

Box 11

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 and use different methods to derive assumptions for fiscal, financial and external variables, including oil prices. The forecasts covered by the Consensus Economics Forecasts and the ECB Survey of Professional Forecasters use a variety of unspecified assumptions. In contrast to the Eurosystem staff projections, the other forecasts are typically not conditioned on the assumption that short-term interest rates will remain unchanged over the projection horizon.

Despite different assumptions, there is a consensus in the forecasts currently available from other institutions that euro area annual GDP growth will average between 1.9% and 2¼% in 2005 and between 2¼% and 2½% in 2006. The forecasts for 2005 are very similar. For 2006, the forecasts made by the European Commission and the Survey of Professional Forecasters predict annual GDP growth of 2.2%, whereas the OECD predicts a growth rate of 2.5%.

It should be borne in mind that both the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. For 2004, the non-working-day-adjusted average annual growth rate of euro area GDP will be around ¼ percentage point higher than the working-day-adjusted growth rate, owing to the greater number of working days this year. Both the IMF and the European Commission forecasts thus include, in working-day-adjusted terms, an increase in euro area GDP growth in 2005. The Eurosystem staff macroeconomic projections and the OECD forecasts report working-day-adjusted annual growth rates, whereas the other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

Table A Comparison of forecasts for euro area real GDP growth

(annual percentage changes)

	Date of release	2004	2005	2006
European Commission	Oct. 2004	2.1	2.0	2.2
IMF	Sep. 2004	2.2	2.2	n.a.
OECD	Nov. 2004	1.8	1.9	2.5
Consensus Economics Forecasts	Nov. 2004	1.9	1.9	n.a.
Survey of Professional Forecasters	Nov. 2004	1.9	2.0	2.2

Sources: European Commission Economic Forecasts Autumn 2004; IMF World Economic Outlook September 2004; OECD Economic Outlook No 76; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. The European Commission forecasts and the IMF World Economic Outlook report growth rates that are not working-day-adjusted.

The forecasts anticipate annual average HICP inflation to decline to between 1.8% and 1.9% in 2005, except for the OECD which predicts a level of 2.0%. For 2006, both the European Commission and the OECD predict that HICP inflation will decline to 1.7%, while the Survey of Professional Forecasters shows HICP inflation at 1.9%.

Table B Comparison of forecasts for euro area overall HICP inflation

(annual percentage changes)

	Date of release	2004	2005	2006
European Commission	Oct. 2004	2.1	1.9	1.7
IMF	Sep. 2004	2.1	1.9	n.a.
OECD	Nov. 2004	2.1	2.0	1.7
Consensus Economics Forecasts	Nov. 2004	2.2	1.9	n.a.
Survey of Professional Forecasters	Nov. 2004	2.1	1.9	1.9

Sources: European Commission Economic Forecasts Autumn 2004; IMF World Economic Outlook September 2004; OECD Economic Outlook No 76; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.