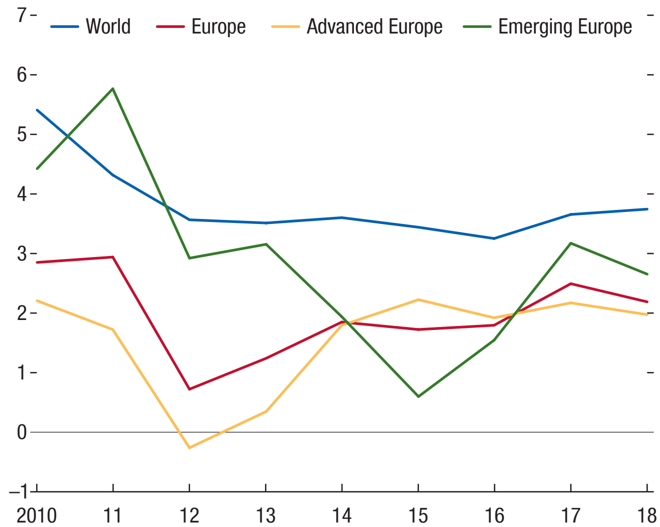
1. Europe's Economy Hitting Its Stride

Growth Is Moving into a Higher Gear

Growth is strengthening and broadening across Europe, driven by buoyant domestic demand (Figure 1.1). Following a pickup in economic activity in the second half of 2016, the European economy accelerated further in the first half of 2017, with growth outcomes surprising on the upside in most countries.

- In *advanced Europe*, growth is running about 2 percent on average, with some economies seeing appreciably higher rates (Figure 1.2, panel 1). All *euro area* countries are growing, and the dispersion of growth rates is the lowest in nearly two decades. The *Nordic economies* (*Nordics*) and *other advanced European economies* are seeing similarly strong domestic demand. In *the United Kingdom*, weakness in the pound has led to a squeeze of real incomes and some slowdown in demand.
- In *emerging Europe*, growth increased to about 3 percent in the first half of 2017, up from 1.5 percent in 2016 (Figure 1.2, panel 2). This has been helped by a rebound from recession in *Russia* and a strong, policy-assisted pickup in activity in *Turkey*, following a dip related to the failed coup attempt. Several economies, especially those that are EU members, are seeing growth much faster than 3 percent. In these economies, private consumption is expanding rapidly, as low unemployment and labor shortages have pushed up wages and boosted household confidence. Concurrently, investment has strengthened, partly due to the growing absorption of EU structural funds from low levels in 2016. In *Poland* and *Romania*, expansion is also fueled by government spending programs (for example, child subsidies in *Poland*) or large value-added and excise tax cuts (in *Romania*).

Figure 1.1. Real GDP Growth
(Percent)

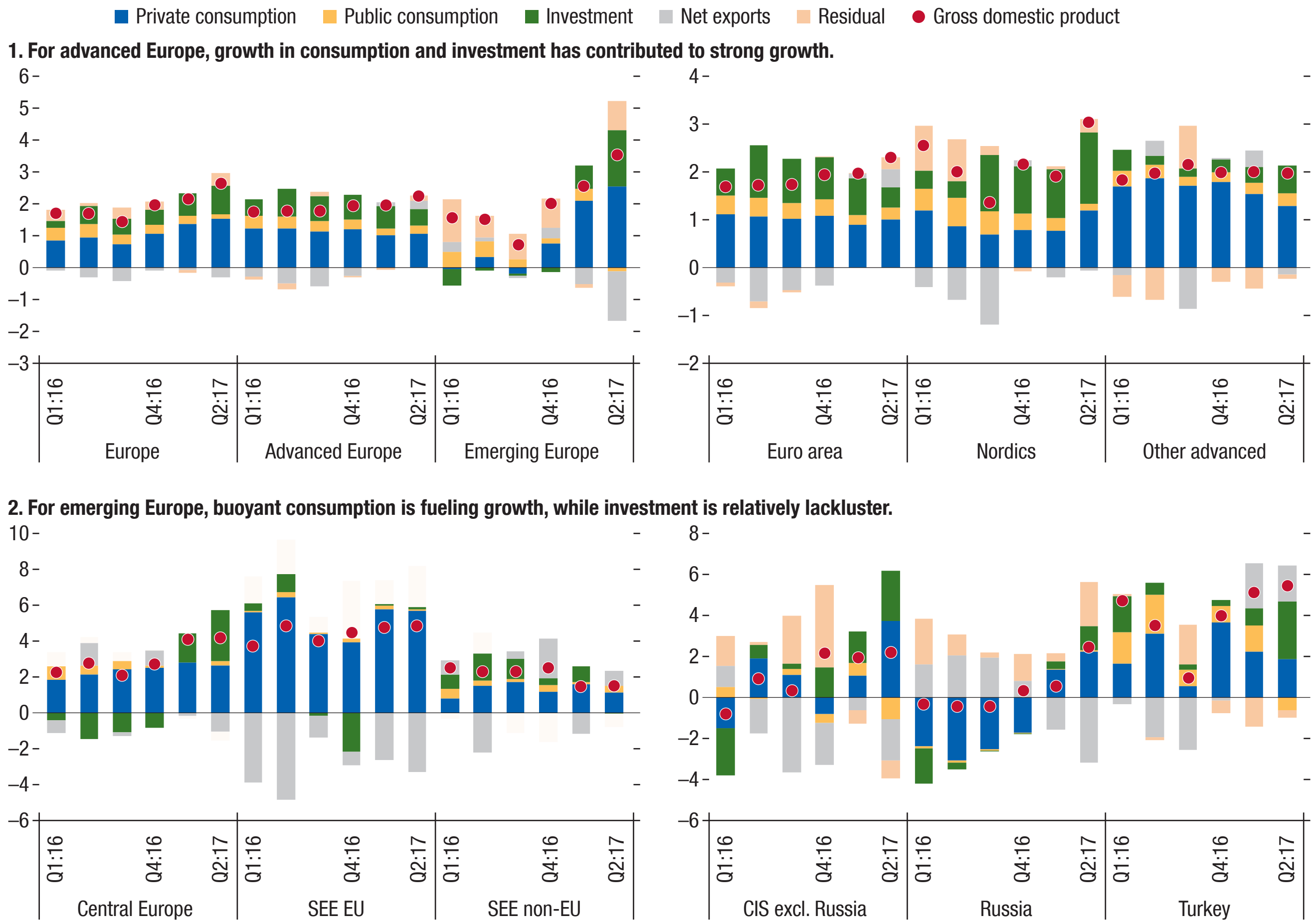


Source: IMF, *World Economic Outlook*.

Recent high frequency indicators suggest that the growth momentum has likely continued in the second half of 2017. Manufacturing Purchasing Managers Indices (PMIs) are strengthening further in *advanced Europe* and are firmly in expansionary territory in *emerging Europe* (Figure 1.3). Consumer confidence also gradually improved in 2017, with most households in both *advanced* and *emerging Europe* expressing optimism about their future economic prospects, suggesting sustained upward momentum in private spending. Specifically, economic sentiment (a survey-based measure of business and consumer confidence) in *the euro area* reached its highest level in more than a decade, led by rising confidence among industrial companies and in the services sector.

The chapter was prepared by a staff team comprising Cristina Batog, Vizhdan Boranova, Raju Huidrom, Sylwia Nowak, Faezeh Raei, and Yan Sun. The team was led by Emil Stavrev under the general guidance of Jörg Decressin. Gilda Ordoñez-Baric provided skillful administrative support. The chapter reflects data and developments as of October 17, 2017.

Figure 1.2. Economic Expansion Driven Mostly by Domestic Demand
(Growth, year over year, percent; contributions in percentage points)



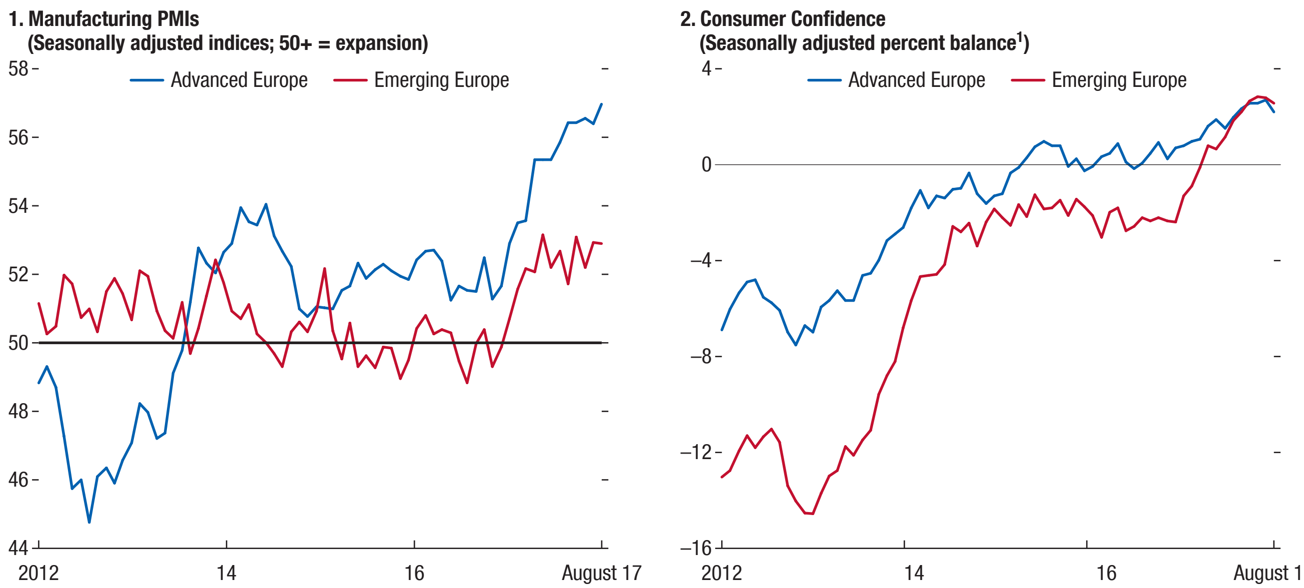
Sources: Haver Analytics; and IMF staff estimates.
Note: Data for Bosnia and Herzegovina and Moldova are not available for 2016:Q1—2017:Q2. CIS = Commonwealth of Independent States; EU = European Union; SEE = Southeastern Europe.

Slack Is Disappearing

In *advanced Europe*, output gaps are closing, while in *emerging Europe*, the cyclical recovery appears largely complete (Figure 1.4). Except for *Greece*, in *advanced Europe,* output gaps are estimated to be relatively small, closed, or positive; the output gap in *the euro area* is expected to be closed in 2018. In *emerging Europe*, output gaps in many economies appear already small or closed, with several countries experiencing positive gaps for a while now (May 2017 and November 2016 *Regional Economic Issues: Central, Eastern, and Southeastern Europe*).

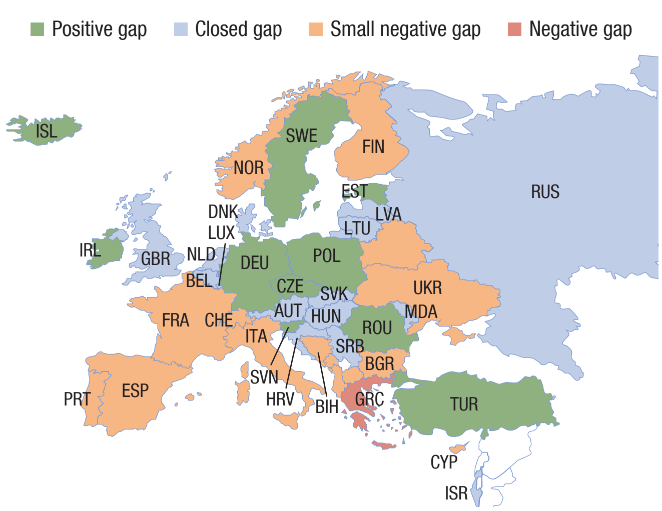
However, output gap estimates are uncertain. Indicators of economic slack are still inconclusive. On the one hand, subdued inflation suggests there is ample slack; on the other hand, indicators such as high capacity utilization and low unemployment rates point to limited remaining slack (see below). Measuring slack is complicated, and estimates are frequently revised over time (Grigoli and others 2015). An examination of past recoveries suggests that the extent of economic slack in the year that growth resumed has generally been underestimated (Figure 1.5, panel 1). Regarding revisions of slack after the global financial crisis, output gaps were initially underestimated (Figure 1.5, panel 2), particularly

Figure 1.3. High Frequency Indicators Suggest That Growth Will Continue



Sources: Haver Analytics; and IMF staff calculations.
[1]Balances are constructed as the difference between the percentages of respondents giving positive and negative replies. EU = European Union; PMI = Purchasing Managers Index.

Figure 1.4. Output Gaps Estimates, 2017[1]

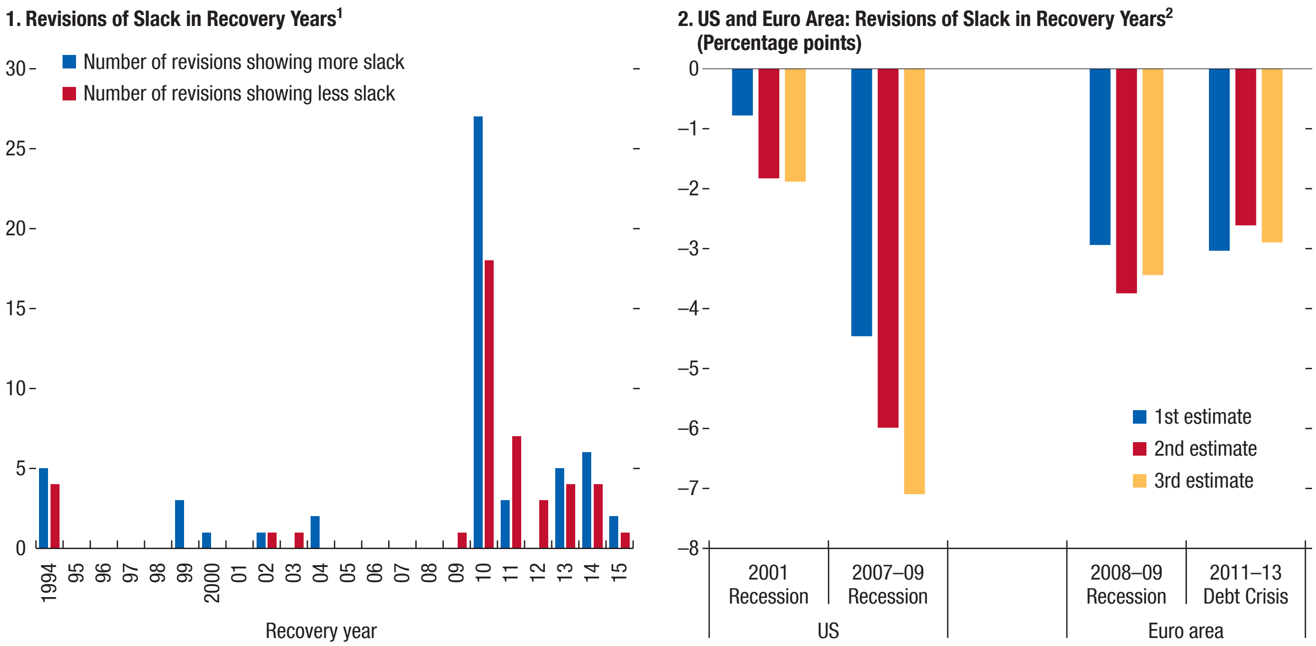


Sources: IMF, *World Economic Outlook*; and IMF staff estimates.
[1]Output gaps reflect IMF country desk estimates; Ranges are defined as (1) positive gap: greater than 0.5 percent; (2) closed gap: between –0.5 and 0.5 percent; (3) small negative gap: between –2 and –0.5 percent; (4) negative gap: smaller than –2 percent.

in *the United States* and to a lesser extent in *the euro area* (as a whole). In subsequent revisions, as the recovery strengthened, potential growth was gradually revised up. However, the current rebound of activity in Europe is not entirely comparable with past recoveries from recessions, so caution is warranted in drawing conclusions. The fundamental problem is that disentangling the cyclical and structural components of a growth rebound is complicated, particularly after prolonged periods of subdued growth.

Recent survey indicators suggest that the current recovery in Europe appears also driven by structural factors. Higher growth partly reflects a pickup in investment that, if sustained, could help improve potential growth. Surveys of firms in *EU countries* show an increasing number of them expect to face equipment shortage and capacity constraints in meeting demand (Figure 1.6). This suggests that the pickup in investment could continue across the region, adding to productive capital. In *emerging market economies* that are *EU members*, the increase in investment is also helped by the new cycle of EU Structural and Investment

Figure 1.5. Economic Slack during Recovery Was Frequently Underestimated



Sources: IMF, *World Economic Outlook*; and IMF staff calculations.
[1]For each country, the recovery year is defined as the first year of positive growth following a year of negative growth. The revisions reflect the revision of the output gap in the year of recovery, two years onward, as reflected in the corresponding IMF *World Economic Outlook* (WEO).
[2]For the United States and the euro area, the two most recent recessions are chosen based on the identification of recession dates by the National Burea of Economic Research (for the United States) and the Center for Economic and Policy Research (for the euro area). The recession date for the euro area refers to the block as a whole; individual countries may have had different recovery years. The first estimate refers to the first estimate of the output gap in the recovery year taken from the October WEO in that year. Subsequent revisions refer to the estimate of the output gap for the recovery year in the next two October WEOs.

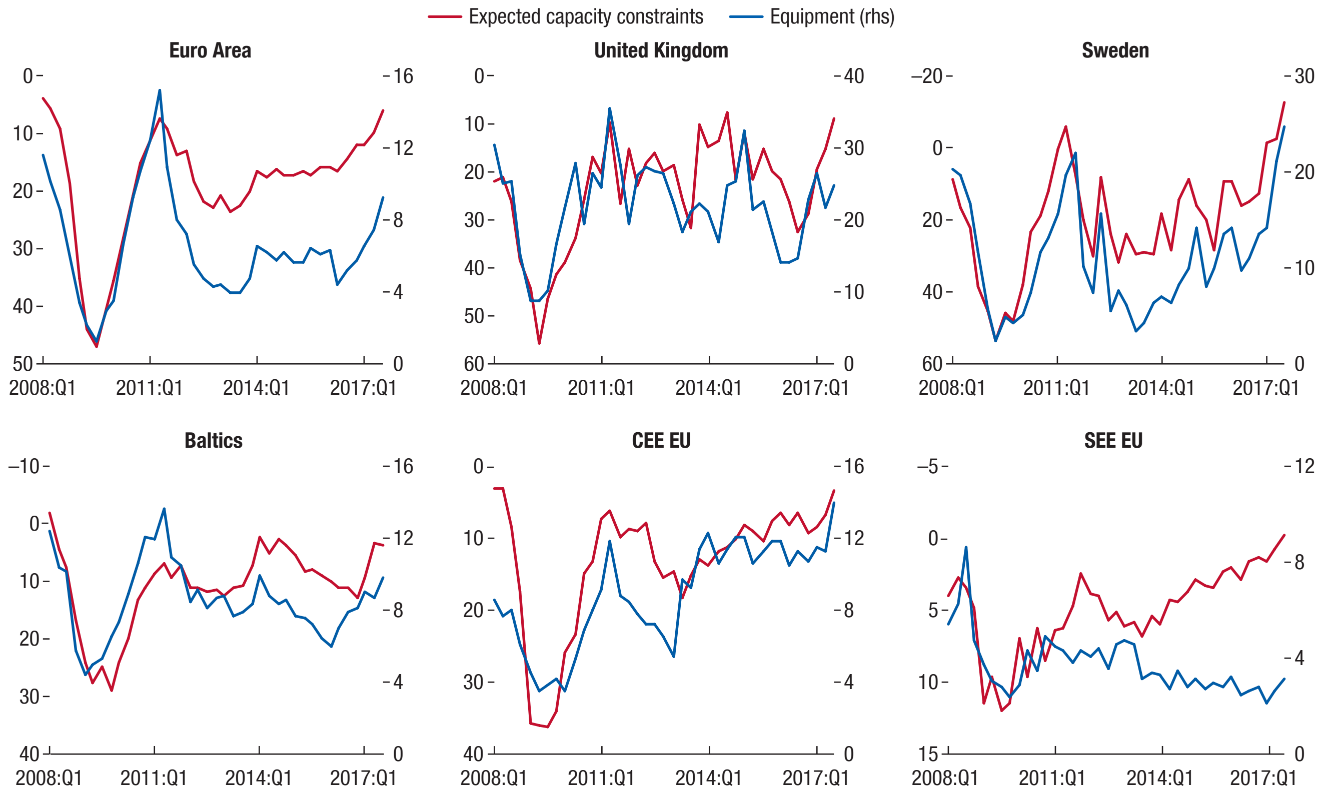
Funds. Still-subdued wage growth in *the euro area* and *other advanced economies* also supports the view that slack in the economy and potential output could be greater, although wage growth is increasingly robust in a few advanced and a growing number of emerging market economies (see below).

Accordingly, on the back of the firming recovery in 2017, potential growth in the near term has been revised up in many European countries (Figure 1.7, panel 1). Cyclical factors are also at play, particularly in countries where inflation is expected to be higher than previously estimated and output gaps are more positive (Figure 1.7, panel 2).

Inflationary Pressures Are Beginning to Pick Up

Greater inflationary pressures are visible mainly in wages in economies where unemployment rates have returned to precrisis levels, while productivity growth is weak. In most *advanced European economies*, wage growth has been subdued, reflecting anemic productivity growth and low inflation (Figure 1.8). In contrast, in a few *advanced European economies—the Baltics* and *the Czech Republic*—and *emerging market economies* in *Southeastern Europe*, wage growth has been strong for some time and has outpaced labor productivity growth since 2016. In *Ukraine*, nominal wage growth has averaged 35 percent in 2017—reflecting a doubling of the minimum wage and very strong growth in public sector wages, which has triggered large increases in unit labor costs and poses a risk of second-round effects on inflation.

Figure 1.6. More Businesses Are Facing Equipment and Capacity Constraints[1]
(Percent, net balance of positive and negative responses of firms surveyed)



Sources: European Commission; Haver Analytics; and IMF staff calculations.
[1]Based on European Commission survey of firms on factors limiting production. CEE = Central and Eastern Europe; SEE = Southeastern Europe.

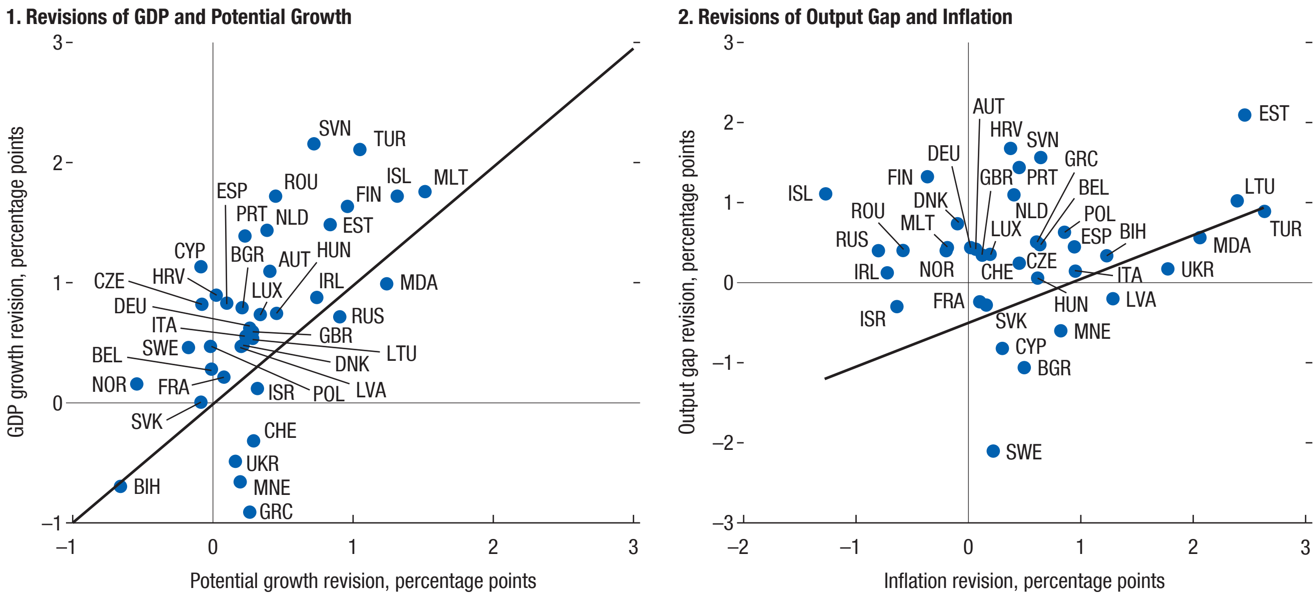
However, inflation, while rising, remains generally subdued across Europe.

- In many *advanced European economies*, inflation has picked up somewhat, but remains low (Figure 1.9, panel 1), in line with sluggish wage growth over the past several years. In *the euro area*, core inflation, while gradually increasing to 1.3 percent in August from 0.9 percent in January, remains subdued (Figure 1.9, panel 2). Inflation expectations have increased from a year ago, and deflation risk has receded, but expectations remain well below 2 percent (Figure 1.10). In *the United Kingdom*, inflation is running at a higher level owing to the pass-through of the pound's depreciation following the Brexit referendum.

- In other *advanced European economies*, particularly *the Czech Republic* and *the Baltics*, inflation has picked up but is still relatively subdued, despite strong wage growth over the past several years. Most *emerging European economies* (notably, *Central Europe* and *Southeastern Europe*) have witnessed similar developments: somewhat higher but still-low inflation since early 2017, despite an acceleration in wage growth. In these economies, inflation expectations point to further increases in inflation.

- In *Russia*, consumer price inflation hit a post-Soviet low of 3.3 percent in August, below the central bank's target of 4 percent, reflecting a small negative output gap, recent appreciation of the ruble, a one-off effect of declining food prices from a strong harvest, and a tight monetary policy stance. In contrast, aggregate headline inflation in

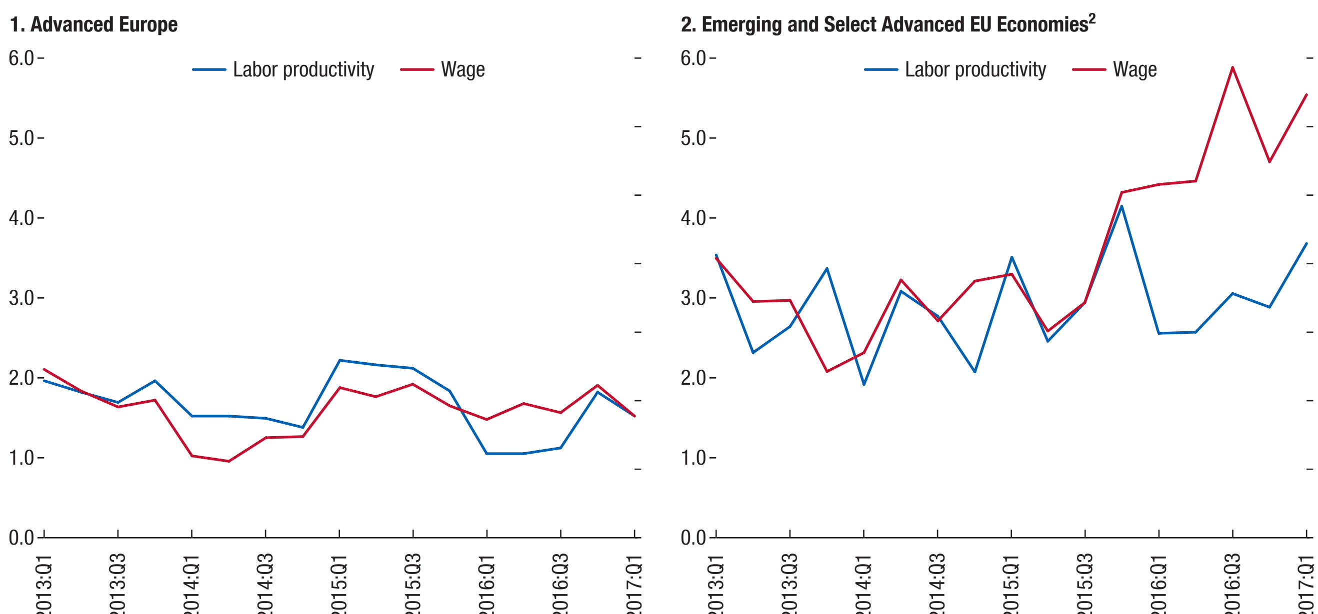
Figure 1.7. Growth Revisions in 2017 Are Driven by Both Structural and Cyclical Factors[1]



Sources: IMF, *World Economic Outlook*; and IMF staff calculations.
[1]Potential growth revision for 2017 is the difference between estimates of potential growth in year 2017 as reported in the October 2017 and October 2016 WEOs. Revisions for other variables are defined similarly.

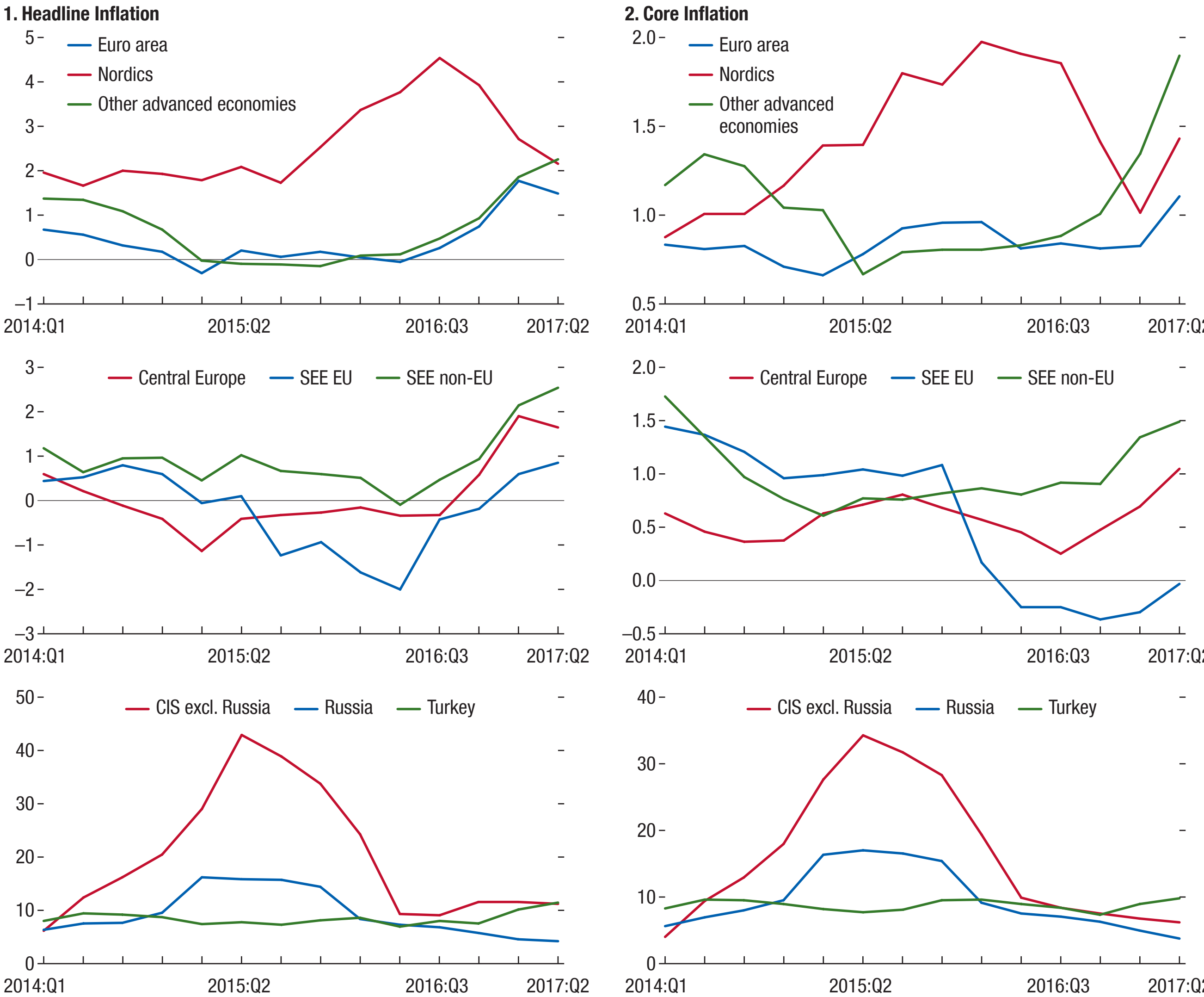
Figure 1.8. Wage and Productivity Growth Have Diverged within Europe

(Percent, year over year[1])



Sources: Eurostat; and IMF staff calculations.
[1]Both wage and labor productivity growth are nominal. Labor productivity growth = real labor productivity growth plus growth in GDP deflator.
[2]Select advanced EU economies comprise the Baltics, the Czech Republic, the Slovak Republic, and Slovenia.

Figure 1.9. Inflation Remains Generally Subdued across Europe



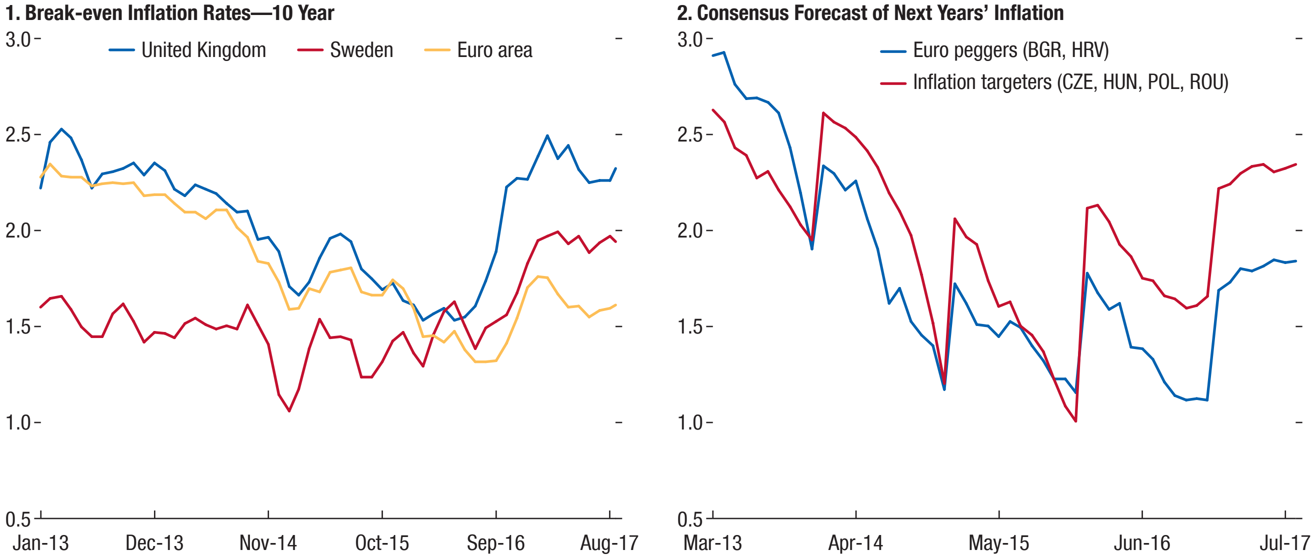
Sources: Haver Analytics; and IMF staff estimates.
Note: CIS = Commonwealth of Independent States; EU = European Union; SEE = Southeastern Europe.

the other members of the *Commonwealth of Independent States (CIS)* has been hovering around 11.5 percent throughout 2017, driven by persistent double-digit inflation in *Ukraine*.

- *Turkey's* annual inflation rate rose to 10.7 percent in August 2017 from 9.2 percent in January, more than double the central bank's inflation target of 5 percent. Prices of food, nonfood goods, and fuels climbed at double-digit rates, and core inflation reached a three-year high, driven in part by oversimulative macroeconomic policies.

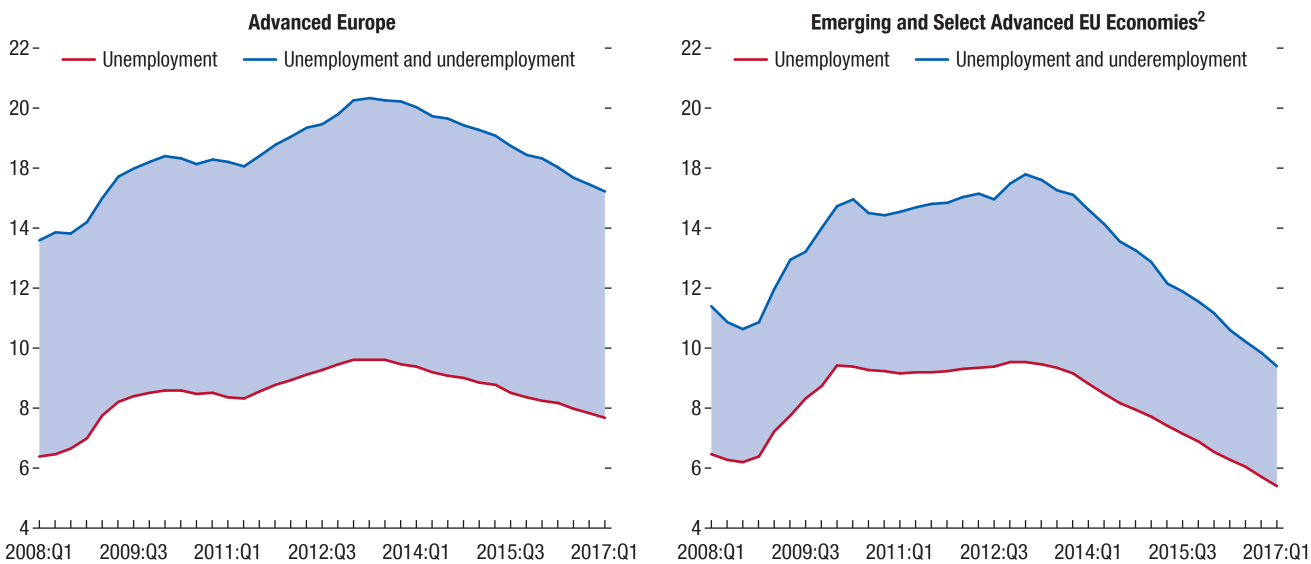
The divergent wage growth trends appear to reflect differences in the degree of slack in labor markets. While headline unemployment rates have trended down across Europe since early 2013, the decline in labor market slack in *the Baltics, Central Europe*, and *Southeastern Europe* has been much larger than in most *advanced European economies* (Figure 1.11). In particular, both unemployment and underemployment (which includes involuntary part-time workers) in *the Baltics, Central Europe*, and *Southeastern Europe* are now at the lowest level since 2008, and business survey data indicate that shortages of skilled labor are

Figure 1.10. Inflation Expectations Are Increasing Gradually
(Percent)



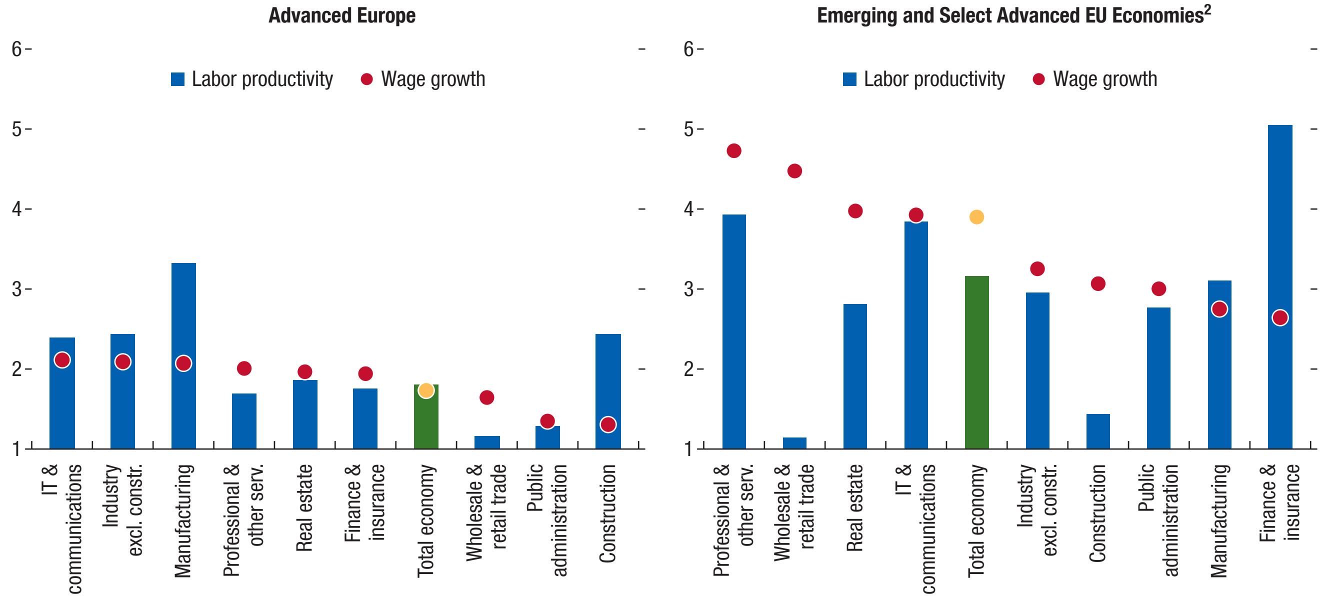
Sources: Bloomberg Finance L.P.; Consensus Economics Forecasts; and IMF staff calculations.

Figure 1.11. Labor Market Slack Has Been Shrinking, but More Significantly in Emerging Europe
(Percent of active labor force[1])



Sources: Eurostat; and IMF staff calculations.
[1]Underemployment include persons available to work but not seeking, persons seeking work but not immediately available, and underemployed part-time workers.
[2]Select advanced EU economies comprise the Baltics, the Czech Republic, the Slovak Republic, and Slovenia.

Figure 1.12. Wage Growth and Productivity Growth Vary Significantly across Sector and within Europe
(Year over year percent change, average 2013:Q1–2017:Q2[1])



Sources: Eurostat; and IMF staff calculations.
[1]Both wage and labor productivity growth are nominal. Labor productivity growth = growth in real labor productivity plus growth in the sector's deflator.
[2]Select advanced EU economies include the Baltics, and the Czech Republic, the Slovak Republic, and Slovenia.

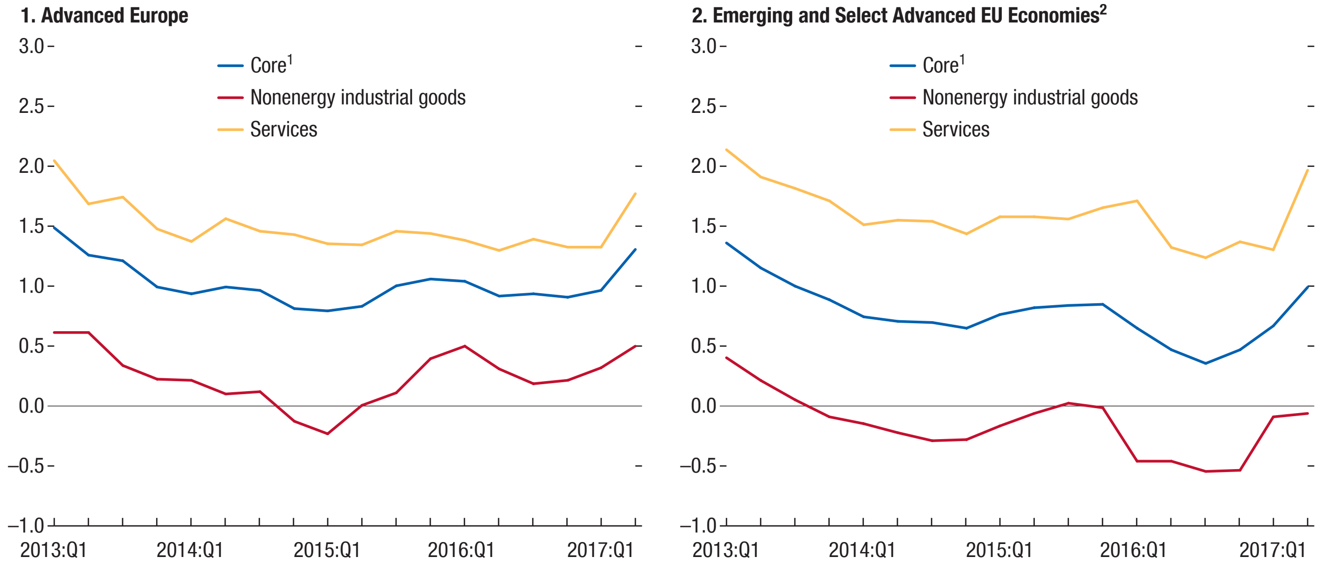
seen as beginning to constrain the expansion (see the spring 2017 *Regional Economic Issues: Central, Eastern, and Southeastern Europe*). In contrast, there is still labor market slack in some *advanced economies* (see Chapter 2 of the October 2017 *World Economic Outlook*).

Exposure to external competition and technological progress is shaping wage growth patterns at sectoral levels (Figure 1.12). Exposure to external competition—particularly in sectors where companies can increasingly move production globally—may explain why, for many countries in *advanced Europe*, wage growth trails significantly behind productivity growth in the manufacturing sector. In addition, automation and technological progress may also dampen wage and employment growth for middle-skill jobs in manufacturing (see OECD 2017 and IMF 2017). This gap is much smaller in service sectors. In *the Baltics, Central Europe,* and *Southeastern Europe*, wage growth has been noticeably stronger in service sectors (including professional services, wholesale and retail trade, and real estate) relative to industrial sectors, which are more exposed to external competition. Thus far, many economies where economy-wide wage growth is running high, have not experienced major reductions in export market shares, as wage growth in the manufacturing sector has been relatively weaker.[1]

For *the Baltics*, *Central Europe*, and *Southeastern Europe*, higher wage growth in the service sectors will likely lead to higher domestic services inflation. In recent years, inflation in services has generally outpaced inflation in goods prices (Figure 1.13)—a phenomenon that is also observed globally outside Europe. Policymakers have shown more tolerance of higher services inflation as it is offset by low goods price inflation. Going forward, higher wage growth in the service sector could exert more pressure on headline

[1]In the construction sector, sluggish wage growth compared with relatively strong productivity growth could reflect partly underrecorded informal migrant employment in that sector.

Figure 1.13. Offsetting Forces: Lower Goods Inflation and Higher Services Inflation
(Year over year percent change)



Sources: Eurostat; and IMF staff calculations.
[1]Core inflation excludes energy, food, alcohol, and tobacco.
[2]Includes the Baltics, the Czech Republic, Slovak Republic, and Slovenia for this analysis.

inflation, especially if imported inflation also picks up some steam.[2]

The Credit Recovery Is Catching Up with the Real Recovery

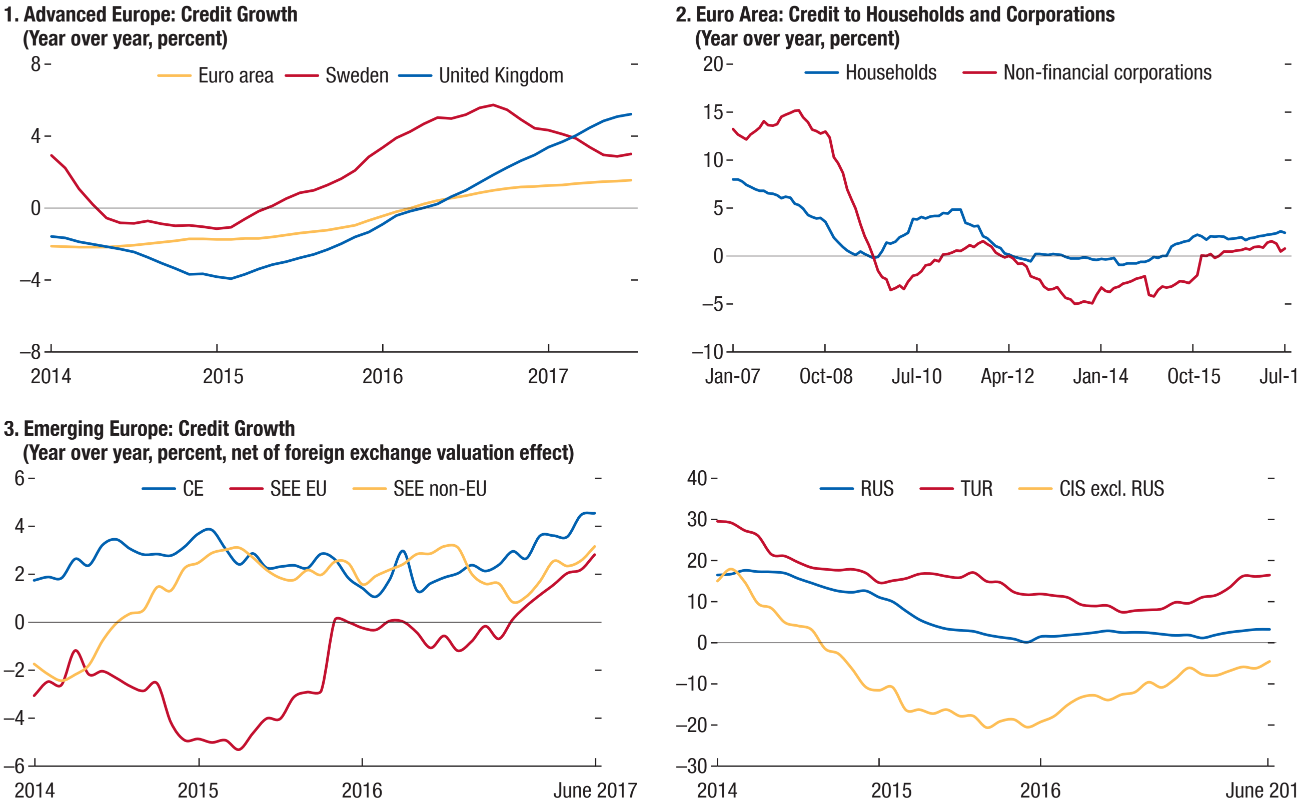
Credit growth is picking up in many European countries, but continues to lag domestic demand and output. As investment continues to garner strength, credit growth should follow, with beneficial effects for bank profitability and balance sheets.

- In *advanced Europe* and *the euro area*, bank credit to the private sector is picking up (Figure 1.14, panel 1), mainly driven by credit to households (Figure 1.14, panel 2). Growth in credit to businesses remains uneven (Figure 1.14, panel 4) and is particularly weak in countries with high levels of nonperforming loans (NPLs). In *the Nordic economies*, credit to businesses is robust, in line with a pickup in investment and exports, while credit growth to households has slowed somewhat following the recent macroprudential measures aimed at containing the housing boom and elevated household debt levels.

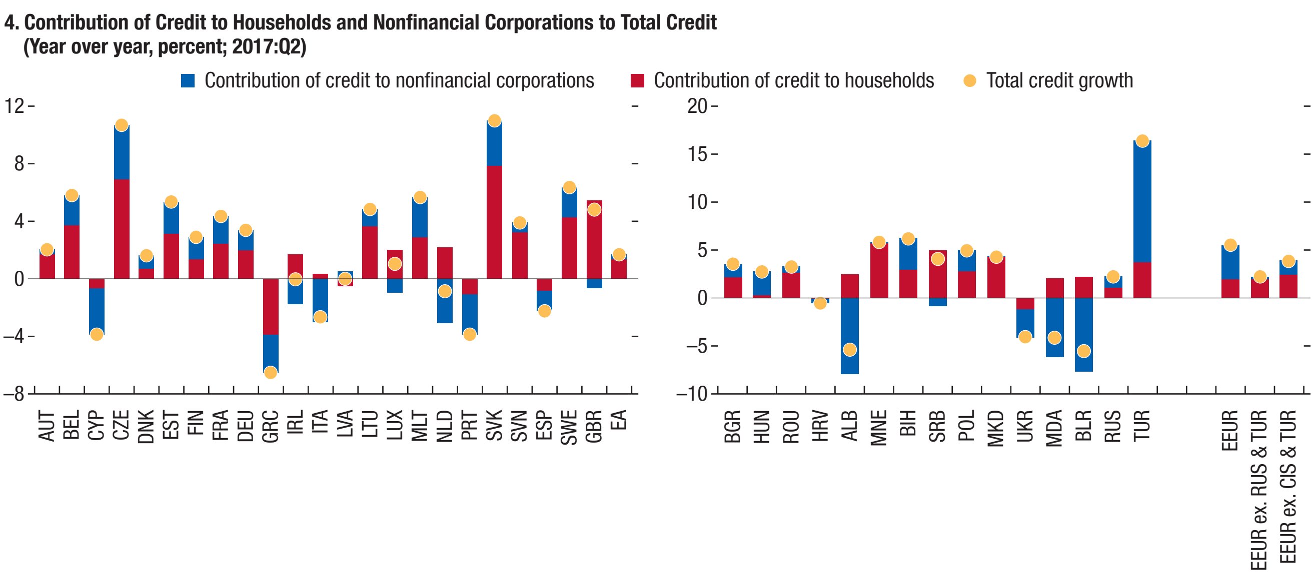
- In *emerging Europe*, outside *the CIS*, credit growth, both to nonfinancial corporations and households, is increasing, particularly in *Central Europe* and *Southeastern European EU member states* (SEE-EU), in line with continuing strong real GDP and investment growth (Figure 1.14, panel 3). On a transactional basis, credit growth may be higher in those countries where the cleaning of loan portfolios lowers credit stocks (for example in *Albania*, *Croatia*, and *Hungary*). In *Russia*, after a period of decline, credit is growing as the economy exits recession (Figure 1.14, panel 3). In the rest of *the CIS*, credit contraction has continued, albeit at a slower pace. In *Turkey*, credit initially slowed in 2016 in the aftermath of the failed coup attempt, but rebounded strongly to about 18 percent in July 2017, driven by

[2]As noted in the May 2017 *Regional Economic Issues: Central, Eastern, and Southeastern Europe*, the impact of wage growth on inflation is significant, but its impact is smaller than that of imported inflation—particularly for countries in the euro area.

Figure 1.14. Credit Is Recovering

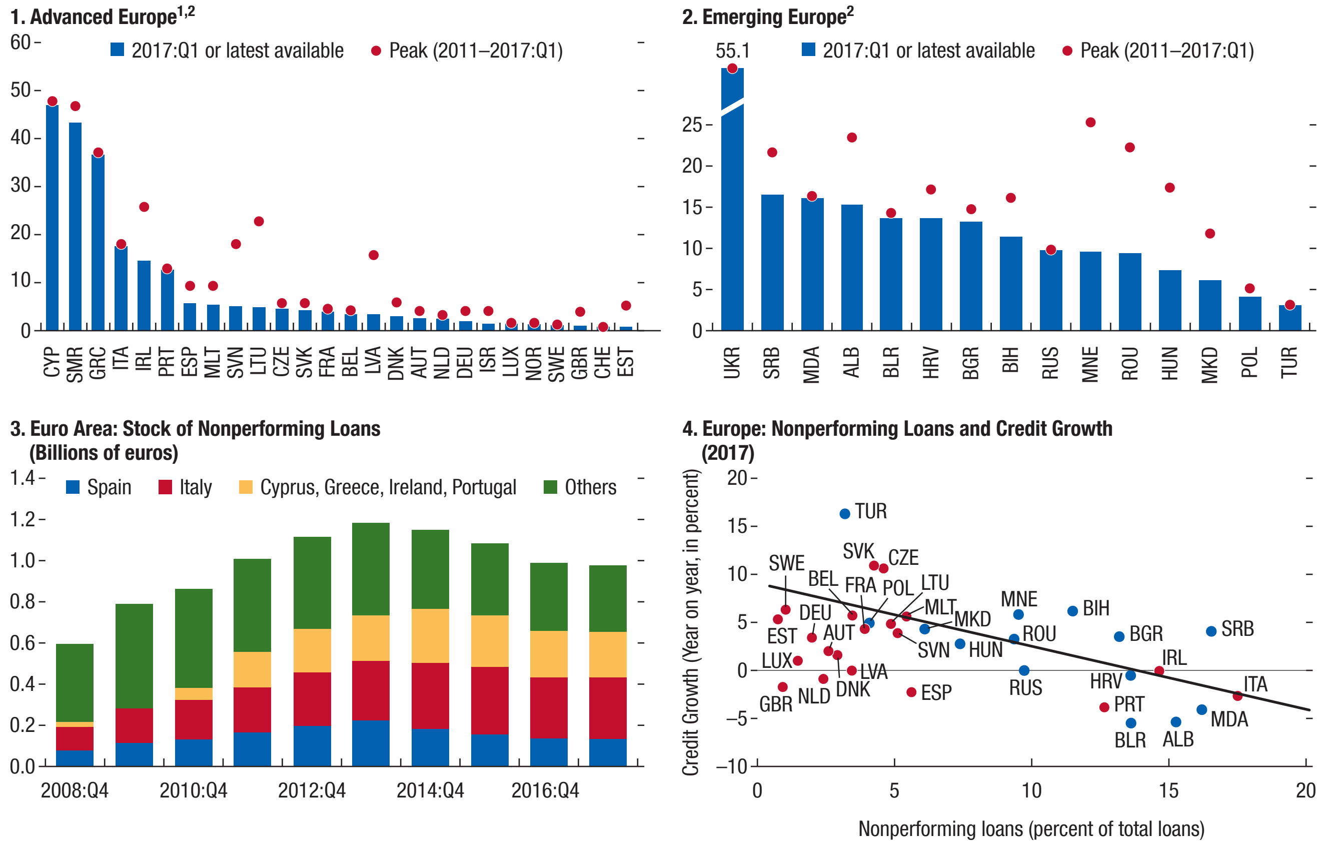


Sources: IMF, *World Economic Outlook*; and European Bank for Reconstruction and Development.
Note: CE = Central Europe comprising Hungary and Poland; CIS = Commonwealth of Independent States; SEE = Southeastern Europe.



Sources: IMF, *World Economic Outlook*; European Bank for Reconstruction and Development; IMF, Financial Soundness Indicators; European Central Bank, Consolidated Banking Statistics; Haver Analytics; and IMF staff calculations.

Figure 1.15. Nonperforming Loans Have Declined, but Still High in Some Countries
(Percent of total loans)

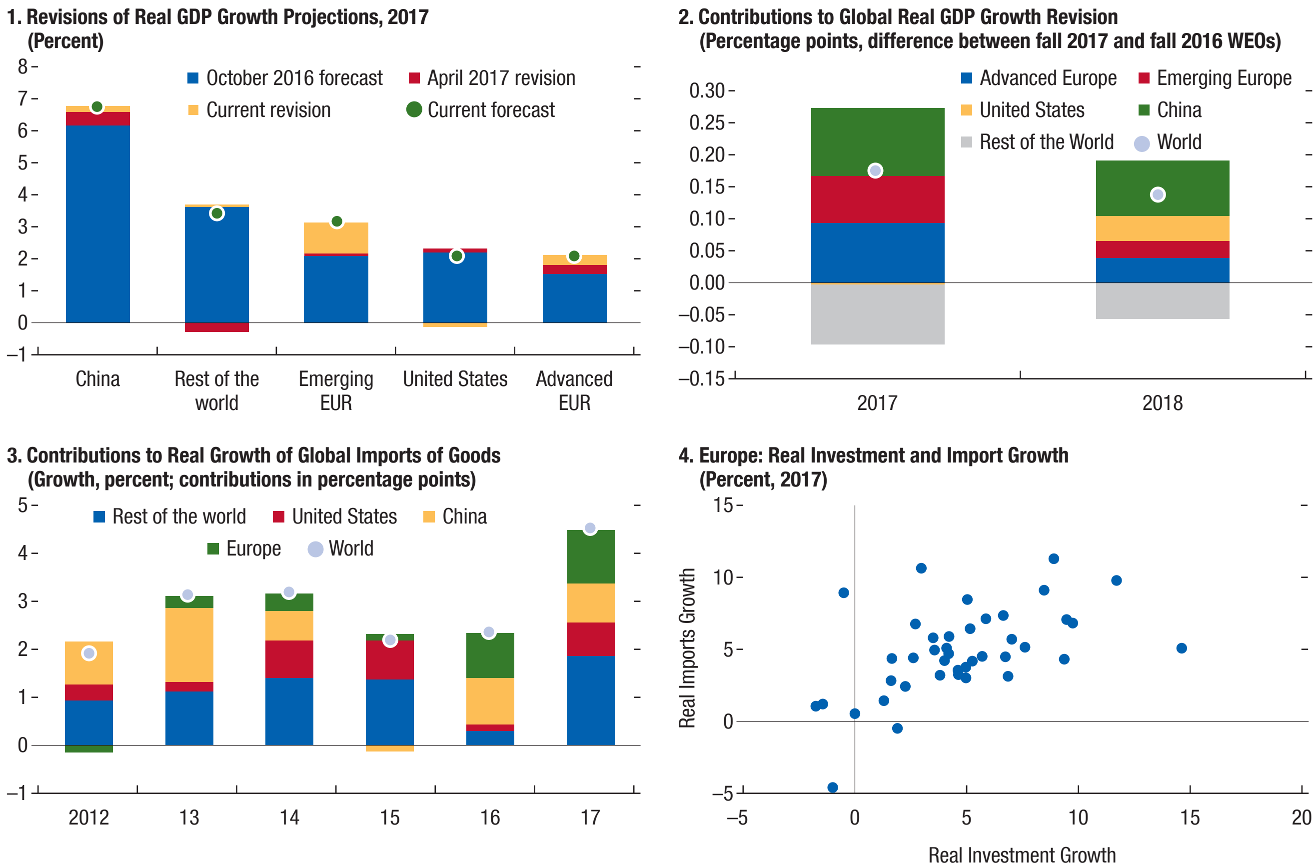


Sources: IMF, *World Economic Outlook*; European Bank for Reconstruction and Development; IMF, Financial Soundness Indicators; European Central Bank, Consolidated Banking Statistics; Haver Analytics; and IMF staff calculations.
[1]For Greece, expanding the nonperforming loan (NPL) definition to include loans that are 90 days or more past due, unlikely to be repaid in full without realizing collateral, or impaired according to accounting rules, as well as loans that have been restructured for less than a year, would increase the NPL ratio to 49 percent.
[2]The data for NPLs presented here could differ from the data from country authorities and other IMF publications due to differences in coverage and definition.

nonfinancial corporations (Figure 1.14, panel 4). This was also driven by various stimulus measures, notably a credit guarantee scheme for lending to businesses.

NPL levels have declined, but are still a drag on profitability and the credit supply in several countries (see Chapter 3). NPL ratios have declined across Europe from their postcrisis peaks (Figure 1.15, panels 1 and 2). In *advanced Europe*, NPLs in *the euro area* have been reduced by about €160 billion (predominantly in the household sector) since their peak in 2014, but the stock remains high at just below €1 trillion (Figure 1.15, panel 3). *Spain* and *Ireland* account for a large portion of the reduction in NPLs. In *Italy,* the recent pickup in NPL sales is encouraging. Legacy assets together with cyclical and structural factors are a drag on profitability. For an appreciable part of the banking system, the return on equity is persistently below the cost of equity. The economic recovery may not be enough to boost returns to meet investor expectations; further consolidation and restructuring will be needed. NPL levels have been declining across *emerging market Europe* but remain higher than 10 percent in eight countries. While disentangling demand and supply effects is difficult, high NPL levels in several economies appear to be a factor that is hindering credit growth (Figure 1.15, panel 4). In this regard, more actions are needed to reduce legacy bad

Figure 1.16. Europe's Growth Stronger than Expected and Has Contributed More to Global Growth



Sources: IMF, *World Economic Outlook* (WEO); and IMF staff calculations.

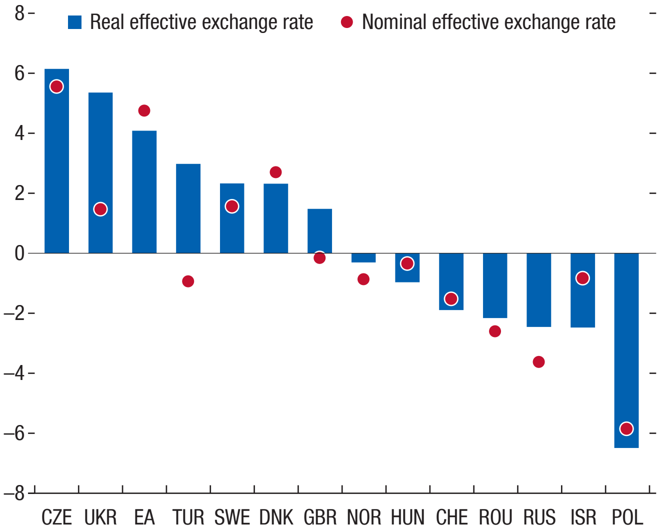
assets, repair bank balance sheets, and facilitate the necessary corporate restructuring (IMF 2015).

The European Recovery Is Spilling Over to the Rest of the World

Europe has finally become an engine for global trade. The improved prospects for Europe account for the bulk of the upward revision to global growth in 2017 from the April 2017 *World Economic Outlook* (Figure 1.16). Also, the strengthening domestic-demand-driven recovery in Europe has boosted global trade, with Europe's contribution to the growth of global merchandise imports in 2016–17 similar to that of *China* and *the United States* combined.

The improving fundamentals in Europe have been accompanied by appreciation of the real effective exchange rate of the euro and some other European currencies. Between March and September 2017, the euro appreciated by about 4 percent in real effective terms (Figure 1.17), largely due to the improved euro area growth prospects (Box 1.1). Another currency that appreciated about 6 percent is the Czech koruna. The appreciation of *Turkey's* lira, despite a large current account deficit, follows a more than 10 percent depreciation after the coup in the second half of 2016, as activity and confidence rebounded faster than expected. In *Russia*, the ruble has depreciated by about 5 percent since March, following a 25 percent appreciation from the trough reached in early 2016 that was driven by stronger oil prices and tight monetary policy

Figure 1.17. Exchange Rate Movements
(Percent; depreciation (-)/appreciation (+), March–September 2017)



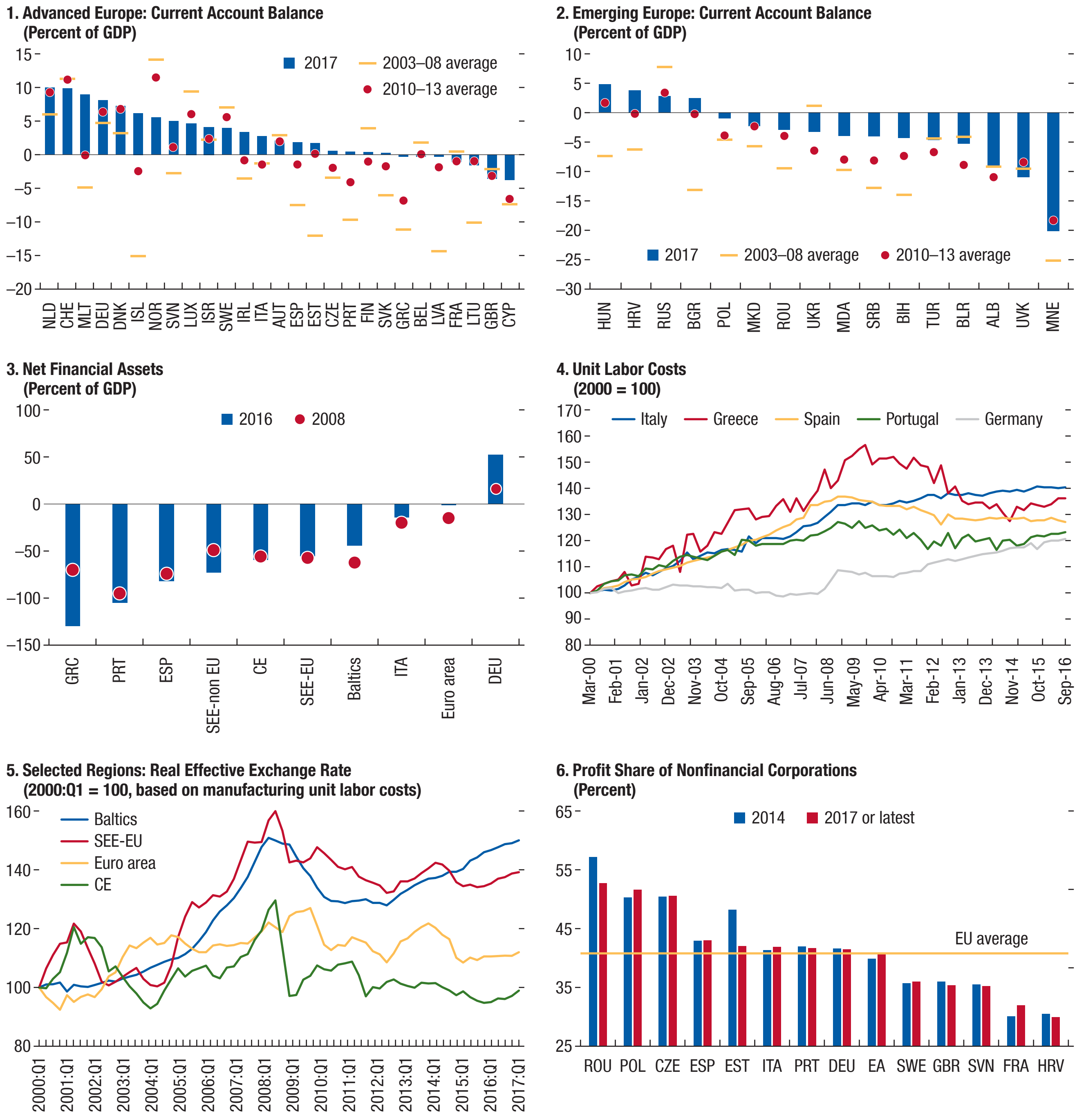
Source: IMF staff calculations.

to reduce inflation. Meanwhile, in *the United Kingdom,* sterling has moved broadly sideways since the depreciation in 2016.

Despite the acceleration in imports and appreciation of the euro, current account surpluses remain noticeably larger than before the crisis in most countries. Net external debtor countries that had persistent and large current account deficits prior to the crisis have seen appreciable current account adjustments (Figures 1.18, panels 1 and 2), driven by both a permanent reduction in the level of demand and some labor cost reductions. At the same time, elevated external surpluses have persisted in *Germany*, *the Netherlands*, and *Switzerland*, as well as in *Sweden*.

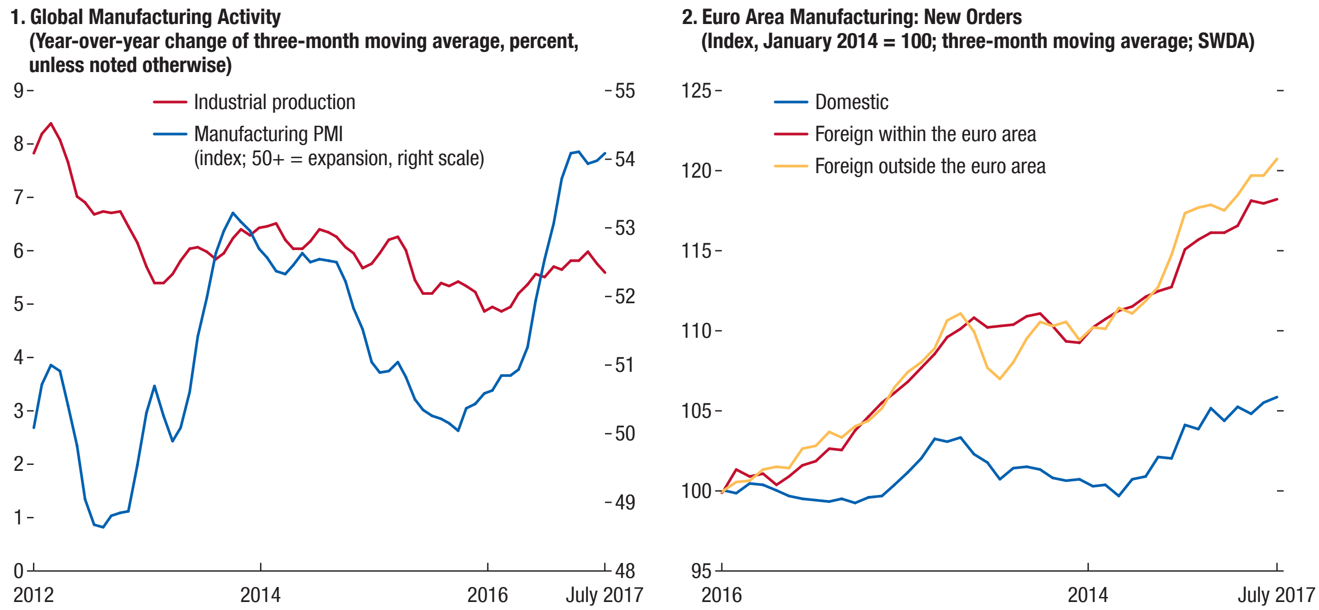
- In *advanced Europe*, *euro area members* that earlier had deficits have maintained surpluses (*Estonia, Portugal, Spain*) or reduced the deficits (*Greece*, *Latvia, Lithuania*) over the past several years (Figure 1.18, panel 1). This was partly driven by adjustments in unit labor costs (Figure 1.18, panel 4). However, this has led only to a gradual improvement in their net foreign asset positions (Figure 1.18, panel 3), and thus surpluses need to be maintained for some time. Recent indicators of competitiveness, while not conclusive, suggest some erosion of competitiveness in *the Baltics*, where real effective exchange rate appreciation, fast wage growth, and modest productivity gains have led to a notable increase in unit labor costs, bringing them close to the precrisis peak (Figure 1.18, panel 5). Excess external surpluses have persisted in *Germany* and *the Netherlands*, indicating that automatic adjustment mechanisms are weak. That is, prices and saving and investment decisions are not adjusting fast enough to correct the imbalances, partly reflecting currency arrangements but also likely structural features (IMF 2017b).
- In *emerging Europe*, there has been a significant improvement in current account balances since the global financial crisis, with some economies replacing large current account deficits with small surpluses, but here too net external liability positions remain elevated (Figure 1.18, panels 2 and 3). In *Central Europe* and *SEE-EU*, real effective exchange rates have edged up somewhat as wages grew faster than productivity in the past two years (Figure 1.18, panel 5). The level of economy-wide profit shares in these economies is higher than the EU average (Figure 1.18, panel 6), which suggests that companies have some room to absorb the higher labor costs. However, the impact of high wage growth on competitiveness needs to be monitored closely.
- In *Turkey*, strong domestic demand pressures and high inflation have contributed to a larger current account deficit since the crisis. Amid easy global financial conditions, *Turkey's* year-to-date current account deficit exceeded 5 percent of GDP. In *Russia*, the current account balance has been driven by oil prices and sanctions, although the effect of the latest sanctions is believed to be modest. Given current oil price projections, and with the recovery of domestic demand, *Russia's* current account is projected to be in a surplus of 3–4 percent of GDP in the near term.

Figure 1.18. Current Accounts Have Improved but Competitiveness Gains Need to Be Preserved



Sources: IMF, *World Economic Outlook*; Eurostat; Haver Analytics; and IMF staff calculations.

Figure 1.19. Global Activity and Demand for Euro Area Manufacturing Goods Continue to Improve



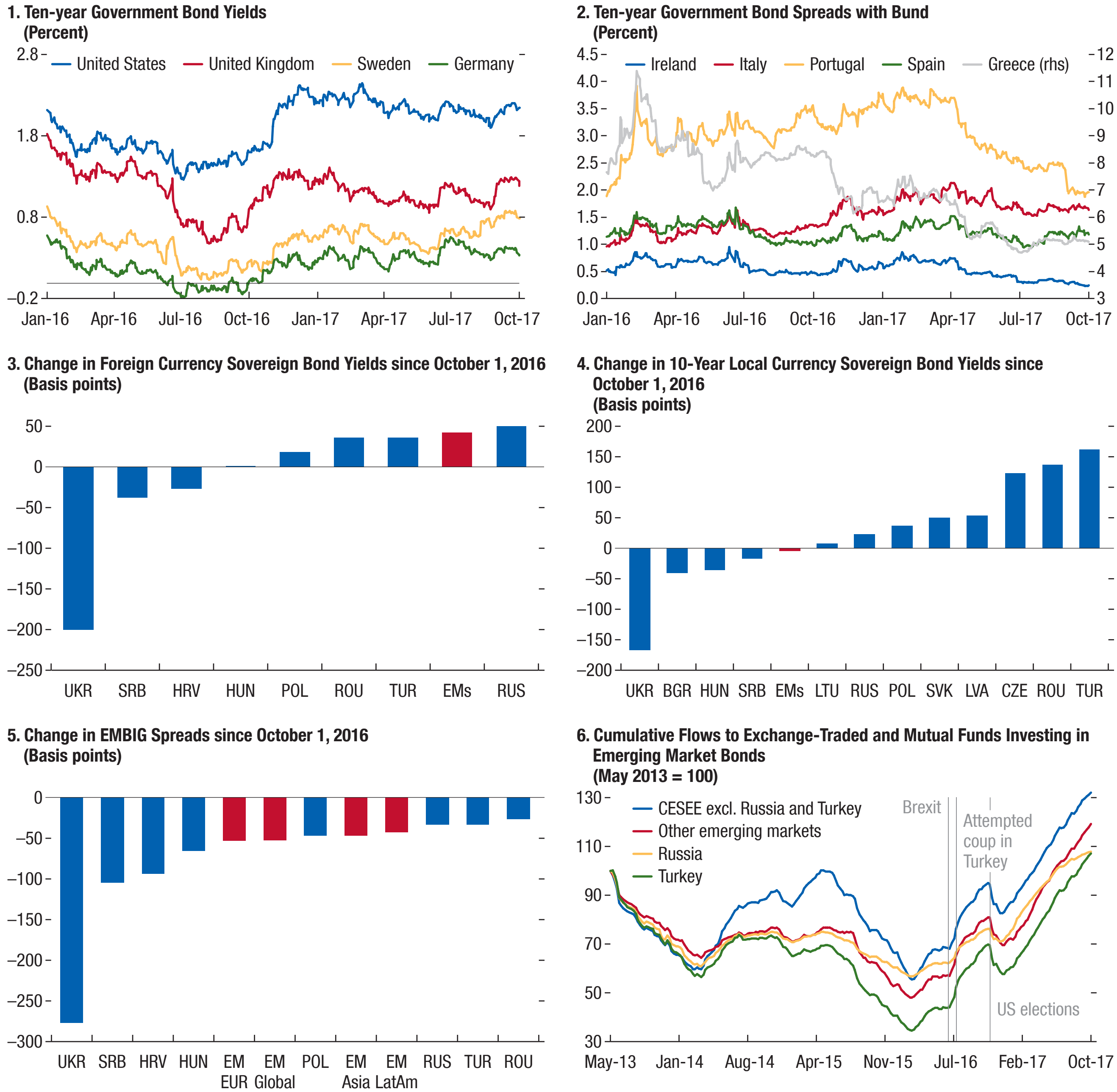
Sources: Haver Analytics; and IMF staff calculations.
Note: SWDA = seasonally adjusted and adjusted by working days.

External Conditions and Macroeconomic Policies Will Support Growth

Looking ahead, external demand conditions remain favorable. The global expansion continues to strengthen and broaden. There has been an upturn in manufacturing and investment, and stronger trade growth. Expansionary PMIs, especially in advanced economies, point to continued strong global growth in the third quarter of 2017 (Figure 1.19, panel 1). New orders for euro area manufacturing goods, particularly from foreign markets, also continue to rise and are at levels not seen in recent years, which bodes well for further growth (Figure 1.19, panel 2). Accordingly, the October 2017 *World Economic Outlook* projects global growth to reach 3.6 percent and 3.7 percent in 2017 and 2018, respectively, up from 3.2 percent in 2016.

Financial conditions are very supportive of activity. As discussed in the October 2017 *Global Financial Stability Report*, the environment of benign macroeconomic conditions and continued easy monetary and financial conditions with sluggish inflation is fueling a marked increase in risk appetite, broadening investors' search for yield. Policy rates, term premiums, and corporate spreads generally remain very low, while global stock markets have been posting strong gains for some time. On the back of positive economic news and expectations of some tapering of the Asset Purchasing Program of the European Central Bank (ECB), yields in *advanced Europe* have edged up since September 2016, but remain at low levels (Figure 1.20, panel 1). In *the euro area economies* with limited fiscal buffers, spreads relative to German bunds have declined since mid-2017 (Figure 1.20, panel 2). In *emerging Europe*, both local and foreign currency yields have gone up somewhat in some countries (Figures 1.20, panels 3 and 4), and spreads have declined for all countries since October 2016 on the back of an improved global environment and sentiment toward emerging market economies (Figure 1.20, panel 5). The declining spreads have been underpinned by continued strength in capital inflows to emerging market economies (Figure 1.20, panel 6).

Figure 1.20. Financial Conditions Have Remained Favorable

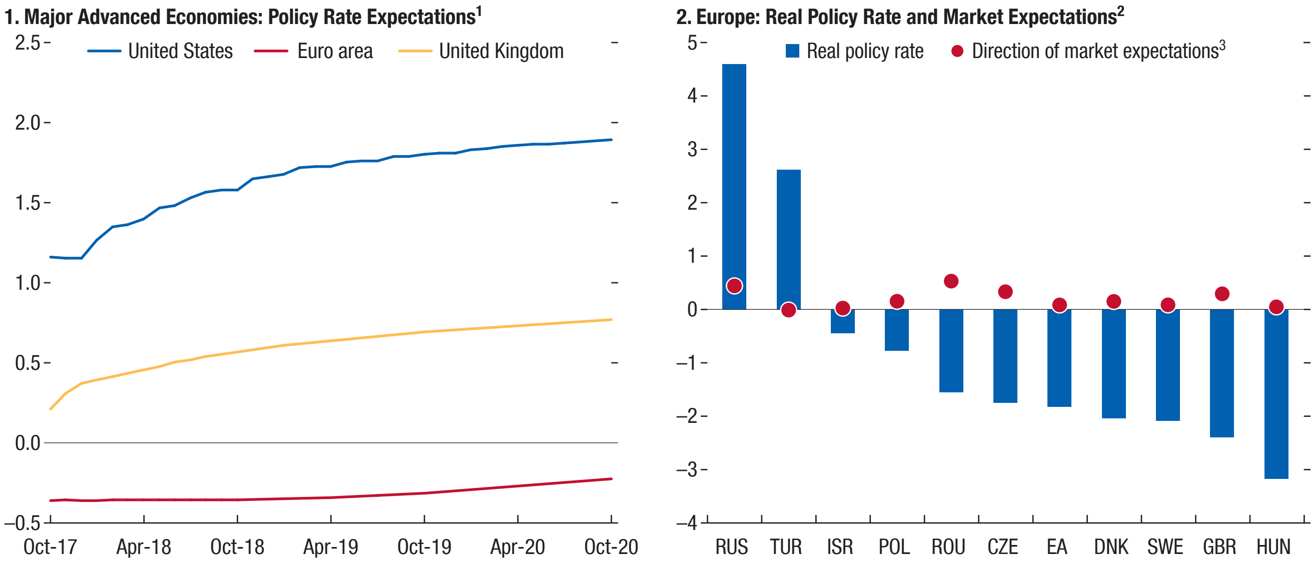


Sources: IMF, *World Economic Outlook*; Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.
Note: EM = emerging market economies; CESEE = Central, Eastern and Southeastern Europe.

In the near term, no significant tightening of conditions is expected. The normalization of monetary policy in *the United States* is expected to proceed smoothly and without large and protracted increases in financial market volatility. Monetary policy is expected to remain accommodative across most *European economies*.

- In *advanced Europe*, continued accommodative monetary policies are expected to keep policy rates low (Figure 1.21, panel 1). In *the euro area*, given subdued inflation, monetary policy is expected to remain accommodative for an extended period. In *the United Kingdom*, monetary

Figure 1.21. Monetary Policy Conditions and Expectations
(Percent)



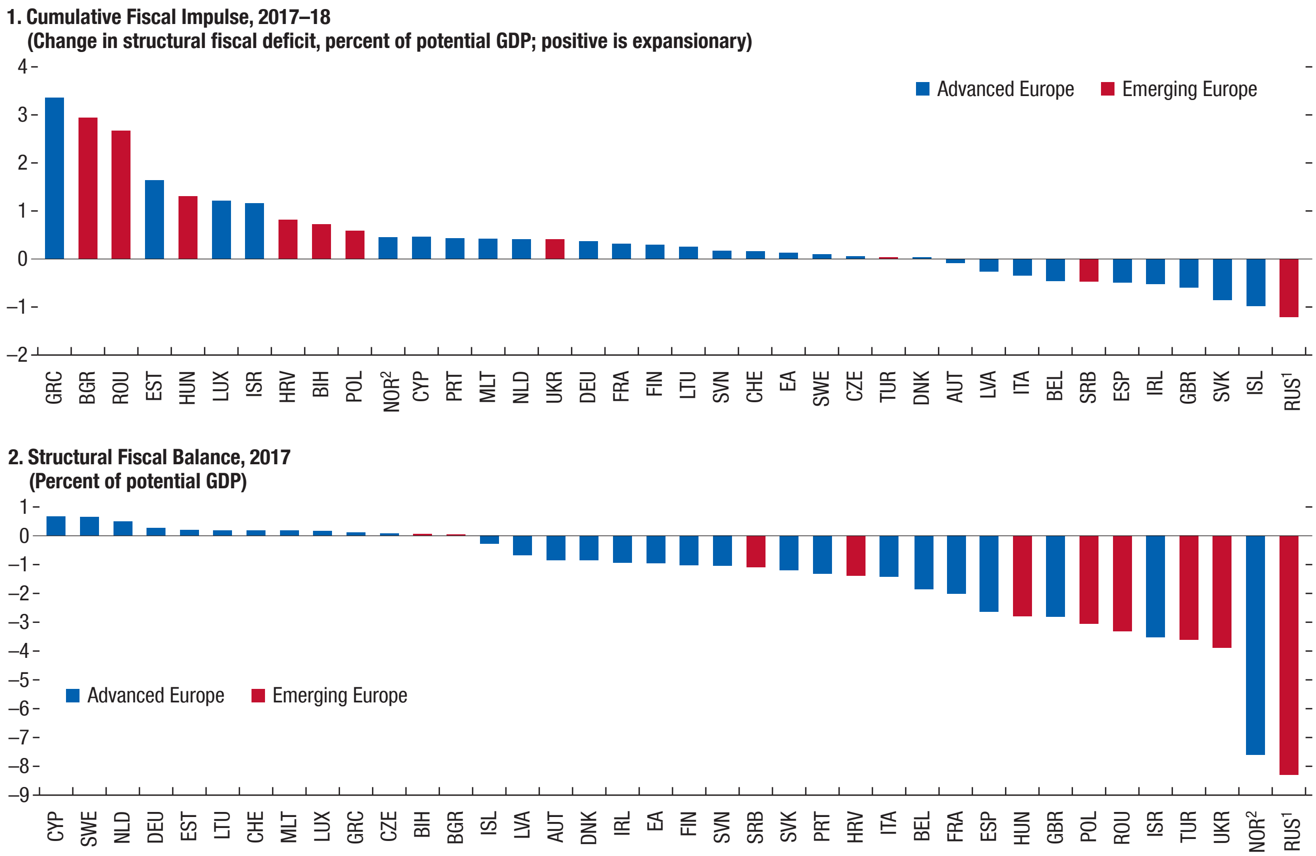
Sources: Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.
Note: EA = Euro area.
[1]Based on federal funds rate futures for the United States; sterling overnight interbank average rate for the United Kingdom; and euro interbank offered forward rate for the euro area; updated October 17, 2017.
[2]Real policy rate is calculated as the difference between nominal policy rate and one-year-ahead inflation forecast.
[3]Market expectation of interest rate is calculated as the difference between one-year-ahead interest rate swap rate and three-month interbank rate. Positive values indicate expectation of monetary tightening.

policy is expected to tighten gradually from a very accommodative stance, given a relatively closed output gap and inflation close to target (Figure 1.21, panel 1). In the rest of *advanced Europe*, markets expect a tightening bias (for example, *the Czech Republic*), but monetary policy is expected to remain supportive, reflected in negative real policy rates across the region (Figure 1.21, panel 2).

- *Emerging Europe* is also expected to experience generally accommodative financial conditions on the back of easy monetary policy and strong risk appetite, as signaled by lower sovereign bond spreads and higher equity prices. Market expectation is for some tightening in *Romania*, given the closing output gap and rising inflationary pressures (Figure 1.21, panel 2). In *Turkey*, after the increase in the average funding rates in early 2017, the market expects the rates to go modestly down, as inflationary pressures from the depreciation of the Turkish lira subside. In *Russia*, policy rates have been lowered since March, following the decline in inflation and inflation expectations, and the market expects further cuts over the next few quarters, though expectations a year ahead are more mixed.

Fiscal policy is not projected to change appreciably going forward, staying broadly neutral in *advanced Europe* and neutral to expansionary in *emerging Europe* (Figure 1.22). The cumulative fiscal impulse over 2017–18, defined as the change in the structural fiscal balance as a share of potential output between 2016 and 2018, is forecast to be slightly expansionary in some *advanced European* economies, including *Germany* and *the Netherlands* (Figure 1.22, panel 1). In most *advanced economies,* fiscal policy is neutral or slightly tighter (for example, *Spain*, and *the United Kingdom*). In *emerging Europe,* moderate fiscal easing is expected in most countries, with the notable exceptions of

Figure 1.22. Fiscal Stances Are Broadly Neutral or Expansionary



Source: IMF, *World Economic Outlook*.
[1]General government non-oil primary structural balance.
[2]Structural non-oil balance (percent of mainland trend GDP).

Russia. However, structural fiscal balances remain negative for most countries in the region and are, in case of oil-dependent *Norway* and *Russia*, sizable (Figure 1.22, panel 2).

Growth Is Projected to Stay Strong

With improving external demand and accommodative macroeconomic policies and financial conditions, strong growth momentum will likely continue in the near term (Table 1.1):

- In *the euro area*, growth has been revised up to 2.1 percent (from 1.7 percent in the April projection) for 2017 and to 1.9 percent for 2018 (from 1.6 percent in April), reflecting stronger-than-expected growth in the first half of this year and improved high frequency economic and confidence indicators. In addition to cyclical factors, the improved growth prospects also reflect higher estimates of potential growth on the back of stronger investment.
- The near-term outlook has also improved in the *Nordics* and *other advanced Europe*, except *the United Kingdom and Switzerland*. Growth in *the Nordics, the Czech Republic*, and *Israel* is revised up reflecting strong momentum so far. In contrast, growth in *the United Kingdom* is projected to slow to 1.7 percent in 2017 and 1.5 percent in 2018, as Brexit has started to weigh on growth.

Table 1.1. Real GDP Growth Projections
(Year-over-year percent change)

	October 2017 WEO				Difference from April 2017 WEO		
	2016	2017	2018	2019	2017	2018	2019
Europe	1.7	2.4	2.1	1.9	0.5	0.2	0.0
Advanced European economies	1.9	2.1	1.9	1.7	0.3	0.2	0.0
Euro area	1.8	2.1	1.9	1.7	0.5	0.3	0.1
France	1.2	1.6	1.8	1.9	0.2	0.1	0.1
Germany	1.9	2.0	1.8	1.5	0.4	0.3	0.0
Italy	0.9	1.5	1.1	0.9	0.7	0.3	0.1
Spain	3.2	3.1	2.5	2.0	0.5	0.4	0.0
Nordic economies	2.2	2.3	2.0	2.0	0.3	−0.1	−0.1
Other European advanced economies	2.0	1.8	1.7	1.7	−0.3	0.1	0.0
United Kingdom	1.8	1.7	1.5	1.6	−0.4	0.0	0.0
Emerging European economies	1.5	3.1	2.6	2.5	0.9	0.2	0.0
Central Europe	2.5	3.7	3.4	3.0	0.4	0.2	0.1
Poland	2.6	3.8	3.3	3.0	0.4	0.1	0.0
Southeastern European EU member states	4.3	4.7	3.9	3.4	1.0	0.8	0.4
Southeastern European non-EU member states	2.7	3.0	3.3	3.4	−0.2	−0.3	−0.3
Commonwealth of Independent States	−0.1	1.8	1.7	1.7	0.4	0.1	0.0
Russia	−0.2	1.8	1.6	1.5	0.4	0.2	0.0
Turkey	3.2	5.1	3.5	3.5	2.7	0.2	0.1
Memorandum							
European Union	2.0	2.3	2.1	1.8	0.4	0.3	0.1

Source: IMF, *World Economic Outlook* (WEO).
Note: Shading indicates a downward revision.

- In most of *emerging Europe*, growth forecasts have also been revised up reflecting stronger domestic demand and firming euro area activity. Outside *the CIS* and *Turkey*, growth is revised up in *the EU member countries*, partly due to higher absorption of EU funds, but the outlook is softer in the *Southeastern Europe non-EU countries*, partly due to ongoing fiscal consolidation. Economic activity in *Russia* is projected to expand by 1.8 percent in 2017 (0.4 of a percentage point up relative to April), helped by higher oil prices, easier financial conditions, and improved consumer confidence. The most notable revision is for *Turkey*, where growth in 2017 has been revised up by 2.7 percentage points to 5.1 percent reflecting a very strong outturn in the first quarter of the year. However, growth is projected to be more subdued in the second part of 2017 and in 2018, as the fiscal stimulus fades and monetary policy continues to cool demand.

Inflation is expected to remain subdued across most of the European economies (Table 1.2). In *advanced Europe*, inflation is projected to increase, but by less than anticipated in the April 2017 *World Economic Outlook*, reflecting mainly downward revisions in *the euro area* (by 0.2 percentage point for 2017), as a stronger euro has dampened inflation pressure. Underlying inflation remains stubbornly low and wage growth subdued amid still-high unemployment in some countries. Headline inflation is projected to approach the ECB's medium-term objective of below but close to 2 percent gradually over the next few years. Inflation in the rest of *advanced Europe* is revised up slightly, reflecting mainly an upward revision in *the United Kingdom,* where headline inflation is projected to reach 2.6 percent this year and next, but gradually decline thereafter as the temporary effects of the pound's depreciation wane. In most countries of *emerging Europe*, inflation is revised down slightly relative to the April 2017 *World Economic Outlook* projections. But there are risks for higher inflation should high wage growth finally push up headline inflation as external disinflationary pressure wanes.

Looking further ahead, the question is how strong and sustainable the cyclical recovery can be. On the one hand, growth has surprised on the upside, and estimates of potential growth have

Table 1.2. Inflation Projections
(Year-over-year percent change)

	October 2017 WEO				Difference from April 2017 WEO		
	2016	2017	2018	2019	2017	2018	2019
Europe	2.0	2.8	2.7	2.8	−0.1	−0.1	0.1
Advanced European economies	0.4	1.6	1.6	1.8	−0.1	−0.1	0.0
Euro area	0.2	1.5	1.4	1.7	−0.2	0.0	0.1
France	0.3	1.2	1.3	1.6	−0.2	0.1	0.1
Germany	0.4	1.6	1.5	2.0	−0.5	−0.2	0.1
Italy	−0.1	1.4	1.2	1.4	0.2	−0.1	0.0
Spain	−0.2	2.0	1.5	1.7	−0.4	0.0	0.1
Nordic economies	1.7	1.6	1.7	1.9	0.0	−0.1	−0.1
Other European advanced economies	0.4	2.1	2.1	2.0	0.1	−0.1	0.0
United Kingdom	0.7	2.6	2.6	2.2	0.2	0.0	0.0
Emerging European economies	5.6	5.6	5.1	4.9	0.1	−0.1	0.1
Central Europe	−0.4	2.0	2.5	2.6	−0.3	−0.1	0.1
Poland	−0.6	1.9	2.3	2.5	−0.4	−0.1	0.1
Southeastern European EU member states	−1.4	1.1	2.6	2.6	−0.1	0.1	0.2
Southeastern European non-EU member states	0.5	2.3	2.5	2.5	0.3	0.0	0.0
Commonwealth of Independent States	7.8	5.1	4.5	4.4	−0.1	−0.3	0.0
Russia	7.0	4.2	3.9	4.0	−0.2	−0.3	0.0
Turkey	7.8	10.9	9.3	8.8	0.8	0.3	0.3
Memorandum							
European Union	0.2	1.7	1.7	1.9	−0.1	0.0	0.1

Source: IMF, *World Economic Outlook*.
Note: Shading indicates a downward revision.

been revised up. More upward revisions could follow in response to the cyclical rebound. On the other hand, the risks to global growth over the medium term appear mainly to the downside (see below), and Europe is swimming against a tide of still-weak productivity growth and adverse demographics. Accordingly, the projections are for more moderate growth over the medium term.

Less Downside Risk in the Short Term, but Not in the Medium Term

Risks to the outlook have been lowered by the strong recovery and supportive policies in the short term, but medium-term risks continue to be tilted to the downside.

- On the *upside*, a stronger-than-anticipated global recovery in the short run could facilitate countries' reform efforts, further boosting confidence and investment and sustaining the momentum in activity. In addition, there may still be more slack than estimated in various European economies, and the rebound in activity through 2018 could thus be stronger than projected.
- External *downside* risks facing the entire region include rising protectionism and policy changes in major economies that could weigh on the global economy and European economies through trade, financial, and investment channels. Geopolitical risks (for example, those associated with *North Korea*) are more of a concern than usual. In addition, the prolonged search for yield in financial markets has raised the sensitivity of the financial system to shocks as well as the system's susceptibility to reversals of investor sentiment. Adjustments could be disruptive if there are monetary policy surprises in major economies. Higher debt service and refinancing risks could stress leveraged firms, households, and vulnerable sovereigns. Finally, a downturn in *China* could significantly affect European exports.
- Domestic *downside* risks vary within the region with impact more tilted to the medium term.
    - In *the euro area,* high-debt countries may have difficulties coping with

higher borrowing costs when monetary accommodation is reduced.

- Structural weaknesses in pockets of the European banking system in the form of weak profitability and high NPL levels could trigger financial distress.
- For several *emerging European* countries, faster wage growth could result in higher inflation and adversely affect competitiveness. This could interact with a tightening of global financial conditions in response to shifts in investor sentiment and undercut capital inflows and growth.
- The lack of real income convergence along with elevated unemployment in many *euro area* countries could challenge the cohesion of the Economic and Monetary Union.
- The lower appetite for European integration could affect the reform efforts of non-EU members in the region aspiring to EU membership.
- There could be protracted policy and economic uncertainty on a broad range of issues for both the European Union and *the United Kingdom*, because of the complex and drawn-out process and compressed timeframe for negotiations on the post-*Brexit* economic relationship. If *the United Kingdom* leaves the European Union without an agreement, there will be a notable increase in trade barriers, potentially accompanied by disruption of services in various sectors, with significant negative impact on economic activity. In addition, while political risks in Europe have receded somewhat, new risks are emerging, including from tensions and uncertainty related to the Catalan independence movement.

Policy Priorities

With relatively strong activity and upside risks in the short term, but downside risks over the medium term, macroeconomic policies need to rebuild room for policy maneuver. The strength of cyclical growth has surprised on the positive side, but fiscal buffers are thin in several countries, prospects for productivity growth are weak (despite the modest recovery in investment), and crisis legacies are still unresolved. Accordingly, policy priorities for most of the region should be reducing fiscal deficits, while keeping monetary policies supportive where warranted to sustain an increase in inflation to targets. In addition, faster progress in structural reforms is needed to boost productivity and accelerate income convergence, which has stalled, including in *the euro area* (see IMF 2017a). Should downside risks materialize, further monetary accommodation would be appropriate, supported by a relaxation of fiscal policies where space is available. At the same time, relatively strong GDP and employment growth mean that this is a good time for structural reforms to boost an otherwise mediocre medium-term growth outlook.

Monetary Policy

- For *the euro area* and most of *advanced Europe*, subdued underlying inflation points to the need for monetary policy to remain accommodative for an extended period. Any further change in the forward guidance or policies should be underpinned by a clear shift in the path of actual inflation or a much stronger assessment of the inflation outlook. In particular, for the ECB to reach its medium-term inflation objective, it is inevitable that countries with the strongest cyclical position will have to accept inflation rates above this objective for some time. In *the United Kingdom*, a gradual tightening of monetary policy is warranted to help bring inflation back to target.
- In *Russia*, with inflation now below target, further monetary easing should continue at a gradual pace, given risks to the inflation outlook linked with the uncertain size of the

output gap and the potential reversal of the exchange-rate-driven disinflation.

- In *Turkey*, tighter monetary policy, within a simpler monetary framework, is needed to anchor expectations and reduce inflation.
- In the other *emerging market economies*, preparations should be made to gradually normalize monetary policy in order to keep inflation expectations anchored if underlying inflation rises persistently in response to growing wage pressure and/or higher external inflation.

Fiscal Policy

In *advanced Europe,* a number of countries have high public debt ratios and limited fiscal buffers, including *Belgium, France, Italy, Portugal, Spain*, and *the United Kingdom.* With growth picking up and output gaps closing, these countries should gradually consolidate to rebuild policy room and put debt on a downward path. In those economies with stronger fiscal positions, notably *Germany, the Netherlands*, and *Sweden*, the available space can be used to help lift potential growth, which will help healthy external rebalancing. This could include, for example, greater public investment in education and training (*Germany*, *the Netherlands*), digitalization, the integration of refugees, infrastructure (*Germany*), and housing (*Sweden*). Importantly, in all countries, fiscal policy could be made more growth and distribution friendly. Making public spending more efficient and growth oriented, while designing taxation to be more supportive of job creation and productivity growth, could further strengthen the foundations of the recovery and underpin the medium-term growth potential. As discussed in the October 2017 *Fiscal Monitor*, fiscal and redistributive objectives can be achieved through revenue-neutral increases in tax progressivity, spending reallocations, and improved spending efficiency.

In *emerging Europe*, many countries need to tighten fiscal policy, enhance the quality of expenditure, and improve revenue composition. Despite a broadly complete cyclical recovery, the size of fiscal deficits is still relatively large in *Hungary, Poland*, and *Romania* as well as in a number of *Western Balkan* and *CIS economies*. Given the need to preserve competitiveness and build room for policy maneuver, more fiscal consolidation is appropriate in these economies. In *Russia*, fiscal adjustment should rely on better-targeted and more permanent reforms to the pension system, tax exemptions, and subsidies while protecting public and human capital investment. In addition, a credible fiscal rule is paramount to support medium-term sustainability and mitigate the effect of oil price volatility. In *Turkey*, given strong growth momentum, there is a need to reevaluate the degree of accommodation and to plan for credible medium-term consolidation.

Financial Policy

In *advanced Europe*, policymakers can take a number of actions to facilitate the repair of banks' balance sheets. The ECB's March 2017 guidance on NPL management and the most recent proposals that set supervisory expectations for provisioning new NPLs are positive steps. They need a strong follow-up. Countries should agree on ambitious reduction targets, with vigorous supervisory follow-up. Moreover, member states should apply the framework, with due proportionality, to smaller banks that are not covered by the ECB guidance. Legislative changes to harmonize corporate insolvency and foreclosure frameworks and improve judicial efficiency would help stimulate secondary markets. Banks' persistently low profitability points to a need for further consolidation and restructuring of the system. Consolidation is a private-sector-led process, but policymakers and supervisors can help incentivize banks' adjustment, including through supervisory pressure.

In *emerging Europe*, in many economies, resolving elevated NPLs requires a multipronged approach, as discussed in detail in Chapter 3 of this report.

In particular, comprehensive asset quality reviews on the scale of impaired assets and adequacy of provisioning, coupled with supervised and time-bound action plans, would help. There is also a need to improve the bankruptcy and insolvency regimes, speed up the slow court procedures, and improve land registries and cadastral systems to enhance collateralization.

Structural Policy and European Monetary Union Architecture

In *advanced Europe*, countries should take advantage of the recovery to push forward with structural reforms to lift potential growth, close competitiveness gaps, and enhance their resilience to shocks. For example, in *the euro area,* many countries need ambitious labor and product market reforms. At the EU level, stricter enforcement of the Macroeconomic Imbalance Procedure could be combined with incentives for structural reforms in the form of targeted support from central funds and outcome-based benchmarks.

In addition, *euro area* policymakers should seize the moment of steady recovery and a more favorable political environment to push ahead with architectural reforms to strengthen the Economic and Monetary Union. First, while much progress has been made since the crisis, further actions are needed to complete the Banking Union, including by establishing common deposit insurance and a common fiscal backstop. Second, with Europe's largest financial market leaving the single market, it is more urgent than ever to build the Capital Markets Union. Third, a central fiscal capacity would help improve *the euro area's* ability to offset shocks, by reducing fiscal space constraints at the national level. Such architectural reform needs simultaneous action on resolving banking sector legacies and stricter implementation of common fiscal rules and should be complemented by policy efforts at the national level. In some countries, reforms to improve public sector efficiency and to increase labor force participation through better active labor market policies are also important.

In *other advanced European economies* and *the Nordics*, reform priorities vary. For example, in *the United Kingdom,* reforms to boost potential growth could include increasing infrastructure spending, easing planning restrictions on housing, and reforming property taxes. In *Sweden,* reforms to improve the housing supply—including by streamlining building regulations, harmonizing planning and approval processes across municipalities, and promoting the efficient use of property by phasing out rent controls and shifting the composition of property taxes—could help housing market rebalancing.

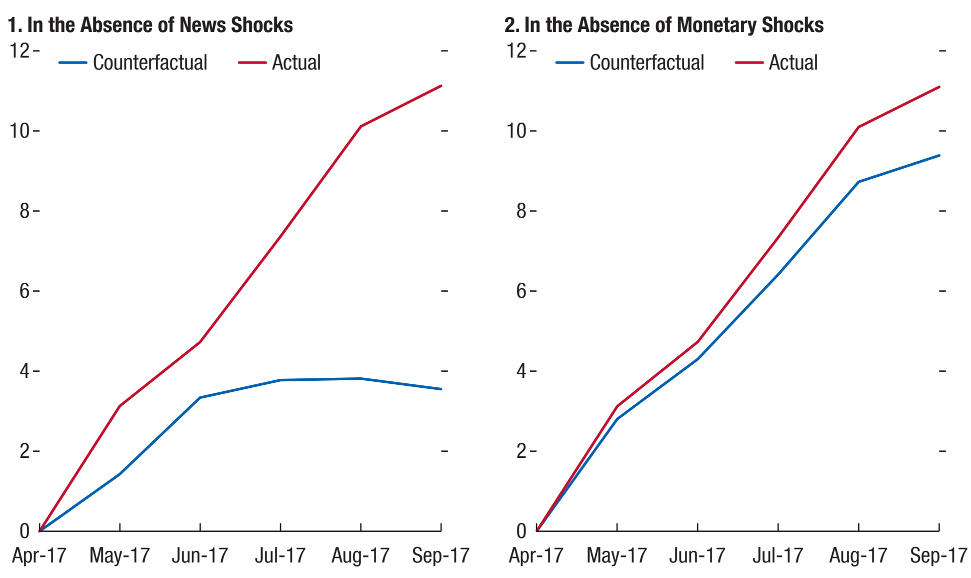
In *emerging Europe*, structural reforms should focus on strengthening institutions, particularly judicial independence (see Chapter 2), and improving public sector efficiency. This will also require restructuring state-owned enterprises and strengthening public sector investment management frameworks, for example, in project appraisal and management (see the November 2016 *Regional Economic Issues: Central, Eastern, and Southeastern Europe*). Other priorities include labor market reforms to boost labor force participation rates of women and reduce high youth unemployment rates, especially in *the Southeastern Europe non-EU* and several *CIS countries*, as well as institutional improvements to lift the investment climate (see Chapter 2). In *Russia*, improvements in the institutional and business environment are prerequisites to realizing dividends from investing in innovation and other reforms. In *Turkey*, the priorities include improving the business climate (especially institutional stability and quality), enhancing the quality of human capital, increasing domestic private savings, and addressing labor market rigidities to reduce informality and better integrate refugees.

Box 1.1. What Is behind the Euro Appreciation against the US Dollar since Early 2017?

The euro has appreciated considerably against the US dollar in the past few months (about 11 percent from April to September 30, 2017). From a policy standpoint, it is important to know the factors behind the euro rally. Conceptually, the euro-dollar exchange rate would appreciate because of favorable economic prospects or tight monetary policy that raises interest rates in the euro area relative to the United States. Discriminating between these two factors, that is, economic news and monetary policy, is important since they can have different implications for exchange rate dynamics. This box sheds light on these factors.

The empirical approach broadly follows Matheson and Stavrev 2014. It estimates economic news and monetary shocks for the euro area using a vector autoregression model. The model includes 10-year bond yields and stock prices for the euro area and for the United States and the euro-dollar bilateral exchange rate at monthly frequency. News shocks in the euro area are identified using economically meaningful sign restrictions as follows: stock prices and bond yields increase following favorable economic news in the euro area. Additional restrictions are imposed to estimate a favorable news shock in the euro area relative to the United States, namely, that stock prices and bond yields in the United States decline following such a shock. The latter set of sign restrictions ensures that the identified favorable news in the euro area is not related to favorable news in the United States. Adverse monetary shocks in the euro area are identified by imposing that stock prices decline and bond yields increase in the euro area, and as before, to isolate adverse euro area shocks versus the United States, it is assumed that stock prices increase and bond yields decline in the United States. Using the model, the effect of euro area news on the euro-dollar exchange rate since April 2017 is evaluated as follows: the estimated euro news shocks are set to zero, and the model is used to trace out the counterfactual

Figure 1.1.1. Counterfactual Euro/US Dollar Scenarios
(Cumulative growth since April 2017, percent)



Source: IMF staff estimates.

Prepared by Raju Huidrom and Emil Stavrev.

Box 1.1 *(continued)*

euro-dollar exchange rate. The simulation shows how the euro would have evolved relative to the dollar in the absence of the euro news shocks during that time. A similar counterfactual is constructed for monetary shocks in the euro area.

The estimation results suggest that ongoing improved economic prospects for the euro area vis-à-vis the United States were the main driver of the euro surge during April–September of this year. Market perceptions of monetary tightening have played a smaller but nontrivial role. In the absence of favorable economic news in the euro area (Box Figure 1.1.1, panel 1), the euro-dollar appreciation since April 2017 would have been about 7½ percentage points lower than the actual 11 percent, while absent the euro area monetary shocks it would have been only 1½ percentage points lower (Box Figure 1.1.1, panel 2).

Annex Table 1.1. GDP Growth
(Year-over-year percent change)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Europe	1.7	2.4	2.1	1.9	1.9	1.9	1.9	0.5	0.2	0.0
Advanced European economies	1.9	2.1	1.9	1.7	1.8	1.7	1.7	0.3	0.2	0.0
Euro area	1.8	2.1	1.9	1.7	1.7	1.6	1.6	0.5	0.3	0.1
Austria	1.5	2.3	1.9	1.5	1.4	1.3	1.3	0.9	0.5	0.2
Belgium	1.2	1.6	1.6	1.5	1.6	1.5	1.5	0.0	0.1	0.0
Cyprus	2.8	3.4	2.6	2.4	2.5	2.3	2.2	0.8	0.3	0.2
Estonia	2.1	4.0	3.7	3.0	2.5	2.8	2.7	1.5	0.9	0.3
Finland	1.9	2.8	2.3	1.8	1.3	1.4	1.5	1.4	0.9	0.3
France	1.2	1.6	1.8	1.9	1.4	1.6	1.7	0.2	0.1	0.1
Germany	1.9	2.0	1.8	1.5	1.6	1.5	1.4	0.4	0.3	0.0
Greece	0.0	1.8	2.6	1.9	2.2	2.7	2.2	−0.4	−0.1	−0.3
Ireland	5.1	4.1	3.4	3.0	3.5	3.2	3.0	0.6	0.2	0.0
Italy	0.9	1.5	1.1	0.9	0.8	0.8	0.8	0.7	0.3	0.1
Latvia	2.0	3.8	3.9	3.5	3.0	3.3	3.6	0.9	0.6	−0.1
Lithuania	2.3	3.5	3.5	3.4	2.8	3.1	3.2	0.8	0.4	0.2
Luxembourg	4.2	3.9	3.6	3.3	3.7	3.5	3.3	0.1	0.1	0.0
Malta	5.5	5.1	4.4	3.8	4.1	3.5	3.2	1.1	0.9	0.6
Netherlands	2.2	3.1	2.6	1.9	2.1	1.8	1.7	0.9	0.7	0.1
Portugal	1.4	2.5	2.0	1.7	1.7	1.5	1.2	0.7	0.6	0.5
Slovak Republic	3.3	3.3	3.7	3.9	3.3	3.7	3.9	0.0	0.0	0.0
Slovenia	3.1	4.0	2.5	2.1	2.5	2.0	2.0	1.5	0.6	0.1
Spain	3.2	3.1	2.5	2.0	2.6	2.1	2.0	0.5	0.4	0.0
Nordic economies	2.2	2.3	2.0	2.0	2.0	2.1	2.1	0.3	−0.1	−0.1
Denmark	1.7	1.9	1.8	1.8	1.5	1.7	1.8	0.5	0.1	0.0
Iceland	7.2	5.5	3.3	3.1	5.7	3.6	3.2	−0.2	−0.4	−0.1
Norway	1.1	1.4	1.6	1.9	1.2	1.9	2.1	0.1	−0.3	−0.2
Sweden	3.2	3.1	2.4	2.1	2.7	2.4	2.2	0.4	0.0	−0.1
Other European advanced economies	2.0	1.8	1.7	1.7	2.1	1.7	1.8	−0.3	0.1	0.0
Czech Republic	2.6	3.5	2.6	2.3	2.8	2.2	2.3	0.7	0.4	0.0
Israel	4.0	3.1	3.4	3.0	2.9	3.0	3.0	0.2	0.4	0.1
Switzerland	1.4	1.0	1.3	1.6	1.4	1.6	1.6	−0.4	−0.3	0.0
United Kingdom	1.8	1.7	1.5	1.6	2.0	1.5	1.6	−0.4	0.0	0.0
Emerging European economies	1.5	3.1	2.6	2.5	2.2	2.4	2.4	0.9	0.2	0.0
Central Europe	2.5	3.7	3.4	3.0	3.3	3.2	2.9	0.4	0.2	0.1
Hungary	2.2	3.2	3.4	2.8	2.9	3.0	2.6	0.3	0.4	0.2
Poland	2.6	3.8	3.3	3.0	3.4	3.2	3.0	0.4	0.1	0.0
Southeastern European EU member states	4.3	4.7	3.9	3.4	3.7	3.1	3.0	1.0	0.8	0.4
Bulgaria	3.4	3.6	3.2	2.9	2.9	2.7	2.5	0.7	0.5	0.4
Croatia	3.0	2.9	2.7	2.5	2.9	2.6	2.5	0.0	0.1	0.0
Romania	4.8	5.5	4.4	3.8	4.2	3.4	3.3	1.3	1.0	0.5
Southeastern European non-EU member states	2.7	3.0	3.3	3.4	3.2	3.6	3.6	−0.2	−0.3	−0.3
Albania	3.4	3.7	3.7	3.8	3.7	4.1	4.1	0.0	−0.4	−0.4
Bosnia and Herzegovina	2.0	2.5	2.6	2.7	3.0	3.5	3.8	−0.5	−0.9	−1.1
Kosovo	3.4	3.5	3.5	3.6	3.5	3.6	3.6	0.0	−0.1	0.0
Macedonia, FYR	2.4	1.9	3.2	3.4	3.2	3.4	3.6	−1.3	−0.2	−0.2
Montenegro	2.5	3.0	2.8	2.7	3.3	3.4	2.7	−0.3	−0.6	−0.1
Serbia	2.8	3.0	3.5	3.5	3.0	3.5	3.5	0.0	0.0	0.0
Commonwealth of Independent States	−0.1	1.8	1.7	1.7	1.4	1.6	1.6	0.4	0.1	0.0
Belarus	−2.6	0.7	0.7	0.9	−0.8	0.6	0.8	1.5	0.0	0.1
Moldova	4.3	4.0	3.7	3.8	4.5	3.7	3.8	−0.5	0.0	0.0
Russia	−0.2	1.8	1.6	1.5	1.4	1.4	1.5	0.4	0.2	0.0
Ukraine	2.3	2.0	3.2	3.5	2.0	3.2	3.5	0.0	0.0	0.0
Turkey	3.2	5.1	3.5	3.5	2.5	3.3	3.4	2.7	0.2	0.1
Memorandum										
World	3.2	3.6	3.7	3.7	3.5	3.6	3.7	0.2	0.1	0.0
Advanced economies	1.7	2.2	2.0	1.8	2.0	2.0	1.9	0.2	0.1	−0.1
Emerging market and developing economies	4.3	4.6	4.9	5.0	4.5	4.8	4.9	0.2	0.1	0.1
European Union	2.0	2.3	2.1	1.8	2.0	1.8	1.8	0.4	0.3	0.1
United States	1.5	2.2	2.3	1.9	2.3	2.5	2.1	−0.1	−0.2	−0.2
China	6.7	6.8	6.5	6.3	6.6	6.2	6.0	0.2	0.3	0.3
Japan	1.0	1.5	0.7	0.8	1.2	0.6	0.8	0.3	0.1	0.0

Sources: IMF, *World Economic Outlook* (WEO); and IMF staff estimates and projections.

Annex Table 1.2. Domestic Demand

(Year-over-year percent change)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	1.8	2.4	2.1	1.9	1.9	1.9	1.8	0.6	0.2	0.1
Advanced European economies	2.3	2.1	1.9	1.7	1.8	1.6	1.7	0.3	0.2	0.1
Euro area	2.3	2.1	1.9	1.7	1.7	1.6	1.6	0.4	0.3	0.1
Austria	1.9	2.2	1.5	1.6	1.6	1.2	1.4	0.6	0.2	0.2
Belgium	1.2	1.7	1.7	1.5	1.5	1.6	1.5	0.3	0.1	0.1
Cyprus	3.9	1.9	2.1	2.7	1.8	2.3	2.3	0.0	−0.2	0.4
Estonia	3.2	3.7	4.8	4.1	3.2	3.7	3.6	0.5	1.0	0.5
Finland	2.5	2.3	2.2	1.8	1.4	1.4	1.4	0.9	0.8	0.3
France	1.9	1.9	1.7	1.8	1.7	1.6	1.7	0.2	0.0	0.2
Germany	2.4	2.1	2.0	1.7	1.5	1.6	1.6	0.6	0.4	0.1
Greece	0.58	0.6	2.4	1.9	2.0	2.3	2.1	−1.4	0.1	−0.2
Ireland	21.2	5.0	3.7	3.2	4.7	3.4	3.2	0.3	0.3	−0.1
Italy	1.0	1.6	1.1	0.8	1.0	0.8	0.7	0.6	0.4	0.0
Latvia	3.1	4.9	5.4	3.8	4.3	4.1	4.0	0.6	1.3	−0.1
Lithuania	2.7	4.4	3.6	3.7	3.0	3.6	3.9	1.4	0.1	−0.2
Luxembourg	1.04	3.9	3.1	2.5	4.5	3.7	3.1	−0.6	−0.6	−0.6
Malta	1.7	2.8	2.8	2.7	4.3	3.1	3.0	−1.5	−0.4	−0.3
Netherlands	1.8	2.4	2.2	1.9	2.0	1.8	1.8	0.4	0.4	0.2
Portugal	1.5	2.6	2.1	1.8	2.2	1.5	1.2	0.4	0.6	0.6
Slovak Republic	0.9	3.1	3.4	3.1	3.3	3.5	3.2	−0.2	−0.1	−0.1
Slovenia	2.9	4.4	2.7	2.8	3.0	2.5	2.6	1.4	0.2	0.2
Spain	2.9	2.6	2.2	1.9	2.3	2.0	1.9	0.2	0.3	0.0
Nordic economies	2.6	2.6	2.3	2.2	2.4	2.5	2.2	0.2	−0.2	0.0
Denmark	2.1	2.2	2.1	2.0	1.9	2.0	2.0	0.3	0.1	0.0
Iceland	8.1	6.3	3.0	4.2	6.2	3.3	3.9	0.1	−0.3	0.3
Norway	1.7	2.1	2.0	2.1	1.7	2.4	2.3	0.4	−0.3	−0.3
Sweden	3.3	3.1	2.5	2.4	3.1	2.8	2.2	−0.1	−0.3	0.2
Other European advanced economies	1.7	1.8	1.5	1.6	1.7	1.4	1.6	0.1	0.1	0.0
Czech Republic	1.5	3.5	3.0	2.7	2.7	2.5	2.7	0.8	0.5	0.0
Israel	6.0	2.8	4.3	2.7	2.7	2.9	2.9	0.1	1.4	−0.3
Switzerland	0.3	0.8	0.8	1.5	1.1	1.4	1.5	−0.4	−0.6	0.0
United Kingdom	1.5	1.6	1.2	1.4	1.5	1.1	1.4	0.1	0.1	0.0
Emerging European economies	0.9	3.1	2.8	2.4	2.0	2.5	2.3	1.1	0.3	0.2
Central Europe	2.3	3.6	3.7	3.2	3.6	3.5	3.1	0.0	0.2	0.1
Hungary	1.6	1.4	3.5	2.7	3.1	3.0	2.2	−1.7	0.5	0.4
Poland	2.5	4.1	3.8	3.3	3.7	3.7	3.3	0.5	0.1	0.0
Southeastern European EU member states	4.4	5.4	4.8	3.7	4.5	3.5	3.3	0.8	1.3	0.4
Bulgaria	1.6	4.7	3.8	3.0	3.1	2.8	2.5	1.6	1.0	0.5
Croatia	3.5	3.7	3.2	2.9	3.7	3.2	2.9	0.0	0.0	0.0
Romania	5.5	6.0	5.5	4.0	5.2	3.8	3.6	0.8	1.6	0.4
Southeastern European non-EU member states	1.7	2.5	2.8	2.9	2.8	3.1	3.0	−0.3	−0.3	−0.1
Albania	1.3	3.7	1.4	2.1	4.5	1.8	2.5	−0.8	−0.5	−0.5
Bosnia and Herzegovina	2.0	2.8	3.0	3.2	3.6	3.7	3.3	−0.9	−0.7	−0.1
Kosovo	...	...	...	...	...	...	...	...	...	...
Macedonia, FYR	1.5	1.6	2.6	2.7	2.2	2.8	2.9	−0.7	−0.1	−0.2
Montenegro	7.7	3.8	4.2	1.5	5.0	6.7	0.1	−1.1	−2.5	1.4
Serbia	1.1	2.2	3.0	3.2	1.9	3.0	3.3	0.3	0.0	−0.1
Commonwealth of Independent States	−1.7	2.4	1.9	1.5	1.2	1.8	1.3	1.1	0.1	0.2
Belarus	−6.1	0.2	0.4	0.4	−1.8	−1.6	−0.1	2.0	2.0	0.5
Moldova	2.4	−0.9	6.8	4.0	4.0	3.3	3.4	−4.9	3.5	0.6
Russia	−2.3	2.3	1.7	1.3	1.1	1.7	1.1	1.2	0.0	0.1
Ukraine	6.0	4.1	4.0	4.2	4.0	3.9	4.0	0.1	0.1	0.2
Turkey	4.4	3.6	3.5	3.5	1.8	3.0	3.3	1.8	0.5	0.2
Memorandum										
World	3.0	3.7	3.7	3.8	3.7	3.7	3.8	3.7	3.7	3.8
Advanced economies	1.7	2.3	2.1	1.9	2.3	2.1	1.9	2.3	2.1	1.9
Emerging market and developing economies	3.9	4.7	4.9	5.1	4.7	4.9	5.1	4.7	4.9	5.1
European Union	2.3	2.4	2.1	1.9	2.0	1.8	1.8	0.3	0.3	0.1
United States	1.7	2.3	2.5	2.0	2.8	3.0	2.4	−0.5	−0.5	−0.4
China	7.4	6.9	6.9	6.7	7.1	6.5	6.3	−0.1	0.4	0.5
Japan	0.4	1.1	0.7	1.0	0.9	0.7	1.0	0.2	0.1	0.0

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.3. Gross Investment

(Percent of GDP)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Europe	23.2	22.6	23.2	23.3	22.0	22.5	22.7	0.6	0.6	0.6
Advanced European economies	22.6	23.0	23.1	23.3	22.7	22.7	23.0	0.4	0.4	0.3
Euro area	20.3	20.6	20.8	21.0	20.0	20.2	20.3	0.6	0.6	0.7
Austria	23.8	24.1	24.0	24.1	24.0	24.1	24.0	0.1	0.0	0.1
Belgium	22.7	23.5	23.9	24.1	23.3	23.8	24.0	0.2	0.1	0.1
Cyprus	15.5	15.7	15.7	16.3	15.5	16.0	16.3	0.2	−0.3	0.0
Estonia	24.2	25.3	27.2	28.5	24.5	25.2	25.6	0.8	2.0	2.9
Finland	21.8	22.3	22.9	23.0	22.3	22.8	23.1	0.0	0.2	−0.1
France	23.0	23.3	23.0	23.0	22.2	21.9	21.7	1.1	1.2	1.3
Germany	19.2	19.4	19.6	19.8	19.1	19.2	19.3	0.3	0.4	0.5
Greece	10.5	10.8	11.8	13.1	10.4	11.2	12.2	0.4	0.6	0.9
Ireland	32.4	33.7	34.1	34.4	30.9	31.3	31.7	2.8	2.8	2.7
Italy	17.0	16.9	17.3	17.5	17.3	17.6	17.9	−0.5	−0.3	−0.3
Latvia	19.9	21.2	22.6	22.9	20.7	21.3	21.7	0.5	1.4	1.2
Lithuania	16.4	17.6	17.6	17.7	16.6	16.7	16.9	0.9	0.9	0.9
Luxembourg	18.0	18.5	18.3	18.3	20.0	20.0	19.9	−1.5	−1.7	−1.6
Malta	23.7	22.1	21.3	20.9	22.9	22.8	22.7	−0.8	−1.5	−1.8
Netherlands	20.1	20.6	21.1	21.7	20.2	20.7	21.3	0.4	0.4	0.4
Portugal	14.9	16.5	17.4	18.0	16.3	16.6	17.0	0.2	0.8	0.9
Slovak Republic	21.5	22.5	23.0	23.6	22.5	23.2	23.4	0.0	−0.2	0.1
Slovenia	18.7	19.5	19.9	20.3	20.4	20.7	21.1	−0.9	−0.8	−0.7
Spain	20.4	20.6	20.8	20.8	20.5	20.6	20.7	0.1	0.1	0.1
Nordic economies	24.4	25.0	25.0	25.3	24.6	24.8	25.2	0.3	0.2	0.1
Denmark	20.3	20.6	20.9	21.1	20.4	20.6	20.8	0.2	0.3	0.3
Iceland	21.3	21.9	20.7	21.6	21.9	21.4	22.2	0.0	−0.7	−0.6
Norway	29.1	28.8	29.1	29.3	28.7	28.9	29.0	0.2	0.2	0.2
Sweden	24.7	26.0	26.4	26.6	25.3	25.7	26.2	0.7	0.6	0.4
Other European advanced economies	23.1	23.3	23.3	23.4	22.9	22.8	22.9	0.4	0.5	0.5
Czech Republic	26.3	26.6	26.5	26.6	26.2	26.1	26.2	0.4	0.4	0.4
Israel	20.5	20.1	20.9	20.7	19.7	19.7	19.7	0.4	1.3	1.0
Switzerland	23.1	23.7	23.6	23.6	23.4	23.5	23.4	0.2	0.1	0.2
United Kingdom	17.0	17.0	16.8	17.0	16.7	16.6	16.7	0.3	0.3	0.3
Emerging European economies	23.3	22.6	23.2	23.3	21.9	22.5	22.6	0.7	0.7	0.7
Central Europe	19.1	19.6	20.3	20.9	20.6	21.0	21.1	−0.9	−0.7	−0.2
Hungary	19.2	19.6	20.3	20.9	20.6	21.0	21.2	−1.0	−0.7	−0.3
Poland	19.6	20.0	20.3	20.7	20.0	20.3	20.5	0.0	0.1	0.2
Southeastern European EU member states	23.2	23.0	23.2	23.4	23.2	23.5	23.8	−0.2	−0.3	−0.4
Bulgaria	20.3	20.1	19.7	19.4	20.8	21.0	21.4	−0.7	−1.3	−2.1
Croatia	19.8	20.6	21.0	21.2	19.8	20.6	21.1	0.7	0.3	0.1
Romania	25.0	24.4	24.5	24.7	24.9	25.0	25.2	−0.6	−0.5	−0.5
Southeastern European non-EU member states	19.5	20.1	20.1	20.1	21.7	21.5	21.4	−1.5	−1.5	−1.2
Albania	23.5	24.8	24.5	24.4	28.7	27.5	26.6	−3.9	−3.0	−2.2
Bosnia and Herzegovina	16.4	17.2	17.2	17.7	17.5	18.7	19.6	−0.2	−1.5	−1.9
Kosovo	...	...	...	...	...	...	...	...	...	...
Macedonia, FYR	...	...	...	...	...	...	...	...	...	...
Montenegro	25.0	27.9	31.1	29.9	28.0	31.9	29.1	−0.1	−0.9	0.8
Serbia	18.1	18.5	18.5	18.7	19.2	19.4	19.4	−0.6	−0.8	−0.8
Commonwealth of Independent States	25.2	23.7	24.3	24.3	22.2	22.9	23.0	1.5	1.4	1.2
Belarus	25.3	24.7	24.5	24.2	26.8	25.6	25.2	−2.2	−1.1	−0.9
Moldova	22.4	22.7	22.6	22.6	19.0	19.4	20.0	3.8	3.2	2.6
Russia	25.3	23.8	24.4	24.2	22.2	22.9	22.9	1.5	1.5	1.3
Ukraine	21.5	21.0	23.2	25.1	21.7	24.7	26.6	−0.7	−1.5	−1.4
Turkey	28.2	29.6	30.0	29.8	29.5	29.6	29.4	0.1	0.4	0.4
Memorandum										
World	...	...	...	...	...	...	...	...	...	...
Advanced economies	...	...	...	...	...	...	...	...	...	...
Emerging and developing economies	...	...	...	...	...	...	...	...	...	...
European Union	20.3	20.8	21.3	21.7	21.2	21.5	21.7	−0.4	−0.2	0.0
United States	19.7	19.8	20.0	20.0	20.0	20.6	20.9	−0.3	−0.6	−0.9
China	44.2	44.0	43.3	42.8	44.0	43.3	42.7	0.1	0.0	0.1
Japan	23.3	23.4	23.5	23.7	23.5	23.7	23.9	−0.1	−0.2	−0.2

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.4. Inflation
(Year-over-year percent change)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	2.0	2.8	2.7	2.8	2.9	2.7	2.7	−0.1	−0.1	0.1
Advanced European economies	0.4	1.6	1.6	1.8	1.8	1.6	1.7	−0.1	−0.1	0.0
Euro area	0.2	1.5	1.4	1.7	1.7	1.5	1.7	−0.2	0.0	0.1
Austria	1.0	1.6	1.8	2.1	2.1	1.8	2.0	−0.5	0.1	0.1
Belgium	1.8	2.2	1.5	1.8	2.0	1.7	1.7	0.2	−0.3	0.0
Cyprus	−1.2	0.8	0.7	1.1	1.5	1.4	1.6	−0.7	−0.7	−0.5
Estonia	0.8	3.8	3.4	2.5	3.2	2.5	2.3	0.6	0.9	0.2
Finland	0.4	0.8	1.2	1.7	1.4	1.6	1.8	−0.6	−0.5	−0.1
France	0.3	1.2	1.3	1.6	1.4	1.2	1.5	−0.2	0.1	0.1
Germany	0.4	1.6	1.5	2.0	2.0	1.7	1.9	−0.5	−0.2	0.1
Greece	0.0	1.2	1.3	1.4	1.3	1.4	1.6	0.0	−0.1	−0.2
Ireland	−0.2	0.4	1.5	1.7	0.9	1.5	1.7	−0.4	−0.1	0.0
Italy	−0.1	1.4	1.2	1.4	1.3	1.3	1.4	0.2	−0.1	0.0
Latvia	0.1	3.0	3.0	2.5	2.8	2.5	2.4	0.2	0.5	0.1
Lithuania	0.7	3.5	2.0	2.1	2.8	2.0	2.2	0.7	0.0	0.0
Luxembourg	0.0	1.2	1.3	1.7	1.4	1.3	1.7	−0.2	−0.1	0.0
Malta	0.9	1.3	1.6	1.8	1.5	1.6	1.8	−0.2	0.0	0.0
Netherlands	0.1	1.3	1.4	1.5	0.9	1.4	1.5	0.3	0.0	0.0
Portugal	0.6	1.6	2.0	2.1	1.2	1.4	1.5	0.4	0.6	0.6
Slovak Republic	−0.5	1.2	1.4	1.7	1.2	1.5	1.8	−0.1	−0.2	−0.2
Slovenia	−0.1	1.6	1.8	2.0	1.5	2.0	2.0	0.1	−0.2	0.0
Spain	−0.2	2.0	1.5	1.7	2.4	1.4	1.5	−0.4	0.0	0.1
Nordic economies	1.7	1.6	1.7	1.9	1.6	1.8	2.0	0.0	−0.1	−0.1
Denmark	0.2	1.0	1.4	1.8	0.6	1.1	1.8	0.4	0.3	0.0
Iceland	1.7	1.8	2.6	2.8	2.2	2.6	2.8	−0.4	0.0	0.0
Norway	3.6	2.1	2.0	2.2	2.6	2.5	2.5	−0.5	−0.5	−0.3
Sweden	1.1	1.6	1.6	1.7	1.4	1.6	1.7	0.2	0.0	0.0
Other European advanced economies	0.4	2.1	2.1	2.0	2.1	2.2	2.0	0.1	−0.1	0.0
Czech Republic	0.7	2.3	1.8	2.0	2.3	1.8	2.0	0.0	0.0	0.0
Israel	−0.5	0.2	0.5	1.4	0.7	1.4	1.9	−0.6	−0.9	−0.5
Switzerland	−0.4	0.5	0.6	0.9	0.4	0.7	0.9	0.0	−0.1	0.0
United Kingdom	0.7	2.6	2.6	2.2	2.5	2.6	2.2	0.2	0.0	0.0
Emerging European economies	5.6	5.6	5.1	4.9	5.5	5.2	4.8	0.1	−0.1	0.1
Central Europe	−0.4	2.0	2.5	2.6	2.4	2.5	2.6	−0.3	−0.1	0.1
Hungary	0.4	2.5	3.2	3.0	2.5	3.3	3.0	0.0	−0.1	−0.1
Poland	−0.6	1.9	2.3	2.5	2.3	2.3	2.5	−0.4	−0.1	0.1
Southeastern European EU member states	−1.4	1.1	2.6	2.6	1.2	2.6	2.5	−0.1	0.1	0.2
Bulgaria	−1.3	1.1	1.4	1.7	1.0	1.8	1.9	0.1	−0.3	−0.2
Croatia	−1.1	1.1	1.2	1.5	1.1	1.1	1.4	0.1	0.1	0.1
Romania	−1.6	1.1	3.3	3.2	1.3	3.1	2.9	−0.2	0.2	0.3
Southeastern European non-EU member states	0.5	2.3	2.5	2.5	2.0	2.4	2.5	0.3	0.0	0.0
Albania	1.3	2.1	2.8	3.0	2.3	2.9	3.0	−0.2	−0.1	0.0
Bosnia and Herzegovina	−1.1	1.8	1.2	1.6	1.4	1.7	1.6	0.3	−0.6	0.0
Kosovo	0.3	1.4	1.4	1.9	0.9	1.8	1.9	0.5	−0.4	0.0
Macedonia, FYR	−0.2	0.3	2.6	1.9	0.6	1.7	2.0	−0.4	0.9	−0.1
Montenegro	−0.3	2.1	2.6	1.8	2.1	1.5	1.5	0.1	1.1	0.2
Serbia	1.1	3.4	3.0	3.0	2.6	3.0	3.0	0.7	0.0	0.0
Commonwealth of Independent States	7.8	5.1	4.5	4.4	5.2	4.8	4.4	−0.1	−0.3	0.0
Belarus	11.8	8.0	7.5	7.2	9.3	8.7	8.6	−1.3	−1.2	−1.3
Moldova	6.4	6.5	5.3	5.1	5.5	5.9	5.3	1.0	−0.6	−0.2
Russia	7.0	4.2	3.9	4.0	4.5	4.2	4.0	−0.2	−0.3	0.0
Ukraine	13.9	12.8	10.0	7.0	11.5	9.5	6.5	1.3	0.4	0.5
Turkey	7.8	10.9	9.3	8.8	10.1	9.1	8.5	0.8	0.3	0.3
Memorandum										
World	2.8	3.1	3.3	3.3	3.5	3.4	3.3	−0.4	−0.1	0.0
Advanced economies	0.8	1.7	1.7	2.0	2.0	1.9	2.1	−0.3	−0.2	0.0
Emerging market and developing economies	4.3	4.2	4.4	4.1	4.7	4.4	4.2	−0.4	0.0	0.0
European Union	0.2	1.7	1.7	1.9	1.8	1.7	1.8	−0.1	0.0	0.1
United States	1.3	2.1	2.1	2.6	2.7	2.4	2.6	−0.5	−0.3	0.0
China	2.0	1.8	2.4	2.5	2.4	2.3	2.6	−0.6	0.1	−0.1
Japan	−0.1	0.4	0.5	1.1	1.0	0.6	1.1	−0.6	−0.1	0.0

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.5. Unemployment Rate
(Percent)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	8.1	7.6	7.3	7.2	7.8	7.6	7.5	−0.2	−0.3	−0.3
Advanced European economies	8.6	7.9	7.5	7.3	8.2	8.0	7.8	−0.3	−0.5	−0.5
Euro area	10.0	9.2	8.7	8.3	9.4	9.1	8.8	−0.3	−0.4	−0.4
Austria	6.0	5.4	5.3	5.2	5.9	5.9	5.9	−0.6	−0.6	−0.7
Belgium	7.9	7.5	7.3	7.2	7.8	7.6	7.4	−0.2	−0.3	−0.3
Cyprus	13.0	11.8	10.7	9.9	11.3	10.2	9.2	0.5	0.4	0.7
Estonia	6.8	8.4	9.0	9.8	8.3	8.9	9.4	0.1	0.1	0.4
Finland	8.8	8.7	8.1	7.8	8.5	8.3	7.8	0.2	−0.2	0.0
France	10.0	9.5	9.0	8.7	9.6	9.3	9.0	−0.2	−0.2	−0.3
Germany	4.2	3.8	3.7	3.7	4.2	4.2	4.2	−0.4	−0.5	−0.5
Greece	23.6	22.3	20.7	19.5	21.9	21.0	20.2	0.4	−0.3	−0.7
Ireland	7.9	6.4	5.9	5.8	6.5	6.3	6.2	−0.1	−0.4	−0.4
Italy	11.7	11.4	11.0	10.6	11.4	11.0	10.6	0.0	0.0	0.0
Latvia	9.6	9.0	8.7	8.4	9.4	9.2	8.9	−0.4	−0.5	−0.5
Lithuania	7.9	7.0	6.5	6.0	7.4	7.2	7.0	−0.4	−0.7	−1.0
Luxembourg	6.4	5.9	5.5	5.3	5.9	5.7	5.6	0.0	−0.3	−0.3
Malta	4.7	4.4	4.5	4.7	4.7	4.7	4.8	−0.3	−0.2	−0.1
Netherlands	5.9	5.1	4.9	4.8	5.4	5.3	5.2	−0.3	−0.4	−0.4
Portugal	11.1	9.7	9.0	8.5	10.6	10.1	9.7	−0.9	−1.1	−1.1
Slovak Republic	9.6	8.1	7.5	7.4	7.9	7.4	7.2	0.2	0.2	0.2
Slovenia	8.0	6.8	6.4	6.3	7.0	6.6	6.2	−0.2	−0.1	0.1
Spain	19.6	17.1	15.6	15.0	17.7	16.6	15.8	−0.6	−1.0	−0.8
Nordic economies	6.2	5.7	5.6	5.5	5.9	5.8	5.7	−0.1	−0.2	−0.2
Denmark	6.2	5.8	5.8	5.8	5.8	5.8	5.8	0.0	0.0	0.0
Iceland	3.0	2.8	3.2	3.6	3.0	3.3	3.6	−0.2	−0.1	0.0
Norway	4.7	4.0	3.8	3.7	4.5	4.2	4.0	−0.5	−0.4	−0.3
Sweden	7.0	6.6	6.3	6.3	6.7	6.7	6.6	−0.1	−0.4	−0.3
Other European advanced economies	4.6	4.1	4.1	4.3	4.6	4.7	4.8	−0.5	−0.6	−0.6
Czech Republic	4.0	2.8	3.0	3.2	3.8	4.2	4.5	−1.0	−1.2	−1.3
Israel	4.8	4.3	4.5	4.5	4.8	4.8	4.8	−0.5	−0.4	−0.4
Switzerland	3.3	3.0	3.0	3.0	3.0	2.9	2.9	0.0	0.0	0.0
United Kingdom	4.9	4.4	4.4	4.6	4.9	5.1	5.2	−0.5	−0.6	−0.6
Emerging European economies	7.4	7.2	7.0	7.0	7.3	7.2	7.1	−0.1	−0.1	−0.2
Central Europe	5.9	4.7	4.1	4.0	5.3	5.1	5.0	−0.6	−1.0	−1.0
Hungary	5.1	4.4	4.3	4.3	4.4	4.3	4.3	0.0	0.0	0.0
Poland	6.2	4.8	4.0	3.9	5.5	5.3	5.2	−0.7	−1.2	−1.3
Southeastern European EU member states	7.4	6.6	6.5	6.7	6.8	6.6	6.9	−0.2	−0.1	−0.2
Bulgaria	7.7	6.6	6.4	6.3	7.1	6.9	6.7	−0.5	−0.5	−0.4
Croatia	15.0	13.9	13.5	13.2	13.9	13.5	13.2	0.0	0.0	0.0
Romania	5.9	5.3	5.2	5.7	5.4	5.2	5.8	−0.1	0.0	−0.1
Southeastern European non-EU member states	19.1	17.8	18.6	18.4	19.3	19.1	18.8	−1.6	−0.5	−0.5
Albania	15.2	14.0	13.8	13.5	15.9	15.6	15.4	−1.9	−1.9	−1.9
Bosnia and Herzegovina	25.4	20.5	25.1	25.0	25.2	25.1	25.0	−4.7	0.0	0.0
Kosovo	...	...	...	...	...	...	...	...	...	...
Macedonia, FYR	23.6	23.4	23.2	23.0	23.4	23.2	23.0	0.0	0.0	0.0
Montenegro	...	...	...	...	...	...	...	...	...	...
Serbia	15.9	16.0	15.6	15.3	16.0	15.6	15.3	0.0	0.0	0.0
Commonwealth of Independent States	6.0	6.0	6.0	5.9	5.9	5.9	5.8	0.1	0.1	0.1
Belarus	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Moldova	4.2	4.3	4.2	4.2	4.3	4.2	4.2	0.0	0.0	0.0
Russia	5.5	5.5	5.5	5.5	5.5	5.5	5.5	0.0	0.0	0.0
Ukraine	9.3	9.5	9.3	8.8	9.0	8.7	8.4	0.4	0.6	0.4
Turkey	10.9	11.2	10.7	10.4	11.5	11.0	10.8	−0.3	−0.3	−0.4
Memorandum										
World	...	...	...	...	...	...	...	...	...	...
Advanced economies	6.2	5.7	5.4	5.4	6.0	5.8	5.7	−0.3	−0.4	−0.3
Emerging and developing economies	...	...	...	...	...	...	...	...	...	...
European Union	8.5	7.7	7.3	7.2	8.1	7.8	7.7	...	...	...
United States	4.9	4.4	4.1	4.2	4.7	4.6	4.4	−0.3	−0.5	−0.3
China	4.0	4.0	4.0	4.0	4.0	4.0	4.0	0.0	0.0	0.0
Japan	3.1	2.9	2.9	2.9	3.1	3.1	3.1	−0.2	−0.2	−0.2

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.6. General Government Overall Balance

(Percent of GDP)

	October 2017 WEO				April 2017 WEO			**Difference**		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	−1.9	−1.7	−1.4	−1.0	−1.9	−1.5	−1.0	0.2	0.1	0.0
Advanced European economies	−1.5	−1.3	−1.0	−0.6	−1.5	−1.1	−0.7	0.2	0.1	0.1
Euro area	−1.5	−1.3	−1.0	−0.7	−1.5	−1.2	−0.8	0.2	0.2	0.1
Austria	−1.6	−0.9	−0.6	−0.4	−1.0	−0.7	−0.4	0.2	0.0	0.0
Belgium	−2.6	−1.8	−1.8	−1.9	−2.1	−2.2	−2.3	0.3	0.4	0.3
Cyprus	−0.3	0.9	0.3	0.5	−0.3	−0.5	−0.1	1.2	0.7	0.6
Estonia	0.3	0.0	−0.7	−0.6	0.3	−0.2	−0.3	−0.2	−0.4	−0.3
Finland	−1.9	−1.5	−1.2	−0.9	−2.1	−1.5	−0.9	0.6	0.3	0.0
France	−3.4	−3.0	−3.0	−3.2	−3.2	−2.8	−2.2	0.2	−0.2	−0.9
Germany	0.8	0.7	0.8	1.0	0.6	0.6	0.8	0.1	0.2	0.2
Greece	1.0	−1.7	−1.1	0.2	−1.5	−1.0	−1.5	−0.2	−0.1	1.6
Ireland	−0.7	−0.5	−0.2	−0.2	−0.5	−0.3	0.0	0.0	0.0	−0.3
Italy	−2.4	−2.2	−1.3	−0.3	−2.4	−1.4	−0.7	0.2	0.1	0.4
Latvia	−0.4	−0.7	0.0	−0.4	−1.2	−0.3	−0.4	0.4	0.3	−0.1
Lithuania	0.3	0.1	0.5	0.3	−0.6	−0.7	−0.5	0.6	1.2	0.8
Luxembourg	1.6	0.3	0.2	0.0	0.3	0.1	0.0	0.0	0.1	0.1
Malta	1.0	0.5	0.5	0.5	−0.6	−0.6	−0.6	1.1	1.0	1.0
Netherlands	0.4	0.6	0.9	1.2	0.0	0.1	0.2	0.6	0.8	1.0
Portugal	−2.0	−1.5	−1.4	−1.5	−1.9	−2.2	−2.2	0.4	0.8	0.7
Slovak Republic	−1.7	−1.2	−0.7	−0.1	−1.8	−1.1	−0.7	0.6	0.4	0.6
Slovenia	−1.8	−0.9	−0.9	−1.2	−1.5	−1.6	−1.8	0.7	0.7	0.6
Spain	−4.5	−3.2	−2.5	−2.1	−3.3	−2.7	−2.4	0.1	0.3	0.3
Nordic economies	1.4	1.5	1.8	2.0	0.8	1.0	1.2	0.7	0.8	0.8
Denmark	−0.6	−1.5	−0.6	−0.4	−1.1	−0.5	−0.1	−0.3	0.0	−0.3
Iceland	12.4	0.9	1.3	1.4	0.6	1.1	1.5	0.3	0.2	−0.1
Norway	3.1	4.5	4.6	5.4	3.6	3.8	3.8	0.9	0.8	1.6
Sweden	0.9	1.0	1.0	0.8	−0.3	−0.2	0.0	1.3	1.2	0.8
Other European advanced economies	−2.2	−2.2	−1.9	−1.2	−2.3	−1.7	−1.1	0.0	−0.1	−0.1
Czech Republic	0.6	0.5	0.6	0.7	−0.2	0.0	0.0	0.7	0.6	0.7
Israel	−2.5	−3.2	−3.7	−3.7	−3.3	−3.5	−3.7	0.1	−0.2	0.0
Switzerland	0.1	−0.1	−0.1	0.0	−0.1	0.0	0.0	0.0	−0.1	−0.1
United Kingdom	−2.9	−2.9	−2.3	−1.4	−2.8	−2.1	−1.2	0.0	−0.3	−0.3
Emerging European economies	−2.8	−2.6	−2.1	−1.8	−2.9	−2.3	−1.5	0.3	0.1	−0.4
Central Europe	−2.3	−2.7	−2.6	−2.6	−2.9	−2.6	−2.5	0.2	−0.1	0.0
Hungary	−1.9	−2.6	−2.6	−2.3	−2.6	−2.5	−2.3	0.0	0.0	0.0
Poland	−2.4	−2.7	−2.7	−2.6	−2.9	−2.6	−2.6	0.2	−0.1	−0.1
Southeastern European EU member states	−1.3	−2.2	−3.2	−3.2	−2.9	−3.0	−2.8	0.7	−0.2	−0.3
Bulgaria	1.6	−0.4	−0.7	−0.3	−1.3	−1.0	−0.5	0.8	0.4	0.1
Croatia	−0.8	−1.3	−1.0	−0.7	−1.9	−1.8	−1.7	0.6	0.7	1.0
Romania	−2.4	−3.0	−4.4	−4.5	−3.7	−3.9	−3.8	0.7	−0.5	−0.7
Southeastern European non-EU member states	−1.4	−1.6	−1.6	−1.5	−1.7	−1.9	−1.7	0.1	0.3	0.2
Albania	−1.8	−1.2	−2.0	−2.3	−1.0	−2.1	−2.4	−0.2	0.1	0.1
Bosnia and Herzegovina	0.4	−0.4	0.0	0.0	−0.5	−0.6	−0.4	0.1	0.6	0.4
Kosovo	−1.4	−3.4	−3.7	−3.1	−2.5	−2.8	−2.1	−0.8	−0.9	−1.0
Macedonia, FYR	−2.6	−3.5	−3.6	−3.8	−3.3	−3.4	−3.4	−0.1	−0.3	−0.4
Montenegro	−6.0	−6.4	−5.6	−4.9	−7.5	−8.7	−6.7	1.0	3.1	1.9
Serbia	−1.2	−1.0	−0.7	−0.6	−1.3	−1.1	−0.9	0.3	0.5	0.3
Commonwealth of Independent States	−3.5	−2.3	−1.7	−1.2	−2.8	−2.2	−0.9	0.5	0.5	−0.3
Belarus	−3.4	−5.6	−3.8	−2.3	−8.2	−7.7	−7.5	2.5	4.0	5.2
Moldova	−2.1	−3.2	−3.0	−3.0	−3.7	−3.3	−2.9	0.5	0.3	−0.1
Russia	−3.7	−2.1	−1.5	−1.0	−2.6	−1.9	−0.5	0.5	0.4	−0.5
Ukraine	−2.2	−2.9	−2.5	−2.3	−3.0	−2.5	−2.3	0.1	0.0	0.0
Turkey	−2.3	−3.2	−2.4	−2.3	−3.0	−2.0	−1.4	−0.2	−0.4	−0.8
Memorandum										
World	−3.6	−3.4	−3.0	−2.9	−3.4	−3.1	−3.1	0.0	0.1	0.2
Advanced economies	−2.8	−2.7	−2.3	−2.1	−2.7	−2.7	−2.8	0.0	0.4	0.6
Emerging market and developing economies	−4.8	−4.4	−4.2	−4.0	−4.4	−3.9	−3.5	0.0	−0.3	−0.5
European Union	−1.7	−1.5	−1.2	−0.8	−1.7	−1.3	−0.9	0.2	0.1	0.1
United States	−4.4	−4.3	−3.7	−4.0	−4.0	−4.5	−5.3	−0.3	0.7	1.3
China	−3.7	−3.7	−3.7	−3.9	−3.7	−3.4	−3.4	0.0	−0.3	−0.5
Japan	−4.2	−4.1	−3.3	−2.9	−4.0	−3.3	−2.8	−0.2	−0.1	−0.1

Source: IMF, *World Economic Outlook* (WEO).
Note: Projections for Italy are based on fiscal targets as announced in April 2017.

Annex Table 1.7. General Government Gross Debt
(Percent of GDP)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	68.9	68.2	67.1	65.7	68.9	68.0	66.6	−0.7	−0.8	−0.8
Advanced European economies	85.6	84.3	82.8	81.0	84.7	83.5	81.8	−0.4	−0.7	−0.8
Euro area	89.0	87.4	85.6	83.5	90.1	88.6	86.6	−2.7	−3.1	−3.1
Austria	84.6	80.2	77.5	74.8	81.2	78.3	75.6	−1.0	−0.8	−0.8
Belgium	106.0	104.3	102.9	101.5	104.3	103.3	102.3	0.0	−0.4	−0.8
Cyprus	107.8	105.5	102.0	96.4	109.3	107.4	100.5	−3.7	−5.4	−4.1
Estonia	9.4	8.7	8.8	8.9	9.0	8.7	8.5	−0.3	0.1	0.4
Finland	63.1	63.3	62.6	61.8	64.4	64.4	63.8	−1.2	−1.9	−2.0
France	96.3	96.8	97.0	97.0	97.4	97.4	96.6	−0.6	−0.4	0.4
Germany	68.1	65.0	61.8	58.7	64.7	62.0	59.1	0.3	−0.1	−0.4
Greece	181.6	180.2	184.5	177.9	180.7	181.5	174.3	−0.5	3.0	3.6
Ireland	72.9	69.3	67.8	66.2	74.8	73.4	71.4	−5.5	−5.6	−5.2
Italy	132.6	133.0	131.4	128.8	132.8	131.6	129.4	0.3	−0.1	−0.6
Latvia	37.2	35.6	33.2	31.8	33.7	32.1	30.7	1.9	1.1	1.1
Lithuania	40.2	37.5	35.0	32.9	38.9	37.7	36.3	−1.4	−2.7	−3.4
Luxembourg	20.0	18.6	17.5	16.6	23.2	23.5	23.2	−4.6	−6.0	−6.7
Malta	58.0	55.9	53.6	50.3	58.0	55.3	53.8	−2.1	−1.7	−3.5
Netherlands	61.8	57.4	54.2	51.2	59.7	57.8	55.9	−2.3	−3.6	−4.7
Portugal	130.3	125.7	122.5	119.8	128.6	127.1	125.7	−2.9	−4.6	−5.9
Slovak Republic	51.9	50.9	49.7	47.8	51.9	50.9	49.2	−1.0	−1.2	−1.4
Slovenia	78.4	75.0	73.9	73.3	77.7	77.4	77.2	−2.7	−3.5	−4.0
Spain	99.4	98.7	97.2	95.8	98.5	97.9	96.8	0.1	−0.6	−1.0
Nordic economies	38.2	36.8	35.6	34.1	38.1	37.3	36.8	−1.3	−1.7	−2.7
Denmark	37.7	37.8	37.0	35.9	39.8	39.0	37.7	−2.0	−2.1	−1.7
Iceland	54.0	41.2	39.0	35.5	45.9	40.6	38.1	−4.6	−1.6	−2.5
Norway	33.1	33.1	33.1	33.1	33.2	33.2	33.2	−0.1	−0.1	−0.1
Sweden	41.6	38.8	36.5	33.8	40.4	39.3	38.9	−1.6	−2.8	−5.2
Other European advanced economies	76.6	76.5	76.4	75.5	76.6	76.2	75.2	−0.1	0.2	0.3
Czech Republic	36.8	34.5	32.5	30.4	36.0	34.6	33.2	−1.5	−2.1	−2.8
Israel	62.3	62.7	63.6	64.1	62.5	62.9	63.1	0.2	0.7	1.0
Switzerland	43.3	42.8	41.7	40.7	44.5	43.5	42.5	−1.8	−1.9	−1.8
United Kingdom	89.3	89.5	89.7	88.9	89.0	88.7	87.7	0.5	1.0	1.2
Emerging European economies	31.9	32.8	32.8	32.7	33.6	33.6	33.2	−0.8	−0.8	−0.5
Central Europe	58.4	58.0	57.4	56.9	58.4	57.7	57.1	−0.4	−0.3	−0.2
Hungary	73.9	72.9	71.3	70.2	73.3	71.9	70.9	−0.4	−0.6	−0.7
Poland	54.4	54.2	53.8	53.5	54.6	54.1	53.6	−0.4	−0.3	−0.1
Southeastern European EU member states	43.0	41.9	42.2	42.8	43.1	43.5	44.0	−1.2	−1.3	−1.1
Bulgaria	27.8	24.6	24.2	23.4	24.5	24.1	23.4	0.1	0.0	−0.1
Croatia	83.7	81.9	79.6	76.9	83.1	81.6	79.8	−1.2	−1.9	−2.9
Romania	39.1	38.9	40.2	42.0	40.6	41.7	43.0	−1.6	−1.6	−1.0
Southeastern European non-EU member states	59.9	58.2	56.8	54.8	58.6	57.0	54.9	−0.3	−0.2	−0.1
Albania	73.2	70.8	68.2	65.2	68.6	64.8	60.4	2.2	3.4	4.7
Bosnia and Herzegovina	44.7	42.3	40.9	39.4	42.5	41.1	39.6	−0.2	−0.2	−0.2
Kosovo	19.9	23.5	25.4	25.9	23.5	24.5	24.1	0.0	0.9	1.8
Macedonia, FYR	39.0	39.7	41.6	43.0	37.6	39.2	40.5	2.1	2.4	2.4
Montenegro	70.0	71.6	73.6	74.1	74.3	78.7	81.6	−2.8	−5.1	−7.5
Serbia	74.1	70.9	67.9	64.4	72.8	70.1	66.7	−1.9	−2.1	−2.3
Commonwealth of Independent States	22.5	24.6	24.6	24.7	24.7	24.8	24.8	−0.2	−0.2	−0.1
Belarus	53.9	58.8	56.8	56.7	58.0	63.1	65.6	0.7	−6.4	−8.9
Moldova	43.2	41.3	40.5	41.1	40.2	41.5	43.2	1.1	−1.0	−2.1
Russia	15.6	17.4	17.7	18.2	17.1	17.3	17.8	0.2	0.4	0.4
Ukraine	81.2	86.2	83.5	77.9	89.8	85.3	78.1	−3.7	−1.9	−0.2
Turkey	28.1	27.9	28.0	27.5	29.8	29.8	28.6	−1.9	−1.8	−1.1
Memorandum										
World	83.3	82.8	82.4	81.9	83.1	82.8	82.6	−0.3	−0.4	−0.7
Advanced economies	106.3	105.3	104.2	103.1	105.9	105.6	105.3	−0.7	−1.4	−2.1
Emerging market and developing economies	46.8	48.3	49.9	51.2	48.5	49.5	50.4	−0.2	0.3	0.8
European Union	85.7	84.2	82.6	80.7	84.7	83.4	81.7	−0.5	−0.8	−1.0
United States	107.1	108.1	107.8	107.9	108.3	108.9	110.6	−0.2	−1.1	−2.6
China	44.3	47.6	50.8	53.9	49.3	52.0	54.4	−1.7	−1.2	−0.5
Japan	239.3	240.3	240.0	238.5	239.2	239.4	237.7	1.1	0.6	0.8

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.8. Current Account

(Percent of GDP)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	2.2	2.4	2.3	2.3	2.4	2.4	2.5	0.0	−0.1	−0.1
Advanced European economies	2.7	2.9	2.9	2.8	2.9	2.9	3.0	0.0	−0.1	−0.1
Euro area	3.5	3.1	3.0	2.9	3.0	3.0	3.0	0.1	0.0	−0.1
Austria	1.7	2.1	2.2	2.3	2.4	2.2	2.2	−0.3	−0.1	0.1
Belgium	−0.4	−0.3	0.0	0.1	0.9	1.0	1.4	−1.2	−1.0	−1.3
Cyprus	−5.3	−3.8	−2.7	−2.8	−2.5	−2.5	−2.4	−1.3	−0.2	−0.4
Estonia	1.9	1.8	1.4	0.5	1.4	0.9	0.2	0.3	0.5	0.3
Finland	−1.1	0.4	0.4	0.5	−1.3	−1.2	−1.1	1.6	1.6	1.6
France	−1.0	−1.1	−0.8	−0.5	−0.9	−0.5	0.0	−0.2	−0.3	−0.4
Germany	8.3	8.1	7.7	7.5	8.2	8.0	7.8	−0.1	−0.2	−0.3
Greece	−0.6	−0.2	−0.1	−0.1	−0.3	0.0	0.0	0.0	0.0	−0.2
Ireland	3.3	3.4	3.5	3.6	4.7	4.7	4.6	−1.3	−1.3	−1.0
Italy	2.6	2.7	2.3	2.0	2.0	1.8	1.5	0.7	0.6	0.5
Latvia	1.5	−0.3	−1.5	−1.6	−1.1	−1.4	−1.8	0.8	−0.1	0.2
Lithuania	−0.9	−1.6	−1.4	−1.6	−1.6	−1.5	−1.8	0.0	0.1	0.2
Luxembourg	4.7	4.7	4.9	5.2	5.1	5.1	5.4	−0.4	−0.1	−0.2
Malta	7.9	8.9	8.8	8.4	5.5	5.3	5.1	3.5	3.5	3.3
Netherlands	8.5	10.0	10.0	9.6	9.2	9.1	9.1	0.8	0.9	0.6
Portugal	0.7	0.4	0.3	−0.1	−0.3	−0.4	−0.5	0.7	0.7	0.5
Slovak Republic	−0.7	0.3	0.2	0.5	0.3	0.2	0.6	0.0	0.0	−0.1
Slovenia	5.2	5.0	4.9	4.4	5.5	5.1	4.7	−0.5	−0.2	−0.4
Spain	1.9	1.9	2.0	2.0	1.5	1.6	1.6	0.3	0.4	0.3
Nordic economies	5.6	5.3	5.2	5.0	5.7	5.5	5.5	−0.4	−0.3	−0.4
Denmark	7.9	7.3	7.0	6.7	7.5	7.2	6.9	−0.2	−0.2	−0.2
Iceland	7.9	6.2	6.1	5.1	6.9	6.7	5.7	−0.7	−0.6	−0.6
Norway	5.0	5.5	5.7	5.9	5.7	5.7	6.4	−0.2	−0.1	−0.5
Sweden	4.5	3.9	3.7	3.5	4.6	4.2	3.9	−0.6	−0.4	−0.4
Other European advanced economies	−0.8	−0.2	−0.2	0.0	0.1	0.3	0.3	−0.3	−0.5	−0.4
Czech Republic	1.1	0.6	0.1	−0.2	1.2	0.7	0.4	−0.6	−0.6	−0.6
Israel	3.6	4.1	3.1	3.3	3.4	3.4	3.3	0.7	−0.2	0.0
Switzerland	10.5	9.9	9.4	9.2	10.8	10.5	9.8	−0.9	−1.0	−0.7
United Kingdom	−4.4	−3.6	−3.3	−2.9	−3.3	−2.9	−2.6	−0.3	−0.4	−0.4
Emerging European economies	−0.4	−0.3	−0.3	−0.1	−0.1	−0.1	0.1	−0.2	−0.2	−0.2
Central Europe	1.0	0.2	−0.1	−0.6	−0.6	−0.8	−1.1	0.8	0.7	0.5
Hungary	6.1	4.8	4.2	3.2	3.7	3.0	2.2	1.1	1.3	1.0
Poland	−0.2	−1.0	−1.2	−1.6	−1.7	−1.8	−2.0	0.7	0.6	0.4
Southeastern European EU member states	−0.3	−0.9	−1.1	−1.3	−0.9	−1.0	−1.2	0.1	−0.1	−0.2
Bulgaria	4.2	2.5	1.9	1.5	2.3	2.0	1.7	0.2	−0.1	−0.2
Croatia	2.6	3.8	3.0	2.0	2.8	1.8	1.0	1.0	1.2	1.0
Romania	−2.3	−3.0	−2.9	−2.9	−2.8	−2.5	−2.5	−0.2	−0.4	−0.4
Southeastern European non-EU member states	−5.6	−5.9	−5.7	−5.6	−6.9	−7.0	−6.6	1.0	1.2	1.0
Albania	−7.6	−9.2	−8.2	−7.7	−13.7	−13.0	−11.8	4.4	4.8	4.1
Bosnia and Herzegovina	−4.5	−4.3	−4.2	−4.3	−6.3	−6.3	−5.9	2.0	2.2	1.6
Kosovo	−9.8	−11.0	−11.3	−10.9	−10.8	−11.1	−10.6	−0.2	−0.3	−0.3
Macedonia, FYR	−2.7	−2.3	−2.5	−2.8	−1.8	−2.0	−2.3	−0.5	−0.5	−0.5
Montenegro	−19.0	−20.2	−21.2	−19.7	−22.0	−25.6	−22.4	1.8	4.4	2.7
Serbia	−4.0	−4.0	−3.9	−3.8	−4.0	−4.0	−3.9	0.0	0.1	0.1
Commonwealth of Independent States	1.4	2.1	2.5	3.0	2.6	2.8	3.1	−0.5	−0.3	−0.2
Belarus	−3.6	−5.3	−4.6	−4.0	−4.7	−5.0	−3.9	−0.6	0.4	−0.1
Moldova	−3.8	−4.0	−4.0	−4.8	−3.8	−4.0	−4.5	−0.2	−0.1	−0.4
Russia	2.0	2.8	3.2	3.6	3.3	3.5	3.8	−0.5	−0.3	−0.1
Ukraine	−4.1	−3.3	−3.0	−2.3	−3.6	−2.9	−2.3	0.3	−0.1	0.0
Turkey	−3.8	−4.6	−4.6	−4.4	−4.7	−4.6	−4.1	0.1	0.0	−0.3
Memorandum										
World	0.4	0.4	0.3	0.2	0.3	0.1	0.1	0.1	0.1	0.1
Advanced economies	0.8	0.8	0.7	0.7	0.7	0.4	0.3	0.1	0.3	0.3
Emerging market and developing economies	−0.3	−0.3	−0.4	−0.5	−0.3	−0.3	−0.3	0.0	−0.1	−0.2
European Union	2.2	2.4	2.4	2.3	2.3	2.3	2.3	0.1	0.0	−0.1
United States	−2.4	−2.4	−2.6	−2.7	−2.7	−3.3	−3.5	0.3	0.7	0.8
China	1.7	1.4	1.2	0.9	1.3	1.2	1.2	0.1	−0.1	−0.3
Japan	3.8	3.6	3.8	3.7	4.2	4.3	4.2	−0.6	−0.5	−0.5

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.9. Net Financial Assets
(Percent of GDP)

	October 2017 WEO				April 2017 WEO			Difference		
	2016	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe	7.1	7.2	9.1	11.1	10.1	12.3	14.4	−2.9	−3.2	−3.3
Advanced European economies	13.1	13.4	15.2	17.3	16.2	18.6	20.9	−2.8	−3.4	−3.6
Euro area	−1.2	−0.5	3.2	6.6	2.7	6.3	9.8	−3.3	−3.1	−3.1
Austria	7.1	12.1	13.2	14.9	5.3	7.3	9.1	6.8	5.9	5.8
Belgium	47.6	45.5	43.1	42.3	61.7	61.5	61.4	−16.2	−18.4	−19.1
Cyprus	−125.4	−121.3	−118.5	−116.8	−127.6	−124.8	−121.7	6.3	6.3	5.0
Estonia	−35.4	−33.5	−26.9	−23.0	−33.0	−29.5	−26.8	−0.4	2.5	3.8
Finland	7.1	7.3	7.5	7.8	−2.6	−3.8	−4.7	10.0	11.3	12.5
France	−15.3	−17.6	−17.2	−17.1	−17.2	−17.1	−16.6	−0.4	−0.1	−0.6
Germany	52.3	54.5	58.3	63.6	64.7	71.1	76.8	−10.2	−12.8	−13.2
Greece	−129.7	−140.5	−130.8	−126.8	−129.5	−124.0	−119.0	−11.0	−6.8	−7.8
Ireland	−167.8	−172.0	−154.3	−143.8	−185.5	−173.4	−161.9	13.4	19.1	18.1
Italy	−14.3	−12.6	−9.5	−7.1	−17.3	−15.1	−13.1	4.7	5.6	6.0
Latvia	−55.4	−55.0	−47.5	−43.1	−54.6	−48.7	−44.3	−0.4	1.2	1.2
Lithuania	−41.2	−43.1	−39.9	−38.7	−42.4	−41.2	−40.3	−0.7	1.3	1.6
Luxembourg	22.1	25.9	27.6	30.1	39.9	41.9	44.2	−14.0	−14.3	−14.1
Malta	47.3	46.9	46.6	46.2	40.5	40.2	40.0	6.4	6.3	6.3
Netherlands	65.4	73.8	81.3	88.9	78.7	85.3	91.9	−4.9	−4.0	−3.0
Portugal	−104.8	−98.4	−93.3	−89.2	−101.3	−98.0	−95.2	2.8	4.7	6.1
Slovak Republic	−54.8	−55.6	−48.9	−44.2	−53.3	−48.9	−44.1	−2.3	−0.1	−0.1
Slovenia	−35.1	−30.7	−23.4	−18.1	−29.2	−23.0	−17.3	−1.5	−0.4	−0.7
Spain	−81.7	−83.5	−74.7	−69.5	−78.5	−73.7	−68.8	−5.0	−1.0	−0.7
Nordic economies	31.6	32.9	34.1	36.2	30.3	33.1	35.7	2.7	1.0	0.5
Denmark	53.3	62.9	65.8	70.7	45.5	52.1	57.8	17.4	13.7	12.8
Iceland	1.2	3.9	9.9	14.2	7.7	14.4	19.2	−3.7	−4.6	−5.0
Norway	199.5	197.5	193.4	190.0	195.6	191.7	188.4	1.9	1.7	1.5
Sweden	15.5	19.2	19.8	21.2	18.6	20.2	21.8	0.6	−0.4	−0.6
Other European advanced economies	36.2	35.4	32.5	30.8	37.1	36.1	35.1	−1.8	−3.6	−4.3
Czech Republic	−29.0	−25.8	−21.5	−19.6	−24.7	−21.4	−19.0	−1.1	−0.2	−0.7
Israel	34.3	36.0	38.4	41.1	35.3	38.0	40.3	0.7	0.5	0.8
Switzerland	103.6	112.8	110.0	112.4	121.6	127.6	133.0	−8.8	−17.6	−20.6
United Kingdom	24.2	19.7	15.8	12.3	19.9	16.3	13.1	−0.2	−0.5	−0.9
Emerging European economies	−24.2	−23.7	−21.2	−19.7	−18.8	−17.0	−15.6	−4.9	−4.2	−4.1
Central Europe	−59.3	−53.5	−46.7	−44.0	−59.9	−56.1	−53.2	6.4	9.4	9.2
Hungary	−63.4	−52.2	−40.3	−32.6	−55.3	−46.1	−39.3	3.1	5.9	6.7
Poland	−58.2	−53.8	−48.3	−46.8	−61.0	−58.6	−56.7	7.2	10.3	9.8
Southeastern European EU member states	−55.6	−55.8	−50.1	−47.2	−55.3	−52.1	−49.3	−0.5	2.0	2.1
Bulgaria	−48.9	−47.0	−39.5	−34.2	−45.0	−39.0	−33.4	−2.0	−0.5	−0.8
Croatia	−96.3	−86.3	−75.6	−69.2	−93.3	−87.5	−82.2	7.0	11.9	13.0
Romania	−46.5	−50.3	−46.5	−45.2	−48.1	−46.5	−45.3	−2.2	0.1	0.1
Southeastern European non-EU member states	−72.9	−74.6	−73.6	−73.4	−78.9	−79.1	−79.0	4.2	5.5	5.6
Albania	−57.1	−58.8	−59.6	−61.6	−68.5	−74.4	−77.6	9.7	14.8	15.9
Bosnia and Herzegovina	−57.5	−56.9	−56.2	−57.0	−61.6	−62.3	−62.9	4.7	6.1	6.0
Kosovo	0.0	−12.3	−13.2	−17.2	−6.5	−9.2	−15.6	−5.9	−4.0	−1.6
Macedonia, FYR	−49.1	−59.2	−57.6	−57.2	−52.5	−52.0	−51.5	−6.8	−5.6	−5.7
Montenegro	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Serbia	−104.3	−102.8	−100.4	−98.2	−110.6	−108.3	−105.7	7.9	7.9	7.5
Commonwealth of Independent States	9.9	11.7	15.5	18.5	19.0	22.6	25.6	−7.3	−7.1	−7.0
Belarus	−86.2	−83.1	−85.8	−86.3	−81.0	−83.2	−84.9	−2.2	−2.6	−1.4
Moldova	−88.3	−73.7	−63.2	−54.0	−74.8	−73.9	−75.0	1.1	10.7	20.9
Russia	17.7	19.2	23.5	27.0	27.7	31.9	35.4	−8.5	−8.3	−8.4
Ukraine	−41.4	−39.7	−39.7	−38.9	−58.6	−57.9	−55.1	19.0	18.3	16.2
Turkey	−41.4	−52.6	−53.4	−54.7	−49.6	−52.1	−53.3	−3.0	−1.3	−1.4
Memorandum										
World	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Advanced economies	−1.2	−0.5	0.4	1.2	−0.2	0.4	1.0	−0.3	−0.1	0.2
Emerging market and developing economies	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
European Union	1.0	1.0	3.5	5.7	3.0	5.3	7.6	−1.9	−1.8	−1.9
United States	−44.7	−43.8	−44.6	−45.6	−44.5	−45.7	−47.3	0.6	1.1	1.7
China	16.0	16.5	16.2	15.9	16.6	16.5	16.5	−0.1	−0.4	−0.7
Japan	61.0	65.9	68.1	70.8	70.0	73.5	76.7	−4.1	−5.4	−6.0

Source: IMF, *World Economic Outlook* (WEO).

Annex Table 1.10. Growth Rate of GDP Per Capita

(Year-over-year percent change; real GDP per capita in purchasing power parity)

										October 2017 WEO Projections					
	2000–08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Europe	2.9	−5.2	2.5	2.5	0.3	0.8	1.7	1.2	1.4	2.2	1.9	1.7	1.7	1.7	1.7
Advanced European economies	1.7	−4.8	1.7	1.2	−0.8	−0.1	1.3	1.6	1.4	1.7	1.6	1.4	1.4	1.4	1.3
Euro area	1.6	−4.8	1.8	1.3	−1.1	−0.5	1.1	1.7	1.5	1.9	1.8	1.5	1.5	1.4	1.4
Austria	1.8	−4.0	1.7	2.5	0.3	−0.5	−0.1	0.0	0.2	1.4	1.0	0.8	0.8	0.8	0.8
Belgium	1.7	−3.1	1.9	0.3	−0.7	−0.7	1.5	1.0	0.5	1.1	1.1	1.0	1.0	1.0	1.0
Cyprus	2.6	−4.3	−1.4	−2.1	−5.7	−6.4	−0.6	3.0	2.7	2.8	2.0	1.8	1.6	1.6	1.6
Estonia	6.9	−14.6	2.4	7.9	4.7	2.3	3.2	1.9	2.2	4.2	4.0	3.3	3.3	3.3	3.3
Finland	2.9	−8.7	2.5	2.1	−1.9	−1.2	−1.1	−0.4	1.6	2.4	2.0	1.5	1.3	1.2	1.2
France	1.2	−3.5	1.5	1.6	−0.3	0.1	0.4	0.6	0.8	1.1	1.3	1.4	1.5	1.4	1.4
Germany	1.6	−5.2	4.2	3.7	0.5	0.3	1.5	0.6	0.9	1.9	1.7	1.4	1.4	1.4	1.3
Greece	3.2	−4.6	−5.7	−9.2	−7.0	−2.5	1.1	0.4	0.7	1.8	2.7	2.0	2.0	1.9	1.1
Ireland	2.9	−5.3	1.3	2.7	−0.3	1.3	8.0	24.6	4.1	3.1	2.4	2.0	1.9	1.8	1.8
Italy	0.8	−6.1	1.2	0.2	−3.2	−2.3	−0.3	0.8	1.1	1.3	1.1	0.9	1.0	1.0	0.9
Latvia	8.3	−13.2	−1.9	8.7	5.5	3.7	3.3	3.5	2.8	4.4	4.2	3.8	3.4	3.3	3.2
Lithuania	8.2	−13.9	3.8	8.5	5.2	4.6	4.4	2.7	3.5	4.7	4.7	4.6	4.4	4.3	4.2
Luxembourg	2.5	−6.2	3.1	0.5	−2.7	1.6	3.2	1.5	1.8	1.5	1.3	0.9	0.8	0.7	0.7
Malta	1.4	−3.2	2.8	1.2	2.0	3.6	7.1	6.1	4.3	4.8	4.1	3.6	3.3	3.1	3.0
Netherlands	1.8	−4.3	0.9	1.2	−1.4	−0.5	1.1	1.8	1.7	2.8	2.3	1.6	1.6	1.5	1.5
Portugal	1.0	−3.1	1.9	−1.7	−3.6	−0.6	1.4	2.0	1.8	2.8	2.4	2.0	1.8	1.5	1.5
Slovak Republic	5.7	−5.5	4.9	2.8	1.4	1.4	2.5	3.7	3.2	3.2	3.6	3.8	3.4	3.3	3.3
Slovenia	4.0	−8.8	0.5	0.5	−2.9	−1.3	2.9	2.2	3.1	3.9	2.5	2.0	1.7	1.7	1.7
Spain	1.9	−4.4	−0.4	−1.4	−3.0	−1.3	1.7	3.3	3.3	3.2	2.7	2.2	2.0	1.8	1.8
Nordic economies	1.8	−4.8	2.2	1.0	0.0	0.3	1.2	1.8	1.0	0.9	0.9	1.0	0.9	0.9	0.9
Denmark	1.3	−5.5	1.4	0.9	−0.1	0.5	1.2	1.0	0.8	1.1	1.1	1.0	1.1	1.1	1.1
Iceland	3.1	−6.4	−3.8	1.6	0.5	3.2	0.9	3.0	6.0	4.3	2.1	1.9	1.9	1.6	1.6
Norway	1.5	−2.8	−0.7	−0.3	1.4	−0.2	0.7	0.7	0.2	0.0	0.3	0.8	0.7	0.7	0.7
Sweden	2.3	−6.0	5.1	1.9	−1.0	0.3	1.5	3.0	1.7	1.3	1.2	1.0	0.9	0.8	0.8
Other European advanced economies	2.0	−4.6	1.4	1.0	0.4	1.1	2.2	1.5	1.1	1.1	0.9	1.0	1.1	1.1	1.1
Czech Republic	4.3	−5.6	1.9	1.5	−1.0	−0.6	2.8	5.1	2.4	3.3	2.4	2.1	2.1	2.2	2.2
Israel	1.7	−0.9	3.6	3.3	0.3	2.3	1.5	0.6	1.9	1.2	1.4	1.1	1.1	1.1	1.1
Switzerland	1.7	−3.6	1.8	0.7	−0.1	0.8	1.2	0.0	0.3	−0.1	0.2	0.4	0.5	0.5	0.5
United Kingdom	1.9	−5.0	1.1	0.7	0.6	1.3	2.3	1.4	1.0	1.1	0.8	0.9	1.1	1.1	1.1
Emerging European economies	6.0	−6.2	4.1	5.6	2.7	2.8	2.2	0.2	1.3	3.0	2.5	2.4	2.4	2.4	2.4
Central Europe	4.1	0.4	3.3	4.3	1.0	1.6	3.6	3.8	2.6	3.7	3.4	3.1	2.8	2.7	2.6
Hungary	3.7	−6.4	0.8	2.0	−1.1	2.4	4.4	3.4	2.2	3.4	3.6	3.0	2.8	2.6	2.4
Poland	4.2	2.6	4.0	4.9	1.6	1.4	3.4	3.9	2.7	3.8	3.4	3.1	2.9	2.8	2.7
Southeastern European EU member states	6.6	−5.7	0.2	2.3	0.6	2.7	2.6	4.2	4.9	4.9	4.1	3.6	3.2	3.1	3.1
Bulgaria	6.7	−3.0	2.1	4.4	0.7	1.5	1.8	4.3	4.2	4.2	3.8	3.5	3.3	3.1	3.1
Croatia	4.6	−7.3	−1.5	2.9	−1.9	−0.8	−0.1	3.1	3.8	3.3	3.0	2.7	2.4	2.2	2.1
Romania	7.1	−6.2	−0.1	1.5	1.2	3.9	3.4	4.4	5.4	5.5	4.4	3.8	3.3	3.3	3.3

Southeastern European non-EU member states	3.9	−1.1	1.7	2.1	−0.2	2.7	0.3	2.4	3.0	3.0	3.3	3.4	3.6	3.8	3.8
Albania	6.8	4.1	4.2	2.8	1.6	1.2	2.0	2.5	3.5	3.7	3.8	3.9	4.0	4.1	4.1
Bosnia and Herzegovina	4.3	−0.6	1.0	1.1	−0.8	2.6	1.3	3.2	2.2	2.8	2.8	2.9	2.9	3.2	3.4
Kosovo	2.1	1.9	1.7	2.8	2.5	3.0	−0.3	4.3	3.4	2.0	2.0	2.1	2.2	2.3	2.5
Macedonia, FYR	3.3	−0.6	3.1	2.2	−0.6	2.8	3.5	3.7	2.3	2.4	3.1	3.3	3.5	3.5	3.7
Montenegro	4.9	−5.9	2.3	3.1	−2.8	3.4	1.7	3.3	2.4	2.9	2.7	2.6	2.2	2.9	3.0
Serbia	6.4	−2.7	1.0	2.2	−0.5	3.1	−1.4	1.3	3.3	3.4	3.9	3.9	4.4	4.4	4.4
Commonwealth of Independent States	7.4	−8.2	4.3	5.2	3.3	1.6	1.4	−3.4	0.0	1.9	1.8	1.8	1.9	1.9	2.0
Belarus	8.6	0.5	7.9	5.8	1.9	1.0	1.7	−4.0	−2.8	1.2	1.2	1.4	2.1	2.4	2.5
Moldova	6.2	−5.9	7.2	6.8	−0.7	9.5	4.9	−0.3	4.3	4.1	3.8	3.9	3.9	4.0	4.0
Russia	7.3	−7.8	4.5	5.0	3.6	1.7	0.7	−2.8	−0.2	1.8	1.7	1.6	1.6	1.7	1.7
Ukraine	7.8	−14.8	0.7	5.8	0.4	0.3	−1.1	−9.4	2.7	2.3	3.4	3.8	4.0	4.3	4.3
Turkey	3.6	−6.1	6.8	9.6	3.5	7.0	3.8	4.7	1.8	4.1	2.5	2.5	2.6	2.7	2.7
Memorandum															
World	2.9	−1.3	4.2	3.4	2.3	2.3	2.4	2.2	2.0	2.4	2.5	2.5	2.5	2.6	2.6
Advanced economies	1.7	−4.0	2.5	1.2	0.7	0.9	1.6	1.7	1.1	1.7	1.6	1.4	1.3	1.3	1.3
Emerging market and developing economies	4.9	1.5	6.0	5.4	4.0	3.8	3.4	2.9	3.0	3.3	3.5	3.6	3.7	3.7	3.7
European Union	2.1	−4.6	1.9	1.5	−0.6	0.1	1.6	2.0	1.7	2.1	1.9	1.6	1.6	1.6	1.5
United States	1.3	−3.6	1.7	0.9	1.5	1.0	1.8	2.1	0.8	1.5	1.7	1.3	1.1	1.1	1.1
China	9.7	8.7	10.1	9.0	7.4	7.3	6.7	6.4	6.1	6.1	5.9	5.7	5.6	5.4	5.1
Japan	1.1	−5.3	4.2	−0.3	1.7	2.2	0.5	1.2	1.0	1.7	0.9	1.1	0.6	1.1	1.0

Source: IMF, *World Economic Outlook* (WEO).

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