EUROPEAN CENTRAL BANK
EUROSYSTEM

June 2017
Eurosystem staff macroeconomic projections for the euro area[1]

The economic recovery in the euro area is projected to continue, at a faster pace than previously expected. Real GDP is expected to grow at around 1.8% per year over the projection horizon. The expected global recovery will support euro area exports, while the very accommodative monetary policy stance, progress made in deleveraging across sectors and a continued improvement in the labour market are projected to sustain domestic demand over the projection horizon.

HICP inflation is expected to have a V-shaped profile, reaching 1.6% in 2019. While the considerable upward impact of HICP energy inflation in 2017 will decrease in 2018 and 2019, HICP inflation excluding energy and food will rise gradually over time, with the absorption of economic slack.

1 Real economy

Following robust growth in the first quarter of 2017, favourable short-term indicators suggest continued strong momentum in the near term. Labour market conditions have continued to improve in recent months, with an increasing labour force easing bottlenecks in employment growth in some euro area countries and unemployment falling across most euro area countries. Business and consumer confidence has improved further across sectors and countries in recent months, from already elevated levels, pointing to continued robust growth in the near term.

Over the projection horizon, real GDP is expected to grow by 1.9% in 2017, by 1.8% in 2018 and by 1.7% in 2019. A number of favourable factors are expected to continue to support domestic demand over the projection horizon. The ECB's very accommodative monetary policy stance continues to be transmitted to the economy and market expectations of future interest rates, as embedded in the technical assumptions of this projection, remain low over the horizon. Bank lending to non-financial corporations (NFCs) continues to recover, spurred by low interest rates,

[1] These macroeconomic projections produced by Eurosystem staff are an input to the Governing Council's assessment of economic developments and the risks to price stability. The projections produced by ECB or Eurosystem staff are neither endorsed by the Governing Council nor do they necessarily reflect the views of the Governing Council on the outlook for the euro area. Information on the procedures and techniques used is given in *A guide to the Eurosystem/ECB staff macroeconomic projection exercises*, ECB, July 2016, which is available on the ECB's website. The cut-off date for technical assumptions, such as for oil prices and exchange rates, was 16 May 2017 (see Box 1). The cut-off date for including other information in this exercise was 23 May 2017.
The current macroeconomic projection exercise covers the period 2017-19. Projections over such a long horizon are subject to very high uncertainty, and this should be borne in mind when interpreting them. See the article entitled "An assessment of Eurosystem staff macroeconomic projections" in the May 2013 issue of the ECB's Monthly Bulletin.

Please see http://www.ecb.europa.eu/pub/projections/html/index.en.html for an accessible version of the data underlying selected tables and charts.

rising credit demand and favourable credit supply conditions. A further improvement in labour market conditions and lower deleveraging needs are also supporting domestic demand. The global economic recovery is also projected to strengthen over the projection horizon, supporting euro area exports.

Chart 1

Macroeconomic projections[1)]

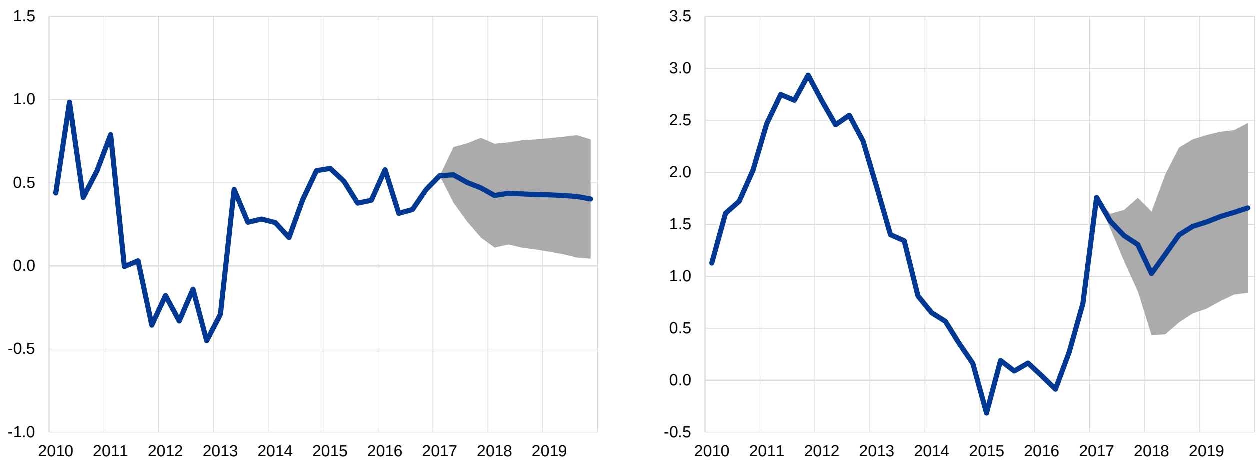
(quarterly data)

Euro area real GDP[2)]

(quarter-on-quarter percentage changes)

Euro area HICP

(year-on-year percentage changes)



1) The ranges shown around the central projections are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used for calculating the ranges, involving a correction for exceptional events, is documented in *New procedure for constructing Eurosystem and ECB staff projection ranges*, ECB, December 2009, available on the ECB's website.
2) Working day-adjusted data.

Private consumption is projected to continue to recover, albeit with somewhat less momentum than in 2016. Consumer confidence has improved further across countries in recent months to levels well above their long-term averages, on the back of better general economic expectations and more favourable individual financial expectations. The near-term outlook for private consumption is also supported by recent continued improvements in labour market conditions.

Nominal disposable income growth is projected to pick up gradually over the projection horizon, although higher inflation will dampen households' real purchasing power. The contribution from gross wages and salaries to nominal disposable income growth is expected to increase over the projection period, supported by both continued employment growth and rising growth in compensation per employee. Growth in real disposable income is expected to fall substantially in 2017, mainly reflecting the projected increase in energy price inflation, and to recover gradually thereafter.

Improving bank lending conditions, reinforced by the ECB's monetary policy measures, should support private consumption growth. While low interest rates have affected both the interest earnings and interest payments of private households, they tend to redistribute resources from net savers to net borrowers. As the latter group typically has a higher marginal propensity to consume, this redistribution should further support aggregate private consumption. In addition, progress achieved in deleveraging should also support consumption.

Following the unwinding of its oil price-related increase, the saving ratio is expected to remain broadly flat over the projection horizon. This broad stability masks opposing factors across euro area countries. Downward pressures stem from declining unemployment, improving credit conditions and low interest rates, while upward pressures result from remaining needs to reduce gross indebtedness and from consumption smoothing in the context of the cyclical recovery. Overall, annual growth in private consumption is projected to fall from 1.9% in 2016 to around 1.5% between 2017 and 2019.

Box 1
Technical assumptions about interest rates, exchange rates and commodity prices

Compared with the March 2017 projections, the technical assumptions include significantly lower US dollar-denominated oil prices, an appreciation of the effective exchange rate of the euro and lower long-term interest rates. The technical assumptions about interest rates and commodity prices are based on market expectations, with a cut-off date of 16 May 2017. Short-term rates refer to the three-month EURIBOR, with market expectations derived from futures rates. The methodology gives an average level for these short-term interest rates of -0.3% for 2017, -0.2% for 2018 and 0.0% for 2019. The market expectations for euro area ten-year nominal government bond yields imply an average level of 1.2% in 2017, 1.5% in 2018 and 1.8% in 2019.[2] Compared with the March 2017 projections, market expectations for short-term interest rates remain broadly unchanged, while expectations for long-term rates have been revised down by 10-20 basis points.

As regards commodity prices, on the basis of the path implied by futures markets by taking the average of the two-week period ending on the cut-off date of 16 May, the price of a barrel of Brent crude oil is assumed to increase from USD 44.0 in 2016 to USD 51.6 in 2017 and to remain around that level in 2018 and 2019. This path implies that, in comparison with the March 2017 projections, oil prices in USD are lower by 8.6% in 2017, by 9.1% in 2018 and by 7.9% in 2019. The prices of non-energy commodities in US dollars are assumed to rise substantially in 2017 and somewhat more moderately beyond.[3]

Bilateral exchange rates are assumed to remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date of 16 May. This implies an average exchange rate of USD 1.08 per euro in 2017 and of USD 1.09 per euro over 2018-19, compared with USD 1.07 in the March 2017 projections. The effective exchange rate of the euro (against 38 trading partners) is 0.6% higher in 2017 and about 1.0% higher over 2018-19 than assumed in the March 2017 exercise.

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[2] The assumption for euro area ten-year nominal government bond yields is based on the weighted average of countries' ten-year benchmark bond yields, weighted by annual GDP figures and extended by the forward path derived from the ECB's euro area all-bonds ten-year par yield, with the initial discrepancy between the two series kept constant over the projection horizon. The spreads between country-specific government bond yields and the corresponding euro area average are assumed to be constant over the projection horizon.

[3] Oil and food commodity price assumptions are based on futures prices up to the end of the projection horizon. The prices of other non-energy hard commodities are assumed to follow futures until the second quarter of 2018 and thereafter to evolve in line with global economic activity.

Technical assumptions

	June 2017				March 2017			
	2016	2017	2018	2019	2016	2017	2018	2019
Three-month EURIBOR (percentage per annum)	-0.3	-0.3	-0.2	0.0	-0.3	-0.3	-0.2	0.0
Ten-year government bond yields (percentage per annum)	0.8	1.2	1.5	1.8	0.8	1.3	1.6	1.9
Oil price (in USD/barrel)	44.0	51.6	51.4	51.5	44.0	56.4	56.5	55.9
Non-energy commodity prices, in USD (annual percentage change)	-3.9	6.4	2.0	4.5	-3.9	13.2	3.5	4.6
USD/EUR exchange rate	1.11	1.08	1.09	1.09	1.11	1.07	1.07	1.07
Euro nominal effective exchange rate (EER38) (annual percentage change)	3.7	-0.4	0.3	0.0	3.7	-1.0	0.0	0.0

The recovery in residential investment is expected to continue. Housing investment picked up strongly in 2016, supported by strong growth in disposable income and favourable financing conditions. The fundamental conditions for a further recovery in residential investment remain in place. The favourable outlook for residential investment is evidenced by rising building permits and increasing demand for loans for house purchase in a context of improved bank lending conditions. Favourable income prospects and financing conditions continue to support the ongoing upward trend in housing markets. Nonetheless, residential investment growth is expected to lose some momentum over the projection horizon, reflecting the fading impact of fiscal incentives in some countries and adverse demographic trends that are expected eventually to take their toll.

Business investment is expected to develop in line with the cyclical recovery. As external demand strengthens and fiscal measures in some countries take effect, business investment is expected to continue recovering. This recovery is supported by several factors: business confidence has continued to improve on the back of very favourable production expectations, rising order books and a turnaround in selling price expectations; capacity utilisation has continued to increase above average pre-crisis levels in early 2017; financing conditions are expected to tighten only slightly over the projection horizon and to remain very supportive; there is a need to modernise the capital stock after several years of subdued investment; and profit mark-ups are expected to pick up in the context of an already cash-rich NFC sector. Moreover, the observed strong recovery in stock prices in recent years and moderate debt financing growth have brought the leverage ratio (debt to total assets) in the NFC sector to historical lows. However, some factors are expected to continue to weigh on the outlook for business investment. These include expectations of weaker potential output growth than in the past and limitations on the intermediation capacity of banks in some countries.

Box 2
The international environment

Global economic activity is expected to continue to recover. Growth in global GDP dipped in the first quarter of 2017 but confidence indicators and surveys point to a rebound in the months ahead. Financial conditions in advanced economies remain supportive, underpinned by accommodative monetary policies in advanced economies and expectations of a fiscal stimulus in the United States. Financial markets in emerging market economies have also rebounded after the outcome of the US election in late 2016. Looking further ahead, global activity is expected to accelerate moderately. The outlook among advanced economies entails a continued cyclical recovery as their output gaps gradually close. Among emerging market economies, growth should remain resilient in commodity importers such as India and China, while activity in commodity exporters is expected to bottom out after deep recessions. Global activity (excluding the euro area) is projected to expand by 3.5% in 2017 and by 3.8% in 2018 and 2019, unchanged from the previous projection exercise.

The international environment

(annual percentage changes)

	June 2017				March 2017			
	2016	2017	2018	2019	2016	2017	2018	2019
World (excluding euro area) real GDP	3.2	3.5	3.8	3.8	3.1	3.5	3.8	3.8
Global (excluding euro area) trade[1)]	0.9	4.4	3.8	3.9	1.2	3.4	3.7	3.8
Euro area foreign demand[2)]	1.3	3.7	3.4	3.5	1.6	2.8	3.4	3.5

1) Calculated as a weighted average of imports.
2) Calculated as a weighted average of imports of euro area trading partners.

Global trade is expected to expand gradually over the projection horizon, following a significant strengthening in recent months. World trade is expected to expand in line with the recovery in global activity over the medium term. Compared with the March 2017 projections, euro area foreign demand has been revised up in 2017, mainly reflecting stronger than expected recent data.

Extra-euro area exports are projected to be supported by the recovery in global demand. Euro area foreign demand is estimated to have gained momentum in the second half of 2016 and in early 2017, owing to higher import demand in both advanced economies (notably the United States and Japan) and emerging economies (in particular China, Russia and Brazil). Looking ahead, import demand is projected to increase in both advanced and emerging market economies, while it will remain subdued in the United Kingdom. Extra-euro area exports are expected to benefit from rising foreign demand over the projection horizon. Extra-euro area imports are expected to grow faster than extra-euro area exports and in line with their historical elasticity to total demand. The euro area current account surplus is projected to decline somewhat over the projection horizon, partly as past oil price-related terms of trade effects unwind.

The negative output gap is expected to close over the projection horizon. Potential output growth is estimated to be slightly above 1% over the projection horizon and therefore to remain clearly below projected actual real GDP growth of around 1.8%. The subdued momentum of potential output reflects primarily a rather low contribution from capital following a protracted period of historically low investment. The contribution from labour is projected to increase, reflecting increasing labour force participation on account of past structural reforms. The contribution from labour will nevertheless remain somewhat below its pre-crisis average due to the ageing of the population. The contribution from total factor productivity is expected to be only slightly below its pre-crisis level.

Euro area labour market conditions should continue to improve over the projection horizon. Employment is projected to continue increasing over the projection horizon. However, it will gradually lose some momentum. In the short term, this reflects mainly the fading of some favourable temporary factors affecting employment growth. Over the remainder of the horizon, skilled labour supply shortages are assumed to become increasingly binding in some countries, dampening employment growth and leading to an increase in the number of hours worked per employee. These developments in employment imply a pick-up in labour productivity growth, reflecting an increasing utilisation of both capital and labour in the context of diminishing slack. The unemployment rate is expected to decline to 8.3% in 2019 but to remain above its pre-crisis level (of 7.5% in 2007).

Compared with the March 2017 projections, real GDP growth has been revised upwards. Very favourable business and consumer sentiment, together with stronger foreign demand, suggest somewhat stronger near-term growth than previously expected. Beyond the short term, upward impacts from lower oil prices, lower long-term interest rates and higher stock prices, as well as stronger public consumption and public investment, are only partially dampened by downward effects from an appreciation in the exchange rate of the euro.

2 Prices and costs

HICP inflation is expected to average 1.5% in 2017. It is then set to dip to 1.3% in 2018, before edging up to 1.6% in 2019. Divergent developments in the HICP energy and in the HICP excluding energy and food components mainly account for the V-shaped profile of headline inflation over the projection horizon. HICP energy inflation is expected to increase strongly in 2017 compared with 2016 and to develop more moderately thereafter, reflecting the recent rise in oil prices and a relatively flat profile of the oil price futures curve looking ahead. The positive contribution of HICP energy inflation to headline inflation, which is envisaged to amount to 0.4 percentage point in 2017, should decrease substantially over the next two years.

HICP inflation excluding energy and food is expected to pick up gradually over the projection horizon. The main factor behind the expected strengthening in HICP inflation excluding energy and food is rising unit labour costs, as the recovery progresses and consolidates. One driving factor behind this is the expected decline in labour market slack, which should push up wage growth. In addition, factors that had dampened wage growth in recent years, such as the need to regain price competitiveness in some countries, are expected to fade gradually, which should further support the envisaged pick-up in the growth rate in compensation per employee. Unit labour cost growth is expected to increase by slightly less than wage growth over the projection horizon. The rebound in oil prices since early 2016 is also expected to add, indirectly, somewhat to these upward cost pressures via higher production costs and their repercussions on nominal wages given the usual transmission lags.

External price pressures are envisaged to no longer dampen euro area consumer prices over the projection horizon. Following four years of declining import prices, the annual growth rate of import prices is expected to turn positive in 2017. This turnaround is mainly due to the rebound in oil and non-energy commodity prices since 2016. The subsequent easing of the growth rates of import prices likewise reflects the moderation in commodity price developments. Aside from commodity prices, global inflationary pressures are, more generally, expected to rise gradually. Global production costs are envisaged to rise gradually as global slack diminishes. However, the still high level of global spare capacity and intense competition with low-cost countries will dampen global price pressures.

Improving labour market conditions are seen as the predominant source of rising domestic cost pressures in the coming years. Growth in compensation per employee is projected to rise from 1.7% in 2017 to 2.4% in 2019. Reduced slack in the euro area labour market and increasing labour supply shortages in some parts of the euro area are seen as important factors behind this pick-up in wage growth. Beyond this, the recent significant pick-up in headline inflation can be expected to translate into higher nominal wage increases in euro area countries where wage formation processes include backward-looking price elements. This effect might become more relevant as of 2018 though, since, for 2017, in several countries most of the negotiated wages are already locked in. Nonetheless, this effect may still be weak, as it is limited to countries where (implicit) wage indexation is linked to headline inflation. In addition, it is restrained by a number of countries having reduced the degree of wage indexation to inflation in recent years. Some further upward momentum in wage growth should come from the expected strengthening in productivity growth over the projection horizon. In addition, a number of dampening factors affecting wage growth are expected to abate over the projection horizon. These include, for instance, pent-up wage restraint in view of binding downward rigidities in nominal wages during the crisis. Additionally, measures to reduce social security contributions and to pursue public sector wage moderation in some countries are expected to expire.

Profit margins are envisaged to widen over the projection horizon at a slightly stronger pace than seen recently. As the dampening effect on profit margins from the recent oil price increases fades, profit margins are expected to expand slightly faster than in recent quarters, benefiting from the continued economic recovery. The expansion in profit margins is, however, likely to be somewhat dampened over the projection horizon by the expected increases in unit labour cost growth and global competitiveness pressures.

Compared with the March 2017 projections, the outlook for HICP inflation has been revised slightly downwards. Lower oil prices than those assumed in the March 2017 projections imply a downward revision of HICP energy inflation for 2017 and 2018. Similarly, the food price projections have been revised down over the whole projection horizon. In addition, HICP inflation excluding energy and food has been revised downwards for 2018 and 2019. This downward revision partly reflects indirect effects of lower oil prices and the slightly stronger exchange rate of the euro, but also a lower outlook for underlying cost and price pressures in various euro area economies.

3 Fiscal outlook

The fiscal stance is projected to be broadly neutral in 2017-19. The fiscal policy stance is measured as the change in the cyclically adjusted primary balance net of government support to the financial sector. The impact of both non-discretionary factors and discretionary measures is assessed to be neutral over the full horizon.

Over the projection horizon, the general government budget deficit and debt ratios are both projected to be on a downward path. The improvement in the budget balance is due to further declining interest payments over the horizon and the improvement in the cyclical component, which more than offset a slight deterioration in the cyclically adjusted primary balance. The gradual reduction in government debt over the projection horizon stems from the favourable interest-growth rate differential[4] and the projected primary surpluses.

Compared with the projections published in March 2017, the outlook for the budget deficit and debt ratios is broadly unrevised.

[4] The differential is calculated as the difference between the nominal effective interest rate on debt and the nominal GDP growth rate.

Table 1

Macroeconomic projections for the euro area[1)]

(annual percentage changes)

	June 2017				March 2017			
	2016	2017	2018	2019	2016	2017	2018	2019
Real GDP	1.7	1.9	1.8	1.7	1.7	1.8	1.7	1.6
		[1.6 - 2.2][2)]	[0.8 - 2.8][2)]	[0.6 - 2.8][2)]		[1.5 - 2.1][2)]	[0.7 - 2.7][2)]	[0.5 - 2.7][2)]
Private consumption	1.9	1.5	1.6	1.4	1.9	1.4	1.4	1.4
Government consumption	1.8	1.2	1.2	1.1	2.0	1.1	1.0	1.1
Gross fixed capital formation	3.6	3.7	3.4	3.0	2.5	2.8	3.2	2.8
Exports[3)]	2.8	4.8	4.3	4.1	2.9	4.3	4.1	4.0
Imports[3)]	4.0	5.2	4.6	4.3	3.5	4.6	4.4	4.2
Employment	1.4	1.4	1.0	0.9	1.3	1.0	1.0	0.8
Unemployment rate (percentage of labour force)	10.0	9.4	8.8	8.3	10.0	9.4	8.9	8.4
HICP	0.2	1.5	1.3	1.6	0.2	1.7	1.6	1.7
		[1.4 - 1.6][2)]	[0.6 - 2.0][2)]	[0.7 - 2.5][2)]		[1.4 - 2.0][2)]	[0.9 - 2.3][2)]	[0.8 - 2.6][2)]
HICP excluding energy	0.9	1.2	1.4	1.6	0.9	1.2	1.6	1.8
HICP excluding energy and food	0.9	1.1	1.4	1.7	0.9	1.1	1.5	1.8
HICP excluding energy, food and changes in indirect taxes[4)]	0.8	1.1	1.4	1.7	0.8	1.1	1.5	1.8
Unit labour costs	0.9	1.1	1.3	1.5	0.9	1.1	1.4	1.6
Compensation per employee	1.3	1.7	2.1	2.4	1.3	1.8	2.1	2.4
Labour productivity	0.3	0.5	0.8	0.9	0.4	0.7	0.7	0.8
General government budget balance (percentage of GDP)	-1.5	-1.3	-1.2	-1.0	-1.6	-1.4	-1.2	-0.9
Structural budget balance (percentage of GDP)[5)]	-1.6	-1.5	-1.4	-1.3	-1.7	-1.5	-1.4	-1.1
General government gross debt (percentage of GDP)	89.2	87.9	86.4	84.7	89.3	88.0	86.4	84.5
Current account balance (percentage of GDP)	3.4	2.8	2.8	2.9	3.4	3.1	3.2	3.3

1) Real GDP and components refer to working day-adjusted data.
2) The ranges shown around the projections are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used for calculating the ranges, involving a correction for exceptional events, is documented in *New procedure for constructing Eurosystem and ECB staff projection ranges*, ECB, December 2009, available on the ECB's website.
3) Including intra-euro area trade.
4) The sub-index is based on estimates of actual impacts of indirect taxes. This may differ from Eurostat data, which assume a full and immediate pass-through of tax impacts to the HICP.
5) Calculated as the government balance net of transitory effects of the economic cycle and temporary measures taken by governments (for the ESCB approach, see *Working Paper Series*, No 77, ECB, September 2001, and *Working Paper Series*, No 579, ECB, January 2007). The projection of the structural balance is not derived from an aggregate measure of the output gap. Under the ESCB methodology, cyclical components are calculated separately for different revenue and spending items. For more details, see the box entitled "Cyclical adjustment of the government budget balance" in the March 2012 issue of the ECB's Monthly Bulletin and the box entitled "The structural balance as an indicator of the underlying fiscal position" in the September 2014 issue of the ECB's Monthly Bulletin.

Box 3
Sensitivity analyses

Projections rely heavily on technical assumptions regarding the evolution of certain key variables. Given that some of these variables can have a large impact on the projections for the euro area, examining the sensitivity of the latter with respect to alternative paths of these underlying assumptions can help in the analysis of risks around the projections. This box discusses the uncertainty around some key underlying assumptions and the sensitivity of the projections with respect to these variables.

1) An alternative oil price path

Alternative oil price models point to a risk of oil prices being higher over the projection horizon than suggested by oil price futures. The technical assumptions for oil price developments underlying the baseline projections, based on futures markets, predict a rather flat profile for oil prices, with the price per barrel of Brent crude oil hovering around USD 51.5 until the end of 2019. This path is consistent with a moderate recovery in world oil demand, a scenario associated with the global economic recovery gaining traction. The recent extension of the OPEC agreement has so far not led to an increase in the oil price futures curve, probably due to the level of oil stocks, which is close to its record high, the possible increase in the production of shale oil and concerns that some of the largest oil producers may deviate from the agreement. A combination of alternative models used by Eurosystem staff[5] to predict oil prices over the projection horizon currently suggests a higher oil price path than assumed in the technical assumptions. The materialisation of an alternative path, in which oil prices were 7.2% higher than in the baseline by 2019, would marginally dampen real GDP growth while entailing a faster increase in HICP inflation (up by 0.1 percentage point in 2018 and by 0.2 percentage point in 2019).

2) An alternative exchange rate path

This sensitivity analysis investigates, as an illustration, the impact of a lower path of the exchange rate of the euro compared with the baseline. Depreciation risks to the euro exchange rate stem mainly from a stronger than currently expected divergence in the monetary policy stance on both sides of the Atlantic. In particular, a faster than expected rise in the US federal funds rate could put further downward pressure on the euro. This may reflect, especially, rising inflation expectations in the United States, amid expansive fiscal policies and a tight labour market once uncertainty surrounding the new US Administration’s policies eases. The alternative path of the exchange rate of the euro is based on the 25th percentile of the distribution provided by the option-implied risk-neutral densities for the USD/EUR exchange rate on 16 May 2017. This path implies a gradual depreciation of the euro vis-à-vis the US dollar to an exchange rate of 1.06 USD/EUR in 2019, which is about 3% below the baseline assumption for that year. The corresponding assumptions for the nominal effective exchange rate of the euro reflect historical regularities, whereby changes in the USD/EUR exchange rate correspond to changes in the effective exchange rate with an elasticity of around 52%. This assumption results in a gradual downward divergence of the effective exchange rate of the euro from the baseline, bringing it to a level 1.8% below the baseline in 2019. In this scenario, the average of the results from a number of staff macroeconomic

[5] See the four-model combination presented in the article entitled “Forecasting the price of oil”, *Economic Bulletin*, Issue 4, ECB, 2015.

models points to HICP inflation and GDP growth being 0.1 and 0.2 percentage point higher in 2018 and 2019 respectively.

Box 4
Forecasts by other institutions

A number of forecasts for the euro area are available from both international organisations and private sector institutions. However, these forecasts are not strictly comparable with one another or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil and other commodity prices. Finally, there are differences in working day adjustment methods across different forecasts (see the table).

As indicated in the table, other institutions' currently available projections for real GDP growth and HICP inflation are overall within the ranges surrounding the Eurosystem staff projections (shown in brackets in the table).

Comparison of forecasts for euro area real GDP growth and HICP inflation

(annual percentage changes)

		GDP growth			HICP inflation		
	Date of release	2017	2018	2019	2017	2018	2019
Eurosystem staff projections	June 2017	1.9	1.8	1.7	1.5	1.3	1.6
		[1.6 - 2.2]	[0.8 - 2.8]	[0.6 - 2.8]	[1.4 - 1.6]	[0.6 - 2.0]	[0.7 - 2.5]
European Commission	May 2017	1.7	1.8	-	1.6	1.3	-
OECD	June 2017	1.8	1.8	-	1.7	1.4	-
Euro Zone Barometer	May 2017	1.8	1.7	1.5	1.7	1.5	1.7
Consensus Economics Forecasts	May 2017	1.7	1.6	1.4	1.6	1.4	1.7
Survey of Professional Forecasters	April 2017	1.7	1.6	1.5	1.6	1.5	1.7
IMF	April 2017	1.7	1.6	1.6	1.7	1.5	1.6

Sources: European Commission's European Economic Forecast, Spring 2017; IMF World Economic Outlook, April 2017; OECD Economic Outlook, June 2017; Consensus Economics Forecasts, May 2017; MJEconomics for the Euro Zone Barometer, May 2017; and the ECB's Survey of Professional Forecasters, April 2017.
Notes: The Eurosystem and ECB staff macroeconomic projections and the OECD forecasts both report working day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working day-adjusted or non-working day-adjusted data.

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