

## Box 7

### Forecasts by other institutions

A number of recent forecasts for the euro area up to 2002 are available from various institutions, both international and private sector organisations, including the results of the ECB's own Survey of Professional Forecasters. The forecasts are not, however, strictly comparable with one another or with the staff economic projections, since they are based on different assumptions and were completed at various points in time with different cut-off dates for the inclusion of data. Unlike the staff economic projections, forecasts are typically not based on unchanged short-term interest rates and therefore allow for monetary policy responses to the forecast. The OECD, for example, explicitly states that it makes the assumption that euro area short-term interest rates will increase. Moreover, the different external forecasts vary in their assumptions with regard to exchange rates, oil prices and the world economy. A variety of unspecified assumptions are used in the Consensus Economics Forecasts and the ECB's Survey of Professional Forecasters.

Despite their differing assumptions, there is a broad consensus among the available forecasts that real GDP growth in the euro area will have risen to well above 3% in 2000 and will decelerate, although remaining strong, in 2001 and 2002 (see the table below). The moderate slowdown expected over the forecast horizon is mainly the result of developments in net exports, the contribution of which most forecasters expect to decrease steadily. At the same time, domestic demand is expected to remain dynamic, with an annual contribution to growth of between 2.5 and 3.0 percentage points. The favourable developments in activity are expected to translate into further job creation; as a result, all forecasters expect the unemployment rate to diminish.

### Comparison of forecasts for euro area real GDP growth

(annual percentage changes)

	Date of release	1999	2000	2001	2002
European Commission	November 2000	2.5	3.5	3.2	3.0
IMF	October 2000	2.4	3.5	3.4	.
OECD	November 2000	2.5	3.5	3.1	2.8
Consensus Economics Forecasts	November 2000	2.4	3.3	3.1	.
Survey of Professional Forecasters	November 2000	2.5	3.5	3.1	2.8

Sources: European Commission Autumn Economic Forecast; IMF World Economic Outlook; OECD Economic Outlook; Consensus Economics Forecasts and the ECB's Survey of Professional Forecasters.

With regard to prices, there is also a broad consensus that the rise in headline consumer price inflation in the euro area in 2000 will be transitory and that headline inflation will decline slightly in 2001 and 2002 (see the table below). However, prices are still expected to increase by around 2% in each of the three forecast years.

### Comparison of forecasts for euro area consumer price inflation <sup>1)</sup>

(annual percentage changes)

	Date of release	1999	2000	2001	2002
European Commission	November 2000	1.1	2.3	2.2	1.9
IMF	October 2000	1.2	2.1	1.7	.
OECD	November 2000	1.2	2.2	2.3	2.0
Consensus Economics Forecasts	November 2000	1.0	2.2	2.0	.
Survey of Professional Forecasters	November 2000	1.1	2.3	2.0	1.8

Sources: European Commission Autumn Economic Forecast; IMF World Economic Outlook; OECD Economic Outlook; Consensus Economics Forecasts and the ECB's Survey of Professional Forecasters.

1) HICP; for the IMF and the Consensus Economics Forecasts: the CPI; for the OECD: a private consumption deflator.