1.0% MM, -8.8% YY**
	The recent weakness in oil, food and other commodity prices is likely to produce a massive drop in input prices, and we expect the biggest decline since the 4.2% MoM drop in October 2008. With such a figure, 2014 would record 11 monthly declines in input prices, the most in any year since data began in 1996.		
Jan 9 09:30 London Time	***Producer Output Prices (Dec)*** ***Output Prices Ex Tax (Dec)*** ***Ex Food, Drink, Tobacco, Energy (Dec)***	**Forecast: -0.2% MM, -0.3% YY** **Forecast: -0.2% MM, 0.0% YY** **Forecast: 0.0% MM, 1.3% YY**	**Prior: 0.2% MM, -0.1% YY** **Prior: 0.2% MM, 0.1% YY** **Prior: 0.5% MM, 1.4% YY**
	As with the input price data, weakness in commodity prices probably will produce another decline in output prices, the seventh in the last eight months. All this points to further weakness in CPI inflation in coming months.		

Sources: National statistical offices, national central banks, Bloomberg, and Citi Research forecasts.

Figure 15. Key Economic Indicators (12 January --19 January 2015)

During The Week		**Forecast**	**Last**
07:00	Germany: insolvencies, Oct (by Jan 19)		
Monday 12 January		**Forecast**	**Last**
07:45	France: Bank of France Business Sentiment	97	97
Tuesday 13 January		**Forecast**	**Last**
07:00	Sweden: Registered Unemployment Rate, Dec	4.3%	4.1%
08:30	Sweden: Consumer Prices, Dec	0.0% MM, -0.5% YY	-0.1% MM, -0.2% YY
	CPIF, Dec	0.0% MM, 0.3% YY	0.0% MM, 0.6% YY
09:00	Italy: Industrial Production, Nov		
09:30	UK: Consumer Prices, Dec	-0.1% MM, 0.5% YY	-0.3% MM, 1.0% YY
	Ex Food, Drink, Tobacco, Energy, Dec	0.2% MM, 1.3% YY	-0.1% MM, 1.2% YY
	Retail Prices, Dec	-0.1% MM, 1.4% YY	-0.2% MM, 2.0% YY
	RPIX -- Excludes Mortgages, Dec	-0.1% MM, 1.4% YY	-0.2% MM, 2.0% YY
09:30	UK: Producer Input Prices, Dec	-3.0% MM, -11.9% YY	1.0% MM, -8.8% YY
09:30	UK: Producer Output Prices, Dec	-0.2% MM, -0.3% YY	0.2% MM, -0.1% YY
	Ex Food, Drink, Tobacco, Energy, Dec	0.0% MM, 1.3% YY	0.5% MM, 1.4% YY
10:00	Greece: Consumer Prices, Dec		
Wednesday 14 January		**Forecast**	**Last**
07:45	France: Consumer Prices, Dec		
07:45	France: Balance of Payments, Nov		
10:00	Italy: Consumer Prices, Dec Final		
10:00	Euro Area: Industrial Production, Nov		
Thursday 15 January		**Forecast**	**Last**
00:0	UK: RICS House Price Survey, Dec		
07:00	Germany: Full-Year GDP, 2014		
07:00	Germany: Deficit (Maastricht), 2014		
08:00	Spain: Consumer Prices, Dec Final		
08:30	Netherlands: Trade Balance, Nov		
09:00	Norway: Survey of Bank Lending, 4Q		
09:00	Norway: Trade Balance, Dec		
10:00	Euro Area: Trade Balance, Nov		
Friday 16 January		**Forecast**	**Last**
07:00	EU-27: New Car Registrations, Dec		
07:00	Germany: Consumer Prices, Dec Final		
07:45	France: Budget Balance, Nov		
08:15	Switzerland: Retail Sales, Nov		
08:30	Netherlands: Retail Sales, Nov		
10:00	Italy: Current Account, Nov		
10:00	Euro Area: HICP, Dec Final		

Sources: National statistical offices, central banks and Citi Research

Figure 16. Recent Research from the European Economics Team

Euro Area - Sovereign Debt Update		
ECB Speakers Beef Up Sovereign QE Rhetoric	European Economics Team	Jan 5, 2015
Syriza's Tsipras Wants Negotiated Debt Solution, Committed to Euro	European Economics Team	Dec 19, 2014
ECB's Coeuré Downplays Obstacles to QE;	European Economics Team	Dec 18, 2014
First Round of Greek Presidential Election Today;	European Economics Team	Dec 17, 2014
Euro Area		
Euro Area - Greece: Failed Presidential Poll Reinforces Political Uncertainty	Ebrahim Rahbari	Dec 29, 2014
Europe: Monthly Inflation Profiles For Selected Countries	Ann O'Kelly	Dec 19, 2014
Euro Area - Inflation Slowdown Confirmed, Negative December Print Seen	Guillaume Menuet	Dec 17, 2014
Euro Area - Greece: Snap Presidential Elections Highlight Political Uncertainty in Wake of Troika Decision To Extend Bailout	Ebrahim Rahbari	Dec 9, 2014
Euro Area - See You In January Says Draghi, Downplaying Lack Of Unanimity	Guillaume Menuet	Dec 4, 2014
Global Economic Forecasts - December 2014	Michael Saunders	Dec 3, 2014
European Economic Forecast Highlights, December 2014	Ann O'Kelly	Dec 3, 2014
Euro Area - ECB's Constancio on QE and EU's Juncker on Investment Plan	Guillaume Menuet	Nov 26, 2014
Euro Area - Dovish Draghi stresses need for aggressive B/S expansion	Guillaume Menuet	Nov 21, 2014
Euro Area - Draghi Reinforces Balance Sheet Targeting, More Easing Ahead	Guillaume Menuet	Nov 6, 2014
Euro Area - EC forecasts points to non-compliance for some 2015 budgets	Guillaume Menuet	Nov 4, 2014
Euro Area - Will the ECB do a BoJ? Unlikely at the Nov meeting, in our view	Guillaume Menuet	Oct 31, 2014
Euro Area - Comprehensive Assessment Ends With A Whimper	Ebrahim Rahbari	Oct 26, 2014
Euro Economics Weekly		
Will Political Risk Matter in 2015?	Guillaume Menuet	Dec 12, 2014
The Eurozone Investment Collapse And The Juncker Plan	Ebrahim Rahbari	Dec 5, 2014
ECB QE: Stacking Up The Evidence	Guillaume Menuet	Nov 28, 2014
Spain: Improving Economy, Politics The Main Risk	Antonio Montilla	Nov 21, 2014
Will Germany Let the ECB Do QE?	Ebrahim Rahbari	Nov 14, 2014
Door Open to QE, Favouring January over December	Guillaume Menuet	Nov 7, 2014
Credit And The Eurozone Malaise	Ebrahim Rahbari	Oct 31, 2014
Will the Euro Area Suffer from Oil Blues?	Guillaume Menuet	Oct 24, 2014
How Much Will the Weaker Euro Boost Eurozone Growth?	Ebrahim Rahbari	Oct 17, 2014
France: Rejecting Austerity, For Now	Guillaume Menuet	Oct 10, 2014
Greece — Six Crucial Months Ahead	Giada Giani	Oct 3, 2014
Focus On The ECB's Balance Sheet	Ebrahim Rahbari	Sep 26, 2014
H2 GDP Uptick Too Small to Stop ECB QE	Guillaume Menuet	Sep 19, 2014
Euro Area: Housing Sector Close to a Turnaround	Antonio Montilla	Sep 12, 2014
Low-flation Is Here To Stay	Giada Giani	Sep 5, 2014
Is the Period of German Outperformance Over?	Ebrahim Rahbari	Aug 29, 2014
ECB QE: Why, When and How?	Guillaume Menuet	Aug 22, 2014
What's Behind the Periphery Growth Outperformance?	Giada Giani	Aug 15, 2014
How Might Russia Developments Affect The Eurozone Economy?	Ebrahim Rahbari	Aug 1, 2014
France: More Reforms to Jump Start Confidence?	Guillaume Menuet	Jul 25, 2014
Public Debt Sustainability: Has It Really Been Restored?	Giada Giani	Jul 18, 2014
Chief Economist Publications		
Prospects for Economies and Financial Markets in 2015 and Beyond	Willem Buiter	Dec 1, 2014
Scandi and Swiss		
Scandi Economics Update	Tina Mortensen	Jan 6, 2015
Norway - Low Oil Price to Fuel Additional Norges Bank Rate Cut(s)	Tina Mortensen	Jan 5, 2015
Switzerland - SNB Sets Negative Interest Rates	Michael Saunders	Dec 18, 2014
UK		
UK - YouGov Report Further Drop in Household Inflation Expectations	Michael Saunders	Dec 22, 2014
UK - Retail Sales Surge;	Michael Saunders	Dec 18, 2014
UK - MPC Minutes and Labour Market Data	Michael Saunders	Dec 17, 2014
UK Economics Weekly		
Looking Back...What Were The Surprises of 2014?	Michael Saunders	Dec 12, 2014
What Does The Oil Price Plunge Mean for the UK?	Michael Saunders	Dec 5, 2014
Low Rates and Low Oil to Keep Economy Buoyant	Michael Saunders	Nov 28, 2014
How Likely is Brexit? What Would the Effects Be?	Michael Saunders	Nov 21, 2014

Source: Citi Research

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

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