

**Box 9****Comparison with June 2003 projections**

The main change to the projections compared with the Eurosystem staff macroeconomic projections published in the Monthly Bulletin in June 2003 is an upward shift in the ranges projected for HICP in 2004. This is broadly explained by various planned fiscal measures, as contained in national budget plans. The new fiscal measures consist of increases in indirect taxes and administered prices in 2004 (notably health care charges), which are estimated to contribute about ½ percentage point to euro area HICP inflation in 2004. In addition, the fiscal assumptions include the plans by fiscal authorities to bring forward additional cuts in labour income taxes and to reduce social security contributions.

The ranges projected for real GDP growth have now been adjusted downwards somewhat for 2003, but remain unchanged for 2004. The revision for 2003 is largely explained by the somewhat weaker outcome for the second quarter of this year compared with the June 2003 projections. It reflects lower contributions of net exports and investment to GDP growth. The impact of the new fiscal measures on euro area real GDP growth in 2004 is limited, as the negative impact of the higher HICP on household real disposable income is counterbalanced by the positive impact of the tax cuts.

Taking into account current wage settlements, growth in nominal compensation per employee has been revised downwards for 2004, compared with the June 2003 projections. This also results in a small downward revision to unit labour cost growth, with a larger widening of profit margins now being projected. The changes to the technical assumptions on oil prices, interest rates and exchange rates are small compared with the June 2003 projections. However, it is assumed that non-oil commodity prices will increase more strongly than projected last June.

**Comparison of macroeconomic projections***(average annual percentage changes)*

	2002	2003	2004
HICP – December 2003	2.3	2.0 – 2.2	1.3 – 2.3
HICP – June 2003	2.3	1.8 – 2.2	0.7 – 1.9
Real GDP – December 2003	0.9	0.2 – 0.6	1.1 – 2.1
Real GDP – June 2003	0.9	0.4 – 1.0	1.1 – 2.1