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Editorial: A Real Challenge for European Integration

Currently, the European Union is facing an extremely difficult situation. Who would have forecasted one year ago that border controls will be re-erected in the EU? And that some countries even try to close their frontier firmly by fences? Within a few weeks topics like how to restitute banks or the progress of reforms in Greece have become footnotes on the European agenda in view of the huge increase of the number of asylum seekers.

Of course, there have been warnings about millions living under bad conditions in refugee camp ready to move to Europe. However, these warnings were not taken very serious, and nobody was prepared for the situation. Now, with the hope fading that the situation in Syria and Iraq will improve, the migration to Europe has started, and it shows some self-enhancing effects with the number of migrants growing.

Helping the refugees is above all a question of humanity. However, in a European space with open borders it immediately poses the question how to organize this help and – even more important – how to finance it. It is the logic of large movements of refugees that they are directed first of all to those countries which are situated close to the region of origin to the migrants. In the current situation this means, that above all Greece is affected and – on a next stage – those countries on the Balkan located along the route refugees take on their way to richer countries in Europe.

The Dublin rule, saying that asylum seekers have to apply for asylum in the first EU country they reach, supplemented by a limited re-distribution of asylum seekers between EU countries might have worked as long as the number of refugees was limited. Under the current situation, it is no option. Nevertheless, a European solution is needed.

One part of this solution may be, to reduce the number of refugees by improving the living conditions in the countries they are now. Steps in this direction have been taken by the recent agreement with Turkey. Already at this stage, however, the question is who will bear the financial support offered to Turkey. The same question arises even more when coming to the refugees that are already inside the European Union.

It will be extremely difficult to find on a rule, which country takes how many refugees. First of all, some government will disagree to any solution. Secondly, nobody knows where the refugees will move after they received application as asylum seekers. In the end, it may be better if they move to a place where they can get a job instead of staying there where they are told to.

Therefore it might be easier, to agree on a distribution of the costs caused by the refugees among the EU countries. However, this immediately raises the question of the generosity of the transfer system. It seems implausible that people receiving low transfers themselves will agree on payments to countries with higher income and, thus, more generous transfers also to refugees.

Any way you look at the problem: European solutions are required that go far beyond the current agreements. However, one aspect should not be forgotten. For countries facing a demographic problem the immigration of as a rule young people may also offer an opportunity. Of course, the qualification of many refugees may be poor. Nevertheless, it would be reckless not to do everything that fosters their integration into the labor market.

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Outlook for the New EU Member States

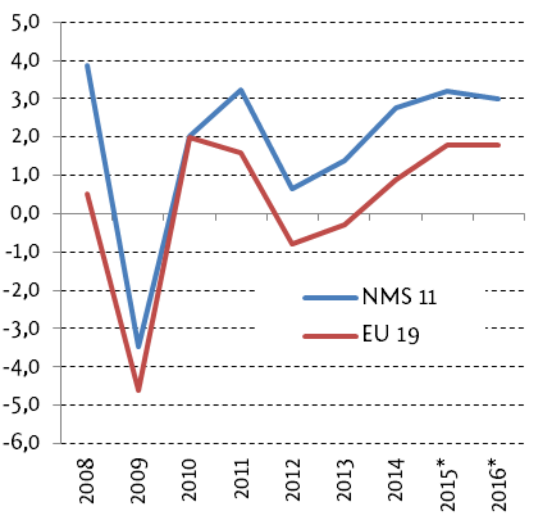
Growth will remain stable

GDP growth above 3 per cent in NMS

The New Member States (NMS) recently showed a somewhat diverging growth pattern. In particular in larger countries some slowdown was experienced in Q2 2015 compared to the previous quarter. However, taken as a whole the region is showing a healthy growth *(Table 1)*. The overall outlook is optimistic, too *(Graph 1)*. Improving market conditions in the Euro area stimulate exports in the NMS. On the other hand, the consequences of the Russian crisis still have a negative impact on those countries where the share of Russian exports is relatively high like in the Baltic States.

Graph 1

GDP growth in New Member States and in the Euro Area
in %



*Sources: Eurostat, Eastern Europe Consensus Forecasts, Kopint-Tárki database, EUREN – * forecast*

The figures for the second quarter fell slightly short of those of the first quarter in most countries (Croatia and Latvia being exceptions), whilst y-o-y figures indicate a robust performance also in countries with typically slower growth in the years before (like the Czech Republic) (*Table 1*). Final consumption expenditures of households grew quite rapidly in all NMS due to low energy and food prices which had a positive effect on real income. Brightening up of the labour market situation also encouraged private consumption in most of the countries.

Gross fixed capital formation shows a mixed picture: in some countries like Romania or Lithuania, Slovakia or the Czech Republic y-o-y investment volumes increase at relatively high rates, partly compensating the shortfalls during the years before. In Romania new FDI investments also contributed to the expansion of investments. In Lithuania the so called “*LitPol Link*” project in the energy sector fuelled investments; this project is aimed at giving the Baltic States direct access to the West-European energy networks. In case of Croatia, Estonia or Bulgaria investment growth remained in the negative range. In case of Estonia this can be attributed partly to uncertainty about trade relations to Russia. This is also reflected in the negative export performance of Estonia.

Net exports contribute positively to growth in most countries; exports are mostly dynamic with the exception of the Baltic States where the negative consequences of the Russian crisis are felt. All countries benefit from the improving economic situation in the Euro area.

Table 1

GDP growth in NMS
in %

	Quarter on quarter			Year over year		
	2014 Q4	2015 Q1	2015 Q2	2014 Q4	2015 Q1	2015 Q2
Bulgaria	0.6	0.6	0.5	2.4	2.2	2.3
Czech Rep.	0.5	2.5	1.1	1.0	4.1	4.6
Estonia	1.5	-0.6	0.7	3.4	1.1	2.0
Hungary	0.7	0.7	0.5	3.3	3.5	2.7
Latvia	0.3	0.6	1.2	2.1	1.8	2.7
Lithuania	0.2	0.7	0.4	1.7	1.3	1.4
Poland	0.8	1.0	0.9	3.1	3.7	3.6
Romania	0.9	1.4	0.1	2.7	4.3	3.4
Slovakia	0.0	0.1	-0.1	2.4	3.1	3.2
Slovenia	0.4	0.7	0.7	2.8	2.8	2.6
Croatia	0.0	0.2	0.7	0.2	0.5	1.2
NMS average	**0.6**	**1.1**	**0.7**	**2.5**	**3.4**	**3.3**

Source: Eurostat

However, there are downward risks as well. The Volkswagen emission scandal, e.g., may have unfavourable effects on Hungarian and Slovak car part manufacturers. Both countries are heavily dependent on the automotive sector, especially on the sales of the German car industry. Sluggish growth in emerging markets and the expected monetary tightening in the US may have dampening effects on global outlook. In combination with declining commodity prices, reduced capital flows to emerging markets and increased volatility of exchange rates this may have a negative impact on the external environment of Eastern European countries and thus means a downside risk of our forecast.

The performance differs between countries: In *Poland* the economy is in a healthy state: private consumption remains strong due to improving labour market and rising real wages. Private investment is picking up, too, partly due to a recovery of the banking sector and a decline of financing costs. Others like the *Czech Republic* or *Hungary* returned to growth after two years of contraction, in first line fuekked by domestic demand. In Hungary the GDP growth picked up to 3.7 per cent in 2014, and is to remain at 3 per cent this year as well compensating for the years of low growth. The *Slovak* economy has returned to a path of accelerated growth. The expansion is fuelled mainly by investments in machinery and equipment assets. Construction is doing well, too, although activity has not reached yet the pre-crisis level.

A third group of countries is suffering from macroeconomic imbalances. In *Bulgaria, e.g.,* the consequences of the financial sector turbulences in 2014 are still felt. Deleveraging in the corporate sector and weak labour market performance cause downward risks to our forecast. In *Romania* in the forecast period the export sector remains weak, despite of relatively high growth rates, since the country's ability to attract foreign investors is modest. Romania is one of the poorest countries among the East-Europeans where the per capita GDP in PPS represents only 54 per cent of the EU 28 average.

The *Baltic States* suffer from the recession in Russia and from the trade restrictions. For some specific types of commodities exports to Russia decreased by more than 50 per cent. This will constrain growth possibilities for a while even though exports to other markets perform well. Still, the economic outlook for the Baltic States is stable but the growth will be less dynamic as it used to be.

Economic sentiment indicators reflect the brightening of the economic outlook in general but also differences between the countries *(Table 2).* In Estonia and Slovakia they hint at some slowing of growth. In Poland economic sentiment indicators have already shown some sluggishness in the course of the last year in contradiction to the overall state of the economy and to general economic outlooks.

Table 2

Economic sentiment in NMS
2015; seasonally adjusted

	May	June	July	Aug.	Sept.
Bulgaria	104.4	104.4	103.9	105.5	104.8
Czech R.	104.0	105.9	104.9	104.5	103.9
Estonia	95.9	94.4	95.8	96.3	97.6
Hungary	113.9	113.9	113.5	114.2	117.5
Latvia	103.5	101.9	102.5	103.7	101.5
Lithuania	102.4	102.1	103.8	103.1	104.8
Poland	98.5	98.3	97.6	98.4	97.7
Romania	103.2	103.8	104.7	104.5	104.5
Slovakia	98.9	99.5	95.7	99.6	98.1
Slovenia	109.2	109.1	107.1	112.5	110.2
Croatia	121.6	121.8	123.7	119.4	119.6

Source: Eurostat

Taken as a whole we expect a moderate acceleration of GDP growth to 3.2 per cent in the NMS this year and a slight slowing to 3.0 per cent next year. This partially reflects that the absorption of EU funds will lose strength in all NMS since old programmes run out and new ones for the period 2014-2020 have not yet launched. This will contribute to the deceleration of growth next year in most of the countries. The differences between countries will continue to be significant: Whilst in Poland and Romania GDP growth will remain well over 3 per cent, in case of Hungary some slowdown can be expected after the robust growth in 2014. Croatia and Bulgaria will show relatively modest rates, but Croatia seems to experience a slow recovery.

Labour markets in better condition

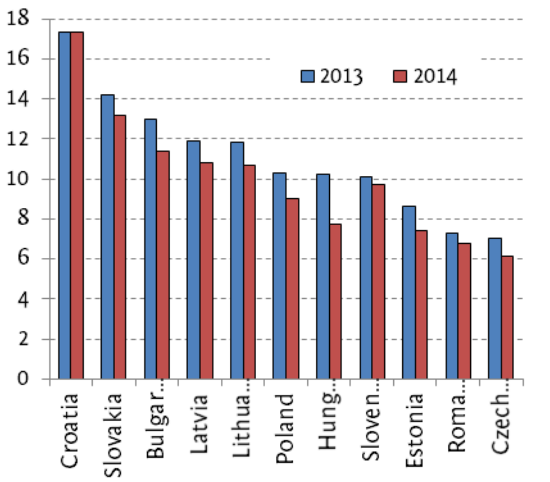
Labour markets in the NMS performed better than expected in our previous forecast. Economic acceleration registered in some countries, mostly non-members of euro area, was reflected in higher employment and reduced unemployment. In 2014, the average unemployment rate in the NMS decreased to 9.0%, which is below the EU28 average of 10.2% and even more significantly below the Euro area average of 11.6%.

In 2014, the unemployment rates decreased in almost all NMS (*Graph 2*). The only exception is Croatia, where unemployment remained stable. However, the differences between NMS are still marked. Unemployment decreased most significantly in Hungary, Bulgaria, and Poland. These non-Euro area countries seem to be less affected by legacies of the Euro crisis. The *Baltic countries* did very well, too, though unemployment rate remained at two-digit levels in Latvia and Lithuania. The highest unemployment rate (17.3%) is still registered in *Croatia*, followed by *Slovakia* (13.2%).

Graph 2

Unemployment rates

2014 compared to 2013, %



Source: Eurostat

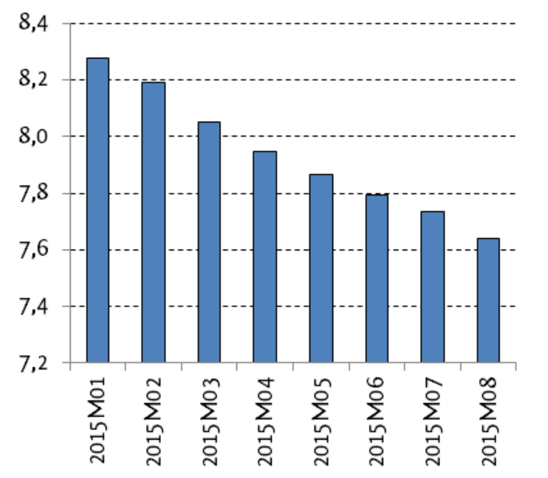
The biggest progress was made in *Hungary* which is in line with its rising economic activity. Employment in Hungary is rising mainly in the private sector, but also due to public work programmes. A special public work scheme contributed to a great deal to the improvement of labour market data, especially in the North-Eastern part of the country. In *Slovakia* the positive development in labour market is driven mainly by the service sector, especially in food and beverage service activities. However, in most of NMS, an impulse for job creation was represented also by the drawings from the second program of EU structural funds.

Since the beginning of this year, labour market conditions improved further. The seasonally adjusted unemployment rates for the NMS as a whole (*Graph 3*) shows a downward trend. This holds for almost all countries, only in Latvia and in Lithuania – these countries joined the euro area as its last members - the unemployment rate was more or less stable. Biggest progress was made in Croatia and Slovakia, where it decreased by 2 p.p. and 1.2 p.p., respectively until August. The *Czech Republic* is still the country with the lowest unemployment rate within NMS – only 5% in August 2015.

Graph 3

Unemployment rates in the New Member States

2015, monthly averages, seasonally adjusted, %

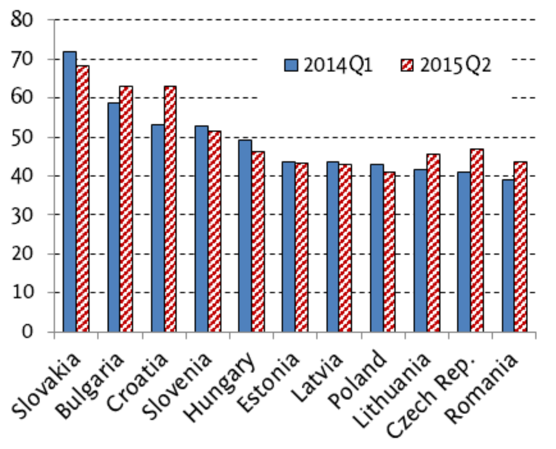


Source: Eurostat

Graph 4

Long-term unemployment

in % of unemployment



Source: Eurostat

For the forecast period, unemployment rates are expected to keep on decreasing, however,only gradually. Persistently high unemployment hints at a regional or qualification mismatch making it more difficult for employers to recruit workers among those currently unemployed. The share of people unemployed for more than 1 year is above the average of Euro area in Slovakia, Bulgaria, Croatia, and Slovenia (Graph 4).

Therefore, the unemployment rates are not expected to move below pre-crisis levels in the next year. The differences across NMS will remain marked. This year the average unemployment rate in the region could get tightly below 8%.

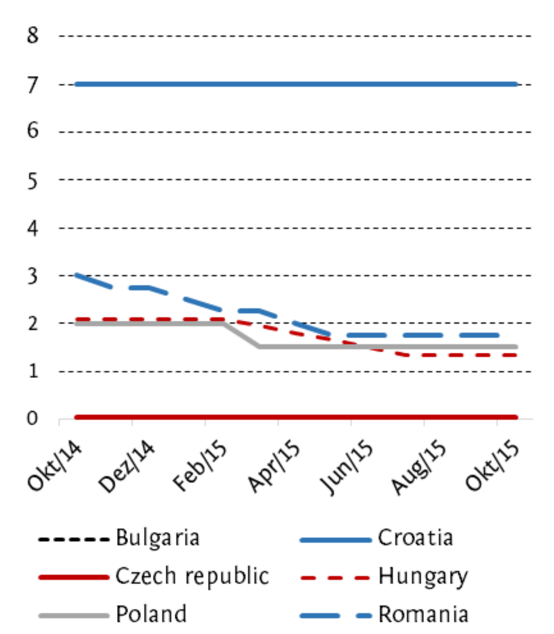
Monetary easing continues

In 2015, central bank reference rates continued to be different among the non-euro area NMS (*Graph 5*). Central banks in Bulgaria and Czech Republic kept the rates basically at zero levels. The highest base rate still is observed in Croatia. The central banks in the residual countries kept cutting the base rates in accordance to concerns about deflation pressures and the global economic growth.

Graph 5

Central bank reference rates in non—euro area NMS

in %



Source: National Central Banks

Government bond markets recorded a high volatility in 2015. While at the beginning of the year the government bond yields continued to decline supported by the launch of quantitative easing by ECB, yields started to grow again during the following months. The main reasons were the concerns about the development in Greece and later on also about the global economic growth.

Differences in government bond yields among the NMS are getting wider. As of September 2015 the highest rates were recorded in Croatia (3.91%), Romania (3.73%), and Hungary (3.5%). On the other hand, the lowest were in the Czech Republic (0.68%) and Slovakia (0.89%).

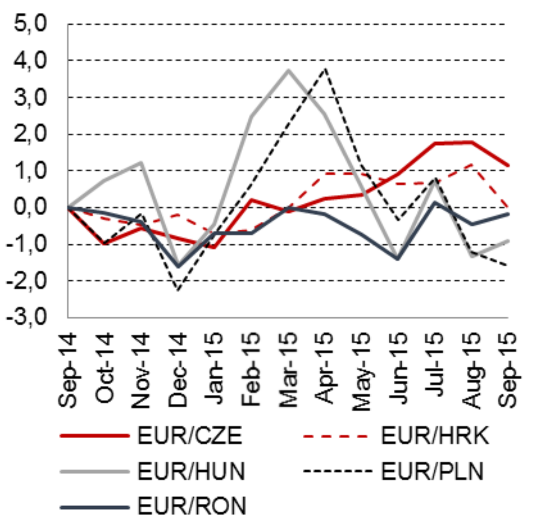
Exchange rates remain volatile

Exchange rates of the NMS continued to be volatile in 2015. The main reasons are the slowdown of the Chinese economy and the uncertainty about the development of the main economy in the Euro area – Germany. Another major factor are the different directions of the ECB and the FED policy. However, whereas the ECB announced further quantitative easing, it has become more likely that FED will postpone the decision to raise interest rates because of global economic growth concerns.

At the beginning of 2015 the Hungarian Forint and the Polish Zloty recorded a significant depreciation. Driving factors were the conflict in Ukraine, but also the unexpected appreciation of the Swiss Franc after ending the peg to the Euro. In Hungary as well as in Poland a relatively high share of sovereign debt is denominated in foreign currencies. Czech crown reacted differently because its exposure to foreign loans is smaller and the interest rates are lower. Czech National Bank (CNB) also confirmed its commitment to keep the Czech crown exchange rate at 27.0 CZK/EUR. Due to quantitative easing of ECB and the National central banks in the following months, the volatility of exchange rates of all non-Euro area NMS (*Graph 6*) increased ending up in an appreciation (y-o-y) of all currencies except the Czech crown until the end of September 2015.

We can expect volatility of exchange rates to continue in Q4 2015 and 2016. The CNB plans to keep the exchange rate pegged to the Euro at a rate of 27.00 CZK/EUR in 2016. Hungarian National Bank announced being interested in a

Graph 6
Euro exchange rate developments in 2015
29.9.2014=100



Source: ECB

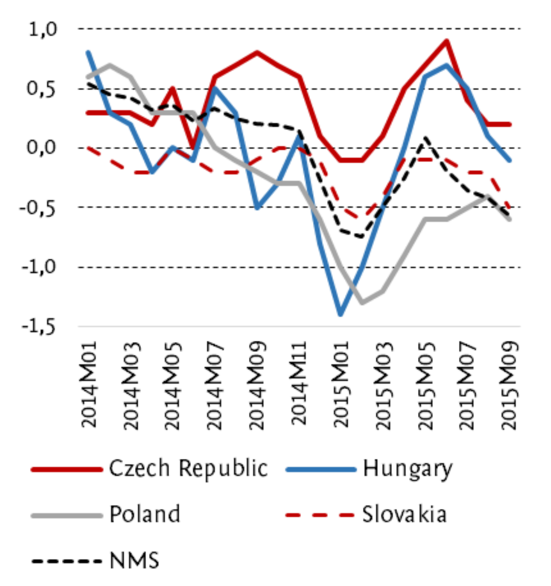
weaker Forint in 2016. Other currencies of NMS not pegged to Euro might slightly appreciate due to quantitative easing policy of ECB, higher economic growth and expectation of weakening EUR to USD.

NMS in deflation in 2015

HICP inflation in the NMS reached negative value of -0.2% (y-o-y) for the first time in December 2014, and in January and February 2015 the fall in prices even deepened to -0.7% (y-o-y) (*Graph 7*). In the following months, HICP inflation rose slowly towards zero, following the development in Euro area, and reached 0.1% in May 2015. However, since June the price level in the NMS continued to decline. In September the prices in NMS were by 0.6% lower than on year before.

Behind this common trend significant differences between individual countries remained. Whereas prices declined in some countries in each month of 2015 (Bulgaria, Lithuania, Poland, Slovenia, Slovakia), in the Czech Republic prices declined just in first two months of 2015

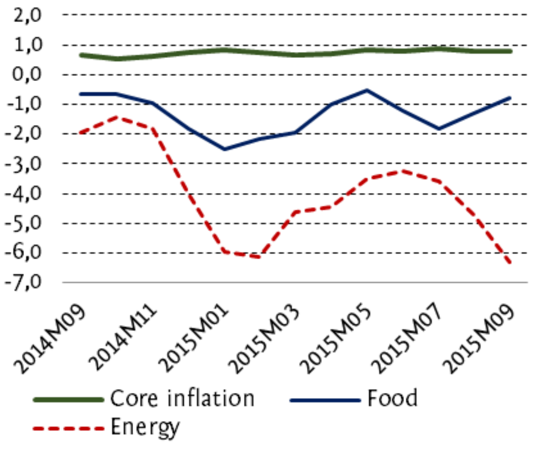
Graph 7
HICP in NMS and Visegrad countries
2014-2015; in %



Source: Eurostat

Graph 8

Core inflation, Food and Energy prices in NMS
yoy variation in %



Source: Eurostat

and in Romania consumer prices started to decline in June. In September they declined in all NMS countries except the Czech Republic where prices rose by 0.2% (y-o-y). On the other hand, the biggest drops were recorded in Romania (1.5%) and Slovenia (1%).

The main driver of the deflation in 2015 is decline of energy and in food prices (*Graph 8*). Core inflation, on the other hand, moved upward in all NMS except Bulgaria, where core inflation also reached negative territory, and Slovenia, which reported negative core inflation rates in Q2 2015. However the decline in food prices slowed down in August and September. On the other hand, the decline in energy prices deepened again since June.

Deflation in energy component of HICP is caused by low crude oil prices in recent months. In September 2015 the average Brent price declined was more than 50% lower than one year before. Under the assumption that crude oil prices will increase over the forecast horizon, consumer prices inflation may rise above the zero. The main risk to our forecast is the deceleration if growth of the global economy, especially in China and consequently possible further decline in energy prices.

Improving budget balances in most NMS

In 2014 the aggregate budget balance of NMS was -2.9% in relation to GDP, barely below the Maastricht criteria. Only three out of 11 member states surpassed the 3 per cent threshold. However, in these countries substantial efforts were made to reduce deficits. According to the convergence and stability programmes of national governments, Croatia will be the only county among the NMS that will have a higher budget deficit than 3 per cent in 2015. *(Table 3 and Graph 9)*

The government of *Bulgaria* has proposed significant changes in the pension system in order to reduce budget burdens. The so called “Swiss rule” was introduced in pension indexation in 2014 and the gradual increase of retirement age to 65 year was started in the summer 2015. Smooth increase in social insurances contributions (?) will start in 2016. There will be no structural changes in budgetary expenditures; the government expects lower social protection costs due to the expected decrease of unemployment. At the same time tax collection efficiency will be improved and tax base will be widened by legalizing some parts of the shadow economy. While the government estimates budget deficit to be 3% of GDP, EU Commission expects structural balance to be -2.7 per cent.

Table 3

General government budget balance
% of GDP

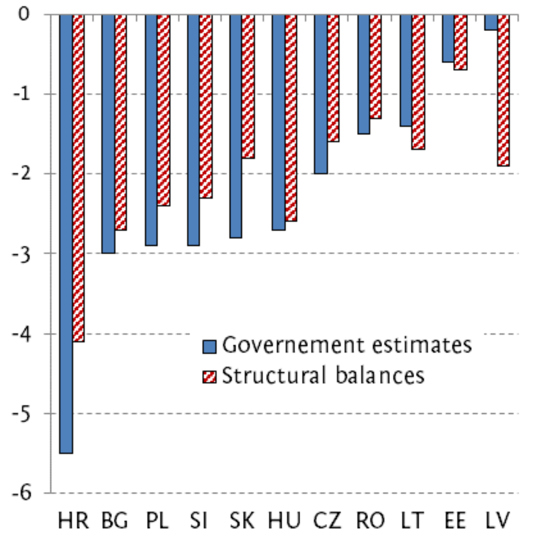
	2014	2015*	2016*
Bulgaria	-2.8	-2.9	-2.9
Czech Republic	-2.0	-2.0	-1.5
Estonia	0.6	-0.2	-0.1
Hungary	-1.4	-1.4	-1.6
Latvia	-0.7	-1.4	-0.7
Lithuania	-2.6	-2.5	-2.2
Poland	-3.2	-2.8	-2.6
Romania	-1.5	-1.6	-3.5
Slovakia	-4.9	-2.9	-2.8
Slovenia	-2.9	-2.7	-2.5
Croatia	-5.7	-5.6	-5.7

Source: AMECO

Graph 9

General government budget balances in 2015

In % of GDP



Source: Convergence Programmes, European Commission

Croatia is going to get back on a growth track in 2015 after 6 years of recession. As soon as economic trends permit the government will be forced to execute structural reforms to be released from EDP. These measures must be executed by the new cabinet to be elected in November therefore it is unclear which of the proposed long term reform goals of the present government will be put into force in the end. Recently health insurance contribution were raised to 15 per cent from 13 per cent and profits of state owned companies were compulsorily transferred to the state budget. At the same time the reduction of personal income tax came into effect which risks the fulfilment of budget goals.

Latvia is the only NMS where structural deficit calculated by EU Commission is significantly above the government's projections. The cabinet estimates -0.2 per cent budget balance (in per cent of GDP) while the EC forecast is -1.9 per cent. This is mainly due to the fact that Latvia has increased defence budget and accounted for that as one-off expenditure. According to the Commission, this classified is not appropriate, and there is the risk that the government will not be able to keep the planned deficit. At the same time it is not expected that Latvia will exceed the Maastricht criteria.

2015 is the first year in which *Poland* applies a new expenditure rule. According to that the increase of central government expenditure is not allowed to be larger than 1 per cent in real terms (based on CPI). A debt rule limiting gross government debt at 60 per cent of GDP was already set in force earlier. To improve budget balance the government has implemented several measures including the reduction of early retirement and increase the retirement age to 67 years. Some social benefits were also reduced, while VAT rates were increased to 23 per cent together with excise duty for cigarettes, alcohol oil and fuel.

There are no significant changes in fiscal policy in *Czech Republic* and *Slovakia*. Both countries are about to improve tax collection systems especially in the field of value added tax. For 2016 government of Bratislava plans minor changes in VAT system in order to improve business climate in the country.

The *Hungarian* budget deficit will be around 2.4 per cent of GDP in 2015 and 2.2 per cent in 2016. In this year several measures were implemented including the introduction of road toll on former free sections in the road network and the freeze of public servants wages. Social contributions tend to increase for families with two or more children but due to the decreasing number of births this will not be harmful for the budget. Other significant changes in tax system are not expected.

NMS stay on a growth path

As indicated in Table 4, all NMSs will remain on the growth path in 2016. However, some slowdown shall be expected due to the contraction of Russian economy and the VW scandal, since Visegrad countries highly rely on the automotive industry. Deflation will be over in all NMSs

Table 4

Summary of forecasts

	GDP (yoy)		HIPC (yoy)		Unemploy-ment rate	
%	2015	2016	2015	2016	2015	2016
Bulgaria	1.7	1.9	0.0	1.3	10.1	9.4
Czech Rep.	3.5	2.7	0.5	1.6	5.2	5.0
Estonia	2.0	2.9	-0.2	1.6	6.5	6.5
Hungary	3.0	2.	-0.1	1.7	6.9	6.6
Latvia	2.1	3.0	0.4	1.4	10.1	9.5
Lithuania	2.3	3.0	-0.6	1.6	9.4	8.6
Poland	3.5	3.5	-0.7	1.3	7.6	7.2
Romania	3.9	3.5	-0.4	0.2	6.7	6.6
Slovakia	3.2	3.2	-0.3	0.7	11.5	10.8
Slovenia	2.1	2.0	-0.4	0.8	9.4	9.2
Croatia	1.0	1.2	-0.1	1.0	16.2	15.6
NMS aver.	3.2	3.0	-0.3	1.6	7.9	7.5

EUREN estimates.

but it must be noted that international energy and food prices tend to decrease further thus there is still a small risk of negative inflation. Unemployment rates improved a lot in 2015 and this shall continue in the next year as well.

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Impressum

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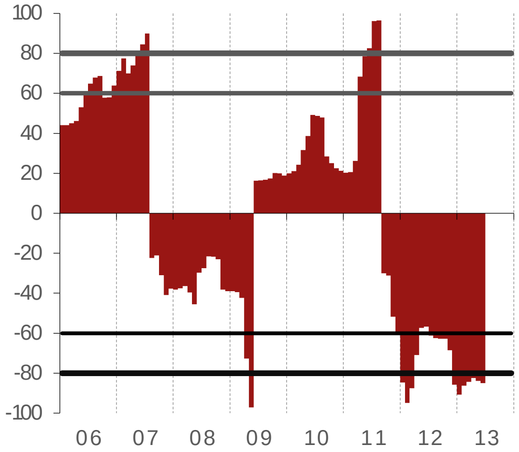
(IHS)
Editor of this issue: Roland Döhrn

COE-Rexecode Leading Indicator: Persistent but weak signal of rebound in 2013

The IARC indicator is now below the -80 threshold since December 2013. This sends a signal of a growth cycle trough in the second quarter of 2013 implying that growth will climb above its trend rate estimated at 0.9% in yoy terms in the fourth quarter of 2012. Financial variables continue to be positively oriented: low short-term interest rates and bullish stock market. Survey results concerning the intermediate goods in the industry are slightly improving since last October. The global world-wide environment is still supportive: a soft landing in China in terms of growth but not in absolute terms, a beneficial monetary impulse in Japan and a resisting American economy where household confidence and the construction sector are on the rise.

Updated July 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: July 10th, 2013

	12 Q3	12 Q4	13 Q1	13 Q2	13-Q3	13-Q4	2012	2013
May-12	-0,4;*0,0*	-0,2;*-0,2*					-0,2	
Jun-12	-0,6;*-0,1*	-0,6;*-0,3*					-0,4	
Jul-12	-0,5;*-0,1*	-0,5;*-0,4*					-0,3	
Sep-12	-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-12	-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	-0,6;*-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	**[-0,6;-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	**[-0,6;-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	**[-0,6;-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
Mar-13	**[-0,6;-0,2]**	**[-0,9;-0,6]**	-1,1;*-0,3*	-1,1;*-0,1*	-0,7;*0,3*	0,0;*0,1*	-0,5	-0,7
Apr-13	**[-0,6;-0,2]**	**[-0,9;-0,6]**	-1,0;*-0,2*	-0,8;*0,1*	-0,6;*0,1*	0,0;*0,0*	-0,5	-0,6
May-13	**[-0,6;-0,2]**	**[-0,9;-0,6]**	-1,0;*-0,2*	-0,8;*0,1*	-0,6;*0,0*	-0,5;*-0,5*	-0,5	-0,7
Jun-13	**[-0,6;-0,2]**	**[-0,9;-0,6]**	**[-1,0;-0,2]**	-0,8;*0,1*	-0,4;*0,3*	0,2;*0,0*	-0,5	-0,5
Jul-13	**[-0,6;-0,2]**	**[-0,9;-0,6]**	**[-1,0;-0,2]**	-0,7;*0,3*	-0,3;*0,3*	0,1;*-0,3*	-0,5	-0,5

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

As the latest data included into the High Frequency Model were slightly more positive than anticipated. Therefore, they caused slight upward revisions of the estimated growth rate for the full year 2013. Although the data suggest a positive qoq rate in the second quarter this year, the yoy rates will remain negative until the fourth quarter of the year, generating an annual average contraction of GDP similar to last year.

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