

## Box 7

### Comparison with December 2001 Projections

The major change to the projection assumptions compared with the Eurosystem staff macroeconomic projections published in the Monthly Bulletin in December 2001 is the upward revision of oil price assumptions. The December 2001 staff projections were based on the assumption of a significant decline in oil prices of more than 20% in 2002, as embodied in futures prices at the time the projections were finalised. With oil prices now substantially higher than assumed in the December 2001 projections, the current assumptions entail a small decline in oil prices of 5% over the horizon. Further important changes in assumptions are an upward revision of euro area export market growth in 2002 by about 2 percentage points and an upward shift of market expectations for long-term interest rates by some 80 basis points.

The ranges projected for the annual rate of increase in the overall HICP have now been shifted notably upwards for both 2002 and, to a lesser extent, 2003. The nature of the revisions differs for the two years. For 2002, the upward revision is largely explained by the energy component of the HICP, reflecting the direct impact of higher oil price assumptions. As regards non-energy components of the HICP, unprocessed food and services prices have also been subject to small upward revisions due to developments observed in early 2002. For 2003, the upward revision affects predominantly the non-energy components of the overall HICP and is explained by various domestic factors, including higher nominal wage growth and the lagged indirect impacts of the higher oil price assumptions.

The outcome for the annual rate of increase in the overall HICP in 2001 of 2.5%, which is the official Eurostat figure, lies outside the range projected in December 2001. This is due to a subsequent revision of official HICP data for 2001 related to the implementation of additional harmonisation rules for two major countries and the inclusion of Greece in the base period (see Box 4 in the March 2002 issue of the Monthly Bulletin). These changes imply a break in the overall HICP series and have resulted in a downward revision of the annual rate of increase in the overall HICP in 2001 by 0.2 percentage point.

Revisions to the ranges projected for real GDP growth are small, with a minor upward revision in 2003. Revisions to the components of demand, however, have been somewhat larger. The contribution of net exports to GDP growth is now projected to be somewhat higher, while that of domestic demand is somewhat lower owing to a downward revision of investment growth.

#### Comparison of macroeconomic projections

(average annual percentage changes)

	2001	2002	2003
HICP – June 2002	2.5	2.1 – 2.5	1.3 – 2.5
HICP – December 2001	2.6 – 2.8	1.1 – 2.1	0.9 – 2.1
Real GDP – June 2002	1.5	0.9 – 1.5	2.1 – 3.1
Real GDP – December 2001	1.3 – 1.7	0.7 – 1.7	2.0 – 3.0

*Note: The annual rate of increase in the overall HICP in 2001 was subject to a downward revision of 0.2 percentage point due to statistical changes.*