15 August 2014 | 20 pages

Developed Markets
Western Europe

Euro Economics Weekly

What's Behind the Periphery Growth Outperformance?*

- Euro area Q2 GDP disappointed, with zero QQ growth, but the periphery (with the exception of Italy) has clearly outperformed the rest. We attribute this primarily to the sizable adjustment in the periphery corporate financial position over the past five years, which now leaves ample room for investment spending and hiring. Structural reforms are probably helping too, but it is unclear, in our view, if they are the decisive factor. We expect the periphery rebound to continue supported by competitiveness gains, likely improvements in financial conditions post-AQR and, possibly, delayed effects of structural reforms.

- We think the periphery rebound remains consistent with continued inflation undershoot in these countries. Therefore, the case for additional ECB easing remains intact, especially if growth/inflation weakness becomes a persistent feature of soft-core or large euro countries like Italy and France.

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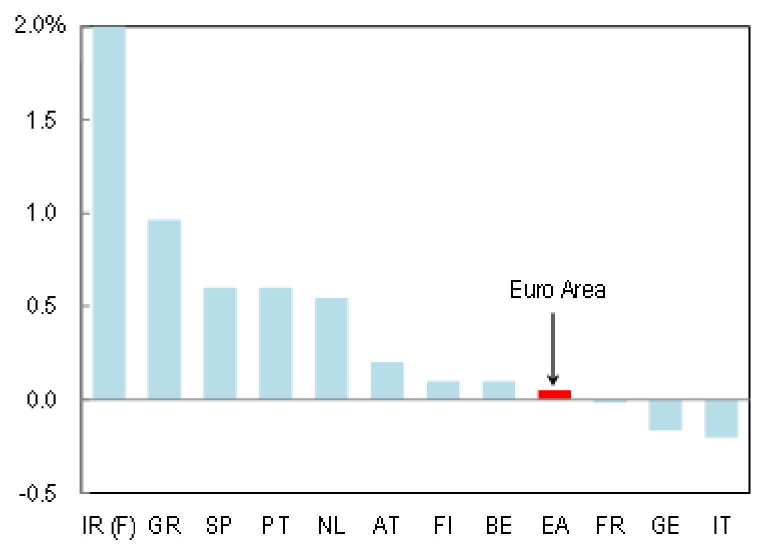
Figure 1. Citi Forecasts

	$/€	Euro Repo	10-yr Bunds	£/€	UK Bank Rate	10-Yr Gilt Bund
4Q 14	1.33	0.15	1.45	0.77	0.75	162
2Q 15	1.34	0.15	1.55	0.77	1.50	162

Source: Citi Research

Figure 2. Euro Area — Real GDP Growth (QQ SA), Q2 2014



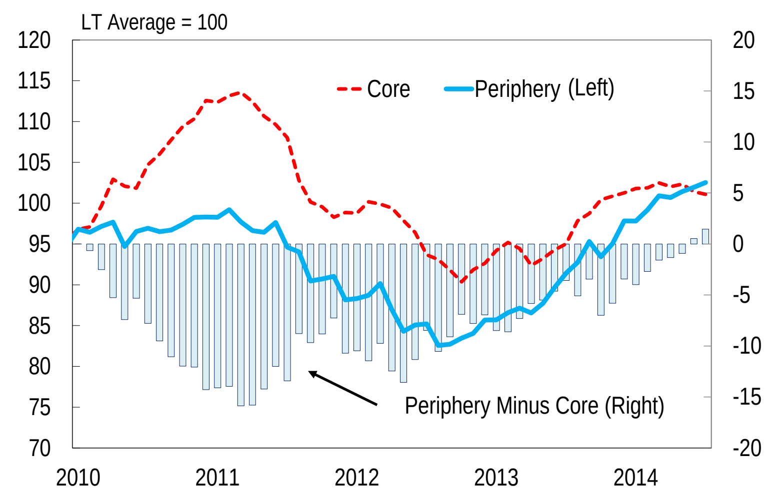
Note: Citi forecast for Irish GDP, Citi estimate of SA Greek GDP
Sources: Eurostat, Haver Analytics and Citi Research

*CORRECTION NOTE: The original version of this note had the wrong chart in Figure 6. This has been corrected.

What's Behind the Periphery Growth Outperformance?

Q2 GDP data brought further evidence of the economic outperformance of the euro area periphery, even in the context of feeble growth elsewhere in EMU. Italy was the clear outlier in the periphery group, displaying real GDP growth at the bottom end of the euro area range. ECB President Draghi last week suggested that the growth underperformance of some euro area economies was due to a lack of structural reforms. In this note we assess possible explanations for the growth outperformance in the ex-Italy euro periphery and argue that the sizable adjustment in corporate financial position over the past five years is, in our view, the most important ingredient for the current economic recovery in Spain, Ireland, Portugal and Greece. We think structural reforms are probably helping too, in that they allowed for a deeper and quicker corporate sector restructuring. But uncertainty remains about whether reforms are the decisive factor behind the periphery rebound and the only missing element for a recovery in countries such as Italy and France lagging behind on reform implementation. An improved export performance and strong corporate balance sheets are likely to continue supporting a decent recovery in the euro periphery over the next few years. Yet, this would likely still be consistent with inflation remaining very low/negative in the periphery as output gaps remain large and the internal devaluation progresses, therefore leaving the case for additional ECB monetary easing intact.

Figure 3. Euro Area — Economic Sentiment Indicator, 2008-Jul 14



Sources: EU Commission, Haver Analytics and Citi Research

Euro area real GDP was flat in Q2 2014 relative to Q1, after expanding by a meagre 0.2% QQ in Q1. But growth was highly uneven across countries. GDP in the periphery rose at a quite robust pace, by 0.6% QQ in Spain, 0.6% in Portugal, 1.0% in Greece (based on our estimate of seasonally-adjusted GDP) and, based on our estimate, probably by a strong 2.0% QQ in Ireland. This compares with negative growth in Italy and Germany (-0.2% QQ) and zero growth in France (see Figure 2 on the front page). Even taking the average growth rate of the first two quarters of 2014, Ireland, Spain and Greece remain the euro area outperformers, ahead of Germany and well ahead of France and Italy.[1] Survey-based indicators convey a

[1] We acknowledge that real GDP may have been negatively affected by the calendar of public holidays in France and Germany, with two/three holidays falling on a Thursday (hence possibly inducing businesses to work on a reduced scale on the following Fridays). Such "holiday effect" would not be netted out in the usual working-day adjustment procedures. However, the size of this effect on GDP growth remains highly uncertain.

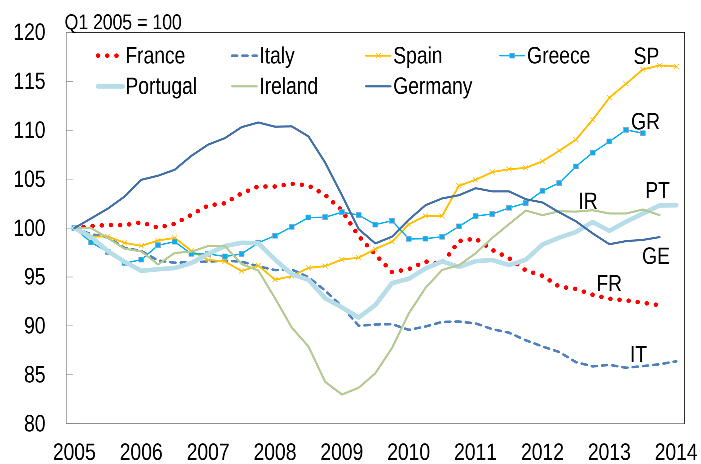
similar message: periphery countries have been quickly catching up and possibly outperforming even the best-performing core economies (see Figure 3 and Euro Area: Periphery-Core Rebalancing Continues in July)

Assessing the roots of the economic recovery in the periphery

There could be several explanations behind the economic outperformance of the ex-Italy euro periphery. The sheer size of the collapse in domestic demand since 2008 (-35% in Greece, -24% in Ireland, -16/-17% in Spain and Portugal) may imply significant pent-up demand currently resurfacing. Yet, Italy also experienced (and it is still experiencing) a sharp fall (-12.3% up to Q1 14) and still its economy has not stabilized yet.

Another obvious candidate for the recovery would be the large swing in fiscal policy over the past couple of years. IMF data show that the reduction in the government structural budget deficit (a proxy for fiscal policy tightness) amounted to 2-2.5pp of GDP in Spain and Portugal (6pp of GDP in Greece) in 2012, but that the fiscal tightening effort likely eased to only ½pp of GDP in 2014 for both Spain and Portugal and that it actually changed sign (i.e. fiscal policy loosened) in Greece (-0.6pp of GDP). However, this does not seem a really discriminating factor, as Italy experienced a very similar swing in its fiscal stance (from a tightening worth 2.2pp of GDP in 2012 to a small loosening of 0.5pp of GDP in 2014). Ireland's fiscal austerity has continued, according to IMF estimates, at a rate of around 1pp of GDP per year over the past four years (including in 2014), without impeding a sharp acceleration in Irish real GDP (by more than 6%, based on our estimates, in 2014). We believe the reduced fiscal drag has certainly contributed to limiting the headwinds in the periphery economies, but that it does not seem to be the decisive factor in explaining current cross-country growth differentials.

Figure 4. Selected Euro Area Countries — Profit Share of Non-Financial Corporations (Pct. of NFC Gross Value Added), 2005-Q1 14



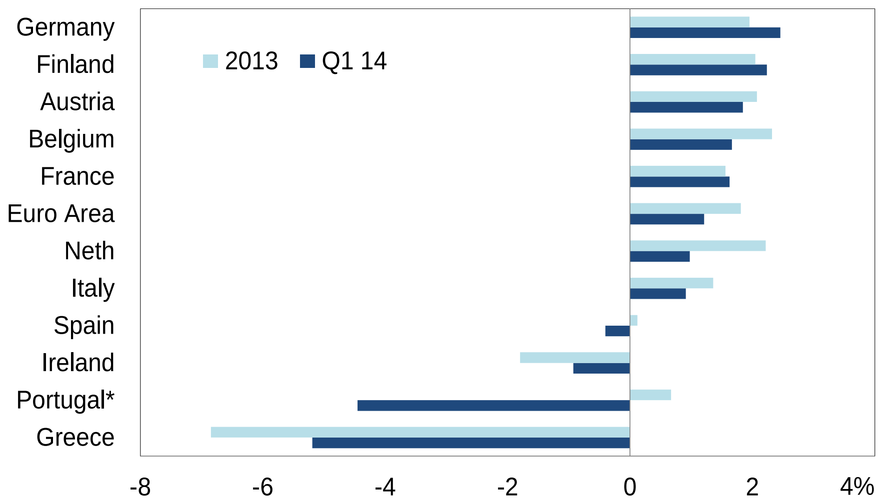
Sources: Eurostat, Haver Analytics and Citi Research

The improvement in financing conditions relative to the peak of the sovereign debt crisis in mid-2012 could be another driver for the rebound. However, while financing conditions for the general government and for parts of the private sector in the periphery (namely large corporations with access to debt capital markets) have improved markedly since then, the change has been much more limited for other segments of the economy. Real lending rates on small loans in Spain, Ireland and Portugal remain much higher than in the core (and above Italy's) and actually they

are higher, not lower, than in mid-2012 due the fall in inflation. Credit flows are still contracting much faster in the periphery, especially in Spain and Greece, with little signs of easing even in the most recent months. As we believe that financing conditions are currently not supportive of GDP growth at the aggregate euro area level, they are probably still a quite sizable headwind to an even faster recovery in the periphery.

The large adjustment in the corporate sector of the past four years in the periphery, but not in Italy, seems a much more decisive factor in explaining the current recovery. The profit share in gross value added (GVA) of non-financial corporations has increased substantially since the 2008/09 trough in Ireland (+9.9pp of GVA), Spain (+8.0pp), Greece (+7.5pp) and Portugal (+4.3pp), taking it to a historical peak in all four countries (see Figure 4). A rising profit share has been the mirror-image of a declining wage bill (given that corporate taxation was broadly unchanged), which reflected the significant restructuring of the corporate sector initially via extensive job shedding and, more recently, via negative wage growth (see Figure 5).

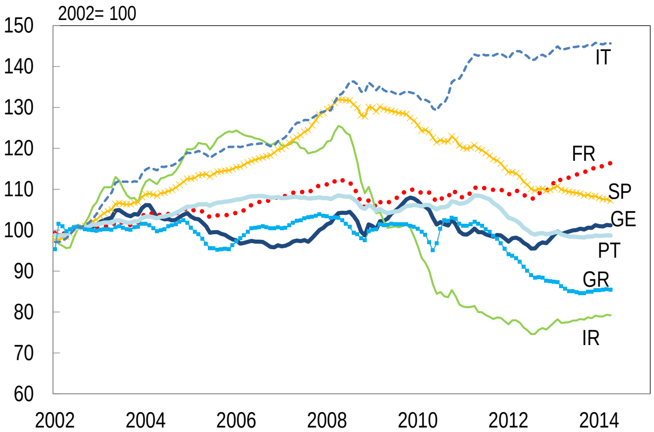
Figure 5. Euro Area—Compensation per Employee Growth (YY), 2013-Q1 14



*For Portugal, 2013 refers to the 2012- 2013 average, in order to smooth out large swings in public sector wages over these two years. Sources: Eurostat and Citi Research

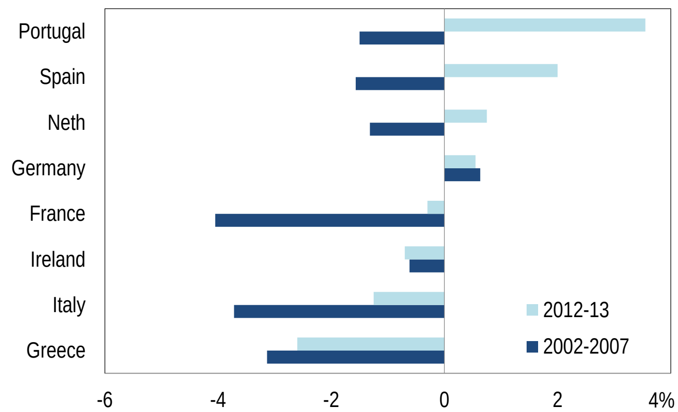
We note that this trend of **strong profit growth relative to output driven by wage compression is very similar to what Germany experienced between 2002 and 2008** (+5.6pp of GVA) — something that probably contributed to the relatively better German economic performance in recent years. In contrast to the trend in the periphery, Italy's non-financial corporate profit share has been on a constantly declining trend since 2000 (-8.3pp of GVA), while France's is most recent, since 2008 (-3.8pp of GVA). While the corporate profit share seems to have stabilized around the bottom in Italy in the past couple of years, it keeps declining in France.

Figure 6. Euro Area — Unit Labour Cost-Based Real Effective Exchange Rate (1999=100), 2002-April 2014



Sources: IMF, Haver Analytics and Citi Research

Figure 7. Euro Area — Export Performance (pp)*, 2002-2013



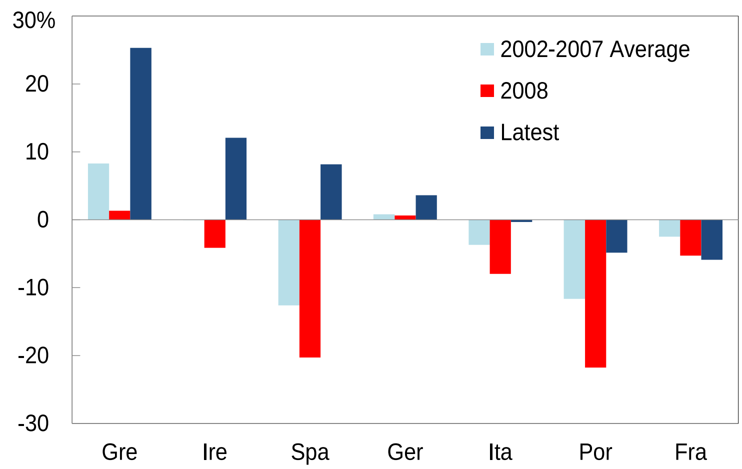
*Export performance is the difference between export growth and import growth in the country's export markets. Source: Citi Research

Unsurprisingly, the countries where unit labour costs (ULC) have fallen the most are experiencing the largest competitiveness gains. Moves in ULC-based real effective exchange rates show the sizable cross-country differences in competitiveness developments: the still-worsening position of Italy (and France) contrasts with the clear inversion in trend observable in Ireland, Spain, Greece and Portugal since 2008-2009 (see Figure 6). Measures of export performance in Spain and Portugal confirm that the cost-competitiveness gains are bearing fruit (see Figure 7). Greece was still largely underperforming on these metrics until last year, but recent export data suggest an inversion of this trend may be close (export values up by 7% YY in Feb-May 2014). Given the highly integrated European markets (in general around 50% of each country's exports go to other euro area countries), these figures may also suggest that the increasing market shares of Spain and Portugal are possibly occurring at the expense of less competitive countries such as Italy and France.

A strong corporate financial balance is another sign of economic strength in the periphery. In the aftermath of a financial crisis and with generally less favourable financing conditions than usual, a large financial surplus signifies that businesses have enough internal resources available to continue deleveraging (by paying back old debts) as well as to finance higher investment spending and to increase hiring. Countries in the euro area where the corporate financial balance has improved the most in the past five years are once again Spain (by almost 30pp of GVA), Greece (+24pp), Portugal (+17.3pp) and Ireland (+16pp) and a financial surplus is now recorded (from large deficit positions pre-2008) in all countries, except Portugal (see Figure 8)[2]. Italy also experienced an improvement (albeit a more modest one than other periphery countries) in the corporate financial balance, but Italian NFCs are still running a small financial deficit, illustrating its relatively weaker financial position.

[2] We suspect that part of the financial deficit of Portuguese non-financial corporates reflects the large semi-public sector of SOEs and PPPs which are accounted as private entities in national accounts.

Figure 8. Selected Euro Area Countries — Financial Balance of Non-Financial Corporations (Pct. of NFC Gross Value Added), 2002-Q1 14

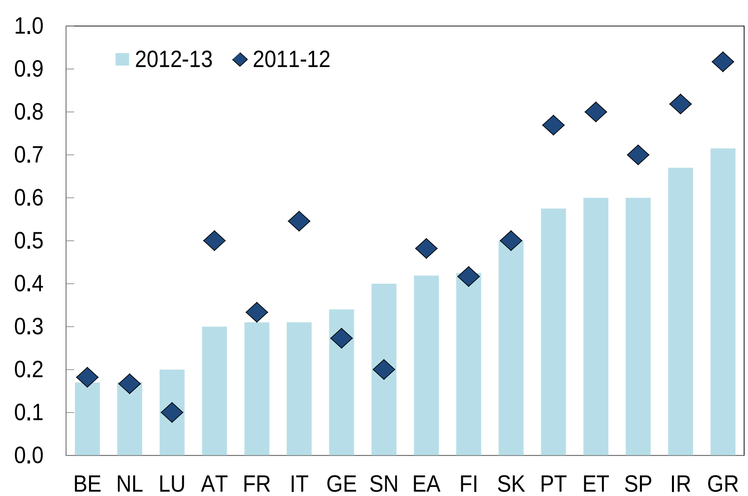


Sources: Eurostat, Haver Analytics and Citi Research

The role of structural reforms

Whether recent structural reforms are the decisive factor behind the periphery rebound remains uncertain, in our view. Countries that entered into bailout programmes have done better in implementing reforms and adjusting their economies quicker than others. Surely, one can find a close relationship between the progress on reforms and the recent economic performance. The best performing countries in the OECD's "Responsiveness to Going for Growth Recommendations" indicator were mostly the euro area countries undergoing troika-induced structural reforms (Greece, Ireland, Spain, and Portugal). On the other hand, Italy and France are below the euro area average (see Figure 9).

Figure 9. Euro Area — Responsiveness Indicator to OECD Going for Growth Recommendations, 2011-2013



Note: The responsiveness indicator is a scoring system in which recommendations set in the previous edition of Going for Growth take a value of one if "significant" action is taken and zero if not. Sources: OECD Going for Growth 2014 and Citi Research

Labour market reforms have likely favoured the corporate sector adjustment. By reducing severance payments, introducing more flexibility in the wage-setting and cutting back the minimum wage, we believe structural reforms have allowed firms to slash costs more extensively and quicker than would have been possible otherwise. We also think that the recent very subdued/negative wage growth in the periphery is a major factor behind earlier- and faster-than-expected job creation in these countries. On the other hand, product market reforms, normally introducing more competition in some domestic sectors, would have *reduced* profit margins in the affected sectors. But it remains unclear whether this is actually translating into lower prices and higher real spending than would otherwise have happened. Similarly, structural reform pertaining to the fiscal sphere — e.g., changes to public pension schemes, tax reforms, generalised public spending cuts — are thought to have medium-term positive effects on GDP growth, via efficiency gains and more fiscal policy flexibility, but it is hard to say whether these effects are already materialising.

In general, we believe that a large part of the corporate adjustment would have occurred anyway, even without the structural reforms, amid severe economic conditions in the aftermath of the bursting of housing bubbles and banking crises (in Spain and Ireland), sovereigns on the verge of (or in actual) defaults (in Greece and Portugal) and the balance of payment crisis drying out foreign resources (in all four countries).

The euro periphery (ex-Italy) has emerged from the crisis and we reckon its GDP growth path is sustainable. We believe that the improved export performance represents a new structural feature in Spain and Portugal, alongside Ireland. This would possibly apply to Greece too in coming quarters, given the even larger cost-competitiveness gains occurred in the Mediterranean country. In addition, although the unemployment rate remains well above the euro area average in all four countries, it has been falling faster than anywhere else in the past 12 months, in part owing to earlier- and faster-than-expected job growth. We argue that this points to a sustainable recovery path at least for the next year or two.

Italy, on the other hand, seems unlikely to follow the same pattern. The adjustment in the corporate sector has been less profound than elsewhere, cost-competitiveness is still worsening, and the financial position of the corporate sector looks somewhat weaker. Structural reforms, if finally implemented, could bolster firms' competitiveness via increased wage (and generally job market) flexibility and via lower non-wage costs (for example, through a more efficient judicial system and/or higher competition in business service sectors). But the benefits of these changes could be limited in the short term or their impact on real GDP growth could actually be negative due to lower wage growth/lower consumption. Although we still estimate that a small fiscal loosening should be able to bring Italian real GDP growth back to slightly positive territory in the next few quarters, we reckon there is little scope for a more pronounced economic rebound in Italy similar to that observed in other euro countries.

Two implications for the ECB

The periphery recovery is still consistent with continued inflation undershoot in these same countries, in our view. We think recently falling wage inflation is an important factor explaining early job creation and the GDP recovery. Given the usually lagged effects of structural reforms and still-ample spare capacity in the job market, wage growth is unlikely to pick up any time soon. Although these countries are now growing faster, their output gaps remain much bigger than elsewhere in Europe, continuing to put downward pressure on inflation. In addition, we have

discussed in the past how the adjustment in wage levels has occurred earlier and to a larger extent than the price level adjustments in the periphery (see "Internal Devaluation in the Periphery", *Euro Economics Weekly*, 7 March 2014). This implies that the internal devaluation process still has further to go. We expect inflation in the periphery to remain close, or even below, current levels in the next few quarters. With little evidence of much inflation in the core also, the case for additional ECB easing remains intact, in our view.

The need for further policy stimulus will be reinforced if economic weakness becomes a clear feature in some of the soft-core/bigger countries like Italy and/or France. Growth/inflation underperformance in Italy and/or France (and possibly the weaker GDP figures also out of Germany) could make additional monetary easing in the form of QE more politically digestible and compelling for the ECB, as it would have a greater effect on the euro area aggregate than any renewed periphery weakness (the quid-pro-quo will be likely additional reform efforts from these countries in order to make purchases of their government bonds, especially Italy's BTPs, more palatable for core countries like Germany).

Figure 10. Key Economic Indicators (18 August – 22 August 2014)

Monday 18 August		Forecast	Last
10:00	Euro Area: Trade Balance, Jun		
	Spain: Trade Balance, Jun		
Tuesday 19 August		**Forecast**	**Last**
09:00	Euro Area: Balance of Payments, Jun		
09:30	UK: Consumer Prices, Jul	-0.1% MM, 1.8% YY	0.2% MM, 1.9% YY
	Ex Food, Drink, Tobacco, Energy, Jul	-0.1% MM, 2.0% YY	0.2% MM, 2.0% YY
	Retail Prices, Jul	-0.1% MM, 2.5% YY	0.2% MM, 2.6% YY
	RPIX – Excludes Mortgages, Jul	-0.1% MM, 2.6% YY	0.2% MM, 2.7% YY
09:30	UK: Producer Input Prices, Jul	-1.4% MM, -6.9% YY	-0.8% MM, -4.4% YY
09:30	UK: Producer Output Prices, Jul	0.1% MM, 0.0% YY	-0.2% MM, 0.5% YY
	Ex Food, Drink, Tobacco, Energy, Jul	0.1% MM, 1.0% YY	0.0% MM, 1.0% YY
10:00	Italy: Current Account, Jun		
Wednesday 20 August		**Forecast**	**Last**
07:00	Germany: Producer Prices, Jul	0.0% MM, -0.7% YY	0.0% MM, -0.7% YY
08:30	Netherlands: Consumer Confidence, Aug		
09:30	UK: MPC Minutes (7 Aug)		
10:00	Euro Area: Construction Output, Jun		
11:00	UK: CBI Industrial Survey – Output Expectations, Aug	+28%	+26%
	CBI Order Books, Aug	+5%	+2%
	CBI Selling Prices, Aug	0%	-4%
	Greece: Current Account, Jun		
Thursday 21 August		**Forecast**	**Last**
07:00	Switzerland: Trade Balance, Jul		
08:30	Sweden: LFS Unemployment Rate, Jul	7.3% NSA, 7.8% SA	9.2% NSA, 8.0% SA
08:30	Netherlands: Unemployment, Jul		
09:00	Norway: Mainland GDP, 2Q	0.6% QQ	0.5% QQ
09:00	Euro Area: Manufacturing PMI, Aug Flash	51.3	51.8
	Services PMI, Aug Flash	53.8	54.2
	Composite PMI, Aug Flash	53.4	53.8
09:30	UK: Public Sector Net Borrowing (Ex RM, APF & Fin. Intervention), Jul	£0.0 Billion	Year Ago: £1.6 Billion Deficit
	Fiscal Year To Date, Apr-Jul	£36.1 Billion Deficit	Year Ago: £35.2 Billion Deficit
09:30	UK: Retail Sales Volumes, Jul	0.5% MM, 3.1% YY	0.1% MM, 3.6% YY
15:00	Euro Area: Consumer Confidence, Aug Flash	-8.5	-8.4
	Portugal: Current Account, Jun		
Friday 22 August		**Forecast**	**Last**
08:30	Netherlands: Consumer Spending, Jun		

Sources: National statistical offices, central banks and Citi Research

Figure 11. Economic Indicators – Comments: Euro Area, Germany and United Kingdom

Euro Area			
Aug 21	*Manufacturing PMI, Aug Flash*	Forecast: 51.3	Prior: 51.8
09:00	*Services PMI, Aug Flash*	Forecast; 53.8	Prior: 54.2
London Time	*Composite PMI, Aug Flash*	Forecast: 53.4	Prior: 53.8
	Escalation of the crisis in Ukraine and new sanctions in Russia may have driven the manufacturing PMIs lower in August, after a flat reading in July. A similar move is expected in the services sector PMI, partly as a payback after a larger-than-expected rebound in July (+1.3pts). Overall, the composite PMI likely retrenched to 53.4, from 53.8 in July, broadly remaining around the average level prevailing since April. At these levels the composite PMI has historically been consistent with quarterly GDP growth of around 0.4%-0.5% QQ. The underperformance of actual GDP data relative to the PMI has been to some extent puzzling in 1H 14, but we expect the disconnect to reduce in the second half of the year.		
Aug 21	*Consumer Confidence, Aug Flash*	Forecast: -8.5	Prior: -8.4
15:00			
London Time	With moderate improvements in the labour market and inflation remaining low, we estimate consumer confidence probably remained roughly unchanged in August, slightly lower than the cyclical peak reading in June (-7.5, or 0.7 sd above the long-term average).		
Germany			
Aug 20	*Producer Prices, Jul*	Forecast: 0.0% MM, -0.7% YY	Prior: 0.0% MM, -0.7% YY
07:00			
London Time	We expect German producer prices in July to be unchanged compared to June and to remain 0.7% lower than a year before. German PPI inflation has been negative since August 2013, but rates of PPI deflation have moderated slowly in recent months from the -1.1%YY peak reached in Germany.		
United Kingdom			
Aug 19	*Consumer Prices, Jul*	Forecast: -0.1% MM, 1.8% YY	Prior: 0.2% MM, 1.9% YY
09:30	*Ex Food, Drink, Tobacco, Energy, Jul*	Forecast: -0.1% MM, 2.0% YY	Prior: 0.2% MM, 2.0% YY
London Time	*Retail Prices, Jul*	Forecast: -0.1% MM, 2.5% YY	Prior: 0.2% MM, 2.6% YY
	RPIX – Ex Mortgages, Jul	Forecast: -0.1% MM, 2.6% YY	Prior: 0.2% MM, 2.7% YY
	Renewed weakness in food prices (with this component of the CPI likely to be down YY) is likely to pull CPI inflation a little lower in July. Nevertheless, the big picture is that inflation is likely to remain close to the 2% target in this month and (barring unexpected shocks) in the rest of the year.		
Aug 19	*Producer Input Prices, Jul*	Forecast: -1.4% MM, -6.9% YY	Prior: -0.8% MM, -4.4% YY
09:30			
London Time	The continued appreciation of sterling, plus slightly lower global commodity prices, are likely to produce another decline in input prices, and a figure in line with our forecast would imply the sixth MM drop in the past seven months. This decline is likely to help cap CPI inflation in coming quarters.		
Aug 19	*Producer Output Prices, Jul*	Forecast: 0.1% MM, 0.0% YY	Prior: -0.2% MM, 0.5% YY
09:30	*Output Prices Ex Tax, Jul*	Forecast: 0.1% MM, 0.2% YY	Prior: -0.2% MM, 0.3% YY
London Time	*Ex Food, Drink, Tobacco, Energy, Jul*	Forecast: 0.1% MM, 1.0% YY	Prior: 0.0% MM, 1.0% YY
	Output price inflation has weakened recently, with the YY rate at the lowest since 2009, and we expect another soft figure this month. UK manufacturers' expectations for their selling prices turned negative in July and were the weakest since 2009.		
Aug 20	*CBI Industrial Trends Survey, Aug*		
11:00	*Output Expectations Net Bal., Aug*	Forecast: +28%	Prior: +26%
London Time	*Order Books Net Balance, Aug*	Forecast: +5%	Prior: +2%
	Selling Prices Net Balance, Aug	Forecast: 0%	Prior: -4%
	The July survey was a little softer than the June reading, but still suggests that order books and output expectations are about one standard deviation above their long-run averages. We expect another strong reading this time, consistent with above-average manufacturing output growth.		
Aug 21	*Retail Sales Volumes, Jul*	Forecast: 0.5% MM, 3.1% YY	Prior: 0.1% MM, 3.6% YY
09:30			
London Time	After a couple of sluggish figures (down 0.5% MM in May, up 0.1% in June), we expect a stronger reading this month. Consumer confidence is high, housing activity remains fairly strong, and the CBI survey suggests that sales growth increased in July.		

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

Figure 12. Economic Indicators – Comments: Sweden and Norway

Sweden			
Aug 21	*LFS Unemployment Rate, Jul*	Forecast: 7.3%	Prior 9.2%
08:30	*LFS Unemployment Rate, SA, July*	Forecast: 7.8%	Prior 8.0%
London Time			
	The larger-than-expected decline in the jobless rate in May reversed in June, when the unemployment rate (in seasonally-adjusted terms) gained 0.2pp to 8.0%. In unadjusted terms, the jobless rate jumped 1.2 points to 9.2%, to stand around the same rate as a year ago (9.1%). However, while unemployment remains sticky, employment continues to grow at a firm pace, indicating that the gain in unemployment continues to be driven by a strong labour supply.		
Norway			
Aug 21	*Mainland GDP, 2Q*	Forecast: 0.6% QQ	Prior: 0.5% QQ
09:30			
London Time	Economic activity in the Norwegian economy has stabilized at a below-trend pace; mainland GDP (excl. oil/gas and shipping) has been running at 0.5% QQ for the past three quarters, and on a year-ago basis, economic activity stood at 1.8%-1.9% YY in recent quarters. Ahead, our forecast assumes a slight acceleration in activity, driven by firmer private consumption and non-oil exports. However, slowing oil investment trends and ongoing erosion in competitiveness imply that mainland GDP will grow at a below-trend rate pace in coming years, in our view. Monthly activity data suggest that the contribution from manufacturing, mining, electricity and construction to mainland GDP (accounting in total for a fifth of the aggregate) should also add positively to growth in 2Q. Meanwhile, uncertainty relates to the dominant private service sector (accounting for 50% of mainland GDP); there are no real monthly indicators on the supply side, but demand-side indicators point to a slight moderation in households' domestic consumption of goods in 2Q following a strong 0.9% QQ gain in 1Q. On balance, we expect the mainland economy to expand by 0.6% QQ in 2Q, marginally above Norges Bank's view (0.5% QQ).		

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

Figure 13. Key Economic Indicators (25 August – 29 August 2014)

During The Week		Forecast	Last
07:00	Germany: Retail Sales, Jul		
07:00	Germany: Import Prices, Jul		
07:00	UK: Nationwide House Prices, Aug		
Monday 25 August		Forecast	Last
08:00	Spain: Producer Prices, Jul		
08:30	Netherlands: Producer Confidence, Aug		
09:00	Germany: ifo Business Climate, Aug		
14:00	Belgium: Business Confidence, Aug		
Tuesday 26 August		Forecast	Last
08:30	Sweden: Producer Prices, Jul		
Wednesday 27 August		Forecast	Last
07:00	Germany: GfK Consumer Confidence, Sep		
07:45	France: Industrial Confidence, Aug		
07:45	France: Industrial Investment Survey, Jul		
08:15	Sweden: Business & Consumer Surveys, Aug		
08:30	Sweden: Trade Balance, Jul		
09:00	Norway: LFS Unemployment, Jun		
09:00	Italy: Consumer Confidence, Aug		
17:00	France: Jobless Change, Jul		
Thursday 28 August		Forecast	Last
08:00	Spain: GDP Details, 2Q		
08:00	Spain: HICP, Aug Flash		
08:30	Sweden: Retail Sales, Jul		
08:55	Germany: Unemployment, Aug		
09:00	Italy: Retail Sales, Jun		
09:00	Euro Area: M3, Jul		
09:30	UK: Migration Report, 2Q		
10:00	Italy: Business Confidence, Aug		
10:00	Euro Area: Business & Consumer Surveys, Aug		
11:00	Italy: Contractual Wages, Jul		
11:00	UK: CBI Retail Survey, Aug		
13:00	Germany: Consumer Prices, Aug Flash		
Friday 29 August		Forecast	Last
00:01	UK: GfK Consumer Confidence, Aug		
07:45	France: Producer Prices, Jul		
08:00	Switzerland: KOF Economic Barometer, Aug		
08:00	Spain: Retail Sales, Jul		
08:00	Denmark: GDP, 2Q Flash		
09:00	Norway: Retail Sales, Jul		
09:00	Norway: Unemployment, Aug		
09:00	Norway: Norges Bank Daily FX Purchases, Sep		
09:00	Italy: Unemployment, Jul		
10:00	Italy: HICP Flash, Aug		
10:00	Greece: Retail Sales, Jun		
10:00	Euro Area: Unemployment Rate, Jul		
10:00	Euro Area: HICP, Aug Flash		
11:00	Italy: GDP Details, 1Q		
	Spain: Current Account, Jun		
Saturday 30 August		Forecast	Last
	EU: European Council Meeting of EU Heads of State and Government		

Sources: National statistical offices, central banks and Citi Research

Recent Publications

Euro Area - Sovereign Debt Update		
SPF Survey: Downward Drift in 2014-15 HICP Forecasts	European Economics Team	Aug 15, 2014
French and German GDP growth disappoint in Q2	European Economics Team	Aug 14, 2014
Inflation Likely to Be Confirmed Down to 0.4% YY in July	European Economics Team	Aug 13, 2014
Italy – Moody's Cut 2014 GDP Growth Forecasts to -0.1%	European Economics Team	Aug 12, 2014
Bank of France: French GDP grew by 0.2%QQ in Q2	European Economics Team	Aug 11, 2014
Euro Area		
Euro Area - SPF Survey: Downward Drift In 2014-15 Inflation Expectations	Guillaume Menuet	Aug 14, 2014
Euro Area: NFC Net Borrowing Falling More Slowly	Antonio Montilla	Aug 12, 2014
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A Great Rotation towards Eurozone Portfolio Assets?	Ebrahim Rahbari	Jun 20, 2014
Labour Market Slack	Giada Giani	Jun 13, 2014
ECB TLTRO: Ambitious But Probably Not Enough, QE Lies Ahead	Guillaume Menuet	Jun 6, 2014
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Soft Growth, Low HICP And Weak SPF Point To ECB Cut In June	Guillaume Menuet	May 23, 2014
Long Live (s) The Rise of the Current Account Surplus	Ebrahim Rahbari	May 16, 2014
Euro Economics Weekly - How Might QE Affect Financial Conditions?	Giada Giani	May 9, 2014
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IR to Signal Shift in the MPC's Outlook	Michael Saunders	Aug 8, 2014
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Source: Citi Research

Appendix A-1

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