European Economic Network EUREN

EUREN-News

1|2016
31|03|2016

Editorial: Spain, waiting for a new government

Last December Spain held general elections that have resulted in a dispersion of the votes that is hindering the formation of a new government. Compared to the traditional two party system that emerged shortly after the return to democracy in the seventies, now two new political forces entered the parliament, one located in the centre-right, the other in the extreme-left. This requires to reach large agreements to achieve a stable government.

This situation, which is well known to many European countries, is new for Spain, whose political landscape has been coined by absolute majorities of one of the two major traditional parties or, at most, agreements of one of these parties with regionalist minorities.

The conservative party Partido Popular (PP), winner of the elections, in the meantime resigned to form a government. King Philip VI, passed the task of forming this new government to the Socialist Party (PSOE). Finally, it only got the support of one of the two newly emerging formations (Ciudadanos), and neither PP, nor the new left formation Podemos, allow by support or abstention the constitution of a new government to be constituted.

At present, Spain faces a transition period that will last until early May. During this time the parties will continue to look for parliamentary majorities that would make possible the election of a new president. In absence of such an agreement, new general elections will be convened at the end of June.

Initially, the options discussed ranged from a leftist "Portuguese style" government to a grand coalition of the major parties, i.e. a "German style" government. The first option would led be the PSOE and Podemos, but they need the support either of Cuidadanos, or of one of the regional parties. The main obstacle for this option is the interest of Podemos to hold a referendum on self-determination for Catalonia. Ciudadanos, whose origins lie in Catalonia and whose identity is, precisely, the fight against the current independence trends, totally opposes such a referendum. Moreover, the socialist party initially rejected the support of these separatist parties because it would break its principles of maintaining national unity.

Alternatively, a "German-style" grand coalition could be built with the two traditional parties together with Ciudadanos, which already has signed an agreement on the principles of a cooperation with PSOE. For this solution, the main difficulty is the leadership in this coalition, as both parties claim their primacy. In addition, the lack of tradition in this type of agreement in Spain generates fears that voters of both big parties would consider a coalition as a betrayal of their principles.

From the economic point of view, the General Government Budget for 2016 was fortunately approved before the elections. This enables public administration to operate more or less during this year. However, the uncertainty about the future government affects expectations. The economic climate indicator fell by almost five points between December and February, and consumer confidence by more 10 points.

In summary, this drop in confidence in combination with the phasing out of external factors that stimulated growth in 2015 (oil prices and depreciation of the Euro), the economic outlook for Spain has become considerably less favorable. GDP growth rate in 2016 may be reduced by more than half of a percentage point.

Logically, the stance of fiscal policy will depend on the parties that form the new government. Arguing in a very simplified way, a government led by PP would ensure some continuity of policy, i.e. it would continue fiscal consolidation, based on expenditure restraint and maintenance, or even slight reduction, of taxes. On the other hand, a government led by PSOE and Ciudadanos would bring some moderation of the process of fiscal consolidation, with some expansion of spending and slight modifications in the revenues side by rising some taxes.

Finally, the most radical alternative would be a coalition including Podemos. It would try increase public spending, without presenting clear alternatives for funding it, which could end up in an increase of the public deficit.

Faced with these alternatives, at that time it seems ripe for a grand coalition government which will be strong enough to address outstanding reforms and that could lead to changes in the Spanish economy similar to those German experienced.

Contact: Julián Pérez || julian.perez@ceprede.es

The EUREN spring forecast for the Euro area

Recovery is losing momentum

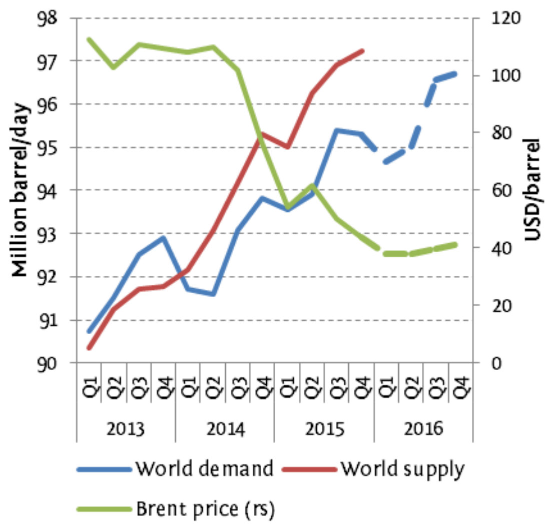
The international environment

The recovery of the world economy seems to be much weaker than foreseen. Main reasons are the weakness of emerging economies and uncertainties about the consequences of the restructuring in China. In the advanced economies the recovery continued to be modest and uneven. These trends are reflected in world trade: last year's growth rate of 2.3 per cent was the lowest since the crisis. For the forecast period we expect only a slight recovery as the performance of emerging economies will remain modest and only a weak dynamism is expected with respect to the import of investments goods.

Graph 1

Development of global oil demand and supply

2012-2016



Source: International Energy Agency, EUREN Forecast

Low oil prices with contradictory impacts

Commodity prices remain low. Crude oil prices currently are approximately 40 per cent below last year's annual average, especially due to a substantial deceleration of demand growth – in particular in the US and in China (Chart 1). Recently prices climbed somewhat reaching a three months height, because of some tightening of supply and the weakness of the US dollar. However, the EUREN institutes expect the oil price to remain low, showing only a moderate upward trend over the forecast horizon.

Low oil prices have severe consequences for the oil exporting countries becoming manifest in the form of eroding revenues and a drop of investment in oil production and refinery capacities, since they are nor profitable at the prevailing price levels. Furthermore, lower revenues have a negative impact on imports and show dampening effects also on advanced economies through the trade channel. On the other hand, lower oil prices increase the purchasing power of consumers in the oil importing countries.

Expansive monetary stance

Monetary policy will keep its expansive stance. Previous concerns that the FED might tighten its policy more rigorously eased after the recent FOMC meeting, which decided to keep the target range for the federal funds rate unchanged at 1/4 to 1/2 per cent. Less promising economic data for the U.S., the persistently low inflation rate and lower than expected growth in Europe and China, as well as the meagre economic performance in Japan advised the FED to stay careful; thus no change in policy before June can be expected.

Despite of the recent strengthening of the Euro we assume the Euro to stay weak vis a vis the Dollar over the forecast horizon. The recent easing of ECB's monetary stance in combination with the expected – even if slight – tightening of the FED policy should encourage capital flows tor the U.S. which tend to weaken the Euro. The Bank of Japan plans a further lowering of the already negative deposit rates in order to dampen the recent appreciation of the Yen. China's reorientation with linking its currency to a basket of currencies instead of primarily to the US dollar led to the devaluation of the yuan. A number of oil exporting countries was also forced to devaluate exchange rates which will affect the price competitiveness of advanced countries on those markets.

Uneven development in the leading economies

For the **US** the EUREN Institutes forecast a steady growth of GDP by 2.5 per cent in 2016 and 2017. Inflation will stay below the FED target this year. Recent data show some deceleration in February whilst core inflation slightly increased. However, growth in the industry sector remains sluggish, with declining rates in the fourth consecutive month. This reflects the sluggish global environment as well as the negative impact of low oil prices on investments.

Japan seems to be unable to return to a sustainable growth path, since the extremely expansive monetary policy fails to curb the economy. Private consumption will be dampened by deflationary expectations, whilst subdued external demand and the relatively strong yen affect exports and in consequence also investment.

Table 1

Exogenous and international variables

2014 – 2017; Percentage changes unless otherwise indicated

	2014	2015	2016	2017e
World trade	3.0	2.3	3.3	3.8
United States				
GDP	2.4	2.5	2.5	2.6
Inflation	1.6	0.1	1.4	2.0
3m interest rates	0.20	0.30	0.74	1.28
10y Gvt bond yield	2.50	2.10	2.47	2.98
Japan				
GDP	-0.1	0.6	1.0	0.7
3m interest rates	0.00	-0.10	0.08	0.26
10y Gvt bond yield	0.60	0.40	0.45	0.71
China, GDP	7.3	6.9	6.4	6.1
US dollar/euro	1.33	1.11	1.08	1.09
Oil price Brent				
US$/barrel	99.5	53.6	38.0	44.6
percentage change	-8.5	-46.1	-29.2	17.5

eEUREN Forecast

In **China**, efforts to rebalance the economy continue to dampen investment activity and will lead to a substantial deceleration of growth over the forecast period. We do not expect a hard landing. Nevertheless, a sharper than expected slowdown may have negative spill over effects through the trade channel and might dampen overall global growth.

In an environment of many unresolved geopolitical conflicts a stronger than expected slowdown in China is not the only downside risk to our forecast. Furthermore we might underestimate the negative consequences of persistently low commodity prices on both advanced and emerging economies, and an increased risk aversion of investors might dampen growth in emerging markets. On the other hand concerns about the consequences of a monetary tightening in the US have eased somewhat.

Moderate recovery in the Euro area ....

In 2015, the Euro area economy showed a mild recovery, with an acceleration of growth rate to 1.6 per cent compared to less than 1 per cent in 2014. The recovery was supported by some favourable factors, as the drop of oil price which compressed import prices. As a result, terms of trade improved, with effects on inflation and private households' purchasing power. Consumption spending speeded up, offering a considerable contribution to GDP growth (Graph 2).

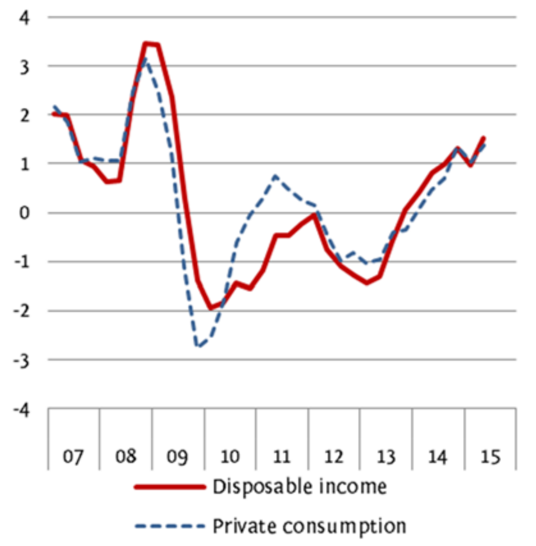
Private consumption was driven by a strong increase of real disposable income, reflecting the decline of inflation, but also an improved situation in the labour market. Unemployment continued to decrease; in January 2016 it was 0.9 percentage points lower than one year before. Employment recovered. The growth rate of employees compensations, however, was still low, given the reduction in inflation expectations. Nevertheless, the decrease in consumer prices resulted in an acceleration in real wages. Yet, recently, consumer surveys signalled a worsening in household confidence; in February 2016, the consumer confidence indicator decreased sharply. This could suggest some deceleration in consumption in the first half of this year.

GDP growth in 2015 benefitted also from the gradual change in fiscal policy. After three years of fiscal tightening, fiscal stance in the Euro area became at least neutral, but with different tendencies in the individual Member States.

Graph 2

Euro area: Income and private consumption

2013-2015; yoy change

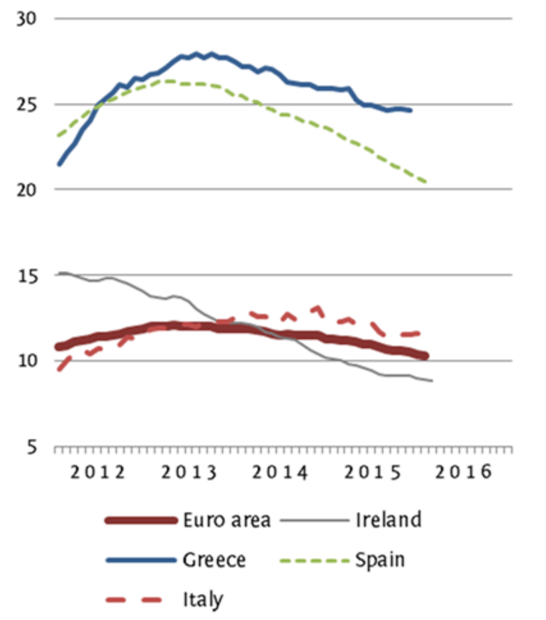


Source: Eurostat

Graph 3

Euro area: Unemployment

2012-2016; in per cent



Source: Eurostat

Despite interest rates at a very low level, which reduced financing costs, investment growth was moderate, hindered by uncertainties and still high debt levels in some countries. Gross fixed capital formation gained some strength against the end of last year. According to the ECB Bank Lending Survey, credit conditions for enterprises in the Euro area were easing. In January 2016 further improvements in borrowing conditions for businesses were reported.

… but many uncertainties remain

Domestic demand provided the largest contribution to the overall growth in the Euro area; it recovered particularly strong in Ireland and Spain. Net exports were feebly negative, close to zero (-0.1 percentage point), following a strengthening of imports and less vigorous exports. Export grew weaker in the second half of 2015, despite the Euro's depreciation, given the deterioration in external environment. Member countries with higher specialisation of exports towards Asia, as Germany, have been particularly affected. Other negative effects came

Graph 4

Euro area: Economic Sentiment Indicator

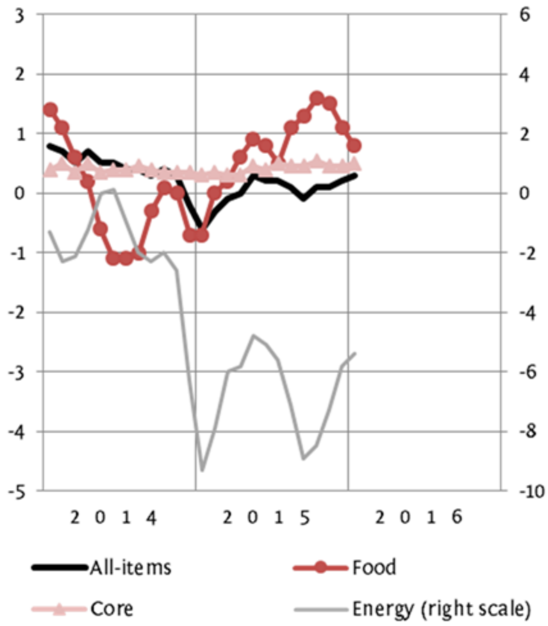
2013-2016

Source: Eurostat

Graph 5

Euro area inflation

2014-2016; yoy change in per cent



Source: Eurostat – Core inflation measures inflation excluding energy, food, alcohol and tobacco

from the low demand of Middle East and North African countries, which suffered from the fall in oil price and a troubled political scenario.

In the first months of 2016 business surveys showed some deterioration, especially in February. All underlying components contributed to the decline, except for judgment on stocks of finished products.

Even more expansive monetary policy

Monetary policy in the Euro area will remain expansionary for a prolonged time. On 9 December 2015 the ECB decreased the interest rate on deposits by 0.1 p.p. to -0.3%. The interest rates on the main refinancing operations and on the marginal lending facility were left unchanged at 0.05% and 0.30% respectively. Additionally, the ECB announced to extent the purchases of public and private sector securities in the amount of 60 billion euro per month until March 2017.

Obviously, the impact of the bond purchase programme was not yet as huge as intended. Inflation fell to 0% in the Euro area in 2015, though it started to increase in the last months of 2015 and in January 2016 (Graph 5). However, Eurostat's flash estimate for February 2016 was back in the negative territory at -0.2%.

Financial markets are still characterized by high volatility. Since secure assets provide low yields, this leads to withdrawing profits. Partially, the markets are also influenced by increased interest rates in the U.S. Furthermore, uncertainty about the Chinese economy shows a negative impact on financial markets. However, in the Euro area these negative factors are partially offset by quantitative easing. As developments in the global economy contribute to lower inflation in the Euro area, since the recovery is not as strong as expected, and oil prices are still low, the ECB released its monetary policy once more in March.

The ECB decreased the deposit rate by 0.1 p.p. to -0.4% and also extended the programme of quantitative easing to monthly purchases of 80 billion euro per month starting in April, with broadening the scope of assets eligible for the programme. Furthermore, the interest rate for the main refinancing operations and the marginal lending facility both were reduced by 0.05 p.p. to 0% and 0.25% respectively. Finally, a new series of four targeted longer-term refinancing operations (TLTRO II), each with a maturity of four years, will be launched, starting in June 2016.

Since the last TLTRO will be issued in 2017, and the terms will remain unchanged for the entire period, interest rates can be expected to stay at a low level for a prolonged period. Thus, they help to increase investment. This view is supported by the January 2016 bank lending survey, according to which banks expect an easing of credit standards and a recovery of the demand for loans, particularly for enterprises.

On the other hand, the low interest rates and still high level of outstanding loans represent a growing risk for the stability of the banking sector. Another risks is the possibility that inflation will reappear in the US and then will be imported into Europe, which will change expectations of monetary policy. This would make the government bonds less attractive, especially for the low yield bonds that dominate in Europe.

For now, EUREN institutes expect inflation to stay below the ECB's medium term target of 2 percent at least until 2017. Interest rates are expected to remain low reflecting the loose monetary policy of ECB. The repo rate could move slightly upward only by the end of the forecast period, up to 0.20% in the second half of 2017.

Slightly expansionary fiscal stance

According to the Winter forecast of the European Commission, the structural budget balance in the Euro area remained broadly unchanged at about 1% of potential GDP in 2015. Thanks to the operating of automatic stabilisers and decreasing interest spending, the overall budget deficit declined from 2.6% to 2.2% of nominal GDP.

The Euro area average disguises sizable differences between the Member States. The change in the budget balance ranged from an improvement by almost 8 percentage points in Cyprus to a deterioration by 4 percentage points in Greece. Only three countries, Germany, Estonia and Luxembourg, showed a budget surplus in 2015. On the other hand, Greece, Spain, France and Portugal experienced budget deficits in excess of 3% of GDP. In terms of the structural balance, the change ranged from an improvement by about half a percentage point in Estonia, Ireland, Lithuania, Malta and Austria to a deterioration by 2 pp in Greece. Four Euro area countries had structural budget surpluses (Germany, Estonia, Cyprus, Luxembourg).

For 2016, expansionary fiscal policies can be expected to result in a slight deterioration of the structural balance in the Euro area. The more expansionary stance can mostly be attributed to additional spending related to refugees arriving in Europe. In addition, some Member States implemented income tax reductions. Despite of these expansive measures, the European Commission projects a further reduction of the headline deficit to slightly below 2% in relation to GDP in 2016. This improvement is caused by a further decrease in interest payments. Since the interest rate remains on a low level, outstanding public debt that had been issued in times of high interest rates can still be revolved at lower interest rates. Furthermore, since the economic recovery is anticipated to continue in the Euro area, the improvement of the budget balance will be supported by the operation of automatic stabilisers.

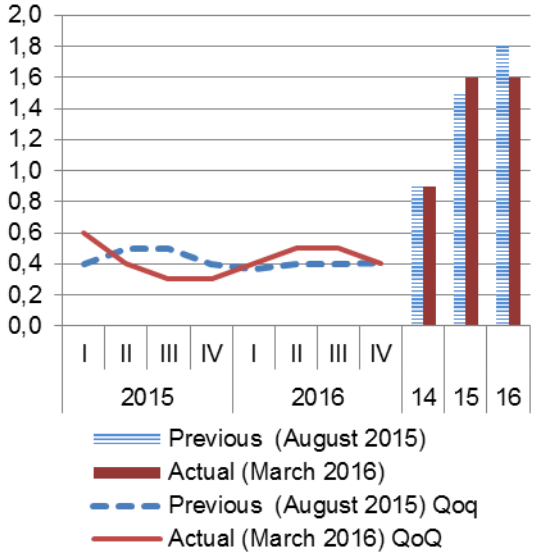
According to recent estimates, in 2015 the average debt to GDP ratio in the Euro area declined for the first time since 2007. However, at 93.5% it remained almost 30 percentage points above its 2007 level, and it is still clearly above the 60% threshold. In 2016, the debt ratio should continue to decrease slowly. However, again large differences between the Member States remain prevalent. In 2015, six countries had a ratio above 100%, among which it was highest in Greece at 179%, while only four small countries experienced ratios below 60%, being lowest in Estonia at 10%. Among the four big Member States France, Italy and Spain had debt ratios of nearly or above 100%.

Sluggish GDP growth in the Euro area

The EUREN institutes forecast GDP to grow at 1.6% in both 2016 and 2017. The forecast for

Graph 6

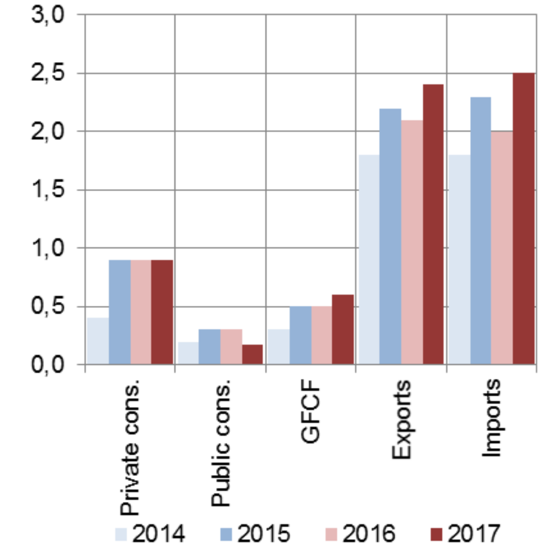
Revision of the EUREN Euro area GDP forecast
qoq rate and annual averages



Source: Eurostat; EUREN Forecast.

Graph 7

Euro area GDP growth forecast by components
Contribution to growth in %



Source: Eurostat; EUREN Forecast.

2016 incorporates a downward revision by 0.2 percentage points, as compared to the summer 2015 forecast for the same year. In addition, it signals lacking dynamics to boost growth farther than the rate recorded in 2015 (Graph 6).

Despite the downward correction of the forecast for 2016, the driving forces of GDP growth are the same as anticipated in our previous forecast and relate to expected developments in both domestic demand and the external sector. In more detail, the EUREN institutes still project private consumption to grow by 1.6%, along with strengthening public consumption (1.4% from 0.8%) and weakening investment (2.5% from 2.7%). Expected developments in exports and imports have also been revised downwards to 4.5% (from 5%) and 4.7% (from 5%), respectively, leading only to a slight adjustment in the forecast for the contribution of net exports to GDP (0.1% from 0.2%).

The corresponding forecasts for 2017 point to stronger investment and (downward) adjusting public consumption (see box). Private consumption growth appears to be sluggish and is not expected to directly accommodate to the forecasted increase in compensation per employee. The contribution of net exports continues to be negative due to a stronger rebound in imports than in exports. Overall, the slight gain in domestic demand is counterbalanced and does not lead to stronger total GDP growth. It is important to note that the forecast does not incorporate any significant restructuring – as compared to the previous years– among the individual GDP components, as can be easily observed on the basis of the resulting contributions to growth (Graph 7).

The main arguments justifying the above projections relate, on the one hand, to the factors which will continue to halt internal demand from a more rapid growth, such as the slow decrease in unemployment, the tight financing and credit conditions, along with private indebtedness, and the expectation of a still low inflation level. On the other hand, exports might continue to contribute significantly at the back of the depreciating euro and recovering world exports, but a continuing slowdown in emerging markets might operate in the other direction.

Box

How the inflow of refugees affects the forecast

The high inflow of refugees into the Euro area affects the EUREN forecast in different aspects. First of all it causes additional spending of governments which leaves its trace in the fiscal balances of many Euro area members.

How this additional spending will translate into GDP depends on the way how countries have organized their support of the refugees. Initially, in many cases public consumption will increase, since refugees receive transfers in kind, i.e. central or local governments spend money for accommodation and nutrition of refugees.

In many Euro area members, above all in Germany, these transfers in kind will be substituted by monetary transfers, the longer the refugees stay in a country. Thus government consumption will grow slower whereas transfer income and thus private consumption is going to increase. This is one of the reason, why the EUREN institutes forecast government consumption to grow at a lower rate in 2017 compared to 2016.

Refugees also increase the Euro area's labour force. To what extent they will find a job, and whether they will appear in the unemployment statistics depend on national regulation. This will be illustrated here by the situation in Germany, which is important for this forecast not only because of its weight in the Euro area, but also because it is the destination of many refuges. As long as they have the status of asylum applicants, they are allowed to work under certain conditions, but if they do not find a job they are not counted as unemployed. When asylum or refugee status is granted, the migrants have full access to the labour market. Since the skills of the migrants a poor often, many of them are expected to be unemployed. Therefore, unemployment rate in Germany is forecasted to increase in 2017. This translates into a sluggish reduction of unemployment in the Euro area.

A last point are the border controls erected in reaction to the migration flows by many countries. The EUREN institutes assume that they will have no significant influence on the exchange of goods, since the controls only refer to persons. However, if the Schengen rules are set out of force for a longer time, a negative influence on trade cannot be excluded.

With growth lacking dynamics, unemployment rates are expected to come down sluggishly and fall slightly below 10% at the end of 2017. The sluggishness mirrors to some degree the inherent characteristics of the unemployment structure, alongside with certain developments in domestic labour force. As a result, one of the most challenging issues the Euro area is facing will remain the reduction of unemployment, with the underlying situation widely varying among the member countries. The anticipated modest pick-up in consumer prices is compatible with the expected continuation of the monetary easing policy and the gradual upward adjustment of oil prices. Still, inflation rates of 0.4% and 0.9% lie far below the 2% target of the ECB and might further feed expectations on longer lasting low consumer price increases.

Significant divergences will persist and major downside risks might prevail

Major divergences and multi-speed characteristics will continue to persist and underlie the overall conditions in the Euro area. These differences are particularly owed to the intrinsic growth and export dynamics, the fiscal consolidation stance, the labour market situation, but also the progress with regard to the necessary structural reforms. Targeted and intensive efforts in the direction of balancing the existing discrepancies and progress in establishing crucial adjustment mechanisms, such as the Banking Union, can enhance growth expectations and potentially lead to a more optimistic scenario for the upcoming two years.

At the same time, there continue to exist significant downside risks to the outlook for the Euro area. One of these refers to the potential further loss of confidence in the ability of Euro area policies to cope with emerging crises, such as the refugee crisis. Furthermore, persisting strains in financial markets and frictions in labour and product markets might

Table 2

Euro area forecast

	2014	2015	2016[f]	2017[f]	2015	2016				2017[f]			
					IV	I	II[f]	III[f]	IV[f]	I	II	III	IV
	Annual % change (unless indicated otherwise)				q-o-q%, seasonal adjusted (unless indicated otherwise)								
Private consumption	0.8	1.7	1.6	1.6	0.2	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Public consumption	0.8	1.3	1.4	1.0	0.6	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Gross fixed capital formation	1.3	2.7	2.5	3.0	1.3	0.5	0.5	0.6	0.6	0.8	0.8	0.8	0.8
Change in inventories[1]	0.0	0.0	-0.1	0.1	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Domestic demand	0.9	1.8	1.6	1.8	0.6	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.6
Exports	4.1	5.0	4.5	5.0	0.2	1.5	1.5	1.5	1.4	1.2	1.1	1.0	0.9
Imports	4.5	5.7	4.7	5.7	0.9	1.2	1.2	1.3	1.3	1.4	1.5	1.5	1.5
Net exports[1]	0.0	-0.1	0.1	-0.1	-0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-0.1
GDP	0.9	1.6	1.6	1.6	0.3	0.4	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Unemployment (% of labour force)	11.6	10.9	10.3	10.0	10.6	10.5	10.4	10.3	10.2	10.2	10.1	10.0	9.9
Compensation per employee, yoy	1.2	1.2	1.5	1.8	1.4	1.4	1.5	1.6	1.6	1.7	1.7	1.8	1.9
Consumer price (HICP), yoy	0.4	0.0	0.4	0.9	0.1	0.3	0.4	0.4	0.5	0.6	0.8	1.0	1.2
Current account balance (%GDP)	3.3	3.8	3.2	3.1									
3m interest rates (% per annum)	0.1	0.0	0.0	0.2	-0.1	-0.1	-0.1	0.0	0.1	0.2	0.2	0.2	0.3
10y Gvt bond yields (% p.a.)	2.0	1.2	1.3	1.6	1.2	1.2	1.3	1.3	1.3	1.4	1.5	1.6	1.7
ECB repo (end of period)	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1

This forecast was finished on 16 March 2016. – [f]EUREN forecast. – [1]Contribution to growth.

continue to weigh heavily on domestic demand, while exports could evolve according to a less optimistic path in the case of a stronger slowdown in major emerging market economies. The overall developments will finally depend upon the degree to which the alleged positive impact of the continuing monetary stimulus, the anticipated fiscal stimulus, the depreciating euro and relatively low oil prices will be able to counterbalance the prevailing significant downside risks.

Contact:
Roland Döhrn || doehrn@rwi-essen.de
Valentina Ferraris || vferarris@refricherche.it
Jana Juriová || juriova@infostat.sk
Katalin Nagy || katalin.nagy@kopint-tarki.hu
Ekaterini Tsouma || etsouma@kepe.gr
Klaus Weyerstraß || weyerstr@ihs.ac.at

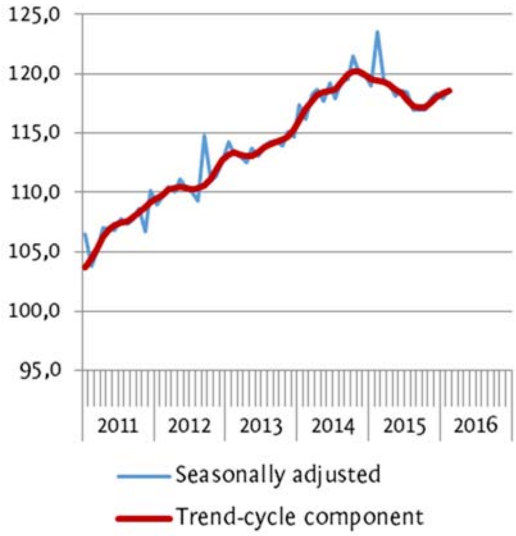
Impressum

The European Economic Network (EUREN) is a network of European economic research institutes, which was formed in 1999. Members of EUREN are:
- Centre d'Observation Economique et Recherche pour l'Expansion de l'Economie et le Developpement des Entreprises (Coe-Rexecode), Paris, France
- Centre of Planning and Economic Research (KEPE), Athens, Greece
- Centro de Predicción Económica (CEPREDE), Madrid, Spain
- Institut für Höhere Studien (IHS), Vienna, Austria
- Institute of Informatics and Statistics (INFOSTAT), Bratislava, Slovakia.
- Kopint-Tarki Economic Research Institute (Kopint-Tarki), Budapest, Hungary
- Oxford Economics, Oxford, United Kingdom
- Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Essen, Germany
- Ref Ricerche, Milan, Italy

RWI/ISL Container Throughput Index: For how long will it move upward?

After having reached a trough in the autumn of last year, the RWI/ISL container throughput index is showing a slight upward trend. However, January and February results are strongly influenced by Chinese New Year.-It is therefore better to look at the two months average, which is at the same level as the December index. Therefore the period of increasing world trade might already be over.

The index is based on data of 81 sea ports covering approximately 60% of worldwide container handling. The ports are continuously monitored by ISL as part of the institute's market analyses. Because a large part of international merchandise trade is transported by ship, the development of port handling is a good indicator for world trade. As many ports release information about their activities only two weeks after the end of the respective month, the RWI/ISL Container Throughput Index is a reliable early indicator for the activity of the global economy.



RWI/ISL calculations. 2010 = 100. November 2015: flash estimate.

Updated March 18th, 2016

The data can be downloaded at *http://en.rwi-essen.de/forschung-und-beratung/wachstum-konjunktur-oeffentliche-finanzen/projekte/containerumschlagindex/*

Contact: Roland Döhrn || doehrn@rwi-essen.de

Forecast of the EUREN/CEPREDE High Frequency Model

Last update: March 16th, 2016

	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	2015	2016	2017
Jan-15	1,1;*0,1*							1,3		
Feb-15	1,2;*0,3*	1,6;*0,7*	1,6;*0,3*					1,2		
Mar-15	1,4;*0,4*	1,7;*0,5*	1,7;*0,2*					1,3	1,5	
Apr-15	1,5;*0,5*	1,8;*0,6*	1,8;*0,3*					1,5	1,7	
May-15	1,5;*0,4*	1,7;*0,4*	1,9;*0,4*					1,6	1,7	
Jun-15	1,4;*0,5*	1,8;*0,6*	1,9;*0,4*					1,6	1,7	
Jul-15	1,5;*0,6*	1,9;*0,5*	2,0;0,4					1,5	1,7	
Sep-15	[1,5;*0,4*]	1,9;*0,7*	2,1;*0,5*					1,6	1,7	
Oct-15	[1,5;*0,4*]	1,8;*0,6*	2,0;*0,5*					1,7	1,6	
Nov-15	[1,5;*0,4*]	1,6;*0,3*	1,6;*0,4*	1,6;*0,6*	1,6;*0,2*			1,6	1,6	
Dec-15	[1,5;*0,4*]	[1,6;*0,4*]	1,6;*0,3*	1,6;*0,5*	1,6;*0,4*			1,5	1,6	
Jan-16	[1,5;*0,4*]	[1,6;*0,4*]	1,6;*0,4*	1,6;*0,5*	1,5;*0,3*	1,6;*0,5*	1,7;*0,5*	1,5	1,6	
Feb-16	[1,5;*0,4*]	[1,6;*0,4*]	1,5;*0,3*	1,3;*0,3*	1,3;*0,4*	1,7;*0,7*	1,9;*0,5*	1,5	1,6	1,7
Mar-16	[1,5;*0,4*]	[1,6;*0,4*]	[1,5;*0,3*]	1,3;*0,4*	1,3;*0,4*	1,6;*0,5*	1,8;*0,5*	1,5	1,5	1,6

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

The figures published recently by Eurostat were quite in line with the HFM previous forecasts. This seems to confirm that the Euro area economy is on a steady growth trend. Nevertheless, the outlook for 2016 was weakening in recent weeks, and most recent forecasts tend to show slight downward revisions, as it is the case of OECD last publication. Even if annual averages for 2016 were only revised slightly, the forecasts for the first quarters are significantly lower in the meantime. In fact, this downward revision is mainly driven by indicators more linked to expectations such as the Economic climate.

Contact: Julián Pérez || julian.perez@ceprede.es