European Economic Network EUREN

EUREN-News

1|2013
20|2|2013

# Editorial: The European Multiannual Financial Framework – One Framework for two phases of economic development?

The compromise reached on February the 8th on the European Multiannual Financial Framework (MFF) 2014-2020 includes for the first time a reduction compared to the previous MFF. Agreed total commitment appropriations correspond to 1.0% of the EU's Gross National Income, whereas total payment appropriations have been cut by 3.4% in real terms. The European Council now has to negotiate with the European Parliament upon Budget ratification. It is indisputable that according to the agreed budget, as it now stands, some countries, smaller as well as bigger ones, may emerge as winners, while others may be found themselves positioned as losers. Further, it is no surprise that the agreement is partly evaluated as a success on account of a number of larger states insisting on an austerity budget, reflecting spending cutbacks and tight economic conditions on a state level. These aspects as such do not necessarily present barriers to the potential appropriateness of the 2014-2020 European Budget Framework.

Nevertheless, it is questionable whether the negotiated framework is properly designed to address the different phases of economic conditions expected to prevail during the total time period of seven years as well as the associated targets. Whereas unexpected events can never be anticipated in advance, it should be expected that Europe will find the way to economic recovery and stable growth within the timeframe of the MFF. Essential economic variables such as investment and unemployment and crucial sectors such as education, innovation and research, all related to growth and competitiveness, acquire different dimensions and demand different treatment, depending on the economic juncture.

It appears, however, that the respective financial framework, designed during a time of economic adjustment, puts most of the emphasis on the financing needs of the current phase of crisis and of stabilization after the crisis. But it does not reflect the potential requirements of the recovery phase, which is most likely to follow in due time. The focus on the short-term goal of overcoming the crisis and fighting against weaknesses and shortcomings should in no case prevent Europe from placing emphasis on targets such as the enhancement of economic activities for ensuring stable and strong economic growth in the future.

Therefore it is absolutely necessary during the process of obtaining the consent of the European Parliament for the MFF 2014-2020, to focus more on flexibility. Flexibility should move to the foreground of the relevant considerations, in order to leave enough room for bending the available financial instruments and policy tools according to the emerging needs during the pass-through from the period of crisis, to stabilization and recovery and to the, hopefully, following period of long-term growth. Against this background, it becomes obvious that the success of the 'austerity' MFF 2014-2020 will depend, eventually, not on the absolute values of the payments but instead on their allocation over time.

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# The EUREN Winter Forecast 2013

*The Euro area will recover slowly*

### *Signs of stabilization at international markets*

Currently, most economies in the world are slowly recovering from the period of moderate growth if not the recession they experienced during 2012. Also expectations were revised upward across all regions; the Ifo World Economic Climate Indicator, e.g., is once again approaching its long-term average. In general, growth is expected to be more vivid in 2013 than the previous year. This view is supported by several signs of stabilization that are currently emerging at international markets. The situation at financial markets has improved, stock indices in US and other countries are kept at long-term highs and stock market volatility has come down considerably indicating that there is less uncertainty in the market. In US, the positive trend was supported by the third round of quantitative easing. In Europe share markets were supported by the easing of the situation in the Euro area. However, the situation in the financial markets is still fragile, and it can take a longer time until it will be translated into the real economy, since the uncertainty among private households still persist, and they therefore will continue deleveraging. This means that negative factors will lose influence very gradually.

Due to the weakness of internal demand in most countries, world trade did not provide favourable conditions for stimulating economic performance. In 2012, world trade growth was substantially lower than expected in our former forecast. As it stands now, it increased by approx. 2.8% only. The EUREN forecast for this year was thus revised downward to approx. 4%. The long-term average rate will not be reached before 2014 (Graph 1).

The price of oil reflects the better news from US and China. Here production has begun to revive. As these two economies are the biggest consumers of oil, its price has increased somewhat recently.

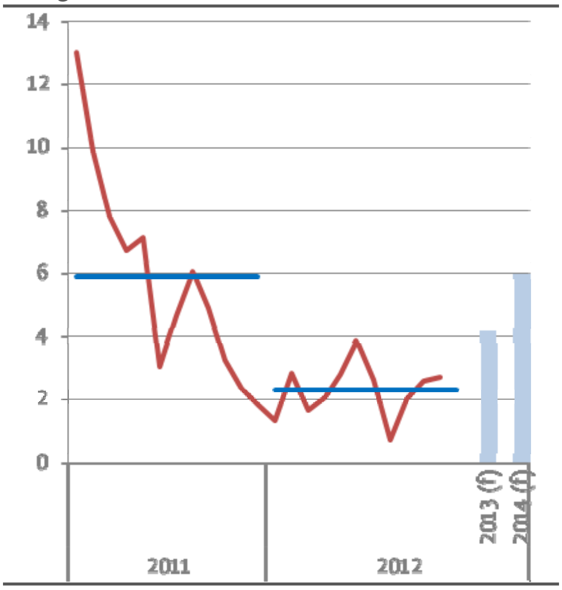
### *Delayed fiscal consolidation*

The main downside risk for this year comes from the simultaneous efforts of fiscal consolidation in many countries which makes it particularly difficult to assess the impact of these measures. In the U.S, the tax side of the US fiscal cliff has been eliminated to a large extent for now, but decisions on the spending side have been postponed and they might put a drag on the economy in the course of this year. In the Euro area there is still much uncertainty about implementing planned policy reforms. The prospects, however, have become brighter after the latest decisions. The situation in Greece seems having stabilized as well, but the signs of economic improvement are coming very slowly.

*Graph 1*

***CPB World Trade Index***

YoY growth rate




*Source: CPB. (f): EUREN Forecast*

*Table 1*

**Exogenous and international variables**

**2011 – 2014**; Percentage changes unless otherwise indicated

| | 2011 | 2012 | 2013f | 2014f |
|---|---|---|---|---|
| World trade | 5.9 | 2.8 | 4.2 | 6.0 |
| United States | | | | |
| GDP | 1.8 | 2.3 | 2.1 | 2.7 |
| Inflation | 3.2 | 2.1 | 2.0 | 2.2 |
| 3m interest rates | 0.4 | 0.5 | 0.5 | 0.7 |
| 10y Gvt bond yield | 2.7 | 2.1 | 2.2 | 2.6 |
| Japan | | | | |
| GDP | -0.6 | 1.9 | 0.6 | 1.0 |
| 3m interest rates | 0.2 | 0.2 | 0.2 | 0.2 |
| 10y Gvt bond yield | 1.1 | 0.8 | 0.9 | 1.2 |
| China, GDP | 9.3 | 7.7 | 8.3 | 8.6 |
| US dollar/euro | 1.39 | 1.29 | 1.34 | 1.34 |
| Yen/US-Dollar | 79.7 | 79.8 | 91.0 | 91.0 |
| Oil price Brent | | | | |
| US$/barrel | 110.9 | 111.9 | 112.0 | 116.0 |
| Percentage changes | 39.2 | 0.9 | 0.1 | 3.6 |

*f EUREN Forecast*

## *Global growth will pick up slowly*

Considering the above mentioned developments, the forecast of EUREN institutes for 2013 is a bit more pessimistic than the one published in June of last year. In the US, GDP growth is expected not to improve this year due to fiscal consolidation. In China, GDP rates will continue improving due to increasing export activity. In Japan, the economy will slightly decelerate this year demanding for more structural reforms. The Emerging markets which have lost steam in the last year are expected to recover, with substantial differences between countries. Some of them, e.g. Brazil, are burdened by rising inflation, others such as India by a soaring fiscal deficit. However, for 2014 the recovery of the global economy is expected to proceed with the situation in the financial markets improving further and monetary policy keeping its expansionary stance.

Though increasing global demand will still be moderate and thus will keep raw material prices at current levels, which are rather high from a historic perspective. The price of crude oil (Brent) should increase only in 2014 related to the more favourable development of external demand. In this conjecture inflation is assumed to remain moderate, also because the push on prices from demand side will not be strong since capacity utilisation will still be low in many countries. This will make it easier for monetary policy to keep interest rates low.

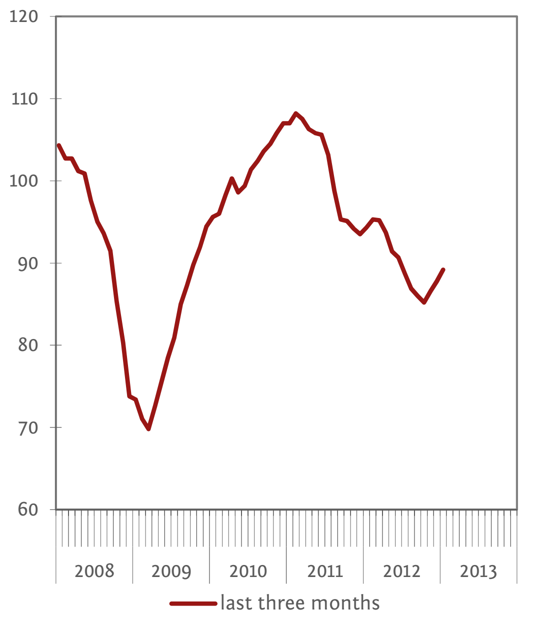
## *Euro area recession has deepened*

Euro area GDP declined in the fourth quarter of 2012 by 0.6% which is the strongest reduction in the current recession. The decline concerns 10 out of 12 countries having published already the Q4 data. In most southern European countries the slowdown even intensified. Different from the quarters before this was not at least partially offset by a stable development in the Central European countries. Also Germany and Austria which had reported positive GDP rates until 2012 Q3 now experienced a decline of economic activity.

*Graph 2*

***Euro area: Economic Sentiment Index***

Long term average = 100




*Source: Eurostat*

The question now is whether the recent drop of GDP marks a further deepening of the recession, or whether it was an exception owed at least partially to unfavourable circumstances. Looking at the latest indicators, the second seems to be the case. In the Euro area the confidence indicators have already started to improve. In particular, the Economic Sentiment indicator is up by 5 percentage points since the October low reaching 89.2 in January (graph 2). Also the PMI in the manufacturing as well as in the service sector have improved in January for the third month in a row. The pickup of industrial production in December is another positive sign, in particular as it was led by the investment good sector which reacts sensitively to business cycle fluctuations. Another argument against a further deterioration is that the drop in Germany GDP seems having been an exception. In January, manufacturing PMI has come near to 50, and in the service sector it has jumped to 55.7.). In a positive direction also points the IFO business climate in trade and industry which has reached its through in October 2012 and is improving since then.

Thus the -0.6 in Q4 will most probably not be followed by another negative rate of the same magnitude. The Euro area recession could come to end in the next quarters, a view which is also supported by the COE-Rexecode leading indicator which is presented on the last page of this newsletter.

## *Fiscal policy will continue consolidation*

One year ago, many European governments planned to frontload fiscal consolidation. In its autumn 2011 forecast, the European Commission had expected a change in the cyclically adjusted fiscal balance, which is an indicator of the stance of fiscal policy, in the Euro area as a whole by 0.8 percentage point in 2012 and only 0.3 percentage points in 2013. This profile in consolidation would imply the drag of fiscal policy on growth would be lower in 2013 than it had been in 2012. This explains why most forecasts expected a mild recovery in 2013.

However, although the latest available estimates indicate that the 2012 consolidation plans even more than realized, the autumn 2012 EC forecast assumes for 2013 another 0.9 percentage points change in the structural balance. Looking at individual countries, the picture looks similar at many places. Since the first consolidation packages have not been sufficient to calm the financial markets, more had to be done than initially intended. But one case is outstanding given the countries weight in Euro area GDP. Before the presidential elections no further steps were planned to reduce fiscal deficit, which also one year ago was forecasted to stay stubbornly high at 5% of GDP. Now, after the elections, the new government tackles the problem (see Box), not at least because pressure from financial markets has increased during 2012. Thus, 2013 will be another year with a restrictive stance of fiscal policy.

## *ECB still confronted with pressures in sovereign bond markets*

The ECB cut its key interest rates on 5th July 2012 to a historic low of 0.75%. The main reasons for this decision were tensions in credit and sovereign bonds markets as well as a worsening growth outlook for the Euro area. Since July the ECB has not altered its key interest rates. At the same time, however, the growth outlook for the Euro area deteriorated further and tensions in financial markets increased. As a consequence the ECB announced interventions in the secondary markets for Euro area sovereign bonds conditional on member states qualifying for appropriate ESFM/ESM programmes. These outright monetary transactions (OMTs) can in principle be considered until the pressure in the government bond markets of the respective country is reduced.

*The fiscal adjustment in France*

In order to reach the target of 3% public deficit in 2013, the new government put in place in May 2012 embarked in a quite drastic fiscal adjustment. That there is a need for such measures becomes understandable when we refer to the previous government's medium term budget plan approved in December 2010 and concerning the years 2011 to 2014. The growth assumption was at that time an annual rate of 2.5% between 2012 and 2014. With the current much lower GDP growth estimates (about 0% in 2012 and 2013 followed by 0.9% en 2014), the cumulated gap reaches an impressive 8.5% of GDP. However the objective of 3% public deficit in 2013 has been kept the same (but a possible breach of this threshold was recently acknowledged by the government). This explains the need for a structural budget adjustment. Taxes rather than spending are targeted in the proposed fiscal adjustment.

The new government has taken steps to increase the fiscal pressure from 2013 onward. It is planned to increase cyclically-adjusted receipts by 35 bn € compared to the 2011 baseline, shared half by households and half by companies. This is equivalent to 1.7% of GDP and will help cut the deficit by around 30 billion euros between 2011 and 2013 (new spending is financed by the cyclically component of receipts). Part of the tax increase for household will mainly concern high-income classes and may be translated into a drop of their savings rate, which will mitigate the macroeconomic impact of the measure. However, consumer spending should barely decrease in 2013.

Another important fiscal decision is the step taken to help companies to increase their competitiveness through a fiscal aid of 20 billion euros (the CICE), starting in 2014. The aid is calculated on the base of wage bill, only for salaries exceeding the minimum wage up to a ceiling of 2.5 times of the minimum wage. This measure will be partially financed by a VAT hike on January 1, 2014 from 19.6% to 20% for the normal rate and from 7% to 10% for the intermediate rate (applied to hotels and catering, drugs, building renovation, entertainments, transport). The reduced rate of 5.5 % (mostly on food) is lowered to 5%..This may induce an anticipated acceleration of consumption at the end of 2013. The CICE will be progressive: €10bn in 2014, €15bn in 2015 and €20bn in 2016. The €6bn anticipated receipts form the VAT increase will not be sufficient for financing, and an additional reduction of spending is planned: €5bn in 2014 and €10bn thereafter but without yet any assignation.

Parts of the CICE may be applied already in 2013 because the new Public Investment Bank (BPI) for financing SMEs is ready to pre-finance the tax credit for small and medium companies. The economic impact for CICE is not without ambiguity: possibly negative in the short run but positive in the long run through improved competitiveness.

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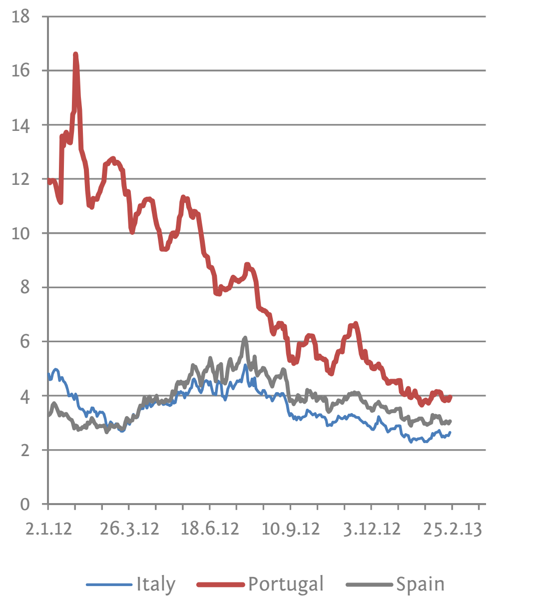
The announcement of the OMT obviously helped to reduce tensions in the bond markets for now. The spread in yields of government bonds vis a vis German bonds in most cases decreased considerably (graph 3). However, since the underlying problems have not been solved yet there is still the danger that tension will come back as soon as bad news on one country or another will cause a rise of uncertainty in the markets,

Also the situation in the money market seems having eased a bit. In February 2013 the ECB announced that banks had already repaid 141 billion € of the 489 billion € obtained in the first of the two three-year longer-term refinancing operations (LTROs). However, the EURIBOR3M interest rate remains below the ECB interest rate for main refinancing operations, pointing at unresolved problems in the Euro area banking system. We expect this situation to improve slowly until the end of 2014, with the EURIBOR3M interest rate gradually increasing to 0.85%.

Due to energy price hikes and increased indirect taxes in some member states, HICP inflation accelerated temporarily until August 2012, but it started to decline steadily from October onwards. Inflation expectations remained anchored at a rate close to 2%. Due to the still gloomy economic outlook in the Euro area, inflation can be expected to decline in 2013. With growth prospects improving in 2014 inflation will pick up somewhat. As

*Graph 3*

***Government bond yields***
Difference to German bonds




*Source: Feri. Bonds of all maturities, businessdaily*

capacity utilisation will remain low and inflationary expectations are still anchored the ECB has room to keep its key interest rates unchanged until the end of 2014.

## *Additional decline and slow recovery*

As shown above, there has been a significant deterioration in the economic situation in the Euro area over the recent months. Thus, EUREN, like most analysts and forecasting centres, has made a significant downward revision of its GDP growth expectations for the Euro area in 2013, Currently, we expect a contraction of GDP by 0.2% compared to a 0.8% growth we had anticipated in June last year.

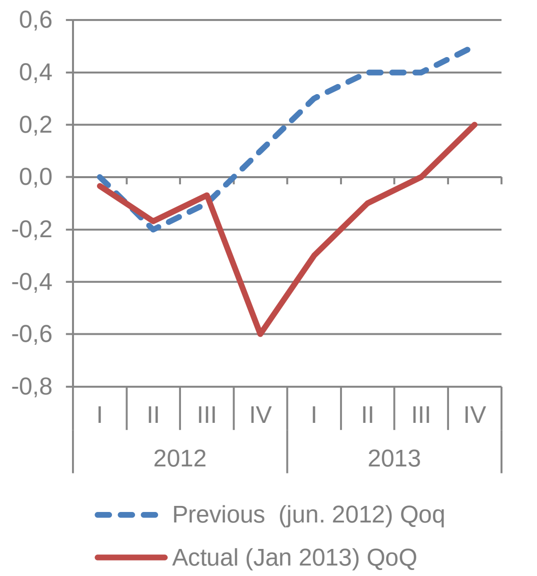
The origin of this deterioration of expectations can be found both in the weaker external environment as well as in the domestic demand, especially in a decline of private consumption and a sharp fall in investment. However, since many indicators have started to improve, we, expect the decline of GDP to come to an end in the course of 2013. For the first half of this year we expect slightly negative rates. Later on, the economy will stabilize and it will turn onto a slow recovery path from the fourth quarter that would continue throughout the year 2014. In any case, the recovery will not be very strong, yielding an annual average GDP growth just slightly above 1%, since external as well as internal factors continue to weigh on growth.

From the external side the first thing to mention is the still relative sluggish international trade that will approach its long term average rate of 6% not before 2014. Taking into account that also intra-EU will remain weak, exports are expected to grow by 2.7 only in 2013, which is two percentage points lower than in 2012, and by 5.7% in 2014.

The deterioration of business expectations along with moderation of exports growth will dampen investment of the corporate sector, while public investment will be constrained by the fiscal consolidation addressed by most of the member countries.

*Graph 4*

***Euro area GDP forecast***
qoq rates; current forecast compared to the previous

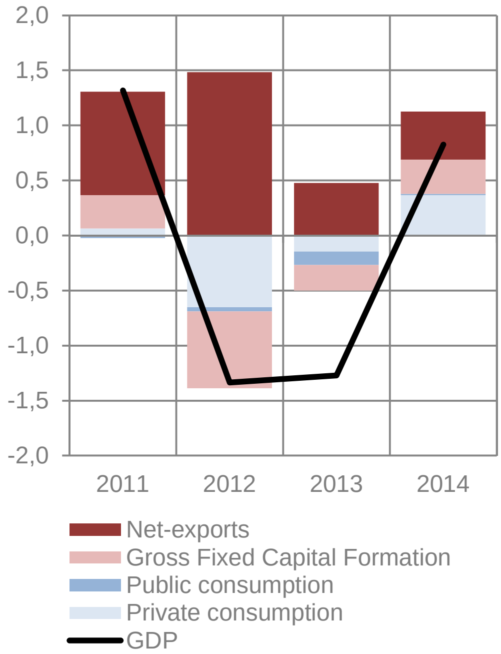



*Source: Own estimation*

*Graph 5*

***Euro area: GDP forecast by components***

Contributions to growth in %




*Source: Own estimation.*

Moreover, the housing market still weighs on investment since the imbalances accumulated in those countries most affected by the burst of the housing bubble have not yet been resolved. Since the banking sector has to write off many housing loans there are signs of a credit crunch in some countries. On the other hand, these negative trends are partly offset by investments in housing energy efficiency that are supported by the subsidies and low interest rates in some countries, in particular in Germany.

As a result of these trends the aggregated of gross fixed capital formation will experience a further contraction of -1.3% this year, and a slight recovery of 1.7% in 2014.

Public consumption, meanwhile, is reflecting the fiscal adjustment process faced by member countries during 2013 and could decline in the third consecutive year, with the contraction being even stronger in 2013 than it has been in 2011 and 2012.

Finally, private consumption has not much room for growth either. Growing unemployment causes a containment of wage income. Furthermore fiscal consolidation will result in cuts of public transfers and increases in the tax burden.

*Table 2*

**Euro area forecast**

| | 2011 | 2012 | 2013† | 2014† | 2012 IV | 2013 I | 2013 II† | 2013 III† | 2013 IV† | 2014† I | 2014† II | 2014† III | 2014† IV |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual % change (unless indicated otherwise) | | | | q-o-q%, seasonal adjusted (unless indicated otherwise) | | | | | | | | |
| Private consumption | 0,1 | -1,1 | -0,3 | 0,6 | -0,1 | -0,1 | 0 | 0,1 | 0,2 | 0,1 | 0,2 | 0,2 | 0,3 |
| Public consumption | -0,1 | -0,2 | -0,6 | 0,1 | -0,3 | -0,2 | -0,1 | 0 | 0 | 0 | 0 | 0,11 | 0,1 |
| Gross fixed capital formation | 1,6 | -3,6 | -1,3 | 1,7 | -0,3 | -0,4 | -0,1 | 0,2 | 0,4 | 0,4 | 0,5 | 0,8 | 0,8 |
| Change in inventories[1] | 0,2 | -0,6 | -0,4 | 0,0 | -0,4 | 0,0 | 0,0 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,2 |
| Domestic demand | 0,5 | -2,1 | -0,8 | 0,6 | -0,2 | -0,2 | -0,2 | 0,1 | 0,2 | 0,1 | 0,2 | 0,2 | 0,4 |
| Exports | 6,5 | 2,9 | 2,7 | 5,7 | -0,5 | 0,6 | 1,0 | 1,0 | 1,3 | 1,5 | 1,5 | 1,6 | 1,6 |
| Imports | 4,3 | -0,5 | 1,7 | 4,8 | -0,2 | 0,2 | 0,3 | 0,3 | 0,5 | 0,5 | 0,6 | 0,6 | 0,6 |
| Net exports[1] | 1,0 | 1,5 | 0,4 | 0,2 | - | - | - | - | - | - | - | - | - |
| GDP[1] | 1,5 | -0,5 | -0,5 | 1,1 | -0,6 | -0,1 | 0,0 | 0,2 | 0,3 | 0,2 | 0,3 | 0,4 | 0,5 |
| Unemployment (% of labour force) | 10,2 | 11,4 | 12,3 | 12,3 | 11,8 | 12,1 | 12,2 | 12,3 | 12,4 | 12,4 | 12,4 | 12,3 | 12,2 |
| Compensation per employee, yoy | 2,2 | 1,8 | 1,5 | 1,7 | 1,6 | 1,6 | 1,5 | 1,5 | 1,4 | 1,4 | 1,5 | 1,8 | 2,0 |
| Consumer price (HICP), yoy | 2,7 | 2,5 | 1,8 | 1,9 | 2,3 | 1,9 | 1,8 | 1,7 | 1,7 | 1,8 | 1,8 | 1,9 | 1,9 |
| Current account balance (%GDP) | 0,1 | 0,8 | 1,1 | 1,5 | | - | - | - | - | - | - | - | - |
| 3m interest rates (% per annum) | 1,4 | 0,6 | 0,5 | 0,8 | 0,2 | 0,3 | 0,5 | 0,6 | 0,8 | 0,8 | 0,8 | 0,8 | 0,9 |
| 10y Gvt bond yields (% per annum) | 4,4 | 4,4 | 3,3 | 3,7 | 3,4 | 3,2 | 3,2 | 3,3 | 3,4 | 3,5 | 3,6 | 3,8 | 4,0 |
| ECB repo (end of period) | 1 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 | 0,75 |

*This forecast was finished on 15 June 2012. – †EUREN forecast. – [1]Contribution to growth*

Against the background of slow growth and underutilizes capacities inflation is likely to moderate gradually. The effect of rising energy and food prices will fade out. However, inflation will temporarily be fostered by tax increases, in particular by the higher VAT in France which has been announced for the beginning of 2014.

The sluggish economy will be reflected in the labor market. The unemployment rate is expected to increase until the second half of 2014, when it will peak at around 12.4% of the working population. The high number of jobless along with the expected moderation of inflation will reduce wage pressure. The compensation per employee is forecasted to grow just by 1.3% in 2013 and by 1.7% in 2014. These are the lowest values in recent years.

Because domestic demand remains weak, imports will continue to increase slower than exports. Therefore the current account surplus can be expected to rise reaching 1.5% of GDP in 2014.

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# EUREN Inside

## New discussion paper:

### Transportation Data as a Tool for Nowcasting Economic Activity – The German Road Pricing System as an Example

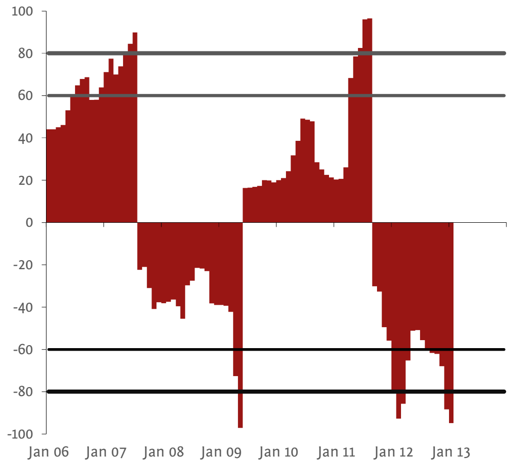
There is a broad agreement that transportation activity is closely linked to the business cycle. Nevertheless, data from the transportation sector have not been part of the tool kit of business cycle analysts due to long publications lags. With the disseminations of electronic road pricing systems, up to date figures on transportation activity are available for an increasing number of countries. This paper analyses the performance of the German toll statistics for nowcasting industry production. It confirms that between January 2007, when the toll data were published first, and July 2012 the seasonally adjusted toll data show a closer correlation with industry production than business surveys like the ifo business climate or the PMI. Compared to this the forecasting power out of sample is disappointing. Though showing somewhat smaller forecast errors than the alternative models tested the advantage of the toll based models is not statistically significant as a rule. Given the small publication lead against industry production and the publication lag against business sentiment indicators one should not be over-enthusiastic on the opportunities of the toll data as a nowcasting tool, though they surely mean an addition to the business cycle analysts' tool box.

Ruhr Economic Paper #395. DOI: 10.4419/86788450

## COE-Rexecode Leading Indicator: Confirmed signal of rebound in 2013

The IARC indicator continued to drop to -94.8 in January 2013 after -88.3 in December 2012, well below the -80 threshold. This sends a signal of an economic rebound in mid-2013 that is a growth climbing over the trend annualized growth rate of around 0.8%. Financial variables continue to be positively oriented. Short-term interest rates are at an historical low level of 0.2 % and the stock market is bullish. Survey results concerning the intermediate goods in the industry are slightly better in the last three months. On one side, the economic rationale for a rebound is weak for lack of internal engines amidst a continuation of budget restrictions in many countries of the area. But on the other side, the global world-wide environment is gaining momentum with China showing signs of reacceleration and the United States avoiding the fiscal cliff.

*Updated February 11, 2013*




*An indicator above 80 signals a slowdown (peak of the cycle), an indicator below -80 a rebound (trough of the cycle).*

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## Forecast of the EUREN/CEPREDE High Frequency Model

*Last update: February 15th, 2013*

| | 12 Q1 | 12 Q2 | 12 Q3 | 12 Q4 | 13 Q1 | 13 Q2 | 13-Q3 | 13_Q4 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Oct 11 | 1,8;1,2 | 1,8;0,2 | 1,7;-0,3 | 1,6;0,4 | | | | | 1,7 | |
| Nov-11 | 1,4;1,1 | 1,3;0,2 | 1,3;-0,4 | 1,4;0,3 | | | | | 1,3 | |
| Dec 11 | 0,6;0,7 | 0,6;0,2 | 1,2;0,7 | 1,9;0,3 | | | | | 1,1 | |
| Jan 12 | 0,3;0,5 | 0,4;0,2 | 1,1;0,8 | 1,9;0,4 | | | | | 0,9 | |
| Feb 12 | 0,0;0,2 | 0,0;0,1 | 0,8;1,0 | 1,8;0,6 | | | | | 0,7 | |
| Mar 12 | 0,2;0,3 | -0,3;-0,4 | -0,5;0,0 | -0,2;-0,1 | | | | | -0,2 | |
| Apr 12 | 0,3;0,4 | -0,2;-0,3 | -0,3;0,0 | 0,1;0,0 | | | | | 0,0 | |
| May 12 | **[0,0;0,1]** | -0,4;-0,3 | -0,6;-0,1 | -0,6;-0,3 | | | | | -0,4 | |
| Jul 12 | **[0,0;0,1]** | -0,4;-0,3 | -0,7;-0,2 | -0,7;-0,3 | | | | | -0,4 | |
| Aug 11 | **[0,0; 0,1]** | -0,3;-0,2 | -0,5;-0,1 | -0,5;-0,4 | | | | | -0,3 | |
| Sep-11 | **[0,0; 0,0]** | **[-0,5;-0,2]** | -0,7;-0,1 | -0,7;-0,4 | -0,6;0,1 | -0,5;-0,1 | -0,3;0,1 | 0,2;0,1 | -0,5 | -0,3 |
| Oct 11 | **[0,0; 0,0]** | **[-0,5;-0,2]** | -0,6;-0,2 | -0,9;-0,6 | -1,0;-0,1 | -0,9;-0,1 | -0,5;0,2 | 0,3;0,2 | -0,5 | -0,5 |
| Nov 12 | **[0,0; 0,0]** | **[-0,5;-0,2]** | -0,6;-0,2 | -0,9;-0,5 | -1,2;-0,3 | -1,0; 0,0 | -0,7;0,1 | 0,2;0,4 | -0,5 | -0,7 |
| Dec 12 | **[0,0; 0,0]** | **[-0,5;-0,2]** | **[-0,6;-0,2]** | -0,9;-0,6 | -1,1;-0,2 | -1,1;-0,1 | -0,6;0,3 | 0,1;0,1 | -0,5 | -0,7 |
| Jan 13 | **[0,0; 0,0]** | **[-0,5;-0,2]** | **[-0,6;-0,2]** | -1,0;-0,6 | -1,2;-0,3 | -1,1;-0,1 | -0,7;0,2 | -0,1;0,0 | -0,5 | -0,8 |
| Feb 13 | **[0,0; 0,0]** | **[-0,5;-0,2]** | **[-0,6;-0,2]** | **[-0,9;-0,6]** | -1,1;-0,3 | -1,1;0,0 | -0,6;0,4 | 0,0;0,0 | **[-0,5]** | -0,7 |

*In brackets: GDP data published by EUROSTAT. In italics: quarter on quarter rates.*

Finally, the first release data published by Eurostat confirmed our estimates for the last quarter of 2012, showing a qoq decline of 0.6% in the Eurozone's GDP. According to our projections, this downward trend will continue in the first quarter this year, with the yoy rate reaching a minimum of -1,3% in March. Thereafter, slightly positive figures are expected. Nevertheless, owed to the negative carry over and the weak first quarter the model yields for the annual average a decline of GDP by 0.7%, which means two tenths less than 2012.

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