

## AUTUMN 2007 ECONOMIC OUTLOOK FOR THE EU27

### MAIN FORECAST

	2007	2008
Real GDP growth	2.9	2.4
Consumer price inflation	2.1	2.2
Unemployment rate	7.0	6.6
Employment growth	1.6	1.2
Hourly wage growth	3.1	3.3
Hourly labour productivity growth	1.4	1.5

### Components of aggregate demand

Annual % change	2007	2008
Private consumption	2.3	2.2
Public consumption	2.0	1.6
Investment (Gross fixed capital formation)	5.4	3.9
Exports	4.2*	5.2*
Imports	4.3*	5.6*

\*statistical treatment of VAT fraud creates distortions in UK forecasts

### ECONOMIC SENTIMENT

Weighted replies across countries, % of EU-27

<b>Question 1</b>		<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>	
Trend in business climate over the next 6 months	Industry	27	42	31	
	Services	32	26	42	
<b>Question 2</b>		<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>	
Trend in profitability over the next 6 months	Industry	22	46	32	
	Services	27	26	47	
<b>Question 3</b>		<b>Increase (faster pace)</b>	<b>Increase (slower pace)</b>	<b>Unchanged</b>	<b>Decrease (slower pace)</b>
Investment intentions over the next 6 months (compared to the last 12 months)	Industry	2	49	40	9
	Services	2	44	44	9
<b>Question 4</b>		<b>Replacement</b>	<b>Extension</b>	<b>Rationalisation</b>	<b>Innovation</b>
Driving force behind investment decisions in the next six months	Up	68	42	37	60
	Same	14	40	59	40
	Down	18	18	4	0
<b>Question 5</b>		<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>	
Trend in consumer confidence over the next 6 months	30	44	26		
<b>Question 6</b>		<b>Industry: past 6 months</b>	<b>Industry: next 6 months</b>	<b>Services: past 6 months</b>	<b>Services: next 6 months</b>
Overall trend in employment	Up	56	33	82	65
	Same	11	22	18	25
	Down	32	44	0	10
<b>Question 7</b>		<b>Higher / more difficult</b>	<b>Same</b>	<b>Lower / less difficult</b>	
Compared to 6 months ago, SME's cost/access to capital for business development	Cost	92	8	0	
	Access	81	19	0	
<b>Question 8</b>		<b>to a large extent</b>	<b>to some extent</b>	<b>not at all</b>	
Effect of financial market turmoil on assessment of financing conditions for next 6 months ...	0	96	3		

### POLICY MIX

Weighted replies across countries, % of EU-27

<b>Question 11</b>		<b>Excellent</b>	<b>Satisfactory</b>	<b>Neither satisfactory nor unsatisfactory</b>	<b>Unsatisfactory</b>	<b>Deteriorating</b>
Fiscal policy: Progress towards the medium-term budgetary objective is...		0	9	37	50	0
<b>Question 12</b>			<b>Tight</b>	<b>Appropriate</b>	<b>Loose</b>	
Monetary policy is...			31	59	11	
<b>Question 14</b>		<b>Adequate</b>	<b>Inadequate</b>			
Consistency between the fiscal and the monetary policies		35	65			