

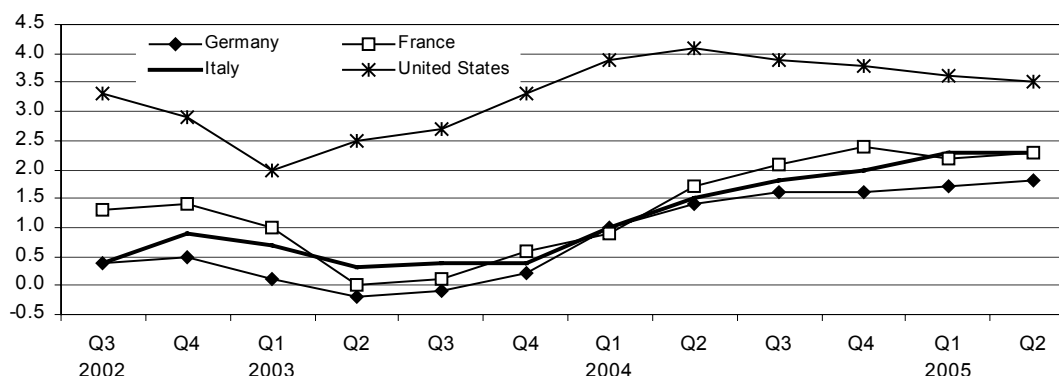
Expenditure structure of gross domestic product in the euro-zone, a comparison of forecasts										
Real growth rates, %	2002 estimate	2003 forecast				2004 forecast				
		EC April 03	Consensus Forecasts			EC April 03	Consensus Forecasts			EC April 03/ ALTER*
			March 03	Aug 03	Sept. 03		March 03	Aug. 03	Sept. 03	
Gross domestic prod.	0.8	1.0	1.1	0.6	0.5	2.3	2.1	1.6	1.7	1.5
Private consumption	0.5	1.2	1.2	1.2	1.2	2.0	1.9	1.6	1.7	1.4
Government consum.	2.7	1.6	1.4	1.4	1.4	1.5	1.3	1.4	1.3	-
Gross fixed cap. form.	-2.6	0.3	0.2	-1.0	-0.9	3.2	2.8	2.2	2.2	2.1
Exports goods & serv.	1.2	3.1	3.9	1.4	1.1	5.7	5.5	3.6	3.7	4.2
Imports goods & serv.	-0.4	3.6	4.0	3.1	2.8	6.0	5.8	4.4	4.4	5.0

Sources of data: European Commission (April 2003), Consensus Forecasts (March, August, September 2003).

Note: * the European Commission's alternative spring scenario, which assumed higher oil prices and lower world economic and trade growth than the original scenario.

Assumptions about the international economic environment used in the autumn forecasts for Slovenia are based on August and September's Consensus forecasts, which largely overlap the latest forecasts of the International Monetary Fund (in particular those for 2003). The new forecasts are lower than the spring ones because economic growth figures for the first half of 2003 show that some risks concerning the dynamics and time of economic recovery have in fact materialised. This particularly applies to the EU. Gross domestic product growth figures for the USA for the first half of the year reveal that the country is experiencing the anticipated economic recovery, so this year's economic growth should be similar to or higher than in 2002, ranging between 2.4% and 2.6%. The average GDP growth in EU members, on the other hand, should slow down for the third year in a row. According to the latest international institutions' forecasts, the **euro-zone** should only achieve 0.5% economic growth, while the EU should record 0.8% growth, 0.3 of a percentage point weaker than assumed in the spring forecasts. The largest members (Germany, Italy, France) are expected to achieve the lowest and below-average growth, and downward corrections for these countries were biggest. Economic growth should be maintained at much higher levels in some members (Spain, the UK, Greece, Sweden, Finland, Denmark). **Downward revisions** to economic growth forecasts for the euro-zone for **2003** were chiefly the result of unfulfilled expectations about the recovery of gross fixed capital formation; this is expected to drop by about 1% instead of growing by 0.3%, according to the Consensus forecasts. Growth in exports of goods and services was reduced by 2 percentage points compared to the Commission's spring forecast and even more compared to March's Consensus forecast; this growth was hampered by the euro's appreciation in the first half of the year. The stronger euro (especially against the US dollar), however, is helping bring inflation down, which should be 0.3 of a percentage point lower than in 2002 (2%), and is also boosting households' purchasing power. As a result, the forecast of private consumption growth stayed the same (see table). Imports of goods and services should be lower than projected in spring, but still much higher than in 2002 when growth was negative. According to the European Commission's estimate (Quarterly Report on the Euro Area, III/2003), there are several factors speaking in favour of a stronger recovery in **2004** because global risks are weaker and more balanced than a few months ago. Consumer confidence has been strengthening slowly but steadily for the last few months, the monetary and fiscal frameworks are largely adjusted to the current economic conditions, share prices on the stock exchange have risen markedly, while according to the European Commission there is also growing indirect evidence that the balance sheets of enterprises have improved, which should boost corporate investment in the environment of historically low interest rates. August's Consensus forecasts, which were used in the IMAD's autumn forecasts for 2004, are similar to the European Commission's alternative spring forecasts (however, the underlying assumptions differ; see table) and anticipate a strengthening of all domestic demand components and a lower negative contribution of international trade compared to 2003. These forecasts, however, are less optimistic than September's Consensus and IMF forecasts, which project 3.9% GDP growth for the USA, 1.7% and 1.9% for the euro-zone, and 2% for the EU-15.

Graph: Year-on-year quarterly GDP growth rates for selected countries, %



Sources of data: Eurostat, Consensus Economics (September 2003). Note: Consensus forecast for Q3 2003 and onwards.